

Financial Results for Q1 Fiscal Year Ending March 31, 2019

July 31, 2018

NEC Corporation

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

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- * Net profit/loss refers to net profit/loss attributable to owners of the parent for the same period.
- ** As stated in the July 20, 2018 announcement, "NEC to Revise Operating Segments," NEC has revised its operating segments from Q1, FY19/3. Figures for the corresponding period of FY17/3 or FY18/3 have been restated to conform with the new segments.
- *** NEC applied IFRS 9 and IFRS 15 from Q1, FY19/3. The cumulative effect of a change in accounting policies was recognized at the date of initial application, and the previous period statements were not restated.

I . Financial Results for Q1, FY19/3

Summary of Segment Revision

Operating segments have been revised in accordance with the organizational change effective as of April 1, 2018

Establishment of “Global” segment

- Incorporated business divisions that are primarily tasked with expanding in global markets in order to centralize business responsibilities and management authority, resulting in improved speed, concentrated investment in core businesses, and reduced costs
 - The businesses incorporated into the “Global Business Unit”
 - Telecom Carrier : software and service business for service providers throughout the world, wireless solutions business, submarine cable systems business
 - System Platform : global unified communications business, display solutions business
 - Others : energy business

Renaming of “Telecom Carrier” to “Network Services”

- Leverage the network strengths and capabilities cultivated in the telecom carrier market across to other industry sectors, including service providers, manufacturers, distribution and service industries, and governments

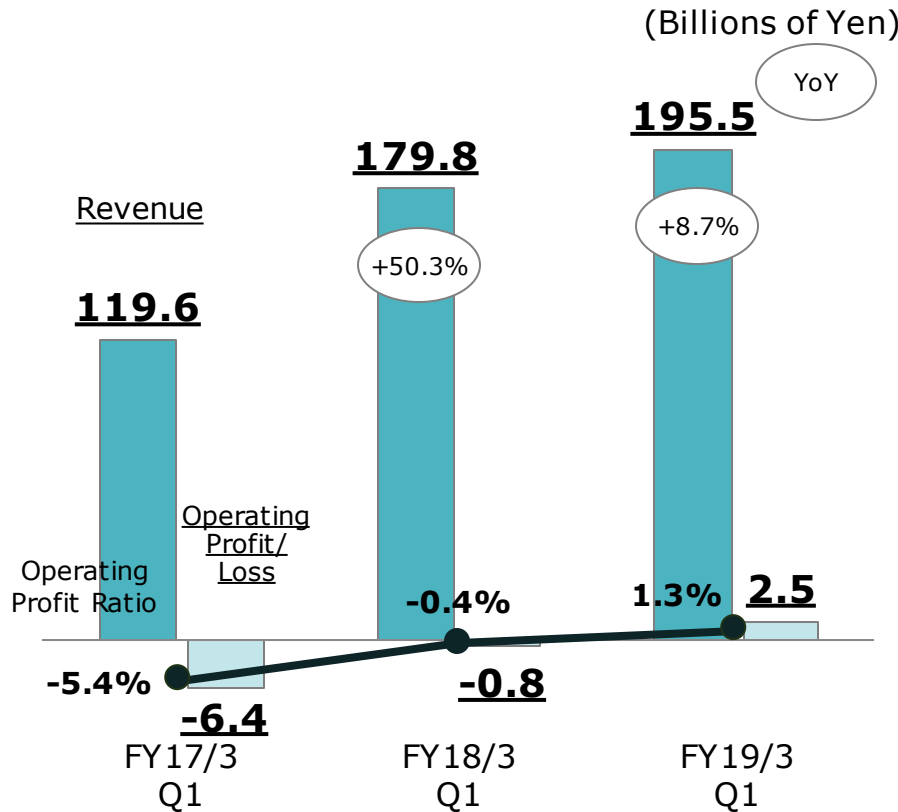
(Billions of Yen)

	Q1 <April to June>		
	FY18/3 Actual	FY19/3 Actual	YoY
Revenue	582.5	613.0	+5.2%
Operating Profit/Loss	-14.4	-10.7	+3.7
% to Revenue	-2.5%	-1.7%	
Income/Loss before Income Taxes	7.1	-4.8	-11.9
Net Profit/Loss	7.8	-5.8	-13.6
% to Revenue	1.3%	-0.9%	

Free Cash Flows	114.5	35.8	-78.6
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Note:			
Average Exchange Rates (yen)	USD 1	111.80	107.75
	EUR 1	120.93	130.88

		Q1 <April to June>		
		FY18/3 Actual	FY19/3 Actual	YoY
Public	Revenue	179.8	195.5	+8.7%
	Operating Profit/Loss	-0.8	2.5	+3.3
	% to Revenue	-0.4%	1.3%	
Enterprise	Revenue	87.8	96.2	+9.5%
	Operating Profit	5.0	3.6	-1.4
	% to Revenue	5.7%	3.8%	
Network Services	Revenue	78.2	77.6	-0.7%
	Operating Profit/Loss	-0.5	-2.2	-1.6
	% to Revenue	-0.7%	-2.8%	
System Platform	Revenue	108.3	108.4	+0.1%
	Operating Profit/Loss	-1.5	-3.6	-2.1
	% to Revenue	-1.4%	-3.3%	
Global	Revenue	96.3	97.1	+0.8%
	Operating Profit/Loss	-7.6	-8.2	-0.5
	% to Revenue	-7.9%	-8.4%	
Others	Revenue	32.1	38.2	+19.1%
	Operating Profit/Loss	-1.8	3.2	+5.0
	% to Revenue	-5.5%	8.4%	
Adjustment	Operating Profit/Loss	-7.2	-6.1	+1.1
Total	Revenue	582.5	613.0	+5.2%
	Operating Profit/Loss	-14.4	-10.7	+3.7
	% to Revenue	-2.5%	-1.7%	



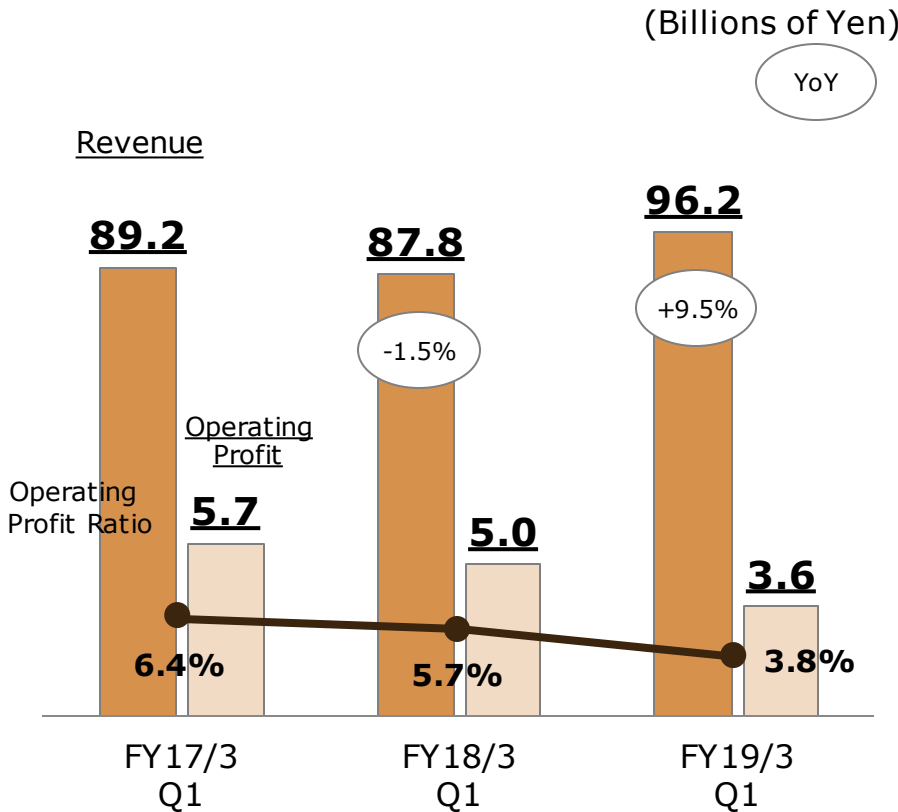
Billions of Yen (YoY)

Revenue 195.5 (+8.7%)

- Public Solutions area: sales for small and medium-sized businesses increased
- Public Infrastructure area: increased in the aerospace and defense business

Operating Profit/Loss 2.5 (+3.3)

- Improved due to a sales increase



Revenue 96.2 (+9.5%)

- Increased in retail and services

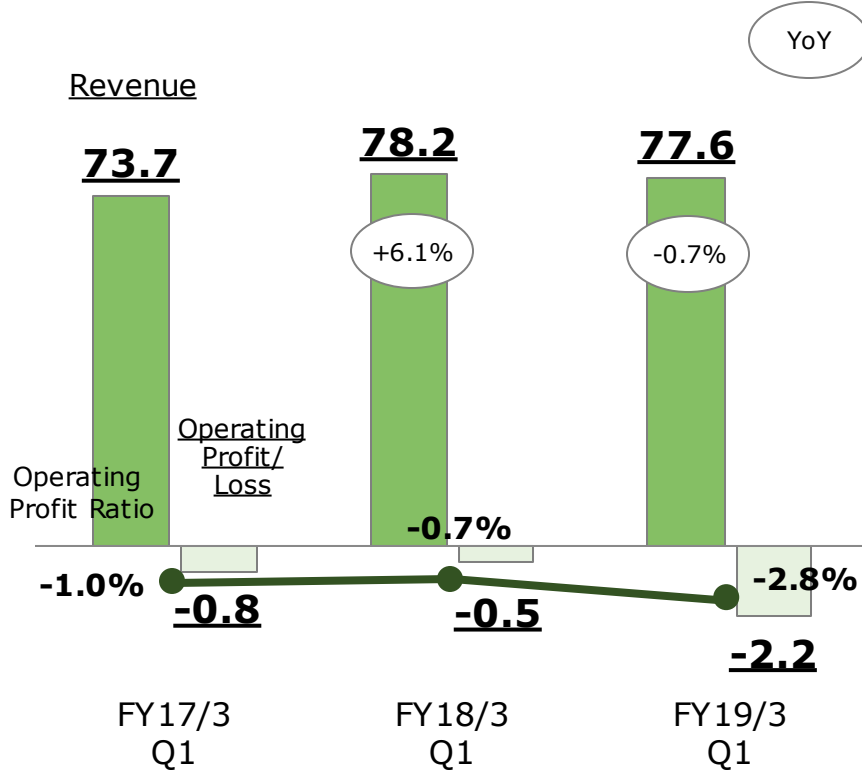
Operating Profit 3.6 (-1.4)

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

*AI: Artificial Intelligence
IoT: Internet of Things

(Billions of Yen)

Billions of Yen (YoY)

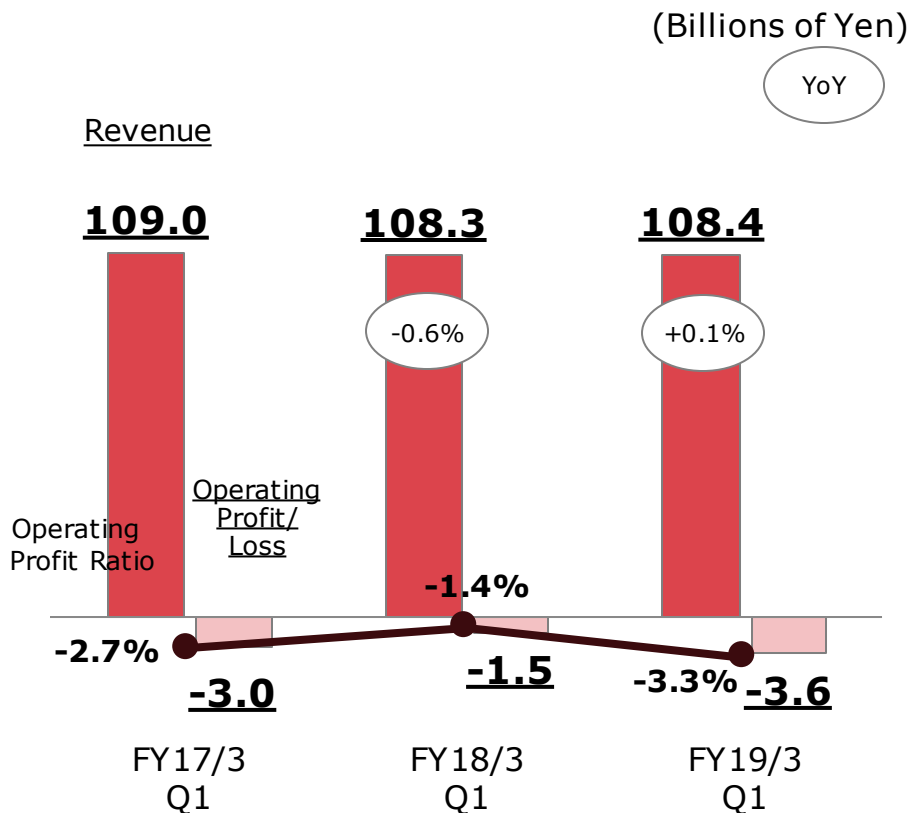


Revenue 77.6 (-0.7%)

- Remained flat with sluggish capital investment by telecommunications carriers

Operating Profit/Loss -2.2 (-1.6)

- Worsened due to an increase in investment expenses for 5G, etc., as well as project lineup changes

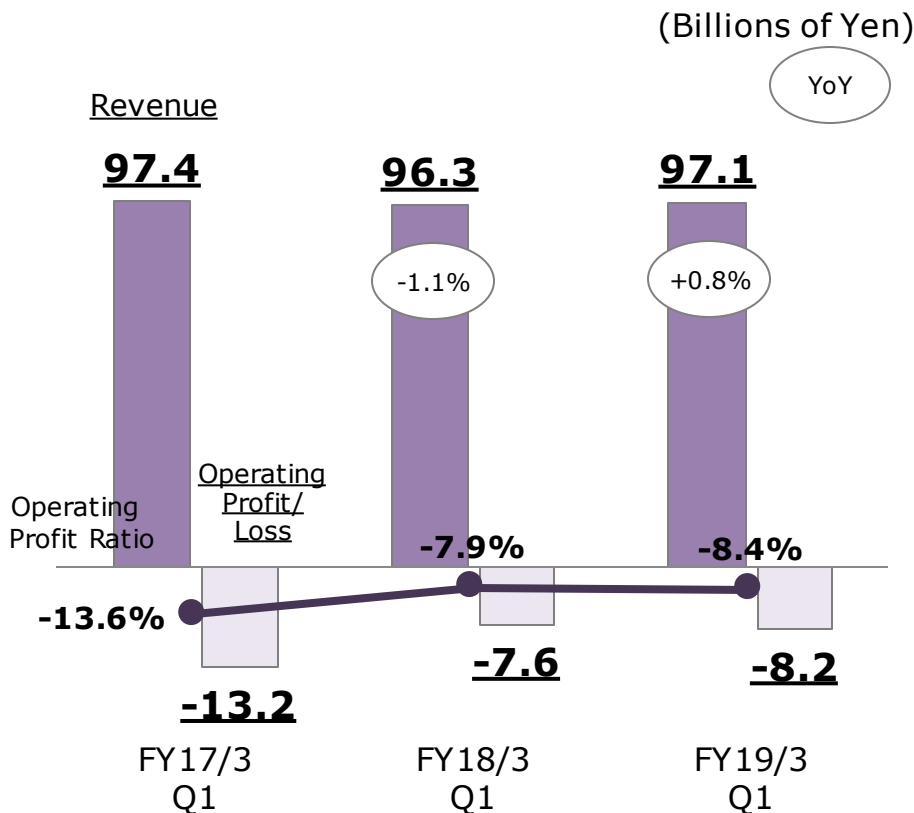


Revenue 108.4 (+0.1%)

- Remained flat with increases in servers and storages as well as enterprise network solutions, offset by a decline in system devices

Operating Profit/Loss -3.6 (-2.1)

- Worsened due to a temporary decline in hardware profitability



Revenue 97.1 (+0.8%)

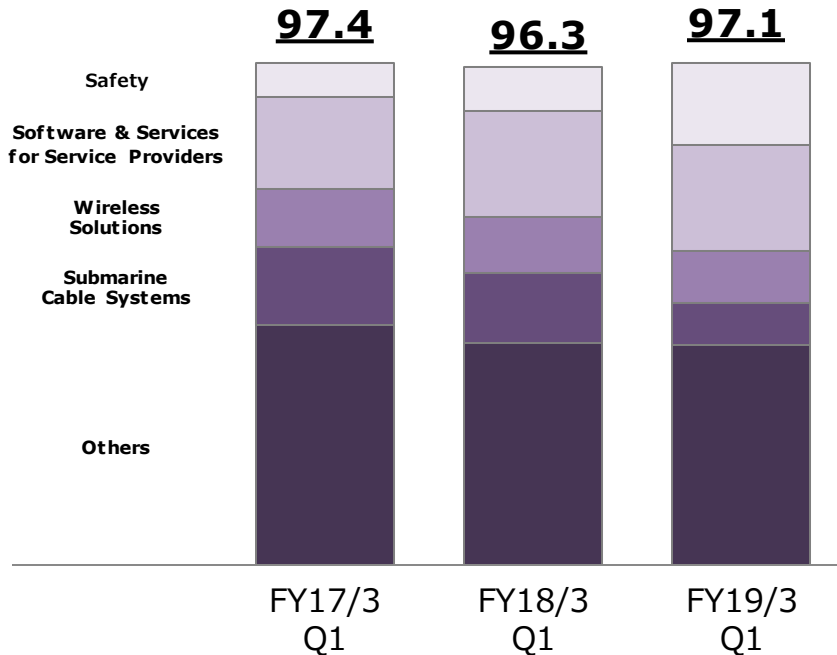
- Increased in safety despite a decline in submarine cable systems

Operating Profit/Loss -8.2 (-0.5)

- Worsened in submarine cable systems

(Billions of Yen)

Revenue



Safety

- Increased by double due to consolidation of NPS
 - ✓ Selected by the Metropolitan Police Service and the West Midlands Police (UK) to provide NPS' CONNECT police software

Software & Services for Service Providers

- Remained flat

Wireless Solutions/Submarine Cable Systems

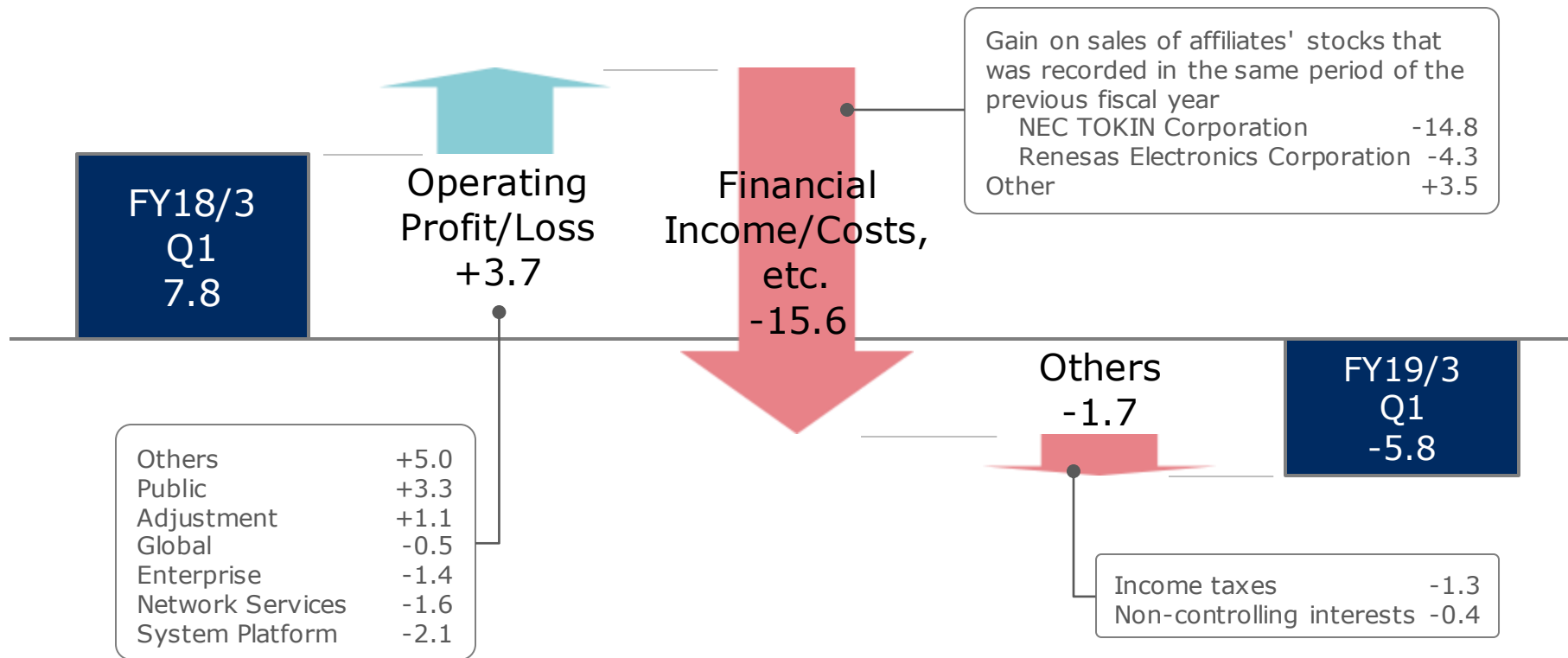
- Wireless solutions: remained flat
- Submarine cable systems: decreased temporarily
 - ✓ Selected to build submarine cable between Chennai and the Andaman & Nicobar Islands, India
 - ✓ Selected to build submarine cable "SJC2 (Southeast Asia-Japan Cable 2)" connecting 11 cities in Asia

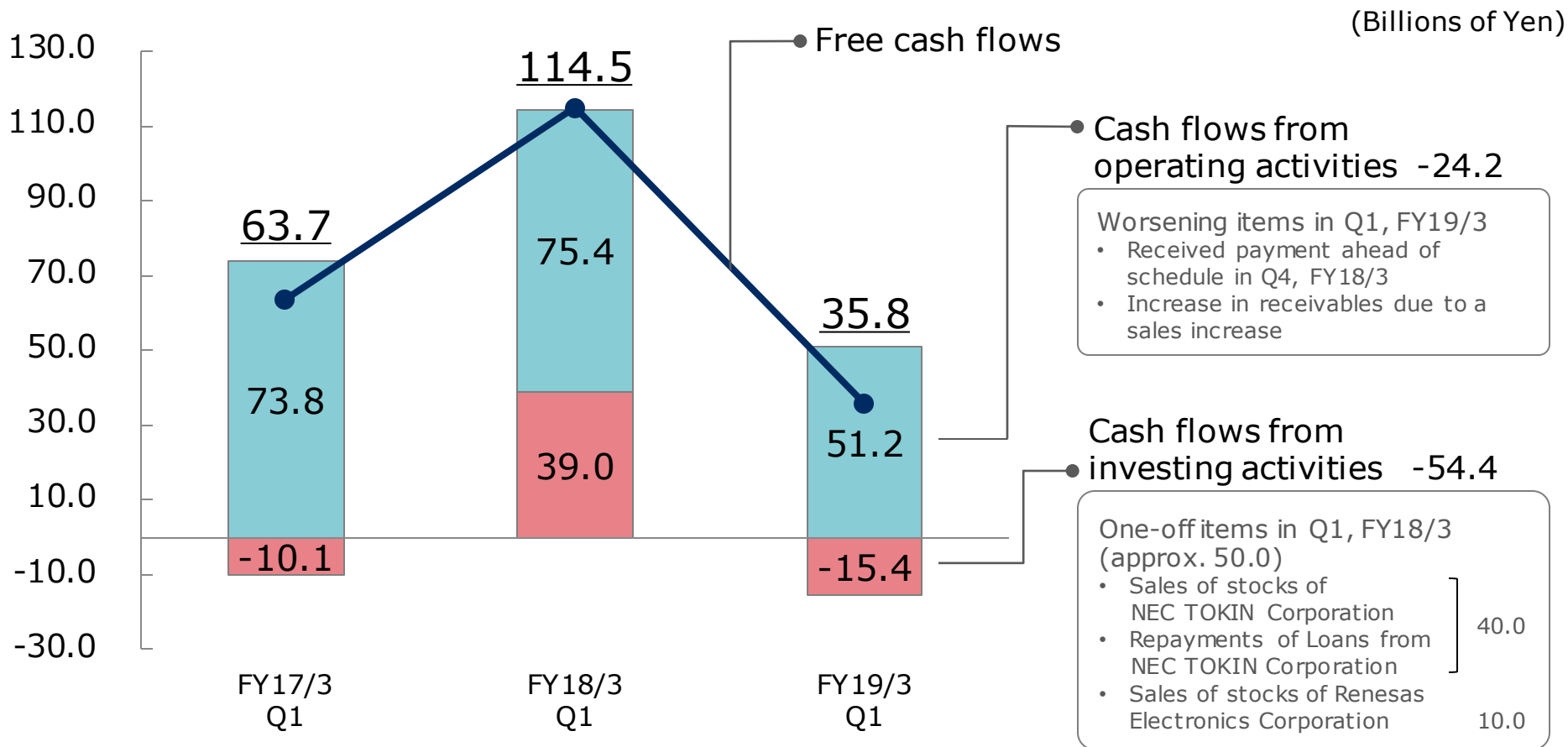
*Others includes the energy business, display solutions business and global unified communications business.

*NPS: Northgate Public Services Limited

Net Profit Change (Year on Year)

(Billions of Yen)





II. Financial Forecasts for FY19/3

Summary of Financial Forecasts

Forecasts
FY19/3

Profit forecast for FY19/3 worsens, factoring business structure improvement expenses
(same as initial forecasts as of April 27, 2018)

(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

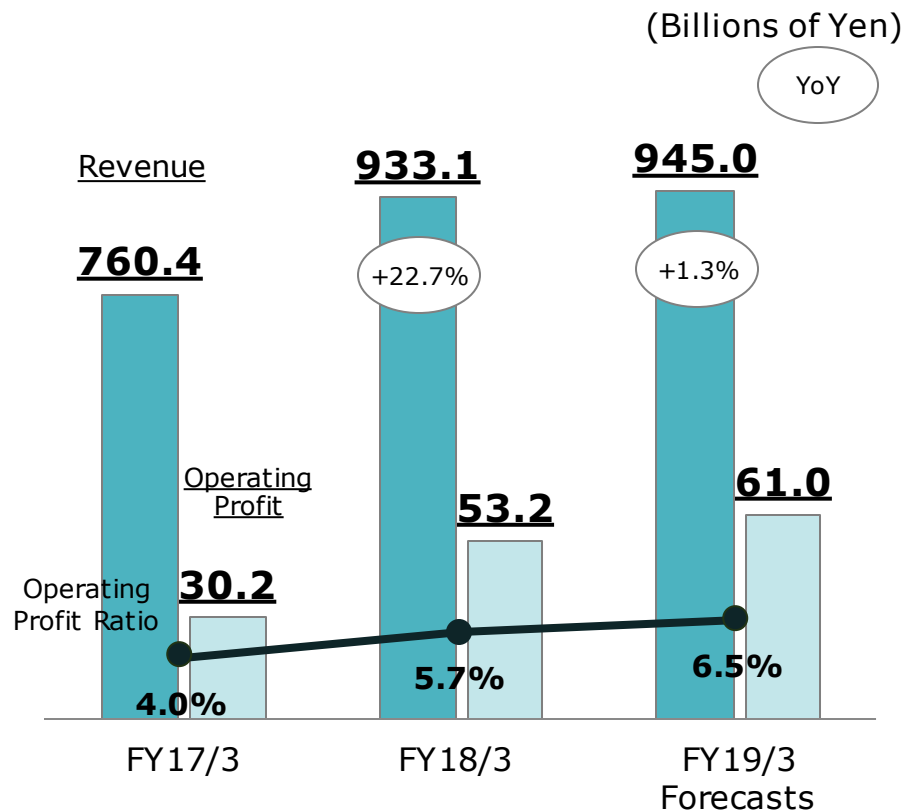
		Full Year		
		FY18/3 Actual	FY19/3 Forecasts	YoY
Public	Revenue	933.1	945.0	+1.3%
	Operating Profit	53.2	61.0	+7.8
	% to Revenue	5.7%	6.5%	
Enterprise	Revenue	408.7	410.0	+0.3%
	Operating Profit	35.7	32.0	-3.7
	% to Revenue	8.7%	7.8%	
Network Services	Revenue	377.6	360.0	-4.7%
	Operating Profit	17.3	11.0	-6.3
	% to Revenue	4.6%	3.1%	
System Platform	Revenue	531.7	510.0	-4.1%
	Operating Profit	30.0	32.0	+2.0
	% to Revenue	5.6%	6.3%	
Global	Revenue	453.7	505.0	+11.3%
	Operating Profit/Loss	-28.0	0.0	+28.0
	% to Revenue	-6.2%	0.0%	
Others	Revenue	139.7	100.0	-28.4%
	Operating Profit/Loss	-0.4	15.0	+15.4
	% to Revenue	-0.3%	15.0%	
Adjustment	Operating Profit/Loss	-43.8	-101.0	-57.2
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 July 31, 2018

Impact of Segment Revision

(Billions of Yen)

FY19/3 Forecasts		Before Segment Revision	After Segment Revision	Amount of Impact	
Public	Revenue	950.0	945.0	-5.0	
	Operating Profit	64.0	61.0	-3.0	
	% to Revenue	6.7%	6.5%		
Enterprise	Revenue	410.0	410.0	0.0	
	Operating Profit	32.0	32.0	0.0	
	% to Revenue	7.8%	7.8%		
Network Services	Revenue	565.0	360.0	-205.0	
	Operating Profit	12.0	11.0	-1.0	
	% to Revenue	2.1%	3.1%		
System Platform	Revenue	690.0	510.0	-180.0	
	Operating Profit	30.0	32.0	+2.0	
	% to Revenue	4.3%	6.3%		
Global	Revenue	0.0	505.0	+505.0	
	Operating Profit	0.0	0.0	0.0	
	% to Revenue		0.0%		
Others	Revenue	215.0	100.0	-115.0	
	Operating Profit/Loss	15.0	15.0	0.0	
	% to Revenue	7.0%	15.0%		
Adjustment		Operating Profit/Loss	-103.0	-101.0	+2.0
Total	Revenue	2,830.0	2,830.0	0.0	
	Operating Profit	50.0	50.0	0.0	
	% to Revenue	1.8%	1.8%		



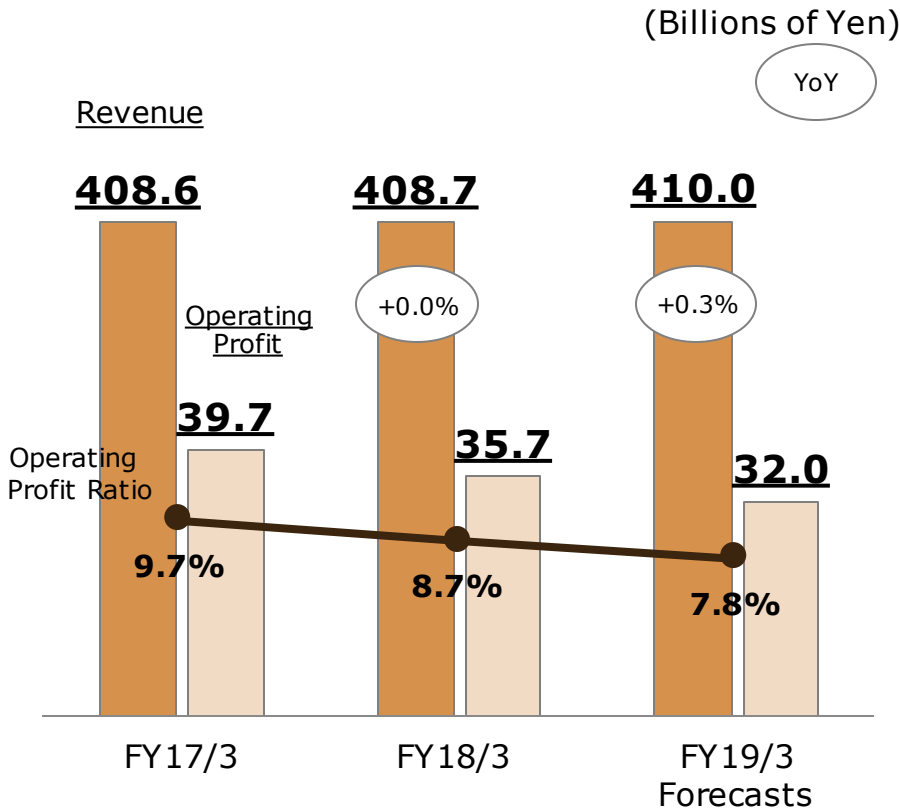
Revenue 945.0 (+1.3%)

- 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 61.0 (+7.8%)

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

*Forecasts as of July 31, 2018



Revenue 410.0 (+0.3%)

- Increase in retail and services

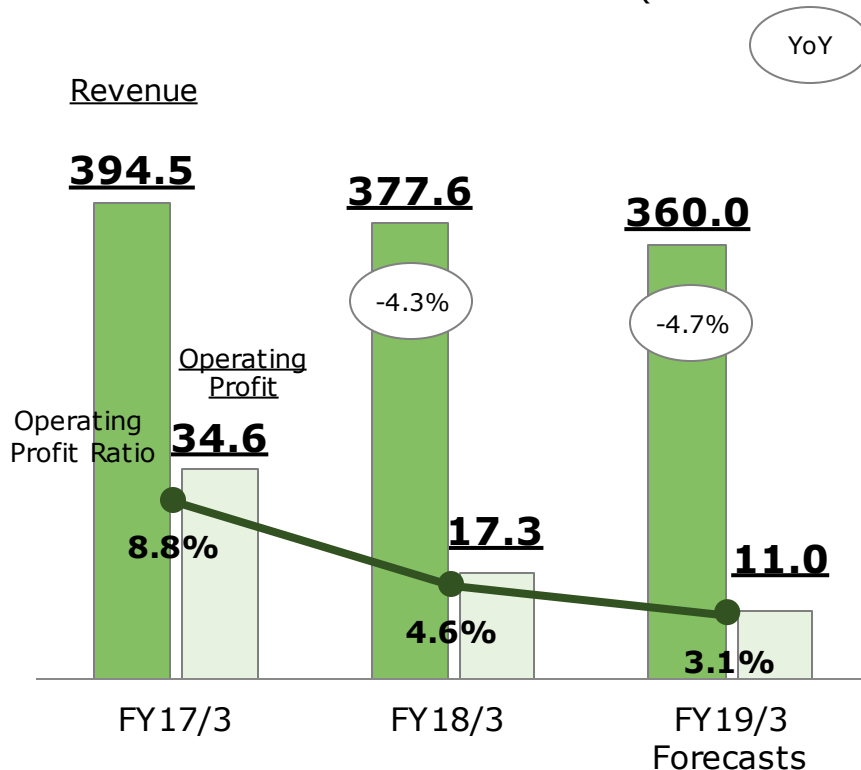
Operating Profit 32.0 (-3.7)

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

*Forecasts as of July 31, 2018

(Billions of Yen)

Billions of Yen (YoY)



Revenue 360.0 (-4.7%)

- Decrease due to sluggish capital investment by telecommunications carriers

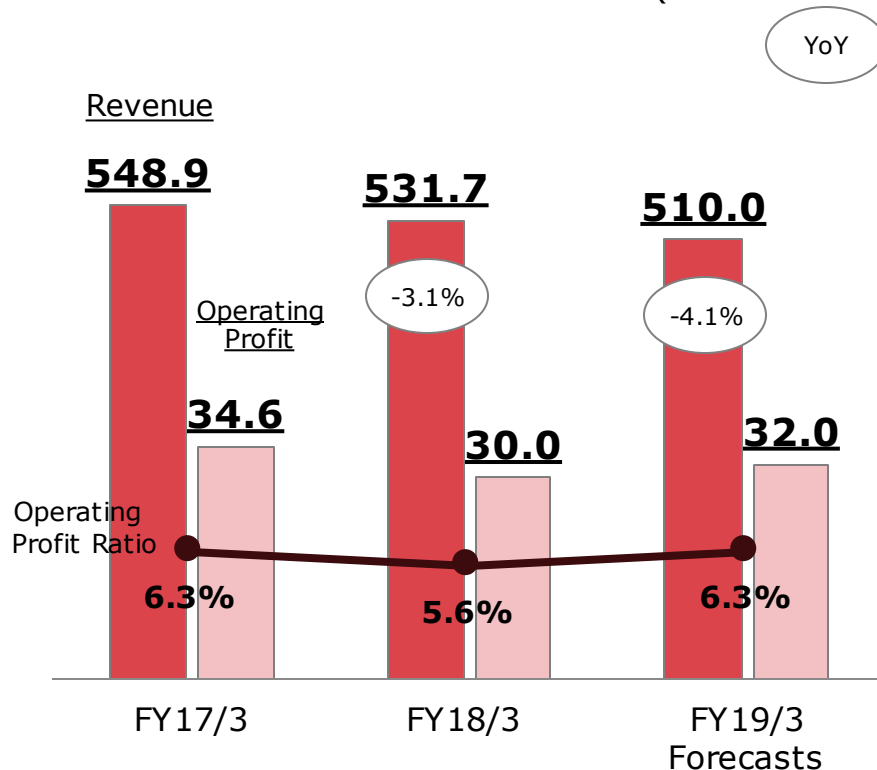
Operating Profit 11.0 (-6.3)

- Worsened due to a sales decline and an increase in investment expenses for 5G, etc.

*Forecasts as of July 31, 2018

(Billions of Yen)

Billions of Yen (YoY)



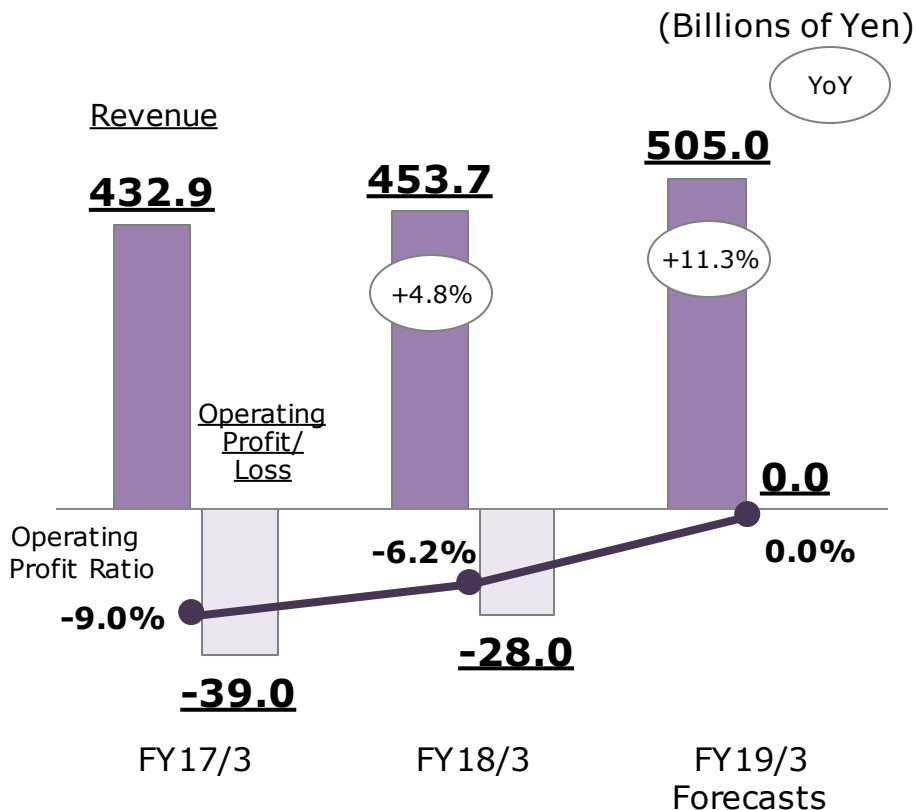
Revenue 510.0 (-4.1%)

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

Operating Profit 32.0 (+2.0)

- Improve due to cost efficiency

*Forecasts as of July 31, 2018



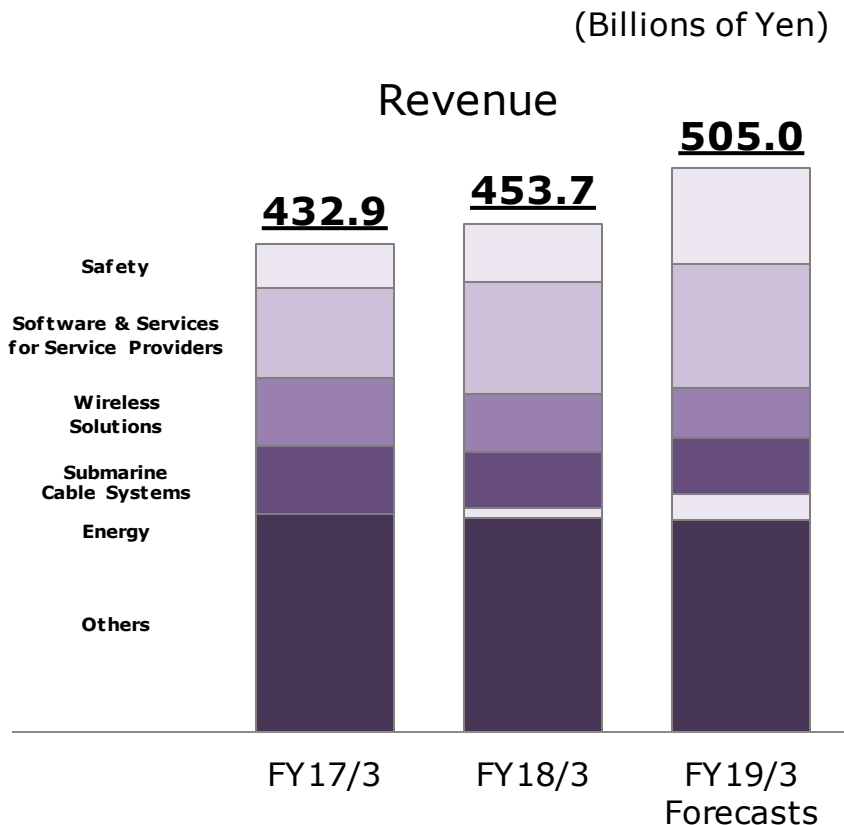
Revenue 505.0 (+11.3%)

- Increase in safety as well as software & services for service providers

Operating Profit/Loss 0.0 (+28.0)

- Improve due to a sales increase and business structure improvement

*Forecasts as of July 31, 2018



*Others includes the display solutions business and global unified communications business.

Safety

- Increase by double due to consolidation of NPS

Software & Services for Service Providers

- Increase due to expansion of SDN/NFV deployment

Wireless Solutions/Submarine Cable Systems

- Wireless solutions: decrease due to a change in strategy to focus on profitability and the decline of demand in major markets
- Submarine cable systems: remain flat

*SDN: Software-Defined Networking
NFV: Network Functions Virtualization

*Forecasts as of July 31, 2018

Accelerate the monetization of technologies

- Established "NEC X, Inc." in Silicon Valley, in order to accelerate the development of new business
 - Leverage NEC's talent and technologies in order to promote commercialization through open innovation
 - Join an ecosystem of new business development in Silicon Valley, and create an "outbound style" of business that actively provides state-of-the-art technology and new business ideas
- Accelerate the monetization of NEC's competitive technologies by creating diverse alliances, following the founding of "dotData, Inc."

Culture transformation

- Started "Project RISE" to transform NEC radically
 - Introduce an evaluation system mainly for management to strictly reflect results and define responsibilities more clearly
 - Formulate a code of conduct to be applied to all employees



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

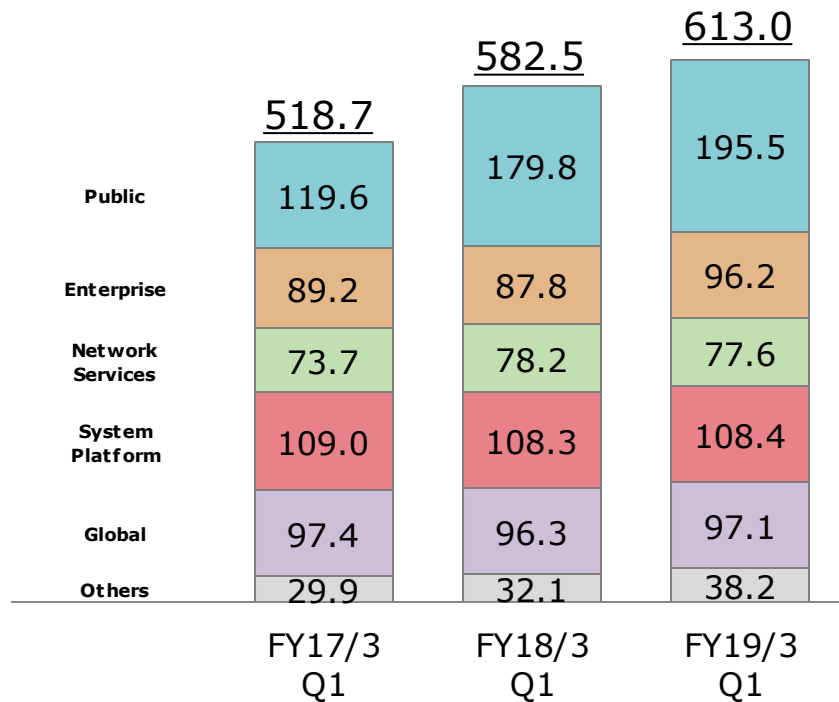
Financial Results for Q1, FY19/3 (Appendix)

Financial Results for Q1 by Segment (three-year transition)

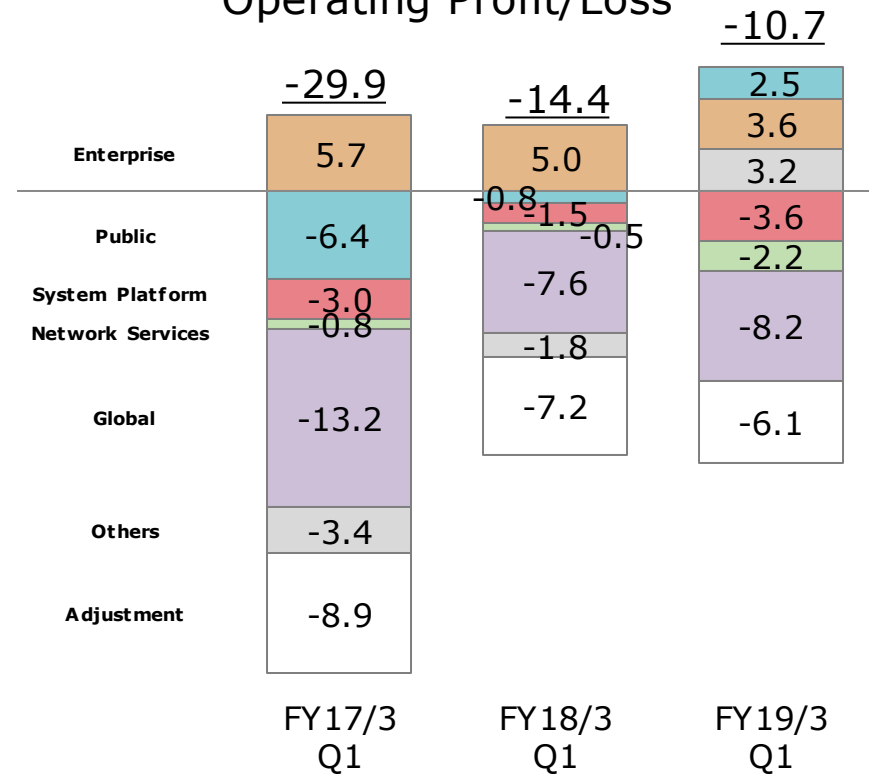
Q1 Results

(Billions of Yen)

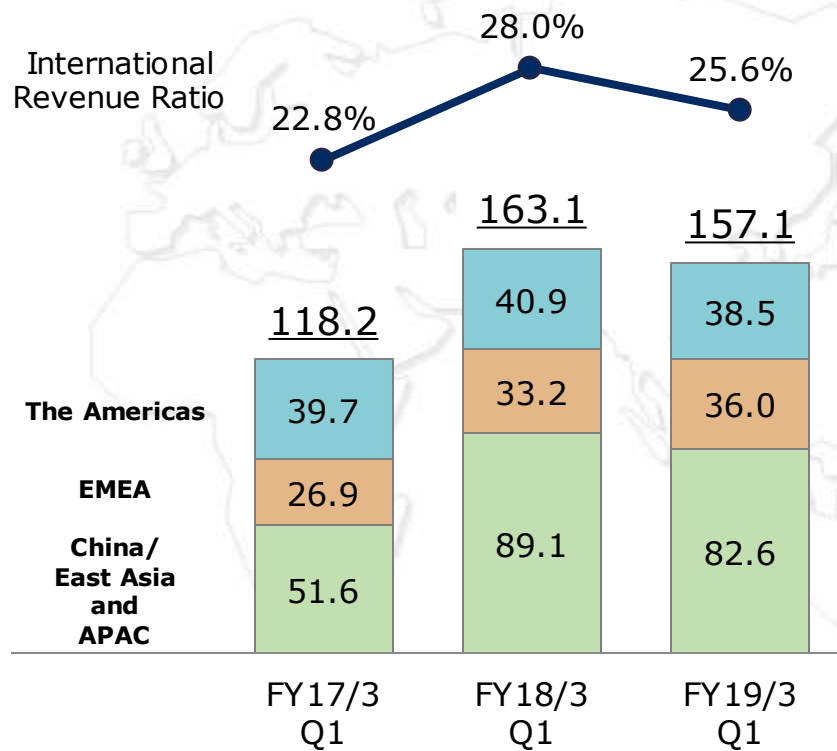
Revenue



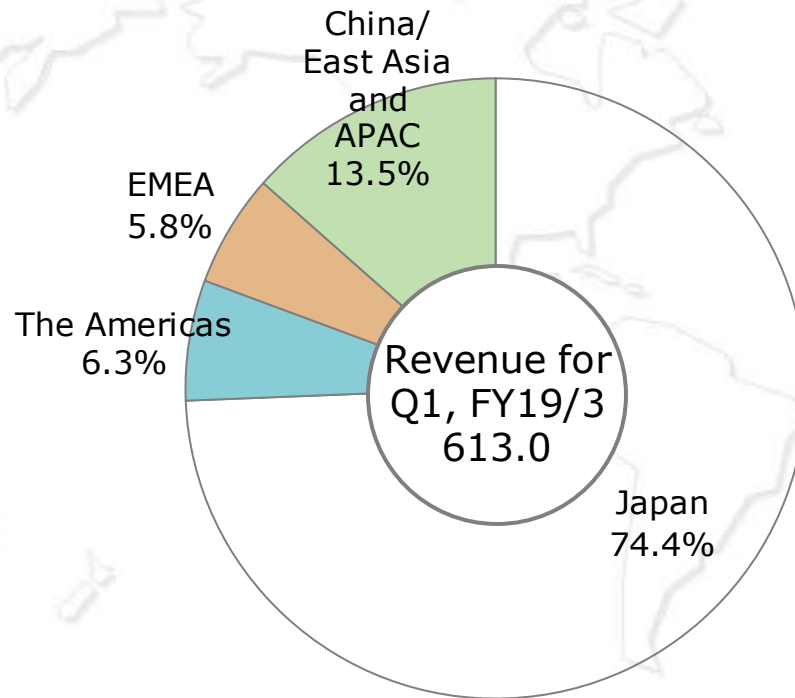
Operating Profit/Loss



(Billions of Yen)



Revenue by Region



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

(Billions of Yen)

	End of March 2018	End of June 2018	Variance from end of March 2018
Total assets	2,821.4	2,741.4	-79.9
Total equity	1,054.3	1,043.7	-10.6
Interest-bearing debt	520.7	528.8	+8.1
Equity attributable to owners of the parent	880.8	869.6	-11.2
Ratio of equity attributable to owners of the parent (%)	31.2%	31.7%	+0.5pt
D/E ratio (times)	0.59	0.61	-0.02pt
Net D/E ratio (times)	0.20	0.18	+0.02pt
Cash and cash equivalents	346.0	369.7	+23.7

(Billions of Yen)

Compared to
end of March
2018

Current Assets
1,524.1

Liabilities
1,697.7

-116.2

-69.3

Collection of trade
and other receivables

Decrease in accruals
from bonus payments

Increase in other financial
assets attributable to a rise in
market prices of shares and
in other non-current assets

Payment of dividends

Total Assets
2,741.4

(-79.9 compared to
end of March 2018)

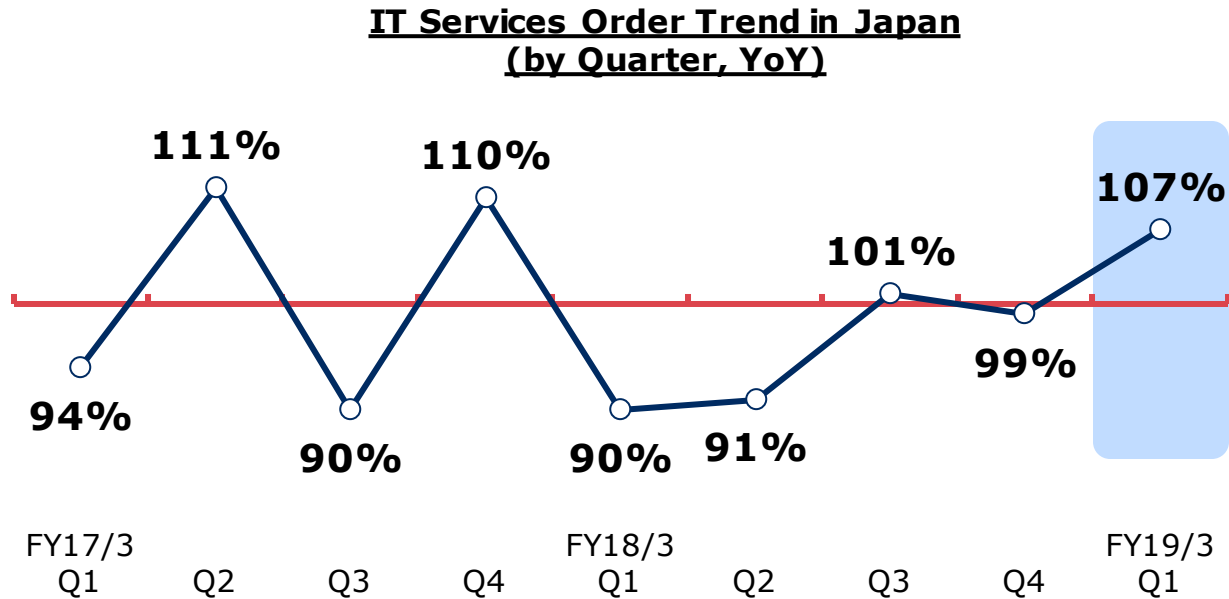
+36.3

-10.6

Non-current Assets
1,217.3

Equity
1,043.7

IT services in Japan for Q1, FY19/3 showed strong performance in the central government, manufacturing and financial areas

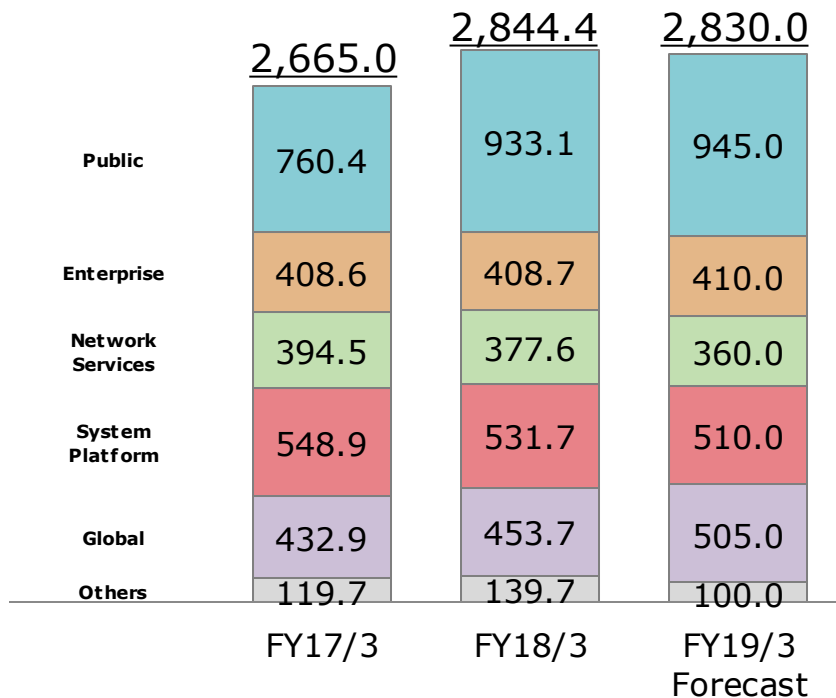


Q1, FY19/3
Order
107%

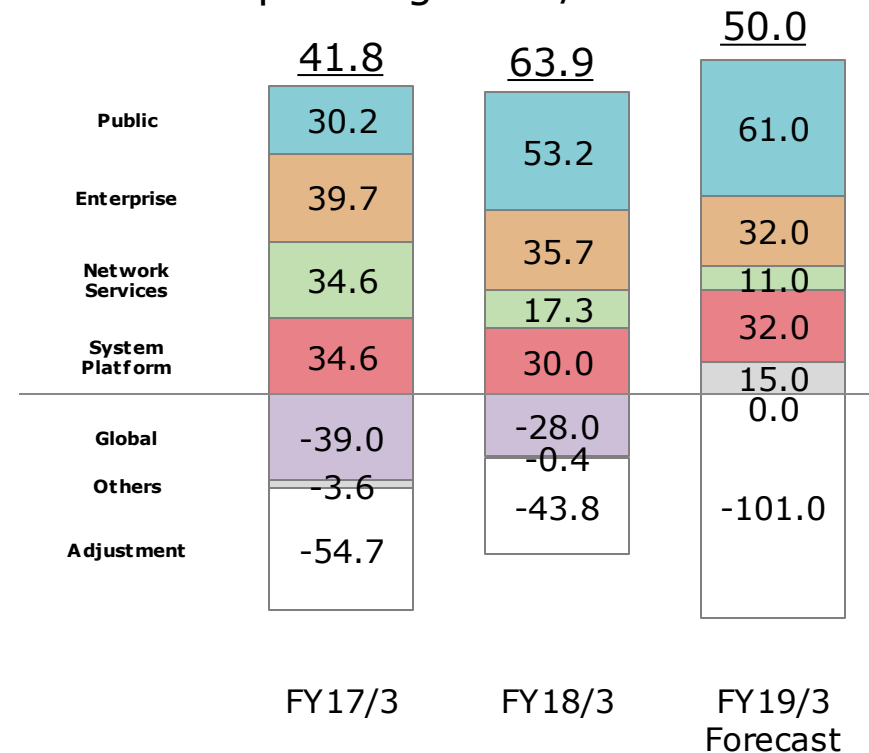
Financial Forecasts for FY19/3 (Appendix)

(Billions of Yen)

Revenue



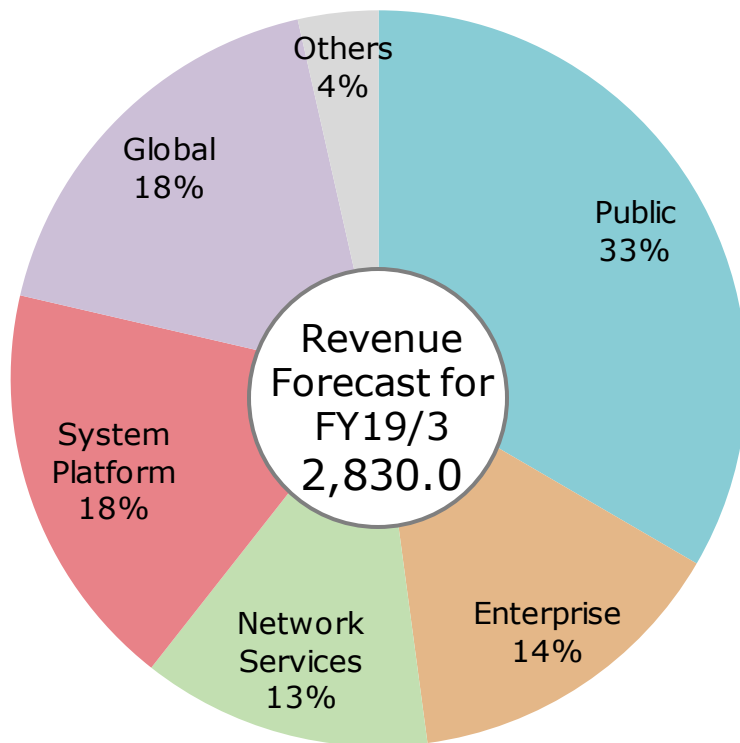
Operating Profit/Loss



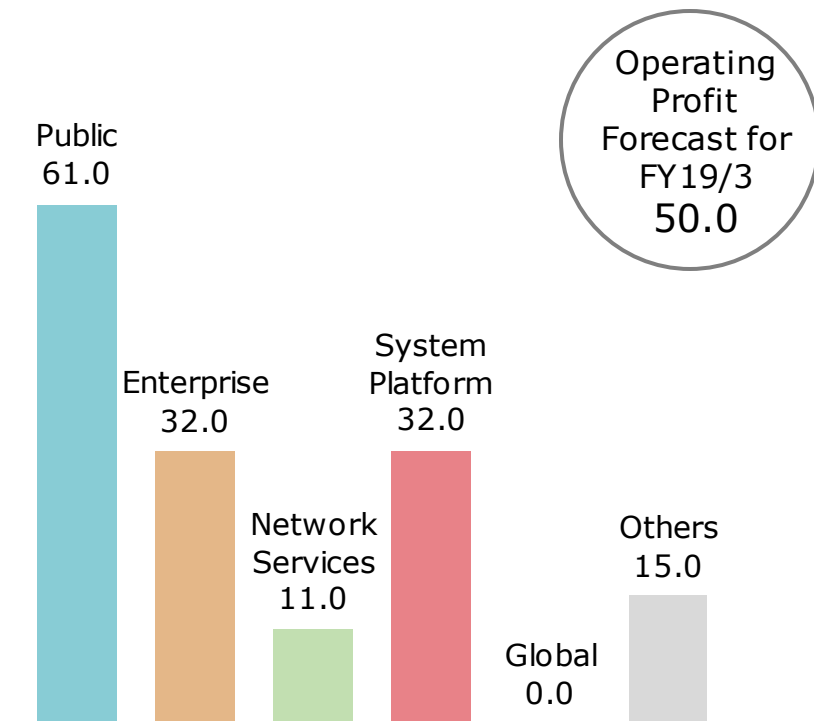
*Forecasts as of July 31, 2018

(Billions of Yen)

Revenue



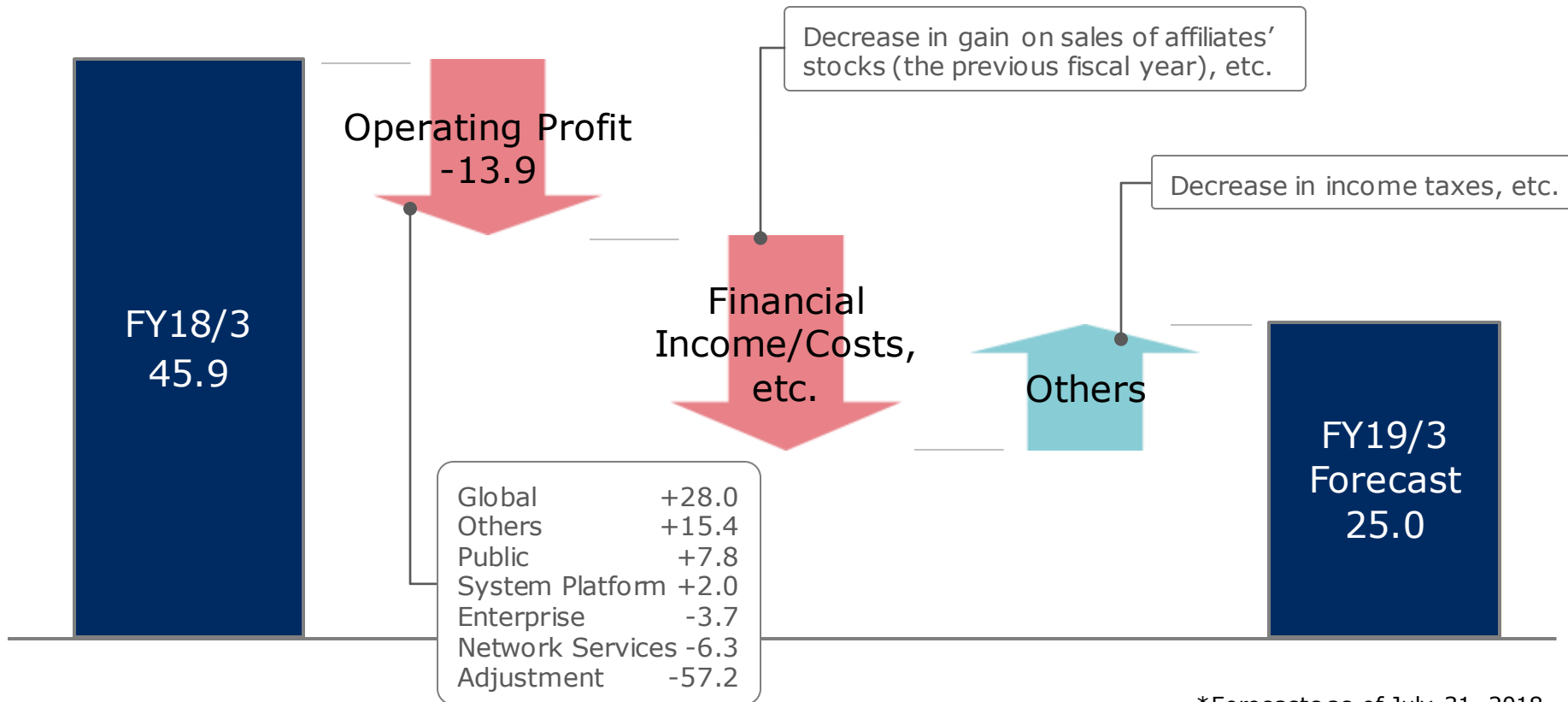
Operating Profit



*Forecasts as of July 31, 2018

Net Profit Change (Year on Year)

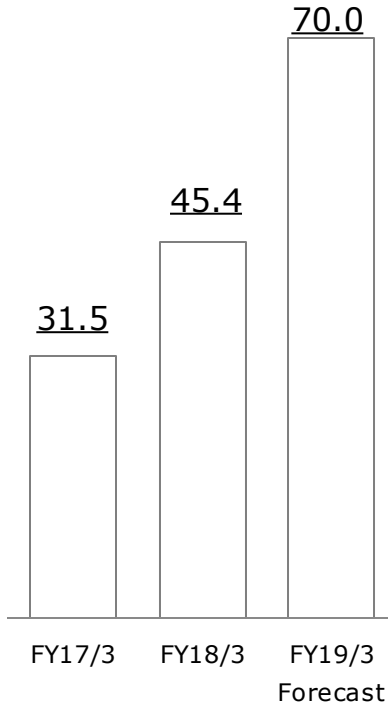
(Billions of Yen)



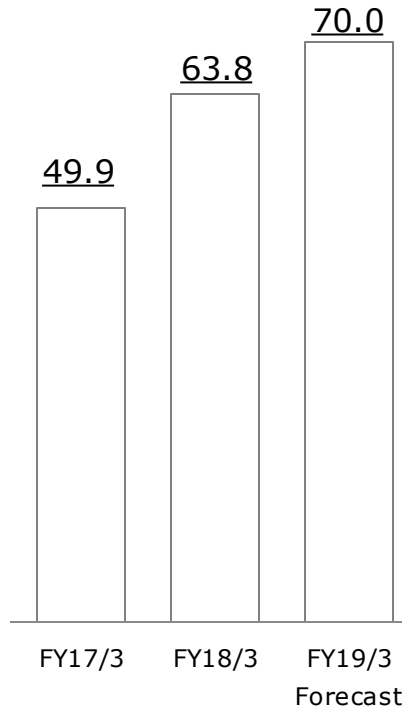
*Forecasts as of July 31, 2018

(Billions of Yen)

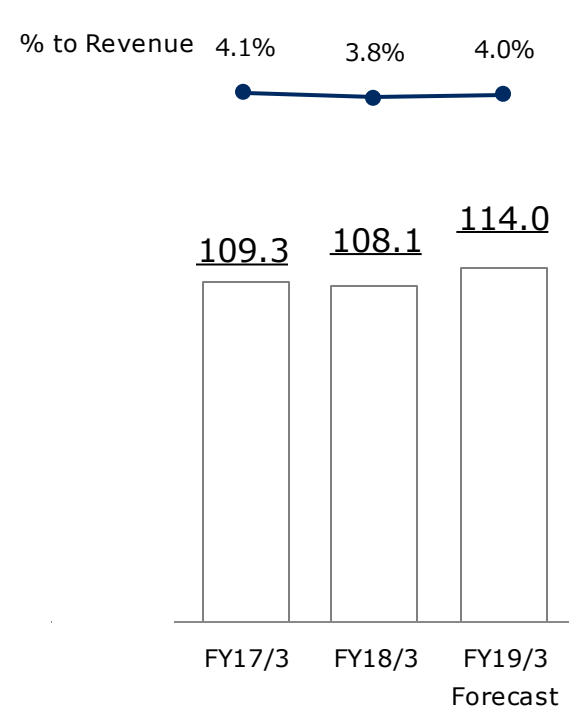
Capital Expenditure



Depreciation



R&D Expenses



*Forecasts as of July 31, 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 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 down grade 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.