

Financial Results for the Fiscal Year Ended March 31, 2021

May 12, 2021

NEC Corporation

(<https://www.nec.com/en/global/ir/>)

\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.

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- II. Financial Results for FY21/3 (Appendix)
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- Net profit/loss refers to net profit/loss attributable to owners of the parent for the same period.
- As stated in the July 21, 2020 announcement, “NEC to Revise Operating Segments”, NEC has revised its operating segments from Q1, FY21/3. Figures for the corresponding period of FY19/3 or FY20/3 have been restated to conform with the new segments.

I. Financial Results for FY21/3

Summary of Financial Results for FY21/3

Revenue
2,994.0
billion Yen
<YoY>
-3.3%

Mitigated Adverse impact of COVID-19

- Shipment of 5G base stations significantly increased
- Meeting New Normal Demand for GIGA School project and remote environments

Adjusted Operating Profit
178.2
billion Yen
<YoY>
+ 32.4billion Yen

Exceeded our 2020 Mid-term Management Plan

- Improved mainly in Network Services and Global Businesses
- Improvement of unprofitable projects
- Cost reduction and special countermeasures implemented to cope with rapidly changing business environment

Adjusted Net Profit
165.4
billion Yen
<YoY>
+ 54.2billion Yen

Achieved record-high levels for second consecutive year

- Increased due to increase in adjusted operating profit and decrease of tax expenses
- Resolved to provide a 50 Yen year-end dividend per share, an increase of 10 yen from previous forecast (annual dividend of 90 Yen)

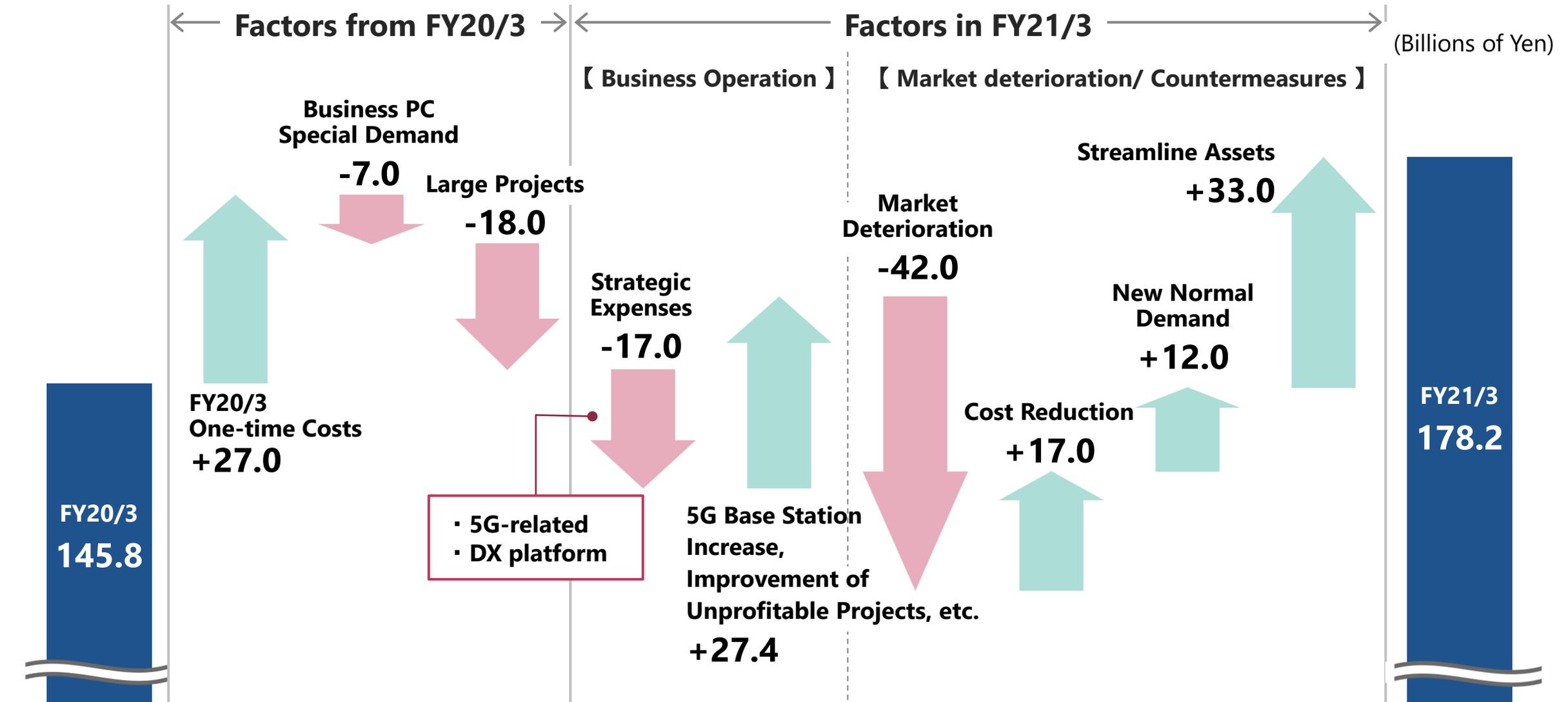
Summary of Financial Results

- ◆ Achieved 2020 Mid-term Management plan targets for Operating Profit, margin and Free Cash Flows
(Billions of Yen)

	Full Year			Variance from Forecast
	FY20/3 Actual	FY21/3 Actual	YoY	
Revenue	3,095.2	2,994.0	- 3.3%	- 36.0
Operating Profit	127.6	153.8	+ 26.2	+ 3.8
% to Revenue	4.1%	5.1%		
Adjusted Operating Profit	145.8	178.2	+ 32.4	+ 13.2
% to Revenue	4.7%	6.0%		
Net Profit	100.0	149.6	+ 49.6	+ 59.6
% to Revenue	3.2%	5.0%		
Adjusted Net Profit	111.2	165.4	+ 54.2	+ 66.4
% to Revenue	3.6%	5.5%		
Free Cash Flows	+ 177.8	+ 152.4	- 25.4	+ 2.4
Note: Average Exchange Rates (Yen)	USD / JPY	109.05	105.96	
	EUR / JPY	121.37	122.84	
Dividend per Share (Yen)	70	90	+ 20	+ 10

		Full Year		
		FY20/3 Actual	FY21/3 Actual	YoY
Public Solutions	Revenue	478.4	425.1	- 11.1%
	Adjusted Operating Profit	34.2	39.4	+ 5.1
	% to Revenue	7.2%	9.3%	
Public Infrastructure	Revenue	678.8	692.9	+ 2.1%
	Adjusted Operating Profit	64.2	59.4	- 4.8
	% to Revenue	9.5%	8.6%	
Enterprise	Revenue	549.8	503.1	- 8.5%
	Adjusted Operating Profit	52.1	48.2	- 3.9
	% to Revenue	9.5%	9.6%	
Network Services	Revenue	482.7	538.8	+ 11.6%
	Adjusted Operating Profit	30.6	41.2	+ 10.6
	% to Revenue	6.3%	7.6%	
Global	Revenue	493.1	450.0	- 8.7%
	Adjusted Operating Profit/Loss	- 3.2	7.5	+ 10.7
	% to Revenue	-0.6%	1.7%	
Others	Revenue	412.6	384.2	- 6.9%
	Adjusted Operating Profit	24.4	7.7	- 16.7
	% to Revenue	5.9%	2.0%	
Adjustment	Adjusted Operating Profit/Loss	- 56.5	- 25.1	+ 31.4
Total	Revenue	3,095.2	2,994.0	- 3.3%
	Adjusted Operating Profit	145.8	178.2	+ 32.4
	% to Revenue	4.7%	6.0%	

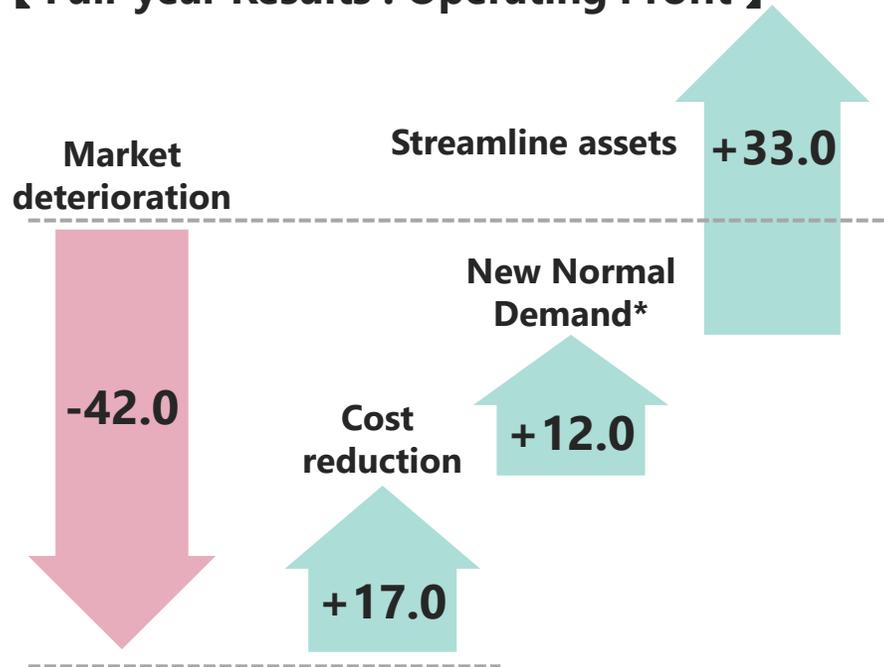
Adjusted Operating Profit Change (Year on Year)



Addressing changes caused by the spread of COVID-19

- ◆ The impact of market deterioration by COVID-19 has decreased from the previous estimate of 50.0 billion yen
- ◆ Suffered mainly in the 1st half, less in the 2nd half
- ◆ Implemented more compatible working practice with changing environment as well as cost reduction

【 Full-year Results : Operating Profit 】



【 Quarterly Results : Operating Profit 】

(Billions of Yen)

	1Q	2Q	3Q	4Q	Full Year
Market Deterioration	-17.5	-15.5	-6.0	-3.0	-42.0
Cost Reduction	+7.0	+4.0	+3.0	+3.0	+17.0
New Normal Demand *	-	+2.0	+2.0	+8.0	+12.0
Streamline Assets	+11.0	-	+22.0	-	+33.0
Total	+0.5	-9.5	+21.0	+8.0	+20.0

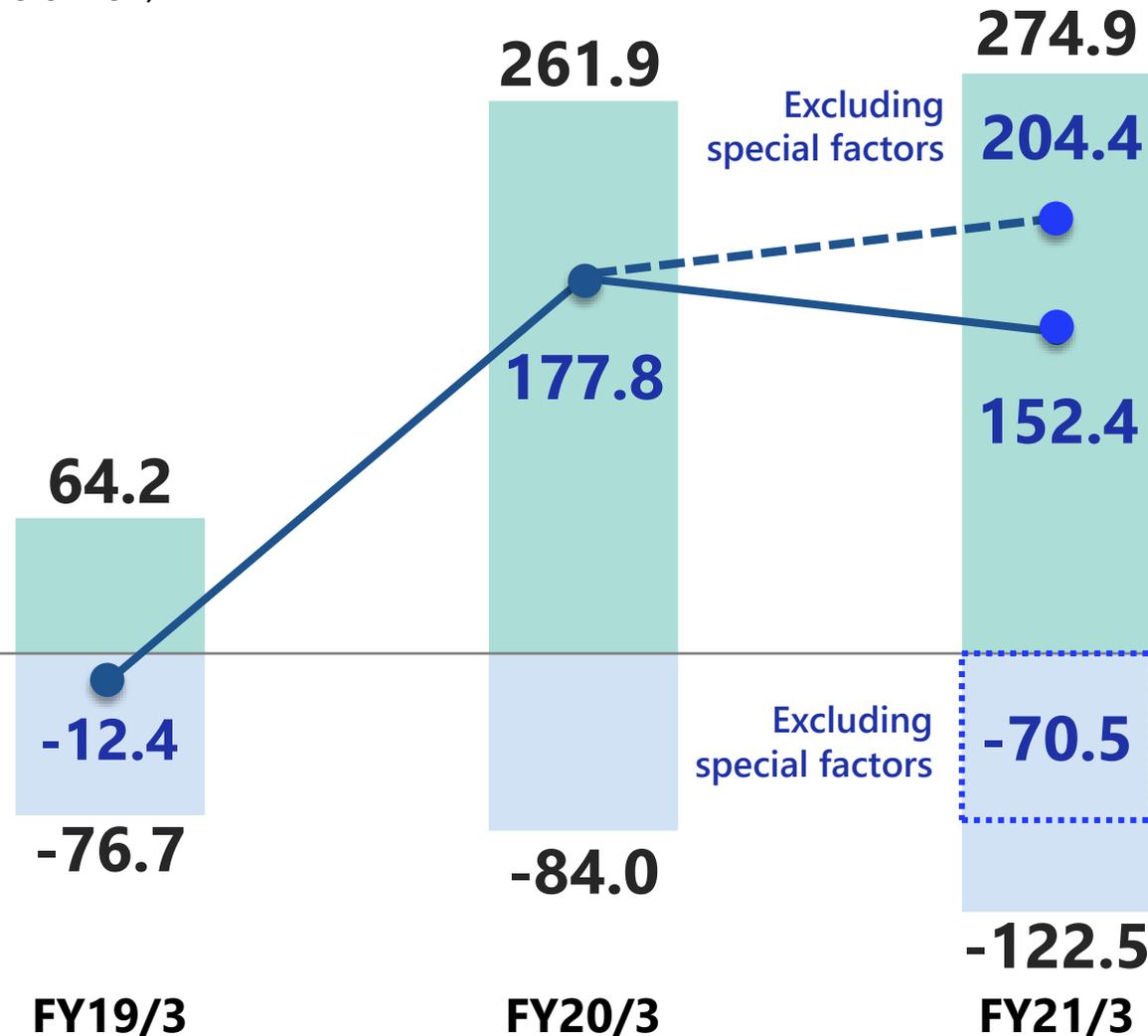
* Demand from GIGA School Project, Touchless solution, Solutions for remote work, etc.

NEC Order Trends (Including hardware)

(YoY)	Q1	2Q	3Q	4Q	FY21/3 Full Year	Comment
Public Solutions	-31%	-12%	-5%	+16%	-12%	Full year(-) : Decreased business PC Replacement demand 4Q(+) : Large projects contributed
Public Infrastructure <small>*Excluding Japan Aviation Electronics Industry (JAE)</small>	+9%	+41%	+20%	-12%	+10%	Full year(+) : GIGA School Project contributed
Enterprise	-21%	-3%	+5%	+22%	±0%	2nd half(+) : IT investment recovery
Network Services	+1%	+26%	+48%	-6%	+13%	2nd half(+) : 5G base stations ramp up
Global	+75%	+38%	-27%	-32%	+7%	Full year(+) : Large project in Submarine systems 2nd half(-) : Deconsolidation of Display
Total	-5%	+10%	+5%	-2%	+2%	
Ref.) Hardware*	-36%	-8%	-1 %	-1%	-12%	* Products handled by System Platform Business Unit
Hardware (excluding PCs)	-29%	-24%	+6%	-7%	-14%	

Free Cash Flows

(Billions of Yen)



Cash flow from operating activities
YoY + 13.0

- Increase in adjusted operating profit: +32.4
- Improvements in working capital due to increased efficiencies: + Approx. 36.0
- Income Taxes, payments and reclassification of gains on asset sales, etc.: - Approx. 55.0

Free cash flows

YoY - 25.4 (Excluding special factors +26.6)

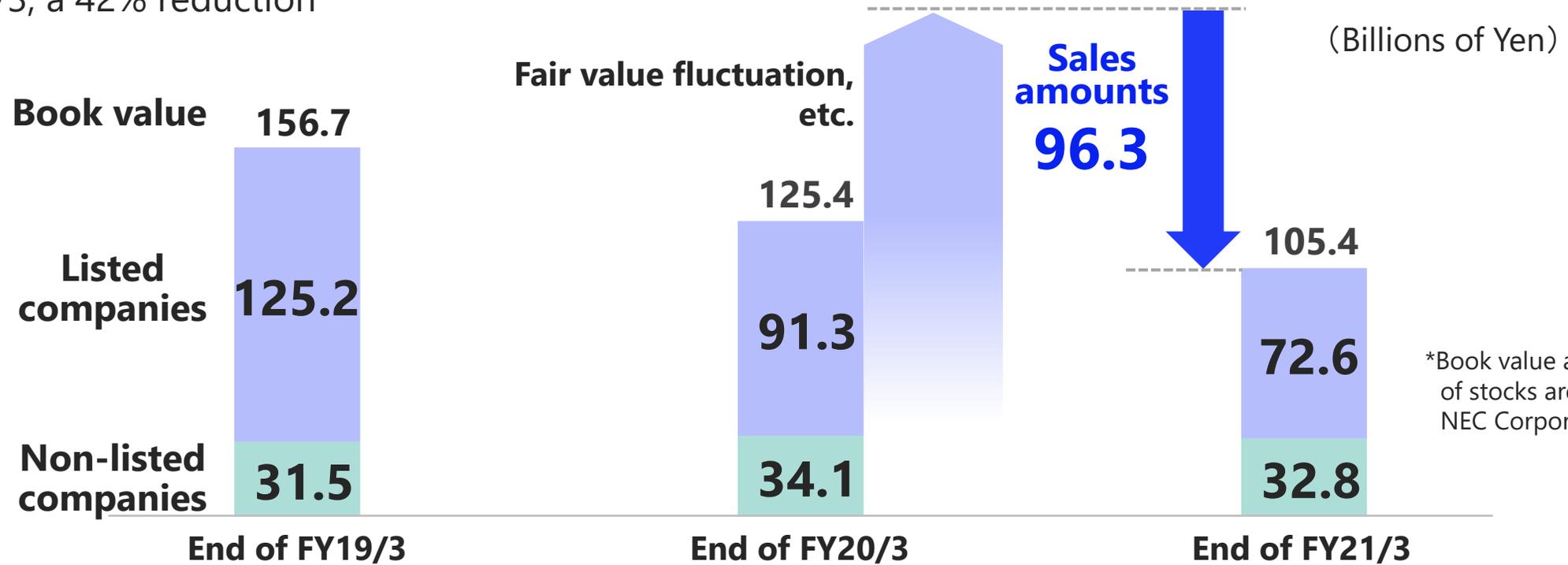
Cash flow from investing activities

YoY - 38.5 (Excluding special factors +13.5)

- Completion of the investment for data centers and gain on sales of stocks, etc.: + Approx. 13.5
- Portfolio optimization : + Approx. 14.0
- Fixed assets optimization : + Approx. 35.0
- Sales of investment securities : + Approx. 97.0
- Avaloq acquisition: - Approx. 198.0

Sales of investment securities situation

- ◆ Promoting the activities to reduce the investment securities based on the principle of not holding strategic shares from April, 2020
- ◆ Contributed to free cash flows by generating 96.3 billion Yen by the sales of investment securities in FY21/3
- ◆ The number of stocks (listed companies shares) was reduced from 108 at the end of FY20/3 to 63 at the end of FY21/3, a 42% reduction



*Book value and the number of stocks are described by NEC Corporation basis

The number of shares
(Listed companies)

118

108

63

CCC promotion activities

- ◆ Promoting Cash Convergence Cycles (CCC) and achieved reduction of 12 days for “Generation of growth funds by reducing CCC” and “enhancement of management considering capital efficiencies” from FY19/3

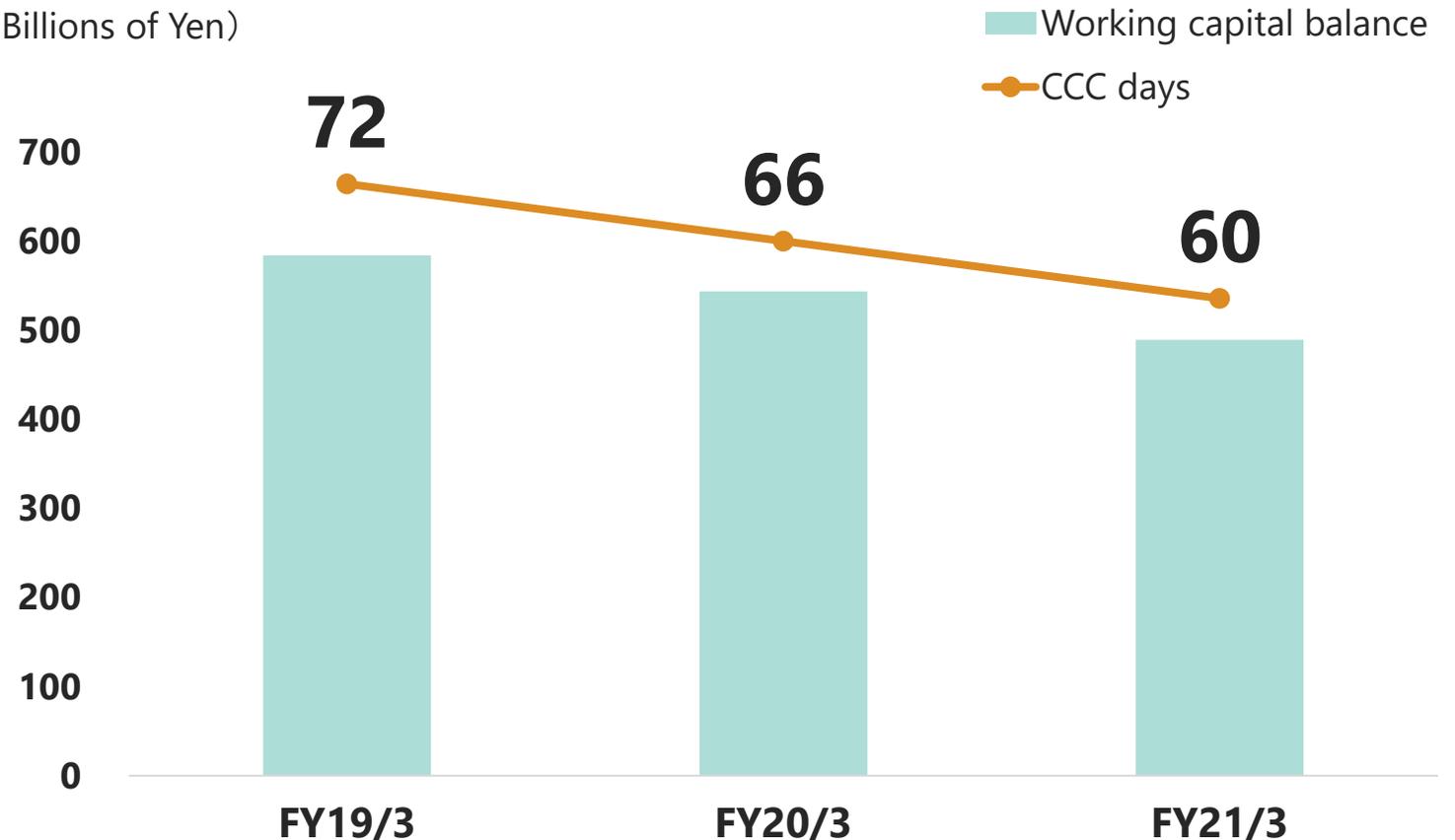
Main actions

- Started pilot operations and deployed to the entire company
- Activities on site by cross-functional team from sales to manufacturing
- Share improvement ideas



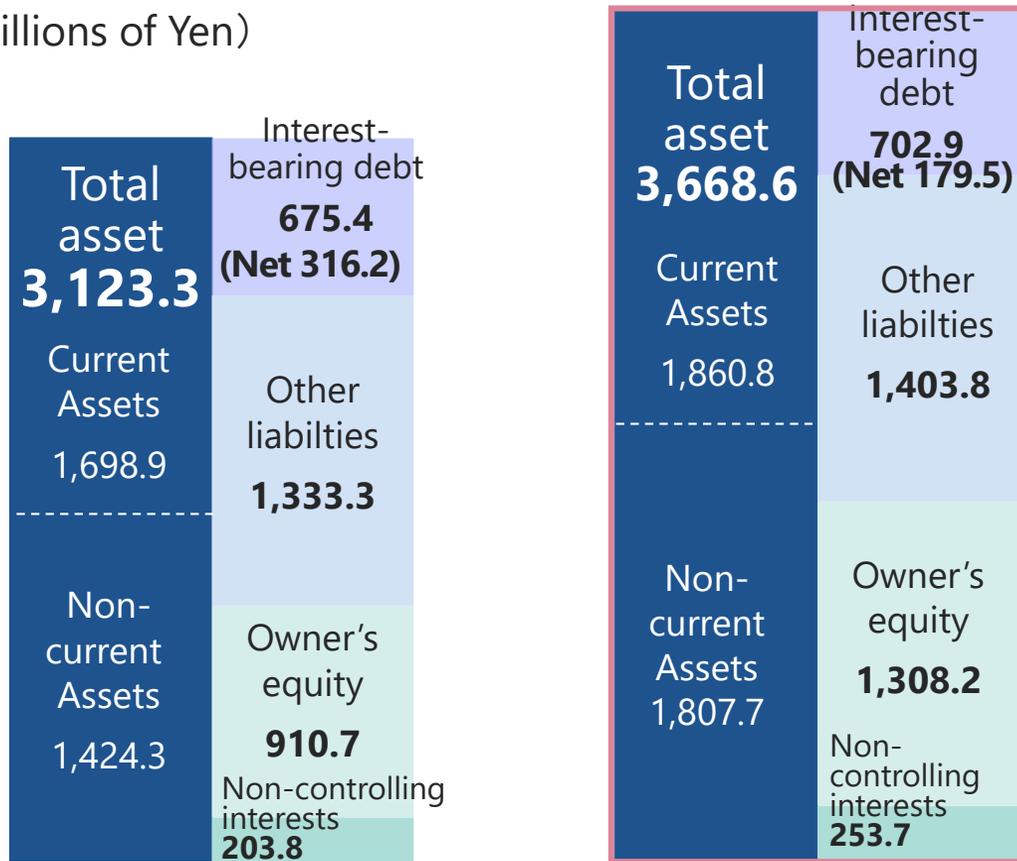
Clarify responsible persons,
goals and implement mea

(Billions of Yen)



Statements of Financial Position (At the end of March, 2021)

(Billions of Yen)



End of March, 2020

29.2%
0.35 times

End of March, 2021

35.7%
0.14 times

- ◆ Net interest-bearing debt has been significantly reduced by generating free cash flows driven by CCC improvement activities, sales of investment securities and asset sales
- ◆ Owner's equity increased by improvement in operations and acceptance of funds, etc. (Owner's equity ratio 35.7%)
- ◆ Net D/E ratio decreased to 0.14 times

Owner's equity ratio
Net D/E ratio

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II. Financial Results for FY21/3 (Appendix)

Adjustments to Operating Profit

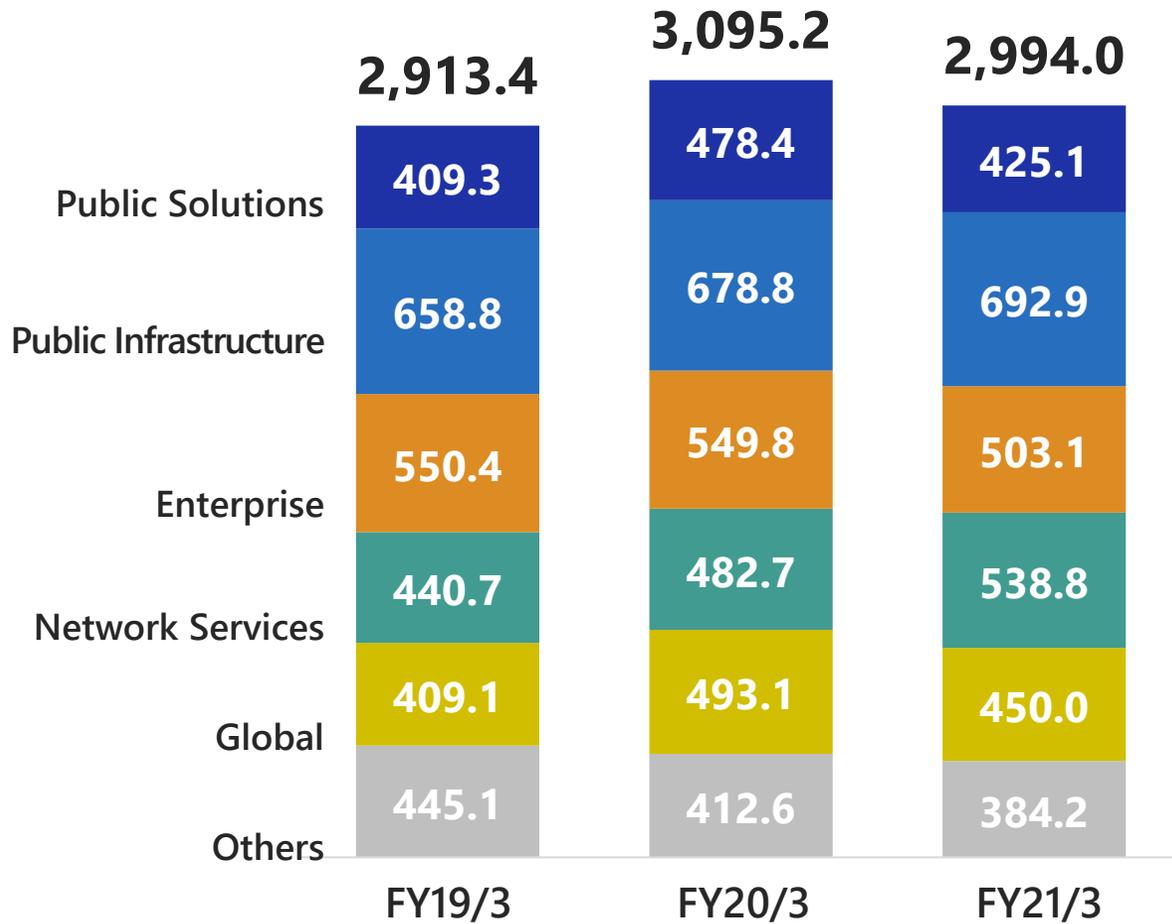
(Billions of Yen)

	FY20/3		FY21/3		YoY	
	4 Q	Full Year	4 Q	Full Year	4 Q	Full Year
Operating Profit	49.7	127.6	71.4	153.8	+21.7	+26.2
Adjusted items	5.4	18.2	9.8	24.5	+4.4	+6.3
Amortization of intangible asset through acquisition	4.5	17.0	9.0	22.8	+4.6	+5.8
M&A related expenses	1.0	1.2	0.8	1.7	-0.2	+0.5
Adjusted Operating Profit	55.1	145.8	81.2	178.2	+26.1	+32.4

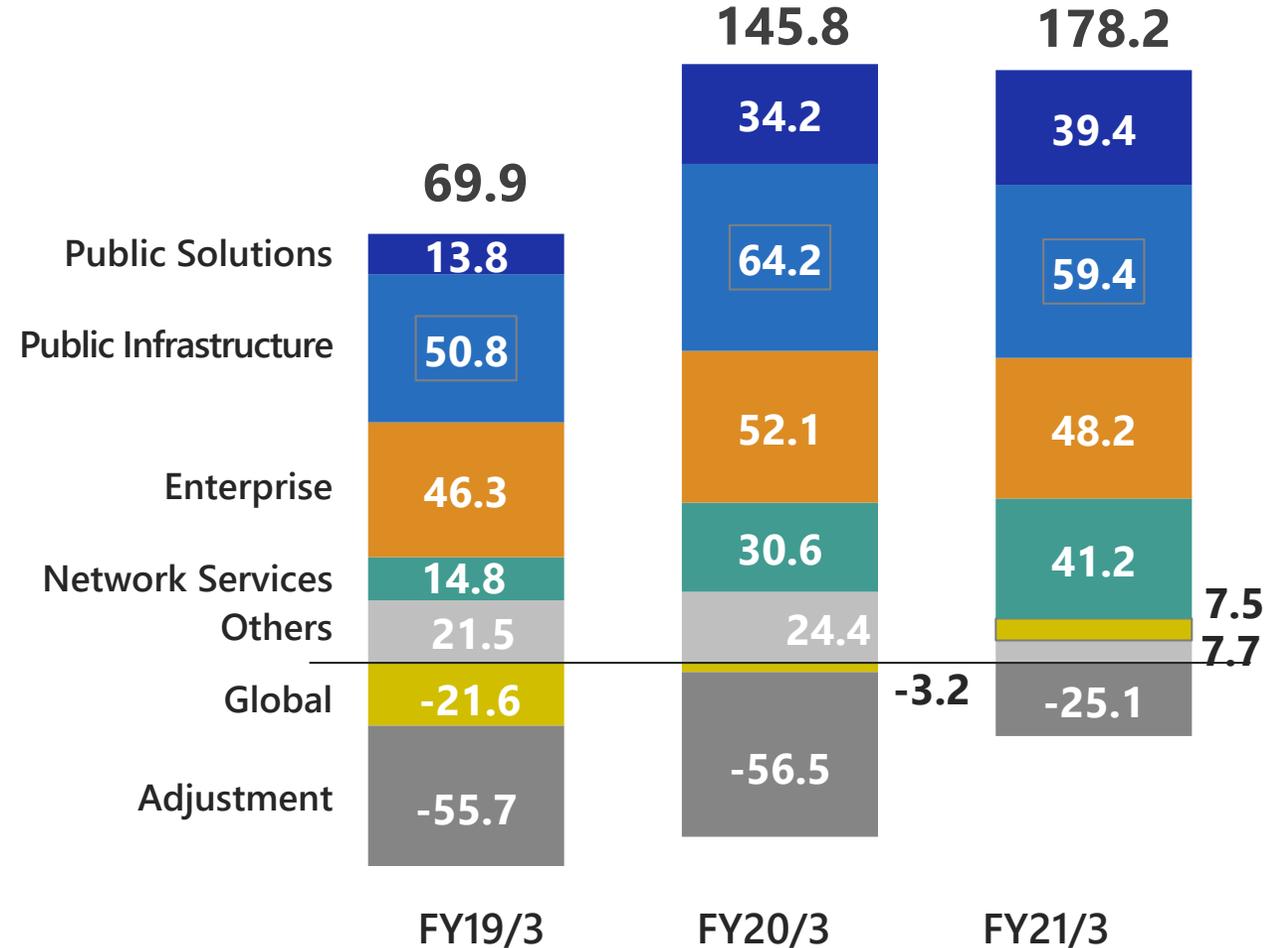
Financial Results by Segment (three-year transition)

Revenue

(Billions of Yen)



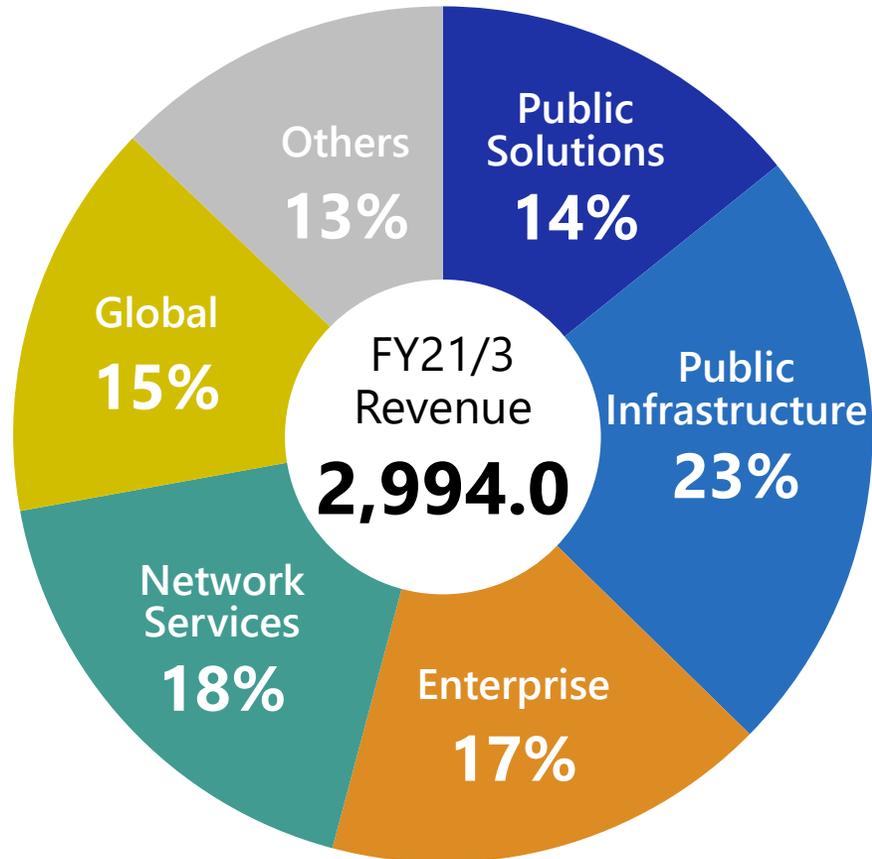
Adjusted Operating Profit / Loss (Billions of Yen)



Financial Results by Segment

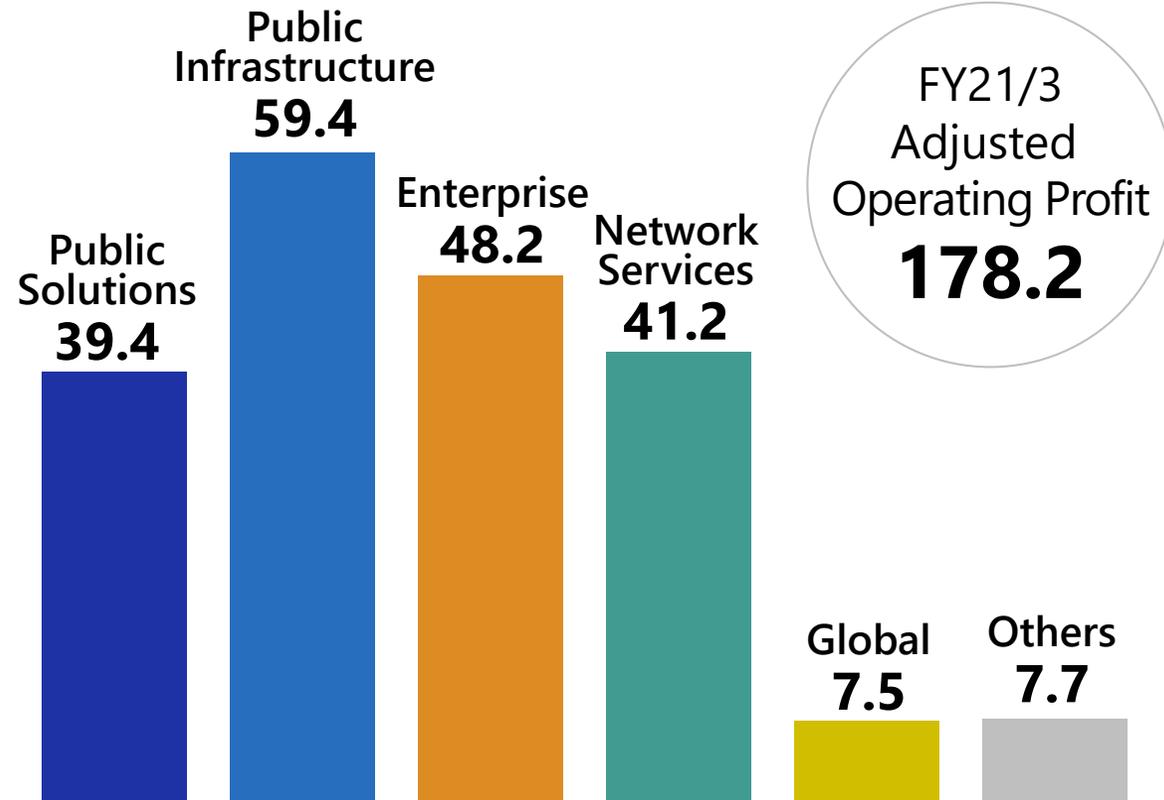
Revenue

(Billions of Yen)



Adjusted Operating Profit

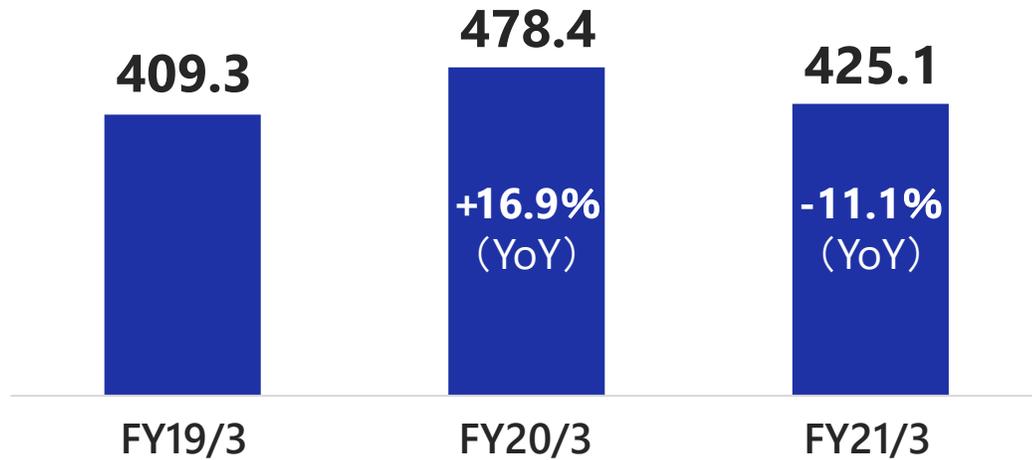
(Billions of Yen)



Public Solutions Business

Revenue

(Billions of Yen)

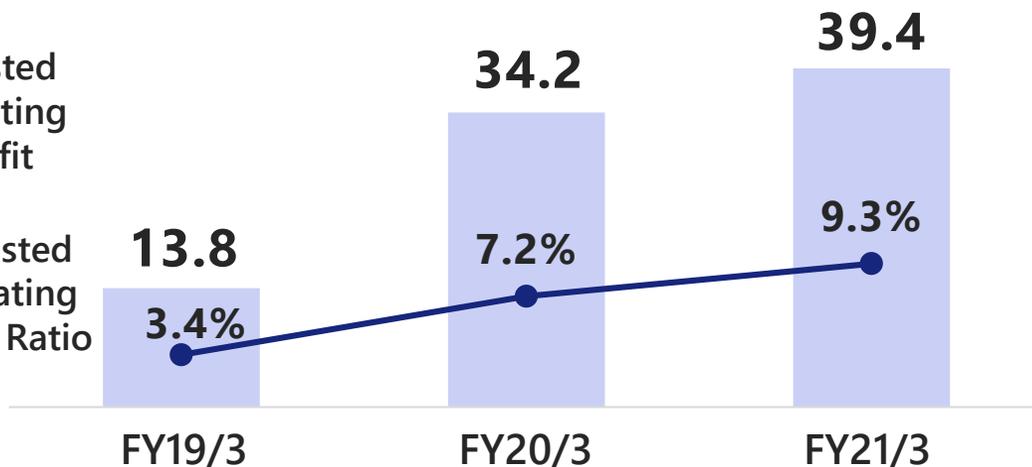


Revenue 425.1 (-11.1%)

- Decreased due to decline in healthcare and local industry as well as fall in demand for business PC replacement although firefighting / disaster prevention areas were solid

Adjusted Operating Profit

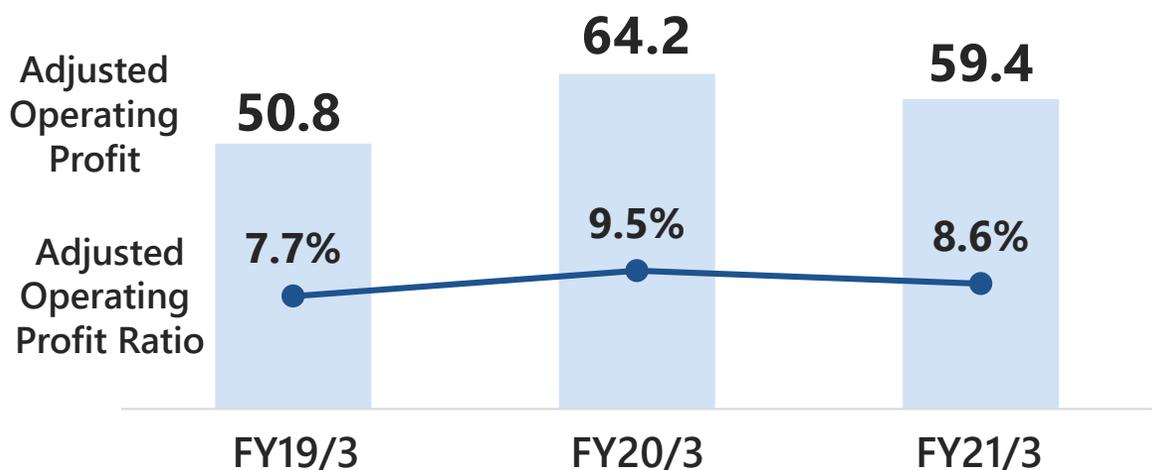
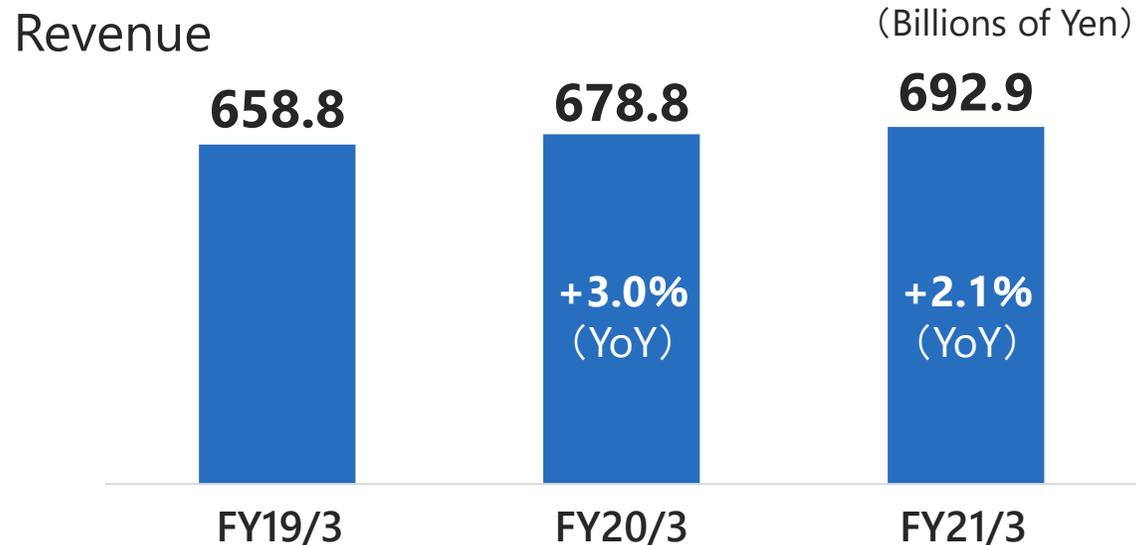
Adjusted Operating Profit Ratio



Adjusted Operating Profit 39.4 (+5.1)

- Increased due to cost reduction, improvement of unprofitable projects and a decrease in one-time costs recorded in FY20/3, despite decline in revenue

* Figures in parentheses are compared to the previous year



Revenue 692.9 (+2.1%)

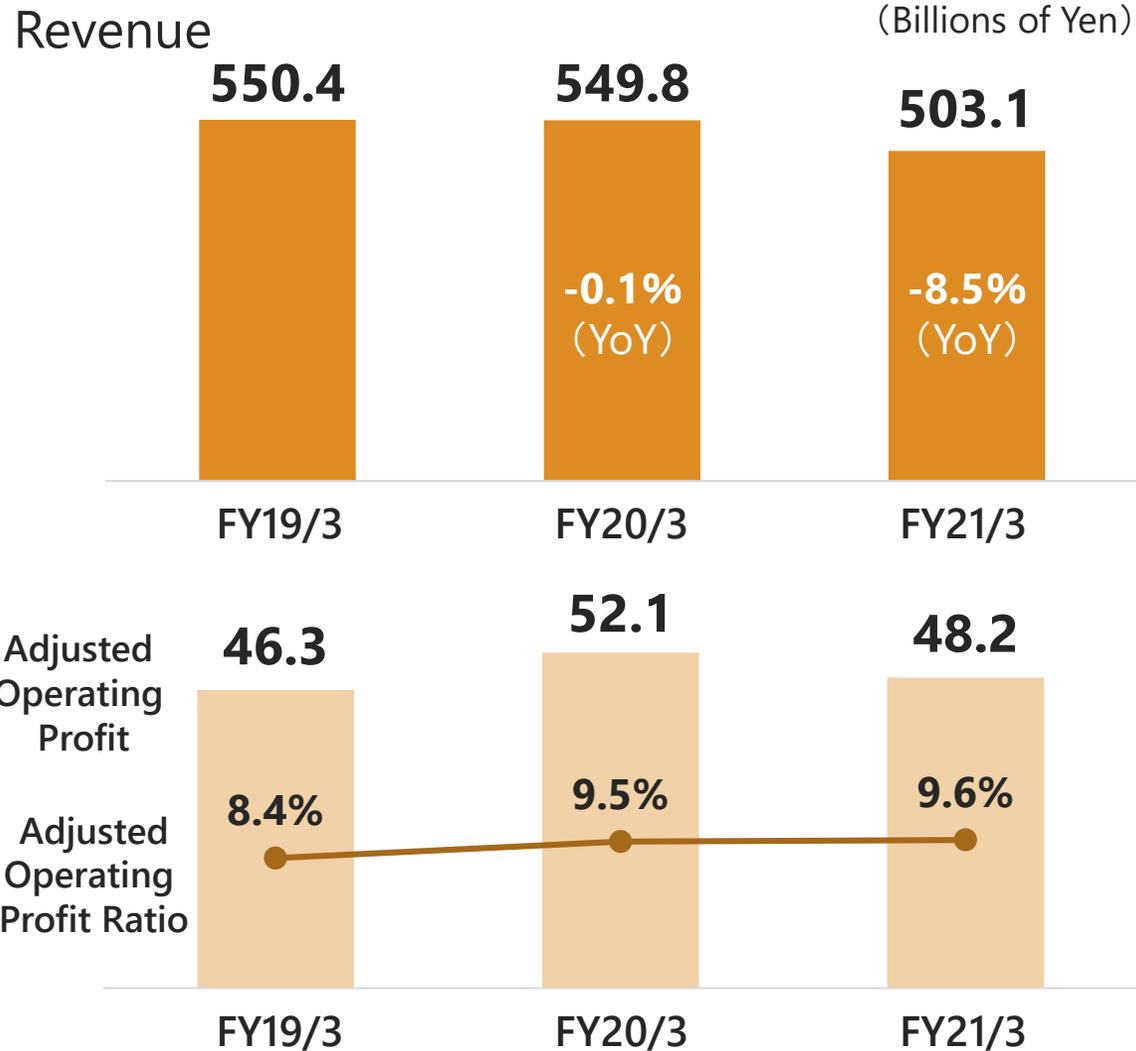
- Increased in NEC Corporation due to increase in PCs for educational institutes from the "GIGA school project"
- Same level as FY20/3 in a consolidated subsidiary

Adjusted Operating Profit 59.4 (-4.8)

- Increased in NEC Corporation due to increase in revenue and a decrease in one-time costs recorded in FY20/3
- Decreased in a consolidated subsidiary

* Figures in parentheses are compared to the previous year

Enterprise Business



Revenue 503.1 (-8.5%)

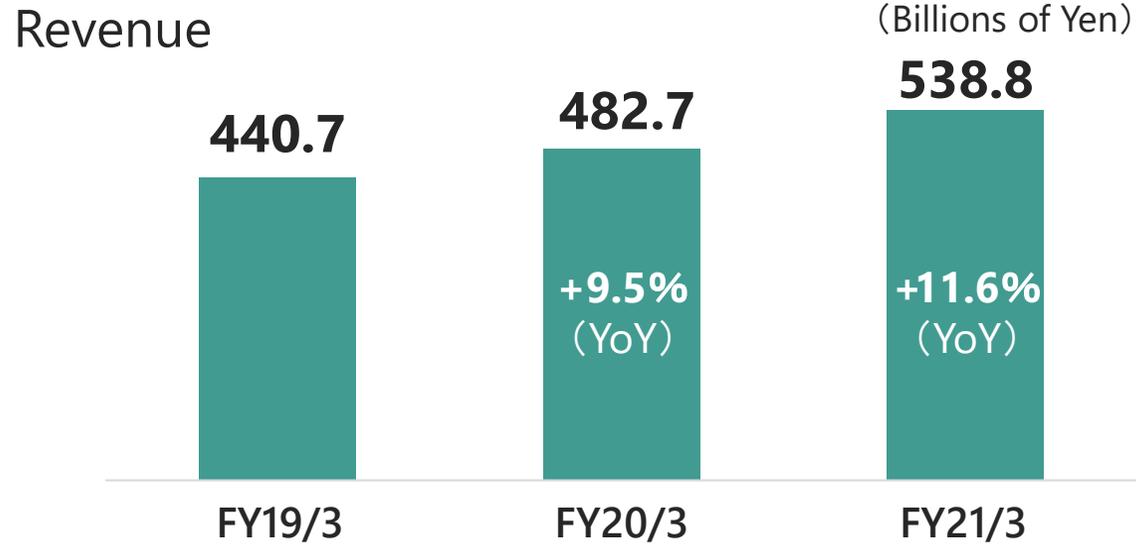
- Decreased due to declines in large projects compared to FY20/3 and demand for business PC replacement as well as restraint of corporate IT investment in manufacturing, retail and service industries

Adjusted Operating Profit 48.2 (-3.9)

- Decreased due to decline in revenue, despite improvement of unprofitable projects and cost reduction

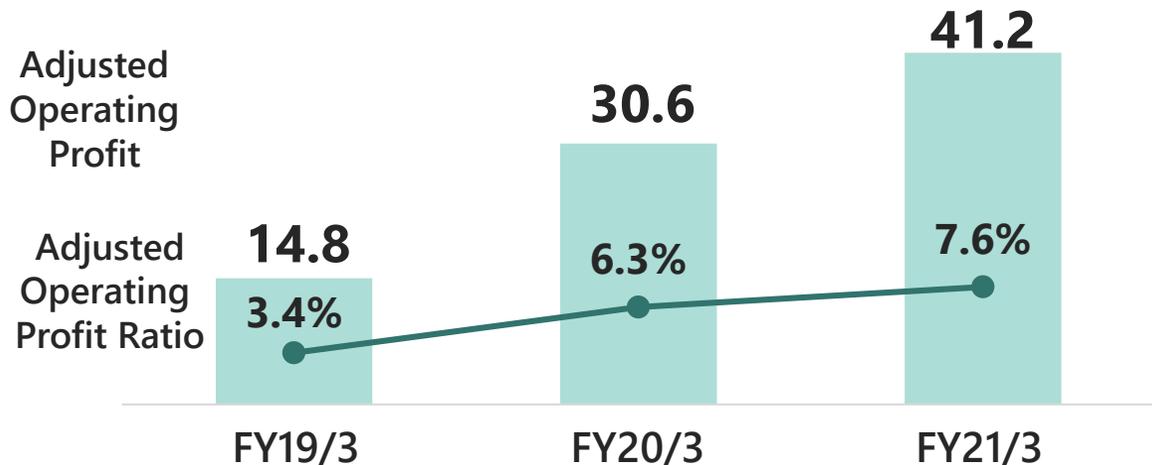
* Figures in parentheses are compared to the previous year

Network Services Business



Revenue 538.8 (+11.6%)

- Increased due to increase in mobile network and fixed wired network in light of 5G introduction, as well as increase in a consolidated subsidiary



Adjusted Operating Profit 41.2 (+10.6)

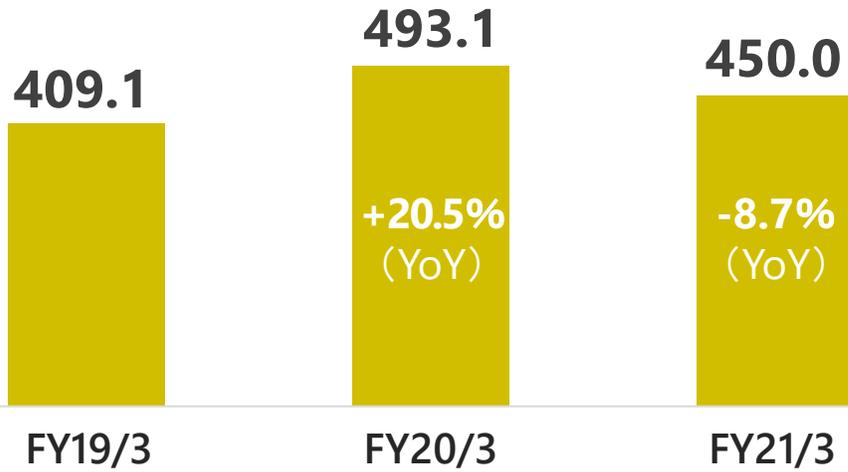
- Increased due to increased revenue, despite increased 5G-related investments

* Figures in parentheses are compared to the previous year

Global Business

Revenue: YoY

(Billions of Yen)

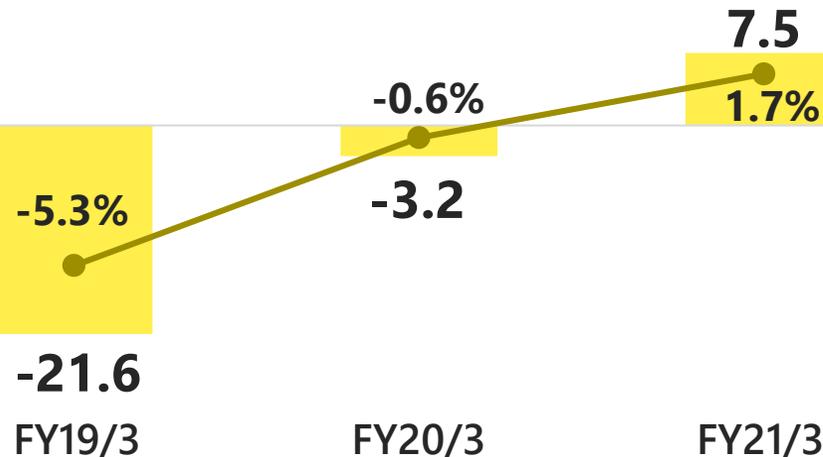


Revenue 450.0 (-8.7%)

- Decreased due to the deconsolidation of Display despite an increase in Submarine Systems and an increase in Safer Cities due to new consolidation of Avaloq

Adjusted Operating Profit / Loss

Adjusted Operating Profit Ratio



Adjusted Operating Profit 7.5 (+10.7)

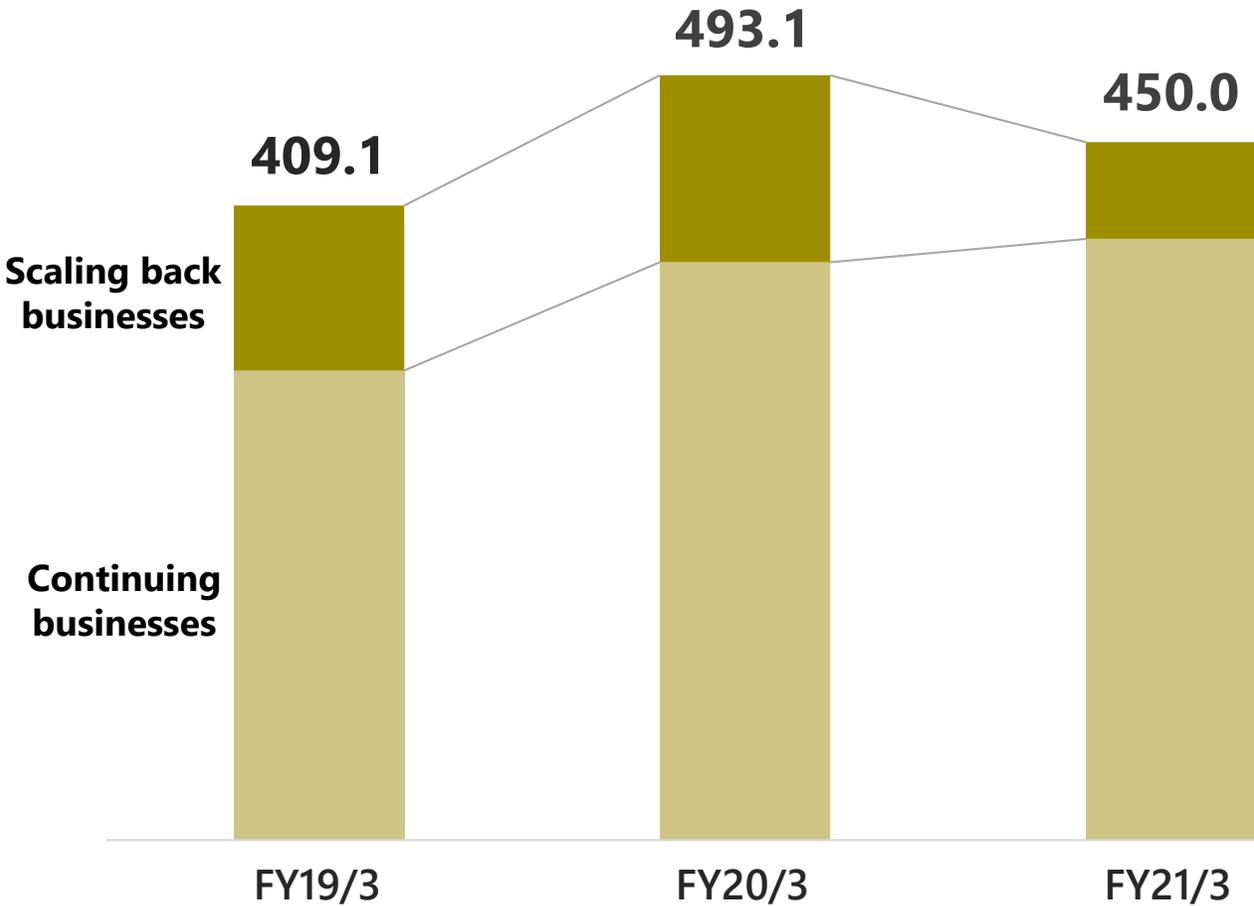
- Increased due to an improvement in profitability of Service Provider Solutions and Safer Cities, as well as a decrease in one-time costs recorded in FY20/3

* Figures in parentheses are compared to the previous year

Global Business status

Revenue

(Billions of Yen)



Scaling back businesses

- Energy
- Display
- A part of KMD: the terminated business anticipated at the time of acquisition (*)

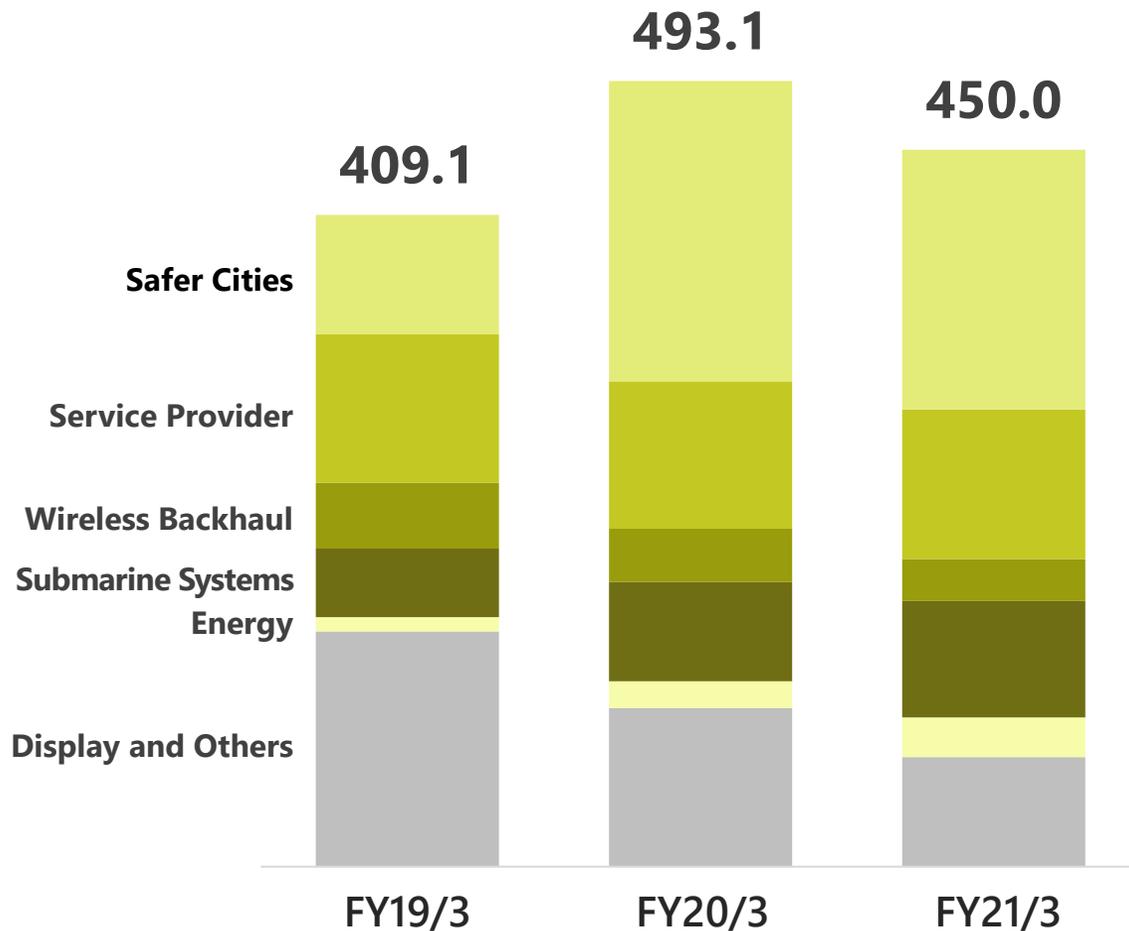
Continuing businesses

- Safer Cities (except above *)
- Service Provider
- Wireless Backhaul
- Submarine Systems

Global Business status

Revenue

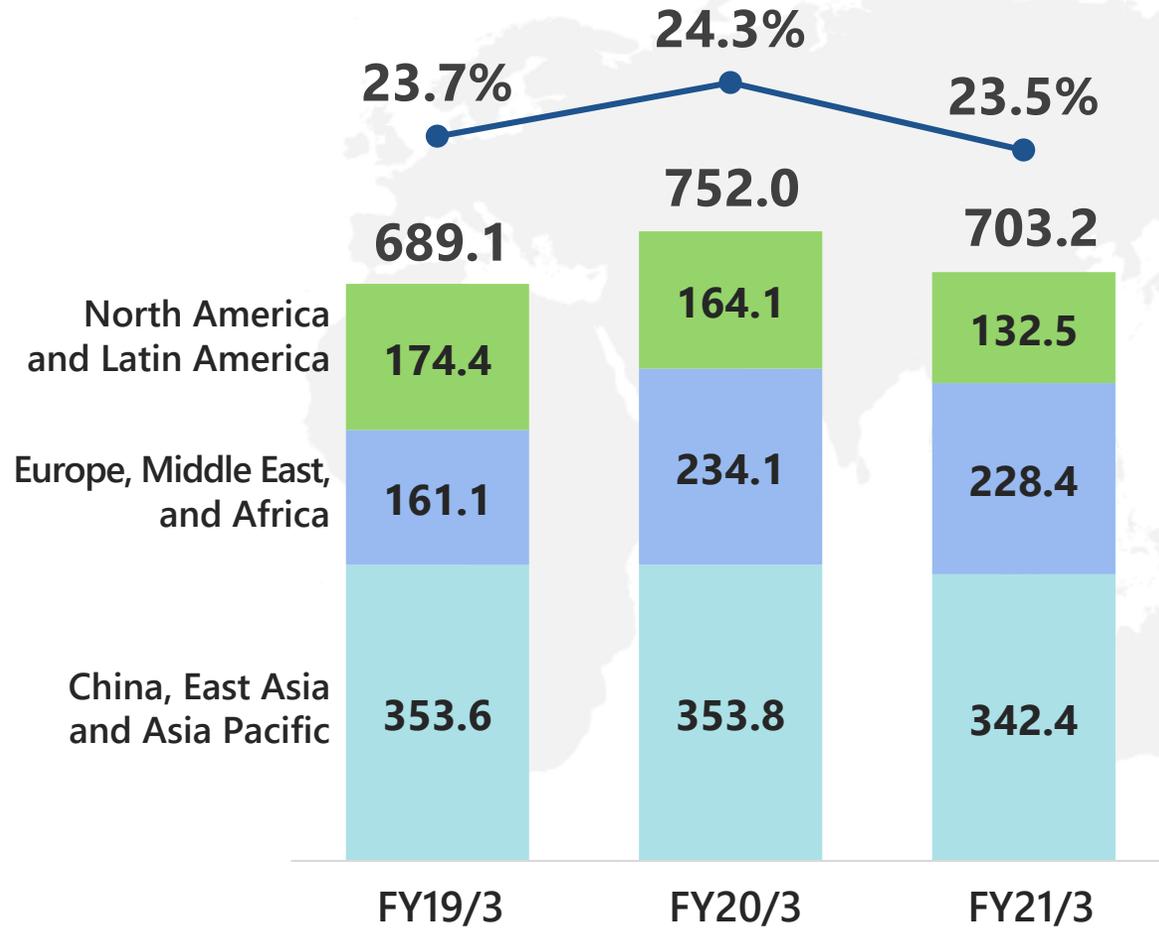
(Billions of Yen)



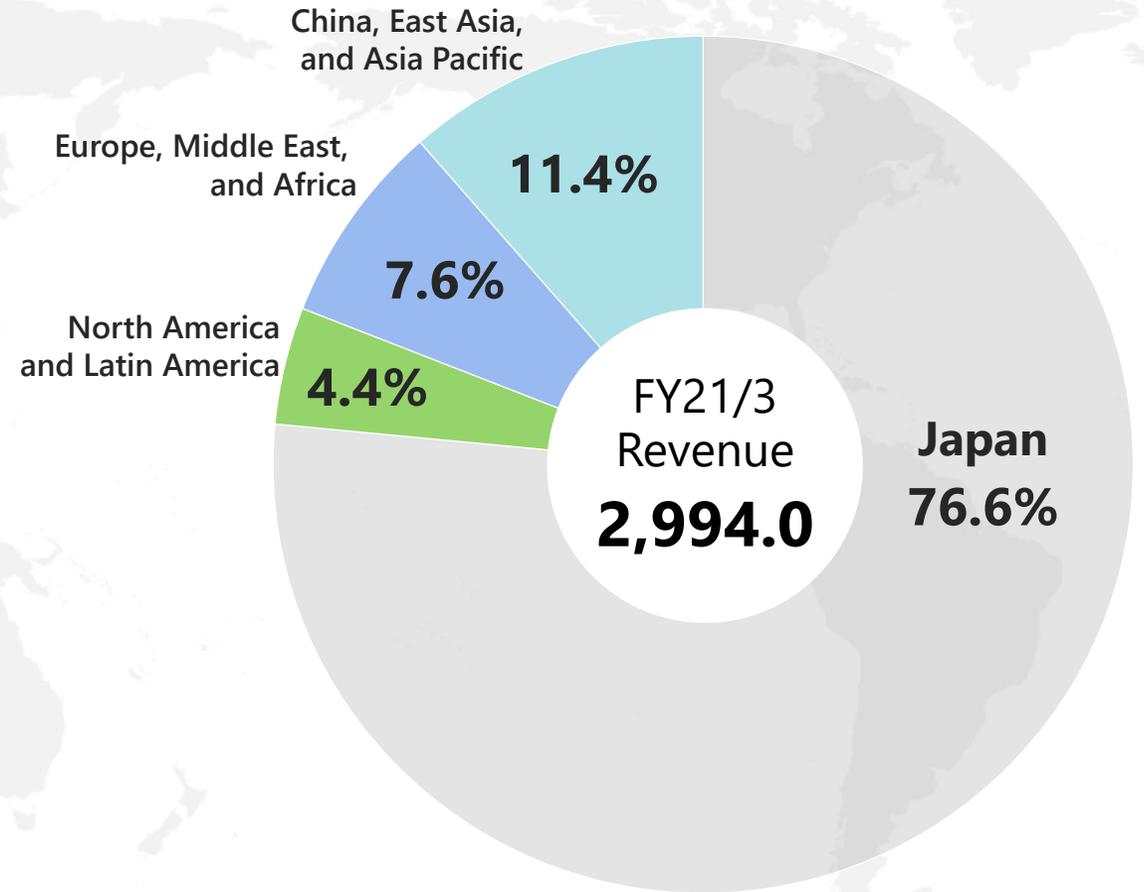
- ◆ **Safer Cities**
Increased due to new consolidation of Avaloq, despite termination of a part of KMD's business which was foreseen at the time of acquisition
- ◆ **Service Provider**
Same level as FY20/3
- ◆ **Wireless Backhaul**
Decreased along with market deterioration
- ◆ **Submarine Systems**
Increased with sale of new project
- ◆ **Energy**
Increased due to previously ordered project sales
- ◆ **Display**
Decreased due to deconsolidation and market deterioration

International Revenue

International Revenue Ratio (Billions of Yen)



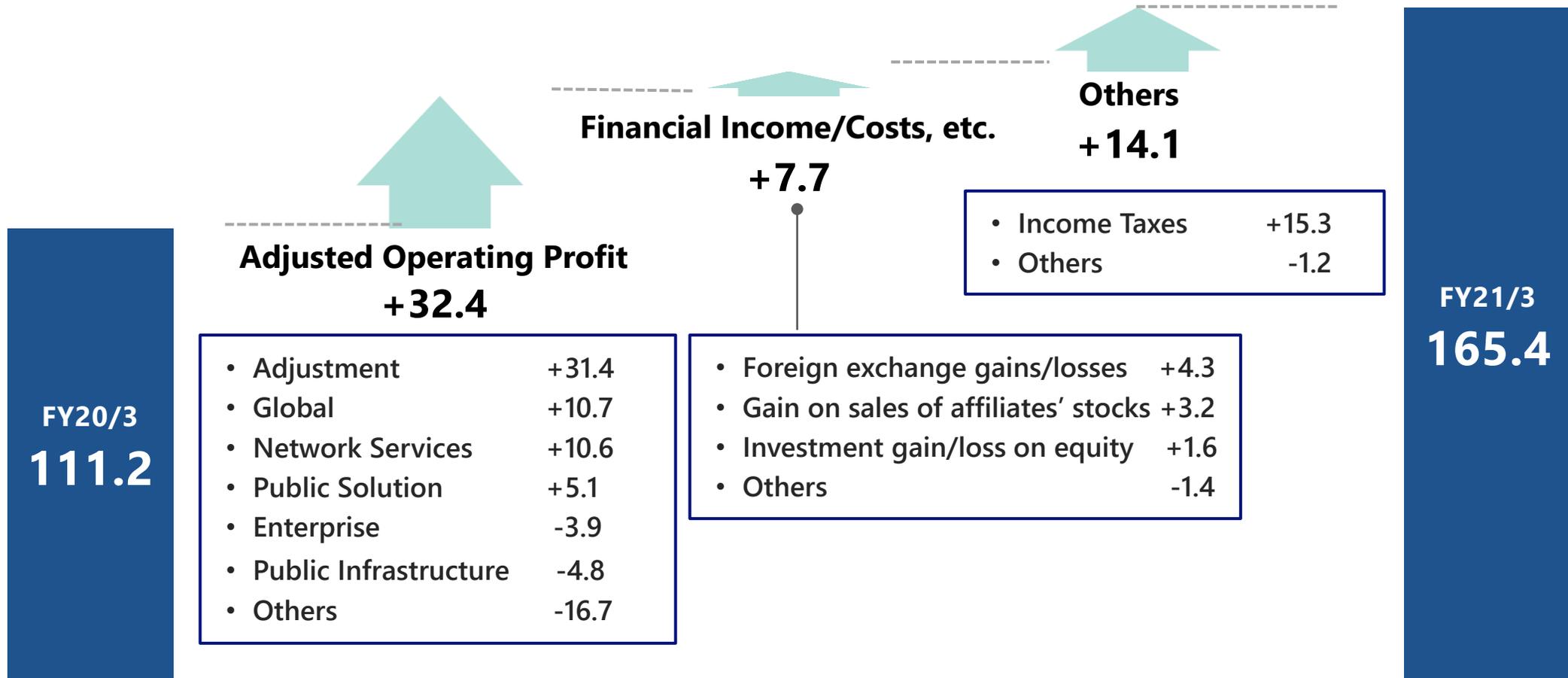
Revenue by Region



* Revenue, based on the location of customers, are classified by country or region.

Adjusted Net Profit Change (Year on Year)

(Billions of Yen)



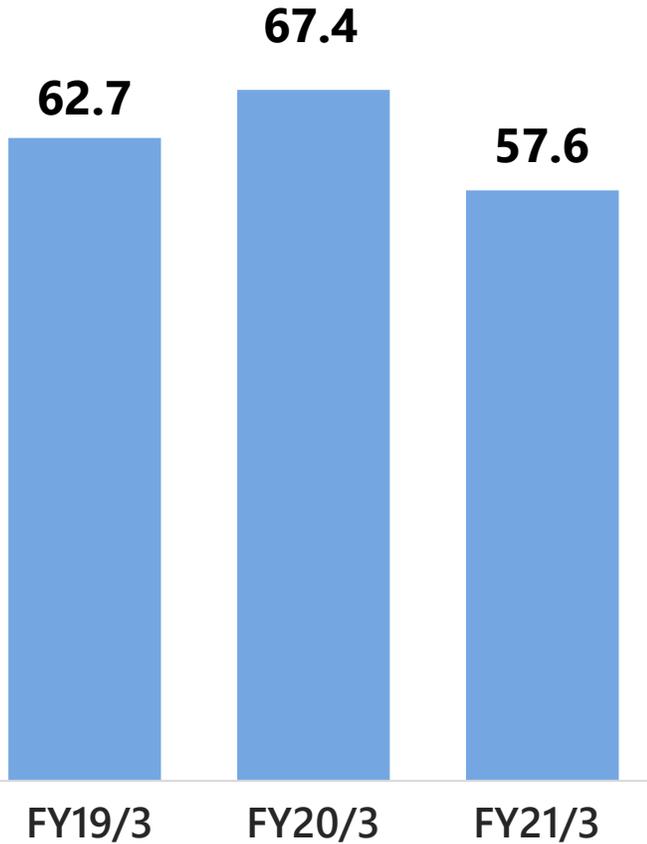
Financial Position Data

(Billions of Yen)

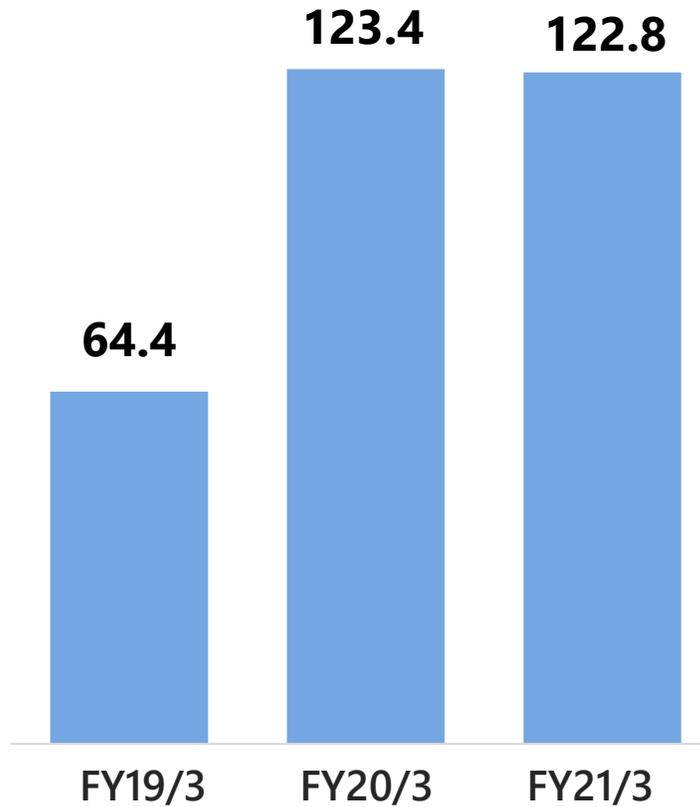
	FY20/3	FY21/3	FY21/3
Total Assets	3,123.3	3,668.6	+ 545.3
Total Equity	1,114.5	1,561.8	+ 447.3
Interest-bearing Debt	675.4	702.9	+ 27.4
Equity attributable to owners of the parent	910.7	1,308.2	+ 397.5
Ratio of equity attributable to owners of the parent (%)	29.2%	35.7%	+ 6.5pt
D / E Ratio (times)	0.74	0.54	+ 0.20pt
Net D / E Ratio (times)	0.35	0.14	+ 0.21pt
Cash and Cash Equivalents	359.3	523.3	+ 164.1

Capital Expenditure, Depreciation and R&D Expenses

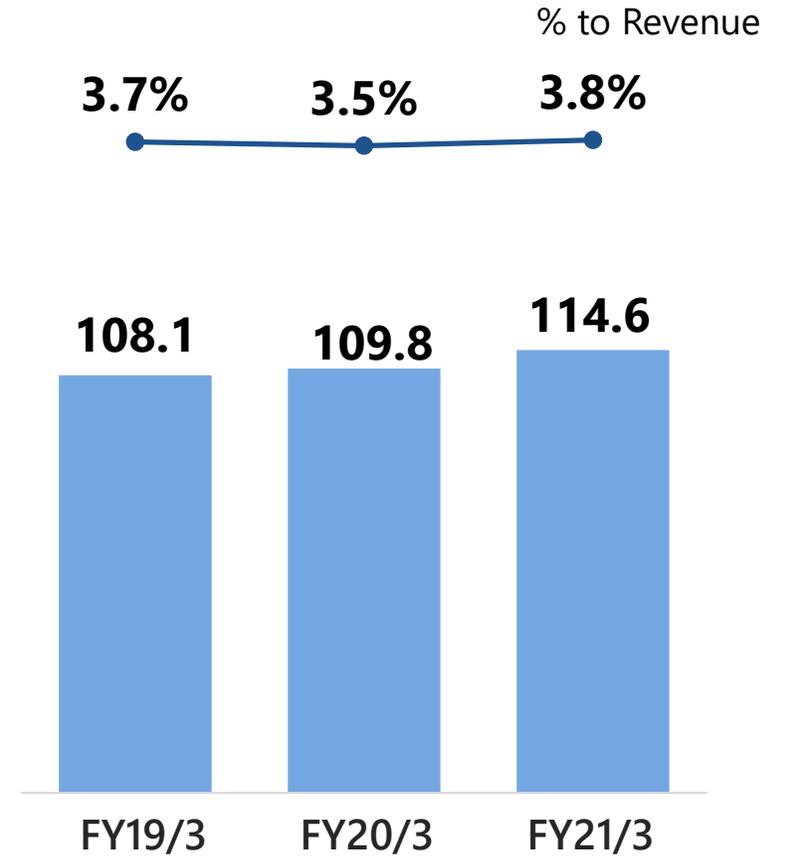
Capital Expenditure
(Property, Plant and Equipment)



Depreciation



(Billions of Yen)
R&D Expenses



* Depreciation in FY19/3 does not include the impact of applying IFRS 16 Lease

II. Financial Results for Q4, FY21/3 (Appendix)

Summary of Financial Results

Q4
Results

(Billions of Yen)

	Q4 <January to March>		
	FY20/3 Actual	FY21/3 Actual	YoY
Revenue	919.6	949.6	+ 3.3%
Operating Profit	49.7	71.4	+ 21.7
% to Revenue	5.4%	7.5%	
Adjusted Operating Profit	55.1	81.2	+ 26.1
% to Revenue	6.0%	8.6%	
Net Profit	50.8	95.1	+ 44.3
% to Revenue	5.5%	10.0%	
Adjusted Net Profit	54.3	101.7	+ 47.4
% to Revenue	5.9%	10.7%	

Free Cash Flows	+ 128.6	+ 260.6	+ 132.0
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Note: Average Exchange Rates (Yen)	USD / JPY	109.53	104.30
	EUR /JPY	120.87	126.62

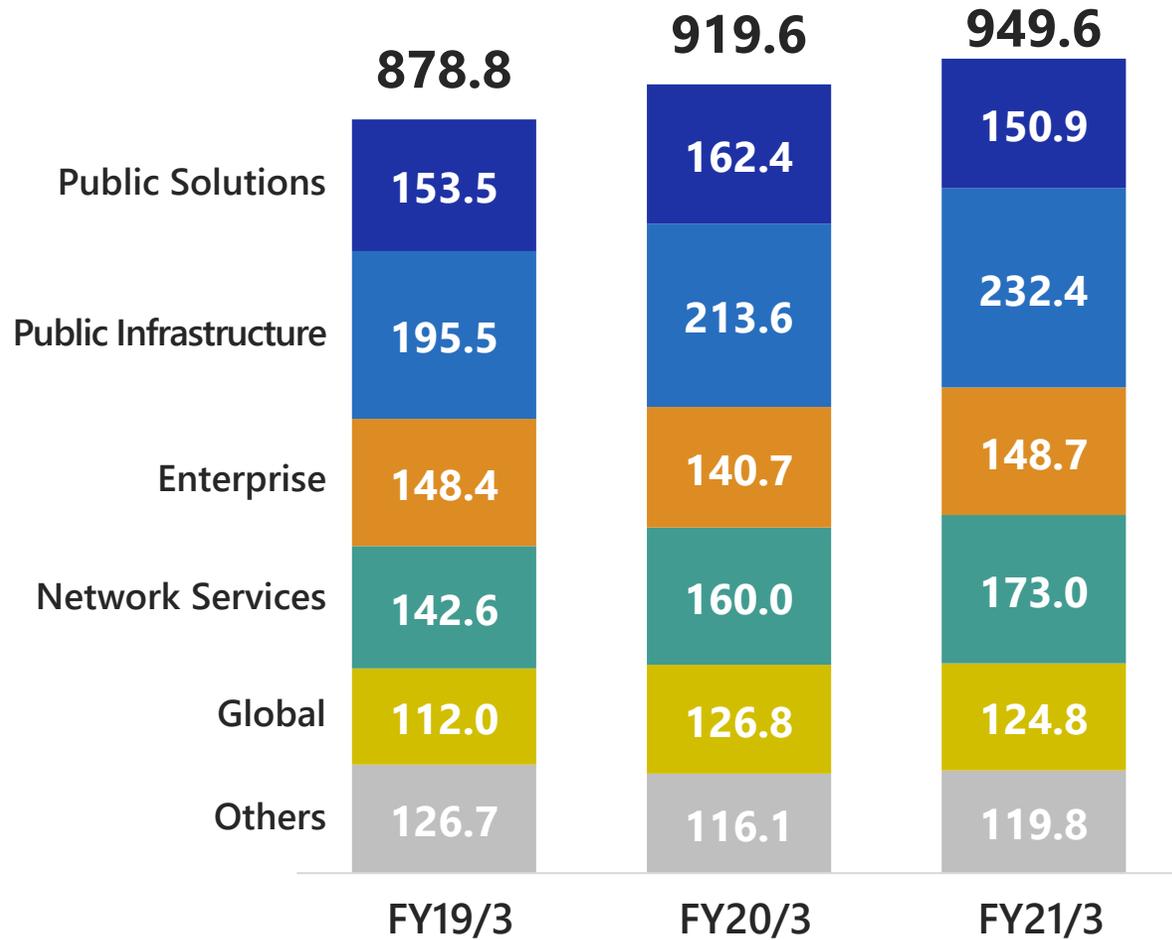
Dividend per Share (Yen)	40	50	+ 10
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		Q4 <January to March>		
		FY20/3 Actual	FY21/3 Actual	YoY
Public Solutions	Revenue	162.4	150.9	- 7.1%
	Adjusted Operating Profit	16.3	27.9	+ 11.6
	% to Revenue	10.0%	18.5%	
Public Infrastructure	Revenue	213.6	232.4	+ 8.8%
	Adjusted Operating Profit	21.8	24.1	+ 2.3
	% to Revenue	10.2%	10.4%	
Enterprise	Revenue	140.7	148.7	+ 5.6%
	Adjusted Operating Profit	15.8	22.0	+ 6.2
	% to Revenue	11.2%	14.8%	
Network Services	Revenue	160.0	173.0	+ 8.1%
	Adjusted Operating Profit	16.8	21.3	+ 4.5
	% to Revenue	10.5%	12.3%	
Global	Revenue	126.8	124.8	- 1.6%
	Adjusted Operating Profit/Loss	- 4.7	- 0.6	+ 4.2
	% to Revenue	-3.7%	-0.5%	
Others	Revenue	116.1	119.8	+ 3.2%
	Adjusted Operating Profit	1.3	- 1.9	- 3.2
	% to Revenue	1.1%	-1.6%	
Adjustment	Adjusted Operating Profit/Loss	- 12.2	- 11.7	+ 0.5
Total	Revenue	919.6	949.6	+ 3.3%
	Adjusted Operating Profit	55.1	81.2	+ 26.1
	% to Revenue	6.0%	8.6%	

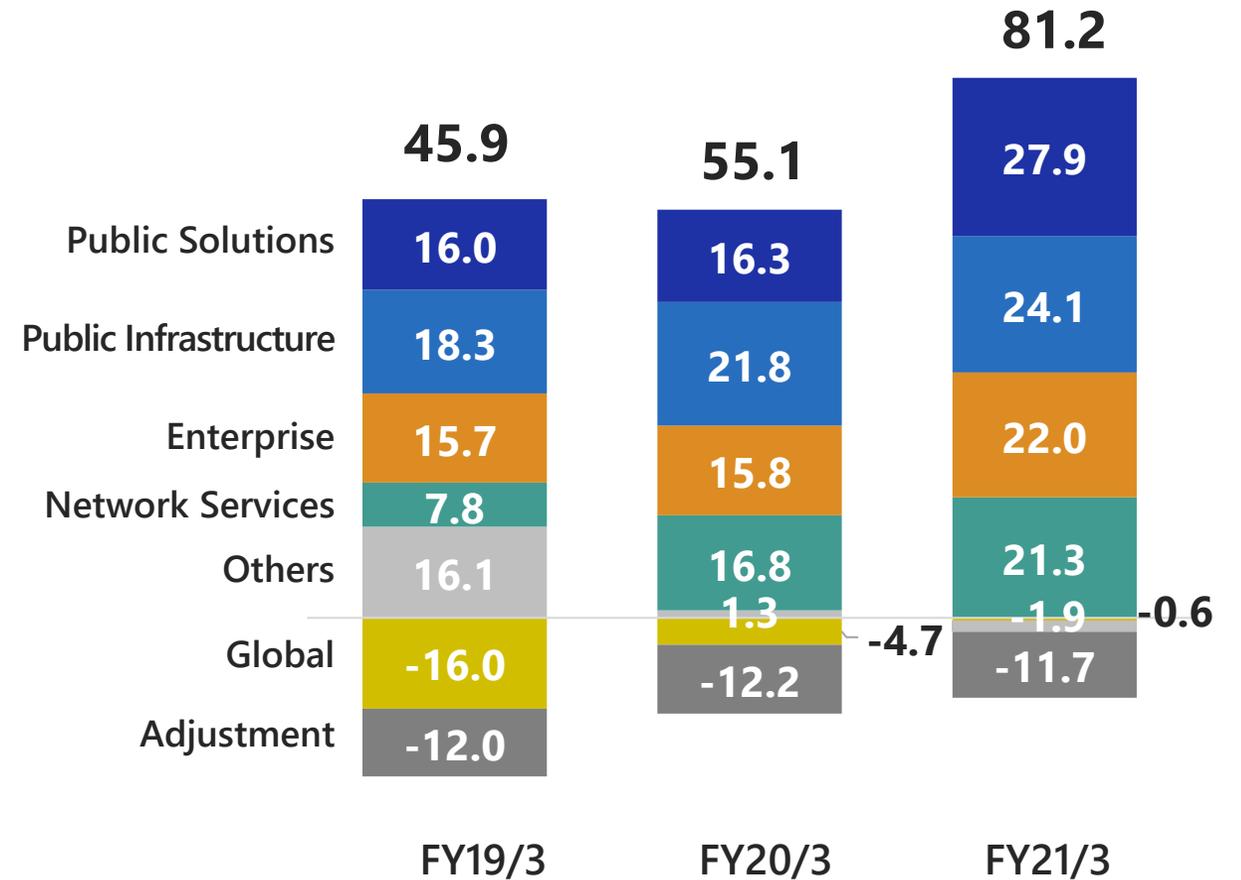
Financial Results by Segment (three-year transition)

Revenue

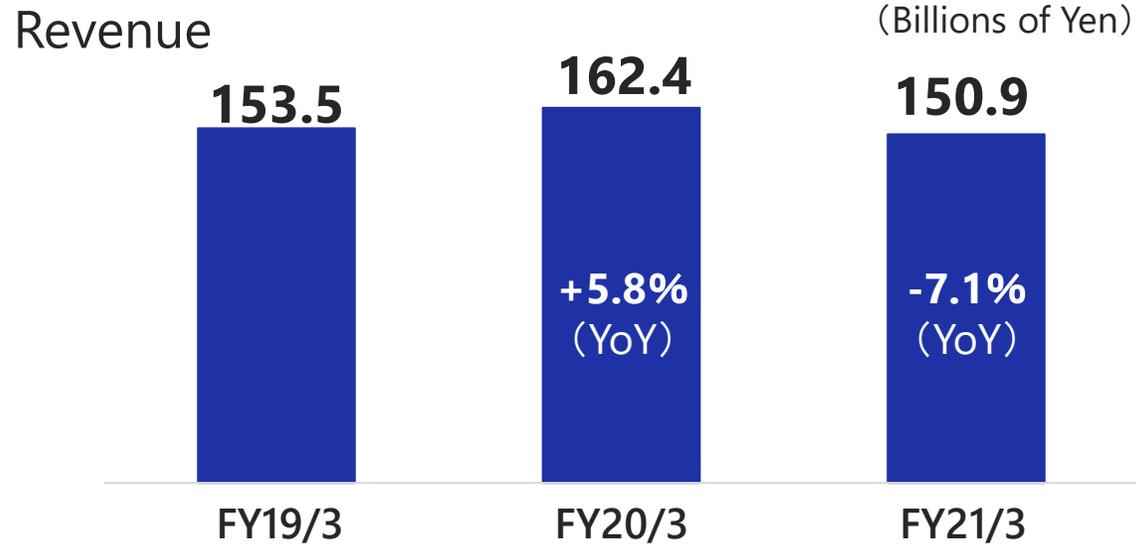
(Billions of Yen)



Adjusted Operating Profit / Loss (Billions of Yen)

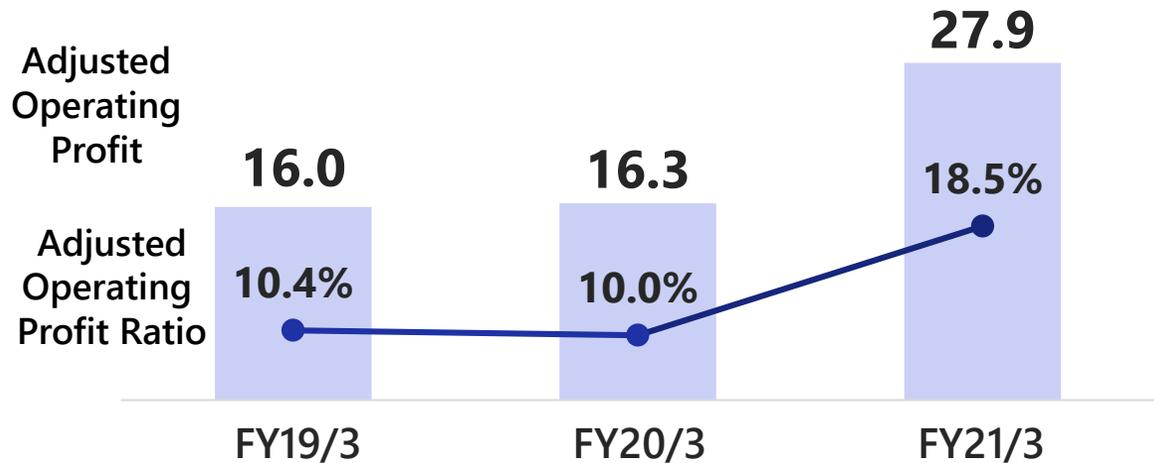


Public Solutions Business



Revenue 150.9 (-7.1%)

- Decreased due to decline in healthcare and local industry as well as fall in demand for business PC replacement although firefighting / disaster prevention areas were solid



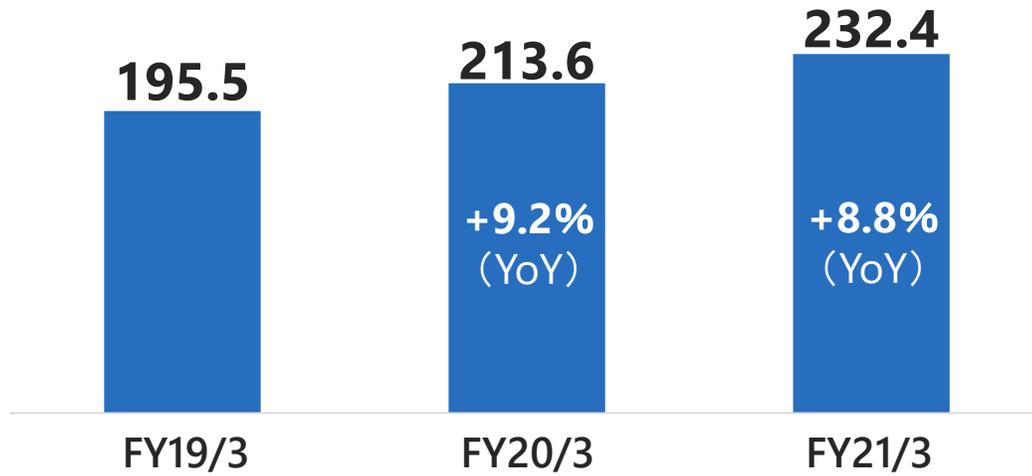
Adjusted Operating Profit 27.9 (+11.6)

- Increased due to cost reduction, improvement of unprofitable projects and a decrease in one-time costs recorded in FY20/3, despite decline in revenue

* Figures in parentheses are compared to the previous year

Revenue

(Billions of Yen)

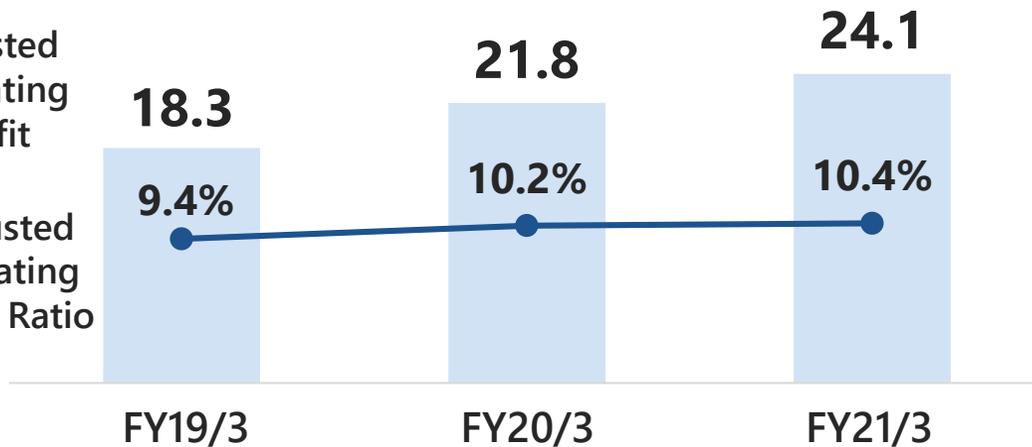


Revenue 232.4 (+8.8%)

- Increased in NEC Corporation due to increase in PCs for educational institutes from the “GIGA school project”
- Increased in a consolidated subsidiary

Adjusted Operating Profit

Adjusted Operating Profit Ratio

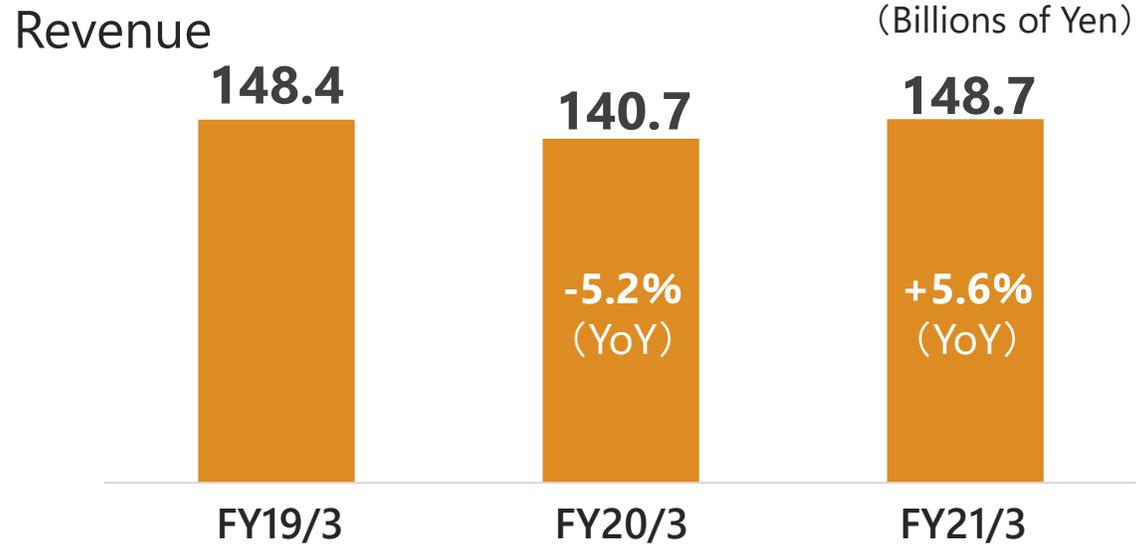


Adjusted Operating Profit 24.1 (+2.3)

- Increased in NEC Corporation due to a decrease in one-time costs recorded in FY20/3
- Increased in a consolidated subsidiary

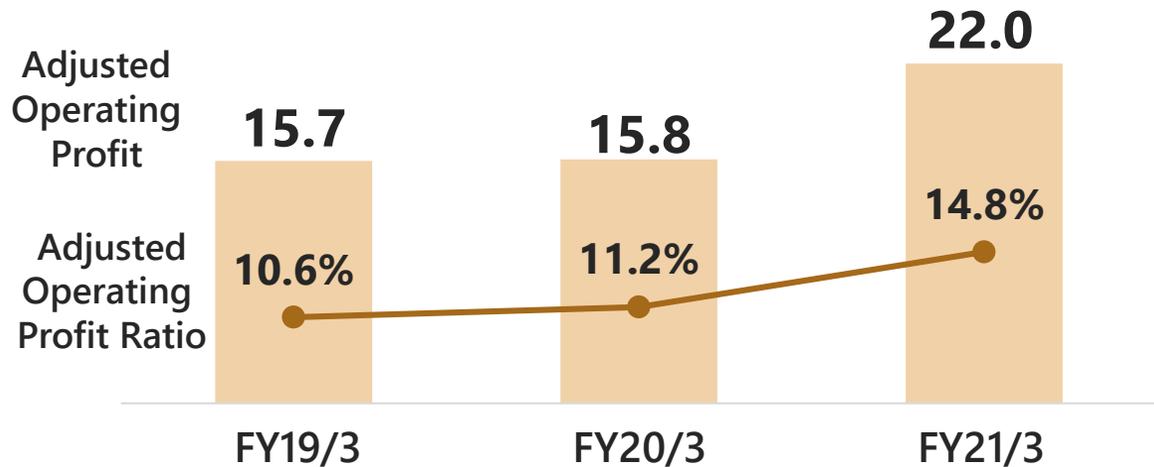
* Figures in parentheses are compared to the previous year

Enterprise Business



Revenue 148.7 (+5.6%)

- Increased due to market recovery



Adjusted Operating Profit 22.0 (+6.2)

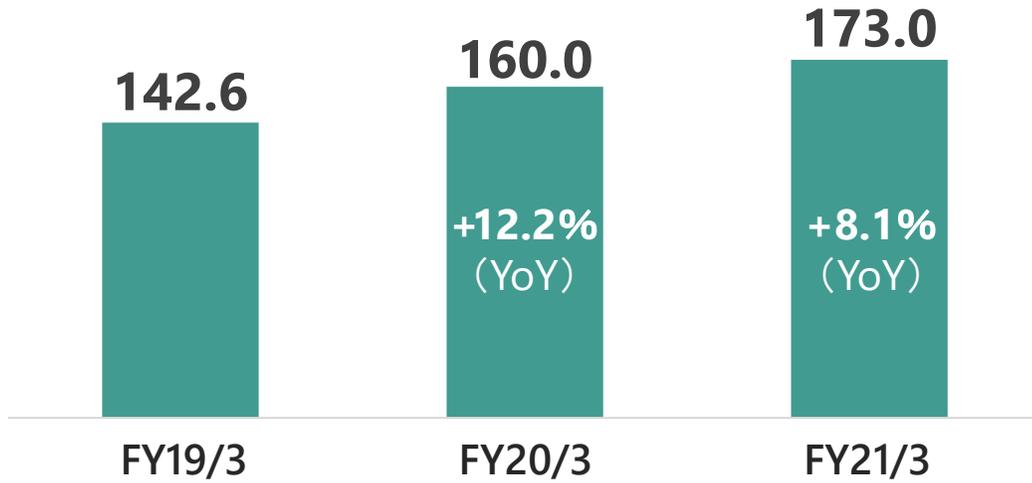
- Increased due to increased revenue, as well as improvement of unprofitable projects and cost reduction

* Figures in parentheses are compared to the previous year

Network Services Business

Revenue

(Billions of Yen)

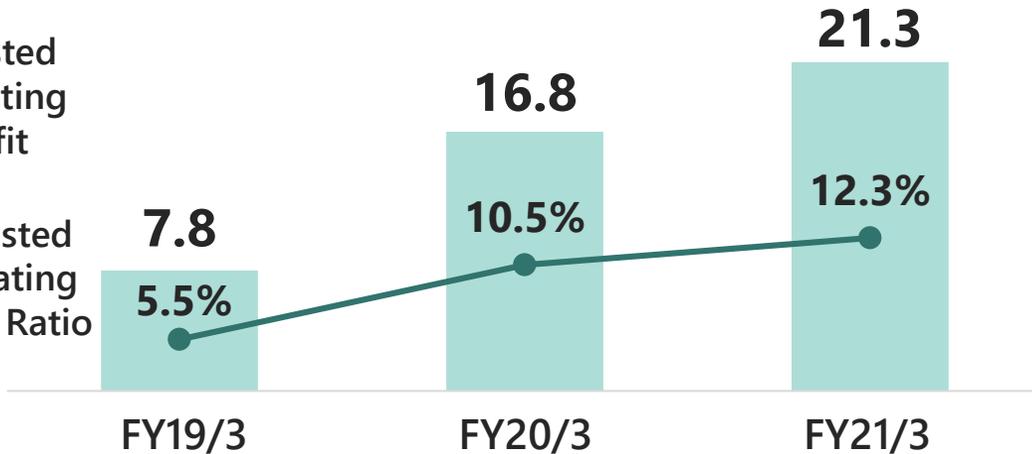


Revenue 173.0 (+8.1%)

- Increased due to increase in mobile network and fixed wired network in light of 5G introduction, as well as increase in a consolidated subsidiary

Adjusted Operating Profit

Adjusted Operating Profit Ratio



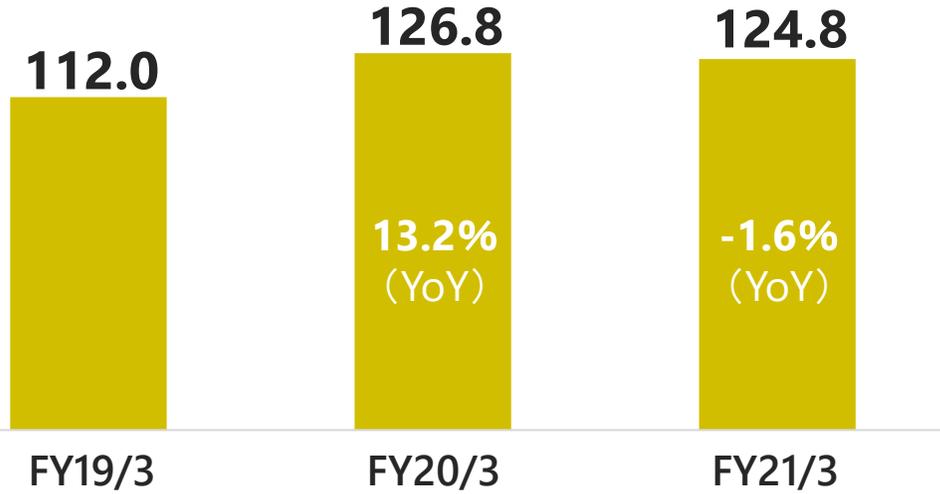
Adjusted Operating Profit 21.3 (+4.5)

- Increased due to increased revenue, despite increased 5G related investments

* Figures in parentheses are compared to the previous year

Revenue

(Billions of Yen)

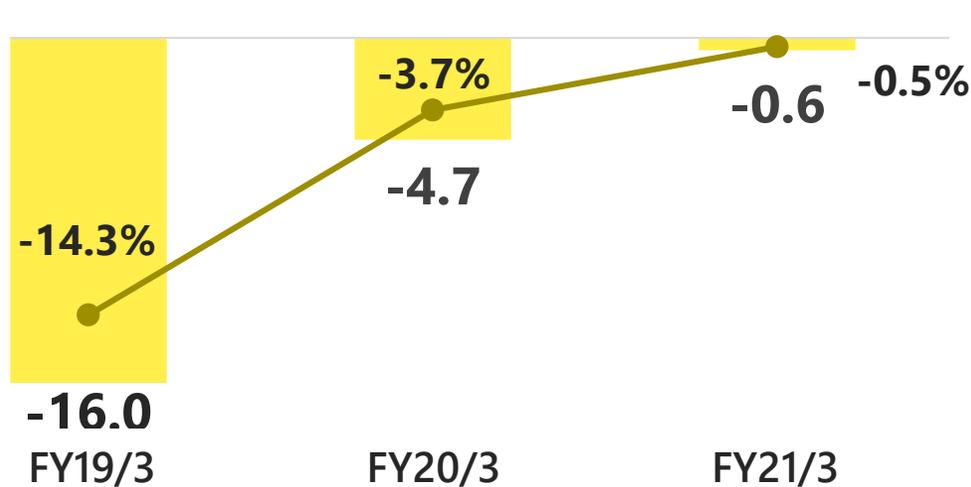


Revenue 124.8 (-1.6%)

- Decreased due to the deconsolidation of Display despite an increase in Safer Cities due to new consolidation of Avaloq

Adjusted Operating Profit / Loss

Adjusted Operating Profit Ratio



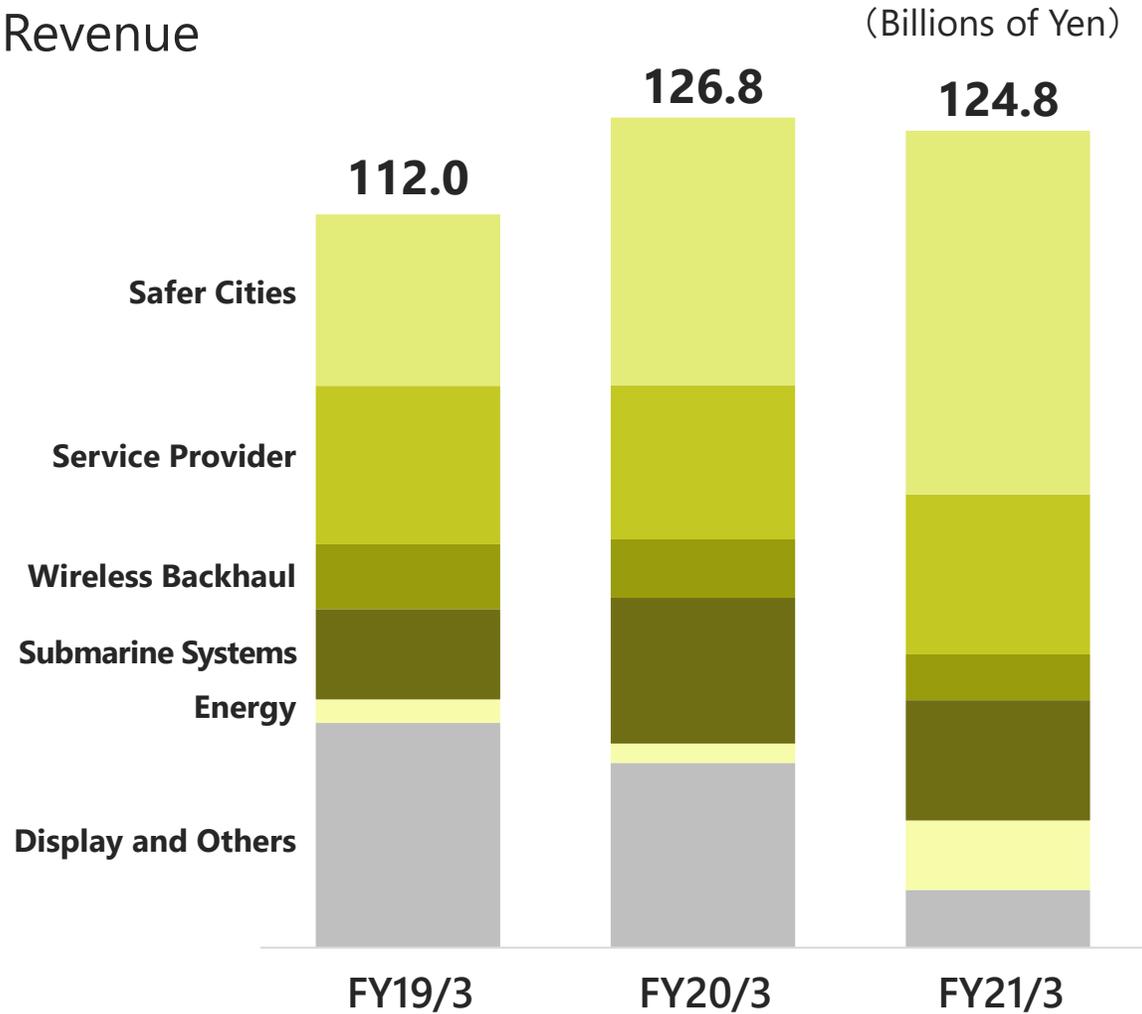
Adjusted Operating Profit / Loss -0.6 (+4.2)

- Increased due to an improvement in profitability of Service Provider Solutions and Safer Cities, as well as a decrease in one-time costs recorded in FY20/3

* Figures in parentheses are compared to the previous year

Global Business status

Revenue



- ◆ Safer Cities
Increased due to new consolidation of Avaloq
- ◆ Service Provider
Same level as FY20/3
- ◆ Wireless Backhaul
Decreased along with market deterioration
- ◆ Submarine Systems
Decreased compared to FY20/Q4
- ◆ Energy
Increased due to previously ordered project sales
- ◆ Display
Decreased due to deconsolidation

Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to the Company and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- adverse economic conditions in Japan or internationally;
- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- the recent outbreak of the novel coronavirus;
- potential inability to achieve the goals in the NEC Group's medium-term management plan;
- fluctuations in the NEC Group's revenue and profitability from period to period;
- difficulty achieving the benefits expected from acquisitions, business combinations and reorganizations;
- potential deterioration in the NEC Group's relationships with strategic partners or problems relating to their products or services;
- difficulty achieving the NEC Group's growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group's industry and to commercialize new technologies;
- intense competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group's concentrated customer base;
- difficulties with respect to new businesses;
- potential failures in the products and services the NEC Group provides;
- potential failure to procure components, equipment or other supplies;
- difficulties protecting the NEC Group's intellectual property rights;
- potential inability to obtain certain intellectual property licenses;
- the NEC Group's customers may encounter financial difficulties;
- difficulty attracting, hiring and retaining skilled personnel;
- difficulty obtaining additional financing to meet the NEC Group's funding needs;
- potential failure of internal controls;
- potentially costly and time-consuming legal proceedings;
- risks related to regulatory change and uncertainty;
- risks related to environmental laws and regulations;
- information security and data protection concerns and restrictions;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- risks related to corporate governance and social responsibility requirements;
- risks related to natural disasters, public health issues, armed hostilities and terrorism;
- risks related to the NEC Group's pension assets and defined benefit obligations; and
- risks related to impairment losses with regard to goodwill.

The forward-looking statements contained in this material are based on information that NEC possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect the NEC Group. NEC does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Note: In this presentation, the accounting periods of the fiscal years for March 31, 2020, 2021 and 2022 were referred as FY20/3, FY21/3 and FY22/3 respectively.

Any other fiscal years would be referred similarly.