

RELEASE

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Consolidated Financial Results for the Nine Months Ended December 31, 2009

Consolidated Financial Results

	Nine Months Ended December 31, 2009	Nine Months Ended December 31, 2008	Change
	In billions of yen	In billions of yen	%
Sales	2,479.1	3,076.1	-19.4
Operating income (loss)	-45.2	-11.4	—
Ordinary income (loss)	-56.3	-42.8	—
Net income (loss)	-53.2	-129.0	—
	yen	yen	yen
Net income (loss) per share:			
Basic	-24.97	-63.77	38.80
Diluted	—	—	—

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	Change
	In billions of yen	In billions of yen	%
Sales	825.4	948.3	-13.0
Operating income (loss)	-7.5	-24.8	—
Ordinary income (loss)	-6.4	-49.8	—
Net income (loss)	-9.6	-130.8	—
	yen	yen	yen
Net income (loss) per share:			
Basic	-4.18	-64.62	60.44
Diluted	—	—	—

	As of December 31, 2009	As of March 31, 2009	Change
	In billions of yen	In billions of yen	%
Total assets	2,938.3	3,075.4	-4.5
Net assets	844.1	785.6	7.4

(Notes)

Number of consolidated subsidiaries and affiliated companies accounted for by the equity method is as follows:

	As of December 31, 2009	As of December 31, 2008	As of March 31, 2009
Consolidated subsidiaries	317	337	328
Affiliated companies accounted for by the equity method	62	64	63

1. Consolidated Business Results

As stated in the July 16, 2009 announcement, “NEC to Revise its Business Segments,” NEC has revised its business segmentation from the first quarter of the fiscal year ending March 31, 2010. Figures for the corresponding period of the previous fiscal year have been adjusted in accordance with the new segments.

(1) Overview of the third quarter of the fiscal year ending March 31, 2010 (three-month period ended December 31, 2009)

The worldwide economy during the three-month period ended December 31, 2009 remained severe overall, characterized by the high unemployment rate in North America and Europe, although economic growth took place in emerging countries, mainly in China, and a gradual recovery of the economy appeared in North America.

The Japanese economy also continued to exhibit severe conditions, characterized by excesses in production capacity, a strict employment environment and a deflationary trend due to severe income conditions, although there are signs of an economic recovery as a result of an improvement in manufacturing, due to the recovery of export demand mainly from Asia and the effect of emergency financial stimulus measures taken by the government in the areas of automotive and household appliances.

Amid this business environment, NEC recorded consolidated sales of 825.4 billion yen for the three-month period ended December 31, 2009, a decrease of 123.0 billion yen (13.0%) year-on-year. This was due to reduced demand from corporate capital investment restraint, which resulted in sales declines throughout all business segments.

Regarding profitability, operating income (loss) improved by 17.2 billion yen year-on-year, to an operating loss of 7.5 billion yen, due to efforts to reduce selling, general and administrative expenses, in spite of a decrease in gross operating profit from declining sales.

In terms of ordinary income (loss), NEC recorded a loss of 6.4 billion yen, improving by 43.3 billion yen year-on-year, due to improving operating income (loss), decreasing foreign exchange losses and improving equity in earnings (losses) of affiliates as a result of improvement of performance from a portion of affiliated companies accounted for by the equity method.

Income (loss) before income taxes and minority interests for the three-month period ended December 31, 2009 was a loss of 8.0 billion yen, an improvement of 61.4 billion yen year-on-year. This was mainly due to improvement of ordinary income (loss) and extraordinary income (loss) as a result of a decrease in business structure improvement expenses.

Net income (loss) for the three-month period ended December 31, 2009 improved by 121.2 billion yen year-on-year, to a loss of 9.6 billion yen. This was mainly due to having recorded income taxes as a result of the write-off of a portion of deferred tax assets with no prospect for recovery in the corresponding period of the previous fiscal year.

NEC recorded consolidated sales of 2,479.1 billion yen for the nine-month period ended December 31, 2009, year-on-year for a decline of 19.4% due to a downturn in market demand in the face of the declining economy. Regarding profitability, operating income (loss) worsened by 33.9 billion yen year-on-year for the nine-month period ended December 31, 2009, for an operating loss of 45.2 billion yen. In terms of ordinary income (loss), a worsening of 13.5 billion yen year-on-year was recorded, for an ordinary loss of 56.3 billion yen. Income (loss) before income taxes and minority interests was a loss of 60.7 billion yen, a year-on-year increase in losses of 6.1 billion yen. NEC also recorded a net loss of 53.2 billion yen, a year-on-year improvement of 75.8 billion yen.

(2) Results by main business segment

Sales by segment (sales to external customers):

Segment	Three months ended December 31, 2009	Three months ended December 31, 2008	Change
	In billions of yen	In billions of yen	%
IT Services	189.9	192.2	-1.2
IT Products	49.7	65.1	-23.6
Network Systems	178.7	219.6	-18.6
Social Infrastructure	64.7	67.5	-4.1
Personal Solutions	176.7	204.2	-13.4
Electron Devices	144.7	157.5	-8.1
Others	21.0	42.3	-50.5
Total	825.4	948.3	-13.0

Operating income or loss by segment

Segment	Three months ended December 31, 2009	Three months ended December 31, 2008	Change
	In billions of yen	In billions of yen	In billions of yen
IT Services	3.6	1.6	2.0
IT Products	1.2	2.1	-0.8
Network Systems	-0.7	6.7	-7.3
Social Infrastructure	-0.3	0.4	-0.7
Personal Solutions	3.2	-4.8	8.1
Electron Devices	-10.2	-24.7	14.5
Others	2.5	3.1	-0.5
Eliminations / Corporate	-7.0	-9.1	2.0
Total	-7.5	-24.8	17.2

(Business segment figures in brackets below denote increases or decreases as compared with the corresponding period of the previous fiscal year.)

IT Services Business

Sales:	189.9 billion yen	(-1.2%)
Operating Income (Loss):	3.6 billion yen	(+2.0 billion yen)

In the IT Services business, sales were 189.9 billion yen, a decrease of 2.3 billion yen (-1.2%) year-on-year, impacted by domestic IT investment restraint from businesses, despite the growth of SI services for governments and distribution businesses.

Operating income (loss) improved by 2.0 billion yen year-on-year, to an operating income of 3.6 billion yen, mainly owing to a reduction of fixed expenses, despite decreased sales.

IT Products Business

Sales:	49.7 billion yen	(-23.6%)
Operating Income (Loss):	1.2 billion yen	(-0.8 billion yen)

In the IT Products business, sales were 49.7 billion yen, a decrease of 15.4 billion yen (-23.6%) year-on-year, due to a decrease in sales for large-scale projects as compared to the corresponding period of the previous fiscal year and domestic IT investment restraint.

Operating income (loss) worsened by 0.8 billion yen year-on-year, to an operating income of 1.2 billion yen, mainly owing to a decrease in sales in spite of a reduction of fixed expenses.

Network Systems Business

Sales:	178.7 billion yen	(-18.6%)
Operating Income (Loss):	-0.7 billion yen	(-7.3 billion yen)

In the Network Systems business, sales were 178.7 billion yen, a decrease of 40.9 billion yen (-18.6%) year-on-year, mainly impacted by worldwide investment restraint in systems by communications carriers and other businesses.

Operating income (loss) worsened by 7.3 billion yen year-on-year, to an operating loss of 0.7 billion yen, mainly owing to a decrease in sales and exchange rate fluctuations.

Social Infrastructure Business

Sales:	64.7 billion yen	(-4.1%)
Operating Income (Loss)	-0.3 billion yen	(-0.7 billion yen)

In the Social Infrastructure business, sales were 64.7 billion yen, a decrease of 2.8 billion yen (-4.1%) year-on-year, mainly impacted by a decrease in sales for large-scale projects in the aerospace and defense fields as compared to the corresponding period of the previous fiscal year.

Operating income (loss) worsened by 0.7 billion yen year-on-year, for an operating loss of 0.3 billion yen, owing to decreased sales.

Personal Solutions Business

Sales:	176.7 billion yen	(-13.4%)
Operating Income (Loss):	3.2 billion yen	(+8.1 billion yen)

In the Personal Solutions business, sales were 176.7 billion yen, a decrease of 27.4 billion yen (-13.4%) year-on-year, mainly impacted by a decrease in sales for mobile handsets in the mobile terminal field.

Operating income (loss) improved by 8.1 billion yen year-on-year, to an operating income of 3.2 billion yen, owing to reduction of fixed costs and other expenses.

Electron Devices Business

Sales:	144.7 billion yen	(-8.1%)
Operating Income (Loss):	-10.2 billion yen	(+14.5 billion yen)

In the Electron Devices business, sales were 144.7 billion yen, a decrease of 12.8 billion yen (-8.1%) year-on-year, impacted by a decline in sales in the field of semiconductors, including LSI for consumer electronics, as well as a decline in sales of general purpose devices such as capacitors and liquid crystal displays for industrial use in the field of electronic components and others.

Operating income (loss) improved by 14.5 billion yen year-on-year, to an operating loss of 10.2 billion yen, owing to a reduction in fixed costs.

Note

Regarding consolidated business results of the first quarter and the second quarter of the fiscal year ending March 31, 2010, please refer to the “Consolidated Financial results for the First Quarter of the Fiscal Year Ending March 31, 2010” disclosed on July 30, 2009 and the “Consolidated Financial Results of the First Half of the Fiscal Year Ending March 31, 2010” disclosed on October 29, 2009.

2. Consolidated Financial Condition

Analysis of condition of assets, liabilities, net assets, and cash flow

Total assets were 2,938.3 billion yen as of December 31, 2009, a decrease of 137.0 billion yen as compared with the end of the previous fiscal year. Current assets as of December 31, 2009 decreased by 116.8 billion yen compared with the end of the previous fiscal year to 1,554.3 billion yen, largely due to the recovery of notes and accounts receivable-trade in spite of an increase in inventory. Noncurrent assets decreased by 20.2 billion yen compared with the end of the previous fiscal year to 1,384.1 billion yen, mainly due to a decrease in property, plant and equipment as a result of investment restraint.

Total liabilities as of December 31, 2009 decreased by 195.6 billion yen as compared with the end of the previous fiscal year, to 2,094.2 billion yen. This was due to a decrease in interest-bearing debt by 91.9 billion yen as compared with the end of the previous fiscal year as a result of the redemption of commercial papers and was due to a decrease in notes and accounts payable-trade and accrued expenses. The balance of interest-bearing debt amounted to 833.2 billion yen and the debt-equity ratio as of December 31, 2009 was 1.16 (an improvement of 0.28 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of December 31, 2009, obtained by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 567.8 billion yen, a decrease of 40.1 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of December 31, 2009 was 0.79 (an improvement of 0.16 points as compared with the end of the previous fiscal year).

Although net losses were recorded for the nine-month period ended December 31, 2009, total net assets were 844.1 billion yen as of December 31, 2009, an increase of 58.5 billion yen as compared with the end of the previous fiscal year mainly due to an issuance of new shares. As a result, the owner's equity as of December 31, 2009 was 718.0 billion yen and owner's equity ratio was 24.4% (an increase of 3.5 points as compared with the end of the previous fiscal year).

Net cash flows from operating activities for the nine-month period ended December 31, 2009 was a cash inflow of 7.2 billion yen, an improvement of 77.2 billion yen year-on-year mainly due to an increase in working capital.

Net cash flows from investing activities for the nine-month period ended December 31, 2009 was a cash outflow of 82.1 billion yen, an outflow decrease of 45.6 billion yen year-on-year mainly due to

reduced outflows from a decrease in the acquisition of property, plant and equipment as well as investment securities.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the nine-month period ended December 31, 2009 totaled a cash outflow of 74.9 billion yen, an outflow decrease of 122.8 billion yen year-on-year.

Net cash flows from financing activities for the nine-month period ended December 31, 2009 totaled a cash inflow of 23.4 billion yen, mainly due to inflows from the issuance of new shares, despite the redemption of commercial papers.

As a result, cash and cash equivalents as of December 31, 2009 amounted to 265.4 billion yen, a decrease of 51.8 billion yen as compared with the end of the previous fiscal year.

3. Consolidated Financial Forecast

There is no change to the consolidated financial forecasts for the fiscal year ending March 31, 2010, previously disclosed on October 29, 2009.

4. Others

(1) Significant changes in the scope of consolidation

There is no significant change in the scope of consolidation for this period.

(2) Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements

(a) Simplified accounting procedures

Valuation of inventories:

Inventories at the end of the third quarter are mainly calculated using a reasonable estimate based on actual inventories at the end of the previous fiscal year, in lieu of an actual physical inventory.

Calculation of fixed asset depreciation:

For the assets depreciated using the declining balance method, depreciation expenses applicable to the fiscal year are allocated to this period on a pro-rata basis.

(b) Accounting procedures specific to the preparation of quarterly consolidated financial statements

Calculation of tax expenses:

Tax expenses are calculated, after adjustment on individual significant items, by multiplying income before income taxes for the third quarter of the fiscal year ending March 31, 2010 (“this third quarter”) by a reasonably estimated effective tax rate for income before income taxes for the fiscal year including this third quarter, while applying tax effect accounting.

Deferred tax expense is included in income taxes.

(3) Changes in accounting principles and procedures as well as presentation methods related to the preparation of quarterly consolidated financial statements

(a) Changes in recognition criteria for completed contract revenue and costs

The “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (ASBJ) Statements No.15, December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18, December 27, 2007) are applied from the first quarter. The percentage-of-completion method has been applied to the portion of construction performed through the end of the third quarter, in those cases where the outcome of performance activity is deemed certain (the estimation for the degree of completion of construction is determined by the cost-to-cost method) for the made-to-order software and construction projects that commenced on or after April 1, 2009. When the outcome of performance activity is not deemed to be certain, the completed-contract method is applied.

The impact of this change on sales, income and segment information is immaterial.

(b) Treatment of foreign exchange forward contract related to foreign currency future transaction

Foreign exchange forward contracts were previously measured at fair value and the valuation difference recognized in income and expense. Beginning April 1, 2009, deferred hedge accounting now is being applied to a portion of the foreign exchange forward contracts.

This is mainly due to the realignment of “Risk management policy” related to foreign exchange forward contracts, which is our internal policy. This change resulted from the expectation of increased sales in foreign currencies for future long-term projects. Accordingly, the hedge effect is recorded in the financial statements and periodic income and loss are more properly calculated.

The impact of this change on income and segment information is immaterial.

Changes in presentation method

1. “Provision for contingent loss” is separately presented due to the increase of its significance at the end of this third quarter, though it was presented as part of “Accrued expenses” of current liabilities and “Others” of noncurrent liabilities at the end of the third quarter of the previous fiscal year. The amount of “Provision for contingent loss” in “Accrued expenses” of current liabilities and “Others” of noncurrent liabilities at the end of the third quarter of the previous fiscal year were 12,464 million yen and 15,267 million yen, respectively.
2. The amount of expected losses related to construction contract and others included in the “Accrued expenses” at the end of the third quarter of the previous fiscal year (7,348 million yen at the end of the third quarter of the previous fiscal year) is presented in “Provision for loss on construction contract and others” at the end of this third quarter.

CONSOLIDATED QUARTERLY BALANCE SHEETS

(In millions of yen, millions of U.S.dollars)

	December 31, 2009	March 31, 2009	December 31, 2009
Current assets	JPY 1,554,260	JPY 1,671,092	\$16,712
Cash and deposits	181,855	226,601	1,955
Notes and accounts receivable-trade	642,552	746,731	6,909
Short-term investment securities	84,075	91,434	904
Merchandise and finished goods	153,648	139,724	1,652
Work in process	187,376	151,789	2,015
Raw materials and supplies	86,988	86,853	935
Deferred tax assets	95,685	99,657	1,029
Other	127,541	134,254	1,372
Allowance for doubtful accounts	(5,460)	(5,951)	(59)
Noncurrent assets	1,384,070	1,404,286	14,883
Property, plant and equipment	563,465	581,031	6,059
Buildings and structures	213,056	218,983	2,291
Machinery and equipment	134,777	143,269	1,449
Tools, furniture and fixtures	81,174	93,881	873
Land	92,451	91,523	994
Construction in progress	42,007	33,375	452
Intangible assets	223,767	224,102	2,406
Goodwill	98,650	93,365	1,061
Software	121,099	125,918	1,302
Other	4,018	4,819	43
Investments and other assets	596,838	599,153	6,418
Investment securities	146,112	143,361	1,571
Stocks of subsidiaries and affiliates	135,960	131,119	1,462
Deferred tax assets	165,866	150,676	1,784
Other	158,019	183,469	1,699
Allowance for doubtful accounts	(9,119)	(9,472)	(98)
Total assets	JPY 2,938,330	JPY 3,075,378	\$31,595

(Note)

U.S. dollar amounts are translated from yen, for convenience only, at the rate of 1 U.S.dollar = 93 yen.

CONSOLIDATED QUARTERLY BALANCE SHEETS (CONTINUED)

(In millions of yen, millions of U.S.dollars)

	December 31, 2009	March 31, 2009	December 31, 2009
Current liabilities	JPY 1,341,936	JPY 1,383,568	\$14,430
Notes and accounts payable-trade	510,718	529,258	5,492
Short-term loans payable	45,484	57,202	489
Commercial papers	40,996	115,930	441
Current portion of long-term loans payable	160,377	11,968	1,724
Current portion of bonds	120,030	118,780	1,291
Accrued expenses	147,735	209,253	1,589
Advances received	71,095	58,701	764
Provision for directors' bonuses	204	302	2
Provision for product warranties	30,760	42,119	331
Provision for business structure improvement	15,412	28,528	166
Provision for contingent loss	39,489	39,377	425
Provision for loss on construction contracts and others	15,648	-	168
Other	143,988	172,150	1,548
Noncurrent liabilities	752,309	906,245	8,089
Bonds payable	257,674	277,504	2,771
Long-term loans payable	174,254	315,753	1,874
Deferred tax liabilities	7,149	8,712	77
Provision for retirement benefits	235,366	224,378	2,531
Provision for loss on repurchase of computers	8,729	10,234	94
Provision for product warranties	1,673	1,798	18
Provision for recycling expenses of personal computers	6,769	6,790	73
Provision for business structure improvement	388	-	4
Provision for contingent loss	11,234	12,244	121
Provision for loss on guarantees	14,631	14,608	157
Other	34,442	34,224	369
Total liabilities	2,094,245	2,289,813	22,519
Shareholders' equity	738,839	673,557	7,945
Capital stock	397,199	337,940	4,271
Capital surplus	192,844	464,875	2,074
Retained earnings	151,808	(126,276)	1,632
Treasury stock	(3,012)	(2,982)	(32)
Valuation and translation adjustments	(20,821)	(31,903)	(224)
Valuation difference on available-for-sale securities	5,860	(6,228)	63
Deferred gains or losses on hedges	(261)	(120)	(3)
Foreign currency translation adjustment	(26,420)	(25,555)	(284)
Subscription rights to shares	93	123	1
Minority interests	125,974	143,788	1,354
Total net assets	844,085	785,565	9,076
Total liabilities and net assets	JPY 2,938,330	JPY 3,075,378	\$31,595

CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS

(In millions of yen, millions of U.S. dollars)

Nine-month period ended December 31	2008	2009	2009
Net sales	JPY 3,076,140	JPY 2,479,052	\$26,656
Cost of sales	2,102,087	1,744,009	18,752
Gross profit	974,053	735,043	7,904
Selling, general and administrative expenses	985,413	780,274	8,390
Operating loss	(11,360)	(45,231)	(486)
Non-operating income	15,920	21,972	236
Interest income	4,710	953	10
Dividends income	2,795	3,084	33
Equity in earnings of affiliates	702	4,673	50
Reversal of provision for contingent loss	-	4,441	48
Other	7,713	8,821	95
Non-operating expenses	47,314	33,042	355
Interest expenses	9,467	7,628	82
Retirement benefit expenses	10,349	10,811	116
Loss on abandonment of noncurrent assets	3,538	4,567	49
Foreign exchange losses	11,780	2,008	22
Other	12,180	8,028	86
Ordinary loss	(42,754)	(56,301)	(605)
Extraordinary income	20,083	4,527	49
Gain on sales of subsidiaries and affiliates' stocks	15,910	1,819	20
Gain on sales of noncurrent assets	398	1,595	17
Reversal of provision for recycling expenses of personal computers	-	670	7
Gain on sales of investment securities	3,775	414	5
Gain on reversal of subscription rights to shares	-	29	0
Extraordinary loss	31,856	8,897	96
Business structure improvement expenses	19,333	2,701	29
Loss on sales of stocks of subsidiaries and affiliates	24	2,563	28
Cost of corrective measures for products	1,232	1,518	16
Impairment loss	581	793	9
Loss on valuation of investment securities	10,445	593	6
Provision for loss on guarantees	-	418	5
Loss on retirement of noncurrent assets	210	309	3
Loss on sales of investment securities	31	2	0
Loss before income taxes and minority interests	(54,527)	(60,671)	(652)
Income taxes	81,942	4,677	51
Minority interests in loss	(7,462)	(12,145)	(131)
Net loss	(JPY 129,007)	(JPY 53,203)	\$(572)

CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS

(In millions of yen, millions of U.S. dollars)

Three-month period ended December 31	2008	2009	2009
Net sales	JPY 948,340	JPY 825,359	\$8,875
Cost of sales	658,064	580,643	6,244
Gross profit	290,276	244,716	2,631
Selling, general and administrative expenses	315,028	252,244	2,712
Operating loss	(24,752)	(7,528)	(81)
Non-operating income	4,278	12,146	131
Interest income	1,203	242	3
Dividends income	890	557	6
Reversal of provision for contingent loss	-	4,441	48
Equity in earnings of affiliates	-	3,617	39
Other	2,185	3,289	35
Non-operating expenses	29,281	11,027	119
Interest expenses	3,674	2,703	29
Retirement benefit expenses	3,424	3,601	39
Loss on abandonment of noncurrent assets	789	1,723	18
Foreign exchange losses	12,467	814	9
Equity in losses of affiliates	3,340	-	-
Other	5,587	2,186	24
Ordinary loss	(49,755)	(6,409)	(69)
Extraordinary income	9,123	2,106	23
Gain on sales of subsidiaries and affiliates' stocks	8,404	1,811	20
Gain on sales of investment securities	330	295	3
Gain on sales of noncurrent assets	389	-	-
Extraordinary loss	28,770	3,712	40
Loss on sales of stocks of subsidiaries and affiliates	24	2,366	26
Business structure improvement expenses	18,529	775	8
Loss on valuation of investment securities	9,410	308	3
Provision for loss on guarantees	-	125	2
Cost of corrective measures for products	570	120	1
Impairment loss	207	18	0
Loss on sales of investment securities	30	-	-
Loss before income taxes and minority interests	(69,402)	(8,015)	(86)
Income taxes	72,233	3,562	38
Minority interests in loss	(10,868)	(1,968)	(21)
Net loss	(JPY 130,767)	(JPY 9,609)	\$(103)

CONDENSED CONSOLIDATED QUARTERLY STATEMENTS OF CASH FLOWS

(In millions of yen, millions of U.S. dollars)

Nine-month period ended December 31	2008	2009	2009
I . Cash flows from operating activities:			
Loss before income taxes and minority interests	(JPY 54,527)	(JPY 60,671)	(\$652)
Depreciation and amortization	130,052	110,474	1,188
Equity in (earnings) losses of affiliates	(702)	(4,673)	(50)
Decrease in notes and accounts receivable-trade	153,779	105,215	1,131
Increase in inventories	(134,264)	(49,978)	(537)
Decrease in notes and accounts payable-trade	(102,516)	(19,128)	(206)
Income taxes paid	(34,697)	(27,928)	(300)
Others, net	(27,176)	(46,131)	(497)
Net cash provided by (used in) operating activities	(70,051)	7,180	77
II . Cash flows from investing activities:			
Net proceeds from (payment of) acquisitions and sales of property, plant and equipment	(67,103)	(55,291)	(595)
Purchase of intangible assets	(30,836)	(23,175)	(249)
Net proceeds from (payment of) purchases and sales of securities	(29,597)	(8,833)	(95)
Others, net	(193)	5,188	56
Net cash used in investing activities	(127,729)	(82,111)	(883)
III . Cash flows from financing activities:			
Net proceeds from (payment of) bonds and borrowings	248,840	(92,407)	(994)
Proceeds from issuance of common stock	-	118,519	1,274
Cash dividends paid	(8,137)	(37)	0
Others, net	(3,425)	(2,672)	(28)
Net cash provided by financing activities	237,278	23,403	252
IV . Effect of exchange rate changes on cash and cash equivalents	(13,805)	(308)	(4)
V . Net increase (decrease) in cash and cash equivalents	25,693	(51,836)	(558)
VI . Cash and cash equivalents at beginning of period	374,838	317,271	3,412
VII . Cash and cash equivalents at end of period	JPY 400,531	JPY 265,435	\$2,854

SEGMENT INFORMATION

[Business segment information]

Three-month period ended December 31, 2009 (From October 1, 2009 to December 31, 2009)

(In millions of yen)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total before Eliminations/ Corporate	Eliminations / Corporate	Consolidated total
Sales and Operating Income										
1. Sales to customers	189,865	49,729	178,701	64,707	176,728	144,678	20,951	825,359	—	825,359
2. Intersegment sales and transfers	11,175	7,933	8,940	4,208	12,711	3,616	28,855	77,438	(77,438)	—
Total sales	201,040	57,662	187,641	68,915	189,439	148,294	49,806	902,797	(77,438)	825,359
Operating income (loss)	3,624	1,248	(665)	(306)	3,230	(10,174)	2,524	(519)	(7,009)	(7,528)

Three-month period ended December 31, 2008 (From October 1, 2008 to December 31, 2008)

(In millions of yen)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total before Eliminations/ Corporate	Eliminations / Corporate	Consolidated total
Sales and Operating Income										
1. Sales to customers	192,158	65,093	219,620	67,462	204,160	157,502	42,345	948,340	—	948,340
2. Intersegment sales and transfers	14,293	8,461	14,173	6,013	16,782	8,309	34,515	102,546	(102,546)	—
Total sales	206,451	73,554	233,793	73,475	220,942	165,811	76,860	1,050,886	(102,546)	948,340
Operating income (loss)	1,611	2,065	6,667	383	(4,824)	(24,650)	3,051	(15,697)	(9,055)	(24,752)

Three-month period ended December 31, 2009 (From October 1, 2009 to December 31, 2009)

(In millions of U.S. dollars)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total before Eliminations/ Corporate	Eliminations / Corporate	Consolidated total
Sales and Operating Income										
1. Sales to customers	2,042	535	1,922	696	1,900	1,556	224	8,875	—	8,875
2. Intersegment sales and transfers	120	85	96	45	137	39	310	832	(832)	—
Total sales	2,162	620	2,018	741	2,037	1,595	534	9,707	(832)	8,875
Operating income (loss)	39	13	(7)	(3)	35	(109)	26	(6)	(75)	(81)

SEGMENT INFORMATION (CONTINUED)

[Business segment information]

Nine-month period ended December 31, 2009 (From April 1, 2009 to December 31, 2009)

(In millions of yen)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total before Eliminations/Corporate	Eliminations / Corporate	Consolidated total
Sales and Operating Income										
1. Sales to customers	572,371	138,280	561,792	194,384	539,104	413,237	59,884	2,479,052	—	2,479,052
2. Intersegment sales and transfers	36,813	23,699	32,946	12,227	38,586	16,660	84,497	245,428	(245,428)	—
Total sales	609,184	161,979	594,738	206,611	577,690	429,897	144,381	2,724,480	(245,428)	2,479,052
Operating income (loss)	14,084	(11,060)	8,137	2,347	11,153	(52,778)	5,633	(22,484)	(22,747)	(45,231)

Nine-month period ended December 31, 2008 (From April 1, 2008 to December 31, 2008)

(In millions of yen)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total before Eliminations/Corporate	Eliminations / Corporate	Consolidated total
Sales and Operating Income										
1. Sales to customers	613,020	191,428	714,470	215,679	658,654	567,875	115,014	3,076,140	—	3,076,140
2. Intersegment sales and transfers	47,846	32,151	45,165	17,836	50,400	24,521	111,170	329,089	(329,089)	—
Total sales	660,866	223,579	759,635	233,515	709,054	592,396	226,184	3,405,229	(329,089)	3,076,140
Operating income (loss)	11,864	13,219	21,332	722	(6,359)	(25,209)	3,509	19,078	(30,438)	(11,360)

Nine-month period ended December 31, 2009 (From April 1, 2009 to December 31, 2009)

(In millions of U.S. dollars)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total before Eliminations/Corporate	Eliminations / Corporate	Consolidated total
Sales and Operating Income										
1. Sales to customers	6,155	1,487	6,041	2,090	5,797	4,443	643	26,656	—	26,656
2. Intersegment sales and transfers	395	255	354	132	415	180	908	2,639	(2,639)	—
Total sales	6,550	1,742	6,395	2,222	6,212	4,623	1,551	29,295	(2,639)	26,656
Operating income (loss)	151	(119)	87	25	120	(568)	62	(242)	(244)	(486)

(Notes)

1 The business segments are defined based on similarity of types, characteristics, and affinity of sales market of products and services.

2 Beginning the first quarter, the number of business segments has been changed to 7, which are composed of IT Services, IT Products, Network Systems, Social Infrastructure, Personal Solutions, Electron Devices and Others, due to the organizational reform.

As a result of these changes, segment information for three-month and nine-month periods ended December 31, 2008 has been reclassified in a manner consistent with that used for the three-months and nine-months ended December 31, 2009.

3 Major services and products for each business segment :

IT Services	Systems Integration (System Construction, Consulting), Support Service (Maintenance), Outsourcing
IT Products	PC Servers, Mainframe Computers, UNIX Servers, Supercomputers, Storage Products, Professional Workstations, Computer Software (OS, Middleware, Application Software)
Network Systems	Network Systems for Communication Service Providers (Mobile Communication Systems, Fixed-line Communication Systems), Enterprise Network Systems (IP Telephony Systems)
Social Infrastructure	Broadcasting Systems and Video Equipment, Control Systems, Transportation Systems, Aerospace and Defense Systems, Fire and Disaster Prevention Systems
Personal Solutions	Mobile Handsets, Personal Computers, Personal Communication Equipment, "BIGLOBE" Internet Services, Monitors, Projectors
Electron Devices	System LSIs (For Use in Communications Equipment, Computing and Peripheral Products, Consumer Electronics Products, Automotive and Industrial Products), Microcontrollers, Discrete Devices, Optical and Microwave Devices, Capacitors, Lithium-ion Rechargeable Batteries, Piezoelectric Devices, Relays, IC Cards, IC Tags, LCD Displays, Lighting Equipment, Cold Cathode Fluorescent Lamps (CCFL)

SEGMENT INFORMATION (CONTINUED)

[Geographical segment]

Three-month period ended December 31, 2009 (From October 1, 2009 to December 31, 2009) (In millions of yen)

	Japan	Asia	Europe	Others	Total before Eliminations/Corporate	Eliminations/Corporate	Consolidated total
Sales and Operating Income							
1. Sales to customers	684,186	51,081	40,739	49,353	825,359	—	825,359
2. Intersegment sales and transfers	67,963	33,556	639	4,664	106,822	(106,822)	—
Total sales	752,149	84,637	41,378	54,017	932,181	(106,822)	825,359
Operating income (loss)	(4,809)	4,749	519	(109)	350	(7,878)	(7,528)

Three-month period ended December 31, 2008 (From October 1, 2008 to December 31, 2008) (In millions of yen)

	Japan	Asia	Europe	Others	Total before Eliminations/Corporate	Eliminations/Corporate	Consolidated total
Sales and Operating Income							
1. Sales to customers	789,482	50,187	48,195	60,476	948,340	—	948,340
2. Intersegment sales and transfers	75,725	33,449	1,275	4,160	114,609	(114,609)	—
Total sales	865,207	83,636	49,470	64,636	1,062,949	(114,609)	948,340
Operating income (loss)	(13,835)	747	(651)	(4,349)	(18,088)	(6,664)	(24,752)

Three-month period ended December 31, 2009 (From October 1, 2009 to December 31, 2009) (In millions of U.S. dollars)

	Japan	Asia	Europe	Others	Total before Eliminations/Corporate	Eliminations/Corporate	Consolidated total
Sales and Operating Income							
1. Sales to customers	7,357	549	438	531	8,875	—	8,875
2. Intersegment sales and transfers	731	361	7	49	1,148	(1,148)	—
Total sales	8,088	910	445	580	10,023	(1,148)	8,875
Operating income (loss)	(52)	51	6	(1)	4	(85)	(81)

SEGMENT INFORMATION (CONTINUED)

[Geographical segment]

Nine-month period ended December 31, 2009 (From April 1, 2009 to December 31, 2009)

(In millions of yen)

	Japan	Asia	Europe	Others	Total before Eliminations/Corporate	Eliminations/Corporate	Consolidated total
Sales and Operating Income							
1. Sales to customers	2,070,729	150,724	115,064	142,535	2,479,052	—	2,479,052
2. Intersegment sales and transfers	203,205	85,956	3,375	13,573	306,109	(306,109)	—
Total sales	2,273,934	236,680	118,439	156,108	2,785,161	(306,109)	2,479,052
Operating income (loss)	(21,411)	8,217	(351)	(4,918)	(18,463)	(26,768)	(45,231)

Nine-month period ended December 31, 2008 (From April 1, 2008 to December 31, 2008)

(In millions of yen)

	Japan	Asia	Europe	Others	Total before Eliminations/Corporate	Eliminations/Corporate	Consolidated total
Sales and Operating Income							
1. Sales to customers	2,503,400	187,550	188,530	196,660	3,076,140	—	3,076,140
2. Intersegment sales and transfers	286,645	116,741	6,199	17,036	426,621	(426,621)	—
Total sales	2,790,045	304,291	194,729	213,696	3,502,761	(426,621)	3,076,140
Operating income (loss)	20,647	8,438	(2,147)	(8,764)	18,174	(29,534)	(11,360)

Nine-month period ended December 31, 2009 (From April 1, 2009 to December 31, 2009)

(In millions of U.S. dollars)

	Japan	Asia	Europe	Others	Total before Eliminations/Corporate	Eliminations/Corporate	Consolidated total
Sales and Operating Income							
1. Sales to customers	22,266	1,621	1,237	1,532	26,656	—	26,656
2. Intersegment sales and transfers	2,185	924	37	146	3,292	(3,292)	—
Total sales	24,451	2,545	1,274	1,678	29,948	(3,292)	26,656
Operating income (loss)	(230)	88	(4)	(53)	(199)	(287)	(486)

(Notes)

1 Geographical distances are considered in classification of country or region.

2 Major countries and regions in segments other than Japan

(1) Asia ...China, Chinese Taipei, India, Singapore and Indonesia

(2) Europe...U.K., France, the Netherlands, Germany, Italy and Spain

(3) Others ...U.S.A.

SEGMENT INFORMATION (CONTINUED)

[Overseas sales]

Three-month period ended December 31, 2009 (From October 1, 2009 to December 31, 2009) (In millions of yen)

	Asia	Europe	Others	Total
Overseas sales	79,985	41,341	53,854	175,180
Consolidated sales	—	—	—	825,359
Percentage of overseas sales to consolidated sales (%)	9.7	5.0	6.5	21.2

Three-month period ended December 31, 2008 (From October 1, 2008 to December 31, 2008) (In millions of yen)

	Asia	Europe	Others	Total
Overseas sales	89,586	59,322	73,985	222,893
Consolidated sales	—	—	—	948,340
Percentage of overseas sales to consolidated sales (%)	9.4	6.3	7.8	23.5

Three-month period ended December 31, 2009 (From October 1, 2009 to December 31, 2009) (In millions of U.S. dollars)

	Asia	Europe	Others	Total
Overseas sales	860	445	579	1,884
Consolidated sales	—	—	—	8,875

Nine-month period ended December 31, 2009 (From April 1, 2009 to December 31, 2009) (In millions of yen)

	Asia	Europe	Others	Total
Overseas sales	237,486	123,011	165,555	526,052
Consolidated sales	—	—	—	2,479,052
Percentage of overseas sales to consolidated sales (%)	9.6	5.0	6.6	21.2

Nine-month period ended December 31, 2008 (From April 1, 2008 to December 31, 2008) (In millions of yen)

	Asia	Europe	Others	Total
Overseas sales	303,245	213,252	240,985	757,482
Consolidated sales	—	—	—	3,076,140
Percentage of overseas sales to consolidated sales (%)	9.9	6.9	7.8	24.6

Nine-month period ended December 31, 2009 (From April 1, 2009 to December 31, 2009) (In millions of U.S. dollars)

	Asia	Europe	Others	Total
Overseas sales	2,554	1,323	1,779	5,656
Consolidated sales	—	—	—	26,656

(Notes)

- 1 Geographical distances are considered in classification of country or region.
- 2 Major countries and regions in segments other than Japan
 - (1) Asia ...China, Chinese Taipei, India, Singapore and Indonesia
 - (2) Europe...U.K., France, the Netherlands, Germany, Italy and Spain
 - (3) Others ...U.S.A.
- 3 Overseas sales represent sales to countries and regions outside of Japan.

Notes to significant changes in shareholders' equity

1. On July 30, 2009, NEC Corporation reduced its legal capital surplus and legal retained earnings and appropriated its surplus as follows, based on the resolution at its Ordinary General Meeting of Shareholders held on June 22, 2009.

Details of reduction of legal capital surplus and legal retained earnings and appropriation of surplus

(1) In accordance with Paragraph 1, Article 448 of the Company Law, NEC Corporation reduced the entire amount of its legal capital surplus and legal retained earnings as of March 31, 2009 and transferred them into other capital surplus and retained surplus brought forward, respectively.

Decreased amounts of legal capital surplus and legal retained earnings:

Legal capital surplus	¥ 422,495,506,916
Legal retained earnings	¥ 35,615,033,371

Increased amounts of other capital surplus and retained surplus brought forward:

Other capital surplus	¥ 422,495,506,916
Retained surplus brought forward	¥ 35,615,033,371

(2) In accordance with Article 452 of the Company Law, NEC Corporation dissolved the remaining deficit in retained surplus brought forward by a part of other capital surplus after the transfer of legal capital surplus described above.

Decreased amount of surplus:

Other capital surplus	¥ 331,287,110,883 of ¥ 422,495,506,916
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Increased amount of surplus:

Retained surplus brought forward	¥ 331,287,110,883
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2. NEC Corporation issued new shares by way of offering in November 2009 and by way of third-party allotment in connection with the secondary offering for over-allotment in December 2009 for investment in development of cloud service platforms and Next Generation Networks (NGNs), for capital expenditures in the green technology area, and for repayment of its interest-bearing debt, and capital and legal capital surplus increased by 59,259,500,000 yen, respectively, during the three-month period ended December 31, 2009.

CAUTIONARY STATEMENTS:

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 (ix) 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

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