

News

Release

Orchestrating a brighter world **NEC**

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***** For immediate use July 31, 2017

Consolidated Financial Results

for the First Quarter

of the Fiscal Year Ending

March 31, 2018

1. Consolidated Business Results

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

(1) Overview of the first quarter of the fiscal year ending March 31, 2018 (three months ended June 30, 2017)

The worldwide economy during the three months ended June 30, 2017 was characterized by gradual improvement, mainly in developed countries in Europe and the United States as well as emerging countries in Asia, despite increasing political and geopolitical risks in a variety of regions.

As for the Japanese economy, steady performance was driven by an increase in exports accompanying the improvement of the global economy and an increase in capital investment by enterprises.

Under this business environment, the NEC Group recorded consolidated revenue of 582.5 billion yen for the three months ended June 30, 2017, an increase of 63.8 billion yen (12.3%) year-on-year. This increase was mainly due to increased sales in the Public business and the Telecom Carrier business.

Regarding profitability, operating profit (loss) improved by 15.5 billion yen year-on-year, to an operating loss of 14.4 billion yen, mainly due to increased revenue.

Income (loss) before income taxes was a profit of 7.1 billion yen, a year-on-year improvement of 40.8 billion yen. This was primarily due to improved operating profit (loss) in addition to recording of gain on sales of affiliates' stocks.

Net profit (loss) attributable to owners of the parent for the first quarter was a profit of 7.8 billion yen, improving by 27.9 billion yen year-on-year. This was primarily due to improved income (loss) before income taxes despite increased income taxes.

(2) Results by main segment

Revenue by segment (revenue from customers):

Segments	Three months ended June 30, 2016	Three months ended June 30, 2017	Change
	In billions of yen	In billions of yen	%
Public	120.7	181.0	49.9
Enterprise	89.2	87.8	-1.5
Telecom Carrier	118.7	123.3	3.9
System Platform	150.2	153.2	2.0
Others	39.9	37.1	-7.1
Total	518.7	582.5	12.3

Operating profit (loss) by segment:

Segments	Three months ended June 30, 2016	Three months ended June 30, 2017	Change
	In billions of yen	In billions of yen	In billions of yen
Public	-6.1	-0.5	5.6
Enterprise	5.7	5.0	-0.7
Telecom Carrier	-7.0	-3.3	3.7
System Platform	-4.6	-1.7	2.9
Others	-7.6	-5.3	2.3
Adjustment	-10.3	-8.6	1.7
Total	-29.9	-14.4	15.5

Note:

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

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

Public Business

Revenue:	181.0 billion yen	(49.9%)
Operating Profit (Loss):	-0.5 billion yen	(5.6 billion yen)

In the Public business, revenue was 181.0 billion yen, an increase of 60.3 billion yen (49.9%) year-on-year, mainly due to Japan Aviation Electronics Industry, Limited becoming a consolidated subsidiary from the fourth quarter of the previous fiscal year, despite decreased sales from firefighting and disaster prevention systems.

Operating profit (loss) improved by 5.6 billion yen year-on-year, to an operating loss of 0.5 billion yen, mainly owing to increased sales.

Enterprise Business

Revenue:	87.8 billion yen	(-1.5%)
Operating Profit (Loss):	5.0 billion yen	(-0.7 billion yen)

In the Enterprise business, revenue was 87.8 billion yen, a decrease of 1.3 billion yen (-1.5%) year-on-year, mainly due to decreased sales for the retail/service sector.

Operating profit (loss) worsened by 0.7 billion yen year-on-year, to an operating profit of 5.0 billion yen, mainly owing to decreased sales as well as increased investments in the IoT (Internet of Things) area.

Telecom Carrier Business

Revenue:	123.3 billion yen	(3.9%)
Operating Profit (Loss):	-3.3 billion yen	(3.7 billion yen)

In the Telecom Carrier business, revenue was 123.3 billion yen, an increase of 4.6 billion yen (3.9%) year-on-year, mainly due to increased domestic sales.

Operating profit (loss) improved by 3.7 billion yen year-on-year, to an operating loss of 3.3 billion yen, mainly owing to increased sales as well as cost efficiency.

System Platform Business

Revenue:	153.2 billion yen	(2.0%)
Operating Profit (Loss):	-1.7 billion yen	(2.9 billion yen)

In the System Platform business, revenue was 153.2 billion yen, an increase of 3.0 billion yen (2.0%) year-on-year, mainly due to increased sales in hardware and service areas.

Operating profit (loss) improved by 2.9 billion yen year-on-year, to an operating loss of 1.7 billion yen, mainly owing to increased sales as well as cost efficiency.

Others

Revenue:	37.1 billion yen	(-7.1%)
Operating Profit (Loss):	-5.3 billion yen	(2.3 billion yen)

In Others, revenue was 37.1 billion yen, a decrease of 2.8 billion yen (-7.1%) year-on-year, mainly due to decreased sales in the Smart Energy business.

Operating profit (loss) improved by 2.3 billion yen year-on-year, to an operating loss of 5.3 billion yen, mainly owing to cost efficiency.

2. Consolidated Financial Condition

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

Total assets were 2,662.2 billion yen as of June 30, 2017, a decrease of 21.8 billion yen as compared with the end of the previous fiscal year. Current assets as of June 30, 2017 increased by 16.0 billion yen compared with the end of the previous fiscal year to 1,524.8 billion yen, mainly due to an increase in cash and cash equivalents from the collection of trade and other receivables as well as an increase in inventories. Non-current assets as of June 30, 2017 decreased by 37.8 billion yen compared with the end of the previous fiscal year to 1,137.4 billion yen. This was mainly due to a decrease in other financial assets.

Total liabilities as of June 30, 2017 decreased by 12.2 billion yen compared with the end of the previous fiscal year, to 1,655.7 billion yen. This was mainly due to a decrease in trade and other payables, as well as a decrease in accruals despite an increase in bonds and borrowings. The balance of interest-bearing debt amounted to 544.0 billion yen, an increase of 77.1 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of June 30, 2017 was 0.64 (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 June 30, 2017, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 129.1 billion yen, a decrease of 97.9 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of June 30, 2017 was 0.15 (an improvement of 0.12 points as compared with the end of the previous fiscal year).

Total equity was 1,006.5 billion yen as of June 30, 2017, a decrease of 9.6 billion yen as compared with the end of the previous fiscal year, mainly due to a decrease associated with the payment of dividends, despite the recording of net profit attributable to owners of the parent.

As a result, total equity attributable to owners of the parent (total equity less non-controlling interests) as of June 30, 2017 was 844.8 billion yen, and the ratio of equity attributable to owners of the parent was 31.7% (a worsening of 0.1 points as compared with the end of the previous fiscal year).

Net cash inflows from operating activities for the three months ended June 30, 2017 were 75.4 billion yen, an improvement of 1.7 billion yen as compared with the same period of the previous fiscal year.

Net cash inflows from investing activities for the three months ended June 30, 2017 were 39.0 billion yen, an increase of 49.1 billion yen as compared with the same period of the previous fiscal year, mainly due to the recording of 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 three months ended June 30, 2017 totaled a cash inflow of 114.5 billion yen, an improvement of 50.8 billion yen year-on-year.

Net cash flows from financing activities for the three months ended June 30, 2017 totaled a cash inflow of 60.0 billion yen, mainly due to the issuance of bonds, despite the payment of dividends.

As a result, cash and cash equivalents as of June 30, 2017 amounted to 414.9 billion yen, an increase of 174.9 billion yen as compared with the end of the previous fiscal year.

3. Consolidated Financial Forecast

There is no change to the consolidated financial forecasts for the full fiscal year ending March 31, 2018, as previously disclosed on April 27, 2017.

Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	Notes	As of March 31, 2017	As of June 30, 2017
Assets			
Current Assets			
Cash and cash equivalents		239,970	414,893
Trade and other receivables		952,258	712,897
Inventories		205,855	256,006
Other financial assets		4,485	4,164
Other current assets		106,169	136,806
Total current assets		1,508,737	1,524,766
Non-current assets			
Property, plant and equipment, net		419,078	414,003
Goodwill		63,220	63,150
Intangible assets		142,139	142,211
Investments accounted for using the equity method		68,132	68,614
Other financial assets		262,284	229,746
Deferred tax assets		156,622	159,274
Other non-current assets		63,784	60,445
Total non-current assets		1,175,259	1,137,443
Total assets		2,683,996	2,662,209

Condensed Interim Consolidated Statements of Financial Position (Continued)

(Millions of yen)

	Notes	As of March 31, 2017	As of June 30, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		497,051	437,570
Bonds and borrowings		118,915	96,789
Accruals		155,161	118,516
Other financial liabilities		12,507	13,295
Accrued income taxes		21,014	13,929
Provisions		52,210	47,873
Other current liabilities		145,683	162,850
Total current liabilities		1,002,541	890,822
Non-current liabilities			
Bonds and borrowings		342,854	442,246
Other financial liabilities		8,285	6,610
Defined benefit liabilities		264,272	267,418
Provisions		13,736	13,296
Other non-current liabilities		36,242	35,356
Total non-current liabilities		665,389	764,926
Total liabilities		1,667,930	1,655,748
Equity			
Share capital		397,199	397,199
Share premium		147,879	147,996
Retained earnings		235,601	227,840
Treasury shares		-3,101	-3,105
Other components of equity	2	76,686	74,911
Total equity attributable to owners of the parent		854,264	844,841
Non-controlling interests		161,802	161,620
Total equity		1,016,066	1,006,461
Total liabilities and equity		2,683,996	2,662,209

(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)

Three months ended June 30	Notes	2016	2017
Revenue		518,703	582,456
Cost of sales		377,795	424,421
Gross profit		140,908	158,035
Selling, general and administrative expenses		170,907	173,056
Other operating income (loss)		55	580
Operating profit (loss)		-29,944	-14,441
Financial income	3	2,522	22,544
Financial costs	3	8,911	2,548
Share of profit (loss) of entities accounted for using the equity method		2,679	1,579
Income (loss) before income taxes		-33,654	7,134
Income taxes		-13,264	-2,239
Net profit (loss)		-20,390	9,373
Net profit (loss) attributable to			
Owners of the parent		-20,104	7,831
Non-controlling interests		-286	1,542
Total		-20,390	9,373
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		-7.74	3.01
Diluted earnings per share (yen)		—	3.01

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Three months ended June 30	Notes	2016	2017
Net profit (loss)		-20,390	9,373
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		—	—
Share of other comprehensive income of associates		—	—
Total items that will not be reclassified to profit or loss		—	—
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-9,944	152
Cash flow hedges		160	12
Available-for-sale financial assets		-9,921	-3,452
Share of other comprehensive income of associates		-1,247	1,722
Total items that may be reclassified subsequently to profit or loss		-20,952	-1,566
Total other comprehensive income, net of tax		-20,952	-1,566
Total comprehensive income		-41,342	7,807
Total comprehensive income attributable to			
Owners of the parent		-40,846	6,056
Non-controlling interests		-496	1,751
Total		-41,342	7,807

(3)Condensed Interim Consolidated Statements of Changes in Equity

(Three months ended June 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)	—	—	-20,104	—	—	-20,104	-286	-20,390
Other comprehensive income	—	—	—	—	-20,742	-20,742	-210	-20,952
Comprehensive income	—	—	-20,104	—	-20,742	-40,846	-496	-41,342
Purchase of treasury shares	—	—	—	-3	—	-3	—	-3
Disposal of treasury shares	—	-1	—	1	—	0	—	0
Cash dividends	—	—	-15,592	—	—	-15,592	-1,287	-16,879
Changes in interests in subsidiaries	—	—	—	—	—	—	-30	-30
Total transactions with owners	—	-1	-15,592	-2	—	-15,595	-1,317	-16,912
As of June 30, 2016	397,199	147,754	188,187	-3,079	-16,675	713,386	65,580	778,966

(Three months ended June 30, 2017)

(Millions of yen)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2017	397,199	147,879	235,601	-3,101	76,686	854,264	161,802	1,016,066
Net profit (loss)	—	—	7,831	—	—	7,831	1,542	9,373
Other comprehensive income	—	—	—	—	-1,775	-1,775	209	-1,566
Comprehensive income	—	—	7,831	—	-1,775	6,056	1,751	7,807
Purchase of treasury shares	—	—	—	-6	—	-6	—	-6
Disposal of treasury shares	—	-1	—	1	—	1	—	1
Cash dividends	—	—	-15,592	—	—	-15,592	-2,247	-17,839
Changes in interests in subsidiaries	—	118	—	—	—	118	314	432
Total transactions with owners	—	117	-15,592	-4	—	-15,479	-1,933	-17,412
As of June 30, 2017	397,199	147,996	227,840	-3,105	74,911	844,841	161,620	1,006,461

(4)Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

Three months ended June 30	Notes	2016	2017
Cash flows from operating activities			
Income (loss) before income taxes		-33,654	7,134
Depreciation and amortization		18,804	22,513
Impairment loss		184	32
Increase (decrease) in provisions		-3,391	-5,685
Financial income	3	-2,522	-22,544
Financial costs	3	8,911	2,548
Share of (profit) loss of entities accounted for using the equity method		-2,679	-1,579
Decrease (increase) in trade and other receivables		261,475	240,523
Decrease (increase) in inventories		-51,466	-49,541
Increase (decrease) in trade and other payables		-82,720	-59,300
Others, net		-29,732	-50,514
Subtotal		83,210	83,587
Interest and dividends received		2,874	3,729
Interest paid		-3,707	-1,764
Income taxes paid		-8,612	-10,114
Net cash provided by operating activities		73,765	75,438
Cash flows from investing activities			
Purchases of property, plant and equipment		-6,228	-11,589
Proceeds from sales of property, plant and equipment		71	1,143
Acquisitions of intangible assets		-2,558	-2,204
Purchases of available-for-sale financial assets		-3,755	-762
Proceeds from sales of available-for-sale financial assets		1,027	10,217
Acquisitions of subsidiaries, net of cash acquired		59	—
Purchases of investments in affiliated companies		-68	—
Proceeds from sales of investments in affiliated companies		—	16,364
Others, net		1,395	25,870
Net cash provided by / (used in) investing activities		-10,057	39,039

Condensed Interim Consolidated Statements of Cash Flows (Continued)

(Millions of yen)

Three months ended June 30	Notes	2016	2017
Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net		8,938	-2,246
Proceeds from long-term borrowings		2	200
Repayments of long-term borrowings		-1,191	-971
Proceeds from issuance of bonds		—	100,000
Redemption of bonds		-10,000	-20,000
Dividends paid		-15,127	-15,107
Dividends paid to non-controlling interests		-1,287	-2,237
Others, net		-63	383
Net cash provided by / (used in) financing activities		-18,728	60,022
Effect of exchange rate changes on cash and cash equivalents		-6,362	424
Net increase (decrease) in cash and cash equivalents		38,618	174,923
Cash and cash equivalents, at beginning of period		192,323	239,970
Cash and cash equivalents, at end of period		230,941	414,893

Notes to the Condensed Interim Consolidated Financial Statements

1. Segment Information

(1) General information about reportable segments

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

Descriptions of each reportable segment are as follows:

Public

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

Enterprise

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

Telecom Carrier

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

System Platform

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

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

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

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

(Three months ended June 30, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	120,749	89,161	118,673	150,236	478,819	39,884	—	518,703
Intersegment revenue and transfers	7,399	1,605	6,387	12,798	28,189	3,752	-31,941	—
Total	128,148	90,766	125,060	163,034	507,008	43,636	-31,941	518,703
Segment income(loss) (Operating profit (loss))	-6,138	5,713	-6,972	-4,606	-12,003	-7,645	-10,296	-29,944
Financial income								2,522
Financial costs								8,911
Share of profit (loss) of entities accounted for using the equity method								2,679
Income (loss) before income taxes								-33,654

(Three months ended June 30, 2017)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	181,006	87,813	123,322	153,249	545,390	37,066	—	582,456
Intersegment revenue and transfers	6,550	3,358	3,282	13,132	26,322	4,572	-30,894	—
Total	187,556	91,171	126,604	166,381	571,712	41,638	-30,894	582,456
Segment income(loss) (Operating profit (loss))	-497	5,014	-3,320	-1,743	-546	-5,328	-8,567	-14,441
Financial income								22,544
Financial costs								2,548
Share of profit (loss) of entities accounted for using the equity method								1,579
Income (loss) before income taxes								7,134

Notes:

1. "Others" for the three months ended June 30, 2016 represents businesses, such as Smart Energy (Electrodes, Energy Storage System and Solutions for Utilities). "Others" for the three months ended June 30, 2017 represents businesses, such as Electrodes and Energy Storage System.

2. "Adjustment" of segment income (loss) for the three months ended June 30, 2016 includes corporate expenses of -11,783 million yen and noncurrent assets related adjustment of 1,139 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the three months ended June 30, 2017 includes corporate expenses of -8,642 million yen and noncurrent assets related adjustment of 863 million yen, unallocated to each reportable segment. The corporate expenses, unallocated to each reportable segment, are mainly general and administrative expenses incurred at headquarters of NEC, and research and development expenses.

(4) Information about revising segments

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

Major revisions are as follows:

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

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

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

(5) Information about geographic areas

Revenue from customers

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Japan	400,534	419,311
The Americas	39,670	40,867
EMEA	26,949	33,150
China / East Asia and APAC	51,550	89,128
Total	518,703	582,456

Notes:

1. Revenue is classified into country or region based on the locations of customers.
2. Major regions in segments other than Japan:
 - (1) The Americas: North America and Latin America
 - (2) EMEA: Europe, Middle East and Africa
 - (3) China / East Asia and APAC: China, East Asia and Asia Pacific (Asia, Oceania)

2. Equity

Details of other components of equity

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Remeasurements of defined benefit plan	641	641
Exchange differences on translating foreign operations	-14,785	-12,861
Cash flow hedges	-476	-443
Available-for-sale financial assets	91,306	87,574
Total	76,686	74,911

3. Financial income and financial costs

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Financial income		
Interest income	460	415
Dividend income	1,705	2,627
Gain on sales of affiliates' stocks (Note 1)	—	14,791
Gain on sales of available-for-sale financial assets	276	4,321
Foreign exchange gains	—	326
Other	81	64
Total	2,522	22,544

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Financial costs		
Interest expenses	2,810	1,466
Foreign exchange losses	5,450	—
Other	651	1,082
Total	8,911	2,548

Note 1 : "Gain on sales of affiliates' stocks" in this fiscal year is mainly from transferring shares of TOKIN Corporation.

4. Subsequent Event

There is no significant subsequent events exist.

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.
