Financial Results for Q1 Fiscal Year Ending March 31, 2017

July 29, 2016

NEC Corporation

(http://www.nec.com/en/global/ir)
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Reference

* Net profit/loss refers to net profit/loss attributable to owners of the parent for the same period.
I . Financial Results for Q1, FY17/3
### Summary of Financial Results for Q1

<table>
<thead>
<tr>
<th></th>
<th>FY16/3 Actual</th>
<th>FY17/3 Actual</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>587.3</td>
<td>518.7</td>
<td>-11.7%</td>
</tr>
<tr>
<td><strong>Operating Profit/Loss</strong></td>
<td>-7.6</td>
<td>-29.9</td>
<td>-22.4</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>-1.3%</td>
<td>-5.8%</td>
<td></td>
</tr>
<tr>
<td><strong>Income/Loss before Income Taxes</strong></td>
<td>-4.4</td>
<td>-33.7</td>
<td>-29.3</td>
</tr>
<tr>
<td><strong>Net Profit/Loss</strong></td>
<td>-5.6</td>
<td>-20.1</td>
<td>-14.5</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>-1.0%</td>
<td>-3.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Free Cash Flows</strong></td>
<td>80.9</td>
<td>63.7</td>
<td>-17.2</td>
</tr>
</tbody>
</table>

Note: Average Exchange Rates (yen)

<table>
<thead>
<tr>
<th>Currency</th>
<th>USD 1</th>
<th>EUR 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 1</td>
<td>120.23</td>
<td>110.66</td>
</tr>
<tr>
<td>EUR 1</td>
<td>131.42</td>
<td>124.38</td>
</tr>
</tbody>
</table>

### Q1 Results

#### FY16/3 Actual
- Revenue: 145.6 Billion Yen
- Operating Profit/Loss: 0.6 Billion Yen
- % to Revenue: 0.4%

#### FY17/3 Actual
- Revenue: 117.5 Billion Yen
- Operating Profit/Loss: -2.6 Billion Yen
- % to Revenue: -2.2%

### YoY

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 Actual</th>
<th>FY17/3 Actual</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>145.6</td>
<td>117.5</td>
<td>-19.3%</td>
</tr>
</tbody>
</table>
| Operating Profit/Loss | 0.6           | -2.6          | -3.2%
| % to Revenue          | 0.4%          | -2.2%         |       |
| **Enterprise**        |               |               |       |
| Revenue               | 68.6          | 66.5          | -3.1% |
| Operating Profit      | 3.4           | 3.7           | +0.3% |
| % to Revenue          | 5.0%          | 5.6%          |       |
| **Telecom Carrier**   |               |               |       |
| Revenue               | 143.1         | 121.1         | -15.3%|
| Operating Profit/Loss | -2.4          | -6.9          | -4.5% |
| % to Revenue          | -1.7%         | -5.7%         |       |
| **System Platform**   |               |               |       |
| Revenue               | 160.2         | 150.2         | -6.2% |
| Operating Profit/Loss | 4.3           | -4.5          | -8.9% |
| % to Revenue          | 2.7%          | -3.0%         |       |
| **Others**            |               |               |       |
| Revenue               | 69.8          | 63.3          | -9.3% |
| Operating Profit/Loss | -6.2          | -8.4          | -2.2% |
| % to Revenue          | -8.9%         | -13.2%        |       |
| **Adjustment**        |               |               |       |
| Operating Profit/Loss | -7.3          | -11.2         | -3.9% |
| % to Revenue          | -1.3%         | -5.8%         |       |
| **Total**             | 587.3         | 518.7         | -11.7%|
| Operating Profit/Loss | -7.6          | -29.9         | -22.4 |
| % to Revenue          | -1.3%         | -5.8%         |       |
Public Business

Q1 Results

Revenue 117.5 (-19.3%)
- Decreased due to a decline in large-scale projects for the central government in the previous fiscal year, and a decline in demand for the digitalization of fire and emergency radio in the public areas.

Operating Profit/Loss -2.6 (-3.2)
- Worsened due to a sales decline.

<table>
<thead>
<tr>
<th>FY16/3 Q1 (J-GAAP)</th>
<th>FY16/3 Q1 (IFRS)</th>
<th>FY17/3 Q1 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>145.5</td>
<td>145.6</td>
</tr>
<tr>
<td>Operating Profit/</td>
<td>-0.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Loss</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td>Operating Profit/</td>
<td>-0.5</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Ratio</td>
<td></td>
<td>-2.6</td>
</tr>
</tbody>
</table>
**Enterprise Business**

### Q1 Results

#### (Billions of Yen)

<table>
<thead>
<tr>
<th>FY16/3 Q1 (J-GAAP)</th>
<th>FY16/3 Q1 (IFRS)</th>
<th>FY17/3 Q1 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>Operating Profit</strong></td>
<td><strong>Operating Profit Ratio</strong></td>
</tr>
<tr>
<td>68.3</td>
<td>68.6</td>
<td>66.5</td>
</tr>
<tr>
<td>(+25.5%)</td>
<td></td>
<td>(-3.1%)</td>
</tr>
</tbody>
</table>

- **Revenue 66.5 (-3.1%)**
  - Decreased due to a decline in large-scale projects in retail and services in the previous fiscal year, despite strong sales from manufacturing industries

- **Operating Profit 3.7 (+0.3)**
  - Improved due to higher profitability in system construction services, despite a sales decline
Revenue 121.1 (-15.3%)
- Decreased due to sluggish capital investment by domestic and international telecommunications carriers

Operating Profit/Loss -6.9 (-4.5)
- Worsened due to a sales decline
### System Platform Business

**Q1 Results**

#### Revenue

- **150.2 (-6.2%)**
  - Decreased in hardware

#### Operating Profit/Loss

- **-4.5 (-8.9%)**
  - Worsened due to a sales decline and project lineup changes

---

<table>
<thead>
<tr>
<th></th>
<th>FY16/3 Q1 (J-GAAP)</th>
<th>FY16/3 Q1 (IFRS)</th>
<th>FY17/3 Q1 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>160.2</td>
<td>160.2</td>
<td>150.2</td>
</tr>
<tr>
<td><strong>Operating Profit/Loss</strong></td>
<td>4.9</td>
<td>2.7%</td>
<td>-4.5</td>
</tr>
<tr>
<td><strong>Operating Profit Ratio</strong></td>
<td>3.0%</td>
<td>2.7%</td>
<td>-3.0%</td>
</tr>
</tbody>
</table>

(Billions of Yen) (YoY)
Others

Q1 Results

**Revenue**

- **FY16/3 Q1 (J-GAAP):** 70.1 (−12.4%)
- **FY16/3 Q1 (IFRS):** 69.8 (−8.9%)
- **FY17/3 Q1 (IFRS):** 63.3 (−9.3%)

- Decreased in the energy business

**Operating Profit/Loss**

- **FY16/3 Q1 (J-GAAP):** −7.0 (−9.9%)
- **FY16/3 Q1 (IFRS):** −6.2 (−8.9%)
- **FY17/3 Q1 (IFRS):** −8.4 (−13.2%)

- Worsened due to a sales decline
Net Profit/Loss Change (Year on Year)

(Billions of Yen)

<table>
<thead>
<tr>
<th>FY16/3 Q1</th>
<th>FY17/3 Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5.6</td>
<td>-20.1</td>
</tr>
</tbody>
</table>

- Operating Profit/Loss: -22.4
- Financial Income/Costs, etc.: -6.9
- Others: +14.8

Financial costs: -5.8
Financial income: -1.3
Share of profit of entities accounted for using the equity method: +0.3

Income taxes: +14.3
(including reconsideration of tax expenses through making Japan Aviation Electronics Industry a consolidated subsidiary: +6.0)
Non-controlling interests: +0.5

System Platform: -8.9
Telecom Carrier: -4.5
Adjustment: -3.9
Public: -3.2
Others: -2.2
Enterprise: +0.3
Notable Actions and Achievements

Safety business: Won international projects and conducted trials in Japan

- Selected by CrimTrac, an Australian federal government agency, to provide national facial recognition and fingerprint matching capability
- Provided facial comparison technology at John F. Kennedy International Airport, USA
- Provided the local government of Shinagawa-ku, Tokyo, Japan, with a new security function which prevents information leakage caused by targeted cyber attacks

<Notable Trials>

- Advanced security system utilizing image analysis technology (during the G7 Ise-Shima summit)
- Walk-through facial recognition system (at Narita Airport, Japan and NEC’s head office)
- Payment service utilizing facial recognition (NEC’s head office)
II. Financial Forecasts for FY17/3
## Summary of Financial Forecasts

Achieve 50.0 billion yen in net profit, continue an annual dividend of 6 yen per share.

### Forecasts FY17/3

<table>
<thead>
<tr>
<th></th>
<th>FY16/3 Actual</th>
<th>FY17/3 Forecasts</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>2,824.8</td>
<td>2,880.0</td>
<td>+2.0%</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>91.4</td>
<td>100.0</td>
<td>+8.6</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>3.2%</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>75.9</td>
<td>50.0</td>
<td>-25.9</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>2.7%</td>
<td>1.7%</td>
<td></td>
</tr>
</tbody>
</table>

### Dividends per Share (yen)

- FY16/3: 6.00 yen
- FY17/3: 6.00 yen
- Full Year: 0.00 yen

### Average Exchange Rates (yen)

- USD: 120.75 (2016/3), 105.00 (2017/3)
- EUR: 132.99 (2016/3), 115.00 (2017/3)

### Note:

- Average Exchange Rates (yen)
- Public Full Year: 771.6 (2016/3), 735.0 (2017/3), -4.7%
- Operating Profit % to Revenue: 57.3% (2016/3), 69.0% (2017/3), +11.7%
- Enterprise Full Year: 300.3 (2016/3), 305.0 (2017/3), +1.6%
- Operating Profit % to Revenue: 23.9% (2016/3), 19.0% (2017/3), -4.9%
- Telecom Carrier Full Year: 697.5 (2016/3), 705.0 (2017/3), +1.1%
- Operating Profit % to Revenue: 46.5% (2016/3), 48.0% (2017/3), +1.5%
- System Platform Full Year: 728.6 (2016/3), 755.0 (2017/3), +3.6%
- Operating Profit % to Revenue: 41.7% (2016/3), 44.2% (2017/3), +2.5%
- Others Full Year: 326.8 (2016/3), 380.0 (2017/3), +16.3%
- Operating Profit % to Revenue: -18.2% (2016/3), 1.0% (2017/3), +19.2%
- Adjustment Full Year: -49.8 (2016/3), -69.0 (2017/3), -19.2%
- Total Full Year: 2,824.8 (2016/3), 2,880.0 (2017/3), +2.0%

*Forecasts as of July 29, 2016*
Plan to commence tender offer for shares of Japan Aviation Electronics Industry, Limited (announced on May 31, 2016)

Purpose: to make Japan Aviation Electronics Industry, Limited (JAE) a consolidated subsidiary of NEC (to strengthen IoT Solutions)

Conditions precedent to the commencement of the tender offer:

i. to complete the clearance under foreign and domestic anti-trust laws, and

ii. JAE’s board of directors duly and validly approves to express JAE’s opinion supporting the tender offer and makes an announcement thereof

Schedule: Aim to commence the tender offer around November 2016, but not yet determined

Tender Offer Price: 1,920 yen per share of common stock

Number of Shares to Be Acquired: 10,000,000 shares (Maximum)

Purchase Price: 19.2 billion yen

Note: This proposed transaction is not factored into the financial forecasts for FY17/3.

*Forecasts as of July 29, 2016
The recording of gain from the transfer of a portion of shares in an affiliated company accounted for by the equity-method (announced on July 1, 2016)

- Transferred Shares: 44,100 ordinary shares of Lenovo NEC Holdings B.V. (LNH), a joint venture with Lenovo Group Limited (Lenovo) that operates in the personal computer business (i.e. 90% of the ordinary shares that NEC holds in LNH)
  - NEC will maintain a 33.4% voting ratio in LNH with the right to veto material corporate actions
  - NEC will continue to engage in the personal computer business in alliance with Lenovo
- Transfer Date: July 28, 2016
- Impact on Financial Results: This share transfer will result in approximately 20.0 billion yen in non-operating income in the consolidated financial statement for Q2, FY17/3

  Note: This transaction is not factored into the financial forecasts for FY17/3.

*Forecasts as of July 29, 2016*
Improve management speed and enhance execution power

Achieve 50.0 billion yen in net profit (company forecast), continue an annual dividend of 6 yen per share

*Forecasts as of July 29, 2016
NEC brings together and integrates technology and expertise to create the ICT-enabled society of tomorrow.

We collaborate closely with partners and customers around the world, orchestrating each project to ensure all its parts are fine-tuned to local needs.

Every day, our innovative solutions for society contribute to greater safety, security, efficiency and equality, and enable people to live brighter lives.
Financial Results for Q1, FY17/3 (Appendix)
## Results for Q1 by Segment (two-year transition)

### Revenue

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 Q1 (J-GAAP)</th>
<th>FY16/3 Q1 (IFRS)</th>
<th>FY17/3 Q1 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>145.5</td>
<td>145.6</td>
<td>117.5</td>
</tr>
<tr>
<td>Enterprise</td>
<td>68.3</td>
<td>68.6</td>
<td>66.5</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>142.6</td>
<td>143.1</td>
<td>121.1</td>
</tr>
<tr>
<td>System Platform</td>
<td>160.2</td>
<td>160.2</td>
<td>150.2</td>
</tr>
<tr>
<td>Others</td>
<td>70.1</td>
<td>69.8</td>
<td>63.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>586.6</strong></td>
<td><strong>587.3</strong></td>
<td><strong>518.7</strong></td>
</tr>
</tbody>
</table>

### Operating Profit/Loss

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 Q1 (J-GAAP)</th>
<th>FY16/3 Q1 (IFRS)</th>
<th>FY17/3 Q1 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td></td>
<td></td>
<td>-10.1</td>
</tr>
<tr>
<td>System Platform</td>
<td>2.8</td>
<td>4.9</td>
<td>3.4</td>
</tr>
<tr>
<td>Public</td>
<td>-0.5</td>
<td>-3.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td></td>
<td></td>
<td>-2.4</td>
</tr>
<tr>
<td>Others</td>
<td>-7.0</td>
<td></td>
<td>-6.2</td>
</tr>
<tr>
<td>Adjustment</td>
<td>-6.9</td>
<td></td>
<td>-7.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-29.9</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Billions of Yen)
Revenue for Q1, FY17/3: 518.7 billion yen

Operating Profit/Loss for Q1, FY17/3:
- Public: -2.6 billion yen
- Telecom Carrier: -6.9 billion yen
- System Platform: -4.5 billion yen
- Others: -8.4 billion yen

Revenue by Segment:
- Public: 23% (120.2 billion yen)
- Enterprise: 13% (68.1 billion yen)
- Telecom Carrier: 23% (119.3 billion yen)
- Carrier System Platform: 29% (151.1 billion yen)
- Others: 12% (62.2 billion yen)
Revenue Change (Year on Year)

Q1 Results

(Billions of Yen)

FY16/3 Q1 587.3

- Public -28.1
- Enterprise -2.1

FY17/3 Q1 518.7

- Telecommunications Carrier -21.9
- System Platform -9.9
- Others -6.5

Decreased due to a decline in large-scale projects for the central government in the previous fiscal year, and a decline in demand for the digitalization of fire and emergency radio in the public areas.

Decreased due to a decline in large-scale projects in retail and services in the previous fiscal year, despite strong sales from manufacturing industries.

Decreased due to sluggish capital investment by domestic and international telecommunications carriers.

Decreased in hardware.

Decreased in the energy business.

Decreased in hardware.
Operating Profit/Loss Change (Year on Year)

(Factories of Yen)

FY16/3 Q1 -7.6

FY17/3 Q1 -29.9

Public -3.2

Enterprise +0.3

Telecom Carrier -4.5

System Platform -8.9

Others -2.2

Adjustment -3.9

Worsened due to a sales decline

Improved due to higher profitability in system construction services, despite a sales decline

Worsened due to a sales decline

Increased in costs

Worsened due to a sales decline

Worsened due to a sales decline and project lineup changes

Worsened due to a sales decline
### International Revenue

<table>
<thead>
<tr>
<th>Region</th>
<th>FY16/3 Q1 (J-GAAP)</th>
<th>FY16/3 Q1 (IFRS)</th>
<th>FY17/3 Q1 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China, APAC</td>
<td>57.0</td>
<td>57.0</td>
<td>51.6</td>
</tr>
<tr>
<td>EMEA</td>
<td>26.3</td>
<td>26.3</td>
<td>26.9</td>
</tr>
<tr>
<td>The Americas</td>
<td>52.3</td>
<td>52.5</td>
<td>39.7</td>
</tr>
<tr>
<td><strong>International Revenue</strong></td>
<td><strong>135.6</strong></td>
<td><strong>135.9</strong></td>
<td><strong>118.2</strong></td>
</tr>
</tbody>
</table>

### Revenue by Region

- **Greater China, APAC**: 9.9%
- **EMEA**: 5.2%
- **The Americas**: 7.7%
- **Japan**: 77.2%

*Revenue is classified by country or region based on customer locations.*

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**Revenue for Q1, FY17/3**

- **518.7** (Billions of Yen)
Free Cash Flows

Q1 Results

(Billions of Yen)

Cash flows from operating activities
Cash flows from investing activities
Free cash flows

FY16/3 Q1 (J-GAAP)  
92.5  
-11.6

FY16/3 Q1 (IFRS)  
92.5  
-11.6

FY17/3 Q1 (IFRS)  
73.8  
-10.1

Worsening of loss before income taxes

© NEC Corporation 2016
<table>
<thead>
<tr>
<th></th>
<th>End of March 2016</th>
<th>End of June 2016</th>
<th>Variance from end of March 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>2,528.9</td>
<td>2,332.4</td>
<td>-196.5</td>
</tr>
<tr>
<td>Total equity</td>
<td>837.2</td>
<td>779.0</td>
<td>-58.3</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>479.5</td>
<td>472.8</td>
<td>-6.7</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>769.8</td>
<td>713.4</td>
<td>-56.4</td>
</tr>
<tr>
<td>Ratio of equity attributable to owners of the parent (%)</td>
<td>30.4%</td>
<td>30.6%</td>
<td>+0.1pt</td>
</tr>
<tr>
<td>D/E ratio (times)</td>
<td>0.62</td>
<td>0.66</td>
<td>-0.04pt</td>
</tr>
<tr>
<td>Net D/E ratio (times)</td>
<td>0.37</td>
<td>0.34</td>
<td>+0.03pt</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>192.3</td>
<td>230.9</td>
<td>+38.6</td>
</tr>
</tbody>
</table>
<Ref.> Statements of Financial Position (At the end of June 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Change from previous quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>1,266.6</td>
<td>-186.8</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>1,065.9</td>
<td>-9.7</td>
</tr>
<tr>
<td>Total Assets</td>
<td>2,332.4</td>
<td>(-196.5 compared to Q1 2016)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>1,553.5</td>
<td>-138.2</td>
</tr>
<tr>
<td>Net Assets</td>
<td>779.0</td>
<td>-58.3</td>
</tr>
</tbody>
</table>

Q1 Results

- Collection of trade and other receivables
- Decrease in trade and other payables, as well as accruals
- Payment of dividends and recording of net loss attributable to owners of the parent

(Billions of Yen)

Compared to end of March 2016
IT services in Japan for Q1, FY17/3 showed stable performance in manufacturing and financial areas, while it decreased in the retail and services areas.

The order trend for IT investment in services: 94% YoY

- Q1 FY17/3 Order 94%
Financial Forecasts for FY17/3 (Appendix)
## Financial Forecasts by Segment (two-year transition)

### Revenue

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 (J-GAAP)</th>
<th>FY16/3 (IFRS)</th>
<th>FY17/3 Forecasts (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>766.8</td>
<td>771.6</td>
<td>735.0</td>
</tr>
<tr>
<td>Enterprise</td>
<td>300.7</td>
<td>300.3</td>
<td>305.0</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>698.9</td>
<td>697.5</td>
<td>705.0</td>
</tr>
<tr>
<td>System Platform</td>
<td>728.5</td>
<td>728.6</td>
<td>755.0</td>
</tr>
<tr>
<td>Others</td>
<td>326.2</td>
<td>326.8</td>
<td>380.0</td>
</tr>
</tbody>
</table>

### Operating Profit/Loss

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 (J-GAAP)</th>
<th>FY16/3 (IFRS)</th>
<th>FY17/3 Forecasts (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>57.5</td>
<td>57.3</td>
<td>69.0</td>
</tr>
<tr>
<td>Enterprise</td>
<td>22.2</td>
<td>23.9</td>
<td>19.0</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>45.6</td>
<td>46.5</td>
<td>48.0</td>
</tr>
<tr>
<td>System Platform</td>
<td>37.5</td>
<td>31.7</td>
<td>32.0</td>
</tr>
<tr>
<td>Others Adjustment</td>
<td>-8.9</td>
<td>-18.2</td>
<td>-69.0</td>
</tr>
</tbody>
</table>

*Forecasts as of July 29, 2016*
Financial Forecasts by Segment

Revenue Forecast for FY17/3 2,880.0

Operating Profit Forecast for FY17/3

- Public: 69.0
- Telecom Carrier: 48.0
- System Platform: 32.0
- Enterprise: 19.0
- Others: 1.0

*Forecasts as of July 29, 2016
Public Business

### Revenue

- **FY16/3 (J-GAAP):** 766.8 Billion (YoY -6.7%)
- **FY16/3 (IFRS):** 771.6 Billion (YoY -4.7%)
- **FY17/3 Forecasts (IFRS):** 735.0 Billion (YoY -4.7%)

- Decrease* due to a decline in the public areas, despite an increase of sales for the central government

  * Including transfer of certain business (Approx. -40 billion yen)

### Operating Profit

- **FY16/3 (J-GAAP):** 57.5 Billion
- **FY16/3 (IFRS):** 57.3 Billion
- **FY17/3 Forecasts (IFRS):** 69.0 Billion (YoY +11.7%)

- Improve due to a decrease in loss-making projects and cost reduction

### Operating Profit Ratio

- **FY16/3 (J-GAAP):** 7.5%
- **FY16/3 (IFRS):** 7.4%
- **FY17/3 Forecasts (IFRS):** 9.4%

*Forecasts as of July 29, 2016
Enterprise Business

(Billions of Yen)

Revenue 305.0 (+1.6%)
- Increase in manufacturing industries

Operating Profit 19.0 (-4.9)
- Decrease due to project lineup changes and an investment increase in the IT services business for retail industries

Revenue

Operating Profit

Operating Profit Ratio

FY16/3 (J-GAAP) 300.7 (+11.2%)
 Operating Profit 22.2
 Operating Profit Ratio 7.4%

FY16/3 (IFRS) 300.3
 Operating Profit 23.9
 Operating Profit Ratio 8.0%

FY17/3 Forecasts (IFRS) 305.0 (+1.6%)
 Operating Profit 19.0
 Operating Profit Ratio 6.2%

*Forecasts as of July 29, 2016
Revenue 705.0 (+1.1%)
- Increase in TOMS and SDN/NFV in the international market
- Decrease in Japan

Operating Profit 48.0 (+1.5)
- Improve due to a sales increase

* TOMS: Telecom Operations & Management Solutions
SDN: Software-Defined Networking
NFV: Network Functions Virtualization

*Forecast as of July 29, 2016
### System Platform Business

#### Revenue

- **FY16/3 (J-GAAP)**: 728.5 Billion of Yen (YoY -0.0%)
- **FY16/3 (IFRS)**: 728.6 Billion of Yen (YoY 5.2%)
- **FY17/3 Forecasts (IFRS)**: 755.0 Billion of Yen (YoY +3.6%)

- Increase* in services and enterprise networks

* Including transfer of certain business (Approx. +10 billion yen)

#### Operating Profit

- **FY16/3 (J-GAAP)**: 37.5 Billion of Yen
- **FY16/3 (IFRS)**: 31.7 Billion of Yen (YoY 4.4%)
- **FY17/3 Forecasts (IFRS)**: 32.0 Billion of Yen (YoY 4.2%)

- Remain flat due to project lineup changes, despite a sales increase

---

*Forecasts as of July 29, 2016*
### Others

#### Revenue

- **Revenue**: 380.0 (-16.3%)
  - Increase due to expansion of international business while the energy business remains flat
  - *Including transfer of certain business (Approx. +30 billion yen)*

### Operating Profit

- **Operating Profit**: 1.0 (+19.2)
  - Move it into the black due to profit improvement in the energy business

*Forecasts as of July 29, 2016*
Revenue Change (Year on Year)

- **Public**
  - FY16/3: 2,824.8
  - Forecast: 2,880.0
  - Change: -36.6

- **Enterprise**
  - FY16/3: 2,824.8
  - Forecast: 2,880.0
  - Change: +4.7

- **Telecom Carrier**
  - FY16/3: 2,824.8
  - Forecast: 2,880.0
  - Change: +7.5

- **System Platform**
  - FY16/3: 2,824.8
  - Forecast: 2,880.0
  - Change: +26.4

- **Others**
  - FY16/3: 2,824.8
  - Forecast: 2,880.0
  - Change: +53.2

Increase due to expansion of international business while the energy business remains flat.

Increase in TOMS and SDN/NFV in the international market.

Decrease in Japan.

Increase in services and enterprise networks.

Increase due to a decline in the public areas, despite an increase of sales for the central government.

Increase in manufacturing industries.

Increase in services and enterprise networks.

*Forecasts as of July 29, 2016*
Operating Profit Change (Year on Year)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3</th>
<th>Forecast FY17/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>+11.7</td>
<td></td>
</tr>
<tr>
<td>Enterprise</td>
<td>-4.9</td>
<td></td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>+1.5</td>
<td></td>
</tr>
<tr>
<td>System Platform</td>
<td>+0.3</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>+19.2</td>
<td></td>
</tr>
<tr>
<td>Adjustment</td>
<td>-19.2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>91.4</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Forecast as of July 29, 2016

**Decrease due to** project lineup changes and an investment increase in the IT services business for retail industries.

**Public**
- Increase in sales due to improved sales performance.

**Enterprise**
- Decrease due to project lineup changes and an investment increase in the IT services business for retail industries.

**Telecom Carrier**
- Increase in sales due to improved sales performance.

**System Platform**
- Increase in sales due to improved sales performance.

**Others**
- Increase in sales due to improved sales performance.

**Adjustment**
- Decrease due to project lineup changes, despite a sales increase.

**Increase in costs**
**Net Profit Change (Year on Year)**

**Operating Profit**
- FY16/3: 75.9
- Forecast FY17/3: 50.0

**Financial Income/Costs, etc.**
- Others: +19.2
- Public: +11.7
- Telecom Carrier: +1.5
- System Platform: +0.3
- Enterprise: -4.9
- Adjustment: -19.2

**Tax Expenses**
- Decrease in tax expense through dissolution of a consolidated subsidiary (the previous fiscal year), etc.

*Forecasts as of July 29, 2016*
Capital Expenditure, Depreciation and R&D expenses

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY16/3 (J-GAAP)</th>
<th>FY16/3 (IFRS)</th>
<th>FY17/3 Forecast (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Enterprise</td>
<td>7.1</td>
<td>7.1</td>
<td>19.0</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>6.5</td>
<td>6.5</td>
<td>0.5</td>
</tr>
<tr>
<td>System Platform</td>
<td>7.3</td>
<td>7.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Others</td>
<td>14.2</td>
<td>14.2</td>
<td>11.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>36.3</strong></td>
<td><strong>36.3</strong></td>
<td><strong>45.0</strong></td>
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</table>

Depreciation

<table>
<thead>
<tr>
<th></th>
<th>FY16/3 (J-GAAP)</th>
<th>FY16/3 (IFRS)</th>
<th>FY17/3 Forecast (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom Carrier</td>
<td>6.5</td>
<td>6.5</td>
<td>0.5</td>
</tr>
<tr>
<td>System Platform</td>
<td>7.3</td>
<td>7.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Others</td>
<td>14.2</td>
<td>14.2</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36.3</strong></td>
<td><strong>36.3</strong></td>
<td><strong>45.0</strong></td>
</tr>
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</table>

R&D Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY16/3 (J-GAAP)</th>
<th>FY16/3 (IFRS)</th>
<th>FY17/3 Forecast (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom Carrier</td>
<td>43.9</td>
<td>43.9</td>
<td>43.9</td>
</tr>
<tr>
<td>System Platform</td>
<td>40.3</td>
<td>40.3</td>
<td>40.3</td>
</tr>
<tr>
<td>Others</td>
<td>21.8</td>
<td>21.8</td>
<td>21.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>124.0</strong></td>
<td><strong>123.6</strong></td>
<td><strong>125.0</strong></td>
</tr>
</tbody>
</table>

% to Revenue

- Public Enterprise: 4.4%
- Telecom Carrier: 4.4%
- System Platform: 4.3%

*Forecasts as of July 29, 2016
Reference
The Nikkei Stock Average and NEC stock price trend from April 1 to June 30. Key dates include:

- **Apr 28**: Full year earnings release
- **Mid-term Management Plan 2018**
- **Jun 22**: Ordinary General Meeting of Shareholders

The graph shows the stock price movement in Yen for the specified periods.
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.

Note: In this presentation, the accounting periods of the fiscal years for March 31, 2015 and 16 were referred as FY15/3 and FY16/3 respectively. Any other fiscal years would be referred similarly.