Mid-term Management Plan 2018

April 28, 2016
NEC Corporation
(http://www.nec.com/en/global/ir)
Mid-term Management Plan 2018

I. Looking Back at the “Mid-term Management Plan 2015”

II. Mid-term Management Directions

III. Reorganization of Profit Structure

IV. Getting back on the Track to Growth

Supplement: Mid-term Plan by Segment

* “Net Income” of FY2015 is net income attributable to the stockholders of the parent company based on J-GAAP. IFRS will be applied from FY2016 onwards, and “Net Income” is the amount of Profit(loss) attributable to owners of the parent on IFRS.

* FY16/3 IFRS figures are currently not audited and subject to change upon audit completion during FY17/3
I. Looking Back at the “Mid-term Management Plan 2015”
Unable to achieve our Mid-term Management Plan (MTP) 2015 targets except for net income, despite our effort to enhance profitability and financial strength.
Unable to achieve targets due to our overly optimistic expectations of the market volume and lack of ability to execute

(Billions of Yen)

FY16/3 Operating Income Target and Result Variance (JGAAP)

- Public -3.0
- Enterprise +9.0
- Telecom Carrier -29.0
- System Platform -2.0
- Others -35.0
- Smart Energy (-27.0)
- Unclassified +17.3

FY16/3 MTP Target 150.0
FY16/3 Result 107.3
## Achievements and Challenges

### Progress in portfolio reorganization; delays in business growth and profit structure improvement

<table>
<thead>
<tr>
<th>Focus on Solutions for Society</th>
<th>Achievements</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>● Portfolio reorganization</td>
<td>● Delay in new business establishment</td>
</tr>
<tr>
<td></td>
<td>● Acquisition of large-scale public infrastructure businesses</td>
<td></td>
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<tr>
<td></td>
<td>● Strengthening of core assets</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Focus on Asia, promotion of “locally led” business</th>
<th>Achievements</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>● Expanded business in Asia and Latin American regions, namely in public safety</td>
<td>● Expanded international business, but were not able to achieve targets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Establishment of a stable financial foundation</th>
<th>Achievements</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>● Achieved a sound balance sheet</td>
<td>● Inability to achieve free cash flow and ROE targets</td>
</tr>
<tr>
<td></td>
<td>● Increased shareholder returns (increased dividend)</td>
<td></td>
</tr>
</tbody>
</table>
NEC’s Challenges

Shortfall in the application of ideas into action plans and execution

Lack of speed in adapting to change

NEC possesses the assets to create the value we target
Management Policies

Enforcement of compliance / Evolution of corporate culture
Instill and build corporate ethics and compliance as group-wide corporate culture
Strengthen capability to continuously create value, and establish system based on “HR philosophy”

Improve management speed
- Implement PDCA that is conducive to swift decision-making
- Build consensus by thorough discussion and accelerating execution speed

Enhance execution power
- Clearly define authority/responsibility within the complex businesses
- Select business partners based on strong capability to navigate the market

Group business management
- Pursue the “Best” for the whole NEC Group.
- Transform the work style of the 200 group companies and 100,000 employees, and optimize resource allocation
II. Mid-term Management Direction
Market Environment Outlook

Macro Environment
- Stable growth in the US and Europe. Resource-rich emerging economies show slower growth
- Heightened social instability due to aging population, urbanization, disasters and terrorism
- Changes in industry structure and competitive landscape will emerge due to progress in digitalization of enterprise activities
- Prolonged, low economic growth due to sluggish exports, population decline, and other structural problems.
- Increase in the promotion of public-private partnerships geared at realizing structural reforms and growth strategies

ICT Market
- Increase in demand for cyber security solutions to protect digital economic activities such as FinTech and National ID
- Secure services, connecting everything through the Cloud, will be the market drivers
- AI and IOT will realize a world whereby “people,” “things,” and “phenomena” are connected securely

Greater importance of secure Solutions for Society

*FinTech: Finance and Technology  AI: Artificial Intelligence  IoT: Internet of Things
Mid-term Management Policies

Implement reforms to address challenges and continued focus on Solutions for Society

Reorganization of profit structure – establish profit structure for generating 5% operating profit ratio -

- Reform underperforming businesses and unprofitable projects
- Business process optimization project
- Optimization of development and manufacturing functions

Getting back on the track to growth - globalization of Solutions for Society

- Focus on key businesses
  - Safety business
  - Global carrier network business
  - Retail IT service business
## Mid-term Management Targets

<table>
<thead>
<tr>
<th>(Billions of Yen)</th>
<th>FY2016/3</th>
<th>FY2016/3</th>
<th>FY2019/3 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>JGAAP</td>
<td>IFRS</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>2,821.2</td>
<td>2,824.8</td>
<td>3,000.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>107.3</td>
<td>91.4</td>
<td>150.0</td>
</tr>
<tr>
<td>(Operating income ratio)</td>
<td>3.8%</td>
<td>3.2%</td>
<td>5%</td>
</tr>
<tr>
<td>Net income</td>
<td>68.7</td>
<td>76.5</td>
<td>85.0</td>
</tr>
<tr>
<td>Free cash flows</td>
<td>65.6</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Return on Equity(ROE)</td>
<td>8.5%</td>
<td>-</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Target figures are as of April 28, 2016

*FY16/3 IFRS figures are currently not audited and subject to change upon audit completion during FY17/3.
### Sales Target - Approach

#### Sales Budget

**Billions of Yen**

<table>
<thead>
<tr>
<th></th>
<th>FY2016/3</th>
<th>FY2019/3 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2,221.7</td>
<td>2,200.0</td>
</tr>
<tr>
<td>International</td>
<td>2,824.8</td>
<td>3,000.0</td>
</tr>
</tbody>
</table>

**Average annual growth rate**

- **International**
  - Define business areas where we can apply our strength as Key Businesses and expand business
  - Acceleration of “One to Many”

- **Japan**
  - By capturing new business opportunities, compensate for contraction of existing businesses and maintain current business scale.

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Capture New Business Opportunities (Examples in Japan)

Infrastructure preparation for 2020

By leveraging our public safety products, contribute to safety, security and “omotenashi” hospitality in cities

Private markets

Public markets

Government target for 2020

40 million visitors to Japan

Providing solutions for a smart society

"My Number" - Use in private sector

"My Number" - Private use strongly supports creation of new services

Regional Revitalization

By strengthening the organization in which all group companies work together and through joint efforts with local stakeholders, contribute to solving the problems of local government and residents.

Manufacturing ("monozukuri")

- Co-creation (For manufacturers)

Know-how and assets (needed for production innovation or global supply-chain renovation) - Provided under four concepts

* Monozukuri Research Group
Members: 3,078 (As of March 2016)
Capital Allocation

Aiming for shareholder returns while expanding investment in growth business areas and enhancing the financial foundation

<table>
<thead>
<tr>
<th>Net income</th>
<th>Free cash flows</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019/3 (Target): 85 billion yen</td>
<td>FY2019/3 (Target): 100 billion yen</td>
</tr>
<tr>
<td>Secure operating income by resolving of issues and streamlining to operational efficiency</td>
<td>Compress working capital by promoting CCC improvement</td>
</tr>
</tbody>
</table>

Investment for growth | Secure 200 billion yen framework for inorganic strategy

Enhancement of financial foundation | Net D/E Ratio around 0.5 times <End of FY2019/3>

Shareholder returns | Aim for increased dividend from 6 yen (annual dividend)

*Target figures are as of April 28, 2016
III. Reorganization of Profit Structure
Approach for Reorganization of Profit Structure

Operating Income Target

<table>
<thead>
<tr>
<th>(Billions of Yen)</th>
<th>FY2016/3</th>
<th>FY2019/3 (Target)</th>
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<tr>
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<td>150.0</td>
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<tr>
<td>O.P. Ratio</td>
<td>3.2%</td>
<td>5%</td>
</tr>
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</table>

Measures for improvement in operating income ratio

- Measures for underperforming business and unprofitable projects
  - Structural reform for smart energy: 24.0
  - Prevent new unprofitable projects: 13.0

- Business process optimization project
  - Staff operation efficiency: 25.0
  - Cost / IT Cost efficiency: 10.0

- Optimization of development and manufacturing functions: 10.0

Changes in business mix

- Changes in business mix: -24.0

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Addressing Underperforming Businesses and Unprofitable Projects-1

Smart Energy Business – stop losses

Stop the losses: (24 billion yen)

(Billions of Yen)

Operating income/loss target

- Management change - From "Business Unit" to a division directly controlled under corporate
- Carry out structural reform

- Promote portfolio reform
  ✓ Shift to Energy System Integration / Service Business

- Optimize the resource scale by “minimized operations”

FY2016/3

Asset impairment

Improve
24 billion yen

FY2019/3
(Target)

*Target figures are as of April 28, 2016
Addressing Underperforming Businesses and Unprofitable Projects

Unprofitable projects - Control

Loss reduction (13 billion yen)

(Billions of Yen)

Loss-making projects - Amount

- Enterprise - More effectively manage unprofitable projects
  Communicate this know-how across group companies

- Enhance project management abilities and PMO functions

- Control international unprofitable projects by enhancing governance of global affiliates

*PMO: Project Management Office

*Target figures are as of April 28, 2016
Administrative Staff operation consolidation for NEC Management Partner - Extended to 16 major companies (16 major companies cover about 90% of administrative staff)

Visualization / Standardization and Process re-engineering - Streamline operations 30%

Control new employment and shifting resources to reduce administrative staff numbers by 30%

No. of administrative staff at all group companies (Japan)

10,000 employees

30% reduction = Value for each staff member increased 30%

Expenses/IT Cost - Streamlining Effect (10 billion yen)

<Expenses>
- Expense management activities - Extending to all group companies / global
- Order process - Optimization

<IT costs>
- Reduce existing IT system costs to half by centrally controlling IT assets of all group companies and enhancing IT control
- New investment for further operation streamlining and sophistication

*Target figures are as of April 28, 2016
Optimization of development and manufacturing functions

Enhancement of optimization strategies and attainment of achievements from group function integration  Effect of FY19/3 10 Billion Yen

<Major integration cases>

<table>
<thead>
<tr>
<th>Year</th>
<th>Company Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>NEC Network Products</td>
<td>Integrated 3 affiliate companies for network hardware</td>
</tr>
<tr>
<td>2014</td>
<td>NEC Solution Innovators</td>
<td>Integrated 7 affiliate companies for software</td>
</tr>
<tr>
<td>2014</td>
<td>NEC Platforms</td>
<td>Integrated 4 affiliate companies for IT hardware (plan to also integrate business of NEC Nagano and NEC Saitama to NEC Platforms)</td>
</tr>
</tbody>
</table>

Hardware Development and Manufacturing

- Enhancement and streamlining of development/production systems from the “One NEC” view point
- Streamlining of development structure by integrating development processes and development environments

Software Development

- Reassembling and optimizing the resource map
- Leveraging local SI/service resources efficiently and activating regional businesses

*Target figures are as of April 28, 2016
IV. Getting Back on the Track to Growth
### 4 Key Business Area Results:

Enhance technology assets across business areas

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Results</th>
</tr>
</thead>
</table>
| **Big Data**  | • Many demonstration tests for nuclear power plants  
                • Promote the training of data scientists |
| **Cloud**     | • Construction and operation of centers by NEC  
                • Established organization to provide E2E services |
| **Cyber Security** | • Supplied core system to Interpol  
                      • Strengthened evangelists and security engineers and provided SOC services globally |
| **SDN**       | • Expanded business for enterprises with next generation NW infrastructure (i.e., easy operation, high scalability, BCP for cyber attacks, etc.) |

Sales of 4 key businesses FY14/3 120 Billion Yen  ➡️  FY16/3 230 Billion Yen

*SOC : Security Operation Center*
Select the business to focus on in which the technology assets that NEC has been refining can be used as a "lever".

R&D for leading-edge technologies
7 Themes for Value Creation

- Quality of Life
- Work Style
- Industry Eco-System
- Communication
- Sustainable Earth
- Safer Cities & Public Services
- Lifeline Infrastructure

7 themes of social value creation

Orchestrating a brighter world
Key Businesses in Mid-term Management Plan 2018

Safety
- Surveillance
- Cyber Security

Global Carrier Networks
- TOMS, SDN/NFV

Retail IT Service

7 themes of social value creation
- Safety
- Surveillance
- Cyber Security
- Global Carrier Networks
- Retail IT Service
- Communication
- Industry Eco-System
- Lifeline Infrastructure
- Sustainable Earth
- Quality of Life
- Work Style

Orchestrating a brighter world
Establishing a safe and secure infrastructure that supports society

- Progress of urbanization (1.8 times / 2050)
- Urban challenges such as commuter rush hours, traffic jams, worsening security, pollution, etc.
- Integration of urban functions and cyberspace
- Risk of urban function interruption caused by disaster, terrorism or urban overpopulation
Safety Business

Value Offerings
- Contributing to greater safety and security by analyzing phenomenon in real-time
- Authentication technology
- SOC operation know-how
- Delivery of government projects

Target Areas / Customers
- APAC, Major cities in Middle East, Africa, Central and South America
- Essential public institutions (e.g., Government, Airports)

Major Projects
- Solution Enhancement
  - Integrate operation know-how that NEC has gained in its current businesses and technology core set and provide the service of this integrated system (including operation).
- Business operation organization - Strengthening
  - Enhance the global delivery system by partnering, etc.
  - Enhance the planning function of "One to Many" solution
  ⇒ Consolidate the internal related divisions into Global BU* and integrate it in the GSD**

*BU : Business Unit
**GSD : Global Safety Division
For the "Hyper Connected" era
- Increasing digitalized information (4.4 trillion GB → 44 trillion GB/2020)
- Rapidly increasing network traffic

Expansion of new business using IoT
- Smart factories
- Connected cars
- Connected homes
- Smart logistics, etc.

Implemented on information and communications service
Network Business for Global Carriers

Value Offerings

- Quickly implement a new service (carrier) to address social needs
- **Ability to provide TOMS solution and customer base**
- **SDN/NFV commercial launch**

Target Areas / Customers

- Leverage the customer bases of NEC and NetCracker
- SDN/NFV - Horizontal expansion to other carriers from leading-edge global carriers

Major Projects

- Solution Enhancement
  - TOMS / SDN/NFV combination (E2E orchestration, etc.) / IT/NW integrated solution - Continuous enhancement
  - Promotion of open standards and partner collaboration to offer diverse solutions
- Enhancement of business operation organization
  - Integrate the capabilities to provide the total solution for SDN/NFV business and accelerate business expansion
IT Service Business for Retail (Market Environment)

- Heightened demand for safety and efficiency
  In a world where urbanization is progressing...
  - Food demand ... 1.7 times
  - Water demand... 1.6 times
  - Energy demand...1.8 times

- Diversifying consumer needs
IT Service Business for Retail

Value Offerings

- Realizing a 24/7 store operation - Safe, Secure, Efficient
- Further improvements in consumer convenience
  - Commercial launch – Major convenience store chain
  - Best practice model

Target Areas / Customers

- Major convenience store chains in North America, APAC, Greater China, Central and South America
- Development of business for drug stores and variety stores

Major Projects

- Solution Enhancement
  - Enhance IT service life-cycle management
  - Enhance the new value provision solution
    - Omni channel
    - Authentication / Clearing
    - Operation streamlining
    - Facility / Equipment management
- Business operation organization - Strengthening
  - Enhance the specialized RBSC* and expand delivery and service operation organizations

*RBSC: Regional Business Support Center
<table>
<thead>
<tr>
<th>Business</th>
<th>2018 Market Volume</th>
<th>2019/3 (Target)</th>
<th>(Billions of Yen)</th>
<th>International</th>
<th>Global Carrier Networks</th>
<th>Retail IT Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>IVS* US$ 26B</td>
<td>TOMS US$ 12B</td>
</tr>
<tr>
<td></td>
<td>IVS:* Estimated by NEC</td>
<td></td>
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<tr>
<td></td>
<td>CS:* Estimated by NEC</td>
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<tr>
<td></td>
<td>IVS: Intelligent video surveillance</td>
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<tr>
<td></td>
<td>CS: Cyber Security</td>
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</tr>
<tr>
<td>International (excl Japan) Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>210.0</td>
<td></td>
</tr>
<tr>
<td>Global Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2016/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>120.0</td>
<td>Inter national</td>
</tr>
<tr>
<td>FY2019/3 (target)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.8 times Inter national</td>
<td>1.2 times Inter national</td>
</tr>
<tr>
<td>FY2019/3 (target)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>134.0</td>
<td>Japan</td>
</tr>
</tbody>
</table>

*Estimated by NEC

*Target figures are as of April 28, 2016
Corporate Culture - Evolution

- NEC's advantages and corporate culture - cultivated since its establishment
- Business vectors to focus on
  - Communication culture
  - Value creation activity / Cooperation activity
  - People Development
- Acceleration of innovation / Improvement of quality
  - Creating "Best Practices"
- Reform - 1st phase (2015 mid-term plan)
  - Creating the BASE for growth
- Reform - 2nd phase (2018 mid-term plan)
  - Creating the PILLAR for growth

DNA

- Practice of planar management (Enhancing links between executives and business managers)
- Enhancement of value provision point of view / business model thinking
- Creation of human resources who lead in "Value Creation"
- Review of recruitment, evaluation and training

Social Solution Business

NEC's Vision Book

- Accelerating a brighter world
- NEC Vision Book

Practice of planar management (Enhancing links between executives and business managers)
Orchestrating a brighter world

NEC
Supplement: Mid-term Plan by Segment
## Mid Term Management Plan by Segment

### Net Sales

<table>
<thead>
<tr>
<th></th>
<th>FY2016/3</th>
<th>FY2017/3 (Forecast)</th>
<th>FY2019/3 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>771.6</td>
<td>735.0</td>
<td>780.0</td>
</tr>
<tr>
<td>Enterprise</td>
<td>300.3</td>
<td>305.0</td>
<td>340.0</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>697.5</td>
<td>705.0</td>
<td>795.0</td>
</tr>
<tr>
<td>System Platform</td>
<td>728.6</td>
<td>755.0</td>
<td>795.0</td>
</tr>
<tr>
<td>Others</td>
<td>326.8</td>
<td>380.0</td>
<td>290.0**</td>
</tr>
</tbody>
</table>

### Operating Income

<table>
<thead>
<tr>
<th></th>
<th>FY2016/3</th>
<th>FY2017/3 (Forecast)</th>
<th>FY2019/3 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>57.3</td>
<td>69.0</td>
<td>21.0</td>
</tr>
<tr>
<td>Enterprise</td>
<td>23.9</td>
<td>19.0</td>
<td>57.0</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>46.5</td>
<td>48.0</td>
<td>39.0</td>
</tr>
<tr>
<td>System Platform</td>
<td>31.7</td>
<td>32.0</td>
<td>24.0</td>
</tr>
<tr>
<td>Others</td>
<td>-18.2</td>
<td>-69.0</td>
<td>-60.0</td>
</tr>
<tr>
<td>Adjustment</td>
<td>-49.8</td>
<td>-69.0</td>
<td>-60.0</td>
</tr>
</tbody>
</table>

**Includes a fixed level of corporate contingency**

*(Forecast and targets are as of April 28th, 2016)*

* FY16/3 IFRS figures are currently not audited and subject to change upon audit completion during FY17/3.*

(Billions of Yen)
Shift to an entity to sustain continuous growth and stable profitability

**Sales**
- Target to get back on the track towards growth by capturing Japanese market business opportunities, although fire prevention radio network businesses has peaked out
  - Infrastructure preparation towards year 2020
  - Cyber security
  - IT services for financial institutions (FinTech)

**Operating Income**
- Further to sales expansion, exit from loss-making businesses in order to improve profitability.

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<tr>
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<td><strong>Operating Income</strong></td>
<td>57.3</td>
<td>69.0</td>
<td>69.0</td>
</tr>
<tr>
<td><strong>Operating Income Ratio</strong></td>
<td>7.4%</td>
<td>9.4%</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

CAGR FY16/3-19/3

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Enterprise

Strengthening of business foundation towards global growth

Sales

- Growth in the focus businesses
  - IT services business for retail
  - Manufacturing Co-Creation Program

Operating Income

- Maintaining overall profitability whilst investing in the strengthening measures of the business foundation

<table>
<thead>
<tr>
<th>Sales (Billions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016/3</td>
</tr>
<tr>
<td>300.3</td>
</tr>
<tr>
<td>FY2017/3 (Forecast)</td>
</tr>
<tr>
<td>305.0</td>
</tr>
<tr>
<td>FY2019/3 (Target)</td>
</tr>
<tr>
<td>340.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Income Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016/3</td>
</tr>
<tr>
<td>8.0%</td>
</tr>
<tr>
<td>FY2017/3 (Forecast)</td>
</tr>
<tr>
<td>6.2%</td>
</tr>
<tr>
<td>FY2019/3 (Target)</td>
</tr>
<tr>
<td>6.2%</td>
</tr>
</tbody>
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CAGR FY16/3-19/3 +4.2%

* Forecast and targets are as of April 28th, 2016

*FY16/3 IFRS figures are currently not audited and subject to change upon audit completion during FY17/3.
Realizing global growth by capturing the network transformation opportunities

**Sales**
- Targeting expansion of market share within Japan, although the volume is forecasted to decrease
- TOMS・SDN/NFV shall be pillars of business expansion in the global market

**Operating Income**
- Improvement of international business profitability
  - Sales expansion in areas of growth
  - Prevention of loss making projects

*Forecast and targets are as of April 28th, 2016

*FY16/3 IFRS figures are currently not audited and subject to change upon audit completion during FY17/3.*
System Platform

Supporting the solutions for society, and improving profitability

Sales
- Secure growth by the technologies which will support the key businesses such as IoT platform and SDN.

Operating Income
- Improvement of profitability by optimization of hardware development and production capabilities in addition to sales increase.

Sales
- Operating Income
  - FY2016/3: 728.6 (Billions of Yen)
  - Operating Income Ratio: 4.4%
  - FY2017/3 (Forecast): 755.0
  - Operating Income Ratio: 4.2%
  - FY2019/3 (Target): 795.0
  - Operating Income Ratio: 4.9%
  - CAGR FY16/3-19/3: +3.0%

Operating Income Ratio
- Sales
  - FY2016/3: 31.7
  - Operating Income
  - FY2017/3 (Forecast): 32.0
  - Operating Income
  - FY2019/3 (Target): 39.0

* Forecast and targets are as of April 28th, 2016
* FY16/3 IFRS figures are currently not audited and subject to change upon audit completion during FY17/3.
<table>
<thead>
<tr>
<th>JGAAP (Billions of Yen)</th>
<th>FY2016/3 Targets</th>
<th>FY2016/3 Results</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3,200.0</td>
<td>2,821.2</td>
<td>-378.8</td>
</tr>
<tr>
<td>Operating income</td>
<td>150.0</td>
<td>107.3</td>
<td>-42.7</td>
</tr>
<tr>
<td>(Operating income ratio)</td>
<td>4.7%</td>
<td>3.8%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Net income</td>
<td>60.0</td>
<td>68.7</td>
<td>+8.7</td>
</tr>
<tr>
<td>Free cash flows</td>
<td>100.0</td>
<td>65.6</td>
<td>-34.4</td>
</tr>
<tr>
<td>Return on Equity(ROE)</td>
<td>10%</td>
<td>8.5%</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>
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 NEC 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:

- Effects of economic conditions, volatility in the markets generally, and fluctuations in foreign currency exchange and interest rate
- Trends and factors beyond the NEC Group’s control and fluctuations in financial conditions and profits of the NEC Group that are caused by external factors
- Risks arising from acquisitions, business combinations and reorganizations, including the possibility that the expected benefits cannot be realized or that the transactions may result in unanticipated adverse consequences
- Developments in the NEC Group’s alliances with strategic partners
- Effects of expanding the NEC Group’s global business
- Risk that the NEC Group may fail to keep pace with rapid technological developments and changes in customer preferences
- Risk that the NEC Group may lose sales due to problems with the production process or due to its failure to adapt to demand fluctuations
- Defects in products and services
- Shortcomings in material procurement and increases in delivery cost
- Acquisition and protection of intellectual property rights necessary for the operation of business
- Risk that intellectual property licenses owned by third parties cannot be obtained and/or are discontinued
- Risk that the NEC Group may be exposed to unfavorable pricing environment due to intensified competition
- Risk that a major customer changes investment targets, reduces capital investment and/or reduces the value of transactions with the NEC Group
- Risk that the NEC Group may be unable to provide or facilitate payment arrangements (such as vendor financing) to its customers on terms acceptable to them or at all, or risk that the NEC Group’s customers are unable to make payments on time, due to the customers’ financial difficulties or otherwise
- Risk that the NEC Group may experience a substantial loss of, or an inability to attract, talented personnel
- Risk that the NEC Group’s ability to access the commercial paper market or other debt markets are adversely affected due to a downgrade in its credit rating
- Risk that the NEC Group may incur large costs and/or liabilities in relation to internal control, legal proceedings, laws and governmental policies, environmental laws and regulations, tax practice, information management, and human rights and working environment
- Consequences of natural and fire disasters
- Changes in methods, estimates and judgments that the NEC Group uses in applying its accounting policies
- Risk that the NEC Group may incur liabilities and losses in relation to its retirement benefit obligations

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.