Revised Financial Forecasts
FY09/3

Oct. 22nd 2008
NEC Corporation
(http://www.nec.co.jp/ir/en)
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3. Business Background --- Other business areas
1. Revised Financial Forecasts
# 1-1. Revised Financial Forecasts

## 1H FY09/3

<table>
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<tr>
<th></th>
<th>Forecast as of July 31, 2008</th>
<th>Revised Forecast</th>
<th>Difference</th>
<th>Change</th>
<th>First Half of Previous Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>2,150.0</td>
<td>2,128.0</td>
<td>△ 22.0</td>
<td>△ 1.0</td>
<td>2,140.6</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>30.0</td>
<td>13.5</td>
<td>△ 16.5</td>
<td>△ 55.0</td>
<td>27.4</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>12.0</td>
<td>7.0</td>
<td>△ 5.0</td>
<td>△ 41.7</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>△ 4.0</td>
<td>2.0</td>
<td>6.0</td>
<td>-</td>
<td>△ 4.7</td>
</tr>
</tbody>
</table>

## FY09/3 (Full year)

<table>
<thead>
<tr>
<th></th>
<th>Forecast as of July 31, 2008</th>
<th>Revised Forecast</th>
<th>Difference</th>
<th>Change</th>
<th>Previous Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>4,800.0</td>
<td>4,600.0</td>
<td>△ 200.0</td>
<td>△ 4.2</td>
<td>4,617.2</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>170.0</td>
<td>120.0</td>
<td>△ 50.0</td>
<td>△ 29.4</td>
<td>156.8</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>135.0</td>
<td>95.0</td>
<td>△ 40.0</td>
<td>△ 29.6</td>
<td>112.2</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>35.0</td>
<td>15.0</td>
<td>△ 20.0</td>
<td>△ 57.1</td>
<td>22.7</td>
</tr>
</tbody>
</table>
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 Devises (IT related area increase)
- Operating Income: 120 billion yen (-50 billion)
  - Decrease in Network systems, Electron Devises, 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**
- **IT/NW Solution**
  - 08/3: 2,866.2
  - 09/3: 2,930.0
- **Mobile/Personal Solutions**
  - 08/3: 990.0
  - 09/3: 920.0
- **Electron Devices**
  - 08/3: 840.0
  - 09/3: 785.0
- **Others/Elimination**
  - 08/3: 47.2
  - 09/3: 40.0

**Operating Income**
- **IT/NW Solution**
  - 08/3: 156.8
  - 09/3: 170.0
- **Mobile/Personal Solutions**
  - 08/3: 23.2
  - 09/3: 24.0
- **Electron Devices**
  - 08/3: -34.4
  - 09/3: -35.0
- **Others/Elimination**
  - 08/3: -36.0

*(Billions of Yen)*

*Forecast as of July 31*

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1-4. Sales Change
(Compared to previous forecast)

(Billions of Yen)

Previous Forecast ※
4,800

New Forecast
4,600

IT/Network Solution
-70 (including 1st half period -4)

Mobile/Personal Solution
-70 (1st half -9)

Electron Devices
-55 (1st half -3)

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

Mobile Terminals approx. -55 (1st half -9)

Others
-5 (1st half -6)

※ Announced on June 31, 2008
1-5. Operating Profit Change
(Compared to previous forecast)

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

(Billons of Yen)
(Ref.) Financial Summary by Segment
(Half year)

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/3 (Previous Forecast)</td>
<td>2,140.6</td>
<td>27.4</td>
</tr>
<tr>
<td>09/3 (Revised Forecast)</td>
<td>2,150.0</td>
<td>30.0</td>
</tr>
<tr>
<td>09/3</td>
<td>2,128.0</td>
<td>13.5</td>
</tr>
</tbody>
</table>

(Billions of Yen)

- **IT/NW Solution**
  - 08/3: 1,274.1
  - 09/3: 1,280.0
  - 09/3 (Revised Forecast): 1,276.0

- **Mobile/Personal Solutions**
  - 08/3: 411.7
  - 09/3: 440.0
  - 09/3 (Revised Forecast): 431.0

- **Electron Devices**
  - 08/3: 420.6
  - 09/3: 400.0
  - 09/3 (Revised Forecast): 397.0

- **Others/Eliminates**
  - 08/3: 34.2
  - 09/3: 30.0
  - 09/3 (Revised Forecast): 24.0

※ Forecast as of July 31

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2. Business Background
~ Network System Area ~
2-1. Business Background 1H FY09/3

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

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Plus factor</th>
<th>Minus factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>O Fixed line in Japan</td>
<td>Growth of NGN related sales with expansion of its service area</td>
<td></td>
</tr>
<tr>
<td>X Wireless in Japan</td>
<td></td>
<td>Cutbacks in CAPEX by operators, and selection of lower margin projects</td>
</tr>
<tr>
<td>Δ Fixed line Overseas</td>
<td>Steady demand for submarine cable system with expansion of data traffic</td>
<td>Decrease in sales of optical network system in North America</td>
</tr>
<tr>
<td>Δ Wireless Overseas</td>
<td></td>
<td>Decrease of PASOLINK sales in 1Q</td>
</tr>
<tr>
<td></td>
<td>△ Increase in prior investment of next generation network systems such as WiMAX, LTE</td>
<td></td>
</tr>
</tbody>
</table>

※ 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

<table>
<thead>
<tr>
<th>Sales Growth</th>
<th>NGN</th>
<th>Maintain steady sales in Japan and expand global business</th>
</tr>
</thead>
<tbody>
<tr>
<td>PASOLINK</td>
<td></td>
<td>• Launch IP based new product “PASOLINK NEO iP”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Establish new sales/technical bases overseas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expand sales synergies with related equipment</td>
</tr>
<tr>
<td>Submarine Cable System</td>
<td></td>
<td>Strengthen business base through OCC acquisition</td>
</tr>
<tr>
<td>New Businesses Overseas</td>
<td></td>
<td>• WiMAX – Taiwan, Thailand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• MBH – CX2000 in Indonesia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>⇒ Accelerate new project sales based on the achievements of 1H/FY09</td>
</tr>
<tr>
<td>Network software</td>
<td></td>
<td>Strengthen business base through NetCracker acquisition</td>
</tr>
<tr>
<td>Improvement of Profitability</td>
<td></td>
<td>Further cost reduction of new products, including NGN related equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Streamline R&amp;D/SGA costs by product development selection and concentration</td>
</tr>
</tbody>
</table>

※ MBH: Mobile Back-Haul
3. Business Background

~ Other areas ~
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

Japanese Market (Millions of units)

Forecast at the beginning of FY09

NEC’s shipments

NEC’s shipments (Millions of units)

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

Transition of handset sales share in Japan (NEC estimate)
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.
Electron Device Background

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

Sales decrease due to recession in the semiconductor field

<table>
<thead>
<tr>
<th>Operating Profit in Semiconductor area (NEC Electronics)</th>
<th>08/3</th>
<th>09/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>5.1</td>
<td>10</td>
</tr>
<tr>
<td>Previous Forecast*</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>New Forecast</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(U.S. GAAP)  
※ Announced July 31, 2008

Sales (Billions of Yen)

- FY08/3: 830.9
- FY09/3: 840
- FY09/3: 785

Semiconductor (NEC Electronics)

- FY08/3: 687.7
- FY09/3: 685
- FY09/3: 660

Electric Components/Others

- FY08/3: 143.2
- FY09/3: 155
- FY09/3: 125

Operating profit

- FY08/3: 830.9
- FY09/3: 840
- FY09/3: 785
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