

Financial Results for the Fiscal Year Ended March 31, 2018

April 27, 2018

NEC Corporation

(<https://www.nec.com/en/global/ir>)

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* Net profit refers to net profit attributable to owners of the parent for the same period.

** As stated in the July 21, 2017 announcement, "NEC to Revise Business Segments," NEC has revised its business segments from Q1, FY18/3. Figures for the corresponding period of FY16/3 or FY17/3 have been restated to conform with the new segments.

I . Financial Results for FY18/3

(Billions of Yen)

Revenue

YoY +6.7%
Variance from forecast
+14.4

Increased year on year

- Increased in Public business and Others, while decreased in Telecom Carrier and System Platform business

Operating Profit

YoY +22.0
Variance from forecast
+3.9

Improved year on year

- Improved in Public business and Others

Net Profit

YoY +18.6
Variance from forecast
+5.9

Improved year on year

- Improved in income before income taxes

Decided on a 60 yen year-end dividend per share

*Variance from forecast as of January 30, 2018

Summary of Financial Results for FY18/3

Results
FY18/3

(Billions of Yen)

	Q4 <January to March>			Full Year			Variance from Forecast as of Jan 30
	FY17/3 Actual	FY18/3 Actual	YoY	FY17/3 Actual	FY18/3 Actual	YoY	
Revenue	870.6	873.2	+0.3%	2,665.0	2,844.4	+6.7%	+14.4
Operating Profit	58.9	49.6	-9.3	41.8	63.9	+22.0	+3.9
% to Revenue	6.8%	5.7%		1.6%	2.2%		
Income before Income Taxes	69.6	46.7	-22.9	68.1	86.9	+18.9	-
Net Profit	30.2	28.3	-1.9	27.3	45.9	+18.6	+5.9
% to Revenue	3.5%	3.2%		1.0%	1.6%		
Free Cash Flows	92.2	77.6	-14.6	99.0	115.8	+16.8	+15.8

Note:	USD	1	114.62	110.61
Average Exchange Rates (yen)	EUR	1	121.58	134.17

	108.38	111.43
	119.19	128.86

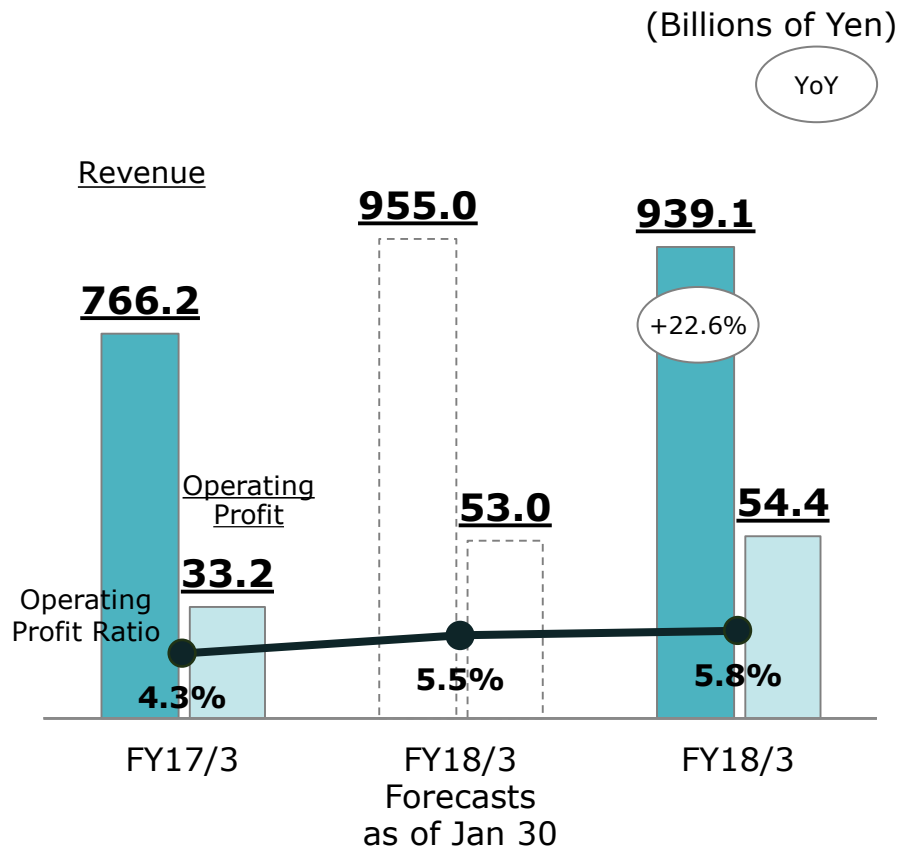
*Assumed exchange rates for Q4, FY18/3 \$1=¥105, €1=¥115

Results by Segment for FY18/3

Results
FY18/3

(Billions of Yen)

		Q4 <January to March>			Full Year			Variance from Forecast as of Jan 30
		FY17/3 Actual	FY18/3 Actual	YoY	FY17/3 Actual	FY18/3 Actual	YoY	
Public	Revenue	315.1	309.2	-1.9%	766.2	939.1	+22.6%	-15.9
	Operating Profit	27.8	33.6	+5.8	33.2	54.4	+21.3	+1.4
	% to Revenue	8.8%	10.9%		4.3%	5.8%		
Enterprise	Revenue	109.9	117.5	+6.9%	408.6	408.7	+0.0%	+3.7
	Operating Profit	13.3	10.6	-2.8	39.7	35.7	-4.0	+1.7
	% to Revenue	12.1%	9.0%		9.7%	8.7%		
Telecom Carrier	Revenue	184.4	176.5	-4.3%	600.4	579.7	-3.4%	+9.7
	Operating Profit	15.7	1.0	-14.6	18.1	2.0	-16.0	-11.0
	% to Revenue	8.5%	0.6%		3.0%	0.4%		
System Platform	Revenue	215.7	205.5	-4.7%	719.8	714.3	-0.8%	+4.3
	Operating Profit	22.0	15.9	-6.1	29.6	31.4	+1.8	-0.6
	% to Revenue	10.2%	7.7%		4.1%	4.4%		
Others	Revenue	45.4	64.4	+41.9%	170.0	202.6	+19.2%	+12.6
	Operating Profit/Loss	-3.3	-0.9	+2.4	-20.0	-11.9	+8.1	+3.1
	% to Revenue	-7.4%	-1.4%		-11.8%	-5.9%		
Adjustment	Operating Profit/Loss	-16.6	-10.6	+6.0	-58.7	-47.8	+11.0	+9.2
Total	Revenue	870.6	873.2	+0.3%	2,665.0	2,844.4	+6.7%	+14.4
	Operating Profit	58.9	49.6	-9.3	41.8	63.9	+22.0	+3.9
	% to Revenue	6.8%	5.7%		1.6%	2.2%		



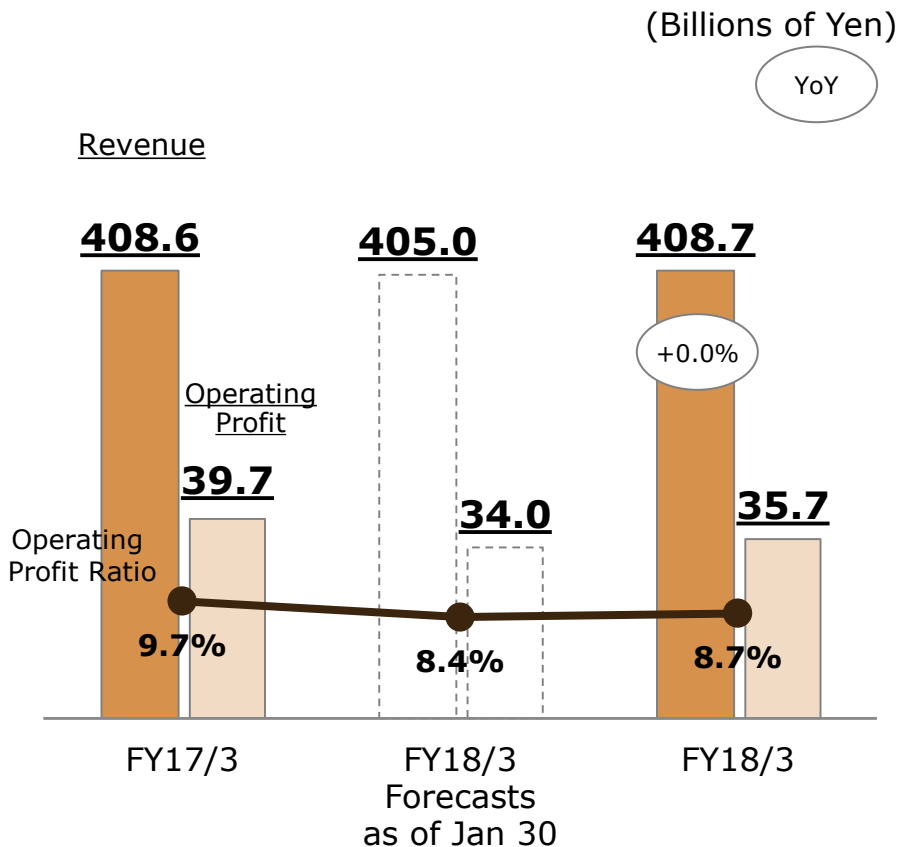
Revenue 939.1 (+22.6%)

- Public Solutions area: decreased due to the influence of the suspension from contract bidding processes
- Public Infrastructure area: increased due to consolidation of Japan Aviation Electronics Industry, Limited

Operating Profit 54.4 (+21.3%)

- Improved due to a sales increase and profitability improvement in the space business, as well as a decrease in provision for contingent loss recorded in the previous fiscal year





Revenue 408.7 (+0.0%)

- Remained flat with an increase in financial institution sales, offset by a decline in manufacturing industries as well as retail and services

Operating Profit 35.7 (-4.0)

- Worsened due to an increase in IoT related investment expenses

*IoT: Internet of Things

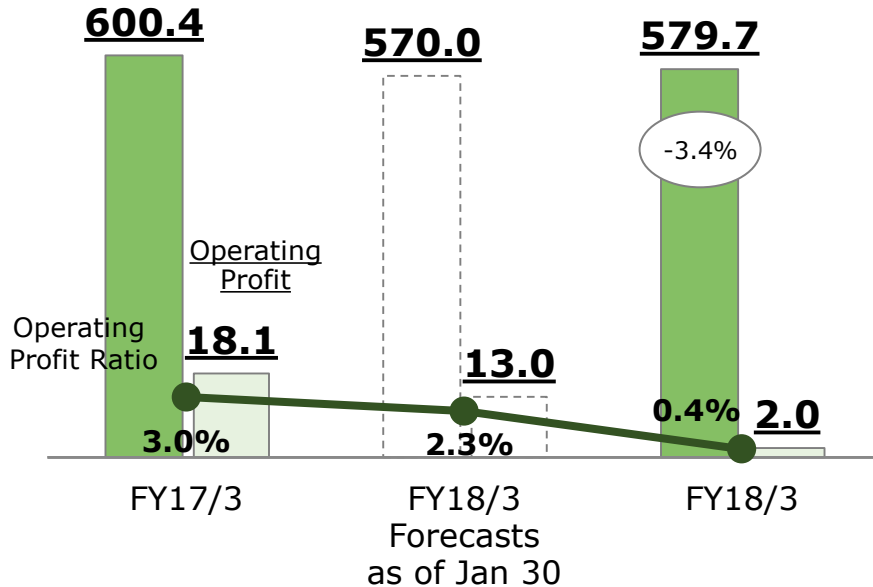


(Billions of Yen)

Billions of Yen (YoY)

YoY

Revenue



Revenue 579.7 (-3.4%)

- International sales decreased due to a decline in mobile backhaul and submarine cable systems, despite expansion of TOMS
- Decreased in Japan due to sluggish capital investment by telecommunications carriers

Operating Profit 2.0 (-16.0%)

- Worsened due to a sales decline and recording of business structure improvement expenses for international operations

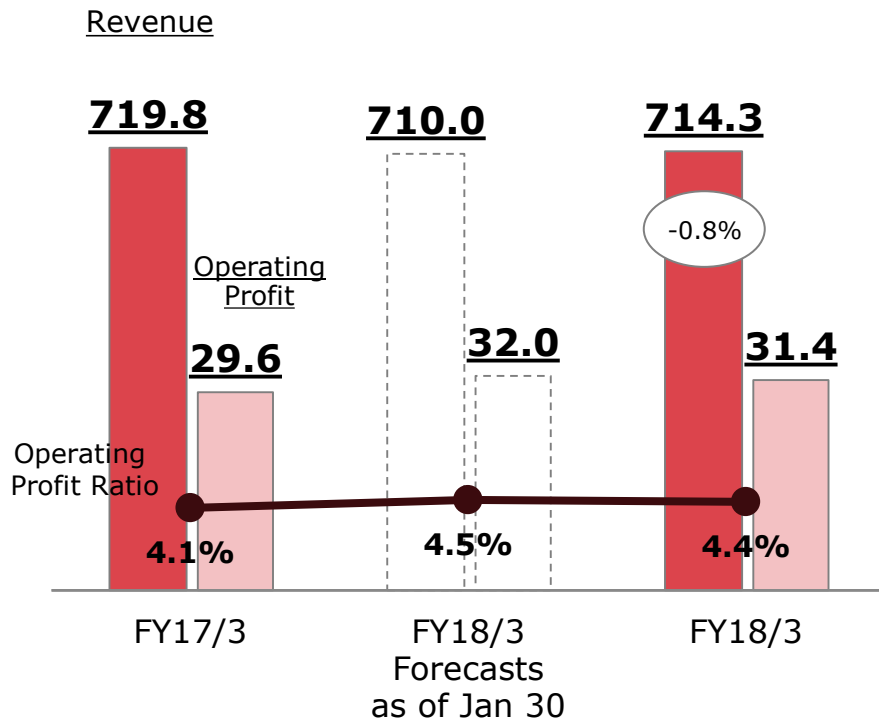
*TOMS: Telecom Operations & Management Solutions



(Billions of Yen)

Billions of Yen (YoY)

YoY



Revenue 714.3 (-0.8%)

- Decreased in maintenance services

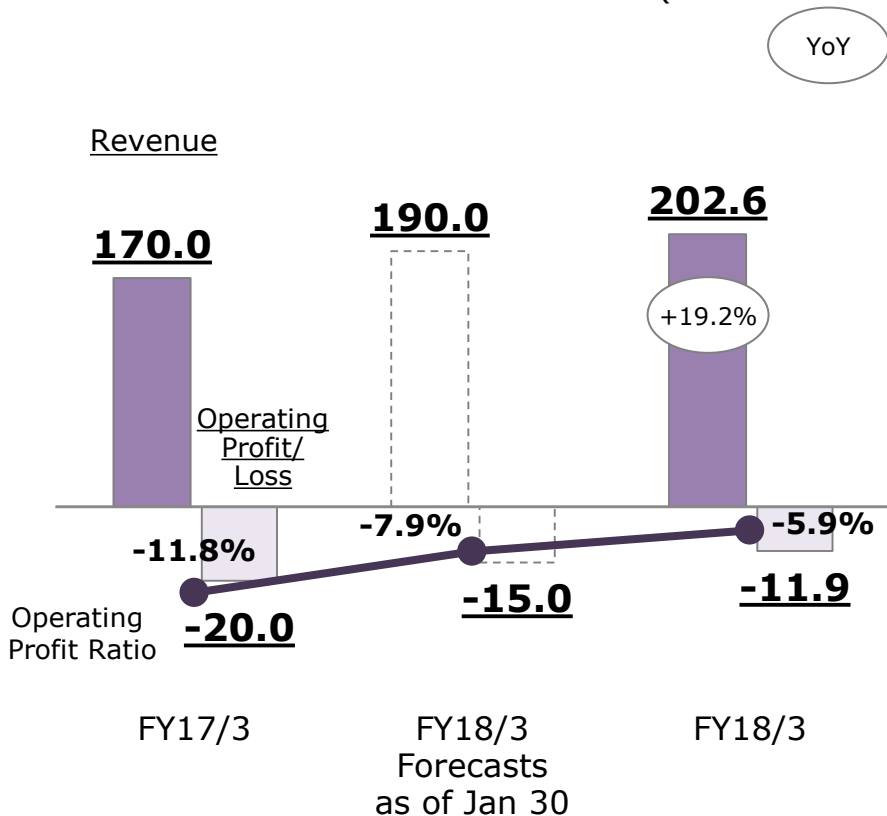
Operating Profit 31.4 (+1.8)

- Improved due to cost efficiency, despite a sales decline



(Billions of Yen)

Billions of Yen (YoY)



Revenue 202.6 (+19.2%)

- Increased in the international safety business and energy business

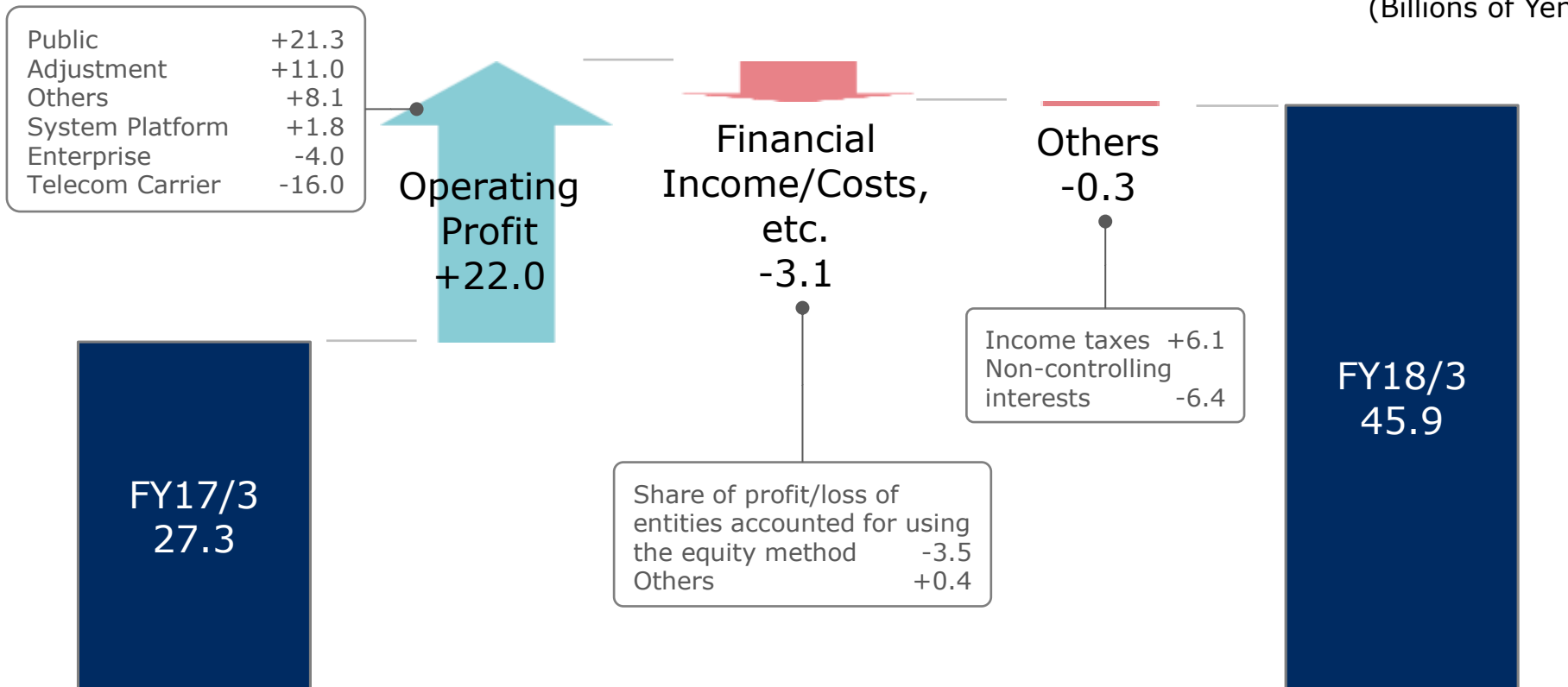
Operating Profit/Loss -11.9 (+8.1)

- Improved in the international business and energy business, despite an increase in IoT platform related investment expenses



Net Profit/Loss Change (Year on Year)

(Billions of Yen)



II . Financial Forecasts for FY19/3

Profit forecast for FY19/3 worsens, factoring business structure improvement expenses

(Billions of Yen)

	Full Year		
	FY18/3 Actual	FY19/3 Forecasts	YoY
Revenue	2,844.4	2,830.0	-0.5%
Operating Profit	63.9	50.0	-13.9
% to Revenue	2.2%	1.8%	
Net Profit	45.9	25.0	-20.9
% to Revenue	1.6%	0.9%	

Free Cash Flows	115.8	40.0	-75.8
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Dividends per Share (yen)	60	40	-20
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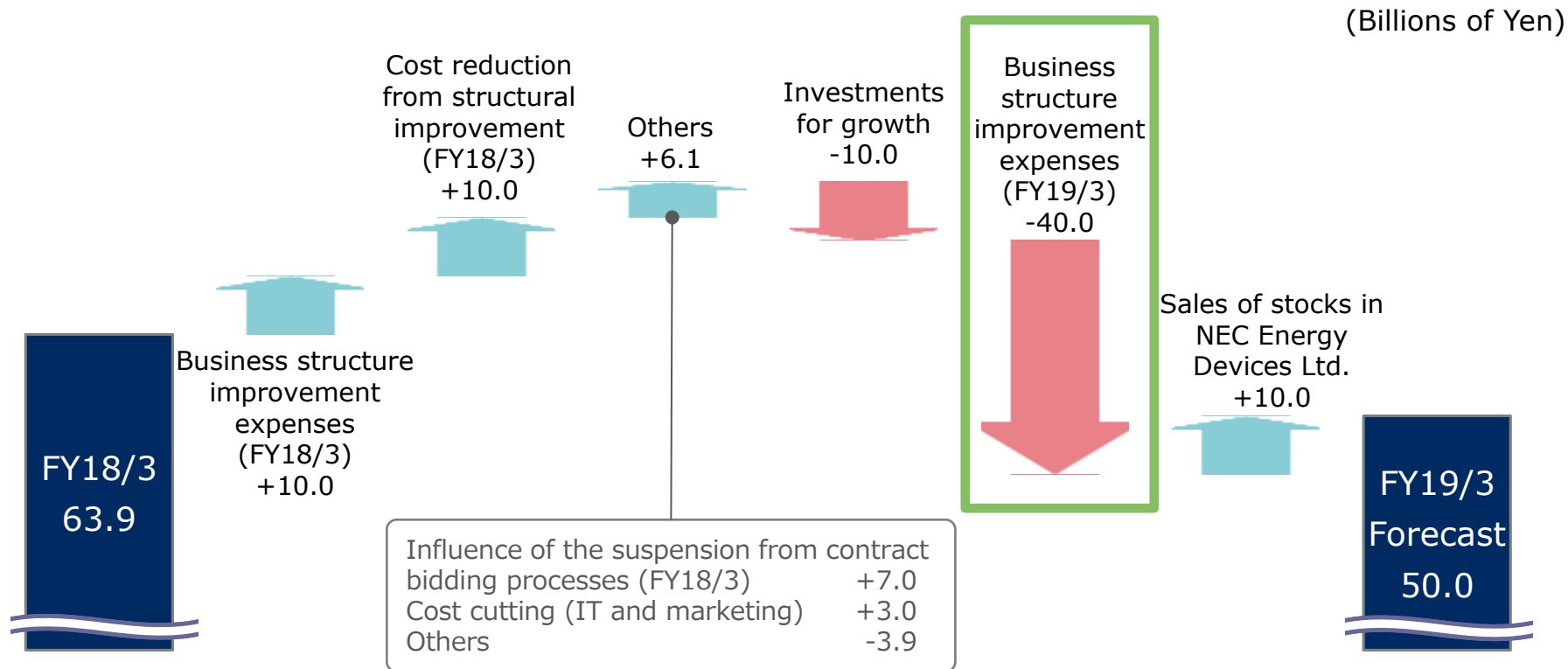
Note: Average Exchange Rates (yen)	USD 1	111.43	105.00
	EUR 1	128.86	115.00

		Full Year		
		FY18/3 Actual	FY19/3 Forecasts	YoY
Public	Revenue	939.1	950.0	+1.2%
	Operating Profit	54.4	64.0	+9.6
	% to Revenue	5.8%	6.7%	
Enterprise	Revenue	408.7	410.0	+0.3%
	Operating Profit	35.7	32.0	-3.7
	% to Revenue	8.7%	7.8%	
Telecom Carrier	Revenue	579.7	565.0	-2.5%
	Operating Profit	2.0	12.0	+10.0
	% to Revenue	0.4%	2.1%	
System Platform	Revenue	714.3	690.0	-3.4%
	Operating Profit	31.4	30.0	-1.4
	% to Revenue	4.4%	4.3%	
Others	Revenue	202.6	215.0	+6.1%
	Operating Profit/Loss	-11.9	15.0	+26.9
	% to Revenue	-5.9%	7.0%	
Adjustment	Operating Profit/Loss	-47.8	-103.0	-55.2
Total	Revenue	2,844.4	2,830.0	-0.5%
	Operating Profit	63.9	50.0	-13.9
	% to Revenue	2.2%	1.8%	

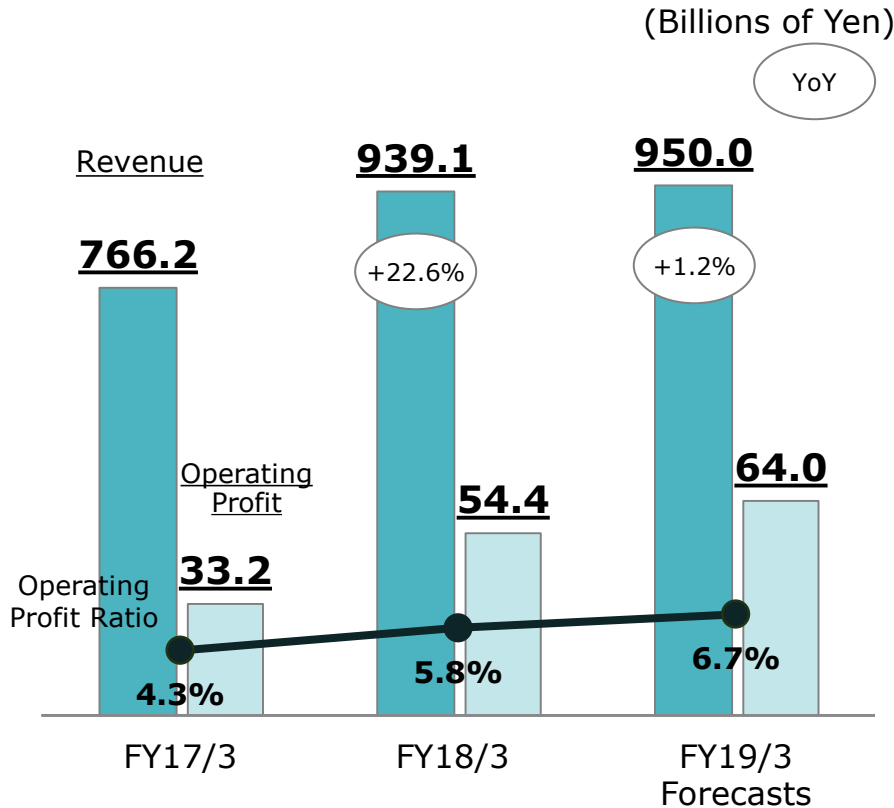
*Forecasts as of April 27, 2018

Special Items of FY19/3 Financial Forecasts (YoY)

One-off items of -40.0 billion yen factored into operating profit forecast for FY19/3



*Forecasts as of April 27, 2018



Revenue 950.0 (+1.2%)

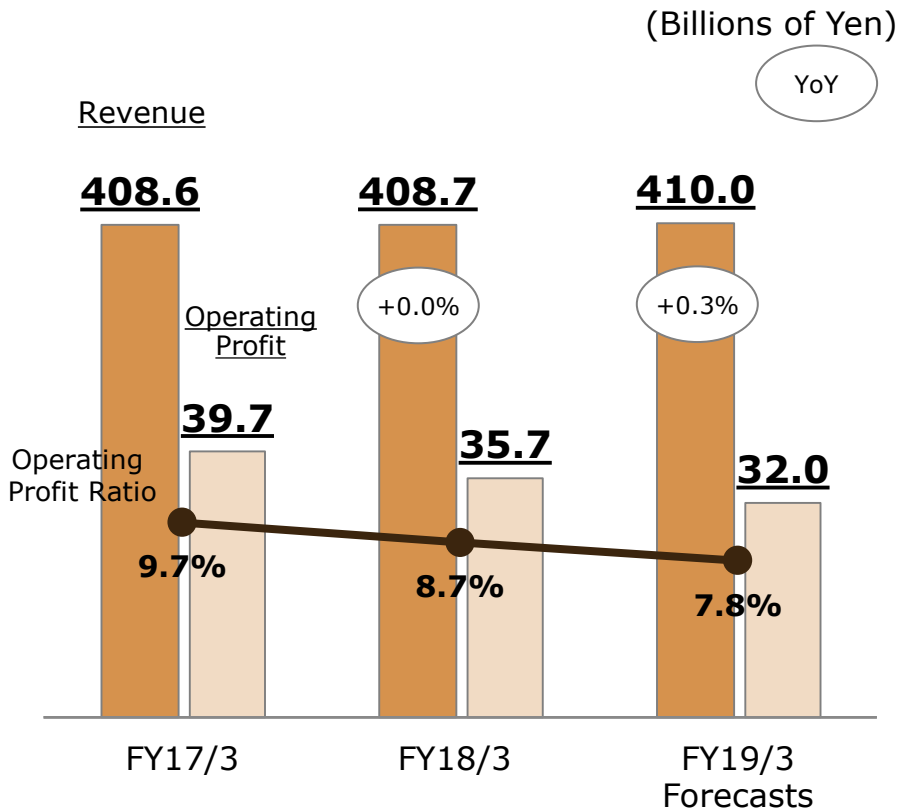
- Public Solutions area: increase due to business expansion for the 2020 Olympic/ Paralympic Games
- Public Infrastructure area: decrease due to a sales decline in a consolidated subsidiary

Operating Profit 64.0 (+9.6)

- Improve due to business structure improvement in the previous fiscal year and control of unprofitable projects



*Forecasts as of April 27, 2018



Revenue 410.0 (+0.3%)

- Increase in retail and services

Operating Profit 32.0 (-3.7)

- Worsen due to an increase in AI and IoT related investment expenses, while profitability in system construction services improves

*IoT: Internet of Things

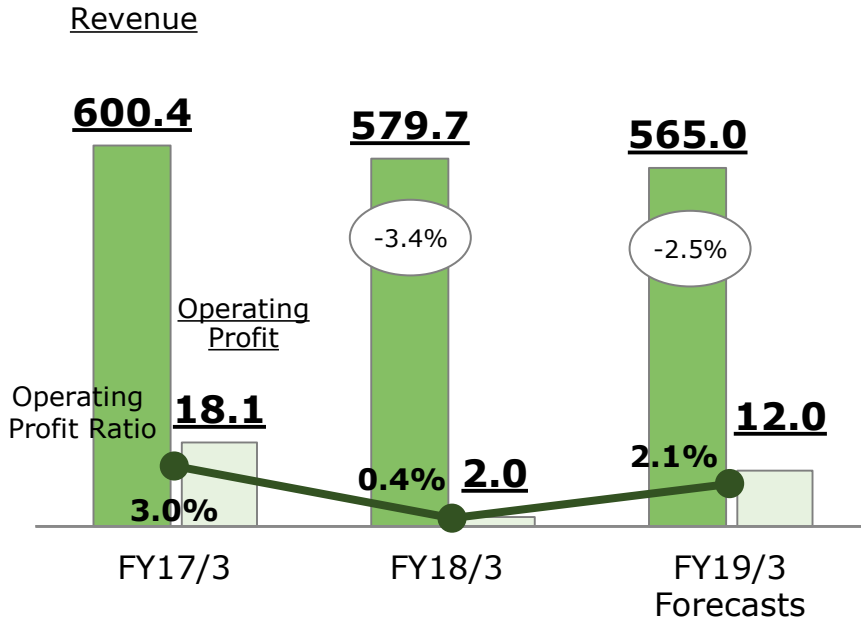


*Forecasts as of April 27, 2018

(Billions of Yen)

Billions of Yen (YoY)

YoY



Revenue 565.0 (-2.5%)

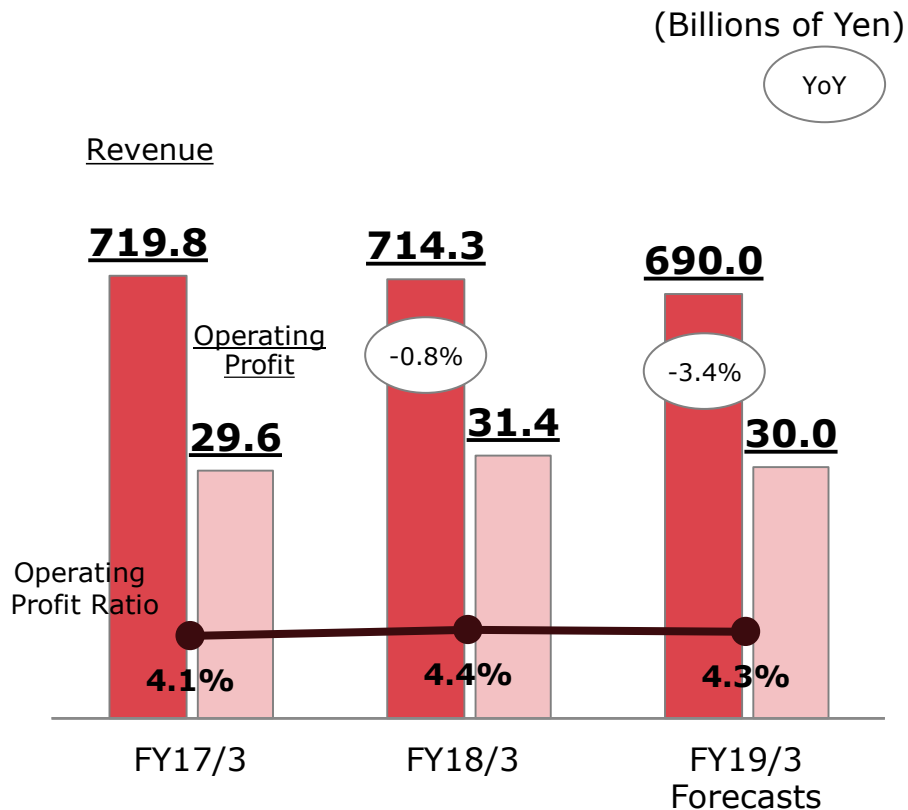
- Decrease due to sluggish capital investment by telecommunications carriers in Japan, despite an increase in international software

Operating Profit 12.0 (+10.0)

- Improve due to business structure improvement in the previous fiscal year



*Forecasts as of April 27, 2018



Revenue 690.0 (-3.4%)

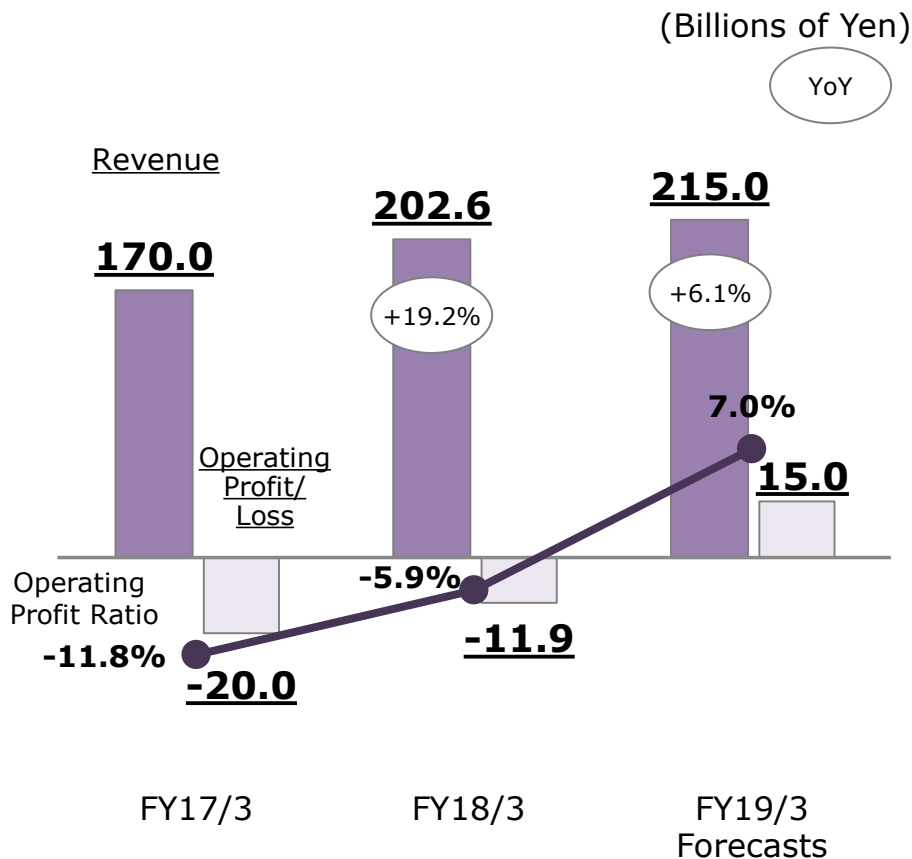
- Decrease due to a decline in large-scale projects compared to the previous fiscal year

Operating Profit 30.0 (-1.4)

- Worsen due to a sales decline



*Forecasts as of April 27, 2018



Revenue 215.0 (+6.1%)

- Increase in the international safety business

Operating Profit/Loss 15.0 (+26.9%)

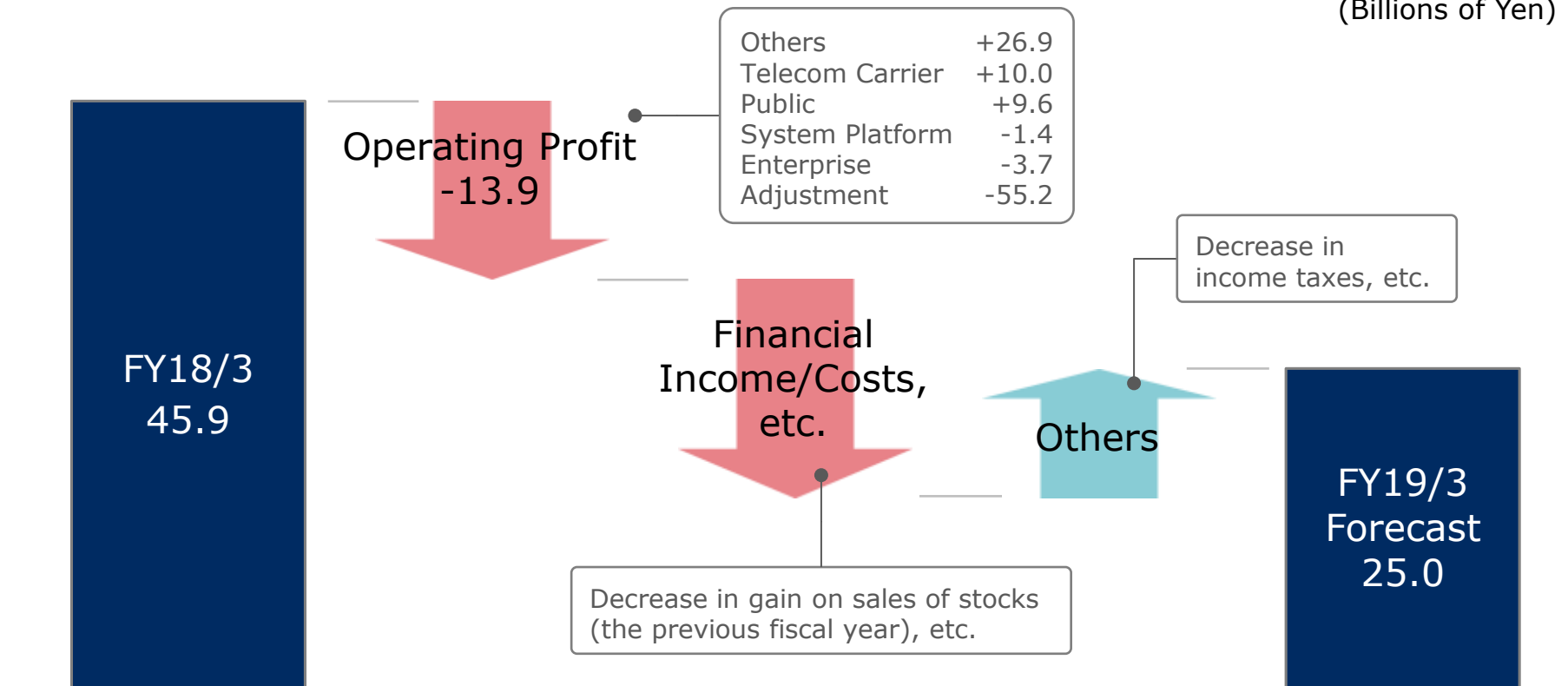
- Improve in the energy business and international business, as well as due to sales of stocks in NEC Energy Devices Ltd.



*Forecasts as of April 27, 2018

Net Profit Change (Year on Year)

(Billions of Yen)



*Forecasts as of April 27, 2018

Ⅲ. Progress on Mid-term Management Plan 2020

Defined FY19/3 activities to improve profitability from FY20/3 onwards

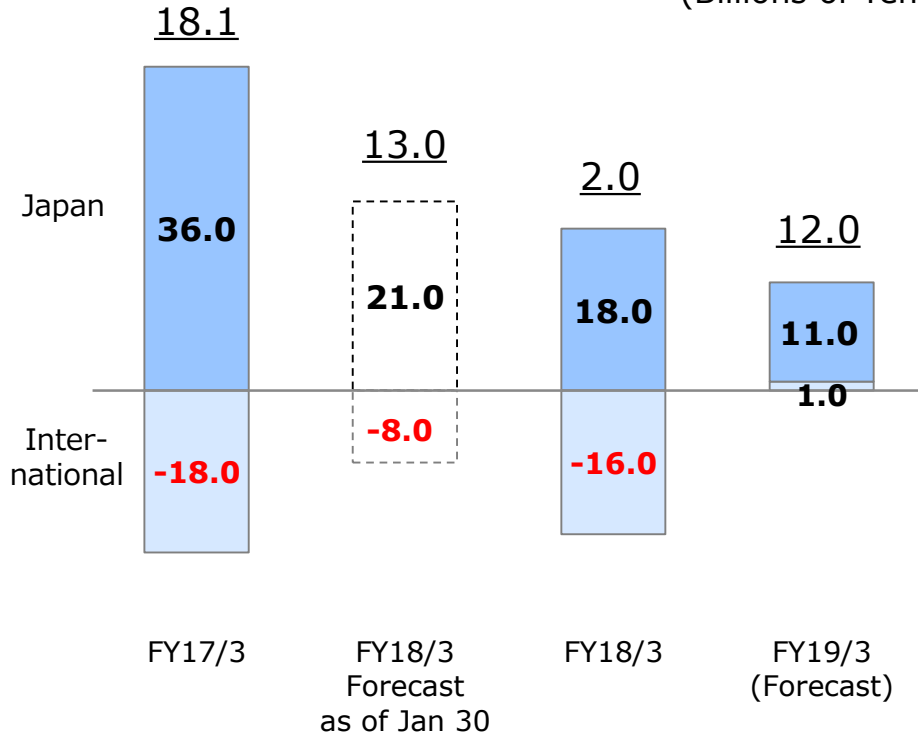
40.0 billion yen of business improvement expense factored into FY19/3 forecasts

Measures	Expense
Downsize personnel in Japan by 3,000 Back office functions, hardware business area	40.0B yen
Resource shift, Office floor optimization	
End of production operation at Ichinoseki and Ibaraki plants of NEC Platforms, Ltd.	

Telecom Carrier Business: Current Status and Future Directions

Operating Profit/Loss

(Billions of Yen)



FY18/3 results

- Japan: Remains profitable while margin declines due to sales drop
- International: Unprofitable due to low profitability in hardware and an investment in software for sales expansion, as well as structural improvement expenses

Directions

- Japan: Take the 5G opportunity, maximize sales in multiple business areas and optimize workforce under newly launched "Network Services Business Unit"
- International: Optimize business portfolio and execute structural reforms under "Global Business Unit"

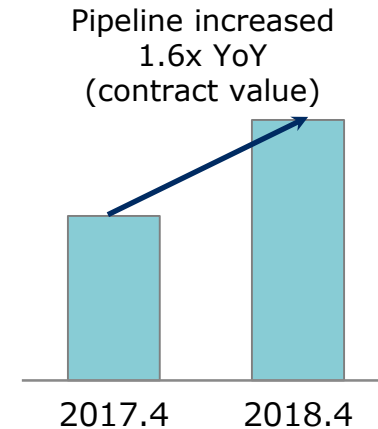
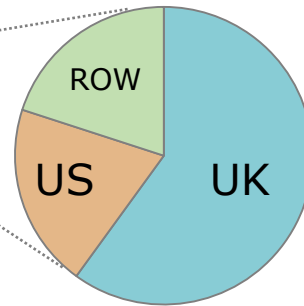
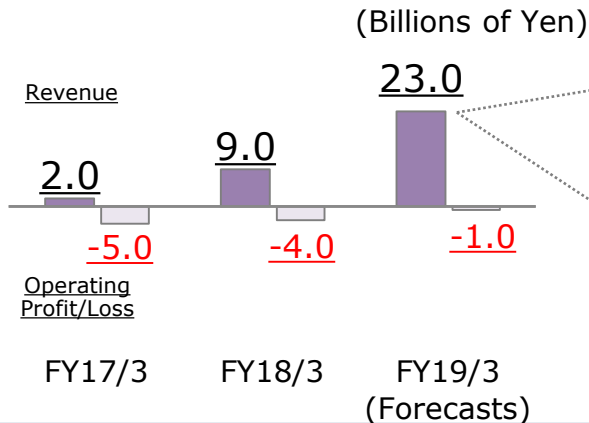
*Forecasts as of April 27, 2018

Mobile Backhaul

- Launched business reform project

Energy (NEC Energy Solutions, Inc.)

- Plan to increase sales and improve profitability as the large energy storage market ramps up



*Forecasts as of April 27, 2018

Enhance measures and organizations to deliver growth

Japan

- 2020 Olympic/Paralympic infrastructure
 - Pursue opportunities such as Public safety solutions with biometrics or image analytics, where NEC has competitive edge
- Digital Government
 - Business development to maximize sales/profit leveraging track records and experiences with “My number” - social security and tax number systems

International

- Organization change to accelerate growth
 - Consolidate international business divisions under “Global Business Unit”
 - Reform profit structure by centralizing responsibilities and authorities
 - Appointed an experienced personnel with proven track record in global businesses outside NEC to a management position

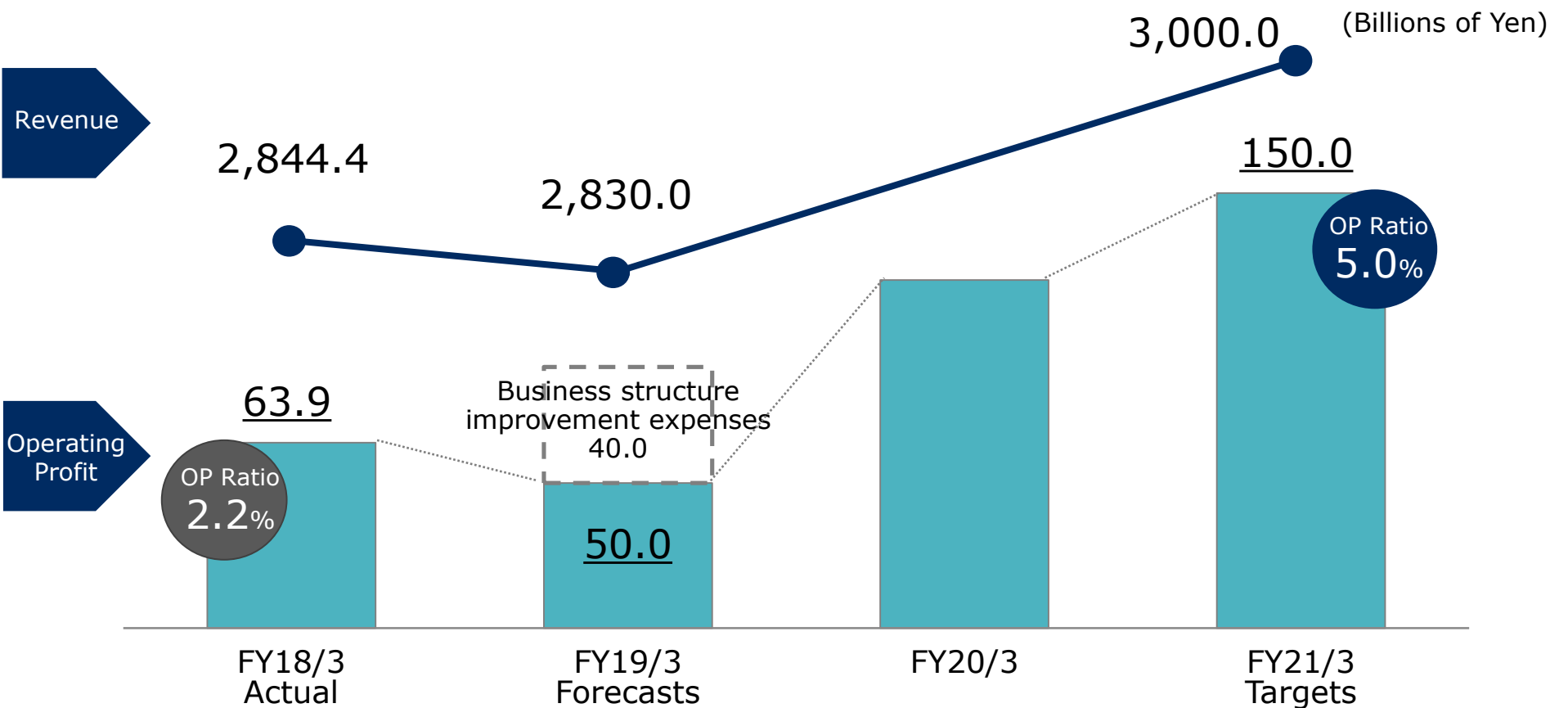
Transform NEC to better execution capabilities

Business incubation

- Established dotData, Inc. in U.S. to accelerate monetization of cutting-edge AI technologies

Organization with the capability of completion

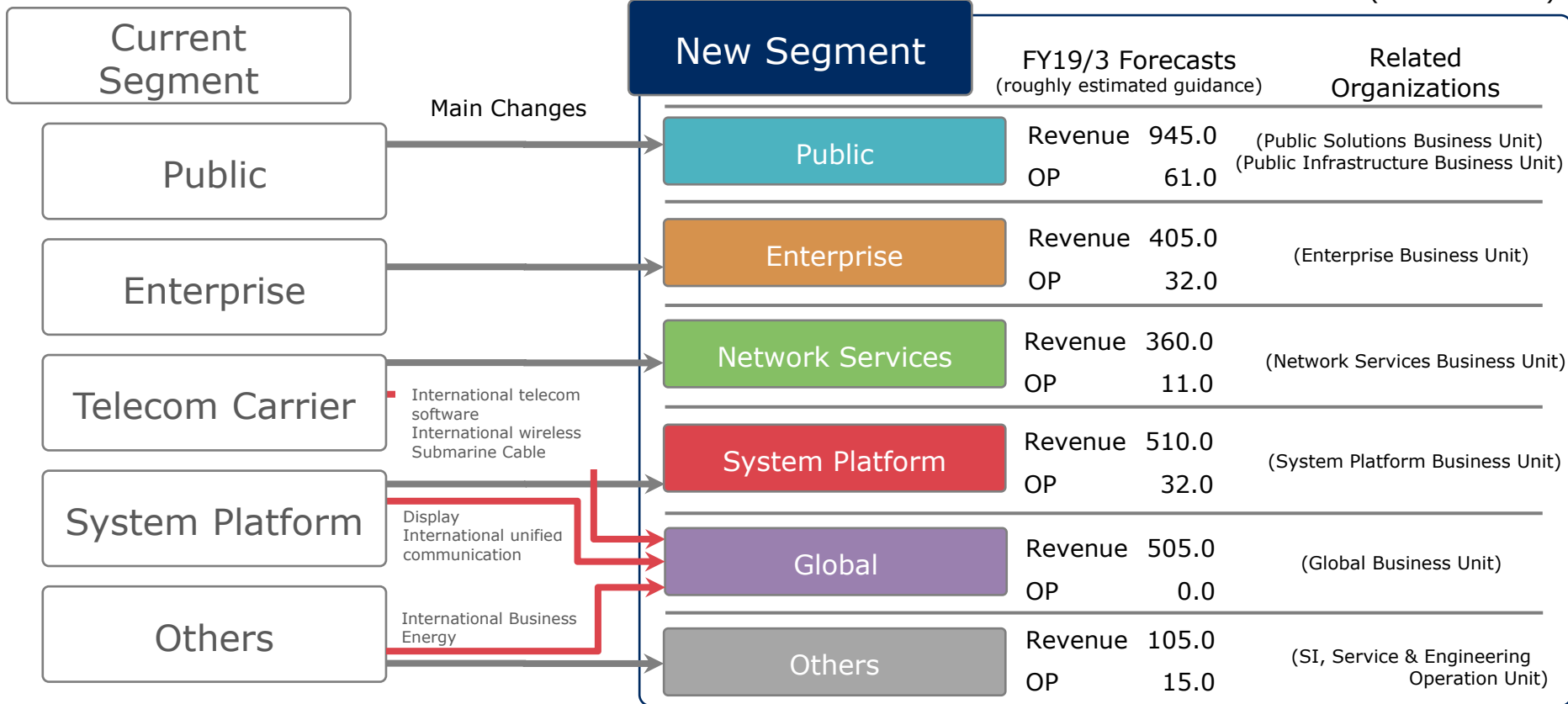
- Launched the “NEC Group Culture Transformation Division” to bring drastic changes to NEC’s corporate culture
 - Appointed a professional from outside NEC to execute HR system and culture reforms
 - Introduce new HR/remuneration system which fits with social and strategic requirements
 - Accelerate communication for changes to foster an open and casual climate



*Forecasts as of April 27, 2018

<Ref.> Overview of Segment Revision and Organizations

(Billions of Yen)



*Roughly estimated guidance as of April 27, 2018

Timely transformation for a revitalized NEC



Orchestrating a brighter world

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.

 **Orchestrating** a brighter world

NEC

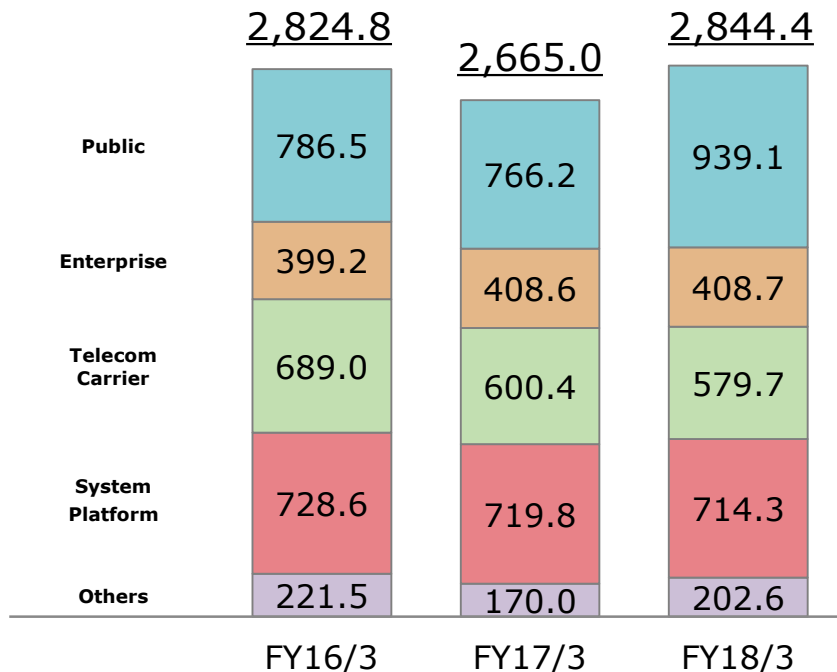
Financial Results for FY18/3 (Appendix)

Financial Results for FY18/3 by Segment (three-year transition)

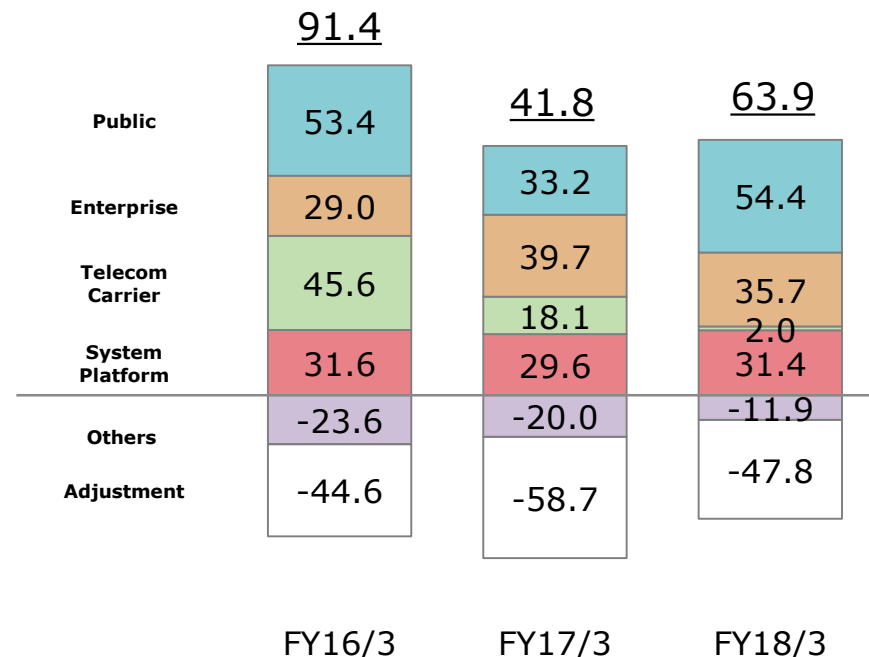
Results
FY18/3

(Billions of Yen)

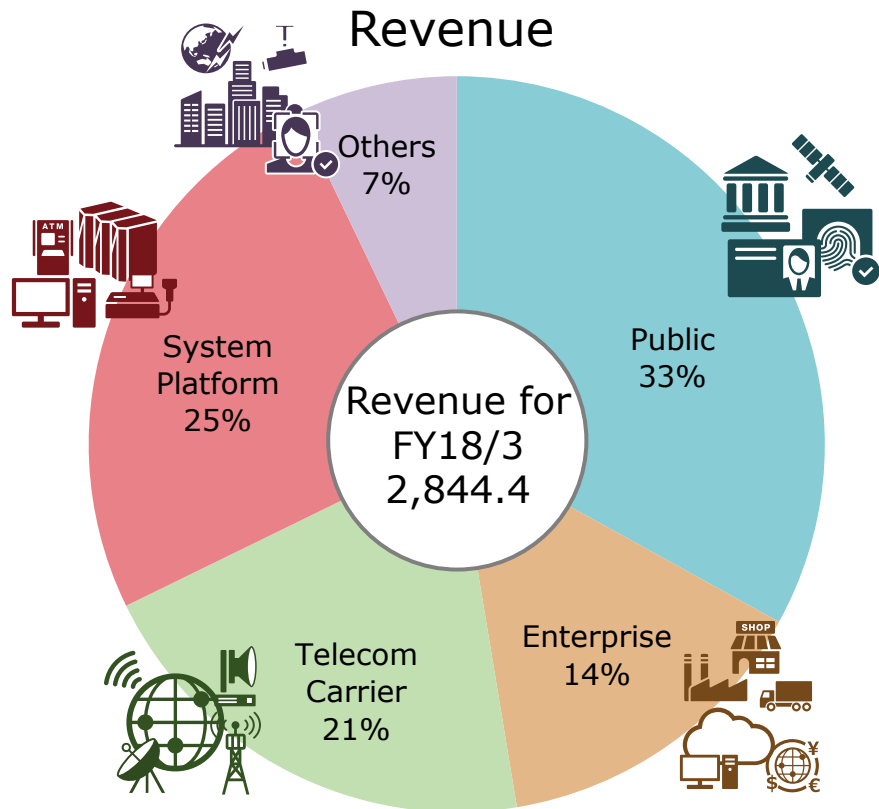
Revenue



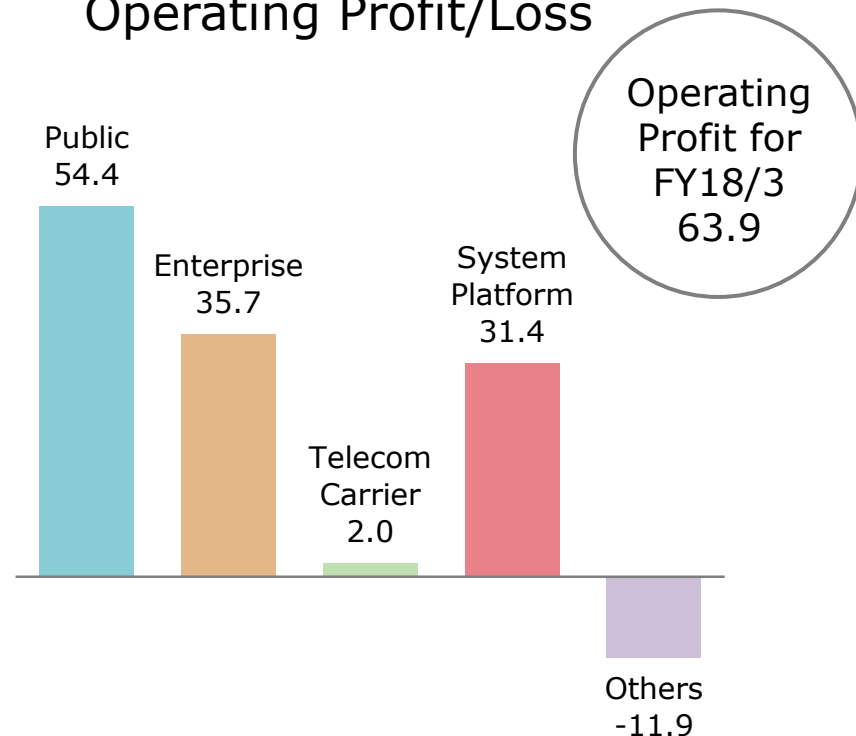
Operating Profit/Loss



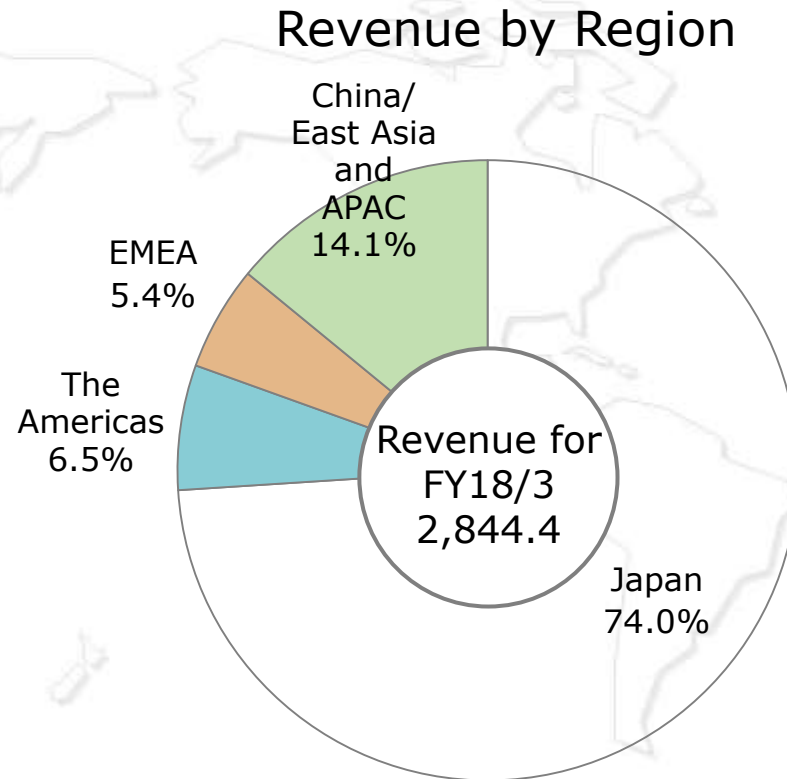
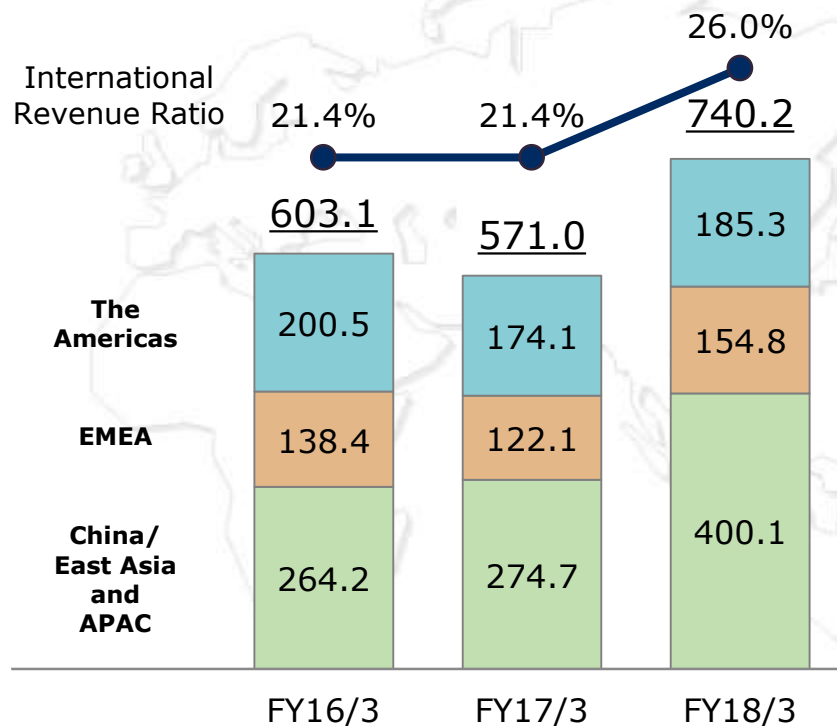
(Billions of Yen)



Operating Profit/Loss

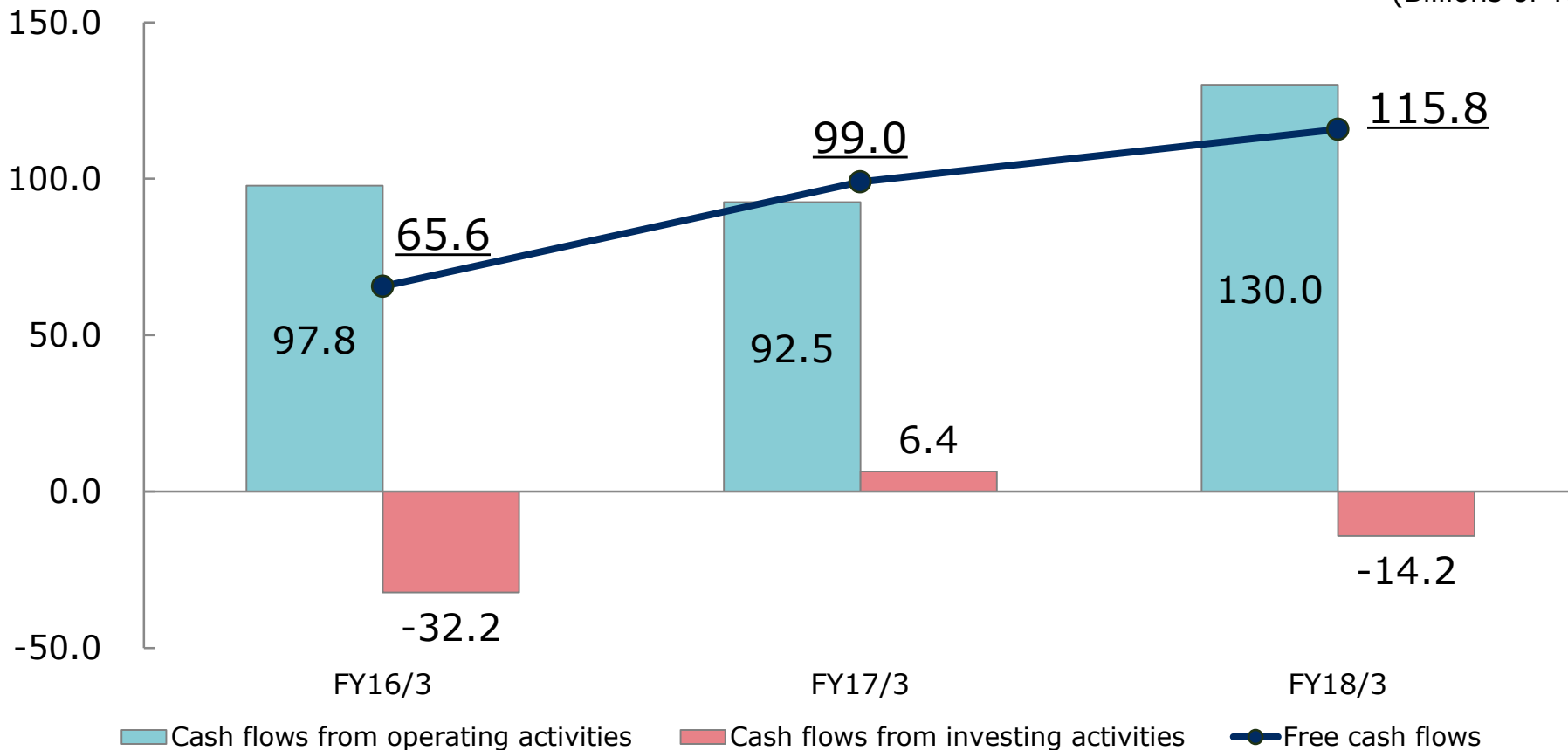


(Billions of Yen)



*Revenue is classified by country or region based on customer locations.

(Billions of Yen)



(Billions of Yen)

	End of March 2017	End of March 2018	Variance from end of March 2017
Total assets	2,684.0	2,821.4	+137.4
Total equity	1,016.1	1,054.3	+38.2
Interest-bearing debt	466.9	520.7	+53.8
Equity attributable to owners of the parent	854.3	880.8	+26.6
Ratio of equity attributable to owners of the parent (%)	31.8%	31.2%	-0.6pt
D/E ratio (times)	0.55	0.59	-0.04pt
Net D/E ratio (times)	0.27	0.20	+0.07pt
Cash and cash equivalents	240.0	346.0	+106.1

(Billions of Yen)

Compared to
end of March
2017

Current Assets
1,640.3

Liabilities
1,767.1

+131.6

+99.1

Increase in cash and cash equivalents, as well as inventories

Issuance of bonds

Total Assets
2,821.4

(+137.4 compared to
end of March 2017)

Increase in goodwill

Recording of net profit, as well as an increase in non-controlling interests

+5.8

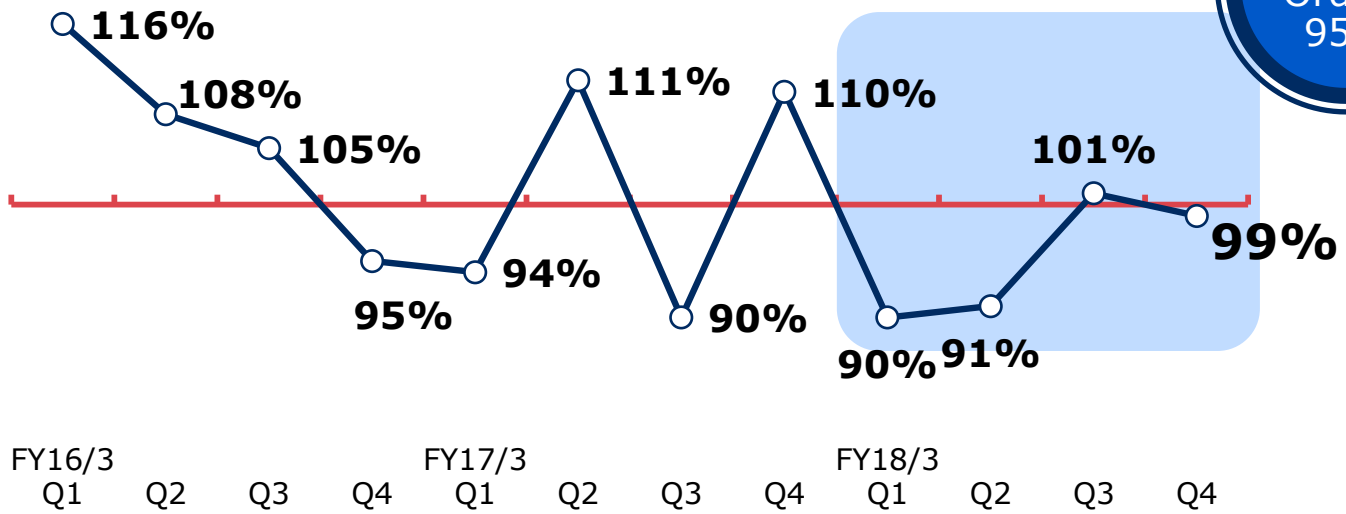
+38.2

Non-current Assets
1,181.0

Equity
1,054.3

IT services in Japan for FY18/3 decreased due to a decline in large-scale projects compared to the previous fiscal year, despite stable performance in the central government and manufacturing areas

IT Services Order Trend in Japan
(by Quarter, YoY)



FY18/3
Orders
95%



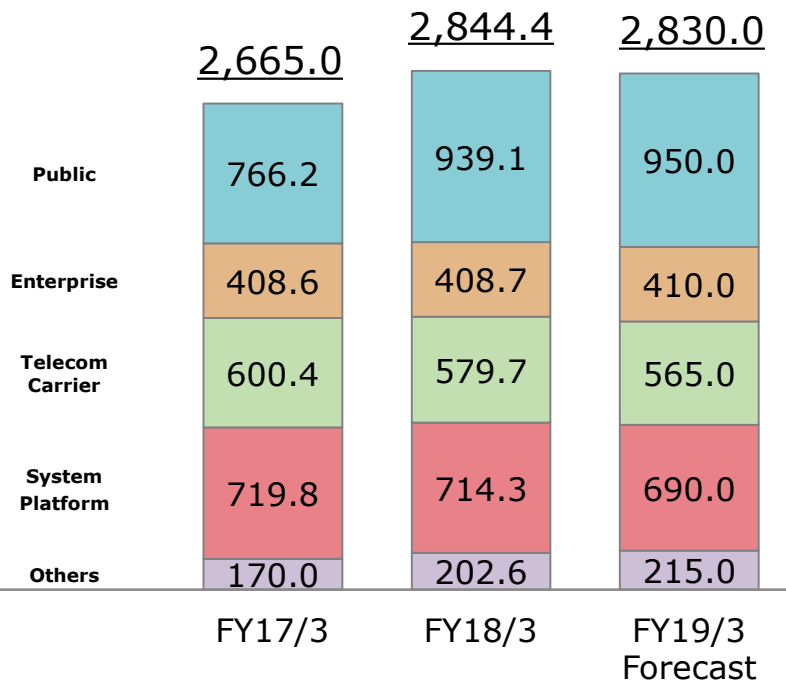
Financial Forecasts for FY19/3 (Appendix)

Financial Results/Forecasts by Segment (three-year transition)

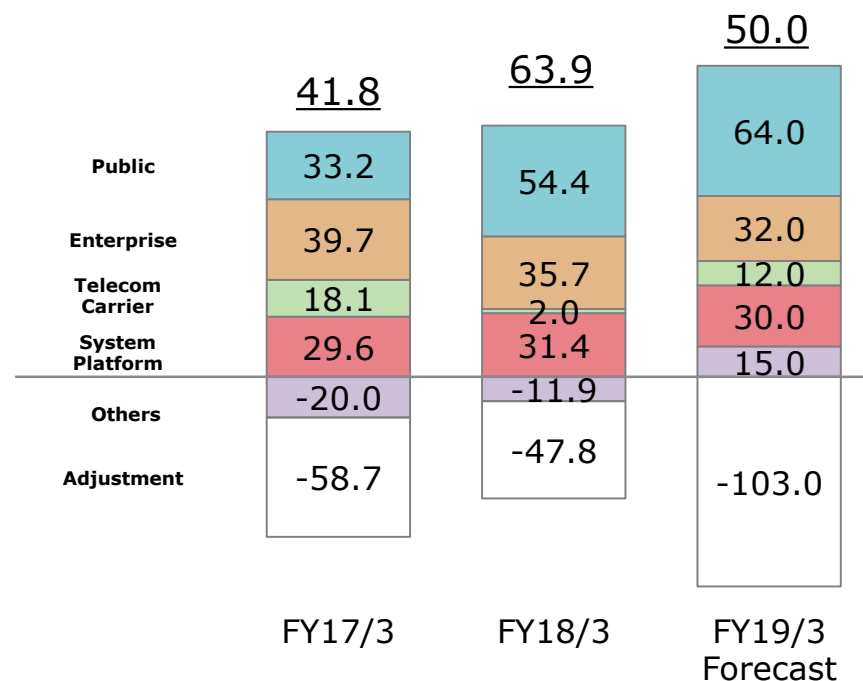
Forecasts
FY19/3

(Billions of Yen)

Revenue

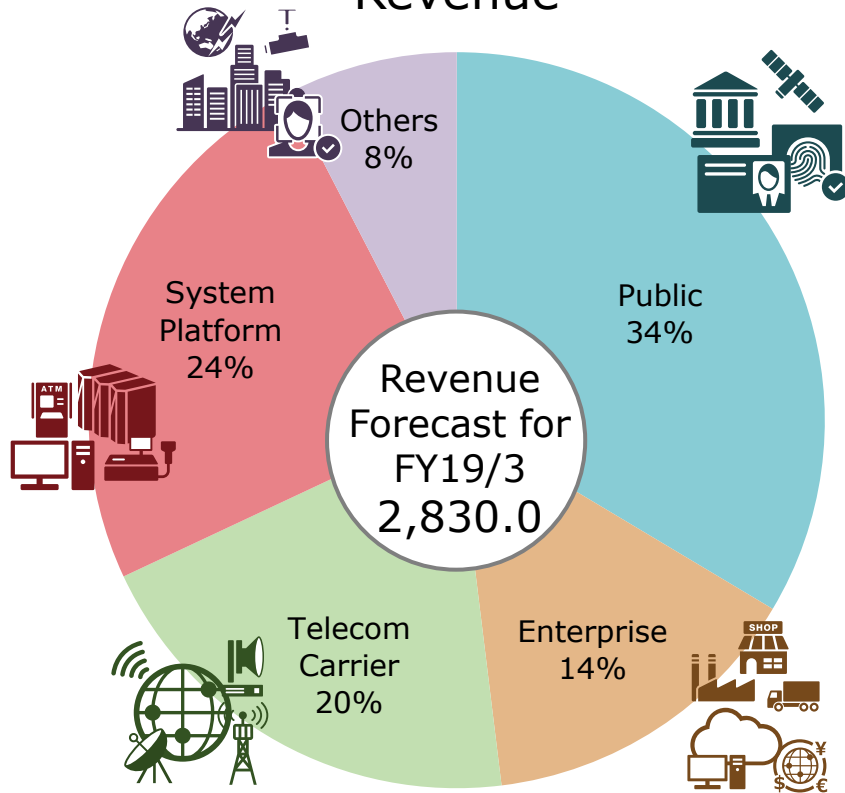


Operating Profit/Loss



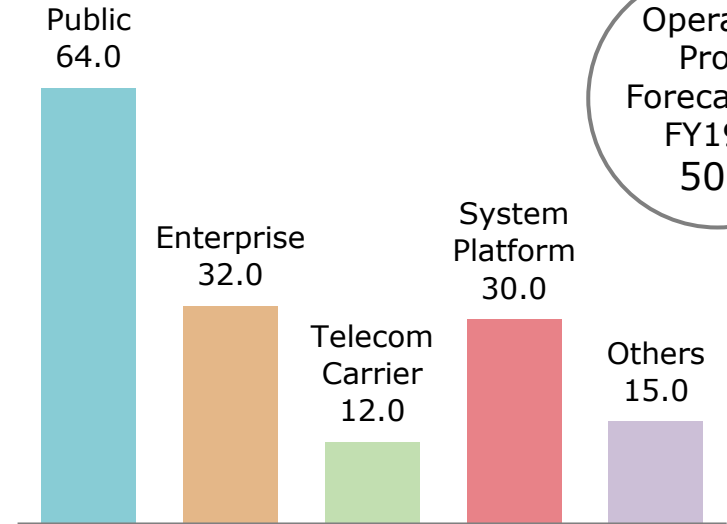
*Forecasts as of April 27, 2018

Revenue



(Billions of Yen)

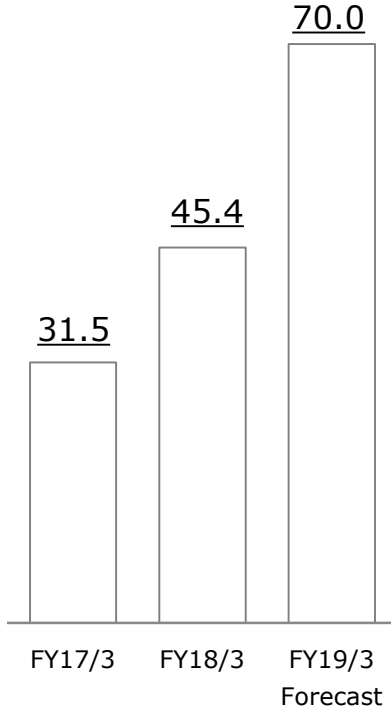
Operating Profit



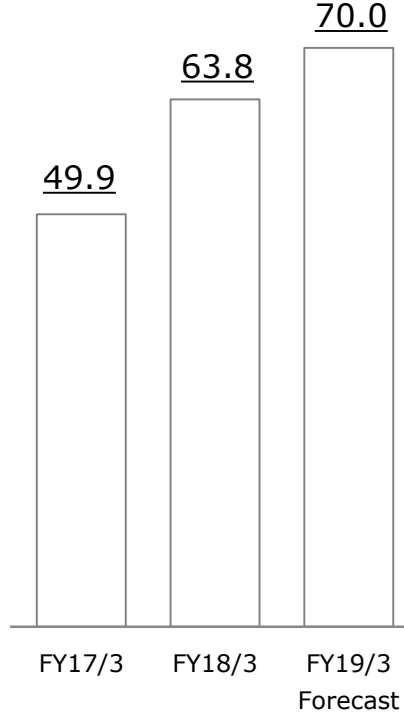
*Forecasts as of April 27, 2018

(Billions of Yen)

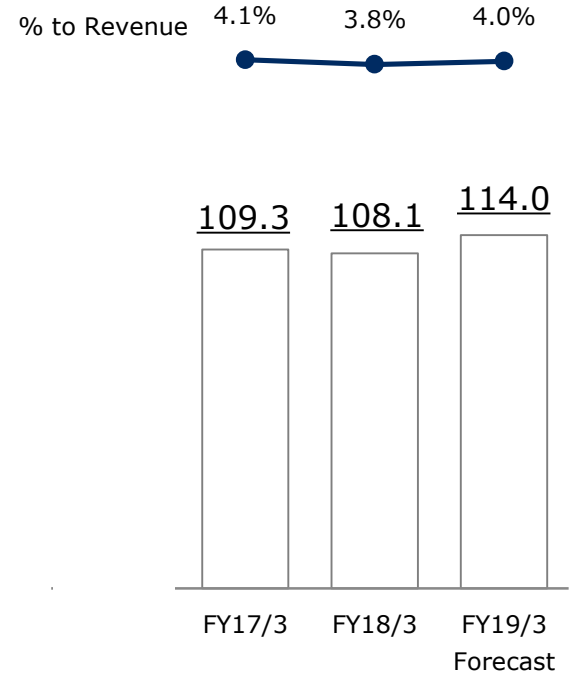
Capital Expenditure



Depreciation



R&D Expenses



*Forecasts as of April 27, 2018

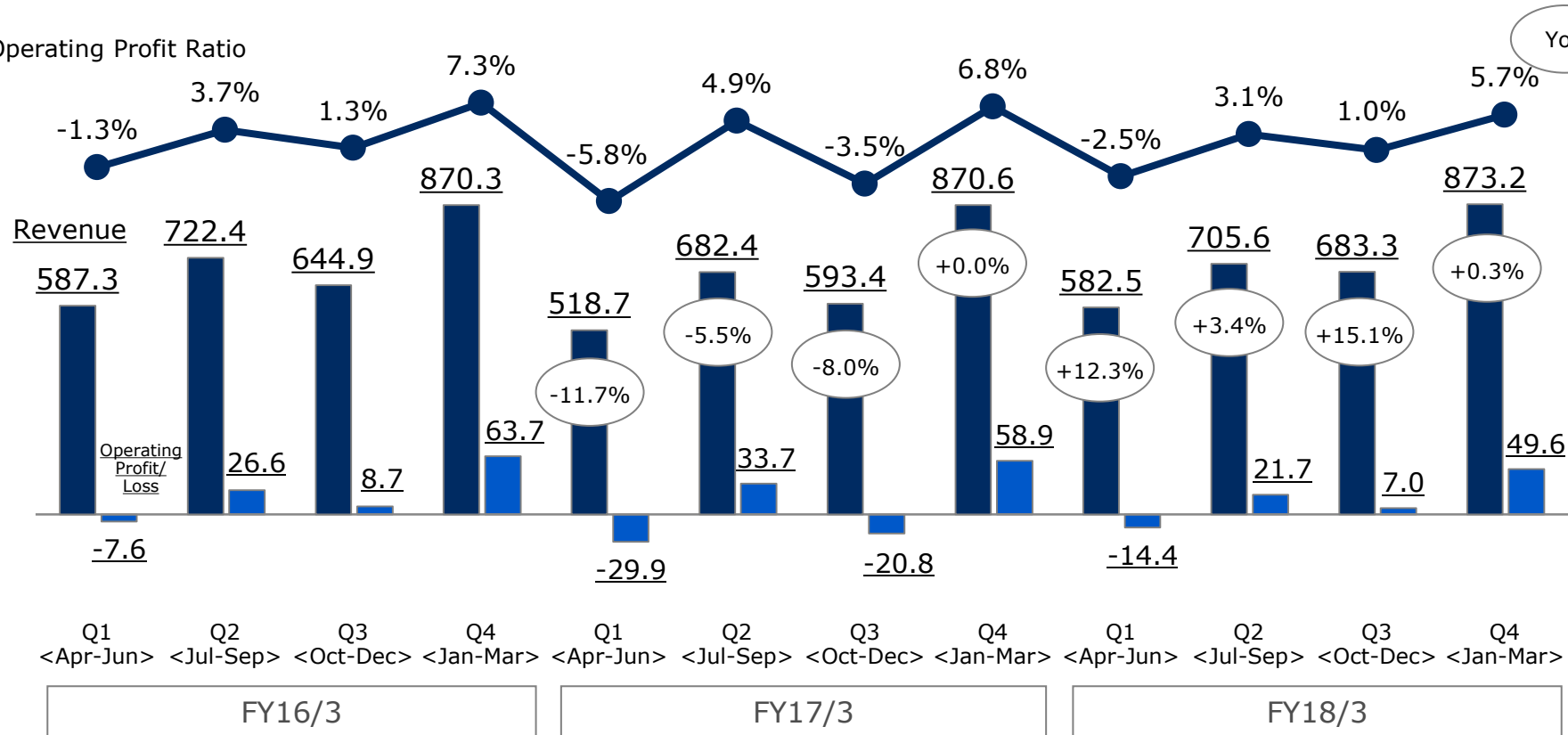
Reference (Financial Data)

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Revenue, Operating Profit/Loss

(Billions of Yen)

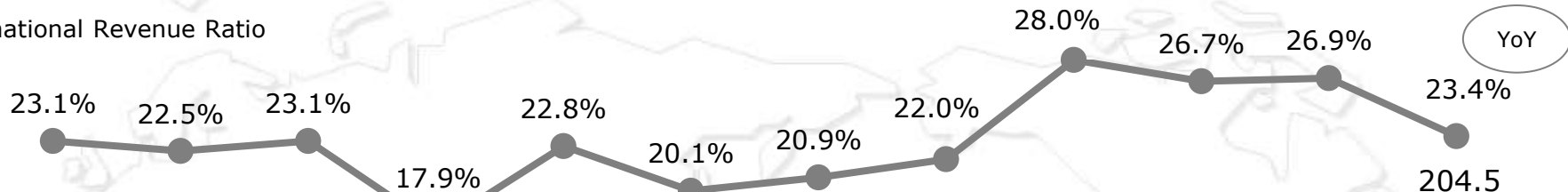
Operating Profit Ratio



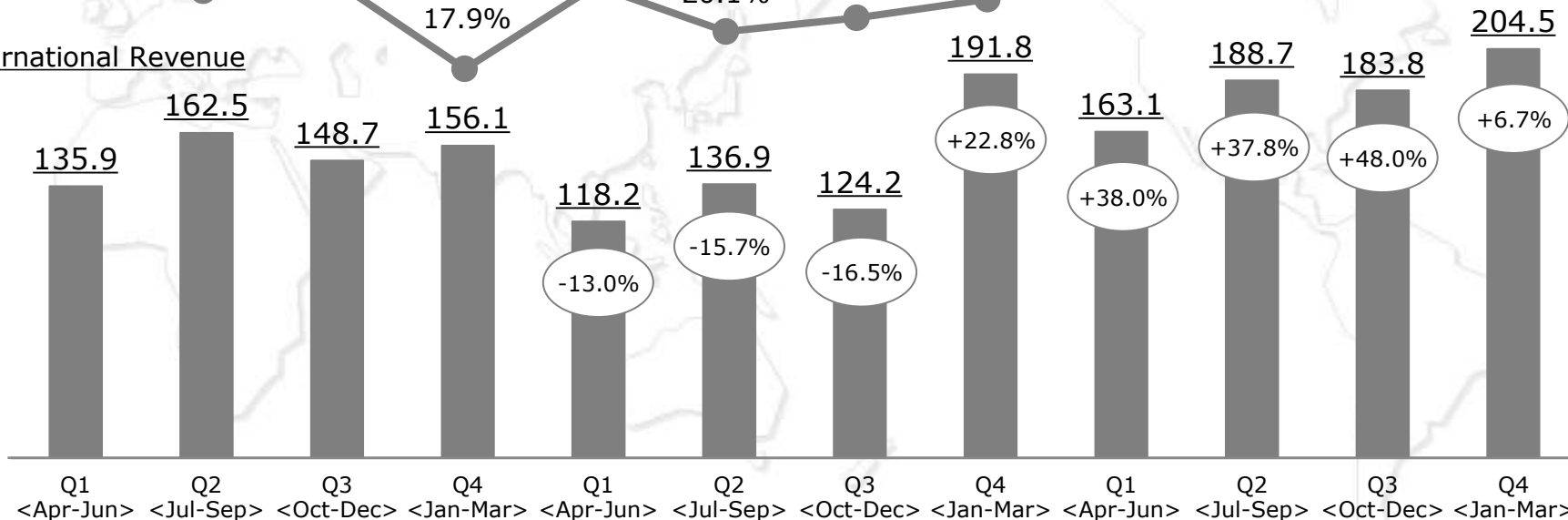
International Revenue

(Billions of Yen)

International Revenue Ratio



International Revenue



Q1 <Apr-Jun> Q2 <Jul-Sep> Q3 <Oct-Dec> Q4 <Jan-Mar> Q1 <Apr-Jun> Q2 <Jul-Sep> Q3 <Oct-Dec> Q4 <Jan-Mar> Q1 <Apr-Jun> Q2 <Jul-Sep> Q3 <Oct-Dec> Q4 <Jan-Mar>

FY16/3

FY17/3

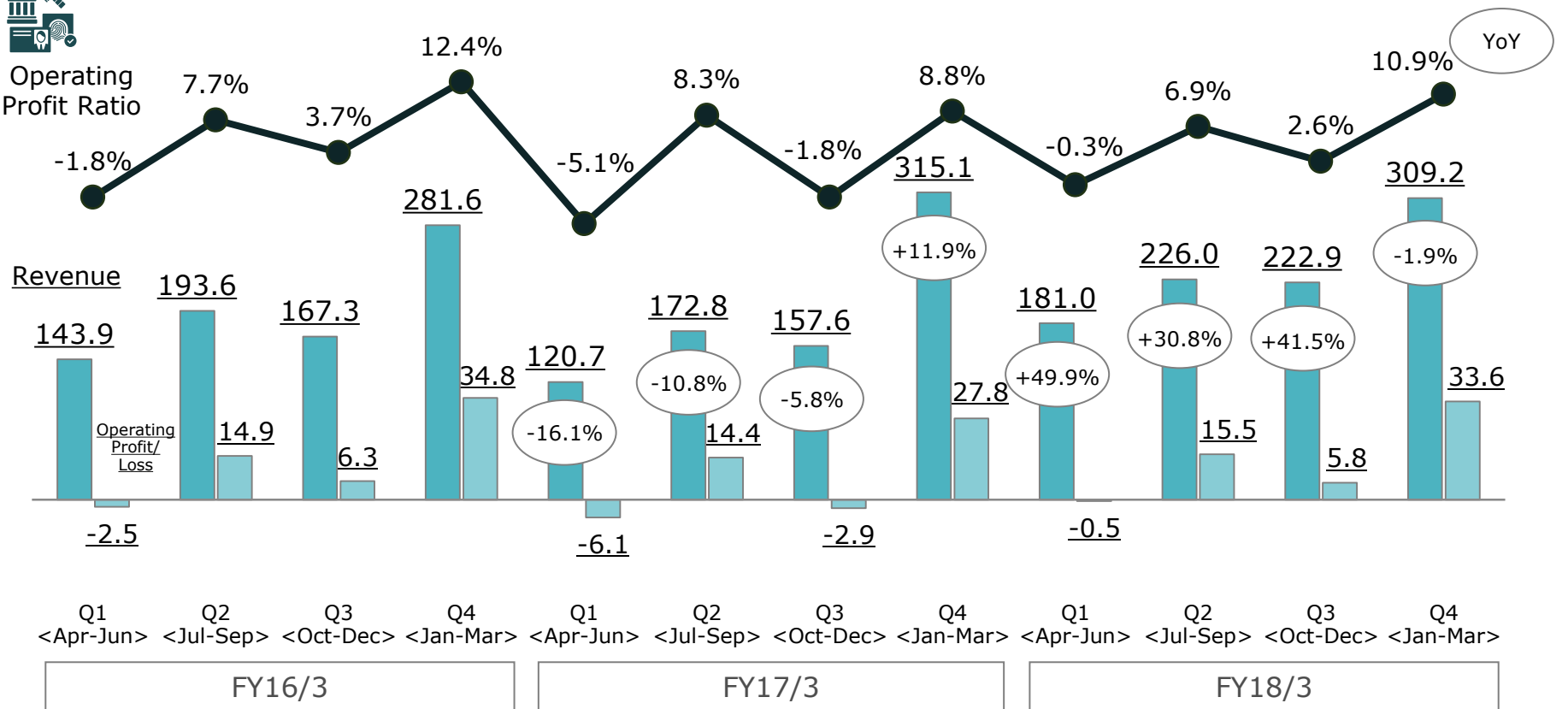
FY18/3

Revenue, Operating Profit/Loss (Public)



Operating Profit Ratio

(Billions of Yen)

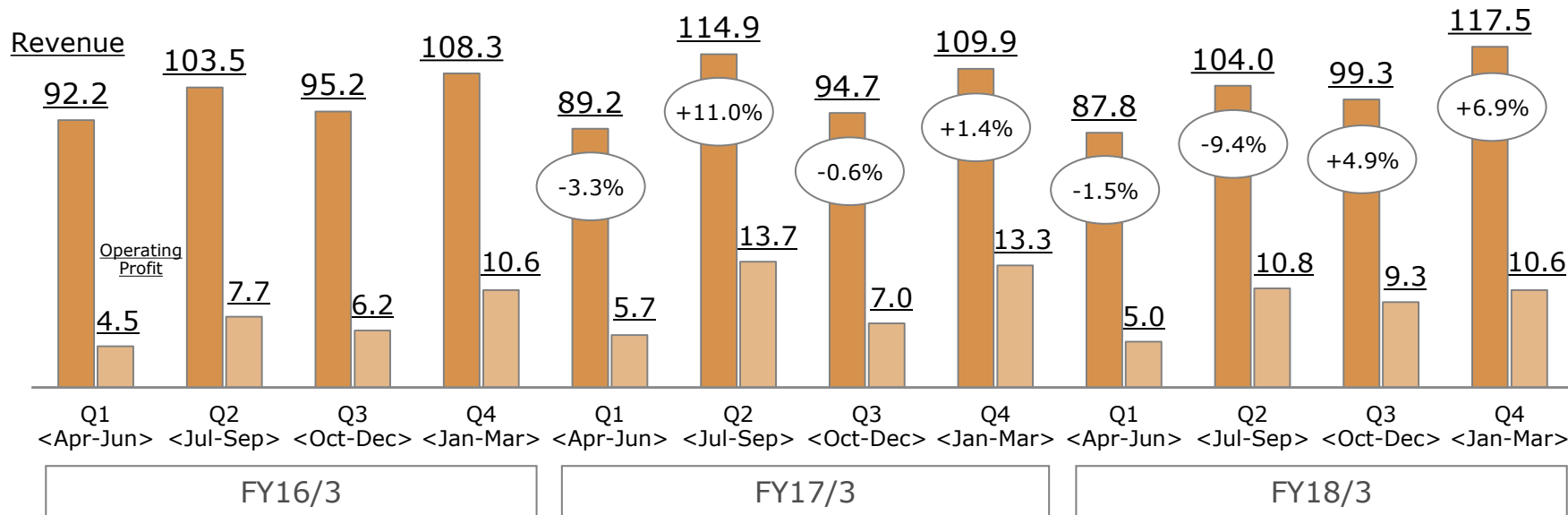
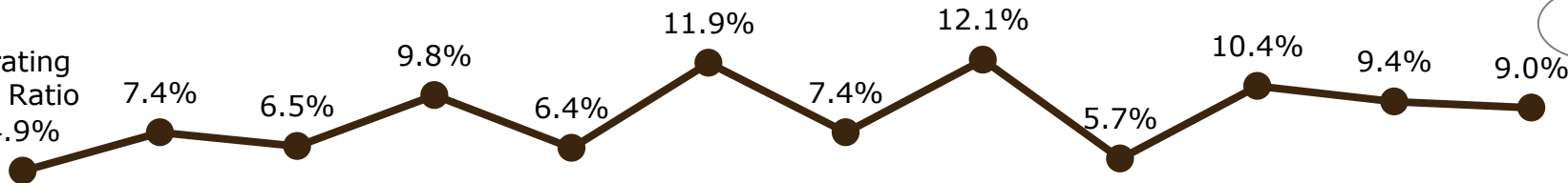


Revenue, Operating Profit (Enterprise)

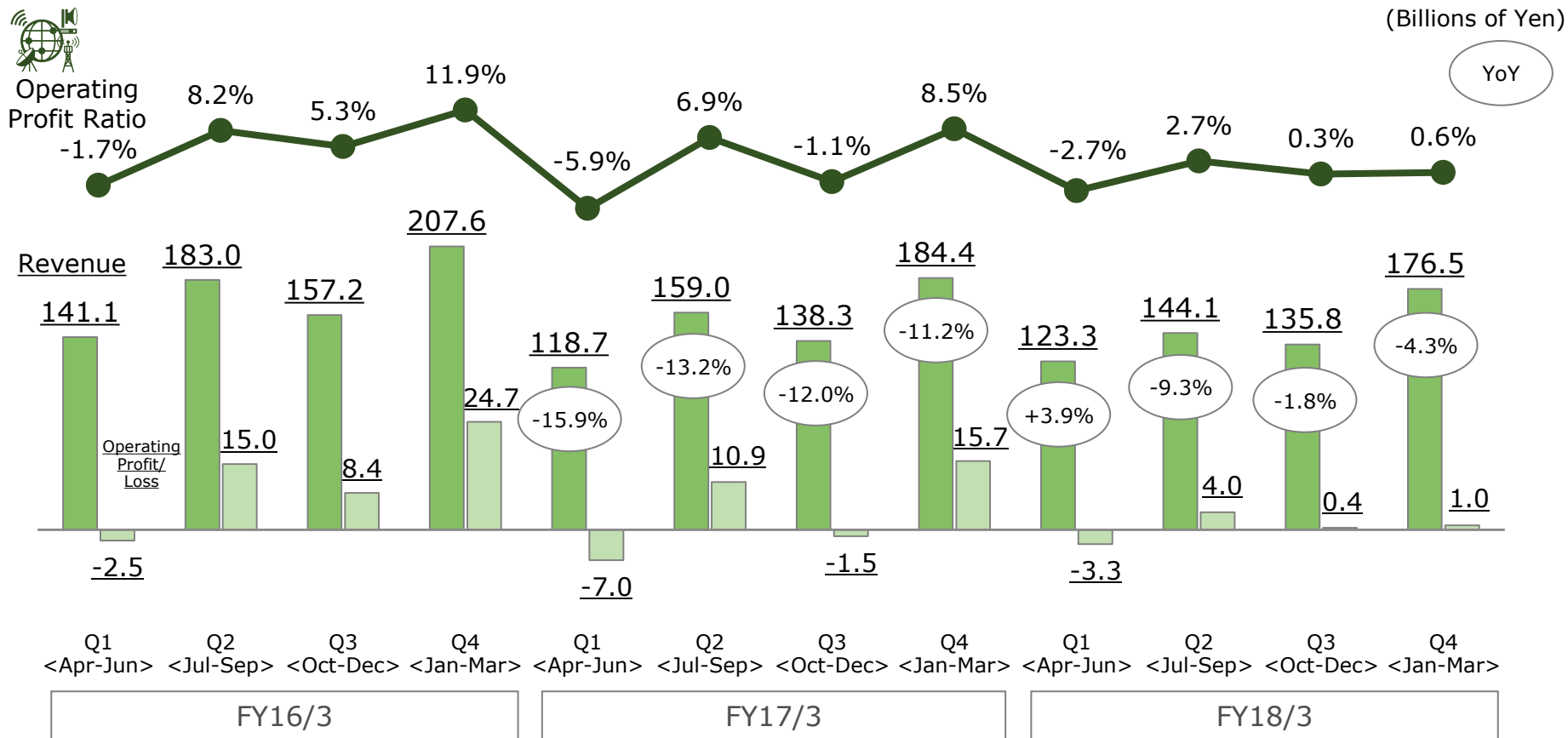


(Billions of Yen)

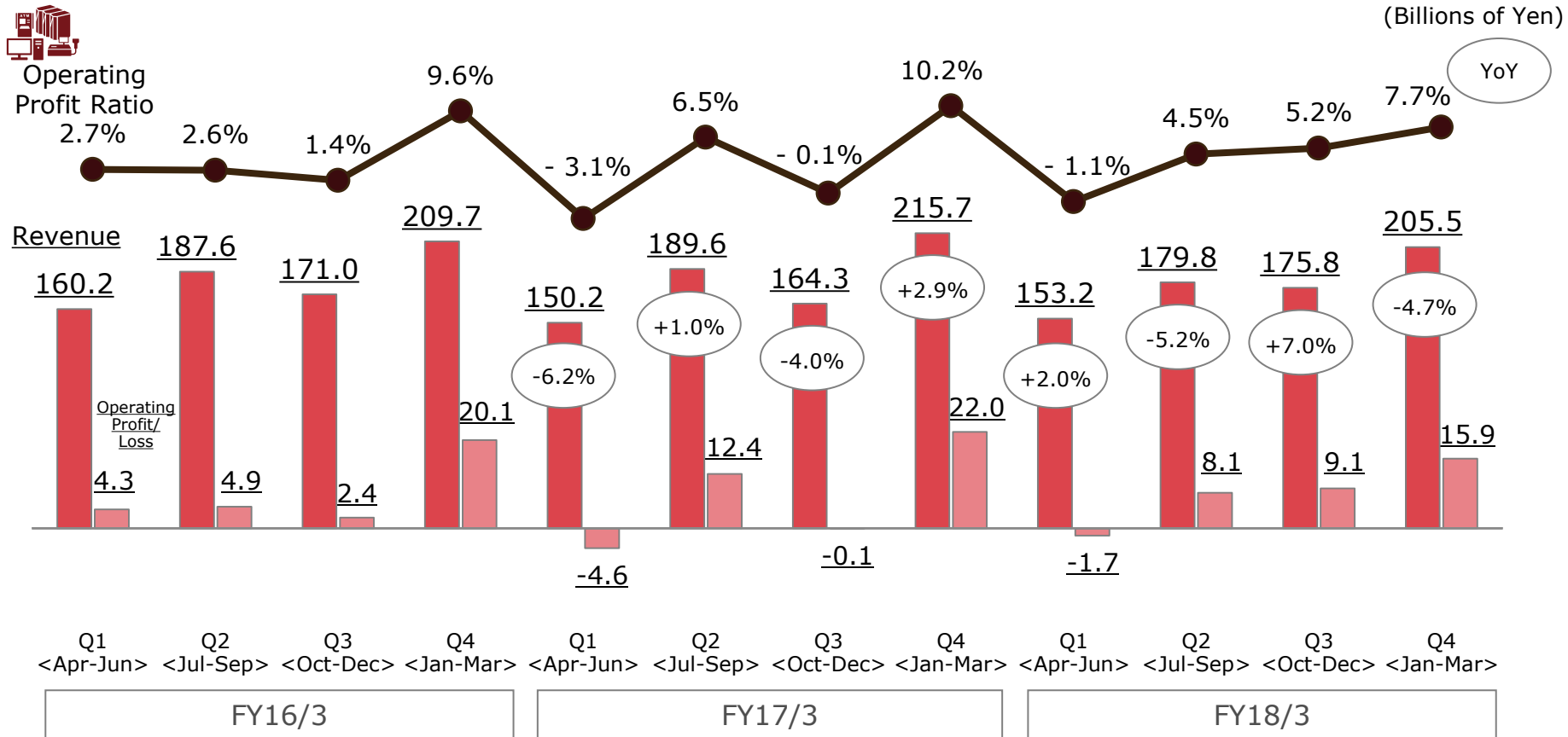
Operating Profit Ratio
4.9%



Revenue, Operating Profit/Loss (Telecom Carrier)



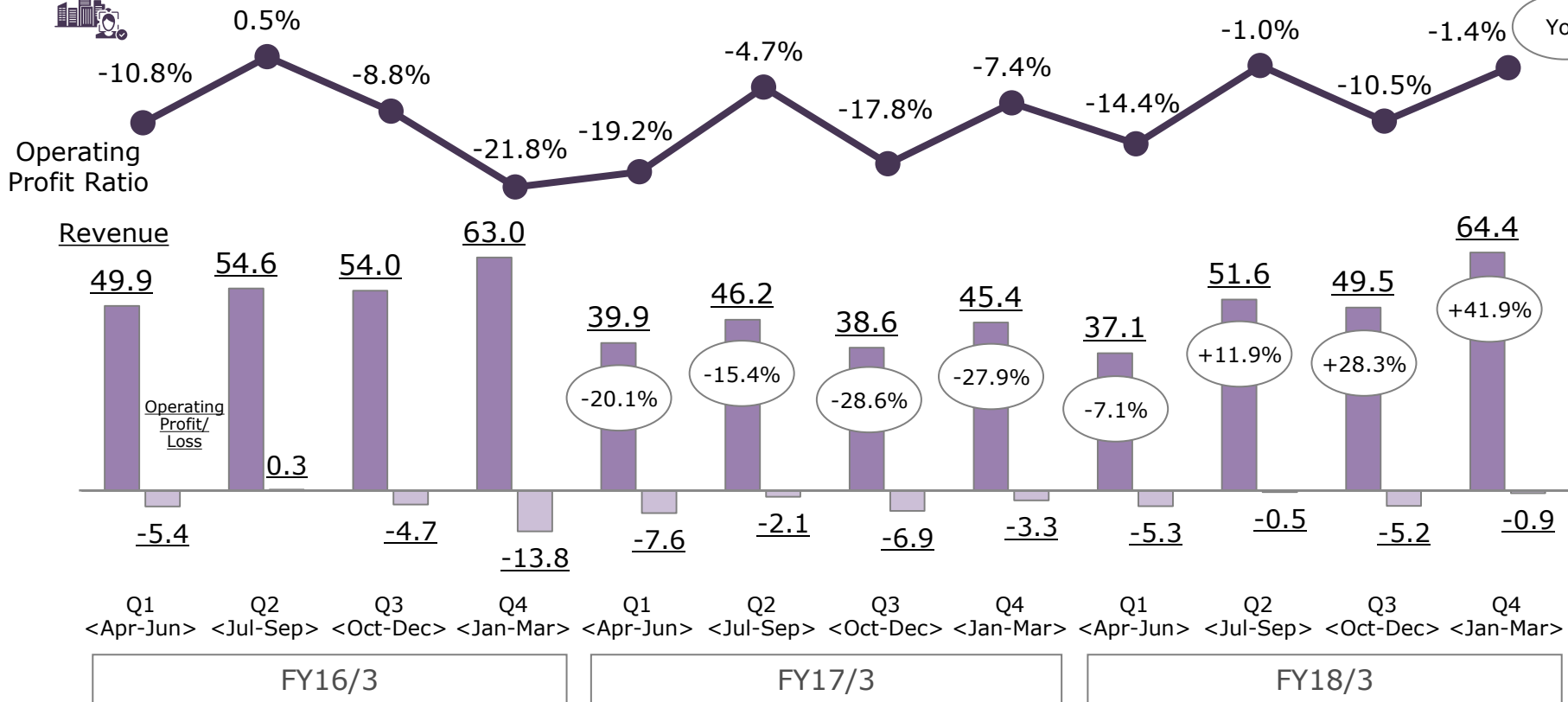
Revenue, Operating Profit/Loss (System Platform)



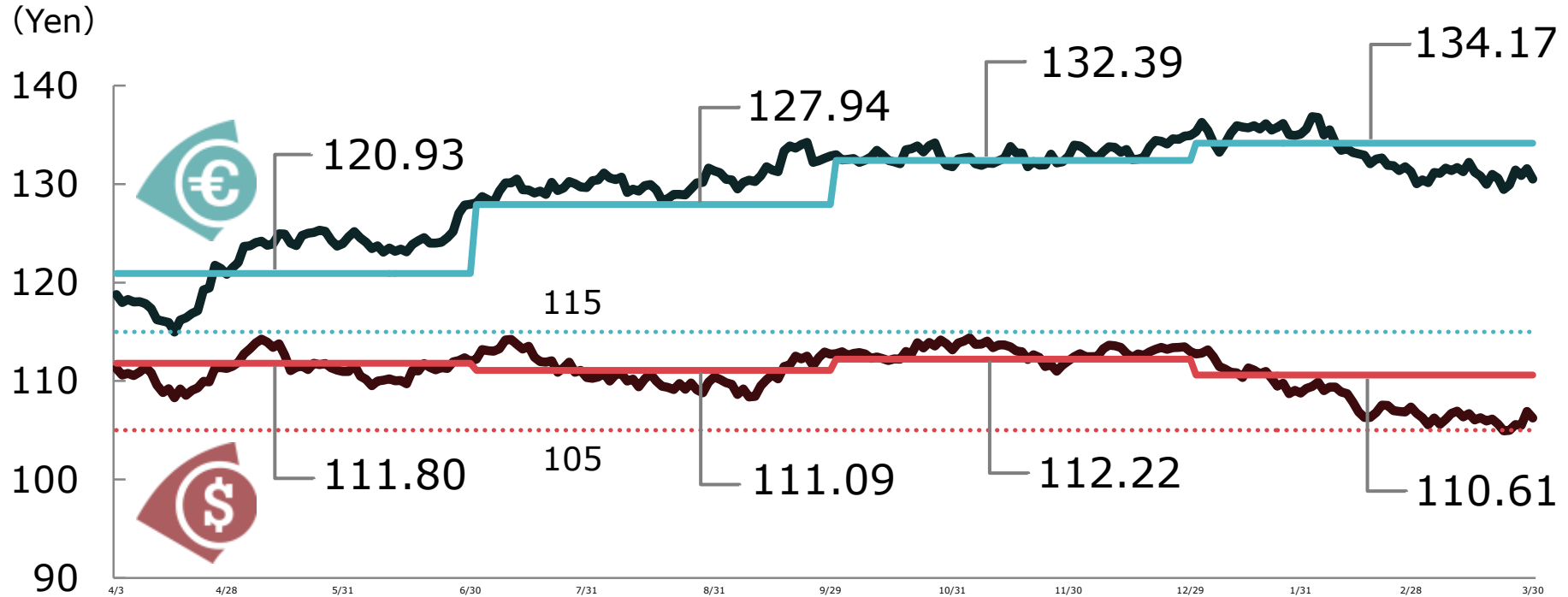
Revenue, Operating Profit/Loss (Others)



(Billions of Yen)

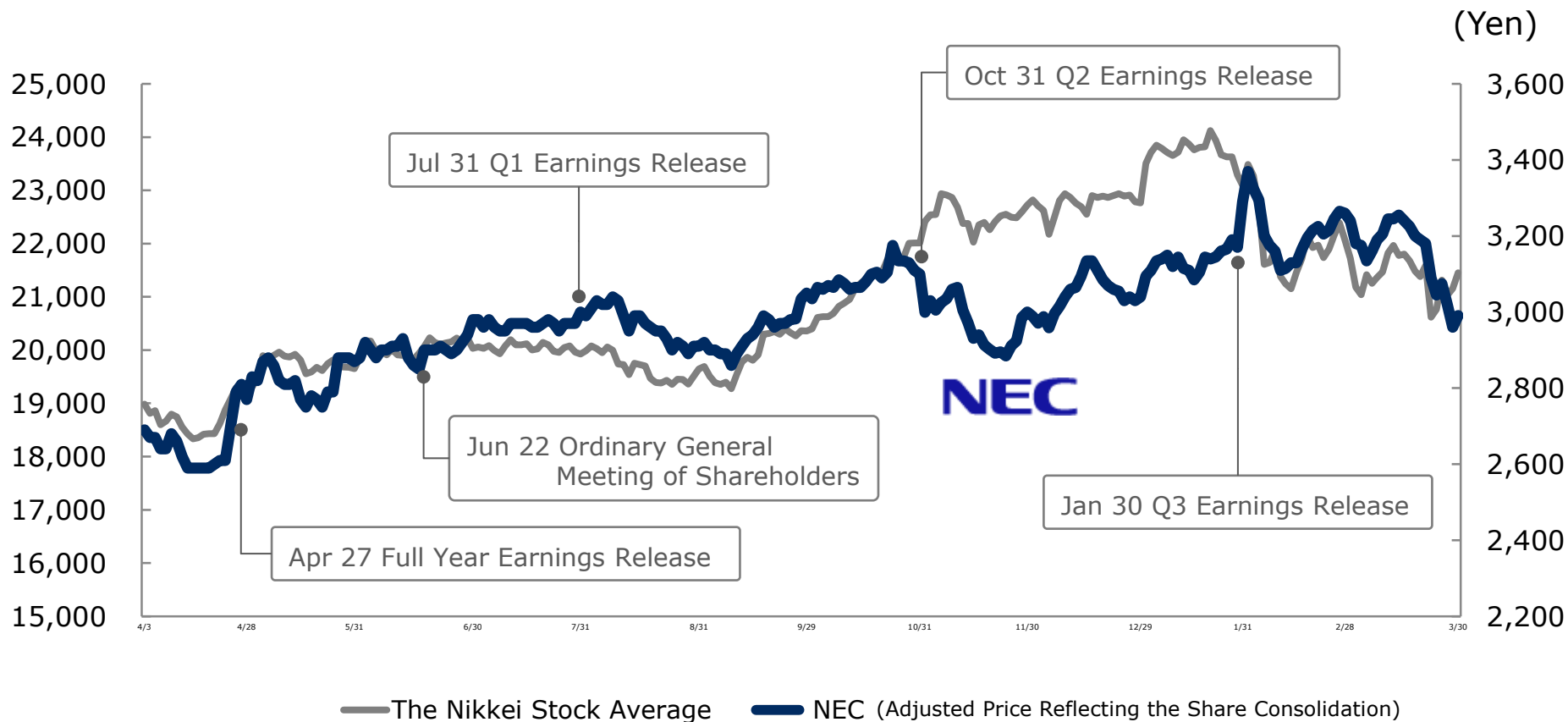


Exchange Rate



- Dollar/Yen Exchange Rate (Actual)
- Euro/Yen Exchange Rate (Actual)
- Dollar/Yen Assumed Exchange Rate
- Euro/Yen Assumed Exchange Rate
- Dollar/Yen Average Exchange Rate
- Euro/Yen Average Exchange Rate

Stock Price



— The Nikkei Stock Average

— NEC (Adjusted Price Reflecting the Share Consolidation)

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.

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.