

News

Release

Orchestrating a brighter world **NEC**

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Consolidated Financial Results

for the Nine Months Ended

December 31, 2017

1. Consolidated Business Results

As stated in the July 21, 2017 announcement, “NEC to Revise Business Segments,” NEC has revised its operating segments from the first quarter of the fiscal year ending March 31, 2018. Figures for the corresponding period of the previous fiscal year have been restated to conform with the new segments.

(1) Overview of the third quarter of the fiscal year ending March 31, 2018 (nine months ended December 31, 2017)

The worldwide economy during the nine months ended December 31, 2017 was characterized by gradual improvement, despite increasing political uncertainties and geopolitical risks in some regions.

As for the Japanese economy, steady performance was supported by both international and domestic demand.

Under this business environment, the NEC Group recorded consolidated revenue of 1,971.3 billion yen for the nine months ended December 31, 2017, an increase of 176.8 billion yen (9.9%) year-on-year. This increase was mainly due to increased sales in the Public business.

Regarding profitability, operating profit (loss) improved by 31.3 billion yen year-on-year, to an operating profit of 14.3 billion yen, mainly due to increased revenue.

Income (loss) before income taxes was an income of 40.2 billion yen, a year-on-year improvement of 41.8 billion yen. This was primarily due to improved operating profit (loss) in addition to improved foreign exchange gains (losses).

Net profit (loss) attributable to owners of the parent for the nine months ended December 31, 2017 was a profit of 17.6 billion yen, improving by 20.4 billion yen year-on-year. This was primarily due to improved income (loss) before income taxes.

(2) Results by main business segment

Revenue by segment (revenue from customers):

Segments	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change
	In billions of yen	In billions of yen	%
Public	451.1	629.9	39.6
Enterprise	298.7	291.2	-2.5
Telecom Carrier	415.9	403.2	-3.1
System Platform	504.1	508.8	0.9
Others	124.6	138.2	10.9
Total	1,794.5	1,971.3	9.9

Operating profit (loss) by segment:

Segments	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change
	In billions of yen	In billions of yen	In billions of yen
Public	5.4	20.8	15.5
Enterprise	26.4	25.1	-1.2
Telecom Carrier	2.4	1.0	-1.4
System Platform	7.6	15.5	7.9
Others	-16.7	-11.0	5.6
Adjustment	-42.2	-37.2	5.0
Total	-17.0	14.3	31.3

Note:

Amounts in this section “(2) Results by main business segment” are rounded to 0.1 billion yen. Amounts in millions of yen are shown in section “Note 1: Segment Information” of this news release.

(Business segment figures in brackets below denote increases or decreases as compared with the corresponding period of the previous fiscal year.)

Public Business

Revenue:	629.9 billion yen	(39.6%)
Operating Profit (Loss):	20.8 billion yen	(15.5 billion yen)

In the Public business, revenue was 629.9 billion yen, an increase of 178.8 billion yen (39.6%) year-on-year, mainly due to Japan Aviation Electronics Industry, Limited becoming a consolidated subsidiary from the fourth quarter of the previous fiscal year, despite decreased sales from firefighting and disaster prevention systems.

Operating profit (loss) improved by 15.5 billion yen year-on-year, to an operating profit of 20.8 billion yen, mainly owing to increased sales.

Enterprise Business

Revenue:	291.2 billion yen	(-2.5%)
Operating Profit (Loss):	25.1 billion yen	(-1.2 billion yen)

In the Enterprise business, revenue was 291.2 billion yen, a decrease of 7.6 billion yen (-2.5%) year-on-year, mainly due to decreased sales for the retail/service sector.

Operating profit (loss) worsened by 1.2 billion yen year-on-year, to an operating profit of 25.1 billion yen, mainly owing to decreased sales as well as increased investments in the IoT (Internet of Things) area.

Telecom Carrier Business

Revenue:	403.2 billion yen	(-3.1%)
Operating Profit (Loss):	1.0 billion yen	(-1.4 billion yen)

In the Telecom Carrier business, revenue was 403.2 billion yen, a decrease of 12.7 billion yen (-3.1%) year-on-year, mainly due to decreased international sales in Mobile Backhaul ("PASOLINK") and the submarine systems area, as well as decreased sales due to sluggish capital investment by domestic telecommunications carriers, despite increased international sales in Telecom Operations and Management Solutions (TOMS).

Operating profit (loss) worsened by 1.4 billion yen year-on-year, to an operating profit of 1.0 billion yen, mainly due to decreased sales.

System Platform Business

Revenue:	508.8 billion yen	(0.9%)
Operating Profit (Loss):	15.5 billion yen	(7.9 billion yen)

In the System Platform business, revenue was 508.8 billion yen, an increase of 4.7 billion yen (0.9%) year-on-year, mainly due to large scale projects in the hardware area.

Operating profit (loss) improved by 7.9 billion yen year-on-year, to an operating profit of 15.5 billion yen, mainly owing to increased sales and cost efficiency.

Others

Revenue:	138.2 billion yen	(10.9%)
Operating Profit (Loss):	-11.0 billion yen	(5.6 billion yen)

In Others, revenue was 138.2 billion yen, an increase of 13.6 billion yen (10.9%) year-on-year, mainly due to increased sales in the international safety business.

Operating profit (loss) improved by 5.6 billion yen year-on-year, to an operating loss of 11.0 billion yen, mainly owing to increased sales and cost efficiency.

2. Consolidated Financial Condition

Analysis of the condition of assets, liabilities, equity, and cash flows

Total assets were 2,710.3 billion yen as of December 31, 2017, an increase of 26.3 billion yen as compared with the end of the previous fiscal year. Current assets as of December 31, 2017 increased by 74.3 billion yen compared with the end of the previous fiscal year to 1,583.1 billion yen, mainly due to an increase in inventories, as well as an increase in cash and cash equivalents from the collection of trade and other receivables. Non-current assets as of December 31, 2017 decreased by 48.0 billion yen compared with the end of the previous fiscal year to 1,127.3 billion yen, mainly due to a decrease from the depreciation of property, plant and equipment, net.

Total liabilities as of December 31, 2017 decreased by 0.5 billion yen compared with the end of the previous fiscal year, to 1,667.5 billion yen. This was mainly due to issuance of bonds despite a decrease in trade and other payables. The balance of interest-bearing debt amounted to 527.1 billion yen, an increase of 60.1 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of December 31, 2017 was 0.60 (a worsening of 0.05 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of December 31, 2017, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 208.3 billion yen, a decrease of 18.7 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of December 31, 2017 was 0.24 (an improvement of 0.03 points as compared with the end of the previous fiscal year).

Total equity was 1,042.9 billion yen as of December 31, 2017, an increase of 26.8 billion yen as compared with the end of the previous fiscal year, mainly due to the recording of net profit attributable to owners of the parent for the nine months ended December 31, 2017.

As a result, total equity attributable to owners of the parent (total equity less non-controlling interests) as of December 31, 2017 was 874.6 billion yen, and the ratio of equity attributable to owners of the parent was 32.3% (an improvement of 0.4 points as compared with the end of the previous fiscal year).

Net cash inflows from operating activities for the nine months ended December 31, 2017 were 20.2 billion yen, an improvement of 23.3 billion yen as compared with the same period of the previous fiscal year, mainly due to improvement of income before income taxes.

Net cash inflows from investing activities for the nine months ended December 31, 2017 were 18.0 billion yen, an increase of 8.1 billion yen as compared with the same period of the previous fiscal year, mainly due to increased proceeds from sales of available-for-sale financial assets.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the nine months ended December 31, 2017 totaled a cash inflow of 38.2 billion yen, an improvement of 31.4 billion yen year-on-year.

Net cash flows from financing activities for the nine months ended December 31, 2017 totaled a cash inflow of 38.6 billion yen, mainly due to proceeds from issuance of bonds.

As a result, cash and cash equivalents as of December 31, 2017 amounted to 318.8 billion yen, an increase of 78.8 billion yen as compared with the end of the previous fiscal year.

3. Consolidated Financial Forecast

Regarding the consolidated financial forecasts for the fiscal year ending March 31, 2018, the NEC Group anticipates consolidated revenue of 2,830.0 billion yen, an increase of 30.0 billion yen from the previous forecasts. This increase is mainly due to increased sales from the previous estimates in the Public business and in the System Platform business, despite decreased sales from the previous estimates in the Enterprise business and in the Telecom Carrier business.

The NEC Group anticipates consolidated operating profit of 60.0 billion yen, an increase of 10.0 billion yen from the previous forecasts. This increase is mainly due to increased sales, in addition to cost efficiencies.

The NEC Group anticipates net profit attributable to owners of the parent of 40.0 billion yen, an increase of 5.0 billion yen from the previous forecast, mainly due to improved operating profit.

There is no change to the previous forecast of an annual dividend of 60 yen per share of common stock.

Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	Notes	As of March 31, 2017	As of December 31, 2017
Assets			
Current Assets			
Cash and cash equivalents		239,970	318,767
Trade and other receivables		952,258	822,648
Inventories		205,855	293,363
Other financial assets		4,485	4,950
Other current assets		106,169	121,349
Subtotal		1,508,737	1,561,077
Assets held for sale	4	—	21,975
Total current assets		1,508,737	1,583,052
Non-current assets			
Property, plant and equipment, net		419,078	397,310
Goodwill		63,220	63,391
Intangible assets		142,139	135,297
Investments accounted for using the equity method		68,132	67,443
Other financial assets		262,284	256,042
Deferred tax assets		156,622	147,458
Other non-current assets		63,784	60,352
Total non-current assets		1,175,259	1,127,293
Total assets		2,683,996	2,710,345

Condensed Interim Consolidated Statements of Financial Position (Continued)

(Millions of yen)

	Notes	As of March 31, 2017	As of December 31, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		497,051	452,399
Bonds and borrowings		118,915	142,286
Accruals		155,161	126,075
Other financial liabilities		12,507	9,928
Accrued income taxes		21,014	12,568
Provisions		52,210	46,101
Other current liabilities		145,683	161,870
Subtotal		1,002,541	951,227
Liabilities held for sale	4	—	10,310
Total current liabilities		1,002,541	961,537
Non-current liabilities			
Bonds and borrowings		342,854	380,310
Other financial liabilities		8,285	6,527
Defined benefit liabilities		264,272	269,107
Provisions		13,736	15,033
Other non-current liabilities		36,242	34,961
Total non-current liabilities		665,389	705,938
Total liabilities		1,667,930	1,667,475
Equity			
Share capital		397,199	397,199
Share premium		147,879	147,991
Retained earnings		235,601	237,591
Treasury shares		-3,101	-3,357
Other components of equity	2	76,686	95,149
Total equity attributable to owners of the parent		854,264	874,573
Non-controlling interests		161,802	168,297
Total equity		1,016,066	1,042,870
Total liabilities and equity		2,683,996	2,710,345

(2)Condensed Interim Consolidated Statements of Profit or Loss and Condensed Interim Consolidated Statements of Other Comprehensive Income
Condensed Interim Consolidated Statements of Profit or Loss

(Millions of yen)

Nine months ended December 31	Notes	2016	2017
Revenue		1,794,469	1,971,282
Cost of sales		1,294,906	1,424,203
Gross profit		499,563	547,079
Selling, general and administrative expenses		509,719	531,370
Other operating income (loss)		-6,879	-1,437
Operating Profit (Loss)		-17,035	14,272
Financial income	3	25,995	27,752
Financial costs	3	16,619	6,381
Share of profit (loss) of entities accounted for using the equity method		6,068	4,575
Income (loss) before income taxes		-1,591	40,218
Income taxes		-1,554	13,018
Net profit (loss)		-37	27,200
Net profit (loss) attributable to			
Owners of the parent		-2,846	17,582
Non-controlling interests		2,809	9,618
Total		-37	27,200
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		-10.95	67.66
Diluted earnings per share (yen)		—	67.66

Note: The Company implemented share consolidation with a ratio of 10 shares of common share to 1 share as of October 1, 2017. The above Basic earnings per share ("EPS") and diluted EPS on common share are calculated assuming that the share consolidation was carried out at the beginning of FY 2016.

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Nine months ended December 31	Notes	2016	2017
Net profit (loss)		-37	27,200
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		-4,018	—
Share of other comprehensive income of associates		—	—
Total items that will not be reclassified to profit or loss		-4,018	—
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-377	3,699
Cash flow hedges		531	-118
Available-for-sale financial assets		11,098	13,967
Share of other comprehensive income of associates		28	1,793
Total items that may be reclassified subsequently to profit or loss		11,280	19,341
Total other comprehensive income, net of tax		7,262	19,341
Total comprehensive income		7,225	46,541
Total comprehensive income attributable to			
Owners of the parent		4,611	36,045
Non-controlling interests		2,614	10,496
Total		7,225	46,541

[THREE MONTHS PERIOD INFORMATION]

Condensed Interim Consolidated Statements of Profit or Loss and Condensed Interim Consolidated
 Statements of Other Comprehensive Income
Condensed Interim Consolidated Statements of Profit or Loss

(Millions of yen)

Three months ended December 31	Notes	2016	2017
Revenue		593,407	683,271
Cost of sales		434,755	494,113
Gross profit		158,652	189,158
Selling, general and administrative expenses		171,849	181,207
Other operating income (loss)		-7,582	-951
Operating Profit (Loss)		-20,779	7,000
Financial income	3	7,108	3,438
Financial costs	3	1,622	2,156
Share of profit (loss) of entities accounted for using the equity method		1,065	1,126
Income (loss) before income taxes		-14,228	9,408
Income taxes		831	6,758
Net profit (loss)		-15,059	2,650
Net profit (loss) attributable to			
Owners of the parent		-15,964	-1,235
Non-controlling interests		905	3,885
Total		-15,059	2,650
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		-61.43	-4.75
Diluted earnings per share (yen)		—	-4.76

Note: The Company implemented share consolidation with a ratio of 10 shares of common share to 1 share as of October 1, 2017. The above Basic earnings per share ("EPS") and diluted EPS on common share are calculated assuming that the share consolidation was carried out at the beginning of FY 2016.

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Three months ended December 31	Notes	2016	2017
Net profit (loss)		-15,059	2,650
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		—	—
Share of other comprehensive income of associates		—	—
Total items that will not be reclassified to profit or loss		—	—
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		11,007	1,681
Cash flow hedges		-313	—
Available-for-sale financial assets		15,433	14,933
Share of other comprehensive income of associates		1,600	19
Total items that may be reclassified subsequently to profit or loss		27,727	16,633
Total other comprehensive income net of tax		27,727	16,633
Total comprehensive income		12,668	19,283
Total comprehensive income attributable to			
Owners of the parent		11,614	15,086
Non-controlling interests		1,054	4,197
Total		12,668	19,283

(3)Condensed Interim Consolidated Statements of Changes in Equity

(Nine months ended December 31, 2016)

(Millions of yen)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2016	397,199	147,755	223,883	-3,077	4,067	769,827	67,393	837,220
Net profit (loss)	—	—	-2,846	—	—	-2,846	2,809	-37
Other comprehensive income (loss)	—	—	—	—	7,457	7,457	-195	7,262
Comprehensive income	—	—	-2,846	—	7,457	4,611	2,614	7,225
Purchase of treasury shares	—	—	—	-19	—	-19	—	-19
Disposal of treasury shares	—	-2	—	3	—	1	—	1
Cash dividends	—	—	-15,592	—	—	-15,592	-2,385	-17,977
Changes in interests in subsidiaries	—	—	—	—	—	—	10	10
Total transactions with owners	—	-2	-15,592	-16	—	-15,610	-2,375	-17,985
As of December 31, 2016	397,199	147,753	205,445	-3,093	11,524	758,828	67,632	826,460

(Nine months ended December 31, 2017)

(Millions of yen)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2017	397,199	147,879	235,601	-3,101	76,686	854,264	161,802	1,016,066
Net profit (loss)	—	—	17,582	—	—	17,582	9,618	27,200
Other comprehensive income (loss)	—	—	—	—	18,463	18,463	878	19,341
Comprehensive income	—	—	17,582	—	18,463	36,045	10,496	46,541
Purchase of treasury shares	—	—	—	-263	—	-263	—	-263
Disposal of treasury shares	—	-4	—	7	—	3	—	3
Cash dividends	—	—	-15,592	—	—	-15,592	-4,250	-19,842
Changes in interests in subsidiaries	—	116	—	—	—	116	249	365
Total transactions with owners	—	112	-15,592	-256	—	-15,736	-4,001	-19,737
As of December 31, 2017	397,199	147,991	237,591	-3,357	95,149	874,573	168,297	1,042,870

(4) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

Nine months ended December 31	Notes	2016	2017
Cash flows from operating activities			
Income (loss) before income taxes		-1,591	40,218
Depreciation and amortization		56,625	70,925
Impairment loss		1,103	146
Increase (decrease) in provisions		8,064	-5,898
Financial income	3	-25,995	-27,752
Financial costs	3	16,619	6,381
Share of (profit) loss of entities accounted for using the equity method		-6,068	-4,575
Decrease (increase) in trade and other receivables		133,874	124,310
Decrease (increase) in inventories		-71,775	-86,148
Increase (decrease) in trade and other payables		-49,752	-36,916
Others, net		-51,688	-41,772
Subtotal		9,416	38,919
Interest and dividends received		5,231	5,614
Interest paid		-7,563	-4,575
Income taxes paid		-10,187	-19,792
Net cash provided by (used in) operating activities		-3,103	20,166
Cash flows from investing activities			
Purchases of property, plant and equipment		-23,456	-32,652
Proceeds from sales of property, plant and equipment		2,100	2,569
Acquisitions of intangible assets		-5,668	-6,777
Purchases of available-for-sale financial assets		-4,045	-1,756
Proceeds from sales of available-for-sale financial assets		3,143	10,986
Disbursements for acquisitions of shares of newly consolidated subsidiaries		-984	—
Proceeds from acquisitions of shares of newly consolidated subsidiaries		59	—
Proceeds from sales of shares of subsidiaries		—	75
Disbursements for sales of shares of subsidiaries		—	-184
Purchases of investments in affiliated companies		-162	-21
Proceeds from sales of investments in affiliated companies		23,698	21,997
Others, net		15,183	23,753
Net cash provided by (used in) investing activities		9,868	17,990

(Millions of yen)

Nine months ended December 31	Notes	2016	2017
Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net		4,919	7,226
Proceeds from long-term borrowings		200,082	173
Repayments of long-term borrowings		-156,285	-9,106
Proceeds from issuance of bonds		—	100,000
Redemption of bonds		-10,000	-40,000
Dividends paid		-15,583	-15,576
Dividends paid to non-controlling interests		-2,379	-4,247
Others, net		-78	126
Net cash provided by (used in) financing activities		20,676	38,596
Effect of exchange rate changes on cash and cash equivalents		-1,065	2,055
Net increase (decrease) in cash and cash equivalents		26,376	78,807
Cash and cash equivalents, at beginning of period		192,323	239,970
Decrease in cash and cash equivalents resulting from transfer to assets held for sale	4	—	-10
Cash and cash equivalents, at end of period		218,699	318,767

Notes to the Condensed Interim Consolidated Financial Statements

1. Segment Information

(1) General information about reportable segments

The reportable segments of NEC Corporation ("the Company" or "NEC") are determined from operating segments that are identified in terms of similarity of products, services and markets based on business, and are the businesses for which the Company is able to obtain respective financial information separately, and the businesses are investigated periodically in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results. The Company aggregates two businesses, "Public Solutions Business" which handles business involving regional sales functions and regional public entities in Japan and "Public Infrastructure Business" which handles business involving government agencies and companies supporting national and social infrastructures as one reportable segment which is "Public" in terms of similarity of products, services and economic characteristics based on business. Therefore the Company has four reportable segments, which are the Public, Enterprise, Telecom Carrier and System Platform businesses.

Descriptions of each reportable segment are as follows:

Public

This segment mainly renders System Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment for Public, Healthcare, Government and Media.

Enterprise

This segment mainly renders System Integration (Systems Implementation, Consulting), Maintenance and Support, and Outsourcing / Cloud Services for Manufacturing, Retail and Services and Finance.

Telecom Carrier

This segment mainly renders Network Infrastructure (Core Network, Mobile Phone Base Stations, Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Optical Transmission Systems, Routers / Switches, Mobile Backhaul ("PASOLINK")), and Services & Management (Telecom Operations and Management Solutions (TOMS), Services / Solutions) for Telecom Carriers.

System Platform

This segment mainly renders Hardware (Servers, Mainframes, Supercomputers, Storage, Business PCs, Tablet Devices, POS, ATMs, Control Equipment, Wireless LAN Routers, Displays, Projectors), Software (Integrated Operation Management, Application Servers, Security, Database Software), Enterprise Network Solutions (IP Telephony Systems, WAN / Wireless Access Equipment, LAN Products), and Services (Data Center Infrastructure, Maintenance and Support).

(2) Basis of measurement for reportable segment sales and segment income or loss

Segment income (loss) is based on operating income (loss). Inter-segment sales and transfers are based on arm's-length price.

(3) Information about reportable segment sales, segment income or loss

(Nine months ended December 31, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	451,080	298,719	415,944	504,103	1,669,846	124,623	—	1,794,469
Intersegment revenue and transfers	26,028	5,689	13,033	41,547	86,297	16,245	-102,542	—
Total	477,108	304,408	428,977	545,650	1,756,143	140,868	-102,542	1,794,469
Segment income(loss) (Operating profit (loss))	5,361	26,394	2,439	7,606	41,800	-16,667	-42,168	-17,035
Financial income								25,995
Financial costs								16,619
Share of profit (loss) of entities accounted for using the equity method								6,068
Income (loss) before income taxes								-1,591

(Nine months ended December 31, 2017)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	629,923	291,163	403,209	508,793	1,833,088	138,194	—	1,971,282
Intersegment revenue and transfers	23,291	8,382	10,690	45,747	88,110	15,824	-103,934	—
Total	653,214	299,545	413,899	554,540	1,921,198	154,018	-103,934	1,971,282
Segment income(loss) (Operating profit (loss))	20,829	25,148	1,035	15,472	62,484	-11,027	-37,185	14,272
Financial income								27,752
Financial costs								6,381
Share of profit (loss) of entities accounted for using the equity method								4,575
Income (loss) before income taxes								40,218

Notes:

1. "Others" for the Nine months ended December 31, 2016 represents businesses such as Electrodes/Energy Storage System. "Others" for the Nine months ended December 31, 2017 represents businesses such as Electrodes/Energy Storage System.

2. "Adjustment" of segment income (loss) for the Nine months ended December 31, 2016 includes corporate expenses of -39,378 million yen and noncurrent assets related adjustment of 365 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the Nine months ended December 31, 2017 includes corporate expenses of -34,123 million yen and noncurrent assets related adjustment of 919 million yen, unallocated to each reportable segment. The corporate expenses, unallocated to each reportable segment, are mainly general and administrative expenses incurred at headquarters of NEC, and research and development expenses.

Information about reportable segment sales, segment income or loss
(Three months ended December 31, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	157,577	94,691	138,302	164,274	554,844	38,563	—	593,407
Intersegment revenue and transfers	9,364	2,690	4,273	13,993	30,320	7,865	-38,185	—
Total	166,941	97,381	142,575	178,267	585,164	46,428	-38,185	593,407
Segment income(loss) (Operating profit (loss))	-2,908	7,016	-1,487	-149	2,472	-6,875	-16,375	-20,779
Financial income								7,108
Financial costs								1,622
Share of profit (loss) of entities accounted for using the equity method								1,065
Income (loss) before income taxes								-14,228

(Three months ended December 31, 2017)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	222,942	99,330	135,758	175,761	633,791	49,480	—	683,271
Intersegment revenue and transfers	8,322	2,357	3,575	16,294	30,548	5,707	-36,255	—
Total	231,264	101,687	139,333	192,055	664,339	55,187	-36,255	683,271
Segment income(loss) (Operating profit (loss))	5,813	9,318	405	9,138	24,674	-5,206	-12,468	7,000
Financial income								3,438
Financial costs								2,156
Share of profit (loss) of entities accounted for using the equity method								1,126
Income (loss) before income taxes								9,408

Notes:

1. "Others" for the three months ended December 31, 2016 represents businesses such as Electrodes/Energy Storage System. "Others" for the three months ended December 31, 2017 represents businesses such as Electrodes/Energy Storage System.

2. "Adjustment" of segment income (loss) for the three months ended December 31, 2016 includes corporate expenses of -13,705 million yen and noncurrent assets related adjustment of 90 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the three months ended December 31, 2017 includes corporate expenses of -11,834 million yen and noncurrent assets related adjustment of 179 million yen, unallocated to each reportable segment. The corporate expenses, unallocated to each reportable segment, are mainly general and administrative expenses incurred at headquarters of NEC, and research and development expenses.

(4) Information about revising segments

From the first quarter of the fiscal year ending March 31, 2018, the Company's operating segments have been revised based on a new organization structure effective as of April 1, 2017

Major revisions are as follows:

Regional sales functions within Japan previously included under Others have been transferred to the "Public" segment.

Business involving financial institutions previously included under the "Public" segment has been transferred to the "Enterprise" segment.

In connection with this revision, segment information for the previous fiscal year's third quarter has been reclassified to conform to the presentation of the fiscal year ending March 31, 2018.

(5) Information about geographic areas

Revenue from customers

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Japan	1,415,274	1,435,651
The Americas	124,757	134,078
EMEA	83,525	107,198
China / East Asia and APAC	170,913	294,355
Total	1,794,469	1,971,282

(Millions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017
Japan	469,252	499,501
The Americas	39,897	44,723
EMEA	27,912	36,746
China / East Asia and APAC	56,346	102,301
Total	593,407	683,271

Notes:

1. Revenue is classified into country or region based on the locations of customers.

2. Major regions in segments other than Japan:

(1) The Americas: North America and Latin America

(2) EMEA: Europe, Middle East and Africa

(3) China / East Asia and APAC: China, East Asia and Asia Pacific (Asia, Oceania)

2. Equity

Details of other components of equity

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Remeasurements of defined benefit plan	641	641
Exchange differences on translating foreign operations	-14,785	-9,707
Cash flow hedges	-476	-564
Available-for-sale financial assets	91,306	104,779
Total	76,686	95,149

3. Financial income and financial costs

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Financial income		
Interest income	841	1,303
Dividend income	3,506	3,812
Gain on sales of affiliates' stocks (*1)	20,065	16,770
Gain on sales of available-for-sale financial assets	1,368	4,741
Foreign exchange gains	-	872
Other	215	254
Total	25,995	27,752

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Financial costs		
Interest expenses	8,198	4,587
Commission fee	5,028	467
Foreign exchange losses	2,593	-
Other	800	1,327
Total	16,619	6,381

Note 1 : "Gain on sales of affiliates' stocks" in previous fiscal year is mainly from transferring shares of Lenovo NEC Holdings B.V. and "Gain on sales of affiliates' stocks" in this fiscal year is mainly from transferring shares of TOKIN Corporation.

(Millions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017
Financial income		
Interest income	39	470
Dividend income	1,391	1,119
Gain on sales of affiliates' stocks	8	1,636
Foreign exchange gains	4,686	-
Other	984	213
Total	7,108	3,438

(Millions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017
Financial costs		
Interest expenses	1,451	1,615
Foreign exchange losses	-	128
Other	171	413
Total	1,622	2,156

4. Disposal Group Held for Sale

NEC Corporation ("NEC") determined to transfer all shares of NEC Energy Devices, Ltd. ("NEC Energy Devices"), a wholly owned subsidiary of NEC, to GSR Capital ("GSR"), a private investment fund on December 4, 2017. This transfer of the NEC Energy Devices shares to GSR is scheduled to be executed on the same day as the transfer of Automotive Energy Supply Corporation ("AESC") shares to GSR by Nissan Motor Co., Ltd.

With this determination to transfer shares, the assets and liabilities of NEC Energy Devices and AESC are classified into a disposal group held for sale. This disposal group is measured by the carrying amount because the fair value is greater than that of the carrying amount. The disposal group consists of the following assets and liabilities as of December 31, 2017.

(Millions of yen)	
Items	Amount
Cash and cash equivalents	10
Trade and other receivables	10,353
Inventories	654
Property, plant and equipment, net	9,930
Other assets	1,028
Total assets	21,975

(Millions of yen)	
Items	Amount
Trade and other payables	7,198
Other liabilities	3,112
Total liabilities	10,310

5. Subsequent Events

NEC determined to acquire UK-based IT services company Northgate Public Services Limited (NPS), accelerating the expansion of its international safety business. NEC is buying NPS from leading international private equity firm Cinven based on the contract dated January 9, 2018. NPS is scheduled to become a consolidated subsidiary of NEC from the fourth quarter of the fiscal year ending March 31, 2018.

For this acquisition, NEC is planning to invest GBP 475 million.

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.
