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1. Public Business Overview

2. Medium- and long-term initiatives towards growth

3. Mid-Term Management Plan 2015
1. The NEC Mid-term Management Plan 2015

Focus on Solutions for Society
Transformation into a social value innovator

Solutions for Society

Public
(Government, Community, Financial Institution)

Enterprise

Smart Energy

Innovation of social infrastructure via ICT

Safety  Security  Efficiency  Equality

Sales (Billions of Yen)

FY12 (Actual)
3,071.6

FY15 (Plan)
3,200

Public

Enterprise, Smart Energy

Telecom Carrier

System Platform

Others

22% Solutions for Society
24%

*Forecasts as of April 26, 2013

Long-term growth

Billions of Yen

22%

24%
1-1. Public Business Sales Composition

Government: Central government and related agencies, national universities, etc.
Community: Municipalities, expressway companies, water utilities, media, medical institutions, etc.
Financial Institution: Banking, insurance, securities, etc.

FY2013 (Sales forecast) 745 billion yen

(1) Administrative services
(2) Defense
(3) Public safety
(4) Transportation, water
(5) Media

*Forecasts as of January 30, 2014
*Source: JGSDF homepage
1-2. Public Business Domains

ICT-based Solutions for Society primarily in the infrastructures domain.

- Government
- Community
- Financial Institution
- Air traffic control system
- Runway safety monitoring
- Banking systems
- Bank ATMs
- Seaports
- Critical infrastructure
- Railway networks
- ETC
- Traffic control systems
- Automated fingerprint identification systems
- Post office systems
- Fire prevention digital wireless system
- Firefighting command systems
- Disaster prevention systems
- School/education systems
- Cloud services for municipalities
- Self Defense Forces
- Underwater surveillance
- Seaports
- Critical infrastructure
- Railway networks
- ETC
- Traffic control systems
- Automated fingerprint identification systems
- Post office systems
- Fire prevention digital wireless system
- Firefighting command systems
- Disaster prevention systems
- School/education systems
- Cloud services for municipalities
- Self Defense Forces
- Underwater surveillance

IT technologies (analytical technologies, big data)
- Infrared sensor & camera technologies
- Hybrid finger identification technology
- Vibration sensors
- Crowd monitoring technologies

Network technologies
- Software Radio Network technology
- Radar technology
- Lightwave sensor technology

Sensor technologies
- Facial recognition
- Invariant analysis technology

Empowered by Innovation

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1-3. (1) Administrative Services

Critical administrative support systems for central and local government agencies

- Main systems
  - Social security and tax systems
  - Cyber attack analysis, Cyber response training
  - Solutions for local public governments “GPRIME”
    (resident information, internal management, process support, etc.)

- Strength: Established trust
  - Extensive system integration track record
  - Accumulated experience in providing quality services
  - Accumulation of customer operations knowhow
  - Many years of initiatives in advanced areas

Cloud services for municipalities (Japan)

- Based on NEC data
- (Total no. of contracted local governments as of end of FY2012)

- Contractor for MIC field trials on cyber attack analysis and defense model exercises.

GPRIME public infrastructure management solution development led by Gunma Prefecture

Administrative information systems

Cyber security

Public infrastructure lifecycle management
1-3. (1) Initiatives in market related to national ID number system

Extensive track record in building ID systems
- Resident information systems for local governments
- National ID systems integration outside Japan
- Regional healthcare collaboration using electronic medical record information and ID system
- Integrated consumer credit card services

Operating structure to reinforce offerings geared at maximized use of ID systems
- “National ID Business Promotion Department”
  Promotion of the national ID business for government and municipalities, expansion to healthcare, finance, and private sector, and new business innovation

New business offerings backed by track record
- Promote expansion of national ID utilization to private enterprises and organizations
- Initiatives into new businesses through big data utilization

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 2015</td>
<td>Issuance of personal ID numbers</td>
</tr>
<tr>
<td>Jan 2016</td>
<td>Start of use of ID numbers</td>
</tr>
<tr>
<td>Jan 2017</td>
<td>Launch of information NW/ “My Portal,”</td>
</tr>
<tr>
<td>Jul 2017</td>
<td>Start of information collaboration with local governments</td>
</tr>
</tbody>
</table>

January 2016 ~
For legal administrative purposes
Mandatory use

January 2019 ~
For legal compliance purposes
Personal identification (insurance, etc.)

2020 ~
For commercial purposes
1-3. (2) Defense

Contribution to national security through development of advanced technologies

- **Main systems**
  - Field communication systems
  - Japan Aerospace Defense Ground Environment
  - Underwater warfare systems

- **Strength: Advanced technologies**
  - Software-defined radio technologies
  - Air Control and Warning technologies
  - Underwater acoustic processing technologies

Ministry of Defense supplier

*Volume of sales to Ministry of Defense from 2008 to 2012

No. 4

Proven and trusted brand accumulated in the past 50 years

Voice radio SW
Data radio SW
Integrated communication SW
Next-generation network SW
Software-defined radio system

Delivery of “Field Communication System” to Ground Self-Defense Force

Japan Aerospace Defense Ground Environment

Source: Defense of Japan 2009

Field communication systems
Acoustic processing systems for patrol plane
SONO-Buoy

Acoustic processing systems for patrol plane
Sonars for Helicopter
Sonars for escort vessel

Underwater warfare systems
1-3. (3) Public Safety

The world’s most advanced safety solutions for domestic and international market

- **Main systems**
  - Automated fingerprint identification system (AFIS)
  - Fire prevention digital radio / command systems
  - Earth observation satellites

- **Strength: Advanced technologies**
  - Pattern recognition technologies
  - Software-defined radio technologies
  - High-resolution optical sensor technologies

**U.S. Western Identification Network (WIN):** Use of NEC’s AFIS in multi-state NW collaboration

**World’s No. 1** Biometric technologies
More than 500 systems deployed in more than 40 countries around the world
In the past 30 years.

**Sizeable market share in fire prevention systems (Japan)**
60% No.1

*NEC data (2010 to end of FY2103, based on Sales)

**Chiba prefecture:** Integrated firefighting and emergency digital radio system and firefighting command network system

**Earth observation**
“ASNARO”, compact earth observation satellite, to be launched in 2014
ASNARO : Advanced Satellite with New system Architecture for Observation (METI project)
1-3. (4) Transportation, water

Realization of smooth operations of transportation and water infrastructures

- **Main systems**
  - Air traffic control systems
  - Road traffic control systems
  - Railway communication systems
  - Dam/river remote control systems

- **Strength: technologies**
  - Sensor (radar) technologies
  - Big data processing technologies
  - Wireless network technologies

*Based on NEC data (Total no. of installations as of end of FY2012)

*Based on NEC data (Sales as of end of FY2012)
1-3. (5) Media

Products and systems that realize high quality images with high reliability

- Main systems and equipment
  - Broadcast management systems
  - Transmitters and repeaters for TV, radio broadcasting
  - TV program production, reporting, and transmission systems (Video servers, high-sensitivity cameras, CODEC)

- Strength: Advanced technologies
  - High-efficiency power amplification technologies
  - Ultra-high definition compression technologies (4K/8K)

High quality video with 8x to 16x more data volume than that of full Hi-vision

Broadcast management system (Japan)  40%  No. 1
Digital TV transmitters (Worldwide)  30%

*Based on NEC data (Total no. of supplied companies as of end of FY2012)

Tokyo Skytree®
Delivery of terrestrial digital TV broadcasting transmitters

4K real-time compression
Joint development and commercialization of 4K/60P high definition video HEVC* real-time compression

Studio master systems
Provision of studio master systems for broadcasting stations

*High Efficiency Video Coding

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1-4. Market Outlook in Japan

Growth of target market in Japan

Major trends foreseen by NEC in 2013-15

- Increase in government and municipal investments arising from the adoption of the national ID number system
- Continued special procurement demands for fire prevention digital wireless systems until FY15
- Increase of demand for digitization of local broadcasting stations from FY15 onwards, etc.
- Investment on Tokyo Olympic/Paralympic games infrastructure

(In trillion yen)

Source: Prepared by NEC based on “Gartner, Forecast: Enterprise IT Spending by Vertical Industry Market, Worldwide, 2011-2017, 4Q13 Update” (Total for Banking, Broadcasting and Cable, Health Insurance (payer), Higher Education, Hospital, Insurance (other than health), Local & Regional Government, National & International (excluding Telecom Services segment))

2011 7.9 2012 8.0 2013 8.2 2014 8.4 2015 8.5

2013-15 CAGR+1.6%
1-5. Public Business Future Outlook

<table>
<thead>
<tr>
<th></th>
<th>FY11 2012/3 (Actual)</th>
<th>FY12 2013/3 (Actual)</th>
<th>FY13 2014/3 (Forecast)</th>
<th>FY15 2016/3 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Financial Institution</td>
<td>433 490 570</td>
<td>680.7</td>
<td>745.0</td>
<td>780.0</td>
</tr>
<tr>
<td>Non-Japan Financial Institution</td>
<td>649.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profits</td>
<td>6.7%</td>
<td>7.2%</td>
<td>7.7%</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Forecasts as of January 30, 2014*
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2. Issues facing the world

World population: 7 billion $\rightarrow$ 9 billion (1.3 X)  
Ratio of urban dwellers: 50% $\rightarrow$ 70%

Scale of world economy $\times 4$  
Energy demand $\times 1.8$  
Greenhouse gases $\times 1.5$  
Demand for food $\times 1.7$  
Demand for water $\times 1.6$

(Present to 2050)  
(* Source: UN, FAO, OECD, PWC, IMF)

With expectations of economic growth based on projected population increases…

New Solutions for Society will be required to make it possible to lead safe and secure lives and make efficient use of resources.
2-1. Surging social infrastructure investments

- Investments to the tune of several hundreds of trillions of yen a year primarily in emerging countries
  - Developed countries: Expansion in investments on diagnosis of deterioration and preventive maintenance
  - Emerging countries: High social infrastructure demands due to urbanization

### Changes in scale of social infrastructure market (Trillions of yen)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2020</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>43</td>
<td>59</td>
<td>+37%</td>
</tr>
<tr>
<td>Water</td>
<td>36</td>
<td>72</td>
<td>+100%</td>
</tr>
<tr>
<td>Communications</td>
<td>300</td>
<td>600</td>
<td>+100%</td>
</tr>
<tr>
<td>Urban development and industrial parks</td>
<td>230</td>
<td>360</td>
<td>+57%</td>
</tr>
</tbody>
</table>

Source: Transportation: NEC estimates from JETRO, OECD data
Water, communications, urban development/industrial parks: Prepared by BayCurrent Consulting from METI and other data sources.
2-2. Focus on the following social infrastructure domains in public business:

<table>
<thead>
<tr>
<th>Domain</th>
<th>Technologies/Features</th>
</tr>
</thead>
</table>
| (1) Transportation           | • Airports  
• Roads  
• Railways  
• Quasi-Zenith Satellite System |
| (2) Water                     | • Water and sewage  
• Water management |
| (3) Communications            | • Disaster-tolerant wireless network  
• Disaster prevention |
| (4) Urban development/industrial parks | Monitoring of system failure signs |
| (5) Cyber security            |                                                            |
2-2.(1) Airports: Air traffic control radar

**Commercialization of price competitive air traffic control radars**

**Air traffic control radar**

- **Life cycle cost reduction through energy-saving-type radars**
  - Reduce transmission power by positioning transmitters/receivers directly under antennas.
  - Shift to server- and IP-based operations and utilize energy-saving type products.

**(ASR: Airport Surveillance Radar)**


**Orders in ASEAN countries**

- Orders in Taiwan, Philippines, and Nepal
- Expansion of business in ASEAN, including for air traffic control equipment

Landing support equipment (ILS*)

(*ILS: Instrument Landing System)
2-2. (1) Total Airport Solution

Total airport solutions that are better optimized by ICT

NEC’s extensive assets related to airports

Air traffic control
Bird detection radar
Satellite navigation enhancement system
Landing support equipment

Flight information system

NEC’s strength
Competitive air traffic control radars

Optimize flow of people, things, and aircraft (High quality proposal)

Customer needs for enhanced efficiency and security

International track record
Stadium ICT in Brazil

NEC’s strength

Facial recognition security gate
2-2. (1) Major global expansion efforts in roads and railways domain

Rollout of deployment experience in transportation systems to ASEAN countries

[Roads]
- Road traffic control systems
- ETC system, etc.

[Railways]
- Railways wireless network
- Monitoring network for stations and coaches, etc.
Expanding the scope of value and contribution by leveraging external assets and structures

- Providing total management services ranging from development to long-term operation, including financing as the representative of special purpose company
- Contributing to the boosting of Japan’s presence with the aim of keeping the land, sea, and air of the Asia Pacific region safe and secure

Initiatives for boosting NEC’s competitiveness

- Project financing
- Partnering
- Operational management services utilizing PFI
  - Establishment of SPC
  - Entrusted with BOO-based development and operation
- Core ICT assets: Satellite systems

Focusing on fundamental issues for society and our customers

Value for Japan

- Improvement of the accuracy of car and human navigation systems, efficient operation of vessels and/or aircraft
- Improved cost efficiency through long-term outsourcing of work to the private sector (Operational management & management of ground equipment)
- Improvement of Japan’s presence through contributions to the Asia Pacific region

PFI: Private Finance Initiative, SPC: Special Purpose Company, BOO: Build-Own-Operate
2-2. (2) Total Management of Water Resources

Remote surveillance of entire system from dams to sluice gates, water leak detection using sensors, and other solutions.

Construction and operation of remote surveillance systems

Early detection of water leaks through sensors and M2M

※M2M: Machine to Machine
### 2-2. (2) Total Management of Water Resources

Collaboration with partners, and creation of new water management values through the use of ICT.

#### Partnerships
- **Joint research with Imperial College London on smart water management**
  - Sensing and modeling technologies
  - Superior leak detection using vibration analysis technology
- **Collaboration with GUTERMANN, a Swiss company specializing in water leak detection**

#### Efficient operations
- **Joint water management field trials with British water companies and Imperial College**
  - British water companies
    - Pipe deterioration levels, water pressure, and other water pipe network data
- **Sewage pipe inspection robot**
  - Field tests using actual sewage pipes
    - (Japan Sewage Works Agency, Funabashi City)
- **Water leak detection field trials**
  - Ongoing “third-sector” field trials using water pipe network of local governments.
2-2. (3) Disaster-tolerant Wireless Network Infrastructure

Realization of highly reliable networks that enable connectivity anytime, anywhere.

**Autonomous network construction**
Automatically construct networks between devices even without base stations

**Software-defined radio technology**

**Destruction of communication infrastructures**

**Communication between multiple transmission systems**
Switch using software and enable communication between networks that use different transmission systems (defense, fire department, municipalities, etc.)

**Ad hoc network technology**
Provide advanced response to disasters through voice communications, positional information, and transmission of pictures and other information from disaster areas

**Full IP Network QoS technology**
Adoption in important networks
Guarantee exactness of delay time and ensure transmission capacity through technologies for choosing the best transmission routes and for prioritized processing.
2-2. (3) Disaster prevention systems using disaster-resistant social infrastructures

Contribution to disaster prevention and mitigation measures in ASEAN and emerging countries

- NEC’s extensive assets related to disaster prevention
  - Software-defined radio technologies
  - Satellites
  - Earthquake Early Warning

NEC’s strength

Overseas track record

- Promotion of locally led development and SI in response to local needs
- Deployment of experience in wide-area response
- Development of solutions from advanced technologies through case studies and field trials
- Taiwan: Disaster and emergency information cloud system
- Philippines: Wide-area disaster prevention system
- Development of car-to-car communications system “LinkBird-MX”, based on ETSI

ETSI: European Telecommunications Standards Institute
2-2. (4) Monitoring of failure signs of city infrastructures

Utilization of invariant analysis technology and confirmation of effectiveness of “Large-scale plant failure sign monitoring system” at Shimane Nuclear Power Station.

- 3500 sensors installed per plant
- 100 data items per sensor per second
- Improve accuracy of failure sign monitoring through close collaboration between customer’s power plant operation experts and NEC’s analysts.

Real-time

Advanced analysis

On-site knowhow

- Discover “unusual events” from 3500 x 3499 sensor correlations.
2-2. (4) Application domains of failure-sign monitoring in city infrastructures

Detection of failure and anomalies in social infrastructures that have high economic and social impact

Bridges, tunnels
Energy-related facilities
Airplanes, Railways, Vessels, etc.
Manufacturing plants (Assembly, chemical, etc.)
Datacenter, Telecom networks

Sensor data
Analysis technologies

Contribute to building of safe and secure society
2-2. (5) Increasing incidence and sophistication of cyber attacks

Cyber attacks to Japan increased to approximately 1.6 times in the last year. Attacks have become globalized, specialized, and sophisticated, calling for responses that go beyond organizational boundaries.

Cyber attacks (Japan)

<table>
<thead>
<tr>
<th>Year</th>
<th>Attack Incidence (in Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0.3</td>
</tr>
<tr>
<td>2010</td>
<td>5.7</td>
</tr>
<tr>
<td>2011</td>
<td>4.5</td>
</tr>
<tr>
<td>2012</td>
<td>7.8</td>
</tr>
<tr>
<td>2013</td>
<td>12.8</td>
</tr>
</tbody>
</table>


Cyber attack trends

- **Sophisticated attack technologies**
  - Evolution into highly technical attacks by professional organizations that include overseas attackers

- **Rapid speed in evolution of attack methods**
  - Defense models are immediately researched through international networks aimed at developing constantly updated attack methods

- **Expansion of targets and damage of cyber attacks**
  - Even well-known companies, government agencies, and educational institutions have become targets.

Issue

- Lack of support personnel
- Lack of information needed for countermeasures
- Delay in development of countermeasure technologies
- Difficulty to resolve as a single organization
2-2. (5) Cyber Security

Support to cyber attack countermeasures of government agencies and enterprises with technologies nurtured in the national security domain, such as technologies for surveillance and control and for constructing highly secure networks.

Reinforcement of organizational structure
- Establishment of Division in Singapore, launch of Safer Cities strategy
- Establishment of Cyber Security Strategy Office
- Acquisition of Cyber Defense Institute
- Acquisition of joint management rights of Infosec, etc.

Establishment of “Cyber Security Factory” in End of May, 2014 (plan)

Highly trained and knowledgeable experts
Information sharing beyond organizational boundaries
State-of-the-art cyber attack countermeasures
Countermeasures across all organizations (Training)
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Aim for global growth under a stable domestic business infrastructure

Enhance domestic profitability

Invest

Realize growth of global business

Reinforcement of technological strength to be at par with global leaders
3-1. Public Business Direction

Until 2012
- Business management centered on domestic market
  - Global business mainly through export of products
  - Provision of products and services in accordance with customer specifications

2013-2015
- Reinforce collaborations with Global Safety Division (GSD, 2013)
  - Establishment of Global Safety Division
  - Expansion of locally led SI business
  - Promotion of development and sales of products and services of global standard specifications

2016 onwards
- Global establishment of NEC brand
  - Handling of customers’ ICT operations and create added values through big data and other technologies.
  - Adoption as de facto standard model for global expansion.

FY2015: 780 billion yen sales, 8% operating profit ratio

Operating profit ratio

Sales (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Operating profit</th>
</tr>
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<tbody>
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