Carrier Network Business Growth Strategy Presentation Q&A

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Location   Mitsubishi Building Conference Square M+ "Grand"

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Questioner A

Q. As data traffic increases in Japan, there should be more investments by telecom carriers. What is the current status of the business environment and in which area do we see upsurge in equipment shipments? Is this a short-term trend or do we expect it to prolong into the next fiscal year?

A. We see a hike in data traffic as smartphones spread, resulting in solid demand for domestic wireless network equipment. There is demand to upgrade in both base stations and network equipment in 3G related area. LTE too is seeing a stable demand, and we expect the favorable trend to stay while the smartphone boom lasts.

Q. How does the anticipated increase in investments by Japanese telecom carriers affect NEC's business performance? Please give a hint as to which type of core network equipment is in strong demand.

A. We refrain from commenting the figures digitally, but we observe an active investment in base stations and network equipment, as well as capacity upgrade for equipment which process packet transfer communications.

Q. How does production of PASOLINK in India affect profitability of the business? How much will be produced in India?

A. We expect to start with approximately 10% of total production, in response to demand in India, and increase the production volume in accordance with market demand. We aim to manufacture at regions close to consumption, and we plan to ship out to areas close to India, such as South-eastern Asia and the Middle-east. We also aim to reduce costs, including shipment costs, and attain 5-10% cost reduction in the next fiscal year.

Q. What is expected profitability in oversea market of 4 key business areas in fiscal 2012?

A. Operating margins for oversea market of 4 key businesses are expected to remain in red ink in fiscal 2011, and turn in profits in fiscal 2012 of less than 9%, which is lower than

the operating margin target of Carrier Network business as a whole. This is due to upfront investments in reinforcing service& management and wireless broadband access businesses in overseas market.

Questioner B

Q. NEC is strong in fulfillment services for OSS, or Operation Support Services. What is NetCracker's strength and how is it superior against competitors like IBM and Amdocs? What is the expected market share for the future?

A. NetCracker has strong products. We were aware of its strength when we approached the company with M&A, and we are confident even today. NetCracker offers customers with services that can easily be reproduced with a quick input of parameters. We aim to offer end-to-end solutions, and in doing so, we need to expand its business.

Q. How big does NEC aim to expand NetCracker's business size?

A. Not as big as Amdocs, but certainly double or triple its size today.

Questioner C

Q. In the presentation of "Approach to Services and Management Business", on page 43, carrier cloud business is expected to grow significantly in attaining V2012 goals. Does this growth only rely on the Telefonica business or are there other prospects? Would NEC attain sales growth equal to the average market growth of 8% in Service and Management in 5 years? Japanese telecom carriers may work with their affiliated companies and NEC has low overseas sales ratio.

A. We will not be able to achieve the figure just by carrier cloud business with Telefonica. The figure includes business other than Telefonica, who welcome our services. There are carriers who symphase with our carrier cloud like Telefonica. We will focus on M2M, smartphone services, carrier cloud and the next generation OSS/BSS

Q. Which business will see the most growth in Service and Management?

A. We expect the most growth in carrier cloud and M2M.

Q. Are there prospected projects, other than Telefonica, in the next fiscal year?

A. As shown on page 30 of the presentation, we launched services for TOT Public Company Limited in Thailand in the first half of this fiscal year. We also expect to start services in China, APAC and India within this fiscal year.

Questioner D

Q. What kind of business opportunities are anticipated in regions like CIS and Brazil, where prominent sport events are to be held?

A. NEC has a strong presence in Brazil, and currently, working on a smart city project. In the CIS region, we see a strong demand in PASOLINK, and moreover, we have received orders for femtocell. These regions offer very promising business opportunities for NEC's carrier network business.

Brazil is the area Telefonica is doing business. We are offering cloud business for telecom carriers in CIS where NEC has a good relationship with them. Some carriers are starting trial services.

Q. Consumer price levels are lower in these regions. Would PASOLINK attain enough profits at these price levels? What are the risks?

A. Pricing of PASOLINK is most competitive in India, while it consumes high volume. We can secure reasonable profits with the volume. We also have prominent business in regions like Brazil and Russia, which contribute to overall profitability of the business.

Q. What is the progress on TD-LTE co-development with WRI of China?

A. We are on schedule to co-develop TD-LTE with WRI. We will begin shipments of products for trial in the latter half of this fiscal year.

Questioner E

Q. What divides cloud for IT business and telecom carrier? Does the business model become stock business(Recurring income generating business), or one-time solution?

A. Carrier cloud is a cloud service offered by a telecom carrier. On our side, we may develop systems or we may establish stock business. It works case by case with customers.

Q. How does it work with Telefonica? Stock business or one-time solution? Telecom carriers in emerging countries may have little experience in this kind of business. Would they become NEC's prospects?

A. We work closely with Telefonica as a business partner, sharing revenues from the services. We receive revenue depending on how much revenues Telefonica received from its end users. We also offer services for mid to small businesses for companies in emerging countries. In these cases, telecom carriers may not have strong sales force, and we help out with scope of work while offering the services.

Q. What is expected from the alliance with Cisco in LTE area? What is offered from the

alliance that NEC can not offer alone?

A. Partnership with Cisco is sales alliance, sharing NEC's network access and Cisco's core networks. NEC has its own core networks. However, through our partnership with Cisco, we can respond to customer needs more attentively and reinforce our business.

Q. Is Cisco taking dominancy for business overseas?

A. The partnership with Cisco does not restrict our business overseas. Each of us will work with our customers by leveraging the strengths this alliance offers, and will extend product lineup furthermore.

Questioner F

Q. In the presentation of "Carrier Network Business Growth Strategy", on page 7, how does profitability of key businesses and existing business differ? How does profitability of key businesses contribute to operating profit projection of 57.0 billion yen in fiscal 2011?

A. In fiscal 2010, key businesses recorded loss on operating basis. This was due to excessive development costs such as for new PASOLINK series. In fiscal 2011, we expect the profitability of these businesses to restore to overall profit level of Carrier Network. In other words, we will see great improvement in profitability for key businesses this fiscal year.

Q. Will profitability of submarine cable systems and PASOLINK be leveled with their sales growth?

A. We expect submarine cable systems and PASOLINK to restore profitability with an increase in sales.