News Release

Orchestrating a brighter world NEC

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***** For immediate use October 31, 2016

Consolidated Financial Results

for the First Half

of the Fiscal Year Ending

March 31, 2017

1. Consolidated Business Results

The NEC Group adopted International Financial Reporting Standards (IFRS) starting with the fiscal year ending March 31, 2017. Consolidated financial statements for the previous fiscal year's second quarter, the previous fiscal year’s cumulative period through the second quarter and for the previous fiscal year are also presented in accordance with IFRS.

(1) Overview of the first half of the fiscal year ending March 31, 2017 (six months ended September 30, 2016)

The worldwide economy during the six months ended September 30, 2016 was characterized overall by a gradual pace of growth, mainly owing to the instability of financial markets from growing uncertainty due to the United Kingdom's decision to withdraw from the European Union, despite steady performance in the United States, Europe and other industrialized nations.

As for the Japanese economy, in addition to the deterioration of consumer sentiment due to such factors as the strong yen and falling stock prices, domestic and foreign demand was sluggish, along with capital investment among enterprises, public investment and trade.

Under this business environment, the NEC Group recorded consolidated revenue of 1,201.1 billion yen for the six months ended September 30, 2016, a decrease of 108.7 billion yen (-8.3%) year-on-year. This decrease was mainly due to decreased sales in the Public business and the Telecom Carrier business.

Regarding profitability, operating profit (loss) worsened by 15.3 billion yen year-on-year, to an operating profit of 3.7 billion yen, mainly due to decreased revenue, despite the streamlining of selling, general and administrative expenses.

Income (loss) before income taxes was an income of 12.6 billion yen, a year-on-year worsening of 7.1 billion yen. This was primarily due to the worsening of operating profit (loss) in addition to the worsening of foreign exchange gains (losses), despite the increased gain on sales of affiliates' stocks.

Net profit (loss) attributable to owners of the parent for the first half was a profit of 13.1 billion yen, improving by 4.5 billion yen year-on-year. This was primarily due to decreased income taxes, despite the worsening of income (loss) before income taxes.

(2) Results by main business segment

Revenue by segment (revenue from customers):

Segments	Six months ended September 30, 2015	Six months ended September 30, 2016	Change
	In billions of yen	In billions of yen	%
Public	335.7	282.1	-16.0
Enterprise	146.6	155.2	5.8
Telecom Carrier	328.1	282.9	-13.8
System Platform	347.8	339.8	-2.3
Others	151.4	141.1	-6.8
Total	1,309.7	1,201.1	-8.3

Operating profit (loss) by segment:

Segments	Six months ended September 30, 2015	Six months ended September 30, 2016	Change
	In billions of yen	In billions of yen	In billions of yen
Public	14.5	13.4	-1.0
Enterprise	9.8	13.2	3.3
Telecom Carrier	12.8	4.3	-8.5
System Platform	9.2	7.8	-1.4
Others	-2.5	-7.2	-4.7
Adjustment	-24.8	-27.7	-2.9
Total	19.0	3.7	-15.3

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: Business Segment” 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:	282.1 billion yen	(-16.0%)
Operating Profit (Loss):	13.4 billion yen	(-1.0 billion yen)

In the Public business, revenue was 282.1 billion yen, a decrease of 53.6 billion yen (-16.0%) year-on-year, mainly due to decreased sales for government offices and public services where there were large-scale projects in the same period of the previous fiscal year, and decreased demand for the digitalization of fire and emergency radio in the public sector.

Operating profit (loss) worsened by 1.0 billion yen year-on-year, to an operating profit of 13.4 billion yen, mainly owing to decreased sales.

Enterprise Business

Revenue:	155.2 billion yen	(5.8%)
Operating Profit (Loss):	13.2 billion yen	(3.3 billion yen)

In the Enterprise business, revenue was 155.2 billion yen, an increase of 8.5 billion yen (5.8%) year-on-year, mainly due to strong sales from manufacturing industries.

Operating profit (loss) improved by 3.3 billion yen year-on-year, to an operating profit of 13.2 billion yen, mainly owing to increased sales and the improved profitability of system construction services.

Telecom Carrier Business

Revenue:	282.9 billion yen	(-13.8%)
Operating Profit (Loss):	4.3 billion yen	(-8.5 billion yen)

In the Telecom Carrier business, revenue was 282.9 billion yen, a decrease of 45.2 billion yen (-13.8%) year-on-year, mainly due to sluggish capital investment by domestic and international telecommunications carriers and the influence of the strong yen.

Operating profit (loss) worsened by 8.5 billion yen year-on-year, to an operating profit of 4.3 billion yen, mainly due to decreased sales and the influence of the strong yen.

System Platform Business

Revenue:	339.8 billion yen	(-2.3%)
Operating Profit (Loss):	7.8 billion yen	(-1.4 billion yen)

In the System Platform business, revenue was 339.8 billion yen, a decrease of 8.0 billion yen (-2.3%) year-on-year, mainly due to decreased sales in hardware.

Operating profit (loss) worsened by 1.4 billion yen year-on-year, to an operating profit of 7.8 billion yen, mainly due to decreased sales.

Others

Revenue:	141.1 billion yen	(-6.8%)
Operating Profit (Loss):	-7.2 billion yen	(-4.7 billion yen)

In Others, revenue was 141.1 billion yen, a decrease of 10.3 billion yen (-6.8%) year-on-year, mainly due to decreased sales in the Smart Energy business.

Operating profit (loss) worsened by 4.7 billion yen year-on-year, to an operating loss of 7.2 billion yen, mainly owing to decreased sales.

2. Consolidated Financial Condition

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

Total assets were 2,437.2 billion yen as of September 30, 2016, a decrease of 91.7 billion yen as compared with the end of the previous fiscal year. Current assets as of September 30, 2016 decreased by 65.9 billion yen compared with the end of the previous fiscal year to 1,387.4 billion yen, mainly due to the collection of trade and other receivables. Non-current assets as of September 30, 2016 decreased by 25.8 billion yen compared with the end of the previous fiscal year to 1,049.8 billion yen.

Total liabilities as of September 30, 2016 decreased by 69.2 billion yen compared with the end of the previous fiscal year, to 1,622.5 billion yen. This was mainly due to a decrease in trade and other payables. The balance of interest-bearing debt amounted to 530.8 billion yen, an increase of 51.3 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of September 30, 2016 was 0.71 (a worsening of 0.09 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of September 30, 2016, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 259.9 billion yen, a decrease of 27.3 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of September 30, 2016 was 0.35 (an improvement of 0.02 points as compared with the end of the previous fiscal year).

Total equity was 814.8 billion yen as of September 30, 2016, a decrease of 22.4 billion yen as compared with the end of the previous fiscal year, mainly due to a decrease in other components of equity.

As a result, total equity attributable to owners of the parent (total equity less non-controlling interests) as of September 30, 2016 was 747.2 billion yen, and ratio of equity attributable to owners of the parent was 30.7% (an improvement of 0.2 points as compared with the end of the previous fiscal year).

Net cash inflows from operating activities for the six months ended September 30, 2016 were 33.0 billion yen, an improvement of 0.2 billion yen as compared with the same period of the previous fiscal year.

Net cash inflows from investing activities for the six months ended September 30, 2016 were 14.0 billion yen, an increase of 37.4 billion yen as compared with the same period of the previous fiscal year, mainly due to proceeds from sales of investments in affiliated companies.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the six months ended September 30, 2016 totaled a cash inflow of 47.0 billion yen, an improvement of 37.6 billion yen year-on-year.

Net cash flows from financing activities for the six months ended September 30, 2016 totaled a cash inflow of 39.2 billion yen, mainly due to proceeds from long-term loans payable.

As a result, cash and cash equivalents as of September 30, 2016 amounted to 270.9 billion yen, an increase of 78.6 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, 2017, NEC is currently reviewing the influence of a number of factors, including the progress of business in the third quarter and beyond, such as the planned commencement of a tender offer bid for Japan Aviation Electronics Industry, Limited., and the effect of a transfer of a portion of shares in Lenovo NEC Holdings B.V., an affiliated company accounted for by the equity-method. At this time, there is no change to the consolidated financial forecasts for the full fiscal year ending March 31, 2017, as previously disclosed on July 29, 2016. If any changes are required, NEC will make an announcement as soon as they are determined.

Condensed Interim Consolidated Financial Statements

(1)Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	Notes	As of April 1, 2015	As of March 31, 2016	As of September 30, 2016
Assets				
Current Assets				
Cash and cash equivalents		181,132	192,323	270,906
Trade and other receivables		999,032	933,914	765,788
Inventories		224,568	211,992	240,090
Other financial assets		8,949	7,651	5,704
Other current assets		103,524	107,456	104,948
Total current assets		1,517,205	1,453,336	1,387,436
Non-current assets				
Property, plant and equipment, net		350,587	343,323	336,198
Goodwill		66,985	56,141	54,174
Intangible assets		128,639	118,019	114,635
Investments accounted for using the equity method		88,035	90,346	88,423
Other financial assets		279,348	254,917	233,684
Deferred tax assets		144,745	196,019	205,273
Other non-current assets		80,655	16,803	17,406
Total non-current assets		1,138,994	1,075,568	1,049,793
Total assets		2,656,199	2,528,904	2,437,229

Condensed Interim Consolidated Statements of Financial Position (Continued)

(Millions of yen)

	Notes	As of April 1, 2015	As of March 31, 2016	As of September 30, 2016
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		553,181	503,375	420,986
Bonds and borrowings		133,370	155,454	161,817
Accruals		170,783	157,403	147,059
Other financial liabilities		14,548	13,555	10,719
Accrued income taxes		15,914	13,445	11,560
Provisions		47,351	40,318	37,779
Other current liabilities		144,300	137,135	121,631
Total current liabilities		1,079,447	1,020,685	911,551
Non-current liabilities				
Bonds and borrowings		380,554	318,435	363,603
Other financial liabilities		10,608	9,365	8,651
Defined benefit liabilities		247,255	297,756	298,436
Provisions		17,053	15,336	12,971
Other non-current liabilities		33,643	30,107	27,238
Total non-current liabilities		689,113	670,999	710,899
Total liabilities		1,768,560	1,691,684	1,622,450
Equity				
Share capital		397,199	397,199	397,199
Share premium		147,415	147,755	147,753
Retained earnings		158,356	223,883	221,409
Treasury shares		-3,025	-3,077	-3,086
Other components of equity	2	121,160	4,067	-16,054
Total equity attributable to owners of the parent		821,105	769,827	747,221
Non-controlling interests		66,534	67,393	67,558
Total equity		887,639	837,220	814,779
Total liabilities and equity		2,656,199	2,528,904	2,437,229

(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)

Six months ended September 30	Notes	2015	2016
Revenue		1,309,720	1,201,062
Cost of sales		921,785	860,151
Gross profit		387,935	340,911
Selling, general and administrative expenses		365,750	337,870
Other operating income (loss)		-3,174	703
Operating Profit (Loss)		19,011	3,744
Financial income	3	3,304	23,573
Financial costs	3	8,088	19,683
Share of profit (loss) of entities accounted for using the equity method		5,555	5,003
Income (loss) before income taxes		19,782	12,637
Income taxes		9,333	-2,385
Net profit (loss)		10,449	15,022
Net profit (loss) attributable to			
Owners of the parent		8,610	13,118
Non-controlling interests		1,839	1,904
Total		10,449	15,022
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		3.31	5.05
Diluted earnings per share (yen)		—	—

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Six months ended September 30	Notes	2015	2016
Net profit (loss)		10,449	15,022
Other comprehensive income (loss), 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		-5,871	-11,384
Cash flow hedges		58	844
Available-for-sale financial assets		-9,679	-4,335
Share of other comprehensive income of associates		-2,130	-1,572
Total items that may be reclassified subsequently to profit or loss		-17,622	-16,447
Total other comprehensive income (loss), net of tax		-17,622	-20,465
Total comprehensive income		-7,173	-5,443
Total comprehensive income attributable to			
Owners of the parent		-8,870	-7,003
Non-controlling interests		1,697	1,560
Total		-7,173	-5,443

[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 September 30	Notes	2015	2016
Revenue		722,426	682,359
Cost of sales		511,021	482,356
Gross profit		211,405	200,003
Selling, general and administrative expenses		183,480	166,963
Other operating income (loss)		-1,339	648
Operating Profit (Loss)		26,586	33,688
Financial income	3	778	21,051
Financial costs	3	6,319	10,772
Share of profit (loss) of entities accounted for using the equity method		3,138	2,324
Income (loss) before income taxes		24,183	46,291
Income taxes		8,309	10,879
Net profit (loss)		15,874	35,412
Net profit (loss) attributable to			
Owners of the parent		14,222	33,222
Non-controlling interests		1,652	2,190
Total		15,874	35,412
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		5.47	12.78
Diluted earnings per share (yen)		—	—

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Three months ended September 30	Notes	2015	2016
Net profit (loss)		15,874	35,412
Other comprehensive income (loss), 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		-7,251	-1,440
Cash flow hedges		3	684
Available-for-sale financial assets		-17,994	5,586
Share of other comprehensive income of associates		-1,988	-325
Total items that may be reclassified subsequently to profit or loss		-27,230	4,505
Total other comprehensive income (loss), net of tax		-27,230	487
Total comprehensive income		-11,356	35,899
Total comprehensive income attributable to			
Owners of the parent		-12,920	33,843
Non-controlling interests		1,564	2,056
Total		-11,356	35,899

(3)Condensed Interim Consolidated Statements of Changes in Equity

(Six months ended September 30, 2015)

(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, 2015		397,199	147,415	158,356	-3,025	121,160	821,105	66,534	887,639
Net profit (loss)		—	—	8,610	—	—	8,610	1,839	10,449
Other comprehensive income (loss)		—	—	—	—	-17,480	-17,480	-142	-17,622
Comprehensive income		—	—	8,610	—	-17,480	-8,870	1,697	-7,173
Purchase of treasury shares		—	—	—	-31	—	-31	—	-31
Disposal of treasury shares		—	-1	—	2	—	1	—	1
Cash dividends		—	—	-10,396	—	—	-10,396	-1,146	-11,542
Changes in interests in subsidiaries		—	342	—	—	—	342	205	547
Total transactions with owners		—	341	-10,396	-29	—	-10,084	-941	-11,025
As of September 30, 2015		397,199	147,756	156,570	-3,054	103,680	802,151	67,290	869,441

(Six months ended September 30, 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)		—	—	13,118	—	—	13,118	1,904	15,022
Other comprehensive income (loss)		—	—	—	—	-20,121	-20,121	-344	-20,465
Comprehensive income		—	—	13,118	—	-20,121	-7,003	1,560	-5,443
Purchase of treasury shares		—	—	—	-11	—	-11	—	-11
Disposal of treasury shares		—	-1	—	2	—	1	—	1
Cash dividends		—	—	-15,592	—	—	-15,592	-1,288	-16,880
Changes in interests in subsidiaries		—	—	—	—	—	—	-107	-107
Total transactions with owners		—	-1	-15,592	-8	—	-15,603	-1,395	-16,998
As of September 30, 2016		397,199	147,753	221,409	-3,086	-16,054	747,221	67,558	814,779

(4)Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

Six months ended September 30	Notes	2015	2016
Cash flows from operating activities			
Income (loss) before income taxes		19,782	12,637
Depreciation and amortization		43,124	37,020
Impairment loss		124	731
Increase (decrease) in provisions		-4,148	-2,813
Financial income	3	-3,304	-23,573
Financial costs	3	8,088	19,683
Share of (profit) loss of entities accounted for using the equity method		-5,555	-5,003
Decrease (increase) in trade and other receivables		176,603	146,010
Decrease (increase) in inventories		-40,538	-36,284
Increase (decrease) in trade and other payables		-90,337	-61,998
Others, net		-55,954	-45,526
Subtotal		47,885	40,884
Interest and dividends received		3,435	3,531
Interest paid		-5,046	-5,613
Income taxes paid		-13,457	-5,811
Net cash provided by (used in) operating activities		32,817	32,991
Cash flows from investing activities			
Purchases of property, plant and equipment		-18,117	-18,941
Proceeds from sales of property, plant and equipment		1,482	1,330
Acquisitions of intangible assets		-4,994	-4,306
Purchases of investment securities		-547	-3,963
Proceeds from sales of investment securities		1,528	1,615
Proceeds from acquisitions of shares of newly consolidated subsidiaries		36	59
Purchases of investments in affiliated companies		-4,049	-139
Proceeds from sales of investments in affiliated companies		152	23,690
Others, net		1,057	14,650
Net cash provided by (used in) investing activities		-23,452	13,995

(Millions of yen)

Six months ended September 30	Notes	2015	2016
Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net		27,289	1,446
Proceeds from long-term borrowings		57	70,002
Repayments of long-term borrowings		-6,036	-5,320
Proceeds from issuance of bonds		50,000	—
Redemption of bonds		-60,000	-10,000
Dividends paid		-10,352	-15,572
Dividends paid to non-controlling interests		-1,146	-1,289
Others, net		-39	-71
Net cash provided by (used in) financing activities		-227	39,196
Effect of exchange rate changes on cash and cash equivalents		-1,790	-7,599
Net increase (decrease) in cash and cash equivalents		7,348	78,583
Cash and cash equivalents, at beginning of period		181,132	192,323
Cash and cash equivalents, at end of period		188,480	270,906

1. Business Segment

(1)General information about reportable segments

The reportable segments of NEC Corporetion ("the Company" or "NEC") are the businesses for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.
Therefore, the Company consists of segments that are identified in terms of similarity of products, services and markets based on business. 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 Government, Public, Healthcare, Finance and Media.

Enterprise

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

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 revenue and transfers are based on arm's -length price. The accounting policies applied to reportable segment basically follow the "Significant Accounting Policies" desclosed in Note 3. of the "Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017" published on July 29, 2016.

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

(Six months ended September 30, 2015)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	335,699	146,649	328,109	347,820	1,158,277	151,443	—	1,309,720
Intersegment revenue and transfers	17,909	3,286	11,520	35,539	68,254	8,197	-76,451	—
Total	353,608	149,935	339,629	383,359	1,226,531	159,640	-76,451	1,309,720
Segment income(loss) (Operating profit (loss))	14,469	9,847	12,751	9,222	46,289	-2,510	-24,768	19,011
Financial income								3,304
Financial costs								8,088
Share of profit (loss) of entities accounted for using the equity method								5,555
Income (loss) before income taxes								19,782

(Six months ended September 30, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	282,123	155,152	282,863	339,829	1,059,967	141,095	—	1,201,062
Intersegment revenue and transfers	15,794	2,999	8,813	27,554	55,160	8,704	-63,864	—
Total	297,917	158,151	291,676	367,383	1,115,127	149,799	-63,864	1,201,062
Segment income(loss) (Operating profit (loss))	13,427	13,163	4,262	7,786	38,638	-7,228	-27,666	3,744
Financial income								23,573
Financial costs								19,683
Share of profit (loss) of entities accounted for using the equity method								5,003
Income (loss) before income taxes								12,637

Notes:

1. "Others" for the six months ended September 30, 2015 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.) and Mobile Phones, which are not included in reportable segments. "Others" for the six months ended September 30, 2016 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), which are not included in reportable segments.
2. "Adjustment" of segment income (loss) for the six months ended September 30, 2015 includes corporate expenses of -26,059 million yen and noncurrent assets related adjustment of 308 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the six months ended September 30, 2016 includes corporate expenses of -27,547 million yen and noncurrent assets related adjustment of 275 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 September 30, 2015)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	190,095	78,022	185,054	187,643	640,814	81,612	—	722,426
Intersegment revenue and transfers	10,035	1,804	6,035	18,636	36,510	4,615	-41,125	—
Total	200,130	79,826	191,089	206,279	677,324	86,227	-41,125	722,426
Segment income(loss) (Operating profit (loss))	13,866	6,442	15,165	4,910	40,383	3,684	-17,481	26,586
Financial income								778
Financial costs								6,319
Share of profit (loss) of entities accounted for using the equity method								3,138
Income (loss) before income taxes								24,183

(Three months ended September 30, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	164,622	88,628	161,727	189,593	604,570	77,789	—	682,359
Intersegment revenue and transfers	8,843	1,444	2,414	14,756	27,457	4,759	-32,216	—
Total	173,465	90,072	164,141	204,349	632,027	82,548	-32,216	682,359
Segment income(loss) (Operating profit (loss))	15,987	9,461	11,199	12,334	48,981	1,151	-16,444	33,688
Financial income								21,051
Financial costs								10,772
Share of profit (loss) of entities accounted for using the equity method								2,324
Income (loss) before income taxes								46,291

Notes:

1. "Others" for the three months ended September 30, 2015 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.) and Mobile Phones, which are not included in reportable segments. "Others" for the three months ended September 30, 2016 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), which are not included in reportable segments.
2. "Adjustment" of segment income (loss) for the three months ended September 30, 2015 includes corporate expenses of -17,425 million yen and noncurrent assets related adjustment of -611 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the three months ended September 30, 2016 includes corporate expenses of -14,838 million yen and noncurrent assets related adjustment of -864 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.

[Related information]

Information about geographic areas

Revenue from customers

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Japan	1,011,383	946,022
The Americas	103,893	84,860
EMEA	65,235	55,613
Greater China, APAC	129,209	114,567
Total	1,309,720	1,201,062

(Millions of yen)

	Three months ended September 30, 2015	Three months ended September 30, 2016
Japan	559,974	545,488
The Americas	51,360	45,190
EMEA	38,920	28,664
Greater China, APAC	72,172	63,017
Total	722,426	682,359

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)Greater China, APAC: Greater China and Asia Pacific (Asia, Oceania)

2. Equity

Details of other components of equity

(Millions of yen)

	As of April 1, 2015	As of March 31, 2016	As of September 30, 2016
Remeasurements of defined benefit plan	31,318	-56,298	-60,316
Exchange differences on translating foreign operations	—	-14,136	-26,733
Cash flow hedges	-313	-1,558	-262
Available-for-sale financial assets	90,155	76,059	71,257
Total	121,160	4,067	-16,054

3. Financial income and financial costs

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Financial income		
Interest income	957	802
Dividend income	1,776	2,115
Gain on sales of affiliates' stocks (*1)	57	20,057
Other	514	599
Total	3,304	23,573

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Financial costs		
Interest expenses	5,199	6,747
Foreign exchange losses	1,800	7,279
Commission fee	348	4,884
Other	741	773
Total	8,088	19,683

(Millions of yen)

	Three months ended September 30, 2015	Three months ended September 30, 2016
Financial income		
Interest income	498	342
Dividend income	36	410
Gain on sales of affiliates' stocks (*1)	57	20,057
Other	187	242
Total	778	21,051

(Millions of yen)

	Three months ended September 30, 2015	Three months ended September 30, 2016
Financial costs		
Interest expenses	2,670	3,937
Foreign exchange losses	3,107	1,829
Commission fee	115	4,659
Other	427	347
Total	6,319	10,772

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

4.Subsequent Events

There is no significant subsequent events exist.

5. First-time Adoption

The NEC Group prepared the first condensed interim consolidated financial statements in accordance with IFRS from the fiscal year ending March 31, 2017. The NEC Group's latest financial statements prepared in accordance with the Generally Accepted Accounting Principles in Japan ("Japanese accounting standards" or "Japanese GAAP") are those for the year ended March 31, 2016. The date of transition to IFRS is April 1, 2015.

(1) IFRS 1 Exemption from Retrospective Application

IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), requires that companies adopting IFRS for the first time apply IFRS retrospectively. However, companies may elect to use one or more of the exemptions contained in the standard, and the NEC Group has adopted the following exceptions.

・Business combinations

Under IFRS 1, the first-time adopters may elect not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the date of transition to IFRS. The NEC Group elected to apply IFRS 3 only to business combinations that occurred after the date of transition to IFRS and not to those that occurred prior to the date of transition. Goodwill recognized at the date of transition to IFRS have been tested for impairment at the date of transition regardless of whether there is any indications that the goodwill may be impaired.

・Cumulative exchange differences on translating foreign operations

Under IFRS 1, the first-time adopters may elect to deem the cumulative translation differences for all foreign operations as of the date of transition to IFRS to be zero. The NEC Group has reclassified the cumulative translation differences at the date of transition to IFRS from other components of equity to retained earnings.

(2) IFRS 1 Exceptions to Retrospective Application

IFRS1 prohibits retrospective application of some items such as "accounting estimates" and "non-controlling interests". The NEC Group applies these items prospectively from the date of transition to IFRS.

(3) Reconciliation from Japanese Accounting Standards to IFRS

Charts of reconciliations which needs to be disclosed upon the first adoption of IFRS are as follows:

In the charts of reconciliations, equity reconciliation as of September 30,2015(prior quarter-end), items which do not have impact on retained earnings nor comprehensive income are included in "Presentation Reclassification", whereas items which have impact on retained earnings or comprehensive income are included in "Recognition and Measurement Differences".

Charts of reconciliations for the transition date (April 1, 2015) , the previous fiscal year end (March 31, 2016) and the previous fiscal year (from April 1, 2015 to March 31, 2016) have been disclosed in the "Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017" published on July 29, 2016.

Equity Reconciliations as of September 30, 2015 (Prior Quarter-End)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
Assets	Amount			Amount	Notes	Assets
Cash and deposits	172,773	15,707	—	188,480	A	Cash and cash equivalents
Notes and accounts receivable-trade	752,109	50,791	12,471	815,371	A	Trade and other receivables
Securities	17,297	-17,297	—	—	A	
Inventories	275,587	—	-12,512	263,075	A	Inventories
	—	6,159	—	6,159	A	Other financial assets
Deferred tax assets	64,920	-64,920	—	—	C	
Other	165,119	-60,910	-96	104,113	A,B	Other current assets
Allowance for doubtful accounts	-6,680	6,680	—	—		
Current Assets	1,441,125	-63,790	-137	1,377,198		**Total current assets**
Property, plant and equipment, net	333,421	11,664	919	346,004	B	Property, plant and equipment, net
Goodwill	60,126	—	5,891	66,017	B	Goodwill
Software	92,039	-92,039	—	—	B	
Other intangible assets	25,396	99,546	-71	124,871	B	Intangible assets
Stocks of subsidiaries and associates	97,079	—	-2,045	95,034		Investments accounted for using the equity method
Investment securities	146,879	75,986	41,933	264,798	B	Other financial assets
Long-term loans receivable	38,567	-38,567	—	—	B	
Deferred tax assets	83,417	64,920	-4,525	143,812	C	Deferred tax assets
Net defined benefit asset	79,003	-79,003	—	—	D	
Other	72,935	18,696	-6,587	85,044	B,D	Other non-current assets
Allowance for doubtful accounts	-4,443	4,443	—	—		
Non-current Assets	1,024,419	65,646	35,515	1,125,580		**Total non-current assets**
Total Assets	2,465,544	1,856	35,378	2,502,778		**Total assets**

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
Liabilities and equity	Amount			Amount	Notes	Liabilities and equity
Notes and accounts payable-trade	382,442	78,104	-82	460,464	E	Trade and other payables
Short-term loans payable	34,101	74,057	-11	108,147	E	Bonds and borrowings
Current portion of long-term loans and current portion of bonds payable	74,057	-74,057	—	—	E	
Accrued expenses	158,586	-3,169	2,669	158,086	E	Accruals
Advances received	123,927	-123,927	—	—	E	
	—	11,269	648	11,917	E	Other financial liabilities
	—	9,489	-52	9,437	E	Accrued income taxes
Provisions	38,963	3,343	28	42,334		Provisions
Other	91,413	25,695	407	117,515	E	Other current liabilities
Current liabilities	903,489	804	3,607	907,900		**Total current liabilities**
Bonds and long-term loans payable	417,556	—	-1,771	415,785		Bonds and borrowings
	—	9,588	—	9,588	F	Other financial liabilities
Deferred tax liabilities	2,304	-2,304	—	—		
Net defined benefit liability	229,808	—	21,183	250,991	D	Defined benefit liability
Provisions	18,489	2,801	-5,721	15,569	F	Provisions
Other	32,776	-9,033	9,761	33,504	F	Other non-current liabilities
Non-current liabilities	700,933	1,052	23,452	725,437		**Total non-current liabilities**
Total liabilities	1,604,422	1,856	27,059	1,633,337		**Total liabilities**
Capital stock	397,199	—	—	397,199		Share capital
Capital surplus	149,035	—	-1,279	147,756		Share premium
Retained earnings	196,873	—	-40,303	156,570	G	Retained earnings
Treasury stock	-3,054	—	—	-3,054		Treasury shares
Accumulated other comprehensive income	60,044	—	43,636	103,680	G	Other components of equity
	—	—	2,054	802,151		**Total equity attributable to owners of the parent**
Non-controlling interests	61,025	—	6,265	67,290	G	Non-controlling interests
Total net assets	861,122	—	8,319	869,441		**Total equity**
Total liabilities and net assets	2,465,544	1,856	35,378	2,502,778		**Total liabilities and equity**

[Notes to Equity Reconciliations as of September 30, 2015 (Prior Quarter-End)]

A) Cash and cash equivalents, trade and other receivables, inventories and other financial assets (current)

Presentation Reclassification:

Short-term investments redeemable in three months or less from each acquisition date which were included in securities under Japanese accounting standards, have been reclassified as cash and cash equivalents. Deposits which contractual maturity dates are in excess of three months included in cash and deposits under Japanese accounting standards, have been reclassified as other financial assets (current).

Other receivables and others included in other (current assets) under Japanese accounting standards have been reclassified as trade and other receivables.

Recognition and measurement:

[Trade and other receivables/ inventories]

If outcomes from service delivery or construction contract cannot be estimated reliably, contract revenue is recognized based on cost recovery method. Under this method, contract revenue shall be recognized only to the extent that contract costs incurred are expected to be recoverable and contract costs shall be expensed as incurred. As a result, trade and other receivables increased by 11,150 million yen and inventories decreased by 11,150 million yen.

In addition, under Japanese accounting standards, the NEC Group as a lessor elects to recognize the revenue and cost of sales from finance leases upon receipt of lease payment from the lessee, whereas under IFRS, a lessor shall recognize the revenue and cost of sales associated with the leased asset at the commencement date of the lease. As a result, trade and other receivables increased by 2,862 million yen.

B) Property, plant and equipment, net, goodwill, intangible assets and other financial assets (non-current)

Presentation Reclassification:

Software under Japanese accounting standards have been reclassified as intangible assets.

In addition, lease deposits included in other (investments and other assets) under Japanese accounting standards and long-term loans receivable under Japanese accounting standards have been reclassified as other financial assets (non-current).

Furthermore, partial amount of long-term prepaid expenses included in other (investments and other assets) and partial amount of prepaid expenses included in other (current assets) under Japanese accounting standards have been reclassified as property, plant and equipment, net.

Recognition and measurement:

[Goodwill]

Under Japanese accounting standards, goodwill is amortized on a straight-line basis over the effective period not exceeding 20 years, whereas under IFRS, it is not subject to amortization. As a result, goodwill increased by 6,037 million yen.

[Other financial assets (non-current)]

Under Japanese accounting standards, financial instruments whose fair value cannot be reliably measured, such as unquoted equity instruments, are measured at cost, whereas under IFRS, they are estimated by using applicable valuation techniques. As a result, other financial assets (non-current) increased by 41,933 million yen.

C) Deferred tax assets

Presentation Reclassification:

Deferred tax assets which were classified as current under Japanese accounting standards have been reclassified as non-current.

Recognition and measurement:

Under Japanese accounting standards, financial instruments whose fair value cannot be reliably measured, such as unquoted equity instruments, are measured at cost, whereas under IFRS, they are estimated by using applicable valuation techniques. As a result, deferred tax assets decreased by 15,926 million yen.

In addition, as a result of actuarial calculation based on IAS 19 "Employee Benefits" ("IAS 19") for NEC and its consolidated domestic subsidiaries which apply defined benefit plans, due to different assumptions used in actuarial calculation such as discount rate, deferred tax assets increased by 7,220 million yen.

Furthermore, with respect to the tax effects arising from the elimination of intercompany unrealized gains, income tax expenses are deferred based on the sellers’ tax amounts under Japanese accounting standards, whereas under IFRS, the tax effects are recognized as deferred tax assets using the purchasers’ tax rates. As a result, deferred tax assets increased by 3,142 million yen.

D) Other non-current assets and defined benefit liability
Presentation Reclassification:
Net defined benefit asset under Japanese accounting standards has been reclassified as other non-current assets.

Recognition and measurement:
As a result of actuarial calculation based on IAS 19 for NEC and its consolidated domestic subsidiaries which apply defined benefit plans, due to different assumptions used in actuarial calculation such as discount rate, defined benefit asset included in other non-current assets decreased and defined benefit liability increased. Thus, other non-current assets decreased by 6,587 million yen and defined benefit liability increased by 21,183 million yen.

E) Trade and other payables, bonds and borrowings (current), accruals, other financial liabilities (current), accrued income taxes and other current liabilities
Presentation Reclassification:
Current portion of long-term loans payable and current portion of bonds under Japanese accounting standards have been reclassified as bonds and borrowings (current).
In addition, advance received under Japanese accounting standards has been reclassified as trade and other payables and other current liabilities, respectively.
Furthermore, accounts payable and others included in other (current liabilities) ,current tax payable included in other (current liabilities) and deposits received included in other (current liabilities) under Japanese accounting standards have been reclassified as trade and other payables, accrued income taxes and other financial liabilities (current), respectively.

Recognition and measurement:
[Accruals]
Under Japanese accounting standards, levies such as property taxes are recorded as expense upon payment; however under IFRS, they are recorded as expense on the date of imposition and corresponding liability shall be recognized. As a result, accruals increased by 1,393 million yen.

[Other current liabilities]
With respect to sales of computers with repurchase agreements, under Japanese accounting standards, all revenue is recorded at the time of transfer, and at the same time, a provision for loss on repurchase is recorded to provide for the potential future losses at the time of repurchase. Under IFRS, revenue is not recognized for the portion in which significant risk of ownership and economic benefit is retained, and the recognition of revenue has been adjusted so that it is recognized upon transfer of the risk and the economic benefit. As a result, other current liabilities increased by 2,668 million yen.
Due to difference in revenue recognition of contracts with multiple elements in overseas consolidated subsidiaries between the previous accounting standards and IFRS, other current liabilities decreased by 1,616 million yen.

F) Provisions (non-current), other financial liabilities (non-current) and other non-current liabilities
Presentation Reclassification:
Lease liabilities and others included in other (non-current liabilities) under Japanese accounting standards have been reclassified as other financial liabilities (non-current).

Recognition and measurement
[Provisions (non-current)/Other non-current liabilities]
As described in E) other current liabilities section above, with respect to sales of computers with repurchase agreements, under Japanese accounting standards, all revenue is recorded at the time of transfer, and at the same time, a provision for loss on repurchase is recorded to provide for the potential future losses at the time of repurchase. Under IFRS, revenue is not recognized for the portion in which significant risk of ownership and economic benefit is retained, and the recognition of revenue has been adjusted so that it is recognized upon transfer of the risk and the economic benefit. As a result, provisions (non-current) decreased by 5,721 million yen and other non-current liabilities increased by 7,012 million yen.
In addition, government grants related to assets have been recognized as gains immediately under Japanese accounting standards, whereas under IFRS that have been recognized as deferred revenue, resulting in an increase of other non-current liabilities by 2,828 million yen.

G) Retained earnings, other components of equity and non-controlling interests
Recognition and measurement:
[Retained earnings]
The main reconciliation items related to retained earnings are as follows:

(Millions of Yen)

	Notes	Retained Earnings
Goodwill, Negative goodwill	B	6,037
Available-for-sale financial assets	B,C,G	-14,502
Remeasurements of defined benefit plan	C,D,G	-46,745
Exchange differences on translating foreign operations	G	12,795
Other		2,112
Total		-40,303

[Other components of equity]
・Remeasurements of defined benefit plan
Under Japanese accounting standards, actuarial gains and losses were amortized on a straight-line basis over a certain period within the employee's estimated average remaining service periods, starting from the following fiscal year, whereas under IFRS, they are immediately recognized in other comprehensive income. In addition, there are differences in the assumption used in actuarial calculation such as discount rate of actuarial calculation for NEC and its consolidated domestic subsidiaries which apply defined benefit plans. As a result, other components of equity increased by 16,614 million yen.

・Exchange differences on translating foreign operations
Under IFRS 1, the first-time adopters may elect to deem the cumulative translation differences for all foreign operations as of the date of transition to IFRS to be zero. The NEC Group has reclassified the cumulative translation differences at the date of transition to IFRS from accumulated other comprehensive income to retained earnings. As a result, other components of equity decreased by 12,795 million yen.

・Available-for-sale financial assets
Under Japanese accounting standards, financial instruments whose fair value cannot be reliably measured, such as unquoted equity instruments, are measured at cost, whereas under IFRS, they are estimated by using applicable valuation techniques. As a result, other components of equity increased by 40,531 million yen.

[Non-controlling interests]
As a result of calculating the impact on non-controlling interests arising from recognition and measurement differences, the amount attributable to non-controlling interests increased by 6,265 million yen.

Reconciliations to Profit or Loss for the six months ended September 30, 2015 (Prior Quarter)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
	Amount			Amount	Notes	
Net sales	1,308,132	—	1,588	1,309,720	a	**Revenue**
Cost of sales	923,388	77	-1,680	921,785	a	Cost of sales
Gross profit	384,744	-77	3,268	387,935		Gross profit
Selling, general and administrative expenses	371,405	—	-5,655	365,750	a	Selling, general and administrative expenses
	—	-2,228	-946	-3,174	b	Other operating income (loss)
Operating income	13,339	-2,305	7,977	19,011		**Operating profit**
Non-operating income	12,087	-12,087	—	—	c	
	—	3,349	-45	3,304	c	Financial income
Non-operating expenses	14,021	-14,021	—	—	b,c	
	—	7,813	275	8,088	c	Financial costs
	—	5,611	-56	5,555		Share of profit of entities accounted for using the equity method
Ordinary income	11,405	-11,405	—	—		
Extraordinary gains	932	-932	—	—		
Extraordinary losses	156	-156	—	—		
Income before income taxes	12,181	—	7,601	19,782		**Income before income taxes**
Income taxes	10,506	—	-1,173	9,333		Income taxes
Profit	1,675	—	8,774	10,449		**Net profit**
						Net profit attributable to:
Profit attributable to owners of the parent	218	—	8,392	8,610		Owners of the parent
Profit attributable to non-controlling interests	1,457	—	382	1,839		Non-controlling interests

Reconciliations to Comprehensive Income for the six months ended September 30, 2015 (Prior Quarter)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
	Amount			Amount	Notes	
Profit	1,675	—	8,774	10,449		**Net profit**
Other comprehensive income						**Other comprehensive income, net of tax**
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans	957	—	-957	—		Remeasurements of defined benefit plan
	—	46	-46	—		Share of other comprehensive income of associates
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	-5,184	—	-687	-5,871		Exchange differences on translating foreign operations
Deferred gains or losses on hedges	58	—	—	58		Cash flow hedges
Valuation differences on available-for-sale securities	-7,441	—	-2,238	-9,679	d	Available-for-sale financial assets
Share of other comprehensive income of associates accounted for using equity method	-2,095	-46	11	-2,130		Share of other comprehensive income of associates
Total other comprehensive income	-13,705	—	-3,917	-17,622		**Total other comprehensive income, net of tax**
Comprehensive income	-12,030	—	4,857	-7,173		**Total comprehensive income**
(Breakdown)						**Total comprehensive income attributable to:**
Comprehensive income attributable to owners of the parent	-13,499	—	4,629	-8,870		Owners of the parent
Comprehensive income attributable to non-controlling interests	1,469	—	228	1,697		Non-controlling interests

[Notes to Reconciliations to Profit or Loss and Comprehensive Income for the six months ended September 30, 2015]

a) Revenue, cost of sales and selling, general and administrative expenses

Recognition and measurement:

[Finance lease - Lessor]

Under Japanese accounting standards, the NEC Group as a lessor of a finance lease elects to recognize the revenue and cost of sales upon receipt of lease payment from the lessee, whereas under IFRS, a lessor shall recognize the revenue and cost of sales associated with the leased asset at the commencement date of the lease. As a result, revenue increased by 3,758 million yen and cost of sales increased by 3,245 million yen.

[Cost recovery method]

If outcomes from service delivery and construction contract cannot be estimated reliably, contract revenue is recognized based on cost recovery method. Under this method, contract revenue shall be recognized only to the extent that contract costs incurred are expected to be recoverable and contract costs shall be expensed as incurred. As a result, revenue decreased by 3,714 million yen and cost of sales decreased by 3,714 million yen.

[Amortization of goodwill]

Under Japanese accounting standards, goodwill is amortized on a straight-line basis over the effective period not exceeding 20 years, whereas under IFRS, it is not subject to amortization. As a result, selling, general and administrative expenses, decreased by 6,037 million yen.

b) Other operating income (loss)

Presentation Reclassification:

Loss on disposal of non-current assets and others included in non-operating expenses under Japanese accounting standards have been reclassified as Other operating income (loss).

c) Financial income, and financial costs

Presentation Reclassification:

Dividend income and others included in non-operating income under Japanese accounting standards have been reclassified as financial income.

In addition, Interest expenses and others included in non-operating expenses under Japanese accounting standards have been reclassified as financial costs.

d) Other comprehensive income

Recognition and measurement:

[Available-for-sale financial assets]

Under Japanese accounting standards, financial instruments whose fair value cannot be reliably measured, such as unquoted equity instruments, are measured at cost, whereas under IFRS, they are estimated by using applicable valuation techniques. As a result, change in fair value of available-for-sale financial assets decreased by 2,238 million yen.

Reconciliations to Profit or Loss for the three months ended September 30, 2015 (Prior Quarter)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
	Amount			Amount	Notes	
Net sales	721,541	—	885	722,426		**Revenue**
Cost of sales	511,130	12	-121	511,021		Cost of sales
Gross profit	210,411	-12	1,006	211,405		Gross profit
Selling, general and administrative expenses	186,998	—	-3,518	183,480	a	Selling, general and administrative expenses
	—	-1,130	-209	-1,339	b	Other operating income (loss)
Operating income	23,413	-1,142	4,315	26,586		**Operating profit**
Non-operating income	5,730	-5,730	—	—		
	—	841	-63	778		Financial income
Non-operating expenses	10,018	-10,018	—	—	b,c	
	—	6,256	63	6,319	c	Financial costs
	—	2,904	234	3,138		Share of profit of entities accounted for using the equity method
Ordinary income	19,125	-19,125	—	—		
Extraordinary gains	664	-664	—	—		
Extraordinary losses	29	-29	—	—		
Income before income taxes	19,760	—	4,423	24,183		**Income before income taxes**
Income taxes	7,999	—	310	8,309		Income taxes
Profit	11,761	—	4,113	15,874		**Net profit**
						Net profit attributable to:
Profit attributable to owners of the parent	10,234	—	3,988	14,222		Owners of the parent
Profit attributable to non-controlling interests	1,527	—	125	1,652		Non-controlling interests

Reconciliations to Comprehensive Income for the three months ended September 30, 2015 (Prior Quarter)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
	Amount			Amount	Notes	
Profit	11,761	―	4,113	15,874		**Net profit**
Other comprehensive income						**Other comprehensive income, net of tax**
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans	627	―	-627	―		Remeasurements of defined benefit plan
	―	-178	178	―		Share of other comprehensive income of associates
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	-6,729	―	-522	-7,251		Exchange differences on translating foreign operations
Deferred gains or losses on hedges	3	―	―	3		Cash flow hedges
Valuation differences on available-for-sale securities	-16,411	―	-1,583	-17,994		Available-for-sale financial assets
Share of other comprehensive income of associates accounted for using equity method	-2,168	178	2	-1,988		Share of other comprehensive income of associates
Total other comprehensive income	-24,678	―	-2,552	-27,230		**Total other comprehensive income, net of tax**
Comprehensive income	-12,917	―	1,561	-11,356		**Total comprehensive income**
(Breakdown)						**Total comprehensive income attributable to:**
Comprehensive income attributable to owners of the parent	-14,438	―	1,518	-12,920		Owners of the parent
Comprehensive income attributable to non-controlling interests	1,521	―	43	1,564		Non-controlling interests

[Notes to Reconciliations to Profit or Loss and Comprehensive Income for the three months ended September 30, 2015 (Prior Quarter)]

a) Selling, general and administrative expenses

Recognition and measurement:

[Amortization of goodwill]

Under Japanese accounting standards, goodwill is amortized on a straight-line basis over the effective period not exceeding 20 years, whereas under IFRS, it is not subject to amortization. As a result, selling, general and administrative expenses, decreased by 3,030 million yen.

b) Other operating income (loss)

Presentation Reclassification:

Loss on disposal of non-current assets and others included in non-operating expenses under Japanese accounting standards have been reclassified as Other operating income (loss).

c) Financial costs

Presentation Reclassification:

Interest expenses and others included in non-operating expenses under Japanese accounting standards have been reclassified as financial costs.

Reconciliations to consolidated statement of cash flows for the Six months ended September 30, 2015.

Impact on statement of cash flows due to the transition from Japanese accounting standards to IFRS are immaterial.

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.

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