

Personal Solutions Business Growth Strategy

**April 11, 2011
Personal Solutions Business Unit
Senior Vice President
Takemitsu Kunio**

**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

The information society friendly to humans and the earth

Friendly to humans

- An information society that realizes a safe, secure, convenient and rich life with services anyone can use.



Friendly to earth

- An information society that enables co-existence with the global environment and sustainable growth by efficient use of limited resources.

NEC aims at the achievement of two information societies through the personal solution business.

1. Business outline

2. Current challenges and business policy

3. Key business strategy

3-1 . Global expansion of the mobile phone business

3-2 . Starting up and expansion of tablet device business

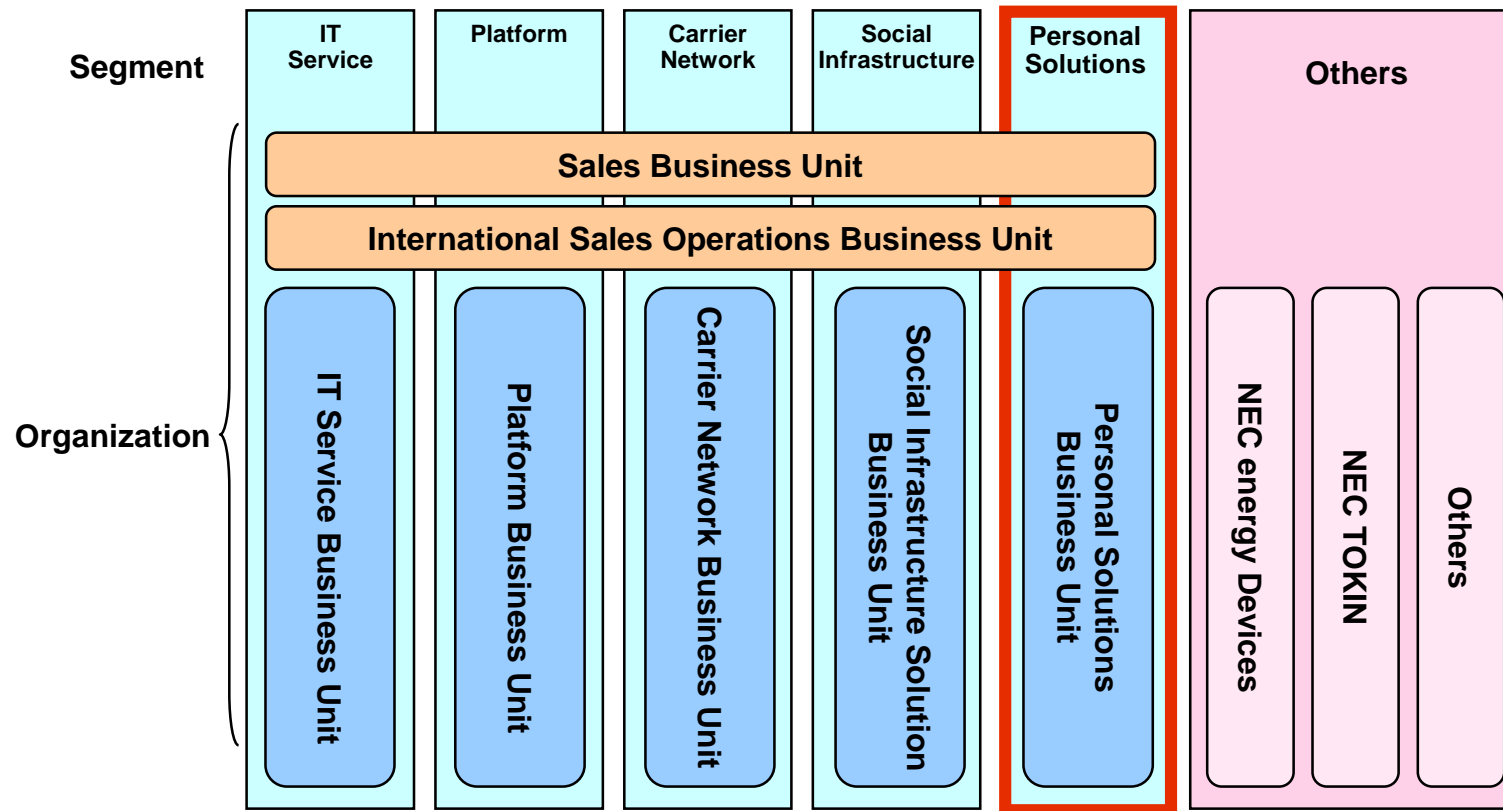
3-3 . Improvement of business operations

4. Toward achieving V2012

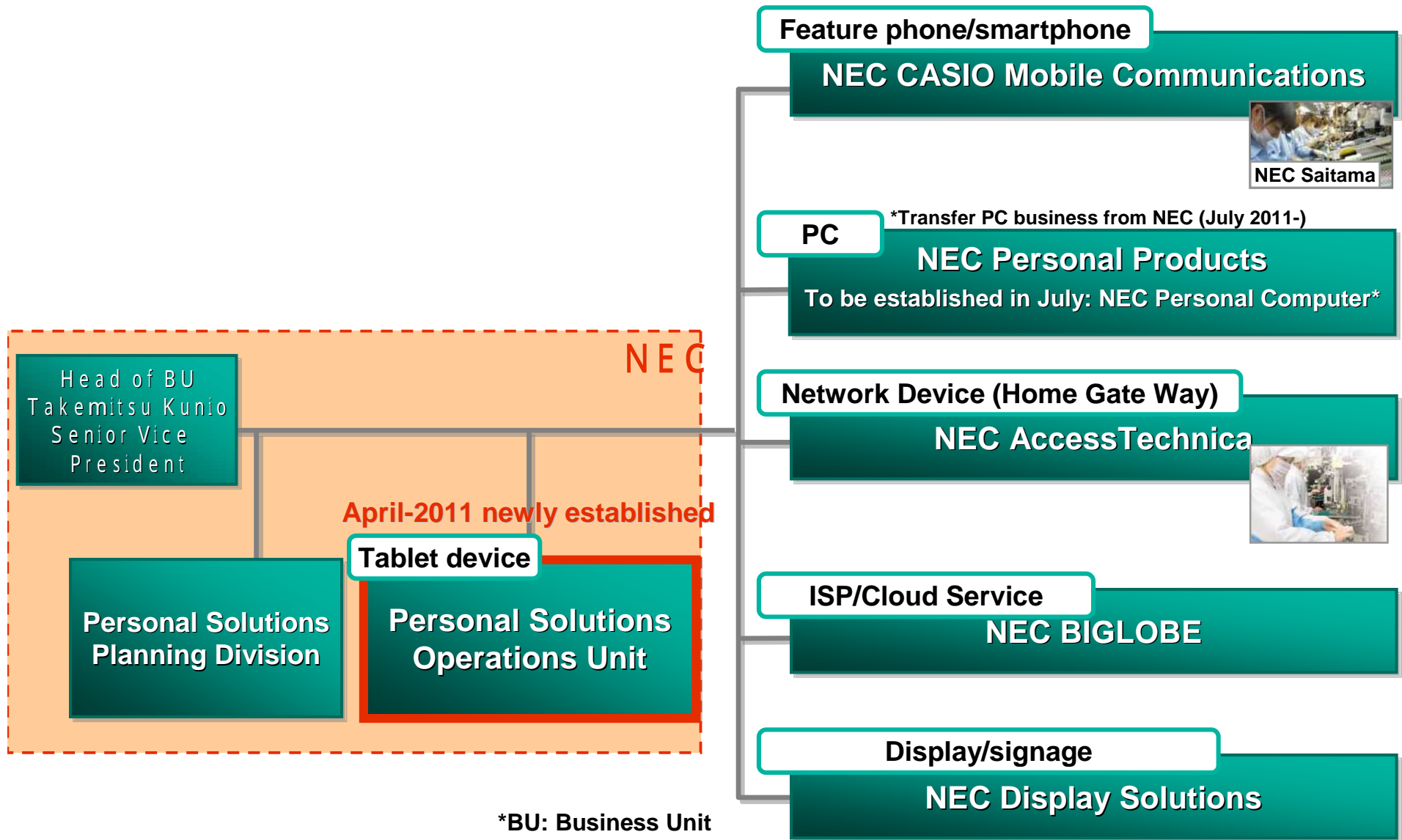
Business Organization

Provide the cloud devices interfacing ‘person’ and ‘things’, and the services cooperated with the devices

Number of employees NEC Group:116,000 Business unit:9,500 (consolidated)

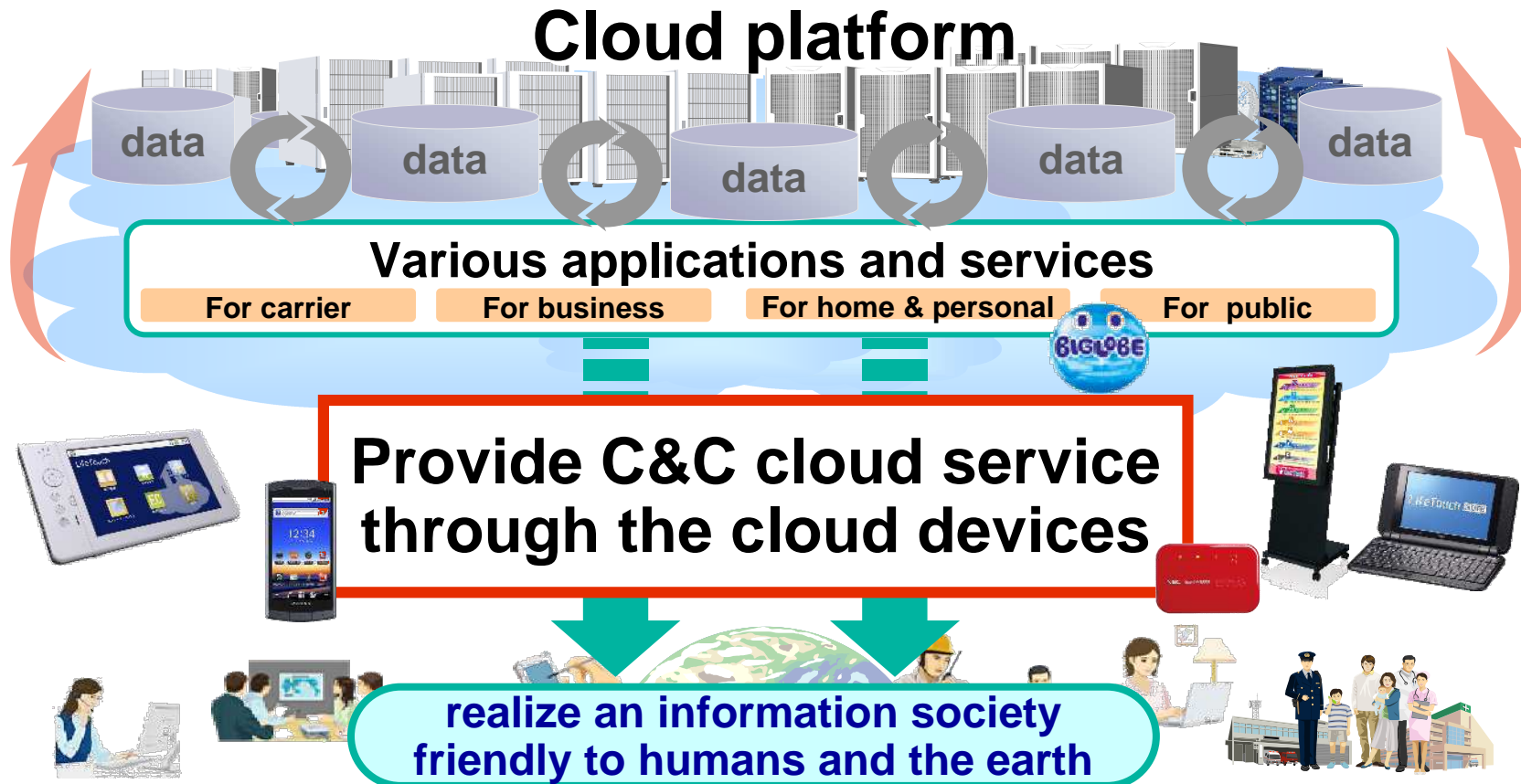


Organization of Personal Solutions Business Unit



C&C Cloud and Personal Solutions business

- Provide cloud devices by making use of NEC's total solution offering from the cloud platform to network and application/service
- Realize the real-time C&C cloud services by providing the cloud devices interfacing "person" and "things"



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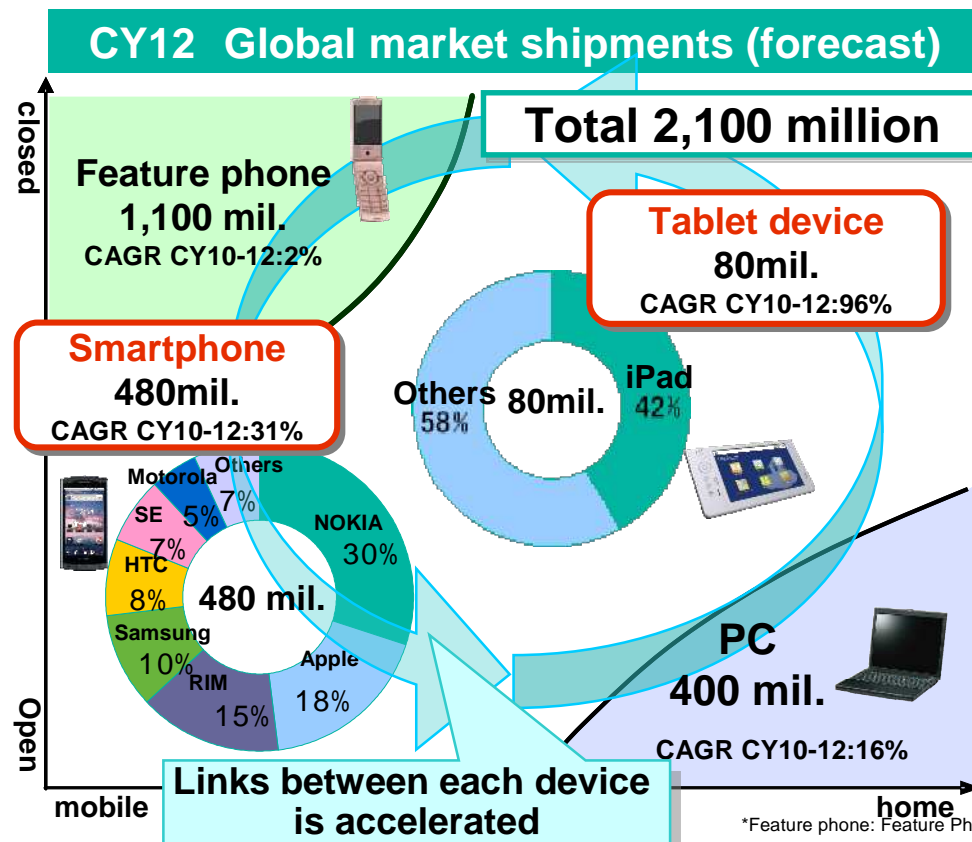
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Market trend and NEC's direction

“Smartphone/Tablet device” market; device area without restrictions of expression and mobility is growing, and connection between each device is accelerated

NEC focuses on a growing Smartphone/Tablet device market in addition to existing PC/feature phone market



Smartphone

- Top three vendors of non-Android devices own approximately 60% in FY2012
- NEC sets the Android market as a target, and aims to expand the global share

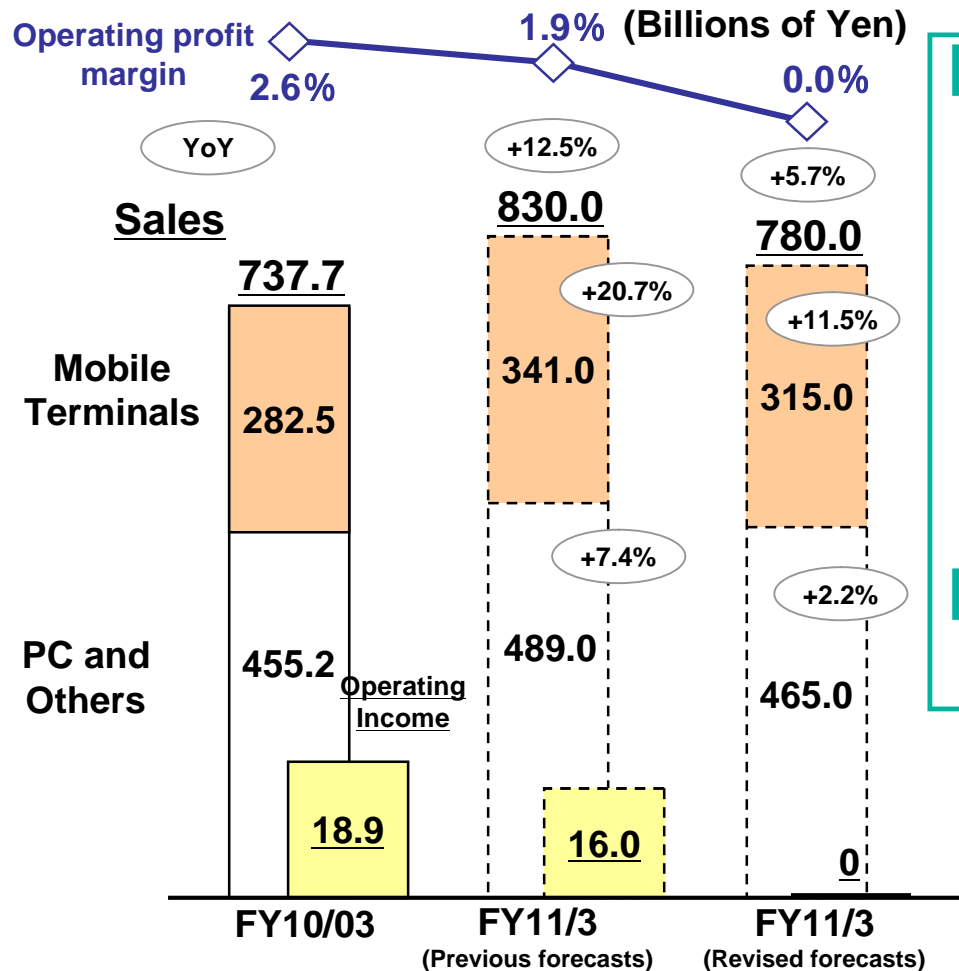
Tablet device

- iPad holds a dominant share in the market in FY2012
- NEC differentiates from other companies through creating a new service market by taking advantage of cloud service and the customized device

*Feature phone: Feature Phone + Basic Phone, Tablet device: 5-10inch, touchpanel, runs on Android and Linux (Techno Systems Research)
*Source: PC: IDC, Feature Phone and Smartphone: SA (Jan, 2011), Tablet device: Techno Systems Research

Performance of Personal Solutions business

FY2010 sales estimate of 780 billion yen, operating income to achieve break even



Main factors

Sales 780.0

- **Mobile Terminals :**
Decrease due to sluggish sales in the feature phones despite launching smartphones in Japan ahead of schedule
- **PC and Others :**
Decrease due to changes in product mix caused by issues from PC chipset supply, a delay in new terminal projects to the next fiscal year, and decrease in display business for overseas

Operating Income 0.0

- Decline due to sluggish sales of feature phones, etc

Catch changes in the market and aim to increase sales and profits by providing devices with satisfying user experience

Previous forecasts: as of January 27 2011. Revised forecasts: as of February 25,2011

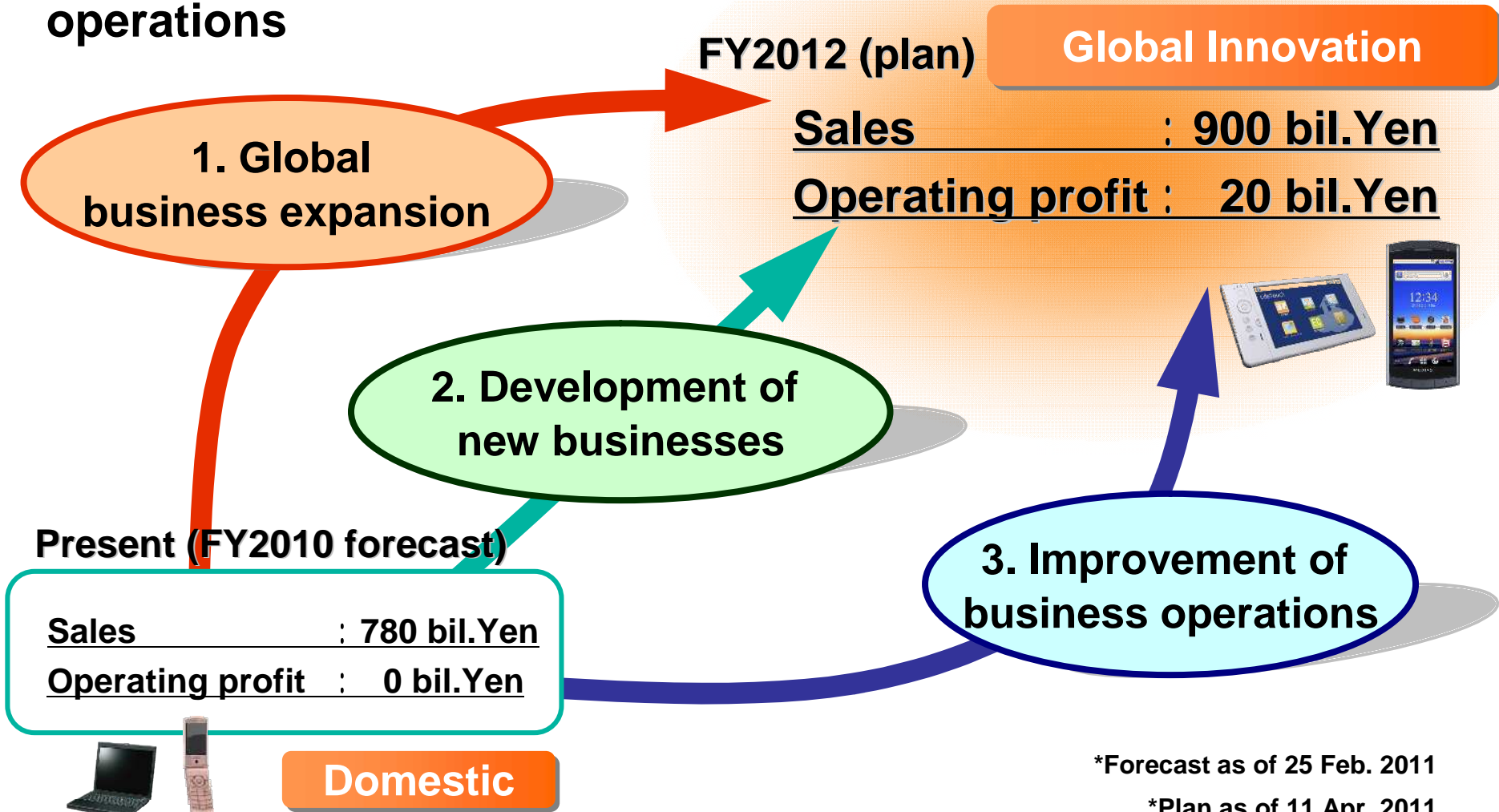
Current position and challenges

Current challenges: seeking economies of scale, creating the added value by the Cloud devices and services, and achieving low cost operation

Market trend	NEC business situation	Current challenges
<p>Mobile Phone/PC</p> <ul style="list-style-type: none"> • Saturated market growth of domestic mobile phone and PC • Price decline of Mobile and PC • Market shift to smartphone • Use of ODM/EMS 	<p>Existing business</p> <ul style="list-style-type: none"> • Decline of the domestic mobile phone business • Increase of the development cost • Domestic PC share No.1 • Collaboration with Lenovo on PC business 	<p>1. Seeking the economies of scale by global expansion</p> <p>2. Creating the added value by the cloud device with the service</p> <p>3. Achieving low cost operation adapted to the global market</p>
<p>Tablet</p> <ul style="list-style-type: none"> • Creation of the tablet device market • Rise of the business model with service 	<p>New business</p> <ul style="list-style-type: none"> • Launch of the competitive smartphones • Release of tablet devices • Start the business discussion for tablet devices with services 	

Mid-term Business Policy

Three core strategies: expansion of global businesses, development of new businesses and improvement of business operations



*Forecast as of 25 Feb. 2011

*Plan as of 11 Apr. 2011

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Global Mobile Market Data

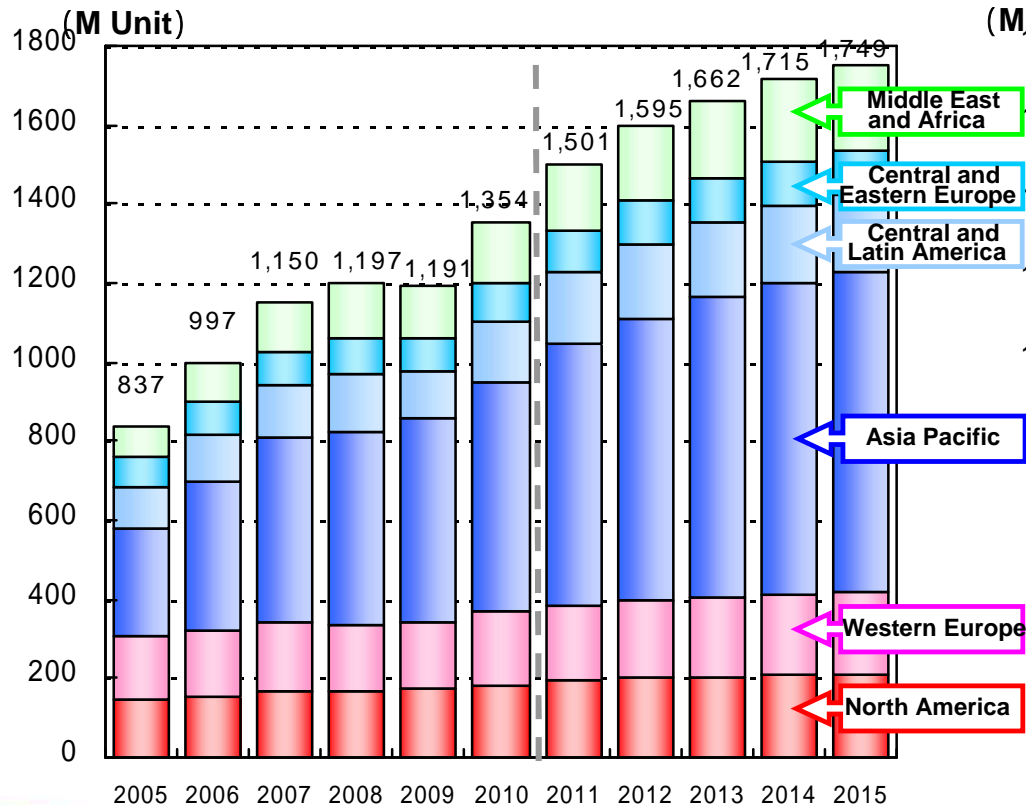
Total Handset Market: solid demand

North America & Europe: flat, APAC: increasing

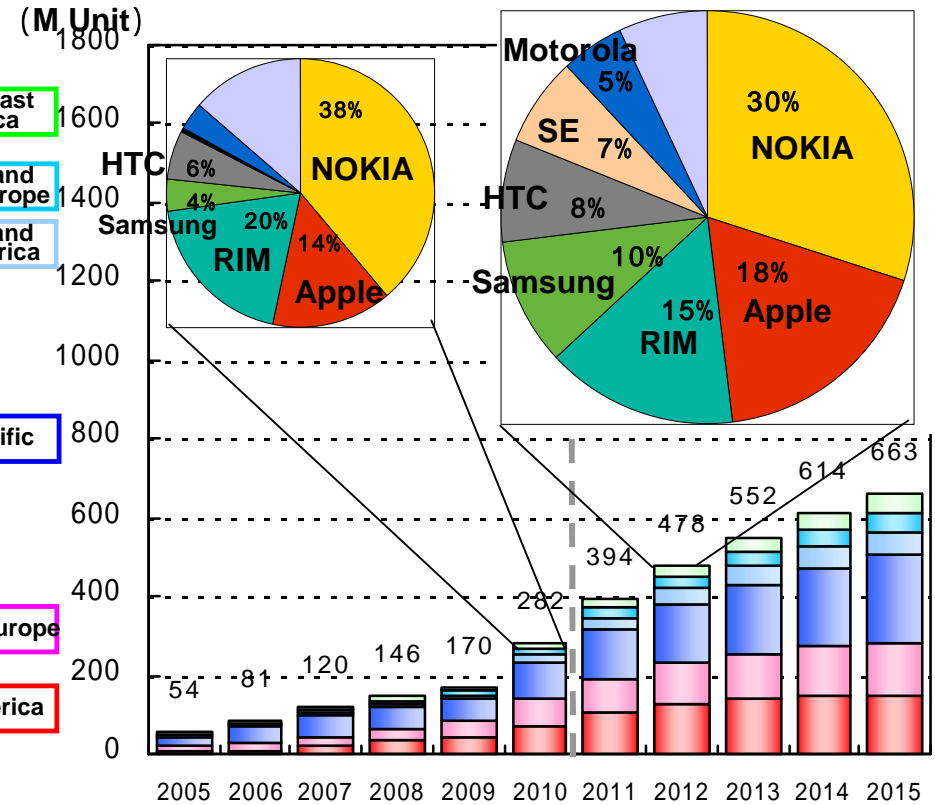
Smartphone market: strong demand

Top three vendors own 60% share in the market

Global Handset Sales by Region



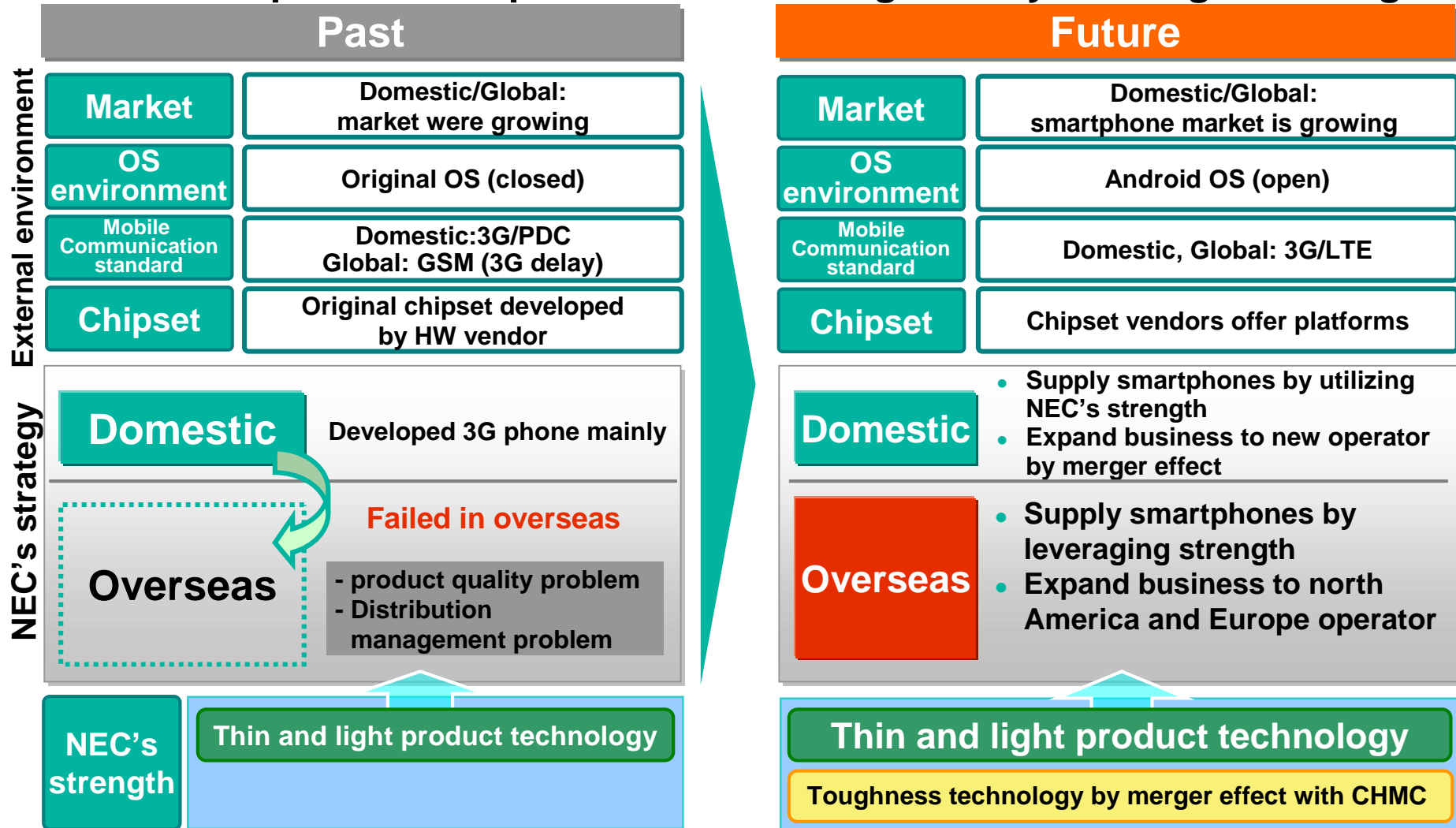
Global Smartphone Sales by Region



Source: SA Global Smartphone Sales Forecasts by Operating System and Region (Jan 2011)
Global Handset Sales Forecast by Country: 2002 to 2015 (Dec 2010)

Direction of NEC mobile phone business

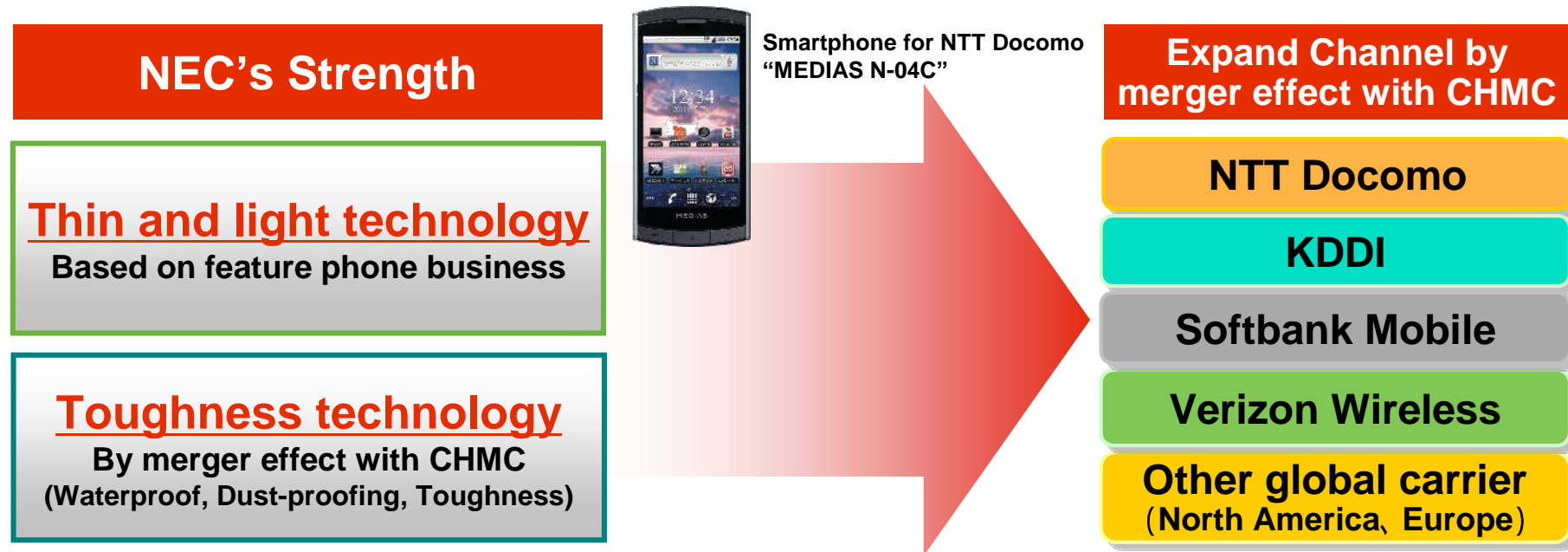
Penetration of Android OS is a big opportunity for business expansion, and NEC expands smartphone business to global by utilizing its strength



*CHMC: Casio Hitachi Mobile Communications

Expansion of smartphone business by taking advantage of NEC's strength and merger effect with CHMC

- Expand global business leveraging NEC's own thin and light technology and toughness technology from CHMC



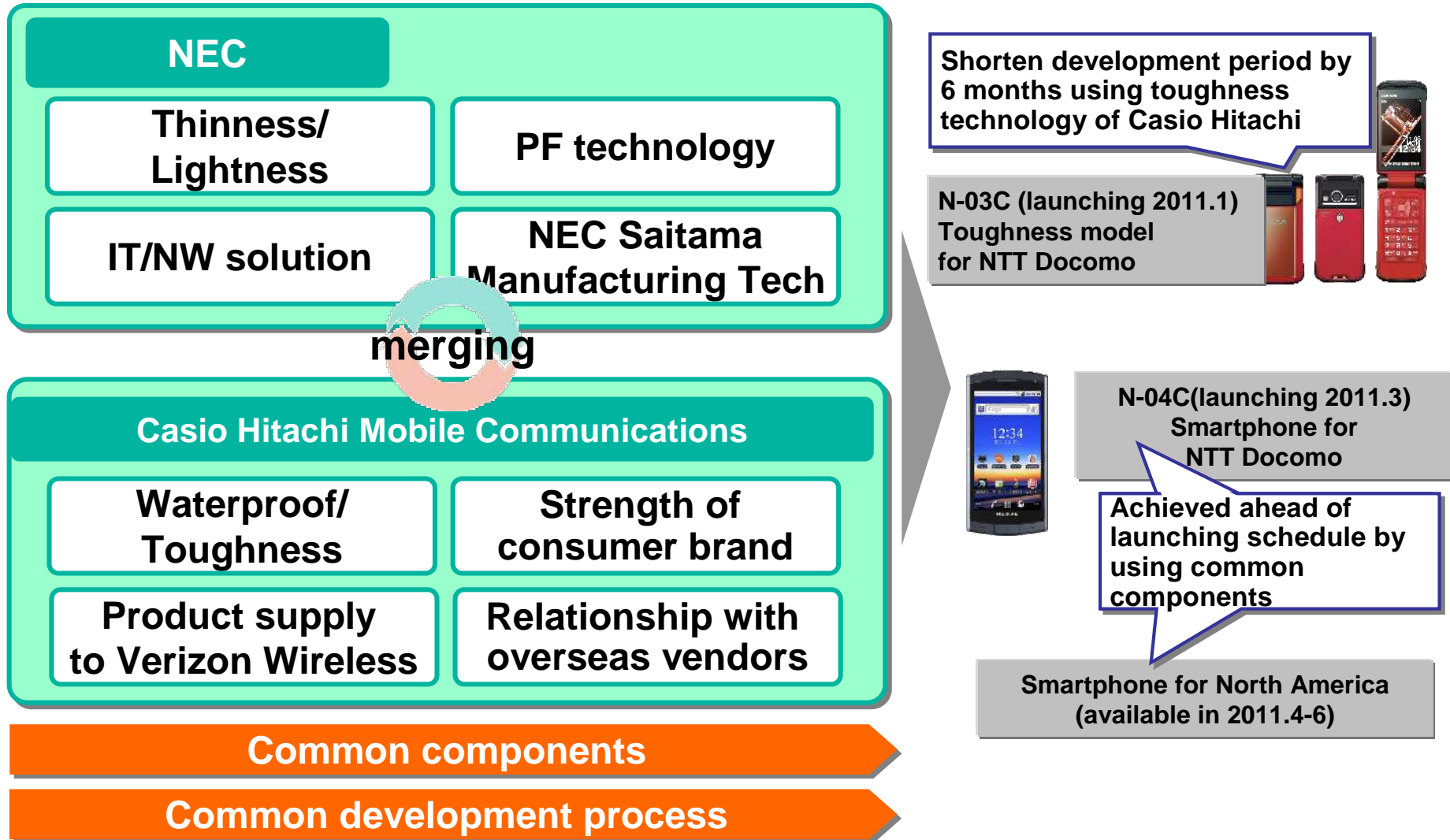
Steps for global business expansion

First step (-FY2012)	Enter global market with competitive differentiated products (slimness, toughness, and waterproofed)
Second step (FY2012-)	Operate good business in the global market with volume

CHMC: Casio Hitachi Mobile Communications

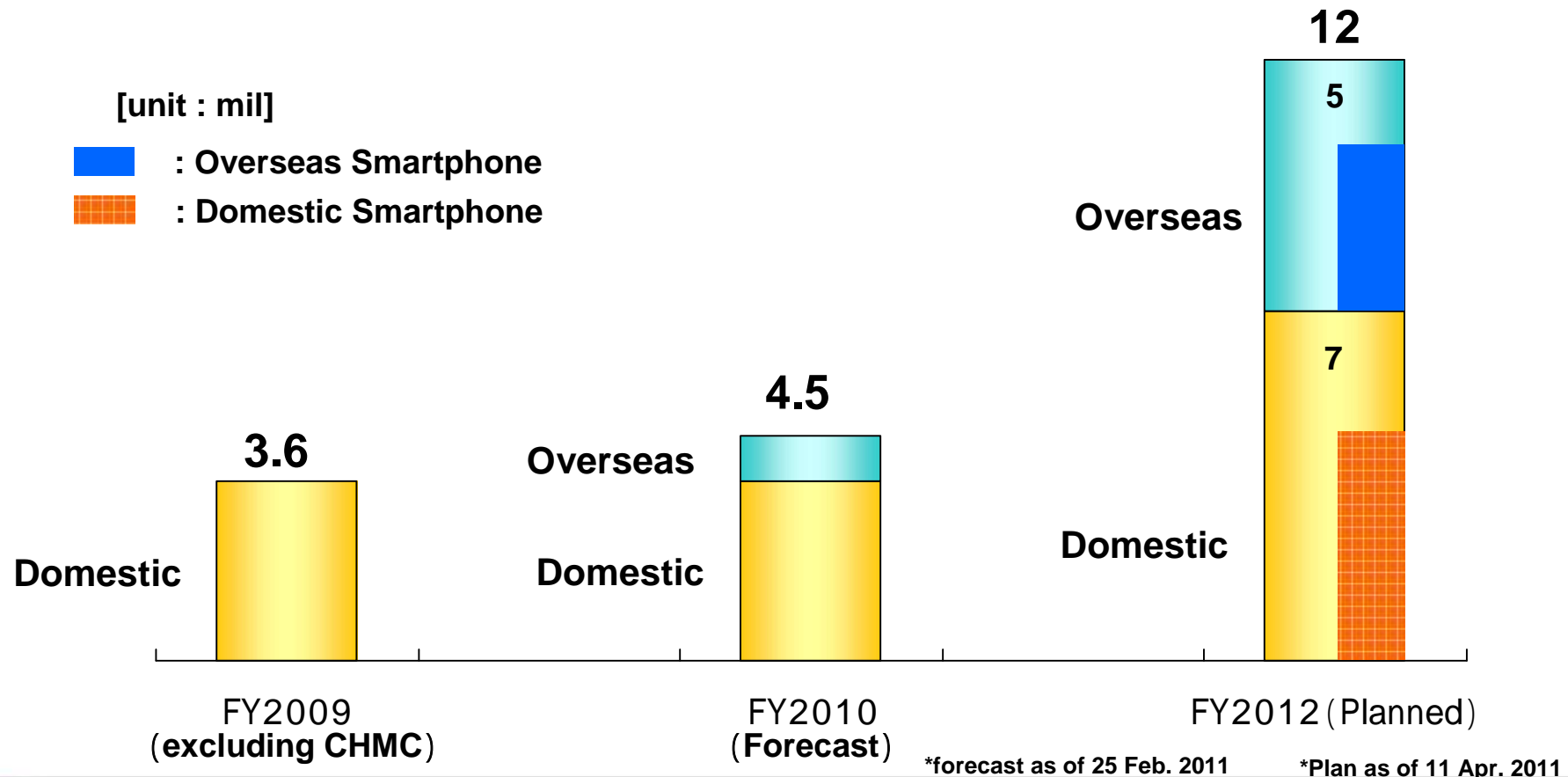
Merger effect with Casio Hitachi Mobile Communications

Supply competitive products using strengths from merging companies



Mobile Phone Business – Sales Budget

- FY 2010: Decrease in shipment volume because of delay in release of smartphones to the market**
- FY 2012: Targeting total 12 million shipment volume by accelerating sales in the global market and shifting to smartphone business**



For Global Success

Global Success Factors

Stronger & Competitive Product Line

- Differentiation
 - HW: Design, UI, Size, Battery
 - SW: Own AP, Own UI
 - Unique Service
- Superior Specification
 - Speed of developments following leading-edge technology
 - Ability to gather information from vendors

Cost Reduction

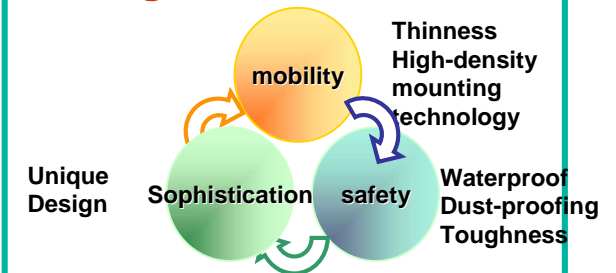
- Common architecture in global level and customization for each region
- Effective ODM management
- Increase in sales volume

Localization and Visibility

- Regional Marketing
- Operators' Market: establish a close relationship
- Open Market: sales channel, SCM, promotion

NEC's Strategy

•Strength



•Close Relationship with Vendors

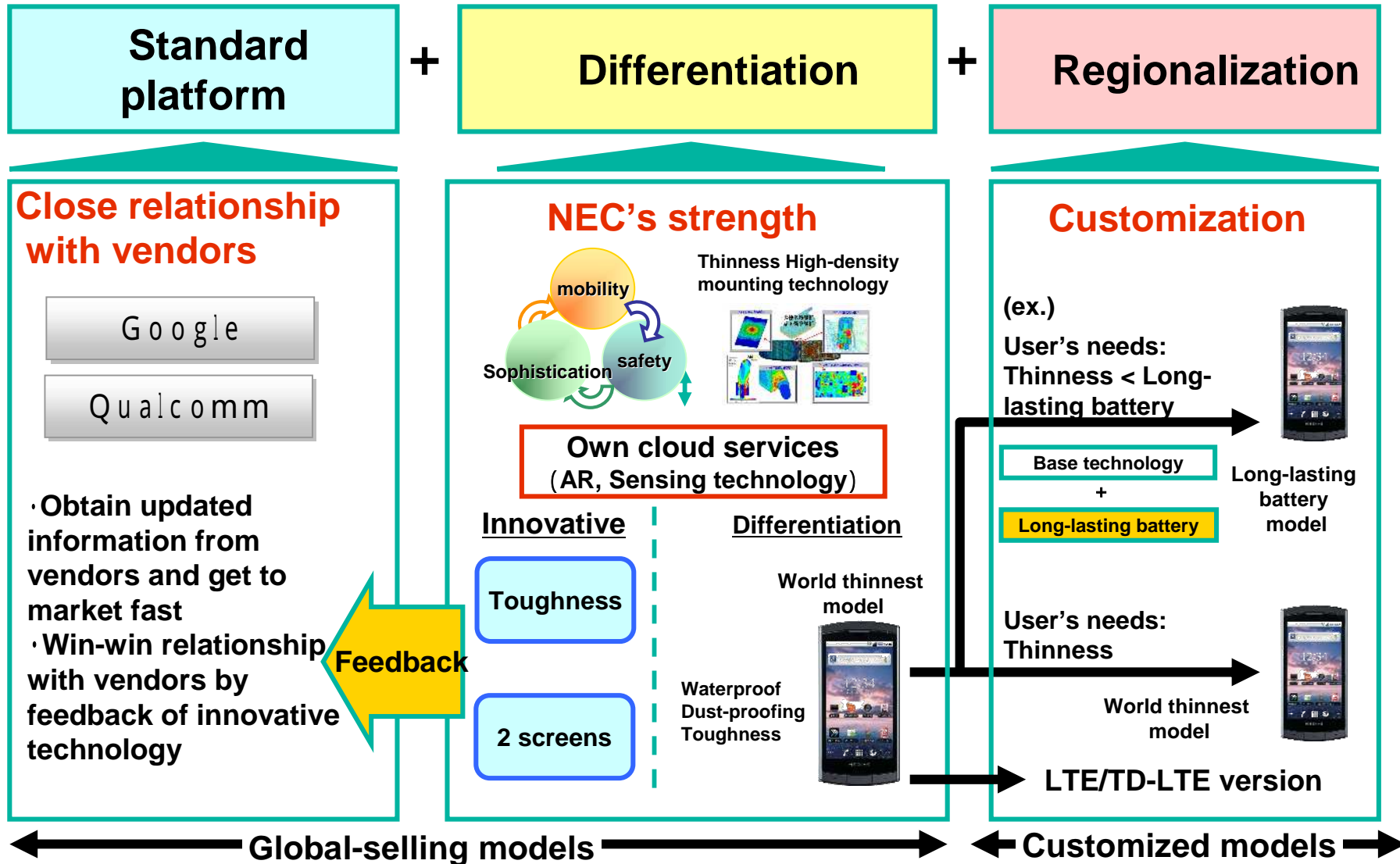
•Development of global-selling models

•Leverage JDM and Offshore SW

•Business expansion from carrier market (US) to open market

- Enhance communication with operators
- Deep analysis of user's needs

For Stronger & Competitive Product Lines



Example of smartphone services

Offer value-added products which provide enjoyable user experience through health and photo services

Wellness service

Total support for diet, exercise and sleep by customizable health navigator

Recognize current situation



Initial diagnosis with psychological testing

Self evaluation



Keep score at choice
Dedicated trainer

Daily exercise



Private chart
Get titles and presents



Photo service

Real time and effective camera

- sensitive to changes in the user's expression and movement
- getting location information

Identify faces & movement

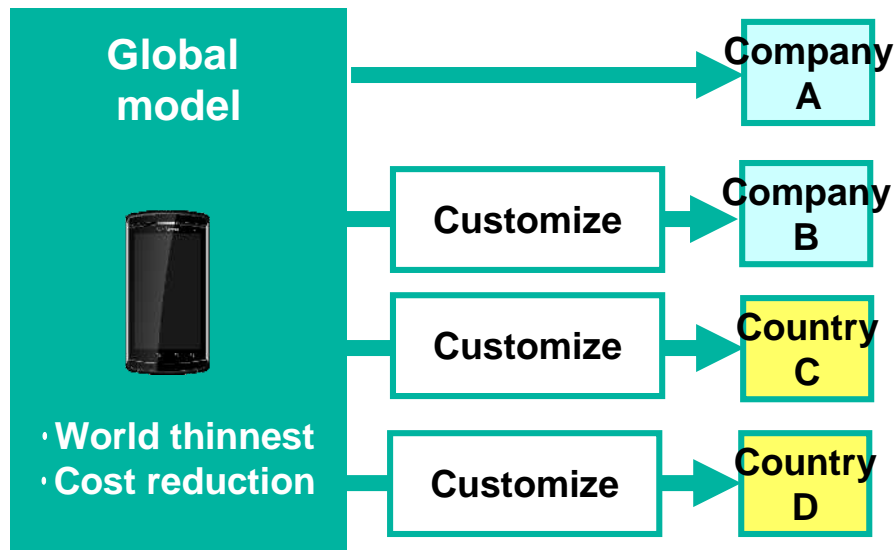
- For party use
- Taking family photographs

Location-based services

Cost reduction

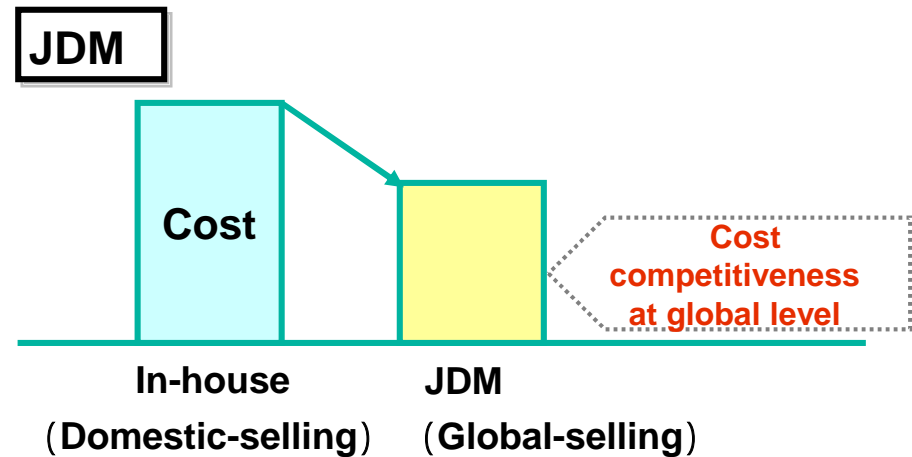
Customization of global models

- Develop global models equipped with leading-edge technology and differentiated features
- Customize global models suitable to regional needs
cost reduction by increasing in sales volume per product



Leveraging JDM*/Offshore SW

*JDM : Joint Design Manufacturer



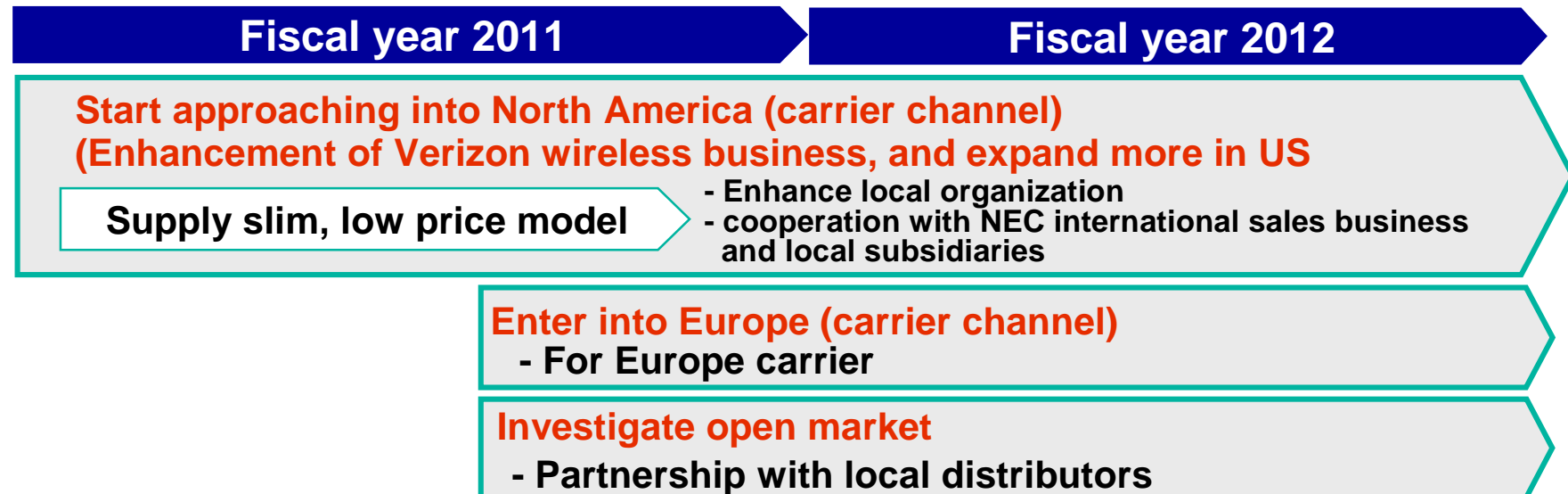
JDM management and quality control through making full use of PC and Display business experience

Offshore SW

- for noncompetitive technology

Localization

Establish brand by starting with the carrier market, and target to the open market in order



Enhance ecosystem

- Communication with operators
 - Cooperation with international sales business, increase local staff, approach by collaboration with network vendors
- Vendor relation
 - Station window for technology and local marketing in North America
- Local marketing (Deep analysis of users' needs)
 - Assign personnel for local marketing, hold global marketing conference

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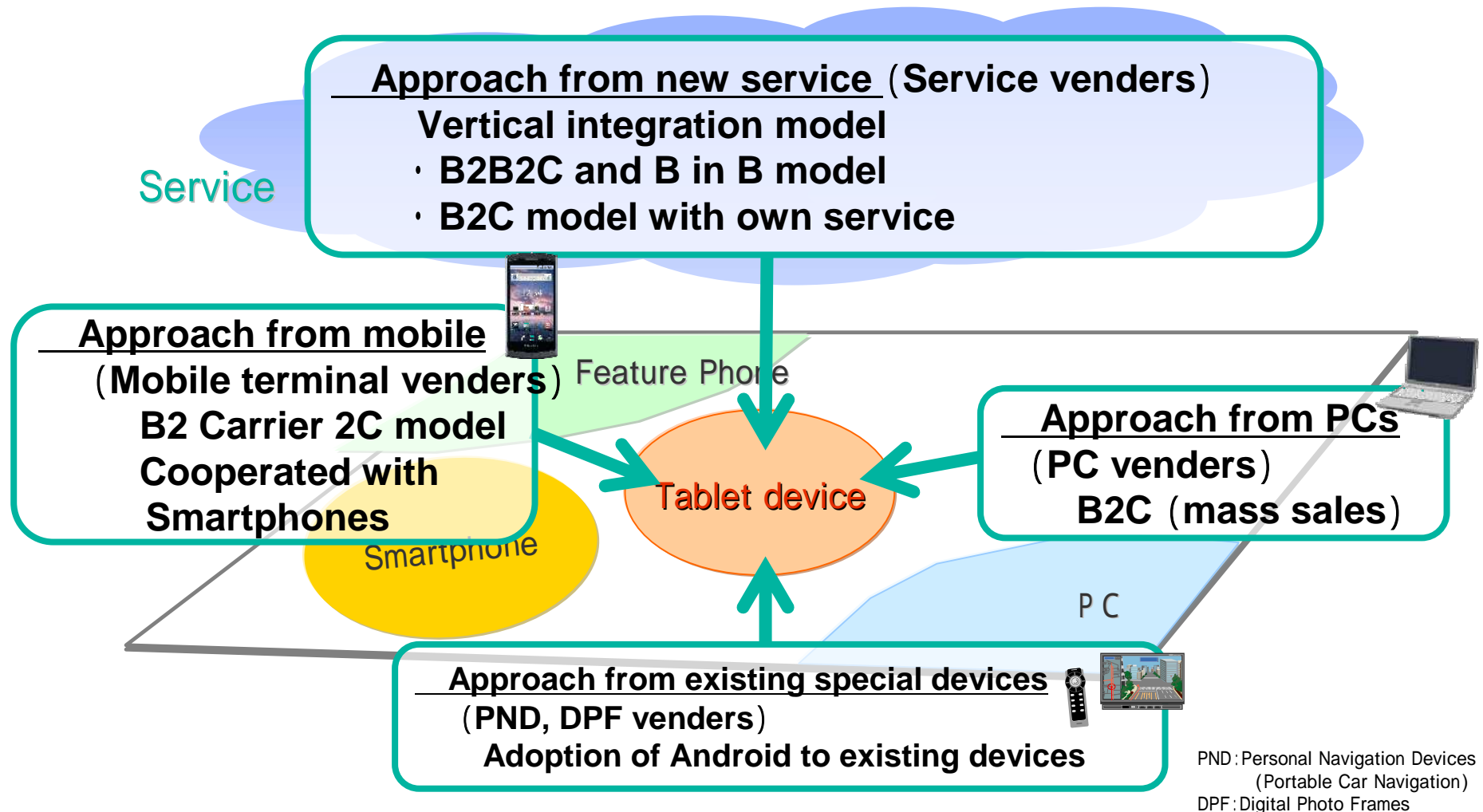
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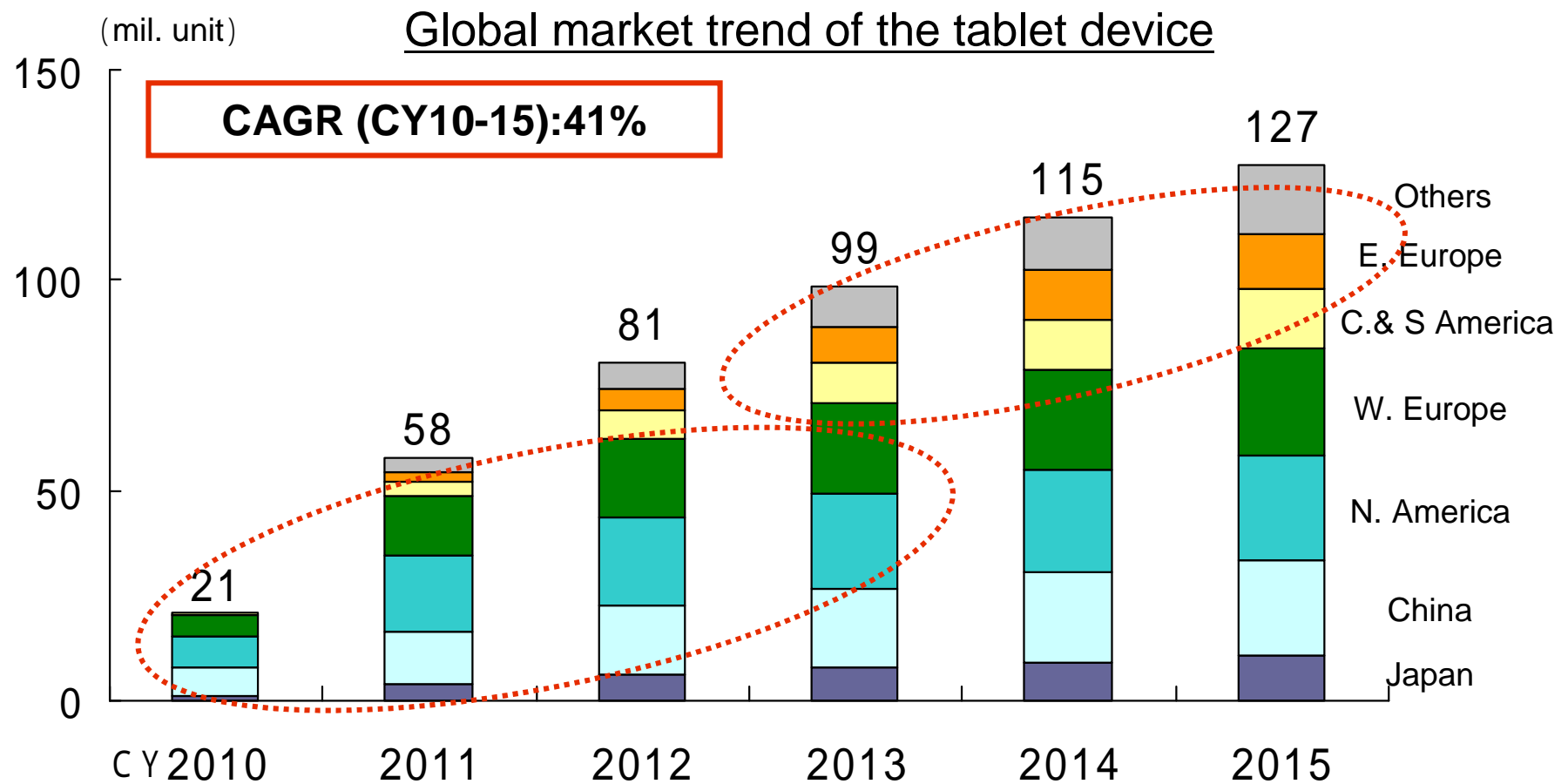
Approach patterns to the tablet device market

There are four patterns to approach the tablet device market. Each approach pattern characterizes business models and device features.



Market trend of the tablet device

- Launched in North America, West Europe and China, and expected to expand to Central and South America and East Europe after 2013
- Estimated production of 81 mil. Units in 2012 and 130 mil. Units in 2015



Source : NEC

Entering the tablet device business with NEC strength

Approach with the vertical integration

- Approach to customers by One NEC with NEC's strength of IT/NW technology, SI asset of IT service business and customized tablet devices with rich user experience
- Sales asset of 150 thousand NEC customers and 360 NEC sales partners

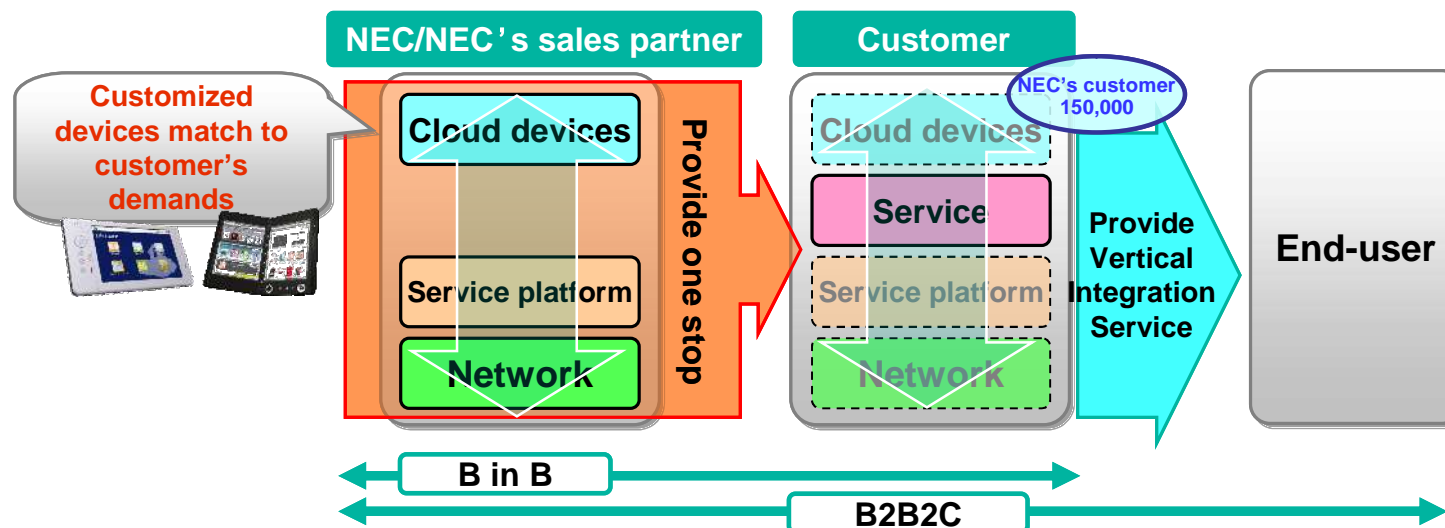
Stronger & Competitive hardware and differentiated technology

- Leveraging thin and light technology of the smartphone

Service link between tablet device and smartphone

- Rich user interface and NEC Biglobe service, etc.

Support to customer's business use (in B) and their new consumer service (B2B2C) with customer's service



Tablet device Business policy

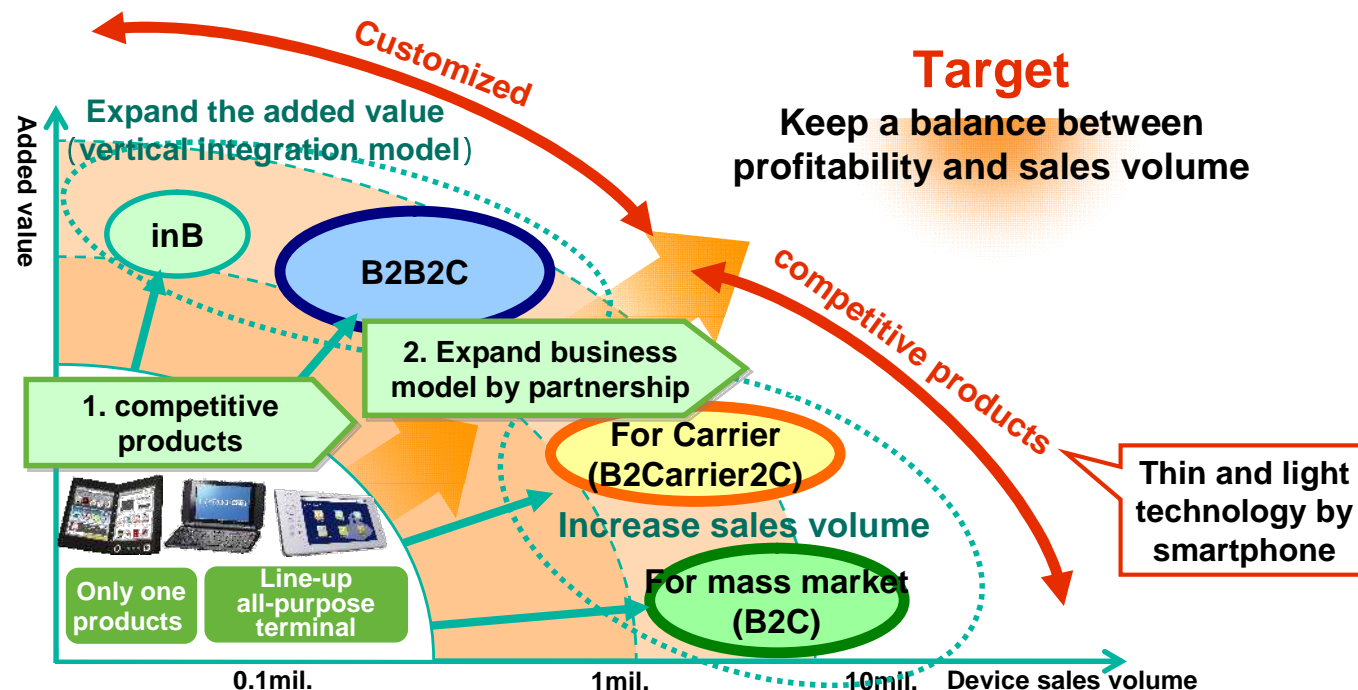
Strengthen competitive product line-ups

- Rich product line-up to meet various markets, business models and applications

Establish business foundation to approach all business models




- Differentiation by vertical integration model focusing on B2B2C and B in B model, in collaboration with NEC Sales/IT service business
- Expansion of the “place” and “Quantity” by B2 Carrier 2C, B2C model

Launch business in both domestic and global market by 2012, and expand mainly through global business from 2013



Tablet device business - Strengthen competitive products -

Support various needs by enhancing the NEC's unique "Only One" products and all-purpose products

Basic strategy	Strategic plan	
<p data-bbox="241 518 461 571">Only One</p> <p data-bbox="230 703 472 911">Strengthen NEC's unique products</p>	<p data-bbox="555 518 822 560">7 inch 2 display</p> 	<ul data-bbox="869 528 1957 807" style="list-style-type: none"> ● Precede in B2B2C market by original solution utilizing the unique dual display devices ● Expand in B2 Carrier 2C, B2C and in global market with the specialized applications and services for the dual display devices
<p data-bbox="219 1129 488 1182">All-purpose</p> <p data-bbox="230 1206 477 1414">Widen line-ups for various market</p>	<p data-bbox="555 855 822 896">7 inch keyboard</p>  <p data-bbox="555 1114 797 1198">7 to 10 inch 1 display</p> <p data-bbox="555 1222 822 1310">7 inch 1 display (For 3 G/LTE)</p> 	<ul data-bbox="869 855 1966 1398" style="list-style-type: none"> ● Introduce Only One products in B2C market featuring keyboard for an easy input ● Expand B in B market by strengthening the security functions ● Line-up of 7 to 10 inch devices as an all-purpose tablet for the following market <ul data-bbox="965 1254 1966 1398" style="list-style-type: none"> • Customized device for enterprise (B2B2C, in B) • For carrier and B2C • For low price devices with limited purposes

Tablet device business

- Expansion of the domestic business with NEC's assets -

- Win the market for vertical integration business with new devices and services by One NEC
- Expand sales by introducing products to B2 carrier 2C and B2C, and offer these products to other business models

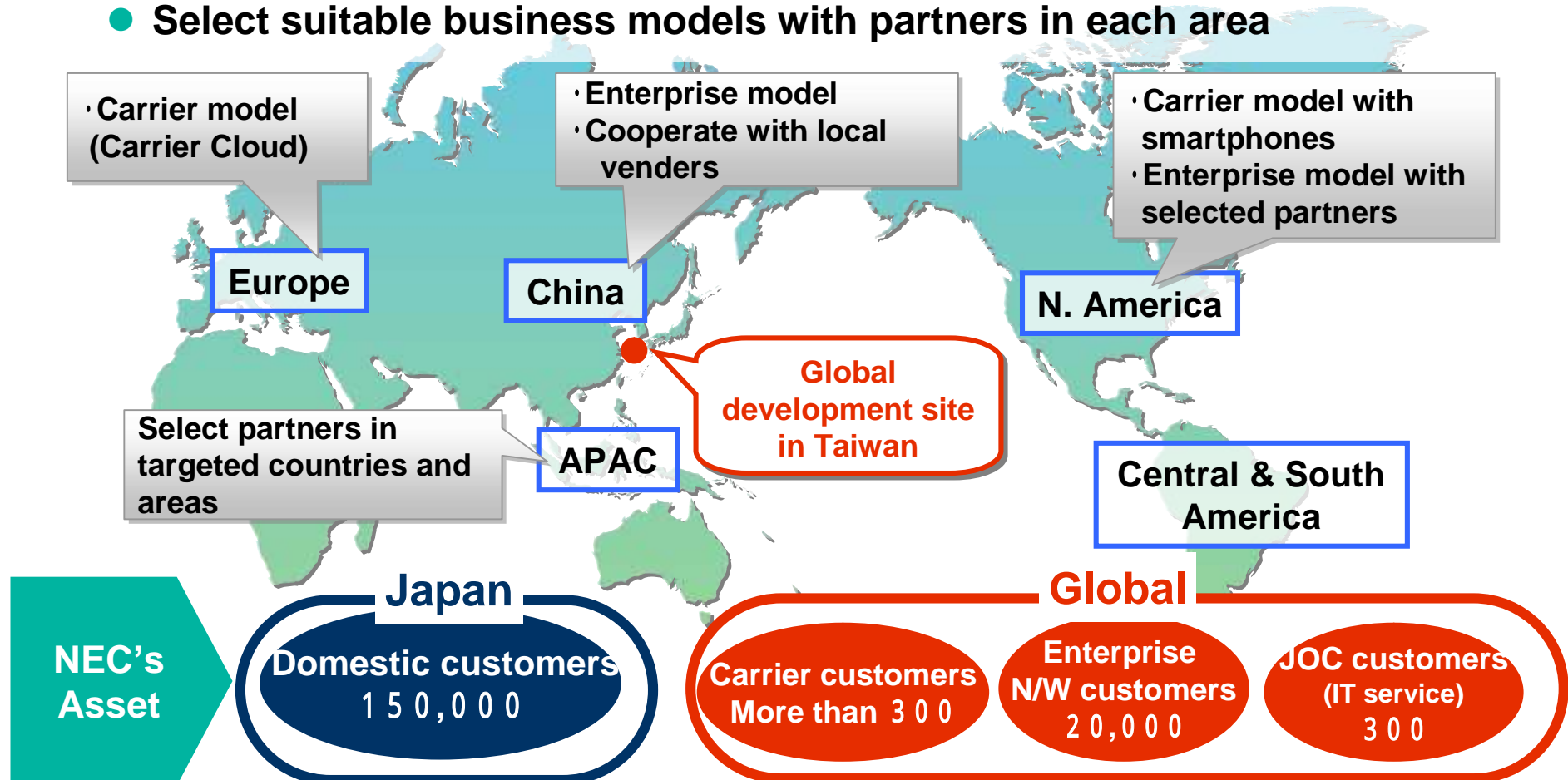
Business model	Business Strategy	NEC's assets
B2B2C	<ul style="list-style-type: none"> Differentiate by the vertical integration model of "new device + new service" cooperated with service platform Enter the market from trial phase and expand business through commercial service and wide applications 	<ul style="list-style-type: none"> Various know-how of IT service and 150 thousand customers ITS related assets
In B	<ul style="list-style-type: none"> Vertical integration model with NEC's enterprise solutions Acquire new customers with a new set of functions 	Enterprise N/W know-how in IT service and PF business
B2 Carrier 2C	<ul style="list-style-type: none"> Launch products complied with the carrier requirement Expand to multiple carriers by preparing common communication modules 	Domestic and overseas customer assets in carrier network business
B2C	<ul style="list-style-type: none"> Use channels for mass sales in NEC Personal Products 	Mass sales know-how and distribution channels in NEC Personal Products

Tablet device business

- Global business expansion with partners -

Establish business foundation by 2012, corresponding to wide spread and extensive growth in the W/W market from 2013

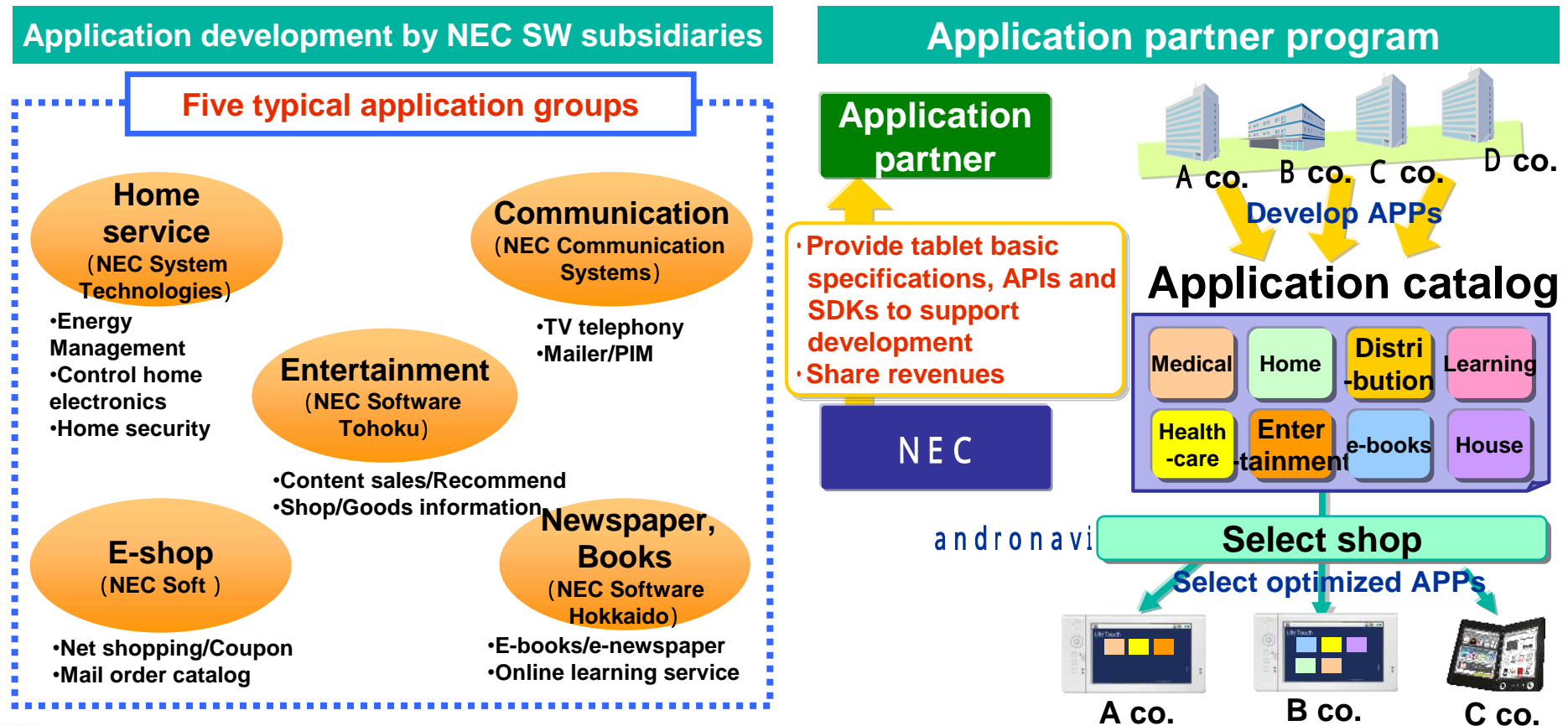
- Approach to NEC's wide range of customers
- Collaborate with in-house overseas businesses
- Select suitable business models with partners in each area



Service, Application and eco-system

Reinforce software line-ups for services and develop strong components

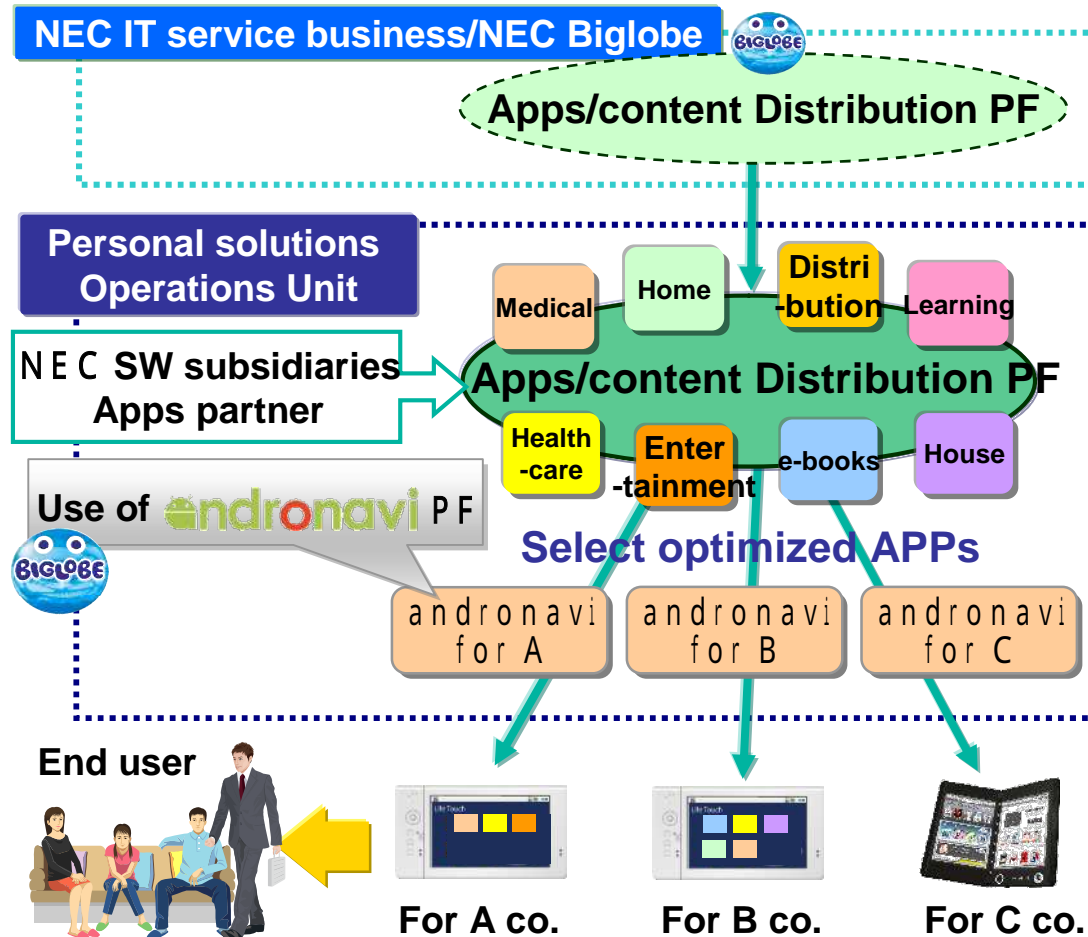
- Develop applications with NEC software development subsidiaries
- Gain good partners by providing development environment (Application partner program)
- Collaborate with NEC Biglobe “Andronavi”



Examples of service for Tablet devices

Application distribution services to enterprises, collaborating with IT service/NEC Biglobe distribution platforms and “andronavi” services

EX.) Cooperation between tablet devices and APPs distribution platform



Current challenges facing usage of android applications

- Extensive number of applications in market, and still increasing
- Low quality applications from permissive screening

Users are dissatisfied, not able to find good applications in the market

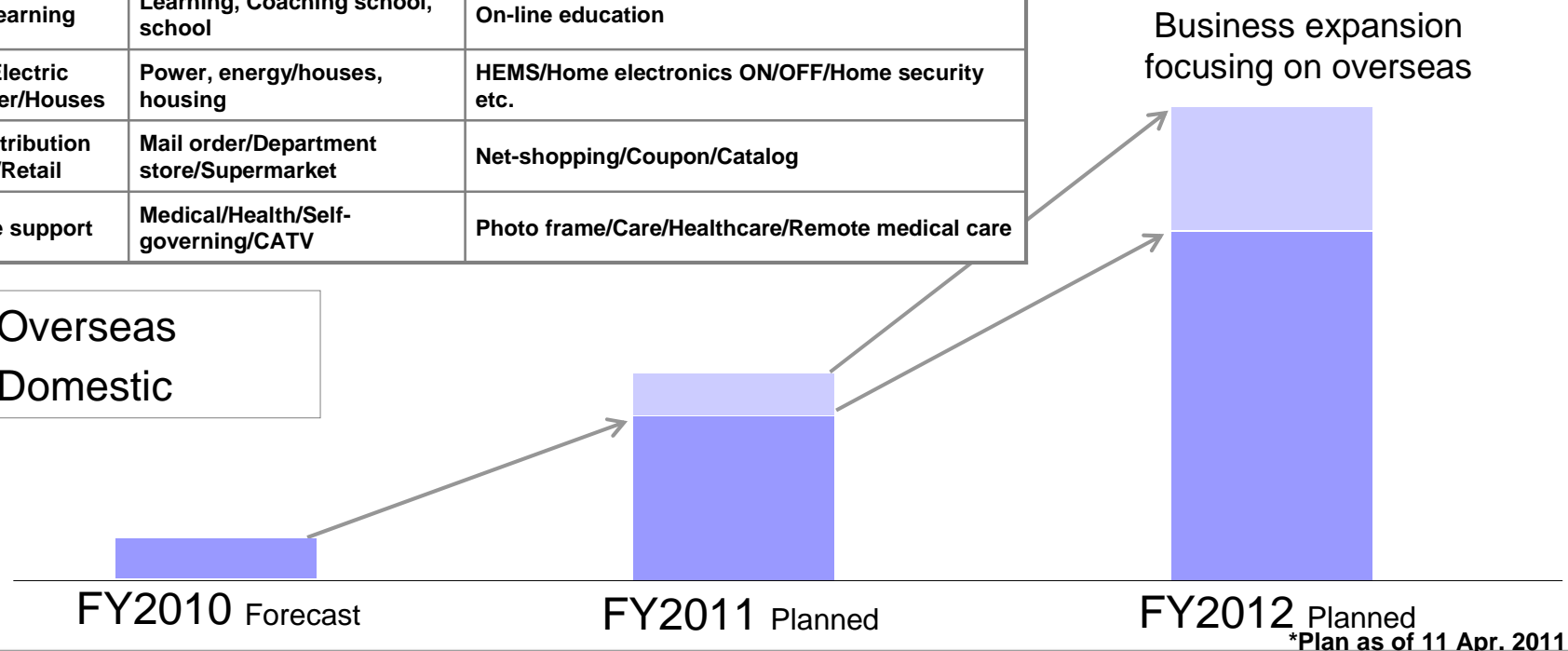
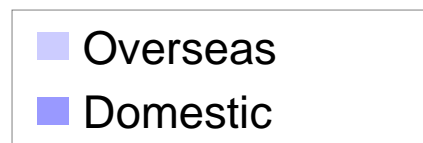
Enhance usage of Android tablets through services to omit application search

Tablet device business shipping plan

- Over 1 million units cumulative by FY2012
- Business expansion focusing on overseas from FY2013
- Expect more sales with strong market growth

Business status : Approximately 200 cases focusing on five areas

Market	Industry	Proposed solutions and services
e-books /Newspaper	Publishing/Printing/Book store/Carrier	E-books/Newspaper service
Learning	Learning, Coaching school, school	On-line education
Electric Power/Houses	Power, energy/houses, housing	HEMS/Home electronics ON/OFF/Home security etc.
Distribution /Retail	Mail order/Department store/Supermarket	Net-shopping/Coupon/Catalog
Life support	Medical/Health/Self-governing/CATV	Photo frame/Care/Healthcare/Remote medical care



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NEC's effort to production innovation and strength

Putting NEC group's production innovation activities into practice at NEC Saitama and NEC AccessTechnica

Quality

Reinforcement of manufacturing

Speed

- Excellent quality acceptable in the world
- Create customer's impression by the manufacturing oriented quality improvement activity

- Daily production for wide range of products
- Flexibility to market fluctuations

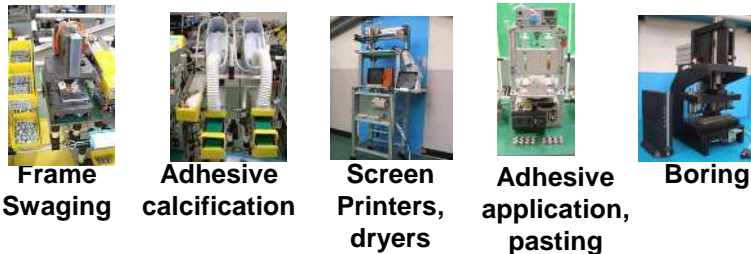
Strength

Technology

- Credibility evaluation technology



- Production Engineering



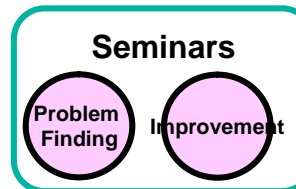
Efficiency

- Production line innovation



Joint process Kanban system, logistics Automation

- Efficiency improvement activity



Factory tours by executives on regular basis

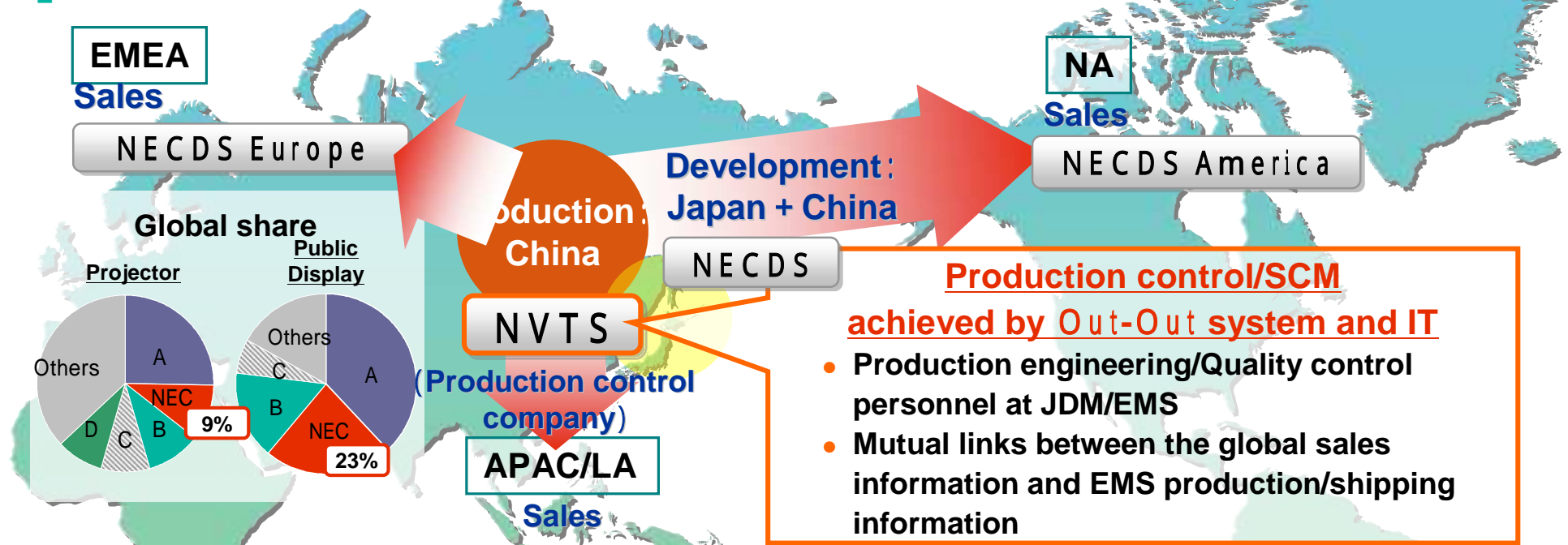


Leverage NEC's Manufacturing Technology for expansion to JDM

Success case by use of JDM/EMS

Global Organization in NEC Display Solutions

- Complete out-out system as Fables, and supply chain management and quality as own plant
- Connect global sales subsidiaries in real time, operate fast local management



Market oriented marketing/product planning/sales

- Global business expansion in the specific market such as education, transportation and medical care
- Product planning reflecting local needs and partnering with local channel

Human resource development

- Recruit local resources actively
- Personnel rotation of overseas representatives

Sharing know-how by making use of JDM/EMS

*NECDS : NEC Display Solutions / NVT S: NEC Viewtechnology Trading Shenzhen

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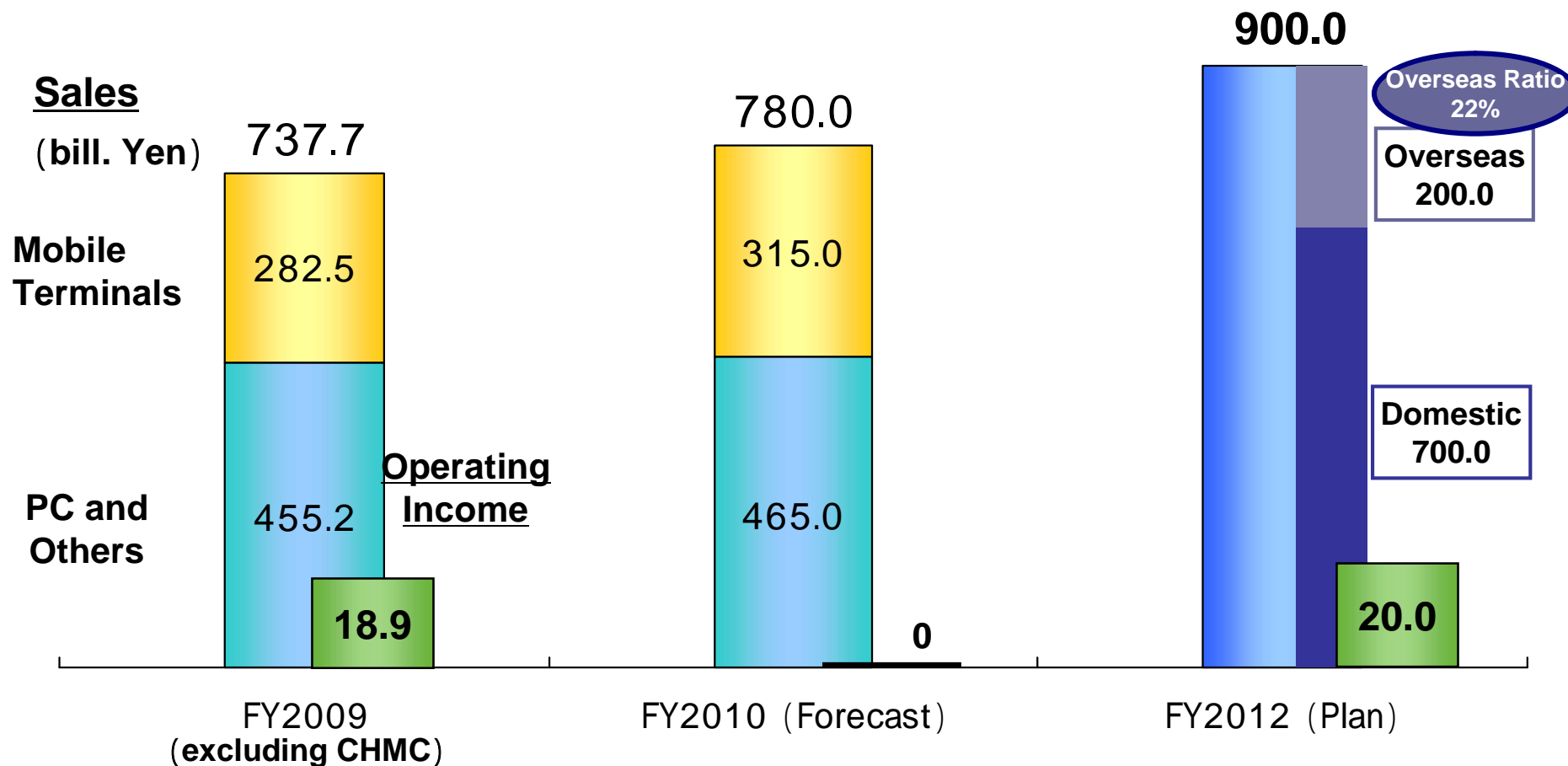
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Toward achieving V2012

■ Achieve V2012 by three core strategies of Expansion of the global business, Development of the new business and Improvement of business operations

■ FY2012 targets are Sales: 900 billion Yen, Overseas ratio: 22%, OP margin: 2%



*CHMC: Casio Hitachi Mobile Communications

*Forecast as of 25 Feb. 2011

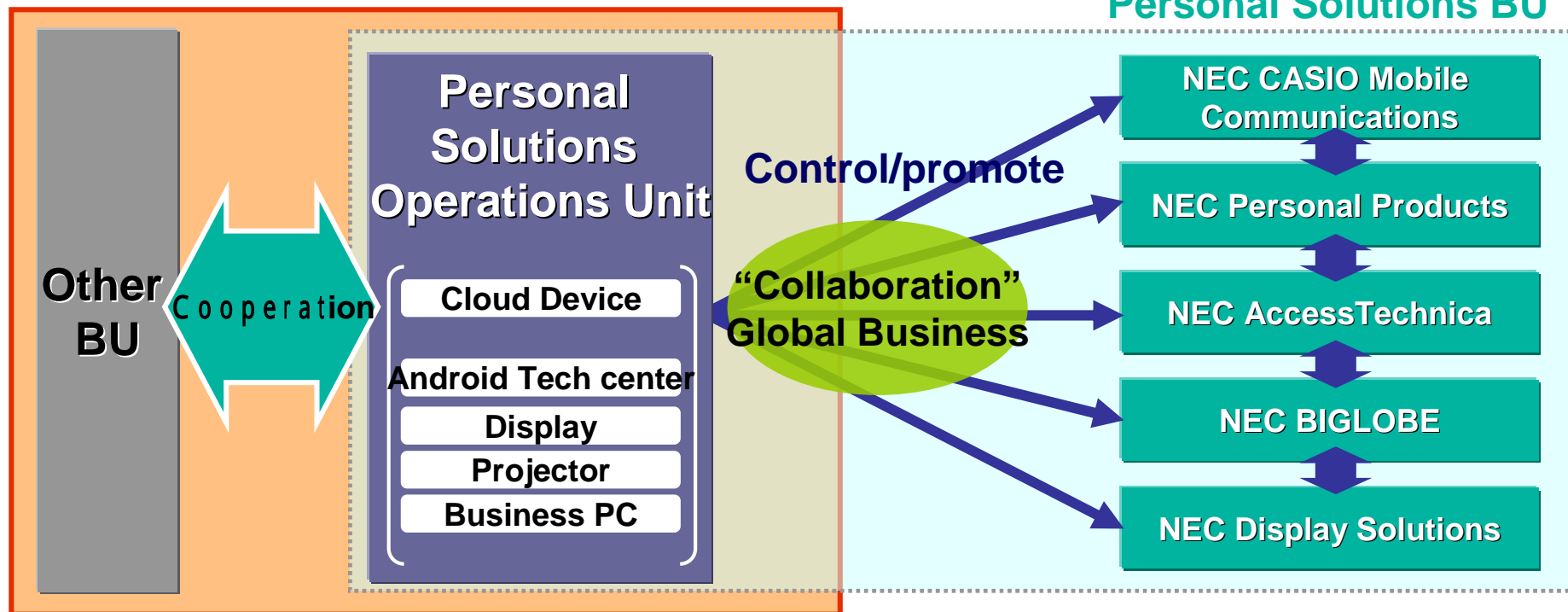
*Plan as of 11 Apr. 2011

Establishment of Personal Solutions Operations Unit

NEC's Personal Solutions Operations Unit established in April 1, 2011, as a control tower for collaboration between other business units (BU) and global business promotion

- Product planning, development and sale for cloud devices
- Promote collaboration in BU (cooperation with other BU, common technology)
- Enhance global business in BU

NEC



Business Efforts to Android in NEC

Development organization for Android established in 2009

Centralization of related information within NEC

Strengthening cooperation with Google through single window

Establishment of “Android Technical Center” in Personal Solutions BU in Oct. 2009

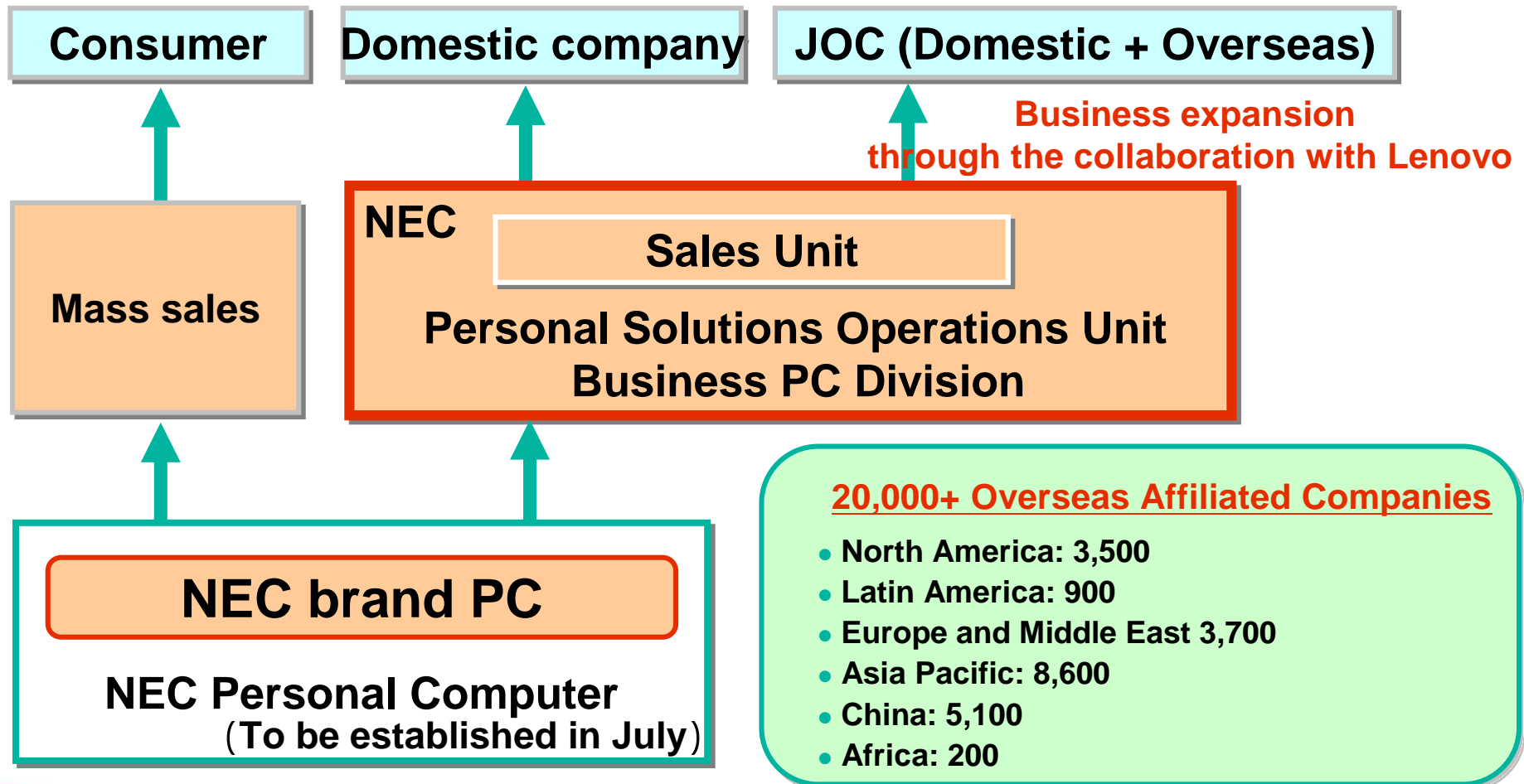
Provide both Android and Windows in response to customers’ needs

- **Android** : Provide to customers with less need to high security levels and strong need to easy cloud devices with high usability and flexibility
*Security pack to be offered soon
- **Windows** : Provide to customers with strong need to high security levels and connection to the existing mission critical systems

Collaboration with Lenovo Update

Investigation of the expansion for the global business of Business PC

- Business scheme to provide JOC via Personal Solutions Operations Unit for global expansion is being investigated.



Products

Smartphone

World thinnest 7.7mm & Super light Smartphone

MEDIAS N 04C



Life Touch Series

Portable size and kind operability,
Convenient to the various scene in life

LifeTouch Series

Life Touch-S

Life Touch-NOTE

Life Touch-W



PC

All-in-one PC with full HD Advanced 3D and AV
function, Note PC with wireless TV

VALUESTAR W
(VM970/DS)

LaVie M
(LM570/DS)



Mate
TYPE MG

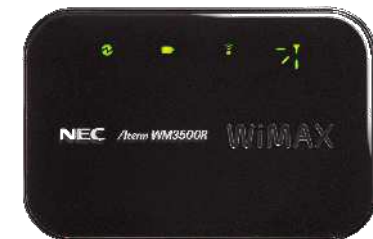
VersaPro
TYPE VD

19 inch wide display all-in-one PC & full HD Note PC
with the advanced eco technology such as human detect sensor

Mobile WiMAX Router

Change your broadband style

Mobile WiMAX Router AtermWM3500R



Empowered by Innovation

NEC

CAUTIONARY STATEMENTS:

This material contains forward-looking statements pertaining to strategies, financial targets, technology, products and services, and business performance of NEC Corporation and its consolidated subsidiaries (collectively "NEC"). Written forward-looking statements may appear in other documents that NEC files with stock exchanges or regulatory authorities, such as the Director of the Kanto Finance Bureau, and in reports to shareholders and other communications. NEC is relying on certain safe-harbors for forward-looking statements in making these disclosures. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "targets," "aims," or "anticipates," or the negative of those words, or other comparable words or phrases. You can also identify forward-looking statements by discussions of strategy, beliefs, plans, targets, or intentions. Forward-looking statements necessarily depend on currently available assumptions, data, or methods that may be incorrect or imprecise and NEC may not be able to realize the results expected by them. You should not place undue reliance on forward-looking statements, which reflect NEC's analysis and expectations only. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Among the factors that could cause actual results to differ materially from such statements include (i) global economic conditions and general economic conditions in NEC's markets, (ii) fluctuating demand for, and competitive pricing pressure on, NEC's products and services, (iii) NEC's ability to continue to win acceptance of NEC's products and services in highly competitive markets, (iv) NEC's ability to expand into foreign markets, such as China, (v) regulatory change and uncertainty and potential legal liability relating to NEC's business and operations, (vi) NEC's ability to restructure, or otherwise adjust, its operations to reflect changing market conditions, (vii) movement of currency exchange rates, particularly the rate between the yen and the U.S. dollar, (viii) the impact of unfavorable conditions or developments, including share price declines, in the equity markets which may result in losses from devaluation of listed securities held by NEC, and (iv) impact of any regulatory action or legal proceeding against NEC. Any forward-looking statements speak only as of the date on which they are made. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect NEC. NEC does not undertake any obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.

The management targets included in this material are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management will strive to achieve through the successful implementation of NEC's business strategies.

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