

Mid-Term Growth Plan V2012

- Beyond boundaries, Toward our Vision -

February 25, 2010

NEC Corporation

(<http://www.nec.co.jp/ir/ja>)

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

How we view the ICT market and its trends

A global footprint is the prerequisite to capturing emerging market opportunities

Accelerated demand shifting toward services

New business created in the ICT area

ICT Market Perspective

- Stagnation of the Japanese economy and increasing global competition
- Increasing opportunities and price competition in emerging markets
- Demand shift toward cloud and services

Global Competition

- Shift to services and integration of IT & Networks driven by vertical integration
- Augmented threats from emerging countries such as India, China and others
- Increasing investment into infrastructure business for society, such as energy, water supply and others.

Mid-term Growth Plan Objective

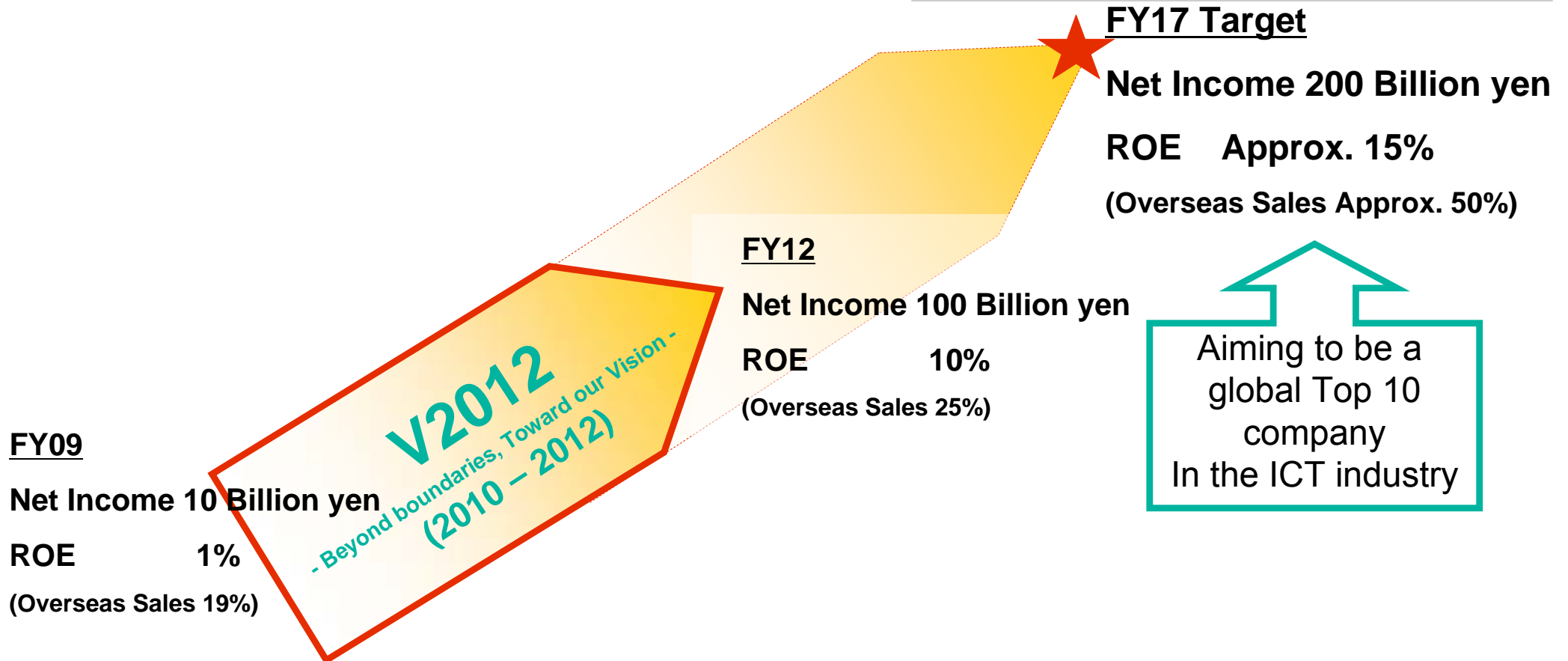
Aim to achieve the NEC Group Vision 2017 through customer-driven solutions leveraging our competitive strength in the integration of “IT” & “Networks”

- Expand businesses by harnessing the cloud/service wave
 - Differentiation by IT and Network solutions
 - Expand global footprint
 - Challenge for new business as “One NEC”
- Take measures to improve profitability

Overview of NEC Group Vision 2017 and V2012

“V2012” is a milestone for achieving the NEC Group Vision 2017

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



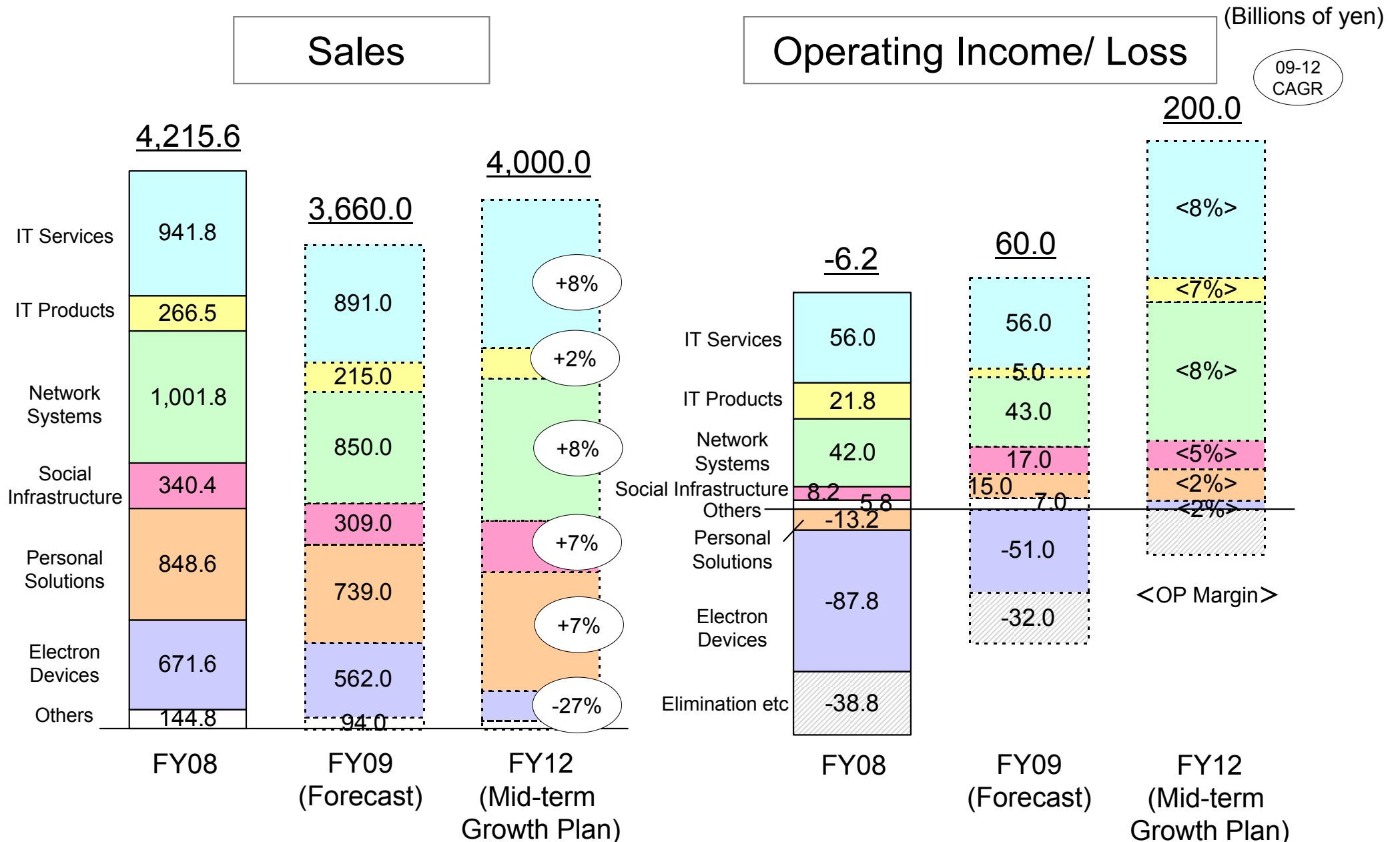
* Forecast as of Feb. 25, 2010

Financial summary of the Mid-term Growth Plan

(Billions of yen)	FY08	FY09	FY12	< 09-12 > CAGR
	Actual	Forecast	Mid-term Growth Plan	
Net Sales	4,215.6	3,660.0	4,000.0	3%
Overseas sales TO consolidated total(%)	934.5 22%	710.0 19%	1,000.0 25%	12%
Sales(Japan)	3,281.1	2,950.0	3,000.0	1%
Operating Income/Loss	-6.2	60.0	200.0	
to Sales(%)	- 0.1%	1.6%	5.0%	
Net Income/Loss	-296.6	10.0	100.0	
ROE	-	1%	10%	
Net D/E ratio	0.9	0.6	0.5	

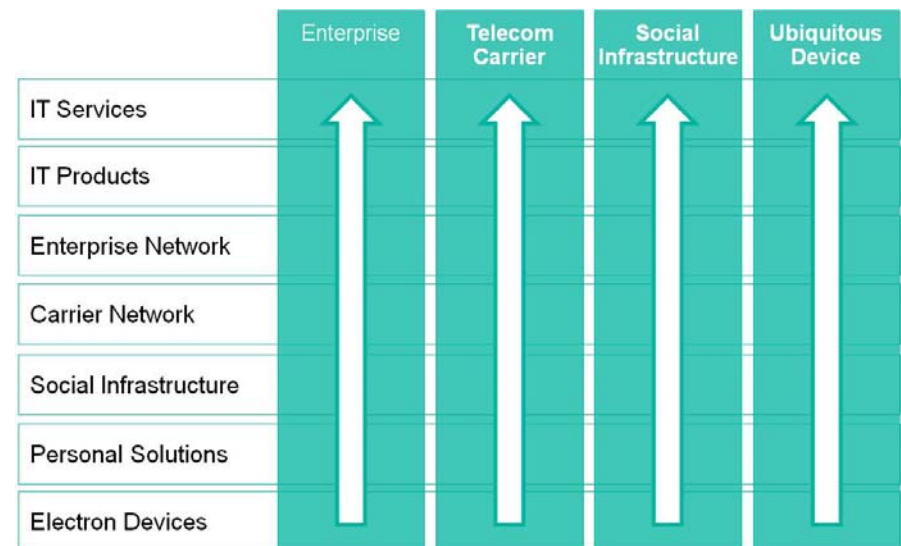
* Forecast as of Feb 25, 2010

Sales and Operating Income targets by segment



* Forecast as of Feb. 25, 2010

1. Expand business through customer-driven IT & Network solutions

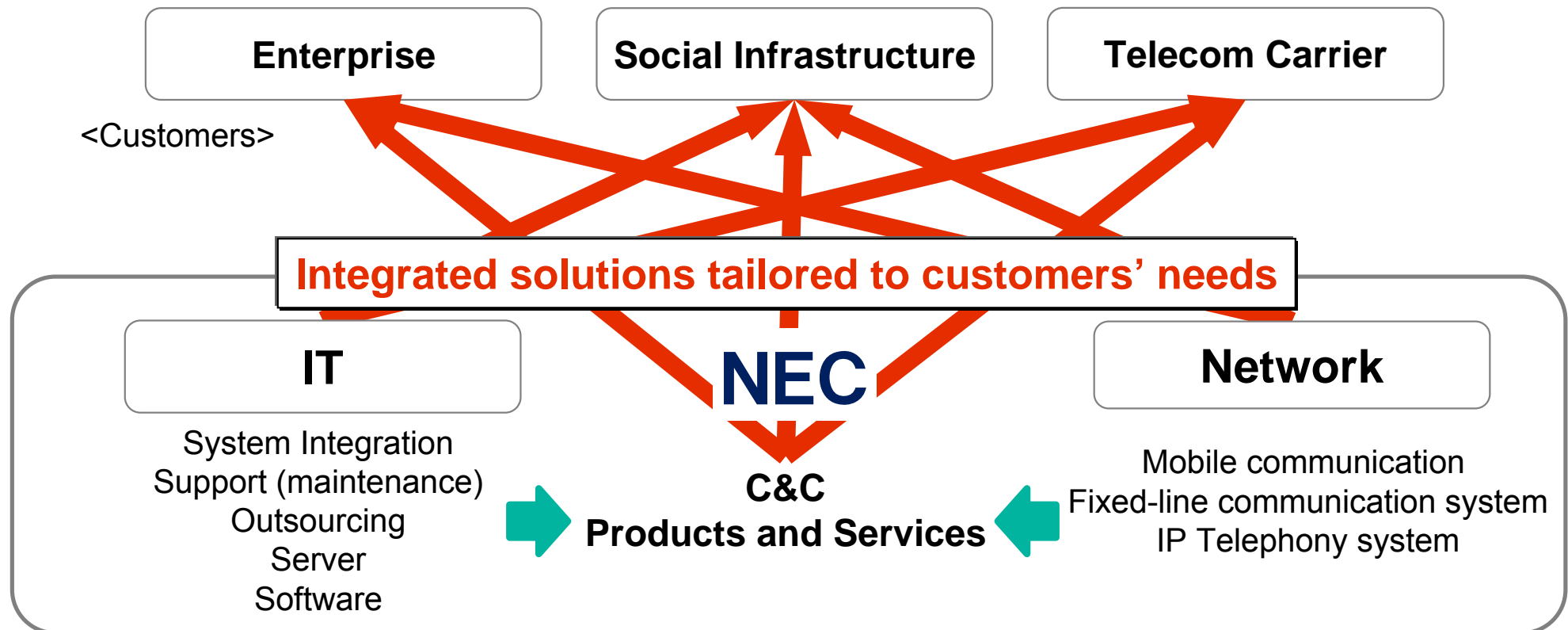


Differentiation against competitors through customer-driven approach

Increase sales opportunities by optimizing business resources

→ Through collaboration beyond boundaries, beyond Business Units

- Provide best-fit products/solutions to respective business unit customers
- Cross utilization of the know-how in the IT service business and the global footprint in the Network business
- Differentiation by technological integration of IT platforms and Network infrastructure

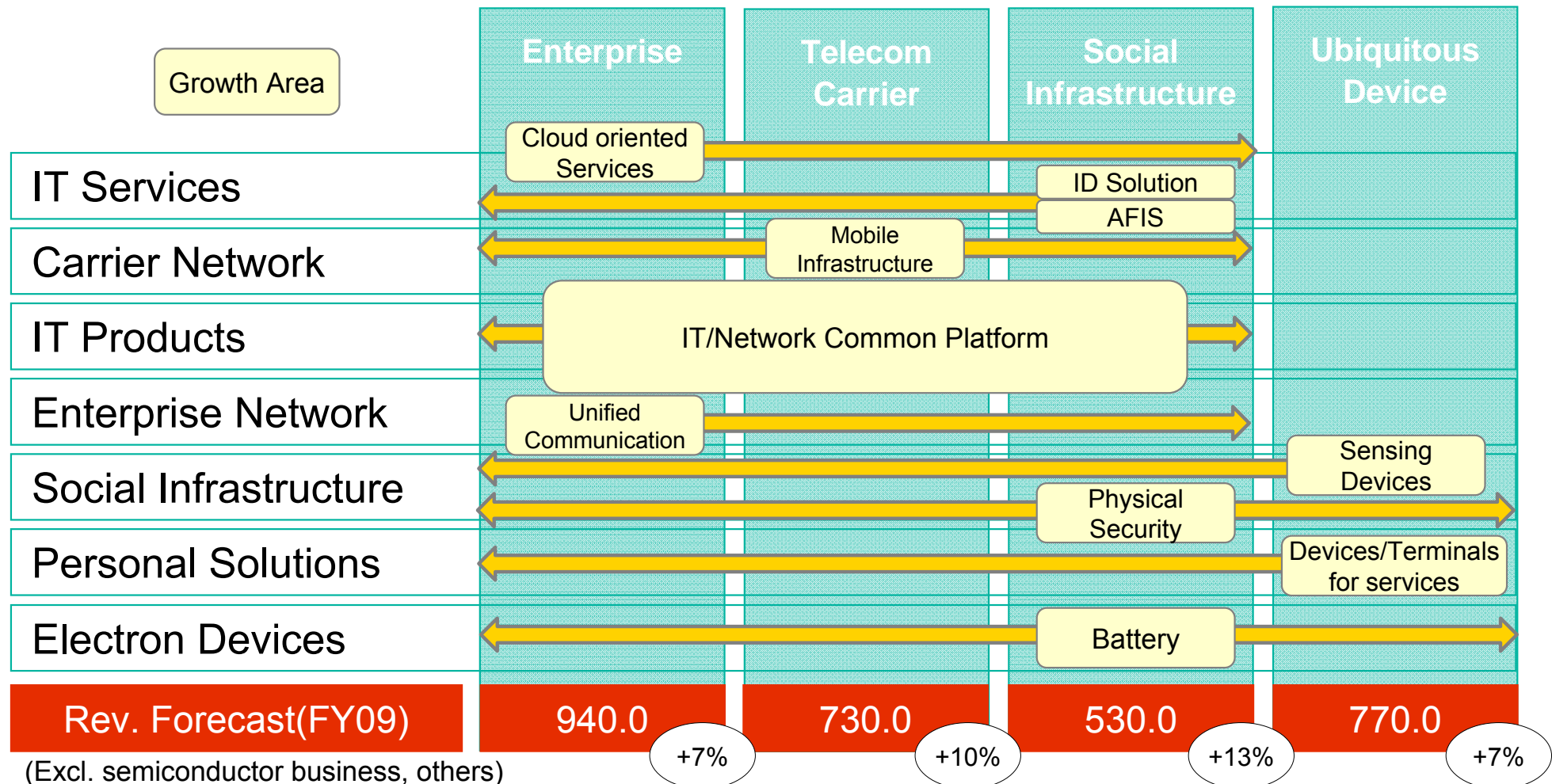


Revenue targets by Customers (Segment)

(Billions of yen)

09-12
CAGR

Bring together all company C&C assets/resources to achieve growth in our competitive fields

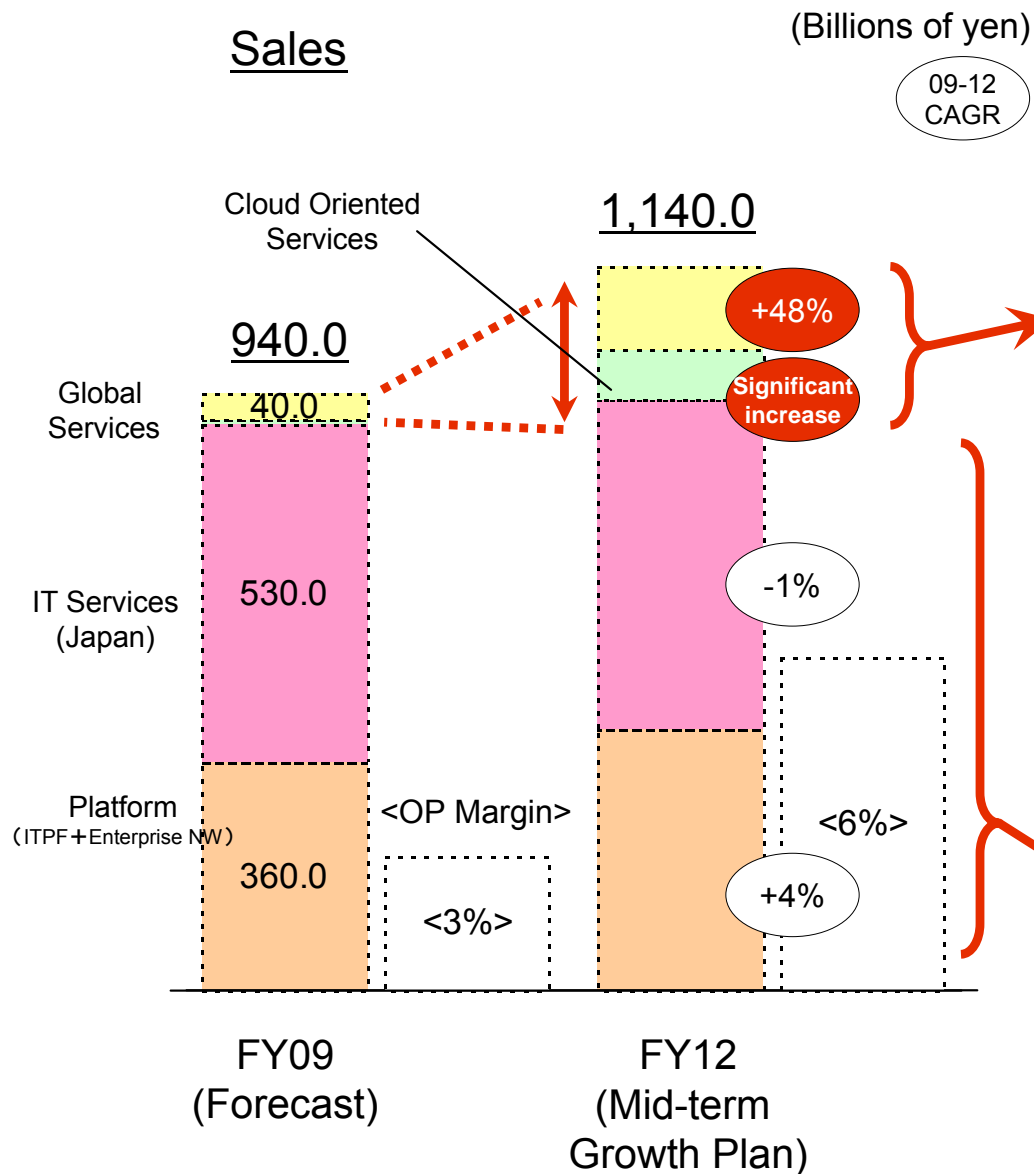


(Excl. semiconductor business, others)

AFIS: Automated Fingerprint Identification System, LTE: Long Term Evolution (3.9G)

* Forecast as of Feb. 25, 2010

1. Enterprise Business



Growth Direction

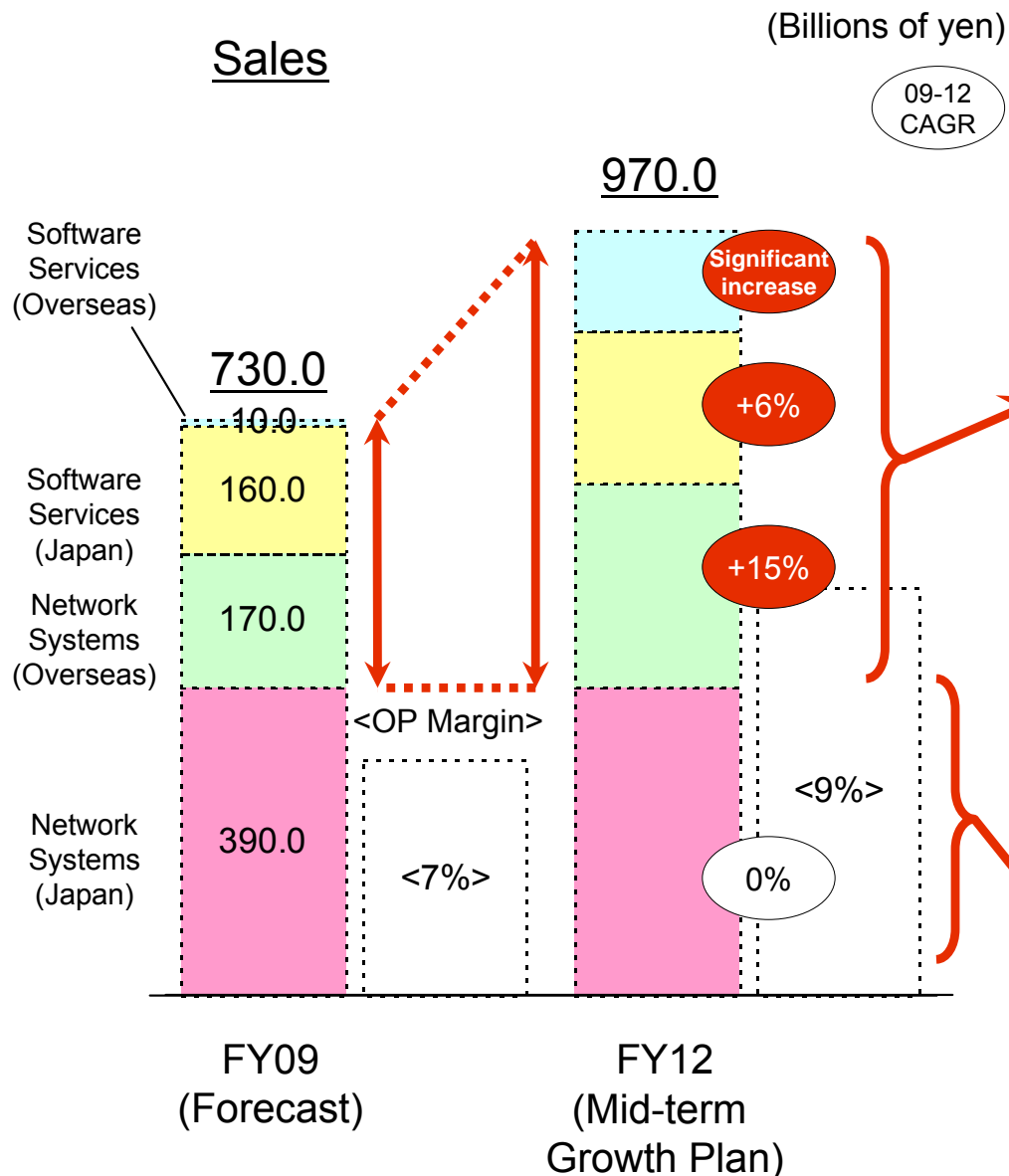
- Expand cloud services and establish solid business model

Growth Strategy

- Take a lead in providing cloud services to domestic clients
- Create new business and penetrate into overseas market through an alliance with leading customers
- Leverage global enterprise network customer base (c.f. NEC Philips will become a fully-owned subsidiary)
- Secure stable revenues through continuous innovation in SI business
- Increase revenues through IT/Network common platform

* Forecast as of Feb. 25, 2010

2. Telecom Carrier Business



Growth Direction

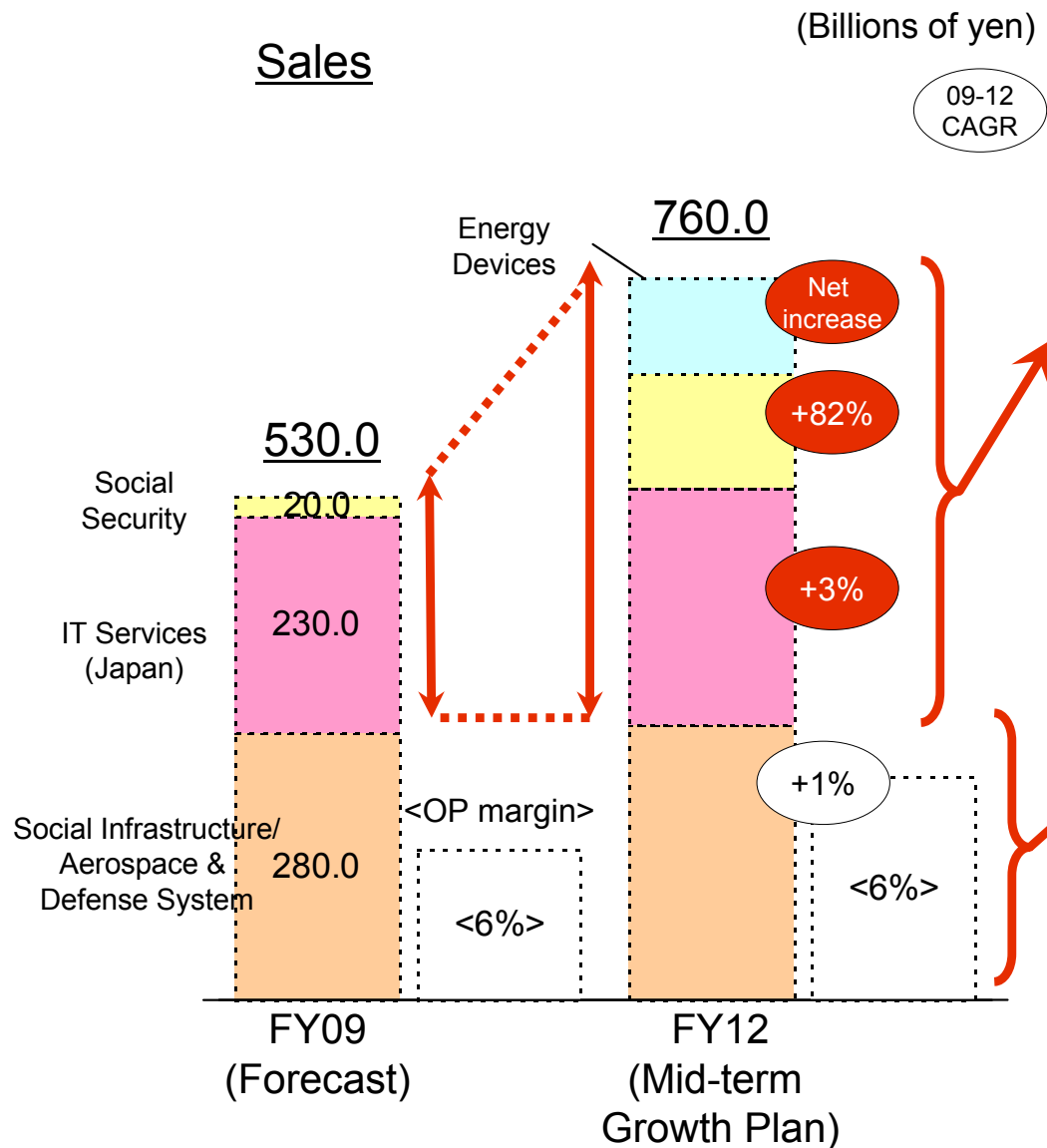
- Shift toward software/service business, one of the main investment areas by the carriers

Growth Strategy

- Reach for global customers by utilizing our capability of NetCracker and IT solutions
- Utilize the successful track record of our integrated IT/Network solution for Telefonica
- Expand next generation network infrastructure business such as LTE, Femtocell, etc.
- Keep stable revenue of domestic network system business
- Continuously improve R&D efficiency

* Forecast as of Feb. 25, 2010

3. Social Infrastructure Business



Growth Direction

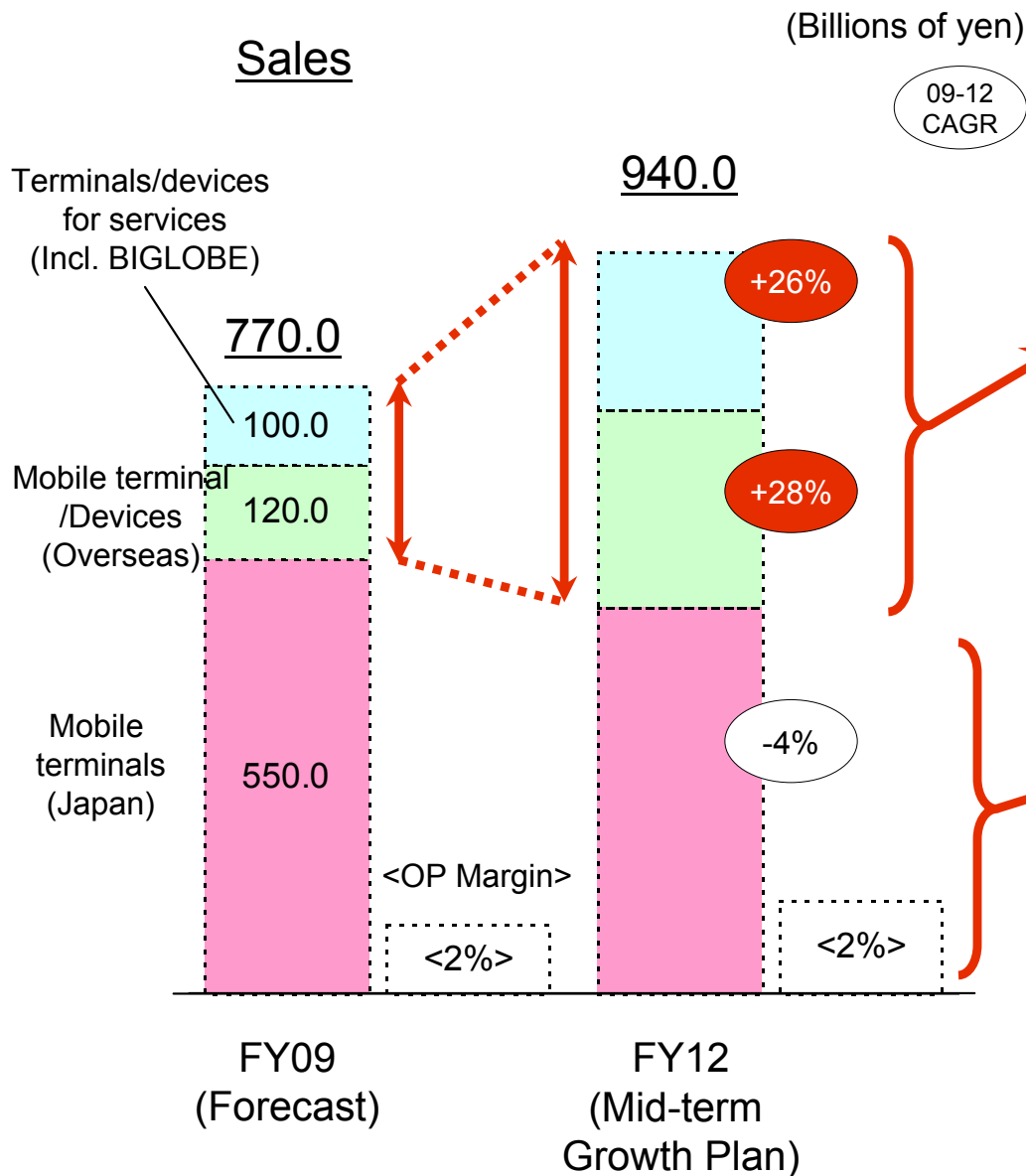
- Expand global footprint by leveraging our differentiated solutions

Growth Strategy

- Capture investment opportunities in the security business for society in Asia and emerging countries
- Expand energy/Smart Grid business through the battery business
- Increase sales and secure stable earnings in the Social Infrastructure/Aerospace & Defense business

* Forecast as of Feb. 25, 2010

4. Ubiquitous Device Business



Growth Direction

- Focus resources on service devices connected to the “cloud”

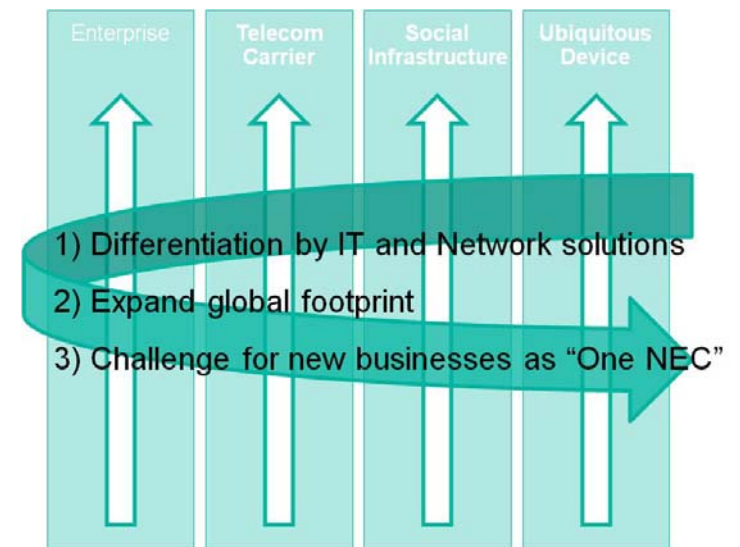
Growth Strategy

- Expand global footprint through the integration with Casio Hitachi Mobile Communications
- Launch service device business with business partners
- Strengthen our business base by maintaining domestic PC and mobile handset shares as well as continuous effort in cost reduction and improvement of R&D efficiency

* Forecast as of Feb. 25, 2010

2. Expand business by harnessing the cloud/services wave

- 1) Differentiation by IT and Network solutions
- 2) Expand global footprint
- 3) Challenge for new business as “One NEC”



1) Differentiation by IT and Network solutions

(NEC's strengths in the cloud-computing era)

NEC's Integrated Solutions

= “Existing systems/Ubiquitous Device” + “Cloud Services”

- Cloud service with optimized software/hardware client
 - e.g.) Unified communication service with software-phones

High-value added “Cloud System Implementation”

(Target market : Enterprise, Carriers and Social Infrastructure)

- Provide consistent services in wide area via interconnected data centers
- Enable high-quality and stable end-to-end services based on the next-generation network control technologies

Cross-industry solutions and consulting capabilities

- Development of high-value added cloud services
- Offer “Collaboration” and “Cooperation” beyond the boundaries of various industries

“Cloud Plaza”
showroom

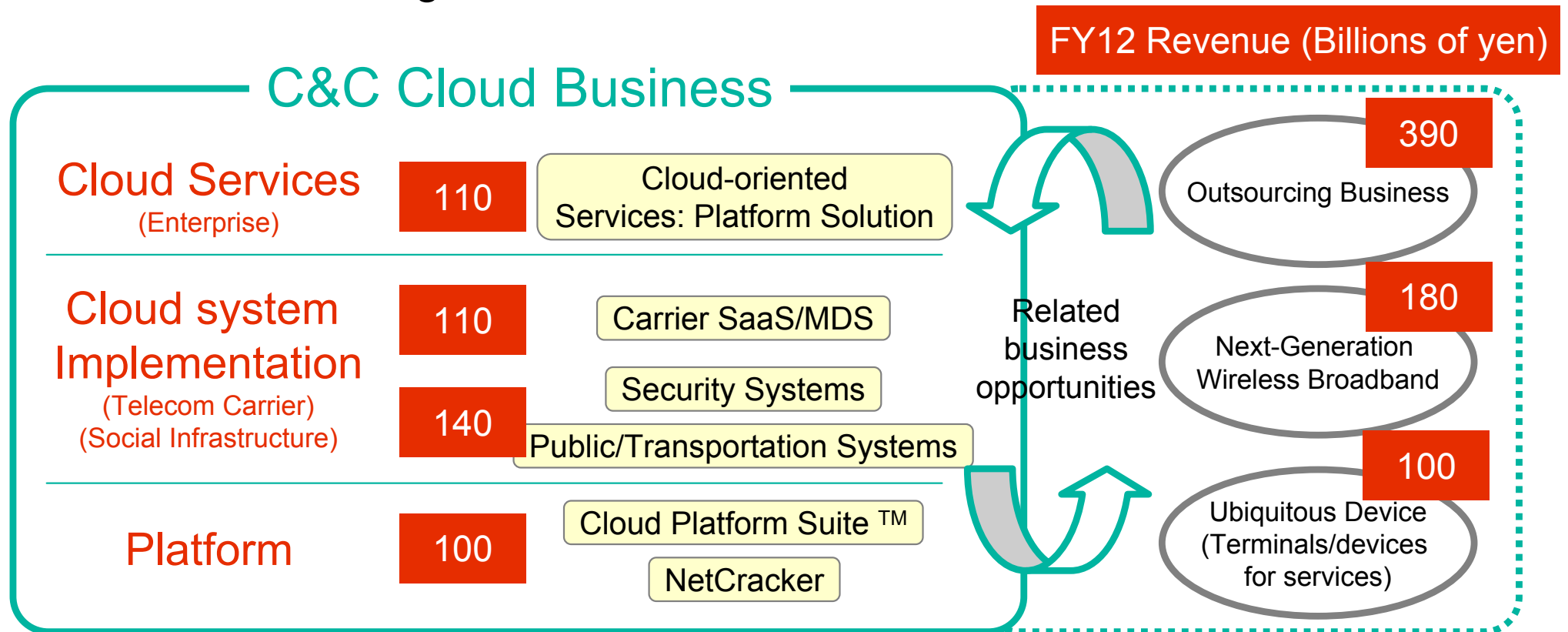
- Over 200 companies
visited in the first 4 months
after the opening



Expansion of IT and Network Solutions Business

Target 1 trillion yen in sales with “C&C Cloud Strategy” related business

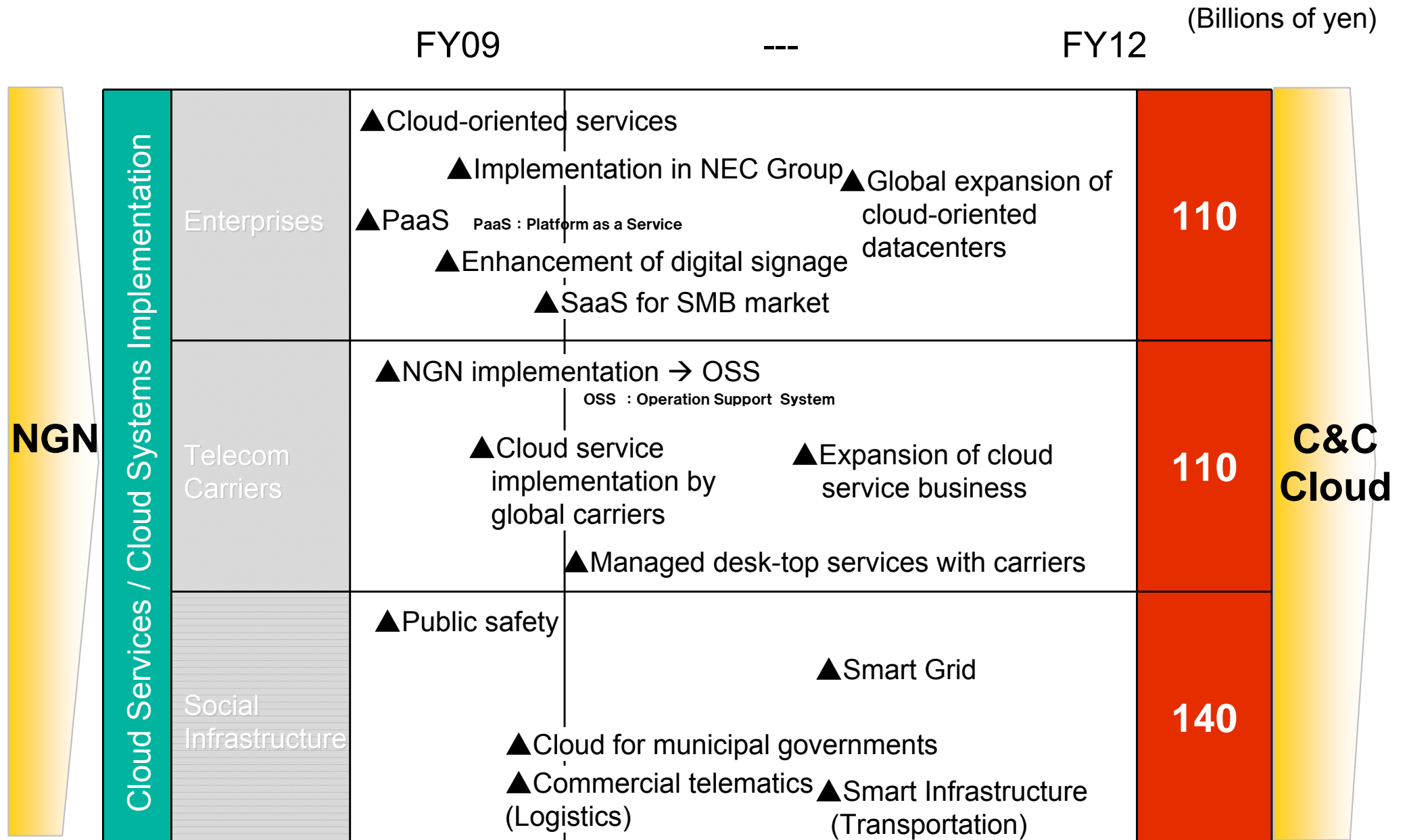
- Provide tailored solutions for respective customers in different markets and regions



MDS : Managed Desktop Service

* Forecast as of Feb. 25, 2010

C&C Cloud Strategy Business Roadmap (By Services)



* Forecast as of Feb. 25, 2010

Development of IT/Network Common Platform

Launch the development of IT/Network common platform based on a new architecture for data centers, carrier systems and social infrastructure clouds

< Annual Revenue Target 100 Billion yen >



Cloud Platform Suite™

< Announced on Jan 21, 2010 >



WebSAM
OpenFlow

1st Step

**IT/Network
Integrated Platform**

**IT/Network Integrated
Operation Support and
Monitoring System**

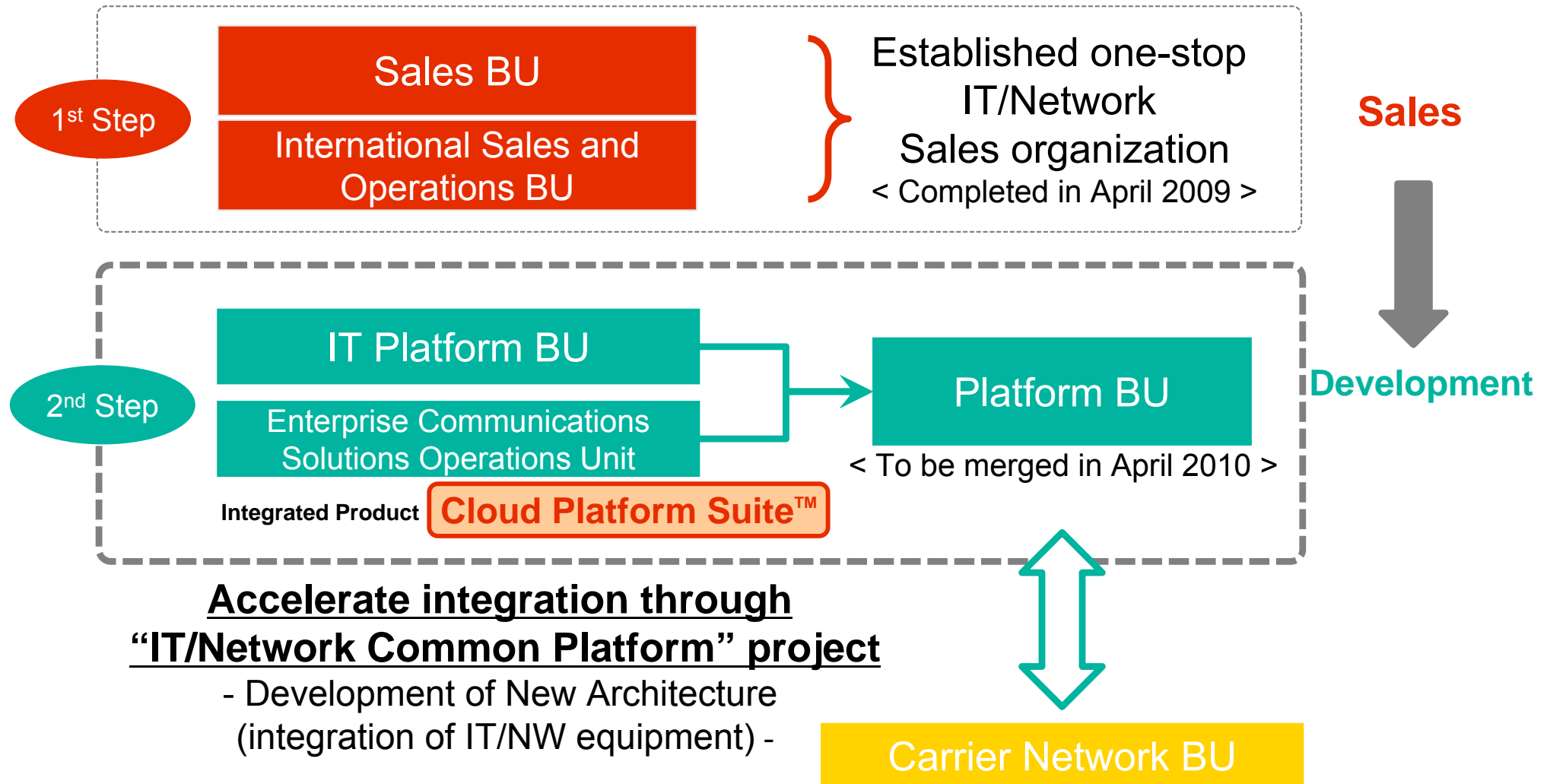
- Mutual utilization of IT/NW components
- Centralize network control functions in data centers
- One-stop “Visualization” of IT and networks
- Efficient maintenance/monitoring of a range of equipment

2nd Step

* Forecast as of Feb. 25, 2010

Steps toward integration of IT and Network assets

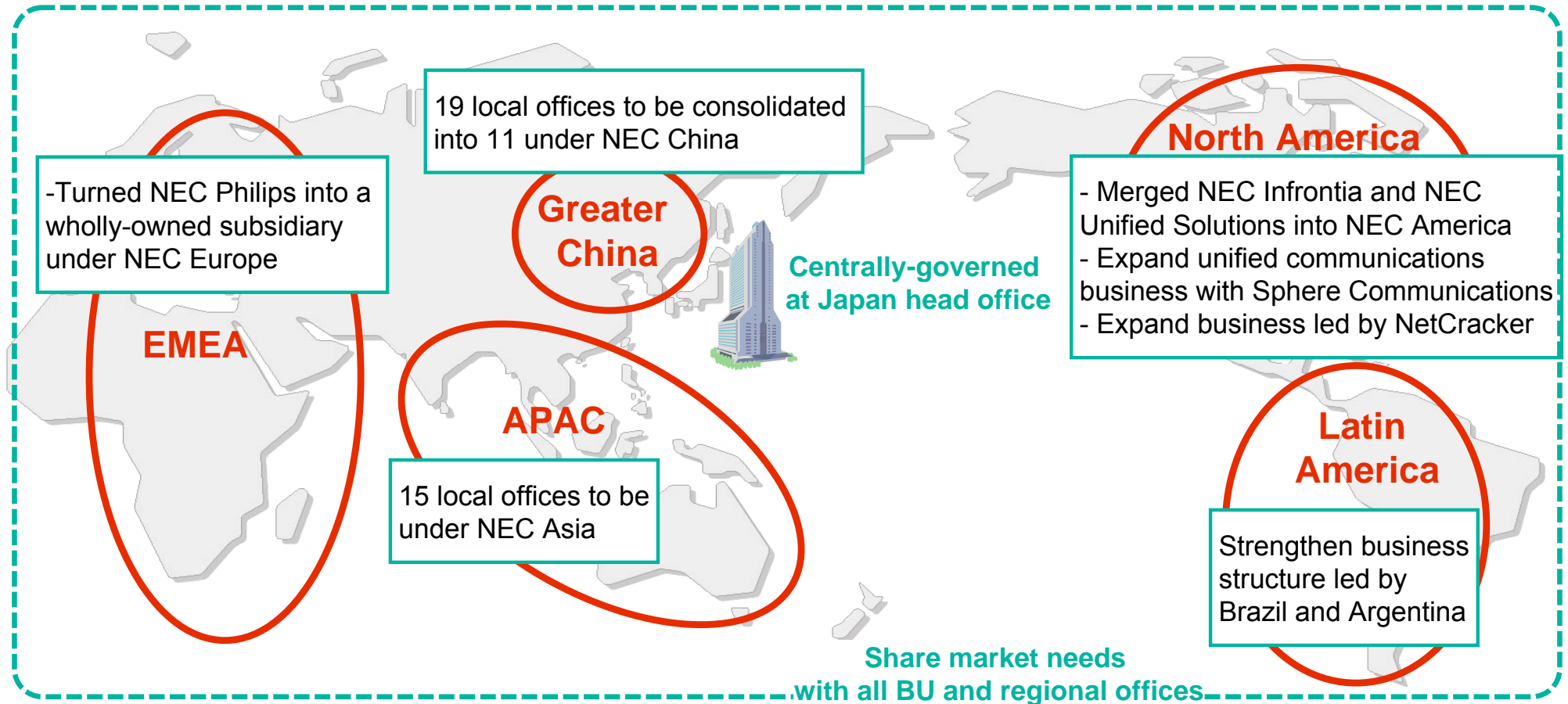
Integrate our strengths in Network into IT products



2. Expand global business

Establish “One NEC” formation in 5 regions

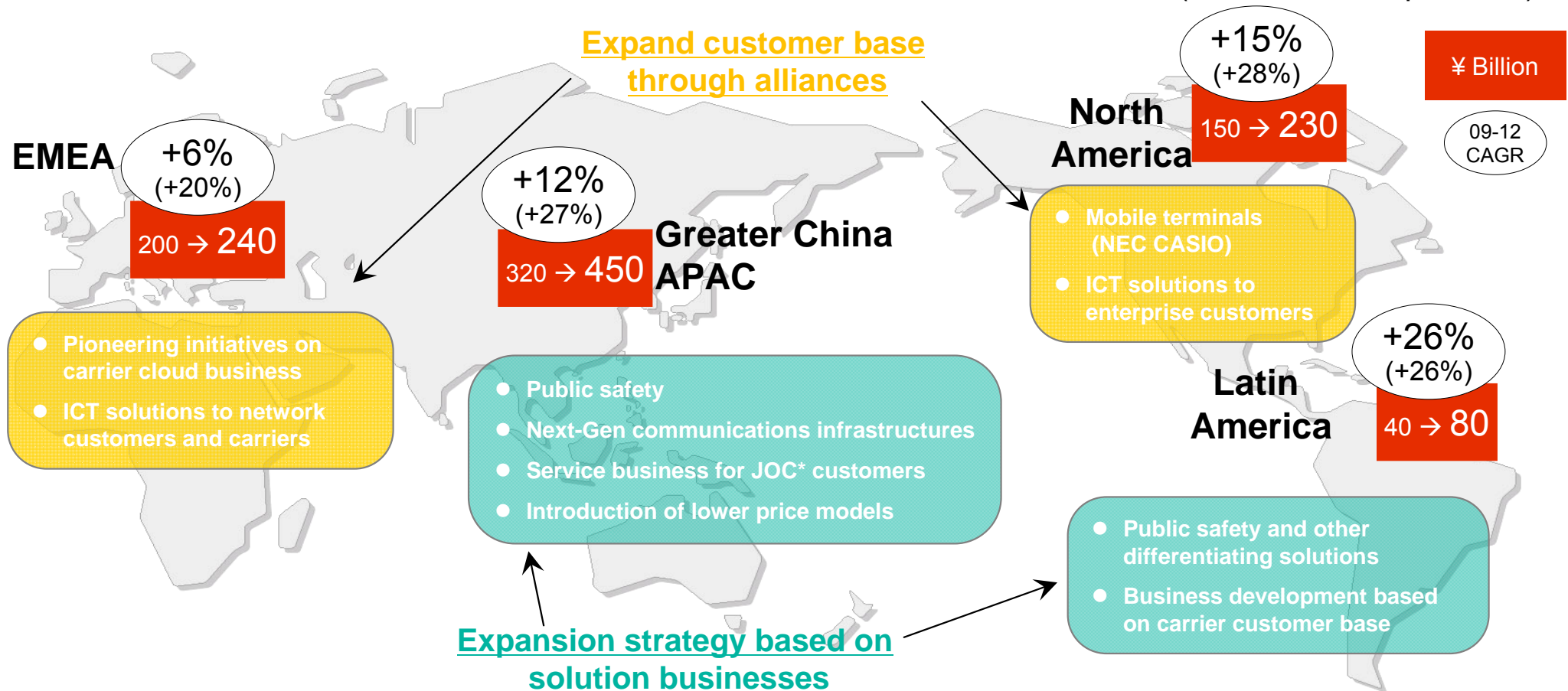
- Coordinate business portfolio (optimized solution/resource sharing)
- Know-how sharing and business expansion through “competence centers”
- Expansion through acquired resource and alliances



Focus on Asia and emerging markets

Aim for 1 trillion yen in overseas sales (25% of total sales) over the mid-term by focusing on the Asian and emerging markets

- Offer lower price models for emerging markets (e.g. POS)
- Establish “Greater China and Asia Pacific Sales Division” (Planned from April 2010)



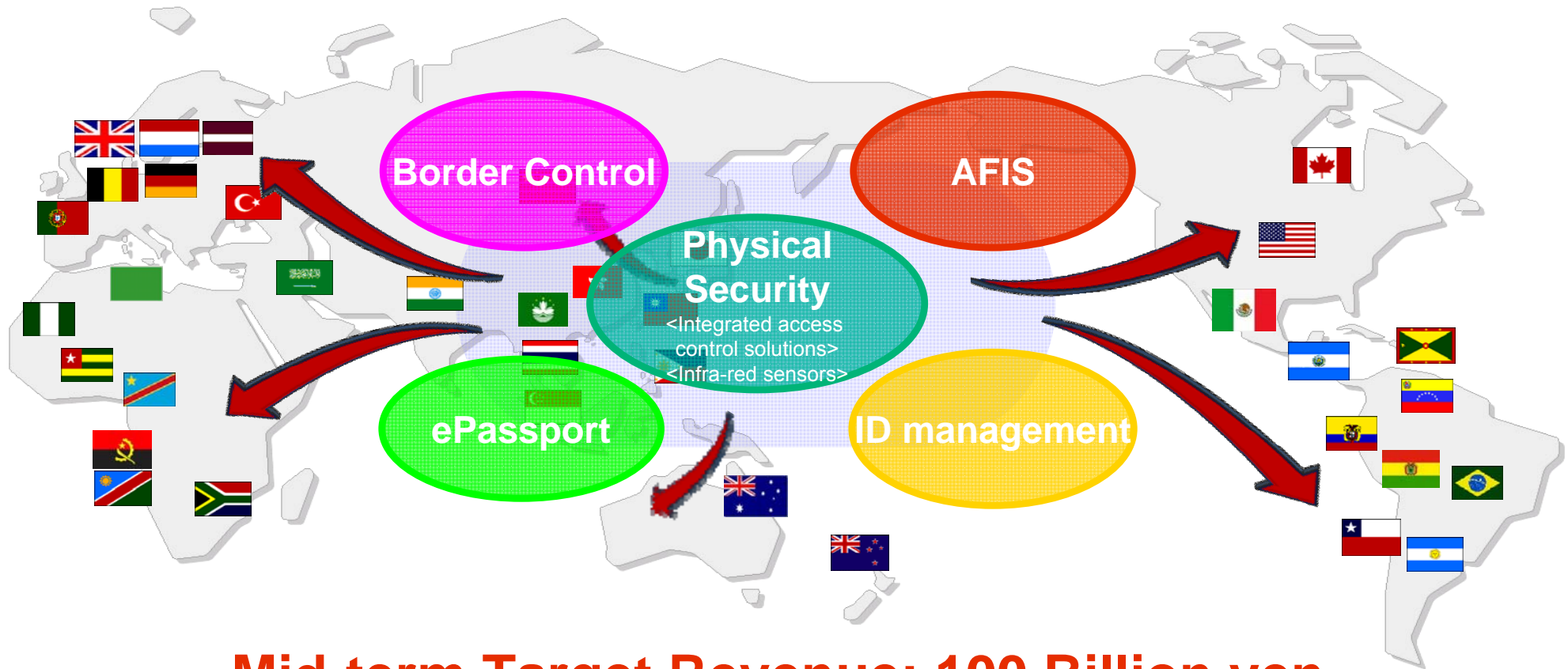
*JOC: Japan-oriented company

* Forecast as of Feb. 25, 2010, percentage shown in brackets represent CAGR without semiconductor business

Global expansion of “public safety business”

Expand integrated security business through the “One NEC” approach

- Centralize core competencies and build a group-wide formation
 - Introduced 200+ biometrics solutions to 30+ countries



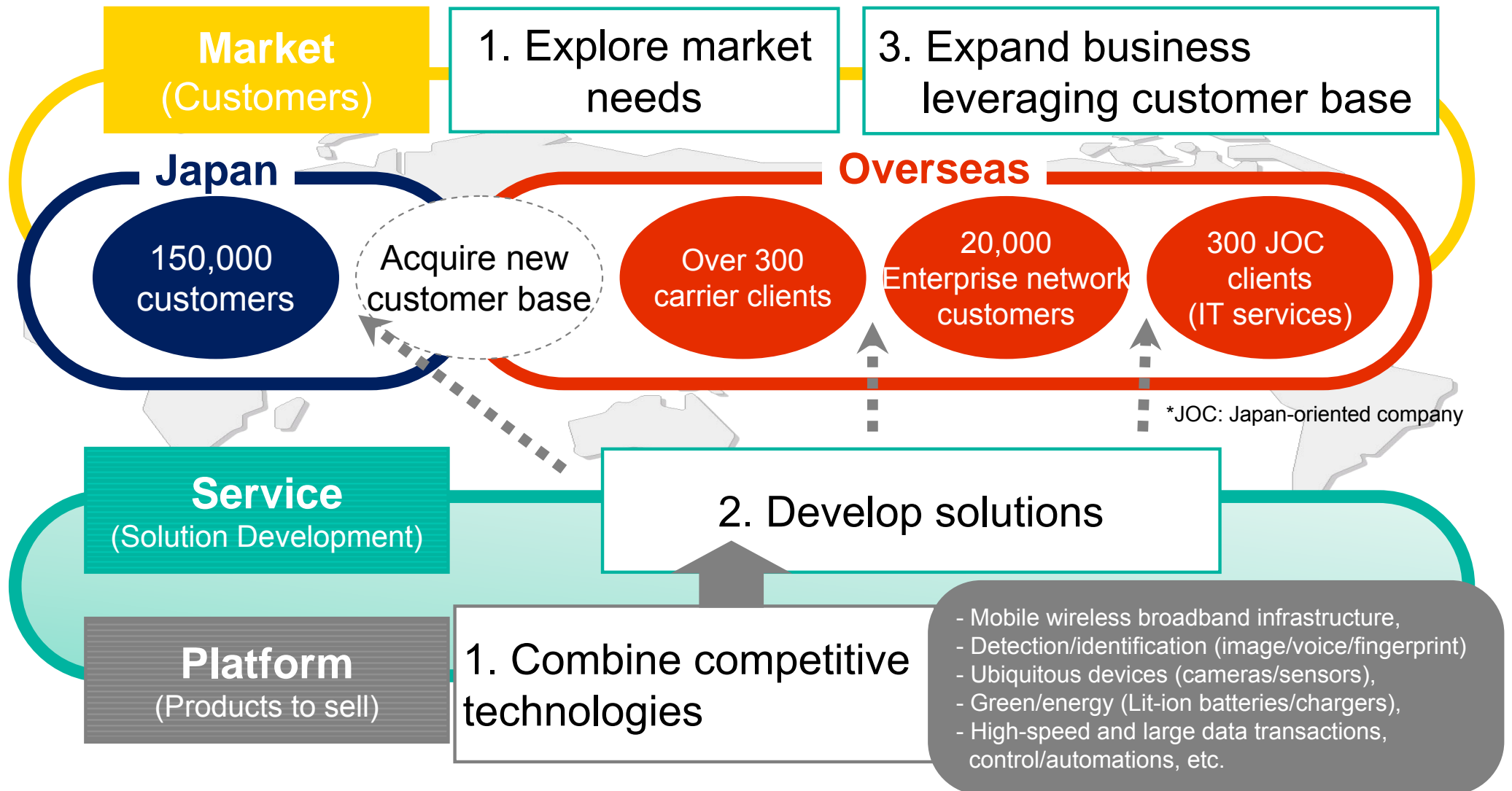
Mid-term Target Revenue: 100 Billion yen

AFIS: Automated Fingerprint Identification System

* Forecast as of Feb. 25, 2010

3. Expand business to drive growth as “One NEC”

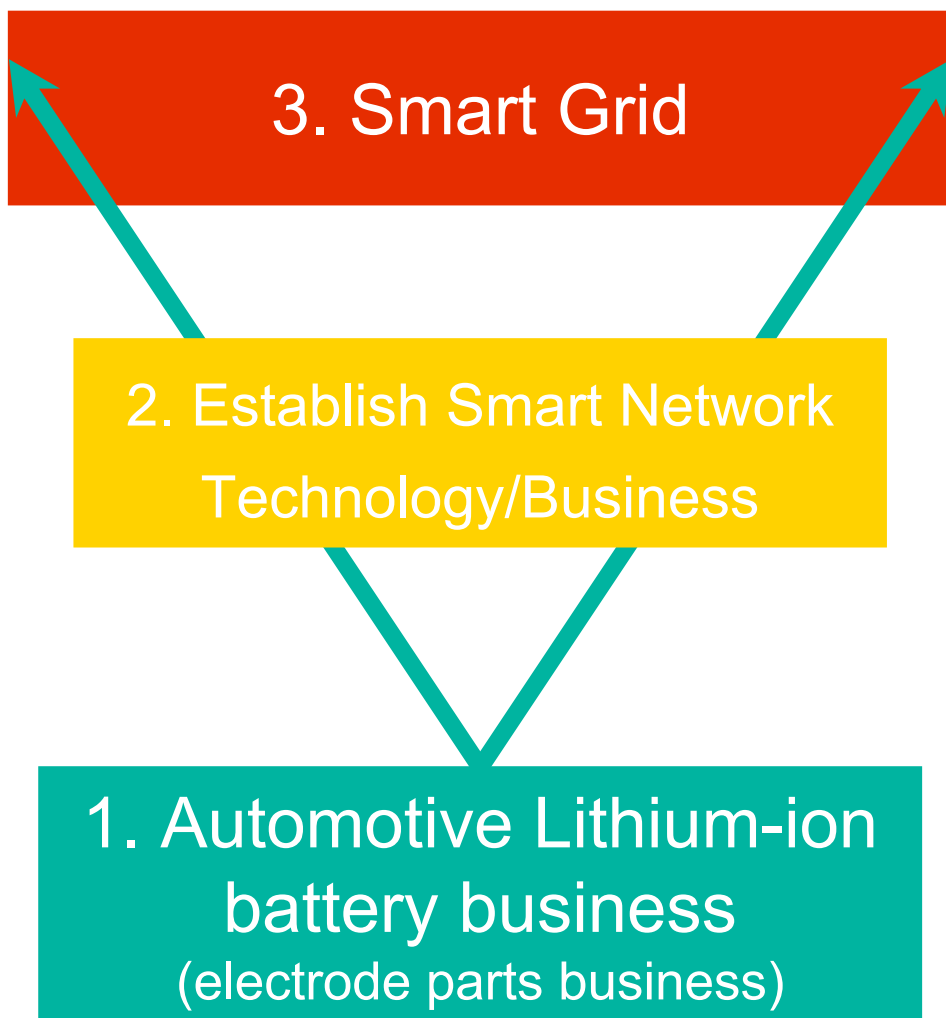
Aggregate the assets of the NEC Group and provide them as one-stop solutions to our customers



* Forecast as of Feb. 25, 2010

Expand energy and smart grid business

Expand environment and energy business starting from automotive battery business

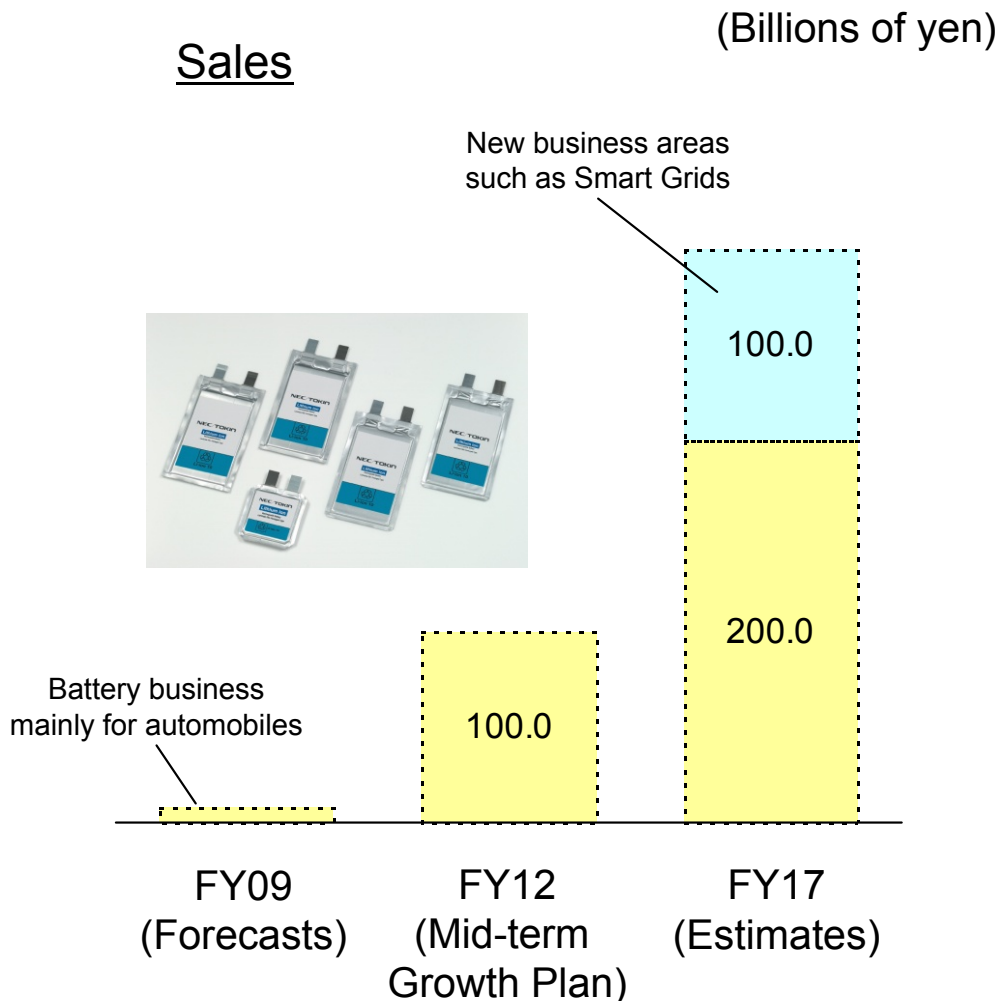


- Entry into the Smart Grid market based on our ICT and storage battery technologies
- Create new business with alliance partners
 - ✓ Smart meter
 - ✓ HEMS (Home Energy Management System)
 - ✓ Rapid battery charger for electric vehicles
- Key devices in the global environment / energy business
- Pursue “scale of merit” and “in-car quality” via an alliance with Nissan



Full-scale business deployment of Lithium-ion battery business

Target 100 billion yen in energy business sales



- Expand business through alliance with Nissan and Renault
 - NEC Energy Devices, Ltd. to be established in April 2010 (Approx. 300 employees)
 - Increase annual production capacity to 10 million kWh by the end of FY2012
- Create new battery business focusing on Smart Grids
 - Smart Energy and Green Business Operations Unit to be established in April 2010

* Forecast as of Feb. 25, 2010

Key initiatives in the ubiquitous device business

Develop ubiquitous devices that connect cloud services to users

(Target 100 billion yen in sales with overseas mobile terminals and another 100 billion yen with terminals/devices for services)

● Mobile Terminals

- Strengthen relationship with global carriers
 - Increase market presence with “Toughness” (Durable) mobile phones
 - Aggregate unique strengths of Hitachi Casio and NEC (dual-screen, water/dust proof, etc.)

● Smart phones / new devices

- Develop new devices based on Open OS

● Terminals/devices for services

- Enhance business for vertically integrated services
 - Develop new business model by offering NEC’s Service Devices, Service Platforms and Communication Networks



ATM for Seven Bank

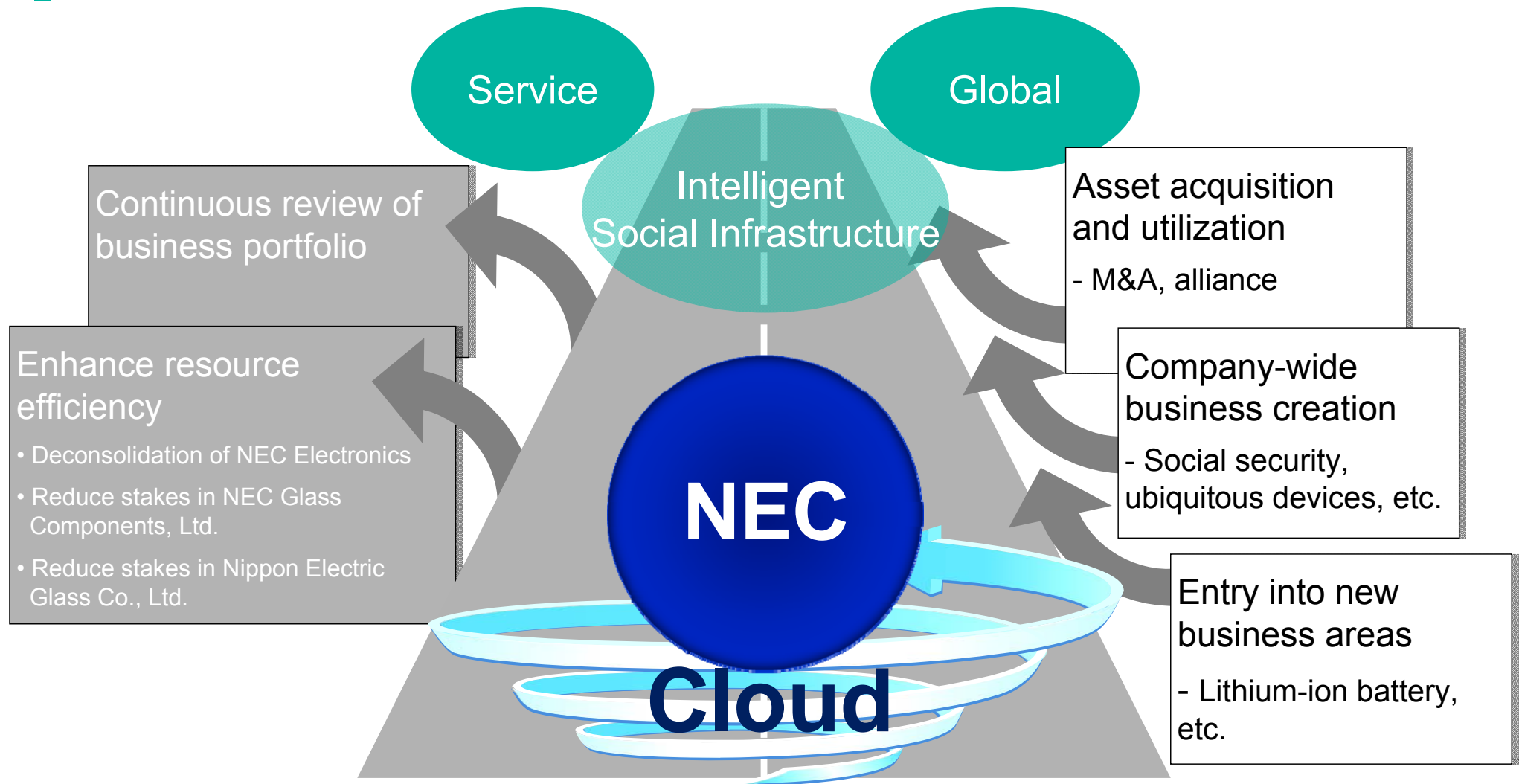
* Forecast as of Feb. 25, 2010

3. Measures to improve profitability

Strengthen competitiveness by accelerating business transformation

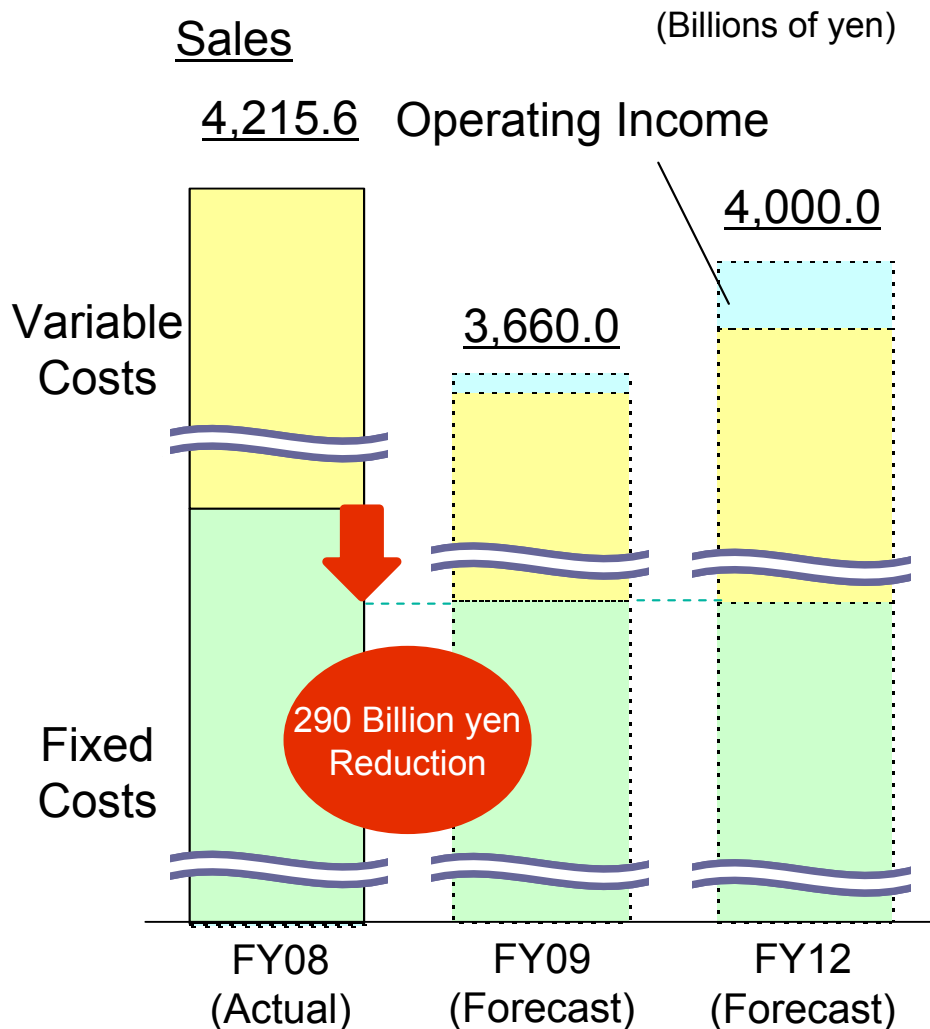
Change business portfolio focusing on cloud strategy

Accelerate business transformation toward NEC Group Vision 2017



Improve profitability to accelerate business transformation

Take measures to improve profitability



- Shift human resources to achieve higher rate of growth and keep labor costs low

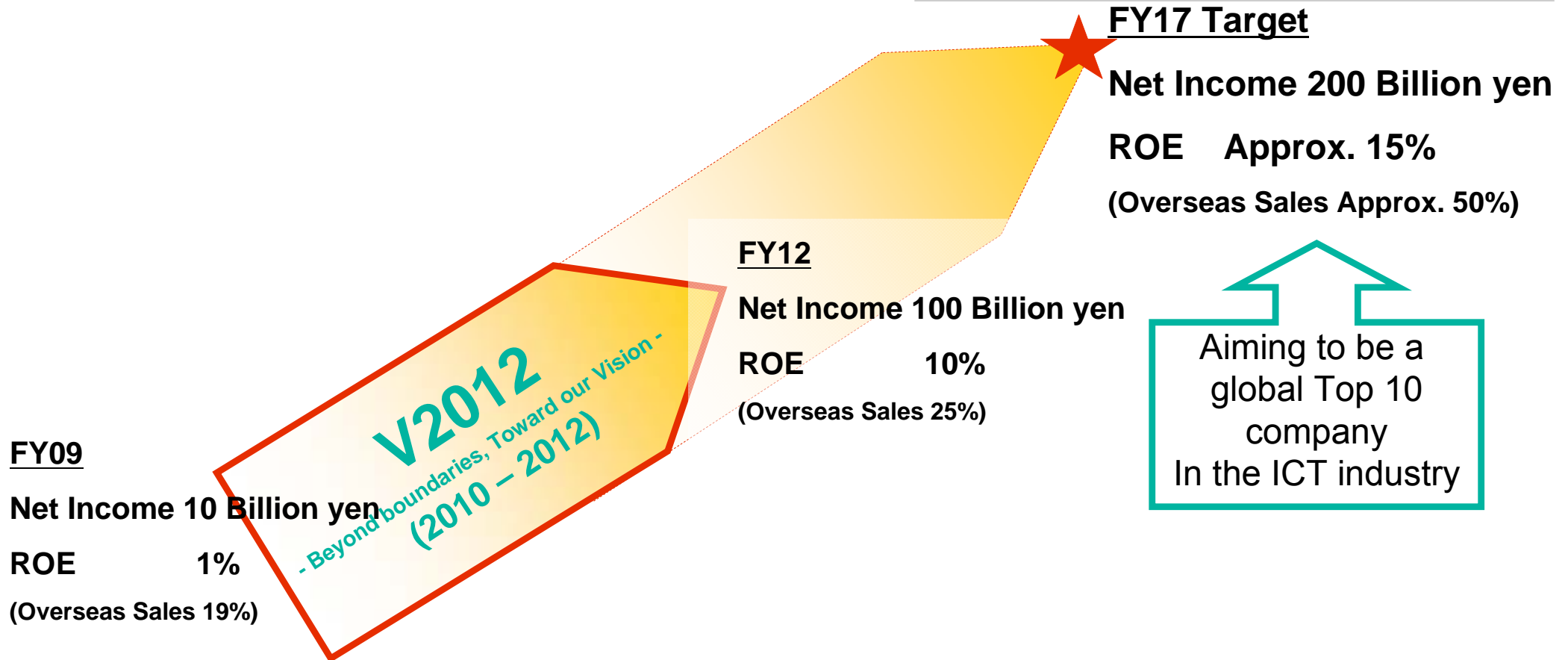
- Shift to overseas resources
 - Improve efficiency by increasing the number of off-shore development and SI resources to 10,000 people
- Shift to service resources
 - Double human resources for service business to 11,000 people

* Forecast as of Feb. 25, 2010

NEC Group will take initiatives for V2012 to achieve our Vision in 2017

“V2012” is a milestone for achieving the NEC Group Vision 2017

NEC Group Vision 2017
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Empowered by Innovation

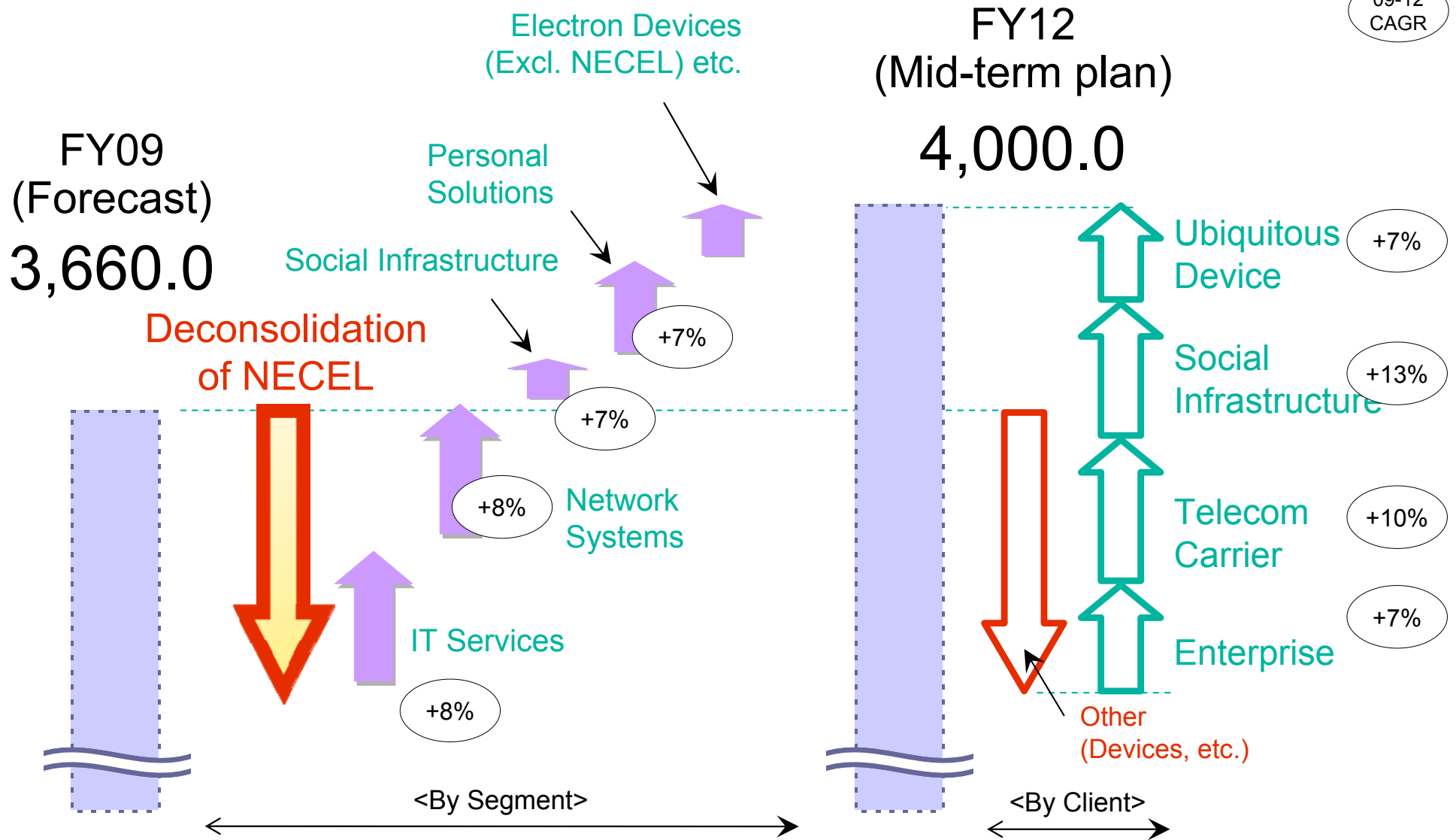
NEC

Appendix

<Ref.> Sales change

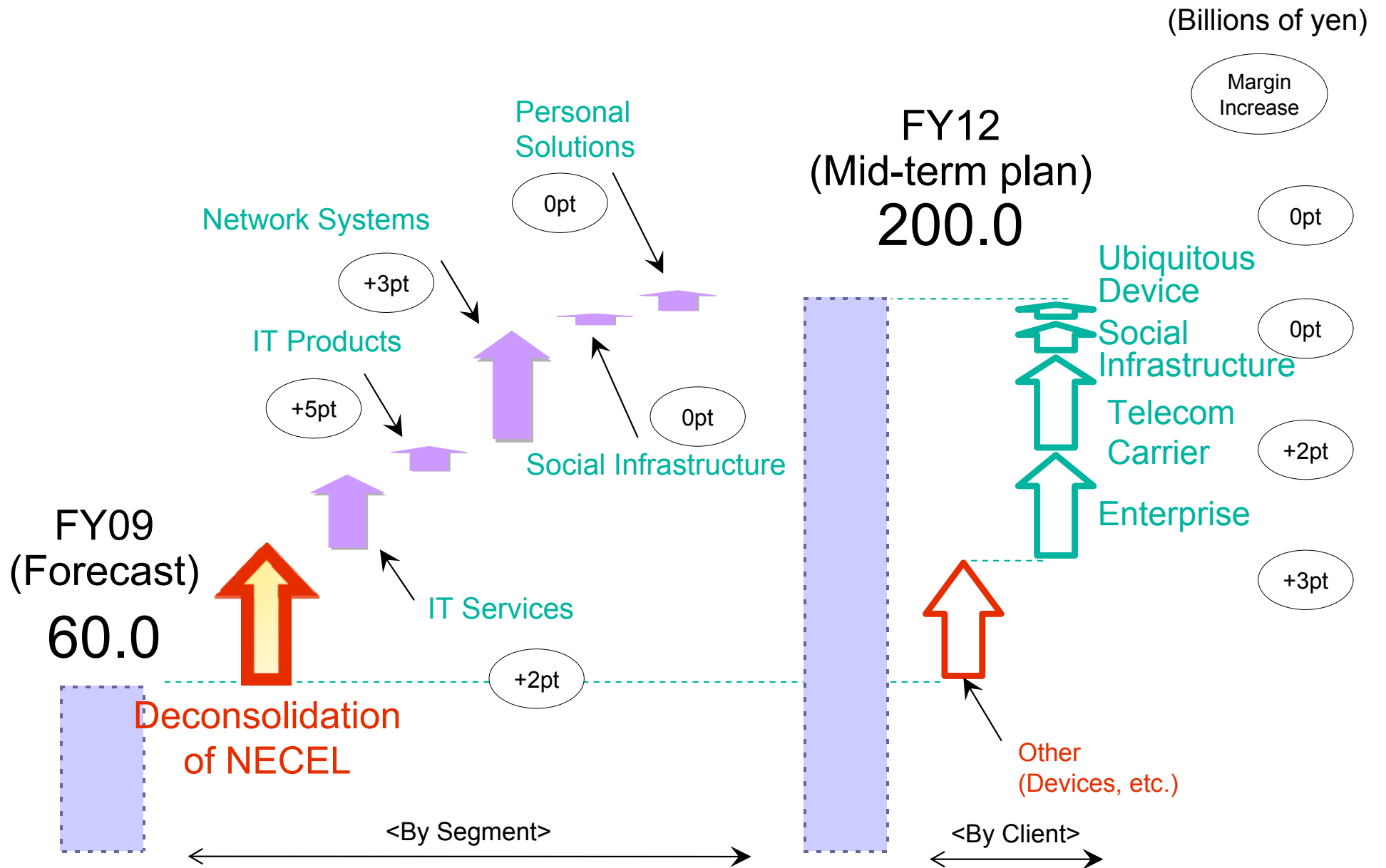
(Billions of yen)

09-12
CAGR



* Forecast as of Feb. 25, 2010

<Ref.> Operating Income/Loss Change

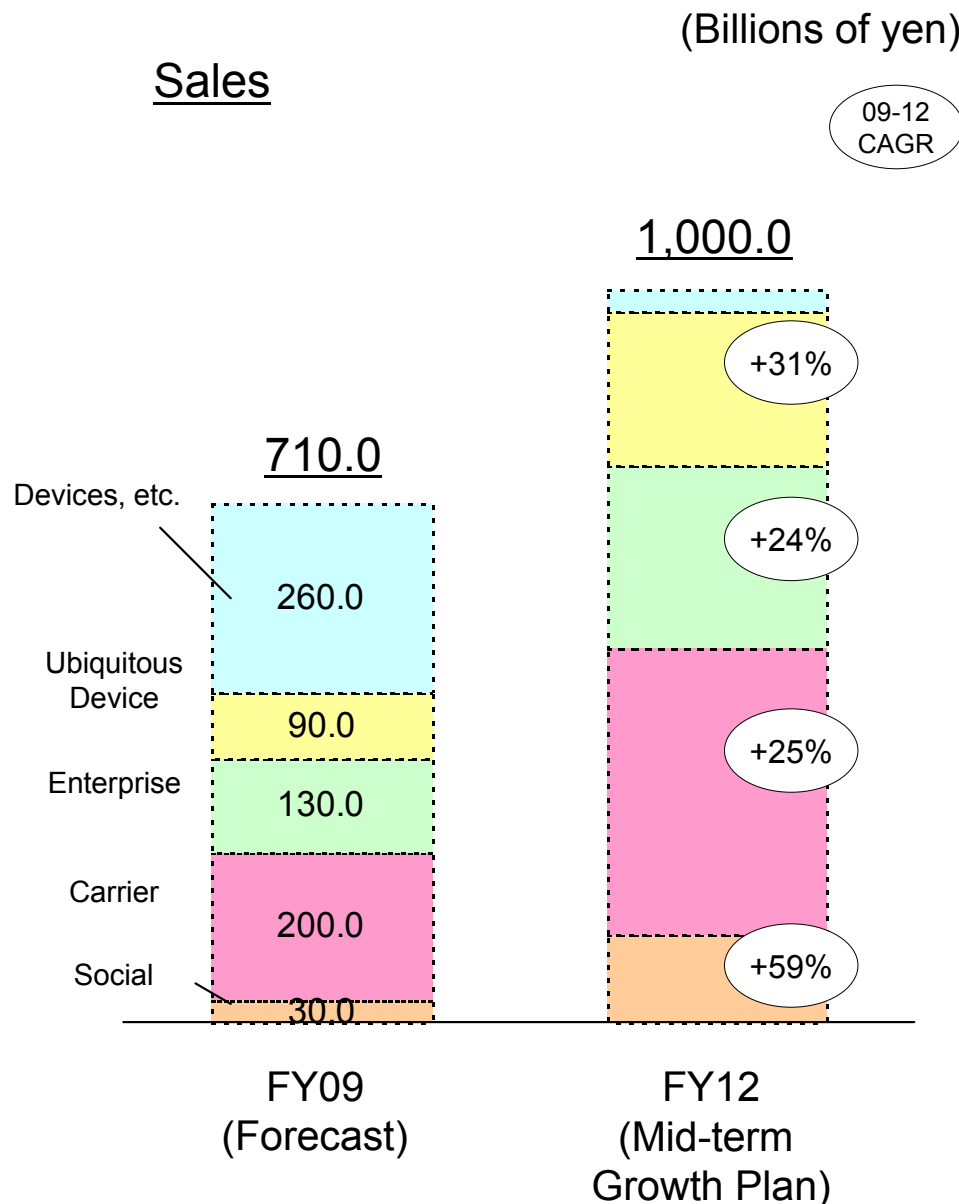


* Forecast as of Feb. 25, 2010

<Ref.> Market and Segment Business Relationship Matrix

	Enterprise	Carrier	Social Infrastructure	Ubiquitous Device
IT Services	IT Service (Japan) Cloud-oriented service Global service	Software Service (Japan, Overseas)	Public safety IT Service (Japan)	
IT Products	Platform			
Enterprise Network	Platform			
Carrier Network		Network system (Japan, Overseas) Software service (Japan, Overseas)	IT Service (Japan)	
Social Infrastructure			Public safety Aerospace & Defense Systems	Terminals for specific purpose (Japan)
Personal Solutions				Mobile terminals and PCs (Japan) Displays, projectors and others (Overseas) Terminals/devices for services (Incl. BIGLOBE)
Electron Devices			Energy Devices	

<Ref.> Global strategy focused on customers



Enterprise

- Offer IT Solutions for enterprise network customers
- Offer cloud services business

Carrier

- Expand customer base acquired through network business into new growth business opportunities
 - Carrier cloud, Femtocell, BB Mobile, OSS/BSS

BSS: Business Support System

Social Infrastructure

- Expand biometrics/physical security business
- Enter the utility field (Smart Grids)

* Forecast as of Feb. 25, 2010

<Ref.> Tax rate forecast

Tax rate to be improved to an appropriate level due to the resolution of non-recurring items

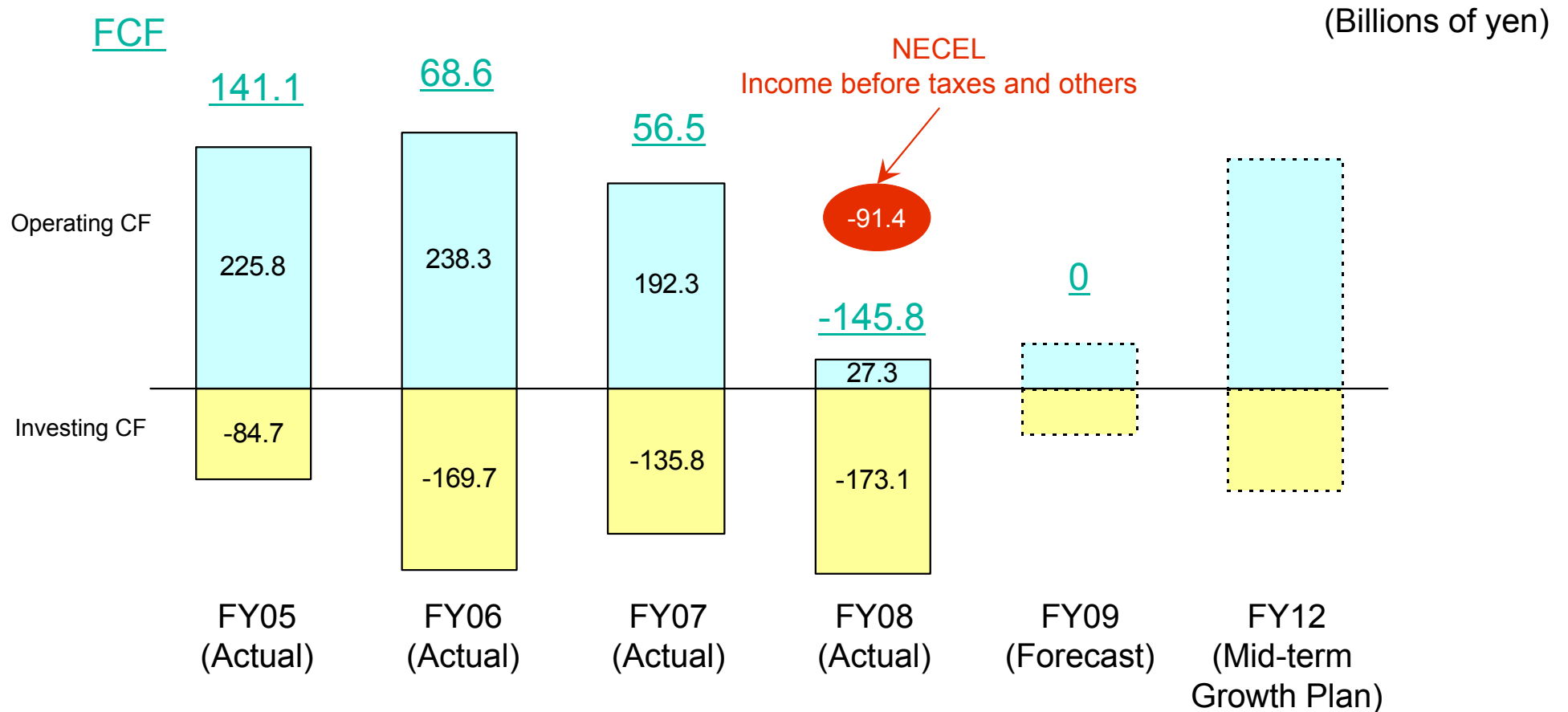
	FY07	FY08	
Effective statutory tax rate	40.5%	-40.5%	
Changes in valuation allowance	36.9%	55.8%	Allowance accrued by loss making subsidiaries.
Amortization of goodwill	3.2%	5.0%	
Non-deductible expenses for tax purposes	4.5%	1.2%	
Others	2.7%	-9.4%	
Gap between Effective statutory tax rate	47.3%	52.6%	
Actual tax rate	87.8%	12.1%	

Improvement by the turnaround of loss making subsidiaries



<Ref.> Free cash flows forecast

Sustainably generate 100 Billion yen FCF backed by improved operating cash flow in the IT and Network business



* Forecast as of Feb. 25, 2010

<Ref.> Balance sheet forecast

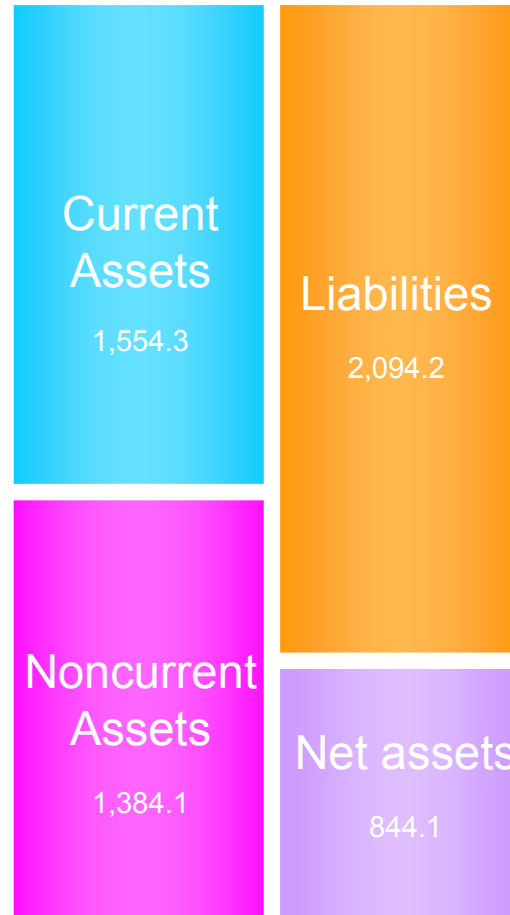
Improve D/E ratio through debt reduction & capital reinforcement



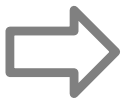

- Total Assets: Decrease due to the deconsolidation of NEC Electronics



NEC
Total Assets
2,938.3 Billion yen
(As of Dec. 2009)

(Billions of yen)



- Interest-bearing debt : Decrease due to the deconsolidation of NEC Electronics 
- NEC debt : Will be continuously reduced 
- Net assets: Not affected by the deconsolidation of NEC Electronics 
- Net assets: Accumulated through profit gain 

* Forecast as of Feb. 25, 2010

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