

Financial Results for Q1 Fiscal Year Ending March 31, 2024

July 28, 2023

NEC Corporation

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

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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 19, 2023 announcement, "NEC Revises Segments", NEC has revised its operating segments from Q1, FY24/3. Figures for the corresponding period of FY22/3 or FY23/3 have been restated to conform with the new segments.

I. Financial Results for Q1, FY24/3

Summary of Financial Results Q1, FY24/3

Both Revenue and Profit increased. Good progress for FY24/3 Annual Forecasts

(Billions of Yen)	Q1		YoY
	FY23/3 Results	FY24/3 Results	
Revenue	659.7	706.5	+7.1%
Adjusted Operating Profit	-7.0	0.5	+7.4
% of Revenue	-1.1%	0.1%	+1.1%
Non-GAAP Operating Profit*	-13.2	0.6	+13.8
% of Revenue	-2.0%	0.1%	+2.1%
Non-GAAP Net Profit*	-12.6	-1.3	+11.3
% of Revenue	-1.9%	-0.2%	+1.7%
EBITDA**	22.1	38.0	+15.9
% of Revenue	3.3%	5.4%	+2.0%

Average Exchange Rates: 1 US dollar 134.92 Yen, 1 Euro 146.22 Yen

* Non-GAAP adjustment items are shown on page 23 and 24

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

Financial Results Q1, FY24/3 (By Segment)

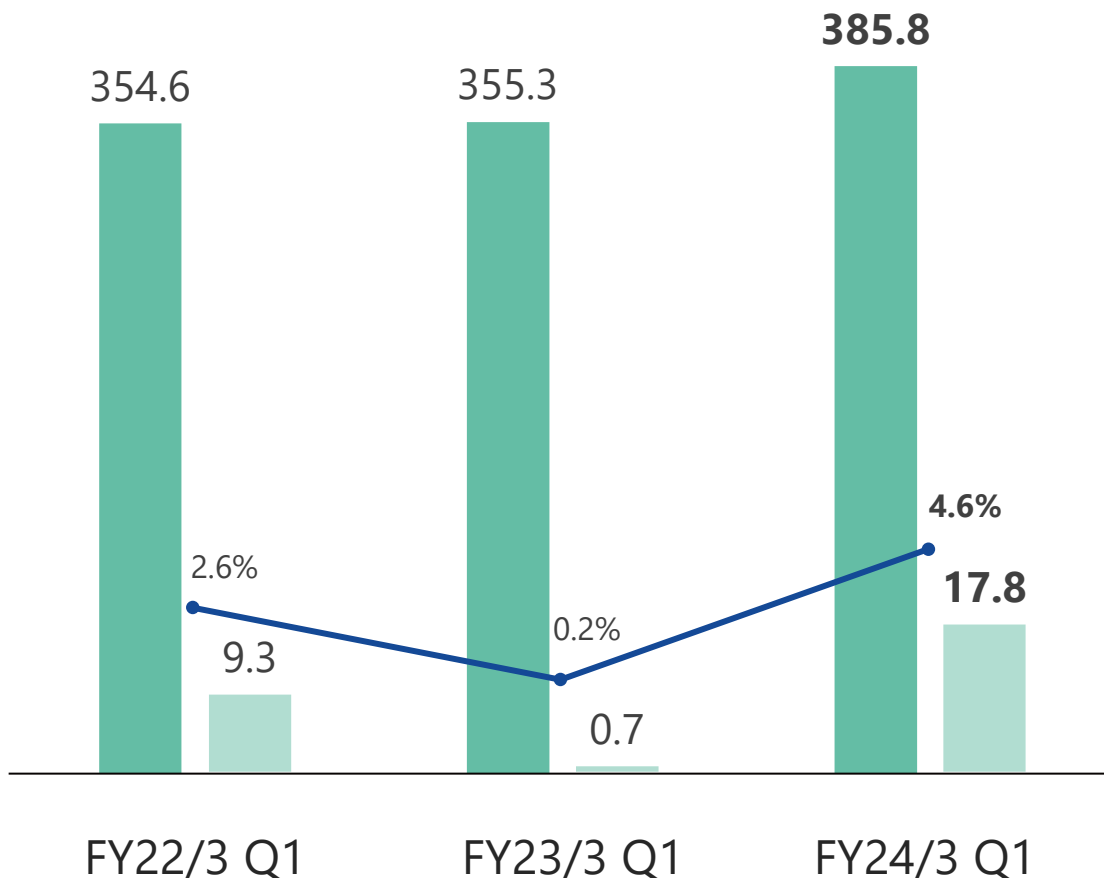
(Billions of Yen)		Q1		
		FY23/3 Results	FY24/3 Results	YoY
IT Services	Revenue	355.3	385.8	+8.6%
	Adjusted Operating Profit	0.7	17.8	+17.1
	% of Revenue	0.2%	4.6%	+4.4%
Social Infrastructure	Revenue	197.4	215.0	+8.9%
	Adjusted Operating Profit	-5.2	-2.1	+3.1
	% of Revenue	-2.6%	-1.0%	+1.7%
Others	Revenue	107.0	105.7	-1.2%
	Adjusted Operating Profit	2.9	0.3	-2.6
	% of Revenue	2.7%	0.3%	-2.4%
Adjustments	Adjusted Operating Profit	-5.3	-15.6	-10.3
Total	Revenue	659.7	706.5	+7.1%
	Adjusted Operating Profit	-7.0	0.5	+7.4
	% of Revenue	-1.1%	0.1%	+1.1%
	Non-GAAP Adjustments	-6.2	0.1	+6.3
	Non-GAAP Operating Profit	-13.2	0.6	+13.8
	% of Revenue	-2.0%	0.1%	+2.1%

* Breakdown of each segment is shown on page 21

IT Services

Revenue and Adjusted Operating Profit

■ Revenue ■ Adj. OP ● Adj. OP Margin (Billions of Yen)



- Revenue increased steadily for the enterprise and the government / public sector
- Adj. OP increased due to increased revenue and improvement of profitability in system integration

<Ref.>

(Billions of Yen)		FY23/3 Results	Q1 FY24/3 Results	YoY
Domestic IT	Revenue	287.5	320.3	+11.4%
	Adj. OP	-0.1	16.8	+16.9
	% of Revenue	-0.0%	5.3%	+5.3%
International (DGDF*)	Revenue	67.8	65.5	-3.3%
	Adj. OP	0.7	1.0	+0.2
	% of Revenue	1.1%	1.5%	+0.4%

* Digital Government Digital Finance

IT Services Booking Status (YoY)

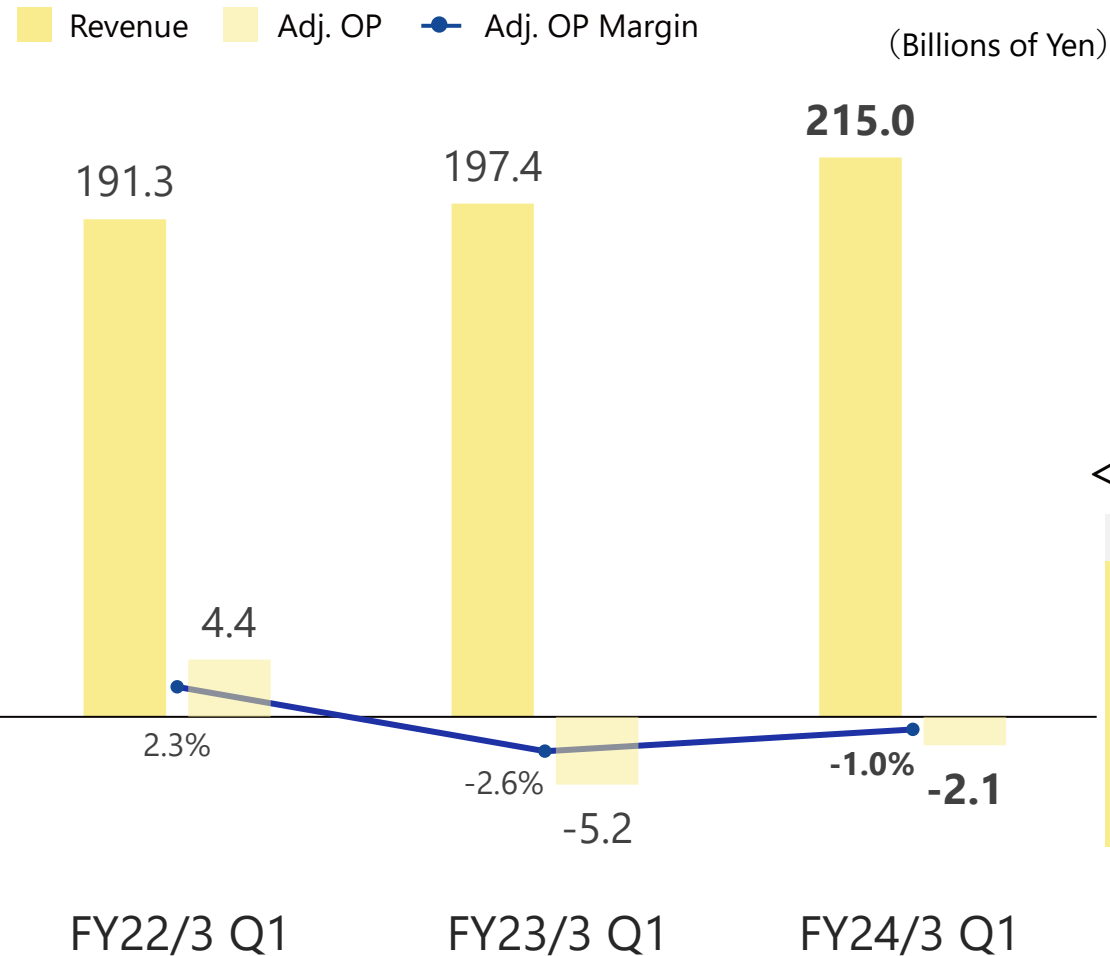
Enterprise and Public sectors remain strong with brisk demand

	Q1 Portion	YoY	Notes
IT Services	100%	+3%	
Domestic	87%	+2%	
Public	27%	+6%	Favorable for government
Enterprise*	33%	+16%	
Finance		+37%	Increased significantly due to recording large projects
Manufacturing		-1%	Favorable
Retail / Services		+9%	Pipeline increased
Others	27%	-14%	Weak prior to renewal of fire-fighting/disaster prevention systems
International (DGDF)	13%	+8%	Driven by NEC Software Solutions UK

*Excluding NEC Facilities Ltd.

Social Infrastructure

Revenue and Adjusted Operating Profit



- Revenue increased due to increase in international businesses mainly for submarine systems and OSS/BSS in Telecom Services
- Adj. OP increased due to increased revenue

<Ref.>

(Billions of Yen)		FY23/3 Results	Q1 FY24/3 Results	YoY
Telecom Services	Revenue	153.2	171.5	+11.9%
	Adj. OP	-5.4	-3.2	+2.2
	% of Revenue	-3.5%	-1.9%	+1.7%
ANS *	Revenue	44.2	43.5	-1.5%
	Adj. OP	0.2	1.1	+0.9
	% of Revenue	0.5%	2.6%	+2.2%

*Aerospace and National Security

II. Financial Forecasts for FY24/3

FY24/3 Financial Forecasts

No changes to FY24/3 forecasts from April 28, 2023

(Billions of Yen)	FY23/3 Results	FY24/3 Forecasts	YoY	Change from previous forecasts (Apr.28)
Revenue	3,313.0	3,380.0	+2.0%	±0.0%
Operating Profit	205.5	220.0	+14.5	±0.0
% of revenue	6.2%	6.5%	+0.3%	±0.0%
Non-GAAP Operating Profit	197.0	220.0	+23.0	±0.0
% of revenue	5.9%	6.5%	+0.6%	±0.0%
Non-GAAP Net Profit	132.8	140.0	+7.2	±0.0
% of revenue	4.0%	4.1%	+0.1%	±0.0%
Non-GAAP EPS (Yen)	492	526	+34	±0
EBITDA*	347.8	360.0	+12.2	±0.0
% of revenue	10.5%	10.7%	+0.2%	±0.0%
Free Cash Flow	102.5	150.0	+47.5	±0.0
Note:	USD / JPY	134.19	130.00	
Average Exchange Rates (Yen)	EUR / JPY	139.90	135.00	
Dividend per Share (Yen)	110	120	+10	±0

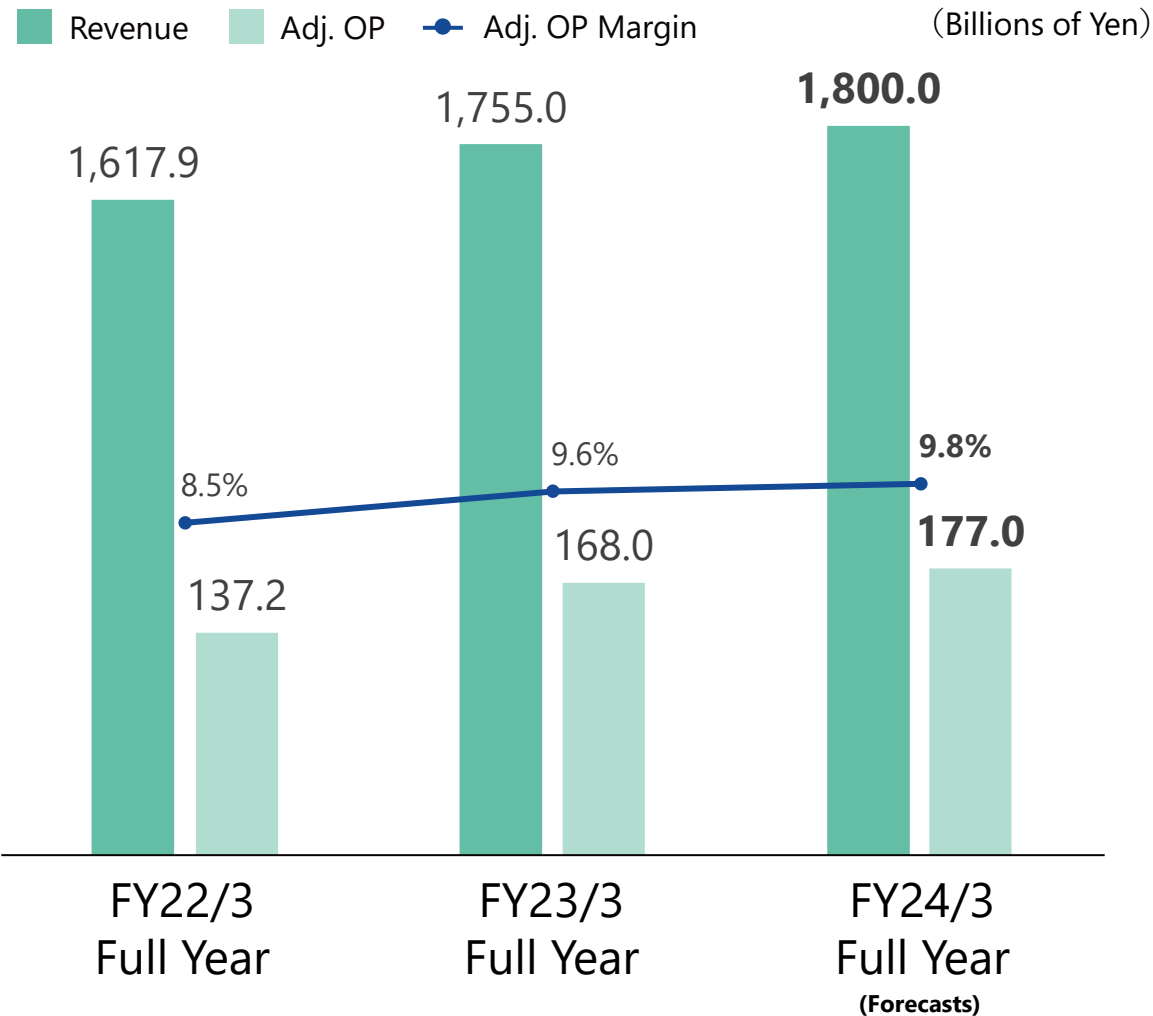
*EBITDA = Gross Profit – SG&A + Depreciation and amortization

FY24/3 Financial Forecasts by Segment

(Billions of Yen)		FY23/3 Results	Full Year FY24/3 Forecasts	YoY
IT Services	Revenue	1,755.0	1,800.0	+2.6%
	Adjusted Operating Profit	168.0	177.0	+9.0
	% of revenue	9.6%	9.8%	+0.3%
Social Infrastructure	Revenue	1,062.2	1,085.0	+2.1%
	Adjusted Operating Profit	73.8	95.0	+21.2
	% of revenue	6.9%	8.8%	+1.8%
Others	Revenue	495.8	495.0	-0.2%
	Adjusted Operating Profit	23.8	27.0	+3.2
	% of revenue	4.8%	5.5%	+0.6%
Adjustment	Adjusted Operating Profit	-60.1	-79.0	- 18.9
Total	Revenue	3,313.0	3,380.0	+2.0%
	Adjusted Operating Profit	205.5	220.0	+14.5
	% of revenue	6.2%	6.5%	+0.3%
	Non-GAAP Adjustment Items	8.5	-	- 8.5
	Non-GAAP Operating Profit	197.0	220.0	+23.0
	% of revenue	5.9%	6.5%	+0.6%

IT Services

Revenue and Adjusted Operating Profit



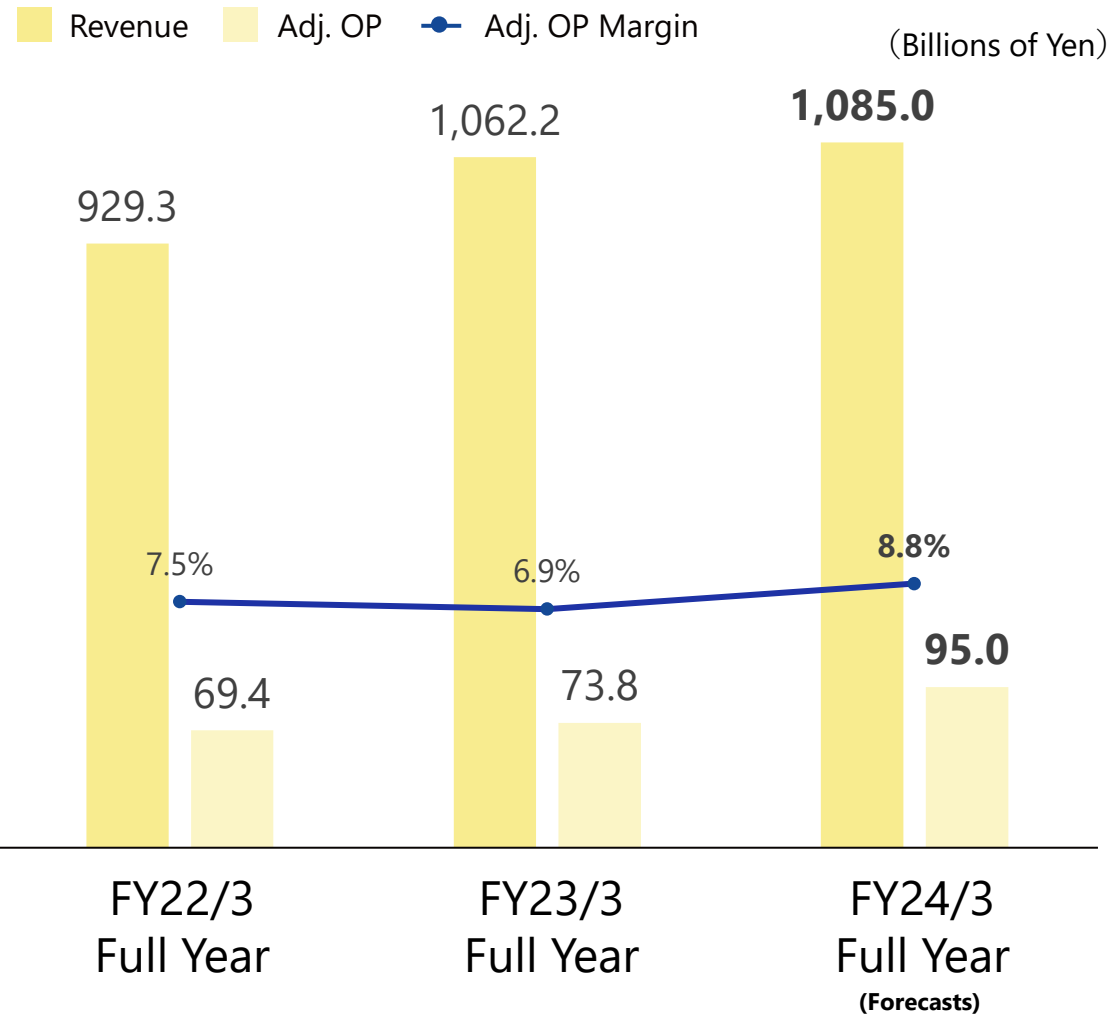
Revenue **YoY**
1,800.0 **+2.6 %**

Adjusted Operating Profit **YoY**
177.0 **+9.0**

- Revenue expected to increase in anticipation of strong domestic demand mainly in private sector
- Adj. OP increase due to an increase in domestic revenue and profitability improvement of DGDF business

Social Infrastructure

Revenue and Adjusted Operating Profit



Revenue **YoY**
1,085.0 **+2.1 %**

Adjusted Operating Profit **YoY**
95.0 **+21.2**

- Revenue expected to increase both in Telecom Services and ANS
- Adj. OP to increase significantly due to reversal effect from one-off expenses in Telecom-Services in FY23/3

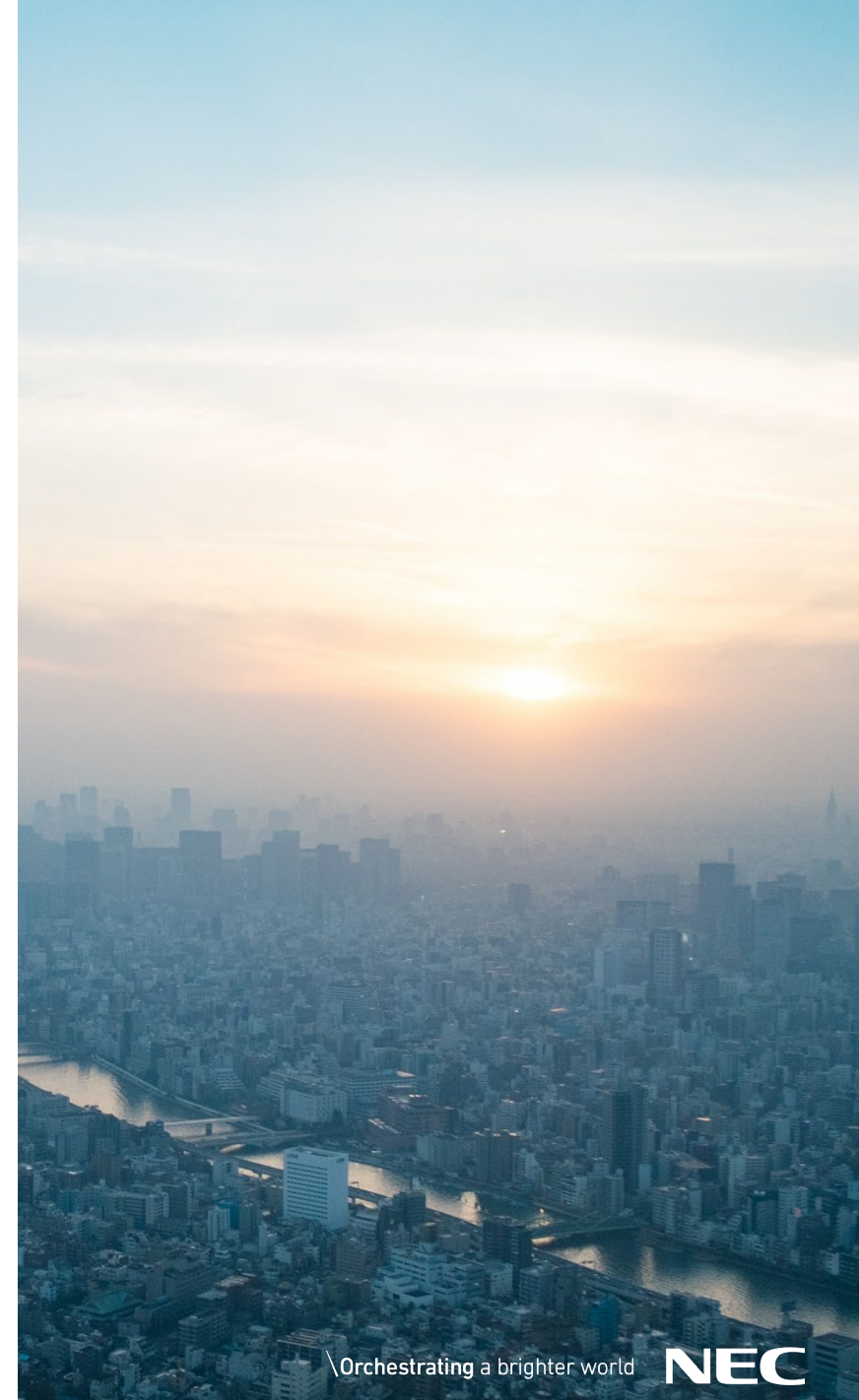
III. Topics

Commenced development and provision of generative AI for the Japanese market

- Developed lightweight LLM* whose performance is the world-class in the Japanese language
- Providing dedicated hardware, software and consulting services
- Launched a partnership program that supports approximately 10 companies and universities for the utilization of LLM
- Established a specialized organization consisting of professionals

Received more than 100 inquiries following the announcement on the 6th of July, 2023

Aiming to expand to new markets securing superior position in the Generative AI market



Offering Integrated Solutions for Wealth Managers and Private Banks

- Offers an integrated service consisting of Avaloq's core banking system and Blackrock's wealth management solution
- Strengthens market competitiveness and expands business through approaches that include cross-selling to a wide range of customers
- BlackRock takes a stake in Avaloq as part of the strategic partnership



| Enhancing Management Infrastructure

Renovated the Core-System as a Flagship model for Reinforcing / Enhancing Management Infrastructure

- Thoroughly standardize and advance management foundations, such as IT, business processes / organizations, systems, data / people, etc., to achieve the Mid-term Management Plan

Introduced the 1st Phase in FY24/3 to achieve more sophisticated business processes / systems

- Introduction of value-based pricing and improvement of operations by accumulating and visualizing information in business processes
- Aim to contribute to increasing profitability



NEC IR Day 2023

NEC Innovation Day 2023

Managements from each business domain explain strategies for achieving the Mid-term Management Plan 2025

- The last week of November

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

- Friday, December 15th

\Orchestrating a brighter world

NEC

IV. Financial Results (Appendix)

Breakdown of IT Services and Social Infrastructure

(Billions of Yen)

		Q1		
		FY22/3 Results	FY23/3 Results	YoY
Domestic	Revenue	287.5	320.3	+11.4%
	Adjusted OP	-0.1	16.8	+16.9
	% of revenue	-0.0%	5.3%	+5.3%
International (DGDF)	Revenue	67.8	65.5	-3.3%
	Adjusted OP	0.7	1.0	+0.2
	% of revenue	1.1%	1.5%	+0.4%
IT Services	Revenue	355.3	385.8	+8.6%
	Adjusted OP	0.7	17.8	+17.1
	% of revenue	0.2%	4.6%	+4.4%

		Q1		
		FY22/3 Results	FY23/3 Results	YoY
Telecom Services	Revenue	153.2	171.5	+11.9%
	Adjusted OP	-5.4	-3.2	+2.2
	% of revenue	-3.5%	-1.9%	+1.7%
ANS	Revenue	44.2	43.5	-1.5%
	Adjusted OP	0.2	1.1	+0.9
	% of revenue	0.5%	2.6%	+2.2%
Social Infrastructure	Revenue	197.4	215.0	+8.9%
	Adjusted OP	-5.2	-2.1	+3.1
	% of revenue	-2.6%	-1.0%	+1.7%

IT Services: Revenue Breakdown

(Billions of Yen)	FY23/3 Results	Q1 FY24/3 Results	YoY	Portion
Public	66.1	73.0	+10.4%	18.9%
Enterprise	140.4	159.3	+13.5%	41.3%
Cross-Industry	20.2	20.7	+2.5%	5.4%
DPF* and others	60.9	67.3	+10.6%	17.4%
Domestic	287.5	320.3	+11.4%	83.0%
International (DGDF)	67.8	65.5	-3.3%	17.0%
IT Services	355.3	385.8	+8.6%	100.0%

* Digital Platform

Non-GAAP Operating Profit Adjustment Items

(Billions of Yen)		Q1		
		FY23/3 Results	FY24/3 Results	YoY
Operating Profit		-15.3	-8.1	+ 7.2
Adjusted Items	M&A Related Amortization of Intangible Assets	8.1	8.5	+ 0.4
	M&A Related Expenses	0.3	0.1	- 0.2
Adjusted Operating Profit		-7.0	0.5	+ 7.4
Adjusted Items	Structural Reform Expenses and Impairment Losses	-	-	±0.0
	Stock Compensation	0.1	0.1	±0.0
	Other One-time Profits/Losses (Gain/Loss on sale of land, businesses, etc.)	-6.4	-	+ 6.4
Non-GAAP Operating Profit		-13.2	0.6	+ 13.8

Non-GAAP Net Profit Adjustment Items

(Billions of Yen)		Q1		
		FY23/3 Q1 Results	FY24/3 Q1 Results	YoY
Net Profit		-13.9	-7.4	+6.5
Adjusted Net Profit				
	M&A Related Amortization of Intangible Assets	5.4	5.9	+0.4
	M&A Related Expenses	0.2	0.1	-0.1
	Structural Reform Expenses and Impairment Losses	-	-	±0.0
	Stock Compensation	0.1	0.1	±0.0
	Other One-time Profits/Losses (Gain/Loss on sale of land, businesses, etc.)	-4.5	-	+4.5
Non-GAAP Net Profit		-12.6	-1.3	+11.3

Financial Position Data

(Billions of Yen)	Q1		
	As of March 31, 2023	As of June 30, 2023	Change from March 31, 2023
Total Assets	3,984.1	4,016.1	+32.0
Total Equity	1,912.7	1,960.6	+47.9
Interest-bearing Debt	608.5	626.5	+18.0
Equity Attributable to Owners of the Parent	1,623.8	1,666.8	+42.9
% of Equity Attributable to Owners of the Parent	40.8%	41.5%	+ 0.7pt
D/E Ratio (times)	0.37	0.38	- 0.01pt
Net D/E Ratio (times)	0.12	0.09	+ 0.03pt
Cash and Cash Equivalents	419.5	477.7	+58.2

V. Historical Data (Appendix)

(Ref.) New Segment Overview

			Main Businesses, Markets, Customers
IT Services	Domestic	Public	Central and Local Government
		Enterprise	Enterprise (Finance, Manufacturing, Retail / Services), NEC Facilities
		Cross-Industry	Fire-fighting / Disaster prevention Systems, Smart City (Transportation, Energy management), and Broadcasting / Media
		DPF* and others	Abeam Consulting, NEC Fielding, and distribution sales
	International (DGDF**)	NEC Software Solutions UK, KMD, Avaloq, and Digital ID abroad business	
Social Infrastructure	Telecom Services	Network Infrastructure (including Global 5G) for Telecom Operators, Submarine Systems, OSS/BSS, and NEC Networks & System Integration Corporation (NESIC)	
	ANS***	Aerospace / Satellite and Defense	
Others		Healthcare and life-related businesses, Japan Aviation Electronics Industry (JAE), and Subsidiaries managed by Corporate	
Adjustments		R&D, Corporate expenses, and other adjustments	

* Digital Platform ** Digital Government Digital Finance *** Aerospace and National Security

Revenue Breakdown

(Billions of Yen)	FY22/3 Results					FY23/3 Results				
	Q1	1H	Q3	2H	Full Year	Q1	1H	Q3	2H	Full Year
Public	71.4	159.9	86.9	230.9	390.7	66.1	157.9	94.9	246.4	404.3
Enterprise	136.8	282.0	131.5	292.3	574.4	140.4	289.0	142.8	325.7	614.7
Cross-Industry	29.1	61.6	29.1	75.9	137.5	20.2	49.7	27.7	78.9	128.6
DPF and Others	57.8	120.6	63.2	142.0	262.5	60.9	139.5	72.8	177.8	317.3
Domestic	295.2	624.1	310.8	741.1	1,365.2	287.5	636.1	338.1	828.8	1,464.9
International (DGDF)	59.4	119.3	64.2	133.4	252.7	67.8	138.4	72.5	151.6	290.1
IT Services	354.6	743.3	375.0	874.6	1,617.9	355.3	774.5	410.6	980.4	1,755.0
Telecom Services	149.4	326.1	174.9	393.7	719.8	153.2	339.7	216.5	477.3	817.0
ANS	41.9	92.4	50.1	117.1	209.5	44.2	103.2	58.5	142.0	245.2
Social Infrastructure	191.3	418.5	225.0	510.8	929.3	197.4	442.9	275.0	619.3	1,062.2
Others	106.0	221.0	113.6	245.9	466.9	107.0	237.9	128.3	257.9	495.8
Total	651.9	1,382.8	713.6	1,631.3	3,014.1	659.7	1,455.4	813.9	1,857.6	3,313.0

Adjusted OP Breakdown

(Billions of Yen)		FY22/3 Results					FY23/3 Results				
		Q1	1H	Q3	2H	Full Year	Q1	1H	Q3	2H	Full Year
Domestic	Adj. OP	6.9	30.8	24.3	90.5	121.2	-0.1	38.7	32.4	110.0	149.6
	% of revenue	2.3%	4.9%	7.8%	12.2%	8.9%	-0.0%	6.1%	9.6%	13.4%	10.2%
DGDF	Adj. OP	2.4	5.7	4.4	10.3	16.0	0.7	3.8	3.0	14.6	18.4
	% of revenue	4.1%	4.7%	6.9%	7.8%	6.3%	1.1%	2.7%	4.1%	9.6%	6.3%
IT Services	Adj. OP	9.3	36.4	28.7	100.8	137.2	0.7	42.4	35.4	125.6	168.0
	% of revenue	2.6%	4.9%	7.6%	11.5%	8.5%	0.2%	5.5%	8.6%	12.8%	9.6%
Telecom Services	Adj. OP	3.3	18.2	10.0	33.2	51.3	-5.4	-5.1	19.7	53.3	48.2
	% of revenue	2.2%	5.6%	5.7%	8.4%	7.1%	-3.5%	-1.5%	9.1%	11.2%	5.9%
ANS	Adj. OP	1.1	5.8	3.2	12.3	18.1	0.2	7.8	4.5	17.8	25.6
	% of revenue	2.6%	6.3%	6.3%	10.5%	8.6%	0.5%	7.5%	7.7%	12.5%	10.4%
Social Infrastructure	Adj. OP	4.4	24.0	13.2	45.4	69.4	-5.2	2.7	24.2	71.1	73.8
	% of revenue	2.3%	5.7%	5.9%	8.9%	7.5%	-2.6%	0.6%	8.8%	11.5%	6.9%
Others	Adj. OP	0.2	5.1	5.6	16.4	21.5	2.9	11.2	5.0	12.6	23.8
	% of revenue	0.2%	2.3%	5.0%	6.7%	4.6%	2.7%	4.7%	3.9%	4.9%	4.8%
Adjustment	Adj. OP	-3.5	-23.4	-13.7	-33.7	-57.2	-5.3	-25.1	-12.3	-35.0	-60.1
Total	Adj. OP	10.5	42.1	33.8	128.9	171.0	-7.0	31.2	52.2	174.3	205.5
	% of revenue	1.6%	3.0%	4.7%	7.9%	5.7%	-1.1%	2.1%	6.4%	9.4%	6.2%

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, 2023, and 2024 were referred to as FY22/3, FY23/3, and FY24/3 respectively. Any other fiscal years would be referred to similarly.