\Orchestrating a brighter world NEC

Environmental & Social Solution Business

June 12, 2024

Yuichi Nishida, Senior Vice President
NEC Networks & System Integration Corporation
(TSE: NESIC, 1973)

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Self Introduction

Yuichi Nishida

Senior Vice President and
Executive General Manager,
Environmental and Social Solutions BU

Career summary

- Joined the Company in 1986
  Engaged mainly in the areas of SE and SI/construction in the Social Infrastructure business
- 2016 General Manager of West Japan Systems Business Division, Social Infrastructure Business Unit
- 2020 Executive Officer
- Assumed his current position in 2024

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Overview of Environmental & Social Solutions Business

Operating businesses ranging from design and systems integration to support for social public infrastructure in Japan and beyond

Main services

- Networks (construction and maintenance)
- Safety (disaster prevention and disaster measures)
- Energy solutions
- Smart buildings

Main customers

- Fire and disaster prevention
- Electric power and new common carrier (NCC)
- Governments
- CATV
- Local governments
- General companies

Business strengths and characteristics

- Customer Base (approx. 4,000 companies)
- Nationwide construction and support service system
- Ability to propose solutions that combine business expertise with companywide assets

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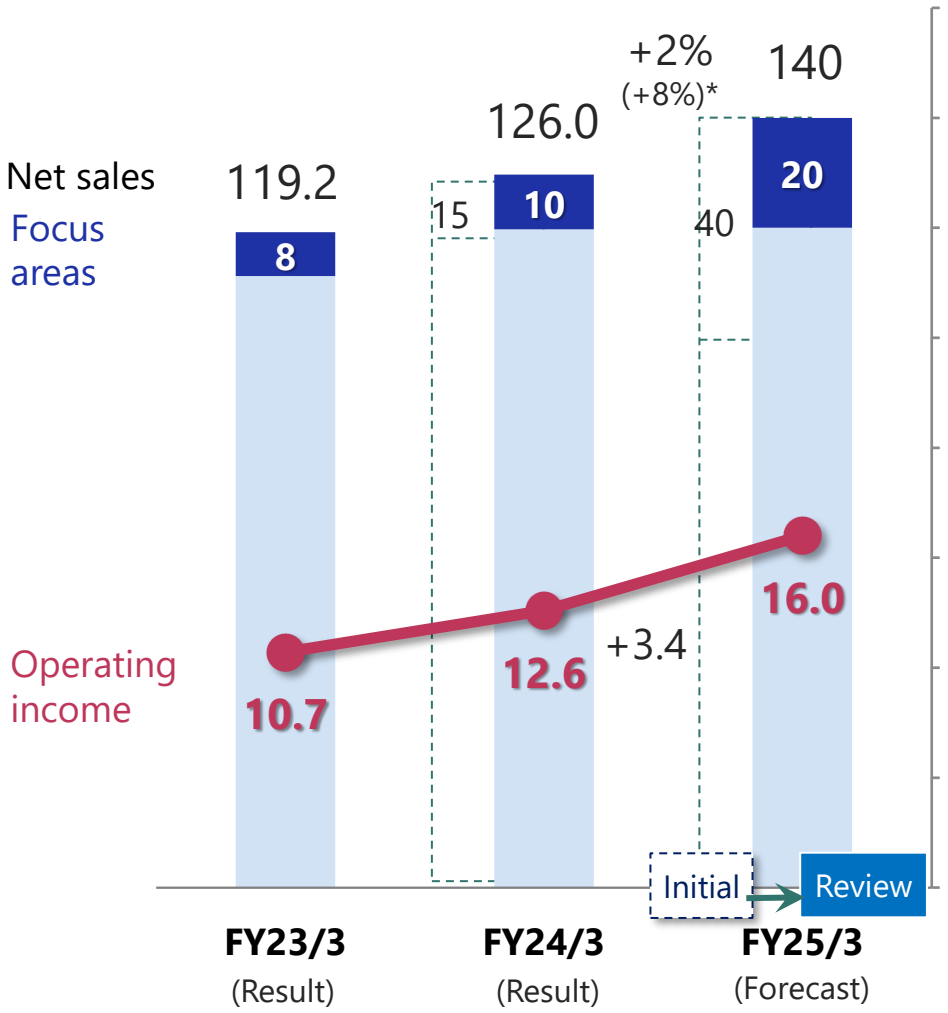
Performance Progress

* Forecast figures are as of April 26, 2024

(¥ Bn.)

* The figure in parentheses ( ) indicates the rate of growth excluding a large product project for a government agency (¥7.5) in the FY24/3.



Achievements and areas to improve up to the FY2024/3

- ✓ In DX/new areas (community development and green), there were delays in preparing for expansion.
- ✓ In existing areas, steady progress was made in initiatives to achieve more sophisticated construction and maintenance of road ICT and other infrastructure.

FY2025/3

- ✓ Enhancing profit creation capability by improving the sales mix
  - Focusing on areas where we have strengths
  - Sophistication and enhancement of added value in existing areas

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FY2025/3 Basic Policy

Enhancing profit creation capability

- Focusing on areas where we have strengths
- Sophistication and enhancement of added value in existing areas

▶ Having them lead to growth in the next fiscal year and onward

Shift to advanced business foundations

▷ Enhancing added value by expanding the construction + SI areas and customer-focused services
▷ Tapping into demand for renewal of the fire-fighting network

Actions towards a green society

▷ Improving the ability to provide services by evolving in-house expertise in our self-implementation of decarbonization
▷ Reinforcing the revenue base by expanding initiatives in service businesses in addition to the EPC business

Promoting community development

▷ Focusing on workstyle innovation at work sites that support public infrastructure

– Creating a foothold for promoting community development, from work-site innovation to improvement of user-friendliness –

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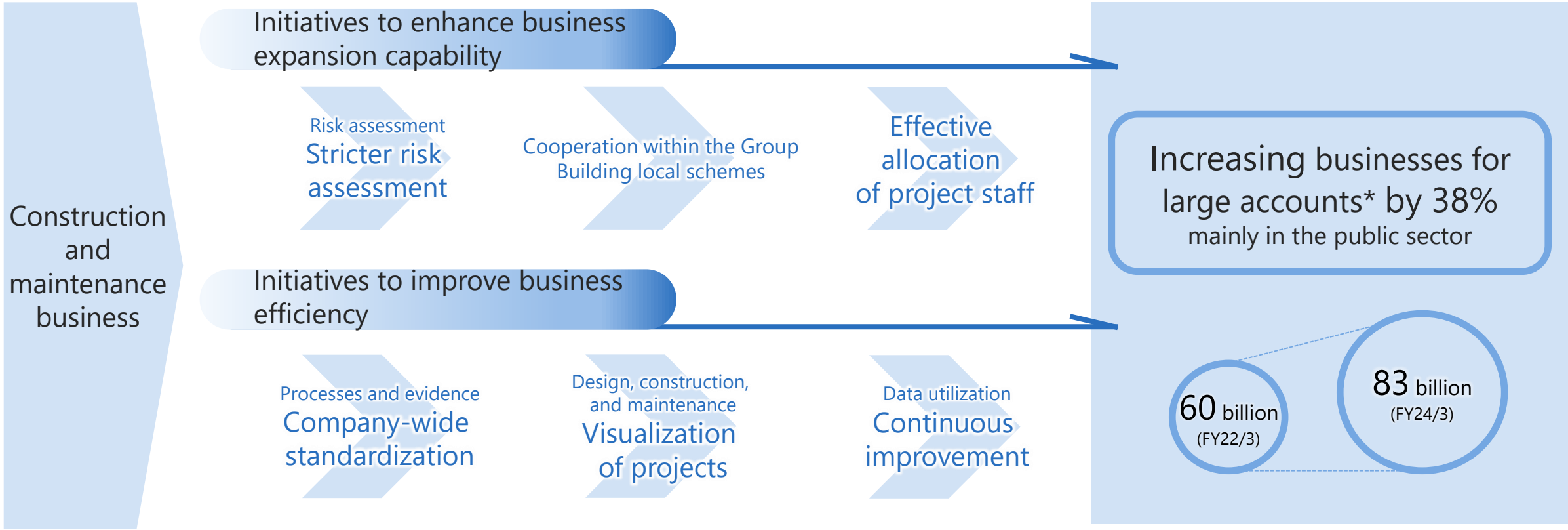
Strengthening of Business Foundations

✓ Increasing businesses for large accounts by executing businesses steadily in existing areas



* Definition of large accounts:
Customers with a track record of continuously placing orders with NESIC for three years from which average sales over the three years are at or above a certain monetary amount

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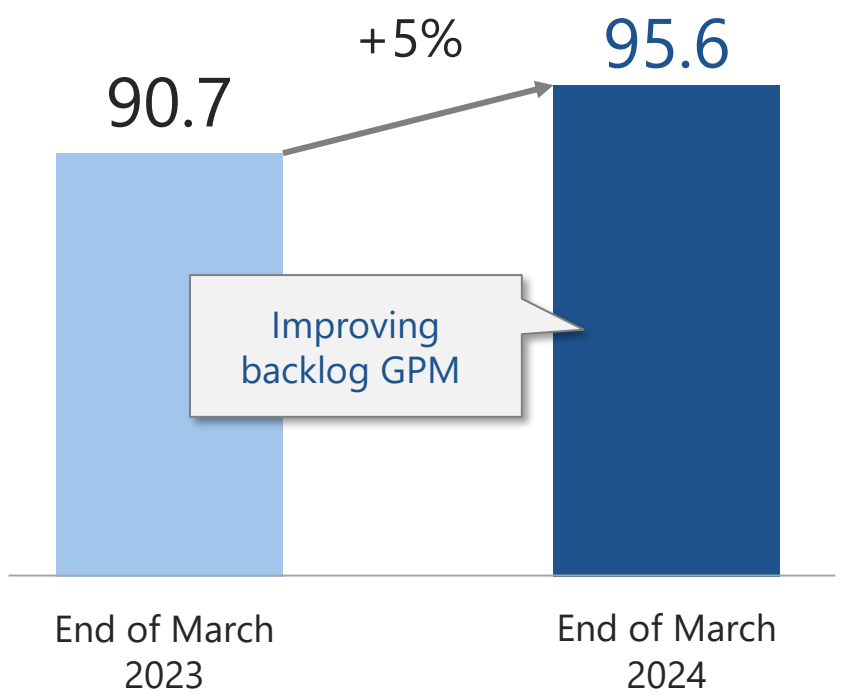
Growth in Existing Areas Achieved by Refining the Base

✓ Improving profitability through further sophistication and the enhancement of added value

Backlogs (consolidated)



Construction business

- ✓ Improving profitability by expanding the SI area in addition to the construction area
- ✓ Providing optimal solutions by taking advantage of our multi-vendor compatibility as our strength

Maintenance business

- ✓ Enhancing Group-wide service development
- ✓ Expanding recurring businesses by enhancing customer-focused LCM services

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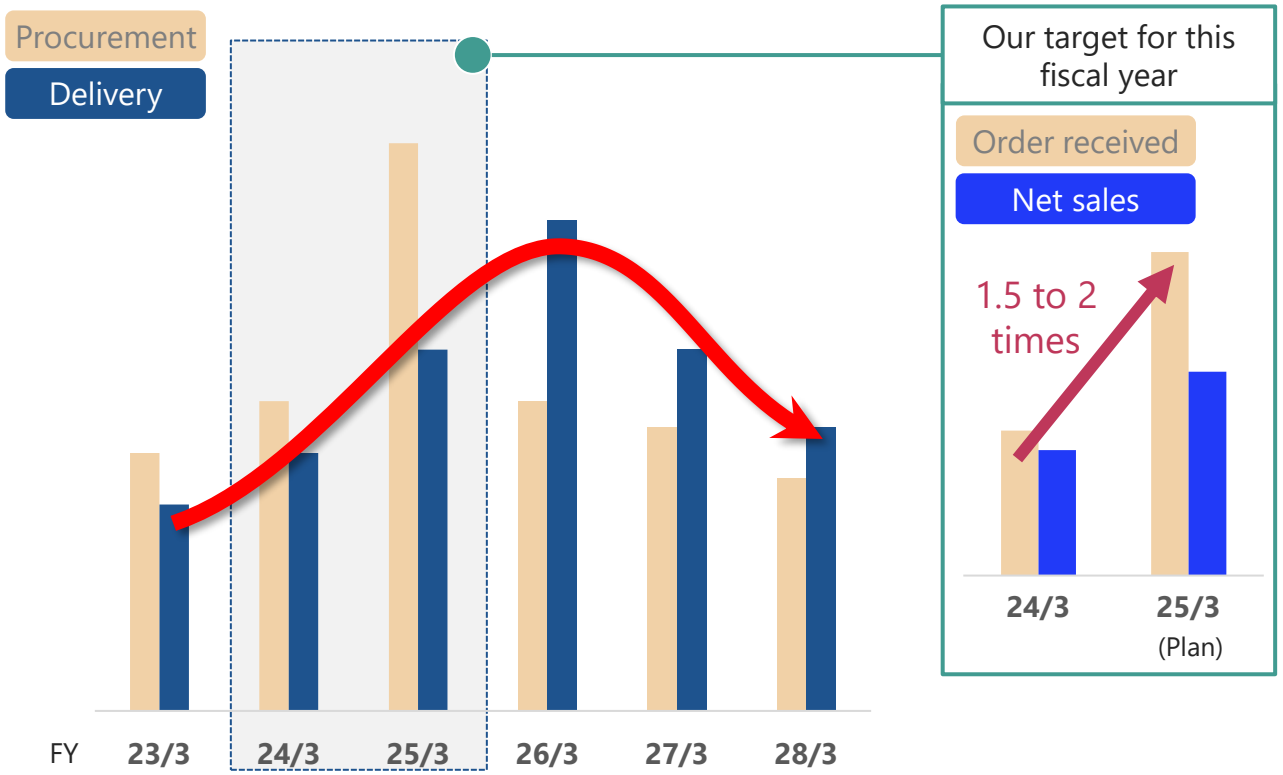
Reference: Fire-fighting Projects

Demand generated due to the expansion of the area served by each fire-fighting command center + renewal of fire and ambulance radio systems (digitalized around 2015). The market (deliveries) is expected to peak around FY26/3. This fiscal year, we aim to receive 1.5 to 2.0 times more orders than in the previous fiscal year.

Size of the market related to fire-fighting projects



Our strengths

- Product appeal we have as the NEC Group
- Our SI capability with product knowledge
- Relationship of trust with customers based on our track record and experience

Initiative

- Responding to the expanding market
  - Reinforcing the business structure
    Appropriate allocation and development of resources
    Securing business partners and finding new ones
- Responding to the market after it peaks out
  - Expanding recurring businesses with existing services + additional value
    DX solutions based on fire-fighting data analysis
    Staff work-style innovation and DX of on-site activities

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Step up Actions towards a Green Society

- ✓ Enhancing the ability to provide services by evolving in-house expertise in our self-implementation of decarbonization
- ✓ Reinforcing the revenue base by expanding initiatives in service businesses in addition to the EPC business

	Initiatives taken in the period up to the previous fiscal year	(from FY25/3) Bolstering the revenue base	(to FY28/3) Establishing revenue bases and achieving further growth
Offering value to customers	**Renewable energy** • Build self-consumption solar power generation systems • Expanding the lineup of storage batteries • Commencement of provision of on-site PPA service to NESIC advanced aquaculture, Inc. **Solutions for power saving measures** • Joint testing of an immersion-cooling system with major companies	**Enhancing initiatives in the service businesses** • Full-scale launch of the on-site PPA service business • Starting to provide maintenance services for immersion-cooled servers and establishing a system for providing one-stop immersion-cooling solutions • Transforming power-saving solutions into a cloud-based service business	**Developing a value provision model** • Supporting customers' businesses on an ongoing basis by providing optimal renewable energy models (EPC/PPA) • Promoting the appeal of streamlining of customers' management operations with a service of automating power saving
Our actions Scope 1, 2 (Compared with FY20/3 levels)	• Demonstration of visualization of the environment at the Shibaura head office (Office environment + Digital twins) • Greenhouse gas emission reduction Result: 66% (FY24/3)	• Reorganization of the business structure related to the environment (Concentration of approx. 200 full-time staff members as resources) • Reduction target: 89% (FY25/3)	• Strengthening and developing service-related human resources • Reduction target: Virtually 100% (FY31/3)

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Reference: Examples of Joint Testing of Power-saving Solutions

- ✓ We have accumulated expertise ahead of the market through demonstration tests of container-type immersion-cooled data centers.
- ✓ Aiming to introduce them to, and expand them in, the data center industry

Main joint tests with major companies

- Edge computing for connected cars
  (Telecom carrier and automaker)
- Testing reduction of electricity bills with air-cooling and immersion-cooling methods
  (Electricity company)

Many customers have requested us to show them the actual equipment.
We are taking actions, aiming for business collaborations for actual introduction.

One-stop services on immersion-cooling solutions

POINT 01	**Construction of immersion-cooling systems** - Both facilities and IT equipment are covered. - Design and construction of optimal equipment tailored to purposes
POINT 02	**Operation monitoring** - Monitoring and control of facilities and equipment - Integrated monitoring of immersion-cooled servers and network equipment
POINT 03	**Maintenance service** - Maintenance of facilities and equipment - Maintenance of immersion-cooled servers and network equipment

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Promotion of Community Development Project

- ✓ Contributing to developing safe, secure communities by adding DX to existing business areas
- ✓ Focusing on workstyle innovation at work sites that support public infrastructure

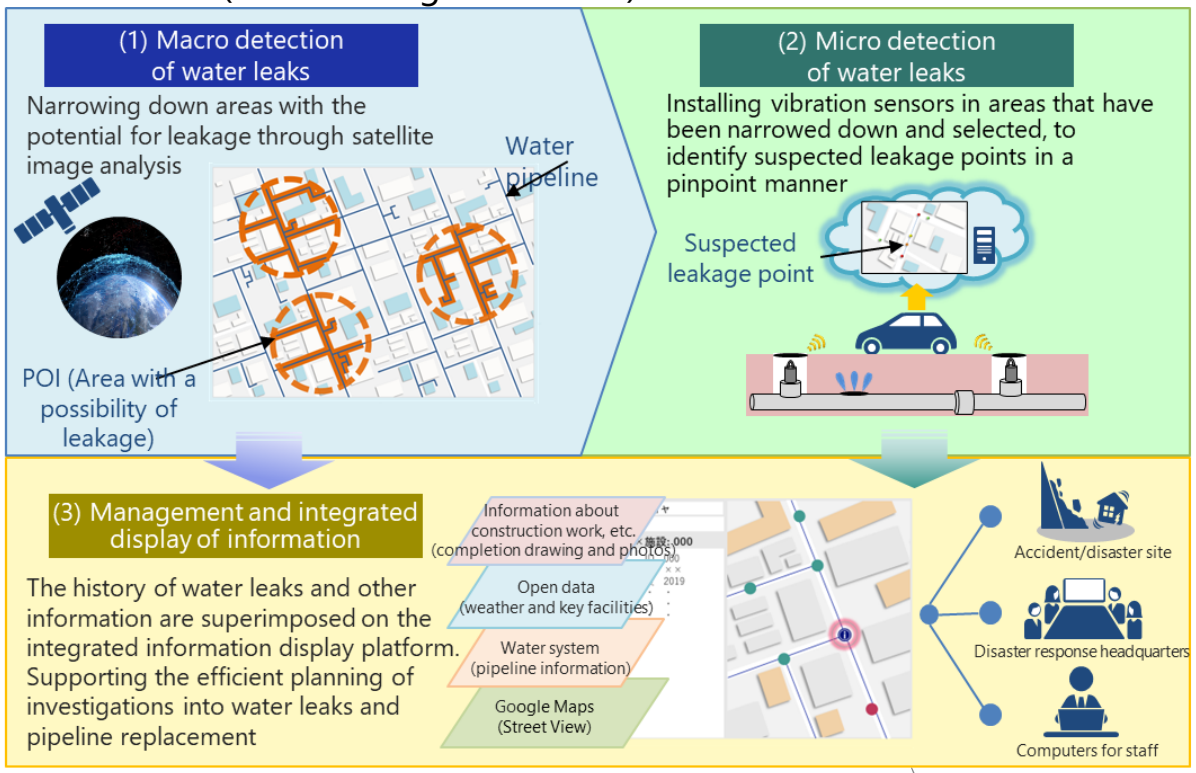
Initiatives taken in the period up to the previous fiscal year

Building DX solutions with an understanding of customers and work sites

<Strengths>
- A wealth of experience in implementing on-site projects
- Relationships with local governments (Sharing and ability to understand regional characteristics)

[Example] Adding digital technologies to existing infrastructure

- Achieving labor savings in maintenance work for water infrastructure with a high human labor load (water leakage detection)



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Accelerating the Development of DX x Beyond 5G

Driving all businesses of the company with the synergy of "DX x Beyond 5G (next-generation networks)" and "expertise in industries & social implementation capability in the public sector"

Example: Advanced high-resolution monitoring services for key facilities (visual AI x high-speed communication x construction)

Company-wide business foundation

Symphonict

(Foundation for nationwide support services)

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Re-designing your Communication

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

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