News Release

Orchestrating a brighter world NEC

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Consolidated Financial Results

for the Fiscal Year Ended

March 31, 2017

1. Consolidated Business Results

The NEC Group adopted International Financial Reporting Standards (IFRS) for its consolidated financial statements starting from the first quarter of the fiscal year ended March 31, 2017. Consolidated financial statements for the previous fiscal year are also presented in accordance with IFRS.

(1) Overview of the fiscal year ended March 31, 2017

The overall pace of growth for the worldwide economy slowed during the fiscal year ended March 31, 2017 as the growth rate slowed to a certain degree in advanced countries, such as the United States and Europe, due to the expansion of political uncertainty, such as the United Kingdom's decision to withdraw from the European Union, and the growth of emerging countries leveled off due to the influence of cheaper resources.

As for the Japanese economy, although there was a decrease in public investment, an increase in both capital investment due to solid corporate performance and housing investment resulted in positive growth.

Under this business environment, the NEC Group worked on reforms based on the challenges from the previous fiscal year and continuously focused on Solutions for Society, based on the two management policies of an "Earnings structure rebuilding plan" and "Returning to growth" outlined in the "Mid-term Management Plan 2018" announced in April 2016.

In terms of the "Earnings structure rebuilding plan," NEC took measures for (1) Responding to struggling businesses and unprofitable projects, (2) Acceleration of operational reform projects, and (3) Optimization of development and production functions.

Regarding the aim of the Responding to struggling businesses and unprofitable projects, NEC promoted a shift in the allocation of personnel in order to optimize resources for the underperforming Smart Energy business. Also, NEC integrated the Smart Energy business for domestic power electric companies into the business for electric power companies belonging to the Public Business to strengthen the sales structure. In terms of compact energy storage, NEC promoted review of its development structure for hardware. However, due to the restrained investment by electric power companies and intensified competition, NEC was unable to achieve the improvement plan formulated at the beginning of the fiscal year for profit and loss from the Smart Energy business. In relation to restraining unprofitable projects, NEC strengthened its project risk management system. As a result, losses for both IT projects in the Public Business and international projects in the Telecom Carrier Business decreased, however, new losses arose from social infrastructure projects in the Public Business and international projects in the Others.

Regarding the Acceleration of operational reform projects, NEC improved staff efficiency and promoted efficiency in overhead and IT costs with NEC Management Partner, Ltd. playing a central role, and reduced costs by approximately 14 billion yen, almost as planned, in comparison to the previous fiscal year.

In terms of the Optimization of development and production functions, on April 1, 2017 NEC reorganized and integrated its domestic hardware development and production subsidiaries, as well as its software development subsidiaries in Japan.

With regard to "Returning to growth," in order to promote the globalization of the Solutions for Society business, NEC worked to expand (1) Safety business (surveillance, cyber security), (2) Global carrier network business (TOMS (Telecom Operation & Management Solutions), SDN / NFV (Software-Defined Networking / Network Functions Virtualization)), and (3) IT Service business for retailers.

In the Safety business, NEC took measures to contribute to ensure safety and security by capitalizing on its strengths with authentication technologies and the understanding of events as they take place in real-time by utilizing the operational know-how from its Security Operations Center. Specifically, NEC provided a facial recognition system for immigration examinations to John F. Kennedy International Airport in New York, the United States. Also, the adoption of NEC's biometrics systems expanded in Australia throughout federal agencies, state police and other institutions. Furthermore, the 2017 benchmark test of video face recognition technologies carried out by the globally influential National Institute for Standards and Technology in the United States evaluated NEC's technologies as the world's most accurate, with a matching accuracy of 99.2%, far surpassing the accuracy of other companies. Including previous benchmark tests of still image face recognition technologies, this is the 4th consecutive time that NEC ranked number one. Moreover, NEC Latin America S.A., an NEC subsidiary, acquired the Brazil-based IT Security company of Arcon Informatica S.A., who has major customers such as government agencies, in order to expand the IT Service business in Brazil, including the Safety business.

In terms of the Global carrier network business, NEC worked to enable telecommunications carriers to quickly implement advanced communications services by capitalizing on NEC's strengths that include the provision ability and customer foundation of TOMS and commercial experience of SDN / NFV. Specifically, NEC started offering AVP (Agile Virtualization Platform and Practice), a solution that supports the introduction of SDN / NFV systems as well as their integration with existing systems, and acquired 10 SDN / NFV commercial projects for major telecommunications carriers, such as those in Europe, the Middle East and North America.

Regarding the IT Service business for retailers, NEC took measures for enabling safe, secure and efficient store management for 24 hours a day, 365 days a year as well as further improving consumers' convenience, by capitalizing on NEC's strength and accomplishments in providing services for major convenience stores. Specifically, NEC made efforts to strengthen solutions for the reinforcement of lifecycle management for IT services, including system planning, development, installation and maintenance, in addition to strengthening solutions that provide new value, such as an omni-channel environment, where goods can be purchased, regardless of sales and distribution channels, efficient operations for the distribution and service industries and the management of facilities and equipment. Furthermore, the United States–based company of 7-Eleven, Inc. selected NEC as a vendor to provide point-of-sale (POS) systems and maintenance services for approximately 8,600 stores throughout the United States and Canada.

In addition to these, NEC established a new technology brand, "NEC the WISE," supporting the AI (Artificial Intelligence) and IoT (Internet of Things) domains which will be key differentiators for the Solutions for Society business of NEC, and promoted the development and utilization of related technologies. Also, NEC cooperated with institutions, including the National Institute of Advanced Industrial Science and Technology, Osaka University, the University of Tokyo and RIKEN, in the creation of value that capitalizes on AI for societies of the future. Moreover, NEC formed a comprehensive alliance in the IoT field with United States-based General Electric Company, and began cooperation with DENSO Corporation in the fields of advanced driving support, automatic driving and manufacturing that utilize AI and IoT. Also, in order to strengthen cooperation in growth areas, such as IoT and automatic driving, NEC implemented a tender offer for shares of common stock of Japan Aviation Electronics Industry, Limited, making it a consolidated subsidiary.

Despite these efforts, on January 30, 2017, NEC revised its forecasts downward for the fiscal year ended March 31, 2017. Based on these circumstances, NEC will promote reforms with the aim of further improvement of management speed in order to quickly respond to changes in the market environment and customer trends.

The NEC Group recorded consolidated revenue of 2,665.0 billion yen for the year ended March 31, 2017, a decrease of 159.8 billion yen (-5.7%) year-on-year. This decrease was mainly due to decreased sales in the Telecom Carrier business and the Public business.

Regarding profitability, operating profit (loss) worsened by 49.6 billion yen year-on-year, to an operating profit of 41.8 billion yen, mainly due to a decrease in gross profit caused by a decrease in revenue, despite efforts to reduce selling, general and administrative expenses.

Income (loss) before income taxes was a profit of 68.1 billion yen, a year-on-year worsening of 18.5 billion yen. This was primarily due to the worsening of operating profit (loss) despite the increase of gain on sales of affiliates' stocks.

Net profit (loss) attributable to owners of the parent was a profit of 27.3 billion yen, worsening by 48.6 billion yen year-on-year. This was primarily due to the worsening of Income (loss) before income taxes and increased income taxes.

(2) Results by main business segment

Revenue by segment (revenue from customers):

Segments	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
	In billions of yen	In billions of yen	%
Public	771.6	736.0	-4.6
Enterprise	300.3	306.3	2.0
Telecom Carrier	697.5	611.6	-12.3
System Platform	728.6	719.8	-1.2
Others	326.8	291.3	-10.9
Total	2,824.8	2,665.0	-5.7

Operating profit (loss) by segment:

Segments	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
	In billions of yen	In billions of yen	In billions of yen
Public	57.3	46.0	-11.3
Enterprise	23.9	23.9	-0.0
Telecom Carrier	46.5	19.5	-27.1
System Platform	31.7	29.4	-2.3
Others	(18.2)	(14.2)	4.0
Adjustment	(49.8)	(62.7)	-12.9
Total	91.4	41.8	-49.6

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 4: Segment Information" of this news release.

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

Public Business

Revenue:	736.0 billion yen	(-4.6%)
Operating Profit (Loss):	46.0 billion yen	(-11.3 billion yen)

In the Public Business, revenue was 736.0 billion yen, a decrease of 35.6 billion yen (-4.6%) year-on-year, mainly due to decreased demand for the digitalization of fire and emergency radio in the public sector, despite Japan Aviation Electronics Industry, Limited becoming a consolidated subsidiary from the fourth quarter of the fiscal year ended March 31, 2017.

Operating profit (loss) worsened by 11.3 billion yen year-on-year, to an operating profit of 46.0 billion yen, mainly owing to decreased sales and decreased profitability of the space business.

Enterprise Business

Revenue:	306.3 billion yen	(2.0%)
Operating Profit (Loss):	23.9 billion yen	(-0.0 billion yen)

In the Enterprise Business, revenue was 306.3 billion yen, an increase of 5.9 billion yen (2.0%) year-on-year, mainly due to strong sales for manufacturing industries.

Operating profit (loss) is almost the same, year-on-year, for an operating profit of 23.9 billion yen.

Telecom Carrier Business

Revenue:	611.6 billion yen	(-12.3%)
Operating Profit (Loss):	19.5 billion yen	(-27.1 billion yen)

In the Telecom Carrier Business, revenue was 611.6 billion yen, a decrease of 85.9 billion yen (-12.3%) 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 27.1 billion yen year-on-year, to an operating profit of 19.5 billion yen, mainly due to decreased sales and the influence of the strong yen.

System Platform Business

Revenue:	719.8 billion yen	(-1.2%)
Operating Profit (Loss):	29.4 billion yen	(-2.3 billion yen)

In the System Platform Business, revenue was 719.8 billion yen, a decrease of 8.8 billion yen (-1.2%) year-on-year, mainly due to decreased sales in hardware and enterprise networks.

Operating profit (loss) decreased by 2.3 billion yen year-on-year, to an operating profit of 29.4 billion yen, mainly due to decreased sales.

Others

Revenue:	291.3 billion yen	(-10.9%)
Operating Profit (Loss):	-14.2 billion yen	(4.0 billion yen)

In the Others, revenue was 291.3 billion yen, a decrease of 35.5 billion yen (-10.9%) year-on-year, mainly due to decreased sales in the Smart Energy business.

Operating profit (loss) improved by 4.0 billion yen year-on-year, to an operating loss of 14.2 billion yen, mainly owing to improved profitability in the Smart Energy business despite worsened profitability in international business.

2. Consolidated Financial Condition

(1) Analysis of the condition of assets, liabilities, equity

Total assets were 2,684.0 billion yen as of March 31, 2017, an increase of 155.1 billion yen as compared with the end of the previous fiscal year. Current assets as of March 31, 2017 increased by 55.4 billion yen compared with the end of the previous fiscal year to 1,508.7 billion yen, mainly due to an increase of cash and cash equivalents. Non-current assets as of March 31, 2017 increased by 99.7 billion yen compared with the end of the previous fiscal year to 1,175.3 billion yen, mainly due to increases in property, plant and equipment, net, as well as other non-current assets.

Total liabilities as of March 31, 2017 decreased by 23.8 billion yen compared with the end of the previous fiscal year, to 1,667.9 billion yen. This was mainly due to a decrease in defined benefit liabilities. The balance of interest-bearing debt amounted to 466.9 billion yen, a decrease of 12.6 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of March 31, 2017 was 0.55 (an improvement of 0.07 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of March 31, 2017, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 227.0 billion yen, a decrease of 60.2 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of March 31, 2017 was 0.27 (an improvement of 0.10 points as compared with the end of the previous fiscal year).

Total equity was 1,016.1 billion yen as of March 31, 2017, an increase of 178.8 billion yen as compared with the end of the previous fiscal year, mainly due to an increase of non-controlling interests and other components of equity.

As a result, total equity attributable to owners of the parent (total equity less non-controlling interests) as of March 31, 2017 was 854.3 billion yen, and the ratio of equity attributable to owners of the parent was 31.8% (an improvement of 1.4 points as compared with the end of the previous fiscal year).

(2) Analysis of cash flows

Net cash inflows from operating activities for the fiscal year ended March 31, 2017 were 92.5 billion yen, a worsening of 5.3 billion yen as compared with the previous fiscal year.

Net cash inflows from investing activities for the fiscal year ended March 31, 2017 were 6.4 billion yen, an increase of 38.6 billion yen as compared with the previous fiscal year. This was mainly due to an increase in proceeds from sales of investments in affiliated companies and acquisition of subsidiaries, net of cash acquired.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the fiscal year ended March 31, 2017 totaled a cash inflow of 99.0 billion yen, an improvement of 33.3 billion yen year-on-year.

Net cash flows from financing activities for the fiscal year ended March 31, 2017 totaled a cash outflow of 48.9 billion yen, mainly due to the repayments of long-term borrowings.

As a result, cash and cash equivalents as of March 31, 2017 amounted to 240.0 billion yen, an increase of 47.6 billion yen as compared with the end of the previous fiscal year.

3. Outlook for the fiscal year ending March 31, 2018

Despite the influence from the nomination suspension accompanying the Cease and Desist Order and the Order for Payment of Surcharge issued by the Japan Fair Trade Commission, the NEC Group anticipates consolidated net sales of 2,800.0 billion yen, mainly due to growth from its focus on the Safety business, Network business for global carriers and IT Service business for retailers, in addition to Japan Aviation Electronics Industry, Limited becoming a consolidated subsidiary and the expanding globalization of its Solutions for Society. Moreover, the NEC Group anticipates consolidated operating income of 50.0 billion yen for the fiscal year ending March 31, 2018. This takes into consideration unprofitable projects and business structure improvement expenses from the previous fiscal year, as well as an expected reduction in contingent loss. This outlook also factors in the influence from the nomination suspension, strategic investments for growth, the expansion of sales promotion investment and the introduction of strategic costs to business structure improvement expenses. The NEC Group also expects 30.0 billion yen of net profit attributable to owners of the parent for the same period.

4. Fundamental Policy on Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2017 and the Fiscal Year Ending March 31, 2018

NEC's commitment to shareholder returns includes comprehensive consideration for the profit status of each period in addition to future capital requirements and the execution of business operations with an emphasis on capital efficiency, while regarding investment in growth areas and the enhancement of its financial base as being tied to the creation of long-term corporate value.

Although the profit (loss) attributable to owners of the parent for the fiscal year ended March 31, 2017 was less than its plan, NEC secured profit (loss) over the total amount of dividends. As a result, NEC declared an annual dividend of 6 yen per share of common stock, the same value as announced at the beginning of the fiscal year.

For the fiscal year ending March 31, 2018, NEC plans for an annual dividend of 6 yen per share of common stock, while no interim dividend will be paid.

In addition, NEC stipulates in its Articles of Incorporation that it may determine distribution of surplus dividends flexibly through resolutions of the Board of Directors, and that record dates of distribution of surplus dividends shall be March 31 and September 30.

Note: The Company resolved at the meeting of its Board of Directors held on April 27, 2017 to submit a proposal for a share consolidation to NEC’s Ordinary General Meeting of Shareholders to be held on June 22, 2017 (the “Ordinary General Meeting of Shareholders”). The proposal aims to carry out a share consolidation of NEC shares under which every 10 shares will be consolidated into 1 share (the "Share Consolidation”) on October 1, 2017 based on the number of shares held by shareholders, and is subject to approval at the Ordinary General Meeting of Shareholders.

As mentioned above, an annual dividend of 6 yen per share of common stock for the fiscal year ending March 31, 2018 is planned, however, the amount does not reflect the Share Consolidation. Assuming the Share Consolidation is achieved, an annual dividend per share of common stock will be 60 yen for the fiscal year ending March 31, 2018.

For further detail on the Share Consolidation, please refer to the news release “NEC Announces Change in the Number of Shares per Share Unit, Share Consolidation and Partial Amendment to Articles of Incorporation” from April 27, 2017.

5. Basic Rationale for Selection of Accounting Standards

The NEC Group has adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2017 to enhance the international comparability of its financial information in capital markets.

Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of yen)

	Notes	As of April 1, 2015	As of March 31, 2016	As of March 31, 2017
Assets				
Current Assets				
Cash and cash equivalents		181,132	192,323	239,970
Trade and other receivables		999,032	933,914	952,258
Inventories		224,568	211,992	205,855
Other financial assets		8,949	7,651	4,485
Other current assets		103,524	107,456	106,169
Total current assets		1,517,205	1,453,336	1,508,737
Non-current assets				
Property, plant and equipment, net	1,2	350,587	343,323	419,078
Goodwill		66,985	56,141	63,220
Intangible assets		128,639	118,019	142,139
Investments accounted for using the equity method		88,035	90,346	68,132
Other financial assets		279,348	254,917	262,284
Deferred tax assets		144,745	196,019	156,622
Other non-current assets		80,655	16,803	63,784
Total non-current assets		1,138,994	1,075,568	1,175,259
Total assets		2,656,199	2,528,904	2,683,996

Consolidated Statements of Financial Position (Continued)

(Millions of yen)

	Notes	As of April 1, 2015	As of March 31, 2016	As of March 31, 2017
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		553,181	503,375	497,051
Bonds and borrowings	2	133,370	155,454	118,915
Accruals		170,783	157,403	155,161
Other financial liabilities		14,548	13,555	12,507
Accrued income taxes		15,914	13,445	21,014
Provisions		47,351	40,318	52,210
Other current liabilities		144,300	137,135	145,683
Total current liabilities		1,079,447	1,020,685	1,002,541
Non-current liabilities				
Bonds and borrowings	2	380,554	318,435	342,854
Other financial liabilities		10,608	9,365	8,285
Defined benefit liabilities		247,255	297,756	264,272
Provisions		17,053	15,336	13,736
Other non-current liabilities		33,643	30,107	36,242
Total non-current liabilities		689,113	670,999	665,389
Total liabilities		1,768,560	1,691,684	1,667,930
Equity				
Share capital		397,199	397,199	397,199
Share premium		147,415	147,755	147,879
Retained earnings		158,356	223,883	235,601
Treasury shares		(3,025)	(3,077)	(3,101)
Other components of equity	4	121,160	4,067	76,686
Total equity attributable to owners of the parent		821,105	769,827	854,264
Non-controlling interests		66,534	67,393	161,802
Total equity		887,639	837,220	1,016,066
Total liabilities and equity		2,656,199	2,528,904	2,683,996

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

Consolidated Statements of Profit or Loss

(Millions of yen)

Fiscal year ended March 31	Notes	2016	2017
Revenue		2,824,833	2,665,035
Cost of sales		1,984,748	1,909,414
Gross profit		840,085	755,621
Selling, general and administrative expenses		725,960	698,413
Other operating income (loss)		(22,707)	(15,370)
Operating Profit (loss)		91,418	41,838
Financial income	1	11,703	38,420
Financial costs	1	21,746	20,817
Share of profit (loss) of entities accounted for using the equity method		5,178	8,617
Income (loss) before income taxes		86,553	68,058
Income taxes		3,359	32,834
Net profit (loss)		83,194	35,224
Net profit (loss) attributable to			
Owners of the parent		75,923	27,310
Non-controlling interests		7,271	7,914
Total		83,194	35,224
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		29.22	10.51
Diluted earnings per share (yen)		—	10.51

Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Fiscal year ended March 31	Notes	2016	2017
Net profit (loss)		83,194	35,224
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(88,202)	56,276
Share of other comprehensive income of associates		(1,822)	534
Total items that will not be reclassified to profit or loss		(90,024)	56,810
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(11,863)	(1,869)
Cash flow hedges		(30)	623
Available-for-sale financial assets		(13,841)	15,533
Share of other comprehensive income of associates		(4,125)	702
Total items that may be reclassified subsequently to profit or loss		(29,859)	14,989
Total other comprehensive income (loss), net of tax		(119,883)	71,799
Total comprehensive income (loss)		(36,689)	107,023
Total comprehensive income (loss) attributable to			
Owners of the parent		(41,170)	99,929
Non-controlling interests		4,481	7,094
Total		(36,689)	107,023

(3) Consolidated Statements of Changes in Equity

(Fiscal year ended March 31, 2016)

(Millions of yen)

	Notes	Equity attributable to owners of the parent						Non-controlling interests	**Total equity**
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2015		397,199	147,415	158,356	(3,025)	121,160	821,105	66,534	887,639
Net profit (loss)		—	—	75,923	—	—	75,923	7,271	83,194
Other comprehensive income (loss)		—	—	—	—	(117,093)	(117,093)	(2,790)	(119,883)
Comprehensive income (loss)		—	—	75,923	—	(117,093)	(41,170)	4,481	(36,689)
Purchase of treasury shares		—	—	—	(56)	—	(56)	—	(56)
Disposal of treasury shares		—	(2)	—	4	—	2	—	2
Cash dividends	2	—	—	(10,396)	—	—	(10,396)	(2,214)	(12,610)
Changes in interests in subsidiaries		—	342	—	—	—	342	(1,408)	(1,066)
Total transactions with owners		—	340	(10,396)	(52)	—	(10,108)	(3,622)	(13,730)
As of March 31, 2016		397,199	147,755	223,883	(3,077)	4,067	769,827	67,393	837,220

(Fiscal year ended March 31, 2017)

(Millions of yen)

	Notes	Equity attributable to owners of the parent						Non-controlling interests	**Total equity**
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2016		397,199	147,755	223,883	(3,077)	4,067	769,827	67,393	837,220
Net profit (loss)		—	—	27,310	—	—	27,310	7,914	35,224
Other comprehensive income (loss)		—	—	—	—	72,619	72,619	(820)	71,799
Comprehensive income (loss)		—	—	27,310	—	72,619	99,929	7,094	107,023
Purchase of treasury shares		—	—	—	(26)	—	(26)	—	(26)
Disposal of treasury shares		—	(2)	—	3	—	1	—	1
Cash dividends	2	—	—	(15,592)	—	—	(15,592)	(2,386)	(17,978)
Subscription rights to shares		—	5	—	—	—	5	—	5
Changes in interests in subsidiaries		—	121	—	—	—	121	89,701	89,822
Total transactions with owners		—	124	(15,592)	(23)	—	(15,491)	87,315	71,824
As of March 31, 2017		397,199	147,879	235,601	(3,101)	76,686	854,264	161,802	1,016,066

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Fiscal year ended March 31	Notes	2016	2017
Cash flows from operating activities			
Income (loss) before income taxes		86,553	68,058
Depreciation and amortization		83,771	80,376
Impairment loss		13,463	2,571
Increase (decrease) in provisions		(6,454)	12,302
Financial income		(11,703)	(38,420)
Financial costs		21,746	20,817
Share of (profit) loss of entities accounted for using the equity method		(5,178)	(8,617)
Decrease (increase) in trade and other receivables		47,897	22,201
Decrease (increase) in inventories		7,182	22,659
Increase (decrease) in trade and other payables		(49,602)	(31,666)
Others, net		(60,293)	(43,141)
Subtotal		127,382	107,140
Interest and dividends received		5,845	5,866
Interest paid		(10,007)	(8,646)
Income taxes paid		(25,391)	(11,835)
Net cash provided by operating activities		97,829	92,525
Cash flows from investing activities			
Purchases of property, plant and equipment		(32,522)	(37,201)
Proceeds from sales of property, plant and equipment		2,746	2,676
Acquisitions of intangible assets		(8,316)	(7,888)
Purchases of available-for-sale financial assets		(892)	(4,117)
Proceeds from sales of available-for-sale financial assets		7,616	4,359
Purchase of shares of newly consolidated subsidiaries		—	(984)
Acquisition of subsidiaries, net of cash acquired		36	11,220
Proceeds from sales of shares of subsidiaries		556	339
Disbursements for sales of shares of subsidiaries		(385)	—
Purchases of investments in affiliated companies		(4,380)	(162)
Proceeds from sales of investments in affiliated companies		204	23,698
Proceeds from collection of loans receivable		584	12,958
Others, net		2,551	1,527
Net cash provided by(used in) investing activities		(32,202)	6,425

(Millions of yen)

Fiscal year ended March 31	Notes	2016	2017
Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net		14,790	15,228
Proceeds from long-term borrowings		4,059	204,082
Repayments of long-term borrowings		(15,827)	(240,127)
Proceeds from issuance of bonds		50,000	–
Redemption of bonds		(90,000)	(10,000)
Dividends paid		(10,368)	(15,592)
Dividends paid to non-controlling interests		(2,214)	(2,386)
Others, net		(522)	(86)
Net cash used in financing activities		(50,082)	(48,881)
Effect of exchange rate changes on cash and cash equivalents		(4,354)	(2,422)
Net increase (decrease) in cash and cash equivalents		11,191	47,647
Cash and cash equivalents, at beginning of period		181,132	192,323
Cash and cash equivalents, at end of period		192,323	239,970

1. Notes to Consolidated Statements of Financial Position

*1. Accumulated depreciation of property, plant and equipment is as follows:

(Millions of yen)

Items	As of April 1, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Accumulated depreciation of property, plant and equipment	735,929	734,665	903,206

*2. Assets pledged as and debt secured by collateral

Balances - assets pledged as collateral consisted of the following:

(Millions of yen)

Items	As of April 1, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Buildings and structures, net	212	198	174
Land	3,579	3,417	3,417
Others	436	550	694
Total	4,227	4,165	4,285

Balances - debt secured by collateral consisted of the following:

(Millions of yen)

Items	As of April 1, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Short-term loans payable	281	1,081	317
Long-term loans payable	200	―	―
Others	46	58	52
Total	527	1,139	369

*3. Contingent liabilities

Guarantees for bank loans and others consisted of the following:

(Millions of yen)

Items	As of April 1, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Employees	1,020	582	362
Affiliates/Others	3,668	1,289	1,397
Total	4,688	1,871	1,759

*4. Details of other components of equity

(Millions of yen)

Items	As of April 1, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Remeasurements of defined benefit plans	31,318	(56,298)	641
Exchange differences on translating foreign operations	—	(14,136)	(14,785)
Cash flow hedges	(313)	(1,558)	(476)
Available-for-sale financial assets	90,155	76,059	91,306
Total	121,160	4,067	76,686

2. Notes to Consolidated Statements of Profit or Loss

*1. Financial income and financial costs

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Financial income		
Interest income	2,083	1,770
Dividend income	4,243	4,179
Gain on sales of affiliates' stocks (Note 1)	57	20,065
Gain on step acquisitions	—	9,944
Other	5,320	2,462
Total	11,703	38,420

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Financial costs		
Interest expenses	10,458	9,677
Foreign exchange losses	8,575	4,374
Commission fee	586	5,147
Other	2,127	1,619
Total	21,746	20,817

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

3. Notes to Consolidated Statements of Changes in Equity

(1)Total number of issued shares

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Total number of issued shares (Thousand shares):		
Beginning of the year	2,604,733	2,604,733
Changes during the year	—	—
End of the year	2,604,733	2,604,733

Note: The number of shares is rounded to the nearest thousand.

(Overview of Change)
There is no change.

(2)Information relating to dividends

(a) Dividends paid

Fiscal year ended March 31, 2016

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
April 28, 2015 Board of Directors	Ordinary shares	10,396	Retained earnings	4	March 31, 2015	June 1, 2015

Fiscal year ended March 31, 2017

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
April 28, 2016 Board of Directors	Ordinary shares	15,592	Retained earnings	6	March 31, 2016	June 1, 2016

(b) Dividend for which the record date is in the fiscal year ended March 31, 2017, and the effective date is in the following fiscal year

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
April 27, 2017 Board of Directors	Ordinary shares	15,592	Retained earnings	6	March 31, 2017	June 1, 2017

4. Segment Information

(1)General information about reportable segments

The reportable segments of NEC Corporation ("the Company" or "NEC") are determined from operating segments that are identified in terms of similarity of products, services and markets based on business, and are the businesses for which the Company is able to obtain respective financial information separately, and the businesses are investigated periodically in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results. The Company 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 services, such as System Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment for governments and companies in the public, healthcare, and finance and media industries.

Enterprise

This segment mainly renders services such as, System Integration (Systems Implementation, Consulting), Maintenance and Support, and Outsourcing / Cloud Services for companies in the manufacturing, and retail and services industries.

Telecom Carrier

This segment mainly renders services, such as 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 provide goods and renders services such as, 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 revenue and income or loss by reportable segment

Segment income (loss) is based on operating income (loss). Intersegment revenue and transfers are based on an arm's-length price.

The accounting treatments of reportable operating segments are basically the same as those described in the "Significant Accounting Policies" disclosed 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 revenue, income or loss by reportable segment

(Fiscal Year ended March 31, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	771,608	300,328	697,499	728,567	2,498,002	326,831	—	2,824,833
Intersegment revenue and transfers	38,051	6,845	19,625	71,023	135,544	17,865	(153,409)	—
Total	809,659	307,173	717,124	799,590	2,633,546	344,696	(153,409)	2,824,833
Segment income(loss) (Operating profit (loss))	57,293	23,897	46,525	31,739	159,454	(18,206)	(49,830)	91,418
Financial income								11,703
Financial costs								(21,746)
Share of profit (loss) of entities accounted for using the equity method								5,178
Income (loss) before income taxes								86,553

(Fiscal Year ended March 31, 2017)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	736,036	306,277	611,632	719,807	2,373,752	291,283	—	2,665,035
Intersegment revenue and transfers	36,852	8,056	17,489	59,144	121,541	23,028	(144,569)	—
Total	772,888	314,333	629,121	778,951	2,495,293	314,311	(144,569)	2,665,035
Segment income(loss) (Operating profit (loss))	45,959	23,877	19,460	29,444	118,740	(14,180)	(62,722)	41,838
Financial income								38,420
Financial costs								(20,817)
Share of profit (loss) of entities accounted for using the equity method								8,617
Income (loss) before income taxes								68,058

Notes:

1. "Others" for the fiscal year ended March 31, 2016 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.) and Mobile Phones. "Others" for the fiscal year ended March 31, 2017 represents businesses such as Electrodes/Energy Storage System.
2. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2016 includes corporate expenses of -51,978 million yen and noncurrent assets related adjustment of -565 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2017 includes corporate expenses of -62,343 million yen and noncurrent assets related adjustment of -130 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)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Japan	2,221,698	2,094,068
The Americas	200,515	174,097
EMEA	138,424	122,125
Greater China, APAC	264,196	274,745
Total	2,824,833	2,665,035

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)

5. Earnings Per Share

The calculation of basic earnings per share ("EPS") and diluted EPS have been based on the following profit attributable to ordinary shareholders of the parent company.

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit attributable to owners of the parent	75,923	27,310
Profit not attributable to ordinary shareholders of the parent	—	—
Profit attributable to ordinary shareholders of the parent to calculate basic EPS	75,923	27,310
Profit attributable to ordinary shareholders of the parent after adjustment for the effects of dilutive potential ordinary shares	75,923	27,310
Weighted-average number of ordinary shares to calculate basic EPS (in thousands of shares)	2,598,737	2,598,634
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares (diluted) (in thousands of shares)	2,598,737	2,598,634
Basic EPS (Yen)	29.22	10.51
Diluted EPS (Yen)	—	10.51

6. Subsequent Events

(1) The transfer of a portion of shares in an affiliated company accounted for by the equity -method

On April 19, 2017, the Company transferred all of its shares of common stock (265,396,066 shares) and preferred stock (270,812,311 shares) in NEC TOKIN Corporation (currently Tokin Corporation) to the United States-based KEMET Electronics Corporation. As a result, NEC TOKIN Corporation is no longer being an affiliated company of the Company. Due to this share transfer, approximately 14.0 billion yen of non-operating income is expected to be recorded in the consolidated financial statement for the fiscal year ending March 31, 2018.

(2) The Share Consolidation etc.

The Company resolved at the meeting of its Board of Directors held on April 27, 2017 to submit a proposal for a share consolidation to NEC's Ordinary General Meeting of Shareholders to be held on June 22, 2017 (the "Ordinary General Meeting of Shareholders"). The proposal aims to carry out a share consolidation of NEC shares under which every 10 shares will be consolidated into 1 share (the "Share Consolidation") on October 1, 2017 based on the number of shares held by shareholders, and is subject to approval at the Ordinary General Meeting of Shareholders.

For further detail on the Share Consolidation, please refer to the news release "NEC Announces Change in the Number of Shares per Share Unit, Share Consolidation and Partial Amendment to Articles of Incorporation" from April 27, 2017.

7. Business Combinations

Business combination of a subsidiary

The Company commenced a tender offer for a share of Japan Aviation Electronics Industry, Limited. ("Japan Aviation Electronics") on November 29, 2016, based on the resolution at the meeting of the Board of Directors held on November 28, 2016. This tender offer was completed on January 17, 2017, and the Company made a cash purchase of 10,000,000 shares of Japan Aviation Electronics' common stock for 19,200 million yen. As a result, ownership of voting rights which the Company holds in Japan Aviation Electronics increased to 51.17%, and therefore, Japan Aviation Electronics became a subsidiary of the Company. A summary of this transaction is as follows:

Summary of the business combination

Name of the acquired company and its business

(i) Name: Japan Aviation Electronics Industry, Limited

(ii) Type of Business: (a) Manufacturing and marketing of connectors, user interface solution devices and electronics and electronic components for aviation and aerospace, and
(b) purchase and sale of devices, components, etc., in connection therewith

Main reason for the business combination

To reinforce the company's business foundation by integrating its management resources with those of Japan Aviation Electronics.

Date of the business combination

January 23, 2017

Voting rights acquired

Before the Tender Offer:	40.12 %
Acquired by the Tender Offer:	11.05 %
After the Tender Offer:	51.17 %

Consideration for the acquisition

(Millions of yen)

Item	Amount
Cash and cash equivalents	19,200
Fair value of equity interests held immediately before the acquisition date	36,437
Total	55,637

Acquisition-related costs

Outsourcing service expenses and other expenses related to the share acquisition of 242 million yen were recorded in "Selling, general and administrative expenses" in the consolidated statements of profit or loss as the acquisition-related costs for the business combination.

Gain on step acquisitions

As a result of the remeasurement of the acquired company's equity interests held by the NEC Group immediately before the acquisition date at the fair value as of the acquisition date, the Company recorded a gain on step acquisitions of 9,944 million yen in "Financial income" in the consolidated statements of profit or loss.

Fair value of assets acquired and liabilities assumed at the acquisition date

(Millions of yen)

Item	Amount
Current assets	
Cash and cash equivalents	30,361
Inventories	19,168
Others	56,904
Non-current assets	
Property, plant and equipment	85,656
Intangible assets	31,514
Others	9,354
Total assets	232,957
Current liabilities	
Trade payables	41,027
Financial Liabilities	12,206
Others	8,978
Non-current liabilities	
Financial Liabilities	10,953
Others	20,937
Total liabilities	94,101
Equity	138,856

Some of the amounts above are provisional fair value calculated based on reasonable information available at the time of issuance of this annual report because the allocation of the acquisition costs has not been completed.

Goodwill arising on acquisition

(Millions of yen)

Item	Amount
Consideration for the acquisition	55,637
Non-controlling interests	88,901
Subscription rights to shares	121
Fair value of identifiable net assets acquired by the NEC Group	(138,856)
Goodwill arising on acquisition	5,803

Non-controlling interests are measured by the percentage of interests owned by non-controlling shareholders to the fair value of identifiable net assets of the acquired company. Goodwill mainly reflects excess earnings power and synergies with existing businesses. There is no goodwill recognized that is expected to be deductible for tax purposes.

Impact on the NEC Group’s performance

Revenue and net profit (loss) of the acquired company that was incurred after the acquisition date recorded in the consolidated statements of profit or loss were 47,537 million yen and 2,842 million yen, respectively.

Assuming that this business combination had taken place at the beginning of the fiscal year ended March 31, 2017, the NEC Group’s revenue and net profit (loss) in the consolidated statements of profit or loss would be 2,827,168 million yen and 39,046 million yen, respectively (non-audited information).

8. First-time Adoption

The NEC Group prepared the consolidated financial statements in accordance with IFRS from the fiscal year ended 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” ("IFRS 3") 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 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.

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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