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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1. DG/DF Business Expansion

- Transform Public Safety business into DG/DF software business with biometrics as the entry point
- Capture the DX momentum to expand business in Japan and across the world

Digital Finance
- Business Domain Expansion
- Conversion to SaaS Model

Digital Government
- Educational Institutions
- Healthcare
- Public Housing
- Administrative Agencies

Public Safety
- Citizen ID
- Driving Licenses
- Police/Public Security/Justice Administration
- Airports

Since 2016, Restructuring of NEC Global Safety Business (currently Digital ID/DX)

1/2018 Acquisition of Northgate Public Services (currently NEC Software Solutions UK (hereinafter SWS-UK))

2/2019 Acquisition of KMD

12/2020 Acquisition of Avaloq
2. Looking Back on 2020 Mid-term Plan
(Business Expansion through Establishment of 3 Platforms)

A: Conversion to new business model with 3 platforms (accelerating shift to SaaS)
B: Expansion of business domain through advanced solutions (products enhancement and global expansion)
C: Continuation of M&A (acquisition of new business base)
Recent Achievement] A: Conversion to New Business Model

**SWS-UK**  
(formerly Northgate Public Services)

- Expansion of SaaS Business
  - Case management platform for police - Jamaican Police

**KMD**

- Continuing Enhancement of SaaS Products
  - Covid-19 remote testing solution
[Recent Achievement] B: Expansion of Business Domain through Advanced Solutions

Strengthening Aviation

- Covid-19 solution in Hawaii's airports through Digital ID application
- Rome International Airport project in collaboration with SITA
  - Contact-free boarding process through face recognition technology
- More than 50 business discussions being under way
Complete Acquisition of Avaloq + Completion of PMI 100-day Plan and Steady Progress in Order Intakes

- Acquired first SaaS project in Asia after the acquisition

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Avaloq</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Number of employees</td>
<td>Approx. 2,300 employees</td>
</tr>
<tr>
<td>Business Description</td>
<td>Core banking systems and wealth management software developer and service provider</td>
</tr>
</tbody>
</table>

Martin Greweldinger    Thomas Beck
Co-CEO
Progress of Synergies with Acquired Companies

- Accelerate synergies by adding Avaloq to SWS UK and KMD

Revenue Contribution to OP (Billions of Yen)

- **Acquisition of Vantage Health***
  - SWS-UK has accomplished 6 acquisitions in total

- **Acquisition of Concent**
  - KMD has accomplished 3 acquisitions in total

- Group Procurement (such as Microsoft Licensing)

- Change to NTT Data Center

- Order from UK Metropolitan Police
3. FY2018 - FY2021 Results

Accomplished significant improvement in profitability and business growth in key segments

[Overall DG/DF Business*]
* Financial reporting basis: Total figures for three acquired companies and Digital ID/DX Business
Note: Started to consolidate KMD from March 2019, and Avaloq from January 2019

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021 (Planned)</th>
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<tbody>
<tr>
<td>Adjusted OP</td>
<td>189.0</td>
<td>193.1</td>
<td>230.0</td>
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<tr>
<td>Adjusted OP Margin</td>
<td>-2%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Revenue</td>
<td>105.2</td>
<td>189.0</td>
<td>193.1</td>
<td>230.0</td>
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<tr>
<td>CAGR 30%</td>
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</table>

[Total figures for core business of three acquired companies**]
** Pro-forma basis: Total figures for the core business of the three acquired companies assuming that KMD and Avaloq were subsidiaries of NEC from the beginning of FY2018 and deducting the businesses that were to be terminated

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021 (Planned)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted OP</td>
<td>136.4</td>
<td>137.5</td>
<td>145.5</td>
<td>148.2</td>
</tr>
<tr>
<td>Adjusted OP Margin</td>
<td>-7%</td>
<td>3%</td>
<td>8%</td>
<td>11%</td>
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<tr>
<td>Revenue</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>CAGR 3%</td>
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</table>

Note: Started to consolidate KMD from March 2019, and Avaloq from January 2019.
4. To Achieve Mid-term Plan

FY2025 Numerical Targets

- **Revenue**: ¥300.0 bn
- **Revenue CAGR (FY20-25)**: 4%
- **Adjusted OP Margin**: 12%

*Pro-forma basis: Figures which include FY2020 results for Avaloq as a whole*

Expand Business and Profitability

1. Accelerate Global Expansion by Leveraging and Promoting Synergies
2. Continue Business Model Transformation
3. Streamline Development Activities and Operations
① Accelerate Global Expansion

Accelerate global expansion through enhancement of collaboration among NEC Group and focused investment in target regions.

- SWS (UK)
  - Commonwealth

- KMD (Denmark)
  - Europe, APAC, Japan

- Avaloq (Switzerland)
  - Europe, APAC, Japan, US

- Digital ID/DX
  - CoE*: US, Singapore, Latin America

*CoE: Center of Excellence
② Promote Business Model Transformation

- Accomplish business growth and improved profitability through continuous investments and business model transformation with in-house IP assets

- **Continue to invest in key segments**
  - Enhancement of SaaS business
  - Expansion of business domains and client base through bolt-on M&A

- **Maximization of ROI**
  - Exit low-profit business, implement changes to business portfolio
Streamline Development Efforts and Operations

- Improve profitability by pursuing cost synergies within the NEC Group
- Strengthen capabilities of software through selection and concentration of investments and mutual usage of assets

Cost Synergies
- Off-shoring to India for software development
- Use of NEC procurement capabilities/experiences

Product/technology synergies
- Application of technologies from NEC Laboratories
- Share software assets within NEC Group (shift to shared platform)
Mid-term Plan: Overall and by Business <Revenue>

<DG/DF Business: Planned Revenue*> (Billions of Yen)

<table>
<thead>
<tr>
<th>Business</th>
<th>FY18</th>
<th>FY20</th>
<th>FY25 (Planned)</th>
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<tbody>
<tr>
<td>KMD</td>
<td>136.4</td>
<td>145.5</td>
<td>216.2</td>
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<tr>
<td>Digital ID/DX</td>
<td>58.9</td>
<td>41.7</td>
<td>53.2</td>
</tr>
<tr>
<td>Non-core to be terminated**</td>
<td>50.5</td>
<td>41.7</td>
<td>66.2</td>
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Strategies/Initiatives towards Revenue Expansion

1) Accelerate Global Expansion by Leveraging and Promoting Synergies

2) Continue Business Model Transformation

* Figures assuming that KMD and Avaloq were subsidiaries of NEC from the beginning of FY18
** Including KMD’s business which are to be terminated and SI/resale business of third party products/services in Digital ID/DX
Mid-term Plan: Overall and by Business <Adjusted OP>

<DG/DF Business: Planned Adjusted OP*>
(Billions of Yen)

 FY20   FY25 (Planned)

<table>
<thead>
<tr>
<th>Business</th>
<th>Expenses ▲2.6</th>
<th>Core businesses of the 3 acquired companies</th>
<th>Non-core to be terminated ▲0.3</th>
<th>OP%</th>
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<td>Digital ID/DX</td>
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<td>5%</td>
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<td>Avaloq</td>
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<td>6%</td>
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<tr>
<td>KMD</td>
<td></td>
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<td>8%</td>
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<tr>
<td>SWS-UK</td>
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<td></td>
<td>12%</td>
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<tr>
<td>▲2.6</td>
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<td>▲2.6</td>
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</tbody>
</table>

Non-core to be terminated 1 5.8 12%

Strategies/Initiatives towards Profit Expansion

2) Continue Business Model Transformation

3) Streamline Development Efforts and Operations

* Figures assuming that Avaloq was a subsidiary of NEC from the beginning of FY20

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