

# Enterprise Business

September 15, 2021

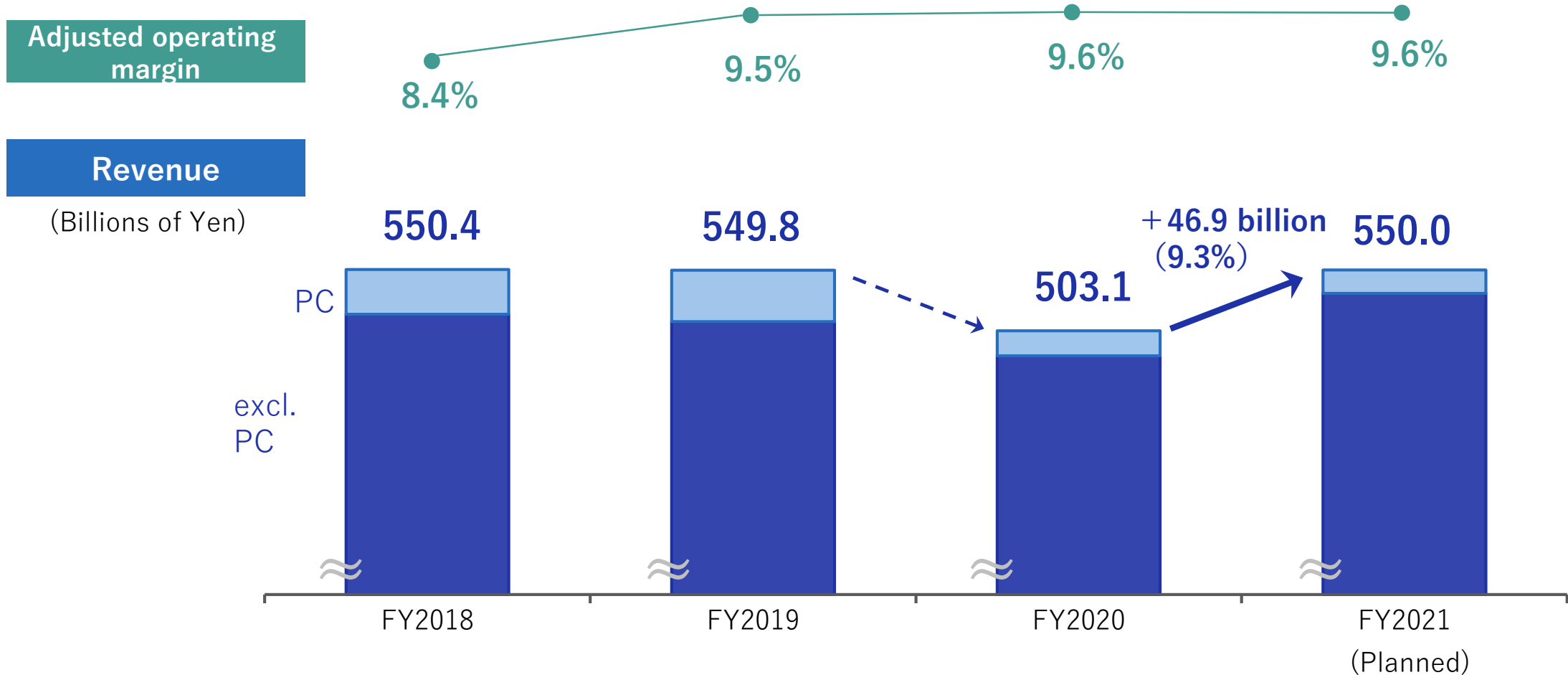
Fumiaki Matsubara, Executive Vice President

# \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.

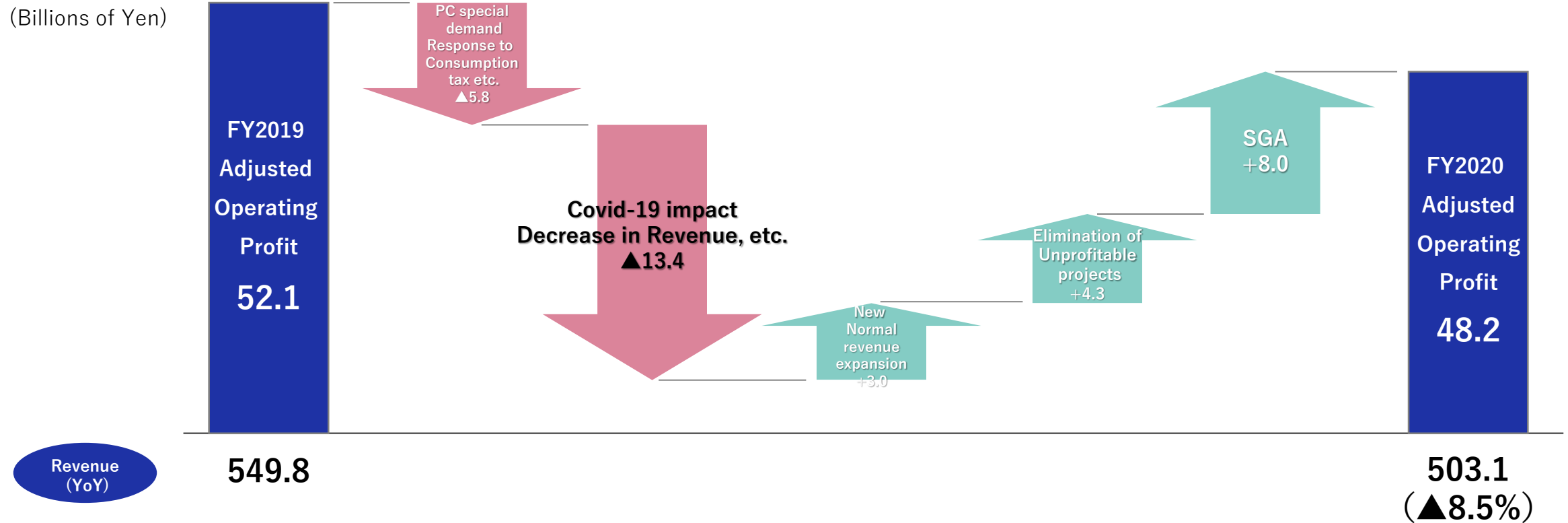
# FY2018-FY2021 Results

- Amid the lingering impacts of COVID-19, revenue recovered to the level of FY2018-2019 when there was special demand for PCs etc.
- Regarding operating profit, a stable business foundation to maintain 10% level profitability has been established



# FY2020 Results









- **Revenue:** In addition to the decrease in one-time special demand in the previous fiscal year, COVID-19 had a severe impact. Although increasing New Normal revenue such as demand under work from home environment was a supporting factor, revenue fell by 8.5%
- **Operating profit:** While unprofitable projects were controlled and cost reductions were carried out, profit also fell by 3.9 billion JPY



# FY2020 Summary

## Key Achievements

- Despite the large impact from deteriorating market conditions due to COVID-19, there was recovery in the second half

	(YoY)	1Q FY2020	2Q FY2020	3Q FY2020	4Q FY2020
Orders trend		△21% 	△3% 	+5% 	+22% 
Revenue trend		△16% 	△18% 	△4% 	+6% 

- Sales promotions and expansion of New Normal products (related to work from home)
- Control of project risk costs and cost management

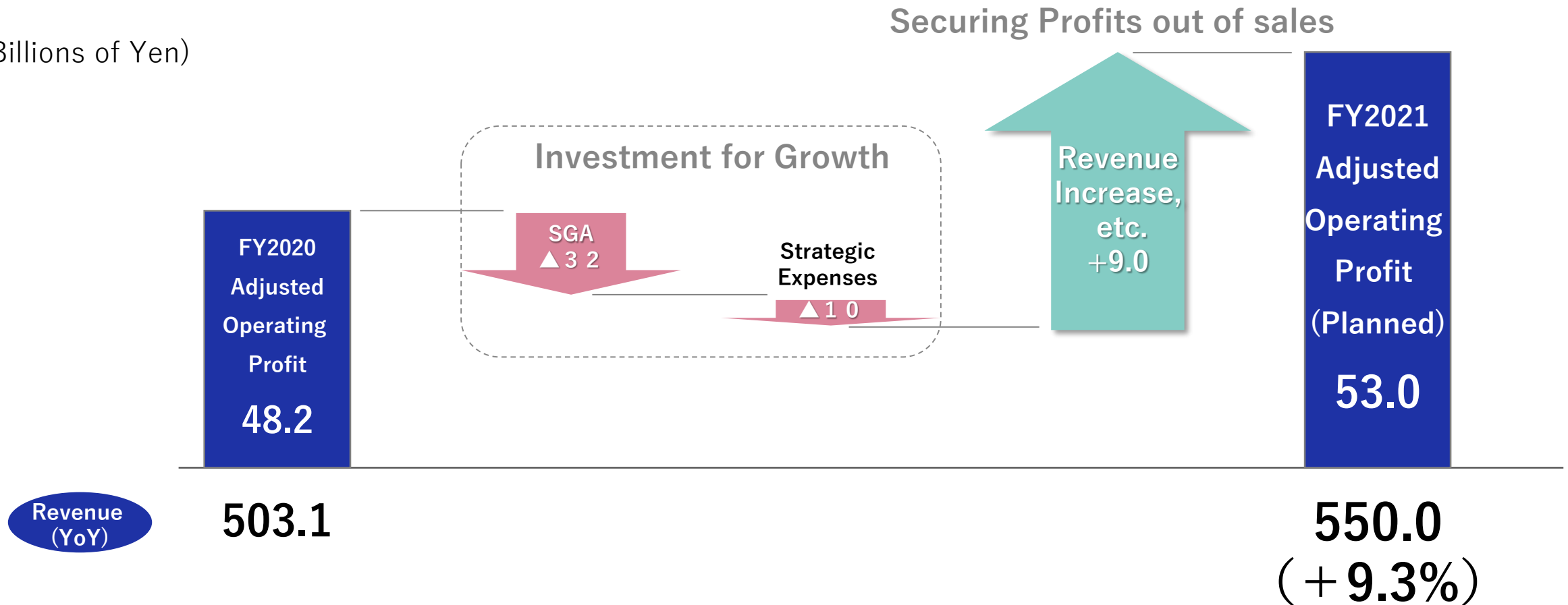
## Challenges

- Expand growth businesses that are not affected by macro environment fluctuations
- Enhance profitability

# FY2021 Outlook

- **Revenue:** +9.3% increase in revenue is planned due to the steady recovery of market conditions
- **Operating profit:** +10% increase in profit, +4.8 billion JPY due to profit enhancement measures while making growth investments

(Billions of Yen)



# FY2021 Business Strategy

## Steady Execution of the Business Plan for FY2021

- **Revenue increase through capturing the recovery of domestic IT demand**
  - Fiscal year plan will be executed steadily, despite lingering uncertainties
- **Secure operating margin of 9.6%**
  - Steady implementation of profitability enhancement measures

## Initiatives as the First Fiscal Year of the Mid-term Plan

- **Realize revenue growth which exceeds industry standards, and industry-leading profitability**
  - Enhance efforts in growth businesses
  - Strengthen the SI service business profitability
  - Improve operational efficiency

# FY2021: Status by Industry

- **YoY 1Q revenue growth exceeded industry peers (+19%), including affiliated companies which had been achieving steady performance**
- **The core SI service business drove performance and also improved gross margins**

(1Q status and annual plan by industry)



- 1Q: Steady YoY recovery (with some variance depending on the industry)
- Annual: Forecasting increase in revenue and profits due to workstyle reforms and capturing demand for higher on-site productivity



- 1Q: Significant YoY increase, but fell short of FY2019 when demand increased in response to the change in consumption tax
- Annual: Forecasting increase in revenue and profits through increased demand for non-contact and reduced staffing services



- 1Q: Significant YoY increase; recovering to FY2019 level
- Annual: Forecasting increase in revenue and profits through dependable execution of large projects and financial DX



# To Achieve Mid-term Management Plan

Realize revenue growth which exceeds industry standards, and industry-leading profitability

## Mid-term Management Plan

## Strategy to Achieve Targets

Revenue  
CAGR  
(FY20-25)

Approx.  
**+1~5%**

Adjusted  
Operating  
Margin  
(FY25)

Approx. **13%**  
FY20: 9.6%

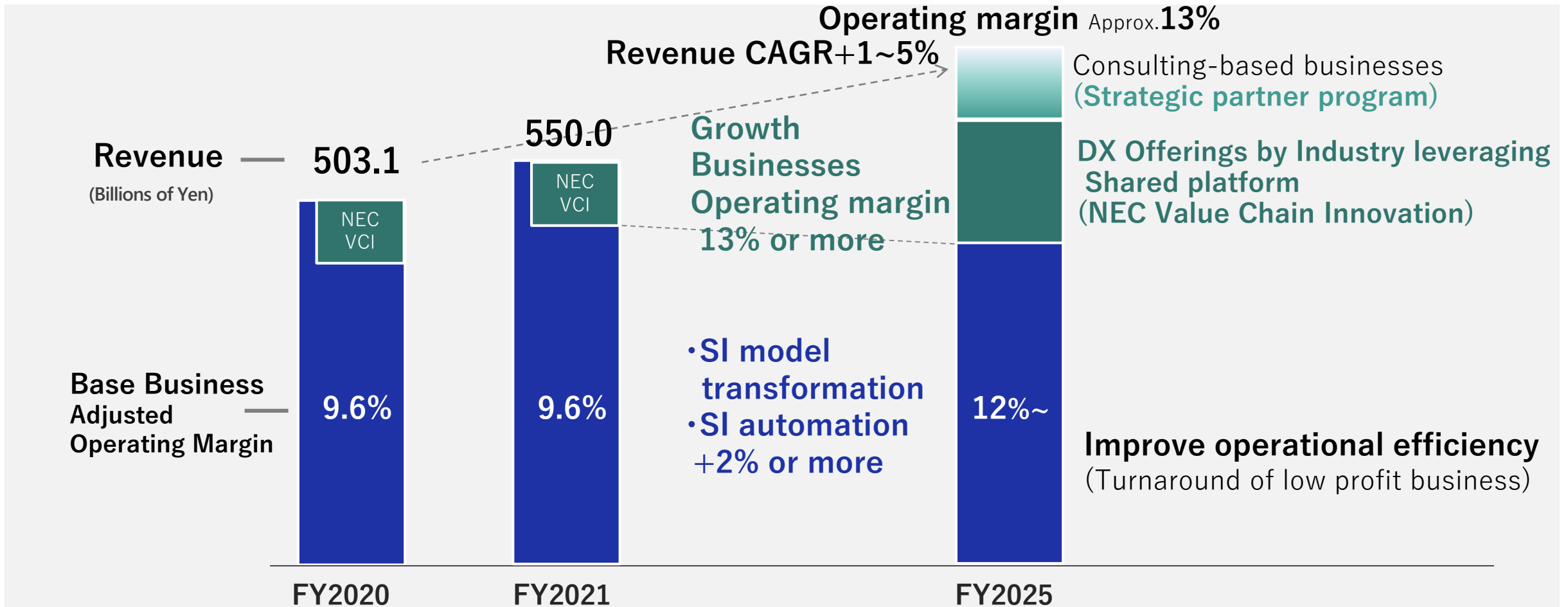
**1) Enhance efforts in growth businesses**

**2) Strengthen the SI service business profitability**

**3) Improve operational efficiency**

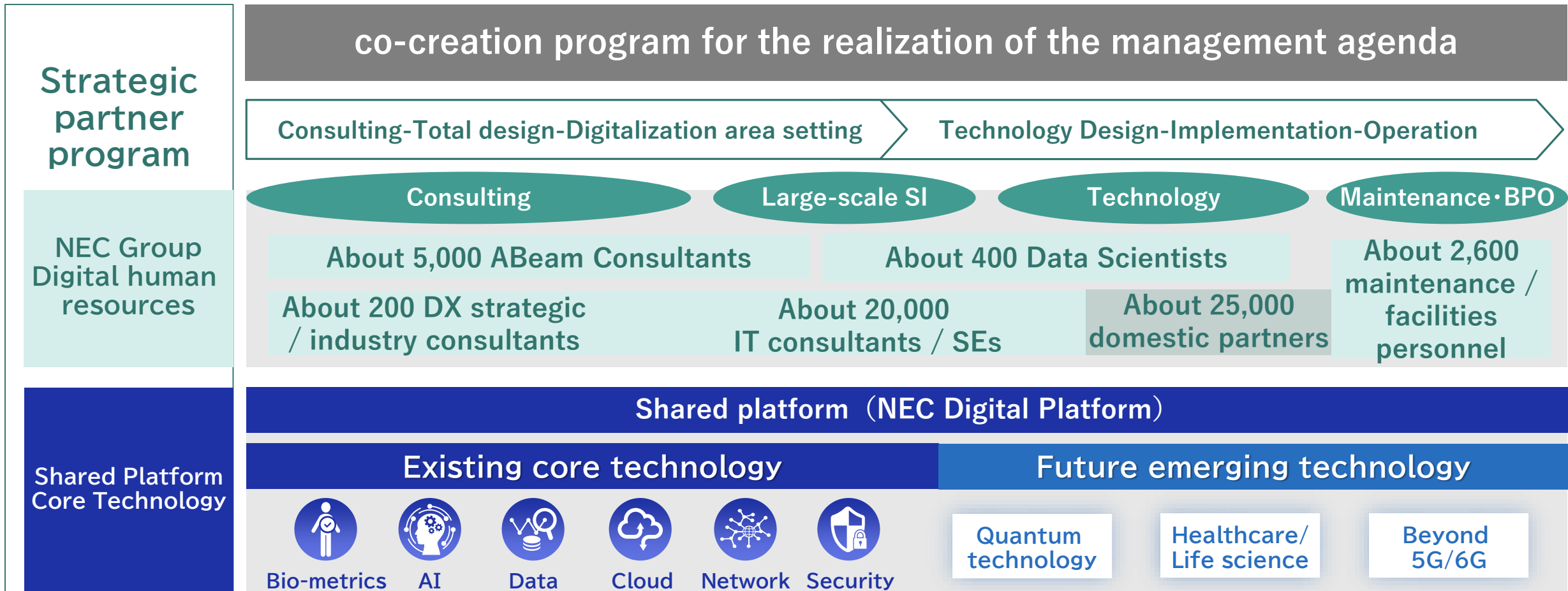
# Mid-term Strategy for the Enterprise Business

Realize expand revenue ,Improve profitability and profit growth cycle in growth business



# Enhance Efforts in Growth Businesses based on consulting services

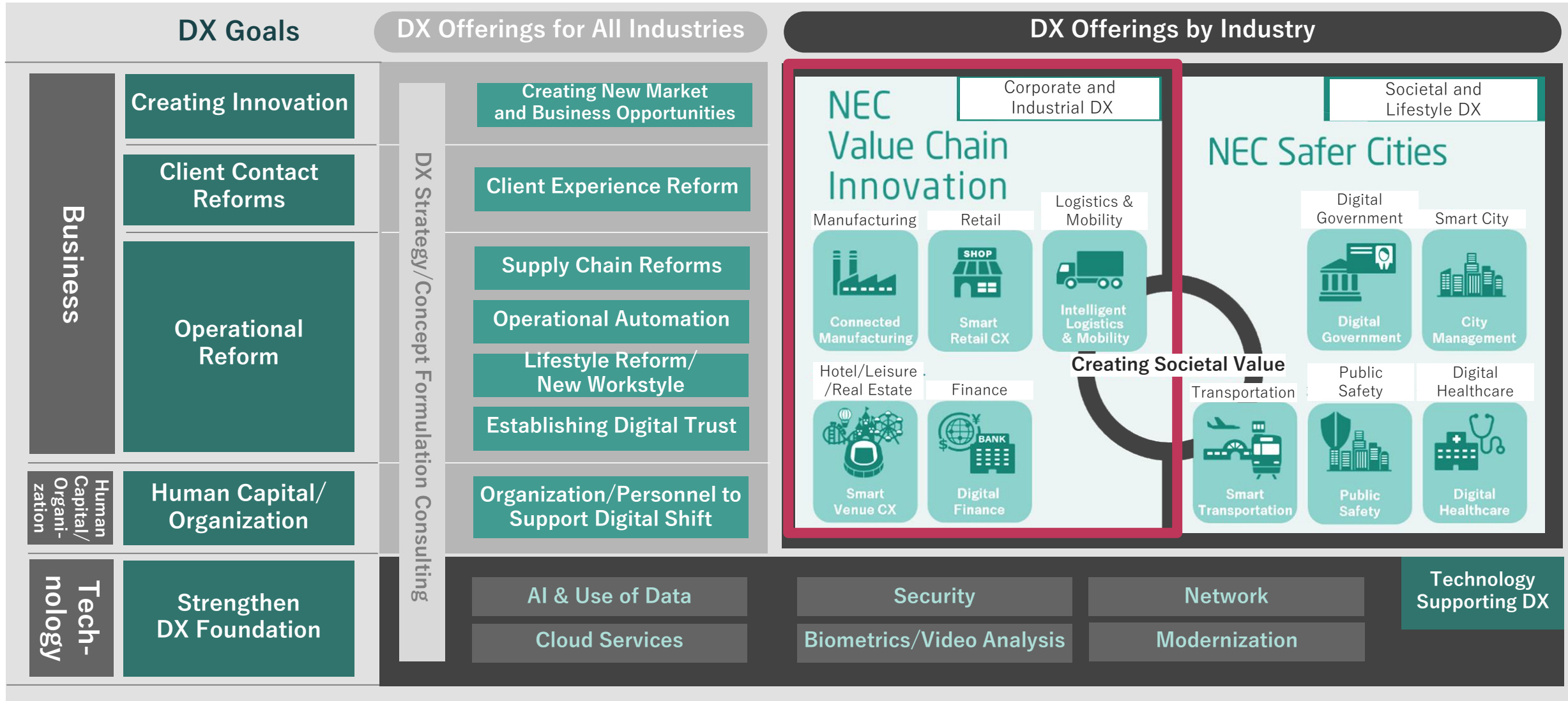
Create and deploy “strategic partner program” with leading customers



# Enhance efforts in growth businesses

## Menu of DX Offerings

Revised Sep 2021



DX offerings by Industry

## Connected Manufacturing

Through integration of factories and digitalization, industrial innovation will occur from manufacturing

Utilizing digital technology, we realize "smart supply chain" and "customer business model transformation".



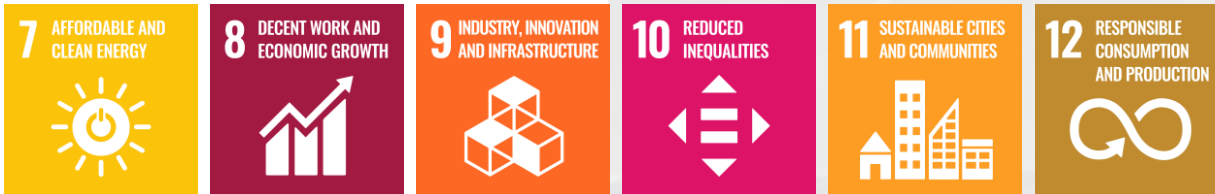


DX offerings by Industry

## Intelligent Logistics & Mobility

With intelligent ICT, transportation becomes more comfortable and the flow of goods becomes more optimal

By fusing “movement of people” and “movement of goods”, we support companies and industries that meet diversifying social issues and customer needs, and realize prosperous society.



DX offerings by Industry

## Smart Retail CX

Innovation in operations and customer experience are the next steps in the digital shift

We contribute to store operations that creates comfortable and pleasant customer experience by responding to intensifying competition due to the entry of new players, changes in consumer behavior, and the rapidly advancing labor shortage.





DX offerings by Industry

## Smart VenueCX

Connection of emotional spaces created from the integration of sensitivity and digital technologies will deepen bonds between people, communities, and society

Focusing on “Venue (attraction)” to enjoy extraordinary, we create the best customer experience with the power of people and digital technologies, and further revitalize the local economy beyond.



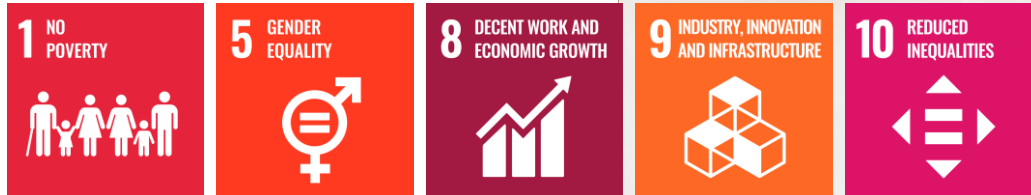


DX offerings by Industry

## Digital Finance

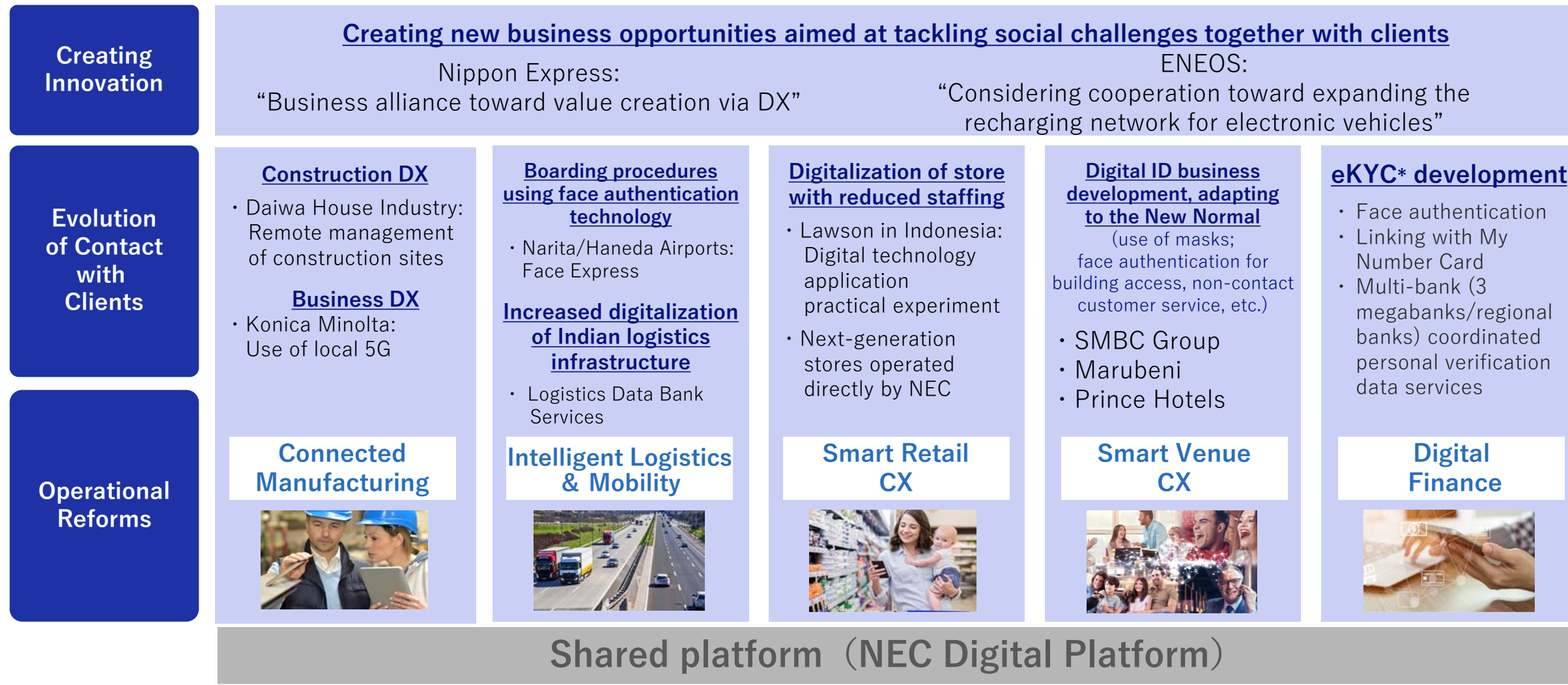
With the power of digital technologies, financial services will be provided to all people and industries

We make our lives and industries more interesting by digitizing financial functions that value people's feelings and empathy.



# Examples of NEC Value Chain Innovation

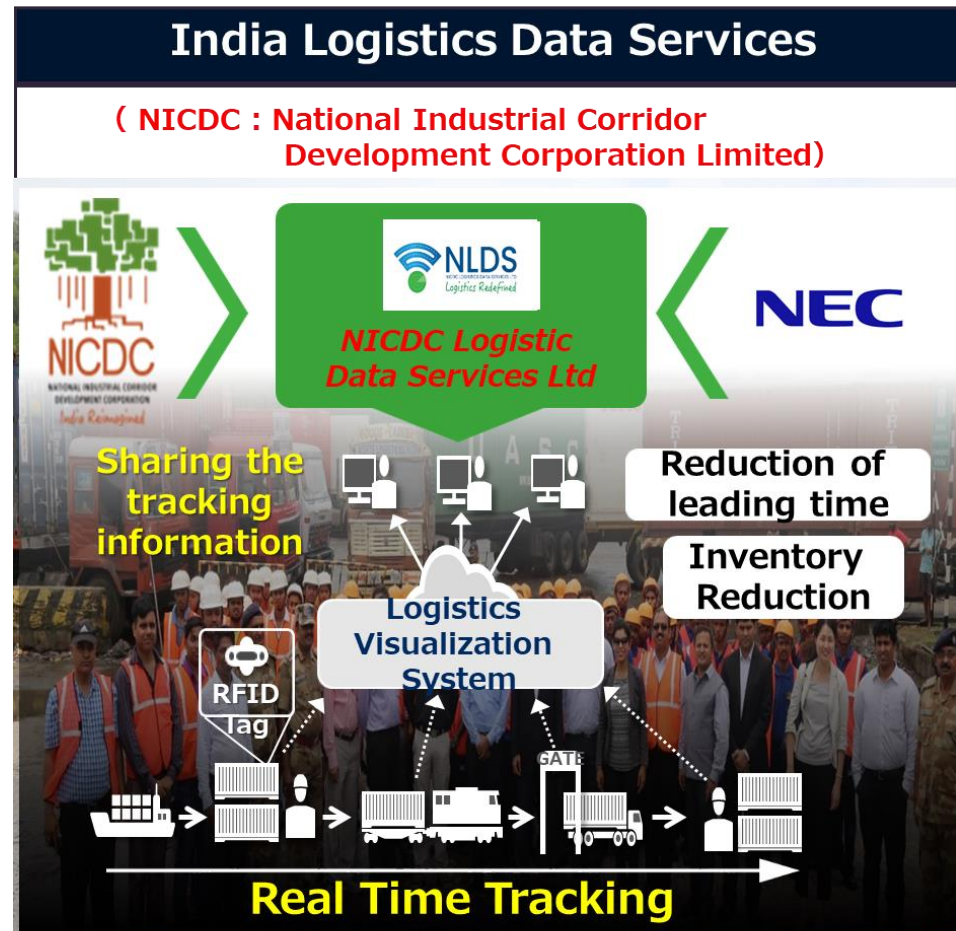
Providing repeatable and high value-added services toward 5 DX domains



# Case: Logistics Data Bank Services



Logistics Data Bank Services for EXIM containers were expanded to all 17 ports in India (November 2020), and all EXIM containers of India will be covered.



NEC's logistics solution to visualize the container location provided as the "National Project".

Project over the PAN India,  
With the new addition of Gujarat's major private port, Pipapav,  
**100% Import-Export container visualized from Nov,**  
and Reduced the overall lead time of the container movement.

Advancement of logistics services by NEC's logistics Solution,  
Improving international competitiveness of India.

**World Bank**  
"Ease of Doing Business  
131 → 77(2019)"  
"Logistics Performance Index  
54 → 44(2018)"





# Case: Next-generation store operated by NEC

Smart Retail  
CX



Cashier-less store is now in operation in NEC headquarters building, allowing customers to make payments without passing items through a cash register.



Cashier-less store where customers can make payment by simply leaving the store without going through the cash register after picking up items.

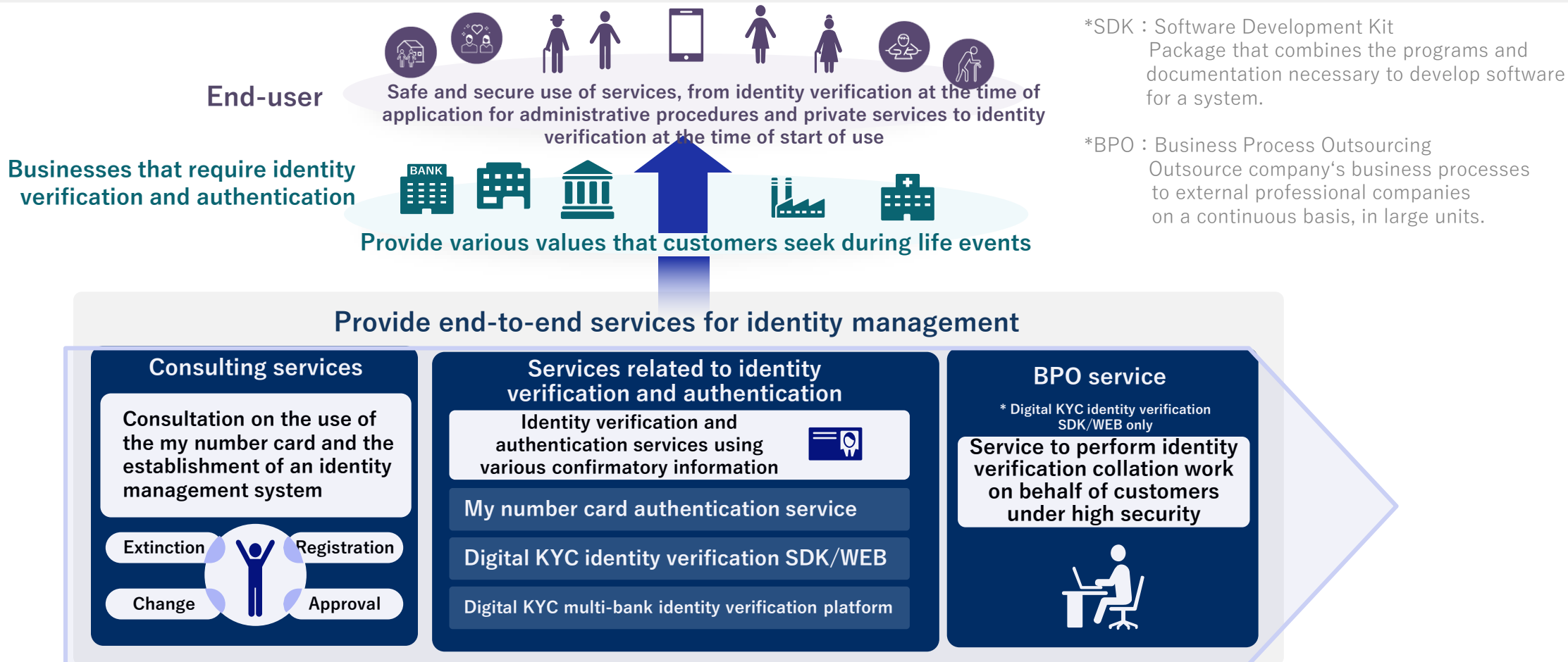
Next-generation stores for an inclusive society



# Case: Total eKYC service



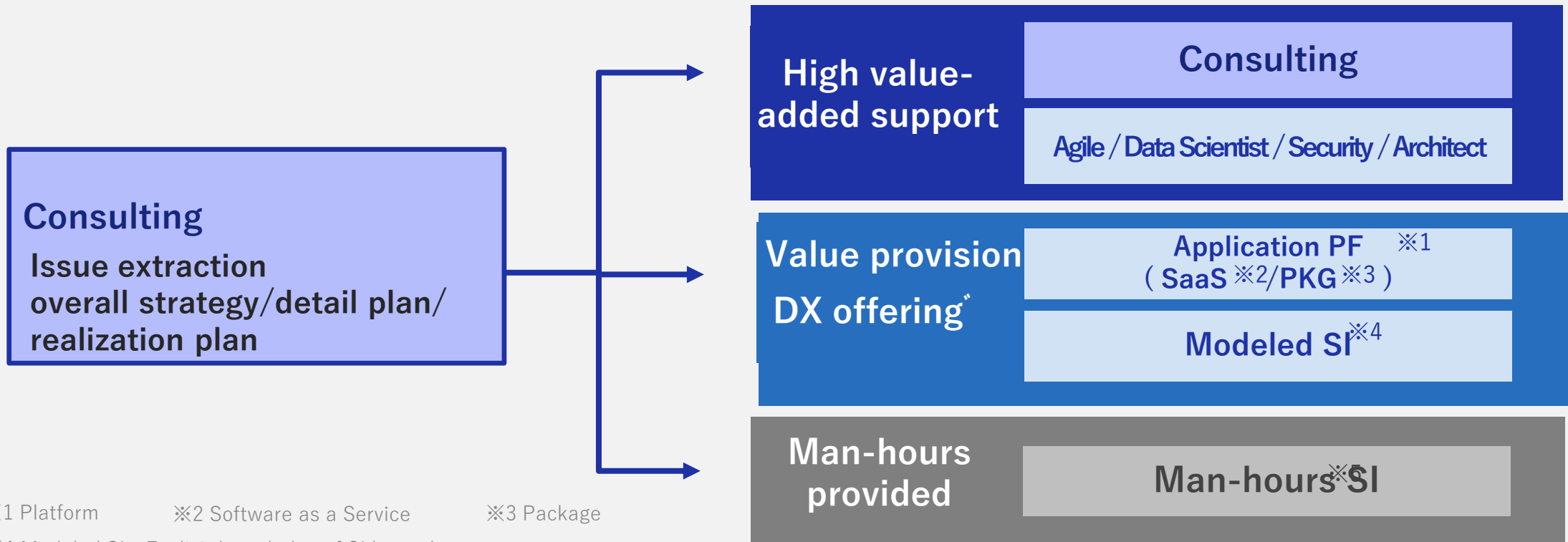
End-to-end services related to identity verification and authentication using My Number Card and biometric authentication.



# Strengthen SI service profitability

## SI model transformation, service-type business model by consulting lead

Total support for reliable DX realization through consulting and speedy problem resolution



※1 Platform

※2 Software as a Service

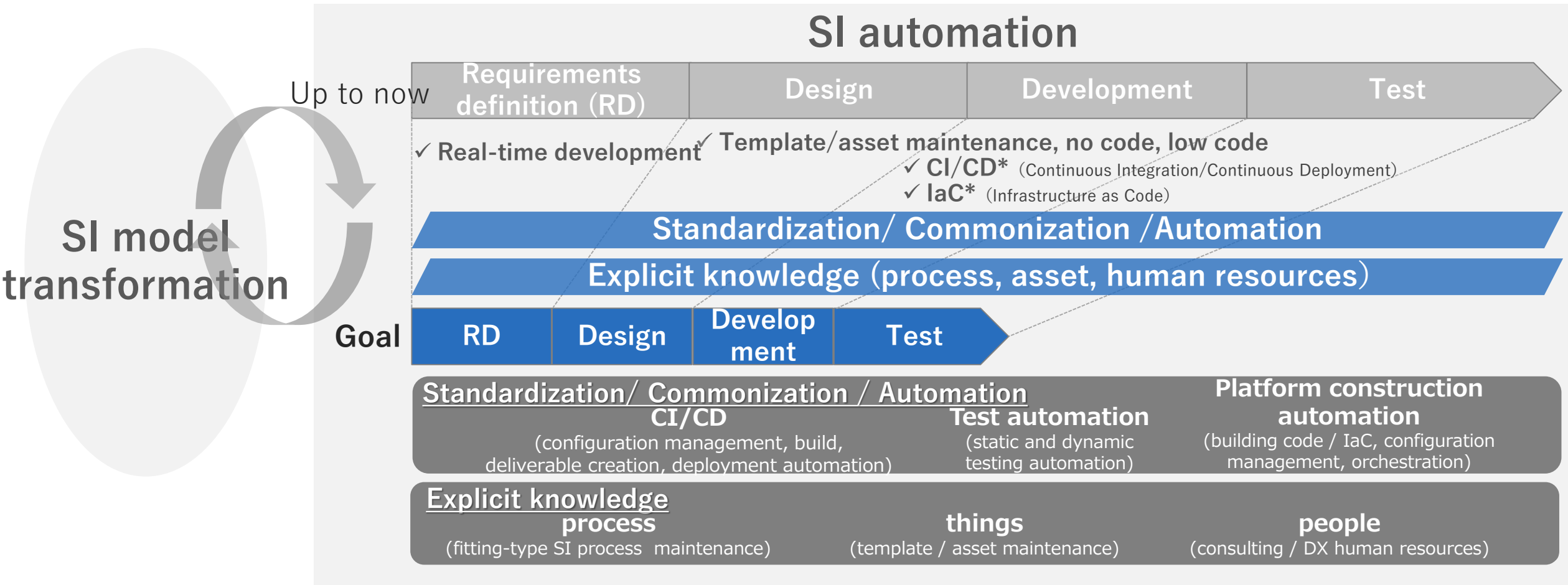
※3 Package

※4 Modeled SI : Explicit knowledge of SI know-how  
(SI performed by combining templates, tools, etc.)

※5 SI that is priced based on the operating man-hours (man-months) (System Integration)

# Strengthen SI service profitability

SI automation, productivity improvement and quality enhancement  
by SI process optimization



# Improve operational efficiency

## Realize profit growth cycle

### Turnaround of low profit business


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- Complete targeting by setting hurdle rate
- Implement turnaround plan and start monitoring progress
- Resource allocation to growth segments

### Increase returns on invested capital

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- Reinforce management of invested capital such as inventory assets, hardware equipment, service assets, etc  
(Cash conversion cycle (days): 30 days in FY2020 → 28 days in FY2021)
- Reduce cross-shareholdings, enhance asset efficiency



Profit growth  
+  
Enhance capital  
efficiency



# Summary

Realize expand revenue ,Improve profitability and Profit growth cycle in growth business

## FY2021

Revenue (Adjusted operating margin)

FY2020 503.1billion (9.6%)

FY2021 550.0 billion (9.6%)

Business Strategy

- Revenue increase through capturing the recovery of domestic IT demand
- Secure operating margin of 9.6%

## FY2025

Revenue (Adjusted operating margin)

Realize revenue growth which exceeds industry standards, and industry-leading profitability

FY2025 +1~5% (Approx. 13%)  
CAGR(FY2020-2025)

Strategy to Achieve Targets

- 1) Enhance efforts in growth businesses
- 2) Strengthen the SI service business profitability
- 3) Improve operational efficiency

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**NEC**