Responsible for products and system integration / services for Japanese government agencies, broadcasters, etc.
Business Performance from FY2018 to FY2020

FY2019: Increased in revenue and profit from FY2018’s across all business domains

FY2020: Expected to decrease in revenue due to reductions of large contracts in the space and defense domains, but adjusted margin is on a level with FY2019’s.

Adjusted Operating Margin:
8% in FY2018, 9% in FY2019, and 9% in FY2020 (Forecast)

Revenue (¥100mn):
- FY2018: 6,588
  - Consolidated subsidiaries: 2,335
  - Public Infra BU: 4,253
- FY2019: 6,788
  - Consolidated subsidiaries: 2,155
  - Public Infra BU: 4,633
- FY2020 (Forecast): 6,750
  - Consolidated subsidiaries: 2,300
  - Public Infra BU: 4,450

*Numbers excluding consolidated subsidiary are shown on following pages*
Recorded ¥7.5 billion as loss on devaluation of inventory, but sales increase and profitability improvement led to ¥16.5 billion profit increase
Summary of Business in FY2019

Key Achievements

- Plans achieved, contributing to company’s performance
  - Public Infrastructure BU
    - Revenue: ¥3,095.2 bn
    - Adjusted Operating Profit: ¥463.3 bn
  - Public Infrastructure BU
    - Revenue: ¥145.8 bn
    - Adjusted Operating Profit: ¥47.7 bn
  - Minimization of impacts of unprofitable projects

- Major projects acquired / completed
  - Installation of facial recognition system for media personnel at Rugby World Cup 2019
  - Implementation of driver’s license renewal service for the elderly
  - Air surveillance radar production for the JASDF


Challenges

Minimization of impacts of unprofitable projects
Gov. & Public

- **Increased in revenue** due to the expansion of projects combining information technology and Network technology
- **Maintained high profitability**

Space & Defense

- **Profit loss continued** in the space domain because of outstanding unprofitable projects
- **Revenue increased** in the defense domain owing to large contracts, reducing unprofitable projects and improving profitability

Broadcasting

- **Revenue was flat**
- **Improved profitability** due to implementation of process improvements such as quality management strengthening
FY2020 Outlook

Improvement of profitability - including the off-set of inventory devaluation in the previous year- will offset the decrease in profits due to reduced revenue, and maintain the level of FY2019. Will invest in information security strengthening.

<table>
<thead>
<tr>
<th>Category</th>
<th>FY19 Adjusted Operating Profit</th>
<th>FY20 Adjusted Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Reduction</td>
<td>▲110</td>
<td></td>
</tr>
<tr>
<td>(Product MIX)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Space &amp; Defense</td>
<td>▲85</td>
<td></td>
</tr>
<tr>
<td>Broadcasting</td>
<td>▲15</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>▲10</td>
<td></td>
</tr>
<tr>
<td>Loss on Devaluation of Inventory in previous Year</td>
<td>+75</td>
<td></td>
</tr>
<tr>
<td>Profitability Improvement</td>
<td>+35</td>
<td></td>
</tr>
<tr>
<td>Information Security Strengthening</td>
<td>▲17</td>
<td></td>
</tr>
<tr>
<td>Revenue (YoY)</td>
<td>4,633</td>
<td>4,450</td>
</tr>
<tr>
<td>▲4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(in ¥100mn)
Impact of COVID-19

Impact on Q1 Results

- Downturn in Space & Defense domains due to limited teleworking capability for information security

  ➔ Loss on operations and delayed progress

  Impact on Profit: ▲ ¥1.5 billion

Countermeasures

- Recover after Q2 by improving utilization rate, expense efficiency and reducing costs

- Obtaining the supplemental budget projects

Outlook for this fiscal year
Secure the same level of operating profit as FY2019 and invest with an eye on the next 5-10 years

Revenue ¥444.5 billion  Adjusted Operating Profit ¥46 billion

Minimization of the impact of COVID-19

Respond to DX/New Normal strategy and generational changes of public systems

Initiatives to minimize unprofitable projects
Measures to Minimize Unprofitable Projects

Classifying the patterns of unprofitable projects, and promoting measures to enhance the quality of world/industry-first technologies

**FY2019**

- Continued to improve the quality of products through all supply chains

**FY2020**

- Commercialization of R&D projects
- Proposals for client business practices
- Strengthening risk verification at proposal stage

**Cause of Unprofitability**

- World-first/Industry-first 63% of unprofitable projects

**Measures**

- Reduced by 25% YoY

**Enhanced Measures**

- Intend to reduce 50% YoY
Mid- to Long-term Issues & Outlook

Challenge to business expansion for keeping stable business scale

Market Share Trends of Public Infrastructure
- ICT domains of Gov. & Public, Space & Defense, and Broadcasting-
* Our estimates based on external survey

3 Strategies for Business Expansion
1. New Competitive Advantages
2. New Business Model
3. Transformation in Public Systems

Existing ICT Business Domain (Legacy Public Systems)

New ICT Business Domain

¥3.2 tn
Integrate existing strengths in ICT, sensors, domain knowledge, and policy proposal capabilities to improve competitiveness.

**BEFORE**

- Acquiring orders on a single capability
  - Sales Capability
  - SI Capability
  - Technical Capability

**AFTER**

- Improve competitiveness by combining several capabilities

**Case**

- Online Video platform
  - Information Technology
  - Video Technology
  - Partnering

- Drone Control Business
  - Information Technology
  - Sensor Technology
  - Policy Proposal
  - Network Technology
  - Partnering

Related patent registrations
Over 5,000
Challenge to Business Expansion -2- New Business Model

Challenge to service-based business with higher profitability with a holistic view of customer value chains

Current NEC Business Domains based on SI, HW

Service-based Business Domains

*CALS: Continuous Acquisition and Life-cycle Support

SL supporting public work implementation
CALS-ASP Service
Work report receipt & management
Gov. & Public Office ICT Systems
Driver’s license core system
Driver’s License Renewal Service for the Elderly Training school reservation management

Space Satellites

2nd

Broadcasting Terrestrial Digital Broadcasting Transmitters

1st

Quasi-zenith satellite system PFI
Satellite operation & positioning signal services
All broadcasting systems
Online Video Platform for commercial/TV show material business

Gov. & Public

4th

(No. 1 in Police)

12
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Challenge to Business Expansion -2- New Business Model

<Case>Driver’s License Renewal Service for the Elderly

Improving administrative services for the increasing number of elderly drivers

BEFORE

Training & Test Waiting Period
Approx. 60 days

Increased workload of employees

Training School A
Training School B

AFTER

Training & Test Waiting Period
Halved

Data utilization (data mining)
Administrative BPO (call center)

NEC

Increased productivity of employees

Police Station
Training School A
Training School B
Challenge of Business Expansion -3- Transformation in Public Systems
~Government Offices~

Accelerating a prosperous digital society where citizens can live safely and securely

Social Issues & Outlook

<table>
<thead>
<tr>
<th>Issue / Risk</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging Society</td>
<td>COVID-19</td>
</tr>
<tr>
<td>Financial Crisis</td>
<td>Rapid Progress of Specialized Technologies</td>
</tr>
<tr>
<td>Geopolitical Risk</td>
<td>Administrative Digitalization</td>
</tr>
</tbody>
</table>

National Strategy
Safe, Secure, Fulfilling Life

3 Revolutions
Workstyle
Learning
Living

Data Utilization
Community implementation of digital technology

Digitalization Focus Operations

- Driver’s Licenses
  - Transformation with Modernization

- Administrative Services
  - i-Construction (CALS)

- Social Security
  - Adapting to COVID-19

- Education ICT
  - GIGA School PC Educational Platform Service

Next-generation Infrastructure Preparation
- New Governmental Platform construction
Creating a safe and secure society in space and defense domain

Mid-to-Long Term Outlook

Defense

Realize strategy across domains
Tackling to deal with new domain

Strengthening the Capabilities of Space & Cyber Electromagnetic Domain

Challenges

Need of collaboration with other countries on security

Expansion of Overseas Equipment

Catch up with other countries on the speed of policy-making

Lack of human resources in the events of financial crisis

Case of Technology Development –Space–

Policy Proposals

Optical Communication

Sensor Technology

AI (Predictions & Analysis)

Quantum Signaling

SSA • SDA Capability

Satellite Manufacturing & Operation Capability

* SSA: Space Situational Awareness
SDA: Space Domain Awareness

Need of collaboration with other countries on security

Lack of human resources in the events of financial crisis

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<Business Domain>
Public Infrastructure BU supports nation-critical infrastructure

<Performance Outlook>
Maintain top-of-the-industry level of profit

<Future Outlook>
Challenge to business expansion and maintain stable business platforms
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.