

Business Update

February 20, 2008
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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.

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(Notes)

NEC changed the accounting principles for preparing its consolidated financial statements from accounting principles generally accepted in the U.S. ("U.S. GAAP"), to accounting principles generally accepted in Japan ("Japan GAAP") from the first half of the fiscal year ended March 31, 2007.

Current Situation of NEC Group

- Revenue from NGN Business has doubled YoY, and is expected to meet fiscal year sales target
- Turnaround of underperforming businesses on track
 - ▶ Mobile Terminal Business expected to restore profitability
 - ▶ NEC Electronics to exceed break-even in operating profit within this year
- On track to achieve fiscal year operating profit target
 - ▶ Last minute effort towards operating profit of JPY130Bn (YoY +85%)
 - ▶ Assessing measures for impact on net profit from reorganization of subsidiaries and overall downturn in global equity markets



Ensure execution of measures to accelerate the growth of NEC Group leveraging NGN

Strategic Direction

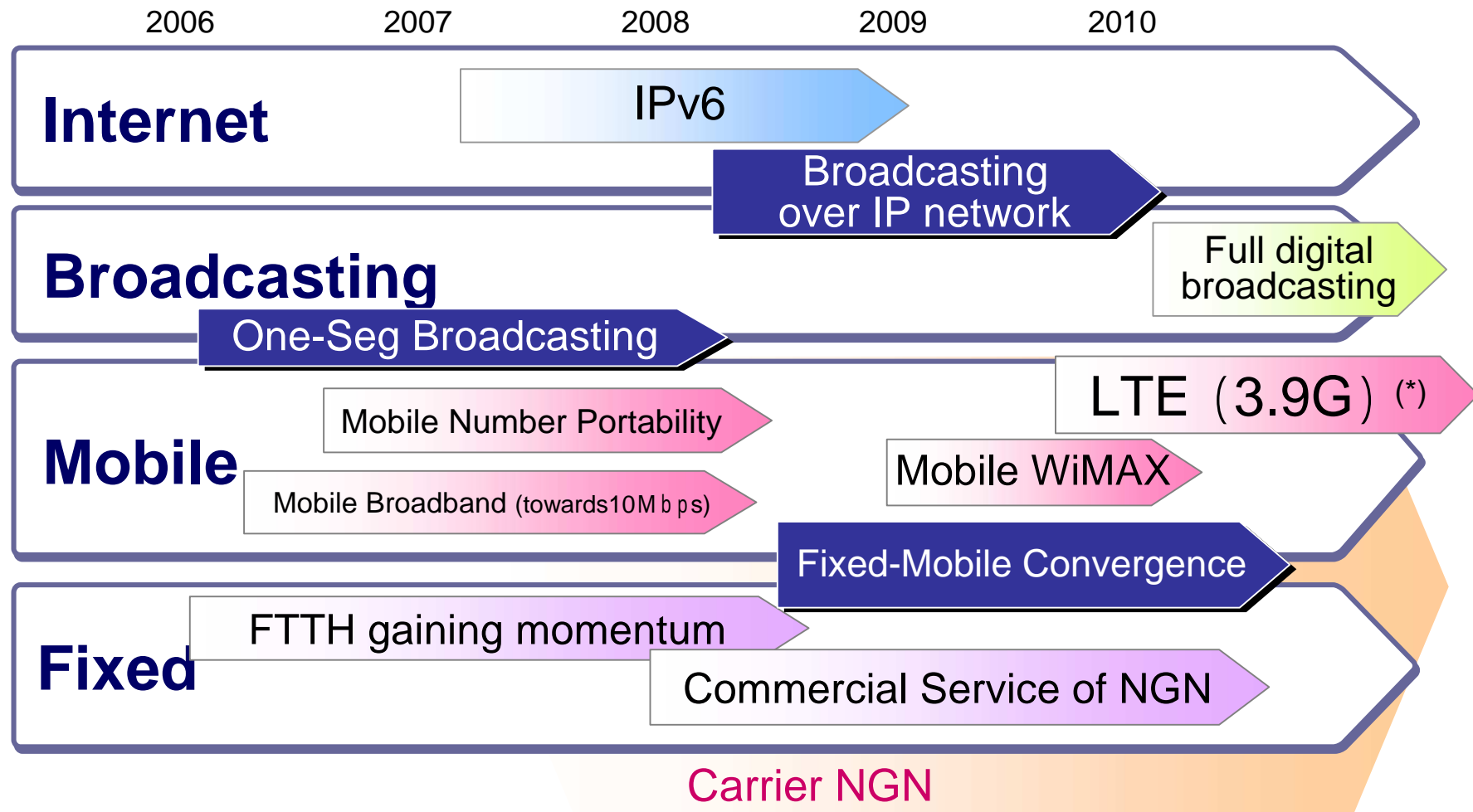
A Global “Innovation Company”

- Realize our customers’ dreams **through innovation**
- Create human and earth friendly **ubiquitous networking society**
- Contribute to society through NEC’s **leading technology**
 - Create globally competitive products
 - Integrate the strengths of NEC Group
Information Technology + Networking Technology + Device Technology

Maintain focus on NGN-driven Growth Strategy

NEC's View on Next Generation Network evolution

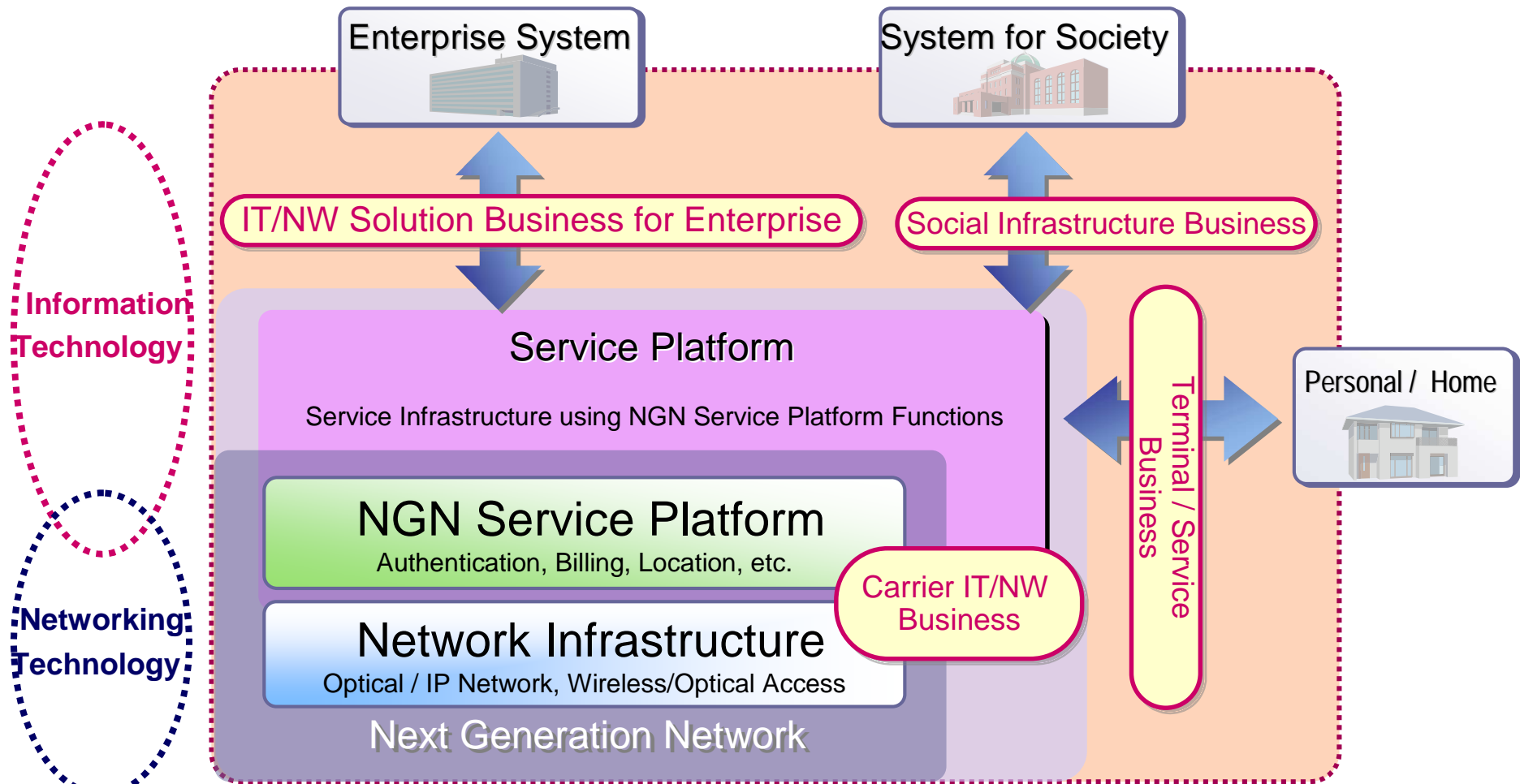
Evolution of next-generation communication environment
(incl. Broadcasting, Internet) driven by Carriers' Next Generation Networks



(*) LTE (Long Term Evolution) : enhanced 3G (third generation mobile communication) technology to achieve high speed data transmission

Expansion of Business Opportunities driven by NGN

Increasing global business opportunities in all business domains



NW=Network

1. Measures for NGN Growth Strategy

- **Expand global business through strategic partnerships**
 - Broader collaboration with Alcatel-Lucent starting from Carrier Business
 - Strengthen competitive edge of service platform and expand globally with alliances
 - Strengthen cooperation with SAP in IT/Service Business
- **Increase new solutions with the evolution of mobile terminal business**
 - Creating new terminals leveraging on our strengths in mobile and personal business

(1) Collaboration with Alcatel-Lucent

< Outline of February 12th Announcement >

Establish Joint Venture in LTE (*)

- Development of LTE wireless broadband solutions
 - Joining R&D efforts
- Further strengthen technology competence skills of both companies
- Leverage strong competitive position of both companies worldwide

First step towards extensive collaboration

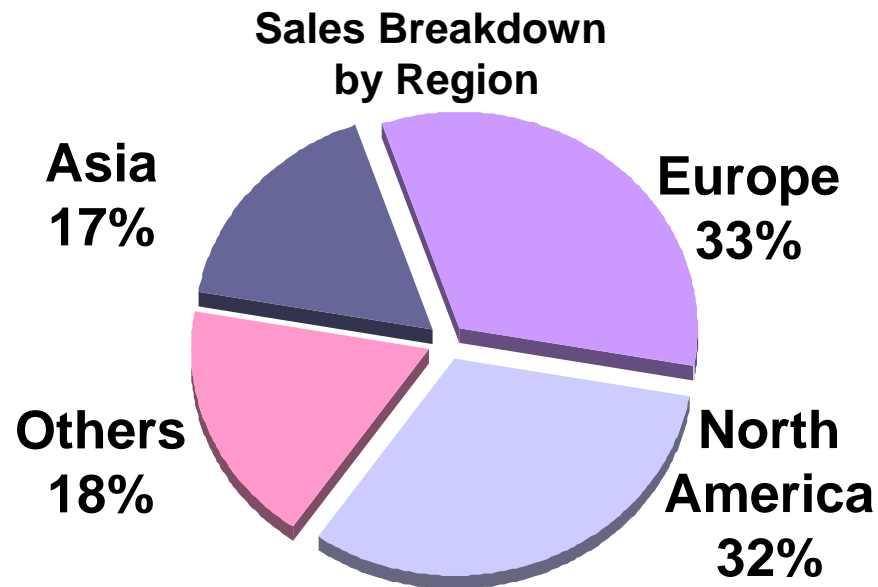
(*) LTE (Long Term Evolution) : enhanced 3G (third generation mobile communication) technology to achieve high speed data transmission

Overview of Alcatel-Lucent

Sales: €17.8 Billion in 2007

Employees: 77,000

R&D € 2.7 Billion



Global Top Position in Mobile and Fixed Line communication

CDMA #1
W-CDMA #3
WiMAX #1
DSL/GPON #1
IP/MPLS #2
Optics #1

Leveraging on strategic, complementary collaboration :

- Expanding global reach with complementary market presence,
- Mega-alliance towards FMC
- IT/Network convergence towards NGN

LTE Business Opportunities

- **Global standard for next generation**

- The next generation standard for W-CDMA /CDMA

- **Milestones and expected market size**

- 2009 to 2010

Expected launch of LTE by Major Japanese and US Operators

- 2011 onwards

Western European carriers to follow

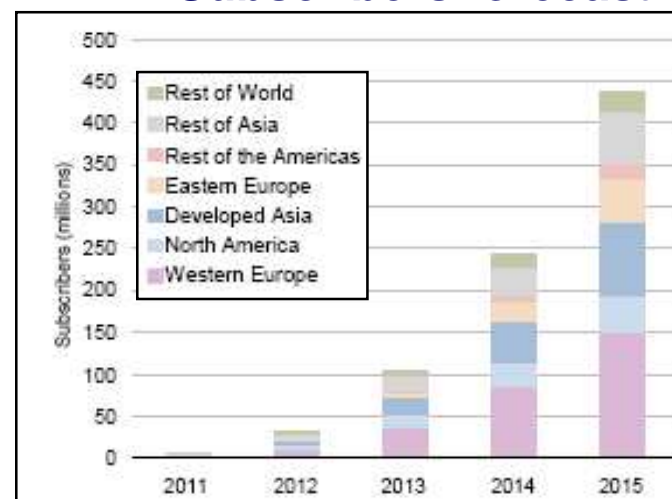
- Number of Subscribers in total :
More than 400 Million by 2015⁽¹⁾

- LTE Market size :

More than JPY300Bn by 2012

Cumulative Market Size by 2015 expected at JPY1.5 Trillion⁽²⁾

LTE Subscribers forecast



Forecast LTE subscribers [Source: Analysys Research, 2007]

(1) Analysys Research Forecast

(2) NEC Estimate

Purpose and Management of LTE joint venture

1. Accelerate Time to Market

- Engaging actively with the most advanced LTE Trials
- Trials in 2008 – Deployment in 2009

2. Lead the Technological Innovation of LTE

- Leverage expertise and field experience in W-CDMA/HSPA, CDMA/EVDO and WiMAX
- Facilitating the development of a common LTE eco-system

3. Build common LTE product portfolio

- Developing converged LTE product strategy fitting all customers
- Committing to seamless integration of LTE with W-CDMA/HSPA and CDMA/EV-DO networks

- R&D 100% dedicated to LTE
- Joint control by both companies
- Equal funding of R&D
- Alcatel-Lucent & NEC will each be responsible for integration, project execution, and field support for their respective customers

Our ambition to broaden the strategic collaboration

Position this JV as the catalyst for global growth in IT/Network Business

● Explore additional collaboration areas in carrier network business

- End-to-end 3G CDMA2000-based solutions
- Promotion of NGN deployment businesses worldwide responding to different needs by country
- Joint development, product procurement, sales collaboration in Optical, IP and Wireless

● Leverage collaboration for global expansion of IT/Network Solutions

- IMS-based applications
- Establish a service platform for global carriers and service providers
- Joint execution of IT/Network outsourcing business
- Joint Development of a next generation data center, introduce NEC platform products

Further areas of collaboration will continue to unfold

(2) Expand Service Platform Business

Demand for Service Platform is expanding dramatically

- Evolution of network environment

- Spread of Broadband Access (FTTH, HSDPA, etc.)
- Further progress in commercial NGN Services, WiMAX

- Increasing need for new network-based services

- Dramatic increase of online video service users (video sharing, IPTV, etc.)

- Growing demands for diverse new services

- Higher expectation to improve speed in implementation, from planning to service delivery
- Demand for tests on proven platforms and existing services (ASP and others)

 **Increasing demand for Service Platforms for Video Streaming, Payment, Billing, Authentication, etc.**

Competitive strengths in Service Platform

Expanding business from Large Scale System Integration
to Outsourcing/SaaS type of business

Leading track record in Platform implementation

Service Delivery Expertise

Service Provision Platform, SI Architecture Expertise
(Outsourcing, ASP Platform, etc.)

Platform SI Technology

Proven record of System Models

Middleware

High-speed/high-volume data processing,
video streaming

Technological Expertise in Network and Broadcasting Systems

Our Track Record :

- ▶ NTT DoCoMo
i-mode system “CiRCUS”
Mobile Credit Gateway System
- ▶ NHK, Fuji TV
Digital Archives
- ▶ NTV2
Video management/streaming,
Membership Management using
ASP Service (BIGLOBE)
- ▶ TBS
Set up of 4 mobile sites as
on-demand service platform of
BIGLOBE

Collaboration with Global IT Vendors

Collaboration towards global expansion of service platform solutions business



< Outline of February 14th Announcement >

1. Joint Development of Service Platform Solutions

- Aggregating system models and products into new business solutions

2. Joint Validation of System Models

- Promote joint testing and cooperation on middleware products for system models

3. Global Collaboration in SI Business

- Expand global SI business utilizing Service Platform Solutions

3. Global Collaboration with SAP

< Outline of February 19th Announcement >



Broad global alliance to include joint development, marketing and sales of enterprise solutions

1. Integration of NEC IT platform products (Hardware and Software) into SAP Solutions
2. Joint development and marketing of system integration solutions
3. Joint deployment of application service business
4. Collaboration on workforce training and R&D activities

Competitive Advantage of NEC's SAP Solution:

Number 2 player in domestic SAP related SI Business (incl. ABeam)
Respond to customer needs by combining with NEC Software
("SAP+One" Strategy)

Strengthening our Global Business through Partnerships

Accelerate Global Expansion of IT Solution Business

Stronger solution and marketing capabilities through the partnership

Global Collaboration with SAP

Joint Development of SI Solutions

NEC Industry Solutions
(PDM, Production Management)

SAP SOA Platform
NetWeaver

S A P E R P

Joint Development of Application Service Business

Japan, China, Asia

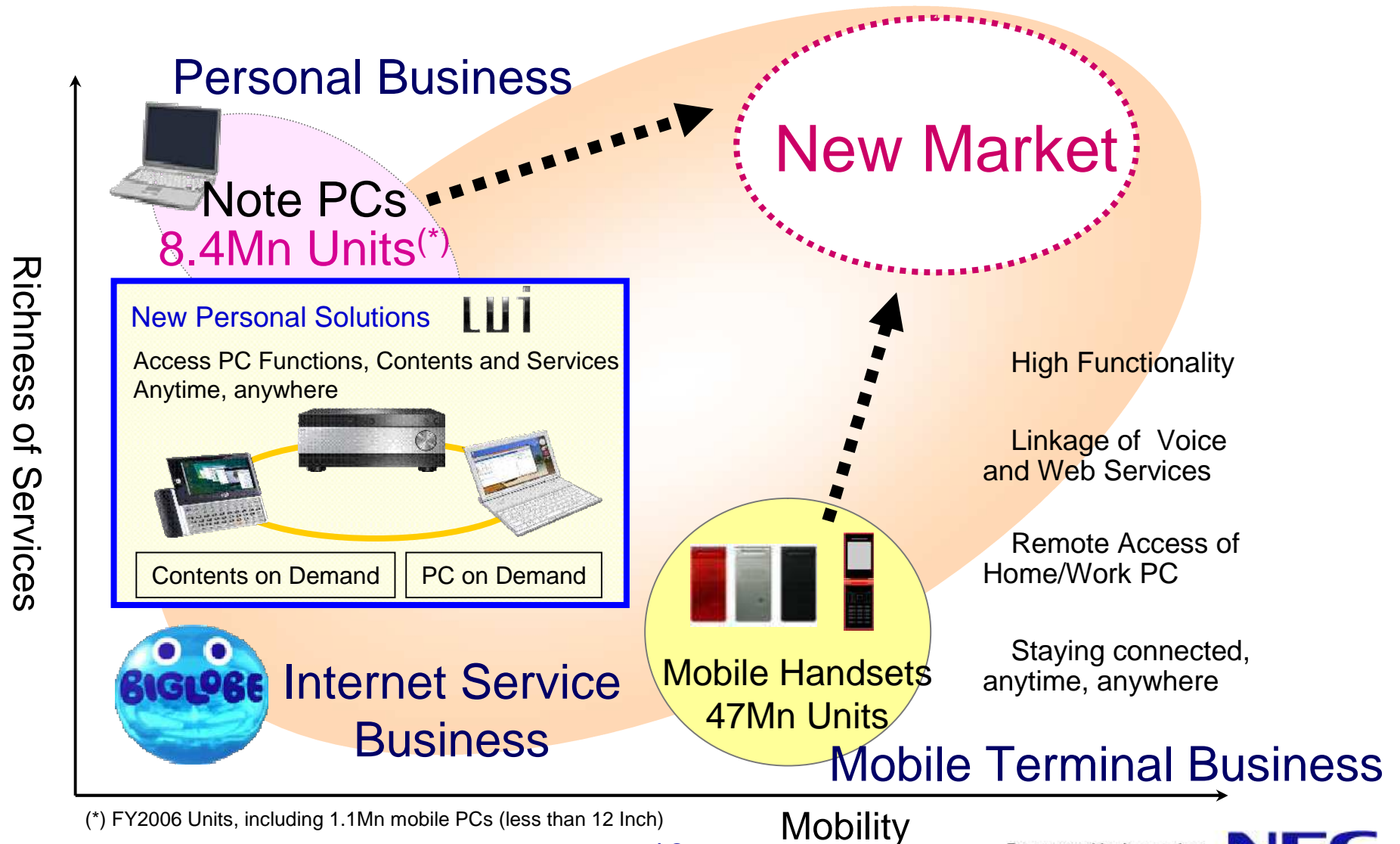
Joint Marketing of IT Platform Products

Strengthen global business by focusing on markets in China and Asia

- Investment in major Chinese Industrial Consulting Firm
“Han Consulting” (汉普管理咨询(中国)有限公司)
- Acquisition of China’s largest distribution/retail SI company
“Changyi Technologies” (北京长益信息科技集团)

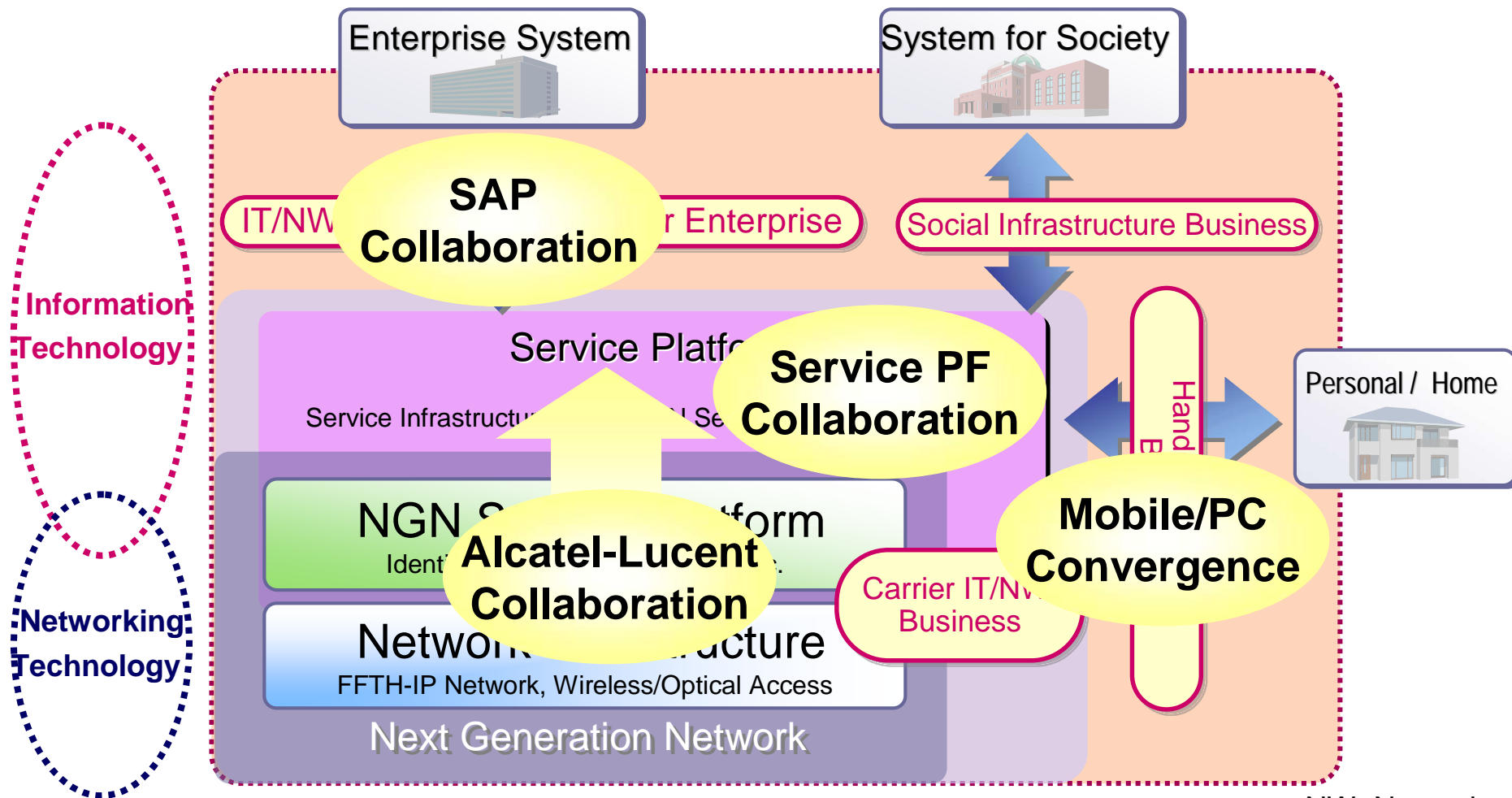
(4) New opportunities in the Mobile/Personal Business

Realizing Rich Services and Mobility to create a New Market in the NGN Era



Driving Growth Strategy through NGN

Driving growth through strategic alliances and by integrating our competitive strengths in IT/Network



NW=Network

2. Driving Growth through Innovation

Innovation generated by the integral strength of IT, Network, and Electron Devices

- **Expand Global No.1 product line following Pasolink**
- **Improve competitive strengths by business innovation**
 - ▶ Improve profitability and customer satisfaction through innovative SI
- **Focus on “Environment” as key competitive strength**
 - ▶ Environmental-friendly products and solutions from device to software
 - Low-power consumption devices, virtualization technologies, power control software, and others
 - ▶ Promote Environmental Businesses

Expand Global No.1 Product Line

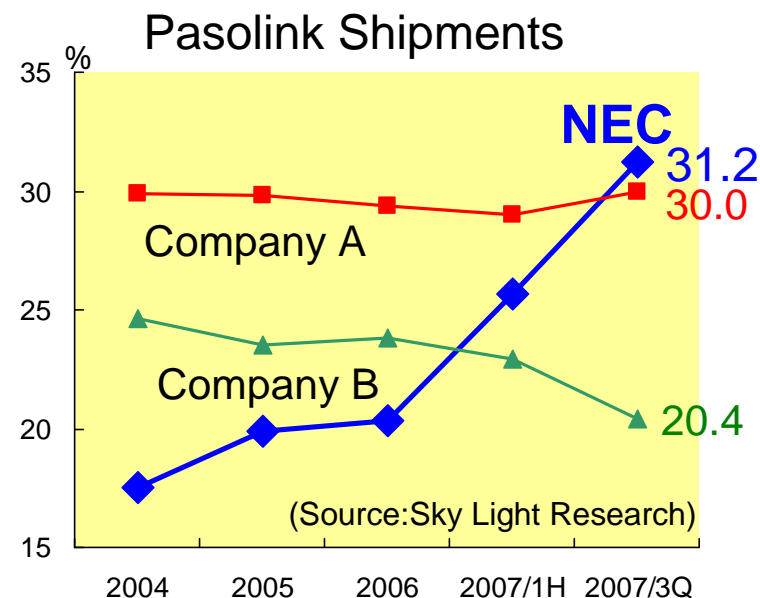
● Maximize Pasolink Revenue

- Focus on India, Asian emerging markets, Middle East and Africa
- Pursue cost reductions exceeding price decline, accelerate differentiation through SCM

More than 300K yearly shipments (FY forecast) and expected to increase further



Innovative Production supporting
#1 global share

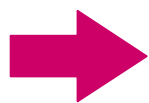


➔ Create products following Pasolink:
PasoWings (WiMax), CX2000, MSAN, HYDRAsTOR.....

Strengthen Competitive Position through Business Innovation

Improve customer satisfaction and operating margins through SI innovation

- Strengthen value chain of total SI process
(From Planning, System Development to Maintenance/Operation)
 - ▶ Increasing IT Consulting Personnel for business proposals
→ increase volume and quality of orders
 - ▶ Promote SI engineering
 - ▶ Increase quality through System Model-based SI,
reduce lead time (Target 50% reduction)
 - ▶ Promote NEC System development Standard “SDE”
Expand to 220 domestic and 40 overseas companies



Target : Increase SI Operating Margin by 1%/year
(FY2007 Forecast 7% → double-digit profit margin (Mid-term growth plan)

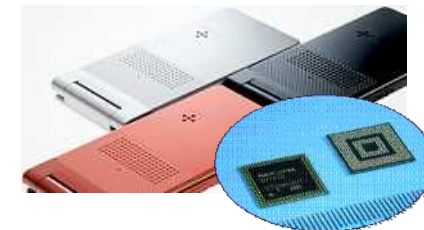
(*SDE (SystemDirector Enterprise) : NEC Group System Development Standard

Focus on “Environment” as key competitive strength

- Leading the industry by providing comprehensive environment-friendly technologies from Device to Software
 - low-power-consumption devices, virtualization technologies, power control software

- Environment-friendly products
 - Mobile Phones, PCs, Network Equipment
- Low-power consumption Platforms
 - “REAL IT COOL PROJECT”
- Devices / materials
 - Automotive batteries, bio-plastics, etc.

Low Power Consumption Chip
for mobile handsets

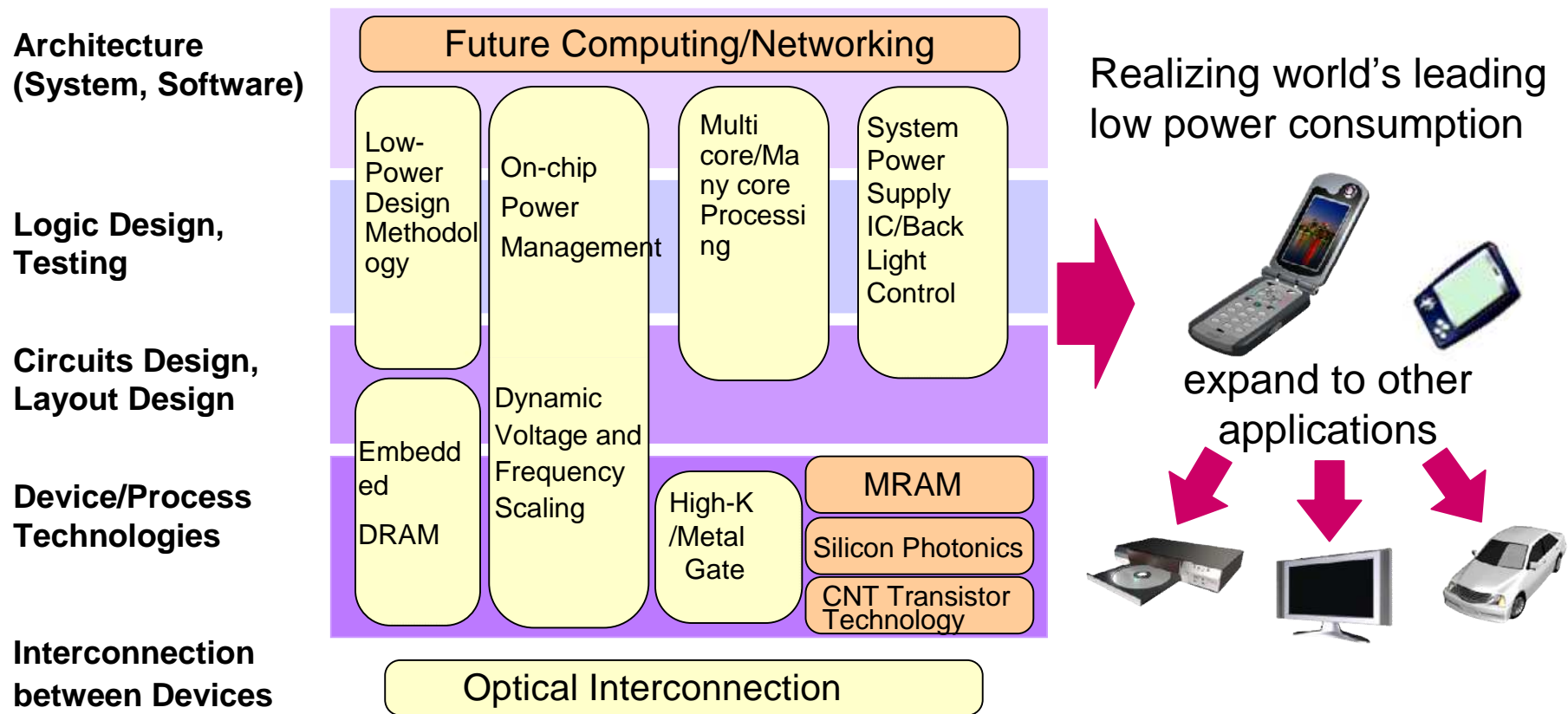


- Promote Environmental Businesses
 - Environment-friendly Solutions for Corporate Users
 - “Eco Performance Management”
 - “PC power consumption control system” etc.



Innovation towards low-power consumption semiconductor

- Aim leading industry position in low-power consumption semiconductor by combining technologies ranging from system, software, circuits, to process



Management Objectives

- **Achieve Operating Profits of JPY 130Bn this fiscal year as a starting line**

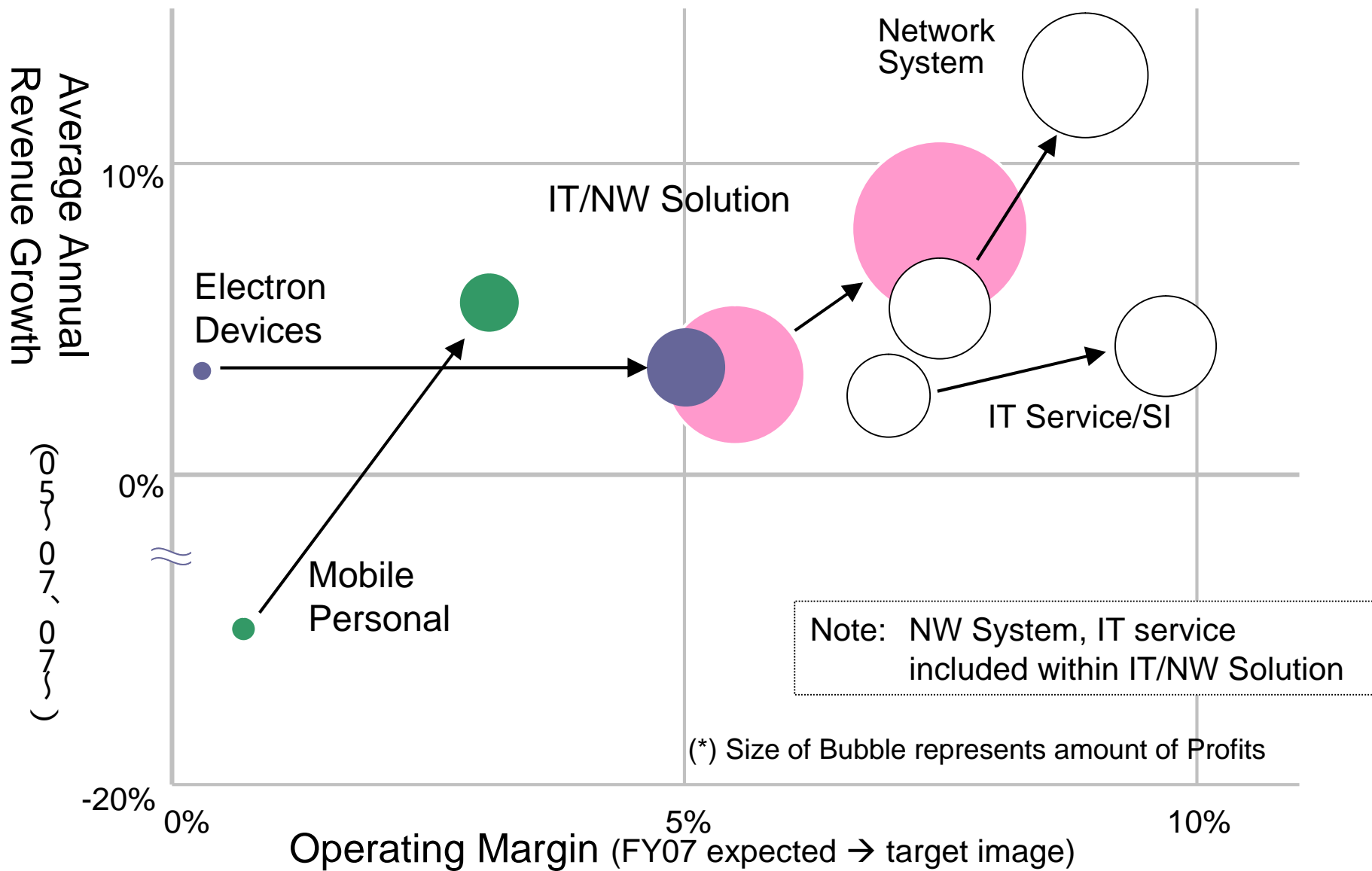
- **Over medium term,**

Achieve performance level meeting stakeholders' expectations

- ▶ **Increase ROE**

- Near-term Milestone : ROE of 10% or Above
- Management Target : ROE 15%

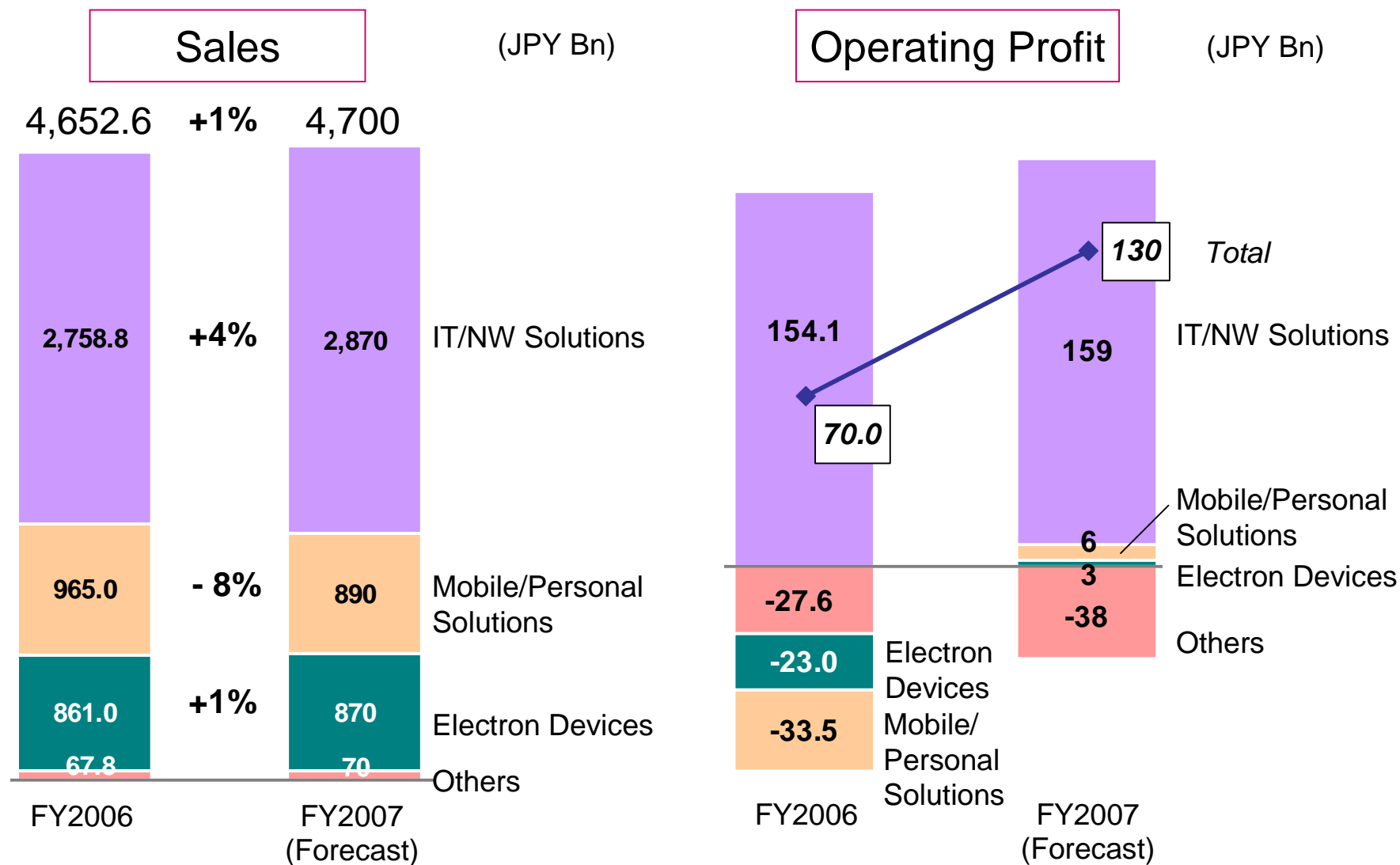
< Reference > Portfolio Overview towards ROE of 10%



*FY2005=FY ended March 2006, FY2007=FY ending March 2008

Supplementary Material Forecast by Segment

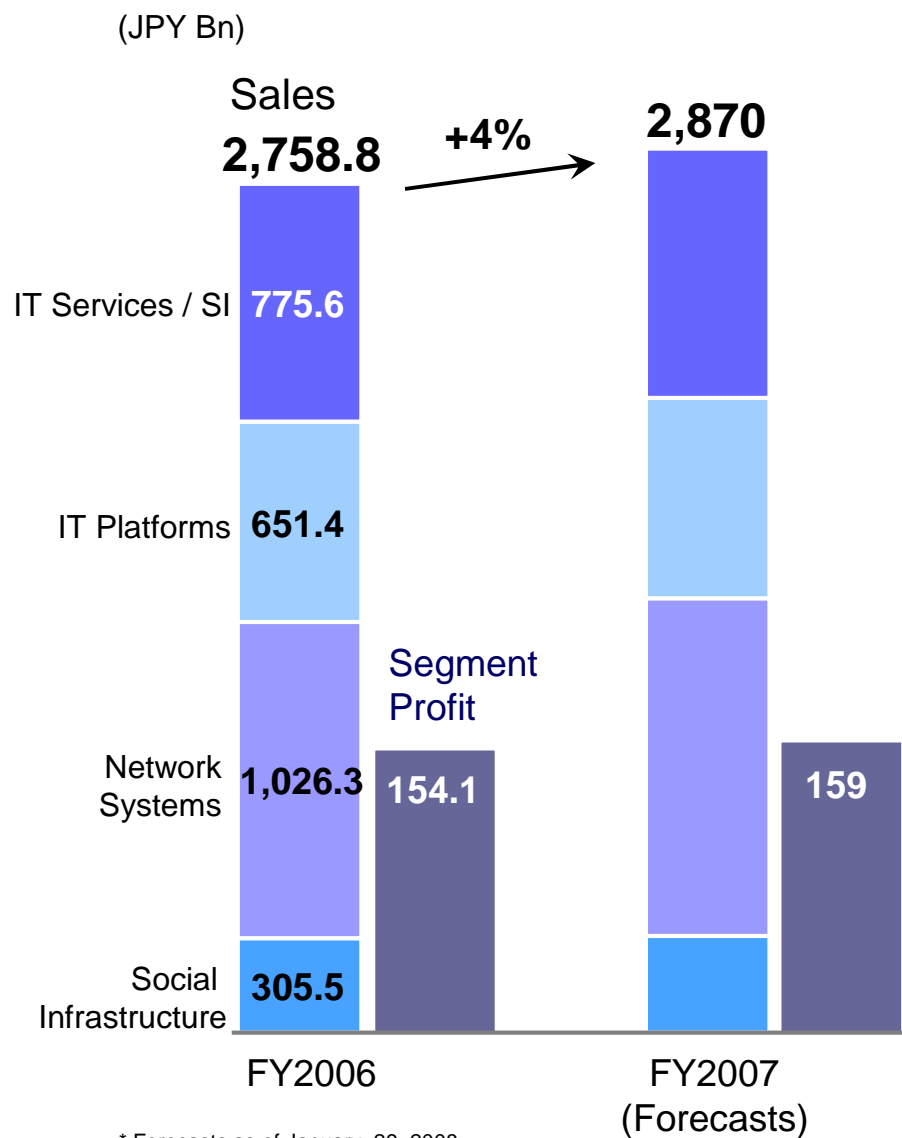
FY2007 Forecast by Segment



* Forecasts as of January 29, 2008

*FY2006=FY ended March 2007, FY2007=FY ending March 2008

IT / Network Solutions Business



4% Sales increase expected to come mainly come from NW System, IT Service/SI

▶ Network System

- Continued strong performance of Pasolink Global #1 Share (July – September 07)

▶ IT Service/SI

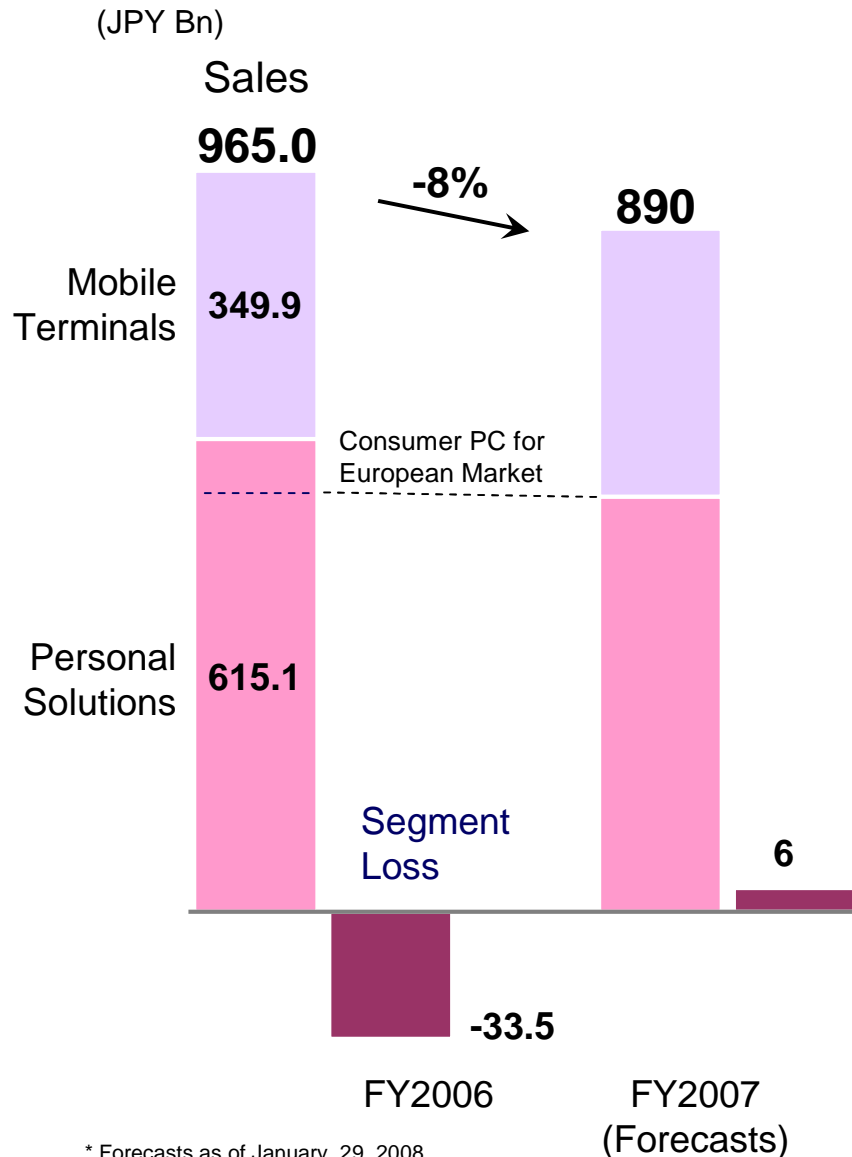
- Communication/Media Related (Service PF), strong growth of financial services

Sales from NGN Development Expected to achieve Yearly Sales target of JPY 200Bn

* Forecasts as of January 29, 2008

*FY2006=FY ended March 2007, FY2007=FY ending March 2008

Mobile / Personal Solutions Business



▶ Mobile Terminal

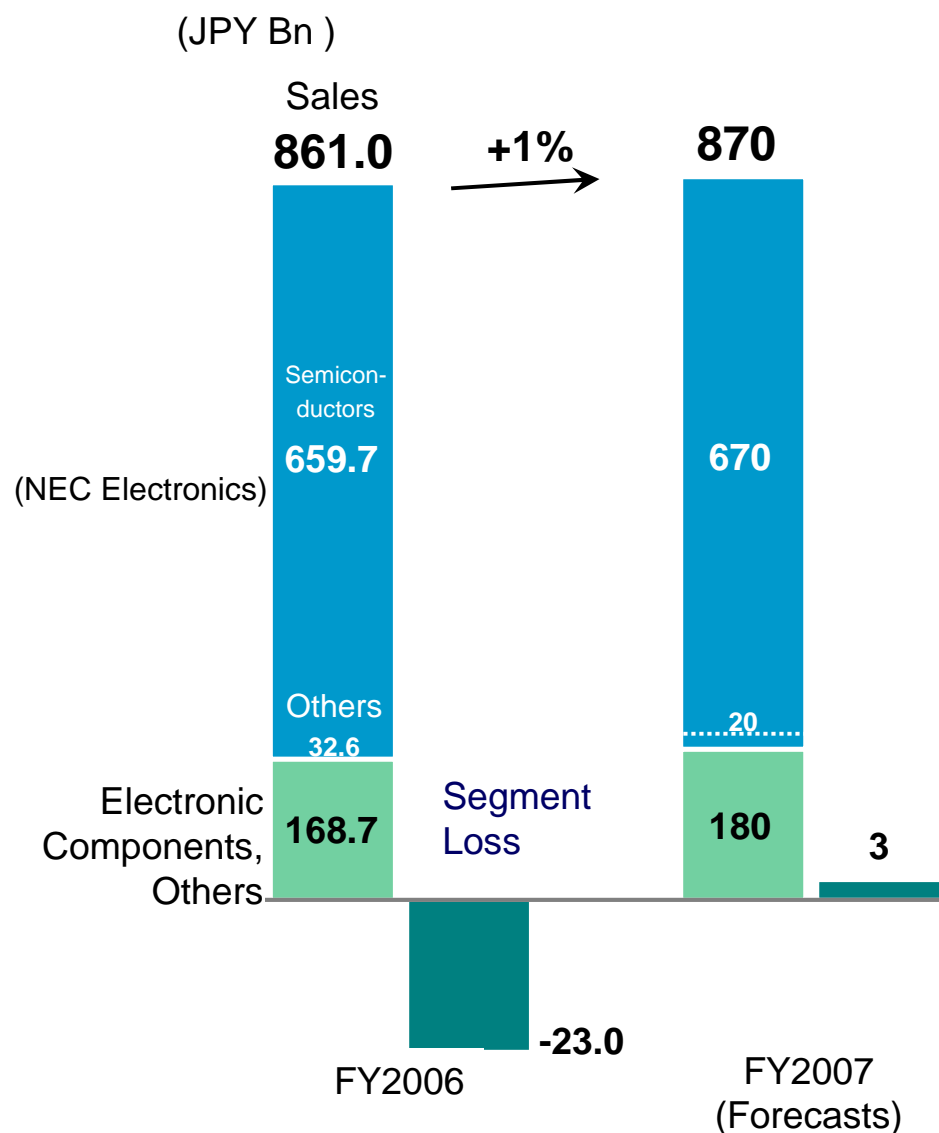
- Strong performance of ultra-thin handsets, one-seg handsets
 - Top Share within 90x Series of NTT DoCoMo
 - Release of new 70x models in February
(N705i, N705i μ)
- Expected Shipments this year: 5Mn units

▶ Personal Solutions

- Maintain No.1 PC Share in Japan
(CY2007, MM Soken Research)
- Announcement of new personal solution, "Lui"

*FY2006=FY ended March 2007, FY2007=FY ending March 2008

Electron Devices Business



* Forecasts as of January 29, 2008

▶ Semiconductors

< NEC Electronics >

- Positive Operating Profit in the first 9 months, exceed break-even this Year
- Target Net Profit in FY08

▶ Electronic Components, Others

< NEC Tokin >

- Downward revision of current FY forecasts
 - Operating Profit JPY6.5Bn → JPY0.5Bn
 - Net Loss JPY -12.2Bn
- Restructuring of Battery Business
- Targeting Profitability next FY

*FY2006=FY ended March 2007, FY2007=FY ending March 2008

Empowered by Innovation

NEC