

Social Infrastructure Business

October 7, 2024

Corporate Senior Executive Vice President and Co-COO (Executive Officer)

Masakazu Yamashina

Social Infrastructure Business

1. Overview of Social Infrastructure Business
2. Performance Trends and
Mid-term Management Plan
3. Social Infrastructure Business Landscape
4. Key Measures for FY2026/3 Targets

1. Overview of Social Infrastructure Business

Overview of Social Infrastructure Business

Provide social value with deep domain knowledge of Telecommunications, Aerospace and National Security and NEC's technological capabilities

| | | | | | |
|--|--------------------|--|--|----------------|-----------------------|
| Telecom Services | Telecommunications | Telecommunications System | Domestic Telecom Operators Overseas Telecom Operators | | |
| | | OSS/BSS* | | | |
| | | IT Infrastructure/Business Service Applications | | | |
| | | Submarine Cables Systems | Telecom Operators/Consortium | | |
| ANS Aerospace and National Security | Aviation | Air Traffic Control System | MLIT • Civil Aviation Bureau | | |
| | Space | Satellites/Related Ground Systems/ Satellite Operation Services | JAXA | Cabinet Office | Cabinet Secretariat |
| | Defense | IT/Network/Sensor System | Ministry of Defense | | Related Organizations |

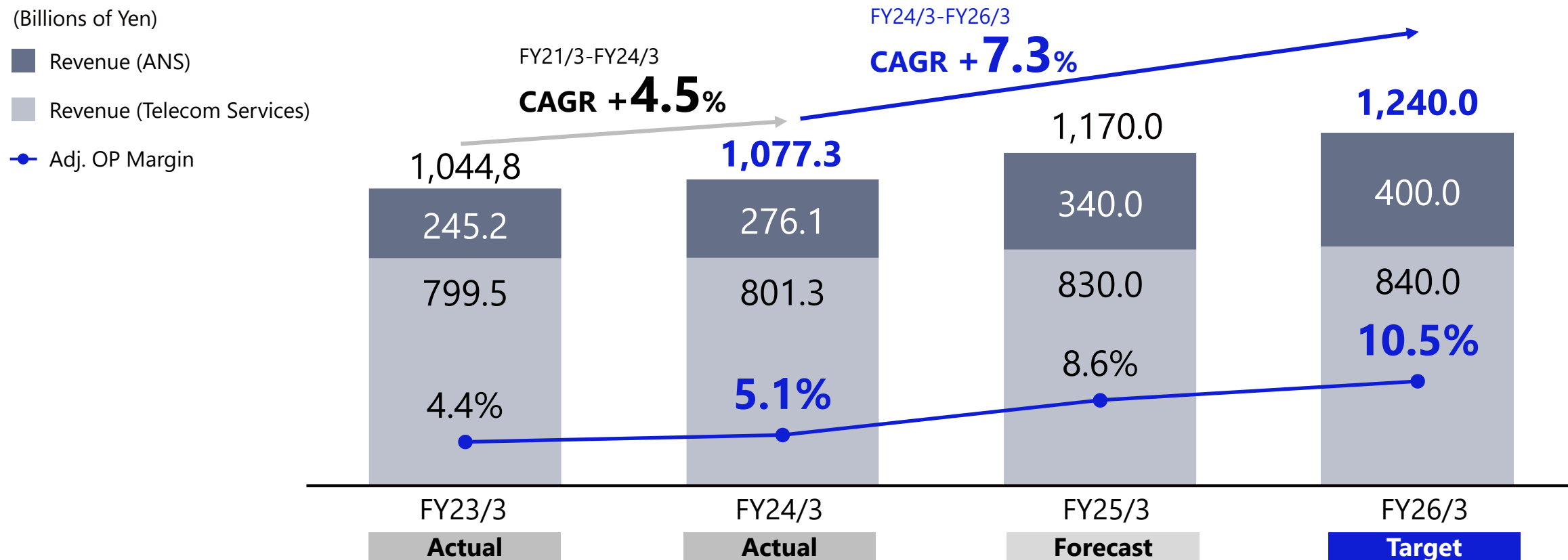
* Operations Support Systems/Business Support Systems

2. Performance Trends and Mid-term Management Plan

Performance Trends and Mid-term Management Plan

FY24/3: Increased revenue and Adj.OP

FY26/3: Further revenue growth in ANS and progress in transformation of telecom's business



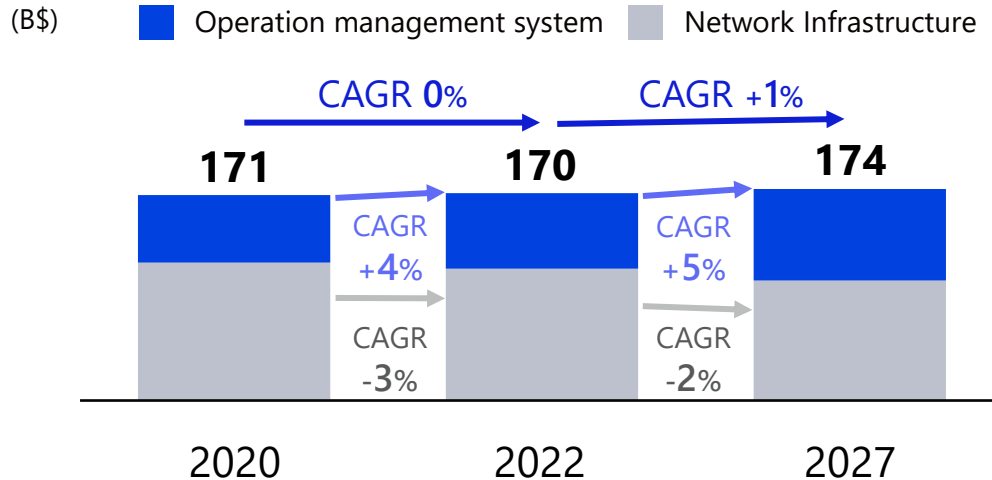
3. Social Infrastructure Business Landscape

Social Infrastructure Business Landscape

Telecom Services

- Software market size is expanding (infrastructure Softwareization & OSS) while investments in network infrastructure is sluggish
- Delay of Open RAN market start up

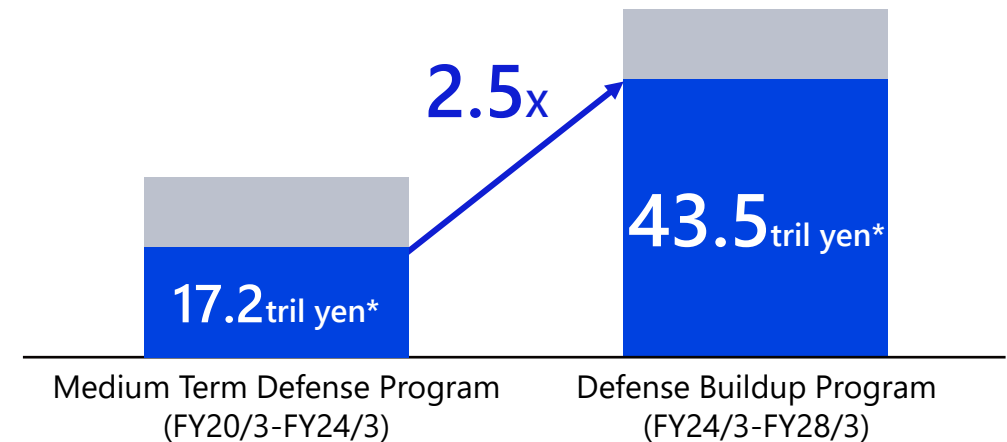
Market Size of Global Telecommunication (NEC Estimate)



ANS

- Defense budget doubled, NEC increases Contract Value as a leading company in the ICT field
- Changes in government policies improve margins for defense companies

Buildup Program



* Contract amount related to newly required business (material expenses)

Source: Ministry of Defense "Medium Term Defense Program (FY2019-FY2023)". "Defense Buildup Program".

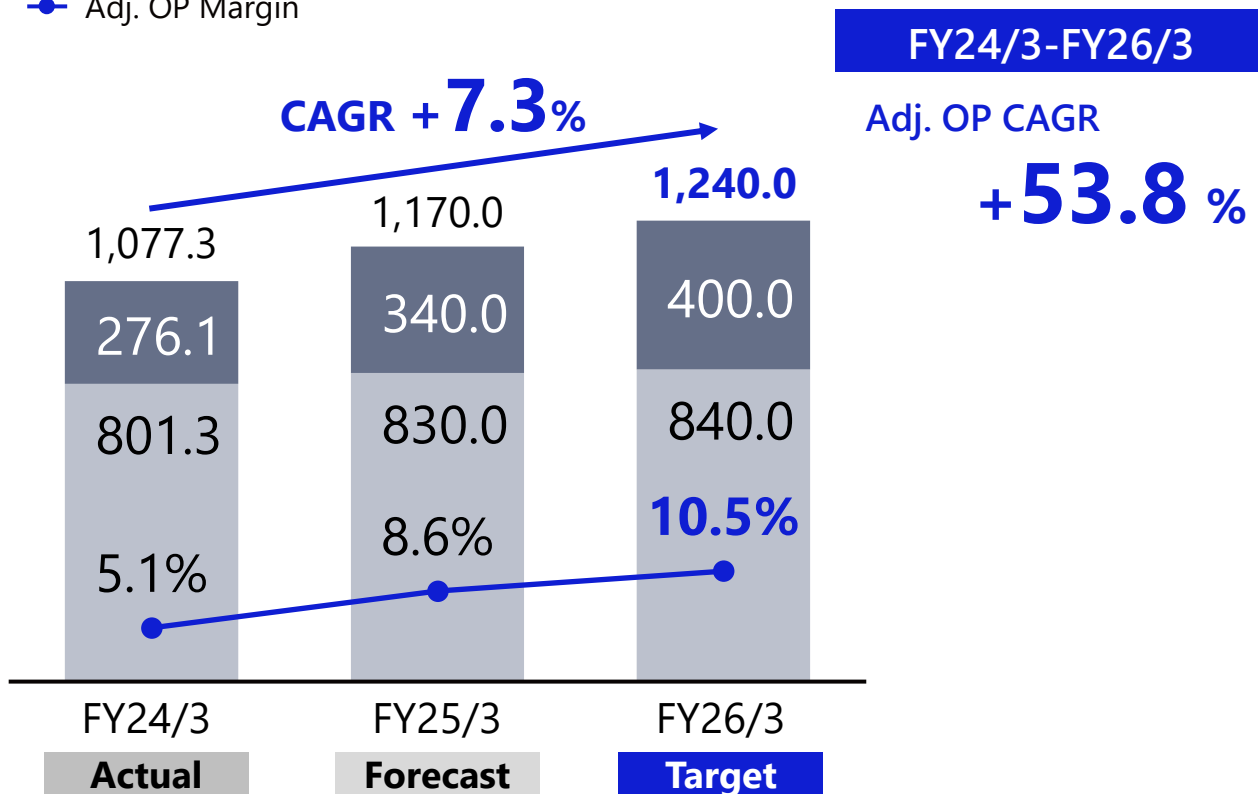
4. Key Measures for FY2026/3 Targets

Key Measures for FY2026/3 Targets

(Billions of Yen)

■ Revenue (ANS) ■ Revenue (Telecom Services)

● Adj. OP Margin



Telecom Services

- Profitability of Global 5G business
- Expand software business
- Shift to high-value added business (Enhancement of AI utilization services)

ANS

- Further growth in order value based on defense budget increase
- Strengthen Resources (headcount, production capacity)

Telecom Services: Mid-term Management Plan 2025

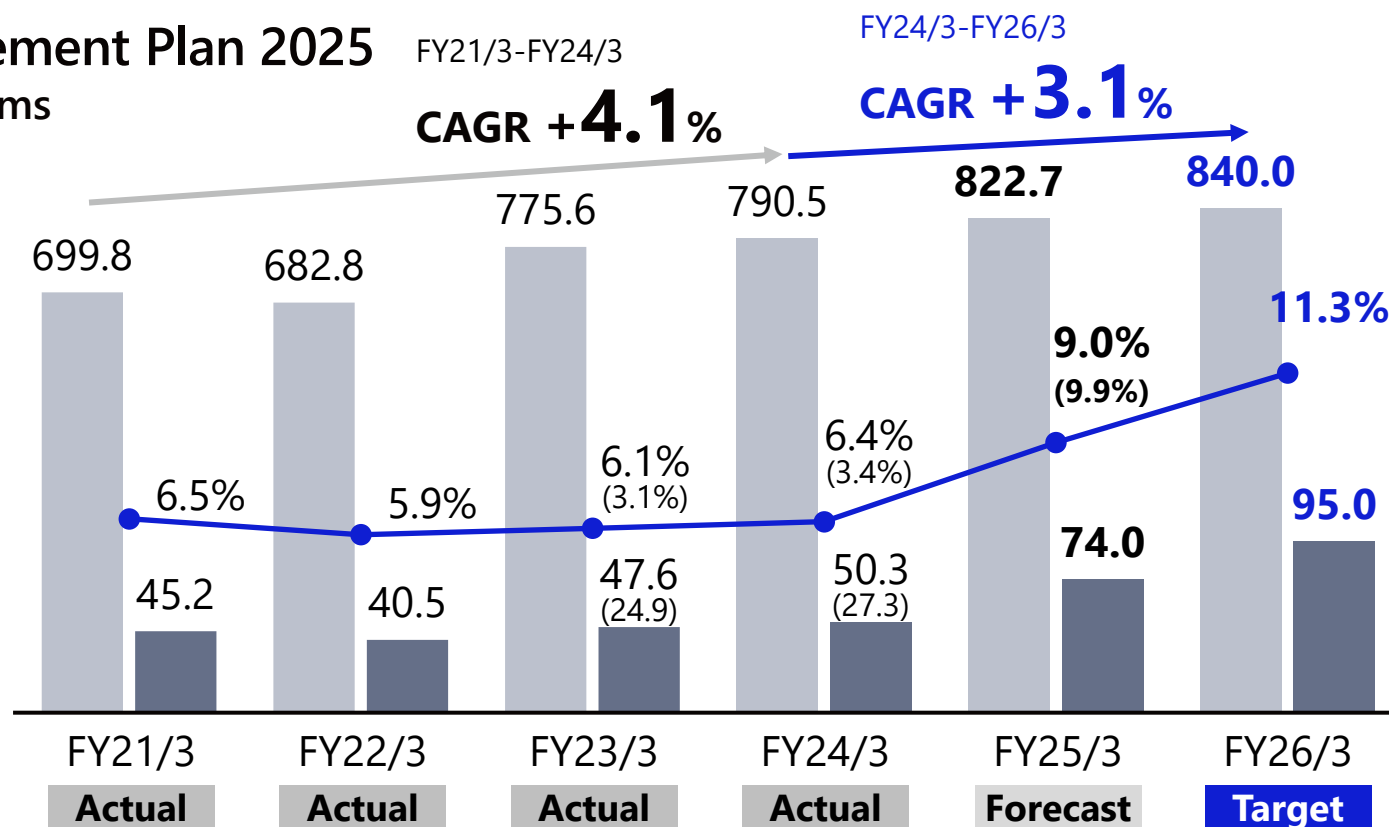
FY24/3: Increased revenue by subsidiaries and profit by adj. OP margin improvement.

FY26/3: Increased revenue by increasing backlog and improve profitability by cost restructure.

Mid-term Management Plan 2025 excl. extraordinary items

(Billions of Yen)

- Revenue
- Adj. OP
(incl. extraordinary items)
- Adj. OP Margin
(incl. extraordinary items)



FY24/3-FY26/3

Adj. OP CAGR

+37.5 %

FY21/3-FY24/3

Adj. OP CAGR

+3.6 %

Major extraordinary items: 5G-related accounting treatment (loss control/allowance for inventory diversion, impairment of goodwill on acquired companies, etc.), businesses planned to be carved out, income from major patents

Telecom Services: Growth

FY24/3: Increased revenue due to an increase in the backlog and orders

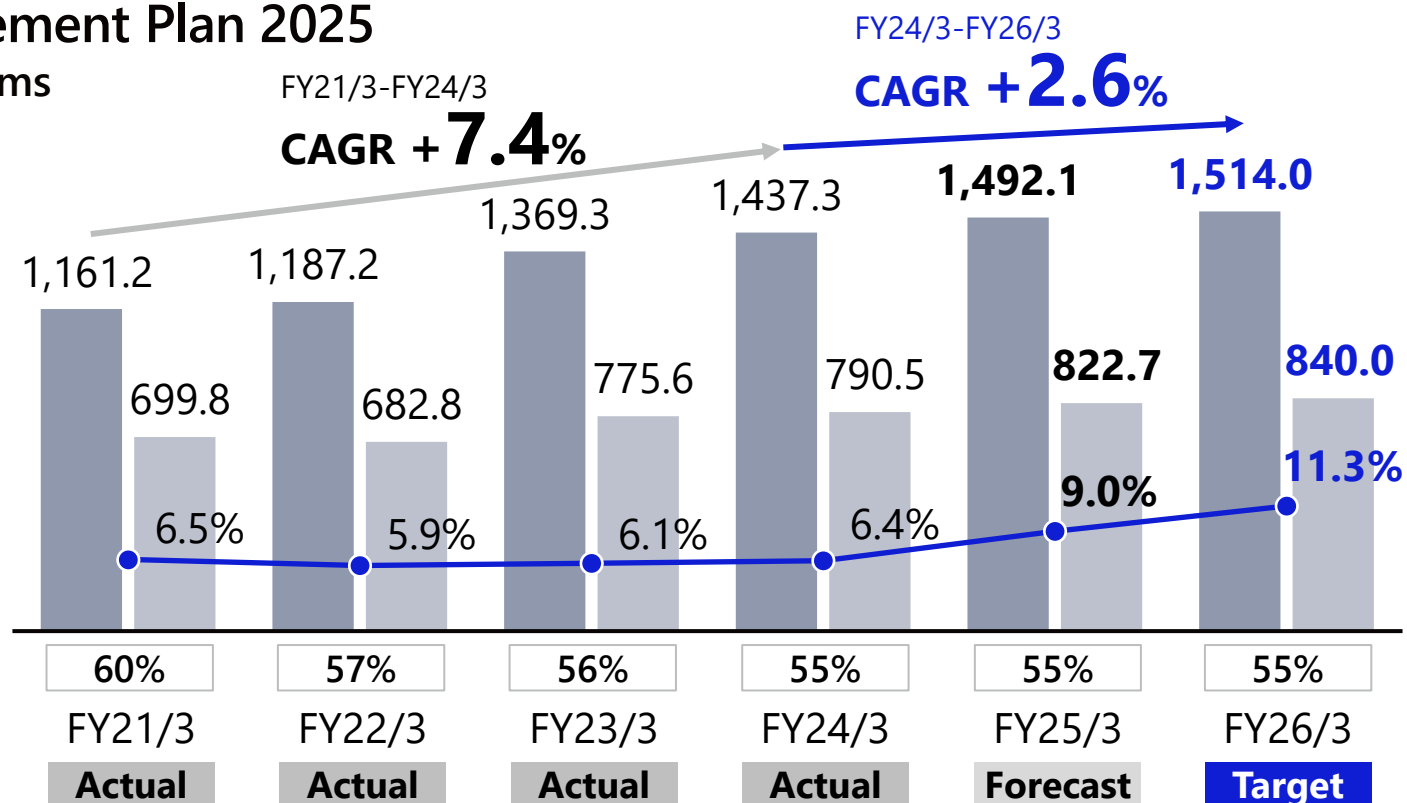
FY26/3: Backlog and order volume CAGR (FY24/3-FY26/3) +2.6%, Revenue expected to be 840 billion yen.

Mid-term Management Plan 2025

excl. extraordinary items

(Billions of Yen)

- Backlog (BFY) + New orders
- Revenue
- Adj. OP Margin
- Conversion rate



FY24/3-FY26/3

Revenue CAGR

+3.1 %

FY21/3-FY24/3

Revenue CAGR

+4.1 %

Major extraordinary items: 5G-related accounting treatment (loss control/allowance for inventory diversion, impairment of goodwill on acquired companies, etc.), businesses planned to be carved out, Large-scale patent revenues

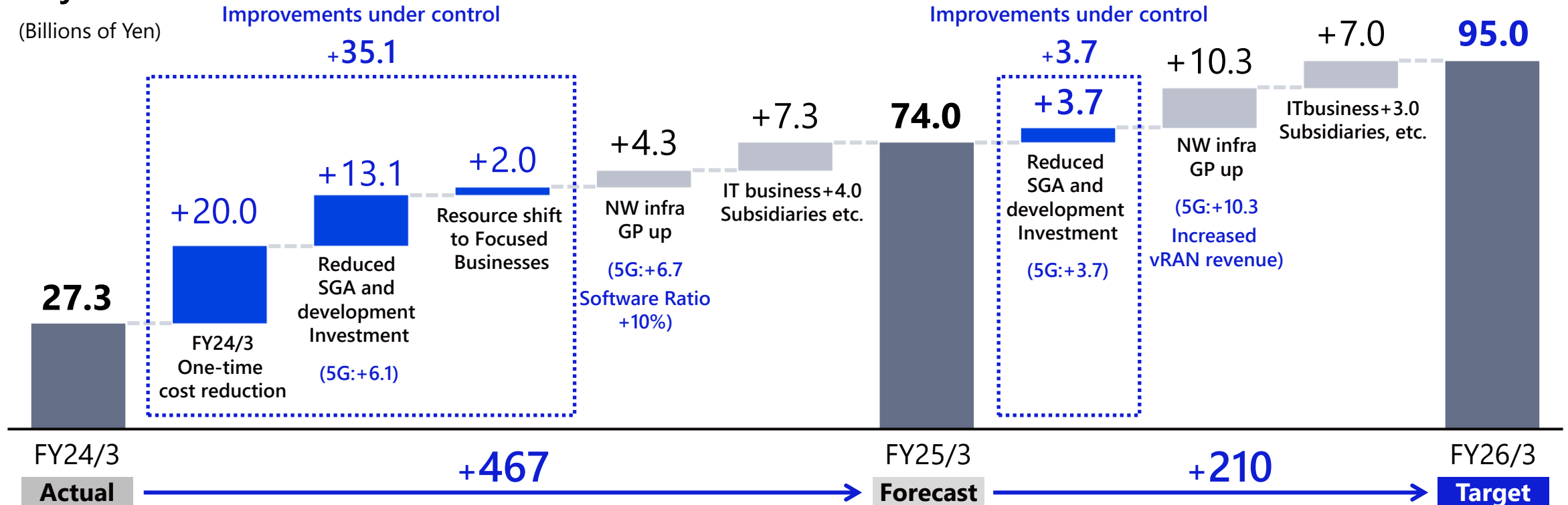
Telecom Services: Initiatives to Improve Profitability

FY25/3: 35.1 billion Improvements under control, 12.0 billion Improvements by revenue growth

FY26/3: Improving profitability through shifting towards software and IT business

Adj. OP

(Billions of Yen)



vRAN : Virtual Radio Access Network

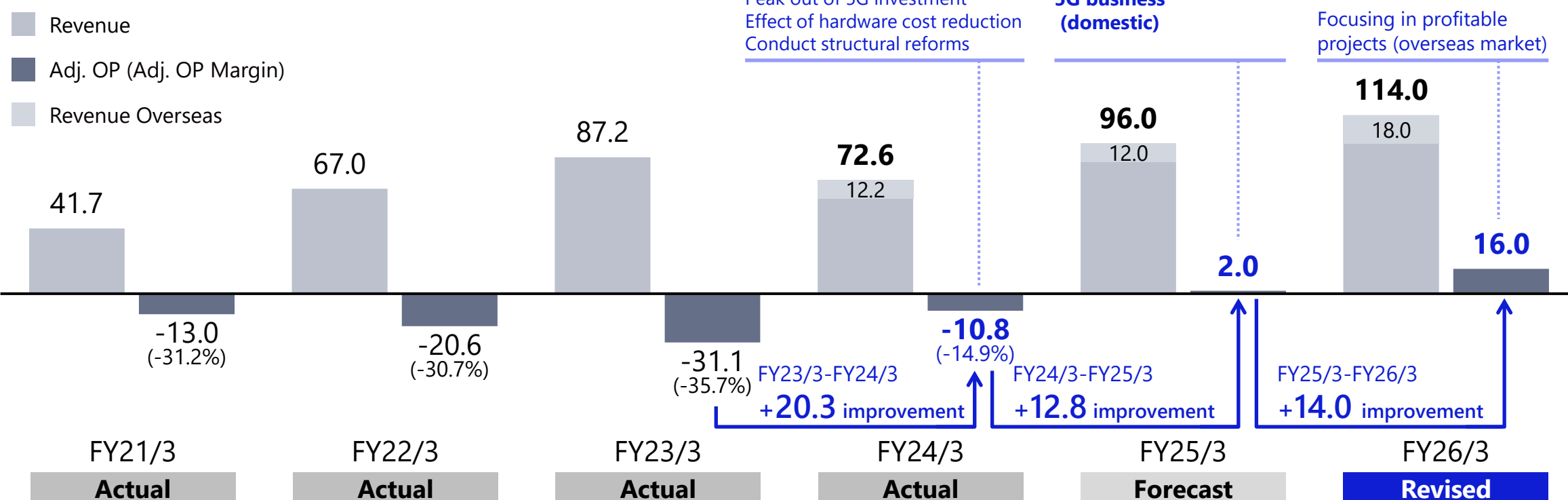
Telecom Services : Profitability of Global 5G business update

FY24/3: Achieved the initial plan, especially overseas business improved

FY25/3: Return to profitability

FY26/3: Achieve adj. OP Margin of 14%

(Billions of Yen)



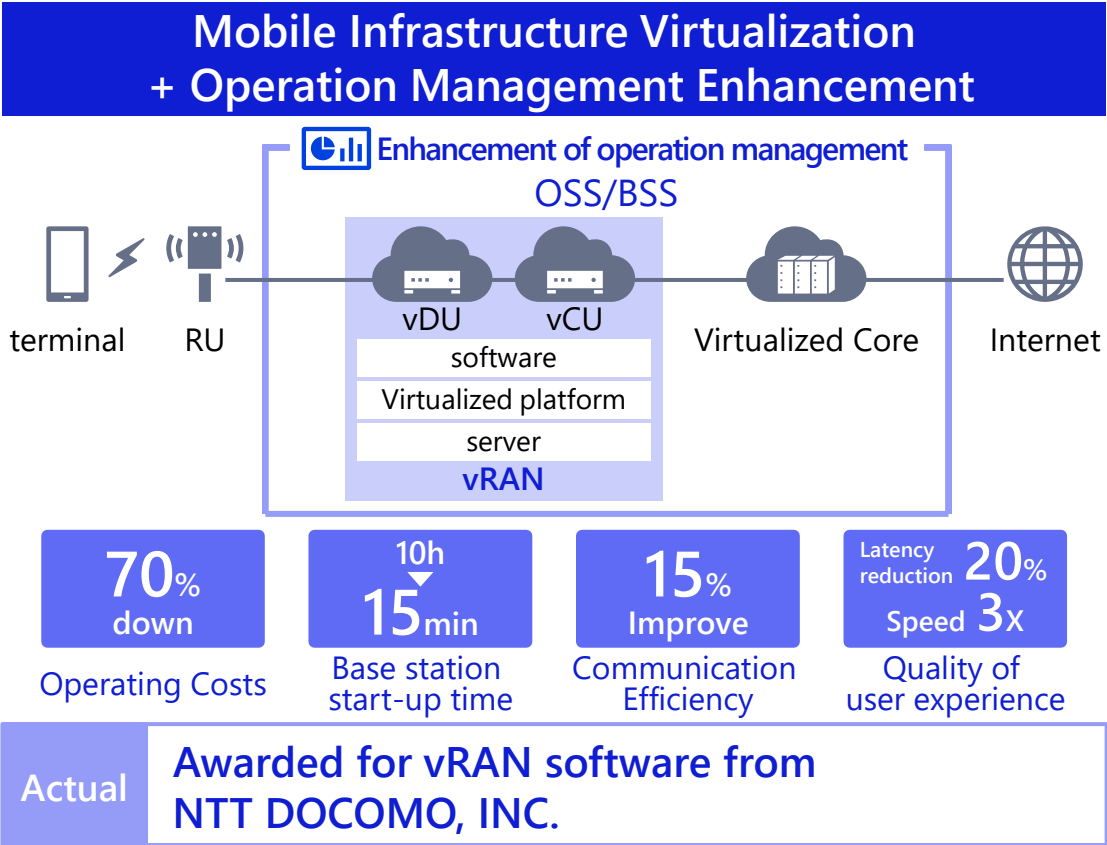
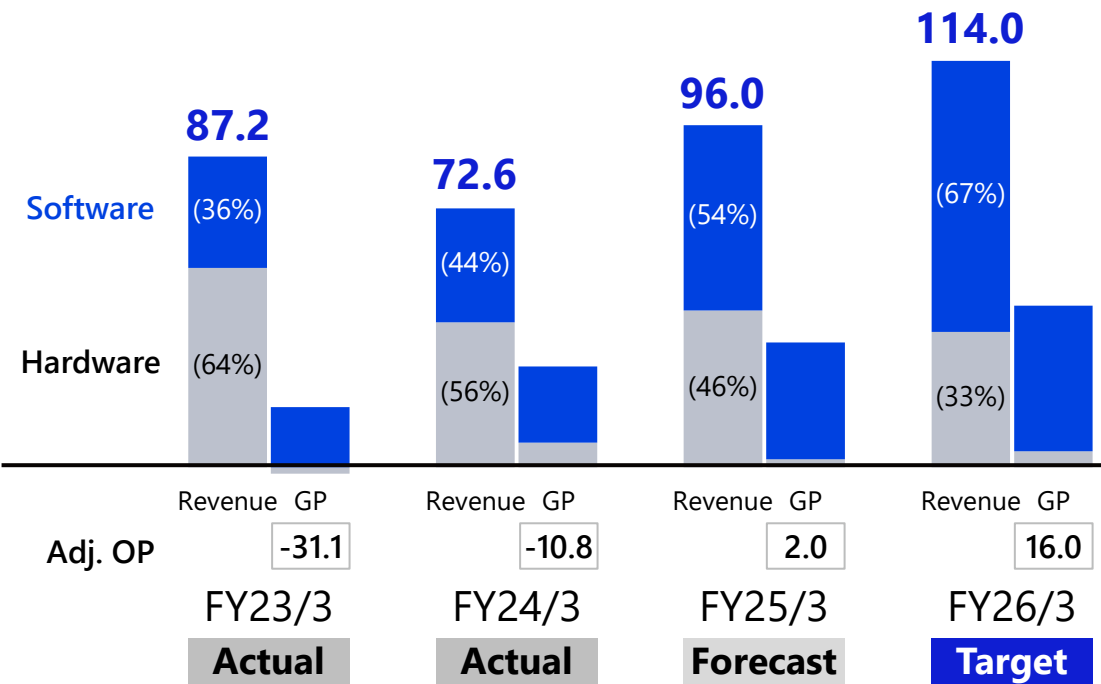
Telecom Services: Update on Shifting to Software Businesses

Respond to changing customer needs and increase the ratio of software revenue

Contribute to DX by virtualization and operation management enhancement with vRAN implementation

5G Revenue/GP

(Billions of Yen)



vRAN: Virtual Radio Access Network RU : Radio Unit vCU : virtual Central Unit vDU : virtual Distributed Unit OSS/BSS: Operations Support Systems/Business Support Systems

Telecom Services: IT business contributes to the growth

Revenue grow CAGR 5%(FY24/3-FY26/3), and adj. OP margin improve by 2%

Netcracker especially contributes to the growth and profitability of the IT business

Revenue and Adj. OP Margin of IT business excl. extraordinary items

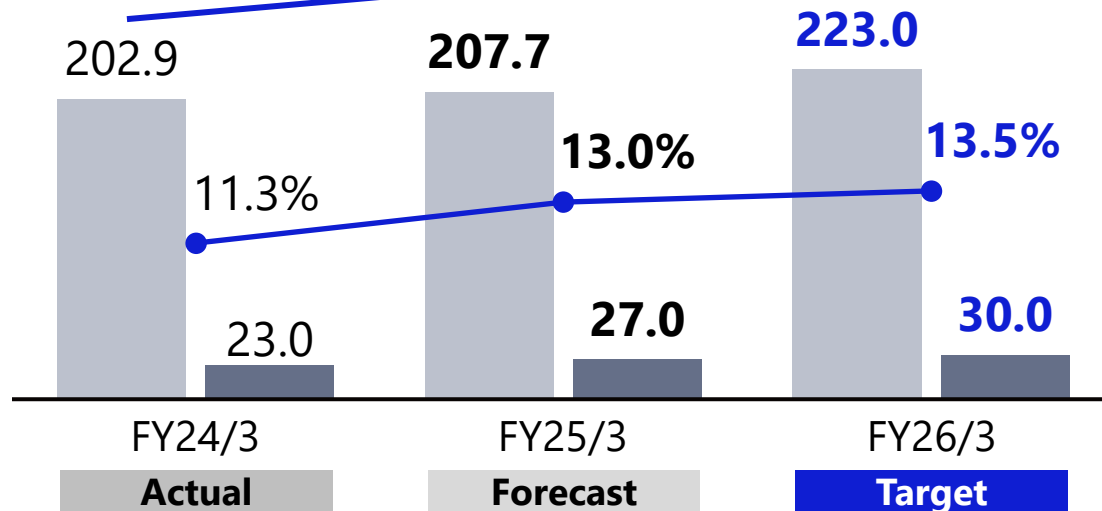
(Billions of Yen)

■ Revenue

■ Adj. OP

● Adj. OP Margin

CAGR +5.0%



Major extraordinary items: accounting treatment (loss control)

Netcracker's BSS solution utilized generative AI

Generative AI used for customer management



Sales assistance

Customer care

ARPU/Revenue
15-20% up

Operation optimized
50%

Actual

Awarded from T-Mobile US, Inc. and several other customers for BSS utilized Generative AI

ANS: Mid-term Management Plan 2025

FY24/3: Significant increase in revenue and profits based on defense budget increase

FY26/3: Continued growth in revenue and profits

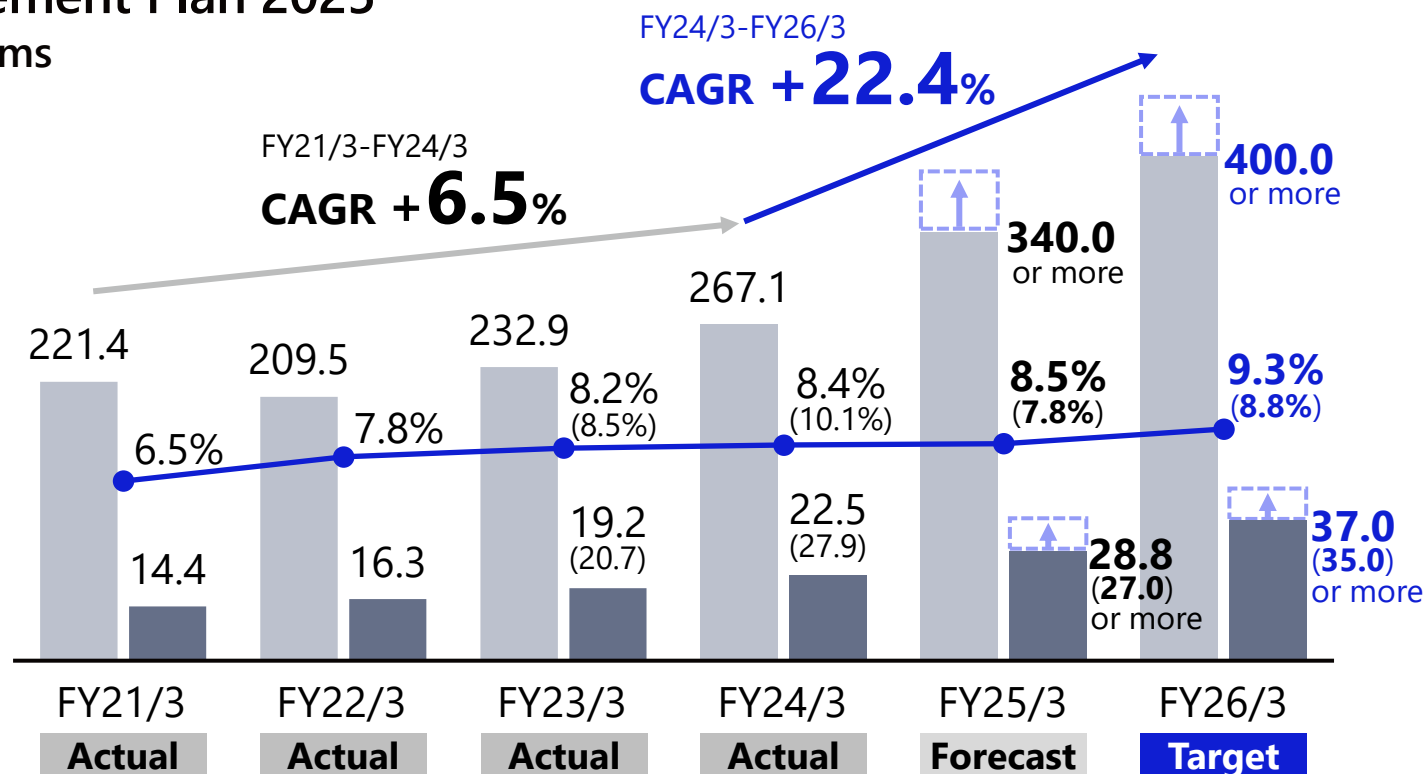
Mid-term Management Plan 2025 excl. extraordinary items

(Billions of Yen)

■ Revenue

■ Adj. OP
(incl. extraordinary items)

● Adj. OP Margin
(incl. extraordinary items)



FY24/3-FY26/3

Adj. OPCAGR

+28.4 %

FY21/3-FY24/3

Adj. OPCAGR

+16.0 %

Major extraordinary items: accounting treatment (gains on reversal of loss control/Huge one-time contract, etc.)

ANS: Growth

FY24/3: Increased backlog, whereas decreased conversion rate due to increase in multi-year contract projects

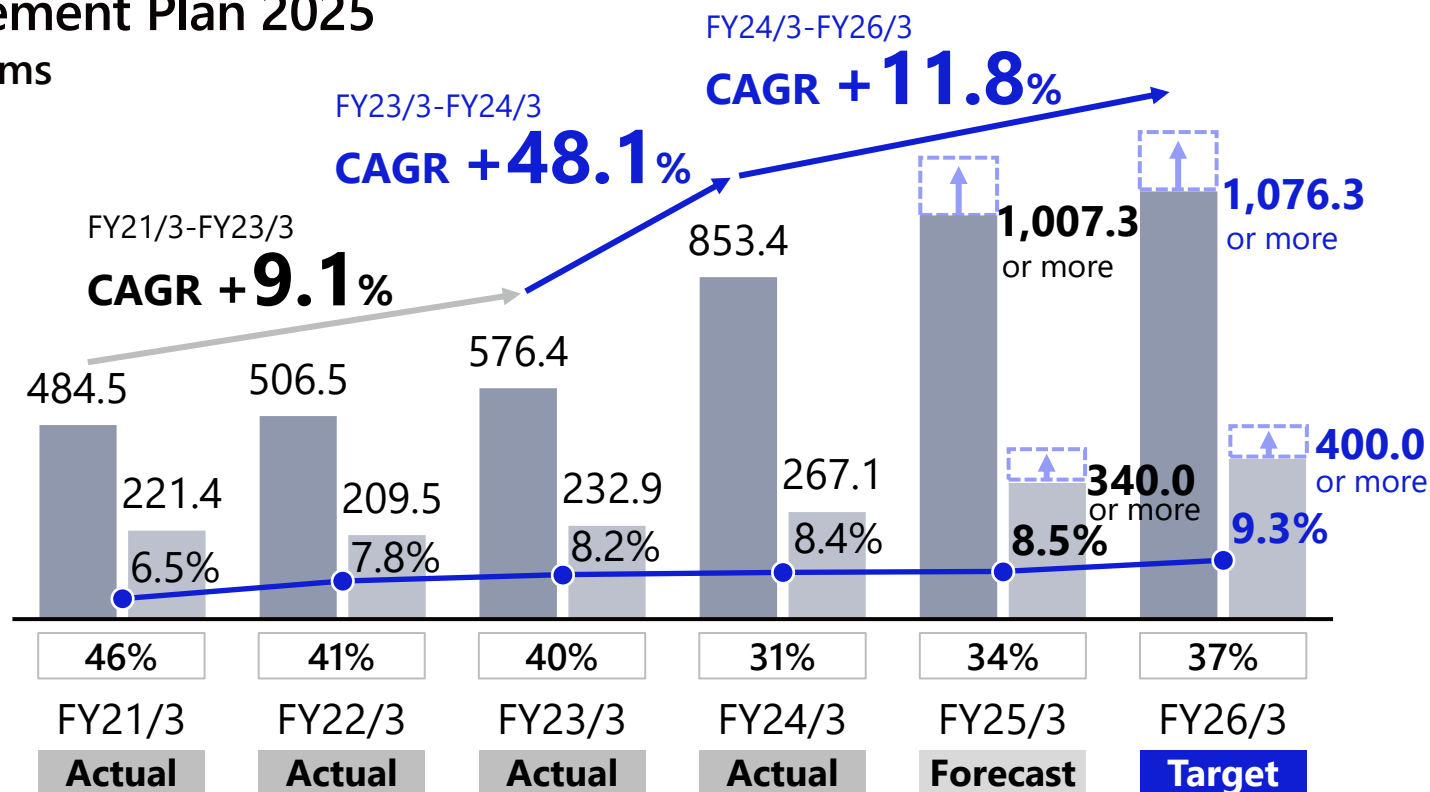
FY26/3: Aiming more than 400 billion of revenue according to continuous increase in orders

Mid-term Management Plan 2025

excl. extraordinary items

(Billions of Yen)

- Backlog (BFY) + New orders
- Revenue
- Adj. OP Margin
- Conversion rate



FY24/3-FY26/3

Revenue CAGR

+22.4 %

FY21/3-FY24/3

Revenue CAGR

+6.5 %

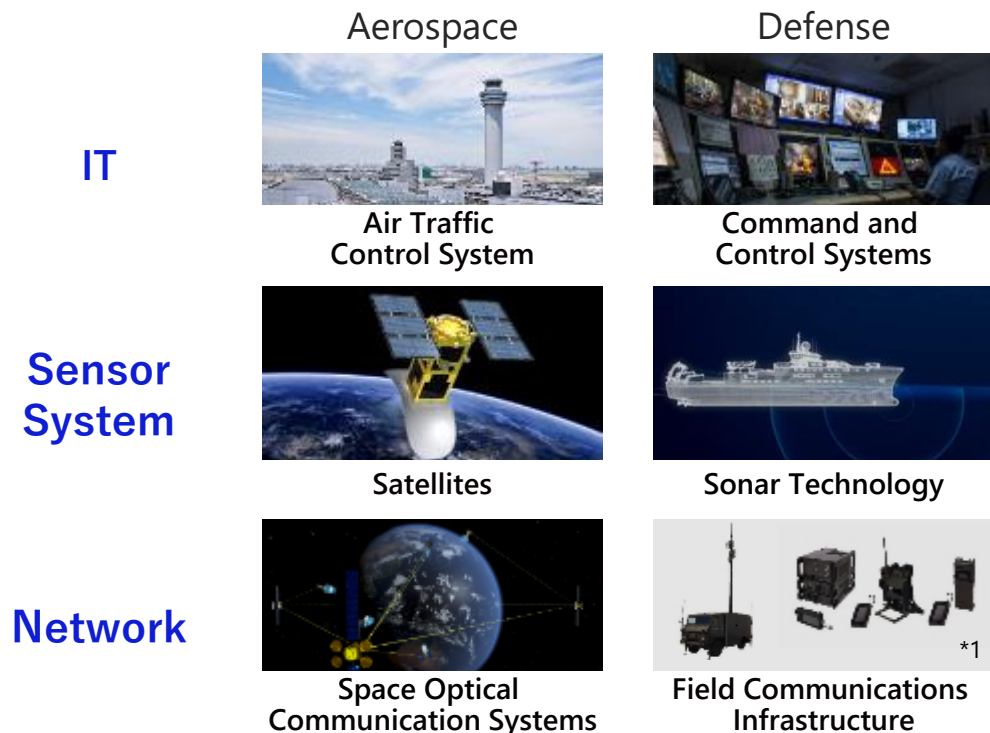
Major extraordinary items: accounting treatment (gains on reversal of loss control/Huge one-time contract, etc.)

ANS: Increase Revenue and Improve Profitability

Expand ANS business with focus on Defense Buildup Program and Basic Plan on Space Policy

Increase FY26/3 Adj. OP margin to 9.3% with increase in margins of defense equipment

ANS Track Record (Examples)

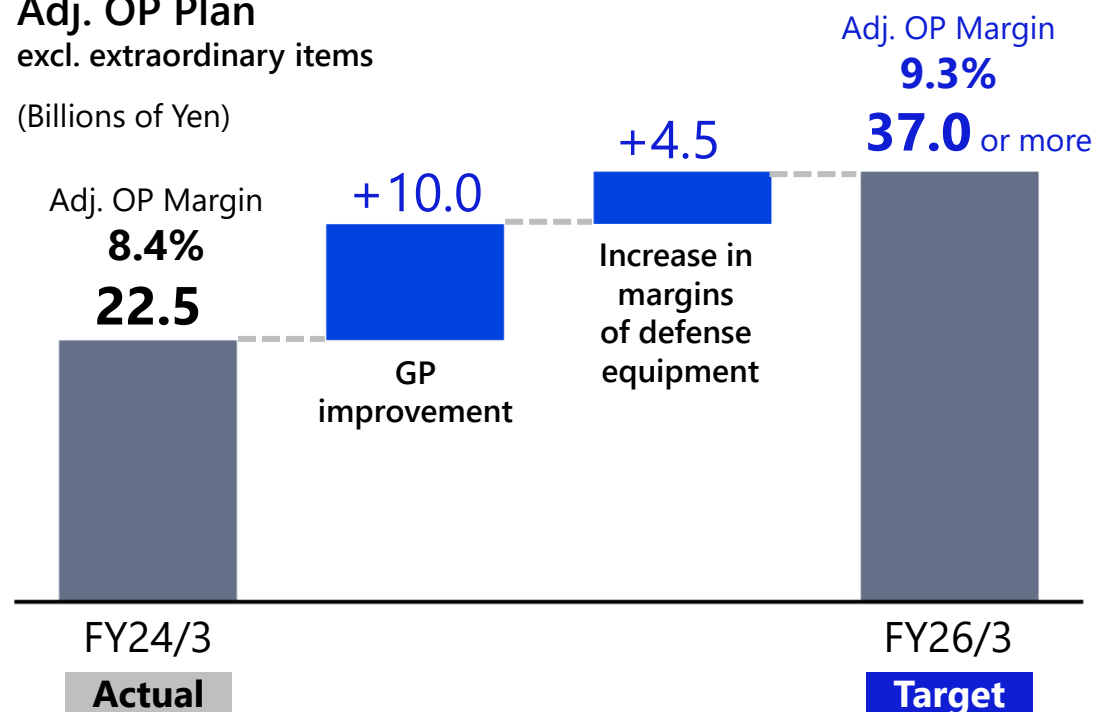


*1 Source: Japan Air Self-Defense Force website

Improvement of Profitability

Adj. OP Plan
excl. extraordinary items

(Billions of Yen)



Major extraordinary items: accounting treatment (gains on reversal of loss control/Huge one-time contract, etc.)

ANS: Strengthen Resources

Increase resources to support business growth



Increase headcount

~ FY26/3
1,200 up

* +200 from the previous announcement

FY24/3: Up by approx. 750 (results)

FY25/3: Up by approx. 250 (planned)



No. 3 New Ward Completion

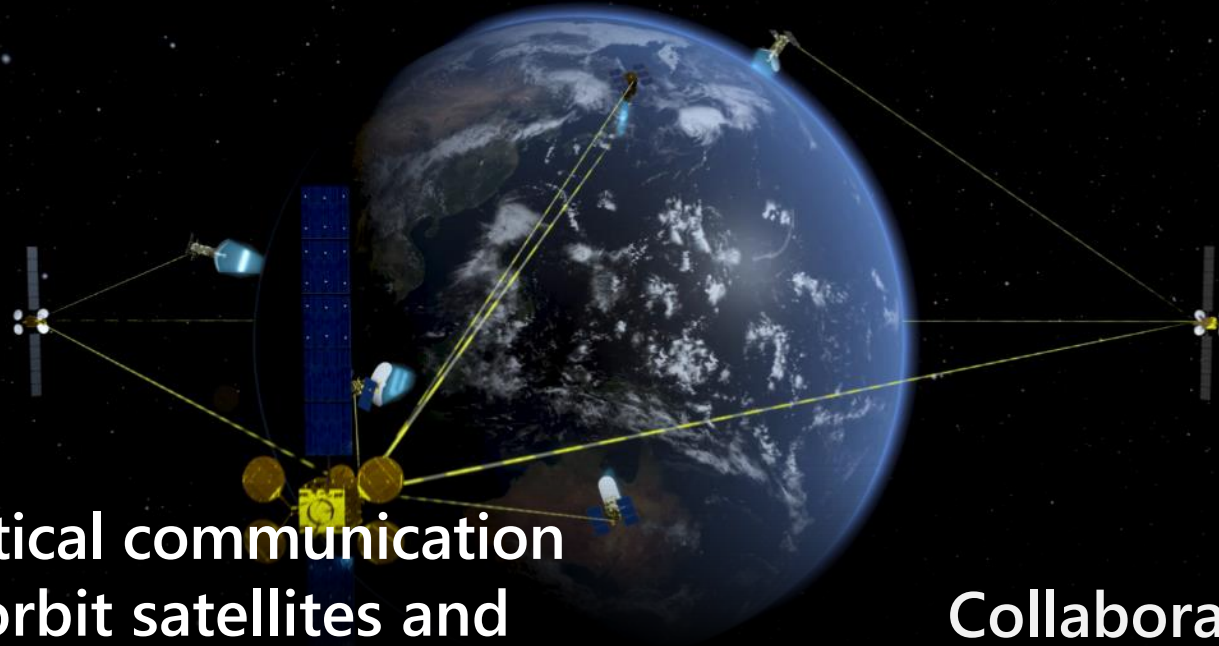
Strengthen production capacity

~ FY26/3
50,000m² up

* Including those under construction,
+10,000m² from the previous announcement

Construct new building in Fuchu, Tokyo,
ANS's production center
(To start operation in FY25/3)

ANS Topics



Initiatives for optical communication between low-orbit satellites and geostationary orbit satellites

The performance of the optical inter-satellite communication equipment (optical terminal) on the advanced radar satellite "DAICHI-4" (ALOS-4) has been confirmed

Collaboration with Skyloom Global Corporation

Joint Development of 100Gbps Space Optical Communication Technology
Aiming to innovate global Internet connectivity

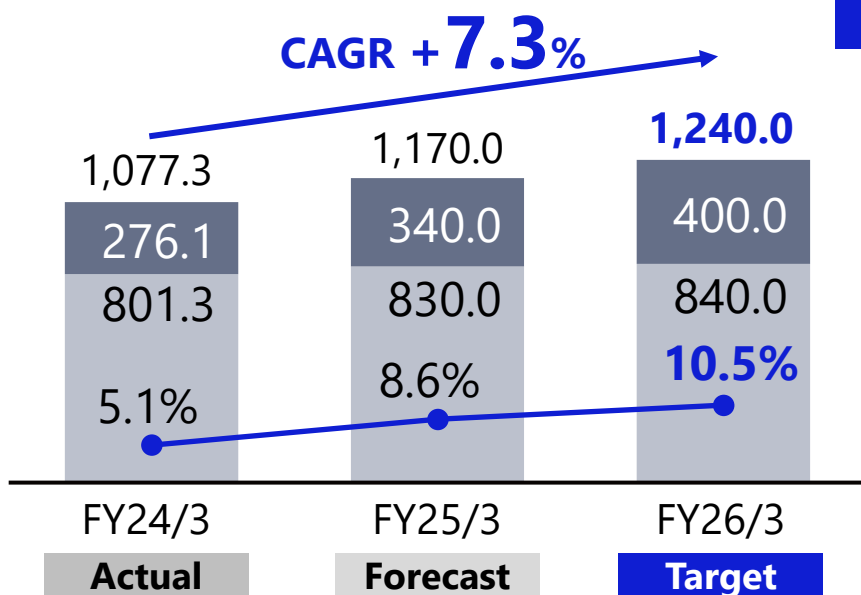
Summary

Achieve the 2025 Mid-term Management Plan by increasing ANS revenue and transforming the telecom business model

(Billions of Yen)

■ Revenue (ANS) ■ Revenue (Telecom Services)

● Adj. OP Margin



FY24/3-FY26/3

Adj. OP CAGR

+53.8 %

Telecom Services

- Profitability of Global 5G business
- Expand software business
- Shift to high-value added business (Enhancement of AI utilization services)

ANS

- Further growth in order value based on defense budget increase
- Strengthen Resources (headcount, production capacity)

NEC

\Orchestrating a brighter world

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;
- impact from the outbreak of infections;
- 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, 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 the Company possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for the Company to predict these events or how they may affect the NEC Group. The Company 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, 2023, 2024, and 2025 were referred as FY23/3, FY24/3, and FY25/3, respectively. Any other fiscal years would be referred similarly.