\Orchestrating a brighter world NEC

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Progress of Mid-Term Management Plan 2025 and Financial Strategy

November 30, 2023

Corporate Executive Vice President and CFO (Representative Executive Officer),
Member of the Board
Osamu Fujikawa

1. Progress of Mid-Term Management Plan 2025

Overview

Progress up to FY23/3

Steady progress for the first two years of the 2025 Mid-term Management Plan

- Growth of domestic IT services business stronger than initially expected
- Slower business progress in global 5G business due to delay of international open RAN market start up. Structural reform underway

Updates on 2025 Mid-term Management Plan

Corporate target unchanged

Updates on business plans according to various changes in business environments

- Further growth expected in domestic IT services business, capturing brisk demand
- Accelerating shift to software sectors and high value-added solutions in Telecom Services
  - Review of the global 5G strategy, immediate profitability improvement
- Incorporating national security business growth based on defense budget increase by the Japanese government

Summary of Financial Forecast

(Billions of Yen)	FY21/3 Actual	FY22/3 Actual	FY23/3 Actual	FY24/3 11/30 Forecast	FY26/3 Target	Change on original forecast
Revenue	2,994.0	3,014.1	3,313.0	3,380.0	3,500.0	±0
Adjusted Operating Profit	178.2	171.0	205.5	220.0	300.0	±0
% of revenue	6.0%	5.7%	6.2%	6.5%	8.6%	±0%
Non-GAAP Operating Profit	150.9	160.3	197.0	220.0	300.0	
% of revenue	5.0%	5.3%	5.9%	6.5%	8.6%	
Adjusted Net Profit	165.4	167.2	138.6	140.0	185.0	±0
% of revenue	5.5%	5.5%	4.2%	4.1%	5.3%	±0%
Non-GAAP Net Profit	144.6	159.5	132.8	140.0	185.0	
% of revenue	4.8%	5.3%	4.0%	4.1%	5.3%	
EBITDA*	295.8	304.0	347.8	360.0	450.0	±0
% of revenue	9.9%	10.1%	10.5%	10.7%	12.9%	±0%
ROIC**	4.7%	3.9%	4.7%	5.1%	6.5%	±0%

* EBITDA = Gross Profit – SG&A + Depreciation and amortization ** ROIC＝(Unadjusted operating income - Deemed corporate tax <30.5%>) ÷ (Term-end interest-bearing debt + Term-end net assets <Including minority interest>)

Financial Forecast (By Segment)

(Billions of Yen)		FY22/3 Actual	FY23/3 Actual	FY24/3 11/30 Forecast	FY26/3 Target
IT Services	Revenue	1,617.9	1,755.0	1,800.0	2,000.0
	Adjusted Operating Profit	137.2	168.0	177.0	240.0
	% of revenue	8.5%	9.6%	9.8%	12.0%
Social Infrastructure	Revenue	929.3	1,062.2	1,085.0	1,250.0
	Adjusted Operating Profit	69.4	73.8	95.0	154.0
	% of revenue	7.5%	6.9%	8.8%	12.3%
Others and Adjustments	Revenue	466.9	495.8	495.0	495.0
	Adjusted Operating Profit	-35.7	-36.3	-52.0	-52.0
Gap*	Revenue	-	-	-	-245.0
	Adjusted Operating Profit	-	-	-	-42.0
Total	Revenue	3,014.1	3,313.0	3,380.0	3,500.0
	Adjusted Operating Profit	171.0	205.5	220.0	300.0
	% of revenue	5.7%	6.2%	6.5%	8.6%

*Gap : Total – IT Services – Social Infrastructure – Others and Adjustments

Financial Forecast (By Segment, Breakdown)

(Billions of Yen)		FY22/3 Actual	FY23/3 Actual	FY24/4 11/30 Forecast	FY26/3 Target
Domestic	Revenue	1,365.2	1,464.9	1,512.0	1,690.0
	Adjusted Operating Profit	121.2	149.6	157.0	204.0
	% of revenue	8.9%	10.2%	10.4%	12.1%
International (DGDF)	Revenue	252.7	290.1	288.0	310.0
	Adjusted Operating Profit	16.0	18.4	20.0	36.0
	% of revenue	6.3%	6.3%	6.9%	11.6%
IT Services	Revenue	1,617.9	1,755.0	1,800.0	2,000.0
	Adjusted Operating Profit	137.2	168.0	177.0	240.0
	% of revenue	8.5%	9.6%	9.8%	12.0%

		FY22/3 Actual	FY23/3 Actual	FY24/4 11/30 Forecast	FY26/3 Target
Telecom Services	Revenue	719.8	817.0	834.0	900.0
	Adjusted Operating Profit	51.3	48.2	69.0	112.0
	% of revenue	7.1%	5.9%	8.3%	12.4%
Aerospace and National Security	Revenue	209.5	245.2	251.0	350.0
	Adjusted Operating Profit	18.1	25.6	26.0	42.0
	% of revenue	8.6%	10.4%	10.4%	12.0%
Social Infrastructure	Revenue	929.3	1,062.2	1,085.0	1,250.0
	Adjusted Operating Profit	69.4	73.8	95.0	154.0
	% of revenue	7.5%	6.9%	8.8%	12.3%

Growth Businesses

(Billions of Yen)		FY21/3 Actual	FY22/3 Actual	FY23/3 Actual	FY24/3 11/30 Forecast	FY26/3 Target	Change on original forecast
Core DX	Revenue	141.0	180.2	240.1	296.0	570.0	±0
	Adjusted Operating Profit	-5.0	-3.3	3.8	20.0	75.0	±0
	% of revenue	-3.5%	-1.8%	1.6%	6.8%	13.2%	±0%
DGDF	Revenue	193.1	252.7	290.1	288.0	310.0	+10.0
	Adjusted Operating Profit	9.0	16.0	18.4	20.0	36.0	±0
	% of revenue	4.7%	6.3%	6.3%	6.9%	11.6%	-0.4%
Global 5G	Revenue	41.7	67.0	87.2	88.0	127.0	-63.0
	Adjusted Operating Profit	-13.0	-20.6	-31.1	-10.0	16.0	-3.0
	% of revenue	-31.2%	-30.7%	-35.7%	-11.4%	12.6%	+2.6%

Monetizing Technology: Future Growth Business and IP

Commercialize technology promptly and create new growth businesses though open innovation with focus on tackling with social issues

Future Growth Business

- **FY26/3: Expanding efforts to achieve business value of over ¥300 billion in total of future growth businesses**
- **Healthcare and Life Science Businesses**
  - Operating as an independent business entity to pursue future business expansion
  - AI drug discovery: clinical trials towards commercialization
  - Aim to develop new universal vaccines effective against flu and tropical diseases

IP

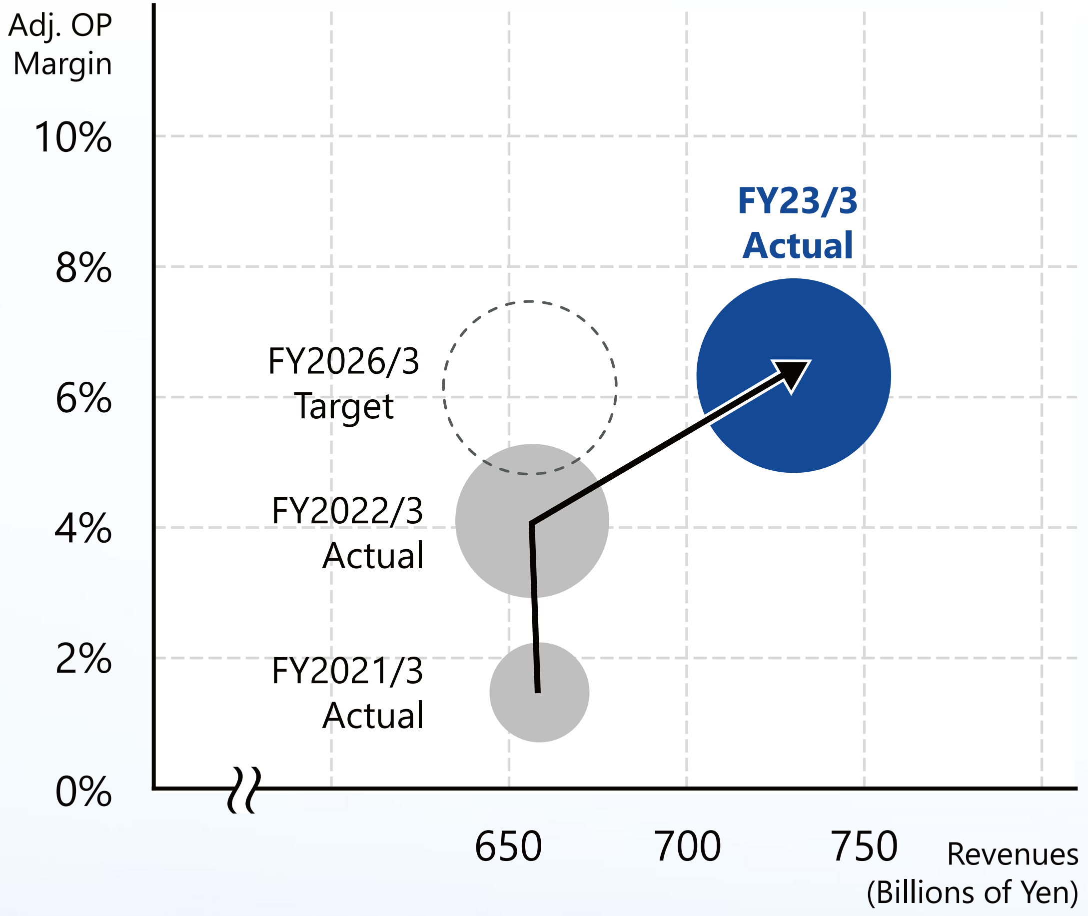
- **Extended application of NEC's networks/AI/DX related IP to various industries**
- **Strengthen efforts towards increasing profits through IP**

Details to be provided at NEC Innovation Day on Dec 15

2. CFO Areas
– Low-profit Businesses, Financial Strategy –

Low-profit Businesses

Adj. OP Margin improved by 2.4% in FY23/3, contributing to approx. half of the improvement of business operation



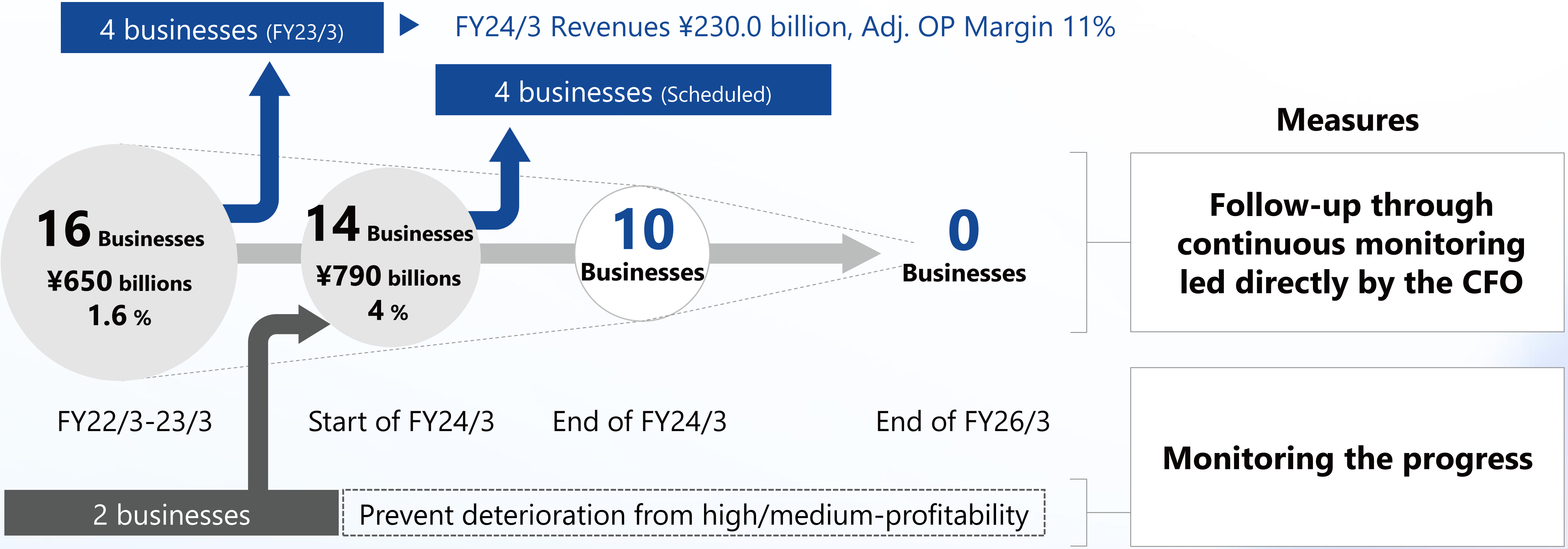
*Size of circles reflect the amount of Adj. OP

Measures to Maximize Corporate Value

- 4 previously low-profit businesses improved profitability in FY23/3 thanks to monitoring led by CFO
- Continue monitoring target businesses with regards to the progress of implementation and its results
- Turnaround of non-core businesses through divestitures, forming JVs, etc.

Low-profit Businesses -continued

- **Since commencing initiatives in FY22/3, 4 previously low-profit businesses improved profitability**
- **However, 2 businesses were added to target businesses due to business environmental changes**
- **Continue initiatives to shift to high/medium-profit businesses by the end of FY26/3**

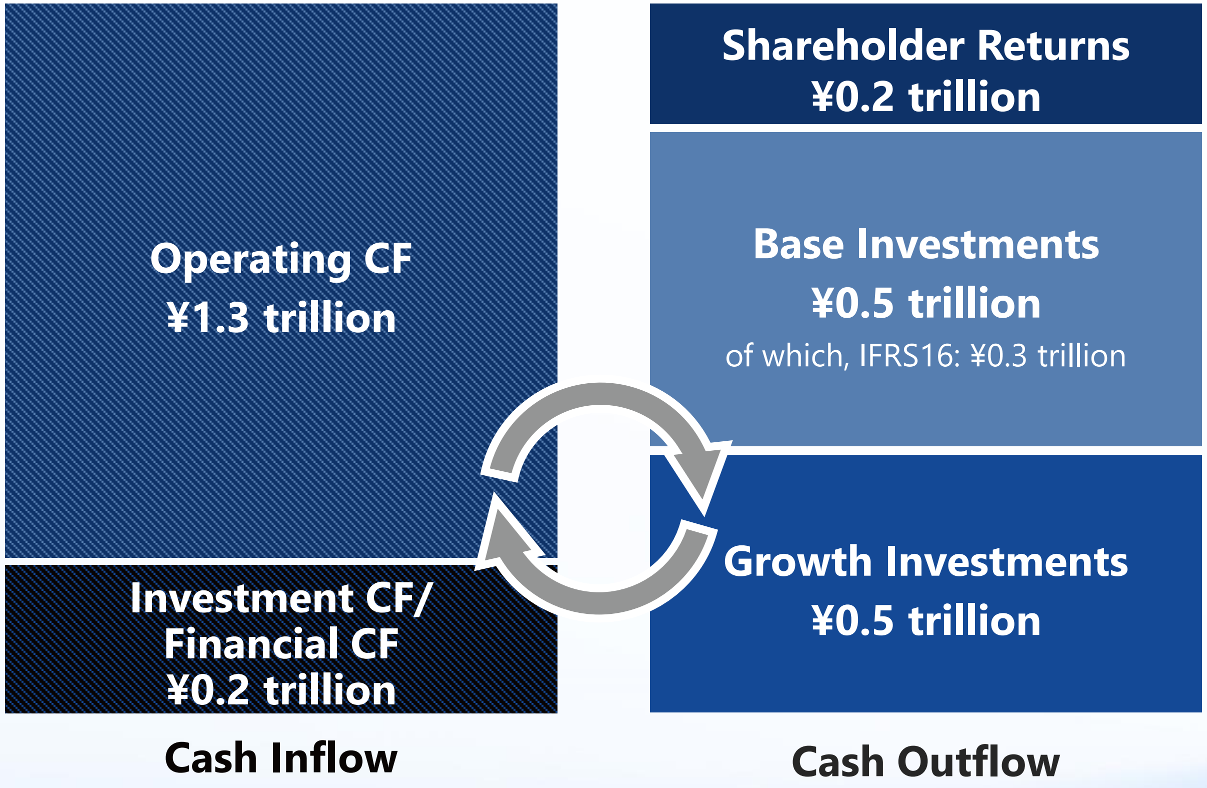


Figures in circles refer to # of target businesses monitored by CFO, total Revenues and Adj. OP Margin of target businesses

Financial Strategy (Capital Allocation)

- **Maintaining stable dividends while securing sound financial conditions**
- **Cash will be used for active investments in growth areas**

FY22/3-FY26/3 Total



Financial Strategy (Cash Inflow)

FY22/3-FY26/3 Total

Operating CF
¥1.3 trillion

Investment CF/ Financial CF
¥0.2 trillion

Cash Inflow

Sustained EBITDA Growth (CAGR +9%)

- ☑ **FY23/3 result exceeded the initial mid-term management plan**
- ☐ Steady progress to achieve the target of ¥450 billion in FY26/3

Minimize CCC along with growth

- ☑ **Not changed due to component shortage and an increase in long-term/large projects**
- ☐ Aim to minimize CCC days through various measures and monitoring both inventories and accounts receivables/payables

Optimization of portfolio assets including sale of cross shareholdings

- ☑ **Reduced close-shareholdings (listed shares) significantly by 70% and achieved cumulative sales proceeds of approx. ¥140 billion from April 2020**

Financial Strategy (Cash Outflow)

FY22/3-FY26/3 Total

Cash Outflow
Shareholder Returns ¥0.2 trillion
Base Investments ¥0.5 trillion of which, IFRS16: ¥0.3 trillion
Growth Investments ¥0.5 trillion

Cash Outflow

Continue stable and long-term dividends

- [x] **Increase annual dividends: ¥90 (FY2021/3) to ¥120 (FY24/3) (forecast)**
- [ ] Plan to continue shareholder returns that reflect profit growth

Disciplined growth investments with focus on capital efficiency

- [x] **Executed bolt-on M&As exceeding ¥35.0 billion**
- [ ] Investments of ¥500 billion achievable while maintaining current credit ratings

Maintain financial stability

- [x] **Upgraded by all 3 rating agencies (R&I: equivalent of A)**
- [ ] Continue financial management to maintain the current credit ratings

Corporate Transformation: Management Sophistication

Corporate transformation to achieve rapid and flexible responses in operations and the corporate organization in response to environmental changes

Reconstruction of the digital management platform

- Reduce costs and optimize resources by streamlining and automating operations by standardization of operational processes and data from sales negotiations to contracts/orders
- Gather and visualize all information such as products, pricing and negotiation by updating the IT system

Achieving data-driven management

- Allowing for rapid and flexible decision-making in response to environmental changes by sharing visualized data between management and employees

Expand sales for external customers

- Develop and expand sales of accumulated know-how as an offering menu for customers

Data-driven Management

Users

Management — Share the same data — Employees

Decision-making & Execution

Reduce the burden of data maintenance and internal reporting

Visualization

Visualize KPIs at any time

CxO Dashboard

9 areas
67 types

- Finance
- Digital Business
- Human Resources
- Corporate Strategy
- Marketing
- Supply Chain
- Technology
- Corporate IT
- Cyber Security

Process Standardization

Integrated Data collection and analysis

Business Process

Pipeline Mgt.	Sales negotiation - Order	Arrangement - Sale - Payment	Analytics
CRM	O2O*	O2C*	R2R*

Process Digitalization 143

Data/Master Standardization

Maximize Enterprise value by standardization

Data Catalogs

Meta-data	Data Lineage	Reports Catalogs
1,700	1,700	107 types

Base Registry
152 types

- Sales
- Finance
- Supply Chain
- Human Resources
- etc.

*O2O:Opportunity to Order O2C:Order to Cash R2R:Record to Report

Improvement of Management Quality and Speed through Business Process Transformation

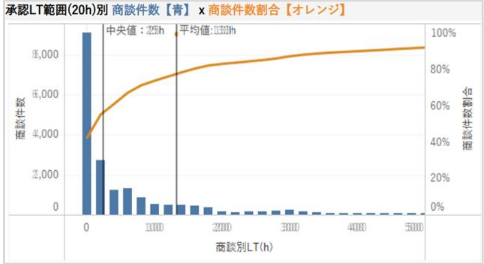
Dashboard to visualize the sales management process from prospects to order

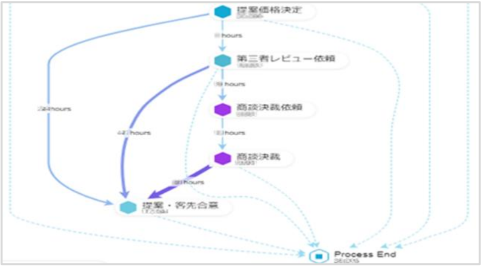
Execution of Operational Improvement

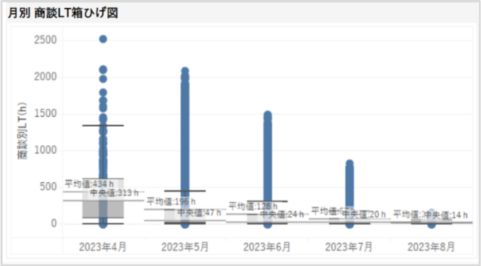
Process Definition

Process Mining

Monitoring of
Process Lead Time
(Visualize results of measures
for improvement)







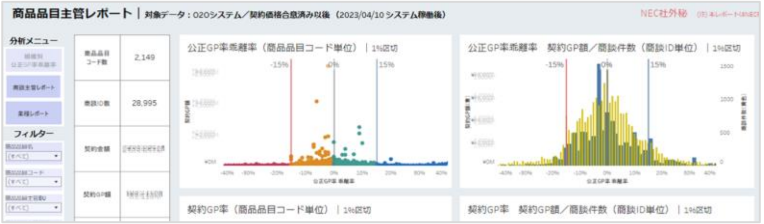
Contribution to Profit Improvement

Rapid
Action

Order Monitoring
from the Start of Sales Negotiations

Review of
Strategy/
Initiatives

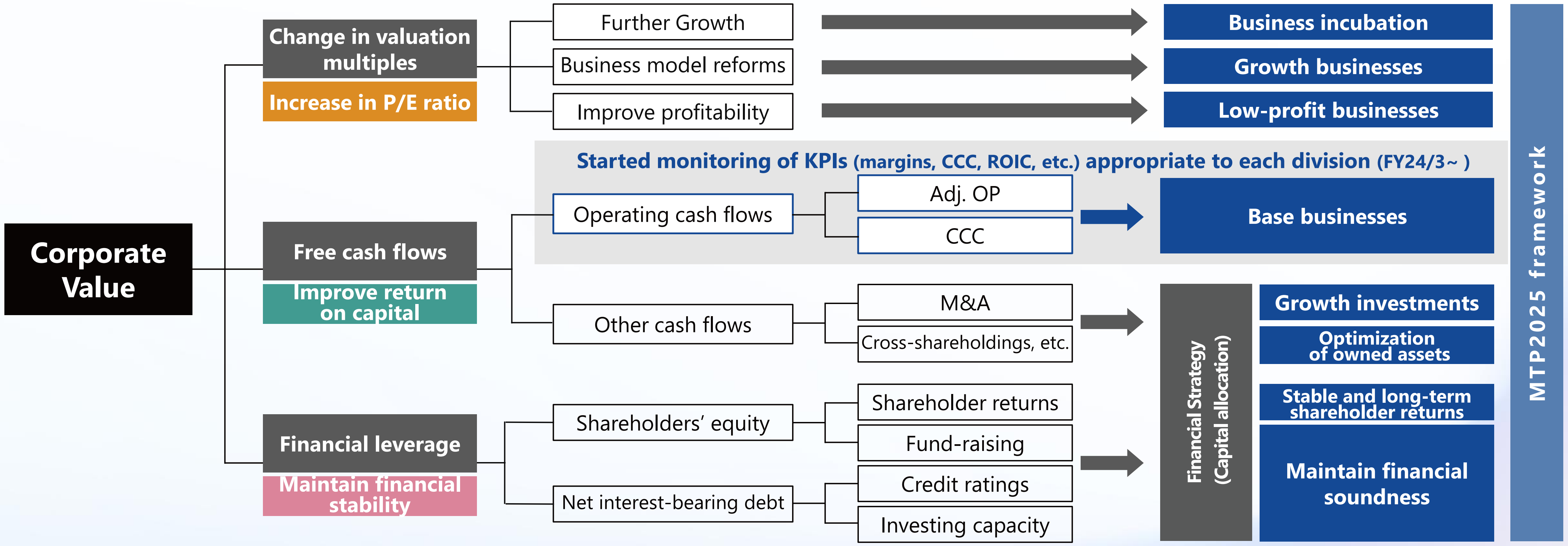
Price Monitoring



3. Towards Sustainable Enhancement of Corporate Value

Initiatives to Enhance Corporate Value

- **Achieve further corporate value increase through steady progress of Mid-Term Management Plan 2025**
- **Support Mid-Term Management Plan 2025 with focus on capital allocation consistent with the growth strategy**
- **Formulate a logic tree to clarify the objectives and responsibilities of each business and officer**



Towards Management with Focus on Cost of Capital and Share Price

Market's anticipated WACC: approx. 6.5%

ROIC Trends

FY21/3 Actual	FY22/3 Actual	FY23/3 Actual	FY24/3 11/30 Forecast		FY26/3 Target
4.7%	3.9%	4.7%	5.1%	▶	6.5% (w/M&A) 7.0% (w/o M&A)

- ROIC remains stable from FY21/3 to FY23/3 despite improvements of profitability, due to external market factors (e.g. FX)
- Expect to reach the market's anticipated WACC through achieving Mid-Term Management Plan 2025

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