

Financial Results for the Fiscal Year Ended March 2018

May 8, 2018

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NEC Networks & System Integration Corporation
(TSE: 1973, NESIC)

Agenda

I . FY 2018/3 Financial Results

II . FY 2019/3 Forecasts



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FY2018/3 Financial Summary

Net sales and income growth attained

Net sales and operating income rose for the first time in three fiscal years.

(¥bn.)

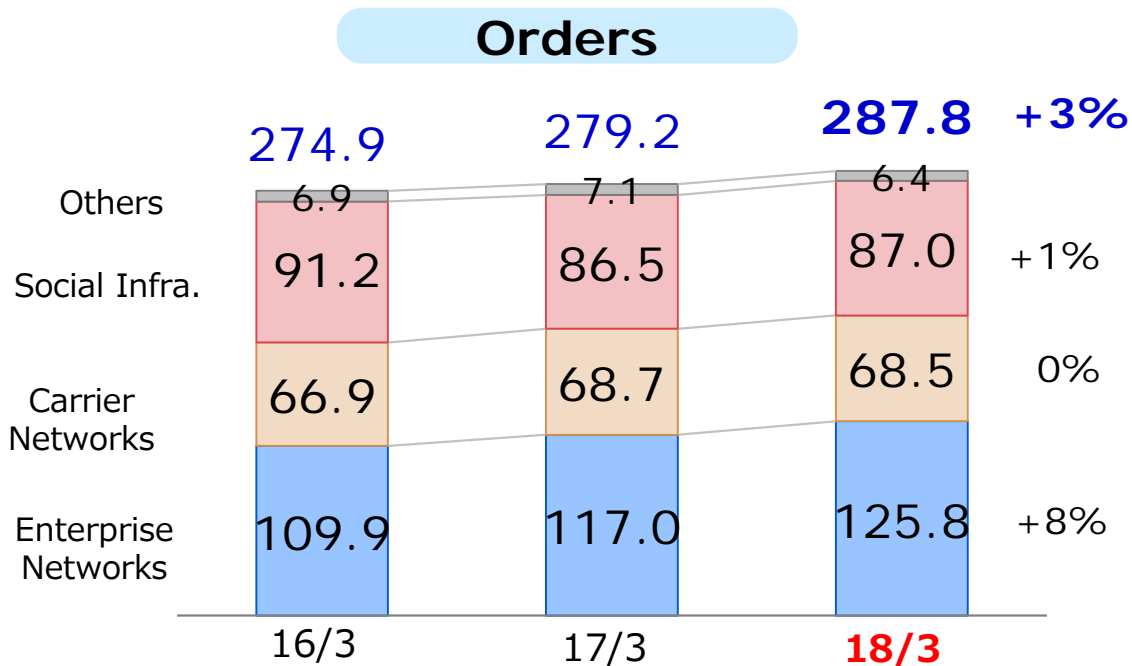
	FY2017/3	FY2018/3	Change	Forecasts as at Jan 30, 2018
Orders received	279.2	287.8	+3%	280
Sales	257.9	267.9	+4%	270
Gross margin	16.5%	16.5%	0.0pt	—
Operating income	10.0	11.1	+1.1	10.5
(to sales)	(3.9%)	(4.1%)	+0.2pt	(3.9%)
Net income	6.5	7.4	+0.8	6.7
attributable to owners of the parent				
(to sales)	(2.5%)	(2.7%)	+0.2pt	(2.5%)
ROE	7.0%	7.6%	+0.6pt	
Free cash flows	19.9	2.0	-18.0	

FY2018/3 Orders Received by Segment

Increased year on year after winning a new mega solar power generation plant projects.

- Enterprise Networks : A substantial increase in the 2nd half (+5% for the 2nd half excluding the mega solar power generation plant projects)
- Carrier Networks : Unchanged from the previous fiscal year due to the postponed projects and the reaction from the large maintenance deal (for two years) we received from a carrier in the previous fiscal year, although other orders from carriers were steady
- Social Infra. : Unchanged after acquisition of a large domestic projects and decline in overseas orders

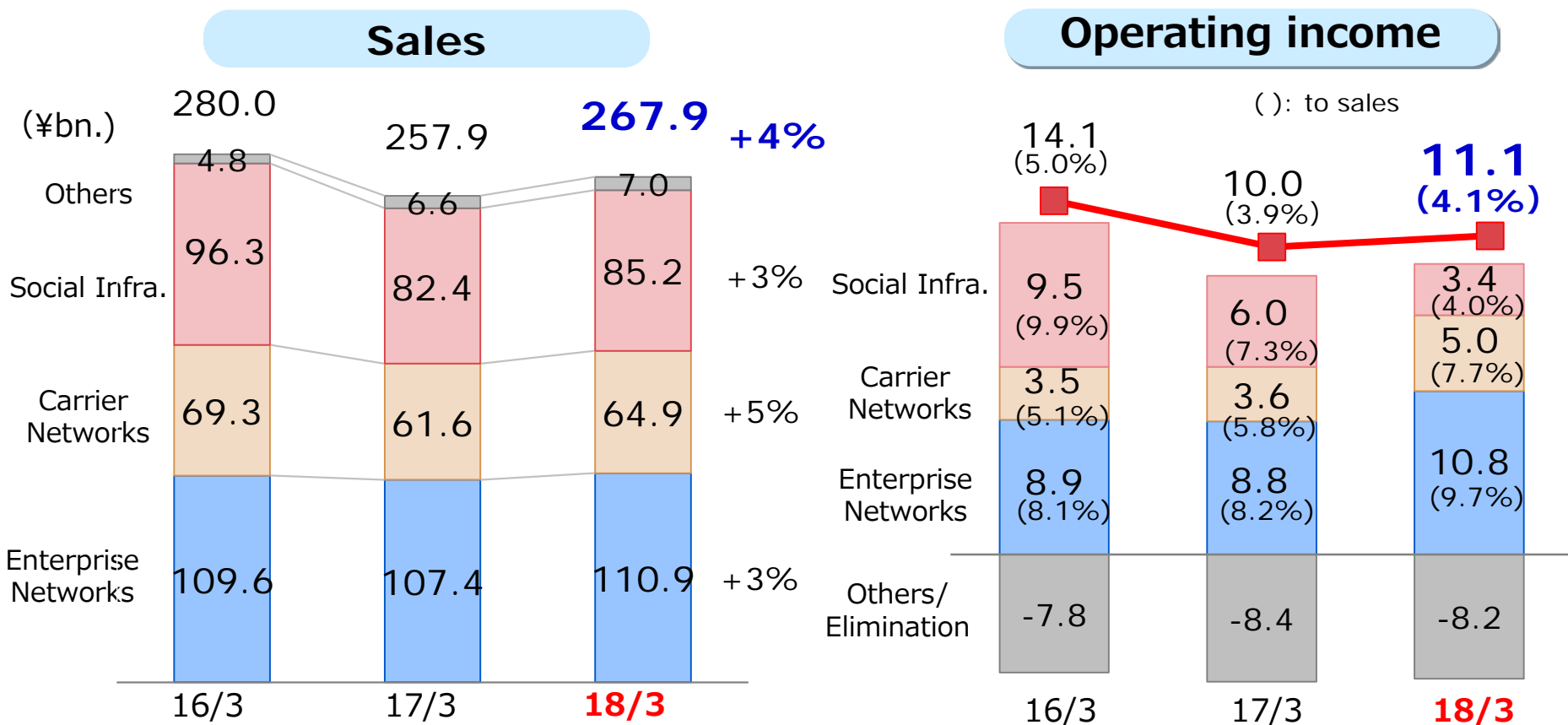
(¥bn.)



FY2018/3 Sales/Operating Income by Segment

Sales : Increased year on year in all segments.

Operating income: Increased on a company-wide basis after massive improvements in the Enterprise Networks Business and in the Carrier Networks Business, despite the deteriorated performance of the Social Infrastructures Business



FY2018/3 Enterprise Networks Business

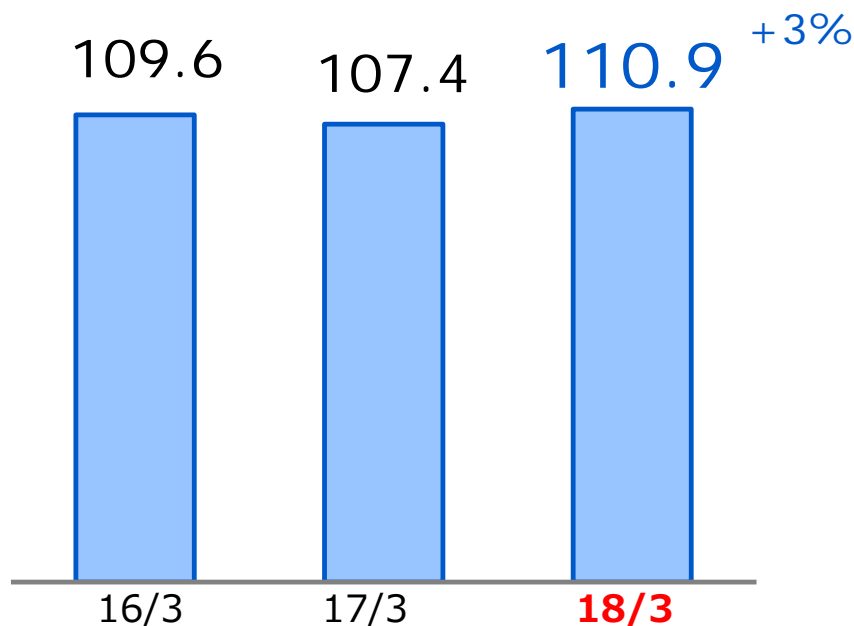
■ Sales : Increased year on year with the help of sales expansion related to work style innovations and sales in electrical facilities work for mega solar power generation plants.

- Sales of EmpoweredOffice: +6%

■ Operating income : Cost ratio improved following better sales mix and lowered costs.

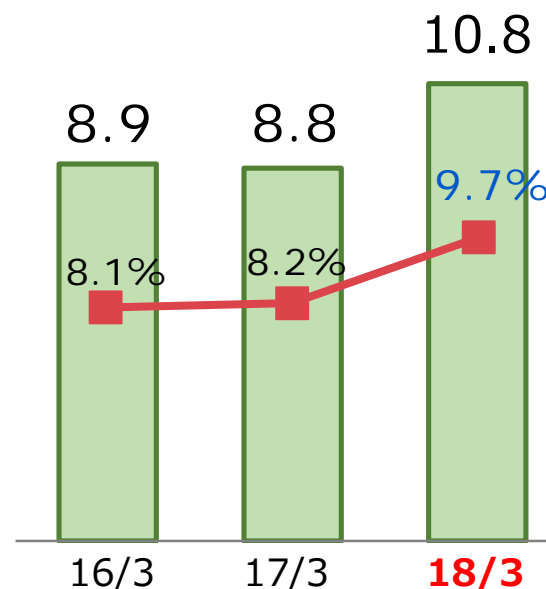
Sales

(¥bn.)



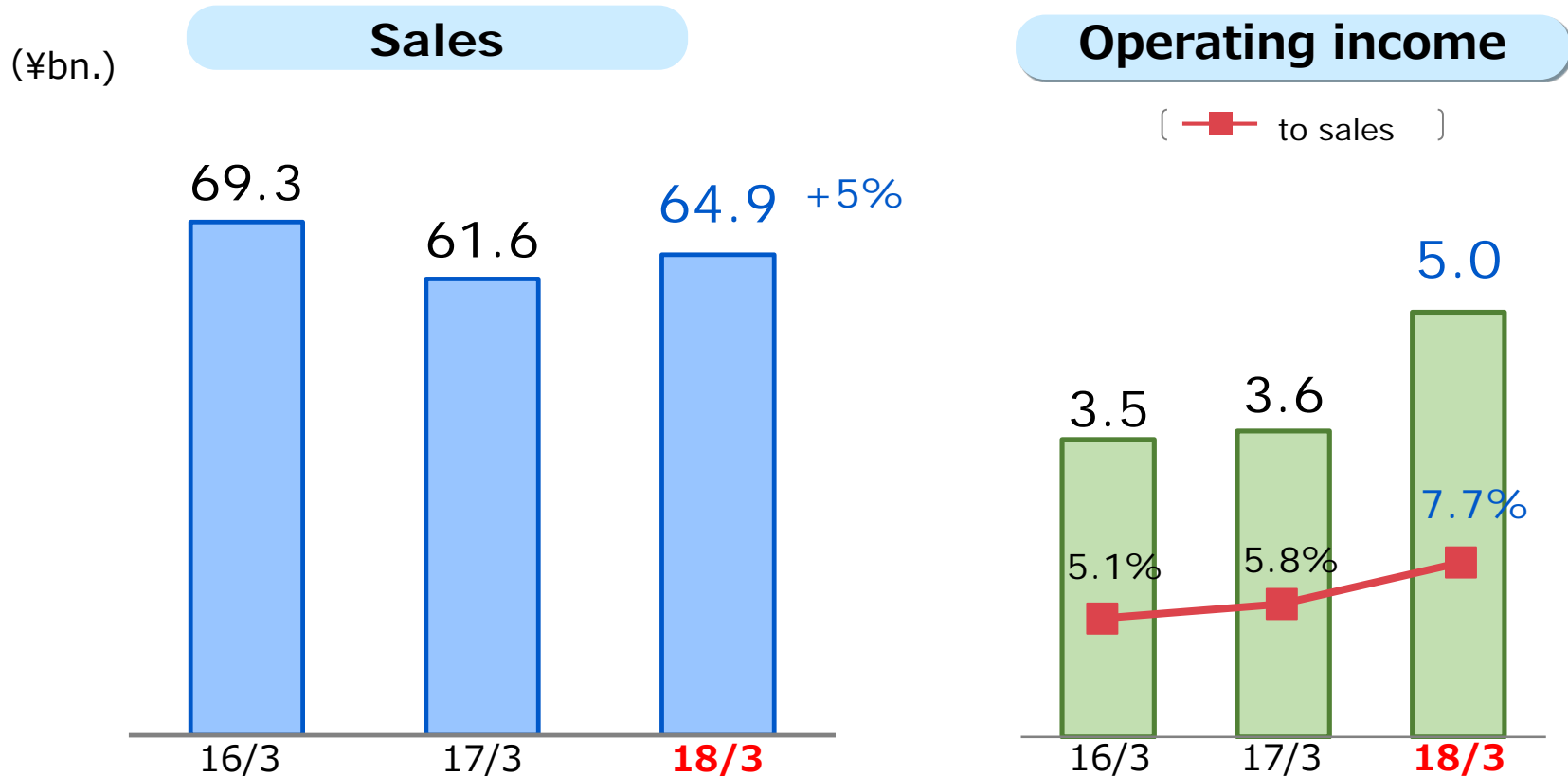
Operating income

[—■— to sales]



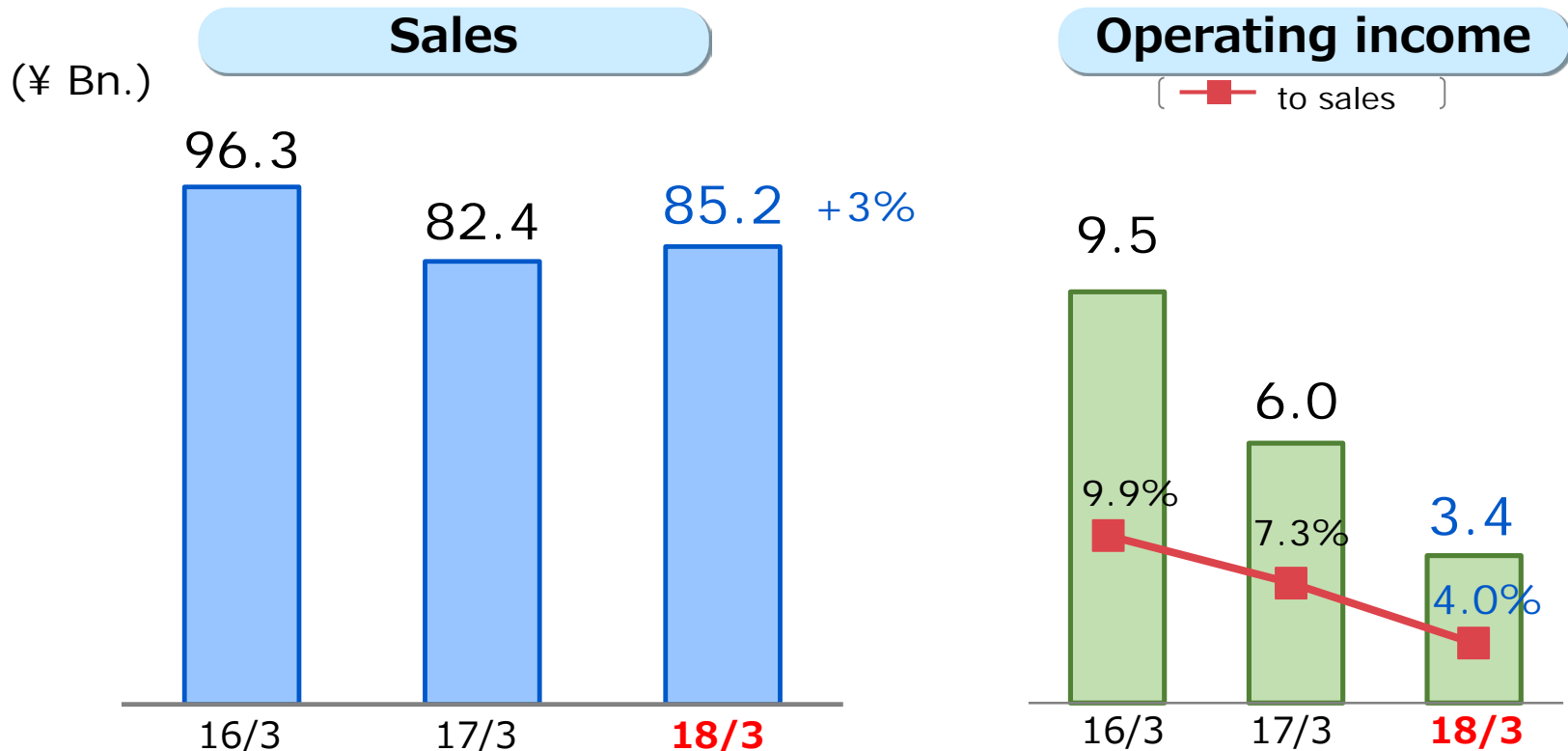
FY2018/3 Carrier Networks Business

- Sales : Increased year on year due to growth in sales to carriers and sales of panel installations for mega solar power generation plants.
- Operating income: Increased due to the impact of cost structure reforms and increased sales.



FY2018/3 Social Infrastructures Business

- Sales : Increased year on year following sales in civil engineering and building for mega solar power generation plants despite a decline in overseas sales.
- Operating income: Declined due to higher expenses incurred for growth (securing resources, SG&A) and unprofitable projects (overseas railroad and plant network system projects).





I . FY 2018/3 Financial Results

II . FY 2019/3 Forecasts

■ Favorable overall with different conditions in each field

● Enterprise Networks Business

- The ICT market for work style innovations expanding (2016 -> 2021, CAGR: +8%)

※Source: IDC Japan

Development of digital transformation (DX) technologies (i.e. AI, IoT, RPA etc.)

● Carrier Networks Business

- Carriers' capital investment is rallying, mainly in base stations.

● Social Infrastructures Business

- Conditions differ from area to area
 - Areas such as broadcasting, CATV and disaster prevention are expected to grow.
 - Demand for replacement of fire fighting command systems is in the off-season.

A year of solidifying the foundations for evolution into a strong and attractive company

■ “Only 1” and “No. 1” businesses

- **Bolster businesses in domains of state-of-the-art technologies**
 - Aggressive use of DX technologies (i.e. AI, IoT, RPA, etc.)
 - Speed up creation of new businesses with the use of CVC
- **Make investments for growth with a view to making a good start to the next medium-term management plan**
- **Review all business activities from scratch**
 - Aim to attain a level of quality, cost and speed that surpass the competition

■ Proceed steadily with large projects

FY2019/3 Forecasts

Aiming for higher sales and income by expanding strategic areas such as work style innovation and mega solar.

- Positively invest for growth in preparation for the next medium-term management plan
- Orders are expected to rise 6%, excluding the effect of large-scale projects in the previous year.

(¥bn.)

	FY18/3	FY19/3 Forecasts	Change
Orders receipts	287.8	290	+1%
Net sales	267.9	280	+5%
Operating income	11.1	11.5	+0.4
(to sales)	(4.1%)	(4.1%)	0.0pt
Net income	7.4	7.5	+0.1
attributable to owners of the parent			
(to sales)	(2.7%)	(2.7%)	0.0pt

FY2018/3 Forecasts by Segment

(Forecasts as at April 27, 2018)

Sales : Endeavor to achieve sales growth for the whole company, driven by the Enterprise Networks Business and Carrier Networks Business

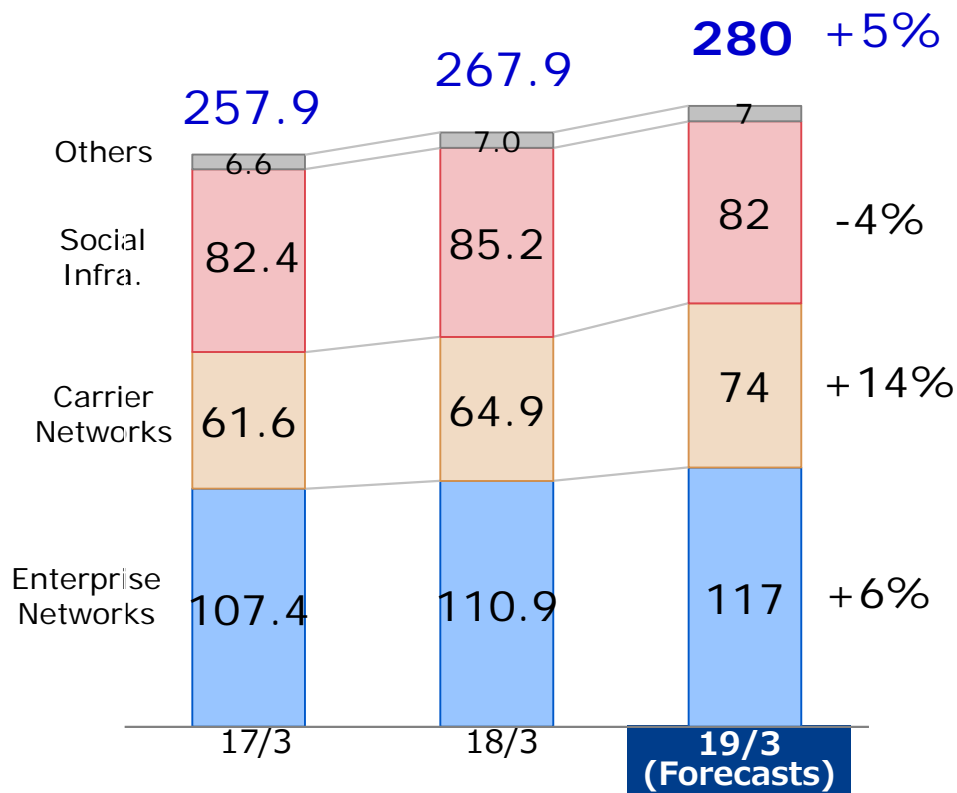
Operating income : Aim to attain income growth in all segments

Positively invest for growth: Enterprise Networks Business in the DX area and all companies in education and informatization

(¥bn.)

Sales

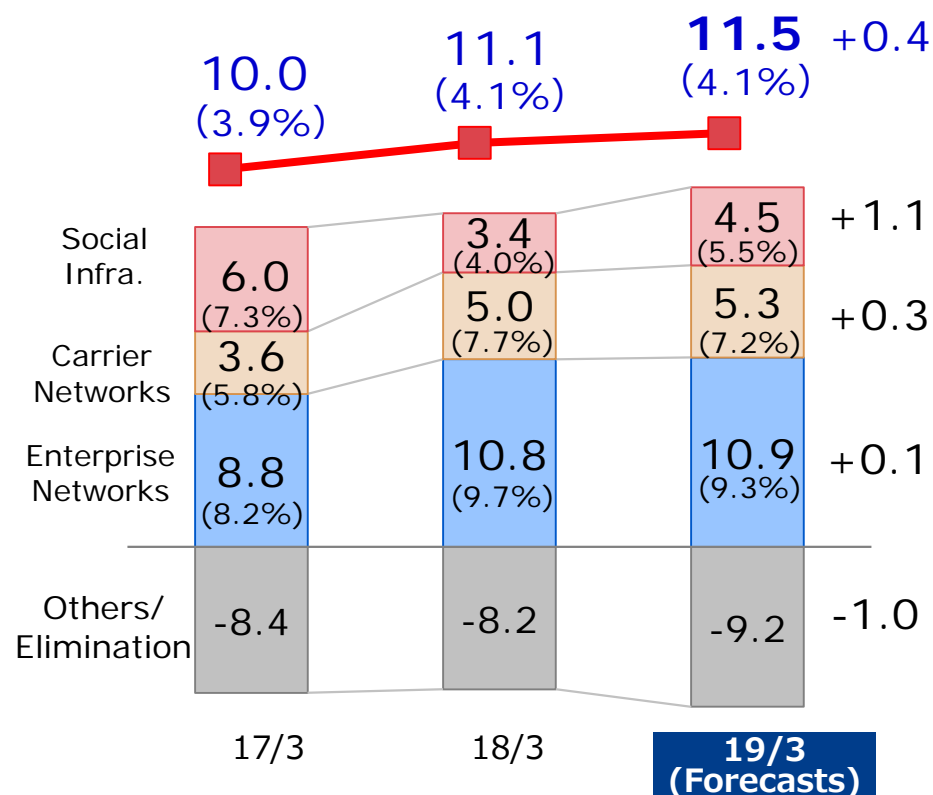
YOY



Operating Income

[—■ to sales]

YOY



Priority Measures

Bolster businesses using state-of-the-art technologies

- Enhance readiness for digital transformation (DX)

Concentrate resources in the company-wide cross-segment project in a bid to attain early commercialization

Owned technologies (CAMBRIC)

Cloud, AI, Mobility, Big Data, Robotics, IoT, and Cyber security



Business platforms / assets

- Foundation for providing ICT services
... Data centers, nTOC, SOC, MVNO, etc.
- Network technologies and a customer base

Take advantage of strong financial position to actively invest

(DX platforms and service development)

Push ahead with open innovations

Introduce “No.1” and “Only 1” services to growing markets in rapid succession

Secure a strong position in growth markets that will be the next pillar for our businesses

- Step up investment in leading-edge ventures with the use of a Corporate Venture Capital (CVC) fund

- Speed up global open innovations

- A first investment in Boomtown Network, Inc. (U.S.) was decided after the launch of the CVC In February.

Boomtown Network, Inc (Based in California, U.S.A., established in 2014)

A business venture that operates a **next-generation support service** that combines **omni-channel contact centers** that employ AI and other cutting-edge technologies with an on-site support network that has introduced the concept of the **sharing economy**



An efficient support service verified in North America

- Omni-channel contact centers
- An on-site support network that has introduced the concept of the **sharing economy**



NEC Networks & System Integration Corporation

A support service platform that covers all over Japan



Incorporate the latest approaches and technologies to reform our support service business and to expand the market

Expand the nationwide support service offered to large companies and large cloud service vendors to small and midsize companies and cloud vendors and to start-up firms

Towards re-growth of the Carrier Networks Business

● Thoroughly cultivate and expand the carrier infrastructure market

- Reinforce the mobile infrastructure business
 - Rebuild a structure for construction of base stations
 - Cultivate the market by capitalizing on strengths in area design, nationwide maintenance, etc.
- Boost capabilities for new technologies with an eye towards 5G
 - Virtualization, network slicing, etc.

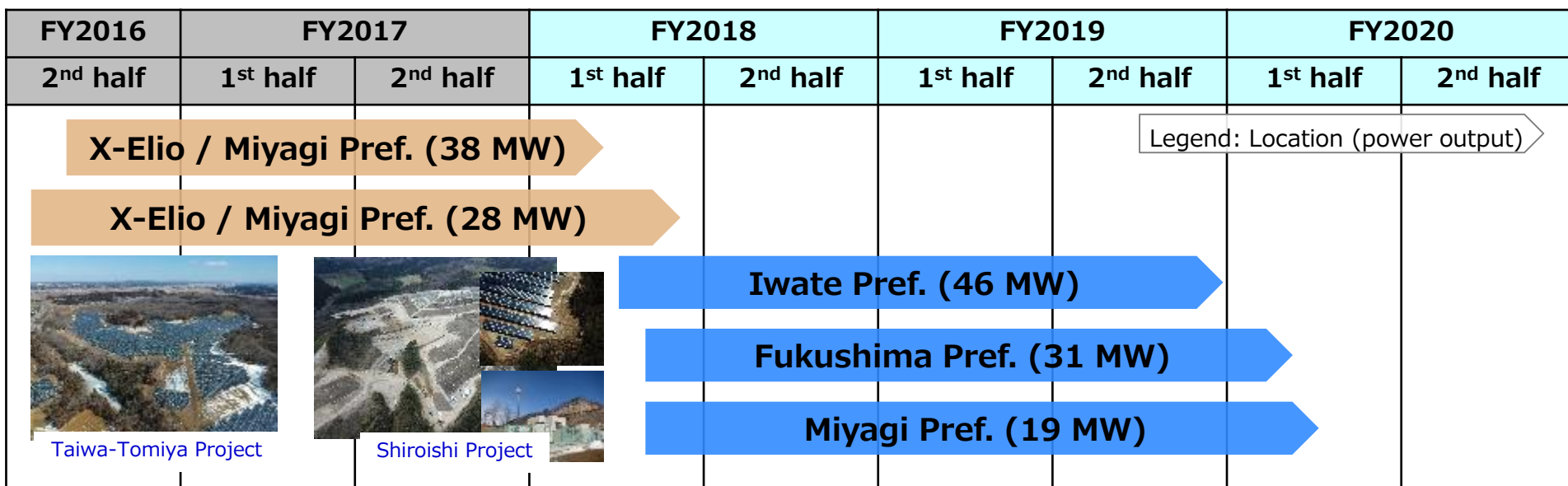
● Bolster actions to introduce our technologies (software system integration) to other markets

- Step up approaches to hotels, educational institutions, medical institutions and local governments in a bid to obtain orders
 - Hotels: demand for new construction and renovation
 - Educational and medical institutions and local governments: demand for replacement and reconstruction of ICT platforms
- Strengthen software-related businesses based on collaboration with iSGM (Myanmar J/V) (e.g. open building automation)

Priority Measures

Step up response to sustained demand for mega solar power generation plants

- Attain full completion of the X-Elio project. (The projects are expected to reach completion as planned.)
- Apply the project response capacity verified with the X-Elio and newly acquired expertise to other projects.



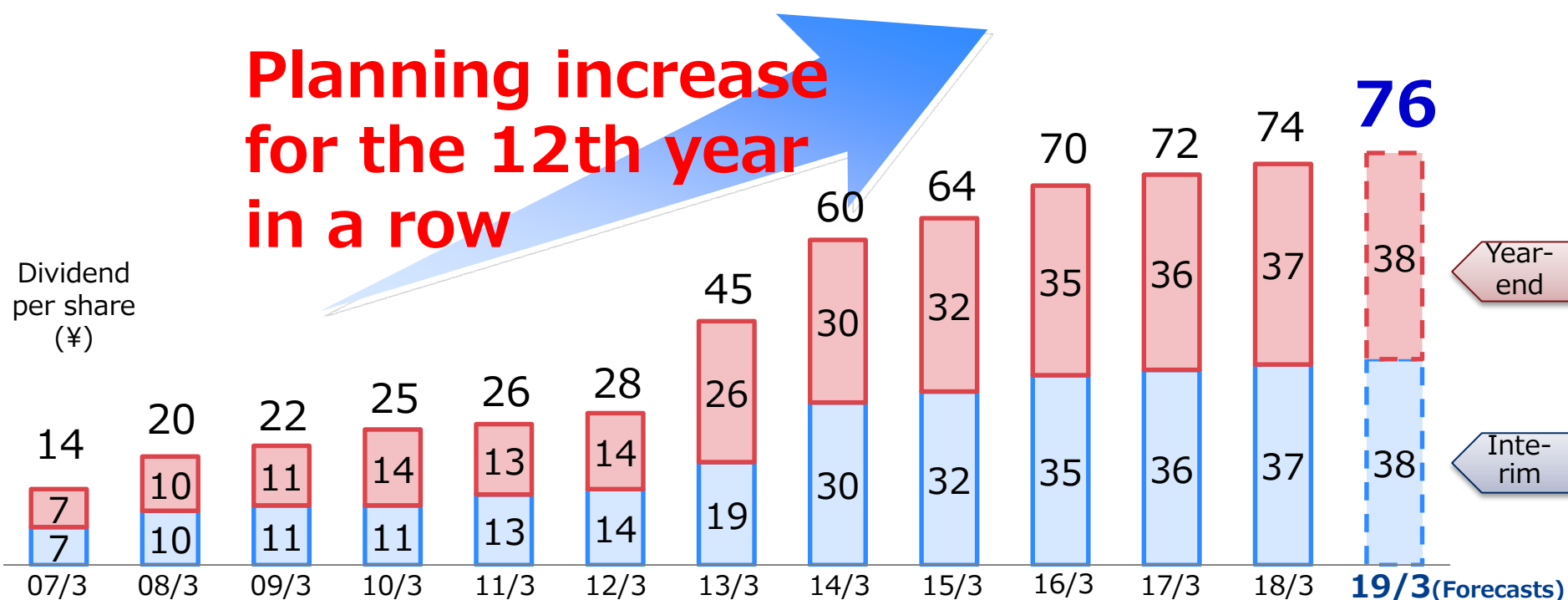
- **Positive activities for winning orders for projects, demand for which is expected to remain robust.**
 - ◆ Total inquiries related to mega-solar projects (worth more than 20 billion yen in total) for the FY19/3

Dividend Plan

Increasing the corporate value through growth investment and continuing to increase shareholder return based on stable dividends at the same time.

- Taking DOE (dividend on equity ratio) into account.
- FY18/3: Year-end dividends: ¥36 per share (Full year ¥74)
- FY19/3: Planning increased dividends of ¥76 per share

**Planning increase
for the 12th year
in a row**



Toward Strong & Attractive NESIC

**Dreams and
High
Aspirations**

Innovation

**Enhance
Our
Strengths**

Conduct business giving top priority to compliance

(ref.) End of FY2018/3 (March 2018) Balance Sheet

(¥bn.)

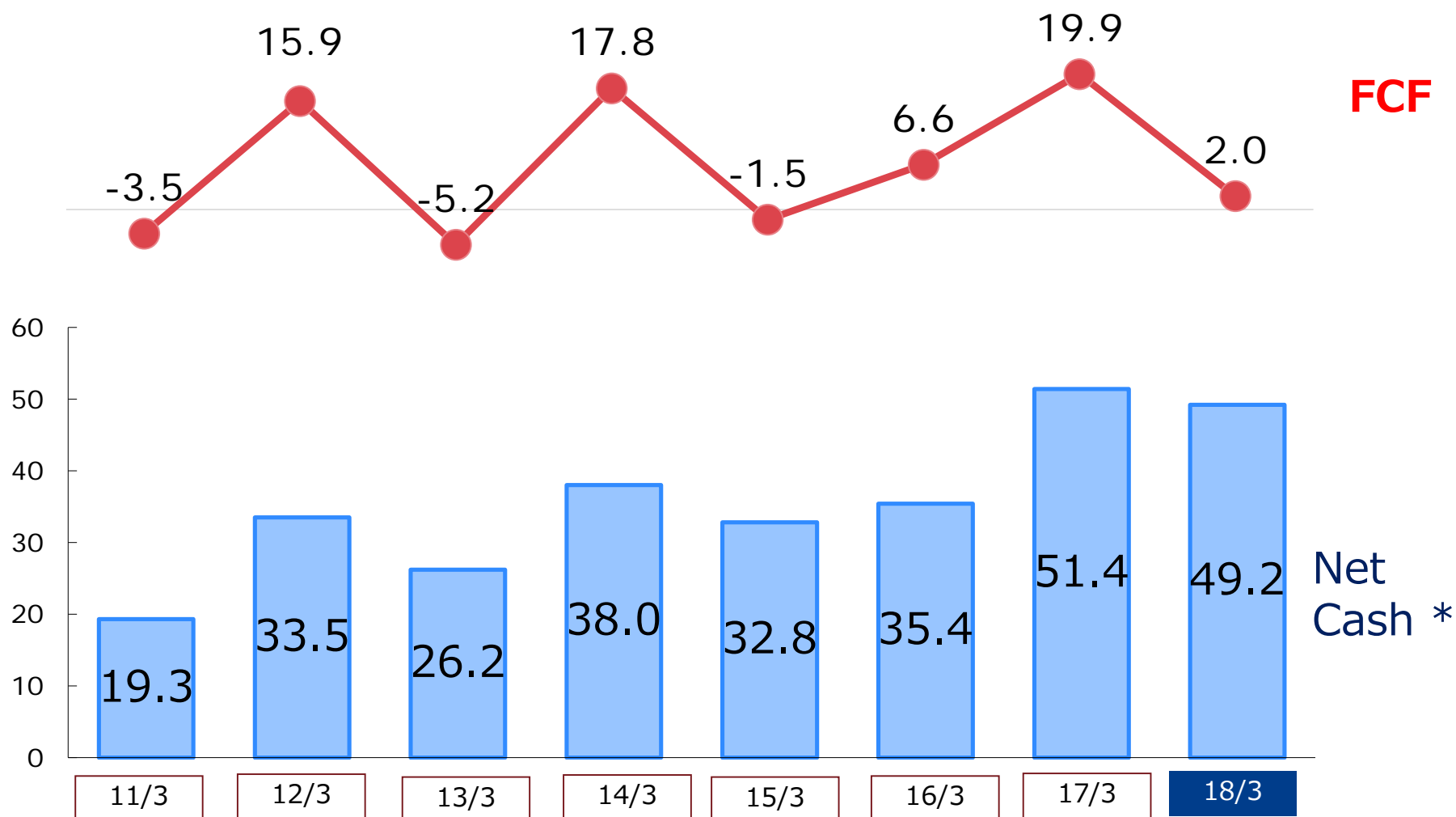
	End of Mar/17	End of Mar/18	Diff.
Cash and cash equivalents	59.6	57.3	-2.4
Notes & accounts receivable	91.2	104.4	13.3
Inventories	8.5	8.2	-0.3
Others	9.7	9.8	0.1
Current Assets	169.0	179.7	10.7
Noncurrent Assets	28.5	28.3	-0.2
Assets	197.5	208.1	10.6

Notes and accounts payable	36.5	40.3	3.8
Loans	8.3	8.1	-0.2
Others	56.1	57.9	1.9
Liabilities	100.8	106.3	5.5
Shareholders' equity	100.1	103.9	3.7
Accumulated other comprehensive income	-5.5	-4.4	1.1
Non-controlling interests	2.1	2.3	0.2
Net Assets	96.7	101.7	5.1
Liabilities & Net Assets	197.5	208.1	10.6

Owner's Equity Ratio	47.9%	47.8%	-0.1pt
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(ref.) FY2018/3 Cash Flows

(¥bn.)



*Net cash means an amount obtained by deducting loans payable from cash and cash equivalents

Cautionary Statement

Forecasts and targets of results mentioned in this document are future estimates and are thus inclusive of risks and uncertain factors since they are not based on definite facts. Please be aware that a variety of factors could cause actual results to differ significantly from those projected. The major factors affecting actual results include the economic climate and social trends surrounding the business of this Company's group, consumer trends vis-a-vis systems and services provided by this Company's group, as well as pressure to lower prices and ability to cope with the market in response to intensified competition.

Factors affecting results are not limited to the ones mentioned above.

Re-designing your Communication

NEC Networks & System Integration Corporation is committed to increasing customer value by redesigning future communications from the user's perspective.





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<http://www.nesic.co.jp/english/index.html>