

**Earnings Presentation Q&A
for the Fiscal Year Ended March 2011**

- : Question
- : NEC's answer

Overall Business Performance

•Net sales were 84.6 billion yen lower than the previous forecast announced on February 25, while operating income was lower only by 2.2 billion. Did the company put off necessary R&D investments to secure short-term profits?

→There was an impact from the earthquake, which brought down net sales by 43 billion yen and operating income by 14 billion yen compared to the previous forecasts. On the other hand, we saw an operating income improve in Carrier Network by carrying out cost reduction measures thoroughly.

→NEC continues to spend necessary and timely R&D expenses in the fiscal year ending March 2012.

•NEC did not announce an outlook for the first half of the fiscal year ending March 2012. How do businesses look in the next 6 months?

→During the first half of the fiscal year ending March 2012, we expect to see a shortage of components in some of the products from mid to end-May, as an impact from the earthquake. Efforts are underway to minimize the damage by seeking for substituting components. However, given these circumstances, the business outlook for the first half is unclear, and we refrain from reporting the first half forecasts until we further investigate the business environment.

•Please explain the current situation of Cloud related businesses.

→Sales for the cloud related businesses were 450 billion yen in the fiscal year ended March 2011. Setting our target at 1 trillion yen in the fiscal year ending March 2013, we aim to achieve 650 billion yen by focusing on creating new service businesses in this fiscal year.

•How is the impact from the equity method calculated with regards to Renesas Electronics, an affiliated company?

→The impact from the equity method is calculated by applying NEC's share holding ratio, which is 34% for the fiscal year ended March 2011, and 17% for the fiscal year ending March 2012. As a result, Renesas Electronics' financial results will have less impact on NEC's net income in this fiscal year.

IT Services

- Please explain the current status of loss-making projects
 - There was a loss of approximately 15 billion yen from the loss-making projects recorded in the fiscal year ended March 2011. We expect to control loss down to 10 billion yen in this fiscal year ending March 2012.
- What is the outlook by sector for this fiscal year?
 - We expect to see a solid business in government and ministry sector with an increased demand for BCP or the business continuity planning. Other business sectors are expected to see sluggish first-half, affected by still-recovering economy in Japan. However, as our customers in Japan face strong yen and severe competition in the global market, solutions to enhance cost performance and operation efficiencies are in demand. While business environments remain unclear, we expect to see a recovery in IT investments in the latter half of the fiscal year, aiming to attain sales on par with the previous fiscal year.

Carrier Network

- What is the outlook for the fiscal year ending March 2012?
 - We expect to see more investments in network, with an upsurge in data traffic. We saw a strong demand in augmenting network in Q4 (January to March) of the fiscal year ended March 2011, and we expect the strong demand to continue into this fiscal year. There is also a strong demand for Femtocell services. There is a shortage of components for some products; however, we expect the issue to resolve by the latter half of the fiscal year, and will provide to the strong demand all in all in this fiscal year.
 - We also expect to see an increase in overseas businesses. The new PASOLINK products were released in the previous fiscal year, and they were highly acclaimed by our customers. We offer a strong and competitive product lineup in this business category. We also expect to see an increase in demand for Femtocell businesses. Moreover, we anticipate new business opportunities globally, with more investments in network including the submarine cable systems, in response to increased data traffic.

Personal Solutions

•What is the breakdown of mobile phone shipments by region? What is the ratio for smartphone shipments?

→Out of total mobile phone shipments in the fiscal year ended March 2011, approximately 80% went to Japan and 20% for overseas. Smartphones were less than 10% of the total shipments.

→Outlook for mobile phone shipments in the fiscal year ending March 2012 includes approximately 70% for Japan and 30% for overseas. Smartphones will consist of more than 50% of the total shipments.

Lithium-ion Rechargeable Batteries for Automotives

•What is the current situation for the lithium-ion rechargeable battery business?

→We attained production capacity of 2 million kWh in the fiscal year ended March 2011. We will invest to expand the capacity up to 10 million kWh in the fiscal year ending March 2013.

→We joined field trials for smart cities and large-scale electricity storage systems using our lithium-ion rechargeable batteries.