

## RELEASE

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## Consolidated Financial Results for the Nine Months Ended December 31, 2014

### Consolidated Financial Results

	Nine Months ended December 31, 2013	Nine Months ended December 31, 2014	Change
	In billions of yen	In billions of yen	%
Net Sales	2,083.5	2,002.0	-3.9
Operating income (loss)	23.7	35.6	50.1
Ordinary income (loss)	5.5	36.4	562.6
Net income (loss)	-15.1	22.8	-
	Yen	Yen	Yen
Net income (loss) per share:			
Basic	-5.81	8.76	14.57
Diluted	-	-	-

	Three Months ended December 31, 2013	Three Months ended December 31, 2014	Change
	In billions of yen	In billions of yen	%
Net Sales	700.4	677.2	-3.3
Operating income (loss)	23.4	14.1	-39.6
Ordinary income (loss)	20.0	19.7	-1.7
Net income (loss)	11.1	10.3	-6.8
	Yen	Yen	Yen
Net income (loss) per share:			
Basic	4.26	3.97	-0.29
Diluted	-	-	-

	<b>As of March 31, 2014</b>	<b>As of December 31, 2014</b>	<b>Change</b>
	In billions of yen	In billions of yen	%
Total assets	2,505.3	2,534.9	1.2
Net assets	767.7	783.0	2.0

**(Notes)**

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

	<b>As of December 31, 2013</b>	<b>As of December 31, 2014</b>	<b>As of March 31, 2014</b>
Consolidated subsidiaries	267	234	258
Affiliated companies accounted for by the equity method	52	51	51

## 1. Consolidated Business Results

### (1) Overview of the third quarter of the fiscal year ending March 31, 2015 (nine months ended December 31, 2014)

The worldwide economy during the nine months ended December 31, 2014 was characterized by stable economic performance in the United States, mainly due to continued high stock prices and low interest rates as a result of monetary easing policy, in addition to a stable corporate sector and the steady performance of consumer spending in response to the improving employment situation. In European markets, the United Kingdom's economy performed well and Germany experienced a modest recovery. However, growth slowed throughout France and Southern European countries. Moreover, growth slowed in emerging countries, such as resource exporting regions and China.

As for the Japanese economy, consumer spending and investment in housing declined owing in part to a rise in Japan's consumer tax. Additionally, although there was steady investment in the public sector, production activities and investment activities slowed throughout a part of industries, such as the retail and automotive sectors.

Under this business environment, the NEC Group recorded consolidated net sales of 2,002.0 billion yen for the nine months ended December 31, 2014, a decrease of 81.5 billion yen (-3.9%) year-on-year. This was mainly due to decreased sales in Others due to the Internet service business and mobile phone sales business no longer being consolidated, despite increased sales in the Public business.

Regarding profitability, operating income (loss) improved by 11.9 billion yen year-on-year, to an operating income of 35.6 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 a profit of 36.4 billion yen, improving by 30.9 billion yen year-on-year, mainly due to improving operating income (loss) in addition to improving foreign exchange gain and equity in earnings of affiliates.

Income (loss) before income taxes and minority interests was a profit of 36.6 billion yen, improving by 21.0 billion yen year-on-year, mainly due to the improvement of ordinary income (loss) in addition to decreased business structure improvement expenses, despite decreased gain on sales of subsidiaries and affiliates' stocks.

Net income (loss) for the nine months ended December 31, 2014 was an income of 22.8 billion yen, improving by 37.8 billion yen year-on-year, mainly due to improved income (loss) before income taxes and minority interests as well as reduced income taxes and 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	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Change
	In billions of yen	In billions of yen	%
<b>Public</b>	467.3	525.9	12.5
<b>Enterprise</b>	190.8	187.9	-1.5
<b>Telecom Carrier</b>	506.7	503.3	-0.7
<b>System Platform</b>	536.4	515.9	-3.8
<b>Others</b>	382.2	269.1	-29.6
<b>Total</b>	2,083.5	2,002.0	-3.9

*Operating income (loss) by segment:*

Segments	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Change
	In billions of yen	In billions of yen	In billions of yen
<b>Public</b>	32.1	37.7	5.6
<b>Enterprise</b>	0.5	2.8	2.3
<b>Telecom Carrier</b>	31.8	25.4	-6.4
<b>System Platform</b>	9.8	13.1	3.3
<b>Others</b>	-11.0	-5.9	5.1
<b>Adjustment</b>	-39.5	-37.5	2.0
<b>Total</b>	23.7	35.6	11.9

(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>	525.9 billion yen	(12.5%)
<b>Operating Income (Loss):</b>	37.7 billion yen	(5.6 billion yen)

In the Public business, sales were 525.9 billion yen, an increase of 58.6 billion yen (12.5%) year-on-year, mainly due to the steady sales from government offices and public services.

Operating income (loss) improved by 5.6 billion yen year-on-year, to an operating income of 37.7 billion yen, mainly owing to increased sales.

#### **Enterprise Business**

<b>Sales:</b>	187.9 billion yen	(-1.5%)
<b>Operating Income (Loss):</b>	2.8 billion yen	(2.3 billion yen)

In the Enterprise business, sales were 187.9 billion yen, a decrease of 2.9 billion yen (-1.5%) year-on-year, mainly due to decreased sales from the manufacturing industry.

Operating income (loss) improved by 2.3 billion yen year-on-year, to an operating income of 2.8 billion yen, mainly owing to cost efficiency.

#### **Telecom Carrier Business**

<b>Sales:</b>	503.3 billion yen	(-0.7%)
<b>Operating Income (Loss):</b>	25.4 billion yen	(-6.4 billion yen)

In the Telecom Carrier business, sales were 503.3 billion yen, a decrease of 3.5 billion yen (-0.7%) year-on-year, despite increased international sales, mainly due to decreased domestic sales.

Operating income (loss) worsened by 6.4 billion yen year-on-year, to an operating income of 25.4 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>	515.9 billion yen	(-3.8%)
<b>Operating Income (Loss):</b>	13.1 billion yen	(3.3 billion yen)

In the System Platform business, sales were 515.9 billion yen, a decrease of 20.6 billion yen (-3.8%) year-on-year, mainly due to decreased sales in hardware.

Operating income (loss) improved by 3.3 billion yen year-on-year, to an operating income of 13.1 billion yen, mainly due to cost efficiency.

### **Others**

<b>Sales:</b>	269.1 billion yen	(-29.6%)
<b>Operating Income (Loss):</b>	- 5.9 billion yen	(5.1 billion yen)

In Others, sales were 269.1 billion yen, a decrease of 113.1 billion yen (-29.6%) 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 5.1 billion yen year-on-year, to an operating loss of 5.9 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 2,534.9 billion yen as of December 31, 2014, an increase of 29.5 billion yen as compared with the end of the previous fiscal year. Current assets as of December 31, 2014 increased by 8.5 billion yen compared with the end of the previous fiscal year to 1,511.4 billion yen, despite the collection of accounts receivable-trade, mainly due to an increase in inventory assets. Noncurrent assets as of December 31, 2014 increased by 21.1 billion yen compared with the end of the previous fiscal year to 1,023.5 billion yen, mainly due to an increase in stocks of subsidiaries and affiliates.

Total liabilities as of December 31, 2014 increased by 14.2 billion yen compared with the end of the previous fiscal year, to 1,751.9 billion yen. The balance of interest-bearing debt amounted to 636.4 billion yen, an increase of 61.3 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of December 31, 2014 was 0.88 (a worsening of 0.05 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of December 31, 2014, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 455.9 billion yen, an increase of 87.4 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of December 31, 2014 was 0.63 (a worsening of 0.10 points as compared with the end of the previous fiscal year).

Total net assets were 783.0 billion yen as of December 31, 2014, an increase of 15.3 billion yen as compared with the end of the previous fiscal year, mainly due to net profit for the nine months ended December 31, 2014.

As a result, the owner's equity (total net assets less minority interests) as of December 31, 2014 was 722.0 billion yen and owner's equity ratio was 28.5% (an improvement of 0.7 point as compared with the end of the previous fiscal year).

Net cash outflows from operating activities for the nine months ended December 31, 2014 were 33.4 billion yen, an improvement of 3.9 billion yen as compared with the corresponding period of the previous fiscal year, mainly due to improved income (loss) before income taxes and minority interests.

Net cash outflows from investing activities for the nine months ended December 31, 2014 were 42.3 billion yen, a decrease of 14.5 billion yen as compared with the corresponding 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 decreased inflows from gain on sales of subsidiaries and affiliates' stocks.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the nine months ended December 31, 2014 totaled a cash outflow of 75.7 billion yen, a decrease in outflows of 18.4 billion yen year-on-year.

Net cash flows from financing activities for the nine months ended December 31, 2014 totaled a cash inflow of 41.4 billion yen, mainly due to financing through commercial papers, despite outflow from the redemption of bonds and the payment of long-term loans payable.

As a result, cash and cash equivalents as of December 31, 2014 amounted to 180.5 billion yen, a decrease of 26.1 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 October 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 reasonably by using tax effect accounting, for the fiscal year including this third 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 nine months ended December 31, 2014 is immaterial.

## CONSOLIDATED QUARTERLY BALANCE SHEETS

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

	March 31, 2014	December 31, 2014	December 31, 2014
Current assets	JPY 1,502,909	<b>JPY 1,511,367</b>	<b>\$ 12,595</b>
Cash and deposits	192,668	<b>157,831</b>	<b>1,315</b>
Notes and accounts receivable-trade	842,308	<b>776,760</b>	<b>6,473</b>
Short-term investment securities	16,291	<b>24,734</b>	<b>206</b>
Merchandise and finished goods	76,235	<b>105,245</b>	<b>877</b>
Work in process	83,922	<b>150,864</b>	<b>1,257</b>
Raw materials and supplies	54,238	<b>57,898</b>	<b>482</b>
Deferred tax assets	74,431	<b>69,095</b>	<b>576</b>
Other	167,626	<b>173,677</b>	<b>1,448</b>
Allowance for doubtful accounts	(4,810)	<b>(4,737)</b>	<b>(39)</b>
Noncurrent assets	1,002,420	<b>1,023,504</b>	<b>8,529</b>
Property, plant and equipment	346,186	<b>353,269</b>	<b>2,943</b>
Buildings and structures, net	175,570	<b>177,919</b>	<b>1,483</b>
Machinery and equipment, net	17,878	<b>21,401</b>	<b>178</b>
Tools, furniture and fixtures, net	63,075	<b>66,366</b>	<b>553</b>
Land	63,585	<b>63,304</b>	<b>528</b>
Construction in progress	26,078	<b>24,279</b>	<b>201</b>
Intangible assets	198,781	<b>199,993</b>	<b>1,667</b>
Goodwill	76,203	<b>74,824</b>	<b>624</b>
Software	98,285	<b>96,767</b>	<b>806</b>
Other	24,293	<b>28,402</b>	<b>237</b>
Investments and other assets	457,453	<b>470,242</b>	<b>3,919</b>
Investment securities	147,170	<b>149,101</b>	<b>1,243</b>
Stocks of subsidiaries and affiliates	78,293	<b>89,127</b>	<b>743</b>
Long-term loans receivable	40,123	<b>39,773</b>	<b>331</b>
Deferred tax assets	108,398	<b>112,269</b>	<b>936</b>
Net defined benefit asset	10,404	<b>8,071</b>	<b>67</b>
Other	88,604	<b>87,330</b>	<b>728</b>
Allowance for doubtful accounts	(15,539)	<b>(15,429)</b>	<b>(129)</b>
Total assets	JPY 2,505,329	<b>JPY 2,534,871</b>	<b>\$ 21,124</b>

(Note)

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120 = U.S.\$1 .

## CONSOLIDATED QUARTERLY BALANCE SHEETS (CONTINUED)

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

	March 31, 2014	December 31, 2014	December 31, 2014
Current liabilities	JPY 985,585	<b>JPY 1,065,513</b>	<b>\$ 8,879</b>
Notes and accounts payable-trade	446,494	<b>408,685</b>	<b>3,406</b>
Short-term loans payable	32,415	<b>66,579</b>	<b>555</b>
Commercial papers	-	<b>55,995</b>	<b>467</b>
Current portion of long-term loans payable	44,284	<b>34,468</b>	<b>287</b>
Current portion of bonds payable	20,000	<b>90,000</b>	<b>750</b>
Accrued expenses	152,792	<b>124,683</b>	<b>1,039</b>
Advances received	128,601	<b>133,504</b>	<b>1,113</b>
Provision for product warranties	16,687	<b>16,091</b>	<b>134</b>
Provision for directors' bonuses	318	<b>155</b>	<b>1</b>
Provision for loss on construction contracts and others	11,342	<b>4,681</b>	<b>39</b>
Provision for business structure improvement	7,359	<b>5,248</b>	<b>44</b>
Provision for contingent loss	12,506	<b>4,622</b>	<b>39</b>
Other	112,787	<b>120,802</b>	<b>1,005</b>
Noncurrent liabilities	752,081	<b>686,378</b>	<b>5,720</b>
Bonds payable	140,000	<b>50,000</b>	<b>417</b>
Long-term loans payable	333,534	<b>334,166</b>	<b>2,785</b>
Deferred tax liabilities	2,213	<b>3,198</b>	<b>27</b>
Provision for product warranties	4,197	<b>3,934</b>	<b>33</b>
Provision for loss on repurchase of computers	6,909	<b>6,845</b>	<b>57</b>
Provision for business structure improvement	6,859	<b>4,284</b>	<b>36</b>
Provision for contingent loss	5,915	<b>5,441</b>	<b>45</b>
Net defined benefit liability	220,457	<b>243,722</b>	<b>2,031</b>
Other	31,997	<b>34,788</b>	<b>289</b>
Total liabilities	1,737,666	<b>1,751,891</b>	<b>14,599</b>
Shareholders' equity	725,195	<b>715,360</b>	<b>5,961</b>
Capital stock	397,199	<b>397,199</b>	<b>3,310</b>
Capital surplus	148,402	<b>148,695</b>	<b>1,239</b>
Retained earnings	182,570	<b>172,482</b>	<b>1,437</b>
Treasury stock	(2,976)	<b>(3,016)</b>	<b>(25)</b>
Accumulated other comprehensive income	(29,246)	<b>6,593</b>	<b>55</b>
Valuation difference on available-for-sale securities	34,292	<b>39,785</b>	<b>332</b>
Deferred gains or losses on hedges	(1,359)	<b>223</b>	<b>2</b>
Foreign currency translation adjustments	(1,521)	<b>16,657</b>	<b>139</b>
Remeasurements of defined benefit plans	(60,658)	<b>(50,072)</b>	<b>(418)</b>
Minority interests	71,714	<b>61,027</b>	<b>509</b>
Total net assets	767,663	<b>782,980</b>	<b>6,525</b>
Total liabilities and net assets	JPY 2,505,329	<b>JPY 2,534,871</b>	<b>\$ 21,124</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>Nine months ended December 31</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
Net sales	JPY 2,083,515	<b>JPY 2,002,024</b>	<b>\$ 16,684</b>
Cost of sales	1,456,574	<b>1,401,929</b>	<b>11,683</b>
Gross profit	626,941	<b>600,095</b>	<b>5,001</b>
Selling, general and administrative expenses	603,199	<b>564,458</b>	<b>4,704</b>
Operating income	23,742	<b>35,637</b>	<b>297</b>
Non-operating income	16,439	<b>24,946</b>	<b>208</b>
Interest income	1,296	<b>1,350</b>	<b>11</b>
Dividends income	3,332	<b>2,825</b>	<b>24</b>
Foreign exchange gains	2,499	<b>7,111</b>	<b>59</b>
Equity in earnings of affiliates	4,209	<b>6,916</b>	<b>58</b>
Subsidy income	354	<b>2,180</b>	<b>18</b>
Other	4,749	<b>4,564</b>	<b>38</b>
Non-operating expenses	34,690	<b>24,200</b>	<b>202</b>
Interest expenses	7,424	<b>7,436</b>	<b>62</b>
Retirement benefit expenses	8,485	<b>8,456</b>	<b>71</b>
Other	18,781	<b>8,308</b>	<b>69</b>
Ordinary income	5,491	<b>36,383</b>	<b>303</b>
Extraordinary income	27,365	<b>4,715</b>	<b>39</b>
Gain on sales of investment securities	2,045	<b>2,084</b>	<b>17</b>
Gain on sales of subsidiaries and affiliates' stocks	23,893	<b>1,357</b>	<b>11</b>
Gain on sales of noncurrent assets	-	<b>1,250</b>	<b>11</b>
Gain on transfer of business	366	<b>24</b>	<b>0</b>
Gain on change in equity	607	-	-
Gain on step acquisitions	454	-	-
Extraordinary loss	17,297	<b>4,526</b>	<b>37</b>
Business structure improvement expenses	14,236	<b>2,859</b>	<b>24</b>
Impairment loss	2,395	<b>966</b>	<b>8</b>
Loss on exchange from business combination	-	<b>669</b>	<b>5</b>
Loss on valuation of investment securities	180	<b>22</b>	<b>0</b>
Loss on sales of investment securities	24	<b>10</b>	<b>0</b>
Loss on change in equity	242	-	-
Relocation expenses	160	-	-
Loss on sales of stocks of subsidiaries and affiliates	48	-	-
Loss on sales of noncurrent assets	12	-	-
Income before income taxes and minority interests	15,559	<b>36,572</b>	<b>305</b>
Income taxes	27,409	<b>18,040</b>	<b>151</b>
Income (loss) before minority interests	(11,850)	<b>18,532</b>	<b>154</b>
Minority interests in income (loss)	3,236	<b>(4,231)</b>	<b>(36)</b>
Net income (loss)	(JPY 15,086)	<b>JPY 22,763</b>	<b>\$ 190</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>Nine months ended December 31</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
Income (loss) before minority interests	(JPY 11,850)	<b>JPY 18,532</b>	<b>\$ 154</b>
Other comprehensive income	25,879	<b>38,365</b>	<b>320</b>
Valuation difference on available-for-sale securities	17,617	<b>4,797</b>	<b>40</b>
Deferred gains or losses on hedges	(278)	<b>606</b>	<b>5</b>
Foreign currency translation adjustments	6,609	<b>15,016</b>	<b>125</b>
Remeasurements of defined benefit plans	-	<b>13,624</b>	<b>114</b>
Share of other comprehensive income of associates accounted for using equity method	1,931	<b>4,322</b>	<b>36</b>
Comprehensive income	JPY 14,029	<b>JPY 56,897</b>	<b>\$ 474</b>
Breakdown:			
Comprehensive income attributable to owners of the parent	JPY 10,612	<b>JPY 58,602</b>	<b>\$ 488</b>
Comprehensive income attributable to minority interests	3,417	<b>(1,705)</b>	<b>(14)</b>

## CONDENSED CONSOLIDATED QUARTERLY STATEMENTS OF CASH FLOWS

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

Nine months ended December 31	2013	2014	2014
<b>I . Cash flows from operating activities:</b>			
Income before income taxes and minority interests	JPY 15,559	<b>JPY 36,572</b>	<b>\$ 305</b>
Depreciation and amortization	59,007	<b>59,403</b>	<b>495</b>
Equity in earnings of affiliates	(4,209)	<b>(6,916)</b>	<b>(58)</b>
Loss (gain) on change in equity	(365)	-	-
Decrease in notes and accounts receivable-trade	103,041	<b>77,002</b>	<b>642</b>
Increase in inventories	(72,609)	<b>(92,156)</b>	<b>(768)</b>
Decrease in notes and accounts payable-trade	(50,554)	<b>(42,269)</b>	<b>(352)</b>
Income taxes paid	(27,842)	<b>(26,560)</b>	<b>(221)</b>
Others, net	(59,298)	<b>(38,441)</b>	<b>(321)</b>
<b>Net cash used in operating activities</b>	<b>(37,270)</b>	<b>(33,365)</b>	<b>(278)</b>
<b>II . Cash flows from investing activities:</b>			
Net proceeds from (payments of) acquisitions and sales of property, plant and equipment	(76,126)	<b>(30,704)</b>	<b>(256)</b>
Purchase of intangible assets	(8,935)	<b>(5,945)</b>	<b>(50)</b>
Net proceeds from (payments of) purchases and sales of securities	25,550	<b>(8,637)</b>	<b>(72)</b>
Others, net	2,710	<b>2,945</b>	<b>25</b>
<b>Net cash used in investing activities</b>	<b>(56,801)</b>	<b>(42,341)</b>	<b>(353)</b>
<b>III . Cash flows from financing activities:</b>			
Net proceeds from (payments of) bonds and borrowings	75,833	<b>54,101</b>	<b>451</b>
Cash dividends paid	(10,370)	<b>(10,352)</b>	<b>(86)</b>
Others, net	(3,900)	<b>(2,326)</b>	<b>(20)</b>
<b>Net cash provided by financing activities</b>	<b>61,563</b>	<b>41,423</b>	<b>345</b>
<b>IV . Effect of exchange rate changes on cash and cash equivalents</b>	<b>5,555</b>	<b>8,187</b>	<b>69</b>
<b>V . Net decrease in cash and cash equivalents</b>	<b>(26,953)</b>	<b>(26,096)</b>	<b>(217)</b>
<b>VI . Cash and cash equivalents at beginning of period</b>	<b>197,132</b>	<b>206,637</b>	<b>1,722</b>
<b>VII . Cash and cash equivalents at end of period</b>	<b>JPY 170,179</b>	<b>JPY 180,541</b>	<b>\$ 1,505</b>

## SEGMENT INFORMATION

[Segment information]

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

Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 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	467,340	190,779	506,743	536,440	1,701,302	382,213	—	2,083,515
2. Intersegment sales and transfers	11,987	3,705	19,004	46,491	81,187	32,970	(114,157)	—
<b>Total sales</b>	<b>479,327</b>	<b>194,484</b>	<b>525,747</b>	<b>582,931</b>	<b>1,782,489</b>	<b>415,183</b>	<b>(114,157)</b>	<b>2,083,515</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>32,117</b>	<b>526</b>	<b>31,780</b>	<b>9,814</b>	<b>74,237</b>	<b>(10,980)</b>	<b>(39,515)</b>	<b>23,742</b>

Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 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	525,923	187,872	503,283	515,882	1,732,960	269,064	—	2,002,024
2. Intersegment sales and transfers	29,015	3,257	15,310	48,805	96,387	25,645	(122,032)	—
<b>Total sales</b>	<b>554,938</b>	<b>191,129</b>	<b>518,593</b>	<b>564,687</b>	<b>1,829,347</b>	<b>294,709</b>	<b>(122,032)</b>	<b>2,002,024</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>37,698</b>	<b>2,805</b>	<b>25,379</b>	<b>13,090</b>	<b>78,972</b>	<b>(5,864)</b>	<b>(37,471)</b>	<b>35,637</b>

Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 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	4,383	1,566	4,194	4,299	14,442	2,242	—	16,684
2. Intersegment sales and transfers	241	27	128	407	803	214	(1,017)	—
<b>Total sales</b>	<b>4,624</b>	<b>1,593</b>	<b>4,322</b>	<b>4,706</b>	<b>15,245</b>	<b>2,456</b>	<b>(1,017)</b>	<b>16,684</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>314</b>	<b>23</b>	<b>211</b>	<b>109</b>	<b>657</b>	<b>(49)</b>	<b>(311)</b>	<b>297</b>

## **SEGMENT INFORMATION (CONTINUED)**

(Notes)

1. "Others" for the nine months ended December 31, 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 nine months ended December 31, 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 nine months ended December 31, 2013 includes corporate expenses of (34,008) million yen and noncurrent assets related adjustment of 982 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the nine months ended December 31, 2014 includes corporate expenses of (31,898) million yen ((266) million U.S. dollars) and noncurrent assets related adjustment of (944) million yen ((8) 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

Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
1,672,171	152,487	166,950	91,907	2,083,515

Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
<b>1,582,973</b>	<b>149,362</b>	<b>171,797</b>	<b>97,892</b>	<b>2,002,024</b>

Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

(In millions of U.S. dollars)

Japan	The Americas	Greater China, APAC	EMEA	Total
<b>13,191</b>	<b>1,245</b>	<b>1,432</b>	<b>816</b>	<b>16,684</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]**

### **1. Consolidated Business Results**

*(1) Overview of the third quarter of the fiscal year ending March 31, 2015 (three months ended December 31, 2014)*

The NEC Group recorded consolidated net sales of 677.2 billion yen for the three months ended December 31, 2014, a decrease of 23.2 billion yen (-3.3%) year-on-year. This was mainly due to decreased sales in the System Platform business and decreased sales in Others due to the Internet service business no longer being consolidated, despite increased sales in the Public business.

Regarding profitability, operating income (loss) worsened by 9.2 billion yen year-on-year, to an operating income of 14.1 billion yen, mainly due to decreased sales.

In terms of ordinary income (loss), the NEC Group recorded a profit of 19.7 billion yen, declining by 0.3 billion yen year-on-year, mainly due to improvement of foreign exchange gain, despite the worsening of operating income (loss).

Income (loss) before income taxes and minority interests was a profit of 21.2 billion yen, a year-on-year worsening of 4.1 billion, mainly due to decreased gain on sales of subsidiaries and affiliates' stocks.

Net income (loss) for the three months ended December 31, 2014 was a profit of 10.3 billion yen, a year-on-year worsening of 0.8 billion yen.

(2) Results by main business segment

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

<b>Segments</b>	<b>Three months ended December 31, 2013</b>	<b>Three months ended December 31, 2014</b>	<b>Change</b>
	In billions of yen	In billions of yen	%
<b>Public</b>	164.0	181.4	10.6
<b>Enterprise</b>	60.7	61.2	0.8
<b>Telecom Carrier</b>	172.7	170.8	-1.1
<b>System Platform</b>	185.7	170.5	-8.2
<b>Others</b>	117.3	93.3	-20.5
<b>Total</b>	700.4	677.2	-3.3

*Operating income (loss) by segment:*

<b>Segments</b>	<b>Three months ended December 31, 2013</b>	<b>Three months ended December 31, 2014</b>	<b>Change</b>
	In billions of yen	In billions of yen	In billions of yen
<b>Public</b>	17.6	15.8	-1.8
<b>Enterprise</b>	-0.2	0.5	0.7
<b>Telecom Carrier</b>	12.4	8.8	-3.6
<b>System Platform</b>	8.0	4.4	-3.6
<b>Others</b>	0.8	-3.1	-4.0
<b>Adjustment</b>	-15.2	-12.3	3.0
<b>Total</b>	23.4	14.1	-9.2

(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>	181.4 billion yen	(10.6%)
<b>Operating Income (Loss):</b>	15.8 billion yen	(-1.8 billion yen)

In the Public business, sales were 181.4 billion yen, an increase of 17.4 billion yen (10.6%) year-on-year, mainly due to the steady sales from public services.

Operating income (loss) worsened by 1.8 billion yen year-on-year, to an operating income of 15.8 billion yen, mainly owing to high profit projects recorded in the same period of the previous fiscal year.

#### **Enterprise Business**

<b>Sales:</b>	61.2 billion yen	(0.8%)
<b>Operating Income (Loss):</b>	0.5 billion yen	(0.7 billion yen)

In the Enterprise business, sales were 61.2 billion yen, an increase of 0.5 billion yen (0.8%) year-on-year, mainly due to the steady sales from the distribution and service industries.

Operating income (loss) improved by 0.7 billion yen year-on-year, to an operating income of 0.5 billion yen, mainly owing to increased sales.

#### **Telecom Carrier Business**

<b>Sales:</b>	170.8 billion yen	(-1.1%)
<b>Operating Income (Loss):</b>	8.8 billion yen	(-3.6 billion yen)

In the Telecom Carrier business, sales were 170.8 billion yen, a decrease of 1.9 billion yen (-1.1%) year-on-year, mainly due to decreased domestic sales, despite increased international sales of Telecom Operations and Management Solutions (TOMS) and submarine cable systems.

Operating income (loss) worsened by 3.6 billion yen year-on-year, to an operating income of 8.8

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>	170.5 billion yen	(-8.2%)
<b>Operating Income (Loss):</b>	4.4 billion yen	(-3.6 billion yen)

In the System Platform business, sales were 170.5 billion yen, a decrease of 15.2 billion yen (-8.2%) year-on-year, mainly due to decreased sales in hardware.

Operating income (loss) worsened by 3.6 billion yen year-on-year, to an operating income of 4.4 billion yen, mainly due to decreased sales.

#### **Others**

<b>Sales:</b>	93.3 billion yen	(-20.5%)
<b>Operating Income (Loss):</b>	-3.1 billion yen	(-4.0 billion yen)

In Others, sales were 93.3 billion yen, a decrease of 24.0 billion yen (-20.5%) year-on-year, mainly due to a decrease in mobile phone shipments as well as the Internet service business no longer being consolidated.

Operating income (loss) worsened by 4.0 billion yen year-on-year, to an operating loss of 3.1 billion yen, mainly owing to decreased sales.

**[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 December 31	2013	2014	2014
Net sales	JPY 700,411	<b>JPY 677,200</b>	<b>\$ 5,643</b>
Cost of sales	482,385	<b>472,807</b>	<b>3,940</b>
Gross profit	218,026	<b>204,393</b>	<b>1,703</b>
Selling, general and administrative expenses	194,663	<b>190,276</b>	<b>1,585</b>
Operating income	23,363	<b>14,117</b>	<b>118</b>
Non-operating income	9,594	<b>13,457</b>	<b>112</b>
Interest income	355	<b>399</b>	<b>3</b>
Dividends income	1,082	<b>1,255</b>	<b>10</b>
Foreign exchange gains	2,711	<b>6,656</b>	<b>56</b>
Equity in earnings of affiliates	3,017	<b>3,743</b>	<b>31</b>
Other	2,429	<b>1,404</b>	<b>12</b>
Non-operating expenses	12,925	<b>7,890</b>	<b>66</b>
Interest expenses	2,564	<b>2,452</b>	<b>20</b>
Retirement benefit expenses	2,824	<b>2,813</b>	<b>24</b>
Other	7,537	<b>2,625</b>	<b>22</b>
Ordinary income	20,032	<b>19,684</b>	<b>164</b>
Extraordinary income	7,565	<b>3,205</b>	<b>27</b>
Gain on sales of subsidiaries and affiliates' stocks	7,551	<b>1,357</b>	<b>11</b>
Gain on sales of noncurrent assets	-	<b>1,250</b>	<b>11</b>
Gain on sales of investment securities	14	<b>598</b>	<b>5</b>
Extraordinary loss	2,351	<b>1,735</b>	<b>15</b>
Business structure improvement expenses	-	<b>1,156</b>	<b>10</b>
Impairment loss	2,022	<b>569</b>	<b>5</b>
Loss on sales of investment securities	-	<b>10</b>	<b>0</b>
Relocation expenses	160	-	-
Loss on valuation of investment securities	121	-	-
Loss on sales of stocks of subsidiaries and affiliates	48	-	-
Income before income taxes and minority interests	25,246	<b>21,154</b>	<b>176</b>
Income taxes	14,059	<b>8,744</b>	<b>73</b>
Income before minority interests	11,187	<b>12,410</b>	<b>103</b>
Minority interests in income	123	<b>2,102</b>	<b>17</b>
Net income	JPY 11,064	<b>JPY 10,308</b>	<b>\$ 86</b>

(Note)

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120 = 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 December 31</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
Income before minority interests	JPY 11,187	<b>JPY 12,410</b>	<b>\$ 103</b>
Other comprehensive income	17,178	<b>16,333</b>	<b>137</b>
Valuation difference on available-for-sale securities	8,642	<b>(584)</b>	<b>(5)</b>
Deferred gains or losses on hedges	(274)	<b>(18)</b>	<b>0</b>
Foreign currency translation adjustments	7,342	<b>9,191</b>	<b>78</b>
Remeasurements of defined benefit plans	-	<b>4,815</b>	<b>40</b>
Share of other comprehensive income of associates accounted for using equity method	1,468	<b>2,929</b>	<b>24</b>
Comprehensive income	JPY 28,365	<b>JPY 28,743</b>	<b>\$ 240</b>
Breakdown:			
Comprehensive income attributable to owners of the parent	JPY 28,265	<b>JPY 26,209</b>	<b>\$ 219</b>
Comprehensive income attributable to minority interests	100	<b>2,534</b>	<b>21</b>

## [THREE MONTHS PERIOD INFORMATION]

### SEGMENT INFORMATION

[Segment information]

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

Three months ended December 31, 2013 (From October 1, 2013 to December 31, 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	164,030	60,686	172,702	185,701	583,119	117,292	—	700,411
2. Intersegment sales and transfers	4,364	1,143	6,086	16,151	27,744	11,239	(38,983)	—
<b>Total sales</b>	<b>168,394</b>	<b>61,829</b>	<b>178,788</b>	<b>201,852</b>	<b>610,863</b>	<b>128,531</b>	<b>(38,983)</b>	<b>700,411</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>17,584</b>	<b>(201)</b>	<b>12,398</b>	<b>7,977</b>	<b>37,758</b>	<b>848</b>	<b>(15,243)</b>	<b>23,363</b>

Three months ended December 31, 2014 (From October 1, 2014 to December 31, 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	181,433	61,200	170,825	170,457	583,915	93,285	—	677,200
2. Intersegment sales and transfers	10,130	981	4,711	13,955	29,777	8,930	(38,707)	—
<b>Total sales</b>	<b>191,563</b>	<b>62,181</b>	<b>175,536</b>	<b>184,412</b>	<b>613,692</b>	<b>102,215</b>	<b>(38,707)</b>	<b>677,200</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>15,830</b>	<b>547</b>	<b>8,772</b>	<b>4,368</b>	<b>29,517</b>	<b>(3,144)</b>	<b>(12,256)</b>	<b>14,117</b>

Three months ended December 31, 2014 (From October 1, 2014 to December 31, 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	1,512	510	1,424	1,420	4,866	777	—	5,643
2. Intersegment sales and transfers	84	8	39	117	248	75	(323)	—
<b>Total sales</b>	<b>1,596</b>	<b>518</b>	<b>1,463</b>	<b>1,537</b>	<b>5,114</b>	<b>852</b>	<b>(323)</b>	<b>5,643</b>
<b>Segment income (loss) (Operating income (loss))</b>	<b>132</b>	<b>5</b>	<b>73</b>	<b>36</b>	<b>246</b>	<b>(26)</b>	<b>(102)</b>	<b>118</b>



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

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

(Notes)

1. "Others" for the three months ended December 31, 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 December 31, 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 December 31, 2013 includes corporate expenses of (11,265) million yen and noncurrent assets related adjustment of 62 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the three months ended December 31, 2014 includes corporate expenses of (9,459) million yen ((79) million U.S. dollars) and noncurrent assets related adjustment of (488) 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.

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

[Related information]

Information about geographic areas

Sales

Three months ended December 31, 2013 (From October 1, 2013 to December 31, 2013)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
562,202	50,292	54,538	33,379	700,411

Three months ended December 31, 2014 (From October 1, 2014 to December 31, 2014)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
<b>534,586</b>	<b>52,431</b>	<b>56,220</b>	<b>33,963</b>	<b>677,200</b>

Three months ended December 31, 2014 (From October 1, 2014 to December 31, 2014)

(In millions of U.S. dollars)

Japan	The Americas	Greater China, APAC	EMEA	Total
<b>4,455</b>	<b>437</b>	<b>469</b>	<b>282</b>	<b>5,643</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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