

Financial Results for the 1Q for the FY ending March 2019

July 31, 2018

NEC Networks & System Integration
Corporation

(TSE: 1973, NESIC)

Both orders and net sales increased y/y

- Orders increased despite impact of a cancellation* (approx. -25)

* Order for O&M contract on mega solar project received in FY March 2017.
Excluding this impact, orders were up 6%.

Operating income improved by ¥0.4 bn. y/y

- Invest for growth(△3)、Unprofitable Projects(△2)

(¥ Bn.)

	1Q FY18/3	1Q FY19/3	Change
Orders Received	64.3	66.2	+3%
Net Sales	53.1	55.5	+4%
Operating Income(Loss)	(0.7)	(0.3)	+0.4
(to Sales)	-	-	-
Net Income(Loss) attributable to owners of the parent	(0.6)	(0.2)	+0.4
(to Sales)	-	-	-
Free Cash Flows	17.3	19.0	1.7

1Q FY2019/3 Orders Received/Sales by Segment

Orders : Increased driven by orders from enterprises & telecom carriers.

- Enterprise NW : Expanded in enterprise (ex. public utilities) business (+15%)
- Carrier NW : Expanded in both non-carrier (hotels etc.) & telecom carrier businesses
- Social Infra : Decreased due to recoil reduction by a large project in the previous 1Q

Sales : Enterprise NW / Career NW made up for the decrease of Social Infra.

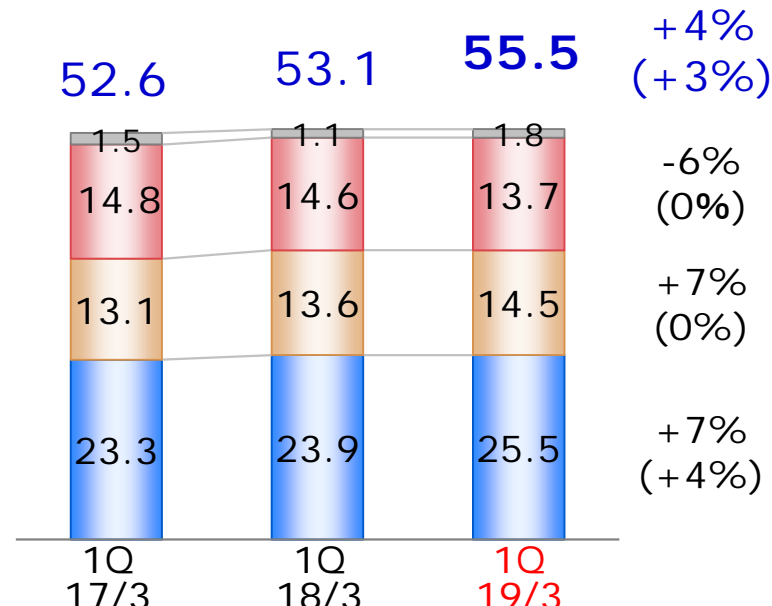
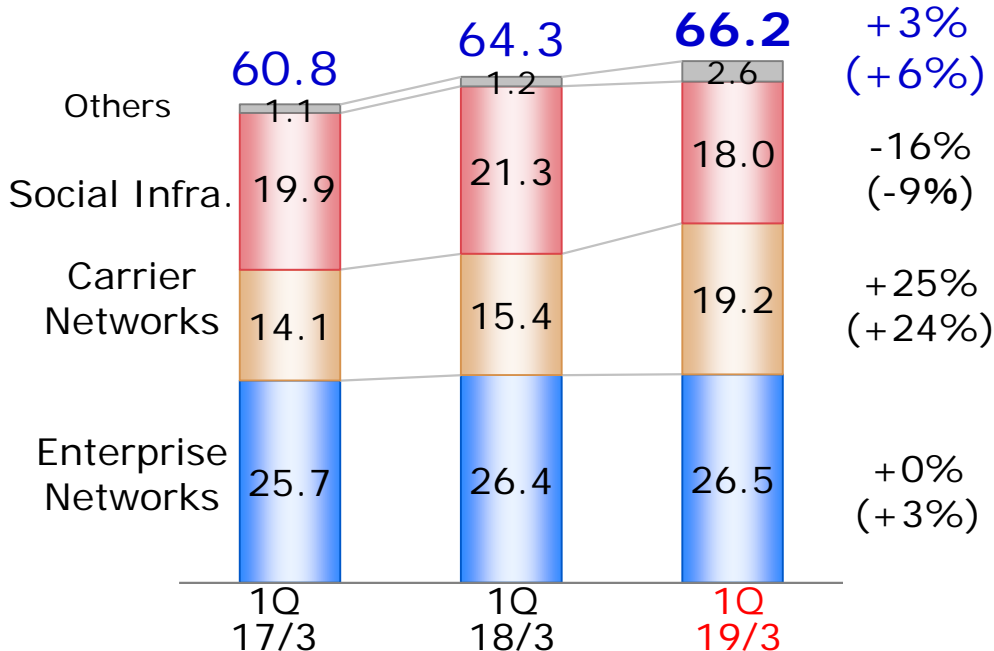
(¥ Bn.)

Orders

() shows growth rate without solar PJs sales

Sales

() shows growth rate without solar PJs sales



1Q FY2019/3 Enterprise Networks Business

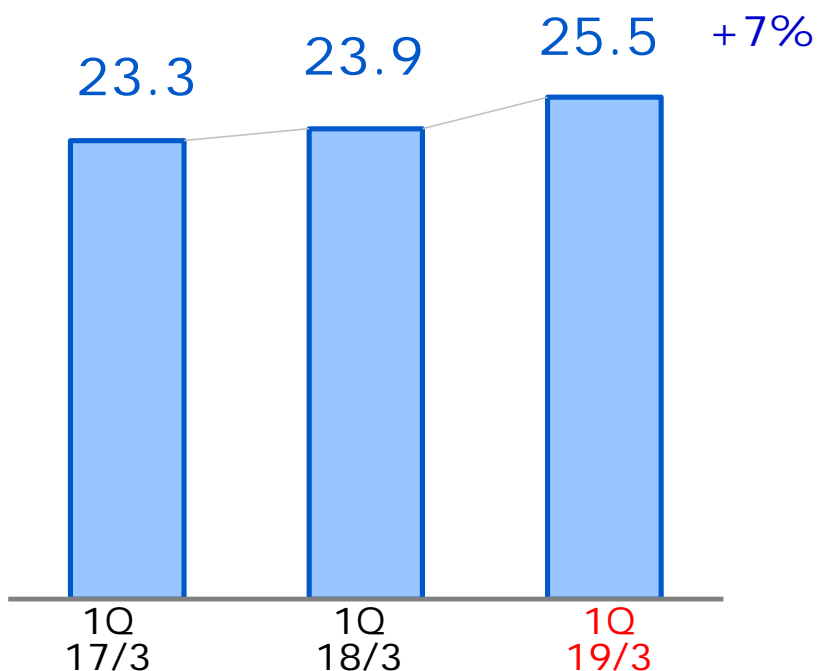
Sales : Increased due to expansion in fields related to work style innovation.

- Sales of EmpoweredOffice (Work style innovation solution): +12%
 - Office renewal accelerated the number of visitors (approx. 1.6 times y/y)

Operating Income : Increased by improved sales mix and reduced costs.

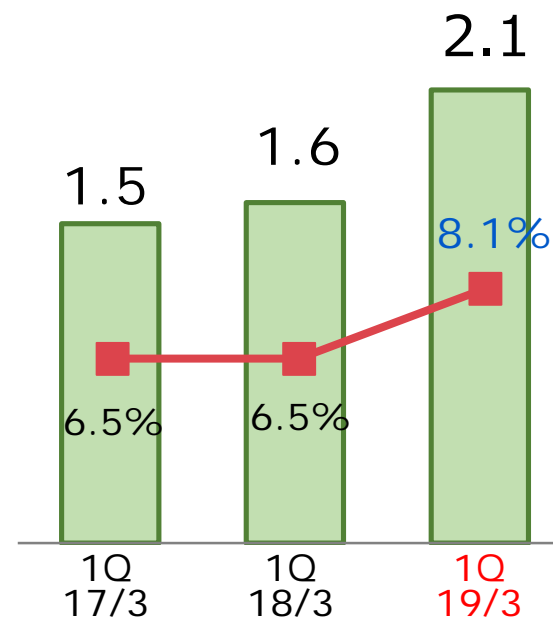
(¥ Bn.)

Sales



Operating Income

[—■— To sales]



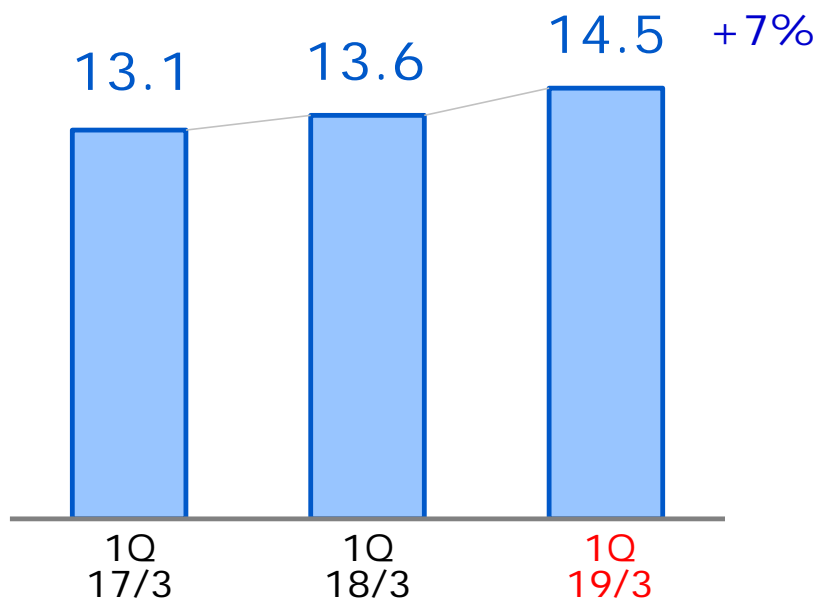
1Q FY2019/3 Carrier Networks Business

Sales : Increased in sales of mega solar power generation plants for panel installations and to telecom carriers.

Operating Income : Maintained high level of previous year.

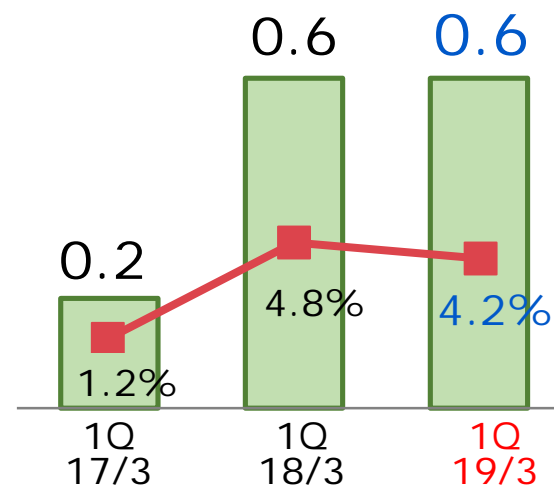
(¥ Bn.)

Sales



Operating Income

[—■— To sales]



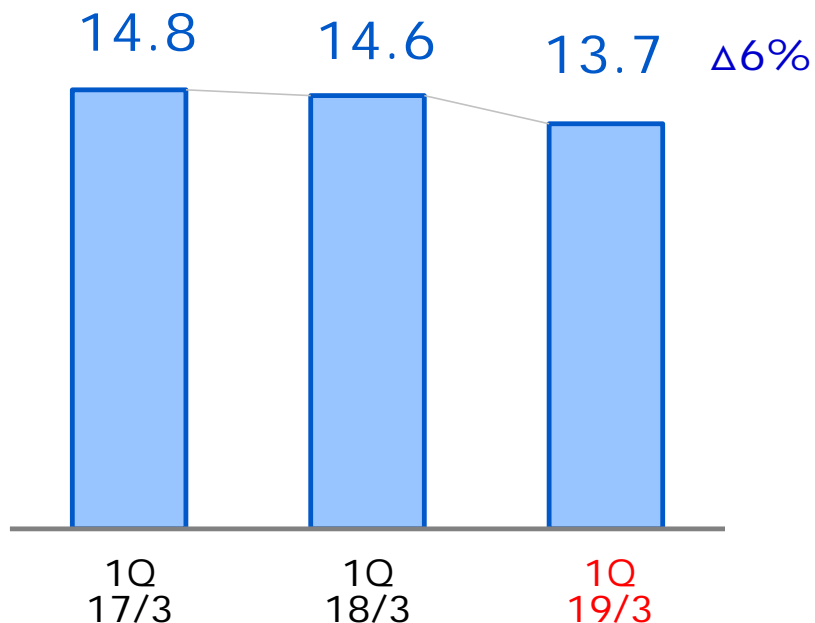
1Q FY2019/3 Social Infrastructures Business

Sales : Decreased on declining sales of mega solar power plants for civil engineering and overseas sales.

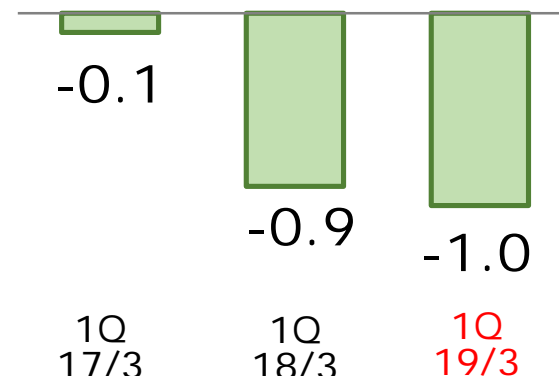
Operating Loss : Decreased due to lower sales and expanded impact of unprofitable projects although SG&A improved.

(¥ Bn.)

Sales



Operating Loss



FY2019/3 Forecasts

Upward revision of forecast of 1H orders

- In view of the 1Q progress and orders from Saudi Aramco (2Q)

With regard to 1H income, the impact of the unprofitable projects is expected to be covered mainly by enterprise NW

(¥ Bn.)

	FY18/3 1H	FY19/3 1H Forecasts	Difference (1H Forecasts as at Apr. 27)	Change	FY18/3	FY19/3 Forecasts	Change
Orders receipts	128.7	140	6	+9%	287.8	290	+1%
Net sales	119.9	124	—	+3%	267.9	280	+5%
Operating income	2.5	2	—	-0.5	11.1	11.5	+0.4
(to sales)	(2.1%)	(1.6%)	—	-0.5 pt	(4.1%)	(4.1%)	0.0pt
Net income attributable to owners of the parent	1.6	1.3	—	-0.3	7.4	7.5	+0.1
(to sales)	(1.3%)	(1.0%)	—	-0.3pt	(2.7%)	(2.7%)	0.0pt

(Forecast as at July 31, 2018)

(No change from the initial FY19/3 Forecasts)

(Ref.)FY2019/3 1H Orders receipts Forecasts by segment

(¥ Bn.)

	FY19/3 1 H Forecasts (1H Forecasts as at Apr. 27)	FY19/3 1 H Forecasts	Difference (1H Forecasts as at Apr. 27)	Change
Enterprise Networks	55	55	—	+4%
Carrier Networks	34	37	3	+19%
Social Infra.	41	44	3	+5%
Others	4	4	—	—
Total	134	140	6	+9%

(Forecast as at July 31, 2018)

■ From Saudi Aramco, received order for monitoring control and communications system construction for large plant

Recognized for our track record in having completed many large projects since our entry into the Saudi market in 1981, as well as for our construction quality

Site	Haradh / Hawiyah fields, Kingdom of Saudi Arabia
Contract type	Turnkey contract (general contract) including design, equipment procurement, construction and test
Date of delivery	May 2021
PJ overview	Project for renewal of petro. field monitoring control system (SCADA), construction of communications facilities for new petro. compression plant and related facilities and placing of optical cables in Haradh / Hawiyah fields (approx. 280 km in the east-west direction and 150 km in the south-north direction)



(Ref.) 1Q FY2019/3 Balance Sheet (End of June, 2018)

(¥ Bn.)

	End of Mar.18	End of Jun.18	Diff.
Cash and cash equivalents	57.3	73.7	16.4
Notes & accounts receivable	104.4	67.9	-36.5
Inventories	8.2	10.5	2.3
Others	5.3	5.8	0.5
Current Assets	175.2	157.9	-17.4
Noncurrent Assets	32.4	33.2	0.8
Assets	207.6	191.0	-16.6

Notes and accounts payable	40.3	27.8	-12.5
Loans/debt	8.1	6.6	-1.5
Others	57.5	56.8	-0.7
Liabilities	105.9	91.3	-14.7
Shareholders' equity	103.9	101.8	-2.0
Accumulated other comprehensive income	-4.4	-4.3	0.1
Non-controlling interests	2.3	2.3	0.0
Net Assets	101.7	99.8	-2.0
Liabilities & Net Assets	207.6	191.0	-16.6

Owner's Equity Ratio	47.9%	51.0%	+3.1pt
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(Ref.) 1Q FY2019/3 Cash Flows

(¥ Bn.)

	1Q FY18.3	1Q FY19 .3	Change
Operating Cash Flow (A)	18.3	20.3	2.1
Investment Cash Flow(B)	-0.9	-1.3	-0.4
Free Cash Flows (A) + (B)	17.3	19.0	1.7
Financial Cash Flow	-2.5	-2.5	0.0
Cash & cash equivalent	74.5	73.7	-0.8

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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