

# Financial Results for 1Q FY08/3

(First Quarter of Fiscal Year Ending March 2008)

July 31, 2007  
NEC Corporation

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This material contains forward-looking statements pertaining to strategies, financial targets, technology, products and services, and business performance of NEC Corporation and its consolidated subsidiaries (collectively "NEC"). Written forward-looking statements may appear in other documents that NEC files with stock exchanges or regulatory authorities, such as the U.S. Securities and Exchange Commission, and in reports to shareholders and other communications. The U.S. Private Securities Litigation Reform Act of 1995 contains, and other applicable laws may contain, a safe-harbor for forward-looking statements, on which NEC relies in making these disclosures. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "targets," "aims," or "anticipates," or the negative of those words, or other comparable words or phrases. You can also identify forward-looking statements by discussions of strategy, beliefs, plans, targets, or intentions. Forward-looking statements necessarily depend on currently available assumptions, data, or methods that may be incorrect or imprecise and NEC may not be able to realize the results expected by them. You should not place undue reliance on forward-looking statements, which reflect NEC's analysis and expectations only. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Among the factors that could cause actual results to differ materially from such statements include (i) uncertainty relating to NEC's ongoing analysis necessary to prepare the financial statements for inclusion in the 2006 Form 20-F, (ii) global economic conditions and general economic conditions in NEC's markets, (iii) fluctuating demand for, and competitive pricing pressure on, NEC's products and services, (iv) NEC's ability to continue to win acceptance of NEC's products and services in highly competitive markets, (v) NEC's ability to expand into foreign markets, such as China, (vi) regulatory change and uncertainty and potential legal liability relating to NEC's business and operations, (vii) NEC's ability to restructure, or otherwise adjust, its operations to reflect changing market conditions, and (viii) movement of currency exchange rates, particularly the rate between the yen and the U.S. dollar. Any forward-looking statements speak only as of the date on which they are made. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect NEC. NEC does not undertake any obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.

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(Notes)

NEC changed the accounting principles for preparing its consolidated financial statements from accounting principles generally accepted in the U.S. ("U.S. GAAP"), to accounting principles generally accepted in Japan ("Japan GAAP") from the first half of the fiscal year ended March 31, 2007. Results for the first quarter of the fiscal year ended March 31, 2007 (April-June, 2006) have been presented under Japan GAAP for comparison purposes.

# I. Overview of Financial Results

# Executive Summary

## FY2008/3 Challenges

**Achieve targets of FY2008/3  
and accelerate the execution of growth measures**

- ▶ Rebuild semiconductor business for mid-term growth
- ▶ Ensure profitability of mobile terminals business  
and reinforce competitive product offerings
- ▶ Establish concrete growth strategy centered on NGN

## 1Q Progress

**Made solid start toward full year targets**

**Operating income increased ¥3.4 Bn. year on year**

- Semiconductor business improved steadily
- Mobile/Personal Solutions business regained profitability
- Decrease in profit in IT/Network Solutions business due to change in product mix



**Achieve full-year forecast: Operating income ¥130 Billion**

# Financial Summary (Overview)

(In Billion Yen)

	1Q		
	FY07/3 Actual	FY08/3 Actual	YOY
Net sales	1,031.5	1,007.8	- 2.3%
Operating income <i>(% to Net sales)</i>	7.9 0.8%	11.3 1.1%	+3.4
Ordinary income	2.7	8.2	+5.5
Net income <i>(% to Net sales)</i>	0.3 0.0%	1.0 0.1%	+0.7
Net income per share (yen)	0.12	0.41	+0.29

	1H		
	FY07/3 Actual	FY08/3 Forecast	YOY
Net sales	2,221.6	2,150	- 3.2%
Operating income <i>(% to Net sales)</i>	7.5 0.3%	15 0.7%	+7.5
Ordinary income	-11.8	-10	+1.8
Net income <i>(% to Net sales)</i>	-9.9 -	-22 -	-12.1
Net income per share (yen)	-4.94	-10.86	-5.92

\*Forecasts as of July 31, 2007

## II. Segment Information

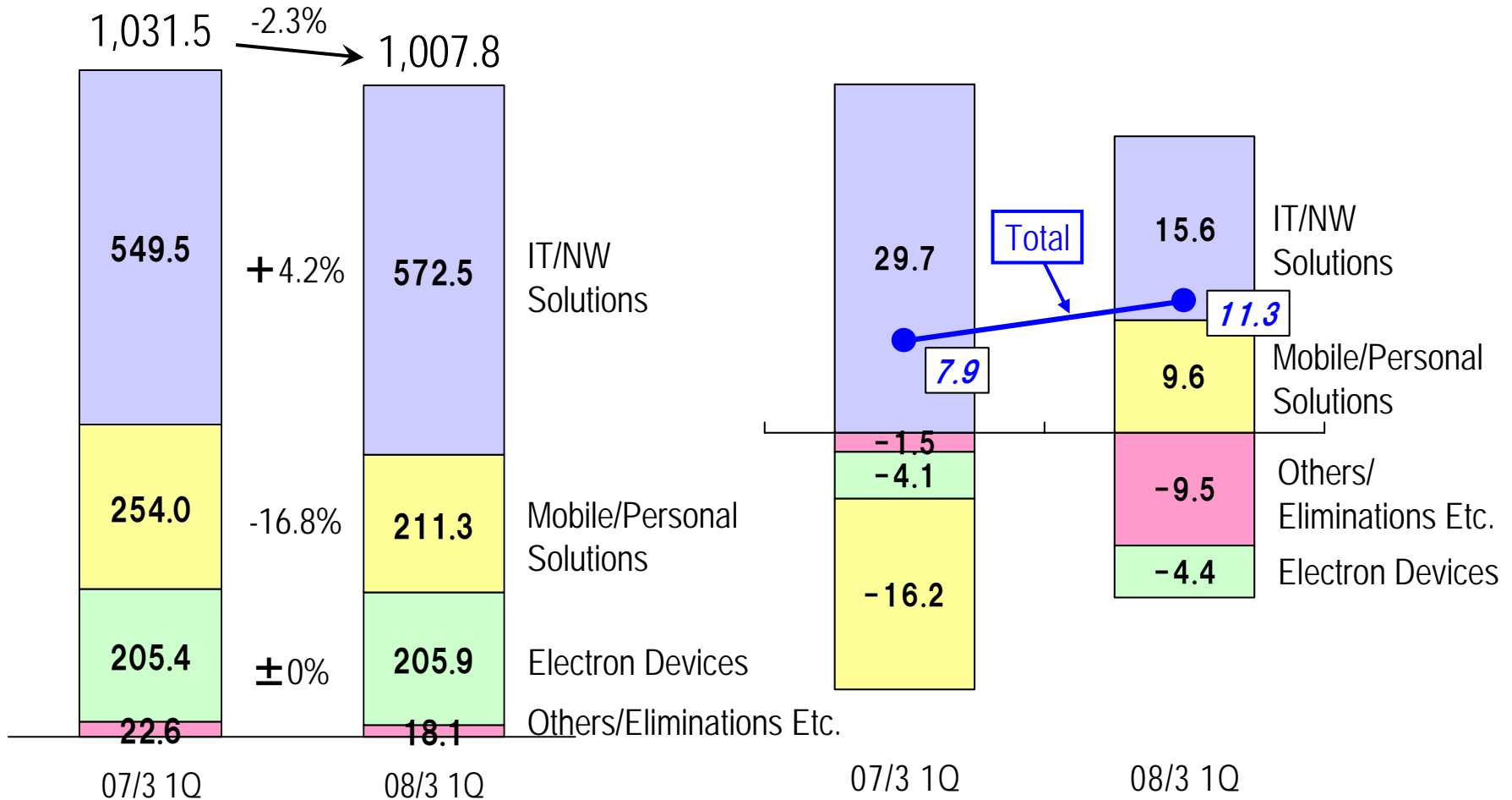
# 1Q Financial Performance by Segment

Net sales

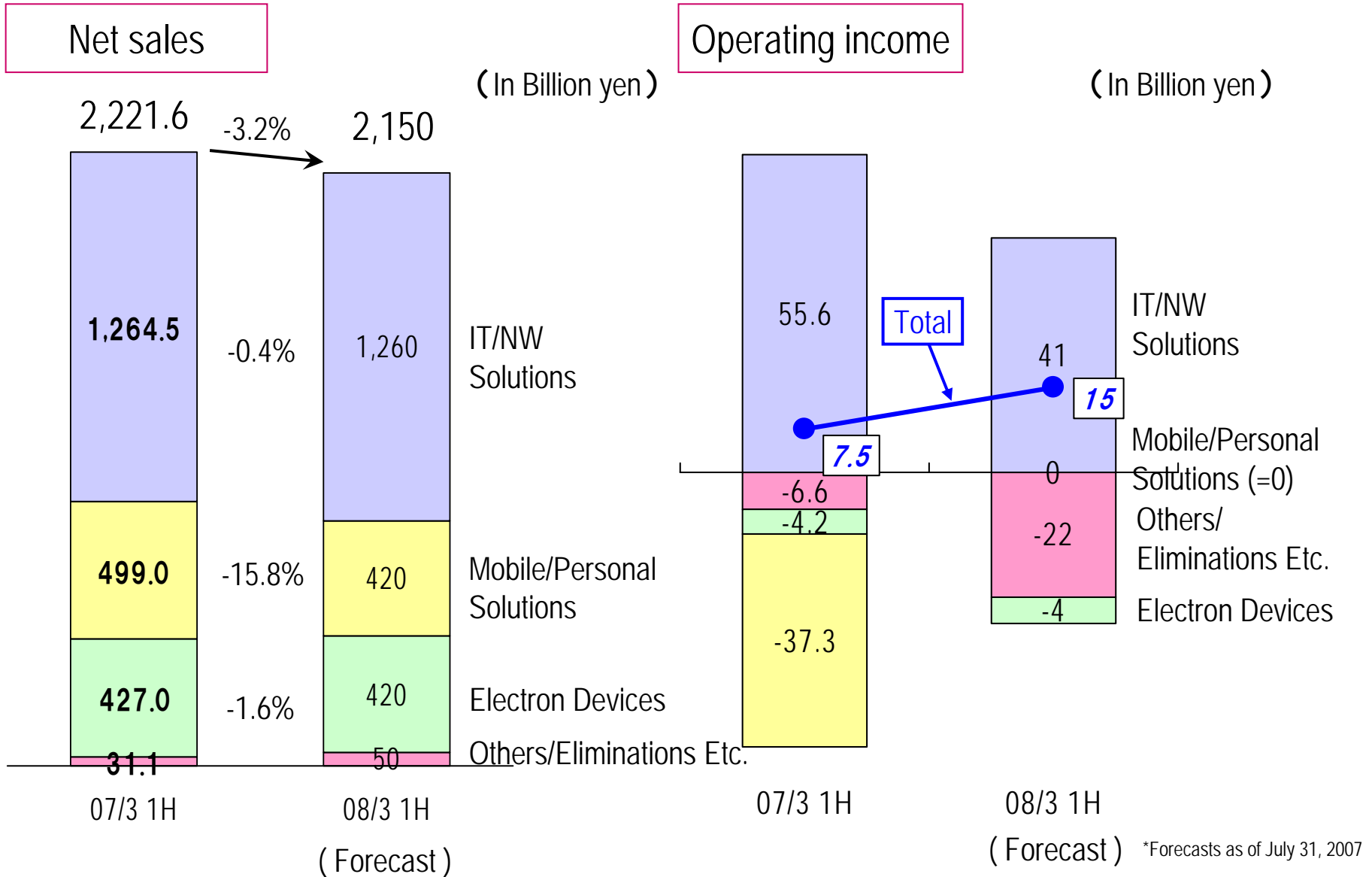
(In Billion yen)

Operating income

(In Billion yen)



# 1H Financial Forecast by Segment





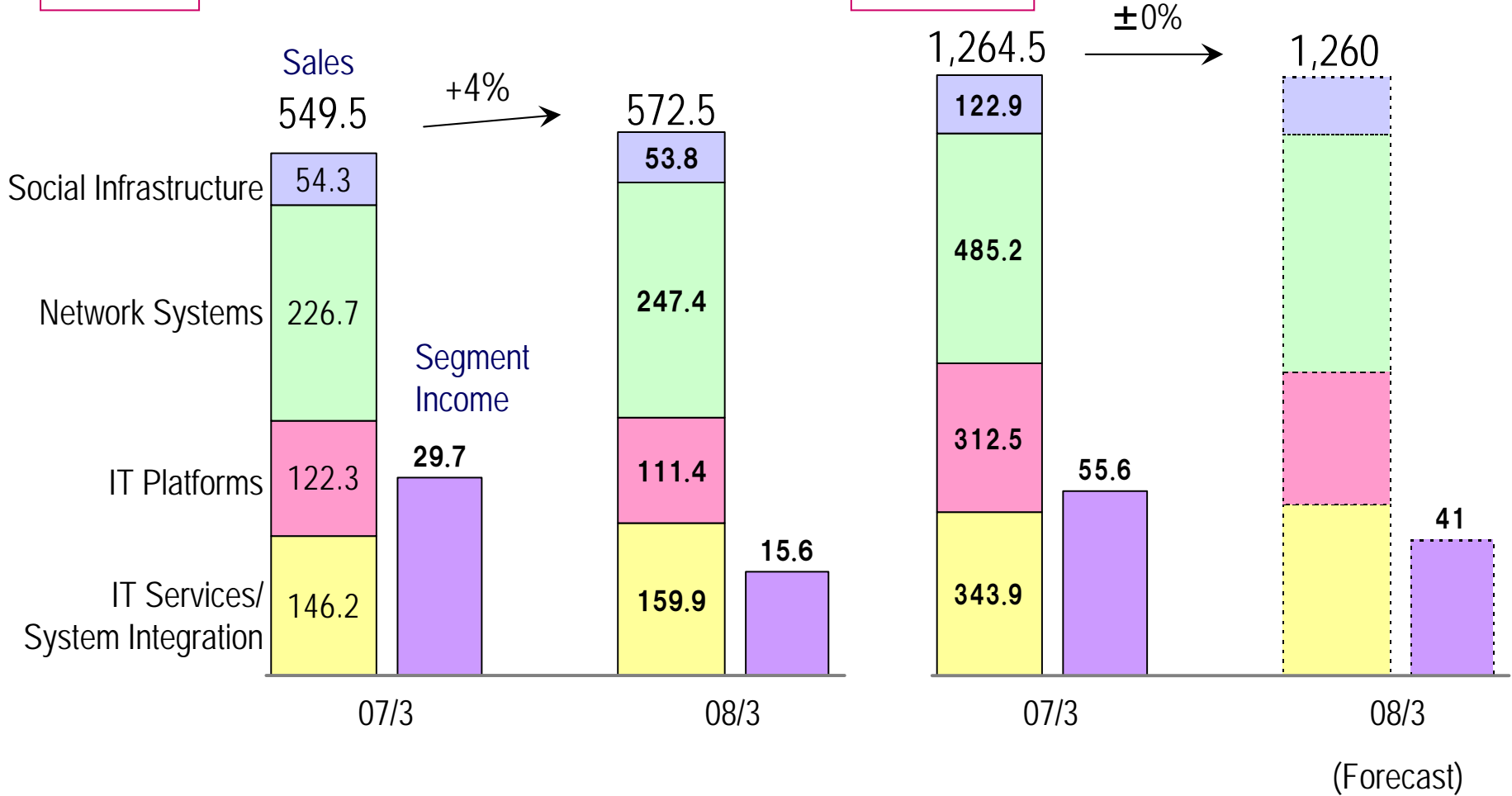
# IT/Network Solutions Business

1 Q

(In Billion yen)

1 H

(In Billion yen)



\*Forecasts as of July 31, 2007

# IT/Network Solutions Business

## ■ IT Services/System Integration: Steady sales growth

### ◇Market

- Steady IT investment in Japan accompanying recovery of economy

### ◇Business Situation

- Sales increased in most areas, including finance and communication
- Continued cost reduction efforts, including enhancement of outsourcing control and project management

## ■ IT Platforms: Positive results for growth, despite severe conditions

### ◇Market

- Price pressure continued

### ◇Business Situation

- Sales decreased due to transfer of the DVD sales function
- Results in growth areas such as orders of large thin client systems

# IT/NW Solutions Business

## Network Systems

### ◇ Market

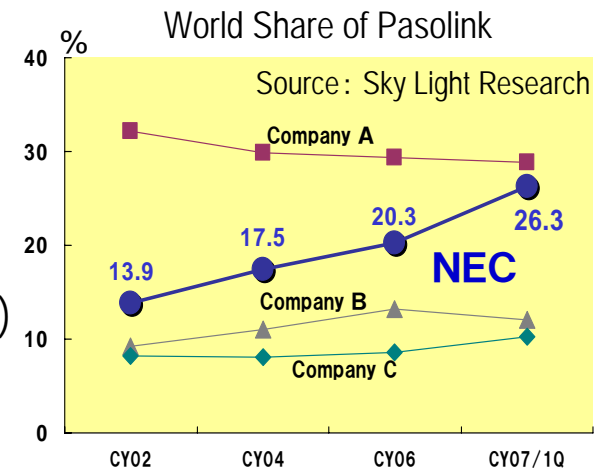
- Reduced investment by communication service providers as compared with 1Q in previous fiscal year when there was strong investment for MNP
- NGN is preparing for commercialization

### ◇ Business Situation

- Sales grew mainly in network systems for enterprises
- Expanded Pasolink sales targeting top share
- Impact of reduced investment (compared with that for MNP)
- Profit decreased YoY due to change in product mix

#### <Highlights of 1Q>

- Strengthen product lineup of NGN for communication service providers
- Working actively on NTT's NGN trial
- Order received for submarine cable system AAG (Asia America Gateway)



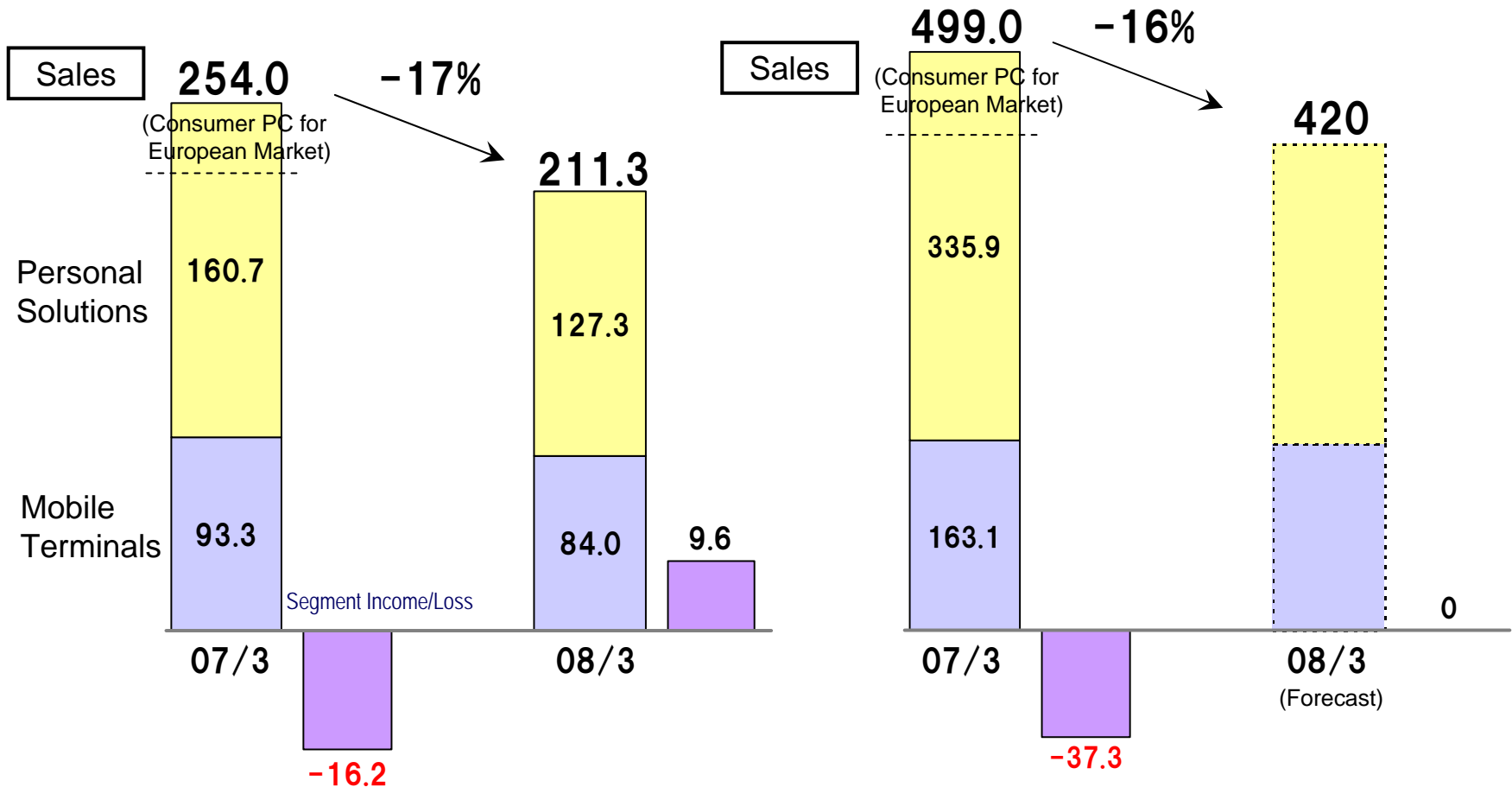
# Mobile/Personal Solutions Business

1 Q

1 H

(In Billion Yen)

(In Billion Yen)



\*Forecasts as of July 31, 2007

# Mobile/Personal Solutions Business

■ Mobile Terminals: Good start toward aim of breaking even in the first half

## ◇Market

- Further diversification of handsets amid increasing competition

## ◇Business Situation

- Shipped 1.2 million units in 1Q (Down 30% from the same period last year)

Positive results from strengthening of product design in domestic market

→ High evaluation of design/capability of N703iμ and N904i

Continue to strengthen products toward increased market share

- Regained profitability in 1Q, although profit may have up & down by quarter.

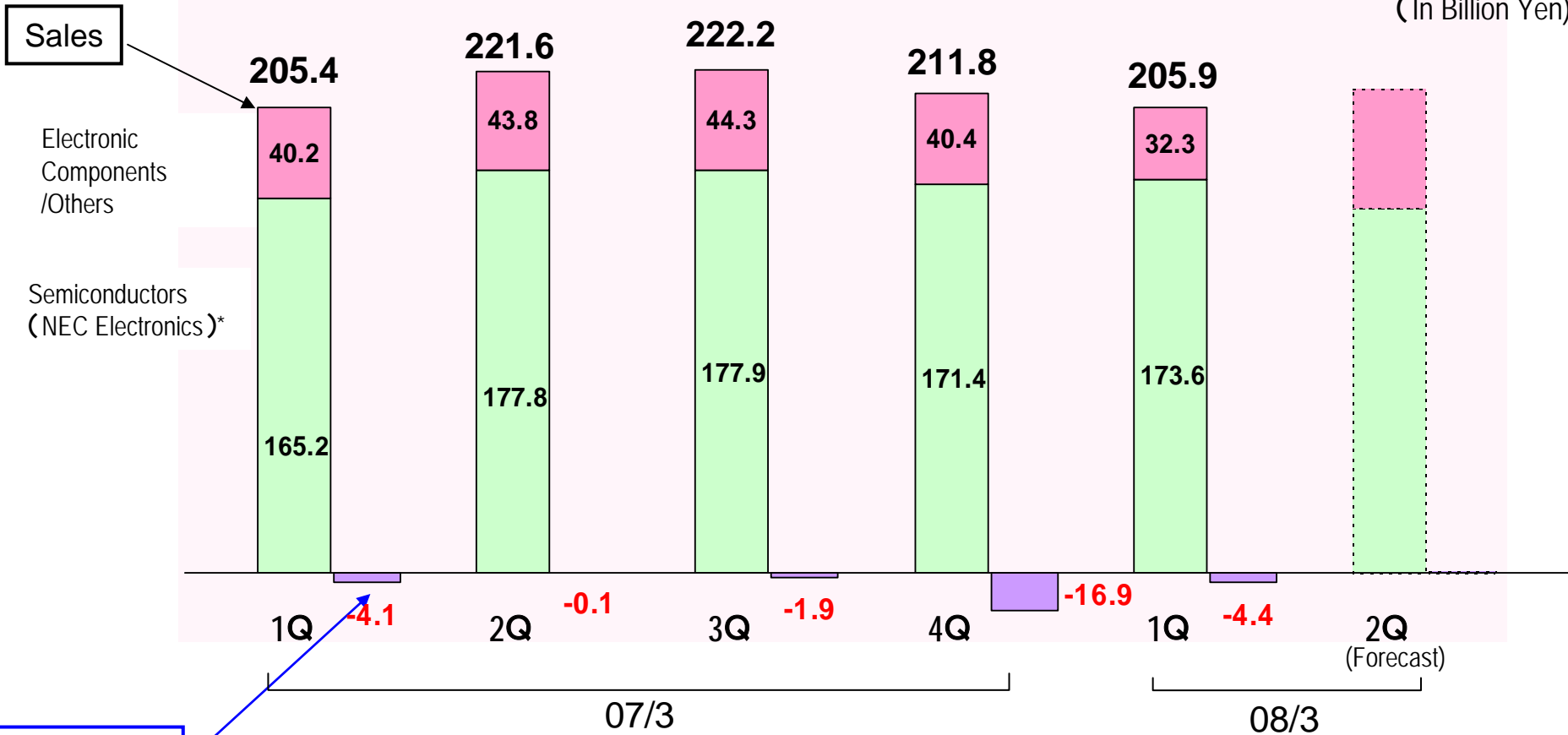
■ Personal Solutions: Sales decreased due to the impact of the sale of the consumer PC business in Europe

## ◇Market

- Japanese PC market is flat yoy, although VISTA PCs were gradually expanding
- PC: Secure profit steadily through cost reduction
- BIGLOBE: Strengthening business activities for further growth

# Electron Devices Business

(In Billion Yen)



(In Billion Yen)	07/3				08/3
	1Q	2Q	3Q	4Q	1Q
Operating Profit in Semiconductor area (NEC Electronics)	-5.8	-1.2	-3.8	-17.8	-2.2

\*Forecasts as of July 31 2007

\*The results for the area of Semiconductors are the official public figures of NEC Electronics Corporation, which are prepared in accordance with U.S. GAAP. The difference that arises as a result of the adjustment to Japan GAAP is included in Electronic Components and Others.

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