

Financial Results for Q1 Fiscal Year Ending March 31, 2014

July 31, 2013

NEC Corporation

(<http://www.nec.com/en/global/ir>)

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※ As stated in the July 9, 2013 announcement, “NEC to Revise Business Segments,” NEC has revised its business segments from the first quarter of the fiscal year ending March 31, 2014. Figures for the corresponding period of the previous fiscal year have been restated to conform with the new segments

I . Financial Results for Q1, FY14/3



Summary of Financial Results for Q1

Resulted almost as planned, despite less profit than the previous year

(Billions of Yen)

	Q1<April to June>		
	FY13/3 Actual	FY14/3 Actual	YoY
Net Sales	631.5	640.1	1.4%
Operating Loss	-7.9	-21.8	- 13.9
% to Net Sales	-1.2%	-3.4%	
Ordinary Loss	-12.2	-28.2	- 16.0
% to Net Sales	-1.9%	-4.4%	
Net Loss	-17.9	-21.5	- 3.6
% to Net Sales	-2.8%	-3.4%	
Free Cash Flow	26.7	41.0	14.3

(Ref): Average exchange rate for Q1, FY14/3 1\$= ¥97.88, 1€= ¥127.06

Q1 Results by Segment

(Billions of Yen)

		Q1 <April to June>			
		FY13/3 Actual	FY14/3 Actual	YoY	
Public	Net Sales	114.9	126.6	10.1%	
	Operating Income	0.1	0.4	0.3	
	% to Net Sales	0.1%	0.3%		
Enterprise	Net Sales	50.0	58.7	17.4%	
	Operating Loss	-2.7	-2.4	0.2	
	% to Net Sales	-5.3%	-4.1%		
Telecom Carrier	Net Sales	155.1	154.0	-0.7%	
	Operating Income	12.7	5.6	-7.1	
	% to Net Sales	8.2%	3.6%		
System Platform	Net Sales	163.1	157.7	-3.3%	
	Operating Loss	-1.8	-6.6	-4.8	
	% to Net Sales	-1.1%	-4.2%		
Others	Net Sales	148.4	143.1	-3.5%	
	Operating Loss	-3.6	-9.9	-6.2	
	% to Net Sales	-2.4%	-6.9%		
Eliminations/ Unclassifiable expenses		Operating Loss	-12.6	-8.9	3.7
Total	Net Sales	631.5	640.1	1.4%	
	Operating Loss	-7.9	-21.8	-13.9	
	% to Net Sales	-1.2%	-3.4%		

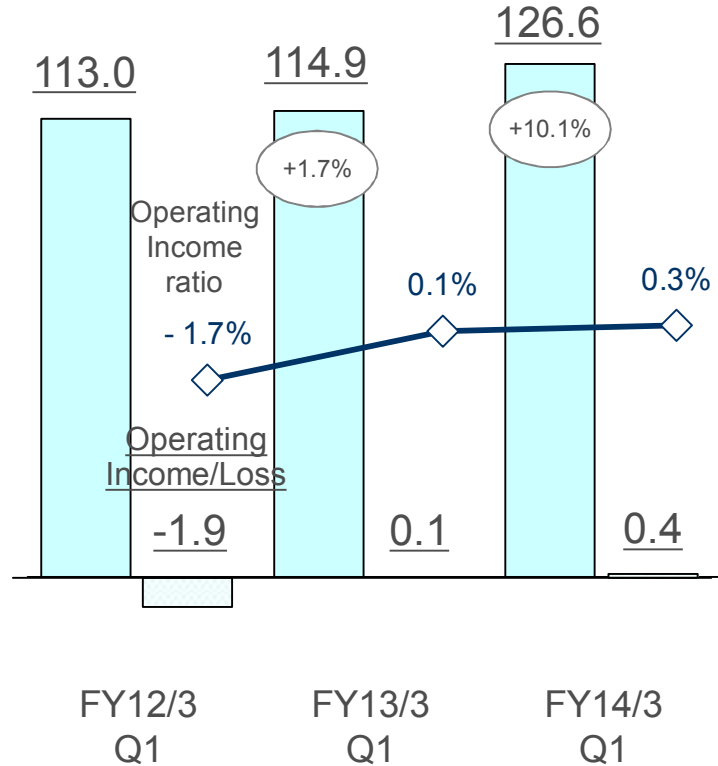
Public Business

Billions of Yen (YoY)

(Billions of Yen)

YoY

Sales



Sales 126.6 (+10.1%)

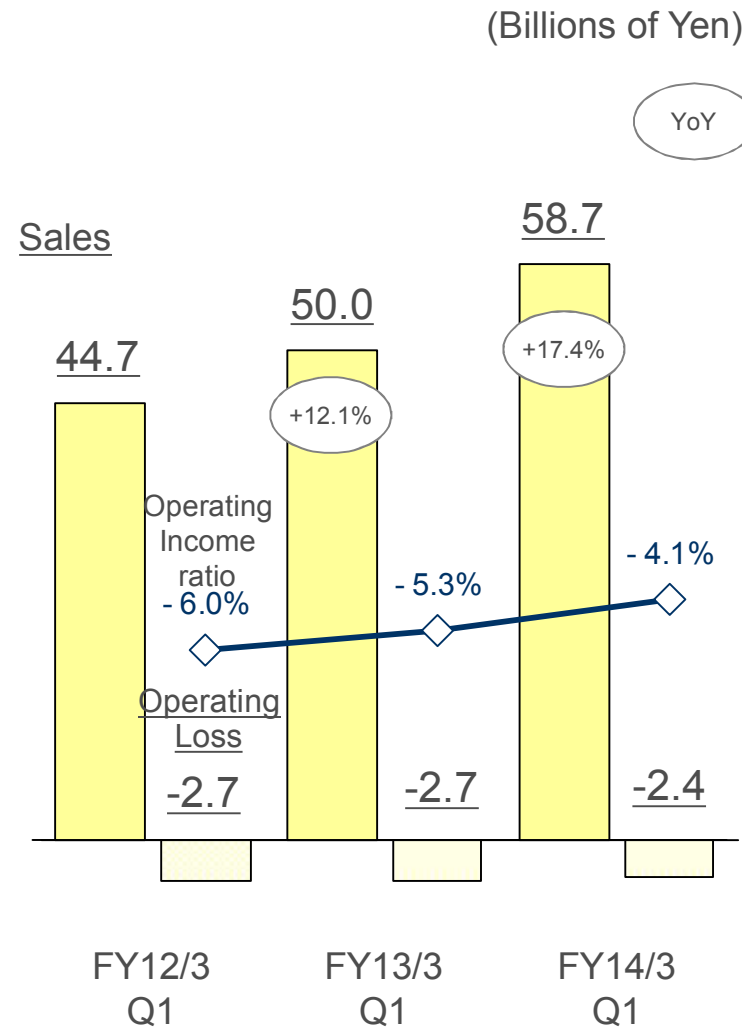
△ Increased due to the steady sales for government and public areas

Operating Income 0.4 (+0.3)

△ Improved mainly owing to increased sales, despite increased investment for strengthening organizations



Billions of Yen (YoY)



Sales 58.7 (+17.4%)

△ Increased due to the steady sales for the retail and service industries

Operating Loss -2.4 (+0.2)

△ Improved mainly owing to increased sales, despite increased investment in retail and logistics industries

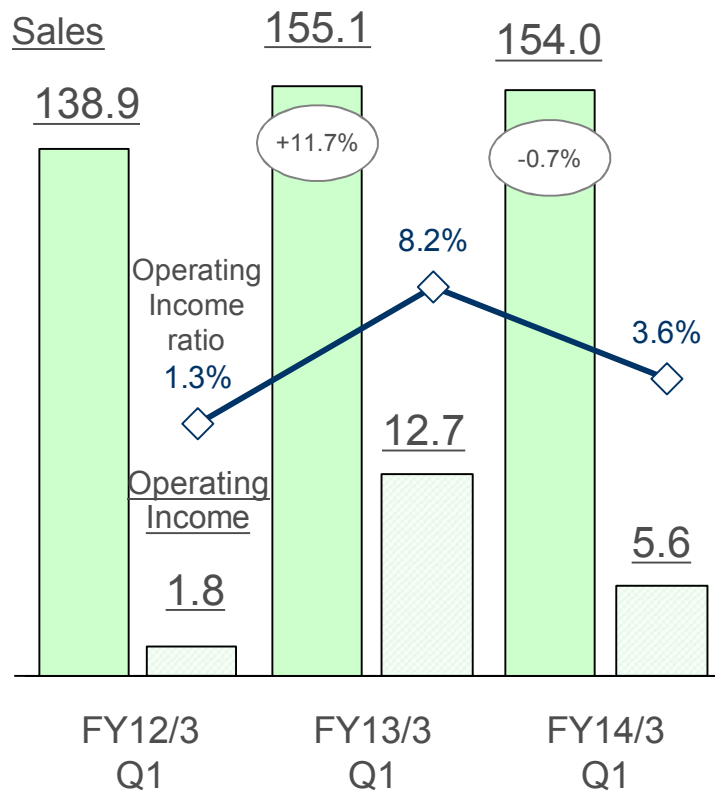


Telecom Carrier Business

Billions of Yen (YoY)

(Billions of Yen)

YoY



Sales 154.0 (-0.7%)

- ▽ Japan : Decreased from Q1 of the previous year, when there was strong demand
- △ International : Increased mainly in TOMS

Operating Income 5.6 (-7.1)

- ▽ Worsened due to the acceleration of investment in SDN, TOMS and decreased sales



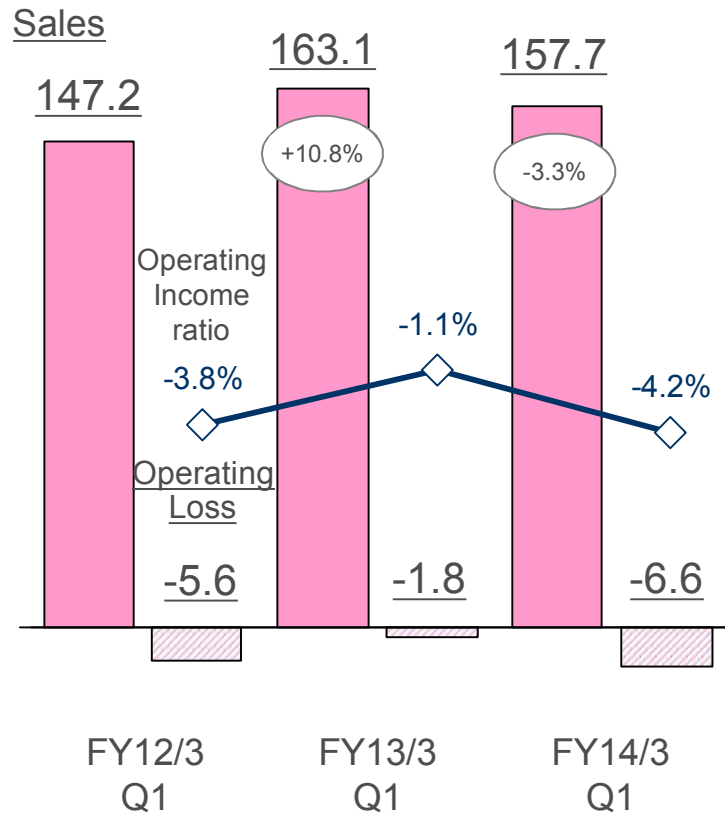
* TOMS : Telecom Operations and Management Solutions
SDN : Software-Defined Networking

System Platform Business

Billions of Yen (YoY)

(Billions of Yen)

YoY



Sales 157.7 (-3.3%)

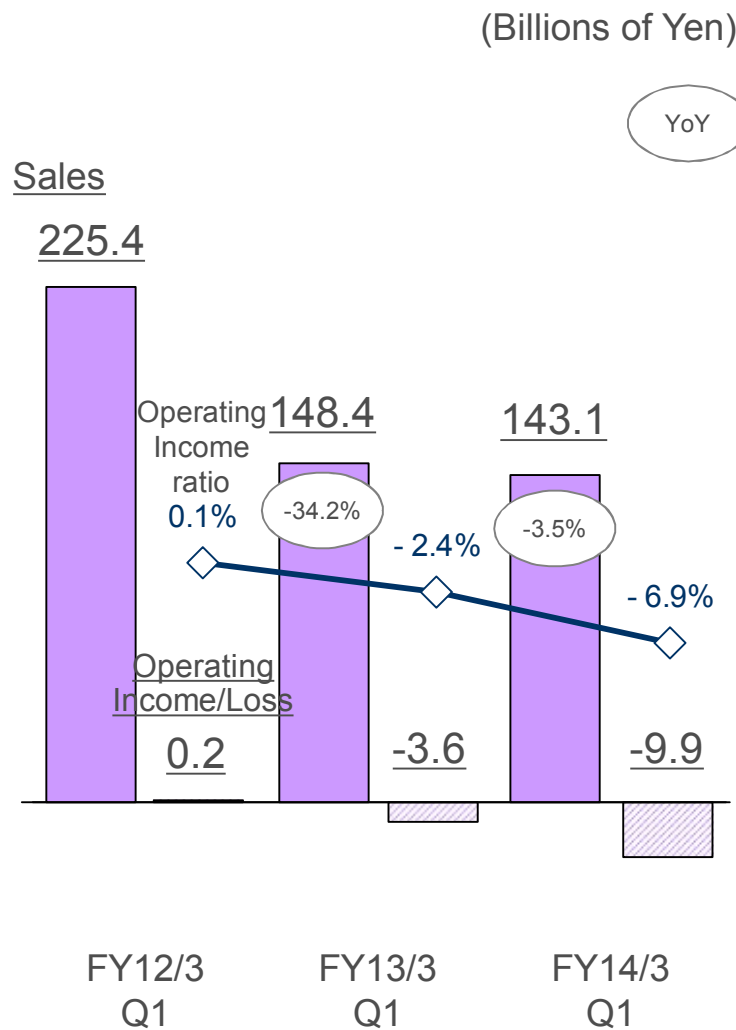
▽ Declined due to the decrease of large-scale projects

Operating Loss -6.6 (-4.8)

▽ Worsened due to decreased sales



Billions of Yen (YoY)



Sales 143.1 (-3.5%)

- ▽ Decreased due to a decline in mobile phone shipments and the deconsolidation of the electronic components business

Operating Loss -9.9 (-6.2)

- ▽ Worsened mainly owing to decreased sales, in addition to increased expenses for accelerating the strengthening of organizations and development of energy related business

Revision of Mobile Phone business

- End new development of smartphones, finish manufacturing and selling with current model
- Continue support and maintenance for smartphones
- Continue development of conventional mobile phones and production at NEC Saitama, Ltd.

Shift resources to “Solutions for Society”

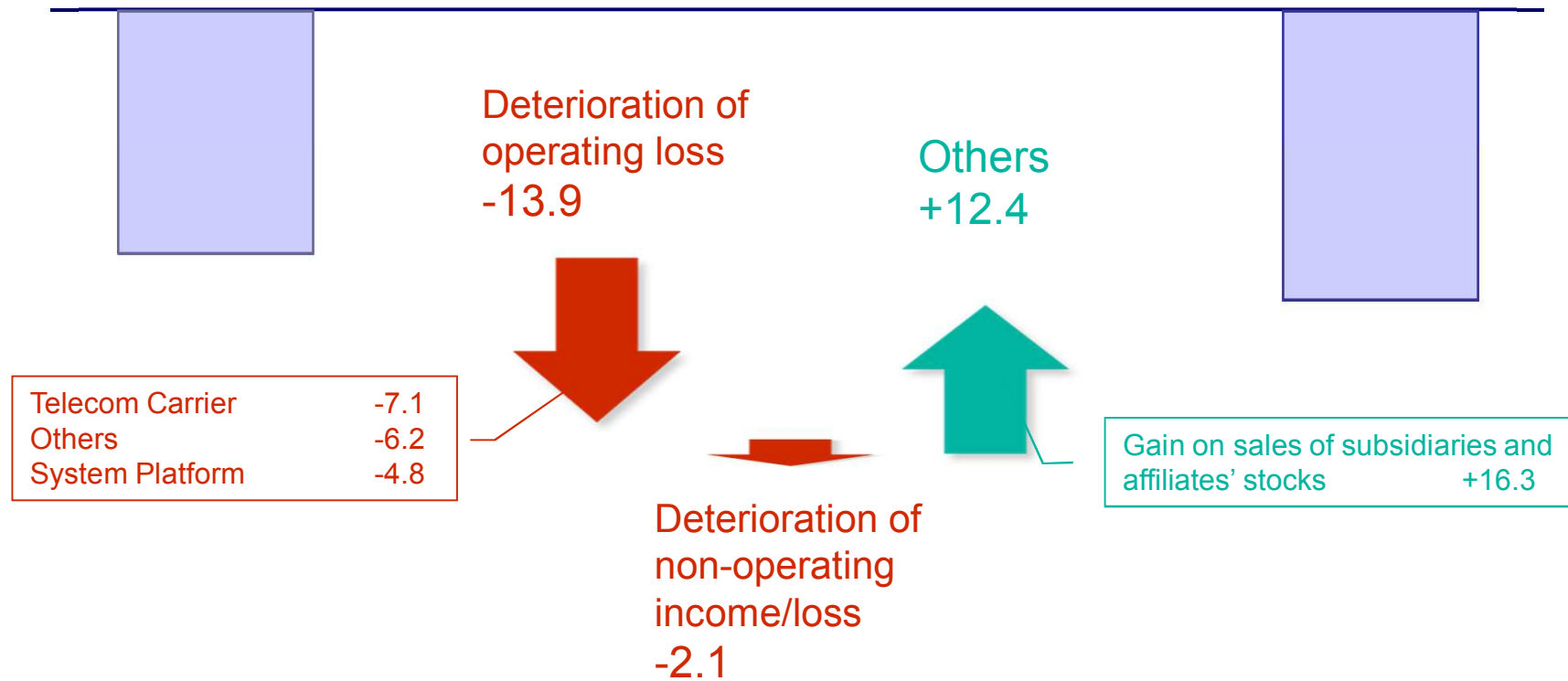
* Released on July 31, 2013

Net Income/Loss Change (Year on Year)

(Billions of Yen)

FY13/3 Q1
<Apr-Jun>
-17.9

FY14/3 Q1
<Apr-Jun>
-21.5



II . Financial Forecasts for FY14/3



NEC's Management Policy for FY14/3

Market forecast

- The Japanese economy is expected to grow steadily through the recovery of market confidence
(International market growth is still uncertain due to the stagnation of European economy)
- IT investment in Japan will see a recovery trend
- Investment of telecom carriers will be slow, although TOMS/SDN market will expand significantly
- Social infrastructure market will expand along with new government, economic and fiscal policy
- Increase in smart energy related projects

Business strategy

- Focus on Solutions for society/Establish competitive growth platforms in global markets (Public, Enterprise, Telecom Carrier and Smart Energy)
- Continue strategic investment, minimize unprofitable projects and accelerate CCC improvement activities

“CS No.1” “Global First” “One NEC”

* CCC : Cash Conversion Cycle

Summary of Financial Forecasts for FY14/3

Achieve 100 billion yen operating income (Sales increase by approximately 2%, excluding the impact of deconsolidation)

(Billions of Yen)

	Full Year		
	FY13/3 Actual	FY14/3 Forecasts	YoY
Net Sales	3,071.6	3,000.0	- 2.3%
Operating Income	114.6	100.0	- 14.6
% to Net Sales	3.7%	3.3%	
Ordinary Income	92.0	70.0	- 22.0
% to Net Sales	3.0%	2.3%	
Net Income	30.4	20.0	- 10.4
% to Net Sales	1.0%	0.7%	
Net Income per share (Yen)	11.71	7.70	- 4.01

(Billions of Yen)

		Full Year		
		FY13/3 Actual	FY14/3 Forecasts	YoY
Public	Net Sales	680.7	735.0	8.0%
	Operating Income	49.0	57.0	8.0
	% to Net Sales	7.2%	7.8%	
Enterprise	Net Sales	251.6	255.0	1.4%
	Operating Income	5.5	6.0	0.5
	% to Net Sales	2.2%	2.4%	
Telecom Carrier	Net Sales	709.3	715.0	0.8%
	Operating Income	71.6	60.0	- 11.6
	% to Net Sales	10.1%	8.4%	
System Platform	Net Sales	744.4	705.0	- 5.3%
	Operating Income	32.7	29.0	- 3.7
	% to Net Sales	4.4%	4.1%	
Others	Net Sales	685.7	590.0	- 14.0%
	Operating Income	16.9	2.0	- 14.9
	% to Net Sales	2.5%	0.3%	
Eliminations/ Unclassifiable expenses	Operating Loss	- 61.0	- 54.0	7.0
Total	Net Sales	3,071.6	3,000.0	- 2.3%
	Operating Income	114.6	100.0	- 14.6
	% to Net Sales	3.7%	3.3%	

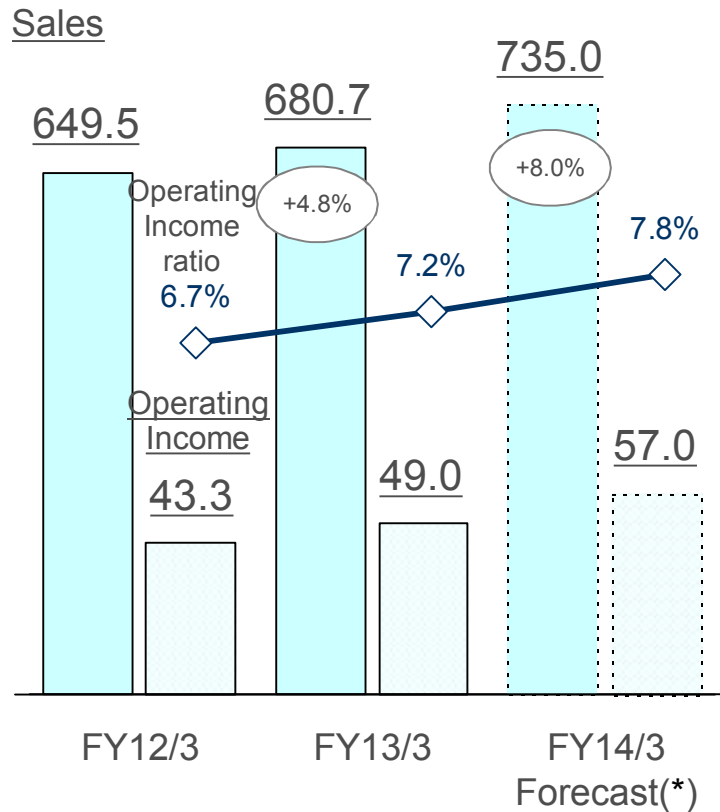
Note: Assumed exchange rates for FY14/3 1\$=¥90, 1€=¥115

* Forecasts as of July 31, 2013

Billions of Yen (YoY)

(Billions of Yen)

YoY



Sales 735.0 (+8.0%)

△ Increase due to strong demand mainly from government and public areas

Operating Income 57.0 (+8.0)

△ Improve due to sales growth and cost reductions

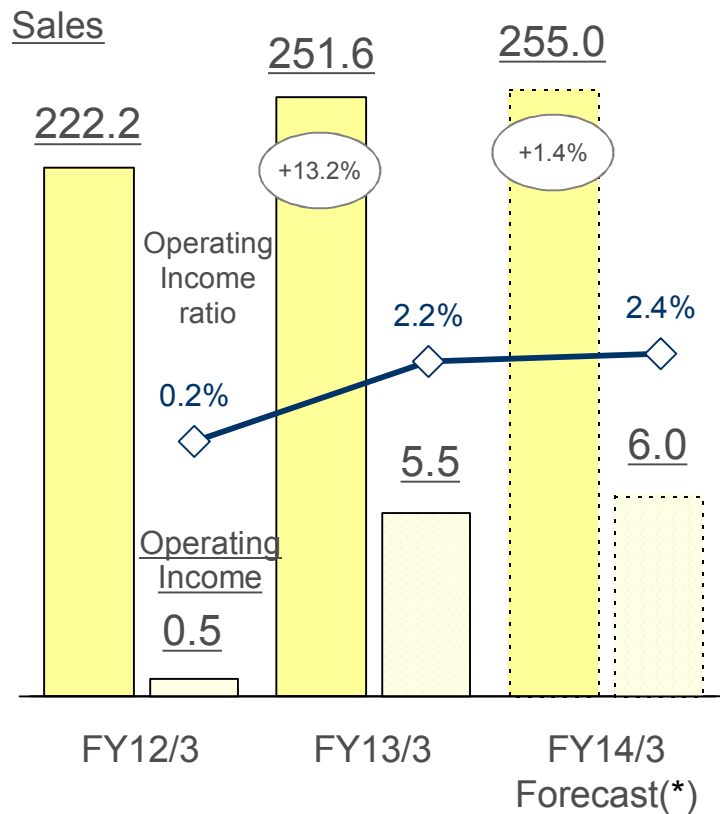


* Forecasts as of July 31, 2013

Billions of Yen (YoY)

(Billions of Yen)

YoY

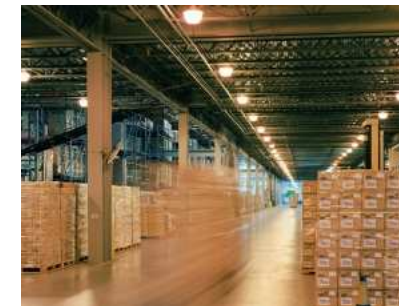


Sales 255.0 (+1.4%)

△ Increase due to the steady sales for the manufacturing industries

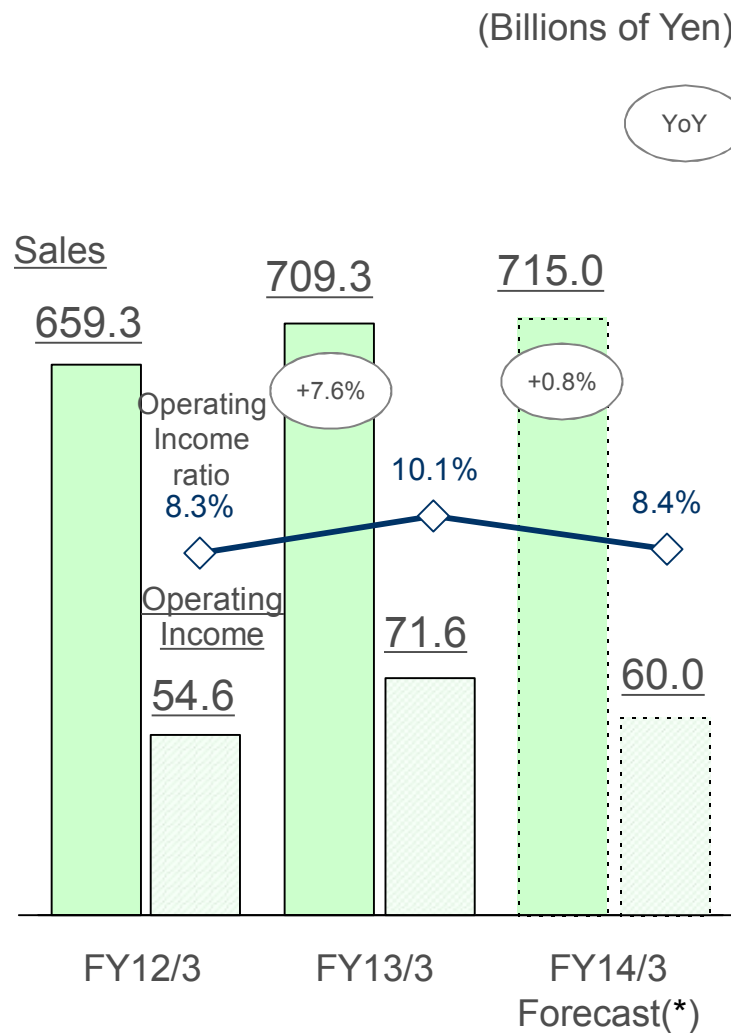
Operating Income 6.0 (+0.5)

△ Improve by sales growth



* Forecasts as of July 31, 2013

Billions of Yen (YoY)



Sales 715.0 (+0.8%)

- ▽ Japan : Decrease from the previous fiscal year, when there was strong demand
- △ International : Increase in TOMS and mobile backhaul businesses

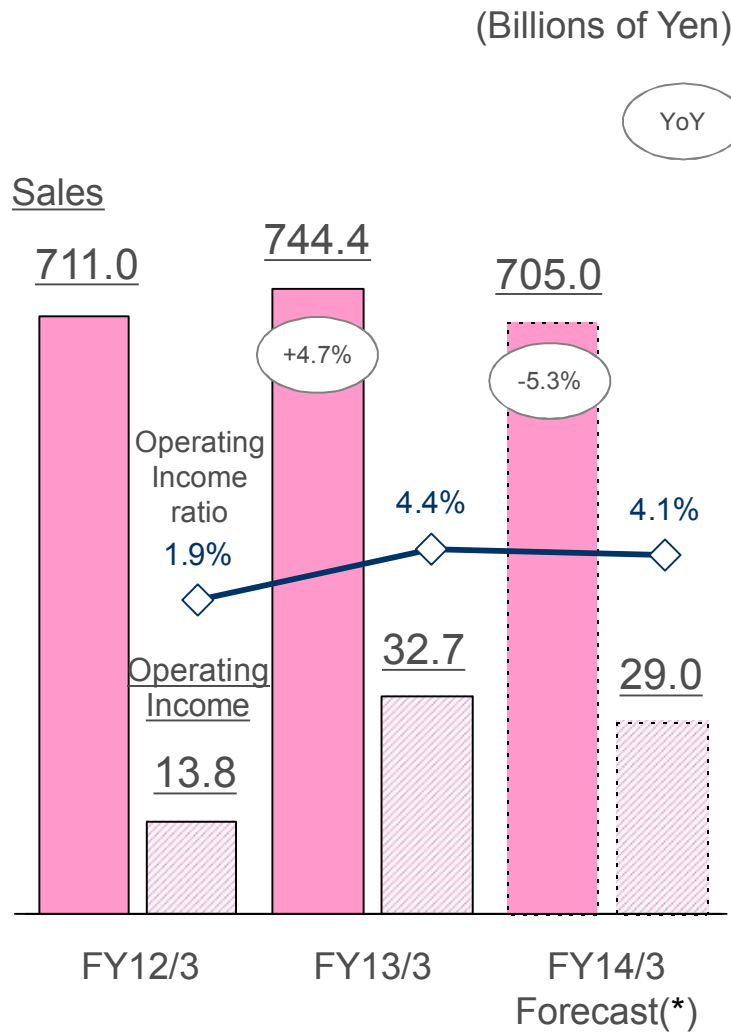
Operating Income 60.0 (-11.6%)

- ▽ Decrease due to the acceleration of investment in SDN, etc., and one-time profit related to intellectual property in the previous fiscal year



* Forecasts as of July 31, 2013

Billions of Yen (YoY)



Sales 705.0 (-5.3%)

▽ Decline mainly in hardware due to the decrease of large-scale projects

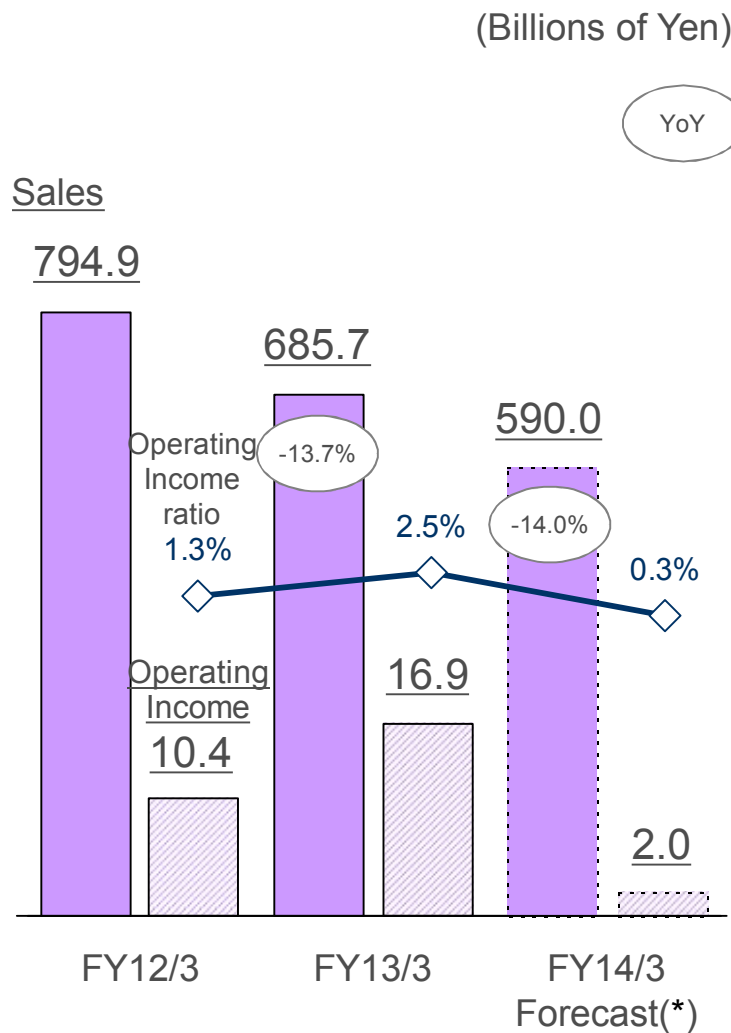
Operating Income 29.0 (-3.7)

▽ Decrease due to the sales decline



* Forecasts as of July 31, 2013

Billions of Yen (YoY)



Sales 590.0 (-14.0%)

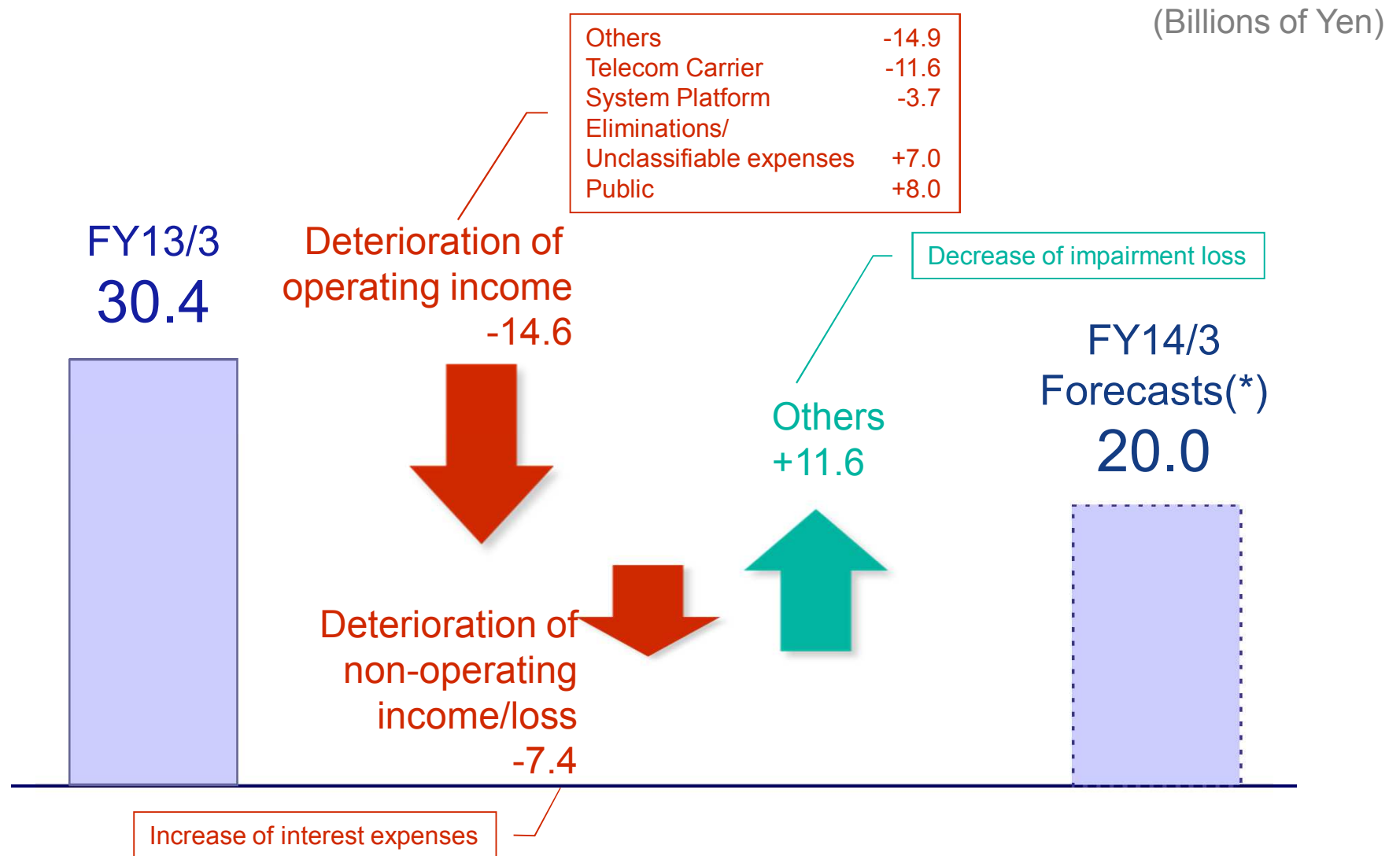
- ▽ Decrease due to the deconsolidation of NEC Mobiling, Ltd. and the electronic components business

Operating Income 2.0 (-14.9)

- ▽ Decrease from the impact of the sale of LCD patents in the previous fiscal year

* Forecasts as of July 31, 2013

Net Income/Loss Change (Year on Year)



* Forecasts as of July 31, 2013

Summary



Achieving FY14/3 forecasts is the minimum goal for the first year of the Mid-term Management Plan 2015

Aim to achieve financial forecasts just as FY13/3, and continue dividend payments to shareholders

* Forecasts as of July 31, 2013

Empowered by Innovation

NEC

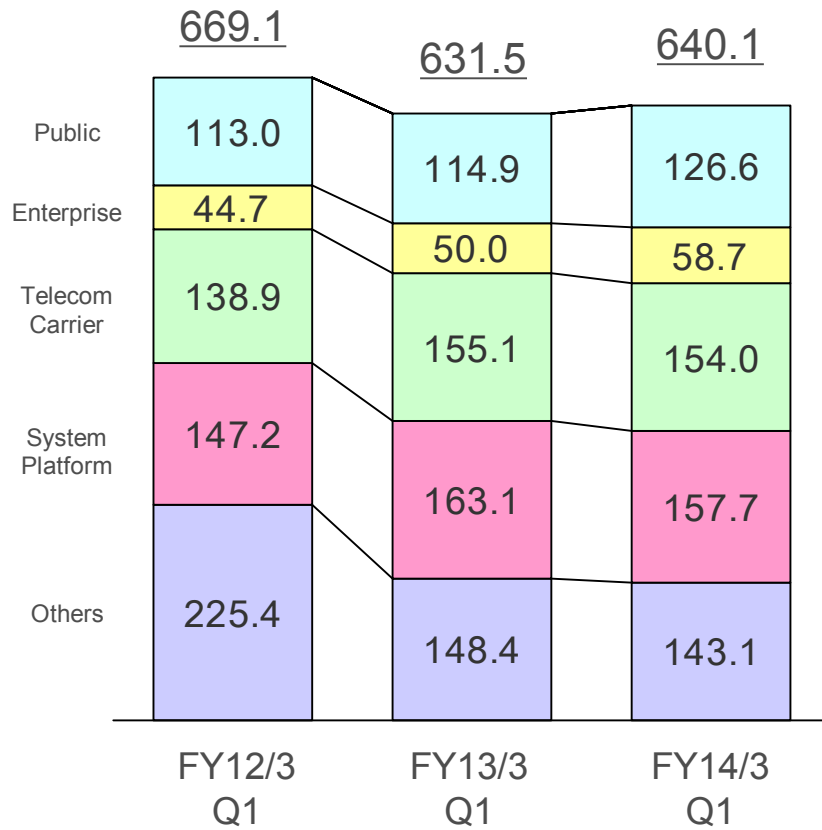
Financial Results for Q1, FY14/3 (Appendix)



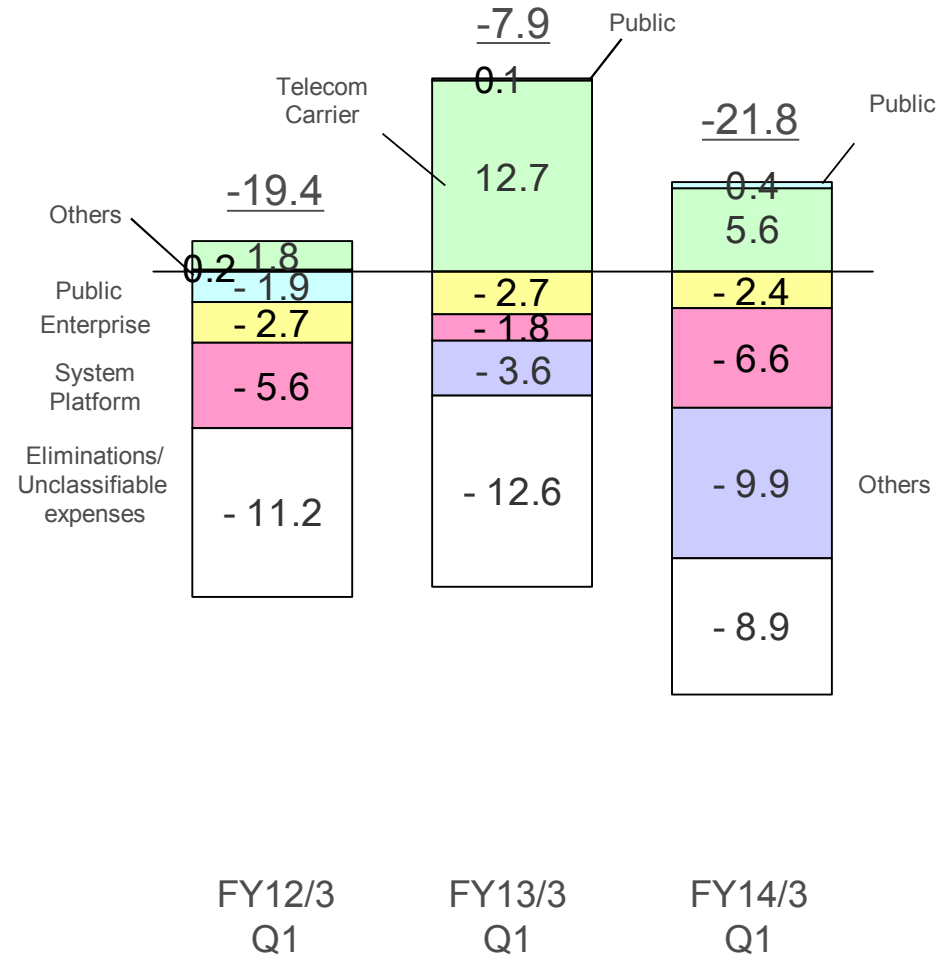
Results for Q1 by Segment

(Billions of Yen)

Net Sales



Operating Income/Loss



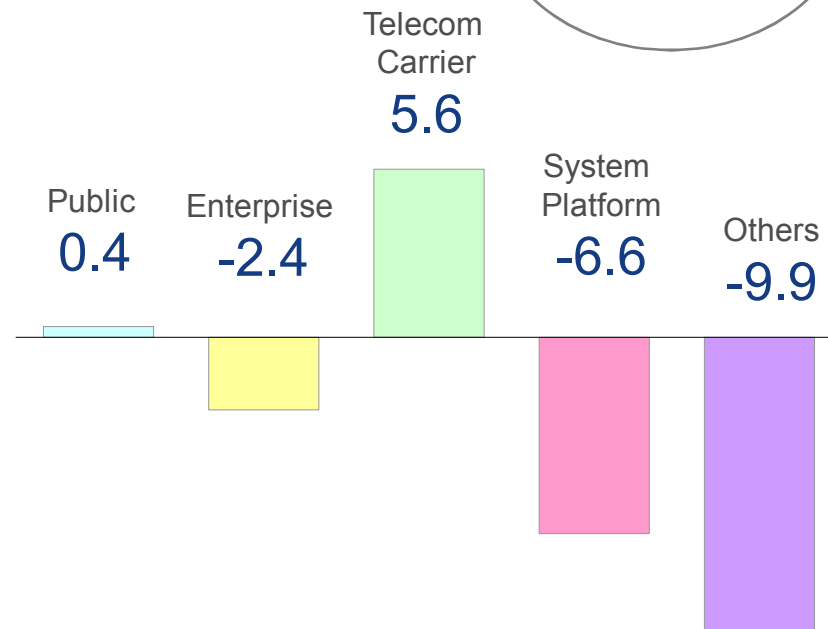
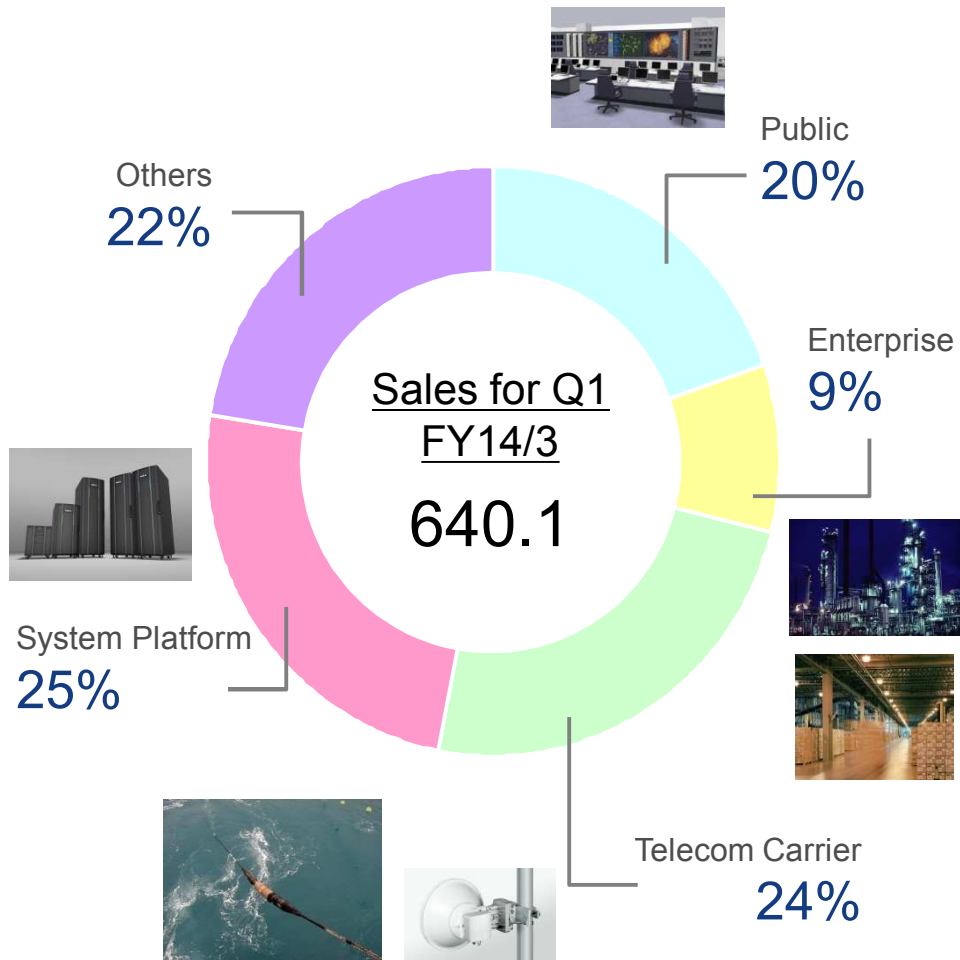
Summary of Financial Results for Q1 by Segment

(Billions of Yen)

Net Sales

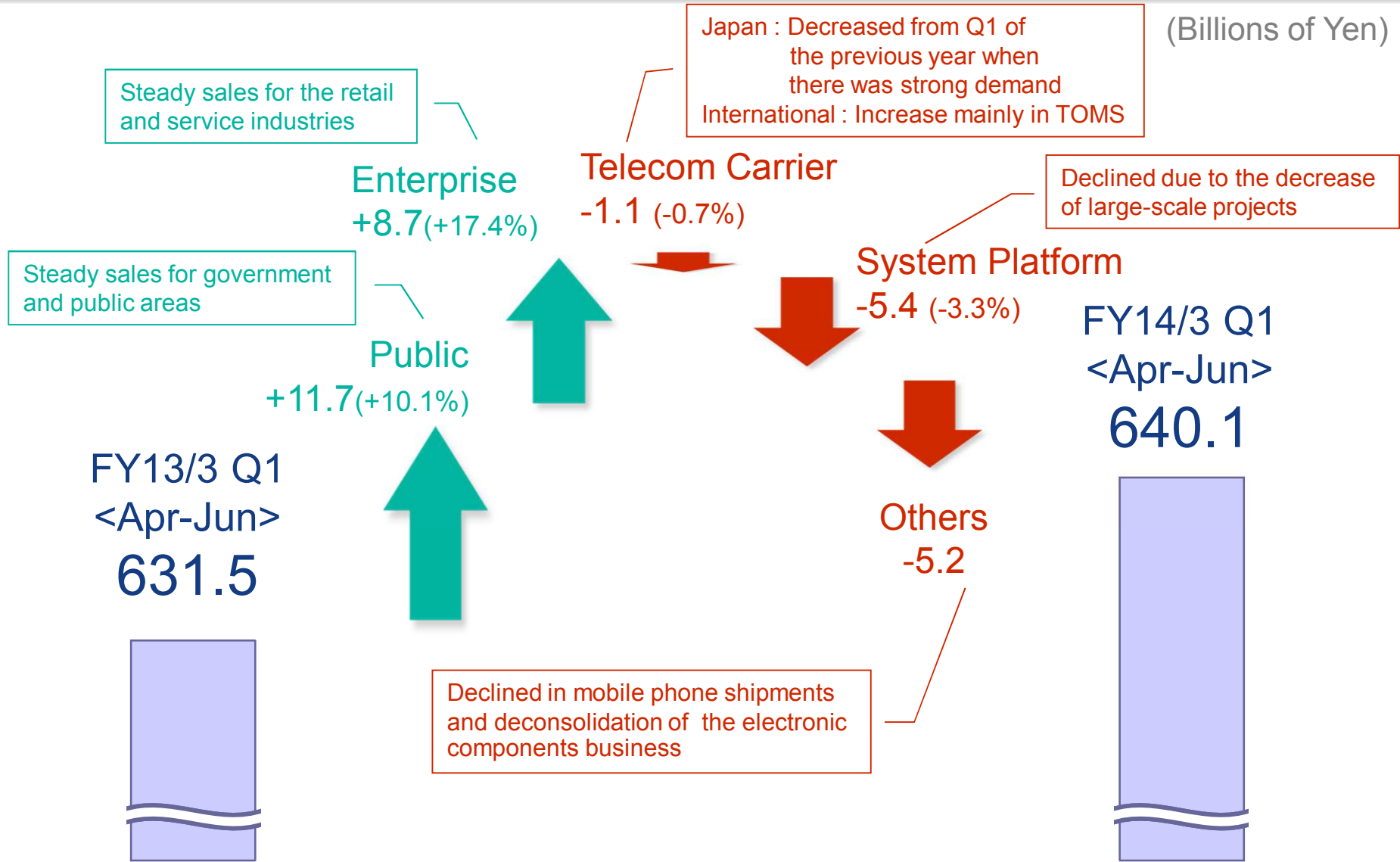
Operating Income/Loss

Operating Income/Loss
for Q1, FY14/3
-21.8



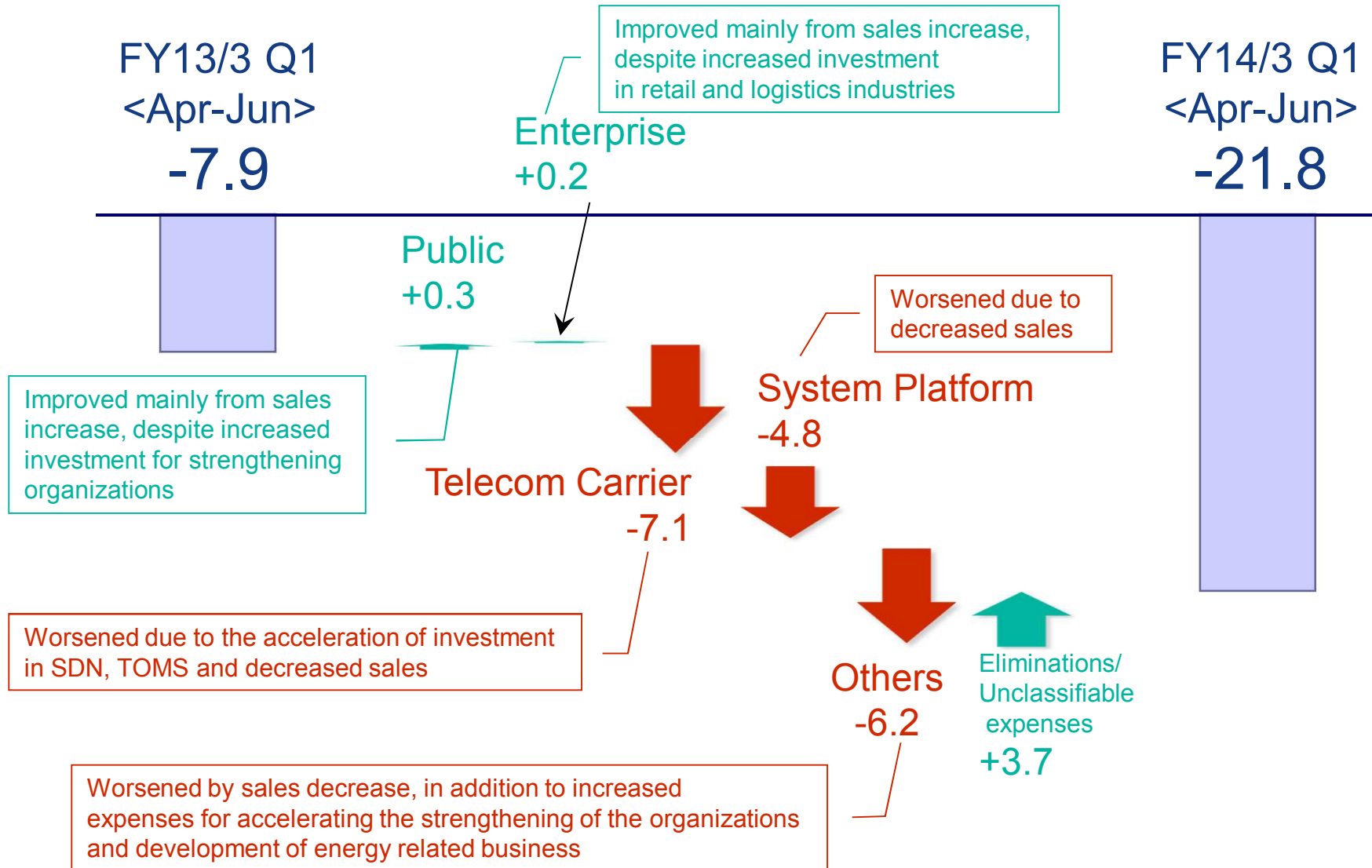
Sales Change (Year on Year)

(Billions of Yen)



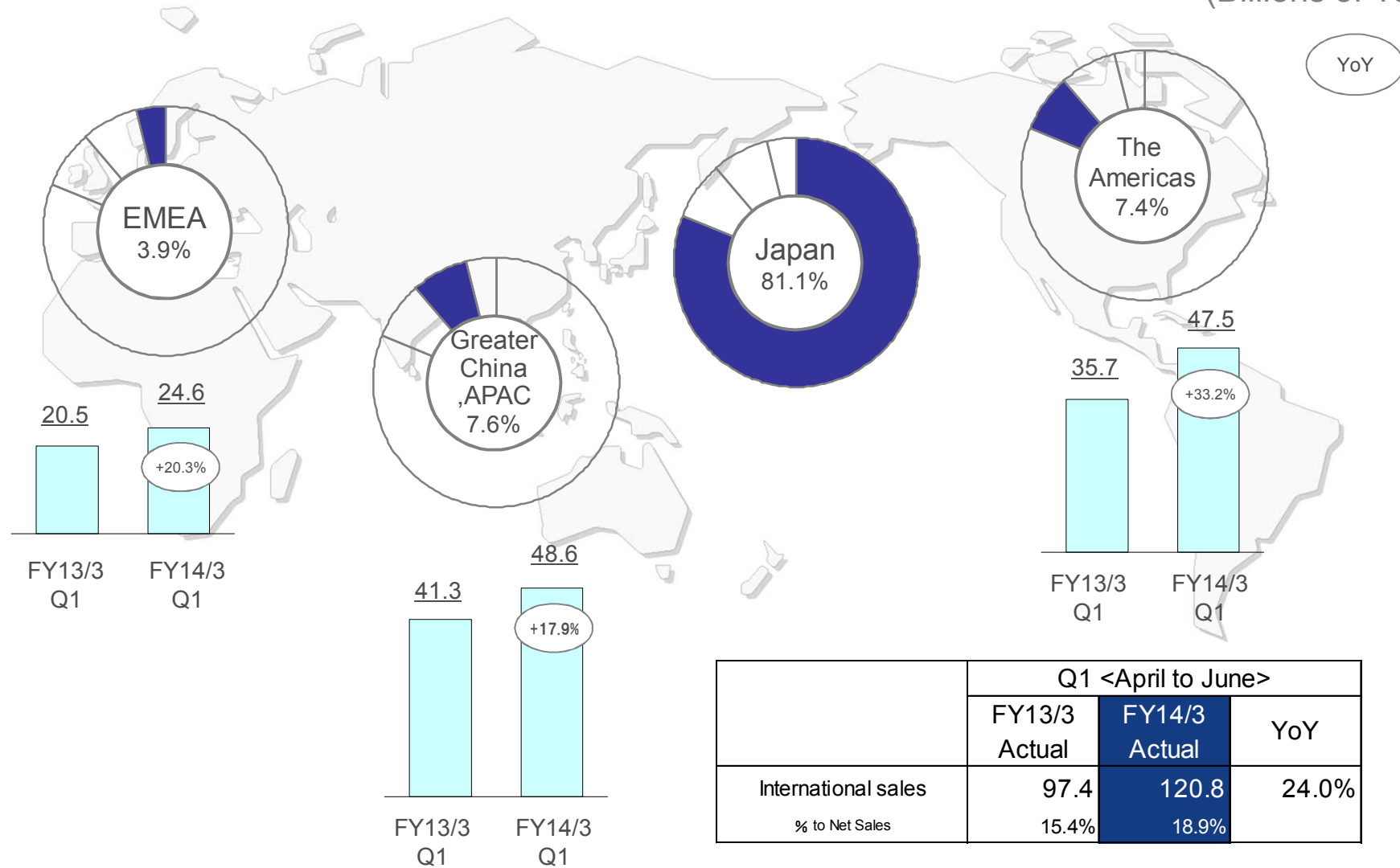
Operating Income/Loss Change (Year on Year)

(Billions of Yen)



International sales

(Billions of Yen)



* Sales, based on customer locations, are classified by country or region

Financial Position Data

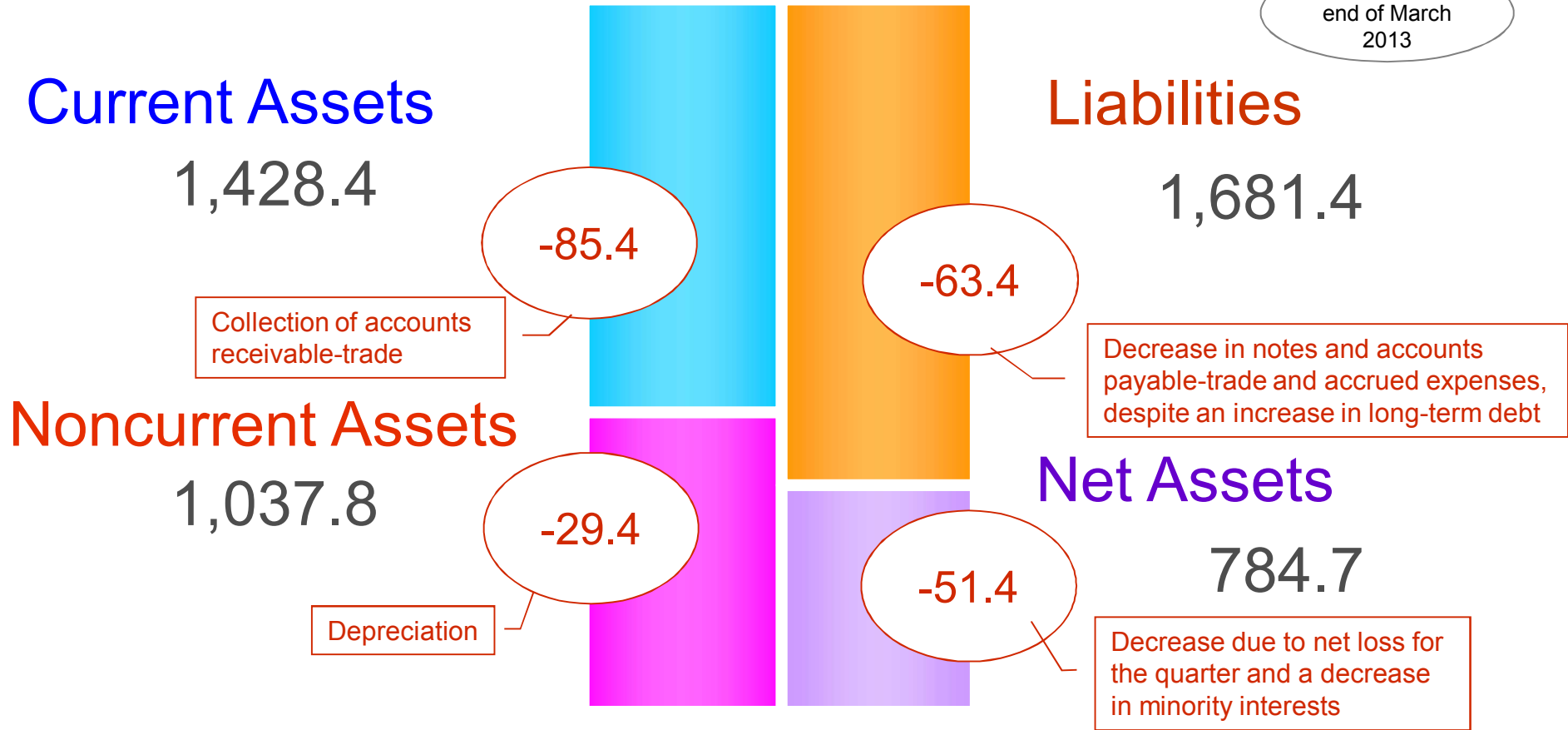
(Billions of Yen)

	End of Mar 2013	End of Jun 2013	Difference from Mar 2013	End of Jun 2012
Total Assets	2,581.0	2,466.1	-114.8	2,371.7
Net Assets	836.1	784.7	-51.4	745.7
Interest-bearing debt	603.5	665.5	62.0	641.7
Shareholders' Equity	710.7	683.4	-27.3	626.3
Equity ratio(%)	27.5%	27.7%	0.2pt	26.4%
D/E ratio (times)	0.85	0.97	- 0.12pt	1.02
Net D/E ratio (times)	0.57	0.55	0.02pt	0.67
Balance of cash and cash equivalents	197.1	286.7	89.5	222.0

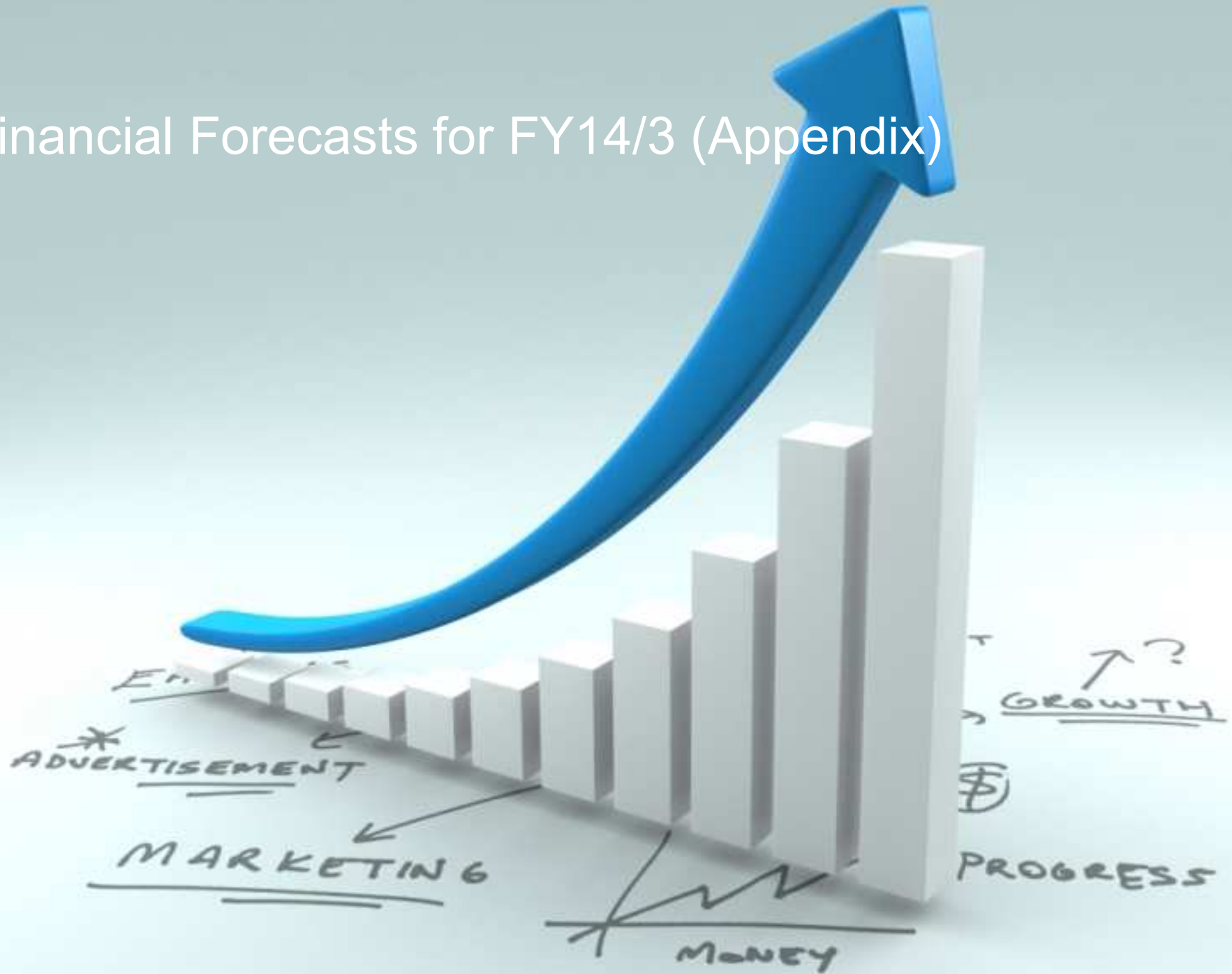
<Ref.> Balance Sheets (At the end of June, 2013)

<Compared to end of March 2013>
Total Assets 2,466.1 (-114.8)

Compared to
end of March
2013



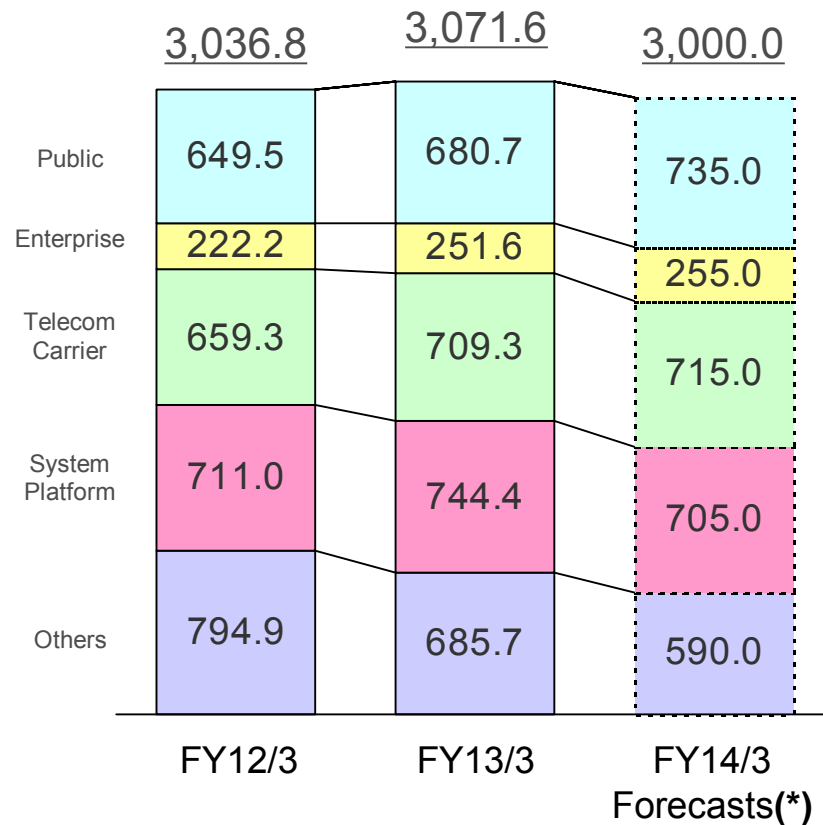
Financial Forecasts for FY14/3 (Appendix)



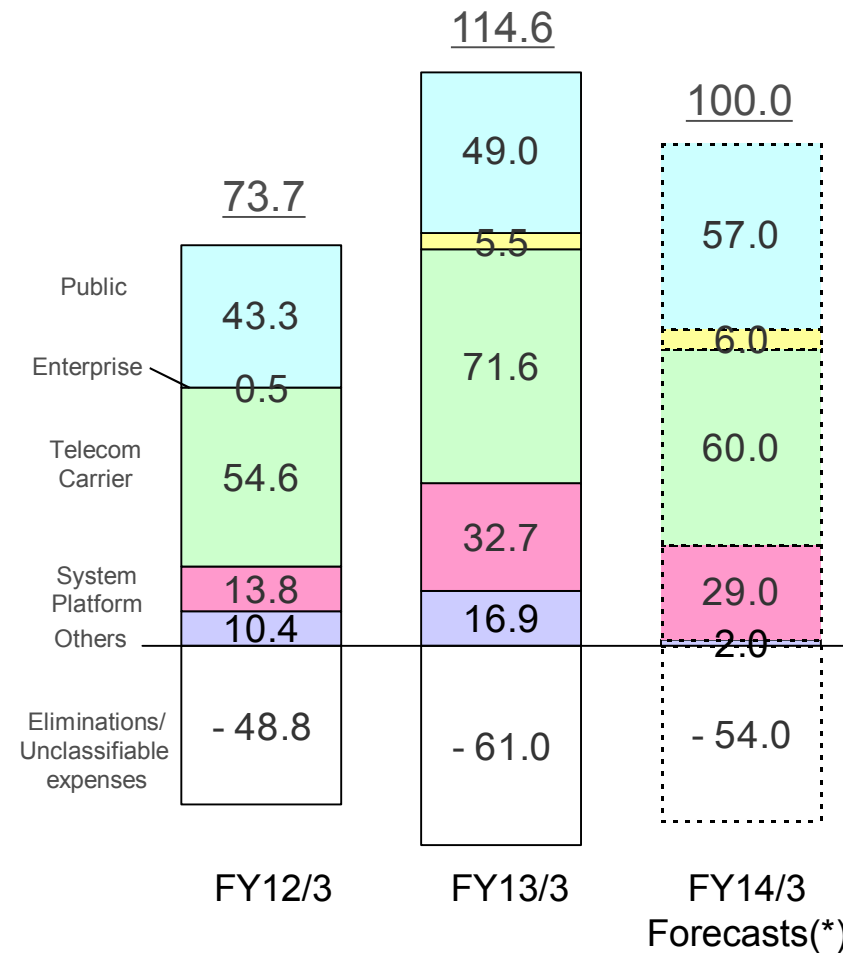
Financial Forecasts for FY14/3 by Segment

(Billions of Yen)

Net Sales



Operating Income/Loss



* Forecasts as of July 31, 2013

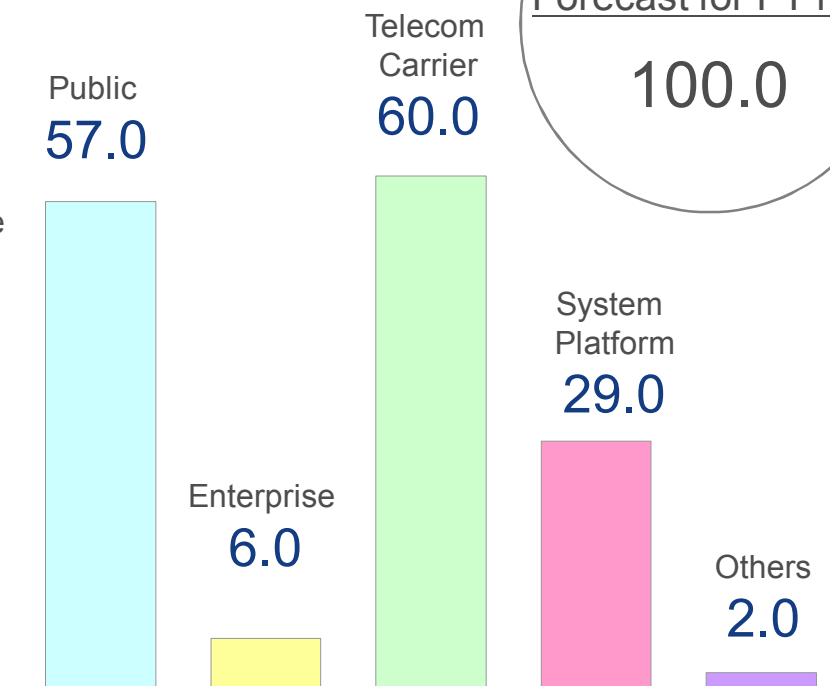
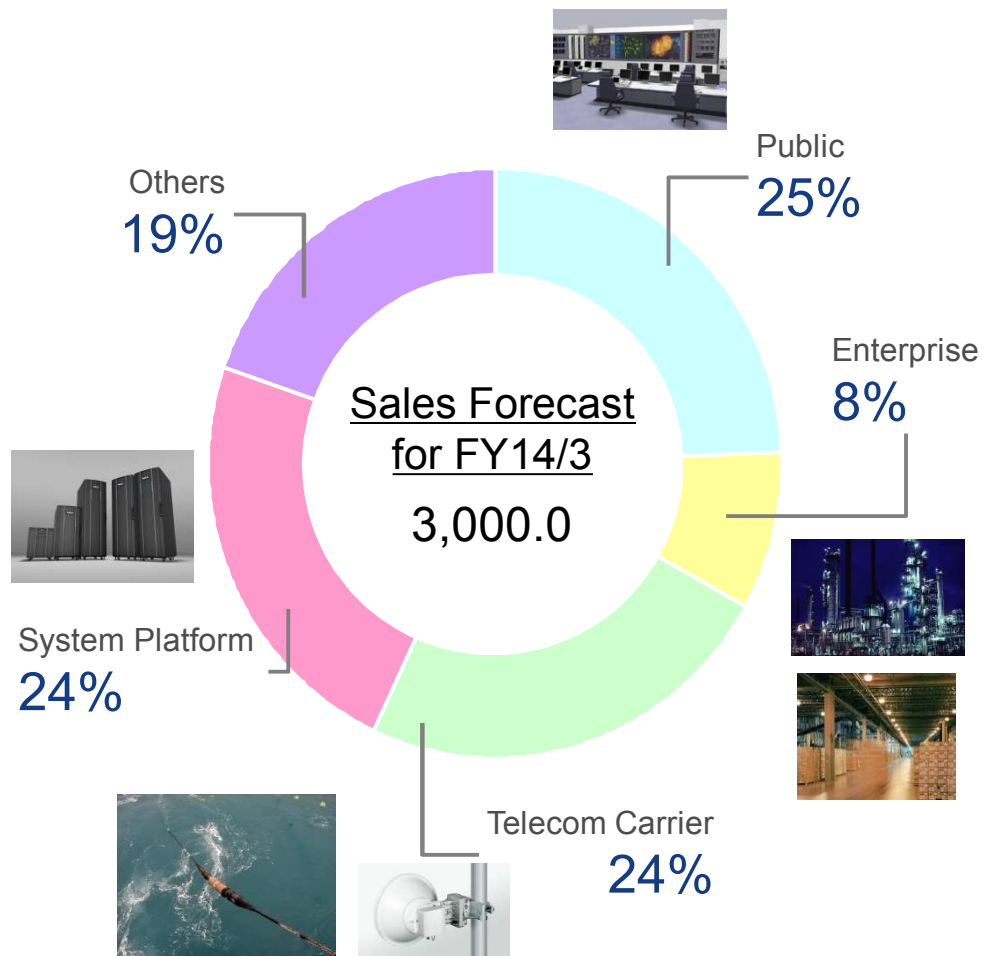
Summary of Financial Forecasts for FY14/3 by Segment

(Billions of Yen)

Net Sales

Operating Income

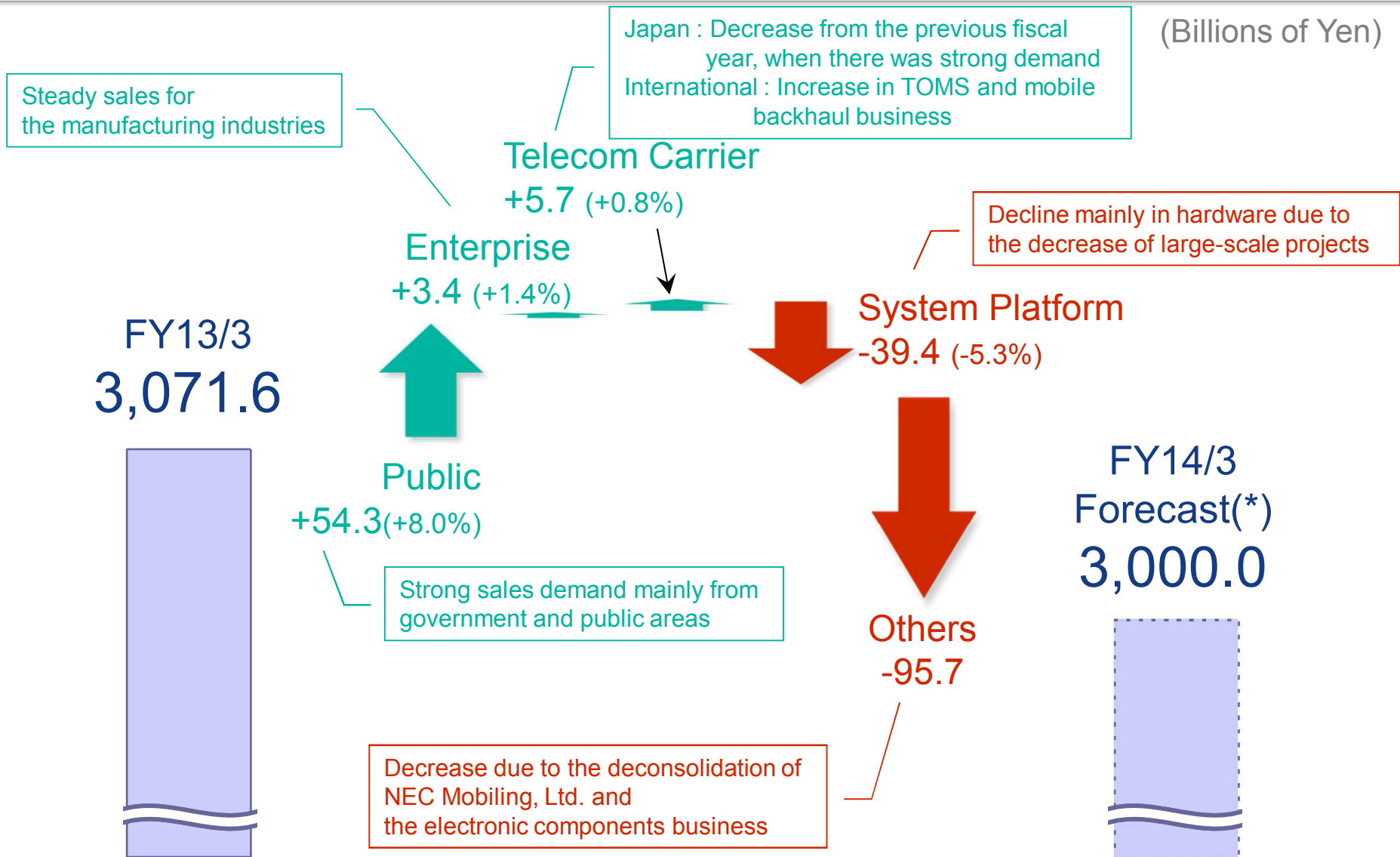
Operating Income
Forecast for FY14/3
100.0



* Forecasts as of July 31, 2013

Sales Change (Year on Year)

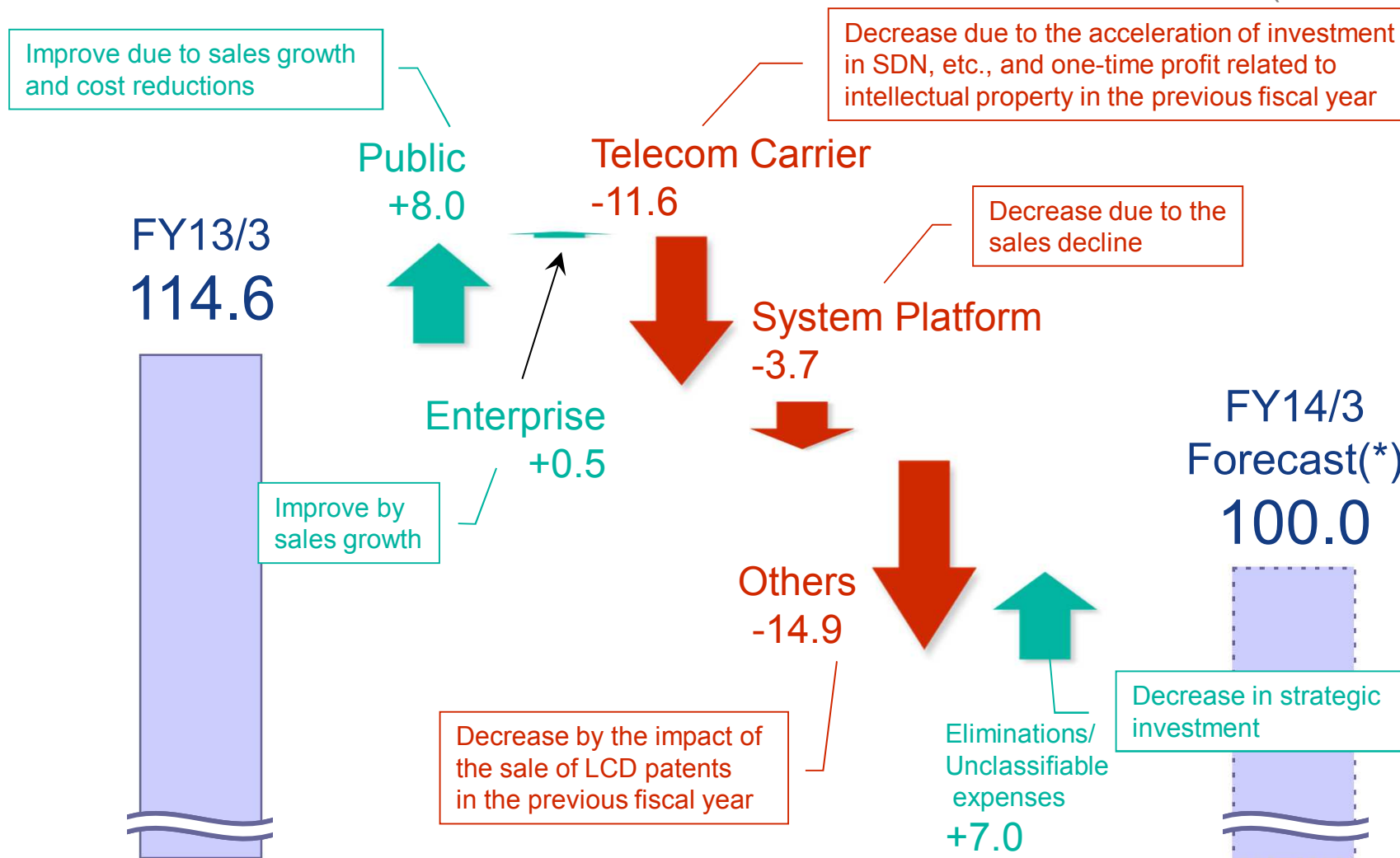
(Billions of Yen)



* Forecasts as of July 31, 2013

Operating Income Change (Year on Year)

(Billions of Yen)



* Forecasts as of July 31, 2013

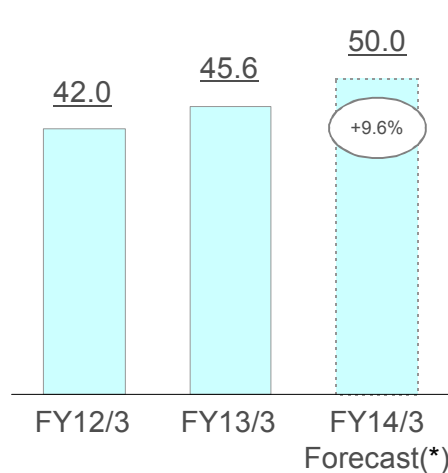
Capital Expenditure, Depreciation and R&D expenses

(Billions of Yen)

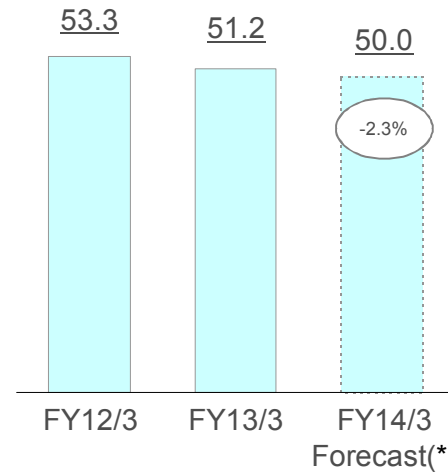
	FY12/3 Actual	FY13/3 Actual	FY14/3 Forecast	YoY
Capital Expenditure	42.0	45.6	50.0	9.6%
Depreciation	53.3	51.2	50.0	- 2.3%
R&D expenses	162.0	151.7	160.0	5.5%
% to Net Sales	5.3%	4.9%	5.3%	



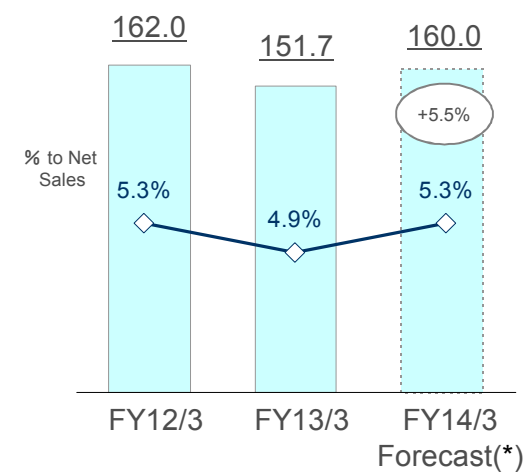
Capital Expenditure



Depreciation



R&D expenses

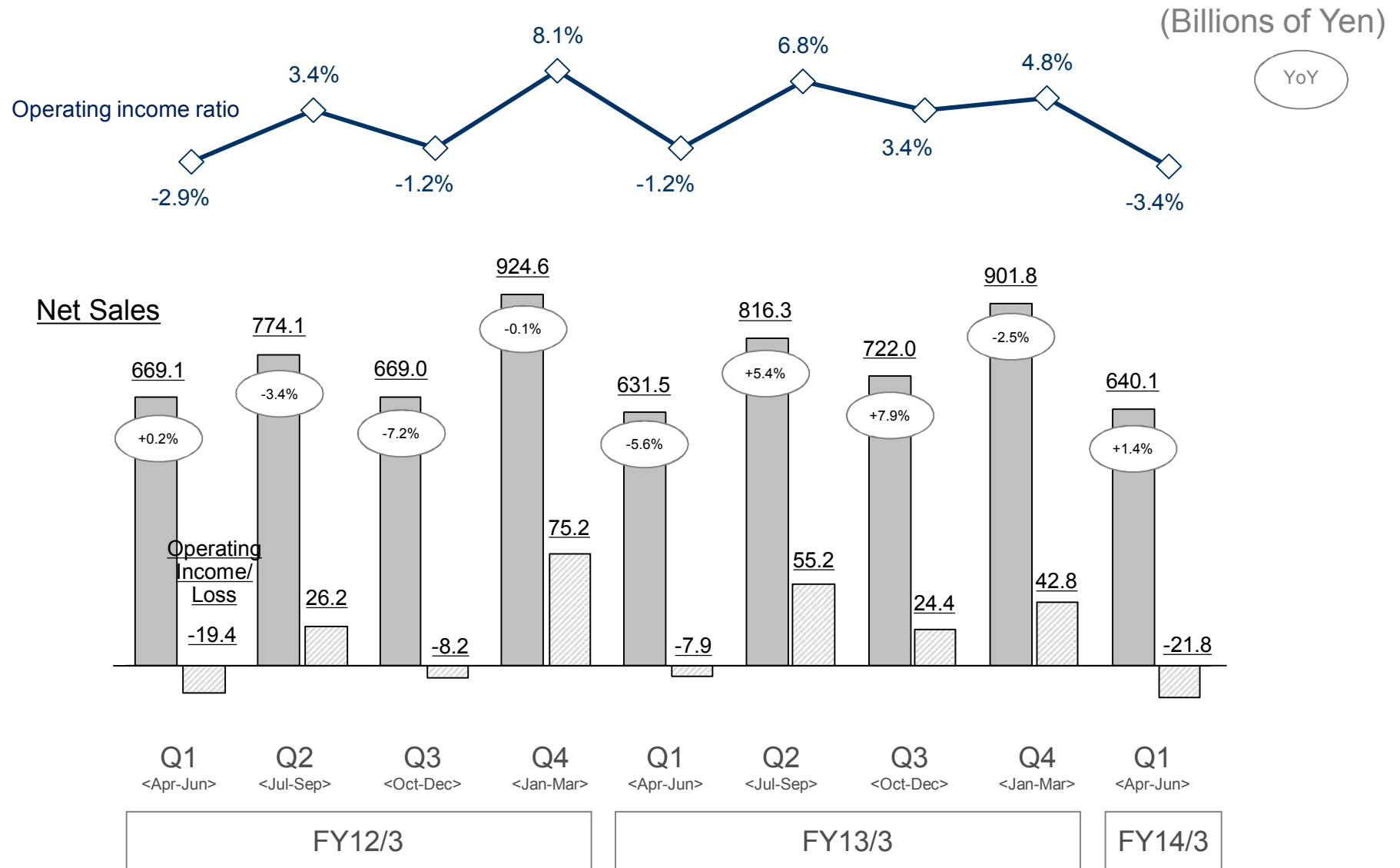


* Forecasts as of July 31, 2013 (Note: Unchanged from forecasts announced on April 26)

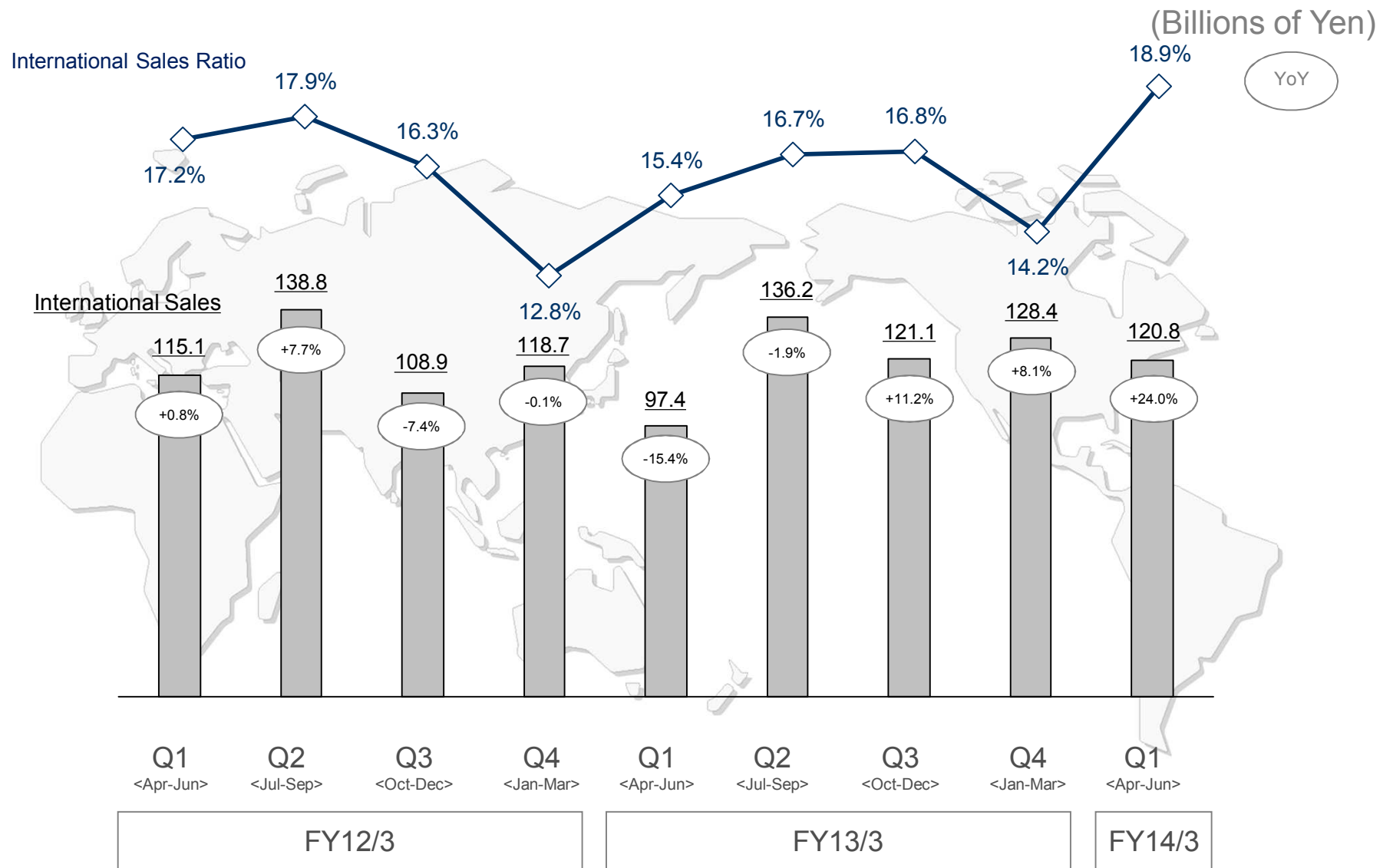
Reference (Financial data)



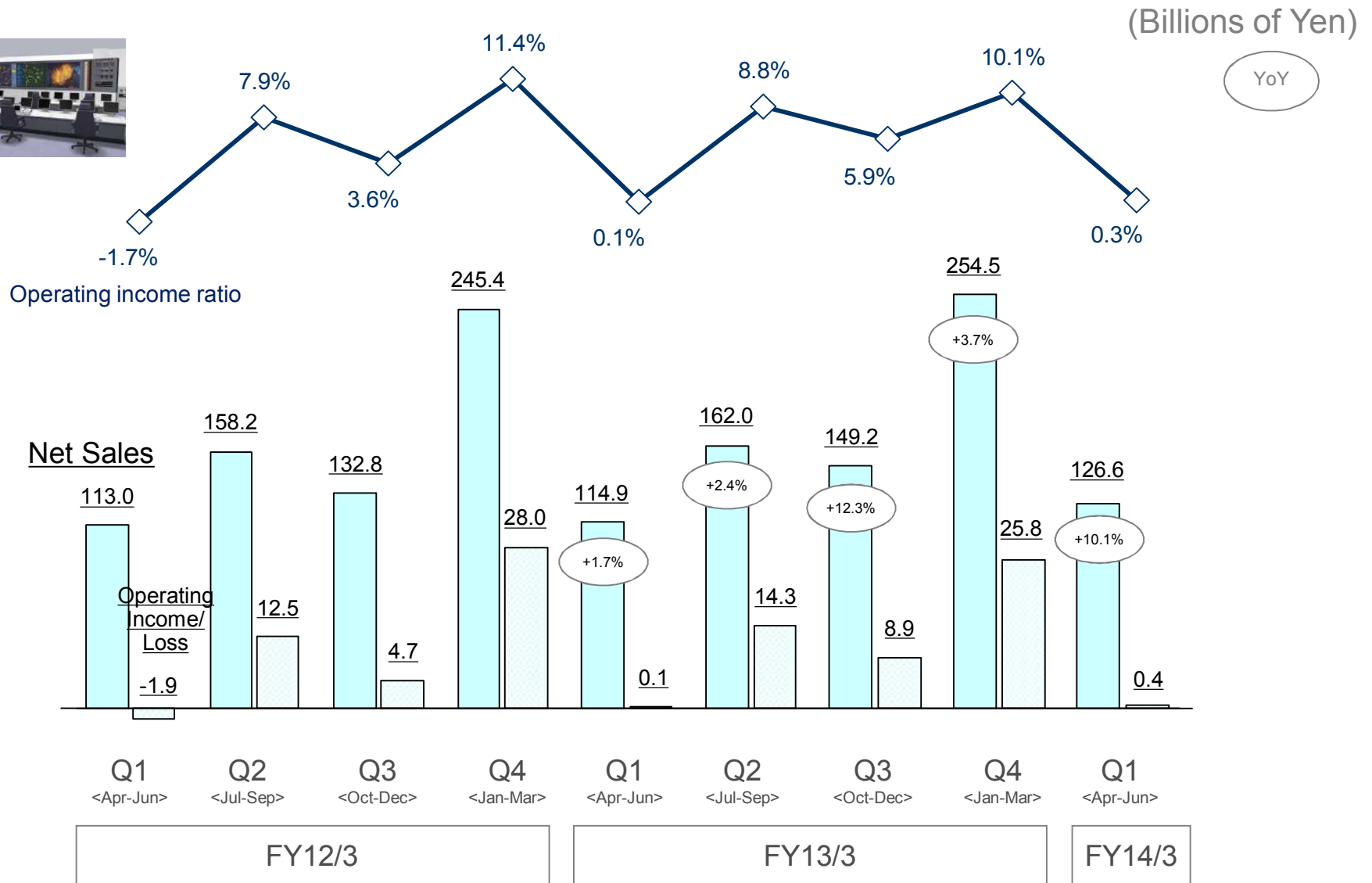
Net Sales, Operating Income/Loss



International Sales



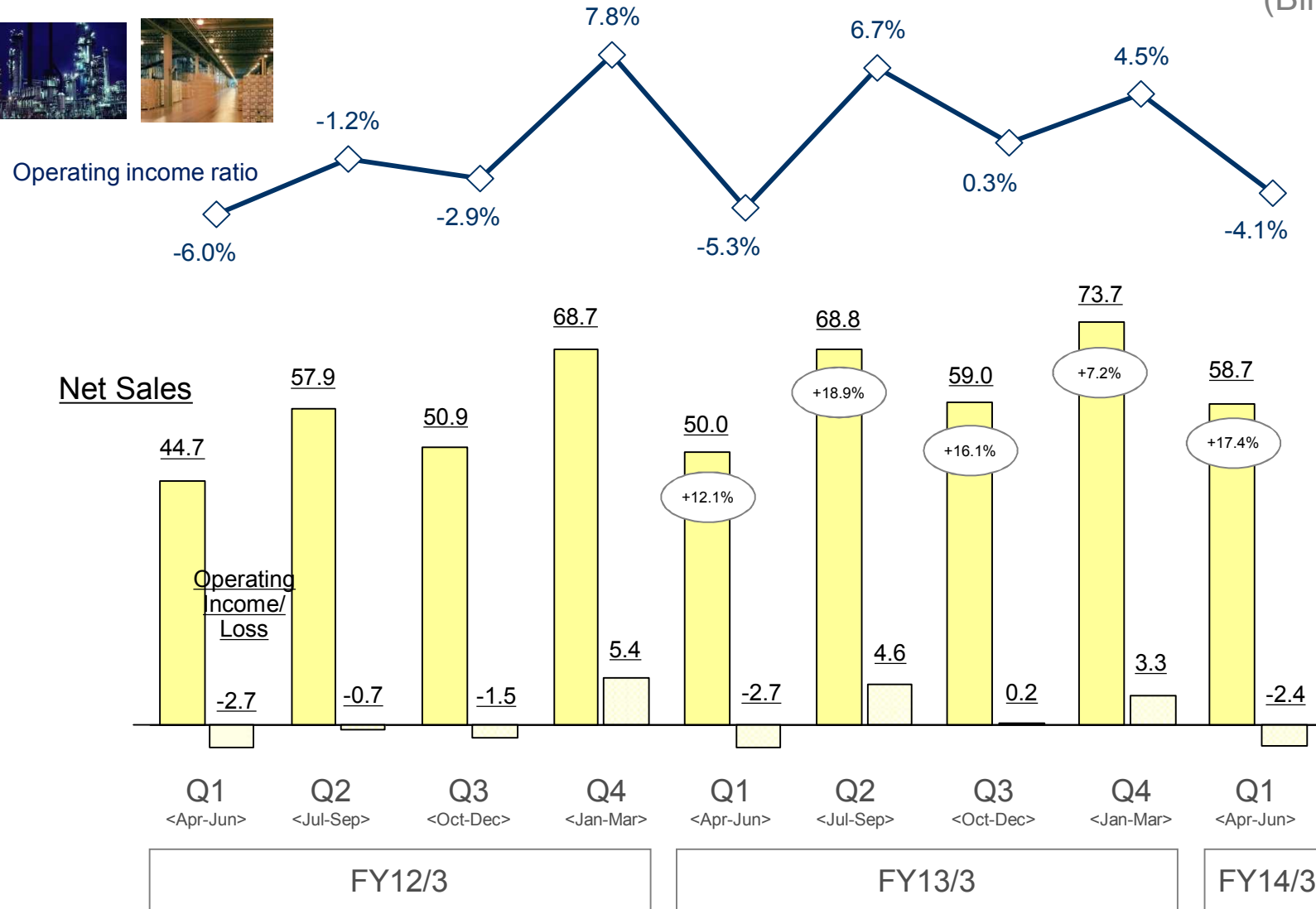
Sales, Operating Income/Loss (Public)



Sales, Operating Income/Loss (Enterprise)

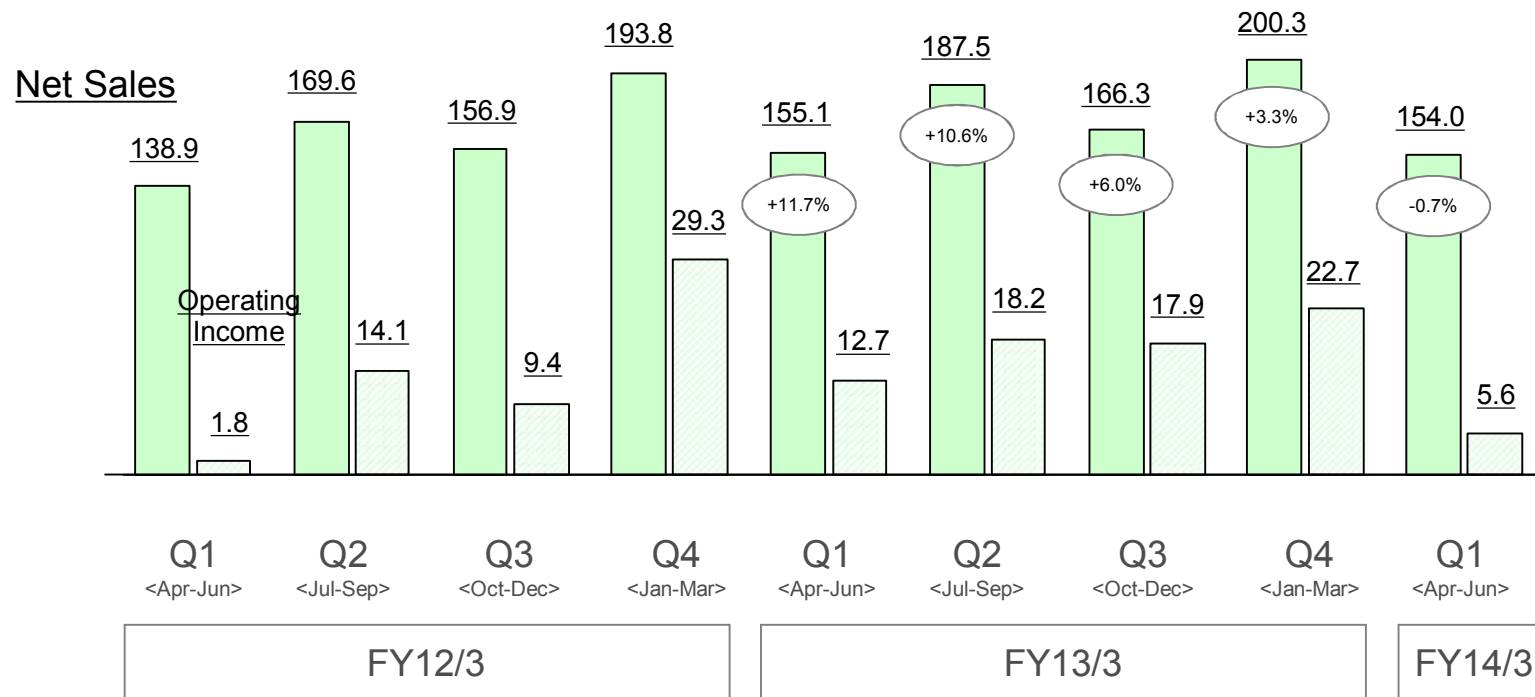
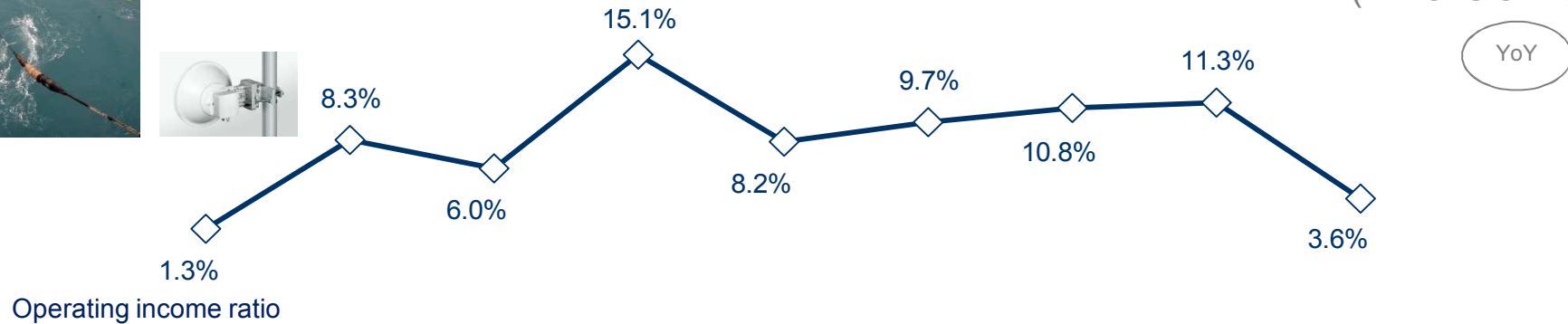
(Billions of Yen)

YoY



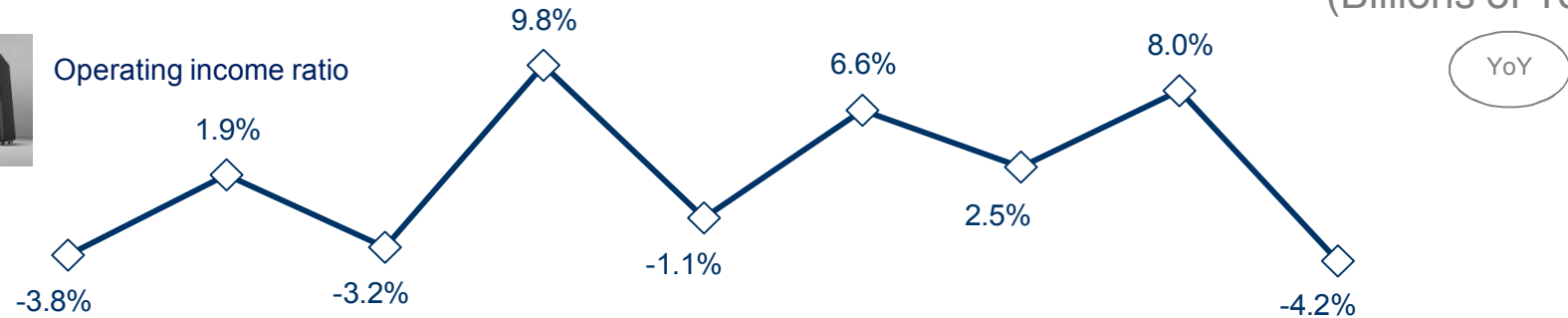
Sales, Operating Income/Loss (Telecom Carrier)

(Billions of Yen)

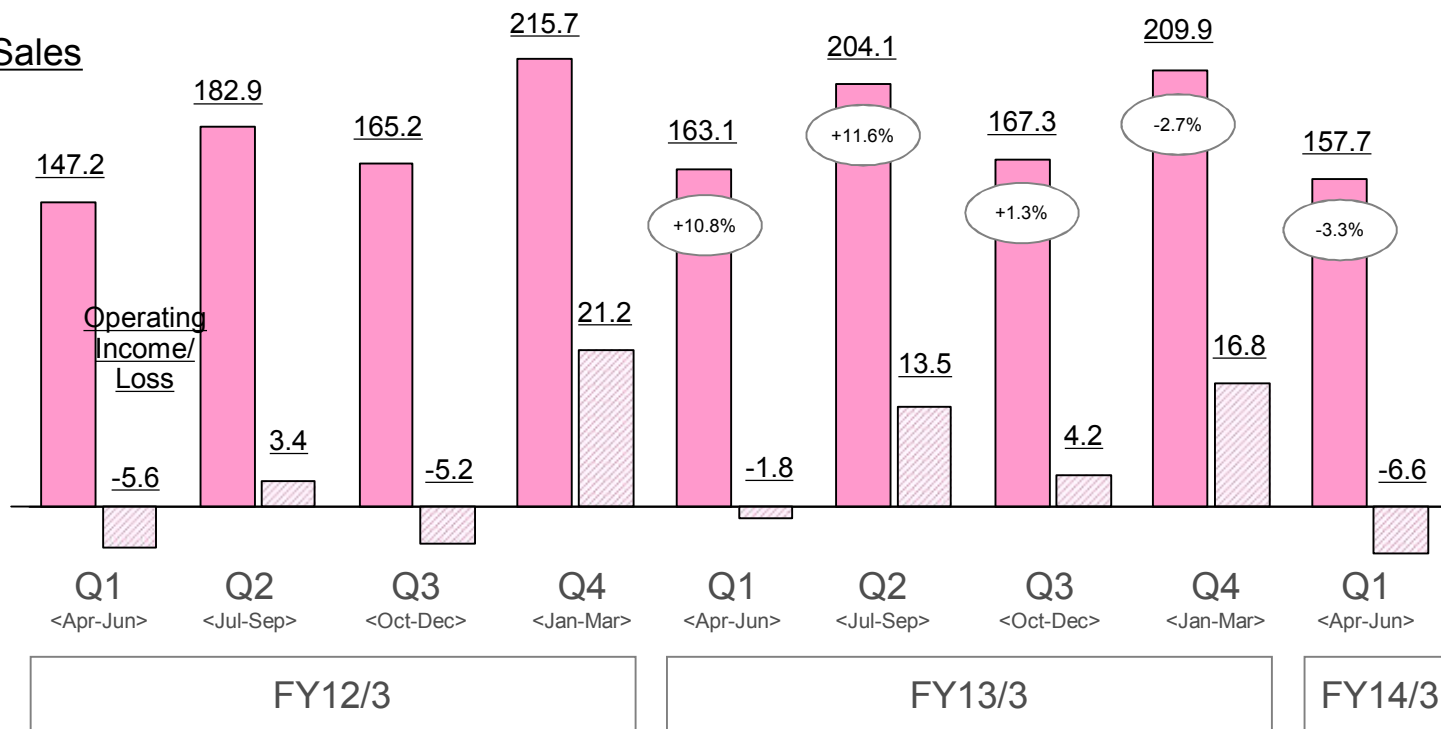


Sales, Operating Income/Loss (System Platform)

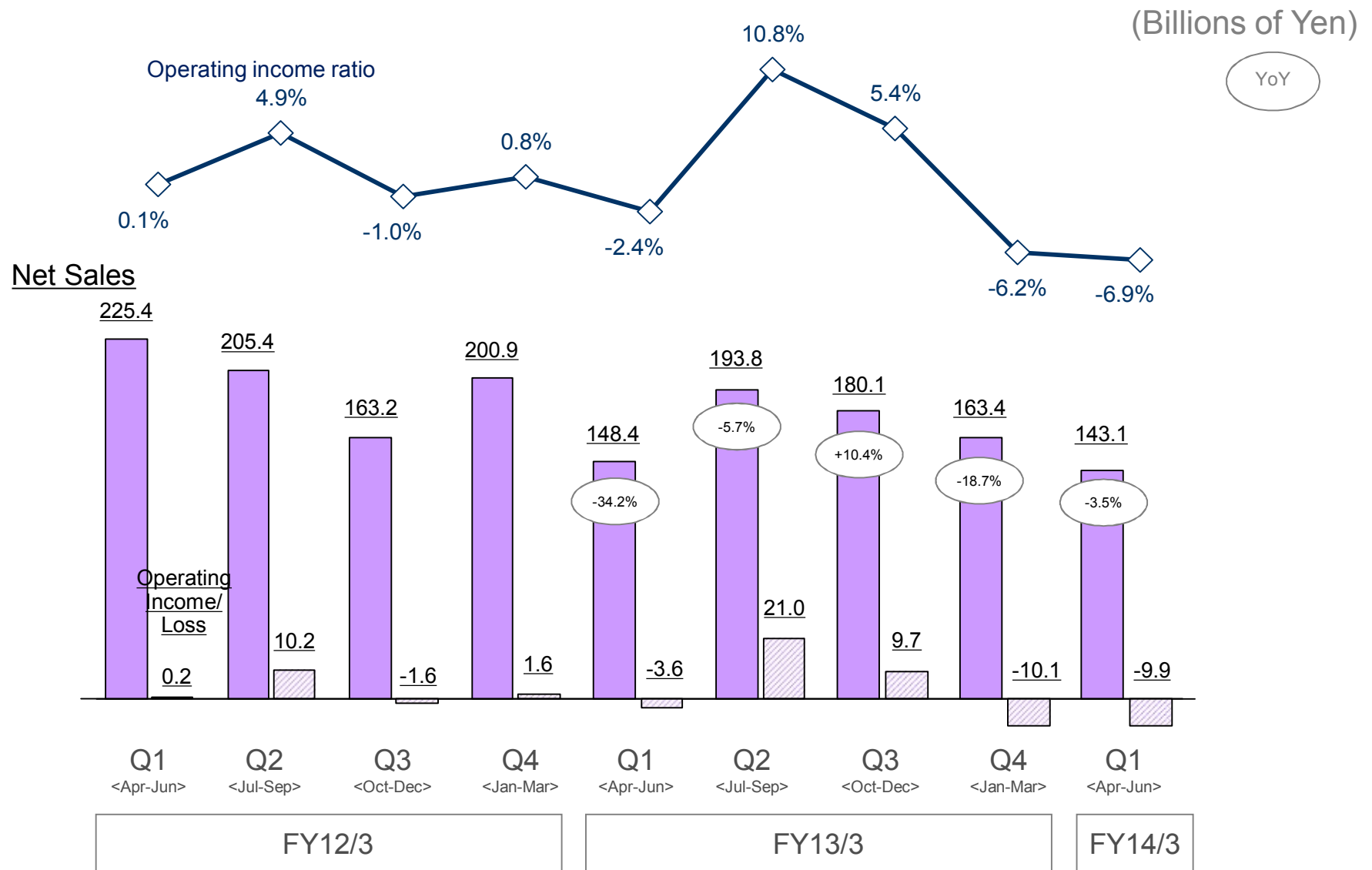
(Billions of Yen)



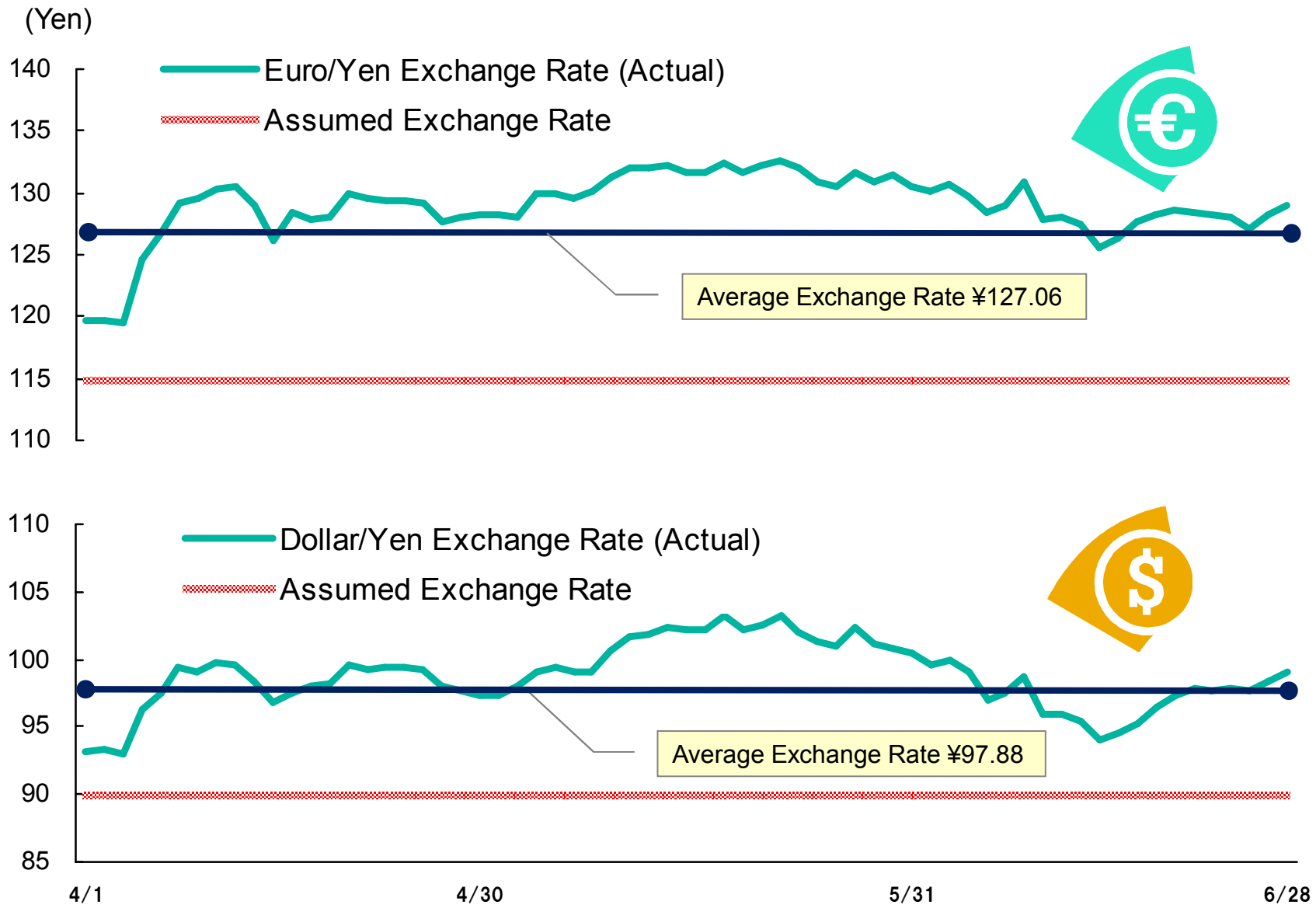
Net Sales



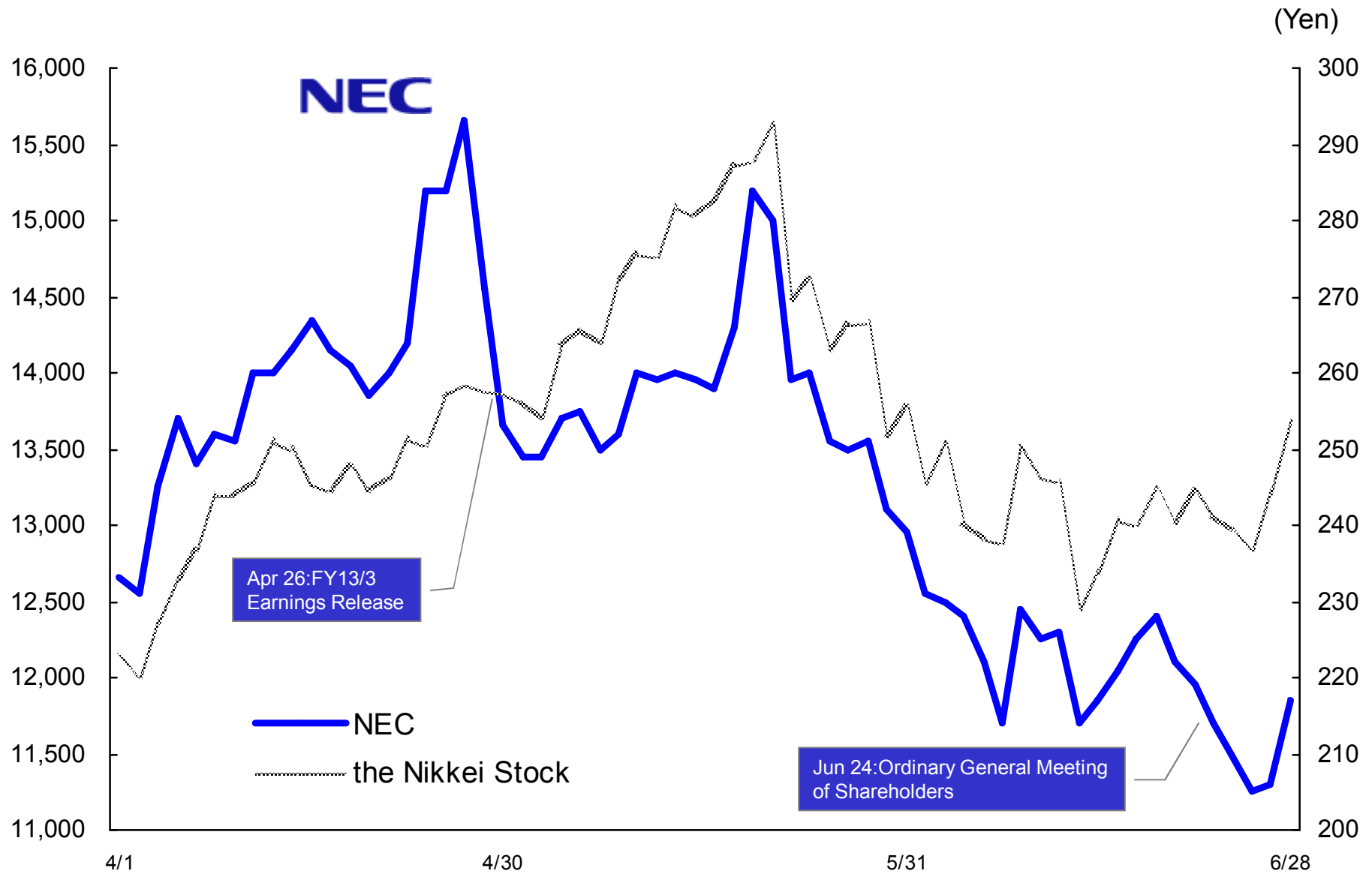
Sales, Operating Income/Loss (Others)



Exchange Rate



Stock Price



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