

Financial Results for 1H Fiscal Year Ending March 31, 2019

October 30, 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 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 1H, FY19/3

Revenue

YoY +3.8%

Increased year on year

- Increased in Public and Enterprise business

Operating Profit

YoY +6.6B Yen

Improved year on year

- Improved in Global business and Others, while worsened in Public and Network Services business

Net Profit

YoY -9.7B Yen

Worsened year on year

- Worsened due to gain on sales of affiliates' stocks that was recorded in the same period of the previous fiscal year

(Billions of Yen)

	Q2 <July to September>		
	FY18/3 Actual	FY19/3 Actual	YoY
Revenue	705.6	723.5	+2.5%
Operating Profit	21.7	24.5	+2.8
% to Revenue	3.1%	3.4%	
Income before Income Taxes	23.7	26.5	+2.9
Net Profit	11.0	14.9	+3.9
% to Revenue	1.6%	2.1%	

1H <April to September>		
FY18/3 Actual	FY19/3 Actual	YoY
1,288.0	1,336.4	+3.8%
7.3	13.8	+6.6
0.6%	1.0%	
30.8	21.8	-9.0
18.8	9.2	-9.7
1.5%	0.7%	

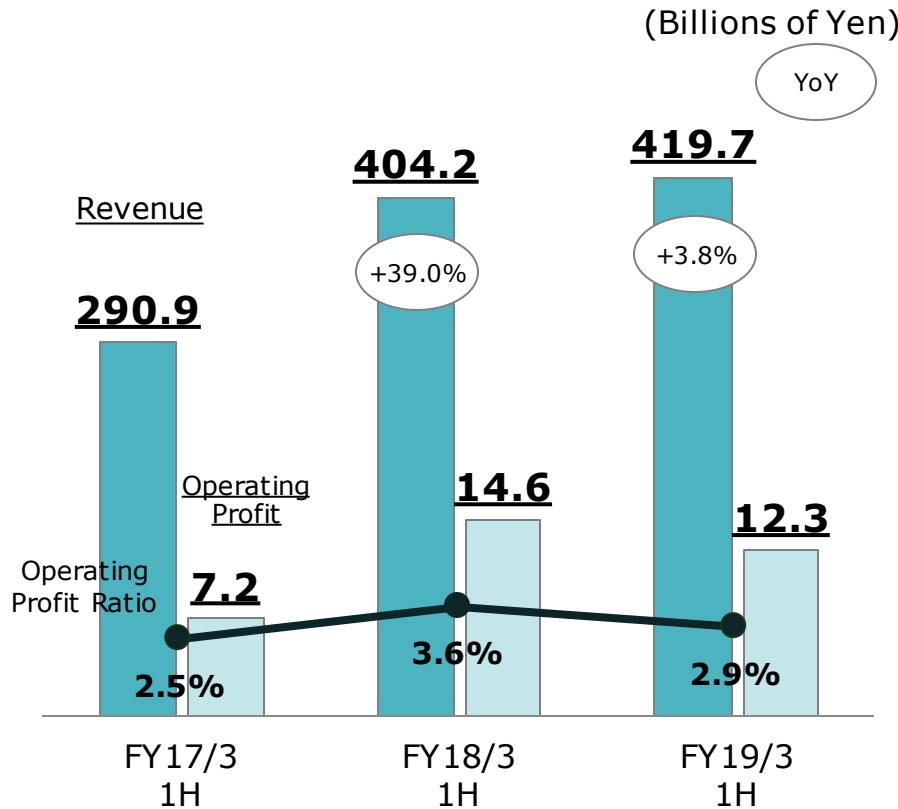
Free Cash Flows	-39.2	-53.0	-13.8
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75.3	-17.1	-92.5
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Note: Average Exchange Rates (yen)	USD	1	111.09	110.83
	EUR	1	127.94	128.96

(Billions of Yen)

		Q2 <July to September>			1H <April to September>		
		FY18/3 Actual	FY19/3 Actual	YoY	FY18/3 Actual	FY19/3 Actual	YoY
Public	Revenue	224.4	224.2	-0.1%	404.2	419.7	+3.8%
	Operating Profit	15.4	9.7	-5.6	14.6	12.3	-2.3
	% to Revenue	6.9%	4.3%		3.6%	2.9%	
Enterprise	Revenue	104.0	115.5	+11.0%	191.8	211.7	+10.3%
	Operating Profit	10.8	12.1	+1.2	15.8	15.7	-0.1
	% to Revenue	10.4%	10.4%		8.3%	7.4%	
Network Services	Revenue	95.0	98.4	+3.6%	173.2	176.0	+1.6%
	Operating Profit	6.0	5.6	-0.5	5.5	3.4	-2.1
	% to Revenue	6.3%	5.6%		3.2%	1.9%	
System Platform	Revenue	133.2	134.3	+0.8%	241.5	242.6	+0.5%
	Operating Profit	6.8	7.6	+0.8	5.3	4.0	-1.3
	% to Revenue	5.1%	5.6%		2.2%	1.6%	
Global	Revenue	115.7	116.2	+0.4%	212.1	213.3	+0.6%
	Operating Profit/Loss	-3.3	3.1	+6.5	-11.0	-5.0	+6.0
	% to Revenue	-2.9%	2.7%		-5.2%	-2.4%	
Others	Revenue	33.2	34.8	+5.0%	65.2	73.0	+12.0%
	Operating Profit/Loss	1.4	2.8	+1.4	-0.4	6.0	+6.3
	% to Revenue	4.2%	8.0%		-0.6%	8.2%	
Adjustment	Operating Profit/Loss	-15.4	-16.3	-0.9	-22.6	-22.4	+0.1
Total	Revenue	705.6	723.5	+2.5%	1,288.0	1,336.4	+3.8%
	Operating Profit	21.7	24.5	+2.8	7.3	13.8	+6.6
	% to Revenue	3.1%	3.4%		0.6%	1.0%	

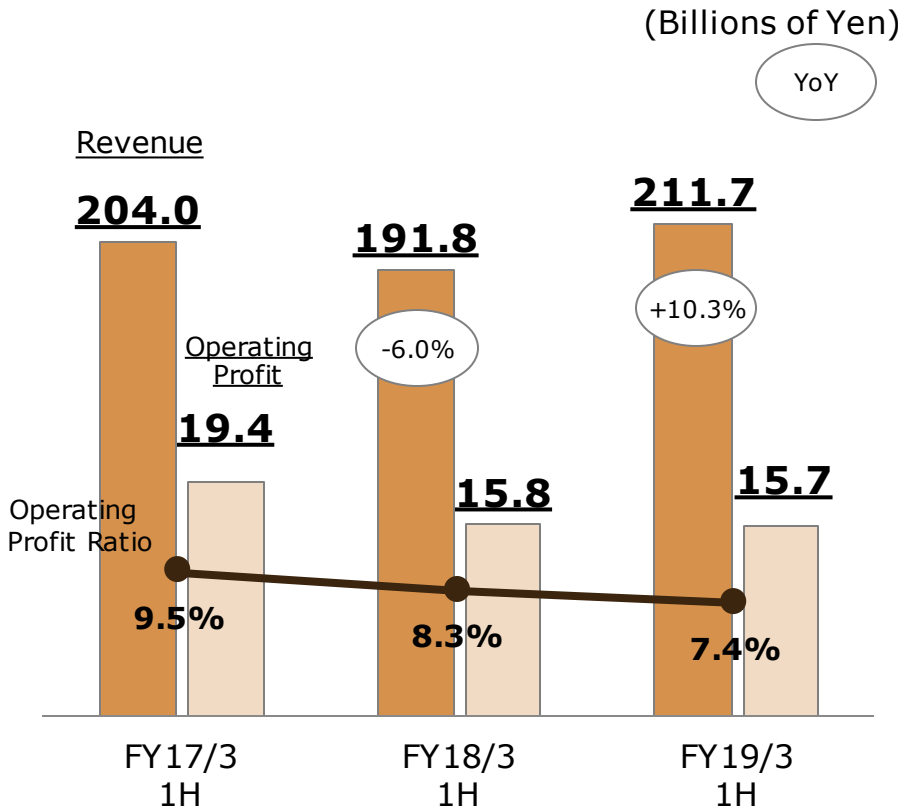


Revenue 419.7 (+3.8%)

- Public Solutions area: remained flat
- Public Infrastructure area: increased in the aerospace and defense business

Operating Profit 12.3 (-2.3)

- Worsened due to one-off profit recorded in the previous fiscal year



Revenue 211.7 (+10.3%)

- Increased in manufacturing industries, retail and services, as well as financial institutions

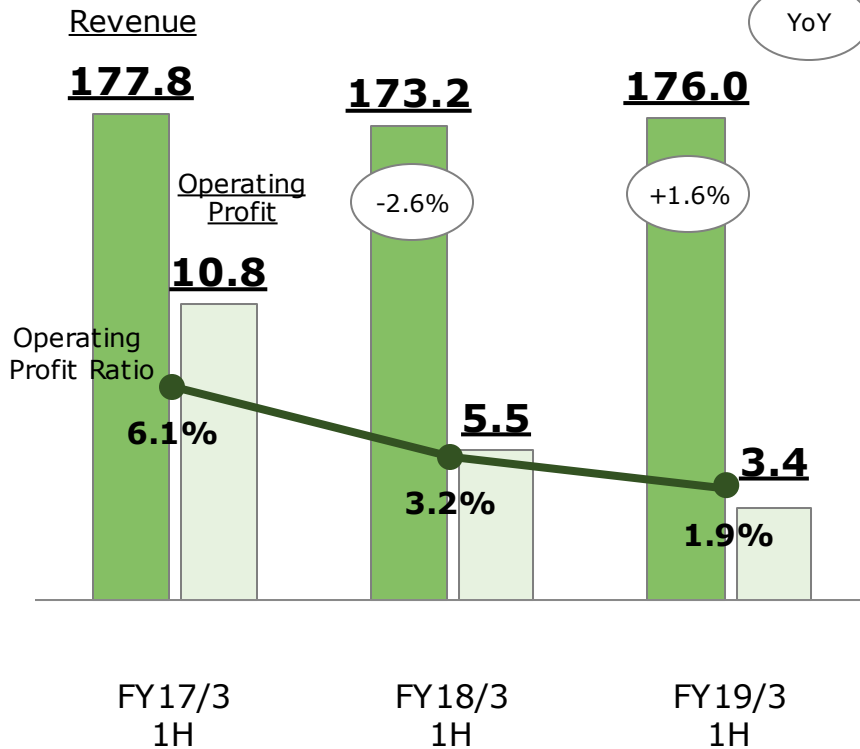
Operating Profit 15.7 (-0.1)

- Remained flat due to higher profitability in system construction services, despite an increase in AI and IoT related investment expenses

*AI: Artificial Intelligence
IoT: Internet of Things

(Billions of Yen)

Billions of Yen (YoY)

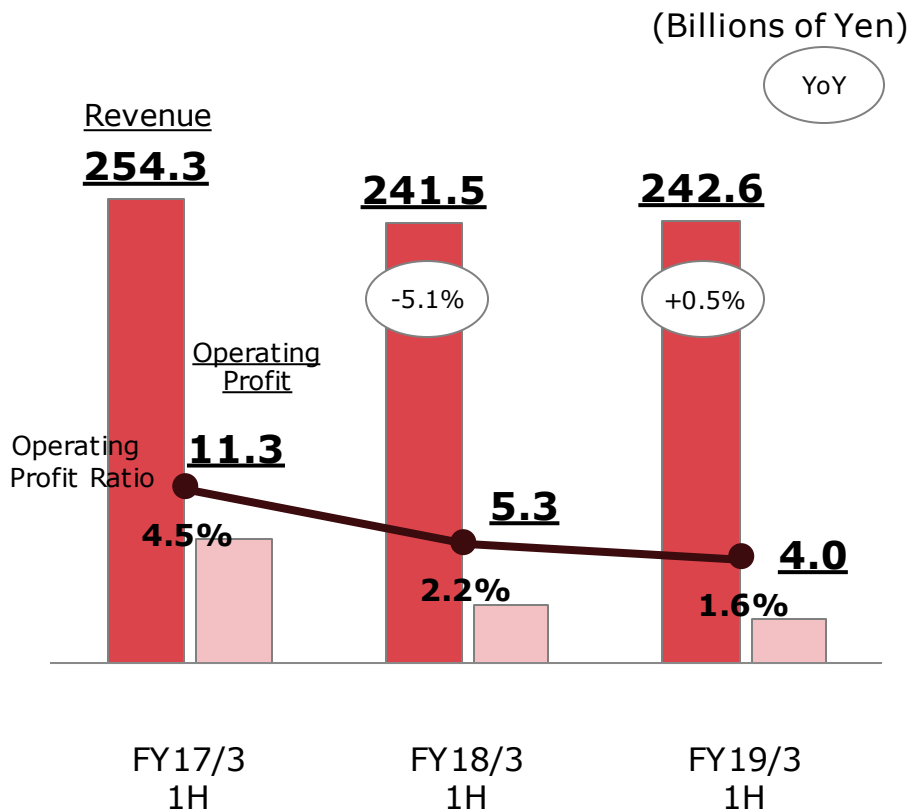


Revenue 176.0 (+1.6%)

- Increased in network infrastructure, despite a decline in IT services

Operating Profit 3.4 (-2.1)

- Worsened in a specific IT service project, despite an improvement in network infrastructure

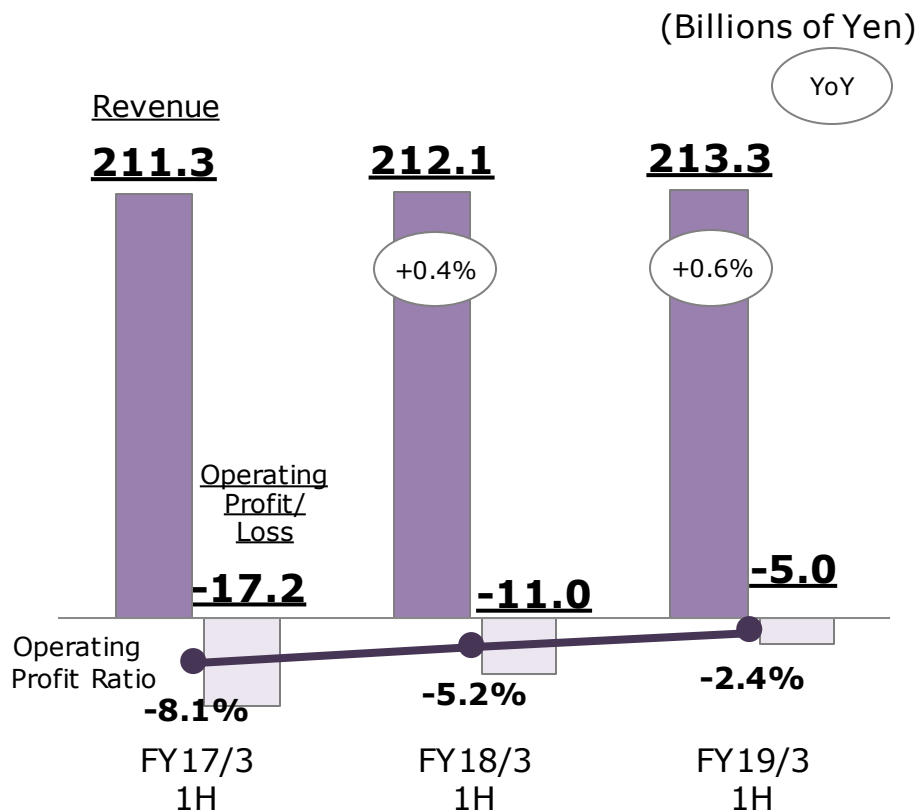


Revenue 242.6 (+0.5%)

- Increased in business PCs

Operating Profit 4.0 (-1.3)

- Worsened due to investment costs for launching new products



Revenue 213.3 (+0.6%)

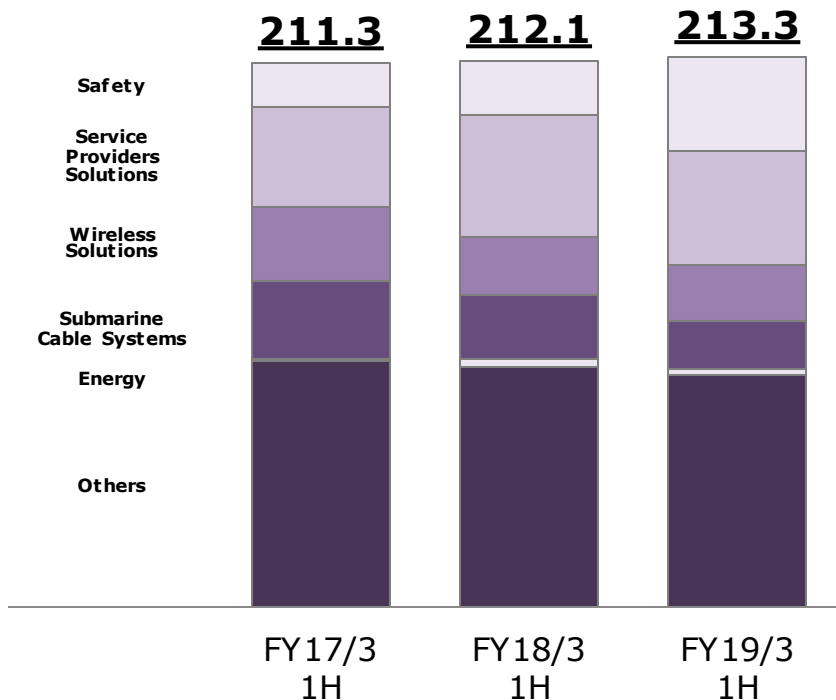
- Increased in safety, despite a decline in submarine cable systems and display solutions

Operating Profit/Loss -5.0 (+6.0)

- Improved in safety and wireless solutions

(Billions of Yen)

Revenue



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

Safety

- Increased significantly due to consolidation of NPS as well as successful customer wins for organic growth

Service Providers Solutions

- Orders increased steadily
 - ✓ Won large scale projects from a Tier-1 carrier in Europe (SDN, OSS/BSS)

Wireless Solutions/Submarine Cable Systems

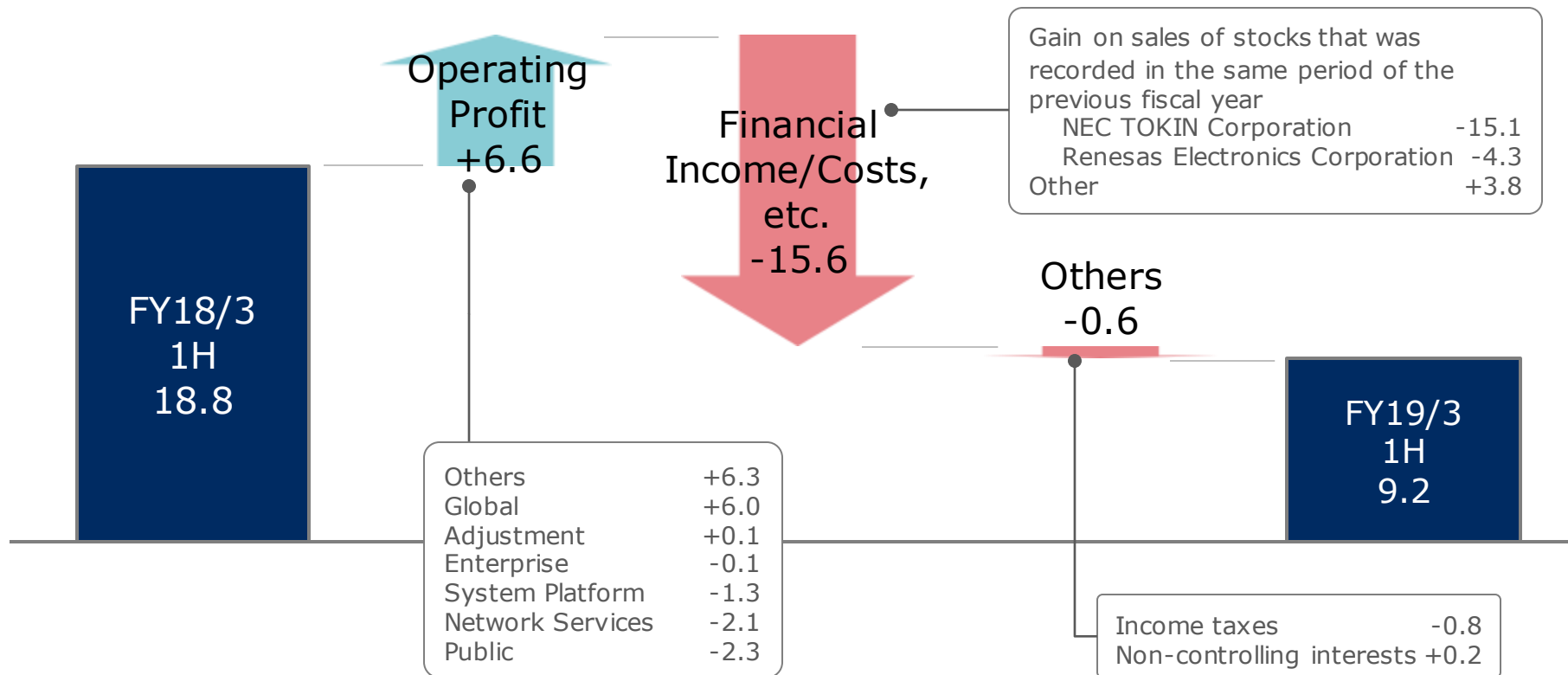
- Wireless solutions: remained flat
- Submarine cable systems: decreased temporarily
 - ✓ Selected to build the "Bay to Bay Express Cable System," 16,000-kilometer optical submarine cable connecting Asia and the US

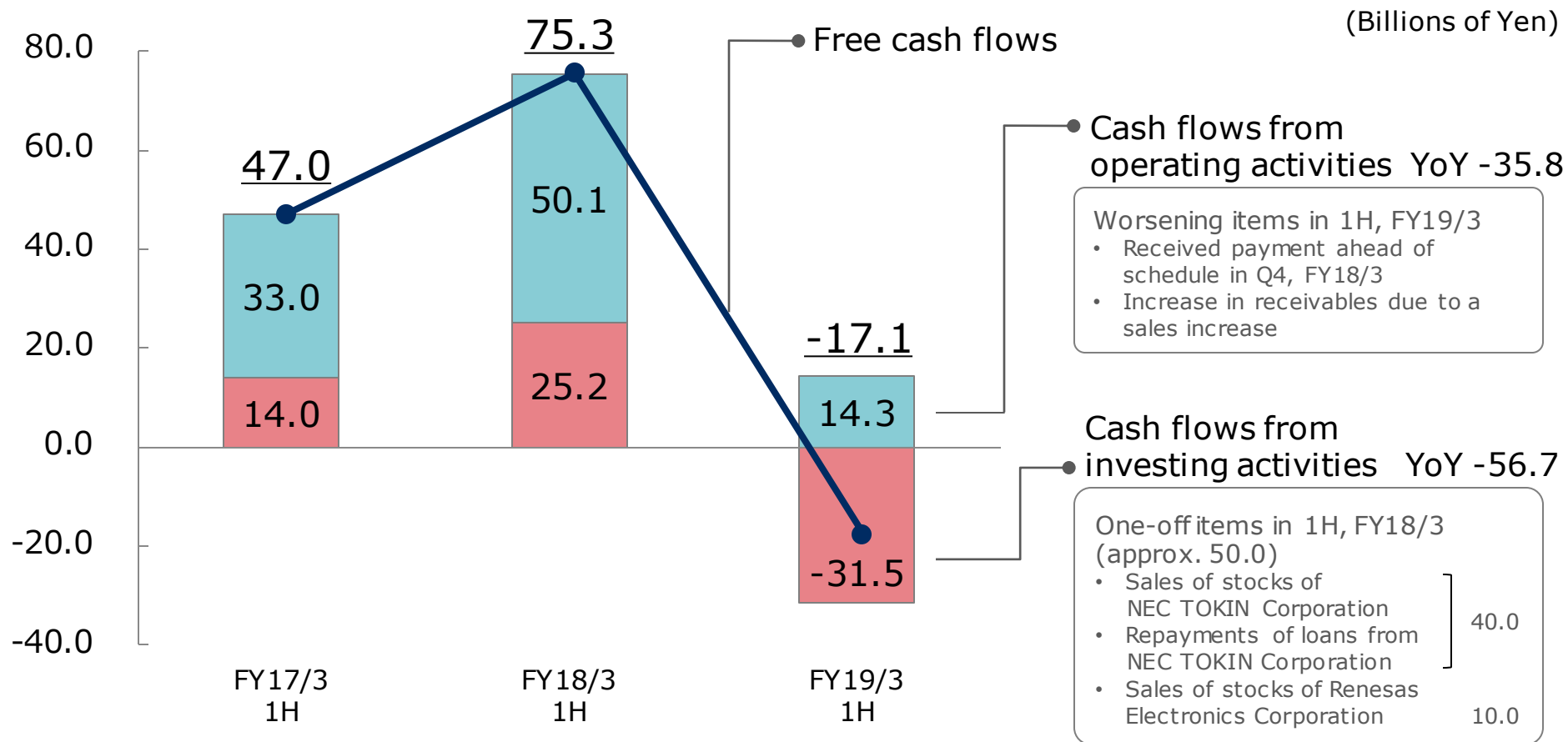
*NPS : Northgate Public Services Limited
 SDN : Software-Defined Networking
 OSS : Operation Support System
 BSS : Business Support System

Net Profit Change (Year on Year)

1H Results

(Billions of Yen)





II. Financial Forecasts for FY19/3

Summary of Financial Forecasts

Forecasts
FY19/3

Not changed from 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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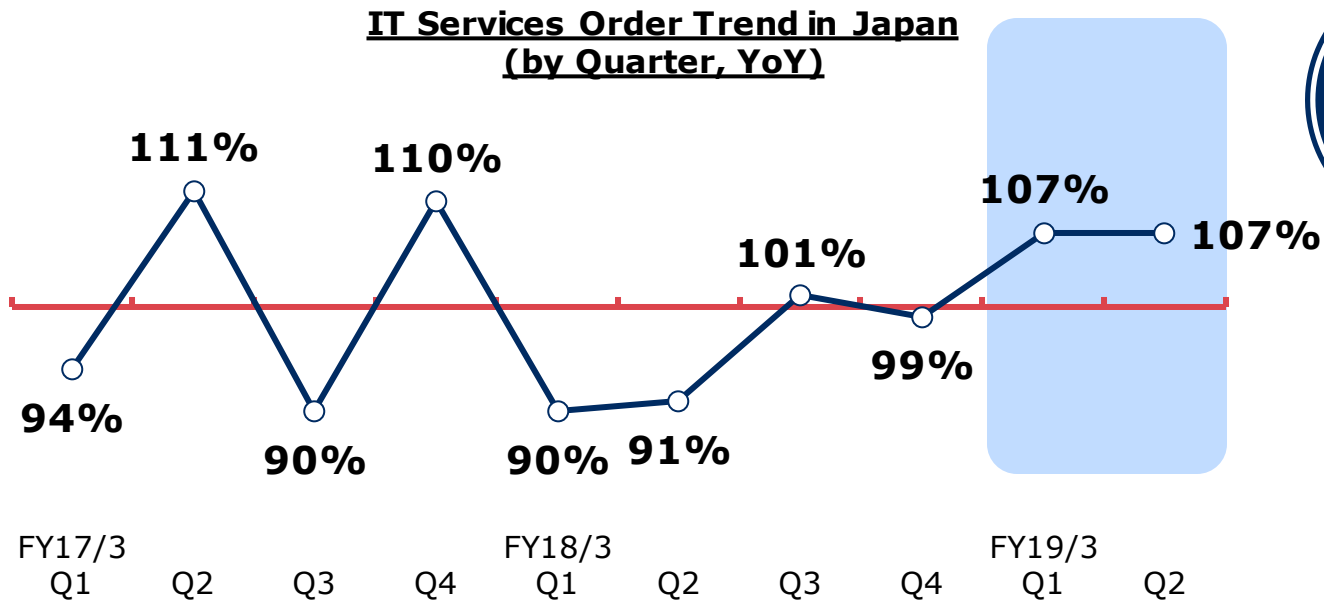
Dividends per Share (yen)	60	40	-20
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Note: Average Exchange Rates (yen)	USD 1	111.43	105.00
	EUR 1	128.86	115.00

		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%	

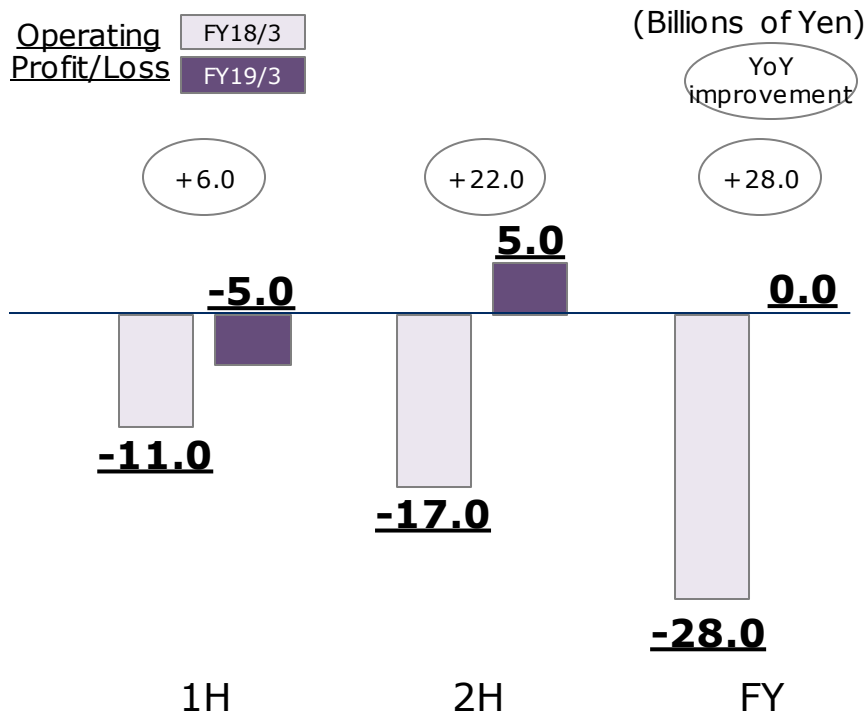
*Forecasts as of October 30, 2018

IT services orders in Japan for 1H, FY19/3 showed strong performance in the financial, public and manufacturing areas, expecting to contribute to annual revenue



1H, FY19/3
Orders
107%

- 1H profit improved in line with internal forecast
- Continue to improve profitability from 2H onwards



Safety

- Turned to the black by a sales increase in 1H, expect to achieve break-even for FY

Wireless Solutions

- Improved profitability in 1H, accelerate further improvement in 2H

Service Providers Solutions

- Profitability improvement delayed due to the slippage of an optical/IP network project

Energy

- While 1H orders were in line with forecast, further cost reductions are imminent

Display Solutions

- As profit decreased due to a sales decline, gross margin improvement and expense reductions are needed

Ⅲ. Progress on Mid-term Management Plan 2020

Reforming Profit Structure

- SGA **Announced Early Retirement Program**
(Application period: Oct 29-Nov 9, Date of retirement: Dec 28)
- Business Structure **Wireless Solution (Pasolink)**
Profit improvement measures under way
Energy
Decided on the transfer of NEC Energy Devices, Ltd.
NEC Energy Solutions, Inc. -profit structure reform in progress

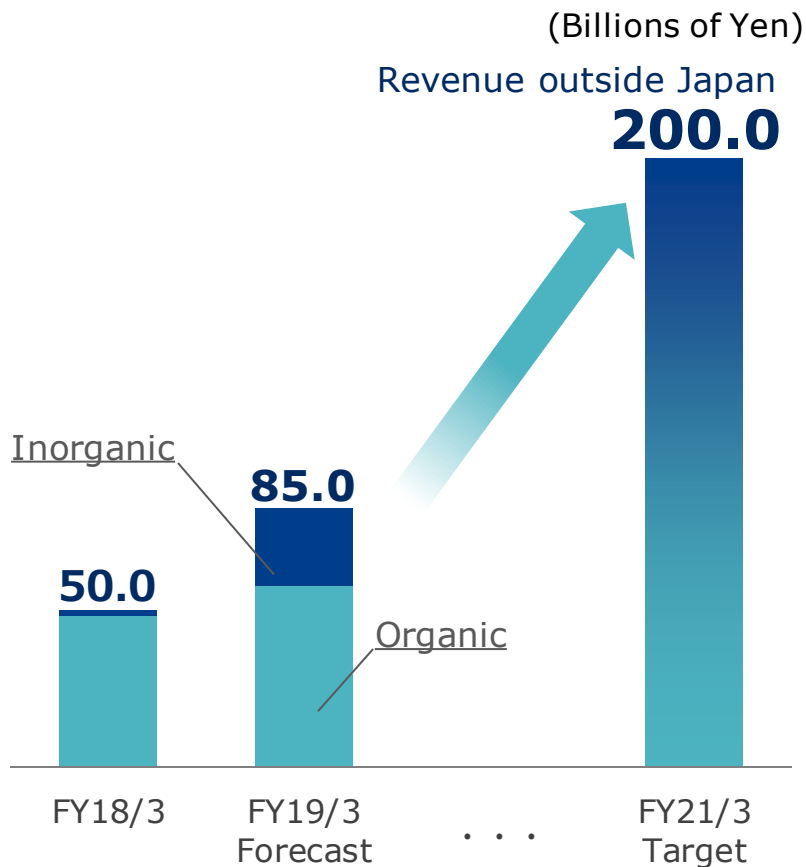
Achievement of Growth

- Global **Expansion of "NEC Safer Cities"**
Accelerated synergy with NPS and delivered organic growth

Restructuring Execution Capabilities

- Culture **Launched "Project RISE"**
Defined "Code of Values" as a code of conduct

**"Project RISE" is the name of NEC group's internal initiative to drive culture transformation.



Organic growth

- Won a project from a US government agency
- Strong outlook in airport or airline projects
- Provided systems for the 2018 Asian Games in Indonesia

Inorganic growth

- #1 in UK police IT solution market
- Acquired i2N Limited, a UK software company
- Invested in Tascent, Inc., a US biometric system company

Further execution of M&A



- 200.0B yen allotment towards 2020 (70.0B yen consumed)
- Focus on EBITDA contribution

Operation under clear management policy

- Executed “selection and concentration” and “thorough efficiency” prioritizing profitability
 - Set clear price strategy
 - Focused product lineup
 - > Delivered profitability improvement in Q2

Define further initiatives within FY2019/3, to establish sustainable business structure in the mid term

Announced a partnership with Samsung Electronics Co., Ltd. to strengthen the next generation business portfolio including 5G

- Take full advantage of each other's strengths to jointly develop products based on 5G standards
- Jointly explore global market with co-developed products



- Take the opportunity of market change to establish a global leading position in 5G
- Accelerate software and services business leveraging strengths of IT/network technologies

Project RISE

In our 119th Year,
Transforming NEC

Mid-term Plan
2020



FY19/3 Focus Points

- Set One-NEC "Code of Values" to transform behavior
- Redesign the Performance Management System enabling growth
- Launch company-wide campaign to reduce non-value-added work by 50%



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

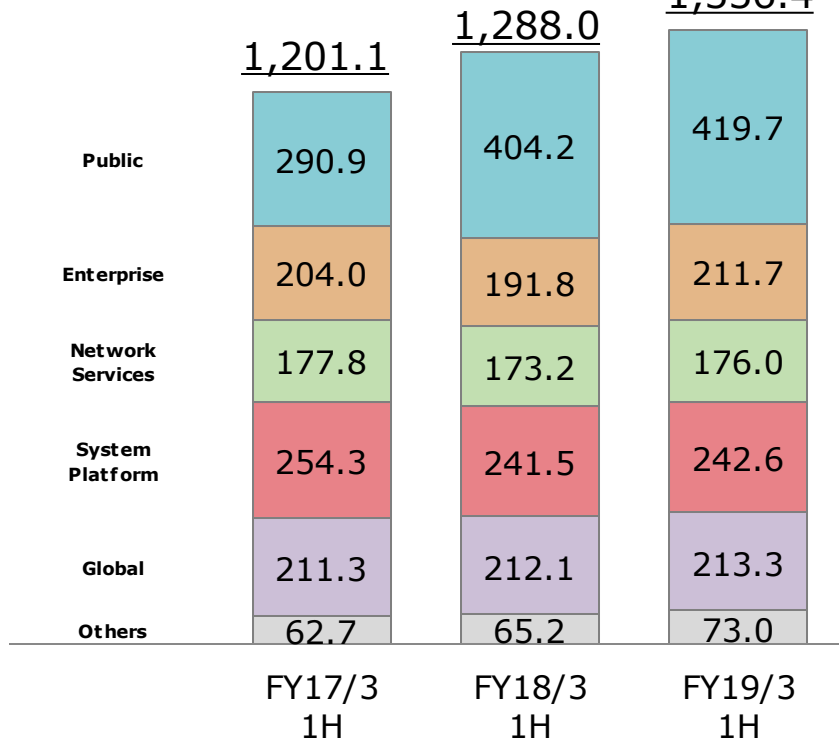
Financial Results for 1H, FY19/3 (Appendix)

Financial Results for 1H by Segment (three-year transition)

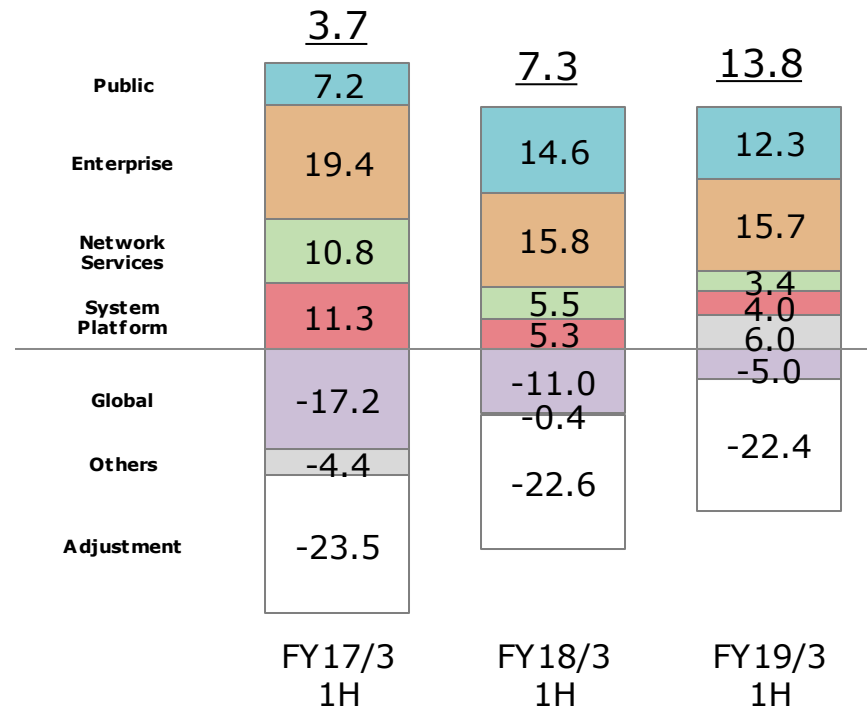
1H Results

(Billions of Yen)

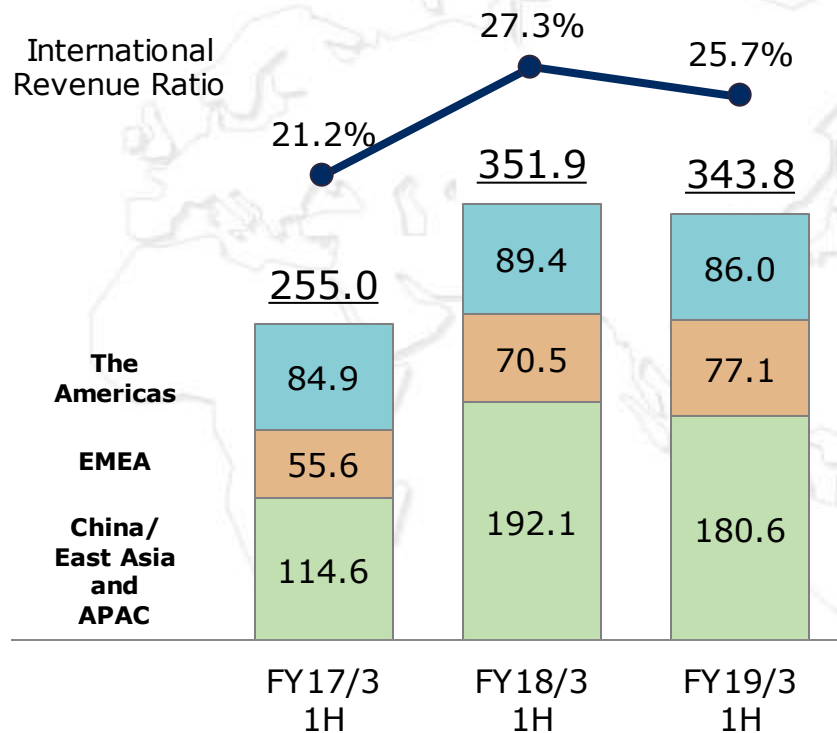
Revenue



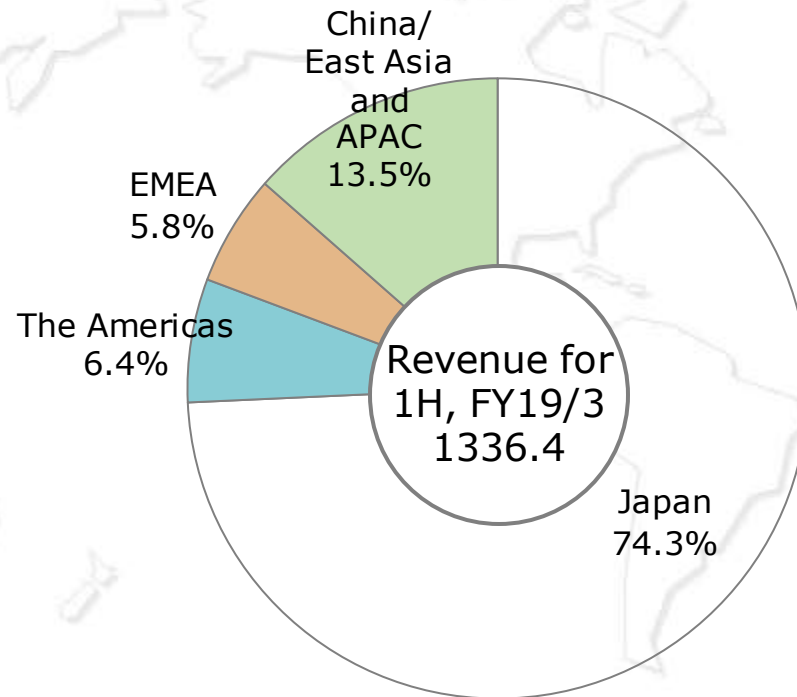
Operating Profit/Loss



(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 September 2018	Variance from end of March 2018
Total assets	2,821.4	2,832.5	+11.1
Total equity	1,054.3	1,059.6	+5.4
Interest-bearing debt	520.7	583.7	+62.9
Equity attributable to owners of the parent	880.8	881.4	+0.6
Ratio of equity attributable to owners of the parent (%)	31.2%	31.1%	-0.1pt
D/E ratio (times)	0.59	0.66	-0.07pt
Net D/E ratio (times)	0.20	0.24	-0.04pt
Cash and cash equivalents	346.0	370.7	+24.7

(Billions of Yen)

Compared to
end of March
2018

Current Assets
1,617.5

Liabilities
1,772.9

-22.8

+5.8

Collection of trade
and other receivables

Total Assets
2,832.5

Issuance of bonds

Increase in other financial
assets attributable to a rise in
market prices of shares

(+11.1 compared to
end of March 2018)

Recording of
net profit

+34.0

+5.4

Non-current Assets
1,215.0

Equity
1,059.6

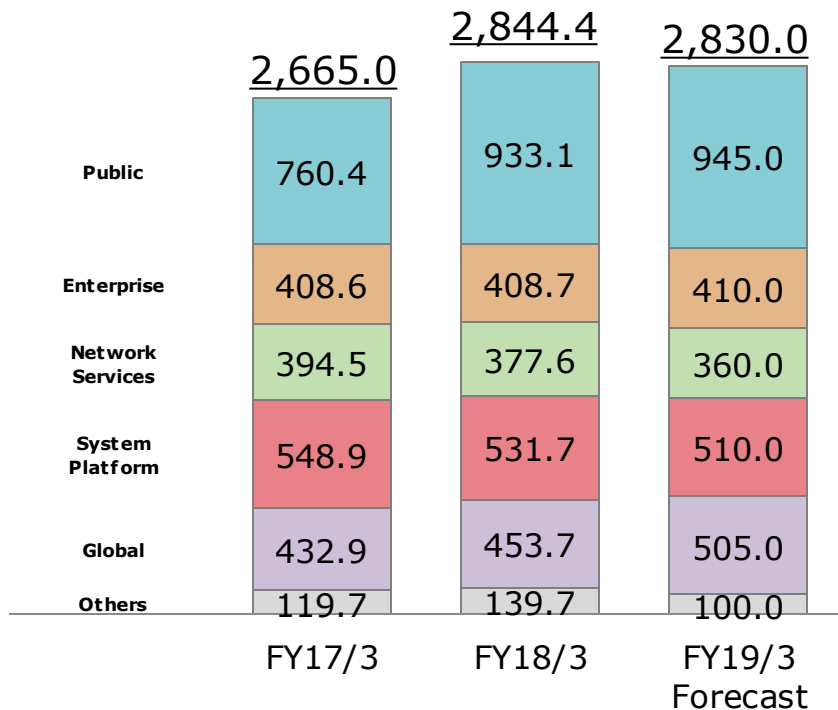
Financial Forecasts for FY19/3 (Appendix)

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

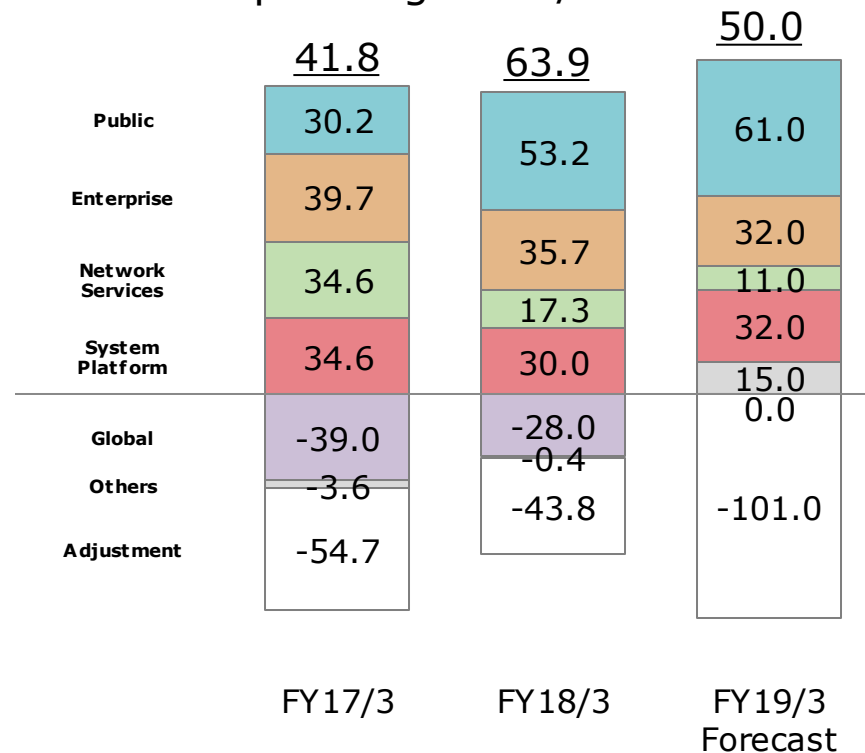
Forecasts
FY19/3

(Billions of Yen)

Revenue



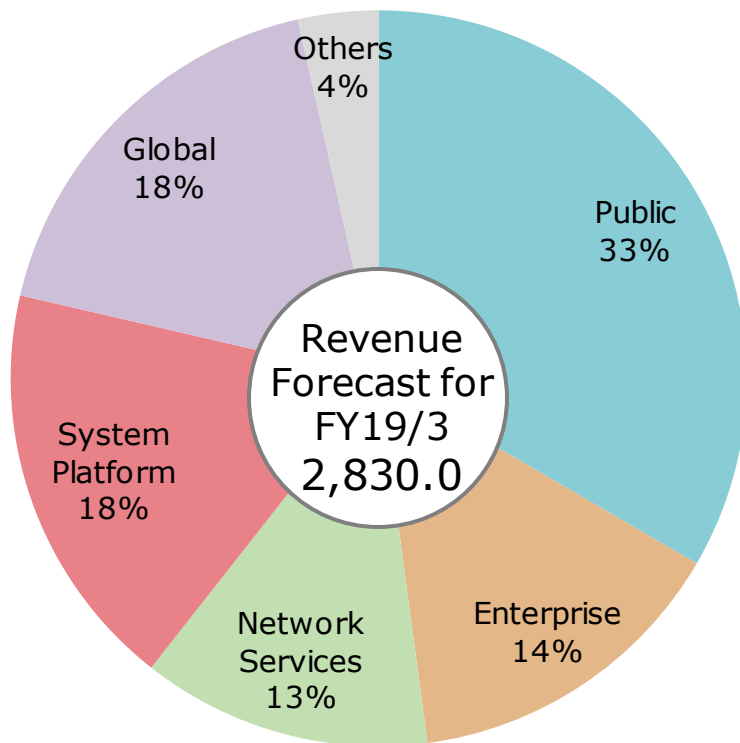
Operating Profit/Loss



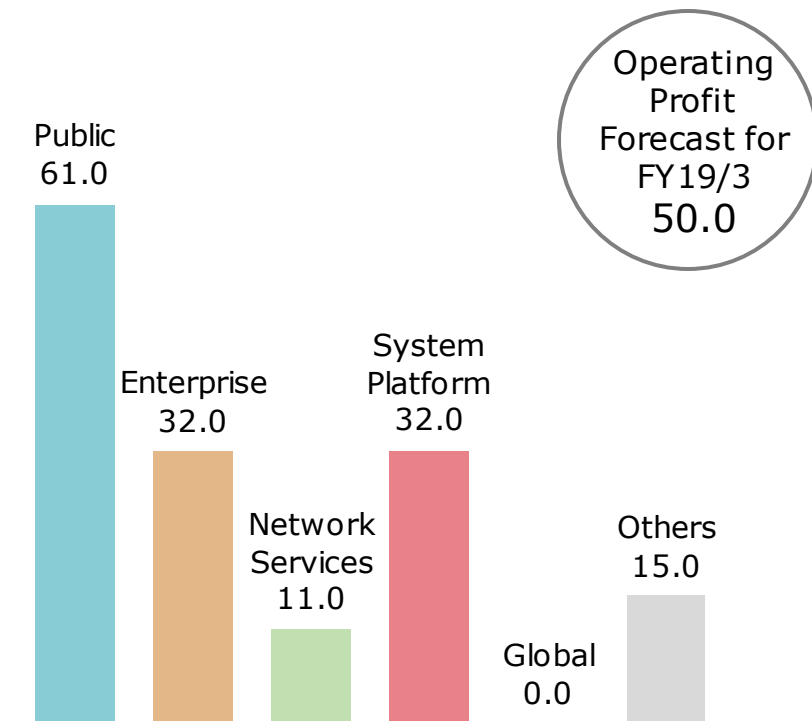
*Forecasts as of October 30, 2018

(Billions of Yen)

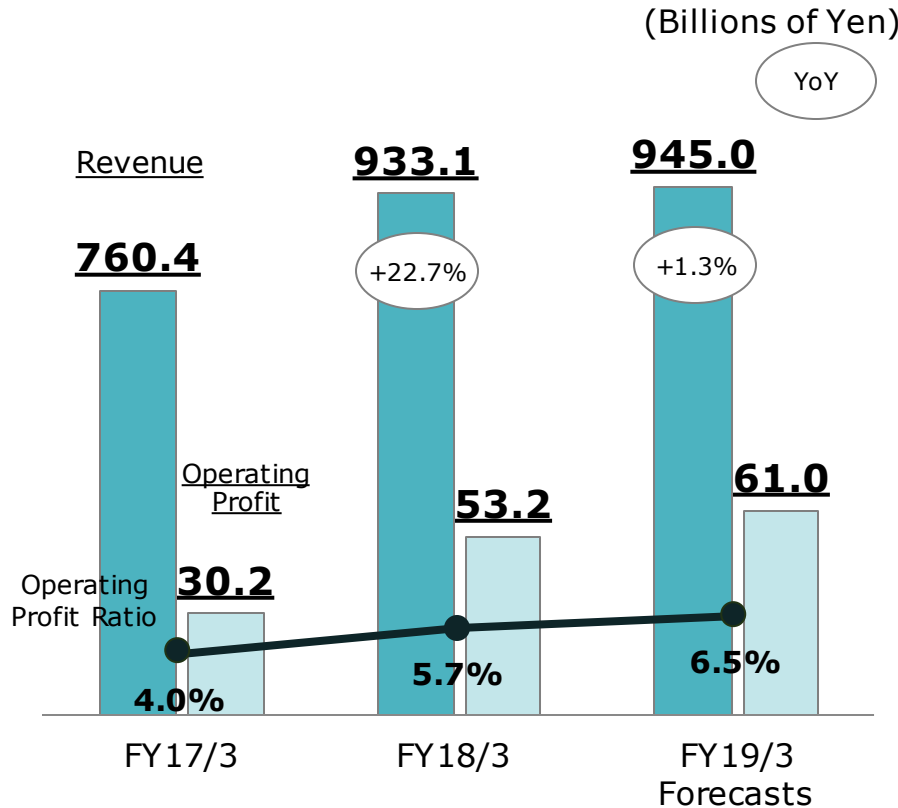
Revenue



Operating Profit



*Forecasts as of October 30, 2018



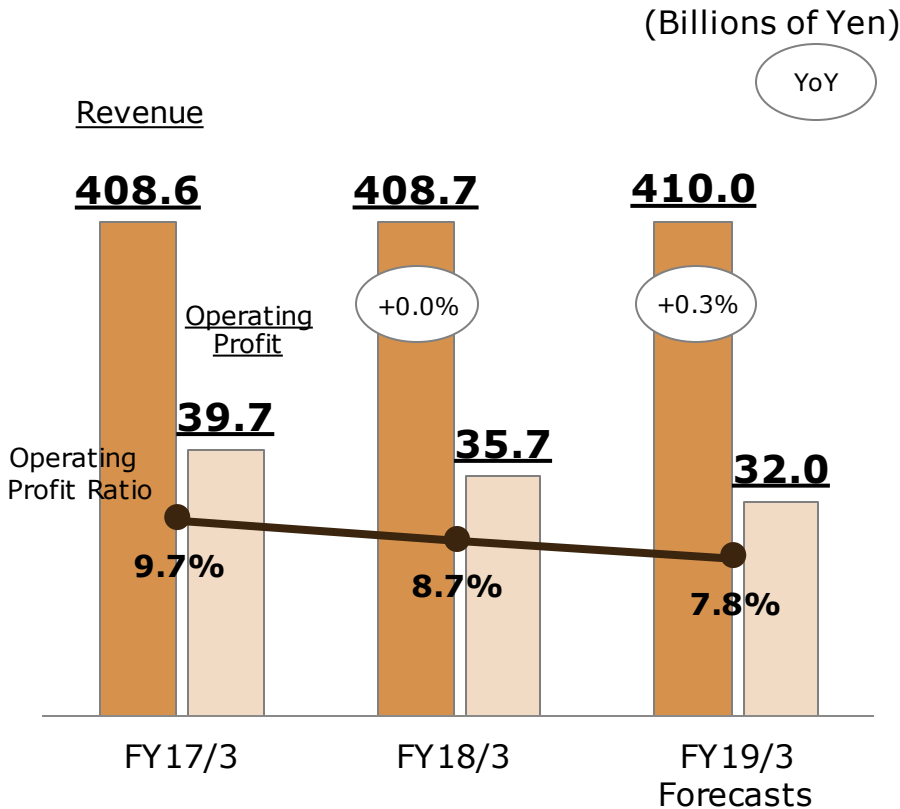
Revenue 945.0 (+1.3%)

- 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 October 30, 2018



Revenue 410.0 (+0.3%)

- Increase in retail and services

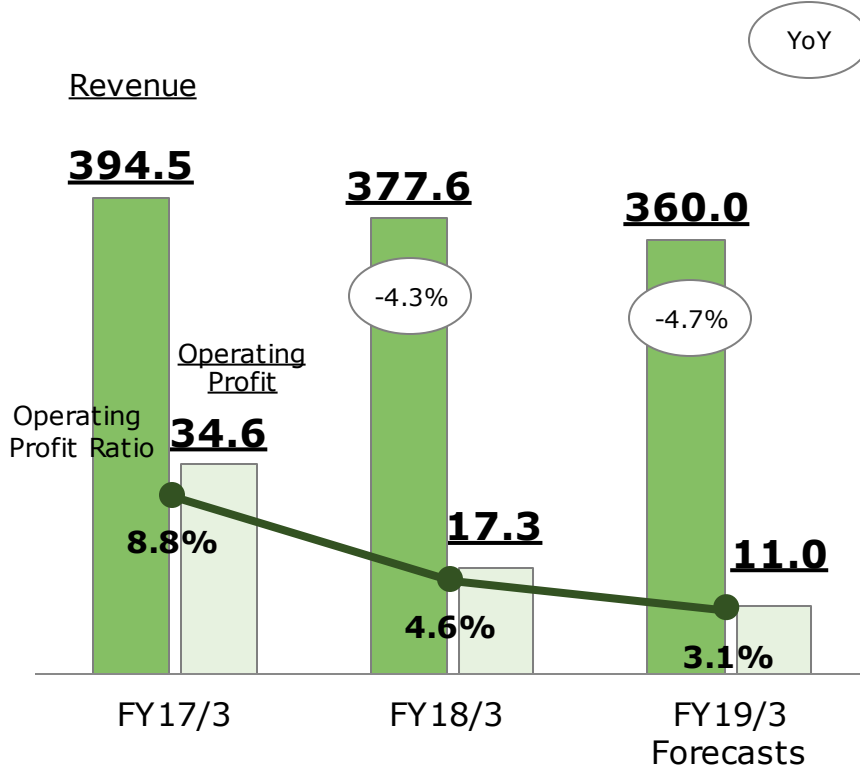
Operating Profit 32.0 (-3.7)

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

*Forecasts as of October 30, 2018

(Billions of Yen)

Billions of Yen (YoY)



Revenue 360.0 (-4.7%)

- Decrease due to sluggish capital investment by telecommunications carriers

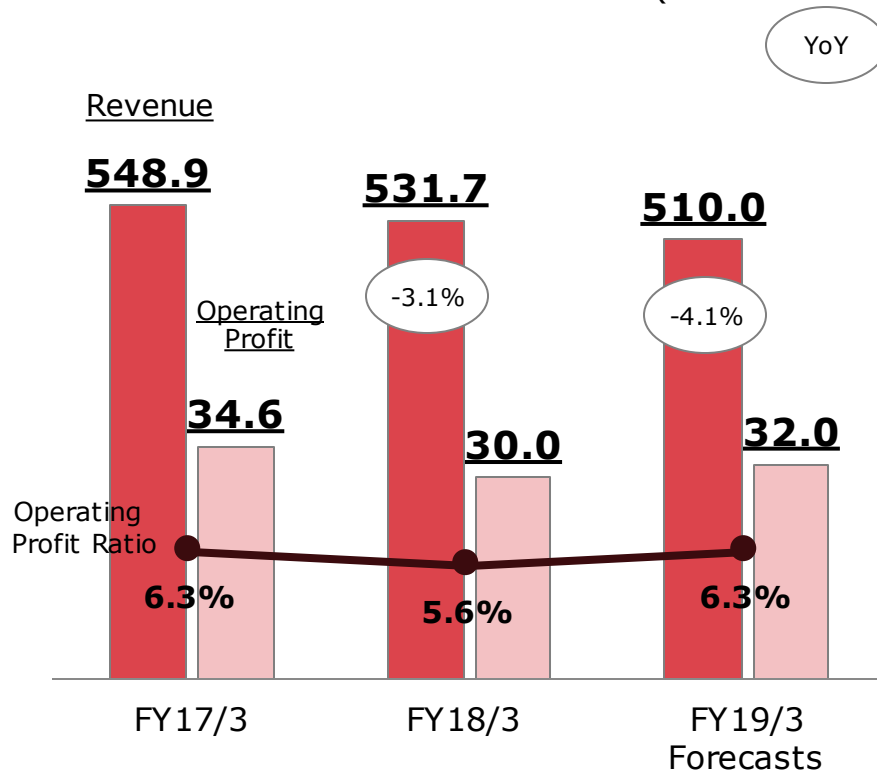
Operating Profit 11.0 (-6.3)

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

*Forecasts as of October 30, 2018

(Billions of Yen)

Billions of Yen (YoY)



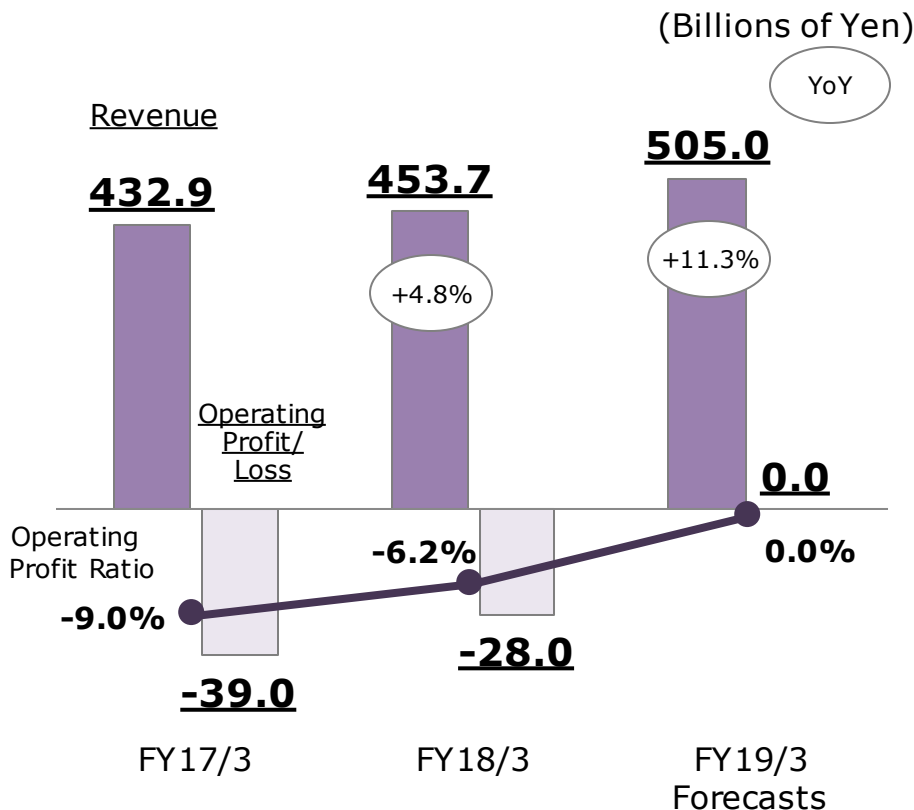
Revenue 510.0 (-4.1%)

- 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 October 30, 2018



Revenue 505.0 (+11.3%)

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

Operating Profit/Loss 0.0 (+28.0)

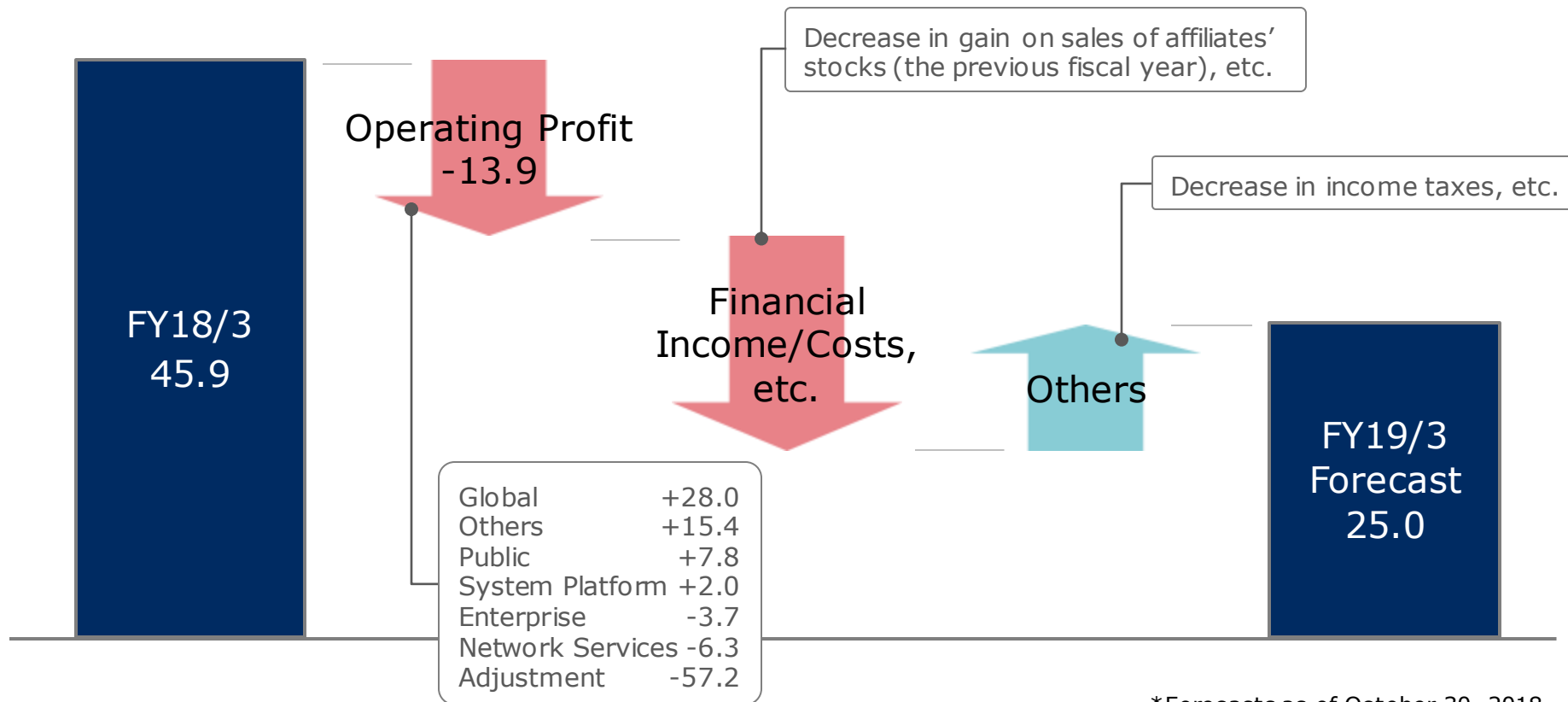
- Improve due to a sales increase and business structure improvement

*Forecasts as of October 30, 2018

Net Profit Change (Year on Year)

Forecasts
FY19/3

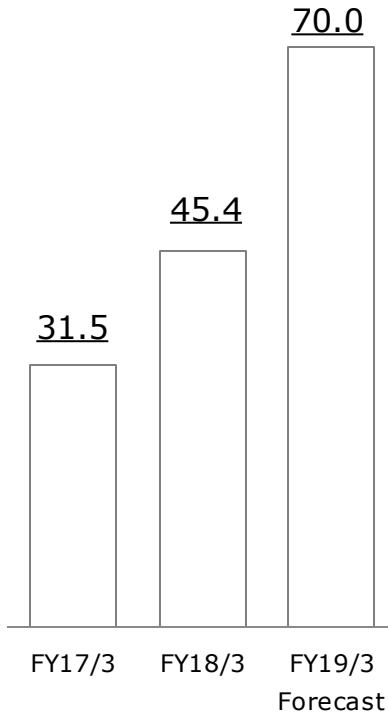
(Billions of Yen)



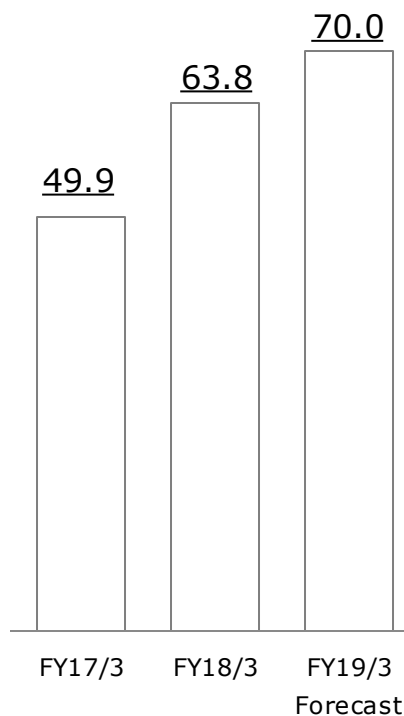
*Forecasts as of October 30, 2018

(Billions of Yen)

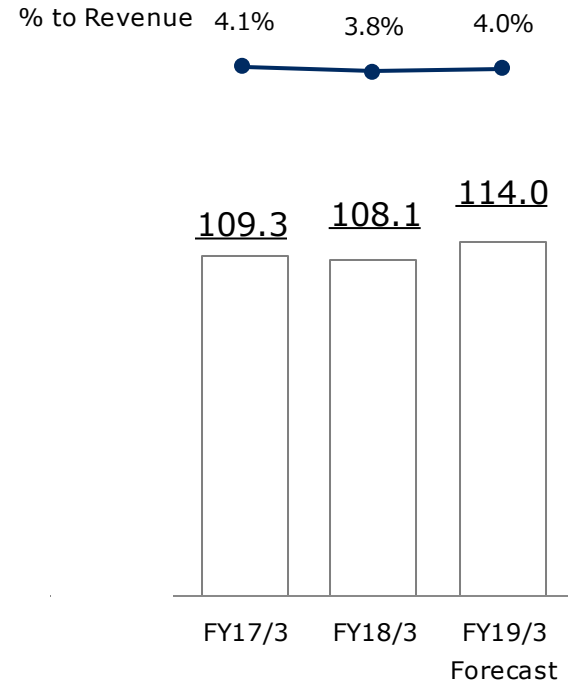
Capital Expenditure



Depreciation



R&D Expenses



*Forecasts as of October 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 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, 2018 and 19 were referred as FY18/3 and FY19/3 respectively. Any other fiscal years would be referred similarly.