

October 30, 2008

**Earnings Presentation Q&A for the First Half of Fiscal 2008, the Year
Ending March 2009**

Q&A

Key:

- : Question
- : NEC's answer
- First half: April to September
- Second half: October to March

Questioner A

•Please give details on the composition of the full-year forecast for Network Systems sales. Could you please comment, for example, on Next Generation Network (NGN) sales in this area?

→ The initial Network Systems sales forecast reflects projected NGN construction business sales of approximately ¥200 billion. NEC has not revised this target.

→Sales to communications carriers account for approximately 70% of Network Systems sales, while sales to non-carriers such as enterprises account for the remaining 30% or so. Of the former, sales to domestic mobile communications carriers account for roughly 60% while sales to overseas carriers account for between 30% and 40%.

•What is the composition of SI business sales by industry sector? NEC posted higher SI business sales. How about orders?

→The sales composition for the SI business is roughly as follows: government agencies account for just over 20% of sales; public works and the medical sector account for just over 10%; the financial sector accounts for just over 15%; the communications and media sector accounts for just under 15%; the distribution and services sector accounts for just under 20% and the manufacturing sector accounts for around 15%.

→ SI business orders are trending in a positive direction at this time, in line with our sales forecast. However, we need to closely monitor order trends in the second half in conjunction with economic conditions.

Questioner B

•First-half operating income for the IT Services/SI area was below your initial forecast. Has profitability deteriorated due to severe contract terms or other factors resulting from worsening economic conditions in recent months?

→First-half operating income fell slightly short of our initial forecast, but we still expect to meet our initial full-year forecast. The first-half shortfall reflected the project mix due to differences in the profitability of each project, not worsening profitability. Another factor was that some IT Services/SI earnings that had originally been expected to exceed our forecast should have been recorded under IT Products.

•Do you expect mainframes and storage products to continue performing strongly for the rest of fiscal 2008?

→Mainframes recorded higher earnings in the first half of fiscal 2008 because new models unveiled last year contributed significantly to first-quarter earnings this fiscal year. Although we have not changed our initial forecasts, we expect second-half earnings to surpass the first half. The characteristics of this business usually dictate that sales and earnings are higher in the second half than in the first half.

•Which industry sectors does the mainframe business primarily serve? There seem to be fewer mainframe projects than before. Has profitability declined?

→Many of our mainframe customers are government agencies and the public works sector. Because demand for mainframes has largely held firm, we have sustained a relatively high level of profitability in this business.

- Mobile communications carriers may curb investments over the next year or two until LTE, a next-generation mobile communications system, comes to the fore. Do you expect the Network Systems business to experience difficulties in the meantime?

→ In the mobile communications business, we cannot expect large growth at this time. However, we still expect a certain level of sales volume to underpin the business as a whole. In addition, we intend to grow the wireless broadband, PASOLINK and certain other businesses to pave the way for LTE. In regard to PASOLINK, we face a negative impact from the strong yen. However, we are working to reduce costs to offset it and are convinced that PASOLINK remains a promising product.