

# Financial Results for Q3 Fiscal Year Ending March 31, 2023

January 30, 2023

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.

# Index

- I. Financial Results for Q3, FY23/3
- II. Financial Forecasts for FY23/3
- III. Financial Results for Q3, FY23/3 (Appendix)
- IV. Financial Results for 9 months, FY23/3 (Appendix)

- Net profit refers to net profit attributable to owners of the parent for the same period.

# I. Financial Results for Q3, FY23/3

# Summary of Financial Results for Q3, FY23/3

9 month  
Results

## Adjusted Operating Profit increased YoY in 9 months

(Billions of Yen)

	1H <6 months>			Q3 <October to December>			9 months <April to December>		
	FY22/3 Actual	FY23/3 Actual	YoY	FY22/3 Actual	FY23/3 Actual	YoY	FY22/3 Actual	FY23/3 Actual	YoY
<b>Revenue</b>	1,382.8	1,455.4	+ 5.2%	713.6	813.9	+ 14.1%	2,096.4	2,269.3	+ 8.2%
<b>Operating Profit</b>	23.2	13.9	- 9.3	24.1	43.2	+ 19.2	47.3	57.1	+ 9.8
% to Revenue	1.7%	1.0%		3.4%	5.3%		2.3%	2.5%	
<b>Adjusted Operating Profit</b>	42.1	31.2	- 10.9	33.8	52.2	+ 18.4	76.0	83.4	+ 7.5
% to Revenue	3.0%	2.1%		4.7%	6.4%		3.6%	3.7%	
<b>Income before Income Taxes</b>	25.8	24.1	- 1.6	23.3	33.5	+ 10.2	49.1	57.6	+ 8.5
<b>Net Profit</b>	13.3	4.0	- 9.4	11.6	22.4	+ 10.8	24.9	26.4	+ 1.4
% to Revenue	1.0%	0.3%		1.6%	2.8%		1.2%	1.2%	
<b>Adjusted Net Profit</b>	26.1	15.7	- 10.3	18.2	28.5	+ 10.3	44.3	44.3	+ 0.0
% to Revenue	1.9%	1.1%		2.6%	3.5%		2.1%	2.0%	
<b>EBITDA*</b>	106.5	89.7	- 16.9	70.6	91.9	+ 21.3	177.1	181.6	+ 4.5
% to Revenue	7.7%	6.2%		9.9%	11.3%		8.4%	8.0%	
<b>Free Cash Flows</b>	1.1	- 36.3	- 37.4	- 28.5	- 55.3	- 26.8	- 27.4	- 91.6	- 64.2
Note: Average Exchange Rates (Yen)	USD / JPY	109.54	129.88	112.48	144.25	110.52	134.67		
	EUR / JPY	130.83	136.86	130.44	143.93	130.70	139.22		

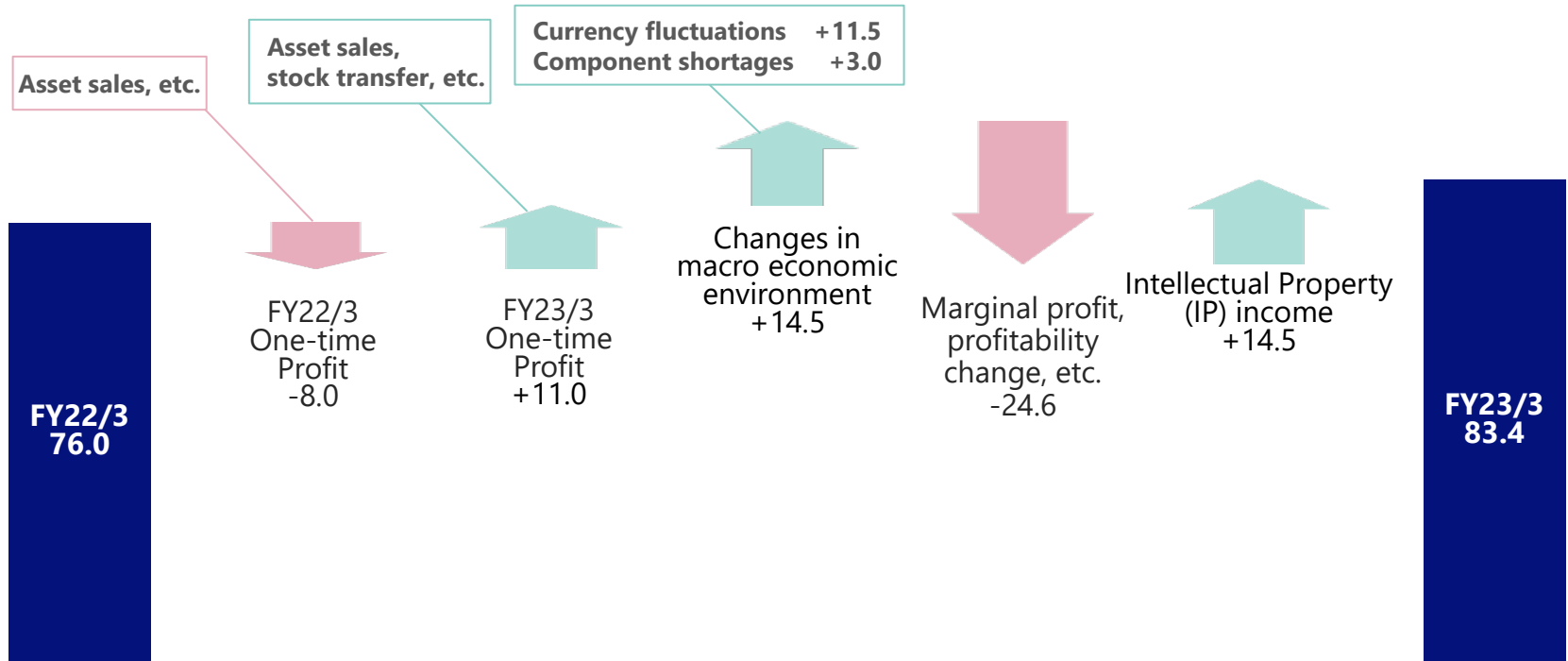
# Financial Results by Segment

(Billions of Yen)

		1H <6 months>			Q3 <October to December>			9 months <April to December>		
		FY22/3 Actual	FY23/3 Actual	YoY	FY22/3 Actual	FY23/3 Actual	YoY	FY22/3 Actual	FY23/3 Actual	YoY
<b>Public Solutions</b>	Revenue	193.3	183.8	- 4.9%	97.0	102.3	+ 5.4%	290.4	286.1	- 1.5%
	Adjusted Operating Profit	7.2	5.9	- 1.3	4.5	6.6	+ 2.1	11.7	12.5	+ 0.9
	% to Revenue	3.7%	3.2%		4.6%	6.5%		4.0%	4.4%	
<b>Public Infrastructure</b>	Revenue	269.3	288.9	+ 7.3%	145.1	160.8	+ 10.8%	414.4	449.7	+ 8.5%
	Adjusted Operating Profit	17.1	22.0	+ 4.9	13.7	16.1	+ 2.4	30.8	38.1	+ 7.3
	% to Revenue	6.4%	7.6%		9.4%	10.0%		7.4%	8.5%	
<b>Enterprise</b>	Revenue	282.2	288.8	+ 2.4%	131.6	142.7	+ 8.4%	413.8	431.5	+ 4.3%
	Adjusted Operating Profit	22.2	26.3	+ 4.1	12.2	15.8	+ 3.6	34.4	42.1	+ 7.7
	% to Revenue	7.9%	9.1%		9.3%	11.1%		8.3%	9.8%	
<b>Network Services</b>	Revenue	225.5	219.6	- 2.6%	124.6	141.4	+ 13.5%	350.1	361.0	+ 3.1%
	Adjusted Operating Profit/Loss	8.4	- 13.3	- 21.7	7.4	12.7	+ 5.3	15.8	- 0.6	- 16.4
	% to Revenue	3.7%	-6.0%		6.0%	9.0%		4.5%	-0.2%	
<b>Global</b>	Revenue	235.2	268.2	+ 14.0%	119.3	154.7	+ 29.6%	354.5	422.8	+ 19.3%
	Adjusted Operating Profit	12.4	11.7	- 0.7	5.7	9.7	+ 4.1	18.1	21.5	+ 3.4
	% to Revenue	5.3%	4.4%		4.8%	6.3%		5.1%	5.1%	
<b>Others</b>	Revenue	177.3	206.0	+ 16.2%	96.0	112.1	+ 16.8%	273.2	318.1	+ 16.4%
	Adjusted Operating Profit/Loss	- 2.3	3.2	+ 5.6	3.7	3.8	+ 0.1	1.4	7.1	+ 5.7
	% to Revenue	-1.3%	1.6%		3.9%	3.4%		0.5%	2.2%	
<b>Adjustment</b>	Adjusted Operating Profit/Loss	- 22.9	- 24.8	- 1.9	- 13.3	- 12.5	+ 0.8	- 36.3	- 37.3	- 1.0
<b>Total</b>	Revenue	1,382.8	1,455.4	+ 5.2%	713.6	813.9	+ 14.1%	2,096.4	2,269.3	+ 8.2%
	Adjusted Operating Profit	42.1	31.2	- 10.9	33.8	52.2	+ 18.4	76.0	83.4	+ 7.5
	% to Revenue	3.0%	2.1%		4.7%	6.4%		3.6%	3.7%	

# Adjusted Operating Profit/Loss Change (Year on Year)

(Billions of Yen)



# Network Services Business

9 month  
Results

(Billions of Yen)

**Revenue** **361.0 (+3.1%)**

**Increased due to expansion of global 5G and intellectual property (IP) income**

- Increased revenue from abroad in global 5G
- One-time IP income of 10.0 billion yen in Q3

**Adjusted Operating Profit/Loss -0.6 (-16.4)**

**Decreased significantly due to one-time cost and an increase in strategic expenses despite IP income**

1. 5.0 billion yen of expenses in Q3 for streamlining assets including inventory valuation
2. Strategic expenses remained the same level in Q3 although increased in 9 months YoY

## <Adjusted Operating Profit/Loss: YoY Change Factors>

	1H	Q3	9 months
<b>FY22/3 Results</b>	<b>8.4</b>	<b>7.4</b>	<b>15.8</b>
Changes in Macro Economic Environment	- 3.5	+ 1.5	-2.0
<b>Business Operation Related</b>			
Strategic project/ Streamlining assets	- 7.5	① - 5.0	- 12.5
Strategic Expenditure	- 4.5	② -	- 4.5
Others	- 6.2	- 1.2	- 7.4
IP Income	±0.0	+ 10.0	+ 10.0
<b>Total</b>	<b>- 21.7</b>	<b>+ 5.3</b>	<b>- 16.4</b>
<b>FY23/3 Results</b>	<b>- 13.3</b>	<b>12.7</b>	<b>- 0.6</b>



# NEC Order Trends YoY

◆ IT Services: Increased by 10% due to steady corporate demand

YoY	Q1	Q2	Q3	9 months	Description for 9 months
Public Solutions	+15%	+13%	+16%	+15%	Favorable trend continued for urban infrastructure and SME*
Public Infrastructure <small>*Excluding Japan Aviation Electronics Industry (JAE)</small>	+16%	-10%	+25%	+8%	Increased demand for national defense (Excluding reversal impact from a large satellite project in Q2 FY22/3: +18% in 9 months)
Enterprise <small>*Excluding NEC Facilities Ltd.</small>	+17%	+12%	+5%	+11%	Favorable trend continued due to robust demand
Network Services	-11%	+10%	+22%	+7%	5G expanded, intellectual property (IP) income in Q3 (Excluding IP income : +13% in Q3, +4% in 9 months)
Global <small>*Excluding submarine systems</small>	+61%	+8%	+3%	+20%	Increase led by large projects for Netcracker
Total <small>*Excluding submarine systems</small>	+18%	+14%	+11%	+14%	

\* Small and Medium-sized Enterprises

## II. Financial Forecasts for FY23/3

# FY23/3 Financial Forecasts (Jan.30)

(Billions of Yen)	Full year			Change from previous forecasts (Oct.28)
	FY22/3 Actual	FY23/3 Forecasts	YoY	
<b>Revenue</b>	3,014.1	3,130.0	+ 3.8%	± 0.0
<b>Adjusted Operating Profit (Non-GAAP)</b>	171.0	185.0	+ 14.0	± 0.0
% to Revenue	5.7%	5.9%		
<b>Adjusted Net Profit (Non-GAAP)</b>	167.2	115.0	- 52.2	± 0.0
% to Revenue	5.5%	3.7%		
<b>Adjusted Earnings per Share (Non-GAAP) (Yen)</b>	614	427	- 187	+ 5
<b>EBITDA*</b>	304.0	330.0	+ 26.0	± 0.0
% to Revenue	10.1%	10.5%		
<b>Free Cash Flows</b>	84.1	180.0	+ 95.9	± 0.0
<b>Dividend per Share (Yen)</b>	100	110	+ 10	± 0

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

# Financial Forecasts for FY23/3 by Segment (Jan.30)

(Billions of Yen)		Full Year			Change from previous forecasts (Oct.28)
		FY22/3 Actual	FY23/3 Forecasts	YoY	
<b>Public Solutions</b>	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%		
<b>Public Infrastructure</b>	Revenue	608.4	645.0	+ 6.0%	±0.0
	Adjusted Operating Profit	59.2	66.5	+ 7.3	- 3.5
	% to Revenue	9.7%	10.3%		
<b>Enterprise</b>	Revenue	574.7	585.0	+ 1.8%	±0.0
	Adjusted Operating Profit	57.5	66.0	+8.5	±0.0
	% to Revenue	10.0%	11.3%		
<b>Network Services</b>	Revenue	511.5	530.0	+ 3.6%	±0.0
	Adjusted Operating Profit	35.5	27.0	- 8.5	±0.0
	% to Revenue	6.9%	5.1%		
<b>Global</b>	Revenue	485.6	520.0	+ 7.1%	±0.0
	Adjusted Operating Profit	26.3	38.0	+11.7	±0.0
	% to Revenue	5.4%	7.3%		
<b>Others</b>	Revenue	391.2	400.0	+ 2.2%	±0.0
	Adjusted Operating Profit	13.3	14.0	+0.7	±0.0
	% to Revenue	3.4%	3.5%		
<b>Adjustment</b>	Adjusted Operating Profit/Loss	- 56.7	- 63.5	- 6.8	+ 3.5
<b>Total</b>	Revenue	3,014.1	3,130.0	+ 3.8%	±0.0
	Adjusted Operating Profit	171.0	185.0	+14.0	±0.0
	% to Revenue	5.7%	5.9%		

# Summary of Financial Forecasts for FY23/3

**Revenue and Adjusted OP forecasts as a whole company for FY23/3 remain unchanged from the previous forecast as of October 28**

## ■ Domestic IT Services

- Steady demand up to Q3 due to strong IT service demand
- Revenue and adjusted OP expected to exceed the full-year forecasts with the favorable demand

## ■ Network Services

- Global 5G
  - ✓ Revenue expected to achieve full-year forecast due to significant increase both in Japan and abroad in Q4
  - ✓ Aim to achieve Adjusted OP forecast by revenue increase in Q4 mainly in domestic 5G business that offsets one-time cost as well as strategic expenses increase
- Others
  - ✓ Revenue expected to achieve full-year forecast, as well as adjusted OP with IP income that offsets negative factors

# Reform of the Management Foundation to Continuously Increase Corporate Value

## Transition to a Company with a Nominating Committee, etc. (Subject to approval at the ordinary general meeting in June 2023)

### ■ Strengthen the oversight function

- The majority of the Board of Directors shall be comprised of independent outside directors (5 inside directors, 7 outside directors)
- Enhance outside directors of diverse experiences

### ■ Expedite decision-making

- Boost management speed by implementing separate oversight and execution
- Bolster CxO functions

## Organizational Reforms to Achieve the Mid-term Management Plan 2025 (Effective as of April 1, 2023)

### ■ Setting up BUs/divisions for main growth areas in the Mid-term Management Plan 2025

- Establish DGDF BU
- Unify business for domestic and international telecom operators
- Establish a business division for healthcare/life science business

### ■ Enhance offering functions for Core DX

- Unify responsible organization for NEC Digital Platform

### ■ Strengthen support of government digitalization and national security areas

- Integrate business divisions for central ministries and local governments
- Establish Aerospace and National Security BU

\*BU = Business Unit

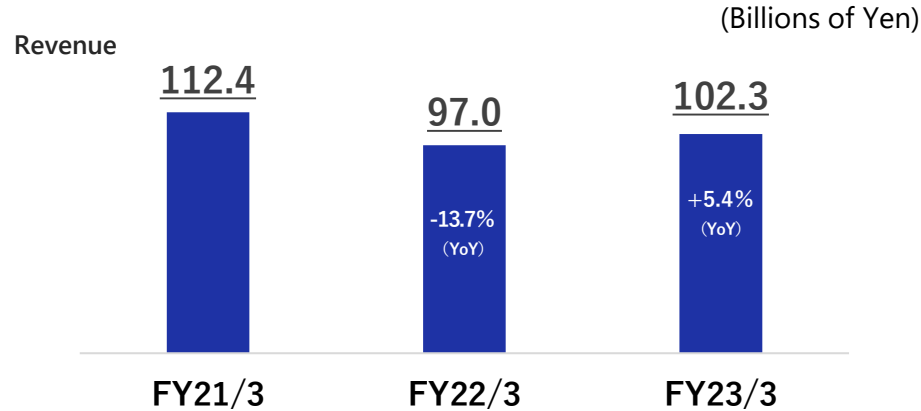
\Orchestrating a brighter world

**NEC**

### III. Financial Results for Q3, FY23/3 (Appendix)



# Public Solutions Business



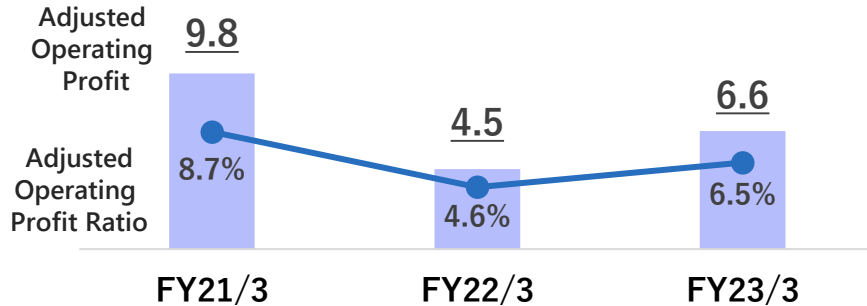
**Revenue 102.3 (+5.4%)**

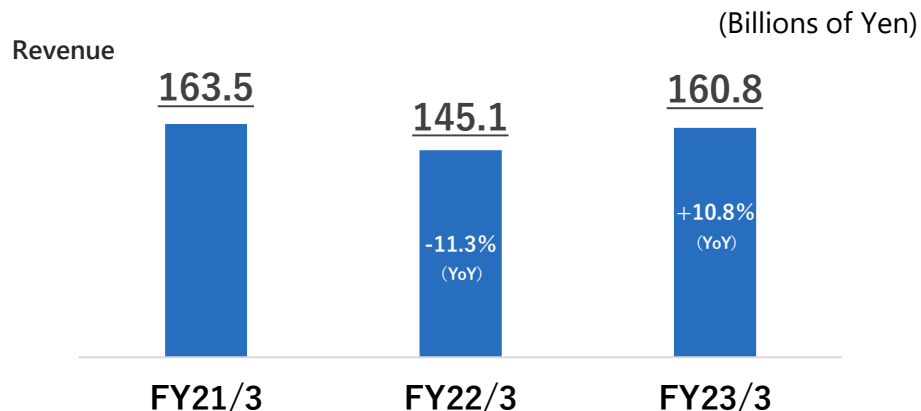
- Increased due to an increase in business for SME\* and public / healthcare

\* Small and Medium-sized Enterprises

**Adjusted Operating Profit 6.6 (+2.1)**

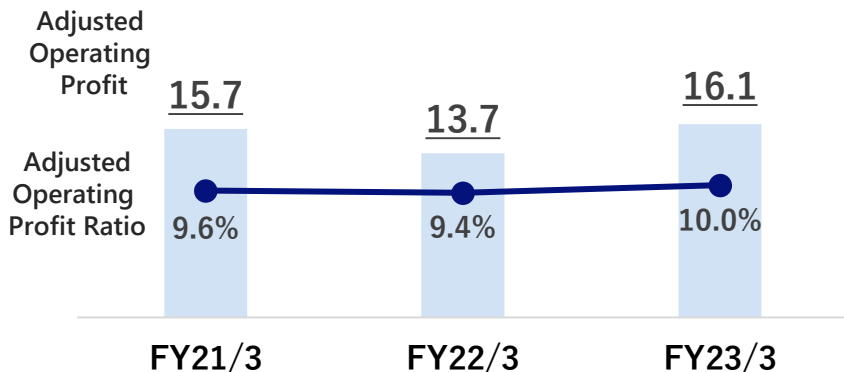
- Increased due to increased revenue





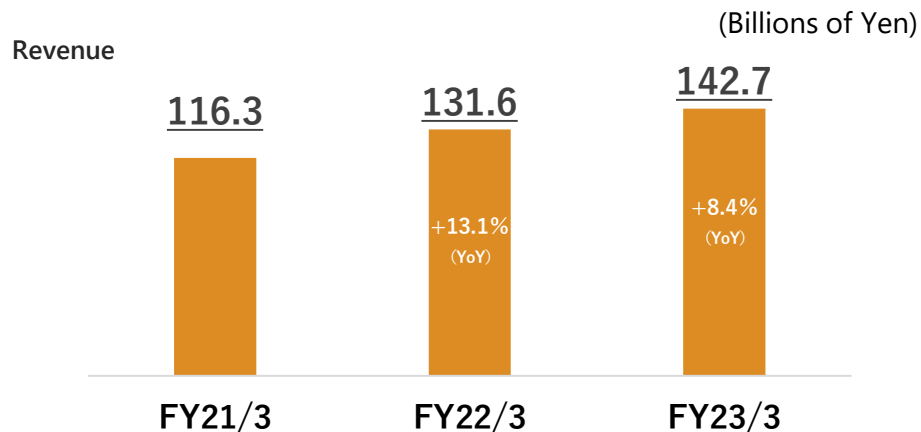
**Revenue 160.8 (+10.8%)**

- Increased in NEC Corporation due to an increase in business for satellite / defense and central government
- Increased in a consolidated subsidiary\*



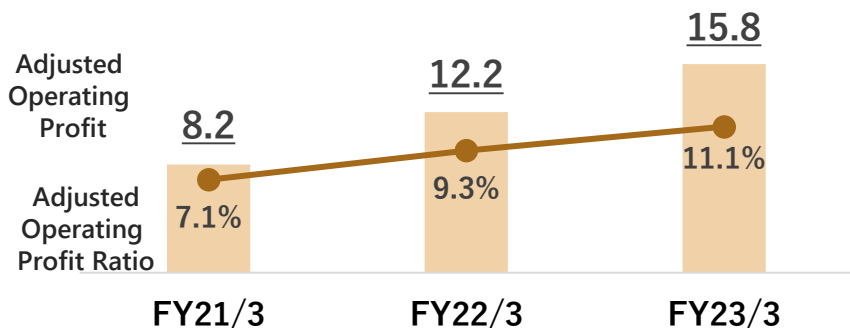
**Adjusted Operating Profit 16.1 (+2.4)**

- Increased due to increased revenue in NEC Corporation
- Increased in a consolidated subsidiary\*



**Revenue 142.7 (+8.4%)**

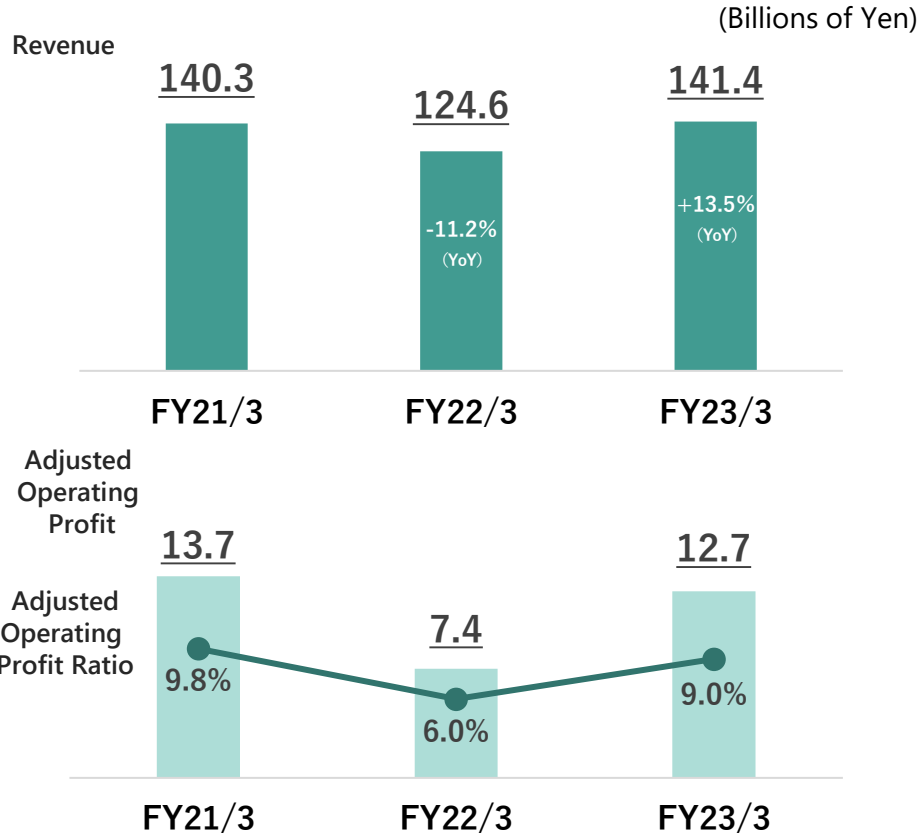
- Increased in business for retail / services and financial domains



**Adjusted Operating Profit 15.8 (+3.6)**

- Increased due to increased revenue

# Network Services Business



## Revenue 141.4 (+13.5%)

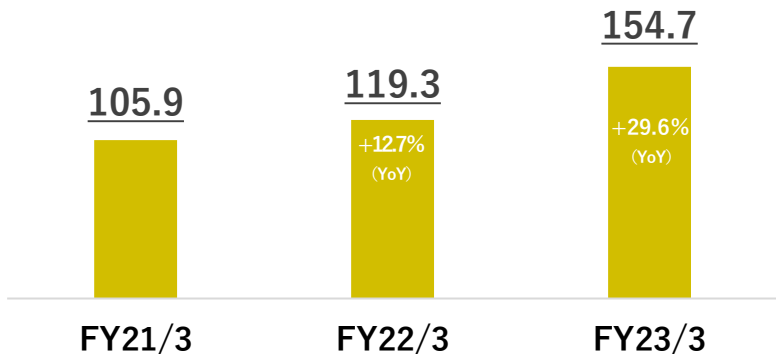
- Increased due to the expansion of global 5G business and intellectual property income
- Same level as previous year in a consolidated subsidiary\*

## Adjusted Operating Profit 12.7 (+5.3)

- Increased due to increased revenue and intellectual property income despite one-time costs by streamlining assets
- Increased in a consolidated subsidiary\*

\*NEC Networks & System Integration Corporation (NESIC)

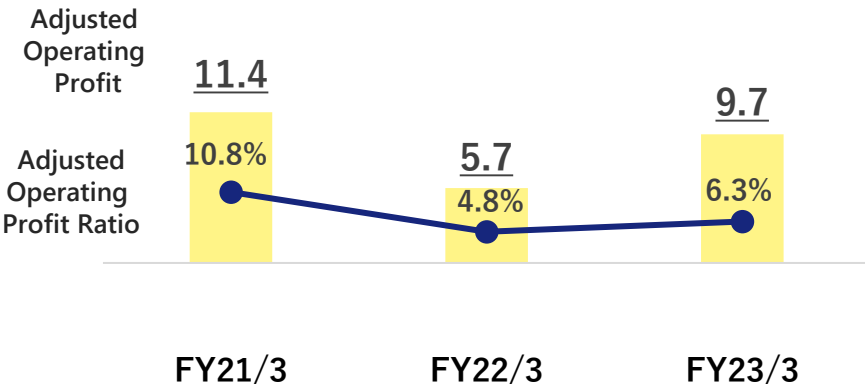
Revenue (Billions of Yen)



**Revenue 154.7 (+29.6%)**

- Increased in business for Service Provider Solutions, Submarine systems and DG/DF\*

\* Digital Government / Digital Finance



**Adjusted Operating Profit 9.7 (+4.1)**

- Increased due to increased revenue

# IV Financial Results for 9 months, FY23/3 (Appendix)

# Adjusted Operating Profit/Loss and Adjusted Items, etc.

(Billions of Yen)

	FY21/3				FY22/3				FY23/3				YoY			
	Q1	Q2	Q3	9 months	Q1	Q2	Q3	9 months	Q1	Q2	Q3	9 months	Q1	Q2	Q3	9 months
<b>Operating Profit/Loss</b>	-10.3	30.2	62.4	82.4	1.1	22.1	24.1	47.3	-15.3	29.2	43.2	57.1	-16.5	+7.1	+19.2	+9.8
<b>Adjusted Items</b>	4.5	4.6	5.6	14.6	9.3	9.6	9.8	28.7	8.4	9.0	9.0	26.3	-1.0	-0.6	-0.8	-2.4
Amortization of intangible assets through acquisition	4.5	4.6	4.7	13.7	9.3	9.5	9.5	28.3	8.1	8.5	8.8	25.3				
M&A related expenses	0.0	0.0	0.9	0.9	0.0	0.1	0.2	0.4	0.3	0.5	0.2	1.0				
<b>Adjusted Operating Profit/Loss (Non-GAAP)</b>	-5.8	34.8	68.0	97.0	10.5	31.7	33.8	76.0	-7.0	38.2	52.2	83.4	-17.4	+6.5	+18.4	+7.5

# NEC Order Quarterly Trends (Including Hardware)

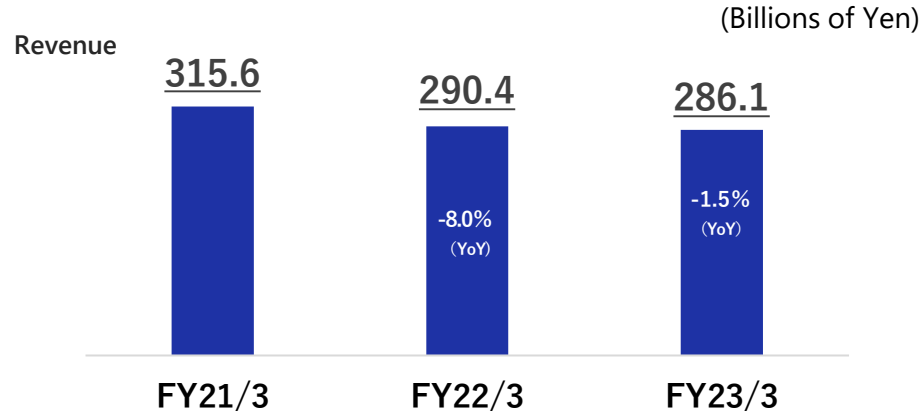
(YoY)

	FY22/3				FY23/3			
	Q1	Q2	Q3	Q3	Q1	Q2	Q3	
Public Solutions	-2%	-4%	-3%	+9%	+15%	+13%	+16%	
Public Infrastructure <small>*Excluding JAE</small>	+1%	-12%	-30%	-3%	+16%	-10%	+25%	Q2: +17%, excluding large satellite project in Q2, FY22/3
Enterprise <small>*Excluding NEC Facilities Ltd.</small>	+10%	+2%	+10%	+5%	+17%	+12%	+5%	
Network Services	+19%	-5%	-12%	-3%	-11%	+10%	+22%	
Global	-47%	-7%	+94%	+8%	+106%	+16%	-2%	Q3: +3%, excluding Submarine systems and Display business*
Total	-2%	-5%	+6%	+4%	+23%	+15%	+12%	Q3: +11%, excluding Submarine systems and Display business*

\*Unconsolidated from November 2020



# Public Solutions Business

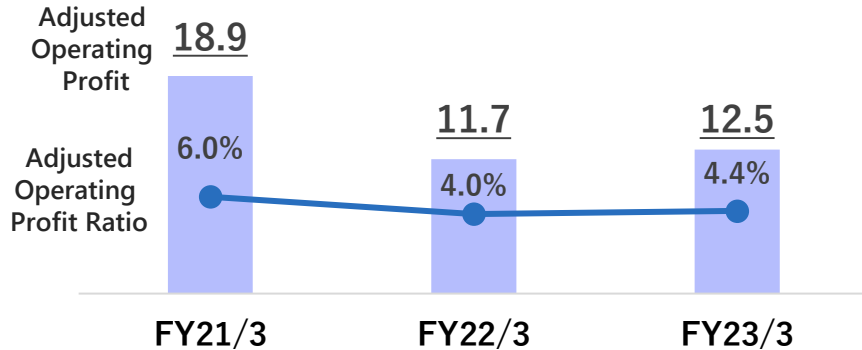


**Revenue 286.1 (-1.5%)**

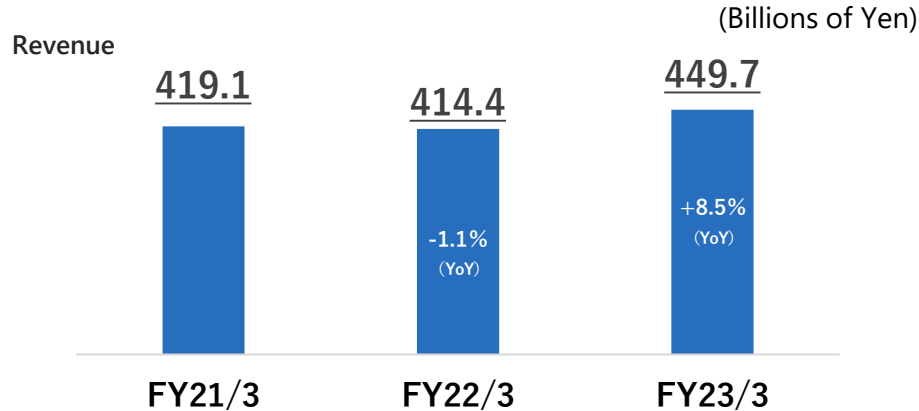
- Decreased in business for urban infrastructure due to reversal impact from large projects in FY22/3 despite an increase in public / healthcare and SME

**Adjusted Operating Profit 12.5 (+0.9)**

- Increased due to cost reduction despite decreased revenue

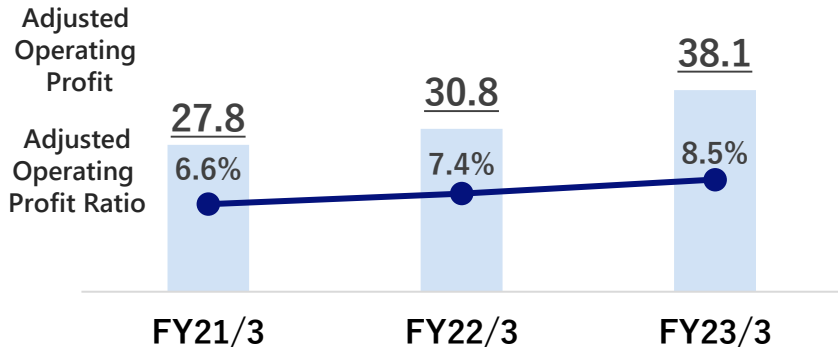


# Public Infrastructure Business



**Revenue 449.7 (+8.5%)**

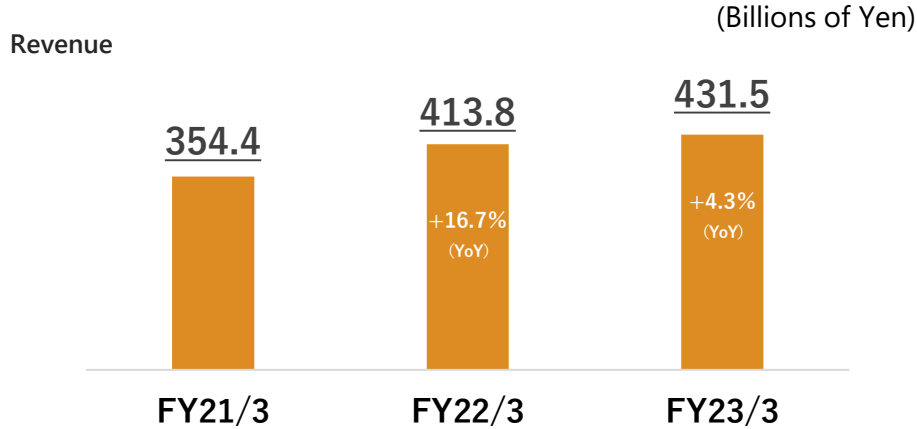
- Increased in NEC Corporation due to an increase in satellite / defense business
- Increased in a consolidated subsidiary\*



**Adjusted Operating Profit 38.1 (+7.3)**

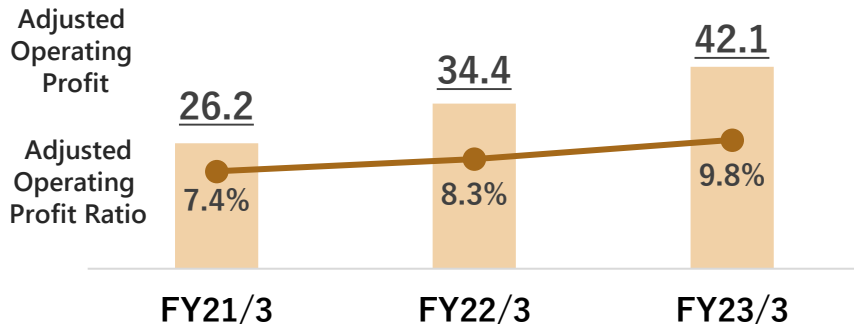
- Increased due to increased revenue in NEC Corporation and improvement of unprofitable projects
- Increased in a consolidated subsidiary\*

# Enterprise Business



**Revenue 431.5 (+4.3%)**

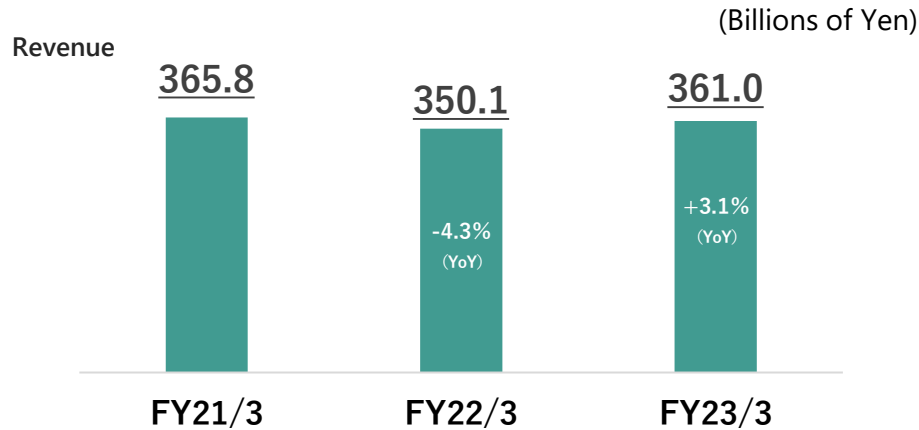
- Increased due to an increase in business for manufacturing and retail / services



**Adjusted Operating Profit 42.1 (+7.7)**

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

# Network Services Business



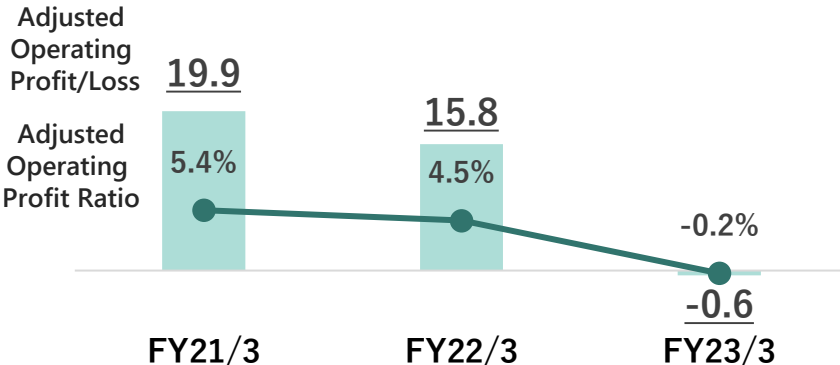
**Revenue 361.0 (+3.1%)**

- Increased due to the expansion of global 5G business and intellectual property income
- Slightly increased YoY in a consolidated subsidiary\*

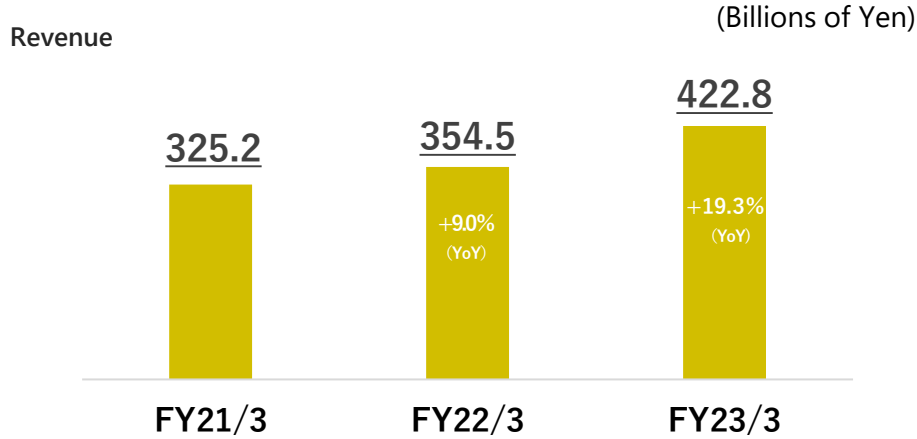
**Adjusted Operating Profit/Loss -0.6 (-16.4)**

- Decreased due to an increase in strategic expenses for global 5G deployment and the one-time costs for streamlining assets and booking a strategic project despite increased revenue
- Decreased in a consolidated subsidiary\*

\*NEC Networks & System Integration Corporation (NESIC)  
Orchestrating a brighter world



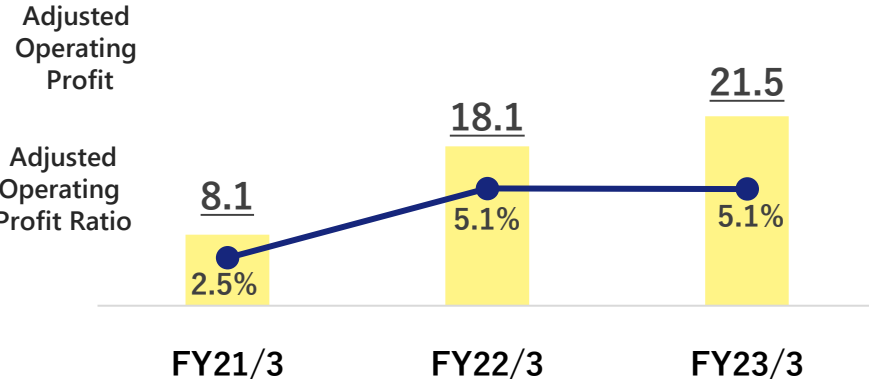
# Global Business



## Revenue 422.8 (+19.3%)

- Increased due to an increase in business for Service Provider Solutions, DG/DF and submarine systems

\* Digital Government / Digital Finance

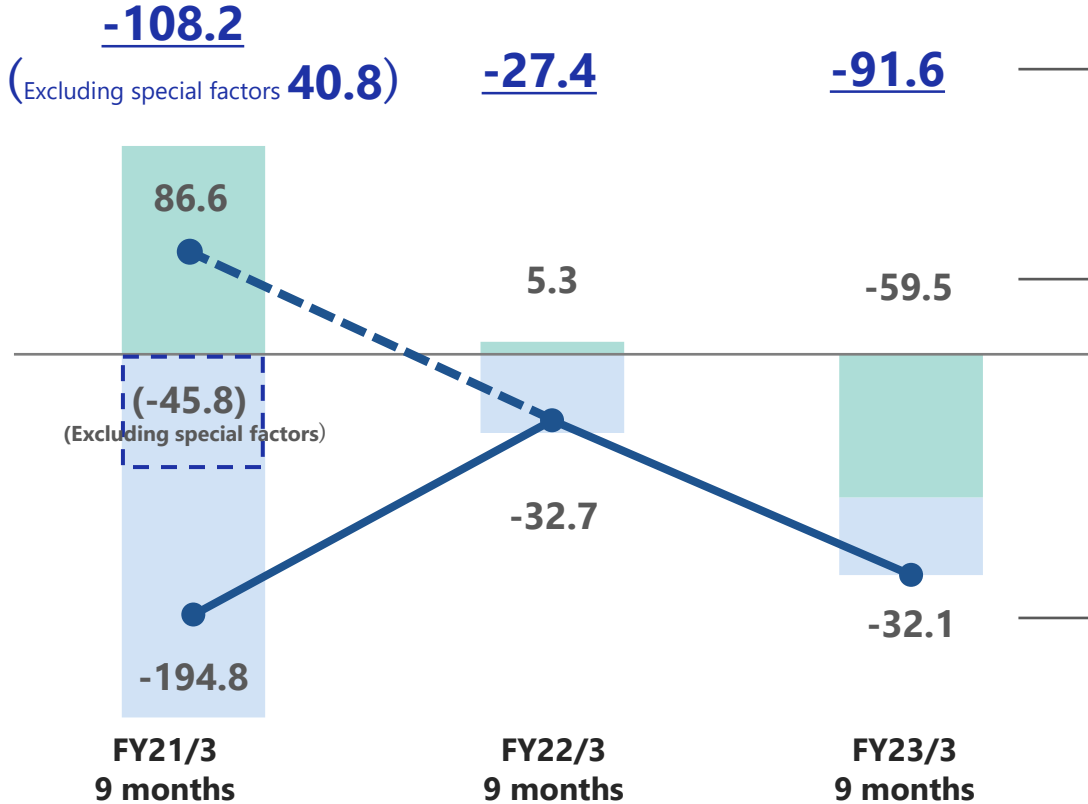


## Adjusted Operating Profit 21.5 (+3.4)

- Increased due to increased revenue

# Free Cash Flows

(Billions of Yen)



**Free cash flows**

YoY **-64.2**

**Cash flow from operating activities**

YoY **-64.8**

- Increase in adjusted operating profit +7.5
- Increase in working capital balance and changes in receivables and payables, etc. approx. -57.0

**Cash flow from investing activities**

YoY **+0.6**

# Financial Position Data

Q3 Results

(Billions of Yen)

	End of March 2022	End of December 2022	Change from end of March 2022
<b>Total assets</b>	<b>3,761.7</b>	<b>3,889.2</b>	<b>+ 127.5</b>
<b>Total equity</b>	<b>1,786.6</b>	<b>1,798.9</b>	<b>+ 12.2</b>
<b>Interest-bearing debt</b>	<b>597.4</b>	<b>764.7</b>	<b>+ 167.3</b>
<b>Equity attributable to owners of the parent</b>	<b>1,513.5</b>	<b>1,518.5</b>	<b>+ 5.0</b>
Ratio of equity attributable to owners of the parent (%)	40.2%	39.0%	- 1.2pt
<b>D/E ratio (times)</b>	<b>0.39</b>	<b>0.50</b>	<b>- 0.11pt</b>
<b>Net D/E ratio (times)</b>	<b>0.11</b>	<b>0.24</b>	<b>- 0.13pt</b>
<b>Cash and cash equivalents</b>	<b>430.8</b>	<b>405.6</b>	<b>- 25.1</b>

# 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.