Review of Mid-term Management Plan 2025

In 2021, NEC formulated and announced Mid-term Management Plan 2025, with fiscal 2026 as its final year, to support the realization of the Purpose set forth in the NEC Way and the achievement of NEC 2030VISION. Under Mid-term Management Plan 2025, NEC advanced corporate transformation aimed at maximizing corporate value by connecting its Purpose with strategy and culture. As a result, NEC achieved its targets for revenue, profit, and EBITDA growth. While the engagement score, which was established as a key performance indicator (KPI) in the area of culture, fell slightly short of the target of 50%, it improved to 48%, a level equivalent to the global top tier. Following the efforts to build a foundation for renewed growth between 2010 and 2015, the cultural transformation initiatives that have continued since 2016, and more than 15 years of management transformation, NEC reached an all-time high in market capitalization in fiscal 2026.

Today, NEC stands at the threshold of a new era defined by the widespread adoption and expansion of AI, representing a shift unlike anything experienced before. The challenge before us is how to respond to this profound change and how to emerge as a leader in this new environment.

Mid-term Management Targets

(Billions of yen)	FY2021 Results	FY2026 Targets	FY2026 Results
Revenue	2,994.0	3,560.0	3,582.7
Non-GAAP[1] operating profit	150.9	360.0	397.2
Margin (%)	5.0%	10.1%	11.1%
Non-GAAP[1] net profit	144.6	260.0	279.8
Margin (%)	4.8%	7.3%	7.8%

(Billions of yen)	FY2021 Results	FY2026 Targets	FY2026 Results
EBITDA[2]	295.8	485.0	530.2
Margin (%)	9.9%	13.6%	14.8%
ROIC[3]	4.7%	8.2%	9.1%
Engagement score	25%	50%	48%

1 Non-GAAP operating profit (loss) is an indicator for measuring underlying profitability. It is measured by deducting amortization of intangible assets recognized as a result of M&A, expenses for acquisition of companies (financial advisory fees and other fees), structural reform expenses, impairment losses, stock compensation and other one-time profits (losses) from operating profit (loss). Also, non-GAAP net profit (loss) is an indicator for measuring underlying profitability attributable to owners of the parent. It is measured by deducting adjustment items of profit (loss) before income taxes and corresponding amounts of tax and non-controlling interests from net profit (loss) attributable to owners of the parent.

2 EBITDA = Gross profit – SG&A expenses + Depreciation/ Amortization

3 ROIC = (Unadjusted operating income – Deemed corporate tax [30.5%]) ÷ (Term-end interest-bearing debt + Term-end net assets [including minority interest])

Realizing NEC's Purpose and implementing initiatives to maximize corporate value

Key Execution

Strategy

- **Progress of DX business**
  Launched the NEC BluStellar value creation model and positioned it as a growth driver
  Commercialized our in-house generative AI, cotomi, ahead of competitors
- **Redefining the new security domain as a priority business**
  Reform of the telecom services business
  Shifting resources to the defense business
  Strengthening the cybersecurity business
- **Strengthening international IT businesses**
  Promoting post-merger integration (PMI) and continuous improvement of the three European companies (SWS, KMD, and Avaloq)
  Avaloq achieved the Rule of 40
  Groundwork for U.S. business expansion through the acquisition of CSG
- **Strategic realignment of global 5G business**
  Revised business strategy in light of market changes
  Improved profitability through structural reform and shifted focus to the software business
- **Improving profitability of base businesses**
  Improving profitability in low-profit businesses through tighter management oversight
- **Simplification of Group structure**
  Restructuring of listed subsidiaries and dissolution of parent-child listings

Culture

- **Progress in people and cultural transformation**
  Introduction of job-based human resource management
  Strengthening diversity and increasing the proportion of female and non-Japanese executives
- **Corporate governance enhancement**
  Transition to a Company with a Nominating Committee, etc.
  Structural reform of the Board of Directors
  Change of corporate governance structure
- **Organizational transformation**
  Expedited decision-making by consolidating and flattening the organization
- **Sophistication of business management processes**
  Made changes in reportable segments
  Introduced non-GAAP metrics and cash ROIC as management evaluation indicators
- **Evolution of data-driven management**
  Execution of KFP (Management and Finance Renovation Project)
  Utilization of Company-wide KPI dashboards and management cockpits for decision-making
- **Providing value through "Client Zero"**
  Maximizing the use of advanced technologies by serving as the first customer

Ongoing Challenges

Strategy

- **Driving accelerated growth in the DGDF* business**
  Accelerate decision-making by the headquarters to Europe and improved top-line growth momentum
- **Enhancing North American businesses**
  Steady PMI progress at Netcracker and CSG

* Digital government / digital finance

Culture

- **Strengthening the talent portfolio in the AI era**
- **Reinforcing global Group governance**