

Digital Solutions Business

March 16, 2020

Osamu Noda

Senior Vice President and Member of the Board

NEC Networks & System Integration Corporation

(TSE: 1973, NESIC)

Osamu Noda

Senior Vice President and Member of the Board
Executive General Manager,
Business Design Operations Unit
Executive General Manager,
Digital Solutions Business Unit



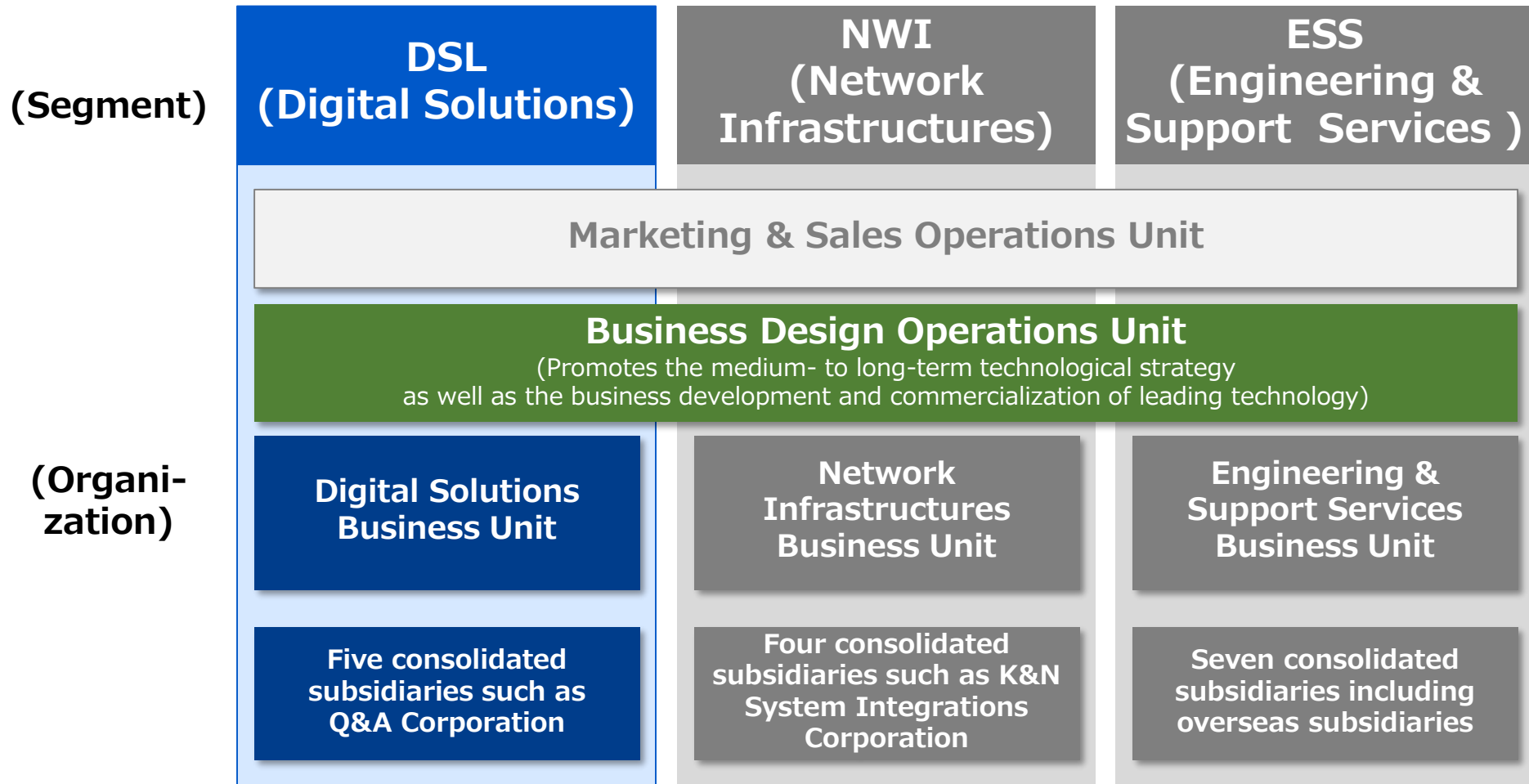
Career in brief

Engaged in assignments associated with business solutions
at NEC Corporation.
Joined NESIC in 2015. Engaged in the enterprise solutions business.
Assigned to the present position in April 2019.

Motto

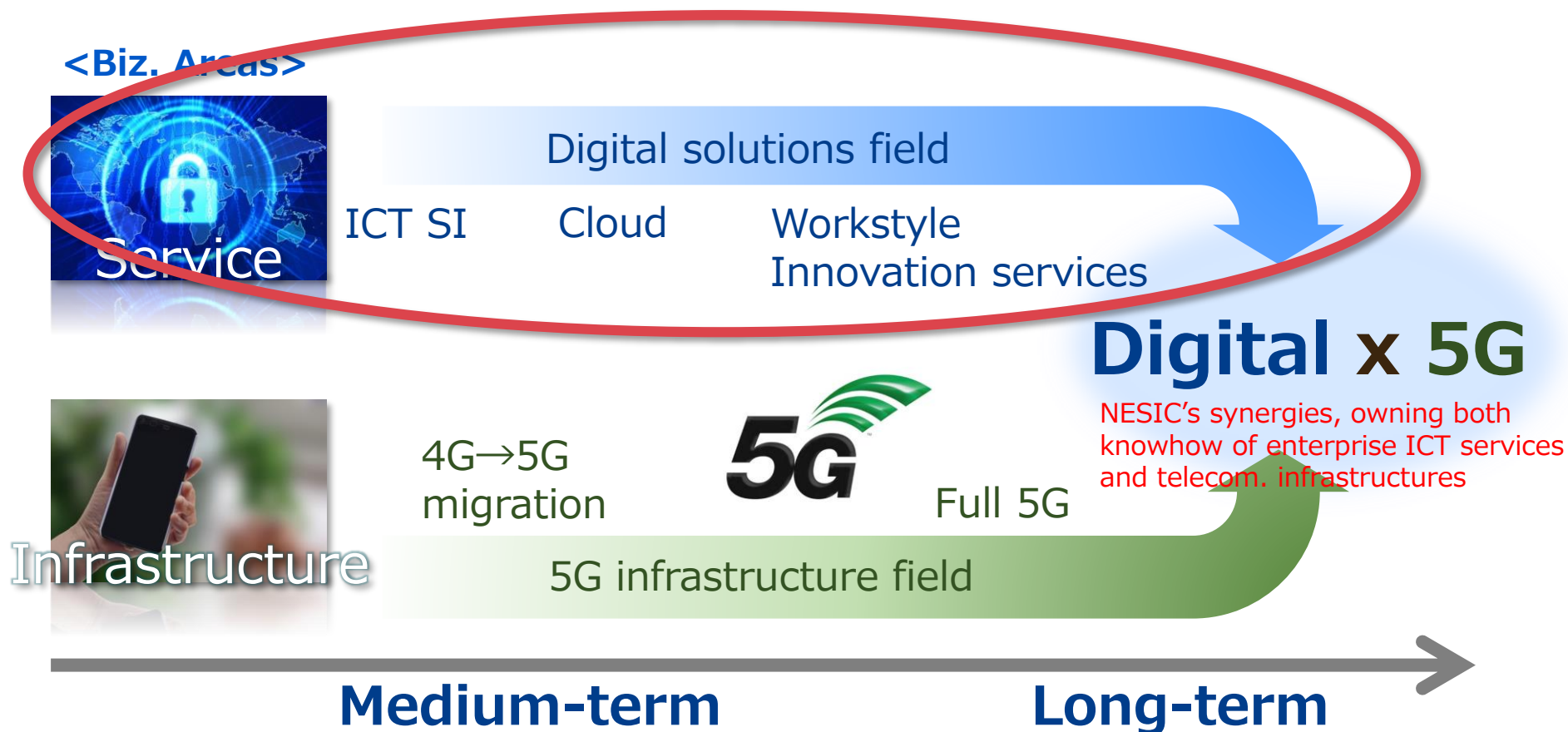
Developing the DX business by facilitating open and straightforward communications and making decisions in a timely fashion.

Providing SI and service of ICT systems to enterprises and public clients



Promoting growth strategy of digital business toward “Digital x 5G” era

※Collaborating with Business Design Operations Unit



Broad client base -Abundant PBX/network clients-

Client base

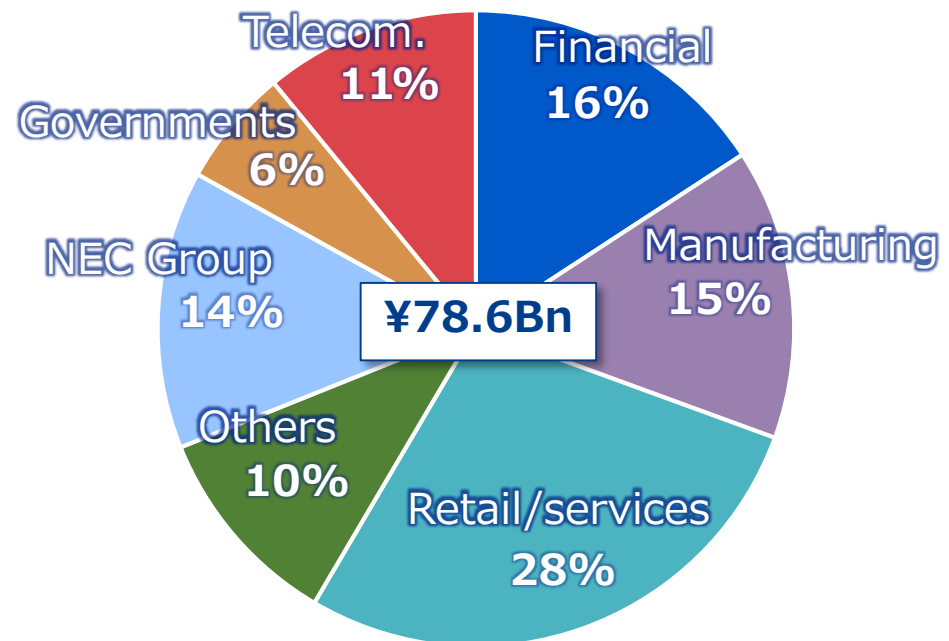
Apprx. **10,000**

**Share of PBX※
over 50%**

**1/3 of 1st section-
listed companies**

Sales by industry

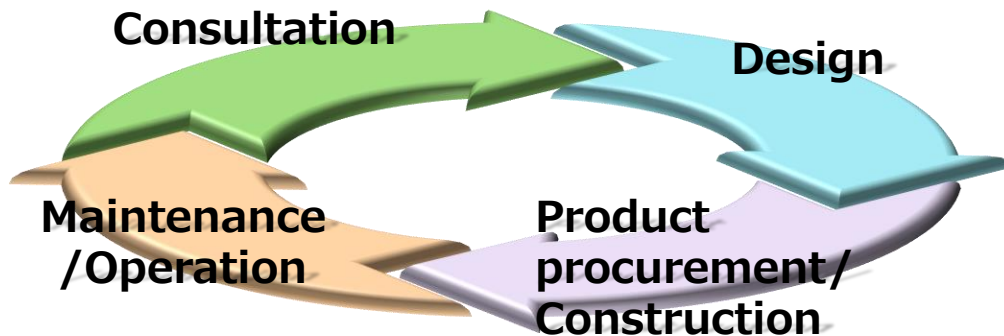
(DSL: 1Q-3Q FY19/3)



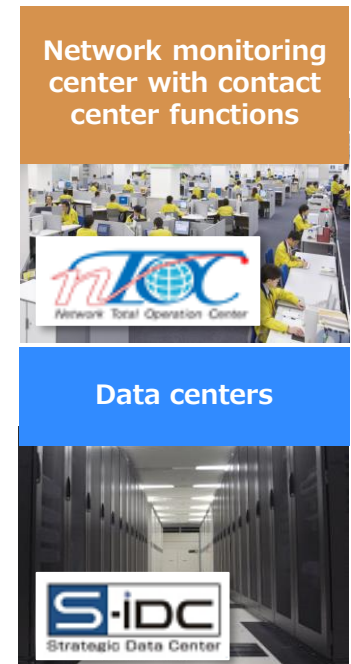
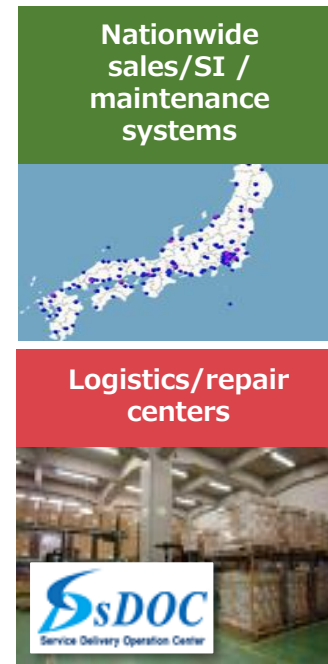
※As NEC Group

NESIC applies the sophisticated technological expertise and service platforms expected of the NEC Group to multi-vendor services

NESIC has a fully in-house capability to introduce ICT. Expertise in the building and operation of large-scale ICT services.



Offering new services by leveraging its service platforms and collaborating with superb Japanese and overseas vendors and start-ups.



NESIC embraces workstyle innovation initiatives and has practiced such reforms for more than 10 years

2007~

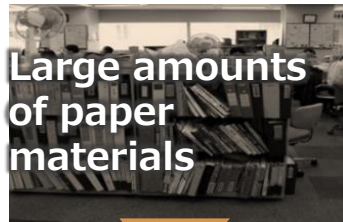
2010~

HQ
relocation

2015~

Established an efficient and creative workstyle combining ICT and facility management capabilities.

Office innovation



No waste
Efficiency and creativity

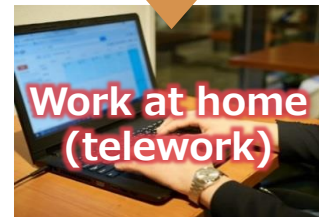
Securing a sufficient, excellent workforce.
Autonomous workstyle

Workstyle not constrained by time or location

Labor shortages

Increase in overtime work

Retirement due to long-term care

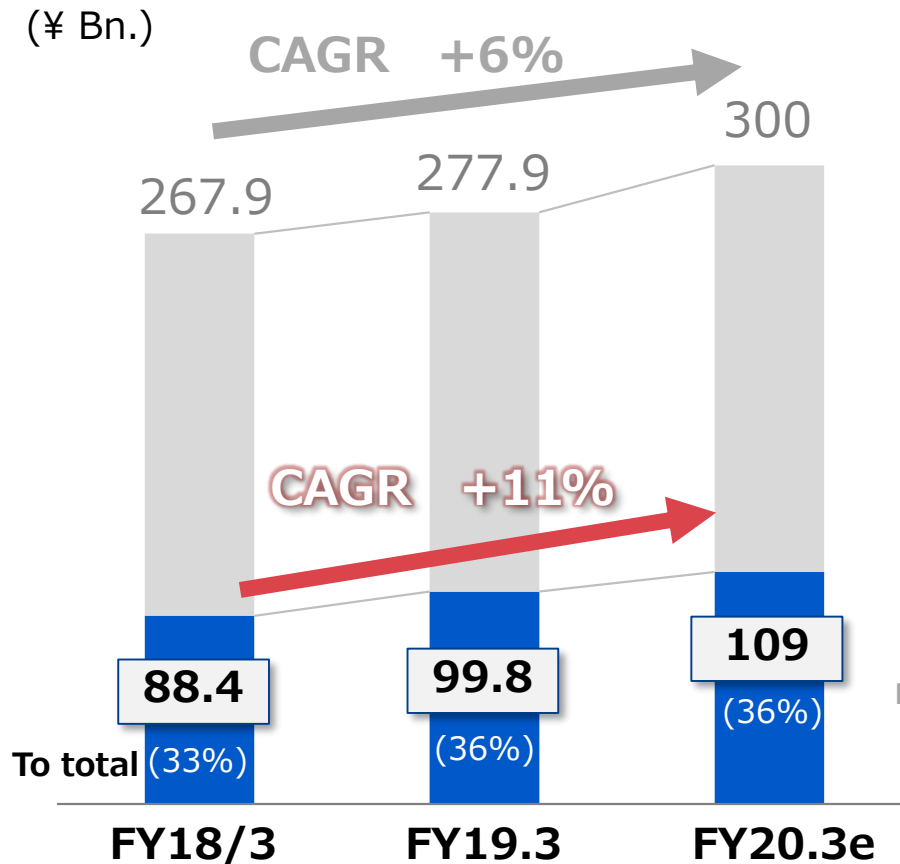


Anytime
Anywhere

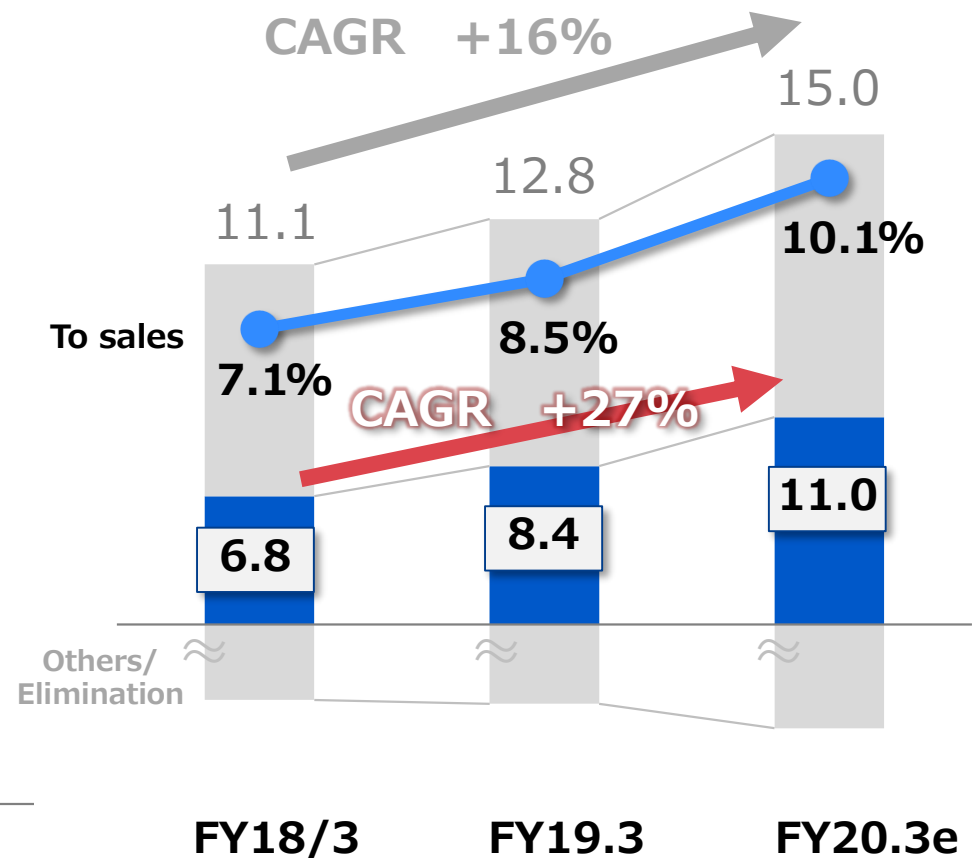
Taking on new challenges to develop new workstyles

Driving improvement of NESIC centering on workstyle innovation

Net sales



Operating incomes



Sales and profit increased due to continuous efforts to expand services and reduce costs

Sales expansion

- **Growth in workstyle innovation-related businesses**
- **Growth in hotel and distribution-related businesses**
- **Increase due to the offering of DX-based solutions**

Cost reductions

- **Improvement of productivity by implementing workstyle innovation within NESIC.**
(Reduction of fixed expenses ratios by utilizing RPA and other tools)
- **Improvement of variable expenses such as personnel and equipment cost.**

Medium-term Strategy of Digital Solutions Business

Interest in investment in workstyle innovation areas is rising despite concern over corporate investment trends amid a downswing in the domestic economy



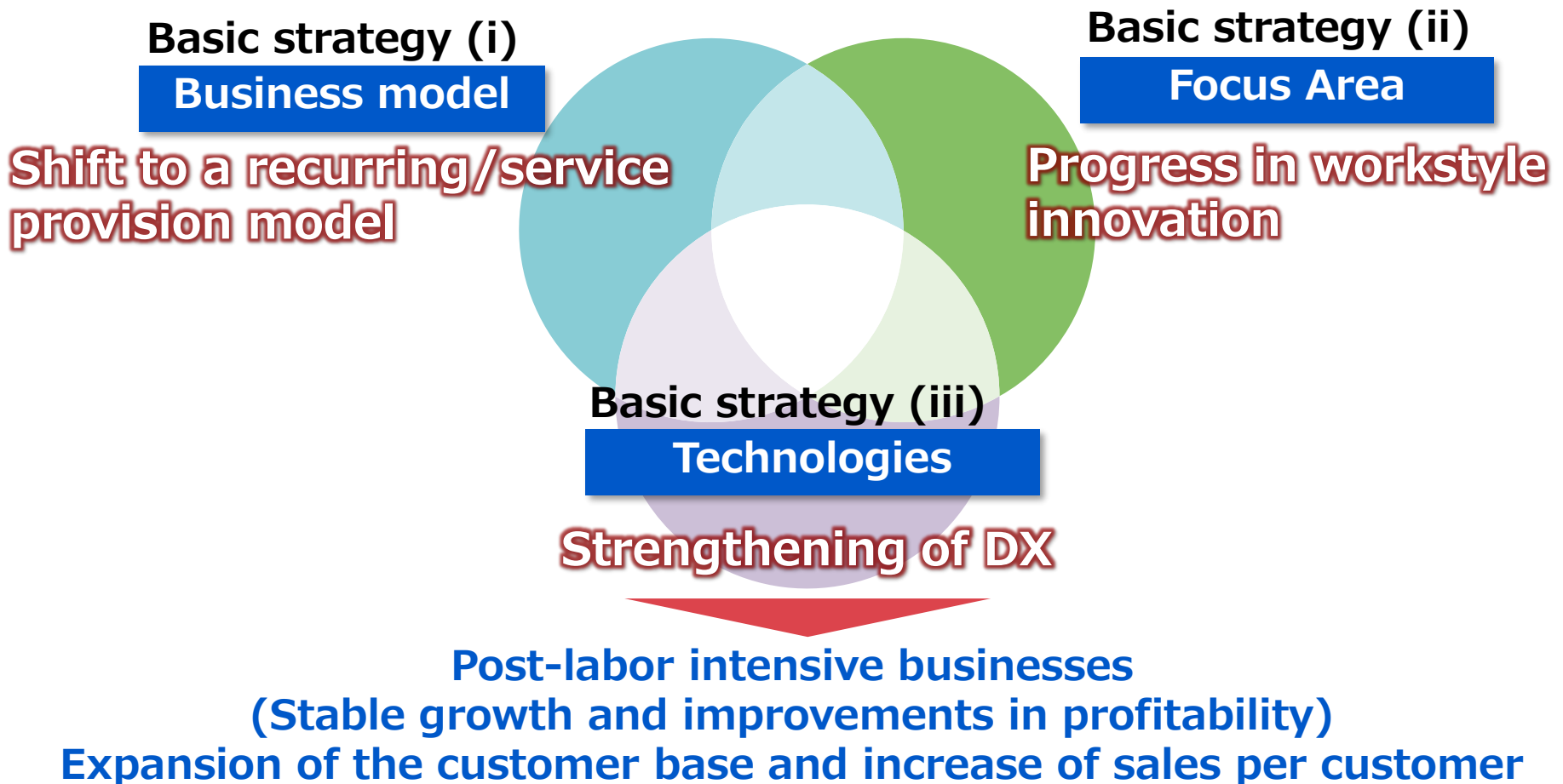
Society/Customers

- **Growing need for workstyle innovation.**
 - A rise in the level of attention paid to telework triggered by the COVID-19 coronavirus and the Olympics.
- **Measures to address labor shortages and improve the management of employees' health.**

Technology

- **Accelerated migration from on-premises systems to services, mobility and digitalization.**
 - Progress in the shifts to the cloud, wireless and DX.

Make changes in business structure from a network system integrator into a solution provider.



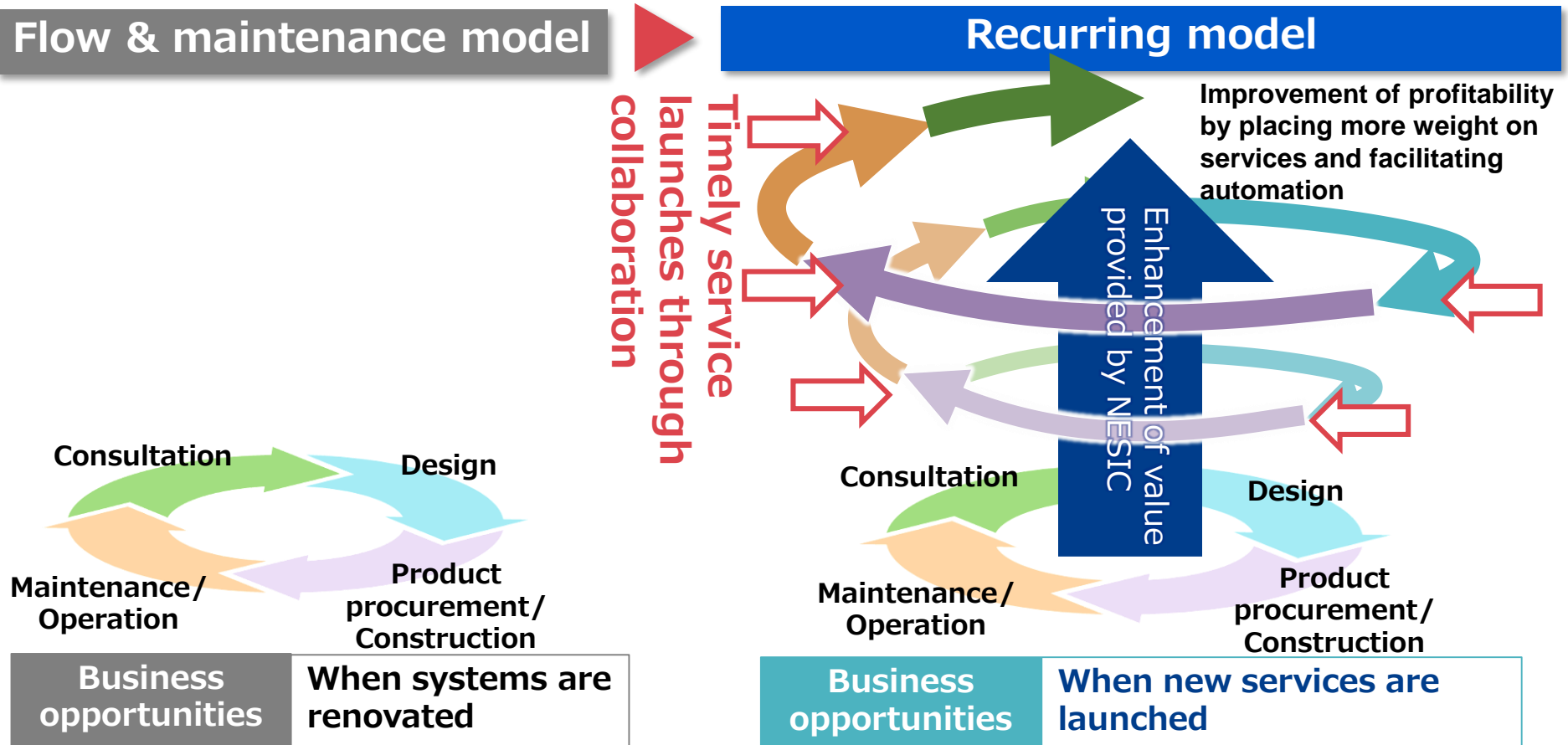
Basic Strategy (i) : Shift in Business Models

Expand recurring models

through the enhancement of value to be provided

Maintenance and subscription only \neq Recurring

**Business expansion through
the constant value enhancement = Recurring**



Basic Strategy (ii) : Evolution of Workstyle Innovation

Cultivate new workstyles by utilizing leading-edge technology and embracing innovation

2007~

2010~

HQ
relocation

2015~

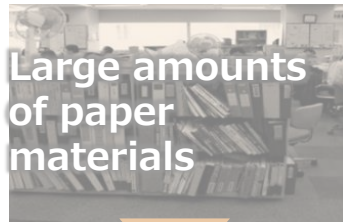
Now

Established an efficient and creative workstyle combining ICT and facility management capabilities.

Securing a sufficient, excellent workforce.
Autonomous workstyle

Create new businesses by utilizing internal and external knowledge

Office innovation



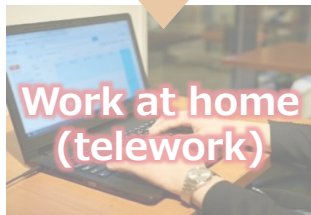
No waste
Efficiency and creativity

Workstyle not constrained by time or location

Labor shortages

Increase in overtime work

Retirement due to long-term care



Anytime
Anywhere

Utilization of leading-edge technology/innovation

Global competition

Speedier action

Three steps ahead of competitors



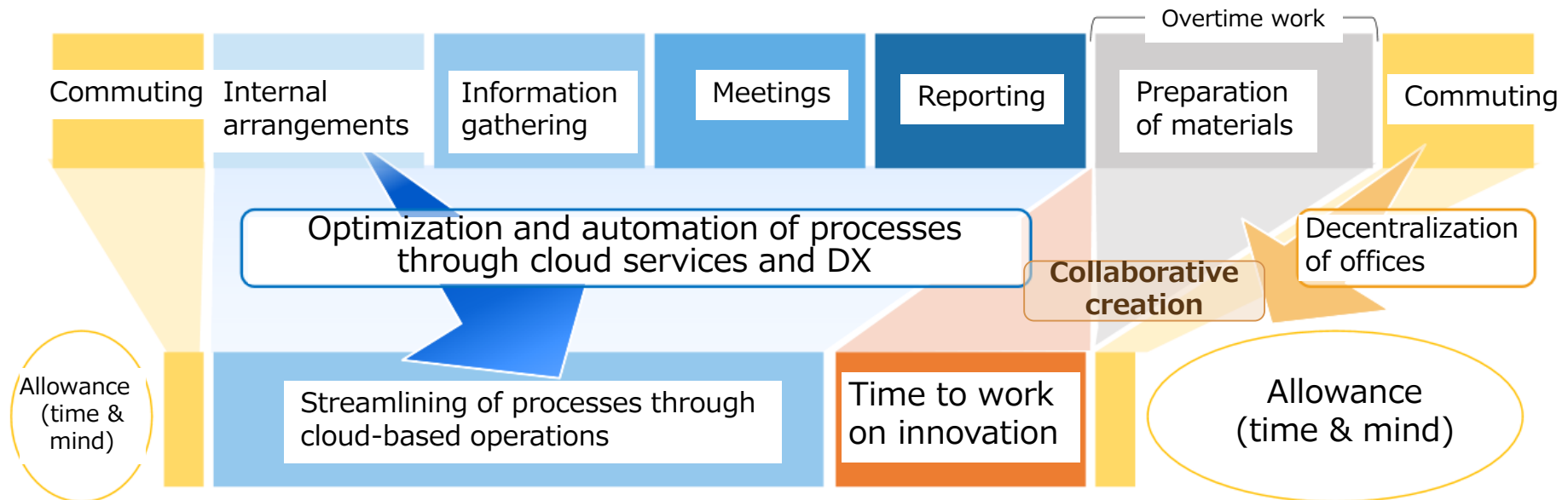
Instant connectivity of people x work x knowledge
Enhanced creativity

Basic Strategy (ii) : Evolution of Workstyle Innovation

Goal of the promotion of new workstyles

**Solving challenge of Japan by
thorough usage of DX/cloud**
(Overconcentration into Tokyo, work efficiency,
innovation...)

[Realization of a drastic process innovation through cloud services and DX]



Basic Strategy (ii) : Evolution of Workstyle Innovation

Started distributed work by admin. staff since Oct. 2019

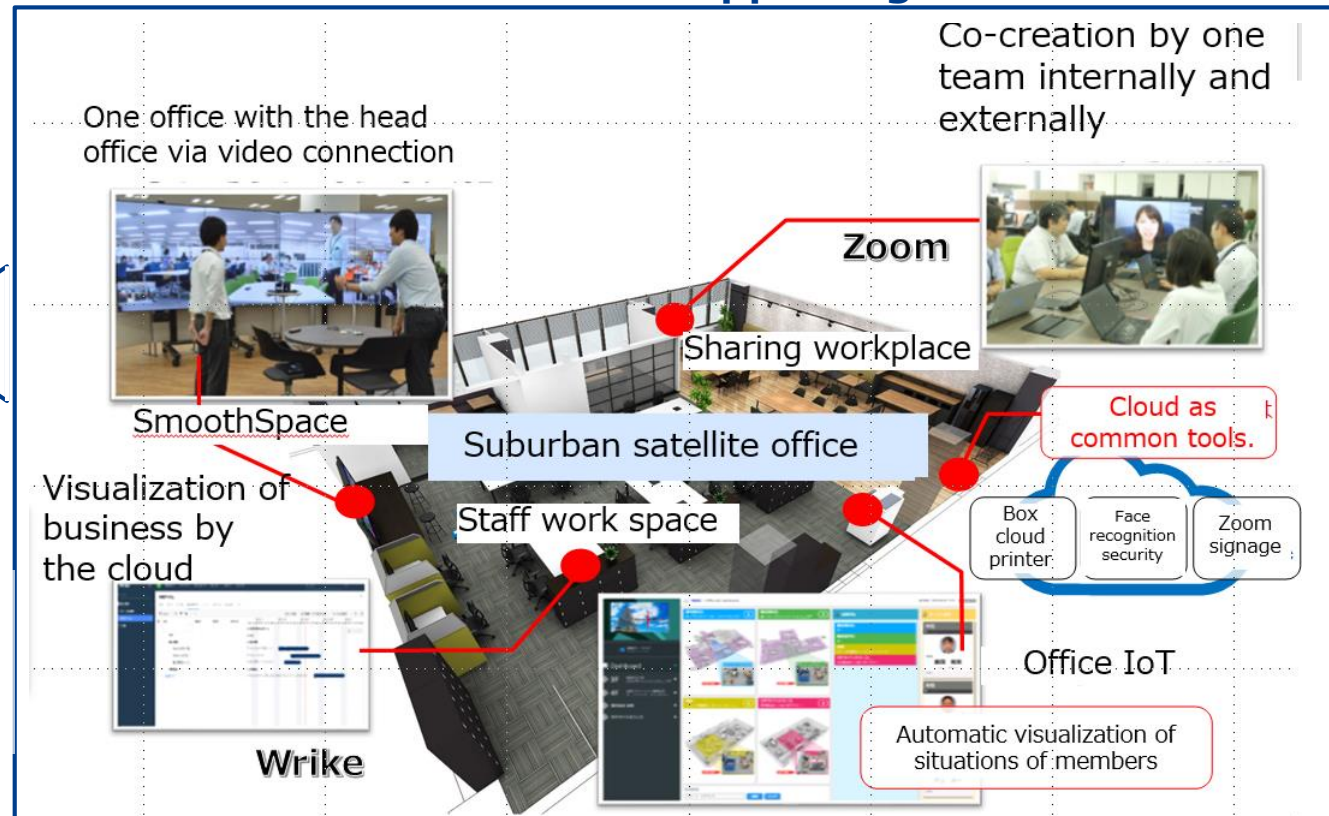
50%
in satellite
offices

Solving challenges (team-work, communication, etc.) by cloud and other ⇒ **Solutions for customers**
leading-edge technologies

<Mechanisms supporting distributed work>



Distributed work at
satellite offices within
30 min. commute



Building mechanisms to kick-start innovation - Efforts originating in Nihonbashi to facilitate innovation -

New discoveries and the cultivation of new business opportunities. Creating customer innovation

Open innovation



Place for co-creation

Straightforward discussion among a range of concerned parties including customers, partners and start-ups.

Incorporation of communication tools such as Zoom, Slack and SmoothSpace

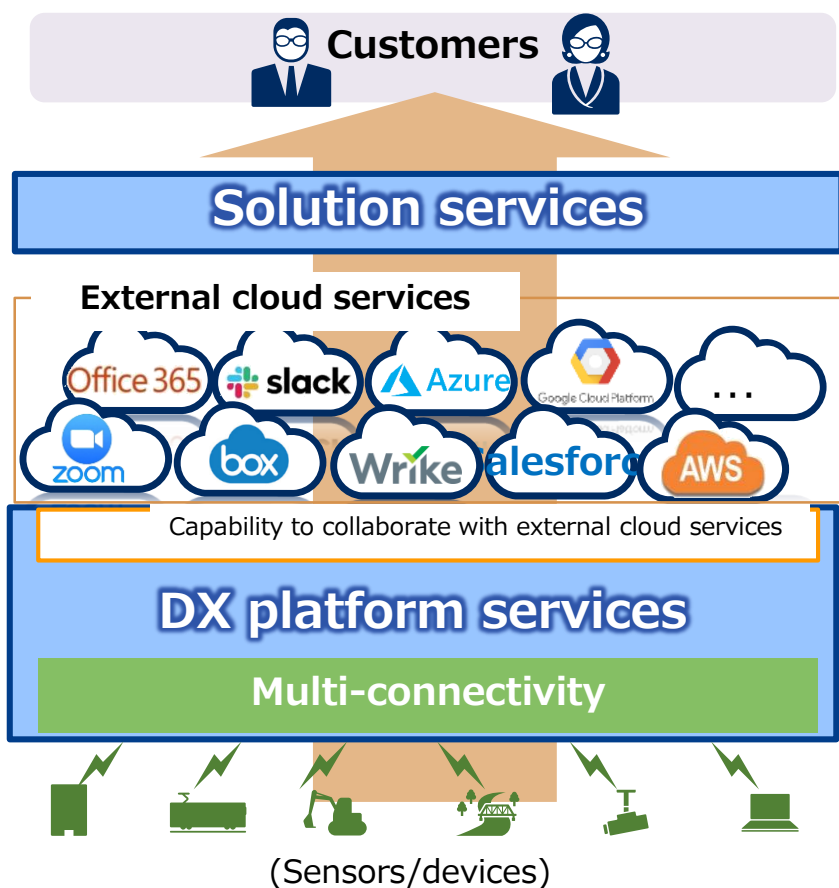


Partner companies

Core stance for DX strategies



Expand businesses by building ecosystems with many cloud partners



Provide **competitive** services **promptly**.

◀ Offer achievements made by NESIC in-house as a package.

◀ Collaborate with cloud vendors.
Establish amicable relations with start-up companies.

SOZO
VENTURES

PLUGANDPLAY

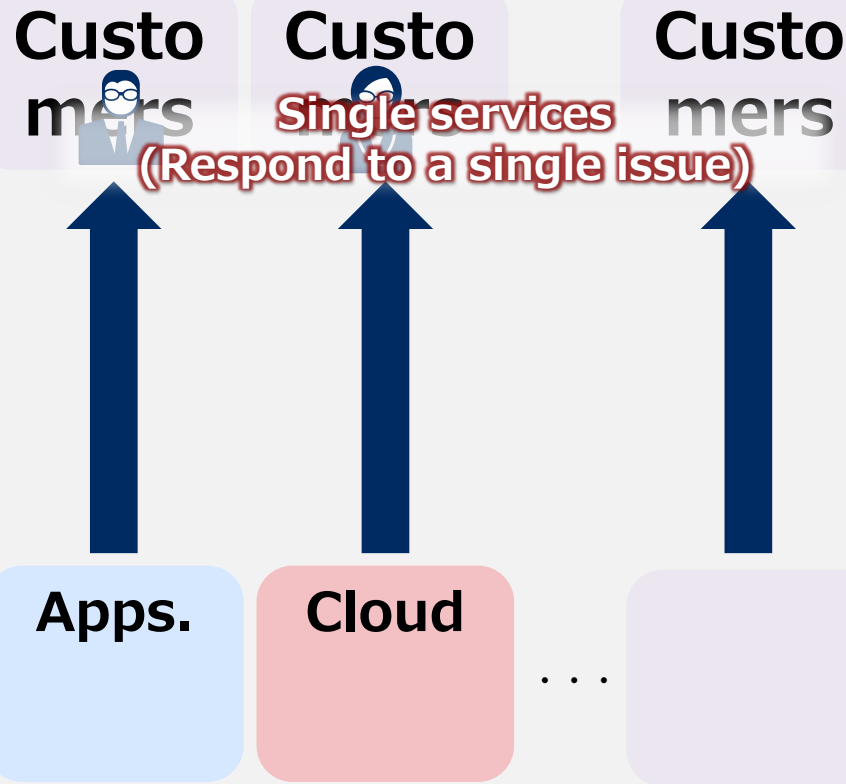
CVC

◀ Provide common functions as platform services.

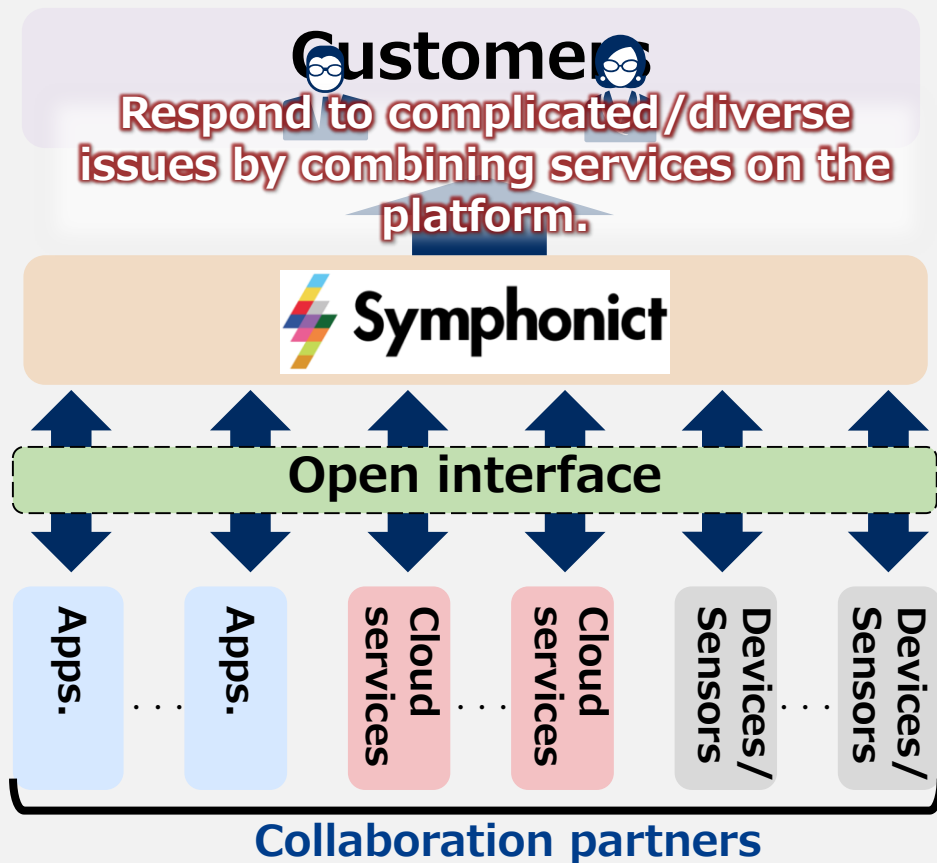
Leverage usage information as big data to reform workstyles and understand demand.

Respond quickly to complicated issues by adopting an open interface platform

Ordinary DX services



NESIC's DX services



Case: Recurring Business x Workstyle Innovation x DX on PBX

■ Providing a cloud-based voice service for Isetan Mitsukoshi Holdings

- NESIC resolved the client's issue through **DX (a cloud-based solution)**. In addition, the new service contributed to **workstyle innovation and the expansion of provided value (recurring)**

[Second step]

Automated reception service through DX (workstyle reform)



Implemented the new service using cloud-based voice infrastructure (Expansion of provided value)

[First step]

Issue

PBX installed on a store-by-store basis
Operational burden increased (manpower/cost)

(Client by PBX)

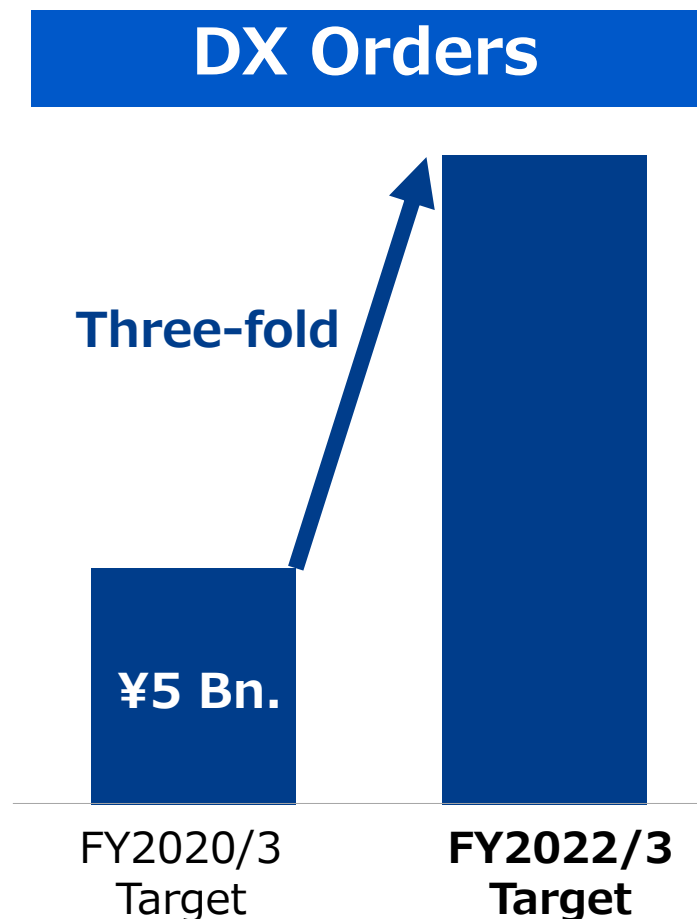
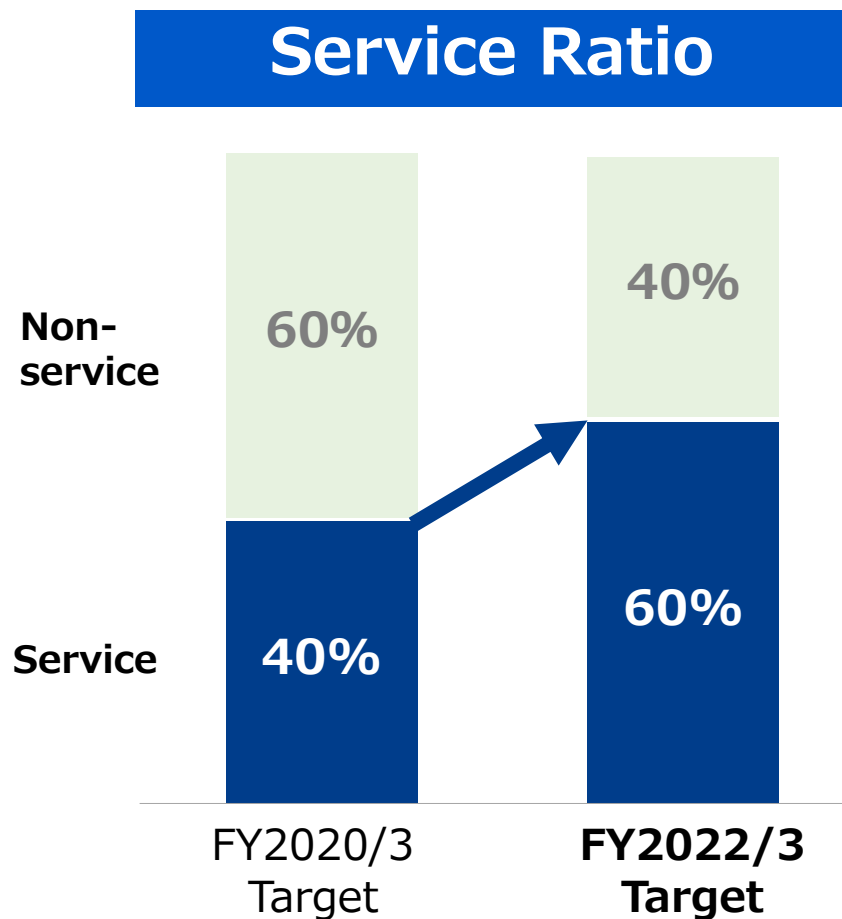


Centralized operations carried out by respective stores and facilities through a cloud-based voice service
⇒ Enabled the customer to focus on the main business. Costs were reduced.

Cloud-based voice service DX



Increasing service business ratio by recurring & DX and aim at stable growth & profitability improvement



Promoting growth strategy of digital business toward "Digital x 5G" era

※Collaborating with Business Design Operations Unit

<Biz. Areas>



ICT SI

Cloud

Workstyle
Innovation services

Digital solutions field



4G→5G
migration

5G

Full 5G

5G infrastructure field

Digital x 5G

NESIC's synergies, owning both
knowhow of enterprise ICT services
and telecom. infrastructures


Medium-term

Long-term

Cautionary Statement

Forecasts and targets of results mentioned in this document are future estimates and are thus inclusive of risks and uncertain factors since they are not based on definite facts. Please be aware that a variety of factors could cause actual results to differ significantly from those projected. The major factors affecting actual results include the economic climate and social trends surrounding the business of this Company's group, consumer trends vis-a-vis systems and services provided by this Company's group, as well as pressure to lower prices and ability to cope with the market in response to intensified competition.

Factors affecting results are not limited to the ones mentioned above.



Re-designing your Communication

NEC Networks & System Integration Corporation is committed to increasing customer value by redesigning future communications from the user's perspective.





NEC Networks & System Integration Corporation

<https://www.nesic.co.jp/english/index.html>