

REVIEW OF OPERATIONS

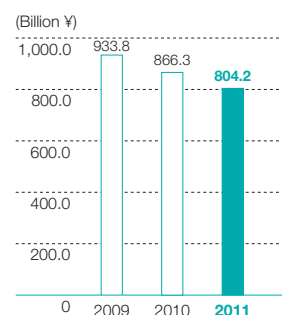
IT SERVICES BUSINESS



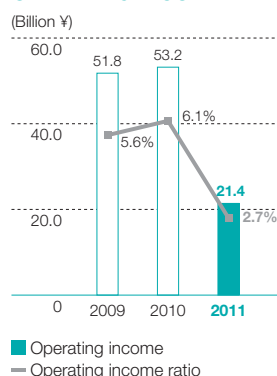
NEC supplies government agencies and private-sector companies with a range of IT services covering system implementation, maintenance and support, and outsourcing, as well as cloud services. Using its extensive experience in building highly reliable systems backed by state-of-the-art IT and network technologies, NEC aims to realize an information society friendly to humans and the earth.

Takaaki Shimizu
Senior Vice President

SALES



OPERATING INCOME, OPERATING INCOME RATIO



medical record service for small hospitals, and a comprehensive cloud service for hotels, which includes a hotel guest reservation system, digital signage system, and an IP telephony system. Another example was a library administration and operations system for universities.

In the public safety business, NEC delivered an automated fingerprint identification system for use in visa information systems to the Greek Ministry of Foreign Affairs. NEC also delivered core information systems and digital signage systems to the new International Terminal Building at Tokyo International Airport (Haneda). In these and other ways, NEC made progress in new business domains where future growth is expected.

FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales declined 7.2% year on year to ¥804.2 billion, despite steady growth in the “Cloud Service” business and outsourcing services. This decrease was mainly due to a delayed recovery in domestic IT investment and fewer large projects than in the previous year.

Operating income decreased ¥31.8 billion year on year to ¥21.4 billion. This decrease mainly reflected the drop in sales, worsening profitability from stiffer price competition, and larger loss from loss-making projects.

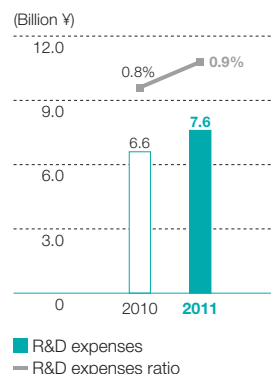
In fiscal 2011, NEC worked to expand its key Cloud Service business. As a result, NEC began providing a cloud service platform to Sumitomo Mitsui Banking Corporation, in addition to offering a core operating system as a cloud service to 7 cities and towns in Nara Prefecture and 10 cities, towns, and villages in Yamanashi Prefecture.

Furthermore, NEC strove to upgrade and expand its Software as a Service (SaaS) menu for specific business sectors, drawing on its experience in systems implementation for various customers. Examples included an electronic

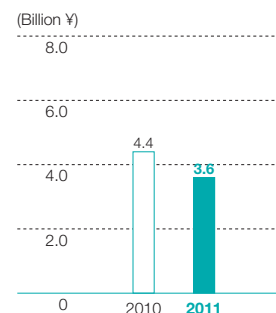
FOR FURTHER GROWTH

The medium-term market outlook indicates further advancement in cloud computing and expanding demand for IT in emerging countries. Based on this outlook, NEC is focused on expanding its “Cloud Service” business and global business.

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



In the “Cloud Service” business, NEC is creating new businesses that utilize cloud computing as its customers’ partner in innovation.

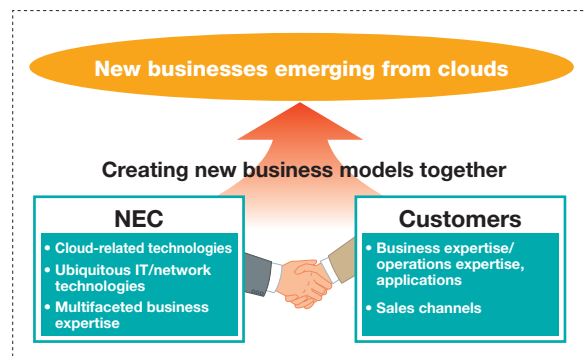
These efforts have already seen NEC provide an asset management system to Sumitomo Life Insurance Company as a cloud service, in partnership with Sumitomo Life Information Systems Co., Ltd. Efforts are also under way to provide the same service to various financial institutions. These efforts will be expanded going forward. Together with customers, NEC plans to create cloud systems for specific industries, as well as clouds that link different business sectors, by leveraging its signature strengths in ubiquitous technology, integrated IT/network technologies and other areas.

In the core systems area, NEC has transformed the large-scale core IT systems underpinning the entire NEC Group into cloud-based systems. NEC is now applying this experience horizontally, with the view to help customers reduce their own IT-related operating costs. NEC is already producing results in this area. It has transformed the core operating system for the construction industry into a cloud service together with four construction companies (Tokyu Construction Co., Ltd., Takenaka Civil Engineering & Construction Co., Ltd., JDC Corporation and Tsuchiya Corporation). NEC now intends to accelerate these initiatives with the aim of driving future business expansion.

In the global business, NEC is working to create locally born solutions closely linked to the needs of each region around the world.

In collaboration with SomaLogic, Inc. of the U.S., NEC is harnessing its bioinformatics technology to develop a next-generation blood testing service for pharmaceutical companies and research institutes. In the future, NEC is

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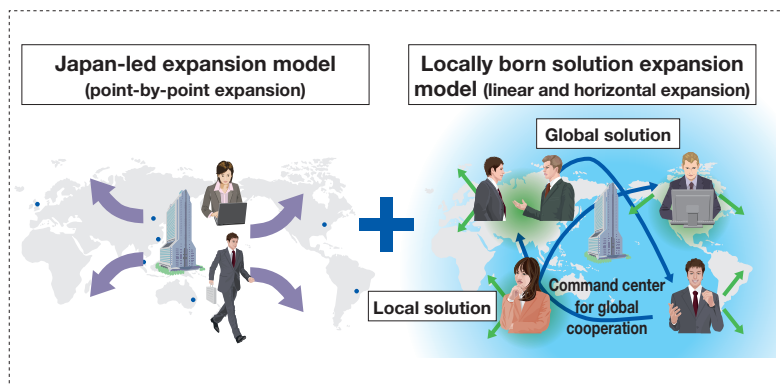


NEC digital signage systems at the International Terminal Building of the Tokyo International Airport (Haneda)



NEC Cloud Plaza

Promote localization of businesses and solutions, in addition to Japan-led initiatives



looking to expand this initiative into the personal healthcare services market.

Furthermore, NEC possesses world-class fingerprint identification, facial recognition and other biometrics technologies in the public safety business. Based on these technologies, NEC aims to expand business into the social infrastructure area mainly by providing national ID systems and immigration control systems primarily to emerging countries.

In other areas, NEC is seeing the first signs of growth from new businesses that will drive future global expansion. Examples include an RFID solution project in greater China, and a payment service for financial institutions in the Asia-Pacific region. Looking ahead, NEC will utilize its cloud-oriented data centers in five global regions to convert such locally born solutions into global services.

NEC will continue working to drive business expansion in these key areas, while continuously promoting SI innovation activities in order to enhance profitability in the SI business.