

REVIEW OF OPERATIONS

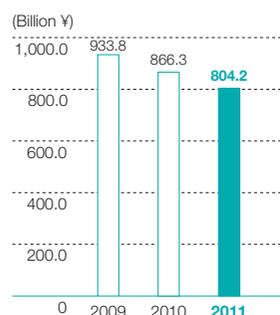
IT SERVICES BUSINESS



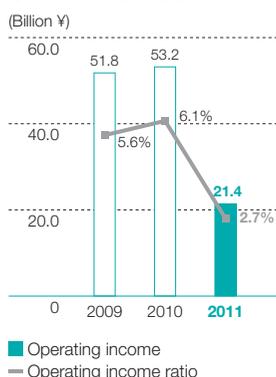
NEC supplies government agencies and private-sector companies with a range of IT services covering system implementation, maintenance and support, and outsourcing, as well as cloud services. Using its extensive experience in building highly reliable systems backed by state-of-the-art IT and network technologies, NEC aims to realize an information society friendly to humans and the earth.

Takaaki Shimizu
Senior Vice President

SALES



OPERATING INCOME, OPERATING INCOME RATIO



medical record service for small hospitals, and a comprehensive cloud service for hotels, which includes a hotel guest reservation system, digital signage system, and an IP telephony system. Another example was a library administration and operations system for universities.

In the public safety business, NEC delivered an automated fingerprint identification system for use in visa information systems to the Greek Ministry of Foreign Affairs. NEC also delivered core information systems and digital signage systems to the new International Terminal Building at Tokyo International Airport (Haneda). In these and other ways, NEC made progress in new business domains where future growth is expected.

FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales declined 7.2% year on year to ¥804.2 billion, despite steady growth in the “Cloud Service” business and outsourcing services. This decrease was mainly due to a delayed recovery in domestic IT investment and fewer large projects than in the previous year.

Operating income decreased ¥31.8 billion year on year to ¥21.4 billion. This decrease mainly reflected the drop in sales, worsening profitability from stiffer price competition, and larger loss from loss-making projects.

In fiscal 2011, NEC worked to expand its key Cloud Service business. As a result, NEC began providing a cloud service platform to Sumitomo Mitsui Banking Corporation, in addition to offering a core operating system as a cloud service to 7 cities and towns in Nara Prefecture and 10 cities, towns, and villages in Yamanashi Prefecture.

Furthermore, NEC strove to upgrade and expand its Software as a Service (SaaS) menu for specific business sectors, drawing on its experience in systems implementation for various customers. Examples included an electronic

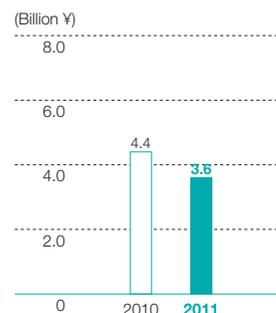
FOR FURTHER GROWTH

The medium-term market outlook indicates further advancement in cloud computing and expanding demand for IT in emerging countries. Based on this outlook, NEC is focused on expanding its “Cloud Service” business and global business.

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



In the “Cloud Service” business, NEC is creating new businesses that utilize cloud computing as its customers’ partner in innovation.

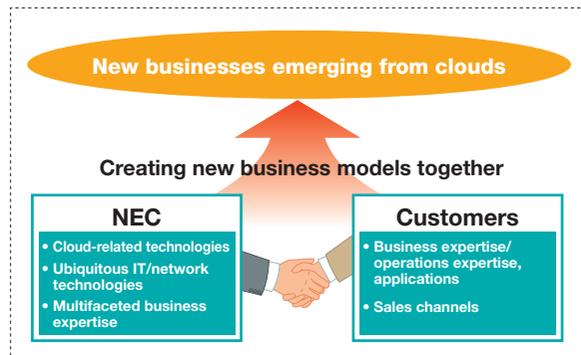
These efforts have already seen NEC provide an asset management system to Sumitomo Life Insurance Company as a cloud service, in partnership with Sumitomo Life Information Systems Co., Ltd. Efforts are also under way to provide the same service to various financial institutions. These efforts will be expanded going forward. Together with customers, NEC plans to create cloud systems for specific industries, as well as clouds that link different business sectors, by leveraging its signature strengths in ubiquitous technology, integrated IT/network technologies and other areas.

In the core systems area, NEC has transformed the large-scale core IT systems underpinning the entire NEC Group into cloud-based systems. NEC is now applying this experience horizontally, with the view to help customers reduce their own IT-related operating costs. NEC is already producing results in this area. It has transformed the core operating system for the construction industry into a cloud service together with four construction companies (Tokyu Construction Co., Ltd., Takenaka Civil Engineering & Construction Co., Ltd., JDC Corporation and Tsuchiya Corporation). NEC now intends to accelerate these initiatives with the aim of driving future business expansion.

In the global business, NEC is working to create locally born solutions closely linked to the needs of each region around the world.

In collaboration with SomaLogic, Inc. of the U.S., NEC is harnessing its bioinformatics technology to develop a next-generation blood testing service for pharmaceutical companies and research institutes. In the future, NEC is

NEC is creating new businesses that utilize cloud computing as its customers’ partner in innovation

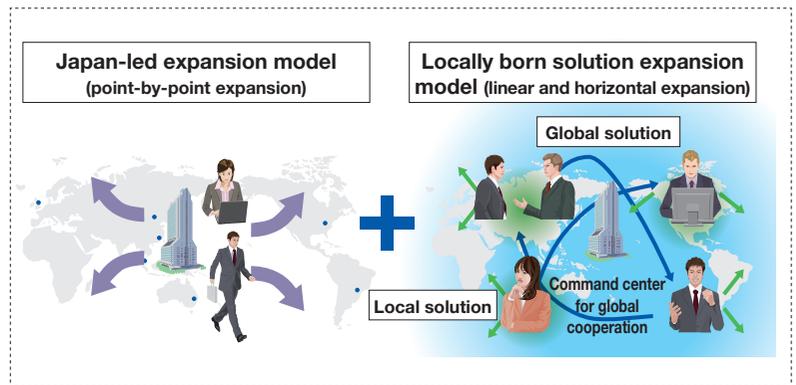


NEC digital signage systems at the International Terminal Building of the Tokyo International Airport (Haneda)



NEC Cloud Plaza

Promote localization of businesses and solutions, in addition to Japan-led initiatives



looking to expand this initiative into the personal healthcare services market.

Furthermore, NEC possesses world-class fingerprint identification, facial recognition and other biometrics technologies in the public safety business. Based on these technologies, NEC aims to expand business into the social infrastructure area mainly by providing national ID systems and immigration control systems primarily to emerging countries.

In other areas, NEC is seeing the first signs of growth from new businesses that will drive future global expansion. Examples include an RFID solution project in greater China, and a payment service for financial institutions in the Asia-Pacific region. Looking ahead, NEC will utilize its cloud-oriented data centers in five global regions to convert such locally born solutions into global services.

NEC will continue working to drive business expansion in these key areas, while continuously promoting SI innovation activities in order to enhance profitability in the SI business.

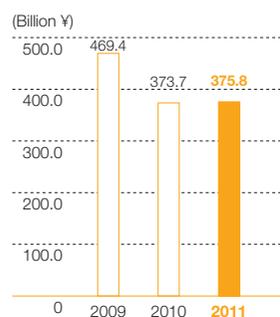
PLATFORM BUSINESS



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



OPERATING INCOME (LOSS), OPERATING INCOME RATIO



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.

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.

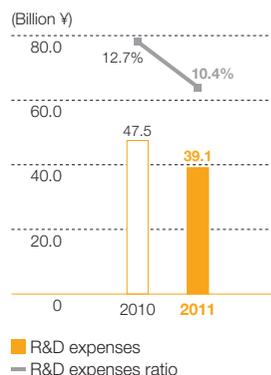
The segment posted operating income of ¥8.9 billion, an improvement of ¥10.6 billion from an operating loss in the previous year. This mainly reflected continuous cost reductions and efficient development spending, in addition to the increase in sales.

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

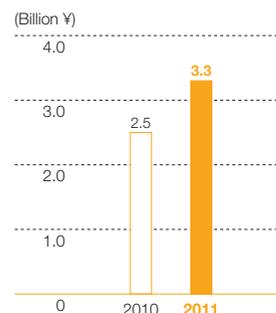
FOR FURTHER GROWTH

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



CAPITAL EXPENDITURES



*¹ Source: IDC Japan, Japan Server Quarterly Model Analysis 2011Q1 (2010 calendar year)

*² Source: Nikkei Computer (15th Customer Satisfaction Survey, August 18, 2010 issue); 1st place Web application server software category/1st place integrated operation management software category/1st place network equipment category

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"

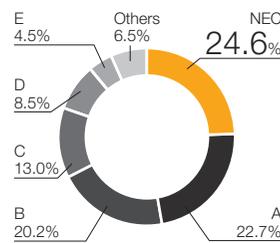


ProgrammableFlow Switch
"UNIVERGE PF5240"



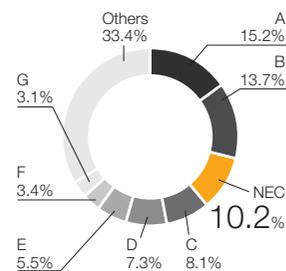
Express5800 series

SHARE OF JAPANESE PC SERVER MARKET (VOLUME SHIPMENT BASIS)



Source: IDC Japan *1

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



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.



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

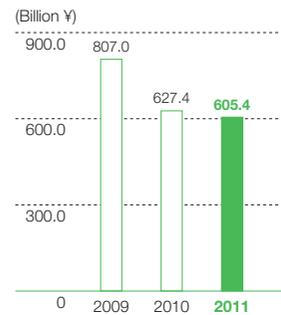
CARRIER NETWORK BUSINESS



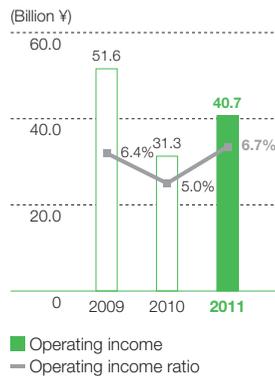
NEC supplies equipment required for network implementation to telecom carriers, along with network control platform systems and operating services. NEC's wealth of experience in large-scale network implementation and strong technical capabilities contribute to the development of highly reliable communications networks.

Shunichiro Tejima
Senior Vice President

SALES



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of recovery in the business environment. NEC won large submarine cable system projects linking Japan and various Asian countries, including the Asia Submarine-cable Express system in January 2011 and South-East Asia Japan Cable system in April 2011. Also, femtocell solutions were supplied to telecom carriers in Norway and Russia.

In other areas, cumulative shipments of "PASOLINK," an ultra-compact microwave communications system, reached 1.64 million units in 145 countries as of April 2011. In this field, NEC launched the new "iPASOLINK" Series, which extends its cover from access to metro area. NEC has already received "iPASOLINK" orders from telecom carriers in India, Turkey and other countries.

FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales decreased 3.5% year on year to ¥605.4 billion. This decrease mainly reflected the impact of exchange rate fluctuations and delays with contractual procedures for submarine cable systems, despite higher domestic sales of wireless communications equipment and of cable television-related systems.

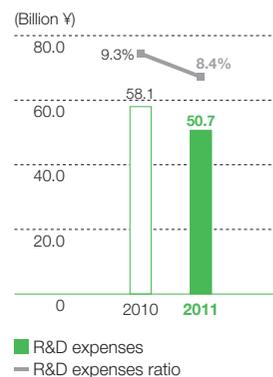
Operating income rose ¥9.4 billion year on year to ¥40.7 billion, mainly due to streamlined costs and higher sales from the second half of the fiscal year.

In fiscal 2011, NEC shipped wireless base stations for NTT DOCOMO, INC.'s new LTE-based mobile phone service Xi™ (read "Crossy"), along with related core networks and Ethernet transmission equipment. NEC also participated in LTE field trial projects with KDDI Corporation, Telefónica Moviles Argentina S.A., a subsidiary of Telefónica S.A. of Spain, and Globe Telecom, Inc. an associate of Singapore Telecommunications Ltd. In this manner, NEC built a solid track record in the latest LTE services both in Japan and overseas. In addition, NEC started to see signs

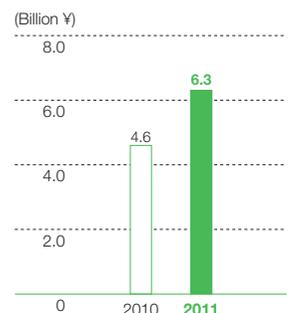
FOR FURTHER GROWTH

Data traffic has been increasing with the rapid uptake of smartphones and growing demand for mobile phones in emerging countries, presenting major business opportunities for NEC. In this environment, NEC is concentrating

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



business resources in four areas where it can demonstrate its own strengths and high market growth is expected: wireless broadband access, mobile backhaul, submarine cable systems, and services and management. NEC is taking on the challenge of enhancing its position in global markets while driving growth in net sales and earnings.

In wireless broadband access, NEC is striving to ensure the completion of LTE projects currently under way in Japan, and at the same time, working to develop business globally. Specifically, NEC entered into an agreement with Wuhan Research Institute of Post and Telecommunications (WRI), China's leading telecom equipment manufacturer, to cooperate in development, manufacturing, sales and maintenance in the LTE field. In femtocell solutions, NEC has already signed commercial agreements with more than 10 telecom carriers, primarily in Europe. NEC is now actively pitching femtocell solutions in the Middle East, Africa, Asia and other regions.

Mobile backhaul is expected to become an increasingly important infrastructure supporting burgeoning data traffic in step with growing demand for mobile phones in emerging countries. NEC possesses the high-quality wireless transmission technology bar none and conducts efficient manufacturing activities at NEC Network Products, Ltd. (former NEC Wireless Networks, Ltd.), a PASOLINK production site. Harnessing these strengths, NEC will maintain its competitive edge in markets going forward.

In submarine cable systems, data traffic is projected to increase steadily, especially in the Asia-Pacific region. As one of the world's three major submarine cable system providers, NEC is able to comprehensively supply products

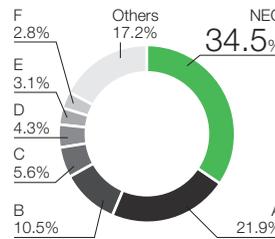


LTE base station



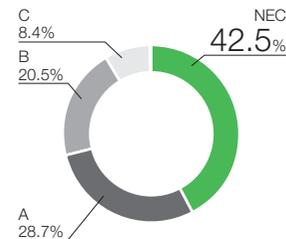
Submarine cable system

CARRIER NETWORK INFRASTRUCTURE MARKET SHARE, JAPAN (MONETARY BASIS)



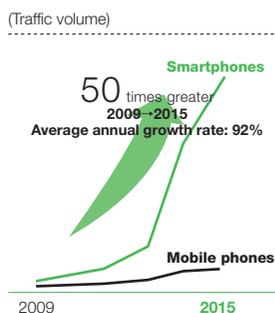
Source: Gartner *2

MOBILE CARRIER NETWORK INFRASTRUCTURE MARKET SHARE, JAPAN (MONETARY BASIS)

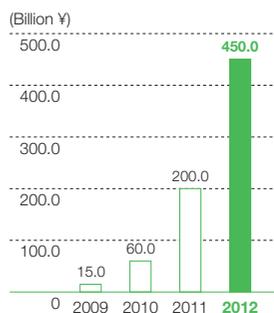


Source: Gartner *2

TREND AND OUTLOOK FOR DATA TRAFFIC VOLUME*1



SIZE OF GLOBAL MARKET FOR LTE EQUIPMENT*1



ranging from terminal equipment to submarine repeaters and cables. Leveraging these strengths, NEC will look to seize future business opportunities ahead.

In services and management, NEC will utilize the strengths of NetCracker Technology Corp., which was acquired in 2008. NetCracker has a global customer base, along with strong solution capabilities in consulting, sales and services. Harnessing these strengths, NEC will help telecom carriers to reduce operating costs.

*1 Source: NEC estimates and projections based on data from various market research companies (calendar years).

*2 Source: Gartner "Market Share: Carrier Network Infrastructure, Worldwide, 2010" 22 March 2011 (2010 calendar year)

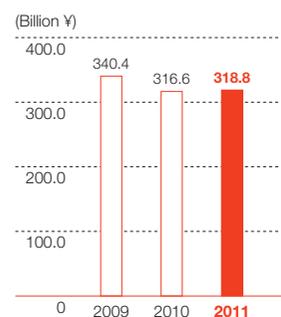
SOCIAL INFRASTRUCTURE BUSINESS



NEC provides eco-friendly, reliable and secure systems and solutions that contribute to a comfortable society. Through information and communications technology (ICT), these systems and solutions support the sophisticated operation of social infrastructure, including broadcasting and video distribution systems, control systems, transportation and public network systems, fire and disaster prevention systems, and aerospace and defense systems.

Tomonori Nishimura
Senior Vice President

SALES



OPERATING INCOME, OPERATING INCOME RATIO



FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 0.7% year on year to ¥318.8 billion. This increase mainly reflected steady growth in the social systems field including broadcasting, transportation, and fire and disaster prevention systems, despite a decline in sales in the aerospace and defense systems fields due to government expenditure cutbacks in Japan.

Operating income decreased ¥7.1 billion year on year to ¥14.6 billion mainly owing to the influence of highly profitable projects in the previous year and increased costs for strengthening the development and sales organization in the social systems field, despite efforts to reduce costs and tighten risk management.

In fiscal 2011, NEC saw the rapid emergence of replacement demand due to regional restructuring and digitization of wireless communications networks of fire and disaster prevention systems. NEC captured a high market share by harnessing strengths in software-based wireless technology and its extensive experience in large-scale

fire-fighting command systems.

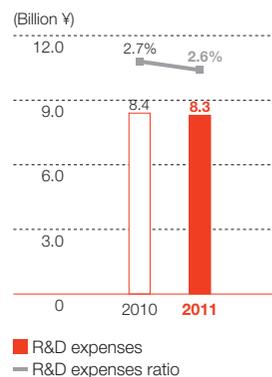
In addition, NEC is proposing systems that will support efforts to reduce CO₂ emissions in the logistics sector, which accounts for 20% of CO₂ emissions in Japan. In fiscal 2011, NEC developed a telematics system called "See-T Navi" in partnership with Yamato Transport Co., Ltd. to raise the efficiency of collection/delivery operations, and to support safer and more environmentally friendly vehicle operations.

Besides, NEC has been working to develop compact infrared cameras for security, thermography and other applications using its original uncooled infrared detector technology. In fiscal 2011, NEC developed an uncooled infrared camera called AEROEYE to support helicopter operations at night or in poor visibility conditions, and delivered the camera to the Tokyo Fire Department.

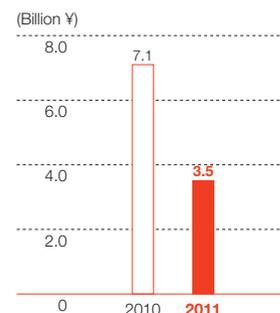
FOR FURTHER GROWTH

NEC provides a broad range of security solutions underpinning many different areas, from national and regional security to the protection of individuals and

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



corporations, with the aim of supporting a more reliable, safe, and comfortable society. In recent years, demand has grown for the digitization of wireless communications networks, which underpin transportation safety for expressways, and public transit such as railways, as well as reliable communications in the fire and disaster prevention fields. Particularly, replacement demand for fire and disaster prevention systems is expected to grow continuously over the next several years, driven by regional restructuring and the digitization of wireless communications networks. NEC continues to reinforce its operating structure in this field.

Furthermore, nationwide multimedia broadcasting for mobile terminals will enter service using remnant terrestrial analog broadcasting frequencies. Here, NEC will help to develop systems spanning program production to transmission (digital broadcasting) in support of the convergence of communications and broadcasting. Similarly, the intelligent transportation system (ITS) field is studying the feasibility of developing vehicle-to-vehicle and road-to-vehicle communications also using these remnant frequencies. In this area, NEC will help to develop technologies and build infrastructure that reduces traffic congestion and accidents.

Moreover, NEC offers ITS telematics solutions which help to reduce CO₂ emissions in the logistics field by facilitating safe and environmentally friendly driving and raising the efficiency of logistics operations. Looking ahead, NEC aims to expand this business by extending telematics solutions from commercial to personal vehicles and entering the ASP service* business using cloud computing.

In other areas, NEC offers building solutions that enable integrated facility management for security and power



High-performance fire-fighting command center to support rapid-response fire and disaster prevention and rescue activities (Fire and disaster prevention systems).



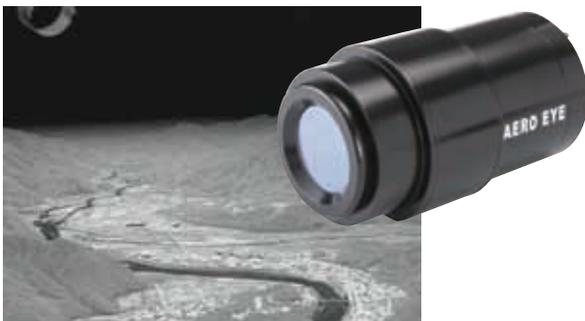
Digital terrestrial TV transmitters for overseas markets (Broadcasting and video distribution systems)



The ASNARO is equipped with the NEXSTAR small standard satellite bus module.

consumption within a building. Also, NEC is currently participating in various smart grid demonstration trials. Going forward, NEC will roll out power control solutions that address the introduction of renewable energy and multiplying means of electricity trading, which are expected to advance further.

NEC set up the Overseas Business Strategy Office in September 2010 to promote overseas development of systems that support the advanced use of social infrastructure developed in Japan. Collaboration with partner companies and government agencies in fields such as expressways, railways, waterworks, fire and disaster prevention and space applications, NEC will strive to increase sales in emerging markets such as Asian countries, as well as Latin America and Africa, as it works to drive overseas business expansion forward.



Infrared camera AEROEYE IRV-3200H with a photograph taken by the camera

* ASP (Application Service Provider) service: A service where access to applications is provided to customers over the Internet.

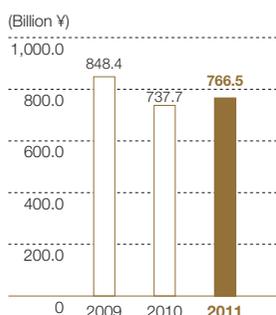
PERSONAL SOLUTIONS BUSINESS



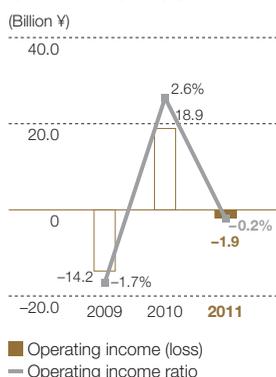
NEC supplies individuals and enterprises with smartphones, mobile phones, personal computers, Internet services, display solutions and other products. It is also engaged in the creation of new terminal devices that serve as interfaces between cloud computing and users, and services that add value to such terminals. Harnessing cutting-edge technology, NEC develops products and services that are simple and convenient for everyone.

Takemitsu Kunio
Senior Vice President

SALES



OPERATING INCOME (LOSS), OPERATING INCOME RATIO



when users leave their seats, and a model that displays changes in PC power consumption. As a result, NEC's PCs held on to the top share of the Japanese market*2.

NEC also introduced Android™-based tablet devices such as the Cloud Communicator LT-W, which features operability equivalent to a PC using a built-in keyboard.

Moreover, in fiscal 2011, NEC agreed to a strategic partnership with Lenovo Group Limited in order to drive growth in the PC business through a more powerful market position, enhanced product portfolio and expanded distribution channels.

FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 3.9% year on year to ¥766.5 billion. This increase was mainly due to the business integration with Casio Hitachi Mobile Communications Co., Ltd. and an increase in sales in the overseas display solutions business, despite sluggish mobile phone sales.

The segment posted an operating loss of ¥1.9 billion, a change of ¥20.8 billion from operating income in the previous year. This was mainly due to weak sales of mobile phones and increased development expenses for smartphones and other new devices.

In fiscal 2011, NEC launched the MEDIAS N-04C smartphone in the Japanese market. This model features the world's thinnest*1 7.7 mm profile—it weighs an ultra-light 105 g—and is equipped with multiple convenient functions.

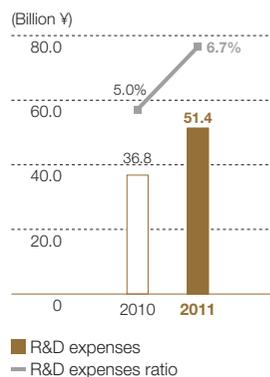
Furthermore, NEC launched a notebook PC for individual customers with new features like a high audio-quality YAMAHA sound system and 3D display functionality. NEC also unveiled an energy-efficient PC model for enterprises featuring a function that automatically turns off monitors

FOR FURTHER GROWTH

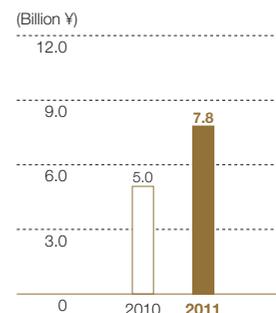
Looking ahead, NEC will focus on achieving global business expansion with smartphones, promote new businesses for tablet devices, and develop leaner operations.

In the mobile phone business, NEC will strive to expand business by supplying models that combine NEC's proprietary thin-profile and lightweight technologies with Casio Hitachi Mobile Communications' water-proof, dust-proof and shock-resistant technologies to customers.

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



*1 Among 3G mobile phones, as of February 24, 2011 (Source: NEC CASIO Mobile Communications, Ltd. research)

In smartphones, which are projected to rapidly penetrate global markets, NEC will concentrate on enhancing its product lineup, price competitiveness and regional product penetration.

First, NEC will enhance its product lineup by strengthening ties with developers and manufacturers of operating systems and chipsets that are commonly used in smartphones, and incorporate cutting-edge technology from each company as early as possible.

Next, NEC will enhance price competitiveness by increasing volume shipments per model through development of global base models. Each global model will be customized according to the needs of each region, underpinning NEC's global business expansion. In addition, NEC will apply production expertise developed in Japan to outsourced production overseas, in order to sharpen its cost competitiveness.

Finally, NEC intends to increase regional product penetration. To this end, NEC will expand business globally by stationing marketing personnel in each local market. NEC first aims to expand its presence in the North American market, and then steadily make inroads into Europe and emerging countries.

As with smartphones, tablet devices are tipped for substantial market growth going forward. In this market, NEC will offer thin, lightweight tablet devices, as well as provide vertical solutions from networks, service platforms to devices.

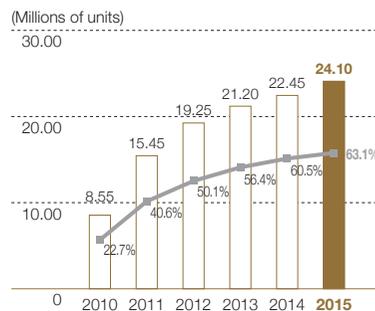
NEC will also respond to the needs of business customers who provide various services in fields such as electronic books, educational services, electric power and housing by offering distinctive product lineups featuring dual-screen tablet devices and other product innovations.

DOCOMO smartphone
MEDIAS N-04C



Cloud communicator
LT-W

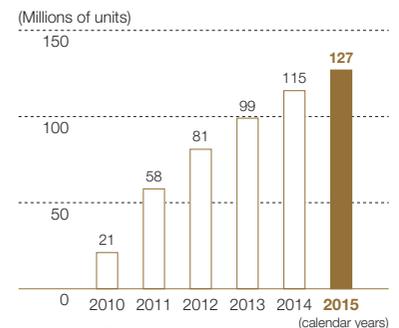
TREND AND OUTLOOK FOR SMARTPHONE SALES VOLUME AND SHARE IN JAPAN



Source: Research by MM Research Institute, Ltd.
Note: Fiscal 2010 is the period ended March 31, 2011

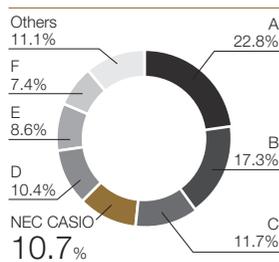
■ Smartphone sales volume
— Share of smartphone sales volume

TREND AND OUTLOOK FOR WORLDWIDE TABLET SALES VOLUME



Source: NEC projections

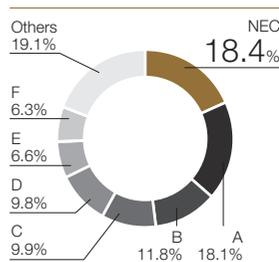
SHARE OF MOBILE PHONE VOLUME SHIPMENTS IN JAPAN



Source: Research by MM Research Institute, Ltd.

Note: Period is from April 1, 2010 to March 31, 2011

SHARE OF PC VOLUME SHIPMENTS IN JAPAN



Source: IDC Japan *2

Business expansion will also be driven by tablet devices sales through telecom carriers, large-scale retailers and other channels.

In addition to these measures, NEC aims to develop leaner operations through continuous efforts to enhance its quality and responsiveness to market developments by bolstering manufacturing capabilities at production centers in Japan.

*2 Based on fiscal 2010 sales volume ranking
Source: IDC Japan, Japan Personal Computing Quarterly Model Analysis, 2011Q1