

# Revised Financial Forecasts FY09/3

Oct. 22<sup>nd</sup> 2008

NEC Corporation

(<http://www.nec.co.jp/ir/en>)

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# 1. Revised Financial Forecasts

# 1-1. Revised Financial Forecasts

## ■ 1H FY09/3

( Billions of Yen )

	Forecast as of July 31, 2008 (A)	Revised Forecast (B)	Difference (B-A)	Change (%)	First Half of Previous Fiscal Year
Net Sales	2,150.0	2,128.0	△ 22.0	△ 1.0	2,140.6
Operating Income	30.0	13.5	△ 16.5	△ 55.0	27.4
Ordinary Income	12.0	7.0	△ 5.0	△ 41.7	9.8
Net Income	△ 4.0	2.0	6.0	-	△ 4.7

## ■ FY09/3 (Full year)

	Forecast as of July 31, 2008 (A)	Revised Forecast (B)	Difference (B-A)	Change (%)	Previous Fiscal Year
Net Sales	4,800.0	4,600.0	△ 200.0	△ 4.2	4,617.2
Operating Income	170.0	120.0	△ 50.0	△ 29.4	156.8
Ordinary Income	135.0	95.0	△ 40.0	△ 29.6	112.2
Net Income	35.0	15.0	△ 20.0	△ 57.1	22.7

# 1-2. Forecast Revision Background

## 【 1H of FY09/3 】

- Net Sales : 2,128 billion yen (- 22 billion)
  - ▶ Decrease in Network systems, Mobile Terminals (IT related area increase)
- Operating Income : 13.5 billion yen (- 16.5 billion)
  - ▶ Decrease in Network systems, Mobile Terminals (IT related area increase)

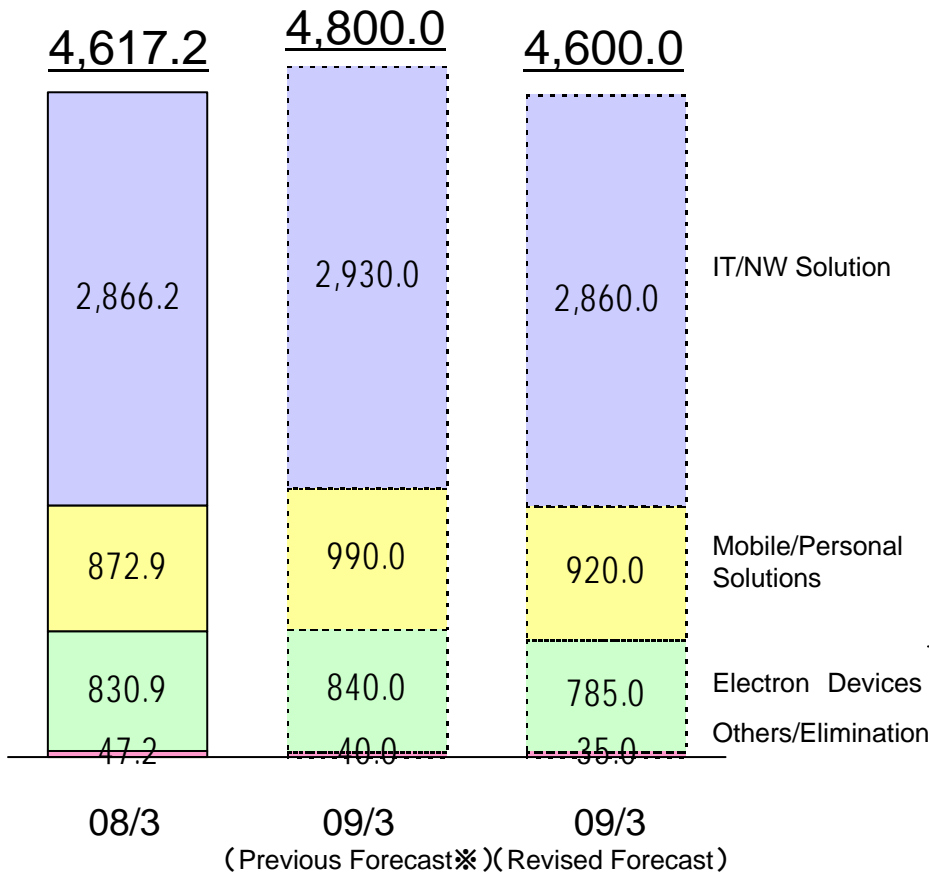
## 【 Full year of FY09/3 】

- Net Sales : 4,600 billion yen (- 200 billion)
  - ▶ Decrease in Network systems, Mobile Terminals and Electron Devices (IT related area increase)
- Operating Income : 120 billion yen (- 50 billion)
  - ▶ Decrease in Network systems, Electron Devices, Mobile Terminals (IT related area increase)

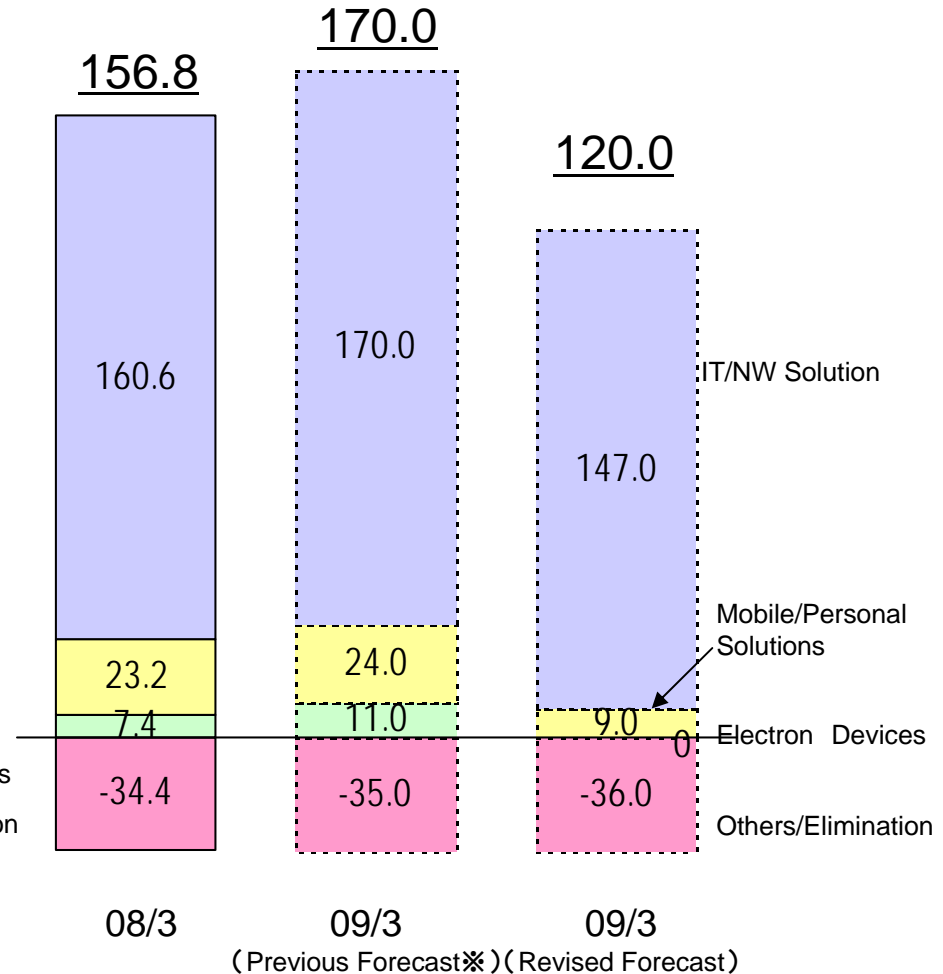
Numbers in ( ) represent differences from the previous forecast (as of July 31, 2008)

# 1-3. Financial Summary by Segment (full year)

## Net Sales



## Operating Income (Billions of Yen)



※ Forecast as of July 31

# 1-4. Sales Change

(Compared to previous forecast)

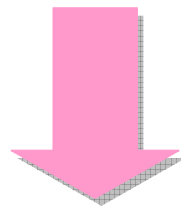
(Billions of Yen)

Previous Forecast ※  
4,800



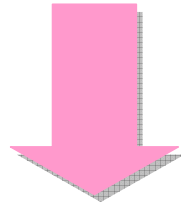
IT/Network Solution

-70 (including 1<sup>st</sup> half period -4)



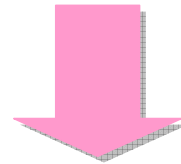
Mobile/Personal Solution

- 70 (1<sup>st</sup> half -9)



Electron Devices

- 55 (1<sup>st</sup> half -3)



Others

- 5 (1<sup>st</sup> half -6)



Network System approx. -90 (1<sup>st</sup> half -10)  
IT related business approx. +20  
\* Upward 1<sup>st</sup> half come from social infrastructure

Mobile Terminals approx. -55 (1<sup>st</sup> half -9)

New Forecast  
4,600



※ Announced on June 31, 2008



# 1-5. Operating Profit Change (Compared to previous forecast)

(Billions of Yen)

Previous Forecast ※

170



IT/Network Solution

-23 (including 1st half period -7.5)

Network System approx.-30 (1H approx.-10)  
IT Product approx.+10 (1H approx.+5)

Mobile/Personal Solution

-15 (1st half period -7.0)

Electron Devices

-11 (1st half period -1.5)

NEC EL -9

Mobile Terminals approx.-10  
(1H approx.-6)

Others

-1

New Forecast

120



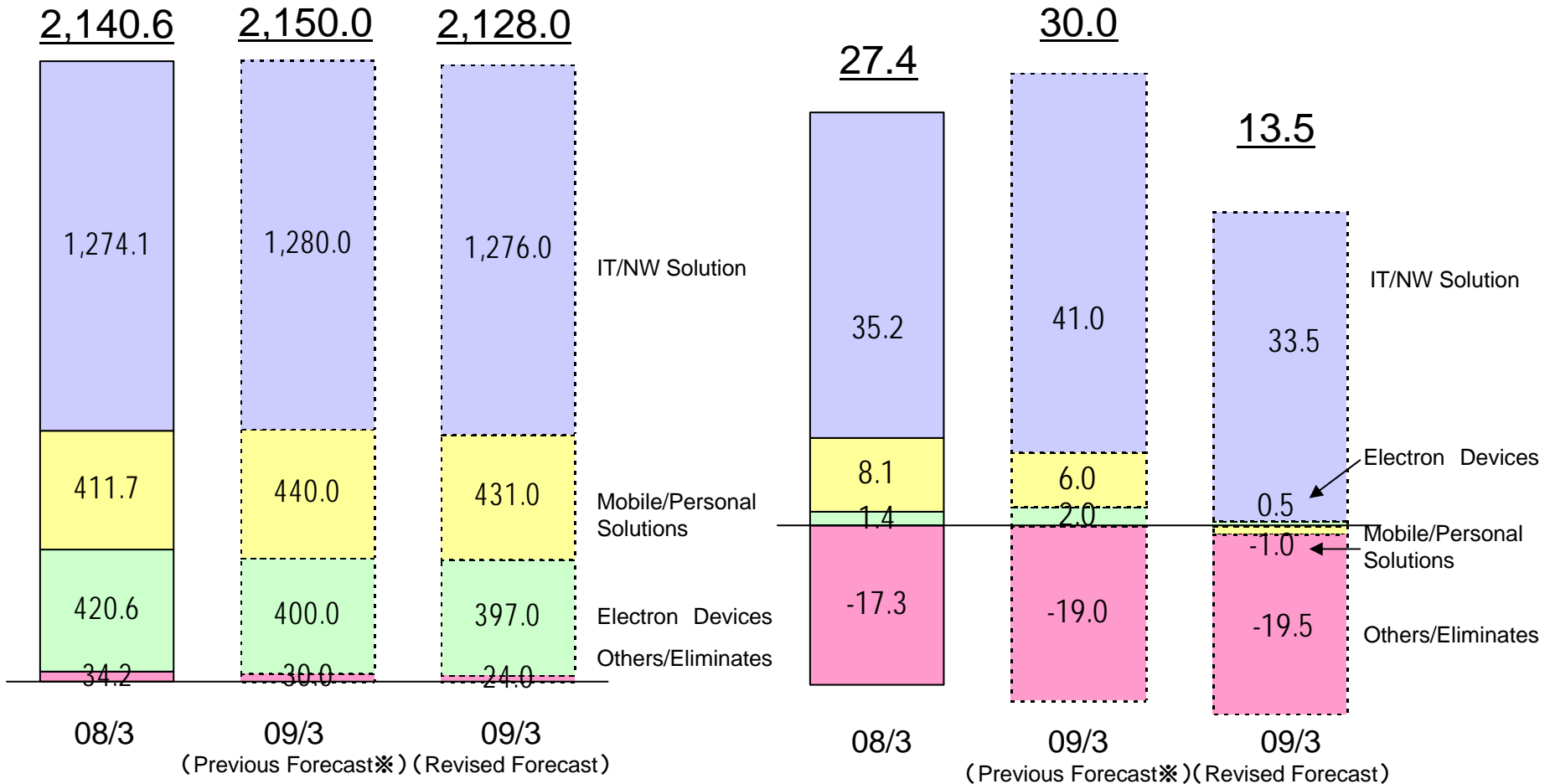
※ Announced on June 31, 2008

# (Ref.) Financial Summary by Segment (Half year)

(Billions of Yen)

Net Sales

Operating Income



\* Forecast as of July 31

## **2. Business Background ~ Network System Area ~**

## 2-1. Business Background 1H FY09/3

【 Compared to last forecast(※) 】 ⇒ Operating Income Revised Downward

Conditions		Plus factor	Minus factor
○	Fixed line in Japan	Growth of NGN related sales with expansion of its service area	
×	Wireless in Japan		Cutbacks in CAPEX by operators, and selection of lower margin projects
△	Fixed line Overseas	Steady demand for submarine cable system with expansion of data traffic	Decrease in sales of optical network system in North America
△	Wireless Overseas		<div style="border: 1px solid black; border-radius: 10px; padding: 5px; width: fit-content; margin: 0 auto;">                     Slower than expected expansion of new business overseas                 </div> Decrease of PASOLINK sales in 1Q

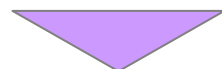
△ Increase in prior investment of next generation network systems such as WiMAX, LTE

※ Announced July 31, 2008

## 2-2. 2H FY09/3 Forecast

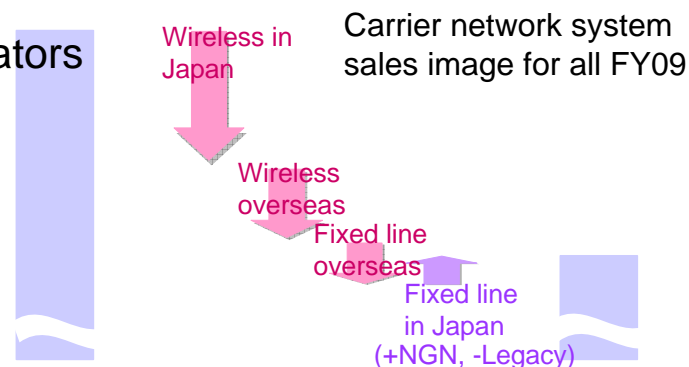
【 Market Background 】 Assume same trends in 2H/FY09/3

- Further cutbacks in CAPEX by domestic mobile operators
- Steady progress of NGN construction in Japan
- Continued impact from a stronger yen as compared to last year



NEC Background : Sales decrease from previous forecast (※) mainly due to the impact of sales declining in the domestic wireless area

- ✗ Sales decrease among domestic mobile operators
- ✗ Slow expansion of new business overseas  
(Both in Fixed line and Wireless areas)
- Expansion of NGN construction in Japan



※ Announced July 31, 2008

## 2-3. Business Strengthening Themes

Sales Growth	NGN	Maintain steady sales in Japan and expand global business
	PASOLINK	<ul style="list-style-type: none"> <li>• Launch IP based new product “PASOLINK NEO iP”</li> <li>• Establish new sales/technical bases overseas</li> <li>• Expand sales synergies with related equipment</li> </ul>
	Submarine Cable System	Strengthen business base through OCC acquisition
	New Businesses Overseas	<ul style="list-style-type: none"> <li>• WiMAX – Taiwan, Thailand</li> <li>• MBH – CX2000 in Indonesia</li> </ul> ⇒ Accelerate new project sales based on the achievements of 1H/FY09
	Network software	Strengthen business base through NetCracker acquisition
Improvement of Profitability	Further cost reduction of new products, including NGN related equipment	
	Streamline R&D/SGA costs by product development selection and concentration	

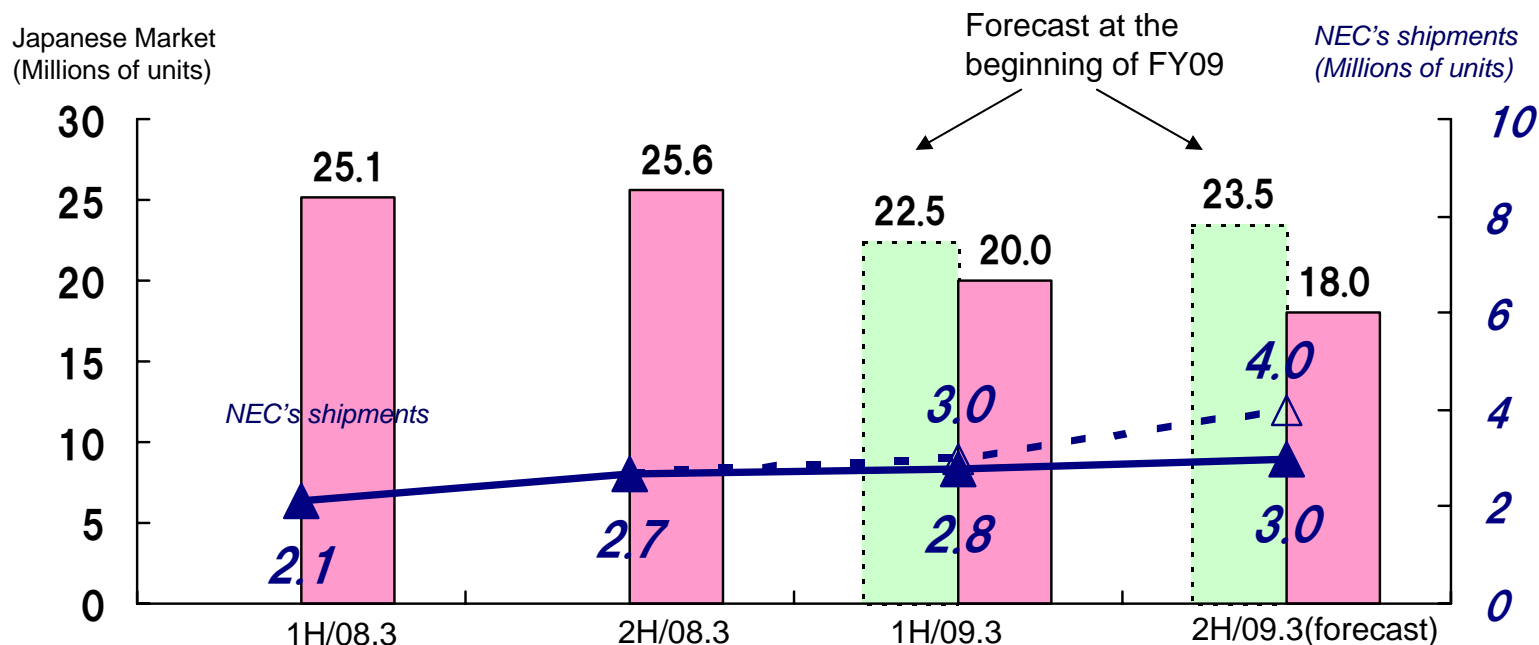
※ MBH: Mobile Back-Haul

# **3. Business Background**

## **~ Other areas ~**

# ① Mobile Terminals Business Background (1/2)

- Market conditions : Handset market decreased beyond forecast due to the impact of a prolonged upgrade cycle with the adoption of new installment plans (3.8 million total units, yoy ▲20% or more)
- NEC Background: Downward revision of sales plan due to market contraction (2.8 million in 1H, 3.0 million in 2H) Steady expansion of market share by launching strong products



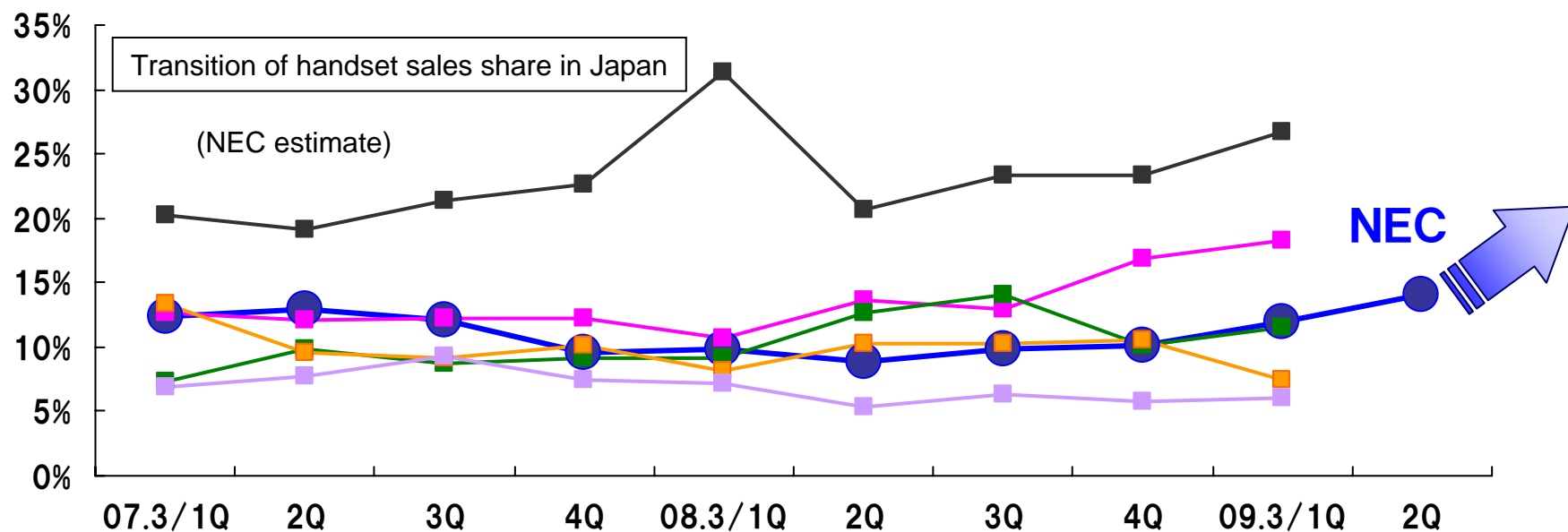
\*From MM Research Institute, Ltd.(08.3 market) report, NEC's forecast(09.3 Market), Forecasts as of October 22, 2008



# ① Mobile Terminals Business Background (2/2)

## ● 2H Outlook:

- ▶ Secure profitability by streamlining R&D costs (accelerating common development, etc.) despite the downward revision of profit in 1H
- ▶ Aim to establish steady profit base by gaining market share and strengthening development capability



## ② IT Related Background

### ● Market Background :

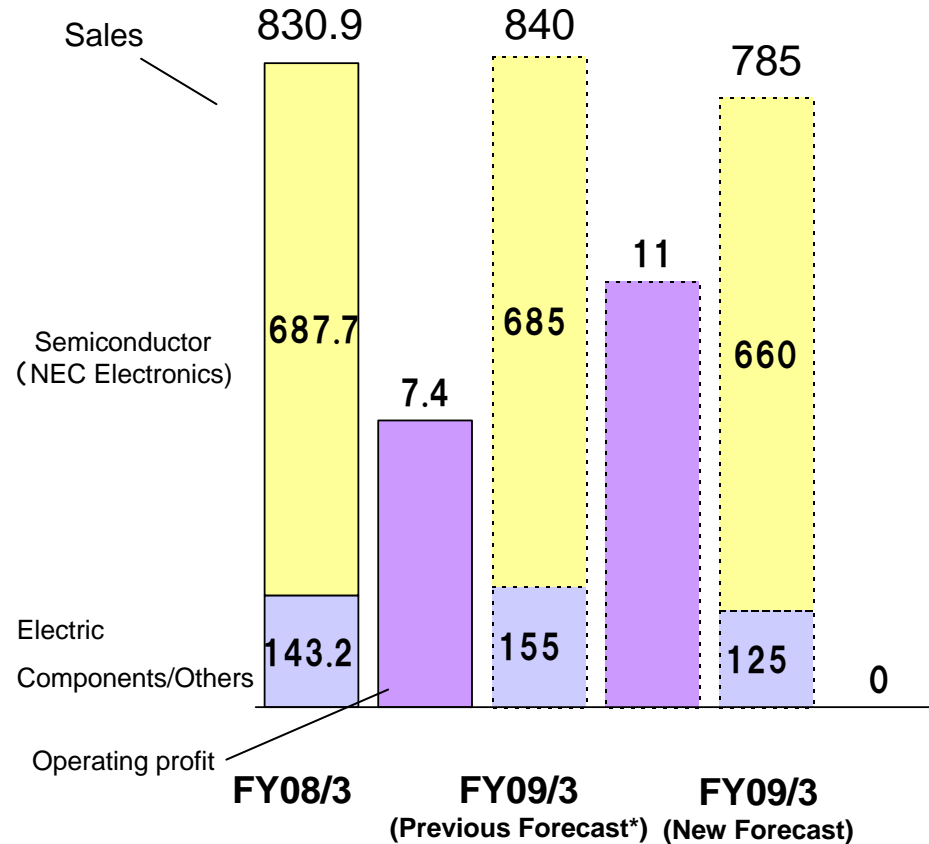
- ▶ Uncertainty expanding; especially throughout financial markets.  
- IT investment being generally suppressed.
- ▶ Investment strengthening in security, compliance, business efficiency, etc.

### ● NEC Background :

- ▶ Solid continuing business throughout most fields (e.g. public office, manufacturing, retail, etc.); financial field poses a challenge.
- ▶ Improved sales and operating income are forecast by building up projects with existing customer bases, offering new solutions or replacing competitors' business.
- ▶ Improve profitability and reduce risk with SI innovation.

# ③ Electron Device Background

(Billions of Yen)



## ● Status of NEC Electronics

(Announces revised financial forecast on Oct. 21, 2008)

▶ Sales decrease due to recession in the semiconductor field

- For automobiles
- General-purpose microcomputer
- Discrete IC

(Billions of yen)	08/3	09/3	
	Result	Previous Forecast*	New Forecast
Operating Profit in Semiconductor area (NEC Electronics)	5.1	10	1

(U.S. GAAP)

※ Announced July 31, 2008

Empowered by Innovation

**NEC**