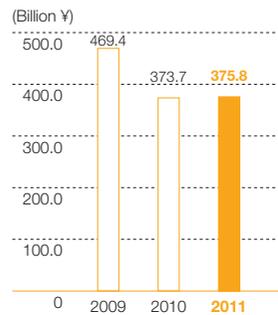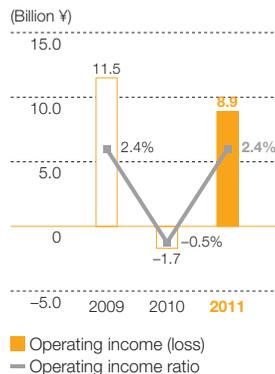# PLATFORM BUSINESS

NEC supplies government agencies and enterprises with products essential to the implementation of IT systems and enterprise network systems, such as servers, storage, software and IP telephony systems. Based on its extensive track record, NEC is committed to providing highly reliable and energy-efficient platform products to help realize safe, secure, convenient and eco-friendly IT systems.

Masato Yamamoto
Senior Vice President

SALES

(Billion ¥)

OPERATING INCOME (LOSS), OPERATING INCOME RATIO

(Billion ¥)

■ Operating income (loss)
— Operating income ratio

FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 0.6% year on year to ¥375.8 billion. This was mainly due to steady growth of software sales such as virtualization through server integration and for cloud computing platforms, despite a decrease in sales of hardware, including servers.
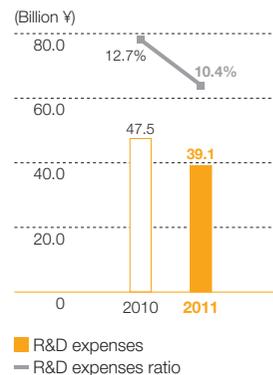
The segment posted operating income of ¥8.9 billion, an improvement of ¥10.6 billion from an operating loss in the previous year. This mainly reflected continuous cost reductions and efficient development spending, in addition to the increase in sales.

In fiscal 2011, NEC upgraded and extended its product line up addressing needs in the cloud computing era. Based on "REAL IT PLATFORM Generation2," a vision for IT platforms supporting cloud computing, NEC rolled out the "Express5800/ECO CENTER Series" of energy-efficient servers for data centers, which reduce power consumption by up to around 70% compared with conventional servers. Another product was "WebSAM Cloud Manager" software for streamlining operation and management in cloud

environments. In PC servers, NEC has held the No. 1[1] share of volume shipment in the Japanese market for 15 consecutive years. NEC also won No.1 ranking in the customer satisfaction survey[2] for its integrated operation management and service execution platform software.

Turning to network products, NEC captured the No. 1 share[3] of the Japanese enterprise telephony market and the No. 3 share[3] of the corresponding worldwide market. Notably, NEC was selected as the preferred network solution vendor by Taj Group Hotels, one of India's luxury hotel chains, and won orders for an IP telephony system based on NEC's "UNIVERGE SV8000 Series" communication server.
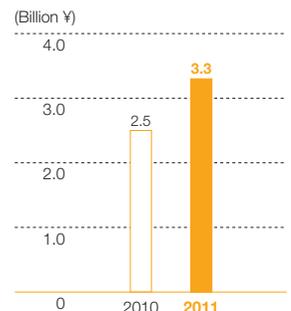
FOR FURTHER GROWTH

As the shift to cloud computing takes hold, the role of platforms is expected to become increasingly important. In response, NEC aims to drive further growth in its operations by focusing on three priority businesses: the unified communication (UC) business, common infrastructure for cloud business and server business.

R&D EXPENSES, R&D EXPENSES RATIO

(Billion ¥)

■ R&D expenses
— R&D expenses ratio

CAPITAL EXPENDITURES

(Billion ¥)

In the UC business, NEC unveiled a new product portfolio in February 2011. This product portfolio can be easily integrated with IT using virtualization software. NEC aims to offer these products globally by making them more attractive through features such as sophisticated IT-network integration and compatibility with smartphones and other new devices. Meanwhile, customers have been seeking to utilize communication tools, security platforms and other office solution platforms as services. In response, NEC plans to provide such office solution platforms on a full scale as a UNIVERGE service based on the portfolio, with the view to enhancing efficiency and power savings in offices. Furthermore, NEC will also focus on strategic products for emerging countries which started to roll-out in January 2011. NEC aims to become a global leading player in terms of both products and services.

In the common infrastructure for cloud business, NEC will provide a range of software centered on support for cloud services, which will drive its "C&C Cloud Strategy." This includes software for operation and management for cloud, and efficient use of resources, as well as high-speed processing of large volumes of data.

NEC has launched the "UNIVERGE PF Series," leading ahead of its industry. The new products are equipped with the new network control technology "OpenFlow". Nippon Express Co., Ltd. has adopted "UNIVERGE PF Series" to reduce network operating costs. "UNIVERGE PF Series" has received many accolades in Japan and abroad, including the "Best of Interop 2011" award in the infrastructure category at Interop Las Vegas 2011, and "Best of Show Award" in three categories at Interop Tokyo 2011. Going forward, NEC intends to actively market "UNIVERGE PF Series" as a next-generation network
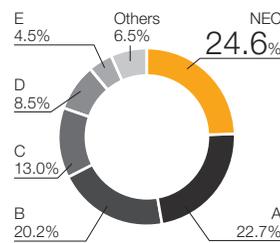

ProgrammableFlow Controller "UNIVERGE PF6800"
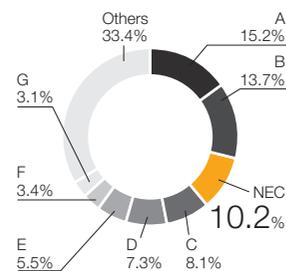

ProgrammableFlow Switch "UNIVERGE PF5240"

Express5800 series

SHARE OF JAPANESE PC SERVER MARKET (VOLUME SHIPMENT BASIS)

NEC 24.6%
Others 6.5%
E 4.5%
D 8.5%
C 13.0%
B 20.2%
A 22.7%

Source: IDC Japan [1]

SHARE OF GLOBAL ENTERPRISE TELEPHONY MARKET (SEAT LICENSE SHIPMENT BASIS)

Others 33.4%
A 15.2%
B 13.7%
G 3.1%
F 3.4%
E 5.5%
D 7.3%
C 8.1%
NEC 10.2%

Source: Gartner [3]

virtualization platform.

In the server business, NEC will provide PC servers that feature eco-friendly, high-density installation supported, and enhanced manageability, mainly to the data center market worldwide. To be a global supplier, NEC will take full advantage of the global sales channels developed in its enterprise network business, while working to win new customers in emerging markets.

NEC will continue working to strengthen its competitiveness, including deploying a common platform for hardware design and development concepts, and extending its software productivity enhancement across the company.

Working Style Renovation Concept C&C Office → **When needed, any time, any place**

Working Space Expansion
Remote Access
VPN
VPCC+VoIP
Paperless
Documents management
Telecon-ference

Office Cloud Services

Collaboration Everywhere
Mobile utilization

Communications Enhancement
Phone
Video conference
Groupware

[3] Source: Gartner, "Market Share: Enterprise Telephony Equipment, Worldwide 2010" 29 March 2011 (Seat license shipment basis, 2010 calendar year)