Mid-term Management Plan 2020

January 30, 2018
NEC Corporation
http://www.nec.com/en/global/ir
NEC brings together and integrates technology and expertise to create the ICT-enabled society of tomorrow.

We collaborate closely with partners and customers around the world, orchestrating each project to ensure all its parts are fine-tuned to local needs.

Every day, our innovative solutions for society contribute to greater safety, security, efficiency and equality, and enable people to live brighter lives.
Mid-term Management Plan 2020

1. Looking back at the “Mid-term Management Plan 2018” and new Mid-term Management Directions
2. Reform of Profit Structure
3. Achievement of Growth
4. Restructuring of Execution Capabilities
5. Summary

Supplement: Mid-term Plan by Segment

* Net profit refers to net profit attributable to owners of the parent for the same period.
1. Looking Back at the “Mid-term Management Plan 2018” and New Mid-term Management Directions
Transformation into a Social Value Innovator

The “Mid-term Management Plan 2018” aimed for the “Reorganization of Profit Structure” and “Getting Back on the Track to Growth” in order to realize the transformation into a Social Value Innovator.

Orchestrating a brighter world

7 Themes of Social Value Creation

- Sustainable Earth
- Safer Cities & Public Services
- Quality of Life
- Lifeline Infrastructure
- Work Style
- Communication
- Industry Eco-System
Transforming into a Social Value Innovator

**Technology Development**

- **Cyber Security**
  - Established Security Operation Center (SOC)
  - Est. June 2016
- **NEC the WISE AI**
  - Established AI technology brand
  - Est. July 2016
- **Biometrics**
  - Established biometric product brand
  - Est. November 2017
- **IoT & Network**
  - Announced IoT strategy
  - Est. July 2015

**Case studies on social value creation**

- **Safer Cities & Public Services**
  - South Wales Police
  - A safe and secure event experience
- **Lifeline Infrastructure**
  - Tokyo Stock Exchange, Inc.
  - Efficient and secure AI trade review service
- **Industry Eco-System**
  - Sumitomo Electric Industries, Ltd.
  - Efficient and fair inspection support with AI

**Co-Creation, and Collaborative research**

- **NEC Future Creation Forum**
- **International Sports Events**
- **Collaborative research such as AI**
  - Osaka University, AIST, The University of Tokyo
- **Blockchain mounting**
  - Collaboration by SBI Holdings, SBI BITS, NEC
- **International standardization activities**
  - FIWARE Foundation as a platinum member
Cost reduction efforts have progressed mostly on track, while existing businesses underperformed significantly.

**Mid-term Management Plan 2018**

**Reorganization of profit structure**
- Establish profit structure for generating 5% operating profit ratio

**Status**
- Mostly on track for cost reduction targets
  - Reform underperforming businesses and unprofitable projects
  - Business process optimization project
  - Optimization of development and manufacturing functions

**Getting back on the track to growth**
- Focus on key businesses
  - Safety business
  - Global carrier network business
  - Retail IT service business

**Operating profit (Billions of yen)**
- 150.0

**Achievements and Challenges from the “Mid-term Management Plan 2018”**

<table>
<thead>
<tr>
<th>FY2016/3 Result</th>
<th>FY2017/3 Result</th>
<th>FY2018/3 Forecast</th>
<th>FY2019/3 MTP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>41.8</td>
<td>60.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Forecasts and targets as of January 30, 2018

**Status**
- Evidently underperformed in existing businesses
Cost reduction efforts have progressed mostly on track, while existing businesses underperformed significantly.

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2019/3 MTP Target (3 years)</th>
<th>2018/3 Forecast (2 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural reform for smart energy</td>
<td>+24.0</td>
<td>+14.0</td>
</tr>
<tr>
<td>Prevent new unprofitable projects</td>
<td>+13.0</td>
<td>+11.0</td>
</tr>
<tr>
<td>Back office efficiency</td>
<td>+25.0</td>
<td>+14.0</td>
</tr>
<tr>
<td>Cost/IT cost efficiency</td>
<td>+10.0</td>
<td>+12.0</td>
</tr>
<tr>
<td>Optimization of development and manufacturing functions</td>
<td>+10.0</td>
<td>+5.0</td>
</tr>
<tr>
<td><strong>Reorganization of profit structure</strong></td>
<td><strong>+82.0</strong></td>
<td><strong>+56.0</strong></td>
</tr>
<tr>
<td>Changes in business mix</td>
<td>-23.4</td>
<td>-77.4</td>
</tr>
<tr>
<td>Impact of suspension from contract bidding process</td>
<td>-10.0</td>
<td></td>
</tr>
<tr>
<td><strong>Changes in business mix, etc.</strong></td>
<td><strong>-23.4</strong></td>
<td><strong>-87.4</strong></td>
</tr>
</tbody>
</table>

**Mostly on track for cost reduction targets**
- Improvement of fixed costs
- Optimization of production system

**Evidently underperformed in existing businesses**
- Difficulty in achieving business growth

FY2016/3 Result: +58.6
FY2018/3 Forecast: -31.4

*Forecasts as of January 30, 2018*
# Mid-term Management Policies

Implement **fundamental reform of profit structure**, including reduction of fixed costs, to be able to carry out **investments needed to get back on the track to growth**

## Reform of profit structure
- **SGA** (Personnel expense reduction/cost cutting)
- **Business structure** (Telecom carrier business/ Energy business)
- **Production system**

## Achievement of growth
- **Japan**
  - Securely capture growth opportunities in Japan market
  - Shift to service business

- **Global**
  - Focus on safety business as the growth engine
  - Reorganize global structure supporting growth

## Restructuring of execution capabilities
- Pursuing the creation of customer value by leveraging the latest technologies
- Restructuring of personnel system to enable employees to maximize their capabilities
Business Portfolio Directions

Reform
- Telecom Carrier Business
- Energy Business

Sustain
- ICT Service Business: Transform business model, and create and capture new growth opportunities
- Social Infrastructure Business: Implement investments to gain competitive edge and solidify profit structure
- Platform Business: Enhance competitiveness while ensuring optimization

Growth
- Global: Drive growth by establishing over-100B-yen scale businesses

Category Leader

Common platforms for service business

Business synergy (Technologies, Customers, Solutions)
# Mid-term Management Targets

## Achieve 5% profit ratio to be a sustainable company

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2017/3 Results</th>
<th>FY2018/3 Forecasts</th>
<th>FY2021/3 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,665.0</td>
<td>2,830.0</td>
<td>3,000.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>41.8</td>
<td>60.0</td>
<td>150.0</td>
</tr>
<tr>
<td>(Operating profit ratio)</td>
<td>1.6%</td>
<td>1.8%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Net profit</td>
<td>27.3</td>
<td>40.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Free cash flows *</td>
<td>99.0</td>
<td>100.0 *</td>
<td>100.0</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>3%</td>
<td>5%</td>
<td>10%</td>
</tr>
</tbody>
</table>

* M&A excluded

* Forecasts and targets as of January 30, 2018
Establish a structure to generate 5% operating profit ratio sustainably

(Billions of yen)

2,665.0 2,830.0 3,000.0

1.6% 2.1% 5.0%

150.0

+90.0 +30.0 +60.0

Profit structure reform

Business growth

<table>
<thead>
<tr>
<th></th>
<th>FY2017/3 Results</th>
<th>FY2018/3 Forecasts</th>
<th>FY2021/3 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural reforms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expense reduction</td>
<td>+30.0B yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost cutting, business process optimization</td>
<td>+13.0B yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issues Business improvement</td>
<td>+17.0B yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International *</td>
<td>+20.0B yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety business others</td>
<td>+12.0B yen</td>
<td>+8.0B yen</td>
<td></td>
</tr>
<tr>
<td>Japan *</td>
<td>+10.0B yen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Improvement of underperforming businesses is included in "Structural reforms"

* Forecasts and targets as of January 30, 2018
2. Reform of Profit Structure
2. Reform of Profit Structure

Enforce **reforms in 3 areas**, and establish a “**globally competitive profit structure.**”

- **SGA**
  - Personnel expense reduction/cost-cutting

- **Business structure**
  - Telecom carrier business, Energy business

- **Production**
  - Reorganization of factories in Japan
Reduce fixed costs, including personnel expenses, and realize a profit structure that enables continuous investments for transformation into a service business.

<table>
<thead>
<tr>
<th>Personnel expenses</th>
<th>$30.0B yen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel reduction by 3,000 through structural reforms</strong></td>
<td></td>
</tr>
<tr>
<td>Back office functions, hardware business area</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Costs</th>
<th>$13.0B yen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed property costs</strong></td>
<td></td>
</tr>
<tr>
<td>Optimize office floors through flexible work styles, etc.</td>
<td></td>
</tr>
<tr>
<td><strong>IT costs</strong></td>
<td></td>
</tr>
<tr>
<td>Accelerate standardization of company-wide IT systems and in-house digital transformation</td>
<td></td>
</tr>
<tr>
<td><strong>Marketing costs</strong></td>
<td></td>
</tr>
<tr>
<td>Review budget use and reinforce digital marketing</td>
<td></td>
</tr>
</tbody>
</table>
## 2. Reform of Profit Structure

### Business Structure

#### Telecom Carrier Business

**Strengthen software & services to match market changes**

<table>
<thead>
<tr>
<th>Growth</th>
<th>Japan</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software and services</td>
<td>Accelerate shift in skills and partnering to adapt to changes in customer investments</td>
<td>Position as key area while revising strategy and business structure, setting TOMS business as a core driver</td>
</tr>
<tr>
<td>Network infrastructures</td>
<td>Optimize resources in accordance with revenue scale</td>
<td>Withdraw from/ scale-down low-profit businesses</td>
</tr>
</tbody>
</table>

**Improve profitability**
Deploy the **network strengths** cultivated in the telecom market to other areas.

Respond to the diversifying network needs and offer integrated services that cover products from devices and applications.
From a multi-directional operation approach, focus on energy SI business Aim for growth under a new management structure
Aim for break-even in FY2019/3 for NEC Energy Solutions

<table>
<thead>
<tr>
<th>To date (Multi-directional operation)</th>
<th>From now on (Focus on energy SI business)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy SI business</strong> NEC Energy Solutions</td>
<td>• Revolutionize management with the appointment of the new CEO</td>
</tr>
<tr>
<td><strong>Utility ICT business</strong></td>
<td>• Realize growth through new financing and alliance schemes</td>
</tr>
<tr>
<td><strong>Small-scale storage batteries (components) business</strong></td>
<td>• Capture growth opportunities such as those presented by the Electricity system reform in Japan</td>
</tr>
<tr>
<td><strong>Electrode business</strong> NEC Energy Devices</td>
<td>• Discontinue in-house development and manufacturing, while continuing maintenance and support</td>
</tr>
</tbody>
</table>

To be Divested
Reorganize the global value chain and reorganize factories in Japan

Step 1: BU optimization
- NEC Network Products integration (April 2011)
- NEC Platforms integration (July 2014)
- NEC Nagano, NEC Saitama

Step 2: Inter-factory collaboration
- NEC Platforms inauguration (April 2017)
- NEW

Step 3: Shift to Global “One Factory”
- Standardize production processes and systems for all factories worldwide
- Production based on the latest factory in Thailand, which makes use of factory IoT and AI
- Maximize efficiency through partial aggregation of 9 factories in Japan
- Downsize indirect personnel
3. Achievement of Growth
3. Achievement of Growth


Global: Aim to become a category leader in the safety business

- Business growth seizing on market inflection points
- Business model transformation
- Focus on to expand the safety business (aim to realize “NEC Safer Cities”)
- Shift to dedicated operating structure for global business
- Accelerate M&A

<table>
<thead>
<tr>
<th>Japan 2018/3 Forecast</th>
<th>Global 2018/3 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,100.0B yen</td>
<td>890.0B yen (+6.8%)</td>
</tr>
<tr>
<td>2,110.0B yen (+0.2%)</td>
<td>3,000.0B yen (+2.0%)</td>
</tr>
</tbody>
</table>

* Forecasts and targets as of January 30, 2018

* (CAGR)

Net revenue (Billions of yen)
Realize growth mainly in three areas based on NEC’s “global-best” technologies

Build safe, secure, and abundant “Safer Cities”

Build public safety, digital government, healthcare, work style transformation, and other platforms that enable people to live abundantly

Formation of a sustainable, smart supply chain

Food supply and demand optimization, traffic alleviation, cashless transactions, non-stop factories and plants

Safe and comfortable connected cars

Provision of NEC’s technologies and resources in AI, IoT, and networks to increasingly sophisticated onboard systems

Japan growth areas +85.0B yen FY18/3-FY21/3
Offer solutions for solving social issues as services through partnering with customers.

- Food supply/demand optimization
- Optimized energy use
- Prevention of illegal transactions
- Rationalization of social welfare costs
- Infrastructure deterioration countermeasures
- Disaster prediction & detection
- Urban surveillance

Co-creation program

Service business

Common business platforms

NEC the WISE IoT Platform

Bio-IDiom

2,000* DX specialists

*Increase from current 1,000 members by FY2021/3

Food supply/demand optimization

Optimized energy use

Prevention of illegal transactions

Rationalization of social welfare costs

Infrastructure deterioration countermeasures

Disaster prediction & detection

Urban surveillance

Japan
Set Safety as a core growth engine, while gradually expanding business domain

Public Safety
- Criminal investigation, immigration control, airports, etc.

Digital Government
- Administrative platforms, citizen services, etc.

Accelerate growth by reviewing strategy and business structure

- Focus on the software and service area with high market growth rate with TOMS competitiveness and ecosystem
- Shift to business structure centered on Netcracker

Continue reinforcement of solutions
- Reinforce IT service lifecycle management solutions
- Reinforce solutions that provide new value
  - (1) Omni-channel, (2) Recognition-based payment, (3) Operational efficiency, (4) Facility and equipment management
Set Safety Business as an engine for global growth, and aim to become the global category leader.

Shift to a business model with high profit margin while realizing growth, and achieve operating profit ratio of over 5% and EBITDA ratio of over 20%.

**Revenue outside Japan**

**200.0B yen**

**50.0B yen**

**FY2018/3**  **FY2021/3 Target**

**Measures to realize growth**

- Shift to new business model based on 3 platforms
- Expand business domain through advanced safety solutions
- Accelerate M&A

* Targets as of January 30, 2018
New business model and business areas based on 3 platforms

Shift from an individual SI sales business, to a **business model based on platforms**

Expand business area through advanced safety solutions

New business model based on 3 platforms

**Common business platform**
- Horizontally deployable common business functions

**Analysis platform**
- Analysis of data, future forecasts

**Data platform**
- Collection and integration of data

<table>
<thead>
<tr>
<th>Bio-IDiom</th>
<th>NEC-theWise</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-house data</td>
<td>Purchase data</td>
</tr>
<tr>
<td>Open data</td>
<td></td>
</tr>
</tbody>
</table>

Global
Shift to dedicated operating structure for global business

To accelerate growth of global business, centralize business responsibilities and authorities, and improve management speed and reduce costs.

Business to expand globally from Japan

- Japan / Global customers

Business to expand primarily in global market

- Global customers

Global Business Unit

- Netcracker
- NEC Energy Solutions

Country Affiliate

- Safety
- TOMS
- Energy

- Rapid decision-making through “One Management” scheme for global business
- Intensified investments on core businesses
- Elimination of layered cost structure
- Accelerating profitability of global business through selection of business
Accelerate M&A

Continue to pursue M&A opportunities to fast-track global growth

● Continue to set 200B-yen* allotment for inorganic strategies.  
  (* includes 70.0B yen allotted for acquisition of NPS in January 2018)
  - High profitability in business catering to UK public sector
  - No. 7 in local government IT market in UK

● Further investments will be pursued within a scope that will not undermine the financial structure, based on the cash flow for the next 3 years.

● Investments will be directed at a growth engine centered on safety business.
Aim to realize **NEC Safer Cities**: leveraging biometrics and AI technologies

**Public Safety**
- Prevention of identity theft
  - Criminal fingerprint matching
  - Facial recognition
  - Watchlist face recognition

**Digital Government**
- Detection of fraud
  - National ID
  - Driver's License
- Educational institutions
- Government agencies

**Smart Transportation**
- Trends analysis
  - Event forecasting
- Improvement of citizen services
  - Public housing
  - Healthcare services

**Safety & Security**
+ **Efficiency & Equality**

- Safety
- Security
- Efficiency
- Equality

**Transportation**
- IC card
- Railways
- Buses
- Transportation IC card

**Safety & Security**

**Efficiency & Equality**
4. Restructuring of Execution Capabilities
Create a business foundation for ensuring true growth

- Pursue the creation of customer value by leveraging the latest technologies
- Restructuring to enable employees to maximize their capabilities
Pursuing the creation of customer value by leveraging the latest technologies

Anticipate customer needs **and accelerate monetization of competitive technologies**

### Break away from the self-sufficiency mindset

- **Open research and solution development** that incorporate academic collaboration, venture companies, OSS, and other company technologies
  - **AI-based [Digital Hospitality]**
    - Co-creation with Kitahara Neurosurgical Institute
  - **Endoscopic image analysis**
    - Joint research with National Cancer Research

- **Incubation through diverse schemes**, such as venture capital investment, spin-out, carve-out, etc.
  - **Drug discovery**
    - Establishment of CYTLIMIC, inc.
  - **Smartphone-based convenience store payment service**
    - Joint investment with SMBC

- **Software product delivery service** in collaboration with global vendors outside NEC channels
  - **Object fingerprint authentication technology**
    - Services on GE Predix
  - **Advanced Analytics**
    - Inspection solution services

### Promotion of solutions development via co-creation

In market-oriented collaboration with government, enterprises, and other partners:

- **Promotion of co-creation/PoC of Solutions for Society**
  - Value Co-creation Center (Japan)
  - Advanced Center for Experimentation (Singapore)*

In collaboration with external innovation ecosystem:

- **Accelerate commercialization of core technology**
  - Establish a new company responsible for incubation in North America

Creation of new social value beyond existing frameworks

In collaboration with various stakeholders:

- **Strengthening of public relations functions**
  - (Government, international institutions, standardization bodies, NGOs/NPOs, etc.)
# Restructuring to enable employees to maximize their capabilities

Introduce schemes to enable carrying out actions to completion, and enhance "execution capability"

| Define the management’s responsibilities and authorities more clearly |
| Introduce mechanism to strengthen management’s commitment to results |
| Encourage innovative actions and challenges |
| Introduce an evaluation and compensation system for rewarding those who take action |
| Accelerate diversification of the NEC Group |
| Actively hire and appoint human resources with diverse talents into executive and other positions |
5. Summary
### Mid-term Management Policies

Implement **fundamental reform of profit structure**, including reduction of fixed costs, to be able to carry out **investments needed to get back on the track to growth**

#### Reform of profit structure
- **SGA** (Personnel expense reduction/cost cutting)
- **Business structure** (Telecom carrier business/ Energy business)
- **Production system**

#### Achievement of growth
- **Japan**
  - Securely capture growth opportunities in Japan market
  - Shift to service business
- **Global**
  - Focus on safety business as the growth engine
  - Reorganize global structure supporting growth

#### Restructuring of execution capabilities
- Pursuing the creation of customer value by leveraging the latest technologies
- Restructuring of personnel system to enable employees to maximize their capabilities
Business transformation towards an operating profit ratio of 5%

Reform
- Telecom Carrier Business
- Energy Business
  Reform business structure

Sustain
- ICT Service Business: Transform business model, and create and capture new growth opportunities
- Social Infrastructure Business: Implement investments to gain competitive edge and solidify profit structure
- Platform Business: Enhance competitiveness while ensuring optimization

Growth
- Global: Drive growth by establishing over-100B-yen scale businesses

Category
- Leader

Common platforms for service business

Business synergy (Technologies, Customers, Solutions)
Sustainable Management  Towards maximizing economic and social value

Orchestrating a brighter world

Mid-term Management Directions

Reform of profit structure
- Japan [Transformation of business]
- Global [Focus on safety business]

Realization of growth
- Getting a head start on the latest technologies and pursuing the creation of customer value
- Restructuring to enable employees to maximize their capabilities

Restructuring of execution capability

Priority themes from an ESG perspective
- AI technologies
- Biometrics technologies
- Bio-IDiom

Value to be realized:

Economic value
- Operating profit ratio 5.0%

Social value
- Contribute to SDGs
- Formulate priority theme and KPI from ESG viewpoint (FY2019/3 1H)
Supplement: Mid-term Plan by Segment
## Mid-term Management Plan by Segment

### Revenue

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY17/3 (Forecast)</th>
<th>FY18/3 (Target)</th>
<th>FY21/3 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>766.2</td>
<td>955.0</td>
<td>987.0</td>
</tr>
<tr>
<td>Enterprise</td>
<td>408.6</td>
<td>405.0</td>
<td>424.0</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>600.4</td>
<td>570.0</td>
<td>580.0</td>
</tr>
<tr>
<td>System Platform</td>
<td>719.8</td>
<td>710.0</td>
<td>700.0</td>
</tr>
<tr>
<td>Others</td>
<td>170.0</td>
<td>190.0</td>
<td>309.0</td>
</tr>
</tbody>
</table>

Revenue is expected to grow by 2.0% CAGR from FY17/3 to FY21/3.

### Operating profit/loss

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY17/3 (Forecast)</th>
<th>FY18/3 (Target)</th>
<th>FY21/3 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>33.2</td>
<td>53.0</td>
<td>38.0</td>
</tr>
<tr>
<td>Enterprise</td>
<td>39.7</td>
<td>34.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>18.1</td>
<td>13.0</td>
<td>50.0</td>
</tr>
<tr>
<td>System Platform</td>
<td>29.6</td>
<td>32.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Others</td>
<td>-20.0</td>
<td>-15.0</td>
<td>-62.0</td>
</tr>
<tr>
<td>Adjustment</td>
<td>-58.7</td>
<td>-57.0</td>
<td></td>
</tr>
</tbody>
</table>

*Forecasts and targets as of January 30, 2018*
### Public

#### Revenue
- Increase by securing opportunities for solving social issues, despite contraction of existing ICT market
  - Healthcare
  - City management
  - Public safety

#### Operating profit
- Improve due to a sales increase and minimizing unprofitable projects

<table>
<thead>
<tr>
<th></th>
<th>FY17/3</th>
<th>FY18/3 (Forecasts)</th>
<th>FY21/3 (Targets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>766.2</td>
<td>955.0</td>
<td>987.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>33.2</td>
<td>53.0</td>
<td>76.0</td>
</tr>
<tr>
<td>Ratio</td>
<td>4.3%</td>
<td>5.5%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

CAGR FY18/3-FY21/3

* Forecasts and targets as of January 30, 2018
Enterprise

Revenue

- Growth in key areas
  - Automotive
  - Manufacturing
  - Retail
  - Transportation IC card

Operating profit

- Improve profitability while continuing investments in new areas

* Forecasts and targets as of January 30, 2018
Revenue
- Expand business in software & services area with high market growth
  - Revise strategies and business structure and accelerate growth centering on TOMS business

Operating profit
- Optimize resources in accordance with revenue volume
- Turn to black in Mobile Backhaul business

* Forecasts and targets as of January 30, 2018
Shift to offering platforms that support business transformation from the offering of conventional ICT products
- AI
- IoT × Image analysis
- Cyber security

Structural reform of production in Japan
Improve profitability through business model transformation

* Forecasts and targets as of January 30, 2018
### Others

#### Revenue
- Expand safety business
  - Accelerate M&A
  - Expand business area
- Focus on global energy SI business
  - Divest from the electrodes business, and discontinue development and production of small energy storage system

#### Operating profit/loss
- Profit contribution of safety business and energy business

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*Forecasts and targets as of January 30, 2018*
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 revenue 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.

Note: In this presentation, the accounting periods of the fiscal years for March 31, 2017 and 18 were referred as FY17/3 and FY18/3 respectively. Any other fiscal years would be referred similarly.