

Financial Results for Q2 Fiscal Year Ending March 31, 2022

October 29, 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 Q2, FY22/3

Summary of Financial Results for 1H, FY22/3

Revenue
1,382.8 billion Yen
〈YoY〉 +5.2%

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
42.1 billion Yen
〈YoY〉 +13.1 Billion Yen

Significantly improved while steadily securing market recovery

- Contributed to by increased sales and global portfolio optimization
- Invested strategic expenses of 13.0 billion Yen

Adjusted Net Profit
26.1 billion Yen
〈YoY〉 + 9.5 billion Yen

Profitability due to the improvement of adjusted operating profit

Summary of Financial Results

1H Results

(Billions of Yen)

	1H <6 months>		
	FY21/3 Actual	FY22/3 Actual	YoY
Revenue	1,315.0	1,382.8	+ 5.2%
Operating Profit/Loss	20.0	23.2	+ 3.2
% to Revenue	1.5%	1.7%	
Adjusted Operating Profit/Loss	29.0	42.1	+ 13.1
% to Revenue	2.2%	3.0%	
Income/Loss before Income Taxes	19.4	25.8	+ 6.4
Net Profit/Loss	11.0	13.3	+ 2.3
% to Revenue	0.8%	1.0%	
Adjusted Net Profit/Loss	16.6	26.1	+ 9.5
% to Revenue	1.3%	1.9%	
EBITDA*	89.4	106.5	+ 17.1
% to Revenue	6.8%	7.7%	
Free Cash Flows	29.7	1.1	- 28.6
Dividend per Share (Yen)	40	50	- 40
Note:	USD / JPY	107.19	109.54
Average Exchange Rates (Yen)	EUR / JPY	120.34	130.83

		1H <6 months>		
		FY21/3 Actual	FY22/3 Actual	YoY
Public Solutions	Revenue	177.1	171.8	- 3.0%
	Adjusted Operating Profit	4.6	4.0	- 0.7
	% to Revenue	2.6%	2.3%	
Public Infrastructure	Revenue	281.6	290.8	+ 3.3%
	Adjusted Operating Profit	16.6	20.4	+ 3.8
	% to Revenue	5.9%	7.0%	
Enterprise	Revenue	238.1	282.2	+ 18.5%
	Adjusted Operating Profit	18.0	22.2	+ 4.2
	% to Revenue	7.5%	7.9%	
Network Services	Revenue	225.5	225.5	+ 0.0%
	Adjusted Operating Profit	6.2	8.4	+ 2.2
	% to Revenue	2.7%	3.7%	
Global	Revenue	219.3	235.2	+ 7.3%
	Adjusted Operating Profit/Loss	- 3.3	12.4	+ 15.8
	% to Revenue	-1.5%	5.3%	
Others	Revenue	173.4	177.3	+ 2.2%
	Adjusted Operating Profit/Loss	7.2	- 2.3	- 9.5
	% to Revenue	4.1%	-1.3%	
Adjustment	Adjusted Operating Profit/Loss	- 20.2	- 22.9	- 2.8
Total	Revenue	1,315.0	1,382.8	+ 5.2%
	Adjusted Operating Profit	29.0	42.1	+ 13.1
	% to Revenue	2.2%	3.0%	

Adjusted Operating Profit Change (Year on Year)

(Billions of Yen)

Global	+17.3
Network Services	+12.2
Public Infrastructure	+6.8
Enterprise	+5.2
Public Solutions	-0.7
Others	-4.2

Total	+36.6

Strategic Expenses

-13.0

Excluding strategic expenses
55.1

• 5G	-7.0
• Core DX	-2.0
• Internal DX	-2.0
• Human resources, etc.	-2.0

Sales of stock and real estate

Sales of real estate etc.

Deterioration
-7.5

Business improvement
+36.6

FY21/3
29.0

FY21/3
One-time Profit
-11.0

FY22/3
One-time Profit
+8.0

FY22/3
42.1

Unprofitable projects	-3.0
Impact of components shortage	-3.0
Transfer of NEC Energy Solutions, Inc. shares	-1.5

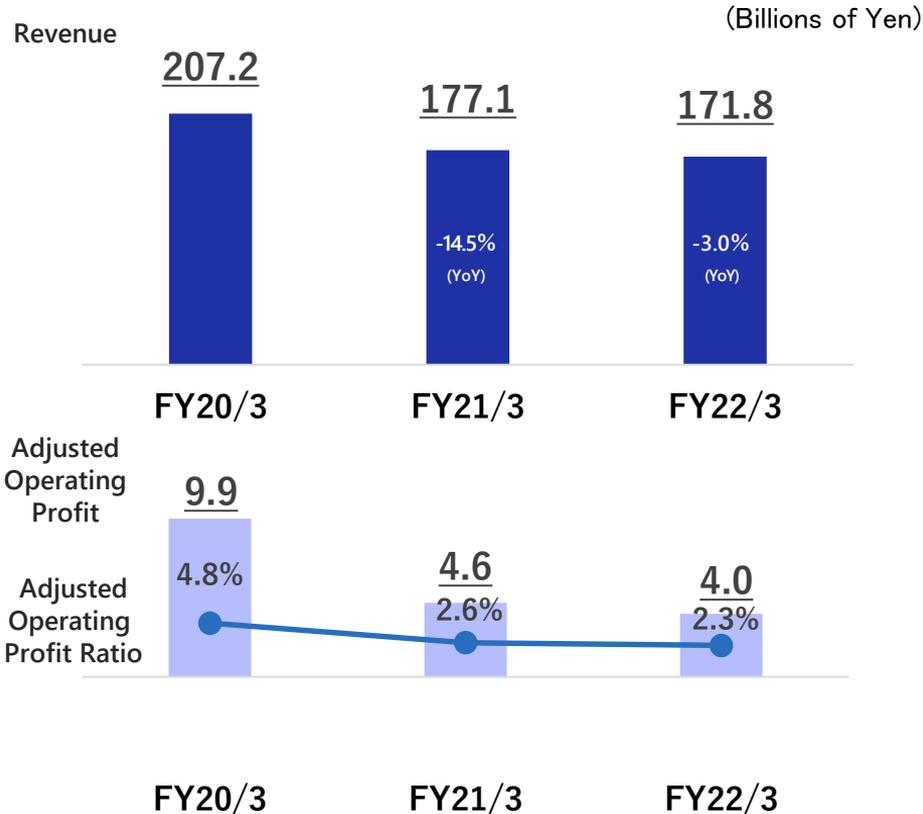
Total	-7.5

NEC Order Trends (Including Hardware)

(YoY)	FY21/3				FY22/3			Comment
	Q1	Q2	Q3	Q4	Q1	Q2	1H	
Public Solutions	-31%	-12%	-5%	+16%	+4%	-9%	-2%	Decreased demand for firefighting and disaster prevention despite an increase for public and healthcare
Public Infrastructure <small>*Excluding Japan Aviation Electronics Industry (JAE)</small>	+9%	+41%	+20%	-12%	-4%	-7%	-6%	Steady increase in demand for national defense +6%, excluding GIGA school project
Enterprise	-21%	-3%	+5%	+22%	+17%	-7%	+4%	Steady increase for finance and manufacturing +6% (1H), +2% (Q2), excluding NEC Facilities
Network Services	+1%	+26%	+48%	-6%	+19%	-5%	+5%	Increased demand for 5G +19% (1H), +7% (Q2), excluding NESIC
Global	+75%	+38%	-27%	-32%	-47%	-7%	-29%	±0%, excluding Submarine systems and Display business
Total	-5%	+10%	+5%	-2%	-2%	-5%	-3%	+2%, excluding Submarine systems and Display business

Ref.) Hardware*	-36%	-8%	-1%	-1%	+13%	-12%	-2%
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Public Solutions Business



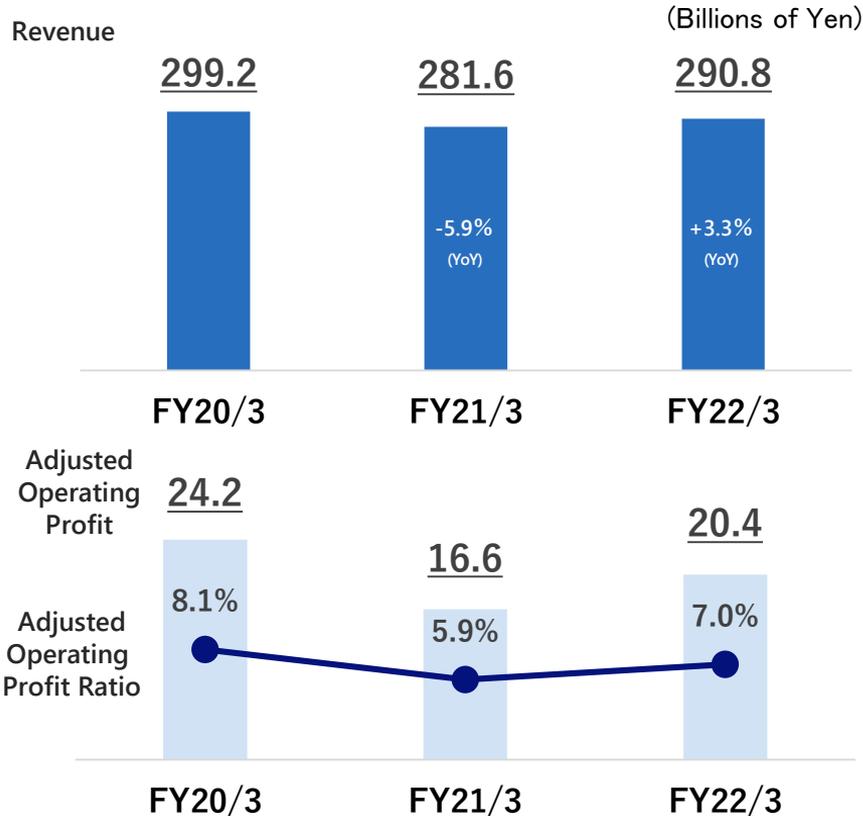
Revenue 171.8 (-3.0%)

- Decreased in business for local government and regional industries

Adjusted Operating Profit 4.0 (-0.7)

- Decreased due to increase in sales related costs

Public Infrastructure Business



Revenue 290.8 (+3.3%)

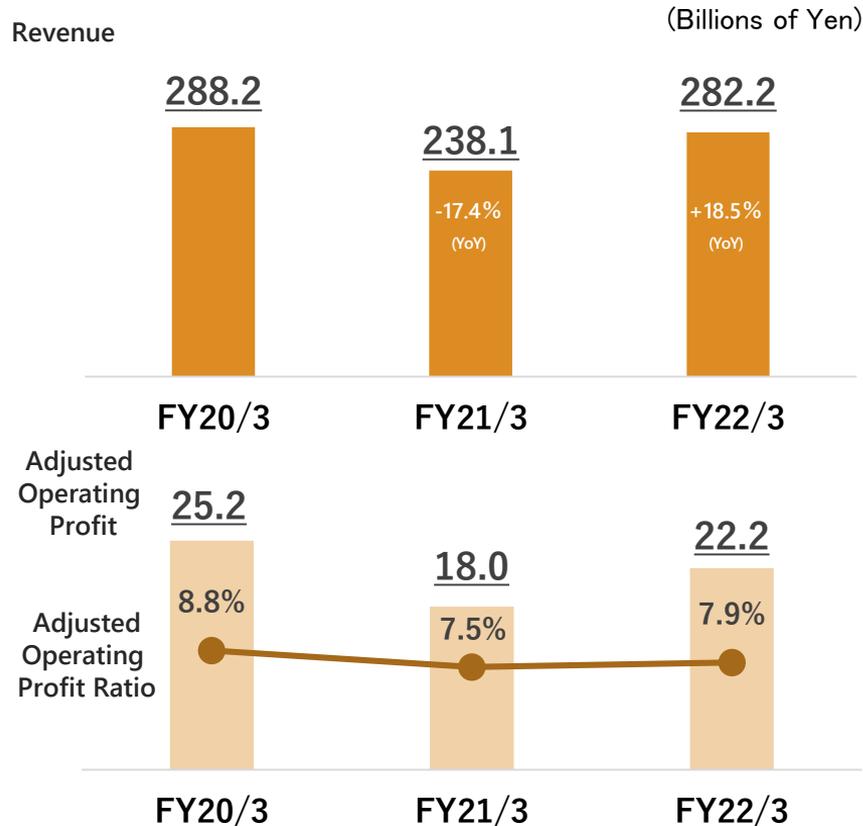
- Increased due to a revenue increase for a consolidated subsidiary* despite a decrease for broadcasting and media

*Japan Aviation Electronics Industry, Ltd.

Adjusted Operating Profit 20.4 (+3.8)

- Increased due to increase in revenue despite loss in unprofitable projects increased

Enterprise Business



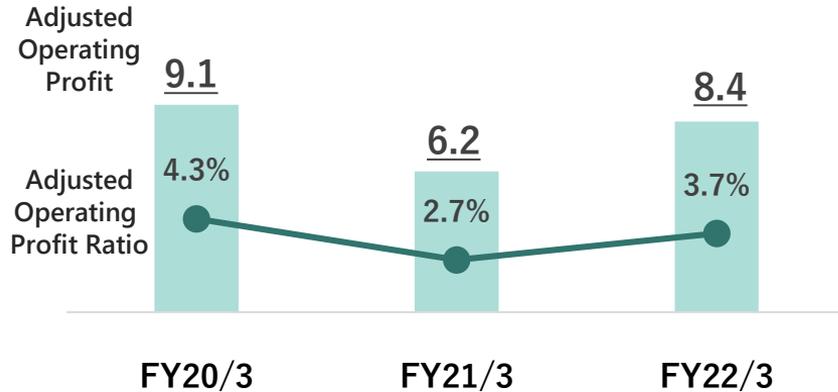
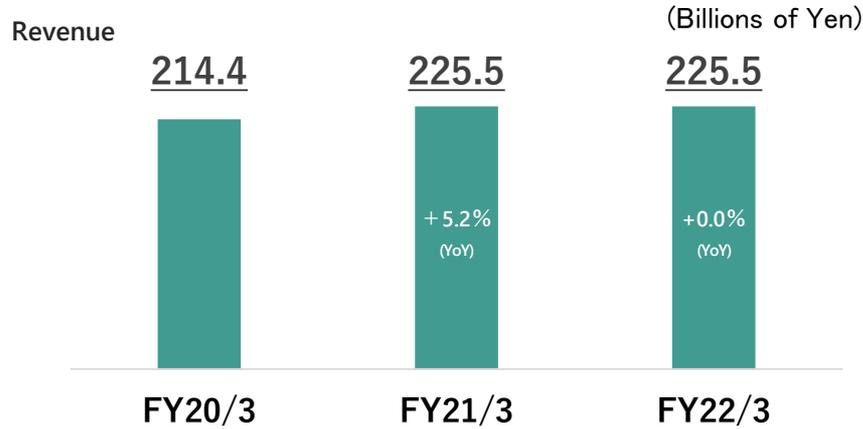
Revenue 282.2 (+18.5%)

- Increased sales for all domains such as manufacturing, retail / services and finance

Adjusted Operating Profit 22.2 (+4.2)

- Increased due to increase in revenue

Network Services Business



Revenue 225.5 (+0.0%)

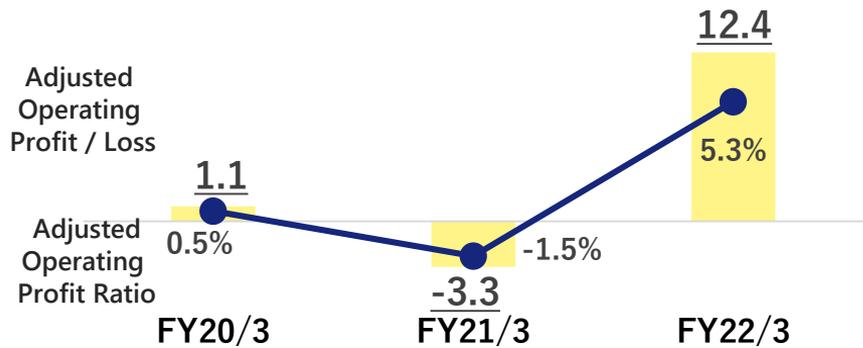
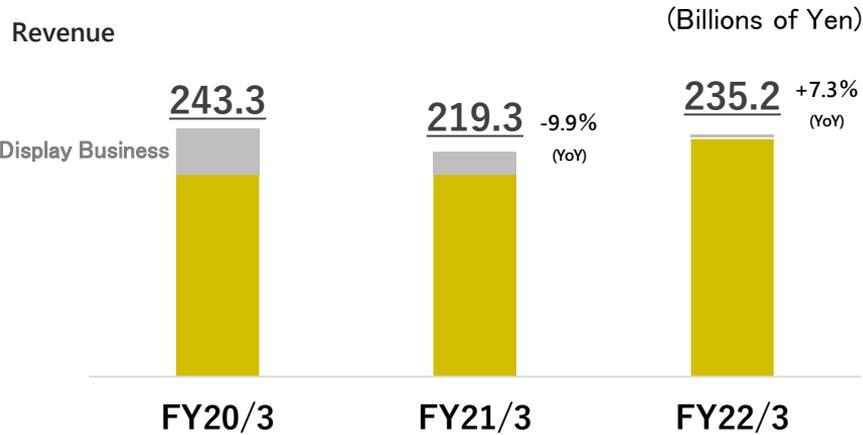
- 5G base stations significantly increased in Japan
- Sales in a consolidated subsidiary* decreased

* NEC Networks & System Integration Corporation

Adjusted Operating Profit 8.4 (+2.2)

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

Global Business



Revenue 235.2 (+7.3%)

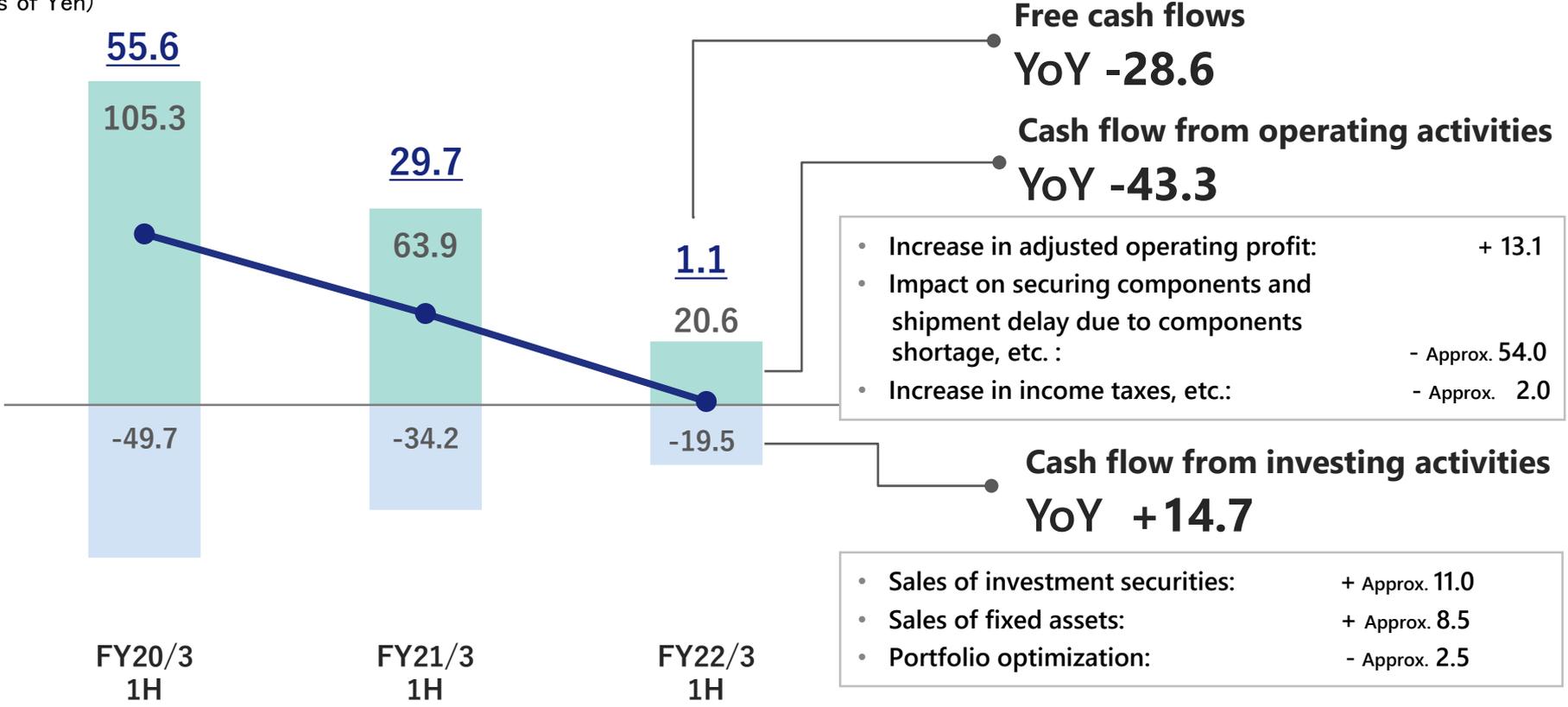
- Increased mainly in Digital Government / Digital Finance (DG/DF) areas

Adjusted Operating Profit 12.4 (+15.8)

- Turned a 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

Countermeasures for Component Procurement Risks

- **NEC implements the below countermeasures in order to cope with risks of delays in product shipments, price hikes on components and missed opportunities due to component shortages centering on semiconductors over the long term**
 - Design changes suitable for alternative materials and switching to alternative components
 - In addition to cost controls, optimize sales prices in response to rising component costs
 - Avoid missing opportunities and expand business by accelerating cloud-shift proposals for on-premises projects

III. Topics

Topics: Global 5G, Digital Government / Digital Finance

■ NEC entered an agreement with Telefónica to conduct Open RAN pre-commercial trials in four global markets (September 2021)

- Conducting trials of multi-vendor-based Open RAN solutions in Telefonica's four core global markets: Spain, Germany, the UK and Brazil

■ NEC Software Solutions UK intends to acquire UK Capita Group's software business for UK police forces (October 2021)

- Enhancing software lineup for police forces to strengthen and expand customer base
- The deal is expected to complete in December 2021

Topics: Core DX, Others

- **NEC Expands its collaboration with Amazon Web Services (AWS) in areas including Global 5G and Digital Government (September 2021)**
 - Contributing to telecom carriers' cloudification of network workloads and acceleration of digital transformation for customers
- **Submarine Systems: NEC has been contracted by Facebook (October 2021)**
 - NEC has been contracted as a supplier of submarine cable systems, and started to build an ultra-high performance transatlantic subsea fiber-optic cable connecting the USA and Europe
 - The first submarine cable system across the Northern Atlantic Ocean for NEC
 - The world's first deployment of NEC's newly developed 24 fiber pair cable

Advance notice: ESG briefing and NEC Innovation Day

ESG briefing

- Date : Friday, December 10, 2021
- Theme : Promotion of non-financial activities and initiatives for the environment
- Presenters : Osamu Fujikawa, Executive Vice President and CFO
Shigeki Shimizu, Senior Vice President, CSCO (Chief Supply Chain Officer)

NEC Innovation Day

- Date : Friday, December 17, 2021
- Theme : New business development and R&D
- Presenter : Motoo Nishihara, Executive Vice President, CTO (Chief Technology Officer)

Note: Both events are only in Japanese. After the events, English presentation material and video (excluding Q&A) to be posted on the NEC IR site

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IV. Financial Results for (Appendix)

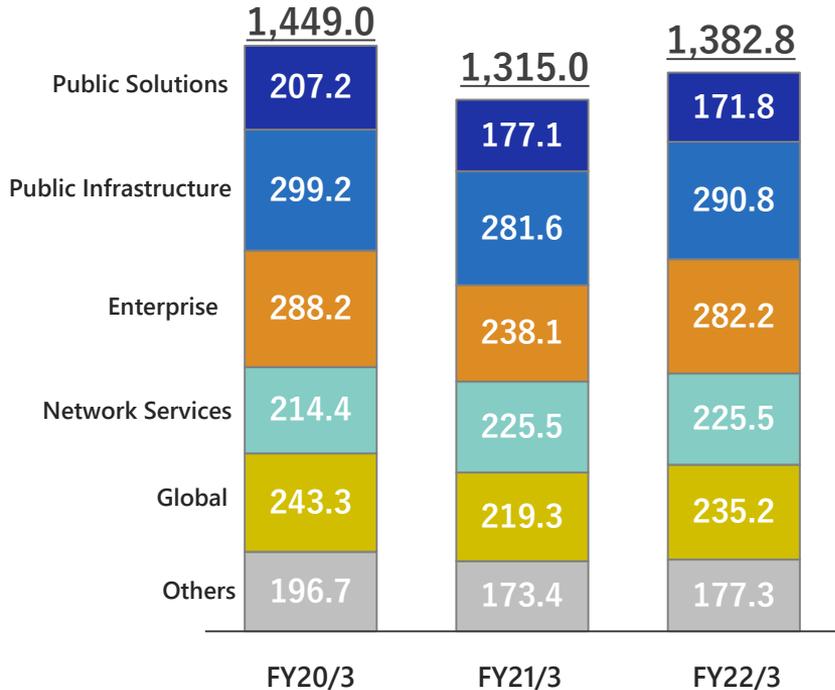
Adjustments to Operating Profit

(Billions of Yen)

	FY20/3		FY21/3		FY22/3		YoY 1Q	YoY 1H
	1Q	1H	1Q	1H	1Q	1H		
Operating Profit/Loss	3.4	46.9	-10.3	20.0	1.1	23.2	11.4	3.2
Adjusted items	4.2	8.5	4.5	9.1	9.3	18.9	4.9	9.8
Amortization of intangible assets through acquisition	4.2	8.3	4.5	9.1	9.3	18.8		
M&A related expenses	- 0.0	0.2	0.0	0.0	0.0	0.1		
Adjusted Operating Profit/Loss	7.6	55.4	-5.8	29.0	10.5	42.1	16.3	13.1

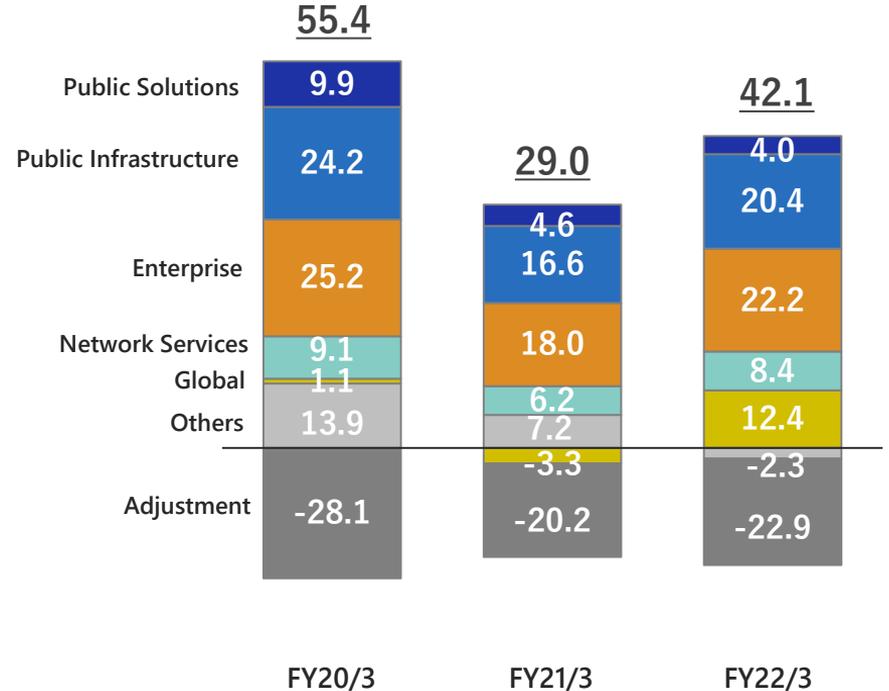
Financial Results by Segment (three-year transition)

Revenue



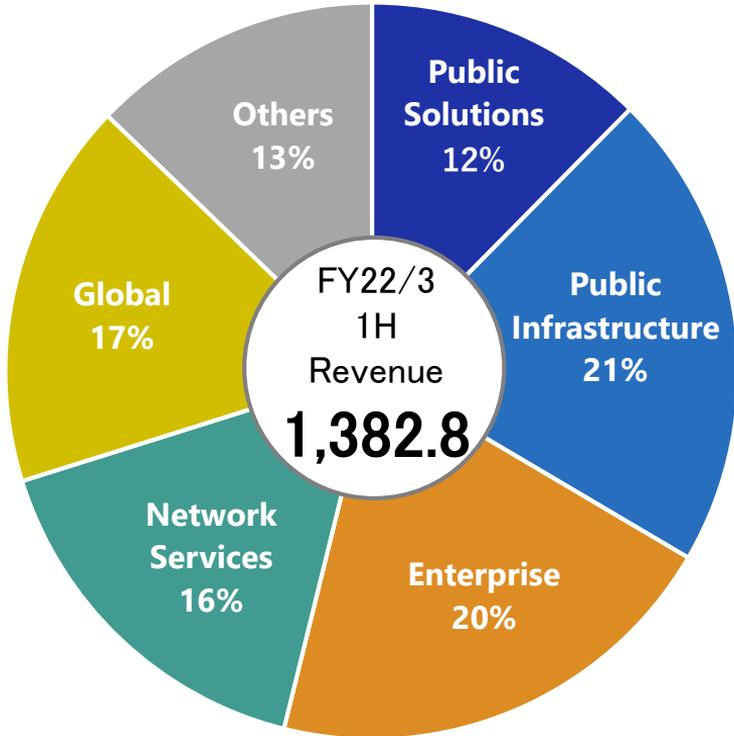
Adjusted Operating Profit / Loss

(Billions of Yen)



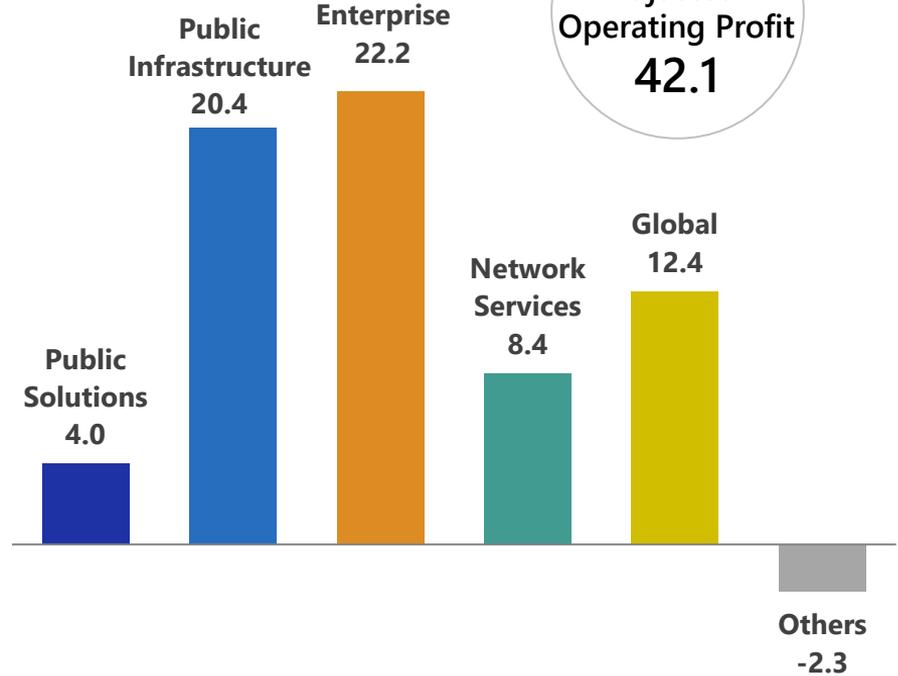
Financial Results by Segment

Revenue



Adjusted Operating Profit / Loss

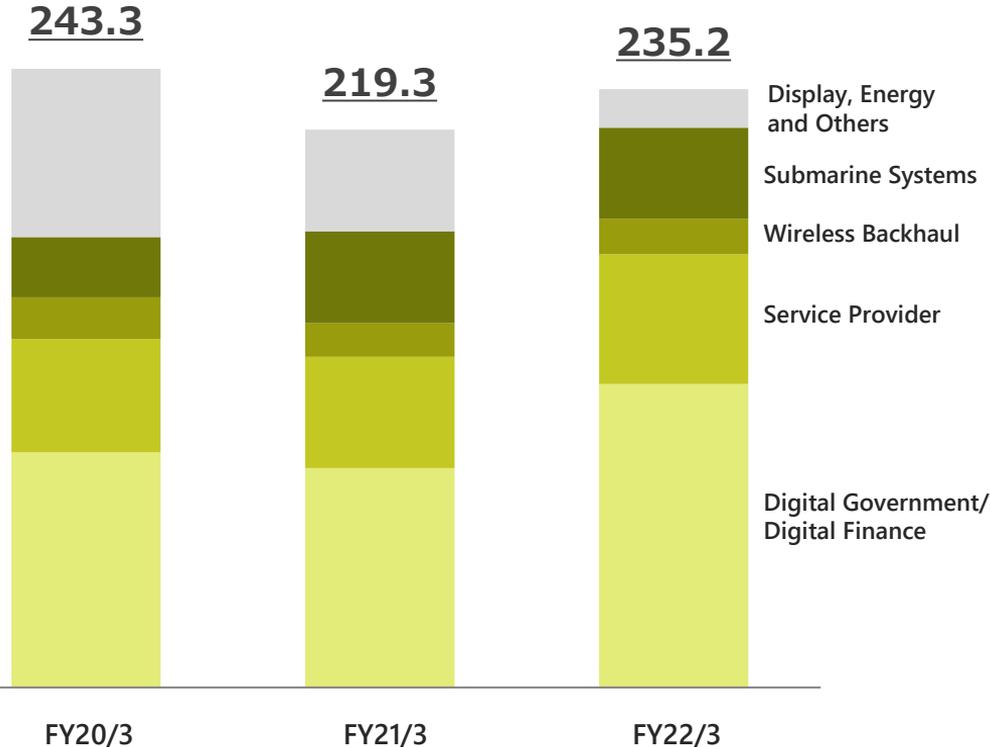
(Billions of Yen)



Global Business Status

Revenue

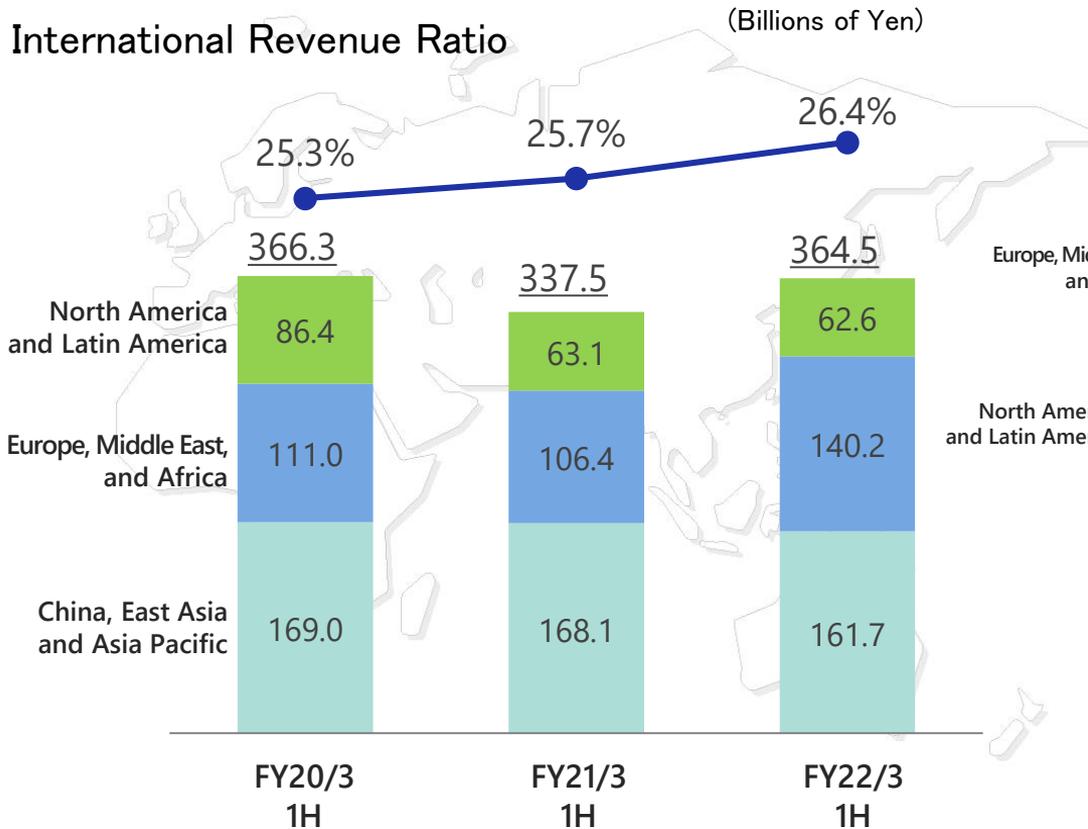
(Billions of Yen)



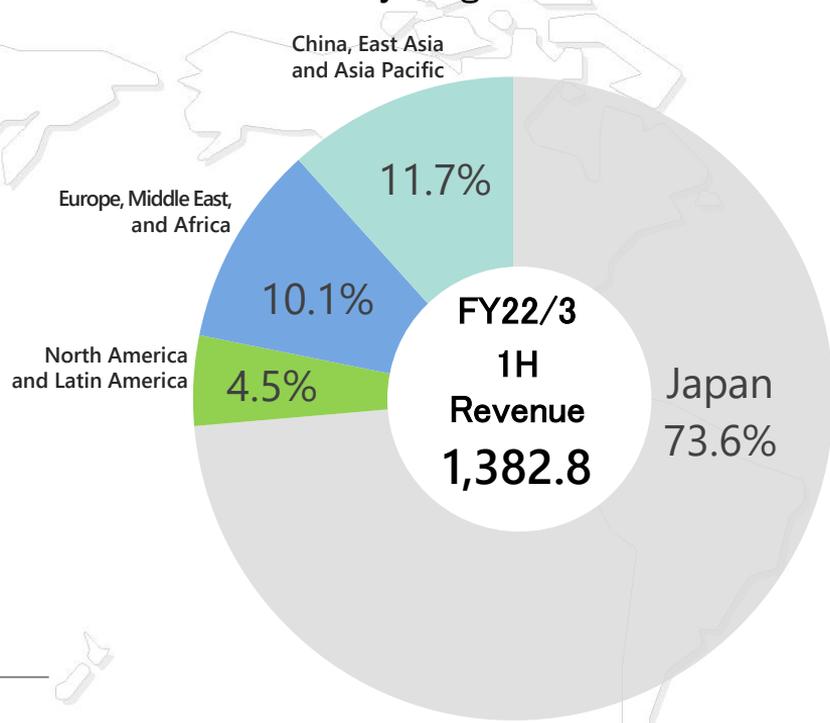
- ◆ **Digital Government / Digital Finance**
 - Increased due to new consolidation of Avaloq
 - Expansion of KMD's data utilization business
- ◆ **Service Provider**
 - Increased along with strong demand
- ◆ **Wireless Backhaul**
 - Increased along with market recovery in India, etc.
- ◆ **Submarine Systems**
 - Maintained high level as previous year
- ◆ **Display, Energy and Others**
 - Deconsolidation of Display business

International Revenue

International Revenue Ratio (Billions of Yen)



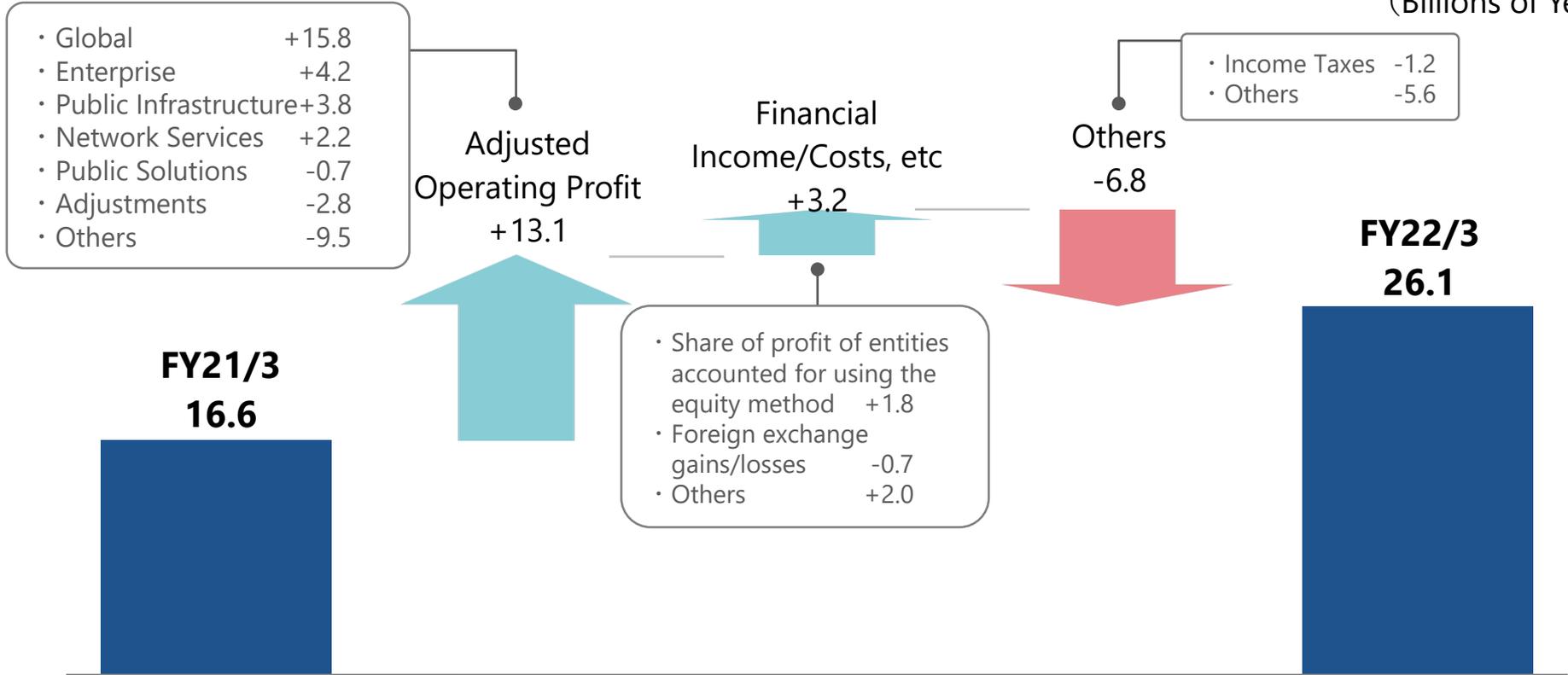
Revenue by Region (Billions of Yen)



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

Adjusted Net Profit Change (Year on Year)

(Billions of Yen)



Statements of Financial Position (As of September 30, 2021)

(Billions of Yen)

Compared to end of March 2021

Current Assets

1,732.2

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

-128.7

Liabilities

1,944.6

- Decreased in trade and other payables
- Decreased contract liabilities due to decrease in advance received, etc.

-162.2

Total Assets

3,515.7

(-152.9 compared to end of March 2021)

- Decreased due to the depreciation

-24.2

- Increased due to the increase of Other components of equity

+9.3

Non-current Assets

1,783.5

Equity

1,571.1

Financial Position Data

(Billions of Yen)

	End of March 2021	End of September 2021	Variance from end of March 2021
Total assets	3,668.6	3,515.7	- 152.9
Total equity	1,561.8	1,571.1	+ 9.3
Interest-bearing debt	702.9	701.6	- 1.3
Equity attributable to owners of the parent	1,308.2	1,314.2	+ 6.0
Ratio of equity attributable to owners of the parent (%)	35.7%	37.4%	+ 1.7pt
D/E ratio (times)	0.54	0.53	+ 0.01pt
Net D/E ratio (times)	0.14	0.17	- 0.03pt
Cash and cash equivalents	523.3	483.4	- 39.9

V. Financial Forecasts (Appendix)

Adjustments to Operating Profit

(Billions of Yen)

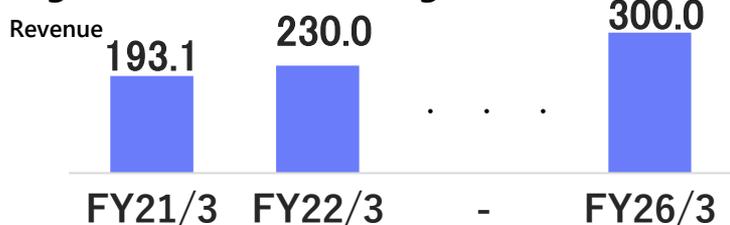
	FY20/3 Actual	FY21/3 Actual	FY22/3 Forecasts	YoY
Operating Profit	127.6	153.8	120.0	- 33.8
Adjusted items	18.2	24.5	35.0	+10.5
Amortization of intangible asset through acquisition	17.0	22.8	N.A.	N.A.
M&A related expenses	1.2	1.7		
Adjusted Operating Profit	145.8	178.2	155.0	- 23.2

* Forecasts as of October 29, 2021

Growth businesses: Initiatives in FY22/3

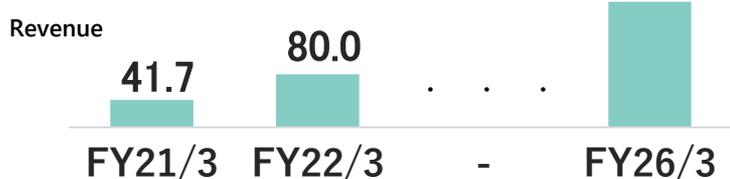
(Billions of Yen)

Digital Government / Digital Finance



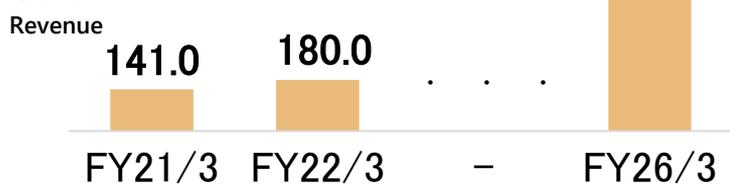
- Generate synergies in sales including APAC
- Generate cost synergies by utilizing off-shore resources
- Implement small sized bolt-on M&A

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

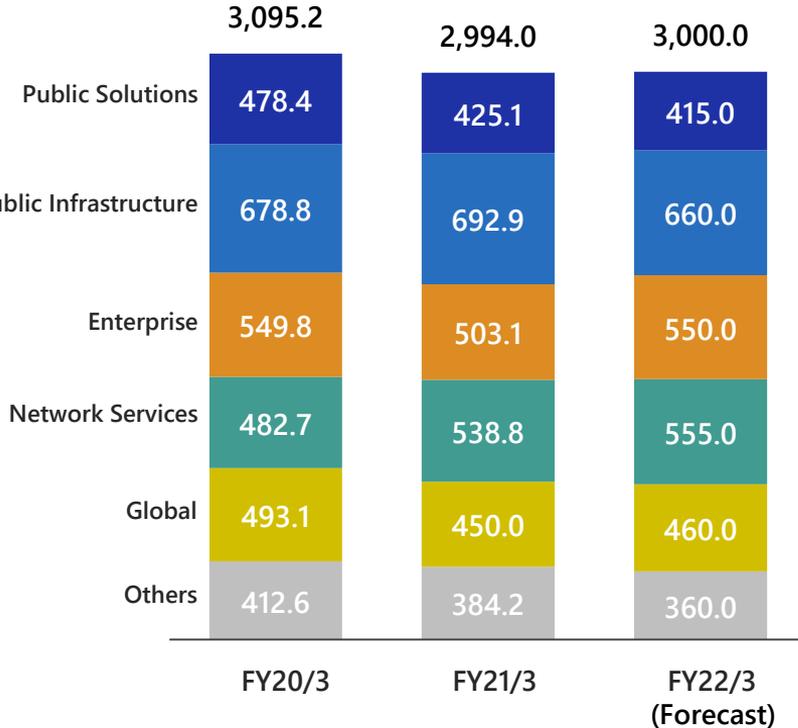


- Collaborate with ABeam to strengthen resource utilization and increase acquisition of projects
- Accelerate strategic proposals and promotion of DX in government agencies
- Enhance collaboration with "Hyper scalers"

Financial Results by Segment (three-year transition)

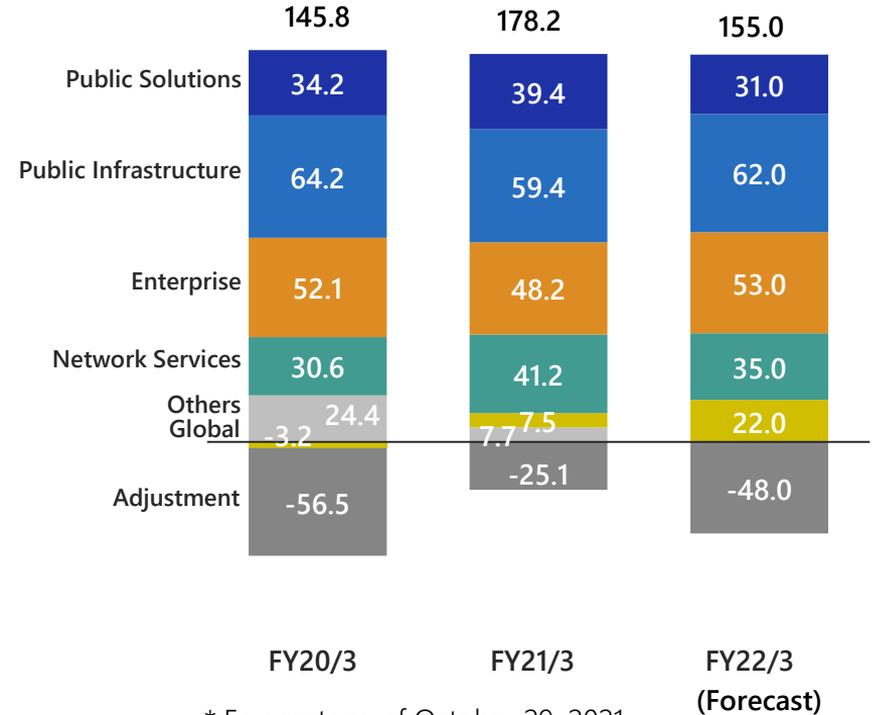
Revenue

(Billions of Yen)



Adjusted Operating Profit / Loss

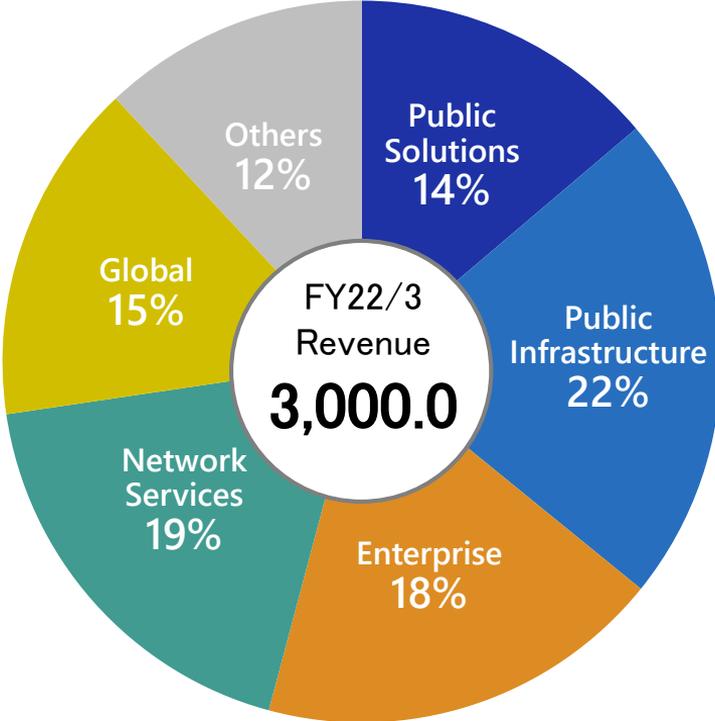
(Billions of Yen)



* Forecasts as of October 29, 2021

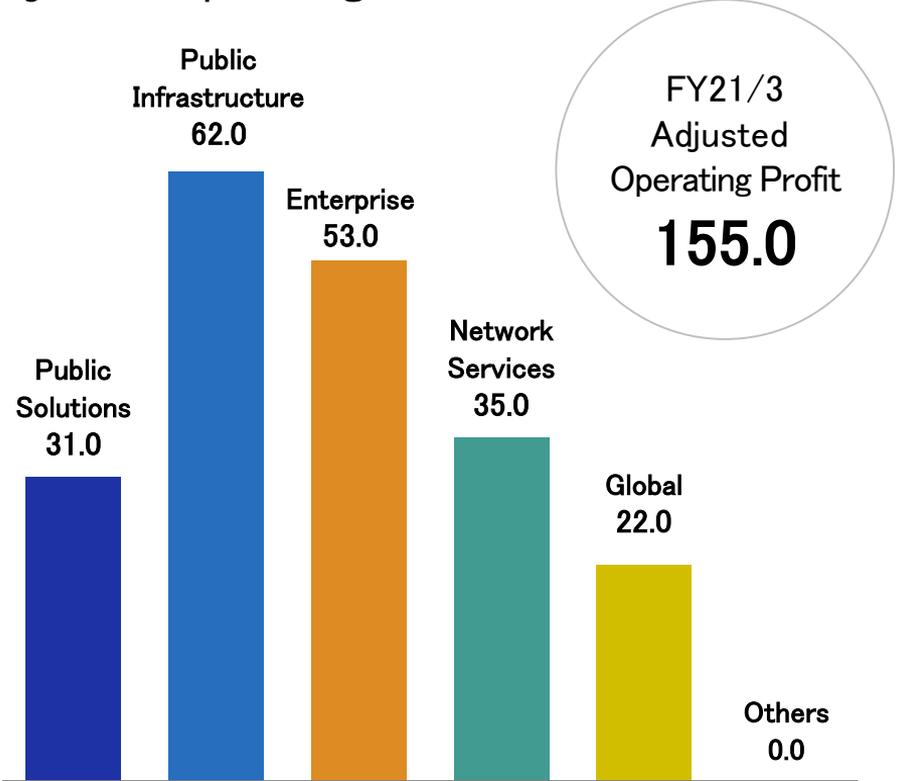
Financial Forecasts by Segment in FY22/3

Revenue



Adjusted Operating Profit

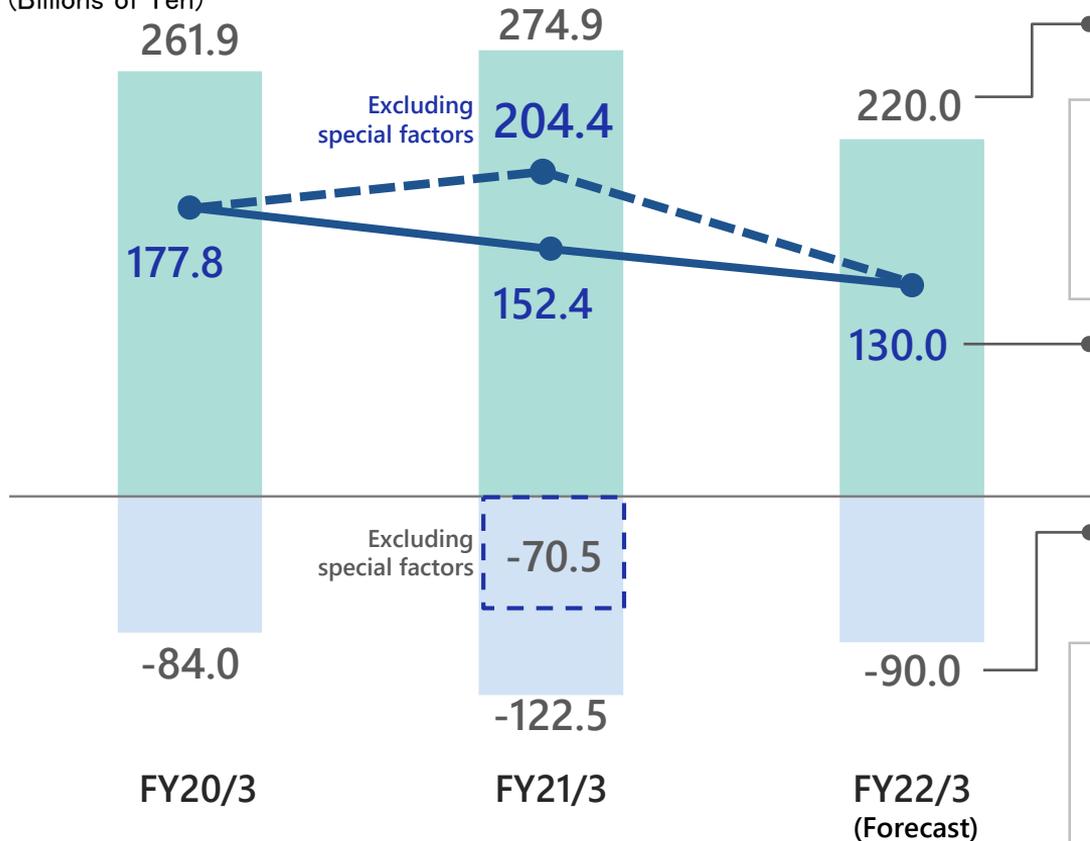
(Billions of Yen)



* Forecasts as of October 29, 2021

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**)

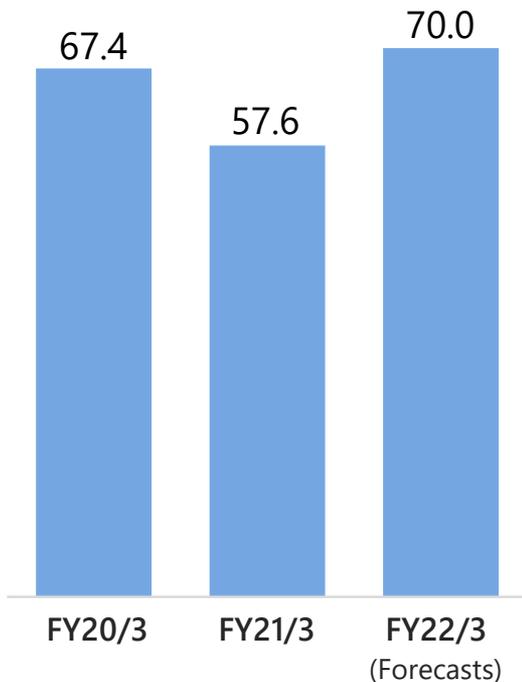
- Capex for Mid-term Plan Achievement: - Approx. 19.5
- Portfolio optimization: - Approx. 14.0
- Fixed assets optimization: - Approx. 35.0
- Sales of investment securities: - Approx. 97.0
- Avaloq acquisition: + Approx. 198.0

Capital Expenditures, Depreciation and R&D Expenses

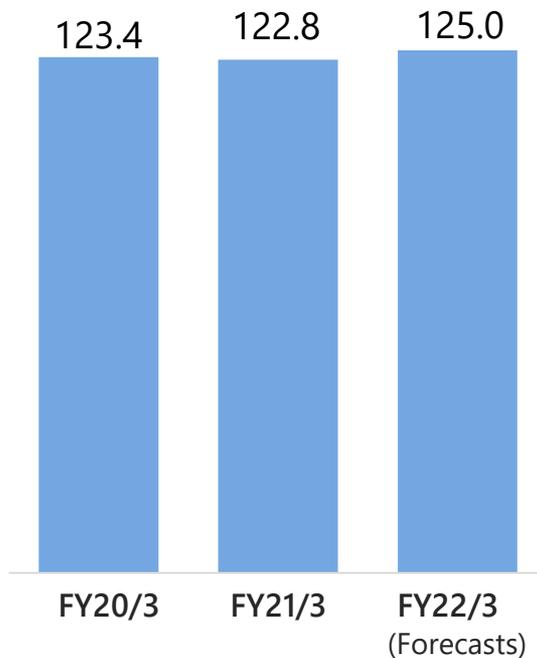
(Billions of Yen)

Capital Expenditure

(Property, Plant, and Equipment)

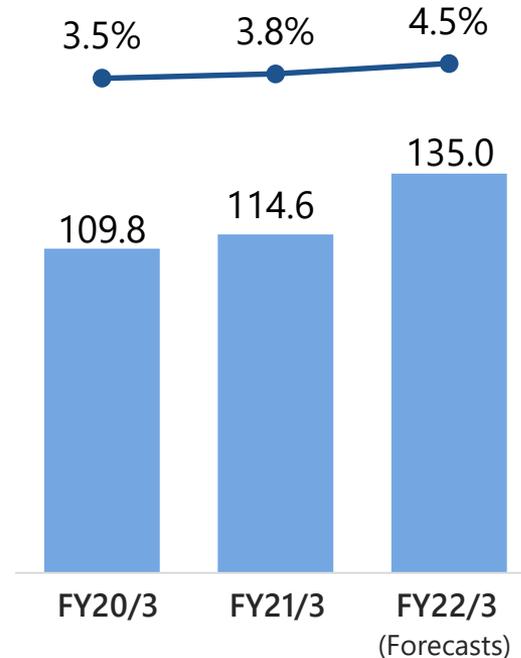


Depreciation



R&D Expenses

% to Revenue



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.