

IT Services Business

November 30, 2023

Corporate Senior Executive Vice President and Co-COO (Executive Officer)

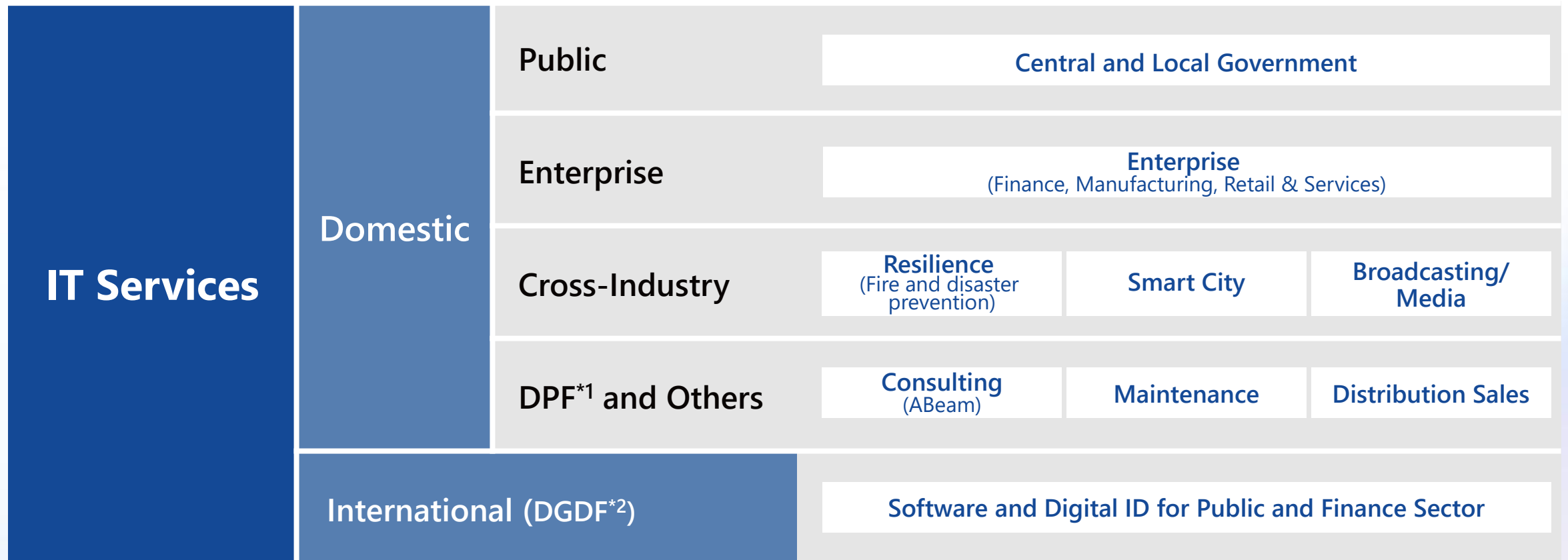
Kazuhiro Sakai

1. Overview of IT Services Business
2. Performance Trends and Mid-term Management Plan
3. Environmental Analysis
4. Key Measures for FY2026/3 Targets

1. Overview of IT Services Business

Overview of IT Services Business

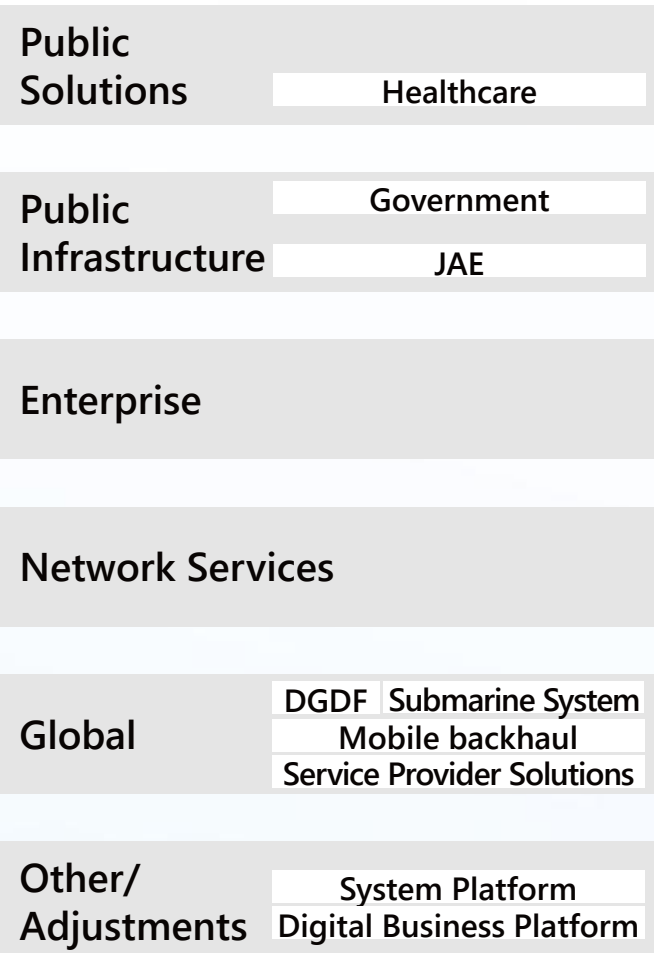
**Engaging in Japanese IT business focused on Public, Enterprise and Cross-Industry
and in international IT business focused on DGDF**



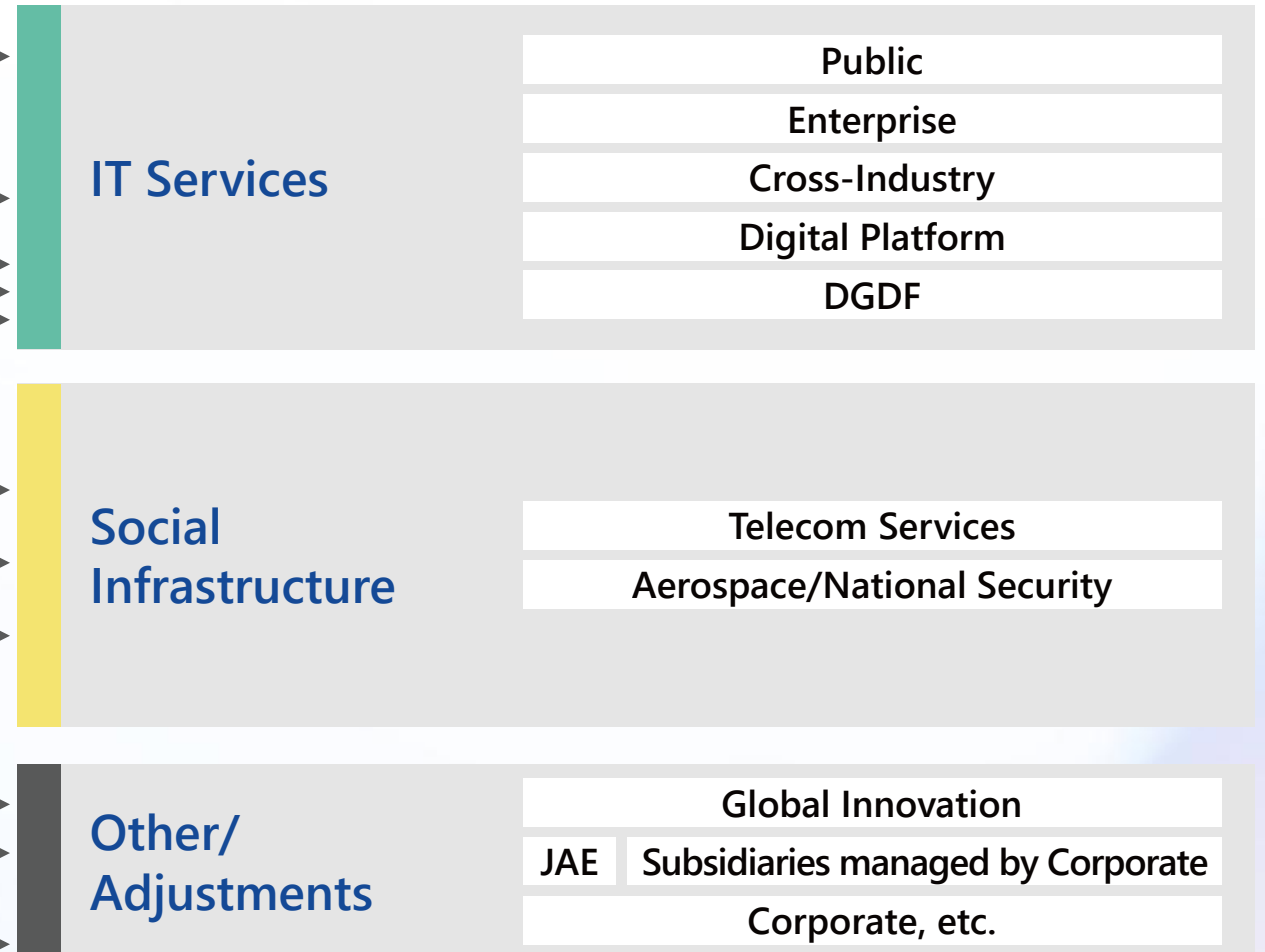
*1 Digital Platform *2 Digital Government / Digital Finance

Overview of IT Services Business

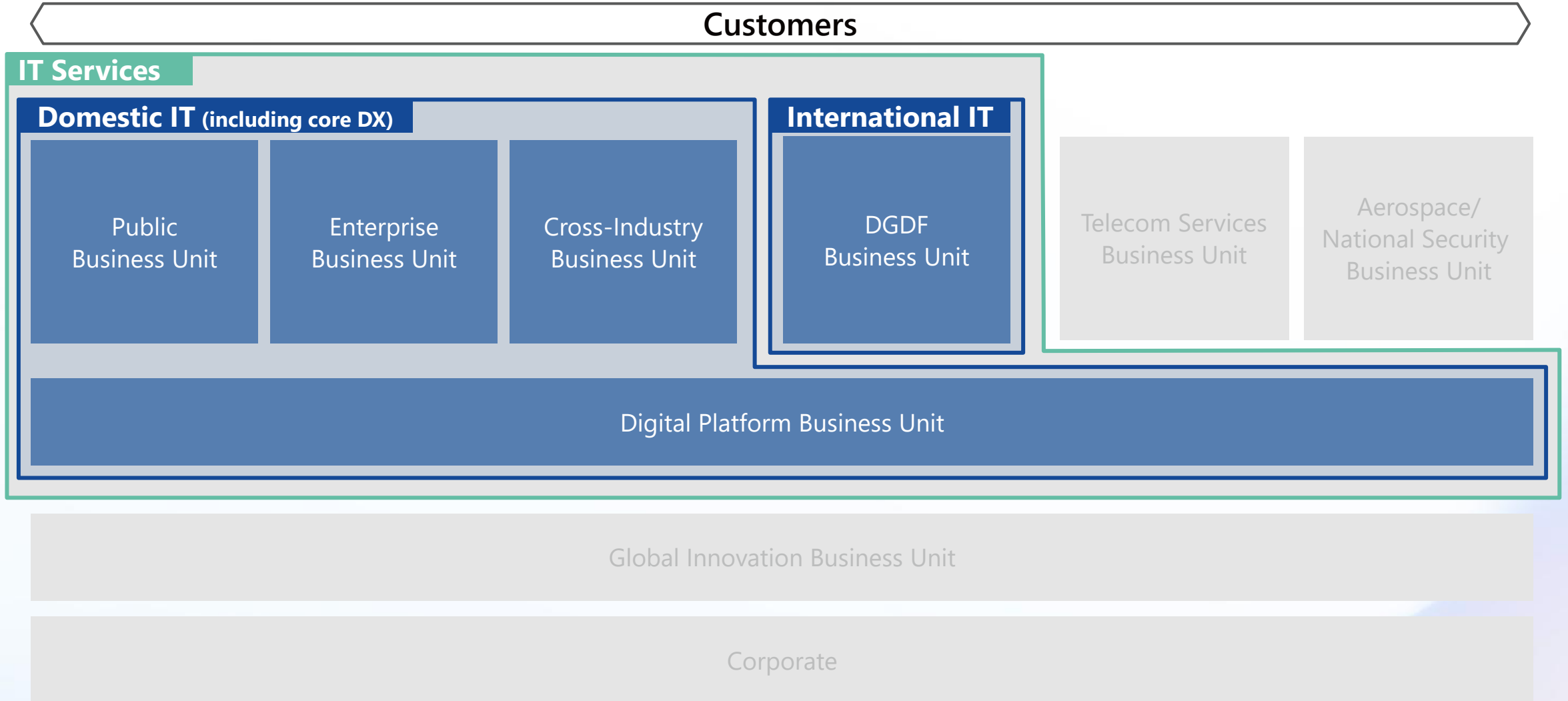
Old Segments



New Segments



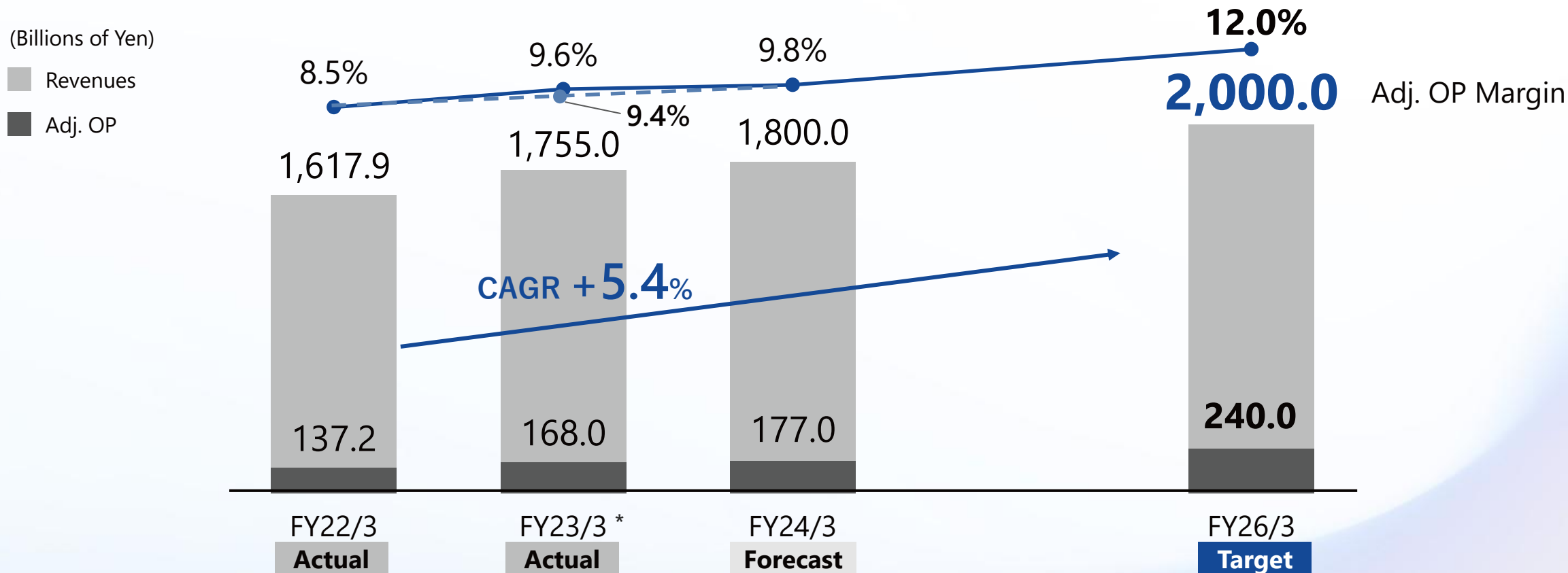
FY24/3 Organization and Business Segments (IT Services)



2. Performance Trends and Mid-term Management Plan

Performance Trends and Mid-term Management Plan (IT Services Overview)

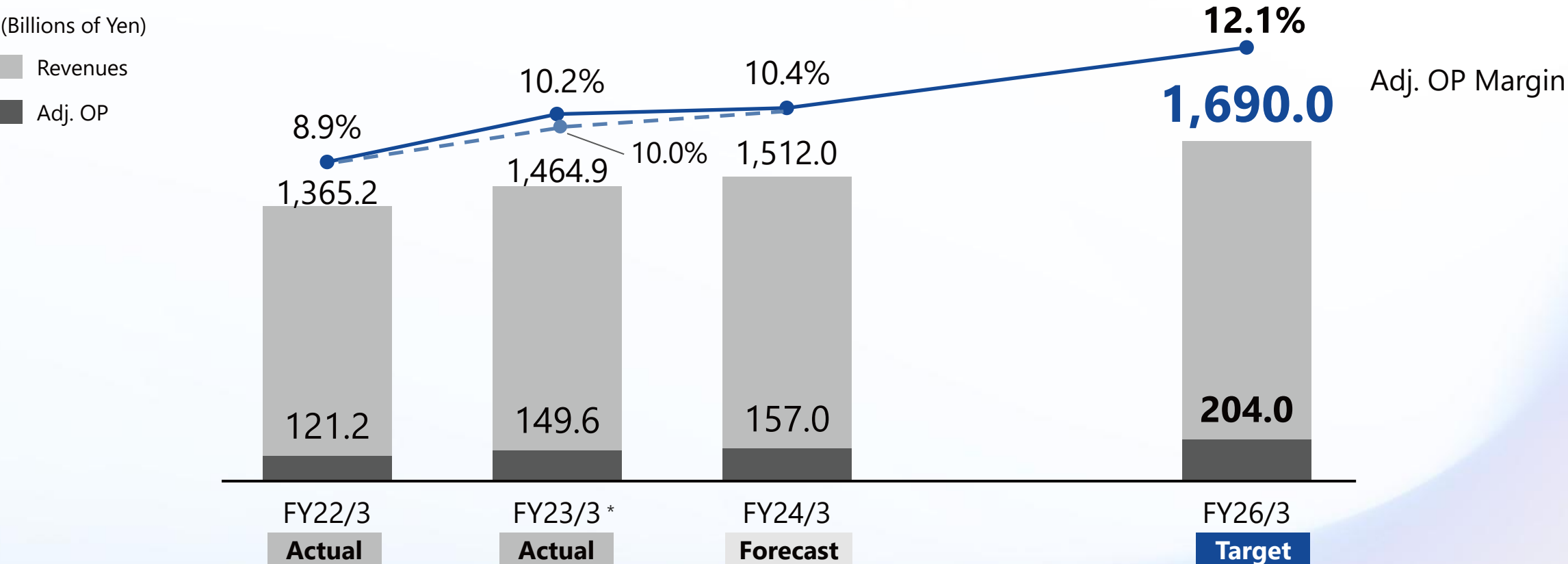
Continued revenue growth supported by strong domestic demand (Revenue CAGR+5.4%)
On track to achieve initial Adj. OP Margin target mainly driven by improvement of Core DX



*FY23/3 Adj. OP of 164.2 and Adj. OP Margin of 9.4% excluding extraordinary items (business sales, one-time costs)

Performance Trends and Mid-term Management Plan (Domestic IT Business)

Forecasting business growth to be in line with solid market growth
Profit growth driven by consulting, cloud and SI businesses



*FY23/3 adj. OP of 145.8 and adj. OP Margin of 10% excluding extraordinary factors (business sales, one-time costs)

Performance Trends and Mid-term Management Plan (International IT Business)

Revenue growth in line with initial plan

Profit growth expected to be pushed back by 1 year

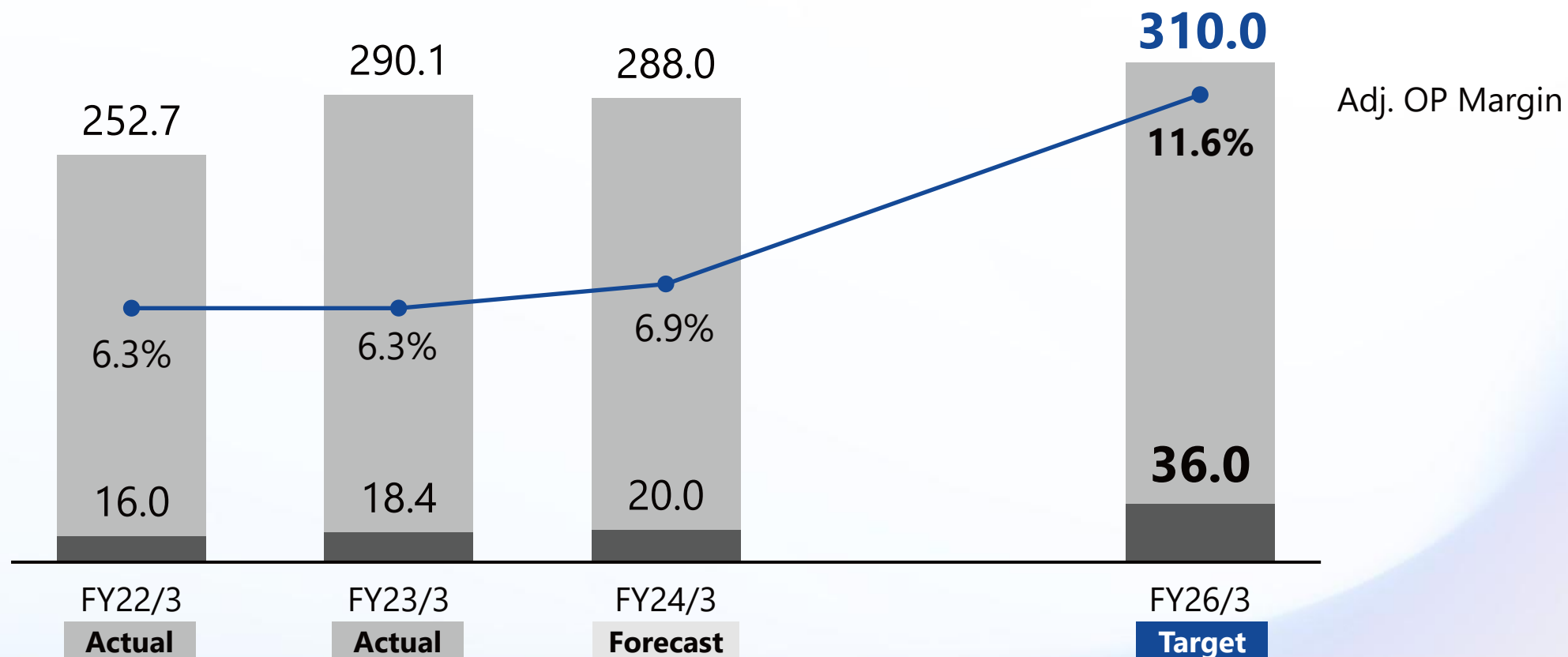


Details to be provided
in the second half

(Billions of Yen)

Revenues

Adj. OP

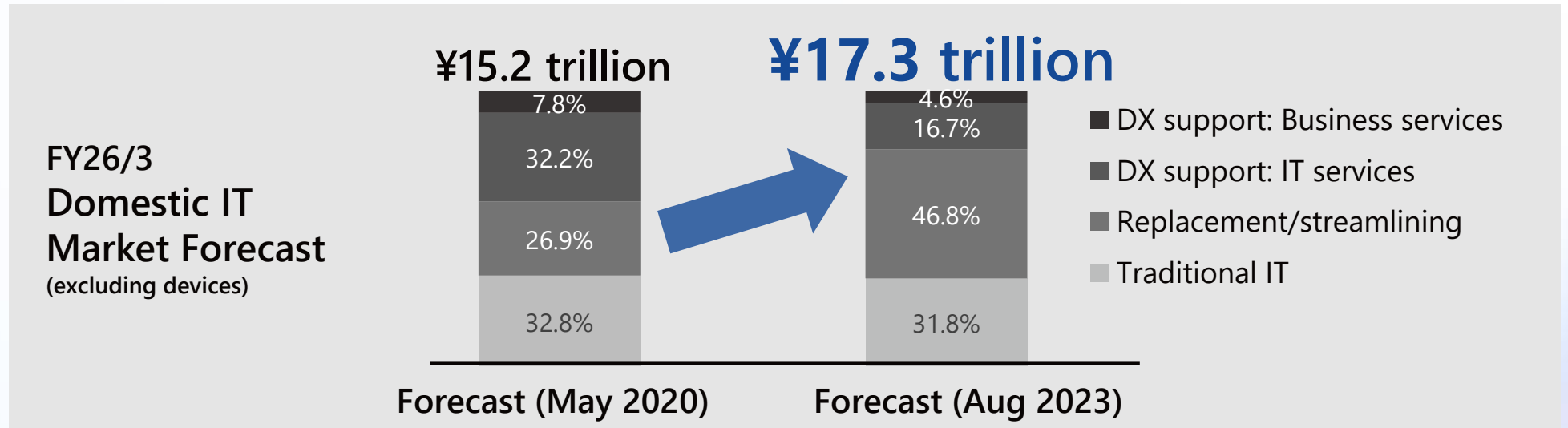


3. Environmental Analysis

IT Services Business Landscape

Domestic IT Market *

- The overall domestic IT market is growing steadily
CAGR (2022-2025): over 5.0% (vs. 4.3% as of 2020)
- Modernization (replacement) has grown stronger than initial forecast, showing steady growth in our area of strength



International IT Market

- Continued market growth in Digital Government (UK and Scandinavia) and Digital Finance (Europe and APAC)

* Compiled by NEC based on data from research companies

Domestic IT Market Condition and Growth Strategy

	Market Condition	Growth Strategy
Public	<ul style="list-style-type: none"> Accelerating government DX / Shift to the cloud and increase in convenience of infrastructures to realize a digital society 	<ul style="list-style-type: none"> Expansion of government DX (application services, data platform, modernization) Standardization of local government Information systems
Enterprise	<ul style="list-style-type: none"> Significant growth in the modernization Increase in new domains leveraging integrated digital services in business and IT 	<ul style="list-style-type: none"> Transform from a "Traditional IT"–focused to "Modernization"–focused business structure Strengthen partnerships towards co-creation with customers
Cross-Industry	<ul style="list-style-type: none"> Expected increase in investments in fire and disaster prevention and urban infrastructure towards FY26/3 Progress in implementation of Smart City/Mobility based on National Development Plan 	<ul style="list-style-type: none"> Expand fire and disaster prevention and infrastructure-related businesses Strengthen coordination and co-creation with local governments and corporations to expand business

4. Key Measures for FY2026/3 Targets

Domestic IT Business: Achievements and Future Plans

	Achievements	Future Plans
Core DX Business (Growth Strategy)	Progress in line with initial plans up to FY 23/3 (to be explained in Core DX section)	
Promote Transformation of SI Model	<ul style="list-style-type: none">Established a framework / Standardized SI model (SI model certification program)Track record in Enterprise BU	<ul style="list-style-type: none">Further expansion to Public and Cross-Industry Business Units
Human Resource Development and Recruiting	<ul style="list-style-type: none">Trained 7,609 DX personnel (by FY23/3)	<ul style="list-style-type: none">Firmwide deployment of job-based managementStrengthen integrated management of the NEC Group

Contribution from Core DX

Core DX

FY2025 Revenues: ¥570 billion
Adj. OP Margin: 13.2%

NEC Digital Platform

Consulting-based Business

Smart City /
Cooperated Mobility with Infrastructure

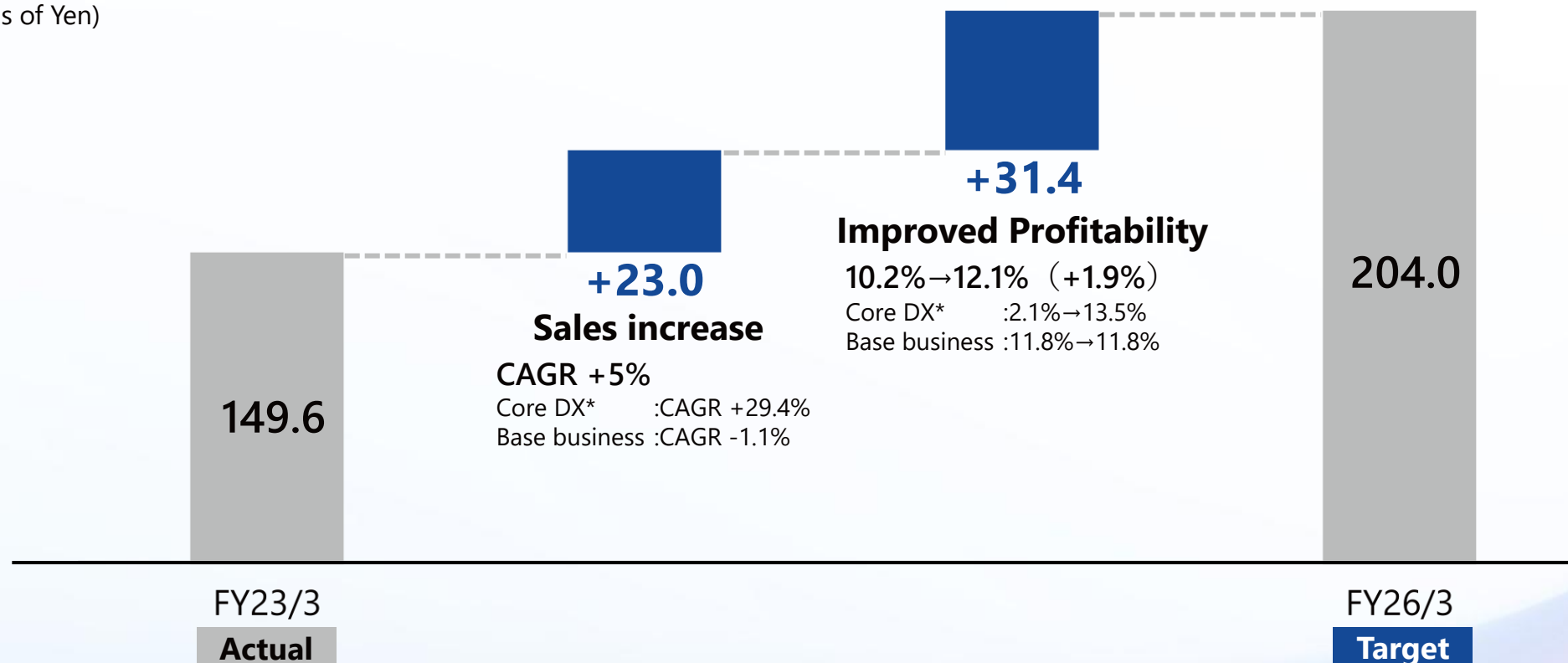
Revenue Contributions by Segment (Core DX portion in each Revenues)

	FY23/3	FY26/3
Public	6.4%	15.6%
	CAGR(2022-2025):39.3%	
Enterprise	11.3%	29.1%
	CAGR(2022-2025):42.6%	
Cross-Industry	4.1%	33.4%
	CAGR(2022-2025):141.3%	

Domestic IT Business: Breakdown of Profitability Improvement

Achieve overall domestic IT growth by leveraging core DX to increase sales and improve profitability

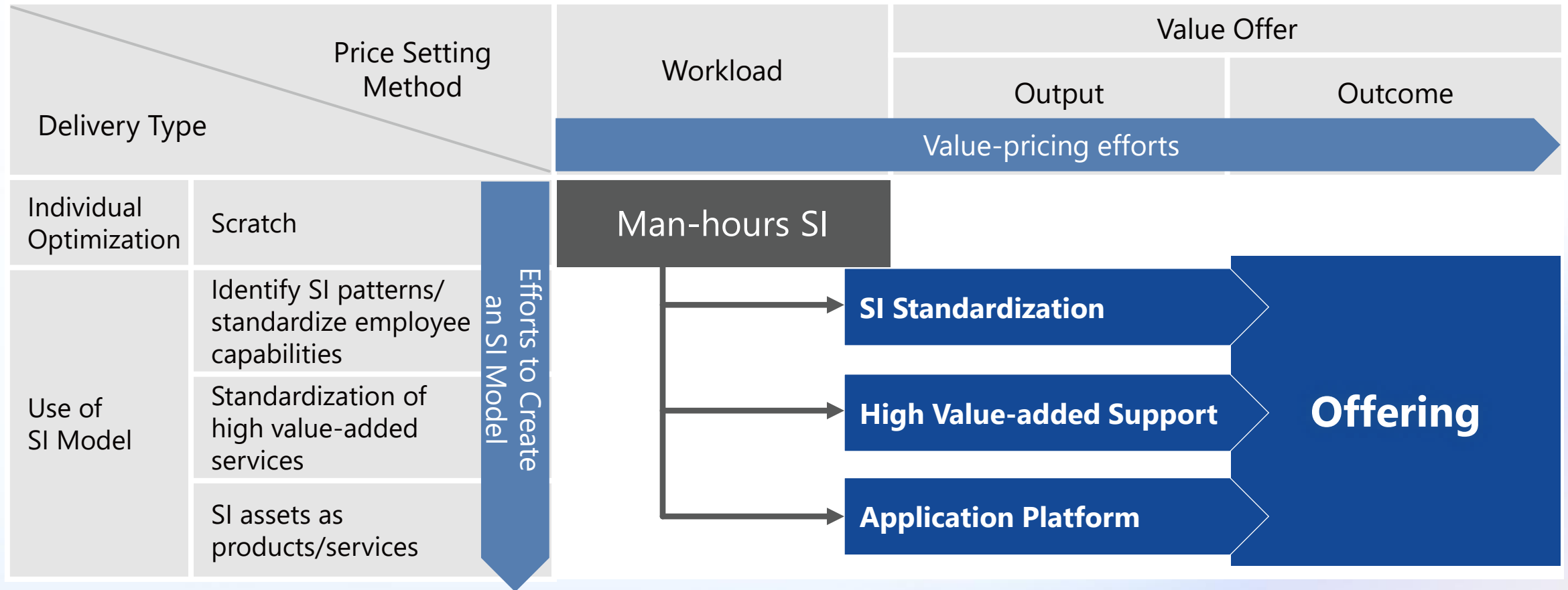
(Billions of Yen)



※*Portion of which contributes to domestic IT services business

Accelerating SI Model Reform

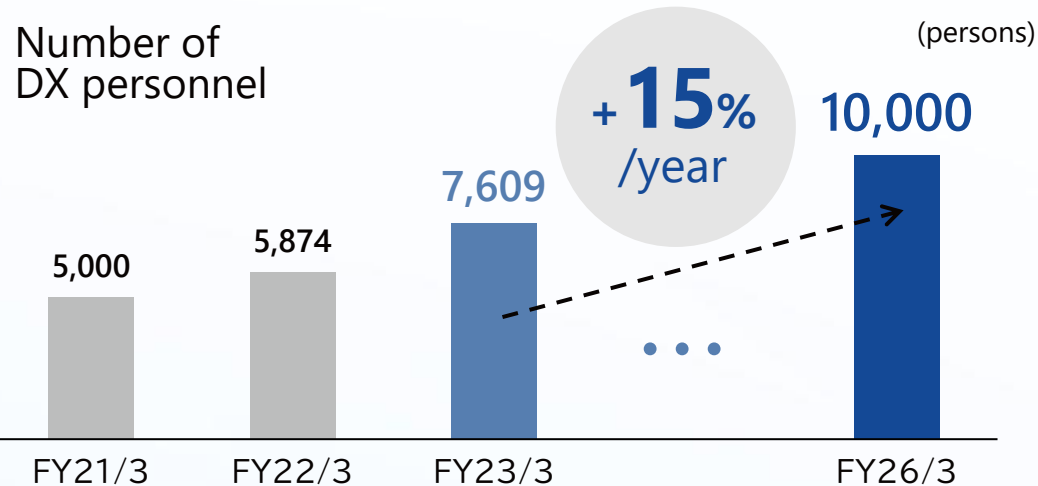
Track record in Enterprise BU and expanded application to the firmwide framework
Total GP Margin of SI business in FY 23/3 was 36%



Human Resource Development and Recruiting

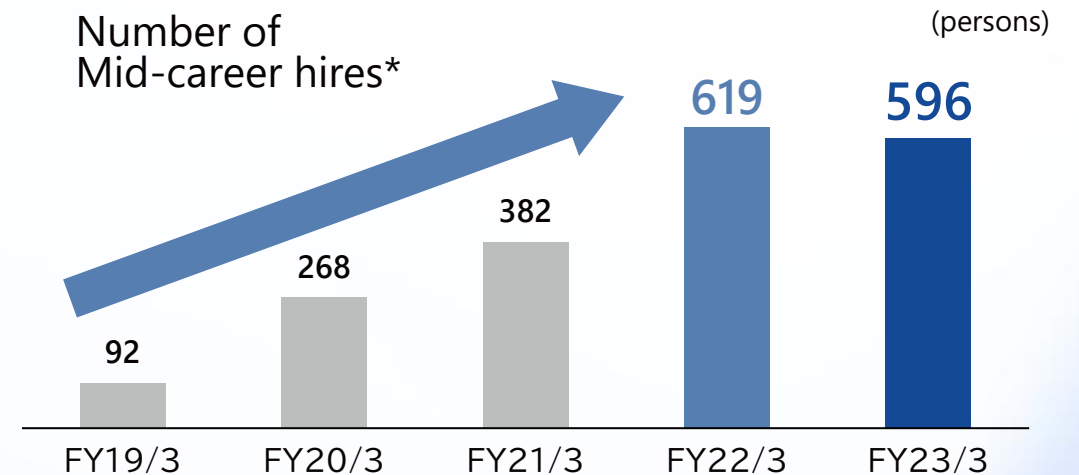
Transition to job-based human resource management and strengthening of development and recruiting for further growth

Development



- Trained 7,609 DX personnel by FY23/3
Promoting human development aimed at increasing DX headcount by 15%/year
- Job-based human resource management to put the right person in the right place at the right time (Applied to all NEC employees from FY25/3)

Recruitment



- Increasing recruitment of mid-career hires who can add value from day 1 (FY23/3: 596 persons)
- New graduates : Mid-career hires
= 1:1

*Including non-IT Services business

International IT Business: Achievements and Future Plans

	Achievements	Future Plans
Digital Government	<ul style="list-style-type: none">• Expansion through bolt-on M&As and carve-out of low-profit businesses	<ul style="list-style-type: none">• Expand software globally
Digital Finance	<ul style="list-style-type: none">• Increased orders in Europe/APAC• Strategic alliance with BlackRock	<ul style="list-style-type: none">• Expand and streamline SaaS software• Efficiency through offshore utilization• Accelerate growth through M&A
Digital ID/DX	<ul style="list-style-type: none">• Won large orders in APAC, Australia, etc. (immigration management, national tax agency, etc.)	<ul style="list-style-type: none">• Expand biometrics business

Summary

IT Services

FY26/3 Revenues ¥2 trillion Adj. OP ¥240.0 billion (12%)

Domestic IT

Revenues (Adj. OP Margin)

FY23/3 ¥1.46 trillion (10.2%)

FY26/3 ¥1.69 trillion (12.1%)

**Transformation of Domestic IT
by leveraging Core DX**

International IT

Revenues (Adj. OP Margin)

FY23/3 ¥290.1 billion (6.3%)

FY26/3 ¥310.0 billion (11.6%)

**International Market Development
Acceleration of efficiency**

\Orchestrating a brighter world

NEC

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:

- adverse economic conditions in Japan or internationally;
- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- the recent outbreak of the novel coronavirus;
- potential inability to achieve the goals in the NEC Group's medium-term management plan;
- fluctuations in the NEC Group's revenue and profitability from period to period;
- difficulty achieving the benefits expected from acquisitions, business combinations and reorganizations and business withdrawals;
- potential deterioration in the NEC Group's relationships with strategic partners or problems relating to their products or services;
- difficulty achieving the NEC Group's growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group's industry and to commercialize new technologies;
- intense competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group's concentrated customer base;
- difficulties with respect to new businesses;
- potential failures in the products and services the NEC Group provides;
- potential failure to procure components, equipment or other supplies;
- difficulties protecting the NEC Group's intellectual property rights;
- potential inability to obtain certain intellectual property licenses;
- the NEC Group's customers may encounter financial difficulties;
- difficulty attracting, hiring and retaining skilled personnel;
- difficulty obtaining additional financing to meet the NEC Group's funding needs;
- potential failure of internal controls;
- potentially costly and time-consuming legal proceedings;
- risks related to regulatory change and uncertainty;
- risks related to environmental laws and regulations;
- information security and data protection concerns and restrictions;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- risks related to corporate governance and social responsibility requirements;
- risks related to natural disasters, public health issues, armed hostilities and terrorism;
- risks related to the NEC Group's pension assets and defined benefit obligations; and
- risks related to impairment losses with regard to goodwill.

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

Note: In this presentation, the accounting periods of the fiscal years for March 31, 2022, 2023, and 2024 were referred as FY22/3, FY23/3, and FY24/3 respectively. Any other fiscal years would be referred similarly.