

Carrier Network Business Growth Strategy

12 October 2011

NEC Corporation

Senior Vice President

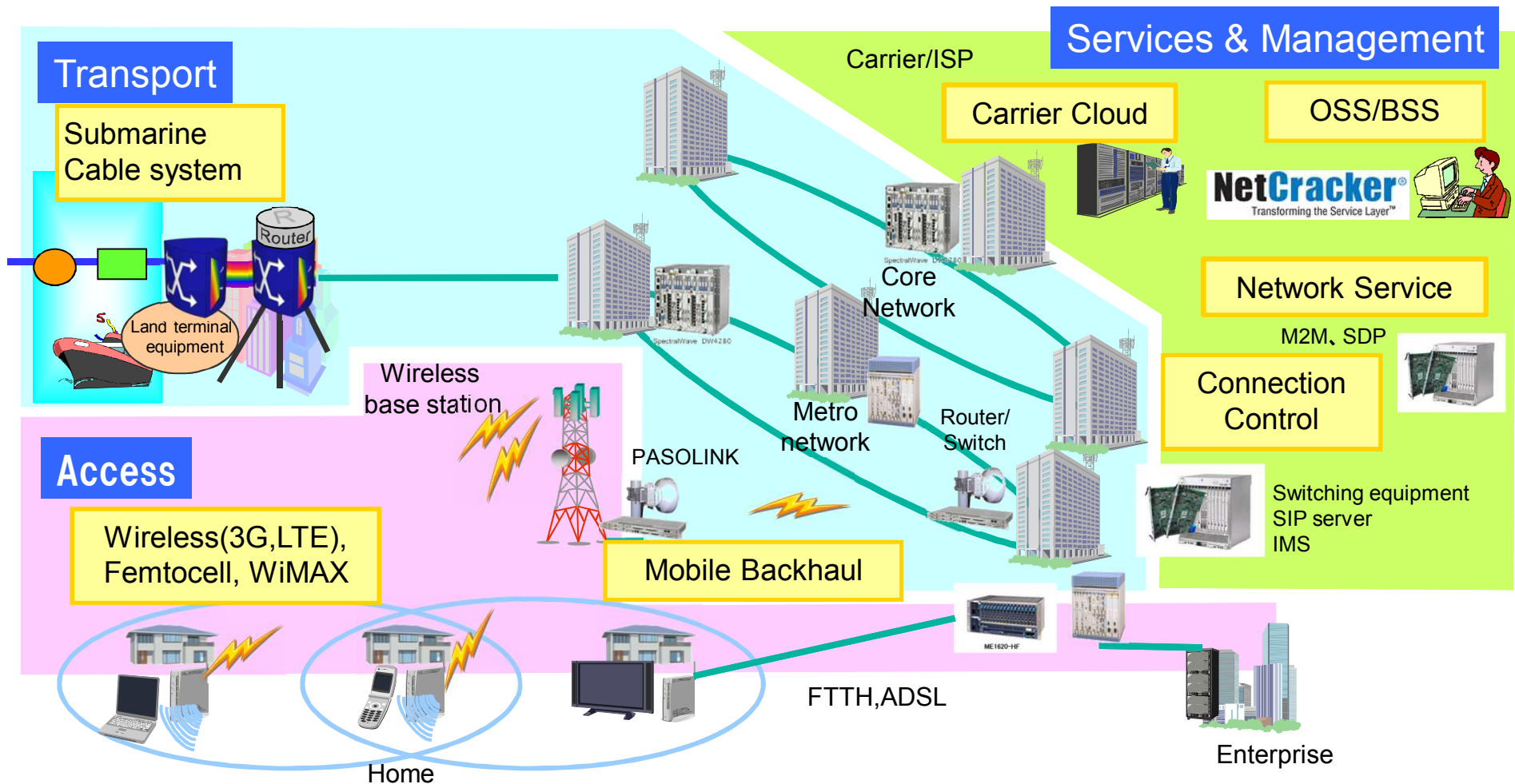
Carrier Network Business Unit

Shunichiro Tejima

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- 1. Business Overview**
 2. Progress on Key Businesses
 3. Toward achieving V2012

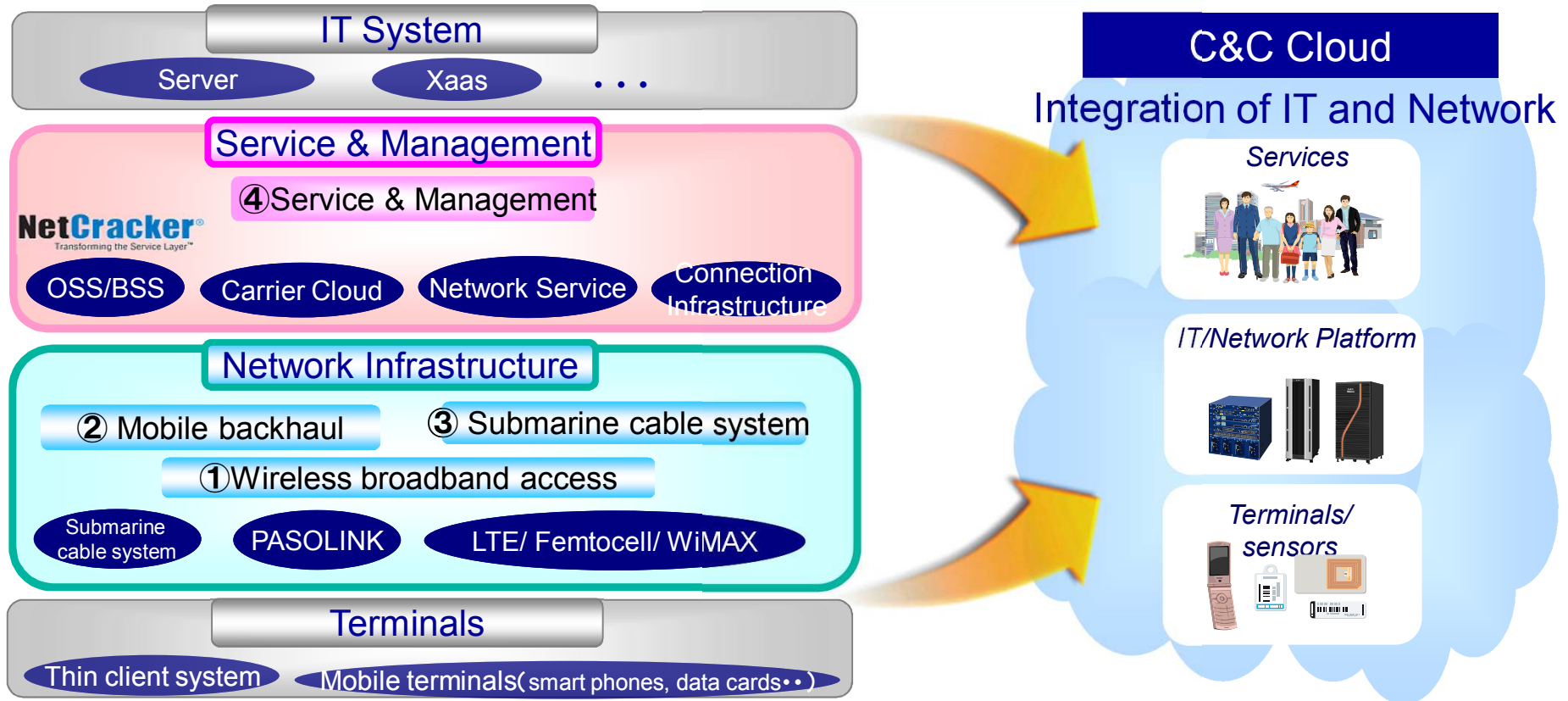
Business Area where NEC Carrier Network Business Unit operates

Provide network systems and services to worldwide customers mainly with telecom operators



Mid-term Business Policy

Expand C&C Cloud related business by focusing on four key business areas



Aim to gain prominent position in the global market and restore sales growth and higher profitability
 Achieve sales of 900 Billion yen, operating profit ratio 9%, global sales ratio 40% in FY2012

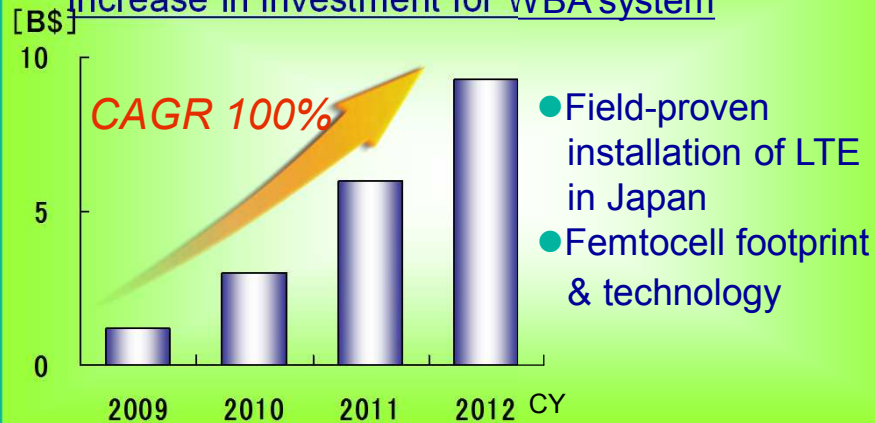
* As of 12 October 2011

Potential Growth in Key Businesses and NEC's Strengths

Focusing on business areas where NEC can capitalize on its strengths and secure attractive global business

① Wireless Broadband Access (WBA)

Increase in investment for WBA system



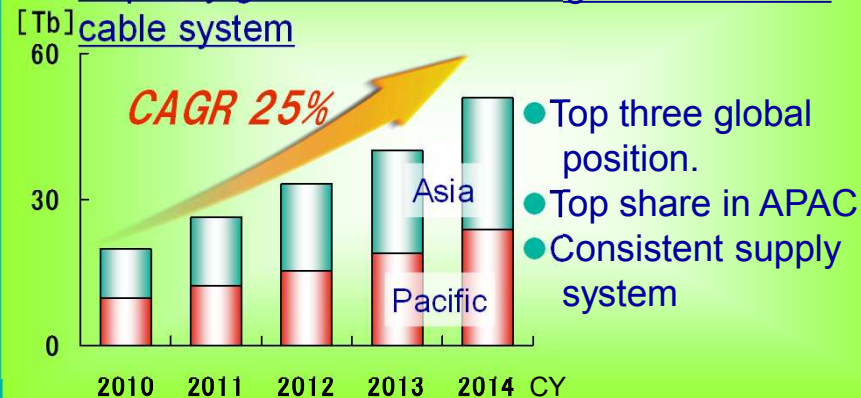
② Mobile Backhaul (MBH)

Demand Expansion towards upgrading of MBH systems



③ Submarine Cable System

Capacity growth in actual usage of submarine cable system



④ Service & Management

Strong growth in Service & Management



Changes and Progress (2010-2011)

Changes in Business Environment

- Faster-than-expected spread of smart phones
⇒ Enhancement of carrier network equipment, demand for wider spread of value added services
- Continuation of yen appreciation, concern of economic slowdown in Europe
- Reconstruction from the Great East Japan Earthquake, demand for disaster countermeasure projects

Business Progress(FY2010)

- Sales decline of MBH and Submarine Cable System led to sales decrease yoy
- Solid domestic operations offset sales decline of overseas operations, achieved increase in operating profit growth and the original profit plan



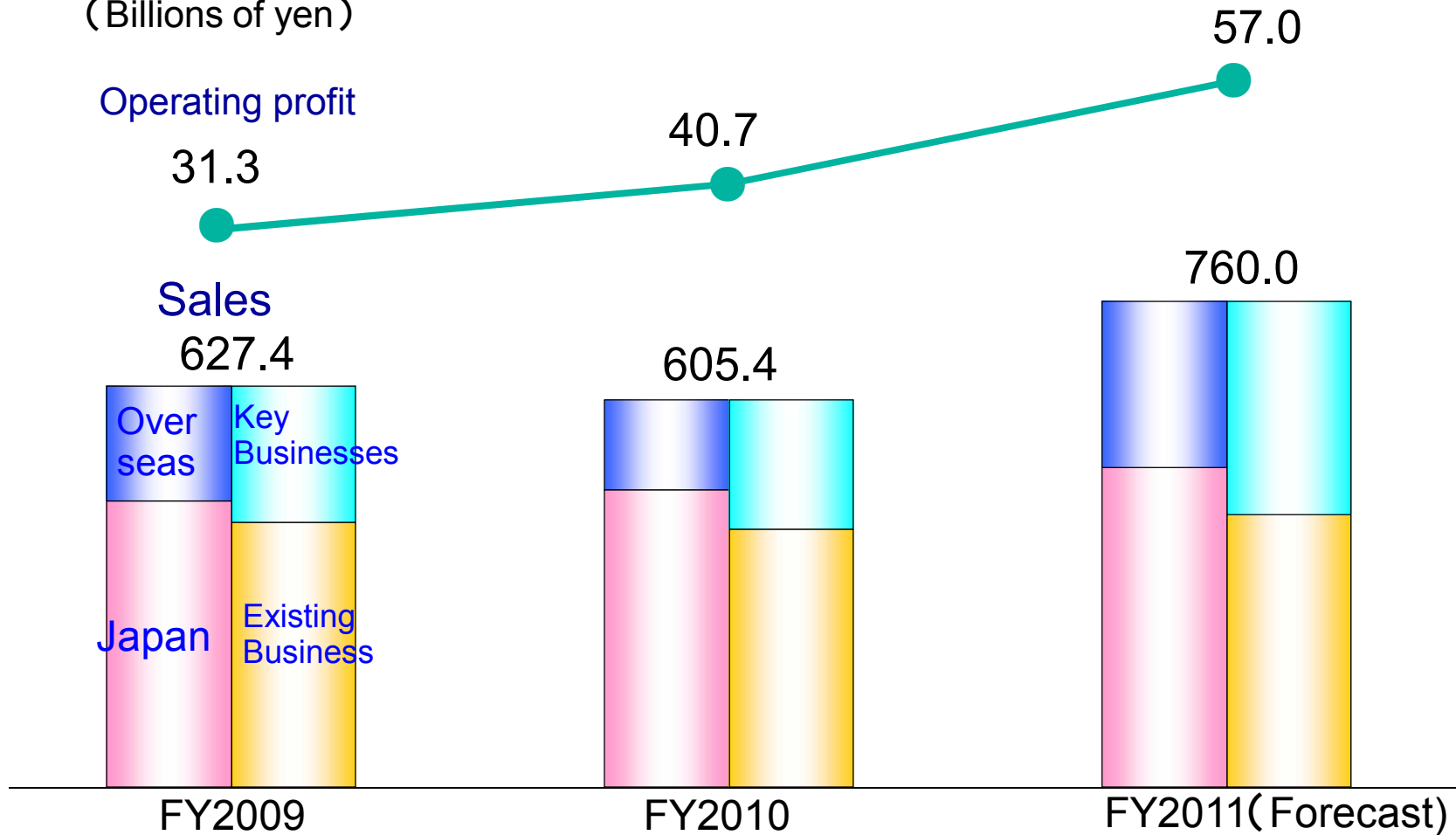
Aim to recover sales and improve profitability to achieve V2012 goals

- Pursue new business opportunities in domestic and overseas market
(Service & Management, WBA, Enhancement & redundancy of network)
- Recovery of MBH, Submarine cable system operations
- Develop a high-profit structure to correspond super strong yen appreciation
- Investment into new business such as OpenFlow, smartgrid

Sales and Operating Profit of Carrier Network Business

Aim to attain 25% increase of revenue growth and 40% increase of operating profit growth (FY2011)

(Billions of yen)



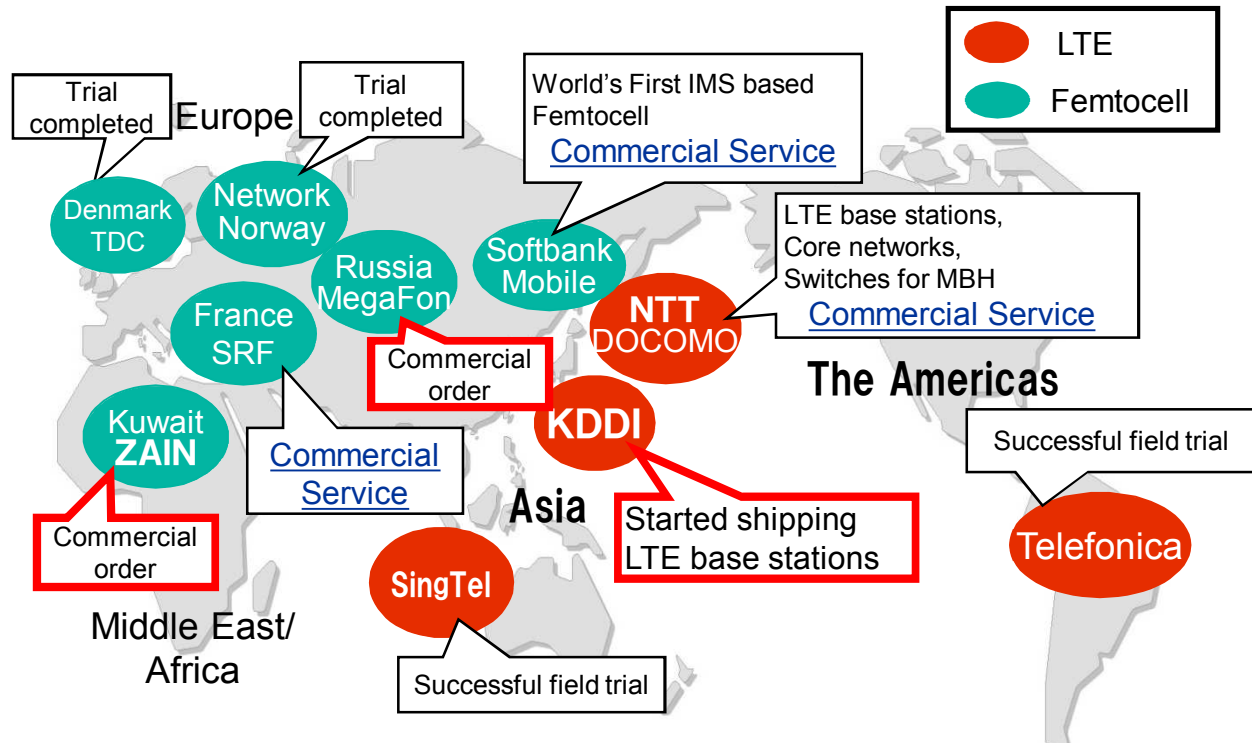
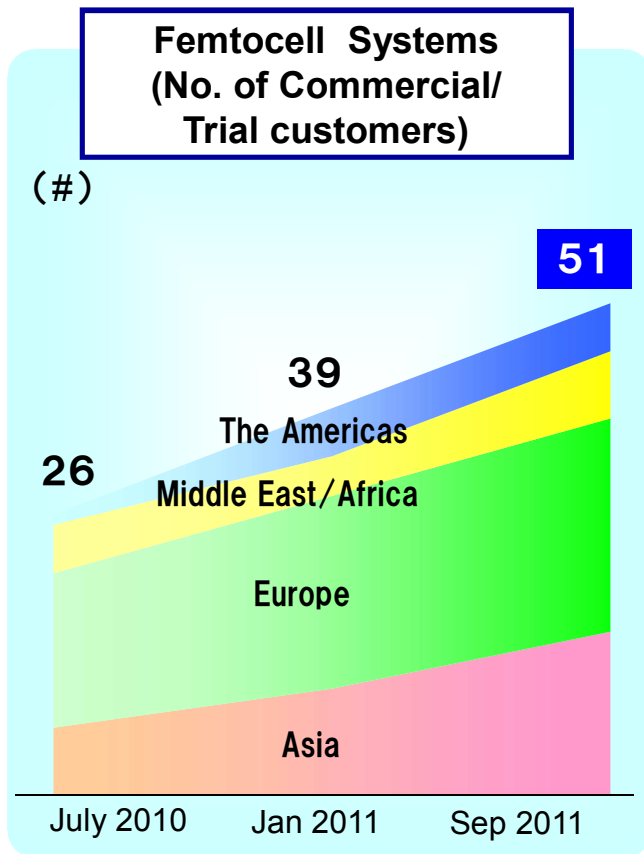
*Forecast as of 12 October 2011

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1. Wireless Broadband Access Business (LTE & Femtocell)

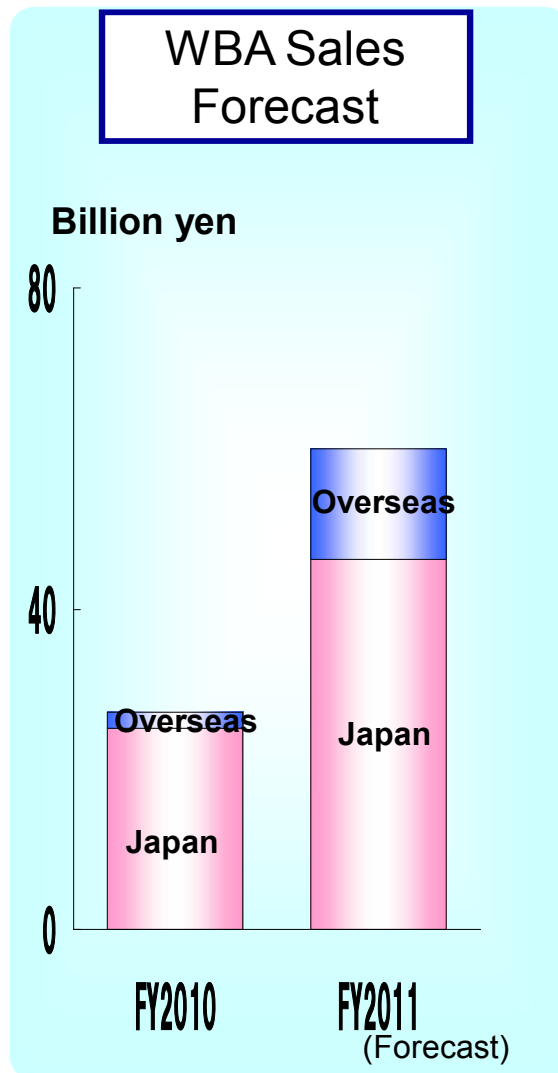
Achievement in the Wireless Broadband Access

- LTE System**
 - Executing projects for Japanese carriers. Continuing to cultivate overseas customers
- Femtocell Business**
 - Steadily increasing number of customers which is twice the number yoy



Only openly public information displayed (as of Sept. 2011)

Key Measures in the Wireless Broadband Access Business



Steady achievements and increasing shipments of domestic LTE commercial products

- NTT DOCOMO
Contributions to stable operations and expanding commercial LTE system
- KDDI
Steady achievements in shipments of commercial LTE base stations

Promotion of Global LTE Deployment

- Promotion of small cell LTE solution
- Joint Development of TD-LTE with WRI of China and market entry
 - Expansion to other markets through trials with MIIT in China
- Cooperation with Cisco for LTE System integration in overseas market and enhancing market adoption
 - Supporting the migration needs from 2G/3G to LTE

Increasing Overseas Femtocell customers

- Accelerating market development by establishing an installation track record and “Try & Buy” promotions
Active promote to operators who plans to increase ccess points

WRI:Wuhan Research Institute of Post and Telecommunications Technology
MIIT; Ministry of Industry and Information

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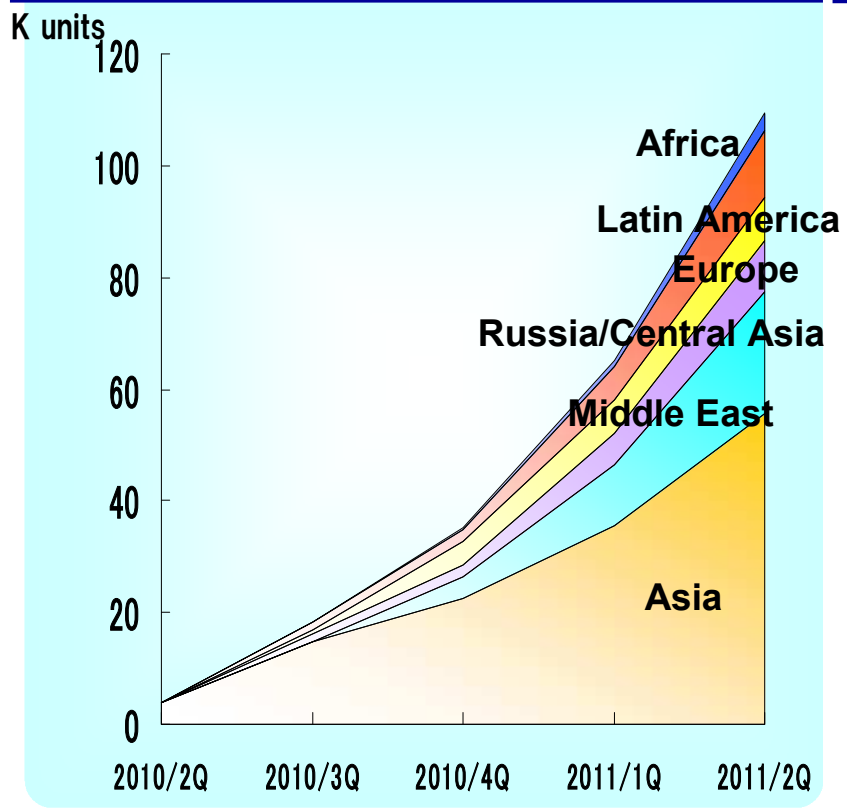
2. Mobile Backhaul Business (MBH)

Shipping Status for the iPASOLINK Series

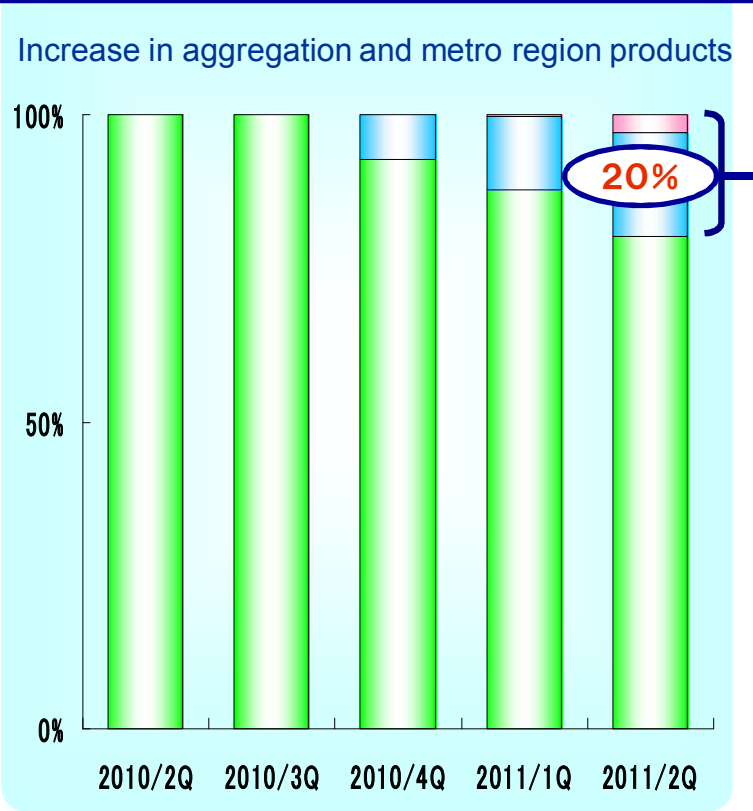
iPASOLINK Series Orders (Commercial shipment started: Sep. 2010)

- Accumulative shipment of over 100K units to 100 customers in 55 countries
- iPASOLINK makes up more than 50% in 2Q PASOLINK shipments, and steadily penetrating into the market

Cumulative Shipment of the iPASOLINK series by region



Shipment Ratio of iPASOLINK Series by product



【Metro】
iPASOLINK 1000
 (Feb. 2011~)



【Aggregations】
iPASOLINK 400
 (Jan. 2011~)



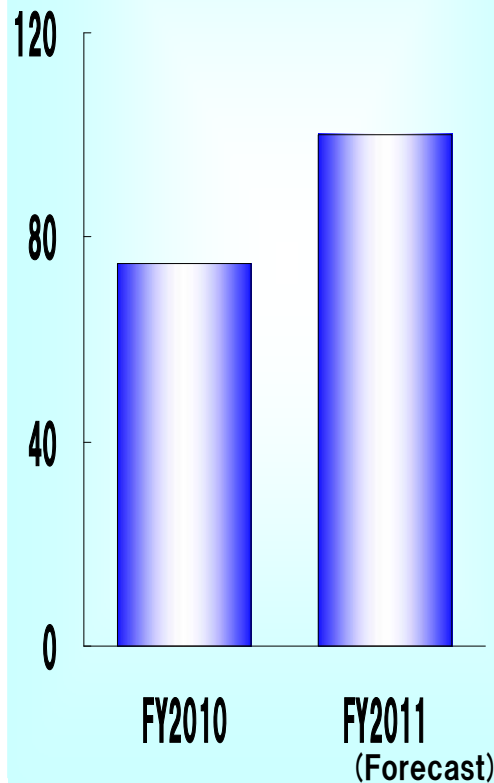
【Access】
iPASOLINK 200
 (Sep. 2011~)



Key Measures in the Mobile Backhaul Business

MBH Sales Forecast

Billion yen



Strengthen to meet MBH's sophisticated requirements

- Completing the full iPASOLINK series line-up, covering all MBH areas, continue to increase product competitiveness, securing advantages
- Differentiation in total MBH solutions including high IP/integrated NW management
 - Enhanced solution interaction by cooperating with routers
 - Started installation of MS5000, network integrated management system

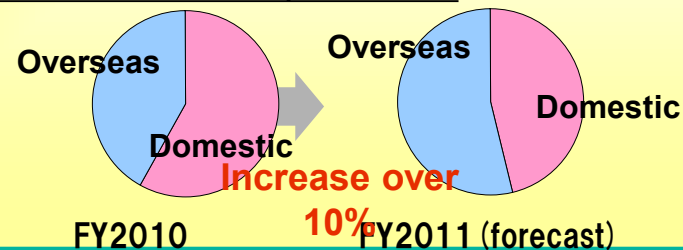
Development of Non-hardware business

- Software license business (upgrade services for function upgrade)
- Deploying managed services using MBH operation outsourcing as a base

Strengthen cost competitiveness against yen appreciation and global competition

- Increase ratio of overseas material procurement
- Optimization of production structure
 - Begin production in India (NEC Network Products as a main factory)

Ratio of iPASOLINK's overseas procurement

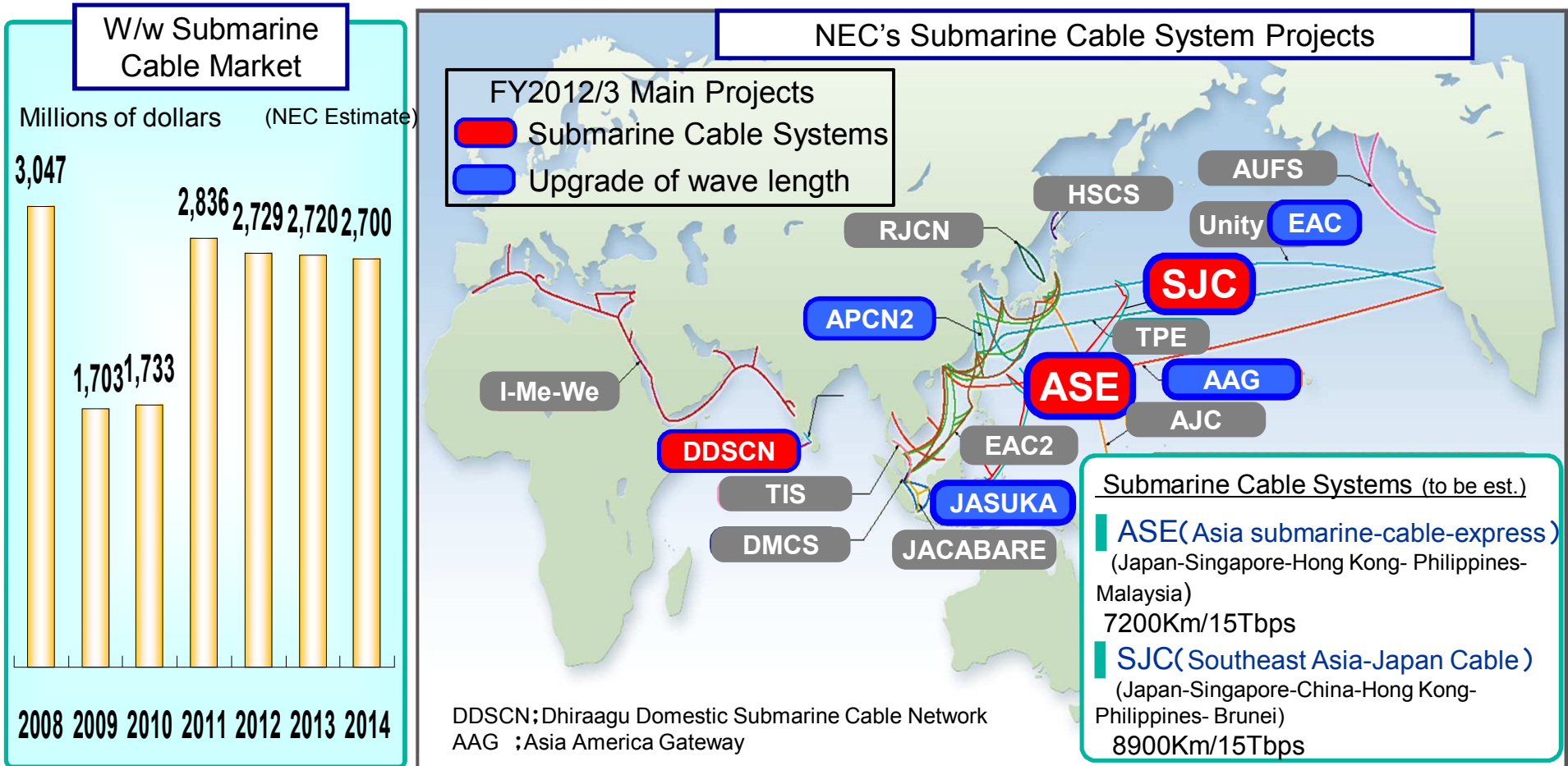


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3. Submarine Cable System

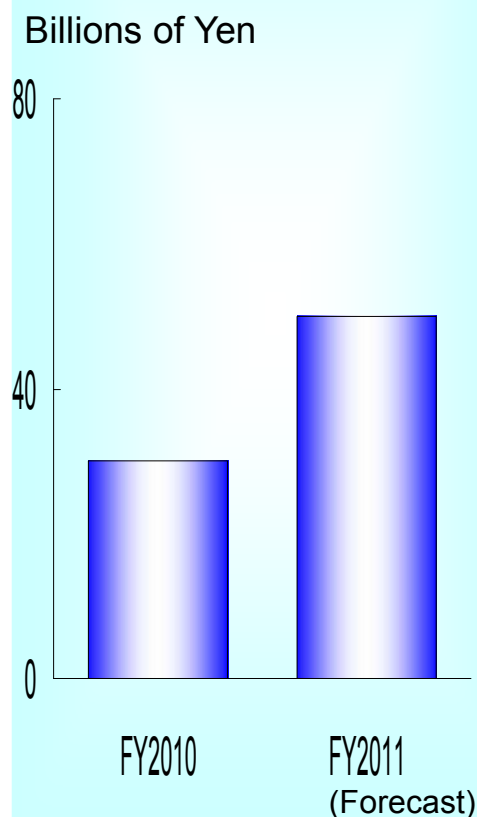
Market Trend and Projects Achievement

- Upsurge in data traffic via submarine cables worldwide, with stable growth in market volume
- Increase in demand for ocean bottom seismograph due to multiple large-scale earthquakes worldwide



Key Measures in the Submarine Cable System Business

Submarine Cable System Sales Forecast

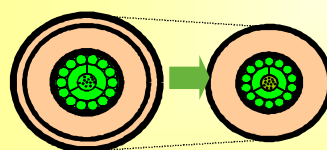


Stabilize business progress with project mix to maximize sales expansion

- Capture new orders of large-scale
- Expanding to Atlantic in addition to Asia/Pacific
- Promote order receipt of wave length upgrade
- Market and promote ocean bottom seismograph systems worldwide
 - Approach to quake-prone areas and capture demand for earthquake

Reinforce global competitiveness

- Expand to differentiate the technology
 - Apply on-land 40G/100G optical technologies to submarine cable systems
- Strengthen cost competitiveness
 - Utilize new thin-submarine cables to slash material and construction costs



External Diameter:
20.4φ

SC300

External Diameter:
17.0φ

SC500

Maintain performance level of ordinary cables up to 8000m depths

Apply from submarine cable system project in Maldives in 2011

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4. Services & Management

Achievements in the Services and Management Business

Strengthen business structure to launch products/solutions which are competitive globally

Press releases (2010.8-)

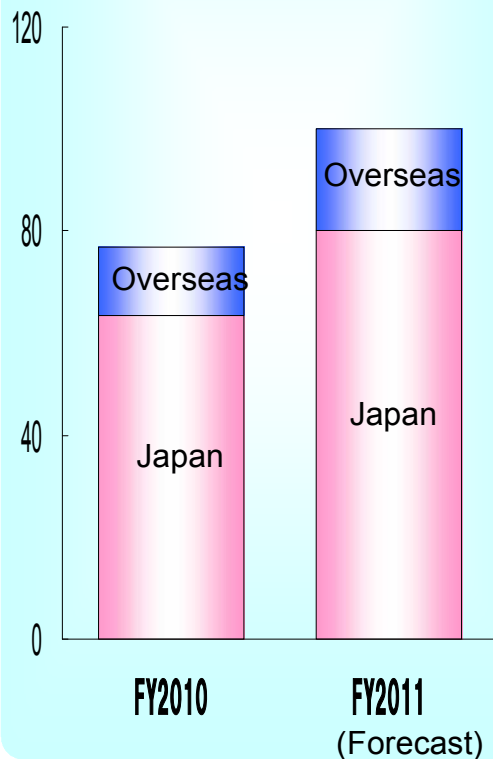
- Established New Generation M2M Consortium (2010.11)
 - Developed M2M Service Platform, displayed at Wireless Japan 2011 (2011.6)
 - Support revival of farms damaged by salt utilizing sensor network (2011.8)
 - **Launched M2M Solutions “CONNEXIVE”**
 - Provide System Platform for M2M Services as cloud <PaaS> (2011.8)
 - Provide Applications for M2M Cloud Services <SaaS: Agriculture ICT Solutions>(2011.9)
 - NEC Hosted Asia's First ETSI M2M Standardization Meeting (2011.9)
 - **Provide Smartphone service platform** (2011.9)
-
- Provide SaaS Cloud Services for TOT in Thailand (2011.9)
*SaaS Cloud Services : Web conference, groupware, HRM
-
- NetCracker agreed to acquire **activation business of Subex in India** to strengthen OSS solution for telecom carriers (2011.9)



Key Measures in the Services and Management Business

Services & Management Sales Forecast

Billions of Yen



Focus on four key businesses worldwide to contribute to carriers' sales increase and management cost saving

① M2M

- Provide M2M Solution "CONNEXIVE" PaaS/SaaS Solutions
 - Agriculture ICT/Remote control and monitor machineries/ Energy Management etc

② Smartphone Services

- Develop and provide new services for smartphones
 - Payment/Thin client/Social (Education, Healthcare) etc

③ Carrier Cloud

- Expand Cloud Solution menus based on competitive IT/NW technologies
- Developed global market close to customers utilizing competence centers

④ Next Generation OSS/BSS

- Expand Netcracker's service portfolio

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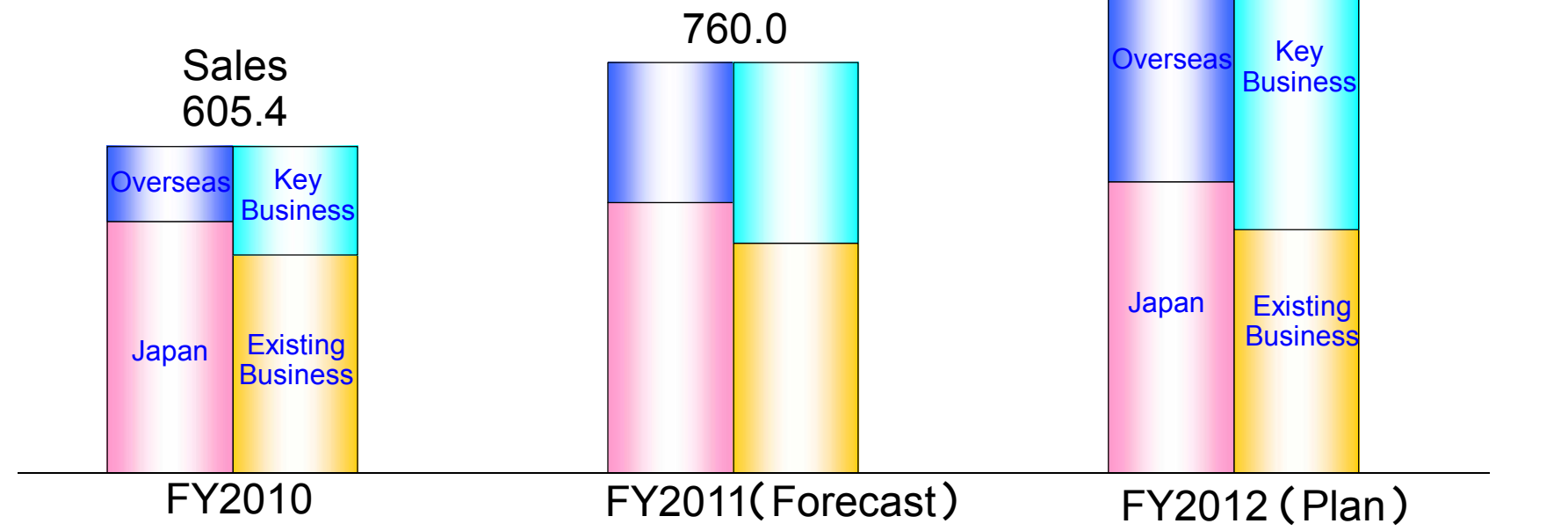
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Toward achieving V2012

Achieve 900 billion yen in sales (operating profit margin 9%) in FY2012

	FY2010	FY2012(Plan)
Overseas Sales ratio	23%	40%
Key Business ratio	33%	50%
Operating profit ratio	7%	9%

(Billions of Yen)



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Abbreviations

ADSL:Asymmetric Digital Subscriber Line

BSS:Business Support Systems/Billing Support Systems

ETSI: European Telecommunications Standards Institute

FTTH:Fiber To The Home

ICT:Information and Communication Technology

IMS:IP Multimedia Subsystem

ISP:Internet Services Provider

LTE:Long Term Evolution

M2M:Machine-to-Machine

MBH:Mobile Backhaul

OSS:Operations Support Systems

PaaS:Platform as a Service

SaaS: Software as a Service

SDP:Service Delivery Platform

SIP:Session Initiation Protocol

TD-LTE: Long Term Evolution Time Division Duplex

Empowered by Innovation

NEC

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