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

NEC Group Vision 2017
1. Business Overview

2. Market Trends and Business Opportunities

3. Platform Business Growth Strategies

4. Towards Achieving ‘V2012’
Business Organization

- Provide IT platform/network products globally with enterprises and governments (Product Sales)

![Diagram of Business Organization]

- Segment:
  - IT Services
  - Platform
  - Carrier Network
  - Social Infrastructure
  - Personal Solutions

- Sales Business Unit
- International Sales and Operations Business Unit
- Others

- Organization:
  - IT Services Business Unit
  - Platform Business Unit
  - Carrier Network Business Unit
  - Social Infrastructure Business Unit
  - Personal Solutions Business Unit
  - NEC Energy Devices
  - NEC TOKIN
  - Others
Business Domain

Provide core products of cloud computing: **IT platform products** (IT hardware, IT software) and **network products**

*C&C Cloud: What's NEC's Cloud Computing?*

**Main Products Group**

- **IT Platform Products**
  - **IT Hardware**
    - Server
    - Storage
    - ATM
    - POS etc
  - **IT Software**
    - OS
    - Middleware
    - Operation Management
    - Service Execution Platform etc

- **Network Products**
  - PBX/Business Phone
  - Unified Communications etc
Sales Composition

Well balanced sales composition

Overseas Sales Ratio: 25% (FY2009)

- Network business - Overseas sales ratio: 50%
  - Main market: U.S, Europe and Australia
- IT platform business - Main market: Japan

<Sales Composition by Products> (FY2009)

- Network: 44%
- IT platform: 33%
- IT software: 23%

Sales: 373.7 billion yen

<Sales Composition by Regions> (FY2009)

- Overseas: 25%
- Japan: 75%

Sales: 373.7 billion yen
Relations among Platform Business and Other Businesses

- Provide products to support solutions and services of IT services business
- Provide products for Carrier Network, Social Infrastructure, and Personal Solutions businesses.

**Customers**

**IT Services Business**
- Industry-classified IT Solutions, IT Services (System integration, Consulting, Outsourcing, SaaS)
- Maintenance Services

**Carrier Network Business**
- Solutions
- Products

**Social Infrastructure Solutions Business**
- Social systems
- Aerospace/defense

**Personal Solutions Business**
- Mobile/PC
- Display
- BIGLOBE*

**Platform Business**
- IT Platform Products (IT Hardware, IT Software)
- Network Products

**Sales Partners**

*BIGLOBE: Internet services*
(e.g) NEC’s OMCS (Open Mission Critical Systems)

Support NEC’s OMCS with our product technologies

- Realize high reliable/available platform with our/others’ products

Achievements of NEC’s OMCS

- Super parallel batch processing
- Massive distributed OLTP processing
- Rapid database switching
- Massive object technology
- Java operation building platform
- Super parallel multithread control

- C/S model
- Major securities
- BankingWeb21
- Telecom user
- MFA

Cloud Computing

NEC’s new core IT systems

Cloud Services

PSA ※

※ PSA: Parallel Stream Architecture

1997

Present

Achievements of NEC’s OMCS
Platform Business – IT Platform Business (IT Hardware)

Provide products with enterprises/governments requirements

- PC Servers, UNIX Servers, mainframes, supercomputers, storages, ATM, and POS
- Optimized platform: Combine NEC and OEM products

Utilize mainframes/supercomputers technologies to common technologies

- Eco-technology: Auto power saving, hybrid power
- Maintenance: Prompt failure analysis
- Reliability: High reliability with unique chipset
Provide middleware for OMCS
- Operation management, applications server, security, OS, database etc

Realize open and high reliable systems by combining NEC and OEM products
- NEC products:
  Functions related to customers’ needs
- OEM products:
  De facto products such as OS and database
  - Support reliability of total systems
  - Long term alliances with major vendors
    - Oracle, hp, Microsoft, VMware, etc
Platform Business – Network Business

Provide network products with enterprises/governments
- Voice network system (communication server), WAN/Wireless access system, LAN, Communication software
- Optimized solutions by combining NEC and OEM products

Expand global businesses with ‘UNIVERGE’
- Utilize 3500 global sales channels based on 5 regions
- Develop/provide systems to meet the regional/industry needs

Hotel
- Global hotel chain
- Over 50% share in Las Vegas

Hospital
- Over 1200 cases in global (US, Europe, Australia, etc)

NEC: Over 10% WW share

3,500 Global Sales Channels

Source: Fuji Chimera Research 2008

EMEA: Europe, Middle East and Africa

*Enterprise Telephony Share
(Source: Gartner Market Share: Enterprise Telephony Equipment and Business Telephones, Worldwide, 2009)
Sales and Operating Profit of Platform Business

**Sales**: Expect to increase sales from server consolidation with virtualization

**Operating Profit/Loss**: Expect to increase the profit from improvement of efficiency and a sales increase while price erosion of hardware continues

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**Sales and Operating Profit/Loss**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Billions of Yen)</th>
<th>Operating profit/loss (Profit margin)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2009</td>
<td>373.7</td>
<td>-1.7 (-0.5%)</td>
</tr>
<tr>
<td>FY 2010</td>
<td>385.0</td>
<td>11.0 (2.9%)</td>
</tr>
</tbody>
</table>

**Operating Profit/Loss Breakdown**

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 2010 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit increase from sales increase</td>
<td>11.0</td>
</tr>
<tr>
<td>Development cost efficiency</td>
<td></td>
</tr>
<tr>
<td>Fixed cost: 3% improvement</td>
<td></td>
</tr>
<tr>
<td>Business structural reform</td>
<td></td>
</tr>
</tbody>
</table>

※ Forecast is as of 9th February, 2011
Improving Cost Structure (From FY2009 to FY2010)

**Business structural reform**
- Integrated former IT Platform Business Unit and former Enterprise Communications Solutions Operations Unit. Improved efficiency through organization change
- Improved our cost structure with total process reform
  (QCD reform from planning and development design phases)

**Development cost efficiency**
- Review our product portfolio (Focusing on key businesses)
- Common development (Hardware, Software and Network)

**Q: Quality reform**
<table>
<thead>
<tr>
<th>&lt;Quality Loss Cost&gt; (Sales comparison)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5% improvement</td>
</tr>
</tbody>
</table>

**C: Cost reform**
<table>
<thead>
<tr>
<th>&lt;Amount of Cost Reduction&gt; (Cost comparison)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.6% improvement</td>
</tr>
<tr>
<td>Absorbed selling price down</td>
</tr>
</tbody>
</table>

**D: Delivery reform**
<table>
<thead>
<tr>
<th>&lt;Inventory Turnover Period&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-day improvement</td>
</tr>
</tbody>
</table>

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Changing Market Environment

- Shifting from ICT to Cloud to adapt to rapid environment changes
- Developing new global businesses using Cloud

**Opportunities** to be addressed
- Business opportunities across industries
- Global expansion of businesses

**Challenges** to be addressed
- Continuous cost reduction
- Quick decision making

- Rapid growth in Emerging countries
- Wireless broadband network
- Response to the global environment
- Industry reorganization, M&A

Cloud Utilization
Bursty increase of data processing in cloud computing due to all information becoming electronic data.

→ Needs for collecting, processing, and visualization of information will continue increasing dramatically.

→ Create new services by utilizing analyzed data among various industries.

Increasing the Roles of Platform in Cloud Era

- Sensors, devices
- Visualization
- Information Production
- Virtualization
- Collecting
- Processing
- Cloud computing
- Video Conference
- Smartphone
- Services for telecom carriers
- Services for enterprises
- Services for individuals and households
- Services for governments

Create new services beyond industries.
Strengths and the Future of Platform Business

Realize Cloud Computing and Unified Communications by integrating IT/network technologies and knowhow

Cloud Computing

IT/network Integration

REAL IT PLATFORM G2

Mainframe

Web

Downsizing

No.1 share for 14 consecutive straight years in Japan

EERESSSSS

Express 5800

UNIVERGE

IP

Digitalization

Voice

Image

Network

REAL IT PLATFORM G2:
The concept of cloud computing oriented next generation IT platform

Office operation platform

Enterprise telephony

WW share: 10%
Japan share: No.1

Communication-based Common Platform Services

Unified Communications
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Platform Business Vision

ICT Platform Global Provider

to realize an information society friendly
to humans and the earth

ICT Platform for Cloud Services

Cloud Oriented Communication Platform

REAL IT PLATFORM G2
Cloud Oriented Next Generation IT Platform
Mid-term Plan (V2012)

- Keep increasing sales after FY2009
- Aim for our goal (sales: 410 billion Yen, overseas ratio: 29%) with a longer view than V2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Billions of Yen)</th>
<th>Overseas</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009 (Actual)</td>
<td>373.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2010 (Forecast)</td>
<td>385.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2012 (Target)</td>
<td>410.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overseas ratio 29%

Forecast is as of 9th February, 2011
## New Platform Business Strategy for Global Market

<table>
<thead>
<tr>
<th>Present</th>
<th>Strategy</th>
</tr>
</thead>
</table>
| **IT Platform**  
- Main market: Japan |  
- Expand server business globally as a base of platform business  
  - Strengthen price competitiveness by increasing sales |
| **Network**  
- Network equipment business  
- Main market: Developed countries |  
- Enhance product portfolio infrastructure of cloud oriented service platform  
  - Expand C&C cloud to global market |
| **Manufacturing**  
Made in Japan Quality |  
- Expand Japan quality to worldwide market  
- Improve hardware competitive with server |
Platform Business Domain and Key Business Domain

- Develop NEC’s strengths/new technologies to IT/network integrated three businesses
  - Unified Communications: IT/network integrated office operation platform products
  - Common Infrastructure for Cloud: Cloud services supported platform products
  - Server: Environmentally durable server products
- IT/network ‘Common Platform’ based on server technology
Unified Communications Business

- Office environments have been changing to the new collaboration tools (integrated voice and data)
- Combine cloud services and existing office solutions to stimulate internal/external collaborations

Working Style Renovation Concept

C&C Office → When needed, whenever, and globally

- Office Cloud Services
  - Collaboration Everywhere
    - Mobile utilization
  - Communications Enhancement
    - Video conference
    - Groupware
  - VPCC+VoIP
  - Paperless
    - Documents management
  - Teleconference
  - Remote Access
  - VPN

UC WW Market NEC Forecast 2009–2017
Unified Communications Business

Expand our business by leveraging strength in IT/network integration and global sales channels

Enhance Products Competitiveness

- Cloud services of C&C Office
  - ‘UNIVERGE Live’ (Launched in September 2010)
- Utilize new devices (smartphone)
- Launch strategic products to promote IP/ unified communications in emerging countries and small and medium-sized enterprise market
  - Low-capacity communication server UNIVERGE ‘SL1000’ for emerging countries

Strengthen Sales Channels

- Expand services business with partners
  - Expand UNIVERGE Live with partners’ resources
  - Offer cloud services (Swisscom hotel telephony)
- Develop solutions specific to each industry segments (ex: hotel, hospital)
  - From Japan and North America to Emerging countries

Aim to be a global top player
"Common Infrastructure for Cloud" Business

Cloud platform suitable for data explosion/new services creation
⇒ Flexible, secure and comfortable platform based on ‘REAL IT PLATFORM G2’

**REAL IT PLATFORM G2**

- Multi-tenant processing
- High-speed processing
- New service creation
- Optimized use of resources
- Network virtualization

**Efficiency infrastructure**
- Service execution platform
  - Execution platform
  - Information management
  - Development environment
- Datacenter facility

**System service management**
- Service execution management
- Efficiency infrastructure management

- Cloud operation
  - Operation cost reduction
- Cloud collaboration
  - Hybrid cloud

- Remarkable technology

Common infrastructure to support existing C&C Cloud
- Basic functions of cloud-oriented datacenter platform
- Common infrastructure of enterprise/carrier/social cloud for customers

Lead the NEC’s C&C Cloud Business
New network control technology ‘OpenFlow’

- Network control technology mainly advocated by Stanford University
- Innovate the mindset of complicated network management
  ➔ Network visualization, optimized data transfer and equipments

Bring it to activate phase with advanced technology, experience and performance

- NEC is the first company to commit to commercialize Openflow technology
- Performance of the proving evaluation in Japan/Overseas
- Release our first product for datacenter soon
Server Business

Differentiate NEC’s servers from others with high environmentally durable servers

- **Low Power Consumption Servers**
  - Power saving, high-density, and reduce weight
  - Use unique power saving technology and cooling technology

- **Environmentally Durable Servers**
  - Indoor installation → Outside installation
  - Customized servers for plants/built-in (dust tolerance/ easy maintainability/ long-term supply)

![Graph showing maximum power consumption when mounting 80 servers, with a cut of 70%]

For outdoor

Dust tolerance
Server Business

Expand business to global Datacenter Market
- Servers specialized for datacenter
  - Overwhelming power-saving and small-footprint
- Expand servers for C&C cloud

Leverage sales channels with network business
- Utilize global sales channels of our network business to expand server sales
- Develop new channels in emerging countries

Aim to be a global provider
< Common Measure >
Enhance Competitive Hardware by Common Platform

Server based common platform across the product line
⇒ Provide the latest technology at a low price

Present

Future

<Advantages>

- Early introduction of latest technology (environment, virtualization, high-reliability, high-availability)
- Provide special purpose hardware at a low price
- Reduce development/production/maintenance cost

Only NEC can enhance hardware with common platform from server to storage, network and other complex devices
< Common Measure >
Global Supply Chain Management

Timely and stable supply to the global market

- Consolidate sellout information to the HUB and control inventories appropriately
- Put together flexibly in consuming areas

BTO : Build to order
< Common Measure >
Software Productivity Improving Plan

- Standardize high quality software development method accumulated more than 20 years of experiences
- Establish Software Factory to realize high quality/productivity software including overseas
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Our goal:
410 billion yen in sales (operating profit margin 5%) by FY2012

(Billions of Yen)

Sales

<table>
<thead>
<tr>
<th></th>
<th>FY2009 (Actual)</th>
<th>FY2010 (Forecast)</th>
<th>FY2012 (Plan)</th>
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</thead>
<tbody>
<tr>
<td>Overseas</td>
<td>373.7</td>
<td>385.0</td>
<td>410.0</td>
</tr>
<tr>
<td>Japan</td>
<td>280.1 (75%)</td>
<td>285.0 (74%)</td>
<td>290.0 (71%)</td>
</tr>
</tbody>
</table>

Operating Profit/Loss (Operating Profit Margin)

<table>
<thead>
<tr>
<th></th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>1.7</td>
<td>11.0 (3%)</td>
<td>20.0 (5%)</td>
</tr>
<tr>
<td>FY2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2012</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CAGR (FY09-12) Total 103%

- Key business 108%
- Existing business 100%
- Overseas 109%
- Japan 101%

※ Forecast is as of 9th February, 2011
Efforts for Improving Profitability

Reduce cost by standardization/overseas utilization
Focus investment on key businesses and promote efficiency

Operating profit/loss
(Billions of Yen)

<table>
<thead>
<tr>
<th>FY2009</th>
<th>FY2010 (Forecast)</th>
<th>FY2012 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1.7</td>
<td>+11.0</td>
<td>+9.0</td>
</tr>
</tbody>
</table>

- Sales: 385.0 billion yen ⇒ 410.0 billion yen

Investment in key businesses

Cost reduction (Exceed price erosion)
- Standardized design
- Common platform
- SCM expansion

Development cost efficiency

- Offshore enhancement mainly in India/China
- Software Factory development

Sales/profit increase of key businesses

- Forecast is as of 9th February, 2011
Towards Achieving ‘V2012’

- Improve our business structure to secure profit steadily
- Leverage IT/network assets to expand global business
Empowered by Innovation

NEC
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>BTO</td>
<td>Build to Order</td>
</tr>
<tr>
<td>C&amp;C</td>
<td>Computer &amp; Communication</td>
</tr>
<tr>
<td>C/S</td>
<td>Client-Server</td>
</tr>
<tr>
<td>DAS</td>
<td>Direct Attached Storage</td>
</tr>
<tr>
<td>DB</td>
<td>Database</td>
</tr>
<tr>
<td>HW</td>
<td>Hardware</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>LAN</td>
<td>Local Area Network</td>
</tr>
<tr>
<td>MFA</td>
<td>Mainframe Alternative</td>
</tr>
<tr>
<td>NW</td>
<td>Network</td>
</tr>
<tr>
<td>OEM</td>
<td>Original Equipment Manufacturing</td>
</tr>
<tr>
<td>OLTP</td>
<td>Online Transaction Processing</td>
</tr>
<tr>
<td>OMCS</td>
<td>Open Mission Critical System</td>
</tr>
<tr>
<td>PBX</td>
<td>Private Branch eXchange</td>
</tr>
<tr>
<td>PF</td>
<td>Platform</td>
</tr>
<tr>
<td>POS</td>
<td>Point of sale system</td>
</tr>
<tr>
<td>PSA</td>
<td>Parallel Stream Architecture</td>
</tr>
<tr>
<td>RAID</td>
<td>Redundant Array of Independent (Inexpensive) Disks</td>
</tr>
<tr>
<td>SaaS</td>
<td>Software as a Service</td>
</tr>
<tr>
<td>SAN</td>
<td>Storage Area Network</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply Chain Management</td>
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<tr>
<td>SI</td>
<td>System Integration</td>
</tr>
<tr>
<td>SL</td>
<td>Solution</td>
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<tr>
<td>SW</td>
<td>Software</td>
</tr>
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<td>UC</td>
<td>Unified Communications</td>
</tr>
<tr>
<td>VoIP</td>
<td>Voice over IP</td>
</tr>
<tr>
<td>VPCC</td>
<td>VirtualPCCenter</td>
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<tr>
<td>VPN</td>
<td>Virtual Private Network</td>
</tr>
<tr>
<td>WAN</td>
<td>Wide Area Network</td>
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</table>

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