

Financial Results for Q1 Fiscal Year Ending March 31, 2020

July 31, 2019

NEC Corporation

(<https://jpn.nec.com/ir>)

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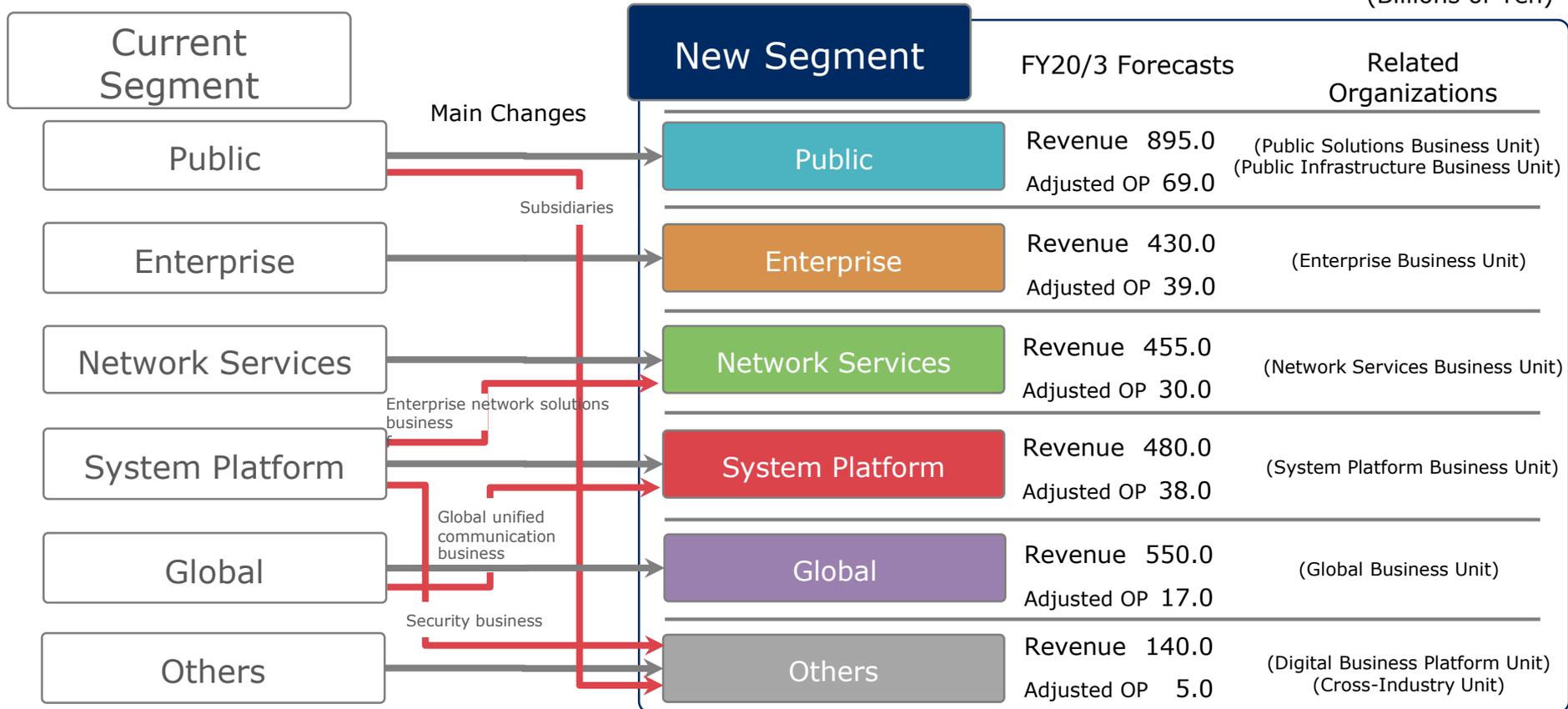
Financial Forecasts for FY20/3 (Appendix)

- * Net profit/loss refers to net profit/loss attributable to owners of the parent for the same period.
- ** As stated in the July 10, 2019 announcement, "NEC to Revise Operating Segments," NEC has revised its operating segments from Q1, FY20/3. Figures for the corresponding period of FY18/3 or FY19/3 have been restated to conform with the new segments.
- *** NEC applied IFRS 9 and IFRS 15 from Q1, FY19/3 and applied IFRS 16 from Q1, FY20/3. 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, FY20/3

Overview of Segment Revision and Organizations

(Billions of Yen)



*Forecasts as of July 31, 2019

<Ref.> Impact of segment revision

(Billions of Yen)

		FY18/3 Actual			FY19/3 Actual			FY20/3 Forecasts		
		Old Segments	New Segments	Variance	Old Segments	New Segments	Variance	Old Segments	New Segments	Variance
Pubic	Revenue	933.1	893.2	- 40.0	949.6	908.0	- 41.6	935.0	895.0	- 40.0
	Adjusted Operating Profit	57.4	55.0	- 2.4	56.3	52.6	- 3.7	71.0	69.0	- 2.0
	% to Revenue	6.2%	6.2%		5.9%	5.8%		7.6%	7.7%	
Enterprise	Revenue	408.7	405.2	- 3.5	435.0	431.8	- 3.2	435.0	430.0	- 5.0
	Adjusted Operating Profit	35.7	36.2	0.5	35.1	35.8	0.7	38.0	39.0	1.0
	% to Revenue	8.7%	8.9%		8.1%	8.3%		8.7%	9.1%	
Network Services	Revenue	377.6	442.5	64.9	394.8	460.3	65.5	390.0	455.0	65.0
	Adjusted Operating Profit	17.3	22.9	5.6	13.1	20.7	7.6	22.0	30.0	8.0
	% to Revenue	4.6%	5.2%		3.3%	4.5%		5.6%	6.6%	
System Platform	Revenue	531.7	488.6	- 43.2	546.7	500.2	- 46.5	525.0	480.0	- 45.0
	Adjusted Operating Profit	30.0	29.3	- 0.7	22.3	20.1	- 2.2	42.0	38.0	- 4.0
	% to Revenue	5.6%	6.0%		4.1%	4.0%		8.0%	7.9%	
Global	Revenue	453.7	420.5	- 33.2	440.7	409.4	- 31.3	580.0	550.0	- 30.0
	Adjusted Operating Profit/Loss	- 23.6	- 24.0	- 0.3	- 22.1	- 22.5	- 0.5	17.0	17.0	0.0
	% to Revenue	-5.2%	-5.7%		-5.0%	-5.5%		2.9%	3.1%	
Others	Revenue	139.7	194.6	54.9	146.6	203.7	57.1	85.0	140.0	55.0
	Adjusted Operating Profit/Loss	- 0.4	- 3.1	- 2.7	20.9	19.0	- 1.9	8.0	5.0	- 3.0
	% to Revenue	-0.3%	-1.6%		14.2%	9.3%		9.4%	3.6%	
Adjustment	Adjusted Operating Profit/Loss	- 43.8	- 43.8	0.0	- 55.7	- 55.7	0.0	- 73.0	- 73.0	0.0
Total	Revenue	2,844.4	2,844.4	0.0	2,913.4	2,913.4	0.0	2,950.0	2,950.0	0.0
	Adjusted Operating Profit	72.5	72.5	0.0	69.9	69.9	0.0	125.0	125.0	0.0
	% to Revenue	2.5%	2.5%		2.4%	2.4%		4.2%	4.2%	

*Forecasts as of July 31, 2019

<Ref.> Summary of Adjusted Net Profit/Loss Results (FY18/3, FY19/3)

(Billions of Yen)

	FY18/3						
	Q1 Actual	Q2 Actual	1H Actual	2H		Full year Actual	
				Q3 Actual	Q4 Actual		
Revenue	582.5	705.6	1,288.0	683.3	873.2	1,556.4	2,844.4
Adjusted Operating Profit/Loss	- 12.8	23.4	10.6	8.7	53.2	61.9	72.5
% to Revenue	-2.2%	3.3%	0.8%	1.3%	6.1%	4.0%	2.5%
Adjusted Net Profit/Loss	8.6	11.7	20.3	-0.5	30.6	30.1	50.4
% to Revenue	1.5%	1.7%	1.6%	-0.1%	3.5%	1.9%	1.8%

	FY19/3						
	Q1 Actual	Q2 Actual	1H Actual	2H		Full year Actual	
				Q3 Actual	Q4 Actual		
Revenue	613.0	723.5	1,336.4	698.2	878.8	1,577.0	2,913.4
Adjusted Operating Profit/Loss	- 8.3	26.9	18.7	5.4	45.9	51.3	69.9
% to Revenue	-1.3%	3.7%	1.4%	0.8%	5.2%	3.2%	2.4%
Adjusted Net Profit/Loss	- 4.4	16.3	11.9	- 0.1	35.2	35.1	47.0
% to Revenue	-0.7%	2.2%	0.9%	0.0%	4.0%	2.2%	1.6%

Summary of Financial Results for Q1

Q1 Results

	Q1 <April to June>		
	FY19/3 Actual	FY20/3 Actual	YoY
Revenue	613.0	653.9	+ 6.7%
Operating Profit/Loss	- 10.7	5.4	+ 16.1
% to Revenue	-1.7%	0.8%	
Adjusted Operating Profit/Loss	- 8.3	7.6	+ 15.9
% to Revenue	-1.3%	1.2%	
Income/Loss before Income Taxes	- 4.8	5.8	+ 10.5
Net Profit/Loss	- 5.8	4.6	+ 10.3
% to Revenue	-0.9%	0.7%	
Adjusted Net Profit/Loss	- 4.4	5.8	+ 10.2
% to Revenue	-0.7%	0.9%	

Free Cash Flows	35.8	83.1	+ 47.3
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Note : Average Exchange Rates (yen)	USD	1	107.75	110.94
	EUR	1	130.88	124.70

(Billions of Yen)

		Q1 <April to June>		
		FY19/3 Actual	FY20/3 Actual	YoY
Public	Revenue	185.8	180.3	- 2.9%
	Adjusted Operating Profit	3.0	5.2	+ 2.2
	% to Revenue	1.6%	2.9%	
Enterprise	Revenue	95.4	114.3	+ 19.8%
	Adjusted Operating Profit	3.8	6.7	+ 2.9
	% to Revenue	3.9%	5.8%	
Network Services	Revenue	89.7	100.1	+ 11.6%
	Adjusted Operating Profit/Loss	- 2.4	1.2	+ 3.7
	% to Revenue	-2.7%	1.2%	
System Platform	Revenue	100.3	114.3	+ 14.0%
	Adjusted Operating Profit/Loss	- 2.7	4.7	+ 7.4
	% to Revenue	-2.7%	4.1%	
Global	Revenue	89.8	114.2	+ 27.2%
	Adjusted Operating Profit/Loss	- 6.8	- 0.7	+ 6.0
	% to Revenue	-7.5%	-0.6%	
Others	Revenue	52.0	30.6	- 41.1%
	Adjusted Operating Profit	3.0	2.7	- 0.3
	% to Revenue	5.7%	8.8%	
Adjustment	Adjusted Operating Profit/Loss	- 6.1	- 12.1	- 6.0
Total	Revenue	613.0	653.9	+ 6.7%
	Adjusted Operating Profit/Loss	- 8.3	7.6	+ 15.9
	% to Revenue	-1.3%	1.2%	

(Billions of Yen)

	FY19/3 Q1	FY20/3 Q1	YoY
Operating Profit/Loss	-10.7	5.4	+16.1
Adjusted items	2.5	2.2	-3.0
Amortization of intangible assets through acquisition	2.4	2.2	-2.0
M&A related expenses	0.0	0.0	-0.0
Adjusted Operating Profit/Loss	-8.3	7.6	+15.9

(Billions of Yen)

Total: 7.5

**Voluntary early retirement
4.6**

**Other measures
2.9**

**Breakdown by segment
(Approximate figures)**

Public	0.6
Enterprise	0.2
Network Services	0.4
System Platform	1.6
Global	0.3
Others	1.1
Adjustment	0.4

Impact (Approximate figures)

Optimizing overseas offices	1.2
Others (Optimizing plants, office floor)	1.7

Robust start of orders for domestic business in Q1

Public (Public Solutions, Public Infrastructure areas)

- Secured projects to update intermediate servers related to “My Number” (Individual Number Card system)

Consolidated
basis order growth
(YoY)

122%

Enterprise

- Continuing steady growth centered on financial sector

106%
(Excluding
special factor)

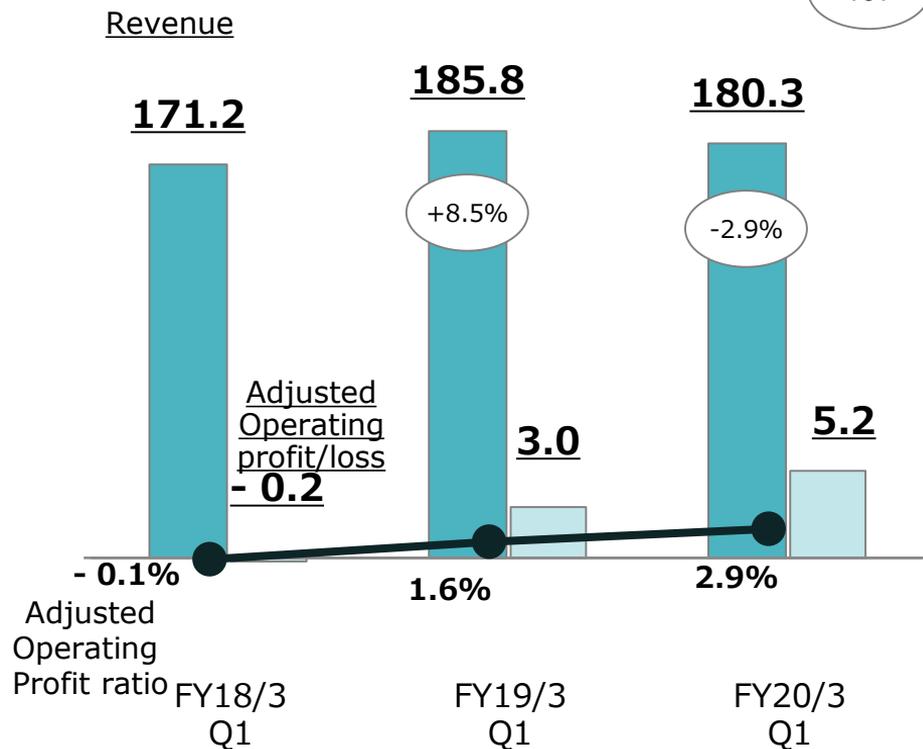
Network Services

- Increase fixed-line infrastructure development in preparation for the introduction of 5G

115%

(Billions of Yen)

YoY



Revenue 180.3 (-2.9%)

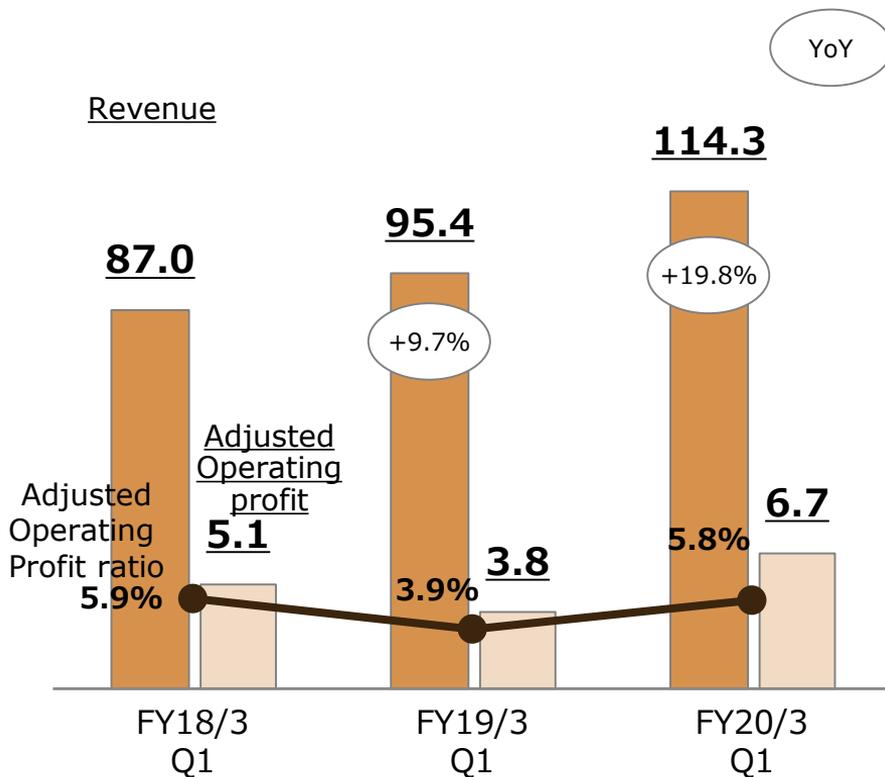
- Decreased in revenue of consolidated subsidiary despite increase in Public Solutions area

Adjusted Operating Profit 5.2 (+2.2)

- Increased due to improvement in project mix

*% figures in parentheses are year-on-year

(Billions of Yen)



Revenue 114.3 (+19.8%)

- Increased due to increase in sales for financial sector and a special factor (the change of divisions recording sales)

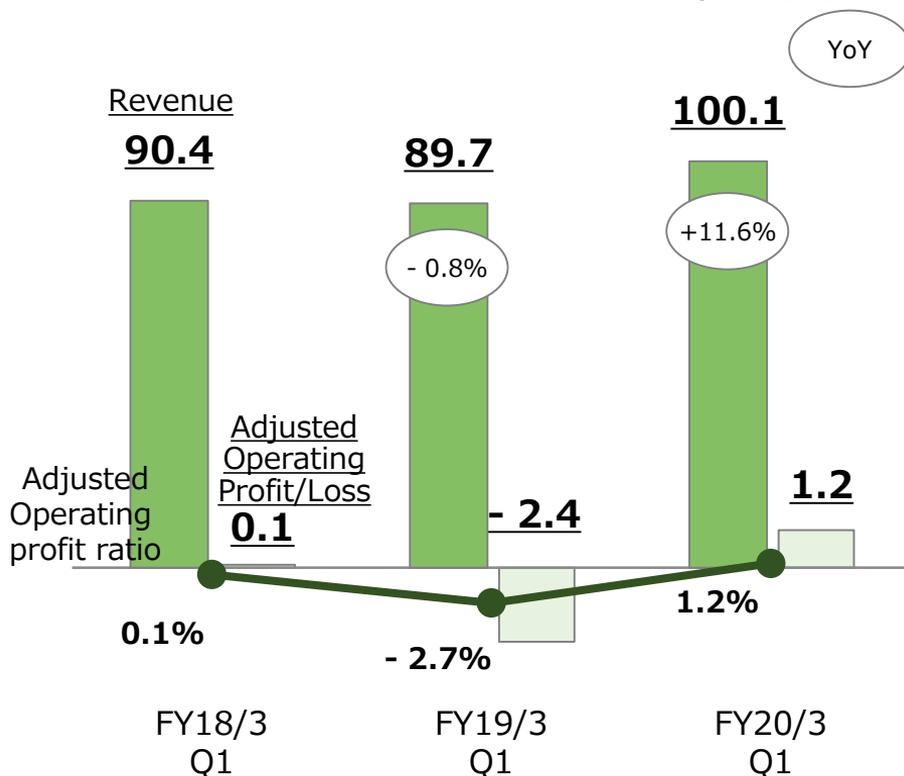
Note : Excluding special factor: +5%

Adjusted Operating Profit 6.7 (+2.9)

- Increased due to increase in sales

*% figures in parentheses are year-on-year

(Billions of Yen)



Revenue 100.1 (+11.6%)

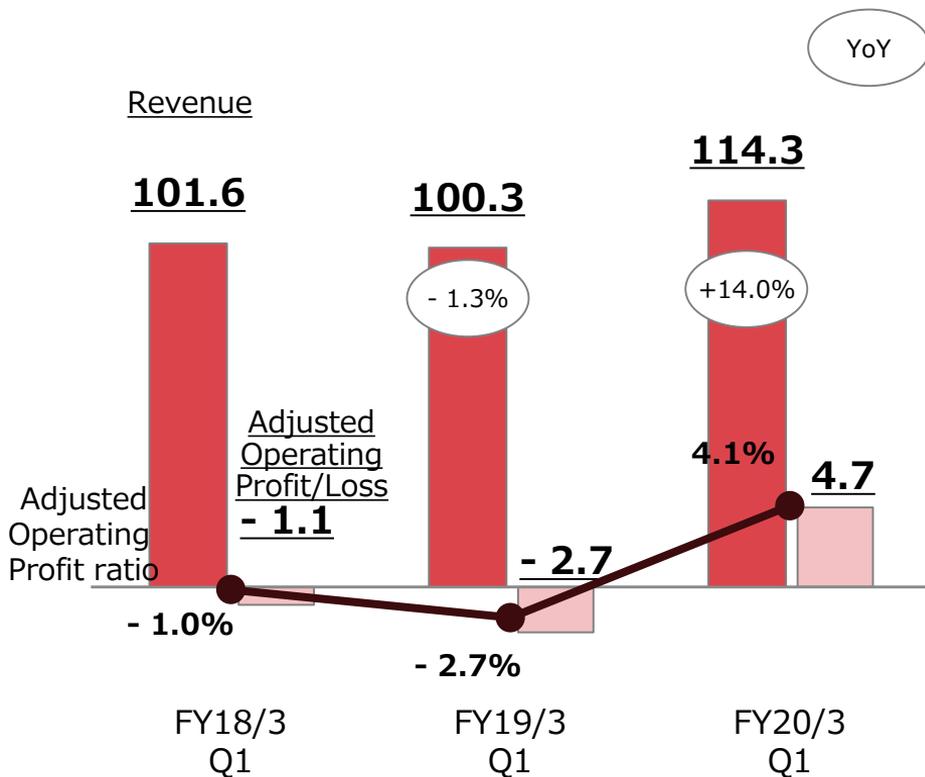
- Increased mainly in fixed network area

Adjusted Operating Profit/Loss 1.2 (+3.7)

- Improved due to increase in sales

*% figures in parentheses are year-on-year

(Billions of Yen)



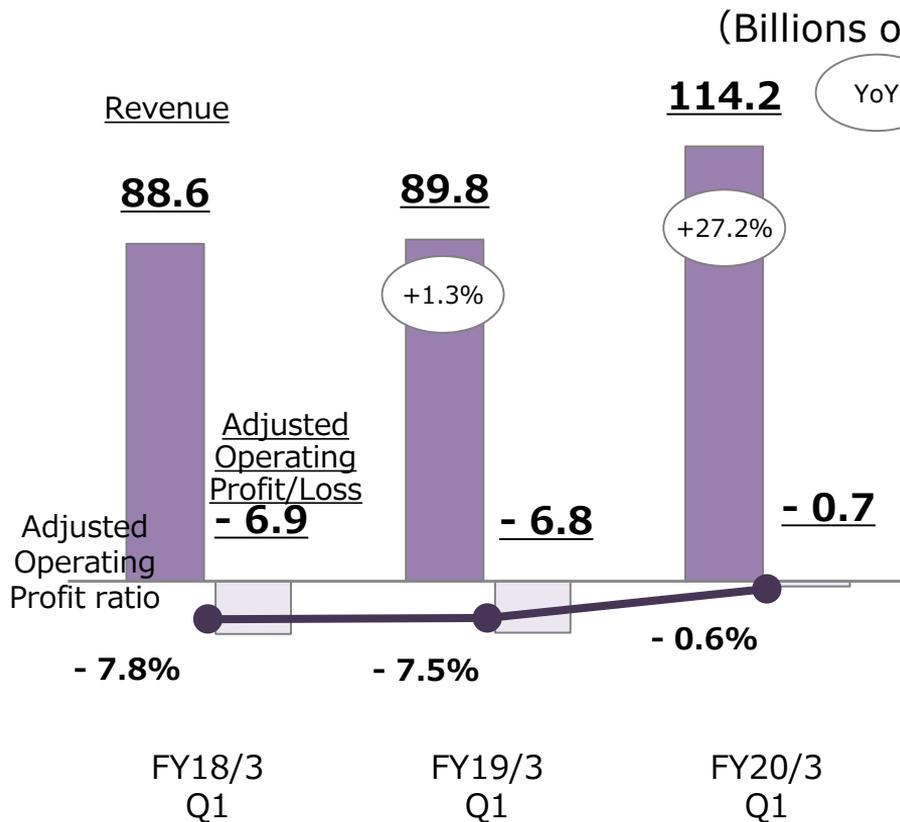
Revenue 114.3 (+14.0%)

- Increased in hardware business mainly for business PC

Adjusted Operating Profit/Loss 4.7 (+7.4)

- Improved due to increase in sales and improvement in product mix

*% figures in parentheses are year-on-year



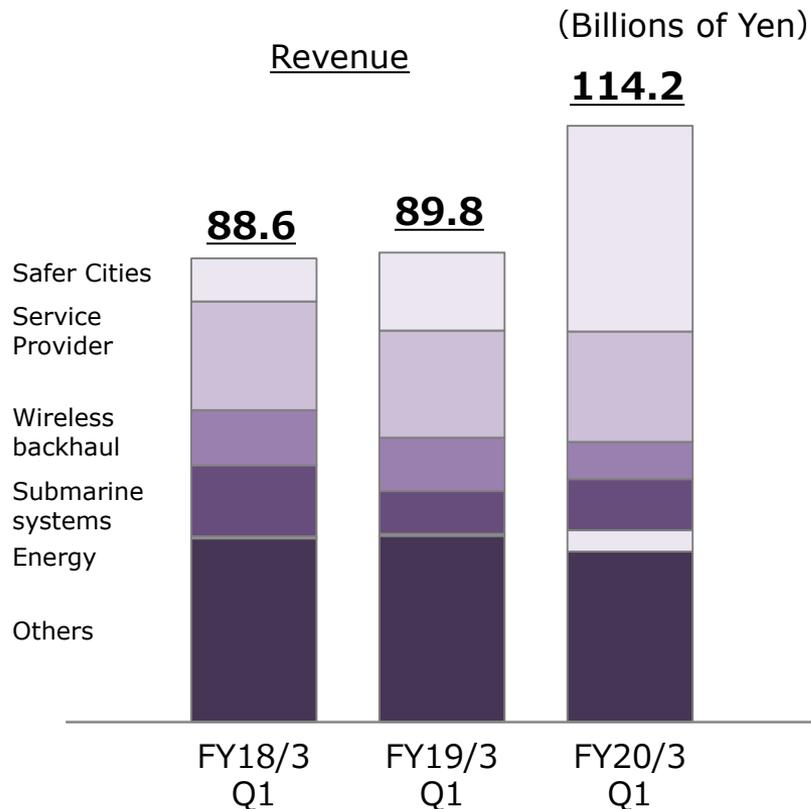
Revenue 114.2 (+27.2%)

- Increased in Safer Cities due to the new consolidation of KMD

Adjusted Operating Profit/Loss -0.7 (+6.0)

- Improved in Safer Cities, service provider, wireless backhaul, submarine systems, and other areas

*% figures in parentheses are year-on-year



Safer Cities

- Increased due to new consolidation of KMD

Service Provider

- Increased in software services

Wireless backhaul

- Decreased due to select orders with emphasis on profitability

Submarine systems

- Increased due to increase in orders from previous year

Energy

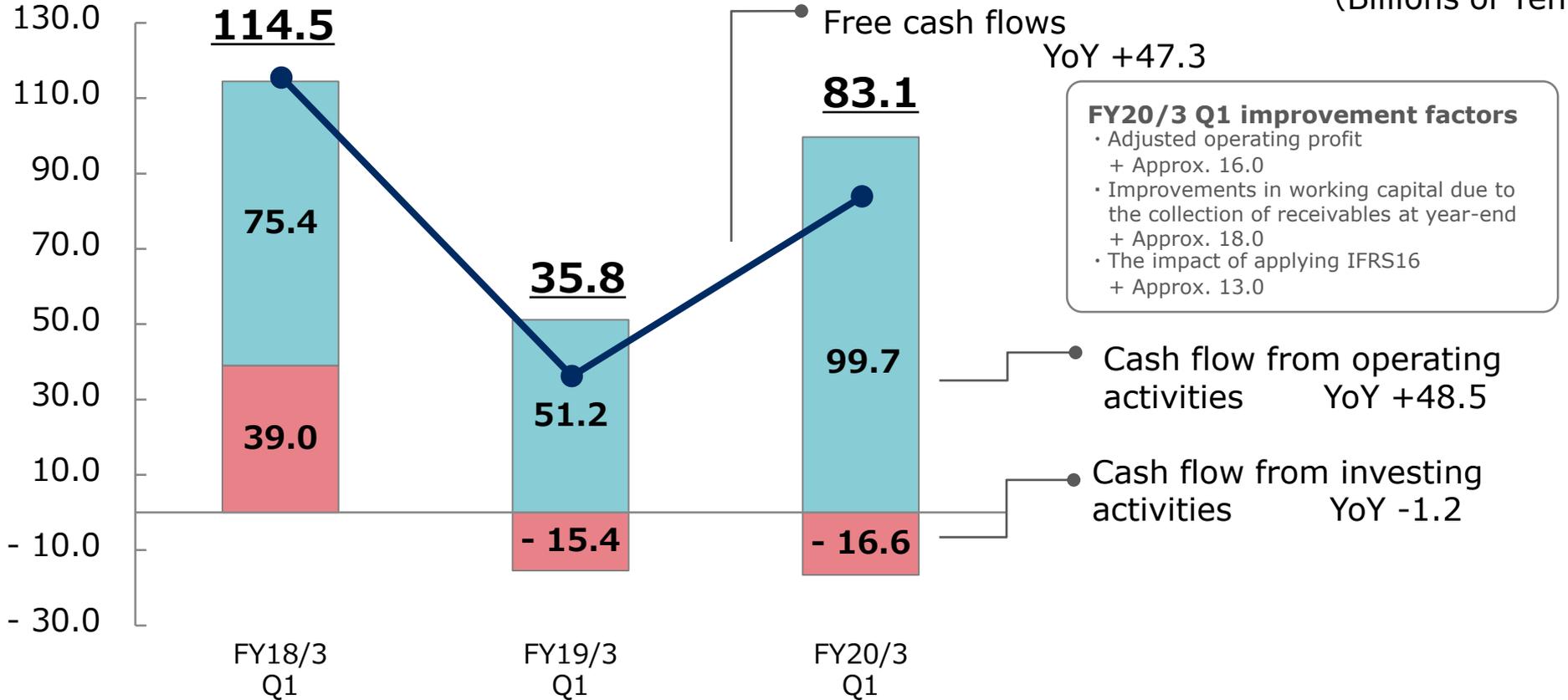
- Increased due to increase in orders from previous year

Display

- Continued intensifying competition

*SL : Solutions
KMD : KMD Holding

(Billions of Yen)



II . Financial Forecasts for FY20/3

No change in forecasts for FY20/3

	Full Year		
	FY19/3 Actual	FY20/3 Forecasts	YoY
Revenue	2,913.4	2,950.0	+ 1.3%
Operating Profit	58.5	110.0	+ 51.5
% to Revenue	2.0%	3.7%	
Adjusted Operating Profit	69.9	125.0	+ 55.1
% to Revenue	2.4%	4.2%	
Net Profit	40.2	65.0	+ 24.8
% to Revenue	1.4%	2.2%	
Adjusted Net Profit	46.9	74.0	+ 27.1
% to Revenue	1.6%	2.5%	
Free Cash Flows	- 12.4	65.0	+ 77.4
Dividend per Share(yen)	40	60	+ 20.0

Note : Average Exchange Rates (yen)	USD	1	110.48	105.00
	EUR	1	128.84	125.00

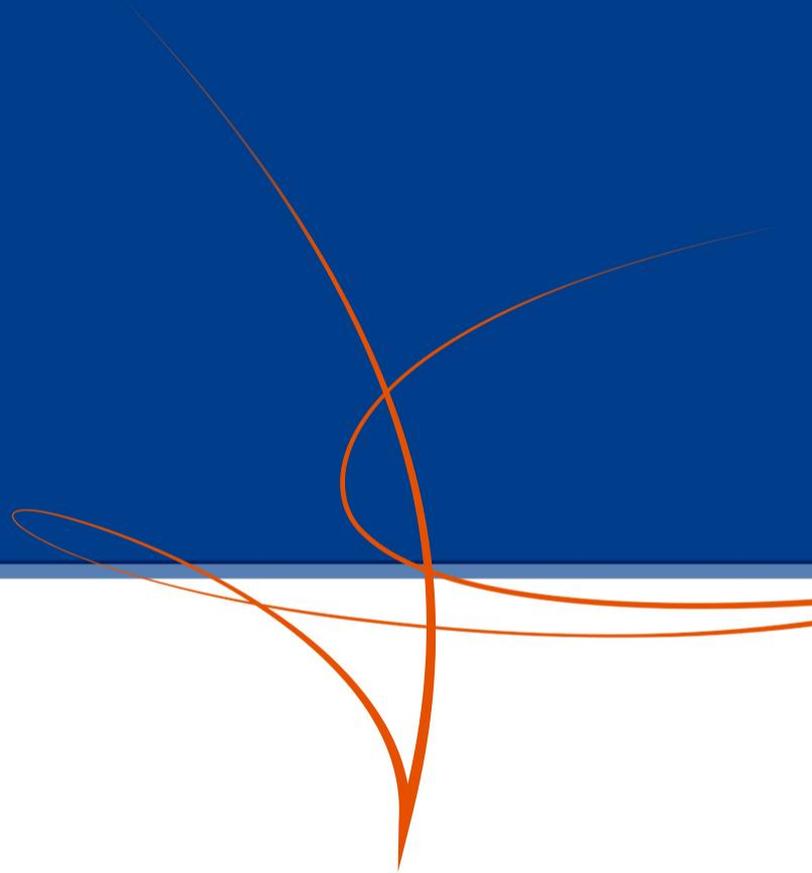
* Forecast for Free Cash Flows does not include the impact of applying IFRS 16

(Billions of Yen)

		Full Year		
		FY19/3 Actual	FY20/3 Forecasts	YoY
Public	Revenue	908.0	895.0	- 1.4%
	Adjusted Operating Profit	52.6	69.0	+ 16.4
	% to Revenue	5.8%	7.7%	
Enterprise	Revenue	431.8	430.0	- 0.4%
	Adjusted Operating Profit	35.8	39.0	+ 3.2
	% to Revenue	8.3%	9.1%	
Network Services	Revenue	460.3	455.0	- 1.2%
	Adjusted Operating Profit	20.7	30.0	+ 9.3
	% to Revenue	4.5%	6.6%	
System Platform	Revenue	500.2	480.0	- 4.0%
	Adjusted Operating Profit	20.1	38.0	+ 17.9
	% to Revenue	4.0%	7.9%	
Global	Revenue	409.4	550.0	+ 34.4%
	Adjusted Operating Profit/Loss	- 22.5	17.0	+ 39.5
	% to Revenue	-5.5%	3.1%	
Others	Revenue	203.7	140.0	- 31.3%
	Adjusted Operating Profit	19.0	5.0	- 14.0
	% to Revenue	9.3%	3.6%	
Adjustment	Adjusted Operating Profit/Loss	- 55.7	- 73.0	- 17.3
Total	Revenue	2,913.4	2,950.0	+ 1.3%
	Adjusted Operating Profit	69.9	125.0	+ 55.1
	% to Revenue	2.4%	4.2%	

* Forecast as of July 31, 2019

III. Topics



Conclusion of contract for the tender offer for shares of Nippon Avionics

- **Signing of contract with NAJ Holdings to apply for all shares of common stock of Nippon Avionics owned by NEC in response to the tender offer for Nippon Avionics shares**
- **Expectation for further expansion of business outside the NEC Group and growth from sufficient input of management resources**
- **Nippon Avionics will cease to be an NEC subsidiary once the tender offer is finalized.**
 - **Minimal impact on NEC's consolidated business; NEC will continue to own preferred stocks of Nippon Avionics.**
 - **Business relations with Nippon Avionics will remain the same, and Nippon Avionics will continue to be a listed company.**

Collaboration with Star Alliance

- Collaborate to develop a biometric data based identification platform
 - World's first system that can be used worldwide, not only in particular countries and airports

Provision of facial recognition system for admission control at EU Summit

Acquisition of Norwegian biotech firm OncoImmunity AS

- M&A to strengthen healthcare business
 - Expectation for synergy creation in NEC's drug discovery business



\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.

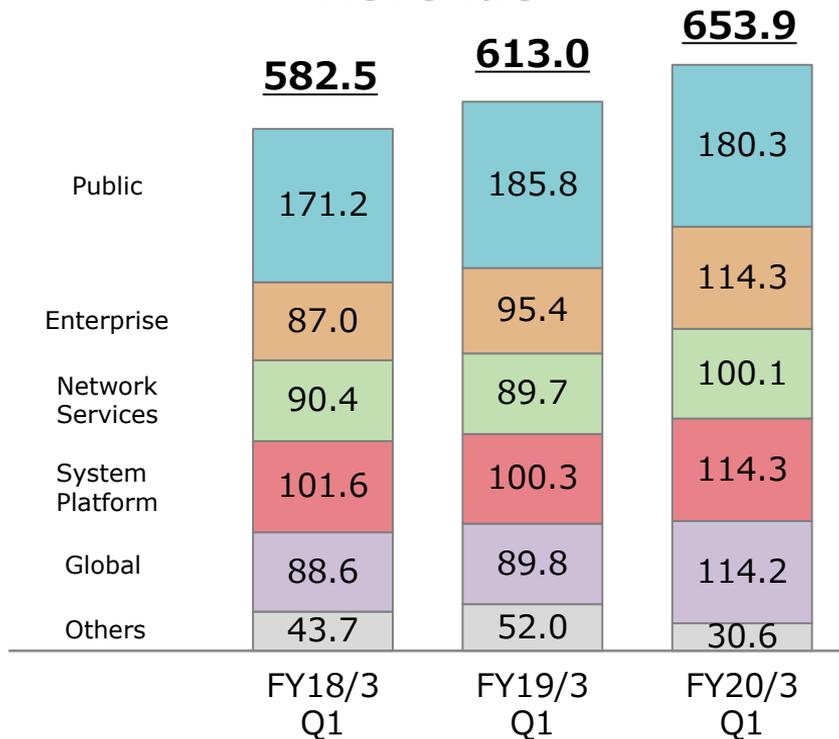
 **Orchestrating** a brighter world

NEC

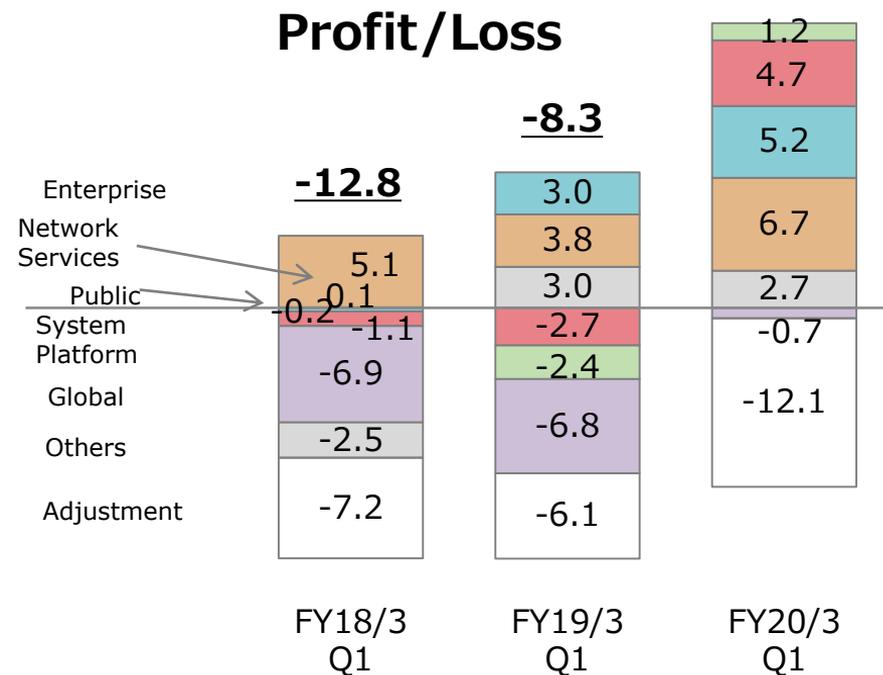
Financial Results for Q1, FY20/3 (Appendix)

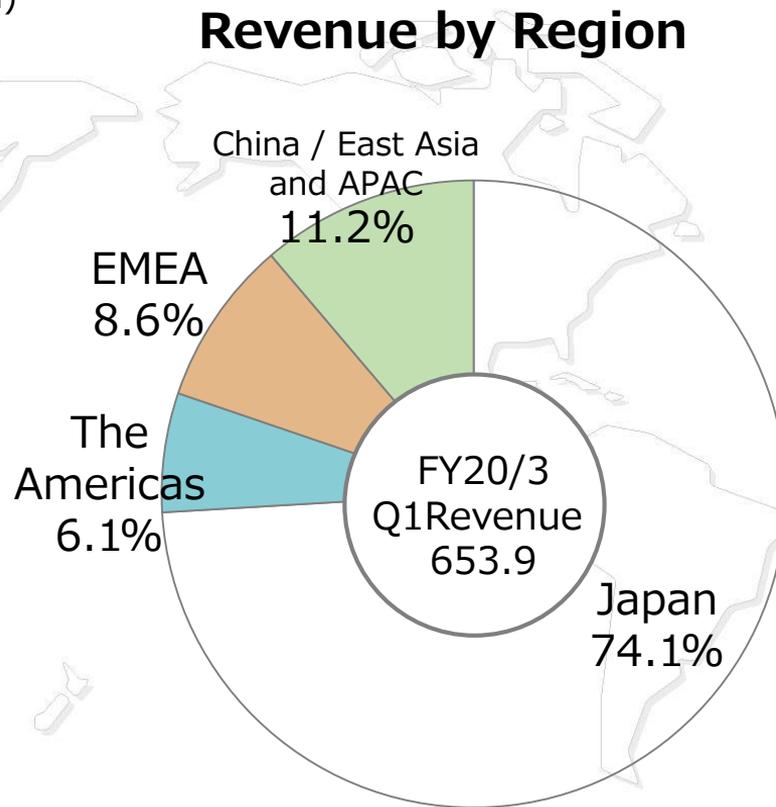
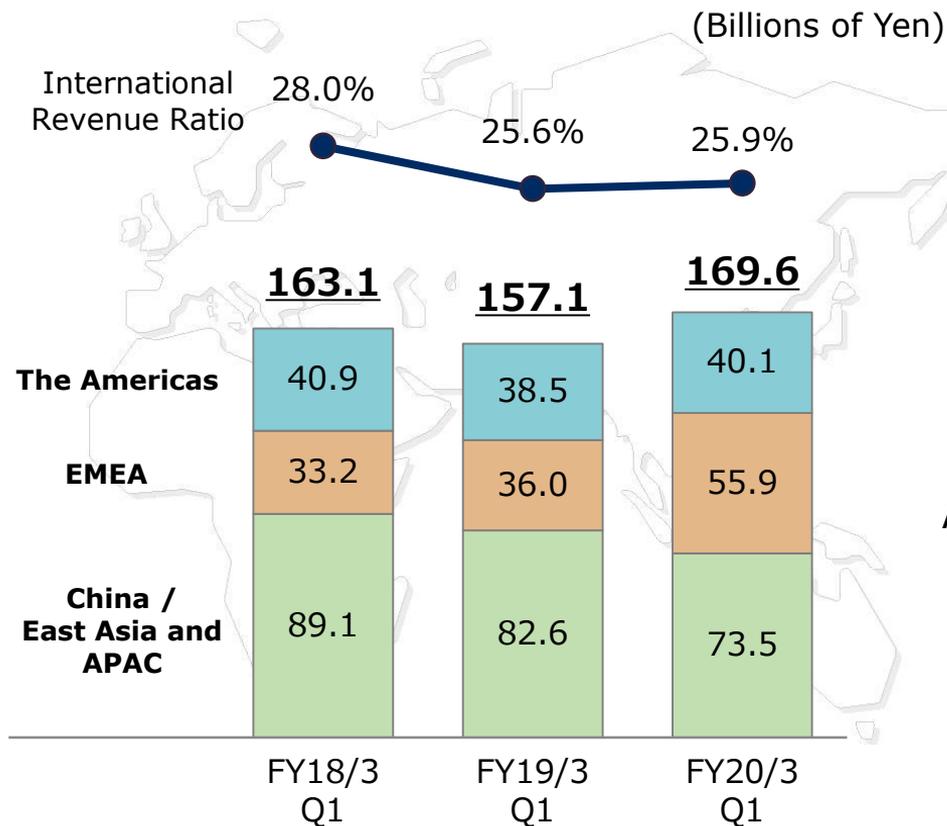
(Billions of Yen)

Revenue



Adjusted Operating Profit/Loss





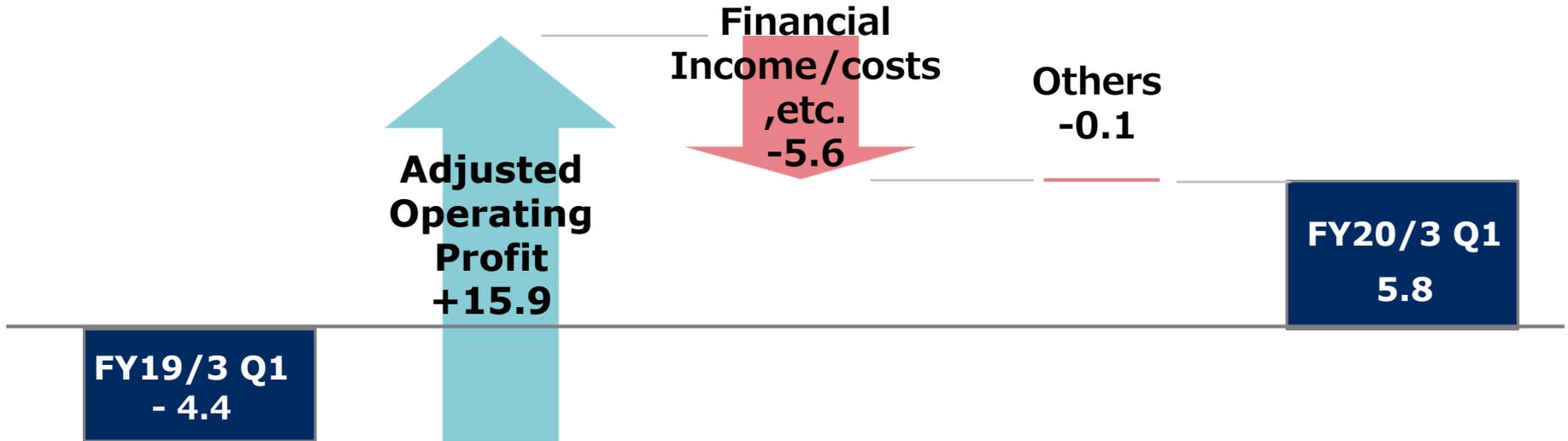
*Revenue is classified by country or region based on customer locations

(Billions of Yen)

	End of March 2019	End of June 2019	Variance from end of March 2019
Total assets	2,950.6	2,968.0	+ 17.4
Total equity	1,060.3	1,036.6	- 23.7
Interest-bearing debt	552.5	695.9	+ 143.4
Equity attributable to owners of the parent	859.6	840.1	- 19.4
Ratio of equity attributable to owners of the parent (%)	29.1%	28.3%	- 0.8pt
D/E ratio (times)	0.64	0.83	- 0.19pt
Net D/E ratio (times)	0.32	0.45	- 0.13pt
Cash and cash equivalents	278.3	313.8	+ 35.5

*Total assets and liabilities (interest-bearing debt) at the end of Q1, FY20/3 increased by approximately 175.0 billion yen mainly due to a recording of lease liabilities in applying IFRS 16

(Billions of Yen)



(Billions of Yen)

Compared to end Of March 2019

Current Assets
1,500.1

Liabilities
1,931.4

Decreased due to the collection of trade and other receivables.

- 138.2

Total
2,968.0

+41.1

- Decreased in accruals from bonus payments and trade and other payables due to the payment of materials cost
- Increased as a result of recording right-of-use assets in applying IFRS 16

(+17.4 compared to end of March 2019)

Increased due to an increase in property, plant and equipment as a result of recording right-of-use assets in applying IFRS 16

+155.6

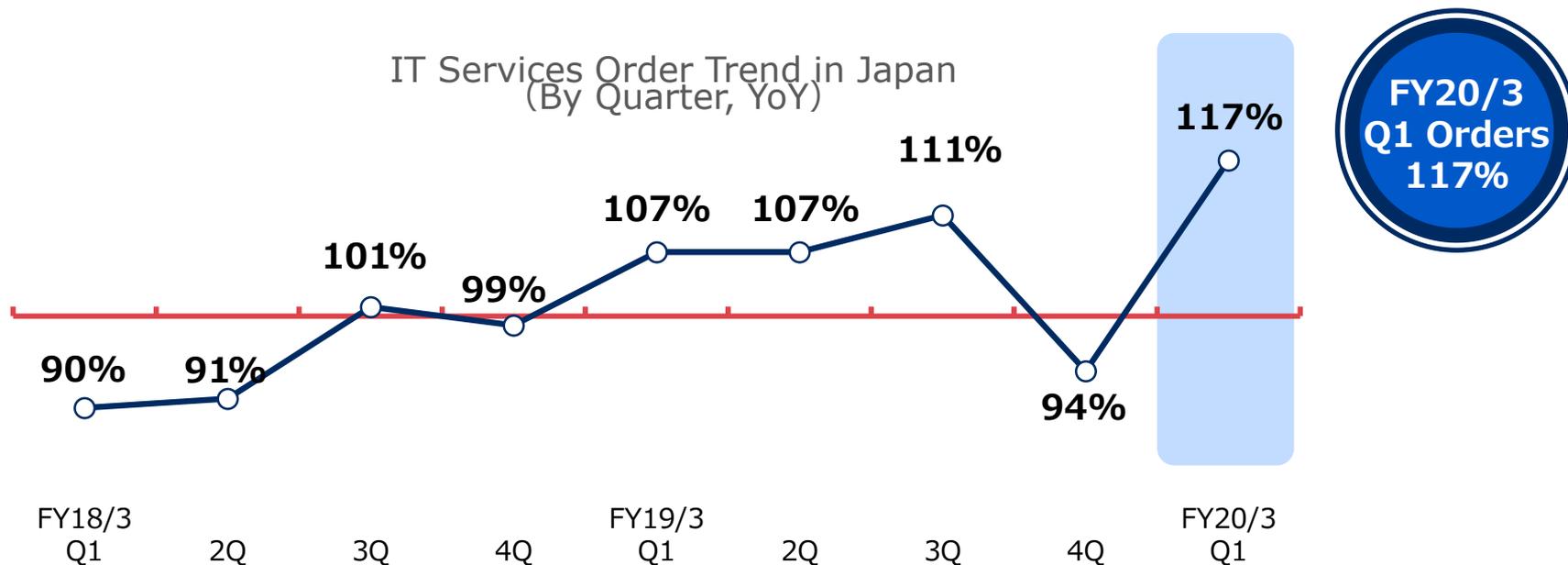
- Decreased due to the payment of dividends

-23.7

Non-current Assets
1,468.0

Equity
1,036.6

NEC's IT services orders in Japan for FY20/3 Q1 increased significantly in the public, telecom and financial sector

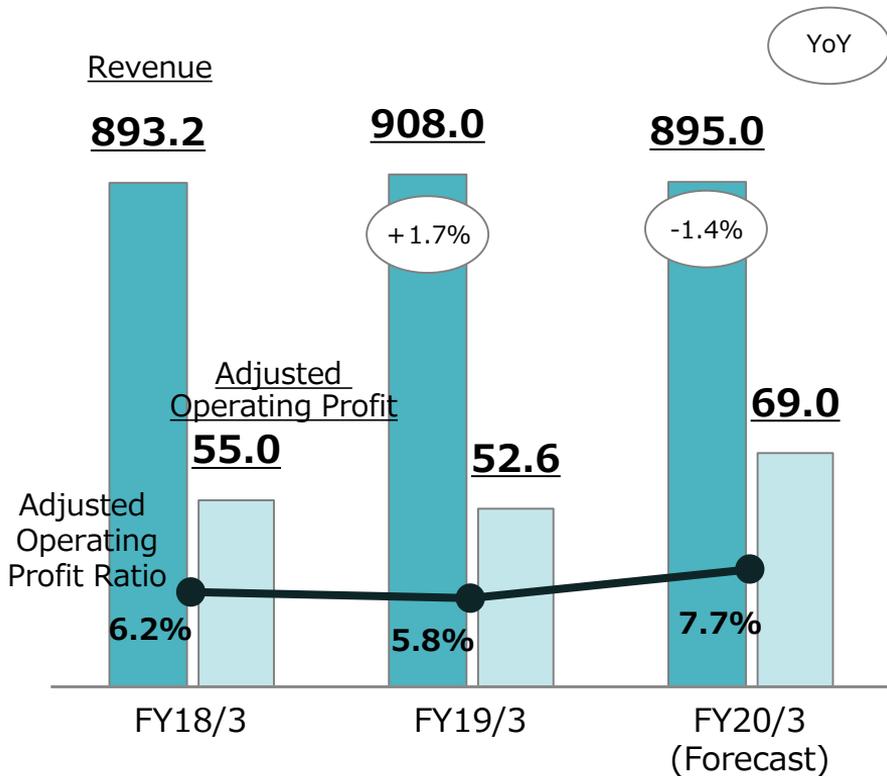


Financial Forecasts for FY20/3 (Appendix)

A decorative graphic consisting of several overlapping, curved orange lines that originate from the top right and sweep downwards and to the left, crossing the horizontal line that separates the blue header from the white body.

(Billions of Yen)

Billions of Yen (YoY)



Revenue 895.0 (-1.4%)

- Public Solutions area: remain flat
- Public Infrastructure area: decrease due to a decline in a large-scale project in the previous year

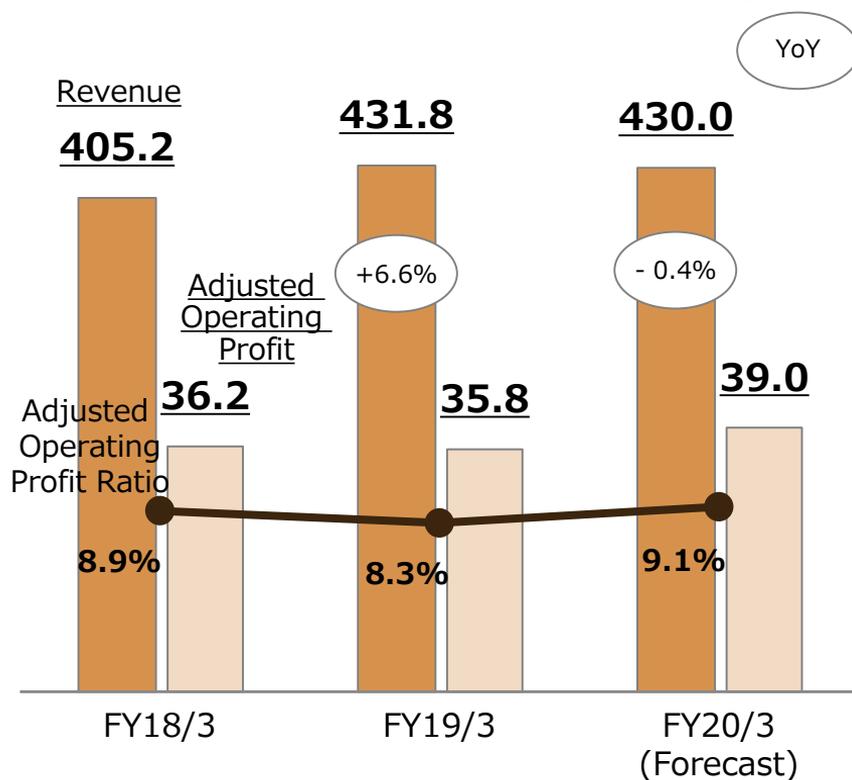
Adjusted Operating Profit 69.0 (+16.4%)

- Improve due to control of unprofitable projects as well as business structure improvement, despite a sales decline

*Forecasts as of July 31, 2019

(Billions of Yen)

Billions of Yen (YoY)



Revenue 430.0 (-0.4%)

- Remain flat compared to the previous fiscal year with strong performance

Adjusted Operating Profit 39.0 (+3.2)

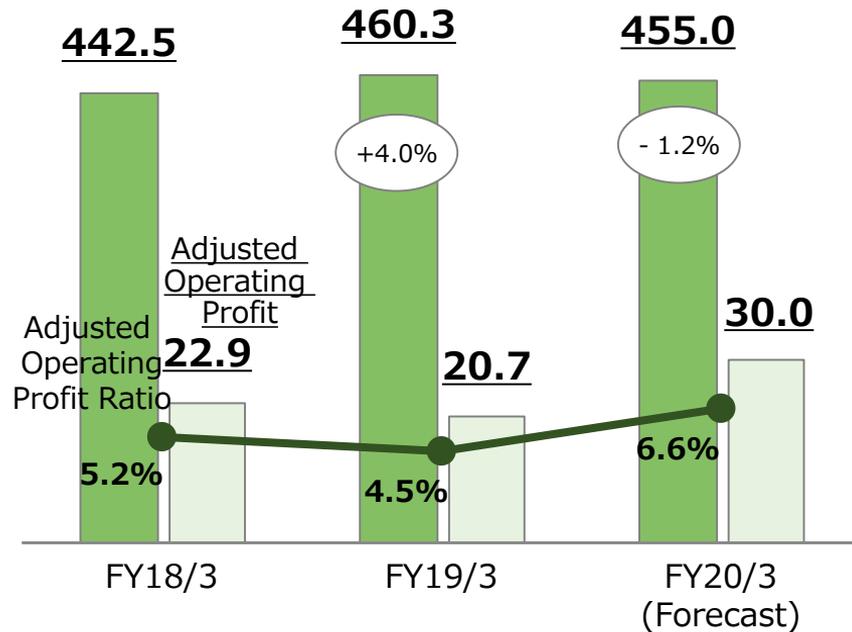
- Improve due to business structure improvement

*Forecasts as of July 31, 2019

(Billions of Yen)

Billions of Yen (YoY)

Revenue



Revenue 455.0 (-1.2%)

- Remain flat with sluggish capital investment by telecommunications carriers

Adjusted Operating Profit 30.0 (+9.3)

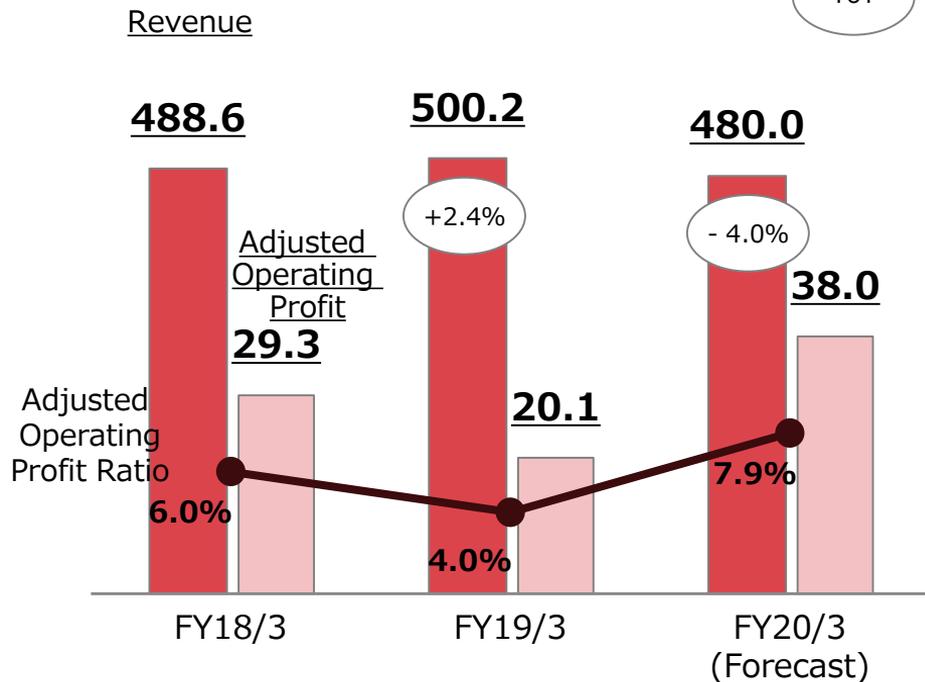
- Improve due to business structure improvement as well as a decrease in a loss from a specific project recorded in the previous fiscal year

*Forecasts as of July 31, 2019

(Billions of Yen)

Billions of Yen (YoY)

YoY



Revenue 480.0 (-4.0%)

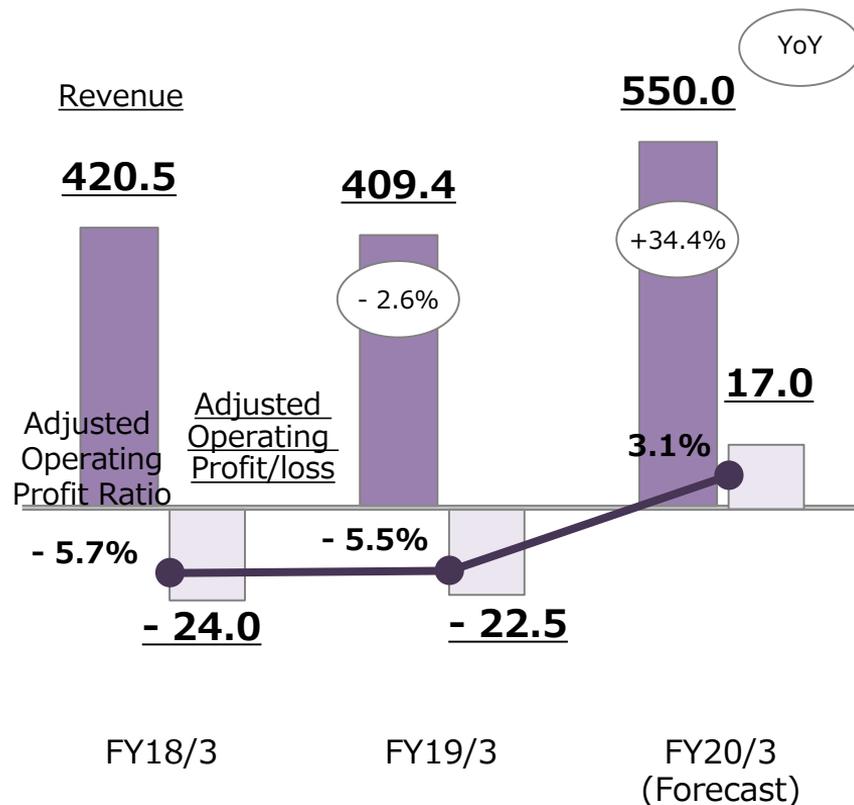
- Decrease due to a decline in business PCs compared to the previous fiscal year when there was replacement demand

Adjusted Operating Profit 38.0 (+17.9)

- Improve due to business structure improvement

*Forecasts as of July 31, 2019

(Billions of Yen)



Billions of Yen (YoY)

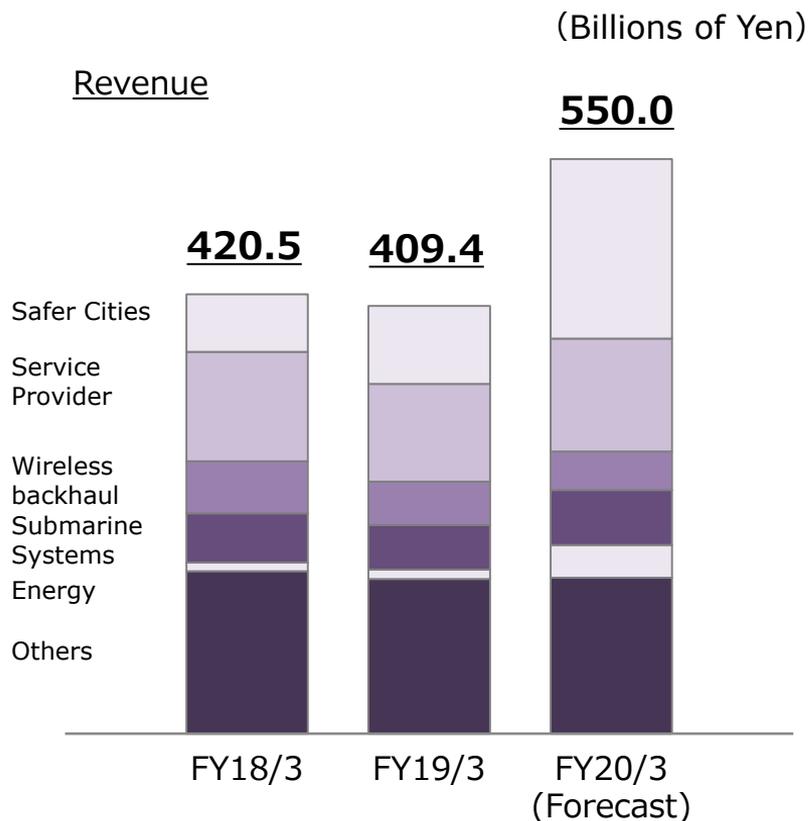
Revenue 550.0 (+34.4%)

- Increase in Safer Cities, software and services for service providers as well as submarine systems

Adjusted Operating Profit/Loss 17.0 (+39.5)

- Turn to the black due to a decrease in one-time costs recorded in the previous fiscal year, such as business structure improvement expenses and the impairment of assets

*Forecasts as of July 31, 2019



* Forecast as of July 31, 2019

Safer Cities

- Increased sales expected from the new consolidation of KMD

Service Provider

- Increased sales expected for software services and optical IP

Wireless backhaul

- Select orders with emphasis on profitability and expect sales to decline

Submarine systems

- As orders increased in FY19/3, sales expected to increase

Energy

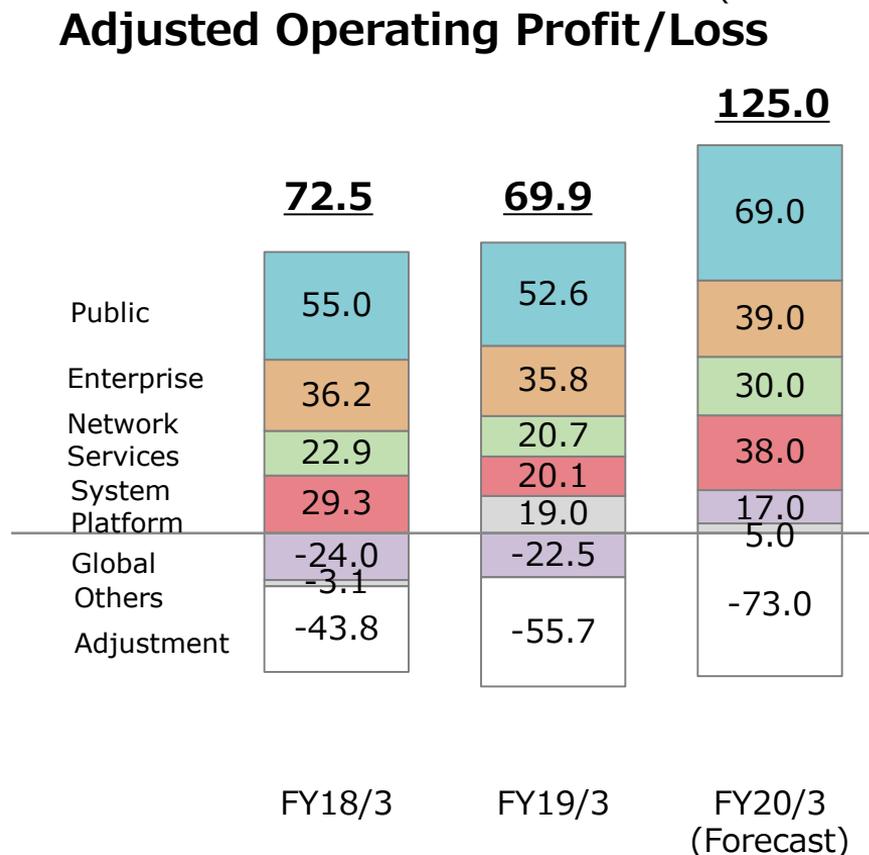
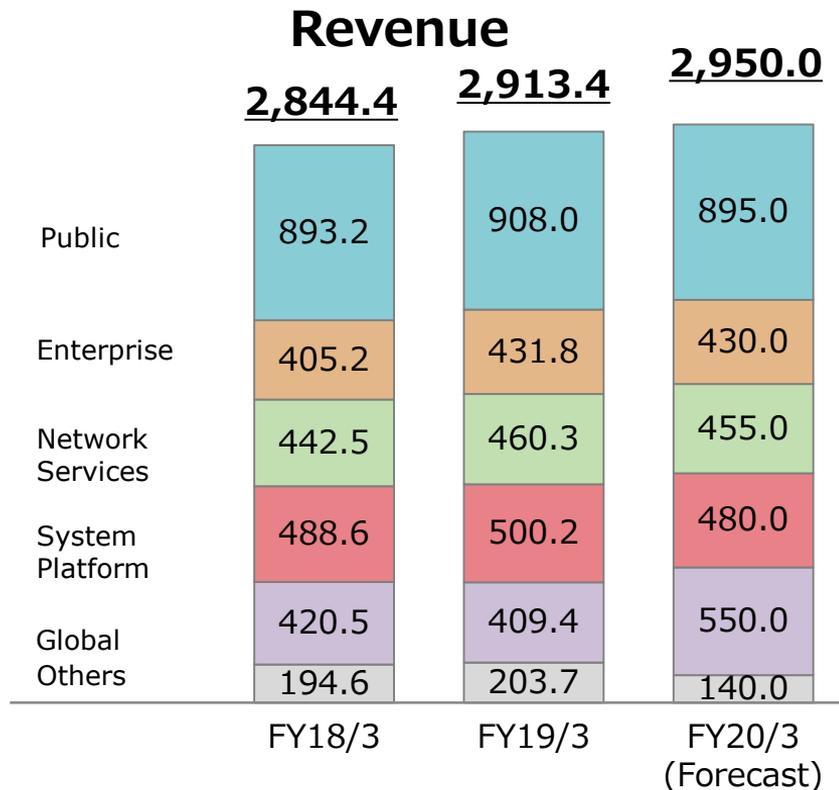
- As orders increased in FY19/3, sales expected to increase

Display

- Expect to recover from decreased sales in FY19/3 caused by intensifying competition in North America

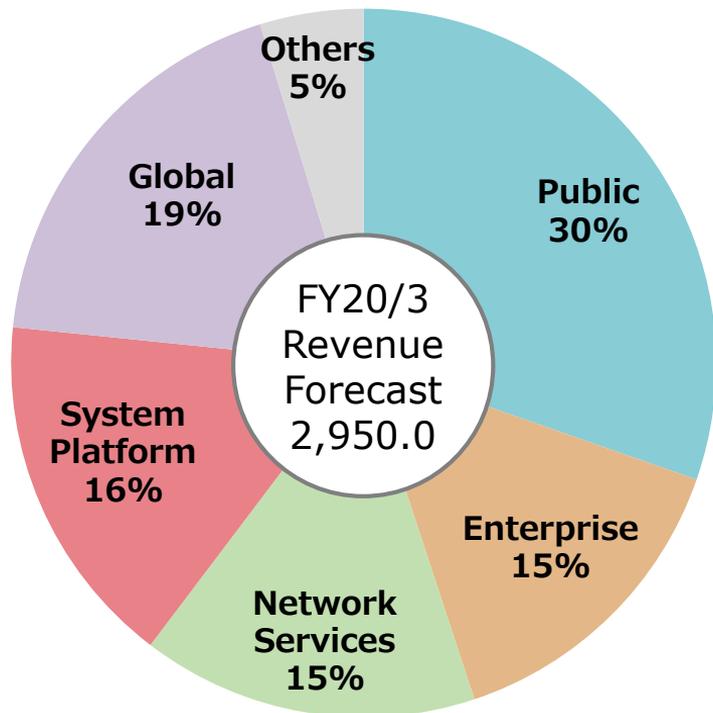
*SL : Solutions
KMD : KMD Holding

(Billions of Yen)

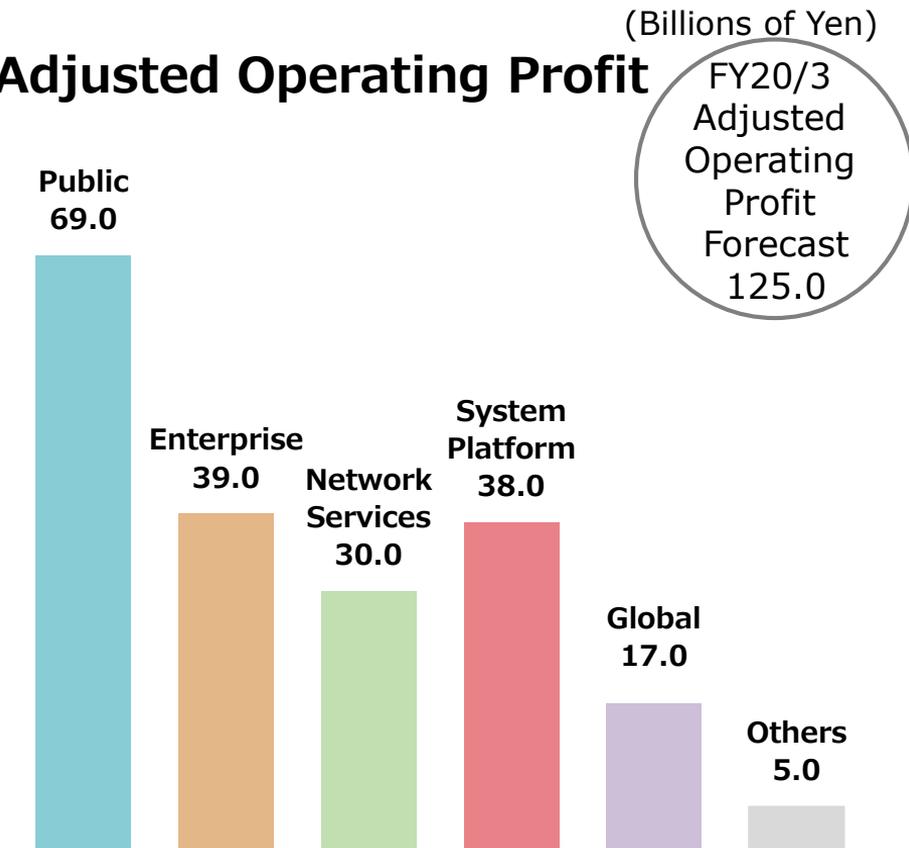


*Forecasts as of July 31, 2019

Revenue



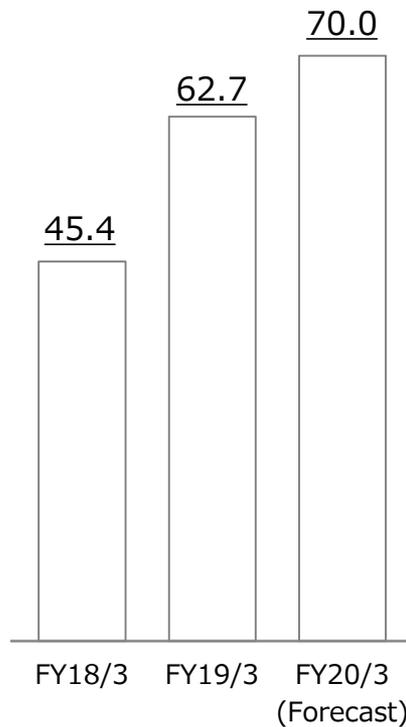
Adjusted Operating Profit



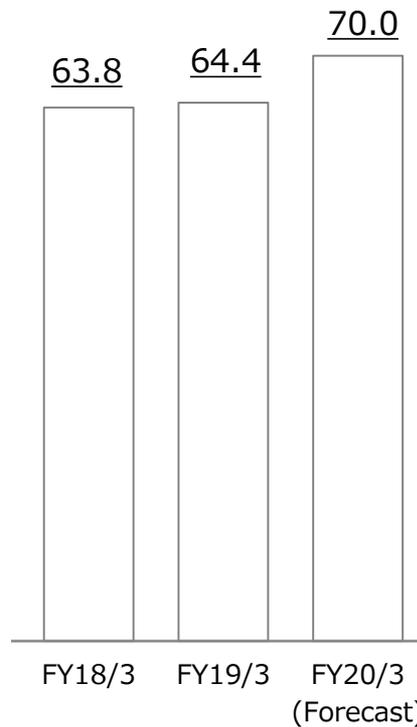
*Forecasts as of July 31, 2019

(Billions of Yen)

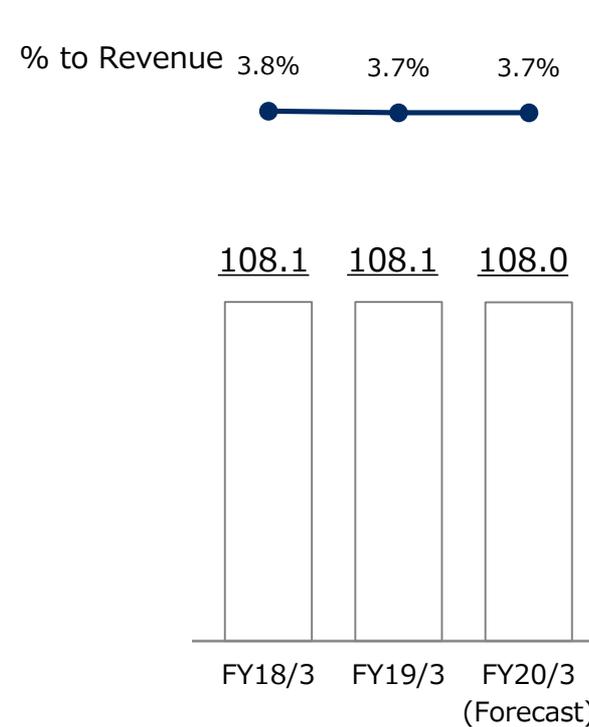
Capital Expenditure



Depreciation



R&D Expenses



* Forecast for Capital Expenditure and Depreciation do not include the impact of applying IFRS 16

*Forecasts as of July 31, 2019

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, 2019 and 20 were referred as FY19/3 and FY20/3 respectively. Any other fiscal years would be referred similarly.