

February 20, 2008

Business Presentation Q&A

Questioner A

Q How will sales and production be approached as part of collaboration between NEC and Alcatel-Lucent?

A In terms of sales, both companies are responsible for approaching their respective customers. Each company will now be able to sell the existing products of the other company. Regarding Long Term Evolution (LTE) technology, the 50:50 joint venture to be formed by Alcatel-Lucent and NEC will first transfer what it develops to both its parent companies. In principle, production volume will be allocated equally between the two companies. In practice, however, production allocation is expected to be adjusted on a case-by-case basis.

Questioner B

Q As NEC's president, when do you expect ① collaboration with Alcatel-Lucent ② collaboration with global IT vendors of service platform solutions and ③ worldwide collaboration with SAP AG to begin contributing to NEC's sales?

A I cannot disclose concrete figures, but I can comment on the order in which we expect to see results. We expect the Alcatel-Lucent collaboration to contribute first, followed by SAP and then service platforms. The service platform collaboration will take some time to generate growth overseas.

A We aim to raise our percentage of overseas sales to more than 30% within the next 3 years. We intend to do this by taking advantage of the benefits of these collaborations.

Q How do you view concerns that overseas LTE infrastructure investment may not be as large as in Japan? Could domestic specifications end up differing from those used overseas?

A I don't expect LTE technology to replace existing infrastructure all at once. Japan rapidly adopted 3G technology not only to meet demand for faster communication speed, but also because it needed to use its wireless spectrum more efficiently given its relatively large population density.

However, overseas countries were not compelled by such a necessity. The need for faster communications using 3G was concentrated in large metropolitan areas. Similarly, LTE is likely to be used first to boost the communications speed of existing 3G networks. However, there is no doubt that LTE services are very convenient, so we are confident that they will gradually gain wider market acceptance although it may take some time.

A We believe that LTE specifications will become unified worldwide. We expect that Japanese communications carriers will seek to avoid isolating themselves in terms of proprietary communications standards.

Q What is the likelihood, in your view, that carriers currently using the CDMA 2000 standard will adopt LTE, which represents the next generation of W-CDMA technology, rather than UMB, the counterpart for CDMA 2000 technology?

A While the choice of communications standard depends on the carrier, I personally believe that LTE has strong potential as a next-generation communications standard.

Q For fiscal 2007, the year ending March 31, 2008, NEC forecasts net sales of ¥200 billion from NGN construction business. However, NTT Corporation will launch NGN services in only a few regions at first and these services seem similar to current services. Will NGN really be able to drive business growth at NEC?

A NEC sees NGN-related business as a broad field. We believe NGN has room to grow not only in the construction of next-generation communications networks, but also in services offered over these networks and many other areas. NGN's ability to guarantee communications quality, provide tight information security and other aspects make it an entirely different network. Because NGN services are new, we expect carriers to expand these services incrementally.

Questioner C

Q NEC has announced that it will pursue an even broader collaboration with Alcatel-Lucent. Could you please elaborate on how NEC will grow overseas sales through this collaboration?

A There are three ways. The first two ways are to sell Alcatel-Lucent

products through NEC's sales channels and vice versa. The third way is through LTE collaboration. Either company may have a good product but no ties with interested customers. Conversely, either company may have a strong customer base for a particular product, but not have a good product to offer. In these and other situations, the two companies will join forces to grow sales.

Q What do you plan to do to achieve ROE of 10%?

A By expanding our customer base through collaboration with many different partners, we will drive top-line growth, which will in turn lead to earnings growth.

Furthermore, NEC is extending management and process innovation based on the Toyota Production System to software development. Our target is to boost profitability in the IT Service/SI area by one percentage point a year. We also believe that developing competitive products like our PASOLINK point-to-point microwave communication system will be a powerful driver of growth going forward.

Questioner D

Q What is the current status of NEC's LTE-related patents?

A We don't think NEC alone has enough patents in this field. Through the Alcatel-Lucent collaboration, however, we want to compensate for this by pooling the two companies' respective patents.

Q NEC has been designated as a vendor of NTT DoCoMo's Super 3G (LTE) mobile handsets. Will the LTE joint venture with Alcatel-Lucent also involve mobile handsets?

A No.

Questioner E

Q Can the Alcatel-Lucent LTE collaboration really contribute to NEC's sales, given that sales to Alcatel-Lucent's customers are expected to account for the majority of sales overseas?

A First, NEC alone has a global share of more than 10% of the W-CDMA market. We will take advantage of this market position to develop the LTE business. In terms of production, we will leverage our proven production

capabilities with PASOLINK to increase the percentage of LTE products we supply as part of the collaboration.

Q What is your medium-term outlook for overseas NGN sales?

A We are targeting network infrastructure sales of ¥1 trillion to carriers in 3 years. Of this amount, overseas sales are projected to account for around 40% to 50%. NGN sales are in turn expected to still account for only around 20% to 30% of these overseas sales at this stage.

Q Your slide titled “Portfolio Overview towards ROE of 10%” projects that sales of the Mobile/Personal Solutions business will grow over the medium term. What is the basis for this projection?

A It is based on our efforts to win back market share and boost sales volume, after having temporarily downsized mobile handset operations to restore profitability. Creating unique products unlike anything other companies offer will also be crucial. Accordingly, we aim to create new product genres that cannot be categorized as either traditional PCs or mobile handsets. This will primarily involve linking our products to networks and services in innovative ways.

Q Does NEC plan to resume overseas mobile handset operations?

A No decision has been made yet. Even if we return to overseas markets, we will be unable to establish our own local sales channels and supply chains for the time being.