

CARRIER NETWORK BUSINESS



Shunichiro Tejima
Senior Vice President

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.

FISCAL 2012 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 4.4% year on year to ¥602.7 billion. This increase mainly reflected steady growth in sales of mobile network infrastructure in Japan, as well as submarine cable systems.

Operating income improved ¥12.8 billion year on year to ¥50.6 billion, mainly due to a sales increase in Japan and submarine cable systems.

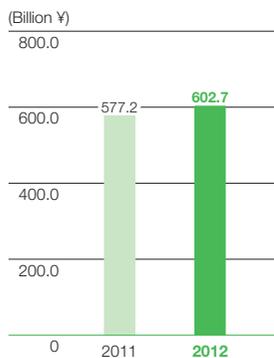
In fiscal 2012, NEC captured business opportunities arising from data traffic growth driven by the uptake of smartphones in Japan. Notably, NEC began shipping LTE base stations to KDDI Corporation in addition to NTT DOCOMO, INC. In overseas business, NEC won large submarine cable system projects linking Japan and various Asian countries, including the South-East Asia Japan Cable system in April 2011 and the Asia Pacific Gateway system in December 2011. In other areas, NEC made steady progress with the launch of new ultra-compact microwave communications system, "iPASOLINK" Series, which

extends its cover from access to metro area, following commencement of sales in the previous fiscal year. NEC had won more than 200,000 "iPASOLINK" orders on a cumulative basis as of May 2012. The services and management business expects to see market expansion surpass growth in capital expenditures in network infrastructure equipment. In this business, NEC launched M2M solutions "CONNEXIVE," in addition to acquisition of the business support system division of Convergys Corporation of the U.S. Through these initiatives, NEC has reinforced its execution framework for bringing globally competitive products and solutions to market as early as possible.

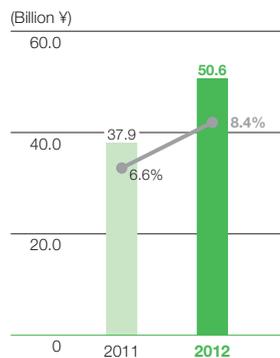
FOR FURTHER GROWTH

Data traffic is projected to grow sharply with the rapid uptake of smartphones in Japan and growing demand for mobile phones in emerging countries, presenting major business opportunities for NEC. In this environment, NEC will continue to concentrate business resources on four key

SALES

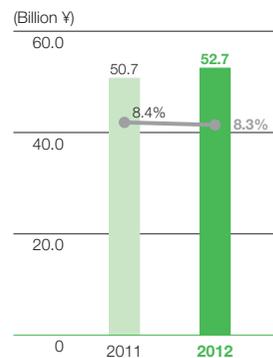


OPERATING INCOME, OPERATING INCOME RATIO



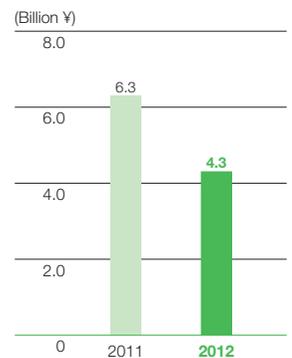
■ Operating income
■ Operating income ratio

R&D EXPENSES*, R&D EXPENSES RATIO*



■ R&D expenses
■ R&D expenses ratio

CAPITAL EXPENDITURES*



* R&D expenses, the R&D expenses ratio and capital expenditures represent the figures for the former Carrier Network business.

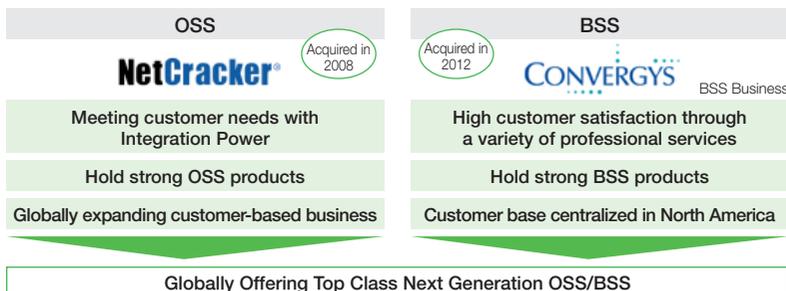
areas: wireless broadband access, mobile backhaul, submarine cable systems, and services and management. NEC will strive to enhance its position in global markets while driving growth in sales and earnings.

In wireless broadband access, NEC entered into an agreement for collaboration with Cisco Systems, Inc. of the U.S. on the deployment and sale of commercial LTE networks targeting overseas markets. Cisco Systems boasts a world-class delivery track record in the market for core networks. In addition to completing the LTE projects in Japan currently under way, NEC will promote LTE business in overseas markets through the joint supply of Cisco Systems' mobile core systems, and NEC's LTE base stations. Furthermore, in femtocells, NEC already has 60 commercial-use/trial-based contracts*1. By cultivating new customers and increasing ties with existing ones, NEC will strive to further expand femtocell shipments.

In mobile backhaul, NEC has commenced a portion of PASOLINK development and production operations in India, one of the world's largest markets for mobile backhaul. This move is aimed at minimizing the impact of the yen's appreciation and further enhancing PASOLINK's competitiveness. Looking ahead, NEC will continue to bolster business development by taking full advantage of its advanced wireless transmission technology and high quality and efficient manufacturing operations.

In submarine cable systems, NEC will steadily drive business expansion by seizing business opportunities in the Asia-Pacific region, where demand is strong. Another priority for expanding business will be to address growing

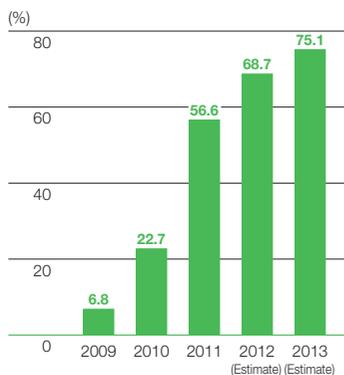
AIMS OF ACQUIRING CONVERGYS CORPORATION'S BSS OPERATIONS



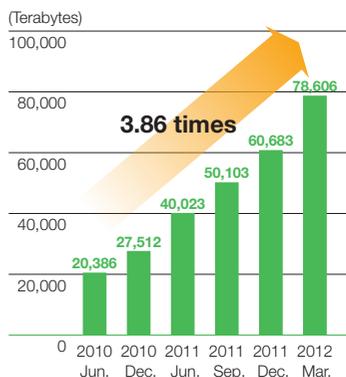
demand in recent years for earthquake and tsunami observation systems.

In services and management, NEC will combine the respective strengths of the operation support systems of NetCracker Technology Corp. and the business support system of Convergys, in order to achieve a fully integrated system including service implementation to operations, monitoring and billing. This will give NEC the ability to address the need for enhanced services and greater cost efficiency among telecom carriers. In other areas, NEC is focusing on M2M solutions, which mainly target the domains of agriculture, the environment, energy, transportation and logistics and remote control of machinery, as well as the cloud business, where NEC has already won orders from telecom carriers in Europe, Latin America and CIS countries. In these fields, NEC will further upgrade and extend its lineup of services in an effort to cultivate and develop overseas markets.

SMARTPHONE SALES VOLUME RATIO IN JAPAN



TREND IN MOBILE COMMUNICATIONS TRAFFIC IN JAPAN



LTE compact wireless base station (MB4300 Series)

Source: Ministry of Internal Affairs and Communications, MM Research Institute, Ltd. (Minato City, Tokyo)

*1 The number of commercial-use/trial-based contracts as of May 31, 2012.