

Public Solutions Business

September 15, 2021

Executive Vice President

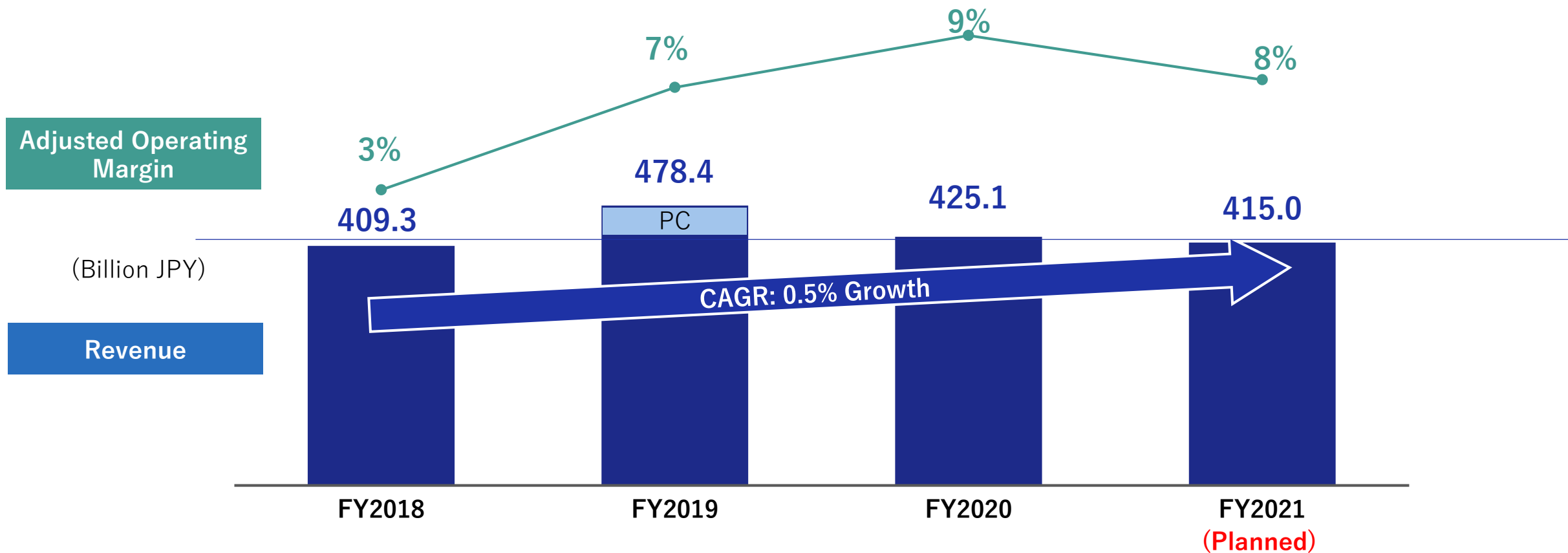
Kunikazu Amemiya

\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.

Business Results from FY18 to FY21

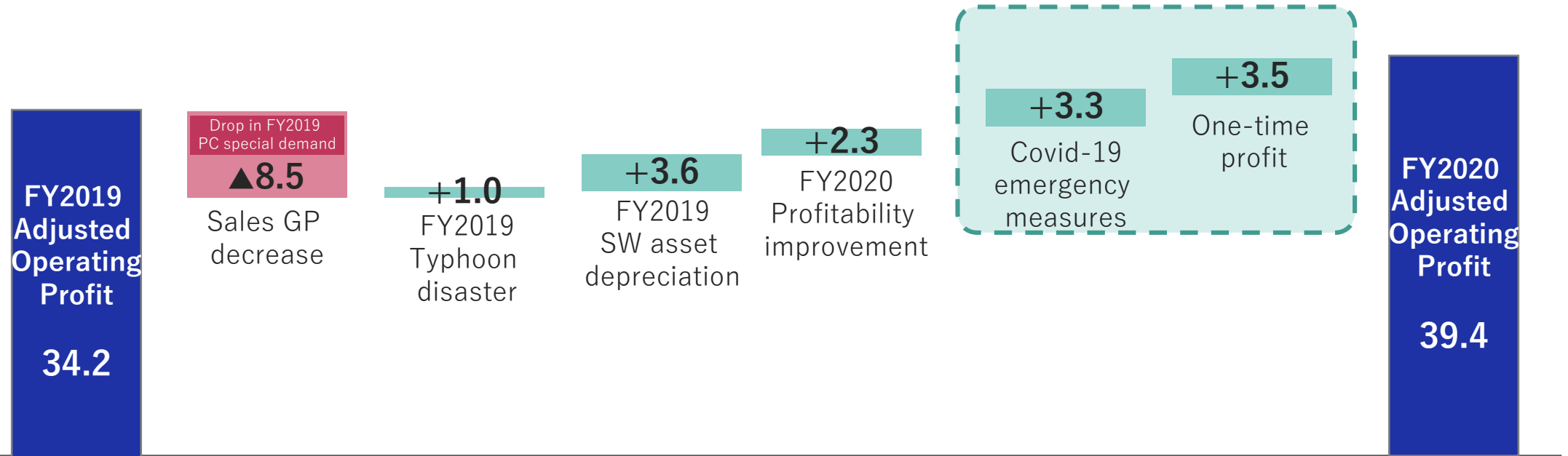
2020 Mid-term Management Plan targets were mostly achieved



FY20 Results

FY20 results were mostly aligned with initial targets

(Billion JPY)



Revenues (YoY) 478.4

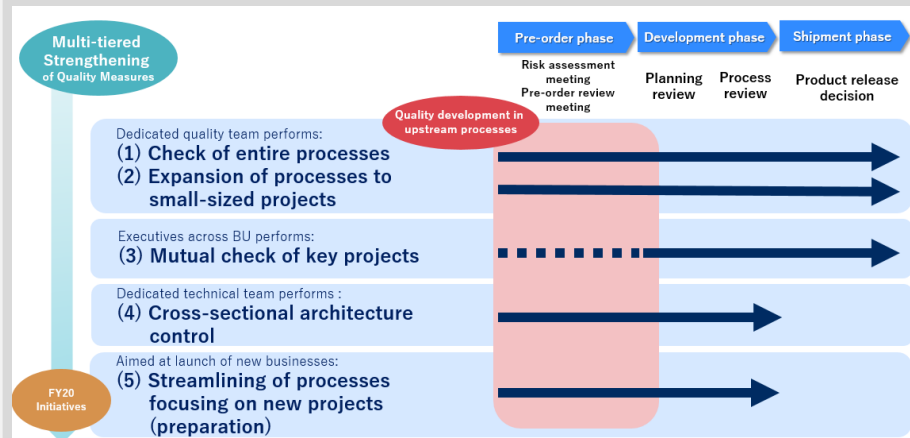
425.1 (△11%)

Key Achievements

■ Achievement of 2020 Mid-term Management Plan targets

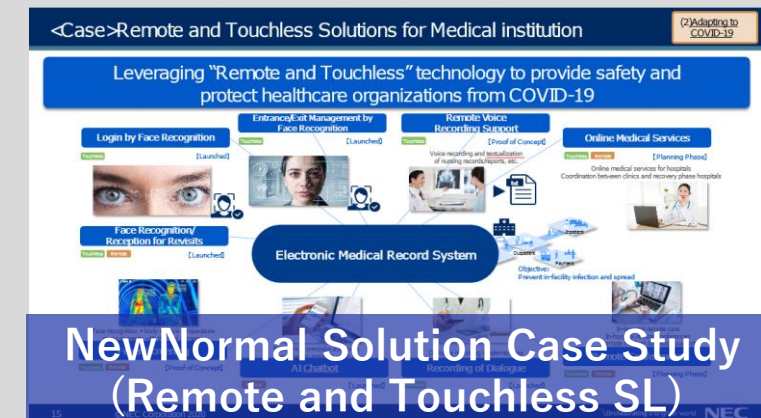
Execute initiatives to improve profitability

- Reduction of unprofitable transactions and cost of goods



Reevaluate strategy to adapt to external environment changes

- Taking Cost Reduction Measures
- Cost-cuts and New Normal solutions



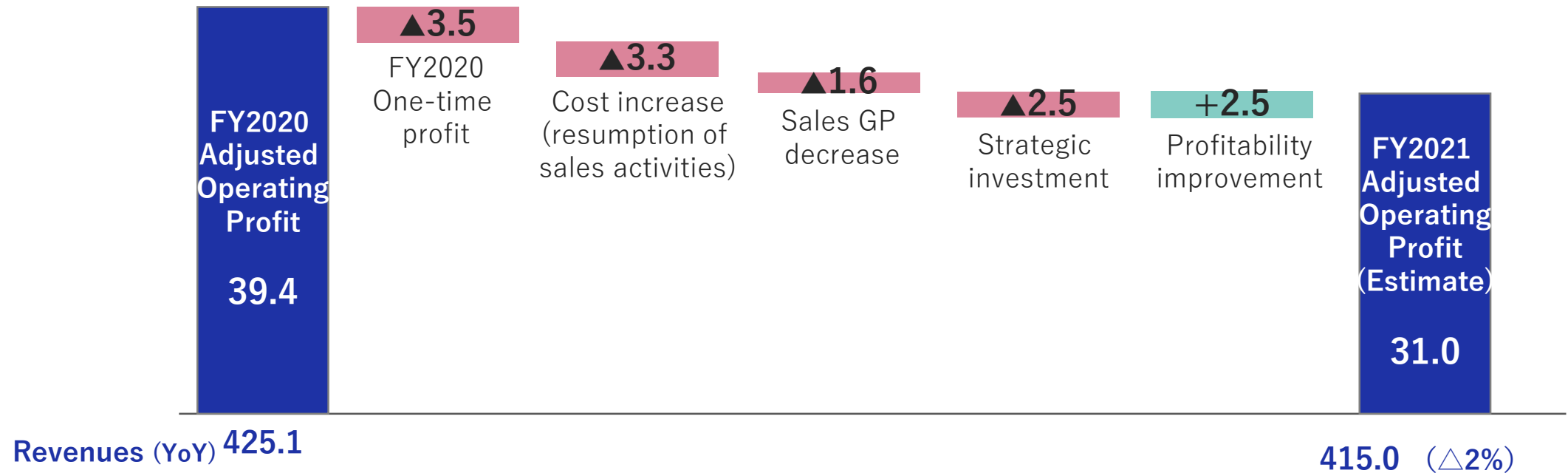
Challenges

■ Further improvement in profitability

FY21 Outlook

Maintain same level of performance as FY20

(Billion JPY)



FY21 Business Strategy

**Enhance
Profitability**

■ Business structure reforms



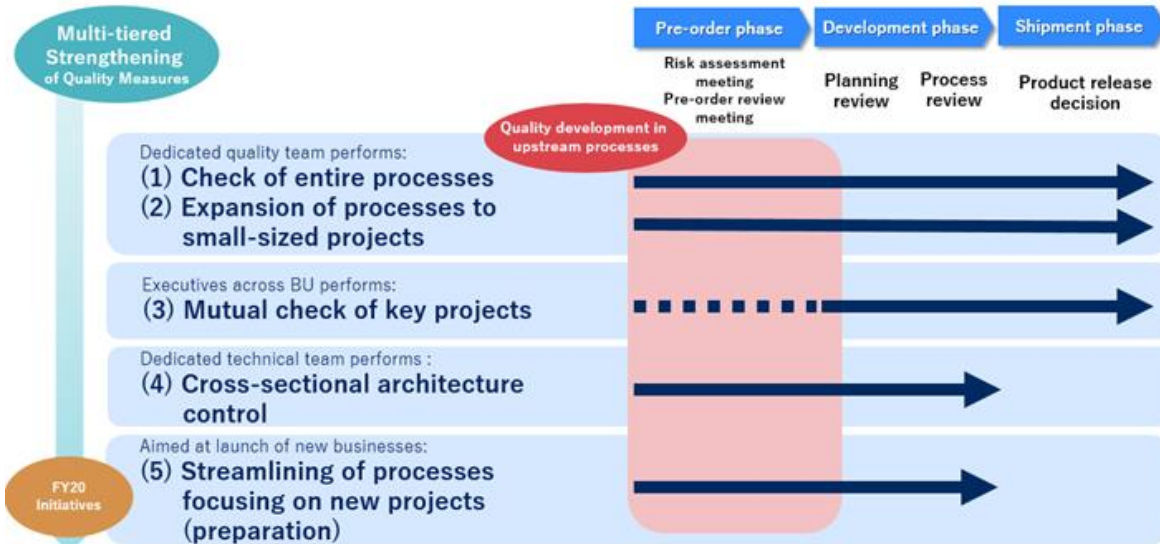
**Expand
Growth
Business**

■ Mid-term Management Plan 2025 execution (Initial year activity)



Reform of Business Structure

FY20



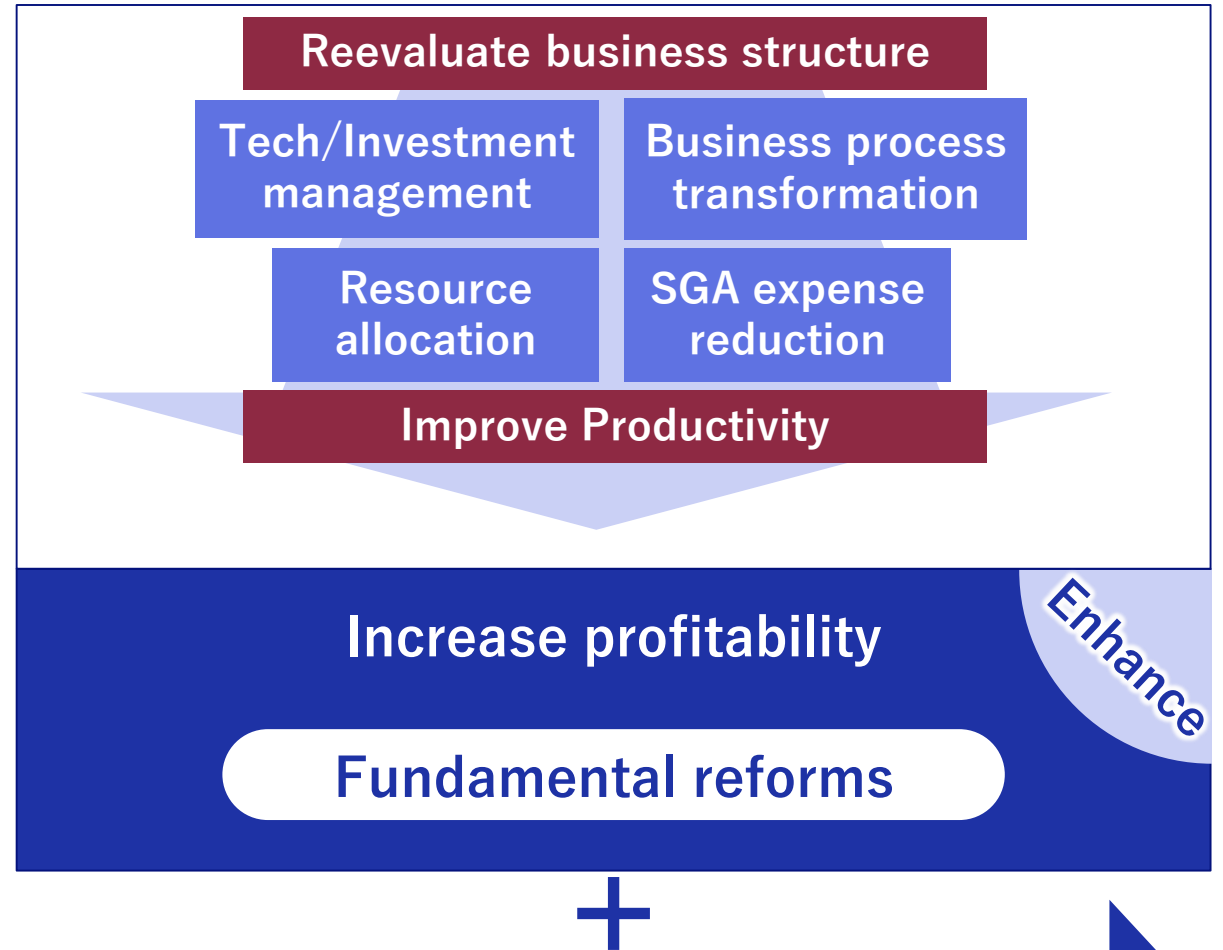
Reinforce profitability improvement activities

Quality improvement / Cost reduction / Profit management

Improvement at the transaction level

Continue

FY21



Mid-term Management Plan 2025 execution

FY25 Targets

Revenue
CAGR
(FY20-25)

About **0~1**%

Adjusted
Operating
Margin

About **10**%

■ Business model transformation

- DX Offerings (NEC Safer Cities)
- DX solutions for SME*s

* SME : Small and Medium Enterprises

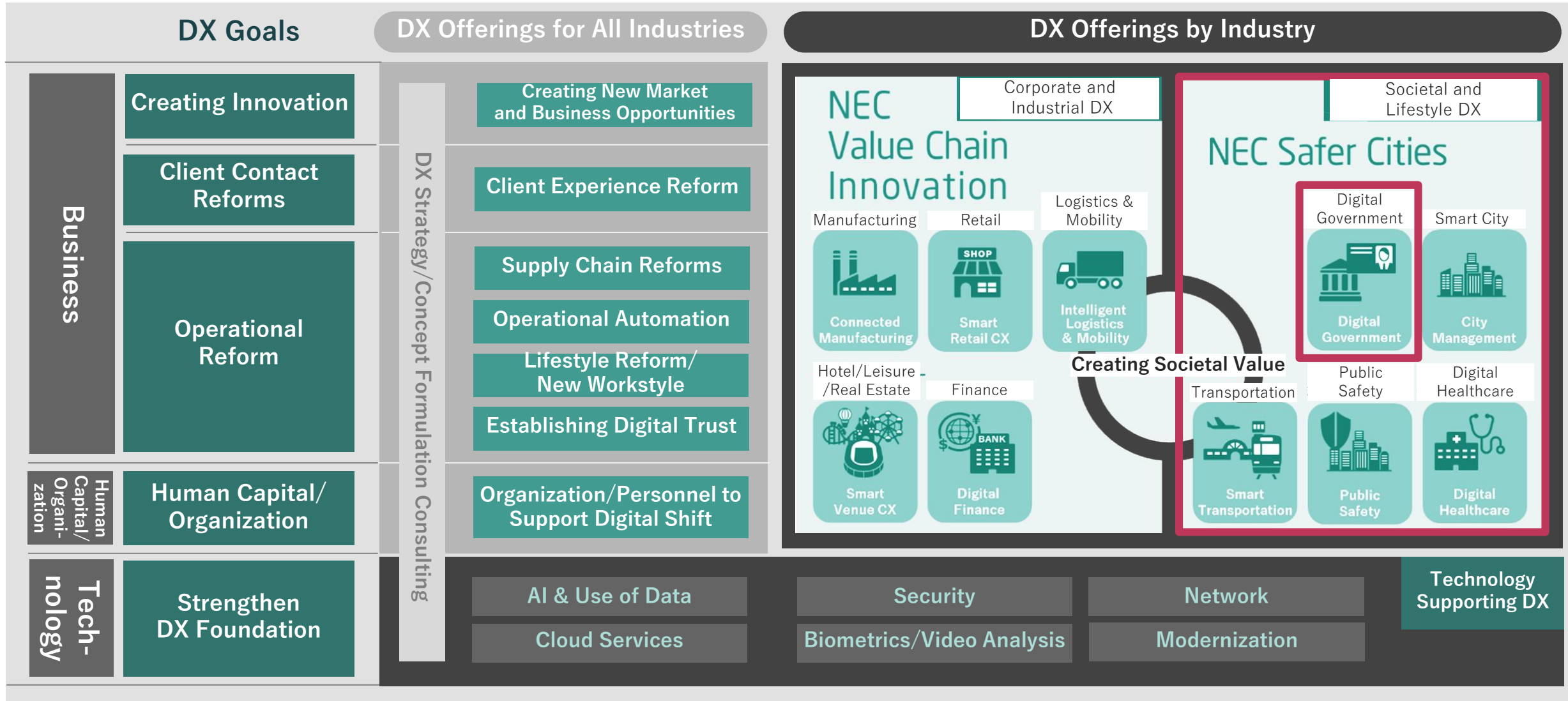
■ High value-added business development to create new social values

Menu of DX Offerings

Business transformation NEC Safer Cities SMEs

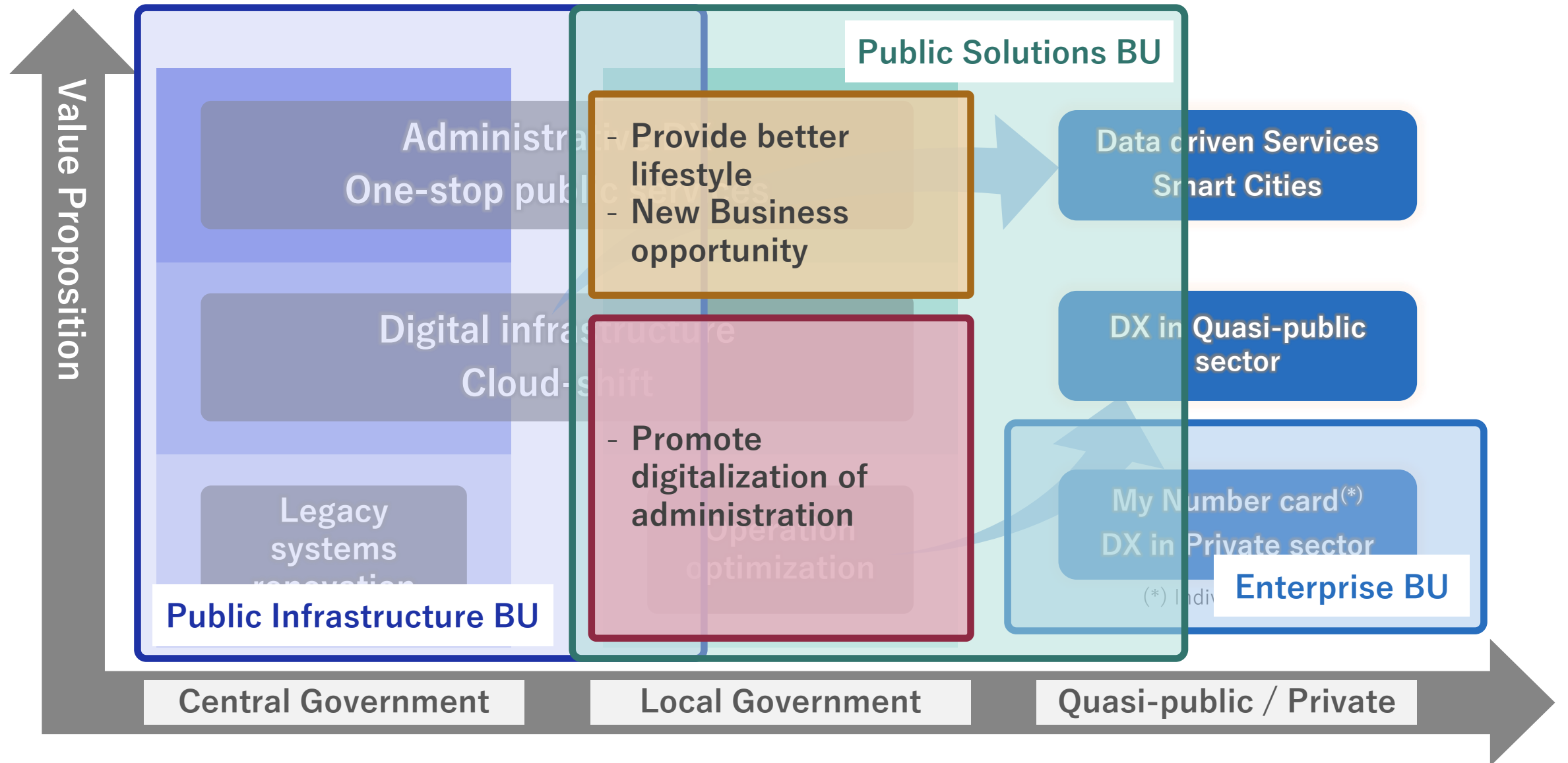
High value-added business development

Revised Sep 2021



Expand domestic Digital Government businesses

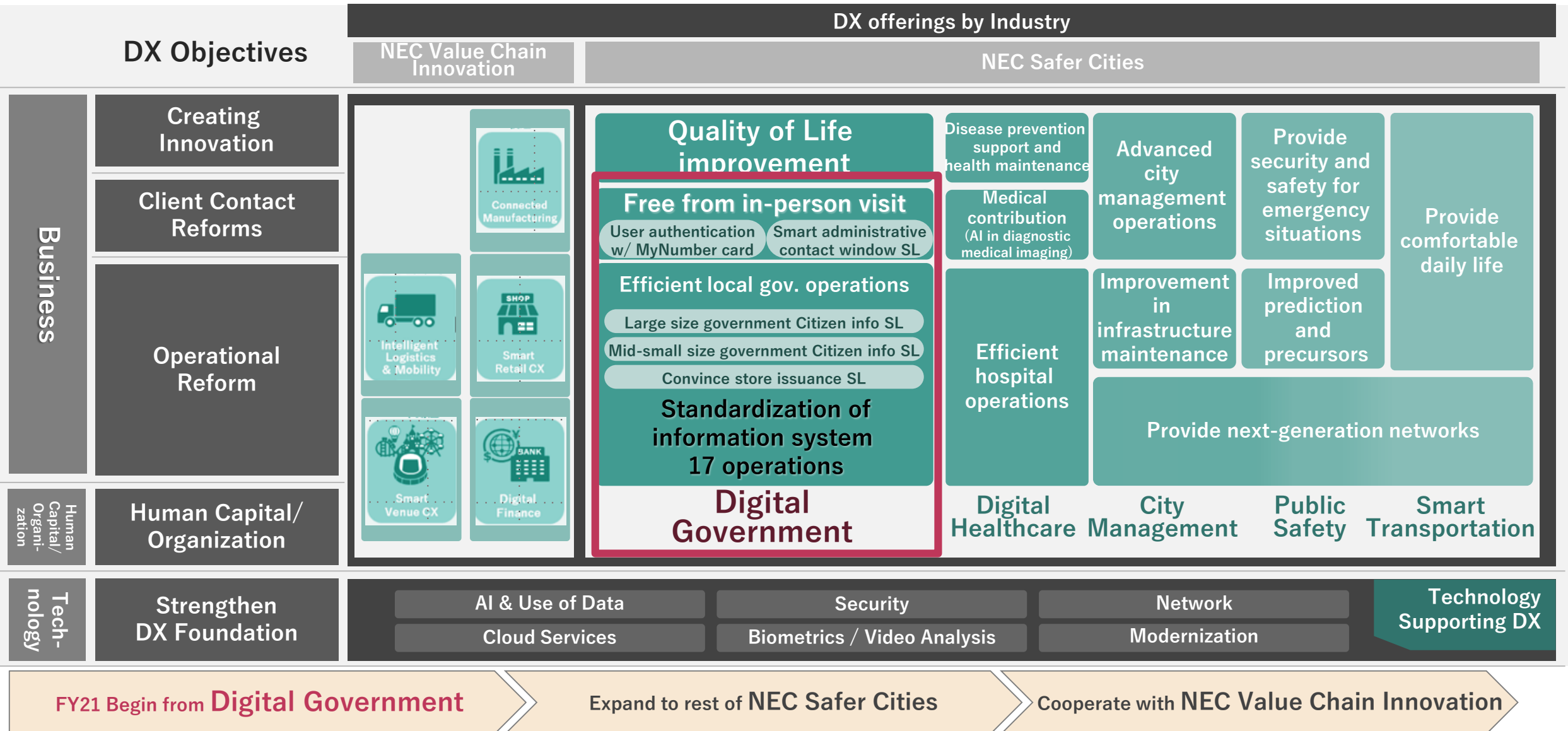
High value-added business development



DX Offerings (NEC Safer Cities)

Business transformation NEC Safer Cities SMEs

High value-added business development



Business model transformation (DX offerings)

Business transformation

NEC Safer Cities

SMEs

High value-added business development

Evolution of Business Model

Conventional SI

Customize



Accommodates clients requests to the extent possible

- Stacking man-hour
- Profit through optimization

Standard packages based on user needs

SI/Sales methodologies utilizing packages

Modeled SI*

Menu-driven



Upstream proposals with minimum customization

- Upstream proposal
- Target cost structure

Evolution

Specification

Sales tools

Agreement

DX offering document
「for Gov-Cloud」

DX Offerings

Asset-based



Reflect social challenges, standardize process from service to delivery & provide best practices

- Value-based pricing
- Subscription model

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

Strength of Public Solutions business

Future

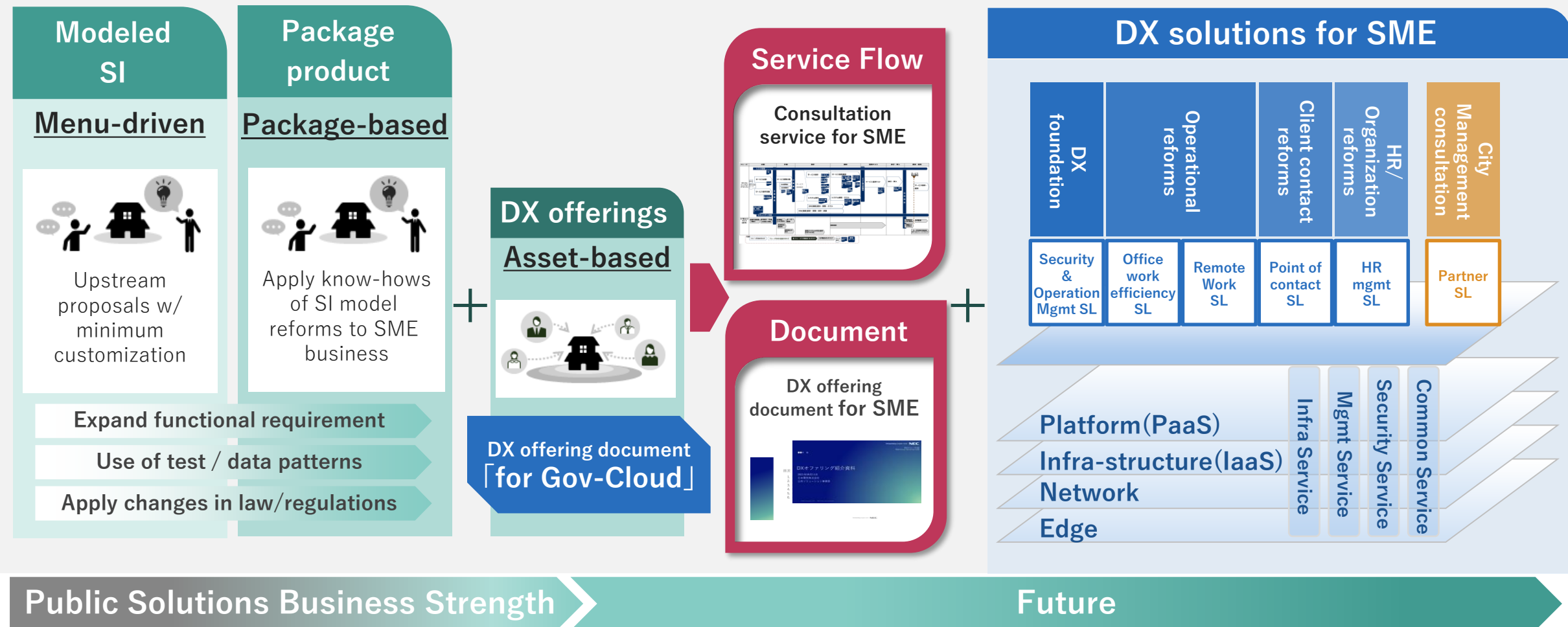
Business model transformation

(DX solutions for SMEs)

Business transformation NEC Safer Cities SMEs

High value-added business development

Horizontal expansion of business processes to SME



Established SaaSpresto in 2020

Business transformation NEC Safer Cities SMEs

High value-added business development

Strategic partnership for domestic SaaS operations

Orchestrating a brighter world **NEC**



SaaSpresto

Entered into strategic collaboration with US investment fund Vista Equity Partners* to engage in domestic SaaS* operations in Japan

* Startup using IT; US investment company focused on business fundraising and transfer

* SaaS: Software as a Service

Summary: Business Model Transformation

Business transformation

NEC Safer Cities

SMEs

High value-added business development

DX Offerings (NEC Safer Cities)

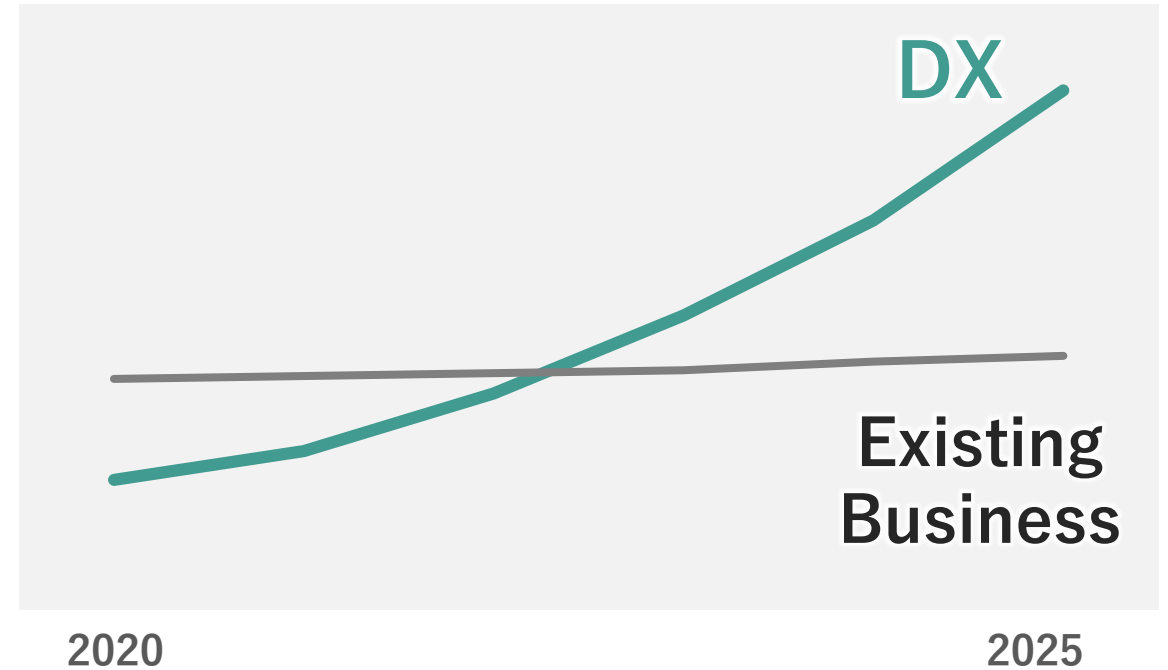
DX Solutions for SMEs

Sales ratio

100%

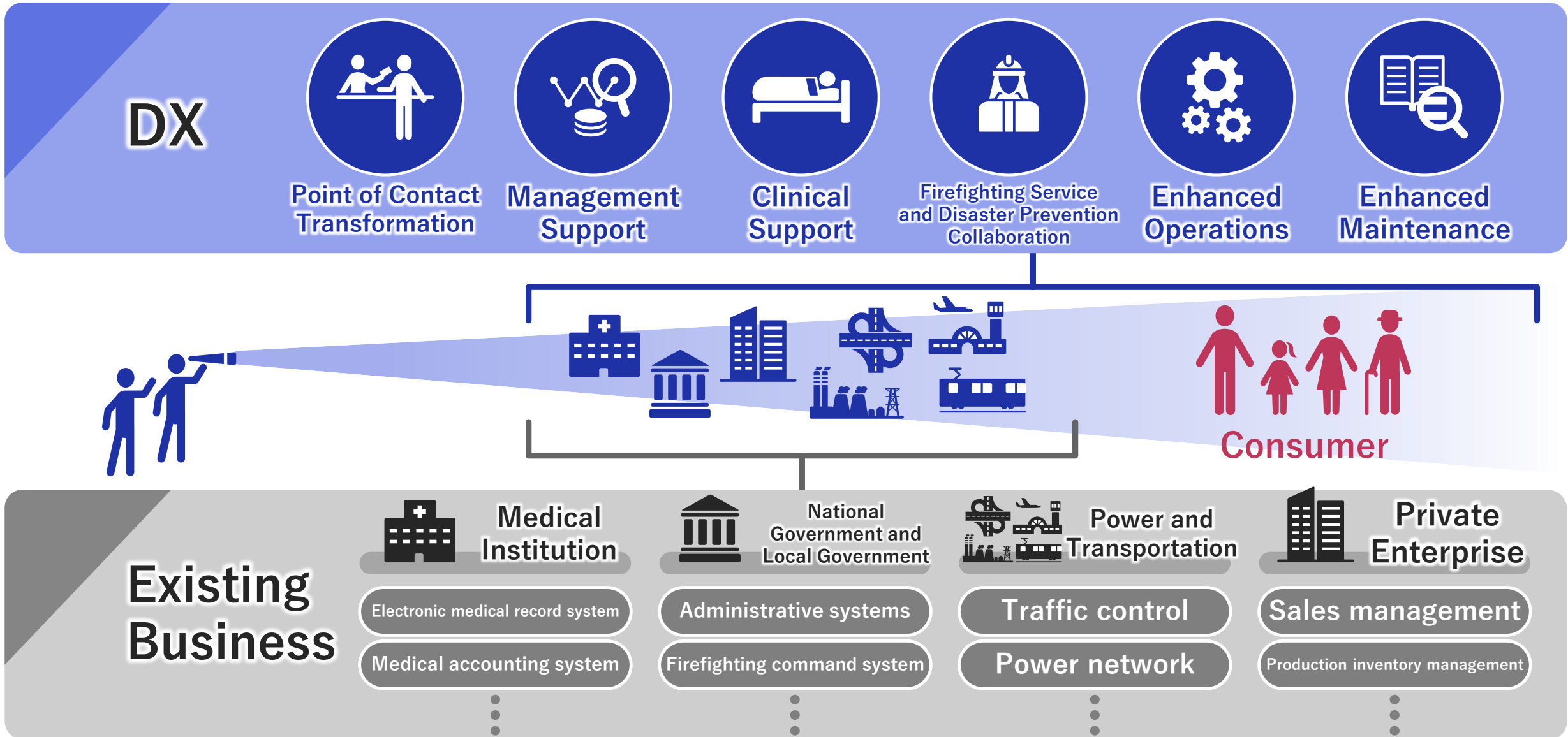


Profit ratio



Business growth through creating Social Values

High value-added business development



Cases for creating Social Values

Business transformation NEC Safer Cities SMEs

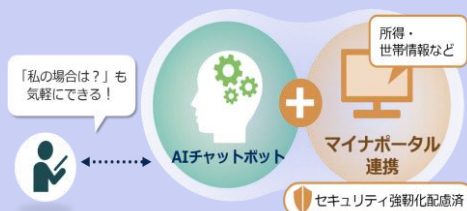
High value-added business development

Digital Government

Integrated Customer Support System



AI Chat-bot



Digital Healthcare

Nurse Recording Support

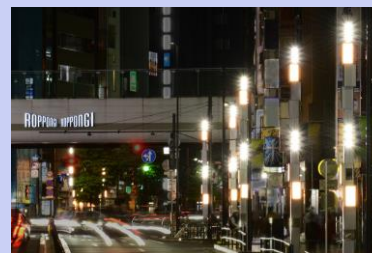


Electronic medical records system "MegaOak"

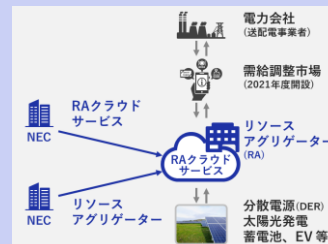


City Management

Smart Streets Lights



Resource Aggregation Service



Public Safety

Real-time Disaster Prevention Map Simulation based on Human Flow/SNS Analyses in Storms/Floods

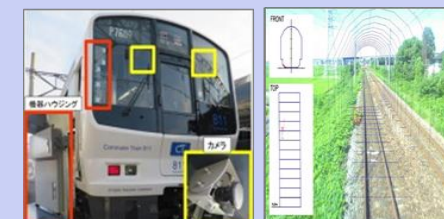


Disaster Prevention Information System

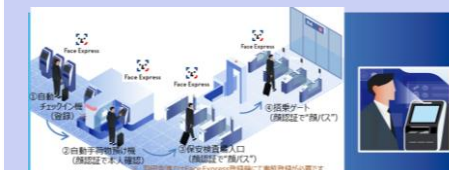


Smart Transportation

Onboard Track Patrol Support System



New boarding procedure utilizing face recognition technology



Face Express * The name and logo of "Face Express" are registered trademarks of NAA

Smart administrative contact window solution

Strengths

- Shortening the waiting time at the window to reduce burden on staff
- Track record in establishing and supporting systems for local gov.
- Track record of co-creation projects with clients

Before



Create **2D code** through **WEB**

Receipt of Filing (at ward office)



Read **2D code** to read/receive the data

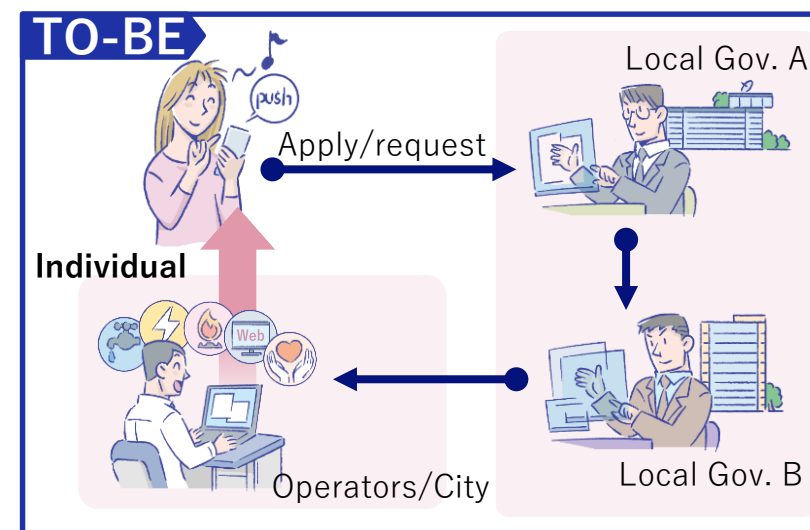
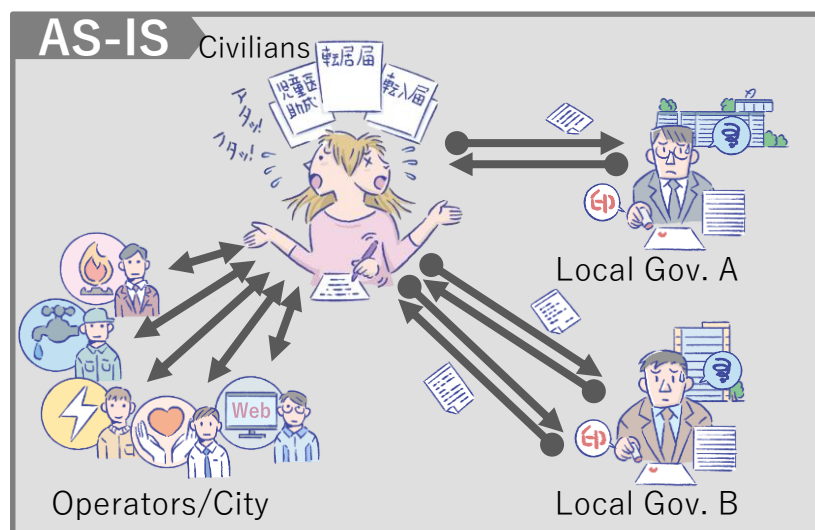


Match with resident info. Check the requests and make necessary changes

After



Data link to the resident record system



One-stop Services

Nurse Recording Support

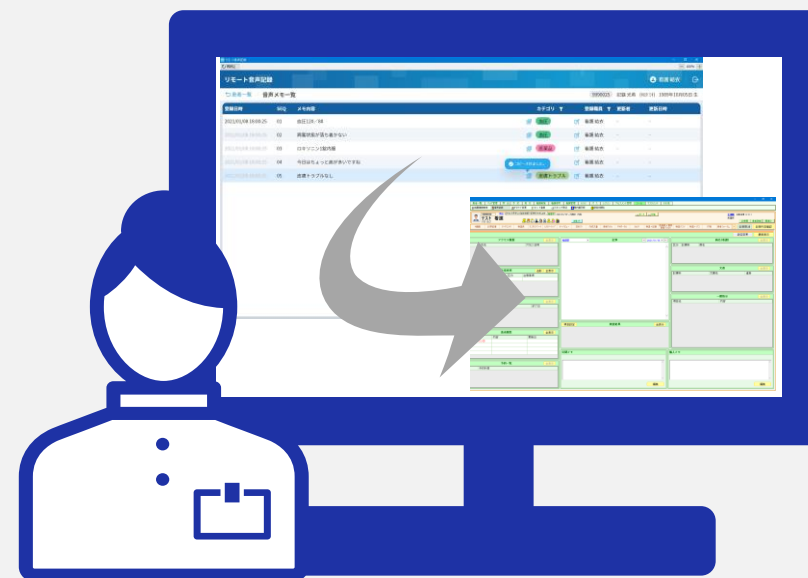
- Supports nurse recording work by using hearable device to analyze and convert voice to texts with AI assist

Proof of Concept at 3 medical institutions, working towards full scale deployment

The voice recognition engine converts nurse's voice into text



Nurse's voice records are clearly transcribed through Web application



Smart Street Lights

- Analyzing the correlation between consumer's spending information and people's flow information
- Visualize congestion status on a map in real time using signage



Lighting design MOTOKO ISHII & AKARI-LIZA ISHII



Resource aggregation (RA) service for de-carbonization era

- NEC will enter the market for services relating to efficient management of corporate-owned distributed energy resources (service launched in Nov 2019)

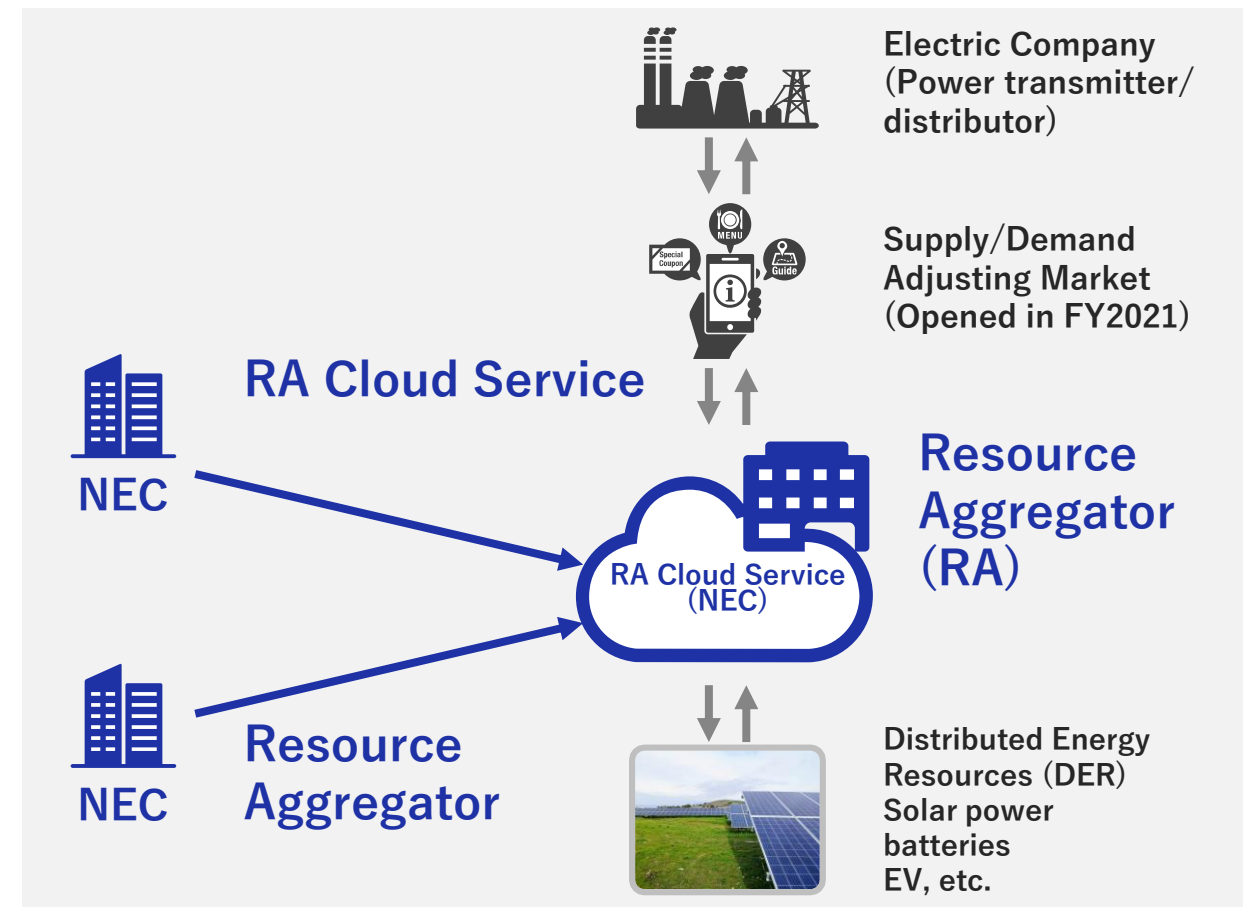
① RA Cloud Service

- Deploy features to start VPP*
- Provides functions required to create a new energy business in the de-carbonization era

② Resource Aggregator (facility support)

- NEC itself will act as an RA operator to support clients' energy resource control
- Achieve effective use of facilities

* VPP: Virtual Power Plant



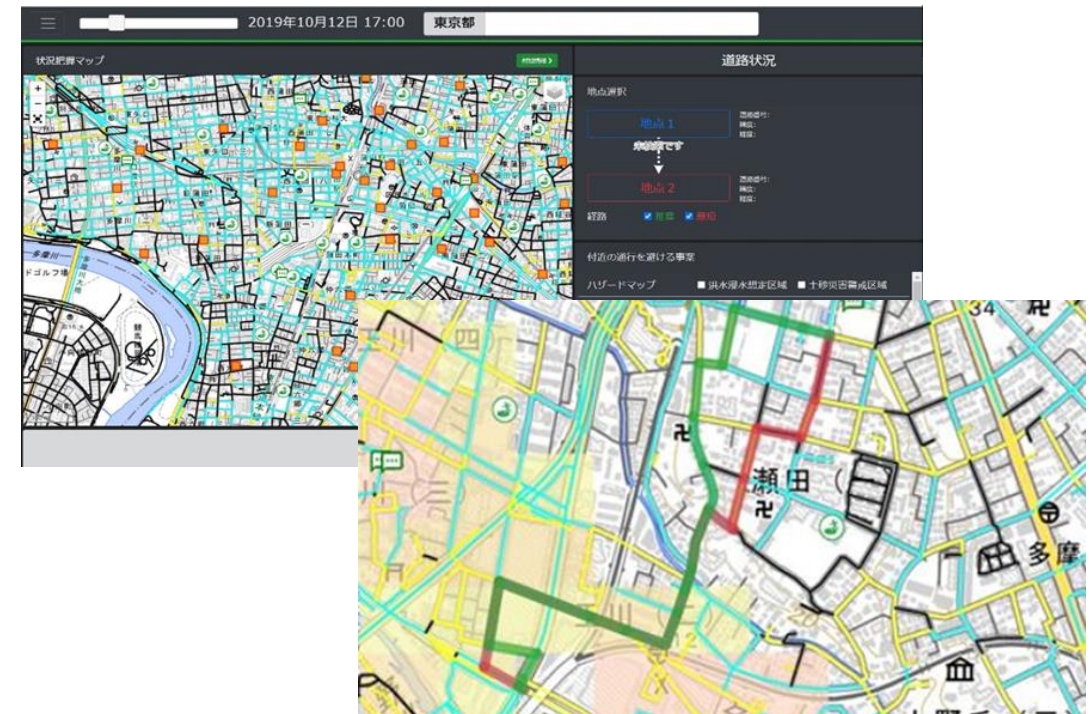
Disaster Prevention Information System

- Support for accurate and prompt disaster information transmission to residents
- Disaster response business support



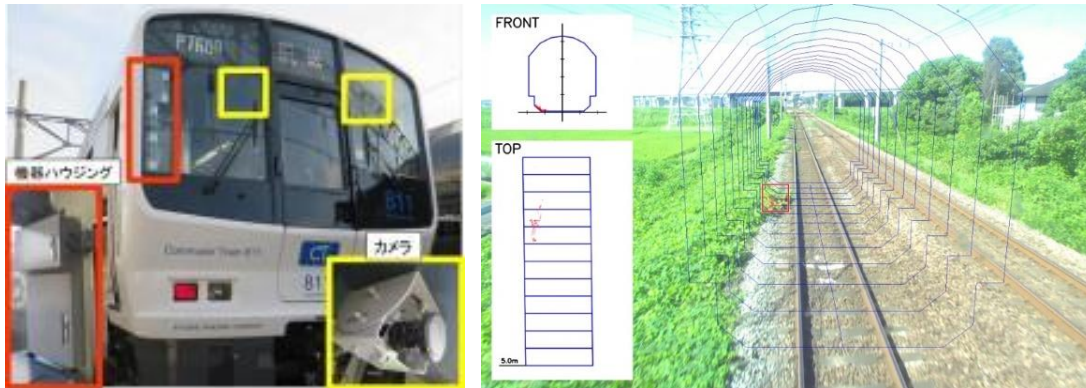
Real-time Disaster Prevention Map Simulation based on Human Flow/SNS Analyses in Storms/Floods

- Displays transportation routes and/or evacuation routes in the event of a storm or flood



Onboard Track Patrol Support System

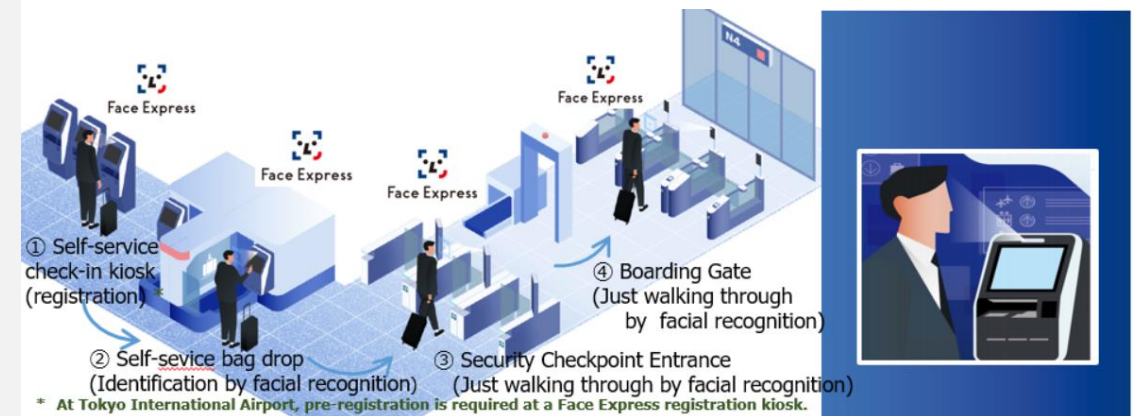
- Apply train image analysis to images taken with commercial vehicles
- Automatically detect obstacles on railway



- * Practical use of "Onboard Track Patrol Support System" that supports railway line inspection work based on the line area image analysis engine developed by the Railway Technical Research Institute and NEC's image analysis technology.
- * Some of track periphery image analysis engine include the results developed by the Railway Technical Research Institute with a subsidy from the Ministry of Land, Infrastructure, Transport and Tourism for railway technology development

New boarding procedure utilizing face recognition technology

- By registering your face photos, you can by-pass the procedures at the airport with your "face pass"



- A new boarding procedure utilizing face recognition technology started operation at Narita Airport and Haneda Airport in July 2021.
- This new procedure will enable smooth boarding, reducing the risk from unnecessary contact.



* The name and logo of "Face Express" are registered trademarks of NAA

Enhance Execution Capability to Achieve Mid-term Plan

Business transformation NEC Safer Cities SMEs

High value-added business development

Initiative
1

Enhance cross-organization function to drive DX

Customers

Partners

Public

Healthcare

City
Infra-
structure

Partners
SME/

DX business
driving function

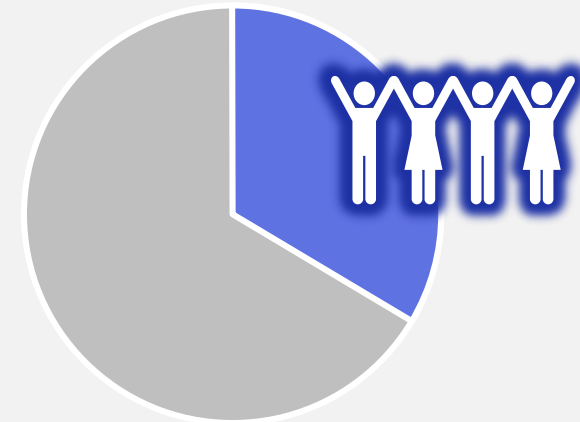
Other
Business
Units

Cross-industry / Corporate function

Initiative
2

Talent development for Digital Shift

Actively increase DX talent to
1/3
of the BU's personnel

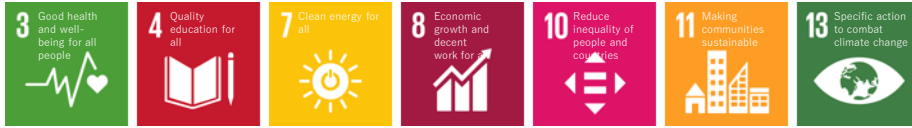


Companywide Training of DX Personnel

DX Personnel Training Services
DX Practice Program
DX Training program

The Future Image of the Public Solutions Business

SDGs



Issues to concentrate on

Control social security costs

Response to labour shortage

Measures for community revitalisation



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