

NEC to Revise Operating Segments

Tokyo, July 20, 2018 – NEC Corporation (NEC; TSE: 6701) announced earlier this year a shift to a new organization structure effective as of April 1, 2018. In line with these structural changes, NEC's operating segments will be revised as of its consolidated financial results for the first quarter of the fiscal year ending March 31, 2019, being announced on July 31, 2018.

Please refer to the below attachments for more detail: "New Segment Overview," "Revenue and Profit/Loss by New Segment."

Major revisions

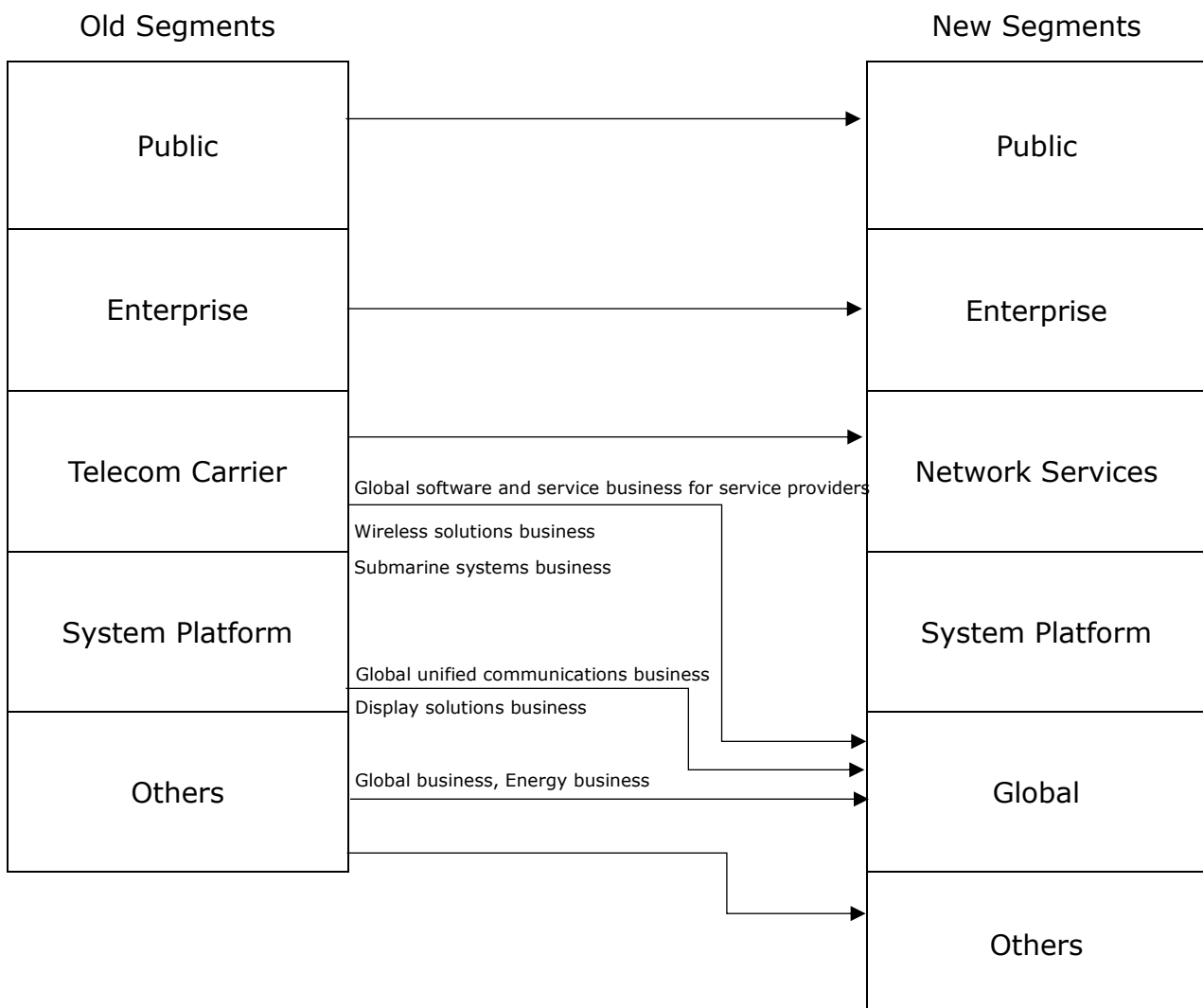
1. Establishment of "Global" segment

To accelerate the growth of global business, NEC incorporated business divisions that are primarily tasked with expanding in global markets into the Global Business Unit effective April 1, 2018. This makes it possible to centralize business responsibilities and management authority, resulting in improved speed, concentrated investment in core businesses, and reduced costs. In line with this move, the Global Business Unit, which was previously included under the "Others", has been transferred to a newly established "Global" segment. The business divisions incorporated into the "Global" segment include those responsible for the software and service business for service providers throughout the world, the wireless solutions business, and the submarine systems business, which were previously included under the "Telecom Carrier" segment; the global unified communications business and the display solutions business, which were previously included under the "System Platform" segment; and the energy business, which was previously included under the "Others".

2. Renaming of “Telecom Carrier” segment

Additionally, in response to the continuing diversification of network needs as the IoT and 5G era approaches, NEC renamed its Telecom Carrier Business Unit to Network Services Business Unit effective April 1, 2018. This move was made in an effort to 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. In line with this, the “Telecom Carrier” segment has been renamed “Network Services” segment.

Comparison of old and new segments



New Segment Overview

Segment	Main Customers / Major Products and Services	Organization
Public	<For Public, Healthcare, Government, Media> Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment	Public Solutions Business Unit Public Infrastructure Business Unit
Enterprise	<For Manufacturing, Retail and Services, Finance> Systems Integration (Systems Implementation, Consulting), Maintenance and Support, and Outsourcing / Cloud Services	Enterprise Business Unit
Network Services	Network Infrastructure (Core Network, Mobile Phone Base Stations, Optical Transmission Systems, Routers / Switches), Systems Integration (Systems Implementation, Consulting), and Services & Management (OSS* ₁ /BSS* ₂ , Service Solutions)	Network Services Business Unit
System Platform	Hardware (Servers, Mainframes, Supercomputers, Storage, Business PCs, POS, ATMs, Control Equipment, Wireless LAN Routers), Software (Integrated Operation Management, Application Servers, Security, Database Software), Domestic Enterprise Network Solutions (IP Telephony Systems, WAN / Wireless Access Equipment, LAN Products), and Maintenance and Support	System Platform Business Unit
Global	Safety (Biometric Solutions, Surveillance and others), Software & Services for Service Providers (OSS/BSS, SDN* ₃ /NFV* ₄), Network Infrastructure (Submarine Systems, Mobile Backhaul), System Devices (Displays, Projectors), and Energy Storage System	Global Business Unit
Others	Data Center Infrastructure Services, and Lighting Equipment	System Integration, Services & Engineering Operations Unit, and others

*1 OSS : Operation Support System

*2 BSS : Business Support System

*3 SDN : Software-Defined Networking

*4 NFV : Network Functions Virtualization

Revenue and Profit/Loss by New Segment

(Fiscal Year ended March 31, 2017 to Fiscal Year ending March 31, 2019)

(1) Revenue by segment (revenue from customers) Billions of yen

Segment	Fiscal year ended March 31,2017	Fiscal year ended March 31,2018	Fiscal year ending March 31,2019
	Actual	Actual	Forecasts
Public	760.4	933.1	945.0
Enterprise	408.6	408.7	410.0
Network Services	394.5	377.6	360.0
System Platform	548.9	531.7	510.0
Global	432.9	453.7	505.0
Others	119.7	139.7	100.0
Total	2,665.0	2,844.4	2,830.0

(2) Operating profit (loss) by segment Billions of yen

Segment	Fiscal year ended March 31,2017	Fiscal year ended March 31,2018	Fiscal year ending March 31,2019
	Actual	Actual	Forecasts
Public	30.2	53.2	61.0
Enterprise	39.7	35.7	32.0
Network Services	34.6	17.3	11.0
System Platform	34.6	30.0	32.0
Global	△ 39.0	△ 28.0	0.0
Others	△ 3.6	△ 0.4	15.0
Adjustment	△ 54.7	△ 43.8	△ 101.0
Total	41.8	63.9	50.0

※ Forecasts by segment as of July 20, 2018

Revenue and Profit/Loss by New Segment (Fiscal Year ended March 31, 2017)

(1) Revenue by segment (revenue from customers) Billions of yen

Segment		Fiscal year ended March 31, 2017			
		Q1	Q2	Q3	Q4
	Public	119.6	171.3	156.2	313.4
	Enterprise	89.2	114.9	94.7	109.9
	Network Services	73.7	104.2	91.4	125.3
	System Platform	109.0	145.4	121.8	172.7
	Global	97.4	113.9	102.7	118.9
	Others	29.9	32.8	26.6	30.4
	Total	518.7	682.4	593.4	870.6

(2) Operating profit (loss) by segment Billions of yen

Segment		Fiscal year ended March 31, 2017			
		Q1	Q2	Q3	Q4
	Public	△ 6.4	13.7	△ 3.1	26.0
	Enterprise	5.7	13.7	7.0	13.3
	Network Services	△ 0.8	11.6	5.7	18.1
	System Platform	△ 3.0	14.3	0.1	23.1
	Global	△ 13.2	△ 4.0	△ 14.9	△ 6.9
	Others	△ 3.4	△ 0.9	△ 0.0	0.8
	Adjustment	△ 8.9	△ 14.6	△ 15.7	△ 15.6
	Total	△ 29.9	33.7	△ 20.8	58.9

Revenue and Profit/Loss by New Segment (Fiscal Year ended March 31, 2018)

(1) Revenue by segment (revenue from customers) Billions of yen

Segment		Fiscal year ended March 31, 2018			
		Q1	Q2	Q3	Q4
	Public	179.8	224.4	221.6	307.3
	Enterprise	87.8	104.0	99.3	117.5
	Network Services	78.2	95.0	89.8	114.6
	System Platform	108.3	133.2	130.8	159.4
	Global	96.3	115.7	107.0	134.6
	Others	32.1	33.2	34.7	39.7
	Total	582.5	705.6	683.3	873.2

(2) Operating profit (loss) by segment Billions of yen

Segment		Fiscal year ended March 31, 2018			
		Q1	Q2	Q3	Q4
	Public	△ 0.8	15.4	5.5	33.0
	Enterprise	5.0	10.8	9.3	10.6
	Network Services	△ 0.5	6.0	3.1	8.6
	System Platform	△ 1.5	6.8	9.4	15.3
	Global	△ 7.6	△ 3.3	△ 5.6	△ 11.4
	Others	△ 1.8	1.4	△ 3.0	2.9
	Adjustment	△ 7.2	△ 15.4	△ 11.7	△ 9.5
	Total	△ 14.4	21.7	7.0	49.6

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.
