

NEC IR Day 2022

Public Infrastructure Business

September 7, 2022

Executive Vice President

President of Public Infrastructure Business Unit

Masakazu Yamashina

\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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01 Business Overview and FY2021 Results

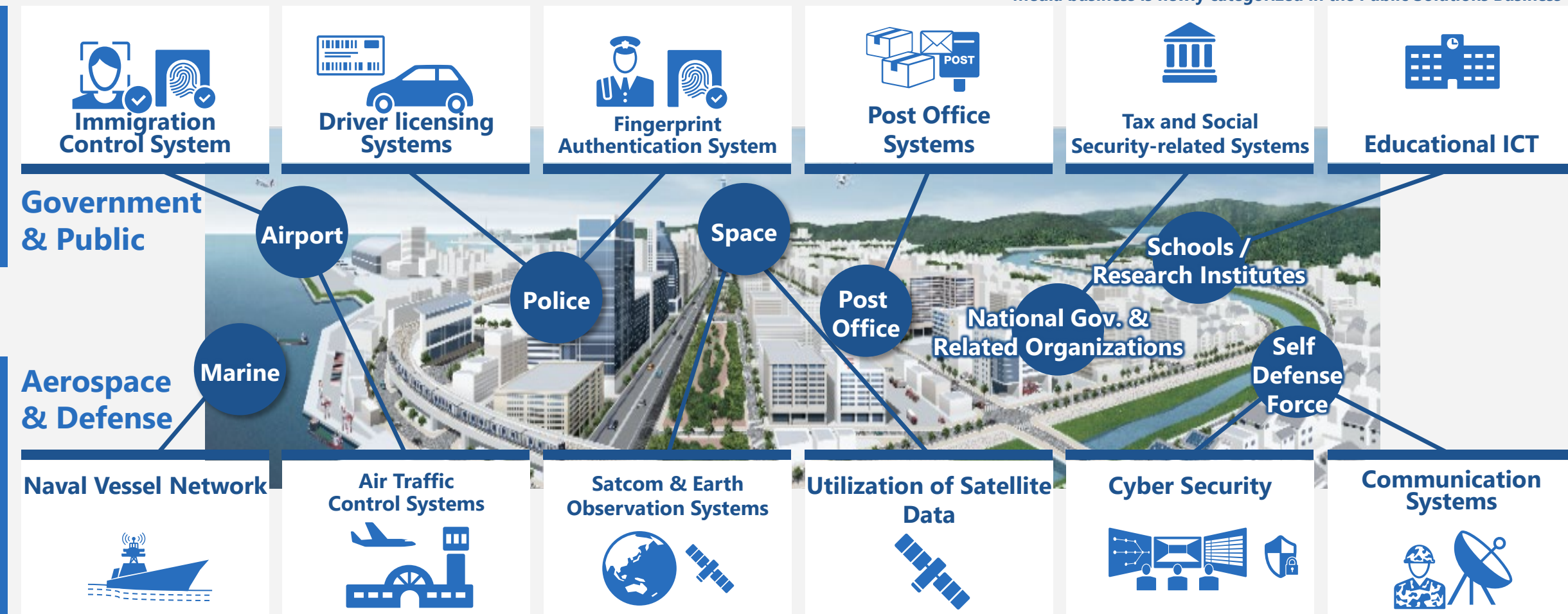
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Overview of Public Infrastructure Business

We are responsible for products, SI and service businesses for government & public agencies and aerospace & defense agencies. We provide social infrastructure that secures all people to lead a safe and comfortable life.

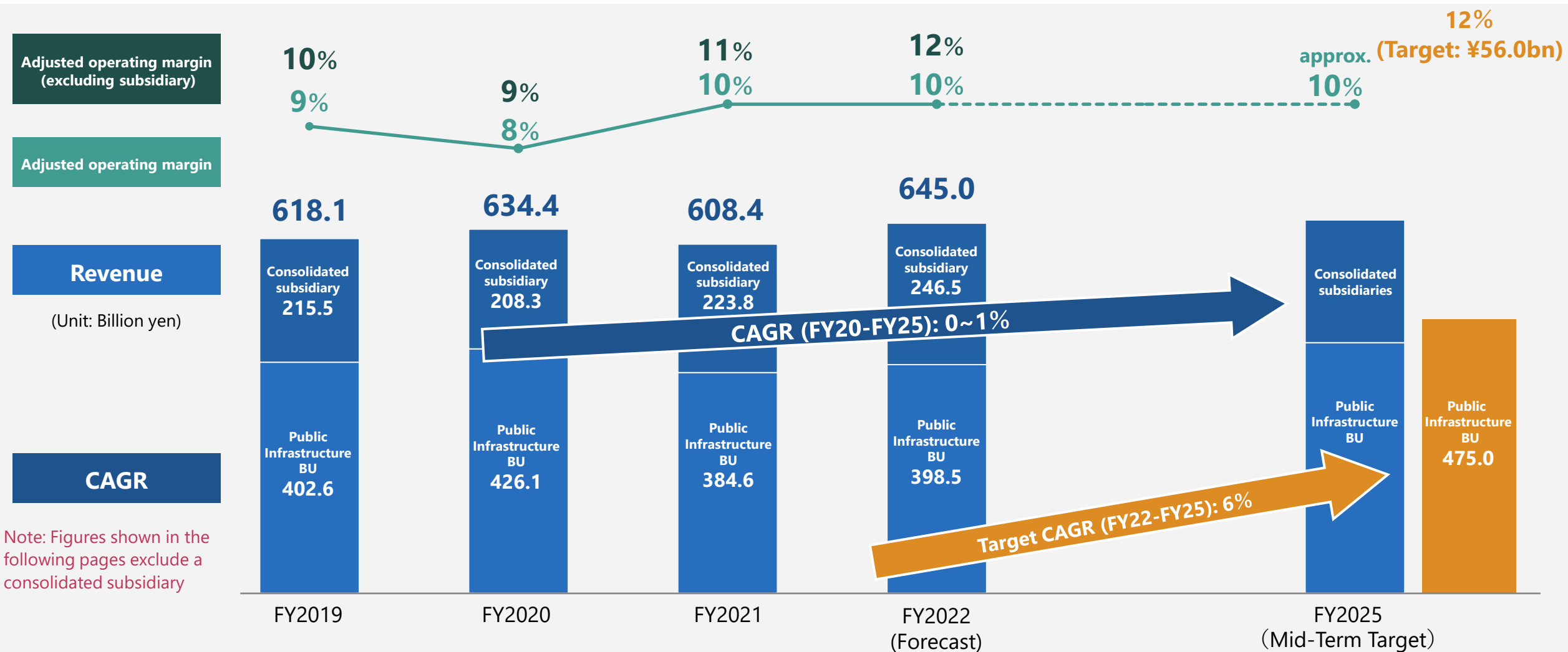
*Media business is newly categorized in the Public Solutions Business



FY2019-FY2021 Results and Mid-Term Management

Revenue and profitability improved, excluding special demands in FY2019 and FY2020.

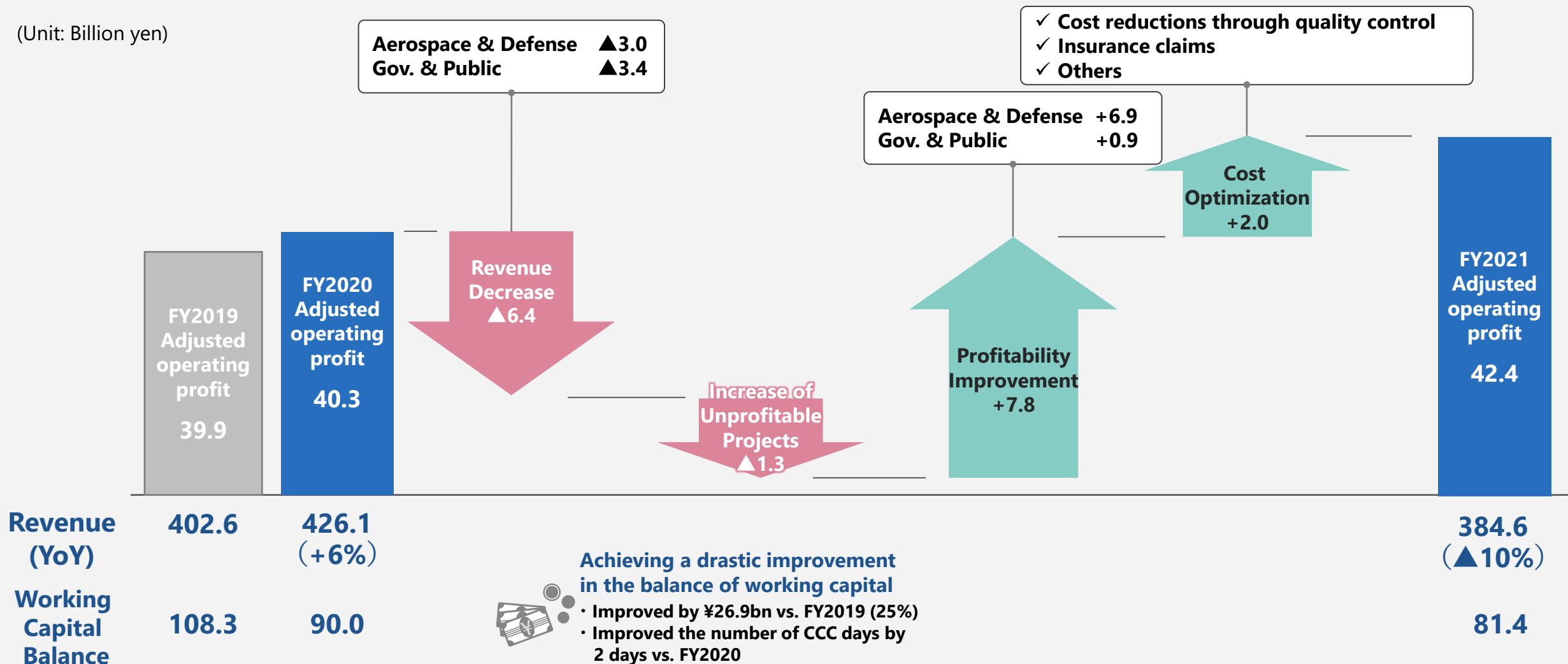
Revenue and profits are planned to increase with an operating margin target of 12% in FY2022 (excluding a consolidated subsidiary) and aim to exceed the Mid-term management targets in FY2025.



FY2021 Results

Adjusted operating profit increased by ¥2.1bn(YoY) by improving profitability, despite the reversal impact from the GIGA School project in FY2020 and reductions in defense projects. Capital efficiency also drastically improved, that resulted in ¥81.4bn of working capital balance (25% improvement vs. FY2019).

(Unit: Billion yen)



01 Business Overview and FY2021 Results

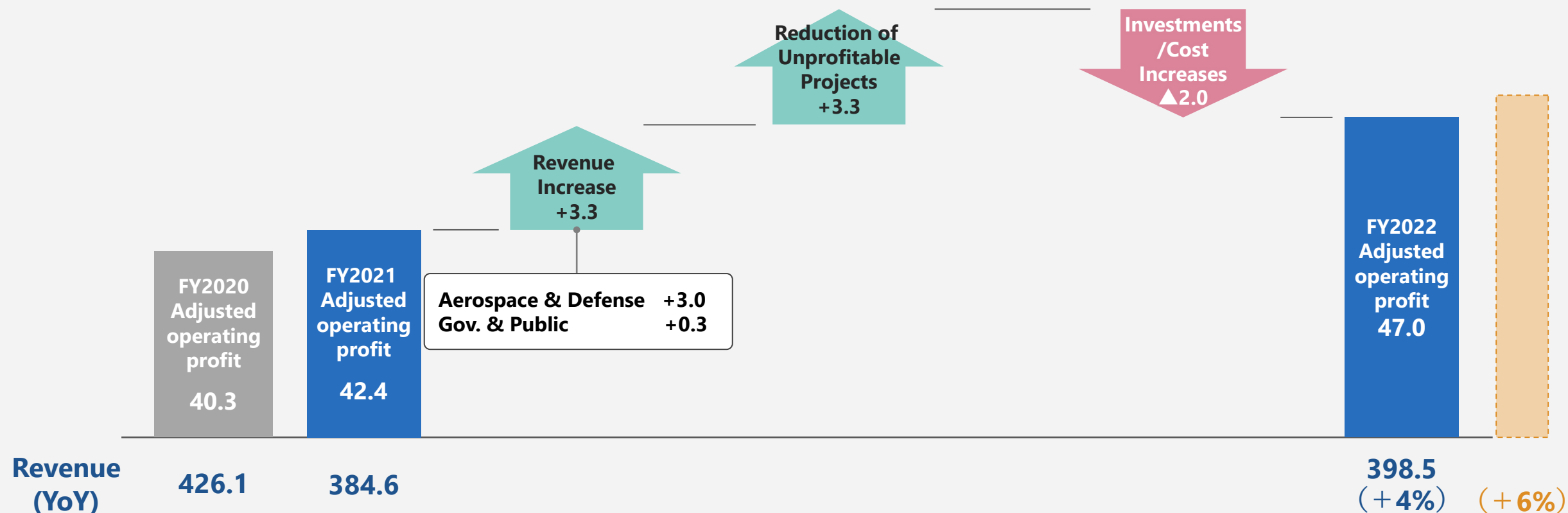
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FY2022 Forecast

Expect to increase revenue and profit due to sales expansion mainly by winning large defense projects and reducing unprofitable projects. Plan to invest more for business expansion to achieve the Mid-Term Management Plan targets and to grow the businesses further in the mid- to long-term.

(Unit: Billion yen)



FY2022 Business Strategy

Aim to overachieve our Mid-Term Management Plan targets by investing in focused businesses (application, service/data infrastructure, aerospace / game-changing technology) and reinforcing businesses through training and acquiring human resources.

Business Strategy by Domain

■ Carry out segment-based measures with a mid- to long-term vision



Shared Initiative

- Set up special project teams with our experts in Project Management
- Prevent from turning new projects into unprofitable through strengthening risk management

Measures to Reduce Unprofitable Projects

Improve the way to handle the high-risk projects led by a special project team.

Set a target of 0.6% of total revenue of unprofitability in FY2025.

Total Amount of Unprofitable Projects (FY2019-2022)

(Unit: Billion yen)

Note: Excluding Media business

FY2022 planned amount will decline

50% from FY2019

Projects

7.1

5.0

6.3

3.0

New projects
/Replaced
ones from
competitors

FY2019

FY2020

FY2021

FY2022
(Forecast)

1.8%

1.2%

1.6%

0.8%

vs.
Revenue

FY2022 Measures

Prevention and minimization of unprofitable projects based on factor analysis of precedents

Projects with caution

Strengthen risk control
from the order-receiving
stage

Worsening projects

Facilitation of early
detection of project status
and improvement if
necessary

Checking and analyzing project status by third parties
on a regular basis
Strengthening risk management by experts

01 Business Overview and FY2021 Results

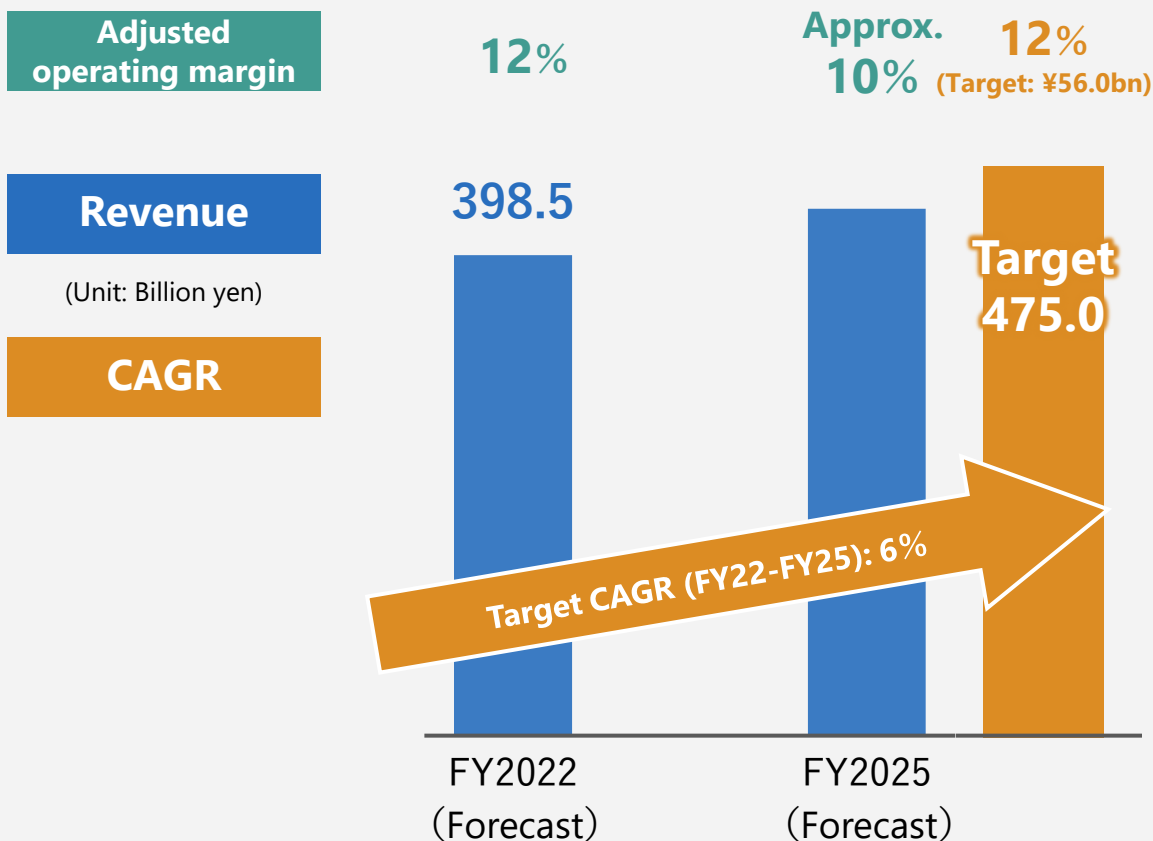
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Strategy to Achieve the Mid-Term Management Plan

With favorable market conditions, we aim to steadily win projects in line with the government policies as well as promote employee awareness toward business growth.

FY2025 Financial Targets



Gov. & Public

- Acceleration of government digitalization
- Increasing new projects from Gov. & Public agencies
- Growing by expanding administrative-DX business

Aerospace & Defense

- Growing importance of national security and economic security
- Increasing new projects and replaced ones from competitors
- Support to realize a safe and secure society with technology from space to marine

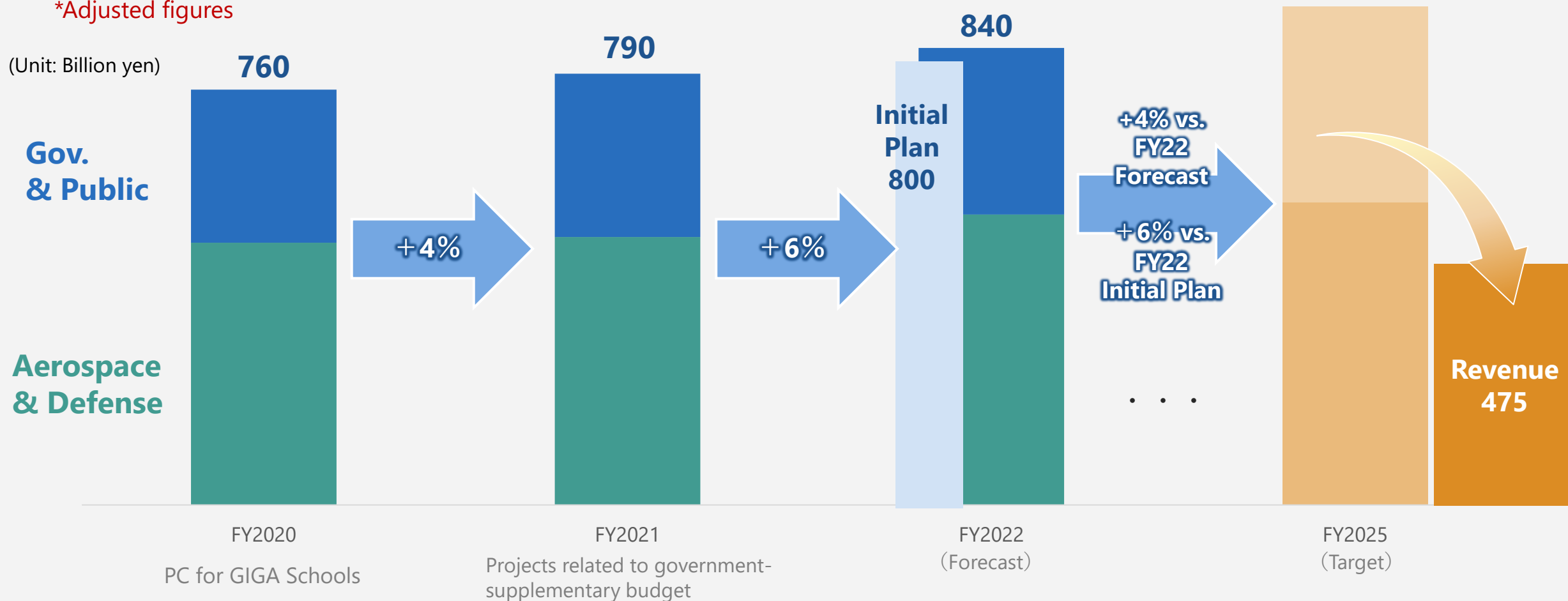
To Achieve CAGR 6% Growth

Sum of the order received at the beginning of and during the period has been increasing year by year.
Both the percentage of new businesses for Gov. & Public and the ratio of replacement and new projects for Aerospace & Defense have been steadily growing.

Order Received* (Opening balance + During period)

*Adjusted figures

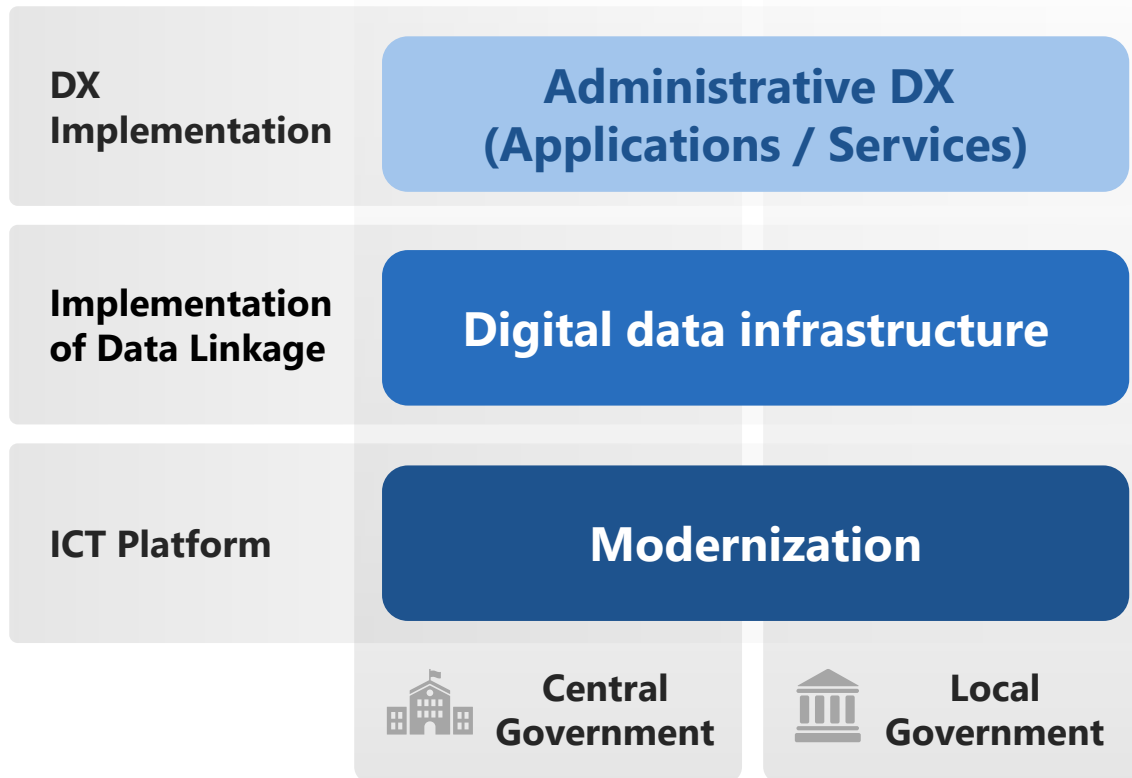
(Unit: Billion yen)



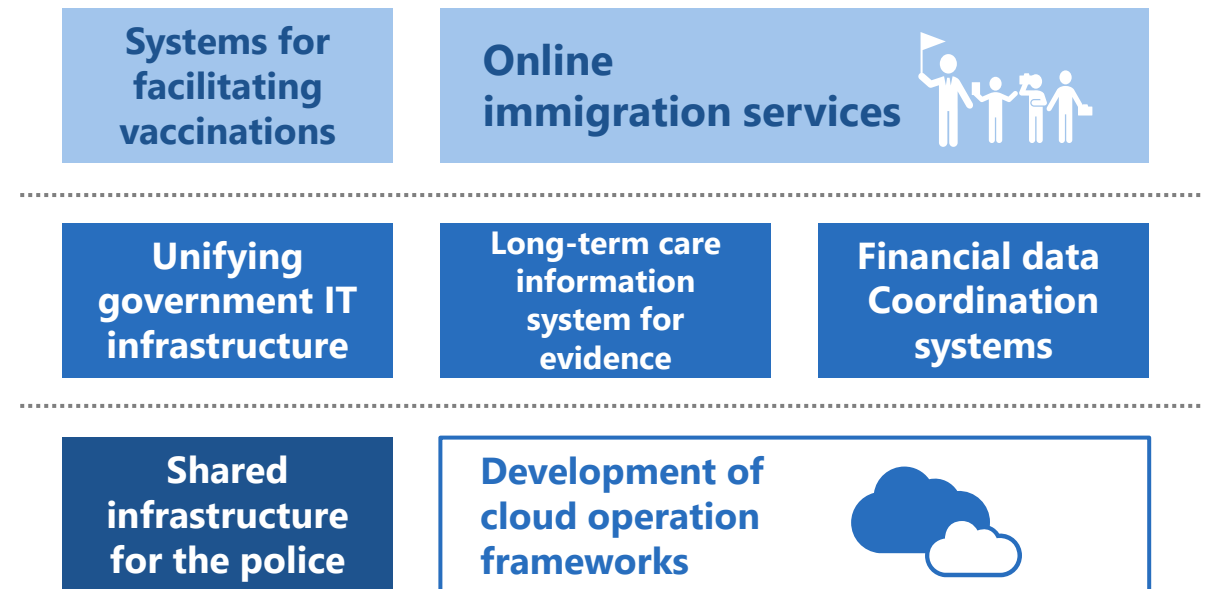
Strengthening in Government & Public Domain

Accelerate growth led by business expansion of administrative DX (applications / services, data infrastructure, modernization).

■ Focus Area on Government Digitalization



■ Key Projects / Activities



Press release: NEC Provides Platform Services for Unified Cloud Operations for Central government and Local Governments

https://jpn.nec.com/press/202207/20220727_01.html

Long-term Care Information System for Evidence

- ✓ **Developing data platform for evidence based long-term care (data-collecting, storing and analyzing)**
- ✓ **Utilizing for providing care service based on scientific evidence; Support the elderly to stay in a better health condition, and prevent from worsening**

Growing elderly population putting economic burden on Long-Term Care Insurance



Proposals to government for designing a better Long-Term Insurance System






Provide support for practicing Evidence Based Long-Term Care



Develop a society in which the elderly can have necessary support to maintain their independency

Strengthening in Aerospace & Defense Domain

Support to realize a safe and secure society with our technology from space to marine.

Key achievements			Technology requirement
Space 	Building the next-generation communication infrastructure with space technologies	Satellite Communication	<ul style="list-style-type: none">■ Satellite Operation■ Space Situational Awareness 
Ground-based 	Realizing an advanced Air Defense System	SI for Mission Critical System	Radio-Wave Sensing
Marine 	Realizing advanced information-gathering capability(resource exploration / undersea surveillance / detection of natural disasters)	Sound-Wave Sensing	Secret Communication
			



Optical Communications in Space

- ✓ Applying optical submarine cable technologies
- ✓ Enabling communicate with ultra high-speed between satellites
- ✓ Contributing to build the next-generation communications infrastructure in space

National security

Enhancing telecommunication capability

International cooperation

Interconnection with other countries' communication infrastructures

Preparation for Disaster

Communication infrastructure in emergency

01 Business Overview and FY2021 Results

- Adjusted operating profit increased by improving profitability, and capital efficiency also improved by implementing ROIC Management

02 FY2022 Business Strategy

- Expect to increase revenue and profit due to sales expansion and reducing unprofitable projects
- Reinforcing our business by investing in focused domains and through training and acquiring human resources

03 To Achieve the Mid-Term Management Plan

- Market conditions are favorable. We aim to achieve practical target (CAGR 6%) through steadily increasing revenue and profits as well as promoting employee awareness

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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 FY2022 and FY2023 respectively. Any other fiscal years would be referred similarly.