News Release

Orchestrating a brighter world NEC

Press Release - Media Contacts: Seiichiro Toda/Joseph Jasper TEL: +81-3-3798-6511

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Consolidated Financial Results

for the Nine Months Ended

December 31, 2016

1. Consolidated Business Results

The NEC Group adopted International Financial Reporting Standards (IFRS) starting with the fiscal year ending March 31, 2017. Consolidated financial statements for the previous fiscal year's third quarter, the previous fiscal year's cumulative period through the third quarter and for the previous fiscal year are also presented in accordance with IFRS.

(1) Overview of the third quarter of the fiscal year ending March 31, 2017 (nine months ended December 31, 2016)

The worldwide economy during the nine months ended December 31, 2016 was characterized overall by a gradual pace of growth, mainly owing to the instability of financial markets from growing political uncertainty due to an economic slowdown in both developed and emerging countries, the United Kingdom's decision to withdraw from the European Union and the presidential election in the United States.

As for the Japanese economy, while international conditions were unstable, domestic demand, including personal consumption and corporate performance, remained steady.

Under this business environment, the NEC Group recorded consolidated revenue of 1,794.5 billion yen for the nine months ended December 31, 2016, a decrease of 160.1 billion yen (-8.2%) year-on-year. This decrease was mainly due to decreased sales in the Public business and the Telecom Carrier business.

Regarding profitability, operating profit (loss) worsened by 44.7 billion yen year-on-year, to an operating loss of 17.0 billion yen, mainly due to decreased revenue, despite the streamlining of selling, general and administrative expenses.

Income (loss) before income taxes was a loss of 1.6 billion yen, a year-on-year worsening of 34.9 billion yen. This was primarily due to the worsening of operating profit (loss), despite the increased gain on sales of affiliates' stocks.

Net profit (loss) attributable to owners of the parent for the nine months ended December 31, 2016 was a loss of 2.8 billion yen, decreasing by 16.3 billion yen year-on-year. This was primarily due to the worsening of income (loss) before income taxes.

(2) Results by main business segment

Revenue by segment (revenue from customers):

Segments	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Change
	In billions of yen	In billions of yen	%
Public	499.4	435.7	-12.8
Enterprise	218.4	225.2	3.1
Telecom Carrier	487.5	424.1	-13.0
System Platform	518.9	504.1	-2.8
Others	230.4	205.4	-10.9
Total	1,954.6	1,794.5	-8.2

Operating profit (loss) by segment:

Segments	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Change
	In billions of yen	In billions of yen	In billions of yen
Public	24.4	14.5	-10.0
Enterprise	14.1	16.9	2.8
Telecom Carrier	21.2	2.9	-18.3
System Platform	11.7	7.6	-4.1
Others	-8.0	-13.9	-6.0
Adjustment	-35.9	-45.0	-9.2
Total	27.7	-17.0	-44.7

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 "Note 1: Business Segment" 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

Revenue:	435.7 billion yen	(-12.8%)
Operating Profit (Loss):	14.5 billion yen	(-10.0 billion yen)

In the Public business, revenue was 435.7 billion yen, a decrease of 63.8 billion yen (-12.8%) year-on-year, mainly due to decreased sales for government offices and public services where there were large-scale projects in the same period of the previous fiscal year, and decreased demand for the digitalization of fire and emergency radio in the public sector.

Operating profit (loss) worsened by 10.0 billion yen year-on-year, to an operating profit of 14.5 billion yen, mainly owing to decreased sales and decreased profitability of the space business.

Enterprise Business

Revenue:	225.2 billion yen	(3.1%)
Operating Profit (Loss):	16.9 billion yen	(2.8 billion yen)

In the Enterprise business, revenue was 225.2 billion yen, an increase of 6.8 billion yen (3.1%) year-on-year, mainly due to strong sales from manufacturing industries.

Operating profit (loss) improved by 2.8 billion yen year-on-year, to an operating profit of 16.9 billion yen, mainly owing to increased sales and the improved profitability of system construction services.

Telecom Carrier Business

Revenue:	424.1 billion yen	(-13.0%)
Operating Profit (Loss):	2.9 billion yen	(-18.3 billion yen)

In the Telecom Carrier business, revenue was 424.1 billion yen, a decrease of 63.4 billion yen (-13.0%) year-on-year, mainly due to sluggish capital investment by domestic and international telecommunications carriers and the influence of the strong yen.

Operating profit (loss) worsened by 18.3 billion yen year-on-year, to an operating profit of 2.9 billion yen, mainly due to decreased sales and the influence of the strong yen.

System Platform Business

Revenue:	504.1 billion yen	(-2.8%)
Operating Profit (Loss):	7.6 billion yen	(-4.1 billion yen)

In the System Platform business, revenue was 504.1 billion yen, a decrease of 14.8 billion yen (-2.8%) year-on-year, mainly due to decreased sales in hardware and enterprise networks.

Operating profit (loss) worsened by 4.1 billion yen year-on-year, to an operating profit of 7.6 billion yen, mainly due to decreased sales and decreased profitability of maintenance services.

Others

Revenue:	205.4 billion yen	(-10.9%)
Operating Profit (Loss):	-13.9 billion yen	(-6.0 billion yen)

In Others, revenue was 205.4 billion yen, a decrease of 25.0 billion yen (-10.9%) year-on-year, mainly due to decreased sales in the Smart Energy business.

Operating profit (loss) worsened by 6.0 billion yen year-on-year, to an operating loss of 13.9 billion yen, mainly owing to decreased sales and decreased profitability of international business.

2. Consolidated Financial Condition

Analysis of the condition of assets, liabilities, equity, and cash flows

Total assets were 2,483.2 billion yen as of December 31, 2016, a decrease of 45.7 billion yen as compared with the end of the previous fiscal year. Current assets as of December 31, 2016 decreased by 43.8 billion yen compared with the end of the previous fiscal year to 1,409.5 billion yen, mainly due to a decrease in trade and other receivables despite an increase in inventories. Non-current assets as of December 31, 2016 decreased by 1.9 billion yen compared with the end of the previous fiscal year to 1,073.7 billion yen.

Total liabilities as of December 31, 2016 decreased by 35.0 billion yen compared with the end of the previous fiscal year, to 1,656.7 billion yen. This was mainly due to a decrease in trade and other payables. The balance of interest-bearing debt amounted to 517.9 billion yen, an increase of 38.4 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of December 31, 2016 was 0.68 (a worsening of 0.06 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of December 31, 2016, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 299.2 billion yen, an increase of 12.0 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of December 31, 2016 was 0.39 (a worsening of 0.02 points as compared with the end of the previous fiscal year).

Total equity was 826.5 billion yen as of December 31, 2016, a decrease of 10.8 billion yen as compared with the end of the previous fiscal year, mainly due to a decrease in retained earnings.

As a result, total equity attributable to owners of the parent (total equity less non-controlling interests) as of December 31, 2016 was 758.8 billion yen, and ratio of equity attributable to owners of the parent was 30.6% (an improvement of 0.1 point as compared with the end of the previous fiscal year).

Net cash outflows from operating activities for the nine months ended December 31, 2016 were 3.1 billion yen, an improvement of 19.0 billion yen as compared with the same period of the previous fiscal year. This was mainly due to improved working capital.

Net cash inflows from investing activities for the nine months ended December 31, 2016 were 9.9 billion yen, an increase of 36.8 billion yen as compared with the same period of the previous fiscal year, mainly due to proceeds from sales of investments in affiliated companies.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the nine months ended December 31, 2016 totaled a cash inflow of 6.8 billion yen, an improvement of 55.8 billion yen year-on-year.

Net cash flows from financing activities for the nine months ended December 31, 2016 totaled a cash inflow of 20.7 billion yen, mainly due to proceeds from long-term loans payable.

As a result, cash and cash equivalents as of December 31, 2016 amounted to 218.7 billion yen, an increase of 26.4 billion yen as compared with the end of the previous fiscal year.

3. Consolidated Financial Forecast

Regarding the consolidated financial forecasts for the fiscal year ending March 31, 2017, the NEC Group anticipates consolidated revenue of 2,680.0 billion yen, a decrease of 200.0 billion yen from the previous forecasts. This decrease is mainly due to large-scale projects being delayed, failure to receive expected projects in the Public business, sluggish international growth in the Telecom Career business, a decrease in hardware sales in the System Platform business and a sales decrease in international business in Others, despite an anticipated sales increase from the consolidation of Japan Aviation Electronics, Limited through a tender offer bid.

The NEC Group anticipates consolidated operating income of 30.0 billion yen, a decrease of 70.0 billion yen from the previous forecasts. This decrease is mainly due to decreased sales, in addition to lower profitability in the Public business and international business in Others.

The NEC Group anticipates net profit attributable to owners of the parent of 20.0 billion yen, a decrease of 30.0 billion yen from the previous forecasts, despite gain on sales from the transfer of a portion of shares in Lenovo NEC Holdings B.V.

There is no change from the previous forecasts on an annual dividend of 6 yen per share of common stock.

(In billions of yen)

	Revenue	Operating Profit	Net profit attributable to owners of the parent
Previous forecasts(A) (Announced on October 31, 2016)	2,880.0	100.0	50.0
Revised forecasts(B)	2,680.0	30.0	20.0
Difference (B)-(A)	-200.0	-70.0	-30.0
Change (%)	-6.9%	-70.0%	-60.0%
(Reference) FY ended March 31, 2016 (IFRS)	2,824.8	91.4	75.9

Condensed Interim Consolidated Financial Statements

(1)Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	Notes	As of April 1, 2015	As of March 31, 2016	As of December 31, 2016
Assets				
Current Assets				
Cash and cash equivalents		181,132	192,323	218,699
Trade and other receivables		999,032	933,914	793,286
Inventories		224,568	211,992	282,388
Other financial assets		8,949	7,651	4,636
Other current assets		103,524	107,456	110,479
Total current assets		1,517,205	1,453,336	1,409,488
Non-current assets				
Property, plant and equipment, net		350,587	343,323	332,259
Goodwill		66,985	56,141	57,823
Intangible assets		128,639	118,019	114,676
Investments accounted for using the equity method		88,035	90,346	90,726
Other financial assets		279,348	254,917	253,693
Deferred tax assets		144,745	196,019	204,765
Other non-current assets		80,655	16,803	19,734
Total non-current assets		1,138,994	1,075,568	1,073,676
Total assets		2,656,199	2,528,904	2,483,164

Condensed Interim Consolidated Statements of Financial Position (Continued)

(Millions of yen)

	Notes	As of April 1, 2015	As of March 31, 2016	As of December 31, 2016
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		553,181	503,375	441,468
Bonds and borrowings		133,370	155,454	172,601
Accruals		170,783	157,403	125,624
Other financial liabilities		14,548	13,555	12,864
Accrued income taxes		15,914	13,445	12,674
Provisions		47,351	40,318	47,876
Other current liabilities		144,300	137,135	154,687
Total current liabilities		1,079,447	1,020,685	967,794
Non-current liabilities				
Bonds and borrowings		380,554	318,435	340,064
Other financial liabilities		10,608	9,365	8,400
Defined benefit liabilities		247,255	297,756	299,033
Provisions		17,053	15,336	13,723
Other non-current liabilities		33,643	30,107	27,690
Total non-current liabilities		689,113	670,999	688,910
Total liabilities		1,768,560	1,691,684	1,656,704
Equity				
Share capital		397,199	397,199	397,199
Share premium		147,415	147,755	147,753
Retained earnings		158,356	223,883	205,445
Treasury shares		-3,025	-3,077	-3,093
Other components of equity	2	121,160	4,067	11,524
Total equity attributable to owners of the parent		821,105	769,827	758,828
Non-controlling interests		66,534	67,393	67,632
Total equity		887,639	837,220	826,460
Total liabilities and equity		2,656,199	2,528,904	2,483,164

(2)Condensed Interim Consolidated Statements of Profit or Loss and Condensed Interim Consolidated Statements of Other Comprehensive Income

Condensed Interim Consolidated Statements of Profit or Loss

(Millions of yen)

Nine months ended December 31	Notes	2015	2016
Revenue		1,954,573	1,794,469
Cost of sales		1,378,025	1,294,906
Gross profit		576,548	499,563
Selling, general and administrative expenses		544,804	509,719
Other operating income (loss)		-4,071	-6,879
Operating Profit (Loss)		27,673	-17,035
Financial income	3	9,968	25,995
Financial costs	3	11,614	16,619
Share of profit (loss) of entities accounted for using the equity method		7,237	6,068
Income (loss) before income taxes		33,264	-1,591
Income taxes		16,003	-1,554
Net profit (loss)		17,261	-37
Net profit (loss) attributable to			
Owners of the parent		13,417	-2,846
Non-controlling interests		3,844	2,809
Total		17,261	-37
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		5.16	-1.10
Diluted earnings per share (yen)		—	—

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Nine months ended December 31	Notes	2015	2016
Net profit (loss)		17,261	-37
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		—	-4,018
Share of other comprehensive income of associates		—	—
Total items that will not be reclassified to profit or loss		—	-4,018
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-5,933	-377
Cash flow hedges		145	531
Available-for-sale financial assets		-3,403	11,098
Share of other comprehensive income of associates		-2,060	28
Total items that may be reclassified subsequently to profit or loss		-11,251	11,280
Total other comprehensive income (loss), net of tax		-11,251	7,262
Total comprehensive income		6,010	7,225
Total comprehensive income attributable to			
Owners of the parent		2,486	4,611
Non-controlling interests		3,524	2,614
Total		6,010	7,225

[THREE MONTHS PERIOD INFORMATION]

Condensed Interim Consolidated Statements of Profit or Loss and Condensed Interim Consolidated Statements of Other Comprehensive Income

Condensed Interim Consolidated Statements of Profit or Loss

(Millions of yen)

Three months ended December 31	Notes	2015	2016
Revenue		644,853	593,407
Cost of sales		456,240	434,755
Gross profit		188,613	158,652
Selling, general and administrative expenses		179,054	171,849
Other operating income (loss)		-897	-7,582
Operating Profit (Loss)		8,662	-20,779
Financial income	3	6,664	7,108
Financial costs	3	3,526	1,622
Share of profit (loss) of entities accounted for using the equity method		1,682	1,065
Income (loss) before income taxes		13,482	-14,228
Income taxes		6,670	831
Net profit (loss)		6,812	-15,059
Net profit (loss) attributable to			
Owners of the parent		4,807	-15,964
Non-controlling interests		2,005	905
Total		6,812	-15,059
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		1.85	-6.14
Diluted earnings per share (yen)		—	—

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Three months ended December 31	Notes	2015	2016
Net profit (loss)		6,812	-15,059
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		－	－
Share of other comprehensive income of associates		－	－
Total items that will not be reclassified to profit or loss		－	－
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-62	11,007
Cash flow hedges		87	-313
Available-for-sale financial assets		6,276	15,433
Share of other comprehensive income of associates		70	1,600
Total items that may be reclassified subsequently to profit or loss		6,371	27,727
Total other comprehensive income (loss), net of tax		6,371	27,727
Total comprehensive income		13,183	12,668
Total comprehensive income attributable to			
Owners of the parent		11,356	11,614
Non-controlling interests		1,827	1,054
Total		13,183	12,668

(3)Condensed Interim Consolidated Statements of Changes in Equity

(Nine months ended December 31, 2015)

(Millions of yen)

		Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Notes	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2015		397,199	147,415	158,356	-3,025	121,160	821,105	66,534	887,639
Net profit (loss)		—	—	13,417	—	—	13,417	3,844	17,261
Other comprehensive income (loss)		—	—	—	—	-10,931	-10,931	-320	-11,251
Comprehensive income		—	—	13,417	—	-10,931	2,486	3,524	6,010
Purchase of treasury shares		—	—	—	-49	—	-49	—	-49
Disposal of treasury shares		—	-1	—	2	—	1	—	1
Cash dividends		—	—	-10,396	—	—	-10,396	-2,214	-12,610
Changes in interests in subsidiaries		—	342	—	—	—	342	-954	-612
Total transactions with owners		—	341	-10,396	-47	—	-10,102	-3,168	-13,270
As of December 31, 2015		397,199	147,756	161,377	-3,072	110,229	813,489	66,890	880,379

(Nine months ended December 31, 2016)

(Millions of yen)

		Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Notes	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2016		397,199	147,755	223,883	-3,077	4,067	769,827	67,393	837,220
Net profit (loss)		—	—	-2,846	—	—	-2,846	2,809	-37
Other comprehensive income (loss)		—	—	—	—	7,457	7,457	-195	7,262
Comprehensive income		—	—	-2,846	—	7,457	4,611	2,614	7,225
Purchase of treasury shares		—	—	—	-19	—	-19	—	-19
Disposal of treasury shares		—	-2	—	3	—	1	—	1
Cash dividends		—	—	-15,592	—	—	-15,592	-2,385	-17,977
Changes in interests in subsidiaries		—	—	—	—	—	—	10	10
Total transactions with owners		—	-2	-15,592	-16	—	-15,610	-2,375	-17,985
As of December 31, 2016		397,199	147,753	205,445	-3,093	11,524	758,828	67,632	826,460

(4)Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

Nine months ended December 31	Notes	2015	2016
Cash flows from operating activities			
Income (loss) before income taxes		33,264	-1,591
Depreciation and amortization		64,787	56,625
Impairment loss		289	1,103
Increase (decrease) in provisions		-9,230	8,064
Financial income	3	-9,968	-25,995
Financial costs	3	11,614	16,619
Share of (profit) loss of entities accounted for using the equity method		-7,237	-6,068
Decrease (increase) in trade and other receivables		159,524	133,874
Decrease (increase) in inventories		-74,234	-71,775
Increase (decrease) in trade and other payables		-93,230	-49,752
Others, net		-72,515	-51,688
Subtotal		3,064	9,416
Interest and dividends received		5,333	5,231
Interest paid		-8,641	-7,563
Income taxes paid		-21,849	-10,187
Net cash provided by (used in) operating activities		-22,093	-3,103
Cash flows from investing activities			
Purchases of property, plant and equipment		-27,486	-23,456
Proceeds from sales of property, plant and equipment		2,026	2,100
Acquisitions of intangible assets		-6,438	-5,668
Purchases of investment securities		-852	-4,045
Proceeds from sales of investment securities		7,281	3,143
Disbursements for acquisitions of shares of newly consolidated subsidiaries		-	-984
Proceeds from acquisitions of shares of newly consolidated subsidiaries		36	59
Proceeds from sales of shares of consolidated subsidiaries		556	-
Purchases of investments in affiliated companies		-4,057	-162
Proceeds from sales of investments in affiliated companies		152	23,698
Others, net		1,859	15,183
Net cash provided by (used in) investing activities		-26,923	9,868

(Millions of yen)

Nine months ended December 31	Notes	2015	2016
Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net		102,659	4,919
Proceeds from long-term borrowings		60	200,082
Repayments of long-term borrowings		-8,280	-156,285
Proceeds from issuance of bonds		50,000	-
Redemption of bonds		-90,000	-10,000
Dividends paid		-10,362	-15,583
Dividends paid to non-controlling interests		-2,214	-2,379
Others, net		-57	-78
Net cash provided by (used in) financing activities		41,806	20,676
Effect of exchange rate changes on cash and cash equivalents		-2,174	-1,065
Net increase (decrease) in cash and cash equivalents		-9,384	26,376
Cash and cash equivalents, at beginning of period		181,132	192,323
Cash and cash equivalents, at end of period		171,748	218,699

1. Business Segment

(1)General information about reportable segments

The reportable segments of NEC Corporation ("the Company" or "NEC") are determined from operating segments that are identified in terms of similarity of products, services and markets based on business, and are the businesses for which the Company is able to obtain respective financial information separately, and the businesses are investigated periodically in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results. The Company has four reportable segments, which are the Public, Enterprise, Telecom Carrier and System Platform businesses.

Descriptions of each reportable segment are as follows:

Public

This segment mainly renders System Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment for Government, Public, Healthcare, Finance and Media.

Enterprise

This segment mainly renders System Integration (Systems Implementation, Consulting), Maintenance and Support, and Outsourcing / Cloud Services for Manufacturing, Retail and Services.

Telecom Carrier

This segment mainly renders Network Infrastructure (Core Network, Mobile Phone Base Stations, Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Optical Transmission Systems, Routers / Switches, Mobile Backhaul ("PASOLINK")), and Services & Management (Telecom Operations and Management Solutions (TOMS), Services / Solutions) for Telecom Carriers.

System Platform

This segment mainly renders Hardware (Servers, Mainframes, Supercomputers, Storage, Business PCs, Tablet Devices, POS, ATMs, Control Equipment, Wireless LAN Routers, Displays, Projectors), Software (Integrated Operation Management, Application Servers, Security, Database Software), Enterprise Network Solutions (IP Telephony Systems, WAN / Wireless Access Equipment, LAN Products), and Services (Data Center Infrastructure, Maintenance and Support).

(2)Basis of measurement for reportable segment sales and segment income or loss

Segment income (loss) is based on operating income (loss). Inter-segment revenue and transfers are based on arm's -length price. The accounting policies applied to reportable segment basically follow the "Significant Accounting Policies" disclosed in Note 3. of the "Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017" published on July 29, 2016.

(3)Information about reportable segment sales, segment income or loss

(Nine months ended December 31, 2015)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	499,434	218,386	487,486	518,864	1,724,170	230,403	—	1,954,573
Intersegment revenue and transfers	27,322	4,919	17,233	52,053	101,527	12,703	-114,230	—
Total	526,756	223,305	504,719	570,917	1,825,697	243,106	-114,230	1,954,573
Segment income(loss) (Operating profit (loss))	24,448	14,134	21,223	11,709	71,514	-7,960	-35,881	27,673
Financial income								9,968
Financial costs								11,614
Share of profit (loss) of entities accounted for using the equity method								7,237
Income (loss) before income taxes								33,264

(Nine months ended December 31, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	435,650	225,201	424,136	504,103	1,589,090	205,379	—	1,794,469
Intersegment revenue and transfers	24,584	5,689	13,068	41,547	84,888	16,749	-101,637	—
Total	460,234	230,890	437,204	545,650	1,673,978	222,128	-101,637	1,794,469
Segment income(loss) (Operating profit (loss))	14,487	16,892	2,917	7,613	41,909	-13,913	-45,031	-17,035
Financial income								25,995
Financial costs								16,619
Share of profit (loss) of entities accounted for using the equity method								6,068
Income (loss) before income taxes								-1,591

Notes:

1. "Others" for the Nine months ended December 31, 2015 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.) and Mobile Phones. "Others" for the Nine months ended December 31, 2016 represents businesses such as Electrodes/Energy Storage System.
2. "Adjustment" of segment income (loss) for the Nine months ended December 31, 2015 includes corporate expenses of -35,032 million yen and noncurrent assets related adjustment of 185 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the Nine months ended December 31, 2016 includes corporate expenses of -42,241 million yen and noncurrent assets related adjustment of 365 million yen, 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.

Information about reportable segment sales, segment income or loss
(Three months ended December 31, 2015)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	163,735	71,737	159,377	171,044	565,893	78,960	—	644,853
Intersegment revenue and transfers	9,413	1,633	5,713	16,514	33,273	4,506	-37,779	—
Total	173,148	73,370	165,090	187,558	599,166	83,466	-37,779	644,853
Segment income(loss) (Operating profit (loss))	9,979	4,287	8,472	2,487	25,225	-5,450	-11,113	8,662
Financial income								6,664
Financial costs								3,526
Share of profit (loss) of entities accounted for using the equity method								1,682
Income (loss) before income taxes								13,482

(Three months ended December 31, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	153,527	70,049	141,273	164,274	529,123	64,284	—	593,407
Intersegment revenue and transfers	8,790	2,690	4,255	13,993	29,728	8,045	-37,773	—
Total	162,317	72,739	145,528	178,267	558,851	72,329	-37,773	593,407
Segment income(loss) (Operating profit (loss))	1,060	3,729	-1,345	-173	3,271	-6,685	-17,365	-20,779
Financial income								7,108
Financial costs								1,622
Share of profit (loss) of entities accounted for using the equity method								1,065
Income (loss) before income taxes								-14,228

Notes:

1. "Others" for the three months ended December 31, 2015 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.) and Mobile Phones. "Others" for the three months ended December 31, 2016 represents businesses such as Electrodes/Energy Storage System.
2. "Adjustment" of segment income (loss) for the three months ended December 31, 2015 includes corporate expenses of -8,973 million yen and noncurrent assets related adjustment of -123 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the three months ended December 31, 2016 includes corporate expenses of -14,694 million yen and noncurrent assets related adjustment of 90 million yen, 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.

[Related information]

Information about geographic areas

Revenue from customers

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Japan	1,507,562	1,415,274
The Americas	153,197	124,757
EMEA	101,751	83,525
Greater China, APAC	192,063	170,913
Total	1,954,573	1,794,469

(Millions of yen)

	Three months ended December 31, 2015	Three months ended December 31, 2016
Japan	496,179	469,252
The Americas	49,304	39,897
EMEA	36,516	27,912
Greater China, APAC	62,854	56,346
Total	644,853	593,407

Notes:

1. Revenue is 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)EMEA: Europe, Middle East and Africa

(3)Greater China, APAC: Greater China and Asia Pacific (Asia, Oceania)

2. Equity

Details of other components of equity

(Millions of yen)

	As of April 1, 2015	As of March 31, 2016	As of December 31, 2016
Remeasurements of defined benefit plan	31,318	-56,298	-60,316
Exchange differences on translating foreign operations	—	-14,136	-14,240
Cash flow hedges	-313	-1,558	-585
Available-for-sale financial assets	90,155	76,059	86,665
Total	121,160	4,067	11,524

3. Financial income and financial costs

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Financial income		
Interest income	1,353	841
Dividend income	3,533	3,506
Gain on sales of affiliates' stocks (*1)	57	20,065
Other	5,025	1,583
Total	9,968	25,995

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Financial costs		
Interest expenses	7,841	8,198
Foreign exchange losses	2,416	2,593
Commission fee	483	5,028
Other	874	800
Total	11,614	16,619

(Millions of yen)

	Three months ended December 31, 2015	Three months ended December 31, 2016
Financial income		
Interest income	396	39
Dividend income	1,757	1,391
Foreign exchange gains	-	4,686
Other	4,511	992
Total	6,664	7,108

(Millions of yen)

	Three months ended December 31, 2015	Three months ended December 31, 2016
Financial costs		
Interest expenses	2,642	1,451
Foreign exchange losses	616	-
Other	268	171
Total	3,526	1,622

Note 1 :"Gain on sales of affiliates' stocks" in this fiscal year is mainly from transferring shares of Lenovo NEC Holdings B.V.

4.Subsequent Events

NEC commenced, pursuant to the resolution of its board of directors held on November 28, 2016, the tender offer (hereinafter the “Tender Offer”) targeting the shares of common stock of Japan Aviation Electronics Industry, Limited (hereinafter “JAE”), with the aim of making JAE a consolidated subsidiary of NEC, from November 29, 2016. The Tender Offer was completed on January 17, 2017, and NEC has acquired 10,000,000 common stock of JAE with a cash consideration of 19,200 million Japanese yen.
As a result of the Tender Offer, the percentage of NEC’s voting rights to JAE has increased to 51.17% and JAE has become a consolidated subsidiary of NEC.
At the timing of disclosure of this earnings release, initial accounting treatments for this business combination on the acquisition date including the fair value calculation of the acquired assets and the assumed liabilities have not been completed yet, therefore the information relating to accounting treatments of this business combination has not been disclosed.

Overview of Consolidation
(1) Profile of JAE

(i) Name:	Japan Aviation Electronics Industry, Limited
(ii) Type of Business:	(a) Manufacturing and marketing of connectors, user interface solution devices and electronics and electronic components for aviation and aerospace, and (b) purchase and sale of devices, components, etc., in connection therewith
(iii) Capital Amount	10,690 million Japanese yen

(2) Summary of the Tender Offer

(i) Tender Offer Period:	From November 29, 2016 thorough January 17, 2017
(ii) Tender Offer Price:	1,920 Japanese yen per share of common stock
(iii) Acquired Number of Shares:	10,000,000 (shares)
(iv) Total Purchase price:	19,200 million Japanese yen

(3) Purpose of Consolidation
To strengthen the business foundation of NEC and JAE by assembling the management resources of both companies.

(4) Acquisition date
January 23. 2017 (Settlement date)

(5) Acquired Voting Rights

Before the Tender Offer:	40.12 %
Acquired by the Tender Offer:	11.05 %
After the Tender Offer:	51.17 %

5. First-time Adoption

The NEC Group prepared the first condensed interim consolidated financial statements in accordance with IFRS from the fiscal year ending March 31, 2017. The NEC Group's latest financial statements prepared in accordance with the Generally Accepted Accounting Principles in Japan ("Japanese accounting standards" or "Japanese GAAP") are those for the year ended March 31, 2016. The date of transition to IFRS is April 1, 2015.

(1) IFRS 1 Exemption from Retrospective Application

IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), requires that companies adopting IFRS for the first time apply IFRS retrospectively. However, companies may elect to use one or more of the exemptions contained in the standard, and the NEC Group has adopted the following exceptions.

・Business combinations

Under IFRS 1, the first-time adopters may elect not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the date of transition to IFRS. The NEC Group elected to apply IFRS 3 only to business combinations that occurred after the date of transition to IFRS and not to those that occurred prior to the date of transition. Goodwill recognized at the date of transition to IFRS have been tested for impairment at the date of transition regardless of whether there is any indications that the goodwill may be impaired.

・Cumulative exchange differences on translating foreign operations

Under IFRS 1, the first-time adopters may elect to deem the cumulative translation differences for all foreign operations as of the date of transition to IFRS to be zero. The NEC Group has reclassified the cumulative translation differences at the date of transition to IFRS from other components of equity to retained earnings.

(2) IFRS 1 Exceptions to Retrospective Application

IFRS1 prohibits retrospective application of some items such as "accounting estimates" and "non-controlling interests". The NEC Group applies these items prospectively from the date of transition to IFRS.

(3) Reconciliation from Japanese Accounting Standards to IFRS

Charts of reconciliations which needs to be disclosed upon the first adoption of IFRS are as follows:
In the charts of reconciliations, equity reconciliation as of December 31,2015 (prior quarter-end), items which do not have impact on retained earnings nor comprehensive income are included in "Presentation Reclassification", whereas items which have impact on retained earnings or comprehensive income are included in "Recognition and Measurement Differences".
Charts of reconciliations for the transition date (April 1, 2015) , the previous fiscal year end (March 31, 2016) and the previous fiscal year (from April 1, 2015 to March 31, 2016) have been disclosed in the "Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017" published on July 29, 2016.

Equity Reconciliations as of December 31, 2015 (Prior Quarter-End)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
Assets	Amount			Amount	Notes	Assets
Cash and deposits	149,726	22,022	－	171,748	A	Cash and cash equivalents
Notes and accounts receivable-trade	768,100	43,845	17,300	829,245	A	Trade and other receivables
Securities	23,760	-23,760	－	－	A	
Inventories	312,984	－	-16,722	296,262	A	Inventories
	－	5,952	－	5,952	A	Other financial assets
Deferred tax assets	64,909	-64,909	－	－	C	
Other	160,996	-53,606	－	107,390	A,B	Other current assets
Allowance for doubtful accounts	-8,038	8,038	－	－		
Current Assets	1,472,437	-62,418	578	1,410,597		**Total current assets**
Property, plant and equipment, net	332,644	11,429	1,098	345,171	B	Property, plant and equipment, net
Goodwill	56,558	－	8,747	65,305	B	Goodwill
Software	91,213	-91,213	－	－	B	
Other intangible assets	24,361	97,803	-51	122,113	B	Intangible assets
Stocks of subsidiaries and associates	97,973	－	-1,896	96,077		Investments accounted for using the equity method
Investment securities	154,060	74,816	41,816	270,692	B	Other financial assets
Long-term loans receivable	38,083	-38,083	－	－	B	
Deferred tax assets	80,988	64,909	-3,854	142,043	C	Deferred tax assets
Net defined benefit asset	81,157	-81,157	－	－	D	
Other	72,354	21,579	-6,481	87,452	B,D	Other non-current assets
Allowance for doubtful accounts	-4,399	4,399	－	－		
Non-current Assets	1,024,992	64,482	39,379	1,128,853		**Total non-current assets**
Total Assets	2,497,429	2,064	39,957	2,539,450		**Total assets**

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
Liabilities and equity	Amount			Amount	Notes	Liabilities and equity
Notes and accounts payable-trade	383,293	74,708	-121	457,880	E	Trade and other payables
Short-term loans payable	65,156	106,834	-5	171,985	E	Bonds and borrowings
Current portion of long-term loans and current portion of bonds payable	106,834	-106,834	—	—	E	
Accrued expenses	124,766	-2,529	1,731	123,968		Accruals
Advances received	125,444	-125,444	—	—	E	
	—	12,336	648	12,984	E	Other financial liabilities
	—	7,344	-52	7,292	E	Accrued income taxes
Provisions	33,898	2,694	143	36,735		Provisions
Other	112,258	31,632	100	143,990	E	Other current liabilities
Current liabilities	951,649	741	2,444	954,834		**Total current liabilities**
Bonds and long-term loans payable	397,058	—	-1,617	395,441		Bonds and borrowings
	—	8,988	—	8,988	F	Other financial liabilities
Deferred tax liabilities	2,376	-2,376	—	—		
Net defined benefit liability	229,308	—	22,816	252,124	D	Defined benefit liability
Provisions	17,332	2,805	-4,975	15,162	F	Provisions
Other	32,022	-8,094	8,594	32,522	F	Other non-current liabilities
Non-current liabilities	678,096	1,323	24,818	704,237		**Total non-current liabilities**
Total liabilities	1,629,745	2,064	27,262	1,659,071		**Total liabilities**
Capital stock	397,199	—	—	397,199		Share capital
Capital surplus	149,035	—	-1,279	147,756		Share premium
Retained earnings	196,997	—	-35,620	161,377	G	Retained earnings
Treasury stock	-3,072	—	—	-3,072		Treasury shares
Accumulated other comprehensive income	67,050	—	43,179	110,229	G	Other components of equity
	—	—	6,280	813,489		**Total equity attributable to owners of the parent**
Non-controlling interests	60,475	—	6,415	66,890	G	Non-controlling interests
Total net assets	867,684	—	12,695	880,379		**Total equity**
Total liabilities and net assets	2,497,429	2,064	39,957	2,539,450		**Total liabilities and equity**

[Notes to Equity Reconciliations as of December 31, 2015 (Prior Quarter-End)]

A) Cash and cash equivalents, trade and other receivables, inventories and other financial assets (current)

Presentation Reclassification:

Short-term investments redeemable in three months or less from each acquisition date which were included in securities under Japanese accounting standards, have been reclassified as cash and cash equivalents. Deposits which contractual maturity dates are in excess of three months included in cash and deposits under Japanese accounting standards, have been reclassified as other financial assets (current).

Other receivables and others included in other (current assets) under Japanese accounting standards have been reclassified as trade and other receivables.

Recognition and measurement:

[Trade and other receivables/ inventories]

If outcomes from service delivery or construction contract cannot be estimated reliably, contract revenue is recognized based on cost recovery method. Under this method, contract revenue shall be recognized only to the extent that contract costs incurred are expected to be recoverable and contract costs shall be expensed as incurred. As a result, trade and other receivables increased by 14,682 million yen and inventories decreased by 14,682 million yen.

In addition, under Japanese accounting standards, the NEC Group as a lessor elects to recognize the revenue and cost of sales from finance leases upon receipt of lease payment from the lessee, whereas under IFRS, a lessor shall recognize the revenue and cost of sales associated with the leased asset at the commencement date of the lease. As a result, trade and other receivables increased by 2,601 million yen.

B) Property, plant and equipment, net, goodwill, intangible assets and other financial assets (non-current)

Presentation Reclassification:

Software under Japanese accounting standards have been reclassified as intangible assets.

In addition, lease deposits included in other (investments and other assets) under Japanese accounting standards and long-term loans receivable under Japanese accounting standards have been reclassified as other financial assets (non-current).

Furthermore, partial amount of long-term prepaid expenses included in other (investments and other assets) and partial amount of prepaid expenses included in other (current assets) under Japanese accounting standards have been reclassified as property, plant and equipment, net.

Recognition and measurement:

[Goodwill]

Under Japanese accounting standards, goodwill is amortized on a straight-line basis over the effective period not exceeding 20 years, whereas under IFRS, it is not subject to amortization. As a result, goodwill increased by 8,974 million yen.

[Other financial assets (non-current)]

Under Japanese accounting standards, financial instruments whose fair value cannot be reliably measured, such as unquoted equity instruments, are measured at cost, whereas under IFRS, they are estimated by using applicable valuation techniques. As a result, other financial assets (non-current) increased by 41,816 million yen.

C) Deferred tax assets

Presentation Reclassification:

Deferred tax assets which were classified as current under Japanese accounting standards have been reclassified as non-current.

Recognition and measurement:

Under Japanese accounting standards, financial instruments whose fair value cannot be reliably measured, such as unquoted equity instruments, are measured at cost, whereas under IFRS, they are estimated by using applicable valuation techniques. As a result, deferred tax assets decreased by 16,013 million yen.

In addition, as a result of actuarial calculation based on IAS 19 "Employee Benefits" ("IAS 19") for NEC and its consolidated domestic subsidiaries which apply defined benefit plans, due to different assumptions used in actuarial calculation such as discount rate, deferred tax assets increased by 7,579 million yen.

Furthermore, with respect to the tax effects arising from the elimination of intercompany unrealized gains, income tax expenses are deferred based on the sellers’ tax amounts under Japanese accounting standards, whereas under IFRS, the tax effects are recognized as deferred tax assets using the purchasers’ tax rates. As a result, deferred tax assets increased by 3,506 million yen.

D) Other non-current assets and defined benefit liability
Presentation Reclassification:
Net defined benefit asset under Japanese accounting standards has been reclassified as other non-current assets.

Recognition and measurement:
As a result of actuarial calculation based on IAS 19 for NEC and its consolidated domestic subsidiaries which apply defined benefit plans, due to different assumptions used in actuarial calculation such as discount rate, defined benefit asset included in other non-current assets decreased and defined benefit liability increased. Thus, other non-current assets decreased by 6,481 million yen and defined benefit liability increased by 22,816 million yen.

E) Trade and other payables, bonds and borrowings (current), other financial liabilities (current), accrued income taxes and other current liabilities
Presentation Reclassification:
Current portion of long-term loans payable and current portion of bonds under Japanese accounting standards have been reclassified as bonds and borrowings (current).
In addition, advance received under Japanese accounting standards has been reclassified as trade and other payables and other current liabilities, respectively.
Furthermore, accounts payable and others included in other (current liabilities) ,current tax payable included in other (current liabilities) and deposits received included in other (current liabilities) under Japanese accounting standards have been reclassified as trade and other payables, accrued income taxes and other financial liabilities (current), respectively.

Recognition and measurement:
[Other current liabilities]
With respect to sales of computers with repurchase agreements, under Japanese accounting standards, all revenue is recorded at the time of transfer, and at the same time, a provision for loss on repurchase is recorded to provide for the potential future losses at the time of repurchase. Under IFRS, revenue is not recognized for the portion in which significant risk of ownership and economic benefit is retained, and the recognition of revenue has been adjusted so that it is recognized upon transfer of the risk and the economic benefit. As a result, other current liabilities increased by 2,451 million yen.
Due to difference in revenue recognition of contracts with multiple elements in overseas consolidated subsidiaries between the previous accounting standards and IFRS, other current liabilities decreased by 1,706 million yen.

F) Provisions (non-current), other financial liabilities (non-current) and other non-current liabilities
Presentation Reclassification:
Lease liabilities and others included in other (non-current liabilities) under Japanese accounting standards have been reclassified as other financial liabilities (non-current).

Recognition and measurement
[Provisions (non-current)/Other non-current liabilities]
As described in E) other current liabilities section above, with respect to sales of computers with repurchase agreements, under Japanese accounting standards, all revenue is recorded at the time of transfer, and at the same time, a provision for loss on repurchase is recorded to provide for the potential future losses at the time of repurchase. Under IFRS, revenue is not recognized for the portion in which significant risk of ownership and economic benefit is retained, and the recognition of revenue has been adjusted so that it is recognized upon transfer of the risk and the economic benefit. As a result, provisions (non-current) decreased by 4,975 million yen and other non-current liabilities increased by 5,965 million yen.
In addition, government grants related to assets have been recognized as gains immediately under Japanese accounting standards, whereas under IFRS that have been recognized as deferred revenue, resulting in an increase of other non-current liabilities by 2,719 million yen.

G) Retained earnings, other components of equity and non-controlling interests
Recognition and measurement:
[Retained earnings]
The main reconciliation items related to retained earnings are as follows:

(Millions of Yen)

	Notes	Retained Earnings
Goodwill, Negative goodwill	B	8,974
Available-for-sale financial assets	B,C,G	-14,492
Remeasurements of defined benefit plan	C,D,G	-47,112
Exchange differences on translating foreign operations	G	12,795
Other		4,215
Total		-35,620

[Other components of equity]
・Remeasurements of defined benefit plan
Under Japanese accounting standards, actuarial gains and losses were amortized on a straight-line basis over a certain period within the employee's estimated average remaining service periods, starting from the following fiscal year, whereas under IFRS, they are immediately recognized in other comprehensive income. In addition, there are differences in the assumption used in actuarial calculation such as discount rate of actuarial calculation for NEC and its consolidated domestic subsidiaries which apply defined benefit plans. As a result, other components of equity increased by 15,734 million yen.

・Exchange differences on translating foreign operations
Under IFRS 1, the first-time adopters may elect to deem the cumulative translation differences for all foreign operations as of the date of transition to IFRS to be zero. The NEC Group has reclassified the cumulative translation differences at the date of transition to IFRS from accumulated other comprehensive income to retained earnings. As a result, other components of equity decreased by 12,795 million yen.

・Available-for-sale financial assets
Under Japanese accounting standards, financial instruments whose fair value cannot be reliably measured, such as unquoted equity instruments, are measured at cost, whereas under IFRS, they are estimated by using applicable valuation techniques. As a result, other components of equity increased by 40,318 million yen.

[Non-controlling interests]
As a result of calculating the impact on non-controlling interests arising from recognition and measurement differences, the amount attributable to non-controlling interests increased by 6,415 million yen.

Reconciliations to Profit or Loss for the nine months ended December 31, 2015 (Prior Quarter)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
	Amount			Amount	Notes	
Net sales	1,949,096	—	5,477	1,954,573	a	**Revenue**
Cost of sales	1,377,455	619	-49	1,378,025	a	Cost of sales
Gross profit	571,641	-619	5,526	576,548		Gross profit
Selling, general and administrative expenses	553,376	—	-8,572	544,804	a	Selling, general and administrative expenses
	—	-3,030	-1,041	-4,071	b	Other operating income (loss)
Operating income	18,265	-3,649	13,057	27,673		**Operating profit**
Non-operating income	16,468	-16,468	—	—	c	
	—	10,452	-484	9,968	c	Financial income
Non-operating expenses	19,492	-19,492	—	—	b,c	
	—	11,110	504	11,614	c	Financial costs
	—	6,791	446	7,237		Share of profit of entities accounted for using the equity method
Ordinary income	15,241	-15,241	—	—		
Extraordinary gains	5,829	-5,829	—	—	c	
Extraordinary losses	321	-321	—	—		
Income before income taxes	20,749	—	12,515	33,264		**Income before income taxes**
Income taxes	17,541	—	-1,538	16,003		Income taxes
Profit	3,208	—	14,053	17,261		**Net profit**
						Net profit attributable to:
Profit attributable to owners of the parent	342	—	13,075	13,417		Owners of the parent
Profit attributable to non-controlling interests	2,866	—	978	3,844		Non-controlling interests

Reconciliations to Comprehensive Income for the nine months ended December 31, 2015 (Prior Quarter)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
	Amount			Amount	Notes	
Profit	3,208	—	14,053	17,261		**Net profit**
Other comprehensive income						**Other comprehensive income, net of tax**
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans	2,258	—	-2,258	—	d	Remeasurements of defined benefit plan
	—	69	-69	—		Share of other comprehensive income of associates
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	-5,972	—	39	-5,933		Exchange differences on translating foreign operations
Deferred gains or losses on hedges	145	—	—	145		Cash flow hedges
Valuation differences on available-for-sale securities	-951	—	-2,452	-3,403	d	Available-for-sale financial assets
Share of other comprehensive income of associates accounted for using equity method	-1,914	-69	-77	-2,060		Share of other comprehensive income of associates
Total other comprehensive income	-6,434	—	-4,817	-11,251		**Total other comprehensive income, net of tax**
Comprehensive income	-3,226	—	9,236	6,010		**Total comprehensive income**
(Breakdown)						**Total comprehensive income attributable to:**
Comprehensive income attributable to owners of the parent	-6,369	—	8,855	2,486		Owners of the parent
Comprehensive income attributable to non-controlling interests	3,143	—	381	3,524		Non-controlling interests

[Notes to Reconciliations to Profit or Loss and Comprehensive Income for the nine months ended December 31, 2015]

a) Revenue, cost of sales and selling, general and administrative expenses

Recognition and measurement:

[Adjustments for sales with repurchase agreements]

With respect to sales of computers with repurchase agreements, under Japanese accounting standards, all revenue is recorded at the time of transfer and at the same time, a provision for loss on repurchase is recorded to provide for potential future losses at the time of repurchase. Under IFRS, revenue is not recognized for the portion in which significant risk of ownership and economic benefit is retained, and the recognition of revenue has been adjusted so that it is recognized upon transfer of the risk and the economic benefit. As a result, revenue increased by 2,059 million yen.

[Finance lease - Lessor]

Under Japanese accounting standards, the NEC Group as a lessor of a finance lease elects to recognize the revenue and cost of sales upon receipt of lease payment from the lessee, whereas under IFRS, a lessor shall recognize the revenue and cost of sales associated with the leased asset at the commencement date of the lease. As a result, revenue increased by 3,068 million yen and cost of sales increased by 2,832 million yen.

[Amortization of goodwill]

Under Japanese accounting standards, goodwill is amortized on a straight-line basis over the effective period not exceeding 20 years, whereas under IFRS, it is not subject to amortization. As a result, selling, general and administrative expenses, decreased by 8,974 million yen.

b) Other operating income (loss)

Presentation Reclassification:

Loss on disposal of non-current assets and others included in non-operating expenses under Japanese accounting standards have been reclassified as Other operating income (loss).

c) Financial income, and financial costs

Presentation Reclassification:

Dividend income and others included in non-operating income and gain on sale of investment securities in extraordinary gains and others under Japanese accounting standards have been reclassified as financial income.
In addition, Interest expenses and others included in non-operating expenses under Japanese accounting standards have been reclassified as financial costs.

d) Other comprehensive income

Recognition and measurement:

[Remeasurements of defined benefit plan]

Under Japanese accounting standards, actuarial gains and losses were amortized on a straight-line basis over a certain period within the employee's estimated average remaining service periods, starting from the following fiscal year, whereas under IFRS, they are immediately recognized in other comprehensive income. As a result, other comprehensive income decreased by 2,258 million yen.

[Available-for-sale financial assets]

Under Japanese accounting standards, financial instruments whose fair value cannot be reliably measured, such as unquoted equity instruments, are measured at cost, whereas under IFRS, they are estimated by using applicable valuation techniques. As a result, change in fair value of available-for-sale financial assets decreased by 2,452 million yen.

Reconciliations to Profit or Loss for the three months ended December 31, 2015 (Prior Quarter)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
	Amount			Amount	Notes	
Net sales	640,964	—	3,889	644,853	a	**Revenue**
Cost of sales	454,067	542	1,631	456,240	a	Cost of sales
Gross profit	186,897	-542	2,258	188,613		Gross profit
Selling, general and administrative expenses	181,971	—	-2,917	179,054	a	Selling, general and administrative expenses
	—	-802	-95	-897	b	Other operating income (loss)
Operating income	4,926	-1,344	5,080	8,662		**Operating profit**
Non-operating income	4,381	-4,381	—	—	c	
	—	7,103	-439	6,664	c	Financial income
Non-operating expenses	5,471	-5,471	—	—	b,c	
	—	3,297	229	3,526	c	Financial costs
	—	1,180	502	1,682		Share of profit of entities accounted for using the equity method
Ordinary income	3,836	-3,836	—	—		
Extraordinary gains	4,897	-4,897	—	—	c	
Extraordinary losses	165	-165	—	—		
Income before income taxes	8,568	—	4,914	13,482		**Income before income taxes**
Income taxes	7,035	—	-365	6,670		Income taxes
Profit	1,533	—	5,279	6,812		**Net profit**
						Net profit attributable to:
Profit attributable to owners of the parent	124	—	4,683	4,807		Owners of the parent
Profit attributable to non-controlling interests	1,409	—	596	2,005		Non-controlling interests

Reconciliations to Comprehensive Income for the three months ended December 31, 2015 (Prior Quarter)

(Millions of Yen)

Japanese GAAP		Presentation Reclassification	Recognition and Measurement Differences	IFRS		
	Amount			Amount	Notes	
Profit	1,533	—	5,279	6,812		**Net profit**
Other comprehensive income						**Other comprehensive income, net of tax**
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans	1,301	—	-1,301	—		Remeasurements of defined benefit plan
	—	23	-23	—		Share of other comprehensive income of associates
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	-788	—	726	-62		Exchange differences on translating foreign operations
Deferred gains or losses on hedges	87	—	—	87		Cash flow hedges
Valuation differences on available-for-sale securities	6,490	—	-214	6,276		Available-for-sale financial assets
Share of other comprehensive income of associates accounted for using equity method	181	-23	-88	70		Share of other comprehensive income of associates
Total other comprehensive income	7,271	—	-900	6,371		**Total other comprehensive income, net of tax**
Comprehensive income	8,804	—	4,379	13,183		**Total comprehensive income**
(Breakdown)						**Total comprehensive income attributable to:**
Comprehensive income attributable to owners of the parent	7,130	—	4,226	11,356		Owners of the parent
Comprehensive income attributable to non-controlling interests	1,674	—	153	1,827		Non-controlling interests

[Notes to Reconciliations to Profit or Loss and Comprehensive Income for the three months ended December 31, 2015 (Prior Quarter)]

a) Revenue, cost of sales and selling, general and administrative expense

Recognition and measurement:

[Cost recovery method]

If outcomes from service delivery and construction contract cannot be estimated reliably, contract revenue is recognized based on cost recovery method. Under this method, contract revenue shall be recognized only to the extent that contract costs incurred are expected to be recoverable and contract costs shall be expensed as incurred. As a result, revenue increased by 3,436 million yen and cost of sales increased by 3,436 million yen.

[Amortization of goodwill]

Under Japanese accounting standards, goodwill is amortized on a straight-line basis over the effective period not exceeding 20 years, whereas under IFRS, it is not subject to amortization. As a result, selling, general and administrative expenses, decreased by 2,937 million yen.

b) Other operating income (loss)

Presentation Reclassification:

Loss on disposal of non-current assets and others included in non-operating expenses under Japanese accounting standards have been reclassified as Other operating income (loss).

c) Financial income, and financial costs

Presentation Reclassification:

Dividend income and others included in non-operating income and gain on sale of investment securities in extraordinary gains and others under Japanese accounting standards have been reclassified as financial income.

In addition, Interest expenses and others included in non-operating expenses under Japanese accounting standards have been reclassified as financial costs.

Reconciliations to consolidated statement of cash flows for the nine months ended December 31, 2015:

Impact on statement of cash flows due to the transition from Japanese accounting standards to IFRS are immaterial.

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.

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