

NEC CORPORATION

Semiannual Report

Six months ended September 30, 2003

NEC Corporation

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NEC

FINANCIAL HIGHLIGHTS

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES

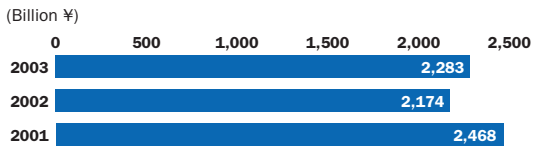
For the six months ended September 30, 2001, 2002 and 2003

	In millions of yen			In thousands of U.S. dollars ⁽¹⁾	Percent change 2003/2002
	2001	2002	2003	2003	
Net sales	¥2,468,047	¥2,173,878	¥2,283,019	\$20,567,739	5.0%
Japan ⁽²⁾	2,040,748	1,783,192	1,808,049	16,288,730	1.4
Overseas ⁽²⁾	427,299	390,686	474,970	4,279,009	21.6
Income (loss) before income taxes	(34,266)	20,376	77,787	700,783	-
Provision (benefit) for income taxes	(14,829)	8,558	38,893	350,387	-
Net income (loss)	(29,896)	1,037	15,497	139,613	-
Per share of common stock (in yen and U.S. dollars):					
Net income (loss)					
Basic	(18.07)	0.63	9.38	0.085	-
Diluted	(18.07)	0.60	8.70	0.078	-
Cash dividends	3.00	-	3.00	0.027	-
Total assets	5,075,687	4,575,386	4,140,500	37,301,802	-9.5
Shareholders' equity	835,729	530,325	391,079	3,523,234	-26.3

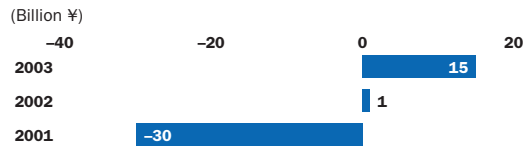
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111=U.S.\$1.

2. Attributed to geographic areas based on the country location of NEC Corporation or subsidiaries.

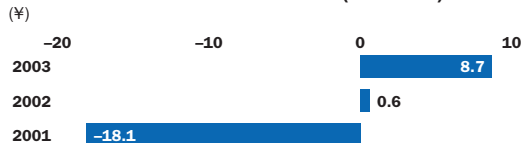
NET SALES



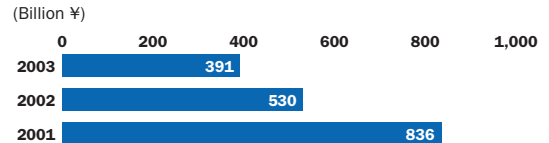
NET INCOME (LOSS)



NET INCOME (LOSS) PER SHARE OF COMMON STOCK (DILUTED)



SHAREHOLDERS' EQUITY



TO OUR SHAREHOLDERS

During the first half of fiscal 2004, the six-month period ended September 30, 2003, NEC realized income before income taxes and net income, achieving profitability. Although the outlook for our business environment does not promise a quick recovery, especially with the direction of the economy uncertain and deflation expected to continue, we will continue to make every effort to improve our earnings and our performance in the future.

CONSOLIDATED FINANCIAL RESULTS

During the first half of fiscal 2004, NEC's consolidated net sales were ¥2,283.0 billion (\$20,568 million), an increase of 5% compared with the same period a year ago. This sales growth was largely driven by a 21% increase in sales in the Network Solutions business resulting from the strong performance of our mobile handset business in Japan and overseas. Sales in the IT Solutions business were mostly the same and sales in the Electron Devices business decreased by 3%, compared with the corresponding period of the previous fiscal year.

NEC recorded income before income taxes of ¥77.8 billion (\$701 million), an increase of ¥57.4 billion from the same period a year ago, mainly reflecting the increase in net sales, progress with structural reforms, cost reductions and gains due to the public offerings of subsidiaries. NEC recorded net income of ¥15.5 billion (\$140 million), an increase of ¥14.5 billion from the same period of the previous fiscal year.

Aided by these improvements in earnings, we have made progress towards realizing one of our key priorities — improving our financial structure. As of September 30, 2003, shareholders' equity was ¥391.1 billion (\$3,523 million), an increase of ¥32.6 billion from March 31, 2003. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents) decreased ¥208.2 billion to ¥934.5 billion (\$8,419 million), due in large part to measures taken to streamline assets.

In view of these circumstances, we have decided to resume an interim dividend of ¥3.00 (\$0.027) per share for the first half of fiscal 2004.

TOWARD FUTURE GROWTH

NEC's two core domains are the Integrated IT/Network Solutions business — a field that combines computers and telecommunications — and the Semiconductor Solutions business. NEC plans to continue to advance strategies that fit the distinctive characteristics of these two business domains.

In Japan there are currently over 10 million broadband (higher-speed, higher-capacity communications networks) subscribers. Japan is also at the forefront in offering advanced functions such as mobile Internet access and built-in cameras in the mobile handset field. Japan's consumer market is thus leading the world in forming a ubiquitous networked society (a society where everyone has access to information networks such as the Internet

whenever and wherever they want). Now that corporations have also taken up this cause, more opportunities for establishing new businesses and reconstructing information networks are emerging. National and local governments are also launching full-fledged initiatives to construct electronic data processing infrastructure.

Through its mobile handset, PC, BIGLOBE and other businesses, NEC is working to make the lives of consumers more comfortable, convenient and enjoyable. For corporations, national and local governments and customers in the telecommunications industry, NEC plans to actively provide solutions that leverage its expertise in both IT and network technologies, to satisfy the new demands of the ubiquitous networked society.

In the Semiconductor Solutions field, NEC Electronics Corporation was listed on the First Section of the Tokyo Stock Exchange in July of this year. We believe that as a listed company NEC Electronics is now able to operate its businesses more effectively as a result of faster decision-making procedures and a robust financial structure. We expect that this, in turn, will place NEC Electronics in a stronger position to compete with other global semiconductor companies. In addition, we will continue to actively seek synergies between NEC and NEC Electronics.

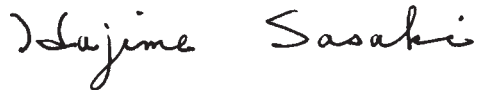
IN CLOSING

In addition to the above-mentioned management initiatives, NEC will continue to make every effort to improve


the quality and safety of its products and services, while upholding high ethical standards. NEC remains committed to carrying out its operations with the primary goal of maximizing shareholder value.

We ask for your continued understanding and support.

October 23, 2003



Hajime Sasaki
Chairman of the Board



Koji Nishigaki
Vice Chairman of the Board



Akinobu Kanasugi
President

CONSOLIDATED BALANCE SHEETS

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES

As of September 30, 2002 and 2003 (unaudited)

ASSETS	In millions of yen		In thousands of U.S. dollars
	2002	2003	2003
Current assets:			
Cash and cash equivalents	¥ 272,859	¥ 448,303	\$ 4,038,766
Notes receivable, trade	21,727	18,484	166,523
Accounts receivable, trade	686,429	750,874	6,764,631
Allowance for doubtful notes and accounts	(32,267)	(31,640)	(285,045)
Current portion of investment in leases	244,640	–	–
Inventories	636,261	631,271	5,687,126
Deferred tax assets	150,212	117,096	1,054,918
Prepaid expenses and other current assets	111,931	87,552	788,757
Total current assets	2,091,792	2,021,940	18,215,676
Investments and long-term receivables:			
Marketable securities	165,981	140,021	1,261,450
Investments and advances:			
Affiliated companies	143,583	152,872	1,377,225
Other	153,590	143,670	1,294,324
Long-term receivables, trade	30,643	24,397	219,793
Investment in leases	247,442	–	–
	741,239	460,960	4,152,792
Property, plant and equipment:			
Land	103,788	107,262	966,324
Buildings	910,306	857,810	7,728,018
Machinery and equipment	2,018,850	1,857,377	16,733,126
Construction in progress	59,034	32,574	293,460
	3,091,978	2,855,023	25,720,928
Accumulated depreciation	(2,147,723)	(2,047,202)	(18,443,261)
	944,255	807,821	7,277,667
Other assets:			
Deferred tax assets	454,663	534,522	4,815,514
Goodwill	46,619	45,846	413,027
License fees and other intangibles	35,352	36,665	330,315
Other	261,466	232,746	2,096,811
	798,100	849,779	7,655,667
	¥ 4,575,386	¥ 4,140,500	\$ 37,301,802

Note: Interest-bearing debt as of September 30, 2003 was ¥1,382.8 billion (\$12,458 million), a decrease of ¥751.0 billion from ¥2,133.8 billion as of September 30, 2002. This was mainly due to the deconsolidation of NEC Leasing, Ltd. Excluding the effect of this change, interest-bearing debt decreased ¥206.3 billion.

LIABILITIES AND SHAREHOLDERS' EQUITY	In millions of yen		In thousands of U.S. dollars
	2002	2003	2003
Current liabilities:			
Short-term borrowings	¥ 406,848	¥ 207,515	\$ 1,869,505
Current portion of long-term debt	337,648	250,469	2,256,477
Notes payable, trade	39,487	39,245	353,559
Accounts payable, trade	684,256	817,158	7,361,784
Accounts payable, other and accrued expenses	252,127	251,708	2,267,640
Accrued income taxes	35,750	30,163	271,739
Other current liabilities	161,422	131,743	1,186,873
Total current liabilities	1,917,538	1,728,001	15,567,577
Long-term liabilities:			
Long-term debt	1,389,338	924,854	8,332,018
Accrued pension and severance costs	459,220	706,083	6,361,108
Other	29,000	32,862	296,054
	1,877,558	1,663,799	14,989,180
Minority shareholders' equity in consolidated subsidiaries	152,465	259,521	2,338,027
Preferred securities issued by a subsidiary	97,500	98,100	883,784
Commitments and contingent liabilities			
Shareholders' equity:			
Common stock:			
Authorized — 3,200,000,000 shares			
Issued 2002 — 1,656,268,189 shares	244,726		
2003 — 1,656,268,189 shares		244,726	2,204,739
Additional paid-in capital	361,820	362,016	3,261,405
Retained earnings	67,162	52,102	469,387
Accumulated other comprehensive income (loss)	(140,893)	(265,015)	(2,387,522)
	532,815	393,829	3,548,009
Treasury stock, at cost:			
2002 — 2,507,344 shares	(2,490)		
2003 — 2,661,793 shares		(2,750)	(24,775)
	530,325	391,079	3,523,234
	¥4,575,386	¥4,140,500	\$37,301,802

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2001, 2002 and 2003 (unaudited)

	In millions of yen			In thousands of U.S. dollars
	2001	2002	2003	2003
Sales and other income:				
Net sales	¥2,468,047	¥2,173,878	¥2,283,019	\$20,567,739
Interest, gain on securities sold, dividends and other	59,623	79,765	36,118	325,387
Gain due to stock issuances by subsidiaries	–	20,790	53,808	484,757
	2,527,670	2,274,433	2,372,945	21,377,883
Costs and expenses:				
Cost of sales	1,836,319	1,572,488	1,676,519	15,103,775
Selling, general and administrative	626,394	574,669	548,478	4,941,243
Interest	26,663	17,307	14,131	127,307
Other	72,560	89,593	56,030	504,775
	2,561,936	2,254,057	2,295,158	20,677,100
Income (loss) before income taxes	(34,266)	20,376	77,787	700,783
Provision (benefit) for income taxes	(14,829)	8,558	38,893	350,387
Income (loss) before minority interest, equity in earnings (losses) of affiliated companies and cumulative effect of accounting change	(19,437)	11,818	38,894	350,396
Minority interest in income (losses) of consolidated subsidiaries	(233)	931	6,933	62,459
Income (loss) before equity in earnings (losses) of affiliated companies and cumulative effect of accounting change	(19,204)	10,887	31,961	287,937
Equity in earnings (losses) of affiliated companies	(8,097)	(9,850)	(16,464)	(148,324)
Income (loss) before cumulative effect of accounting change	(27,301)	1,037	15,497	139,613
Cumulative effect of accounting change, net of tax	(2,595)	–	–	–
Net income (loss)	(29,896)	1,037	15,497	139,613
Comprehensive income (loss):				
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(2,369)	(10,846)	(12,257)	(110,424)
Minimum pension liability adjustment	6,627	7,907	12,634	113,820
Unrealized gains (losses) on marketable securities	(44,336)	(33,037)	21,119	190,261
Unrealized gains (losses) on delivative financial instruments	268	520	(94)	(847)
Cumulative effect of accounting change	(3,606)	–	–	–
Other comprehensive income (loss)	(43,416)	(35,456)	21,402	192,810
Comprehensive income (loss)	¥ (73,312)	¥ (34,419)	¥ 36,899	\$ 332,423
Retained earnings:				
Balance at beginning of period	¥ 388,079	¥ 66,125	¥ 41,567	\$ 374,477
Net income (loss)	(29,896)	1,037	15,497	139,613
Dividends	(4,967)	–	(4,962)	(44,703)
Balance at end of period	¥ 353,216	¥ 67,162	¥ 52,102	\$ 469,387

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2001, 2002 and 2003 (unaudited)

	In millions of yen			In thousands of U.S. dollars
	2001	2002	2003	2003
I. Net cash provided by operating activities:				
Net income (loss)	¥ (29,896)	¥ 1,037	¥ 15,497	\$139,613
Depreciation	118,041	95,631	83,003	747,775
Other	(58,918)	(46,043)	8,580	77,297
	29,227	50,625	107,080	964,685
II. Net cash used in investing activities	(134,103)	(10,450)	(8,807)	(79,342)
Free cash flow (I+II)	(104,876)	40,175	98,273	885,343
III. Net cash provided by (used in) financing activities	(44,966)	(139,478)	5,673	51,108
Effect of exchange rate changes on cash and cash equivalents	(2,333)	(5,610)	12	108
Net increase (decrease) in cash and cash equivalents	¥(152,175)	¥(104,913)	¥103,958	\$936,559

SEGMENT INFORMATION

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2001, 2002 and 2003 (unaudited)

Business segments

a. Sales

	In millions of yen			In thousands of U.S. dollars
	2001	2002	2003	2003
Sales:				
IT Solutions business:				
External customers	¥ 882,049	¥ 865,826	¥ 855,648	\$ 7,708,541
Intersegment	79,232	83,867	93,837	845,378
Total	961,281	949,693	949,485	8,553,919
Network Solutions business:				
External customers	1,017,134	653,358	809,158	7,289,712
Intersegment	42,963	51,660	43,413	391,108
Total	1,060,097	705,018	852,571	7,680,820
Electron Devices business:				
External customers	345,491	434,939	400,541	3,608,477
Intersegment	84,500	41,982	60,379	543,955
Total	429,991	476,921	460,920	4,152,432
Others:				
External customers	193,225	203,379	217,672	1,961,009
Intersegment	110,877	100,793	95,854	863,550
Total	304,102	304,172	313,526	2,824,559
Eliminations	(306,894)	(270,953)	(293,483)	(2,643,991)
Electronics business total	2,448,577	2,164,851	2,283,019	20,567,739
Leasing business:				
External customers	30,148	16,376	-	-
Intersegment	4,617	3,251	-	-
Total	34,765	19,627	-	-
Eliminations	(15,295)	(10,600)	-	-
Consolidated total	¥2,468,047	¥2,173,878	¥2,283,019	\$20,567,739

b. Segment profit or loss

	In millions of yen			In thousands of U.S. dollars
	2001	2002	2003	2003
Segment profit (loss):				
IT Solutions business	¥ 18,789	¥ 29,903	¥ 33,992	\$ 306,234
Network Solutions business	54,965	12,176	25,002	225,243
Electron Devices business	(55,301)	(5,059)	21,645	195,000
Others	2,628	3,442	308	2,775
Total	21,081	40,462	80,947	729,252
Eliminations	1,785	1,213	(3,432)	(30,918)
Unallocated corporate expenses	(18,987)	(17,706)	(19,493)	(175,613)
Electronics business total	3,879	23,969	58,022	522,721
Leasing business	2,802	3,941	-	-
Eliminations	(1,347)	(1,189)	-	-
	5,334	26,721	58,022	522,721
Other income	59,623	100,555	89,926	810,144
Other expenses	(99,223)	(106,900)	(70,161)	(632,082)
Consolidated income (loss) before income taxes	¥(34,266)	¥ 20,376	¥ 77,787	\$ 700,783

PRINCIPAL ACCOUNTING OFFICER'S CERTIFICATE

In my opinion, the accompanying consolidated balance sheets, consolidated statements of operations, comprehensive income (loss) and retained earnings and cash flows (condensed) and segment information present fairly the financial position of NEC Corporation and its consolidated subsidiaries at September 30, 2003, and the results of their operations and their cash flows for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

October 23, 2003



Shigeo Matsumoto
Executive Vice President
and Member of the Board

INVESTOR INFORMATION

Transfer Agent for Common Stock

The Sumitomo Trust and Banking Company, Limited
4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Stock Exchange Listings and Quotations

NEC common stock is listed on the Tokyo and four other stock exchanges in Japan. Overseas listings are on the Swiss Exchange (in the form of Swiss Bearer Depository Receipts), the Frankfurt Stock Exchange (in the form of a Global Bearer Certificate), the London Stock Exchange, and Amsterdam Exchanges. American Depository Receipts for common stock (Symbol: NIPNY) are quoted in the NASDAQ system in the United States.

Depository for American Depository Receipts (ADRs)

The Bank of New York
101 Barclay Street, New York, NY 10286, U.S.A.
Tel: (212) 815-2042
U.S. toll free: (888) 269-2377 (888-BNY-ADRS)
<http://www.adrbny.com>
Ratio: 1 ADR=1 ordinary share

Sponsoring Bank for Global Bearer Certificate (GBC)

Deutsche Bank A.G.
Taubenstraße 12, 60325 Frankfurt am Main, Germany

Depository Agent for Swiss Bearer Depository Receipts (SBDs)

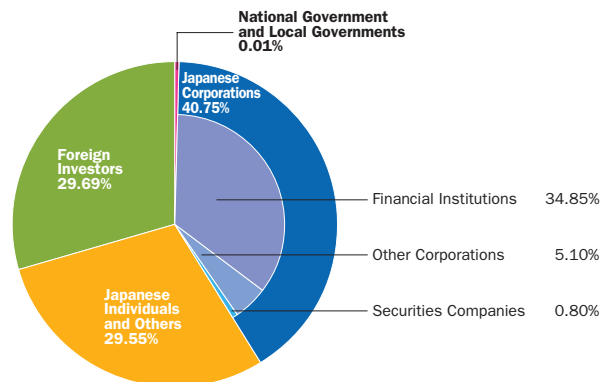
UBS AG
P.O. Box CH-8098, Zurich, Switzerland

CAUTIONARY STATEMENTS:

The statements in this semiannual report with respect to NEC's current plans, strategies and beliefs, as well as other statements that are not historical facts, are forward-looking statements. Forward-looking statements include but are not limited to those using words such as "believes," "anticipates," "expects," "intends," "plans," "forecast," and "strategy" and words of similar meaning. Such forward-looking statements are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not to place undue reliance on them. We do not intend to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable laws. The risks and uncertainties that could cause actual results to differ materially from such statements include, but are not limited to, (i) general economic conditions in NEC's markets, which are primarily Japan, North America, Asia and Europe; (ii) fluctuating demand for, and competitive pricing pressure on, NEC's products and services in the marketplace; (iii) NEC's ability to continue to win acceptance of its products and services in these highly competitive markets; and (iv) movements of currency exchange rates, particularly the rate between the yen and the U.S. dollar, in which NEC makes significant sales.

COMPOSITION OF SHAREHOLDERS

(% of shares held)



(As of September 30, 2003)