

Financial Results for Q1 Fiscal Year Ending March 31, 2023

July 28, 2022

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 refers to net profit attributable to owners of the parent for the same period.
- As stated in the July 14, 2022 announcement, “NEC Revises Segments”, NEC has revised its operating segments from Q1, FY23/3. Figures for the corresponding period of FY21/3 or FY22/3 have been restated to conform with the new segments.

I. Financial Results for Q1, FY23/3

Summary of Financial Results Q1, FY23/3

Q1 Results

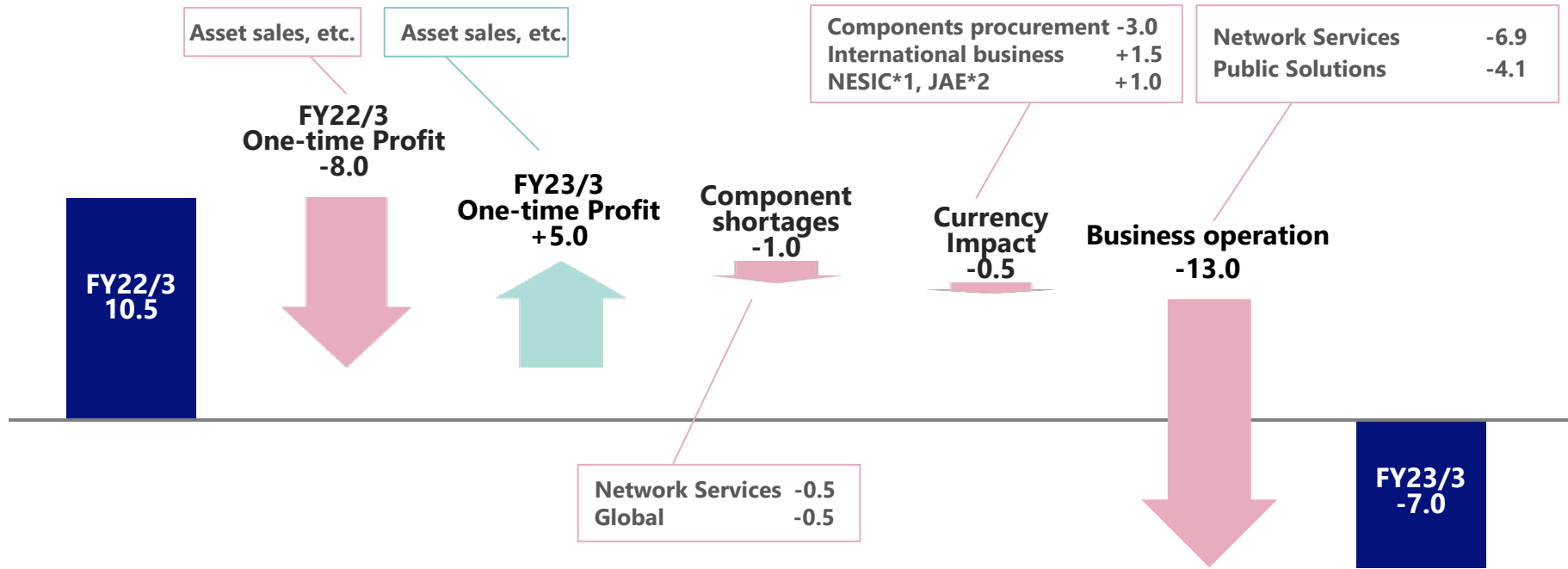
Despite the same level of revenue YoY, adjusted operating profit/loss declined in Public Solutions and Network Services

(Billions of Yen)

	Q1 <April to June>		
	FY22/3 Actual	FY23/3 Actual	YoY
Revenue	651.9	659.7	+ 1.2%
Operating Profit/Loss	1.1	- 15.3	- 16.5
% to Revenue	0.2%	-2.3%	
Adjusted Operating Profit/Loss (Non-GAAP)	10.5	- 7.0	- 17.4
% to Revenue	1.6%	-1.1%	
Income/Loss before Income Taxes	2.9	- 6.6	- 9.6
Net Profit/Loss	0.2	- 13.9	- 14.1
% to Revenue	0.0%	-2.1%	
Adjusted Net Profit/Loss (Non-GAAP)	6.5	- 8.2	- 14.7
% to Revenue	1.0%	-1.2%	
EBITDA*	38.0	22.1	- 16.0
% to Revenue	5.8%	3.3%	
Free Cash Flows	65.0	49.2	- 15.7
Note: Average Exchange Rates (Yen)	USD / JPY	108.99	124.44
	EUR / JPY	130.84	134.45

		Q1 <April to June>		
		FY22/3 Actual	FY23/3 Actual	YoY
Public Solutions	Revenue	89.6	76.5	- 14.6%
	Adjusted Operating Profit/Loss % to Revenue	0.0	- 4.1	- 4.1
Public Infrastructure	Revenue	124.1	127.0	+ 2.4%
	Adjusted Operating Profit % to Revenue	5.9	5.4	- 0.6
Enterprise	Revenue	136.9	140.3	+ 2.6%
	Adjusted Operating Profit % to Revenue	5.9	8.8	+ 2.8
Network Services	Revenue	104.3	100.1	- 4.0%
	Adjusted Operating Profit/Loss % to Revenue	- 0.1	- 8.5	- 8.4
Global	Revenue	113.8	124.9	+ 9.8%
	Adjusted Operating Profit % to Revenue	4.9	3.4	- 1.5
Others	Revenue	83.2	90.8	+ 9.0%
	Adjusted Operating Profit/Loss % to Revenue	- 3.0	- 6.8	- 3.8
Adjustment	Adjusted Operating Profit/Loss	- 3.2	- 5.2	- 2.0
Total	Revenue	651.9	659.7	+ 1.2%
	Adjusted Operating Profit/Loss % to Revenue	10.5	- 7.0	- 17.4
		1.6%	-1.1%	

Adjusted Operating Profit/Loss Change (Year on Year)



*1 NESIC (NEC Networks & System Integration Corporation)

*2 JAE (Japan Aviation Electronics Industry)

Impact of Macro-environment Changes and Countermeasures

Minimize financial impact with continuous countermeasures under uncertain business environment that is assumed to persist

- 【Q1】**
- **Component Shortages:**
Minimizing financial impact by various countermeasures under the protracted situation
 - **Currency Impact:** Limited financial impact of JPY depreciation

	Operating profit/loss	
Component shortages	-1.0	Network Services -0.5, Global -0.5
Currency Impact	-0.5	Component procurement -3.0, Global+1.5, NESIC, JAE+1.0

【 FY23/3 Forecasts】

- **Component Shortages:** Minimizing financial impact by various countermeasures
- **Currency Impact:**
Mitigate impact of JPY depreciation from July 2022 with measures such as passing the influence on to prices, given that the current currency level continues

NEC Order Trends YoY

◆ IT Services:	Increased by 10% due to steady corporate demand increase	
	YoY	
Public Solutions	+15%	➤: Increased for all domains mainly for public and healthcare
Public Infrastructure <small>*Excluding Japan Aviation Electronics Industry (JAE)</small>	+16%	➤: Increased in multiple projects for satellites and national defense
Enterprise <small>*Excluding NEC Facilities Ltd.</small>	+17%	➤: Increased for all domains mainly in retail and service industries
Network Services	-11%	➤: Decline in large fixed wired network projects last year, slight decrease for 5G business despite YoY increase in backlog
Global	+61%	➤: Significant increase due to large project for Netcracker and DG/DF <small>*excluding Submarine systems</small>
Total	+18%	➤: <small>*excluding Submarine systems</small>

(Please refer to page 22 for detailed information on a quarterly basis)

II. Financial Forecasts for FY23/3

Revision of FY23/3 Forecasts by Segment

- **FY22/3 forecasts as a whole company remain unchanged**
- **Revisions made among segments based on Q1 results and current environment**

- **Incorporated risks in Public Solutions and Network Services Business Segments**

- Public Solutions : Delay of recovery in demand for SMEs and urban infrastructure
- Network Services : Demand for Global 5G, including domestic, delayed

- **Incorporated upside expectations where demand is strong, and corporate actions**

- Business Operations: Exceeding financial forecasts in FY23/3 in Public Infrastructure, Enterprise and Global segments
- Corporate Actions: Gain on sale of assets in Q1 and stock transfer of NEC Embedded Products, Ltd.

Financial Forecasts for FY23/3 as of July 28th, 2022

Forecasts
FY23/3

(Billions of Yen)

	Full year			Change from previous forecasts (Apr.28)		Full Year			Change from previous forecasts (Apr.28)	
	FY22/3 Actual	FY23/3 Forecasts	YoY			FY22/3 Actual	FY23/3 Forecasts (July 28)	YoY		
Revenue	3,014.1	3,130.0	+ 3.8%	± 0						
Adjusted Operating Profit (Non-GAAP) <small>% to Revenue</small>	171.0 5.7%	185.0 5.9%	+ 14.0	± 0	Public Solutions	Revenue Adjusted Operating Profit <small>% to Revenue</small>	442.6 35.9 8.1%	450.0 37.0 8.2%	+ 1.7% + 1.1	- 40.0 - 10.0
Adjusted Net Profit (Non-GAAP) <small>% to Revenue</small>	167.2 5.5%	115.0 3.7%	- 52.2	± 0	Public Infrastructure	Revenue Adjusted Operating Profit <small>% to Revenue</small>	608.4 59.2 9.7%	645.0 65.0 10.1%	+ 6.0% + 5.8	± 0.0 ± 0.0
Adjusted Earnings per Share (Non-GAAP) (Yen)	61.4	42.2	-19.2	± 0	Enterprise	Revenue Adjusted Operating Profit <small>% to Revenue</small>	574.7 57.5 10.0%	575.0 63.0 11.0%	+ 0.1% +5.5	± 0.0 ± 0.0
EBITDA* <small>% to Revenue</small>	304.0 10.1%	330.0 10.5%	+ 26.0	± 0	Network Services	Revenue Adjusted Operating Profit <small>% to Revenue</small>	511.5 35.5 6.9%	530.0 31.0 5.8%	+ 3.6% - 4.5	- 45.0 - 15.0
Free Cash Flows	84.1	180.0	+ 95.9	± 0	Global	Revenue Adjusted Operating Profit <small>% to Revenue</small>	485.6 26.3 5.4%	470.0 33.0 7.0%	- 3.2% +6.7	± 0.0 ± 0.0
Note: Average Exchange Rates (Yen)	USD / JPY EUR / JPY	111.55 130.47	110.00 125.00		Others	Revenue Adjusted Operating Profit <small>% to Revenue</small>	391.2 13.3 3.4%	460.0 5.0 1.1%	+ 17.6% - 8.3	+ 85.0 ± 0.0
Dividend per Share (Yen)	100	110	+ 10	± 0	Adjustment	Adjusted Operating Profit/Loss	- 56.7	- 49.0	+ 7.7	+ 25.0
					Total	Revenue Adjusted Operating Profit <small>% to Revenue</small>	3,014.1 171.0 5.7%	3,130.0 185.0 5.9%	+ 3.8% + 14.0	± 0.0 ± 0.0

Financial Forecasts: Public Solutions

■ Q1 Situation

- **Public and Healthcare**
: Although orders increased YoY, revenue declined due to the reversal impact from a large project last year
- **SMEs and Urban Infrastructure**
: Although orders increased YoY, weakness persists in recovery momentum



■ FY23/3 Forecasts (Change from April 2022, Revenue -40.0 / Adjusted OP -10.0 Billion yen)

- **Public and Healthcare** **No changes**
: Steady demand based on favorable order trend
- **SMEs and Urban Infrastructure**
: Full-fledged recovery to take place from FY24/3, expect to achieve the same level as FY22/3 in FY23/3

FY23/3 Forecasts: Network Services

■ Q1 Situation

- **Global 5G** : “Japan Market” decreased YoY due to weak Capex by telecom operators
“Strategic expenditure” increased YoY (Same level as FY22/3 4Q)
- **Others** : “IT services” decreased YoY due to large domestic projects last year



■ FY23/3 Forecasts (Change from April 2022, Revenue -45.0 / Adjusted OP -15.0 Billion yen)

- **Global 5G** : “Japan Market” a part of demand will slip into FY24/3 despite a forecasted significant increase YoY at the beginning of FY23/3
“International Market” FY23/3 forecasts have been revised due to a delay in orders that were expected in the 1st half
“Strategic expenditure” to be same level as FY22/3 as planned **No changes**
- **Others** : “IT Services” has reflected weak Capex by telecom operators despite a forecasted increase over FY22/3

No change
for Mid-term Management
Plan 2025

FY23/3 Forecasts: Businesses with Strong Demand and Corporate Actions

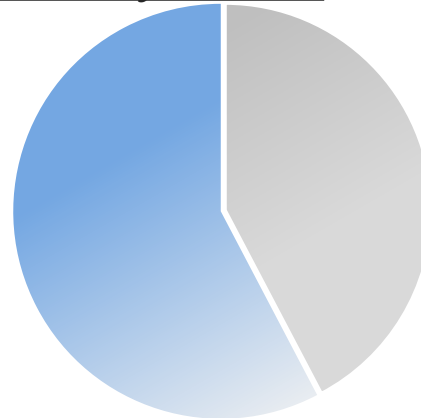
■ Forecasts for FY23/3 (Changes from April 2022, Revenue +85.0 / Adjusted OP +25.0)

(Billions of Yen)

- **Public Infrastructure/ Enterprise** : Expected to exceed the initial forecasts based on favorable order trend
- **Global** : Revenue and adjusted OP to exceed the initial forecasts due to beyond-expected depreciation of JPY
- **Corporate Actions** : Recorded gain on sale of assets in Q1
Gain on transfer of shares of NEC Embedded Products Ltd. to be recorded in Q2

■ Breakdown of Upward Expectations (Adjusted OP)

**Public Infrastructure/
Enterprise/Global
+14.0**



**Corporate Actions
+11.0**

III. Topics

Enhancement of resources for 5G global deployment

Acquisition of Aspire Technology, a network solutions and system integration company for Open RAN

Acquired talented system engineers with strong capabilities for major telecom operators

This acquisition reinforces NEC's design and system integration capabilities for 5G Open RAN

Promote the creation of synergies with Blue Danube Systems

Strengthen development capabilities for 5G base station Radio Units and expand the product portfolio

SDGs Financing

Issued 110 billion JPY in corporate bonds, the largest scale Sustainability-linked Bond* in Japan

Set KPI related to one of NEC's materialities 'Response to climate change (Decarbonization)'

(Billions of Yen, unless otherwise stated)

Outline of NEC Sustainability-linked Bond

KPI/SPT

- CO2 emissions reduction rate each year of Scope 1 and 2
- Maintaining CDP's climate change score of 'A'

Characteristics

Not meeting the set goals at the time of judgement requires 0.1% amount of the bonds issued to be spent on either a) purchase of emission credits or b) donations to environment-related organizations, etc.

Issuance Overview

Date of conditions decision

July 6, 2022
171 offers of investment**

Total amount issued

110 (The first ever issuance of three simultaneous maturities in the domestic market)
- 5 years/60, 7 years/20, 10 years/30

NEC IR DAY 2022

2022/9/7 WED – 9/8 THU

Webcast

Heads of reporting segments and management responsible for growth businesses explain strategies for achieving the mid-term business plan

DAY	TIME (JST)	PROGRAM	SPEAKER
9/7 WED	13:00 - 13:15	Introduction	Executive Vice President and CFO O. Fujikawa
	13:20 - 14:00	Core DX	Senior Executive Vice President K. Sakai
	14:10 - 14:40	Enterprise Business	Executive Vice President F. Matsubara
	14:50 - 15:20	Public Solutions Business	Executive Vice President K. Amemiya
	15:30 - 16:00	Public Infrastructure Business	Executive Vice President M. Yamashina
9/8 THU	13:00 - 13:50	Network Services Business (Including Global 5G)	Executive Vice President A. Kawamura
	14:00 - 14:50	Global Business (Including DG/DF)	Senior Executive Vice President Senior Vice President A. Kumagai N. Yoshida

After the event, English presentation material to be posted on our IR site, excluding the Q&A session

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IV. Financial Results (Appendix)

Adjusted Operating Profit/Loss and Adjusted items, etc.

(Billions of Yen)

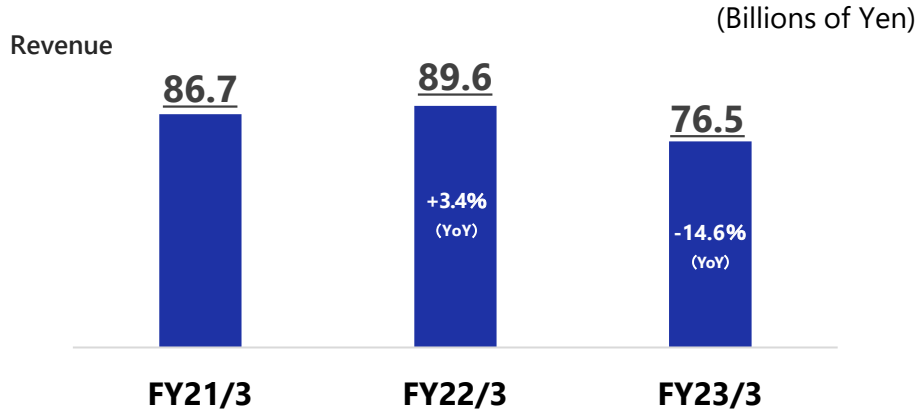
	FY21/3		FY22/3		FY23/3
	Q1	Full year	Q1	Full year	Q1
Operating Profit/Loss	-10.3	153.8	1.1	132.5	-15.3
Adjusted items	4.5	24.5	9.3	38.5	8.4
Amortization of intangible assets through acquisition	4.5	22.8	9.3	37.8	8.1
M&A related expenses	0.0	1.7	0.0	0.6	0.3
Adjusted Operating Profit/Loss (Non-GAAP)	-5.8	178.2	10.5	171.0	-7.0

NEC Order Quarterly Trends (Including Hardware)

(YoY)	FY22/3				FY23/3	
	Q1	Q2	Q3	Q4	Q1	
Public Solutions	-2%	-4%	-3%	+9%	+15%	
Public Infrastructure <small>*Excluding Japan Aviation Electronics Industry (JAE)</small>	+1%	-12%	-30%	-3%	+16%	
Enterprise <small>*Excluding NEC Facilities Ltd.</small>	+10%	+2%	+10%	+5%	+17%	
Network Services	+19%	-5%	-12%	-3%	-11%	
Global	-47%	-7%	+94%	+8%	+106%	+61%, excluding Submarine systems and Display business*
Total	-2%	-5%	+6%	+4%	+23%	+18%, excluding Submarine systems and Display business*

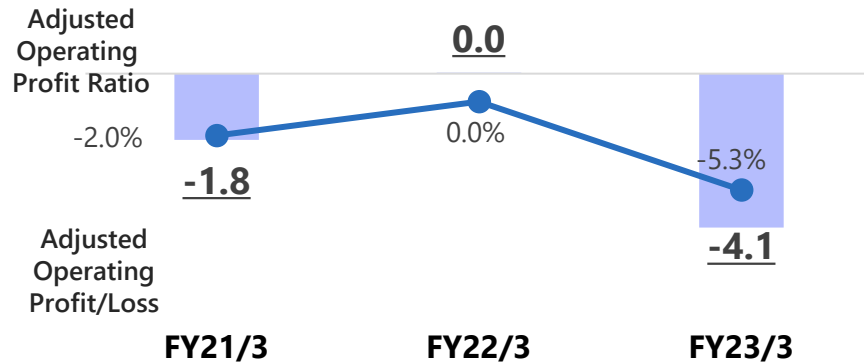
*Unconsolidated from November 2020

Public Solutions Business



Revenue 76.5 (-14.6%)

- Decreased due to a decline in business for urban infrastructure and public / healthcare

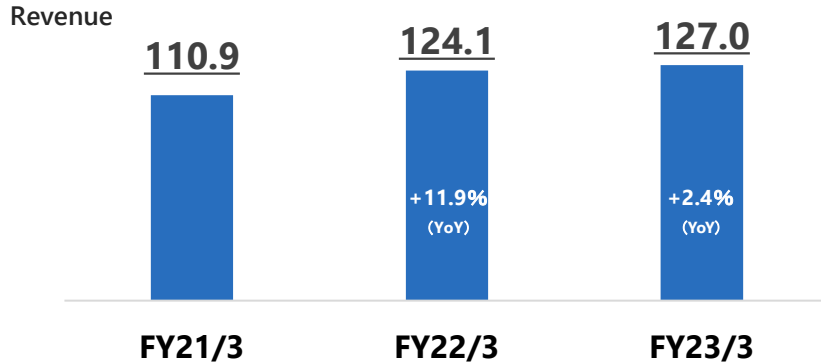


Adjusted Operating Profit/Loss -4.1 (-4.1)

- Decreased due to decreased revenue

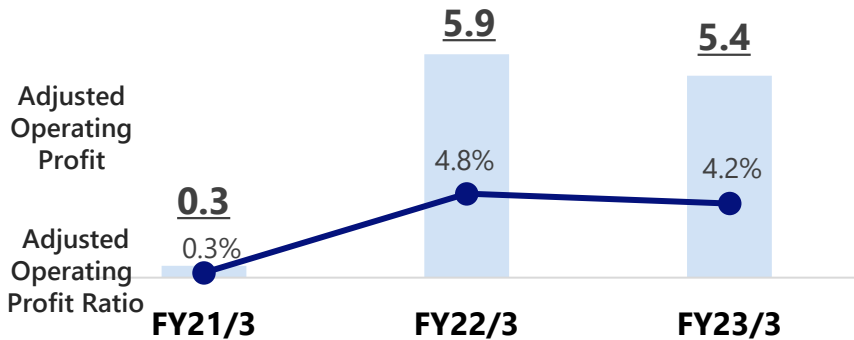
Public Infrastructure Business

(Billions of Yen)



Revenue 127.0 (+2.4%)

- Decreased due to a decrease in high performance computing for a university the previous fiscal year despite an increase in satellite / defense businesses
- Increased in a consolidated subsidiary*

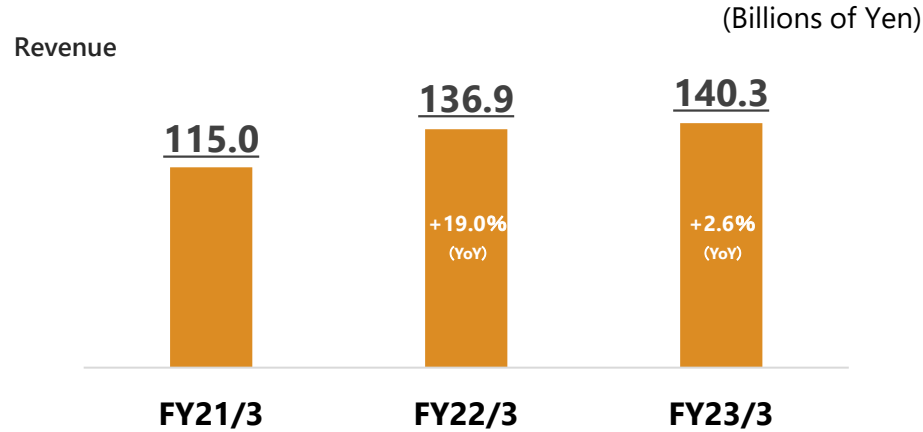


Adjusted Operating Profit 5.4 (-0.6)

- Decreased due to one-time project mix worsening
- Increased in a consolidated subsidiary*

* Japan Aviation Electronics Industry (JAE)

Enterprise Business

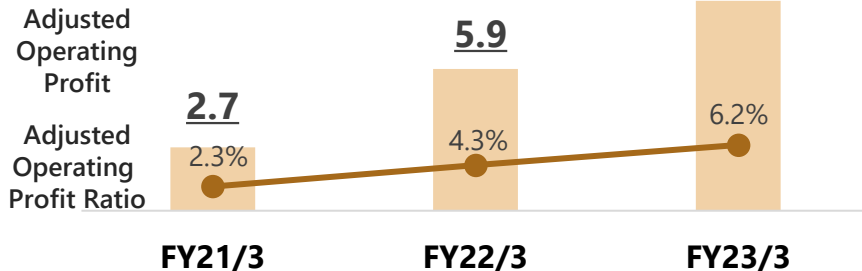


Revenue 140.3 (+2.6%)

- Increased revenue for manufacturing and distribution / services domain

Adjusted Operating Profit 8.8 (+2.8)

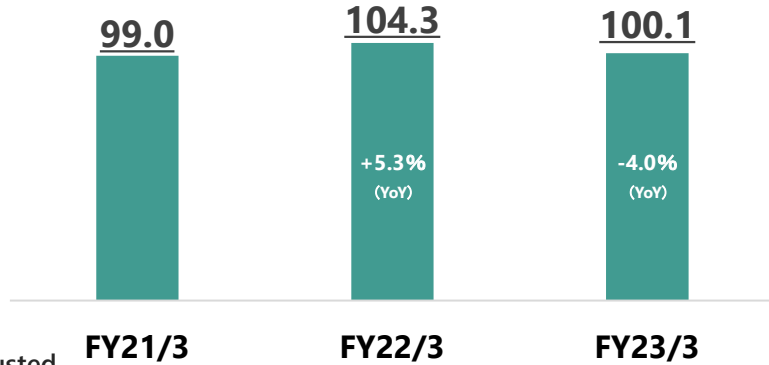
- Increased due to increased revenue and gain on a business transfer



Network Services Business

(Billions of Yen)

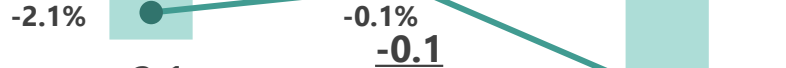
Revenue



Revenue 100.1 (-4.0%)

- Decreased due to weak capital expenditure by telecom operators
- Increased in a consolidated subsidiary*

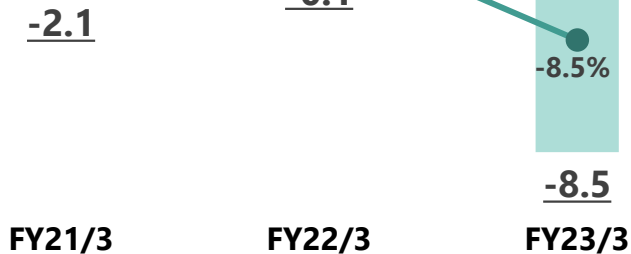
Adjusted Operating Profit Ratio



Adjusted Operating Profit/Loss -8.5 (-8.4)

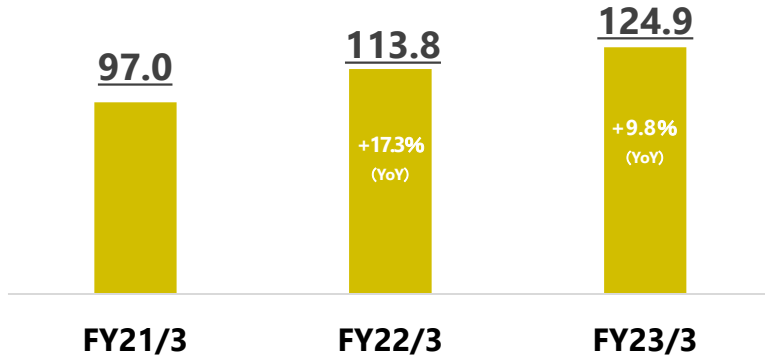
- Decreased due to decreased revenue and an increase in strategic expenditure for global 5G deployment
- Decreased in a consolidated subsidiary*

Adjusted Operating Profit/Loss



Global Business

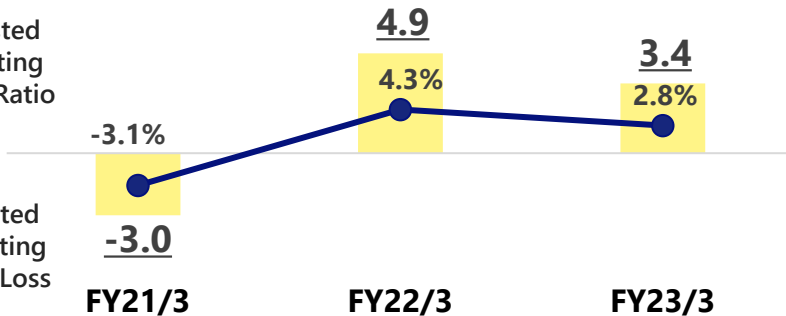
Revenue (Billions of Yen)



Revenue 124.9 (+9.8%)

- Increased in Digital Government / Digital Finance (DG/DF) areas and Service Provider Solution business

Adjusted Operating Profit Ratio



Adjusted Operating Profit/Loss 3.4 (-1.5)

- Decreased due to one-time cost increase in DG/DF and components price hikes in mobile backhaul business

(Billions of Yen)

	End of March 2022	End of June 2022	Change from end of March 2022
Total assets	3,761.7	3,694.3	- 67.4
Total equity	1,786.6	1,811.9	+ 25.3
Interest-bearing debt	597.4	564.6	- 32.8
Equity attributable to owners of the parent	1,513.5	1,532.3	+ 18.8
Ratio of equity attributable to owners of the parent (%)	40.2%	41.5%	+ 1.2pt
D/E ratio (times)	0.39	0.37	+ 0.02pt
Net D/E ratio (times)	0.11	0.09	+ 0.02pt
Cash and cash equivalents	430.8	425.9	- 4.9

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 31,2022 and 2023 were referred as FY22/3 and FY23/3 respectively. Any other fiscal years would be referred similarly.