

February 13, 2013

Press Release

NEC Networks & System Integration Corporation
NEC Mobiling, Ltd.

Company Demerger Agreement Related to Succession of NEC Mobiling's
Mobile Base Station related Business by NEC Networks & System Integration

NEC Mobiling, Ltd. (TSE 9430; hereinafter "NEC Mobiling") and NEC Networks & System Integration Corporation (TSE 1973; hereinafter "NESIC") resolved at meetings of their Board of Directors held today, February 13, 2013, that NESIC would take over the system engineering business (hereinafter the "Subject Business") of NEC Mobiling, chiefly comprising area surveys, area designing and optimization, installation works, testing and maintenance related to the mobile base stations, through a simplified absorption-type company demerger (hereinafter the "Company Demerger") effective on April 1, 2013. The two companies subsequently concluded an absorption-type company demerger agreement. Details are as follows:

1. Objectives of the Company Demerger

NEC Mobiling, a major prime distributor of mobile network operators, operates nationwide mobile phone sales channels, and is engaged in a solutions business that provides repair and other services related to mobile phones. It will aim to increase corporate value in the future by expanding its sales channels to gain further exposure with customers and providing a wide range of services, including support services, that satisfy customers, in addition to offering mobile phones, smartphones and their peripheral products.

In the Subject Business, NEC Mobiling commenced the construction of base stations for radio pagers in the 1980s and has been growing in step with the extraordinary development of mobile communications technologies, with the launch of analog/digital mobile communications systems, followed by the introduction of the 3G and 4G long-term evolution (LTE) systems. NEC Mobiling is now providing comprehensive solutions that particularly excel in the upstream

services, such as area surveys and area designing and optimization, and maintenance services. These services account for approximately 5% of consolidated net sales of NEC Mobiling.

NESIC, as a company that re-designs communications, provides comprehensive services involving information and communications technology (ICT) systems with a core focus on networks, ranging from systems consulting, systems development, construction, maintenance and management to outsourcing, to a wide range of customers, such as companies, telecommunications carriers, public offices and public utility companies.

At present, telecommunications carriers are focused on responding to increasing network traffic as a result of a sharp rise in the use of smartphones, and strengthening networks by introducing LTE systems and other measures. Responding to these trends, NESIC is striving to expand its businesses by actively engaging in all network business areas, from the installation of mobile base stations to the design, systems integration, maintenance and operation service of backbone networks.

The Subject Business is expected to enjoy strong market growth in the future, given rapid increases in the use of smartphones and the development of high-speed communications networks, as well as competition among telecommunications carriers. On the other hand, in light of escalating competition with companies that specialize in this sector, it is considered to be necessary to manage operations with economies of scale, in addition to sophisticated technologies, to achieve future growth and expansion. NEC Mobiling has judged that, rather than expanding this business using its own resources, it will be more productive to concentrate its management resources on sales of mobile phones and the repair business, by integrating its base station-related business operations with a company that can supplement its operations by leveraging its strength in upstream engineering services, such as area surveys and optimization. Meanwhile, NESIC possesses superior ability, particularly in construction, in businesses related to mobile base stations. Consequently, NESIC judged that it will be able to further expand its operations through the business integrations, enabling it to concentrate its human resources, technologies and know-how in businesses related to the base stations, reinforce the value chain, and strengthen its ability to provide seamless

services for networks, from mobile base stations to backbone networks. Taking these factors into account, the two companies discussed the integration of the Subject Business, and concluded an absorption-type company demerger agreement.

2. Outline of the Company Demerger

■ Summary of the business subject to the Company Demerger:

The systems engineering business of NEC Mobiling mainly engaged in area surveys, area design and optimization, installation work, testing and maintenance related to mobile base stations

■ Operating results of the business subject to the Company Demerger

Net sales: ¥6,651 million (for the fiscal year ended March 2012)

■ Items and amounts of assets and liabilities subject to the Company Demerger (As of September 30, 2012) (Million yen)

Items	Book Value	Items	Book Value
Current Assets	1,022	Current Liabilities	—
Noncurrent Assets	114	Noncurrent Liabilities	—
Total	1,136	Total	—

The amounts presented above are those as at the end of September 2012, and assets and liabilities that are actually subject to the Company Demerger will be finalized based on the amounts above by taking into account changes taking place in the relevant items until the day before the effective date of the Company Demerger.

■ Details of the compensation related to the Company Demerger

NESIC, the successor company of the absorption-type company demerger, will pay cash of ¥2.2 billion yen as compensation for the Company Demerger to NEC Mobiling, the absorption-type demerging company. This compensation is subject to adjustments based on the sum of the outstanding balance of inventories and noncurrent assets to be succeeded as of March 31, 2013.

■ Rights and obligations to be succeeded by the successor company

NESIC, the successor company of the absorption-type company demerger, will succeed the assets, liabilities, contracts and other rights and obligations that are

considered to be necessary to carry out the Subject Business on the effective date, in accordance with the absorption-type company demerger agreement concluded with NEC Mobiling, the absorption-type demerging company. NESIC will not succeed employment contracts in the Company Demerger, but it will receive employees dispatched from NEC Mobiling to engage in the Subject Business after the effective date, and such employees are expected to be eventually transferred to NESIC.

3. Basis for calculation, etc. of the compensation related to the Company Demerger

■ Calculation basis and circumstances

As part of the procedures to ensure the fairness and validity of the valuation of the Subject Business to be demerged through the Company Demerger, NEC Mobiling and NESIC have respectively nominated Daiwa Securities Co., Ltd. (hereinafter “Daiwa Securities”) and Kasahara CPA Office as their third party appraisers for the calculation of the value of the Subject Business, and obtained business value appraisal sheets respectively. Based on the results of the calculation by these third-party appraisers, the two companies held a series of careful deliberations about the value of the Subject Business by referring to the financial and asset situations, the outlook and other factors of the Subject Business, as well as the tax effect merit of NESIC, in a comprehensive manner. As a result, the two companies judged respectively and agreed that the amount of cash to be paid as the compensation of the Company Demerger as described in 2 above is reasonable and beneficial to the shareholders of the two companies. Meanwhile, Both Daiwa Securities and Kasahara CPA Office are not related to NEC Mobiling or NESIC, and have no significant interests that need to be stated in relation to the Company Demerger.

■ Measures to ensure the fairness

Both NEC Moiling and NESIC are consolidated subsidiaries of NEC Corporation (hereinafter “NEC”). For this reason, to ensure the fairness of the compensation for the Company Demerger, the two companies nominated independent third party appraisers as described above for the individual calculation of the value of the Subject Business.

NEC Mobiling and NESIC also have obtained opinion reports stating that a decision on carrying out the Company Demerger does not apparently cause any disadvantages to minority shareholders of the two companies. NEC Mobiling

obtained the opinion from TMI Associates, which does not have any interests with NEC or NESIC, while NESIC obtained the opinion from Nakamura, Tsunoda & Matsumoto, a law firm, which does not have any interests with NEC or NEC Mobiling

■ Measures to avoid conflicts of interest

Among Directors of NEC Mobiling, to avoid conflicts of interest, Mr. Hajime Matsukura and Mr. Hajime Kinoshita, employees of NEC, did not participate in deliberations or resolutions related to the Company Demerger at the meetings of the Board of Directors of NEC Mobiling. Among Corporate Auditors of NEC Mobiling, to avoid conflicts of interest, Mr. Koki Kawakami, an employee of NEC, did not participate in deliberations related to the Company Demerger at the meetings of the Board of Directors of NEC Mobiling and refrained from making statements on resolutions made at the meetings of the Board of Directors of NEC Mobiling.

Meanwhile, among Directors of NESIC, to avoid conflicts of interest, Mr. Tetsujiro Arano and Mr. Naoki Hashitani, employees of NEC, did not participate in deliberations or resolutions related to the Company Demerger at the meetings of the Board of Directors of NESIC.

<Inquiries about this announcement>

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