

MESSAGE FROM THE PRESIDENT

Management Perspective on Business Strategies DRIVING THE “V2012” MID-TERM



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November 1953 Born in Kanagawa Prefecture, Japan
March 1981 Awarded doctoral degree by the Graduate School of Science and Engineering, Tokyo Institute of Technology
April 1981 Joined NEC Corporation
April 2003 General Manager, Mobile and Wireless Division
July 2005 Senior General Manager, Mobile Network Operations Unit
April 2006 Associate Senior Vice President, Executive General Manager, Mobile Network Operations Unit
April 2009 Senior Vice President
June 2009 Senior Vice President and Member of the Board
April 2010 President (Representative Director) (to present)

1. Fiscal 2010 Main Initiatives and Performance

To make NEC a stronger enterprise we changed our business structure mainly through business portfolio realignment, and implemented rigorous profit structure reforms.

In fiscal 2010, the year ended March 31, 2010, the global economy continued to face difficult conditions throughout the first half, due to the impact of the financial crisis in the previous fiscal year. In the second half, the global economy started to show signs of an upturn, mainly owing to a global economic recovery driven by economic growth in emerging countries centered on China. Another factor was that economic stimulus measures by various governments around the world began to take effect.

In Japan, industrial production staged a recovery during the second half as inventory adjustments quieted down and exports picked up, mainly to Asia. However, corporate earnings remained sluggish, companies continued to restrain business investment, and employment and income conditions remained weak. Consequently, the Japanese economy was unable to recover from the economic downturn in the second half of the previous fiscal year.

GROWTH PLAN FORWARD

NEC sees this difficult business environment as a major opportunity for enhancing its business operations. NEC has made every effort to change its business structure, centered on business portfolio realignment, and implement rigorous profit structure reforms.

In terms of changing our business structure, we decided to integrate NEC Electronics Corporation with Renesas Technology Corp. The goal is to strengthen the business foundations and technologies of NEC Electronics, which is engaged in the semiconductor business, and increase its corporate value through further improvement in customer satisfaction. NEC Electronics Corporation merged with Renesas Technology Corp., in April 2010, and changed its trade name to Renesas Electronics Corporation. As a result, NEC Electronics Corporation is no longer a consolidated subsidiary of NEC.

Furthermore, we integrated NEC's mobile handset business with Casio Hitachi Mobile Communications Co., Ltd., in order to strengthen competitiveness in the mobile handset business and expand business including in overseas markets. From June 2010, business operations began under a new company, NEC CASIO Mobile Communications, Ltd.

In anticipation of the cloud computing era, we started to provide products and services that embody the "C&C Cloud Strategy" by leveraging the strengths of the NEC Group in both IT and networks.

In other areas, NEC took steps to fully develop the Smart Energy and Green business, which is positioned as a new growth domain for the NEC Group. Specifically, we spun-off the lithium-ion rechargeable batteries business from NEC TOKIN Corporation into a newly established company, NEC Energy Devices, Ltd., in April 2010.

MAIN INITIATIVES AND PERFORMANCE

Changing our business structure: Business portfolio realignment

Integrated NEC Electronics Corporation with Renesas Technology Corp.

Integrated mobile handset business with Casio Hitachi Mobile Communications Co., Ltd.

Executed the "C&C Cloud Strategy"

Promoted the lithium-ion rechargeable battery business

Profit structure reforms: Switching to a lean earnings structure

Reduced fixed costs by ¥320.9 billion year on year

Implemented business process and IT reforms

Raised funds to bolster financial position

In terms of profit structure reforms, NEC reduced fixed costs by ¥320.9 billion from the previous fiscal year, mainly by reducing costs for outsourcing engineering and consignment of activities, as well as labor and other fixed costs.

Furthermore, in order to speed up business management at the Group level, raise operating efficiency and reduce maintenance and operation costs for IT systems, NEC worked to consolidate its core IT systems into a cloud computing environment in line with a review of business processes throughout the NEC Group. In fact, a new accounting system has already begun operation from April 2010, with

plans to phase in new systems related to sales and purchasing in the near future.

Moreover, NEC raised ¥118.5 billion through the issuance of new shares, with the aim of bolstering its financial position so as to execute the aforementioned business reforms and accelerate its growth strategy. NEC will use these funds mainly to drive future growth, primarily for investment in the development of cloud service platforms and next-generation networks as well as capital expenditures in the Smart Energy and Green business.

Asteroid Explorer “HAYABUSA”

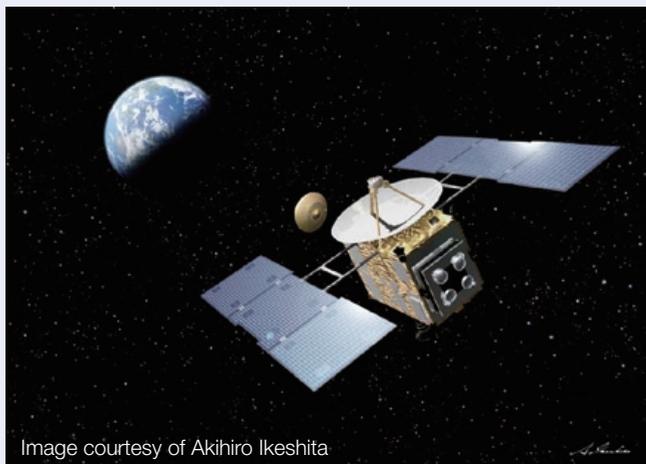


Image courtesy of Akihiro Ikeshita

After seven years in space, “HAYABUSA” returned to earth in June 2010. The spacecraft’s mission—to collect particles from the surface of the ITOKAWA asteroid and deliver them to earth—was the first of its kind in the world. NEC, under the direction of the Japan Aerospace Exploration Agency (JAXA), was involved in the development, manufacturing, testing and operation of its satellite systems. NEC was also responsible for the development of core onboard systems for the spacecraft itself, including ion engines, cameras, ranging sensors, and communications systems. Within NEC, many of these same wireless and sensor technologies are being applied to its “C&C Cloud Strategy” related businesses.

2. Mid-Term Growth Plan “V2012—Beyond boundaries, Toward our Vision”

NEC has three key initiatives for achieving the business targets set forth in the Mid-Term Growth Plan “V2012”: Focus on the “C&C Cloud Strategy,” expand global business and create new businesses.

In February 2010, NEC unveiled its Mid-Term Growth Plan “V2012—Beyond boundaries, Toward our Vision,” which sets forth NEC’s medium-term management strategy for the next 3 years. The letter “V” signifies our determination to achieve a “V”-shaped recovery and “Victory,” by having all NEC Group employees worldwide practice our Core “Values” in pursuit of the NEC Group “Vision.” The phrase “Beyond boundaries, Toward our Vision” embodies our commitment to achieving our goals by driving businesses across organizational boundaries.

The NEC Group sees “V2012” as a crucial milestone for achieving the NEC Group Vision 2017, which was formulated in April 2008. Under “V2012,” our business targets for fiscal 2013 are net income

of ¥100 billion and ROE of 10%. These targets assume projected net sales of ¥4,000 billion and operating income of ¥200 billion in fiscal 2013.

To reach these business targets, NEC has established three key initiatives that it will focus on over the next three years. The first initiative is focusing on the “C&C Cloud Strategy,” integrating NEC’s strength in IT and network technologies, which NEC has developed extensively over the years. The second initiative is expanding global business, through establishing a regional global network centered on five regions. Finally, the third initiative is creating new businesses as “One NEC” by taking full advantage of the NEC Group’s assets.

The three key initiatives for driving NEC’s future business growth are as follows:

“V2012” IS A MILESTONE FOR ACHIEVING THE NEC GROUP VISION 2017

“V2012” management targets

NET INCOME
¥100 billion

ROE
10%

OVERSEAS SALES
25%

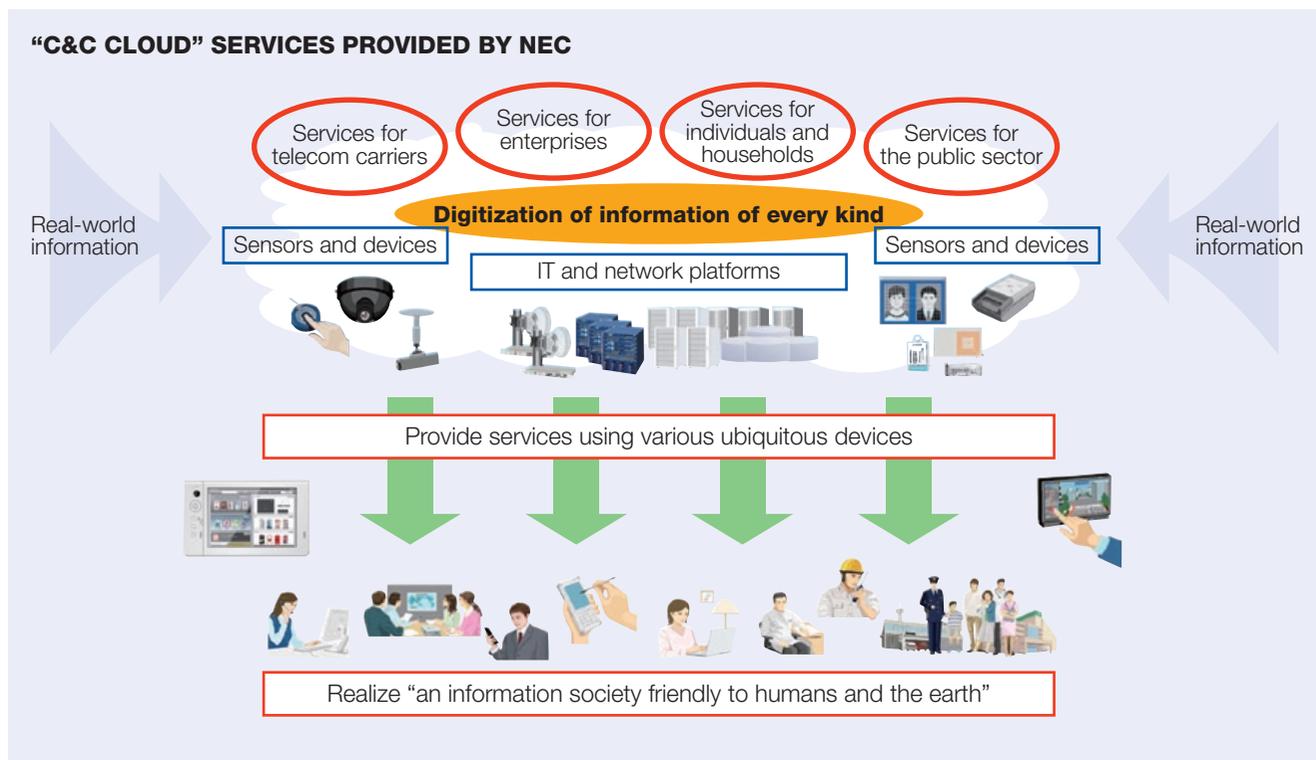
(1) Focus on “C&C Cloud Strategy”

Currently, cloud services are attracting considerable attention in the ICT (Information and Communications Technology) market. This is because cloud services allow users to utilize IT services over networks only as much as necessary and when needed, rather than requiring them to own all the IT resources internally by themselves. However, a high degree of technological expertise in both IT and networks is essential to providing highly reliable cloud services.

NEC first proposed its C&C concept; “the integration of Computers and Communications” around 30 years ago. Ever since, it has continuously honed both its IT and network technologies, and has built up an extensive track record in both fields. Based on NEC’s competence in these fields, cloud computing is an area where NEC is able to fully demonstrate its unique strengths.

NEC will promote the “C&C Cloud Strategy” in three main areas. The first area is the “Cloud Service” business for providing secure and reliable services to enterprises. The second area is the “Cloud System Implementation” business for developing systems for enterprises and local governments that enable them to provide cloud services to their own customers or residents. The third area is the “Platform” business for developing foundations supporting the first two areas. In fiscal 2013, NEC aims to generate net sales of ¥1,000 billion from “C&C Cloud Strategy” related businesses, including outsourcing and wireless broadband access equipment.

Cloud computing will significantly change the nature of IT. NEC sees this upcoming change as a significant business opportunity, and will thus take proactive steps in this area.



(2) Expand global business

Expanding global business is an important focus. In fiscal 2013, NEC is targeting overseas sales of ¥1,000 billion, which is double the amount of present overseas sales and will account for 25% of NEC's consolidated net sales.

We are putting in place a structure for reaching the goals of the "V2012" plan in order to transform NEC into a "leading global company" as set forth in the NEC Group Vision 2017. To this end, we will

establish a global network centered on these five regions by establishing core regional management companies in each of the following regions— (1) Greater China, (2) Asia Pacific, (3) Europe, Middle East and Africa, (4) North America, and (5) Latin America. Through the effective mutual use of the NEC Group's assets, including its technologies and proven expertise built over the years, NEC will create globally competitive products and services for customers worldwide.

Revamping of NEC's Core IT System Into a Cloud Service Provision Platform

NEC is revamping its core IT system, in order to speed up business management at the Group level, improve business efficiency, and reduce system operating costs. The new accounting system was brought fully online in April 2010. With regard to the new systems for sales and purchasing, the current system is being operated in parallel with the new system in preparation for the planned start of full-scale operation in October 2010.

The core IT system will integrate and consolidate accounting, sales and purchasing and other systems that have so far been owned and operated individually by each Group company. The new system will provide these

system functions to the entire Group as a "Cloud-oriented" service. The new system will enable NEC to substantially reduce operating costs previously required for each individual system.

The revamping of NEC's core system takes full advantage of NEC's strong technological capabilities in both IT and networks, its wealth of experience in building open mission critical systems, and its ability to efficiently operate and manage large-scale systems. This initiative goes beyond simply upgrading an internal company system. Its significance lies in being a cutting-edge example of the implementation of a large-scale cloud service platform.

Going forward, NEC will present this new core system to customers as part of its track record in the implementation, operation and maintenance of large-scale cloud service provision platforms. NEC aims to establish new service businesses in the core systems field, and expand a wide range of cloud-oriented service businesses.



In each region, NEC will establish competence centers, led by these regional management companies, in various fields. By creating optimal solutions within each region, building up expertise, and applying these resources across the Group, NEC aims to accelerate global business expansion. Concrete measures include developing “C&C Cloud Strategy” related businesses for telecom carriers around the world and public safety businesses for governments and enterprises.

For example, in the public safety business, NEC provides immigration control, national ID and other systems that utilize biometrics authentication technologies such as fingerprint and face authentication. These products and services play a key role in maintaining public safety and security. In this business, NEC has already delivered more than 200 systems to 30 countries around the world, and its technological expertise has been highly applauded worldwide.

In order to step up the global expansion of the public safety business, we established the “NEC Biometrics Excellence Center” in Bangalore, India in May 2010. As a competence center in the biometrics authentication field, the center will support operations not only in the Asia-Pacific region, but also in other regions globally.

Given that public security and safety needs are expected to continue increasing going forward, NEC is targeting net sales of ¥100 billion from the public safety business over the medium term.

(3) Create new businesses

In addition to driving the “C&C Cloud Strategy” and expanding global business, creating new businesses that will accelerate our future growth is a key theme. In this area, by combining various NEC Group assets, including products, services and technologies, we intend to develop new services and products that satisfy customer needs under the “One NEC” concept.

One example of an area where we are already active is the Smart Energy and Green business. Together with Nissan Motor Co., Ltd., NEC is currently promoting the electrode business. Electrodes are core components of lithium-ion rechargeable batteries for electric vehicles. In fiscal 2013, NEC is targeting net sales of ¥100 billion from this business.

In future, we aim to create new businesses by fusing power storage technology developed in our battery business with IT and network technologies. Specifically, we are targeting smart meters and home energy management systems, both of which feature communications functions and the ability to control other devices. We also aim to enter the smart grid market. Smart grids are attracting attention as power distribution networks capable of optimizing the supply of electricity.

3. Towards Achieving “V2012”

NEC will continue to embrace the challenge of achieving its business targets by bolstering its growth potential and earnings power.

Fiscal 2011 is an extremely important year for the NEC Group because it is the first year of the “V2012” Mid-Term Growth Plan. We cannot be optimistic about our business environment. Nonetheless, we will continue our “inward efforts” to raise the efficiency of business management as before, while remaining strongly conscious of the need for “outward efforts” to increase sales. With this in mind, we will sow the seeds of future expansion to strengthen our growth potential and earnings power.

In the NEC Group Vision 2017, NEC established its vision for itself in 2017: “To be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth.” To realize the NEC Group Vision 2017, and achieve the “V2012” milestone towards this vision, we must engage in a process of personal and organizational innovation. Every employee of the NEC Group is strongly determined to achieve these goals.

I look forward to your continued support and understanding as NEC continues to meet the challenge of achieving the “V2012” business targets.

New Framework for Expanding the Smart Energy and Green Business

In the “V2012” Mid-Term Growth Plan, NEC has positioned the lithium-ion rechargeable battery business at the heart of the Smart Energy and Green business—a new growth area for the NEC Group.

Together with Nissan Motor Co., Ltd., NEC has launched an electrode business focused on this crucial component of automotive lithium-ion rechargeable batteries.

When launching an electrode business for automotive batteries, sufficient business resources must be invested to achieve the high level of product quality required of automobile parts. This includes the establishment of a quality control system, close coordination with automakers, and continuous investment in research and development activities.

On April 1, 2010, NEC Energy Devices Ltd. was established to conduct the development, production, sale and maintenance of lithium-ion rechargeable batteries and electrodes. The company was set up to execute unified management of the lithium-ion rechargeable battery business. At the same time, a Smart Energy and Green Business Operations Unit was established within NEC.

Under this new framework, NEC started mass production of electrodes for automotive batteries in July 2010. NEC plans to use the manufacturing technology cultivated through the mass production of electrodes and high quality required for automotive applications to develop power storage applications for the smart grid field and create new businesses by integrating NEC’s ICT and power storage technologies.

We will proactively aim to expand the Smart Energy and Green business as “One NEC.”

