

**Earnings Presentation Q&A
for the First Half of Fiscal 2010, the Year Ending March 2010**

•: Question

→: NEC's answer

*"Previous forecasts" refers to forecasts announced on July 28, 2010 (at the first-quarter earnings presentation).

Results for 1H and business situation

•The sales of Carrier Network Business in 1H did not reach the previous forecast mainly in the PASOLINK* and submarine cable systems. Does the competitive environment become more severe?

→Since we launched new model of PASOLINK in August, orders we received are increasing. We try to secure more orders continuously.

→As for submarine cable systems, the sales decreased due to the delay in the signing of contracts. We expect to mark those sales in 2H.
The data traffics are increasing and the demands for the network infrastructure such as submarine cable systems are very strong continuously.

•NEC has begun mass production of electrodes for automotive lithium-ion batteries since July 2010. How is it working?

→It is working well and efficiently.

Future forecasts

•Are there any cannibalizations among IT Services Business, Carrier Network Business, and Personal Solutions Business?

→ While there are some cannibalizations in some areas, we think the progress of cloud business will generate new businesses. For example, we can reduce traffic jams by changing the traffic lights depending on traffic volume through capturing data from the vehicles on the road in real time.
This also will contribute to energy saving. As such cloud businesses expand, it will be needed to enhance the processing capability of datacenters. We will secure these business opportunities timely.

→We will see many varieties of data devices such as smart phones in the future. Individual customers will have two devices, one is a phone to talk, and the other is a device for data communications. Devices for data communications (i.e. a device for electric book) are needed to have a strong relationship with services provided. We expect many types of data devices will be developed with many kinds of usability and the number of devices will also increase.

•Is there possibility of further cost reduction?

→As for software development, we are promoting the shift to offshore development. While we reduce the development cost, we always pay attention to keep the number of development items. In the material purchasing, as we have received benefits from the strong yen, we are considering the plant shifting to overseas in order to reduce the cost further by shortening distribution including logistics.

•What is the reason that NEC downward 1.5 million units from the previous forecast of annual shipments in the mobile terminals?

→We took the sluggish sales under severe competitive environment in 1H into account. Though our products were not accepted by the market in 1H, we will recover by launching new product in 2H.

•Do you implement measures against risk of expanding the mobile terminal business overseas?

→In the mobile terminals business, we need to lower production costs by increasing the sales amount. It is essential to expand business overseas in order to increase the volume of units. Also, we have to enhance supply chain management. As Japan is superior in the supply chain management, we have strength cultivated in PASOLINK business. We accelerate the implementation of concrete measure including enhancing marketing capability for future growth.

*PASOLINK: It is the product name for a point-to-point, ultra-small microwave communication system produced by NEC. Access lines among mobile BTS (Base Transceiver Stations) are the largest source of demand for this product.