

# Financial Results for 1H for the Fiscal Year Ending March 31, 2010

October 29, 2009  
NEC Corporation  
(<http://www.nec.co.jp/ir/en>)

To be a leading global company  
leveraging the power of innovation  
to realize an information society  
friendly to humans and the earth

**NEC Group Vision 2017**

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## I. Financial Results for 1H

## II. Financial Forecast for FY10/3

## III. Progress of Management Reforms

- Unconsolidation of the semiconductor business
- Expansion & profitability improvement for the Personal Solutions business
- “C&C Cloud Strategy” towards further growth of IT/Network solutions

# I. Financial Results for 1H

# Summary of Financial Results for 1H

- Kept original plan for 1H results both in sales and income/loss
- 2Q turnaround in operating profit

(Operating Income/loss improved in several segments except Electron Devices)

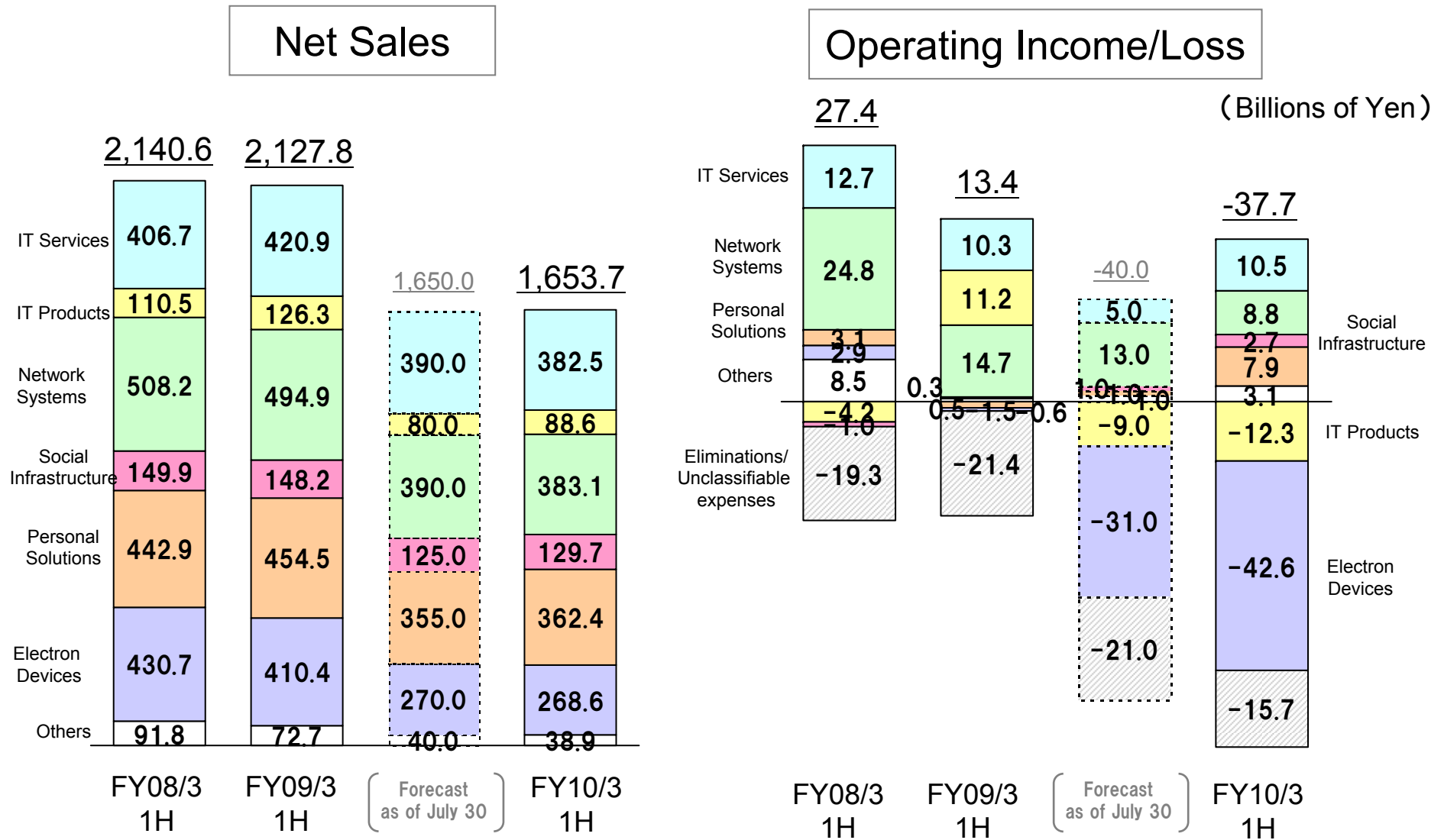
(Billions of yen)

	Forecast as of July 30 (A)	1H Actual (B)	Difference (B-A)	1H FY09/3	YoY
Net Sales	1,650.0	1,653.7	3.7	2,127.8	-22.3%
Operating Income/Loss	-40.0	-37.7	2.3	13.4	-51.1
Electron Devices	-31.0	-42.6	-11.6	-0.6	-42.0
Ordinary Income/Loss	-62.0	-49.9	12.1	7.0	-56.9
Net Income/Loss	-50.0	-43.6	6.4	1.8	-45.4

(Ref): Average exchange rate for 1H of FY10/3 1\$= ¥96.56, 1€= ¥132.26

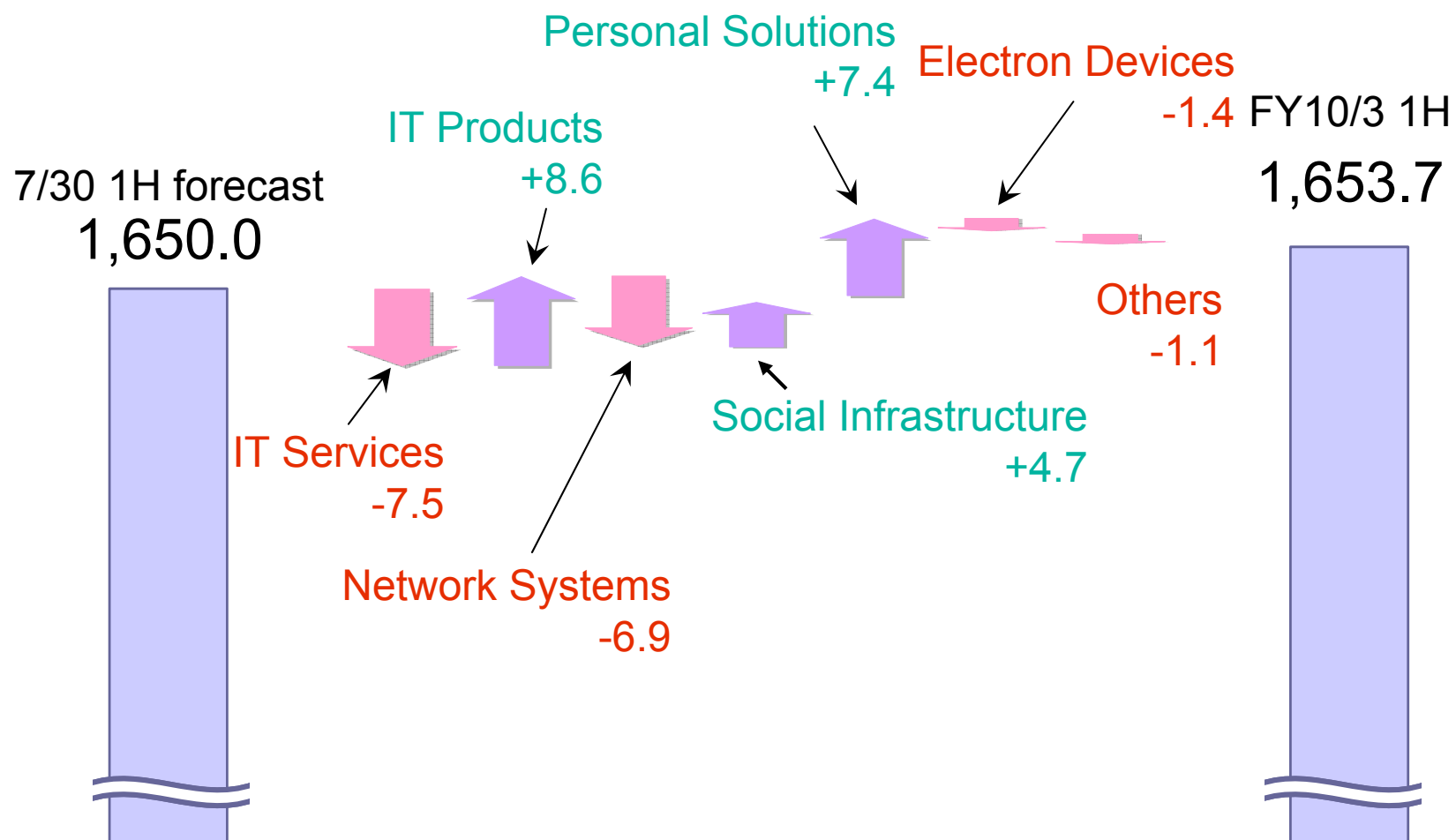
(Assumed exchange rate as of July 30 for FY10/3 1\$=¥90, 1€=¥120)

# Results by Segment for 1H



# Sales Change (From previous forecast as of July 30)

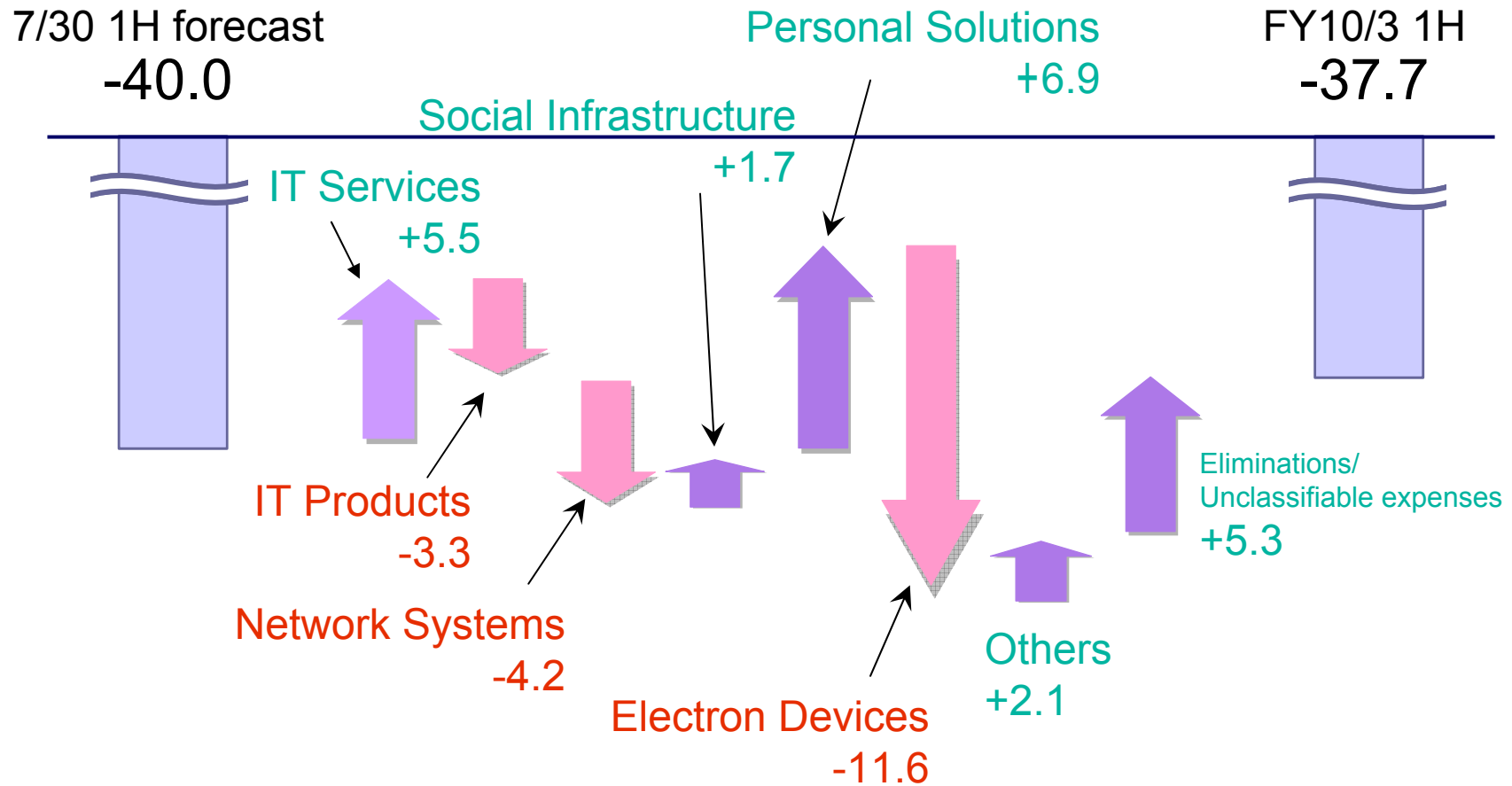
(Billions of Yen)





# Operating Income/Loss Change (From previous forecast as of July 30)

(Billions of Yen)



# Fixed Cost Reduction Progress in 1H

Reduced 149.2 billion yen year on year principally in labor cost  
(Progressed by 55%)

(Billions of Yen)

Segment	1H Reduction (Progress)	Reducing fixed costs (Annual plan)	Cost Item	1H Reduction (Progress)	Reducing fixed costs (Annual plan)
IT Services, IT Products, Network Systems, Social Infrastructure	54.8 (52%)	105.0	Labor Cost	52.5 (73%)	72.0
Personal Solutions	19.1 (64%)	30.0	Outsourcing engineering, consignment of activities	54.5 (44%)	124.0
Electron Devices	NECEL 50.0 66.6 (56%)	NECEL 90.0 118.0	Depreciation, lease, etc.	16.8 (60%)	28.0
Others	8.7 (51%)	17.0	IT expenses, sales promotion and advertisement, etc.	25.4 (55%)	46.0
<b>Total</b>	<b>149.2 (55%)</b>	<b>270.0</b>	<b>Total</b>	<b>149.2 (55%)</b>	<b>270.0</b>

\* Annual plan as of May 12, 2009

## II. Financial Forecast for FY10/3

# Revised Forecast

## Revised consolidated forecast of FY10/3 with the downturn of the Electron Devices business

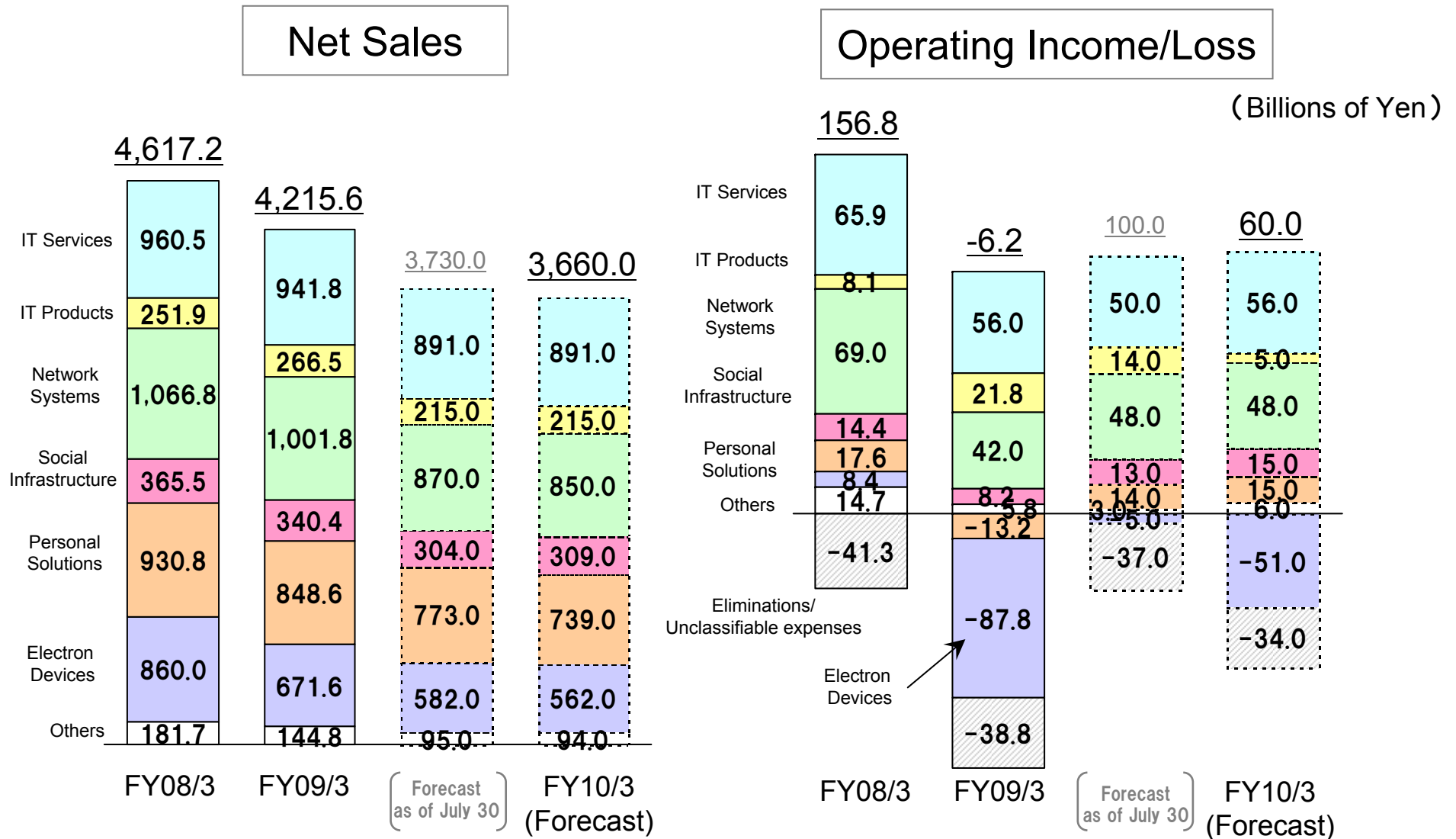
(Aim to improve operating income/loss over the previous forecast from July 30, not including the Electron Devices business)

(Billions of Yen)

	Forecast as of July 30 (A)	Revised forecast (B)	Difference (B-A)	Actual as FY09/3	YoY
Net Sales	3,730.0	3,660.0	-70.0	4,215.6	-13.2%
Operating Income/Loss	100.0	60.0	-40.0	-6.2	66.2
Electron Devices	-5.0	-51.0	-46.0	-87.8	36.8
Ordinary Income/Loss	60.0	40.0	-20.0	-93.2	133.2
Net Income/Loss	10.0	10.0	0	-296.6	306.6

\* Forecast as of October 29, 2009

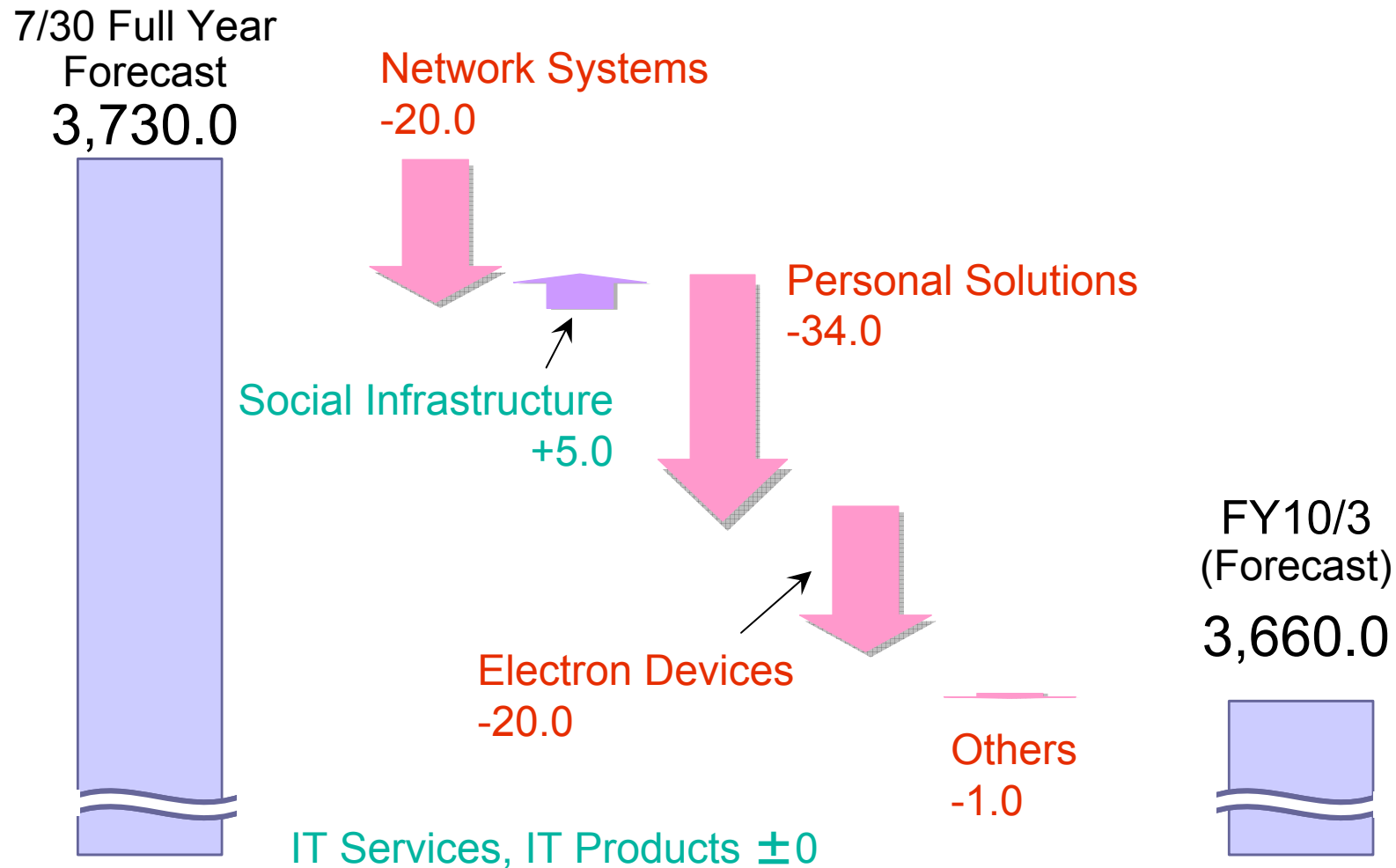
# Financial Forecast Summary for the Full Year by Segment



\* Forecast as of October 29, 2009

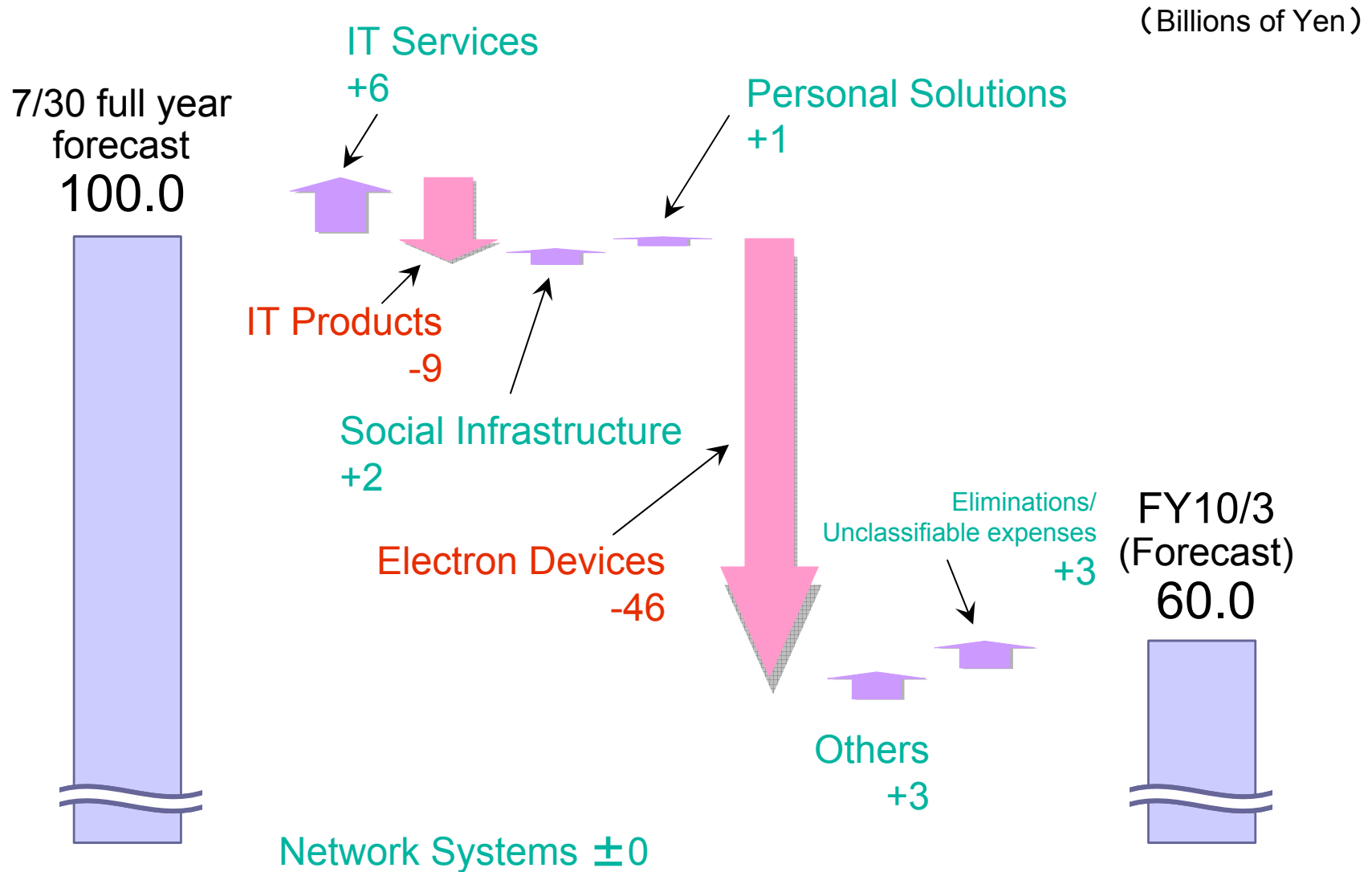
# Sales Change (From previous forecast as of July 30)

(Billions of Yen)



\* Forecast as of October 29, 2009

# Operating Income/Loss Change (From previous forecast as of July 30)



\* Forecast as of October 29, 2009

# Additional Fixed Cost Reduction

**Aim to reduce 290 billion yen year on year. An an additional 20 billion reduction from the original plan**

(Billions of Yen)

Segment	Amount of Increase	Reducing fixed costs (Annual plan)	Cost Item	Amount of Increase	Reducing fixed costs (Annual plan)
IT Services, IT Products, Network Systems, Social Infrastructure	+14.0	119.0	Labor Cost	+6.0	78.0
Personal Solutions	+3.0	33.0	Outsourcing engineering, consignment of activities	+5.0	129.0
Electron Devices	+1.0	119.0	Depreciation, lease etc.	+5.0	33.0
Others	+2.0	19.0	IT expenses, sales promotion and advertisement, etc.	+4.0	50.0
<b>Total</b>	<b>+20.0</b>	<b>290.0</b>	<b>Total</b>	<b>+20.0</b>	<b>290.0</b>

\* Forecast as of October 29, 2009



# Summary

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■ The semiconductor business will not achieve our original plan, but it will improve significantly year on year

- Semiconductor business down from the original plan, but covered by other 1H segments
- Rapid recovery of the semiconductor business not expected as severe market conditions continue for 2H
  - Strengthen profitability improvement activities further



■ Business expansion and profitability improvement in stable business areas other than the semiconductor business

- Top line growth by enforcement of sales and focusing on the customer
- Accelerate cost reduction and improvement of thorough project management

■ Complete fixed cost reduction plan of 290 billion yen

**Aim to achieve further improvement over the revised forecast**

\* Forecast as of October 29, 2009

### III. Progress of Management Reforms

# Management Challenges for NEC

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## 1. Business Restructuring – business portfolio reform -

■ **Unconsolidation of semiconductor business** (Announced on Sep. 16)

■ **Expansion and profitability improvement of Personal Solutions Business** (Announced on Sep. 14)

■ **“C&C Cloud Strategy” toward further growth of IT/Network Solutions**

## 2. Earnings structure reforms – establishing leaner earnings structure -

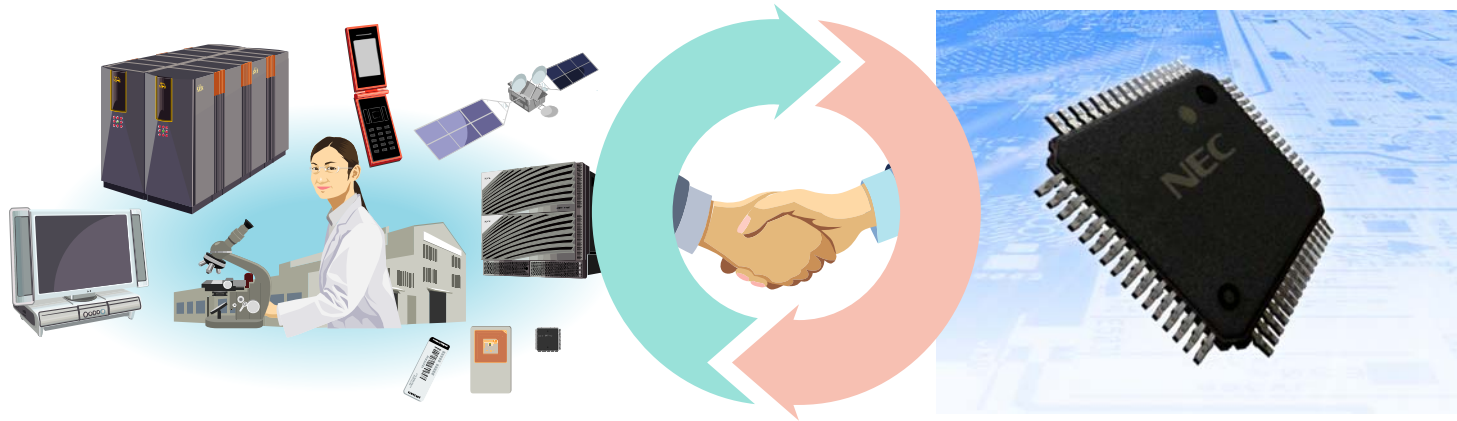
■ Further fixed cost reduction 270 ⇒ 290 billion yen (report quarterly progress)

\* Forecast as of October 29, 2009

# Unconsolidation of Semiconductor Business

Unconsolidate NEC Electronics from next fiscal year (FY11/3)  
(NEC's shareholding ratio declines from 70% to 35%\*) \* Voting share basis

- Reallocate management resources to IT/NW solutions business
- The integrated company after business integration will be a business partner of NEC that brings technological synergy to NEC's core businesses



Strengthen financial structures through improved  
profitability, stabilization and lower CAPEX

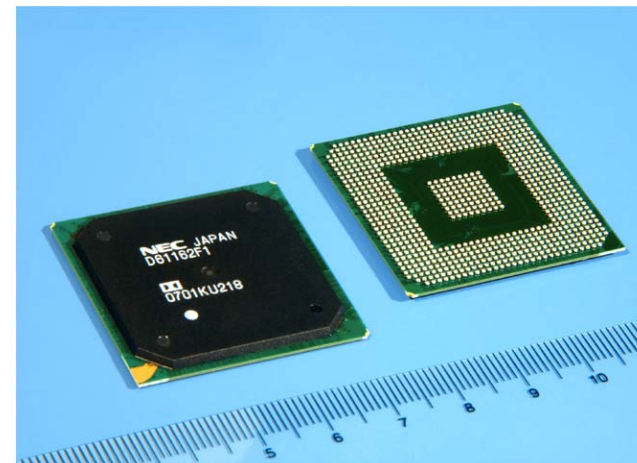
\* Forecast as of October 29, 2009

# Semiconductor Business ( NEC Electronics )

## NEC Electronics and Renesas reached a definitive agreement on business integration

< Name of integrated company: Renesas Electronics Corporation (Tentative name) >

- Decided that business integration with Renesas is the best way to fundamentally rebuild our semiconductor structure and expand business as a leading global company in the current economic conditions
- NEC, Hitachi and Mitsubishi will provide economic assistance for strengthening the financial base of the integrated company



**Establishment of the world's 3<sup>rd</sup> largest semiconductor company in April 2010**

- Will have 3 major product groups, MCUs (World's No.1), SoCs and Discrete products -

※ Announced on Sep. 16, 2009

# Expansion and Profitability Improvement for the Personal Solutions Business

## Management policy for the future

- Focus on service terminals as a new client interface in the cloud computing era

## Past Approach

- Withdrawal from unprofitable overseas PC business (Europe, Asia) (including the “Other” segment from the current segment structure)
- Secure PC share and expand mobile handset share in the Japanese market
- R&D cost reduction by developing a master platform for mobile handsets
- Thorough cost reduction
- Business expansion through collaboration with other companies in the shrinking Japanese mobile handset market (Announced on Sep. 14)



Forecast of FY10/3  
operating profit  
**15 Billion Yen**  
(yoy +28.2 billion yen)

Make every effort to achieve lower BEP and improve the profitability of existing business  
Aim to create new business through the fusion of mobile handsets and PCs in the next fiscal year

※ Forecast as of October 29, 2009

# Mobile Terminals Business

## Integrate NEC's mobile terminals business with Casio Hitachi Mobile Communications

< Name of integrated company: NEC CASIO Mobile Communications, Ltd. >

(Integrate in April 2010. Capital increase planned to take place by the end of June 2010.

Share holding ratio of NEC will be 70.74% after the capital increase)

- Realize integrated synergies from sales expansion, material procurement, product support etc.
- Enhance R&D through co-utilizing technological assets, know-how and resources
- Establish higher competitiveness by strengthening business foundations in Japan and overseas



docomo STYLE series™ N-08A

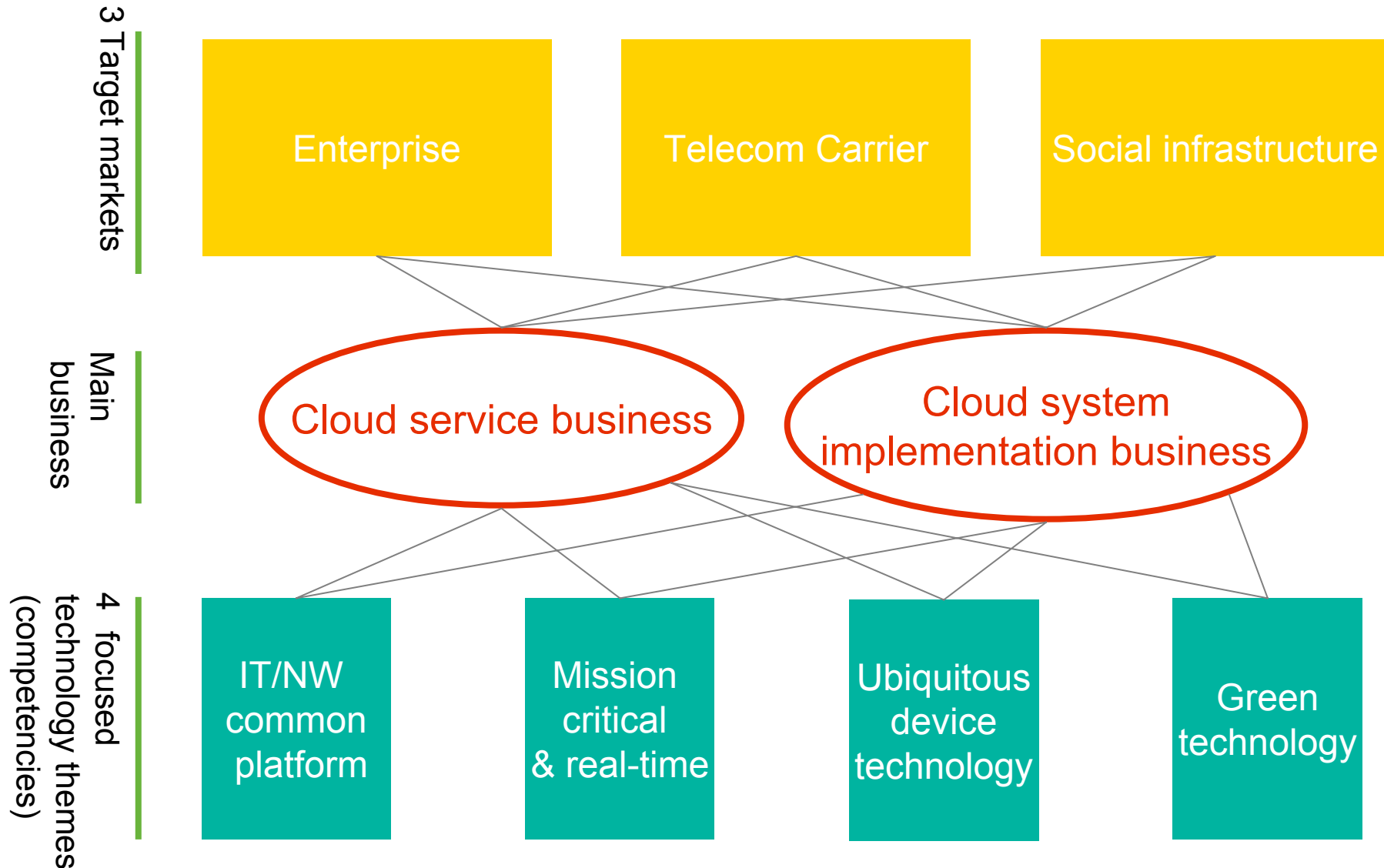
**Establish strong position in the Japanese market and expand business globally**

※ Announced on Sep. 14, 2009

**“C&C Cloud Strategy” towards further  
growth of IT/Network Solutions**

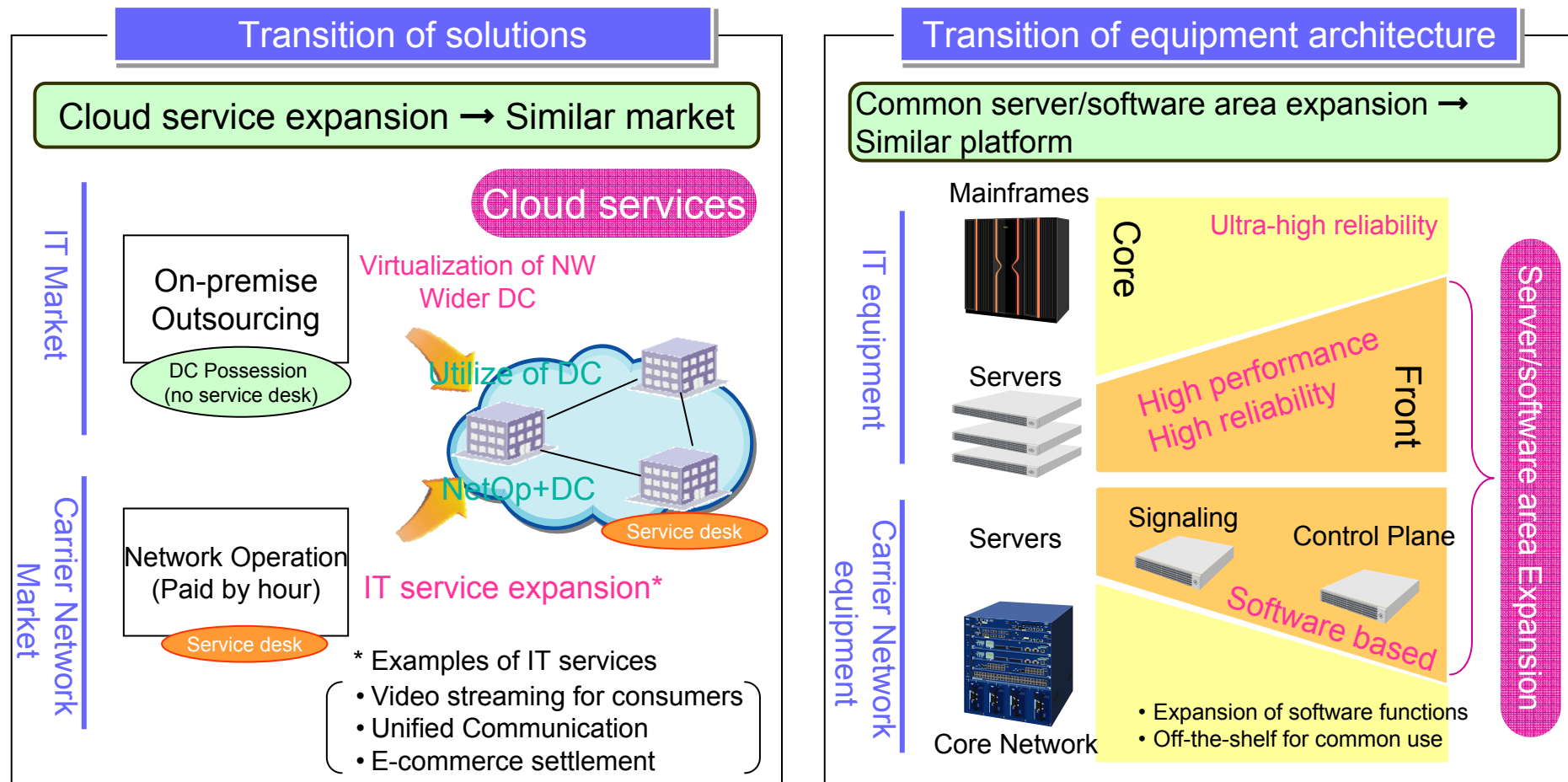


# 4 Competencies and 3 Target Markets



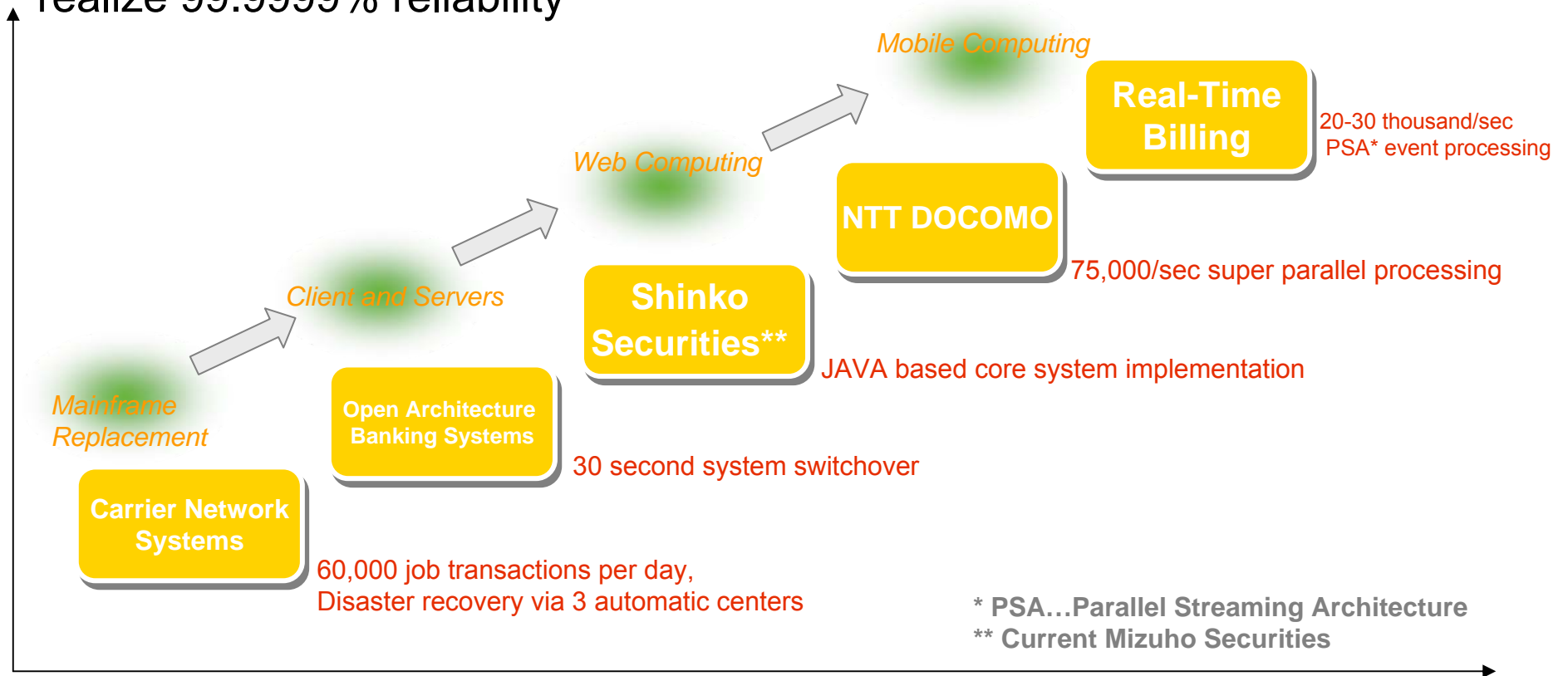
# IT/Network Common Platform (PF)

- Market features become similar due to expansion of Data Centers (DC)/Networks(NW) in IT markets and telecom operator IT services
- PF becomes similar due to expansion of common server areas and software based core network equipment
- Establish a common IT/Network platform ahead of competitors



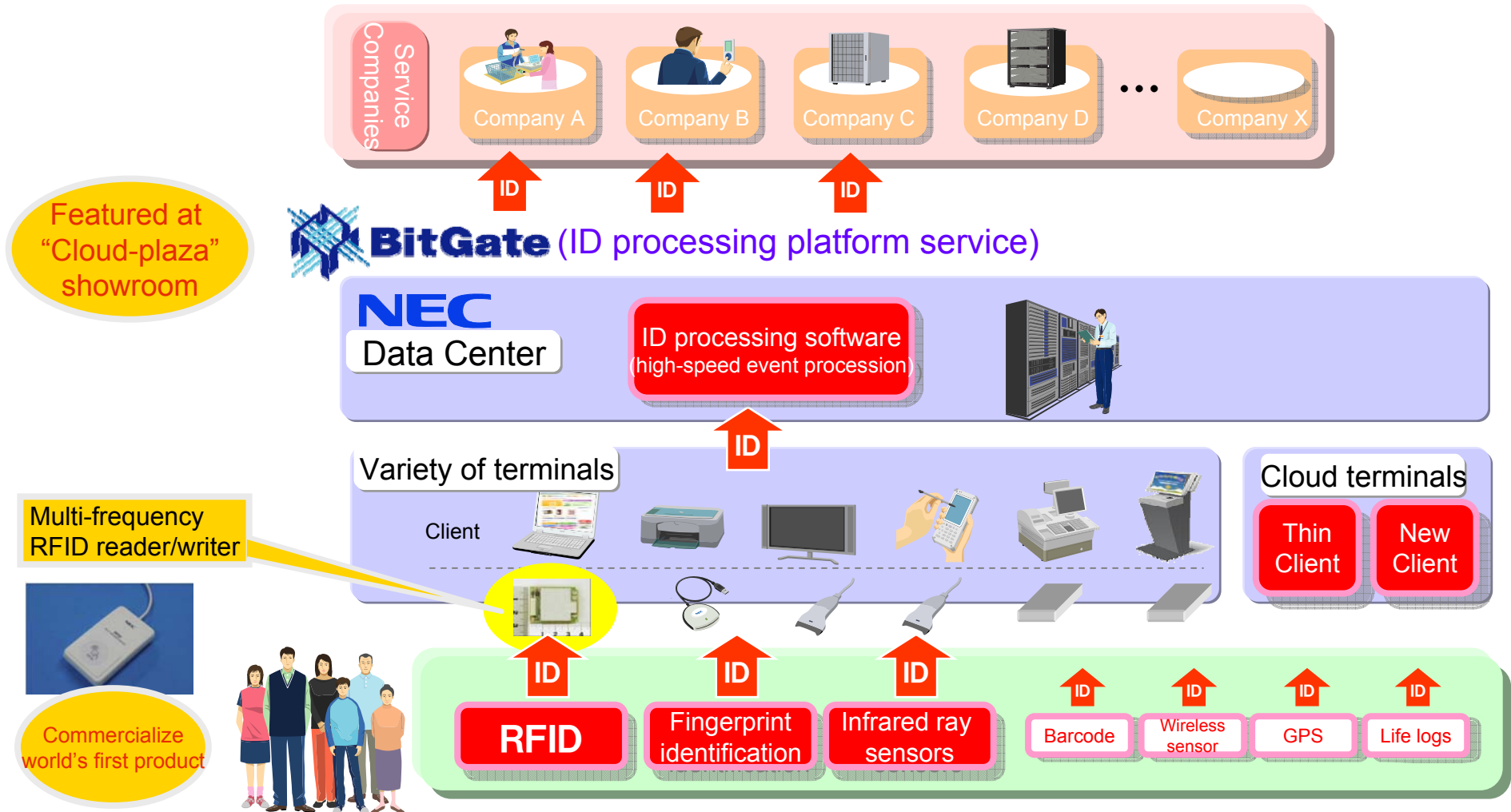
# Proven Record in Mission-Critical Systems

- Realized open system architecture operation in the 1990's and completed a wide variety of projects
- Ahead of market in cutting-edge architecture for mission-critical systems
- Will take leading initiative in the implementation of cloud systems that realize 99.9999% reliability



# Ubiquitous Device Technologies

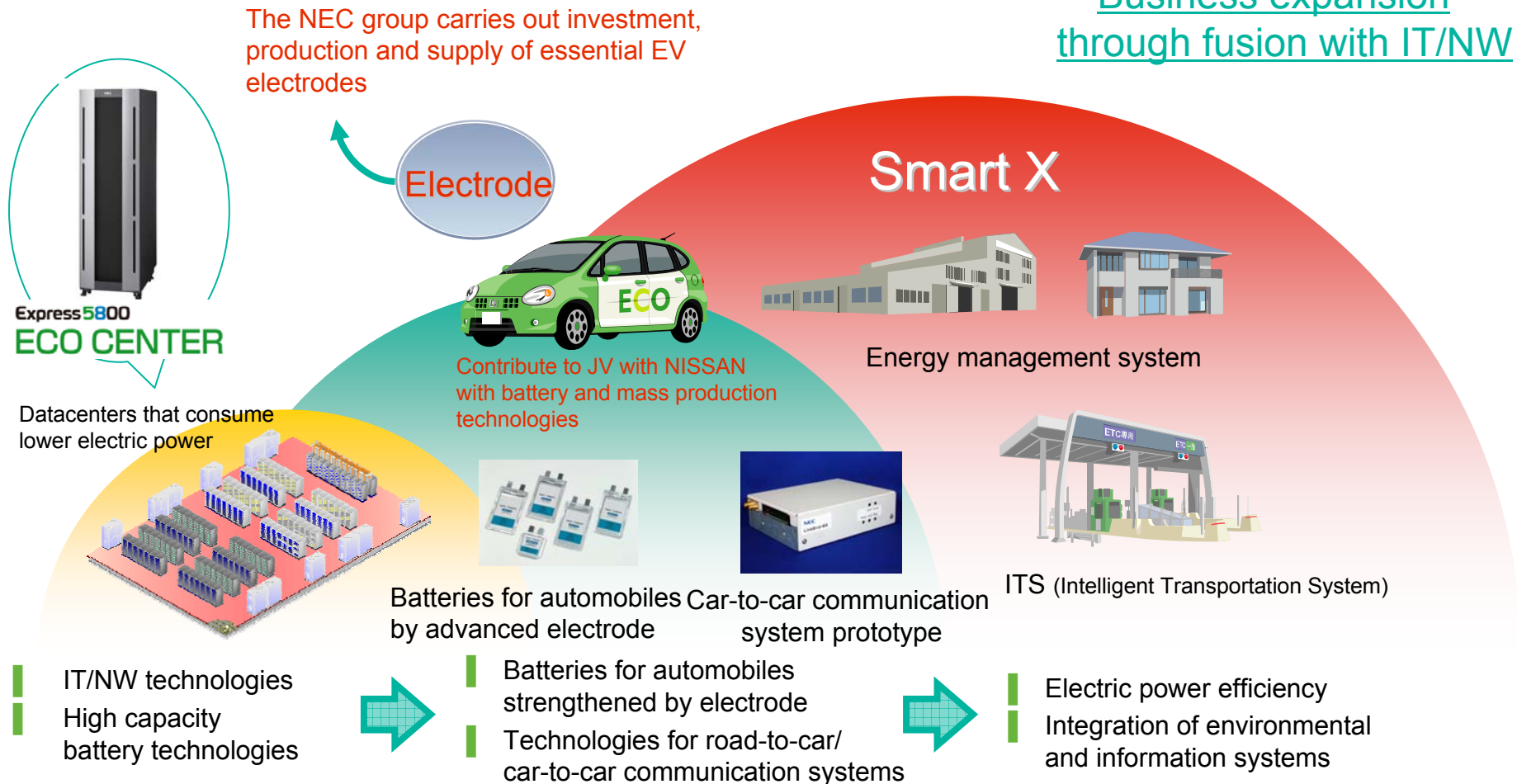
- Rapidly commercialized multi-frequency RFID reader/writer
- Launched ID processing platform service “BitGate” and its demonstration site



# Green Technologies (Environment and Energy)

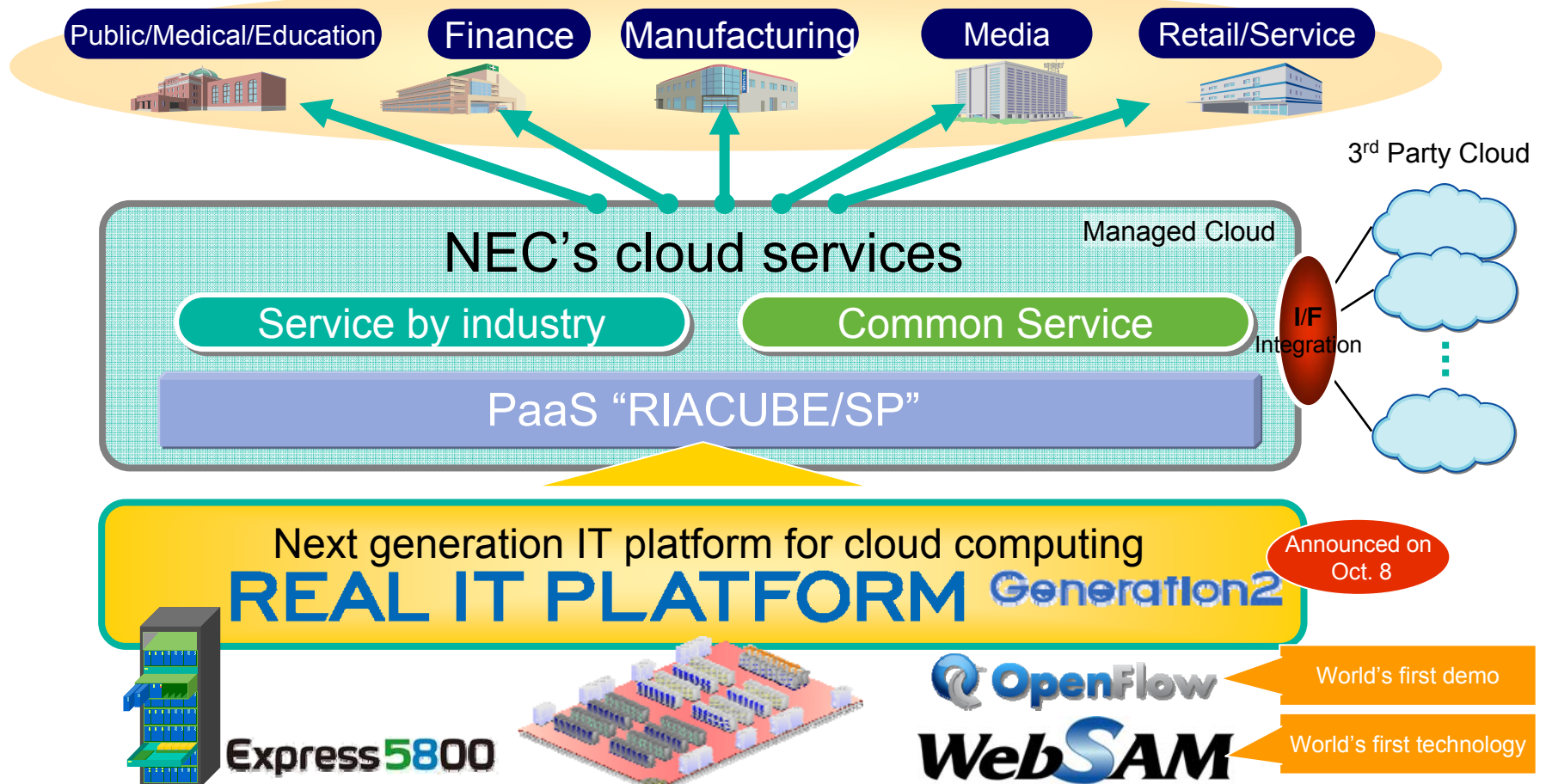
## Differentiation through innovative earth-friendly products and services

Business expansion through fusion with IT/NW



# Cloud Services for Enterprises

- Provide a variety of application services for each sector/operation
- Each package applications will be provided by SaaS via PaaS "RIACUBE/SP"
- Provide world's first technology development and demonstration through our research and results in collaboration with Stanford University
- Provide integrated services for a 3<sup>rd</sup> party public cloud through managed cloud services

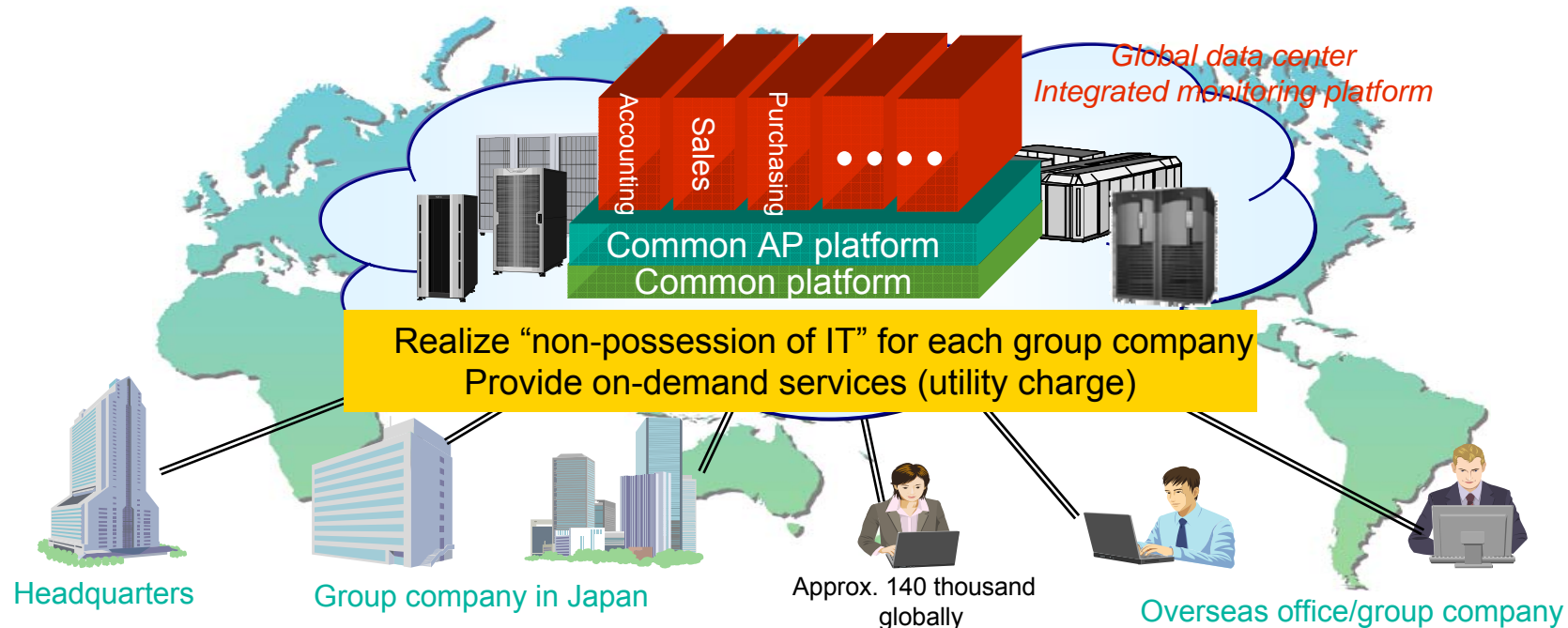




# Cloud System Implementation by NEC

Revamping core IT systems by implementing cloud oriented service platforms for NEC group systems

(Plan to begin with accounting department in parallel with former systems from January 2010)

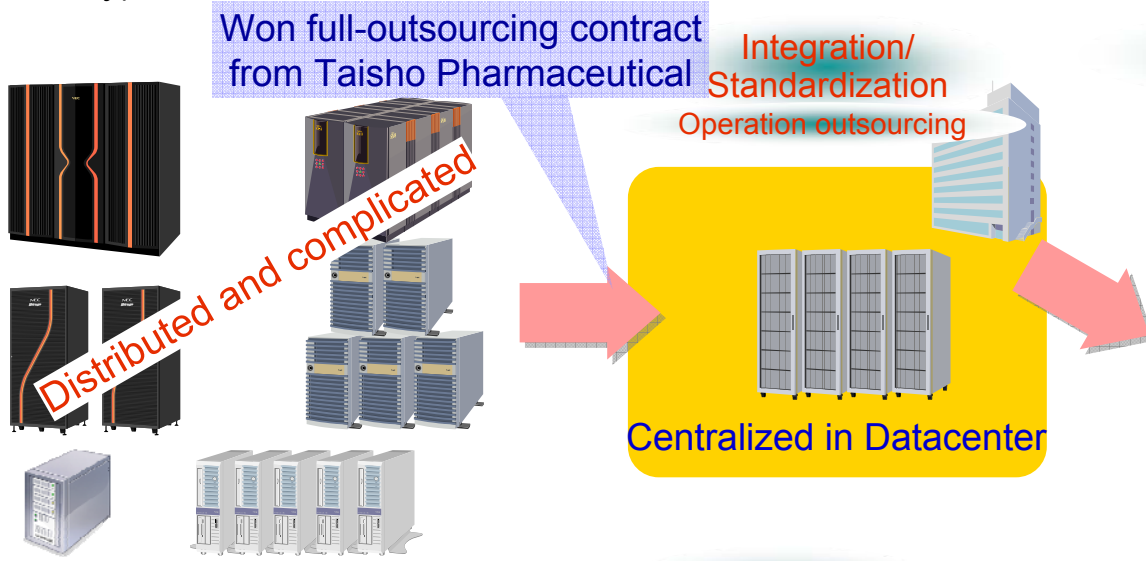


Reduce more than 20% of TCO (Total Cost of Ownership) and enhance management efficiency

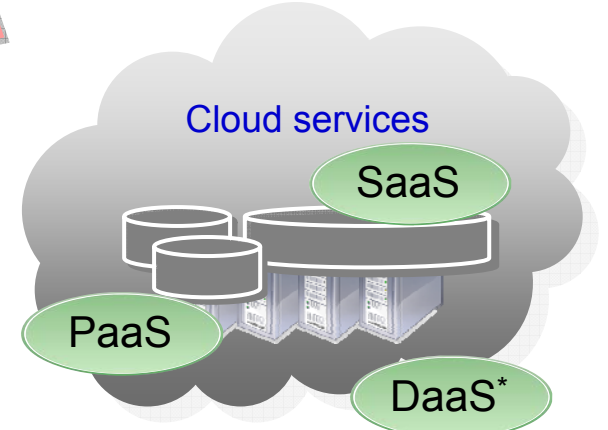
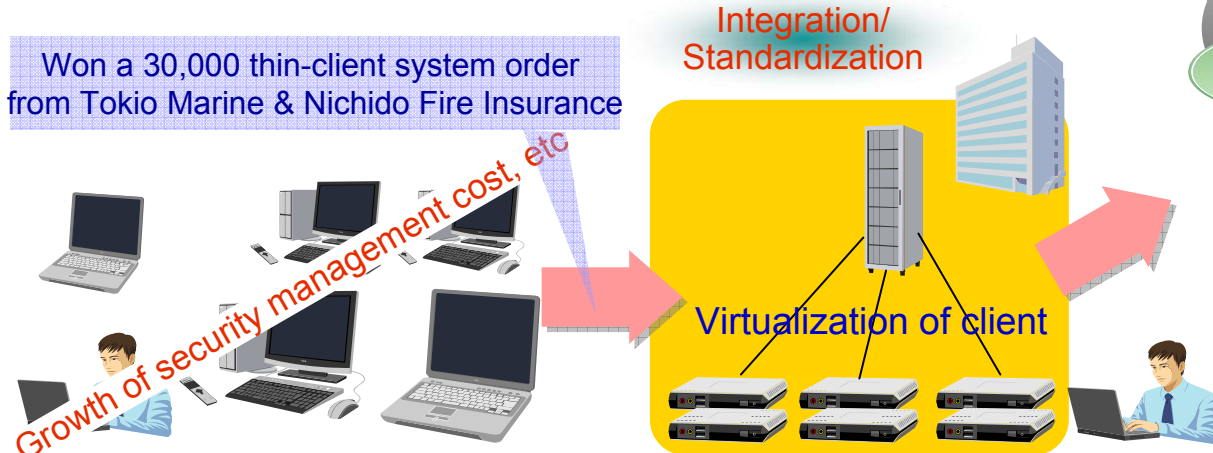
# Progression Towards a Cloud System for the Needs of System Consolidation/Standardization

- Reduce customer TCO as they shift to a “Cloud environment” through renewal of their IT systems
- Already won specific projects (Taisho Pharmaceutical, Tokio Marine & Nichido Fire Insurance, Kirin Brewery)

Information systems



Office equipment



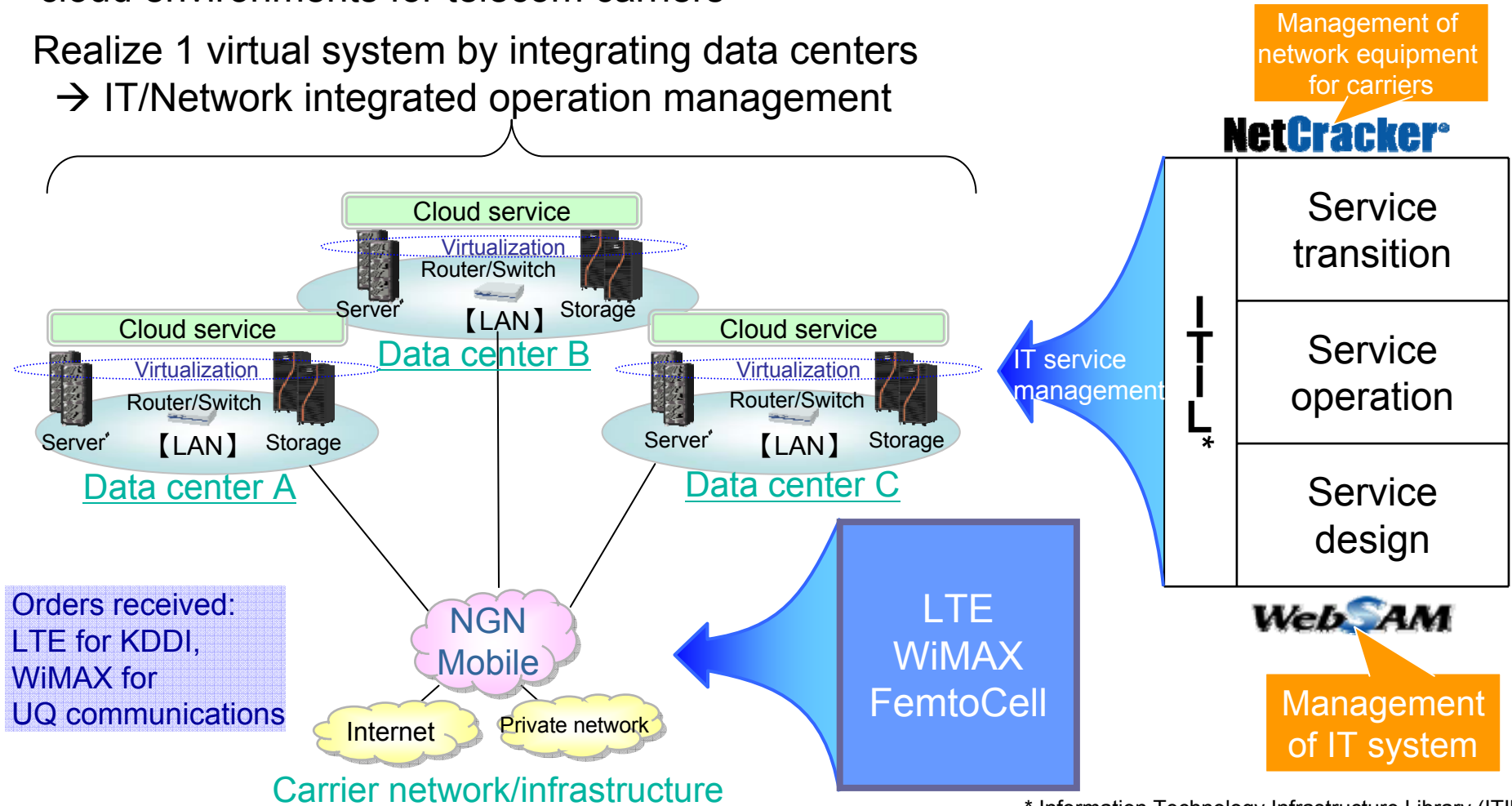
\* Desktop as a Service



# Implement Cloud System for Global Telecom Carriers

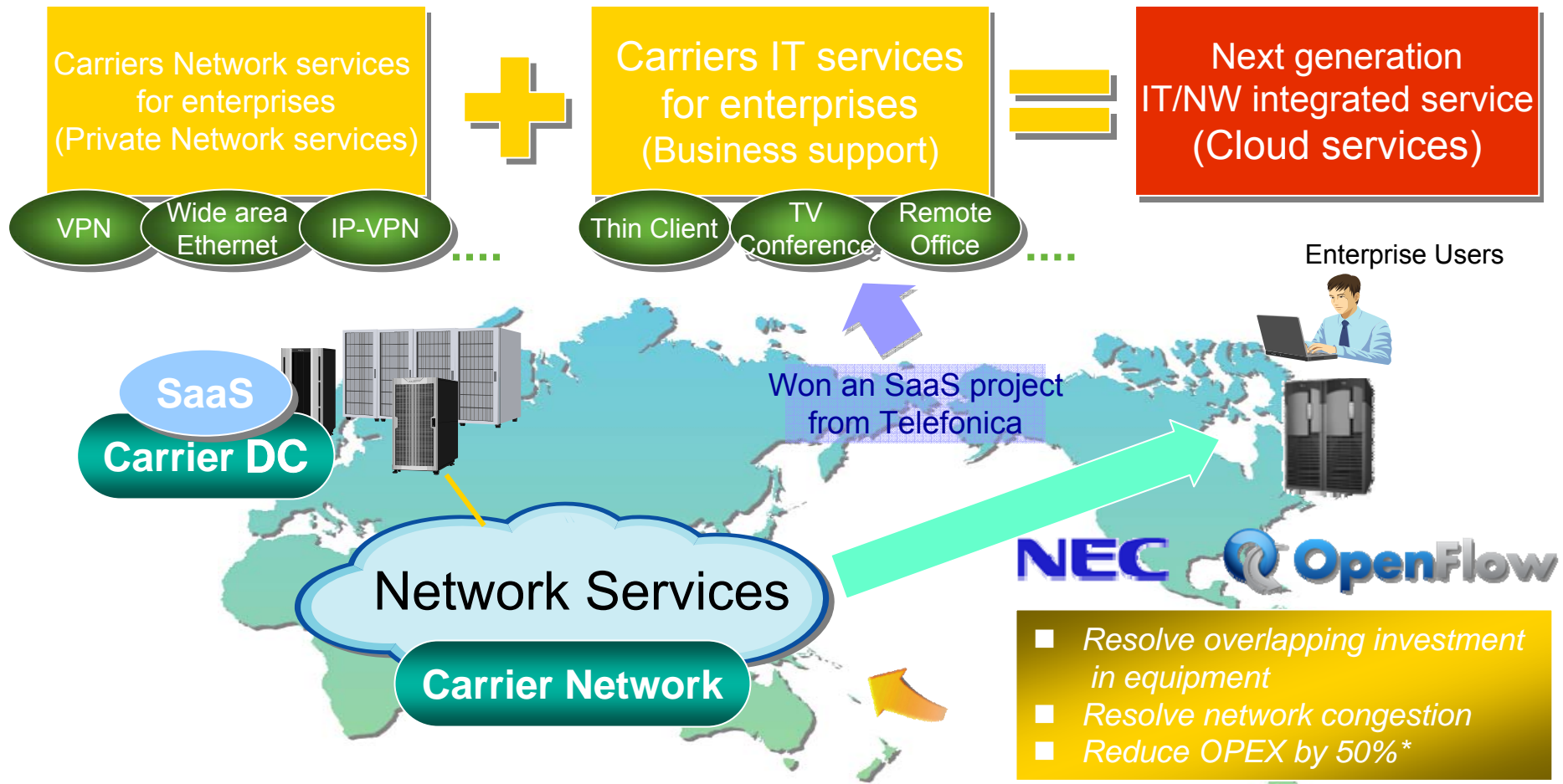
- Provide IT/Network integrated operation management systems for global data centers
- Provide NGN and next generation mobile infrastructure that supports cloud environments for telecom carriers

Realize 1 virtual system by integrating data centers  
 → IT/Network integrated operation management



# Providing Cloud Service System for Global Telecom Carriers

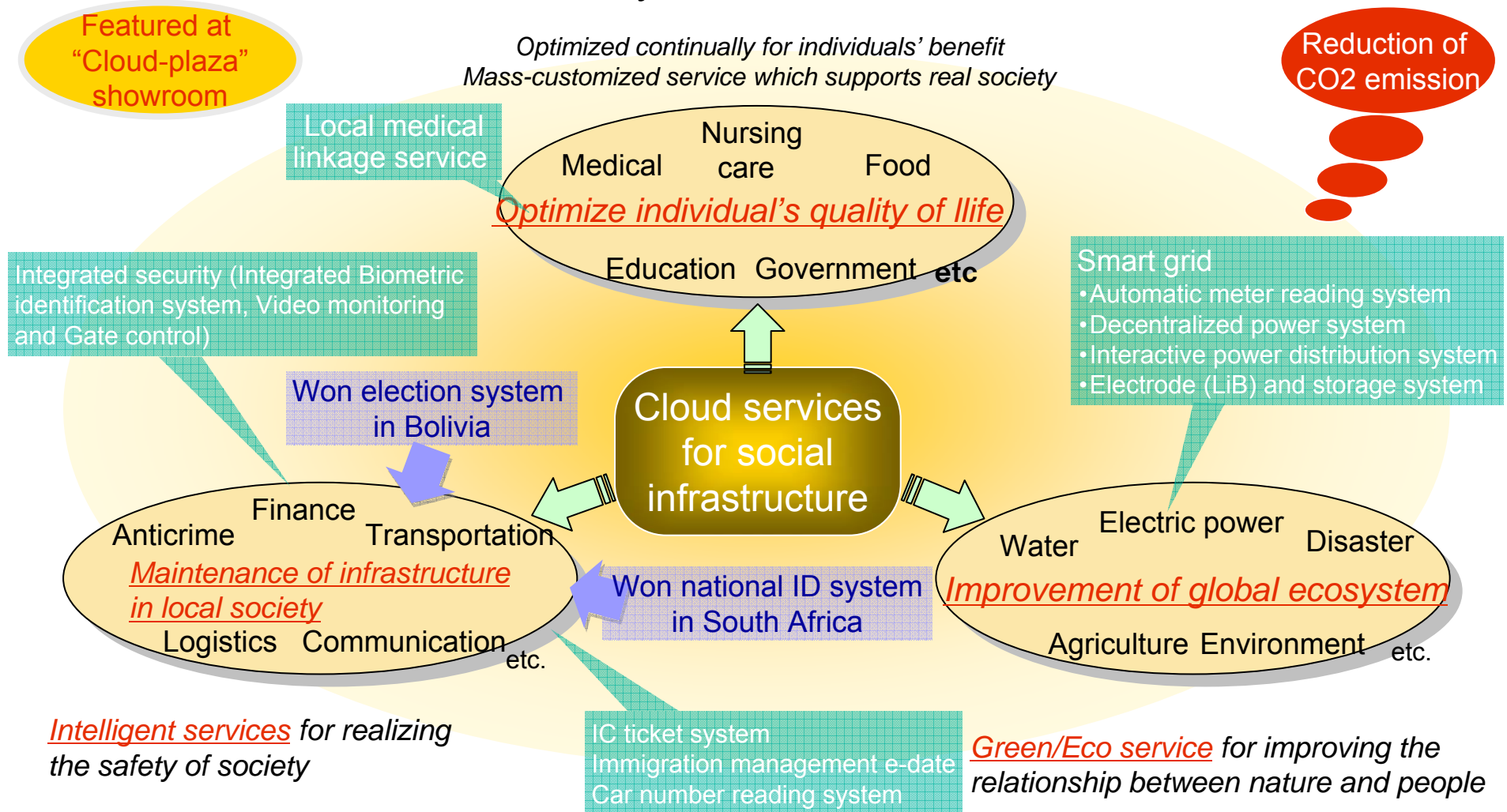
Telecom carriers' "Services for enterprises" shift towards a new stage  
 NEC is in an advanced position as a business development partner for global telecom carriers



\* NEC's estimation by model-case

# Business Potential of Cloud Services for Social Infrastructure

Renewal of systems which support public infrastructure services towards an efficient, low-carbon society



# Toward Realizing an Intelligent Social Infrastructure

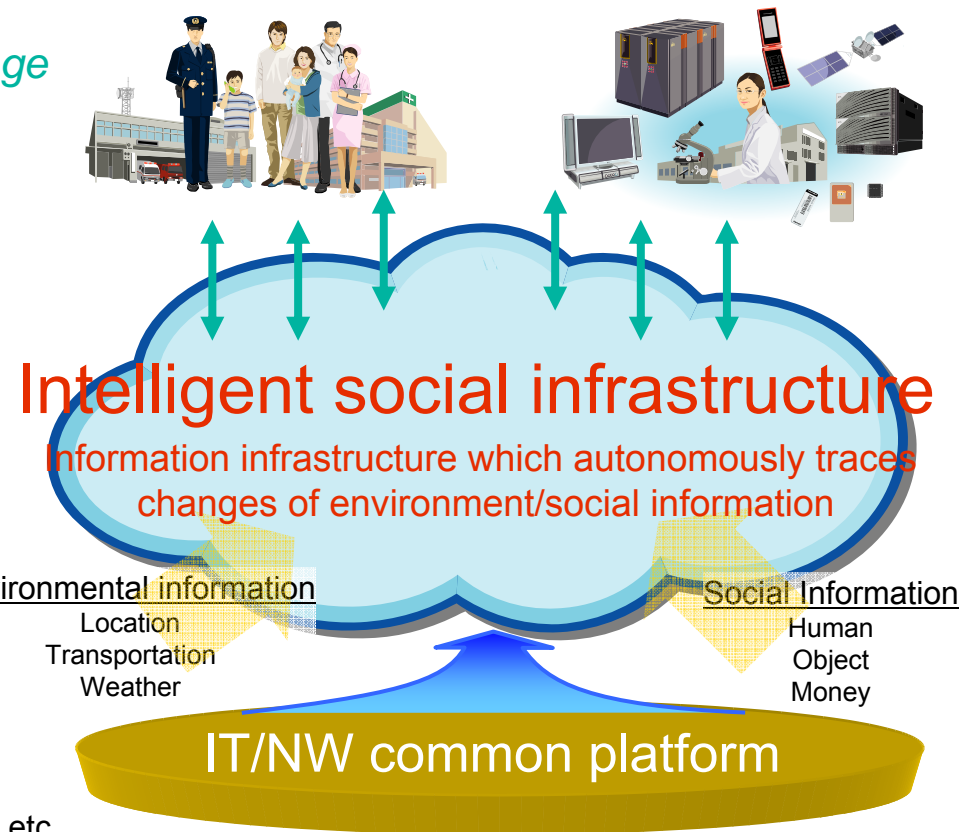
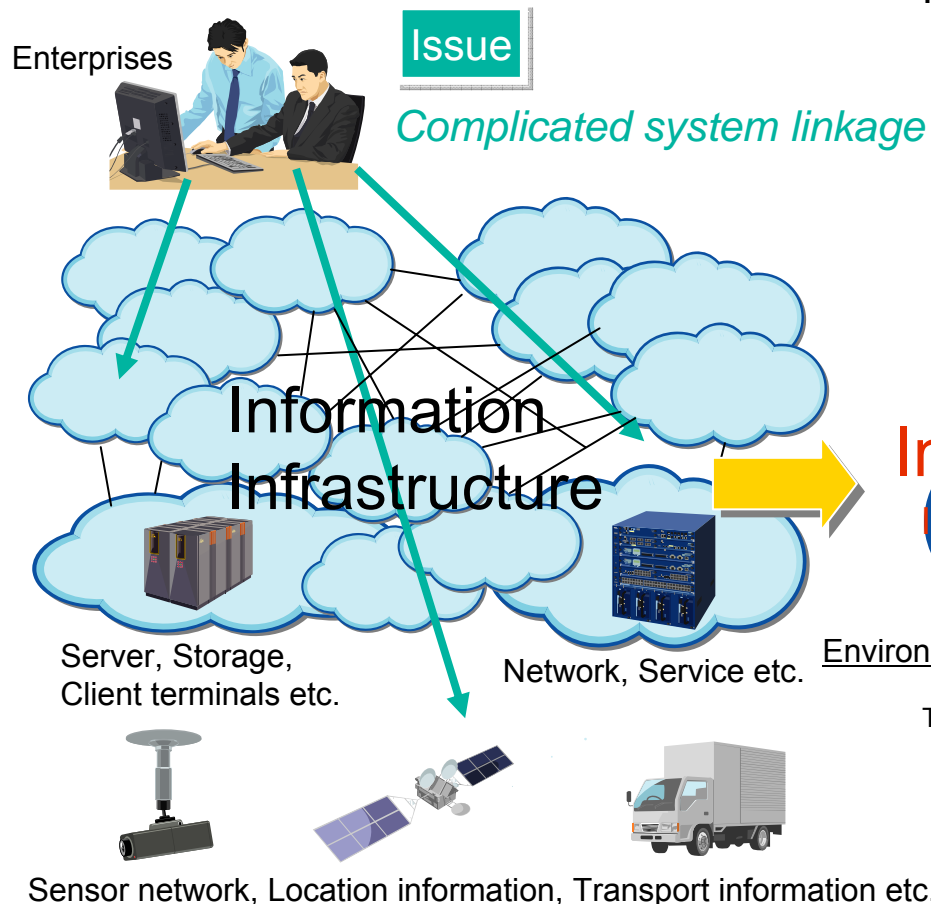
## Complicated "Global system"



## Optimized "Global system"

Customized by systems  
Whole global systems are a complicated hierarchical structure

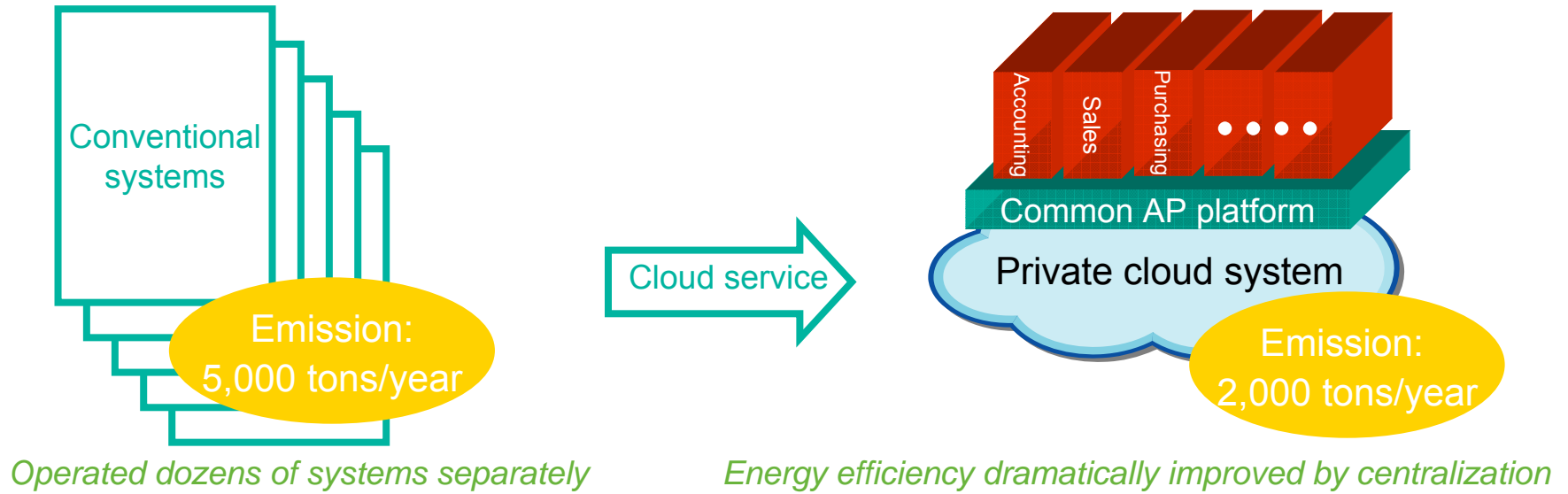
Aim to realize intelligent social infrastructure that traces the time based flow of "People," "Objects," "Money" and "Business"



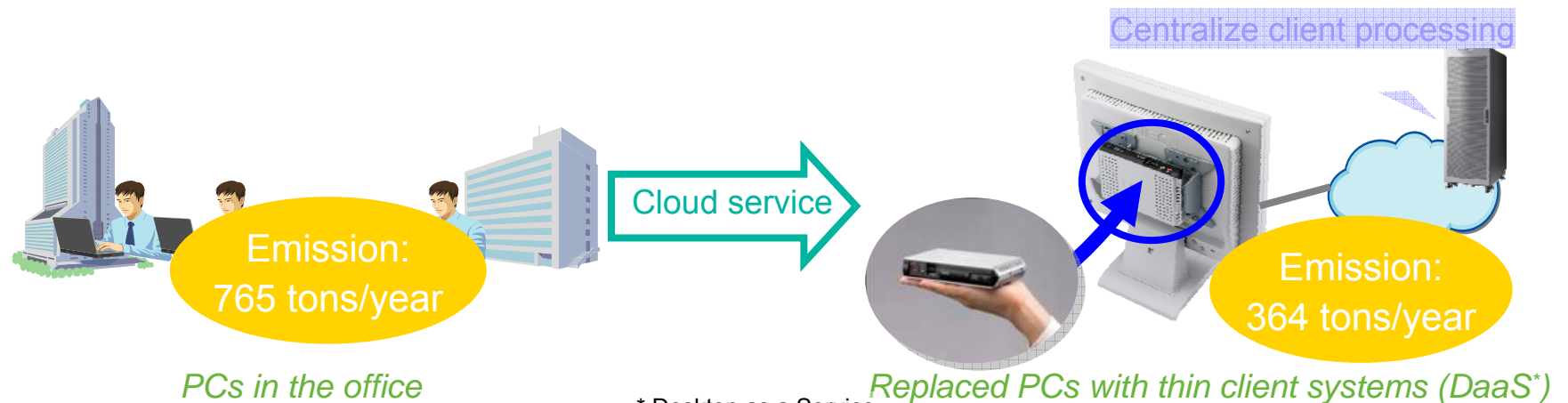
# Green IT – CO2 Reduction through Our Own Practices

Reduced CO2 emissions by 60% by implementing cloud system

Back-office system



PCs in the office



\* Desktop as a Service



# Contribute to the Earth Environment through “C&C Cloud Strategy”

## Green “of” IT

- Reduce CO2 emissions through implementation of earth-friendly IT systems
- Reduce our customers’ CO2 emissions through expansion of cloud business

To be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth

## Green “by” IT

- Reduce CO2 emissions through implementing IT systems that enable earth-friendly business activities



**NEC Group Vision 2017**

**Accelerate the “C&C Cloud Strategy” to realize the  
NEC Group Vision 2017**

Empowered by Innovation

**NEC**

Financial results for the 1H of the fiscal  
year ending March 31, 2009  
(appendix)



# Summary of Financial Results for 1H

(Billions of Yen)

	1st Half			Difference from 7/30 forecast
	FY09/3 Actual	FY10/3 Actual	YoY	
Net Sales	2,127.8	1,653.7	-22.3%	3.7
Operating Income/Loss To net sales (%)	13.4 0.6%	-37.7 -	-51.1	2.3
Ordinary Income/Loss To Net sales (%)	7.0 0.3%	-49.9 -	-56.9	12.1
Net Income/Loss To Net sales (%)	1.8 0.1%	-43.6 -	-45.4	6.4
Net Income/Loss per Share(Yen)	0.83	-21.60	-22.43	3.11
FCF	-59.6	-53.8	5.8	

## Net Sales

Declined in all segments due to weakened demand from the downturn of the economy

## Operating Loss

Gross operating profit declined despite the reduction of SG&A

## Ordinary Income

Greater operating loss, investment loss on equity method, decline of interest revenue

## Net Loss

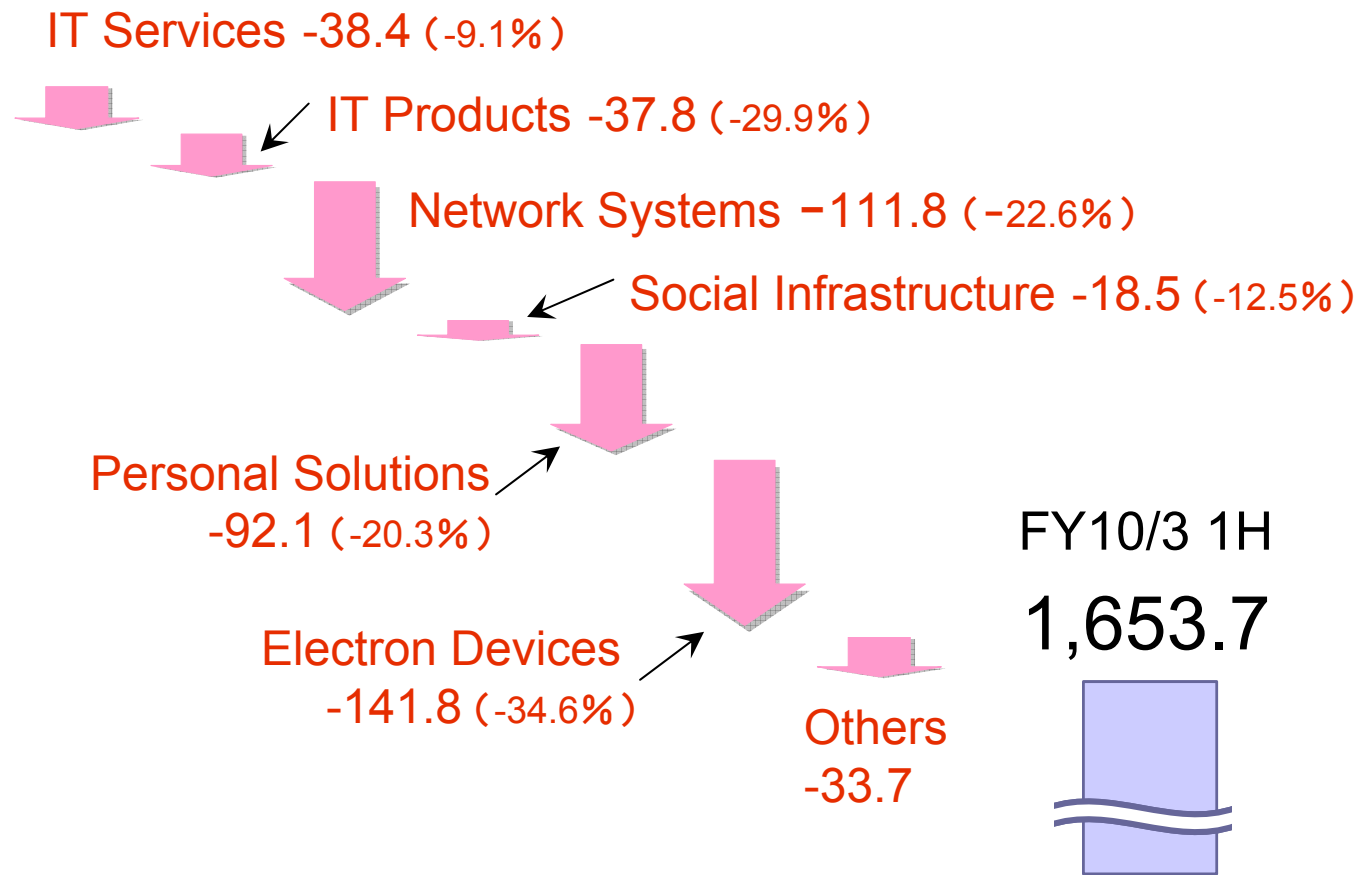
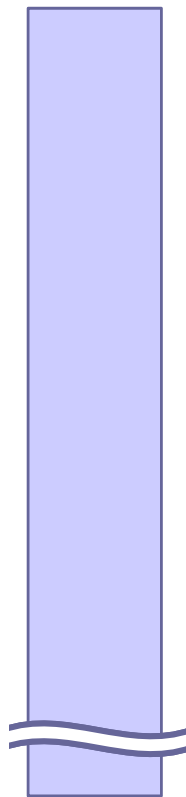
Increased loss due to increase of ordinary loss

(Ref) : Average exchange rate for 1H of FY10/3 1\$=¥96.56, 1€=¥132.26  
( Assumed exchange rate for FY10/3 as of July 30 1\$=¥90, 1€=120)

# Sales Change (Year on Year)

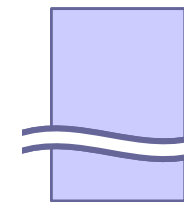
(Billions of Yen)

FY09/3 1H  
2,127.8



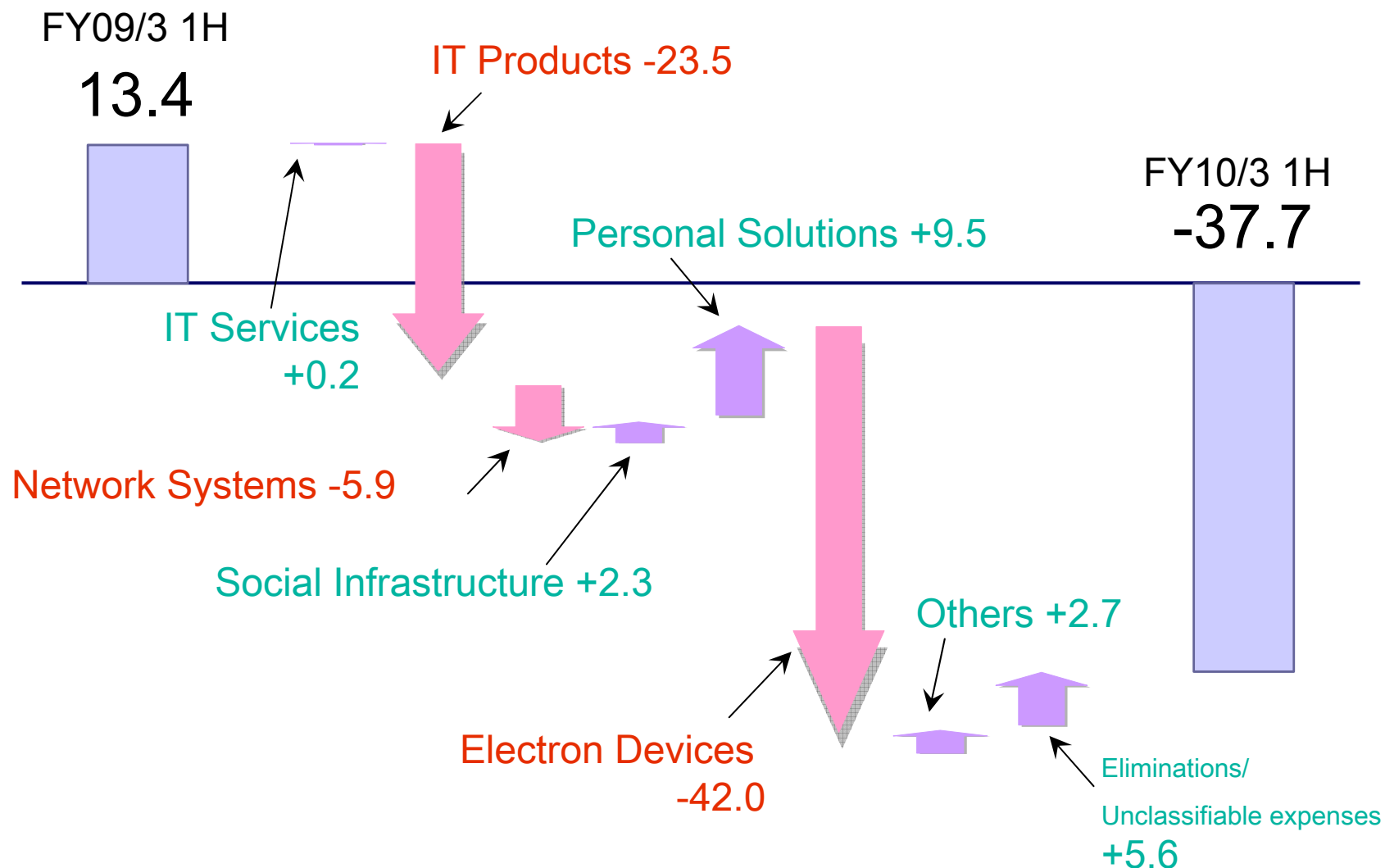
FY10/3 1H

1,653.7



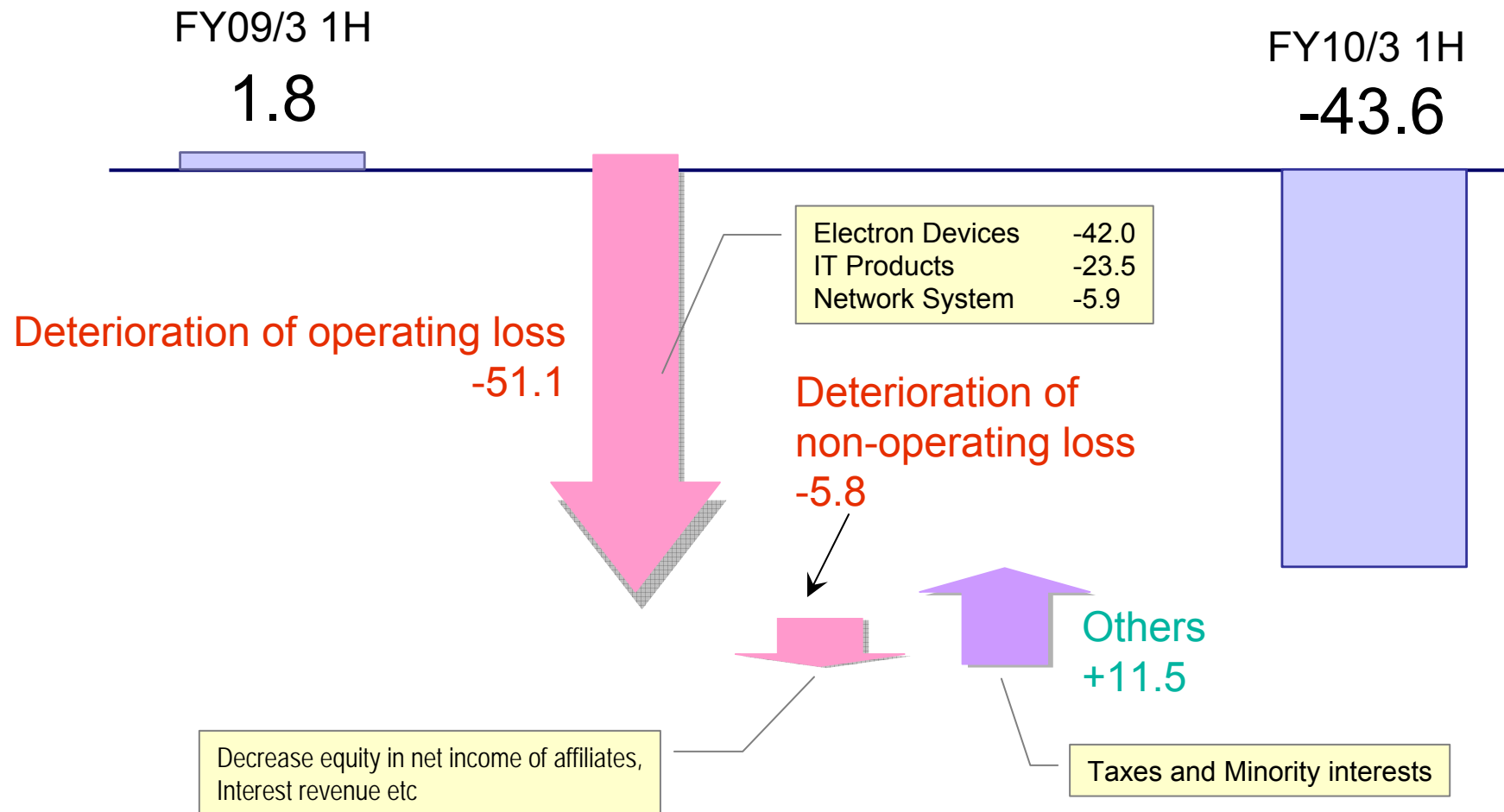
# Operating Income/Loss Change (Year on Year)

(Billions of Yen)



# Net Income/Loss Change (Year on Year)

(Billions of Yen)



# Results by Segment for 1H

(Billions of Yen)

		1H			Difference from 7/30 forecast
		FY08/3 Actual	FY10/3 Actual	YoY	
IT Services	Sales	420.9	382.5	-9.1%	-7.5
	Operating Income/Loss	10.3	10.5	0.2	5.5
	OP Margin (%)	2.4%	2.7%		
IT Products	Sales	126.3	88.6	-29.9%	8.6
	Operating Income/Loss	11.2	-12.3	-23.5	-3.3
	OP Margin (%)	8.8%	-		
Network Systems	Sales	494.9	383.1	-22.6%	-6.9
	Operating Income/Loss	14.7	8.8	-5.9	-4.2
	OP Margin (%)	3.0%	2.3%		
Social Infrastructure	Sales	148.2	129.7	-12.5%	4.7
	Operating Income/Loss	0.3	2.7	2.3	1.7
	OP Margin (%)	0.2%	2.0%		
Personal Solutions	Sales	454.5	362.4	-20.3%	7.4
	Operating Income/Loss	-1.5	7.9	9.5	6.9
	OP Margin (%)	-	2.2%		
Electron Devices	Sales	410.4	268.6	-34.6%	-1.4
	Operating Income/Loss	-0.6	-42.6	-42.0	-11.6
	OP Margin (%)	-	-		
Others	Sales	72.7	38.9	-46.4%	-1.1
	Operating Income/Loss	0.5	3.1	2.7	2.1
	OP Margin (%)	0.6%	8.0%		
Eliminations/Unclassifiable expenses		-21.4	-15.7	5.6	5.3
Total	Sales	2,127.8	1,653.7	-22.3%	3.7
	Operating Income/Loss	13.4	-37.7	-51.1	2.3
	OP Margin (%)	0.6%	-		

## Sales

Decrease in all segments from previous year

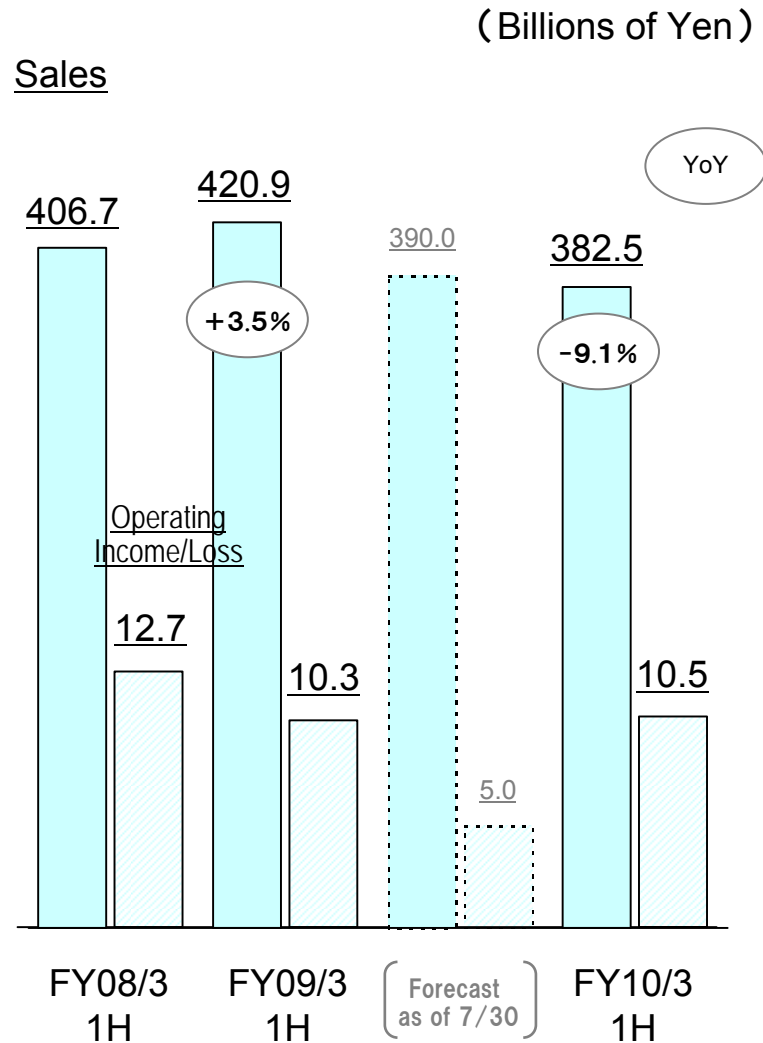
Electron Devices (-141.8),  
Network Systems (-111.8),  
Personal Solutions(-92.1)  
decreased significantly

## Operating Income/Loss

Electron device decreased significantly

Personal Solutions, Social Infrastructure and IT Services improved

# IT Services Business



**Sales** 382.5(-9.1%)

▽ SI services :

Declined through IT investment restraint

Sales to Government, Public and Retail sectors were stable

▽ Outsourcing/Support services :

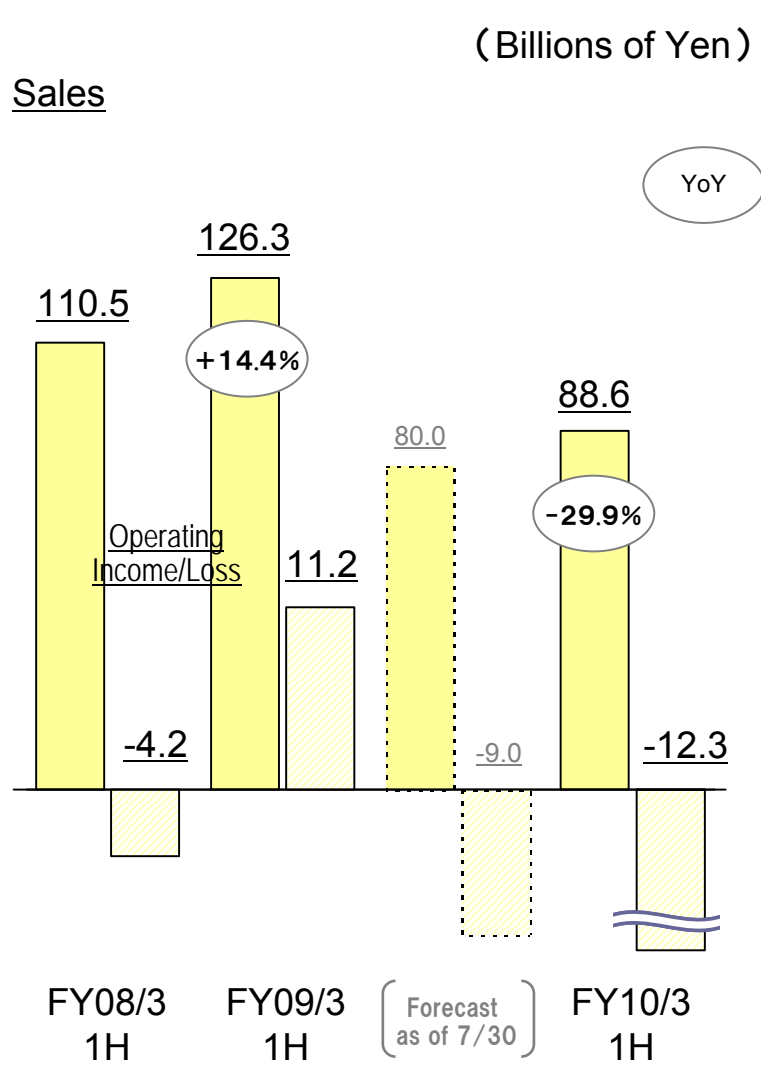
Relatively stable in outsourcing services

**Operating Income** 10.5(+0.2)

△ Despite decrease of sales, kept same level profit as previous year by fixed cost reduction activities

Difference from 7/30 forecast: Sales -7.5 Operating Income +5.5

# IT Products Business



**Sales 88.6(-29.9%)**

- ▽ Software :  
Decreased general restraining of IT investment of customer
- ▽ Servers :  
Decreased due to loss of large project from the same period of the previous year
- ▽ Others :  
Decreased by suspension of big demand of professional workstation for financial industries

**Operating Loss -12.3(-23.5)**

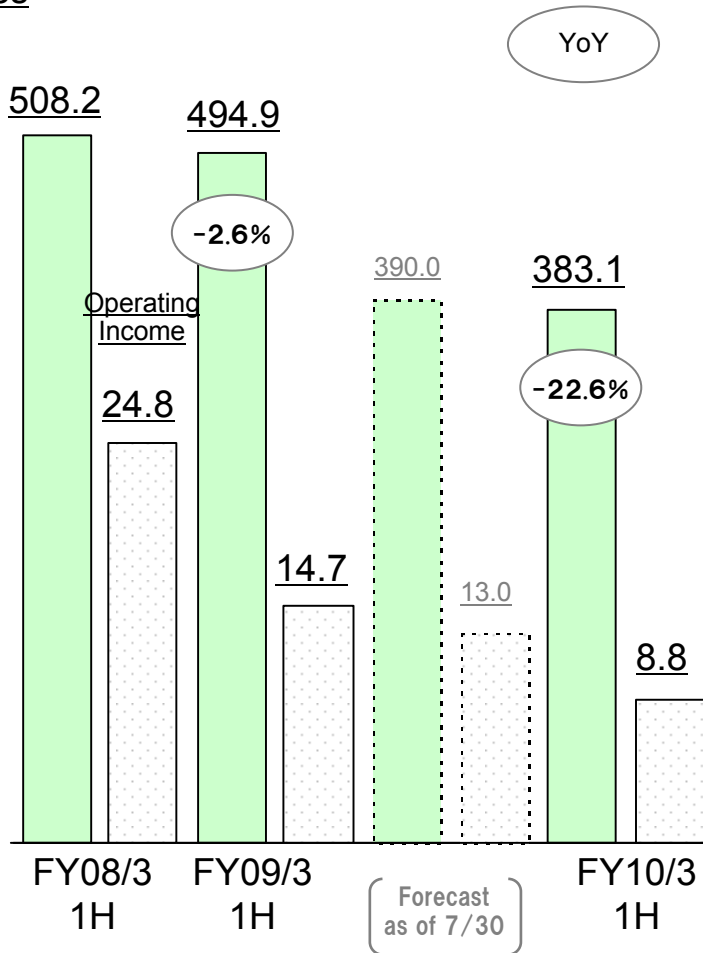
- ▽ Fell due to sales decrease, accompanying with declining of big business

Difference from 7/30 forecast: Sales +8.6 Operating Loss -3.3

# Network Systems Business

(Billions of Yen)

## Sales



## Sales 383.1 (-22.6%)

### Business for Telecom Carriers

Sales decreased due to reduced investment by Japanese mobile carriers, CAPEX cutbacks from overseas carriers and the appreciating yen

### Business for Enterprises

Sales decreased both in Japan and overseas markets due to continuous CAPEX cutbacks related to the global financial crisis

## Operating Income 8.8 (-5.9)

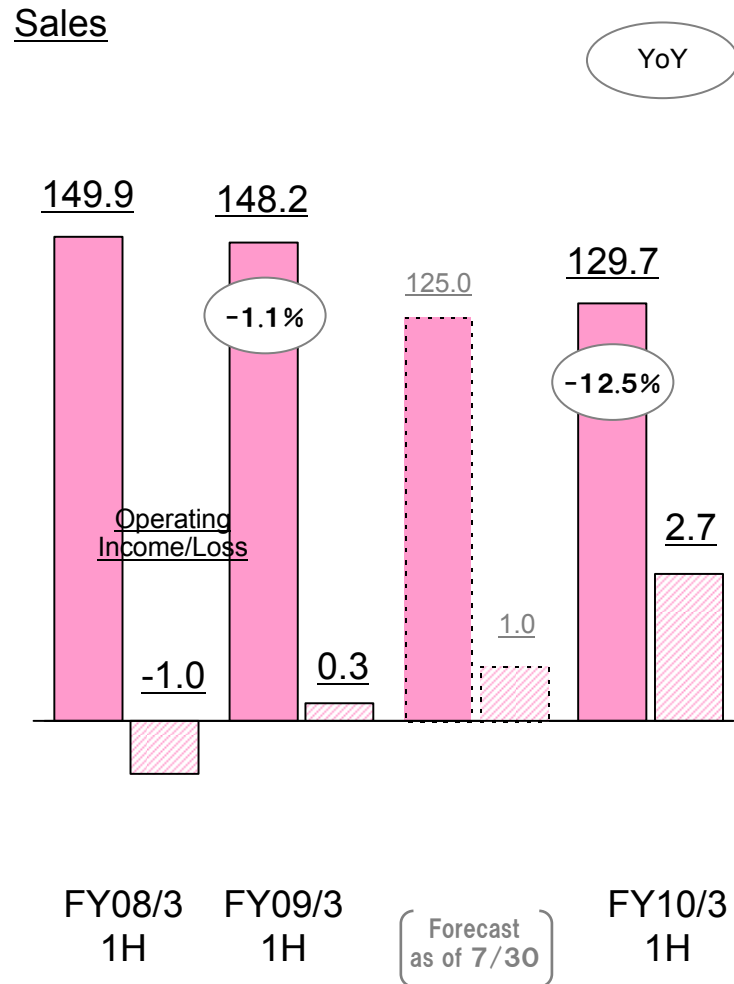
Fell due to sales decreases, and the appreciating yen

Difference from 7/30 forecast: Sales -6.9 Operating Income -4.2



# Social Infrastructure Business

(Billions of Yen)



**Sales** 129.7 (-12.5%)

- ▽ Broadcast and Control systems:  
Sales decreased due to the investment restraint by Commercial TV operators in the broadcast area
- ▽ Aerospace and Defense:  
Sales decreased due to loss of large project from the same period of the previous year

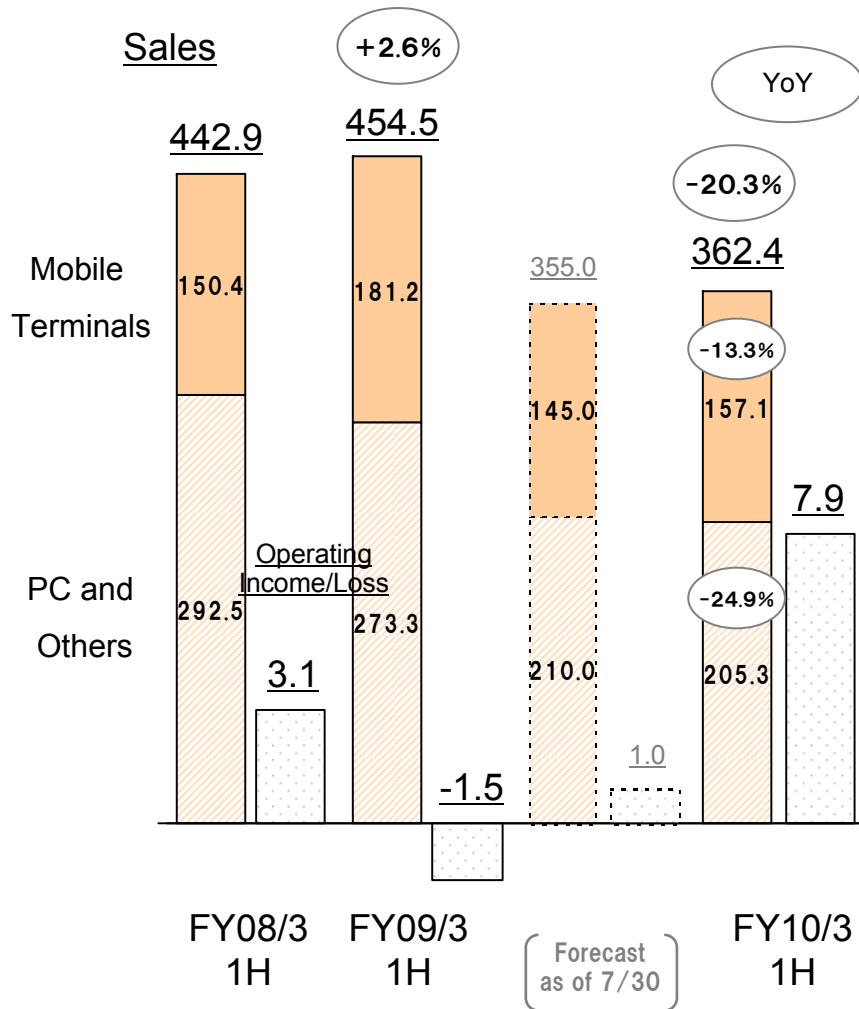
**Operating Income** 2.7 (+2.3)

- △ Improved by cost reduction activities

Difference from 7/30 forecast: Sales +4.7 Operating Income +1.7

# Personal Solutions Business

(Billions of Yen)



**Sales** 362.4 (-20.3%)

▽ Mobile Terminals:

Sales decreased due to the shrinking handset market in Japan

▽ PC and Others:

Sales decreased due to CAPEX cutbacks from enterprises and the drop of the unit price

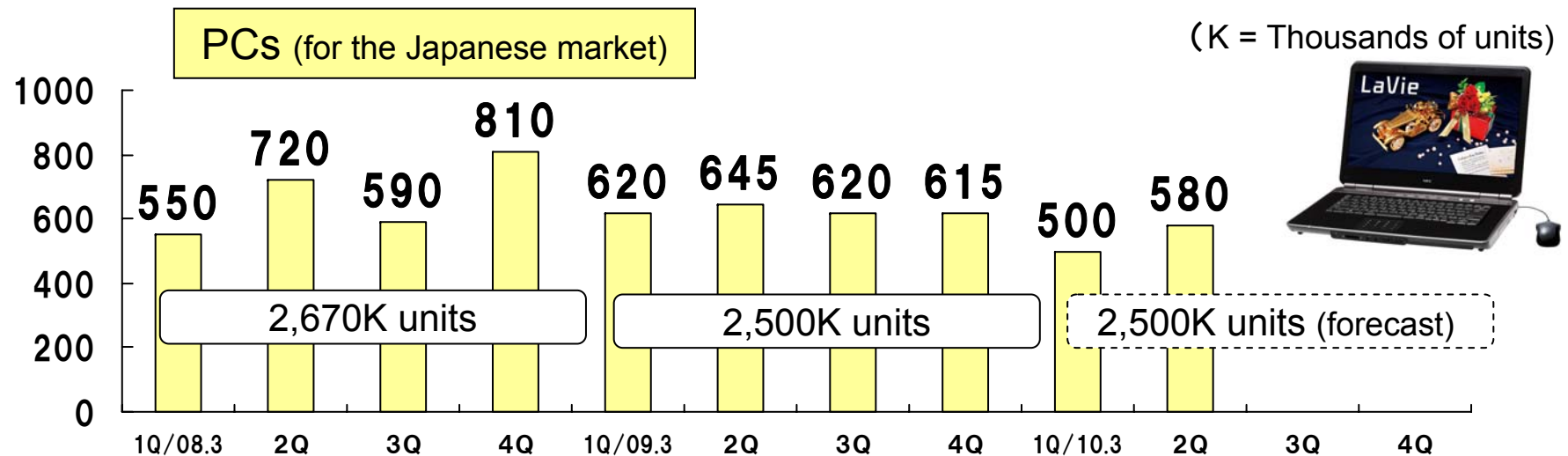
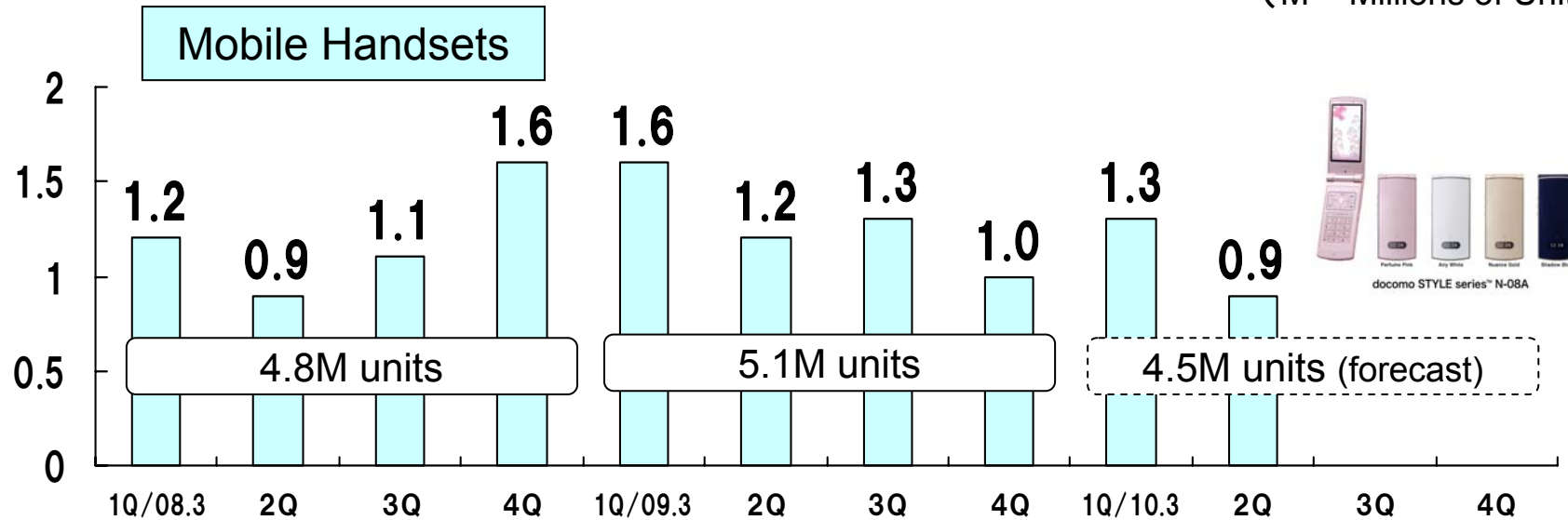
**Operating Income** 7.9 (+9.5)

△ Turnaround by improvement of development efficiency and reduction of fixed costs etc.

Difference from 7/30 forecast: Sales +7.4 Operating Income +6.9

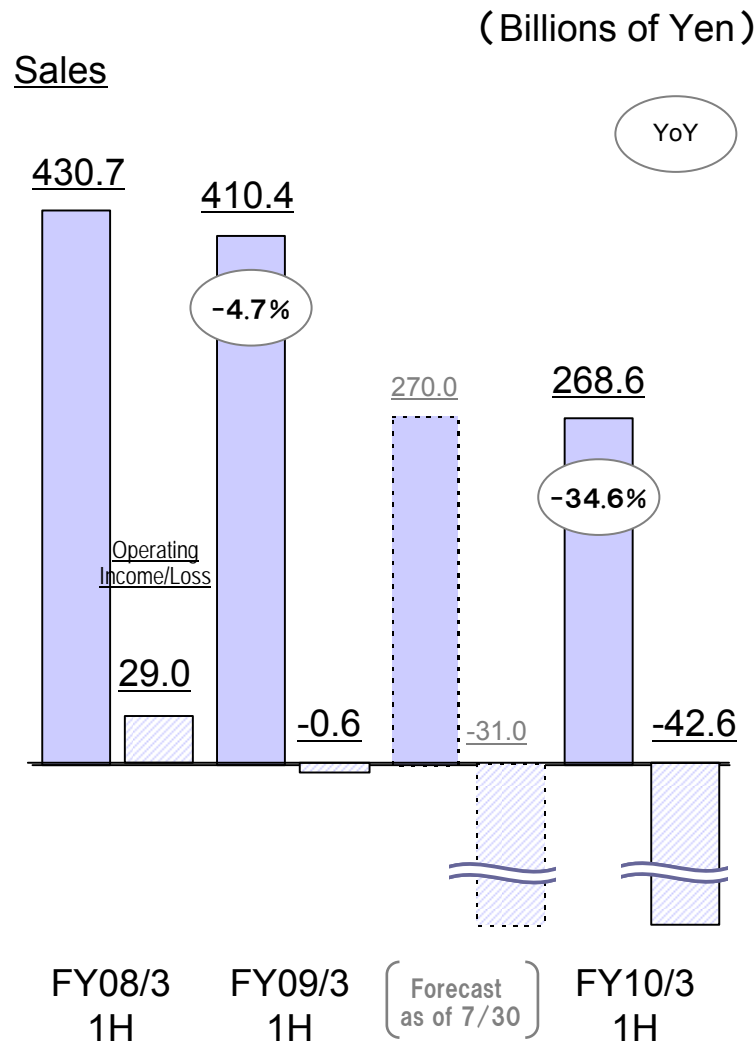
# < Mobile Handset / PC Shipments >

(M = Millions of Units)



\* Forecast as of October 29, 2009

# Electron Devices Business



**Sales** 268.6(-34.6%)

▽ Semiconductors (NEC Electronics) :

Drop in the sale of products for computer, peripheral equipment, auto and industrial instrument

▽ Electric Components/ Others :

Drop in the sale of general components like capacitors and industrial LCD

**Operating Loss** -42.6(-42.0)

▽ Semiconductors (NEC Electronics) :

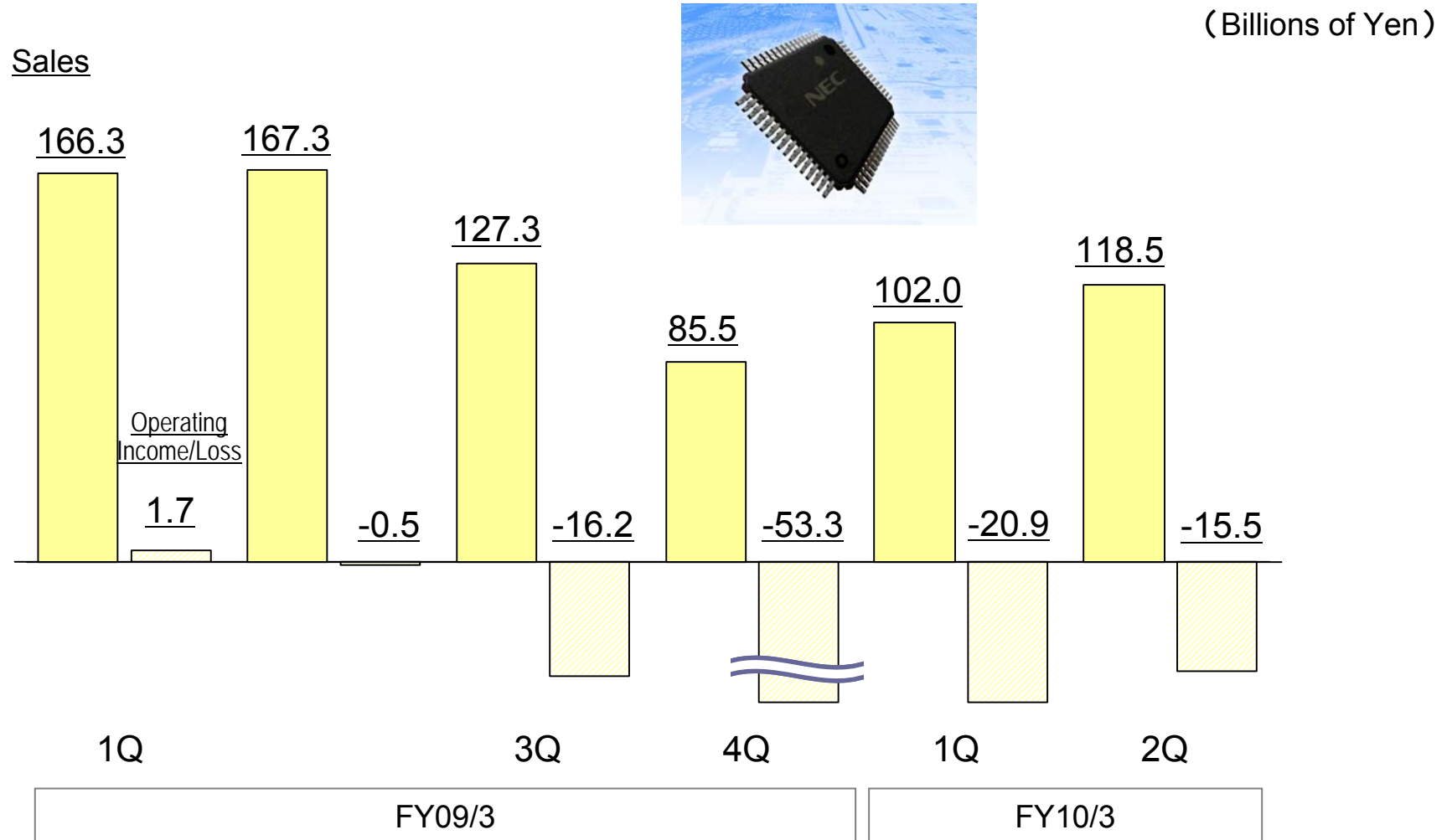
Decreased due to large decrease in sales

▽ Electric Components/Others :

Decreased due to large decrease in sales

Difference from 7/30 forecast: Sales -1.4 Operating Loss -11.6

# < Financial Results for NEC Electronics >



\* The results for the area of Semiconductors are the official public figures of NEC Electronics Corporation, which are prepared in accordance with U.S.GAAP.

# Other Financial Data

( Billions of Yen )

	09/3	09/9	Difference from 09/3	08/9
Total Assets	3,075.4	2,898.4	-177.0	3,433.6
Net Assets	785.6	736.0	-49.5	1,166.8
Interest-bearing debt	925.2	929.8	4.7	857.0
Shareholder's Equity	641.7	606.6	-35.0	983.7
Equity ratio ( % )	20.9%	20.9%	0.0pt	28.6%
D/E ratio	1.44	1.53	- 0.09pt	0.87
Net D/Eratio	0.95	1.10	- 0.15pt	0.51

# <Ref.> Capital Expenditures and Others

(Billions of Yen)

	FY08/3 Actual	FY09/3 Actual	YoY	FY10/3 Forecast	YoY	Difference from 7/30 forecast
Capital Expenditure	122.6	103.1	- 15.9%	96.0	- 6.9%	-4.0
Depreciations	147.8	133.6	- 9.6%	108.0	- 19.2%	-2.0
R&D expenses	352.2	346.5	- 1.6%	280.0	- 19.2%	-

(Billions of Yen)

	FY09/3 1H Actual	YoY	FY10/3 1H Actual	YoY
R&D expenses	182.1	5.7%	143.0	-21.4%



\* Forecast as of October 29, 2009

# <Ref.> Geographical Segments Information

(Billions of Yen)

		1st Half			
		FY09/03 Actual	FY10/3 Actual	YoY	
Japan	Total sales	1,713.9	1,386.5	-19.1%	
	Operating income/loss	34.5	-16.6	-51.1	
	% Operating income	2.0%	-		
ASIA	Total sales	137.4	99.6	-27.5%	
	Operating income	7.7	3.5	-4.2	
	% Operating income	5.6%	3.5%		
Europe	Total sales	140.3	74.3	-47.0%	
	Operating income/loss	-1.5	-0.9	0.6	
	% Operating income	-	-		
Others	Total sales	136.2	93.2	-31.6%	
	Operating income/loss	-4.4	-4.8	-0.4	
	% Operating income	-	-		
Eliminations/Others		Operating income/loss	-22.9	-18.9	4.0
Consolidated Total	Total sales	2,127.8	1,653.7	- 22.3%	
	Operating income/loss	13.4	-37.7	-51.1	
	% Operating income	0.6%	-		

Major countries and regions

China, Chinese Taipei, India, Singapore and Indonesia

U.K., France, the Netherlands, Germany, Italy and Spain

U.S.A

\* Geographical distances are considered in classification of country or region

\* Total sales represents sales to outside customers



# <Ref.> Overseas sales

(Billions of Yen)

		1st Half		
		FY09/03 Actual	FY10/3 Actual	YoY
<b>Asia</b>	<b>Net sales</b>	<b>213.7</b>	<b>157.5</b>	<b>-26.3%</b>
	To consolidated total (%)	10.0%	9.5%	
<b>Europe</b>	<b>Net sales</b>	<b>153.9</b>	<b>81.7</b>	<b>-46.9%</b>
	To consolidated total (%)	7.2%	4.9%	
<b>Others</b>	<b>Net sales</b>	<b>167.0</b>	<b>111.7</b>	<b>-33.1%</b>
	To consolidated total (%)	7.9%	6.8%	
<b>Total</b>	<b>Net sales</b>	<b>534.6</b>	<b>350.9</b>	<b>-34.4%</b>
	To consolidated total (%)	25.1%	21.2%	

Major countries and regions

China, Chinese Taipei, India,  
Singapore and Indonesia

U.K., France, the Netherlands,  
Germany, Italy and Spain

U.S.A

\* Geographical distances are considered in classification of country or region

\* Overseas sales represent sales of the Company and its consolidated subsidiaries to countries and regions outside of Japan

Full year forecast for FY10/3 (appendix)

# Summary of Financial Forecast for 2H/Full Year

(Billions of Yen)

	2nd Half			Full Year			Difference from 7/30 forecast
	FY09/3 Actual	FY10/3 Forecast	YoY	FY09/3 Actual	FY10/3 Forecast	YoY	
Net Sales	2,087.8	2,006.3	-3.9%	4,215.6	3,660.0	-13.2%	-70.0
Operating Income/Loss to Sales (%)	-19.6 -	97.7 4.9%	117.3	-6.2 -	60.0 1.6%	66.2	-40.0
Ordinary Income/Loss to Sales (%)	-100.2 -	89.9 4.5%	190.1	-93.2 -	40.0 1.1%	133.2	-20.0
Net Income/Loss to Sales (%)	-298.4 -	53.6 2.7%	352.0	-296.6 -	10.0 0.3%	306.6	0.0
Net Income per Share (yen)				-146.64	4.94	151.58	0.00
FCF	-86.2	53.8	140.0	-145.8	0.0	145.8	0.0

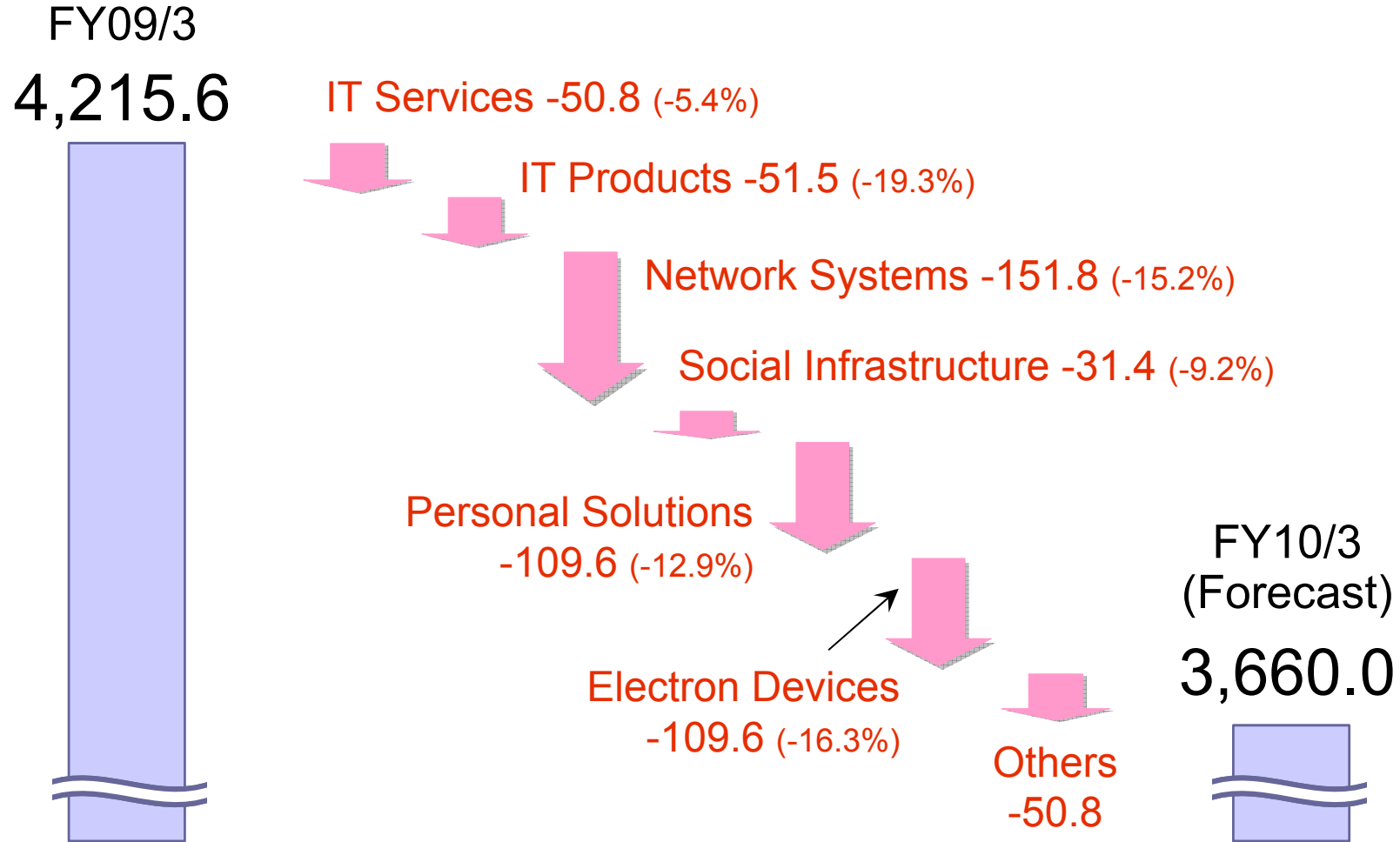
(Ref): Assumed exchange rate for 2H of FY10/3 1\$=¥90, 1€=¥130

\* Forecast as of October 29, 2009

# Sales Change (Year on Year)

Full Year Forecast

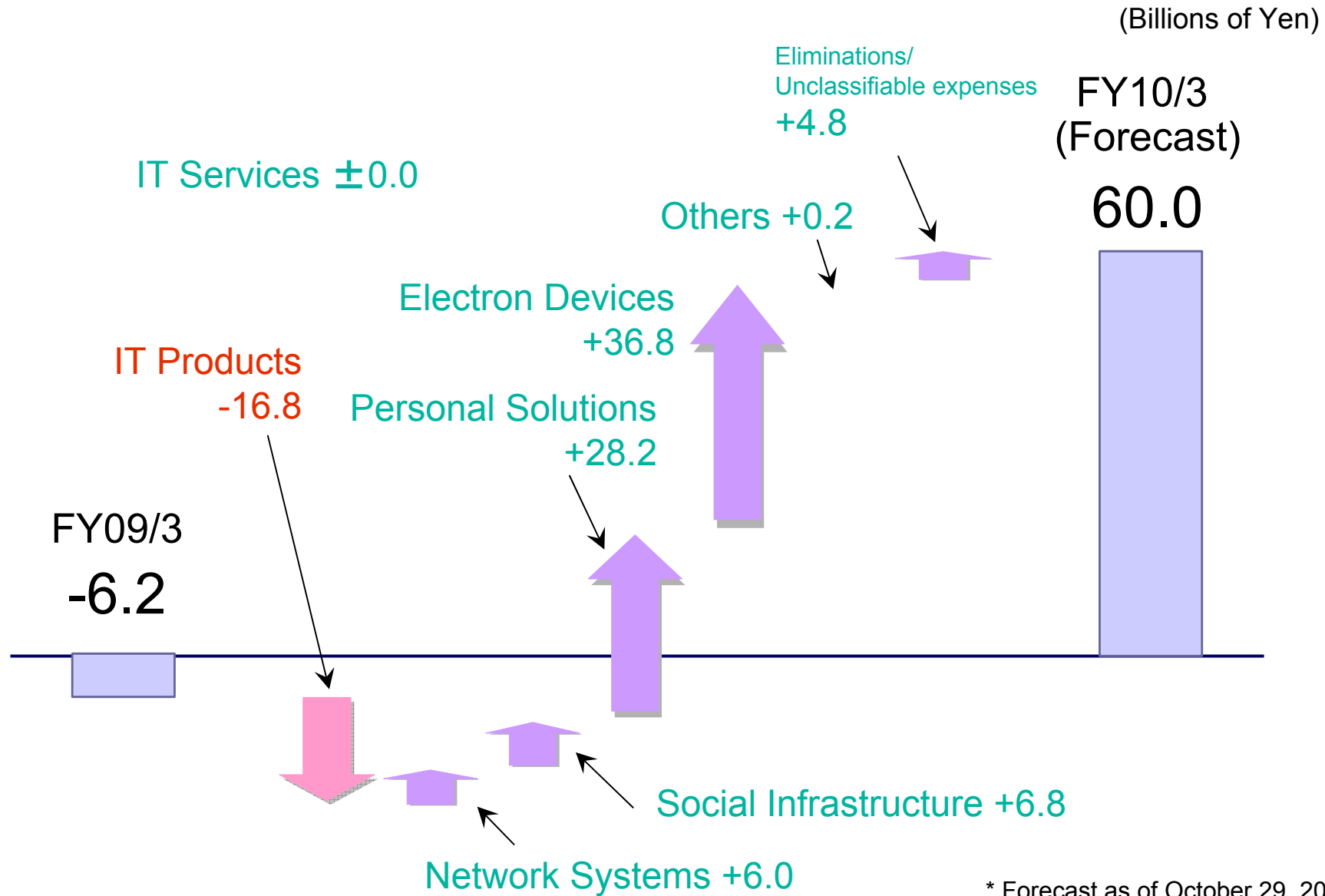
(Billions of Yen)



\* Forecast as of October 29, 2009

# Operating Income/Loss Change (Year on Year)

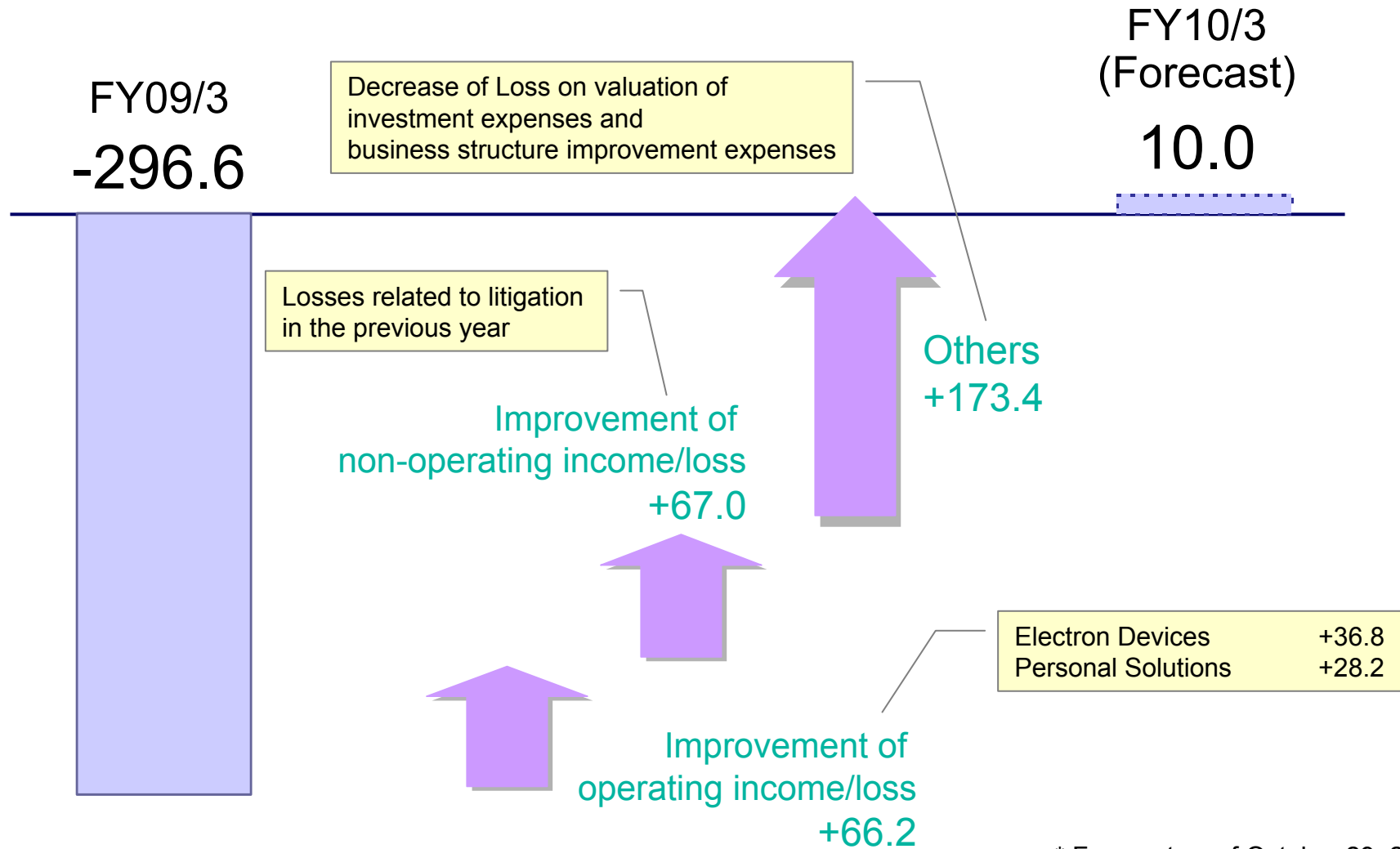
Full Year Forecast



\* Forecast as of October 29, 2009

# Net Income/Loss Change (Year on Year)

(Billions of Yen)



\* Forecast as of October 29, 2009

# Summary of Financial Forecast for 2H/Full Year by Segment

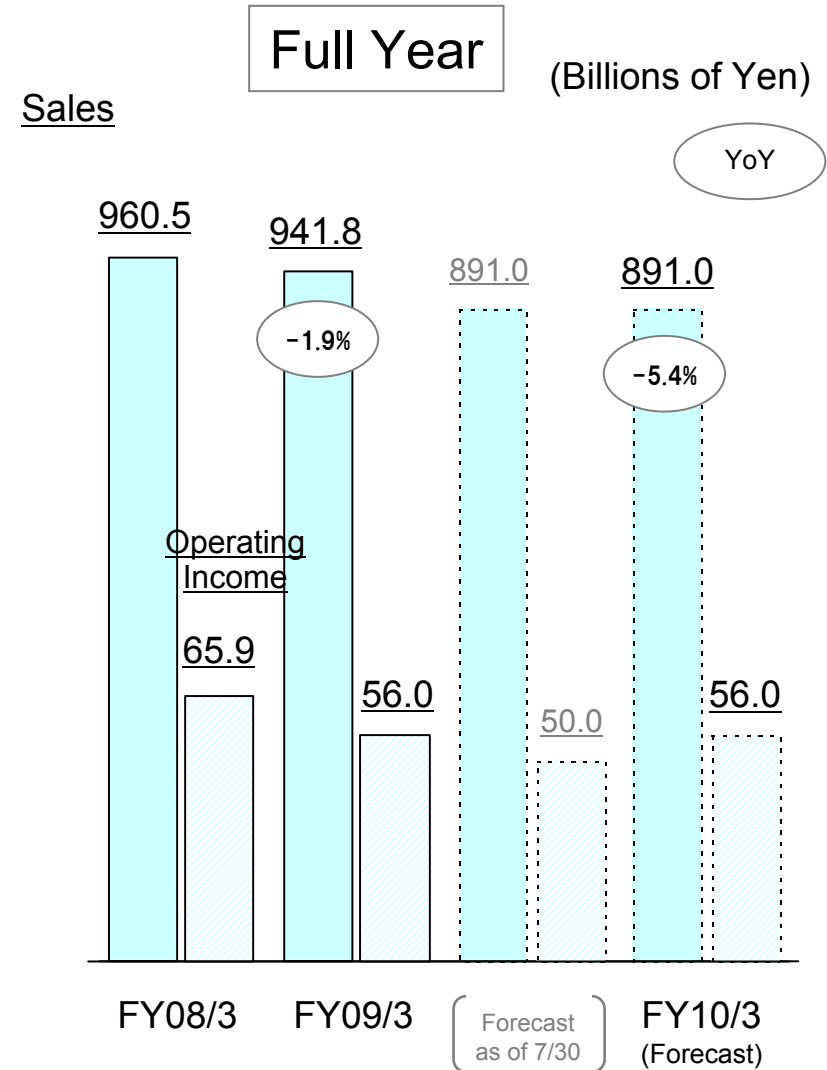
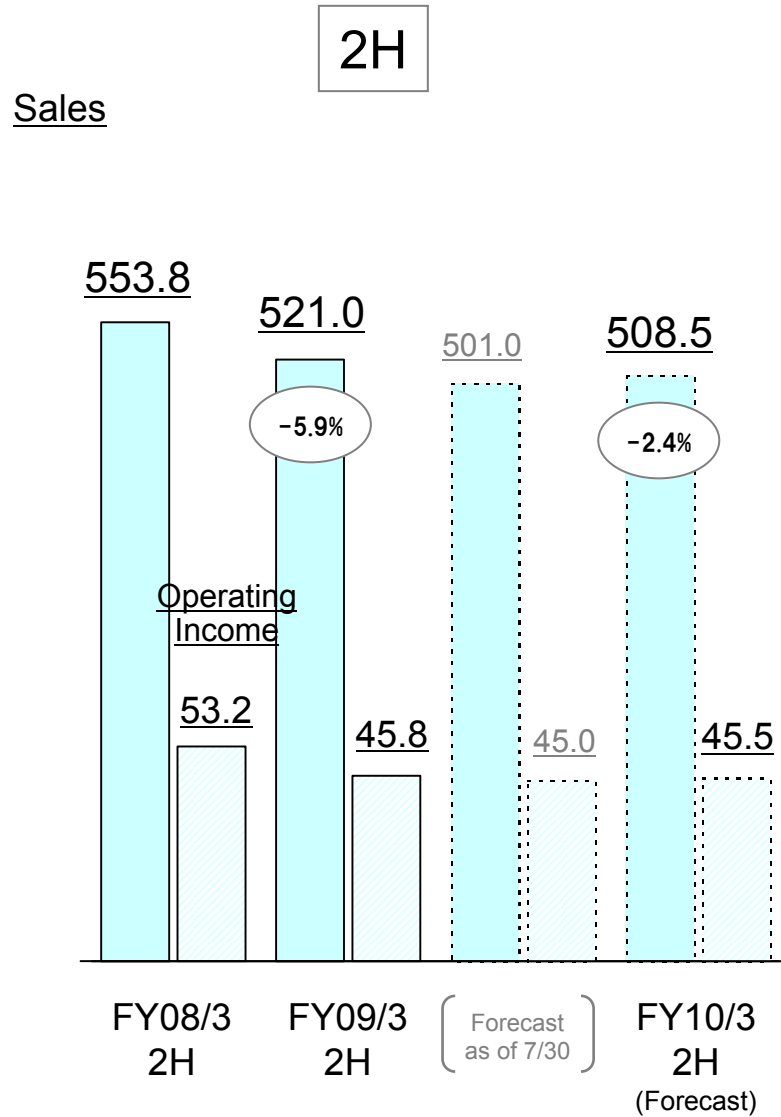
(Billions of Yen)

		2nd Half			Full Year			Difference from 7/30 forecast
		FY09/3 Actual	FY10/3 Forecast	YoY	FY09/3 Actual	FY10/3 Forecast	YoY	
IT Services	Sales	521.0	508.5	-2.4%	941.8	891.0	-5.4%	0.0
	Operating Income	45.8	45.5	-0.2	56.0	56.0	0.0	6.0
	OP Margin (%)	8.8%	9.0%		5.9%	6.3%		
IT Products	Sales	140.2	126.4	-9.8%	266.5	215.0	-19.3%	0.0
	Operating Income	10.6	17.3	6.7	21.8	5.0	-16.8	-9.0
	OP Margin (%)	7.6%	13.7%		8.2%	2.3%		
Network Systems	Sales	507.0	466.9	-7.9%	1,001.8	850.0	-15.2%	-20.0
	Operating Income	27.3	39.2	11.9	42.0	48.0	6.0	0.0
	OP Margin (%)	5.4%	8.4%		4.2%	5.6%		
Social Infrastructure	Sales	192.2	179.3	-6.7%	340.4	309.0	-9.2%	5.0
	Operating Income	7.9	12.3	4.5	8.2	15.0	6.8	2.0
	OP Margin (%)	4.1%	6.9%		2.4%	4.9%		
Personal Solutions	Sales	394.1	376.6	-4.4%	848.6	739.0	-12.9%	-34.0
	Operating Income/Loss	-11.7	7.1	18.8	-13.2	15.0	28.2	1.0
	OP Margin (%)	-	1.9%		-	2.0%		
Electron Devices	Sales	261.3	293.4	12.3%	671.6	562.0	-16.3%	-20.0
	Operating Loss	-87.3	-8.4	78.9	-87.8	-51.0	36.8	-46.0
	OP Margin (%)	-	-		-	-		
Others	Sales	72.2	55.1	-23.7%	144.8	94.0	-35.1%	-1.0
	Operating Income	5.3	2.9	-2.4	5.8	6.0	0.2	3.0
	OP Margin (%)	7.3%	5.3%		4.0%	6.4%		
Eliminations/Unclassifiable expense	Operating Loss	-17.4	-18.3	-0.8	-38.8	-34.0	4.8	3.0
Total	Sales	2,087.8	2,006.3	-3.9%	4,215.6	3,660.0	-13.2%	-70.0
	Operating Income/Loss	-19.6	97.7	117.3	-6.2	60.0	66.2	-40.0
	OP Margin (%)	-	4.9%		-	1.6%		

\* Forecast as of October 29, 2009

# IT Services Business

Forecast



\* Forecast as of October 29, 2009



# IT Services Business

(Billions of Yen)

**Sales** 891.0 (-5.4%)

▽ SI services:

Decline through IT investment restraint

Stable in Retail/Service sector

▽ Outsourcing/Support services:

Decline in sales due to severe market conditions

Aim to maintain stable sales of outsourcing business

**Operating Income** 56.0 (±0.0)

- ▷ Aim same income level as previous year by thorough cost reduction, reinforcement of the project management and expansion of using offshore resource

\* Forecast as of October 29, 2009

# IT Services Business Trends by Sector

- Continuous trend of severe IT investment restraint
- Ensure profitability reform through execution of SI innovation and cost reduction

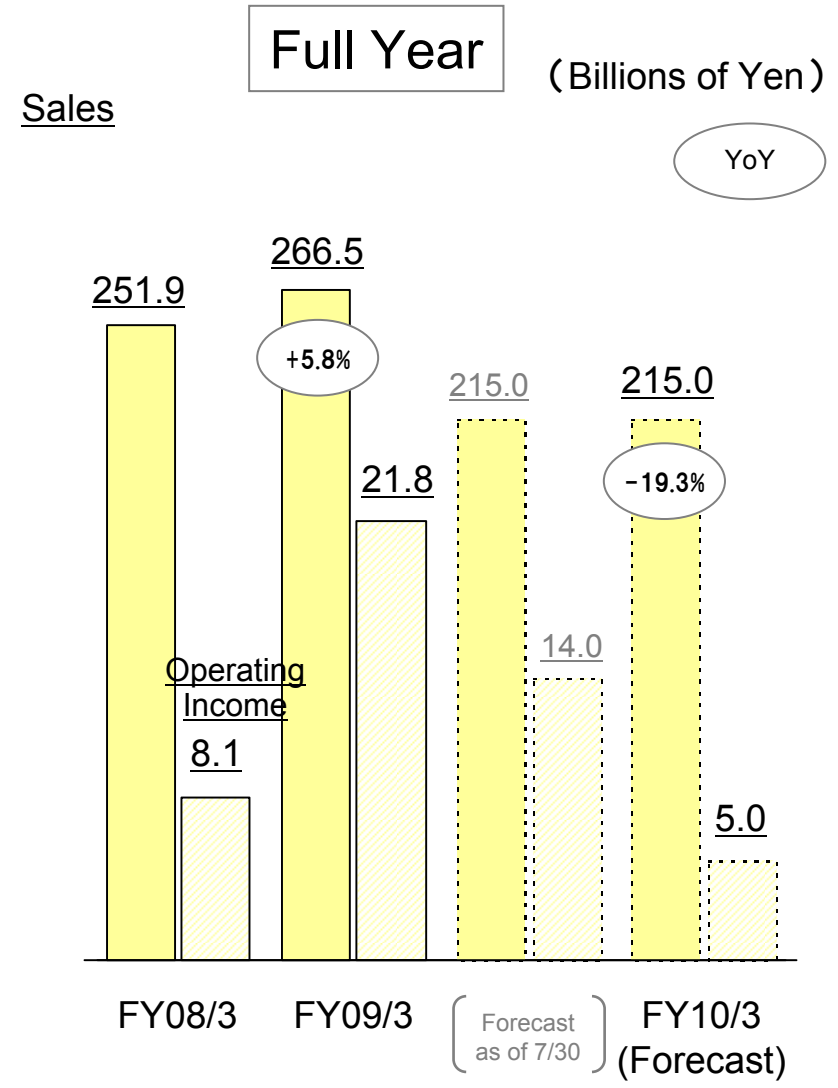
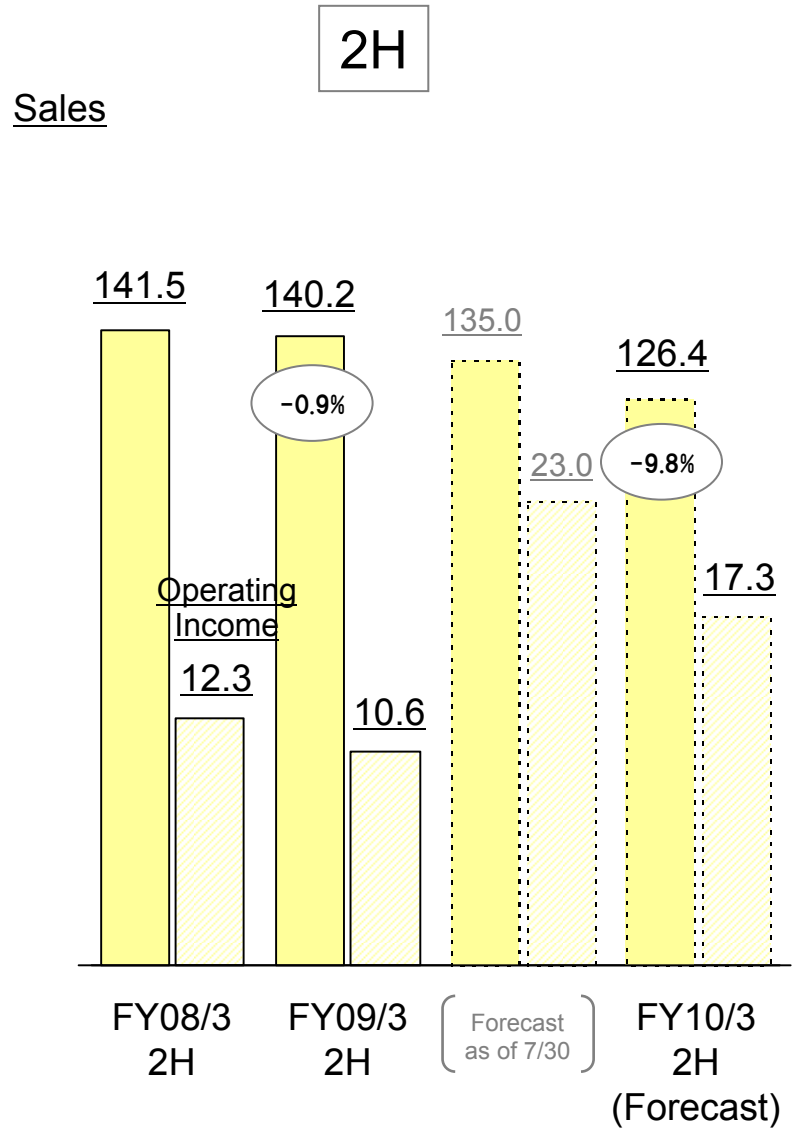
Sales: YoY -5.4%  
Operating Income: YoY ±0

Sector	Business situation
Government	Trend of IT related budget is invisible because of the government change. Meanwhile, competition is inclined to tighten by the increase of newcomer. Focus to secure an order of this year's initial budget.
Public/Medical	Demand for core system reconstruction is solid, but there are anxieties about impact of government change, declining tax revenues, tough competition due to the increase of newcomer. Focus on proposals of core system reconstruction, accommodation of administrative and financial reform by offering our core solution "GPRIME" for local governments.
Finance	Finance sector indexes are continuously improving, and IT investment seems ceasing to fall. Promote service business such as integration of systems which contribute to cost reduction.
Telecom/Media	Continuing trend of IT investment restraint in both Telecom and Media sector. Some of the project postponed. Strengthen new business including cloud service for global carriers and digital signage.
Manufacturing	There are some investment in emerging countries, though IT investment restraint is still continuing. Strengthen proposals of "Cloud-oriented service platform solution" reflected from reforming NEC's IT system and ERP "EXPLANNER" for SMB market.
Retail/Service	Stable demand for core system reconstruction which supports the launch of new business, and accommodation of expanding internet market. Strengthen new service proposal such as SaaS type EC system "NeoSarf/EC" for large scale organization etc.

\* Forecast as of October 29, 2009

# IT Products Business

Forecast



\* Forecast as of October 29, 2009

# IT Products Business

(Billions of Yen)

**Sales** 215.0 (-19.3%)

▽ Software:

Decline through IT investment restraint

▽ Servers:

Decrease significantly mainly due to loss of large mainframe project from the same period of the previous year

Aim to expand sales of thin-client systems and security products

▽ Others:

Drop in sales, due to the round of the large demand of professional workstation for financial industries

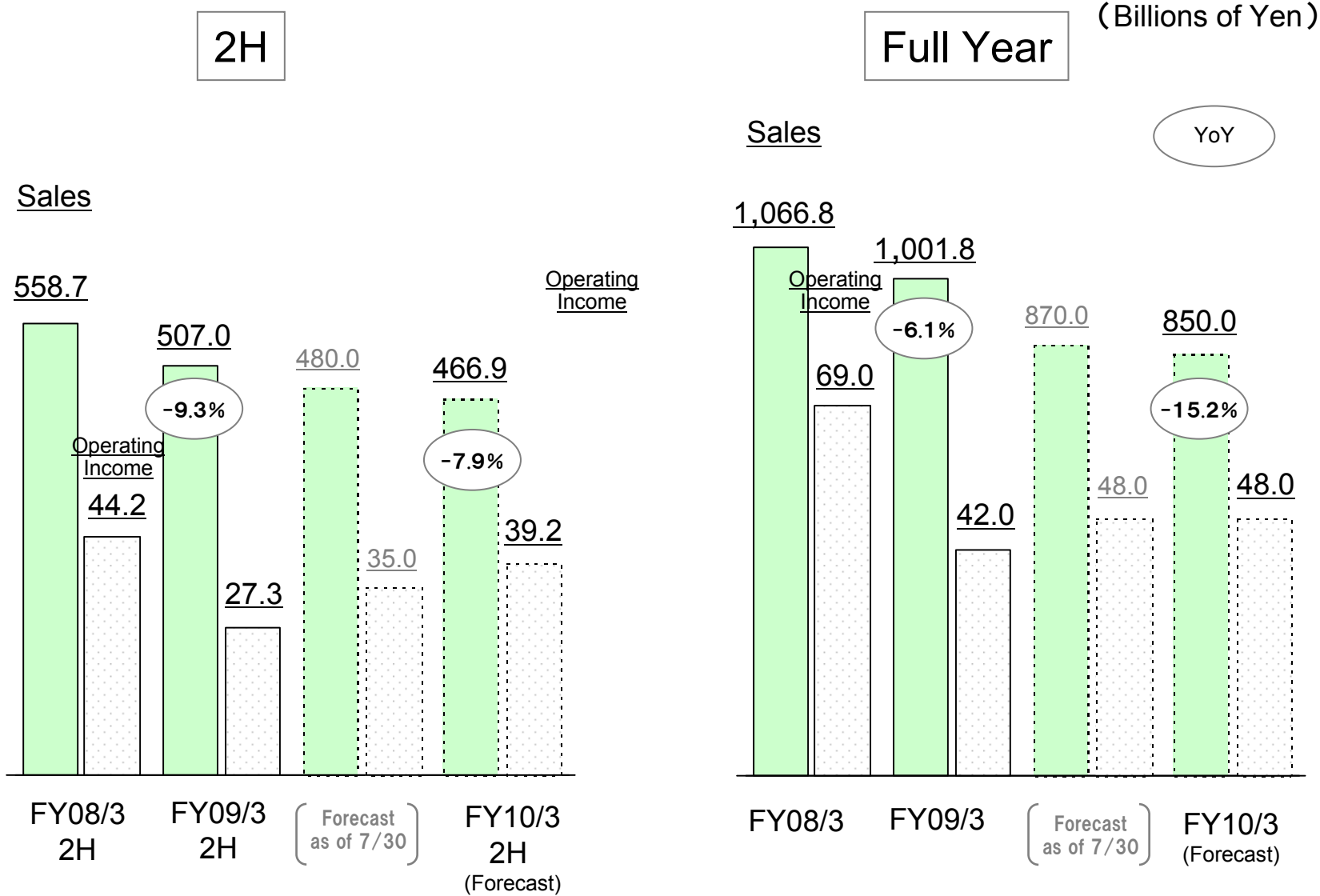
**Operating Income** 5.0 (-16.8)

▽ Greater loss due to sales drop and loss of large project from the same period of the previous year

\* Forecast as of October 29, 2009

# Network Systems Business

Forecast



\* Forecast as of October 29, 2009

# Network Systems Business

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**Sales** 850.0 (-15.2%)

▽ Business for Telecom Carriers:

Reduced investment by Japanese mobile carriers

In overseas market, CAPEX cutbacks by carriers and continuous impact of the appreciating yen

▽ Business for Enterprises:

Decrease both in Japan and overseas market due to continuous CAPEX cutbacks related to the global financial crisis

**Operating Income** 48.0 (+6.0)

△ Aim to profit increase by fixed cost reduction even as sales decrease

\* Forecast as of October 29, 2009

# Network Systems Business Trends

Sales: YoY -15.2%  
Operating Income: YoY +6.0 billion Yen

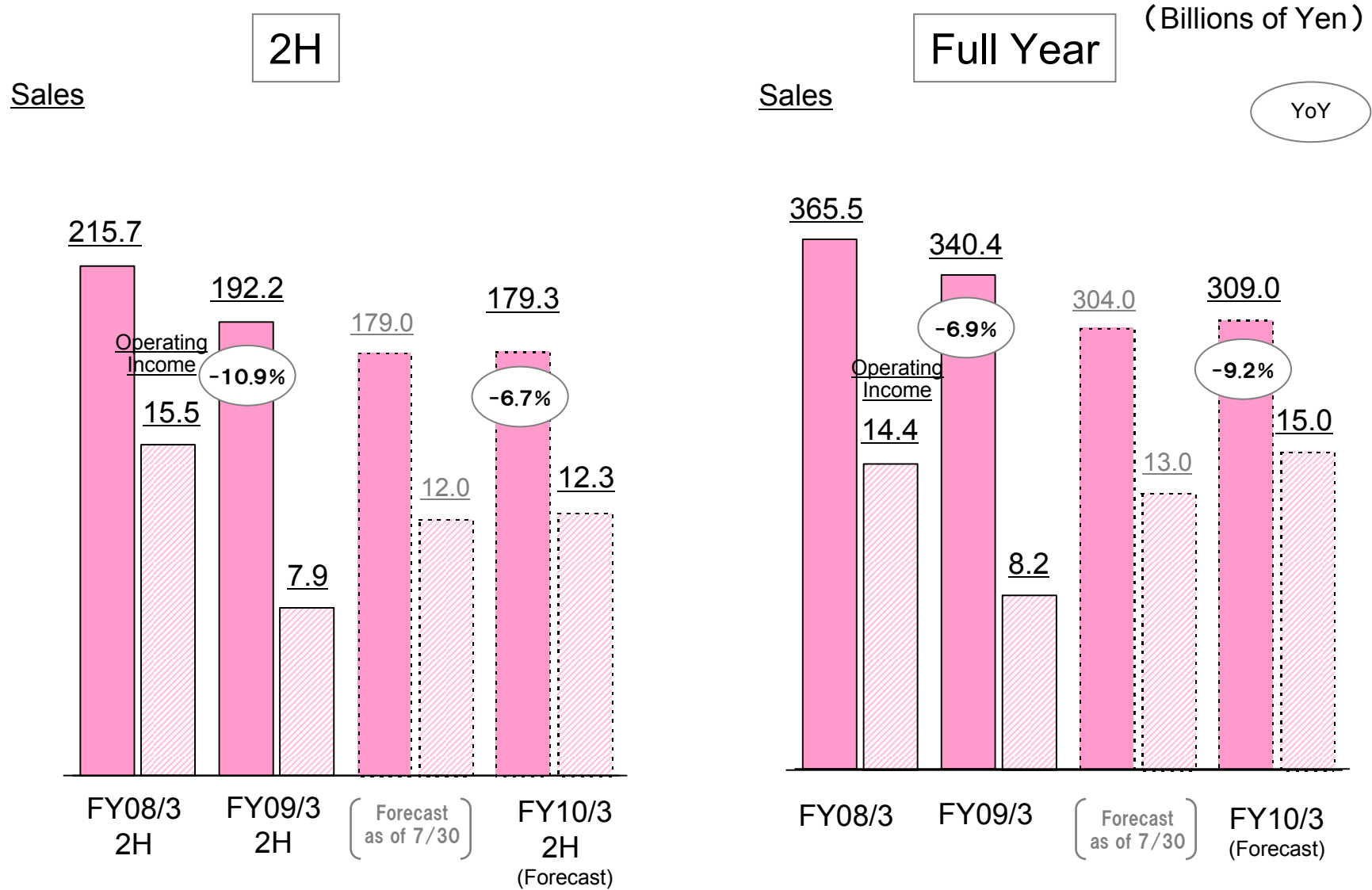
- Expect sales decrease due to cutbacks in CAPEX by carriers and enterprises both in Japan and overseas
- Aim to profit increase by fixed cost reduction

		Business situation
Telecom Carriers	Business for Fixed line (in Japan)	Steady. Try to spur investment to carriers
	Wireless (in Japan)	Expect sales decrease due to reduced investment by mobile carriers Try to spur investment to carriers
	Fixed line (overseas)	Expect sales decrease due to cutbacks in CAPEX As for submarine cable system, try to secure orders for the booming demand
	Wireless (overseas)	Expect sales decrease due to cutbacks in CAPEX etc. <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">Continuous impact of the appreciating yen</span> Try to get steadfast customer bases in overseas market with new business such as LTE, WiMAX, Femto cell etc.
Business for Enterprises		Expect sales decrease due to cutbacks in CAPEX both in Japan and overseas. Try to expand sales by strengthening the approach to the customers.

\* Forecast as of October 29, 2009

# Social Infrastructure Business

Forecast



\* Forecast as of October 29, 2009



# Social Infrastructure Business

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## Sales 309.0 (-9.2%)

- ▽ Broadcast and Control system / Aerospace and Defense:  
Decrease due to loss of large project from the previous year, downturn in economy, CAPEX cutbacks and the appreciating yen. Treat the order from revised budgeted steadily. Strengthen existing business such as broadcast, postal and satellite system. Cultivate new market in emerging countries.

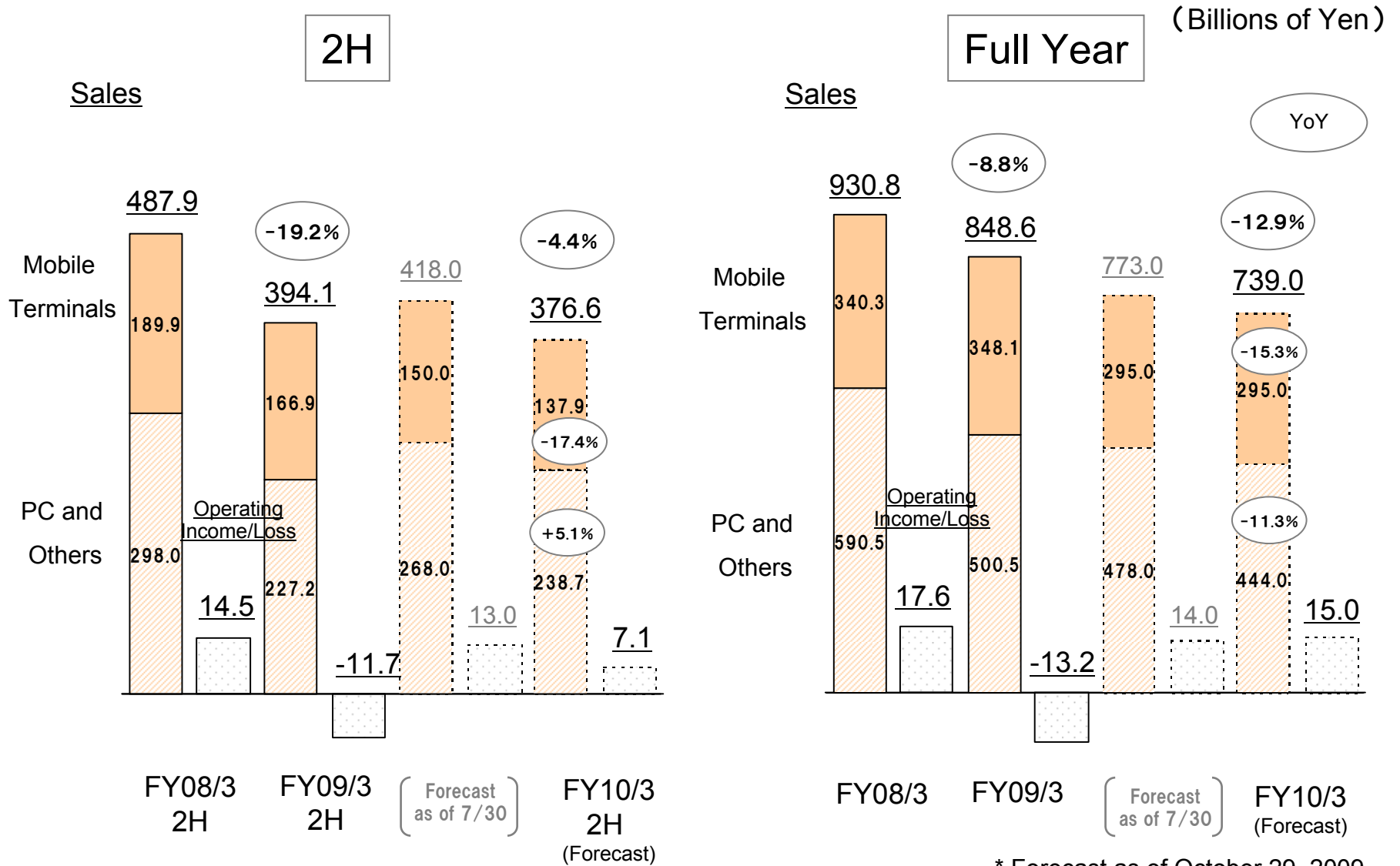
## Operating Income 15.0 (+6.8)

- △ Improvement by reducing costs and SG&A.  
Aim for high margin projects, especially in overseas markets, with profitability as a top priority.

\* Forecast as of October 29, 2009

# Personal Solutions Business

Forecast



\* Forecast as of October 29, 2009

# Personal Solutions Business

## Sales 739.0 (-12.9%)

### ▽ Mobile Terminals :

Decrease due to shipment declines caused by shrinking handset market in Japan

### ▽ PC and Others:

Decrease due to the CAPEX cutbacks from enterprises and the drop of the unit price

## Operating Income 15.0 (+28.2)

△ Expect turnaround by fixed cost reduction, even as shipments declines and the product mix changes

\* Forecast as of October 29, 2009

## Mobile Terminals

- The 1H market was in line with our original estimation  
2H will be more severe than 1H
- Made the downward revision about the shipment volumes of this year (from 5.0M to 4.5M). However, aim to secure profitability by improvement of development efficiency and fixed cost reduction etc.



docomo STYLE series™ N-03A

## PCs

- Japanese market shrunk during 1H due to the sales for enterprises decreased
- Recovery trend in 2H  
Full year market will be the same level as last year
- Aim to maintain original shipment targets by the demand creation from Windows 7 in consumer market which is favorable due to the expansion of “Net book.”

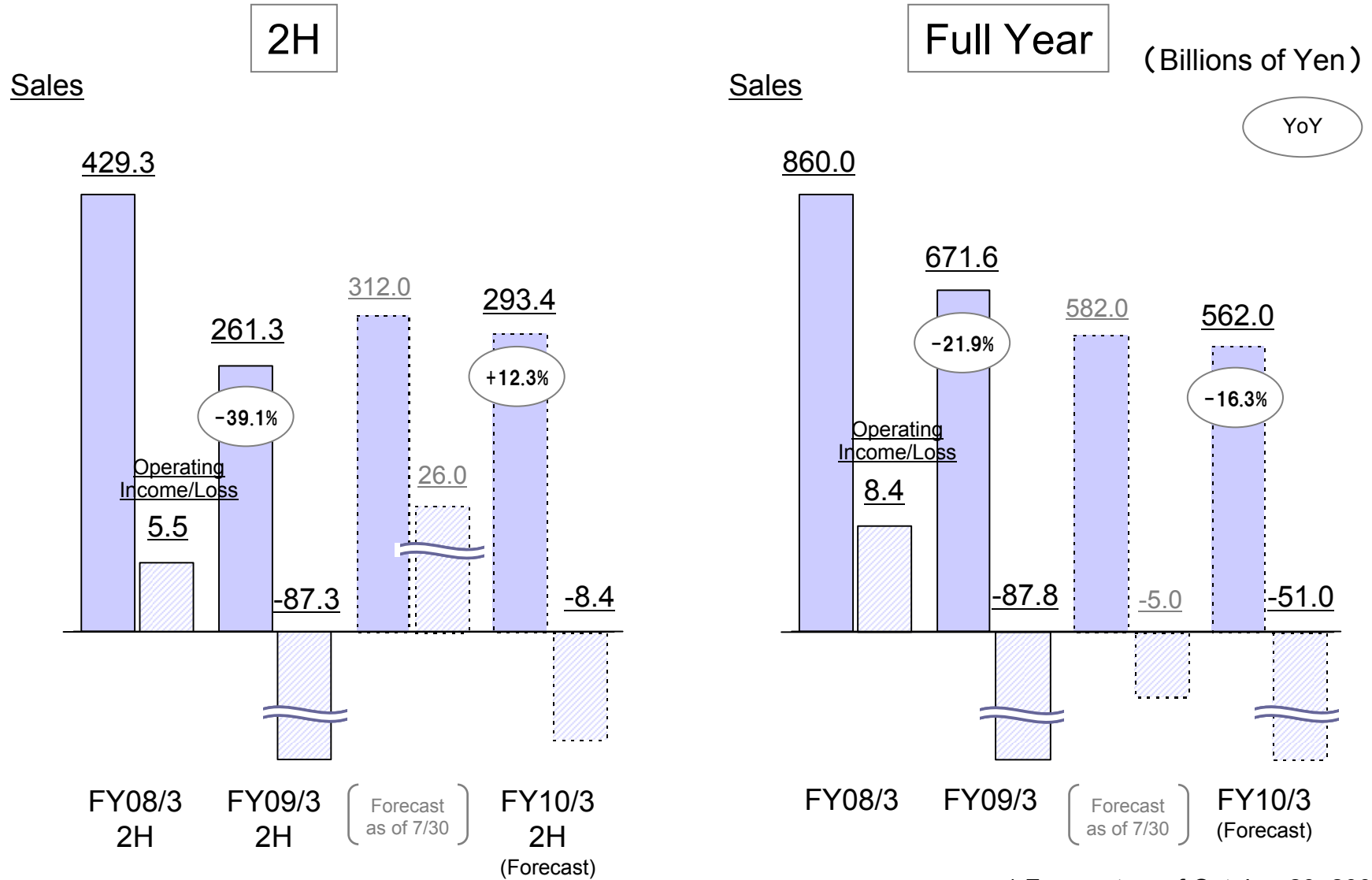


LaVie M  
New series of mobile note PC

\* Forecast as of October 29, 2009

# Electron Devices Business

Forecast



\* Forecast as of October 29, 2009

# Electron Devices Business

(Billions of Yen)

**Sales** 562.0 (-16.3%)

▽ Semiconductors:

Drop in sales in all products such as SoC, MCU and discrete products

▽ Electric Components/Others:

Expect decrease in sales due to the continuation of customer's reduction of CAPEX yet signs of demand growth exists in some area

**Operating Loss** -51.0 (+36.8)

△ Semiconductors:

Expect to improve by fixed cost reductions in severe market conditions

△ Electric Components/Others:

Expect to improve by steady execution of structure reform

\* Forecast as of October 29, 2009