

# Financial Results for Q3 Fiscal Year Ending March 31, 2014

January 30, 2014

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 Q3, FY14/3



# Summary of Financial Results for Q3

Almost in line with company forecast for the 9 months ended December 31, 2013

- Net income increased by 220% in Q3(YoY)

(Billions of Yen)

	Q3 <October to December>			9 months <April to December>		
	FY13/3 Actual	FY14/3 Actual	YoY	FY13/3 Actual	FY14/3 Actual	YoY
Net Sales	722.0	700.4	- 3.0%	2,169.8	2,083.5	- 4.0%
Operating Income	24.4	23.4	-1.1	71.8	23.7	-48.1
% to Net Sales	3.4%	3.3%		3.3%	1.1%	
Ordinary Income	21.9	20.0	-1.9	51.8	5.5	-46.3
% to Net Sales	3.0%	2.9%		2.4%	0.3%	
Net Income/Loss	3.5	11.1	7.6	11.5	-15.1	-26.5
% to Net Sales	0.5%	1.6%		0.5%	-0.7%	
Free Cash Flow	-60.8	0.8	61.5	-92.7	-94.1	-1.3

Note: Average exchange rates for Q3 (October to December) of FY14/3 1\$= ¥99.04, 1€= ¥133.58

Average exchange rates for 9 months (April to December) of FY14/3 1\$= ¥98.42, 1€= ¥130.15

# Results for Q3 by Segment

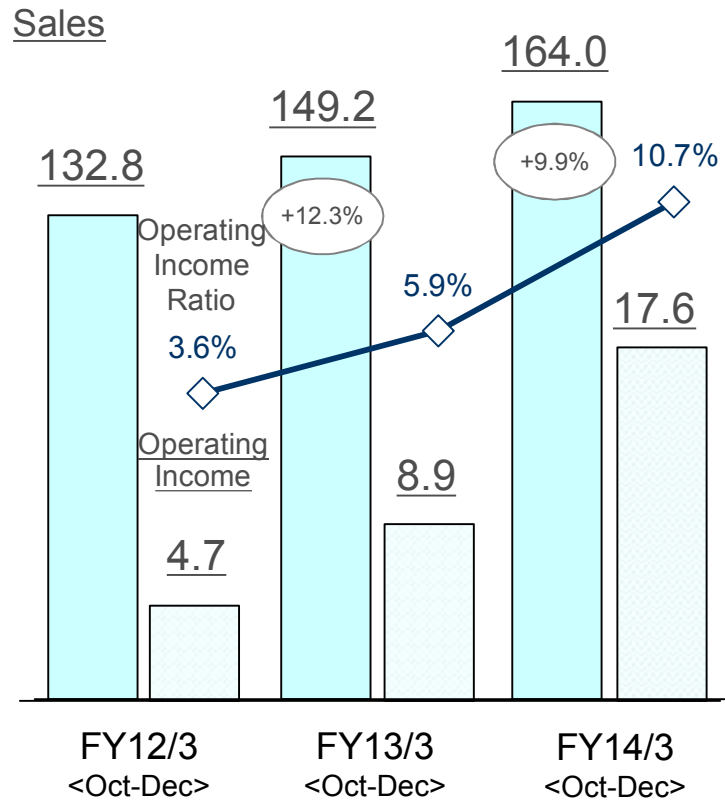
(Billions of Yen)

		Q3 <October to December>			9 months <April to December>			
		FY13/3 Actual	FY14/3 Actual	YoY	FY13/3 Actual	FY14/3 Actual	YoY	
Public	Net Sales	149.2	164.0	9.9%	426.2	467.3	9.7%	
	Operating Income	8.9	17.6	8.7	23.3	32.1	8.8	
	% to Net Sales	5.9%	10.7%		5.5%	6.9%		
Enterprise	Net Sales	59.0	60.7	2.8%	177.9	190.8	7.2%	
	Operating Income/Loss	0.2	-0.2	-0.4	2.1	0.5	-1.6	
	% to Net Sales	0.3%	-0.3%		1.2%	0.3%		
Telecom Carrier	Net Sales	166.3	172.7	3.8%	509.0	506.7	-0.4%	
	Operating Income	17.9	12.4	-5.5	48.8	31.8	-17.1	
	% to Net Sales	10.8%	7.2%		9.6%	6.3%		
System Platform	Net Sales	167.3	185.7	11.0%	534.5	536.4	0.4%	
	Operating Income	4.2	8.0	3.8	15.9	9.8	-6.1	
	% to Net Sales	2.5%	4.3%		3.0%	1.8%		
Others	Net Sales	180.1	117.3	-34.9%	522.3	382.2	-26.8%	
	Operating Income/Loss	9.7	0.8	-8.8	27.0	-11.0	-38.0	
	% to Net Sales	5.4%	0.7%		5.2%	-2.9%		
Eliminations/ Unclassifiable expenses		Operating Loss	-16.4	-15.2	1.1	-45.3	-39.5	5.8
Total	Net Sales	722.0	700.4	-3.0%	2,169.8	2,083.5	-4.0%	
	Operating Income	24.4	23.4	-1.1	71.8	23.7	-48.1	
	% to Net Sales	3.4%	3.3%		3.3%	1.1%		

Billions of Yen (YoY)

(Billions of Yen)

YoY



**Sales** 164.0 (+9.9%)

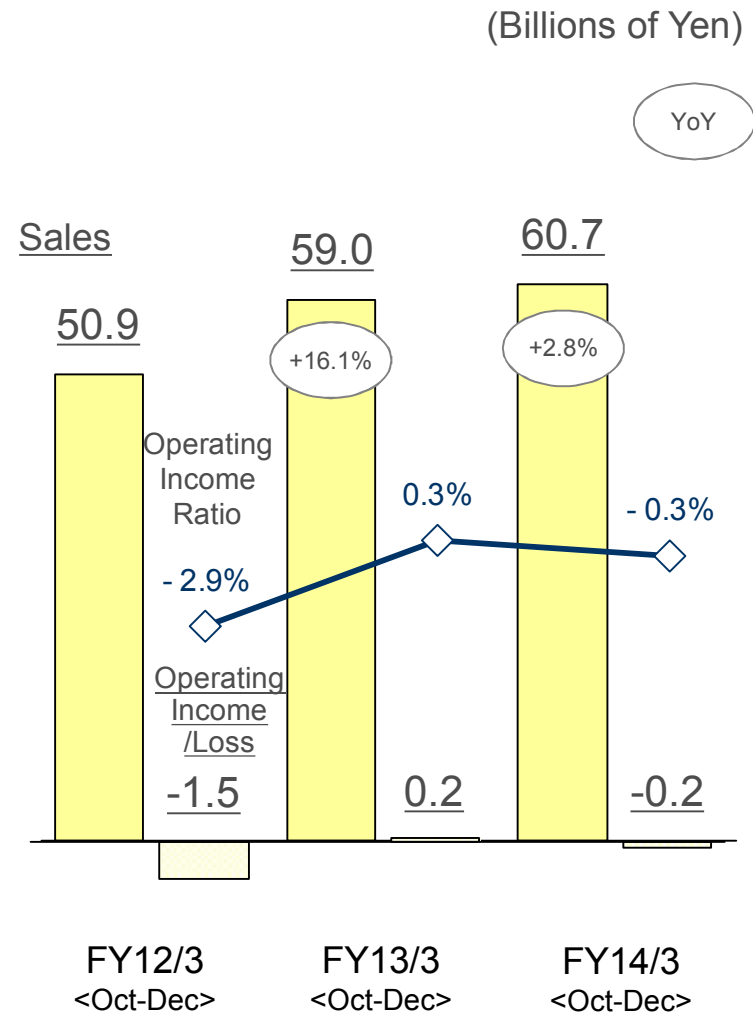
△ Increased due to the steady sales from government and public areas

**Operating Income** 17.6 (+8.7)

△ Improved due to sales increase



Billions of Yen (YoY)



**Sales** 60.7 (+2.8%)

△ Increased due to the steady sales from the retail and services industries

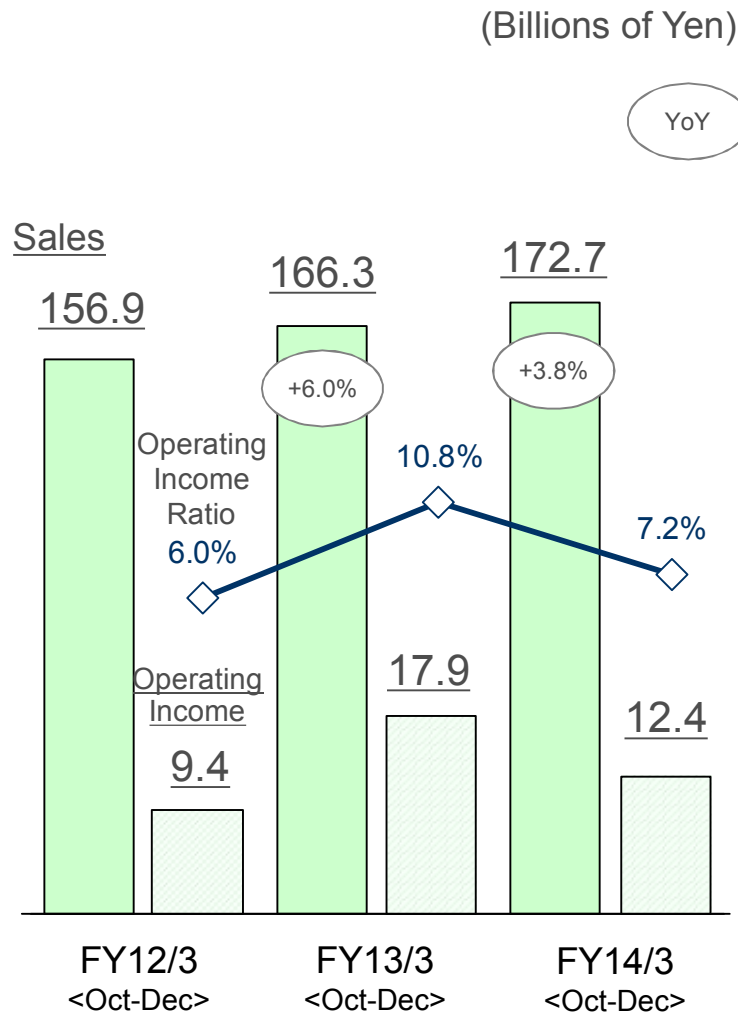
**Operating Loss** -0.2 (-0.4)

▽ Decreased due to acceleration of investment in the retail and logistics industries, despite sales increase





Billions of Yen (YoY)



## Sales 172.7 (+3.8%)

- ▽ Japan: Secured same level as the previous fiscal year
- △ International: Increased mainly in TOMS and mobile backhaul

## Operating Income 12.4 (-5.5)

- ▽ Decreased due to temporary profit related to intellectual property in the previous fiscal year

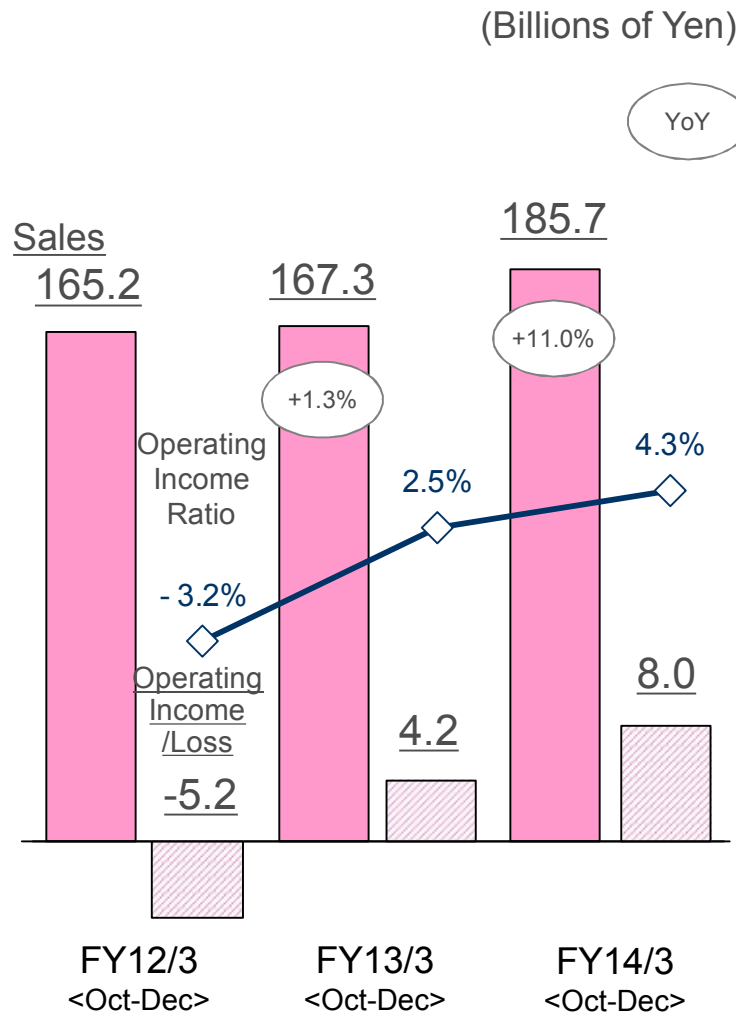
TOMS : Telecom Operations and Management Solutions





# System Platform Business

Billions of Yen (YoY)



**Sales** 185.7 (+11.0%)

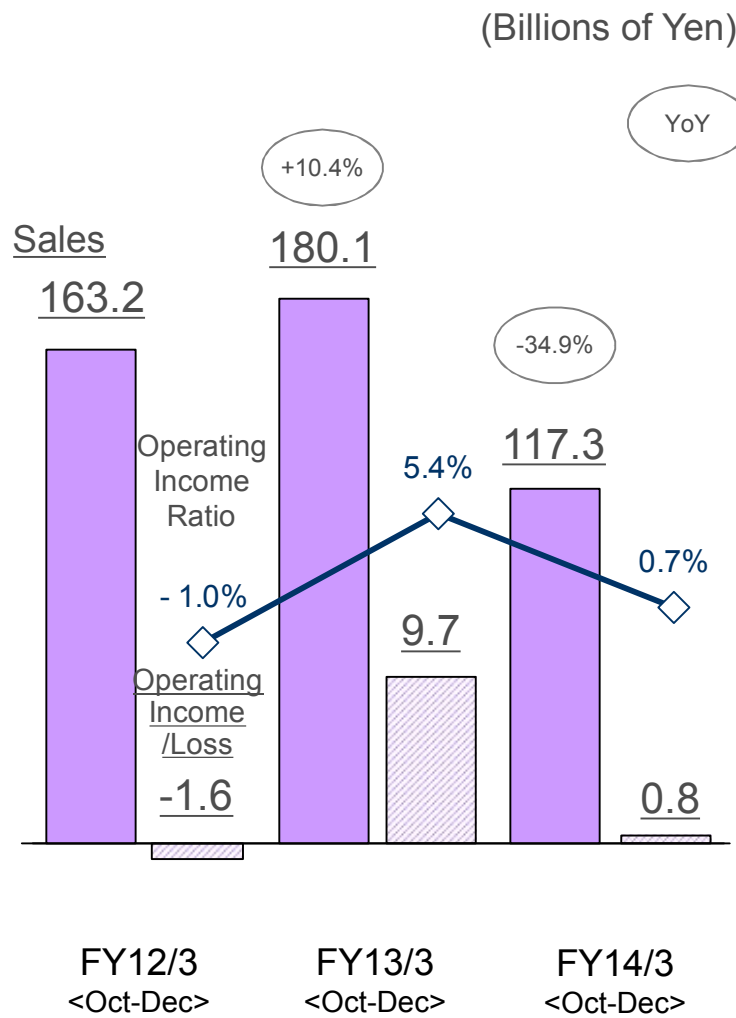
△ Increased due to high demand for IT investment such as business PCs and servers

**Operating Income** 8.0 (+3.8)

△ Improved profitability associated with the better IT investment environment



Billions of Yen (YoY)



**Sales** 117.3 (-34.9%)

- ▽ Decrease of mobile phone shipments
- ▽ Deconsolidation of NEC Mobiling, Ltd. and the electronic components business

**Operating Income** 0.8 (-8.8)

- ▽ Worsened due to decreased sales

# Mobile Phone Business Update

## Changed management structure of NEC CASIO Mobile Communications (NCCM)

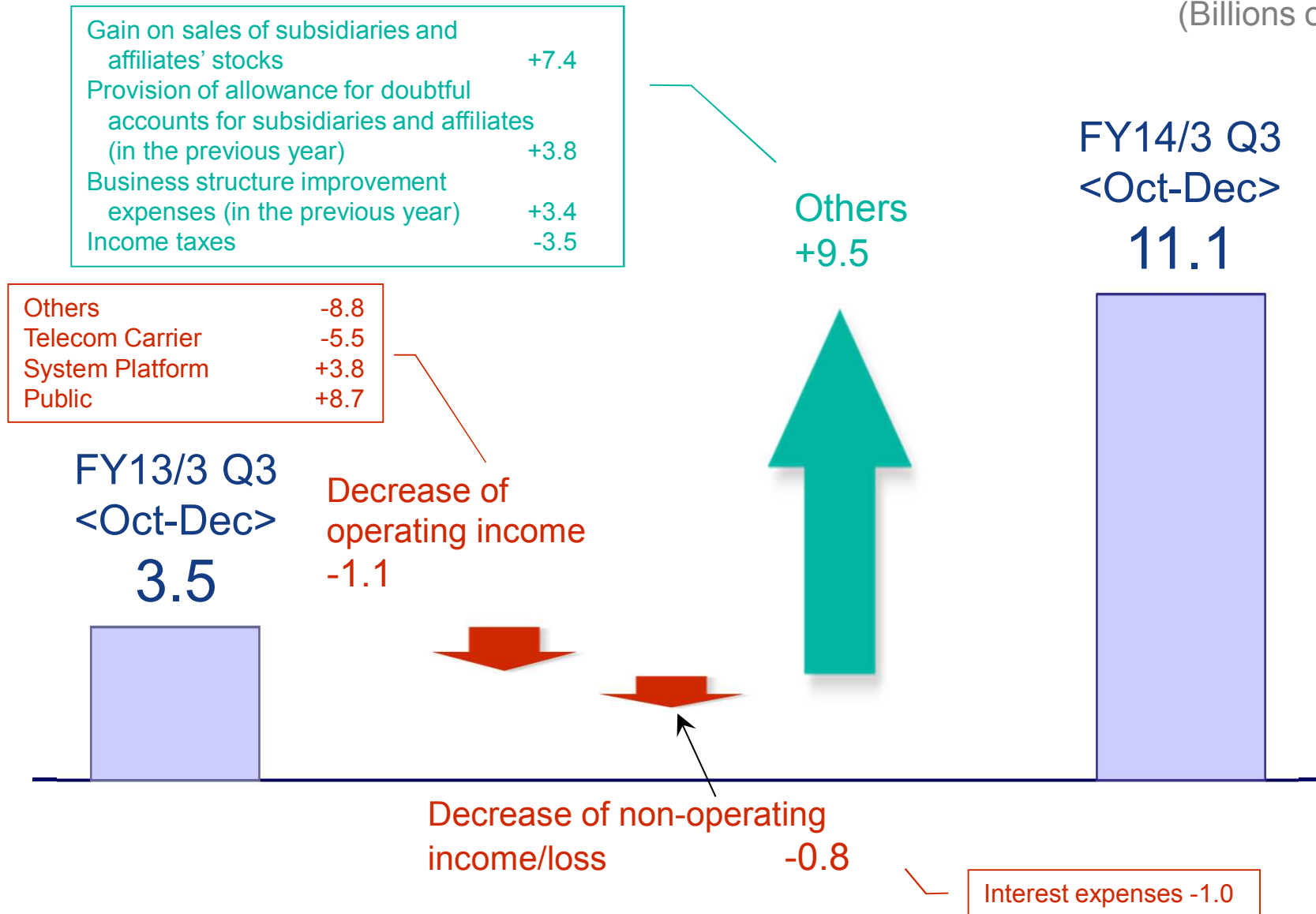
( Released on December 27th, 2013 )

- NEC acquired all stock owned by CASIO COMPUTER CO., LTD. and Hitachi, Ltd. (executed)
- NEC acquired all stock of NEC Saitama, Ltd. owned by NCCM. (executed)
- Reduce capital of NCCM to 400 million yen  
( Scheduled for February, 2014 )

**Major issues to be resolved within FY2014/3**

# Net Income Change (October to December / Year on Year)

(Billions of Yen)



## II . Financial Forecasts for FY14/3



# 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)

	Q4 <January to March>			Full Year			Difference from October 30
	FY13/3 Actual	FY14/3 Forecasts	YoY	FY13/3 Actual	FY14/3 Forecasts	YoY	
Net Sales	901.8	916.5	1.6%	3,071.6	3,000.0	- 2.3%	0.0
Operating Income	42.8	76.3	33.4	114.6	100.0	-14.6	0.0
% to Net Sales	4.8%	8.3%		3.7%	3.3%		
Ordinary Income	40.3	64.5	24.2	92.0	70.0	-22.0	0.0
% to Net Sales	4.5%	7.0%		3.0%	2.3%		
Net Income	19.0	35.1	16.1	30.4	20.0	-10.4	0.0
% to Net Sales	2.1%	3.8%		1.0%	0.7%		

Note: Assumed exchange rates for 2H, FY14/3 1\$=¥100, 1€=¥125

\* Forecasts as of January 30, 2014

# Financial Forecasts for FY14/3 by Segment

(Billions of Yen)

		Q4 <January to March>			Full Year			Difference from October 30
		FY13/3 Actual	FY14/3 Forecasts	YoY	FY13/3 Actual	FY14/3 Forecasts	YoY	
Public	Net Sales	254.5	277.7	9.1%	680.7	745.0	9.5%	0.0
	Operating Income	25.8	24.9	-0.9	49.0	57.0	8.0	0.0
	% to Net Sales	10.1%	9.0%		7.2%	7.7%		
Enterprise	Net Sales	73.7	74.2	0.7%	251.6	265.0	5.3%	0.0
	Operating Income	3.3	5.5	2.1	5.5	6.0	0.5	0.0
	% to Net Sales	4.5%	7.4%		2.2%	2.3%		
Telecom Carrier	Net Sales	200.3	208.3	4.0%	709.3	715.0	0.8%	0.0
	Operating Income	22.7	28.2	5.5	71.6	60.0	-11.6	0.0
	% to Net Sales	11.3%	13.6%		10.1%	8.4%		
System Platform	Net Sales	209.9	203.6	-3.0%	744.4	740.0	-0.6%	0.0
	Operating Income	16.8	19.2	2.4	32.7	29.0	-3.7	0.0
	% to Net Sales	8.0%	9.4%		4.4%	3.9%		
Others	Net Sales	163.4	152.8	-6.5%	685.7	535.0	-22.0%	0.0
	Operating Income/Loss	-10.1	13.0	23.1	16.9	2.0	-14.9	0.0
	% to Net Sales	-6.2%	8.5%		2.5%	0.4%		
Eliminations/ Unclassifiable expenses	Operating Loss	-15.7	-14.5	1.2	-61.0	-54.0	7.0	0.0
Total	Net Sales	901.8	916.5	1.6%	3,071.6	3,000.0	-2.3%	0.0
	Operating Income	42.8	76.3	33.4	114.6	100.0	-14.6	0.0
	% to Net Sales	4.8%	8.3%		3.7%	3.3%		

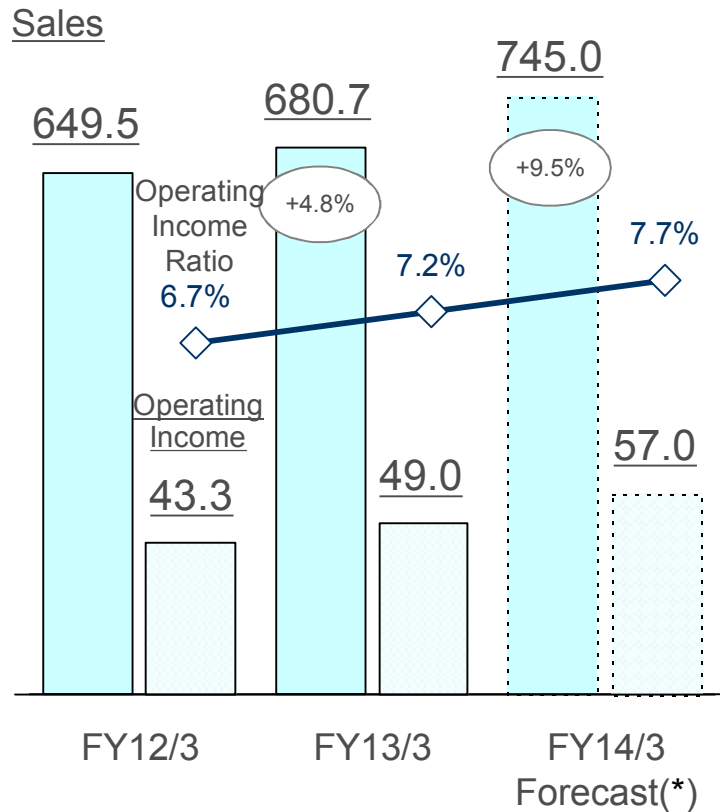
\* Forecasts as of January 30, 2014



Billions of Yen (YoY)

(Billions of Yen)

YoY



**Sales** 745.0 (+9.5%)

△ Increase due to steady sales mainly from government and public areas

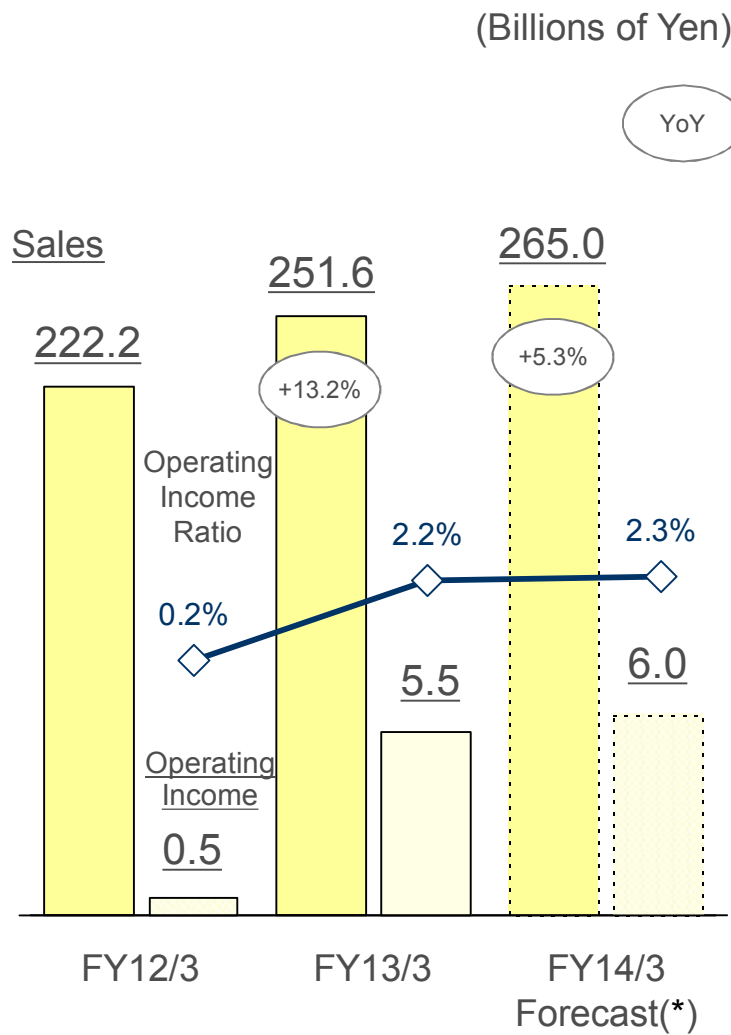
**Operating Income** 57.0 (+8.0)

△ Improve due to sales increase and cost reductions



\* Forecasts as of January 30, 2014

Billions of Yen (YoY)

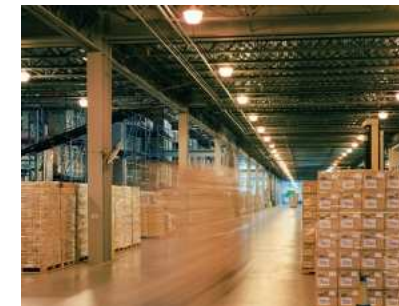


**Sales** 265.0 (+5.3%)

△ Increase due to the steady sales from the retail and services industries

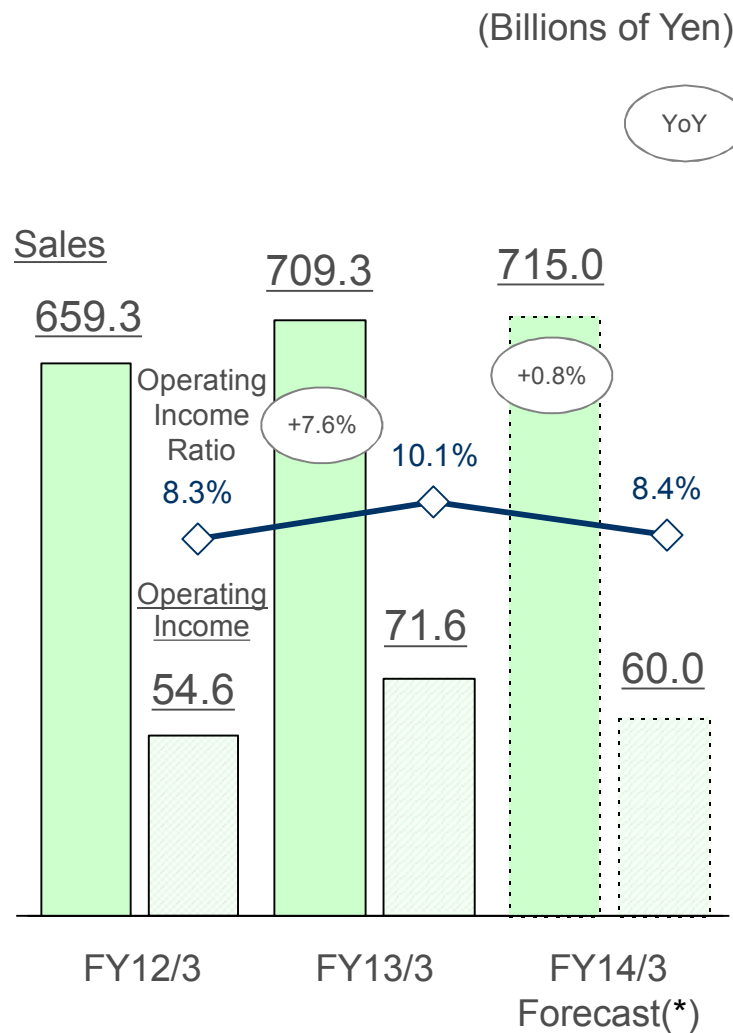
**Operating Income** 6.0 (+0.5)

△ Improve due to sales increase



\* Forecasts as of January 30, 2014

Billions of Yen (YoY)



## Sales 715.0 (+0.8%)

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

## Operating Income 60.0 (-11.6)

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

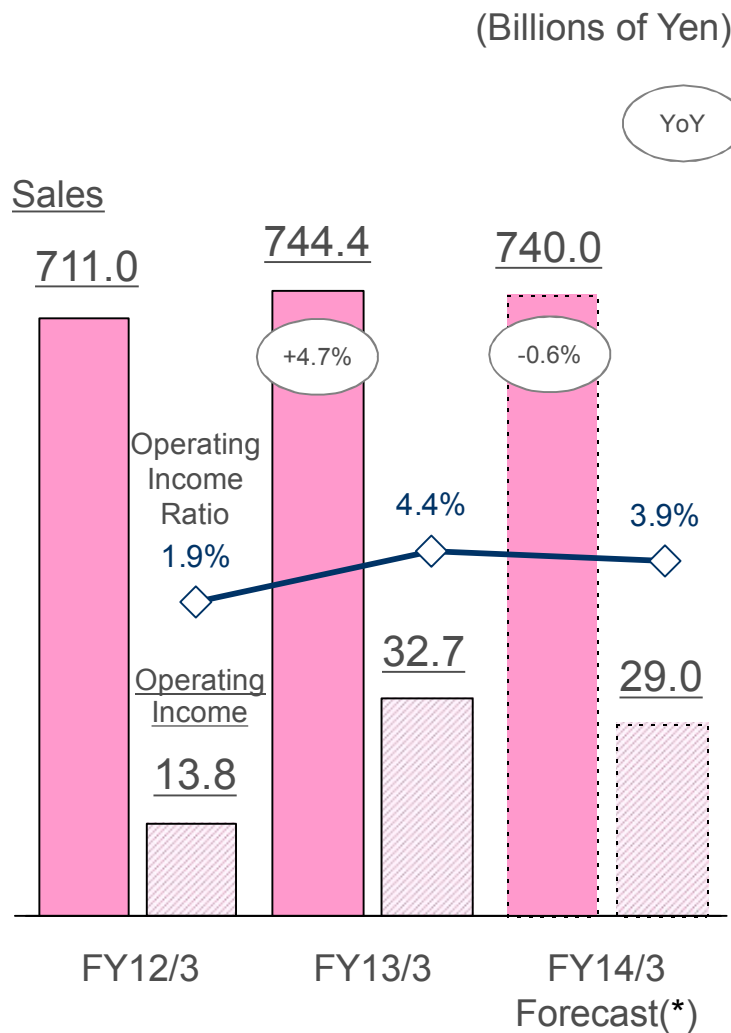
SDN : Software-Defined Networking



\* Forecasts as of January 30, 2014

# System Platform Business

Billions of Yen (YoY)



**Sales** 740.0 (-0.6%)

- ▽ Maintain same level as previous year due to high demand for business PCs, offsetting impact of large-scale project in the previous fiscal year

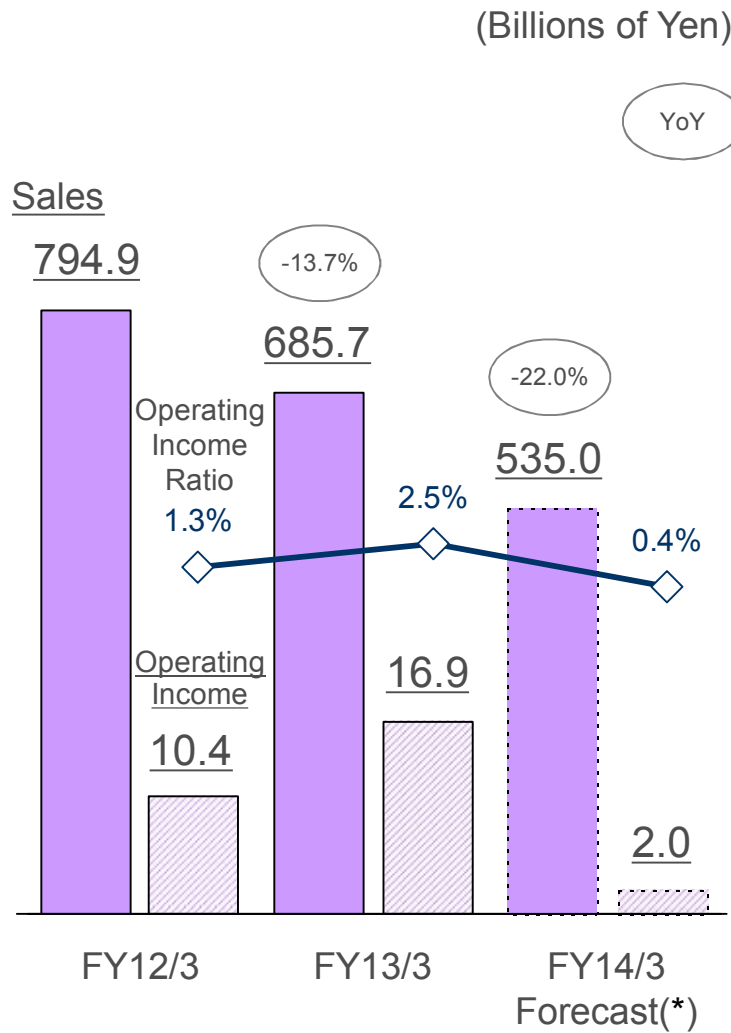
**Operating Income** 29.0 (-3.7%)

- ▽ Decrease due to project lineup changes



\* Forecasts as of January 30, 2014

Billions of Yen (YoY)



## Sales 535.0 (-22.0%)

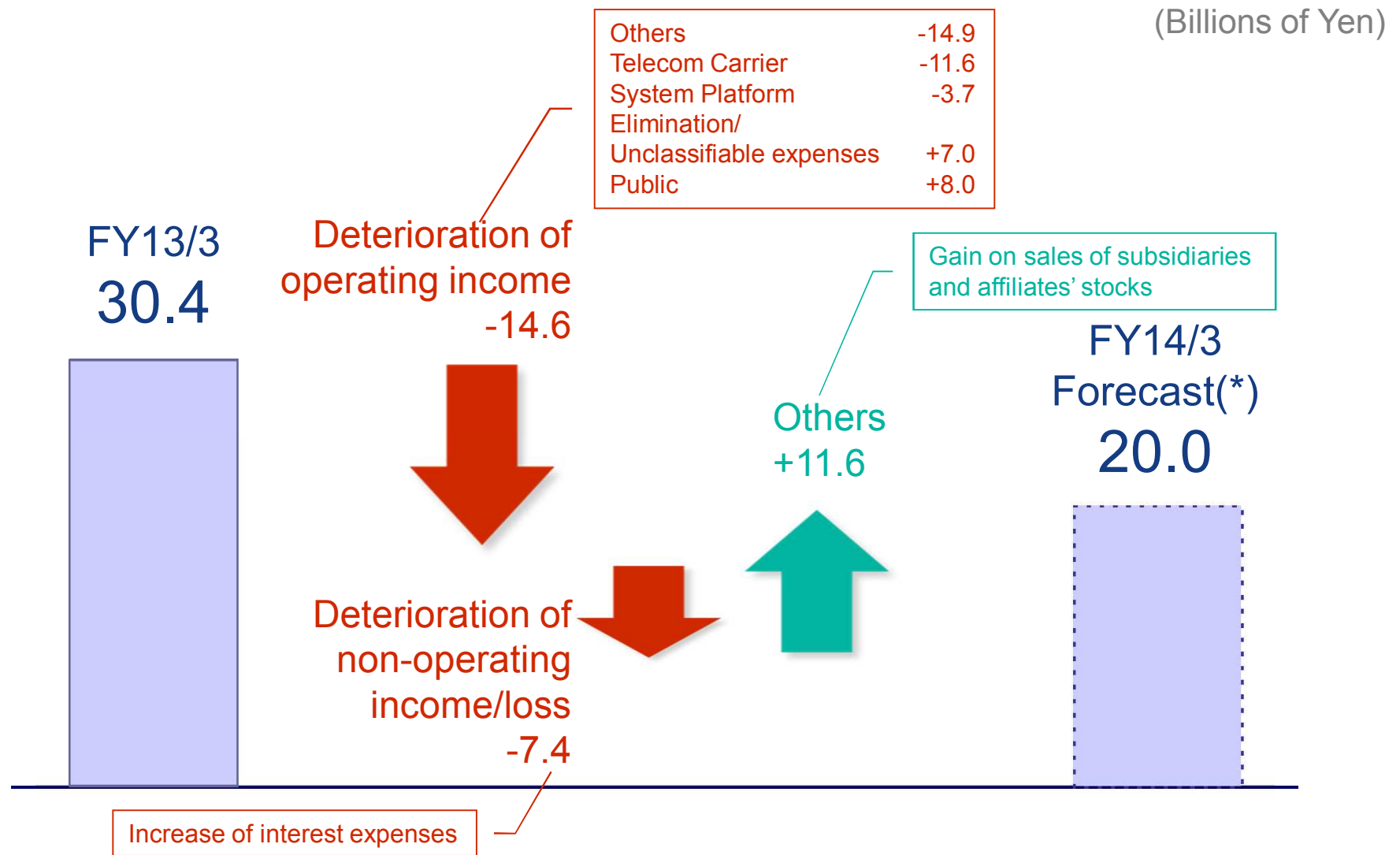
- ▽ Mobile phone shipments decrease
- ▽ Decrease due to deconsolidation of NEC Mobiling, Ltd. and the electronic components business

## Operating Income 2.0 (-14.9)

- ▽ Decrease due to the impact of LCD patent sales in the previous fiscal year

\* Forecasts as of January 30, 2014

# Net Income Change (Year on Year)



\* Forecasts as of January 30, 2014

# III. Business Portfolio Restructuring Measures





# 1. Change in ownership of NEC BIGLOBE, Ltd. (announced today)

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- NEC agreed to transfer all of its approx. 78% stake in NEC BIGLOBE, Ltd. to Japan Industrial Partners, Inc. in support of NEC BIGLOBE's further growth
- Transfer planned to be completed by the end of March 2014. NEC BIGLOBE will be operated under a new organizational structure from April 2014
  - NEC BIGLOBE will continue to deliver its services
  - NEC's enterprise system integration and service business will continue to collaborate with NEC BIGLOBE's knowhow and services in support of current and future customers

\*as of January 30, 2014

## 2. Tender Offer for the Shares of NEC Fielding, Ltd. (announced today)

### NEC commences tender offer to acquire 100% stake in NEC Fielding, Ltd. (current stake 67.11%\*)

\* including 29.89% owned by NEC's Employee Retirement Benefit Trust

- Tender offer period: January 31 – March 17, 2014 (31 business days)
  - Tender offer price: 1,580JPY
  - Number of shares to be acquired: 17,939,307 shares (except employee benefit trust)
  - Total amount of purchase: 28.3B JPY
- NEC Fielding will play a leading role in the NEC Group's platform service delivery. Related functions to be consolidated accordingly
    - Data center operations, On-site support of cloud systems
    - Efficient maintenance services
    - One-stop services for small/medium-sized businesses supporting the whole life cycle of information systems - sales, installation, configuration and disposal

Enhance the services delivering “Solutions for Society”

\*as of January 30, 2014

# Expected Results (NEC Fielding, Ltd. becomes a wholly owned subsidiary)

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## Direct benefit

- Acquire minority shareholder interests

Net Income  
Approx. +2.0B JPY

## Cost reduction (3 year period)

- Integrate cloud service delivery functions
- Optimize inventory by centralizing the maintenance of properties
- Consolidate call centers and related functions

Operating Income  
Approx. +20.0B JPY

## Sales and gross profit expansion

- Expand platform products and cloud services

\*Forecasts as of January 30, 2014

## Summary



**Achieve financial forecasts  
and continue dividend payments  
to shareholders**

**Implement growth strategies  
through accelerated management  
to become a “Social Value Innovator”**

\* Forecasts as of January 30, 2014

Empowered by Innovation

**NEC**

## <Ref.> About NEC BIGLOBE Ltd./NEC Fielding, Ltd.

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### ■ NEC BIGLOBE, Ltd.

- Established: July 2006 (unlisted)
- Sales: 84.1B JPY (FY2013/3)  
Number of Employees: Approx. 600 (as of March 31, 2013)
- Business description:  
Information services using networks such as the Internet



### ■ NEC Fielding, Ltd.

- Initial public offering: September 2002 (1<sup>st</sup> Tokyo Stock Exchange)
- Sales: 185.9B JPY, Operating Income: 8.1B JPY (FY2013/3)  
Number of Employees: 6,125 (as of March 31, 2013)
- Business description: (1) Operation & Maintenance of IT systems  
(2) System Installation & Configuration (3) Equipment sales

# Financial Results for Q3, FY14/3 (Appendix)

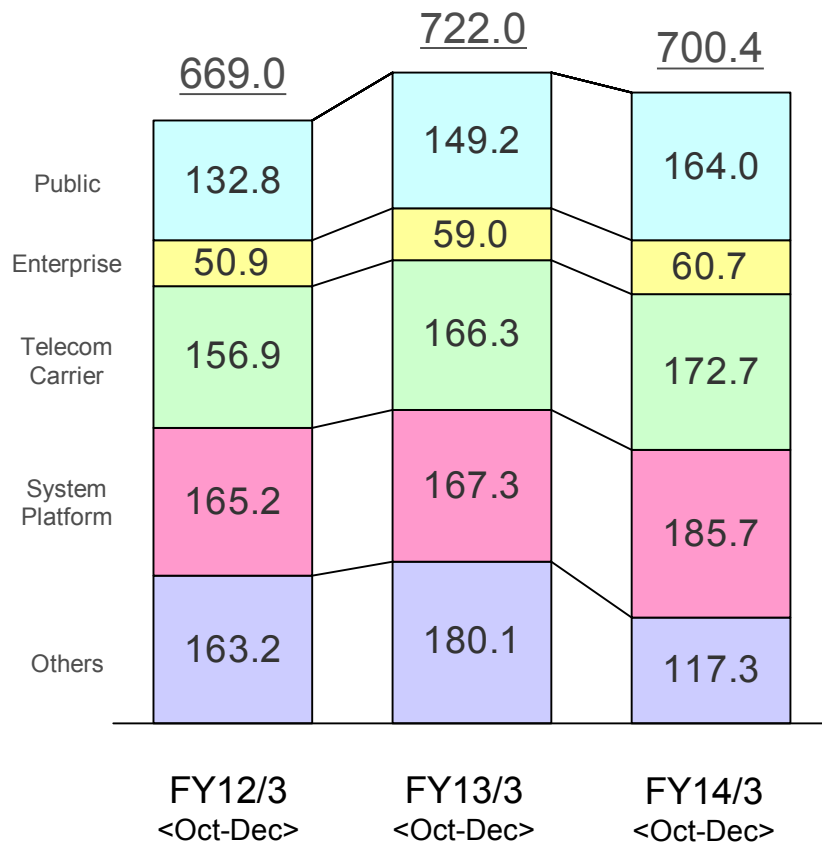




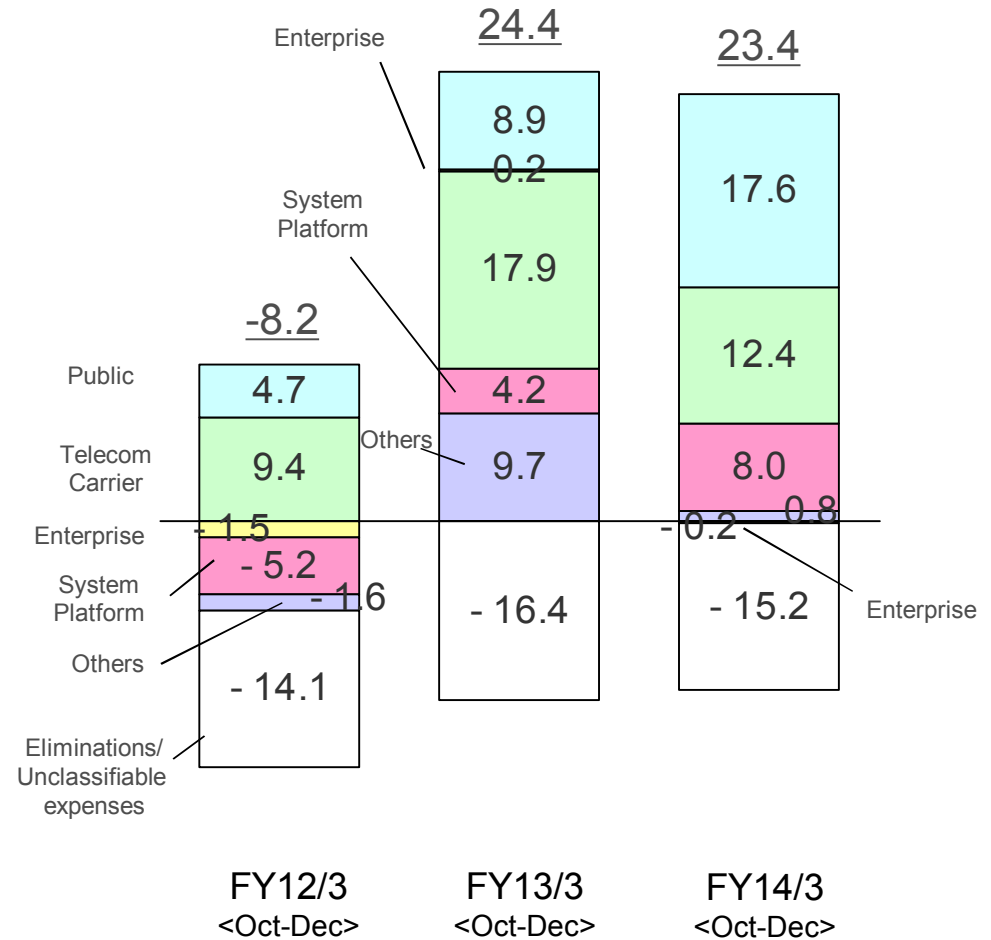
# Results for Q3 by Segment ( three-year transition )

(Billions of Yen)

Net Sales



Operating Income/Loss



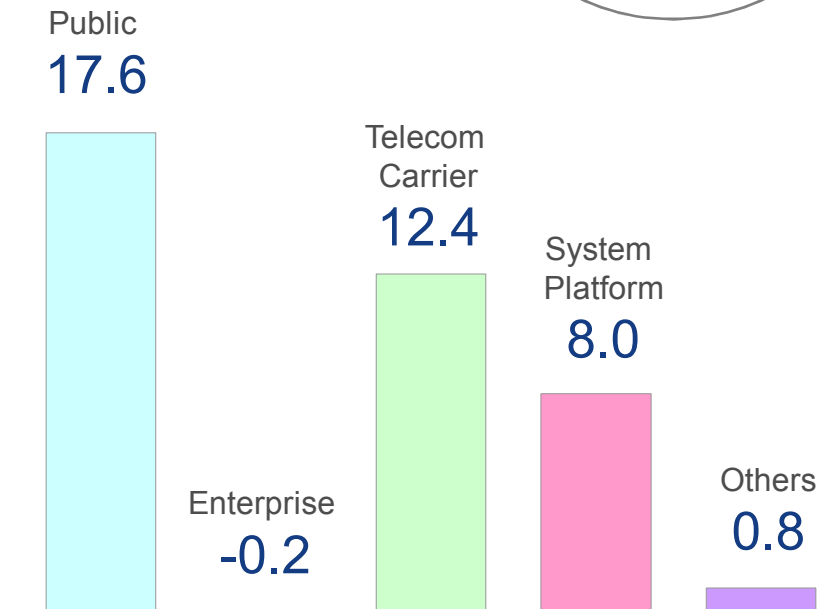
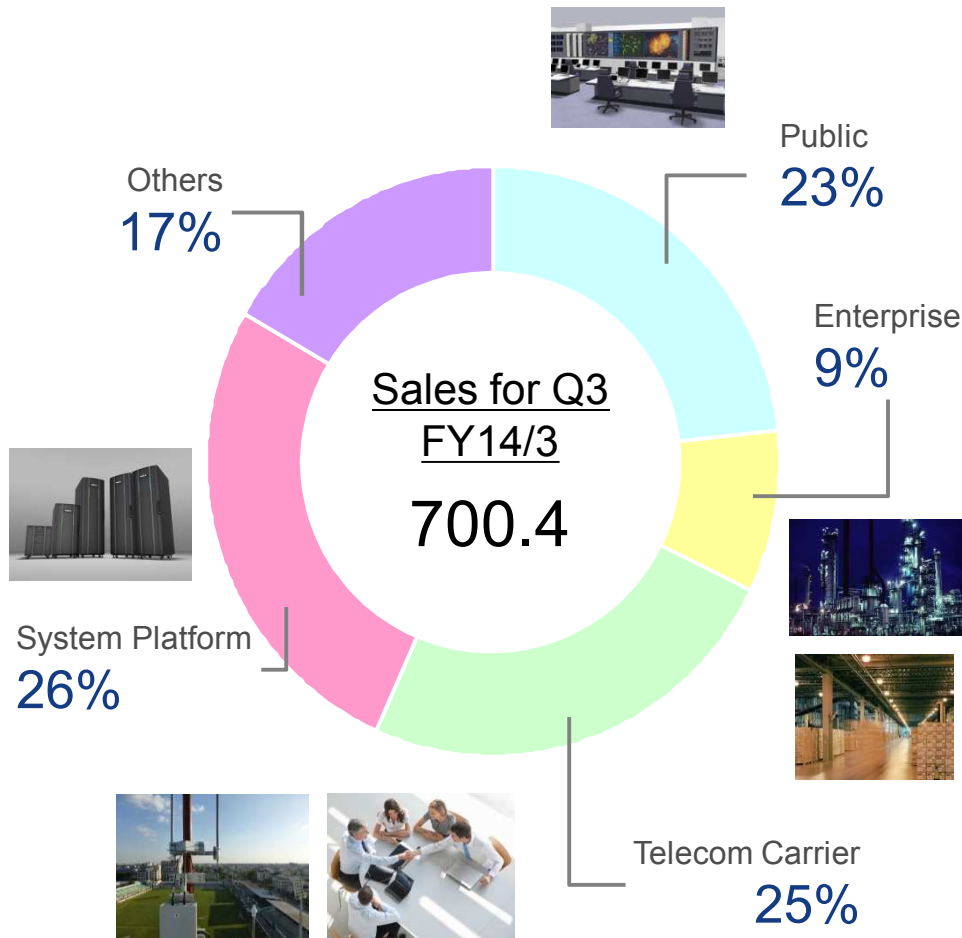
# Financial Results for Q3 by Segment

(Billions of Yen)

Net Sales

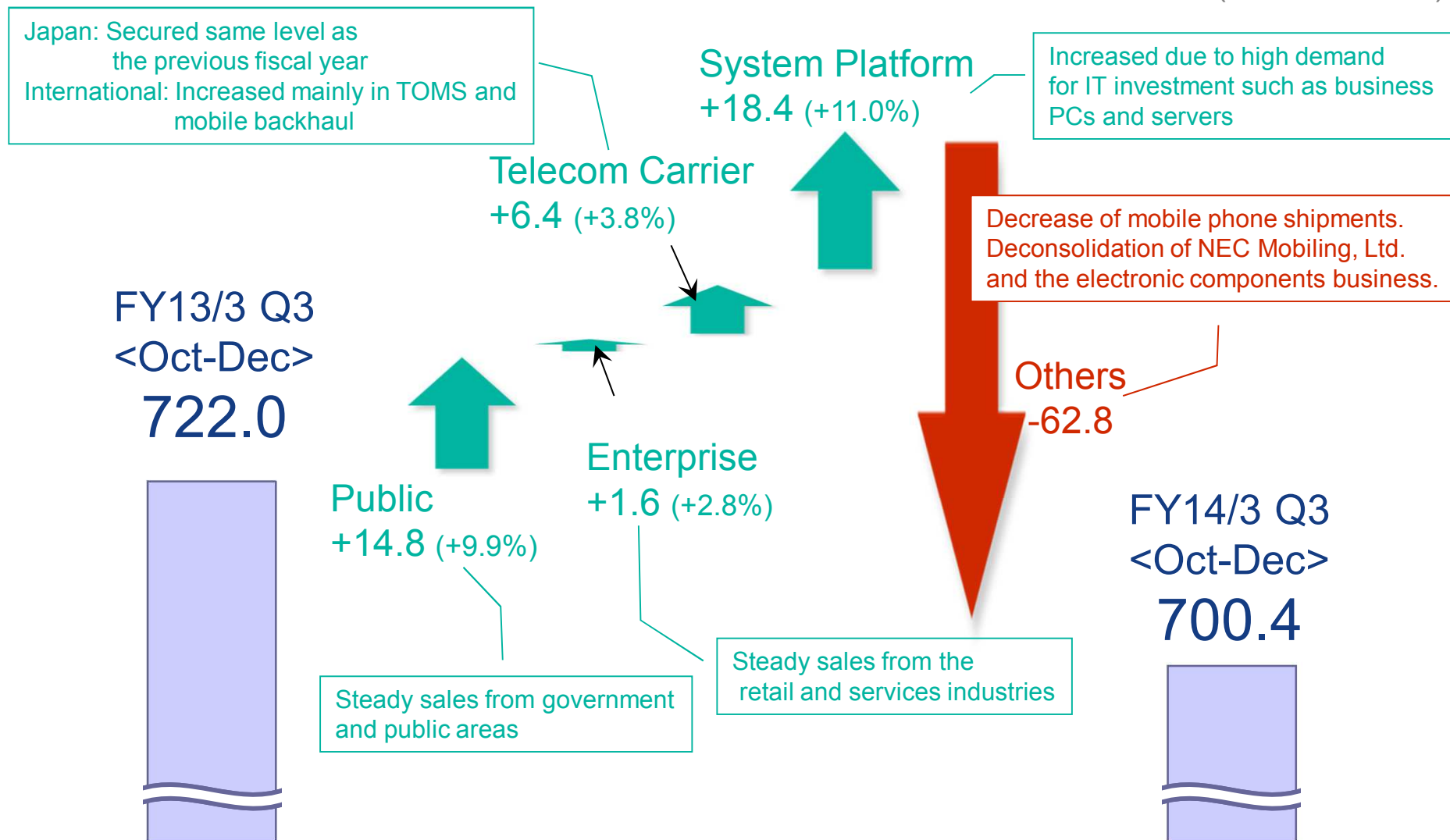
Operating Income/Loss

Operating Income  
for Q3, FY14/3  
**23.4**



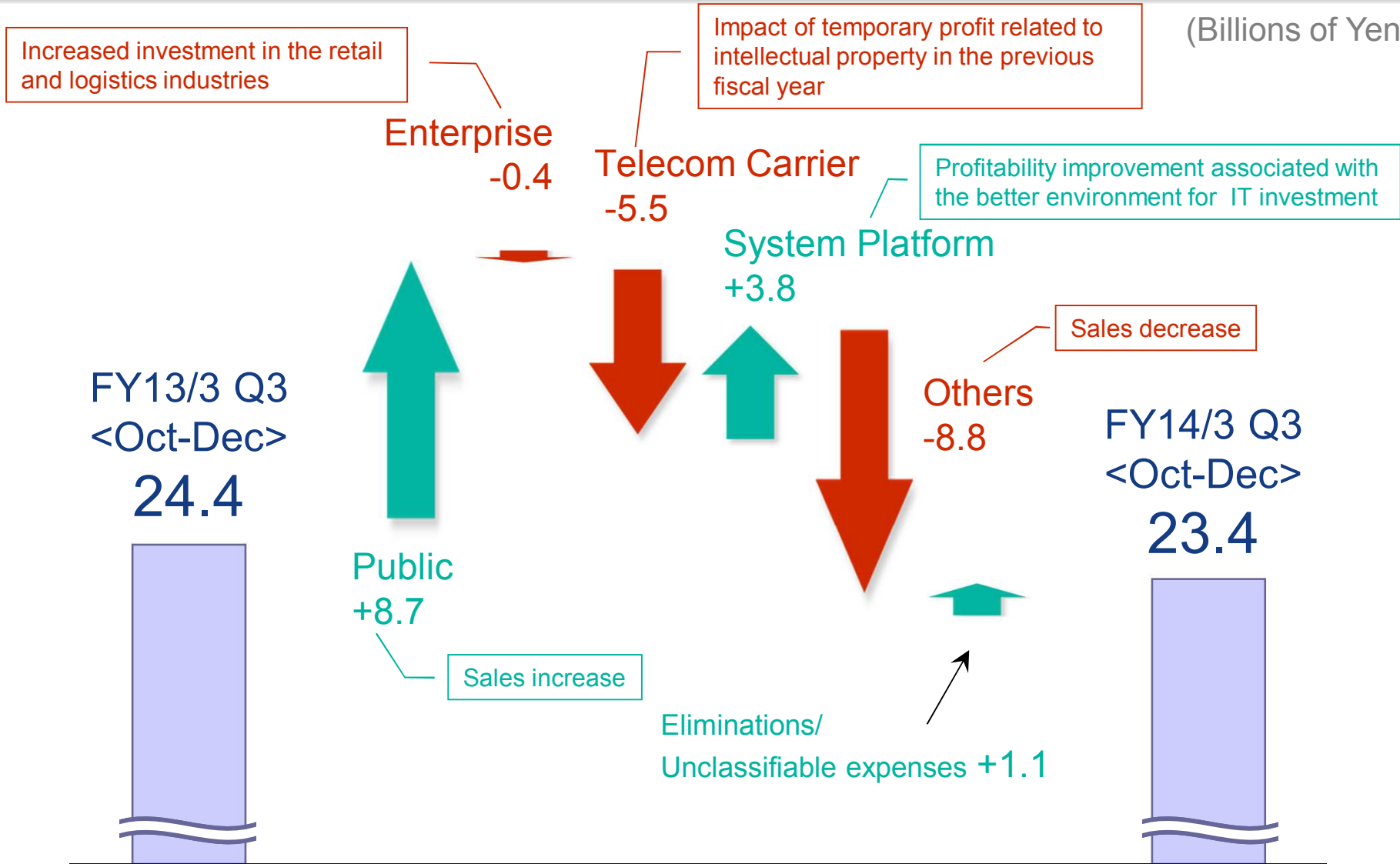
# Sales Change ( October to December / Year on Year)

(Billions of Yen)



# Operating Income Change (October to December /Year on Year)

(Billions of Yen)

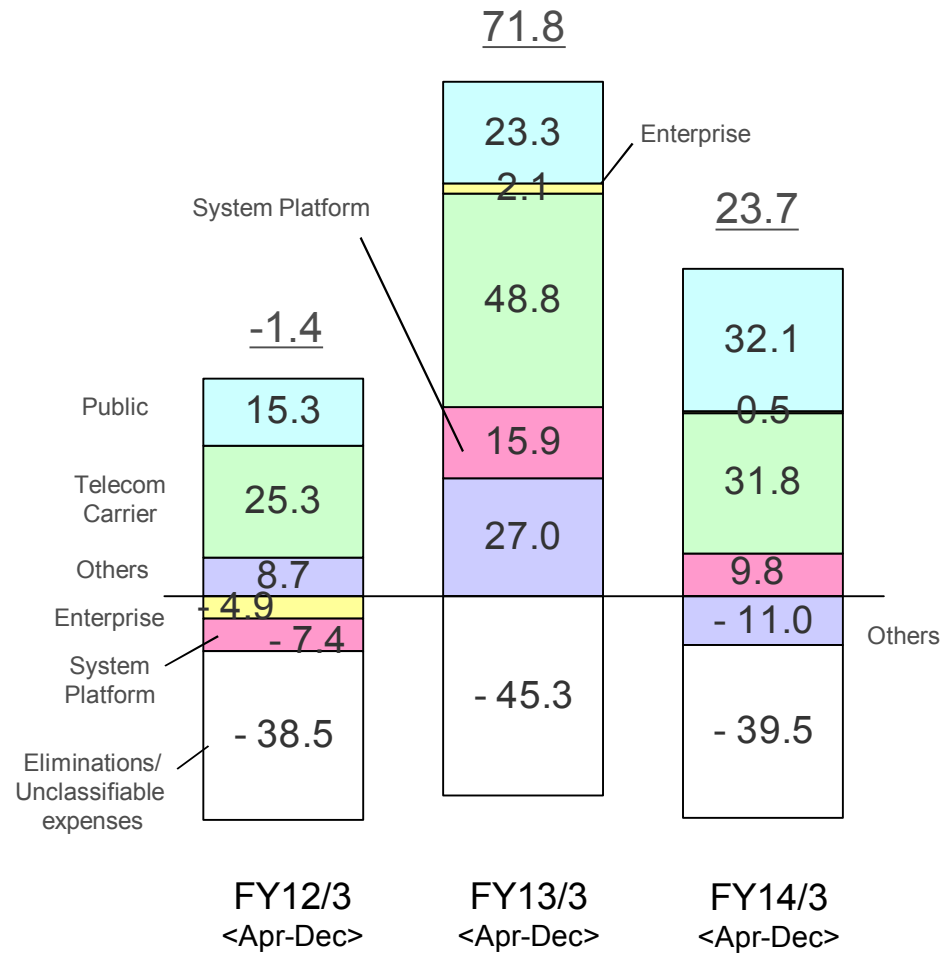
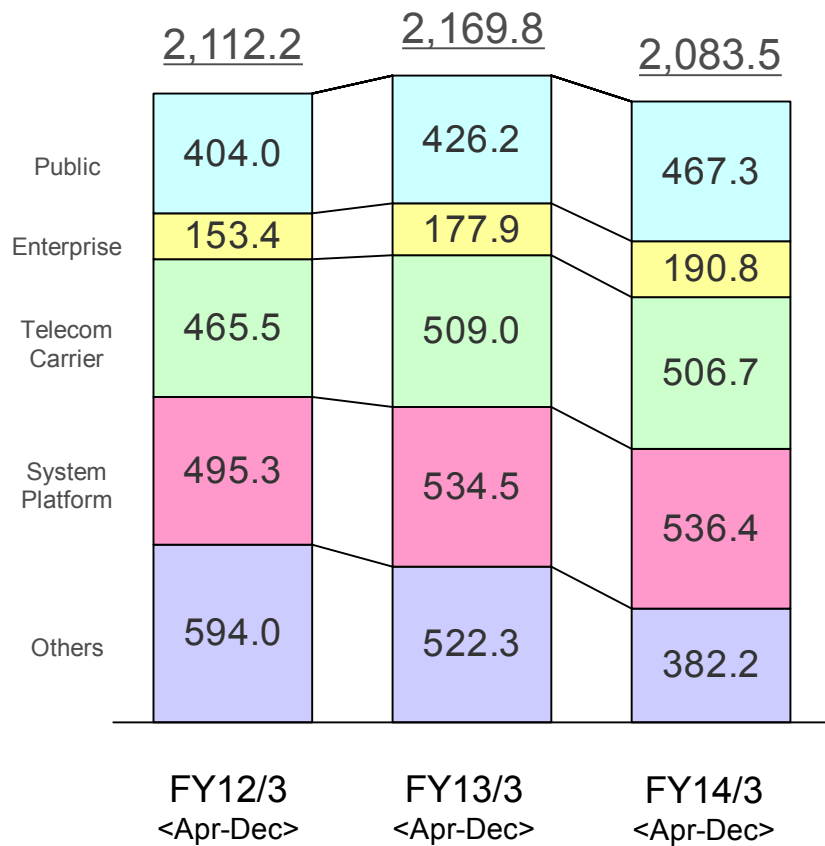


# Results for 9 Months by Segment ( three-year transition )

(Billions of Yen)

Net Sales

Operating Income/Loss



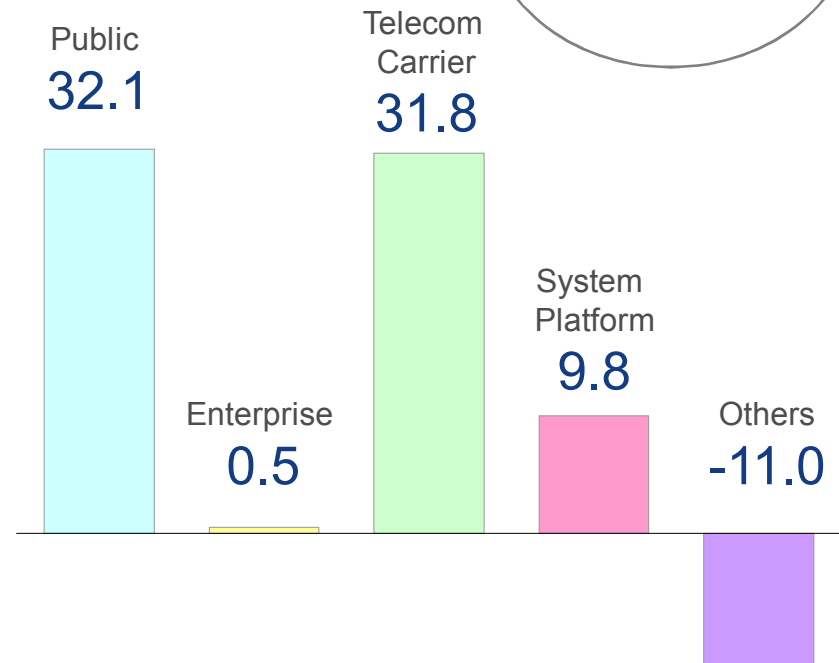
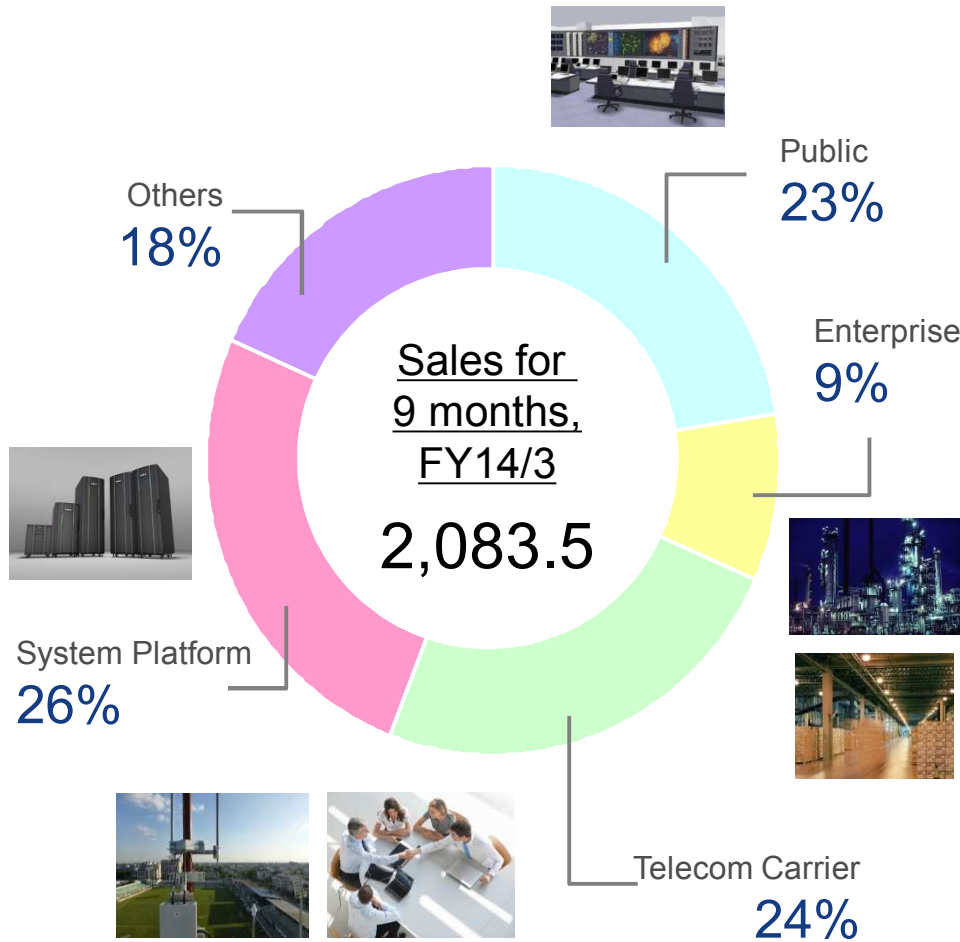
# Financial Results for 9 Months by Segment

(Billions of Yen)

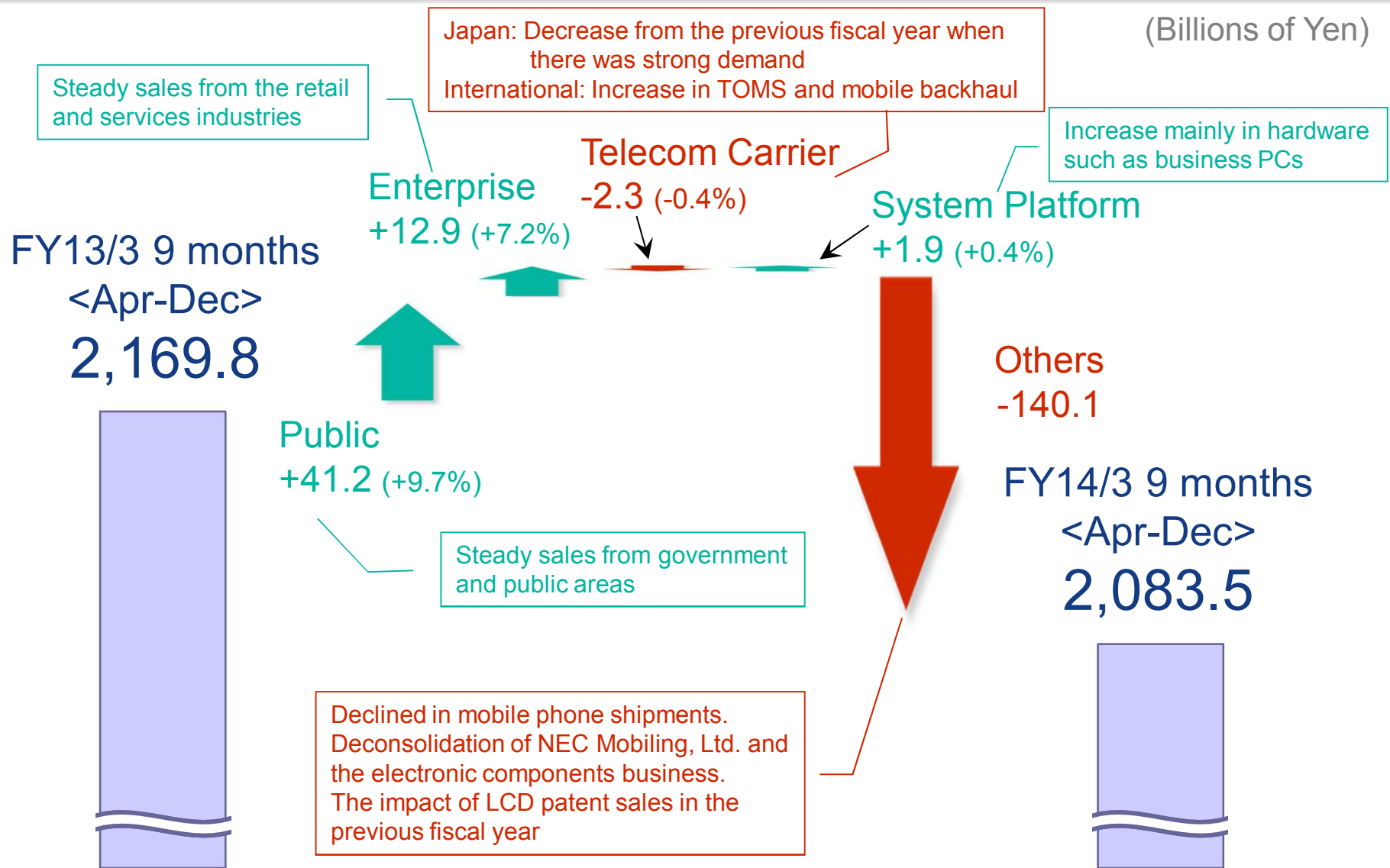
## Net Sales

## Operating Income/Loss

Operating Income  
for 9 months, FY14/3  
**23.7**

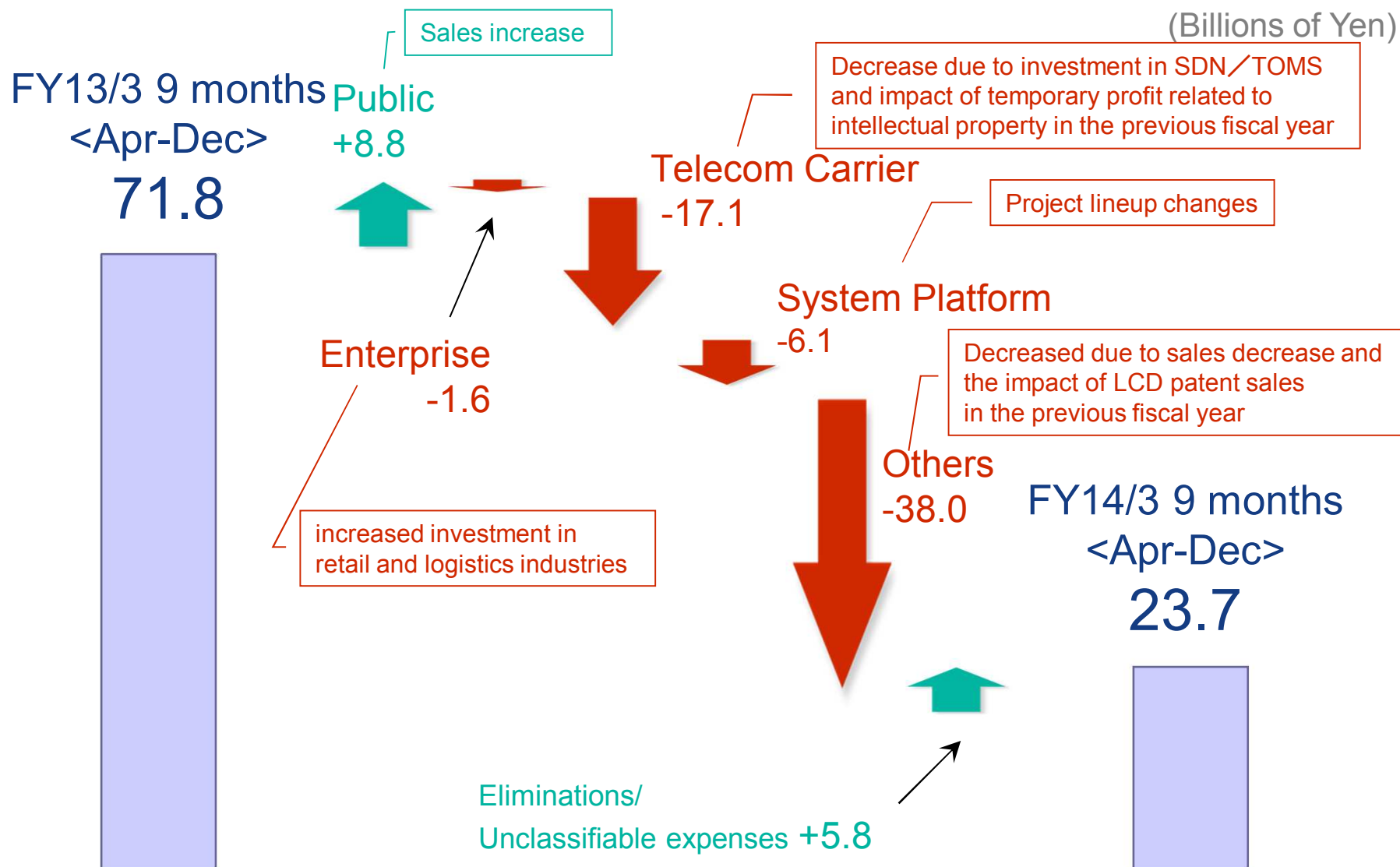


# Sales Change ( April to December / Year on Year)





# Operating Income Change (April to December / Year on Year)



# Net Income/Loss Change (April to December / Year on Year)

(Billions of Yen)

FY13/3 9 months  
<Apr-Dec>

11.5



FY14/3 9 months  
<Apr-Dec>

-15.1



Deterioration of  
operating income  
-48.1

Others	-38.0
Telecom Carrier	-17.1
Public	+8.8



Others  
+19.7

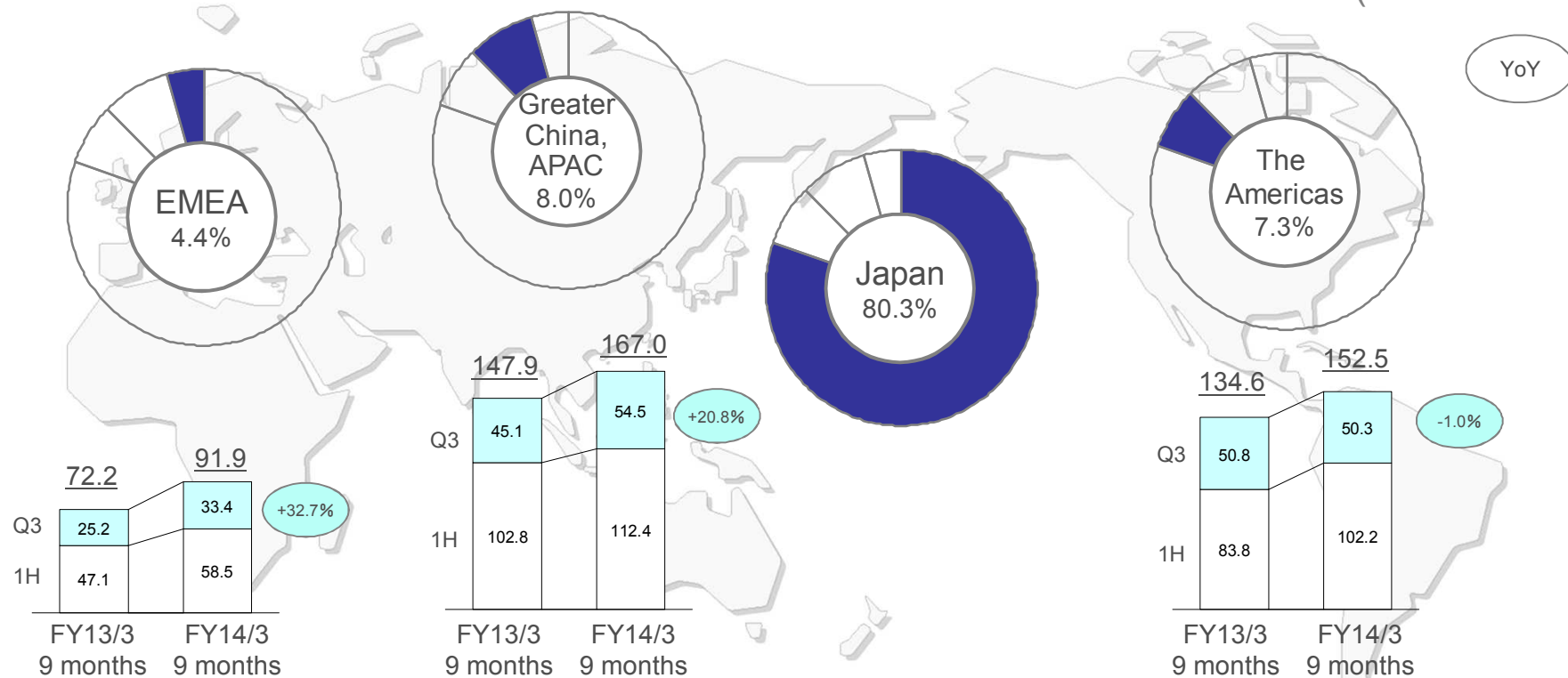
Improvement of  
non-operating  
income/loss  
+1.8

Equity in earnings of affiliates	+5.5
Foreign exchange gains/losses	+3.6
Interest expenses	-2.9

Gain on sales of subsidiaries and affiliates' stocks	+22.7
Business structure improvement expenses	-8.9
Gain on sales of investment securities	-6.9

# International Sales

(Billions of Yen)



	Q3 <October to December>			9 months <April to December>		
	FY13/3 Actual	FY14/3 Actual	YoY	FY13/3 Actual	FY14/3 Actual	YoY
International sales	121.1	138.2	14.1%	354.7	411.3	16.0%
% to Net Sales	16.8%	19.7%		16.3%	19.7%	

\* Sales are classified by country or region based on customer locations.  
The rates of circle graphs are calculated by 9 months.

# Financial Position Data

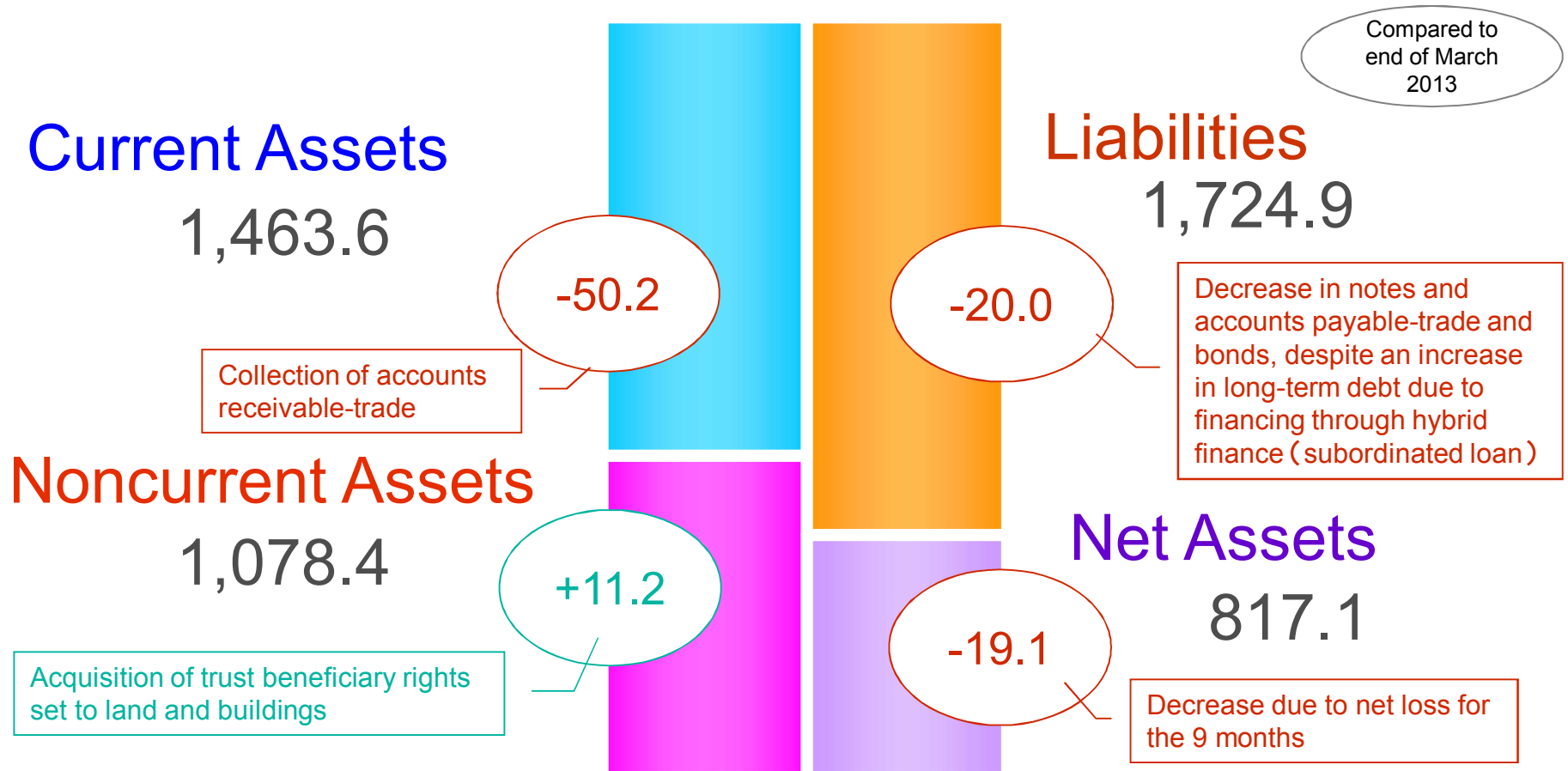
(Billions of Yen)

	End of March 2013	End of December 2013	Difference from March 2013	End of December 2012
Total Assets	2,581.0	2,541.9	-39.0	2,545.8
Net Assets	836.1	817.1	-19.1	790.2
Interest-bearing debt	603.5	686.2	82.7	741.3
Shareholders' Equity	710.7	712.3	1.6	669.8
Equity ratio(%)	27.5%	28.0%	0.5pt	26.3%
D/E ratio (times)	0.85	0.96	-0.11pt	1.11
Net D/E ratio (times)	0.57	0.72	-0.15pt	0.81
Balance of cash and cash equivalents	197.1	170.2	-27.0	201.5

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

(Billions of Yen)

<Compared to end of March 2013>  
**Total Assets 2,541.9** (-39.0)



# Financial Forecasts for FY14/3 (Appendix)

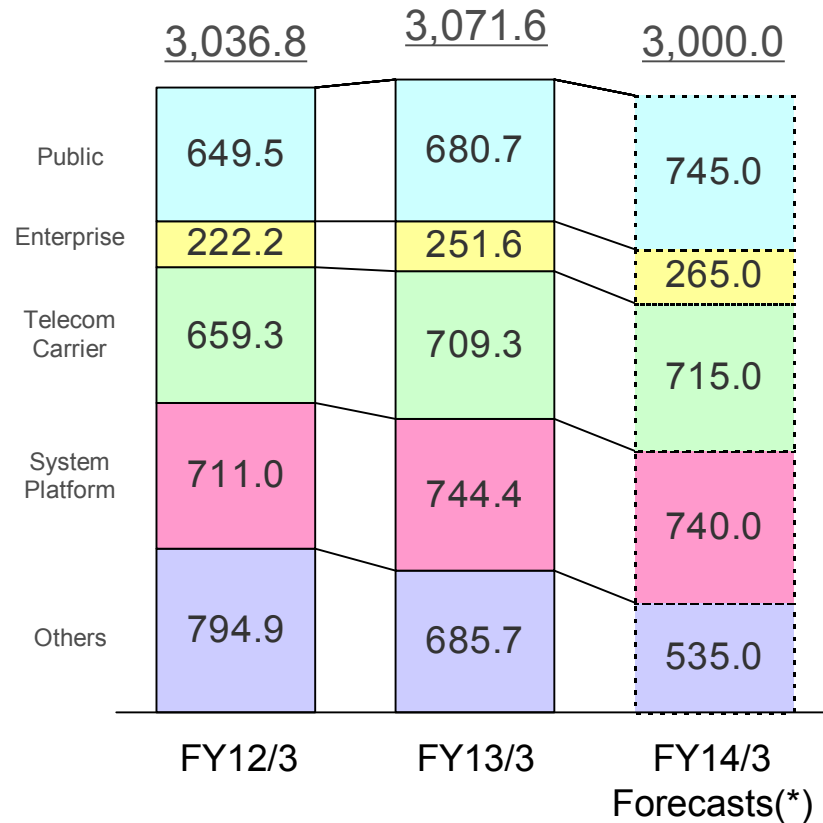


# Financial Forecasts for FY14/3 by Segment (three-year transition)

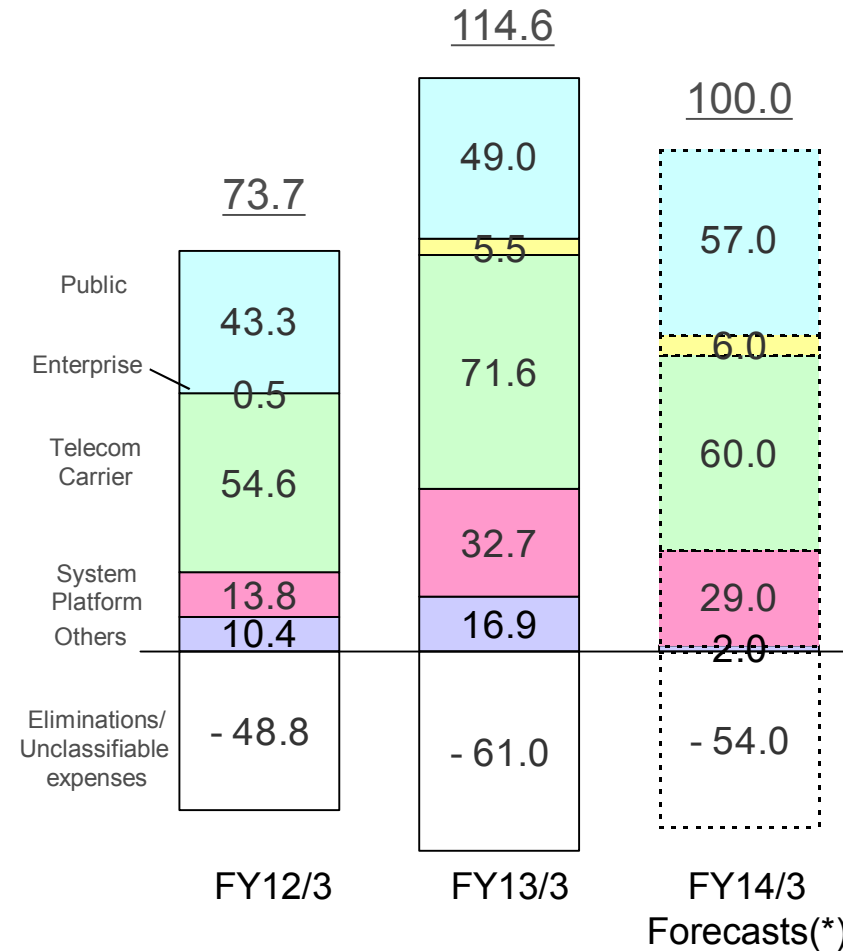
Full Year Forecasts

(Billions of Yen)

## Net Sales



## Operating Income/Loss



\* Forecasts as of January 30, 2014

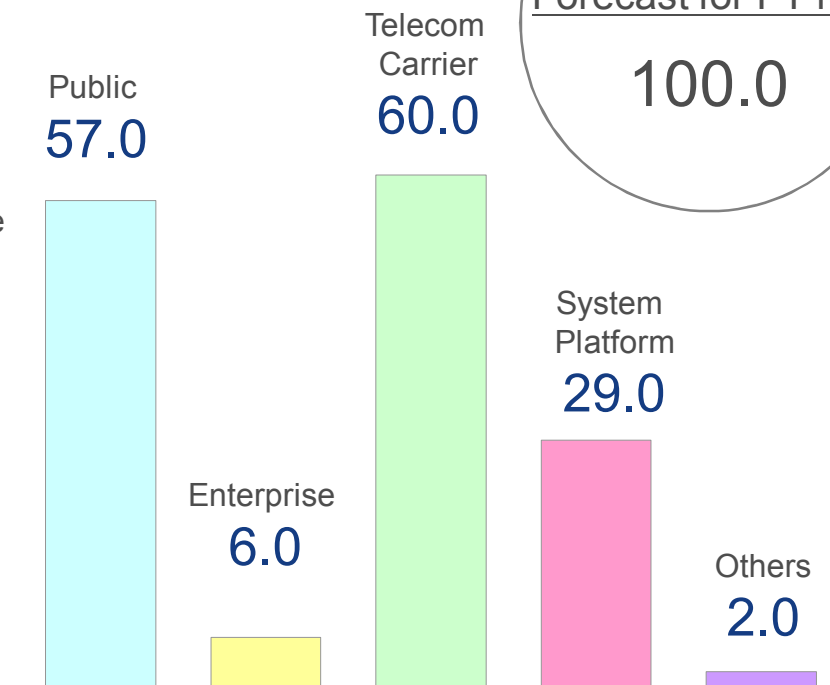
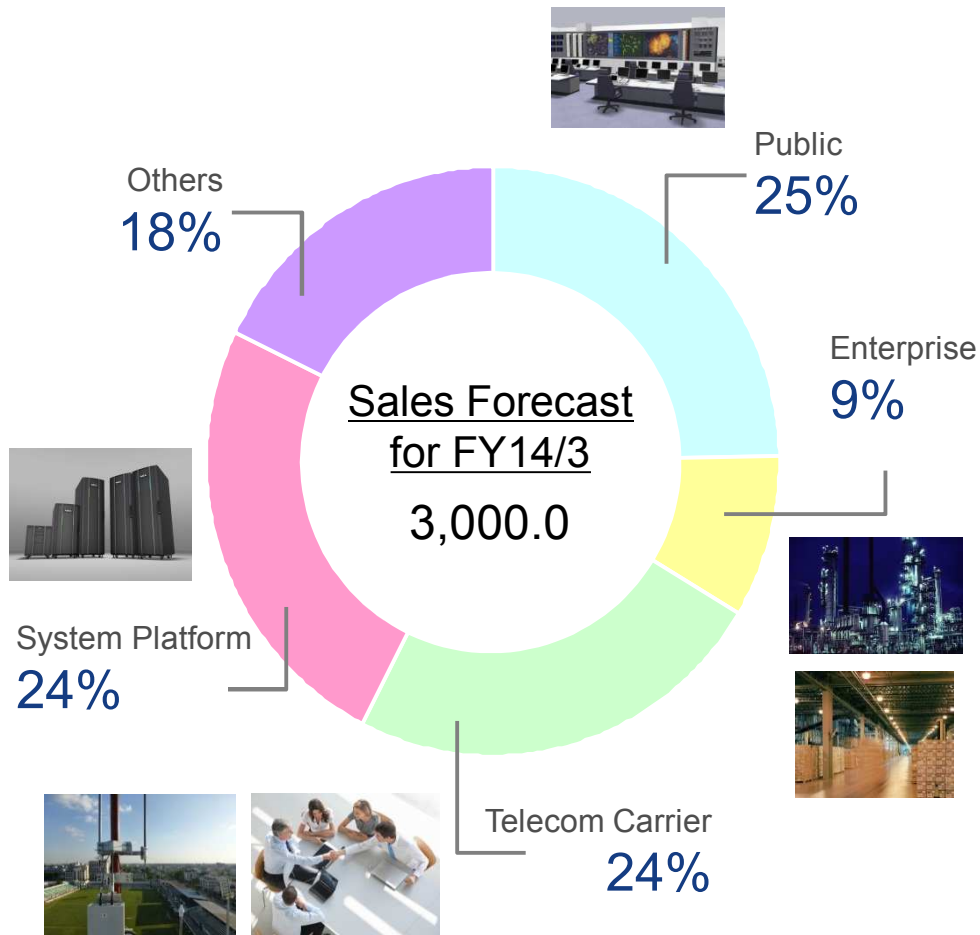
# Financial Forecasts for FY14/3 by Segment

(Billions of Yen)

## Net Sales

## Operating Income

Operating Income  
Forecast for FY14/3  
**100.0**

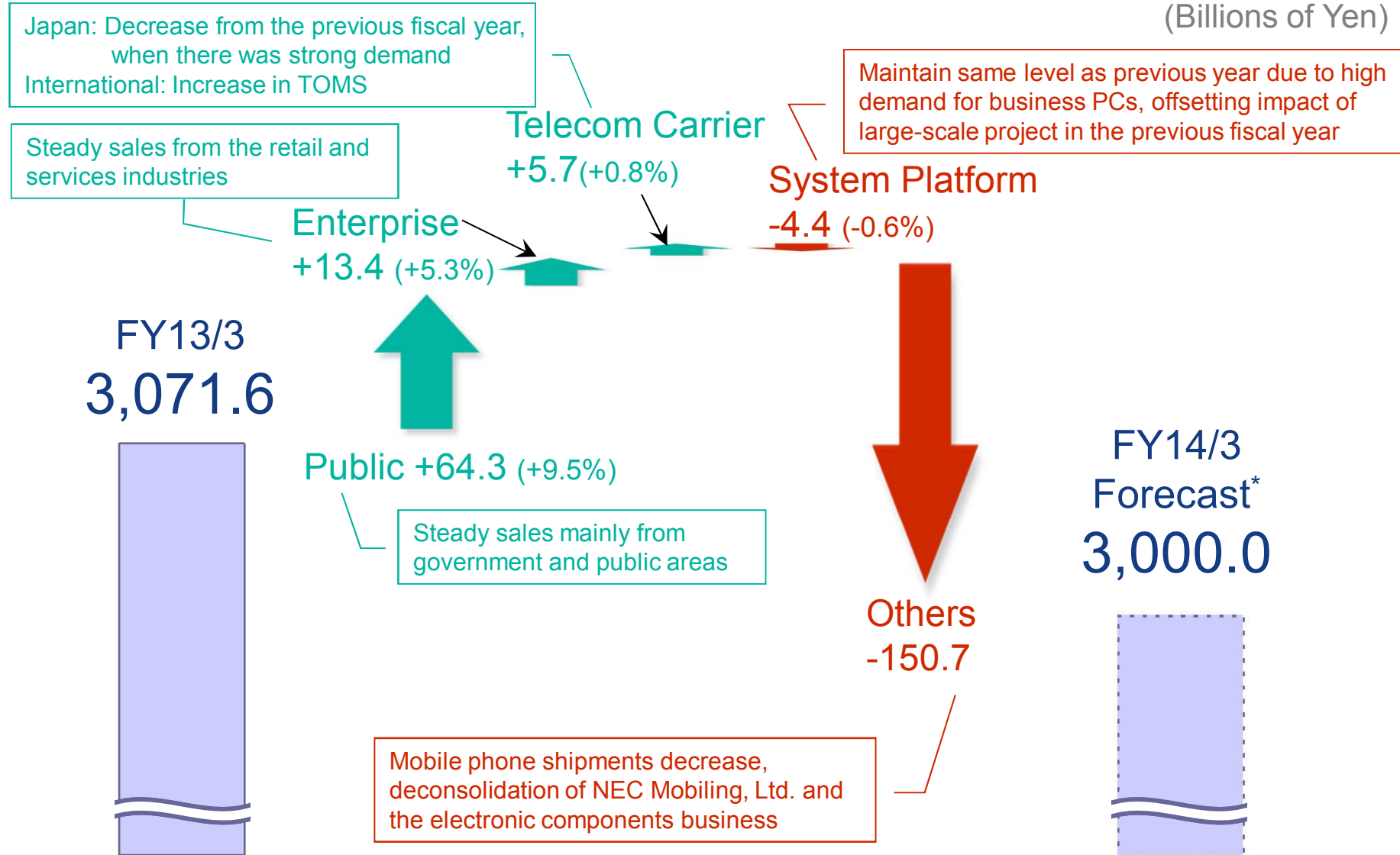


\* Forecasts as of January 30, 2014



# Sales Change (Year on Year)

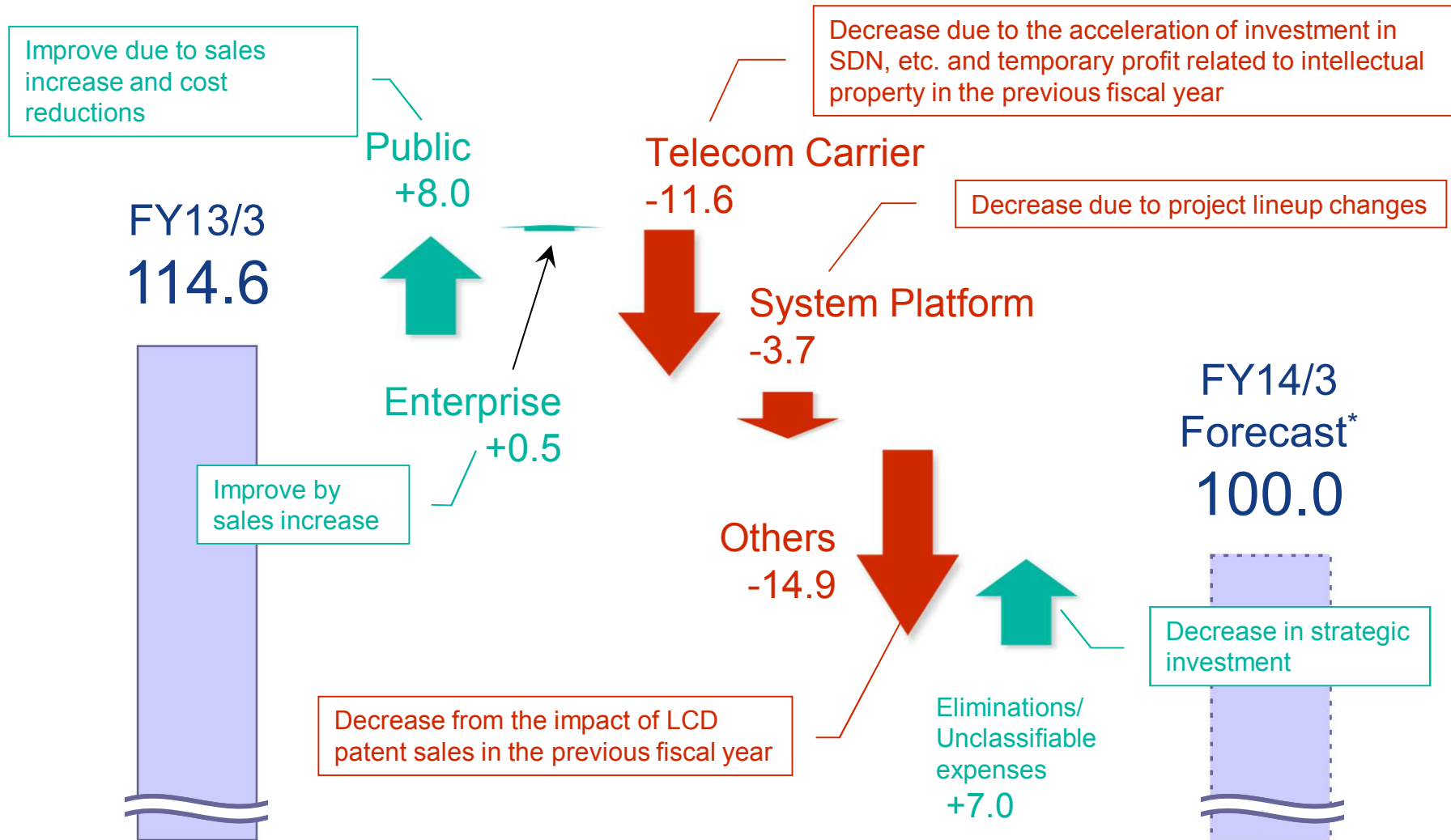
(Billions of Yen)



\* Forecasts as of January 30, 2014

# Operating Income Change (Year on Year)

(Billions of Yen)



\* Forecasts as of January 30, 2014

# Capital Expenditure, Depreciation and R&D expenses

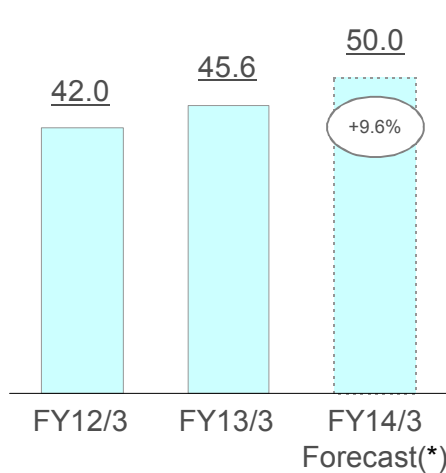
(Billions of Yen)

	FY12/3 Actual	FY13/3 Actual	FY14/3 Forecasts	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%	

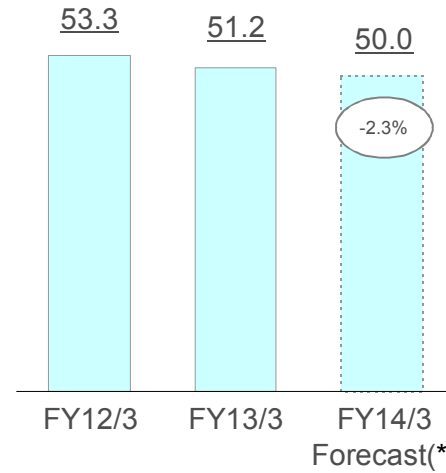


\* Not including acquisition of trust beneficiary rights

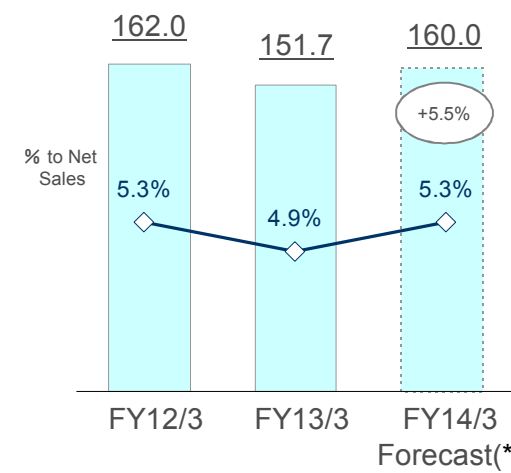
Capital Expenditure



Depreciation



R&D expenses

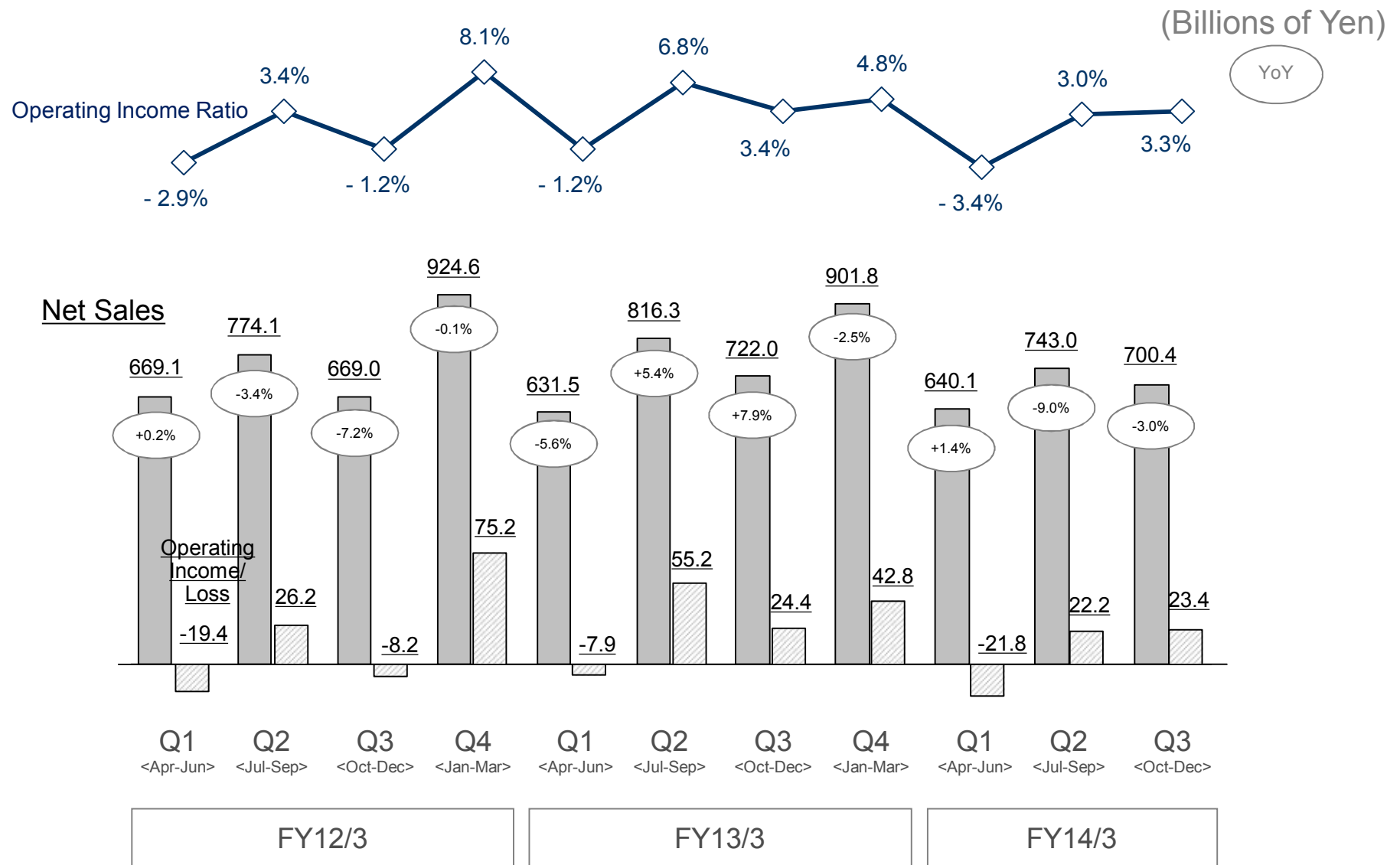


\* Forecasts as of January 30, 2014 (Note: Unchanged from forecasts announced on October 30)

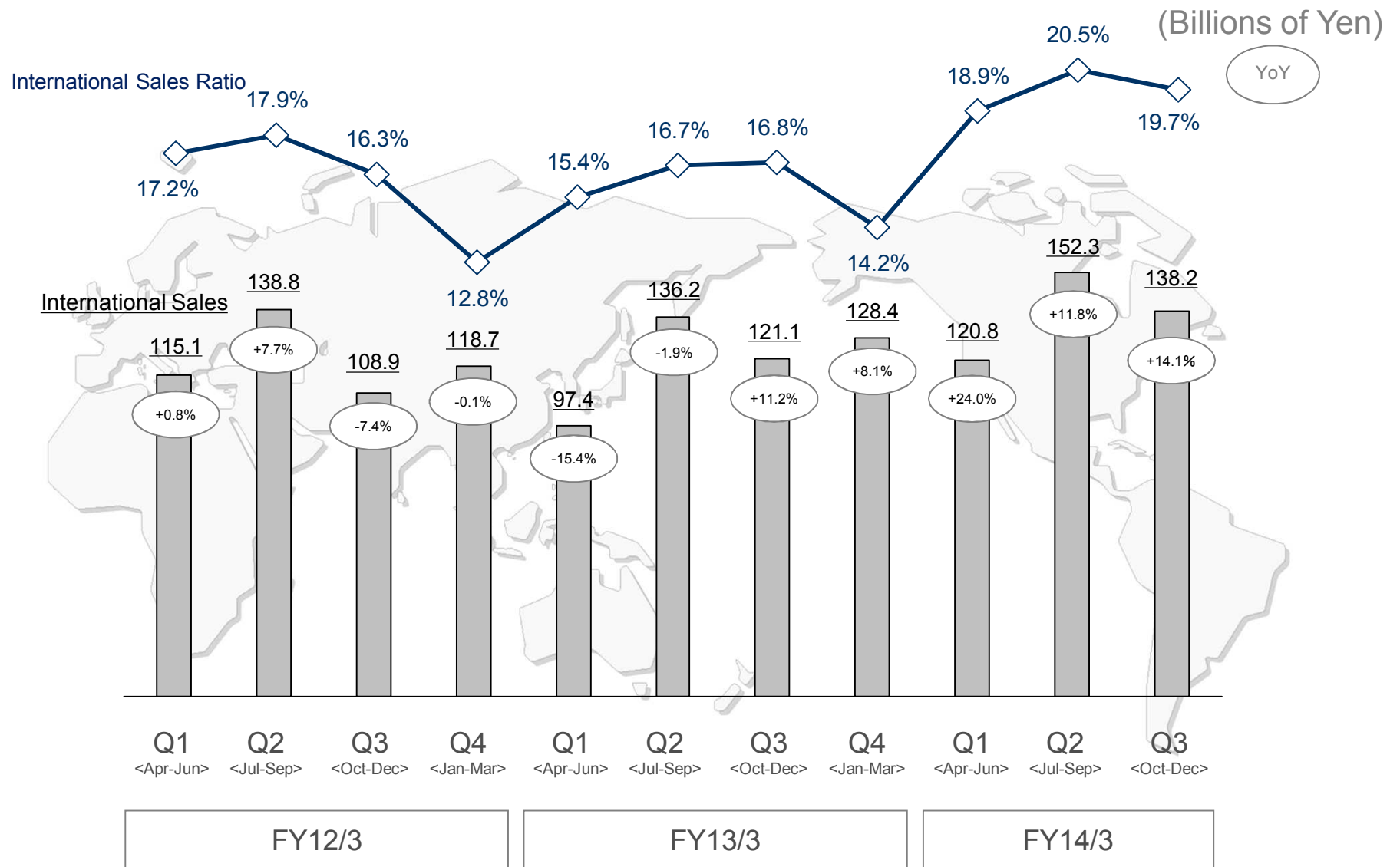
# Reference (Financial data)



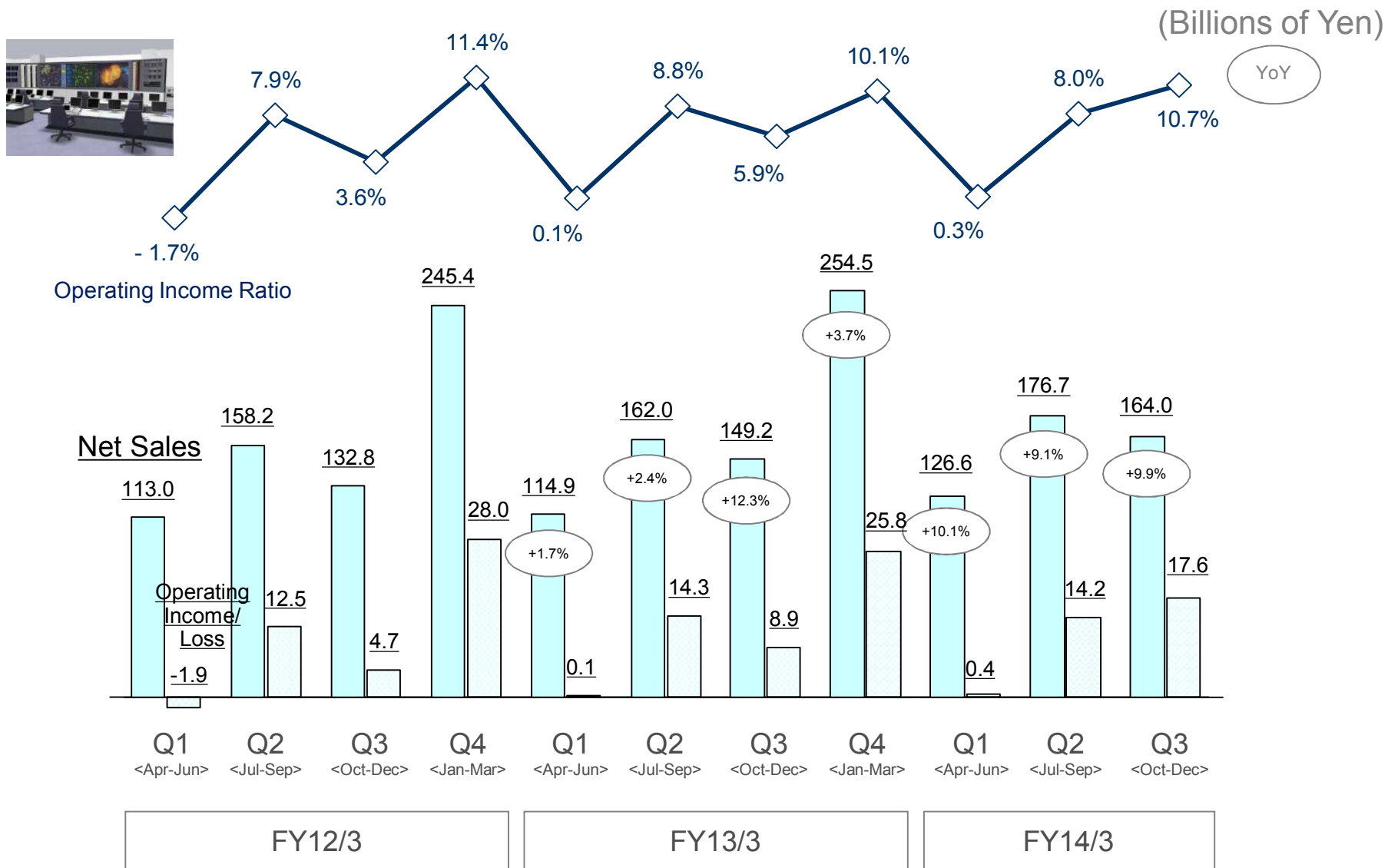
# Net Sales, Operating Income/Loss



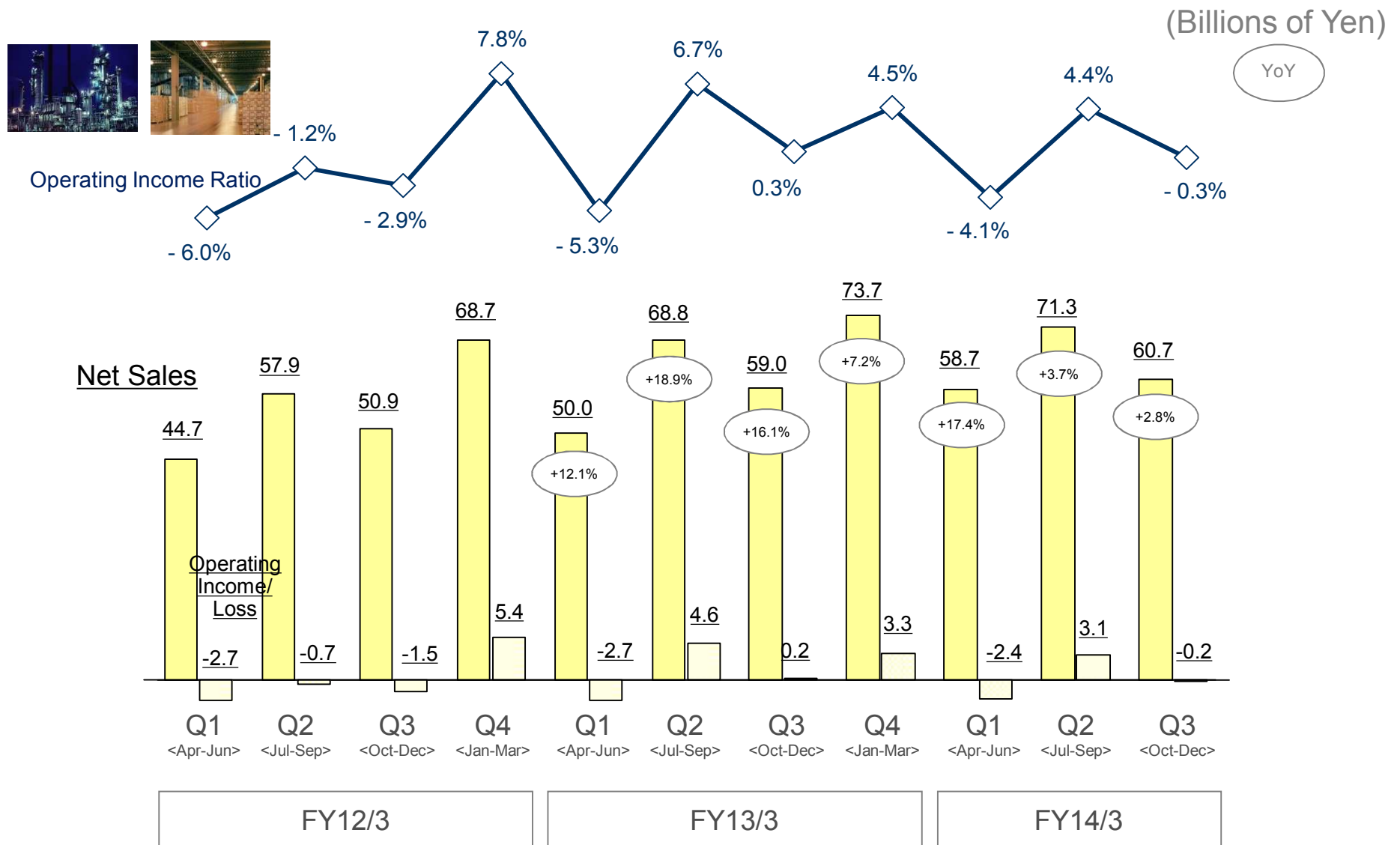
# International Sales



# Sales, Operating Income/Loss (Public)



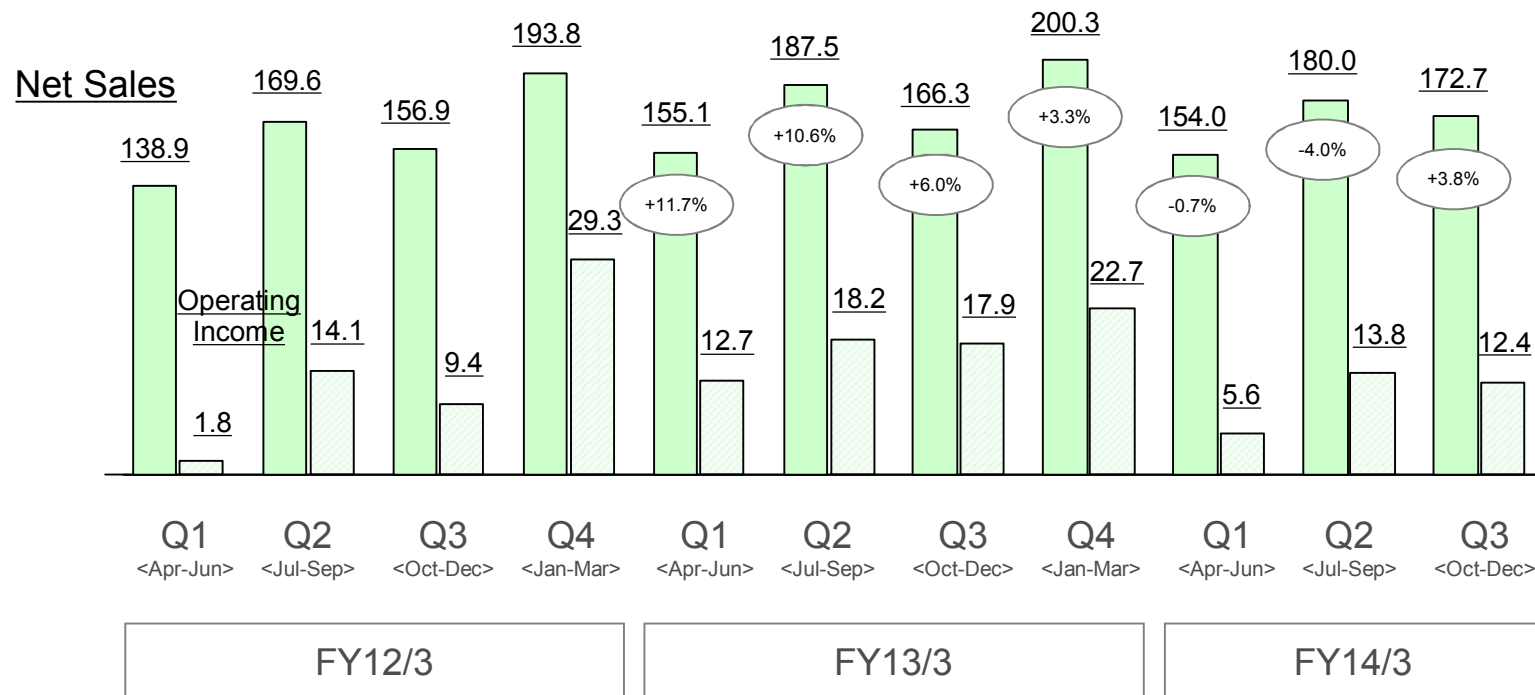
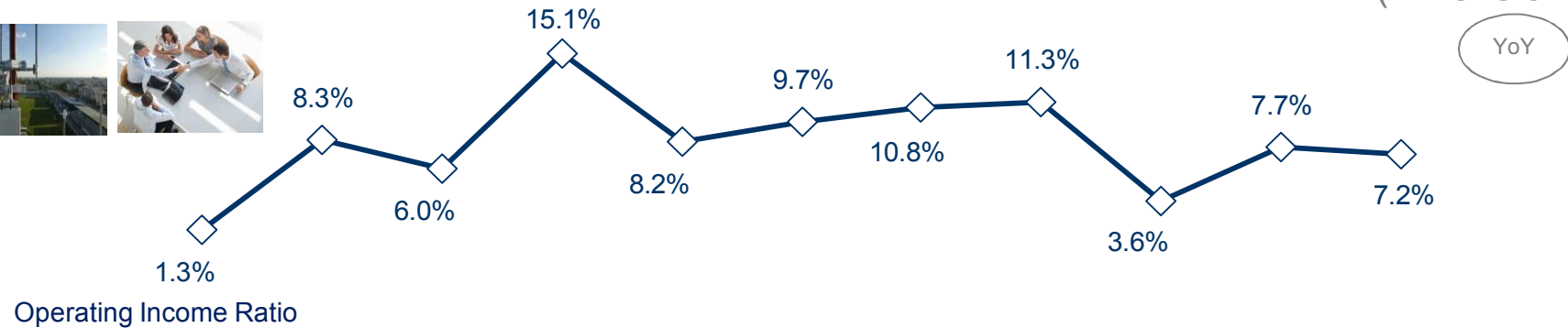
# Sales, Operating Income/Loss (Enterprise)



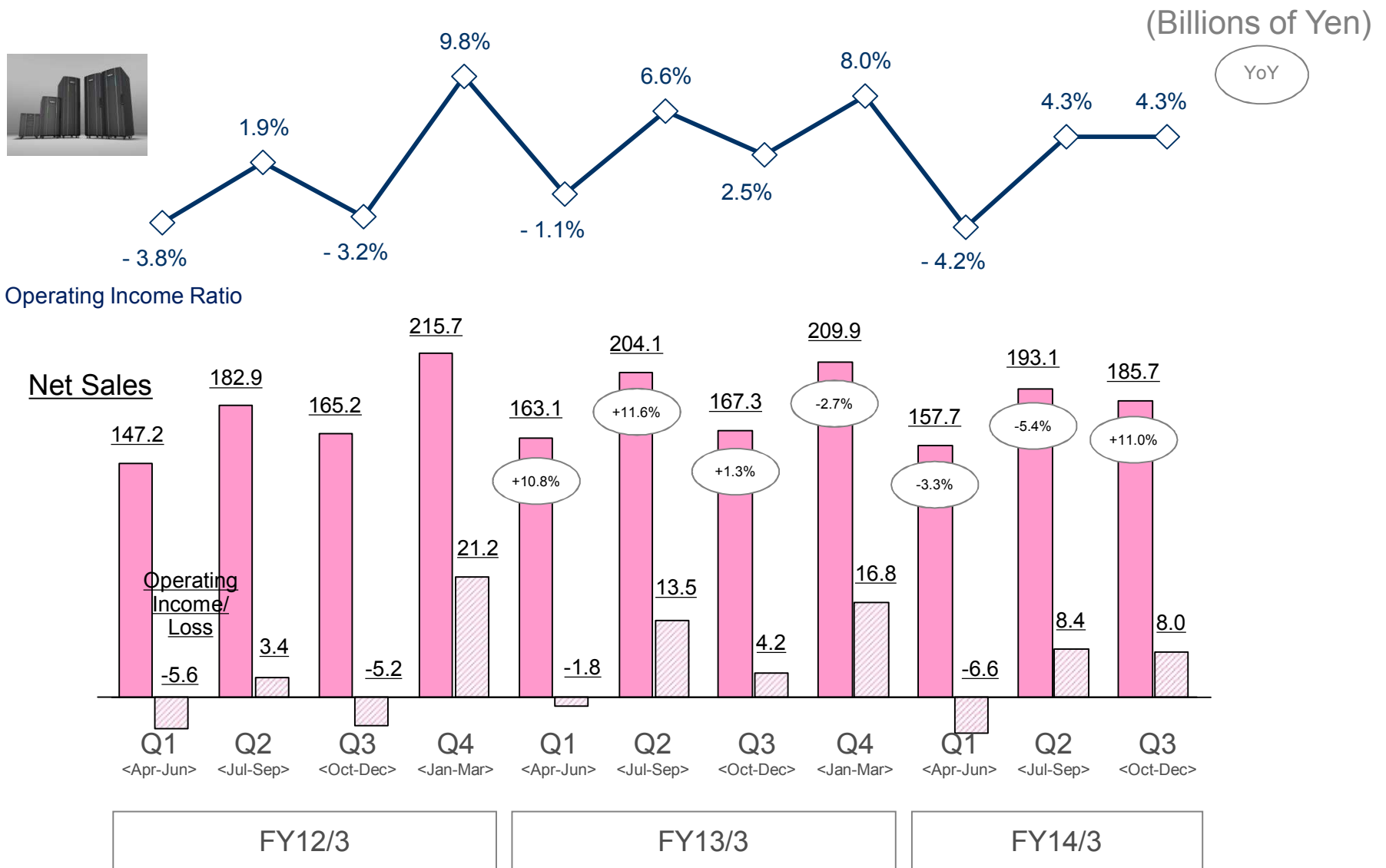


# Sales, Operating Income (Telecom Carrier)

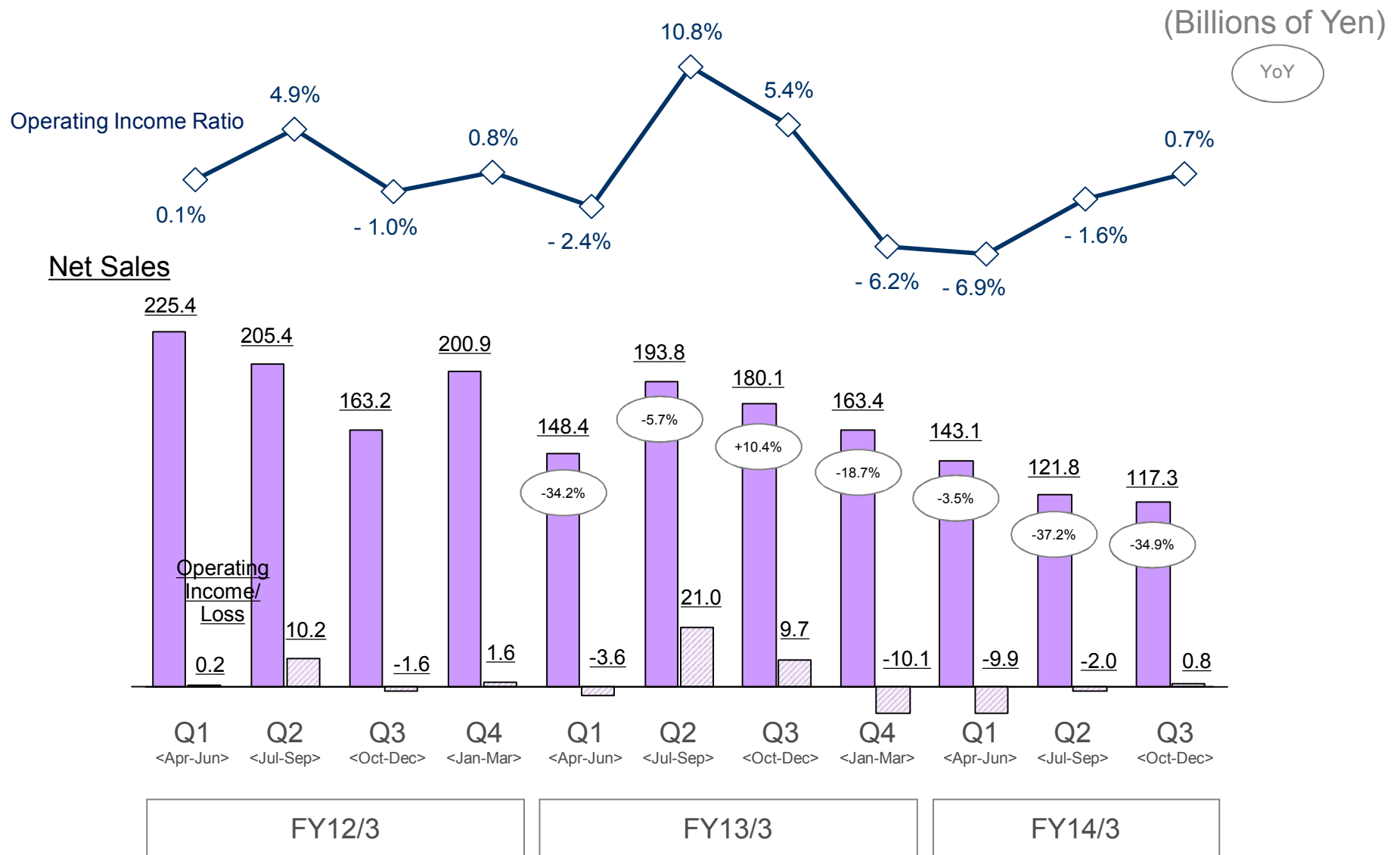
(Billions of Yen)



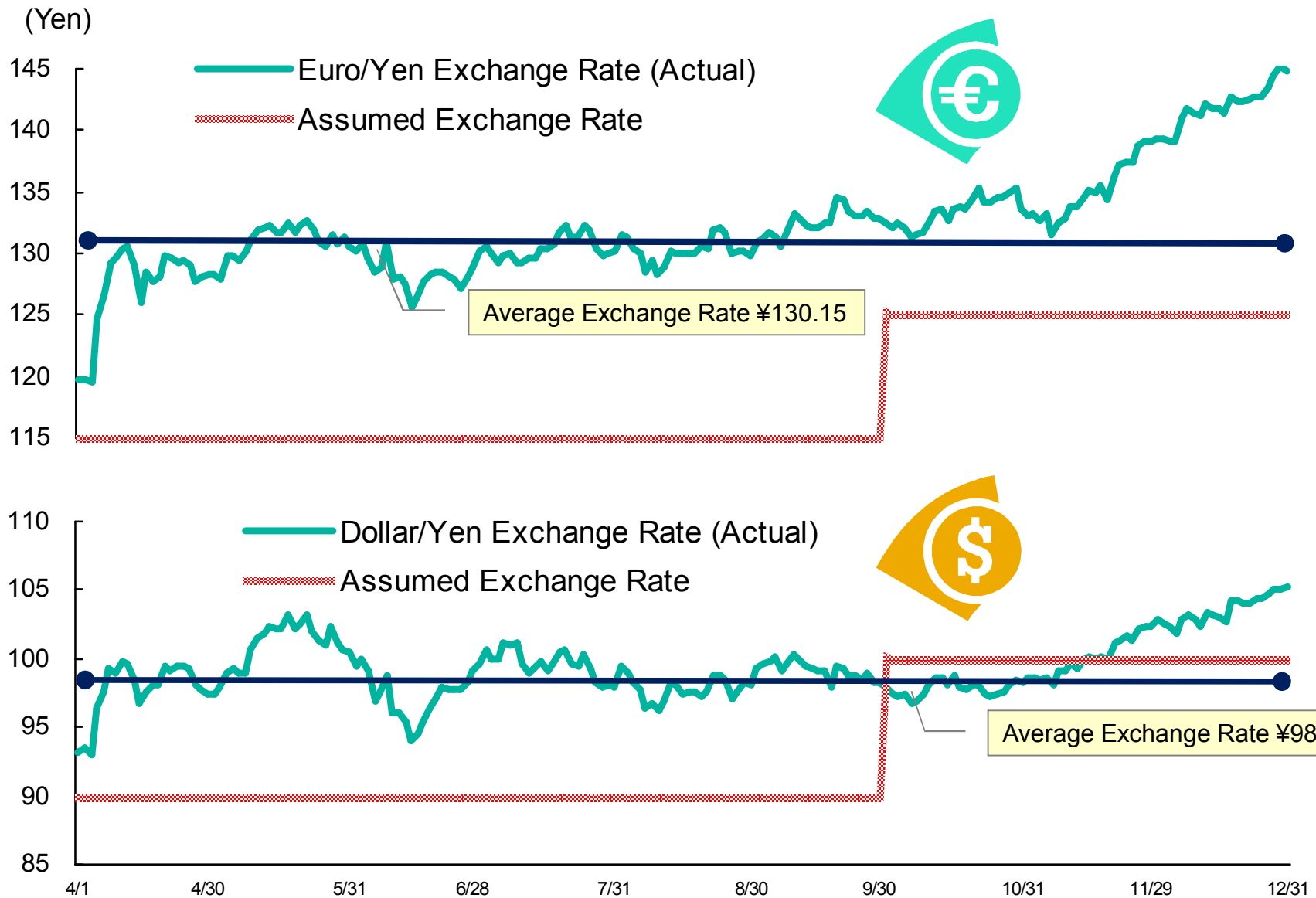
# Sales, Operating Income/Loss (System Platform)



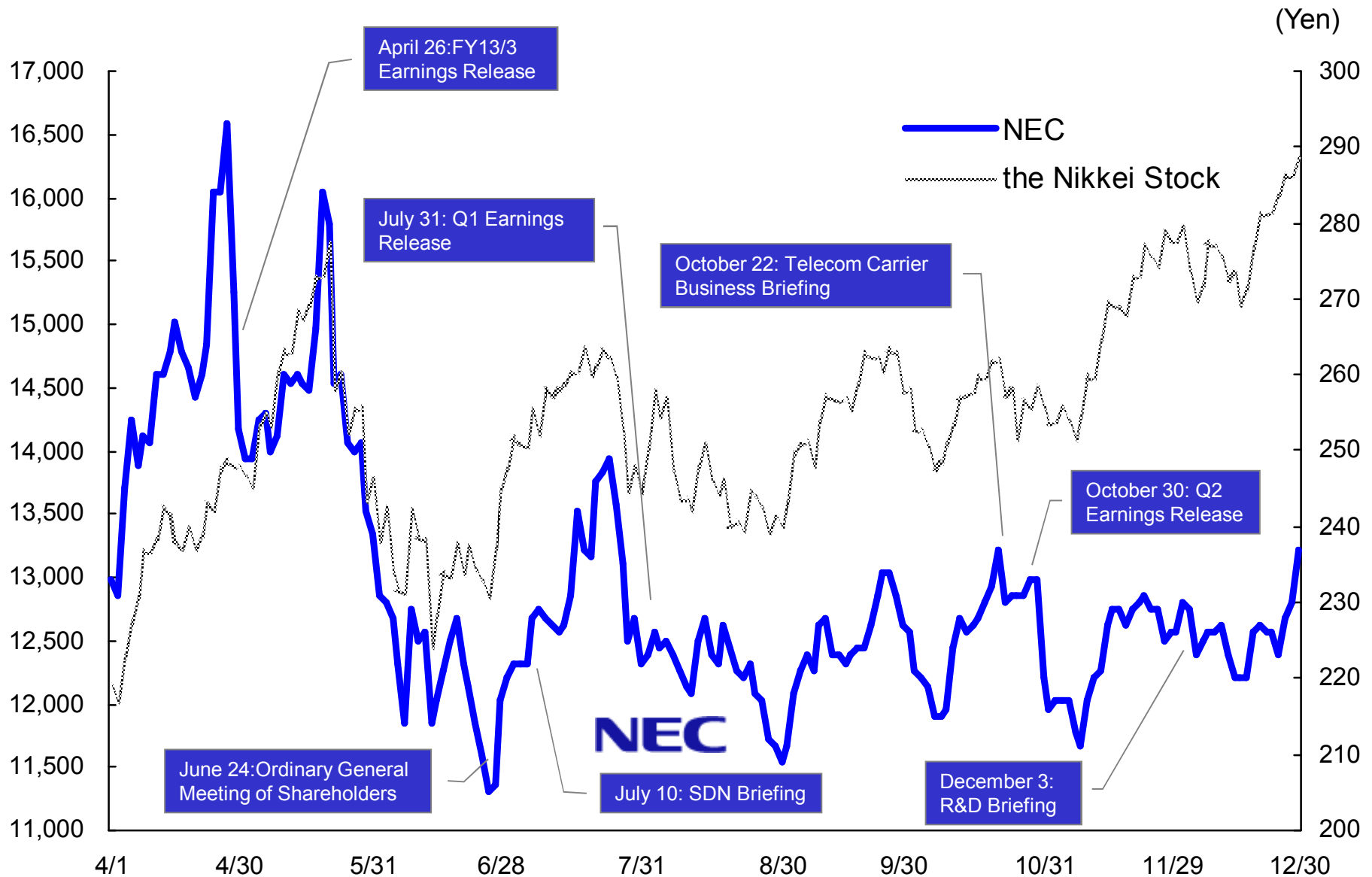
# Sales, Operating Income/Loss (Others)



# Exchange Rate



# Stock Price



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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 Director of the Kanto Finance Bureau, and in reports to shareholders and other communications. NEC is relying on certain safe-harbors for forward-looking statements 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) global economic conditions and general economic conditions in NEC's markets, (ii) fluctuating demand for, and competitive pricing pressure on, NEC's products and services, (iii) NEC's ability to continue to win acceptance of NEC's products and services in highly competitive markets, (iv) NEC's ability to expand into foreign markets, such as China, (v) regulatory change and uncertainty and potential legal liability relating to NEC's business and operations, (vi) NEC's ability to restructure, or otherwise adjust, its operations to reflect changing market conditions, (vii) movement of currency exchange rates, particularly the rate between the yen and the U.S. dollar, (viii) the impact of unfavorable conditions or developments, including share price declines, in the equity markets which may result in losses from devaluation of listed securities held by NEC, and (iv) impact of any regulatory action or legal proceeding against NEC. 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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