

**Earnings Presentation Q&A
for the First Quarter of the Fiscal Year Ending March 31, 2012**

- : Question
- : NEC's answer

Overall Business Performance

- (To presenter, CFO(*1) Kawashima)

Please tell us about challenges NEC needs to tackle and your ambitions as a new CFO.

→It is a shortage of growth potential that is a primary concern of NEC. Sales have decreased in recent years so we have to take steps toward the growth. Also, I will support profit performance of each business.

→My ambition is to manage the process of making corporate plans. I look at the process to results and try to follow up the measures linked with corporate plans.

- NEC announced the operating income of 0.0 on its financial forecasts for the first half of the fiscal year ending March 2012. How do you evaluate it?

→ This forecast is neither conservative nor optimistic at this time. We work proactively to achieve the target.

- Please explain the reason why eliminations/unclassifiable expenses increased year on year.

→ Eliminations/unclassifiable expenses include strategic costs for company-wide projects for setting up new business and IT infrastructure enhancement, etc.

- How will NEC redeem convertible bonds at the end of September?

→We raised 30 billions yen by issuing straight bonds in June. The remaining will be covered by long-term funds such as convertible bonds or debt loan while assessing how much extra free cash flow NEC can produce for the fiscal year. We have not worked on a detailed study of it yet.

IT Services

- How do you feel about the current situation for IT investment in Japan?
 - Sales slightly decreased year on year in Q1 (April to June). Orders in Q1 slightly increased year on year, also, it will pick up from second half and be in full-recovery from the next fiscal year.
- What are the effects from the Great East Japan Earthquake? Did order delays happen?
 - There was an impact, which brought down net sales by 2-3 billions yen in Q1. Project delays had limited impact on sales and orders.
- Orders in local and central governments, medical service and manufacturing sector are stable, what kind of service is increasing? Which sectors are declining year on year?
 - Orders in governments sector are increasing with specific projects. Electric medical chart is solid business in medical service sector, and in manufacturing sector, general projects are relatively well.
 - Meanwhile, there was a decrease in retails and telecom carriers.
- How do you feel about sales increase of 1.3% year on year in Q2 (July to September)?
 - Domestic IT services market in the first half does not yet indicate tones of full recovery; however, orders in Q1 increased year on year so forecasts for Q2 are within reach.

Carrier Network

- Sales and operating income in Q1 increase year on year. Which business categories increased?
 - In sales, all business categories increased year on year, including wireless and fixed-line communications systems in both domestic and overseas.
 - In operating income (loss) overseas business was slightly red ink, but domestic business was black, both businesses improved, contributing to overall profits.
- Please tell us sales in Q1 and sales forecasts for the first half for PASOLINK and submarine cable systems. Are there any changes to the full year forecasts?
 - The sales for PASOLINK in Q1 were 15 billion yen and the sales forecast for the first half is 40 billion yen. The sales for submarine cable systems in Q1 were 10 billion yen and the sales forecast for the first half is 20 billion yen. There is no change to the full year forecasts.

- How did Q1 results compared to company estimates?
 - Sales in domestic business were better than expected and overseas business was within expectations. All in all, carrier network business was a little more than company estimates.
 - Operating income improved in every business categories.
- Are there any factors for lower profits in Q2 despite the plan to increase sales?
 - We plan to increase strategic investment costs for future business in Q2.

Personal Solutions

- Operating income in Q1 was 1.3 billion yen. Please explain the breakdown by mobile terminal business and PCs and others business.
 - PCs and others business was almost breakeven, so almost all of profit came from mobile terminal business.
- How much was mobile phone shipments in Q1. How do you think about the development costs?
 - The mobile phone shipments were in middle 1.2 million units. We are cutting the development costs by enhancing efficiency.
- Why will operating income in Q2 and the first half decrease year on year?
 - Sales in Q2 are estimated to be about 10 billion yen less year on year, due to 30 billion yen decrease from deconsolidation of consumer PC business, while, there is about 20 billion yen increase in mobile terminal business by focusing on smart phones
 - Operating income is to be lower in profits due to increase in the development costs for tablet devices; however the development costs for mobile phones are cut down.
- Is the annual forecast for mobile phone shipments achievable? Which is important shipment or profits, when assessing performance of business?
 - The annual forecast for mobile phone shipments is 7.4 million units. Smart phones launched in Japan and USA after March saw healthy sales. We will make continuous efforts.
 - We do not plan to lower profits in extremes, such as discounts to secure shipments.

Others

- What is the impact of deconsolidation of LCD module business?
→Sales in the first half will be approximately 10 billion yen lower year on year.
- Why do you forecast lower profits in Others business in Q2?
→Sales in batteries business will increase significantly year on year. Meanwhile, operating income (loss) in electric components business will worsen.

*1 CFO : Chief Financial Officer