

News

Release

Orchestrating a brighter world **NEC**

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***** For immediate use October 31, 2017

Consolidated Financial Results

for the First Half

of the Fiscal Year Ending

March 31, 2018

1. Consolidated Business Results

As stated in the July 21, 2017 announcement, “NEC to Revise Business Segments,” NEC has revised its operating segments from the first quarter of the fiscal year ending March 31, 2018. Figures for the corresponding period of the previous fiscal year have been restated to conform with the new segments.

(1) Overview of the first half of the fiscal year ending March 31, 2018 (six months ended September 30, 2017)

The worldwide economy during the six months ended September 30, 2017 was characterized by gradual improvement, despite increasing political uncertainties and geopolitical risks in some regions.

As for the Japanese economy, steady performance was supported by both international and domestic demand.

Under this business environment, the NEC Group recorded consolidated revenue of 1,288.0 billion yen for the six months ended September 30, 2017, an increase of 86.9 billion yen (7.2%) year-on-year. This increase was mainly due to increased sales in the Public business.

Regarding profitability, operating profit (loss) improved by 3.5 billion yen year-on-year, to an operating profit of 7.3 billion yen, mainly due to increased revenue.

Income (loss) before income taxes was an income of 30.8 billion yen, a year-on-year improvement of 18.2 billion yen. This was primarily due to improved operating profit (loss) in addition to improved foreign exchange gains (losses).

Net profit (loss) attributable to owners of the parent for the first half was a profit of 18.8 billion yen, improving by 5.7 billion yen year-on-year. This was primarily due to improved income (loss) before income taxes.

(2) Results by main business segment

Revenue by segment (revenue from customers):

Segments	Six months ended September 30, 2016	Six months ended September 30, 2017	Change
	In billions of yen	In billions of yen	%
Public	293.5	407.0	38.7
Enterprise	204.0	191.8	-6.0
Telecom Carrier	277.6	267.5	-3.7
System Platform	339.8	333.0	-2.0
Others	86.1	88.7	3.1
Total	1,201.1	1,288.0	7.2

Operating profit (loss) by segment:

Segments	Six months ended September 30, 2016	Six months ended September 30, 2017	Change
	In billions of yen	In billions of yen	In billions of yen
Public	8.3	15.0	6.7
Enterprise	19.4	15.8	-3.5
Telecom Carrier	3.9	0.6	-3.3
System Platform	7.8	6.3	-1.4
Others	-9.8	-5.8	4.0
Adjustment	-25.8	-24.7	1.1
Total	3.7	7.3	3.5

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: 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

Revenue:	407.0 billion yen	(38.7%)
Operating Profit (Loss):	15.0 billion yen	(6.7 billion yen)

In the Public business, revenue was 407.0 billion yen, an increase of 113.5 billion yen (38.7%) year-on-year, mainly due to Japan Aviation Electronics Industry, Limited becoming a consolidated subsidiary from the fourth quarter of the previous fiscal year, despite decreased sales from firefighting and disaster prevention systems.

Operating profit (loss) improved by 6.7 billion yen year-on-year, to an operating profit of 15.0 billion yen, mainly owing to increased sales.

Enterprise Business

Revenue:	191.8 billion yen	(-6.0%)
Operating Profit (Loss):	15.8 billion yen	(-3.5 billion yen)

In the Enterprise business, revenue was 191.8 billion yen, a decrease of 12.2 billion yen (-6.0%) year-on-year, mainly due to decreased sales for the retail/service sector.

Operating profit (loss) worsened by 3.5 billion yen year-on-year, to an operating profit of 15.8 billion yen, mainly owing to decreased sales as well as increased investments in the IoT (Internet of Things) area.

Telecom Carrier Business

Revenue:	267.5 billion yen	(-3.7%)
Operating Profit (Loss):	0.6 billion yen	(-3.3 billion yen)

In the Telecom Carrier business, revenue was 267.5 billion yen, a decrease of 10.2 billion yen (-3.7%) year-on-year, mainly due to decreased international sales in the submarine systems area resulting from fluctuations in large scale projects, as well as decreased sales due to sluggish capital investment by domestic telecommunications carriers.

Operating profit (loss) worsened by 3.3 billion yen year-on-year, to an operating profit of 0.6 billion yen, mainly due to decreased sales.

System Platform Business

Revenue:	333.0 billion yen	(-2.0%)
Operating Profit (Loss):	6.3 billion yen	(-1.4 billion yen)

In the System Platform business, revenue was 333.0 billion yen, a decrease of 6.8 billion yen (-2.0%) year-on-year, mainly due to decreased sales in hardware.

Operating profit (loss) worsened by 1.4 billion yen year-on-year, to an operating profit of 6.3 billion yen, mainly due to decreased sales.

Others

Revenue:	88.7 billion yen	(3.1%)
Operating Profit (Loss):	-5.8 billion yen	(4.0 billion yen)

In Others, revenue was 88.7 billion yen, an increase of 2.7 billion yen (3.1%) year-on-year, mainly due to increased sales in the international safety business.

Operating profit (loss) improved by 4.0 billion yen year-on-year, to an operating loss of 5.8 billion yen, mainly owing to increased sales and cost efficiency.

2. Consolidated Financial Condition

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

Total assets were 2,716.4 billion yen as of September 30, 2017, an increase of 32.4 billion yen as compared with the end of the previous fiscal year. Current assets as of September 30, 2017 increased by 71.7 billion yen compared with the end of the previous fiscal year to 1,580.5 billion yen, mainly due to an increase in cash and cash equivalents from the collection of trade and other receivables, as well as an increase in inventories. Non-current assets as of September 30, 2017 decreased by 39.3 billion yen compared with the end of the previous fiscal year to 1,135.9 billion yen, mainly due to a decrease in other financial assets.

Total liabilities as of September 30, 2017 increased by 22.6 billion yen compared with the end of the previous fiscal year, to 1,690.5 billion yen. This was mainly due to issuance of bonds despite a decrease in trade and other payables. The balance of interest-bearing debt amounted to 541.6 billion yen, an increase of 74.6 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of September 30, 2017 was 0.63 (a worsening of 0.08 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of September 30, 2017, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 169.1 billion yen, a decrease of 57.9 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of September 30, 2017 was 0.20 (an improvement of 0.07 points as compared with the end of the previous fiscal year).

Total equity was 1,025.9 billion yen as of September 30, 2017, an increase of 9.8 billion yen as compared with the end of the previous fiscal year, mainly due to the recording of net profit attributable to owners of the parent for the first half.

As a result, total equity attributable to owners of the parent (total equity less non-controlling interests) as of September 30, 2017 was 859.7 billion yen, and the ratio of equity attributable to owners of the parent was 31.6% (a worsening of 0.2 points as compared with the end of the previous fiscal year).

Net cash inflows from operating activities for the six months ended September 30, 2017 were 50.1 billion yen, an improvement of 17.1 billion yen as compared with the same period of the previous fiscal year, mainly due to improvement of profit before income taxes.

Net cash inflows from investing activities for the six months ended September 30, 2017 were 25.2 billion yen, an increase of 11.3 billion yen as compared with the same period of the previous fiscal year, mainly due to increased proceeds from sales of available-for-sale financial assets.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the six months ended September 30, 2017 totaled a cash inflow of 75.3 billion yen, an improvement of 28.3 billion yen year-on-year.

Net cash flows from financing activities for the six months ended September 30, 2017 totaled a cash inflow of 55.9 billion yen, mainly due to proceeds from issuance of bonds.

As a result, cash and cash equivalents as of September 30, 2017 amounted to 372.5 billion yen, an increase of 132.5 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, 2018, there is no change to the NEC Group's consolidated revenue or consolidated operating income forecasts that were previously disclosed on July 31, 2017.

The NEC Group anticipates net profit attributable to owners of the parent of 35.0 billion yen, an increase of 5.0 billion yen from the previous forecast, mainly due to gain on sales from the transfer of shares in Renesas Electronics Corporation.

There is no change to the previous forecast of an annual dividend of 60 yen per share of common stock.

Condensed Interim Consolidated Financial Statements**(1)Condensed Interim Consolidated Statements of Financial Position**

(Millions of yen)

	Notes	As of March 31, 2017	As of September 30, 2017
Assets			
Current Assets			
Cash and cash equivalents		239,970	372,486
Trade and other receivables		952,258	815,821
Inventories		205,855	263,403
Other financial assets		4,485	5,611
Other current assets		106,169	123,139
Total current assets		1,508,737	1,580,460
Non-current assets			
Property, plant and equipment, net		419,078	410,723
Goodwill		63,220	63,459
Intangible assets		142,139	140,344
Investments accounted for using the equity method		68,132	69,633
Other financial assets		262,284	235,268
Deferred tax assets		156,622	155,291
Other non-current assets		63,784	61,227
Total non-current assets		1,175,259	1,135,945
Total assets		2,683,996	2,716,405

Condensed Interim Consolidated Statements of Financial Position (Continued)

(Millions of yen)

	Notes	As of March 31, 2017	As of September 30, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		497,051	461,036
Bonds and borrowings		118,915	99,641
Accruals		155,161	158,587
Other financial liabilities		12,507	12,208
Accrued income taxes		21,014	14,482
Provisions		52,210	44,321
Other current liabilities		145,683	139,380
Total current liabilities		1,002,541	929,655
Non-current liabilities			
Bonds and borrowings		342,854	437,163
Other financial liabilities		8,285	6,505
Defined benefit liabilities		264,272	268,407
Provisions		13,736	13,232
Other non-current liabilities		36,242	35,537
Total non-current liabilities		665,389	760,844
Total liabilities		1,667,930	1,690,499
Equity			
Share capital		397,199	397,199
Share premium		147,879	147,996
Retained earnings		235,601	238,826
Treasury shares		-3,101	-3,113
Other components of equity	2	76,686	78,828
Total equity attributable to owners of the parent		854,264	859,736
Non-controlling interests		161,802	166,170
Total equity		1,016,066	1,025,906
Total liabilities and equity		2,683,996	2,716,405

(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)

Six months ended September 30	Notes	2016	2017
Revenue		1,201,062	1,288,011
Cost of sales		860,151	930,090
Gross profit		340,911	357,921
Selling, general and administrative expenses		337,870	350,163
Other operating income (loss)		703	-486
Operating Profit (Loss)		3,744	7,272
Financial income	3	23,573	24,442
Financial costs	3	19,683	4,353
Share of profit (loss) of entities accounted for using the equity method		5,003	3,449
Income (loss) before income taxes		12,637	30,810
Income taxes		-2,385	6,260
Net profit (loss)		15,022	24,550
Net profit (loss) attributable to			
Owners of the parent		13,118	18,817
Non-controlling interests		1,904	5,733
Total		15,022	24,550
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		50.48	72.42
Diluted earnings per share (yen)		—	72.41

Note: The Company implemented share consolidation with a ratio of 10 shares of common share to 1 share as of October 1, 2017. The above Basic earnings per share ("EPS") and diluted EPS on common share are calculated assuming that the share consolidation was carried out at the beginning of FY 2016.

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Six months ended September 30	Notes	2016	2017
Net profit (loss)		15,022	24,550
Other comprehensive income, 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		-11,384	2,018
Cash flow hedges		844	-118
Available-for-sale financial assets		-4,335	-966
Share of other comprehensive income of associates		-1,572	1,774
Total items that may be reclassified subsequently to profit or loss		-16,447	2,708
Total other comprehensive income, net of tax		-20,465	2,708
Total comprehensive income		-5,443	27,258
Total comprehensive income attributable to			
Owners of the parent		-7,003	20,959
Non-controlling interests		1,560	6,299
Total		-5,443	27,258

[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 September 30	Notes	2016	2017
Revenue		682,359	705,555
Cost of sales		482,356	505,669
Gross profit		200,003	199,886
Selling, general and administrative expenses		166,963	177,107
Other operating income (loss)		648	-1,066
Operating Profit (Loss)		33,688	21,713
Financial income	3	21,051	1,898
Financial costs	3	10,772	1,805
Share of profit (loss) of entities accounted for using the equity method		2,324	1,870
Income (loss) before income taxes		46,291	23,676
Income taxes		10,879	8,499
Net profit (loss)		35,412	15,177
Net profit (loss) attributable to			
Owners of the parent		33,222	10,986
Non-controlling interests		2,190	4,191
Total		35,412	15,177
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)		127.85	42.28
Diluted earnings per share (yen)		—	42.28

Note: The Company implemented share consolidation with a ratio of 10 shares of common share to 1 share as of October 1, 2017. The above Basic earnings per share ("EPS") and diluted EPS on common share are calculated assuming that the share consolidation was carried out at the beginning of FY 2016.

Condensed Interim Consolidated Statements of Other Comprehensive Income

(Millions of yen)

Three months ended September 30	Notes	2016	2017
Net profit (loss)		35,412	15,177
Other comprehensive income, 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		-1,440	1,866
Cash flow hedges		684	-130
Available-for-sale financial assets		5,586	2,486
Share of other comprehensive income of associates		-325	52
Total items that may be reclassified subsequently to profit or loss		4,505	4,274
Total other comprehensive income, net of tax		487	4,274
Total comprehensive income		35,899	19,451
Total comprehensive income attributable to			
Owners of the parent		33,843	14,903
Non-controlling interests		2,056	4,548
Total		35,899	19,451

(3)Condensed Interim Consolidated Statements of Changes in Equity

(Six months ended September 30, 2016)

(Millions of yen)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	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)	—	—	13,118	—	—	13,118	1,904	15,022
Other comprehensive income (loss)	—	—	—	—	-20,121	-20,121	-344	-20,465
Comprehensive income	—	—	13,118	—	-20,121	-7,003	1,560	-5,443
Purchase of treasury shares	—	—	—	-11	—	-11	—	-11
Disposal of treasury shares	—	-1	—	2	—	1	—	1
Cash dividends	—	—	-15,592	—	—	-15,592	-1,288	-16,880
Changes in interests in subsidiaries	—	—	—	—	—	—	-107	-107
Total transactions with owners	—	-1	-15,592	-8	—	-15,603	-1,395	-16,998
As of September 30, 2016	397,199	147,753	221,409	-3,086	-16,054	747,221	67,558	814,779

(Six months ended September 30, 2017)

(Millions of yen)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2017	397,199	147,879	235,601	-3,101	76,686	854,264	161,802	1,016,066
Net profit (loss)	—	—	18,817	—	—	18,817	5,733	24,550
Other comprehensive income (loss)	—	—	—	—	2,142	2,142	566	2,708
Comprehensive income	—	—	18,817	—	2,142	20,959	6,299	27,258
Purchase of treasury shares	—	—	—	-14	—	-14	—	-14
Disposal of treasury shares	—	-1	—	2	—	1	—	1
Cash dividends	—	—	-15,592	—	—	-15,592	-2,248	-17,840
Changes in interests in subsidiaries	—	118	—	—	—	118	317	435
Total transactions with owners	—	117	-15,592	-12	—	-15,487	-1,931	-17,418
As of September 30, 2017	397,199	147,996	238,826	-3,113	78,828	859,736	166,170	1,025,906

(4)Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

Six months ended September 30	Notes	2016	2017
Cash flows from operating activities			
Income (loss) before income taxes		12,637	30,810
Depreciation and amortization		37,020	46,530
Impairment loss		731	77
Increase (decrease) in provisions		-2,813	-10,236
Financial income	3	-23,573	-24,442
Financial costs	3	19,683	4,353
Share of (profit) loss of entities accounted for using the equity method		-5,003	-3,449
Decrease (increase) in trade and other receivables		146,010	140,903
Decrease (increase) in inventories		-36,284	-55,892
Increase (decrease) in trade and other payables		-61,998	-35,111
Others, net		-45,526	-34,725
Subtotal		40,884	58,818
Interest and dividends received		3,531	4,064
Interest paid		-5,613	-2,628
Income taxes paid		-5,811	-10,176
Net cash provided by operating activities		32,991	50,078
Cash flows from investing activities			
Purchases of property, plant and equipment		-18,941	-22,969
Proceeds from sales of property, plant and equipment		1,330	1,399
Acquisitions of intangible assets		-4,306	-4,376
Purchases of investment securities		-3,963	-1,569
Proceeds from sales of investment securities		1,615	10,761
Proceeds from acquisitions of shares of newly consolidated subsidiaries		59	—
Purchases of investments in affiliated companies		-139	—
Proceeds from sales of investments in affiliated companies		23,690	16,947
Others, net		14,650	25,054
Net cash provided by investing activities		13,995	25,247

			(Millions of yen)	
Six months ended September 30	Notes	2016	2017	
Cash flows from financing activities				
Increase (decrease) in short-term borrowings, net		1,446	1,172	
Proceeds from long-term borrowings		70,002	270	
Repayments of long-term borrowings		-5,320	-8,058	
Proceeds from issuance of bonds		—	100,000	
Redemption of bonds		-10,000	-20,000	
Dividends paid		-15,572	-15,562	
Dividends paid to non-controlling interests		-1,289	-2,248	
Others, net		-71	375	
Net cash provided by financing activities		39,196	55,949	
Effect of exchange rate changes on cash and cash equivalents		-7,599	1,242	
Net increase (decrease) in cash and cash equivalents		78,583	132,516	
Cash and cash equivalents, at beginning of period		192,323	239,970	
Cash and cash equivalents, at end of period		270,906	372,486	

Notes to the Condensed Interim Consolidated Financial Statements

1. Segment Information

(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 aggregates two businesses, "Public Solutions Business" which handles business involving regional sales functions and regional public entities in Japan and "Public Infrastructure Business" which handles business involving government agencies and companies supporting national and social infrastructures as one reportable segment which is "Public" in terms of similarity of products, services and economic characteristics based on business. Therefore 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 Public, Healthcare, Government and Media.

Enterprise

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

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 sales and transfers are based on arm's-length price.

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

(Six months ended September 30, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	293,503	204,028	277,642	339,829	1,115,002	86,060	—	1,201,062
Intersegment revenue and transfers	16,664	2,999	8,760	27,554	55,977	8,380	-64,357	—
Total	310,167	207,027	286,402	367,383	1,170,979	94,440	-64,357	1,201,062
Segment income(loss) (Operating profit (loss))	8,269	19,378	3,926	7,755	39,328	-9,792	-25,792	3,744
Financial income								23,573
Financial costs								19,683
Share of profit (loss) of entities accounted for using the equity method								5,003
Income (loss) before income taxes								12,637

(Six months ended September 30, 2017)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	406,981	191,833	267,451	333,032	1,199,297	88,714	—	1,288,011
Intersegment revenue and transfers	14,969	6,025	7,115	29,453	57,562	10,117	-67,679	—
Total	421,950	197,858	274,566	362,485	1,256,859	98,831	-67,679	1,288,011
Segment income(loss) (Operating profit (loss))	15,016	15,830	630	6,334	37,810	-5,821	-24,717	7,272
Financial income								24,442
Financial costs								4,353
Share of profit (loss) of entities accounted for using the equity method								3,449
Income (loss) before income taxes								30,810

Notes:

- "Others" for the six months ended September 30, 2016 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), which are not included in reportable segments. "Others" for the six months ended September 30, 2017 represents businesses such as Electrodes/Energy Storage System, etc., which are not included in reportable segments.
- "Adjustment" of segment income (loss) for the six months ended September 30, 2016 includes corporate expenses of -25,672 million yen and noncurrent assets related adjustment of 275 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the six months ended September 30, 2017 includes corporate expenses of -22,289 million yen and noncurrent assets related adjustment of 740 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 September 30, 2016)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	172,754	114,867	158,969	189,593	636,183	46,176	—	682,359
Intersegment revenue and transfers	9,265	1,394	2,373	14,756	27,788	4,628	-32,416	—
Total	182,019	116,261	161,342	204,349	663,971	50,804	-32,416	682,359
Segment income(loss) (Operating profit (loss))	14,407	13,665	10,898	12,361	51,331	-2,147	-15,496	33,688
Financial income								21,051
Financial costs								10,772
Share of profit (loss) of entities accounted for using the equity method								2,324
Income (loss) before income taxes								46,291

(Three months ended September 30, 2017)

(Millions of yen)

	Reportable Segments					Others	Adjustments	Consolidated Total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Revenue								
Revenue from customers	225,975	104,020	144,129	179,783	653,907	51,648	—	705,555
Intersegment revenue and transfers	8,419	2,667	3,833	16,321	31,240	5,545	-36,785	—
Total	234,394	106,687	147,962	196,104	685,147	57,193	-36,785	705,555
Segment income(loss) (Operating profit (loss))	15,513	10,816	3,950	8,077	38,356	-493	-16,150	21,713
Financial income								1,898
Financial costs								1,805
Share of profit (loss) of entities accounted for using the equity method								1,870
Income (loss) before income taxes								23,676

Notes:

- "Others" for the three months ended September 30, 2016 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), which are not included in reportable segments. "Others" for the three months ended September 30, 2017 represents businesses such as Electrodes/Energy Storage System, etc., which are not included in reportable segments.
- "Adjustment" of segment income (loss) for the three months ended September 30, 2016 includes corporate expenses of -13,889 million yen and noncurrent assets related adjustment of -864 million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the three months ended September 30, 2017 includes corporate expenses of -13,647 million yen and noncurrent assets related adjustment of -123 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.

(4) Information about revising segments

From the first quarter of the fiscal year ending March 31, 2018, the Company's operating segments have been revised based on a new organization structure effective as of April 1, 2017

Major revisions are as follows:

Regional sales functions within Japan previously included under Others have been transferred to the "Public" segment.

Business involving financial institutions previously included under the "Public" segment has been transferred to the "Enterprise" segment.

In connection with this revision, segment information for the previous fiscal year's second quarter has been reclassified to conform to the presentation of the fiscal year ending March 31, 2018.

(5) Information about geographic areas

Revenue from customers

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Japan	946,022	936,150
The Americas	84,860	89,355
EMEA	55,613	70,452
China / East Asia and APAC	114,567	192,054
Total	1,201,062	1,288,011

(Millions of yen)

	Three months ended September 30, 2016	Three months ended September 30, 2017
Japan	545,488	516,839
The Americas	45,190	48,488
EMEA	28,664	37,302
China / East Asia and APAC	63,017	102,926
Total	682,359	705,555

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) China / East Asia and APAC: China, East Asia and Asia Pacific (Asia, Oceania)

2. Equity

Details of other components of equity

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Remeasurements of defined benefit plan	641	641
Exchange differences on translating foreign operations	-14,785	-11,241
Cash flow hedges	-476	-564
Available-for-sale financial assets	91,306	89,992
Total	76,686	78,828

3. Financial income and financial costs

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Financial income		
Interest income	802	833
Dividend income	2,115	2,693
Gain on sales of affiliates' stocks (*1)	20,057	15,134
Gain on sales of available-for-sale financial assets	447	4,630
Foreign exchange gains	-	1,000
Other	152	152
Total	23,573	24,442

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Financial costs		
Interest expenses	6,747	2,972
Foreign exchange losses	7,279	-
Commission fee	4,884	351
Other	773	1,030
Total	19,683	4,353

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

(Millions of yen)

	Three months ended September 30, 2016	Three months ended September 30, 2017
Financial income		
Interest income	342	418
Dividend income	410	66
Foreign exchange gains	-	674
Gain on sales of affiliates' stocks (*2)	20,057	343
Other	242	397
Total	21,051	1,898

(Millions of yen)

	Three months ended September 30, 2016	Three months ended September 30, 2017
Financial costs		
Interest expenses	3,937	1,506
Foreign exchange losses	1,829	-
Commission fee	4,659	119
Other	347	180
Total	10,772	1,805

Note 2: "Gain on sales of affiliates' stocks" in previous fiscal year is from transferring shares of Lenovo NEC Holdings B.V.

4. Subsequent Event

The Share Consolidation

The Company implemented share consolidation with a ratio of 10 shares of common share to 1 share as of October 1, 2017 based on the approval at the Ordinary General Meeting of Shareholders held on June 22, 2017.

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.
