

Mid-term Management Plan 2015

April 26, 2013
NEC Corporation
(<http://www.nec.com/en/global/ir/>)

Mid-term Management Plan 2015

I Looking Back at V2012 and Mid-term Management Policy

II Focus on Solutions for Society

III Focus on Asia, Promotion of “Locally-led” Businesses

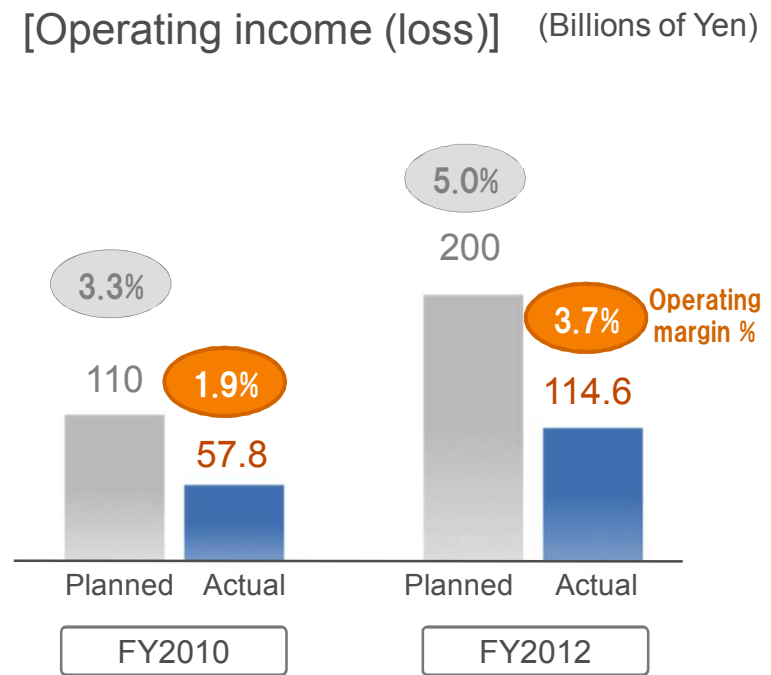
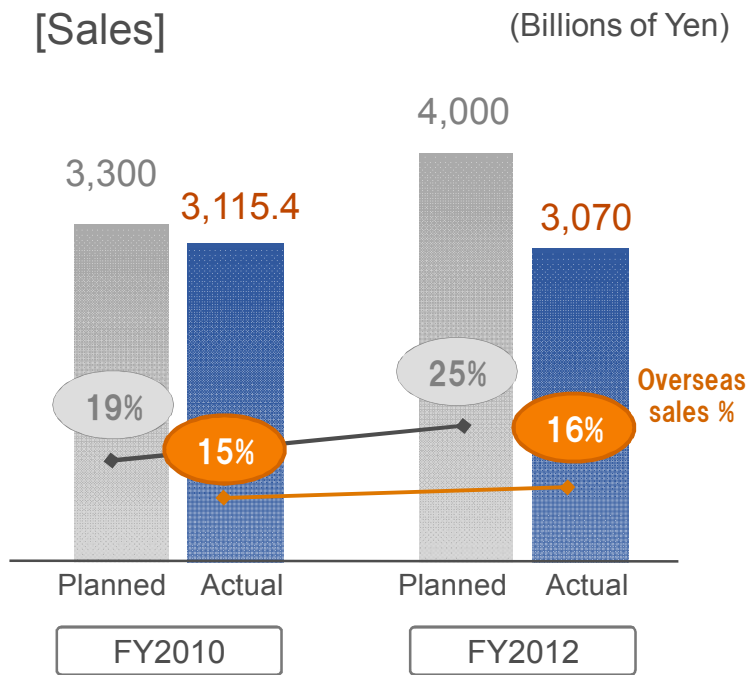
IV Stabilize Our Financial Foundation

V Conclusion

Looking Back at V2012

While we targeted high earnings, we did not execute an expanded model that utilized our core assets

- For high growth overseas, we were unable to execute our growth plans to the extent we anticipated.
- Our financial strength was not sufficient to respond to changes in the external environment produced by the Great East Japan Earthquake, the Thai floods, the financial crisis in Europe, etc.



Market Environment Outlook

ICT market environment

While we expect Government's market revitalization policies to have a positive impact, intensification of price competition and the slowing of growth are unavoidable in the domestic market

Economic growth will continue to center on emerging countries; in advanced countries, demand arising from structural changes will be key

- Demand related to the advancement of social infrastructure and the exploitation of resources will increase
- New trends will promote and accelerate structural changes, chiefly in the advanced countries
- (Smartphones / Cloud / Big Data / SDN^{*} / Etc.)

* SDN: Software-Defined Networking



Competition will intensify around the axes of globalization, structural change and new markets
→ We must change our existing strategies

Mid-term Management Policy

(1) Focus on Solutions for Society

→ Transformation into a social value innovator

- Focusing of management resources on businesses that advance social infrastructure through ICT
- Create new business models with the understanding that social problems provide an opportunity for growth

(2) Focus on Asia, promotion of “locally-led” business

→ Creation of a foundation for growth as a company able to compete globally

- Focus on emerging and developing countries, in particular in Asia
- Realization of increased sensitivity to local needs, increased business speed

(3) Stabilize our financial foundation

- - Enhanced cost competitiveness
 - Creation of an earnings structure that produces operating income of 150 billion yen and free cash flow of 100 billion yen
 - Hybrid finance to ensure financial reserve



These initiatives will represent 5% of operating income and 25% of overseas sales

* Projected figures are as of April 26, 2013

Summary of Mid-term Management Targets

(Billions of Yen)	FY2012 (Actual)	FY2015	CAGR
Net sales	3,071.6	3,200	1.4% (3.4%)
Operating income	114.6	150	<div style="border: 1px dotted black; padding: 5px;"> The figure in parentheses excludes NEC TOKIN, NEC Logistics, and NEC Mobiling </div>
Net income	30.4	60	
Free cash flows	42	100	
ROE	4.5%	10%	

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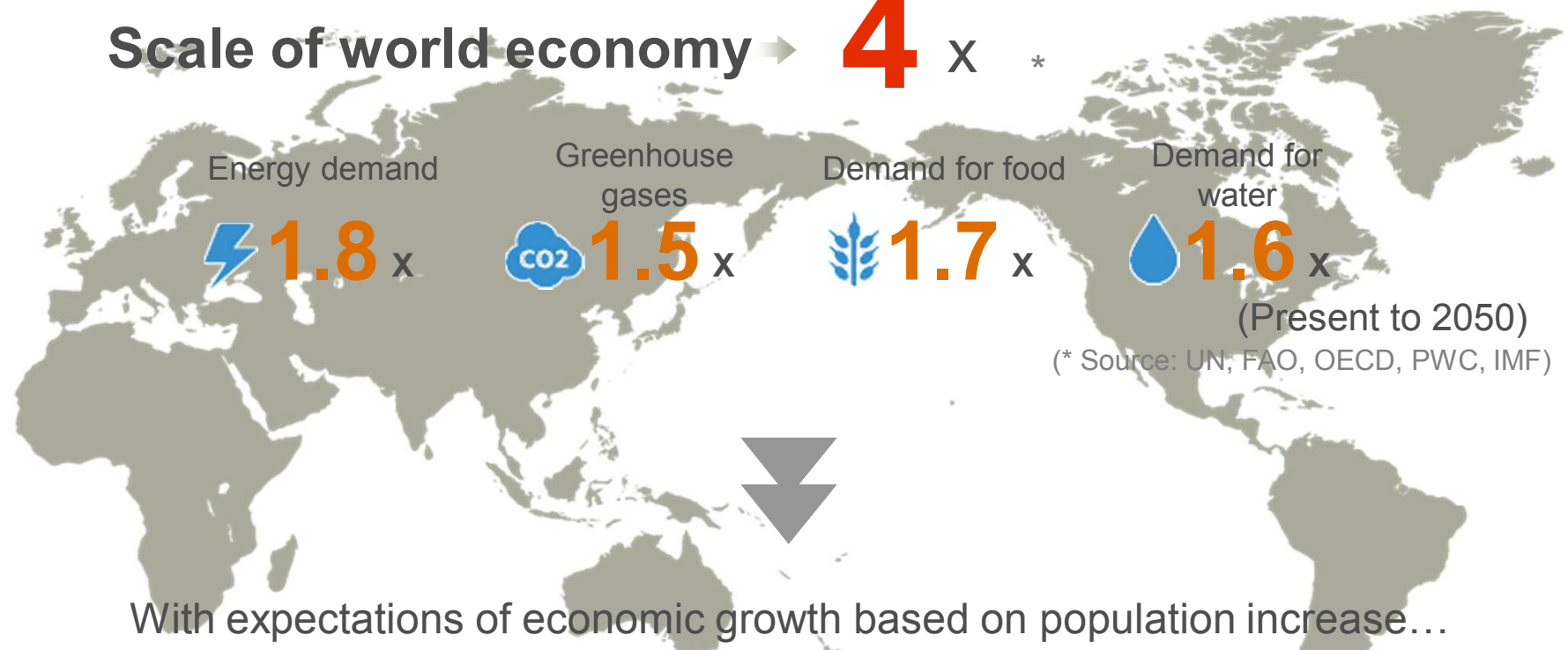
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The Future World Economy

World population: 7 billion → **9** billion (1.3 X) Ratio of urban dwellers: 50% → **70** %

Scale of world economy → **4** X *

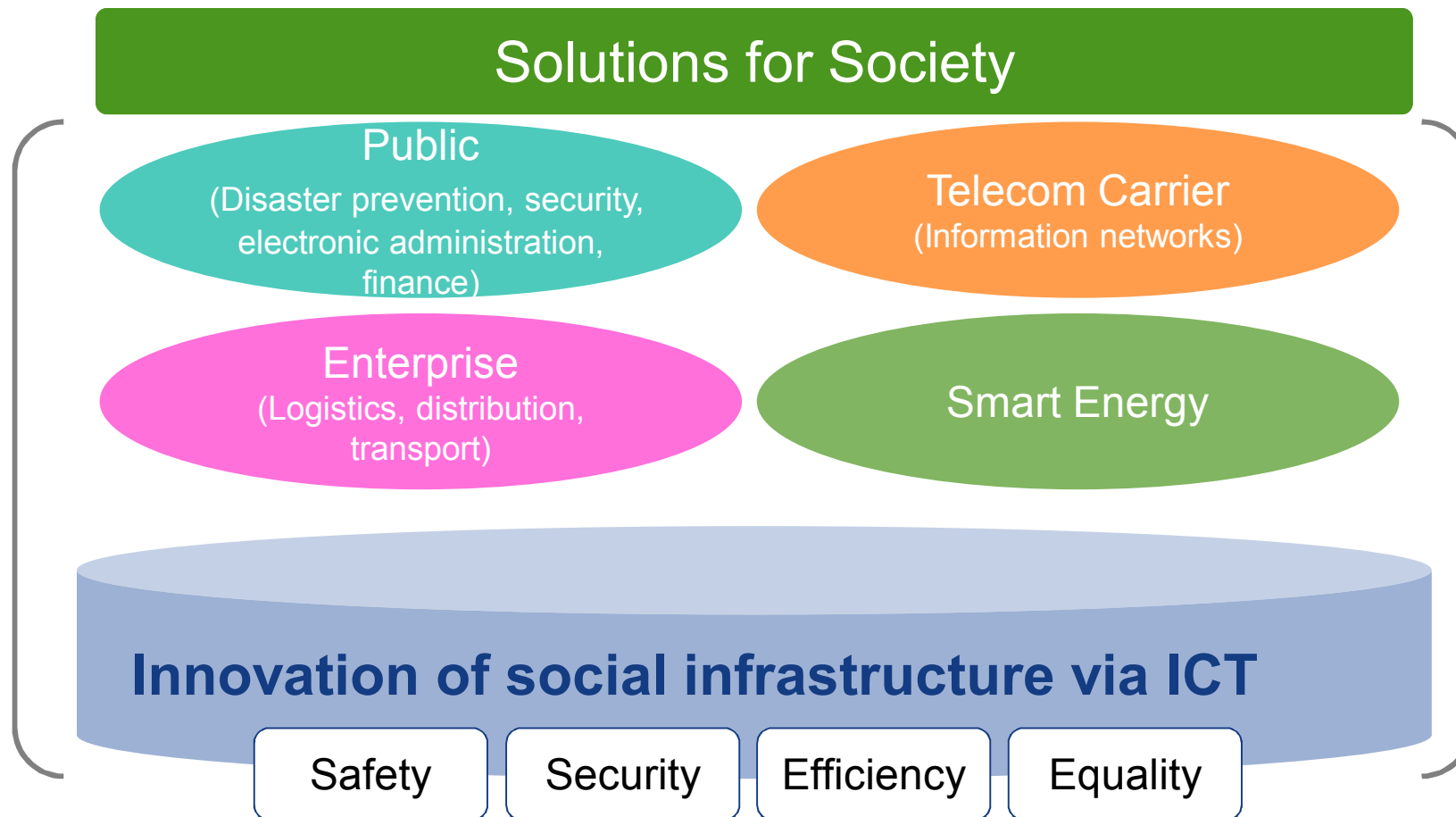


Innovative social infrastructure will be required to make it possible to lead safe and secure lives and make efficient use of resources.

NEC's Concept "Innovative Social Infrastructure"



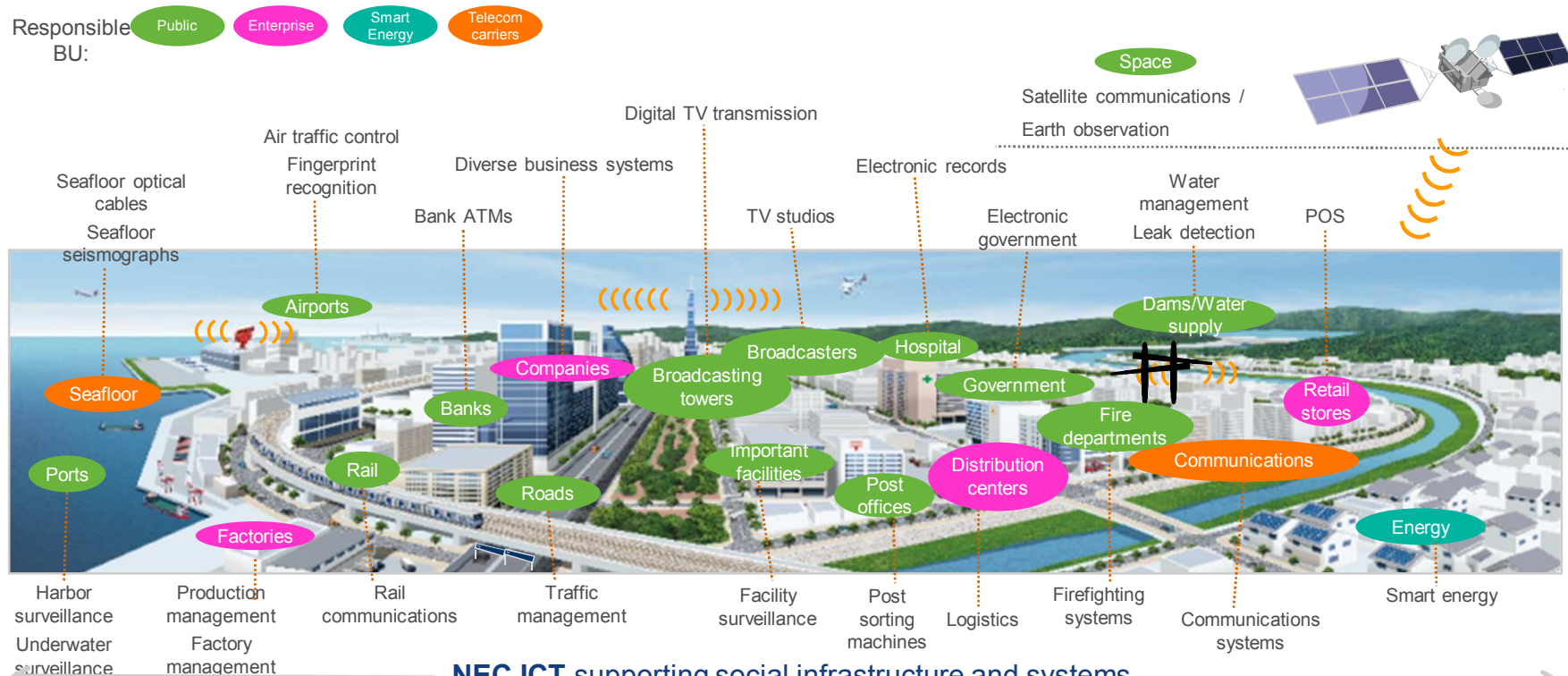
For living people,
in Society that is abundant in



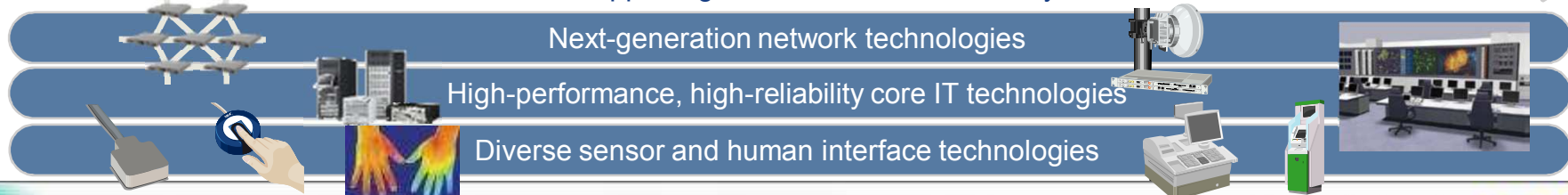
(1) Innovation of Social Infrastructure via ICT(1)

Leveraging our proven results and strong position for global expansion

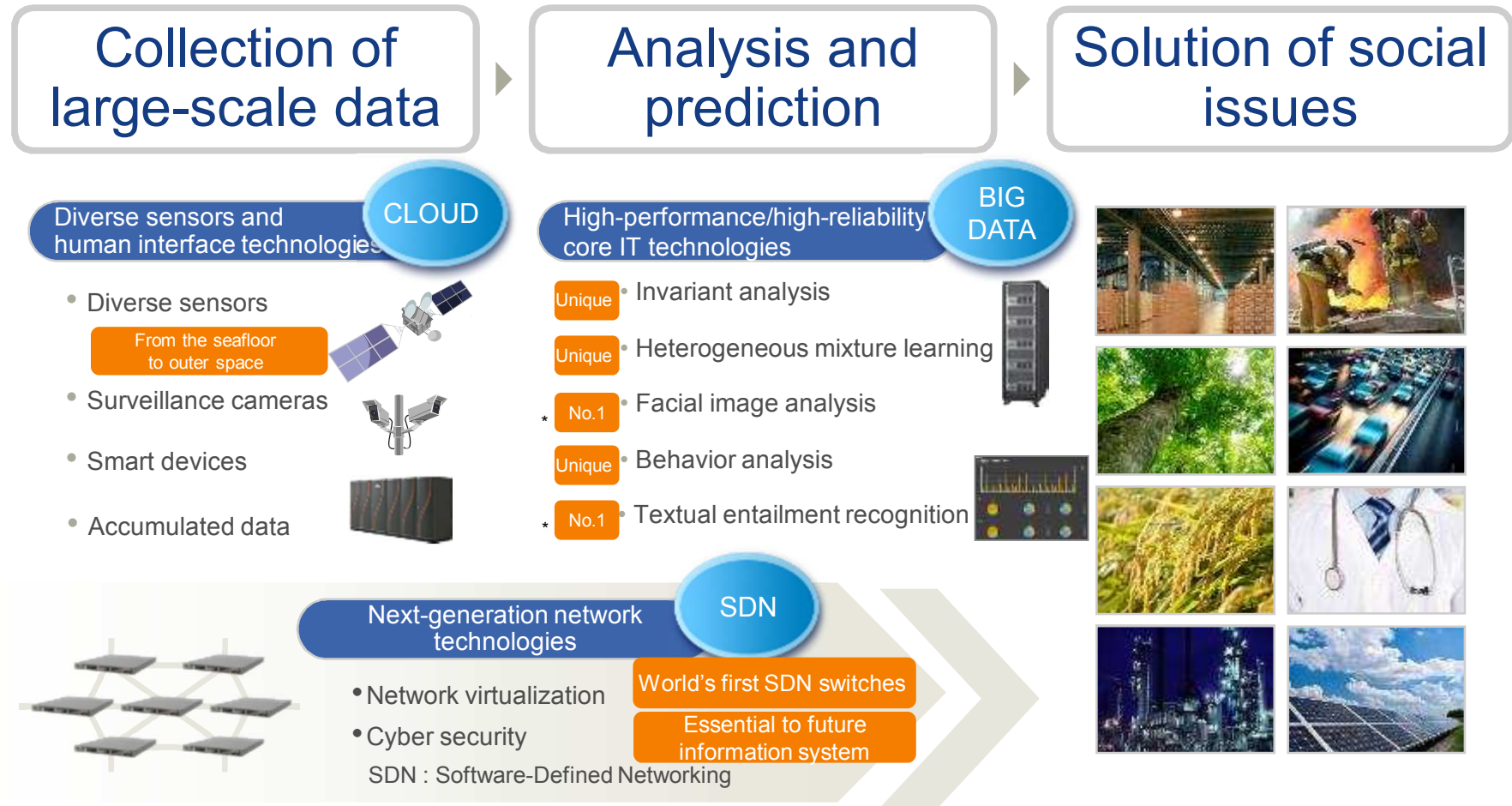
- From the seafloor to outer space, concentrating management resources in areas in which social infrastructure will be innovated by ICT



NEC ICT supporting social infrastructure and systems



(1) Innovation of Social Infrastructure via ICT(2)

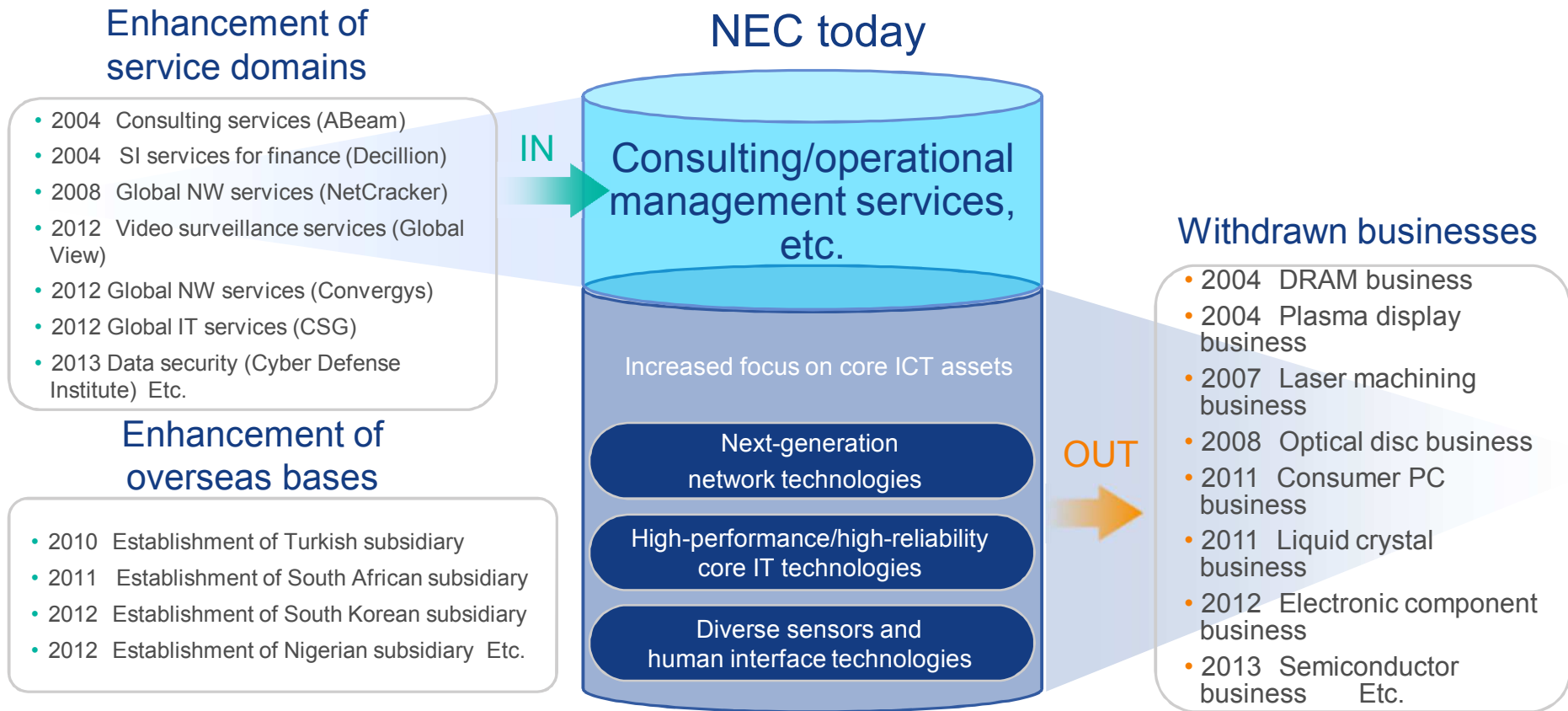


Leveraging information captured by our unique and highly competitive ICT assets to become a social value innovator

* Rated as No. 1 among organizations participating in an evaluation task organized by the U.S. National Institute of Standards and Technology (NIST)

(1) Innovation of Social Infrastructure via ICT(3)

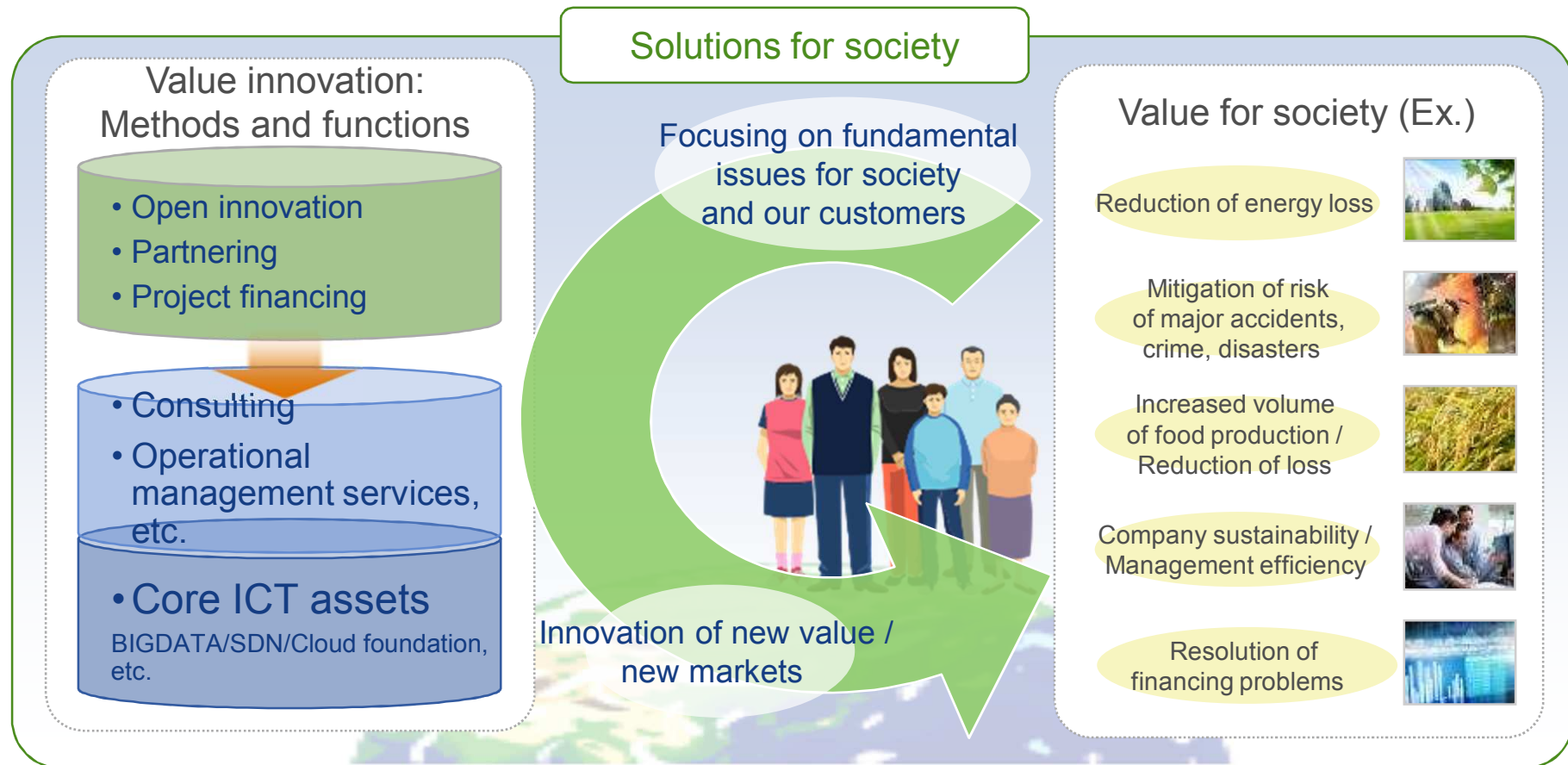
Continuing to transform our structure and strengthen the reach of our business, with IT and networks as our core competence



(2) Transformation of Business Models towards the Solving of Social Issues

Focusing on fundamental social issues, we will increase our avenues for value innovation and boost our competitiveness

- We will become a company that understands the solving of social issues as a business opportunity and focuses on latent needs
- Provision of total value that integrates operational management services, financial functions, etc. in addition to ICT assets



(3) Organization to Implement “Solutions for Society”

Establish an organizational structure with a sense of speed and which is always aware of the market and customers

CS No.1

Innovation of business models and enhancement of creative functions to enable response to customers' latent needs

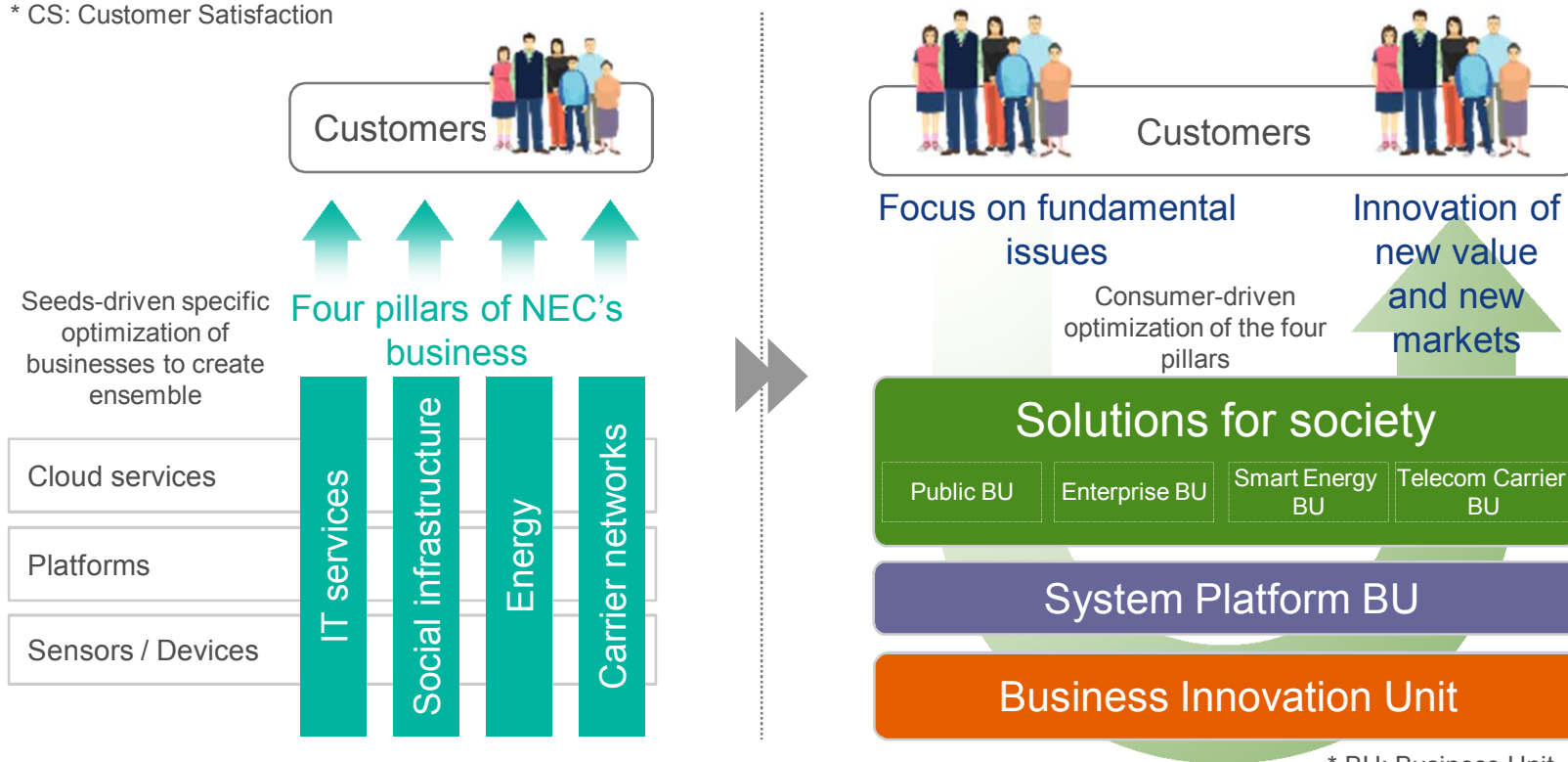
Global 1st

Adapt work processes to match global best practice, creation of competitive products and services

One NEC

Maximization of workplace capacity through systematic fusion of product, technological and personnel assets

* CS: Customer Satisfaction

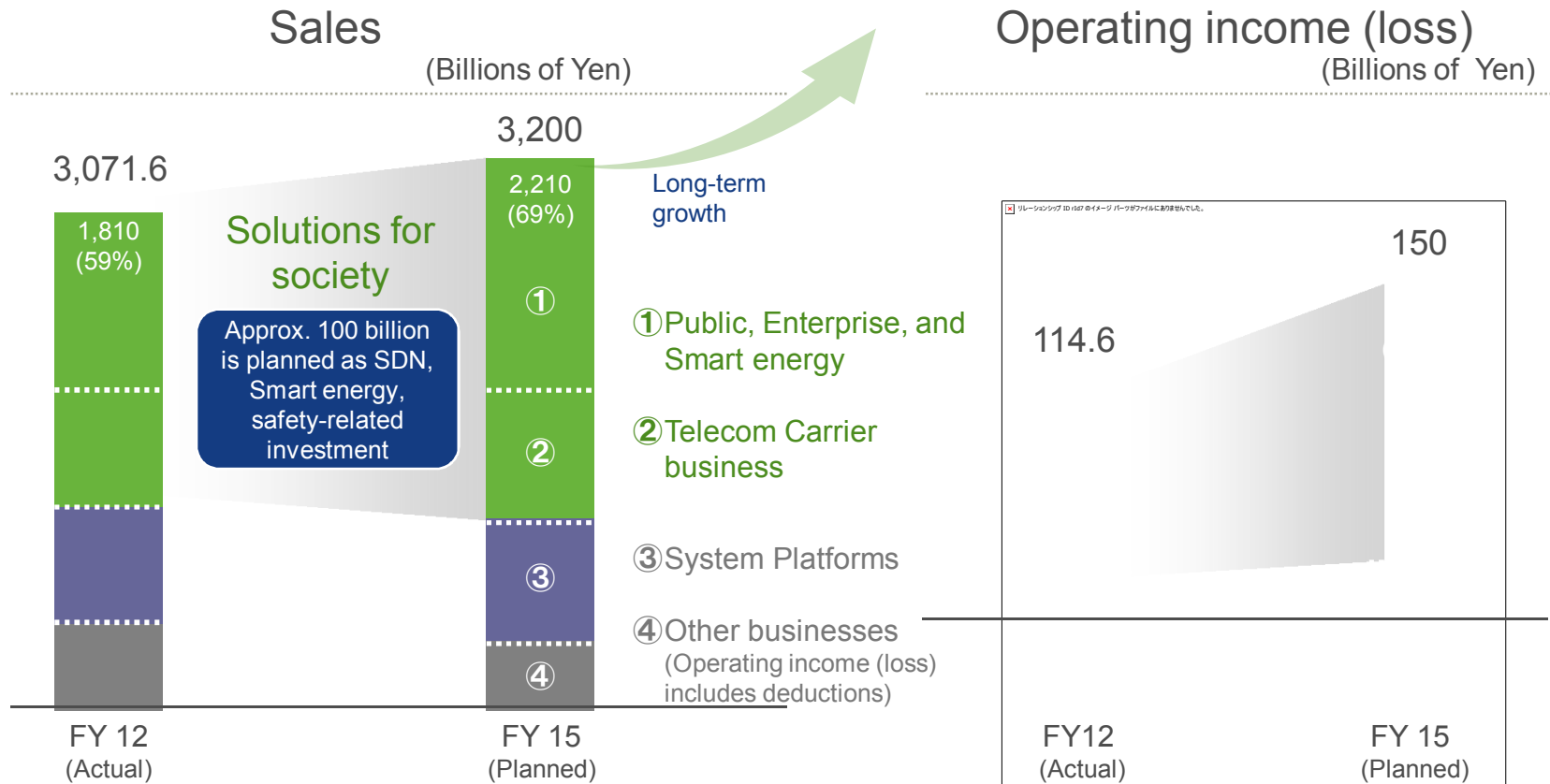


* BU: Business Unit

(4) Transformation of Our Business Structure

Long-term growth and profitability with “Solutions for Society” as the driving force

→ Make social solutions 70% of our sales and 8% of our operating income (5% for the company as a whole)

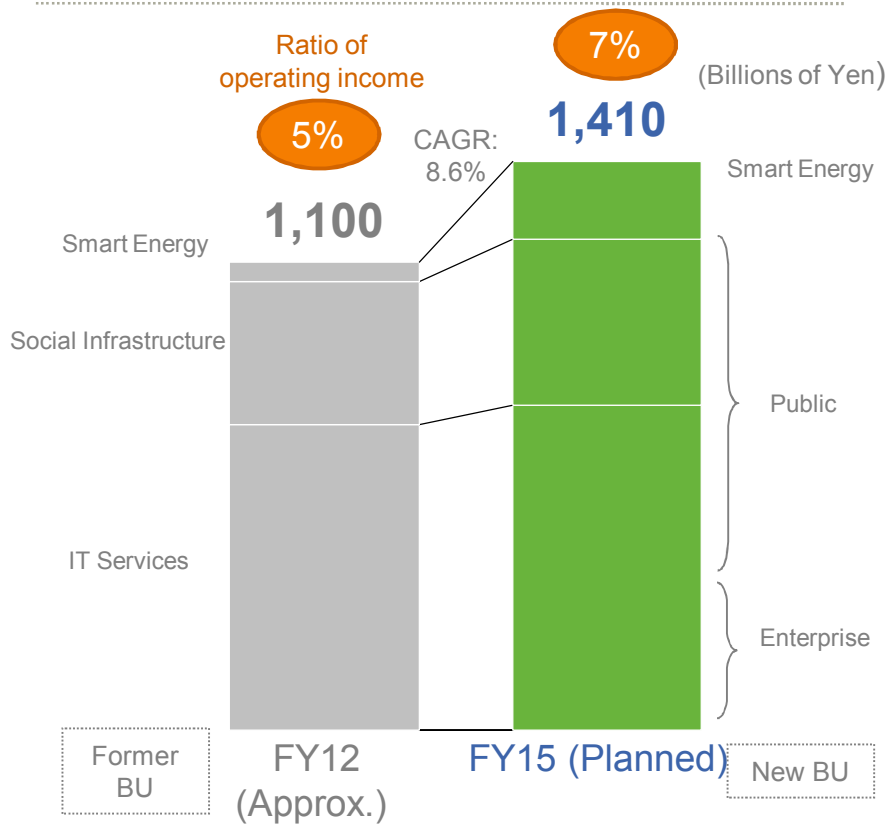


* Projected figures are as of April 26, 2013
* Figures of solutions for society are approx.

(1) Public / Enterprise / Smart Energy

Business Expansion by the combination of Strong Assets and Leveraging of our Domestic Position

Mid-term target



Growth strategies

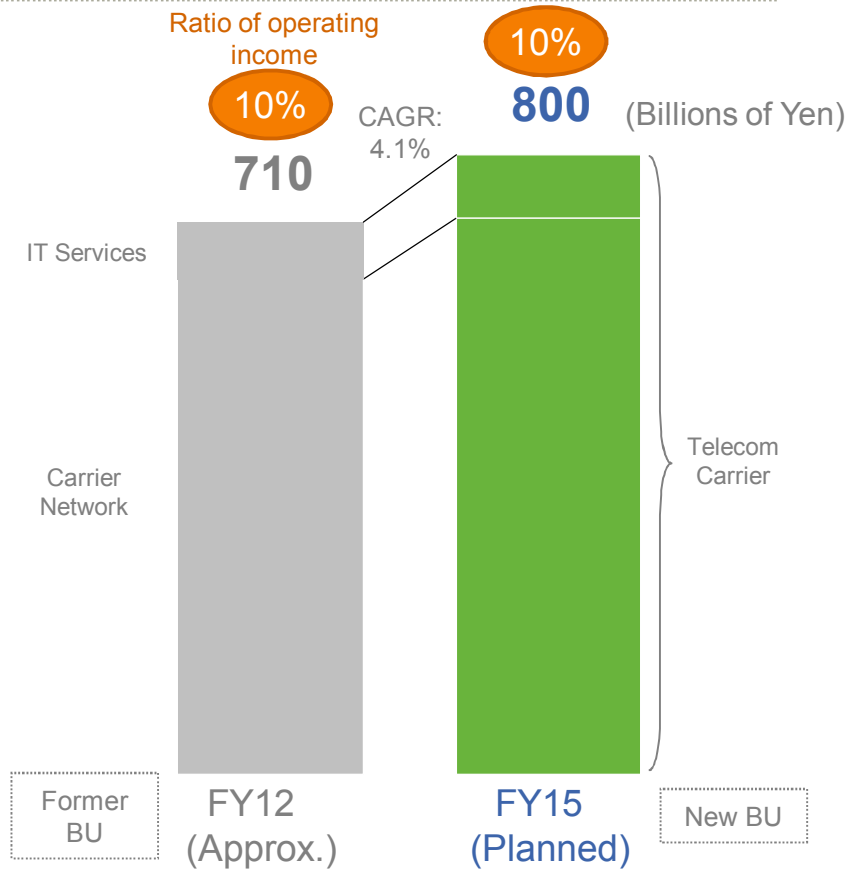
- Exploitation of continuously increasing global demand for upgrading/renewal of social infrastructure (Smart energy, safety, etc.)
- Realization of increased global competitiveness through the integration of strong assets and enhancement of service areas (Characteristic technologies and products × SI services expertise)
- Contribution to renew national infrastructure to support a strong Japan and promotion of overseas expansion

* Projected figures are as of April 26, 2013

(2) Telecom Carrier

Grasping the changes in the carrier business, growth with TOMS and SDN as the main pillars

Mid-term target



Growth strategies

- Change in services and applications and increase in traffic with the spread of smart devices
 - Social demands: Disaster response, energy conservation, etc.
- ↓
- Leveraging of proven records in global market for expansion of TOMS business
 - Provision of SDN, which will increase carrier revenue and realize cost efficiency, in advance of the industry
 - Provision of End-to-End solutions by mobilizing technological capacity in IT and networks (Linkage between SDN, TOMS and service applications, etc.)

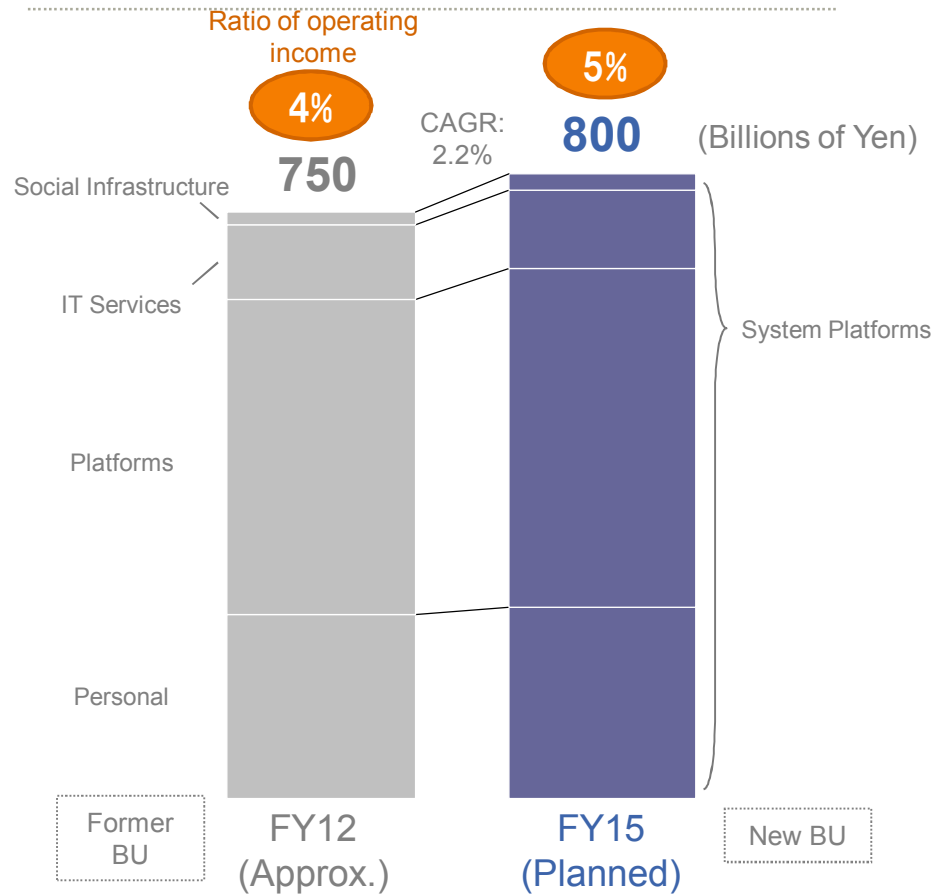
TOMS: Telecom Operations Management Systems
SDN: Software-Defined Networking

* Projected figures are as of April 26, 2013

(3) System Platform

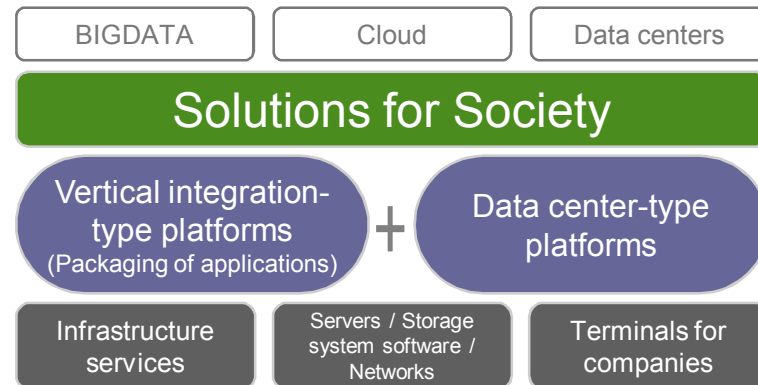
Ensuring increased cost competitiveness and stable quality for survival in global markets

Mid-term target



Growth strategies

- Provision of foundations to support “Solutions for society” (Systems for provision of BtoB products as bundles)
- Shift from sales of individual components/SI components to solution platforms
- Enhancement of partnering, expansion of OEM sales



* Projected figures are as of April 26, 2013

(4) Other Businesses

Comprehensive portfolio management with “Solutions for Society” as the focus

Consumer business

Mobile-phone distributor business (NEC Mobiling)

- Call for all shares in Marubeni Corporation’s subsidiary, MX Holdings, held by NEC as TOB
- Expansion of corporate value through economy of scale

Mobile-phone handset business (NEC Casio Mobile Communications)

Examination and implementation of partnering as a framework to ensure competitiveness on a global scale

Other businesses / functions

Distribution functions within the Group (NEC Logistics)

- Strategic linkage with Nippon Express, establishment of combined companies
- Expansion of global supply chain base

Other businesses in difficult situation

Detailed review of business plans, rapid implementation of structural reform or alliances



Focusing of management resources on “Solutions for Society”

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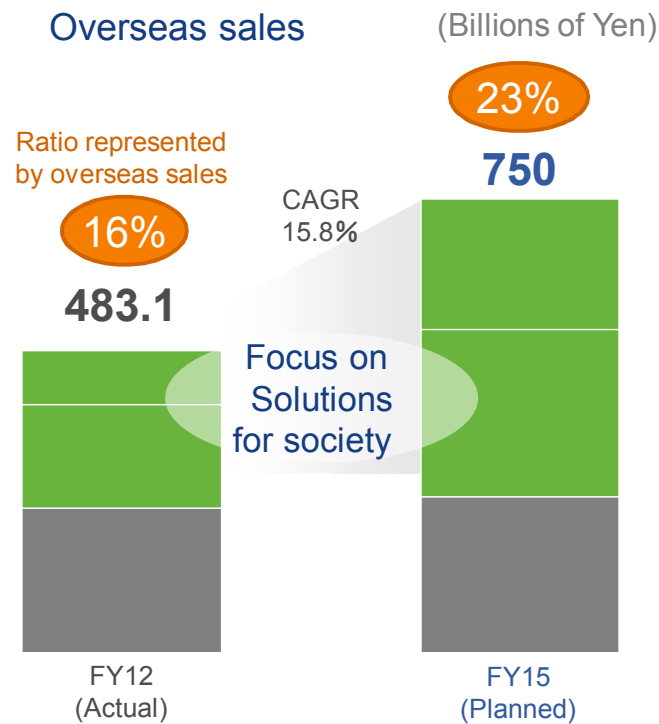
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Overseas Business Strategy (Overview)

Focus on Solutions for Society, realization of 25% of overseas sales



Public / Enterprise / Smart Energy

- Active expansion through provision of solutions tailored to the advancement of social infrastructure (global safety, smart energy, etc.)

Telecom Carrier

- Global expansion of TOMS and SDN, acceleration of creation of models for expansion of income
- Maintenance and expansion of wireless broadband business

System Platforms, etc.

- Promotion of transition to unified communications in business network terminals, etc.

(1) Focus on Asia
(Emerging/developing countries)

(2) Promotion of “locally-led”
business

* Projected figures are as of April 26, 2013

Global Growth Strategies (1)

(Public / Enterprise / Smart Energy)

Market and
value provided

- The market scale of our focus areas, surveillance of important facilities, cyber security, and disaster prevention, is approximately 3.3 trillion yen (FY17)
(provisional calculations by NEC)
- Development of solutions incorporating IT/NW and sensor technologies that only NEC can provide

Growth Strategies

- Rapid acquisition of models for success with a focus on local SI power, our customer base Asia, and Central and South America
- Realization of increased profitability and acceleration of expansion into other regions through development of solution platform model

Collaboration with Interpol in cyber security measures (December 2012)



Safety

Smart energy

- The global scale of the market, centering on batteries, energy/SI, and energy services, is approximately 7 trillion yen (FY15)
(provisional calculations by NEC)
- Provision of solutions to support the energy independence and dispersal and diversification of sources

- Shift of weight to energy services melding components and ICT
- Enhancement of solutions and acceleration of opening up of new customers and channels via alliances

Italy
Next-generation smart grid

Solutions centering on a power storage system under joint development with Italy's ENEL



* Projected figures are as of April 26, 2013

Global Growth Strategies (2) (Telecom Carrier)

Business expansion leveraging our proven record in TOMS and our advancement in SDN

TOMS

Telecom Operations Management Systems

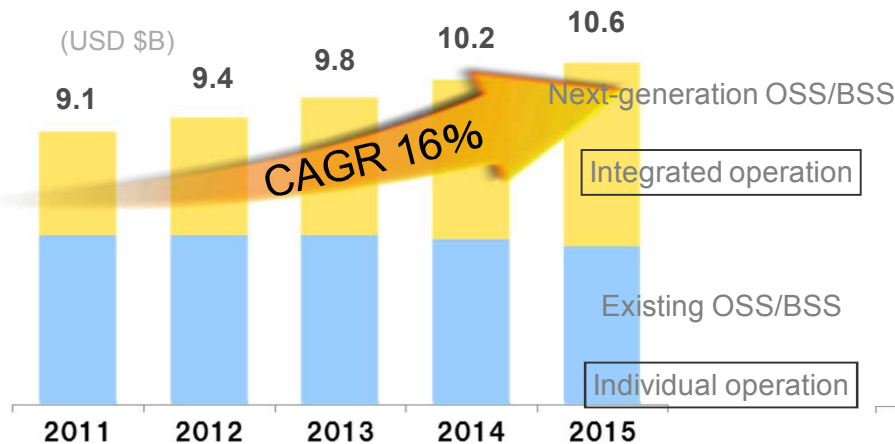
- Marketing of one-platform products looking towards the next-generation OSS/BSS market, in which growth is predicted (Integration with products of former Convergys BSS)
- Expansion of sales to non-carrier customers (power, distribution, etc.)

SDN

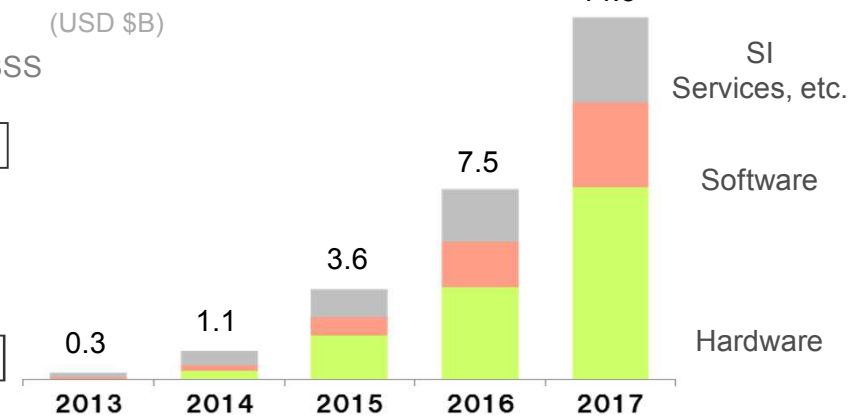
Software-Defined Networking

- Concentration on global advanced carrier market
 - ✓ Joint development of solutions NTT Communications, Telefonica, etc.
 - ✓ Extension of outcomes to emerging countries
- Realization of further spread and shoring up of presence through promotion of standardization

Market scale*1



Market scale*2



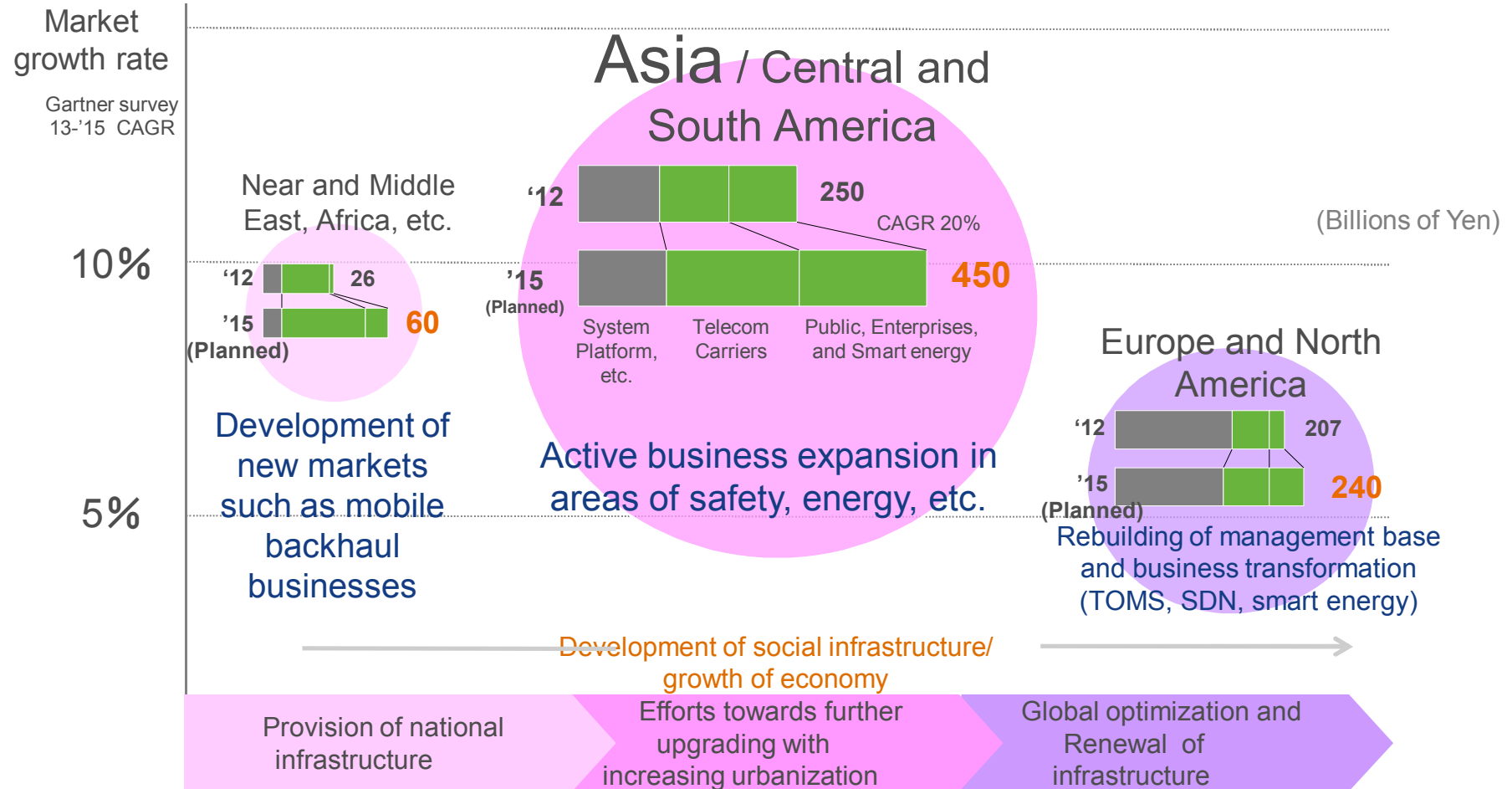
*1 Estimated by NEC based on several telecom carriers' projections

OSS: Operations Support Systems
BSS: Business Support Systems/Billing Support Systems

*2 Infonetics Research

(1) Focusing Efforts on Asia

Maximum focus on Asia, where demand for the upgrading of social infrastructure is strong

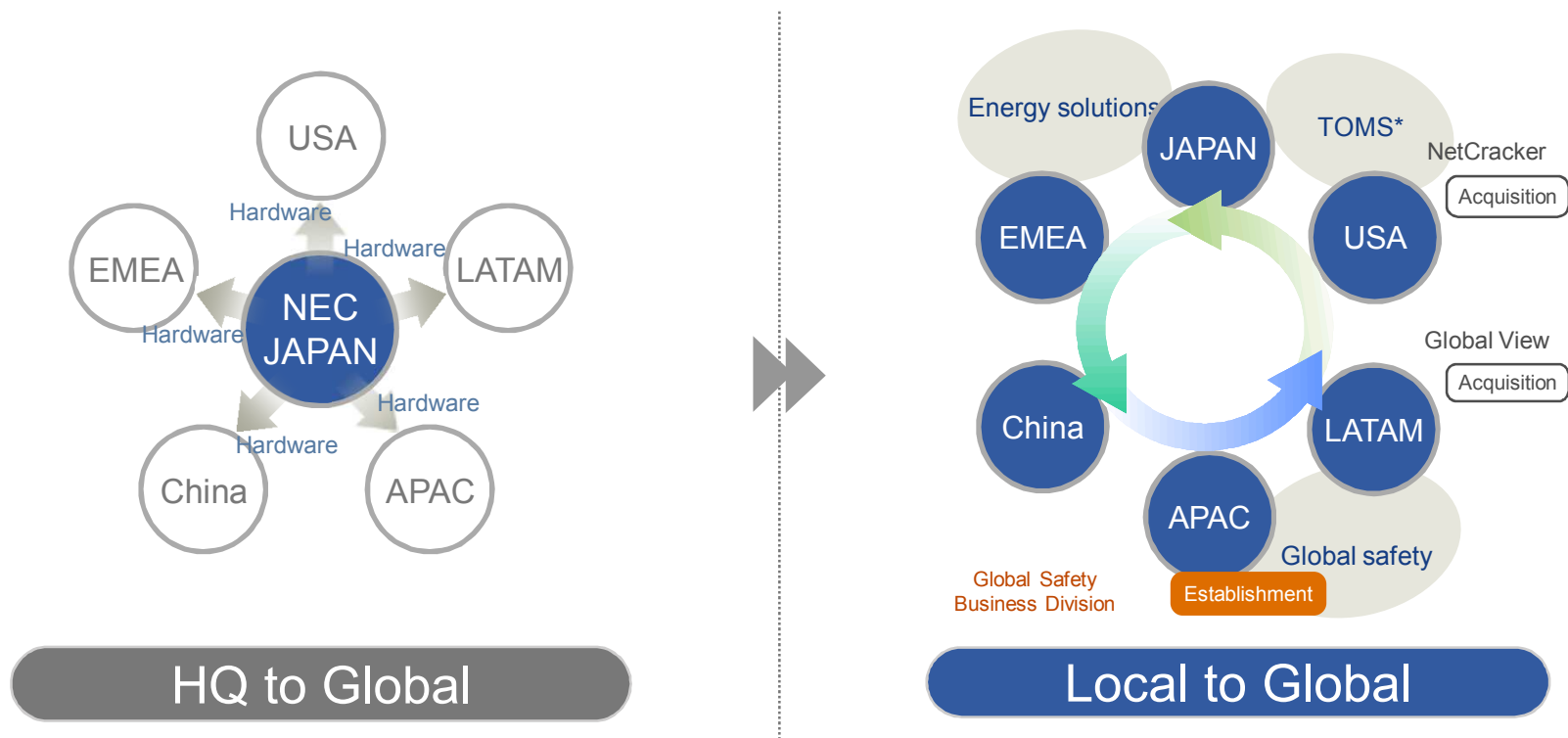


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(2) Promotion of “Locally-led Business” (1)

Evolution of global 5 regional headquarters structure, acceleration of expansion of “locally-led” business

- Enhancement of local marketing/development functions, etc., mutual development of local strengths
- Gathering of knowledge of local personnel, transformation into new businesses
- Strengthening of support system from Japan



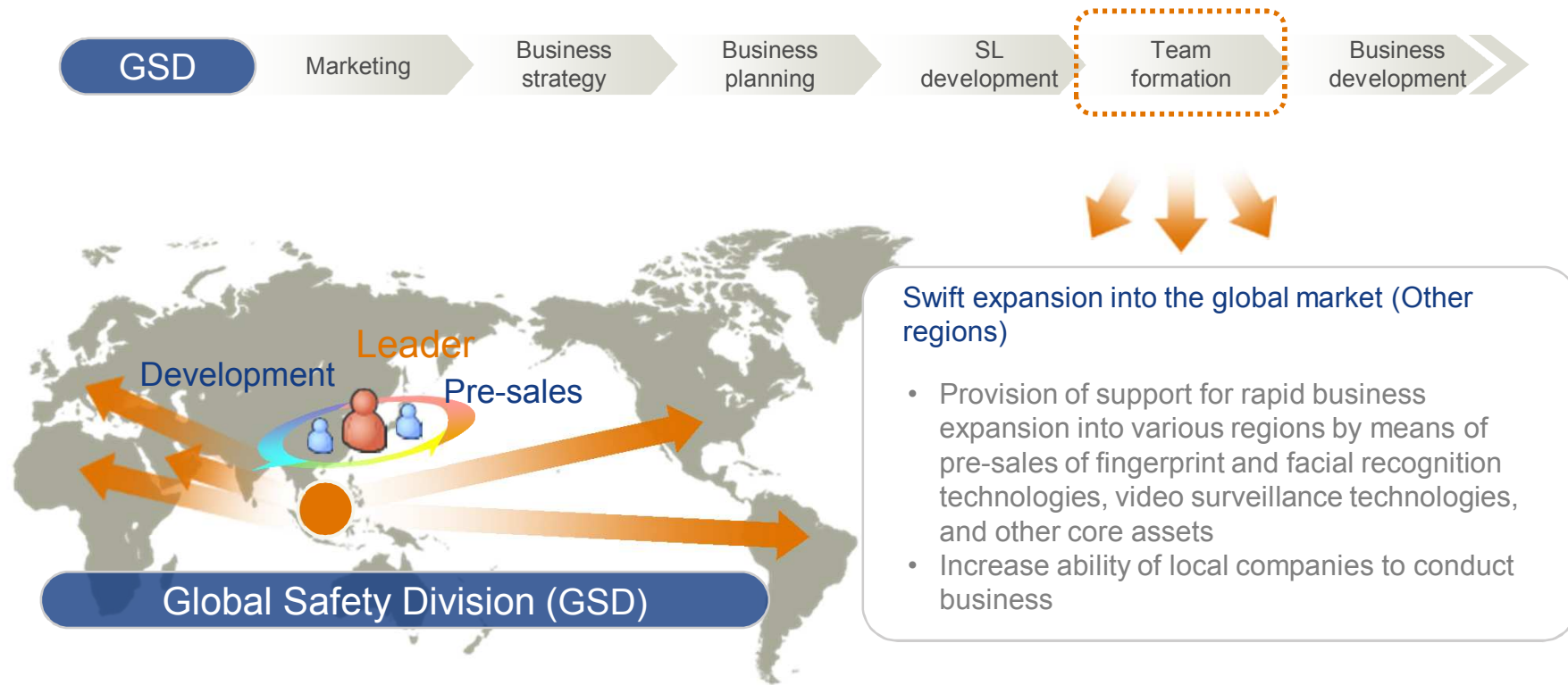
* TOMS: Telecom Operations Management Systems

(2) Promotion of “Locally-led Business” (2)

Increased sensitivity to local needs, greater business speed

[Establish new Global Safety Division (GSD)]

- Establishment of global base for safety business in Asia (Singapore), strengthening of focus
- Will engage in marketing, develop shared solutions, implement projects and programs across departments, and support projects



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(1) Enhancement of Cost Competition

Reduction of 30 billion yen against FY12 (in FY15),
in addition to standard cost reduction measures

Expansion of global SCM system

- Product businesses: Concentrated purchasing, optimized production, realization of greater efficiency in development foundations
- “Locally-led” businesses: Strengthening of local procurement ability through creation of global procurement network

Increased use of offshore resources

- Strengthening of foundations towards expansion in China, use of India, establishment of delivery centers
- Greater use of upstream design processes

Further reduction of Group indirect costs

- Rationalization and realization of increased efficiency for each specific item in shared Group costs (including affiliated companies)
- Promotion of resource shifts and sharing for indirect departments

Realization of further efficiency in terms of loss costs (quality costs)

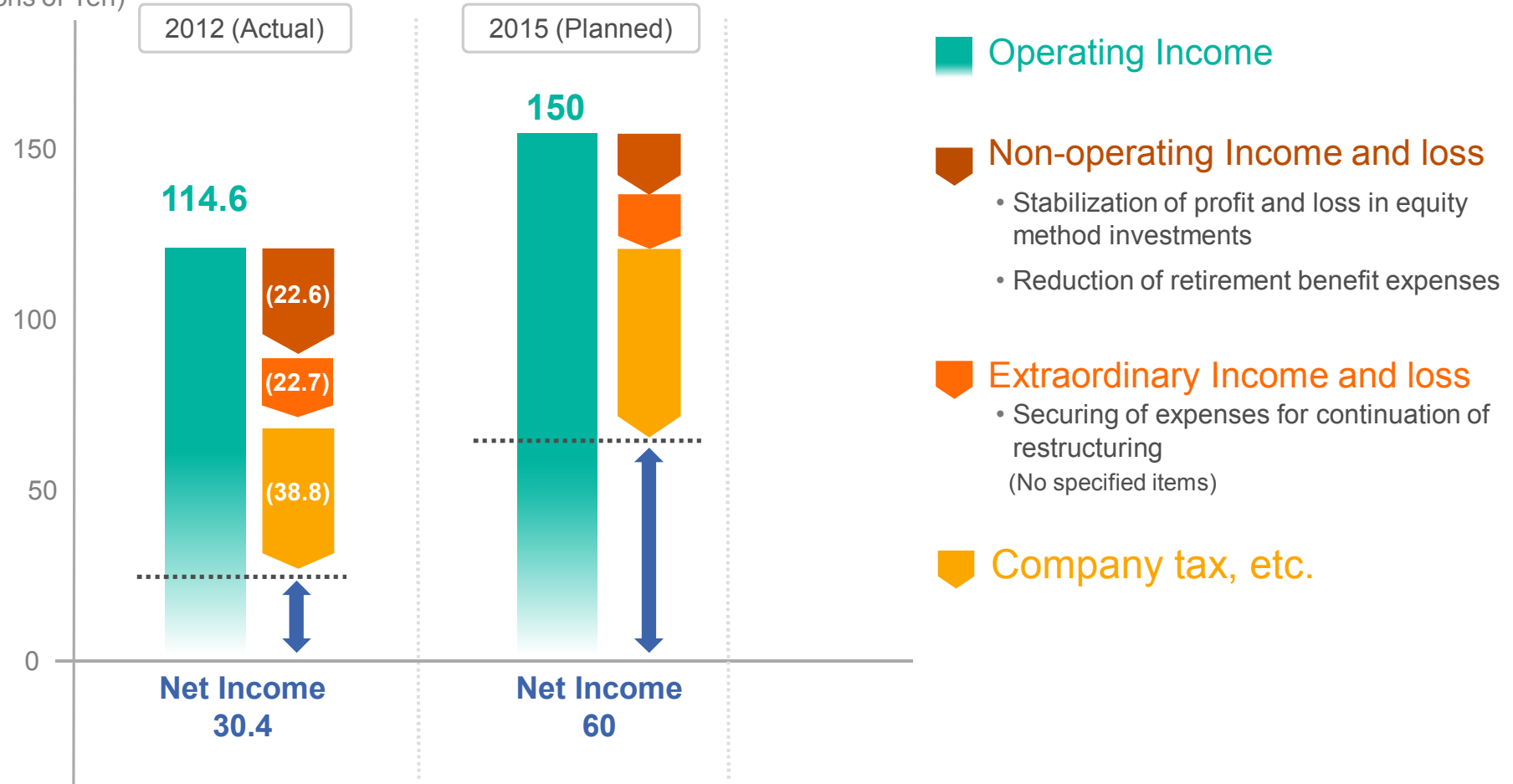
- Enhancement of quality management and project management in SI services
- Enhancement of quality management in overseas production and development

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(2) Earnings Structure (Operating Income to Net Income)

Ensuring current net earnings and continuity of dividends through reduction of non-operating loss and extraordinary loss

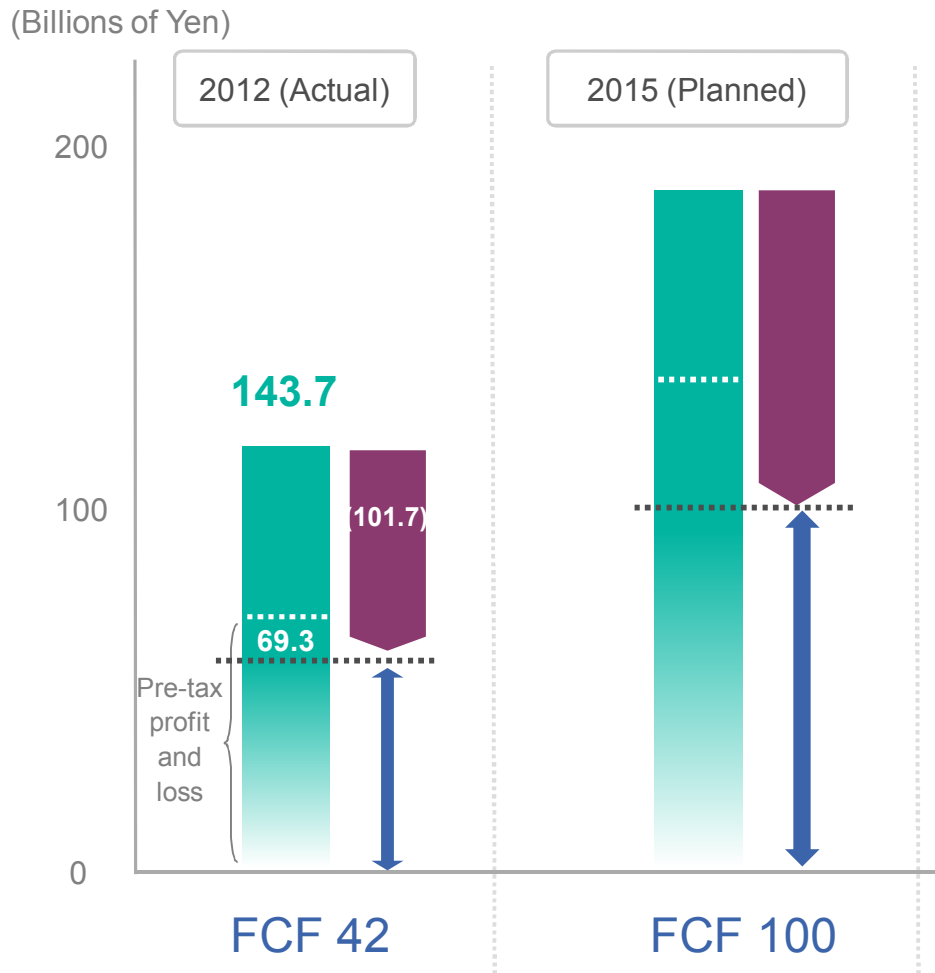
(Billions of Yen)



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(3) Cash Flow

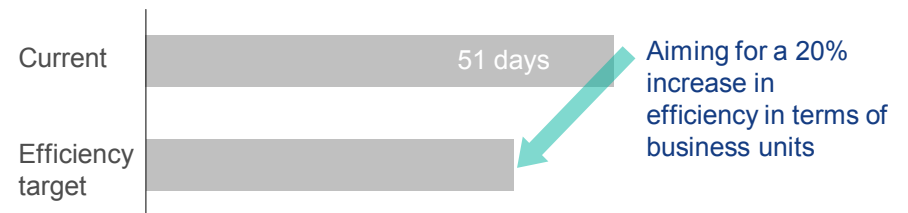
Generate a 100 billion yen free cash flow per year



Operating cash flow

- Realization of a stable cash flow via accumulation of profits
 - Pursuit of capital efficiency through compression of CCC (Cash Conversion Cycle)
- Creation of business models and modification of contract conditions with consideration of the specificities of each business, with a view to shortening and realizing efficiency in total supply chains

CCC days (Accounts receivable – Advances received + Inventory) turnover period – Accounts payable turnover period



Investment cash flow

- Transformation of equipment investment domains by shake-up of portfolio
- Investment in SDN, smart energy, safety, and other growth fields

* Projected figures are as of April 26, 2013

(4) A Solid Financial Foundation

Realization of a stable financial foundation
and advance investment in focus areas

Stabilize financial foundation

- Realization of profits, procurement of business cash flow through implementation of Mid-term Plan
- Investment within free cash flow
- Hybrid financing (Procurement amount: 130 billion yen Capital ratio 50% [R&I])



Realization of surplus for advance investment

- Advance investment in SDN, Smart Energy, Safety and other focus areas
- Realization of financial surplus to enable response to unexpected worsening of business environment

A strengthened financial foundation and advance investment
in focus areas

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→ Establishment of a foundation for growth as a company able to compete globally

- Adoption of focus on emerging and developing countries, in particular in Asia
- Realization of increased sensitivity to local needs, increased business speed.

(3) Stabilize our financial foundation

- • Enhanced cost competitiveness
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NEC Business Domains towards the Realization of the Group Vision

Realization of an affluent and equitable society which makes efficient use of resources and whose members are safe and personally secure



Solutions for society

- Supporting the advancement of social infrastructure and systems throughout the world via ICT
- Create new business models with the understanding that social problems provide an opportunity for growth



Transformation into Social Value Innovator

NEC Group Vision 2017

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



Empowered by Innovation

NEC

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(Note)

NEC employs Japanese Accounting Standards in the formulation of its consolidated financial statements.

With regard to the denomination of fiscal years, fiscal 2010 refers to the year ending March 2011, and fiscal 2011 refers to the year ending March 2012. (the same applies below).