

Orchestrating a brighter world

NEC

Financial Results for Q1 Fiscal Year Ending March 31, 2016

July 30, 2015

NEC Corporation

(<http://www.nec.com/en/global/ir>)

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Reference (Financial data)

* Net income/loss (actual or forecast) for fiscal year ending March 31, 2016 refers to profit/loss attributable to owners of the parent for the same period

I . Financial Results for Q1, FY16/3

Summary of Financial Results for Q1

Q1 Results

Net loss was better than expected, flat year on year

(Billions of Yen)

	Q1 <April to June>		
	FY15/3 Actual	FY16/3 Actual	YoY
Net Sales	598.7	586.6	- 2.0%
Operating Loss	-7.1	-10.1	-3.0
% to Net Sales	-1.2%	-1.7%	
Ordinary Loss	-10.0	-7.7	+2.3
% to Net Sales	-1.7%	-1.3%	
Net Loss	-10.1	-10.0	+0.1
% to Net Sales	-1.7%	-1.7%	
Free Cash Flows	53.3	80.9	+27.6

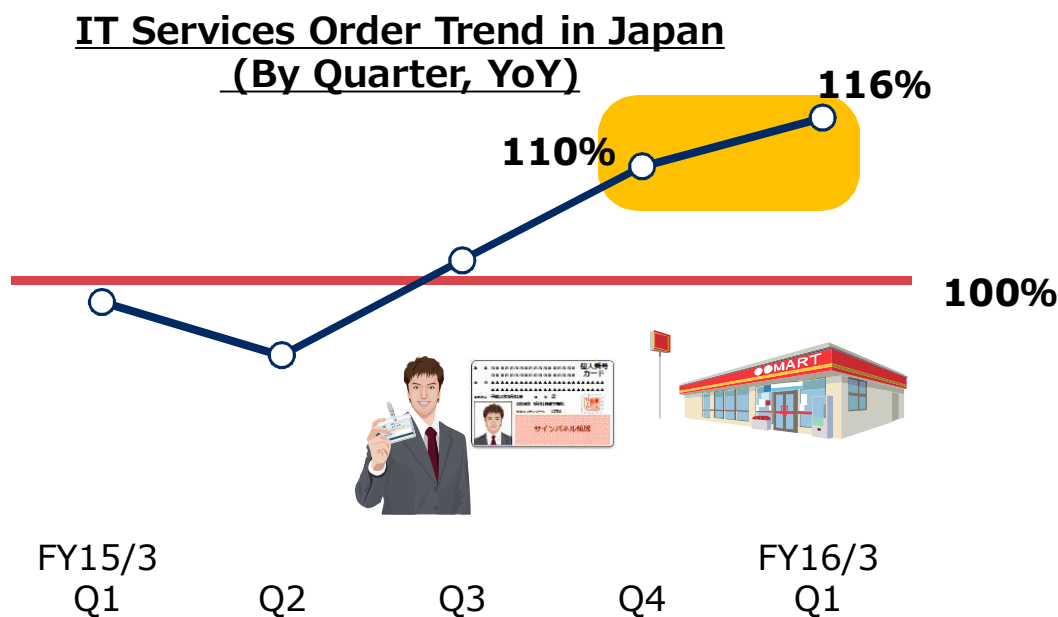
(Billions of Yen)

		Q1 <April to June>		
		FY15/3 Actual	FY16/3 Actual	YoY
Public	Net Sales	146.4	145.5	-0.6%
	Operating Income/Loss	1.6	- 0.5	-2.1
	% to Net Sales	1.1%	-0.4%	
Enterprise	Net Sales	54.4	68.3	+ 25.5%
	Operating Income/Loss	- 1.8	2.8	+ 4.6
	% to Net Sales	-3.3%	4.1%	
Telecom Carrier	Net Sales	151.0	142.6	-5.6%
	Operating Income/Loss	4.3	- 3.3	-7.6
	% to Net Sales	2.9%	-2.3%	
System Platform	Net Sales	166.9	160.2	-4.0%
	Operating Income	2.5	4.9	+ 2.3
	% to Net Sales	1.5%	3.0%	
Others	Net Sales	80.0	70.1	-12.4%
	Operating Loss	- 4.9	- 7.0	-2.1
	% to Net Sales	-6.1%	-9.9%	
Adjustment	Operating Loss	- 8.9	- 6.9	+ 1.9
Total	Net Sales	598.7	586.6	-2.0%
	Operating Loss	- 7.1	- 10.1	-3.0
	% to Net Sales	-1.2%	-1.7%	

Note: Average exchange rates for Q1 of FY16/3 \$1= ¥120.23 €1= ¥131.42

The order trend for IT investment in services and hardware in Japan has improved

- IT services in Japan have taken an upturn from Q4, FY15/3, particularly in the public, retail and services areas
- PC servers have improved for four consecutive months since March, 2015



FY15/3
Q1

Q2

Q3

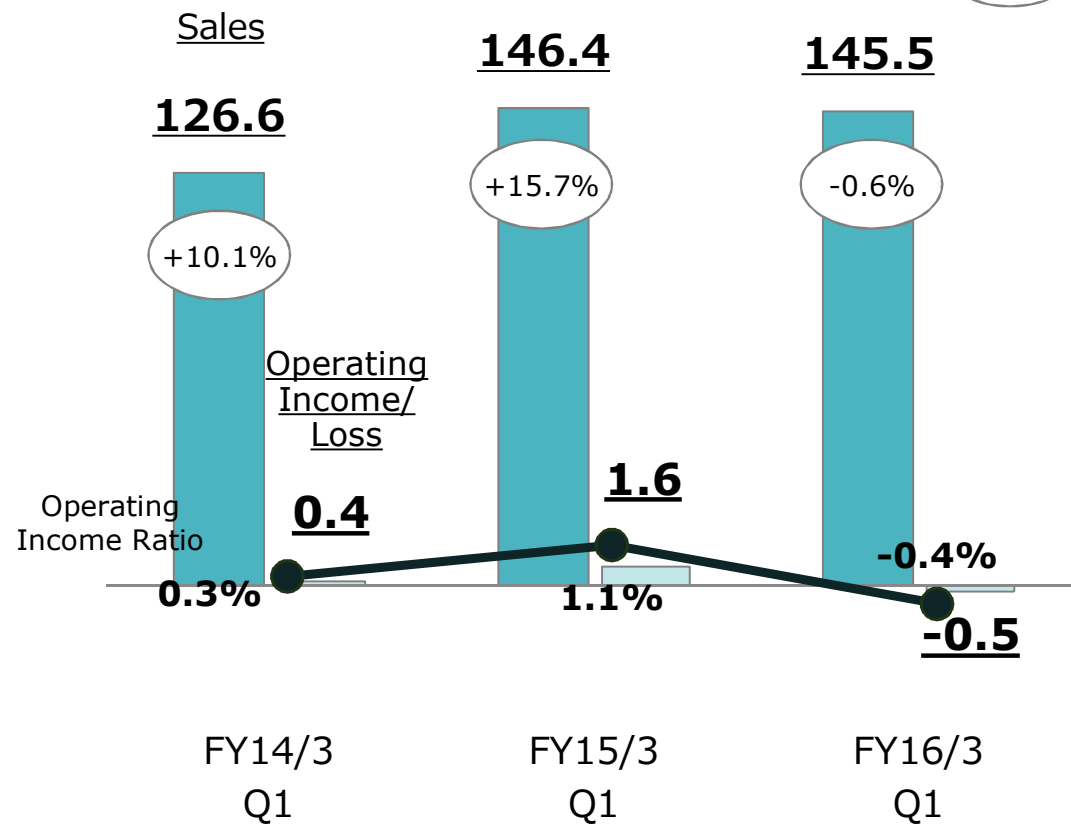
Q4

FY16/3
Q1

(Billions of Yen)

Billions of Yen (YoY)

YoY

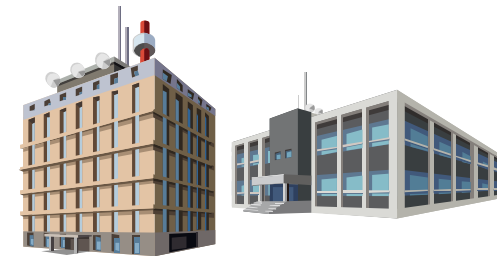


Sales 145.5 (-0.6%)

- Sales for local governments performed well due to higher demand for My Number projects
- Sales for central government decreased due to an impact from large projects in the last fiscal year

Operating Loss -0.5 (-2.1)

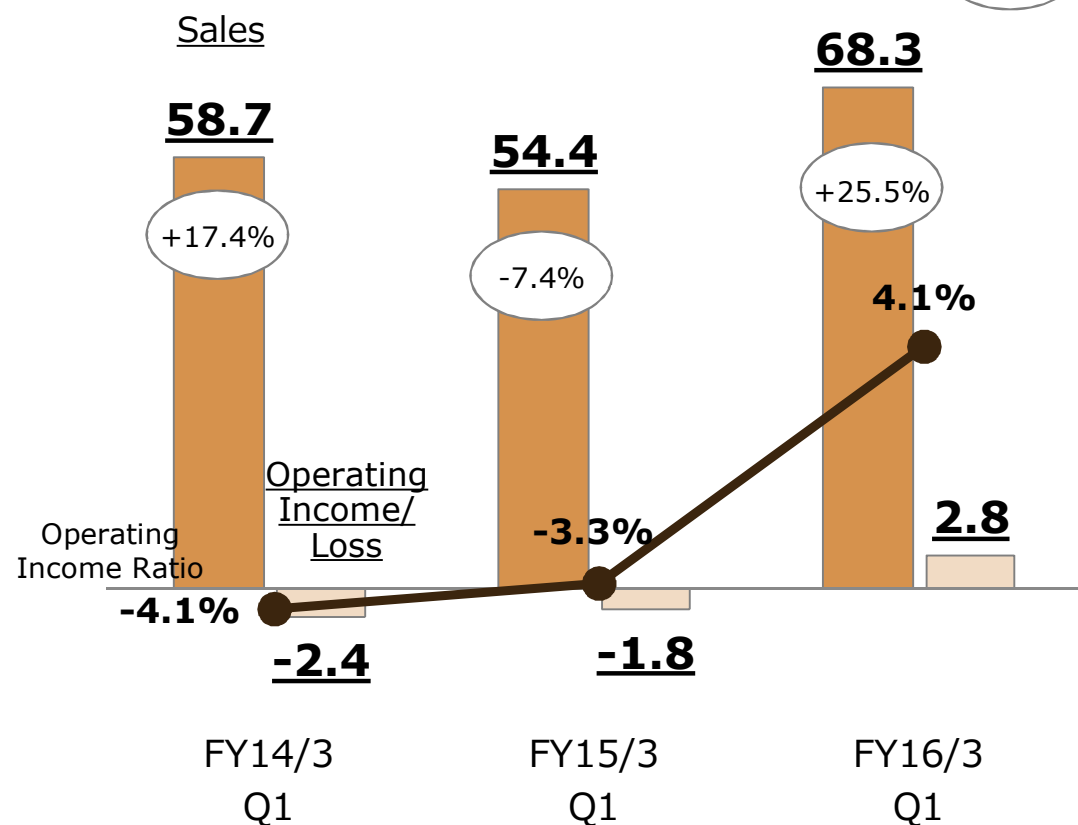
- Decreased due to a sales decrease and an increase in costs to reinforce operations



(Billions of Yen)

Billions of Yen (YoY)

YoY



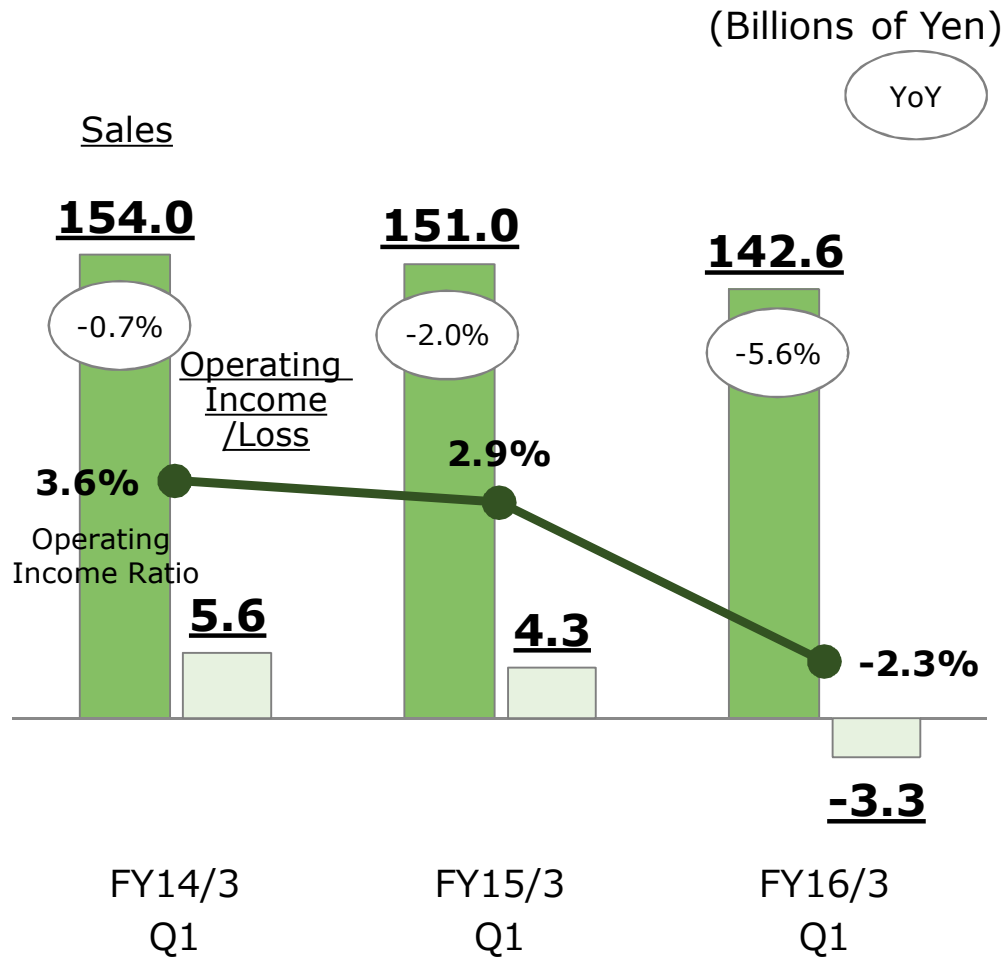
Sales 68.3 (+25.5%)

- Increased due to large projects in manufacturing, as well as retail and services

Operating Income 2.8 (+4.6)

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





Sales 142.6 (-5.6%)

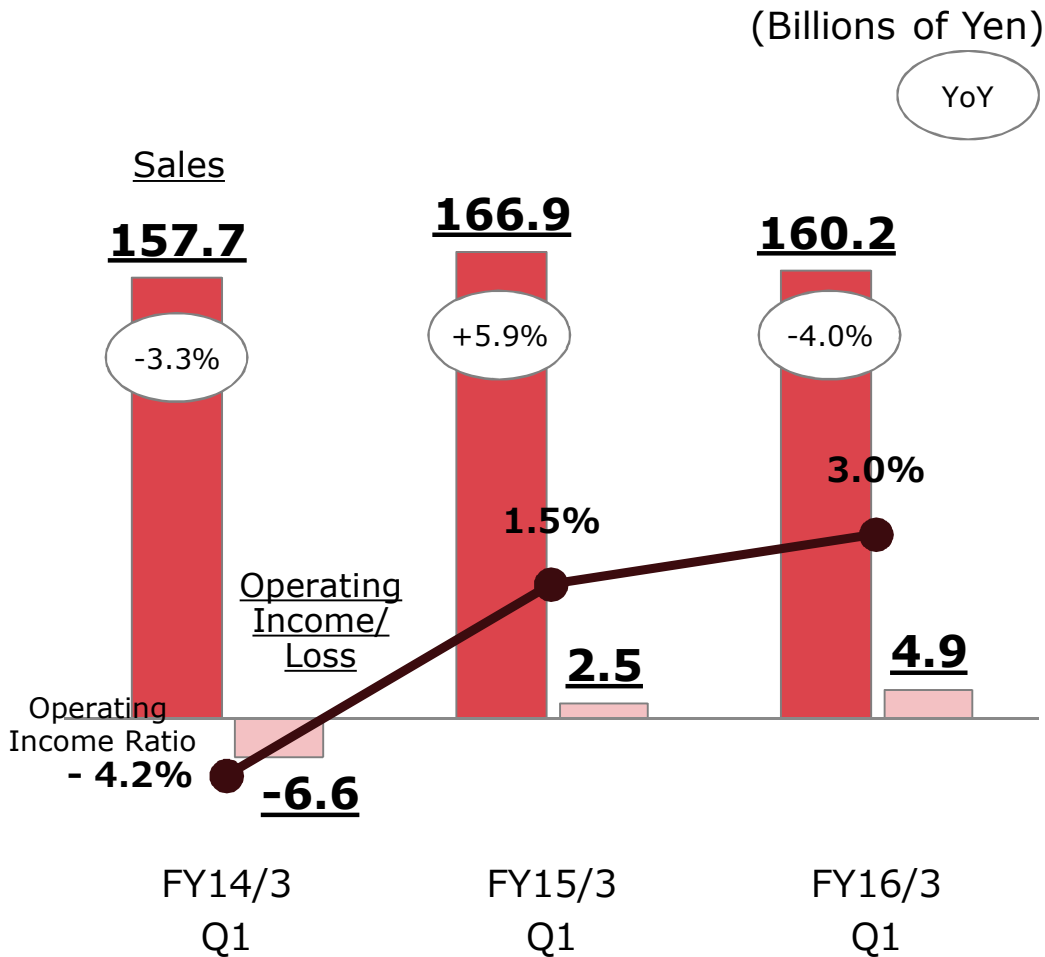
- Decreased in Japan
- International sales increased in submarine cable systems among others

Operating Loss -3.3 (-7.6)

- Decreased due to a sales decrease and an increase in the SDN-related investment costs

* SDN : Software-Defined Networking





Sales 160.2 (-4.0%)

- Decreased due to a decrease in business PCs while servers saw solid performance

Operating Income 4.9 (+2.3)

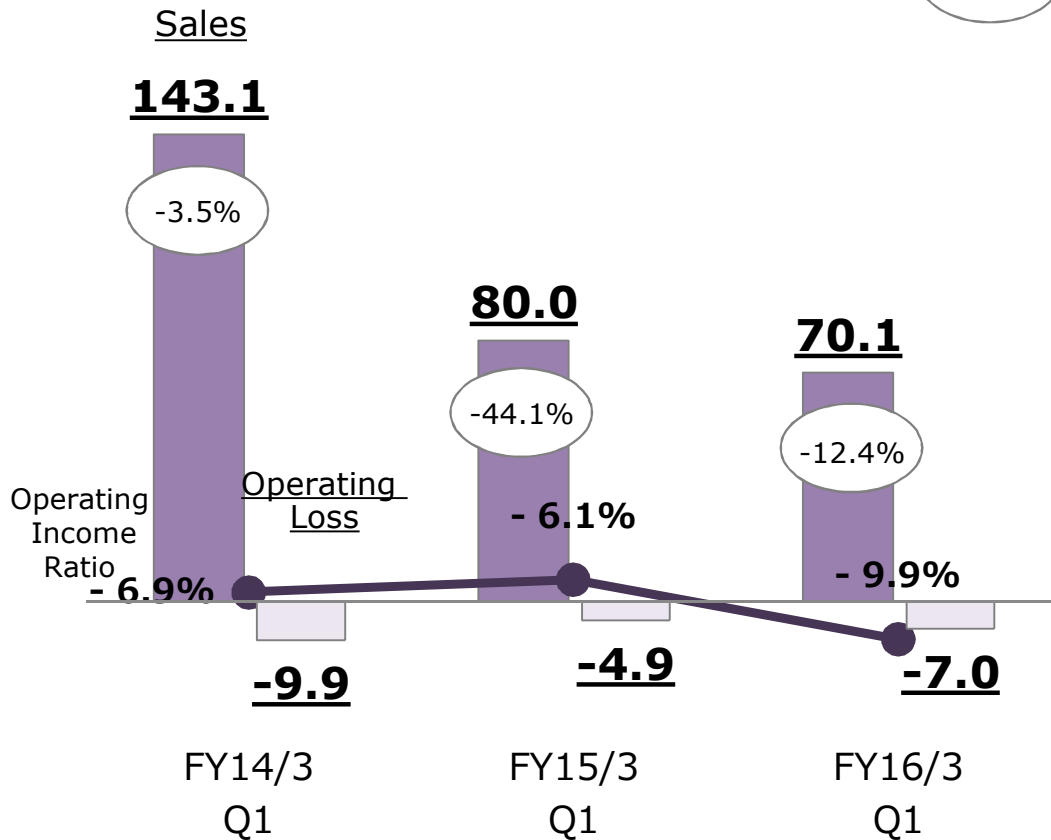
- Improved due to higher profitability, mainly in hardware, despite a sales decrease



(Billions of Yen)

Billions of Yen (YoY)

YoY



Sales 70.1 (-12.4%)

- Decreased due to deconsolidation of logistics business and a decrease in the mobile handsets business

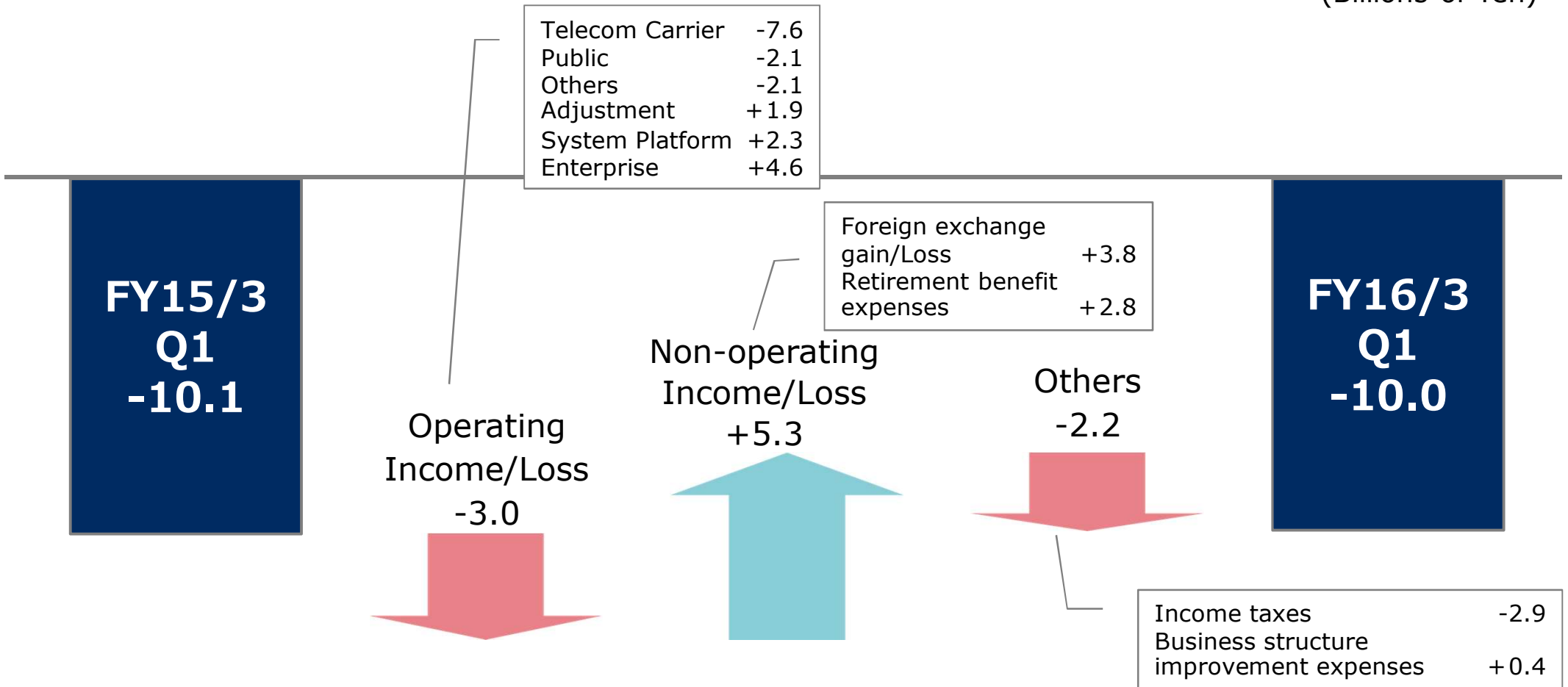
Operating Loss -7.0 (-2.1)

- Decreased due to a sales decrease

Net Loss Change (Year on Year)

Q1 Results

(Billions of Yen)



Focus on Solutions for Society and expanding SDN and other global/growth areas

SDN

- Collaborated with Swisscom AG to jointly invest in Cloud Transformation and SDN/NFV Excellence Program
- Collaborated with Portugal Telecom to test CPE virtualization for residential markets
- Participated in SDN/NFV trials at KDD R&D Labs
- Collaborated with HP to advance adoption of NFV for telecom carriers

Big Data

- Provided Sumitomo Mitsui Banking with system that automatically analyzes customer feedback

Cloud

- Provided communication platform for Tokai University using cloud services

Energy

- Reached an agreement to deploy a grid energy storage system for the U.S.A.'s largest independent electric power provider.
- Completed the installation of a 2.4MW, 3.9MWh grid energy storage system for a large electric company in CA, U.S.A.



* NFV : Network Functions Virtualization

II. Financial Forecasts for FY16/3

Summary of Financial Forecasts for FY16/3

Forecasts
FY16/3

Increase sales and profits, achieve 65.0 billion yen in net income

(Billions of Yen)

	Full Year		
	FY15/3 Actual	FY16/3 Forecasts	YoY
Net Sales	2,935.5	3,100.0	+ 5.6%
Operating Income	128.1	135.0	+ 6.9
% to Net Sales	4.4%	4.4%	
Ordinary Income	112.1	120.0	+ 7.9
% to Net Sales	3.8%	3.9%	
Net Income	57.3	65.0	+ 7.7
% to Net Sales	2.0%	2.1%	
Free Cash Flows	40.4	80.0	+ 39.6

(Billions of Yen)

		Full Year		
		FY15/3 Actual	FY16/3 Forecasts	YoY
Public	Net Sales	821.9	865.0	+ 5.2%
	Operating Income	74.8	86.0	+ 11.2
	% to Net Sales	9.1%	9.9%	
Enterprise	Net Sales	270.5	290.0	+ 7.2%
	Operating Income	8.3	11.0	+ 2.7
	% to Net Sales	3.1%	3.8%	
Telecom Carrier	Net Sales	740.2	780.0	+ 5.4%
	Operating Income	62.0	64.0	+ 2.0
	% to Net Sales	8.4%	8.2%	
System Platform	Net Sales	728.9	760.0	+ 4.3%
	Operating Income	31.4	33.0	+ 1.6
	% to Net Sales	4.3%	4.3%	
Others	Net Sales	374.1	405.0	+ 8.2%
	Operating Income	4.0	4.0	0.0
	% to Net Sales	1.1%	1.0%	
Adjustment	Operating Loss	- 52.4	- 63.0	- 10.6
Total	Net Sales	2,935.5	3,100.0	+ 5.6%
	Operating Income	128.1	135.0	+ 6.9
	% to Net Sales	4.4%	4.4%	

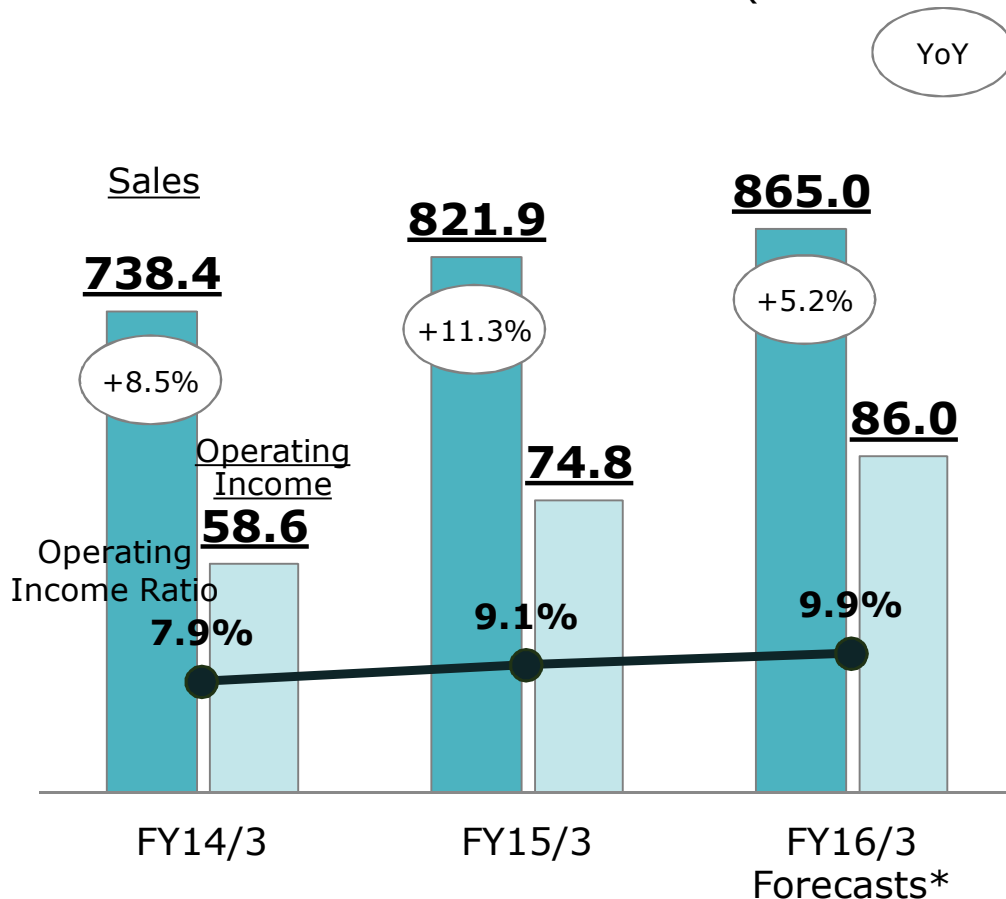
Note1: Assumed exchange rates for FY16/3 \$1=¥115, €1=¥130

Note2: FY15/3 1H net sales of 1,324.8 billion yen, operating income of 21.5 billion yen

* Forecasts as of July 30, 2015

(Billions of Yen)

Billions of Yen (YoY)

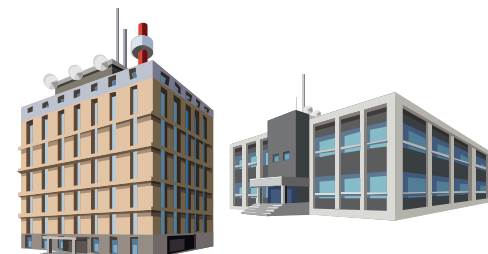


Sales 865.0 (+5.2%)

- Increase in the government and public areas

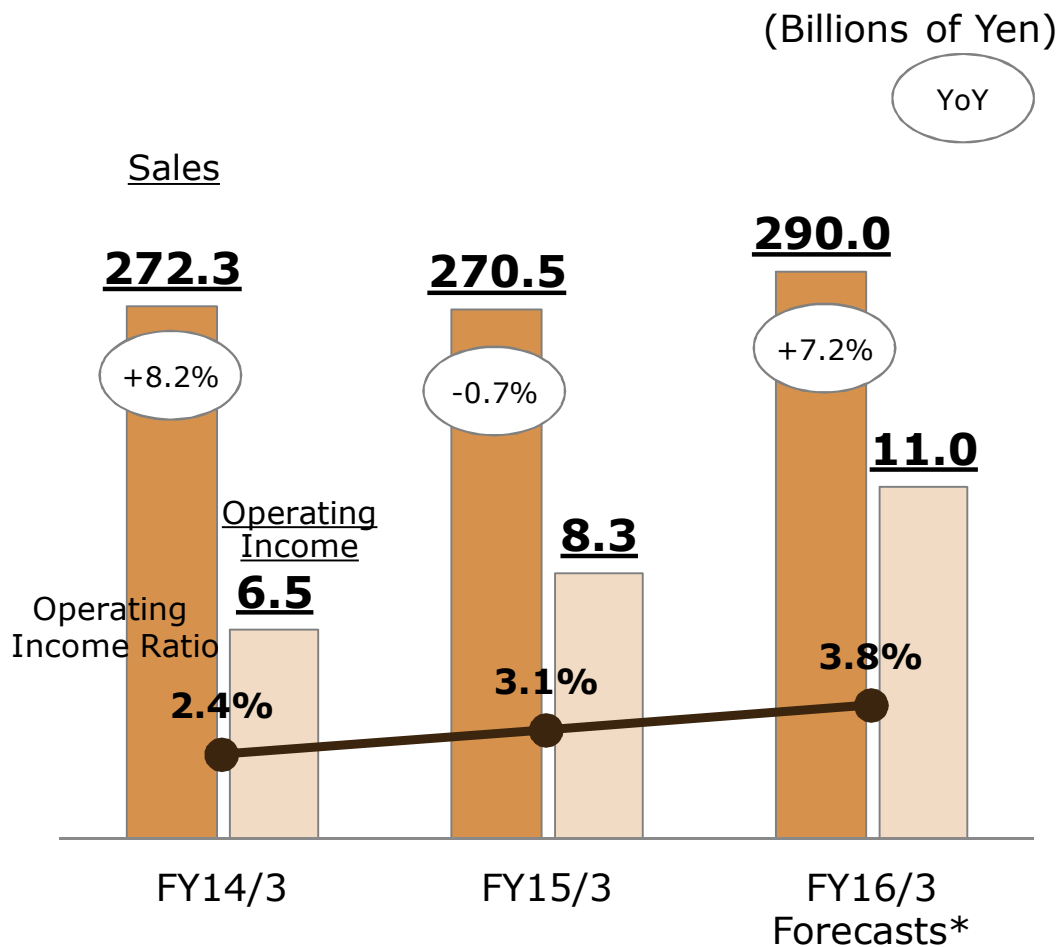
Operating Income 86.0 (+11.2%)

- Improve due to sales increase, cost reduction and a decrease in loss making projects



Note: FY15/3 1H net sales of 344.5 billion yen, operating income of 21.9 billion yen

* Forecasts as of July 30, 2015



Sales 290.0 (+7.2%)

- Increase in manufacturing, retail and service industries

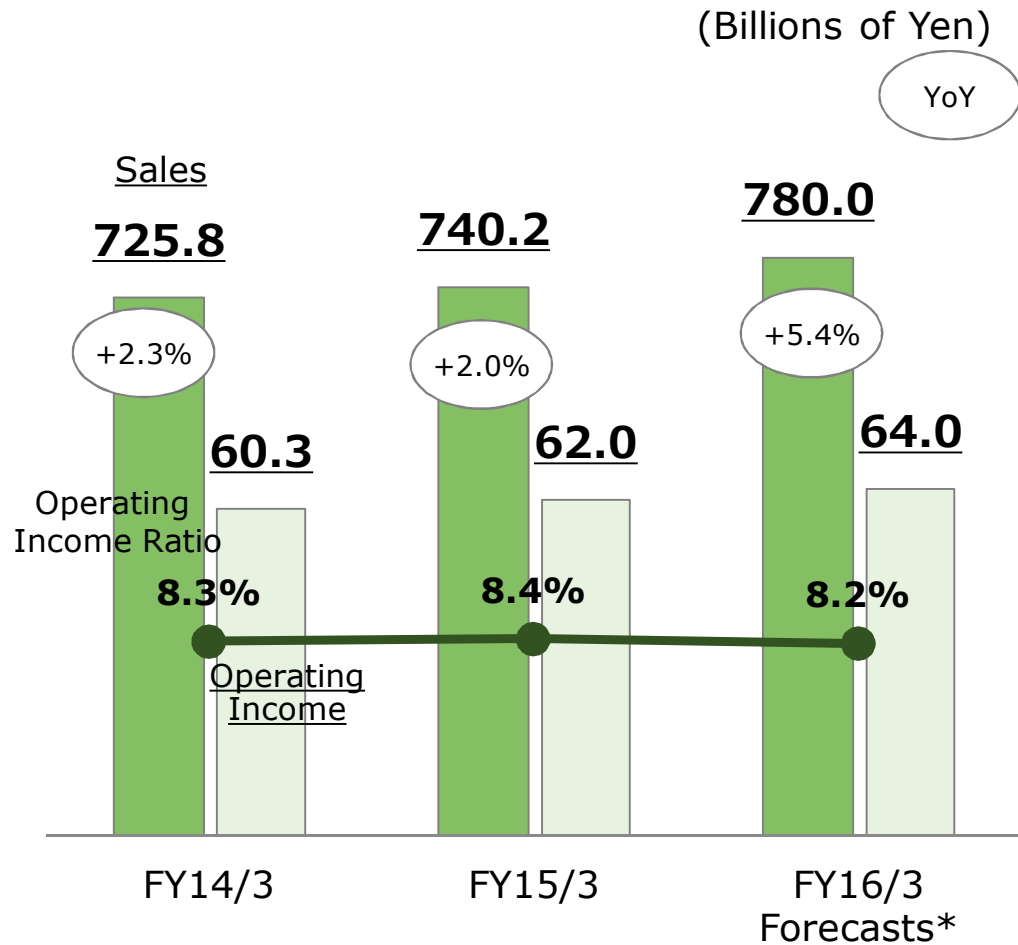
Operating Income 11.0 (+2.7)

- Improve due to sales increase and better profitability



Note: FY15/3 1H net sales of 126.7 billion yen, operating income of 2.3 billion yen

* Forecasts as of July 30, 2015



Sales 780.0 (+5.4%)

- Japan: Slightly decrease
- International: Increase in mobile backhaul, TOMS and submarine cable systems

Operating Income 64.0 (+2.0)

- Improve due to sales increase mainly in international businesses

*TOMS : Telecom Operations and Management Solutions



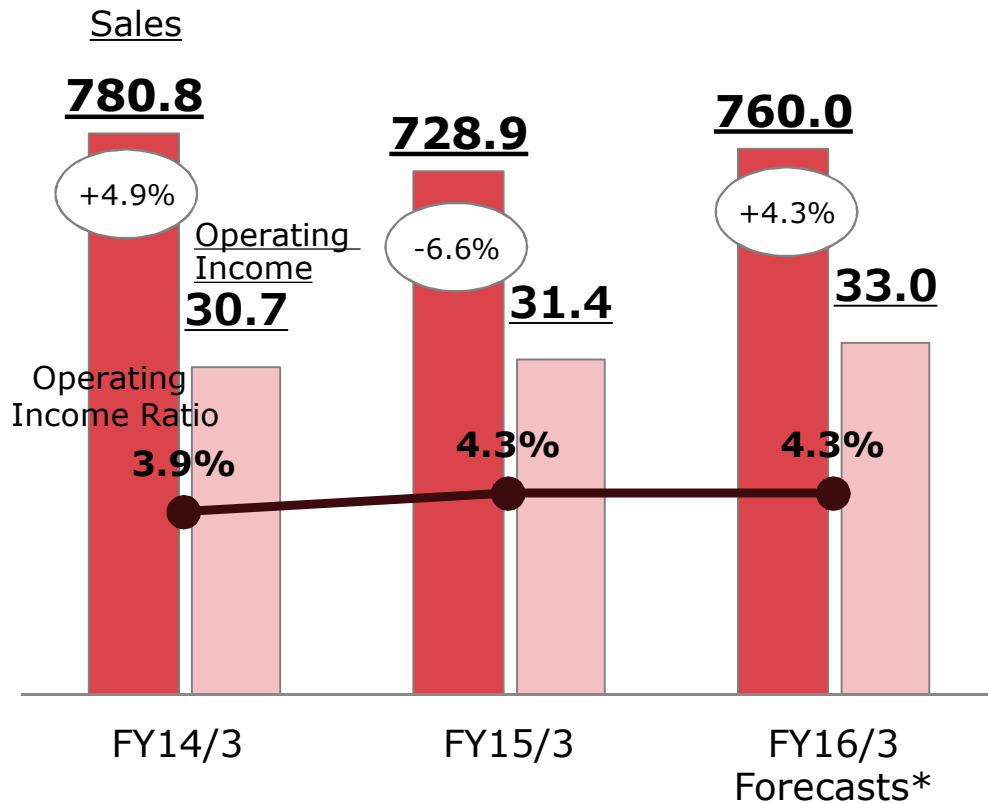
Note: FY15/3 1H net sales of 332.5 billion yen, operating income of 16.6 billion yen

* Forecasts as of July 30, 2015

(Billions of Yen)

Billions of Yen (YoY)

YoY



Sales 760.0 (+4.3%)

- Increase in solution platform including servers, network and software

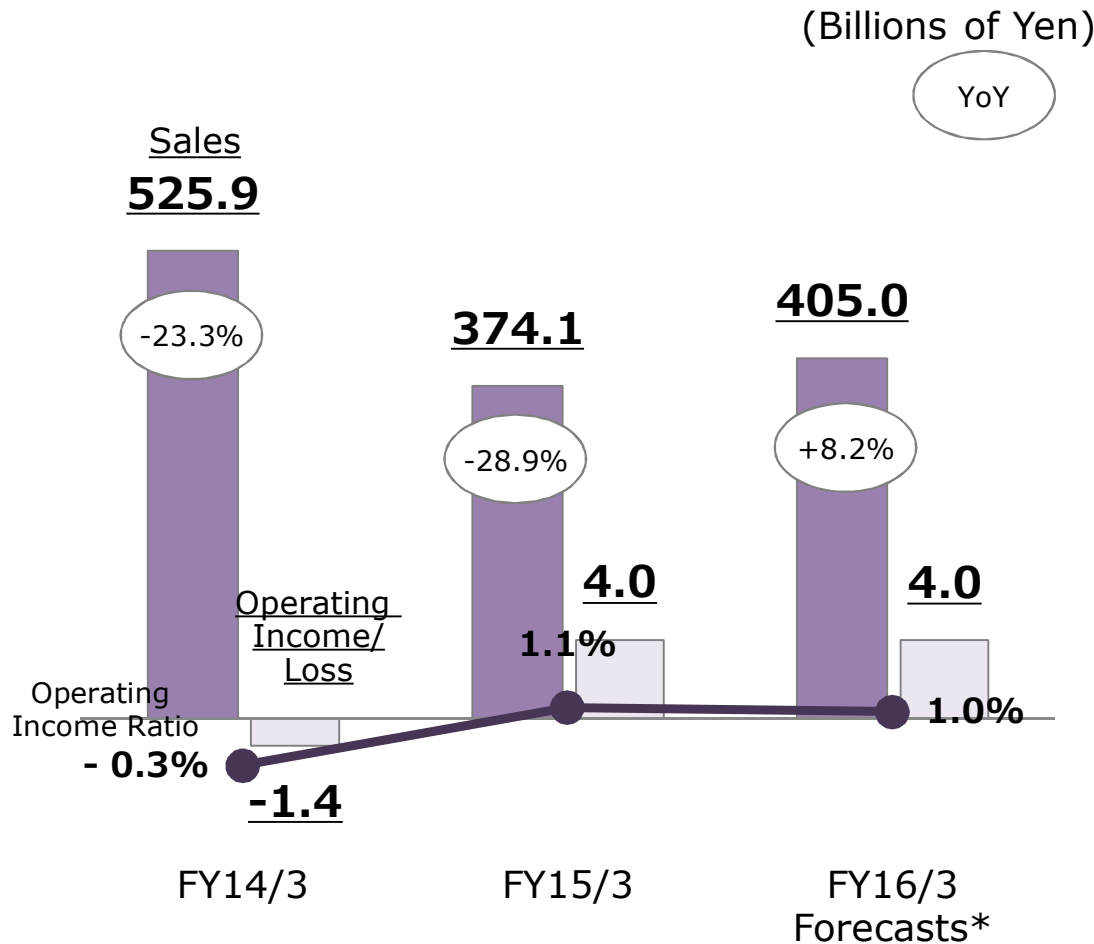
Operating Income 33.0 (+1.6)

- Improve due to sales increase and cost reduction



Note: FY15/3 1H net sales of 345.4 billion yen, operating income of 8.7 billion yen

* Forecasts as of July 30, 2015



Sales 405.0 (+8.2%)

- Increase in energy business while sales for mobile handsets decrease

Operating Income 4.0 (+/-0.0)

- Remain flat with a profitability improvement in energy business offsetting one-time, patents-related income for FY15/3

Note: FY15/3 1H sales of 175.8 billion yen, operating loss of 2.7 billion yen

* Forecasts as of July 30, 2015

Net Income Change (Year on Year)

Forecasts
FY16/3

(Billions of Yen)

Operating income
+6.9

Non-operating
income
+1.0

Others
-0.2

Decrease in profit/loss attributable to the non-controlling interests and improvement in extraordinary income/loss

Decrease in retirement benefit expenses(+10.4), and decrease in equity in earnings of affiliates and foreign exchange gains

Public	+11.2
Enterprise	+2.7
Telecom Carrier	+2.0
System Platform	+1.6
Adjustment	-10.6

FY15/3
57.3

FY16/3
Forecast*
65.0

* Forecast as of July 30, 2015

A group of people are silhouetted against a bright sunset over a beach. They are holding hands and raising their arms in a celebratory gesture. The scene is captured from a low angle, emphasizing the height of their arms and the glow of the sun on the horizon.

NEC aims to achieve full-year forecasts for a fourth consecutive year and intends to increase its dividend.

We strive for growth in the final year of our three-year Midterm Management Plan 2015

* Forecasts as of July 30, 2015

The image features a dark blue background with several thin, white, curved lines that create a sense of movement and depth. The lines intersect and curve across the frame, some starting from the left and curving towards the right, while others are more vertical or diagonal. The overall aesthetic is clean and modern.

**** Orchestrating a brighter world

 **Orchestrating** a brighter world

NEC

Financial Results for Q1, FY16/3 (Appendix)

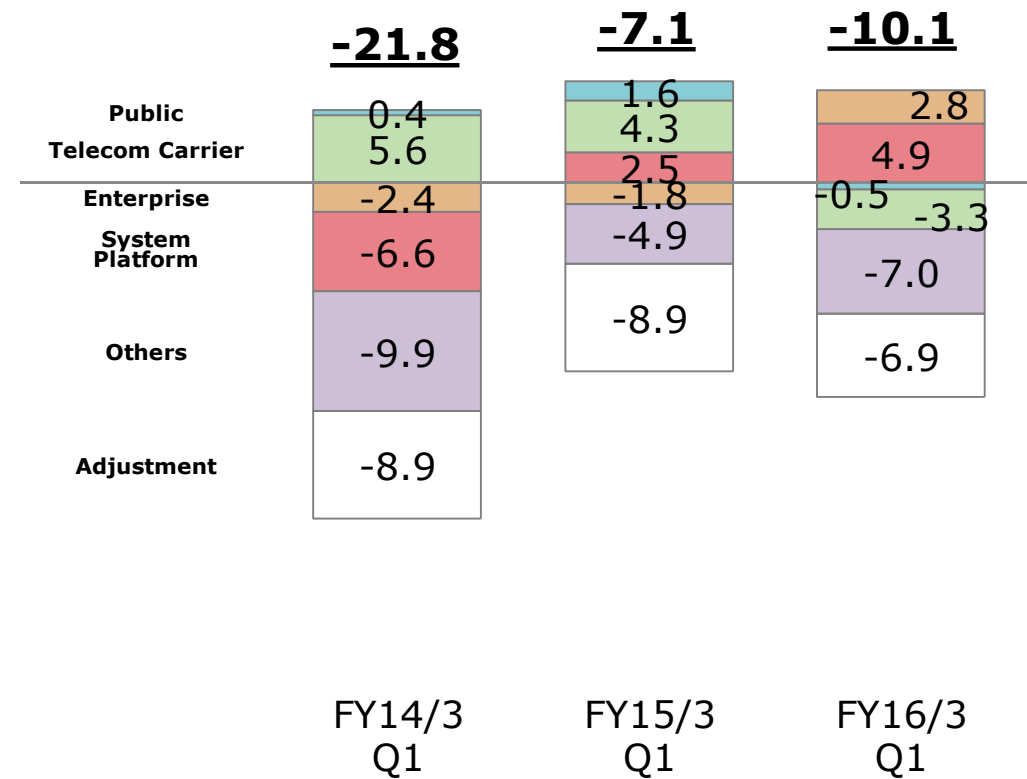
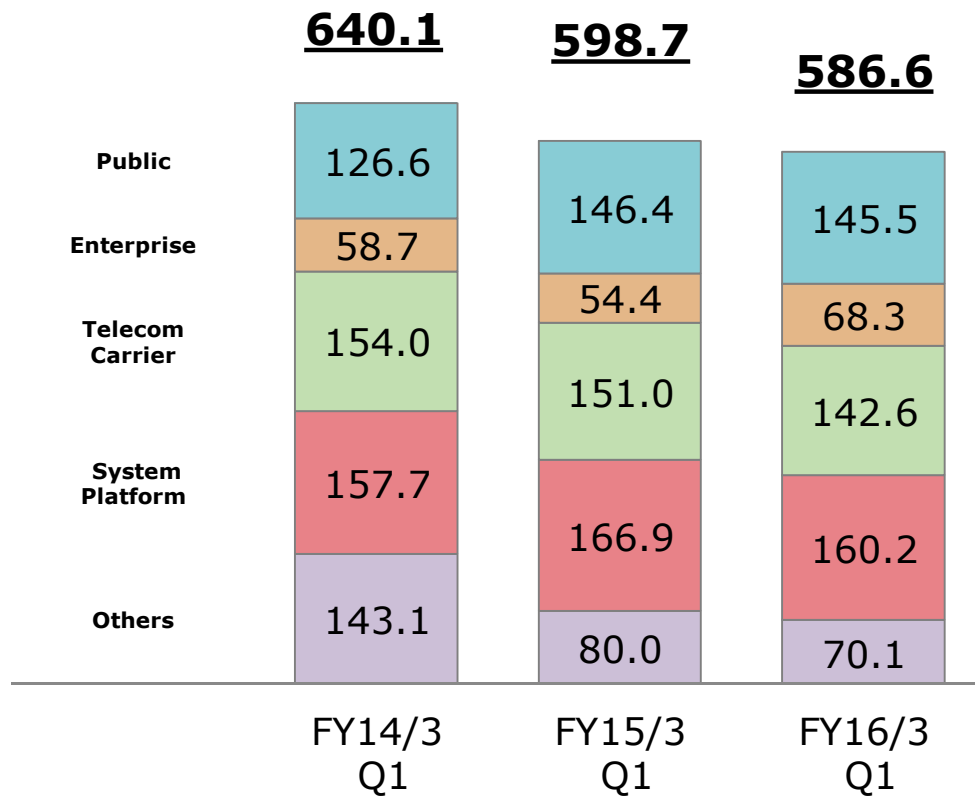
Results for Q1 by Segment (three-year transition)

Q1 Results

(Billions of Yen)

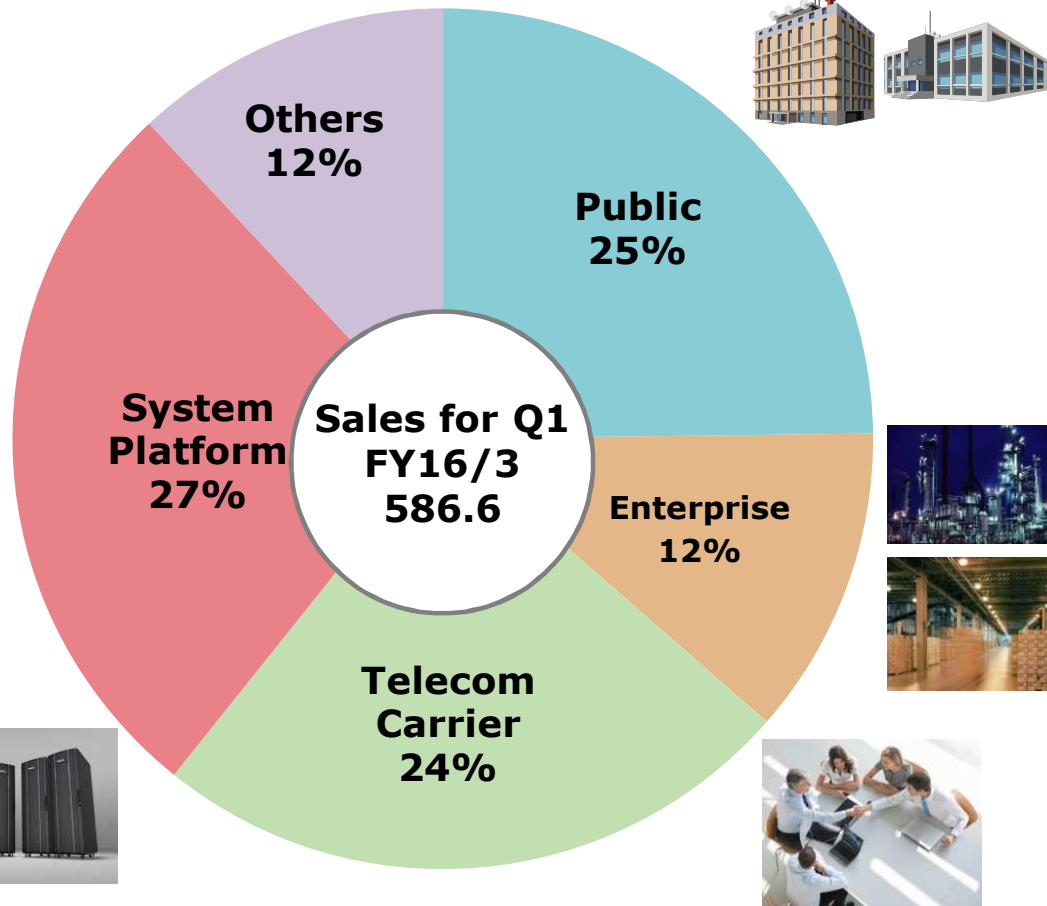
Net Sales

Operating Income/Loss

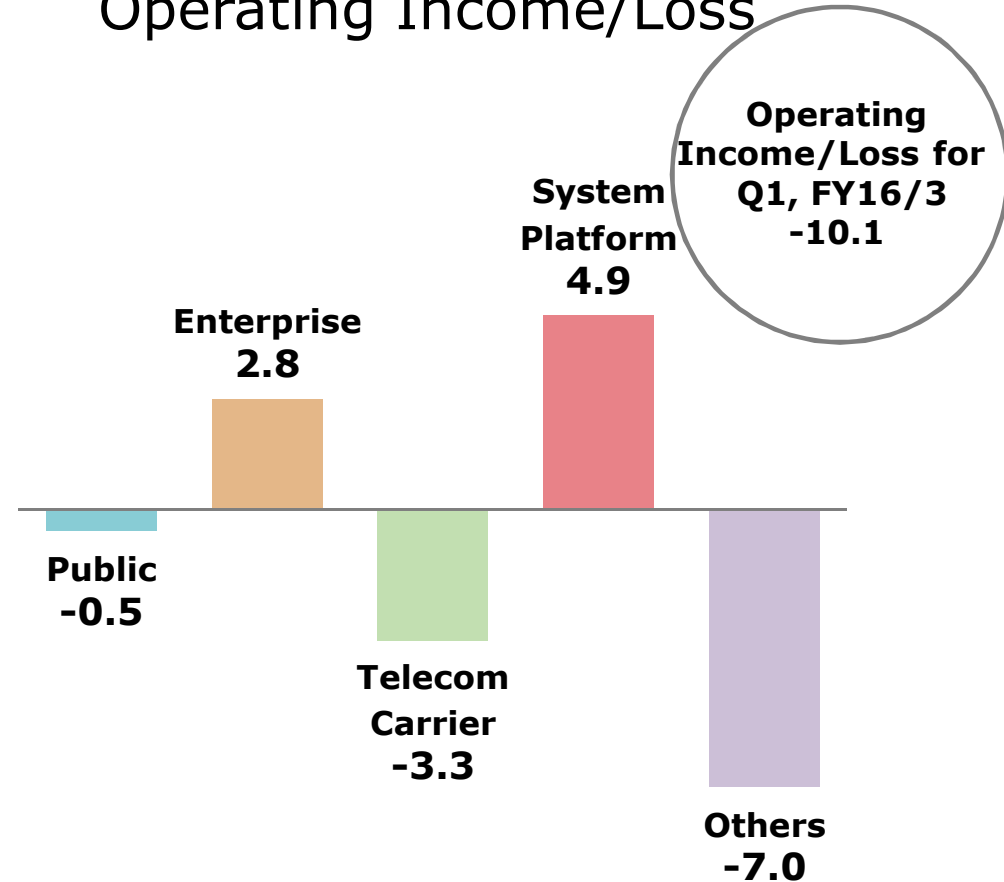


(Billions of Yen)

Net Sales



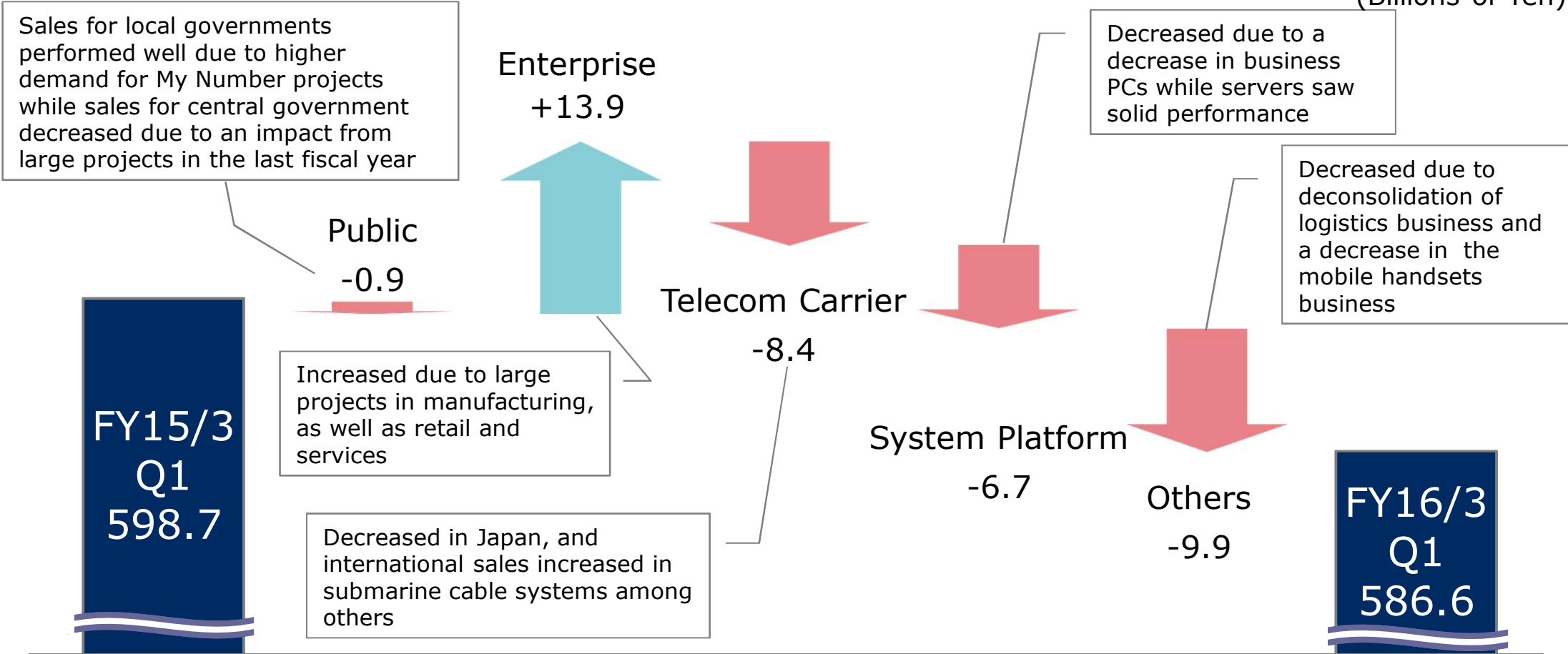
Operating Income/Loss



Sales Change (Year on Year)

Q1 Results

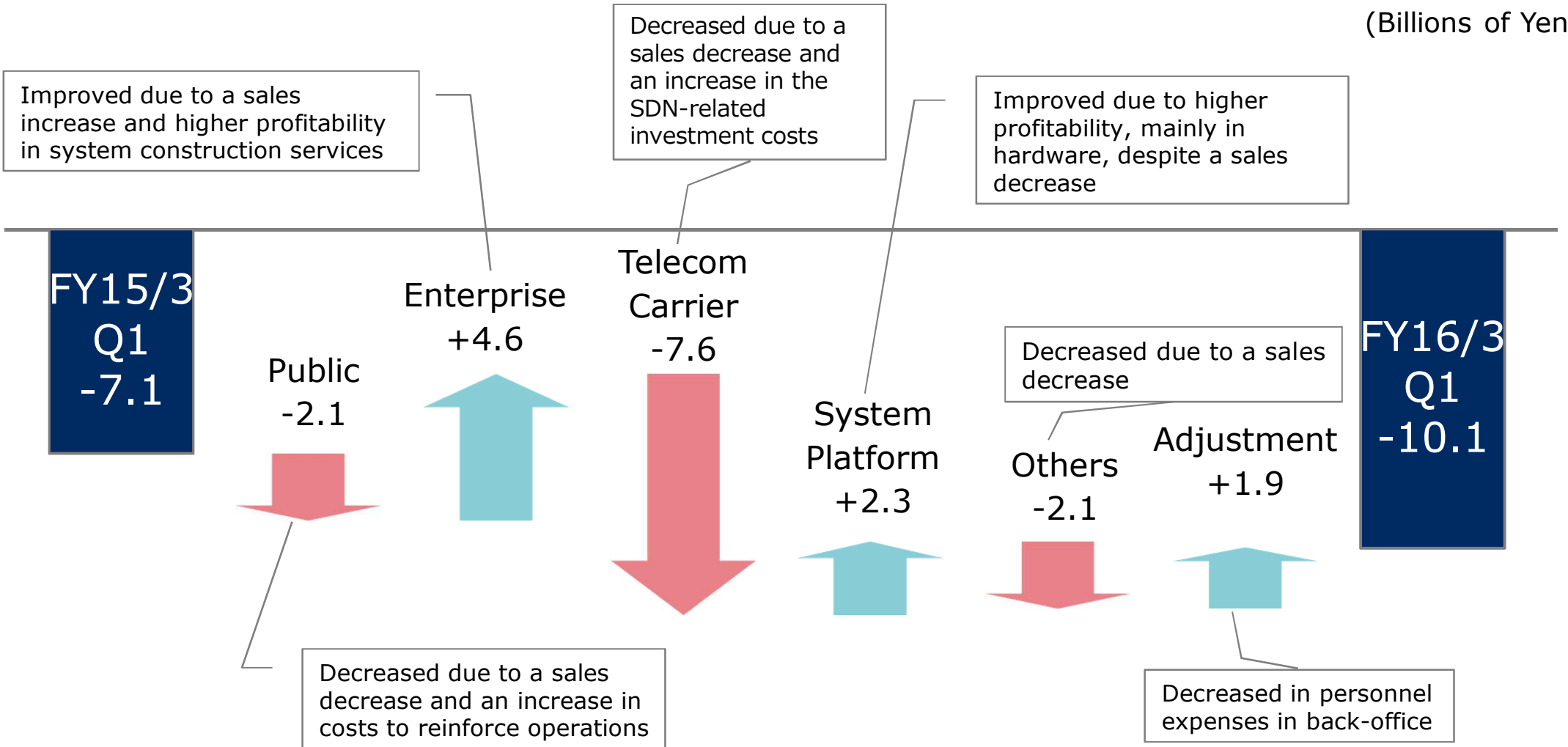
(Billions of Yen)



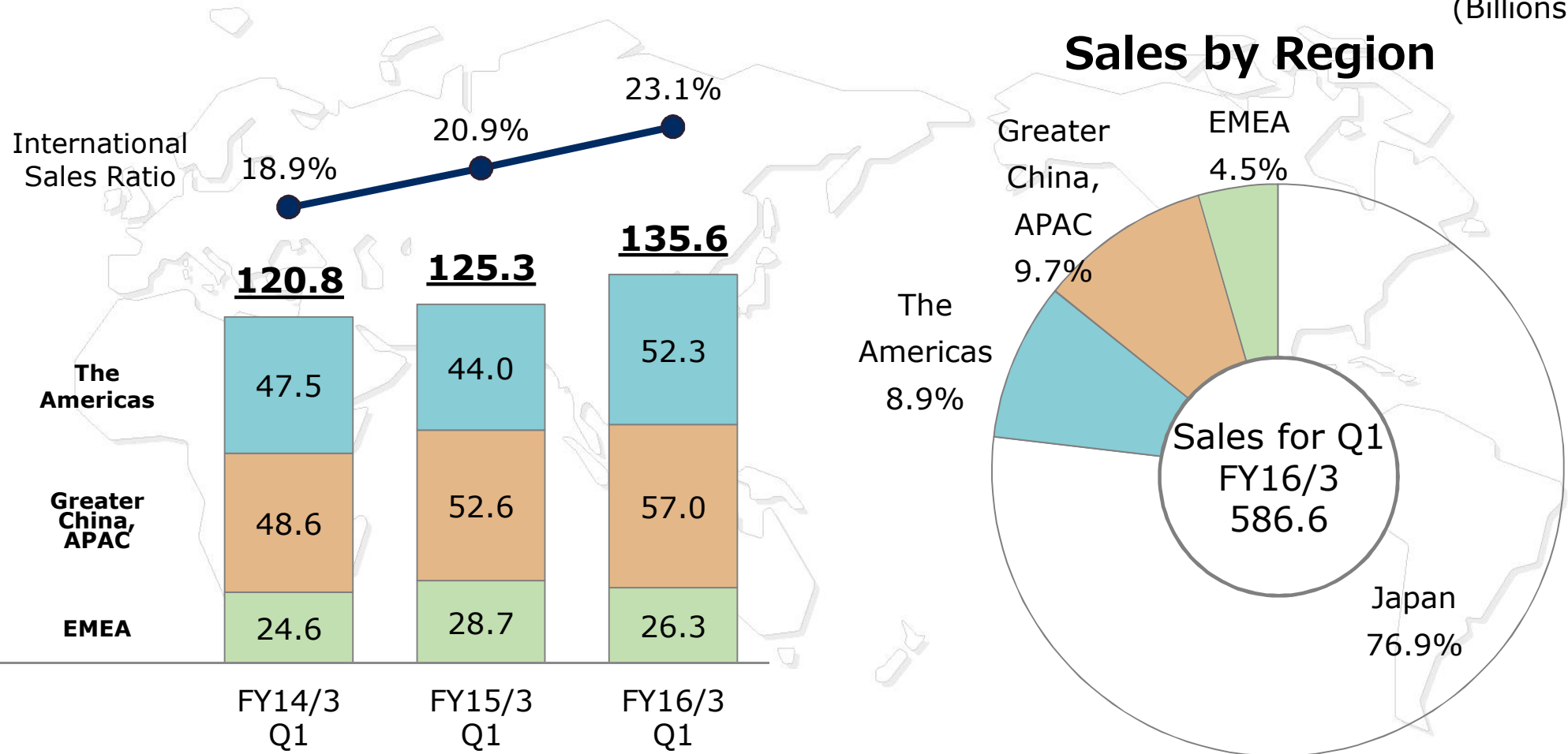
Operating Loss Change (Year on Year)

Q1 Results

(Billions of Yen)



(Billions of Yen)



*Sales are classified by country or region based on customer locations.

(Billions of Yen)

	End of March 2015	End of June 2015	Difference from end of March 2015	End of June 2014
Total assets	2,620.7	2,448.4	- 172.2	2,378.1
Net assets	884.2	873.6	- 10.6	726.5
Interest-bearing debt	520.8	492.3	- 28.5	554.1
Shareholders' equity Equity ratio (%)	823.7 31.4%	814.2 33.3%	- 9.5 + 1.9pt	657.3 27.6%
D/E ratio (times)	0.63	0.60	+ 0.03pt	0.84
Net D/E ratio (times)	0.41	0.33	+ 0.08pt	0.50
Cash and cash equivalents	181.1	221.2	+ 40.0	226.4

(Billions of Yen)

Compared to
end of March
2015

Current Assets
1,400.8

Collection of
accounts
receivable-trade

-176.0

Total Assets
2,448.4

(-172.2 compared to
end of March, 2015)

+3.8

Noncurrent Assets
1,047.6

-161.6

Liabilities
1,574.8

Decrease in trade notes
and
accounts payable-trade,
and accrued expenses

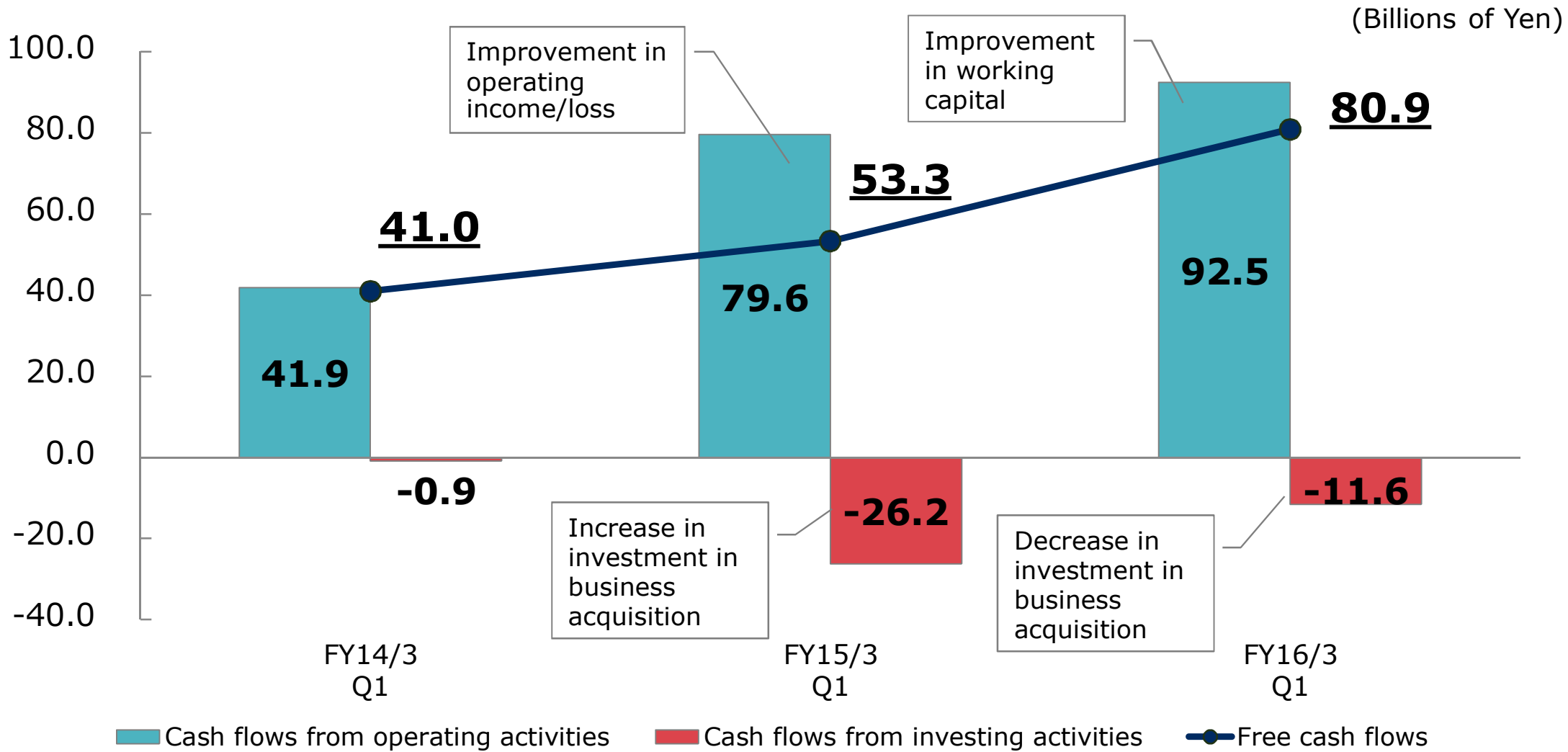
Dividends paid, and
net loss attributable to
owners of the parent for
the period

-10.6

Net Assets
873.6

Free Cash Flows

Q1 Results



Financial Forecasts for FY16/3 (Appendix)

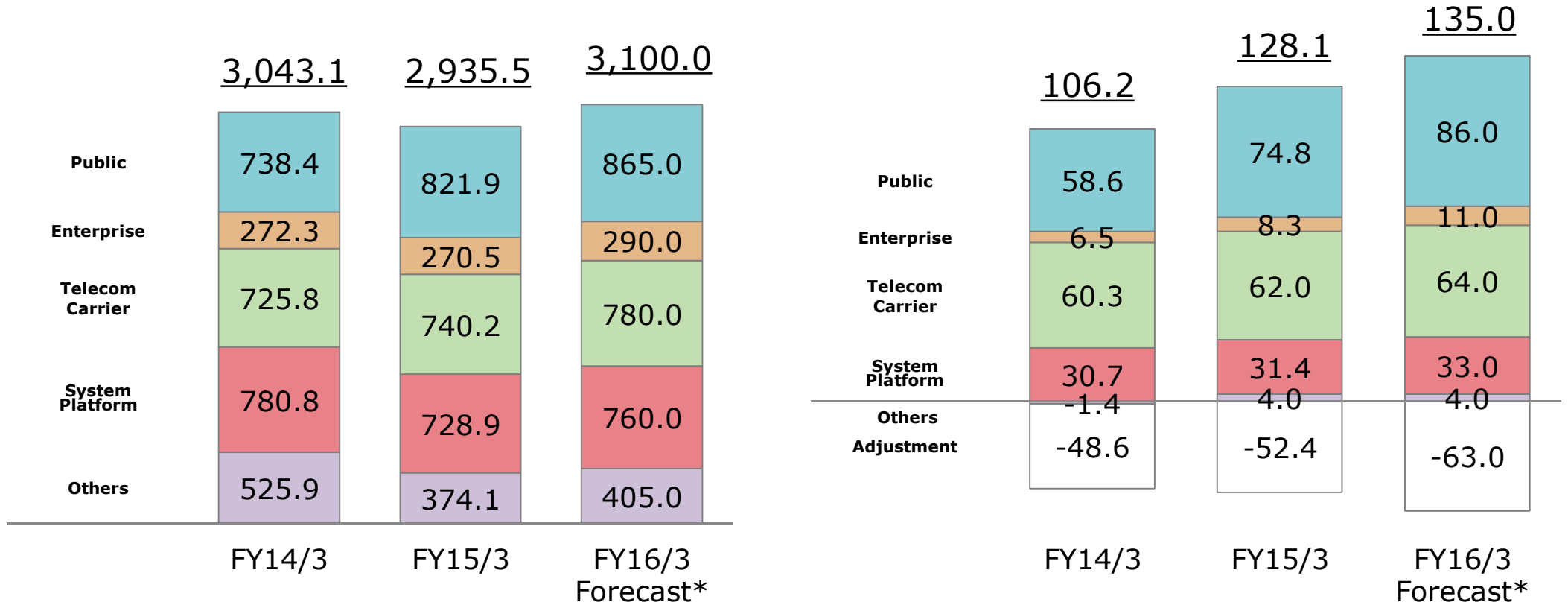
Financial Forecasts by Segment (three-year transition)

Forecasts
FY16/3

(Billions of Yen)

Net Sales

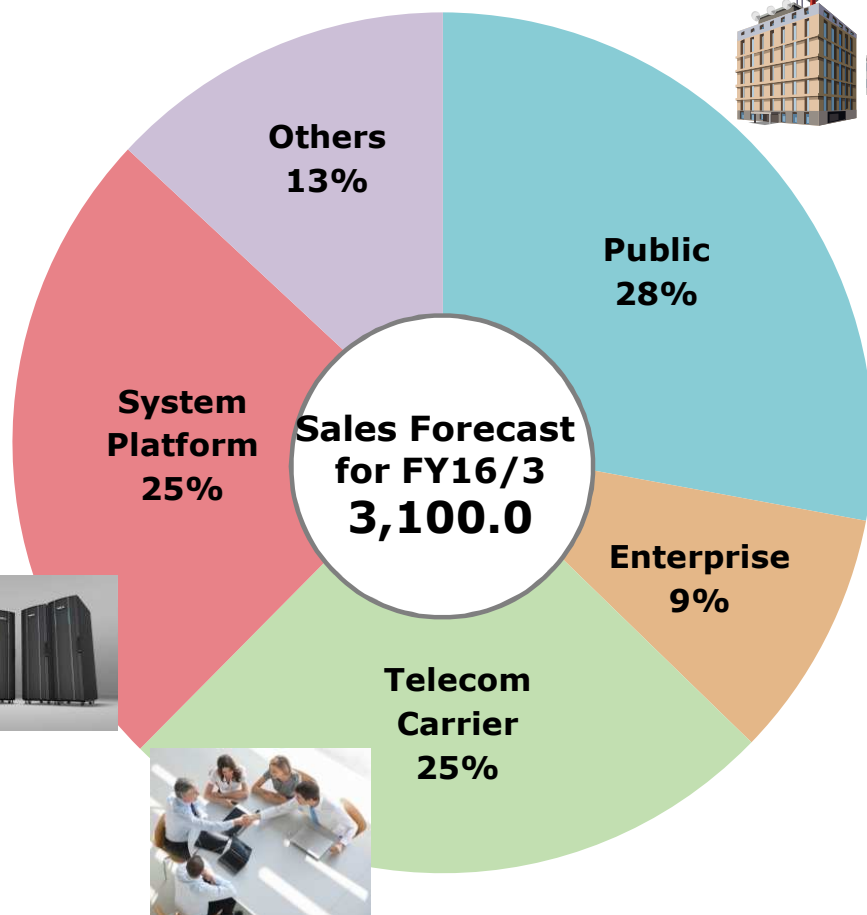
Operating Income/Loss



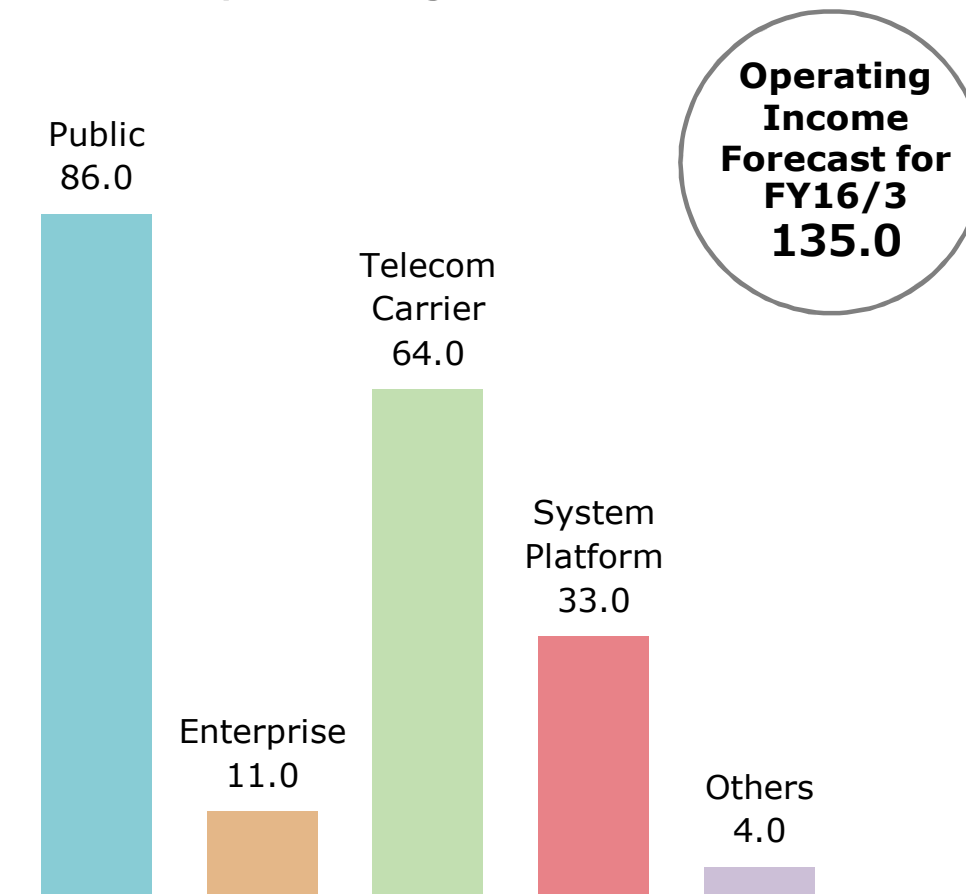
* Forecasts as of July 30, 2015

(Billions of Yen)

Net Sales



Operating Income

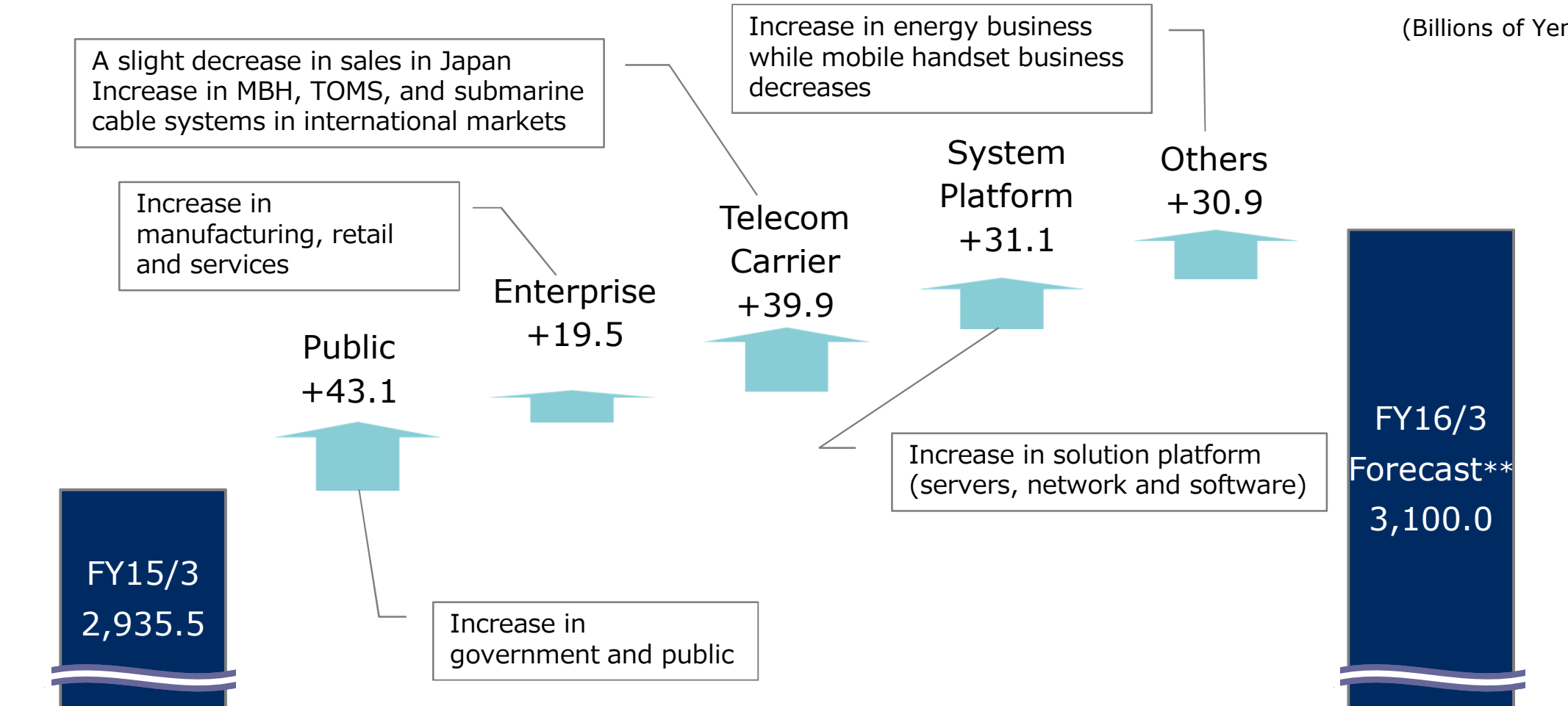


* Forecasts as of July 30, 2015

Sales Change (Year on Year)

Forecasts
FY16/3

(Billions of Yen)



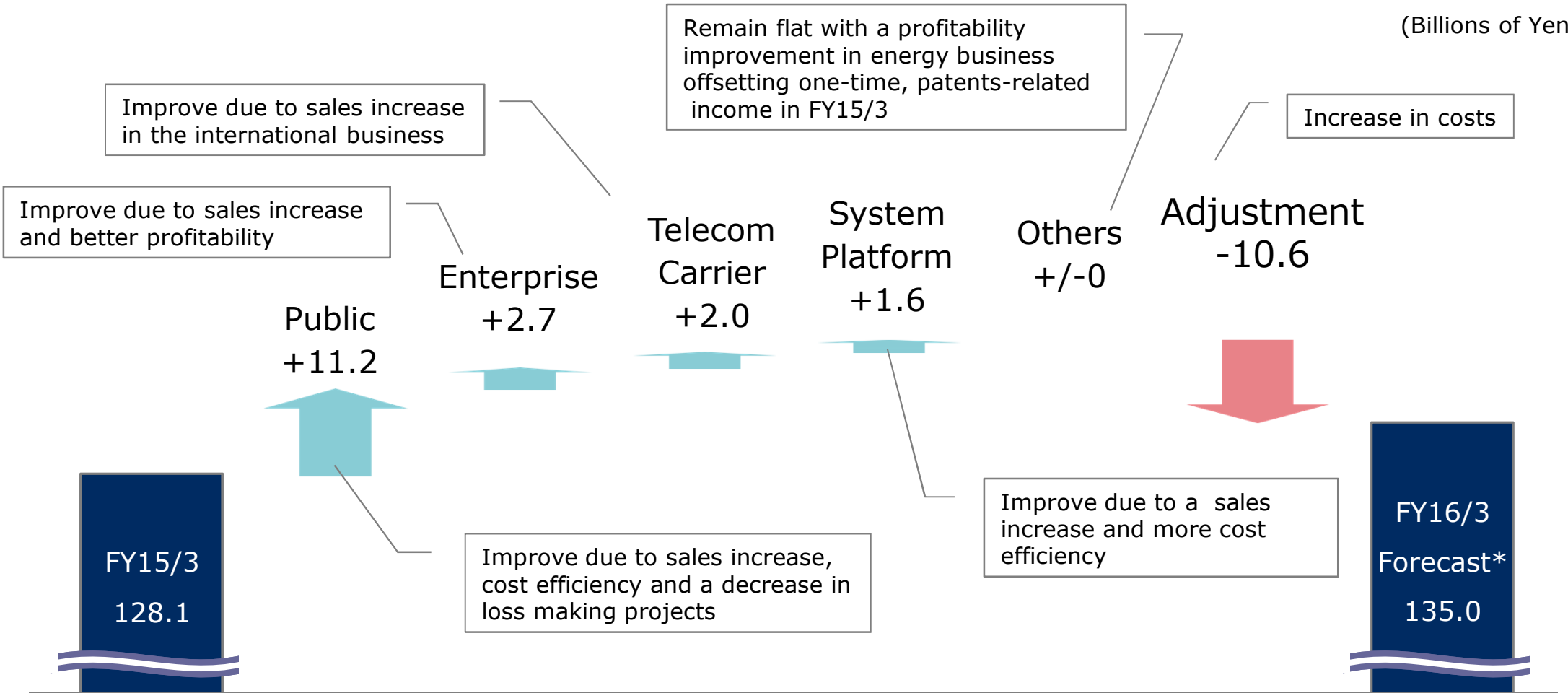
* MBH : Mobile Backhaul TOMS : Telecom Operations and Management Solutions

** Forecast as of July 30, 2015

Operating Income Change (Year on Year)

Forecasts
FY16/3

(Billions of Yen)



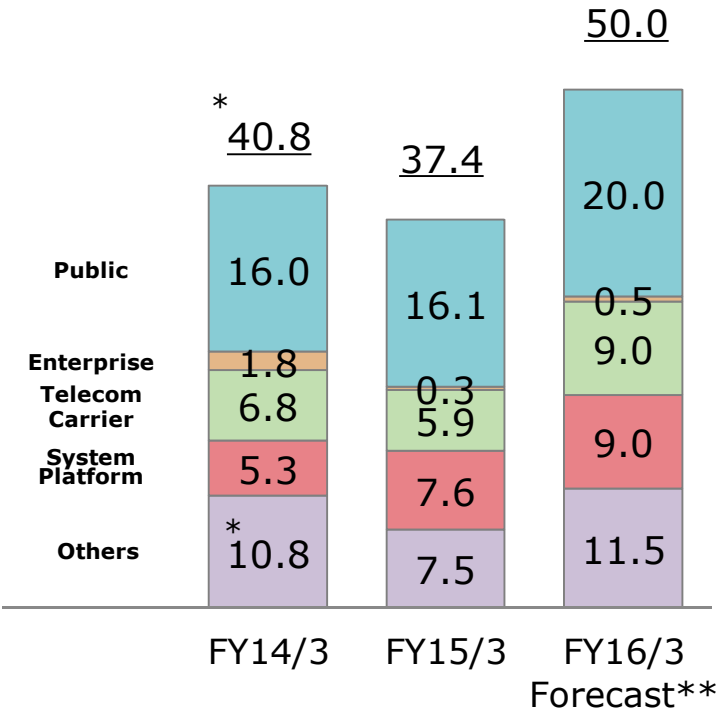
* Forecast as of July 30, 2015

Capital Expenditure, Depreciation and R&D expenses

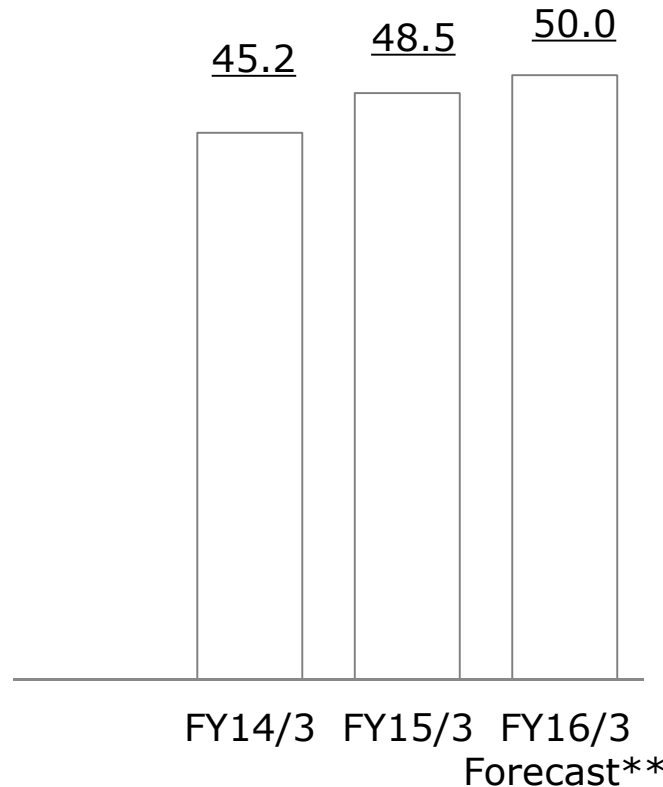
Forecasts
FY16/3

(Billions of Yen)

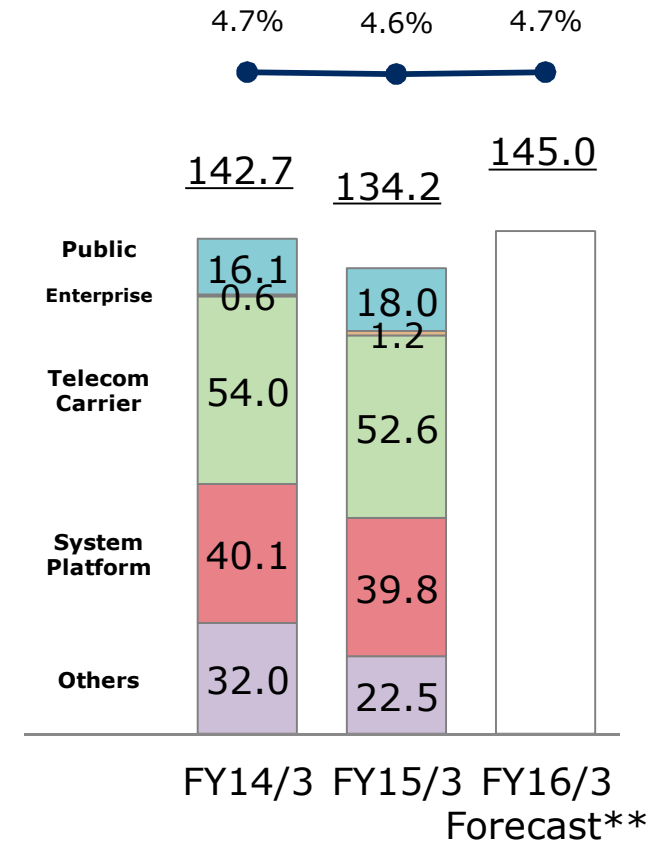
Capital Expenditure



Depreciation



R&D Expenses



* Not including acquisition of trust beneficiary rights

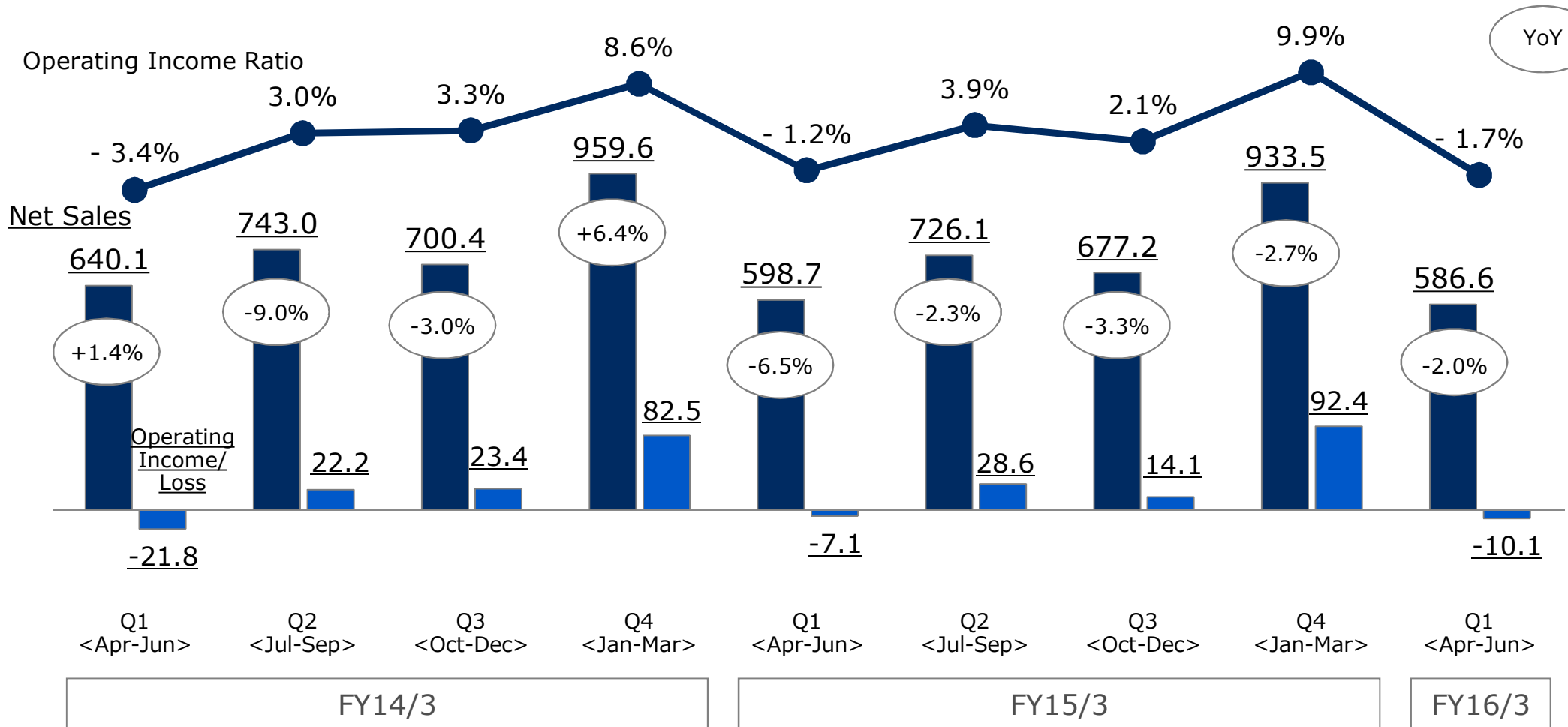
** Forecasts as of July 30, 2015

Reference (Financial data)

A decorative graphic consisting of several overlapping, curved orange lines that originate from the right side of the blue header and extend downwards and outwards into the white background.

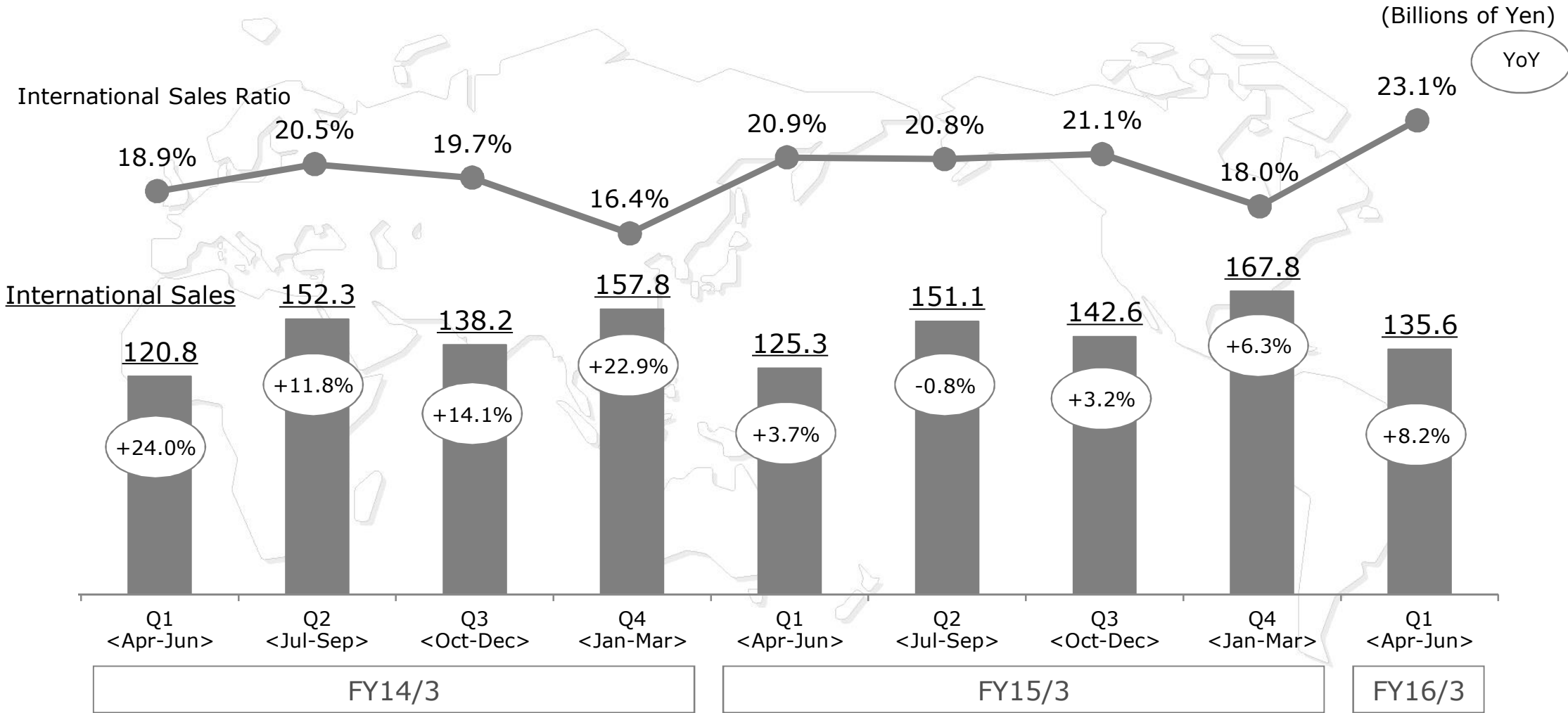
Net Sales, Operating Income/Loss

(Billions of Yen)

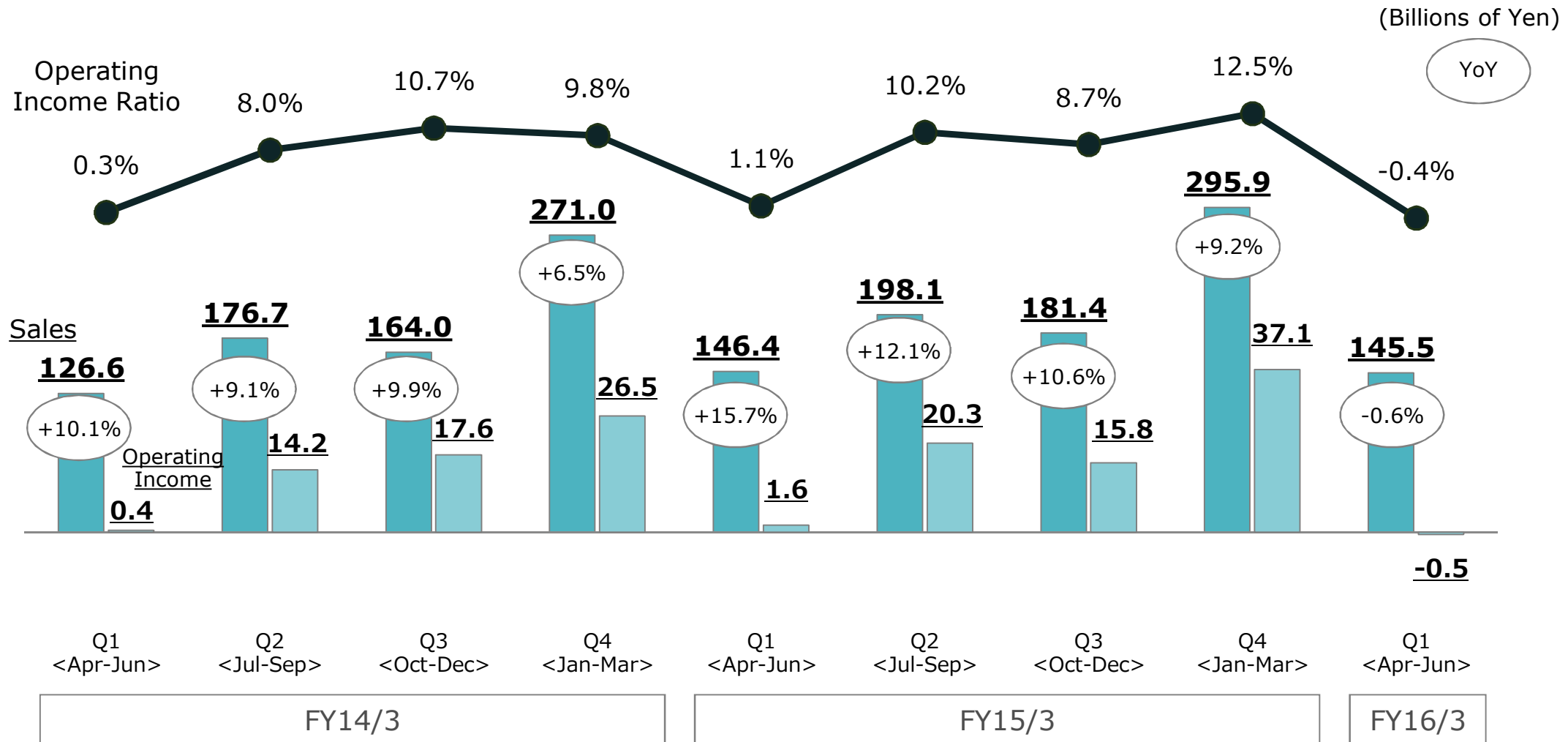


YoY

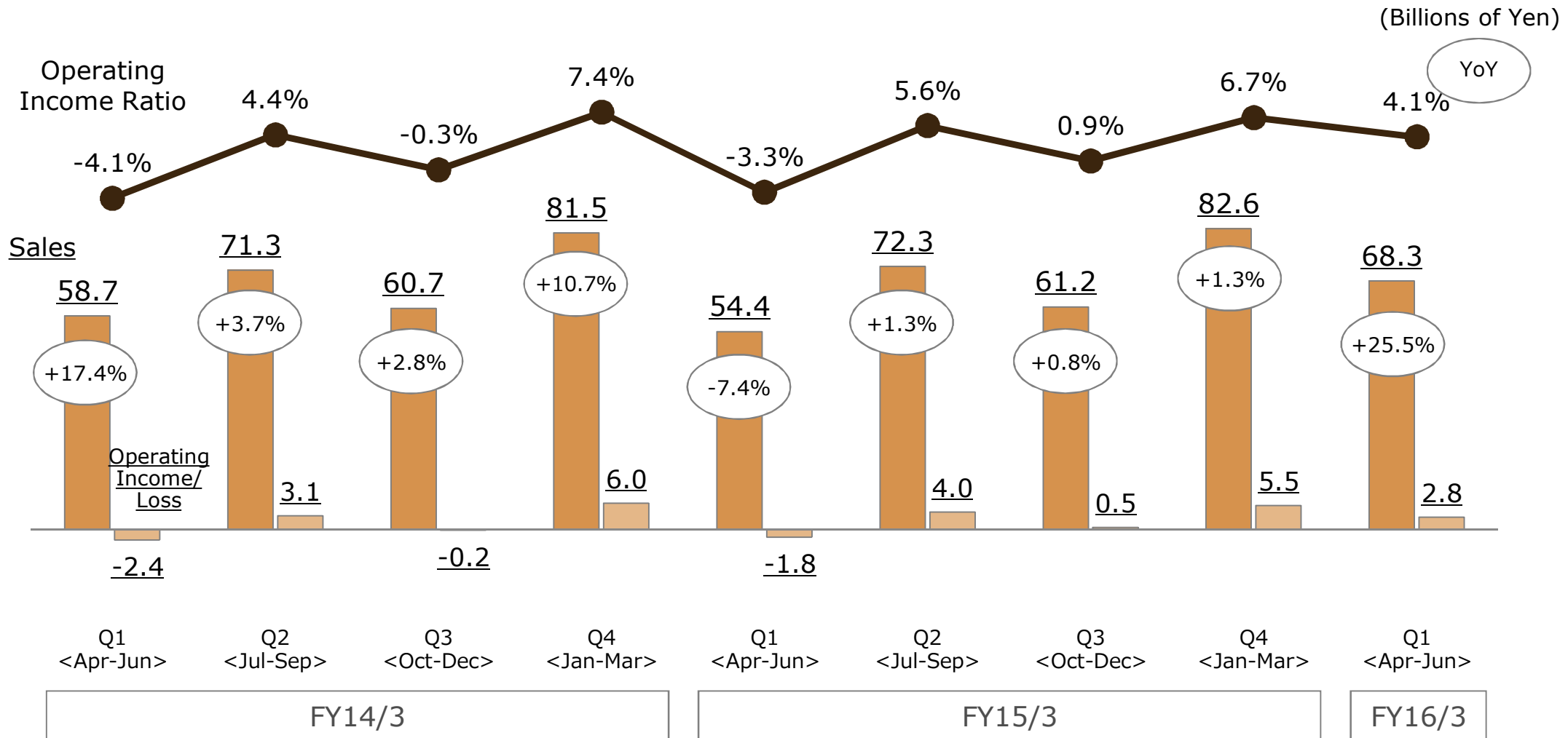
International Sales



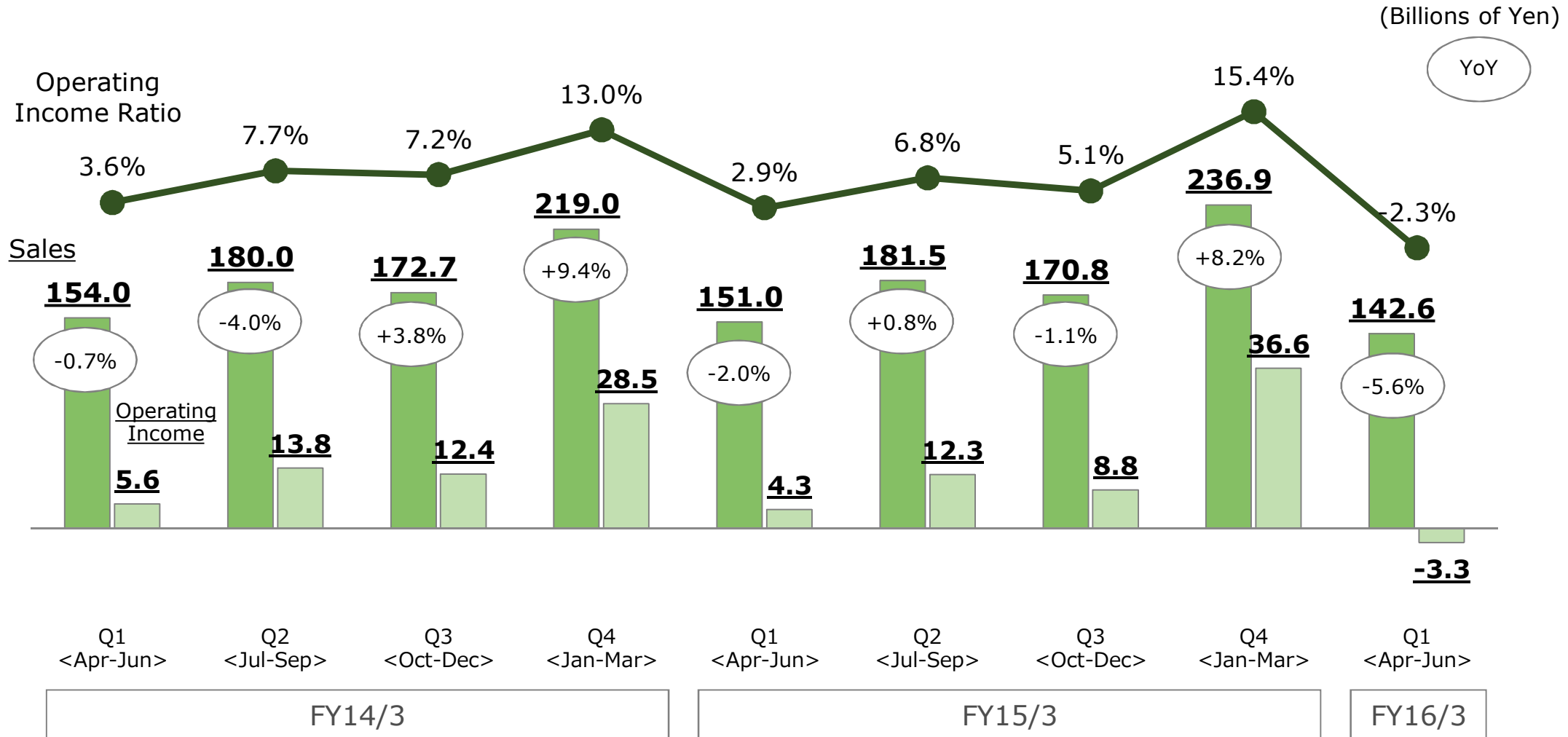
Sales, Operating Income/Loss (Public)



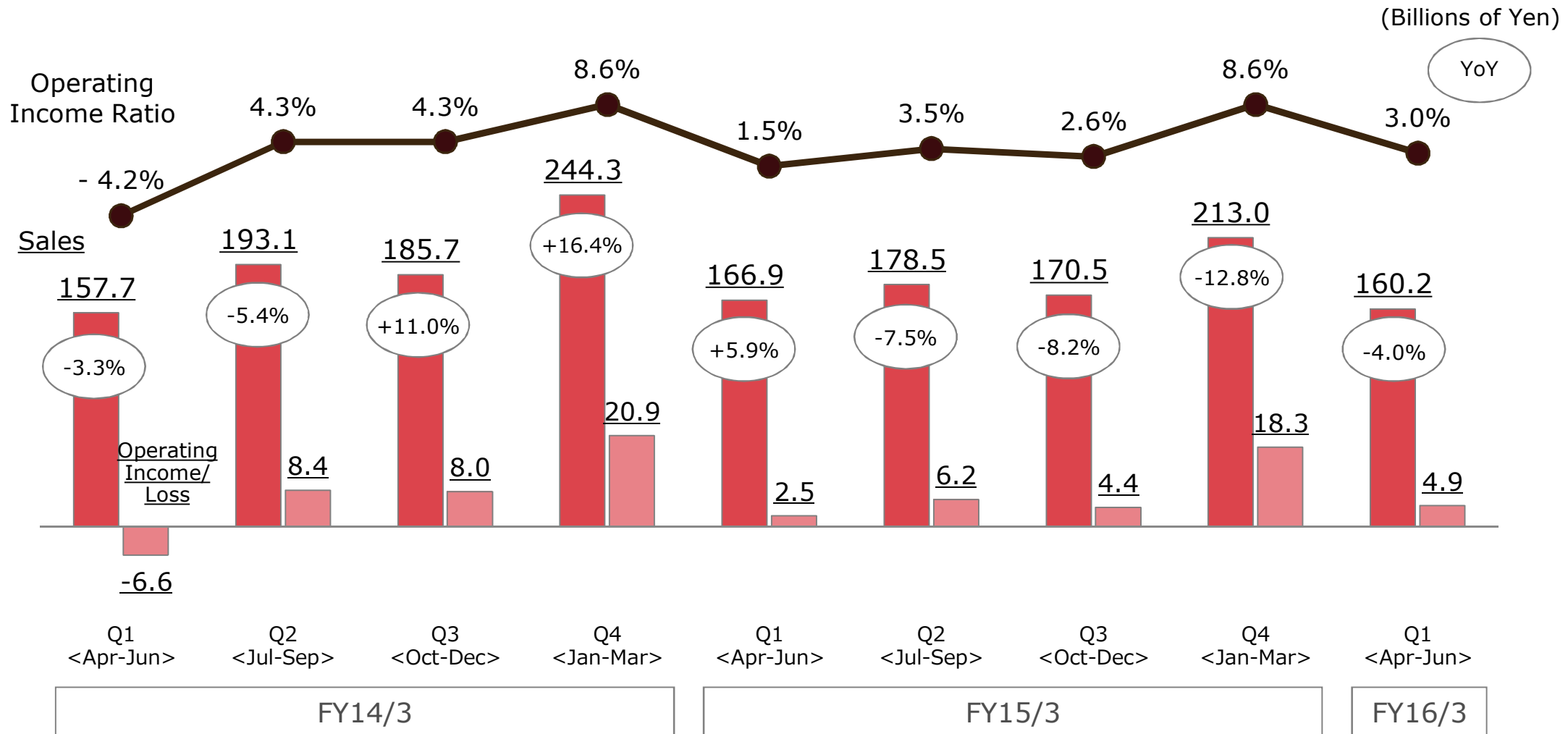
Sales, Operating Income/Loss (Enterprise)



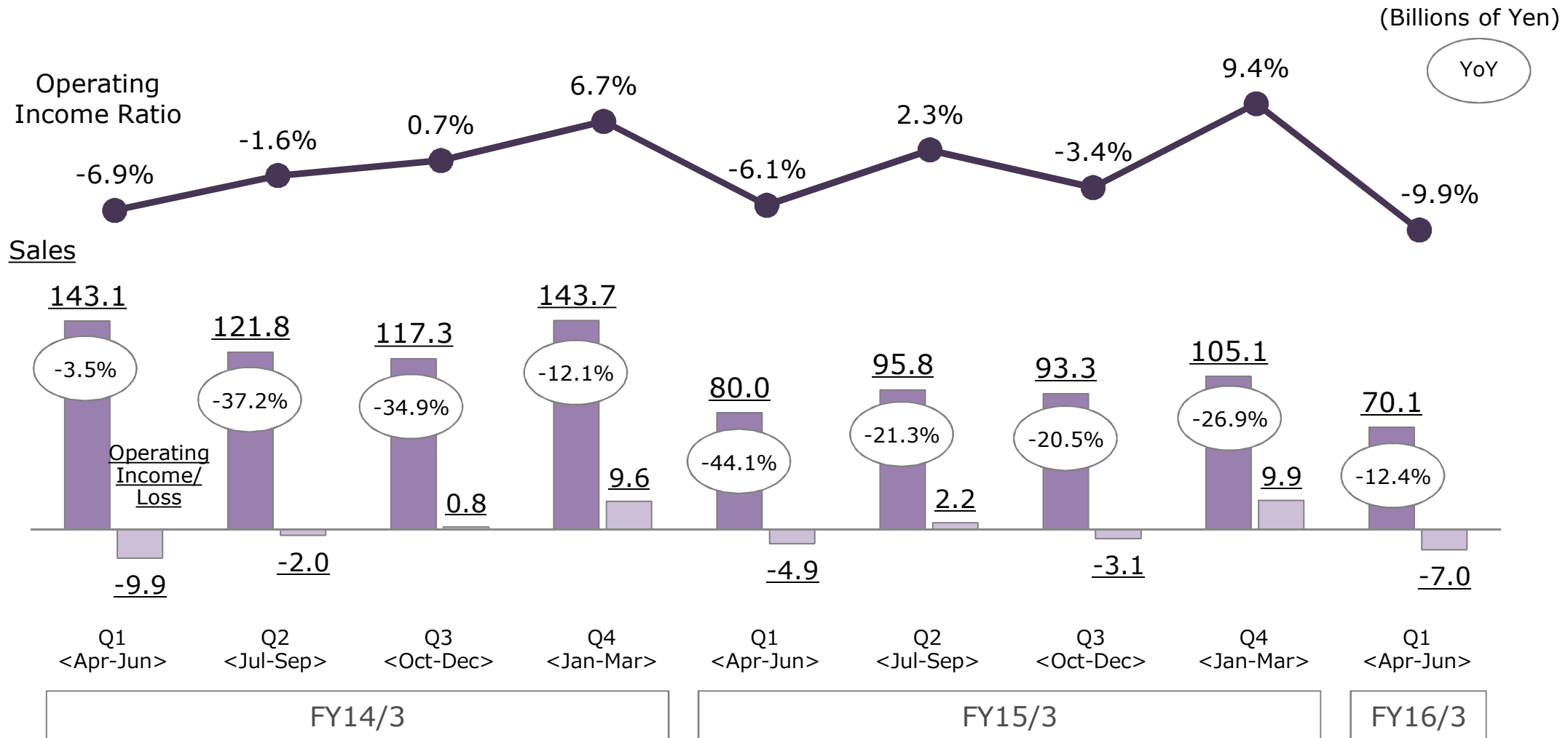
Sales, Operating Income (Telecom Carrier)



Sales, Operating Income/Loss (System Platform)

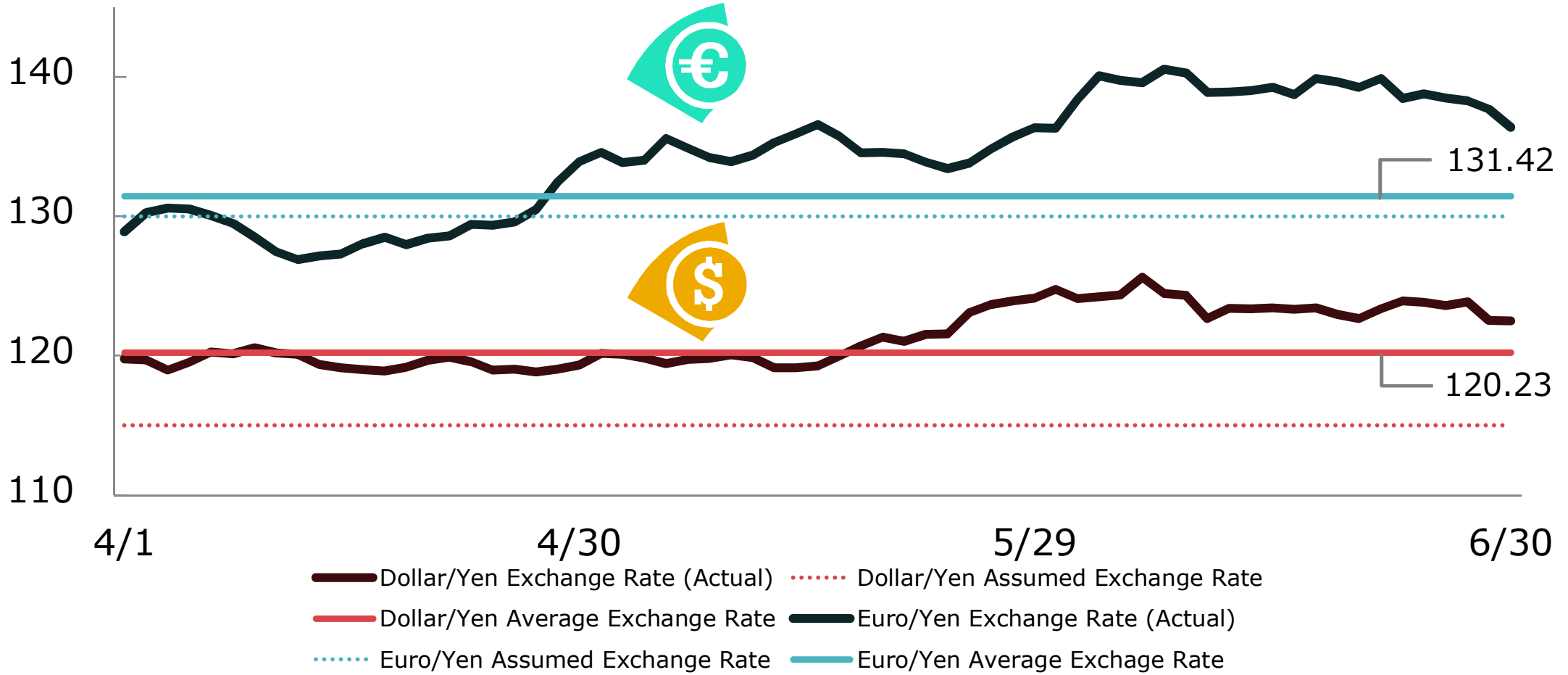


Sales, Operating Income/Loss (Others)

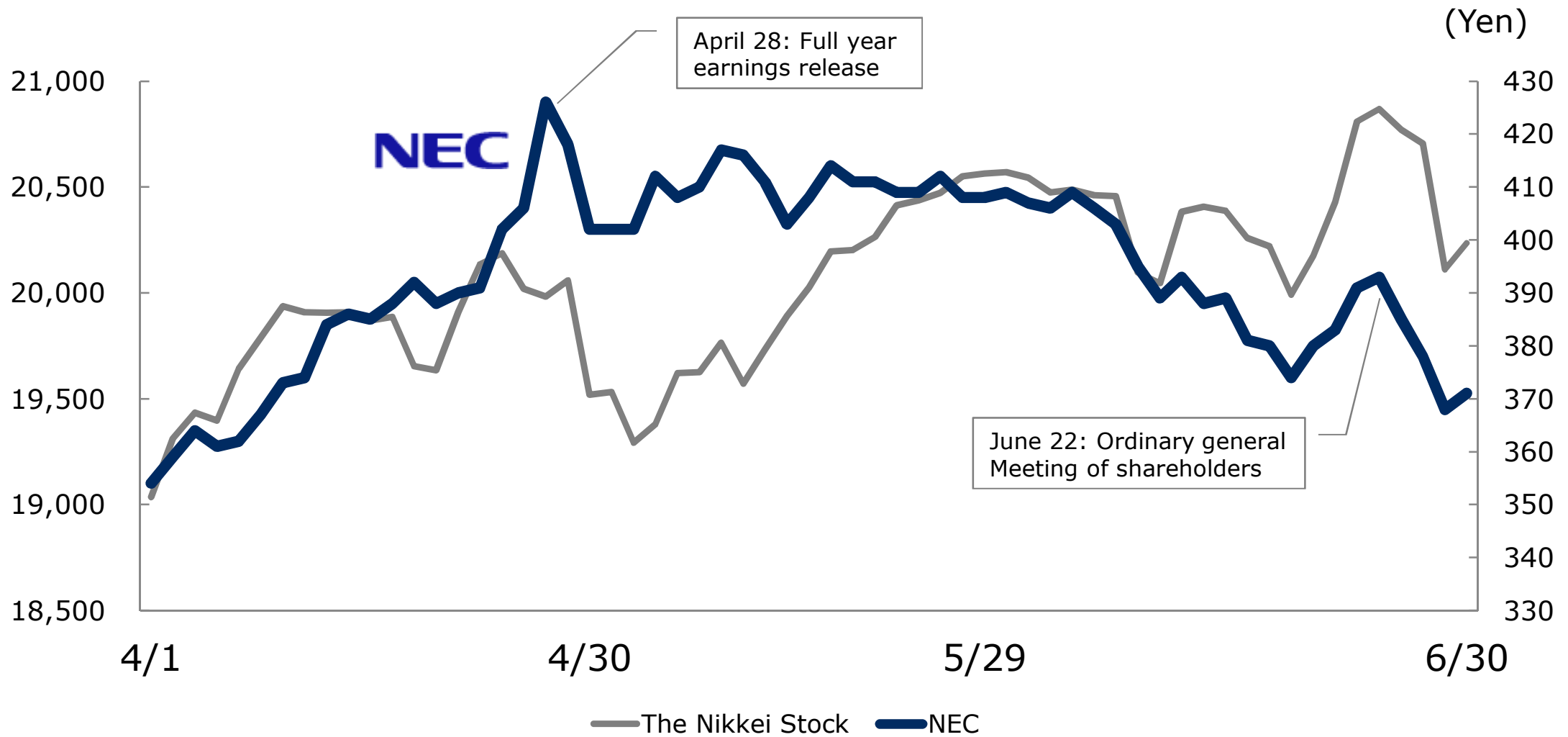


Exchange Rate

(Yen)



Stock Price



CAUTIONARY STATEMENTS:

This material contains forward-looking statements pertaining to strategies, financial targets, technology, products and services, and business performance of NEC Corporation and its consolidated subsidiaries (collectively "NEC"). Written forward-looking statements may appear in other documents that NEC files with stock exchanges or regulatory authorities, such as the Director of the Kanto Finance Bureau, and in reports to shareholders and other communications. NEC is relying on certain safe-harbors for forward-looking statements in making these disclosures. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "targets," "aims," or "anticipates," or the negative of those words, or other comparable words or phrases. You can also identify forward-looking statements by discussions of strategy, beliefs, plans, targets, or intentions. Forward-looking statements necessarily depend on currently available assumptions, data, or methods that may be incorrect or imprecise and NEC may not be able to realize the results expected by them. You should not place undue reliance on forward-looking statements, which reflect NEC's analysis and expectations only. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Among the factors that could cause actual results to differ materially from such statements include (i) global economic conditions and general economic conditions in NEC's markets, (ii) fluctuating demand for, and competitive pricing pressure on, NEC's products and services, (iii) NEC's ability to continue to win acceptance of NEC's products and services in highly competitive markets, (iv) NEC's ability to expand into foreign markets, such as China, (v) regulatory change and uncertainty and potential legal liability relating to NEC's business and operations, (vi) NEC's ability to restructure, or otherwise adjust, its operations to reflect changing market conditions, (vii) movement of currency exchange rates, particularly the rate between the yen and the U.S. dollar, (viii) the impact of unfavorable conditions or developments, including share price declines, in the equity markets which may result in losses from devaluation of listed securities held by NEC, and (iv) impact of any regulatory action or legal proceeding against NEC. Any forward-looking statements speak only as of the date on which they are made. 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 NEC. NEC does not undertake any obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.

The management targets included in this material are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management will strive to achieve through the successful implementation of NEC's business strategies.

Finally, NEC cautions you that the statements made in this material are not an offer of securities for sale. Securities may not be offered or sold in any jurisdiction in which required registration is absent or an exemption from registration under the applicable securities laws is not granted.

Note: The consolidated financial statements in this presentation have been prepared in conformity with the Japanese GAAP. In this presentation, the accounting periods of the fiscal years for March 31, 2014 and 15 were referred as FY14/3 and FY15/3 respectively. Any other fiscal years would be referred similarly.