

Public Solutions Business

September 15, 2021

Executive Vice President

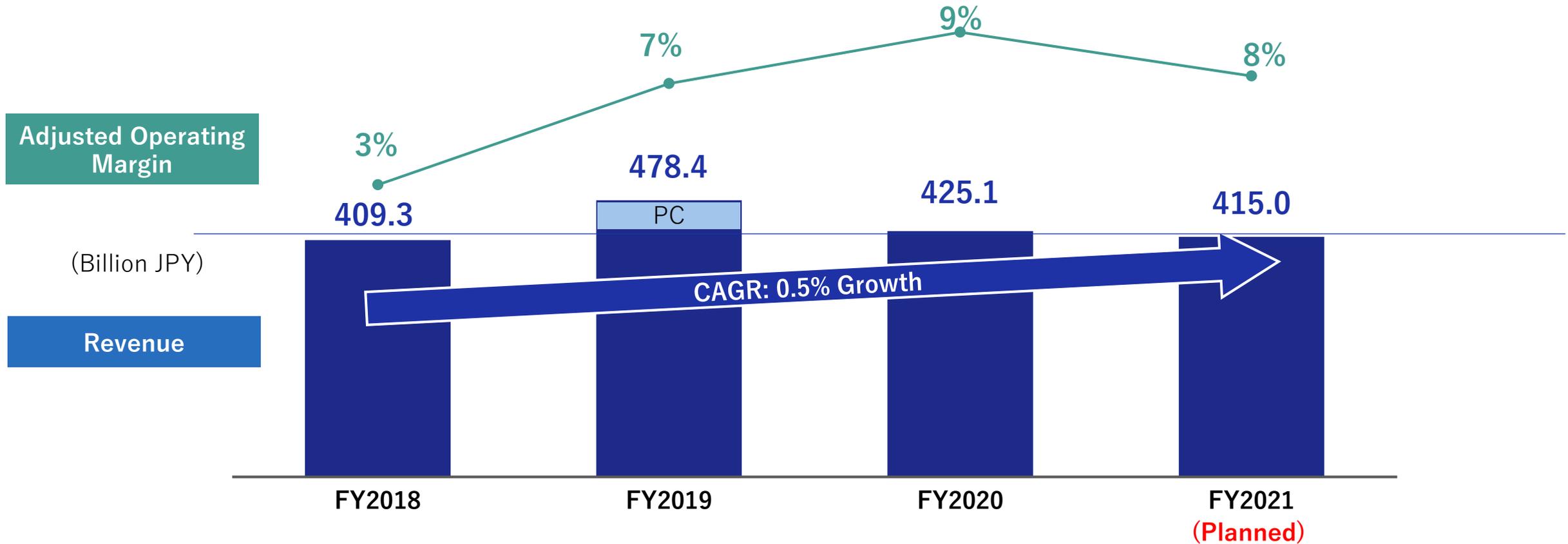
Kunikazu Amemiya

\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

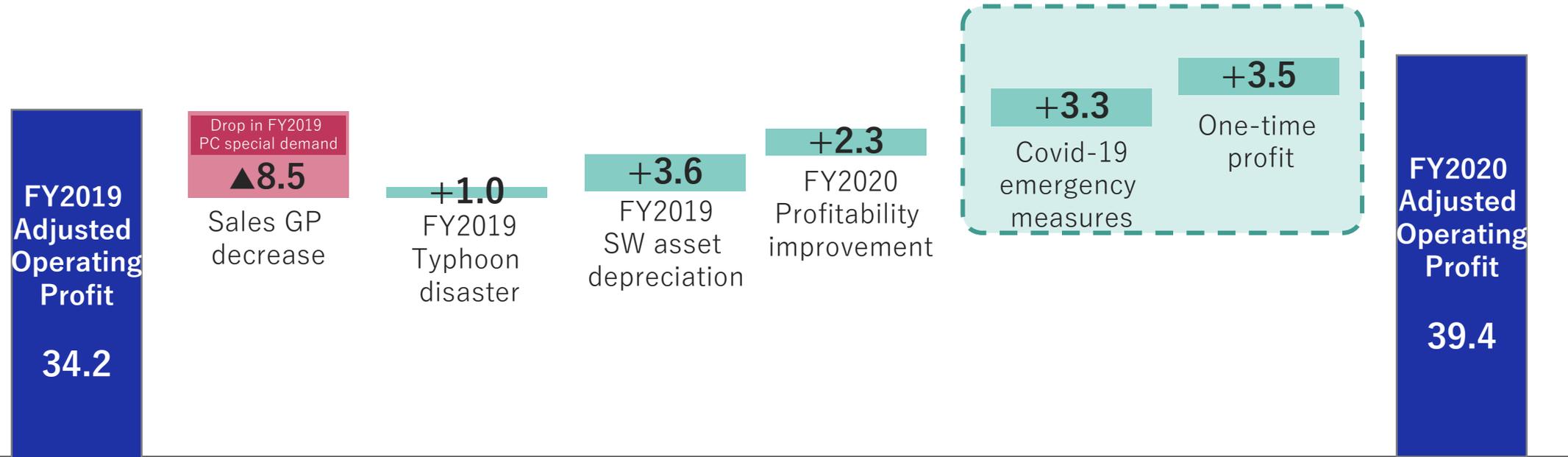
2020 Mid-term Management Plan targets were mostly achieved



FY20 Results

FY20 results were mostly aligned with initial targets

(Billion JPY)



Revenues (YoY) 478.4

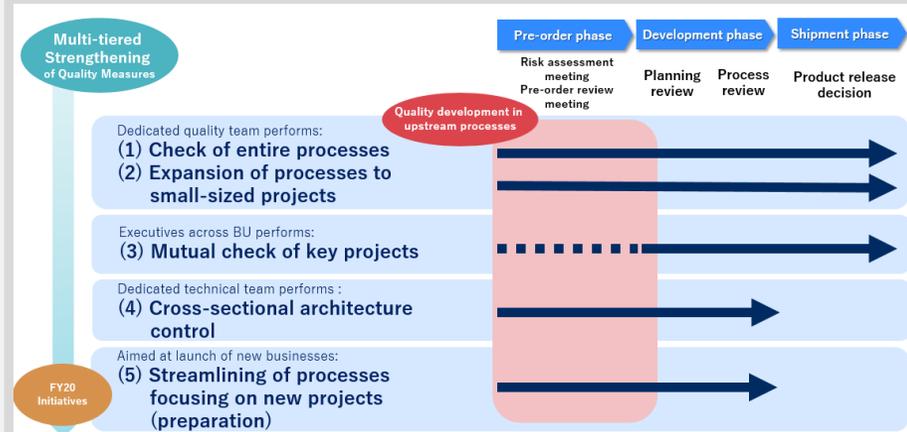
425.1 (△11%)

Key Achievements

■ Achievement of 2020 Mid-term Management Plan targets

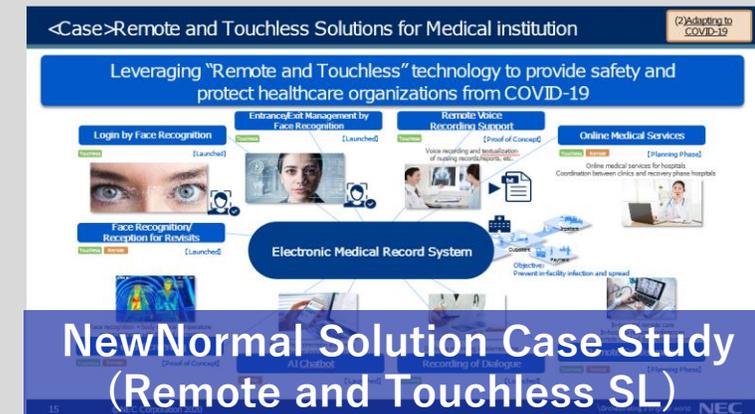
Execute initiatives to improve profitability

- 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



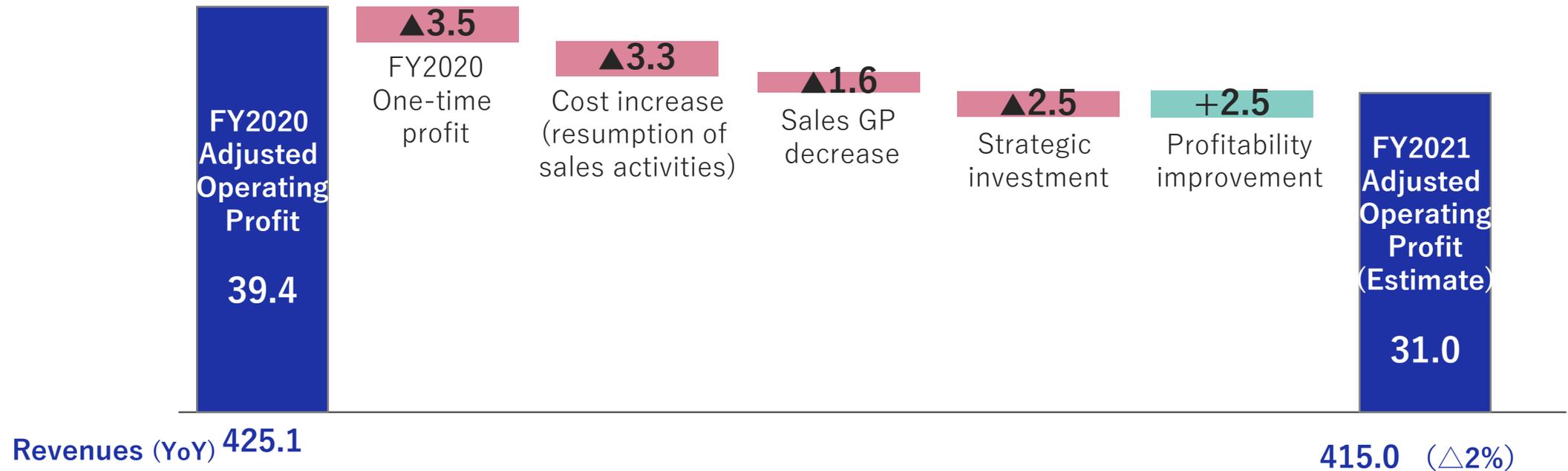
Challenges

■ Further improvement in profitability

FY21 Outlook

Maintain same level of performance as FY20

(Billion JPY)



FY21 Business Strategy

**Enhance
Profitability**

- **Business structure reforms**



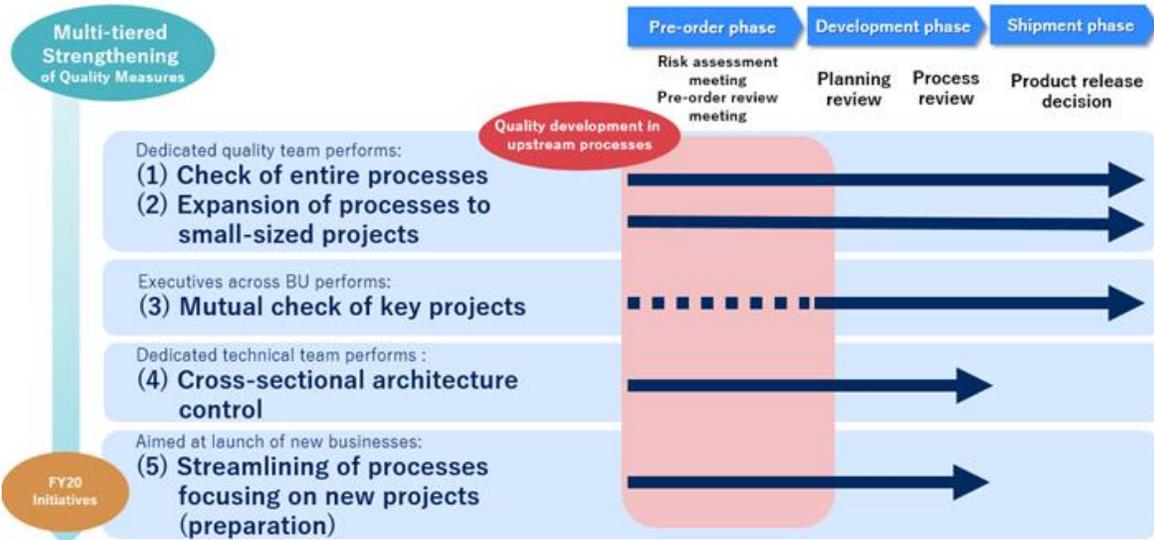
**Expand
Growth
Business**

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



Reform of Business Structure

FY20



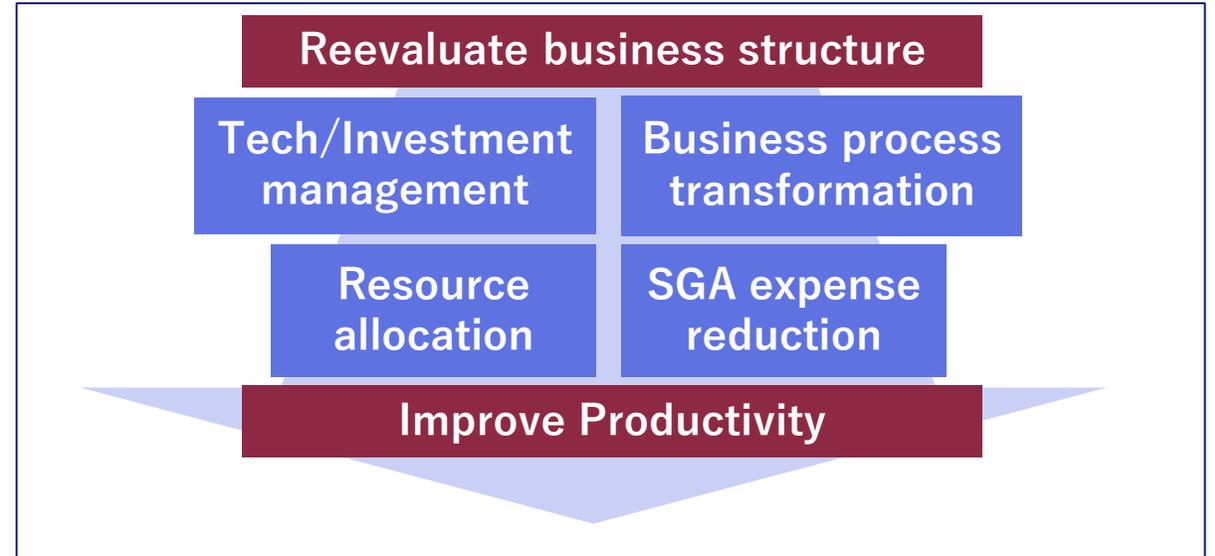
Reinforce profitability improvement activities

Quality improvement / Cost reduction / Profit management

Improvement at the transaction level

Continue

FY21



Increase profitability

Fundamental reforms

Enhance

+

Mid-term Management Plan 2025 execution

FY25 Targets

Revenue
CAGR
(FY20-25)

About **0~1%**

Adjusted
Operating
Margin

About **10%**

■ Business model transformation

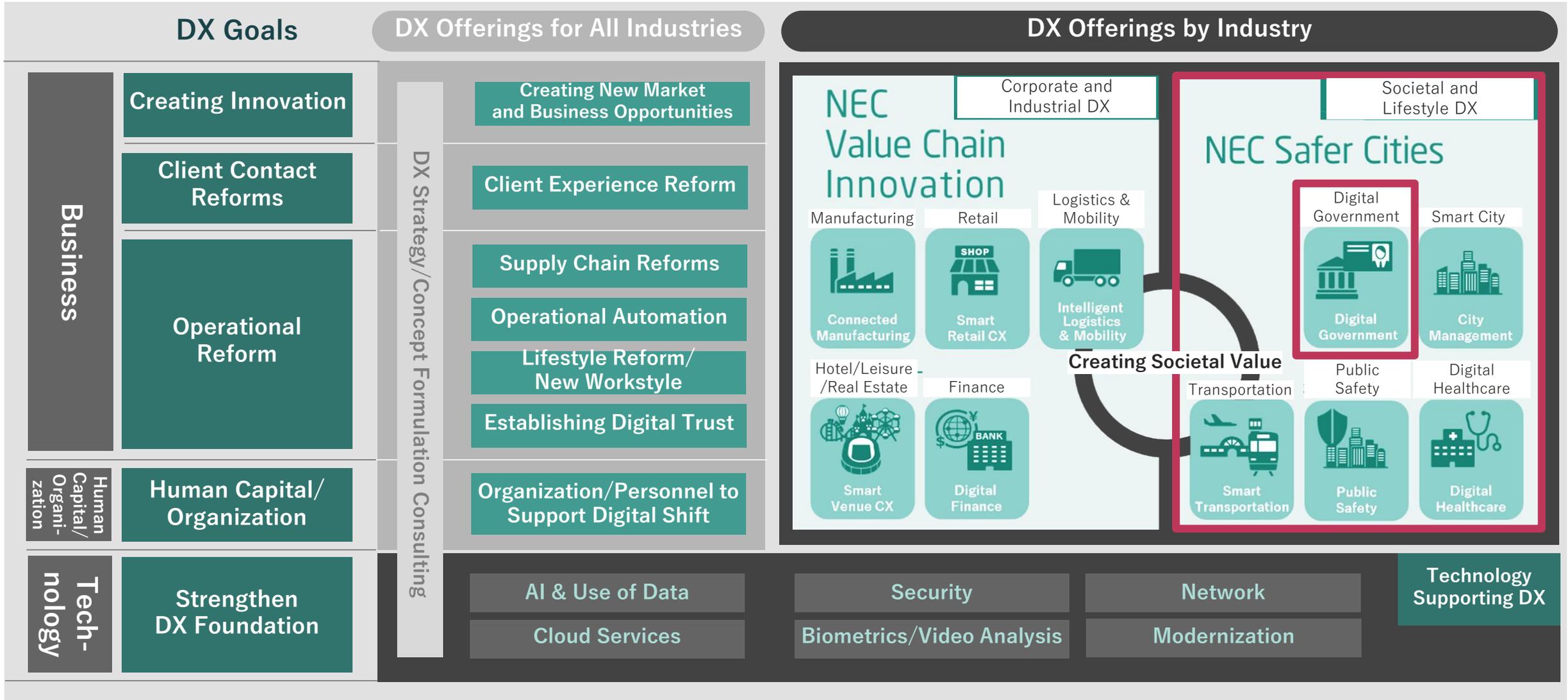
- DX Offerings (NEC Safer Cities)
- DX solutions for SME*s

* SME : Small and Medium Enterprises

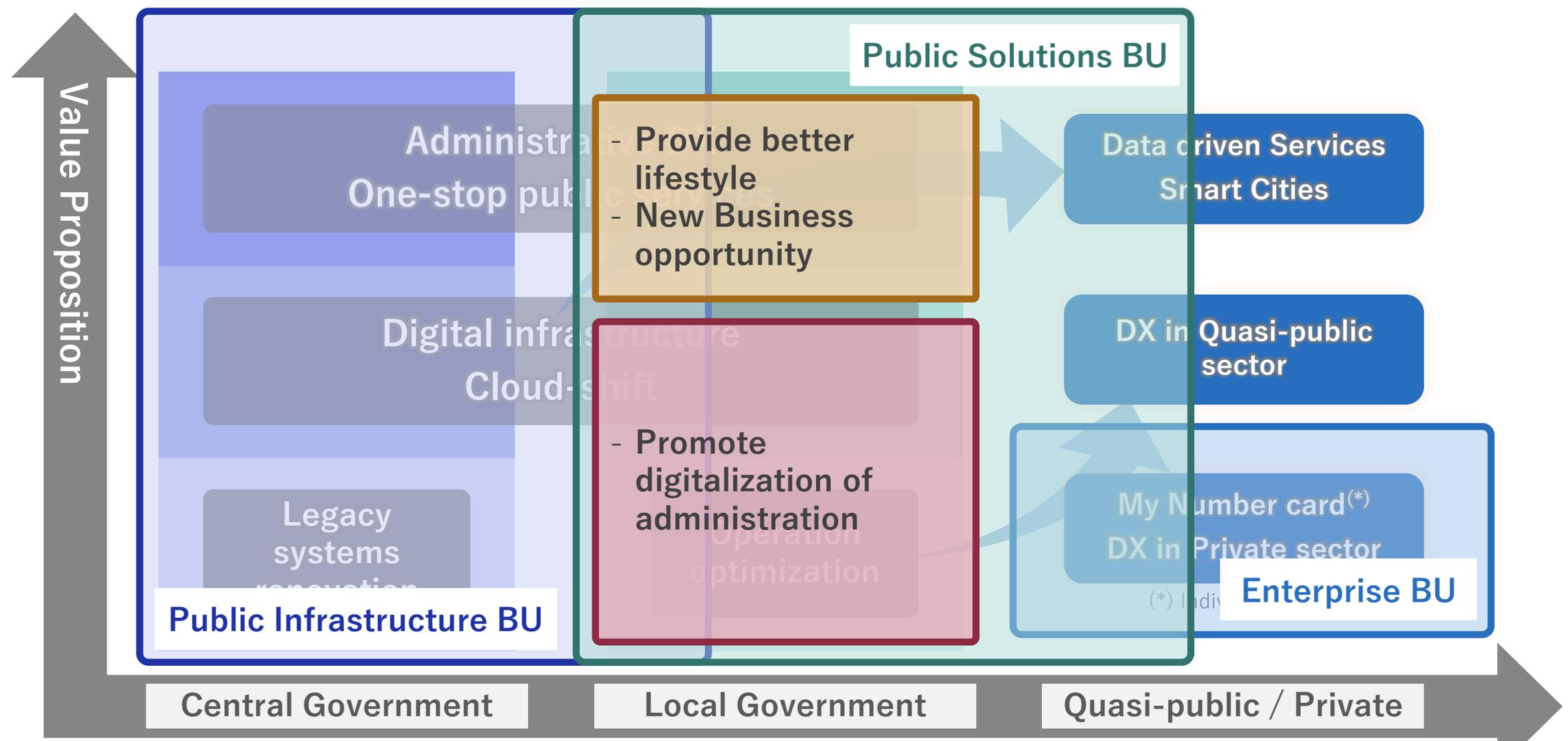
■ High value-added business development to create new social values

Menu of DX Offerings

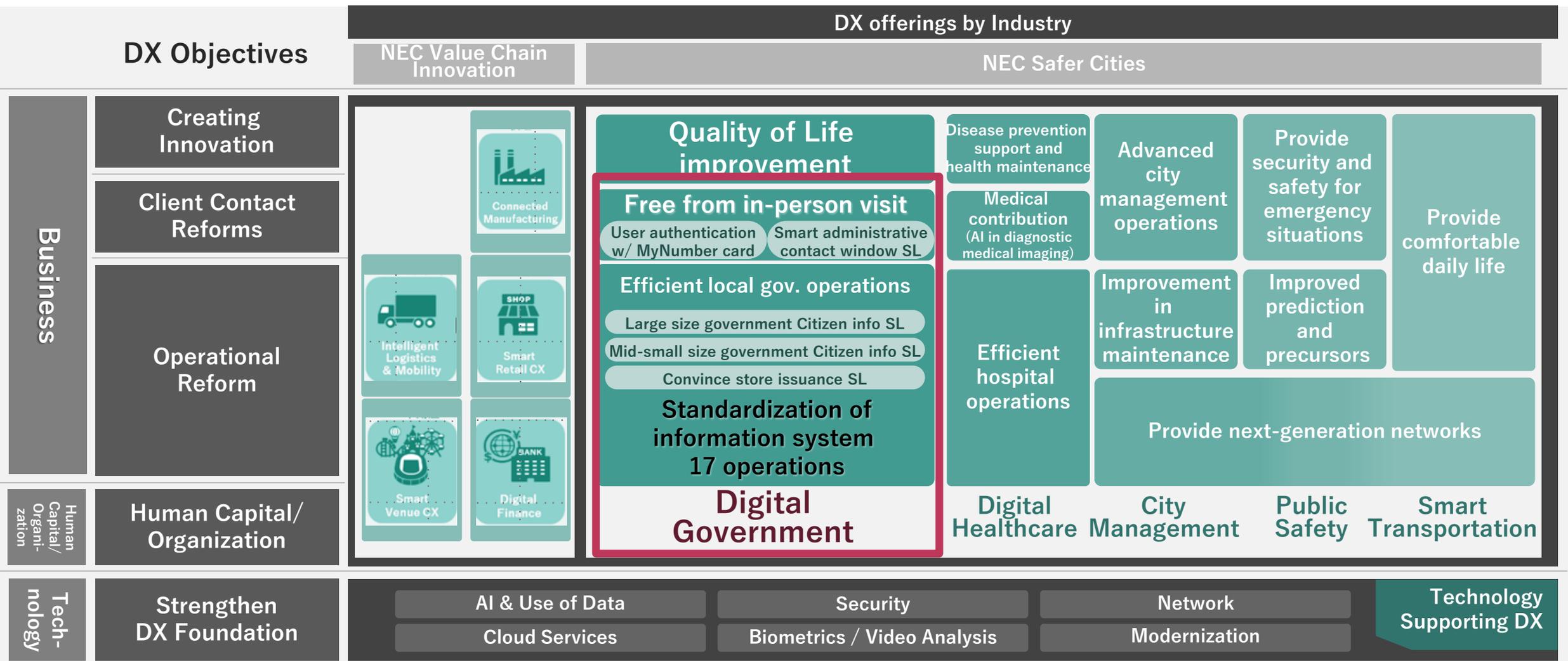
Revised Sep 2021



Expand domestic Digital Government businesses



DX Offerings (NEC Safer Cities)



Business model transformation (DX offerings)

Evolution of Business Model

Conventional SI

Customize



Accommodates clients requests to the extent possible

- Stacking man-hour
- Profit through optimization

Modeled SI*

Menu-driven



Upstream proposals with minimum customization

- Upstream proposal
- Target cost structure

Evolution



DX Offerings

Asset-based



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

- Value-based pricing
- Subscription model

Standard packages based on user needs

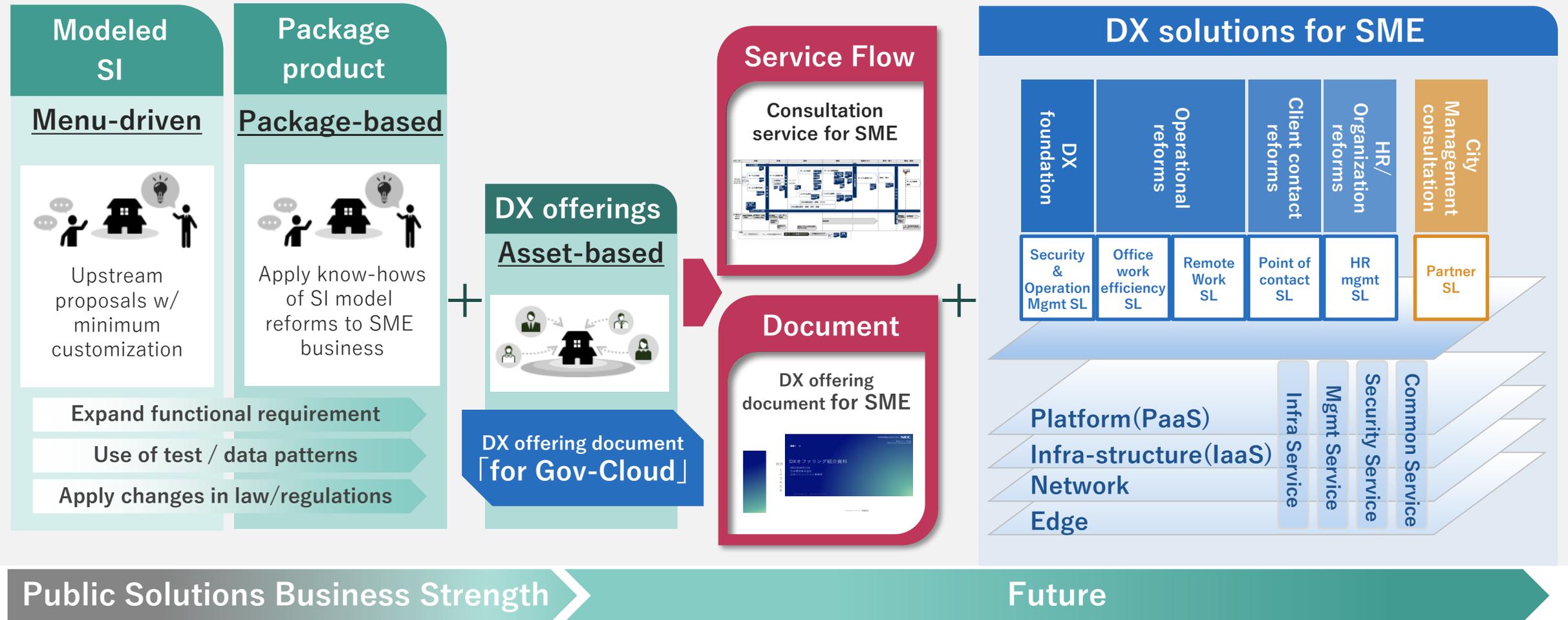
SI/Sales methodologies utilizing packages

* 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)

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**

V **VISTA**
EQUITY PARTNERS



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

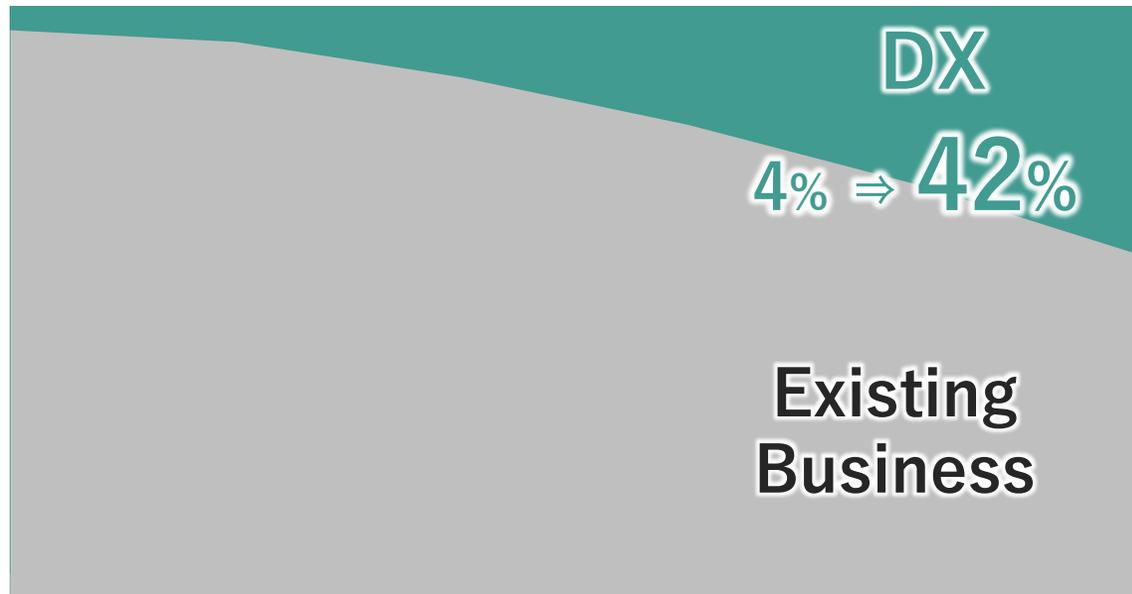
High value-added business development

DX Offerings (NEC Safer Cities)

DX Solutions for SMEs

Sales ratio

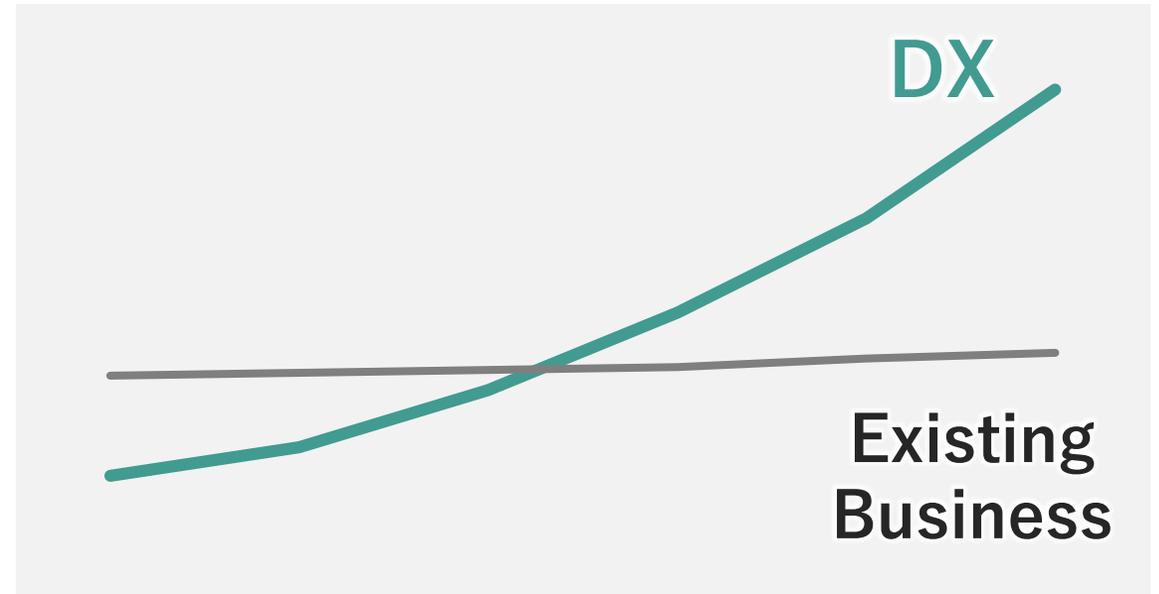
100%



2020

2025

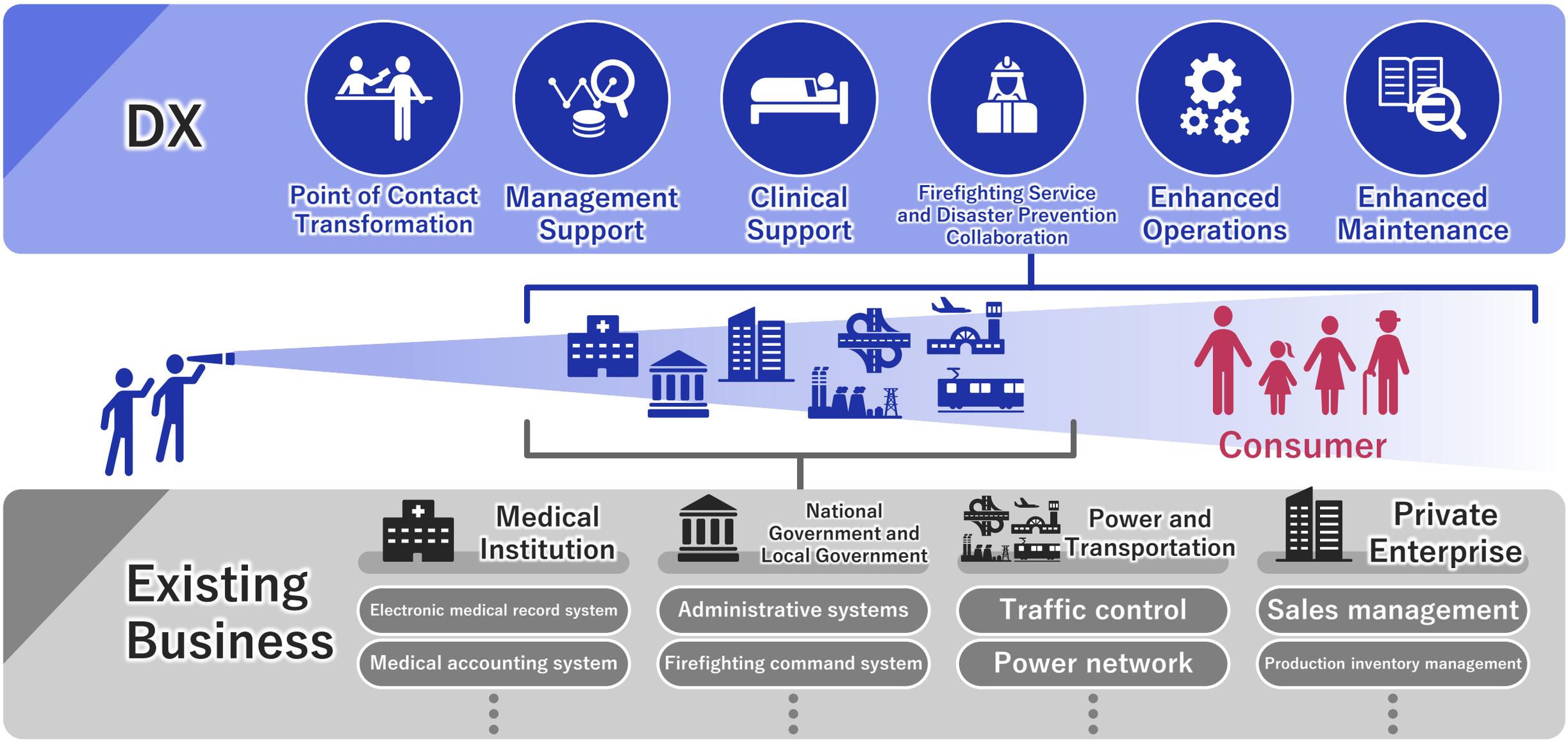
Profit ratio



2020

2025

Business growth through creating Social Values



Cases for creating Social Values

High value-added business development

Digital Government

Integrated Customer Support System



AI Chat-bot



Digital Healthcare

Nurse Recording Support



Electronic medical records system "MegaOak"

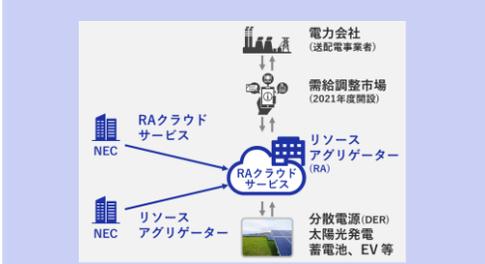


City Management

Smart Streets Lights



Resource Aggregation Service



Public Safety

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

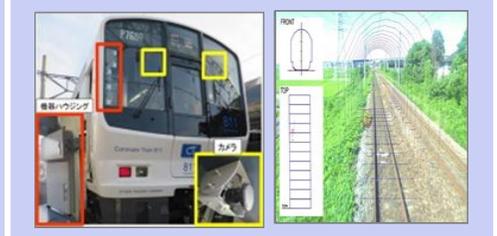


Disaster Prevention Information System



Smart Transportation

Onboard Track Patrol Support System



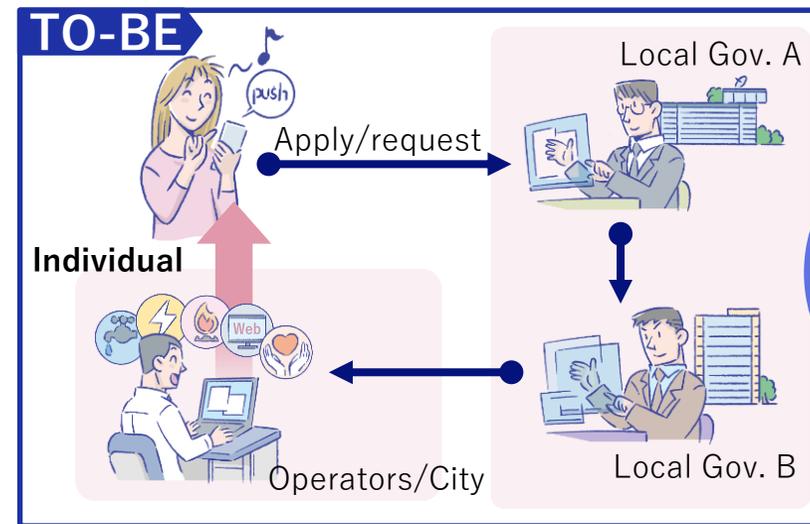
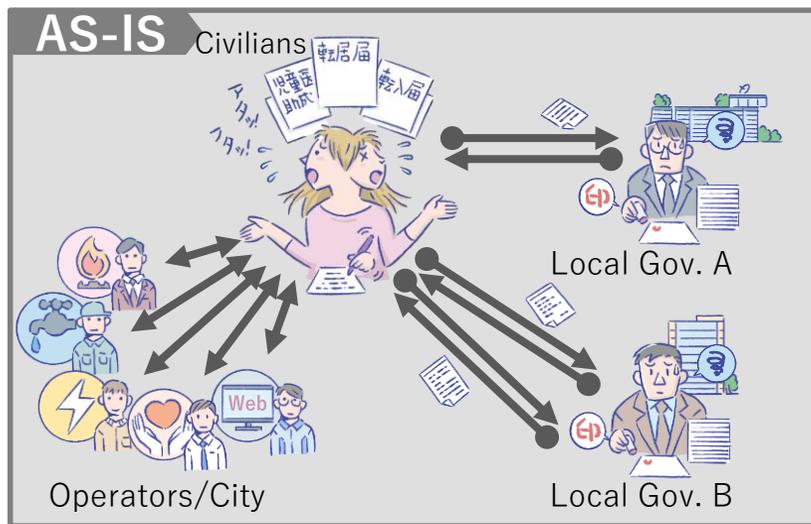
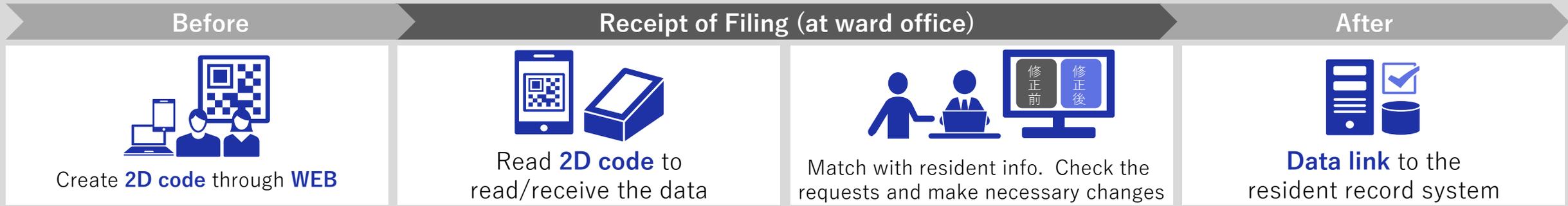
New boarding procedure utilizing face recognition technology



* 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



One-stop Services

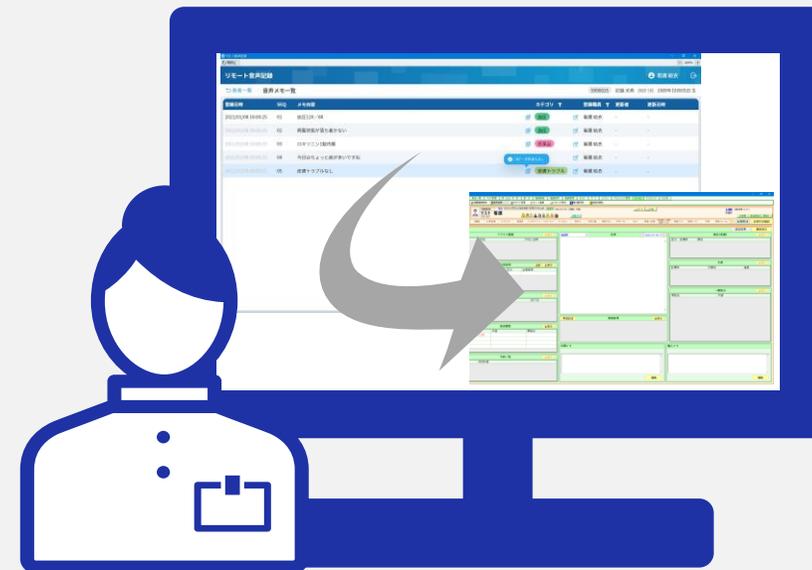
Nurse Recording Support

- 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

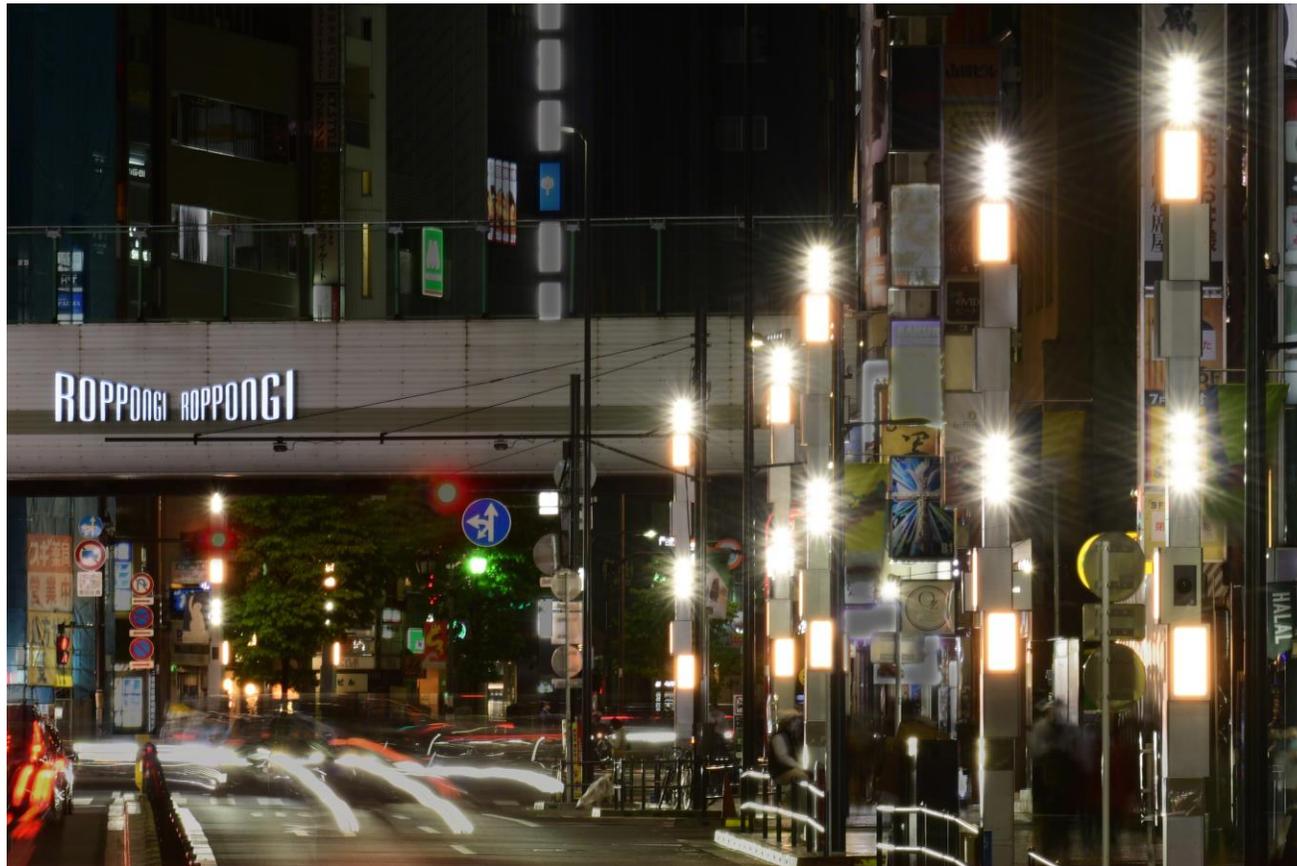


Nurse's voice records are clearly transcribed through Web application



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)

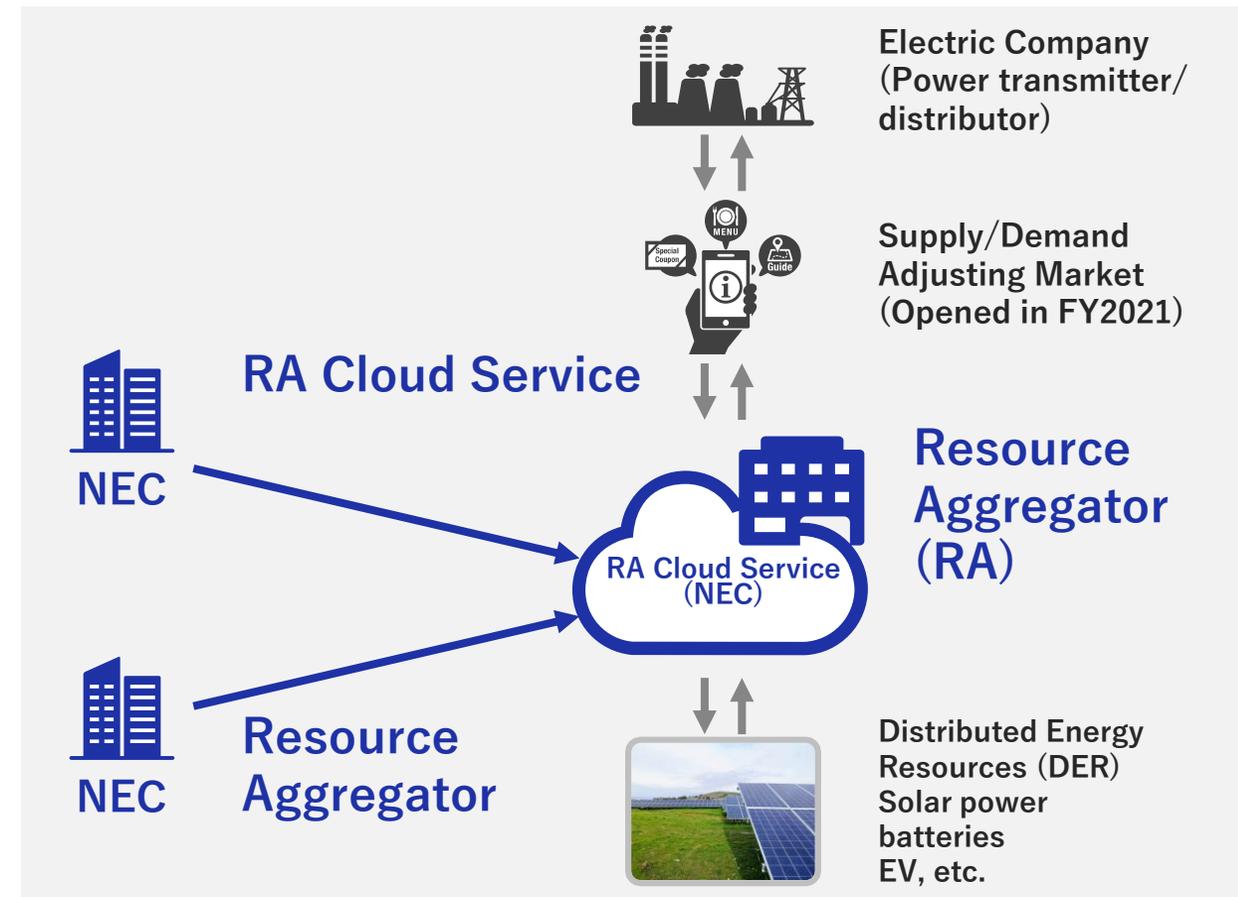
① RA Cloud Service

- 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



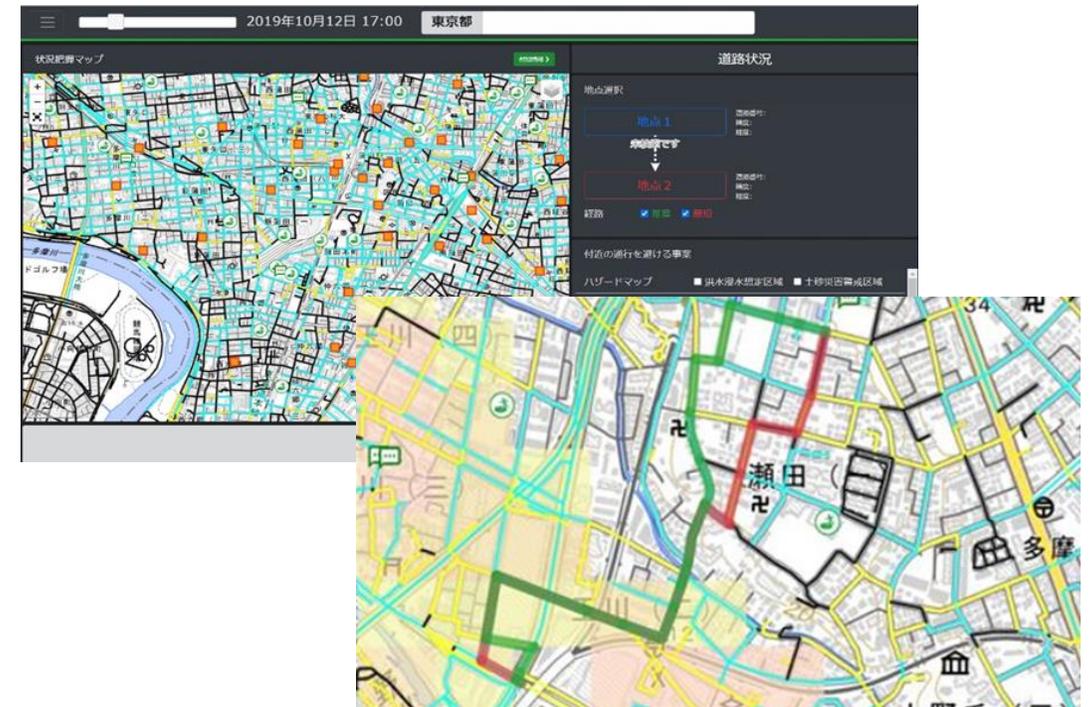
Disaster Prevention Information System

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



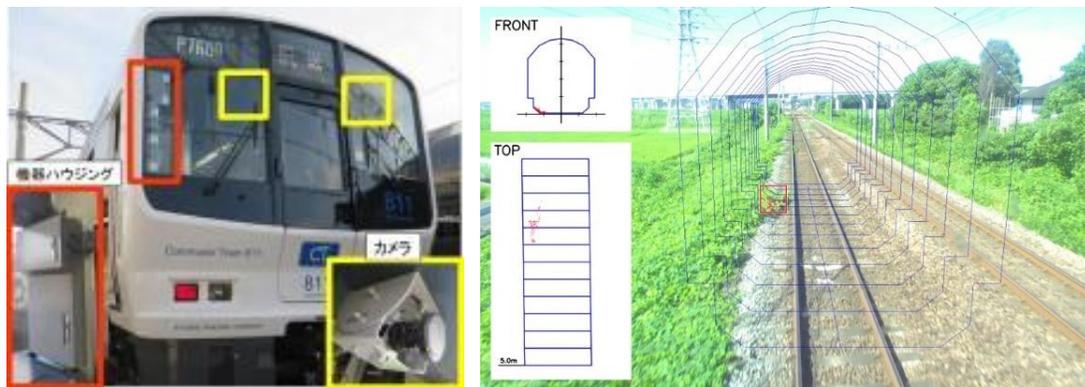
Real-time Disaster Prevention Map Simulation based on Human Flow/SNS Analyses in Storms/Floods

- 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

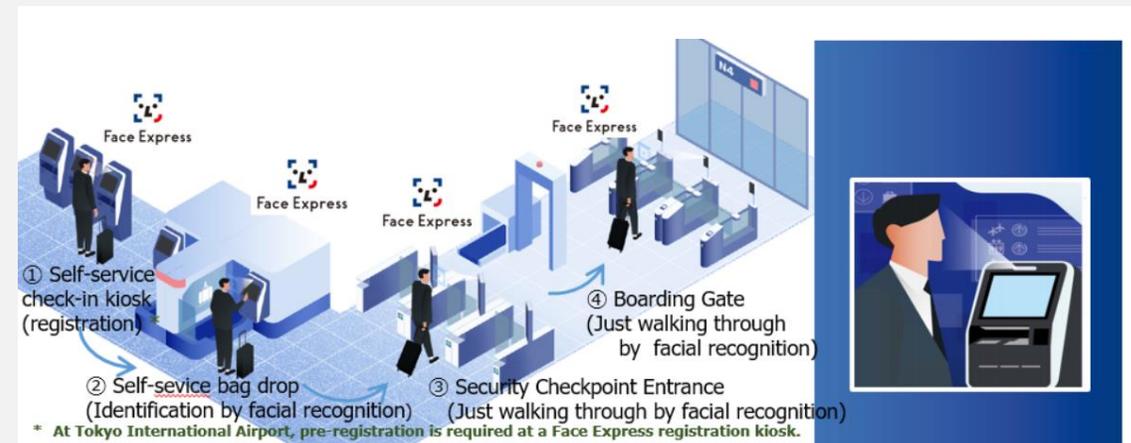


* Practical use of "Onboard Track Patrol Support System" that supports railway line inspection work based on the line area image analysis engine developed by the Railway Technical Research Institute and NEC's image analysis technology.

* 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

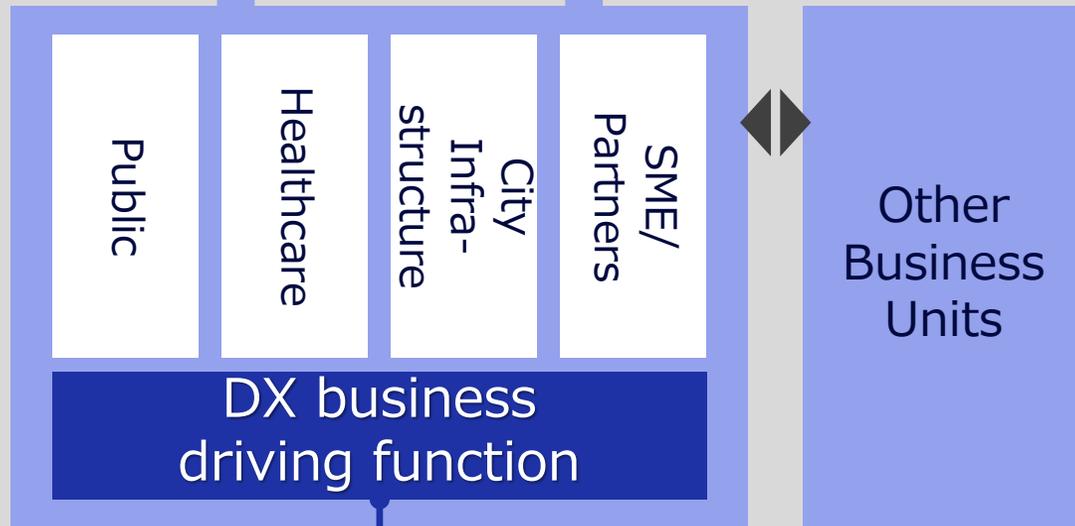
Enhance Execution Capability to Achieve Mid-term Plan

Initiative 1

Enhance cross-organization function to drive DX

Customers

Partners

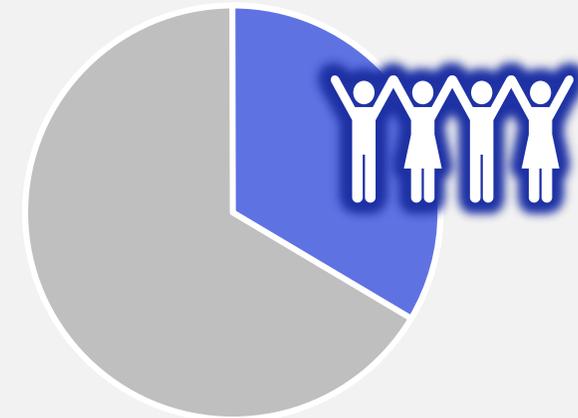


Cross-industry / Corporate function

Initiative 2

Talent development for Digital Shift

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

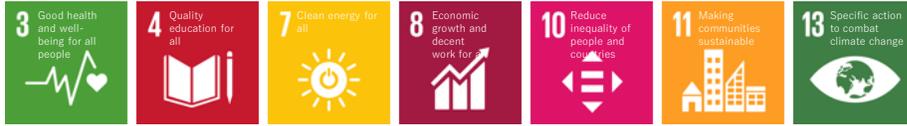


Companywide Training of DX Personnel

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



Digitalization

Hospitals

Electronic medical records systems, medical accounting systems, etc.

Central, Local Gov.

Resident information, Administrative information

Fire defence command/radio
 Disaster prevention radio/information, etc.

**Roads / Airports
 Electric Power / Railways**

Traffic Control
 Electric power NW, AMI, etc.

Private Sector

Sales management, manufacturing inventory management

Total staff salaries, etc.

Sensing

Computing

Network

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