

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, 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.

Advances in technology have led to growing expectations and demand for ICT systems to play a role in resolving the problems faced by society and businesses, rather than simply being a tool for improving efficiency. Companies are working to reform their business models and implement data-driven management, while 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 domains. Building on the customer bases and software of the three European companies we acquired between 2018 and 2020, we aim 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.

Strengths

- A proven track record in operating mission-critical systems across a wide range of industries, along with leading-edge DX 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.
- Over 10,000 DX specialists, supported by robust training programs aimed at further expanding and developing DX talent.

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.

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.

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.

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 CO₂ 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 45% of local municipalities in the United Kingdom.

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

KMD is Denmark's largest IT company with a market share exceeding 50% among government and municipal clients. Its strong customer base and wide-ranging platforms have 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. The company holds the top market share in Europe and ranks second in the Asia-Pacific region.



IT Services

Business Strategy

IT Services in Japan

Our domestic IT services business has made steady progress by capturing the strong demand for DX, and we foresee continued growth. In particular, demand for modernization (system replacement) is increasing, and areas where NEC can make full use of the know-how it has amassed to date are growing. We are also ramping up human resources efforts to respond to strong demand, with a goal of securing 12,000 in-house DX specialists by fiscal 2026.

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. Under the value creation model, NEC BluStellar, the Company is systemizing these efforts and driving a transformation of its business model. This not only enables us to provide cutting-edge services to our customers at greater speed but also contributes to improved profitability through a business model shift to a value-pricing method.

NEC BluStellar: NEC's Value Creation Model

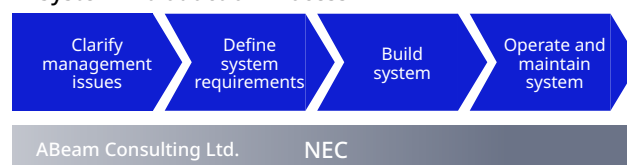
NEC BluStellar

Leveraging NEC's advanced knowledge across industries backed by a proven track record and cutting-edge technology honed through years of development and operation, NEC BluStellar is a value creation model that leads customers into the future by realizing business model innovation and resolving social and customer management issues.

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, the digitalization of government systems has been promoted to improve convenience for the public. Key initiatives include the standardization and streamlining of administrative tasks, the expanded use of Japan's Individual Number System (My Number Card), and the nationwide standardization of local government information systems, targeted for completion by the end of fiscal 2026. NEC is contributing to digitalization by leveraging its extensive experience and expertise, along with advanced digital 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 based on KMD's expertise in breaking down the digital divide and resolving digitalization issues.

Digital Government / Digital Finance (DGDF)

Abroad, we will strive to grow our business by stabilizing our business foundation and expanding synergies with the three European companies. Meanwhile, Avaloq's software 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. 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.

Geographical Expansion of Business Areas

We will be rolling 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 leveraging 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.

Business Portfolio Transformation

We aim to improve profitability by focusing more closely on the software businesses of the three European companies and promoting a shift to an SaaS model. We also continue to work on carve-outs of low-profit businesses, as well as bolt-on M&As to expand our business domains and customer base.