

Core DX

September 15, 2021

Senior Executive Vice President and CDO (Chief Digital Officer)

Kazuhiro Sakai

\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.

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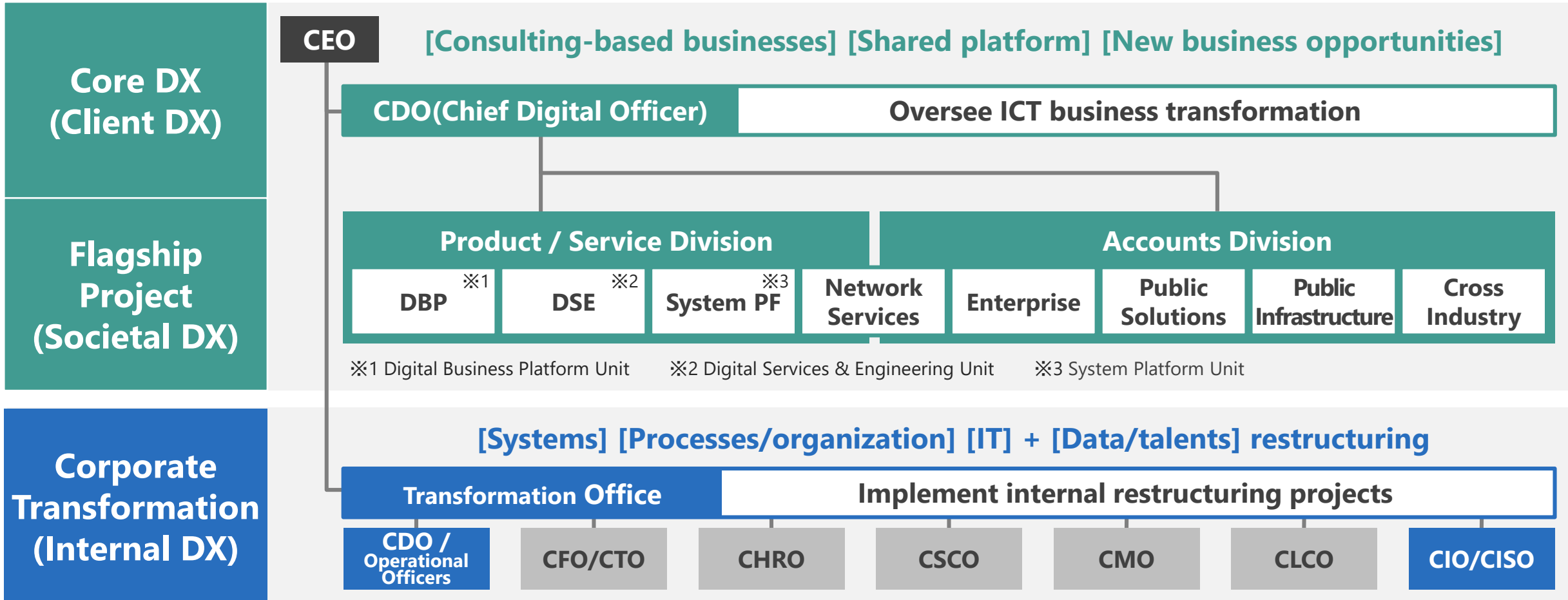
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- Shared Platform**
- New Business Opportunities**
- SI Model Reforms**
- DX Talents Reinforcement and Recruiting**

3. Summary

Organization Structure Aimed at Achieving the NEC 2025 Mid-term Management Plan

Placed Core DX / Internal DX / Societal DX at the core of operations Strengthened the DX implementation organization in April 2021



2025 Mid-term Management Plan (Core DX)

From Customized Vertical to Cross Industry solutions: Transform Base Business by leveraging Core DX Business (¥141.0bn→¥570.0bn). Improve Japan IT business OP ratio from 8% to 13 % (FY2020→FY2025)

Core DX

1 Expand our value proposition through a comprehensive approach encompassing consulting to delivery

2 Price strategy and gross profit improvement through common ICT platform technologies and offerings^{※1}

3 Strengthen competitiveness through hybrid IT (Cloud / DC^{※2} / On Premises^{※3}) alliances and in house optimization

**4 New business opportunities (Social, enterprise transformation)
Expand the DX domain by leveraging the implementation capabilities of technology / policy linkage / E2E^{※4}**

※1 Standardize the product and service configuration, overall price, contract, delivery, operation and maintenance services, proposal methods, etc. necessary to solve customer's issues

※2 Data Center ※3 on-premises ※4 End to End

1 . Numerical Targets

Domestic IT Business Revenue and Profit Margins(current)

Domestic IT Business as a Percentage of NEC's Total Revenue

(Billions of Yen)

Total Revenue **2,994.0** **3,000.0**

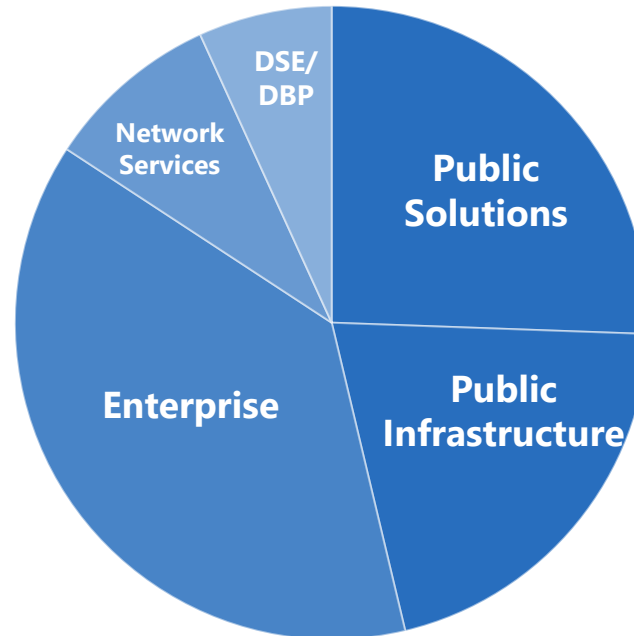
Domestic IT Business

Revenue	1,330.0	1,350.0
Adjusted Operating Margin	8%	9%

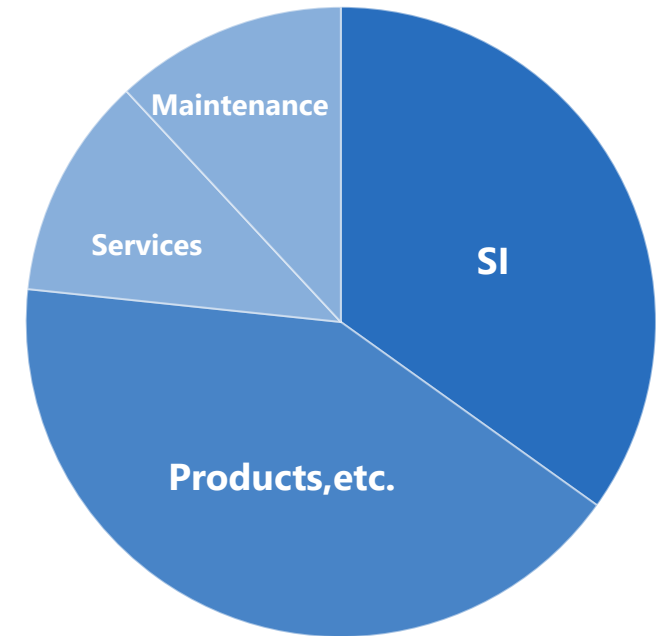
**FY2020
Actual**

**FY2021
Forecast**

FY2020 Revenue Breakdown by Domestic IT Business Unit



FY2020 Revenue Breakdown by Model

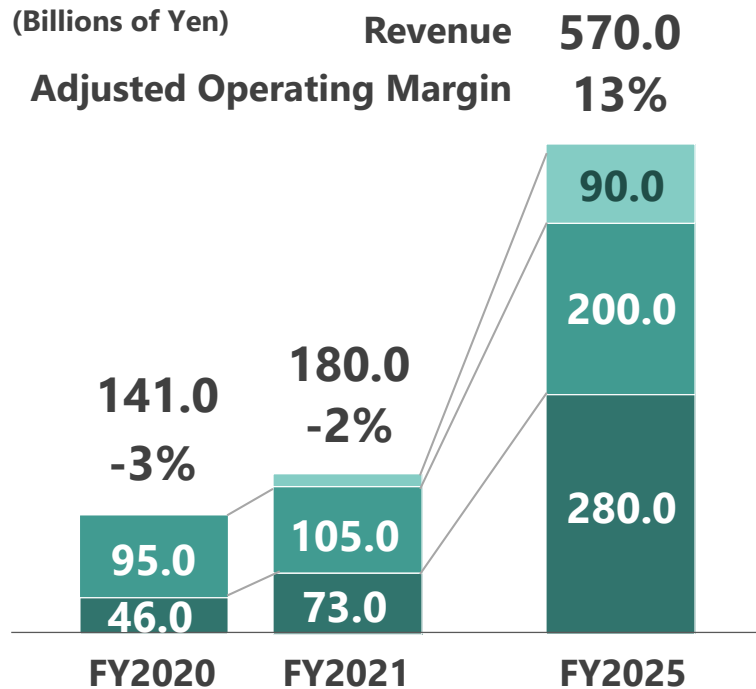


Goals of the Core DX Business

Achieve over four-fold growth through the 3 new earning sources

Core DX Revenue Targets

(announced in the mid-term management plan)



New business opportunities

- Improve urban transportation to provide a foundation for mobility services and expand into the super city business

Consulting-based business

- Business reforms and shift to service-based businesses from a consulting perspective (SAP Collaboration with ABeam Consulting)
- Plan / develop consulting / SI / BPO services
- Digitalization and data-driven value creation

Shared platform (Hybrid IT)

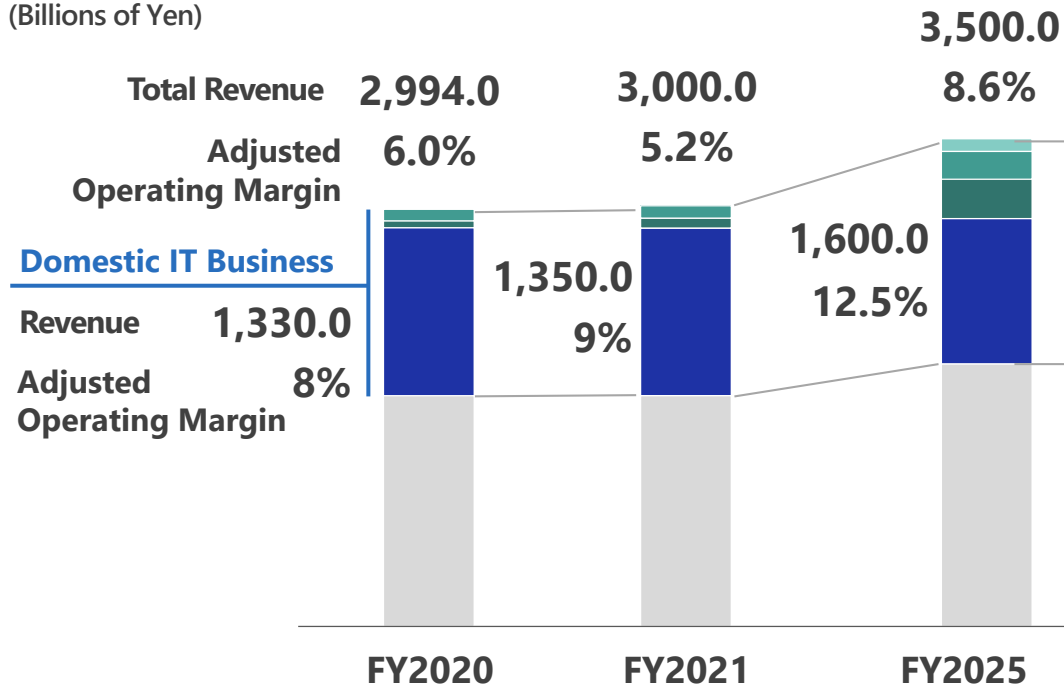
- Cloud, AI, bio, cybersecurity (establish foundation for DX product / service business as an organization-wide function)
- Leverage digital ID to develop the Enabler and Service PF businesses

Goals for Transforming the Domestic IT Business

Aim at revenue and profit expansion in growth business with a focus on Core DX

Target Revenue for the Domestic IT Business

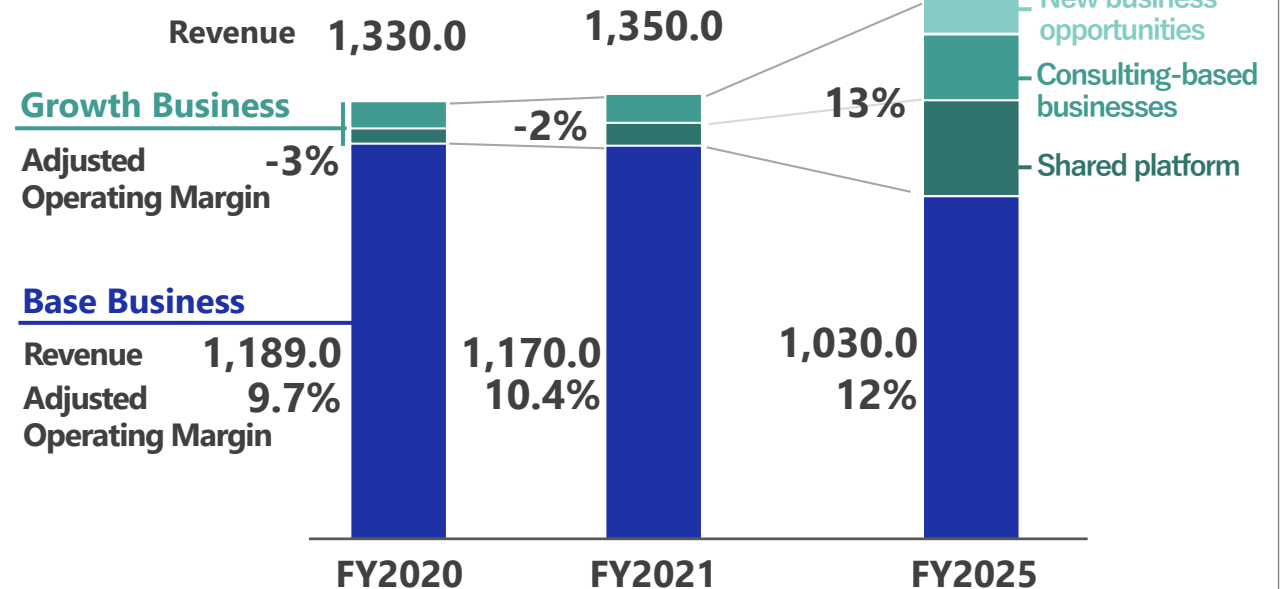
(Billions of Yen)



Growth and Base Business in the Domestic IT Business

(Billions of Yen)

Domestic IT Business



2. Initiatives

■ Consulting-based Businesses

Mid-term Targets 1: Integrated Approach from Consulting to Delivery

■ Shared Platform

Mid-term Targets 2: ICT Shared Platform Technologies and Offerings

Mid-term Targets 3: Hybrid IT (cloud / DC / on-premises)

■ New Business Opportunities

Mid-term Targets 4: New Business Opportunities (Social, enterprise transformation)

■ SI Model Reforms to Improve Profitability at Base Business

■ DX Talents Reinforcement and Recruiting

Initiatives relating to Consulting-based Businesses

Newly established the Digital Services & Engineering Unit to promote evolution towards a consulting-based IT services business

Digital Services & Engineering Unit

Coordination and maximization of leverage toward value creation

ABeam Consulting

Upstream DX assets



**NEC Solution Innovators
NEC Communication Systems ...**

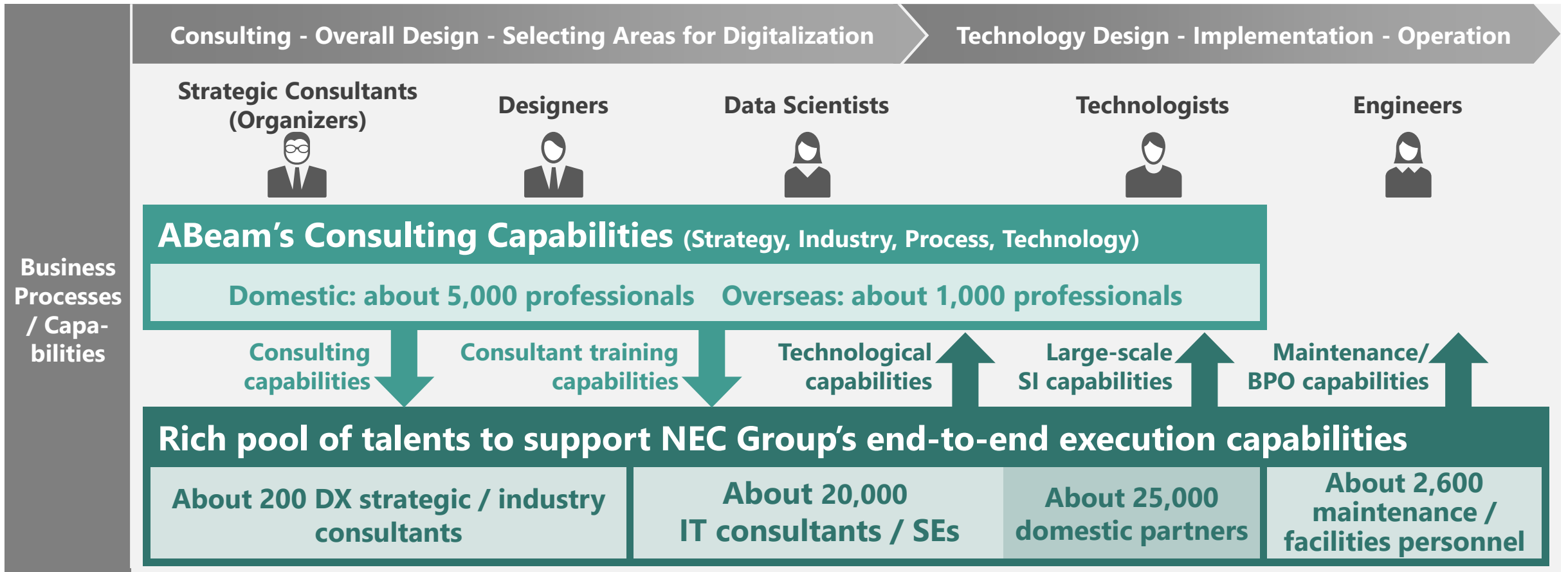
**Technological, large-scale SI, and
maintenance / BPO capabilities**

examples of specific initiatives

- **Joint proposals from the upstream phase**
- **Launch of expert team focused on developing the SAP domain**

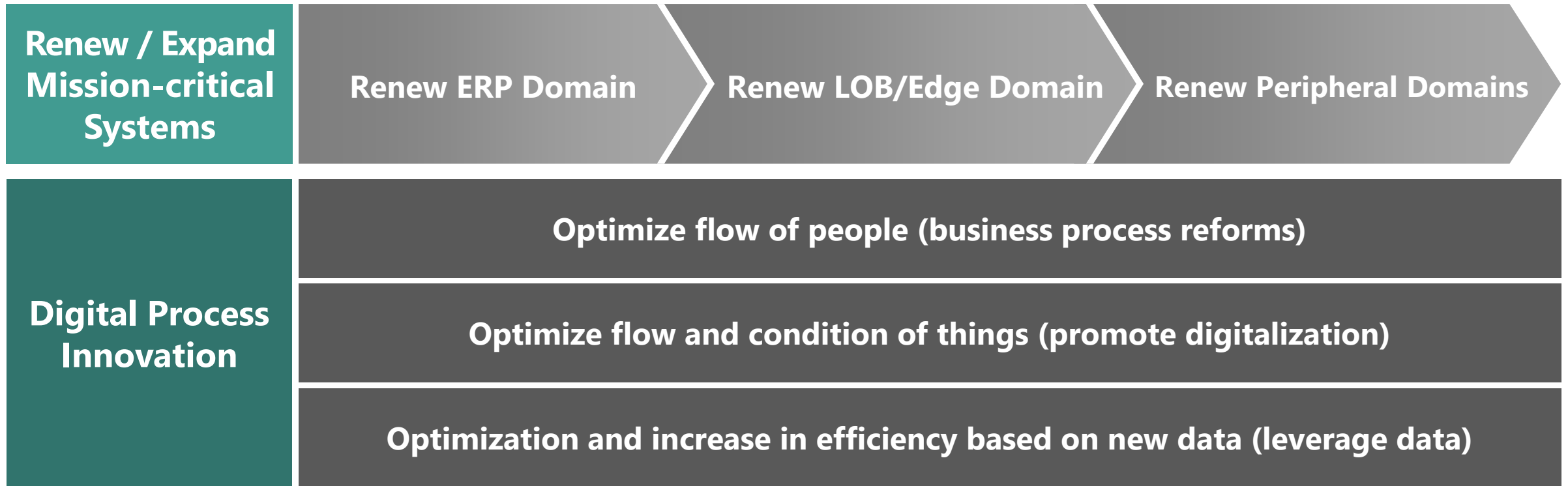
Capabilities of Consulting-based Businesses

Pursue further business expansion by linking and coordinating ABeam and NEC's end-to-end execution capabilities and resources



Business Expansion Plan

Aim to achieve planned goals through domain expansion mainly in mission-critical systems and Digital Process Innovation



■ Consulting-based Businesses

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■ New Business Opportunities

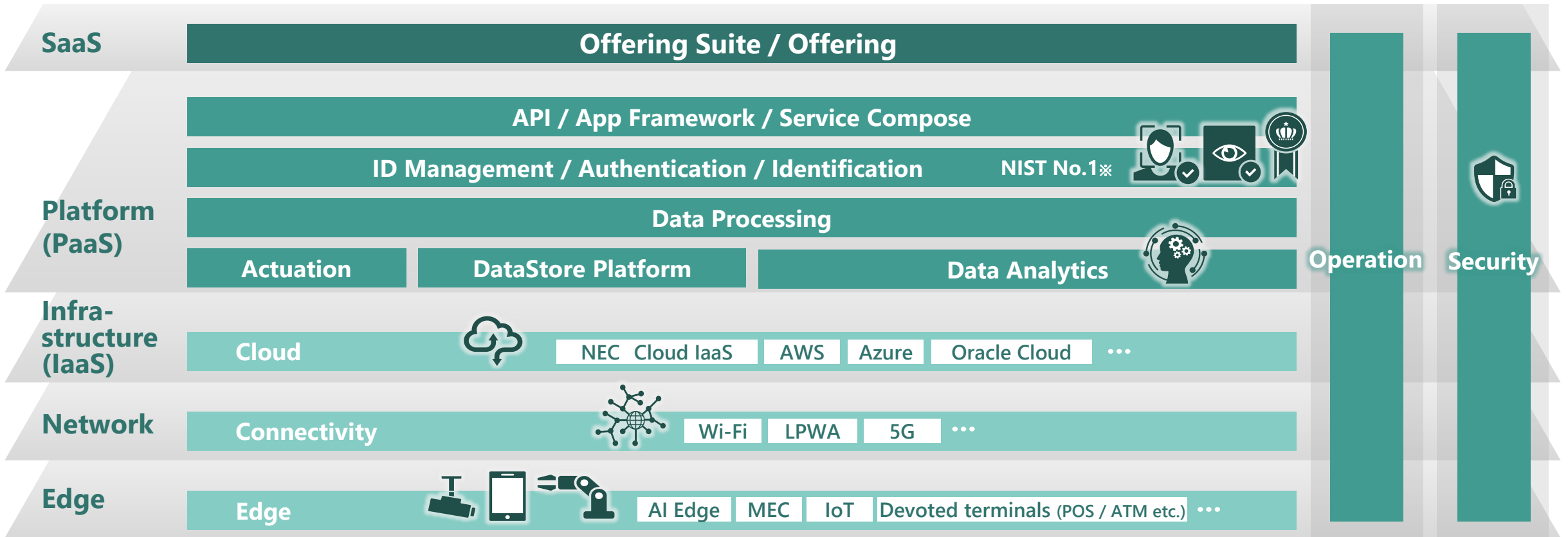
Mid-term Targets 4: New Business Opportunities (Social, enterprise transformation)

■ SI Model Reforms to Improve Profitability at Base Business

■ DX talents Reinforcement and Recruiting

NEC Digital Platform

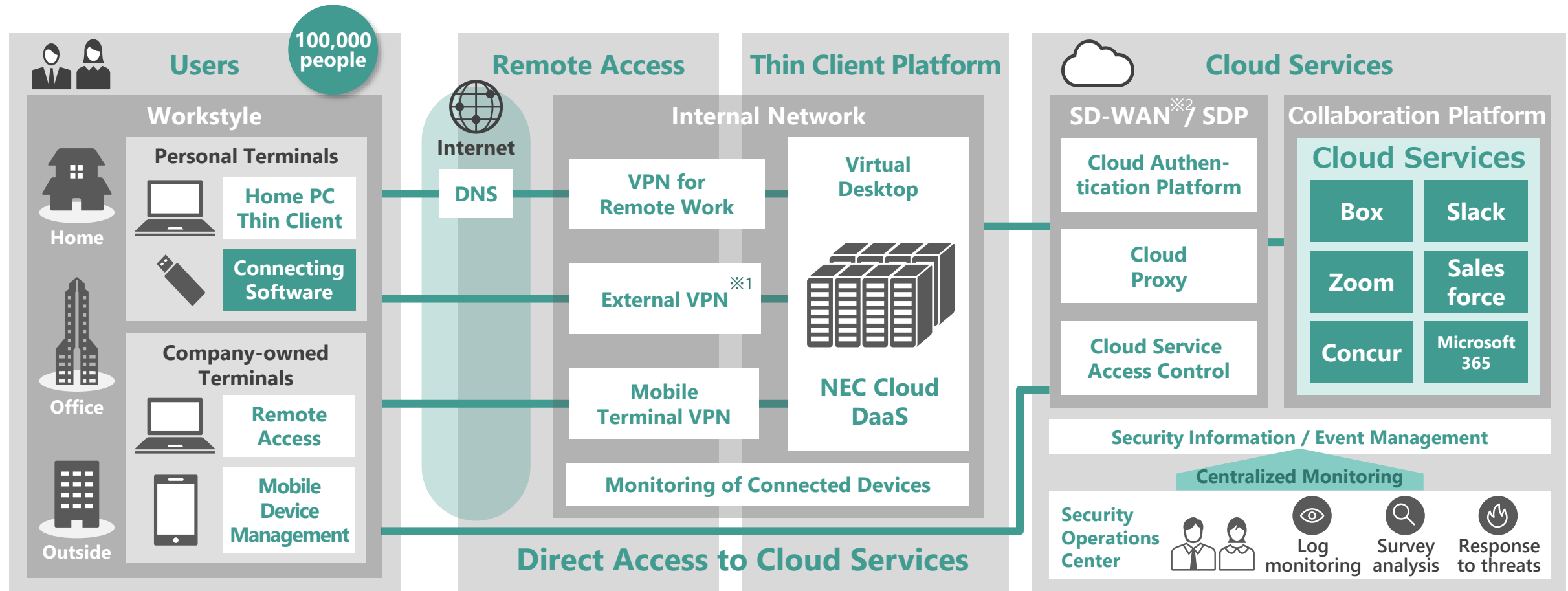
Aggregating / expanding IT and network core assets at the global shared digital platform
Reinforcing efforts to expand into global markets through partnerships



※ National Institute of Standards and Technology (NIST), Face recognition technology benchmarking test (FRVT2021 Ongoing)
Results shown from NIST do not constitute an endorsement of any particular system, product, service, or company by NIST

NEC Digital Workplace

Provide NEC Digital Workplace as a shared DX offering which leverages the NEC Digital Platform

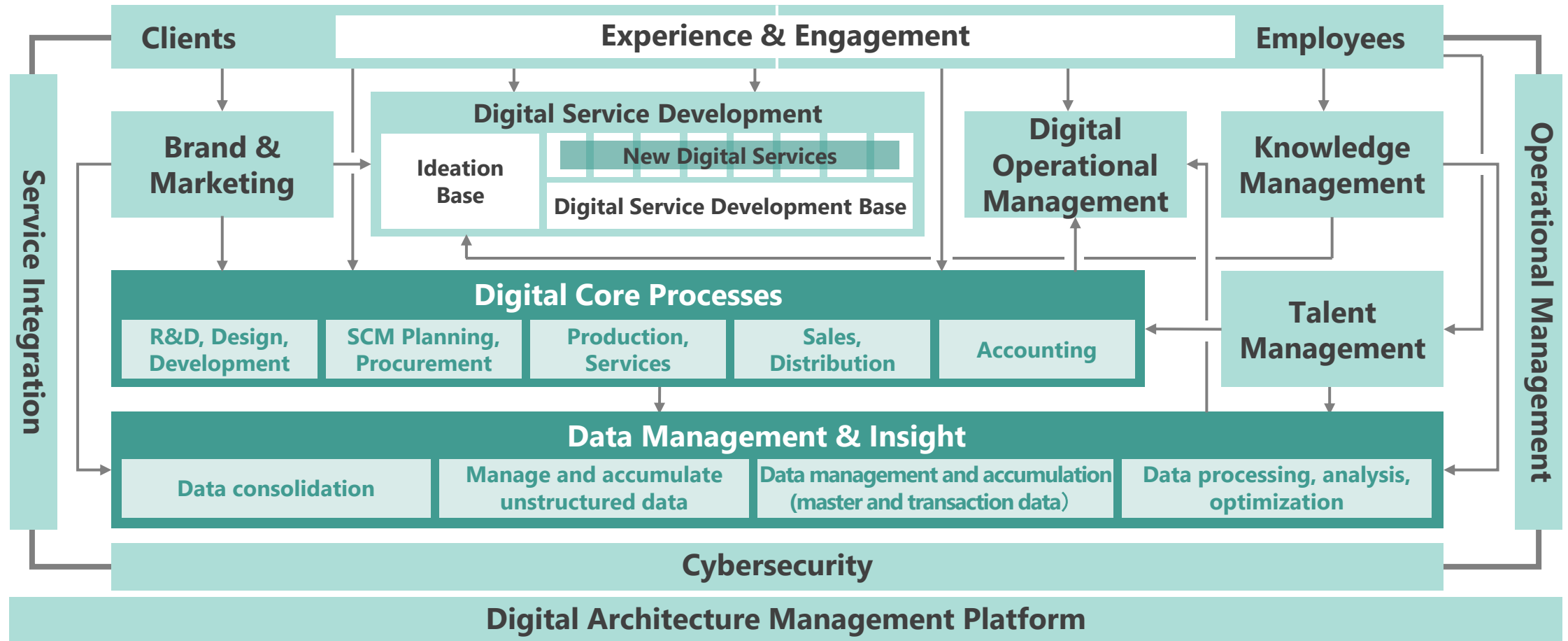


※1 Virtual Private Network

※2 Software-Defined WAN

Mission-Critical Operation System

Prepare ERP-related efforts of the Transformation Office as a shared DX offering



Increasing Competitiveness of Hybrid IT

Accelerate collaboration with hyper-scalers

Pursue further business expansion by developing and significantly strengthening NEC's Azure and AWS technicians and the delivery framework as well as by leveraging coordination between both companies

Amazon Web Services (AWS)

- Concluded and leveraging strategic collaboration agreement at the corporate level with AWS for the first time as a Japanese corporate
- Provide world-highest-class quality in an optimal way for Japanese clients(such as for government agencies)

September 8, Press release

Microsoft

- Expand strategic partnerships based on 40 years of collaboration
- Provide strong support for client DX implementation based on NEC's DX practice and knowledge

July 13, Press release

■ Consulting-based Businesses

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■ **New Business Opportunities**

Mid-term Targets 4: New Business Opportunities (Social, enterprise transformation)

■ SI Model Reforms to Improve Profitability at Base Business

■ DX Talents Reinforcement and Recruiting

Efforts toward the Super City Concept

July 12, Super city business online press conference
September 9, Core DX online press conference

Implementing 3 initiatives aimed at evolving “characteristic” cities which stand out in the world

DX Offering [examples]

Efforts toward the City's DX

Data utilization with global standard urban OS infrastructure (FIWARE) that supports the evolution of “characteristic” cities that we can be proud of to the world



Supporting DX in
13 Smart City municipalities
17 Super City municipalities



■ Consulting-based Businesses

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■ New Business Opportunities

Mid-term Targets 4: New Business Opportunities (Social, enterprise transformation)

■ **SI Model Reforms to Improve Profitability at Base Business**

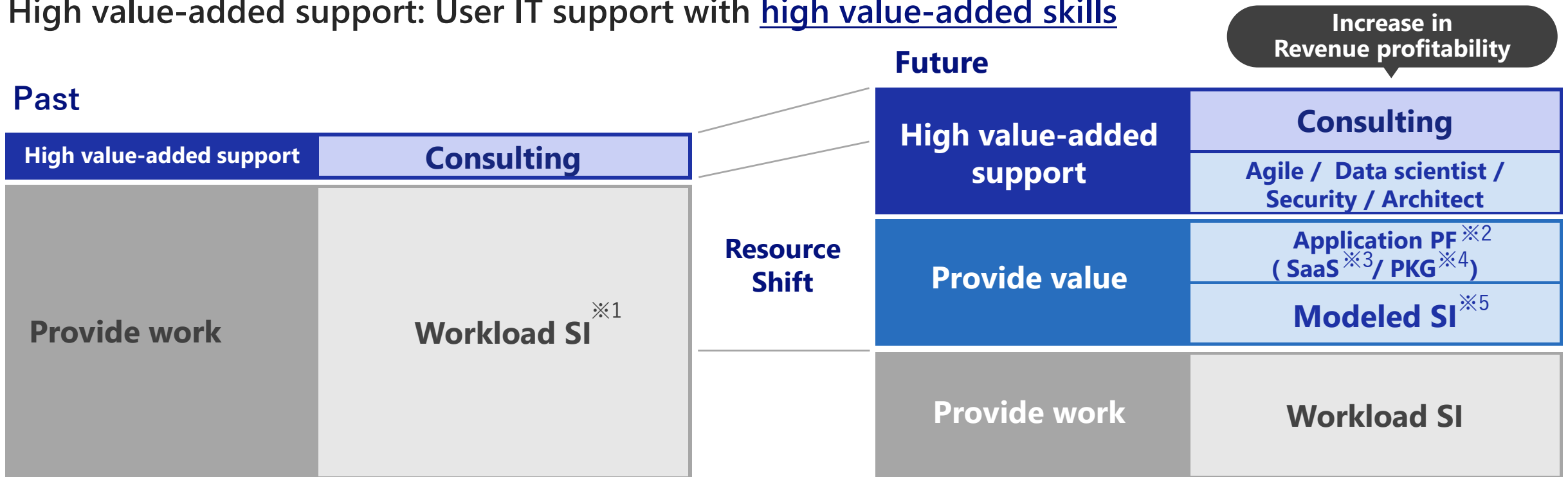
■ DX Talents Reinforcement and Recruiting

Vision for SI Model Transformation

Reform business based on workload provided (compensation per man-month)

Providing value: [Value-based pricing](#)

High value-added support: User IT support with [high value-added skills](#)



※1 Workload SI: SI (System Integration) which is compensated based on SE x workload (man-months)

※2 Platform

※3 Software as a Service

※4 Package

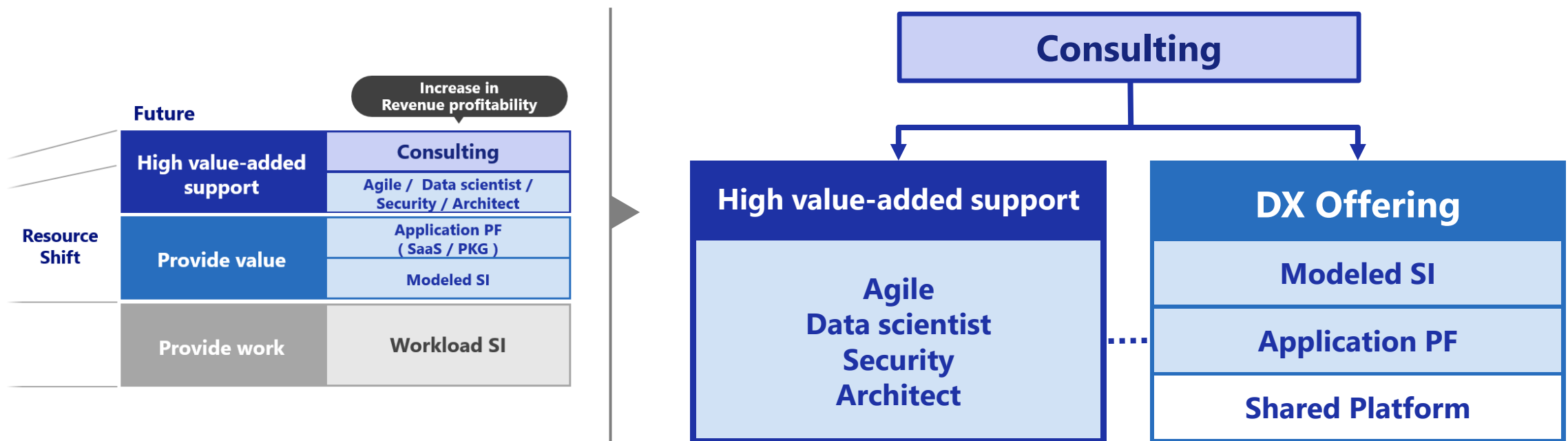
※5 Modeled SI : SI which formalizes SI know-how (into templates, tools, etc.) and uses them in combination

DX Offerings and SI Model Transformation

Implement DX offerings to achieve rapid resolution of issues identified through consulting

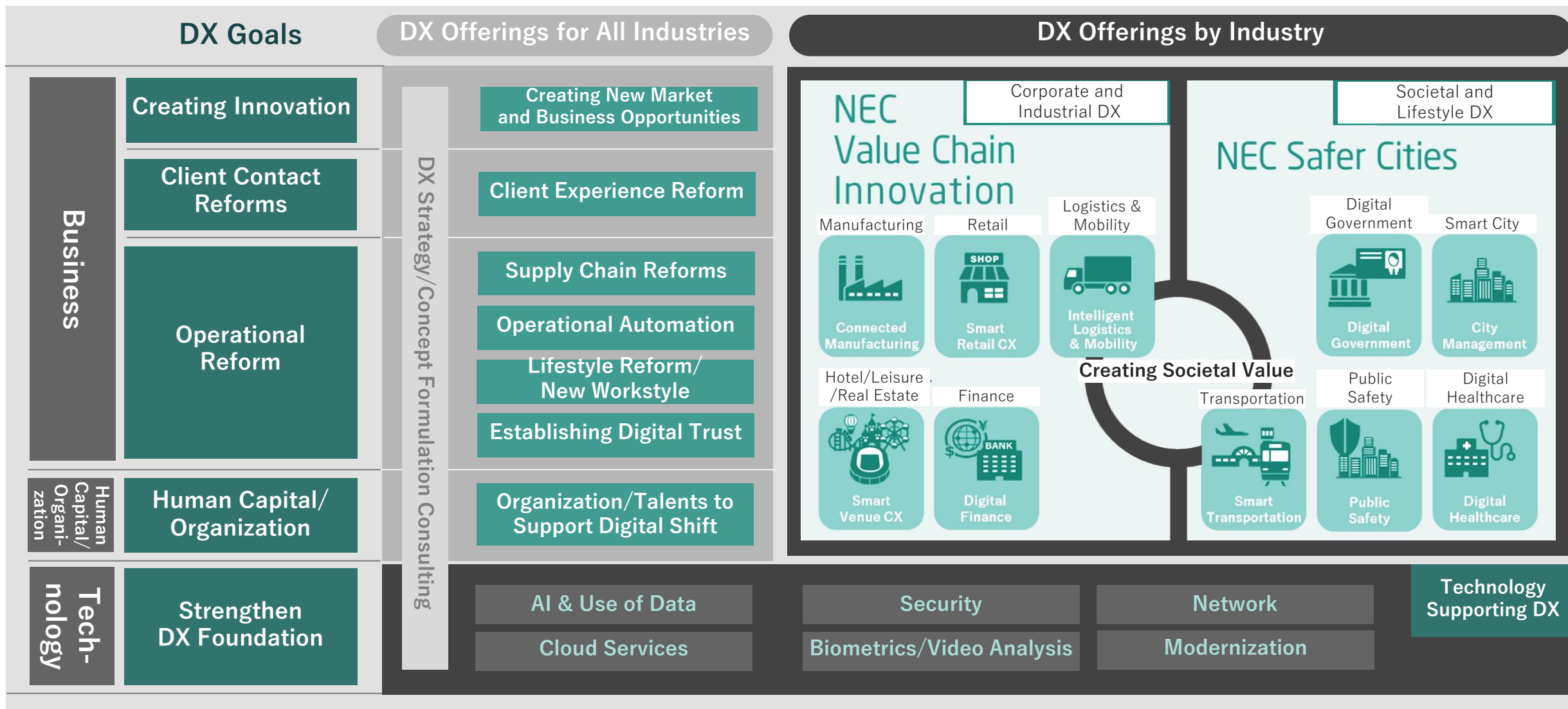
Phase 1: Issues identified through consulting

Phase 2: Support high value-added in parallel with implementation of DX offerings



Menu of DX Offerings

Revised Sep 2021



■ Consulting-based Businesses

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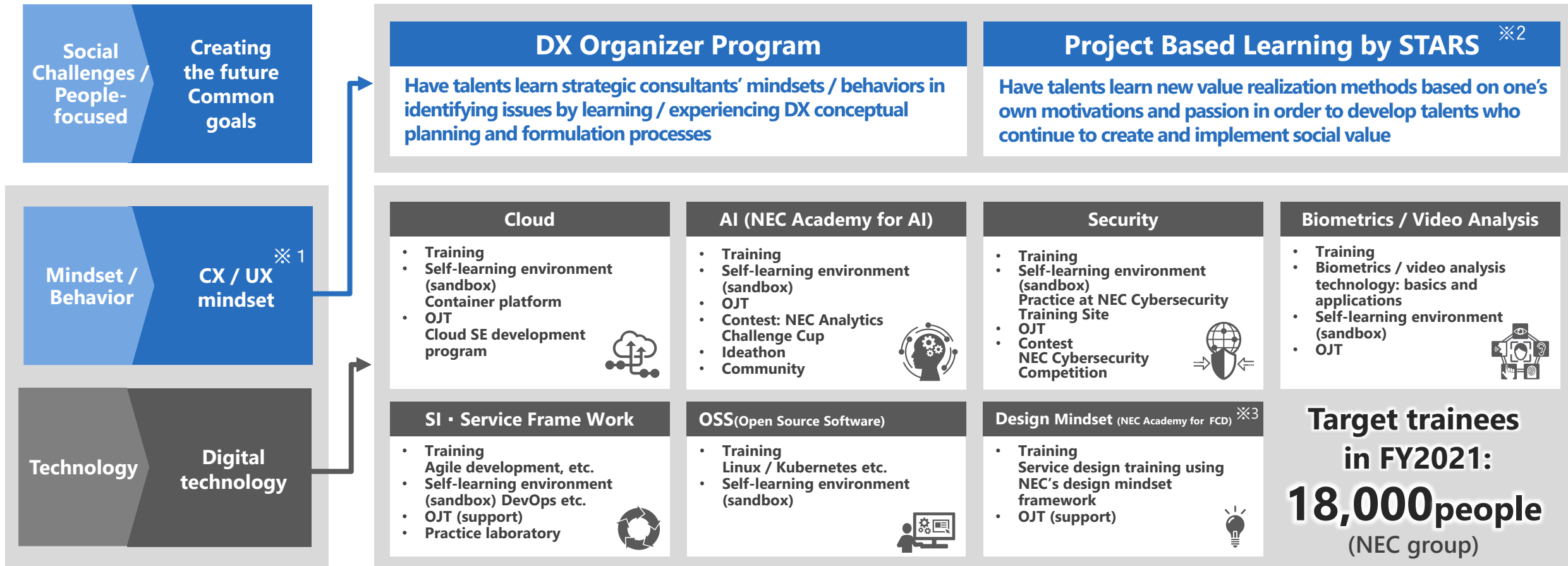
Mid-term Targets 4: New Business Opportunities (Social, enterprise transformation)

■ SI Model Reforms to Improve Profitability at Base Business

■ **DX Talents Reinforcement and Recruiting**

DX Talents Reinforcement Program (Mindset / Behavior / Digital Technology)

Continue technological skill reinforcement initiatives to allow talents to shift skill sets in line with project progress. Also planning to introduce mindset/behavior programs to the sales force.



※1 Customer Experience / User Experience

※2 Self Transformation And Reform based on System Design and Management

※3 Future Creation Design

Continue to Reinforce and Recruit DX Talents

We will continue to strengthen initiatives to enhance the skills of consultants, data scientists, cybersecurity experts, etc. in line with expansion of the DX business

Digital Talents

Consultants
Service designers
Architects
Business designers
Agile engineers
Data scientists
Cloud professionals
Biometrics/video analysts
Cybersecurity professionals

FY2020
5,000
people



FY2025
10,000
people

3. Summary

Summary

Improve profitability in Base Business by leveraging Core DX Business, which leads to achieving Domestic IT Business growth

Core DX Business

Revenue (Adjusted Operating Margin)

FY2020 **¥141.0 bn (-3%)**

FY2025 **¥570.0 bn (13%)**

< Total Revenue Breakdown >

	Consulting-based Businesses	Shared Platform(Hybrid IT)	New Business Opportunities
FY2020	¥95.0bn	¥46.0bn	-
FY2025	¥200.0bn	¥280.0bn	¥90.0bn

Integrated Approach from Consulting to Delivery / ICT Shared Platform Technologies and Offerings
Hybrid IT (cloud / DC / on-premises) / New Business Opportunities (Social, enterprise transformation)

Domestic IT Business

Revenue (Adjusted Operating Margin)

FY2020 **¥1.33 tn (8%)**

FY2025 **¥1.6 tn (12.5%)**

SI Model Transformation to
Improve Profitability at Base Business

FY2020 **¥1,189.0 bn (10%)**
FY2025 **¥1,030.0 bn (12%)**

DX Talents Reinforcement

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NEC