

BluStellar

October 7, 2024

Corporate Senior Executive Vice President and CDO (Chief Digital Officer)

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BluStellar

1. BluStellar Business Overview
2. BluStellar Products (formerly NEC Digital Platform)
3. Consulting-based Business

1. BluStellar Business Overview

BluStellar

Continuous business transformation

2019

Built DX foundation

- Launched dedicated DX organization
- Developed a platform
- Launched DX offerings

2020

Embarked on strategy consulting approach

- Adopted upstream approach to DX strategy
- Enhanced internal DX processes

2021

Forged global alliances

- Partnered with Microsoft, AWS, and Oracle
- Committed to increase the number of DX talent to 10,000 by FY 2025

2022

Expanded DX business

- Integrated functions into the NEC Digital Platform
- Established global alliance CoE

2023

Centralized DX functions

- Undertook largest organizational restructuring to date
- Enabled speedy business development

2024

Launched

BluStellar

BluStellar

A value creation model that leads our customers to their future

Value to be realized with our customers (Management Agenda)

Innovation in Society and Business

Reforming Customer Experiences

Business transformation

Transformation of Organizational and Human Resource

Transformation of Digital Platforms

Business Model BluStellar Agenda

End to End approach to solving
our clients' management agendas
Value creation success stories and best practices

Technology BluStellar Technologies

Provide services that rapidly integrate the technology
accumulated since the company's inception
and the expertise of the research institute



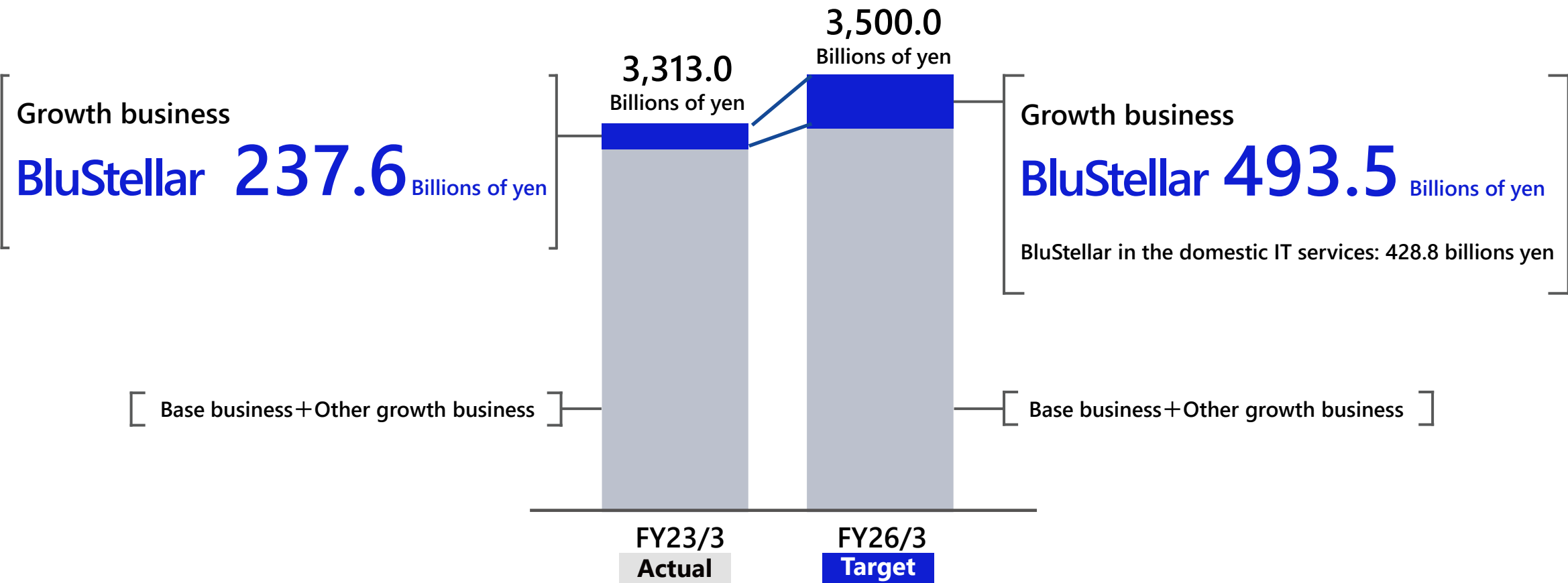
Organization / Human Resources BluStellar Programs

Problem solving with more than 10,000 DX professionals
Talent and knowledge
Co-creation programs with customers

Mid-term Management Plan 2025

BluStellar is a key driver for achieving the company-wide Mid-Term Management Plan

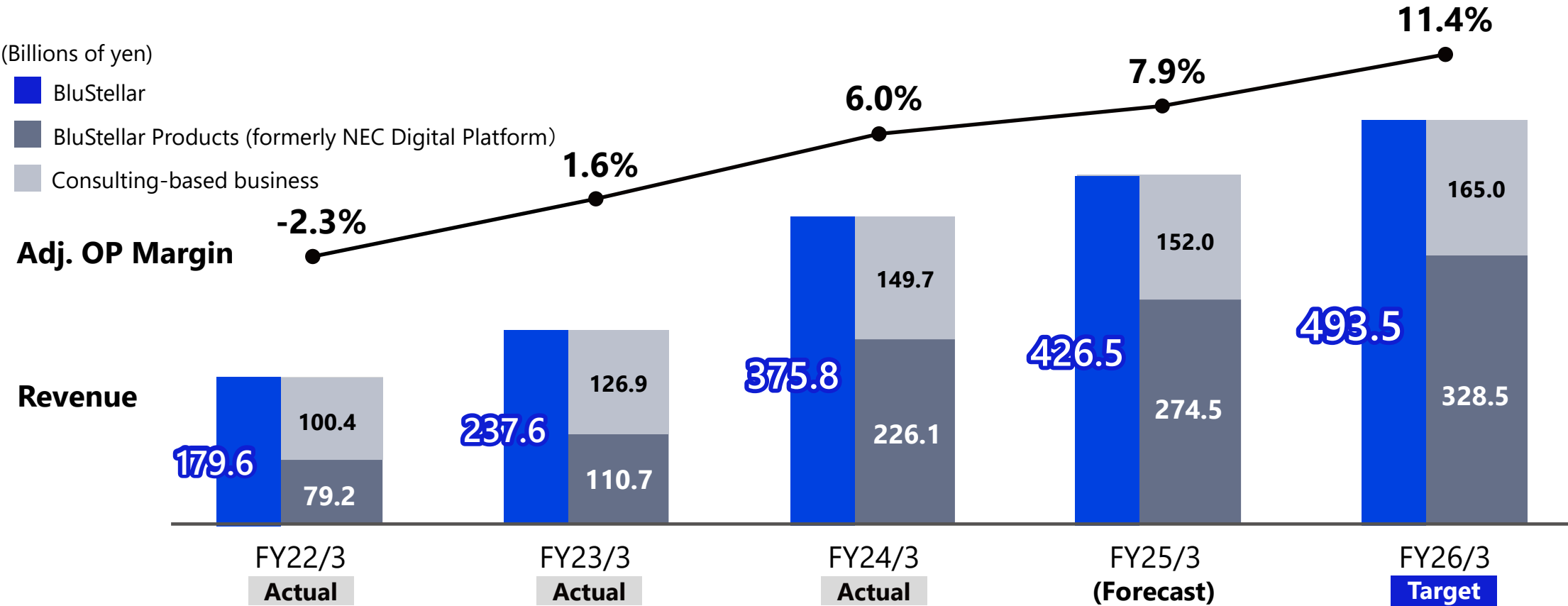
Revenue



BluStellar Business Summary

Revenue growth is planned for overall BluStellar business, exceeding the original Mid-term Management Plan

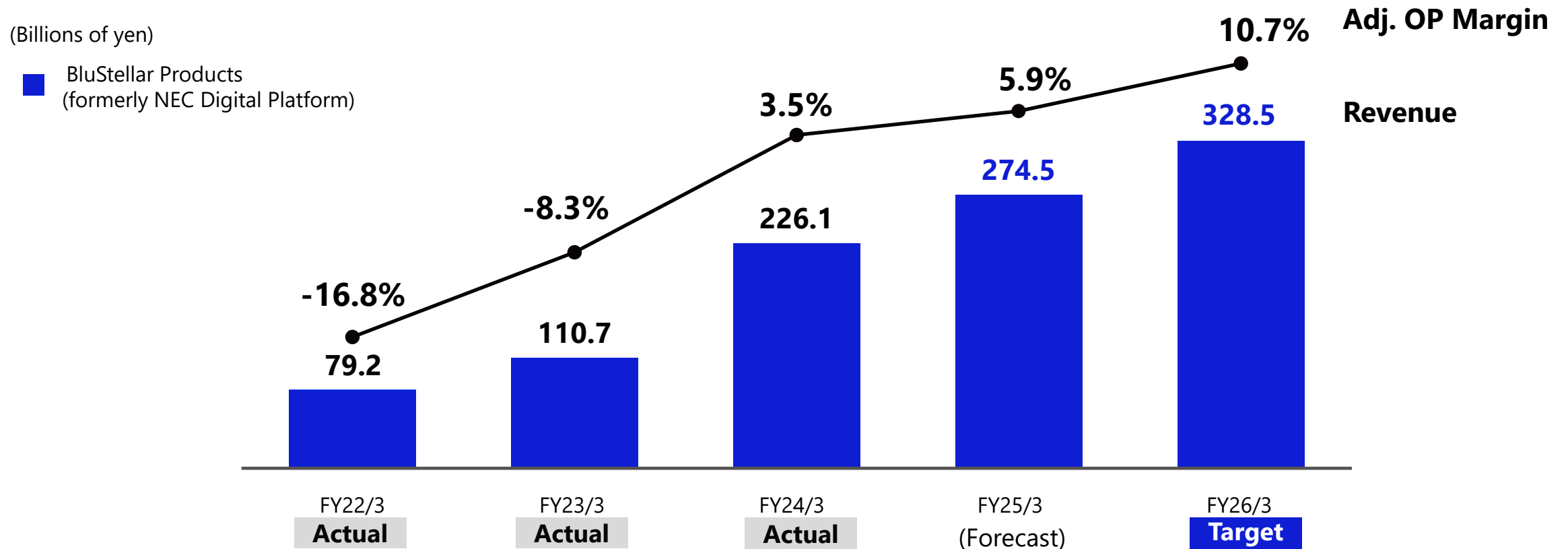
Adjusted operating margin is steadily improving YoY toward 11.4%



2. BluStellar Products (formerly NEC Digital Platform)

BluStellar Products Performance Trends

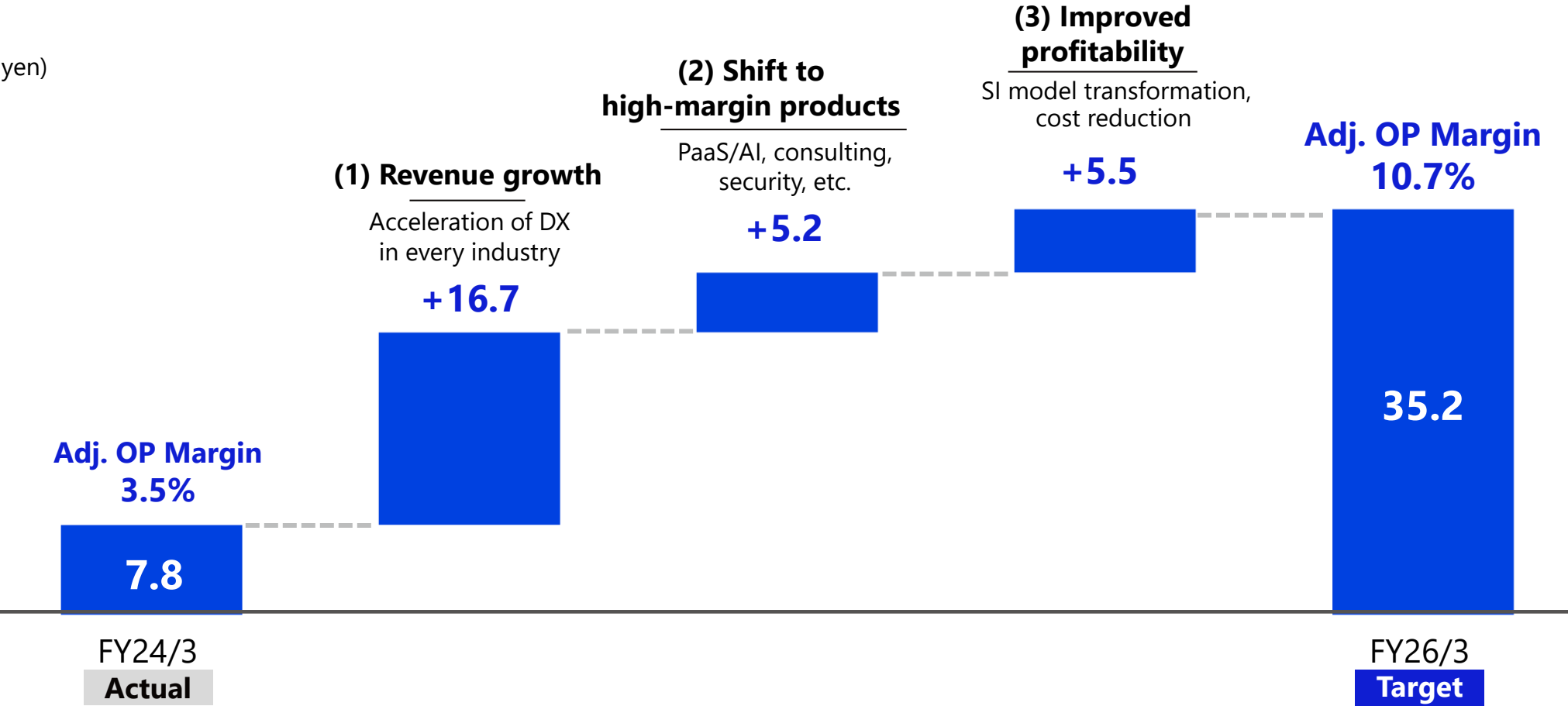
FY2025/3 forecast is favorable (1Q results: orders +75%, revenue +17% YoY)
Accelerate order backlog accumulation for FY2026/3, considering market conditions/market BU



Breakdown of BluStellar Products Revenue Improvement

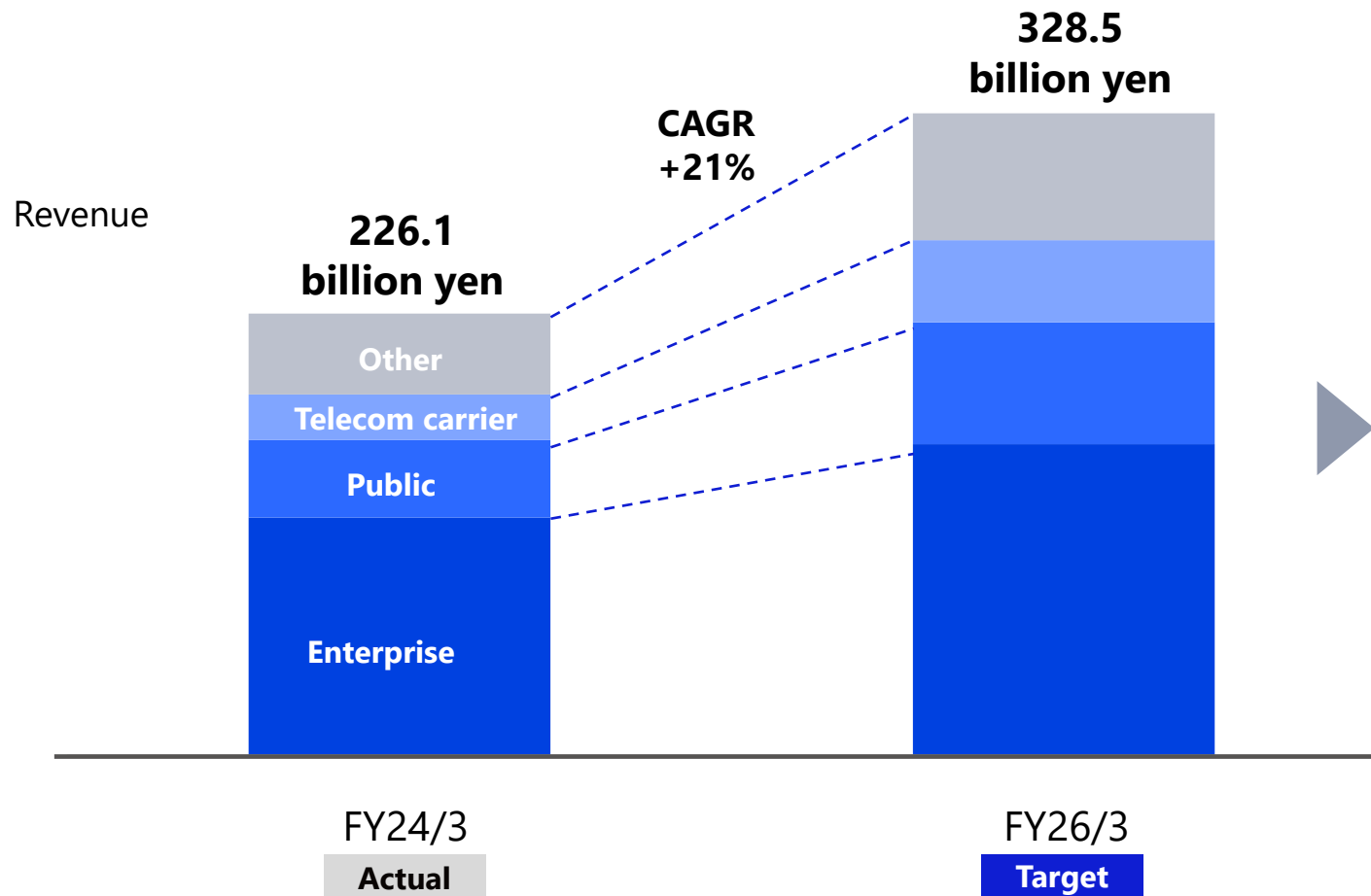
Expecting profit margin expansion by revenue growth, shift to high margin products, and profitability improvement

(Billions of yen)



(1) Expansion of Earnings through Revenue Growth

**Acceleration of DX in industry markets besides Enterprise
BluStellar expands beyond domestic IT service business**



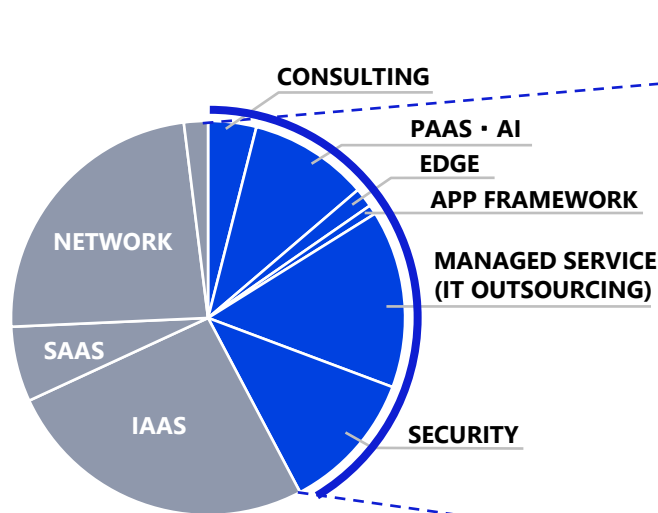
- Transition to cloud services is progressing in Public and Telecom carrier domains
- Develop and enhance scenarios that attracts customers in each industry market
- Expand the application of offerings

(2) Shift to High-Margin Products

Shift to high-margin AI/consulting/security projects
Steady growth in high-margin products

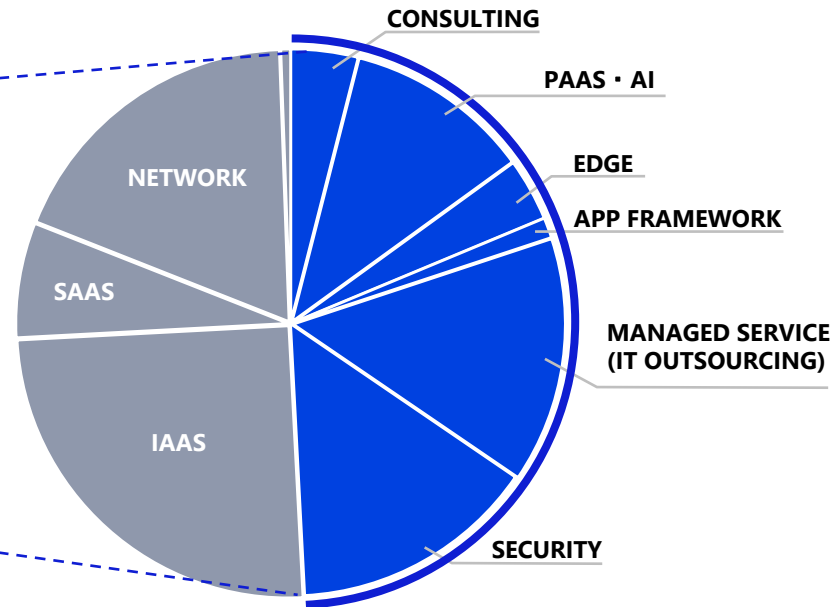
BluStellar Revenue Composition

FY3/2024 Revenue (Actual)
¥226.1 billion



Ratio of high-margin
products: approx. 40%

FY3/2026 Revenue (Target)
¥328.5 billion



**Expansion of support
services for each product
has accelerated the growth
in high-margin products**

Enhancing delivery speed through SI automation with AI and Exastro, boosts both speed and productivity

Standardization and automation solution

Each time an environment is set up on the common platform, it must be set up manually

Automating the set up of environments and standardizing with common templates significantly reduces the workload for operators

 The process spans **over 20 hours**

The process is shortened to **1 hour**

Enhances delivery speed

Minimizes customized SI

Enables optimal allocation of IT talent

Customer

Swift delivery of value!

- Biometric authentication service
- Various other services

Automatic deployment



- Build cloud environment for services
- Initiate efficient workflows

Set up: Register parameters

Common platform management service

Generating highly accurate intelligence swiftly with proprietary threat database and generative AI

Comprehensive data collection from diverse information sources

| Global | | |
|--------------------------------------|-------------------------------|-------------------------------------|
| AIS | Hacker community | Policies, laws, and standardization |
| Security vendors | Security-related organization | CTA |
| ⋮ | | |
| NEC Group | | Japan |
| NEC-CSIRT | | JPCERT |
| Internal information common platform | | JC3 |
| Internal business departments | | JVN |
| ⋮ | | ⋮ |

NEC Group's cyber intelligence

Improved accuracy through the use of generative AI

Generation time reduced* by **50%**



* Time required for extracting, organizing, and summarizing important information (Internal verification result: NEC press release [December 2023](#))

Sharing insights to support business decisions

Management meetings (Dashboard)

CISO monthly reports

Business strategy meetings with business unit security managers



- **Formulate mid-to-long-term measures**
- **Short-term measures**

Proactive defense (Blocking, enhanced monitoring, etc.)
Vulnerability management, etc.

AIS: Automated Indicator Sharing; An initiative promoted by the United States Department of Homeland Security (DHS) that provides a framework for real-time sharing of cyber threat information between government and private sectors

CTA: Cyber Threat Alliance; A non-profit organization in the United States that enables the sharing of cyber attack threat information among IT and security vendors

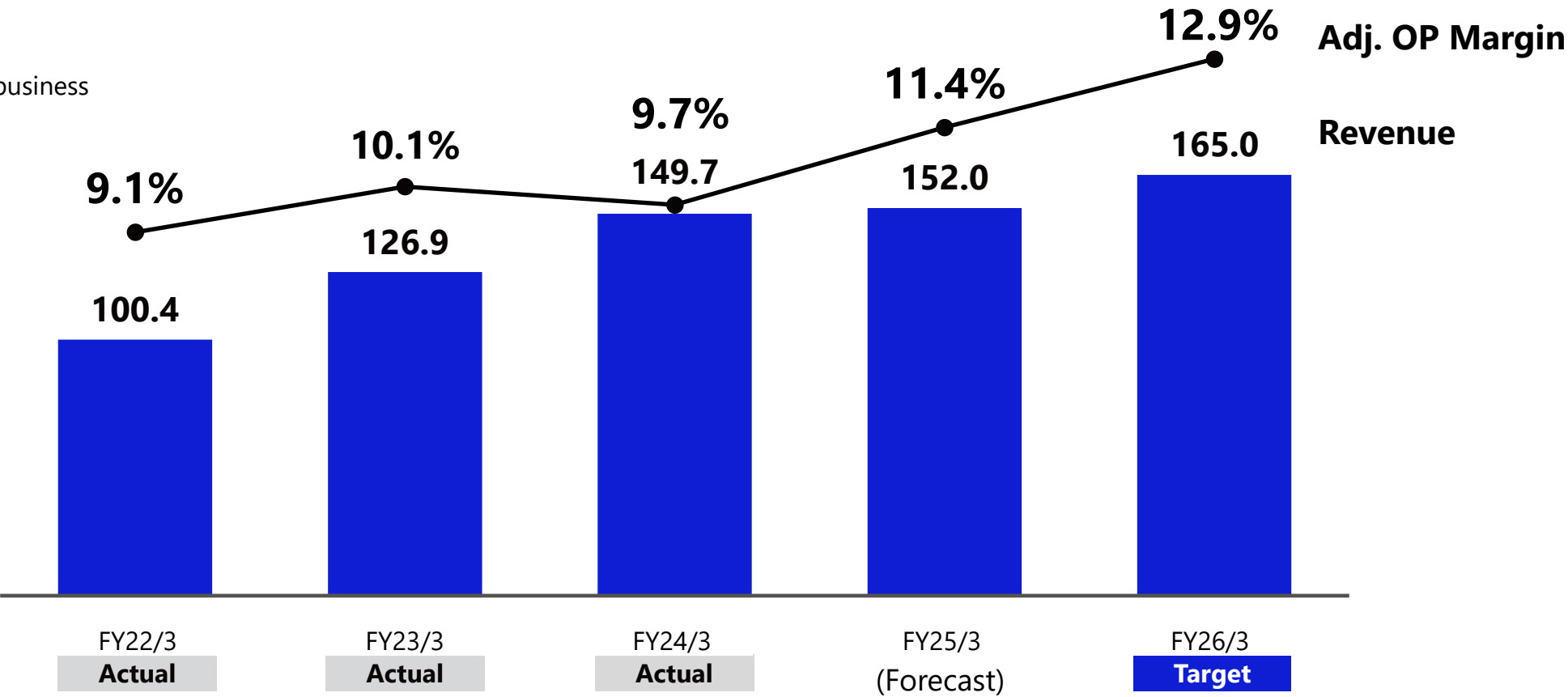
3. Consulting-based Business

Consulting-based business Performance Trends

Steady growth in consulting-based business

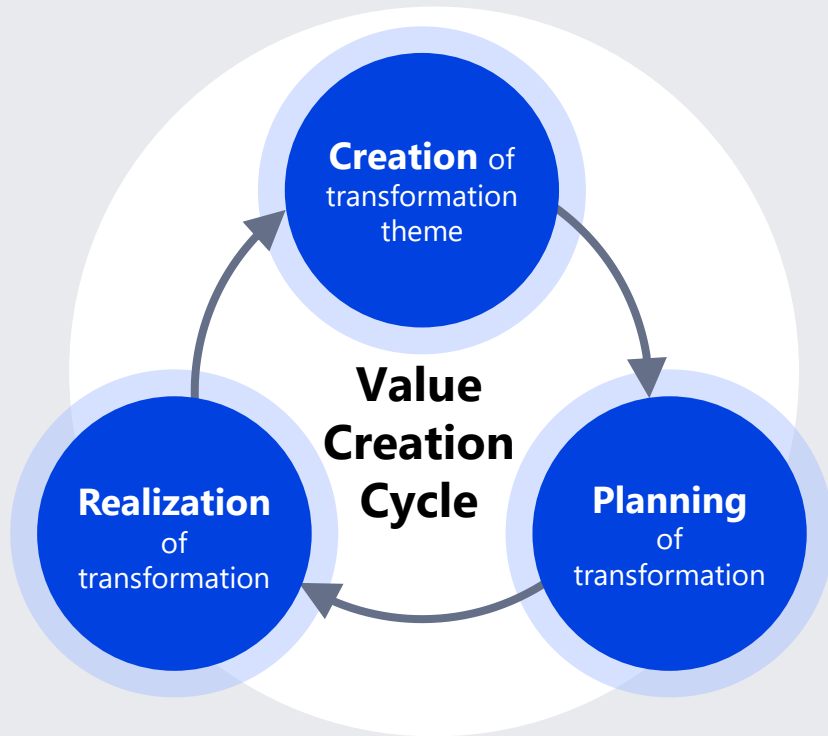
(Billions of yen)

■ Consulting-based business



ABeam's Growth Strategy

Realization and creation of transformation themes and approaches that meet customers' industry and management agenda



Driving forces

■ Value creation capability

- Create new value and future across society and industry
- Respond to the industrial/management agenda
- Strategic transformation plan/roadmap

■ Transformation enablement

- Strengthen digital transformation capabilities and expand transformation area
- Enhance value and competitiveness of the solution outsourcing business
- Strengthen expertise in industry/strategy/digital, etc.

■ Co-creation capability

- Co-create value with clients and business partners
- Provide growth opportunities and develop human resources through transformational experiences
- Value co-creation leadership

Creating new value and future across society and industry, and helping clients to create value and realize transformation

Creating New Value by Leveraging NEC Group's Strengths

Aim to create new value and strengthen existing value offerings by combining ABeam's strengths in business transformation and NEC's strengths in the use of advanced technology

Customer

Account Focus

New value creation by both companies,
corresponding social, industrial, and
management agenda
Formulation and promotion of account plans
for strategic customers

Technology Driven Transformation

Realize the value (management agenda) together with
customers based on a value creation model utilizing NEC
Group's advanced technology

BluStellar

- Innovation in society and business
- Digital platform transformation
- Realize organization/HR transformation
- Data driven management
- Customer experience transformation

Continue to provide new value in the future by proactively evolving and growing

Summary

BluStellar is a key driver for achieving the firmwide Mid-term Management Plan

- Revenue growth of BluStellar business is planned to exceed the original Mid-term Management Plan
- FY25/3 forecast for BluStellar products is favorable. Expecting profit margin expansion in FY26/3 by revenue growth, shift to high-margin products, and profitability improvement
- Consulting-based business is entering into a new value creation phase leveraging NEC Group's strengths



**Continue to work toward FY26/3 target of the BluStellar business of
¥493.5 billion in revenue and 11.4% in Adj. OP Margin**

NEC

\Orchestrating a brighter world

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;
- impact from the outbreak of infections;
- 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, 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 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..

Note: In this presentation, the accounting periods of the fiscal years for March 31,2023, 2024, and 2025 were referred as FY23/3, FY24/3, and FY25/3, respectively. Any other fiscal years would be referred similarly.