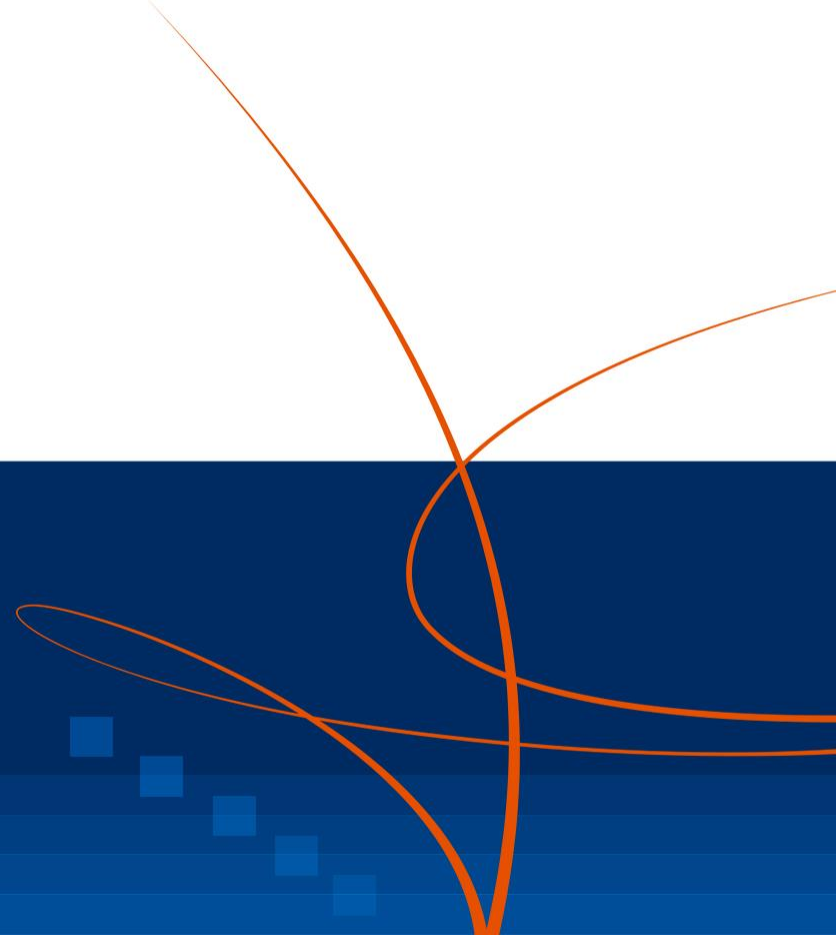


Digital Business Platform

Hiroshi Kodama, Executive Vice President



Overview of Digital Business Platform Unit

Digital Shift

Provide value in a society featuring digital inclusion

Customer Value

Process Innovation,
Upgrading

Customer Experience



Operational Excellence

Digital Services

- Design & Services
(Digital assets)
AI, biometrics/images, cloud, security

Platform

- NEC Digital Platform
Intelligence, architecture, engineering,
AI analytics, biometrics/images,
NEC Cloud IaaS ...

Software Resources

- SW resources that support digital businesses
 - Human resources for digital
 - Human resources for IT services

Organizational Structure

Digital Power (horizontal) and Deliver Value (vertical)



Digital Business Platform Planning Div.

Business Design Div.

Cyber Security Strategy Div.

AI Analytics Div.

Digital Platform Div.

Service Platform Div.

Emerging SI Technology Development Div.

Service and Platform SI Div.

Project Management Office

Software Engineering Div.

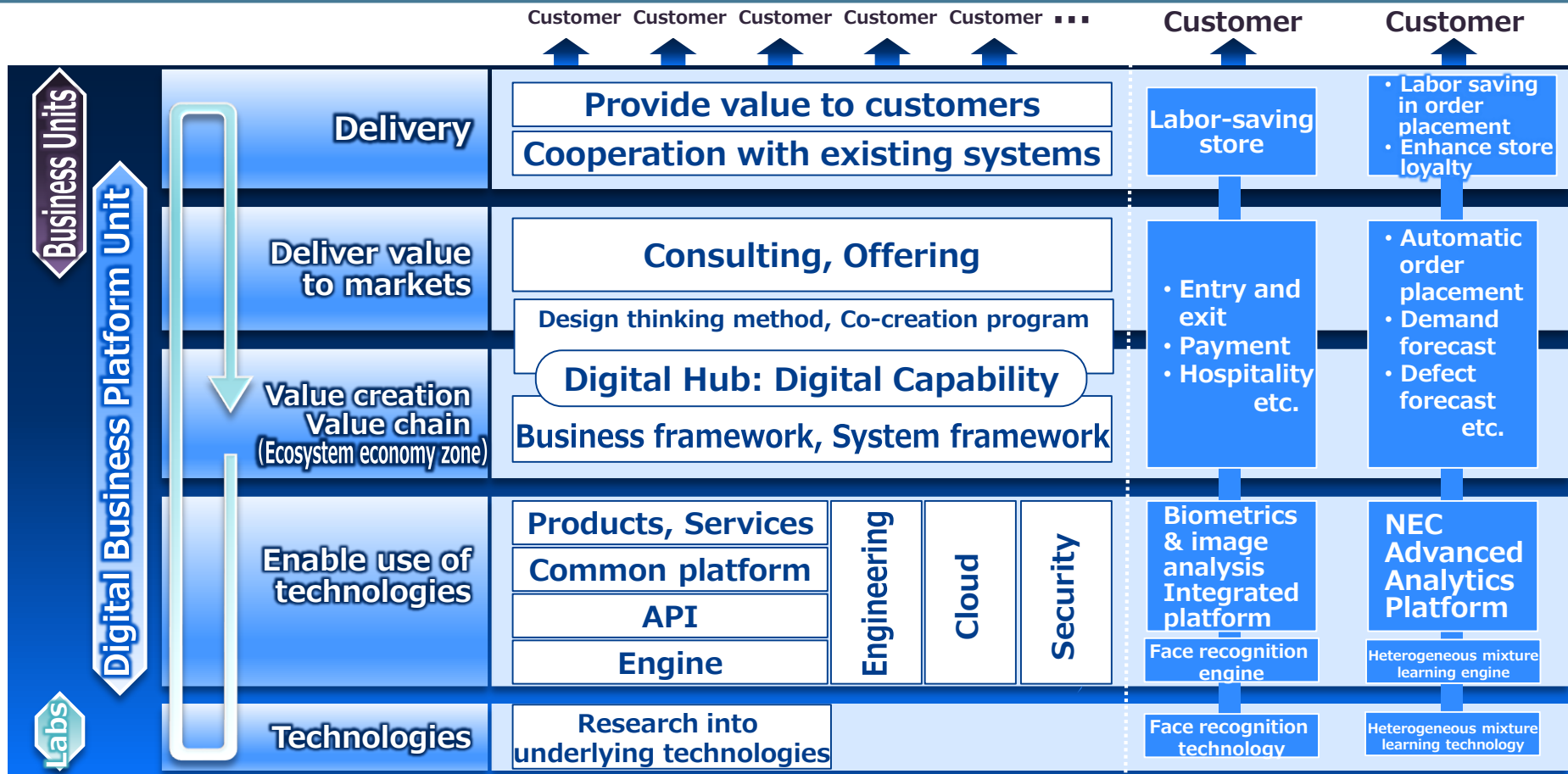
[Related companies in Japan]

- NEC Solution Innovators
- NEC Communication Systems
- Infosec

[Related companies overseas]

- NEC Advanced Software Technology (Beijing)
- NEC Soft (Jinan)
- NEC China Soft (Japan)
- NEC Telecom Software Philippines

(Supplement) Process to Deliver Value and Organizational Functions



Trends in Digital-related Markets

- **IT domain**

The 2nd Platform is diminishing, the 3rd Platform and innovation accelerators are expanding

- **Non-IT domain**

Digitalization will create new markets and value further

Global

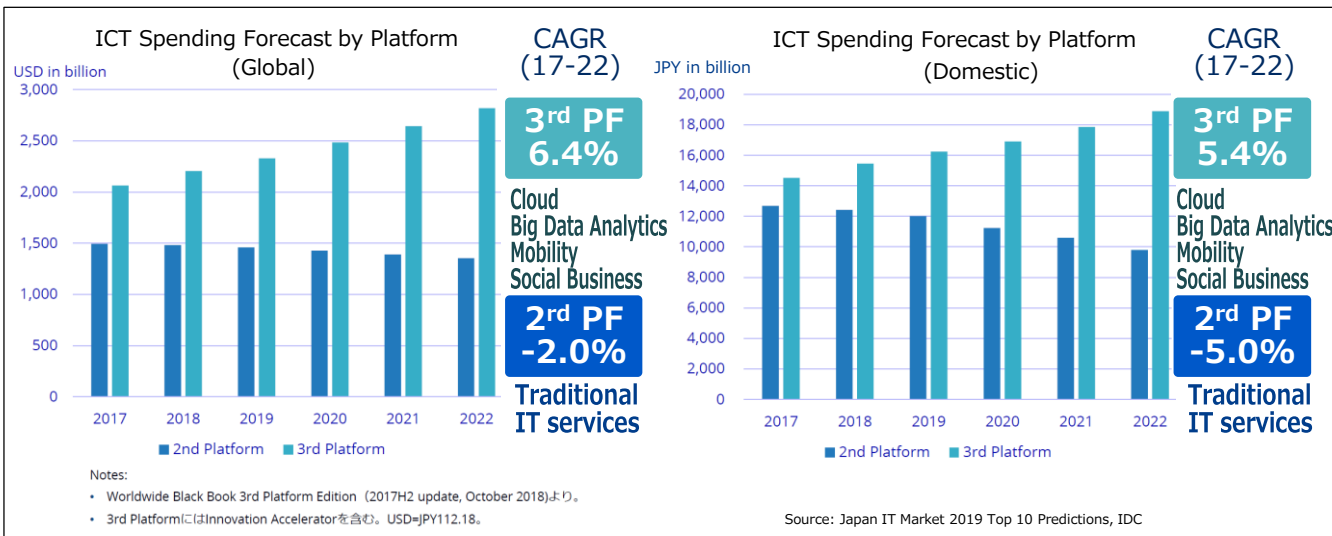
3rd PF : CAGR
2nd PF : CAGR

6.4%
-2.0%

Japan

3rd PF : CAGR
2nd PF : CAGR

5.4%
-5.0%



Innovation Accelerators

Spending in Domestic AI Market

CAGR(2018-2023)
46.4%

Source: IDC, "Forecast for the domestic AI systems market 2019-2023"

Spending in Domestic IoT Market

CAGR(2018-2023)
13.3%

Source: IDC, "Forecast for the domestic IoT per industry/usecase 2019-2023"

Domestic Security Service Market

CAGR(2018-2023)
4.3%

Source: IDC, "Forecast for the domestic information security market 2019-2023"

NEC's Strengths in Digital Services Businesses

Advantages



Biometrics And images

World's No. 1 in face/fingerprint/iris recognition

Results from the international benchmark tests by the U.S. National Institute of Standards and Technology (NIST)



AI

- White Box-type AI
- NEC the WISE (26 types)
+ OSS machine learning library
(data use lifecycle)



Cloud

Managed cloud services /leading company

IDC Japan's announcement
in Feb. 2019



Cyber security

- High security ability
 - Industry-govt-academia and int'l cooperation
 - Strategic functions, 2 specializing affiliates
- Research into security technologies
(encryption, security AI, etc)

Capability

Biometric
authentication
technology with
global track records

Multimodal
authentication
×
Real-time
image analysis

Integrated platform
for biometric
authentication
and image analysis

Case

NEC Group's policy
on AI
and human rights
(Announced in April 2019)

NEC Academy
for AI

Case

NEC advanced
analytics
platform
(Lifecycle)

Case

Industry leading
multi-cloud
(AWS/Azure, etc.)

Coping with
hybrid cloud
(NEC Cloud System)

Japan-made cloud
providing high
availability
(NEC Cloud IaaS)

High-class human
resources for security

- CISSP
- Registered information security specialists
- Infosec
- Cyber Defense Institute

Cyber security
intelligence

Cyber security
factory

Case

NEC's Strengths in Technologies

Advantages



Co-Creation

- NEC Customer Experience Solutions
- NEC Future Creation Hub



Engineering & Resources

- Cope with **tens of millions of users** such as **companies, govts and carriers**
- Software Factory
 - # of PJ: over **2,600**
 - Accumulated #: over **5,000**
 - Users: over **36,000**

Capability

Design thinking framework

[Organize service design]

Consulting

Startup labs

[Agile-type prototyping environment]

Open
(OSS promotion center)

Combination
(Organize digital SI)

AI system for SI support
(Use of quantum technology)

Case

Software Factory
(Secure & portable)

Agile Framework
[· open-perspective
· neo-lightning]

Project management
(Data White Paper,
AI forecast: PRAS)

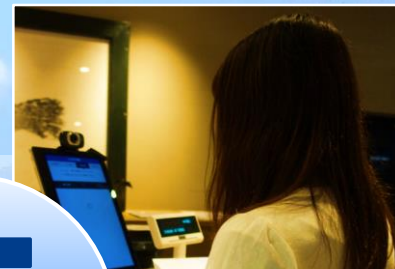
Dynamic resource
(WARTS)

Biometric Authentication and Image Analysis

Provide 1,000 systems to more than 70 countries and regions in the world



**Travel experience with “special hospitality”
owing to the town-wide linkage through
face recognition and IoT (Smart hospitality)**



Invigorate community and realize society where people can live a prosperous life

[AI and Analytics] Usecase (Seven-Eleven Japan)

Labor-saving store on 20th floor of
Mita International Building, Tokyo
(Opened in December 2018)

Walkthrough entry
by face recognition
Empty-handed payment

Non-stop store
supported by IoT

Customer support
with "PaPeRo i"

Demand forecast
by AI

Solution template

AI discovery
program

Research &
planning

AI development
environment /AI-API

Inspection,
development/
introduction

NEC Advanced
Analytics Platform

Data use
lifecycle

Operation &
utilization

Dashboard

Realize consistent evolution through data use lifecycle

Achievements (6 months)

- # of visitors Up 15%
- Sales Up 40%
- # of face registrants Over 3x

Voice from users (questionnaire)

- Effective time use,
higher convenience Use frequently
70%*
* Workers on upper floors
- Satisfied with lineup ... Over 80%

[AI and Analytics] NEC Academy for AI



Comprehensive initiative toward human-led AI society where people can use AI effectively and safely

Human resources that can understand AI correctly and return its benefit as social value

School

Industrial world

NEC Group's methodology to foster HR for AI

Literacy education

Relearning (Lifelong learning)

Fostering policy for AI resources

Certification system for AI resources

- Established “NEC Group Policy for AI and Human Rights”
 - 1) Fairness, 2) Privacy, 3) Transparency, 4) Accountability, 5) Proper use, 6) Development of AI and fostering of human resources, and 7) Dialogues with multiple stakeholders
- Provide opportunities from training courses to the learning environment on a one-stop basis
- Realize open innovation through opportunities for learning, exercising and networking

[Security] Cyber Security Factory

Realize a world where everyone can use digital devices and services safely

Security By Design

Consider security from planning and design phases

Make properly

Secure development and building

Proper data generation



Sustain normal

Proper environment sustaining

Proper data distribution



Defend against attacks

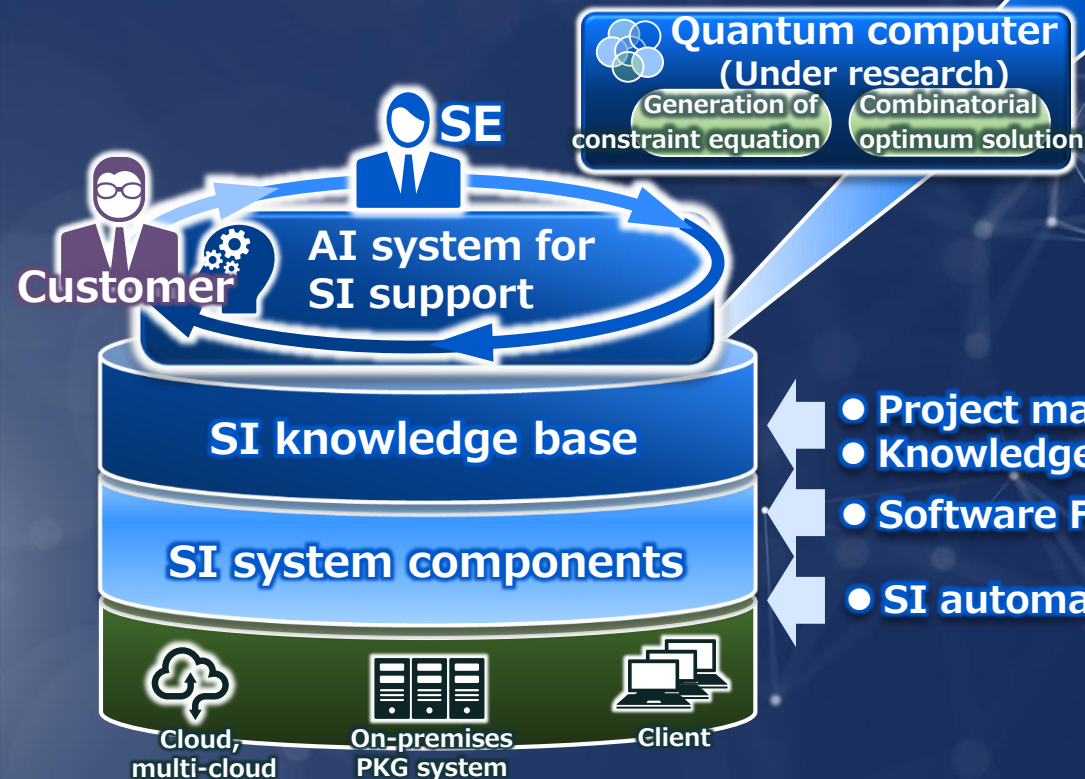
Abnormality detection
Investigation
Recovery



Cyber Security Factory

- Provide one-stop services, such as the introduction and foundation of a security system, operation and monitoring on a 24/7/365 basis, and emergency response to an incident
- Develop and introduce a "threat analysis system" using AI

Optimize SI knowledge with AI



Challenges

- **Shortage of 430,000 IT engineers expected for 2025***
 - Short supply of advanced IT specialists
 - Urgent need of IT system renewal by 2025
- **Combination of a huge quantity of SW and services**
 - e.g. Various and a large quantity of OSS (approx. 500 types) at present

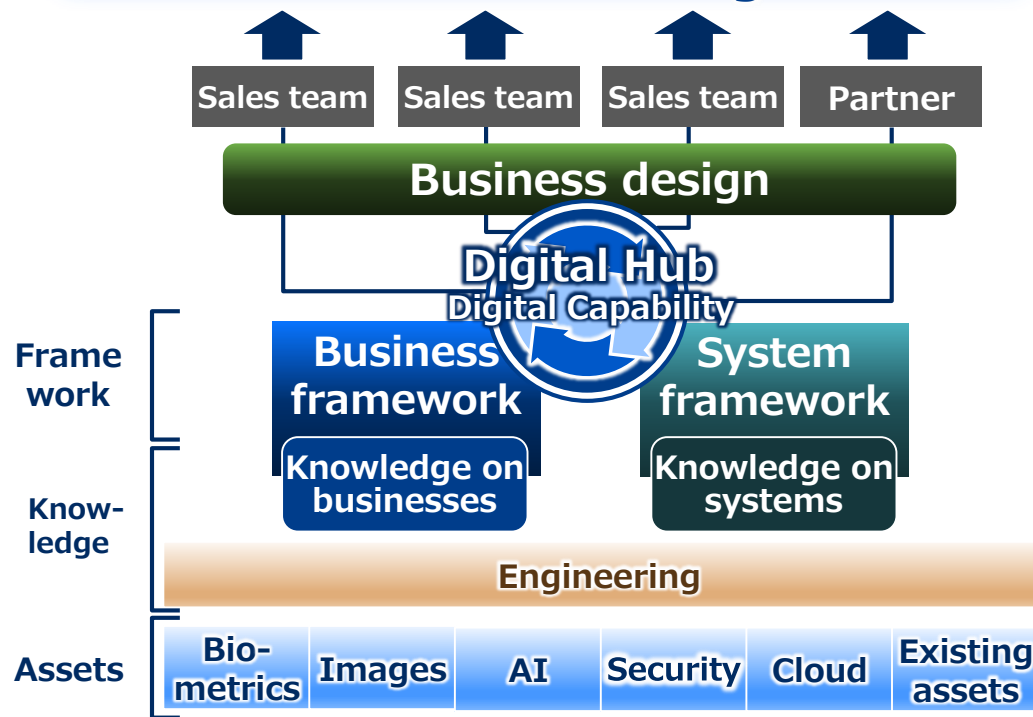
* METI, Report on Digital Transformation: Overcoming of "2025 Digital Cliff"

- **Project management (Data White Paper)**
- **Knowledge, PKG, service**
- **Software Factory**
- **SI automation (CASSIOPEIA)**

Toward a society where everyone shines with digital power

Accelerate customers' digital shift

Strategic targets (2018→2020)



Ratio of
Digital
Projects*

12% → 30%

Digital
Usecases
(AI, Biometric
Authentication)

Accumulative
1,700 → Accumulative
3,000

Digital
Human
Resources

1,600 people → 3,000
people

* Classified the domestic SI and service business into SoE/Bimodal/SoR using IDC's definition of the 3rd platform. Of them, projects falling under SoE/Bimodal are regarded as digital projects.