Mid-term Management Plan 2025

May 12, 2021

NEC Corporation

http://www.nec.com/en/global/ir

1. Purpose Management

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1. Purpose Management

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\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.

NEC 2030VISION

Life

Bringing people together and filling each day with inspiration

Society

Nurturing prosperous cities with inclusive and harmonious societies

Creating sustainable societies by shaping new industries and workstyles

Sharing hopes that transcend time, space, and generational boundaries

Environment

Living harmoniously with the earth to secure the future

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NEC 2030VISION

Environment

Living harmoniously with the earth to secure the future

Realization of a decarbonized society

Implementation of global warming countermeasures

Guaranteeing food and water security

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NEC 2030VISION

Society

Nurturing prosperous cities with inclusive and harmonious societies

Creating sustainable societies by shaping new industries and workstyles

Sharing hopes that transcend time, space, and generational boundaries

Democratization of data use / Cities without traffic congestion and accidents

Government services from the consumer's perspective / Social stability

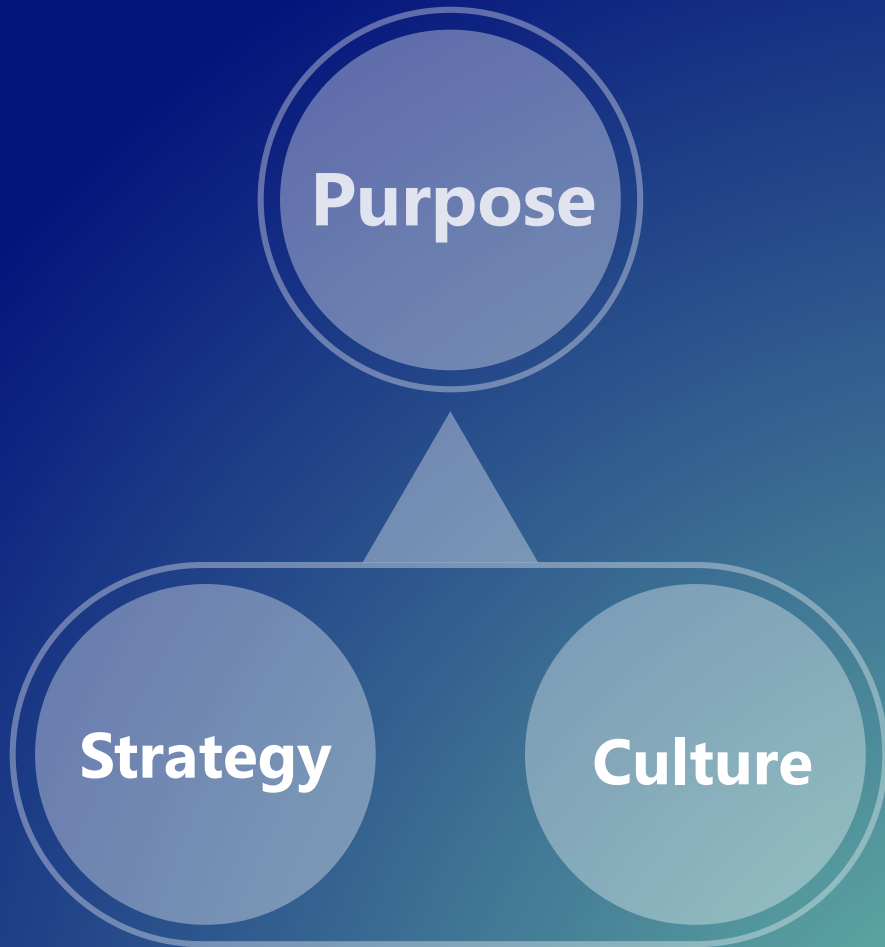Free and equal communication services / Safe and secure cyberspace

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NEC 2030VISION

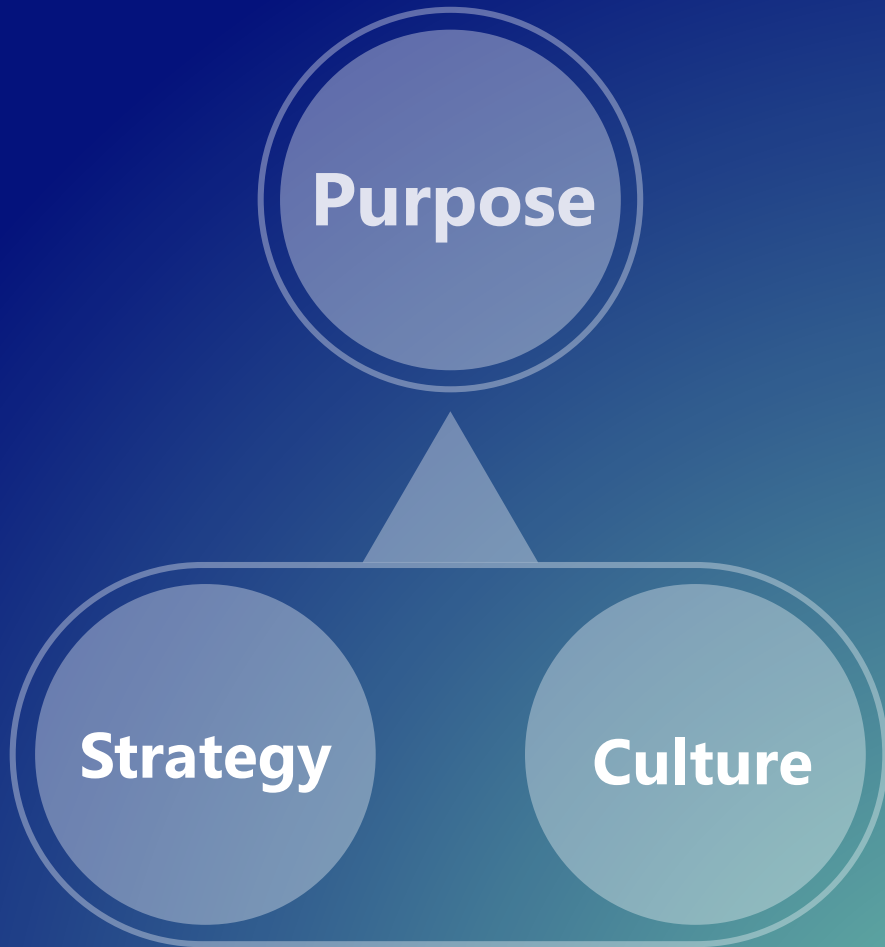Life

Bringing people together and filling each day with inspiration

Fostering mental and physical well-being and long life

Improvement of lifestyle

Free and open learning opportunities

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NEC's current situation: Looking Back on 2020 Mid-term Management Plan

Achieved 6.0% OP ratio by improving our execution capability and ensuring profitability that enabled continuing investments in our growth
Global growth and further improving the profitability of our business in Japan
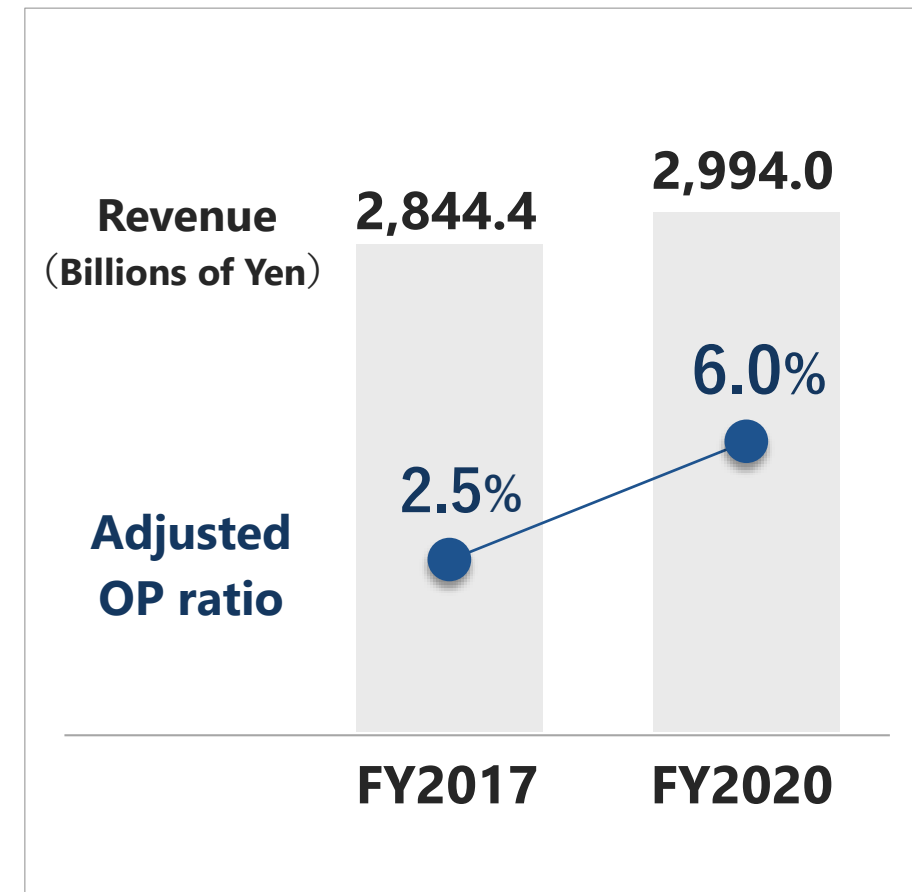
Reform of profit structure

- Implementation of career transition support measures
- Energy business scale-down, joint venture for display business
- NEC Platforms production structure optimization, Tsukuba Research Laboratories sell off

Achievement of growth

- Acquisition of KMD, Avaloq
- Strategic alliance with NTT, Rakuten
- DX business creation, establishment of digital platforms/offerings

Restructuring of execution capabilities

- Establishment of dotData, NEC X; entry to drug discovery business
- NEC Way revision, corporate officer contract agreement, appointment of persons from outside

Revenue (Billions of Yen)

	FY2017	FY2020
Revenue	2,844.4	2,994.0
Adjusted OP ratio	2.5%	6.0%

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Mid-term Management Targets (1/2)

Purpose

Strategy

EBITDA Growth rate: 9% Annual average (FY2020-25)

Accelerate global growth and business transformation in Japan by leveraging strengths in technology
"Maximizing long-term profit" and "Optimizing short-term profit"

Culture

50% Engagement score (FY2025)

Transformation to a company that pursues innovation and brings together diverse people under the NEC Way (common values)
"Employer of Choice"

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Mid-term Management Targets (2/2)

(Billions of Yen)	FY2020 Results	FY2025 Targets
Revenue	**2,994.0**	**3,500.0**
(Growth rate from FY2020)	**-**	**3.2%**
Adjusted Operating Profit	**178.2**	**300.0**
(Revenue %)	**6.0%**	**8.6%**
Adjusted Net profit	**165.4**	**185.0**
(Revenue %)	**5.5%**	**5.3%**
EBITDA[*1]	**295.8**	**450.0**
(Revenue %)	**9.9%**	**12.9%**
ROIC[*2]	**4.7%**	**6.5%**

*1：EBITDA = Gross Profit - SGA expenses ＋ Depreciation/amortization
*2：ROIC＝(Unadjusted operating income - Deemed corporate tax <30.5%>）÷（Term-end interest-bearing debt ＋ Term-end net assets <Including minority interest>）
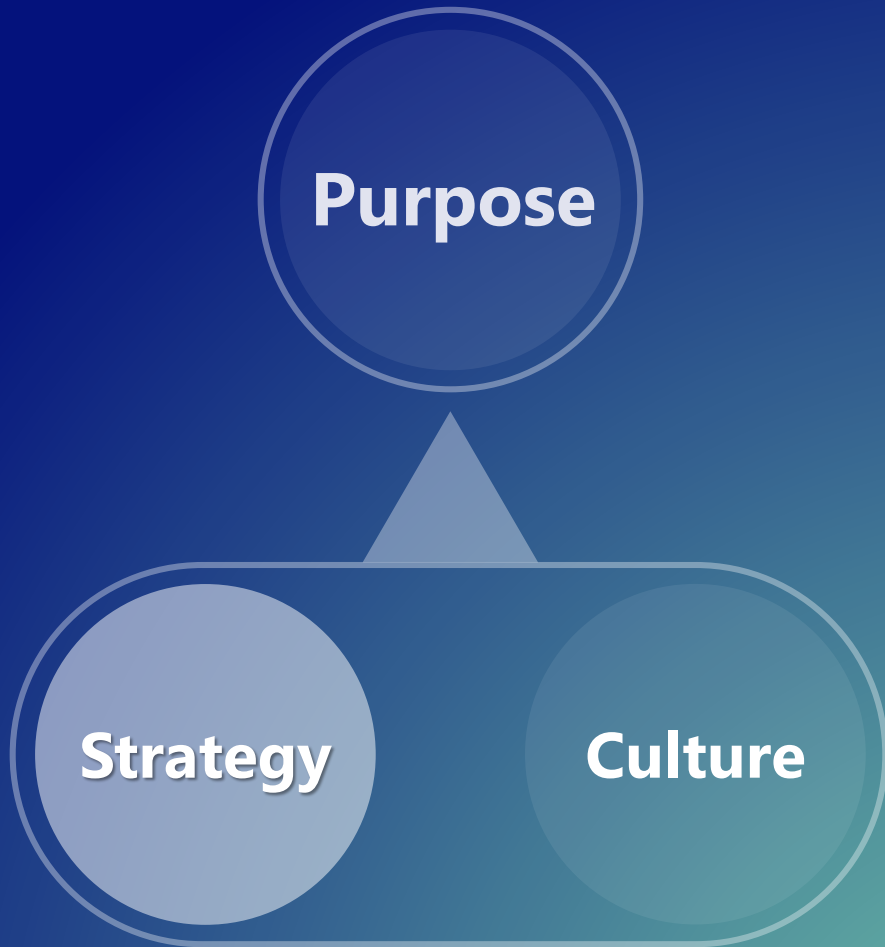
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NEC's Growth Model

Achieve growth by providing customer value through NEC technology, focusing on our two global business pillars of DG/DX and 5G, and transforming our IT business in Japan

DIGITAL GOVERNMENT
DIGITAL FINANCE

GLOBAL 5G

Biometrics

AI

5G/TOMS | Cloud

+ M&A | Security

R&D

Public & Communication Infrastructure

CORE DX

IT SERVICES & PRODUCTS

Strong Focus
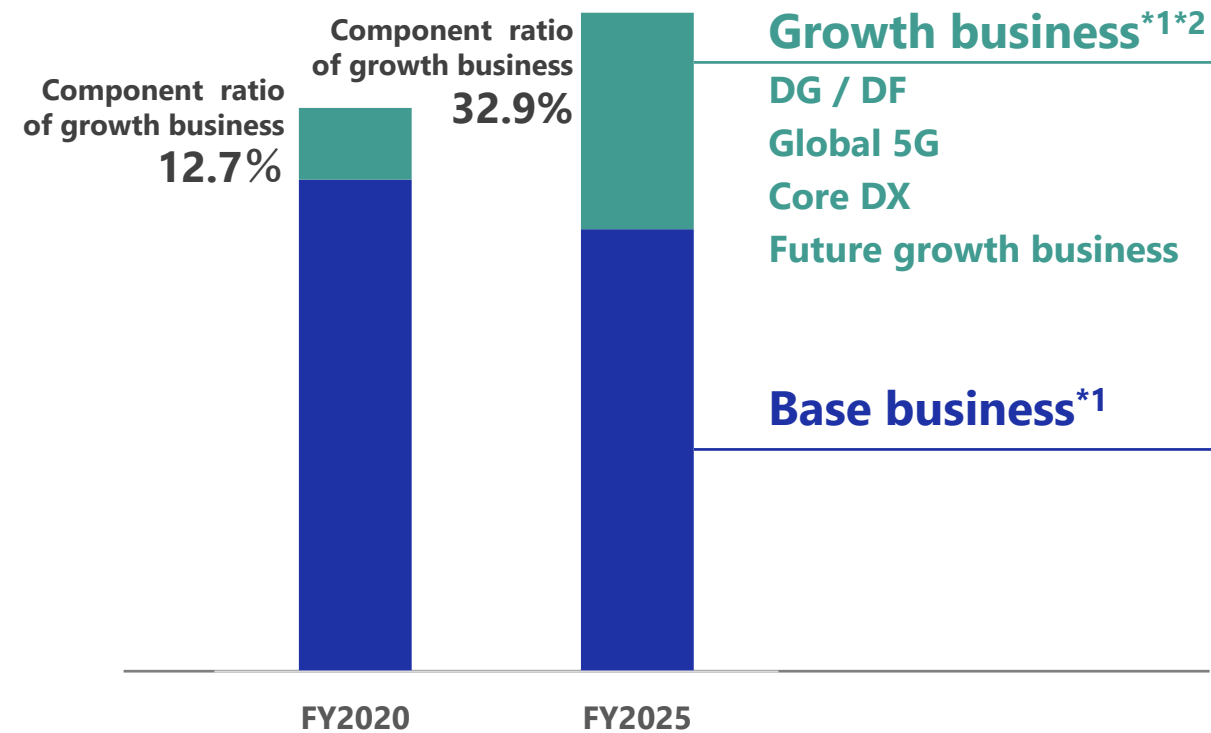
Transformation

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Achieve earnings growth through both growth businesses and base businesses

Revenue
3,500.0 billion Yen
Compared to FY2020　+506.0 billion Yen)

Adjusted Operating Profit
300.0 billion Yen
(Compared to FY2020　+147.3 billion Yen)[3]

Component ratio of growth business 12.7%

Component ratio of growth business 32.9%

Growth business[1][2]

DG / DF
Global 5G
Core DX
Future growth business

Base business[1]

Adjusted OP ratio 8.6%

Adjusted OP ratio 5.1%[3]

Growth business
Adjusted OP ratio 12.9%

Base business
Adjusted OP ratio 10.0%

FY2020　FY2025
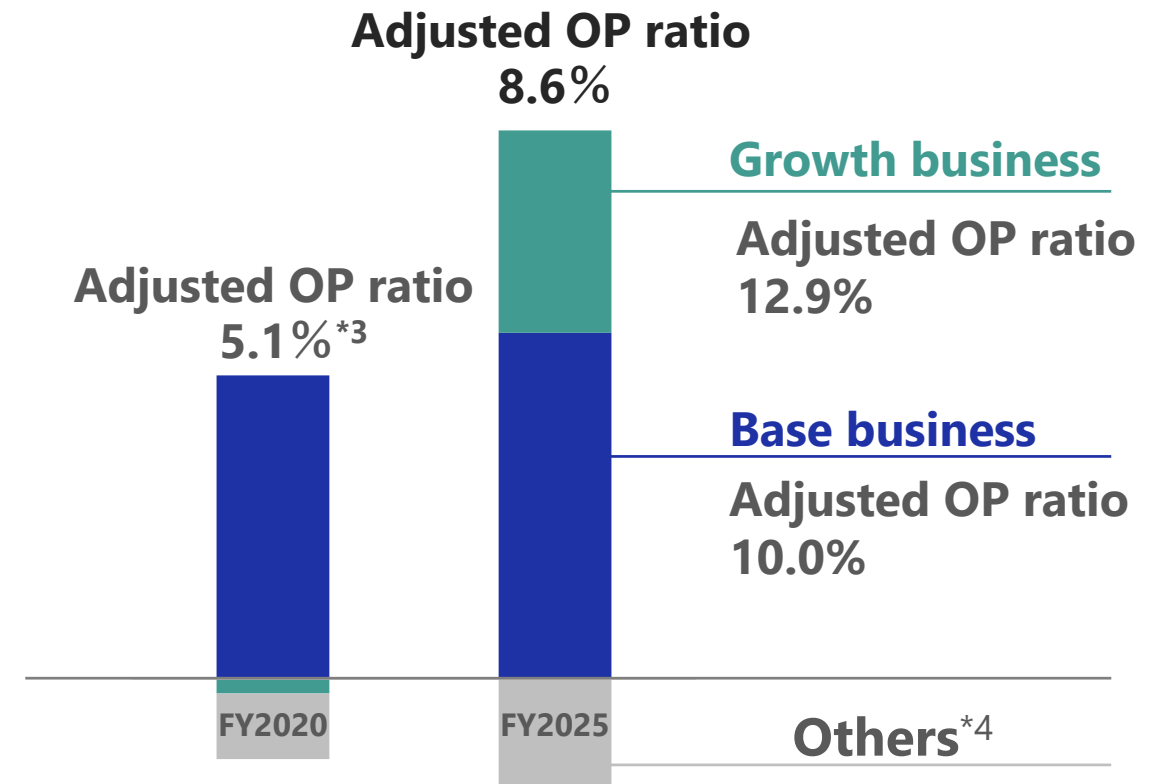
FY2020　FY2025

Others[4]

*1 Growth business, base business, and others are different from the current business segments.
*2 DG/DF (Digital Government/Digital Finance)...Page19, Global 5G...Page 20
　　Core DX...Page 23-25, Future Growth Businesses...Page 28-30
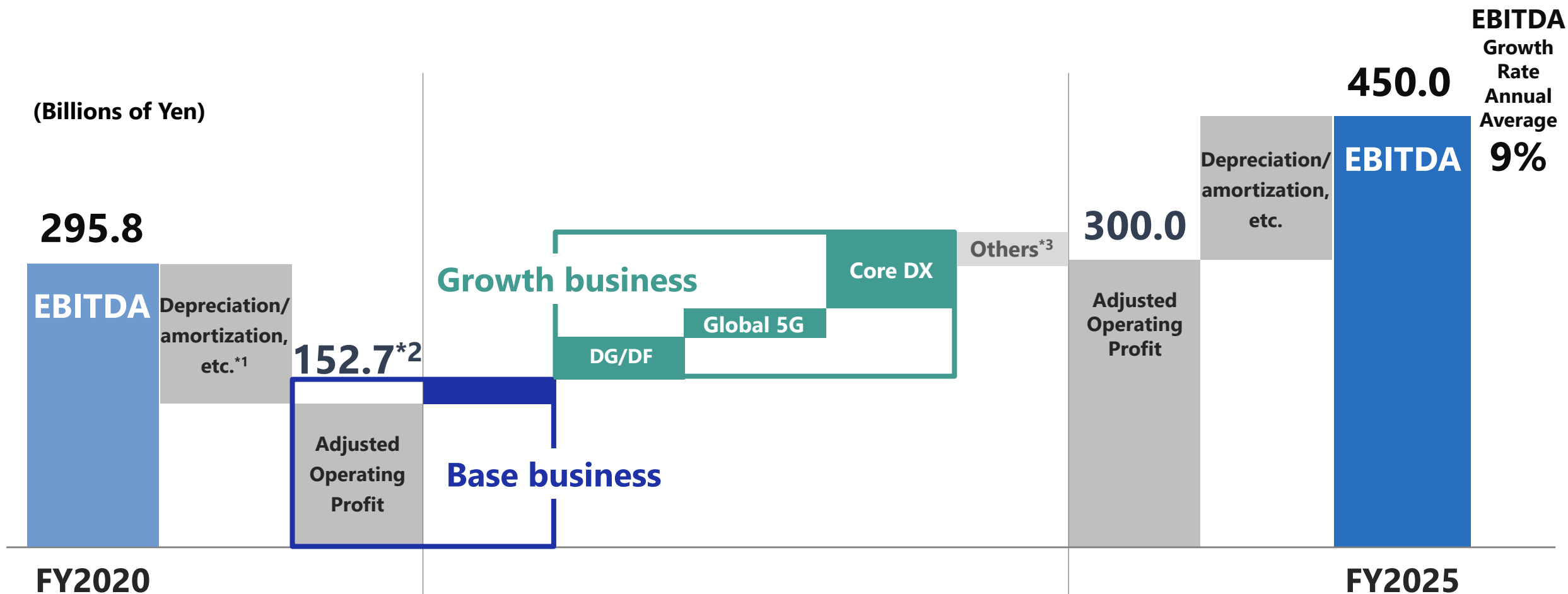
*3 Excluding "One-time profit/loss" in the statement of profit or loss
*4 Including risks

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EBITDA Growth Drivers

(Billions of Yen)

295.8 — EBITDA / Depreciation/amortization, etc.[1]

152.7[2] — Adjusted Operating Profit / Base business

Growth business — DG/DF, Global 5G, Core DX, Others[3]

300.0 — Adjusted Operating Profit / Depreciation/amortization, etc.

450.0 — EBITDA

EBITDA Growth Rate Annual Average 9%

FY2020   FY2025

*1 "Depreciation/amortization, etc." is Depreciation/amortization - adjustment (difference between Adjusted Operating Profit and Operating Profit)
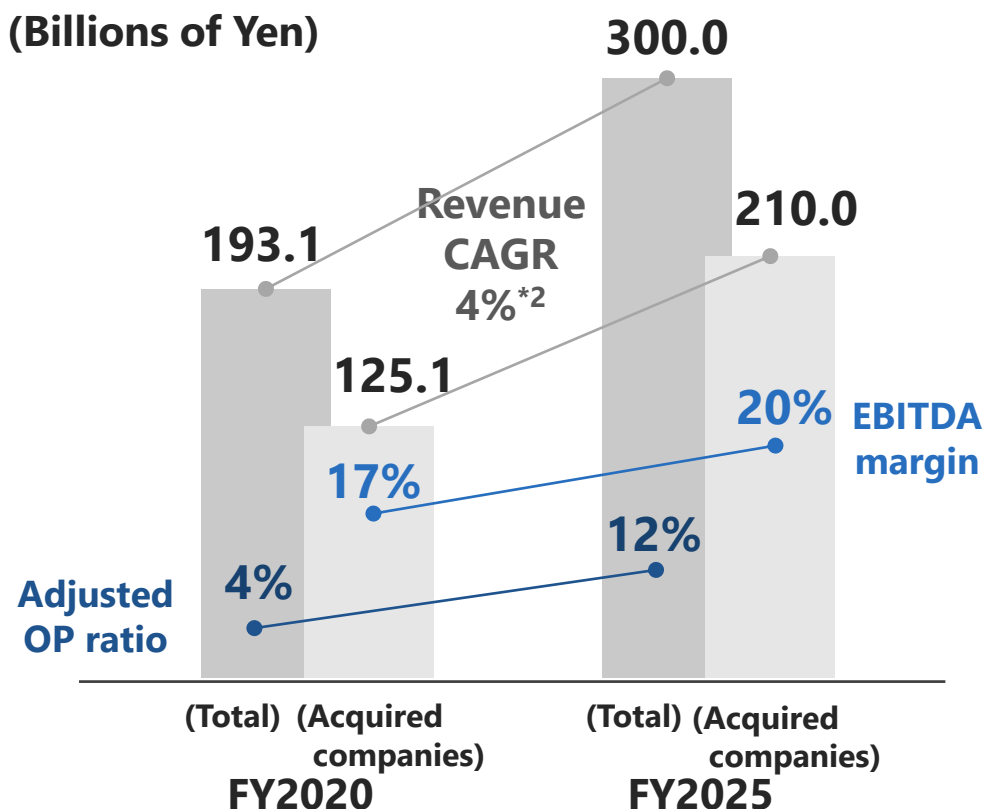*2 FY2020 figures exclude "One-time profit/loss" in the income statement
*3 "Others" includes future growth businesses (Page 28-30), R&D cost increase, risks, etc.

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Digital Government/ Digital Finance

Transform into a top-class Vertical SaaS[1] vendor in the global DG/DF market

*1 SaaS for specific industry

Mid-term targets

(Billions of Yen)

Revenue CAGR 4%[2]

300.0

210.0

193.1

125.1

20% EBITDA margin

17%

12%

4%

Adjusted OP ratio

(Total) (Acquired companies) (Total) (Acquired companies)

FY2020 **FY2025**

*2 CAGR is pro forma based

Acquired companies' assets

Software SaaS Platform

NEC's assets

Technology (Biometrics/AI) Engineering capability

Stabilization by remodeling business foundations, including three recently acquired companies

- **Ensure organic growth in the European market + Cross-selling/Bolt-on M&A**
- **Expand footprint in APAC market**
- **Streamline operations by leveraging offshore development in India, etc.**

Earnest pursuit of business synergy and creation of new growth areas

- **Further capitalize on digital ID to expand in the government and finance segments**
- **Acquire new business opportunities from customers in different industries**

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Global 5G Business

Aim for 20% market share in the Open-RAN market in 2030, including expansion in the Japanese market from primarily a base station hardware provider to a full software and hardware solution provider

Mid-term targets

(Billings of Yen)

190.0*1

Revenue CAGR 35%

41.7*1

10% — Adjusted OP ratio

FY2020   FY2025

-31%*2

*1 Netcracker is not included
*2 Excluding strategic expenses, Profit ratio above segment(Network Services) level
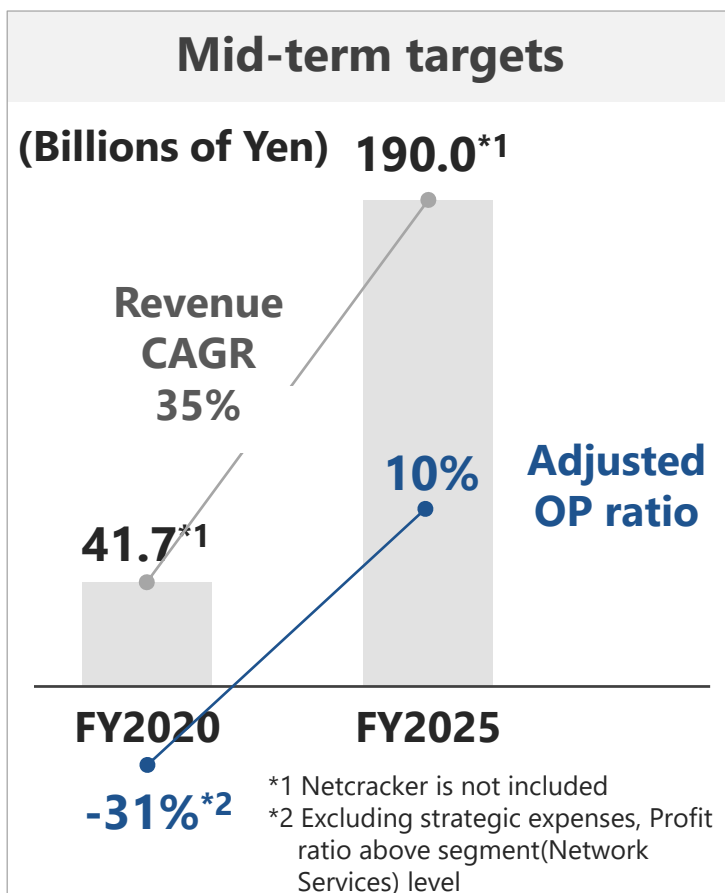
Establishment of Open-RAN vendor position in overseas market   ~ 2022

- Globally deploy world-first commercial achievements from alliances with NTT and Rakuten
- RU*3 reduces TCO*4 significantly through small size, light weight, and low power consumption
- Communication quality achieved through superior full digital beamforming technology and digital coordination technology between distributed antenna elements

Phase 1

Expansion of SW/service business segments and acquisition of profit sources   ~ 2025

- Shift profit focus from HW to SW licensing by incorporating E2E*5 Open-RAN solutions*6, BSS*7 and applications
- Private 5G aims to improve profits by providing service-based solutions to achieve high profits and recurring revenue

Phase 2

*3 RU: Radio Unit *4 TCO: Total Cost of Ownership *5 E2E: End to End
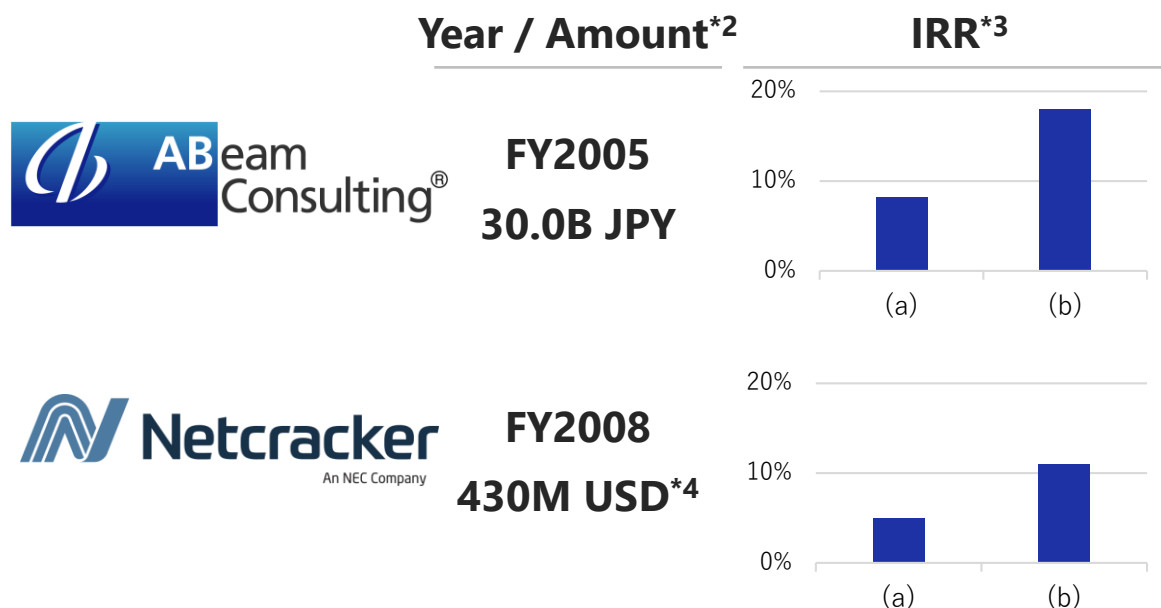*6 RU, CU/DU, Core, Orchestration/Operation Support Systems   *7 BSS: Business Support Systems

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M&A Accomplishments and Future Direction

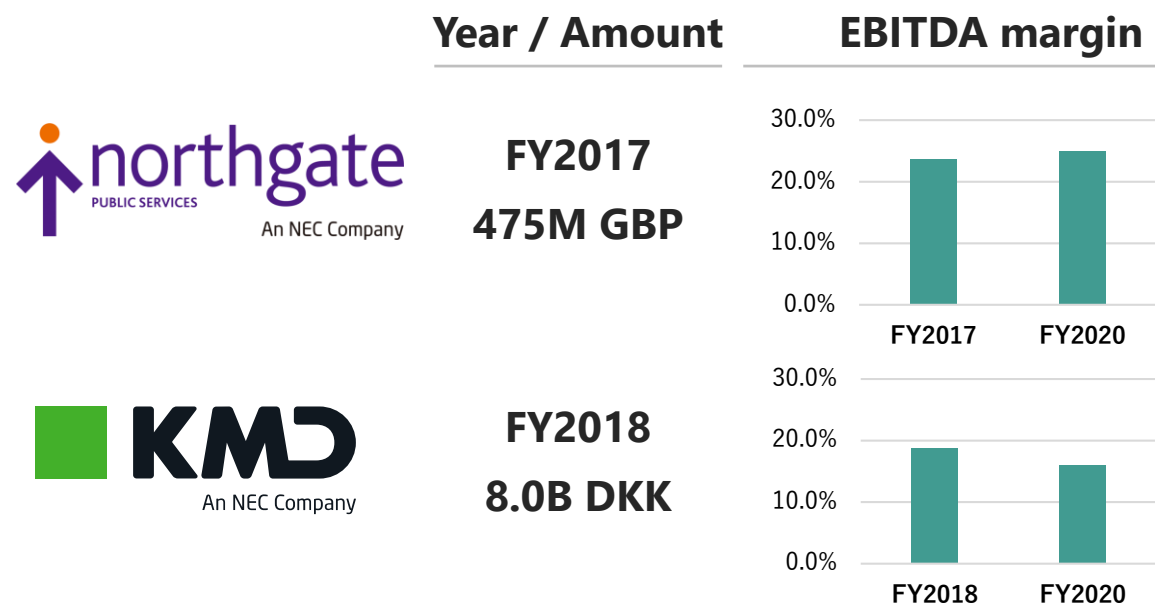## Continue to pursue M&A[1] focused on areas of growth and aim to generate global synergies

M&A accomplishments before FY2010 (≥10B JPY)

	Year / Amount[2]	IRR[3]
ABeam Consulting®	FY2005 30.0B JPY	(a) ~8%, (b) ~18%
Netcracker An NEC Company	FY2008 430M USD[4]	(a) ~5%, (b) ~11%

Recent M&A accomplishments (≥10B JPY)

	Year / Amount	EBITDA margin
northgate PUBLIC SERVICES An NEC Company	FY2017 475M GBP	FY2017 ~24%, FY2020 ~25%
KMD An NEC Company	FY2018 8.0B DKK	FY2018 ~19%, FY2020 ~16%

*1 Other than above 4 companies, 3 M&As were implemented from FY2005 (CSG, 2012, 227.5M AUD; A123, 2014, 100M USD; Avaloq, 2020, 2.05B CHF)
*2 Year refers to first FY; amount refers to total
*3 Reference value (a) excludes corporate value; reference value (b) includes corporate value (Computed from time of acquisition to present)
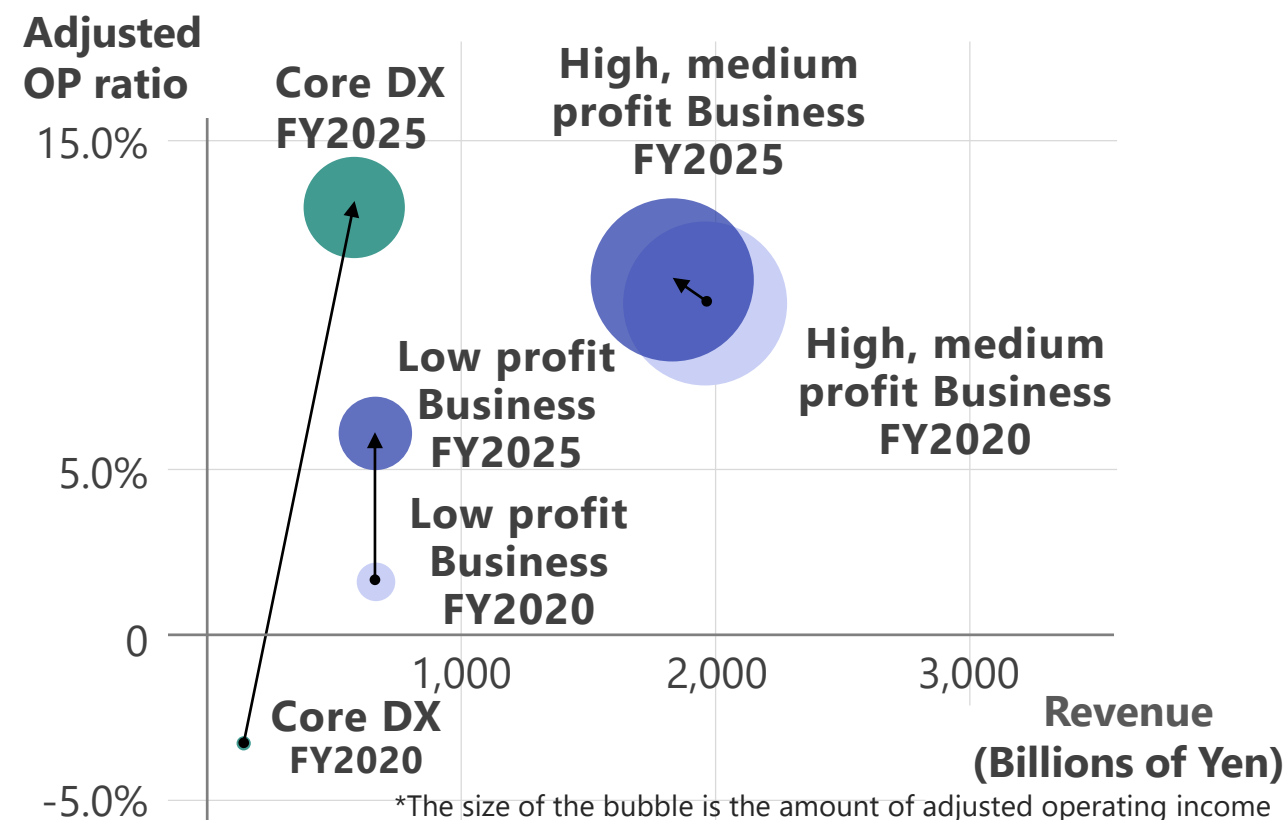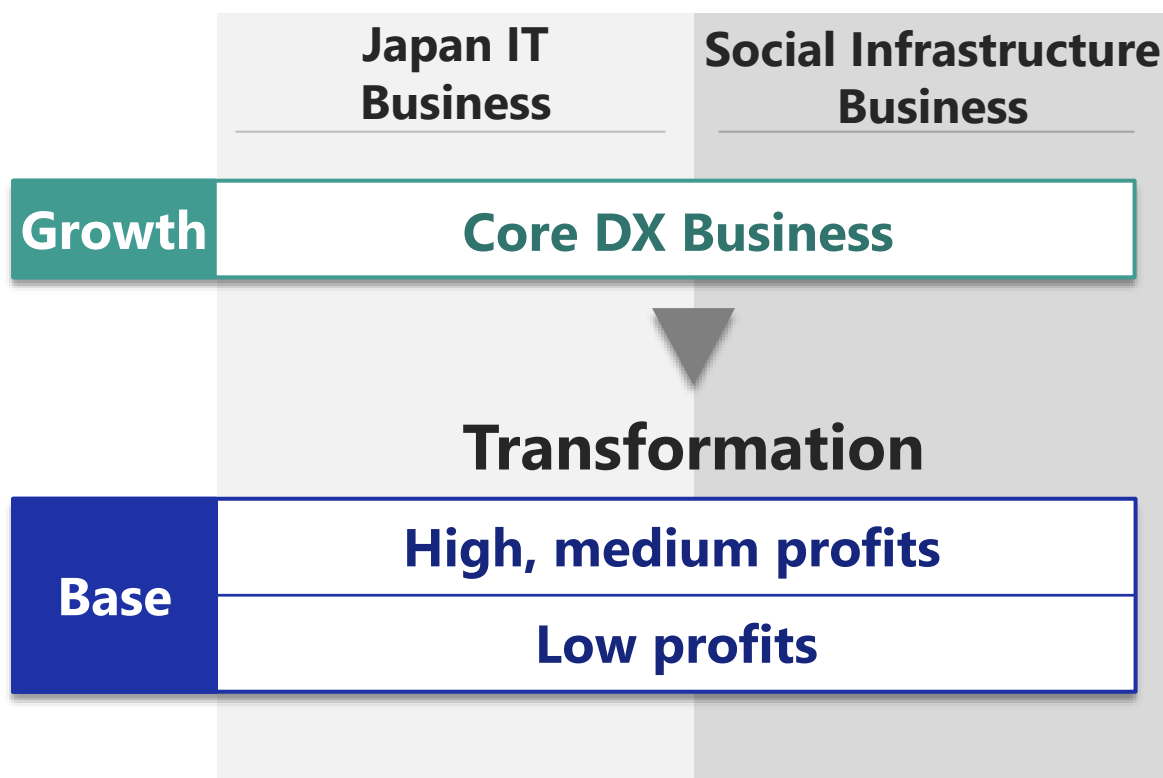*4 430M USD for Netcracker is only for its stock acquisition cost. IRR is computed by including loan from NEC to NC.

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- Transformation (DX) of Japan IT Business
- Maintain and develop Social Infrastructure Business
- Improve profitability of Base Businesses

	Japan IT Business	Social Infrastructure Business
Growth	Core DX Business	

Transformation

Base	High, medium profits	
	Low profits	

Adjusted OP ratio

Core DX FY2025

High, medium profit Business FY2025

High, medium profit Business FY2020

15.0%

Low profit Business FY2025

Low profit Business FY2020

5.0%

0

1,000   2,000   3,000

Core DX FY2020

Revenue (Billions of Yen)

-5.0%

*The size of the bubble is the amount of adjusted operating income

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Transformation of IT Business (DX) in Japan

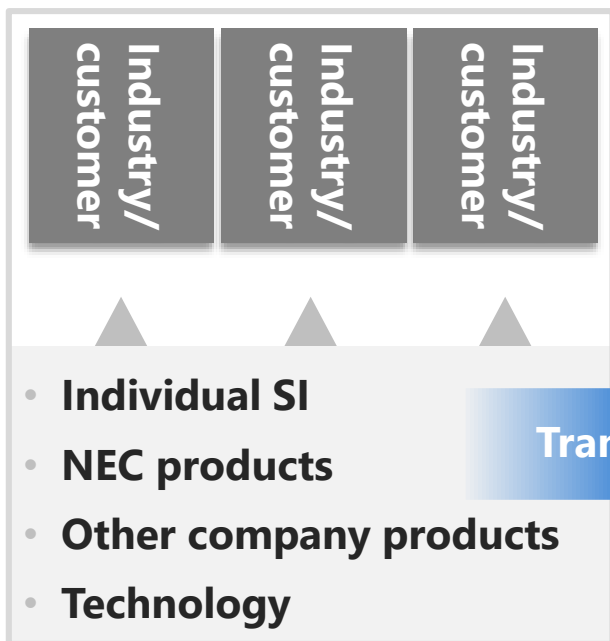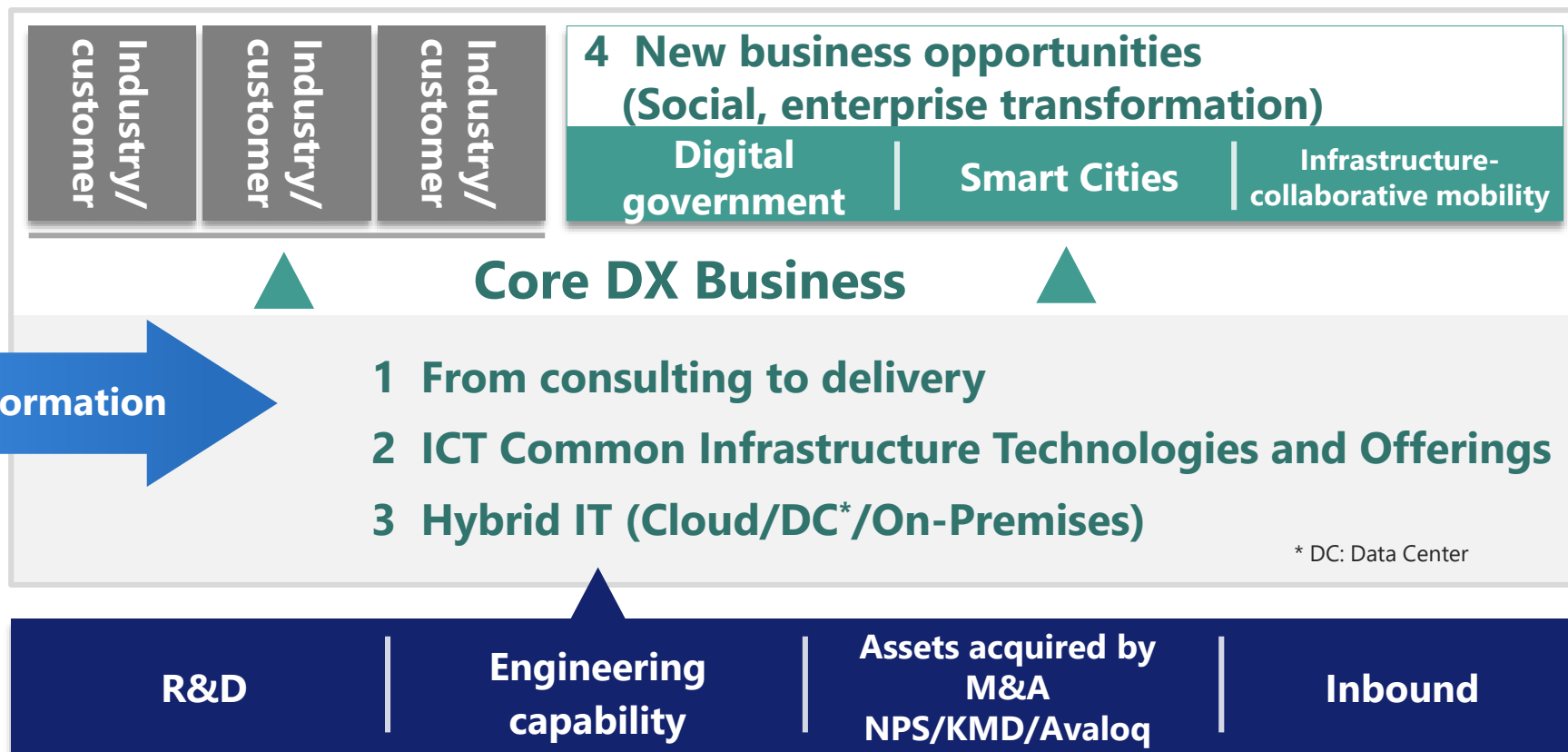**From Customized Vertical to Cross Industry** solutions: Transform base business by leveraging Core DX Business

Improve Japan IT business OP ratio from 8% to 13％ (FY2020→2025)

Customized Vertical Solutions

Cross Industry Solutions

Industry/customer	Industry/customer	Industry/customer

Industry/customer	Industry/customer	Industry/customer

4 New business opportunities (Social, enterprise transformation)

Digital government	Smart Cities	Infrastructure-collaborative mobility

Core DX Business

- **Individual SI**
- **NEC products**
- **Other company products**
- **Technology**

Transformation

1 From consulting to delivery

2 ICT Common Infrastructure Technologies and Offerings

3 Hybrid IT (Cloud/DC*/On-Premises)

* DC: Data Center

R&D	Engineering capability	Assets acquired by M&A NPS/KMD/Avaloq	Inbound

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Base | **Growth**

Core DX Business

Mid-term targets

(Billions of Yen)

570.0

Revenue CAGR
32%

13% Adjusted OP ratio

141.0

FY2020   FY2025

-3%

1 **Expand our value proposition through a comprehensive approach encompassing consulting to delivery**

- Expanding value through the combination of ABeam's approximately 5,000 consultants and delivery capabilities
- Strengthen and expand internal consulting and DX human resources, including ABeam
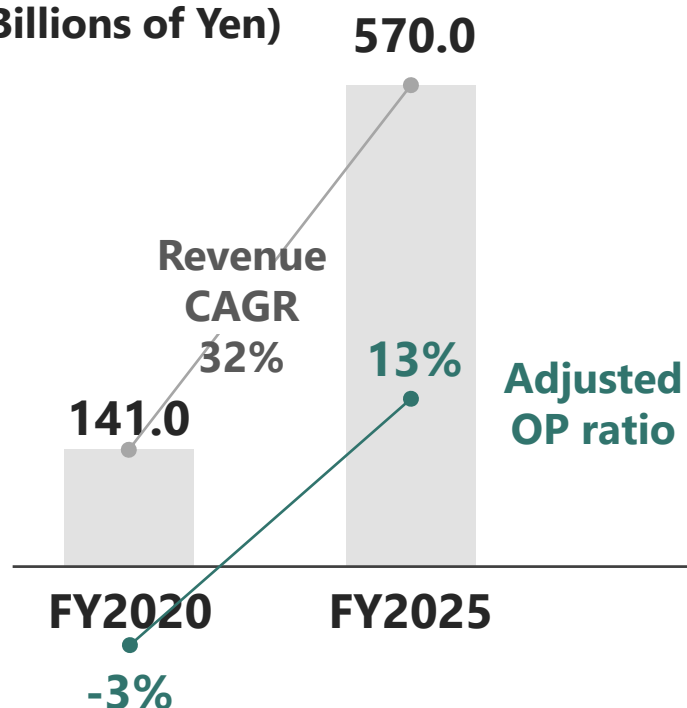- Reach out to CxOs and end-user departments of customers

2 **Price strategy and gross profit improvement through common ICT platform technologies and offerings[1]**

- Create platforms (common ICT infrastructures) from NEC's strong technologies that deliver both cost efficient and high margin solutions
- Improve profitability by developing offerings and pricing based on value provision

[1]: Offering: Standardize the product and service configuration, overall price, contract, delivery, operation and maintenance services, proposal methods, etc. necessary to solve customer's issues

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Core DX Business

Mid-term targets

(Billions of Yen)

570.0

Revenue CAGR
32%

141.0

13%

Adjusted OP ratio

FY2020   FY2025

-3%

3 **Strengthen competitiveness through hybrid IT (cloud / DC/ On-Premises) alliances and in-house optimization**

- Combine mega-cloud and NEC's cloud through global strategic collaboration with AWS (Amazon)/Azure (Microsoft) to strengthen multi-cloud provision capability
- Provide highly secure cloud through company-owned DC/cloud for digital government

4 **New business opportunities (Social, enterprise transformation) Expand the DX domain by leveraging the implementation capabilities of technology/policy linkage/E2E***

- Digital government: Steady promotion of DX in national and local governments, accelerated by the creation of the Japan Digital Agency
  Expanding the provision of services from the perspective of residents
- Smart Cities: Data-driven-based city management transformation
- Infrastructure-collaborative mobility: Government policy coordination, roads with 5G-capable traffic signal management, and become a core for smart cities

* End to End

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Maintain and develop deep domain knowledge based on long-term customer relationships and provide a full layer of value in sensing/NW/IT

- **Co-create future concepts for customers based on domain knowledge of public infrastructure, space, defense, network, and other segments, and provide solutions over the long term as a partner in protecting the safety and security of social infrastructure**

- **Construct and operate mission-critical infrastructure by combining highly functional and absolutely reliable technologies that can withstand harsh environments**

- **Ensure continued technological capability and deploy strengths in cutting-edge technologies and development. Carry out role in continually creating sources of competitiveness**

📶 Network	🔒 Security	🦾 Robotics
Highly efficient, highly available, and flexible communications	**Secure communication technologies underpinning social infrastructures**	**Highly accurate and stable operation and control technologies**
Software-defined radio Laser communication	Quantum Cryptography Privacy-Preserving Data-Analytics	Drone/unmanned aircraft control Air traffic control

Improve Profitability of Base Business

Maintain profitability above our competitors for our high- and medium-profit base businesses
Improve profitability by establishing a monitoring system for low-profit businesses

Low-profit business monitoring system

Strategy formulation

Implementation, evaluation

Reaping of results
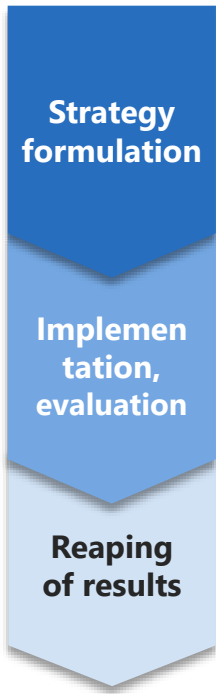
FY2020 2H:

- ■ **Setting hurdle rate**
- ■ **Formulation of turnaround plan**
- ■ **Implementation of investments to carry out plans**
- ■ **Review of business portfolio**
- ■ **Exit/resource allocation from under-performing business to key segments**

End of FY2025

- ■ **Achievement of target levels**

Adjusted OP ratio

High, medium profit Business FY2025

Low profit Business FY2025

High, medium profit Business FY2020

Low profit Business FY2020

15.0%

10.0%

5.0%

0   1,000   2,000   3,000

Revenue (Billions of Yen)

*The size of the bubble is the amount of adjusted operating income

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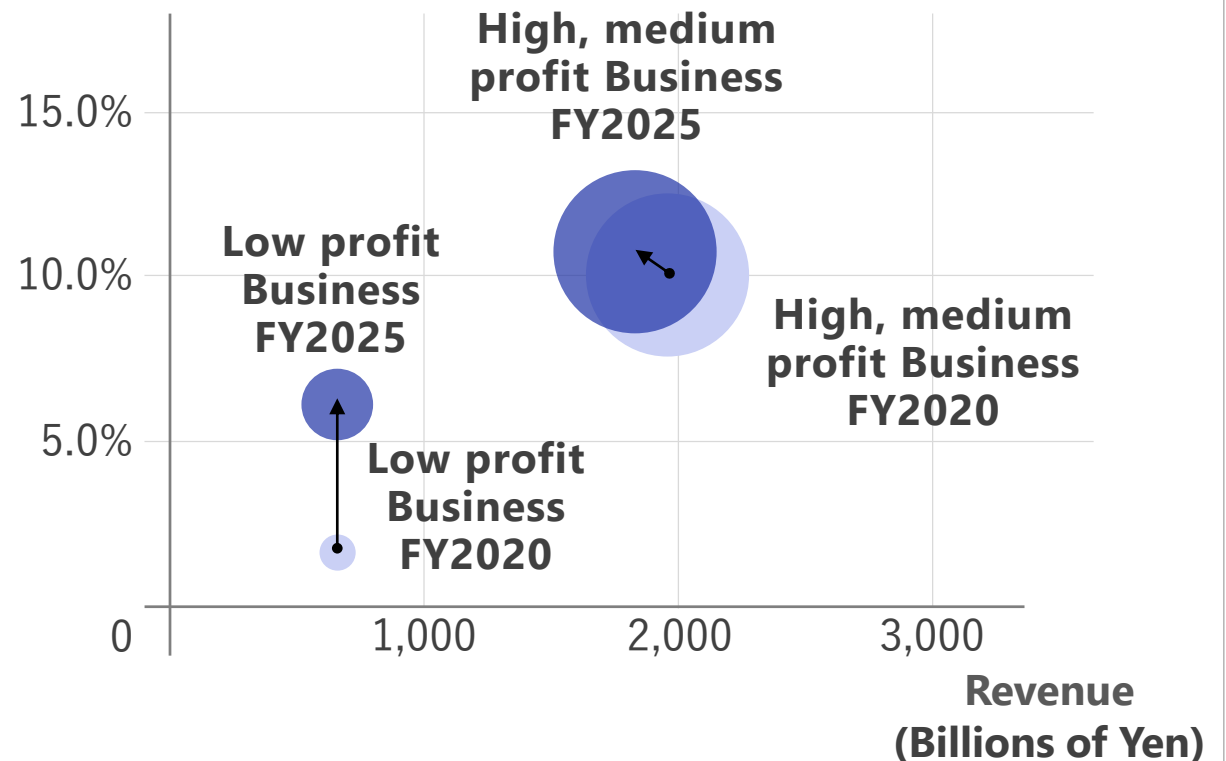
Creation of future growth businesses

Create growth businesses that will realize the NEC 2030VISION with strong technologies and inbound innovation

Accelerate business development through fusion of R&D and business development

NEC 2030VISION

Disruptive technologies

Unique technologies that could disrupt current business models (Privacy-Preserving Data-Analytics)

Defense technologies (Quantum Cryptography, Laser communication, etc.)

Inbound Innovation

Overseas business models and industry-specific knowhow

Collaboration with advanced customers, research institutions, and venture capital

New business development knowhow

dotData, AI-based drug discovery, and other new business development achievements

Business development methods[1] utilizing internal and external capital

Life

Society

Environment

*1 Carve-out, M&A, spin-in/spin-out, crowdfunding,.

Exploration of Implementation areas

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Future Growth Aimed at Social Value Creation: Healthcare and Life Science

Leverage AI and other strong technologies to expand our healthcare and life science business segment including advanced personalized therapies, integrated hospital services, and life support solutions

FY2030 NEC Healthcare Business Value: 500.0 billion Yen[1]

Deliver healthcare tailored to people's health conditions

AI-based analysis of endoscopic images Sales launch in Japan and Europe

Electronic medical records and ordering system

Draw close to each person's daily life

Monitoring and provision of advice based on gait conditions from insoles equipped with gait analysis

Visualization of health conditions and disease risks from minimal blood protein

Support personalized healthcare with science

Start of clinical trials on personalized neoantigen vaccines in 2019

Design of vaccines against novel coronavirus

Living life to the fullest

- Overcome diseases
- Prevent illness
- Lack of want
- Mental and physical wellness

Healthcare industry 33.0 trillion Yen[2]

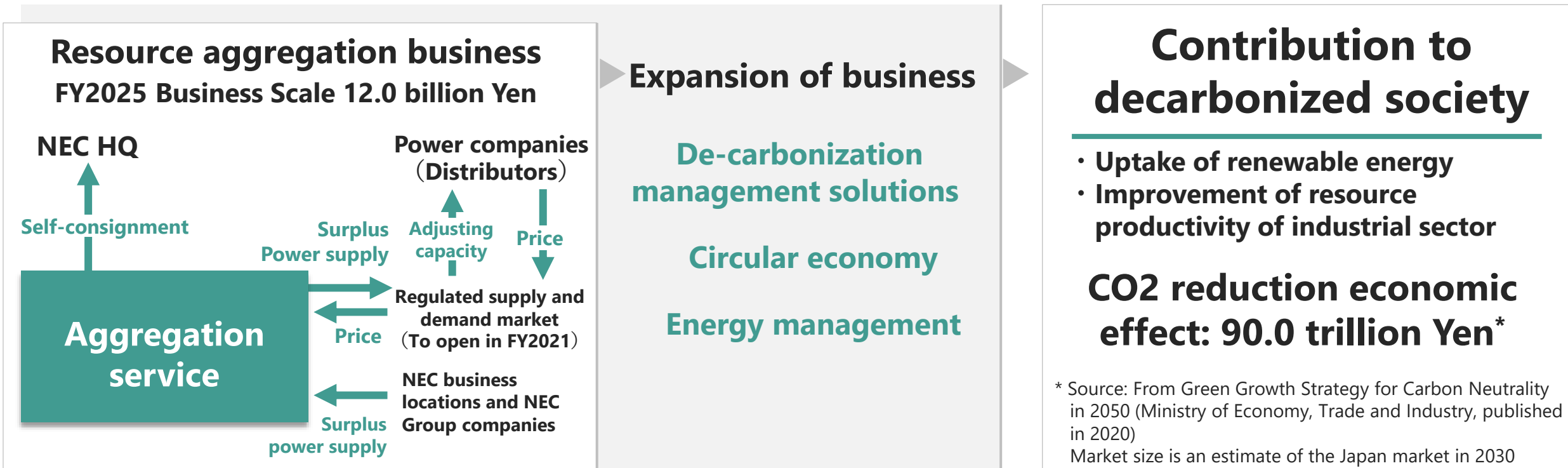[2] SOURCE: Future Direction of the Next Generation Healthcare Industry Council (published by the Ministry of Economy, Trade and Industry, 2018)
Market size is an estimate of the Japan market in 2025

[1] Calculated using both the comparable company method and the DCF method based on a target for 2030 (sales revenue of 100.0 billion yen).

Living harmoniously with the earth to secure the future

Future Growth Aimed at Social Value Creation: Carbon-Neutrality-Related Business

Foreseen expansion in power demands due to uptake of EV/all-electric housing towards achieving carbon neutrality; Realize efficiency and optimization by market-matching of surplus power generated Red from renewable energy

Resource aggregation business
FY2025 Business Scale 12.0 billion Yen

NEC HQ

Power companies
（Distributors）

Self-consignment

Surplus
Power supply

Adjusting
capacity

Price

Aggregation
service

Regulated supply and
demand market
（To open in FY2021）

Price

Surplus
power supply

NEC business
locations and NEC
Group companies

Expansion of business

De-carbonization
management solutions

Circular economy

Energy management

Contribution to decarbonized society

· Uptake of renewable energy
· Improvement of resource productivity of industrial sector

CO2 reduction economic effect: 90.0 trillion Yen*

* Source: From Green Growth Strategy for Carbon Neutrality in 2050 (Ministry of Economy, Trade and Industry, published in 2020)
Market size is an estimate of the Japan market in 2030

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Financial Strategy ("Maximizing long-term profit" and "Optimizing short-term profit")

Use continuously generated cash flow to fund sustainable growth and enhance corporate value through optimal capital allocation and by building robust financial and non-financial measurement methodologies

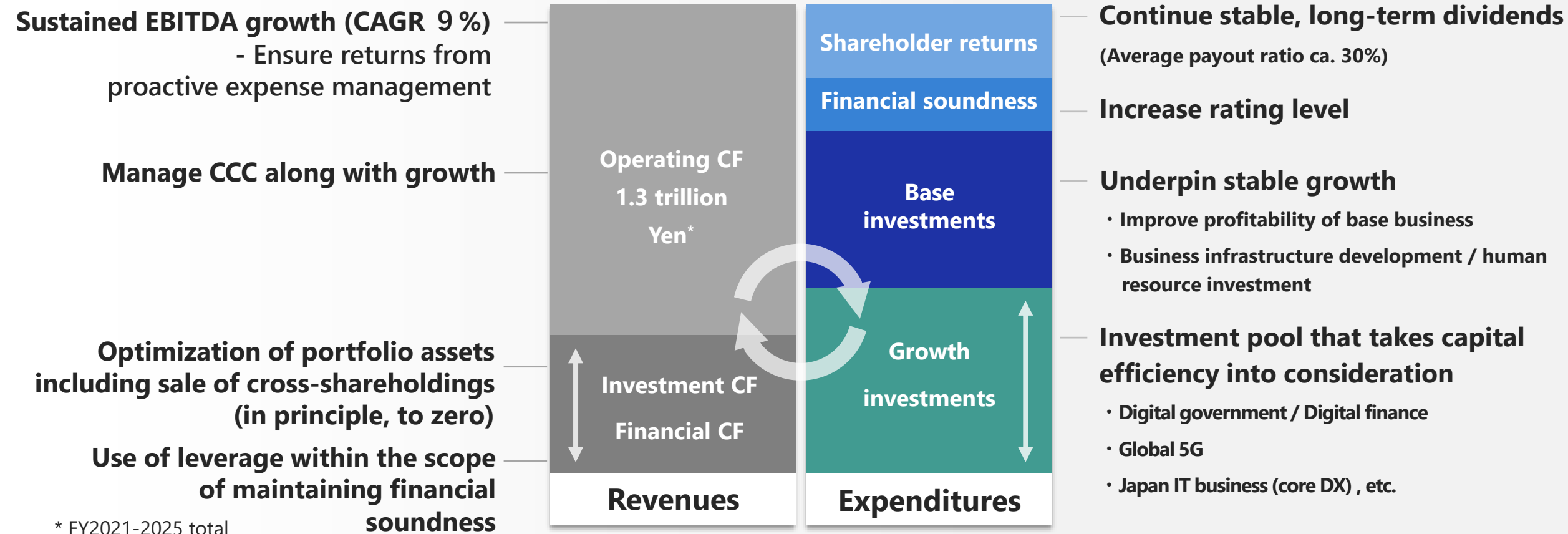|	
Augment growth strategies	**Shift from P/L management to management that also emphasizes capital efficiency** ・ Achieve investment returns beyond the market expectations (capital cost) ・ Continue activities to improve capital efficiency, such as CCC compression and reduction of cross-shareholdings **Capital allocation focusing on business growth**
Respond to changing business environments without missing out on opportunities	**Building of robust financial and non-financial measurement methodologies aimed at sustainable growth** ・ Maintain investment capability to respond to global competitors ・ Reinforce non-financial measurement methodologies to underpin sustainable growth of the company and society

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Profit Cycle and Capital Allocation

Balance business growth in response to market expectations with maintenance and improvement of financial soundness, and enhance corporate value through cycling of profits

Sustained EBITDA growth (CAGR 9 %)
- Ensure returns from proactive expense management

Manage CCC along with growth

Optimization of portfolio assets including sale of cross-shareholdings (in principle, to zero)

Use of leverage within the scope of maintaining financial soundness

* FY2021-2025 total

Operating CF 1.3 trillion Yen*

Investment CF

Financial CF

Revenues

Shareholder returns

Financial soundness

Base investments

Growth investments

Expenditures

Continue stable, long-term dividends
(Average payout ratio ca. 30%)

Increase rating level

Underpin stable growth
・ Improve profitability of base business
・ Business infrastructure development / human resource investment

Investment pool that takes capital efficiency into consideration
・ Digital government / Digital finance
・ Global 5G
・ Japan IT business (core DX) , etc.

Reform profit structure by aggressively investing strategic expenses

Measure and manage cost-effectiveness of proactive investments of strategic funds in growth strategies and management foundation reforms to achieve substantial progress in FY2025

Strategic expenses and expected effects (Compared to FY2020)		Strategic expense increase FY2021 (Billions of Yen)	Quantitative effects FY2025 (Billions of Yen)	Expected effects
Growth business	Development expenses	9.5	Net Adjusted OP **120.0** increase	DG/DF：Restructuring of business foundation including 3 acquired companies
				5G：Service domain expansion/Open-RAN market formation
	Global structure reinforcement	7.5		Core DX：Business model transformation/ Common ICT platform development
Base business		5.0	–	Capturing of replacement demand from existing customers
Business infrastructure development/ Human resource investment		8.0	Net Adjusted OP **20.0** increase	Infrastructure: Business process/IT establishment
				Human resources: DX personnel reinforcement, training of next-generation leaders
Structural reforms		2.0	SGA reduction **1.5 /year**	Selection and concentration of overseas base functions
		32.0	Also, additional CapEx investments of 12.5 billion Yen for the above	

FY2025 Mid-term Management Plan Period Scenario

Adjusted Operating Profit 300.0 billion Yen

*Without

FY2020   FY2022   FY2025

Seed-sowing phase   Harvesting phase
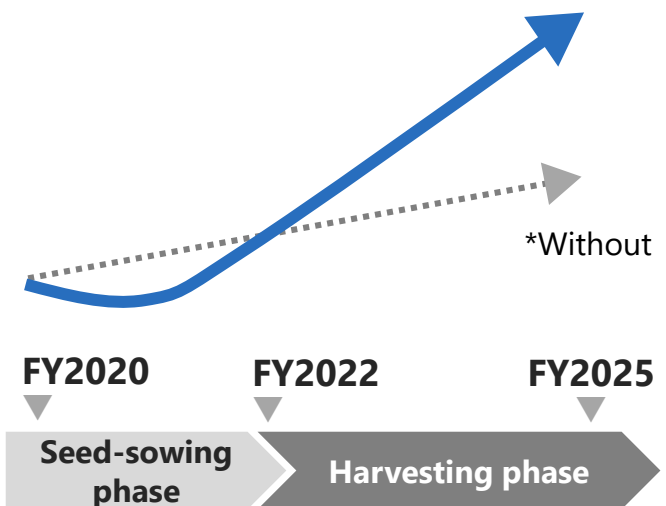
* Without finding new customers/opportunities ("seed-sowing") (Levels are tentative)

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Reinforce non-financial measurement methodologies to underpin sustainable growth of company and society

Continuously incorporate ESG indexes as indicators of risk minimization and value maximization initiatives

	Key Theme (Materiality)	Main initiatives	FY2025 KPI
E	**Climate change (De-carbonization)**	1. Acceleration of environmental management towards achievement of SBT[*1] 1.5 degrees by 2030 2. Contribution to CO_2 reduction through customer DX	1. 33.6% reduction[*2] (Compared to FY2017)
S	**Security AI & human rights Diverse human resources**	1. Development of human resources in advanced security to handle social infrastructure 2. AI provision and utilization prioritizing respect for human rights	1. Doubling of internationally certified personnel 2. Incorporated initiatives based on the AI and Human Rights Principles
G	**Corporate governance Supply chain sustainability Compliance**	1. Further improvement of transparency of corporate governance 2. Strengthening of collaboration with suppliers from a human rights/environmental perspective 3. Eradication of serious compliance incidents	2. Suppliers agreeing to procurement guidelines: 75%[*3] 3. No. of serious incidents: 0

*1 Science-based targets   *2 Scope 1, 2   *3 Ratio based on procurement amount

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Transformation of Culture and how we work

Transformation to a company that pursues innovation and brings together diverse human resources under the NEC Way (common values)
"Employer of Choice"

Engagement Score

(FY2020 25%)

50% *

FY2025 Target

| 1 | Transformation of people and culture | 2 | Establishment of business infrastructure | 3 | Creating a shared vision for a brighter future |

*Based on the Kincentric Survey of a 50% score which is a Tier 1 Level and in the Global top 25 Percentile

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1 Transformation of People and Culture

Bolster diversity as a source of innovation and implement workstyle reforms supporting diverse talent

Active participation of diverse talent

20%* Women/Non- Japanese Officers

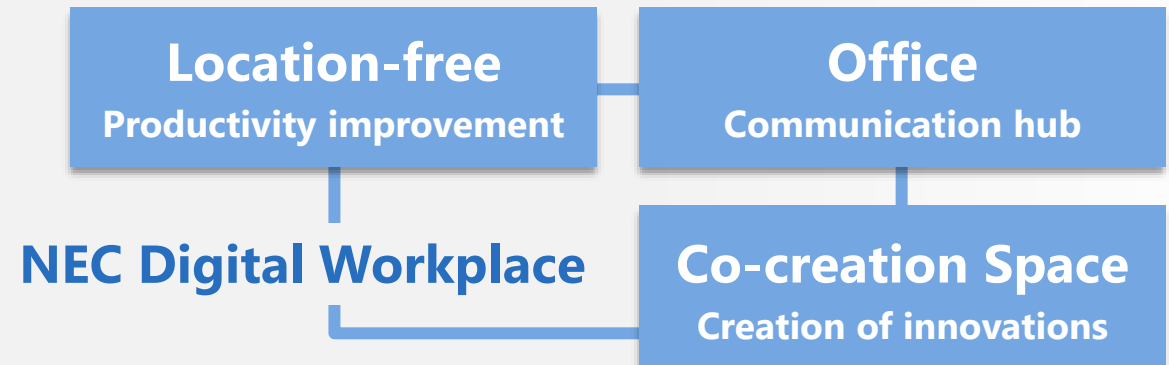**20%*** Women managers

FY2025 Target

* Target values are for NEC HQ alone

Reform of workstyle mindset

Transforming Office Space to Communication/collaboration Space

Location-free
Productivity improvement

Office
Communication hub

NEC Digital Workplace

Co-creation Space
Creation of innovations

Right person, right timing, right role

Functional Excellence

Talent management

Leadership development, talent development (esp. DX)

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2 Establishment of Business Infrastructure

Create a Transformation Office directly under the CEO that establishes a new foundation for how we work and generates competitiveness

Reforms in 3 domains: business processes, systems, and IT

Major initiatives to date

- Start of work-from-home (IT+ systems) 2000〜

- Unification of in-house mission-critical systems 2008〜

- Shift to shared services for corporate staff operations 2014〜

- Simplification and digitalization of approval processes 2015〜

- Smart Work (IT+ systems) 2019〜

Initiatives under the new MTP

- **Cloud transition of company-wide mission-critical systems** (HR, procurement, etc.）

- **Integrated redesign of processes, systems, and IT**

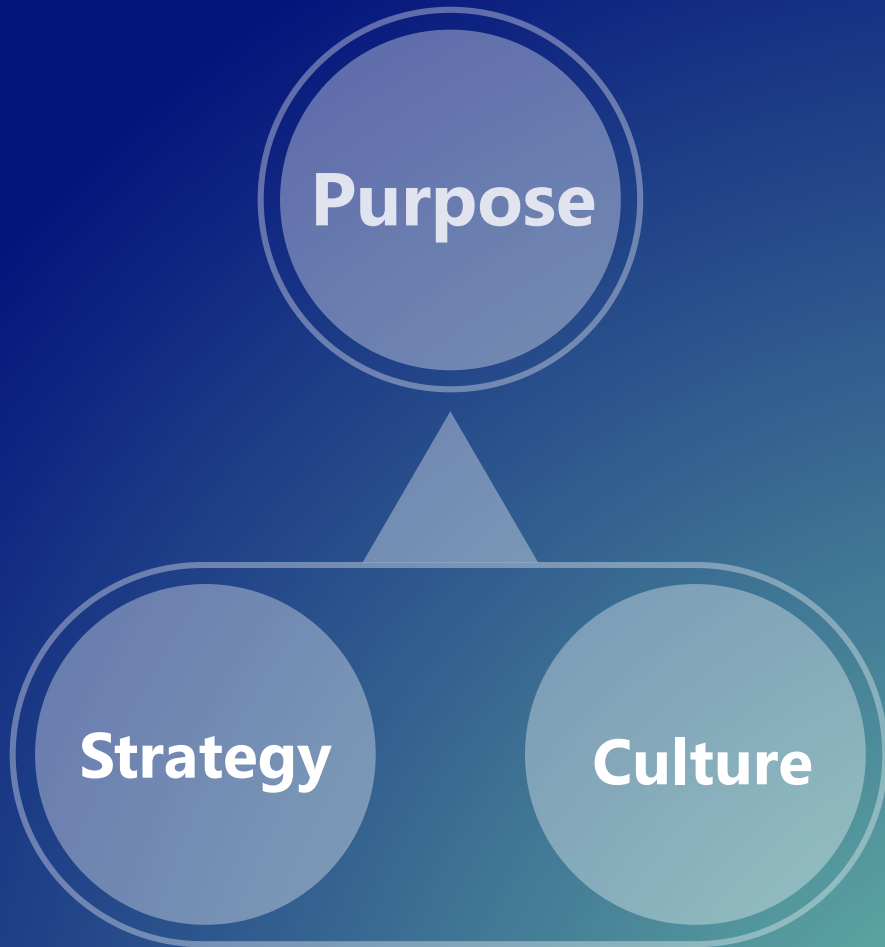- **Enhancement of data-driven management** (AI utilization, data structure optimization)

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Dissemination of the future vision for society as a market leader and creation of new customer value

Full-scale launch of Thought Leadership activities

- **Refine our future vision based on social/market insights**

- **Dissemination of social system innovations**

- **Strengthen general research capability and collaborate with other thought leaders**

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Purpose

\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.

Strategy

EBITDA Growth Rate Annual Average: 9%

NEC's Growth Model

**"Maximizing long-term profit"
and "Optimizing short-term profit"**

Non-financial measurement methodologies to underpin sustainable growth

Culture

Engagement Score: 50%

Transformation of people and culture

Establishment of business infrastructure

Creating shared vision for a brighter future with customers

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Cautionary Statement with Respect to Forward-Looking Statements

<Cautionary Statement with Respect to financial statements as of and for the fiscal year ended March 31, 2021 Statements>
As of the date of this material, audit on our financial statements as of and for the fiscal year ended March 31, 2021 in accordance with the Financial Instruments and Exchange Act has not been completed, and the financial information as of and for such fiscal year included herein is so unaudited.

<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 arise from time to time, and it is impossible for NEC to predict the occurrence of 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, 2021 and 2026 were referred to FY2020 , FY2025 respectively. Any other fiscal years would be referred similarly.

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Appendix

Reference Information: Segment Information

◆ **Relationship of targets and growth businesses in FY2020 by segment**

		Public Solutions	Public Infrastructure	Enterprise	Network Services	Global Business	Others
CAGR from FY2020 to FY2025		About 0%~1%	Flat	About 1%~5%	About 3%~8%	About 4%~6%	−
FY2025 Targets: Estimated Adjusted OP ratio		About 10%	About 10%	About 13%	About 10%	About 11%	−
Growth Business	Digital Government/ Digital Finance	X	X	X		X	
	Global 5G				X		
	IT business transformation in Japan	X	X	X	X		
	Future growth business creation						X

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Results of stockholder returns: NEC's stock price vs TOPIX

NEC：+106%

TOPIX：+5%

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Track Record of Business Portfolio Transformation

■ **Acquisition of key segments**

2018/2
■ **Northgate Public Services**

2019/2
■ **KMD**

2019/7
■ **OncoImmunity**

2020/12
■ **Avaloq**

2018   2019   2020

2019/3
■ **Lithium-ion Battery Business**
(NEC Energy Devices, Ltd.)

2019/4
■ **Lighting Business**
(NEC Lighting, Ltd.)

2020/6
□ **Storage Battery Business**
(NEC Energy Solutions Inc.)

2020/6
■ **Optical Business**
(Showa Optronics Co., Ltd.)

2020/11
■ **Display Business**
(NEC Display Solutions, Ltd.)

■ **Sale/withdrawal of underperforming business (Completed)**

□ **Sale/withdrawal of underperforming business (Planned)**

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