

## RELEASE

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## Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2015

### Consolidated Financial Results

	Six Months ended September 30, 2013	Six Months ended September 30, 2014	Change
	In billions of yen	In billions of yen	%
Net Sales	1,383.1	1,324.8	-4.2
Operating income (loss)	0.4	21.5	-
Ordinary income (loss)	-14.5	16.7	-
Net income (loss)	-26.2	12.5	-
	Yen	Yen	Yen
Net income (loss) per share:			
Basic	-10.06	4.79	14.85
Diluted	-	-	-

	As of March 31, 2014	As of September 30, 2014	Change
	In billions of yen	In billions of yen	%
Total assets	2,505.3	2,447.7	-2.3
Net assets	767.7	757.9	-1.3

#### (Notes)

Number of consolidated subsidiaries and affiliated companies accounted for by the equity method is as follows:

	As of September 30, 2013	As of September 30, 2014	As of March 31, 2014
Consolidated subsidiaries	269	244	258
Affiliated companies accounted for by the equity method	53	50	51

## 1. Consolidated Business Results

### (1) Overview of the first half of the fiscal year ending March 31, 2015 (six months ended September 30, 2014)

The worldwide economy during the six months ended September 30, 2014 was characterized by higher stock prices and low interest rates continuing in the United States due to monetary easing policy, in addition to the country's steady performance in consumer spending and corporate performance in response to the improving employment situation. The European economy was characterized by strong performance in the United Kingdom and a gradual recovery in Germany, despite slow growth in France and Southern Europe. Moreover, economic growth slowed in some emerging countries, such as China, Brazil and India.

As for the Japanese economy, consumer spending and housing investment decreased due to the influence of raising the consumption tax rate. Moreover, despite steady investment in public services, production and investing activity fell in some industries, such as retail and automotive.

Under this business environment, the NEC Group recorded consolidated net sales of 1,324.8 billion yen for the six months ended September 30, 2014, a decrease of 58.3 billion yen (-4.2%) year-on-year. This decrease was mainly due to the Internet service business and the mobile phone sales business from Others no longer being consolidated, despite increased sales from the Public business.

Regarding profitability, operating income (loss) improved by 21.1 billion yen year-on-year, to an operating income of 21.5 billion yen, mainly due to increased sales in the Public business and improved mobile phone terminal business.

In terms of ordinary income (loss), the NEC Group recorded an income of 16.7 billion yen, improving by 31.2 billion yen year-on-year, mainly due to the improving operating income (loss).

Income (loss) before income taxes and minority interests was an income of 15.4 billion yen, improving by 25.1 billion yen year-on-year. This was primarily due to improved ordinary income (loss) and reduced business structure improvement expenses, despite the gain on sales of subsidiaries and affiliates' stocks that were recorded in the same period of the previous fiscal year.

Net income (loss) for the first half was an income of 12.5 billion yen, a year-on-year improvement of 38.6 billion yen, primarily due to improved income (loss) before income taxes and minority interests as well as acquiring minority shareholder interests from making NEC Fielding, Ltd. a wholly-owned subsidiary.

(2) Results by main business segment

*Sales by segment (sales to external customers):*

Segments	Six months ended September 30, 2013	Six months ended September 30, 2014	Change
	In billions of yen	In billions of yen	%
<b>Public</b>	303.3	344.5	13.6
<b>Enterprise</b>	130.1	126.7	-2.6
<b>Telecom Carrier</b>	334.0	332.5	-0.5
<b>System Platform</b>	350.7	345.4	-1.5
<b>Others</b>	264.9	175.8	-33.6
<b>Total</b>	1,383.1	1,324.8	-4.2

*Operating income (loss) by segment:*

Segments	Six months ended September 30, 2013	Six months ended September 30, 2014	Change
	In billions of yen	In billions of yen	In billions of yen
<b>Public</b>	14.5	21.9	7.3
<b>Enterprise</b>	0.7	2.3	1.5
<b>Telecom Carrier</b>	19.4	16.6	-2.8
<b>System Platform</b>	1.8	8.7	6.9
<b>Others</b>	-11.8	-2.7	9.1
<b>Adjustment</b>	-24.3	-25.2	-0.9
<b>Total</b>	0.4	21.5	21.1

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

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

#### **Public Business**

<b>Sales:</b>	344.5 billion yen	(13.6%)
<b>Operating Income (Loss):</b>	21.9 billion yen	(7.3 billion yen)

In the Public business, sales were 344.5 billion yen, an increase of 41.2 billion yen (13.6%) year-on-year, mainly due to the steady sales for government offices and public services.

Operating income (loss) improved by 7.3 billion yen year-on-year, to an operating income of 21.9 billion yen, mainly owing to increased sales.

#### **Enterprise Business**

<b>Sales:</b>	126.7 billion yen	(-2.6%)
<b>Operating Income (Loss):</b>	2.3 billion yen	(1.5 billion yen)

In the Enterprise business, sales were 126.7 billion yen, a decrease of 3.4 billion yen (-2.6%) year-on-year, mainly due to the decreased sales for the distribution and service industries.

Operating income (loss) improved by 1.5 billion yen year-on-year, to an operating income of 2.3 billion yen, mainly owing to cost efficiency.

#### **Telecom Carrier Business**

<b>Sales:</b>	332.5 billion yen	(-0.5%)
<b>Operating Income (Loss):</b>	16.6 billion yen	(-2.8 billion yen)

In the Telecom Carrier business, sales were 332.5 billion yen, a decrease of 1.6 billion yen (-0.5%) year-on-year, mainly due to decreased domestic sales, despite increased international sales.

Operating income (loss) worsened by 2.8 billion yen year-on-year, to an operating income of 16.6 billion yen, mainly due to increased investment expenses related to Software-Defined Networking (SDN), a next generation networking technology.

### **System Platform Business**

<b>Sales:</b>	345.4 billion yen	(-1.5%)
<b>Operating Income (Loss):</b>	8.7 billion yen	(6.9 billion yen)

In the System Platform business, sales were 345.4 billion yen, a decrease of 5.3 billion yen (-1.5%) year-on-year, mainly due to decreased sales in enterprise networks.

Operating income (loss) improved by 6.9 billion yen year-on-year, to an operating income of 8.7 billion yen, mainly due to increased profitability and cost efficiency.

### **Others**

<b>Sales:</b>	175.8 billion yen	(-33.6%)
<b>Operating Income (Loss):</b>	-2.7 billion yen	(9.1 billion yen)

In Others, sales were 175.8 billion yen, a decrease of 89.1 billion yen (-33.6%) year-on-year, mainly due to a decline in mobile phone shipments as well as the Internet service business and the mobile phone sales business no longer being consolidated.

Operating income (loss) improved by 9.1 billion yen year-on-year, to an operating loss of 2.7 billion yen, mainly owing to improved mobile phone terminal business.

## 2. Consolidated Financial Condition

### Analysis of the condition of assets, liabilities, net assets, and cash flows

Total assets were 2,447.7 billion yen as of September 30, 2014, a decrease of 57.6 billion yen as compared with the end of the previous fiscal year. Current assets as of September 30, 2014 decreased by 84.0 billion yen compared with the end of the previous fiscal year, to 1,418.9 billion yen, mainly due to the collection of accounts receivable-trade. Noncurrent assets as of September 30, 2014 increased by 26.4 billion yen compared with the end of the previous fiscal year to 1,028.8 billion yen.

Total liabilities as of September 30, 2014 decreased by 47.8 billion yen compared with the end of the previous fiscal year, to 1,689.8 billion yen. This was mainly due to a decrease in notes and accounts payable-trade. The balance of interest-bearing debt amounted to 570.6 billion yen, a decrease of 4.6 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of September 30, 2014 was 0.82 (an improvement of 0.01 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of September 30, 2014, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 394.5 billion yen, an increase of 26.0 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of September 30, 2014 was 0.57 (a worsening of 0.04 points as compared with the end of the previous fiscal year).

Total net assets were 757.9 billion yen as of September 30, 2014, a decrease of 9.8 billion yen as compared with the end of the previous fiscal year, mainly due to the decrease in retained earnings from the application of new accounting standards for retirement benefits.

As a result, the owner's equity (total net assets less minority interests) as of September 30, 2014 was 695.8 billion yen and owner's equity ratio was 28.4% (an improvement of 0.6 points as compared with the end of the previous fiscal year).

Net cash inflows from operating activities for the six months ended September 30, 2014 were 27.8 billion yen, an improvement of 55.0 billion yen as compared with the same period of the previous fiscal year, mainly due to improved income (loss) before income taxes and minority interests and improved working capital.

Net cash outflows from investing activities for the six months ended September 30, 2014 were 41.1

billion yen, a decrease of 26.4 billion yen as compared with the same period of the previous fiscal year. This was mainly due to cash outflows for the acquisition of trust beneficiary rights set to land and buildings of the NEC Group's Tamagawa business facilities recorded in the same period of the previous fiscal year, despite increased outflows for business acquisitions.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the six months ended September 30, 2014 totaled a cash outflow of 13.4 billion yen, an improvement of 81.5 billion yen year-on-year.

Net cash flows from financing activities for the six months ended September 30, 2014 totaled a cash outflow of 20.0 billion yen, despite financing through commercial papers, mainly due to outflow from the redemption of bonds and the payment of dividends.

As a result, cash and cash equivalents as of September 30, 2014 amounted to 176.0 billion yen, a decrease of 30.6 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, 2015, as previously disclosed on July 30, 2014.

### **4. Others**

#### *(1) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements*

Calculation of tax expenses:

After adjustment on individual significant items, tax expenses are calculated by multiplying income before income taxes by effective tax rate, which is estimated using tax effect accounting, for the fiscal year including this second quarter.

(2) Changes to accounting policies, changes in financial estimates and restatements

Change in accounting standard for retirement benefits:

From the beginning of the fiscal year ending March 31, 2015, the NEC Group has applied paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012, hereinafter "Retirement Benefits Standards") and paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012), and changed its calculation methods of retirement benefit obligations and service costs. The attribution method for projected retirement benefits was changed mainly from a point basis to a benefit formula basis and determination of the discount rate was changed to a method that uses several discount rates which are set at the time of each expected retirement benefit payment.

In accordance with the article 37 of "Retirement Benefits Standards", the effect of the change in calculation methods of retirement benefit obligations and service costs arising from initial application has been recognized in retained earnings in the beginning balance of the fiscal year ending March 31, 2015.

As a result, net defined benefit liability increased by 31,981 million yen and retained earnings decreased by 22,458 million yen in the beginning balance of the fiscal year ending March 31, 2015. The impact on operating income (loss), ordinary income (loss), and income (loss) before income taxes and minority interests for the six months ended September 30, 2014 is immaterial.



## CONSOLIDATED QUARTERLY BALANCE SHEETS

(In millions of yen, millions of U.S. dollars)

	March 31, 2014	September 30, 2014	September 30, 2014
Current assets	JPY 1,502,909	<b>JPY 1,418,897</b>	<b>\$ 12,899</b>
Cash and deposits	192,668	<b>164,466</b>	<b>1,495</b>
Notes and accounts receivable-trade	842,308	<b>732,616</b>	<b>6,660</b>
Short-term investment securities	16,291	<b>18,804</b>	<b>171</b>
Merchandise and finished goods	76,235	<b>95,423</b>	<b>867</b>
Work in process	83,922	<b>123,209</b>	<b>1,120</b>
Raw materials and supplies	54,238	<b>54,153</b>	<b>492</b>
Deferred tax assets	74,431	<b>70,769</b>	<b>643</b>
Other	167,626	<b>164,086</b>	<b>1,493</b>
Allowance for doubtful accounts	(4,810)	<b>(4,629)</b>	<b>(42)</b>
Noncurrent assets	1,002,420	<b>1,028,794</b>	<b>9,353</b>
Property, plant and equipment	346,186	<b>352,855</b>	<b>3,208</b>
Buildings and structures, net	175,570	<b>180,268</b>	<b>1,639</b>
Machinery and equipment, net	17,878	<b>20,899</b>	<b>190</b>
Tools, furniture and fixtures, net	63,075	<b>64,972</b>	<b>591</b>
Land	63,585	<b>63,699</b>	<b>579</b>
Construction in progress	26,078	<b>23,017</b>	<b>209</b>
Intangible assets	198,781	<b>202,727</b>	<b>1,843</b>
Goodwill	76,203	<b>76,563</b>	<b>696</b>
Software	98,285	<b>99,229</b>	<b>902</b>
Other	24,293	<b>26,935</b>	<b>245</b>
Investments and other assets	457,453	<b>473,212</b>	<b>4,302</b>
Investment securities	147,170	<b>154,487</b>	<b>1,404</b>
Stocks of subsidiaries and affiliates	78,293	<b>80,421</b>	<b>731</b>
Long-term loans receivable	40,123	<b>40,124</b>	<b>365</b>
Deferred tax assets	108,398	<b>118,025</b>	<b>1,073</b>
Net defined benefit asset	10,404	<b>7,807</b>	<b>71</b>
Other	88,604	<b>87,615</b>	<b>797</b>
Allowance for doubtful accounts	(15,539)	<b>(15,267)</b>	<b>(139)</b>
Total assets	JPY 2,505,329	<b>JPY 2,447,691</b>	<b>\$ 22,252</b>

(Note)

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110 = U.S.\$1 .

## CONSOLIDATED QUARTERLY BALANCE SHEETS (CONTINUED)

(In millions of yen, millions of U.S. dollars)

	March 31, 2014	September 30, 2014	September 30, 2014
Current liabilities	JPY 985,585	<b>JPY 969,543</b>	<b>\$ 8,814</b>
Notes and accounts payable-trade	446,494	<b>401,262</b>	<b>3,648</b>
Short-term loans payable	32,415	<b>34,858</b>	<b>317</b>
Commercial papers	-	<b>14,999</b>	<b>136</b>
Current portion of long-term loans payable	44,284	<b>44,527</b>	<b>405</b>
Current portion of bonds payable	20,000	<b>60,000</b>	<b>545</b>
Accrued expenses	152,792	<b>157,972</b>	<b>1,436</b>
Advances received	128,601	<b>134,082</b>	<b>1,219</b>
Provision for product warranties	16,687	<b>15,828</b>	<b>144</b>
Provision for directors' bonuses	318	<b>209</b>	<b>2</b>
Provision for loss on construction contracts and others	11,342	<b>5,761</b>	<b>52</b>
Provision for business structure improvement	7,359	<b>5,504</b>	<b>50</b>
Provision for contingent loss	12,506	<b>4,259</b>	<b>39</b>
Other	112,787	<b>90,282</b>	<b>821</b>
Noncurrent liabilities	752,081	<b>720,285</b>	<b>6,548</b>
Bonds payable	140,000	<b>80,000</b>	<b>727</b>
Long-term loans payable	333,534	<b>331,128</b>	<b>3,010</b>
Deferred tax liabilities	2,213	<b>2,938</b>	<b>27</b>
Provision for product warranties	4,197	<b>4,032</b>	<b>37</b>
Provision for loss on repurchase of computers	6,909	<b>6,965</b>	<b>63</b>
Provision for business structure improvement	6,859	<b>5,014</b>	<b>46</b>
Provision for contingent loss	5,915	<b>5,720</b>	<b>52</b>
Net defined benefit liability	220,457	<b>251,768</b>	<b>2,289</b>
Other	31,997	<b>32,720</b>	<b>297</b>
Total liabilities	1,737,666	<b>1,689,828</b>	<b>15,362</b>
Shareholders' equity	725,195	<b>705,065</b>	<b>6,410</b>
Capital stock	397,199	<b>397,199</b>	<b>3,611</b>
Capital surplus	148,402	<b>148,695</b>	<b>1,352</b>
Retained earnings	182,570	<b>162,174</b>	<b>1,474</b>
Treasury stock	(2,976)	<b>(3,003)</b>	<b>(27)</b>
Accumulated other comprehensive income	(29,246)	<b>(9,308)</b>	<b>(85)</b>
Valuation difference on available-for-sale securities	34,292	<b>39,654</b>	<b>360</b>
Deferred gains or losses on hedges	(1,359)	<b>(732)</b>	<b>(7)</b>
Foreign currency translation adjustments	(1,521)	<b>5,391</b>	<b>49</b>
Remeasurements of defined benefit plans	(60,658)	<b>(53,621)</b>	<b>(487)</b>
Minority interests	71,714	<b>62,106</b>	<b>565</b>
Total net assets	767,663	<b>757,863</b>	<b>6,890</b>
Total liabilities and net assets	JPY 2,505,329	<b>JPY 2,447,691</b>	<b>\$ 22,252</b>

**CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS AND CONSOLIDATED  
QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME**

CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS

(In millions of yen, millions of U.S. dollars)

<b>Six months ended September 30</b>	2013	<b>2014</b>	<b>2014</b>
Net sales	JPY 1,383,104	<b>JPY 1,324,824</b>	<b>\$ 12,044</b>
Cost of sales	974,189	<b>929,122</b>	<b>8,447</b>
Gross profit	408,915	<b>395,702</b>	<b>3,597</b>
Selling, general and administrative expenses	408,536	<b>374,182</b>	<b>3,401</b>
Operating income	379	<b>21,520</b>	<b>196</b>
Non-operating income	7,057	<b>11,489</b>	<b>104</b>
Interest income	941	<b>951</b>	<b>9</b>
Dividends income	2,250	<b>1,570</b>	<b>14</b>
Equity in earnings of affiliates	1,192	<b>3,173</b>	<b>29</b>
Subsidy income	197	<b>2,090</b>	<b>19</b>
Foreign exchange gains	-	<b>455</b>	<b>4</b>
Other	2,477	<b>3,250</b>	<b>29</b>
Non-operating expenses	21,977	<b>16,310</b>	<b>148</b>
Interest expenses	4,860	<b>4,984</b>	<b>45</b>
Retirement benefit expenses	5,661	<b>5,643</b>	<b>51</b>
Foreign exchange losses	212	-	-
Other	11,244	<b>5,683</b>	<b>52</b>
Ordinary income (loss)	(14,541)	<b>16,699</b>	<b>152</b>
Extraordinary income	19,800	<b>1,510</b>	<b>14</b>
Gain on sales of investment securities	2,031	<b>1,486</b>	<b>14</b>
Gain on transfer of business	366	<b>24</b>	<b>0</b>
Gain on sales of subsidiaries and affiliates' stocks	16,342	-	-
Gain on change in equity	607	-	-
Gain on step acquisitions	454	-	-
Extraordinary loss	14,946	<b>2,791</b>	<b>26</b>
Business structure improvement expenses	14,236	<b>1,703</b>	<b>16</b>
Loss on exchange from business combination	-	<b>669</b>	<b>6</b>
Impairment loss	373	<b>397</b>	<b>4</b>
Loss on valuation of investment securities	59	<b>22</b>	<b>0</b>
Loss on change in equity	242	-	-
Loss on sales of investment securities	24	-	-
Loss on sales of noncurrent assets	12	-	-
Income (loss) before income taxes and minority interests	(9,687)	<b>15,418</b>	<b>140</b>
Income taxes	13,350	<b>9,296</b>	<b>84</b>
Income (loss) before minority interests	(23,037)	<b>6,122</b>	<b>56</b>
Minority interests in income (loss)	3,113	<b>(6,333)</b>	<b>(57)</b>
Net income (loss)	(JPY 26,150)	<b>JPY 12,455</b>	<b>\$ 113</b>

**CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS AND CONSOLIDATED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)**

**CONSOLIDATED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of yen, millions of U.S. dollars)

<b>Six months ended September 30</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
Income (loss) before minority interests	(JPY 23,037)	<b>JPY 6,122</b>	<b>\$ 56</b>
Other comprehensive income	8,701	<b>22,032</b>	<b>200</b>
Valuation difference on available-for-sale securities	8,975	<b>5,381</b>	<b>49</b>
Deferred gains or losses on hedges	(4)	<b>624</b>	<b>6</b>
Foreign currency translation adjustments	(733)	<b>5,825</b>	<b>53</b>
Remeasurements of defined benefit plans	-	<b>8,809</b>	<b>79</b>
Share of other comprehensive income of associates accounted for using equity method	463	<b>1,393</b>	<b>13</b>
Comprehensive income	(JPY 14,336)	<b>JPY 28,154</b>	<b>\$ 256</b>
Breakdown:			
Comprehensive income attributable to owners of the parent	(JPY 17,653)	<b>JPY 32,393</b>	<b>\$ 294</b>
Comprehensive income attributable to minority interests	3,317	<b>(4,239)</b>	<b>(38)</b>

## CONDENSED CONSOLIDATED QUARTERLY STATEMENTS OF CASH FLOWS

(In millions of yen, millions of U.S. dollars)

Six months ended September 30	2013	2014	2014
<b>I . Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	(JPY 9,687)	<b>JPY 15,418</b>	<b>\$140</b>
Depreciation and amortization	37,321	<b>38,675</b>	<b>352</b>
Equity in earnings of affiliates	(1,192)	<b>(3,173)</b>	<b>(29)</b>
Loss (gain) on change in equity	(365)	-	-
Decrease in notes and accounts receivable-trade	110,872	<b>114,042</b>	<b>1,037</b>
Increase in inventories	(27,464)	<b>(55,950)</b>	<b>(509)</b>
Decrease in notes and accounts payable-trade	(84,108)	<b>(48,098)</b>	<b>(437)</b>
Income taxes paid	(17,647)	<b>(17,200)</b>	<b>(156)</b>
Others, net	(35,009)	<b>(15,945)</b>	<b>(146)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(27,279)</b>	<b>27,769</b>	<b>252</b>
<b>II . Cash flows from investing activities:</b>			
Net proceeds from (payments of) acquisitions and sales of property, plant and equipment	(70,427)	<b>(23,312)</b>	<b>(212)</b>
Purchase of intangible assets	(5,846)	<b>(3,418)</b>	<b>(31)</b>
Net proceeds from (payments of) purchases and sales of securities	8,655	<b>(10,832)</b>	<b>(98)</b>
Others, net	50	<b>(3,557)</b>	<b>(33)</b>
<b>Net cash used in investing activities</b>	<b>(67,568)</b>	<b>(41,119)</b>	<b>(374)</b>
<b>III . Cash flows from financing activities:</b>			
Net proceeds from (payments of) bonds and borrowings	82,264	<b>(8,341)</b>	<b>(76)</b>
Cash dividends paid	(10,357)	<b>(10,343)</b>	<b>(94)</b>
Others, net	(2,288)	<b>(1,335)</b>	<b>(12)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>69,619</b>	<b>(20,019)</b>	<b>(182)</b>
<b>IV . Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,049</b>	<b>2,766</b>	<b>25</b>
<b>V . Net decrease in cash and cash equivalents</b>	<b>(23,179)</b>	<b>(30,603)</b>	<b>(279)</b>
<b>VI . Cash and cash equivalents at beginning of period</b>	<b>197,132</b>	<b>206,637</b>	<b>1,879</b>
<b>VII . Cash and cash equivalents at end of period</b>	<b>JPY 173,953</b>	<b>JPY 176,034</b>	<b>\$ 1,600</b>

## SEGMENT INFORMATION

[Segment information]

Information about sales and segment income (loss) by reportable segment

Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
<b>Sales</b>								
1. Sales to customers	303,310	130,093	334,041	350,739	1,118,183	264,921	—	1,383,104
2. Intersegment sales and transfers	7,623	2,562	12,918	30,340	53,443	21,731	(75,174)	—
<b>Total sales</b>	<b>310,933</b>	<b>132,655</b>	<b>346,959</b>	<b>381,079</b>	<b>1,171,626</b>	<b>286,652</b>	<b>(75,174)</b>	<b>1,383,104</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>14,533</b>	<b>727</b>	<b>19,382</b>	<b>1,837</b>	<b>36,479</b>	<b>(11,828)</b>	<b>(24,272)</b>	<b>379</b>

Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
<b>Sales</b>								
1. Sales to customers	344,490	126,672	332,458	345,425	1,149,045	175,779	—	1,324,824
2. Intersegment sales and transfers	18,885	2,276	10,599	34,850	66,610	16,715	(83,325)	—
<b>Total sales</b>	<b>363,375</b>	<b>128,948</b>	<b>343,057</b>	<b>380,275</b>	<b>1,215,655</b>	<b>192,494</b>	<b>(83,325)</b>	<b>1,324,824</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>21,868</b>	<b>2,258</b>	<b>16,607</b>	<b>8,722</b>	<b>49,455</b>	<b>(2,720)</b>	<b>(25,215)</b>	<b>21,520</b>

Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(In millions of U.S. dollars)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
<b>Sales</b>								
1. Sales to customers	3,132	1,152	3,022	3,140	10,446	1,598	—	12,044
2. Intersegment sales and transfers	171	20	97	317	605	152	(757)	—
<b>Total sales</b>	<b>3,303</b>	<b>1,172</b>	<b>3,119</b>	<b>3,457</b>	<b>11,051</b>	<b>1,750</b>	<b>(757)</b>	<b>12,044</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>199</b>	<b>21</b>	<b>151</b>	<b>79</b>	<b>450</b>	<b>(25)</b>	<b>(229)</b>	<b>196</b>

## **SEGMENT INFORMATION (CONTINUED)**

(Notes)

1. "Others" for the six months ended September 30, 2013 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), Mobile Phones and "BIGLOBE" Internet Services, which are not included in reportable segments. "Others" for the six months ended September 30, 2014 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.) and Mobile Phones, which are not included in reportable segments.
2. "Adjustment" of segment income (loss) for the six months ended September 30, 2013 includes corporate expenses of (22,743) million yen and noncurrent assets related adjustment of 920 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the six months ended September 30, 2014 includes corporate expenses of (22,439) million yen ((204) million U.S. dollars) and noncurrent assets related adjustment of (456) million yen ((4) million U.S. dollars), 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.

## **SEGMENT INFORMATION (CONTINUED)**

[Related information]

Information about geographic areas

Sales

Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
1,109,969	102,195	112,412	58,528	1,383,104

Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
<b>1,048,387</b>	<b>96,931</b>	<b>115,577</b>	<b>63,929</b>	<b>1,324,824</b>

Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(In millions of U.S. dollars)

Japan	The Americas	Greater China, APAC	EMEA	Total
<b>9,531</b>	<b>881</b>	<b>1,051</b>	<b>581</b>	<b>12,044</b>

(Notes)

1. Sales are 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) Greater China, APAC: Greater China and Asia Pacific (Asia, Oceania)
  - (3) EMEA: Europe, Middle East and Africa



**[THREE MONTHS PERIOD INFORMATION]**  
**CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS AND CONSOLIDATED**  
**QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME**

CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS

(In millions of yen, millions of U.S. dollars)

Three months ended September 30	2013	2014	2014
Net sales	JPY 742,958	<b>JPY 726,123</b>	<b>\$ 6,601</b>
Cost of sales	518,734	<b>506,664</b>	<b>4,606</b>
Gross profit	224,224	<b>219,459</b>	<b>1,995</b>
Selling, general and administrative expenses	202,032	<b>190,880</b>	<b>1,735</b>
Operating income	22,192	<b>28,579</b>	<b>260</b>
Non-operating income	2,622	<b>6,643</b>	<b>60</b>
Interest income	468	<b>526</b>	<b>5</b>
Dividends income	229	<b>32</b>	<b>0</b>
Foreign exchange gains	-	<b>2,990</b>	<b>27</b>
Equity in earnings of affiliates	478	<b>1,632</b>	<b>15</b>
Other	1,447	<b>1,463</b>	<b>13</b>
Non-operating expenses	11,188	<b>8,532</b>	<b>77</b>
Interest expenses	2,641	<b>2,509</b>	<b>23</b>
Retirement benefit expenses	2,831	<b>2,828</b>	<b>25</b>
Foreign exchange losses	961	-	-
Other	4,755	<b>3,195</b>	<b>29</b>
Ordinary income	13,626	<b>26,690</b>	<b>243</b>
Extraordinary income	611	<b>1,331</b>	<b>12</b>
Gain on sales of investment securities	6	<b>1,307</b>	<b>12</b>
Gain on transfer of business	-	<b>24</b>	<b>0</b>
Gain on change in equity	603	-	-
Gain on sales of subsidiaries and affiliates' stocks	2	-	-
Extraordinary loss	13,325	<b>1,988</b>	<b>18</b>
Business structure improvement expenses	13,053	<b>1,267</b>	<b>12</b>
Loss on exchange from business combination	-	<b>669</b>	<b>6</b>
Impairment loss	266	<b>45</b>	<b>0</b>
Loss on valuation of investment securities	4	<b>7</b>	<b>0</b>
Loss on sales of investment securities	2	-	-
Income before income taxes and minority interests	912	<b>26,033</b>	<b>237</b>
Income taxes	3,266	<b>9,700</b>	<b>89</b>
Income (loss) before minority interests	(2,354)	<b>16,333</b>	<b>148</b>
Minority interests in income	2,320	<b>(6,222)</b>	<b>(57)</b>
Net income (loss)	(JPY 4,674)	<b>JPY 22,555</b>	<b>\$ 205</b>

(Note)

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110 = U.S.\$1 .

**[THREE MONTHS PERIOD INFORMATION]****CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS AND CONSOLIDATED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)****CONSOLIDATED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of yen, millions of U.S. dollars)

<b>Three months ended September 30</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
Income (loss) before minority interests	(JPY 2,354)	<b>JPY 16,333</b>	<b>\$ 148</b>
Other comprehensive income	3,950	<b>16,785</b>	<b>153</b>
Valuation difference on available-for-sale securities	6,409	<b>3,537</b>	<b>32</b>
Deferred gains or losses on hedges	33	<b>2</b>	<b>0</b>
Foreign currency translation adjustments	(2,322)	<b>7,124</b>	<b>65</b>
Remeasurements of defined benefit plans	-	<b>4,521</b>	<b>41</b>
Share of other comprehensive income of associates accounted for using equity method	(170)	<b>1,601</b>	<b>15</b>
Comprehensive income	JPY 1,596	<b>JPY 33,118</b>	<b>\$ 301</b>
Breakdown:			
Comprehensive income attributable to owners of the parent	(JPY 739)	<b>JPY 38,132</b>	<b>\$ 347</b>
Comprehensive income attributable to minority interests	2,335	<b>(5,014)</b>	<b>(46)</b>

## [THREE MONTHS PERIOD INFORMATION]

### SEGMENT INFORMATION

[Segment information]

Information about sales and segment income (loss) by reportable segment

Three months ended September 30, 2013 (From July 1, 2013 to September 30, 2013)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
<b>Sales</b>								
1. Sales to customers	176,740	71,344	180,023	193,064	621,171	121,787	—	742,958
2. Intersegment sales and transfers	4,450	1,474	7,370	16,055	29,349	11,641	(40,990)	—
<b>Total sales</b>	<b>181,190</b>	<b>72,818</b>	<b>187,393</b>	<b>209,119</b>	<b>650,520</b>	<b>133,428</b>	<b>(40,990)</b>	<b>742,958</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>14,183</b>	<b>3,148</b>	<b>13,775</b>	<b>8,395</b>	<b>39,501</b>	<b>(1,976)</b>	<b>(15,333)</b>	<b>22,192</b>

Three months ended September 30, 2014 (From July 1, 2014 to September 30, 2014)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
<b>Sales</b>								
1. Sales to customers	198,090	72,275	181,454	178,499	630,318	95,805	—	726,123
2. Intersegment sales and transfers	10,634	1,161	5,705	19,142	36,642	9,319	(45,961)	—
<b>Total sales</b>	<b>208,724</b>	<b>73,436</b>	<b>187,159</b>	<b>197,641</b>	<b>666,960</b>	<b>105,124</b>	<b>(45,961)</b>	<b>726,123</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>20,267</b>	<b>4,035</b>	<b>12,274</b>	<b>6,174</b>	<b>42,750</b>	<b>2,159</b>	<b>(16,330)</b>	<b>28,579</b>

Three months ended September 30, 2014 (From July 1, 2014 to September 30, 2014)

(In millions of U.S. dollars)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
<b>Sales</b>								
1. Sales to customers	1,801	657	1,650	1,623	5,731	870	—	6,601
2. Intersegment sales and transfers	96	11	51	174	332	86	(418)	—
<b>Total sales</b>	<b>1,897</b>	<b>668</b>	<b>1,701</b>	<b>1,797</b>	<b>6,063</b>	<b>956</b>	<b>(418)</b>	<b>6,601</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>184</b>	<b>37</b>	<b>112</b>	<b>56</b>	<b>389</b>	<b>20</b>	<b>(149)</b>	<b>260</b>

## **[THREE MONTHS PERIOD INFORMATION]**

### **SEGMENT INFORMATION (CONTINUED)**

(Notes)

1. "Others" for the three months ended September 30, 2013 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), Mobile Phones and "BIGLOBE" Internet Services, which are not included in reportable segments. "Others" for the three months ended September 30, 2014 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), and Mobile Phones, which are not included in reportable segments.
2. "Adjustment" of segment income (loss) for the three months ended September 30, 2013 includes corporate expenses of (12,974) million yen and noncurrent assets related adjustment of (276) million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the three months ended September 30, 2014 includes corporate expenses of (13,579) million yen ((123) million U.S. dollars) and noncurrent assets related adjustment of (760) million yen ((7) million U.S. dollars), 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.

**[THREE MONTHS PERIOD INFORMATION]****SEGMENT INFORMATION (CONTINUED)**

[Related information]

Information about geographic areas

Sales

Three months ended September 30, 2013 (From July 1, 2013 to September 30, 2013)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
590,631	54,664	63,771	33,892	742,958

Three months ended September 30, 2014 (From July 1, 2014 to September 30, 2014)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
<b>575,010</b>	<b>52,900</b>	<b>62,980</b>	<b>35,233</b>	<b>726,123</b>

Three months ended September 30, 2014 (From July 1, 2014 to September 30, 2014)

(In millions of U.S. dollars)

Japan	The Americas	Greater China, APAC	EMEA	Total
<b>5,227</b>	<b>481</b>	<b>573</b>	<b>320</b>	<b>6,601</b>

(Notes)

1. Sales are 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) Greater China, APAC: Greater China and Asia Pacific (Asia, Oceania)
  - (3) EMEA: Europe, Middle East and Africa

**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 (ix) 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.

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