

Financial Results for Q3 Fiscal Year Ending March 31, 2017

January 30, 2017

NEC Corporation

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

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Reference

* Net profit/loss refers to net profit/loss attributable to owners of the parent for the same period.

I . Financial Results for Q3, FY17/3

Summary of Financial Results for Q3

Q3 Results
(3/9 months)

(Billions of Yen)

	Q3 <October to December>			9 months <April to December>		
	FY16/3 Actual	FY17/3 Actual	YoY	FY16/3 Actual	FY17/3 Actual	YoY
Revenue	644.9	593.4	- 8.0%	1,954.6	1,794.5	- 8.2%
Operating Profit/Loss	8.7	-20.8	- 29.4	27.7	-17.0	- 44.7
% to Revenue	1.3%	-3.5%		1.4%	-0.9%	
Income/Loss before Income Taxes	13.5	-14.2	- 27.7	33.3	-1.6	- 34.9
Net Profit/Loss	4.8	-16.0	- 20.8	13.4	-2.8	- 16.3
% to Revenue	0.7%	-2.7%		0.7%	-0.2%	

Free Cash Flows	-58.4	-40.2	+ 18.2	-49.0	6.8	+ 55.8
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Note: Average Exchange Rates (yen)	USD 1	120.96	104.64
	EUR 1	133.82	115.14

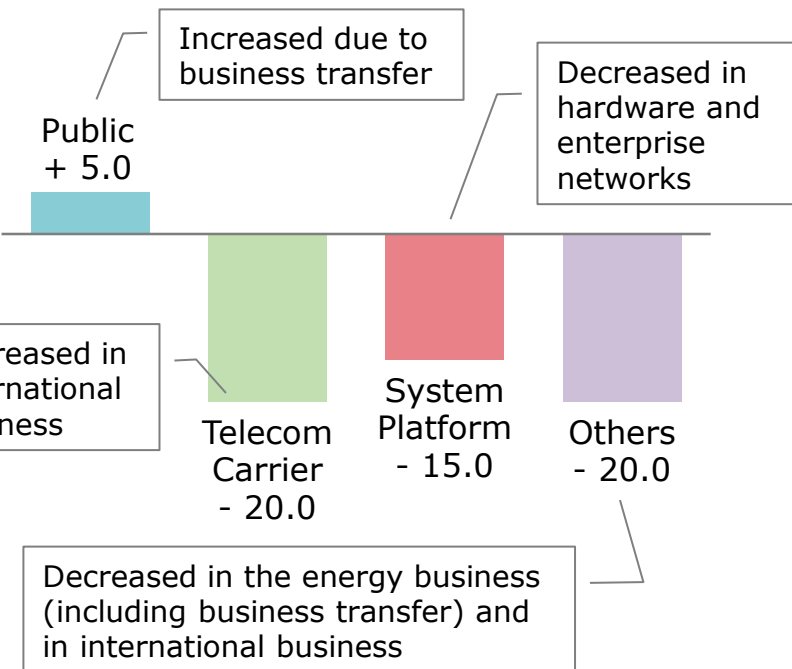
(Billions of Yen)

		Q3 <October to December>			9 months <April to December>		
		FY16/3 Actual	FY17/3 Actual	YoY	FY16/3 Actual	FY17/3 Actual	YoY
Public	Revenue	163.7	153.5	- 6.2%	499.4	435.7	- 12.8%
	Operating Profit	10.0	1.1	- 8.9	24.4	14.5	- 10.0
	% to Revenue	6.1%	0.7%		4.9%	3.3%	
Enterprise	Revenue	71.7	70.0	- 2.4%	218.4	225.2	+ 3.1%
	Operating Profit	4.3	3.7	- 0.6	14.1	16.9	+ 2.8
	% to Revenue	6.0%	5.3%		6.5%	7.5%	
Telecom Carrier	Revenue	159.4	141.3	- 11.4%	487.5	424.1	- 13.0%
	Operating Profit/Loss	8.5	-1.3	- 9.8	21.2	2.9	- 18.3
	% to Revenue	5.3%	-1.0%		4.4%	0.7%	
System Platform	Revenue	171.0	164.3	- 4.0%	518.9	504.1	- 2.8%
	Operating Profit/Loss	2.5	-0.2	- 2.7	11.7	7.6	- 4.1
	% to Revenue	1.5%	-0.1%		2.3%	1.5%	
Others	Revenue	79.0	64.3	- 18.6%	230.4	205.4	- 10.9%
	Operating Profit/Loss	-5.5	-6.7	- 1.2	-8.0	-13.9	- 6.0
	% to Revenue	-6.9%	-10.4%		-3.5%	-6.8%	
Adjustment	Operating Profit/Loss	-11.1	-17.4	- 6.3	-35.9	-45.0	- 9.2
Total	Revenue	644.9	593.4	- 8.0%	1,954.6	1,794.5	- 8.2%
	Operating Profit/Loss	8.7	-20.8	- 29.4	27.7	-17.0	- 44.7
	% to Revenue	1.3%	-3.5%		1.4%	-0.9%	

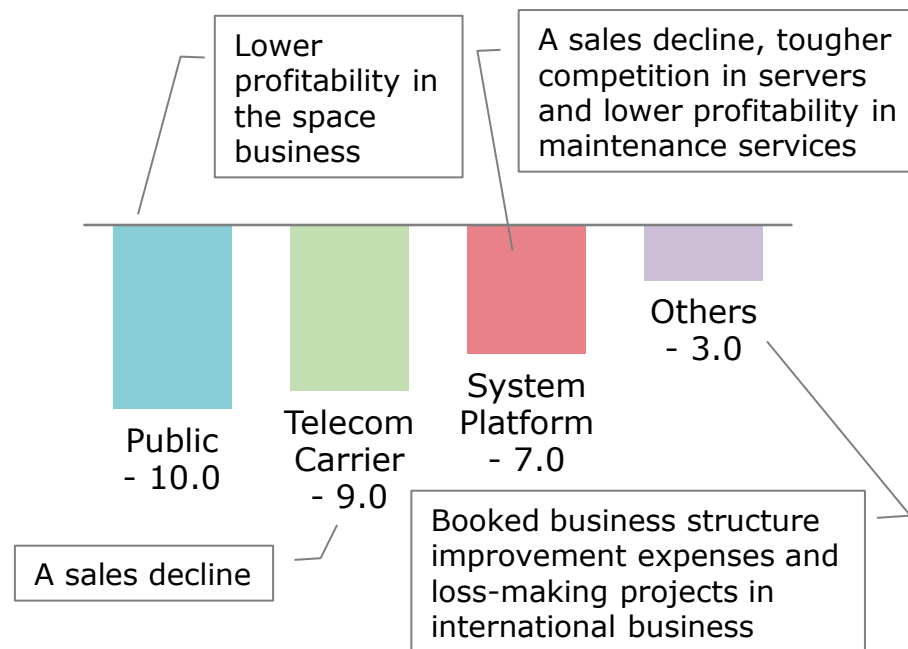
Profitability worsened in some businesses, besides overall sales decline

(Billions of Yen)

Revenue -50.0



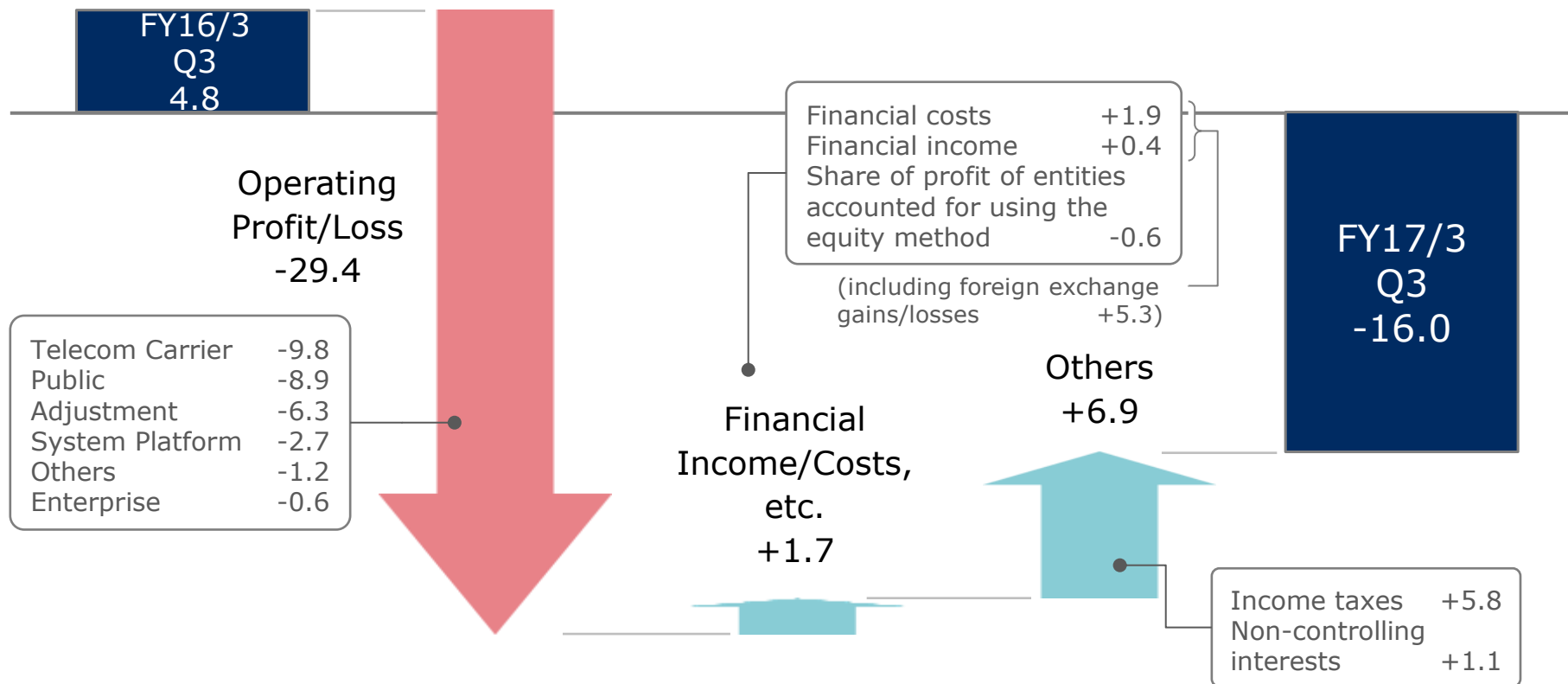
Operating Profit/Loss -29.0



*Variance from Q3 forecasts as of October 31, 2016

Net Profit/Loss Change (Year on Year)

(Billions of Yen)



II. Financial Forecasts for FY17/3

Revision of Financial Forecasts

Revised full-year forecasts, reflecting evaluation of elements mentioned at 1H earnings

<From 1H Earnings Presentation>

Major Factors of Full-year Forecasts

Elements yet to be factored into full-year forecasts

- Transfer of a portion of shares in Lenovo NEC Holdings B.V. (done)
- Tender offer for shares of Japan Aviation Electronics Industry, Limited (to be commenced)
- Progress of businesses after Q2 Earnings
 - Public: Progress of aerospace and defense projects, Control of unprofitable projects
 - Enterprise: IT investment trend in Japan, Profitability improvement for systems construction
 - Telecom Carrier: Capex trend of domestic and international operators, Forex impact
 - System Platform: Sales increase especially in hardware
 - Others: Improvement in the energy business, Global business expansion

*Forecasts as of October 31, 2016

<Evaluation>

Successful
(to be consolidated
from Q4)



Missed revenue and
operating profit
forecast for Q3,
progress during Q4
seems tough



*As of January 30, 2017

Achieve new financial forecasts, continue an annual dividend of 6 yen per share

(Billions of Yen)

	Q4 <January to March>			Full Year			Variance from Forecast as of Oct 31
	FY16/3 Actual	FY17/3 Forecasts	YoY	FY16/3 Actual	FY17/3 Forecasts	YoY	
Revenue	870.3	885.5	+ 1.8%	2,824.8	2,680.0	- 5.1%	- 200.0
Operating Profit	63.7	47.0	- 16.7	91.4	30.0	- 61.4	- 70.0
% to Revenue	7.3%	5.3%		3.2%	1.1%		
Net Profit	62.5	22.8	- 39.7	75.9	20.0	- 55.9	- 30.0
% to Revenue	7.2%	2.6%		2.7%	0.7%		
Free Cash Flows	114.6	73.2	- 41.4	65.6	80.0	+ 14.4	+ 20.0
Dividends per Share (yen)				6.00	6.00	0.00	0.00

*Assumed exchange rates for Q4, FY17/3 \$1=¥105, €1=¥115

*Forecasts as of January 30, 2017

Summary of Financial Forecasts by Segment

Forecasts
FY17/3

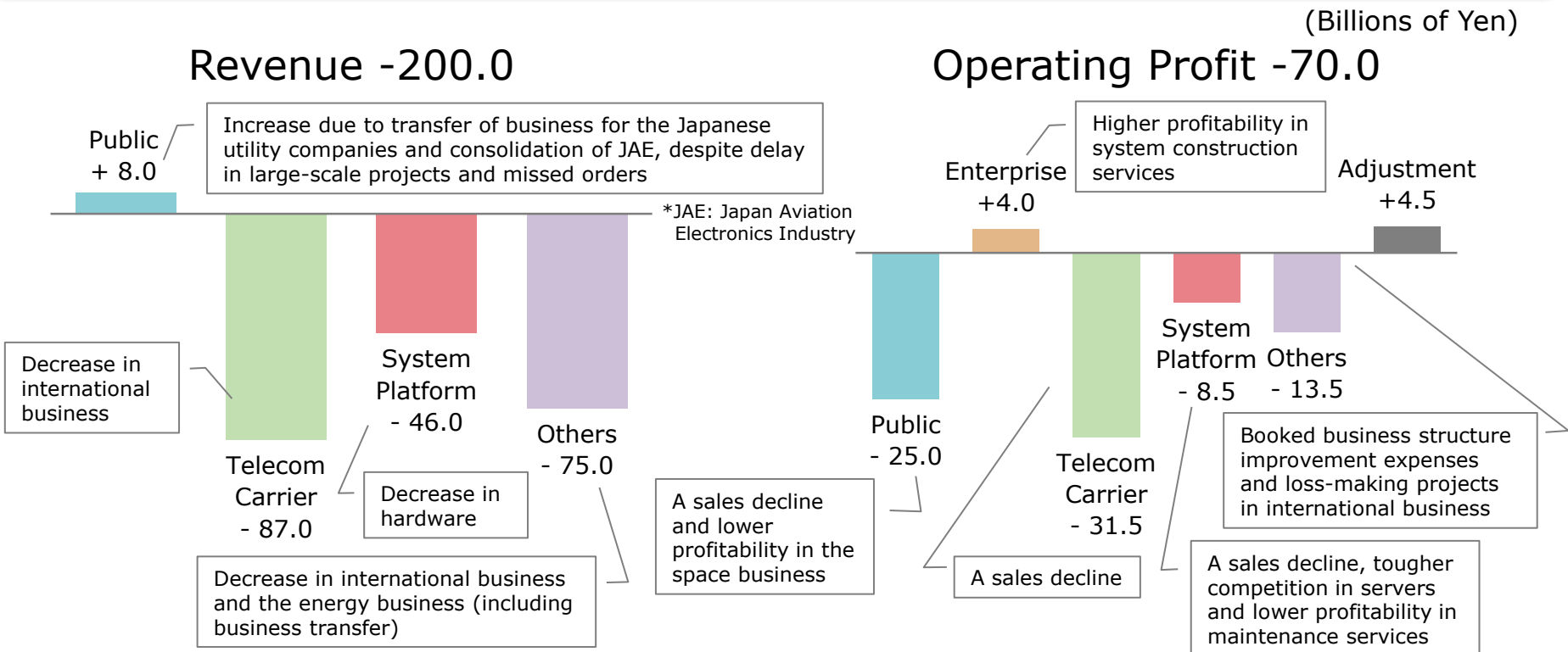
(Billions of Yen)

		Q4 <January to March>			Full Year			Variance from Forecast as of Oct 31
		FY16/3 Actual	FY17/3 Forecasts	YoY	FY16/3 Actual	FY17/3 Forecasts	YoY	
Public	Revenue	272.2	307.4	+ 12.9%	771.6	743.0	- 3.7%	+ 8.0
	Operating Profit	32.8	29.5	- 3.3	57.3	44.0	- 13.3	- 25.0
	% to Revenue	12.1%	9.6%		7.4%	5.9%		
Enterprise	Revenue	81.9	79.8	- 2.6%	300.3	305.0	+ 1.6%	0.0
	Operating Profit	9.8	6.1	- 3.7	23.9	23.0	- 0.9	+ 4.0
	% to Revenue	11.9%	7.7%		8.0%	7.5%		
Telecom Carrier	Revenue	210.0	193.9	- 7.7%	697.5	618.0	- 11.4%	- 87.0
	Operating Profit	25.3	13.6	- 11.7	46.5	16.5	- 30.0	- 31.5
	% to Revenue	12.0%	7.0%		6.7%	2.7%		
System Platform	Revenue	209.7	204.9	- 2.3%	728.6	709.0	- 2.7%	- 46.0
	Operating Profit	20.0	15.9	- 4.1	31.7	23.5	- 8.2	- 8.5
	% to Revenue	9.6%	7.8%		4.4%	3.3%		
Others	Revenue	96.4	99.6	+ 3.3%	326.8	305.0	- 6.7%	- 75.0
	Operating Profit/Loss	- 10.2	1.4	+ 11.7	- 18.2	- 12.5	+ 5.7	- 13.5
	% to Revenue	-10.6%	1.4%		-5.6%	-4.1%		
Adjustment	Operating Profit/Loss	- 14.0	-19.5	- 5.5	- 49.8	- 64.5	- 14.7	+ 4.5
Total	Revenue	870.3	885.5	+ 1.8%	2,824.8	2,680.0	- 5.1%	- 200.0
	Operating Profit	63.7	47.0	- 16.7	91.4	30.0	- 61.4	- 70.0
	% to Revenue	7.3%	5.3%		3.2%	1.1%		

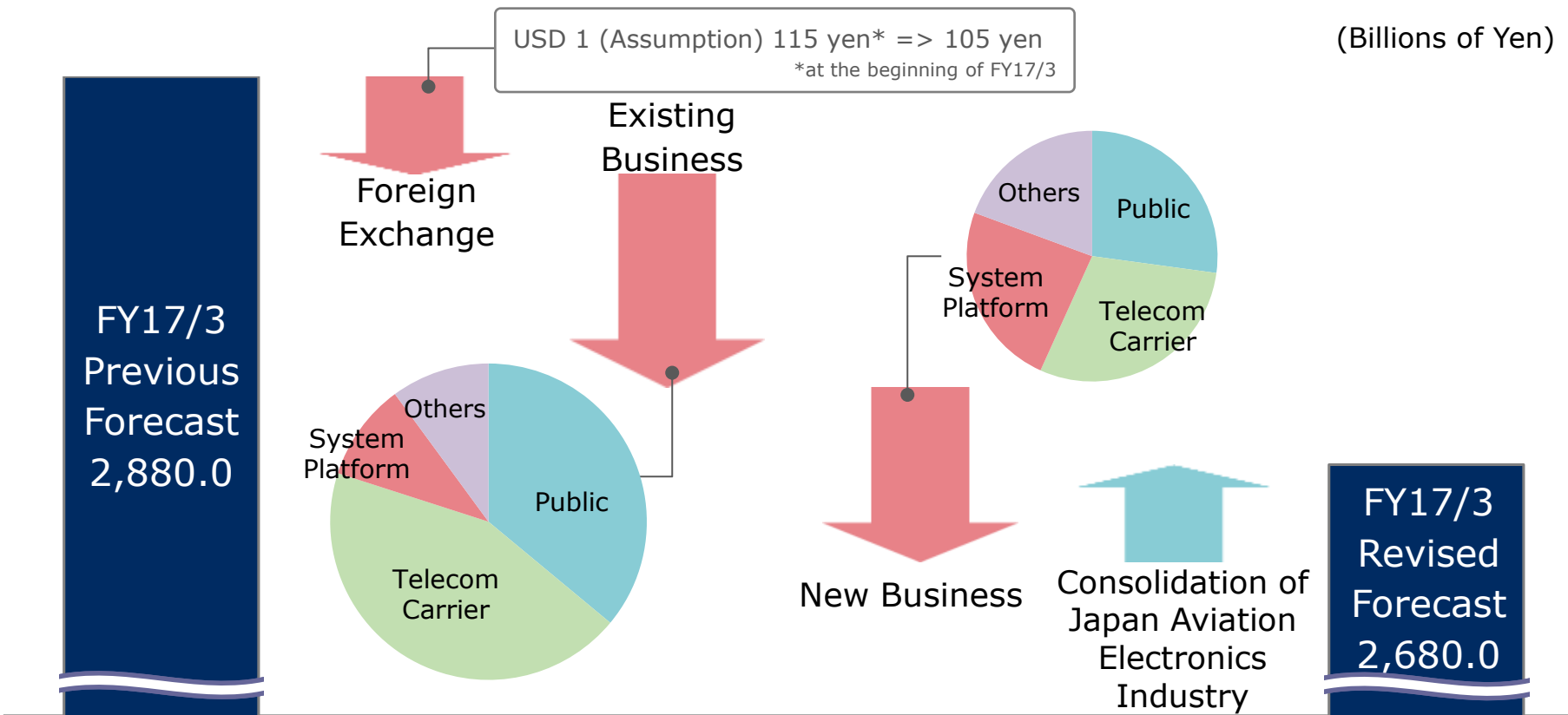
*Forecasts as of January 30, 2017

Variance from Previous Forecasts by Segment

Revised profit forecast, factoring lower profitability through reevaluation of all projects



*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017

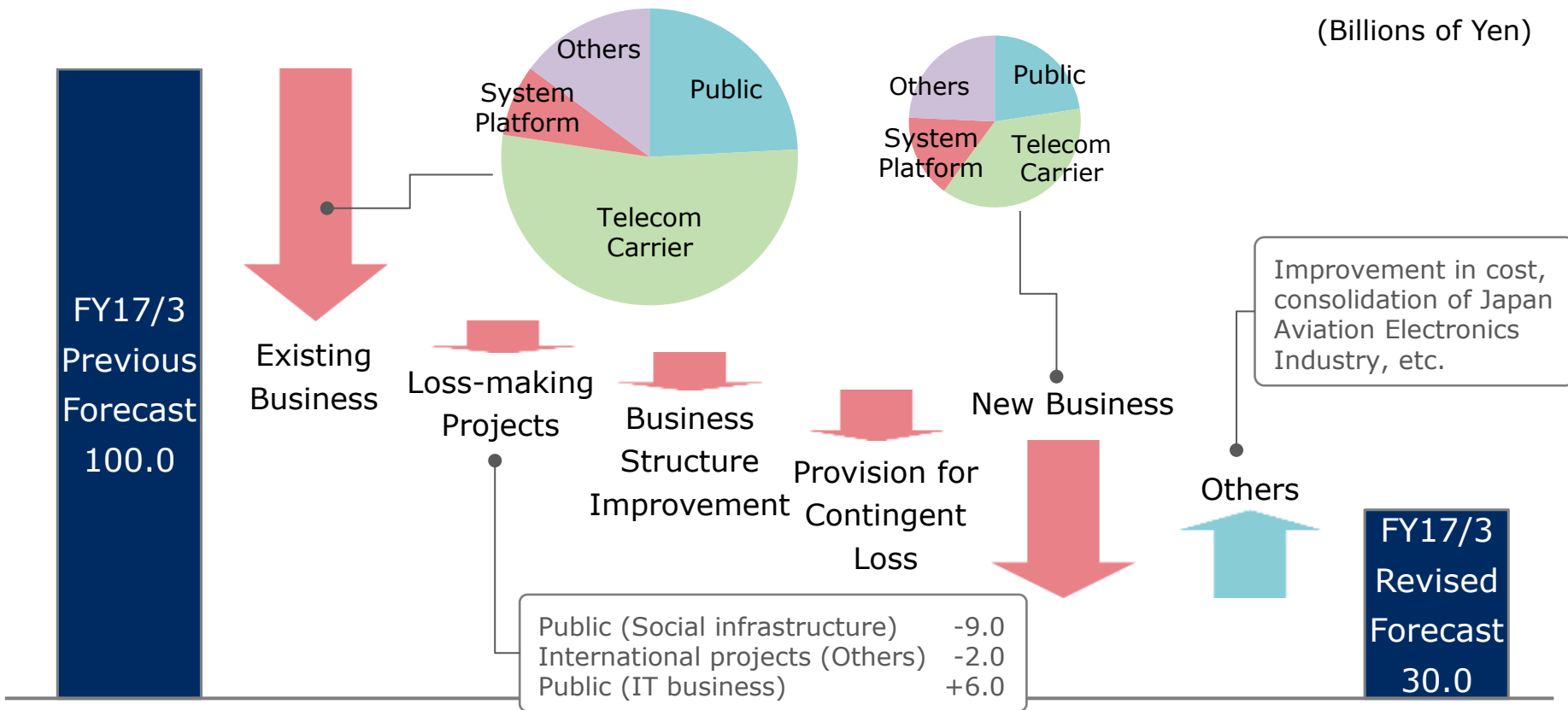


*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017

Operating Profit Forecasts - Variance from Previous Forecasts

Forecasts
FY17/3

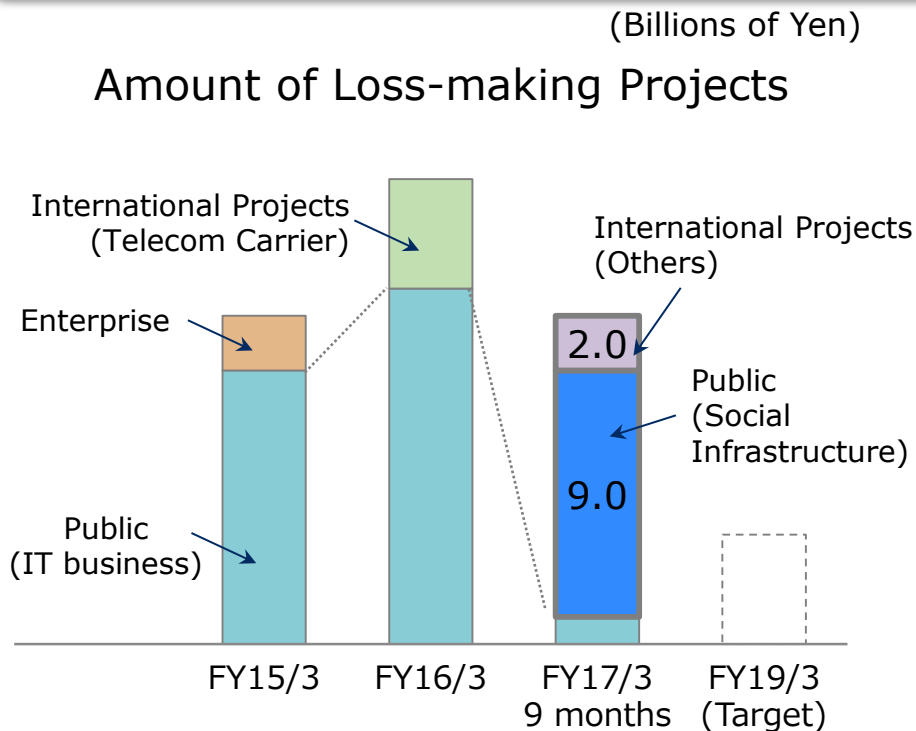
(Billions of Yen)



*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017

Loss-making Projects

Booked losses in the social infrastructure area and international projects, while in IT business loss-making projects decreased significantly



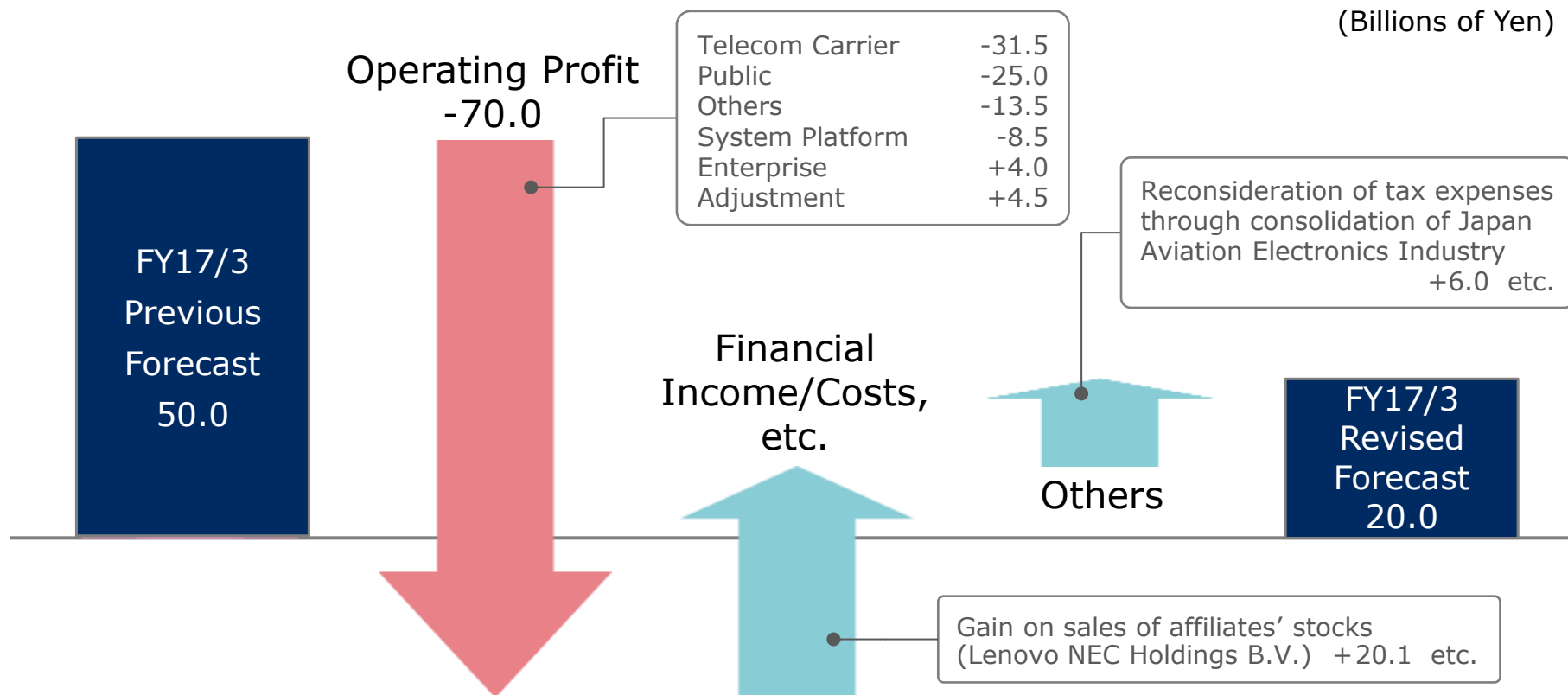
Background

- Social infrastructure area: lack of capability to evaluate technical risks by independent organization, delay in IT system deployment for project risk management
- International projects: weak formation in less experienced areas

Countermeasures

- Social infrastructure area: deploy know-how on project management in IT business, and enhance support from expert divisions such as production control
- International projects: enhance cooperation between sales and products/services divisions

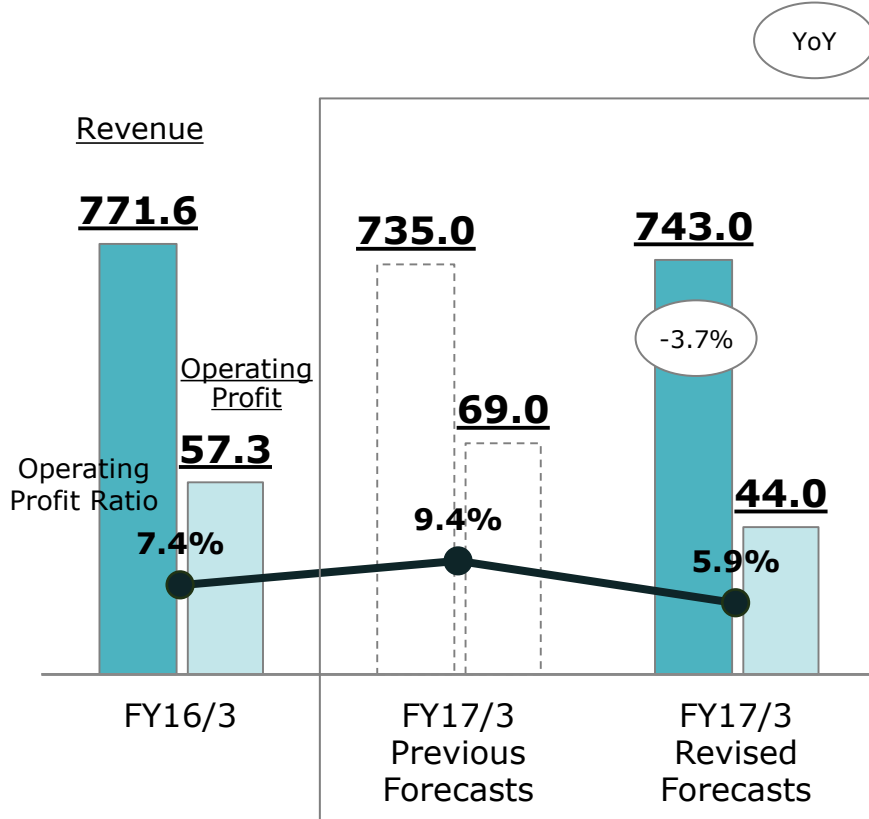
*Forecasts as of January 30, 2017



*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017

(Billions of Yen)

Billions of Yen (YoY)



Revenue 743.0 (-3.7%)

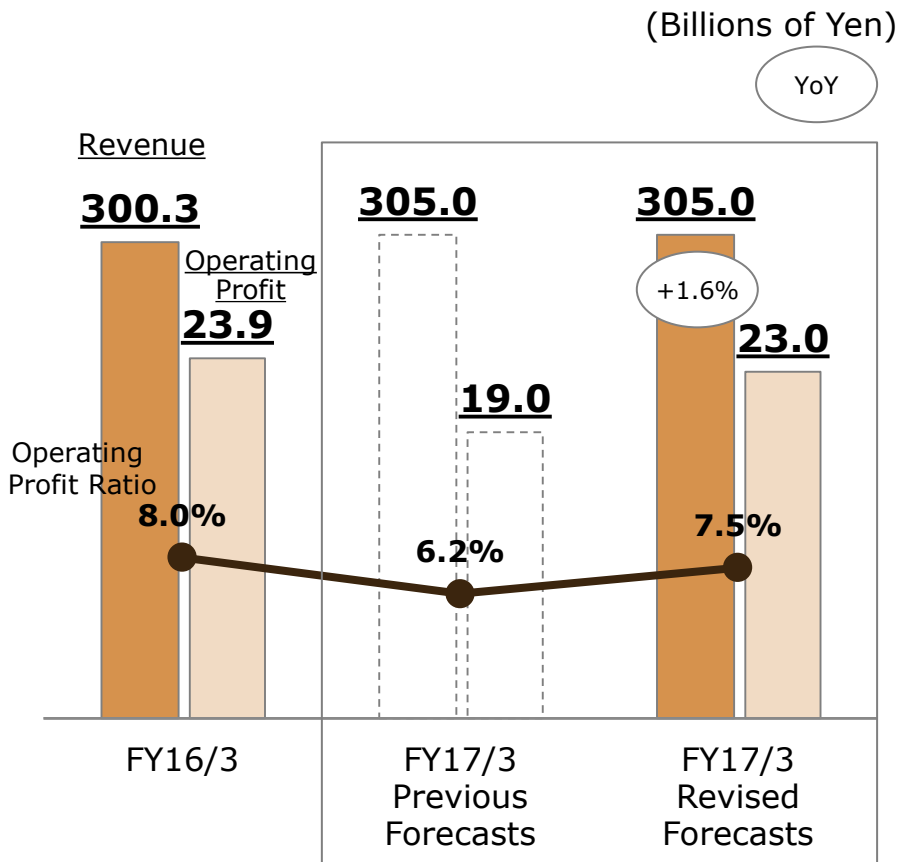
- Decrease due to a decline in the public areas, despite consolidation of Japan Aviation Electronics Industry

Operating Profit 44.0 (-13.3)

- Worsen due to a sales decline and lower profitability in the space business



*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017



Revenue 305.0 (+1.6%)

- Increase in manufacturing industries

Operating Profit 23.0 (-0.9)

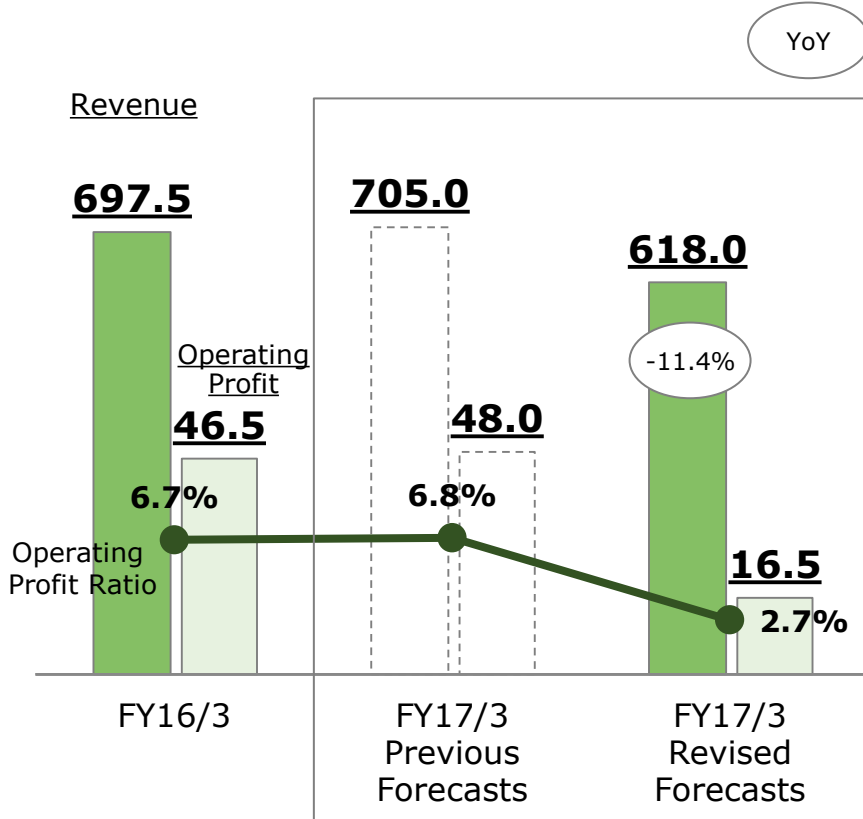
- Remain flat



*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017

(Billions of Yen)

Billions of Yen (YoY)



Revenue 618.0 (-11.4%)

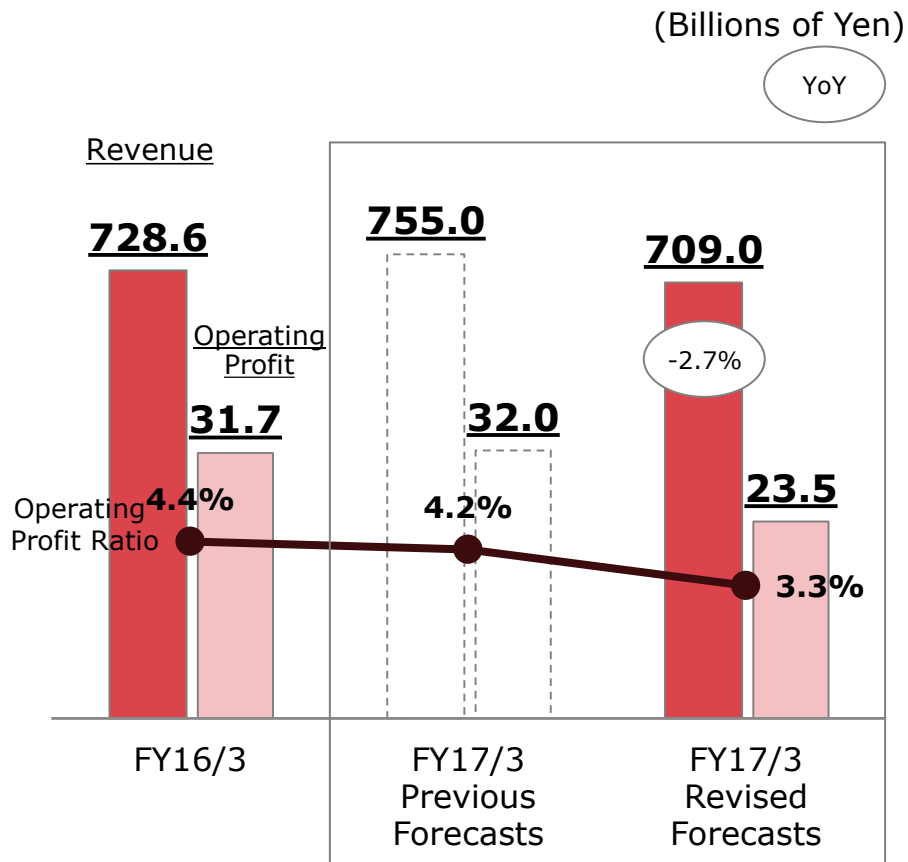
- Decrease due to sluggish capital investment by telecommunications carriers and the influence of the strong yen

Operating Profit 16.5 (-30.0)

- Worsen due to a sales decline, the influence of the strong yen and an investment increase in the focus areas



*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017



Revenue 709.0 (-2.7%)

- Decrease due to a decline in large-scale projects of hardware in the previous fiscal year, as well as the influence of the strong yen

Operating Profit 23.5 (-8.2%)

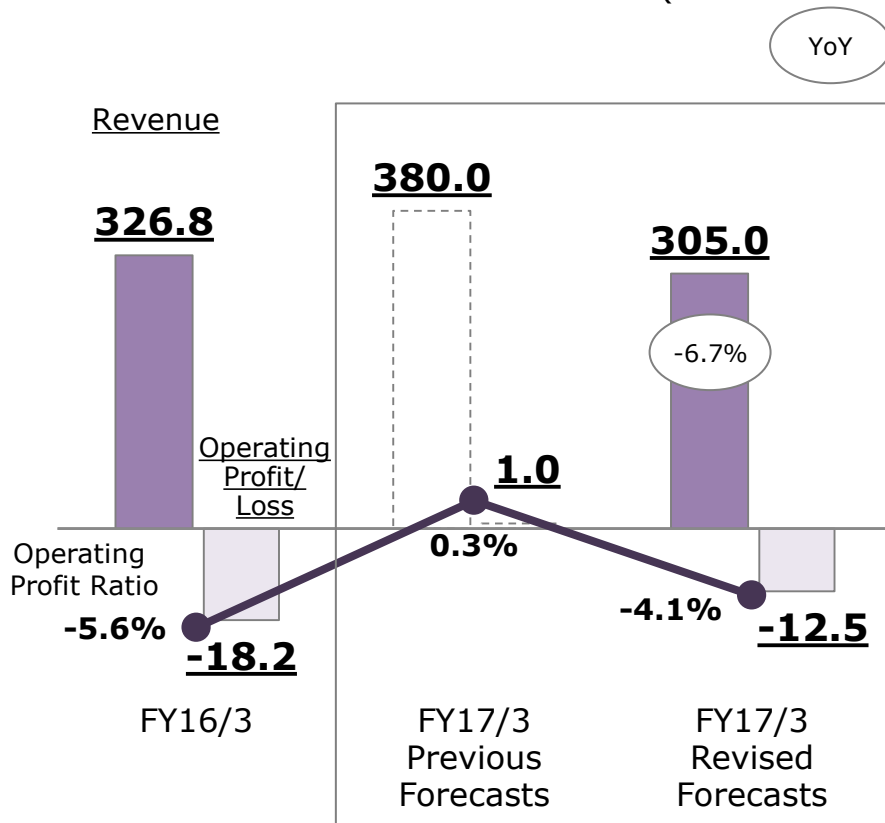
- Worsen due to a sales decline, project lineup changes, tougher price competition in servers and lower profitability in maintenance services



*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017

(Billions of Yen)

Billions of Yen (YoY)



Revenue 305.0 (-6.7%)

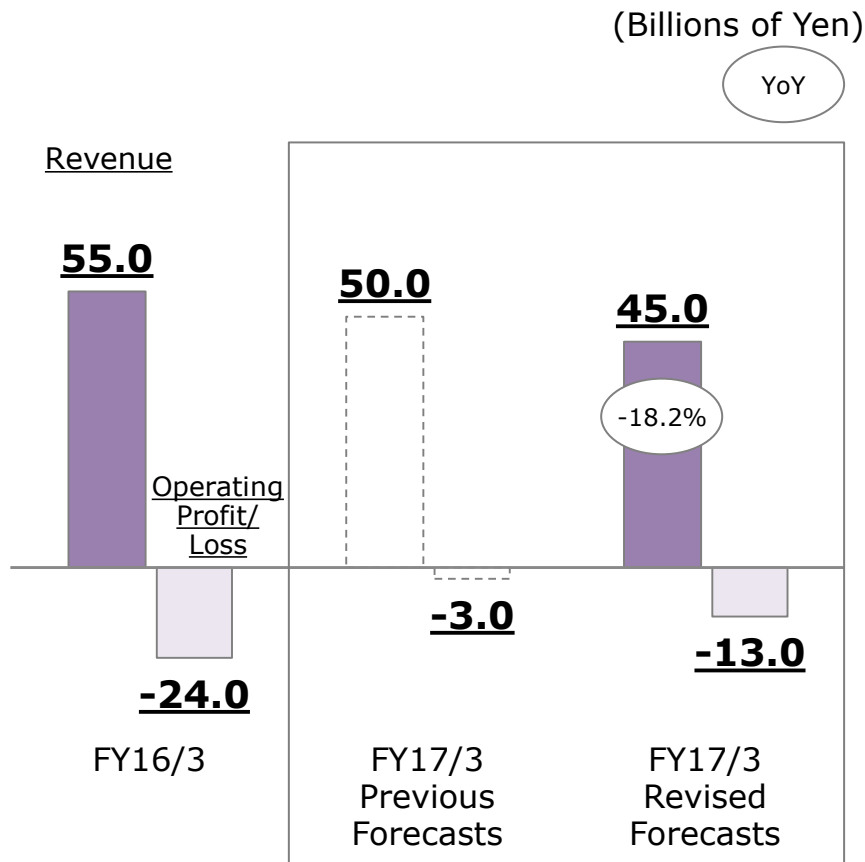
- Decrease due to an impact from the transfer of mobile handset business, as well as business for the Japanese utility companies

Operating Profit/Loss -12.5 (+5.7)

- Improve profit/loss in the energy business, despite booked business structure improvement expenses and loss-making projects in international business



*Previous Forecasts: as of October 31, 2016. Revised Forecasts: as of January 30, 2017



Billions of Yen (YoY)

Revenue 45.0 (-18.2%)

- Decrease due to tougher competition under stagnant capex of utility companies and weaker demand for small energy storage

Operating Profit/Loss -13.0 (+11.0)

- Improve due to a decrease in impairment loss in the previous fiscal year

<Regions where NEC received awards of large energy storage>



*Previous Forecasts: as of April 28, 2016. Revised Forecasts: as of January 30, 2017

Take immediate action defining concrete processes to solve issues

<Expand top line>

Accelerate new business growth

- Continue and increase investment in focus businesses
- Expand safety business where NEC has advantages accelerating horizontal deployment
- Strengthen business infrastructure of focus businesses by M&A

<Improve profitability>

Space business (Public)

- Control loss-making projects by drastic change of culture currently centered on technical experts and applying project management know-how on IT business

Telecom Carrier

- Flexible resource allocation for optimization

System Platform

- Take measures to improve profitability in maintenance services in Japan

Smart energy business

- Continue resource shift, optimize business portfolio

*As of January 30, 2017

Improve management speed
and enhance execution power

Achieve new financial forecasts,
continue an annual dividend of
6 yen per share

*Forecasts as of January 30, 2017



Orchestrating a brighter world

NEC brings together and integrates technology and expertise to create the ICT-enabled society of tomorrow.

We collaborate closely with partners and customers around the world, orchestrating each project to ensure all its parts are fine-tuned to local needs.

Every day, our innovative solutions for society contribute to greater safety, security, efficiency and equality, and enable people to live brighter lives.

 **Orchestrating** a brighter world

NEC

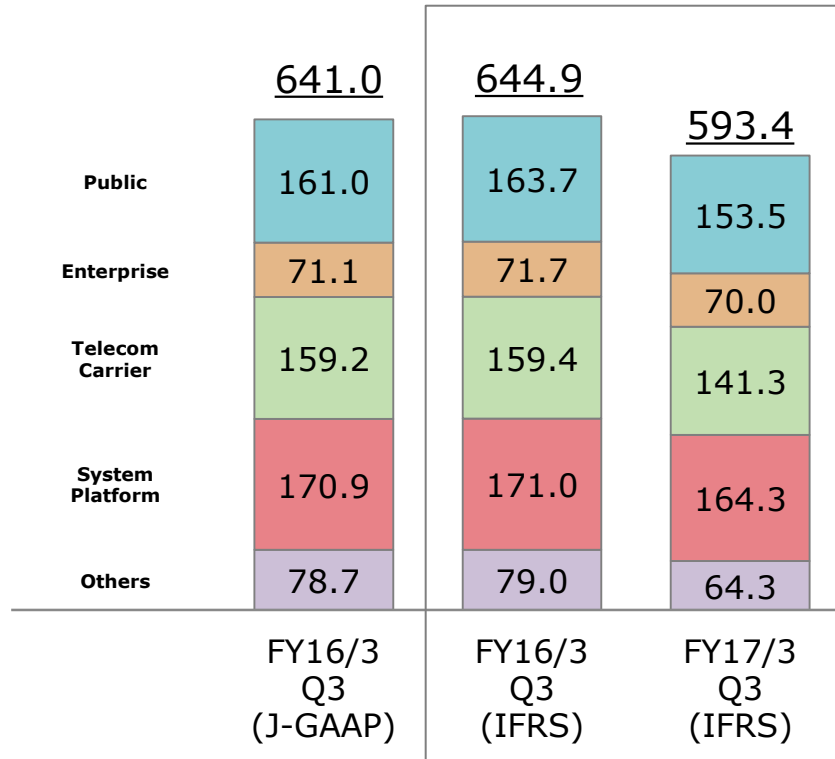
Financial Results for Q3, FY17/3 (Appendix)

Results for Q3 by Segment (two-year transition)

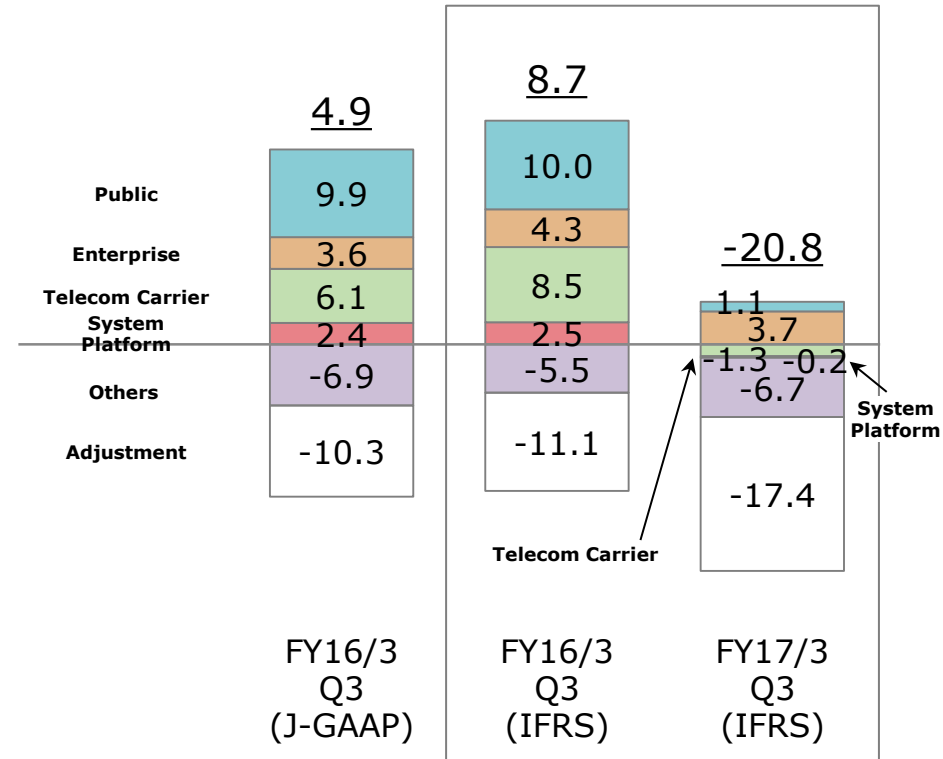
Q3 Results
(3 months)

(Billions of Yen)

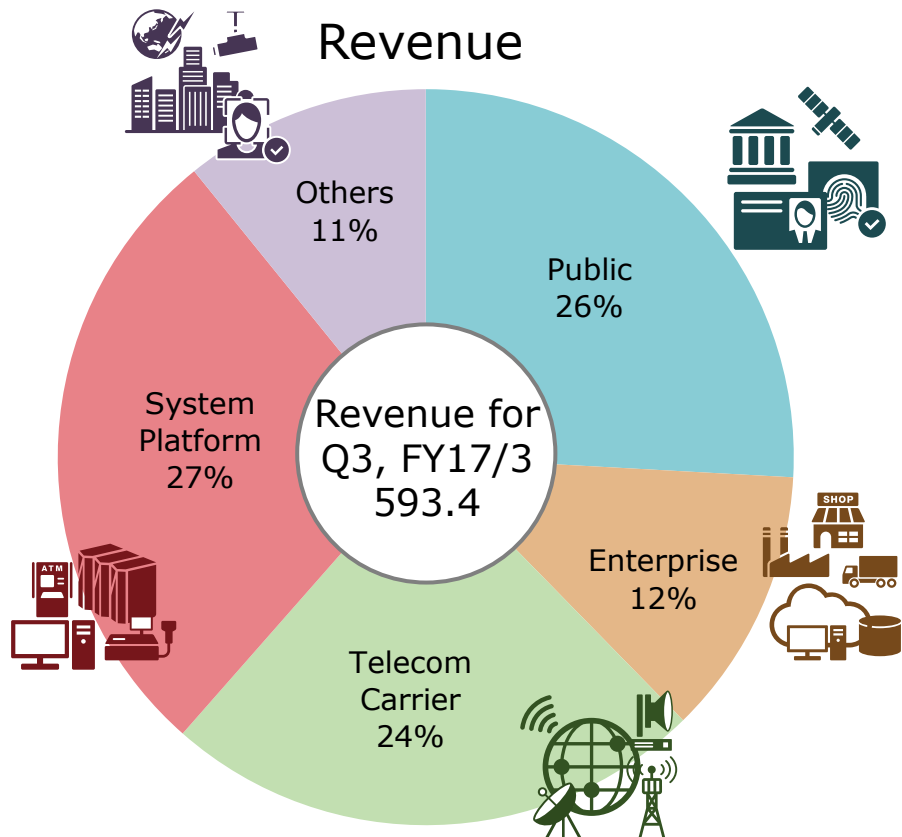
Revenue



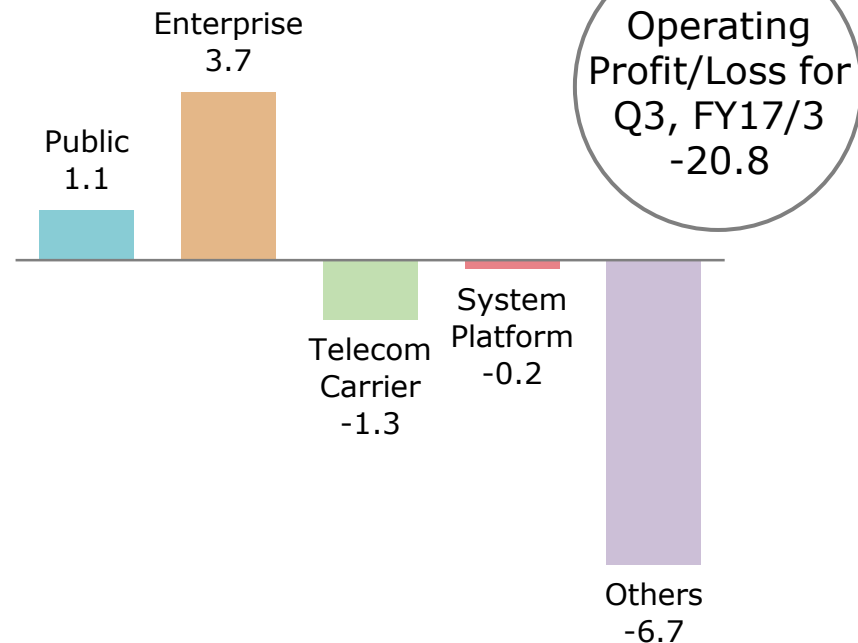
Operating Profit/Loss



(Billions of Yen)

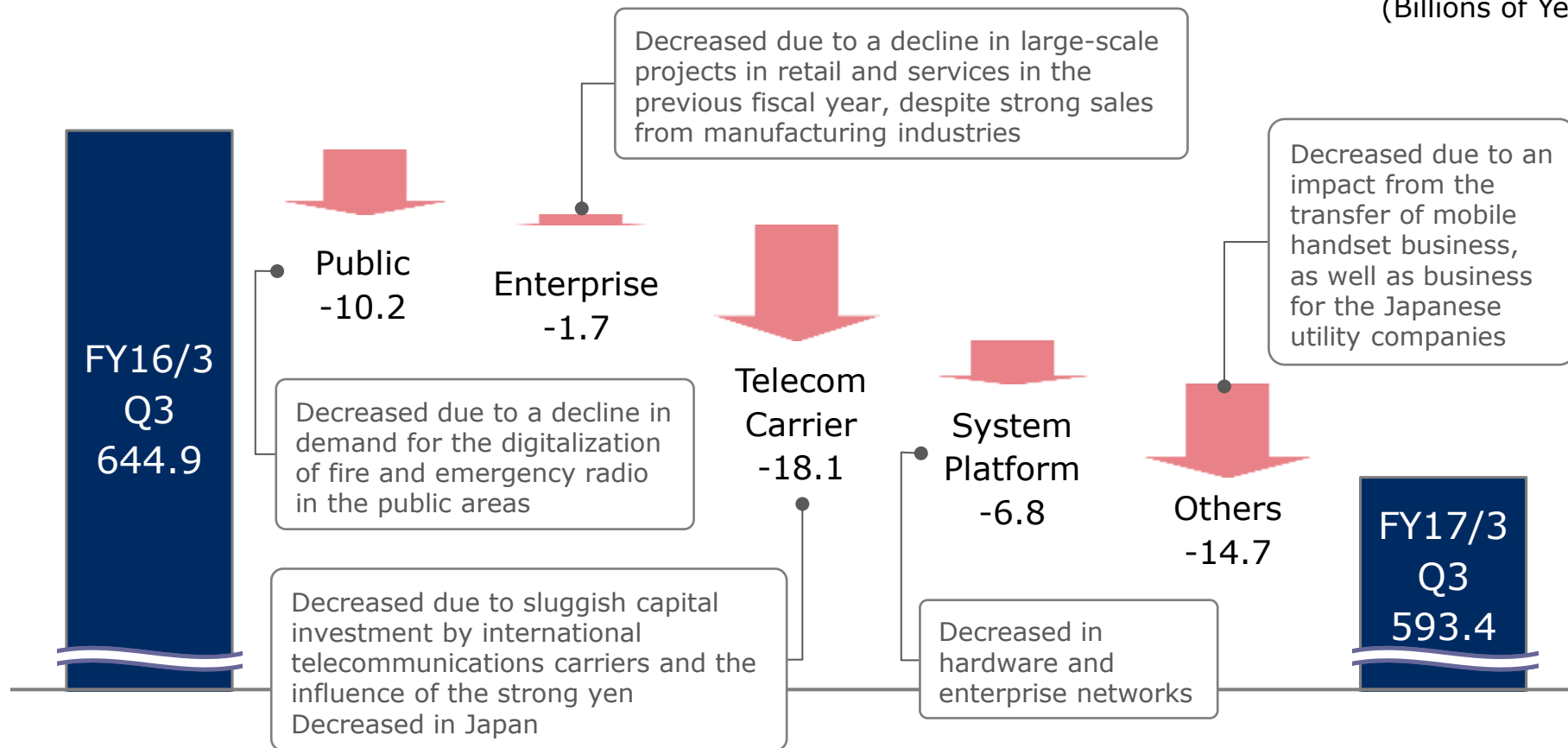


Operating Profit/Loss



Revenue Change (Year on Year)

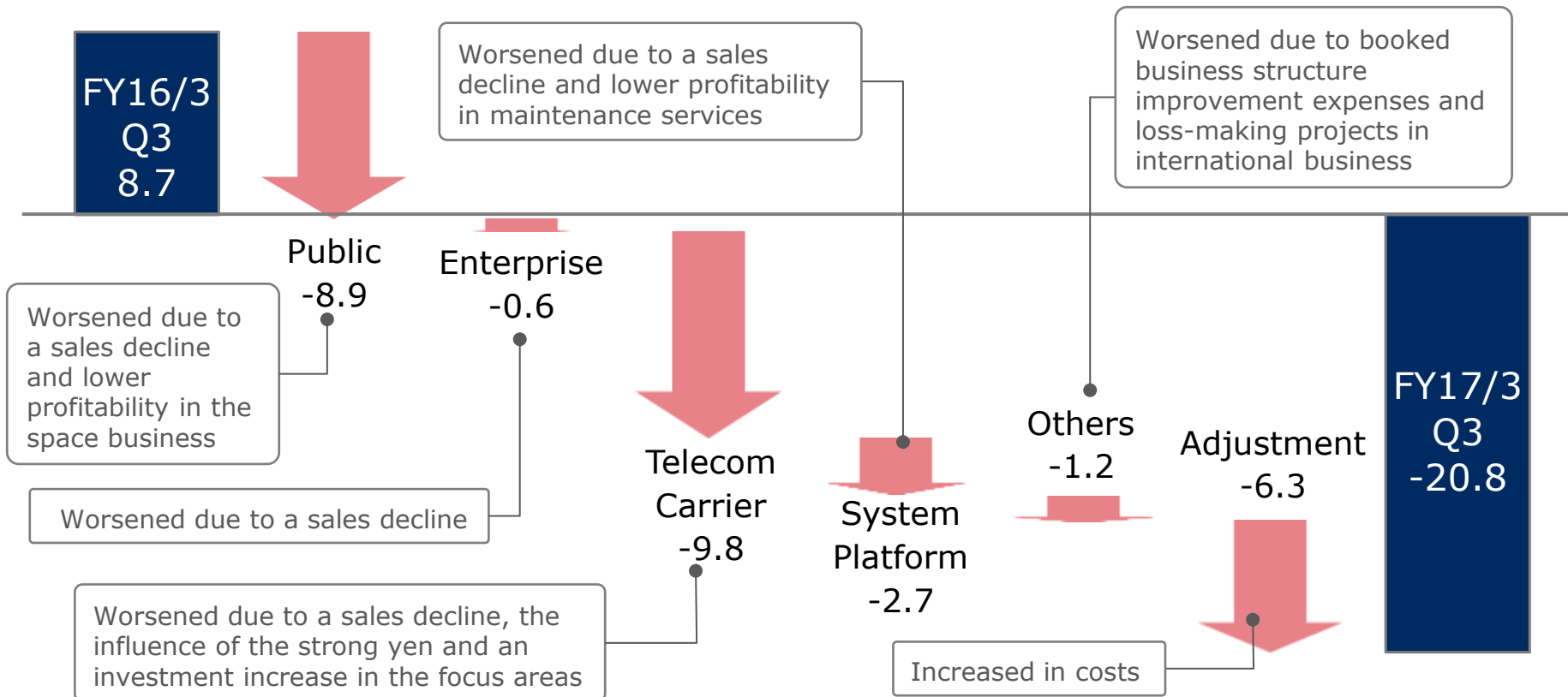
(Billions of Yen)



Operating Profit/Loss Change (Year on Year)

Q3 Results
(3 months)

(Billions of Yen)

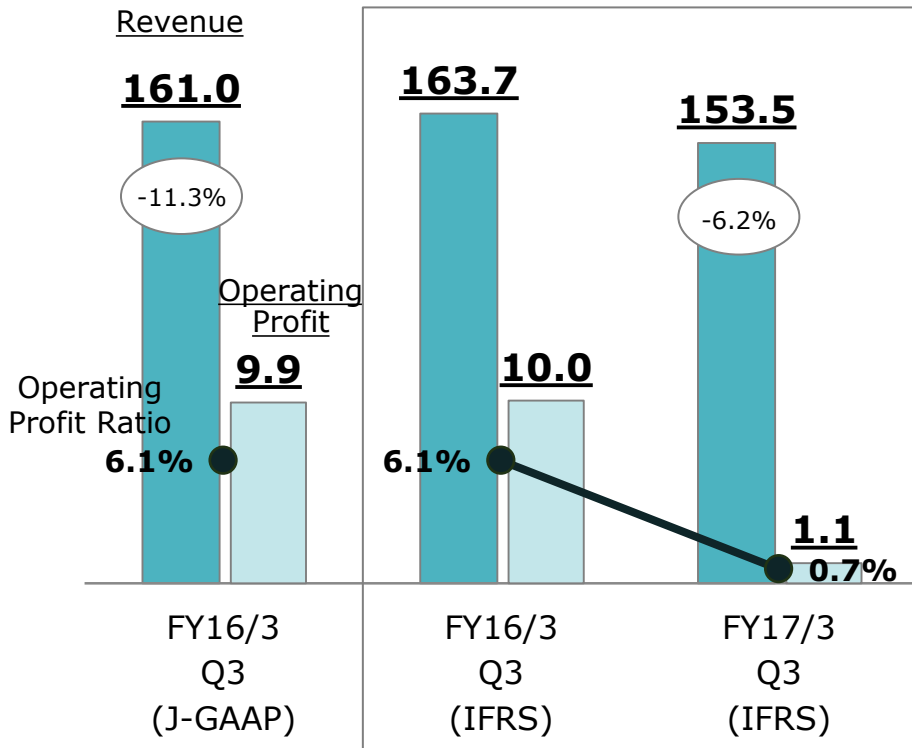


*Forecasts as of January 30, 2017

(Billions of Yen)

Billions of Yen (YoY)

YoY



Revenue 153.5 (-6.2%)

- Decreased due to a decline in demand for the digitalization of fire and emergency radio in the public areas

Operating Profit 1.1 (-8.9)

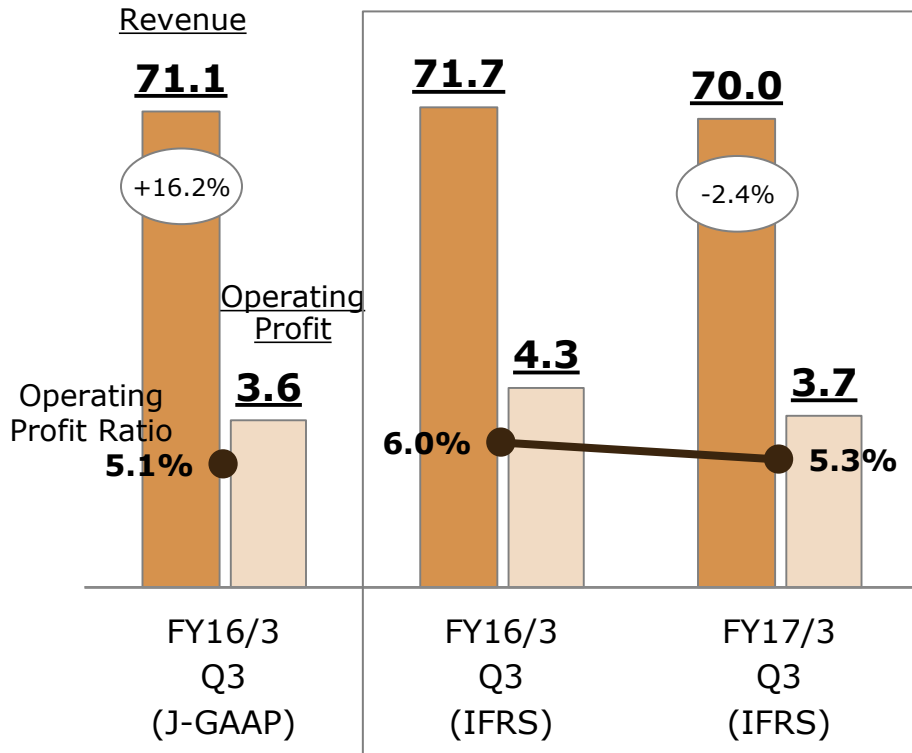
- Worsened due to a sales decline and lower profitability in the space business



(Billions of Yen)

Billions of Yen (YoY)

YoY



Revenue 70.0 (-2.4%)

- Decreased due to a decline in large-scale projects in retail and services in the previous fiscal year, despite strong sales from manufacturing industries

Operating Profit 3.7 (-0.6)

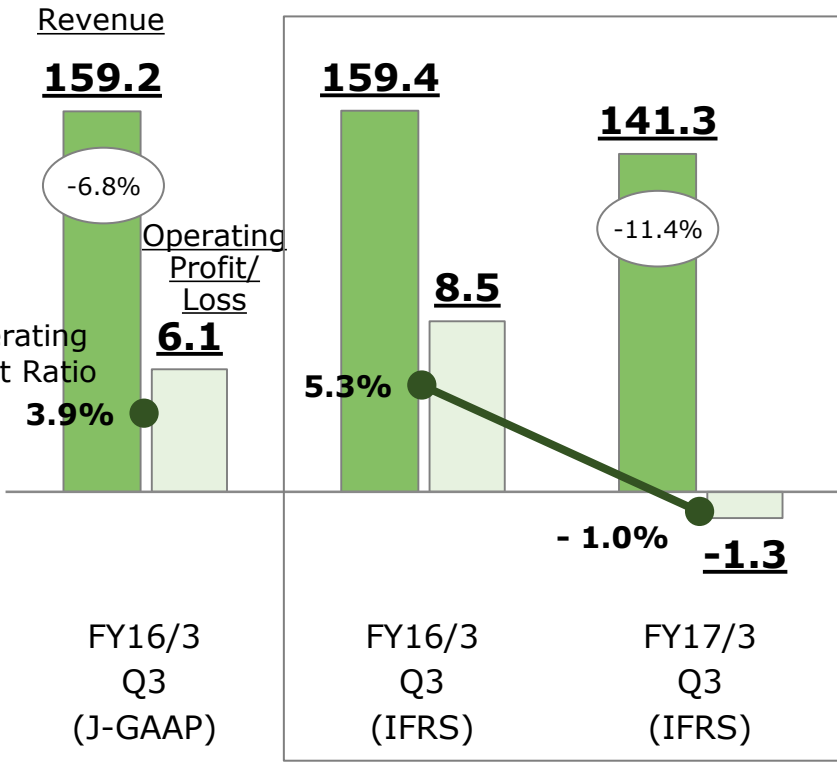
- Worsened due to a sales decline



(Billions of Yen)

Billions of Yen (YoY)

YoY



Revenue 141.3 (-11.4%)

- Decreased due to sluggish capital investment by international telecommunications carriers and the influence of the strong yen
- Decreased in Japan

Operating Profit/Loss -1.3 (-9.8)

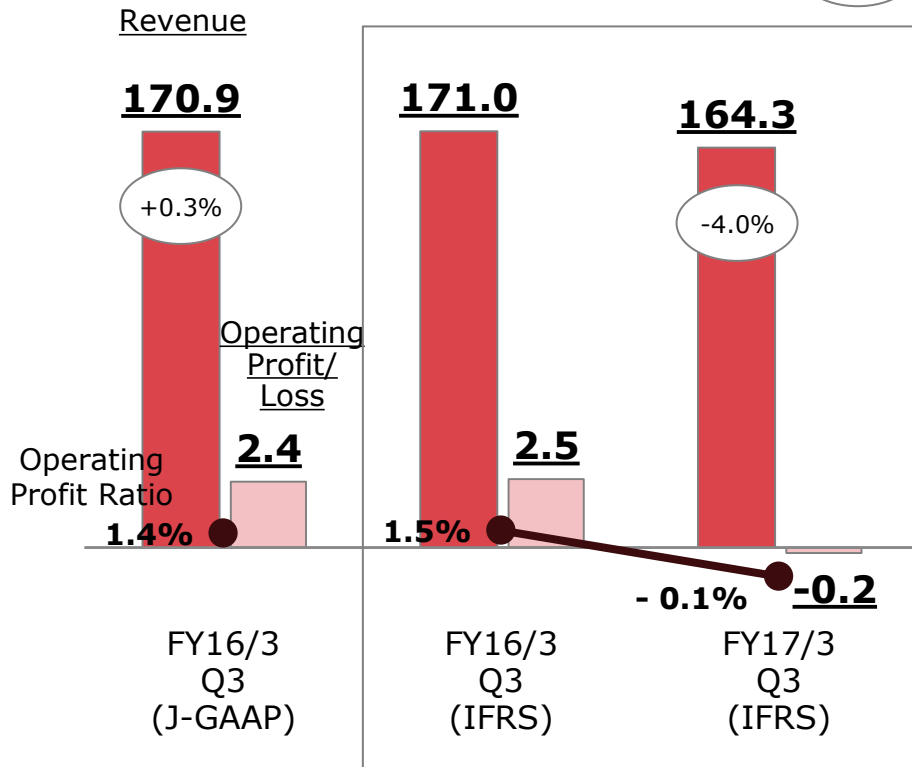
- Worsened due to a sales decline, the influence of the strong yen and an investment increase in the focus areas



(Billions of Yen)

Billions of Yen (YoY)

YoY



Revenue 164.3 (-4.0%)

- Decreased in hardware and enterprise networks

Operating Profit/Loss -0.2 (-2.7)

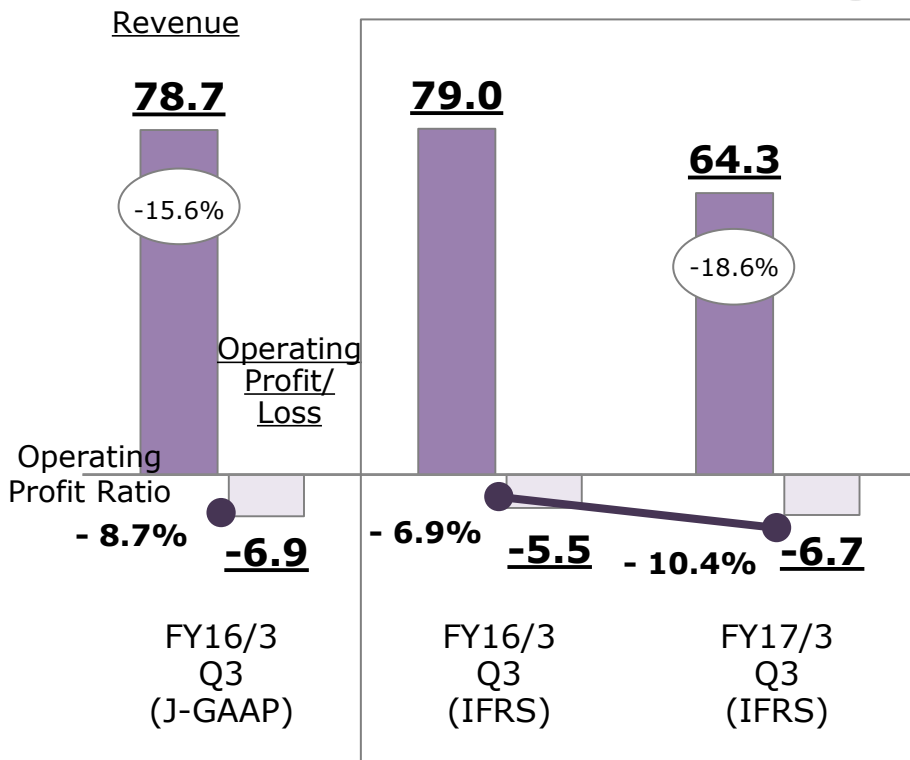
- Worsened due to a sales decline and lower profitability in maintenance services



(Billions of Yen)

Billions of Yen (YoY)

YoY



Revenue 64.3 (-18.6%)

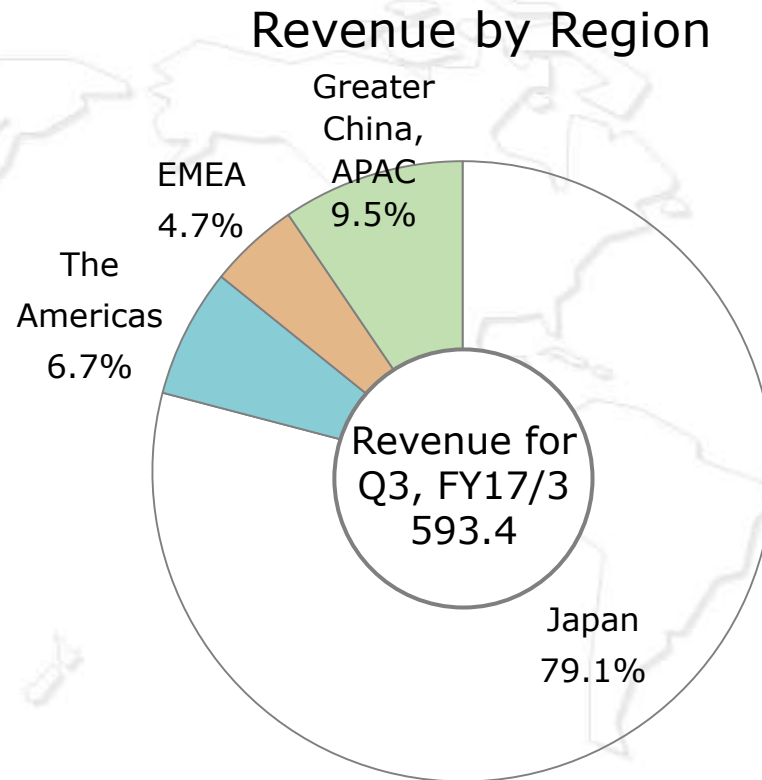
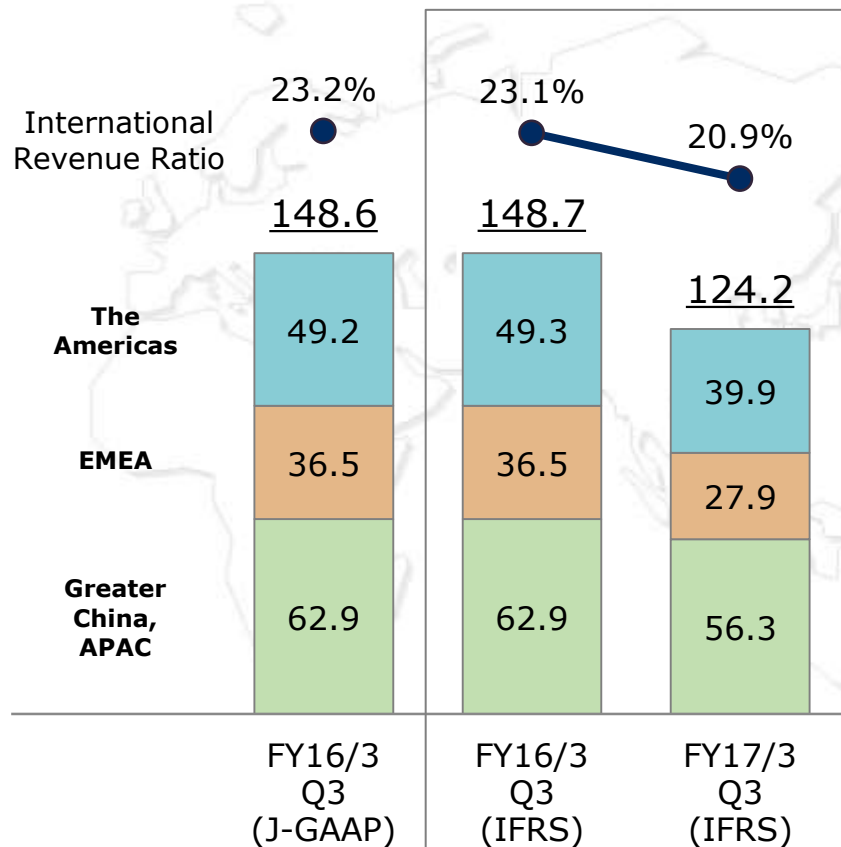
- Decreased due to an impact from the transfer of mobile handset business, as well as business for the Japanese utility companies

Operating Profit/Loss -6.7 (-1.2)

- Worsened due to booked business structure improvement expenses and loss-making projects in international business



(Billions of Yen)

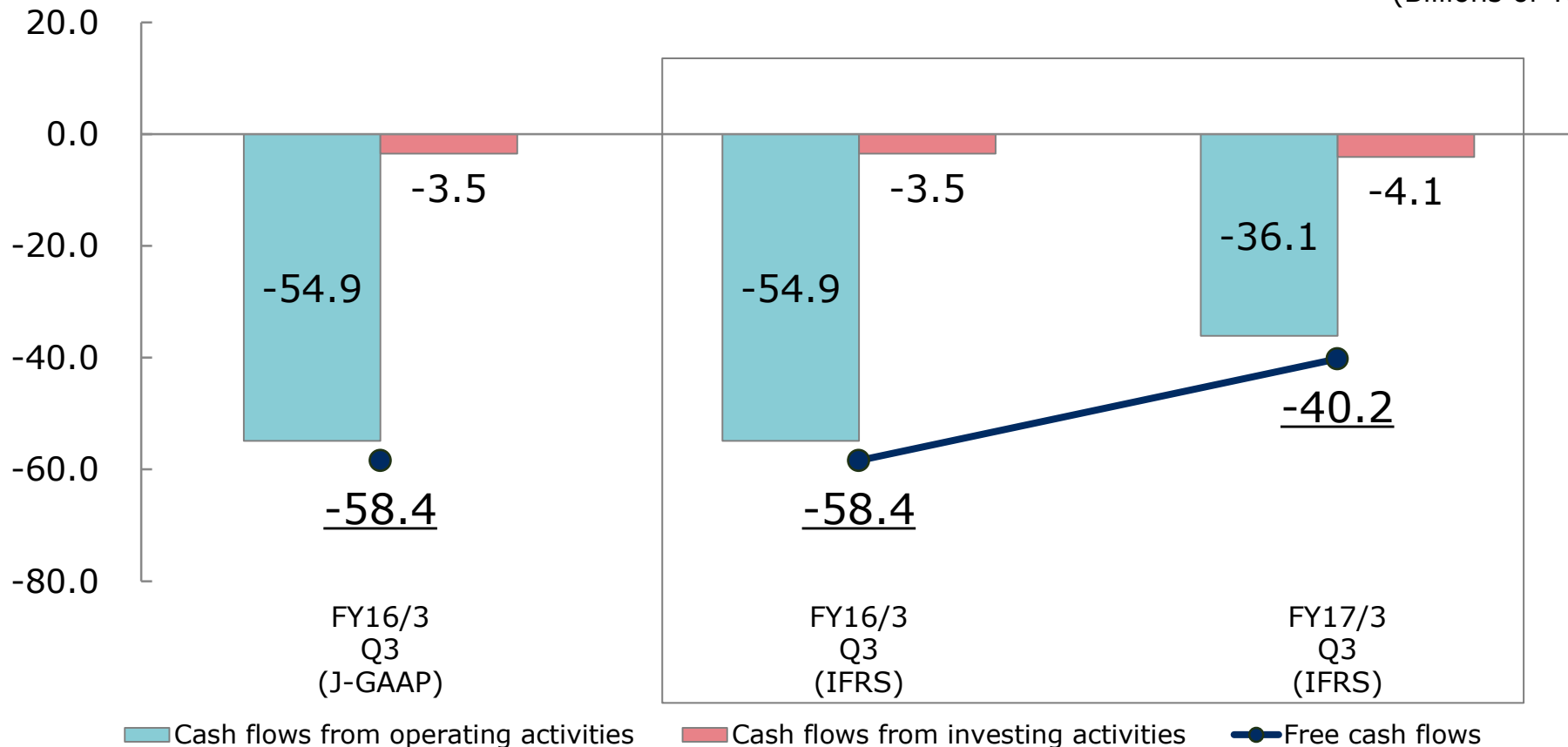


*Revenue is classified by country or region based on customer locations.

Free Cash Flows

Q3 Results
(3 months)

(Billions of Yen)



(Billions of Yen)

	End of March 2016	End of December 2016	Variance from end of March 2016	End of December 2015
Total assets	2,528.9	2,483.2	-45.7	2,539.5
Total equity	837.2	826.5	-10.8	880.4
Interest-bearing debt	479.5	517.9	+38.4	572.6
Equity attributable to owners of the parent	769.8	758.8	-11.0	813.5
Ratio of equity attributable to owners of the parent (%)	30.4%	30.6%	+0.1pt	32.0%
D/E ratio (times)	0.62	0.68	-0.06pt	0.70
Net D/E ratio (times)	0.37	0.39	-0.02pt	0.49
Cash and cash equivalents	192.3	218.7	+26.4	171.7

(Billions of Yen)

Current Assets
1,409.5

Liabilities
1,656.7

Decrease in trade and other receivables, despite an increase in inventories

Decrease in trade and other payables

Decrease in retained earnings

Noncurrent Assets
1,073.7

Net Assets
826.5

-43.8

-35.0

-1.9

-10.8

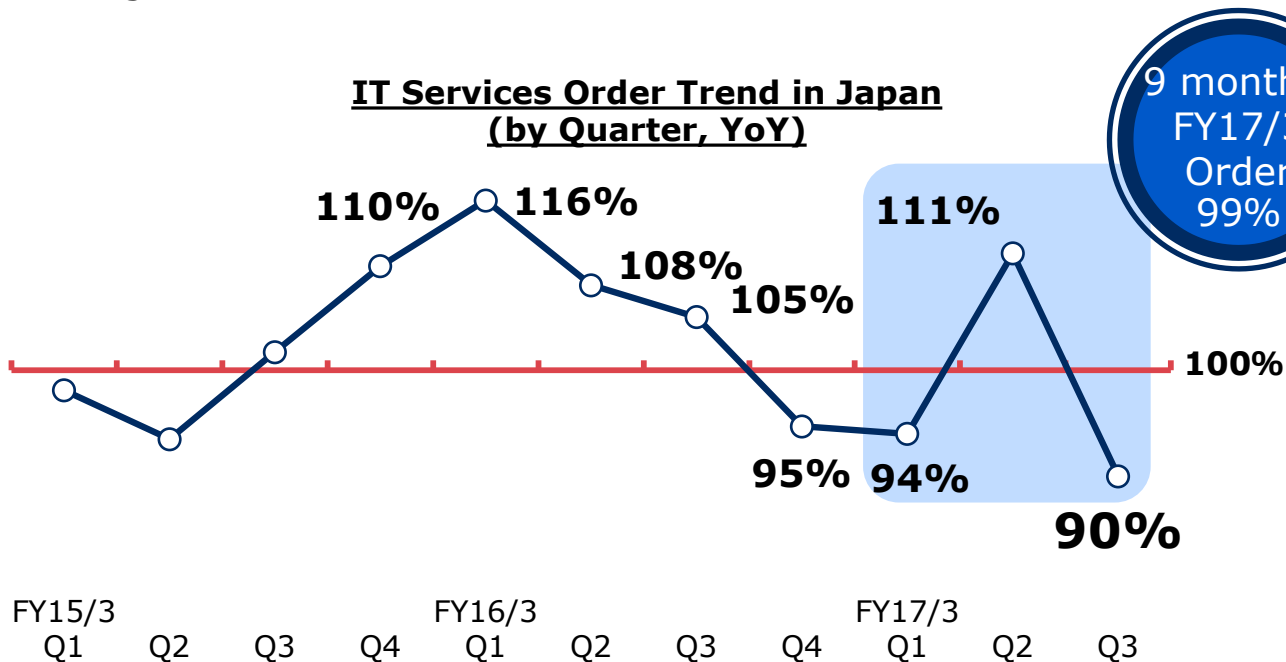
Total Assets
2,483.2

(-45.7 compared to end of March 2016)

Compared to end of March 2016

The order trend for IT investment in services : 90% YoY

IT services in Japan for Q3, FY17/3 showed stable performance in telecommunication and manufacturing areas, while it decreased in retail and services, as well as the public areas

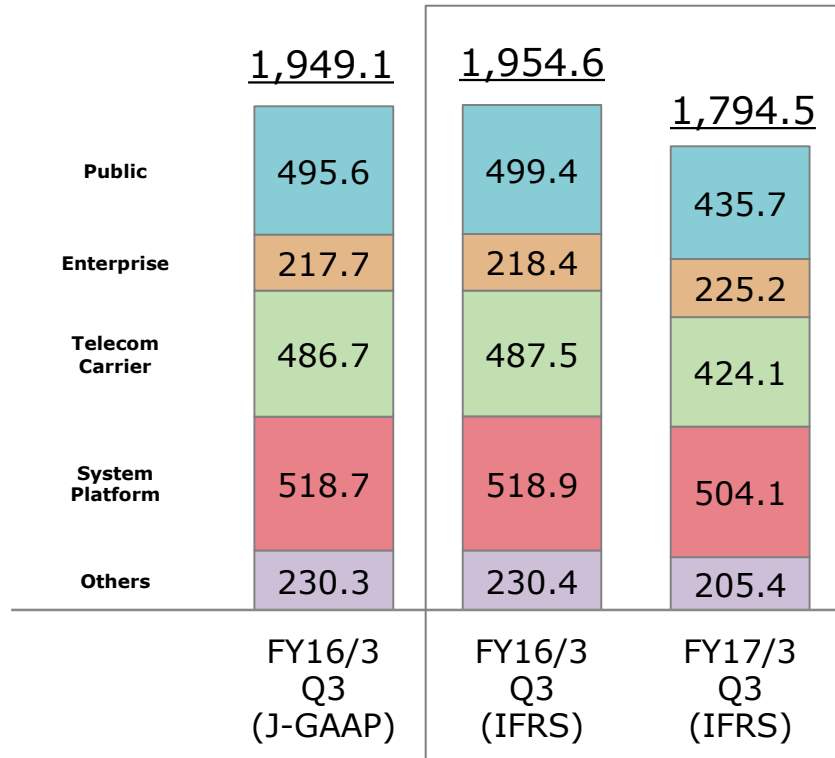


Results for 9 months by Segment (two-year transition)

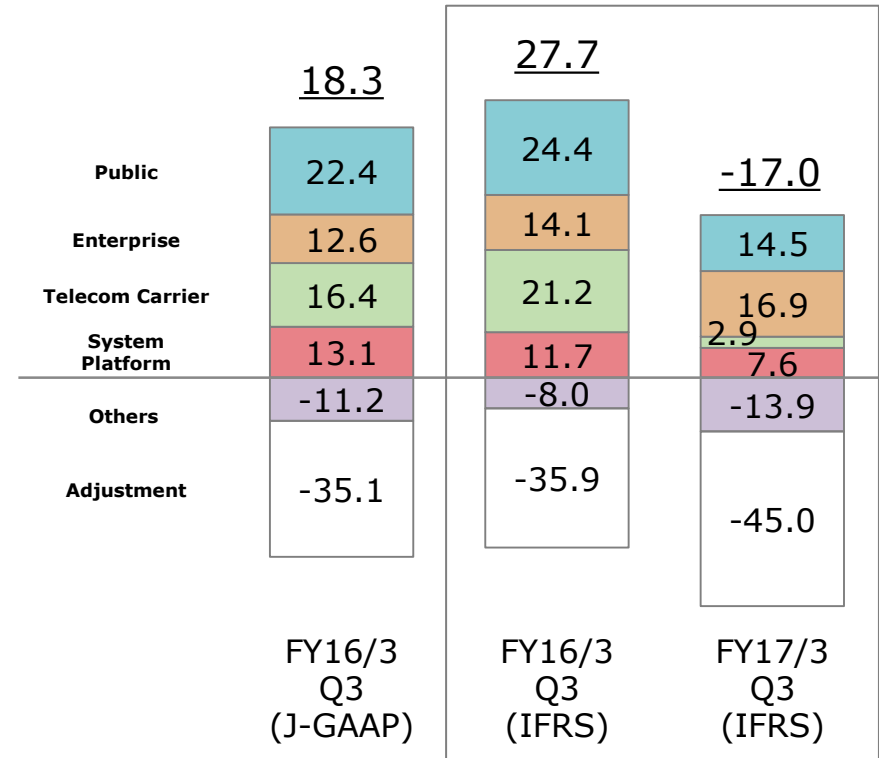
Q3 Results
(9 months)

(Billions of Yen)

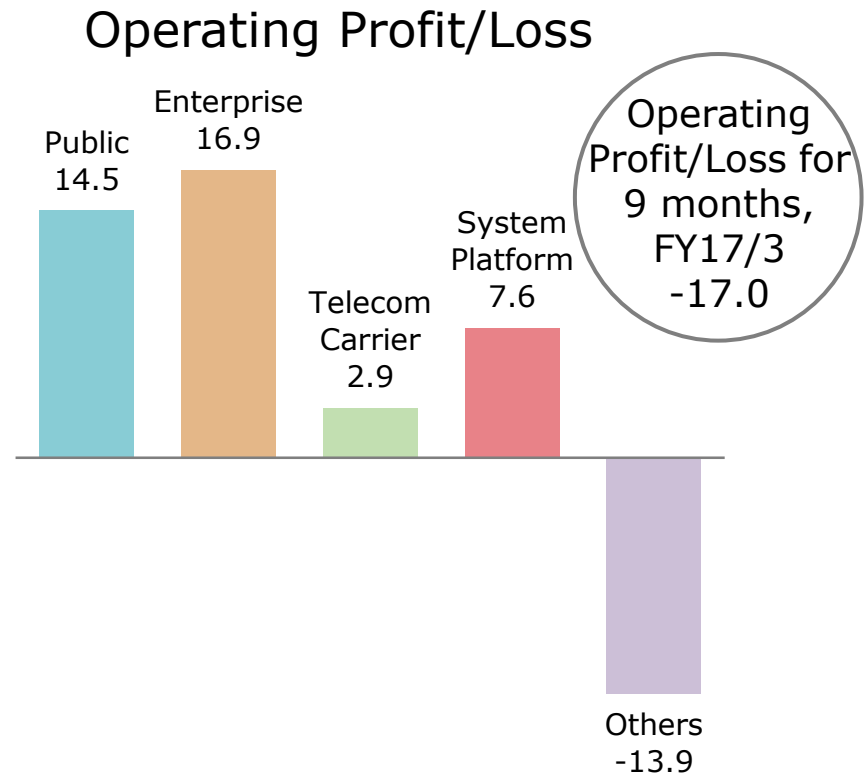
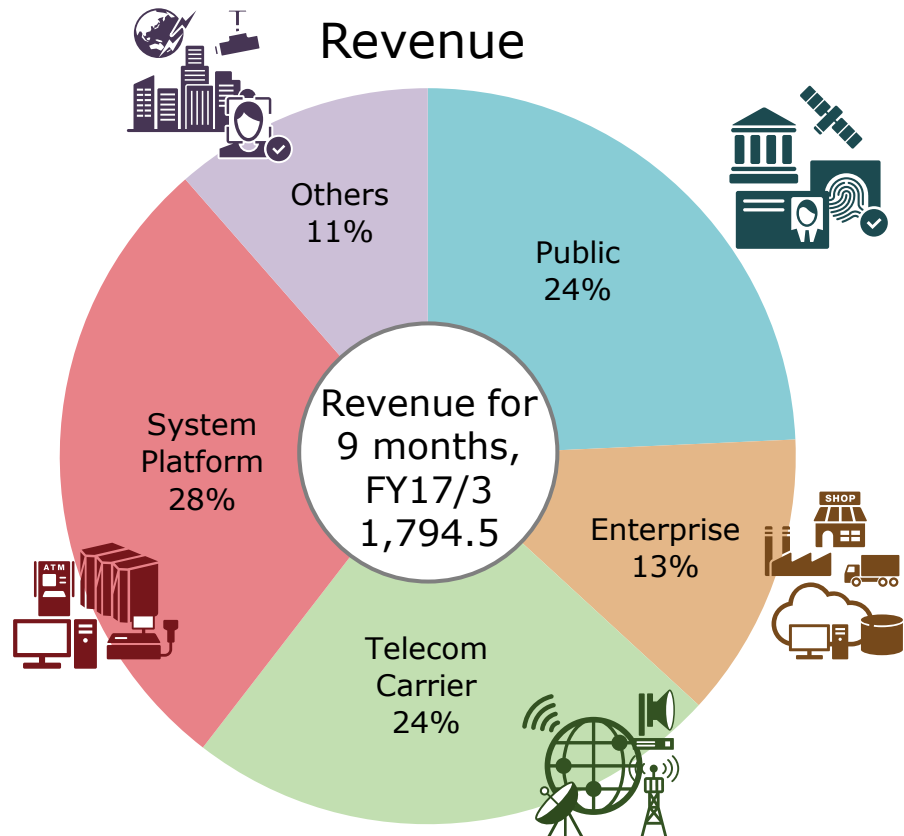
Revenue



Operating Profit/Loss

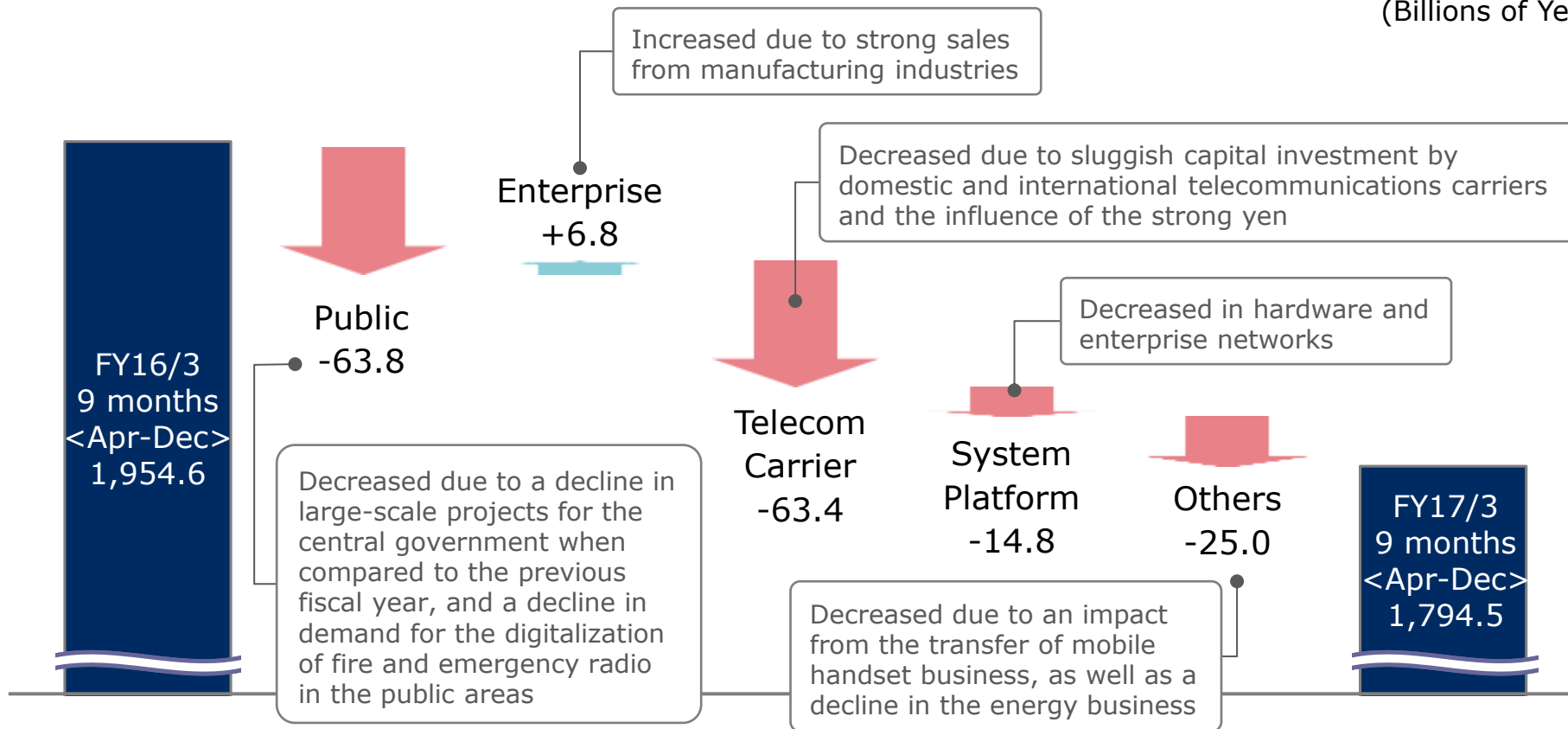


(Billions of Yen)



Revenue Change (Year on Year)

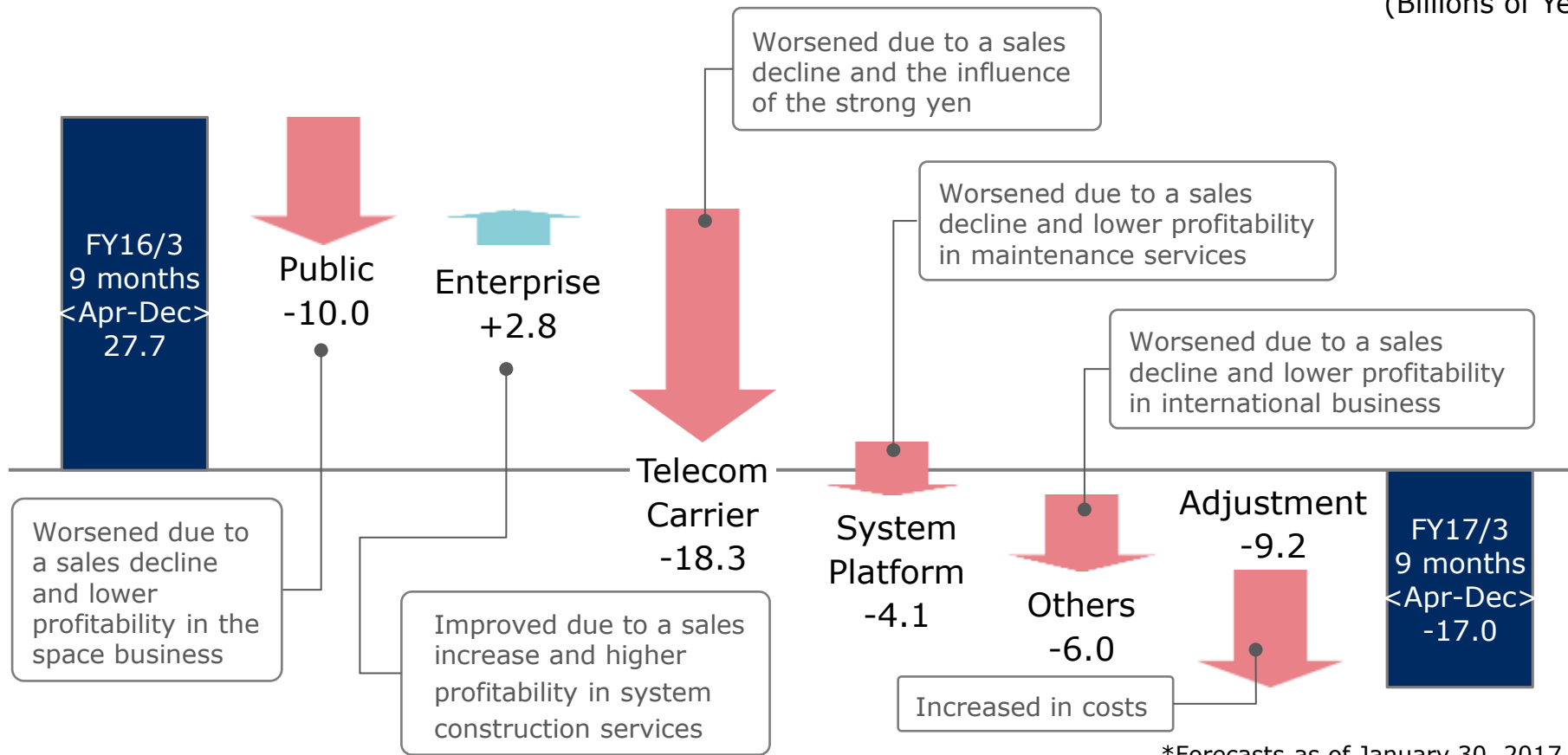
(Billions of Yen)



Operating Profit/Loss Change (Year on Year)

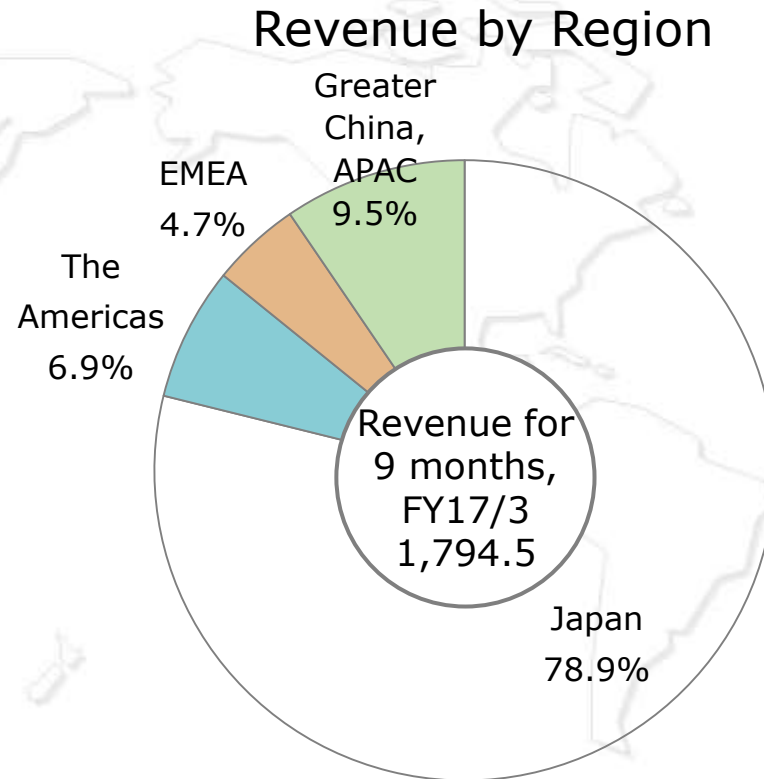
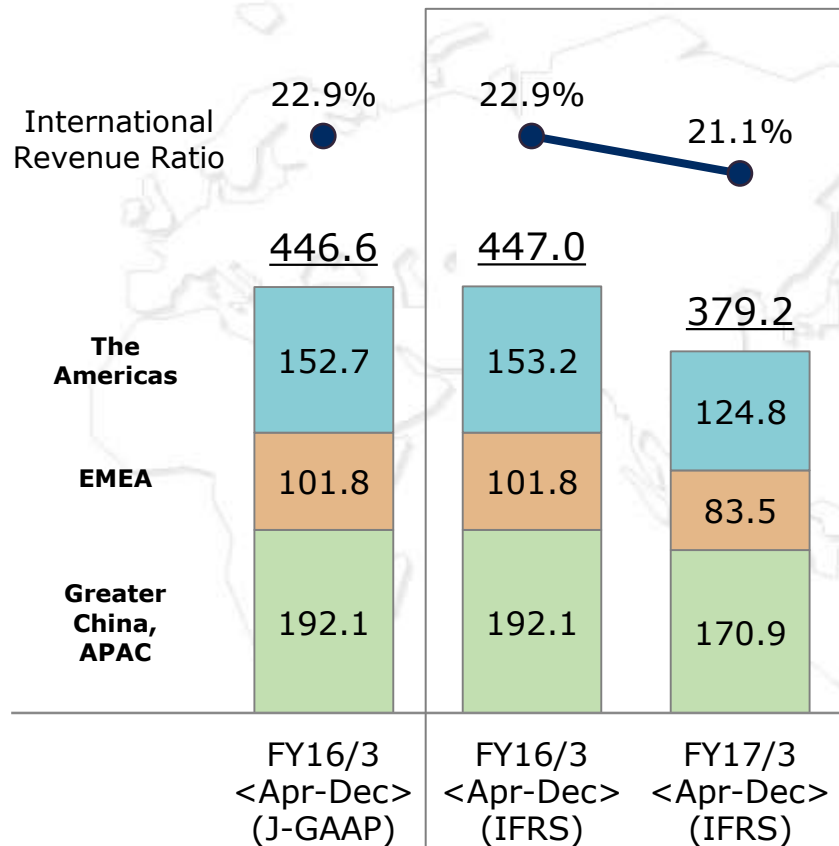
Q3 Results
(9 months)

(Billions of Yen)



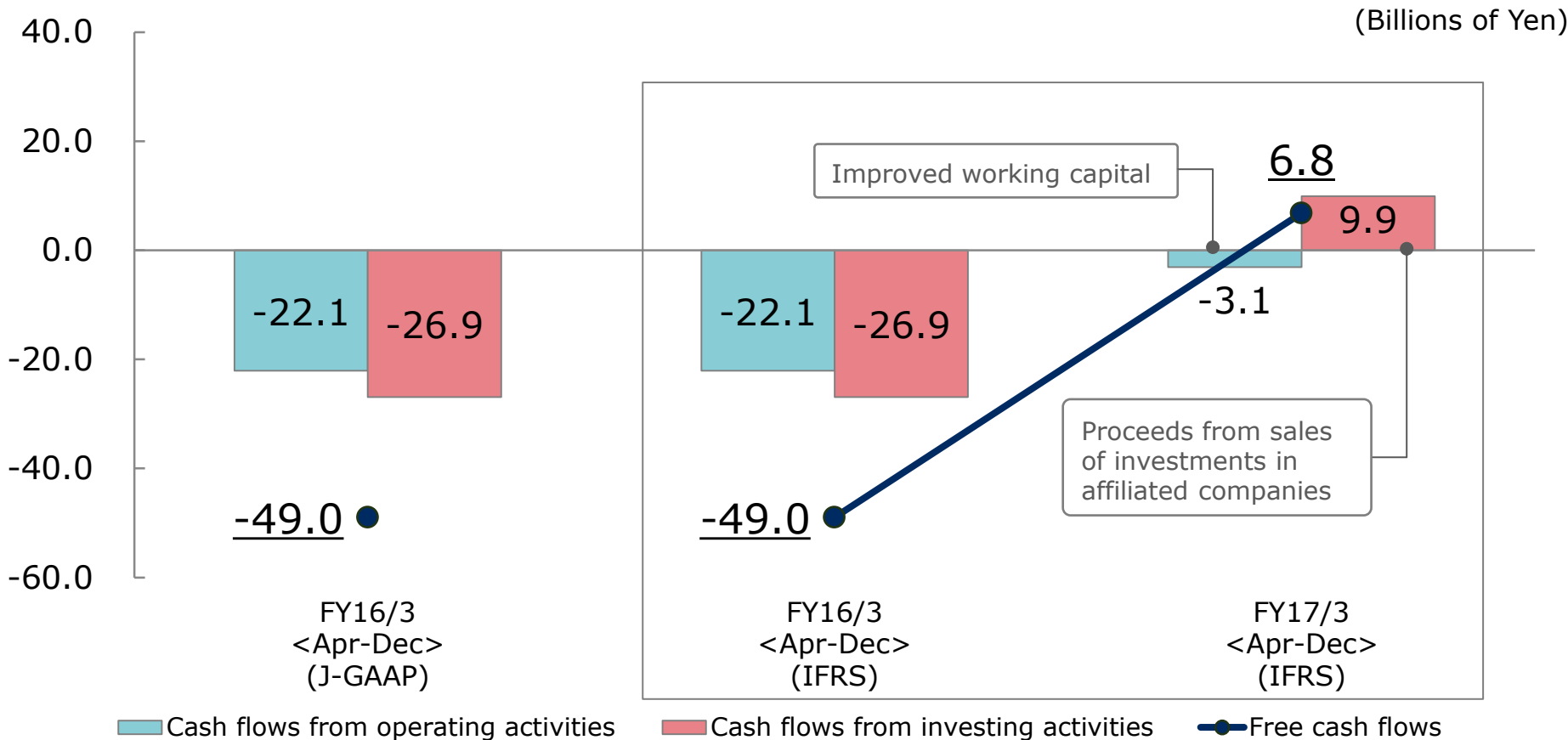
*Forecasts as of January 30, 2017

(Billions of Yen)



*Revenue is classified by country or region based on customer locations.

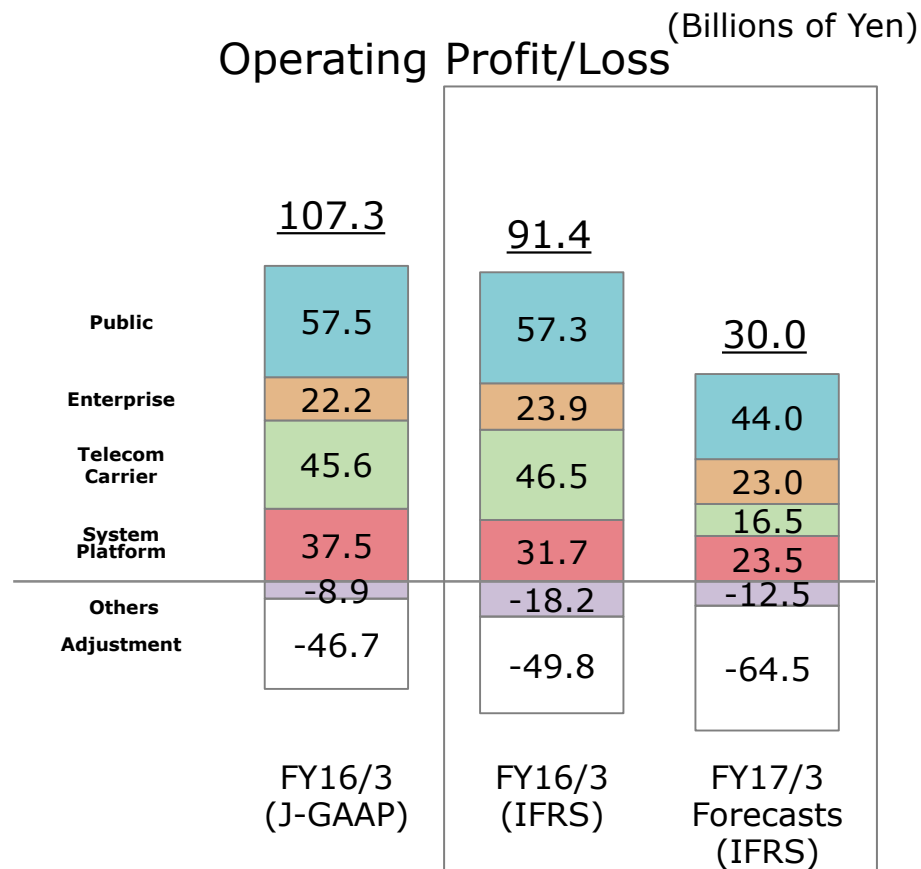
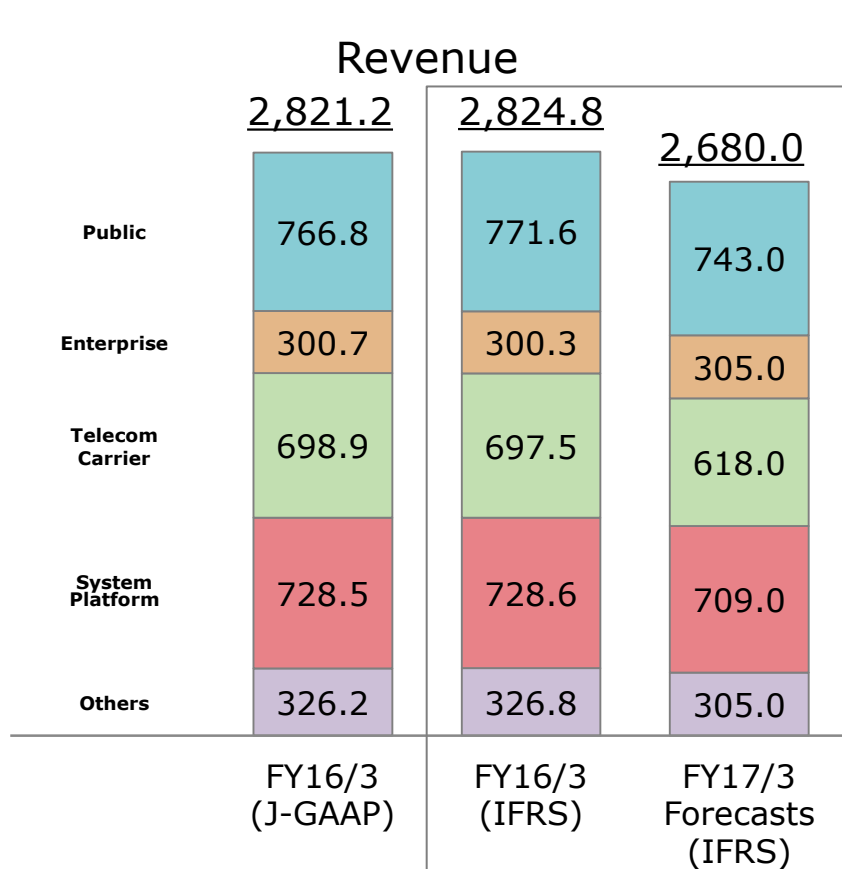
Free Cash Flows



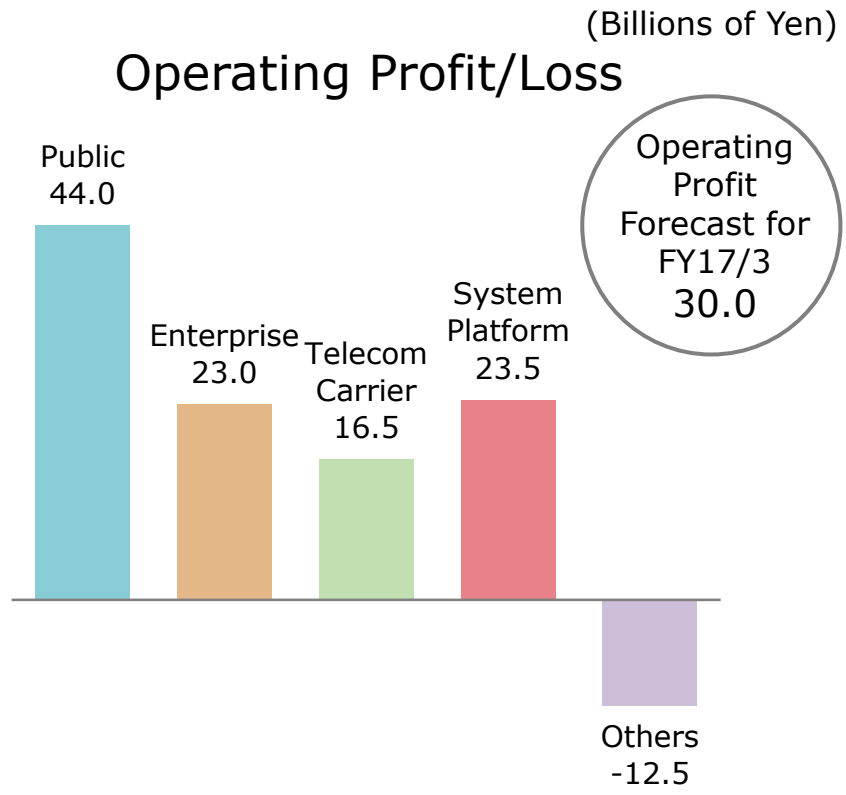
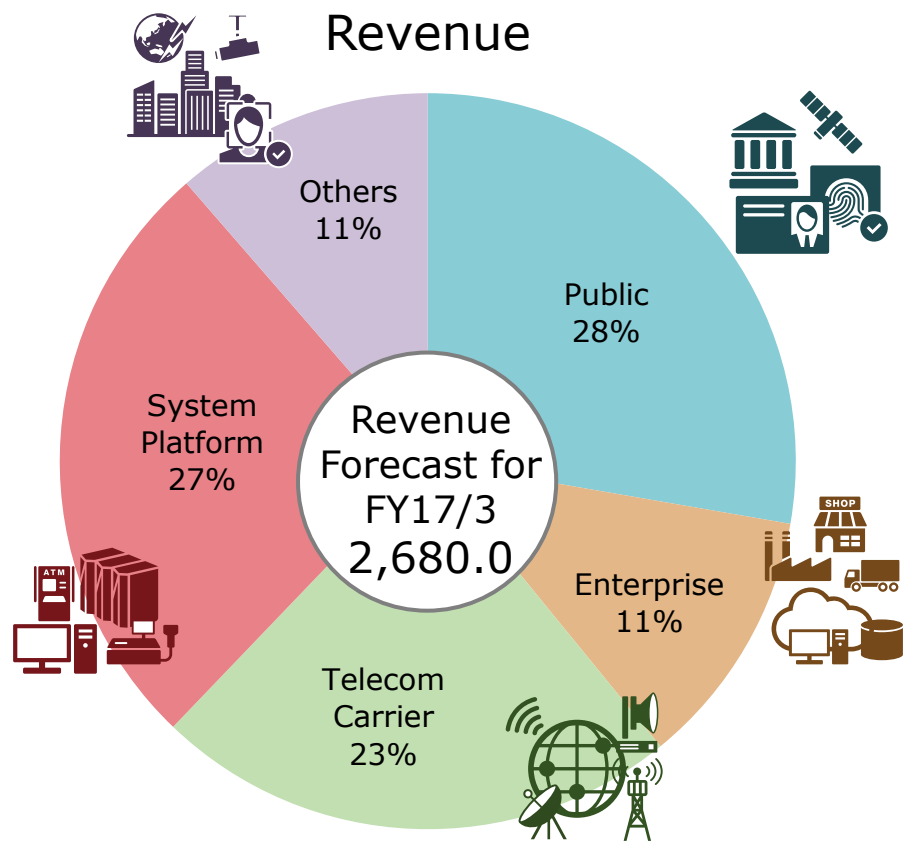
Financial Forecasts for FY17/3 (Appendix)

Financial Forecasts by Segment (two-year transition)

Forecasts
FY17/3



*Forecasts as of January 30, 2017

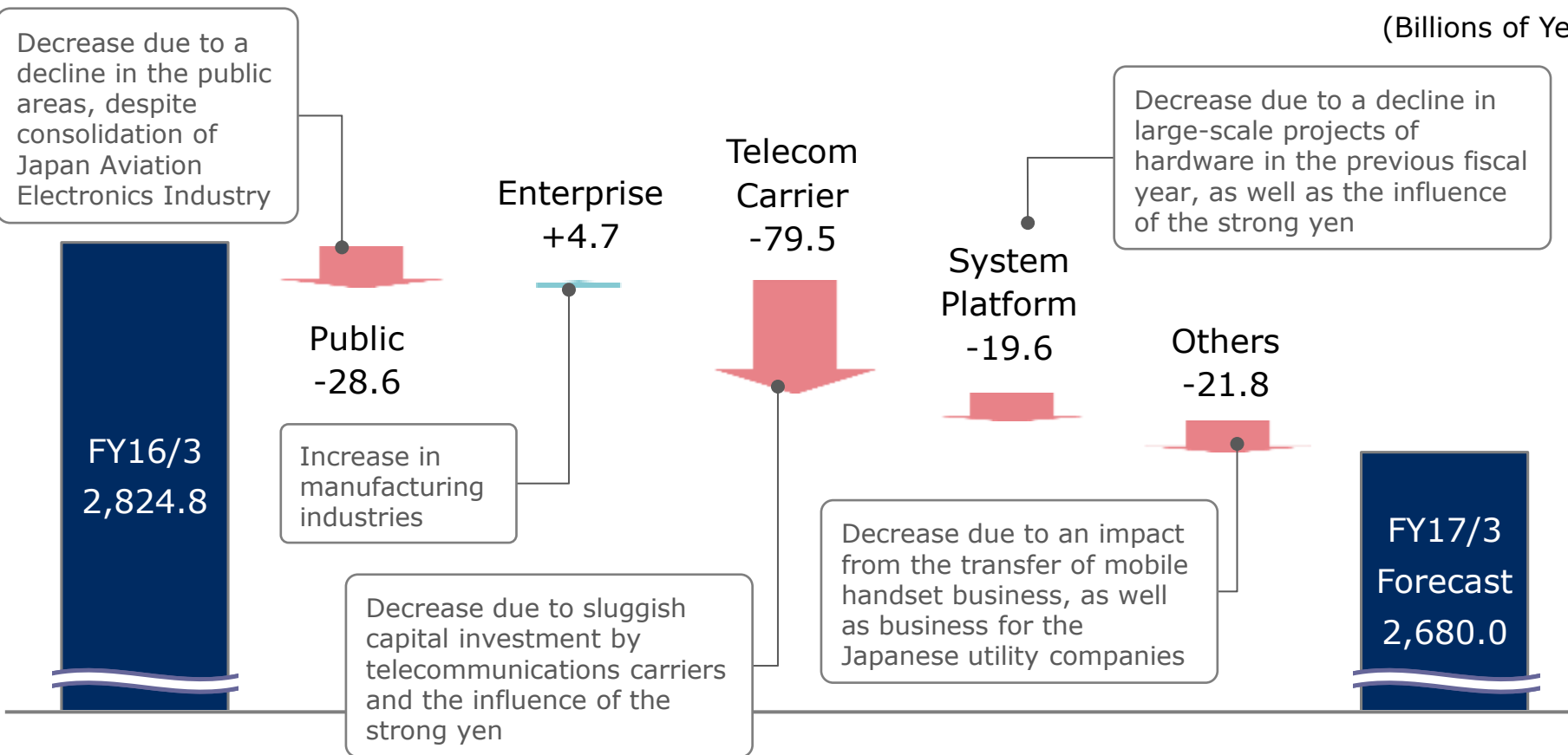


*Forecasts as of January 30, 2017

Revenue Change (Year on Year)

Forecasts
FY17/3

(Billions of Yen)

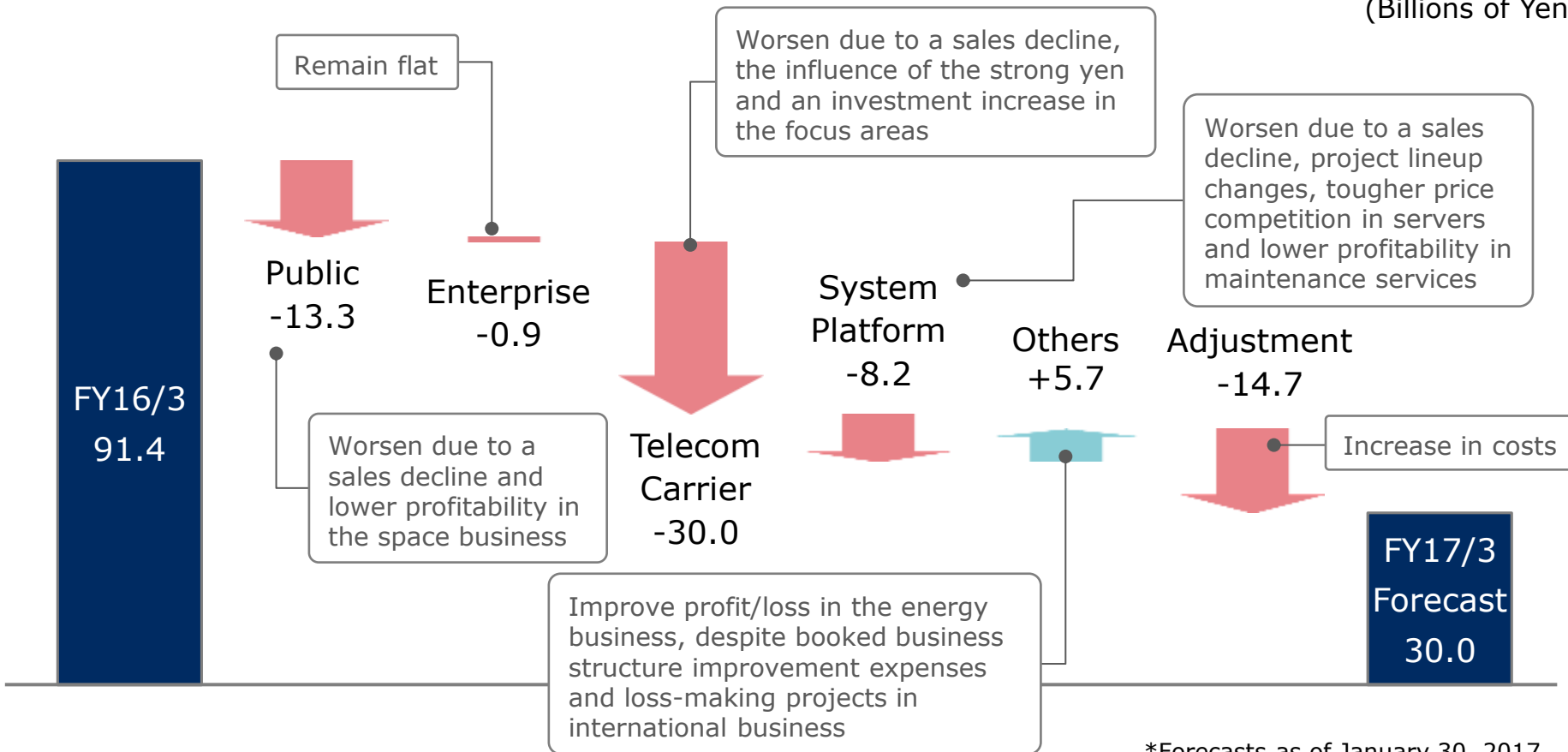


*Forecasts as of January 30, 2017

Operating Profit Change (Year on Year)

Forecasts
FY17/3

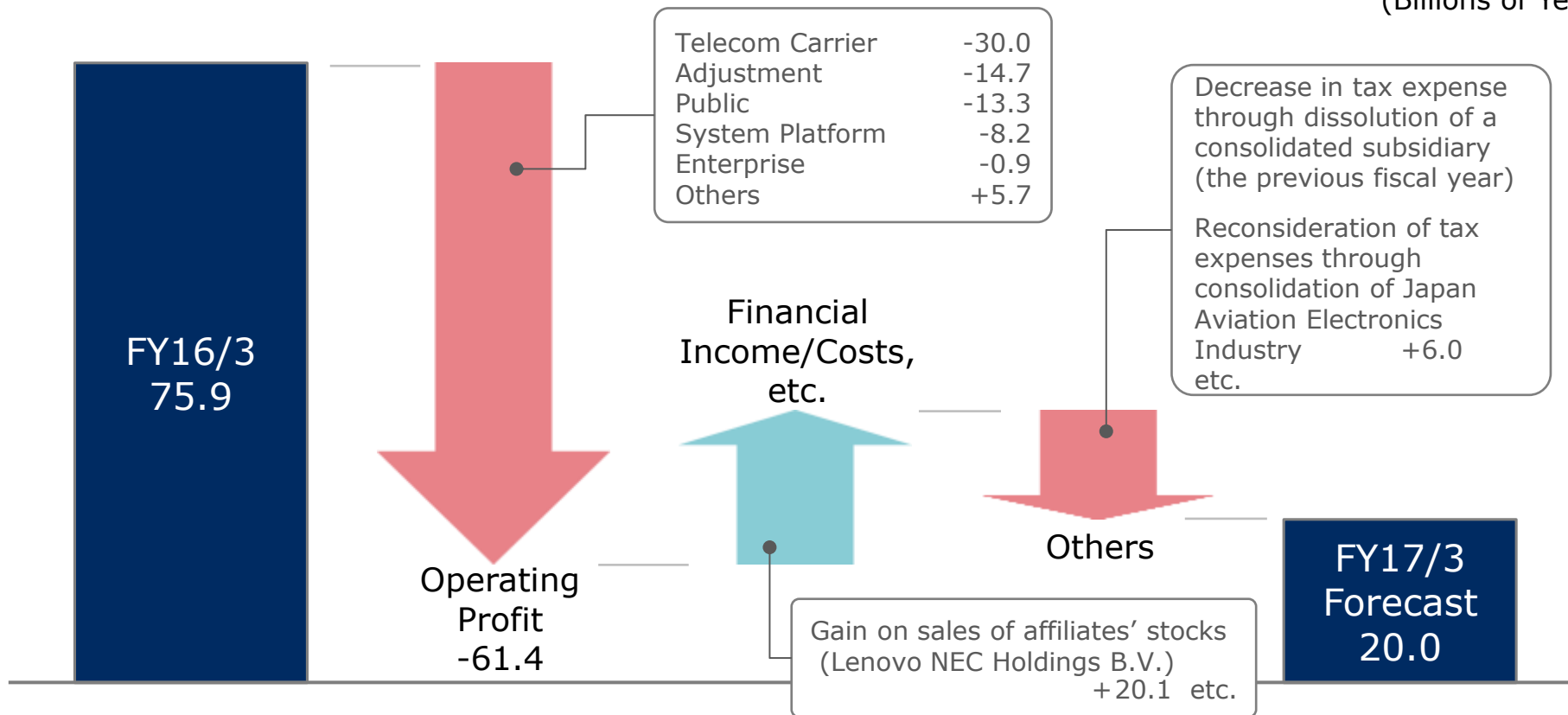
(Billions of Yen)



*Forecasts as of January 30, 2017

Net Profit Change (Year on Year)

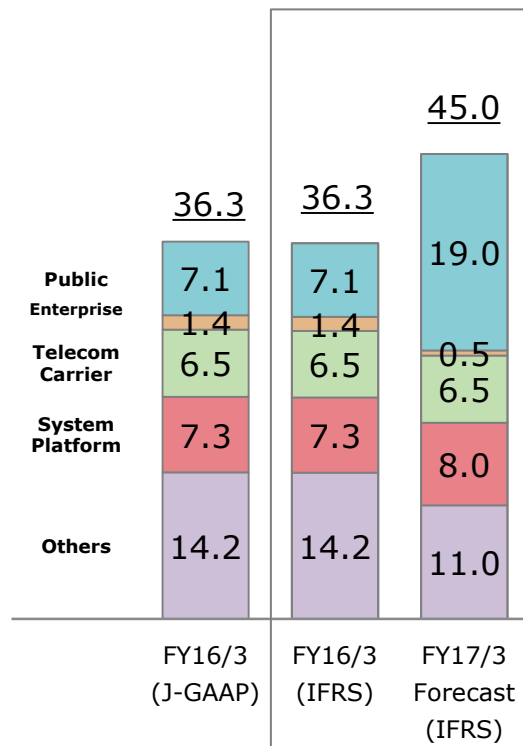
(Billions of Yen)



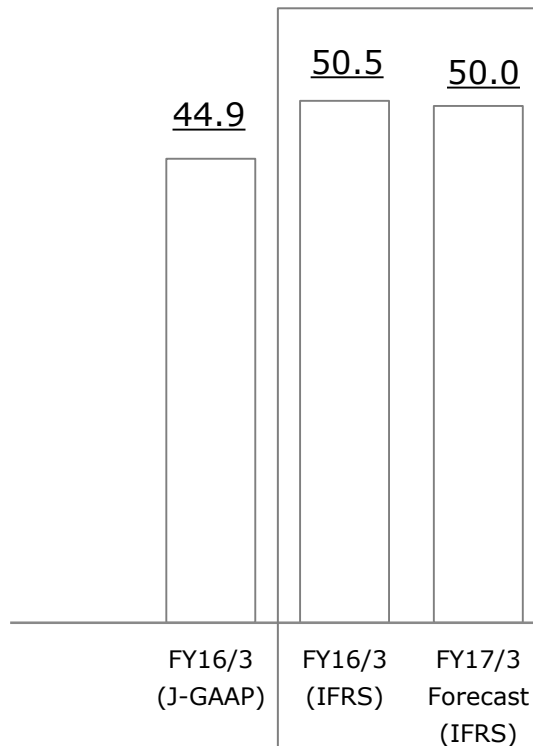
*Forecasts as of January 30, 2017

(Billions of Yen)

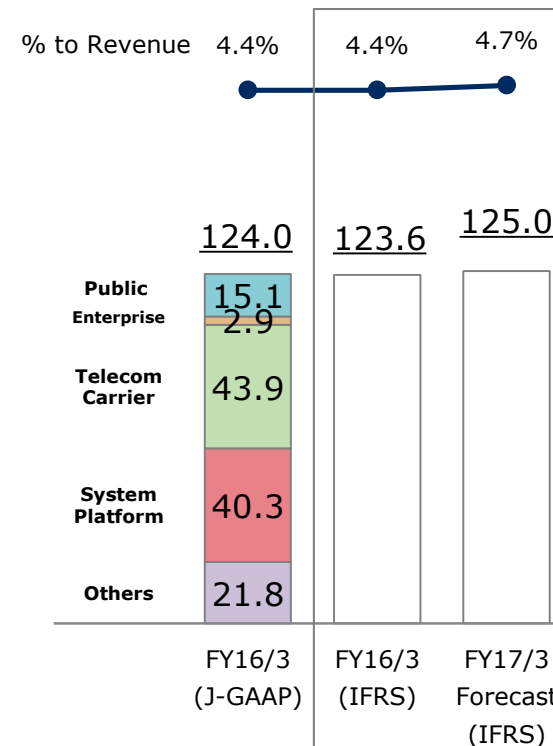
Capital Expenditure



Depreciation



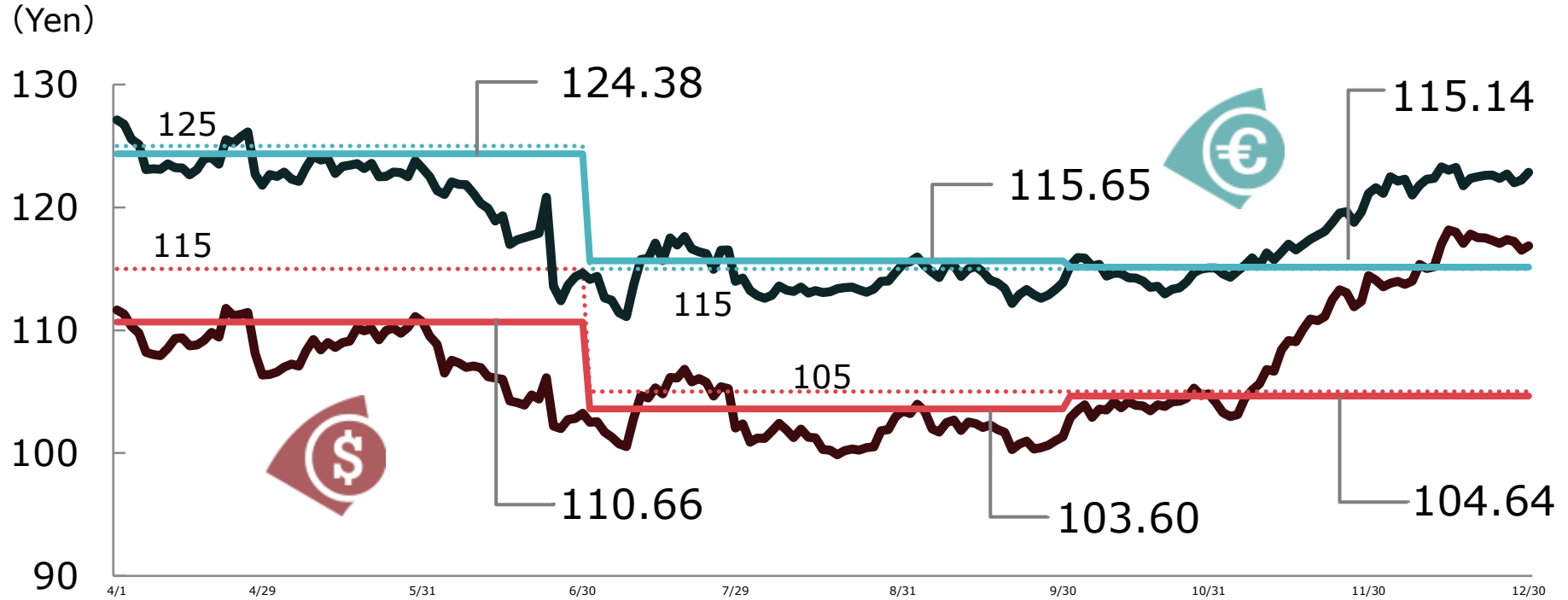
R&D Expenses



*Forecasts as of January 30, 2017

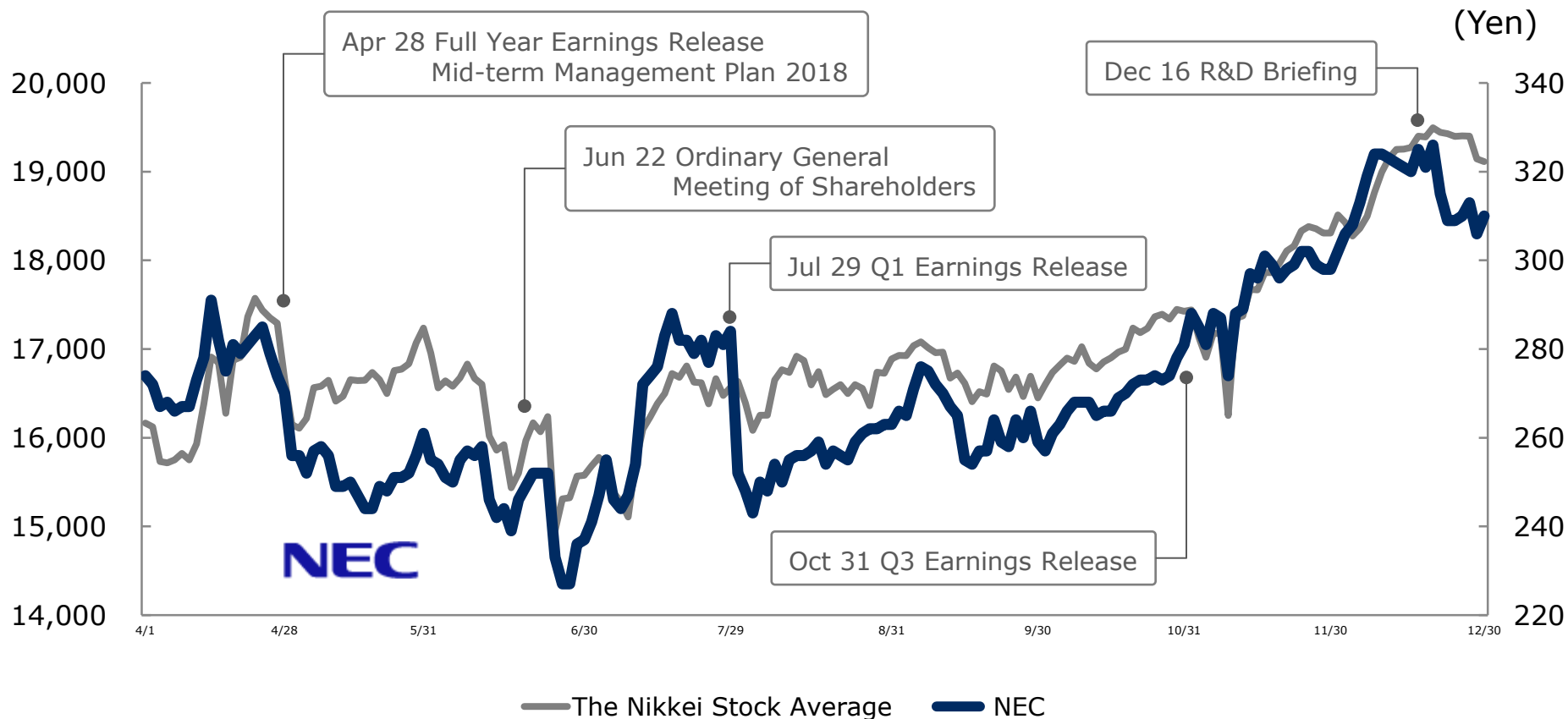
Reference

Exchange Rate



- Dollar/Yen Exchange Rate (Actual)
 Dollar/Yen Assumed Exchange Rate
 Dollar/Yen Average Exchange Rate
- Euro/Yen Exchange Rate (Actual)
 Euro/Yen Assumed Exchange Rate
 Euro/Yen Average Exchange Rate

Stock Price



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.

Note: In this presentation, the accounting periods of the fiscal years for March 31, 2015 and 16 were referred as FY15/3 and FY16/3 respectively. Any other fiscal years would be referred similarly.