

Personal Solutions Business Growth Strategy Presentation Q&A

Key:

- : Questions
- : NEC's answers

Personal Solutions Business Overview

- Please show the breakdown of 900 billion yen sales outlook for the Personal Solutions Business in FY2012.
How does nonconsolidated consumer PC business, after the recent collaboration with Lenovo, affect the sales outlook?
 - The sales breakdown includes; 500 billion yen for mobile terminals, and 400 billion yen for PC and Others. The sales outlook has not changed from the mid-term growth plan announced in February last year, at 900 billion yen. The sales growth will be driven by smartphones or mobile phones, tablet devices and displays.

Mobile Terminal Business

- The operating margin target for the Personal Solutions business in FY2012 is set at 2%. If the shipment target of 12 million units for mobile phones be achieved, should the operating margin target be higher?
 - We expect the operating margins for mobile phones to be higher than the Personal Solutions business average of 2% in FY2012. Personal Solutions includes PCs for business use which is exposed to severe competition, and tablet devices which requires initial investments or R&D fees, leading to overall operating margin levels to 2%.
- NEC introduced global models for mobile phones equipped with toughness, such as waterproof, dust-proof, and crash-proof. Will these features be enough to compete in the global market?
 - Mobile phones for business use, in particular, seek for toughness in their features. In addition, we will offer smartphones with LTE, which is expected to expand in North America. All in all, we will offer slim, light mobile phones; however, we believe toughness is an important key factor in mobile phones.
- What is the break-even shipment for mobile phones? How does profitability differ between domestic and overseas businesses?
 - The mobile phone business achieves break-even at approximately 6

million units, as opposed to 4 million units estimated in the past. This is due to lower profitability of smartphones compared to the conventional feature phones.

- Domestic businesses have higher profitability than the overseas businesses. We aim for break even in the overseas businesses in FY2012.
- How does NEC provide smartphones with the newest versions of O/S?
 - We recognize the importance of equipping the smartphones with the newest versions of O/S or chipsets. We will station groups of personnel close to where these O/S or chipset vendors reside, so that we will have an access to their most recent service road maps. We will further strengthen relationships with the vendors.

Tablet Device Business

- How will NEC compete in the tablet device market?
 - We aim to expand businesses in B2B2C, where our customers provide for their customers, or in B2 Carrier 2C, where telecom carriers provide for their customers.
- How will NEC expand global businesses for tablet devices?
 - One of the potential areas includes education, where dual display tablet devices offer new types of services. For example, a user can read information on one display while working on other display at the same time. We are actively discussing possible applications with the educational service providers. All in all, we aim to enter the market with unique products combined with unique services.