Business Update

May 28, 2008
Kaoru Yano
President
NEC Corporation
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(Notes)
NEC prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan ("Japan GAAP") .
FY2007=FY ended March 2008, FY2008=FY ending March 2009 and so on.
Agenda

I. Financial Results FY2007

II. Business Operation Strategy for FY2008

(1) Achieve JPY 170Bn Operating Profit Forecast

(2) Create New Growth Targeting an ROE above 10%
I. Financial Results FY2007
Looking back on FY2007

Management Objectives for FY2007 (from Business Update meeting in July)

- Rebuild Semiconductor business for mid-term growth
- Ensure profitability of mobile terminal business and reinforce competitive product offering
- Set breakdown plan of growth strategy centered on NGN
- Enhance corporate-wide measures to realize further growth

Results

- Successful turnaround of Semiconductor and Mobile Terminal Businesses
- Operating Profit and Net Profit both doubled compared to last FY
- Strengthened our Internal Control and Corporate Governance Structure
## Overview of FY2007 Results

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY06</th>
<th>FY07</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,653</td>
<td>4,617</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>70</td>
<td>157</td>
<td>+87</td>
</tr>
<tr>
<td>(Operating Margin)</td>
<td>(1.5%)</td>
<td>(3.4%)</td>
<td></td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>16</td>
<td>112</td>
<td>+96</td>
</tr>
<tr>
<td>Net Profit</td>
<td>9</td>
<td>23</td>
<td>+14</td>
</tr>
<tr>
<td>(Net Profit Margin)</td>
<td>(0.2%)</td>
<td>(0.5%)</td>
<td></td>
</tr>
<tr>
<td>EPS (JPY)</td>
<td>4.43</td>
<td>11.06</td>
<td>+6.63</td>
</tr>
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</table>
Financial Results by Segment

- Achieved profit in all Business Segments in FY2007

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales (JPY Bn) FY06</th>
<th>Sales (JPY Bn) FY07</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT/NW Solutions</td>
<td>2,758.8</td>
<td>2,866.2</td>
<td>+4%</td>
</tr>
<tr>
<td>Mobile/Personal Solutions</td>
<td>861.0</td>
<td>872.9</td>
<td>+4%</td>
</tr>
<tr>
<td>Electron Devices</td>
<td>965.0</td>
<td>872.9</td>
<td>-10%</td>
</tr>
<tr>
<td>Others/Eliminations</td>
<td>-67.8</td>
<td>47.2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment</th>
<th>Operating Profit &amp; Loss (JPY Bn) FY06</th>
<th>Operating Profit &amp; Loss (JPY Bn) FY07</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT/NW Solutions</td>
<td>-27.6</td>
<td>70.0</td>
<td>+4%</td>
</tr>
<tr>
<td>Mobile/Personal Solutions</td>
<td>-23.0</td>
<td>-33.5</td>
<td>-10%</td>
</tr>
<tr>
<td>Electron Devices</td>
<td>-34.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others/Eliminations</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Sales FY06: 4,652.6 (JPY Bn)
Total Sales FY07: 4,617.2 (JPY Bn)
Total Operating Profit & Loss FY06: 160.6 (JPY Bn)
Total Operating Profit & Loss FY07: 156.8 (JPY Bn)
Achievements by Segment

< IT/NW Solutions >
- NGN related business sales doubled YoY
  FY2006: around 90Bn → FY2007: around 200Bn
- Promotion of strategic global partnerships
  Alcatel-Lucent, SAP, cooperation on Service Platform
- Strengthened Enterprise Network business
  Acquisition of US Sphere to strengthen software
- Achieved #1 global market share in Pasolink (Yearly. Source: Sky Light Research)
- Executed company-wide strategic investments leading to growth

< Mobile/Personal Solutions >
- Turnaround of Mobile Business
  FY06 → FY07 Profit improvement of about JPY 46Bn
- Announced “Lui” solutions creating new market opportunities

< Electron Devices >
- Achieved operating targets
  FY06: -23Bn → FY07: 7.4Bn improvement of +30.4
II. Business Operation Strategy for FY2008
1. Achieve JPY 170Bn Operating Profit Forecast
   • Assure growth in each business segment
   • Establish solid profit structure

2. Create New Growth Targeting an ROE above 10%
   • Execute growth measures to realize NEC Group Vision
1. Achieve JPY 170Bn Operating Profit Forecast
## Overview of FY2008 Forecasts

(Unit: JPY Bn)

<table>
<thead>
<tr>
<th></th>
<th>FY07</th>
<th>FY08 Forecast</th>
<th>YoY</th>
<th>1H FY08 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,617</td>
<td>4,800</td>
<td>+ 4%</td>
<td>2,150</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>157</td>
<td>170</td>
<td>+13</td>
<td>30</td>
</tr>
<tr>
<td>(Operating Margin)</td>
<td>(3.4%)</td>
<td>(3.5%)</td>
<td>(1.4%)</td>
<td></td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>112</td>
<td>135</td>
<td>+23</td>
<td>12</td>
</tr>
<tr>
<td>Net Profit</td>
<td>23</td>
<td>35</td>
<td>+12</td>
<td>-4</td>
</tr>
<tr>
<td>(Net Profit Margin)</td>
<td>(0.5%)</td>
<td>(0.7%)</td>
<td>(-0.2%)</td>
<td></td>
</tr>
</tbody>
</table>

Forecast as of May 15, 2008
FY2008 Forecast by Segment

**Sales**
- **FY07**: 4,617.2 (JPY Bn)
  - IT/NW Solutions: 2,866.2
  - Mobile/Personal Solutions: 872.9
  - Electron Devices: 830.9
  - Others/Eliminations: 47.2
- **FY08 (Forecast)**: 4,800 (JPY Bn)
  - IT/NW Solutions: 2,930
  - Mobile/Personal Solutions: 990
  - Electron Devices: 840
  - Others/Eliminations: 40

**Operating Profit & Loss**
- **FY07**:
  - Total: 160.6 (JPY Bn)
    - IT/NW Solutions: 156.8
    - Mobile/Personal Solutions: 23.2
    - Electron Devices: 7.4
    - Others/Eliminations: -34.4

- **FY08 (Forecast)**:
  - Total: 170 (JPY Bn)
    - IT/NW Solutions: 170
    - Mobile/Personal Solutions: 24
    - Electron Devices: 11
    - Others/Eliminations: -35

Forecast as of May 15, 2008
Empowered by Innovation
Key Factors toward achieving FY2008 Target

Focus on Growth:
- NGN and Global Businesses driven by Network Systems
- Mobile Terminals Business

Focus on Profitability:
- Improvement of IT Services business operating margin
- Assure profitability of in Mobile Terminals and Electron Devices businesses
(1) IT/NW Solutions Business

Accelerating growth through NGN

◆ IT Services / SI
  - Improve profitability through continued SI production innovation
  - Increase revenue by expanding Service Platform business

◆ IT Products
  - Growth from unique products and software (REAL IT COOL PROJECT/ Thin client)
  - Strengthen & Expand global business

◆ Network Systems
  - Expand NGN business in Japan and increase profitability
  - Expand wireless broadband business
  - Expand global business

◆ Social Infrastructure
  - Focus on video solutions and security solutions

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY 07 (JPY Bn)</th>
<th>FY08 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Services/SI</td>
<td>2,866.2</td>
<td>2,930</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>832.5</td>
<td>5.6%</td>
</tr>
<tr>
<td>IT Products</td>
<td>606.8</td>
<td>5.8%</td>
</tr>
<tr>
<td>NW Systems</td>
<td>1,086.0</td>
<td>170</td>
</tr>
<tr>
<td>Social Infrastructure</td>
<td>340.9</td>
<td>Forecast as of May 15, 2008</td>
</tr>
</tbody>
</table>
Accelerating growth through NGN

< Recent Trends in NGN >

Japan
• NTT commercial service launch (end of March)
  → Expand services to Consumer / Enterprise market

Overseas
• Global market growth in NGN and wireless broadband
• Investment demand driven by 3G expansion

Sales in NGN related business

- FY06 ~ 90 (JPY Bn)
- FY07 ~ 200
- FY08 (Forecast) ~ 300

- NGN Platform & Deployment
- NGN Applications & Solutions

Forecast as of May 15, 2008

Accelerate global expansion and materialize results from partnerships
- Alcatel-Lucent
- SAP
- Service Platform Business

Expand NGN Applications & Solutions
Business Expansion through Partnerships

**Alcatel-Lucent**

Expand global business and promote product collaboration through joint development, cross-selling and cooperation in solutions business

- **Joint R&D**
  - Establish LTE JV, to jointly develop LTE products for the global market
  - In discussion for joint R&D on next-generation transport technology and others

- **Cross-selling, further cooperation in solutions business**
  - In discussion for collaborations in mutually complementary areas such as Optical, IP, mobile, IMS and others

**SAP**

- **Established “SAP Global Competence Center” in April** (Wardorf, Germany)
  - Operational tests of low-power consumption platform that will realize “REAL IT COOL PROJECT”
  - Inter-operability tests of data center platform with SAP Solution
  - Joint development of SOA-based services and other solutions

Materialize successful results
In FY2008
Expanding our Global Business

Dynamically drive growth with strong, competitive businesses

- **Pasolink** ➔ Leverage on NEC’s competitive strength as growth driver
  - Achieved #1 global market share in 2007 (30.1% Market Share)
    - Supply Record in 131 countries
    - Our Competitive Edge
      - Technology: Superior reliability with mobile technology
      - Superior solution capabilities and customer support system
      - Streamlined manufacturing, reduction of lead-time through enabled by global SCM System, superior quality, lower failure rate than competitors
  - Expanding Sales in India, Europe, Middle-East and Africa

- **Submarine Cables**
  - Building new backbone network in the Indian Ocean and Middle-East, in addition to Asia Pacific region
    - e.g. Jakarta – Singapore (optical Submarine fiber cable deal of 1,300Km)
Improvement of IT Services Business Operating Margin

Sales

Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (JPY Bn)</th>
<th>Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY06</td>
<td>~ 775.6</td>
<td>~ 6%</td>
</tr>
<tr>
<td>FY07</td>
<td>~ 832.5</td>
<td>~ 7%</td>
</tr>
<tr>
<td>FY08 (Forecast)</td>
<td>~ 850</td>
<td>~ 8%</td>
</tr>
</tbody>
</table>

*Forecast as of May 15, 2008*

- **Achievements of SI Innovation**
  - Expand innovations in Hardware production to SW and SI
  - Implement software component and system development standardization

- **Focus more on Project Management**
  - “Prevent” unprofitable projects rather than “eradicate”
  - Foster highly skilled system engineers and project management capabilities
  - Propose solutions from upper process approach (in collaboration with Abeam Consulting)

- **Expand outsourcing business**
(2) Mobile/Personal Solutions business

◆ Mobile Terminals
  • Towards growth from turnaround
  • Stronger cost management

◆ Personal Solutions
  • Product differentiation with “Lui”
  • Provide terminals for ubiquitous networks
Challenge towards re-growth and sustained profits

- Expand market share with compelling product line-up
- Expand sales to Softbank Mobile
- Stronger cost management ensuring sustained profits
  - Minimize R&D costs by sharing terminal development assets

**Current business area**

<table>
<thead>
<tr>
<th>Sales (JPY Bn)</th>
<th>Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>~ 435</td>
<td>~ -10%</td>
</tr>
<tr>
<td>~ 3%</td>
<td>~ 3%</td>
</tr>
</tbody>
</table>

Forecast as of May 15, 2008

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Evolution of Mobile Terminals

Provide user-friendly & leading-edge products

SPEED
- N904i
- N905i
- N906i
- N906iL

Richer
- N903i
- N904i
- N906iμ

Transmission Speed, Quick UI, Browser
- N905iμ
- N906iμ

World’s Thinnest μ Brand
- N703iμ
- N704iμ
- N705iμ

SUPER THIN
- 90xSeries Thinnest Handset 12.9mm
- 90xSeries Thinnest Handset 12.9mm (+Mobile TV Function “One Seg”)

World’s Thinnest Handset
- 12.9mm
- 11.4mm
- 9.8mm

STAMINA
- FOMA handest Longest Standby time
- Commitment to ease-of-use

SPEED
- HSDPA 3.6M
- 5MCamera+ Face Recognition AF
- 5M Camera+ Smile Face Shutter

Richer
- regionally limited edition - collaboration with STNY
- collaboration with STNY

World’s Thinnest Handset
- 11.4mm
- 9.8mm

“Timely Collaboration” tailor-cut to your lifestyle

Comfortable
- Collaboration with Art Director Kashiwa Sato
- Art Director

Ease-of-use
- Empowered by Innovation

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(3) Electron Devices Business

**Semiconductors (NEC Electronics)**
- Realize positive net profit by further improvement in management efficiency
- Focused investments toward mid-term growth (in Automotives, Digital consumer appliances)

**Other Electron Devices (NEC Tokin)**
- Expand laminate batteries business
- Expand growth centering on core capacitor business
- Re-build rectangular battery business

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY07 Actual</th>
<th>FY08 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semiconductor Business</td>
<td>5.1</td>
<td>10</td>
</tr>
<tr>
<td>Operating Profit (NEC Electronics)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Establish as stable revenue base for NEC Group

Forecast as of May 15, 2008
The Semiconductor Business within NEC Group

Receive orders from large business accounts through joint collaborative efforts of NEC, NECEL and other group companies

- Provide total solutions for the ubiquitous networking era
  From product development to system implementation
  (e.g. Provide comprehensive solution from RFID tags to systems)

- Cross-selling between customer base within NEC Group
  Joint approach to large clients
  (Electronics manufacturers, Game console manufacturers)
(4) Establish solid profit structure

- **Cost reduction measures**
  - Corporate DNA of NEC: Hardware / Software manufacturing technologies
    - Centralized, concentrated purchase in group companies
    - Expand usage of overseas resources

- **Reform in resource structures**
  - Respond to market trend for globalization and service focused business
    - Strengthen global workforce including overseas subsidiaries
    - Shift resources to service business (→ Re-allocation of resources, including subsidiaries)

- **Review business operation processes**
  - Compliance and maintaining the speed of business
    - Standardization and simplification of IT system and business processes
2. Create New Growth targeting an ROE above 10%
To be a leading global company\textsuperscript{(1)}
leveraging the power of innovation\textsuperscript{(2)}
to realize an information society
friendly to humans and the earth\textsuperscript{(3)}

(Announced in April, 2008)
(1) Towards a leading global company

Market / Competitive Environment
- Maturing Japanese market and growth in overseas markets (in BRICS, Natural Resource-rich countries)
- Global expansion of NGN and Broadband wireless
- Consolidation of vendors driven by commoditization of transport-layer

Expand IT/Network business to Global Market & Software/Service areas

- **Streamlining** Product and Business Portfolio
  - Concentrate on globally competitive products in hardware
  - Global expansion of software business

- **Expansion of Global Business**
  - Strengthen global sales and system engineer organizations
  - Expand business through partnerships
Reinforce carrier business in the global market

Leverage the know-how and expertise gained from NGN market in Japan to the global market

- Network infrastructure, service platforms and service application businesses
  → Fortify strategic partnership with Alcatel-Lucent

- Management Systems
  → Strengthen partnerships with overseas software vendors

Layers

Management Systems

Service Application

Service PF (IMS, SDP)

NW Infrastructure (Mobile / Broadband equipment)

Japan

Global

NEC

Software Products Services

Expand Partnership with Alcatel-Lucent

Strategic

Expand
Initiatives in the Emerging Markets

- **Expand Products and Solutions leveraging NEC’s strengths**
  - e.g. National identification system for the Republic of South Africa
  - IT Infrastructure for Indian City Development Project

- **Expand local Solutions Business** (Greater China, Latin America)

- **Strengthen Overseas R&D Resources** (in India, China, Vietnam)
  - • Increase investments
  - • Increase personnel for global market

- **Eastern Europe / Russia**
  - • Acquisition of Linecom Kft. (Hungary)
  - • Established liaison office in Ukraine and Kazakhstan

- **Chinese Speaking nations**
  - • Alliance with local Sler and Consulting companies (Changyi, Han Consulting)

- **MEA**
  - • Established liaison office in Dubai

- **India**
  - • Increase software development resources in India, China and Vietnam

- **Africa**
  - • Established liaison office in Algeria, Nigeria

- **Latin America**
  - • Strengthen local organization to expand solution businesses (in Biometrics, e-government solutions)
(2) Innovation Efforts

Strategic investments focused on IT/Network Solutions to accelerate mid-term business growth

Focus Areas

- **Network Systems for NGN**
  - Wireless Broadband (LTE, WiMAX)
  - Service Platform, NGN Applications
  - UC Core

- **Development of cutting edge technologies**
  - REAL IT COOL
  - Next-generation supercomputers

- **Develop Services and Products in new growth markets**

R&D Spending

<table>
<thead>
<tr>
<th>Sales Ratio</th>
<th>IT/NW</th>
<th>Mobile/Personal</th>
<th>Electron Devices</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.2%</td>
<td>334.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.6%</td>
<td>352.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.8%</td>
<td>375</td>
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</table>

Forecast as of May 15, 2008

Forecast as of May 15, 2008

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Develop Products and Services in New Growth Markets

Convergence of IT + Network + Device Technologies

Cutting-edge solutions in business area with solid customer base

IPTV

RFID Solutions

Multi-Biometrics

REAL IT COOL Data Center

Multi Reader/Writer

Multimode Identification system using Fingerprint + Vein Authentication

ITS

Mobile/PC convergence solutions

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(3) Towards an information society friendly to humans and the earth
Create new lifestyles with mobile/PC convergence

- Friendly to humans
  1. Eliminate the Digital Divide
  2. Provide both rich services and mobility
  3. Centralization of information
  4. Reliable, secure solution

- NEC’s Business
  - New Handset market
  - New Service Market
    - Contents, personal information, Application
  - Provide New Infrastructures
    - Security, Network, Billing, Identification

- Centralize Information over the network
  → Access any information from any device

- Link in-house Information
  (Pictures, Videos, etc.)
Focus on “Environment” in business

NEC Environmental Management Vision 2010 (formulated in 2003)
1. Reduce CO2 emission in offices and manufacturing sites
2. Reduce CO2 emission by providing low power consumption devices
3. Contribute to reduce CO2 of our clients and societies with our solutions

Friendly to the earth

- PCs
  - Eco-polyca
  - Water-cooling

- Cell phones
  - Power-saving chips

- Lithium-ion batteries (Mobile, Automotive)
  Established JV with Nissan (AESC)*
  Commercialization of High Performance Li-Ion Battery (Announced on May 19th)

- Next-generation Earth Simulator

- Thin client system

- REAL IT COOL PROJECT

- Environment friendly solutions for enterprises

- Single Core
  - Low-power device

- Multi Core
  - Multicore CPU

- Low-power device

- Lunar Explorer “Kaguya”

- Advanced Land Observing Satellite “Daichi”

* Automotive Engineer Supply
Provide Eco-Outsourcing Services

Reduction of CO2 emission is moving to “offices”, from plants & homes

Aim to provide eco-centric services (including outsourcing) in all value chain from front office to back office, leveraged by NEC’s extensive know-how and product portfolio

Next-generation
Broadband Office

Web Conferencing System
Broadband Office
W-LAN
Paperless

Next-generation
Data Center

SaaS Service / SOA Service
Platform for SaaS Service
Servers
Storage
Types of Contract
SLA
Operation
Maintenance
Operation
System Architecture
Consulting

NEC’s low-power consumption products

Low-power PC
Thin client
low-power server
ECO CENTER
Low power devices

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Establishment of Battery Joint Venture with Nissan

Formed a joint venture between NEC Group and Nissan to commercialize automotive batteries

Background & Market Environment

- Global trend towards more strict CO2 emission regulations
  e.g. ZEV Regulation in California, Israel's' electrical vehicle project
- Increase in demand for eco-cars due to sharp rise in oil price

NEC

- Highly reliable/low-cost battery technologies

NEC Tokin

- Electrode development and production

Nissan Motor

- Expertise in Automotive Technology
  - Planning to launch Hybrid and electrical vehicles from 2009 onwards
  - Member of “Project Better Place”
  - Launching Zero emission cars in Israel and Denmark

Automotive Energy Supply Corporation (AESC)

Development and mass production of advanced lithium-ion batteries

< Competitive Advantages >

- Delivers twice the electric power compared to conventional nickel-metal hydride batteries
- Demonstrates high-performance of more than 100,000 km
(5) Towards an ROE above 10% (Portfolio Image)

- Expand to new consumer markets
- Improve profitability by innovating SI and strengthening service
- Sales growth through global expansion

Operating Margin (FY07 Results, mid-term growth target)

* Size of bubbles represent Operating Profits
* Excludes impact of European PC Business Divesture
Empowered by Innovation