

Financial Results for Q1 Fiscal Year Ending March 31, 2022

July 30, 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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- Net profit/loss refers to net profit/loss attributable to owners of the parent for the same period.

I. Financial Results for Q1, FY22/3

Summary of Financial Results for Q1, FY22/3

Revenue
651.9 billion Yen
〈YoY〉 +10.9%

Both Japan domestic and international business increased

- Domestic IT and 5G business in good shape
- International business expanded centered on Digital Government / Digital Finance

Adjusted Operating Profit
10.5 billion Yen
〈YoY〉 +16.3 Billion Yen

Significantly improved while steadily securing market recovery

- Contributed to by increased sales and global portfolio improvements
- Invested strategic expenditure of 6.0 billion Yen as planned
- Posted one-time profit that was the same level as the previous fiscal year

Adjusted Net Profit
6.5 billion Yen
〈YoY〉 + 8.7 billion Yen

Profitability due to the improvement of adjusted operating profit

Summary of Financial Results

- All reportable segments increased in revenue and profit

(Billions of Yen)

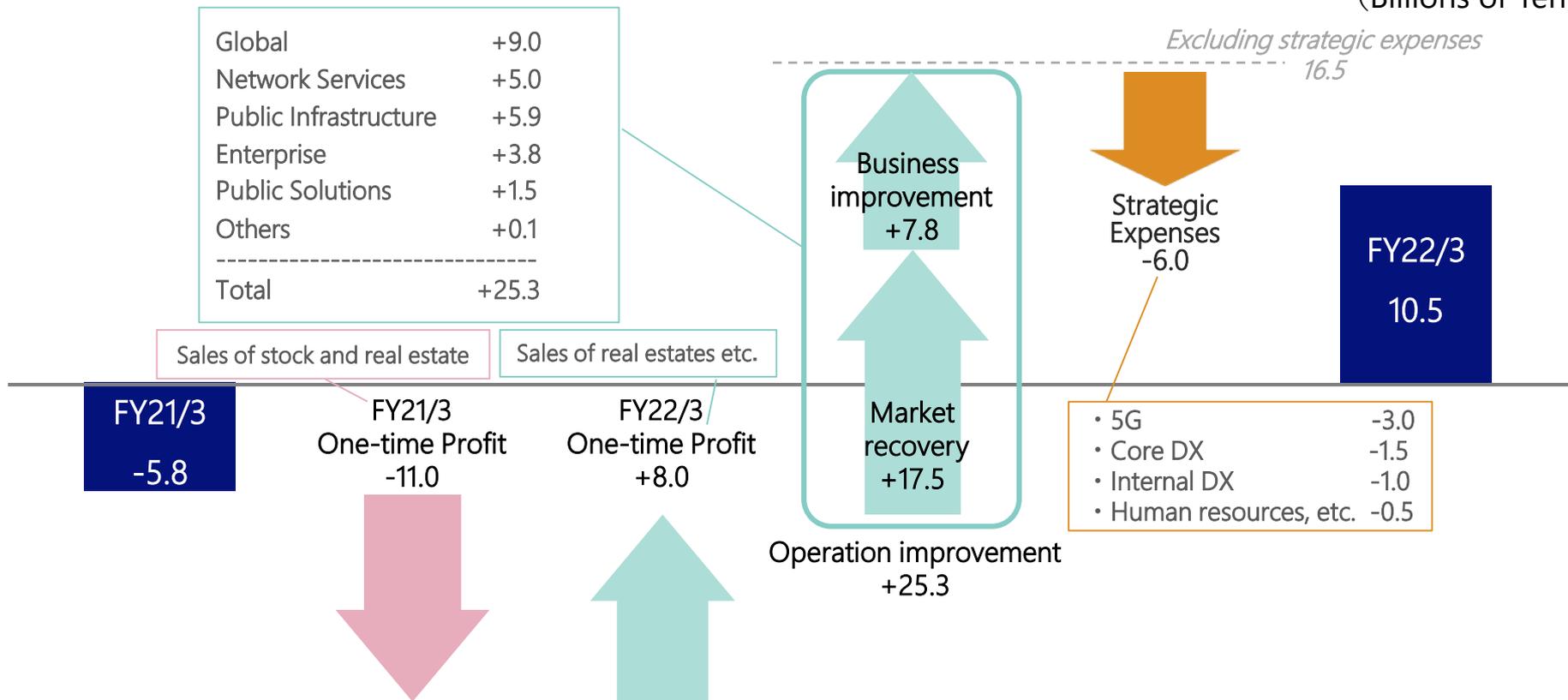
	Q1 <April to June>		
	FY21/3 Actual	FY22/3 Actual	YoY
Revenue	587.7	651.9	+ 10.9%
Operating Profit/Loss	- 10.3	1.1	+ 11.4
% to Revenue	-1.7%	0.2%	
Adjusted Operating Profit/Loss	- 5.8	10.5	+ 16.3
% to Revenue	-1.0%	1.6%	
Income/Loss before Income Taxes	- 9.6	2.9	+ 12.6
Net Profit/Loss	- 5.0	0.2	+ 5.2
% to Revenue	-0.9%	0.0%	
Adjusted Net Profit/Loss	- 2.3	6.5	+ 8.7
% to Revenue	-0.4%	1.0%	
EBITDA*	20.4	38.0	+ 17.6
% to Revenue	3.5%	5.8%	
Free Cash Flows	84.2	65.0	- 19.2
Note: Average Exchange Rates (Yen)	USD / JPY	107.57	108.99
	EUR / JPY	117.79	130.84

		Q1 <April to June>		
		FY21/3 Actual	FY22/3 Actual	YoY
Public Solutions	Revenue	74.8	78.5	+ 5.0%
	Adjusted Operating Profit/Loss % to Revenue	- 3.3 -4.4%	- 1.8 -2.3%	+ 1.5
Public Infrastructure	Revenue	122.7	135.2	+ 10.1%
	Adjusted Operating Profit % to Revenue	1.8 1.5%	7.7 5.7%	+ 5.9
Enterprise	Revenue	115.0	136.9	+ 19.0%
	Adjusted Operating Profit % to Revenue	2.7 2.3%	5.9 4.3%	+3.3
Network Services	Revenue	99.0	104.3	+ 5.3%
	Adjusted Operating Profit/Loss % to Revenue	- 2.1 -2.1%	- 0.1 -0.1%	+ 2.0
Global	Revenue	97.0	113.8	+ 17.3%
	Adjusted Operating Profit/Loss % to Revenue	- 3.0 -3.1%	4.9 4.3%	+ 8.0
Others	Revenue	79.1	83.2	+ 5.2%
	Adjusted Operating Profit/Loss % to Revenue	4.3 5.5%	- 3.0 -3.6%	- 7.3
Adjustment	Adjusted Operating Profit/Loss	- 6.2	- 3.2	+ 3.0
Total	Revenue	587.7	651.9	+ 10.9%
	Adjusted Operating Profit/Loss % to Revenue	- 5.8 -1.0%	10.5 1.6%	+ 16.3

* EBITDA = Gross Profit – SG&A + Depreciation and amortization

Adjusted Operating Profit Change (Year on Year)

(Billions of Yen)



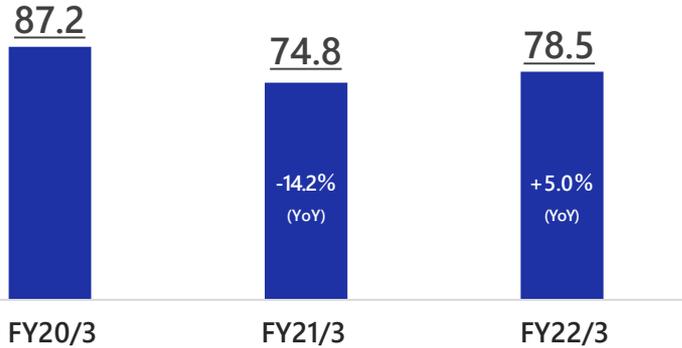
NEC Order Trends (Including Hardware)

(YoY)	FY21/3 Q1	FY21/3 Q2	FY21/3 Q3	FY21/3 Q4	FY22/3 Q1	Comment
Public Solutions	-31%	-12%	-5%	+16%	+4%	Increased demand mainly for medical and transport systems
Public Infrastructure <small>*Excluding Japan Aviation Electronics Industry (JAE)</small>	+9%	+41%	+20%	-12%	-4%	Steady increase in demand for central government systems
Enterprise	-21%	-3%	+5%	+22%	+17%	Signs of recovery for corporate IT investment
Network Services	+1%	+26%	+48%	-6%	+19%	Expansion of 5G base station demand
Global	+75%	+38%	-27%	-32%	-47%	+3%, excluding Submarine systems and Display business
Total	-5%	+10%	+5%	-2%	-2%	+9%, excluding Submarine systems and Display business
Ref.) Hardware*	-36%	-8%	-1%	-1%	+13%	

Public Solutions Business

Revenue

(Billions of Yen)



Adjusted Operating Profit Ratio



Adjusted Operating Profit / Loss



Revenue 78.5 (+5.0%)

- Increased due to increase in healthcare and local government
- Recovery of demand for mid to small sized as well as local businesses remaining slow

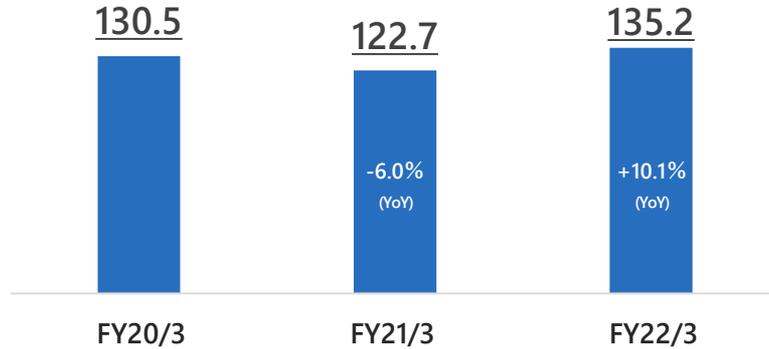
Adjusted Operating Profit -1.8 (+1.5)

- Increased due to increase in revenue

Public Infrastructure Business

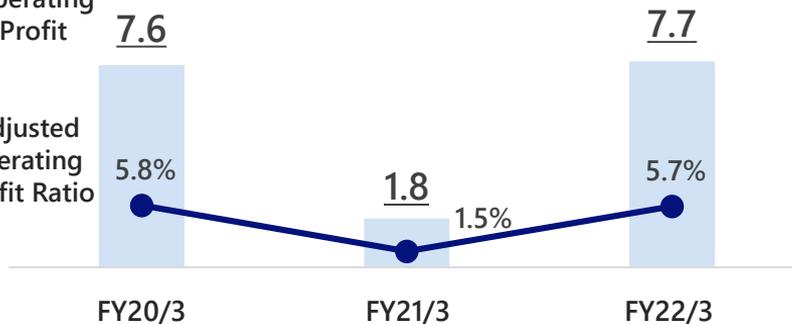
Revenue

(Billions of Yen)



Adjusted Operating Profit

Adjusted Operating Profit Ratio



Revenue 135.2 (+10.1%)

- Increased due to a revenue increase for NEC Corporation and the contribution of High Performance Computing for a university
- Increased in a consolidated subsidiary*

*Japan Aviation Electronics Industry, Ltd.

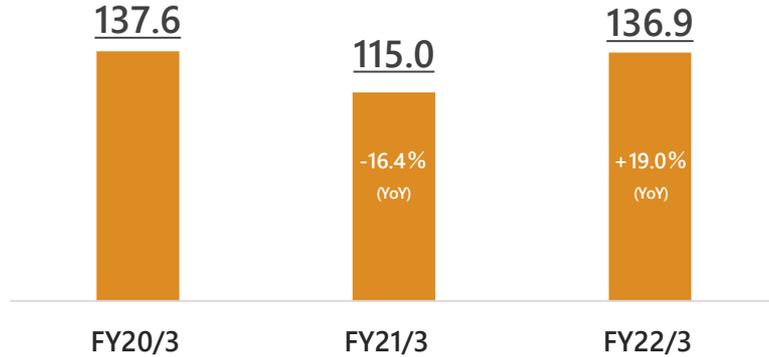
Adjusted Operating Profit 7.7 (+5.9)

- Increased due to increase in revenue

Enterprise Business

Revenue

(Billions of Yen)



Revenue 136.9 (+19.0%)

- Increased due to increase in sales for retail and finance sectors
- Sales for manufacturing sector remained same as the previous year

Adjusted Operating Profit

Adjusted Operating Profit Ratio



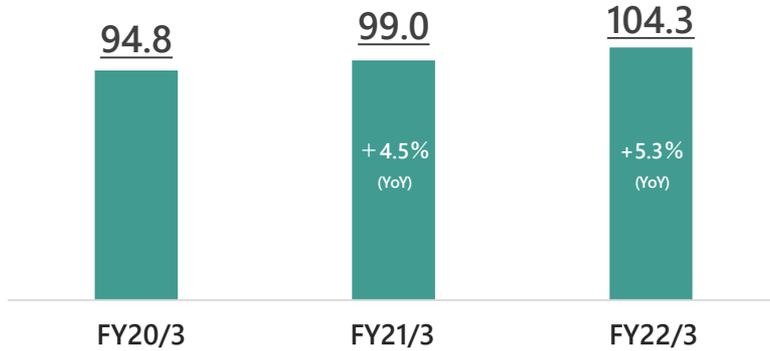
Adjusted Operating Profit 5.9 (+3.3)

- Increased due to increase in revenue

Network Services Business

Revenue

(Billions of Yen)



Adjusted Operating Profit / Loss



Revenue 104.3 (+5.3%)

- Increased due to significant sales increase of 5G base stations in Japan

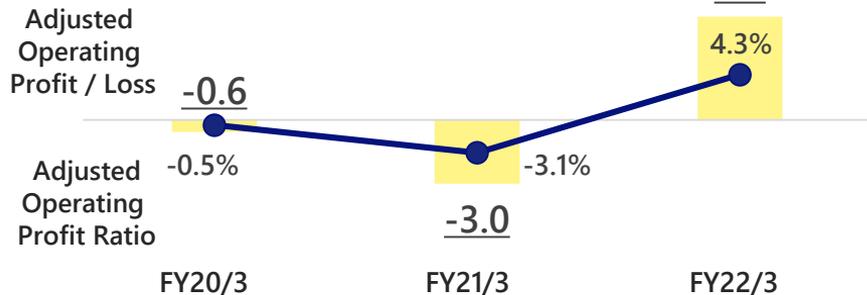
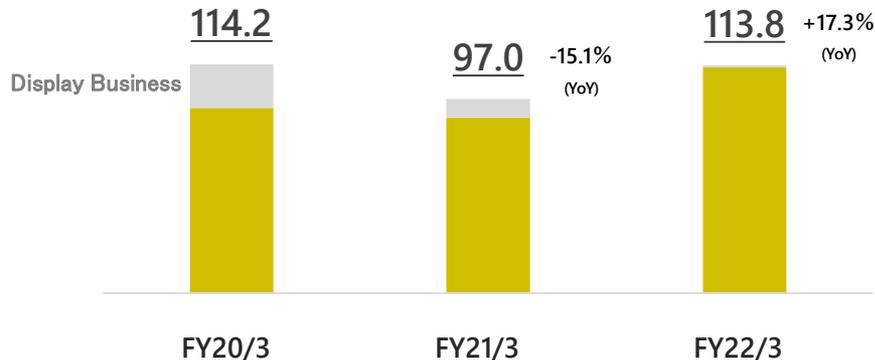
Adjusted Operating Profit -0.1 (+2.0)

- Increased due to increase in revenue, despite an increase in strategic expenses for global 5G deployment

Global Business

Revenue

(Billions of Yen)



Revenue 113.8 (+17.3%)

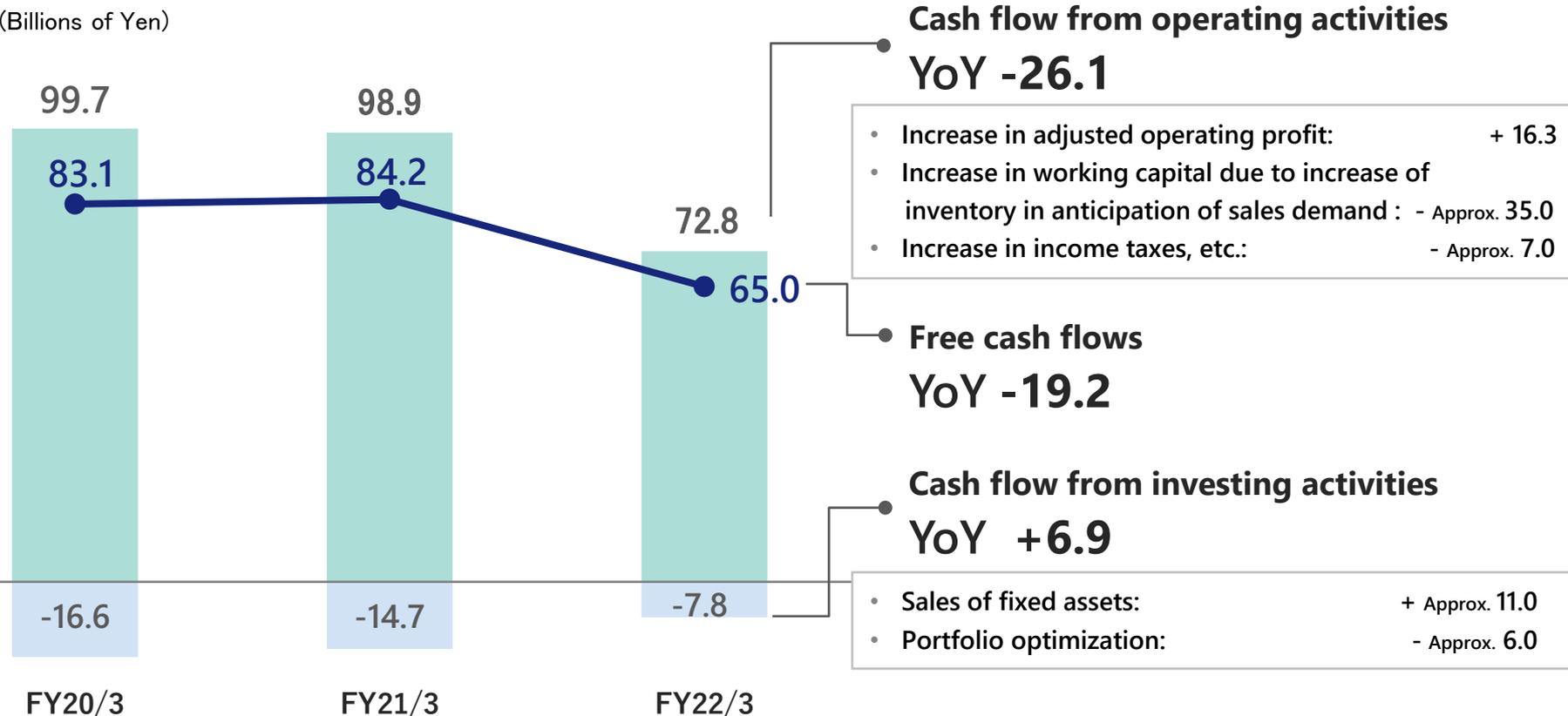
- Increased mainly in Digital Government/Digital Finance (DG/DF) areas

Adjusted Operating Profit 4.9 (+8.0)

- Turned profit as a result of portfolio optimization
- Improved profitability with revenue growth and improved cost efficiency

Free Cash Flows

(Billions of Yen)



II. Financial Forecasts for FY22/3

Financial Forecasts Summary

■ No change in FY22/3 Forecasts

(Billions of Yen)	Full year		
	FY21/3 Actual	FY22/3 Forecasts	YoY
Revenue	2,994.0	3,000.0	+ 0.2%
Operating Profit	153.8	120.0	- 33.8
% to Revenue	5.1%	4.0%	
Adjusted Operating Profit	178.2	155.0	- 23.2
% to Revenue	6.0%	5.2%	
Net Profit	149.6	67.0	- 82.6
% to Revenue	5.0%	2.2%	
Adjusted Net Profit	165.4	90.0	- 75.4
% to Revenue	5.5%	3.0%	
EBITDA*	295.8	300.0	+ 4.2
% to Revenue	9.9%	10.0%	
Free Cash Flows	152.4	130.0	- 22.4
Note: Average Exchange Rates (Yen)	USD / JPY	105.96	105.00
	EUR / JPY	122.84	125.00
Dividend per Share (Yen)	90	100	+ 10

(Billions of Yen)		Full year		
		FY21/3 Actual	FY22/3 Forecasts	YoY
Public Solutions	Revenue	425.1	415.0	- 2.4%
	Adjusted Operating Profit	39.4	31.0	- 8.4
	% to Revenue	9.3%	7.5%	
Public Infrastructure	Revenue	692.9	660.0	- 4.7%
	Adjusted Operating Profit	59.4	62.0	+ 2.6
	% to Revenue	8.6%	9.4%	
Enterprise	Revenue	503.1	550.0	+ 9.3%
	Adjusted Operating Profit	48.2	53.0	+ 4.8
	% to Revenue	9.6%	9.6%	
Network Services	Revenue	538.8	555.0	+ 3.0%
	Adjusted Operating Profit	41.2	35.0	- 6.2
	% to Revenue	7.6%	6.3%	
Global	Revenue	450.0	460.0	+ 2.2%
	Adjusted Operating Profit	7.5	22.0	+ 14.5
	% to Revenue	1.7%	4.8%	
Others	Revenue	384.2	360.0	- 6.3%
	Adjusted Operating Profit	7.7	0.0	- 7.7
	% to Revenue	2.0%	0.0%	
Adjustment	Adjusted Operating Profit/Loss	- 25.1	- 48.0	- 22.9
Total	Revenue	2,994.0	3,000.0	+ 0.2%
	Adjusted Operating Profit	178.2	155.0	- 23.2
	% to Revenue	6.0%	5.2%	

* EBITDA = Gross Profit – SG&A + Depreciation and amortization

III. Topics

Global 5G

Accelerate business for European major operators driving Open-RAN

- **Vodafone names NEC as a key partner for 5G base stations supporting commercial deployment of Open-RAN**
 - NEC has been named a key partner by Vodafone in the UK for supplying 5G massive MIMO radio units (RU) for the operator's initiative to build one of the largest commercial Open-RAN in the world, followed by participating in the UK Government-led 5G Open RAN trial program "NeutrORAN"
- **NEC will provide 5G base stations for Deutsche Telekom's Open-RAN project**
 - NEC will provide its 5G massive MIMO (mMIMO) radio units (RU) at "O-RAN Town" in Germany

Core DX

Accelerate collaboration with “Hyper scalers”

Increase the number of AWS and Microsoft Azure certified engineers in NEC to enhance delivery capability. Aim to further expand business by leveraging the collaboration

■ Promote strategic collaboration with AWS (November, 2020)

- Became the first Japanese company to sign a strategic collaboration agreement with Amazon Web Services, Inc. (AWS)
- Jointly develop managed services optimized for multiple industry sectors to meet industry-specific regulations and offerings menus to support customers' digital transformation

■ Expand strategic partnership with Microsoft (July, 2021)

- Adopt AVD(*) and Microsoft Azure in the NEC Digital Workplace for all of NEC and deploy them for its customers
- Plan to collaborate in local 5G and AI by combining each other's assets

Internal DX

■ Established “Transformation Office” to accelerate CX (*), DX

- Digital first. Approximately 150 transformation projects are being implemented
- Build corporate base registry and aim to realize End to End data driven management
- Cloud lift of our core systems completed (Shifted to S/4 HANA). TCO in core system to be decreased by 30%
- Modernization across all of NEC will be completed by FY26/3. TCO to be decreased by 13%.

■ SmartWork2.0

- Achieved telecommuting ratio of 85%. Smart work style realization ratio increased from 22% to 64%.
- Office transformation (Creation / Collaboration). Co-creation rooms of NEC I:Delight opened in NEC HQ building.

■ Refer to our internal DX and collaborate with Core DX

- 22 DX offerings completed, enhance them as needed

*Corporate Transformation



Digital Government / Digital Finance

■ Avaloq: Completed a 100 Day PMI Plan

- Improving profitability utilizing synergies within NEC Group such as offshoring and collaboration in procurement
- Received first SaaS contract in Asia

■ Northgate Public Services: Bolt-on acquisitions continuing

- Acquired Vantage Health with the aim of enhancing healthcare business (the sixth acquisition)
- Changed its corporate name to NEC Software Solutions UK

■ KMD

- Received a system contract from the Denmark Ministry of Taxation

■ NEC Australia

- Received an IT services contract from the Commonwealth of Australia's Ministry of Taxation

Ratings from Credit Rating Firms

Upgraded, with enhanced cash generation power and financial position

- R&I : A- → A (Stable) (July, 2021)
- JCR : A → A+ (Stable) (June, 2021)
- S&P : BBB- → BBB (Stable) (March, 2021)

NEC IR Day 2021

- Date: September 15 and 16, 2021
- Format: Webcast (After the event, English presentation material to be posted on our IR site, excluding the Q&A session)
- Heads of reporting segments and management responsible for growth businesses explain strategies for achieving the mid-term business plan

Date and time (JPN)		Program	Presenter	
Sep.15	13:00-13:10	Introduction	President and CEO Executive Vice President and CFO	T. Morita O. Fujikawa
	13:10-13:50	Core DX	Senior Executive Vice President	K. Sakai
	14:00-14:30	Enterprise Business	Executive Vice President	F. Matsubara
	14:40-15:10	Public Solutions Business	Executive Vice President	K. Amemiya
	15:20-15:50	Public Infrastructure Business	Executive Vice President	N. Taguma
Sep.16	13:00-14:00	Network Services Business (Including Global 5G)	Executive Vice President	A. Kawamura
	14:10-14:40	Digital government / Digital finance	Executive Vice President	M. Yamashina
	14:50-15:20	Global Business	Senior Executive Vice President	A. Kumagai

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IV. Financial Results for (Appendix)

Adjustments to Operating Profit

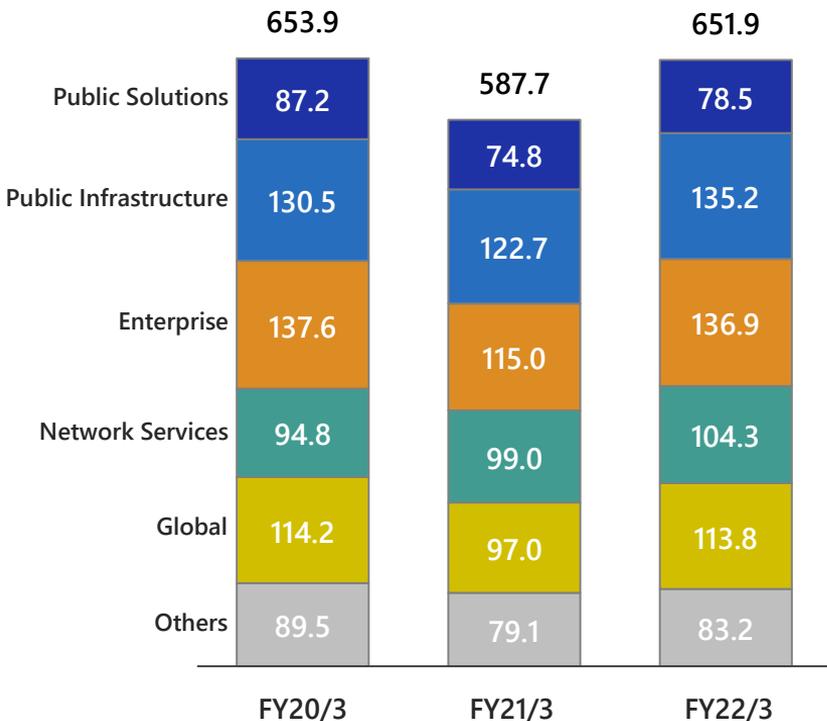
(Billions of Yen)

	FY20/3	FY21/3	FY22/3	YoY
	1Q	1Q	1Q	1Q
Operating Profit	3.4	-10.3	1.1	11.4
Adjusted items	4.2	4.5	9.3	4.9
Amortization of intangible asset through acquisition	4.2	4.5	9.3	
M&A related expenses	0.0	0.0	0.0	
Adjusted Operating Profit	7.6	-5.8	10.5	16.3

Financial Results by Segment (three-year transition)

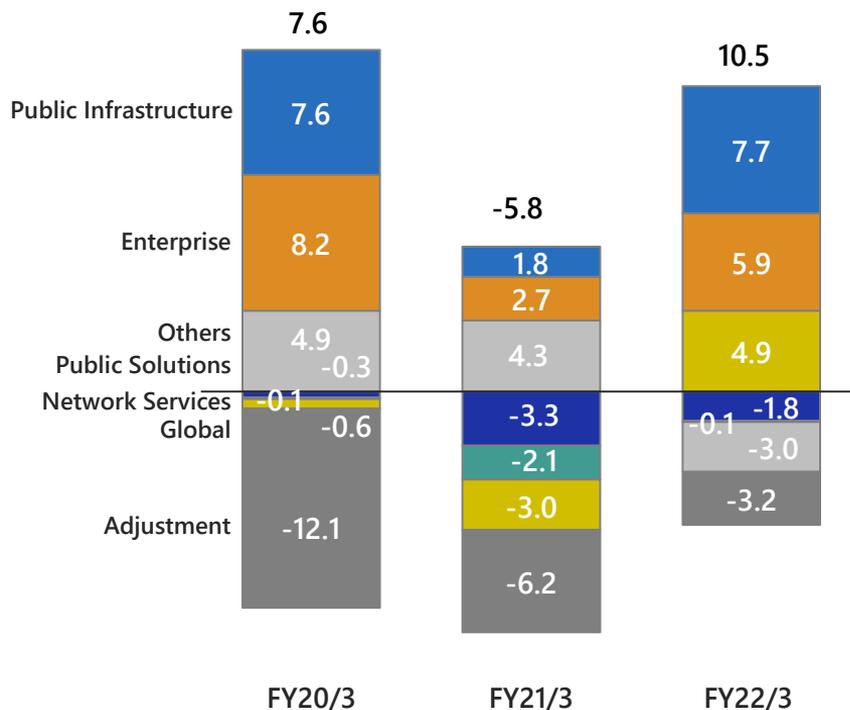
Revenue

(Billions of Yen)



Adjusted Operating Profit / Loss

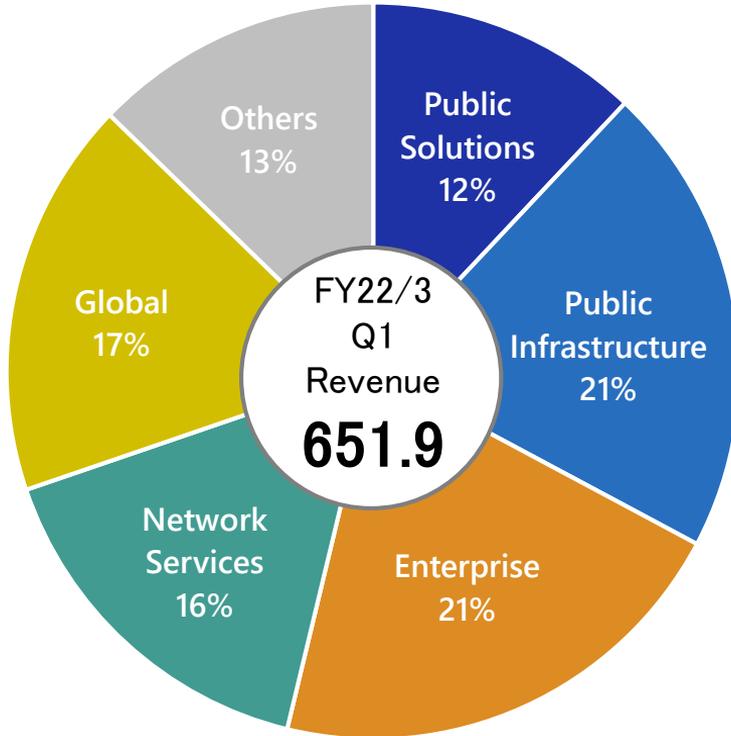
(Billions of Yen)



Financial Results by Segment

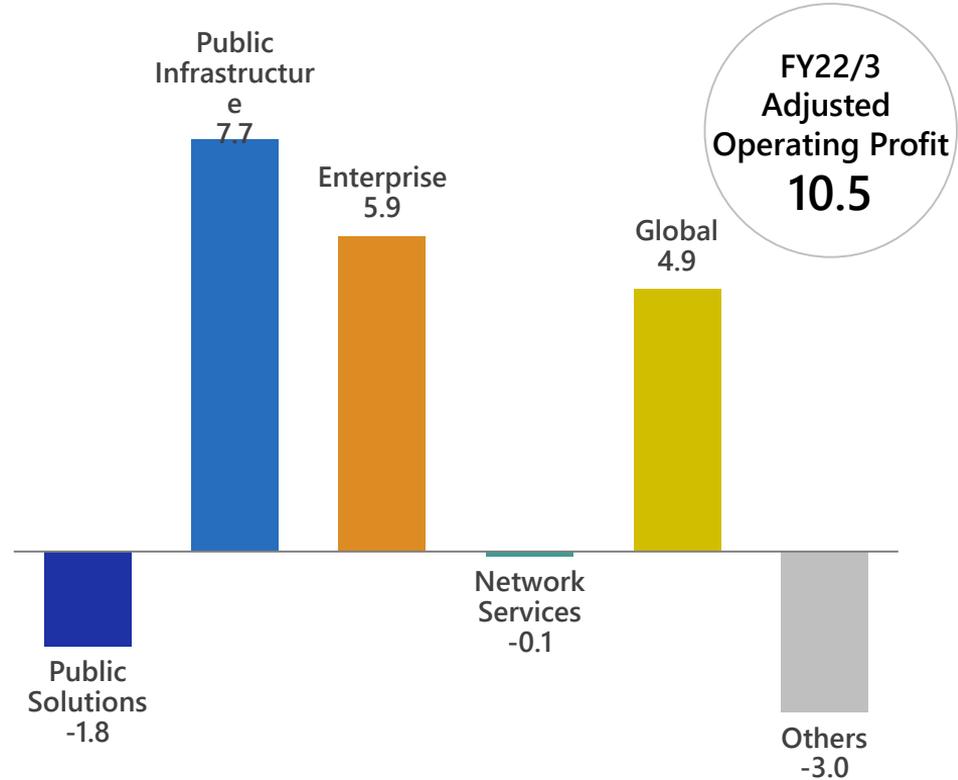
Revenue

(Billions of Yen)



Adjusted Operating Profit / Loss

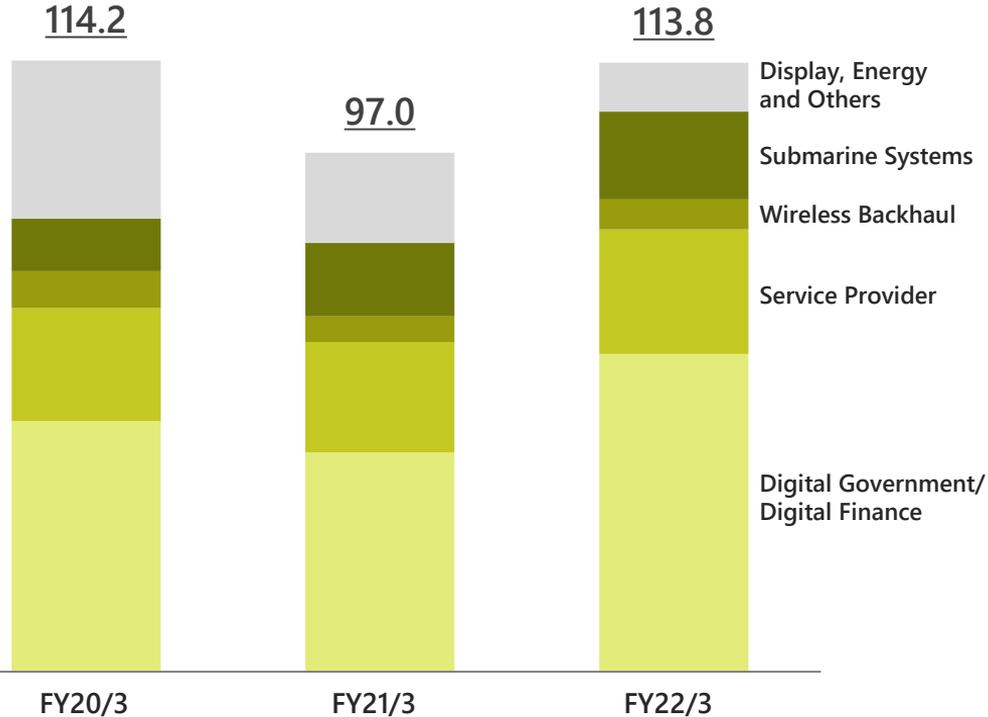
(Billions of Yen)



Global Business Status

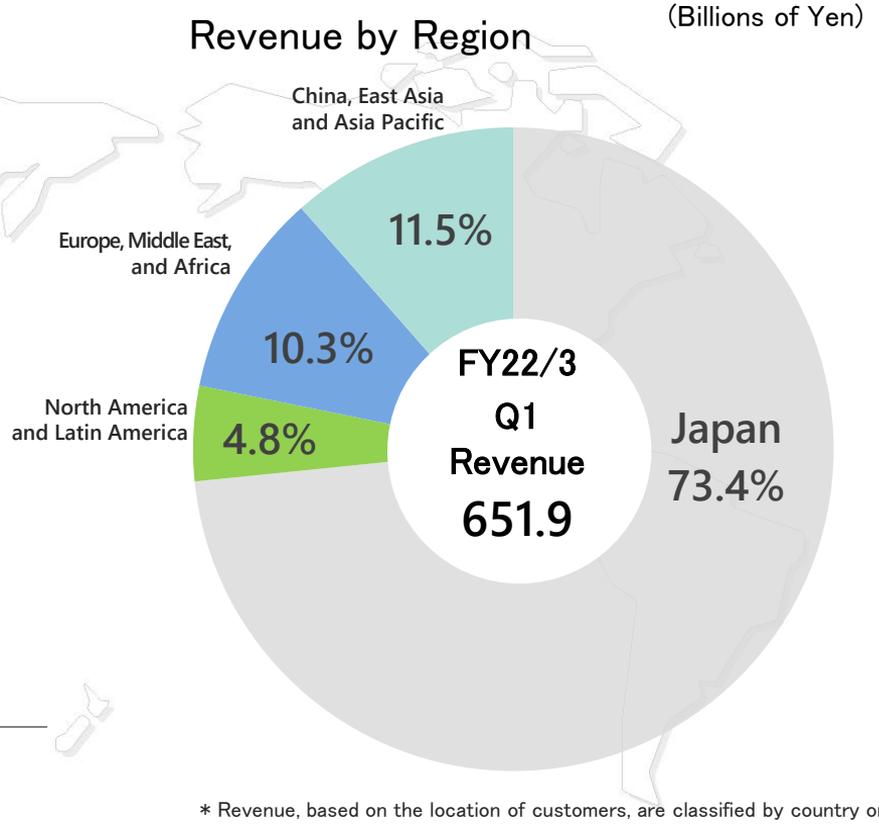
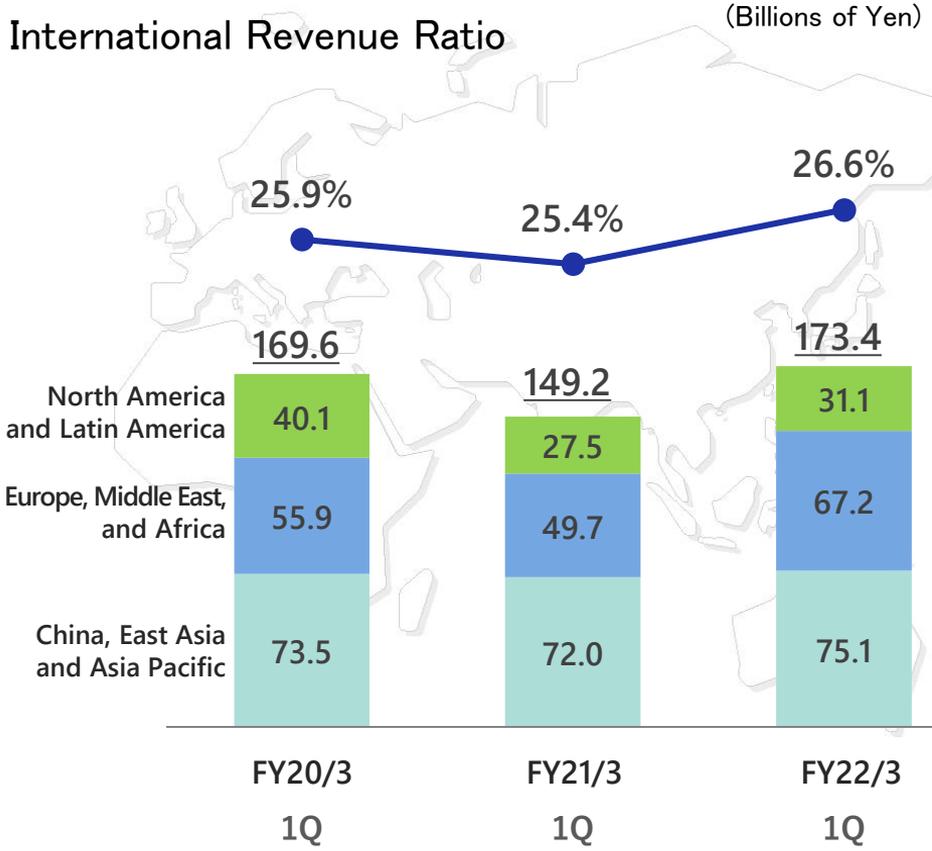
Revenue

(Billions of Yen)



- ◆ **Digital Government / Digital Finance**
 - Increased due to new consolidation of Avaloq
 - Expansion of KMD's data utilization business
- ◆ **Service Provider**
 - Increased along with strong demand
- ◆ **Wireless Backhaul**
 - Increased along with market recovery in India
- ◆ **Submarine Systems**
 - Increased due to previously ordered project sales
- ◆ **Display, Energy and Others**
 - Decreased due to deconsolidation of Display business

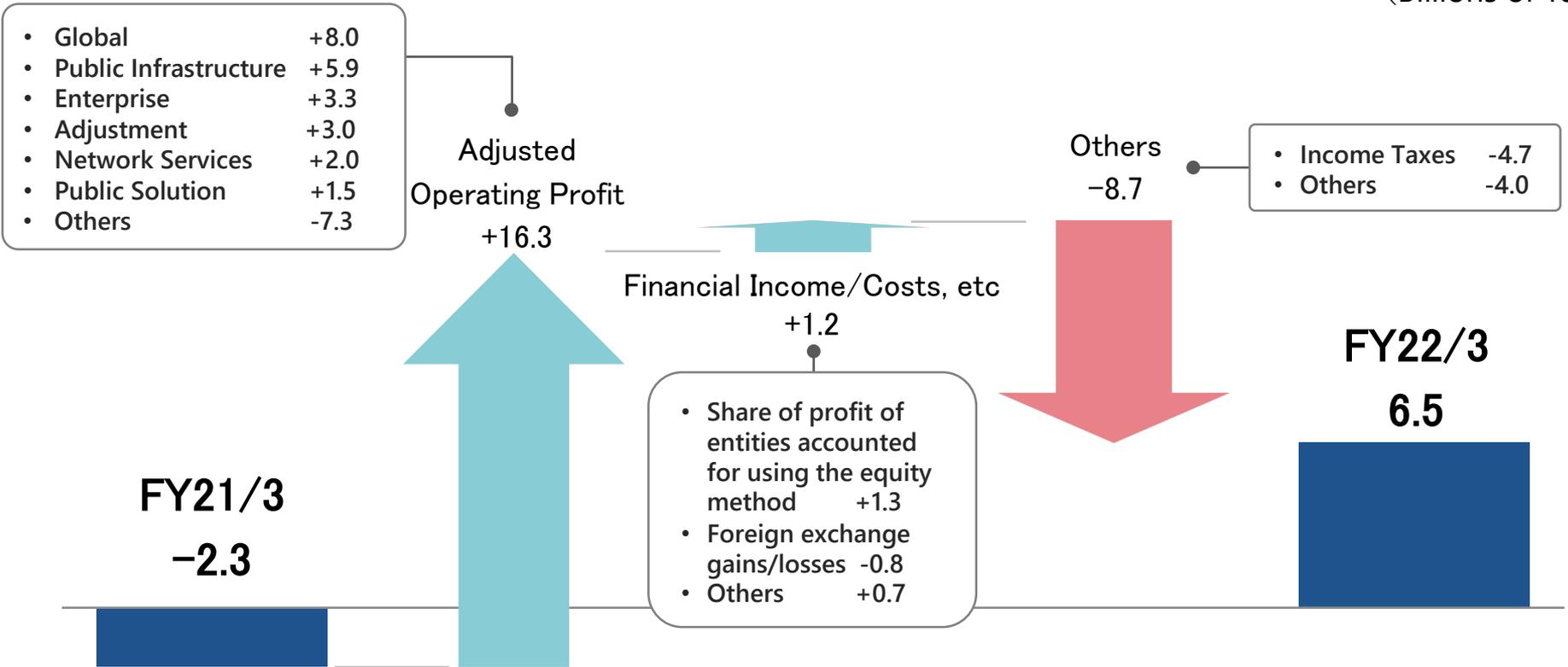
International Revenue



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

Adjusted Net Profit / Loss Change (Year on Year)

(Billions of Yen)



Statements of Financial Position (At the end of June 2021)

(Billions of Yen)

Compared to end of March 2021

Current Assets

1,717.6

- Decreased due to the collection of trade and other receivables, etc.

-143.2

Liabilities

1,965.1

- Decreased in trade and other payables
- Decreased in accruals due to the payment of bonus, etc.

-141.7

Total Assets

3,518.9

(-149.7 compared to end of March 2021)

- Decreased due to the depreciation

-6.5

- Decreased due to the payment of cash dividends, etc.

-8.0

Non-current Assets

1,801.2

Equity

1,553.8

Financial Position Data

(Billions of Yen)

	End of June 2020	End of June 2021	Variance from end of March 2021
Total assets	3,668.6	3,518.9	- 149.7
Total equity	1,561.8	1,553.8	- 8.0
Interest-bearing debt	702.9	706.9	+ 4.0
Equity attributable to owners of the parent	1,308.2	1,299.9	- 8.2
Ratio of equity attributable to owners of the parent (%)	35.7%	36.9%	+ 1.3pt
D/E ratio (times)	0.54	0.54	- 0.01pt
Net D/E ratio (times)	0.14	0.11	+ 0.03pt
Cash and cash equivalents	523.3	562.9	+ 39.6

V. Financial Forecasts (Appendix)

Adjustments to Operating Profit

(Billions of Yen)

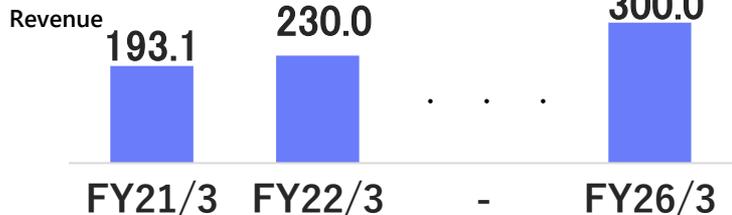
	FY20/3 Actual	FY21/3 Actual	FY22/3 Forecasts	YoY
Operating Profit	127.6	153.8	120.0	- 33.8
Adjusted items	18.2	24.5	35.0	+10.5
Amortization of intangible asset through acquisition	17.0	22.8	N.A.	N.A.
M&A related expenses	1.2	1.7		
Adjusted Operating Profit	145.8	178.2	155.0	- 23.2

* Forecasts as of July 30, 2021

Growth businesses: Initiatives in FY22/3

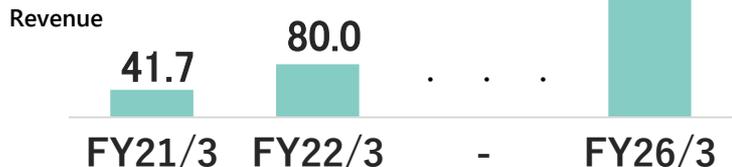
(Billions of Yen)

Digital Government / Digital Finance



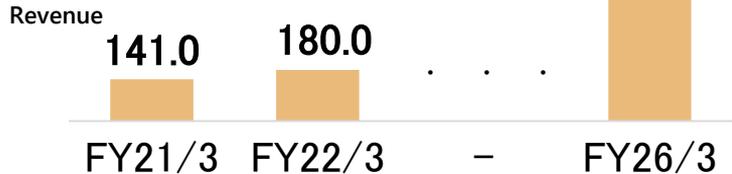
- Generate synergies in sales including APAC
- Generate cost synergies by utilizing off-shore resources
- Implement small sized bolt-on M&A

Global 5G



- Expand share in Japanese market
- Secure commercialized projects. Enhance manufacturing and sales structure.
- Enhance development of base stations, core networks, and operation managing software

Core DX



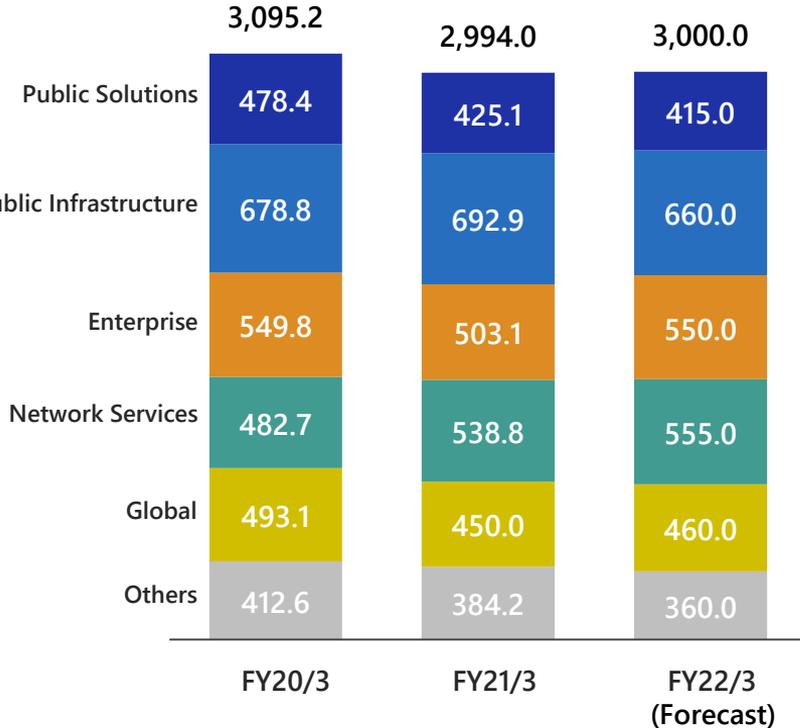
- Collaborate with ABeam to strengthen resource utilization and increase acquisition of projects
- Accelerate strategic proposals and promotion of DX in government agencies
- Enhance collaboration with "Hyper scalers"

* Forecasts as of July 30, 2021

Financial Results by Segment (three-year transition)

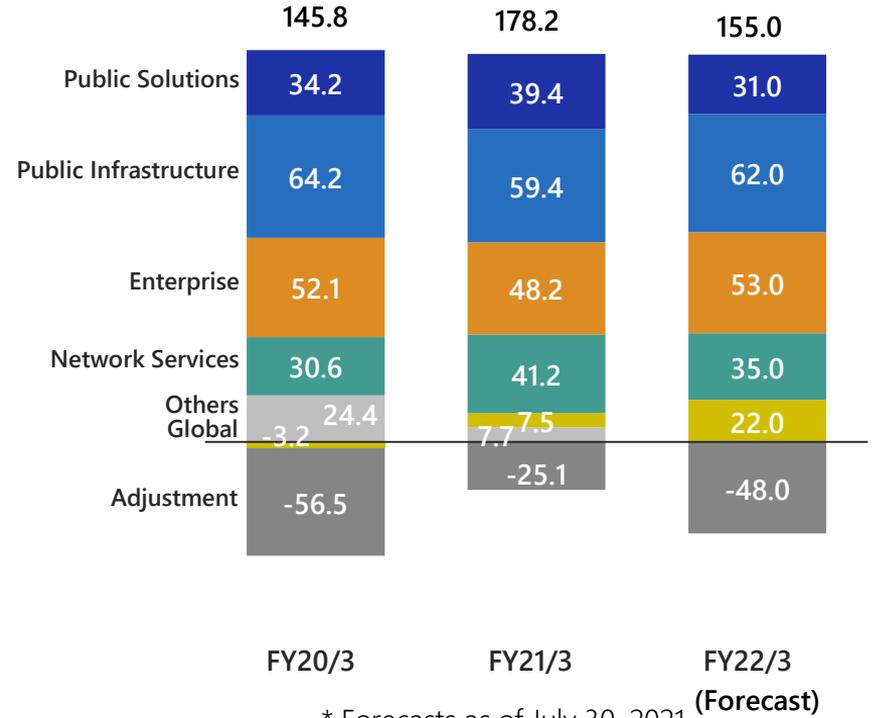
Revenue

(Billions of Yen)



Adjusted Operating Profit / Loss

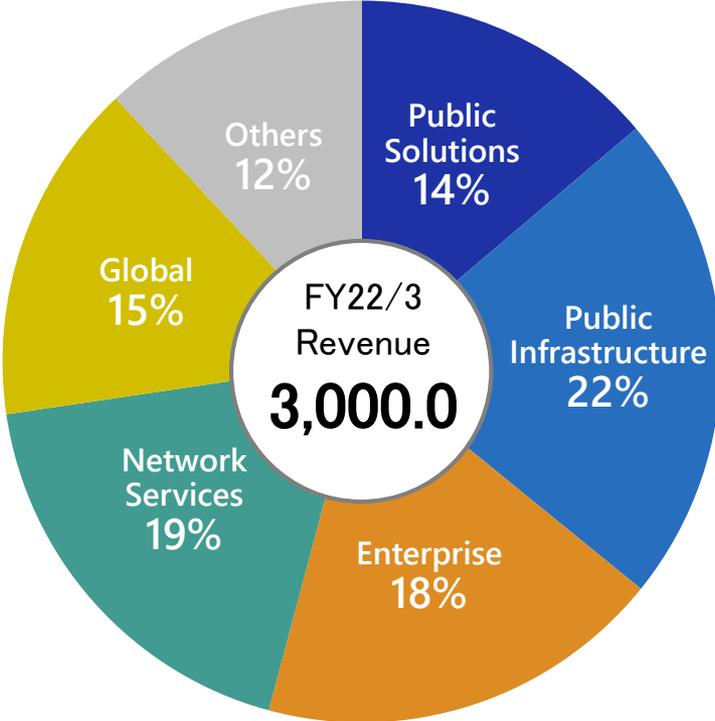
(Billions of Yen)



* Forecasts as of July 30, 2021

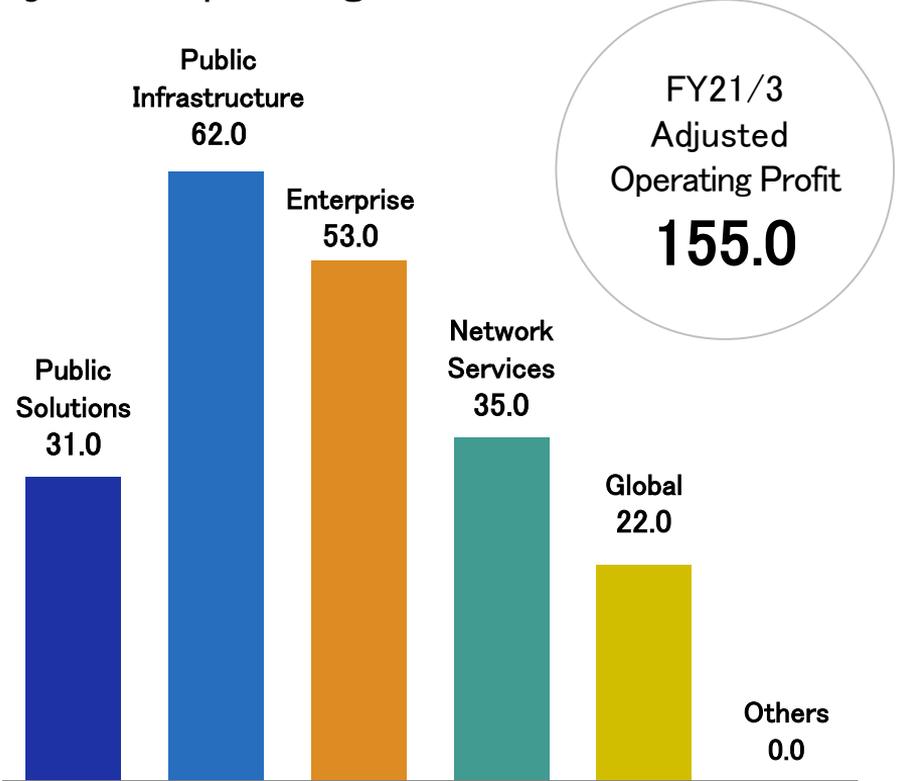
Financial Forecasts by Segment in FY22/3

Revenue



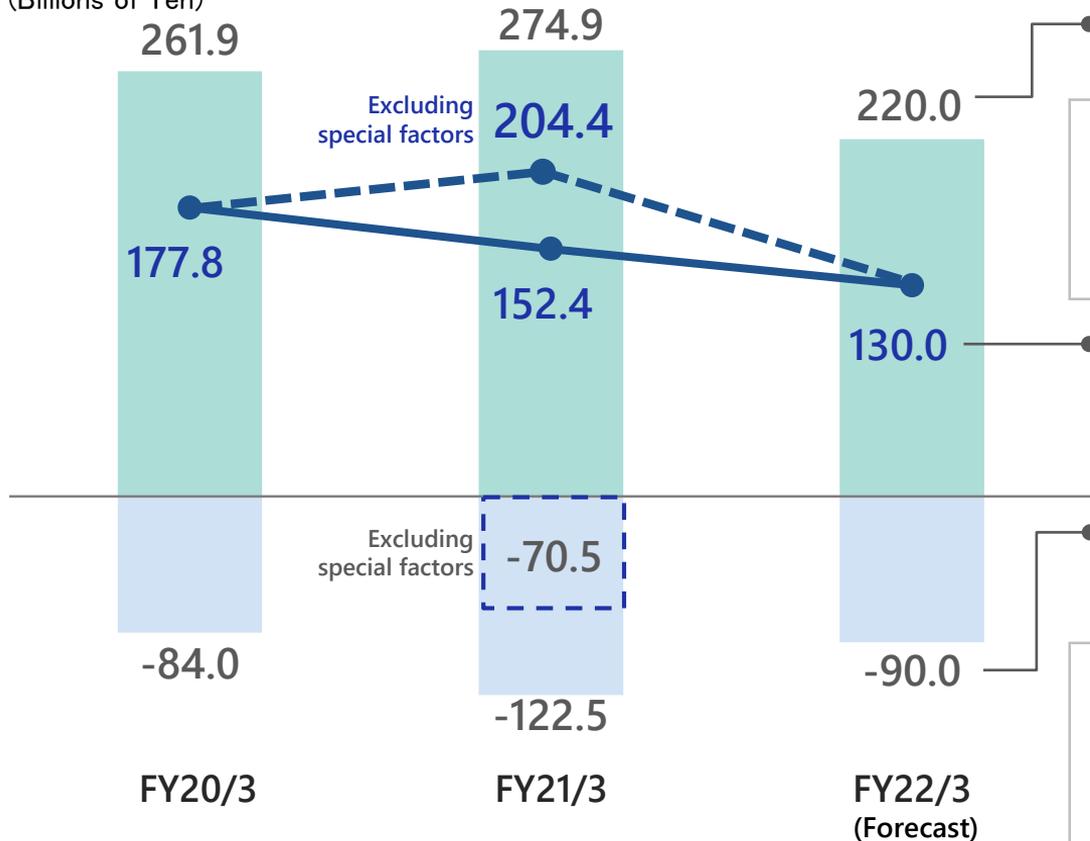
Adjusted Operating Profit

(Billions of Yen)



Free Cash Flows

(Billions of Yen)



Cash flow from operating activities

YoY **-54.9**

- Decrease in adjusted operating profit due to increased strategic expenses: - 23.2
- Diminished effect of CCC promotion activities (from 6 days to 2 days): - Approx. 32.0

Free cash flows

YoY **-22.4** (Excluding special factors -74.4)

Cash flow from investing activities

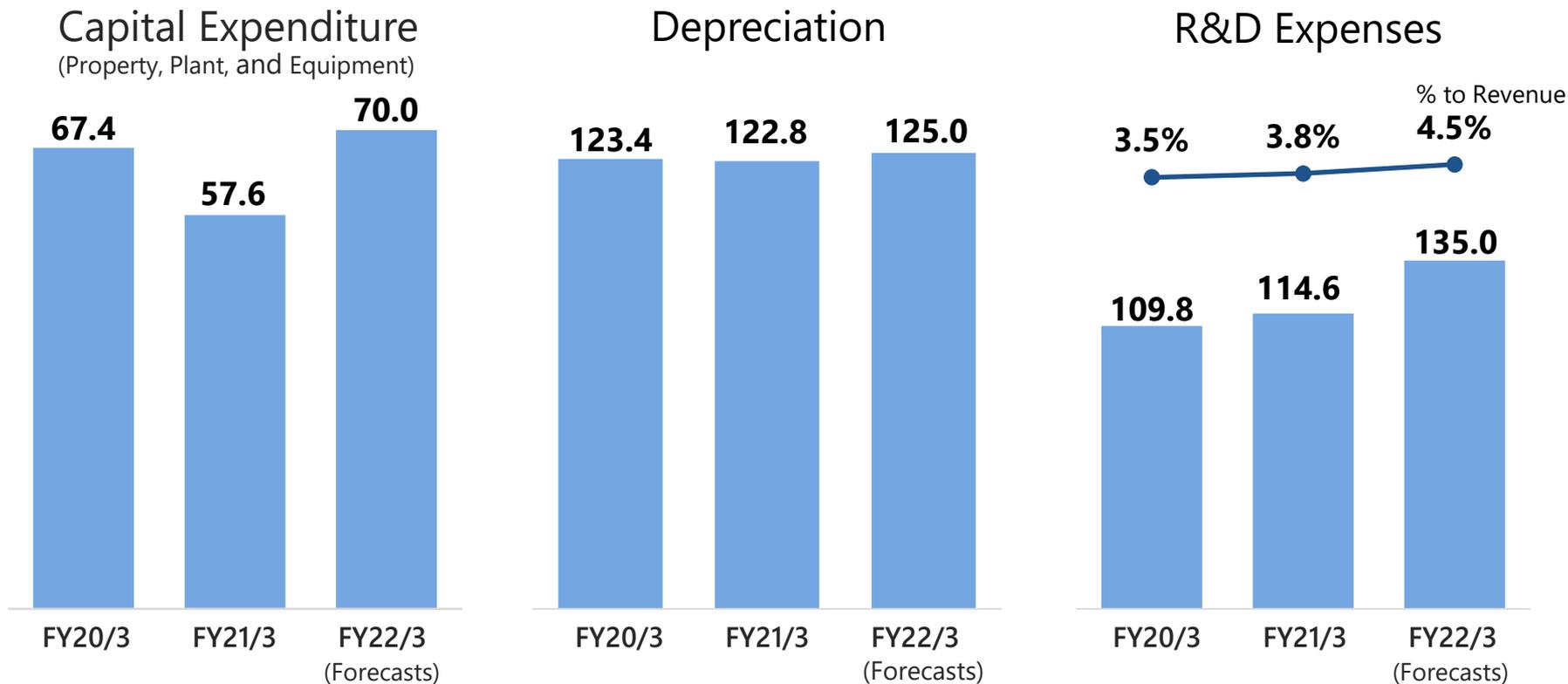
YoY **+32.5** (Excluding special factors -19.5)

- Capex for Mid-term Plan Achievement: - Approx. 19.5
- Portfolio optimization: - Approx. 14.0
- Fixed assets optimization: - Approx. 35.0
- Sales of investment securities: - Approx. 97.0
- Avaloq acquisition: + Approx. 198.0

Capital Expenditures, Depreciation and R&D Expenses

Forecasts
FY22/3

(Billions of Yen)



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 and business withdrawals;
- 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, 2021 and 2022 were referred as FY21/3 and FY22/3 respectively. Any other fiscal years would be referred similarly.