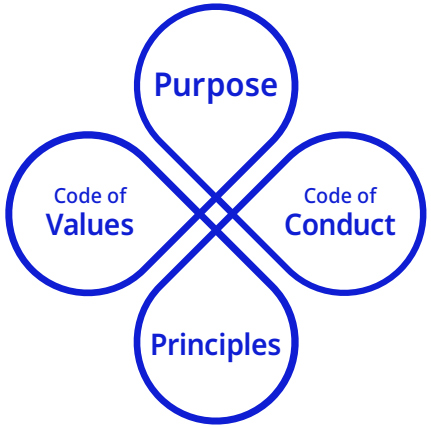
NEC Integrated Report
2026

NEC \Orchestrating a brighter world

NEC Way



Purpose

\Orchestrating a brighter world

NEC creates the social values of safety, security, fairness and efficiency
to promote a more sustainable world
where everyone has the chance to reach their full potential.

The NEC Way is a common set of values that form the basis for how the entire NEC Group conducts itself. Within the NEC Way, the “Purpose” and “Principles” represents why and how as a company we conduct business, whilst the “Code of Values” and “Code of Conduct” embodies the values and behaviors that all members of the NEC Group must demonstrate.
Putting the NEC Way into practice, we will create social value.

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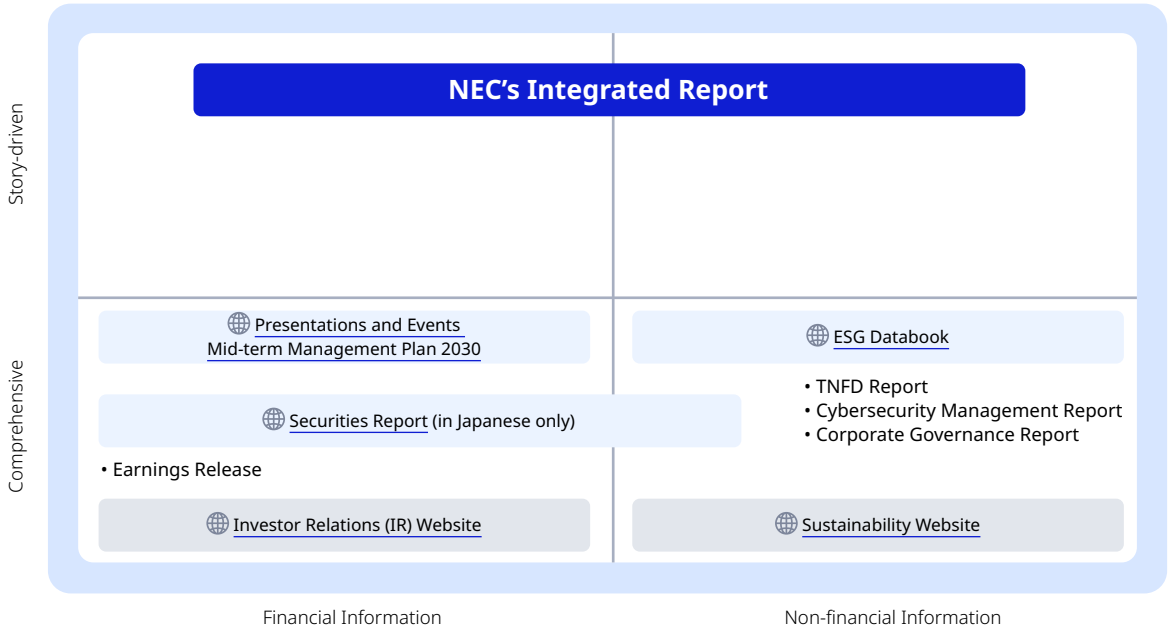
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Editorial Policy

NEC's Integrated Report

NEC has published annual reports containing both financial and non-financial information since 2013. Starting in 2018, upon having defined its "materiality," NEC changed the name of its annual report to "Integrated Report." NEC positions its integrated report as a web-based publication for investors, shareholders, and other stakeholders, and strives to present a compelling narrative that outlines the Company's strategies and initiatives for the ongoing creation of social value and the maximization of corporate value. At the same time, while maintaining a concise structure focused on providing a clear overview of the Company, the report also serves as a gateway that directs readers to appropriate media and websites for more detailed information that corresponds with their interests and concerns. NEC will keep endeavoring to provide increasingly transparent and continuous information while incorporating feedback from its stakeholders.



Key Points of NEC Integrated Report 2026

In May 2026, NEC announced Mid-term Management Plan 2030, which runs from fiscal 2027 to fiscal 2031. The principal objective of Integrated Report 2026 is to clearly communicate the value NEC aims to create under this new mid-term management plan. The report outlines NEC's approach from both financial and non-financial perspectives through a range of content, including its renewed value creation process and material issues, which were updated in conjunction with the formulation of the new plan, as well as the Message from the President, an overview of the strategies set forth in Mid-term Management Plan 2030, and discussions held by the Board of Directors leading up to the formulation of the plan.

Over the next five years, NEC is committed to driving further transformation. Through both data and narrative, this report illustrates the initiatives that will support that transformation.

Reporting Period

April 1, 2025 to March 31, 2026. This report also includes information obtained after this reporting period.

Scope of Report

NEC Corporation and its consolidated subsidiaries

Reference Guidelines

- ISO 26000
- GRI Standards
- United Nations Global Compact
- International Financial Reporting Standards (IFRS) Foundation's "International Integrated Reporting Framework"
- Japan's Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation"

WE SUPPORT UN GLOBAL COMPACT

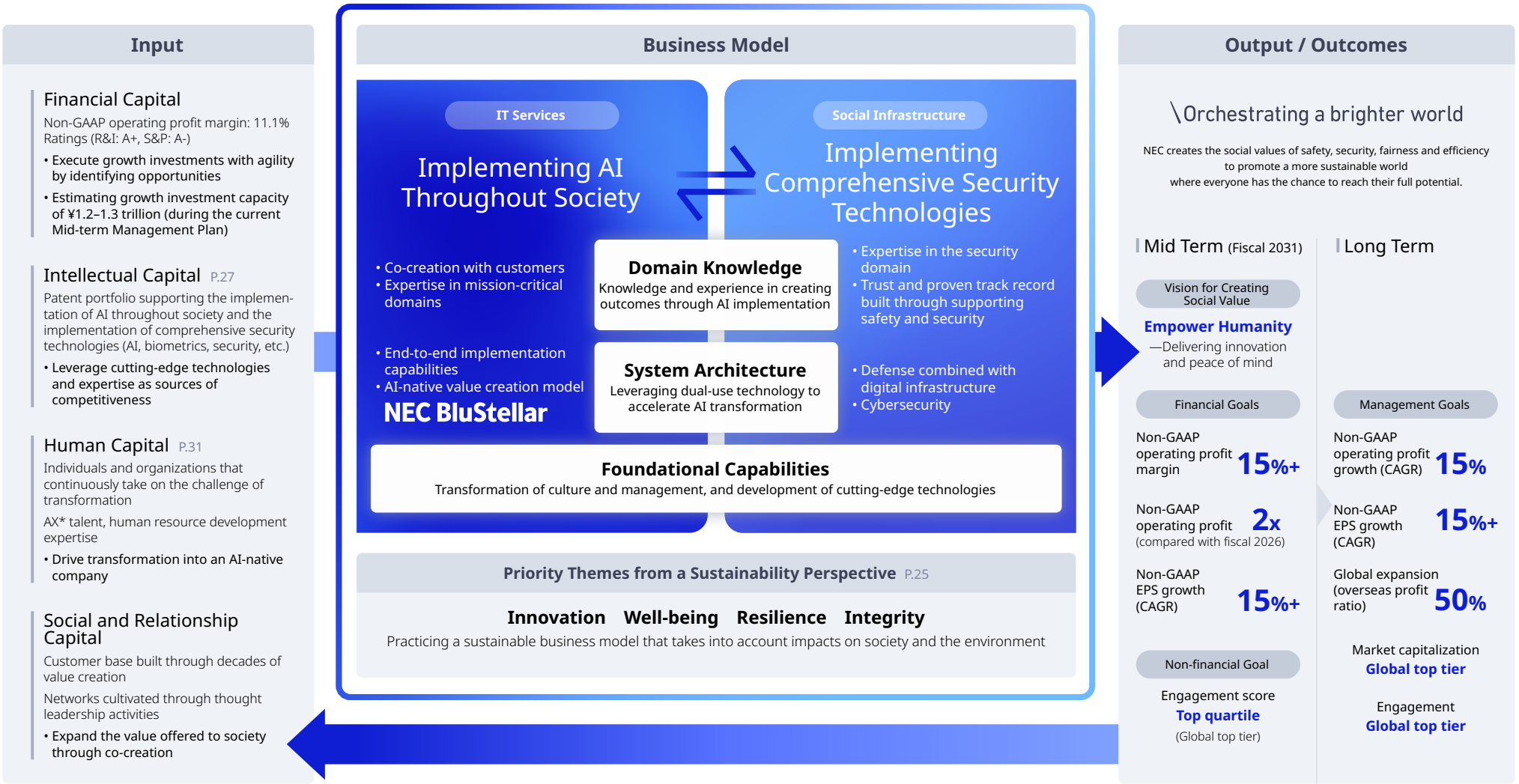
NEC is a signatory to the United Nations Global Compact.

Environment Social Governance Guidance for Collaborative Value Creation

Note:
- "Fiscal 2026" refers to the year ended March 31, 2026, with all other fiscal years referred to similarly.
- Due to the organizational restructuring implemented on April 1, 2026, NEC has revised the composition of its reporting segments. Prior segment results have been adjusted to reflect the new structure.
- In this report, "Non-GAAP operating profit (loss)" and "Non-GAAP net profit (loss)" are defined as follows:
  Non-GAAP operating profit (loss): 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).
  Non-GAAP net profit (loss): 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.

NEC's Value Creation Process

The AI industrial revolution is altering the very foundations of everything, leading to major evolutions in industrial structures and social systems. At the same time, instability in international cooperation and the malicious use of technology pose risks to our daily lives.
Against this backdrop, NEC will create social value by implementing "AI throughout society" and "comprehensive security technologies," advancing steadily toward the realization of its Purpose.



* AI transformation

NEC's History

Over 125 years of creating social value by responding to the needs of the times

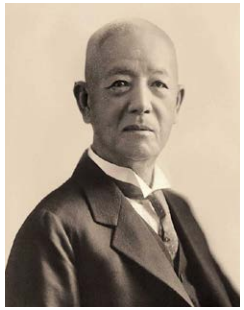
1899 The First Founding

"Better Products, Better Services"

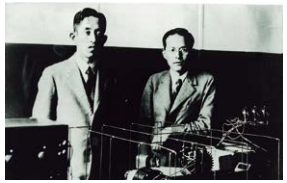
Since its founding in 1899, NEC has continued to refine its technologies under its founding spirit of "Better Products, Better Services," delivering a wide range of value to customers and society.

While NEC's businesses have evolved significantly over time, this spirit has been passed down as part of the Company's DNA and continues to serve as the driving force behind its efforts to deliver greater value to customers and society.

1899	Nippon Electric Company, Ltd. established
1928	Transmitted scenes of Imperial Accession Ceremony of Emperor Hirohito
1954	Began research into computers
1958	Developed the first domestically produced fully transistorized computer
1964	International satellite TV broadcasts of the Tokyo Olympics
1970	Japan's first satellite, Osumi, launched
1971	Fully automated postal sorting system deployed



Founder: Kunihiko Iwadare







1977 The Second Founding

Computers and Communications Vision Announced
Integration of Computers and Communications

In 1977, at the INTELCOM 77 international communications expo held in the United States, NEC introduced the concept of C&C, which refers to The Integration of Computers and Communications. At the time, the concept was regarded as highly visionary.

This marked a turning point for NEC, which evolved from a manufacturer of communications equipment and computers into a leading force in Japan's information and communications industry.

1982	The PC-9801 personal computer announced
1987	Started manufacturing optical submarine relay equipment
2002	The Earth Simulator, the world's fastest supercomputer system for resolving global environmental problems, completed
2007	Ultra-compact radio communications system PASOLINK secured top global market share
2009	Ranked No. 1 in face recognition*
2010	Asteroid explorer HAYABUSA successfully returned to Earth







* Ranked No. 1 multiple times in face recognition benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)

Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company. https://www.nec.com/en/global/solutions/biometrics/evaluation/index.html

2013 The Third Founding

Transformation into a Social Value Innovator

In 2013, building on the C&C concept, NEC redefined its role in society and declared its transformation into a "Social Value Innovator." By concentrating management resources on businesses that provide advanced social infrastructure through the use of information and communications technology (ICT), and by viewing the resolution of societal challenges as opportunities for growth, NEC set out to establish a new business model. The aspirations underlying this transformation are also reflected in our Purpose.

2015	Contributed to implementation of Japan's Individual Number System
2016	Biometrics solutions adopted in 70 countries
2019	Fully entered the drug discovery business using the latest AI technologies
2020	Contributed to the remarkable achievement of completing the HAYABUSA 2 mission
2021	Contributed to the safe and secure operation of the Tokyo 2020 Olympic and Paralympic Games
2023	Successfully achieved long-distance transmission at a world-leading 800 Gbps using an optical submarine cable
2023	Developed and launched cotomi, a generative AI service for the Japanese market





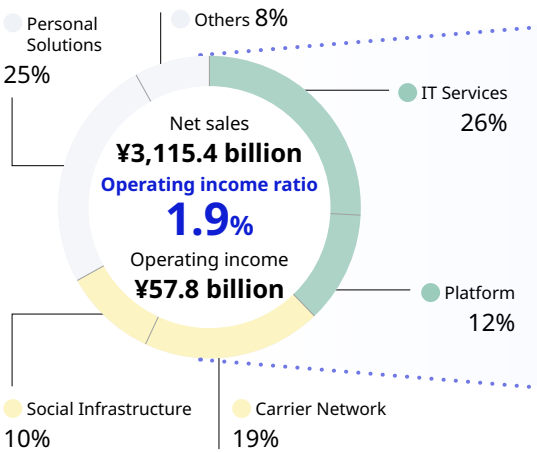
©JAXA



NEC's History

Maximizing Corporate Value Through More than 15 Years of Management Transformation

Fiscal 2011



Note: Based on Japanese GAAP

Main Business Acquisitions

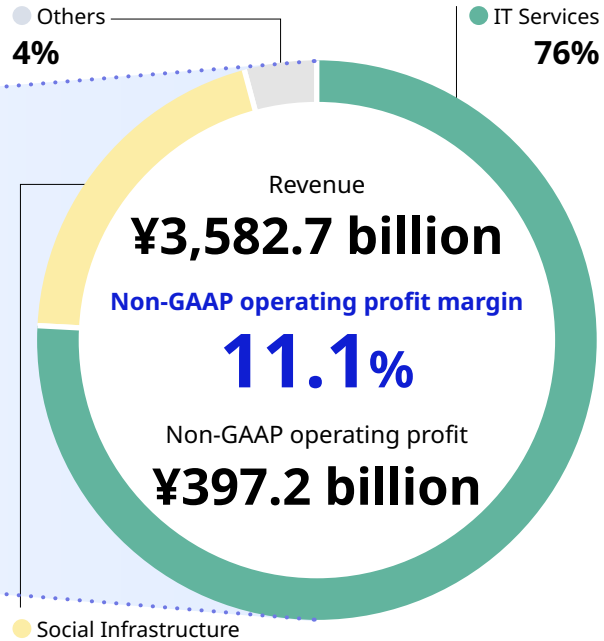
2018	Northgate Public Services Limited (now NEC Software Solutions UK Limited)	2020	Avaloq Group AG (Switzerland)
2019	KMD Holding A/S (Denmark)	2025	NEC Networks & System Integration Corporation (wholly owned subsidiary)

Main Sales and Withdrawals*

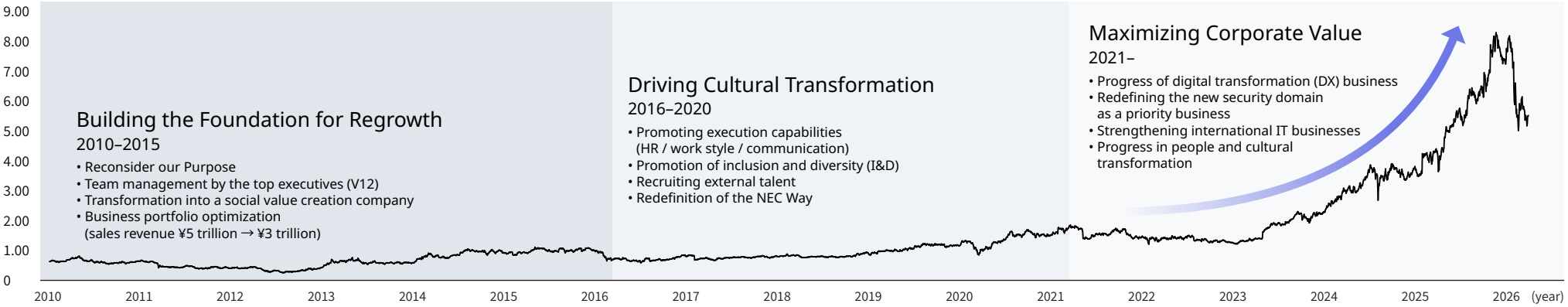
2010	Semiconductor business	2020	Display business
2011	PC business	2021	Energy business
2014	Internet service business (BIGLOBE)	2023	PASOLINK business
2016	Mobile phone business	2024	Japan Aviation Electronics Industry, Ltd.

* Main businesses that have been deconsolidated

Fiscal 2026



Market Capitalization (Trillions of yen)

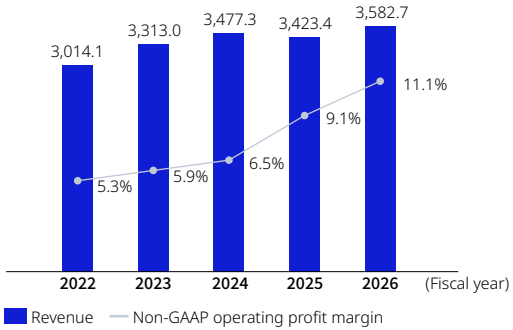


At a Glance

Leveraging its technologies and human resources, NEC has strengthened its capabilities in the fields of AI, security, and platform technologies. These strengths underpin NEC's distinctive and competitive businesses and support the value it delivers to society.

Business Performance

(Billions of yen)

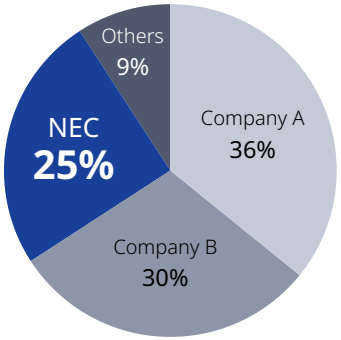


Biometric Authentication Solutions

Business operations in
approx. **50** countries
and regions worldwide

Deployed at
approx. **300**
airports worldwide

Market Share of Submarine Cables



Note: Based on NEC research for fiscal 2012 to fiscal 2025

ATLA's Central Procurement Contracts

(ATLA: Acquisition, Technology & Logistics Agency, Ministry of Defense)

Ranked **3rd*** (Fiscal 2023–Fiscal 2024)

Ranked **4th*** (Fiscal 2025–Fiscal 2026)

* Top share in the ICT field

AI

Biometric authentication
No. 1 in the world[1]

Machine learning
Number of papers accepted at leading international conferences[2]
Ranked 11th in the world

Security

Biometric authentication, video recognition, and analysis/ prescription AI[3]
Number of international patent applications
No. 1 in the world

Platform Technologies

Claude generative AI
Rolled out to approx. 30,000 people in the NEC Group

DX talent
13,492 in total
(as of March 31, 2026)

Holders of the CISSP[4] certification
Approx. 670
(as of March 31, 2026)

1 Ranked No. 1 multiple times in face recognition benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)
https://www.nec.com/en/global/solutions/biometrics/evaluation/index.html
Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.
2 NeurIPS, ICML, ECML-PKDD, KDD, ICDM.
3 Source: Patent Cooperation Treaty (PCT) data, as of October 2025 (NEC research)
4 Certified Information Systems Security Professional

Message from the President

Empower Humanity—Delivering Innovation and Peace of Mind

Takayuki Morita

President and CEO



Preface

When I was asked the question, “What is your dream?” on a television program, I replied, “To harness the power of technology to deliver innovation and peace of mind to the world.” The origin of those words goes back to a conversation I once had with employees about wanting to describe NEC in a way that the general public could easily understand. As a result of past structural reforms, NEC had divested many of its flagship businesses, and what we did as a company had become increasingly unclear to wider society. Only after more than a decade of corporate transformation have we finally reached a point where our identity can be expressed in a few simple words.

Looking back on our 127-year history, NEC has consistently delivered innovation and peace of mind to society by harnessing the most advanced technologies of each era. This legacy is also embodied in our Purpose: “NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.”

In May 2026, NEC formulated Mid-term Management Plan 2030. As part of this plan, we established our vision for creating social value, "Empower Humanity—Delivering innovation and peace of mind," which outlines where the Company aspires to be by 2030 and clarifies the role it should fulfill. AI is a powerful catalyst capable of transforming social systems, industrial structures, and even the human mind itself. As a company that brings these technologies to customers, we place respect for humanity at the center of all our actions and aspire to maximize human potential, which is what the phrase "Empower Humanity" means to us.

In this message, I would like to focus primarily on the thinking behind this new mid-term management plan. I invite our stakeholders to read on and gain a deeper understanding of NEC today and the direction we are taking for the future.

Reflecting on Our Corporate Transformation

Recently, we have seen a growing number of investors tell us that they have invested in NEC for the first time, or for the first time in many years. To help those stakeholders better understand who we are, I would like to begin by looking back on how NEC has changed through its journey of corporate transformation and how we ultimately achieved record-high profits.

In fiscal 2026, NEC recorded consolidated revenue of approximately ¥3.6 trillion, non-GAAP operating profit of ¥397.2 billion, the highest in its history, and a non-GAAP operating profit ratio of 11.1%, achieving the key targets set out in Mid-term Management Plan 2025. If we turn the clock back to fiscal 2010, when revenue was at a similar level, operating profit was only around ¥50 billion. Siloed organizations pursued their own priorities, resisted change, and placed profit creation and business transformation second. The Company fell into losses, suffered compliance incidents, and in 2012 its share price fell below par value. Corporate value dropped below ¥300 billion, and as the executive officer responsible for corporate strategy at the time, I remember feeling that the Company might not survive another day.

I was involved in the difficult task of letting go of a number of businesses during that period. However, streamlining alone could not restore NEC to growth. We needed to change the very foundations of management. Twelve executives, including the President, gathered regularly on weekends to engage in fundamental discussions, even questioning whether NEC deserved to continue to exist as a company. In 2013, we committed ourselves to a fresh start as a "Social Value Innovator." We reduced our workforce by 10,000 employees and narrowed our business focus. By fiscal 2016, revenue had fallen sharply to ¥2.8 trillion, but operating profit had recovered to ¥100 billion and the operating profit ratio to 3.8%. We had finally reached a point where we could generate profits consistently, and confidence began to grow among management.

That confidence, however, turned out to be an illusion. In the first year of the following mid-term management plan, profit came in at only half of the ¥140 billion target. We lacked execution capability, and employees had little trust in management. In reality, it was only the management team that believed we had changed. We withdrew the plan after the first year and carried out structural reform while remaining profitable. Under the reformulated Mid-term Management Plan 2020, we invited external talent into executive positions and introduced values-based elements into personnel evaluations, bringing transformation to our corporate culture as well. I became CFO despite having no direct experience in the day-to-day operations of NEC's finance function, and we rebuilt the Company around the principle of maximizing long-term corporate value. Only after these efforts did employees begin to recognize that management was truly serious about change.

Looking Back on Mid-term Management Plan 2025

In 2021, the same year we achieved the goals set out in a mid-term management plan for the first time in our history, I assumed the role of President and announced Mid-term Management Plan 2025. The following day our share price fell sharply. The market simply did not believe we could achieve our target of doubling profits. After repeatedly failing to deliver on commitments in the past, the level of trust placed in us was still limited.

Under Mid-term Management Plan 2025, we pursued transformation through two pillars: strategy and culture, in pursuit of our Purpose. On the strategy side, we reorganized our operations around the IT Services and Social Infrastructure businesses, established NEC BluStellar as a value creation model, flattened the organization, advanced data-driven management, shifted assets toward growth areas, and evolved Group management. On the culture side, we promoted a mindset of continuous change, emphasized profitability, embedded the concept of "Client Zero," under which we provide customers with insights gained from applying technology to our own work, advanced diversity initiatives, introduced a job-based human resource management system, and reinforced our principle of integrity.

As transformation progressed, I could feel our performance gaining momentum. We addressed underperforming businesses one by one and thoroughly strengthened our management infrastructure to realize management based on data and facts. Through a management approach that consistently delivered on its commitments, trust between management and employees deepened and execution capabilities improved. As a result, we not only achieved the ambitious targets that the market had once dismissed as unattainable but were also able to raise those targets and still deliver on them.

At a CEO town hall meeting following the achievement of the plan's targets, I thanked employees for their efforts, noting that NEC had achieved a double-digit operating profit ratio for the first time in its history and that, as someone who had witnessed the Company's difficult past firsthand, I wanted everyone to take pride in what we had accomplished together. But the moment we become satisfied with where we are, we begin to fall behind. What matters most is the message I have repeated throughout our journey of transformation: The one thing that will never change is our commitment to change.

The Vision Behind Mid-term Management Plan 2030

Under Mid-term Management Plan 2030, NEC aims to be recognized globally as a company that can be trusted to implement AI throughout society. In Japan, we will continue to operate across a broad range of business domains, while in other regions we will further strengthen our competitiveness in the areas where NEC already excels. Through these efforts, we will build the profitability (a non-GAAP operating profit ratio of 15% or more), growth potential, and financial and cultural soundness required to stand alongside global top-tier companies.

There are countless challenges that must be addressed in implementing AI throughout society. AI-enabled processes must be adapted to a wide range of rules, regulations, and tacit knowledge. Data must be prepared and environments established in which AI can be used efficiently within secure cloud infrastructure. Plans must be developed with return on investment in mind. Governance frameworks must be put in place on the assumption that AI will make mistakes, encompassing guardrails, regulatory compliance, and intellectual property protection. Proprietary data and company-specific business processes must be integrated and standardized. And all of this must be kept continuously up to date.

The sheer amount of coordination required is staggering, making it easy to imagine just how challenging the implementation of AI throughout society will be. This is especially true for Japanese companies, many of which have limited in-house engineering resources and relatively low labor mobility, making it difficult for them to address these issues on their own. Can we really just hand over a cutting-edge AI model and expect all of these complexities to be dealt with, while still taking responsibility for the final outcome? I do not believe that will be the case. Rather than hyperscalers taking all the value created by the AI industrial revolution, I believe an ecosystem will emerge in which companies contribute value in their areas of expertise and deliver that value together.

Why, then, can NEC emerge as one of the winners in this environment? The answer lies in the strengths we have cultivated over many years: consulting capabilities built on a deep understanding of a wide range of industries; R&D capabilities and implementation expertise that enable both the in-house development of AI models and the effective use of the world's leading models; extensive knowledge, experience, and operational capabilities in delivering solutions; and a commitment to taking responsibility for outcomes. Backed by these strengths, our role is to serve as a true partner in implementing AI throughout society. That is why so many global partners, including Anthropic, Microsoft, Amazon Web Services, Google Cloud, SAP, and ServiceNow, have chosen to work closely with NEC.

The Future of the IT Services Business

To fulfill this role, we must accelerate the evolution of our business structure ahead of the changes reshaping the IT services industry. Beginning in 2026, we will integrate NEC Solution Innovators, Ltd., which has served as the core of the Group's system development capabilities, into NEC. We will drive dramatic improvements in efficiency through AI, seamlessly connecting the Group's capabilities from consulting to development, implementation, and operations, while building a value delivery framework that incorporates security from the outset. We have already begun building our know-how through initiatives such as AI-native development teams led by our top young engineers, which are achieving remarkable levels of productivity.

To take full advantage of the technologies being advanced through the massive investments of our global partners, we will further expand our strategic alliances. Rather than relying on any single model, we will apply the right model to the right use case to optimize performance and outcomes. In some cases, this may involve customizing lightweight models that can run on modest computing resources. The ability to leverage a wide range of AI models, develop our own, and enhance them ourselves is a source of genuine competitive advantage.

We have also entered into a global alliance with Anthropic, one of only a handful of companies worldwide with which it has established such a relationship. Through this alliance, we will work closely together in areas including early access to advanced technologies, priority support, and talent development. We will also pursue the joint development of industry-specific models for customers, beginning with the financial services sector.

Within NEC, we have determined that Claude currently offers a clear advantage in coding and system development, and are standardizing its use to strengthen employee skills and expertise. We will also leverage Claude Mythos Preview, Anthropic's cybersecurity-focused AI model that is not publicly available, in NEC's own cybersecurity operations to further deepen our knowledge and experience.

The value of advanced technologies developed by NEC and our global partners is first validated through our "Client Zero" approach, under which we build practical experience and accumulate lessons from applying these technologies to our own work before delivering them to customers. The insights gained through experimentation within an organization of NEC's scale provide our partners with practical and highly specific insights as well. This, in turn, deepens collaboration and further enhances the value we deliver to customers.

One of the most notable examples of this "Client Zero" approach is the creation of the Corporate AI & Workforce Division, a department with no human employees in which 30 named AI agents perform every role, from department head to frontline employee. It represents a new approach to organizational and operational design in which AI is treated as a management asset alongside people and capital, contributing to the maximization of corporate value. Both the successes and the failures we experience through this initiative will help drive growth for NEC and for our customers.

The Future of the Social Infrastructure Business

In June 2026, I was in attendance at 10 Downing Street in London when the prime ministers of Japan and the United Kingdom exchanged a firm handshake. On that occasion, NEC agreed to collaborate with BAE Systems plc, a leading U.K. defense company, in the field of cybersecurity. Recently, we have been receiving a growing number of requests to participate in important opportunities in the security domain. I sense an expectation at the national level that NEC can be entrusted with helping to safeguard the safety and security of society.

Advances in technology and changes in the global environment have broadened the definition of security. Submarine cables, satellites and outer space, and next-generation communications infrastructure are now part of that landscape. Cybersecurity, in particular, has become more important than ever. NEC is one of only a few companies in the world that boasts such a broad range of technologies relevant to the security domain. I have no doubt that our contributions in this area will continue to expand.

Digital infrastructure, including power, communications, and transportation systems that serve as the lifelines of modern society, has increasingly become a primary target of cyberattacks. Many of today's attacks are also powered by AI, making deep expertise in this area indispensable. Drawing on our experience in developing and using AI, as well as defending against attacks on our own systems, NEC provides CyIOC, a service that delivers highly efficient and highly accurate cyber defense. We are also expanding globally a cyber monitoring and analysis center, first launched in Japan in 2025, that is benchmarked against the rigorous standards observed by U.S. government agencies. Services such as vulnerability assessments that identify the critical 1% of threats hidden among thousands of potential security gaps, 24/7

threat monitoring, patch management, and incident response will become increasingly essential for a broad range of customers.

NEC has long supported the defense of Japan through advanced technologies such as wireless communications, sensors, and sonar. Many of these technologies cannot easily be replicated by others and represent a significant competitive advantage. With an eye on expanding defense budgets, we will continue to strengthen the development, supply, and operational capabilities required to deliver advanced technologies in a reliable and responsible manner.

Submarine cables, which carry more than 99% of international communications traffic, are critical infrastructure for economic security in the age of the AI industrial revolution. This is an area of intense interest to countries around the world and one that is highly significant to Japan's ability to contribute internationally. As one of the world's top three players in this field, NEC is now well positioned to expand profits through continued project wins and improved contract terms. Working closely with the Japanese government, we will continue to strengthen our ability to execute in this business.

Our Role amid a Shifting Geopolitical Landscape

Today, no company can discuss its business without taking geopolitics into account. In addition to the supply chain issues we have faced in recent years, we are now confronted with a new set of issues centered on digital technologies. Digital infrastructure underpins modern society. At its core is AI, which is beginning to drive societal transformation, while security protects both that infrastructure and society at large. As these elements become increasingly essential to the future of industry and society, they are also becoming part of the broader domains of defense and economic security, making geopolitical developments ever more consequential.

The demands arising from this environment closely overlap with NEC's entire business portfolio, extending beyond Social Infrastructure to include IT Services. While these changes are the product of broader shifts in the world around us, NEC is uniquely positioned to leverage the strengths of these two business pillars. Rather than viewing geopolitical risk simply as a threat, we see it as an opportunity to deliver new value. By helping customers and society address the challenges they face, we will continue to fulfill a role that only NEC can play.

Our Approach to Global Growth

Currently, approximately 80% of NEC's profits are generated in Japan. Yet Japan's GDP is expected to continue shrinking, while digital technologies know no borders. If we cannot compete globally, we cannot expect to remain competitive even in Japan. From that perspective, the current balance is not sustainable. For NEC to achieve sustainable growth, I believe a healthy long-term profile is one in which more than half of our profits are generated outside Japan.

To make this a reality, we will continue to strengthen business strategies aimed at building globally competitive strengths. In the United States, NetCracker Technology Corporation (Netcracker) and CSG Systems International, Inc. (CSG) provide business systems for telecommunications operators and cable and broadband providers. In Europe, Avaloq Group Ltd. (Avaloq) has established a strong position in core banking systems for the wealth management sector, while NEC Software Solutions UK Limited (SWS) and KMD A/S (KMD) have done the same in the government sector. In each case, deep domain expertise and a thorough understanding of customer needs have enabled these businesses to establish themselves as trusted and indispensable partners.

Our Approach to Growth Investments

As a business leader, I believe in maximizing corporate value by sustaining business growth in markets with abundant opportunities while generating returns above the cost of capital. In allocating resources, I remain guided by a policy I have held since my days as CFO: maximizing long-term profit while optimizing short-term profit. We will give top priority to deepening our presence in areas where we possess distinctive strengths while expanding into adjacent domains, and will continually evaluate a wide range of options, including M&A and capital investment.

I view return on equity (ROE) and return on invested capital (ROIC) as measures of the outcome of business growth rather than the objective itself. Because both metrics can be improved by managing the denominator, there is always a risk that making them the primary target could create a temptation toward contraction rather than growth. In managing NEC, I believe our highest priority must be to actively pursue opportunities for business growth and enhance corporate value.

Building the Foundation for Social Value Creation

Finally, I would like to touch on a number of elements that are essential to the NEC Group's ability to create and deliver social value.

R&D as a Source of Value Creation

Each year, we hold a week-long in-house event called Open House, where researchers from our three R&D hubs in Japan, the United States, and Europe showcase their latest achievements. Interacting with researchers from diverse backgrounds and fields of expertise is always stimulating. It is here that I learn about breakthroughs such as NEC's AI achieving world-leading performance that surpasses human capabilities, or research initiatives that are the first of their kind in Japan and among the most advanced in the world. These exchanges invariably spark new ideas, and I often joke that I would like to join their team myself and can contribute ideas all day long. Behind the joke, however, I am serious about giving feedback. The purpose of R&D is not simply to advance technology. Its purpose is to deliver tangible value to society, namely innovation and peace of mind. We will continue to make the investments required and pursue even the most challenging R&D initiatives with determination.

One research theme that exemplifies the strengths of NEC's portfolio is dual-use technologies. These technologies enable us to leverage common technologies across both the Social Infrastructure and IT Services businesses, while also helping to optimize development costs. If we can apply the technologies that underpin social infrastructure across a broad range of industries, we can deliver value that is unique to NEC. Cybersecurity is a prime example. Over the past decade, our approach to design and development has increasingly been shaped by a dual-use perspective.

Pursuing the Optimal Form of Corporate Governance

In 2021, when I first began engaging with overseas investors in my capacity as CEO, I received some blunt feedback. An investor told me that they viewed NEC's corporate governance as a weak point. I myself felt that the Board of Directors was not devoting enough discussion to improving corporate value, and I decided that a fundamental review of our corporate governance system

was necessary to enhance the quality of management. Since transitioning to a Company with a Nominating Committee, etc. in 2023, the Board has focused on discussions aimed at enhancing corporate value over the medium to long term, as well as on monitoring execution. As a result, the time devoted to discussing important management issues has increased significantly. At the same time, greater delegation of authority has enabled the execution side to make decisions and act more quickly.

That said, I believe the substance of a company's corporate governance is 100 times more important than the organizational structure itself. The real question is who we ask to serve as outside directors, and how we ensure that they are genuinely committed and develop a deep understanding of NEC. When I identify candidates I believe are right for the role, I meet with them personally to explain what kind of company I want NEC to become, how I view the separation of oversight and execution, and what I expect from a monitoring board and strategic discussions. I then ask them directly to help us drive this transformation.

In fiscal 2027, outside directors account for 70% of the Board, including three non-Japanese directors and two female directors. We are fortunate to benefit from the contributions of individuals with diverse backgrounds and a wealth of experience. In operating the Board, we strive to foster substantive discussions by helping directors deepen their understanding of NEC's past, present, and future, while also clearly communicating how we expect them to contribute to the Company's success.

The Importance of Profit and Integrity

There was once a belief within NEC that it was undesirable to earn substantial profits from customers. I take a different view. I believe profit is a measure of the value society places on what we do, and that being highly profitable is something to be proud of. Those profits can then be reinvested in R&D and business growth, enabling the creation of even greater social value. To instill this mindset throughout the Company, I speak about it regularly with employees whenever the opportunity arises, including in town halls and other forums for dialogue.

However, this does not mean we can do whatever we like in the name of profit. Over its 127-year history, NEC has earned the trust of customers and society, but there have also been serious incidents in our past that severely damaged that trust. Actions that betray trust can threaten the very survival of a company. Regaining that trust requires an extraordinary amount of time and effort, and even then, the scars never fully disappear. To ensure that we never betray that trust again, I ask every employee to uphold the value of integrity. This means doing what you believe is right and questioning what you believe is wrong. I encourage employees to speak up whenever they have concerns, and I have made a firm commitment to them that I will always listen to them at such times.

Creating Value Through the Transformation of People and Culture

When I was serving as CFO, a European investor asked me a question I had never expected to hear: whether NEC's employees were happy. The question caught me off guard, but I eventually realized that it reflected the investor's belief, shaped by many years of experience, that employee well-being ultimately translates into corporate value and business growth.

In 2016, we conducted our first employee engagement survey as a way of quantitatively measuring such factors as employee motivation and their sense of connection to the Company. The result was 19%, placing NEC among the lower tier of Japanese companies and near the bottom globally. I was shocked by how low the score was. Under Mid-term Management Plan 2025, we set a target of improving the engagement score to 50%. We worked to deepen mutual understanding between management and employees, took on the challenge of transformation together, and shared in its achievements. By the final year of the plan, the score had improved to 48%, placing NEC among the top 20% of Japanese companies and roughly the top quartile globally. While we fell short of our target, the result reflects more than a decade of sincere efforts to improve employee well-being.

Looking ahead, I want to place greater emphasis on the quality of engagement than on the numbers themselves. We want employees to approach change with an open mind, continually update their perspectives, and turn those perspectives into action. Through this process, NEC will continue to evolve and contribute to changing society. We will continue advancing the transformation of our people and culture to create value. At the same time, while maintaining engagement levels within the global top quartile, we will continue to identify and close the gap between where NEC is today and where we aspire to be.

Honestly, I do not know the answer to the investor's question about whether NEC's employees are happy. However, if happiness at work comes from believing that one's work creates value for society, then I believe the answer lies in the fact that our work is needed now more than ever. I also believe that our current performance is the result of a growing number of employees who identify with NEC, take pride in their work, and find a sense of purpose and fulfillment in what they do.

Final Remarks

As I noted at the outset, NEC has embraced the vision of "Empower Humanity—Delivering innovation and peace of mind" as it advances its efforts to create social value. In this era of profound change, it is essential that we continue to earn society's trust and support. To that end, we are also actively engaged in thought leadership activities to communicate our beliefs and our approach as a company.

One particularly valuable opportunity each year is the World Economic Forum Annual Meeting in Davos, Switzerland. In 2026, I participated in a panel discussion under the theme of "Japan's Turn," exploring Japan's role in the age of AI and amid a changing landscape of international cooperation. During the discussion, I remarked that Japan can contribute to preserving a peaceful world by sharing the benefits of technology with people around the globe. After the session, former Australian Prime Minister Dr. Kevin Rudd, who joined me on the panel, approached me and said, "I have high expectations for Japan."

NEC is a Japanese company capable of bringing advanced technologies to society in a trustworthy manner. By advancing our business activities, we are also helping to strengthen Japan's contribution to the international community. To fulfill that role and continue delivering innovation and peace of mind to the world, we must continue to act and continue to deliver results. That is why the one thing that will never change is our commitment to change.

I sincerely hope that our stakeholders will share our confidence in the future and join us on our journey of creating social value for many years to come.

October 2026



President and CEO

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**

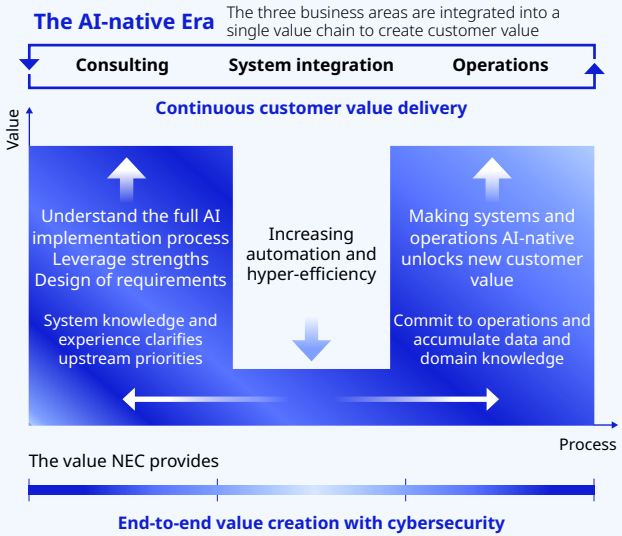
Business Environment

Innovations in AI and shifts in the security environment are fundamentally transforming the global order, creating both threats and opportunities

Structural Changes in the IT Services Market Driven by the Evolution of AI

As the AI industrial revolution gains momentum, new applications, platforms, and ultimately new forms of society and industry built around AI are expected to emerge, creating a global market exceeding ¥45 trillion in scale. Amid such profound changes in the market environment, competitive polarization among companies is expected to accelerate.

In the IT services market, structural changes are anticipated, including the automation and greater efficiency of system development, the expansion of in-house development, lower vendor switching costs, and increased risks stemming from the growing adoption of AI and the resulting ambiguity in operational accountability. The market has traditionally been divided into three distinct domains, namely consulting, system integration, and operations, each of which evolved as a separate market. In the AI-native era, however, companies that can seamlessly connect these domains and deliver end-to-end value, from requirements definition grounded in a deep understanding of the entire AI implementation life cycle to the creation of customer value (outcomes) will enhance their competitive position.



Broadening the Security Landscape Driven by Persistent Geopolitical Tensions and Innovations in AI

As strains on international cooperation and the malicious use of technology increasingly threaten everyday life, the distinction between peacetime and contingencies becomes increasingly blurred. Against this backdrop, civilian and defense technologies and markets are converging, and the importance of digital infrastructure continues to grow, broadening the scope of security. This expansion extends beyond growing defense budgets and the broader application of defense technologies for civilian use. It also reflects expanding business opportunities across the broader security domain, including economic security and cybersecurity. The need to ensure the safety and reliability of critical digital infrastructure is becoming increasingly important. At the same time, as cyberattacks become more sophisticated, the value of strengthening cybersecurity to protect social systems will continue to grow.

What It Takes to Win amid Structural Change

To emerge as a winner amid the profound changes reshaping industrial structures and social systems, companies must be able to make outcomes tangible by combining three essential elements: domain knowledge that enables decision-making and sustained value delivery, a system architecture designed to deliver customer outcomes, and foundational capabilities that create value in the AI-native era. How NEC acquires and strengthens these capabilities is a key focus of Mid-term Management Plan 2030.

Domain Knowledge
Drives decision-making and sustained value delivery
- Industrial knowledge
- Cross-industry knowledge

System Architecture
Designed to deliver customer outcomes
- AI governance
- AI platform
- AI-ready data preparation
- Cloud IT infrastructure with security

Foundational Capabilities
Create value in the AI-native era
- Cutting-edge AI technology
- Dual-use technology* development
- AI-native processes and culture
- Partnerships

* Dual-use technology: Technology that may be used for both civilian and security purposes

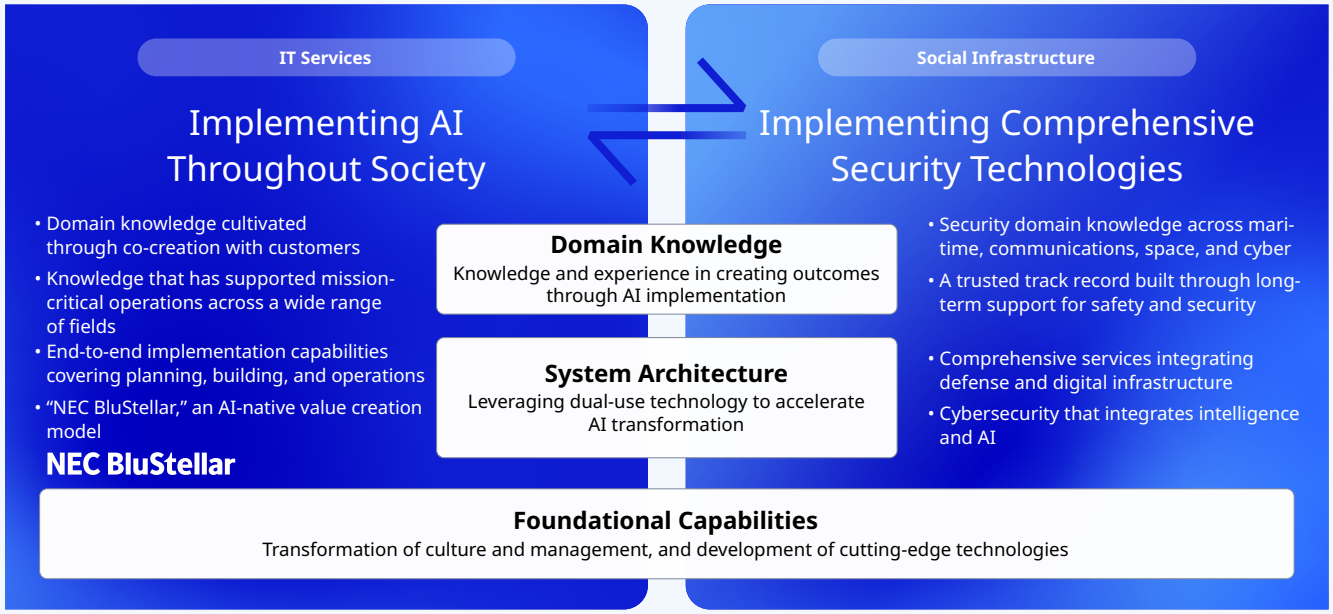
NEC's Strategies and Targets

NEC combines the implementation of AI throughout society (IT Services) with the implementation of comprehensive security technologies (Social Infrastructure). Through these capabilities, the Company will create a mutually reinforcing cycle that drives growth.

For more than 120 years, NEC has supported the social and business infrastructure on which society depends. The trust it has built, together with its domain knowledge and end-to-end implementation capabilities, represents its greatest competitive advantage in implementing AI throughout society. In the security domain, NEC will continue to play a role in protecting Japan's infrastructure and contribute to global safety and security by leveraging the trust and track record it has established across a broad range of security-related fields, including submarine cables, communications, space, and cyber. The cutting-edge cybersecurity technologies and mission-critical system development technologies and expertise cultivated across these two business domains can also be applied across both fields, creating synergies that further strengthen the competitiveness of NEC.

NEC will also continue to advance the transformation of its culture and management foundation. In addition to fostering a corporate culture that empowers strong individuals and organizations capable of continuous change, the Company will further evolve Group management through appropriate delegation of authority, and will enhance and strengthen headquarters functions. Through these efforts, we will accelerate our transformation into an AI-native company.

By executing these strategies, NEC aims to achieve sustained profit growth and has set becoming a global top-tier company as its long-term management objective. As a key milestone toward achieving this goal, Mid-term Management Plan 2030 targets a non-GAAP operating profit margin of 15% or more on a pro forma basis, resulting in a doubling of non-GAAP operating profit compared with fiscal 2026. As a non-financial target, NEC aims to achieve an engagement score at the top quartile level globally (global top tier), and will continue its efforts toward achieving that goal.



Fiscal 2031 Mid-term Management Goals

Financial Goals[1] (Pro forma basis)	Non-GAAP operating profit margin	Non-GAAP operating profit	Non-GAAP EPS growth (CAGR)
	15%+	**2x** (compared with fiscal 2026)	**15%+**

Non-financial Goals	Engagement score
	Top quartile[2] (Global top tier)

Long-term Management Goals

Non-GAAP operating profit growth (CAGR)	Non-GAAP EPS growth (CAGR)	Global expansion (overseas profit ratio)
15%	**15%+**	**50%**

Market capitalization	Engagement
Global top tier	**Global top tier**

1 Sales CAGR 3%+ ÷ Gross profit margin 3%+ improvement ÷ SG&A 3% improvement
2 Transitioning to Qualtrics survey from fiscal 2027

Advancing AI Transformation Through NEC BluStellar

NEC BluStellar will be the key to implementing AI throughout society under Mid-term Management Plan 2030.

To date, NEC BluStellar has been deployed as a value creation model for DX. Going forward, the Company will accelerate customers' AI transformation (AX) by embedding AI across all aspects of NEC BluStellar, including business models, technology, organizations, and human resources.

Business Model: Scenario-based Approach

For NEC BluStellar Scenarios, which have been developed as standardized approaches covering the entire journey from strategy development to implementation to address customers' management challenges, NEC will embed AI into every scenario. By doing so, NEC will enable the rapid automation of sophisticated tasks and the expansion of functionality.

Technology: AI Platform Service

The cutting-edge AI and security technologies that support NEC BluStellar's business model will be integrated into AI Platform Services, providing a full stack of services that customers need to become AI-native. These services cover the capabilities required for AI implementation from the application layer through the infrastructure layer.

Advancing Management Sophistication

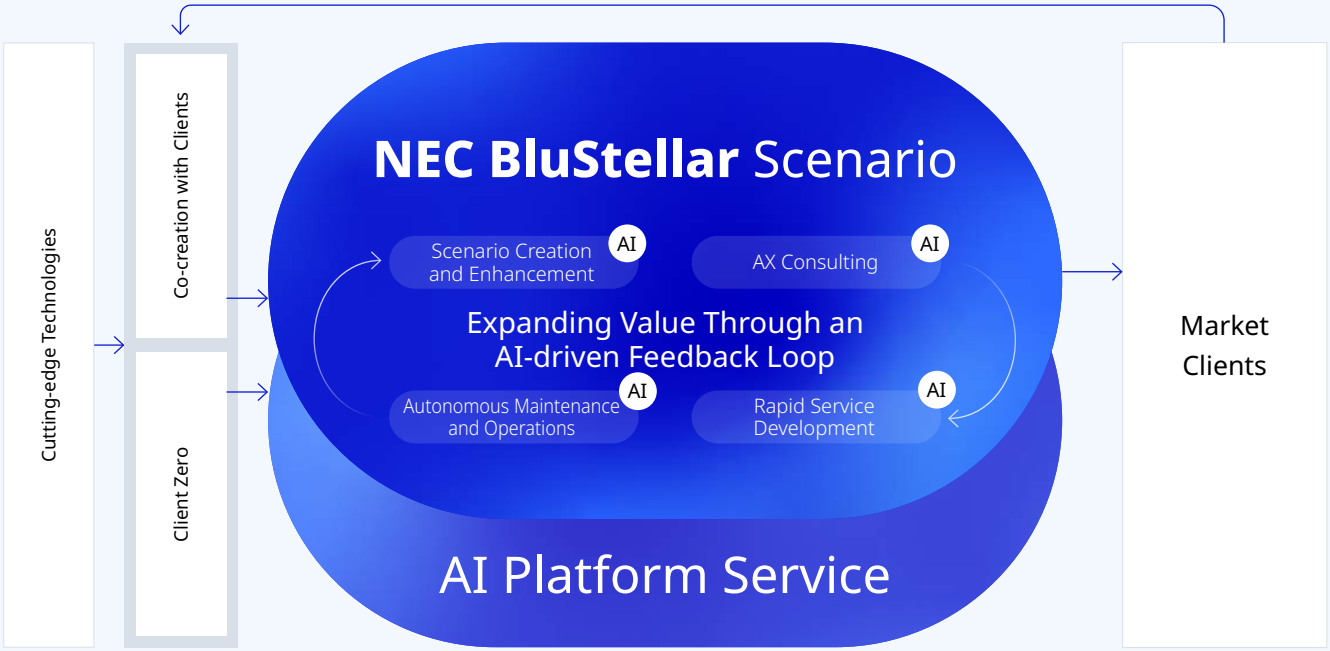
Creating new customer value through the AX of NEC BluStellar Scenarios

Evolving Competitiveness

Accelerating the realization of customer value through AX consulting and rapid service development

Expanding Reach

Making AX available to customers nationwide by expanding AX across the NEC Group



Organization and Human Resources: AI-native Organizational and Talent Transformation

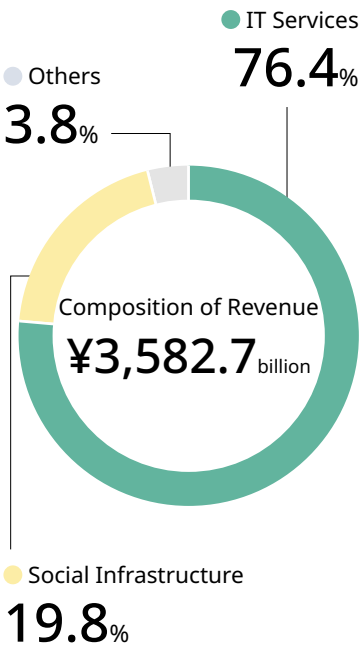
In an AI-native society, where AI is embedded across all business activities and its use becomes commonplace, reskilling employees into AX talent capable of creating value together with AI is essential. By leveraging the expertise developed through NEC BluStellar Academy, NEC's talent development program, NEC will reskill all NEC Group employees as AX talent and reallocate them to growth and new businesses, thereby supporting further business expansion.

In addition, NEC will extend the practical know-how gained through its own AX talent development initiatives to customers, helping them develop AX talent and build AI-native organizations.

	DX Evolution Phase	Transition to AX (FY2027 onward) NEC BluStellar 2
Business Model	Scenarios that package the key success factors for DX	AX across all approx. **30** NEC BluStellar Scenarios
Technology	Competitive advantages driven by AI and security	More than **100** capabilities provided through AI Platform Services
Organization and Human Resources	Numerous professionals and partners with experience in co-creating solutions for clients' management challenges (10,000 consultants / 12,000 DX talent)	Shift from DX talent to **AX** talent Strengthen global alliances

Main Business Overview: IT Services and Social Infrastructure

The NEC Group conducts its business activities with IT Services and Social Infrastructure as its main business segments.



Note: Due to the organizational restructuring implemented on April 1, 2026, NEC has revised the composition of its reporting segments. Prior segment results have been adjusted to reflect the new structure.

IT Services

Revenue
¥2,736.1 billion

Non-GAAP operating profit
¥359.3 billion

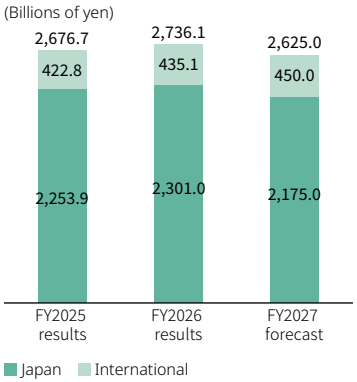
Business Outline

- Systems Integration (Systems Implementation, Consulting)
- Maintenance and Support
- Outsourcing/Cloud Services
- System Equipment
- Software Services

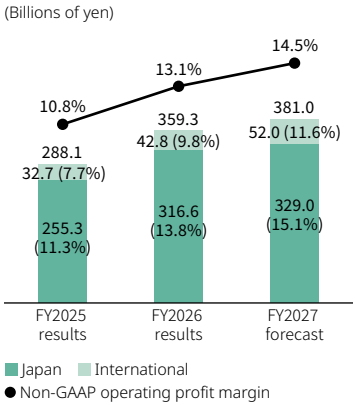
Major Customers

- Government agencies, municipalities, and medical institutions, in addition to customers from sectors including infrastructure DX (fire and disaster prevention, transportation, and media), corporate (financial, manufacturing, logistics, services, and domestic and overseas telecommunications carriers), and others

Revenue



Non-GAAP Operating Profit



Social Infrastructure

Revenue
¥708.4 billion

Non-GAAP operating profit
¥53.4 billion

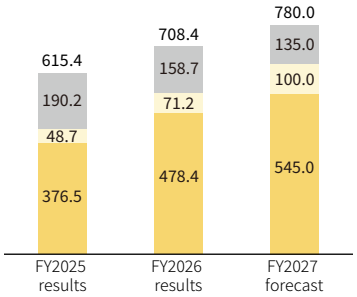
Business Outline

- System Equipment, Software, Systems Integration (Systems Implementation, Consulting), Maintenance and Support for the Aerospace, National Security, Submarine Systems and Network Infrastructure areas

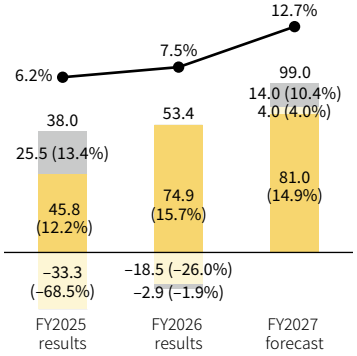
Major Customers

- Central government, aerospace companies, domestic and overseas telecommunications carriers

Revenue



Non-GAAP Operating Profit (Loss)



IT Services

Domestic IT Services, Digital Government / Digital Finance

Business Overview

NEC's IT services business supports the activities of various customers, including government agencies, local municipalities, telecommunications carriers, financial institutions, manufacturers, and retailers. It also helps to realize social and industrial transformation by utilizing the latest technologies in areas such as AI, security, and networks.

In recent years, expectations for ICT systems to play a role in resolving the problems faced by society and businesses have grown. Companies are working to reform their business models and implement data-driven management, while leveraging AI to improve efficiency and create new value. Government and public organizations are making efforts to digitize administration to improve user convenience and streamline operations.

NEC has been installing mission-critical systems for a large base of customers, mainly in Japan, for many years. In addition to our long-cultivated system development capabilities and wealth of knowledge in a diverse range of industries and operations, we also utilize the latest technologies in AI, security, and networks to provide optimal solutions for our customers.

In addition, our overseas IT services business is centered on the digital government / digital finance (DGDF) domains and IT services aimed at telecommunications carriers. In the DGDF domains, we are building on the customer bases and software of the three European companies (SWS, KMD, and Avaloq) we acquired between 2018 and 2020 to promote the autonomous growth of each company while expanding regional development by leveraging NEC's sales and support systems in Japan and elsewhere in Asia. As for our IT services aimed at telecommunications carriers, we provide network monitoring, control, and automation solutions, primarily through our U.S.-based subsidiary Netcracker. In May 2026, NEC also acquired CSG, a U.S. software company serving telecommunications carriers and broadband service providers.

Business Domain

Japan

Government Agencies and Local Municipalities



In addition to core systems and base systems, we aim to realize a country and local communities in which people can live safely, securely, and comfortably by providing solutions that support the digitalization of government, public–private data collaboration, and administrative DX.

Telecommunications



NEC provides operational support systems and services, including infrastructure systems for network monitoring, control, and billing, supporting the networks that are the core of the digital society.

Financial Institutions



We provide core systems for financial institutions such as banks, securities firms, and insurance companies, which require a high level of reliability, and provide new financial services that utilize digital technologies such as face recognition and AI.

Retail



NEC aims to address a variety of operational challenges faced by customers who operate convenience stores and supermarkets through DX, with a focus on store-centered solutions. Our goal is to enhance the shopping experience for consumers, making it more enjoyable and smarter.

Manufacturing Industry



With next-generation manufacturing that uses AI, IoT, and 5G, we are helping to improve our production sites and support continuous expansion by making the entire supply chain smarter in terms of design, procurement, production, and logistics.

Transportation and Logistics



We contribute to optimizing the movement of people and goods through transportation and logistics with digital technology, helping to improve the efficiency of delivery networks and reduce CO_2 emissions.

Overseas

NEC Software Solutions UK Limited (SWS) (Acquired in 2018)

SWS is an IT services company based in the United Kingdom. The company features a strong customer base and a shared business platform that can be used for a variety of sectors, including policing, tax collection, social security benefits, and public housing management. SWS provides systems to local municipalities in the United Kingdom.

KMD A/S (KMD) (Acquired in 2019)

KMD is Denmark's largest IT company. Leveraging its strong customer base among government agencies and municipalities and its wide-ranging platforms, the company has supported the digitalization of the Danish government.

Avaloq Group Ltd. (Avaloq) (Acquired in 2020)

The Swiss software company Avaloq primarily engages in recurring business from the provision of software to financial institutions via a Software as a Service (SaaS) business model in the wealth management domain.

NetCracker Technology Corporation (Netcracker) / CSG Systems International, Inc. (CSG)

Netcracker and CSG globally provide network monitoring, control, and automation solutions for telecommunications carriers.

Strengths

- A proven track record in operating mission-critical systems across a wide range of industries, along with leading-edge cases that NEC has implemented and amassed by using itself as a testing ground.
- Systems and resources that can consistently meet customers' DX needs from upstream consulting to implementation, operation, and maintenance.
- Robust training programs aimed at further expanding and developing employees' AI capabilities.

Business Strategy

Japan

In Japan, customer demand for DX remains strong as companies seek to strengthen their market competitiveness through the use of AI. In particular, demand for modernization is increasing, and businesses in areas where NEC can make full use of its expertise and industry know-how are growing. We are also ramping up human resource capabilities to respond to strong demand, including through the implementation of AI-related training programs.

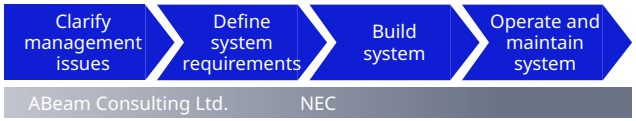
Business Model Reform via Common Platforms

To promote DX, we are working to consolidate our products, services, and assets that had been individually optimized for each industry and customer into a unified common platform based on NEC's own technologies and expertise. By systemizing this platform under the value creation model, NEC BluStellar, the Company can not only provide cutting-edge services to our customers at greater speed but also shift to a value-pricing method, thereby contributing to improved profitability.

Resolving Management Issues by Providing Consistent Value Starting with Strategic Consulting

As the scope of ICT applications expands, the need to view their use from a management perspective is becoming increasingly important. Together with ABeam Consulting Ltd., a company that boasts some of the best consulting resources in Japan, NEC will provide a system that enables its customers to resolve issues by incorporating their management issues into digital strategies.

IT System Introduction Process



Contributions Toward the Digitalization of Government

Since the establishment of Japan's Digital Agency in 2021, digitalization initiatives have advanced across the public sector, including the standardization of local government information systems. NEC is contributing to the enhancement of government services by leveraging its extensive experience and expertise, along with advanced technologies, to meet high demands for security, quality, speed, and flexibility in government. In addition, NEC is working with KMD, a company that has long supported Denmark's efforts to digitalize public administration, and is actively proposing solutions aimed at resolving digitalization issues.

Overseas

Digital Government / Digital Finance (DGDF)

In the DGDF domains, we will strive to grow our business by stabilizing our business foundation and expanding synergies with the three European companies.

Meanwhile, Avaloq's business in the DF domain is expanding in the Asia-Pacific region by utilizing NEC's sales channels, and is also gaining traction among customers in Japan. In addition, we expect to see profitability improve at an accelerated pace going forward, as steady progress is being made in efforts such as reducing development costs through the sharing of offshore resources, implementing portfolio transformation such as the sale of KMD's low-profit business, and launching Avaloq's SaaS model. As a result, each of the three European companies is now capable of achieving profit margins in excess of 10%.

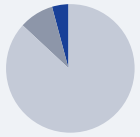
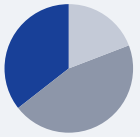
Going forward, we will continue to roll out the software of SWS and KMD, which have a strong track record of delivering results in the United Kingdom and Denmark—two digitally advanced countries—and leverage the expertise in promoting government digitalization, to the Asia-Pacific region and Japan, where NEC has selling power. We are also expanding the value we provide by leveraging Avaloq's innovative solutions in the wealth management domain and our strategic partnership with BlackRock, Inc.

Looking ahead, while making investments as necessary, we will focus more closely on the software businesses of the three European companies and implement initiatives aimed at further enhancing business value and improving profitability, including the promotion of a shift to an SaaS model.

Software for Telecommunications Carriers

Demand continues to grow in the operation support system (OSS) and business support system (BSS) domains served by Netcracker, and demand for initiatives that utilize generative AI is also robust. CSG, a U.S.-based software company acquired by NEC in May 2026, has built a strong customer base through its BSS offerings and provides software for customer experience management, payments, and other functions to customers across a wide range of industries, including financial services and healthcare. The two companies have highly complementary geographic coverage, customer bases, and technologies. Through the integrated management of the two companies, NEC will strengthen its ability to provide end-to-end solutions, establish a strong business foundation in the United States, and expand its global software and services business.

Strategic Rationale of the Acquisition

	CSG	Netcracker
Headquarters	Colorado, U.S.	Massachusetts, U.S.
Geographic Footprint (Revenue by Region)*	Primarily U.S.-based  	Global 
Main End Market	Telecom / BB, Financial services, Healthcare, etc.	Telecom
Solutions	BSS, CX, Payment	BSS / OSS

* Calculated based on regional revenue by geography (CSG: FY24/12 / Netcracker: FY25/3)

Social Infrastructure

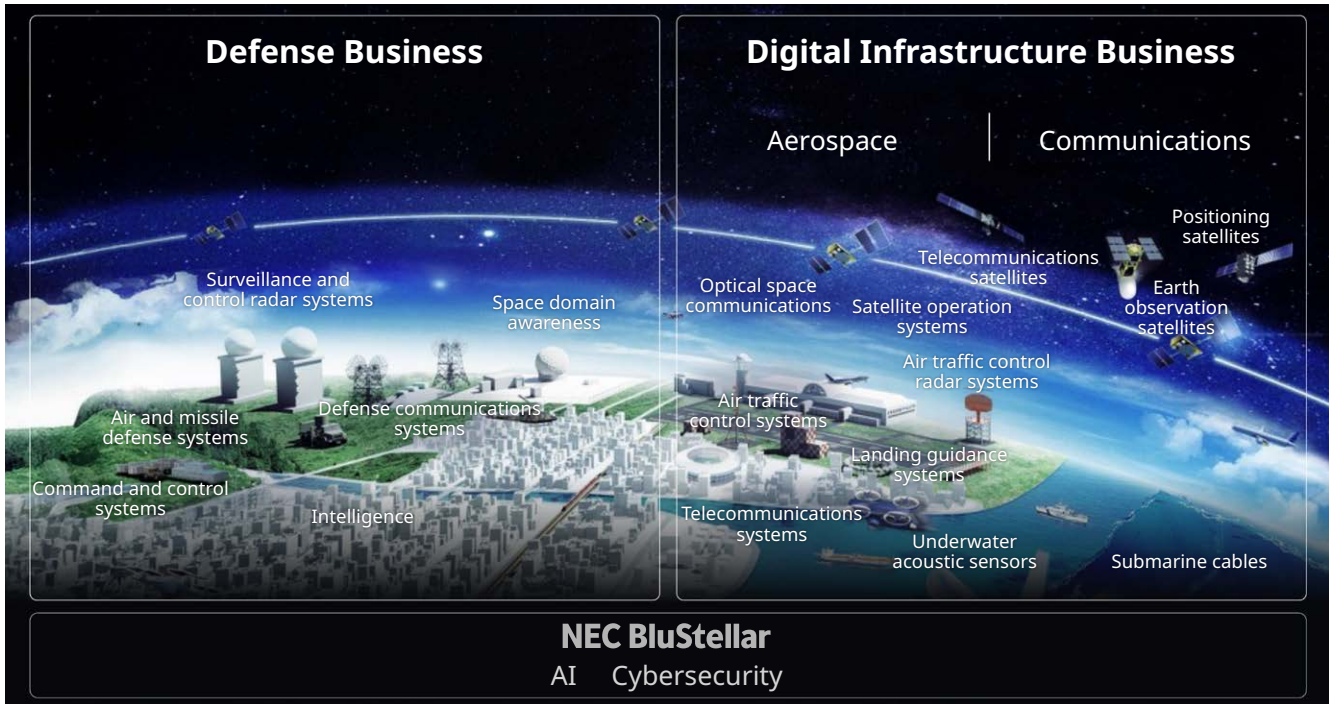
Aerospace and National Security Business

Business Overview

In the Aerospace and National Security (ANS) business, we mainly provide ICT solutions for government agencies. We provide hardware such as radar equipment, secure communications systems, and satellites, as well as ground systems for aircraft and satellite control and data processing, and develop advanced technologies to support said hardware.

Strengths

- Technological capabilities cultivated over many years, including advanced optical communication technologies from the ocean floor to outer space; world-leading radio-wave and acoustic sensing, AI, and cybersecurity technologies
- Consistent business structure from in-house design and development through to manufacturing, implementation, operation, and maintenance



Business Strategy

Enhancing Capabilities and Growth Strategies in Response to Expanding Defense Budgets

Against the backdrop of increasing geopolitical risks and the growing importance of economic security, opportunities for NEC's defense business are expanding. With the anticipated increase in government defense spending in mind, NEC is strengthening its workforce and facilities and building organizational capabilities to respond flexibly to strong demand and further budget growth. Going forward, NEC will leverage its strengths in IT, networks, and sensors to focus on growth areas such as integrated air and missile defense capabilities, cross-domain operational capabilities, and command, control, and intelligence-related functions, with the aim of achieving stable growth both in Japan and internationally.

Global Rollout of Defense Equipment Transfers and Dual-use Products

In its defense business, NEC is promoting defense equipment transfers and the global expansion of dual-use products in accordance with government policy. In April 2026, NEC signed a contract to supply onboard equipment for the Royal Australian Navy's next-generation general-purpose frigates. NEC will provide products drawing on its technologies and track record in the communications and sensing fields developed through its work for the Japan Maritime Self-Defense Force, including sonar systems for surface vessels and the Unified Complex Radio Antenna (UNICORN) integrated communication antenna. Going forward, NEC will continue to pursue opportunities globally while ensuring appropriate procedures and compliance with applicable laws and regulations.



Source: Japan Maritime Self-Defense Force website
https://www.mod.go.jp/msdf/equipment/ships/ffm/mogami/ (in Japanese only)

Global Collaboration to Strengthen Defense and Deployment of the Next-generation "CyIOC" Service

In the defense sector, strengthening Active Cyber Defense (ACD) capabilities has become increasingly important in response to the growing sophistication of cyberattacks. In June 2026, NEC signed a memorandum of understanding with BAE Systems of the United Kingdom regarding the joint development, implementation, and delivery of ACD solutions. NEC has also begun offering CyIOC, a next-generation cybersecurity service that combines NEC's proprietary intelligence with AI technologies. Through monitoring and analysis by dedicated teams and around-the-clock operations, CyIOC provides comprehensive support for enhancing the cyber resilience of enterprises and government organizations.

Submarine Systems / Network Infrastructure Business

Business Overview

In the submarine systems business, we provide comprehensive support for submarine cable systems, primarily for telecommunications carriers, covering all aspects from design and development to installation. Submarine cable communications have become critical infrastructure for international networks, carrying 99% of intercontinental communications.

In the network infrastructure business, we provide network equipment, infrastructure systems for operations management, and operational services primarily to telecommunications carriers, supporting the networks that are the core of the digital society.

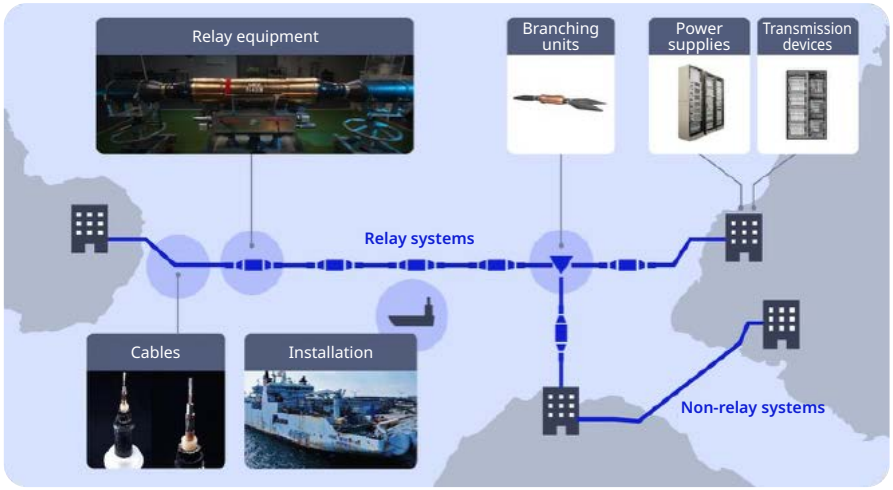
Strengths (Submarine Systems Business)

- One of the top three companies globally in terms of submarine cable business market share
- Extensive track record in cable installation across the Asia-Pacific region and high-capacity communications enabled by cutting-edge optical technologies

Strengths (Network Infrastructure Business)

- Assets, expertise, network technologies, and proposal capabilities built on a proven track record in mission-critical environments

Overview of the Submarine Cable Business

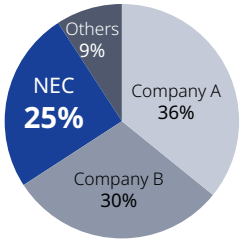


Business Strategy

Responding to Growing Demand for Submarine Cables

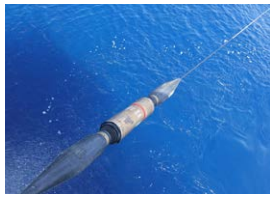
Driven by the proliferation of social media and AI, as well as the growing use of data centers, the submarine cable market continues to expand. The customer base is also broadening from traditional domestic telecommunications carriers to hyperscalers and others. As a result, the market is expected to grow from approximately ¥300 billion per year to around ¥500 billion annually. With the Asia-Pacific region expected to account for more than half of the market going forward, NEC aims to achieve a 35% market share by leveraging its strengths as a Japan-based company and its cutting-edge high-capacity communications technologies.

Submarine Cable Market Share
(FY2012 to FY2025 based on in-house research)



Strengthening Submarine Cable Installation Capabilities

To achieve a 35% market share in the submarine cable business, NEC views both installation capabilities and manufacturing capacity as key drivers of growth. Over the next five years, NEC plans to establish a multivessel operation by utilizing both Company-owned and chartered vessels. By carrying out installation projects under its own management, NEC will accumulate installation expertise while improving profitability. Although a shortage of cable-laying vessels is expected in the future, market growth is also subject to fluctuations. Accordingly, investment decisions will be made carefully, considering demand trends and profitability.



Building Trusted Networks for an AI-native Society

As AI increasingly takes on a role in decisions that shape society, the requirements for networks are shifting from simply providing connectivity to being trusted to perform reliably. NEC supports communications infrastructure through more than a decade of expertise in virtualization technologies, device technologies such as high-capacity optical transceivers and wireless RF devices, and a proven track record spanning the planning, design, and operation of networks. By leveraging these technological assets and its strengths in network design and operational excellence, NEC is driving the implementation of trusted networks and helping to build the foundation for an AI-native society.

CFO Message

Through a virtuous cycle of profit growth and cash generation, we will seize growth opportunities in the AI era, achieve the goals of Mid-term Management Plan 2030, and enhance corporate value in a sustainable manner.



Kunikazu Amemiya

Corporate Senior Executive Vice President and
CFO (Representative Executive Officer),
Member of the Board

On Assuming the Role of CFO

My name is Kunikazu Amemiya, and I have assumed the position of Corporate Senior Executive Vice President and CFO (Representative Executive Officer). As CFO, I am responsible for the NEC Group's finance function while also overseeing important matters across the organization. I am keenly aware of the significant responsibility that comes with this role. At the same time, I feel a strong sense of mission and excitement about taking on this challenge at a time when NEC is entering a new stage of growth.

Since joining NEC in 1991, I have built my career primarily on the front lines of business, including IT services for financial institutions, IT services for the public sector, such as government agencies, local governments, and hospitals, as well as the launch of new businesses. Through my work with financial institutions, I gained firsthand experience supporting mission-critical operations and learned that quality, stability, and reliability form the very foundation of a business. In the public sector, through my involvement in businesses that support social infrastructure, I developed a strong appreciation for both the responsibility that NEC's technologies and services bear toward society and the significance of the value they provide.

Entering the First Year of Mid-term Management Plan 2030

During Mid-term Management Plan 2025, NEC's profitability and capital efficiency significantly exceeded the original targets. These achievements represent more than a single year's improvement in performance. They are the result of the steady accumulation of efforts, including the strategic selection and concentration of businesses to drive renewed growth since 2010, the cultural transformation initiatives launched in 2016, and the disciplined execution of the plan. As a result, we enhanced our standing in the capital markets last year. Alongside improvements in financial indicators, I believe expectations have increased further among capital market participants that NEC can continue to grow over the medium to long term.

At the same time, we view these accomplishments as a milestone rather than a destination. Following more than 15 years of management transformation, NEC is now on a trajectory of enhancing corporate value. However, we are also facing a major shift in the business environment driven by the rapid advancement and expanding adoption of AI, a change unlike anything we have experienced before. Under Mid-term Management Plan 2030, we will build on the profitability, capital efficiency, and market confidence established during the previous plan and capture growth opportunities in this new phase, leading to a further enhancement of corporate value. Our financial targets include doubling non-GAAP operating profit compared with fiscal 2026 and achieving a non-GAAP operating profit margin of more than 15%. The improvement in profit margins and expansion of profit will provide a strong foundation for sustained growth in earnings per share (EPS). Through these efforts, we will continue to deliver annual growth of more than 15% in non-GAAP EPS, which is directly linked to shareholder value, while further accelerating our transformation into a company capable of achieving both high profitability and strong capital efficiency.

Generating Cash

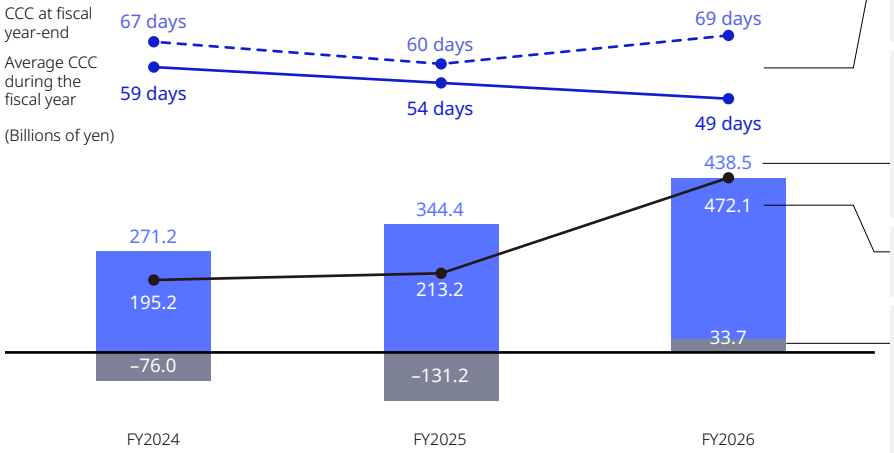
In fiscal 2026, free cash flows totaled ¥472.1 billion, a year-on-year increase of ¥258.9 billion. Cash flows from operating activities increased ¥94.1 billion year on year, to ¥438.5 billion, reflecting not only higher adjusted operating profit but also the return of retirement benefit trusts. In addition, cash flows from investing activities improved ¥164.9 billion year on year, resulting in an inflow of ¥33.7 billion, primarily due to the sale of shares in Japan Aviation Electronics Industry, Ltd. (JAE) and transactions involving the acquisition and sale of real estate. Although working capital increased in line with revenue growth, NEC's cash generation capabilities continued to strengthen steadily through enhanced profitability, improved asset efficiency, and the review of asset holdings. These achievements also received external recognition, and in June 2026 NEC's issuer credit rating was upgraded by S&P Global from "BBB+" to "A-." Under Mid-term Management Plan 2030, we will continue to strengthen these cash generation capabilities and further enhance the financial foundation that supports both growth investments and shareholder returns.

Generating Cash by Improving the Profitability of Our Businesses

To generate cash sustainably through our businesses, it is essential not only to achieve revenue growth but also to steadily address low-profit businesses. Under Mid-term Management Plan 2025, we conducted CFO-led monitoring of low-profit businesses with the goal of determining the future direction of all targeted businesses during the plan period. As planned, we completed that process for all businesses by the end of fiscal 2026. Over the past five years, a total of 14 businesses successfully exited the monitoring program, while for the remaining six businesses, we completed assessments to determine whether self-improvement measures or carve-outs would be the most appropriate path forward. Our business portfolio management will now move into its next phase. In addition to our traditional management framework based on hurdle rates, we will introduce a new business evaluation mechanism using relative performance assessments to further strengthen profitability.

Free Cash Flows

Free cash flows expanded due to increased profits, sales of shares, etc.



● CCC*
Inventory continued to improve through tighter control of inventory inputs.
Trade receivables increased due to higher revenue in the fourth quarter.

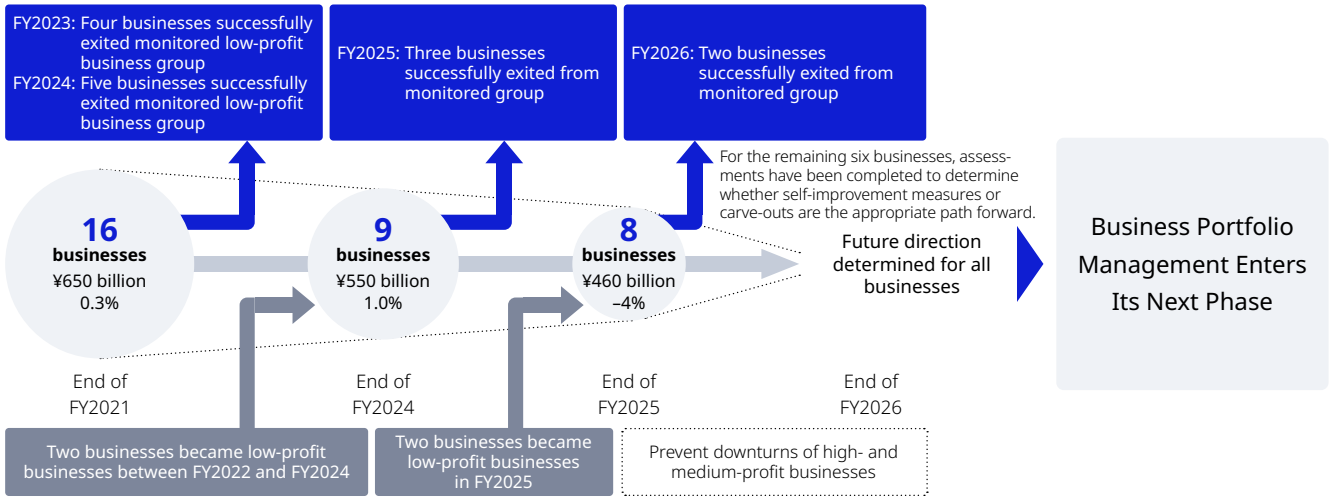
■ Cash flows from operating activities
Year-on-year change +¥94.1 billion
- Increase in adjusted operating profit: +¥99.7 billion
- Increase in working capital due to revenue growth: Approx. –¥120.0 billion
- Return of retirement benefit trusts: +¥140.0 billion

● Free cash flows
Year-on-year change +¥258.9 billion

■ Cash flows from investing activities
Year-on-year change +¥164.9 billion
- Sale of shares in JAE and other companies: Approx. +¥90.0 billion
- Acquisition and sale of real estate: Approx. +¥70.0 billion

* CCC: Cash conversion cycle

Low-profit Businesses



At the same time, we will maintain a disciplined focus on areas with strong growth potential while promptly restructuring non-core businesses. Through these efforts, we will continue to optimize our business portfolio by concentrating resources on areas where NEC's strengths can be fully leveraged.

Generating Cash Flow by Improving Capital Efficiency

Expanding cash flows from operating activities requires not only profit growth but also appropriate control of working capital. Although working capital increased by approximately ¥120.0 billion in fiscal 2026 due to revenue growth, our efforts to improve the cash conversion cycle (CCC) continued to make steady progress, with the average CCC during the fiscal year improving by five days year on year, to 49 days. While the year-end CCC increased due to strong revenue growth in the fourth quarter, day-to-day improvement initiatives, including rigorous project management and tighter control of inventory inputs, have become firmly embedded across the organization. Going forward, from the perspective of enhancing capital efficiency while supporting growth, we will continue to pursue disciplined management focused on both profitability and working capital, thereby driving stable cash generation.

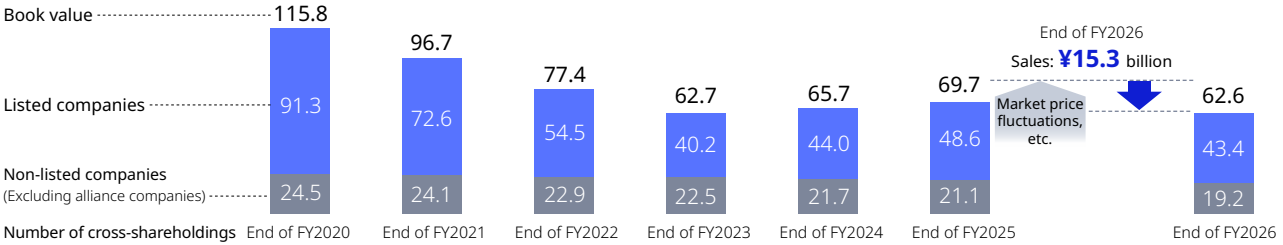
Generating Cash by Cashing Out Assets

We also continued to generate cash through the review of asset holdings. Since establishing a policy in April 2020 to reduce cross-shareholdings to zero in principle, NEC has steadily promoted efforts to reduce such holdings. The Board of Directors conducts a comprehensive annual review of all cross-shareholdings, assessing the strategic value of each holding. If the Board accepts the rationale for a holding, it is kept; if not, it is sold. As a result, cumulative sales have reached ¥174.3 billion, making a significant contribution to the expansion of free cash flows. In fiscal 2026, NEC sold ¥15.3 billion of listed cross-shareholdings, reducing the number of holdings to 18 as of March 31, 2026, an approximately 80% decline from the level at March 31, 2020. In addition, not only shares but all asset holdings, including real estate, are regularly assessed from the perspectives of capital efficiency and strategic rationale. We will continue to promote cash generation through portfolio optimization by rigorously reviewing the appropriateness of retaining such assets.

Sales of Investment Securities

*** Book value and number of holdings are presented on a non-consolidated basis (excluding alliance holdings).**

(Billions of yen)



Number of cross-shareholdings	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025	End of FY2026
Listed companies	**108**	63	52	33	27	24	**18**
Non-listed companies	206	193	176	137	113	101	86

Note: Excludes shares contributed to retirement benefit trusts.

Capital Allocation

In capital allocation, our highest priority is to steadily enhance corporate value while securing the investment capacity necessary to strengthen competitiveness and drive sustainable growth in the AI era. Under Mid-term Management Plan 2030, we have clearly stated our policy of prioritizing the allocation of generated cash to growth areas while maintaining a balance with financial soundness. With regard to shareholder returns, we will maintain our basic policy of stable dividend increases and flexible share repurchases, while balancing growth investments and shareholder returns.

As for growth investments, taking into account our financial position following the acquisition of CSG, we plan to secure investment capacity of ¥1.2 trillion to ¥1.3 trillion by the end of fiscal 2031. However, this should be viewed as a framework that enables us to respond flexibly to growth opportunities and does not imply that the full amount will necessarily be deployed. In making investment decisions, we will rigorously assess economic rationality using cash ROIC, without limiting ourselves to any particular approach, including organic investments, M&A, capital alliances, and strategic partnerships. In particular, cash ROIC will be applied not only when evaluating acquisition opportunities but also in post-acquisition monitoring to ensure disciplined management.

We will also maintain the financial soundness that underpins our capital allocation framework. Our investment capacity has been determined based on maintaining, over the medium to long term, the level currently recognized by credit rating agencies, while incorporating an appropriate level of financial leverage. We believe that the foundation of shareholder returns is sustained profit growth. By increasing corporate value through the expansion of non-GAAP operating profit, we will maximize returns to shareholders through capital gains and stable dividend increases. With respect to share repurchases, we will make flexible decisions based on factors such as growth investment plans and the level of surplus funds. In addition, our policy is, in principle, to retire any treasury stock holdings that exceed 5% of shares outstanding.

Non-financial Strategies Linked to Corporate Value

NEC positions non-financial initiatives as an important foundation for sustainable growth. Beyond disclosing non-financial information in response to external requirements, we aim to utilize a clearer linkage between financial and non-financial factors to drive the sustainable enhancement of corporate value.

To realize our vision for creating social value, "Empower Humanity—Delivering innovation and peace of mind," as set forth in Mid-term Management Plan 2030, four sustainability perspectives are particularly important: innovation, continuously proposing and providing new value for society; well-being, making employees and stakeholders happier; resilience, building a resilient organization; and integrity, doing the right thing. Based on these principles, NEC reassessed and identified its material issues in light of recent changes in the external environment, considering both risk mitigation and opportunity creation. Through the implementation of these material issues, NEC will work to reduce its cost of capital over the medium to long term from a risk management perspective, while expanding business opportunities and increasing free cash flows by appropriately addressing themes such as AI and human rights and security.

In the environmental domain, we continue to make steady progress in reducing our own environmental impacts. At the same time, as NEC advances its transformation into an AI-native company, we are promoting operational transformation in this area through the use of generative AI and agentic AI. By turning the know-how and expertise gained through internal implementation into customer-facing solutions, we are seeking to create new value for our customers.

With regard to employee engagement, which was established as a culture-related indicator under Mid-term Management Plan 2025, the score improved significantly compared with fiscal 2021, although it fell slightly short of the target level of 50%. We believe this reflects tangible progress in our people and cultural transformation initiatives. Under Mid-term Management Plan 2030, we are targeting engagement levels equivalent to the top quartile globally. To achieve this, we will focus our efforts on areas that are highly correlated with the challenges identified in our current employee engagement score and work to foster a strong corporate culture rooted in strong individuals and organizations that continue to evolve.

In fiscal 2026, NEC was once again included in the Dow Jones Best-in-Class World Index and continued to be included in major environmental, social, and governance (ESG) indices. We believe this recognition reflects not only the initiatives described above but also our ongoing efforts, including corporate governance reforms and highly transparent information disclosure.

Final Remarks

Since announcing Mid-term Management Plan 2030, I have engaged in extensive dialogue with a wide range of stakeholders, including investors, analysts, and financial institutions. While NEC achieved record-high profits under Mid-term Management Plan 2025 and has committed to doubling profits over the next five years under the current plan, I believe the market's view of NEC reflects both anticipation and caution. This stems from the fact that the rapid evolution of AI is fundamentally reshaping existing industry structures and competitive dynamics. The changes brought about by AI represent a tremendous opportunity for NEC. At the same time, they will test whether we can successfully capture these changes and emerge as a winner.

I view this changing environment as an opportunity to further accelerate NEC's growth. As AI investment becomes an increasingly high priority across industries and the role expected of IT continues to expand, NEC has significant business opportunities because of its ability to understand frontline operations and deliver value from planning and implementation through to operation. What fundamentally distinguishes Mid-term Management Plan 2030 from previous plans is that initiatives that once focused solely on improving internal efficiency can now be translated directly into business value. In fact, the use of AI internally is already producing tangible results, including improved analytical accuracy and higher proposal and order win rates. AI only creates value when it is effectively utilized to deliver results. At NEC, we have created an environment in which employees can use cutting-edge AI tools, and a large number of internal AI models have already been registered. This is clear evidence that NEC is a technology company and that our employees have the foundation needed to embrace and utilize new tools. And, of course, as CFO, I intend to make full use of AI myself.

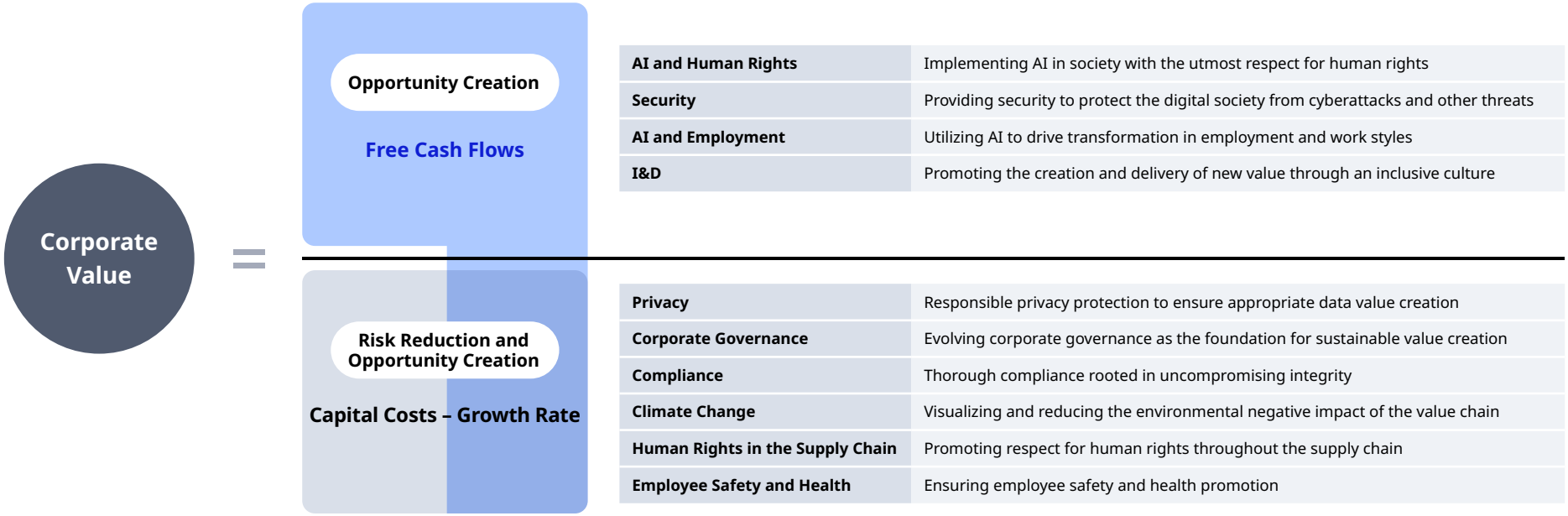
By leading transformation through our own internal practices and converting the experience and know-how we gain into value for customers, we can strengthen our competitiveness. In a highly competitive environment, speed and repeatability are the true sources of competitive advantage. By making decisions and taking action quickly, while adjusting course flexibly whenever necessary, I am confident that we can achieve the goals of Mid-term Management Plan 2030.

We will continue to engage in active dialogue with our stakeholders while pursuing NEC's sustainable growth. I sincerely appreciate your continued support and welcome your candid feedback.

NEC's Approach to Materiality for Increasing Corporate Value

To realize its vision for creating social value, "Empower Humanity—Delivering innovation and peace of mind," NEC has identified material issues comprising specific issues to be prioritized during the Mid-term Management Plan 2030 period, positioning innovation, well-being, resilience, and integrity as the four key sustainability themes. In identifying these material issues, NEC assessed both their impact on the environment and society and the risks and opportunities they present to the Company's financial performance, including not only previously identified material issues but also emerging topics such as AI, and determined their importance accordingly.

Through these efforts, NEC strives to realize a sustainable business model that considers its impact on society and the environment. By responding to the expectations of a wide range of stakeholders, including investors, customers, business partners, and employees, NEC seeks to maximize long-term profits.



AI and Human Rights	Implementing AI in society with the utmost respect for human rights
Security	Providing security to protect the digital society from cyberattacks and other threats
AI and Employment	Utilizing AI to drive transformation in employment and work styles
I&D	Promoting the creation and delivery of new value through an inclusive culture

Privacy	Responsible privacy protection to ensure appropriate data value creation
Corporate Governance	Evolving corporate governance as the foundation for sustainable value creation
Compliance	Thorough compliance rooted in uncompromising integrity
Climate Change	Visualizing and reducing the environmental negative impact of the value chain
Human Rights in the Supply Chain	Promoting respect for human rights throughout the supply chain
Employee Safety and Health	Ensuring employee safety and health promotion

The NEC Sustainability Advisory Committee—Providing an Opportunity for Dialogue with Stakeholders

NEC determined its materiality with reference to global guidelines, including ISO 26000, the GRI Standards, the principles of the United Nations Global Compact, the SDGs, and SASB, and through dialogue with experts in various fields and with representative stakeholders.

The NEC Sustainability Advisory Committee, established in fiscal 2022, serves as a forum for such dialogue. Through objective and specialized discussions between the CFO and officers engaged in sustainability promotion and external experts regarding NEC's sustainability policies and initiatives, the Company confirms its management direction in times of high uncertainty and rapid change, leading to improvements in sustainability-related initiatives.

Since fiscal 2025, the committee has selected themes and held discussions with a stronger focus not only on reducing sustainability-related risks but also on creating opportunities.



(From left to right) **Peter David Pedersen** (Chair) Co-Founder, Next Leaders' Initiative for Sustainability (NELIS) **Asako Nagai** Managing Director, Business for Social Responsibility (BSR) **Hiroyuki Horii** Senior Advisor, Sumitomo Mitsui Trust Asset Management Co., Ltd. **Osamu Fujikawa** Former CFO, NEC

NEC's Approach to Materiality for Increasing Corporate Value

Materiality Risks and Opportunities

To realize its vision for creating social value, "Empower Humanity—Delivering innovation and peace of mind," NEC has identified material issues for the Mid-term Management Plan 2030 period. The desired outcomes and KPIs associated with these material issues are shown below.

	Materiality (Abbreviation)	Desired state by 2030	Fiscal 2031 KPIs for addressing challenges	Relevant pages
A Themes of the highest importance	Implementing AI in society with the utmost respect for human rights (AI and Human Rights)	• Establishing and rolling out to Group companies a system and operational framework to address human rights risks arising from rapidly advancing AI technology	• Continuous strengthening of risk response capabilities • Evaluation of the effectiveness of training for implementing the "NEC Group Policy on AI and Human Rights" • Maintenance of incident prevention and response systems • Zero occurrences of serious incidents	• AI and Human Rights • Respecting Human Rights
	Providing security to protect the digital society from cyberattacks and other threats (Security)	• Provide security services to clients based on our own initiatives, protecting the digital society from cyberattacks and other threats • Strengthen cybersecurity and AI governance at Group companies and business partners, while implementing advanced security solutions that leverage cutting-edge technologies and AI.	• Achieving world-class in-house security measures (Third-party rating score (Bitsight): 800) • Generating and providing proprietary intelligence based on one of Japan's largest security data sets • Providing advanced and reliable security products and services • Major incidents at NEC Corporation and its consolidated subsidiaries: 0	• P.27 Innovation: R&D / Business Development / Intellectual Property • Information Security and Cybersecurity • Cybersecurity Management Report • Cyber Security
	Responsible privacy protection to ensure appropriate data value creation (Privacy)	• All personnel involved in businesses that process personal information understand and comply with laws and regulations regarding the protection of personal information and conduct business activities with due regard for human rights and privacy	• Appropriate operation and improvement of NEC Corporation's Personal Information Protection Management System • Zero incidents of serious personal information leaks	• Personal Information Protection and Privacy • AI and Human Rights
	Utilizing AI to drive transformation in employment and work styles (AI and Employment)	• Leveraging AI-based operations to drive labor productivity and foster innovation	• Leveraging AI-based operations to drive labor productivity and foster innovation	• P.31 Human Capital Management • Human Resource Development • Accelerate Transformation with Responsible AI – NEC's AI Business
	Promoting the creation and delivery of new value through an inclusive culture (I&D)	• Achieve an inclusive culture in which diverse talent thrives and every individual—not only women—can realize their full potential	• NEC Corporation and five major domestic consolidated subsidiaries Percentage of female managers: 20% (Including personnel changes effective April 1, 2031, that were decided during fiscal 2031) • Fiscal 2027* Diversity Score: 55% (+2 points)	• Inclusion and Diversity • Inclusion & Diversity (Details)
B Themes with major financial risks and opportunities	Evolving corporate governance as the foundation for sustainable value creation (Corporate Governance)	• Rebuild and embed a governance framework for NEC Group's global growth	• Establishment and implementation of a company-wide rule system, and application to NEC Group companies • Implementation of appropriate governance practices tailored to the characteristics of NEC Group companies	• P.38 Corporate Governance • Corporate Governance • Corporate Governance Report
	Thorough compliance rooted in uncompromising integrity (Compliance)	• Number of serious cartel and bid-rigging incidents: 0 • Number of serious bribery incidents: 0	• Number of serious cartel and bid-rigging incidents: 0 • Number of serious bribery incidents: 0	• P.38 Corporate Governance • Compliance
C Themes with major impact on the environment and society	Visualizing and reducing the environmental negative impact of the value chain (Climate Change)	• In accordance with RE100, aim to achieve 100% renewable energy by 2040. For 2030, the midpoint of this journey, achieve a renewable energy adoption rate aligned with our SBT net-zero target • Promote decarbonization toward achieving SBT targets (reduce Scope 1, Scope 2, and Scope 3 emissions by at least 63.6% each by fiscal year ended March 31, 2035 compared to fiscal year ended March 31, 2025)	• Achieve a 58% renewable energy adoption rate by fiscal 2031 (target set in alignment with the SBT Net Zero goal) • Participation rate of major suppliers in NEC Corporation's CO_2 reduction support program Fiscal 2031: 90%	• P.33 Environmental Management • Climate Change
	Promoting respect for human rights throughout the supply chain (Human rights in the supply chain)	• Working with suppliers to prevent and mitigate human rights risks	• 100% completion rate for corrective actions regarding high-risk suppliers (Since our corrective action efforts are a year-long process, the fiscal 2031 KPI is the completion rate of corrective actions by the end of fiscal 2031 for suppliers to whom we requested corrective actions during fiscal 2030.)	• Supply Chain Management • Respecting Human Rights
	Ensuring employee safety and promoting health (Employee Safety and Health)	• Where individuals achieve collective results without compromising their individuality • Creating an environment that promotes appropriate working hours and enables individuals to perform at their best in optimal condition	• Engagement score: Top 25th percentile (Global Top Tier)	• Occupational Health and Safety • Health and Productivity Management • Work-Life Balance

* Fiscal 2027 will be measured using the current survey. From fiscal 2028 onward, a new KPI to assess the degree of inclusiveness will be established.

: Website : NEC Integrated Report 2026

In addition to the materiality-related information above, please also refer to NEC ESG Databook 2026, which offers a comprehensive view of NEC's sustainability initiatives and achievements in a single volume.

Innovation: R&D / Business Development / Intellectual Property

NEC's Technological Capabilities

NEC regards the technological capabilities and intellectual property (IP) it has cultivated through decades of R&D as key sources of competitiveness, driving the advancement of existing businesses and the creation of new businesses. The Company has identified AI, security, and the platform technologies that support them as focus areas. By integrating R&D, business development, and the provision of products and services while responding to changes in the market environment, NEC strives to deliver value rapidly.

NEC already possesses globally recognized technological capabilities in these fields, including one of the world's highest numbers of patents held and papers accepted by leading international academic conferences, as well as multiple No. 1 rankings in global benchmark tests for face recognition technology.[1] Going forward, NEC will continue to maintain a certain level of R&D investment from a medium- to long-term perspective regardless of economic conditions, strengthening the technological capabilities that underpin future social value creation while working to generate new value. Building on these strengths, NEC will promote its transformation to an AI-native company and expand NEC BluStellar, its value creation model, as set forth in Mid-term Management Plan 2030.

AI (including biometrics)	Machine learning: The number of papers accepted at leading international conferences[2]: **Ranked 11th in the world**
	Video and image processing: The number of papers accepted at leading international conferences[3]: **Ranked 1st in Japan**
Security	**45 papers**[4] accepted at leading international conferences
Platform technologies	Optical communication: Papers accepted at leading conferences[5] for **48th consecutive year**
	4 papers published in the scientific journal *Nature* in the field of optical computing
Patents	Top 100 Global Innovators global survey of patent activities[6]: **Selected for 15 consecutive years**
	Biometric authentication, video recognition, and analysis/prescription AI: Number of accumulative international patent applications[7]: **No. 1 in the world**

Developing People and Environments to Drive Innovation

Creating innovation requires human resources with diverse expertise and an environment that enables them to maximize their potential. By leveraging the strengths and expertise across its global R&D locations, NEC has established a global R&D framework, and approximately 40% of its researchers are global specialists.

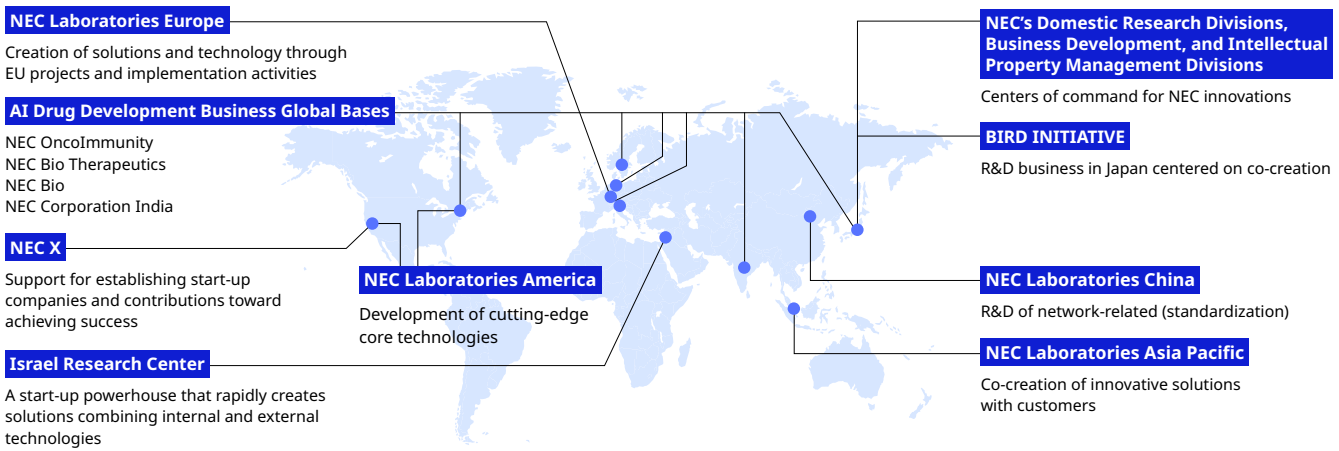
To translate innovation into social value and apply it in the real world, it is also essential to have personnel who specialize in new business development and IP. We are working to strengthen and expand our specialized talent base through external recruitment and internal training, while promoting closer collaboration among R&D, IP, and new business development functions.

Furthermore, NEC strives to create an environment in which outstanding talent can reach their full potential. NEC X, Inc., which operates from Silicon Valley, promotes open innovation by leveraging NEC's talent and technologies in collaboration with the local ecosystem, aiming to create new businesses that have an impact on society. BIRD INITIATIVE, Inc., a co-creative R&D joint venture with seven companies from different industries, a corporate venture capital fund, business competitions, and a newly launched start-up studio in Japan bring together diverse expertise from both inside and outside the Company to create new value.

Details on talent acquisition and development for driving innovation are provided in the Human Resource Development Programs section of NEC ESG Databook 2026.

1 Ranked No. 1 multiple times in face recognition benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)
https://www.nec.com/en/global/solutions/biometrics/evaluation/index.html
Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.
2 NeurIPS, ICML, ECML-PKDD, KDD, ICDM.
3 CVPR, ICCV, ECCV, ACCV, ICPR.
4 Security: ACM CCS, IEEE S&P, Euro S&P, USENIX Security, Crypto, Eurocrypt, Asiacrypt, TCHES, FSE (2015–2024 results)
5 Communication: OFC/ECOC and others (as of December 2025)
6 Top 100 Global Innovators:
https://www.nec.com/en/global/intellectual-property/topics/260122.html
7 Source: Patent Cooperation Treaty (PCT) data, as of October 2025 (NEC research)

Leveraging Global Strengths to Increase R&D and Business Development Opportunities



1. R&D Capabilities Geared Toward Creating New Value to Meet Social and Customer Needs

NEC is creating new value for society and customers by strengthening technologies in AI, security, and the platforms that support them, which it has identified as its priority technology domains.

In the field of AI, NEC is promoting R&D on AI agents that enable the autonomous execution and optimization of tasks to address social challenges such as labor shortages, increasing operational complexity, and the need for greater productivity. NEC is also establishing advanced governance technologies to ensure the reliability, safety, and ethical integrity of AI, thereby promoting a society in which humans and AI can work collaboratively.

In the security domain, NEC is developing technologies that support highly effective security operations tailored to the risk characteristics of different industries through AI-powered threat analysis and advanced intelligence capabilities, addressing increasingly sophisticated cyberattacks. NEC is also contributing to the trustworthiness of the digital society and the sound development of information infrastructure through the development of technologies to address the risks associated with advanced information manipulation.

In the field of platforms, NEC is working to build and maintain more reliable and secure social infrastructure through research and development in both submarine cable system technologies and secure network technologies such as quantum cryptographic communications, whose importance continues to grow from the perspective of economic security.

NEC also applies these cutting-edge technologies through its "Client Zero" approach, under which the Company serves as its own first customer and builds up practical knowledge through in-house implementation and use. The insights gained through these efforts are incorporated into the products and services of NEC BluStellar, the value creation model that leads our customers to the future, enabling NEC to deliver new value to society and its customers.

We proactively implement cutting-edge technologies across and beyond the organization, extracting, analyzing, and codifying the success factors.
This enables us to realize leading-edge DX at the fastest pace, backed by a proven track record.



Column One of Japan's Largest AI Supercomputers Supporting the Growth of NEC's AI Business

As the use of AI continues to expand, AI models are increasingly required to deliver both advanced capabilities and lower operating costs. In 2023, the Company developed NEC cotomi, a fully self-developed Japanese LLM, and has since continued to enhance models specialized for certain domains as well as functions for AI agents. Through these development efforts, NEC has accumulated expertise that enables it to condense specialized knowledge into compact models, making it possible to deliver AI capable of performing sophisticated tasks at a reasonable cost.

In addition, as NEC advances its transformation into an AI-native company, a robust foundation is essential to continuously develop and utilize AI itself. With this in mind, NEC plans to expand its proprietary AI supercomputer by 2028 to approximately three times its current scale as a foundation supporting the growth of its AI business. By leveraging one of Japan's largest AI infrastructures, spanning everything from R&D to service delivery, NEC will accelerate both its transformation into an AI-native company and the growth of its AI business.

2. Business Development Function for Providing Value

In terms of new business development, NEC is creating new value through diverse open innovation initiatives under the key message, "The future is ours to shape." Focusing on business domains centered on AI and data-driven value creation, NEC is promoting co-creation with start-ups, partner companies, government agencies, and academic institutions in Japan and overseas, leveraging its globally competitive technologies. NEC is driving the creation of new businesses by drawing on its long-cultivated expertise in business development.

New Business Creation Management Policy

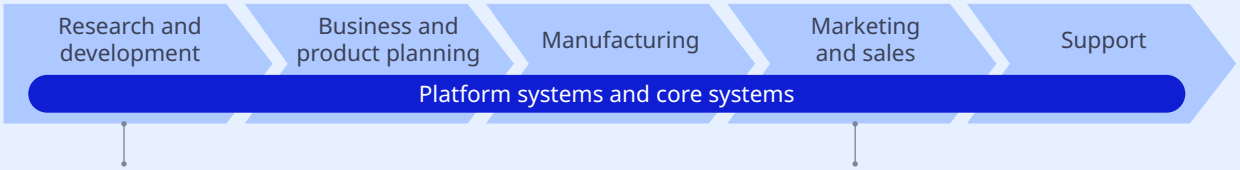
Many of NEC's new businesses are created through co-creation with a diverse range of partners in Japan and around the world. Business development is guided by a structured business development process and management framework tailored to each stage of development, enabling the Company to take on ambitious new ventures while appropriately managing risk. Currently, NEC is pursuing the creation of new businesses in fields where AI and data can generate significant value, including financial services, R&D, drug discovery, and sustainability. As for commercialization, NEC selects the most appropriate commercialization model based on the characteristics of each technology and business, whether through in-house business development, the establishment of start-ups, or entrepreneurship through NEC X and the Silicon Valley ecosystem. In addition, we are working to create further synergies and promote co-creation by offering the know-how gained through new business creation as consulting services.

Column Strengthening Company-wide Business Development Infrastructure

To efficiently and effectively create new businesses, NEC is developing the know-how it has cultivated over the years into a Company-wide business development infrastructure. In collaboration with business units, NEC is establishing mechanisms that accelerate the journey from new ideas to business creation and developing talent capable of leading business development. At the same time, the Company is increasing the visualization, codification, and utilization of innovation-related knowledge, including R&D activities. Through these efforts, NEC is building an environment that enables the rapid development of new businesses throughout the Company.

Examples of Business Development

Supporting AX Across the Entire Value Chain, from R&D to Marketing



AI-driven Development of Next-generation Materials

NEC is leveraging generative AI and agentic AI technologies to support the advancement of R&D. As one example of these efforts, NEC provides its Material Discovery Solution, which supports more efficient materials development. The solution identifies promising materials from vast volumes of literature, including academic papers and patents, while AI trained on researchers' expertise predicts the properties of promising new materials. By significantly reducing the time required for material discovery, which has traditionally been a time-intensive process, the solution contributes to innovation in the materials field.

New Customer Insights Enabled by AI Personas

NEC is helping companies transform their marketing by combining its proprietary AI with diverse data sources. BestMove is a solution that generates highly detailed AI personas based on consumer data, capturing purchasing behaviors, and attitudes. The solution performs everything from the identification of consumer insights to initiative planning and effectiveness forecasting. By supporting highly accurate, data-driven marketing initiatives, BestMove helps companies create greater value for their customers.

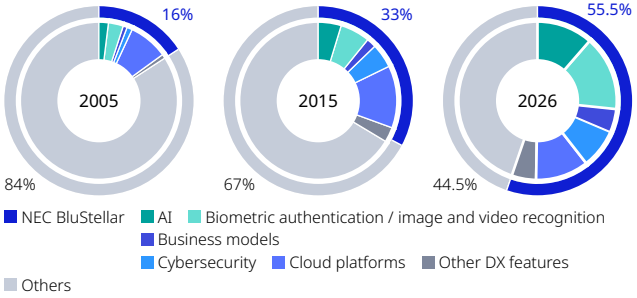
3. Business Contribution Through Utilization of Intellectual Property

Intellectual Property Strategies

NEC considers IP a key intangible asset for its business operations and, in order to achieve Mid-term Management Plan 2030, is focusing on the following initiatives:

1) Strengthen the patent portfolio in NEC BluStellar-related fields and other areas that contribute to the implementation of AI throughout society and the implementation of new comprehensive security technologies, as well as increase the overall number of foreign patent applications[1] in anticipation of further global business expansion.[2]

Shifting the Patent Portfolio Toward Growth Areas (U.S. Patents)



2) Promote real-world application of our technologies through various methods, including via pursuing licensing activities and assignment of intangible assets (such as patents and know-how). Cumulative patent licensing revenue during Mid-term Management Plan 2025 more than doubled compared to the previous five-year period and NEC is currently advancing initiatives for further growth.

3) Promote the DX of IP operations. Based on the knowledge, tools, and know-how accumulated through internal implementation under the "Client Zero" approach, NEC has begun offering IP DX solutions to external organizations. In addition, ABeam Consulting Ltd. is developing its IP business process transformation (BPX) business. By reducing the burden associated with IP operations and enhancing decision-making, NEC is helping to make Japan's IP more competitive on the global stage.

4) Promote international standardization strategies to accelerate the adoption of advanced technologies. This would be done by holding leading roles in domestic and international standardization committees and government committees in key technological fields.

1 The proportion of foreign filings (Paris Convention filings and Patent Cooperation Treaty (PCT) publications) among the total number of Japanese publications and PCT publications.

2 Foreign application rate: 52% (fiscal 2016 publications) → 67% (fiscal 2026 publications)

IP Activities as an "Innovation Cycle Driver"

With IP activities serving as a driving force, NEC is implementing the innovation cycle framework established in fiscal 2026 and promoting initiatives to translate its technologies and expertise into social value.

In the creation and protection phase, we protect new technologies, expertise, brands, and other assets through multiple approaches. This is underpinned by a robust infrastructure of IP activities, including the enhancement of IP operations through the in-house implementation of DX initiatives.

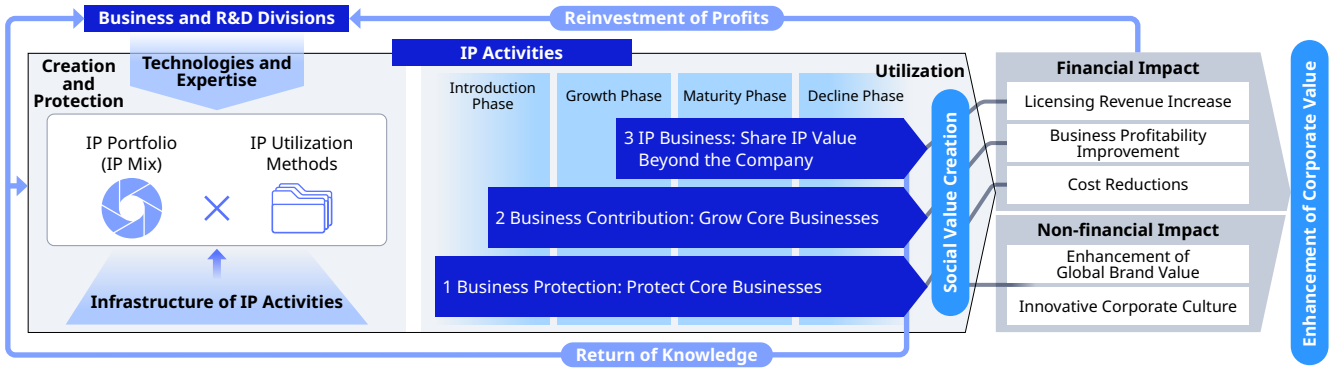
In the utilization phase, we draw on our accumulated IP utilization strategies to effectively use our IP portfolio in various forms throughout each stage of our business operations, steadily generating results.

1) Business Protection: Sustain competitive advantages and reduce costs by minimizing the risk of infringing on others' IP rights, thereby limiting licensing expenditures.

2) Business Contribution: Increase business profitability by maximizing the value of growing business areas, including NEC BluStellar, through the strategic use of IP.

3) IP Business: Achieve stable growth of licensing revenue by promoting diverse forms of IP licensing, including licensing of know-how and other intangible assets.

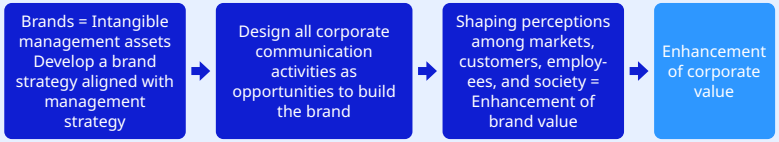
Continuous enhancement of corporate value occurs by the reinvestment of the profits and knowledge gained from IP utilization back into business and R&D activities.



Column Leveraging Brands as Intangible Assets

Rooted in its Purpose, NEC views every corporate activity as an opportunity to drive brand value. By integrating its brands, which are intangible assets, into its management strategy, the Company leverages them to enhance corporate value. Specifically, NEC has created the position of Chief Design Officer (CDO) and enhanced corporate communications through initiatives such as CEO communications and the development of brands including NEC BluStellar. In addition, the Company protects and leverages brands and designs as IP, contributing not only to non-financial value creation but also to improved financial performance.

Through these efforts, NEC continues to strengthen its brand and remain a company chosen by the market, thereby supporting the business growth targeted under Mid-term Management Plan 2030.



Note: The abovementioned initiatives received the Distinguished Service Award for Design Management from the President of the Japan Patent Office in 2024, and the Excellence Award at the FY2025 Intellectual Property and Intangible Asset Governance Awards.

Human Capital Management: Cultivating Strong Individuals and Organizations that Continue to Evolve

NEC's Human Capital Management

Under its vision for creating social value, "Empower Humanity—Delivering innovation and peace of mind," NEC is leveraging its unique strengths in both implementing AI throughout society (IT Services) and implementing comprehensive security technologies (Social Infrastructure) to contribute to the realization of a more sustainable world. The driving force behind this endeavor is, above all, its people. Human capital management is NEC's approach to building organizational capabilities in alignment with its management strategy and bringing this social value to life.

Building a Stronger Corporate Culture on the Human Capital Foundation Established Through Mid-term Management Plan 2025

Under Mid-term Management Plan 2025, NEC positioned the integrated evolution of its Purpose, strategy, and culture as a central pillar of transformation and laid the foundation for its human capital management initiatives, with job-specific human resource management at the core.

NEC's employee engagement score[1] improved from 25% in fiscal 2021 to 48% in fiscal 2026. This level significantly exceeds the average for Japanese companies and places NEC among the top tier of companies in Japan. This progress reflects a range of initiatives, including remuneration and promotion based on common job standards across the Company, a streamlined and flatter organizational structure, strengthened governance through the reorganization of subsidiaries, the "Client Zero"[2] approach, the evolution of data-driven management, and ongoing dialogue between management and employees.

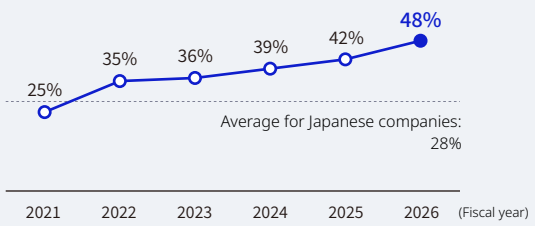
Building on this achievement, NEC is now entering its next phase: translating the initiative and ambition of each individual into business results. Through Mid-term Management Plan 2030, NEC aims to cultivate strong individuals and organizations that continue to evolve, where employees continually challenge themselves to transform and the organization rapidly creates value as one. A culture in which people can freely demonstrate their passion and ingenuity and learn from one another, underpinned by psychological safety and diversity, is the foundation of organizational strength. To realize such a culture, NEC will advance fair evaluation and promotion practices and market-competitive remuneration, ensure Company-wide policies and strategies take root throughout the organization, and strengthen the "Say" and "Strive" elements of the three-pronged employee engagement model. The Company has set its employee engagement target at the top quartile level globally.

1 Employee Engagement Score
An indicator based on an external survey representing the percentage of employees whose responses to questions relating to the Say, Stay, and Strive elements of engagement exceed a specified threshold.
Say: Speaks positively about the Company to others
Stay: Has a strong desire to stay with the Company
Strive: Puts in more effort than is normally required

2 Client Zero
An approach in which NEC serves as the first "client" for newly developed technologies and services, mastering them in-house before leveraging the resulting insights to deliver products and services to customers.

Foundation Established Under Mid-term Management Plan 2025

Engagement Score



Key Initiatives for People and Organizations Implemented Under Mid-term Management Plan 2025

- **Transformation of people and culture**
  Introduced job-based human resource management system and strengthened diversity
- **Organizational transformation**
  Expedited decision-making by consolidating and flattening the organization
- **The right people in the right place at the right time**
  Implemented fair evaluation and appointment based on job-based management and proactive recruitment of external human resources
- **Reskilling**
  Executed strategic investment in growth and learning opportunities and reallocation to growth areas

Vision Under Mid-term Management Plan 2030

Individuals and Organizations that Continue to Evolve

Fostering a corporate culture in which every employee embraces self-transformation and quickly contributes to organizational value creation (Shifting to a job-based talent and organizational model built on human-AI collaboration)

Engagement Score Target: Top Global Quartile

Transforming Our Talent Portfolio to Respond Flexibly to Changes in the Value Creation Model

Traditionally, IT services have been delivered through three separate business domains: consulting, systems implementation, and operations, with value often measured based on the accumulation of labor hours. Going forward, however, advancements in AI will increasingly automate midstream systems implementation activities, increasing the value of companies capable of delivering outcomes through an end-to-end approach spanning the initial concept stage, implementation, and operations. When these processes remain fragmented, the value envisioned during the planning stage can diminish during implementation and operations, and insights gained in the field are not fed back into the next phase of planning. This is why NEC is transforming its business model.

In the AI-native era, the value of IT services will increasingly be centered on upstream consulting and downstream operations. In response to this change, NEC will transform its business model from one in which the three domains operate as separate businesses to an end-to-end model, in which all three domains work together as an integrated whole to create customer value.

The human resources needed to support this transformation must also change. NEC will rapidly and flexibly shift its talent portfolio from a workforce concentrated in the systems implementation domain to one with greater depth in upstream planning and consulting and downstream operations and security. NEC has identified core AI talent, security professionals, and upstream consulting talent as priority areas. While streamlining the systems implementation domain through the use of AI, NEC will undertake a large-scale transformation of its workforce composition across the Group over the five-year period through fiscal 2031.

To accelerate this transformation, NEC and NEC Solution Innovators were integrated in October 2026. Through this integration, NEC will bring together the Group's IT engineering talent, domain knowledge, and implementation capabilities, accelerating the transition to the end-to-end model.

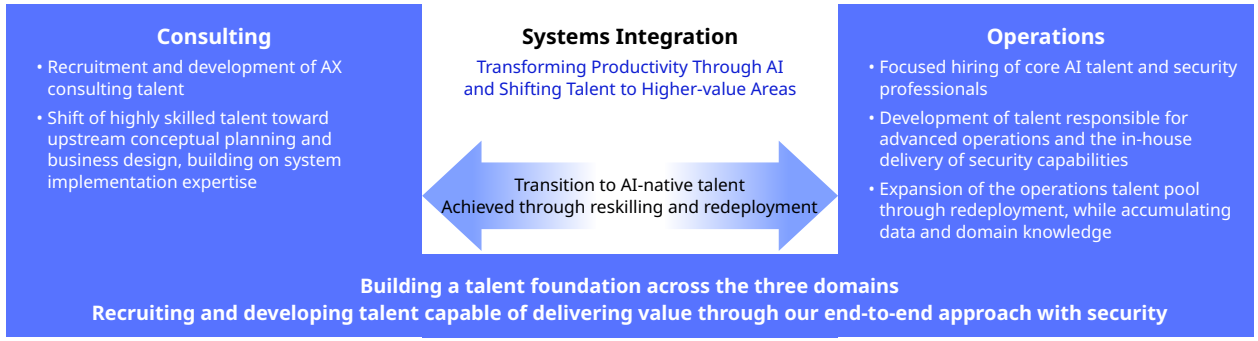
Accelerating the Development of AI-native Talent

In addition to its proprietary generative AI, cotomi, NEC is collaborating with multiple partners in the AI domain. Under the strategic collaboration with Anthropic launched in April 2026, NEC has rolled out the generative AI assistant Claude to approximately 30,000 NEC Group employees and is building one of Japan's largest AI-native engineering organizations. This collaboration reflects recognition of NEC's expertise in Japanese business practices and legacy systems, underscoring the importance of domain knowledge as a source of competitive advantage.

To become an AI-native company, we need talent capable of not only using AI but also redesigning customer value, business processes, and business models with AI at the core. NEC is advancing the transition from DX talent to AX talent and has begun defining their roles and promoting their development in each of our key domains.

In October 2026, NEC launched NEC Learning & Career, Ltd. to drive the creation of new value through collaboration between people and AI. The company will promote employee reskilling and provide integrated support for a so-called "Try & Learn" cycle, in which employees identify challenges, take on new initiatives, learn from the results, and apply those learnings to their next career opportunities.

IT Services: Talent Portfolio in the AI era



Developing Leaders Who Drive Transformation

To cultivate leaders capable of driving transformation, top management reviews successor candidates and their development plans through the Succession Committee, supporting a systematic approach to leadership succession and development. Through rotational assignments across market-facing businesses, corporate functions, overseas operations, and Group companies, future leaders develop a perspective focused on overall optimization. In addition, from the standpoint of diversity, which is essential to supporting global expansion, NEC appoints the most suitable talent to key positions regardless of nationality.

CHRO Message



Shiori Nagata

Corporate Executive Vice President and Chief Human Resources Officer (CHRO)

Having served as a management consultant, investment fund professional, president, chief strategy officer, and outside director, I have experienced management from a wide range of perspectives. Through these experiences, I have become firmly convinced that people are always at the heart of management. No matter how compelling a strategy may be, sustainable growth cannot be achieved without the capabilities, passion, and actions of each individual employee responsible for executing it. As the NEC Group enters its next stage of growth, we must continue evolving into a stronger organization of people capable of turning our growth strategy into reality. Our goal is to unlock the full potential of every individual, build teams that can deliver their best performance, and enable those teams to work together to create social value. As CHRO, I am committed to helping make this vision a reality.

Environmental Management

Half a Century of Efforts to Address Environmental Issues

NEC has been addressing environmental issues for more than half a century, since it introduced a specialized environmental organization in 1970, ahead of the establishment of Japan's Environment Agency. Through its long-standing commitment to the environment, NEC has built up a wealth of experience and expertise in the field. As a Social Value Innovator, NEC continues to contribute to resolving environmental issues by leveraging ICT to visualize environmental impacts and support effective countermeasures. These efforts are closely aligned with NEC's Purpose. Guided by this Purpose, NEC has identified "visualizing and reducing the environmental negative impact of the value chain" as one of its material issues and is working to achieve both a sustainable society and business growth.

NEC's ongoing commitment to environmental initiatives has also earned high recognition from external rating agencies.

CDP
Climate Change and Water Security

Received highest rating
7 years in a row

NEC has been named by the CDP as an "A List" company for the seventh consecutive year for its initiatives related to Climate Change and Water Security.

CDP
Supplier Engagement Assessment

Received highest rating
6 years in a row

NEC was selected as a CDP Supplier Engagement Leader for the sixth consecutive year.

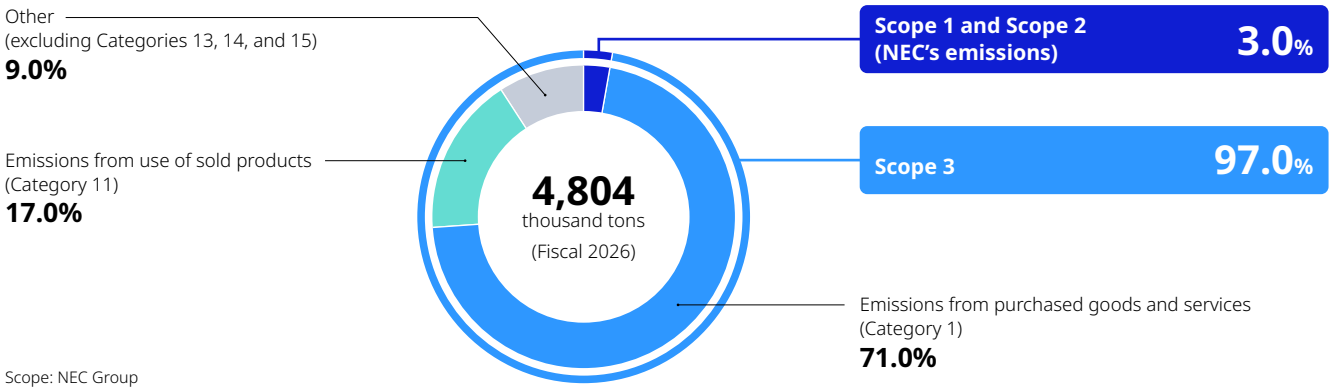
NEC's Environmental Management

NEC promotes environmental management, under which it works not only to reduce the environmental impact of its own business activities but also to contribute to reducing environmental impacts on society as a whole through the provision of products and services. Based on this approach, NEC has set achieving Net-Zero emissions by 2040 as its long-term environmental goal, for which it has obtained approval from the Science Based Targets initiative (SBTi). To achieve this target, the NEC Group is implementing Eco Action Plan 2030 across the Group. Developed by backcasting from where the Group wants to be by fiscal 2031, Eco Action Plan 2030 serves as a five-year environmental action plan that identifies priority initiatives from two perspectives: the continued reduction of NEC's environmental impact and risks, and the expansion of contributions from business activities. Business units, Group companies, and overseas affiliates formulate targets and initiatives tailored to their respective business characteristics and proactively implement them, enabling the entire NEC Group to advance environmental management in a unified manner.

Greenhouse Gas Emissions (Scope 1, 2, and 3)

Note: Market-based data for Scope 2

(%)



Scope: NEC Group

Aiming to Achieve Net-Zero Emissions

From the perspective of reducing its own environmental impacts and risks, NEC is promoting energy conservation measures, replacing facilities with more energy-efficient alternatives, and expanding the adoption and use of renewable energy to reduce its direct CO_2 emissions (Scope 1 and Scope 2). In addition, as a member of RE100, NEC is working toward sourcing 100% renewable electricity by promoting the installation of solar power generation facilities and the procurement of renewable electricity.

Beyond these efforts, NEC recognizes that achieving Net-Zero emissions by 2040 requires not only reducing its own CO_2 emissions but also taking action across the entire supply chain. Accordingly, NEC is also pursuing initiatives to reduce Scope 3 emissions.

To reduce Scope 3 Category 1 emissions, which account for the largest share of NEC's greenhouse gas emissions, NEC is strengthening collaboration and co-creation with its suppliers and working to reduce emissions across the entire supply chain. Through its Decarbonization Support Program, for example, NEC provides step-by-step support to help suppliers establish CO_2 emissions reduction targets and implement reduction initiatives, while working alongside them to achieve those targets. In fiscal 2026, NEC supported primarily small and medium-sized enterprises in visualizing CO_2 emissions and obtaining SBT approval. As a result, some participating companies successfully obtained approval, contributing to the reduction of environmental impacts across the supply chain.

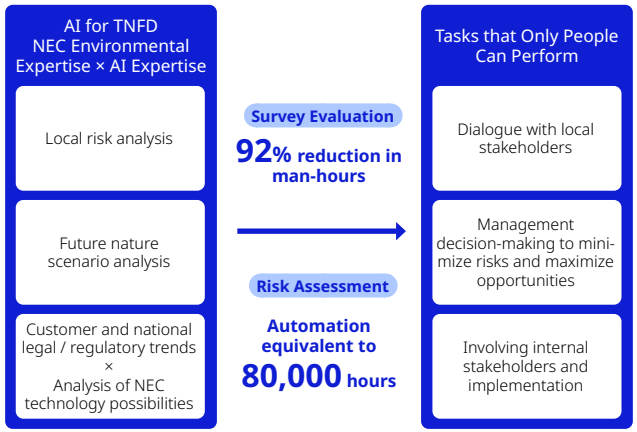
In July 2026, NEC also launched an initiative in collaboration with Sumitomo Mitsui Banking Corporation to support suppliers' greenhouse gas reduction efforts through the use of sustainability-linked loans. Under this program, NEC suppliers establish emissions reduction targets aligned with SBT standards, and financing terms are linked to the achievement of those targets. By linking suppliers' decarbonization efforts to economic incentives, NEC is accelerating decarbonization across the supply chain.

To reduce CO_2 emissions associated with the use of sold products and services (Scope 3 Category 11), NEC promotes environmentally conscious products and services and proposes the use of renewable energy. At the same time, in response to growing societal demand for greater visibility into CO_2 emissions across the entire product life cycle, NEC is developing solutions that support the calculation of product carbon footprints (CFPs) and also provides consulting services that support customers from CFP calculation through improvement and ongoing implementation. Going forward, NEC will continue to contribute to the realization of carbon neutrality for both its customers and wider society through the provision of products and services and initiatives aimed at visualizing emissions across the entire life cycle.

Value Creation Through the "Client Zero" Approach

From the perspective of contributing to the reduction of environmental impact across society through its business activities, NEC applies the "Client Zero" approach to environmental management as well. As it promotes its transformation into an AI-native company, NEC is driving operational transformation in the environmental domain through the use of generative AI and agentic AI. By turning the know-how and insights gained through internal implementation into solutions, NEC is creating new value.

For example, in preparing its TNFD Report, issued ahead of other companies in Japan's IT industry, NEC leveraged AI to improve and streamline assessment and evaluation processes. Using agentic AI, NEC analyzed local risks at 2,000 sites operated by the Company and its suppliers. This enabled the identification of specific regional information and risks that could affect business operations, providing insights that could not be obtained through conventional general-purpose tools. By engaging in dialogue with local stakeholders, NEC was able to conduct risk assessments that accurately reflected on-the-ground conditions. Conducting these activities manually would have required approximately 80,000 hours of work. By assigning large-scale information gathering and advanced analysis to AI, NEC has established a framework that enables resources to be shifted toward more essential activities that can only be performed by people. The expertise gained through the use of AI in this process has been incorporated into the TNFD Accompaniment Support Service, which assists customers in addressing nature-related issues. In September 2026, the Company also launched NEC Sustainability Intelligence for TNFD, a cloud service that supports more advanced TNFD initiatives and strategy development.



NEC has also leveraged AI in complying with the Sustainability Standards Board of Japan (SSBJ) Standards, improving both the efficiency and sophistication of information gathering, analysis, and disclosure document preparation. By treating the preparation of its own annual securities report as a "Client Zero" project, NEC reduced the workload by more than 90% while ensuring a consistent level of quality regardless of individual experience levels. Building on the insights gained through this project, NEC has begun offering services that support climate-related disclosure activities.

In addition, NEC has launched a proof of concept for the Supplier Portal, which aims to improve sustainability across the supply chain and create corporate value. The portal integrates the management of self-assessment questionnaires (SAQs) for document checks related to sustainability into an online system. It was developed with our own risk management processes serving as Client Zero, in order to address challenges such as inefficient information flows between buyers and suppliers and the costs of managing complex questionnaires. NEC plans to commercialize the service during fiscal 2027. By reducing the effort required for survey responses, aggregation, and analysis, while improving operational efficiency and standardization, NEC aims to enhance value creation across the supply chain. Through these environmental "Client Zero" activities, NEC will contribute to the realization of a sustainable society while also supporting its own business growth.

As environmental regulations and disclosure requirements become more sophisticated, environmental management challenges faced by companies are becoming increasingly complex. These challenges are not unique to NEC but are common to many of its customers.

Going forward, NEC will continue to leverage the technologies, know-how, and expertise gained through its own initiatives to help address the challenges faced by customers and society.

Directors (As of July 1, 2026)

Harufumi Mochizuki
Member of the Board
(Independent Director)



Yoshihito Yamada
Member of the Board
(Independent Director)



Shinjiro Sato
Member of the Board
(Independent Director)



Mika Nishimura
Member of the Board
(Independent Director)



Tomomi Yatsu
Member of the Board
(Independent Director)



Elly Keinan
Member of the Board
(Independent Director)



Joseph A. Kraft Jr.
Member of the Board
(Independent Director)



Takashi Niino
Chairperson of the Board
(Chairperson of
the Board of Directors)



Takayuki Morita
President and CEO
(Representative
Executive Officer),
Member of the Board

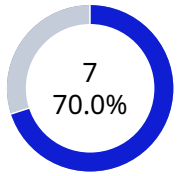


Kunikazu Amemiya
Corporate Senior
Executive Vice
President and CFO
(Representative
Executive Officer),
Member of the Board

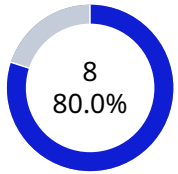


Composition of the Board of Directors (10 Directors)

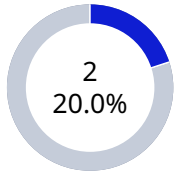
Independent



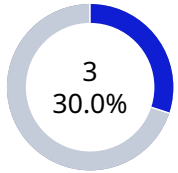
Non-executive



Female



Non-Japanese



Directors

Directors' Career Skill Matrix

The Board of Directors of NEC Corporation maintains a compact structure in which Independent Outside Directors comprise the majority of the Board of Directors and the number of Inside Directors is kept to the minimum necessary. In determining its composition, consideration is given to the balance of diversity in such factors as career background, specialist field, nationality, and gender.

In addition, to improve the effectiveness of the Board of Directors, the Company has defined the following eight skills that are particularly expected of Directors and has clearly specified the details of each skill. Based on this Career Skill Matrix, the Company regularly confirms the sufficiency level of the Board of Directors as a whole for the career background and skills particularly expected of Directors. Based on perspectives such as lacking career background and skills, and diversity, the Company makes a list to identify a broad range of candidates for Director, which is used for deliberations for election of candidates.

		Years served as Member of the Board (as of June 30, 2026)	Attributes			Eight particularly expected career background and skill categories								Nominating Committee	Compensation Committee	Audit Committee
			Independent director	Non-executive	Gender / Nationality	Corporate management	Global business	Technology / Innovation	Sustainability / ESG	Marketing	Financial accounting / Investment	Audit / Legal / Risk management	Corporate governance			
Independent Directors	Harufumi Mochizuki	3	■	■		●	●					●	●	■ Chairperson		■
	Yoshihito Yamada	3	■	■		●	●	●		●			●	■	■	
	Shinjiro Sato	2	■	■		●	●	●			●		●	■		■ Chairperson
	Mika Nishimura	1	■	■	■ Female, Nationality		●	●	●	●			●		■ Chairperson	
	Tomomi Yatsu	1	■	■	■ Female						●	●	●			■
	Elly Keinan	—	■	■	■ Nationality	●	●	●		●			●		■	
	Joseph A. Kraft Jr.	—	■	■	■ Nationality		●		●		●	●	●			■
Chairperson of the Board (Chairperson of the Board of Directors)	Takashi Niino	15		■		●			●				●	■		
President and CEO (Representative Executive Officer), Member of the Board	Takayuki Morita	10				●	●			●	●		●		■	
Corporate Senior Executive Vice President and CFO (Representative Executive Officer), Member of the Board	Kunikazu Amemiya	—						●		●	●					

● indicates that the respective Director has extensive experience and deep insight. This Career Skill Matrix does not cover all the experience and insight possessed by the Directors.

Specific Details of Career Background and Skills Particularly Expected of Directors

Skills	Details
Corporate management	Practical knowledge on company management based on experience as chief executive officer of operating companies
Global business	Experience as chief executive officer or department head in multinational companies or specialized knowledge on global markets
Technology / Innovation	Business experience or specialized knowledge on technology related mainly to ICT and DX, or experience or specialized knowledge on new business creation and market innovation
Sustainability / ESG	Knowledge about diverse values on female, foreign nationality, disabilities, etc., leadership experience in ESG activities or specialized knowledge on ESG management

Skills	Details
Marketing	Experience as head in the marketing or brand strategy department or the sales department in operating companies, or specialized knowledge on business-to-business transactions and marketing
Financial accounting / Investment	Experience as chief financial officer of operating companies, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.
Audit / Legal / Risk management	Risk management experience in accounting, legal affairs, technology, cybersecurity, etc., in operating companies, or experience as an audit committee member, audit & supervisory board member, or department head in auditing division, or specialized knowledge on international and domestic legal affairs or geopolitics
Corporate governance	Specialized knowledge on recent global corporate governance practices, or experience and practical knowledge of implementing governance reforms at operating companies

Board Discussions on the Formulation of Mid-term Management Plan 2030

To enrich discussions at Board meetings, NEC holds off-site meetings to promote mutual understanding among Directors and build a shared understanding of key issues. In formulating Mid-term Management Plan 2030, the Board engaged in ongoing discussions on important themes beginning in 2024 and repeatedly examined measures to enhance corporate value over the medium to long term. During the execution phase of the plan, NEC will continue striving to maintain a highly effective Board of Directors and leverage external perspectives in management.

Key Discussions on the Formulation of Mid-term Management Plan 2030



Message



Shinjiro Sato

Independent Director

Refining NEC BluStellar Through Board Deliberations

Looking back on the process of formulating Mid-term Management Plan 2030, what stands out most to me is how the Board of Directors functioned not merely as a decision-making body, but as a forum for candid dialogue with management on strategic direction and NEC's future growth.

To be frank, when I first heard about NEC BluStellar, I did not fully understand what NEC was trying to change or how it differed from the Company's previous approach. Management continued to bring the topic before the Board and off-site meetings, however, and through repeated discussions in which Independent Directors openly raised questions and shared their perspectives, our understanding deepened. I believe there was real value in that process itself, as the discussions evolved and matured through Board deliberations. The concept of becoming an AI-native company followed a similar path. In response to the rapid changes taking place in the AI landscape, the Board engaged in extensive discussions, ultimately positioning AI as a core theme of Mid-term Management Plan 2030 based on a shared determination to seize these changes as opportunities. I believe these ongoing dialogues have also strengthened NEC's ability to communicate its strategy clearly to external stakeholders.

Challenging NEC to Aim Higher from an Outside Perspective

When formulating a mid-term management plan, there is a natural tendency to set targets that are an extension of a company's current trajectory, and that take the prevailing business environment and achievability into account. At the time of formulating this plan, however, NEC's share price had been rising, and market expectations for the Company were rising accordingly. I sensed a gap between those expectations and the ambitions reflected in the plan. I felt it was important to communicate this candidly and encouraged management to articulate goals and a vision from a higher vantage point. Ultimately, NEC presented a long-term aspiration that includes achieving an overseas profit ratio of 50% and establishing itself as a global top-tier company. In doing so, NEC made clear its determination not only to succeed in Japan but also to become a technology company with a strong presence on the global stage.

Key Priorities for Realizing Mid-term Management Plan 2030

I have high expectations for NEC going forward, but the first priority is establishing a solid foundation for growth in its global operations. The Company will need to strengthen, one by one, the businesses and operational platforms that are beginning to gain traction overseas and translate them into the next stage of growth. In addition, I believe the strategic use of M&A will be key if NEC is to establish itself as a technology leader. It is equally important not only to attract diverse talent but also to create an environment in which that talent can thrive. Above all, however, is NEC's transformation into an AI-native company. It is an attractive concept, but the real challenge lies ahead. Whether NEC can truly transform itself remains to be seen. Precisely because we live in an era of heightened uncertainty, I hope NEC will continue to view change as an opportunity and remain a company that constantly renews and reinvents itself.

Corporate Governance

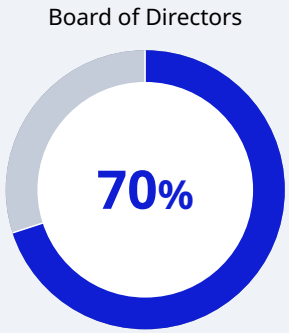
NEC regards corporate governance reform as one of the key foundations of its management transformation and is continuously working to strengthen and enhance it. By clearly separating oversight and execution, NEC promotes stronger governance from both perspectives based on the following basic policies: (1) Assurance of transparent and sound management, (2) Realization of prompt decision-making and business execution, (3) Clarification of accountability, and (4) Timely, appropriate, and fair disclosure of information.

Key Features of the NEC's Corporate Governance

Feature 1

A board of directors with a high ratio of Independent Directors and significant delegation of authority to Executive Officers

The Board of Directors, composed of members with diverse backgrounds and expertise, determines management direction through thorough discussions aimed at enhancing corporate value while overseeing execution. Executive Officers are delegated significant authority by the Board of Directors and work to accelerate and enhance decision-making and business execution.

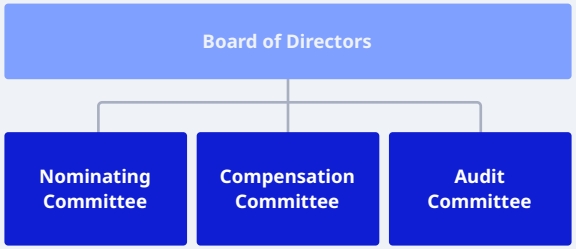


High ratio of Independent Directors

Feature 2

Governance through a three statutory committee structure that supports the enhancement of corporate value

The three statutory committees are composed primarily of Independent Directors, with an Independent Director serving as chair of each committee. The Nominating Committee is responsible for the selection of the most suitable directors and engages in CEO succession planning, the Compensation Committee establishes a competitive remuneration system linked to the enhancement of corporate value, and the Audit Committee conducts organizational auditing through collaboration among the three audit functions and other measures. Together, they support the effectiveness of the Board of Directors' oversight function.



All committee chairs are Independent Directors

Feature 3

Establishment of the Corporate Secretary function and the Corporate Governance Office to drive governance reform

The Corporate Secretary and the Corporate Governance Office serve to organically connect the Board of Directors and the three statutory committees, which perform the oversight function, with the execution side, fostering effective communication and relationships of trust. Secretariat functions for the Board of Directors, the three statutory committees, and the Executive Committee are consolidated within the Corporate Governance Office, enabling management and operations from an overall and integrated perspective.



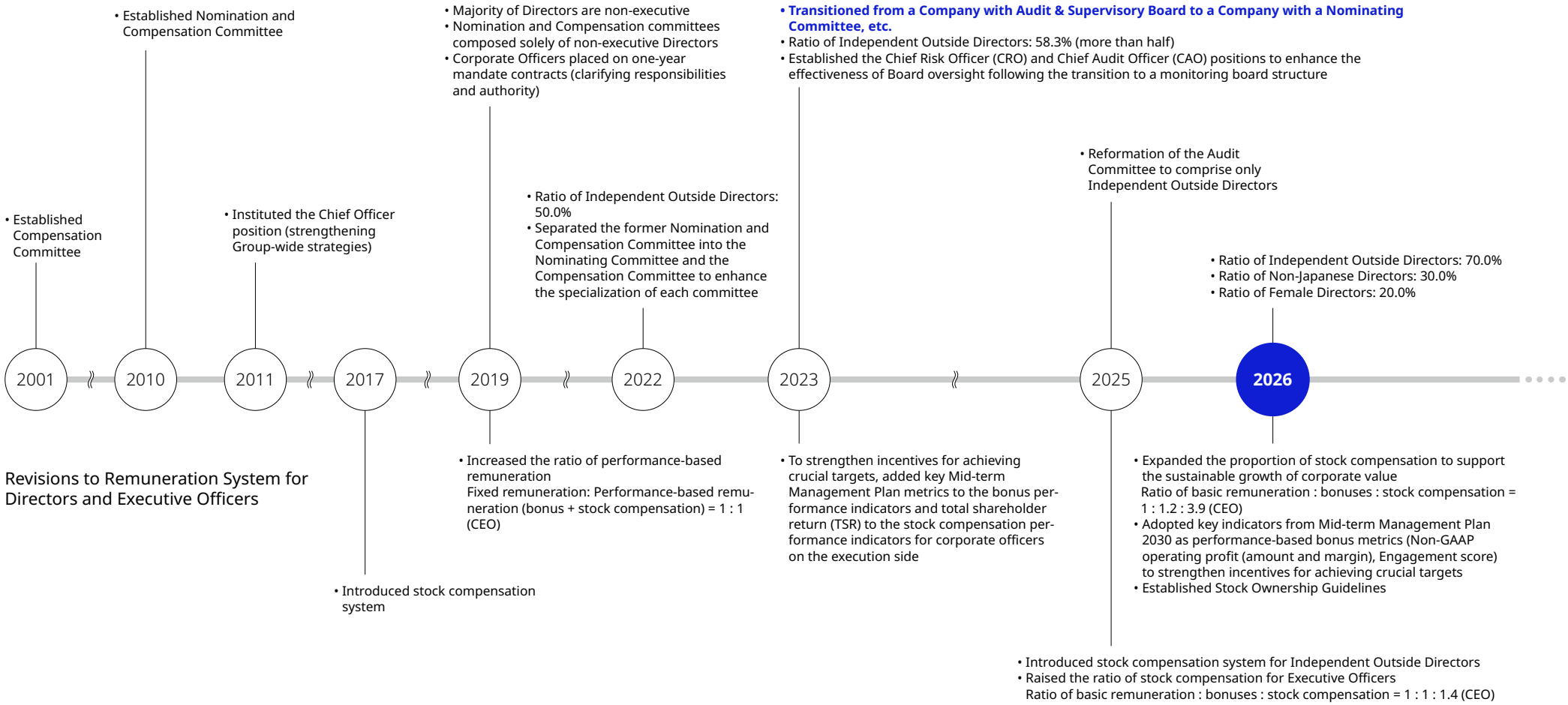
Serves as a hub connecting oversight and execution

Corporate Governance

Initiatives for Strengthening Corporate Governance

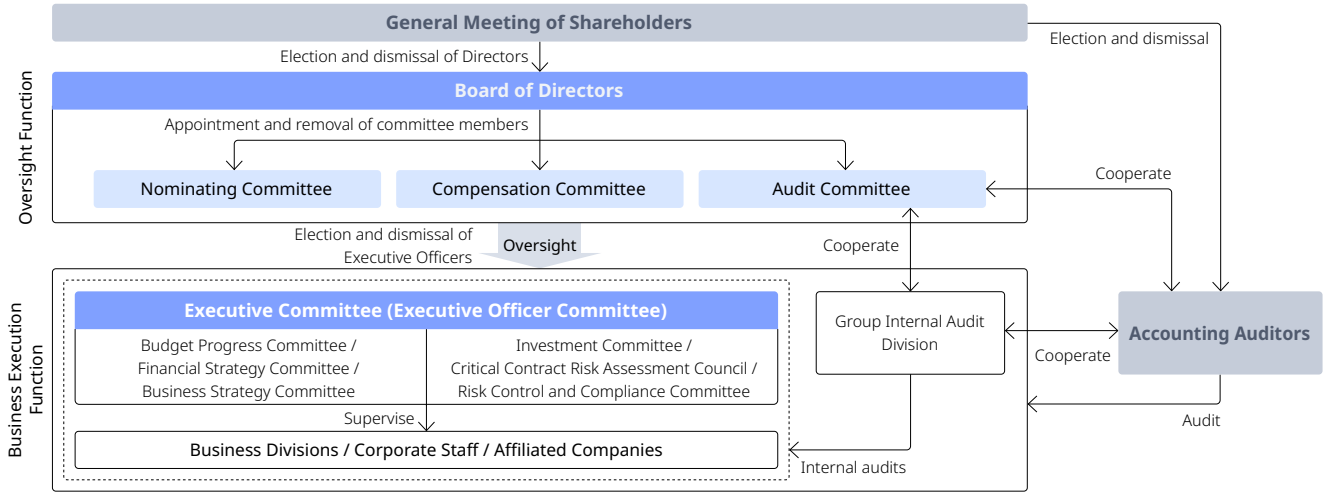
NEC has long been committed to strengthening corporate governance to ensure transparent and sound management and to accelerate decision-making and business execution. Reflecting the transition from a Company with an Audit & Supervisory Board to a Company with a Nominating Committee, etc. in 2023, the Company has clarified the separation of oversight and execution and is accelerating governance reform from both perspectives to maximize corporate value.

Strengthening of Governance



Overview of Corporate Governance System

NEC has adopted the structure of a Company with a Nominating Committee, etc. By clearly separating the oversight function from execution by management, the Company has strengthened the oversight function of the Board of Directors while accelerating timely decision-making and business execution through the substantial delegation of authority to Executive Officers. In parallel, the Company has strengthened governance on the execution side by enhancing its Group-wide risk management framework, improving the quality of decision-making by the executive team, and reinforcing its internal audit function.



Oversight Function

Board of Directors

The Board of Directors is responsible for determining the overall direction of management through deliberations on important matters related to the Company's basic management policies, while overseeing the execution of duties by Executive Officers and Directors.

Fiscal 2026 Main Agenda Items and Discussion Details

Eight meetings held (six scheduled meetings and two extraordinary meetings) with an attendance rate of 100%

Taking into account NEC's long-term vision and ideal future state, the Board of Directors deliberated on key management agenda items in formulating Mid-term Management Plan 2030.

The Board held multiple off-site meetings, some of which included overnight stays, and engaged in intensive discussions with the executive team on these important agenda items.

Main Agenda Items Discussed (Including at Off-site Meetings)

- Business portfolio policies
- Policy for Group governance
- Capital allocation
- Our talent portfolio in the AI era
- Policy for developing the next generation of management leaders
- Governance, internal controls, risk management, and internal audits

Nominating Committee

Three Independent Directors (including the committee chairperson)

One Inside Director

Deliberated proposals for the election and dismissal of Directors, executive appointments, and the CEO succession plan

Six meetings held with an attendance rate of 100%

Fiscal 2026 Main Agenda Items and Discussion Details

The Nominating Committee deliberated on matters related to the composition of the Board of Directors and CEO succession planning with a view to enhancing the effectiveness of the Board.

With respect to the composition of the Board of Directors, the committee focused on strengthening expertise in the area of technology and enhancing diversity, while advancing the development of a Board structure capable of responding flexibly to changes in the business environment, as well as the selection of Director candidates.

Regarding CEO succession planning, the committee conducted interviews with CEO candidates and, together with the CEO, exchanged views on candidate assessments and development policies.

In addition, the committee supported the development of next-generation management talent through initiatives such as executive training programs conducted by Outside Directors.

The committee also conducted a CEO performance review, confirmed the continuation of the CEO's appointment, and requested that the CEO further promote initiatives aimed at developing and strengthening the next generation of CEO candidates.

Compensation Committee

Three Independent Directors (including the committee chairperson)

One Inside Director

Deliberated matters relating to the remuneration of NEC officers

Seven meetings held with an attendance rate of 100%

Fiscal 2026 Main Agenda Items and Discussion Details

The Compensation Committee held extensive discussions on revisions to the remuneration system with the objectives of strengthening incentives for maximizing corporate value through the achievement of Mid-term Management Plan 2030 and attracting and retaining outstanding talent both within and outside the Company. Based on these discussions, the remuneration system was revised in conjunction with the commencement of Mid-term Management Plan 2030 in April 2026. The committee also determined the amount of remuneration payable to each Director and Executive Officer.

For details on NEC's executive remuneration system, please refer to "Remuneration for Directors and Executive Officers" on page 44.

Audit Committee

Four Independent Directors

(including one person with considerable knowledge of finance and accounting)

The Audit Committee audits the execution of duties by Executive Officers and Directors. The committee periodically reports the audit plan and audit results to the Board of Directors and makes recommendations based on the audit results to the President.

13 meetings held with an attendance rate of 100%

Fiscal 2026 Main Activities

The Audit Committee established the following basic policies for audits: Confirm the status of development and operation of the internal control system; strengthen cooperation with the Group Internal Audit Division; and ensure that the Audit Committee Aide takes over part of the activities of the former full-time Audit Committee Member and establishes an auditing system to assist the Audit Committee in the execution of its duties. The committee received reports from major Executive Officers and Chief Officers in charge of corporate functions on key issues and initiatives related to their areas of responsibility, in order to confirm the status of development and operation of the internal control system in particular in addition to statutory resolutions.

Evaluation of the Effectiveness of the Board of Directors

The Company conducts an evaluation and verification of the effectiveness of the Board of Directors and each committee every fiscal year, in order to improve the effectiveness of the Board of Directors.

In fiscal 2026, as a result of the effectiveness evaluation by a third-party evaluation organization, it was confirmed that the effectiveness of the Board of Directors of the Company is ensured at a high level. In fiscal 2027, the Company will focus on the following three areas to further improve effectiveness.

	Priority Initiatives for Fiscal 2026	Summary of Results
Further upgrade the operation of the Board of Directors	・Further enhance discussions on important issues related to the next mid-term management plan ・Deepen mutual understanding by expanding communication opportunities between Directors and Executive Officers, and thereby further enhancing the content of discussions in the Board of Directors meetings	In addition to the ordinary meetings of the Board of Directors held six times a year, in fiscal 2026 a two-day intensive off-site meeting was held for the first time, with the participation of key Executive Officers, to deepen discussions on important management agendas for the formulation of Mid-term Management Plan 2030. Through open discussions, mutual understanding between Directors and Executive Officers deepened, leading to more substantive and enhanced discussions at Board meetings. It was also confirmed that operations and secretariat support functions have been improved and strengthened, including the establishment of pre-briefings for Outside Directors (such as the information that forms the premise of discussions at Board of Directors meetings).
Enhancement of committee functions	・Further improve deliberation items and the deliberation process in accordance with the roles and policies of each committee ・Strengthen collaboration between the Board of Directors and each committee, including a review of the content and timing of reports by each committee to the Board of Directors	It was confirmed that the deliberation items and deliberation processes have been improved in line with the roles and policies of the committees. The Nominating Committee engaged in in-depth exchanges of opinions and deliberations on the ideal Director structure and personnel selection for driving the implementation of Mid-term Management Plan 2030. Its discussions also focused on CEO succession planning to support the development of the next CEO candidate. The Compensation Committee, in conjunction with the start of Mid-term Management Plan 2030, repeatedly discussed a revision to a new remuneration system, which would provide a strong incentive to maximize corporate value through the achievement of the mid-term management plan. The Audit Committee further strengthened the organizational audit framework under a structure in which all Audit Committee Members are Independent Outside Directors. This included enhancing coordination with the Group Internal Audit Division and establishing an audit framework under which the Audit Committee Aide assumes certain responsibilities previously carried out by the former full-time Audit Committee Member and supports the execution of the Audit Committee's duties. In addition, the strengthening of cooperation between the Board of Directors and the committees was confirmed by sharing the contents of the most recent committee deliberations at each Board of Directors meeting.
Fostering a board culture	・Foster a board culture by further enhancing opportunities for communication between Directors ・Deepen discussions and create a common understanding of the ideal corporate governance in the Company and the specific roles of the Board of Directors in it	The background of corporate governance reform in the Company and efforts made so far were shared among the Directors, and discussions were deepened on the future of corporate governance and the roles of the Board of Directors. The deepening of mutual understanding and shared awareness was confirmed through expanded opportunities for communication between Directors including off-site meetings and site visits and between Directors and Executive Officers.

Priority Initiatives for Fiscal 2027	
Consideration of the ideal Director composition	● Based on the vision of the NEC Group, the Company will expand considerations and discussions on the ideal Board of Directors, including matters such as Director composition and the design of the Career Skill Matrix in the medium to long term.
Deepening of discussions at Board meetings	● In addition to the annual Board agenda plan, the Board will establish the broad concepts behind agenda-setting during the period of Mid-term Management Plan 2030 so that it can engage in ongoing discussions from a long-term perspective. ● By utilizing the intensive off-site meetings and other opportunities, the Board will expand discussions on long-term themes, such as NEC's desired future state.
Oversight and support for the development of next-generation management leaders	● Because the CEO succession plan is one of the most important factors in the continuous and fair appointment of CEOs who will lead the sustainable growth of corporate value, the Board will strengthen its support for efforts by the executive side to develop the next generation of management leaders, centered on the Nominating Committee.

Execution Function

The Company promotes accelerated decision-making and business execution by delegating substantial authority to Executive Officers. The Company has introduced Chief Officers to implement Group-wide strategies. Under the direction of the President, each Chief Officer is working to establish and operate the optimal management infrastructure for NEC in the key Group-wide functional areas for which they are responsible.

The Company has established the Executive Committee, which is the highest-level deliberative body on the execution side, as well as other committees which work in tandem with the Executive Committee in order to ensure high-quality decision-making in terms of both opportunities and risks. The Executive Committee, consisting of Executive Officers, deliberates on important matters related to the management of the NEC Group, such as management policies and strategies, and examines important business execution matters. The committees working in tandem with the Executive Committee conduct deliberations, etc., on their respective responsibilities in accordance with their roles and authorities.

The Group Internal Audit Division conducts audits to ensure legal, appropriate, and efficient business execution, identifies problem areas, and makes recommendations for improvement by identifying issues.

Name of Deliberative Body	Summary of Respective Responsibilities
Budget Progress Committee	Progress management regarding the annual budget
Financial Strategy Committee	Multifaceted review of financial strategies
Business Strategy Committee	Discussion of business strategies and sharing of important matters
Investment Committee	Multifaceted review of investments and loans
Critical Contract Risk Assessment Council	Multifaceted review of important business contracts, etc., in order to reduce risk
Risk Control and Compliance Committee	Multifaceted review of Company-wide risk management and compliance

Risk Management

Overview of Risk Management System

NEC has a Company-wide cross-sectional risk management system centered on the Risk Control and Compliance Committee and the Chief Risk & Compliance Officer (CRCO), to accurately comprehend and to respond appropriately to both internal and external risks related to NEC's businesses.

In the Company, important matters related to Company-wide risk management, including a risk management policy and selection of and response policies to "Priority Risks" that require countermeasures across NEC, as well as measures to address risks that require Company-wide management in response to changes in risk environment during the fiscal year, are discussed at the Risk Control and Compliance Committee and then reported to the Business Strategy Committee and the Board of Directors on a regular basis.

The Company has the CRCO to monitor and address Company-wide risks centrally and cross-functionally and manage the risk of losses. The CRCO takes the lead in Company-wide risk management by detecting and analyzing risks that are diversifying and becoming more complex in a constantly changing social and business environment, and evaluating impacts, while prioritizing countermeasures and closely collaborating with other Chief Officers in charge of each risk.

Risk Management Policies

NEC refers to the Enterprise Risk Management–Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and ISO 31000, which is an international standard that provides principles and guidelines for risk management. On this basis, in order to pursue returns through appropriate risk management, NEC has categorized the risks associated with its businesses into a Risk Total Picture and has decided on responsible divisions and response policies for each risk. In the Risk Total Picture, integrity is recognized as the foundation of all risk management activities and risks are classified into three categories according to their nature. The Company has developed a response flow in case such risks should materialize, especially in the event of a crisis that threatens the existence of the Company.

Based on a comprehensive list of risks that NEC should be aware of, the CRCO engages in dialogue with other Chief Officers in charge of managing each risk and conducts risk assessments. The CRCO creates a risk map that visualizes risk priorities by evaluating the impact on five levels and urgency on three levels, taking into consideration changes in the external and internal environment and the status of each risk countermeasure. The CRCO updates the risk map through the review of the Risk Control and Compliance Committee on a quarterly basis, and regularly reports to the Business Strategy Committee and the Board of Directors.

Remuneration for Directors and Executive Officers

In accordance with the basic policy on the remuneration of Directors and Executive Officers, the Company has established a remuneration system that will lead to the sustainable growth of corporate value. In April 2026, NEC revised the system as outlined below with the aim of providing a strong incentive to maximize corporate value through the achievement of Mid-term Management Plan 2030, while also enhancing its ability to attract and retain outstanding talent both within and outside the Company. As a result of these revisions, the proportion of performance-based remuneration has increased. For the CEO, the target remuneration mix of basic remuneration, bonuses, and stock compensation has changed from 1 : 1 : 1.4 to 1 : 1.2 : 3.9.

(i) Enhancement of stock compensation

- Increased the proportion of stock compensation and raised the maximum payout rate for performance-based stock compensation to strengthen incentives for maximizing corporate value.
- Established Stock Ownership Guidelines to further align the interests of executives with those of shareholders and clarify their commitment to enhancing corporate value over the medium to long term.

(ii) Revision of performance-based bonus indicators

- Adopted KPIs under Mid-term Management Plan 2030 as performance-based bonus metrics to reinforce the achievement of the plan's targets.

(iii) Review of remuneration levels

- Established competitive levels of basic remuneration commensurate with the scope of each Executive Officer's role, authority, and responsibilities in order to maintain competitiveness in the talent market.

Basic Policy on the Remuneration of Directors and Executive Officers

1. The remuneration system is highly objective and transparent, with content which leads to sustainable growth with the aim of maximizing corporate value, and which allows shareholders to confirm that management is linked to shareholder value.
2. The remuneration system is linked to the mid-term management plan target indicators and provides incentives for Executive Officers to achieve the management targets indicated in the mid-term management plan.
3. As a technology company with global operations, the remuneration system is competitive in the human resources market in terms of both remuneration structure and level.

Compensation System for Executive Officers*

<table>
<tr><td rowspan="2">Remuneration type</td><td>Basic remuneration</td><td colspan="2">Short-term incentive (bonuses)</td><td colspan="2" rowspan="2">Medium- to long-term incentive (stock compensation)</td></tr>
<tr><td>Fixed remuneration</td><td>Group-wide performance-based component</td><td>Department performance-based component</td></tr>
<tr><td>Payment method</td><td>Monetary remuneration</td><td colspan="2">Monetary remuneration</td><td colspan="2">Stock</td></tr>
<tr><td>Evaluation period / Target period</td><td>—</td><td colspan="2">One year</td><td colspan="2">Three years</td></tr>
<tr><td rowspan="3">Calculation method and indicators for determining remuneration amounts, etc.</td><td rowspan="3">Amount is determined based on market competitiveness in accordance with the role, authority, and responsibility of each job title
For Executive Officers, basic remuneration increases or decreases based on performance, and the performance indicators include non-financial indicators such as practical implementation of the NEC Way and our materiality.</td><td>Linked to the degree of achieving targets of KPIs set in the mid-term management plan for each fiscal year
Under Mid-term Management Plan 2030
Indicators responsible for the "Strategy" aspect
Non-GAAP operating profit (amount)····· 50%
Non-GAAP operating profit (percentage to revenue) ····· 30%
ESG indicator responsible for the "Culture" aspect
Employee engagement score····· 20%</td><td>Linked to the degree of achieving targets of the departments for which each Executive Officer is responsible for each fiscal year
Budget indicators
Non-GAAP operating profit, ROIC, cash flow, and other metrics
Mid-term management plan indicators
Metrics established by each business unit to support the achievement of mid-term management plan targets</td><td colspan="2">The number of shares is calculated by dividing the standard amount of stock compensation by job title by the average value of the closing price of the Company share on the Tokyo Stock Exchange in the previous fiscal year.</td></tr>
<tr><td colspan="2">The amount is set between 0% and 200% of the standard amount for each job title, based on the achievement level of performance targets.
Amount of bonus = (Group-wide performance-based component: Group-wide standard amount × Group-wide evaluation) + (Department performance-based component: Department standard amount × Department evaluation)</td><td>The number of shares is determined in a range from 0% to 200% of the number of shares granted by job title, in accordance with the results of a comparison of the Company's TSR with indices such as the Tokyo Stock Price Index (TOPIX) and peer group companies.
Shares to be granted = Number of shares granted by job title × [TSR growth rate: Index comparison 50% + Peer group comparison 50%]</td><td>The determined number of shares is granted after the end of the performance period.</td></tr>
</table>

* The remuneration structure for Executive Officers also applies to Corporate EVPs, Corporate SVPs, etc.

Financial and Non-financial Highlights

(Billions of yen)

	IFRS									
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Revenue	¥2,665.0	¥2,844.4	¥2,913.4	¥3,095.2	¥2,994.0	¥3,014.1	¥3,313.0	¥3,477.3	¥3,423.4	**¥3,582.7**
International revenue	571.0	740.2	689.1	752.0	703.2	754.5	895.6	888.0	707.4	**714.2**
International revenue ratio (%)	21.4	26.0	23.7	24.3	23.5	25.0	27.0	25.5	20.7	**19.9**
Operating profit	41.8	63.9	57.8	127.6	153.8	132.5	170.4	188.0	256.5	**359.9**
Non-GAAP operating profit	—	—	—	—	150.9	160.3	197.0	227.6	311.3	**397.2**
Non-GAAP operating profit margin (%)	—	—	—	—	5.0	5.3	5.9	6.5	9.1	**11.1**
Net profit attributable to owners of the parent	27.3	45.9	39.7	100.0	149.6	141.3	114.5	149.5	175.2	**270.2**
Non-GAAP net profit	—	—	—	—	144.6	159.5	132.8	177.8	225.7	**279.8**
Cash flows from operating activities	92.5	130.0	64.2	261.9	274.9	147.5	152.1	271.2	344.4	**438.5**
Cash flows from investing activities	6.4	(14.2)	(76.7)	(84.0)	(122.5)	(63.4)	(49.6)	(76.0)	(131.2)	**33.7**
Free cash flows	99.0	115.8	(12.4)	177.8	152.4	84.1	102.5	195.2	213.2	**472.1**
R&D expenses	109.3	108.1	108.1	109.8	114.6	126.3	121.4	115.8	99.2	**105.2**
Number of patents	Approx. 53,000	Approx. 51,000	Approx. 49,000	Approx. 47,000	Approx. 46,000	Approx. 45,000	Approx. 42,000	Approx. 41,000	Approx. 43,000	**Approx. 40,000**
Capital expenditures (property, plant and equipment)	31.5	45.4	62.7	67.4	57.6	59.3	67.6	86.7	116.1	**61.4**
Depreciation (property, plant and equipment)	49.9	63.8	64.4	123.4	122.8	123.1	130.2	130.8	108.5	**109.6**
Per share data (in yen)[1]:										
Net profit attributable to owners of the parent[2]	10.51	176.54	152.75	385.02	557.18	518.54	424.51	112.25	131.50	**202.95**
Cash dividends[3]	6	60	40	70	90	100	110	120	140	**38**
Dividend payout ratio (%)	57.1	34.0	25.8	18.2	16.2	19.3	25.9	21.4	21.3	**18.7**
Total assets	2,684.0	2,821.4	2,963.2	3,123.3	3,668.6	3,761.7	3,984.1	4,227.5	4,315.4	**4,466.8**
Owners' equity[4]	854.3	880.8	858.9	910.7	1,308.2	1,513.5	1,623.8	1,915.6	1,952.0	**2,196.6**
Return on equity (%)	3.4	5.3	4.6	11.3	13.5	10.0	7.3	8.4	9.1	**13.0**
Owners' equity ratio (%)	31.8	31.2	29.0	29.2	35.7	40.2	40.8	45.3	45.2	**49.2**
Interest-bearing debt	466.9	520.7	552.5	675.4	702.9	597.4	608.5	548.6	666.4	**489.2**
Debt–equity ratio (times)[5]	0.55	0.59	0.64	0.74	0.54	0.39	0.37	0.29	0.34	**0.22**
Number of employees	107,729	109,390	110,595	112,638	114,714	117,418	118,527	105,276	104,194	**101,800**
Ratio of women in all management positions (%)	—	—	7.8	7.8	9.2	9.6	10.3	11.1	12.8	**13.3**
Ratio of women in all management positions (non-consolidated, %)[6]	5.5	5.8	5.9	6.2	6.9	7.8	8.9	10.2	11.7	**13.0**
Employee engagement score (%)	—	—	14	20	25	35	36	39	42	**48**
Greenhouse gas emissions (Scope 1 and Scope 2) (thousand tons)	350	338	329	373	327	324	259	226	181	**145**
Greenhouse gas emissions (Scope 3[7]) (thousand tons)	7,410	7,606	7,585	6,996	6,158	6,535	6,894	5,738	5,234	**4,659**

1 Effective April 1, 2025, the Company conducted a stock split at a ratio of 5 shares for every 1 share. For fiscal 2024 and fiscal 2025, basic EPS have been calculated assuming the stock split had been effective at the beginning of the prior consolidated fiscal year. For fiscal 2018 and beyond, amounts are presented on a post-reverse stock split basis, following the 10-to-1 reverse split effective October 1, 2017.

2 Net profit attributable to owners of the parent per share is calculated based on the weighted-average number of shares outstanding during each period.

3 Effective April 1, 2025, the Company conducted a stock split at a ratio of 5 shares for every 1 share. The dividend amounts disclosed for fiscal 2024 and fiscal 2025 reflect the actual pre-split figures.

4 Owners' equity = Equity attributable to owners of the parent

5 The debt–equity ratio is calculated by dividing interest-bearing debt by owners' equity.

6 As of April 1 of the following fiscal year

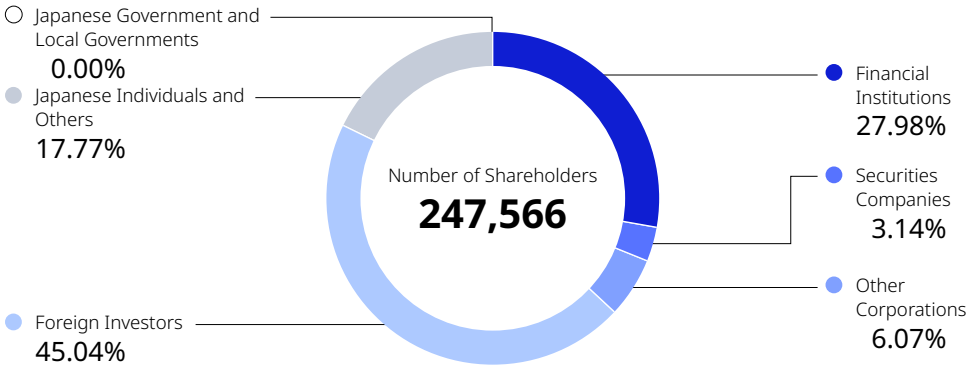
7 Scope 3 emissions from fiscal 2018 to fiscal 2020 have been adjusted to reflect a revision of the coefficient for Scope 3 Category 1 emissions. For this reason, the total differs from the sum of each scope.

Corporate Overview

Company Name	NEC Corporation
Head Office	7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Established	July 17, 1899
Number of Employees (As of March 31, 2026)	101,800 (NEC Corporation and consolidated subsidiaries)
Total Number of Shares Issued (As of March 31, 2026)	1,364,249,315 shares
Stock Exchange Listing	Tokyo (Securities code: 6701)
Shareholder Register Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Classification of Shareholders (Shareholding Ratio)

(As of March 31, 2026)



Major Shareholders (Top 10)

(As of March 31, 2026)

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	204,138	15.37
Custody Bank of Japan, Ltd. (Trust Account)	104,115	7.84
NTT, Inc.	65,118	4.90
STATE STREET BANK AND TRUST COMPANY 505001	29,814	2.24
Sumitomo Life Insurance Company	28,734	2.16
THE CHASE MANHATTAN BANK, N.A. LONDONSECS LENDING OMNIBUS ACCOUNT	25,288	1.90
GOVERNMENT OF NORWAY	21,214	1.60
JP MORGAN CHASE BANK 385781	18,602	1.40
HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	16,846	1.27
STATE STREET BANK AND TRUST COMPANY 505025	16,164	1.22

Note: The shareholding ratio is calculated by excluding the number of treasury stock (35,750,949 shares).

Sustainability

https://group.nec/global/en/about/sustainability/

Please visit the website above for further details on NEC's approach to management for sustainability based on ESG themes, NEC ESG Databook 2026, and related information.

Department in Charge: Sustainability Strategy Planning Office, Stakeholder Relations Department

Evaluation by External Parties (As of July 2026)

Dow Jones Best-in-Class Indices (World, Asia Pacific)

The Sustainability Yearbook 2026 (Top 10%)



FTSE4Good Index Series



FTSE JPX Blossom Japan Index



FTSE JPX Blossom Japan Sector Relative Index



MSCI ESG Selection Indexes



MSCI Nihonkabu ESG Select Leaders Index

2026 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

MSCI Japan Empowering Women Index (WIN)

2026 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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S&P/JPX Carbon Efficient Index



ISS ESG Corporate Rating (Prime)



Morningstar Japan ex-REIT Gender Diversity Tilt Index



CDP (Climate Change, Water Security, and Supplier Engagement)



EcoVadis (Gold)



Sompo Sustainability Index



Investor Relations

https://group.nec/global/en/about/ir/

Please visit the website above for investor relations (IR) presentation materials and other documents, NEC's financial position and business results, stock and bond information, and much more. NEC constantly strives to enhance its disclosure on this website.

Department in Charge: Investor Relations Office, Stakeholder Relations Department

Daiwa Investor Relations Internet IR Commendation Award 2025



Gomez IR Site Ranking Silver Award 2025



Nikko Investor Relations 2025 All Japanese Listed Companies' Website Ranking Best website in the All Markets Ranking category

AAA
Best website in the Industry-Specific category (electrical equipment)

Cautionary Statement with Respect to Forward-looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to the Company and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors. The factors that may influence the operating results include, but are not limited to, the following:

- occurrence of quality and safety problems concerning products and services;
- risks related to cybersecurity;
- difficulty attracting, hiring and retaining skilled personnel;
- failure to appropriately respond to human rights issues in the value chain, including employees;
- occurrence of serious misconduct such as bribery, fraudulent accounting, and violations of personal data protection laws and regulations;
- impact of climate change, natural disasters, and environmental issues;
- adverse changes in foreign currency exchange rates or interest rates, and other economic conditions;
- difficulty achieving acquisitions and business alliances;
- political and social environment in countries and regions in which the NEC Group operates;
- impact of technological innovation and risks related to Intellectual Property Rights;
- natural disasters, pandemics and other hazard risks; and
- occurrence of compliance issues related to violations of competition laws and export control laws.

The forward-looking statements contained in this material are based on information that the Company possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for the Company to predict these events or how they may affect the NEC Group. The Company does not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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- All other names may be trademarks of their respective owners.


NEC
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