

May 12, 2010

**Presentation Q&A
for Fiscal 2009, the Year Ended March 31, 2010**

Key:

- : Question
- : NEC's answer

- *Fiscal 2009: Year ended March 31, 2010
- Fiscal 2010: Year ending March 31, 2011
- Fiscal 2012: Year ending March 31, 2013

Financial Forecasts

•On February 25, NEC announced its Mid-Term Growth Plan along with its fiscal 2012 targets. How do you position the current fiscal year, fiscal 2010, in the context of achieving these targets?

→We see fiscal 2010 as an important year because it is the first year of our Mid-Term Growth Plan V2012, and our outlook for fiscal 2010 is slightly conservative in some respects.

•NEC reduced fixed costs by ¥320.9 billion in fiscal 2009. How much do you expect fixed costs to be in fiscal 2010?

→In fiscal 2010, we expect several changes, including the deconsolidation of the former NEC Electronics Corporation, which was responsible for the semiconductor business, and the integration with Casio Hitachi Mobile Communications in the mobile terminal business. Excluding the impact of the deconsolidation of NEC Electronics, the projected net sales of ¥3,300 billion for fiscal 2010 represents an increase of around 5% year on year. This includes the contribution to sales from the mobile terminal business integration.

→In terms of fixed costs, we are forecasting an increase in labor costs, which were reduced as part of urgent measures in fiscal 2009. Costs for outsourcing engineering and consignment of activities are also expected to increase, in line with net sales growth.

•What estimated impact will foreign exchange movements have on NEC's performance?

→Looking at fiscal 2009 results, there was an annual impact of around ¥0.6 billion on earnings for every appreciation of ¥1 against the U.S. dollar. In fiscal 2010, we expect almost no impact from foreign exchange movements, because the semiconductor business will be deconsolidated, and all positive and negative foreign-exchange effects stemming from other factors will offset each other.

•The fiscal 2010 forecast of equity in earnings (losses) of affiliates does not include the financial results of Renesas Electronics Corporation. In the event that Renesas Electronics posts an extraordinary loss due to restructuring or other factors, how will NEC's net income forecast be affected?

→Renesas Electronics is currently implementing a "100-Day Project" to shape new policies and plans within the first 100 days after the merger. The new policy is scheduled to be announced at Renesas Electronics' first-quarter earnings announcement. NEC will consider its response at that time.

•Why are you forecasting negative free cash flow of ¥50.0 billion for fiscal 2010?

→The ¥50.0 billion negative free cash flow projection is based on factors including the injection of capital in Renesas Electronics we have already made. In fiscal 2009, positive cash flow of around ¥70.0 billion was generated from the sale of shares of Nippon Electric Glass Co., Ltd. We see our effective free cash flow for fiscal 2009 as the actual result of ¥93.6 billion minus the cash flow contribution from this sale of shares. In fiscal 2010, NEC will generate solid cash flows by continuing to enhance asset efficiency.

Fiscal 2010 Measures

•The Network Systems Business is projecting a large increase in sales in fiscal 2010. What is your strategy for achieving this growth?

→In overseas markets, NEC's submarine cable systems boasts strong competitiveness, which we will harness to ensure that we win orders. We also aim to increase PASOLINK sales primarily in Asia. New models featuring broadband capability will also be launched and by reflecting the added value in price, we will ensure that we generate earnings and boost sales.

→In the Japanese market, although investment in W-CDMA (*1) has quieted down, new market areas such as femtocell (*2), LTE (*3) and WiMAX (*4) will expand going forward. In WiMAX equipment for UQ Communications Inc., NEC already commands a large share of the whole. In LTE, NEC has been selected as a vendor by two companies, NTT DOCOMO, INC. and KDDI CORPORATION. We believe that NEC is well positioned in both of these new fields.

•Could LTE services in overseas markets expand going forward?

→NEC is engaged in LTE trials with Telefónica S.A. of Spain and SingTel of Singapore. Regionally, we have the highest expectations for Europe. Some argue that there is little demand for LTE in Europe because the region already has well-developed GSM (*5) and W-CDMA networks. However, LTE should be deployed in Europe from the standpoint of bandwidth efficiency, and we are closely monitoring how data services develop in this market. NEC has a good business relationship with Telefónica, which has many group companies in Central and South America. Looking ahead, we will work to increase business with Telefónica, with the view to building a solid track record.

•NEC has said that both “outward efforts” and “inward efforts” will be necessary. Which do you want to achieve the most this year?

→I recognize that our efforts along both of these lines were not very effective in the past. When market conditions were severe like in fiscal 2009, we tended to become absorbed in “inward efforts,” while conversely when markets improved we tended to neglect these “inward efforts.” I have stressed to employees that they should always keep both of these approaches firmly in mind from now on.

→ Despite continuing difficult market conditions, NEC was able to reduce fixed costs by ¥320.9 billion in fiscal 2009 compared with the previous year. While continuing these cost-cutting efforts, we will step up our “outward efforts.”

→As part of our “outward efforts,” we must establish new market areas in addition to developing existing business fields. One priority is to cultivate global markets; another is to cultivate new domains. This means that we must change ourselves. Within the Company, we are currently considering sales-expansion measures and marketing activities.

- *1 W-CDMA: A 3G mobile communications standard.
- *2 Femtocell: An ultra-compact wireless base station installed in the home.
- *3 LTE (Long Term Evolution): The next step in high-speed standards for mobile 3G services. LTE is also referred to as 3.9G or even “Super 3G.” It permits high-data transmission speeds of 100Mbps.
- *4 WiMAX (World Interoperability for Microwave Access): the popular name for the IEEE 802.16 standard, a wireless communications standard promoted by the WiMAX Forum.
- *5 GSM (Global System for Mobile Communications): A mobile communications standard.