

MESSAGE FROM THE PRESIDENT

Management Perspective on Business Strategies Progress on Mid-Term Growth Plan “V2012” and Measures Ahead

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1. Mid-Term Growth Plan “V2012” and Fiscal 2011 Results

Guided by the NEC Group Vision 2017, NEC aims “to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth.” In February 2010, the NEC Group set its medium-term policy of realizing the NEC Group Vision 2017 through

customer-driven solutions leveraging its competitive strengths in the integration of IT and network. Accordingly, the NEC Group formulated its Mid-Term Growth Plan “V2012—Beyond boundaries, Toward our Vision.”

“V2012” MANAGEMENT TARGETS AND FISCAL 2011 BUSINESS PERFORMANCE

“V2012” is a milestone for achieving the NEC Group Vision 2017

2017

NEC Group Vision 2017

To be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth

2012

(Billion ¥)	FY2010/3	FY2011/3	FY2013/3
	Results	Results	Targets
Net sales	3,583.1	3,115.4	4,000.0
Overseas sales	712.9	479.3	1,000.0
Overseas sales ratio	19.9%*	15.4%	25%
Operating income	50.9	57.8	200.0
Operating income ratio	1.4%	1.9%	5.0%
Net income (loss)	11.4	-12.5	100.0
Return on equity (ROE)	1.6%	—	10%

* 15.6% excluding the semiconductor business

In fiscal 2011, the “V2012” plan’s first year, the global economy on the whole moved closer to a self-sustaining recovery, mainly due to continuing economic growth in China, India and other emerging countries, along with stimulus measures in developed countries that supported their economies. This was despite persistently high unemployment rates in the U.S., European nations and other developed countries, and the financial crisis affecting certain European countries.

The Japanese economy saw consumer income and employment conditions remain difficult, and did not see a full-fledged recovery in capital investment. However, manufacturing output gradually improved on the back of recovering exports, while consumer spending also increased steadily influenced by economic stimulus measures. Nevertheless, economic activity was hit hard by the devastating Great East Japan Earthquake in March 2011, not to mention the accompanying disruptions to production and distribution, power shortages and other impacts.

In this business environment, NEC worked on the

three key initiatives of the “V2012”: Focus on the “C&C Cloud Strategy,” expand global business, and create new businesses. As a result, NEC started to produce results, including winning projects or joining field trials in each of these key initiatives. Additionally, NEC integrated its mobile handset business with Casio Hitachi Mobile Communications Co., Ltd., in a move designed to enhance the competitiveness of this business. NEC also reached a strategic partnership agreement concerning integration of the PC business with Lenovo Group Limited. Looking back at the past year, however, NEC has yet to fully address outstanding issues such as developing a global business network. We must also speed up the execution of business expansion measures, including development of new products and services.

In fiscal 2011, our business performance fell far short of our initial forecast, and we were thus unable to achieve the targets as set in the plan. As the president of NEC, I deeply regret that the Company posted a net loss and has decided to pay no dividend for fiscal 2011.

Nobuhiro Endo

President, NEC Corporation



2 ■ Fiscal 2011 Main Initiatives and Performance

Although NEC finished fiscal 2011 on a disappointing note in terms of business results, we are starting to see real progress toward the “V2012” objectives. Examples include battery and smart grid initiatives in new businesses, a stronger global business network, and winning and implementing advanced cloud computing projects. I would like to highlight some of our main initiatives and progress in the pages that follow.

(1) Focus on “C&C Cloud Strategy”

NEC will pursue 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 and governments. The second area is the Cloud System Implementation business for developing systems for enterprises and

governments to provide or use cloud services. The third area is the Platform business for developing foundations supporting the first two areas. NEC aims to expand sales of “C&C Cloud Strategy” related businesses, including outsourcing and wireless broadband access.

In fiscal 2011, NEC reported net sales of approximately ¥450.0 billion from “C&C Cloud Strategy” related businesses, mainly reflecting increased wireless broadband access sales, in addition to sales growth in the Cloud Service business, the Cloud System Implementation business and other areas.

Specifically, NEC provided cloud services in many different fields, such as core systems for local governments and inter-hospital information sharing

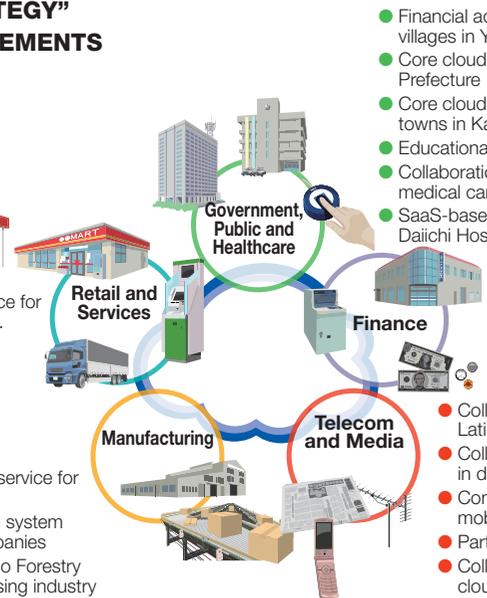
PROGRESS WITH KEY INITIATIVES

Key initiatives	Fiscal 2011 Main Initiatives and Performance
“C&C Cloud Strategy”	[Japan] <ul style="list-style-type: none"> Developed the key area of core systems, created new businesses with customers, created diverse service menu for small and medium-sized enterprises and organizations Provided comprehensive solutions for LTE services
	[Overseas] <ul style="list-style-type: none"> Developed network for global business expansion
Expand global business	<ul style="list-style-type: none"> Established a regional headquarters in Latin America, thereby establishing “One NEC” formation in 5 regions Established competence centers in key areas
Create new businesses	[Batteries] <ul style="list-style-type: none"> Commenced mass production of automotive lithium-ion rechargeable batteries (electrodes) Participated in various smart grid trials
	[Devices] <ul style="list-style-type: none"> Launched smartphones and tablet devices

**“C&C CLOUD STRATEGY”
ACTIVITIES/ACHIEVEMENTS**



- Ticketless service for Shiki Theatre Company
- Integrated hotel cloud service for Nippon View Hotel Co., Ltd.
- CRM cloud system for Sugi Holdings Co., Ltd.
- Cloud oriented accounting service for EXEDY Corporation
- Collaboration on core cloud system with four construction companies
- Collaboration with Sumitomo Forestry Co., Ltd.; SaaS for the housing industry



- Financial accounting cloud service for 10 cities, towns, and villages in Yamanashi Prefecture
- Core cloud service system for 7 cities and towns in Nara Prefecture
- Core cloud service system for local governments in three towns in Kasuya, Fukuoka Prefecture
- Educational cloud system for Sennan City
- Collaboration with SANYO Electric Co., Ltd. on a regional medical care solution
- SaaS-based electric medical records system for Tamashima Daiichi Hospital in Kurashiki City, Okayama Prefecture
- Collaboration with Sumitomo Life Insurance Company on cloud service
- Private cloud for Sumitomo Mitsui Banking Corporation
- Collaboration with Telefonica on cloud business in Latin America
- Collaboration with South Korea's Shinsegae Group in digital signage
- Contributions to NTT DOCOMO, INC.'s LTE-based mobile phone service, "Xi™"
- Participation in KDDI Corporation's field trial of LTE
- Collaboration with KDDI Corporation on mobile cloud service

services, leveraging its track record, technology and expertise in both IT and network fields. Furthermore, NEC rigorously overhauled business processes throughout the group, and integrated its core IT systems for accounting, sales, and purchasing into a cloud computing environment in order to raise operational efficiency and reduce operating costs. The new systems were brought fully online in fiscal 2011. Looking ahead, NEC intends to set up such systems for its customers by applying the technologies and expertise it has gained in the course of implementing and operating its own new core systems. We also worked hard to create new business models through collaboration with customers. For example, we broadly provided cloud computing services for enterprise systems combining NEC's cloud computing-related technology and customers' business expertise.

Efforts were also directed at fortifying our business infrastructure for providing cloud computing and many other services. We upgraded and expanded data centers while developing and optimizing common IT platforms.

(2) Expand Global Business

NEC is targeting overseas sales of ¥1.0 trillion, and raising the overseas sales ratio to 25% of our consolidated net sales in fiscal 2013.

In fiscal 2011, NEC reported overseas sales of ¥479.3 billion, representing 15.4% of consolidated net sales. This was mainly the result of lower sales from the Carrier Network business, as well as the deconsolidation of NEC Electronics Corporation (currently Renesas Electronics Corporation), which conducts the semiconductor business.

In fiscal 2011, NEC promoted business development driven by local leadership in line with the characteristics of its key regions, namely APAC (Asia Pacific), Greater China, EMEA (Europe, Middle East, Africa), and North America. These efforts were led by regional management companies (regional headquarters) in each region. With the establishment of a regional headquarters in Latin America in April 2011, NEC now has “One NEC” formation in 5 regions.

To accelerate global business expansion, competence centers were also established to

centralize technologies and expertise in each business, and develop regional-driven solutions. Businesses include the Carrier Cloud business, which supports the provision of cloud-based services to subscribers by telecom carriers; the public safety business, including fingerprint and other biometric identification for facility access control and immigration control solutions; and the femtocell business. Femtocells are ultra-compact wireless base stations that are installed indoors.

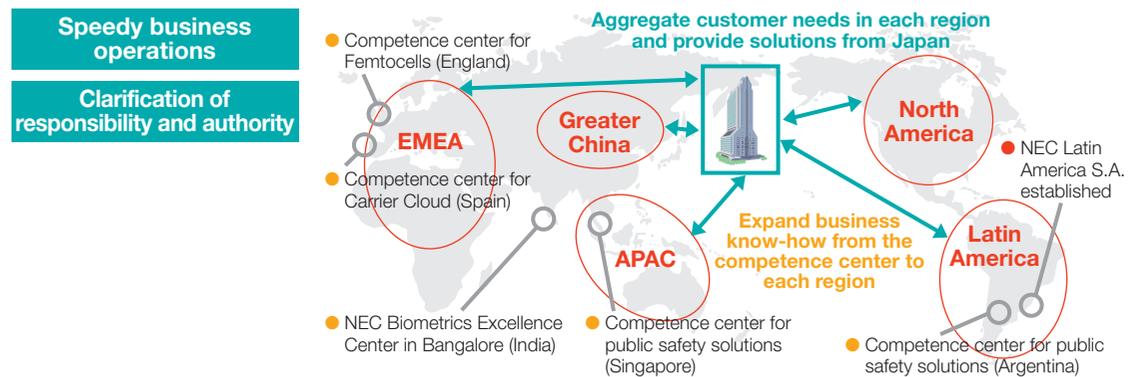
(3) Create New Businesses

NEC is promoting the development of an automotive lithium-ion rechargeable battery business together with Nissan Motor Co., Ltd. in the Smart Energy and

Green business—a new growth area. In fiscal 2011, NEC commenced full-scale mass production of electrodes, a core component of these batteries. In addition, NEC developed networked charging facilities linked to a cloud-based system. These charging facilities will assist the deployment of charging infrastructure over a wide area in support of the uptake of electric vehicles. During the fiscal year, NEC conducted trials aimed at enhancing the practicality of the system and promoting standardization of communications protocols with cloud-based systems.

Furthermore, NEC began taking steps to enter the smart grid market. One initiative was the development of a large-scale energy storage

FORTIFYING NEC'S GLOBAL NETWORK (FIVE REGIONAL HEADQUARTERS AND COMPETENCE CENTERS)

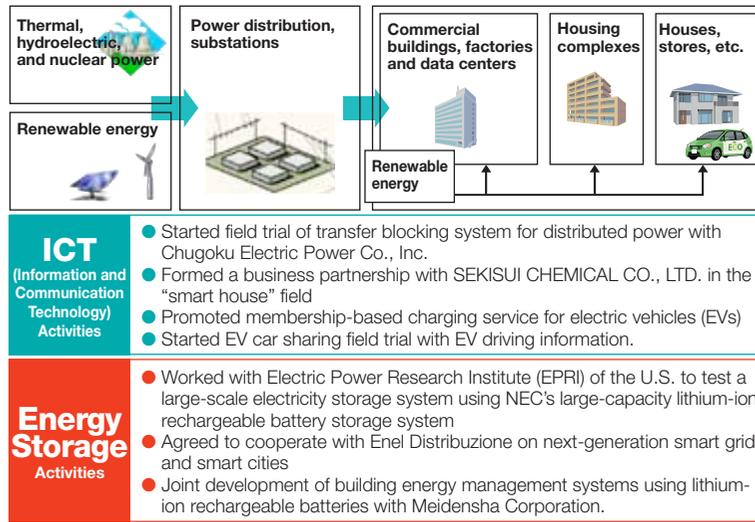


GLOBAL BUSINESS ACTIVITIES/ACHIEVEMENTS

- Automated postal services systems for Norway Post
- Culling, Facing, Cancelling and Revenue-protection (CFCR) systems in the Netherlands
- Digital terrestrial TV broadcast transmitters in Bulgaria
- SaaS services for Telefonica
- Automated Fingerprint Identification System for the National Visa Information System for the Greek Ministry of Foreign Affairs
- Collaboration with Neusoft Corporation on cloud services
- Medical information system solutions for hospital in Chongqing
- RFID temperature traceability system for Jointown Pharmaceutical Group Co., Ltd.
- POS systems for new terminal building at the Guangzhou Baiyun International Airport
- IP telephony system for InterContinental Hotels & Resorts Shanghai Expo
- IP-based telephone and television system solutions for Mandarin Oriental, Macau
- Collaboration on LTE infrastructure business with Wuhan Research Institute of Post and Telecommunications (WRI) of China
- Global IT system for Shiseido Co., Ltd.
- Collaboration with SAP AG on cloud service
- Major submarine cable system project: Asia Submarine-cable Express (ASE)
- Major submarine cable system project: South-East Asia Japan Cable (SJC) system
- LTE field trial with Singapore Telecommunications Ltd. (SingTel)
- Collaboration with SomaLogic, Inc. in aptamer-related business
- Collaboration with Intel Corporation and Microsoft Corporation on digital signage
- Cloud computing-based education system for San Juan Province Ministry of Education, Argentina
- Medical equipment location management system for Albert Einstein Hospital



NEW BUSINESS ACTIVITIES (BATTERY, SMART GRID)



EV (Electric Vehicle) Activities

<EV Infrastructure> Commercial facilities
(convenience stores, gas stations, etc.)

Charging facilities

- Charging facility trials in Oregon (U.S.)
- Charging facility trials with ENEOS and others

Electric vehicles

- Commenced mass production of electrodes for automotive lithium-ion rechargeable batteries

system that will enhance power usage efficiency by temporarily storing surplus electricity in the power distribution grid—the infrastructure that links power supply facilities such as power stations with end users including commercial facilities, plants and homes. Together with partner companies, NEC also

actively conducted trials of energy management systems that optimize energy usage at commercial facilities and homes.

Meanwhile, in the field of multifunctional devices, NEC launched an Android™ smartphone, while upgrading and extending its lineup of tablet devices.

3. Fiscal 2012 Outlook

NEC has started to see some positive developments in the business environment, despite an unclear IT investment outlook in Japan and other uncertainties. One example is burgeoning data traffic in step with the rapid penetration of smartphones. This influx of data traffic is helping to drive growth mainly in NEC's Carrier Network business.

With strengths in both IT and network, NEC sees steady progress with the adoption of cloud computing as an opportunity for business expansion. Looking ahead, advances in the digitization of all kinds of

information and diversification in the type of information obtained from sensors, devices and various other sources will touch off explosive growth in data traffic. Data processing platforms based on the integration of IT and network for processing even larger amounts of data at an even faster rate will come to play an increasingly important role. Until now, data usage (data collection, processing and visualization) was limited to specific companies and business sectors. However, if vast amounts of data can be collected and processed in

real time due to advances in the “cloud,” it should spur the creation of new services through alliances crossing industry and business sector lines. These new services that employ dynamically generated data will be used via various terminals connected to the “cloud.”

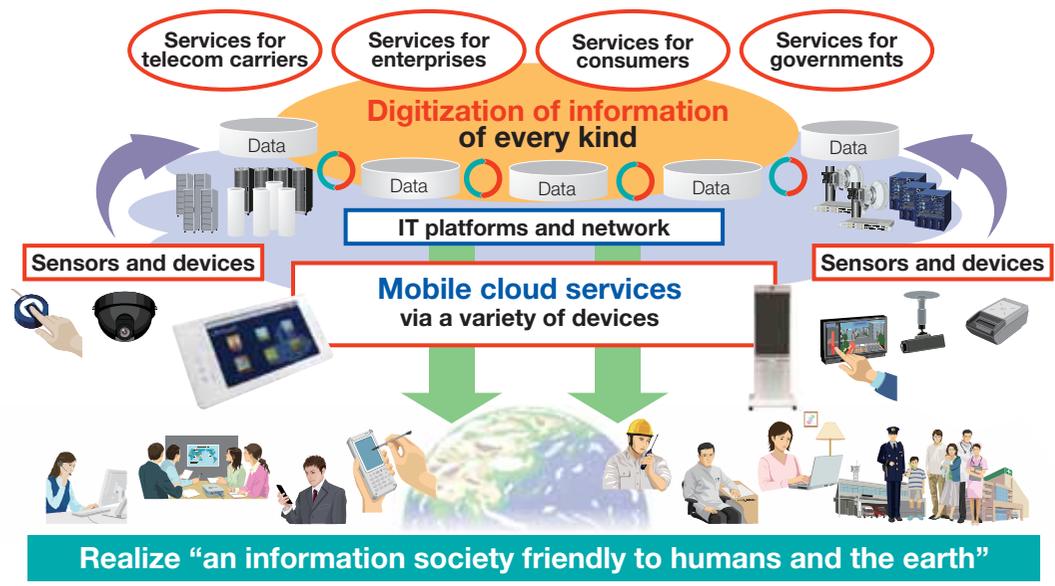
In this context, in the “C&C Cloud Strategy” related business, NEC will enhance the range of its cloud services tailored to each type of operation in government, manufacturing, retail distribution and other sectors, with the aim of expanding business. Furthermore, NEC intends to fully apply the technology and expertise gained by shifting its own core IT systems to a cloud environment. NEC seeks to win orders for cloud-based service projects underpinning customers’ core operations. NEC will also promote the “C&C Cloud Strategy” by providing cloud services in a mobile environment based on wireless technologies, one of NEC’s key strengths.

Partnerships with overseas companies will also be strengthened to expand sales on a global scale.

Turning to global business, NEC will promote local business leadership from its five regional headquarters around the world. At the same time, we will accelerate the transfer of authority to local overseas subsidiaries while implementing personnel management that result in greater appointment of local staff to management positions. The goal is to drive business expansion through speedy decision-making. Our efforts will be focused on high-growth areas, including education, the Smart Energy and Green business, healthcare, and public safety, especially in Asia and other emerging markets.

In new businesses, NEC will first sharpen its competitiveness in the automotive lithium-ion rechargeable battery business it is developing with Nissan Motor Co., Ltd., with the view to boosting sales further. We will strive to apply the findings of

PROVIDING “ALL-IN-ONE” CLOUD-BASED SERVICES, PLATFORMS AND DEVICES



trials of large-scale power storage systems for power distribution facilities and energy management systems for homes and commercial facilities to the development of solid businesses.

The NEC Group is committed to contribute to recovery efforts in support of people in areas devastated by the Great East Japan Earthquake. Working as “One NEC,” the entire NEC Group will marshal its collective technological resources and assets to this end.

Specifically, NEC will do its utmost to develop robust ICT (Information and Communications Technology) infrastructure which will entail the rebuilding of communications infrastructure in preparation. It will also supply cloud services that enable access to information systems anywhere, anytime via networks. Through these measures, NEC will strive to make society safer and more secure.

The NEC Group will also help to implement measures that lead to more efficient use of energy. Measures include the energy storage system utilizing the technology of the NEC Group's lithium-ion rechargeable batteries, energy management systems that optimize energy usage in commercial facilities and homes, and energy-efficient products such as eco-friendly servers, as well as related technologies and expertise.

The NEC Group will put its full weight behind these efforts to realize “an information society friendly to humans and the earth,” while driving business expansion. Furthermore, NEC works to enhance quality and cost efficiency in its effort to improve profitability. We look forward to your continued support and understanding as we endeavor to reach these goals.

