NEWS RELEASE

Empowered by Innovation

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# Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2011

## Consolidated Financial Results

| | Three Months Ended June 30, 2010 | Three Months Ended June 30, 2009 | Change |
|---|---|---|---|
| | In billions of yen | In billions of yen | % |
| Net Sales | 667.5 | 778.5 | -14.2 |
| Operating income (loss) | -23.2 | -40.0 | - |
| Ordinary income (loss) | -40.5 | -45.0 | - |
| Net income (loss) | -43.1 | -33.8 | - |
| | yen | yen | yen |
| Net income (loss) per share: | | | |
| Basic | -16.61 | -16.74 | 0.13 |
| Diluted | - | - | - |

| | As of June 30, 2010 | As of March 31, 2010 | Change |
|---|---|---|---|
| | In billions of yen | In billions of yen | % |
| Total assets | 2,510.8 | 2,937.6 | -14.5 |
| Net assets | 843.3 | 931.9 | -9.5 |

**(Note)**

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

| | As of June 30, 2010 | As of June 30, 2009 | As of March 31, 2010 |
|---|---|---|---|
| **Consolidated subsidiaries** | **288** | **323** | **310** |
| **Affiliated companies accounted for by the equity method** | **61** | **63** | **60** |

## 1. Consolidated Business Results

As stated in the July 6, 2010 announcement, "NEC to Revise its Business Segments," NEC has revised its business segments from the first quarter of the fiscal year ending March 31, 2011. Figures for the corresponding period of the previous fiscal year have been adjusted in accordance with the new segments.

*(1) Overview of the first quarter of the fiscal year ending March 31, 2011 (three months ended June 30, 2010)*

The worldwide economy during the three months ended June 30, 2010 slowly recovered, driven by expansion in China, India and other emerging countries, although markets became unstable due to the financial crisis in southern Europe that originated in Greece.

The Japanese economy exhibited positive signs through increased exports and improved manufacturing during the first quarter. However, a strong sense of caution towards the future economy, sluggish corporate capital investment and weak employment conditions remained. In spite of severe income and employment environments, consumer spending steadily improved as a result of economic measures taken by the government.

Under this business environment, NEC recorded consolidated sales of 667.5 billion yen for the three months ended June 30, 2010, a decrease of 110.9 billion yen (-14.2%) year-on-year. This decrease was mainly due to NEC Electronics Corporation (currently Renesas Electronics Corporation), which had been engaged in the semiconductor business within the NEC Group, no longer being a consolidated subsidiary of NEC, as well as reduced sales from the Carrier Network business.

Regarding profitability, consolidated operating income (loss) improved by 16.8 billion yen year-on-year, for an operating loss of 23.2 billion yen, due to NEC Electronics Corporation, which recorded an operating loss during the same period of the previous fiscal year, no longer being a consolidated subsidiary.

In terms of ordinary income (loss), NEC recorded a loss of 40.5 billion yen, improving by 4.6 billion yen year-on-year, due to improved operating income (loss), despite investment loss from a portion of affiliated companies accounted for by the equity method.

Income (loss) before income taxes and minority interests for the first quarter was a loss of 51.5 billion yen, a year-on-year worsening of 6.7 billion yen. This was mainly due to extraordinary loss that was recorded from loss on changes in equity that were realized through the restructuring of the semiconductor business, despite improved ordinary income (loss).

Net income (loss) for the first quarter worsened by 9.3 billion yen year-on-year, to a loss of 43.1 billion yen.

*(2) Results by main business segment*

*Sales by segment (sales to external customers):*

| Segment | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Change |
|---|---|---|---|
| | In billions of yen | In billions of yen | % |
| **IT Services** | 161.2 | 167.6 | -3.8 |
| **Platform** | 80.0 | 73.9 | 8.3 |
| **Carrier Network** | 116.8 | 141.7 | -17.6 |
| **Social Infrastructure** | 58.4 | 57.2 | 2.0 |
| **Personal Solutions** | 193.5 | 194.9 | -0.7 |
| **Others** | 57.6 | 143.1 | -59.8 |
| **Total** | 667.5 | 778.5 | -14.2 |

*Operating income or loss by segment*

| Segment | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Change |
|---|---|---|---|
| | In billions of yen | In billions of yen | In billions of yen |
| **IT Services** | -5.7 | -0.6 | -5.1 |
| **Platform** | -4.4 | -14.1 | 9.7 |
| **Carrier Network** | -6.0 | 0.5 | -6.5 |
| **Social Infrastructure** | 0.3 | -0.7 | 1.0 |
| **Personal Solutions** | -0.4 | 8.9 | -9.3 |
| **Others** | -1.1 | -24.7 | 23.5 |
| **Adjustment** | -6.0 | -9.4 | 3.5 |
| **Total** | -23.2 | -40.0 | 16.8 |

(Note) Amounts in this section "(2) Results by main business segment" are rounded to 0.1 billion yen. Amounts in millions of yen are shown in section "Segment Information."

(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:** | 161.2 billion yen | (-3.8%) |
| **Operating Income (Loss):** | -5.7 billion yen | (-5.1 billion yen) |

In the IT Services business, sales were 161.2 billion yen, a decrease of 6.3 billion yen (-3.8%) year-on-year, mainly impacted by corporate IT investment restraint in Japan, despite the steady growth of SI services for financial and manufacturing businesses as well as the growth of outsourcing services.

Operating income (loss) worsened by 5.1 billion yen year-on-year, to an operating loss of 5.7 billion yen, mainly owing to reduced sales and an increase in cloud-related investment.

**Platform Business**

| | | |
|---|---|---|
| **Sales:** | 80.0 billion yen | (+8.3%) |
| **Operating Income (Loss):** | -4.4 billion yen | (+9.7 billion yen) |

In the Platform business, sales were 80.0 billion yen, an increase of 6.1 billion yen (+8.3%) year-on-year, mainly due to steady growth of software and enterprise networks.

Operating income (loss) improved by 9.7 billion yen year-on-year, to an operating loss of 4.4 billion yen, mainly owing to increased sales and continued cost reductions.

**Carrier Network Business**

| | | |
|---|---|---|
| **Sales:** | 116.8 billion yen | (-17.6%) |
| **Operating Income (Loss):** | -6.0 billion yen | (-6.5 billion yen) |

In the Carrier Network business, sales were 116.8 billion yen, a decrease of 24.9 billion yen (-17.6%) year-on-year, mainly impacted by completion of a round of domestic investment in NGN systems and the delay of contractual procedures in relation to submarine network systems.

Operating income (loss) worsened by 6.5 billion yen year-on-year, to an operating loss of 6.0 billion yen, mainly owing to a decrease in overseas sales.

**Social Infrastructure Business**

| | | |
|---|---|---|
| **Sales:** | 58.4 billion yen | (+2.0%) |
| **Operating Income (Loss)** | 0.3 billion yen | (+1.0 billion yen) |

In the Social Infrastructure business, sales were 58.4 billion yen, an increase of 1.1 billion yen (+2.0%) year-on-year, mainly due to the steady growth of the social system field, including transportation systems, and fire and disaster prevention systems.

Operating income (loss) improved by 1.0 billion yen year-on-year, for an operating income of 0.3 billion yen, mainly owing to increased sales and a reduction of costs.

**Personal Solutions Business**

| | | |
|---|---|---|
| **Sales:** | 193.5 billion yen | (-0.7%) |
| **Operating Income (Loss):** | -0.4 billion yen | (-9.3 billion yen) |

In the Personal Solutions business, sales were 193.5 billion yen, nearly the same year-on-year, mainly impacted by a decrease in sales for mobile handsets in the mobile terminal field, despite an increase in sales of personal computers for enterprises and high-value added personal computers for individuals.

Operating income (loss) worsened by 9.3 billion yen year-on-year, to an operating loss of 0.4 billion yen, mainly due to a decrease in mobile handset sales and an increase in development costs for new devices, including smartphones and others.

**Others**

| | | |
|---|---|---|
| **Sales:** | 57.6 billion yen | (-59.8%) |
| **Operating Income (Loss):** | -1.1 billion yen | (+23.5 billion yen) |

In Others, sales were 57.6 billion yen, a decrease of 85.5 billion yen (-59.8%) year-on-year, mainly impacted due to NEC Electronics Corporation, which had been engaged in the semiconductor business within the NEC Group, no longer being a consolidated subsidiary of NEC.

Operating income (loss) improved by 23.5 billion yen year-on-year, to an operating loss of 1.1 billion yen, mainly due to NEC Electronics Corporation, which recorded an operating loss during the same period of the previous fiscal year, no longer being a consolidated subsidiary of NEC.

## 2. Consolidated Financial Condition

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

Total assets were 2,510.8 billion yen as of June 30, 2010, a decrease of 426.8 billion yen as compared with the end of the previous fiscal year. Current assets as of June 30, 2010 decreased by 330.1 billion yen compared with the end of the previous fiscal year to 1,312.9 billion yen and noncurrent assets as of June 30, 2010 decreased by 96.8 billion yen compared with the end of the previous fiscal year to 1,197.9 billion yen, mainly due to the decrease in accounts receivable, inventory and property, plant and equipment as a result of NEC Electronics Corporation no longer being a consolidated subsidiary, despite investment in Renesas Electronics Corporation, which became an affiliate company accounted for by the equity method, being recorded in “stocks of subsidiaries and affiliates.”

Total liabilities as of June 30, 2010 decreased by 338.2 billion yen compared with the end of the previous fiscal year, to 1,667.5 billion yen. This was mainly due to a decrease in accounts payable-trade liabilities and accrued expenses as a result of NEC Electronics Corporation no longer being a consolidated subsidiary, despite the issuance of bonds totaling 100.0 billion yen. The balance of interest-bearing debt amounted to 623.1 billion yen. The debt-equity ratio as of June 30, 2010 was 0.86 (an improvement of 0.06 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of June 30, 2010, obtained by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 396.0 billion yen, a decrease of 3.0 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of June 30, 2010 was 0.55 (a worsening of 0.05 points as compared with the end of the previous fiscal year).

Total net assets were 843.3 billion yen as of June 30, 2010, a decrease of 88.6 billion yen as compared with the end of the previous fiscal year, mainly as a result of recording net losses for the quarter and a decrease in minority interests.

As a result, the owner’s equity as of June 30, 2010 was 725.6 billion yen and owner’s equity ratio was 28.9% (an improvement of 2.0 points as compared with the end of the previous fiscal year).

Net cash flows from operating activities for the three months ended June 30, 2010 was a cash inflow of 39.6 billion yen, an improvement of 72.4 billion yen year-on-year, mainly due to an improvement in working capital.

Net cash flows from investing activities for the three months ended June 30, 2010 was a cash outflow of 81.8 billion yen, an outflow increase of 67.2 billion yen year-on-year, mainly due to increased outflows from the purchase of stocks of subsidiaries and affiliates.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the three months ended June 30, 2010 totaled a cash outflow of 42.2 billion yen, an outflow decrease of 5.2 billion yen year-on-year.

Net cash flows from financing activities for the three months ended June 30, 2010 totaled a cash inflow of 24.4 billion yen, mainly due to financing from the issuance of bonds, despite the redemption of commercial papers and short-term loans payable.

As a result, cash and cash equivalents as of June 30, 2010 amounted to 227.1 billion yen, a decrease of 20.4 billion yen in cash and cash equivalents, and a decrease of 83.1 billion yen in the scope of consolidation and others 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, 2011, previously disclosed on May 12, 2010.

## 4. Others

*(1) Significant changes in the scope of consolidation*

On April 1, 2010, NEC Electronics Corporation merged with Renesas Technology Corp. and changed its name to Renesas Electronics Corporation. As a result of this merger, Renesas Electronics Corporation has become no longer a consolidated subsidiary but an affiliate applying for the equity method of accounting of NEC Corporation (“the Company”) from the first quarter of the fiscal year ending March 31, 2011.

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

(a) Simplified accounting procedures

Valuation method of inventories:

The amounts of inventories are calculated by reasonable method, without physical inventory procedure, based on inventories at the end of the previous fiscal year.

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:

After adjustment on individual significant items, tax expenses are calculated by multiplying income before income taxes by effective tax rate, which is estimated reasonably by using tax effect accounting, for the fiscal year including this first quarter.

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) Application of “Accounting Standard for Asset Retirement Obligations”

From the first quarter of the fiscal year ending March 31, 2011, NEC Corporation and its consolidated subsidiaries (“the Group”) applies the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 18 of March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 of March 31, 2008).

Although the impact of this change on operating income (loss), ordinary income (loss) and segment information is immaterial, 1,434 million yen is recorded loss on adjustment for changes of accounting standard for asset retirement obligations as extraordinary loss.

(b) Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

From the first quarter of the fiscal year ending March 31, 2011, the Group applies the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 of March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24 of March 10, 2008).
This change has no impact on income (loss) and segment information.

(c) Application of “Accounting Standard for Business Combinations” and others
From the first quarter of the fiscal year ending March 31, 2011, the Group applies the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008), the “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23 of December 26, 2008), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of December 26, 2008), the “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 of December 26, 2008), and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 of December 26, 2008).

Regarding the valuation of assets and liabilities of the Company’s consolidated subsidiaries, the Company changed the valuation method of minority interests from Partial-fair value method to Full fair value method with this adoption.

These changes have no impact on income(loss) and segment information.

Changes in presentation method

The Group applies the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008) from this first quarter. As a result, “Loss before minority interests” is presented on the consolidated financial statements for the first quarter of the fiscal year ending March 31, 2011.

## CONSOLIDATED QUARTERLY BALANCE SHEETS

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

| | **June 30, 2010** | March 31, 2010 | **June 30, 2010** |
|---|---|---|---|
| Current assets | **JPY 1,312,898** | JPY 1,642,965 | **$14,919** |
| Cash and deposits | **165,195** | 195,095 | **1,877** |
| Notes and accounts receivable-trade | **557,922** | 773,388 | **6,340** |
| Short-term investment securities | **64,634** | 136,747 | **734** |
| Merchandise and finished goods | **116,002** | 109,852 | **1,318** |
| Work in process | **128,503** | 121,082 | **1,460** |
| Raw materials and supplies | **70,370** | 84,618 | **800** |
| Deferred tax assets | **91,010** | 93,307 | **1,034** |
| Other | **124,762** | 134,900 | **1,419** |
| Allowance for doubtful accounts | **(5,500)** | (6,024) | **(63)** |
| Noncurrent assets | **1,197,902** | 1,294,679 | **13,613** |
| Property, plant and equipment | **355,078** | 554,051 | **4,035** |
| Buildings and structures, net | **152,369** | 207,535 | **1,731** |
| Machinery and equipment, net | **44,079** | 133,018 | **501** |
| Tools, furniture and fixtures, net | **62,993** | 77,681 | **716** |
| Land | **77,027** | 91,938 | **875** |
| Construction in progress | **18,610** | 43,879 | **212** |
| Intangible assets | **205,832** | 218,894 | **2,339** |
| Goodwill | **94,329** | 97,458 | **1,072** |
| Software | **108,761** | 117,278 | **1,236** |
| Other | **2,742** | 4,158 | **31** |
| Investments and other assets | **636,992** | 521,734 | **7,239** |
| Investment securities | **136,615** | 151,221 | **1,552** |
| Stocks of subsidiaries and affiliates | **213,978** | 89,499 | **2,432** |
| Deferred tax assets | **158,181** | 140,829 | **1,798** |
| Other | **137,201** | 150,025 | **1,559** |
| Allowance for doubtful accounts | **(8,983)** | (9,840) | **(102)** |
| Total assets | **JPY 2,510,800** | JPY 2,937,644 | **$28,532** |

(Note)

U.S. dollar amounts are translated from yen, for convenience only, at the rate of US$1 = 88 yen.

## CONSOLIDATED QUARTERLY BALANCE SHEETS (CONTINUED)

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

| | June 30, 2010 | March 31, 2010 | June 30, 2010 |
|---|---|---|---|
| Current liabilities | **JPY 1,035,245** | JPY 1,278,147 | **$11,764** |
| Notes and accounts payable-trade | **415,401** | 522,533 | **4,720** |
| Short-term loans payable | **27,985** | 69,163 | **318** |
| Commercial papers | - | 21,998 | **-** |
| Current portion of long-term loans payable | **161,934** | 169,507 | **1,840** |
| Current portion of bonds | **19,820** | 19,830 | **225** |
| Accrued expenses | **129,375** | 175,660 | **1,470** |
| Advances received | **79,445** | 65,550 | **903** |
| Provision for product warranties | **26,402** | 27,887 | **300** |
| Provision for directors' bonuses | **161** | 262 | **2** |
| Provision for loss on construction contracts and others | **14,127** | 14,088 | **161** |
| Provision for loss on guarantees | **10,810** | 10,985 | **123** |
| Provision for business structure improvement | **8,463** | 11,602 | **96** |
| Provision for contingent loss | **7,985** | 10,886 | **91** |
| Other | **133,337** | 158,196 | **1,515** |
| Noncurrent liabilities | **632,242** | 727,585 | **7,185** |
| Bonds payable | **247,669** | 257,674 | **2,814** |
| Long-term loans payable | **147,034** | 158,876 | **1,671** |
| Deferred tax liabilities | **1,579** | 8,913 | **18** |
| Provision for retirement benefits | **178,664** | 237,645 | **2,030** |
| Provision for product warranties | **1,484** | 1,566 | **17** |
| Provision for loss on repurchase of computers | **8,559** | 9,355 | **97** |
| Provision for recycling expenses of personal computers | **6,753** | 6,537 | **77** |
| Provision for business structure improvement | **2,199** | 1,139 | **25** |
| Provision for contingent loss | **10,593** | 11,163 | **120** |
| Other | **27,708** | 34,717 | **316** |
| Total liabilities | **1,667,487** | 2,005,732 | **18,949** |
| Shareholders' equity | **750,010** | 803,552 | **8,523** |
| Capital stock | **397,199** | 397,199 | **4,514** |
| Capital surplus | **192,841** | 192,843 | **2,191** |
| Retained earnings | **162,902** | 216,439 | **1,851** |
| Treasury stock | **(2,932)** | (2,929) | **(33)** |
| Valuation and translation adjustments | **(24,411)** | (12,648) | **(277)** |
| Valuation difference on available-for-sale securities | **2,575** | 10,218 | **29** |
| Deferred gains or losses on hedges | **(116)** | 61 | **(1)** |
| Foreign currency translation adjustment | **(26,870)** | (22,927) | **(305)** |
| Subscription rights to shares | **34** | 93 | **0** |
| Minority interests | **117,680** | 140,915 | **1,337** |
| Total net assets | **843,313** | 931,912 | **9,583** |
| Total liabilities and net assets | **JPY 2,510,800** | JPY 2,937,644 | **$28,532** |

## CONSOLIDATED QUARTERLY STATEMENTS OF OPERATIONS

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

| Three months ended June 30 | 2009 | 2010 | 2010 |
|---|---|---|---|
| Net sales | JPY 778,465 | JPY 667,541 | $7,586 |
| Cost of sales | 554,265 | 475,825 | 5,407 |
| Gross profit | 224,200 | 191,716 | 2,179 |
| Selling, general and administrative expenses | 264,247 | 214,947 | 2,443 |
| Operating loss | (40,047) | (23,231) | (264) |
| Non-operating income | 5,628 | 4,562 | 52 |
| Interest income | 559 | 276 | 3 |
| Dividends income | 1,184 | 1,027 | 12 |
| Foreign exchange gains | 263 | - | - |
| Other | 3,622 | 3,259 | 37 |
| Non-operating expenses | 10,613 | 21,792 | 248 |
| Interest expenses | 2,819 | 1,762 | 20 |
| Equity in losses of affiliates | 1,366 | 11,888 | 135 |
| Retirement benefit expenses | 3,606 | 3,014 | 34 |
| Foreign exchange losses | - | 2,321 | 26 |
| Other | 2,822 | 2,807 | 33 |
| Ordinary loss | (45,032) | (40,461) | (460) |
| Extraordinary income | 1,601 | 930 | 11 |
| Gain on sales of investment securities | 6 | 749 | 9 |
| Gain on transfer of business | - | 174 | 2 |
| Gain on reversal of subscription rights to shares | - | 7 | 0 |
| Gain on sales of noncurrent assets | 1,595 | - | - |
| Extraordinary loss | 1,362 | 11,929 | 136 |
| Loss on change in equity | - | 5,996 | 68 |
| Business structure improvement expenses | 589 | 2,584 | 30 |
| Loss on valuation of investment securities | 76 | 1,571 | 18 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 1,434 | 16 |
| Impairment loss | 247 | 206 | 2 |
| Provision for loss on guarantees | 14 | 138 | 2 |
| Loss on retirement of noncurrent assets | 309 | - | - |
| Loss on sales of stocks of subsidiaries and affiliates | 127 | - | - |
| Loss before income taxes and minority interests | (44,793) | (51,460) | (585) |
| Income taxes | (3,661) | (9,172) | (104) |
| Loss before minority interests | - | (42,288) | (481) |
| Minority interests in income(loss) | (7,289) | 854 | 9 |
| Net loss | (JPY 33,843) | (JPY 43,142) | $(490) |

CONDENSED CONSOLIDATED QUARTERLY STATEMENTS OF CASH FLOWS

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

| **Three months ended June 30** | 2009 | **2010** | **2010** |
|---|---|---|---|
| Ⅰ. Net cash provided by (used in) operating activities: | | | |
| Loss before income taxes and minority interests | (JPY 44,793) | **(JPY 51,460)** | **($585)** |
| Depreciation and amortization | 35,050 | **19,736** | **224** |
| Equity in (earnings) losses of affiliates | 1,366 | **11,888** | **135** |
| Loss (gain) on change in equity | - | **5,996** | **68** |
| Decrease in notes and accounts receivable-trade | 152,336 | **171,615** | **1,950** |
| Increase in inventories | (30,381) | **(45,586)** | **(518)** |
| Decrease in notes and accounts payable-trade | (89,867) | **(62,324)** | **(708)** |
| Income taxes paid | (15,815) | **(12,347)** | **(140)** |
| Others, net | (40,724) | **2,069** | **24** |
| Net cash provided by (used in) operating activities | (32,828) | **39,587** | **450** |
| Ⅱ. Net cash provided by (used in) investing activities: | | | |
| Net proceeds from (payment of) acquisitions and sales of property, plant and equipment | (17,985) | **(18,289)** | **(208)** |
| Purchase of intangible assets | (6,532) | **(9,218)** | **(105)** |
| Net proceeds from (payment of) purchases and sales of securities | 9,586 | **(55,872)** | **(635)** |
| Others, net | 303 | **1,553** | **18** |
| Net cash used in investing activities | (14,628) | **(81,826)** | **(930)** |
| Ⅲ. Net cash provided by (used in) financing activities: | | | |
| Net proceeds from (payment of) bonds and borrowings | (3,396) | **34,058** | **387** |
| Cash dividends paid | (8) | **(9,711)** | **(110)** |
| Others, net | (1,348) | **85** | **1** |
| Net cash provided by (used in) financing activities | (4,752) | **24,432** | **278** |
| Ⅳ. Effect of exchange rate changes on cash and cash equivalents | 1,440 | **(2,553)** | **(29)** |
| Ⅴ. Net decrease in cash and cash equivalents | (50,768) | **(20,360)** | **(231)** |
| Ⅵ. Cash and cash equivalents at beginning of period | 317,271 | **330,548** | **3,756** |
| Ⅶ. Decrease in cash and cash equivalents resulting from change of scope of consolidation | - | **(92,787)** | **(1,054)** |
| Ⅷ. Increase in cash and cash equivalents resulting from merger | - | **9,700** | **110** |
| Ⅸ. Cash and cash equivalents at end of period | JPY 266,503 | **JPY 227,101** | **$2,581** |

## <u>SEGMENT INFORMATION</u>

[Segment information]

From the first quarter of fiscal year ending March 31, 2011, the Group applies the “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No. 17 of March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2008).

1. Outline of reported segments

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Company has its business units identified by products and services. Each business unit plans its comprehensive domestic and overseas strategy for its products and services, and operates its business activities.

Therefore, the Company consists of its business units, identified by products and services, that are five reported segments of "IT Services Business", "Platform Business", "Carrier Network Business", "Social Infrastructure Business" and "Personal Solutions Business".

The contents of each reported segment are as follows:

*<u>IT Services Business</u>*

This reported segment mainly renders Systems Integration (Systems Construction, Consulting) services, Maintenance and Support services and Outsourcing services for governments and enterprises.

*<u>Platform Business</u>*

This reported segment manufactures and sells Intel-based Servers, Mainframe Computers, UNIX Servers, Supercomputers, Storage Products, Professional Workstations, Computer Software (Operating Systems, Middleware, Application Software) and Enterprise Network Systems (IP Telephony Systems, etc.).

*<u>Carrier Network Business</u>*

This reported segment manufactures and sells Network Systems for Telecommunication Carriers (Mobile Communications Systems and Fixed-line Communication Systems, etc.).

*<u>Social Infrastructure Business</u>*

This reported segment manufactures and sells Broadcasting Systems and Video Equipment, Control Systems, Transportation Systems, Aerospace Systems (Air Traffic Control Systems, Satellite, etc.), Defense Systems (Radar Equipment, etc.) and Fire and Disaster Prevention Systems.

*<u>Personal Solutions Business</u>*

This reported segment manufactures and sells Mobile Handsets, Personal Computers, Personal Communication Equipment, Monitors and Projectors, and renders “BIGLOBE” Internet Services.

SEGMENT INFORMATION (CONTINUED)

2. Information about sales and segment income (loss) by reported segments

Three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010) (In millions of yen)

| | Reported Segments | | | | | | Others | Adjustment | Consolidated total |
|---|---|---|---|---|---|---|---|---|---|
| | IT Services | Platform | Carrier Network | Social Infrastructure | Personal Solutions | Total | | | |
| **Sales** | | | | | | | | | |
| 1. Sales to customers | **161,235** | **80,044** | **116,766** | **58,392** | **193,537** | **609,974** | **57,567** | **—** | **667,541** |
| 2. Intersegment sales and transfers | **9,999** | **9,682** | **5,938** | **2,848** | **9,794** | **38,261** | **16,374** | **(54,635)** | **—** |
| **Total sales** | **171,234** | **89,726** | **122,704** | **61,240** | **203,331** | **648,235** | **73,941** | **(54,635)** | **667,541** |
| **Segment income (loss) (Operating income (loss))** | **(5,691)** | **(4,408)** | **(5,988)** | **348** | **(374)** | **(16,113)** | **(1,132)** | **(5,986)** | **(23,231)** |

Three months ended June 30, 2009 (From April 1, 2009 to June 30, 2009) (In millions of yen)

| | Reported Segments | | | | | | Others | Adjustment | Consolidated total |
|---|---|---|---|---|---|---|---|---|---|
| | IT Services | Platform | Carrier Network | Social Infrastructure | Personal Solutions | Total | | | |
| **Sales** | | | | | | | | | |
| 1. Sales to customers | 167,581 | 73,935 | 141,666 | 57,246 | 194,939 | 635,367 | 143,098 | — | 778,465 |
| 2. Intersegment sales and transfers | 12,302 | 13,777 | 7,454 | 3,349 | 12,353 | 49,235 | 25,526 | (74,761) | — |
| **Total sales** | 179,883 | 87,712 | 149,120 | 60,595 | 207,292 | 684,602 | 168,624 | (74,761) | 778,465 |
| **Segment income (loss) (Operating income (loss))** | (600) | (14,133) | 549 | (684) | 8,926 | (5,942) | (24,660) | (9,445) | (40,047) |

Three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010) (In millions of U.S. dollars)

| | Reported Segments | | | | | | Others | Adjustment | Consolidated total |
|---|---|---|---|---|---|---|---|---|---|
| | IT Services | Platform | Carrier Network | Social Infrastructure | Personal Solutions | Total | | | |
| **Sales** | | | | | | | | | |
| 1. Sales to customers | **1,832** | **910** | **1,327** | **664** | **2,199** | **6,932** | **654** | **—** | **7,586** |
| 2. Intersegment sales and transfers | **114** | **110** | **67** | **32** | **112** | **435** | **186** | **(621)** | **—** |
| **Total sales** | **1,946** | **1,020** | **1,394** | **696** | **2,311** | **7,367** | **840** | **(621)** | **7,586** |
| **Segment income (loss) (Operating income (loss))** | **(65)** | **(50)** | **(68)** | **4** | **(4)** | **(183)** | **(13)** | **(68)** | **(264)** |

(Notes)

1. From this first quarter, the reported segment has been changed to five reported segments, which are composed of “IT Services”, “Platform”, “Carrier Network”, “Social Infrastructure” and “Personal Solutions”, due to the organizational reform. In this change, segment information for the three months ended June 30, 2009 has been reclassified in a manner used for the three months ended June 30, 2010. "Others" represents businesses such as Lithium-ion Batteries, Capacitors, LCD Panels and Lighting Equipment, which are not included in reported segments. "Others" also includes the former "Electron Devices Business", which has become immaterial since NEC Electronics was no longer a consolidated subsidiary in this period.
2. "Adjustment" of segment income (loss) includes corporate expenses of (7,351) million yen ((84) millions of U.S. dollars) unallocated to each reported segment and noncurrent assets related adjustment of 1,580 million yen (18 millions of U.S dollars). The corporate expenses, unallocated to each reported segment, are mainly both general and administrative expenses incurred at headquarters of the Company, and research and development expenses in this quarter.

SEGMENT INFORMATION (CONTINUED)

[Related information]

Three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010)

Information about geographic areas

Sales (In millions of yen)

| Japan | Asia | Europe | Others | Total |
|---|---|---|---|---|
| **553,342** | **38,160** | **24,030** | **52,009** | **667,541** |

(In millions of U.S. dollars)

| Japan | Asia | Europe | Others | Total |
|---|---|---|---|---|
| **6,288** | **434** | **273** | **591** | **7,586** |

(Note)

Sales, based on the locations of customers, are classified by country or region.

## BUSINESS COMBINATIONS

Three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010)
On April 1, 2010, the Company’s consolidated subsidiary, NEC Electronics Corporation merged with Renesas Technology Corp., and changed its name to Renesas Electronics Corporation (Renesas EL). As a result of this merger, Renesas EL has become an affiliate applying for the equity method of accounting. Outline of the merger is as follows.

Outline of the business combination
Company profiles
Surviving company: NEC Electronics Corporation
Major operation: R&D, manufacture, sale and servicing of semiconductor devices mainly on system LSIs

Merged company: Renesas Technology Corp.
Major operation: Development, design, manufacture, sale and servicing of SoC products such as MCUs, logic devices and analog devices; discrete semiconductor products; and memory products such as SRAM

Reason for the business combination
In order to strengthen their business foundations and technological assets, while increasing corporate value through enhanced customer satisfaction

Date of the business combination
April 1, 2010

Legal form of the business combination
Merger by absorption with NEC Electronics Corporation as surviving company
(Name of the new company: Renesas Electronics Corporation)

Outline of accounting method
The Company applies the accounting procedures stipulated by Articles 48, of the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of December 26, 2008).

Name of the reported segment in which the subsidiary was included

In the business segment information for three months ended June 30, 2009, the subsidiary is included in “Electron Devices.” If this information is represented in a manner used for the three months ended June 30, 2010, this is included in the “Others.”

**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 forward-looking statements, whether as a result of new information, future events, or otherwise.

The management targets included in this material are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management will strive to achieve through the successful implementation of NEC's business strategies.

Finally, NEC cautions you that the statements made in this material are not an offer of securities for sale. Securities may not be offered or sold in any jurisdiction in which required registration is absent or an exemption from registration under the applicable securities laws is not granted.

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