Financial Results for 1H Fiscal Year Ending March 31, 2017

October 31, 2016
NEC Corporation
(http://www.nec.com/en/global/ir)
Index

Ⅰ. Financial Results for 1H, FY17/3
Ⅱ. Financial Forecasts for FY17/3
Ⅲ. Progress on Mid-term Management Plan 2018

Financial Results for 1H, FY17/3 (Appendix)
Financial Forecasts for FY17/3 (Appendix)
Reference

* Net profit refers to net profit attributable to owners of the parent for the same period.
I. Financial Results for 1H, FY17/3
Summary of Financial Results for 1H

- **Revenue**
  - Decreased year on year
  - Decrease in Public and Telecom Carrier business, despite an increase in Enterprise business
  - YoY -8.3%

- **Operating Profit**
  - Decreased year on year
  - Decrease in Telecom Carrier business and Others, despite an increase in Enterprise business
  - YoY -15.3B Yen

- **Net Profit**
  - Increased year on year
  - Improvement due to a gain from the transfer of shares in an affiliated company and reconsideration of tax expenses through making Japan Aviation Electronics Industry a consolidated subsidiary
  - YoY +4.5B Yen
### Summary of Financial Results for 1H

#### 1H Results

<table>
<thead>
<tr>
<th></th>
<th>Q2 &lt;July to September&gt;</th>
<th>1H &lt;April to September&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY16/3 Actual</td>
<td>FY17/3 Actual</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>722.4</td>
<td>682.4</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>26.6</td>
<td>33.7</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>3.7%</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Income before IT</strong></td>
<td>24.2</td>
<td>46.3</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>14.2</td>
<td>33.2</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>2.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Free Cash Flows</strong></td>
<td>-71.6</td>
<td>-16.7</td>
</tr>
</tbody>
</table>

#### Note:

- **Average Exchange Rates (yen)**
  - USD 1: 123.40 103.60
  - EUR 1: 137.18 115.65
# 1H Results by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q2 &lt;July to September&gt;</th>
<th>1H &lt;April to September&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY16/3 Actual</td>
<td>FY17/3 Actual</td>
</tr>
<tr>
<td>Public</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>190.1</td>
<td>164.6</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>13.9</td>
<td>16.0</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>7.3%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Enterprise</td>
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<tr>
<td>Revenue</td>
<td>78.0</td>
<td>88.6</td>
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<tr>
<td>Operating Profit</td>
<td>6.4</td>
<td>9.5</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>8.3%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>185.1</td>
<td>161.7</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>15.2</td>
<td>11.2</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>8.2%</td>
<td>6.9%</td>
</tr>
<tr>
<td>System Platform</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>187.6</td>
<td>189.6</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>4.9</td>
<td>12.3</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>2.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>81.6</td>
<td>77.8</td>
</tr>
<tr>
<td>Operating Profit/Loss</td>
<td>3.7</td>
<td>1.2</td>
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<tr>
<td>% to Revenue</td>
<td>4.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Adjustment</td>
<td>-17.5</td>
<td>-16.4</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>722.4</td>
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<td>% to Revenue</td>
<td>3.7%</td>
<td>4.9%</td>
</tr>
</tbody>
</table>
## Public Business

### 1H Results

#### Billions of Yen (YoY)

<table>
<thead>
<tr>
<th></th>
<th>FY16/3 1H (J-GAAP)</th>
<th>FY16/3 1H (IFRS)</th>
<th>FY17/3 1H (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>334.6</td>
<td>335.7</td>
<td>282.1</td>
</tr>
<tr>
<td>YoY</td>
<td>-2.9%</td>
<td>-16.0%</td>
<td>-16.0%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>12.6</td>
<td>14.5</td>
<td>13.4</td>
</tr>
<tr>
<td>Operating Profit Ratio</td>
<td>3.8%</td>
<td>4.3%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

### Revenue 282.1 (-16.0%)
- Decreased due to a decline in large-scale projects for the central government when compared to the previous fiscal year, and a decline in demand for the digitalization of fire and emergency radio in the public areas.

### Operating Profit 13.4 (-1.0)
- Worsened due to a sales decline, despite an improvement from cost reduction.
Enterprise Business

1H Results

Revenue 155.2 (+5.8%)
- Increased due to strong sales from manufacturing industries

Operating Profit 13.2 (+3.3)
- Improved due to a sales increase and higher profitability in system construction services

<table>
<thead>
<tr>
<th>FY16/3 1H (J-GAAP)</th>
<th>FY16/3 1H (IFRS)</th>
<th>FY17/3 1H (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue 146.6</td>
<td>Revenue 146.6</td>
<td>Revenue 155.2</td>
</tr>
<tr>
<td>Operating Profit 9.0</td>
<td>Operating Profit 9.8</td>
<td>Operating Profit 13.2</td>
</tr>
<tr>
<td>Operating Profit Ratio 6.1%</td>
<td>Operating Profit Ratio 6.7%</td>
<td>Operating Profit Ratio 8.5%</td>
</tr>
</tbody>
</table>

YoY

(Billions of Yen)
## Telecom Carrier Business

### 1H Results

<table>
<thead>
<tr>
<th></th>
<th>FY16/3 1H (J-GAAP)</th>
<th>FY16/3 1H (IFRS)</th>
<th>FY17/3 1H (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Billions of Yen)</td>
<td>327.5 (-1.5%)</td>
<td>328.1 (-13.8%)</td>
<td>282.9 (-13.8%)</td>
</tr>
<tr>
<td>Operating Profit (Billions of Yen)</td>
<td>10.3 (3.1%)</td>
<td>12.8 (3.9%)</td>
<td>4.3 (-8.5%)</td>
</tr>
<tr>
<td>Operating Profit Ratio</td>
<td>3.1%</td>
<td>3.9%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

### Revenue

**Revenue** 282.9 (-13.8%)

- Decreased due to sluggish capital investment by domestic and international telecommunications carriers and the influence of the strong yen.

### Operating Profit

**Operating Profit** 4.3 (-8.5)

- Worsened due to a sales decline and the influence of the strong yen.
System Platform Business

1H Results

**Revenue**
- 339.8 (-2.3%)
  - Decreased in hardware

**Operating Profit**
- 7.8 (-1.4)
  - Worsened due to a sales decline
1H Results

Revenue

- Decreased due to an impact from the transfer of mobile handset business, as well as a decline in the energy business

Operating Profit/Loss

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

Operating Profit
-15.3

Financial Income/Costs, etc.
+8.1

Income taxes
+11.7
(including reconsideration of tax expenses through making Japan Aviation Electronics Industry a consolidated subsidiary +6.0)

Others
+11.7

Financial income
+20.3
Share of profit of entities accounted for using the equity method
-0.6
Financial costs
-11.6

FY16/3 1H 8.6

FY17/3 1H 13.1

(Billions of Yen)
II. Financial Forecasts for FY17/3
Achieve 50.0 billion yen in net profit, continue an annual dividend of 6 yen per share.

### Summary of Financial Forecasts

<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) | 6.00 | 6.00 | 0.00 |

*Assumed exchange rates for 2H, FY17/3 $1=¥105, €1=¥115

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<table>
<thead>
<tr>
<th></th>
<th>FY16/3 Actual</th>
<th>FY17/3 Forecasts</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>771.6</td>
<td>735.0</td>
<td>-4.7%</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>57.3</td>
<td>69.0</td>
<td>+11.7</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>300.3</td>
<td>305.0</td>
<td>+1.6%</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>23.9</td>
<td>19.0</td>
<td>-4.9</td>
</tr>
<tr>
<td><strong>Enterprise</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>697.5</td>
<td>705.0</td>
<td>+1.1%</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>46.5</td>
<td>48.0</td>
<td>+1.5</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>469.5</td>
<td>499.5</td>
<td>+3.6%</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>6.7%</td>
<td>6.8%</td>
<td>+0.3</td>
</tr>
<tr>
<td><strong>Telecom Carrier</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>326.8</td>
<td>380.0</td>
<td>+16.3%</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>-18.2</td>
<td>1.0</td>
<td>+19.2</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>-49.8</td>
<td>-69.0</td>
<td>-19.2</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>-5.6%</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td><strong>System Platform</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>2,824.8</td>
<td>2,880.0</td>
<td>+2.0%</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>91.4</td>
<td>100.0</td>
<td>+8.6</td>
</tr>
<tr>
<td><strong>Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Profit/Loss</td>
<td>-49.8</td>
<td>-69.0</td>
<td>-19.2</td>
</tr>
<tr>
<td>% to Revenue</td>
<td>-5.6%</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% to Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Forecasts as of October 31, 2016
Major Factors of Full-year Forecasts

Elements yet to be factored into full-year forecasts

- Transfer of a portion of shares in Lenovo NEC Holdings B.V. (done)
- Tender offer for shares of Japan Aviation Electronics Industry, Limited (to be commenced)

Progress of businesses after Q2 Earnings

- Public: Progress of aerospace and defense projects, Control of unprofitable projects
- Enterprise: IT investment trend in Japan, Profitability improvement for systems construction
- Telecom Carrier: Capex trend of domestic and international operators, Forex impact
- System Platform: Sales increase especially in hardware
- Others: Improvement in the energy business, Global business expansion

*Forecasts as of October 31, 2016*
Ⅲ. Progress on Mid-term Management Plan 2018
Mid-term Management Policies

Implement reforms to address challenges and continue focus on Solutions for Society

**Reorganization of profit structure** – establish profit structure for generating 5% operating profit ratio -
- Reform underperforming businesses and unprofitable projects
- Business process optimization project
- Optimization of development and manufacturing functions

**Getting back on the track to growth** - globalization of Solutions for Society
- Focus on key businesses
  - Safety business
  - Global carrier network business
  - Retail IT service business
Reforming Underperforming Businesses and Unprofitable Projects

Smart energy business

1H 2016
- Tougher competition under stagnant capex of utility companies
- Weaker demand for small energy storage after the termination of subsidy
  (Sales decreased by ¥5.0 Bil. YoY.
  Operating loss worsened by ¥2.0 Bil. YoY)

Measures underway
- Resource shift
  (Target 15% reduction of headcount YoY)
- Business for the Japanese utility companies transferred to Public Business (effective on Oct. 1)
- Reviewing the system development operation of small energy storage

Control of unprofitable projects

1H 2016
- Drastic reduction of losses from IT-related unprofitable projects
  (Improved ¥5.0 Bil. YoY)

Measures underway
- Prevention of new unprofitable projects
Business Process Optimization Project

Integration of back-office operations
- Back-office operations of subsidiaries in Japan to be integrated with NEC Corporation under NMP -> 90% of planned integration completed (4,300 personnel now under NMP)
- IT management -> Approx. ¥20 Bil. in IT assets transferred to NMP
- International back-office operations -> Integration in process in Greater China, then other areas

Execution of optimization under NMP
- Cross-organization activities (35 themes)
- Operation efficiency capitalizing on AI technology and RPA* (Integrating internal help desk, automation of routine tasks)

Change the way of operations for the 100K members of the NEC Group
- Sharing NMP’s know-how of back-office efficiency with different areas
- Started improving the efficiency of sales processes, expanding to other business processes

*RPA: Robotic Process Automation
Optimization of Development and Manufacturing Functions

Enhancement of hardware development and production

Integrate hardware development and production subsidiaries in Japan (effective on Apr. 1, 2017)

- Integrate 5 companies/divisions into one as a consolidated operation of the NEC Group’s hardware development and production, both for IT and network equipment
  - NEC Platforms, Ltd. (Development and production of IT systems)
  - NEC Network Products, Ltd. (Development and production of network equipment)
  - NEC Yamanashi, Ltd. (Production of optical communication devices)
  - NEC Engineering, Ltd. (System solution provider, including the development of various equipment)
  - Equipment development operation of NEC Communication Systems, Ltd. (Development of communication equipment)
Safety Business

Enhanced operation, customer wins

- Acquired Arcon Informatica S.A, an IT security business in Brazil
  - Expand IT Security business in Brazil by capitalizing on Arcon’s leading technologies, know-how, and capability to support large scale customers

- Contributed to India’s Aadhaar identification program through biometrics technologies

- Delivered video surveillance systems at football stadium in Medellin, Colombia

- Selected by South Australia Police to provide face recognition systems

- Launched biometrics business office in Washington, D.C., U.S.A.

- Established Security Operations Center in Austria
AI Technology

Accelerate development and use of state-of-the-art AI technologies supporting advanced fields

- Launched AI brand “NEC the WISE”
  - Social value creation utilizing advanced AI technology for “Visualization,” “Analysis,” and “Prescription”

- Industry-Academia alliance for the better use of AI, including legal systems and ethics
  - Osaka University: Joint research on Brain-inspired computing, a “post-deep learning” technology
  - National Institute of Advanced Industrial Science and Technology (AIST): Convergence of simulation and AI supporting decision making under uncertainties
  - University of Tokyo: Joint research on AI including “brain-morphic,” a processing technology with low power consumption. Investigation of ethics and legal systems. Promotion of human resource development

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Getting Back on the Track to Growth
SDN/NFV

Awarded commercial deployment from 5 tier-1 operators in Europe, Middle East and North America

SDN/NFV gains momentum among global carriers

NEC’s enhanced proposal through the “Agile Virtualization Platform and Practice” (Released in May 2016)

- Support rapid implementation of new carrier services (e.g. enterprise solutions)
- Visualize SDN/NFV effects
- Consulting

*SDN: Software-Defined Networking
NFV: Network Functions Virtualization

*As of October 31, 2016
GE Digital and NEC Explore IoT Collaboration

Establish seamless support for Japanese customers to develop, implement, operate and maintain IoT solutions

- **Realize an industrial IoT ecosystem**
  - NEC deploys Predix for its global supply-chain improvement project
  - Start joint marketing of Predix in Japan

- **Create new value in the industrial IoT space by integrating technologies of both companies**

- **Leverage the support and training capability for Predix**
  - Enhance customer support for Predix in Japan
  - Expand Predix related training sessions and increase the number of certified engineers

- **Develop cyber security solutions in the operational technology (OT) and IT space**

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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 October 31, 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 Q2, FY17/3 (Appendix)
Results for 1H by Segment (two-year transition)

**Revenue**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 1H (J-GAAP)</th>
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<td>335.7</td>
<td>282.1</td>
</tr>
<tr>
<td>Enterprise</td>
<td>146.6</td>
<td>146.6</td>
<td>155.2</td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>327.5</td>
<td>328.1</td>
<td>282.9</td>
</tr>
<tr>
<td>System Platform</td>
<td>347.8</td>
<td>347.8</td>
<td>339.8</td>
</tr>
<tr>
<td>Others</td>
<td>151.6</td>
<td>151.4</td>
<td>141.1</td>
</tr>
</tbody>
</table>

**Operating Profit/Loss**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 1H (J-GAAP)</th>
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<tr>
<td>Public</td>
<td>12.6</td>
<td>14.5</td>
<td>13.4</td>
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<tr>
<td>Enterprise</td>
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<td>9.8</td>
<td>13.2</td>
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<td>Telecom Carrier</td>
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<td>12.8</td>
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<td>System Platform</td>
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<td>Others</td>
<td>-4.4</td>
<td>-2.5</td>
<td>-7.2</td>
</tr>
<tr>
<td>Adjustment</td>
<td>-24.8</td>
<td>-24.8</td>
<td>-27.7</td>
</tr>
</tbody>
</table>

(Billions of Yen)
Financial Results for 1H by Segment

Revenue

- Public 23%
- Enterprise 13%
- Telecom Carrier 24%
- System Platform 28%
- Others 12%

Revenue for 1H, FY17/3: 1,201.1

Operating Profit/Loss

- Public 13.4
- Enterprise 13.2
- Telecom Carrier 4.3
- System Platform 7.8
- Others -7.2

Operating Profit for 1H, FY17/3: 3.7
Revenue Change (Year on Year)

(Billions of Yen)

**FY16/3 1H**
- **Public** -53.6
- **Enterprise** +8.5
- **Telecom Carrier** -45.2
- **System Platform** -8.0
- **Others** -10.3

**FY17/3 1H**
- 1,201.1

**Increased due to strong sales from manufacturing industries**

**Decreased due to sluggish capital investment by domestic and international telecommunications carriers and the influence of the strong yen**

**Decreased in hardware**

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

**Decreased due to an impact from the transfer of mobile handset business, as well as a decline in the energy business**
Operating Profit Change (Year on Year)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 1H</th>
<th>FY17/3 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>-1.0</td>
<td></td>
</tr>
<tr>
<td>Enterprise</td>
<td>+3.3</td>
<td></td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>-8.5</td>
<td></td>
</tr>
<tr>
<td>System Platform</td>
<td>-1.4</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>-4.7</td>
<td></td>
</tr>
<tr>
<td>Adjustment</td>
<td>-2.9</td>
<td>3.7</td>
</tr>
</tbody>
</table>

(Billions of Yen)

Improved due to a sales increase and higher profitability in system construction services.

Worsened due to a sales decline and the influence of the strong yen.

Worsened due to a sales decline.

Worsened due to a sales decline.

Worsened due to a sales decline.

Increased in costs.

Worsened due to a sales decline, despite an improvement from cost reduction.

Improved due to a sales increase and higher profitability in system construction services.

Weakening due to a sales decline, despite an improvement from cost reduction.

Increased in costs.

Operating Profit Change (Year on Year)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY16/3 1H</th>
<th>FY17/3 1H</th>
</tr>
</thead>
<tbody>
<tr>
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<td>-1.0</td>
<td></td>
</tr>
<tr>
<td>Enterprise</td>
<td>+3.3</td>
<td></td>
</tr>
<tr>
<td>Telecom Carrier</td>
<td>-8.5</td>
<td></td>
</tr>
<tr>
<td>System Platform</td>
<td>-1.4</td>
<td></td>
</tr>
<tr>
<td>Others</td>
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<td></td>
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</table>

(Billions of Yen)

Improved due to a sales increase and higher profitability in system construction services.

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Worsened due to a sales decline, despite an improvement from cost reduction.

Improved due to a sales increase and higher profitability in system construction services.

Weakening due to a sales decline, despite an improvement from cost reduction.

Increased in costs.
### International Revenue

#### Revenue by Region

- **Greater China, APAC**: 9.5%
- **EMEA**: 4.6%
- **APAC**: 2.8%
- **The Americas**: 7.1%
- **Japan**: 78.8%

#### Revenue for 1H, FY17/3
- **1,201.1**

#### International Revenue Ratio

- **FY16/3 1H (J-GAAP)**: 22.8%
- **FY16/3 1H (IFRS)**: 22.8%
- **FY17/3 1H (IFRS)**: 21.2%

- **The Americas**: 103.5 (FY16/3 1H), 103.9 (FY16/3 1H), 84.9 (FY17/3 1H)
- **EMEA**: 65.2 (FY16/3 1H), 65.2 (FY16/3 1H), 55.6 (FY17/3 1H)
- **Greater China, APAC**: 129.2 (FY16/3 1H), 129.2 (FY16/3 1H), 114.6 (FY17/3 1H)

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

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

FY16/3 1H (J-GAAP)
- 32.8
- 9.4
- -23.5

FY16/3 1H (IFRS)
- 32.8
- 9.4
- -23.5

FY17/3 1H (IFRS)
- 33.0
- 14.0

Proceeds from sales of investments in affiliated companies

(Billions of Yen)
## Financial Position Data

### (Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>End of March 2016</th>
<th>End of September 2016</th>
<th>Variance from end of March 2016</th>
<th>End of September 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>2,528.9</td>
<td>2,437.2</td>
<td>-91.7</td>
<td>2,502.8</td>
</tr>
<tr>
<td>Total equity</td>
<td>837.2</td>
<td>814.8</td>
<td>-22.4</td>
<td>869.4</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>479.5</td>
<td>530.8</td>
<td>+51.3</td>
<td>529.0</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>769.8</td>
<td>747.2</td>
<td>-22.6</td>
<td>802.2</td>
</tr>
<tr>
<td>Ratio of equity attributable to owners of the parent (%)</td>
<td>30.4%</td>
<td>30.7%</td>
<td>+0.2pt</td>
<td>32.1%</td>
</tr>
<tr>
<td>D/E ratio (times)</td>
<td>0.62</td>
<td>0.71</td>
<td>-0.09pt</td>
<td>0.66</td>
</tr>
<tr>
<td>Net D/E ratio (times)</td>
<td>0.37</td>
<td>0.35</td>
<td>+0.02pt</td>
<td>0.42</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>192.3</td>
<td>270.9</td>
<td>+78.6</td>
<td>188.5</td>
</tr>
</tbody>
</table>
Statements of Financial Position (At the end of September 2016)

Total Assets: 2,437.2
-91.7 compared to end of March 2016

Current Assets: 1,387.4
-65.9
Collection of trade and other receivables

Noncurrent Assets: 1,049.8
-25.8

Liabilities: 1,622.5
-69.2
Decrease in trade and other payables

Net Assets: 814.8
-22.4
Decrease in other components of equity

(Billions of Yen)

Compared to end of March 2016
Business Environment

The order trend for IT investment in services: 102% YoY

IT services in Japan for 1H, FY17/3 showed stable performance in manufacturing areas and for the central government, while it decreased in the public areas.

**IT Services Order Trend in Japan (by Quarter, YoY)**

- FY15/3:
  - Q1: 110%
  - Q2: 116%
  - Q3: 108%
  - Q4: 105%

- FY16/3:
  - Q1: 95%
  - Q2: 94%

- FY17/3:
  - Q1: 111%
  - Q2: 102%

1H FY17/3 Order 102%
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>57.3</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>-98.8</td>
</tr>
<tr>
<td>Adjustment</td>
<td>-46.7</td>
<td>-49.8</td>
<td>-69.0</td>
</tr>
</tbody>
</table>

*Forecasts as of October 31, 2016*
Financial Forecasts by Segment

Revenue Forecast for FY17/3: 2,880.0

Operating Profit Forecast for FY17/3:
- Public: 69.0 (Billions of Yen)
- Telecom Carrier: 48.0
- System Platform: 32.0
- Enterprise: 19.0
- Others: 1.0

*Forecasts as of October 31, 2016
Public Business

**Revenue** 735.0 (-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** 69.0 (+11.7)
- Improve due to a decrease in loss-making projects and cost reduction

---

<table>
<thead>
<tr>
<th>FY16/3 (J-GAAP)</th>
<th>FY16/3 (IFRS)</th>
<th>FY17/3 Forecasts (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>766.8</td>
<td>735.0</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>57.5</td>
<td>69.0</td>
</tr>
<tr>
<td>Operating Profit Ratio</td>
<td>7.5%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

---

*Forecasts as of October 31, 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

FY16/3 (J-GAAP) 300.7
- Operating Profit 22.2 (+11.2%)
- 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
- Operating Profit 19.0 (+1.6%)
- Operating Profit Ratio 6.2%

Forecasts FY17/3

*Forecasts as of October 31, 2016
**Telecom Carrier Business**

- **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

**Billions of Yen (YoY)**

<table>
<thead>
<tr>
<th>FY16/3 (J-GAAP)</th>
<th>FY16/3 (IFRS)</th>
<th>FY17/3 Forecasts (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>698.9 (-5.6%)</td>
<td>697.5 (6.7%)</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>45.6 (6.5%)</td>
<td>46.5 (6.7%)</td>
</tr>
<tr>
<td>Operating Profit Ratio</td>
<td>6.5%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

*Forecasts as of October 31, 2016

*TOMS: Telecom Operations & Management Solutions*
Revenue 755.0 (+3.6%)
- Increase* in services and enterprise networks
  * Including transfer of certain business (Approx. +10 billion yen)

Operating Profit 32.0 (+0.3)
- Remain flat due to project lineup changes, despite a sales increase

*Forecasts as of October 31, 2016
### 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

**1.0 (+19.2)**

- Move it into the black due to profit improvement in the energy business

*Forecasts as of October 31, 2016*
Revenue Change (Year on Year)

<table>
<thead>
<tr>
<th>Public</th>
<th>Enterprise</th>
<th>Telecom Carrier</th>
<th>System Platform</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>-36.6</td>
<td>+4.7</td>
<td>+7.5</td>
<td>+26.4</td>
<td>+53.2</td>
</tr>
</tbody>
</table>

- Decrease due to a decline in the public areas, despite an increase of sales for the central government.
- Increase in TOMS and SDN/NFV in the international market.
- Decrease in Japan.
- Increase in manufacturing industries.
- Increase in services and enterprise networks.
- Increase due to expansion of international business while the energy business remains flat.

FY16/3 Forecast: 2,824.8
FY17/3 Forecast: 2,880.0

*Forecasts as of October 31, 2016
Operating Profit Change (Year on Year)

**FY16/3**
- **Public** +11.7
- **Enterprise** -4.9
- **Telecom Carrier** +1.5
- **System Platform** +0.3

**FY17/3 Forecast**
- **Others** +19.2
- **Adjustment** -19.2

*Forecasts as of October 31, 2016*

- **Increase in costs**
- **Remain flat due to project lineup changes, despite a sales increase**
- **Move it into the black due to profit improvement in the energy business**
- **Decrease due to project lineup changes and an investment increase in the IT services business for retail industries**
- **Improve due to a decrease in loss-making projects and cost reduction**
- **Improve due to a sales increase**

(Billions of Yen)
Net Profit Change (Year on Year)

Operating Profit
+8.6

Financial Income/Costs, etc.

Tax Expenses

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

Forecasts FY17/3

FY16/3 75.9

FY17/3 Forecast 50.0

Others +19.2
Public +11.7
Telecom Carrier +1.5
System Platform +0.3
Enterprise -4.9
Adjustment -19.2

*(Forecasts as of October 31, 2016)
Capital Expenditure, Depreciation and R&D expenses

(Billions of Yen)

**Capital Expenditure**

<table>
<thead>
<tr>
<th>Category</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>6.5</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>
</tbody>
</table>

**Depreciation**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY16/3 (J-GAAP)</th>
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<th>FY17/3 Forecast (IFRS)</th>
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<tbody>
<tr>
<td>Others</td>
<td>21.8</td>
<td>40.3</td>
<td>124.0</td>
</tr>
</tbody>
</table>

**R&D Expenses**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY16/3 (J-GAAP)</th>
<th>FY16/3 (IFRS)</th>
<th>FY17/3 Forecast (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>12.8</td>
<td>12.9</td>
<td>12.8</td>
</tr>
</tbody>
</table>

*Forecasts as of October 31, 2016
Exchange Rate

Dollar/Yen Exchange Rate (Actual)
Dollar/Yen Assumed Exchange Rate
Dollar/Yen Average Exchange Rate

Euro/Yen Exchange Rate (Actual)
Euro/Yen Assumed Exchange Rate
Euro/Yen Average Exchange Rate

(Yen)


$125 $115 $124.38 $115.65
€115 $105 $103.60

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The Nikkei Stock Average

NEC Stock Price (Yen)

Apr 28 Full year earnings release
Mid-term Management Plan 2018

Jun 22 Ordinary General Meeting of Shareholders

Jul 29 Q1 earnings release
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.