

Financial Section

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Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥112 = U.S.\$1.

2. Please refer to the separate publication "Annual Report 2016 (Financials)" for details of "Note XX" on pages 57 to 64.

Consolidated Balance Sheets

NEC Corporation and Subsidiaries
March 31, 2015 and 2016

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 19)	¥ 181,132	¥ 192,323	\$ 1,717,170
Short-term investments (Note 19)	1,972	1,818	16,232
Trade notes and accounts receivable (Note 19)	928,367	874,496	7,808,000
Inventories (Note 7)	241,146	228,059	2,036,241
Deferred tax assets (Note 13)	65,351	79,418	709,089
Other current assets (Notes 19 and 20)	163,968	157,982	1,410,554
Allowance for doubtful accounts	(5,151)	(6,837)	(61,045)
Total current assets	1,576,785	1,527,259	13,636,241
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 2f and 8):			
Land	57,787	57,189	510,616
Buildings and structures	172,177	168,001	1,500,009
Machinery and equipment	20,189	19,516	174,250
Furniture and fixtures	67,643	66,265	591,652
Construction in progress	20,319	20,823	185,919
Total property, plant and equipment	338,115	331,794	2,962,446
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 19)	157,078	143,116	1,277,821
Investments in affiliated companies (Note 19)	90,153	91,626	818,089
Goodwill	66,985	46,123	411,813
Software	94,194	89,358	797,839
Long-term loans receivable (Note 19)	39,424	37,271	332,777
Deferred tax assets (Note 13)	85,114	114,316	1,020,679
Net defined benefit asset (Note 9)	74,622	23,634	211,018
Other assets (Notes 19 and 20)	102,682	93,020	830,536
Allowance for doubtful accounts	(4,500)	(4,076)	(36,393)
Total investments and other assets	705,752	634,388	5,664,179
TOTAL ASSETS	¥2,620,652	¥2,493,441	\$22,262,866

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 19)	¥ 28,988	¥ 40,102	\$ 358,054
Current portion of long-term debt (Notes 8 and 19)	106,267	117,174	1,046,196
Trade notes and accounts payable (Note 19)	466,677	415,427	3,709,170
Accrued expenses (Note 19)	169,070	155,240	1,386,071
Other current liabilities (Notes 10, 13, 19 and 20)	298,546	284,099	2,536,598
Total current liabilities	1,069,548	1,012,042	9,036,089
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 19)	385,523	323,711	2,890,277
Net defined benefit liability (Notes 3 and 9)	228,686	258,632	2,309,214
Deferred tax liabilities (Note 13)	2,410	1,891	16,884
Other long-term liabilities (Notes 11, 19 and 20)	50,293	44,672	398,857
Total long-term liabilities	666,912	628,906	5,615,232
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 18, 20 and 21)			
NET ASSETS (Notes 12 and 24):			
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized — 7,500,000 thousand shares			
Issued — 2,604,733 thousand shares in 2015 and 2016	397,199	397,199	3,546,420
Capital surplus	148,694	149,034	1,330,661
Retained earnings (Note 3)	207,021	265,404	2,369,678
Treasury stock — at cost:			
5,916 thousand shares in 2015 and			
6,059 thousand shares in 2016	(3,025)	(3,077)	(27,473)
Total shareholders' equity	749,889	808,560	7,219,286
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Valuation difference on available-for-sale securities	47,385	36,710	327,767
Deferred gains or losses on hedges	(271)	(1,525)	(13,616)
Foreign currency translation adjustments	12,795	(1,175)	(10,491)
Remeasurements of defined benefit plans	13,852	(50,478)	(450,696)
Total accumulated other comprehensive income	73,761	(16,468)	(147,036)
NON-CONTROLLING INTERESTS (Note 3)	60,542	60,401	539,295
Total net assets	884,192	852,493	7,611,545
TOTAL LIABILITIES AND NET ASSETS	¥2,620,652	¥2,493,441	\$22,262,866

Consolidated Statements of Operations

NEC Corporation and Subsidiaries
Years Ended March 31, 2014, 2015 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2015	2016	2016
NET SALES	¥3,043,114	¥2,935,517	¥2,821,181	\$25,189,116
COST OF SALES (Note 9)	2,128,457	2,039,499	1,978,757	17,667,473
Gross profit	914,657	896,018	842,424	7,521,643
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 14)	808,464	767,934	735,118	6,563,554
Operating income	106,193	128,084	107,306	958,089
NON-OPERATING INCOME:				
Interest and dividends income	6,251	5,658	5,916	52,821
Equity in earnings of affiliated companies, net	2,719	8,126	4,562	40,732
Foreign exchange gain, net	593	4,468	—	—
Other non-operating income (Note 5)	8,672	8,240	7,498	66,947
Total non-operating income	18,235	26,492	17,976	160,500
NON-OPERATING EXPENSES:				
Interest expense	10,036	10,066	9,760	87,143
Foreign exchange loss, net	—	—	8,482	75,732
Settlement package and compensation for damage (Note 5) ..	3,836	2,554	7,220	64,464
Provision for contingent loss	11,452	5,872	4,745	42,366
Retirement benefit expenses (Note 9)	11,325	10,357	—	—
Other non-operating expenses (Note 5)	18,627	13,615	12,340	110,179
Total non-operating expenses	55,276	42,464	42,547	379,884
Ordinary income	69,152	112,112	82,735	738,705
SPECIAL GAINS (Note 15)	58,341	7,801	6,095	54,420
SPECIAL LOSSES (Note 15)	43,532	23,176	10,908	97,393
PROFIT BEFORE INCOME TAXES	83,961	96,737	77,922	695,732
INCOME TAXES (Note 13):				
Current	33,558	31,868	20,085	179,330
Deferred	8,808	8,944	(16,202)	(144,661)
Total income taxes	42,366	40,812	3,883	34,669
PROFIT	41,595	55,925	74,039	661,063
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7,853	(1,377)	5,290	47,233
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 33,742	¥ 57,302	¥ 68,749	\$ 613,830

	Yen			U.S. Dollars (Note 1)
	2014	2015	2016	2016
PER SHARE OF COMMON STOCK (Note 23):				
Basic earnings per share	¥12.99	¥22.05	¥26.45	\$0.24
Diluted earnings per share	—	—	—	—
Cash dividends applicable to the year	4.00	4.00	6.00	0.05

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

NEC Corporation and Subsidiaries
Years Ended March 31, 2014, 2015 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2015	2016	2016
PROFIT	¥41,595	¥ 55,925	¥ 74,039	\$ 661,063
OTHER COMPREHENSIVE INCOME (Note 16):				
Valuation difference on available-for-sale securities	15,858	12,028	(10,418)	(93,018)
Deferred gains or losses on hedges	(253)	674	(30)	(268)
Foreign currency translation adjustments	4,450	11,218	(11,798)	(105,339)
Remeasurements of defined benefit plans	—	78,611	(63,674)	(568,518)
Share of other comprehensive income of associates accounted for using equity method	1,239	4,150	(6,120)	(54,643)
Total other comprehensive income	21,294	106,681	(92,040)	(821,786)
COMPREHENSIVE INCOME	¥62,889	¥162,606	¥(18,001)	\$(160,723)
Comprehensive income attributable to				
owners of the parent	¥54,917	¥160,309	¥(21,480)	\$(191,786)
non-controlling interests	7,972	2,297	3,479	31,063

Consolidated Statements of Changes in Net Assets

NEC Corporation and Subsidiaries
Years Ended March 31, 2014, 2015 and 2016

	Thousands	Millions of Yen											
	Outstanding number of shares of common stock	Shareholders' equity					Accumulated other comprehensive income						
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non- controlling interests	Total net assets
BALANCE, MARCH 31, 2013	2,604,733	¥397,199	¥148,405	¥157,771	¥ (2,946)	¥700,429	¥ 18,333	¥ (1,076)	¥ (7,020)	—	¥ 10,237	¥125,481	¥836,147
Profit attributable to owners of the parent				33,742		33,742							33,742
Cash dividends paid, ¥4 per share				(10,394)		(10,394)							(10,394)
Purchases of treasury stock					(35)	(35)							(35)
Disposals of treasury stock			(2)		5	3							3
Change of scope of equity method				1,451		1,451							1,451
Net changes in items other than shareholders' equity during the year						—	15,959	(283)	5,499	(60,658)	(39,483)	(53,767)	(93,250)
BALANCE, MARCH 31, 2014	2,604,733	397,199	148,402	182,570	(2,976)	725,195	34,292	(1,359)	(1,521)	(60,658)	(29,246)	71,714	767,663
Cumulative effects of changes in accounting policies				(22,458)		(22,458)						(1,608)	(24,066)
Restated balance		397,199	148,402	160,112	(2,976)	702,737	34,292	(1,359)	(1,521)	(60,658)	(29,246)	70,106	743,597
Profit attributable to owners of the parent				57,302		57,302							57,302
Cash dividends paid, ¥4 per share				(10,393)		(10,393)							(10,393)
Purchases of treasury stock					(54)	(54)							(54)
Disposals of treasury stock			(2)		5	3							3
Change of scope of equity method			294			294							294
Net changes in items other than shareholders' equity during the year						—	13,093	1,088	14,316	74,510	103,007	(9,564)	93,443
BALANCE, MARCH 31, 2015	2,604,733	397,199	148,694	207,021	(3,025)	749,889	47,385	(271)	12,795	13,852	73,761	60,542	884,192
Profit attributable to owners of the parent				68,749		68,749							68,749
Cash dividends paid, ¥4 per share				(10,396)		(10,396)							(10,396)
Purchases of treasury stock					(56)	(56)							(56)
Disposals of treasury stock			(2)		4	2							2
Change in treasury shares of parent arising from transactions with non-controlling shareholders			342			342							342
Change of scope of equity method				30		30							30
Net changes in items other than shareholders' equity during the year						—	(10,675)	(1,254)	(13,970)	(64,330)	(90,229)	(141)	(90,370)
BALANCE, MARCH 31, 2016	2,604,733	¥397,199	¥149,034	¥265,404	¥ (3,077)	¥808,560	¥ 36,710	¥ (1,525)	¥ (1,175)	¥ (50,478)	¥ (16,468)	¥ 60,401	¥852,493

	Thousands of U.S. Dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
BALANCE, MARCH 31, 2015	\$3,546,420	\$1,327,625	\$1,848,401	\$ (27,009)	\$6,695,437	\$423,080	\$ (2,420)	\$ 114,241	\$ 123,679	\$ 658,580	\$540,554	\$7,894,571
Profit attributable to owners of the parent			613,830		613,830							613,830
Cash dividends paid, \$0.04 per share			(92,821)		(92,821)							(92,821)
Purchases of treasury stock				(500)	(500)							(500)
Disposals of treasury stock		(18)		36	18							18
Change in treasury shares of parent arising from transactions with non-controlling shareholders		3,054			3,054							3,054
Change of scope of equity method			268		268							268
Net changes in items other than shareholders' equity during the year					—	(95,313)	(11,196)	(124,732)	(574,375)	(805,616)	(1,259)	(806,875)
BALANCE, MARCH 31, 2016	\$3,546,420	\$1,330,661	\$2,369,678	\$ (27,473)	\$7,219,286	\$327,767	\$ (13,616)	\$ (10,491)	\$ (450,696)	\$ (147,036)	\$539,295	\$7,611,545

Conforming to separate financial statements, total translated amounts seem to be inconsistent with calculation in some cases.
See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

NEC Corporation and Subsidiaries
Years Ended March 31, 2014, 2015 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2015	2016	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income taxes	¥ 83,961	¥ 96,737	¥ 77,922	\$ 695,732
Depreciation	76,977	78,717	73,026	652,018
Amortization of long-term prepaid expenses	4,972	5,126	4,947	44,170
Impairment losses on property, plant and equipment, and other assets	15,934	8,932	10,645	95,045
Amortization of goodwill	17,085	16,814	11,839	105,705
Increase (decrease) in allowance for doubtful accounts	(4,163)	(11,030)	2,038	18,196
Decrease in product warranty liabilities	(1,220)	(979)	(3,288)	(29,357)
Increase (decrease) in provision for loss on construction contracts and others	(6,634)	(5,763)	1,971	17,598
Increase (decrease) in provision for business structure improvement	9,086	392	(7,518)	(67,125)
Increase in provision for contingent loss	10,476	787	672	6,000
Increase (decrease) in provision for loss on repurchase of computers	1,583	(464)	(1,687)	(15,063)
Interest and dividends income	(6,251)	(5,658)	(5,916)	(52,821)
Interest expense	10,036	10,066	9,760	87,143
Equity in earnings of affiliated companies	(2,719)	(8,126)	(4,562)	(40,732)
Gain on change in equity	(365)	—	—	—
Gain on sales of property, plant and equipment	(368)	(3,276)	(445)	(3,973)
Gain on sales of investment securities	(2,698)	(2,216)	(4,977)	(44,438)
Loss on sales of investment securities	23	10	21	188
Write-off of investment securities	1,738	1,044	104	929
Gain on sales of investments in affiliated companies	(53,923)	(1,706)	(673)	(6,009)
Loss on sales of investments in affiliated companies	64	—	138	1,232
(Increase) decrease in trade notes and accounts receivable ...	(22,680)	(74,822)	43,771	390,812
(Increase) decrease in inventories	24,327	(21,830)	7,693	68,688
Decrease in accounts receivable, other	3,380	5,665	5,245	46,830
Increase (decrease) in trade notes and accounts payable	(4,034)	16,668	(44,723)	(399,313)
Others—net (Note 5)	(26,937)	21,635	(48,621)	(434,116)
Subtotal	127,650	126,723	127,382	1,137,339
Interest and dividends received	6,216	5,721	5,845	52,187
Interest paid	(8,914)	(10,132)	(10,007)	(89,348)
Income taxes paid	(30,828)	(34,395)	(25,391)	(226,705)
Net cash provided by operating activities	¥ 94,124	¥ 87,917	¥ 97,829	\$ 873,473

See notes to consolidated financial statements.

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2015	2016	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	¥ (89,458)	¥ (42,461)	¥ (32,522)	\$ (290,375)
Proceeds from sales of property, plant and equipment	5,440	13,790	2,746	24,518
Acquisitions of intangible assets	(12,327)	(8,974)	(8,316)	(74,250)
Purchases of investment securities	(995)	(1,367)	(892)	(7,964)
Proceeds from sales of investment securities	14,907	8,729	7,616	68,000
Disbursements for acquisitions of shares of newly consolidated subsidiaries	(806)	(10,518)	—	—
Proceeds from acquisitions of shares of newly consolidated subsidiaries	116	—	36	321
Proceeds from sales of shares of subsidiaries being excluded from the consolidation	42,504	33	556	4,964
Disbursements for sales of shares of subsidiaries being excluded from the consolidation	—	(3,378)	(385)	(3,437)
Purchases of investments in affiliated companies	(27,693)	(7,127)	(4,380)	(39,107)
Proceeds from sales of investments in affiliated companies ...	26,515	—	204	1,821
(Increase) decrease in short-term loans receivable, net	(50)	63	498	4,447
Disbursements for loans receivable	(169)	(155)	(142)	(1,268)
Collection of loans receivable	247	907	584	5,214
Others—net	2,876	2,948	2,195	19,598
Net cash used in investing activities	(38,893)	(47,510)	(32,202)	(287,518)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in short-term borrowings, net	(26,745)	(2,275)	14,790	132,054
Proceeds from long-term borrowings	138,630	9,875	4,059	36,241
Repayments of long-term borrowings	(76,239)	(46,933)	(15,827)	(141,313)
Proceeds from issuance of bonds	—	—	50,000	446,429
Redemption of bonds	(70,000)	(20,000)	(90,000)	(803,571)
Dividends paid	(10,378)	(10,358)	(10,368)	(92,571)
Dividends paid to non-controlling interests	(5,218)	(2,579)	(2,214)	(19,768)
Others—net	(33)	243	(522)	(4,661)
Net cash used in financing activities	(49,983)	(72,027)	(50,082)	(447,160)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,257	6,115	(4,354)	(38,875)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,505	(25,505)	11,191	99,920
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR ...	197,132	206,637	181,132	1,617,250
CASH AND CASH EQUIVALENTS, AT END OF YEAR	¥206,637	¥181,132	¥192,323	\$1,717,170
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Finance leases	¥1,326	¥781	¥471	\$4,205