

Financial Results for Q2 Fiscal Year Ending March 31, 2023

October 28, 2022

NEC Corporation

(<https://www.nec.com/en/global/ir/>)

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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.

I. Financial Results for Q2, FY23/3

Summary of Financial Results 1H, FY23/3

1H Results

Despite a revenue increase YoY, adjusted operating profit decreased due to a decrease in Network Services

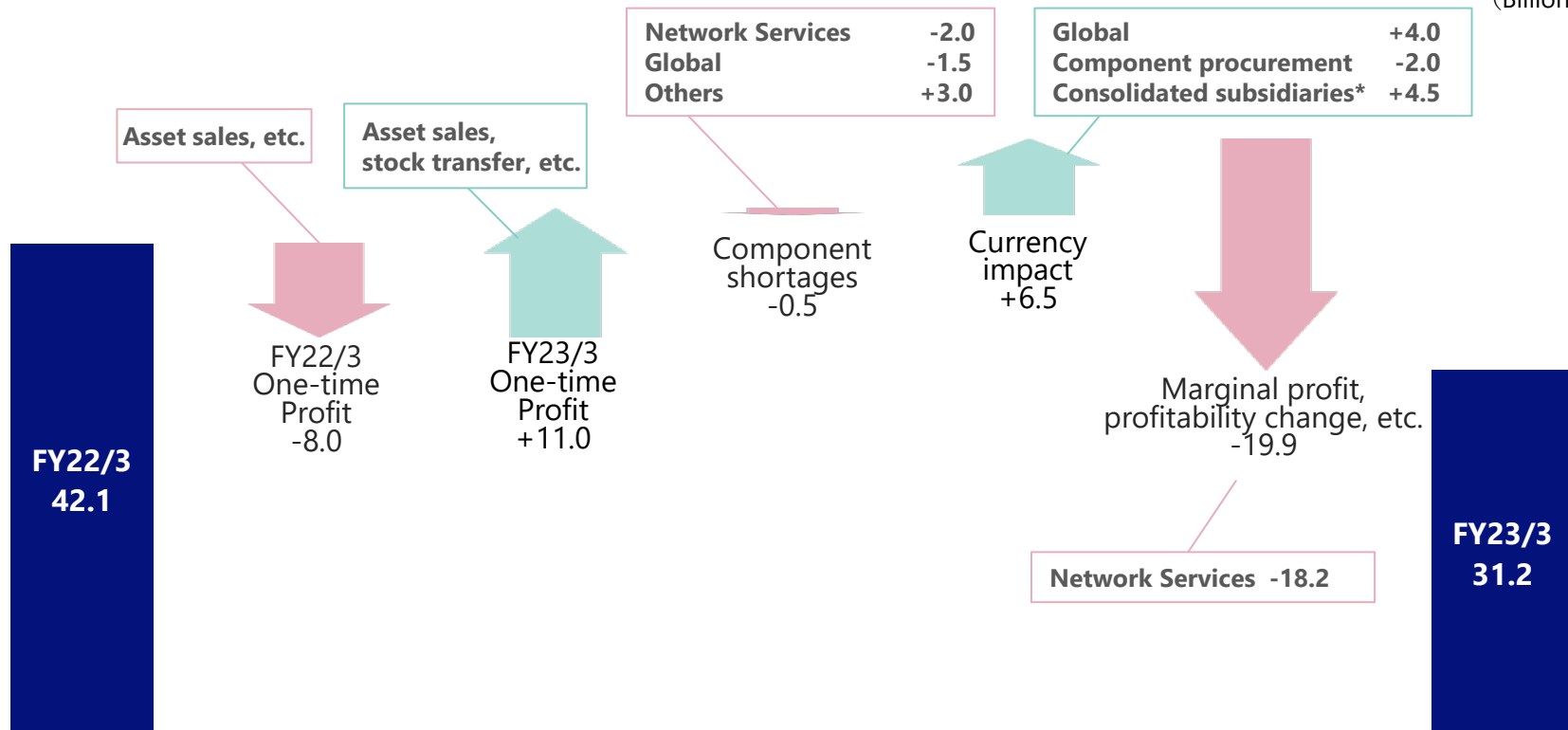
(Billions of Yen)

	1H <6 months>		
	FY22/3 Actual	FY23/3 Actual	YoY
Revenue	1,382.8	1,455.4	+ 5.2%
Operating Profit	23.2	13.9	- 9.3
% to Revenue	1.7%	1.0%	
Adjusted Operating Profit	42.1	31.2	- 10.9
% to Revenue	3.0%	2.1%	
Income before Income Taxes	25.8	24.1	- 1.6
Net Profit	13.3	4.0	- 9.4
% to Revenue	1.0%	0.3%	
Adjusted Net Profit	26.1	15.7	- 10.3
% to Revenue	1.9%	1.1%	
EBITDA*	106.5	89.7	- 16.9
% to Revenue	7.7%	6.2%	
Free Cash Flows	1.1	- 36.3	- 37.4
Dividend per Share (Yen)	50	55	+ 5
Note: Average Exchange Rates	USD / JPY EUR / JPY	109.54 130.83	129.88 136.86

		1H <6 months >		
		FY22/3 Actual	FY23/3 Actual	YoY
Public Solutions	Revenue	193.3	183.8	- 4.9%
	Adjusted Operating Profit % to Revenue	7.2 3.7%	5.9 3.2%	- 1.3
Public Infrastructure	Revenue	269.3	288.9	+ 7.3%
	Adjusted Operating Profit % to Revenue	17.1 6.4%	22.0 7.6%	+4.9
Enterprise	Revenue	282.2	288.8	+ 2.4%
	Adjusted Operating Profit % to Revenue	22.2 7.9%	26.3 9.1%	+4.1
Network Services	Revenue	225.5	219.6	- 2.6%
	Adjusted Operating Profit/Loss % to Revenue	8.4 3.7%	- 13.3 -6.0%	- 21.7
Global	Revenue	235.2	268.2	+ 14.0%
	Adjusted Operating Profit % to Revenue	12.4 5.3%	11.7 4.4%	- 0.7
Others	Revenue	177.3	206.0	+ 16.2%
	Adjusted Operating Profit/Loss % to Revenue	- 2.3 -1.3%	3.2 1.6%	+5.6
Adjustment	Adjusted Operating Profit/Loss	- 22.9	- 24.8	- 1.9
Total	Revenue	1,382.8	1,455.4	+ 5.2%
	Adjusted Operating Profit % to Revenue	42.1 3.0%	31.2 2.1%	- 10.9

Adjusted Operating Profit/Loss Change (Year on Year)

(Billions of Yen)



* Japan Aviation Electronics Industry (JAE) in Public Infrastructure and NEC Networks & System Integration Corporation (NESIC) in Network Services

NEC Order Trends YoY

1H Results

◆ IT Services: Increased by 11% due to steady corporate demand

YoY	Q1	Q2	1H	
Public Solutions	+15%	+13%	+14%	Favorable trend continued for urban infrastructure and SMEs
Public Infrastructure <small>*Excluding Japan Aviation Electronics Industry (JAE)</small>	+16%	-10%	+4%	Reversal impact from a large satellite project in Q2 FY22/3 (Excluding above mentioned reversal impact: +17% in Q2)
Enterprise <small>*Excluding NEC Facilities Ltd.</small>	+17%	+12%	+15%	Favorable trend continued due to robust demand
Network Services	-11%	+10%	± 0%	Decrease in demand for fixed-line networks for Q1, however, demand for 5G expanded in Q2
Global <small>*Excluding submarine systems</small>	+61%	+8%	+34%	Increase led by large projects for Netcracker, and Digital Government / Digital Finance (DG/DF)
Total <small>*Excluding submarine systems</small>	+18%	+14%	+16%	

II. Financial Forecasts for FY23/3

FY23/3 Financial Forecasts (Oct.28)

(Billions of Yen)	Full year			Change from previous forecasts (July.28)
	FY22/3 Actual	FY23/3 Forecasts	YoY	
Revenue	3,014.1	3,130.0	+ 3.8%	±0.0
Adjusted Operating Profit (Non-GAAP)	171.0	185.0	+ 14.0	±0.0
% to Revenue	5.7%	5.9%		
Adjusted Net Profit (Non-GAAP)	167.2	115.0	- 52.2	±0.0
% to Revenue	5.5%	3.7%		
Adjusted Earnings per Share (Non-GAAP) (Yen)	61.4	42.2	- 19.2	±0.0
EBITDA*	304.0	330.0	+ 26.0	±0.0
% to Revenue	10.1%	10.5%		
Free Cash Flows	84.1	180.0	+ 95.9	±0.0
Dividend per Share (Yen)	100	110	+ 10	±0.0

*EBITDA = Gross Profit – SG&A + Depreciation and amortization
(Exchange rate assumption in 2H FY23/3 :135 Yen / USD, 140 Yen / EUR)

Financial Forecasts for FY23/3 by Segment

(Billions of Yen)		Full Year			Change from previous forecasts (July.28)
		FY22/3 Actual	FY23/3 Forecasts	YoY	
Public Solutions	Revenue	442.6	450.0	+ 1.7%	±0.0
	Adjusted Operating Profit	35.9	37.0	+ 1.1	±0.0
	% to Revenue	8.1%	8.2%		
Public Infrastructure	Revenue	608.4	645.0	+ 6.0%	±0.0
	Adjusted Operating Profit	59.2	70.0	+ 10.8	+ 5.0
	% to Revenue	9.7%	10.9%		
Enterprise	Revenue	574.7	585.0	+ 1.8%	+ 10.0
	Adjusted Operating Profit	57.5	66.0	+8.5	+ 3.0
	% to Revenue	10.0%	11.3%		
Network Services	Revenue	511.5	530.0	+ 3.6%	±0.0
	Adjusted Operating Profit/Loss	35.5	27.0	- 8.5	- 4.0
	% to Revenue	6.9%	5.1%		
Global	Revenue	485.6	520.0	+ 7.1%	+ 50.0
	Adjusted Operating Profit	26.3	38.0	+11.7	+ 5.0
	% to Revenue	5.4%	7.3%		
Others	Revenue	391.2	400.0	+ 2.2%	- 60.0
	Adjusted Operating Profit	13.3	14.0	+0.7	+ 9.0
	% to Revenue	3.4%	3.5%		
Adjustment	Adjusted Operating Profit/Loss	- 56.7	- 67.0	- 10.3	- 18.0
Total	Revenue	3,014.0	3,130.0	+ 3.8%	±0.0
	Adjusted Operating Profit	171.0	185.0	+14.0	±0.0
	% to Revenue	5.7%	5.9%		

FY23/3 Forecasts: Summary

◆ **Adjusted OP forecast as a whole company for FY23/3 is 185.0 billion Yen which remains unchanged from the previous forecast as of July 28**

■ **Reflected upside expectations in Public Infrastructure, Enterprise and Global**

- **The upside expectations (Adjusted OP + 14.0 billion Yen) that were factored into “adjustments” in the July 28 forecasts are reflected in the forecasts for the 3 segments above based on the results from 1H and the current situation**

■ **Reflected the forecasts revision of a subsidiary* in Network Services**

■ **Corporate Actions recorded 11.0 billion Yen in adjusted OP in 1H as forecasted on July 28**

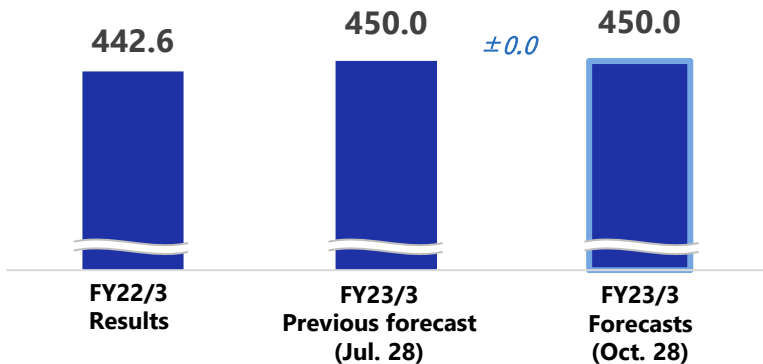
- **Corporate Actions: Gain on sale of assets (Q1) and stock transfer of NEC Embedded Products**

*NEC Networks & System Integration Corporation (NESIC)

FY23/3 Forecasts: Public Solutions Business

(Billions of Yen)

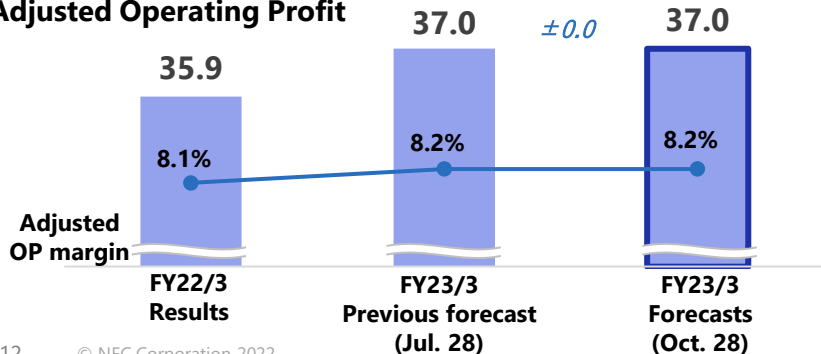
Revenue



1H Results

- Revenue decreased in business for urban infrastructure due to reversal impact from large projects recorded in FY22/3, however, recovery trend continued in orders

Adjusted Operating Profit



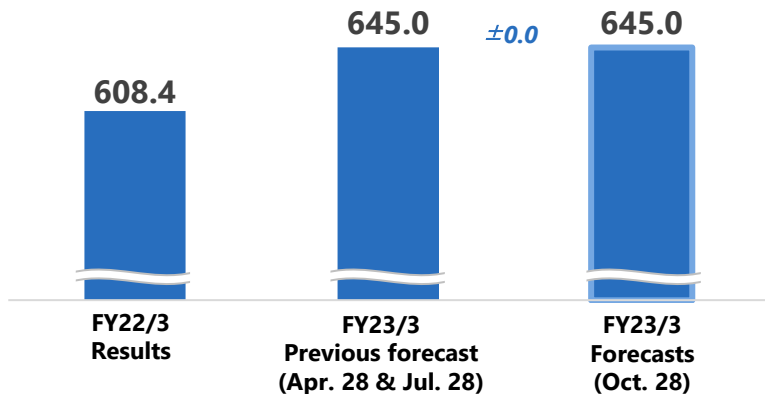
FY23/3 Forecasts

- No changes from the previous forecast (July)
- Aiming to exceed the OP target from the previous forecast (July), capturing demand recovery

FY23/3 Forecasts: Public Infrastructure Business

Revenue

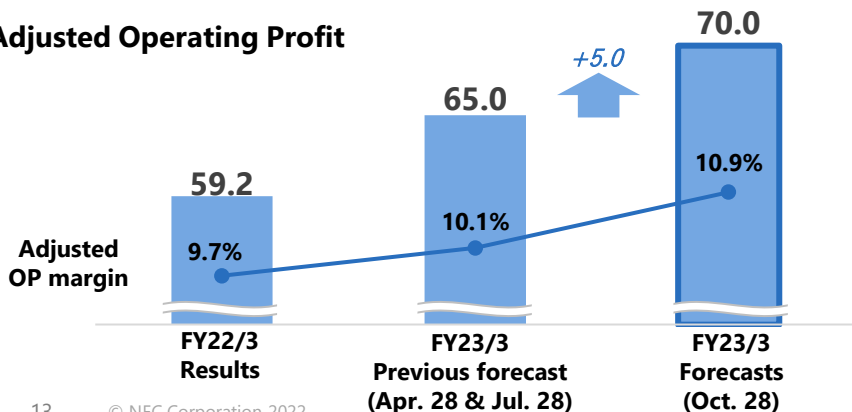
(Billions of Yen)



1H Results

- Revenue increased due to an increase in the number of projects for satellite / defense businesses
- Adjusted OP increased due to increased revenue and improvement of unprofitable projects

Adjusted Operating Profit



FY23/3 Forecasts

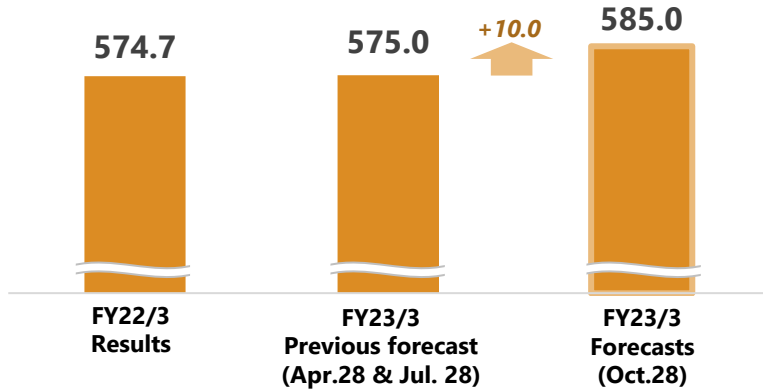
- Expect to exceed the July 28 forecast given the financial progress in 1H
- Factored in the forecast revision of a consolidated subsidiary*

*Japan Aviation Electronics Industry (JAE)

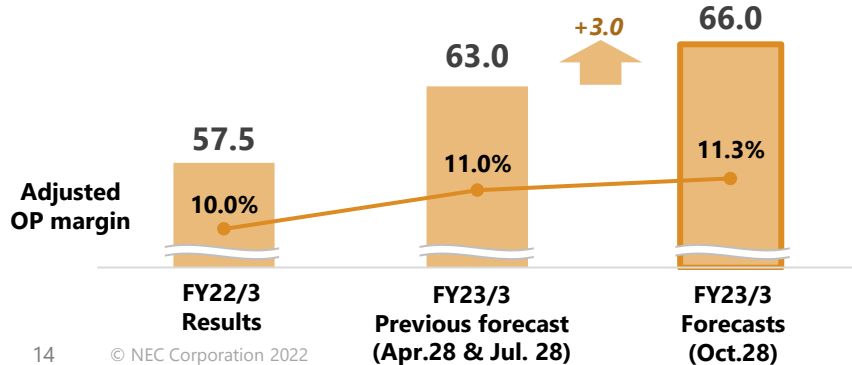
FY23/3 Forecasts: Enterprise Business

Revenue

(Billions of Yen)



Adjusted Operating Profit



1H Results

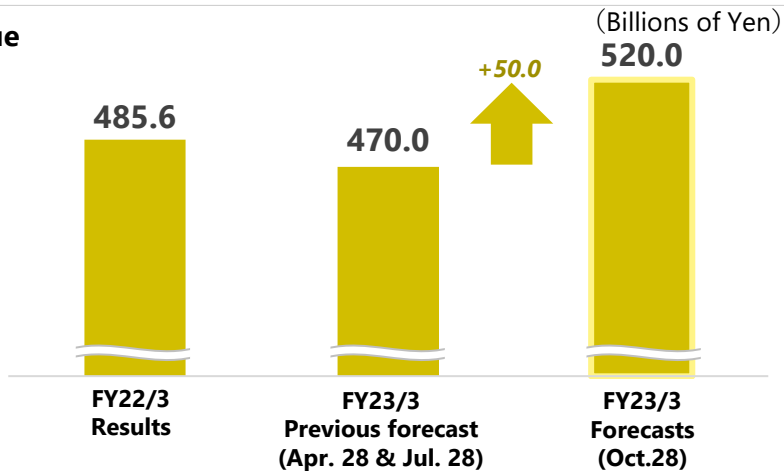
- Orders, revenue and adjusted OP increased YoY due to brisk demand

FY23/3 Forecasts

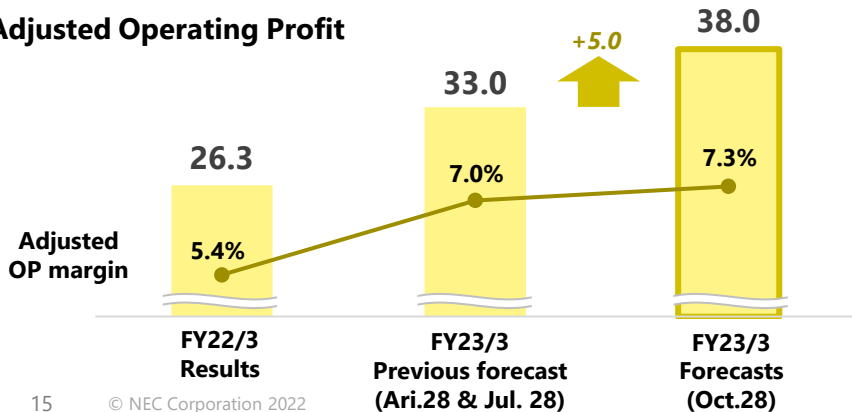
- Both revenue and adjusted OP expected to outperform the July 28 forecast as favorable market environment continues

FY23/3 Forecasts: Global Business

Revenue



Adjusted Operating Profit



1H Results

- Although revenue increased in mainly Netcracker and DG/DF due to currency impact, adjusted OP was almost same as previous fiscal year due to one-time cost increase

FY23/3 Forecasts

- Expect revenue and adjusted OP to outperform previous forecasts due to the greater depreciation of Yen than originally forecasted

FY23/3 Forecasts: Network Services Business

Adjusted Operating Profit/Loss: YoY Change Factors

(Billions of Yen)

	1H	2H	Full Year
FY22/3 Results	8.4	27.1	35.5
FY22/3 One-Time factor	-	- 5.0	- 5.0
FY23/3 One-Time factor	a - 7.5	-	- 7.5
Strategic Expenditure	b - 4.5	+ 4.5	+ 0.0
Consolidated subsidiary	- 2.5	- 1.5	c - 4.0
Component shortages	- 2.0	-	- 2.0
Sales changes, etc.	- 5.2	d + 15.2	+ 10.0
Total	- 21.7	+ 13.2	- 8.5
FY23/3 Results & Forecasts	-13.3	40.3	27.0

1H Results

- a) One-time losses recorded, such as the booking of a strategic project for international 5G business (-5.5 billion Yen) and others
- b) Strategic expenditure increased YoY (Same level as previous year is expected for the full year)

FY23/3 Forecasts

- c) Factored in the forecast revision of a consolidated subsidiary* (-4.0 billion Yen)
- d) Aim to recover by steadily acquiring business opportunities in mainly 5G in 2H that are expected to be larger than 1H

NEC's R&D strategy / New business creation and exhibition of the latest technologies

NEC Innovation Day 2022



Presenter

Motoo Nishihara

Executive Vice President, CTO
(Chief Technology Officer) and
Member of the Board

11 / 30 WED
@NEC Tamagawa

AM For Press

PM For Investors & Analysts

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III. Financial Results (Appendix)

Summary of Financial Results Q2, FY23/3

Q2 Results

(Billions of Yen)

	Q2 <July to September>		
	FY22/3 Actual	FY23/3 Actual	YoY
Revenue	730.9	795.7	+ 8.9%
Operating Profit	22.1	29.2	+ 7.1
% to Revenue	3.0%	3.7%	
Adjusted Operating Profit	31.7	38.2	+ 6.5
% to Revenue	4.3%	4.8%	
Income before Income Taxes	22.8	30.8	+ 7.9
Net Profit	13.1	17.8	+ 4.7
% to Revenue	1.8%	2.2%	
Adjusted Net Profit	19.6	23.9	4.4
% to Revenue	2.7%	3.0%	

EBITDA*	68.5	67.6	- 0.9
% to Revenue	9.4%	8.5%	

Free Cash Flows	- 63.9	- 85.5	- 21.7
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Note:	USD / JPY	106.81	135.32
Average Exchange Rates	EUR / JPY	122.90	139.28

		Q2 <July to September>		
		FY22/3 Actual	FY23/3 Actual	YoY
Public Solutions	Revenue	103.7	107.3	+ 3.5%
	Adjusted Operating Profit	7.2	10.0	+ 2.8
	% to Revenue	6.9%	9.3%	
Public Infrastructure	Revenue	145.2	161.9	+ 11.5%
	Adjusted Operating Profit	11.2	16.7	+ 5.5
	% to Revenue	7.7%	10.3%	
Enterprise	Revenue	145.3	148.5	+ 2.2%
	Adjusted Operating Profit	16.3	17.5	+1.2
	% to Revenue	11.2%	11.8%	
Network Services	Revenue	121.2	119.5	- 1.4%
	Adjusted Operating Profit/Loss	8.5	- 4.8	- 13.3
	% to Revenue	7.0%	-4.0%	
Global	Revenue	121.4	143.2	+ 18.0%
	Adjusted Operating Profit	7.5	8.3	+0.8
	% to Revenue	6.2%	5.8%	
Others	Revenue	94.0	115.3	+ 22.6%
	Adjusted Operating Profit	0.7	10.0	+9.3
	% to Revenue	0.7%	8.7%	
Adjustment	Adjusted Operating Profit/Loss	- 19.7	- 19.6	+0.1
Total	Revenue	730.9	795.7	+ 8.9%
	Adjusted Operating Profit	31.7	38.2	6.5
	% to Revenue	4.3%	4.8%	

Adjusted Operating Profit/Loss and Adjusted items, etc.

(Billions of Yen)

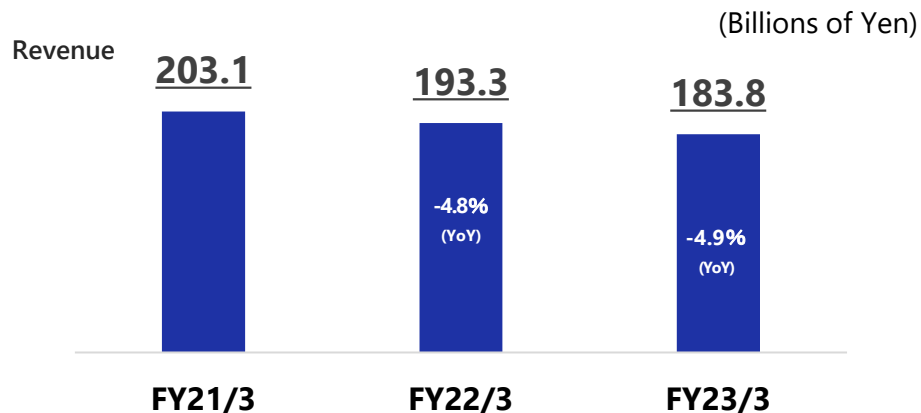
	FY21/3			FY22/3			FY23/3			YoY		
	Q1	Q2	1H	Q1	Q2	1H	Q1	Q2	1H	Q1	Q2	1H
Operating Profit/Loss	-10.3	30.2	20.0	1.1	22.1	23.2	-15.3	29.2	13.9	-16.5	7.1	-9.3
Adjusted items	4.5	4.6	9.1	9.3	9.6	18.9	8.4	9.0	17.3	-1.0	-0.6	-1.6
Amortization of intangible assets through acquisition	4.5	4.6	9.1	9.3	9.5	18.8	8.1	8.5	16.5			
M&A related expenses	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.5	0.8			
Adjusted Operating Profit/Loss (Non-GAAP)	-5.8	34.8	29.0	10.5	31.7	42.1	-7.0	38.2	31.2	-17.4	6.5	-10.9

NEC Order Quarterly Trends (Including Hardware)

(YoY)

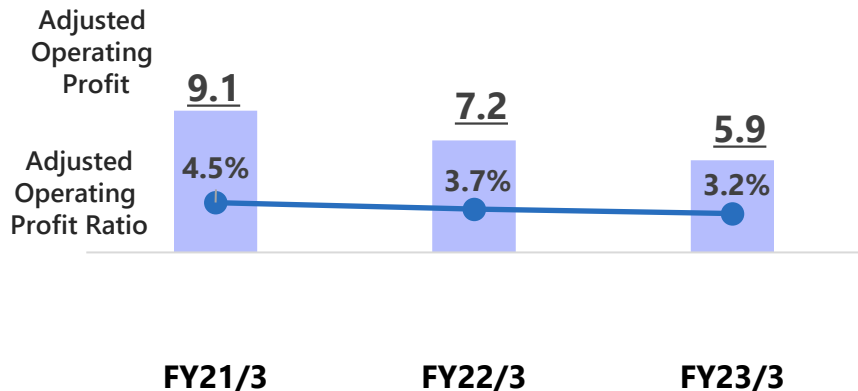
	FY22/3				FY23/3		
	Q1	Q2	Q3	Q4	Q1	Q2	
Public Solutions	-2%	-4%	-3%	+9%	+15%	+13%	
Public Infrastructure <small>*Excluding Japan Aviation Electronics Industry (JAE)</small>	+1%	-12%	-30%	-3%	+16%	-10%	+17%, excluding reversal impact of a large satellite project in Q2 FY22/3
Enterprise <small>*Excluding NEC Facilities Ltd.</small>	+10%	+2%	+10%	+5%	+17%	+12%	
Network Services	+19%	-5%	-12%	-3%	-11%	+10%	
Global	-47%	-7%	+94%	+8%	+106%	+16%	+8%, excluding Submarine systems and Display business*
Total	-2%	-5%	+6%	+4%	+23%	+15%	+14%, excluding Submarine systems and Display business*

*Unconsolidated from November 2020



Revenue 183.8 (-4.9%)

- Decreased in business for urban infrastructure due to reversal impact from large projects in FY22/3

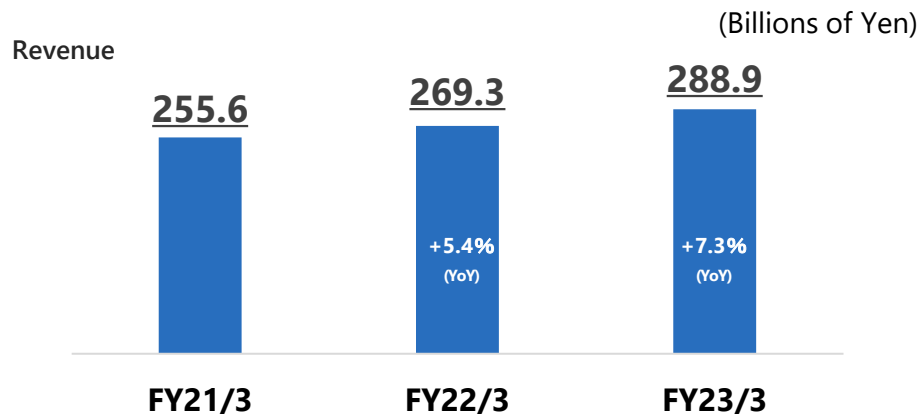


Adjusted Operating Profit 5.9 (-1.3)

- Decreased due to decreased revenue

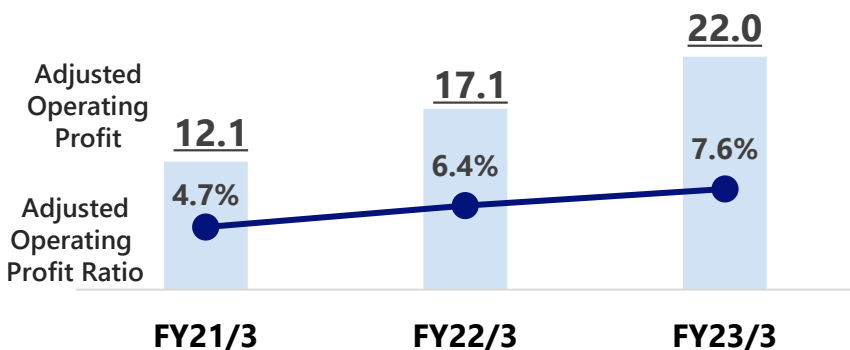
Public Infrastructure Business

1H Results



Revenue 288.9 (+7.3%)

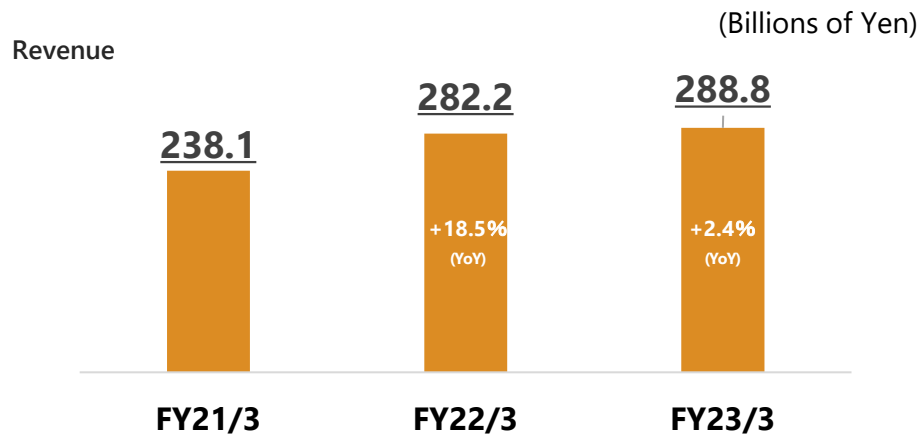
- Increased in NEC Corporation due to an increase in satellite / defense businesses
- Increased in a consolidated subsidiary*



Adjusted Operating Profit 22.0 (+4.9)

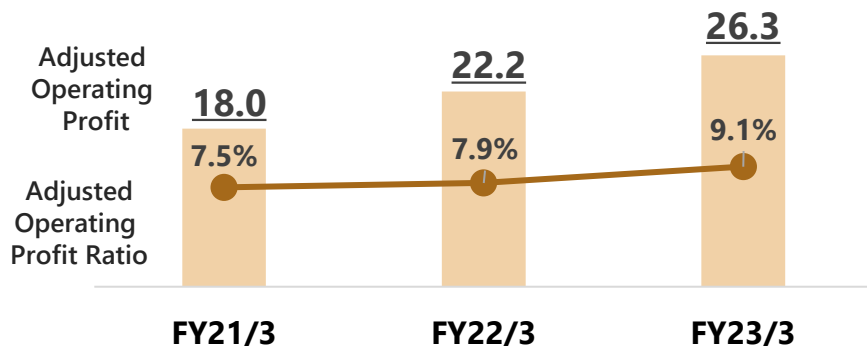
- Increased due to increased revenue in NEC Corporation and improvement of unprofitable projects
- Increased in a consolidated subsidiary*

*Japan Aviation Electronics Industry (JAE)



Revenue 288.8 (+2.4%)

- Increased revenue for all domains due to robust demand



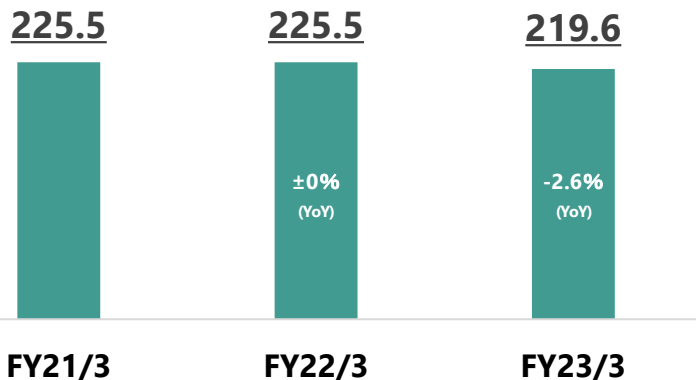
Adjusted Operating Profit 26.3 (+4.1)

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

Network Services Business

(Billions of Yen)

Revenue



Revenue 219.6 (-2.6%)

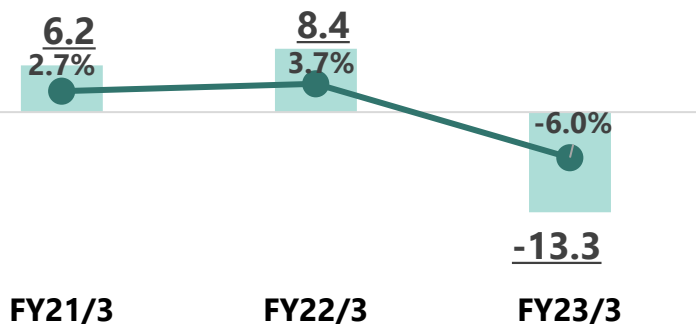
- Decreased due to weak capital expenditure by telecom operators, despite the commencement of global 5G shipments
- Increased in a consolidated subsidiary*

Adjusted Operating Profit/Loss -13.3 (-21.7)

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

Adjusted Operating Profit/Loss

Adjusted Operating Profit Ratio



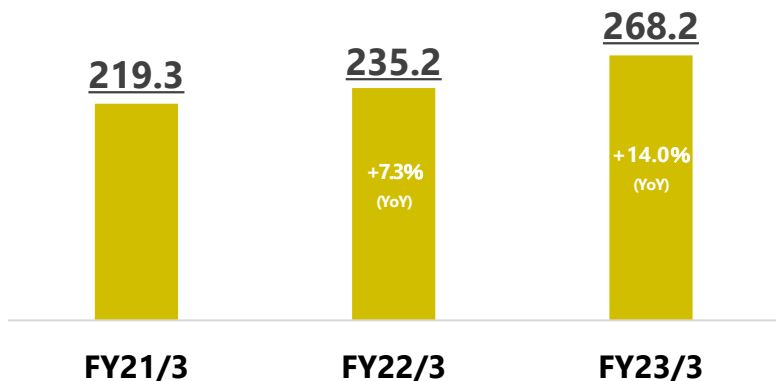
*NEC Networks & System Integration Corporation (NESIC)

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Revenue

(Billions of Yen)

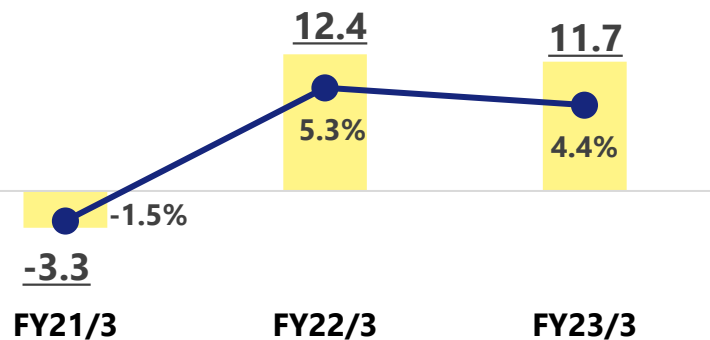


Revenue 268.2 (+14.0%)

- Increased in DG/DF areas and Service Provider Solution business

Adjusted Operating Profit Ratio

Adjusted Operating Profit/Loss

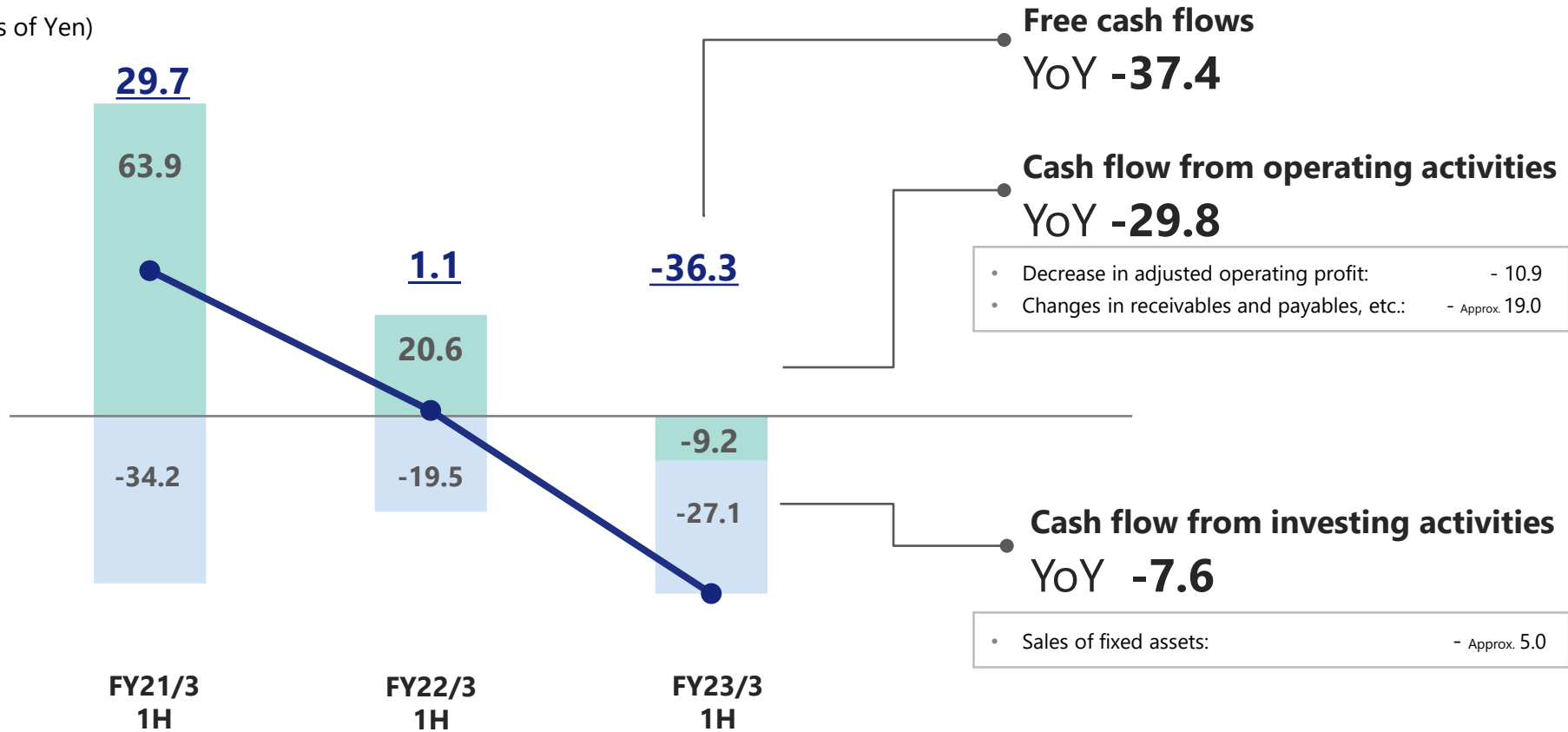


Adjusted Operating Profit/Loss 11.7 (-0.7)

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

Free Cash Flows

(Billions of Yen)



(Billions of Yen)

	End of March 2022	End of September 2022	Change from end of March 2022
Total assets	3,761.7	3,858.0	+96.3
Total equity	1,786.6	1,843.2	+56.6
Interest-bearing debt	597.4	669.4	+72.0
Equity attributable to owners of the parent	1,513.5	1,557.8	+44.3
Ratio of equity attributable to owners of the parent (%)	40.2%	40.4%	+ 0.1pt
D/E ratio (times)	0.39	0.43	- 0.04pt
Net D/E ratio (times)	0.11	0.15	- 0.04pt
Cash and cash equivalents	430.8	436.7	+ 5.9

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.