

NEC IR Day 2022

Global Business (Including DG/DF)

September 8, 2022

Akihiko Kumagai Senior Executive Vice President

Naoki Yoshida Senior Vice President

\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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- Strategy to achieve Mid-Term Management Plan

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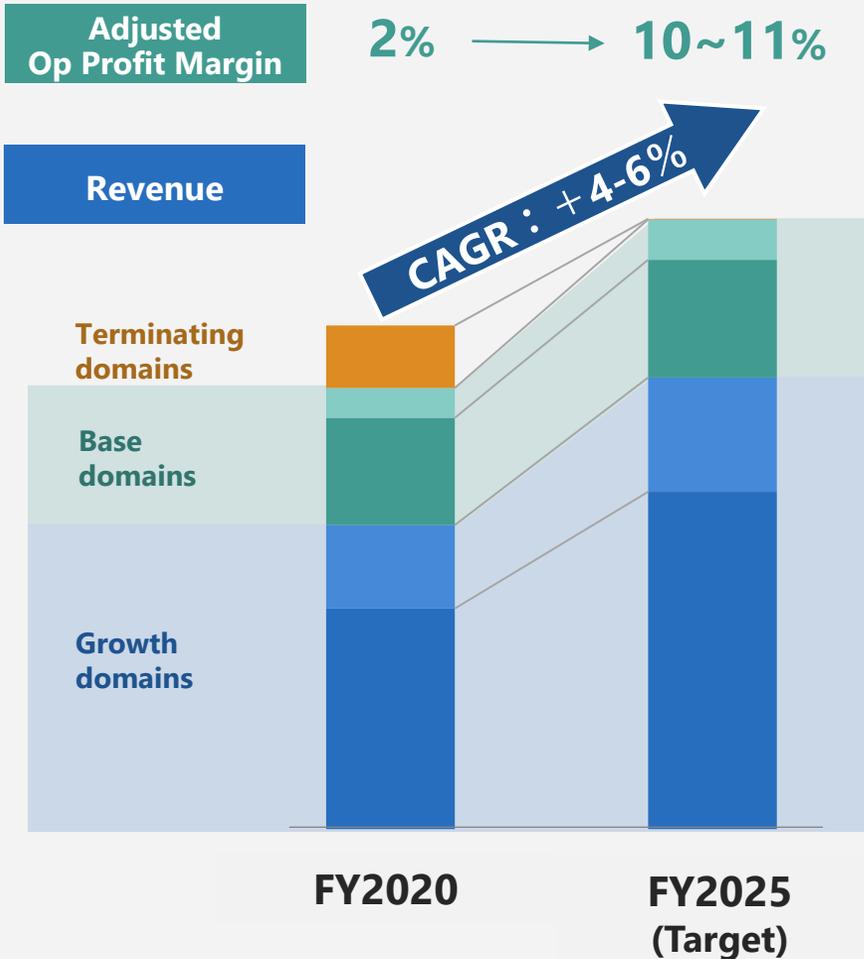
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Overview of Global Business

Focus on growth business and achieve high profitability by strengthening technology and global management ~ Profitable Growth & Globalization ~



Domain	Core Business	Core Product
Terminating	Energy/Display	Power storage systems, Display, Projectors
	Wireless	Mobile backhaul (PASOLINK)
Base	Service Provider	OSS/BSS, Optical/IP network
	Submarine Network	Submarine cables
Growth	DG/DF	DG/DF, Digital ID/DX and other public safety solutions

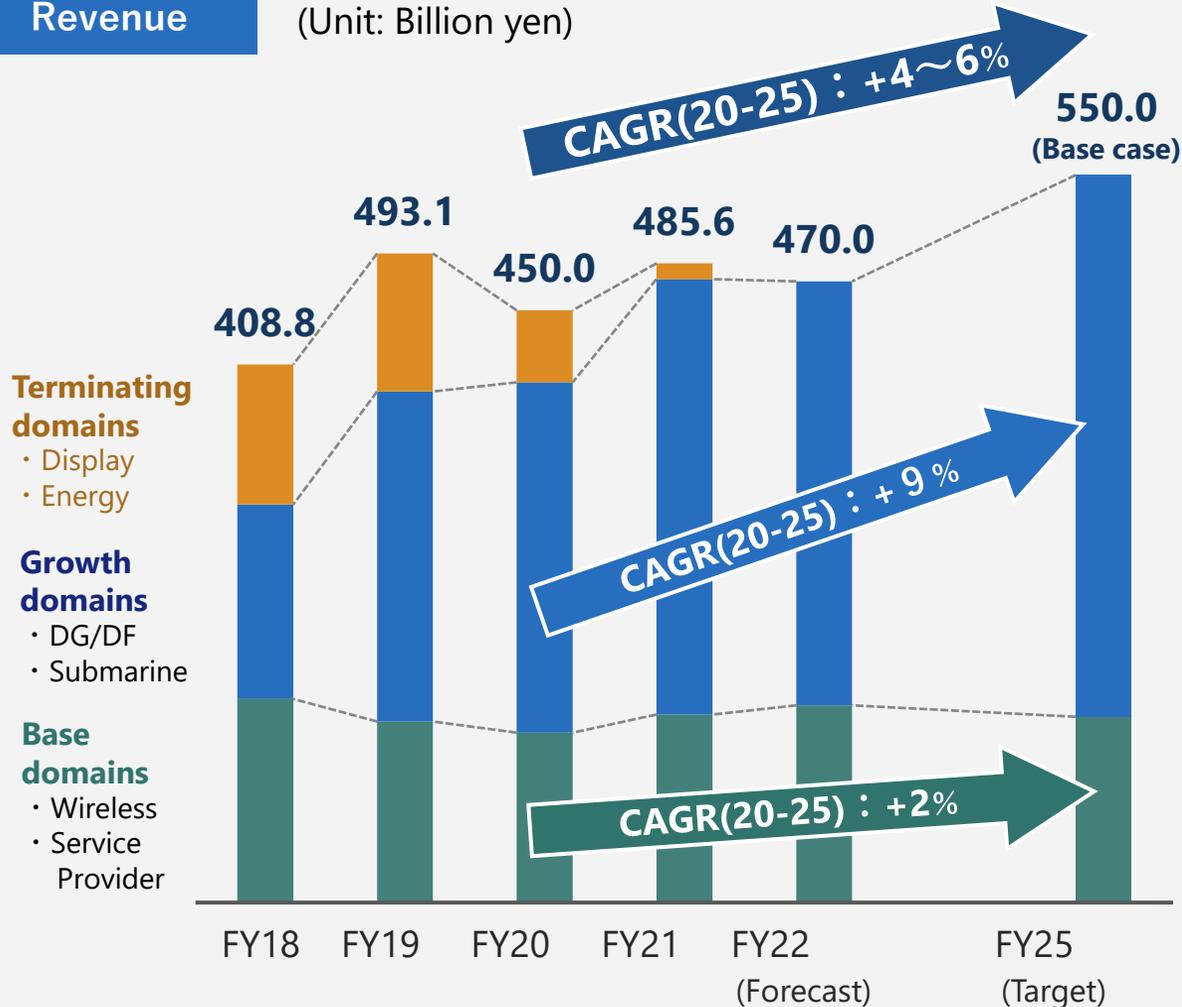
DG/DF: Digital government/Digital finance
DX: Digital transformation

Performance and Mid-Term Management Plan

- Adjusted operating profit turned positive, improving approx. ¥50bn in the last 3 years (FY19-FY21)
- Targeting further profit increase of approx. ¥30bn in the next 4 years (FY22-FY25)

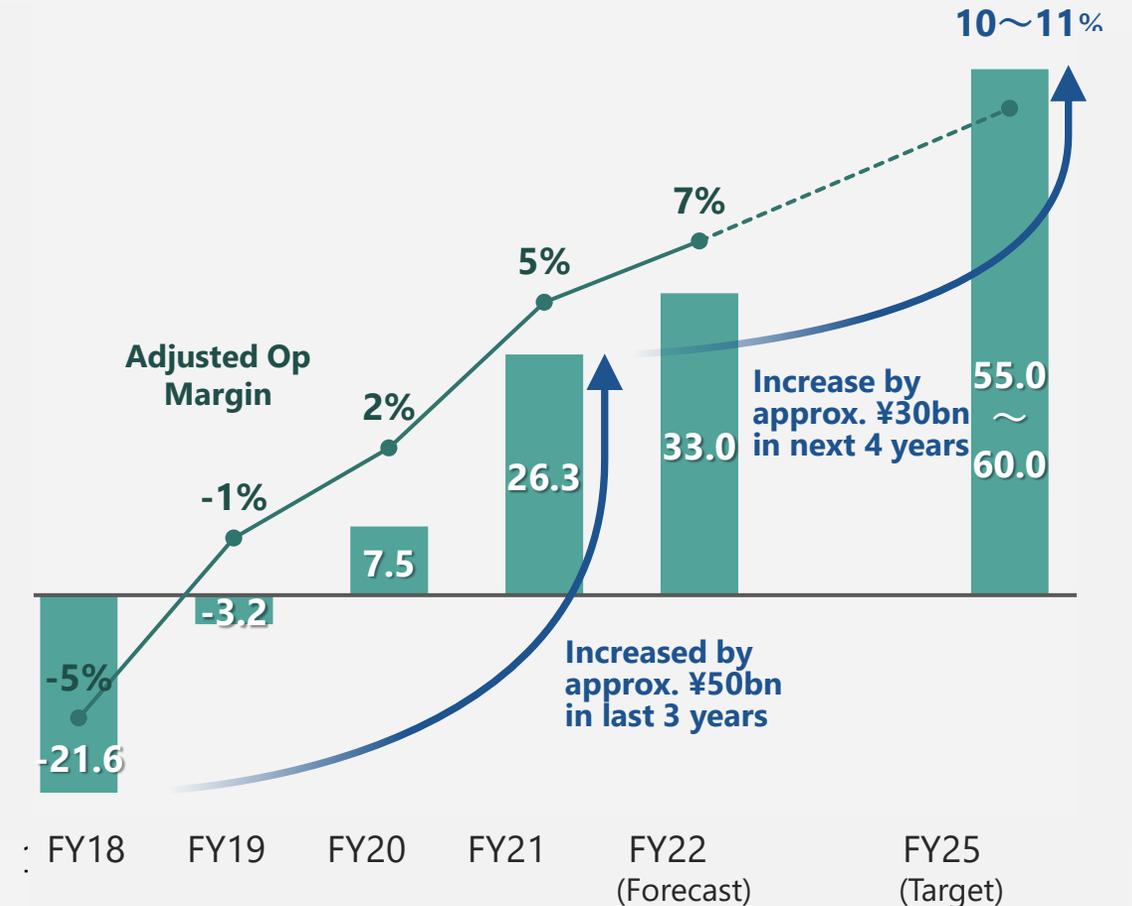
Revenue

(Unit: Billion yen)



Adjusted Op Profit

(Unit: Billion yen)



Strategy to Achieve Mid-Term Management Plan

- Increase adjusted Op Profit by ¥50.0bn (¥7.5bn to ¥57.5bn) during mid-term plan period (FY21-FY25)
- DG/DF and Submarine Network to lead profit increase of average ¥8.0bn/ year during remaining 3 years FY23 to FY25

Business strategy

- Focus on IT Solutions and Telecommunications
- Become a Truly Global Company

■ Continuous investment in focused growth domains (become global No.1)

- Digital Governance/Digital Finance
- Submarine Network

■ Profitability improvement of base domains (strengthen service business)

- Service Provider (Optical/IP, OSS/BSS)
- Wireless

■ Globalization (organization and culture transformation)

- Elevate employee motivation, reform culture
- Improve efficiency of global operations, optimize deployment of global resources
- New global systems and frameworks (HR/IT strategy etc.)

Financial Targets

*Base case

- Revenue CAGR(FY20-FY25): +4 - 6% (¥550bn in FY2025*)
- Adjusted Op Profit margin in FY2025: 10 – 11%

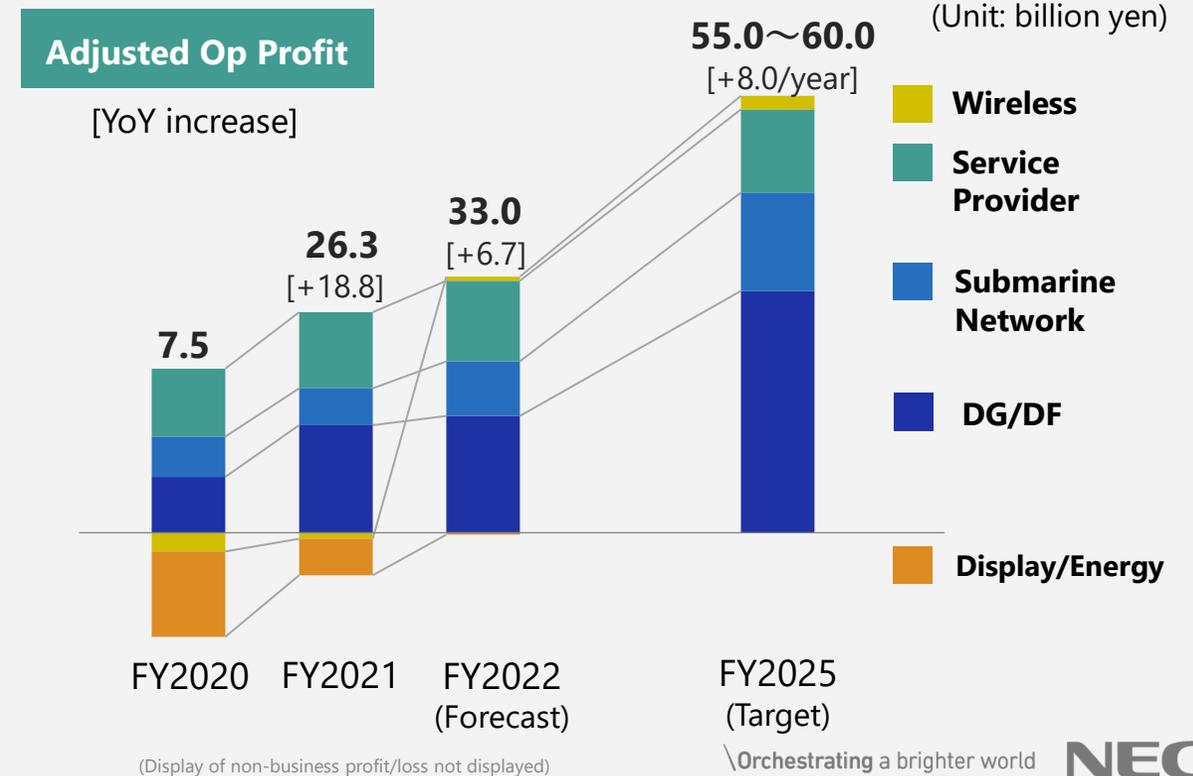


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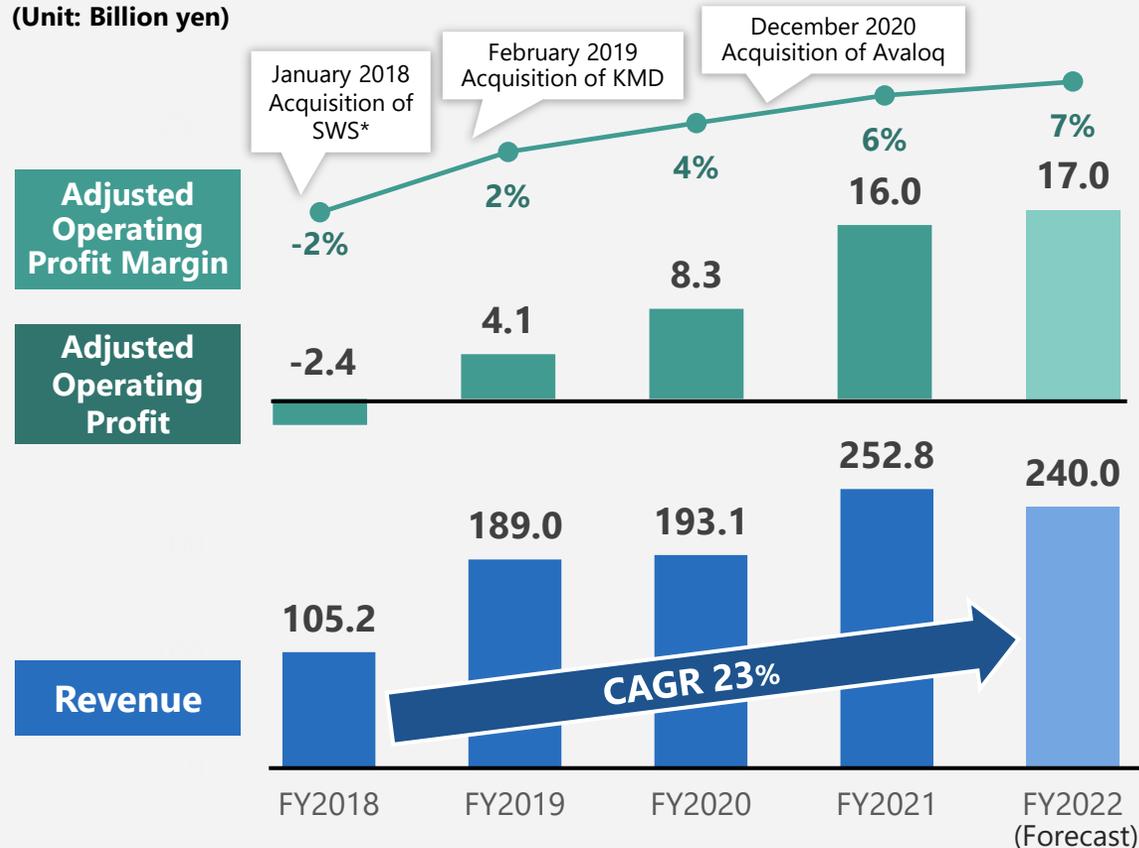
Adjusted operating profit and margin has grown as planned. The three European software companies are leading the growth in revenue and profit of the DG/DF business

DG/DF Business

- Based on the financial reports: Total of Digital ID/DX businesses such as biometrics business and the three European software businesses

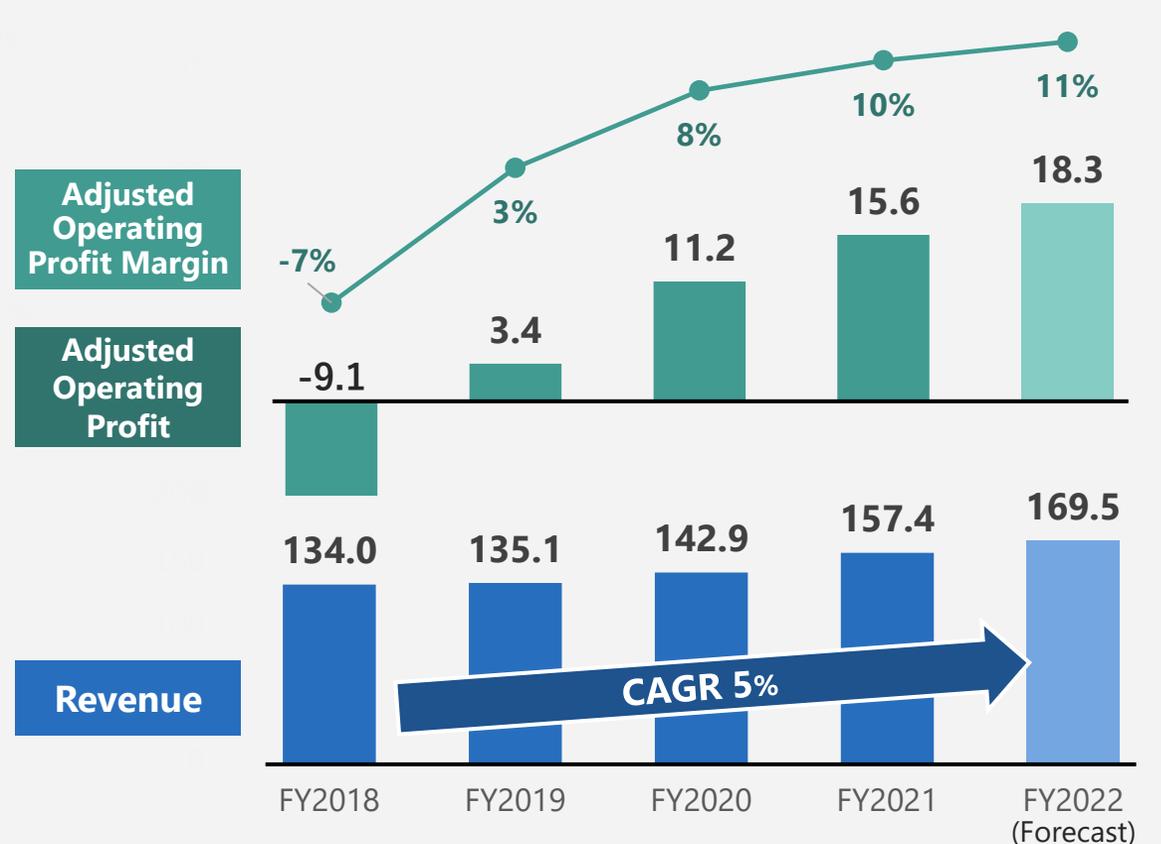
*SWS: NEC Software Solutions UK (changed the company name from "Northgate Public Services")

(Unit: Billion yen)

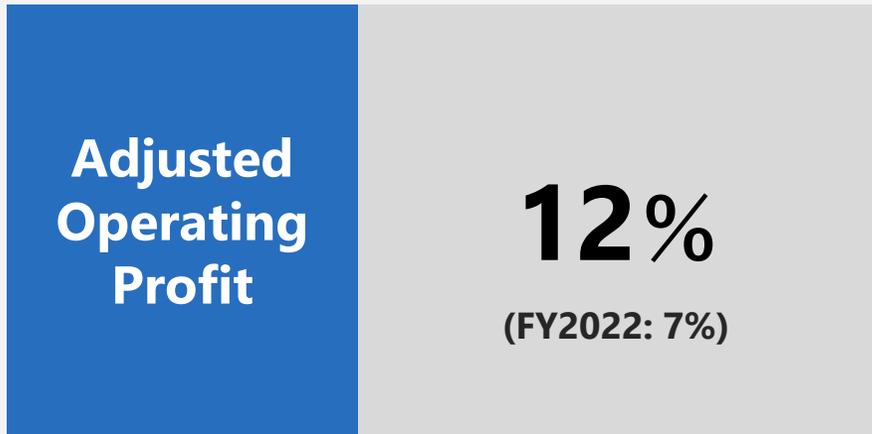


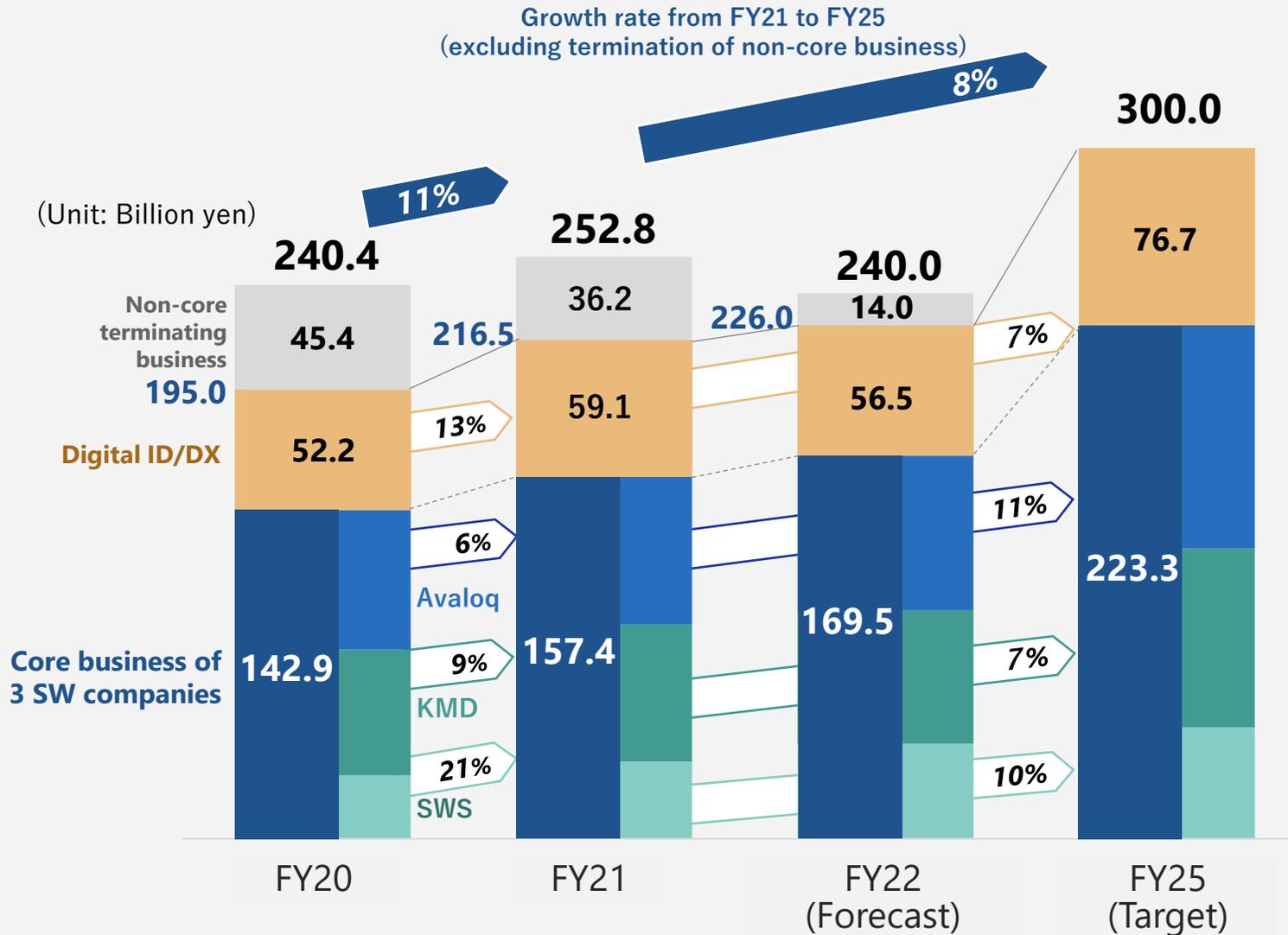
Core Business of 3 Software Companies

- Pro forma based: Assume KMD and Avaloq are consolidated from the beginning of FY2018 and exclude terminating non-core businesses



FY2025 Targets





Strategy for Sales Expansion

- 1 New client acquisition and upselling to existing clients by leveraging SaaS/software businesses and biometric technology**
- 2 Accelerate global expansion with collaborating within NEC Group and with partners (including the Japanese market)**
- 3 Expand the value chain through continuing bolt-on M&A**

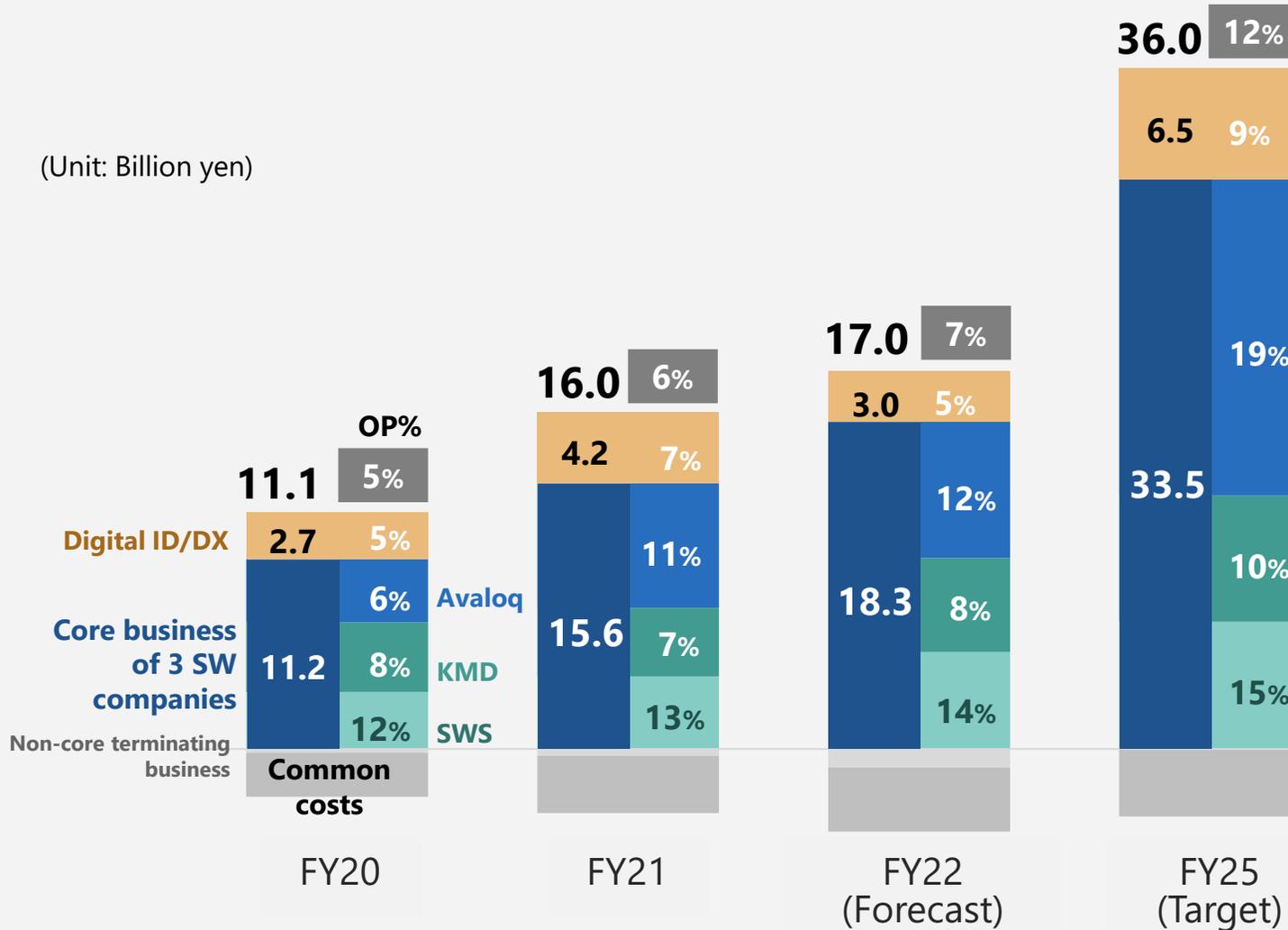
* FY2020 results are on a pro forma based (Assumed that Avaloq is consolidated from the beginning of FY2020)

* Non-core terminating business: KMD's terminating businesses and Digital ID/DX resale businesses

Sales Strategy: FY2021 Results and Key Measures in the Mid-Term Management Plan

	FY2021 Results	Key Measures
Digital Government (SWS, KMD)	<ul style="list-style-type: none">■ Expanded the value chain through the acquisition of a UK healthcare business and a safety business■ Acquired new clients with biometric technology	<ul style="list-style-type: none">■ More upselling and cross-selling in UK and the Commonwealth■ Developing KMD's software business (data management and lease financing etc.) in Northern Europe, APAC and Japan
Digital Finance (Avaloq)	<ul style="list-style-type: none">■ Expanded orders in Europe and APAC<ul style="list-style-type: none">● Brewin Dolphin (UK), Taipei Fubon Bank etc.■ Acquired new clients through group collaboration<ul style="list-style-type: none">● Taiwan Mega Bank	<ul style="list-style-type: none">■ Strengthening the sales platform in the UK and Germany etc.■ Establishing a sales/delivery platform including greater collaboration within the group in Japan and APAC■ Considering M&A for developing a new market
Digital ID/DX business	<ul style="list-style-type: none">■ Secured large orders in APAC and Australia etc. (immigration and tax agencies etc.)	<ul style="list-style-type: none">■ Focusing on aviation, national security and safer cities businesses with biometrics technology

(Unit: Billion yen)



Strategy for Profitability Improvements

- 1 Expand profitability by shifting to SaaS/software businesses
- 2 Accelerate offshoring (including upper process and support functions)
- 3 Improve efficiency through leveraging NEC Group's procurement capability/technology

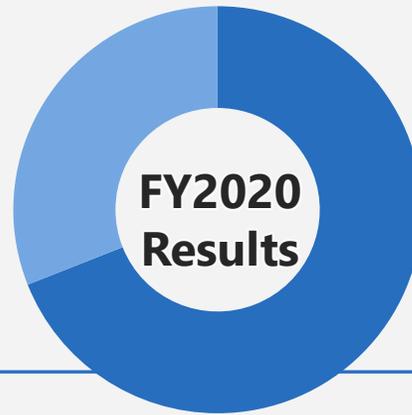
* FY2020 results are on a pro forma based (Assumed that Avaloq is consolidated from the beginning of FY2020)

Operating Profit Strategy: FY2021 Results and Key Measures in the Mid-Term Management Plan

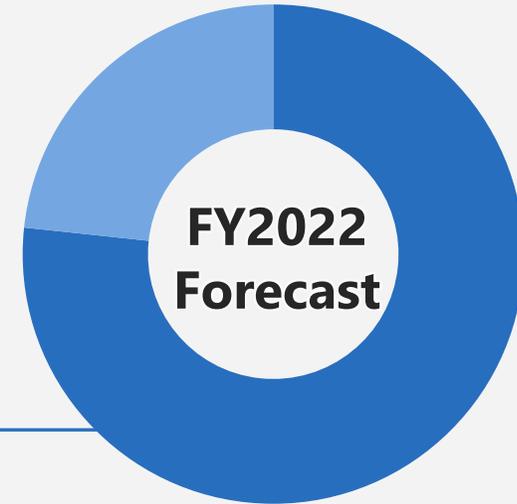
	FY2021 Results	Key Measures
Digital Government (SWS, KMD)	<ul style="list-style-type: none">■ Improved profitability of healthcare in SWS■ Decision of selling non-profitable business, and promoting off-shoring model■ Developed global business with the partnership with Microsoft	<ul style="list-style-type: none">■ Improve profitability by expanding SaaS and software businesses■ Strengthen competitiveness by accelerating offshoring■ Terminate non-growth businesses
Digital Finance (Avaloq)	<ul style="list-style-type: none">■ Significantly improved profitability through the expansion of SaaS/software businesses and offshoring■ Improved efficiency of delivery in collaboration with global partners (HCL in India etc.)	<ul style="list-style-type: none">■ Accelerate the shift to the public cloud and improve efficiency of SaaS operations■ Improve earning power by expanding offshoring and partnerships
Digital ID/ DX business	<ul style="list-style-type: none">■ Focused on high-margin projects and improve profitability mainly in APAC by increasing the project execution capability	<ul style="list-style-type: none">■ Expand the high-profit licensing business in aviation and security fields

Shift to SaaS and Software

SaaS and software businesses of 3 SW companies



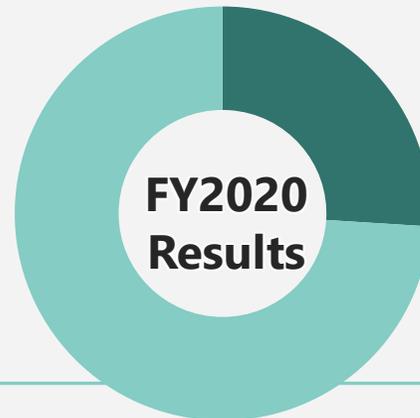
SaaS and software
69%



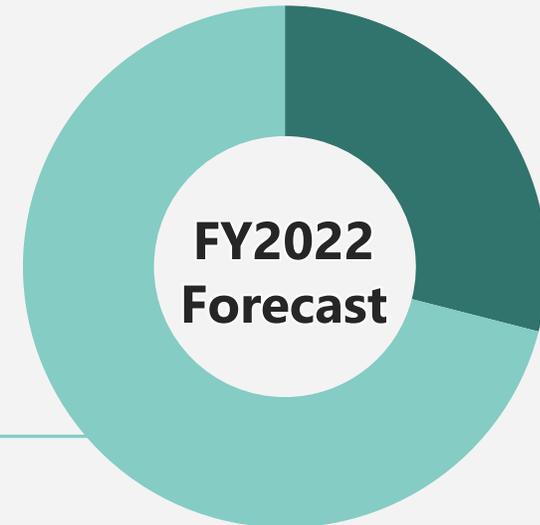
SaaS and software
77%

Expanding offshoring

Development resources of 3 SW companies



Offshore
26%



Offshore
29%

Note: 14% near-shore

Breakdown of Profitability Improvement

- Aim to achieve operating margin of 12% by increasing in profits supported by sales expansion, by focusing on SaaS/software businesses and by accelerating offshoring

(Unit: Billion yen)

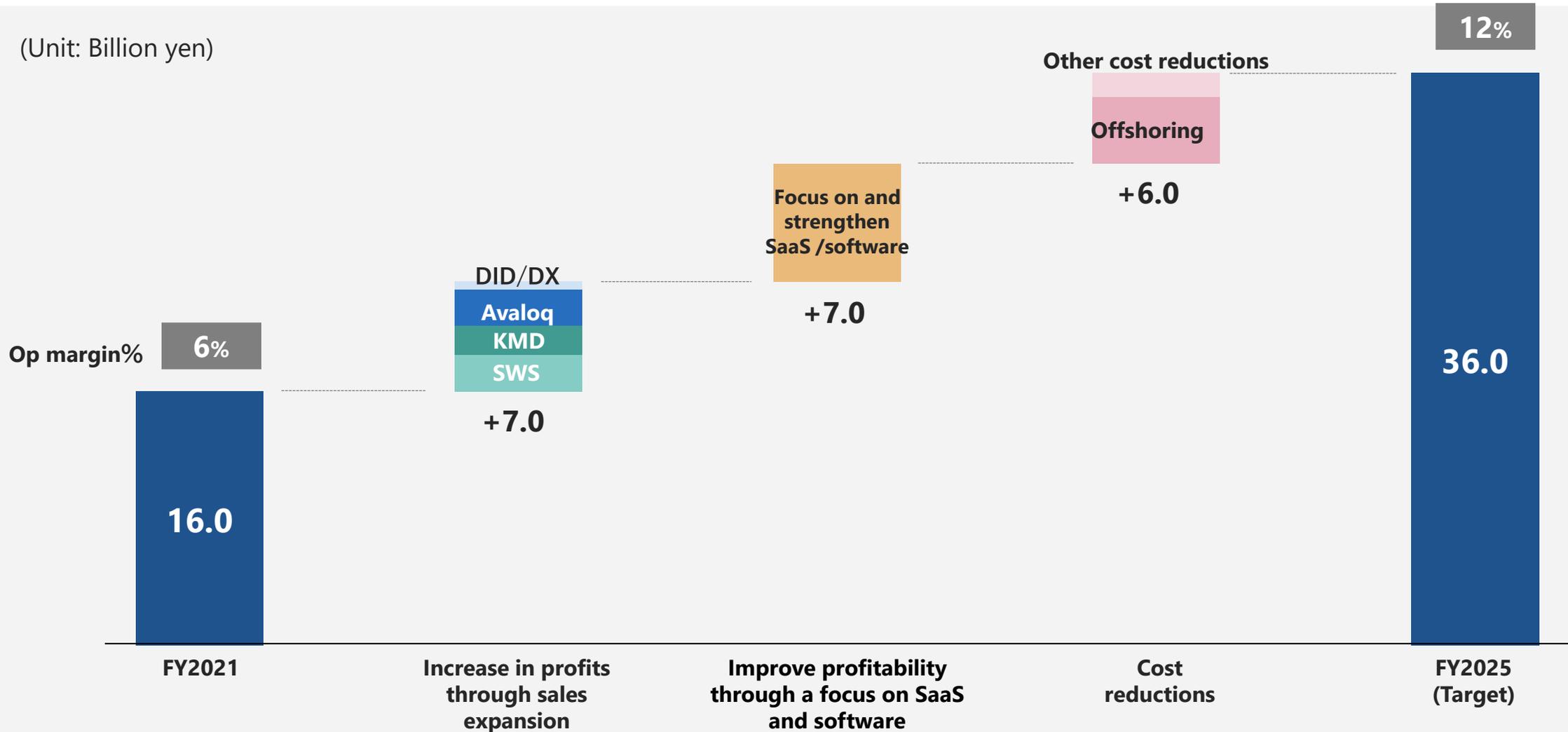


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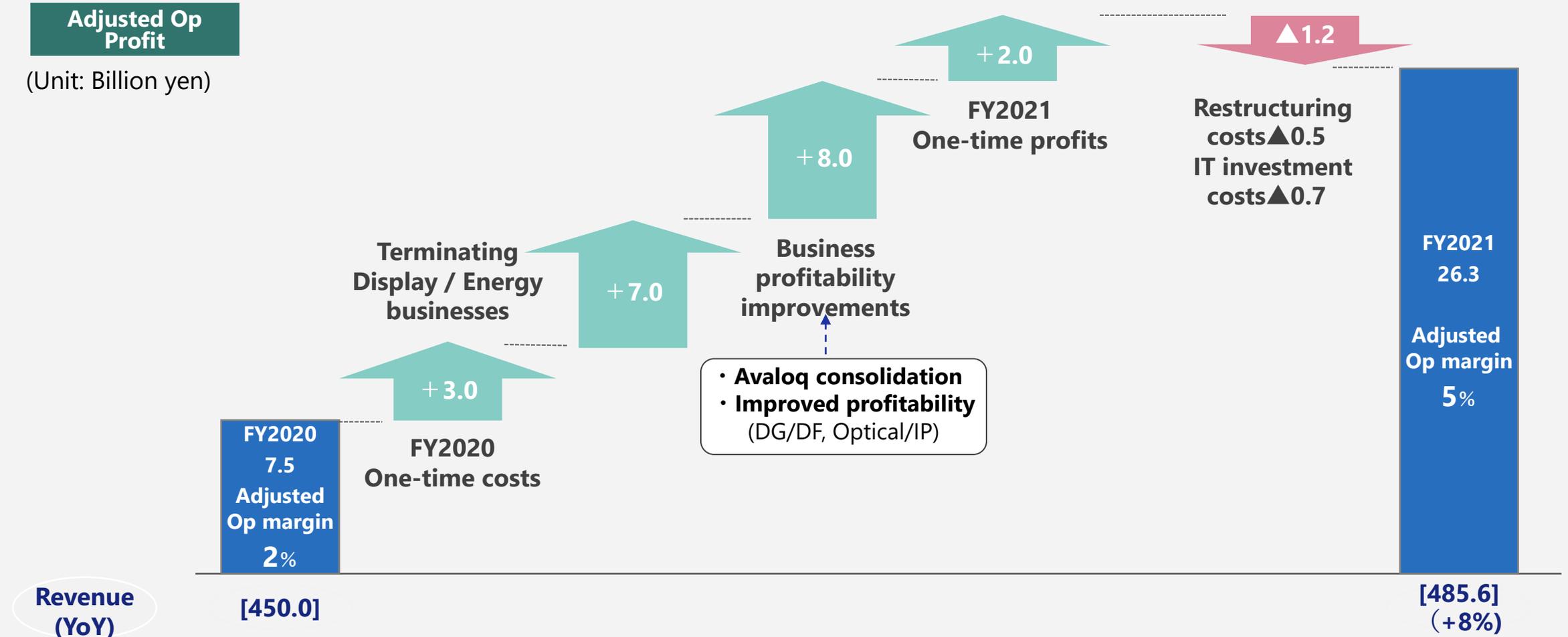
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- **FY2021 Results**
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Achieved ¥26.3bn Op Profit exceeding initial plan by ¥4.0bn coming from business profitability improvements and one-time profits



Achieved 5% adjusted operating margin (3 pts improvement YoY)

Key Achievements

Growth

- **DG/DF**
 - Avaloq achieved its first-year target and closed first synergy project in Taiwan
 - KMD sold unprofitable businesses and accelerated offshoring SW development to India
- **Submarine Network**
 - Received order of Trans-Atlantic submarine cable for Facebook. World's first 24 fiber pair high-volume cable. Expanding market share beyond APAC region (October 8, 2021 press release)

Profitability

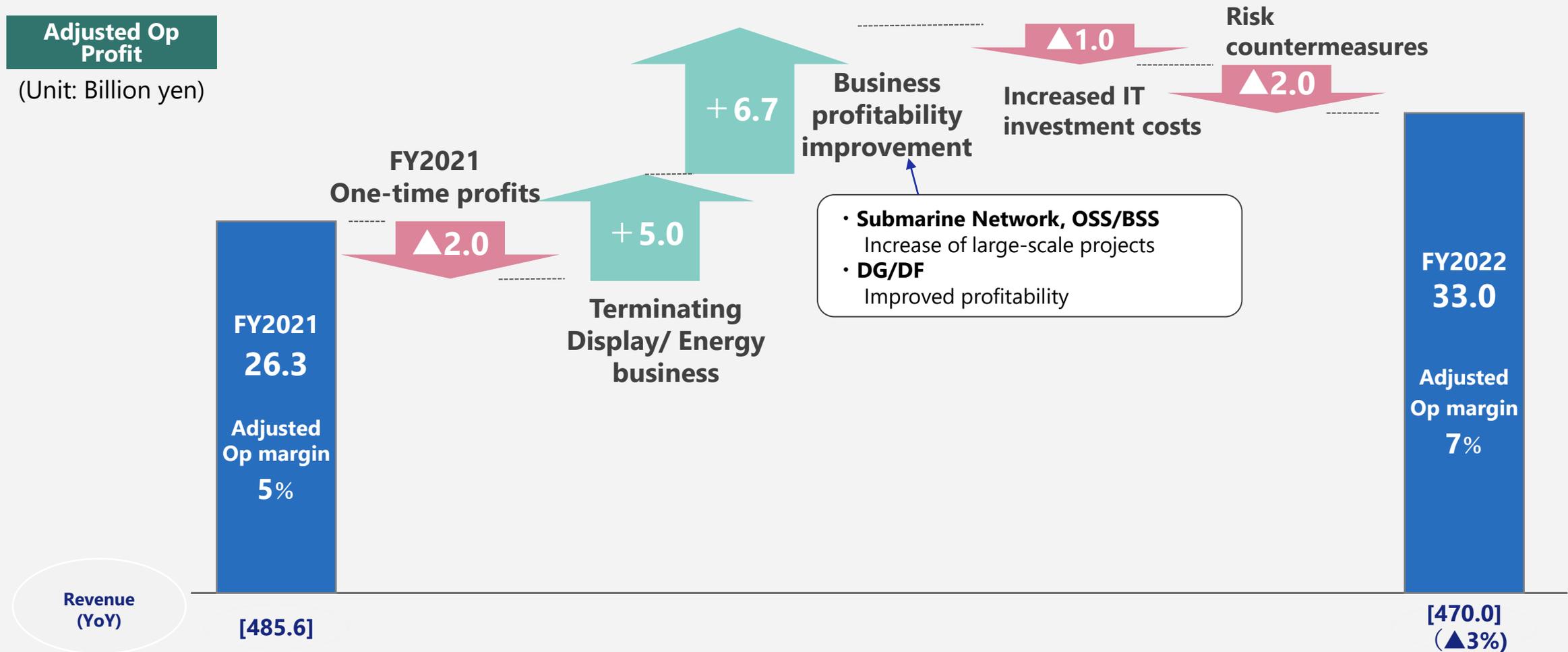
- **Service Providers**
 - Optical/IP business: Improved operating margin by 3 pts (YoY) through higher efficiency and service business
 - OSS/BSS: Strong top line performance maintaining high profitability
- **Global Segment overall**
 - Along with SG&A cost reductions, reached 5% of operating margin target with 3pts margin improvement YoY

Globalization

- **Launched investments towards global standardization (Profit growth allowing more investment)**
 - Development of global leaders (Renewal of leadership development training program)
 - Global IT platforms (Initiation of building new platforms for HR and Finance)
 - Improved employee engagement score by 7 pts YoY

FY2022 Outlook

- On track to achieve target through improvement of DG/DF profitability and execution of Submarine Network projects
- Increase in material and other costs to be covered by risk countermeasure buffer



Growth domains : Expand business and improve profitability through proactive investments

Base domains : Improve profitability by shifting to service/cloud-based model and increasing efficiency

Growth domains	DG/DF	<ul style="list-style-type: none"> 1) Accelerate shift to SaaS and software business in 3 European SW companies, and expand globally leveraging global NEC Group network 2) Continue and accelerate the transfer of SW development to India 3) Accelerate aviation business as the airport industry revives
	Submarine Network	<ul style="list-style-type: none"> 1) Expand topline, target ¥100 bn of orders in FY2022 (won the JUNO project,* with the largest-volume transmission capacity between Japan and US) 2) Enhance differentiation with technology (meet demands for greater capacity with unique multi-core SDM technology) <p style="text-align: right;">*Press release in July</p>
Base domains	Service Provider	<ul style="list-style-type: none"> 1) OSS/BSS: Improve profitability by transforming to cloud-based business (Target: 15% of Op margin) 2) Optical/IP: Shift to service-based business, Improve +1pt operating margin, materialize 100+ projects in pipeline
	Wireless	<ul style="list-style-type: none"> 1) Focus on high margin deals, reduce production costs, improve efficiency by revising distribution channels and supply chains 2) Strengthen partnership strategy (for cost-reduction, sales-expansion, etc.)

Strategy to Achieve Mid-Term Management Plan [Repeat]

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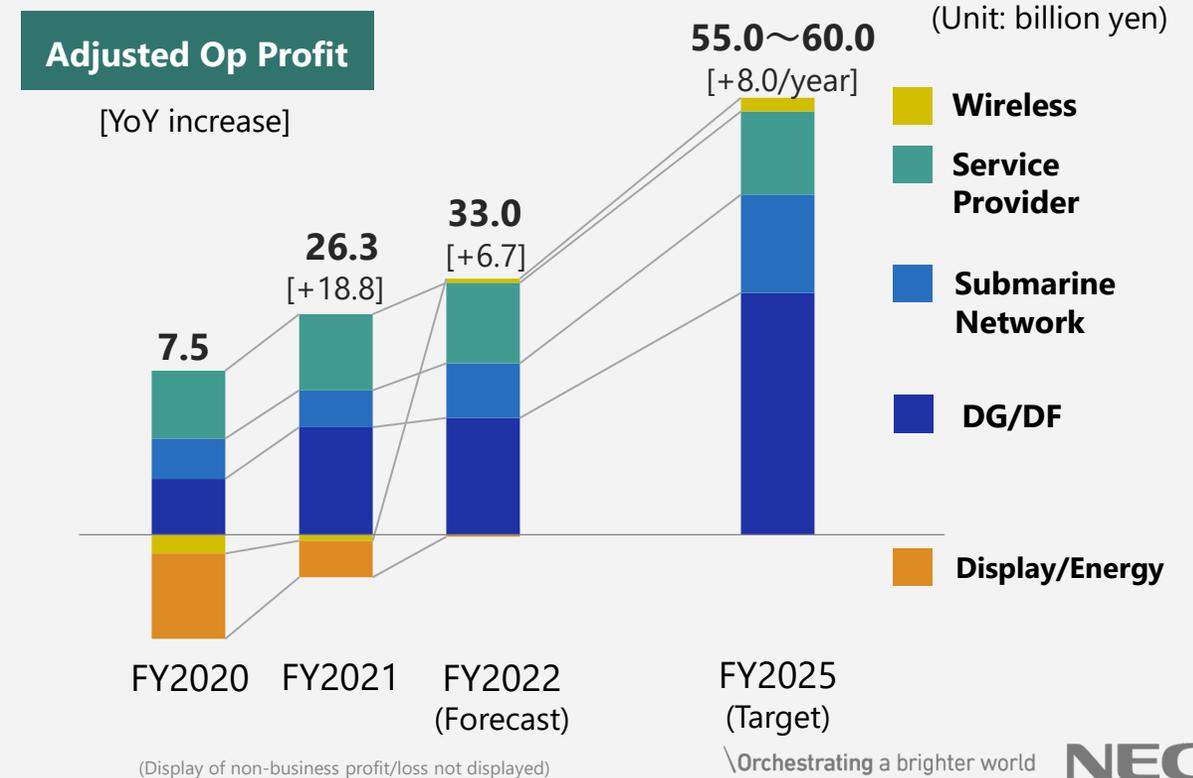
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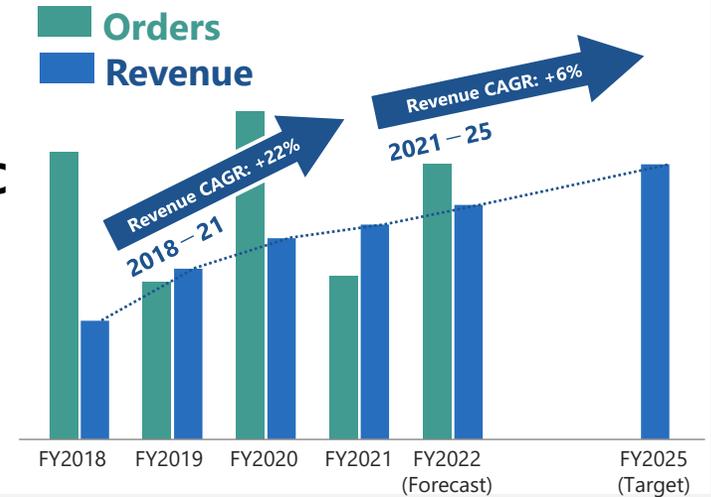


- During the next 3 years FY23 - FY25, 50% of operating profit increase will come from revenue expansion and 50% from improved profitability

■ Strategy for sales expansion

- ① Market expected to grow by +3% per year*
- ② Continue to build backlogs and gain market share expanding outside APAC
 - FY2021 : Won orders worth over ¥30.0bn outside APAC region
 - FY2022 : Target orders over ¥100 bn, leveraging the advantage of high-capacity/multicore technology
- ③ Continuous investments in manufacturing facilities/human resources
- ④ Enhance partnerships with major clients

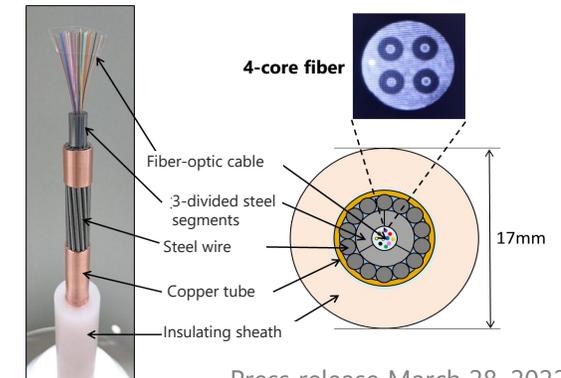
* CAGR(2018-2025). NEC estimates



■ Strategy for improving profitability

- ① Differentiation with Technology
 - Provide high value add products with cutting-edge high-capacity/multicore technology
- ② Expand onshore extension/maintenance business
- ③ Cost reductions by technology development

Multicore Fiber



Press release March 28, 2022

Build an organization that can win globally

Implement Global HR strategy formulated in FY2020 in accordance with Business strategy

Maximize capabilities of global organization and talents

Best Talent

Best talents
in the right places worldwide
regardless of nation of origin

Boundaryless Team

Overcome national barriers
and make the most of
organizational capabilities as
One Global Team

Global Opportunities

Opportunities for career
development open to anyone
from anywhere in the world

- Globalization of leadership team
- Enhancement of local capabilities to quickly capture local needs
- Enhancement of motivation of global employees



Current Status in 2022

(As of End of August 2022)

- Ratio of non-Japanese GM positions: 31% +3pts YoY
- Started cross regional employee moves, building global job posting system
- Started building new global IT platforms for HR
- Engagement score* : 61, +7 pts YoY

Establish Business that can win globally

2018-2020 MTP: **Fix & Build**

Turned to positive profit, implemented M&A, changed business portfolio, established a strong foundation

2021-2025 MTP: **Profitable Growth & Globalization**

Become a highly profitable business focusing on growth segments, leveraging technology and globalization
Overachieved targets in first-year. FY2022 on track

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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 FY2021 and FY2022 respectively. Any other fiscal years would be referred similarly.