

Financial Results for the 1H ending March 2019

October 31, 2018

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

Agenda

I. Results for 1H FY2019/3

II. Forecasts for FY2019/3

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II. Forecasts for FY2019/3

Increased all of orders, sales & incomes yoy

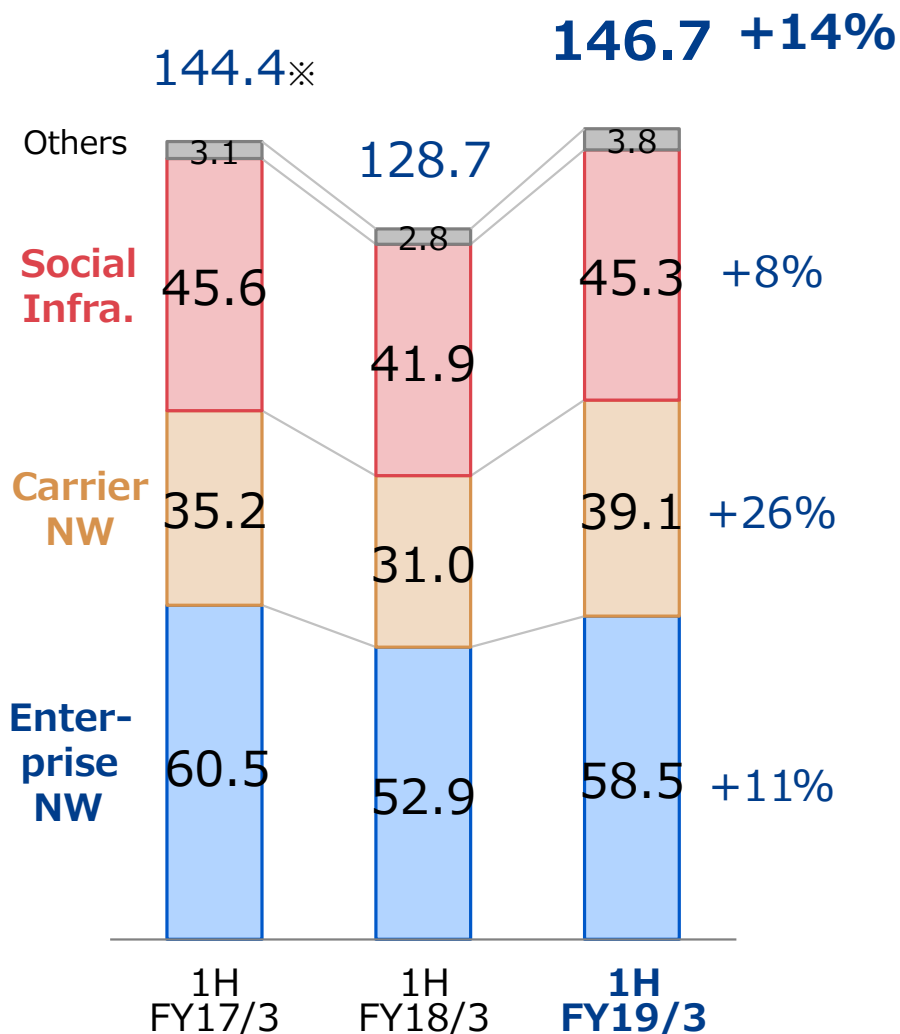
- Orders: Significantly grew by orders from general enterprises & overseas customers
- OP: Increased despite increase of growth cost and loss projects impact

(¥Bn.)

	1H FY2018/3	1H FY2019/3	Change	1H Forecasts as at Jul.31
Orders received	128.7	146.7	+14%	140
Sales	119.9	122.5	+2%	124
(Gross margin)	15.9%	15.9%	+0.0pt	-
Operating income	2.5	2.6	+0.1	2.0
(to sales)	(2.1%)	(2.1%)	+0.0pt	(1.6%)
Net income attributable to owners of the parent	1.6	1.9	+0.3	1.3
(to sales)	(1.3%)	(1.6%)	+0.3pt	(1.0%)
Free cash flows	11.7	11.5	-0.2	

1H FY2019/3 Orders Received by Segment

(¥Bn.)



*1H FY17/3 Orders includes mega-solar PJ (About ¥13Bn.)

Enterprise Networks

- Work-style innovation fields was robust

~Office visitors increased by 79%

- PJs for financial customers were concentrated in 1H

Carrier Networks

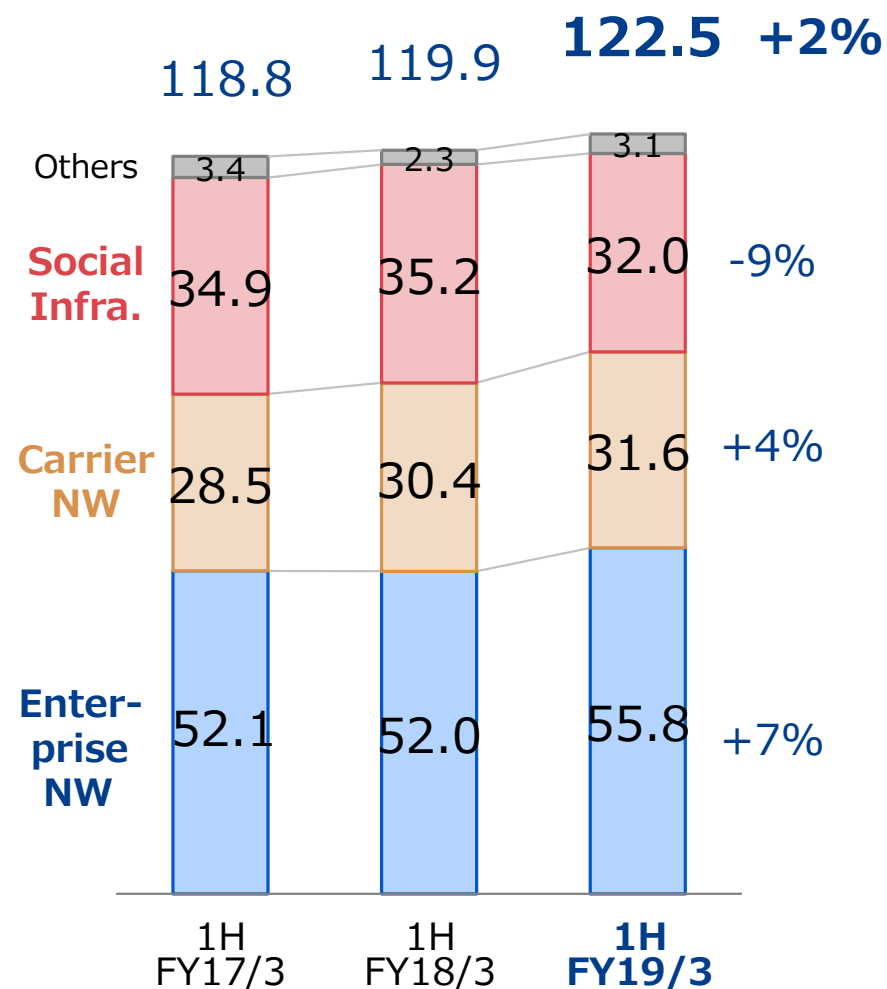
- Non-carriers business expanded due to large PJs for hotels
- Orders from telecom carriers increased

Social Infrastructures

- Overseas business increased
~Acquired 2 large PJs (¥10bn.)
- Part of domestic PJs were shifted to 2H
- Firefighting commander system was in the off-season

1H FY2019/3 Sales by Segment

(¥Bn.)



Enterprise Networks

- Work-style innovation fields increased
- Empowered Office sales +9%

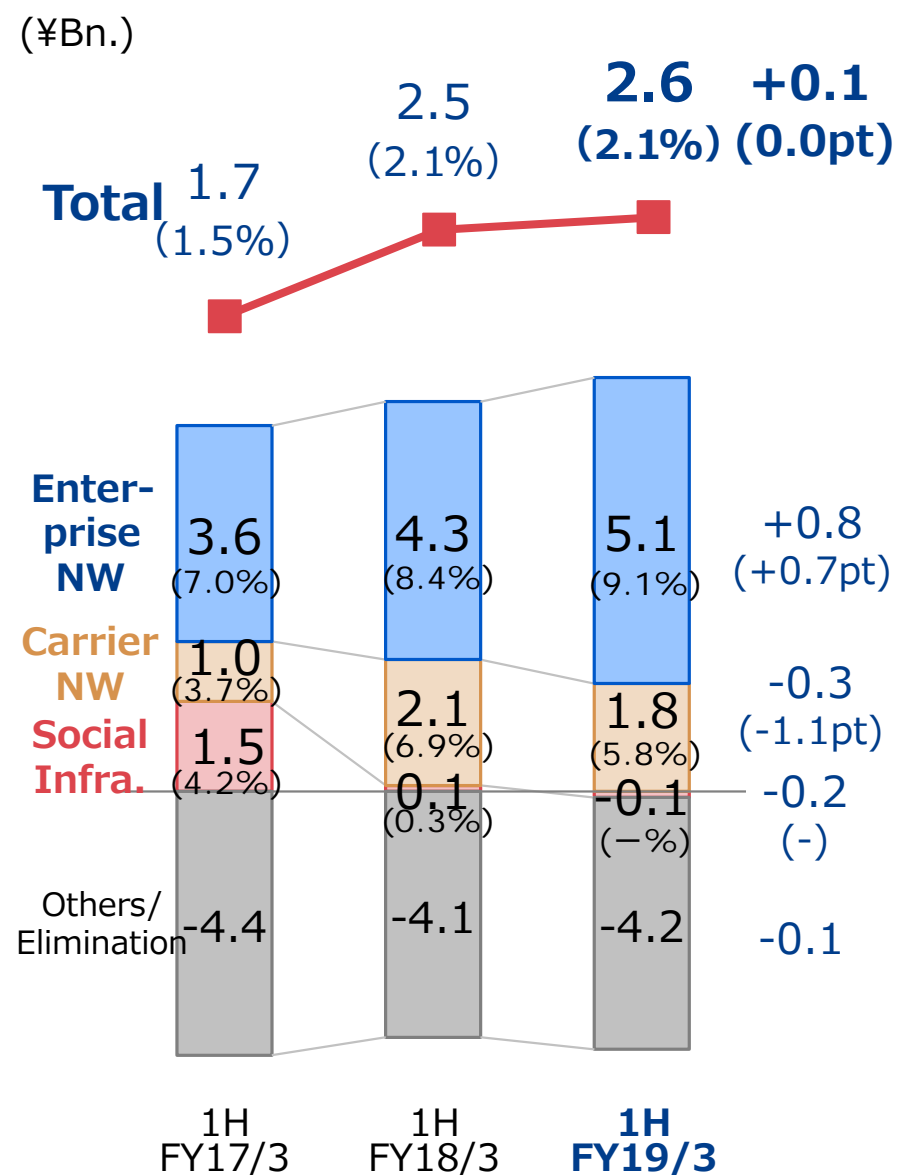
Carrier Networks

- Overall sales steadily increased centered on non-carriers area

Social Infrastructures

- Sales of mega-solar plant construction (for civil engineering) and overseas declined
- Sales increased in the broadcasting/cable TV area

1H FY2019/3 Operating Income by Segment



Enterprise Networks

- Income increased due to higher sales, improved sales mix and cost reduction
- Growth investment in the DX area

Carrier Networks

- Income declined due to lower COS ratio and growth expenses (for J/V with KDDI)

Social Infrastructures

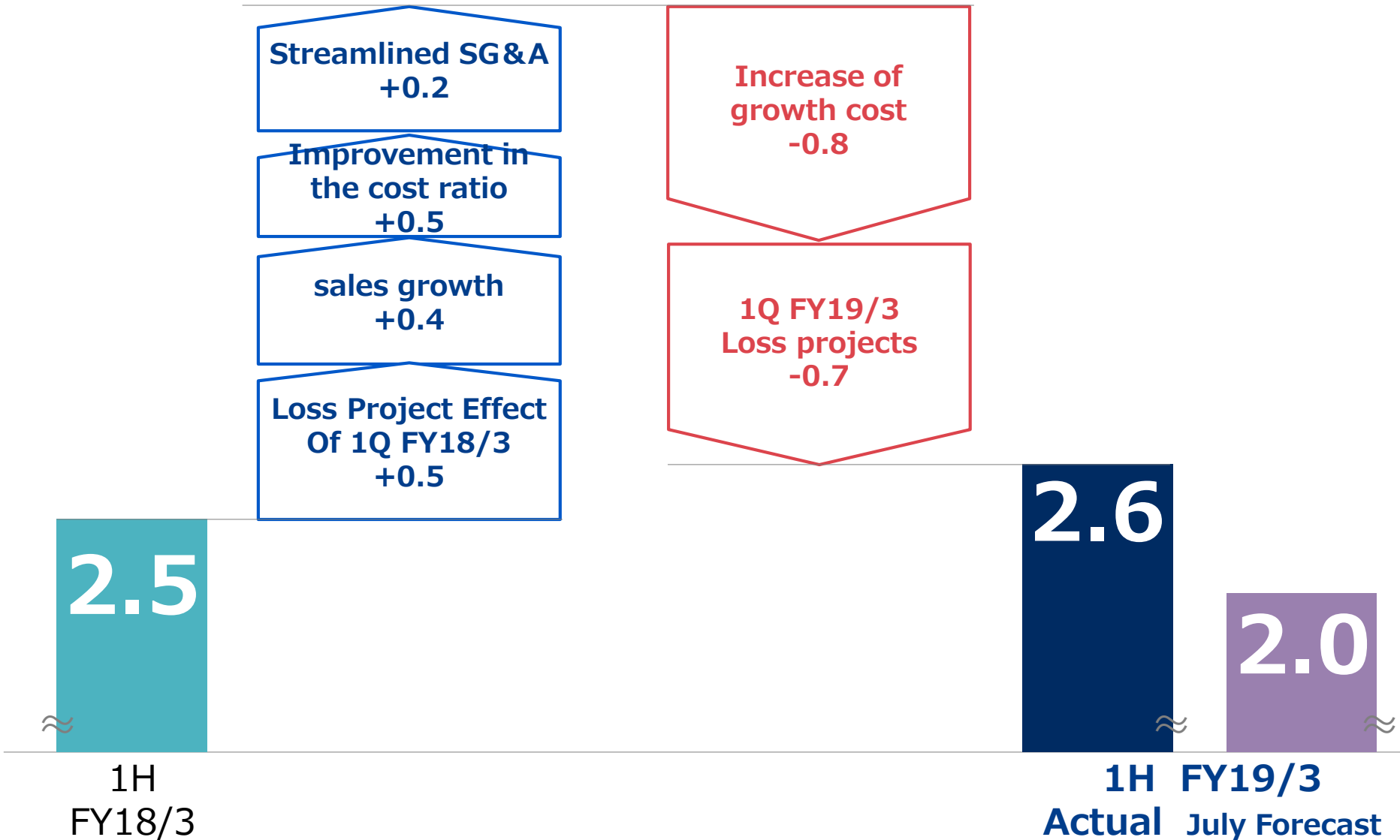
- Income decreased due to an increase in unprofitable projects impacts

Others/elimination

- Income remained flat yoy due to the stream-lined administration cost, despite growth expenses (IT system)

Factors of Operating Income Change

(¥Bn.)



■ Planted seeds began fruiting as orders up

- ✓ Enterprise NW : Work-style innovation field
- ✓ Carrier NW : Non-carrier business (hotels etc.)
- ✓ Social Infra. : Overseas business

■ Executed growth investment as planned

- ✓ Utilize DX Technologies (Cloud, RPA, AI, etc.)
- ✓ Joint company with KDDI
- ✓ Investment into startup companies via CVC

■ Strengthened profitability

- ✓ 1H profit beyond forecast & previous 1H in spite of increased growth cost and loss projects impact

I. Results for 1H FY2019/3

II. Forecasts for FY2019/3

Although good results in 1H, no change for the full year forecasts due to unclear macro environments

- Orders : Assumption changed as ¥290bn. without new orders for mega-solar plant field (+10% yoy excl. mega-solar)

(¥bn.)

	FY18/3	FY19/3 Forecasts	Change
Orders received	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 attributable to owners of the parent	7.4	7.5	+ 0.1
(to sales)	(2.7%)	(2.7%)	0.0pt

(Forecasts as at October 30, 2018)

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

Creation of “No.1,” “Only 1” businesses

- **Leading-edge technological fields**

- Aggressive use of DX technologies (i.e. AI, IoT, RPA, etc.)
- Speedy creation of new businesses with the use of CVC

- **Expansion of carrier networks business via collaboration with partners**

(Mobile base station, LPWA)

- **Respond to project managements.**

Priority Measures : Enterprise Networks Business

Work-style to create innovations with leading edge technologies

Location-free, time-free comm.



Virtual contact



Real contact



Practice of “collaborative work” beyond the boundaries of locations, time and organisation/corporations

[Creating new services]

Collaboration Platform

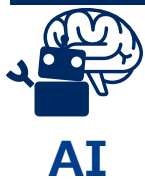
Info./knowledge sharing

Automation of routines

Automated helpdesk

Overtime management system . . .

DX technologies



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Collaboration with partners

zoom

Microsoft
Azure

box

...

Capturing strong market needs

Orders from general enterprises	
1H YoY	<small>*Enterprise NW segment</small> +22%

Visitors to NESIC office	
1H YoY	+79%

Video communication solution	
zoom	150+ companies have introduced

► The ICT usage area is expected to be robust in 2H as well.

Investment themes

Communication/collaboration, work-style/workplace innovation,
Shift from possession to utilization/BPO
Security, automation, digitalization

Materialization/commercialization of DX business

● Accelerate in-house verification

- Verify effective technology/model for strengthening corporate power and facilitate practical use

Verification examples

- Work-time/business management, visualization of the status of employees' activities, elimination of communication losses in telework/free address environments
- Automation/labor saving of business process by utilizing advanced technology/tools

● Accelerate partner collaboration/alliance, investments

Alliance with partners

KDDI

Established a joint company for mobile infrastructure



K&N System Integration
Corporation

Base station construction & area design, fixed comm., etc.

Enhancing business for KDDI providing total services
from area design to installation of base stations

Sony Network Communications + ORIX

Joined LPWA business that SONY starts as a business partner

Handling sales of communication services & provision of support services to users and partners in individual area

ELTRES™

Sony's LPWA

Expanding IoT related SI & service as well as line
sales as an operator of promising LPWA service

Participate in SONY LPWA Business

What is LPWA ?

LPWA: Low Power Wide Area

Optimal wide area network technology for IoT

because of lower cost/lower power consumption, etc.
compared to conventional wireless network

➡ Application in potential fields for connection with network advances

Features of SONY LPWA

ELTRES™

Compared to other LPWA standards, has strengths in
Stable communication for long distance, high-speed mobile communications, low power consumption

= has strengths in movement/traceability such as
logistics/transportation, location information of vessels, etc.

NESIC's role

Contribute to LPWA business expansion with our **solution planning ability** or **business development ability (sales~SI/maintenance)**

ELTRES IoT Network Joint Businesses

Sony Network Communications

Build, operate/manage NW
Run a partner program

NESIC / ORIX

Sell and provide communication services
User support

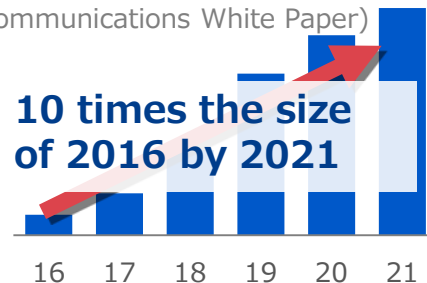
Partner program (terminal, solution, application, and channel)

Clients

Global LPWA market forecast

(Source: 2017 edition of Information and Communications White Paper)

10 times the size
of 2016 by 2021



Applicable service examples

Infra monitoring
Vehicle location
management
Monitoring for elders
and children, etc.



Steady execution of large projects

- Win large PJs by reinforcing our relationship with clients (¥10 bn. in 1H)
 - Plant monitoring control/communication systems construction
 - Communication systems construction of Singapore MRT

Execute project management steadily

Singapore MRT North East Line railroad communication systems construction

Client name	Singapore Land Transport Authority (LTA)
Project outline	On the North East Line of Singapore MRT, (1)Expansion of communication systems associated with an extension to one more station (2)Supply in-vehicle communication systems to new railroad cars (3)Upgrade and replacement of the comm. systems of the existing railroad cars
To be completed	January 2023

NESIC has been in charge of the communication systems since the opening. Its high project management ability and engineering ability are well received by the client.



Established CVC fund for creation of new business through open innovation with startups

(January, 2018)

Open innovation

"Game changing ideas of venture companies"

× NESIC assets = New businesses"



<Seeds of new business>
Game changing ideas of startups

<NESIC assets>

- ICT capabilities
- Construction capabilities
- Support service platform

Investments through CVC

2018

April: Boomtown Network, Inc. **USA**

A company to provide the next-generation support service business combining the omni-channels contact center and the onsite support network with the sharing economy concept

⇒ **Aiming innovation of our support service business**

July: Savioke, Inc. **USA**

A company to provide self-controlled robots for transport to hotels and medical settings

⇒ **Aiming acceleration of development of new markets such as medical setting**

September: InterMedia Laboratory Inc. **Japan**

A company to develop the technologies for capacitance codes that can be read with the touch panel of a smartphone

⇒ **Aiming new authentication service creation using high level electrostatic capacity technology**

October: ALE Co., Ltd. **Japan**

A company to develop satellites that realise artificial shooting stars for the first time in the world

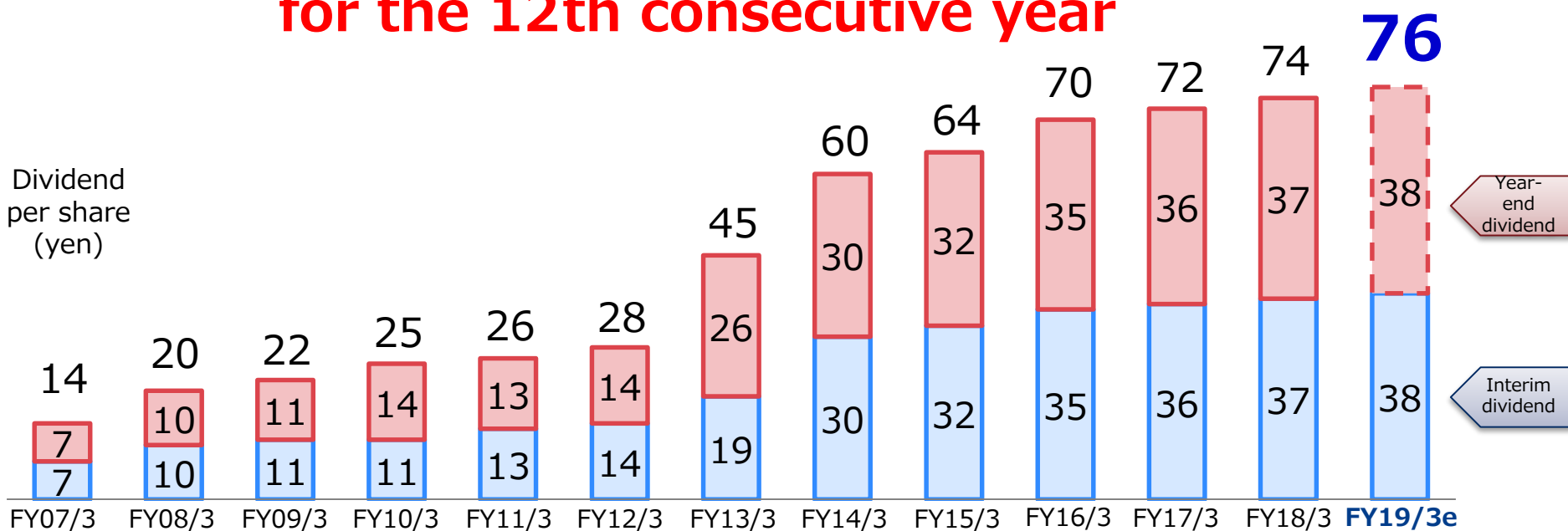
⇒ **Aiming private satellite operation service area**



Increase in shareholder return with improvement of the profit level based on the basic policy for stable dividends

●Consideration of DOE

Planning for dividend increase for the 12th consecutive year



Toward Strong & Attractive NESIC



**Dreams and
High
Aspirations**

Innovation

**Enhance
Our
Strengths**

(ref.) End of FY2018/9 (Sep. 2018) Balance Sheet

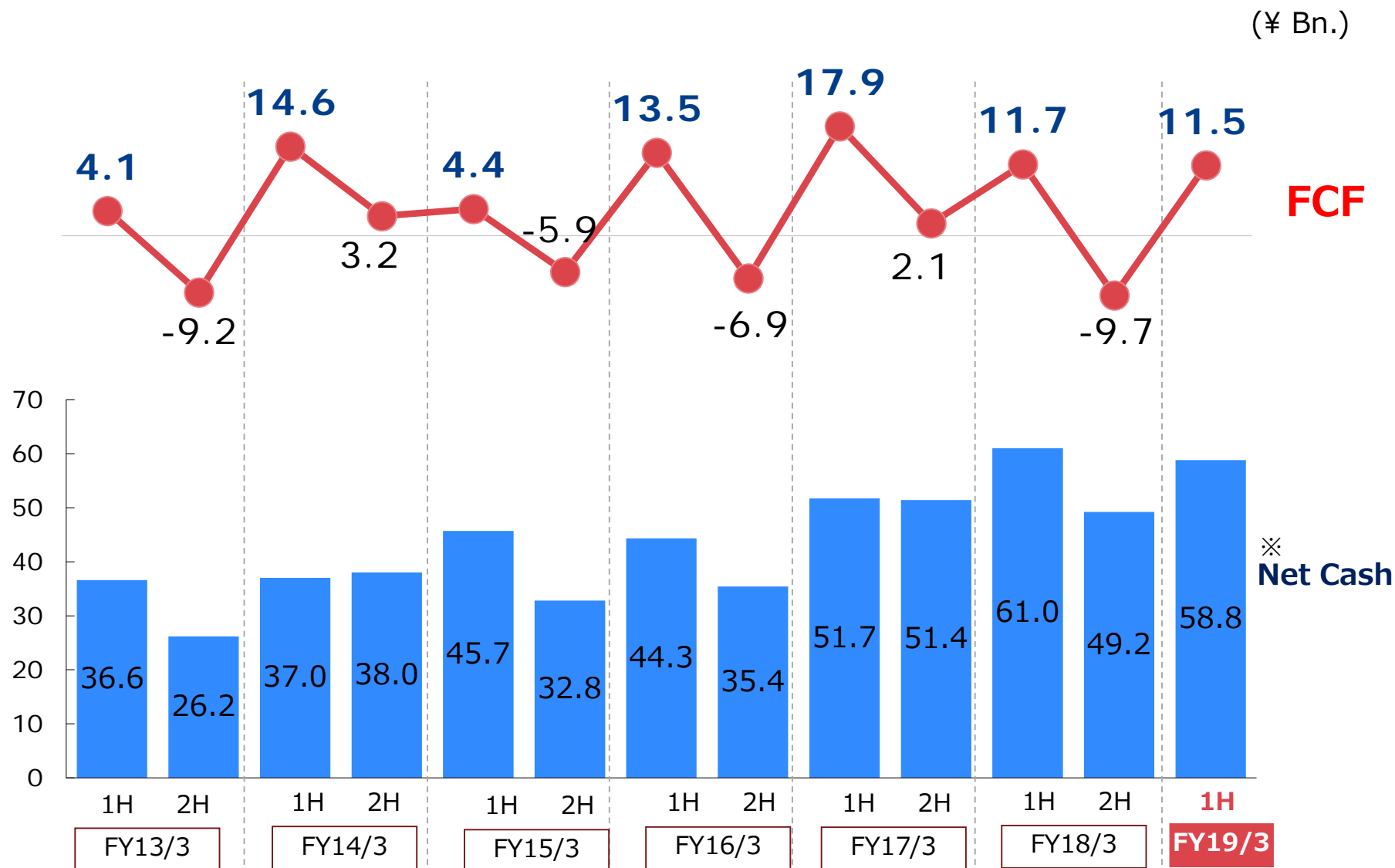
(¥ Bn.)

	End of 18/3	End of 18/9	Diff.
Cash and cash equivalents	57.3	66.4	9.1
Notes & accounts receivable	104.4	82.9	-21.5
Inventories	8.2	12.6	4.4
Others	5.3	5.4	0.1
Current Assets	175.2	167.4	-7.8
Noncurrent Assets	32.4	33.0	0.6
Assets	207.6	200.4	-7.2

Notes and accounts payable	40.3	32.5	-7.8
Loans	8.1	7.6	-0.5
Others	57.5	58.0	0.5
Liabilities	105.9	98.2	-7.7
Shareholders' equity	103.9	103.9	0.1
Accumulated other comprehensive income	-4.4	-4.2	0.2
Non-controlling interests	2.3	2.5	0.2
Net Assets	101.7	102.2	0.5
Liabilities & Net Assets	207.6	200.4	-7.2

Owner's Equity Ratio	47.9%	49.8%	+1.9pt
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(ref.) 1H FY2019/3 Cash Flows



*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.





NEC Networks & System Integration Corporation

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