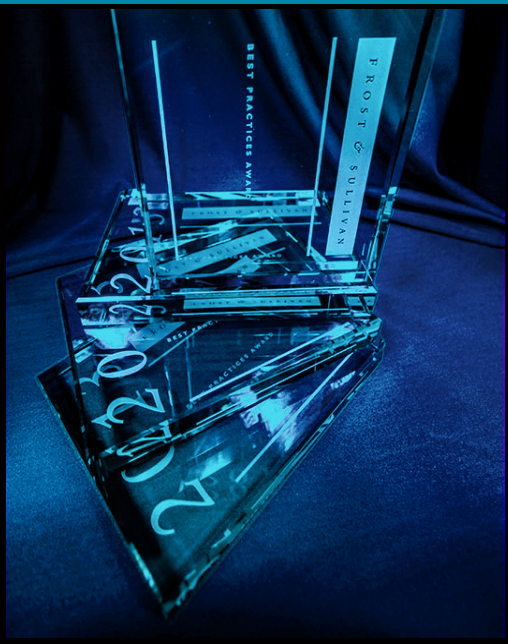


F R O S T & S U L L I V A N

NEC

2016 North American Enterprise Communications Transformation Strategies Company of the Year Award



FROST & SULLIVAN

BEST
2016 PRACTICES
AWARD

NORTH AMERICAN ENTERPRISE
COMMUNICATIONS TRANSFORMATION
STRATEGIES COMPANY OF THE YEAR AWARD

2016
BEST PRACTICES
AWARDS

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Background and Company Performance

Industry Challenges

The business telephony and unified communications (UC) industry is undergoing myriad changes. Namely, the days of standalone voice systems are long gone. Today, business decision makers and their respective user bases demand and expect much more business value from their investments in voice communications technologies—they expect improved organizational efficiency and agility as well as higher levels of end user productivity. In essence, technology investments are increasingly driven by expectations to work smarter.

NEC is addressing these market dynamics through its transformational go-to-market vision, called Smart Enterprise. The Smart Enterprise approach brings forward the ability of all of NEC's communications, networking and IT solutions to improve the way people work and communicate. The anticipated benefits of the smarter enterprise and smarter work are closely tied to the expected outcomes of effective business communications transformation. At the core of the unified communications industry, convergence begins with the integration of user identities across voice and data networks and the applications running on them. The convergence of fixed and mobile endpoints and applications is a critical capability for organizational responsiveness. And with the growing globalization of business, the convergence and integration of system and end user software applications from both the communications and information technology (IT) worlds are essential for in-depth insights, actionable analytics, agility and change management, process efficiency and accuracy, and repeatable business outcomes that are the hallmarks of business transformation.

These new and shifting demands place immense pressure on unified communications providers to expand their core competencies and innovate. Certain providers simply lack the skill sets, resources, and in some instances the desire to keep up with ever-more sophisticated customer demands. Thus, many providers lack the progressive approaches that end-user organizations seek in a technology partner to assist or lead them in their business transformation journeys.

Becoming a leader in business transformation enablement is achieved not through technological and monetary assets alone. While those assets are essential for success, a provider must demonstrate strong innovation as well as a commitment to put customers first with respect to satisfying their transformation within the content of societal, environmental and economic mega trends. With the appropriate mix of portfolio, vision, innovation and execution, a provider is well positioned to achieve and maintain status of business transformation leadership for years to come.

Visionary Innovation & Performance and Customer Impact

NEC has earned Frost & Sullivan's 2016 Company of the Year Award for Enterprise Communications Strategies due in large measure to its Smart Enterprise approach to

enterprise communications which advances the following attributes demonstrated by the company: addressing unmet customer needs; implementation of best practices; blue ocean strategy; excellent in customer purchase experience; and brand equity.

Addressing Unmet Needs

With today's fast pace of business, globalization of industries, technology evolution, rapidly changing customer demands, and shifting worker skill sets, most companies are struggling to keep up with all the challenges. NEC offers a number of options for phased migrations from legacy communications that limit risk and disruption when implementing capabilities to cutting-edge functionality. Core among these options is the company's strong track record for investment protection. When moving to next generation UC solutions, customers are often enabled to re-use and add new value to existing endpoints, gateways, and applications. Today NEC offers these options whether customers are implementing on-premises, cloud or hybrid solutions. In comparison, certain competitors are presenting one-size fits-all solutions that ask customers to compromise. Other competitors with limited portfolios only go so far before leaving customers or partners to solve broader solutions elements. Still other providers require customers to rip out their existing investments to upgrade to new capabilities. These are not the ideal options for a majority of enterprises.

As organizations seek business transformation, they often wish to upgrade or implement their networks and IT infrastructure for integration with business systems and processes, as well as communications systems. NEC's approach in this regard is not to bolt disparate components together. In particular, the company's services-based portfolio of cloud UC, analytics and biometrics, as well as software defined networking (SDN) solutions are designed to meet on-demand requirements. Modern organizations expect the agility, flexibility, efficiency and reduced risk associated with on-demand solutions that are perceived to be at the heart of business transformation that NEC characterizes as the Smart Enterprise.

Implementation of Best Practices

Best-in-class strategy implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

NEC has recognized key challenges customers face today and has proactively developed a comprehensive portfolio to address those challenges. Among the key trends that enterprises face are requirements to operate with greater efficiency, responsiveness and greater speed in decision making. Integrating communications with other IT platforms and solutions is pervasively viewed by business decision makers as a corrective solution.

NEC has answered this call for several years. For example, the company has well established solutions that integrate its UC applications and infrastructure with customer relationship management (CRM), enterprise resource planning (ERP), scheduling, and

other horizontal business applications. Additionally, NEC offers tight UC integration with established vertically-focused software solutions, such as healthcare, education, hospitality, retail, law enforcement/security, and other industries. Packages solutions offered by NEC in these areas and others have seen considerable success in the marketplace.

As customers become more aware of the benefits of IT/communications integration, and as technology advances expand the value and capabilities of integration, demand is increasing. As such, NEC has deepened its commitment in this regard. In 2016, the company has merged its formerly separate IT and Networking Technology business units. Now under the same umbrella, the company's resources have greater visibility and coordination into solutions development, sales and support. This transformation is quickly proving its merits in the form of new offerings. For example, NEC unified communications solutions are now available preloaded on the company's high-reliability server hardware, which addresses certain complexities, cost, sourcing and support issues for customers and partners. In another example, NEC server and storage bundled into single SKU solutions, while the company's SDN solutions are positioned as foundational to optimizing NEC UC and IT deployments.

Blue Ocean Strategy

Frost & Sullivan defines a "Blue Ocean Strategy" as a strategic focus in creating a leadership position in a potentially "uncontested" market space, manifested by stiff barriers to entry for competitors.

With respect to assets to execute on enterprise communications transformation, NEC brings a portfolio of products and services that is matched by few, if any, other competitors in the unified communications market. By leveraging these assets, the company has opportunities to directly deliver on multiple facets of convergence that alternative providers must rely very heavily on third-parties to facilitate.

Highlighted assets that make NEC's portfolio and opportunity unique include:

- UC: A complete and robust portfolio of communications platforms (appliance, server, virtual), applications (call control, messaging, mobility, contact center, conferencing, IM/presence, and more) and endpoints (hardware, software, desktop, and mobile) to effectively accommodate end user organizations of all sizes.
- IT: An array of IT hardware and software (servers, storage, etc.) is required to satisfy increasing customer demands for the integration of communications with IT solutions and business processes. NEC is architecting broader solutions that provide partners and customers with turn-key and customer solutions, as well as application programming interfaces (APIs) and software development kits (SDKs) to help create communications-enabled business process that automate while driving latency and error out of workflows.

- **Networking:** NEC is at the forefront of software defined networking (SDN), a next-generation solution set that increases the efficiency of network resources for enhanced platform, systems and applications performance. NEC SDN solutions enable enterprises to deploy next generation communications, IT and other services with greater reliability, availability and performance. SDN allows customers to optimize network resources without the need to over-provision capacity; instead SDN delivers the on-demand resources of scale, performance and availability that true business transformation requires.
- **Professional and Cloud Services:** NEC delivers an end-to-end services set that can assess and customize solutions to increase worker and workflow efficiency and enhance business outcomes. The company further offers a full range of public, private and hybrid hosted/cloud as well as managed services to deliver capabilities based upon customer preferences for OPEX or CAPEX.
- **Analytics:** It is necessary for customers to have better and fuller visibility into their business environment, leveraging technology and data to build and execute on a business transformation plan. NEC places significant emphasis on big data and analytics. Initiatives are in place to help customers collect data, present it in meaningful ways, and make actionable decisions based upon that information.
- **Biometrics:** NEC's focus on biometrics and the benefits such capabilities can add to enterprise communications solutions is fairly unique in the market. NEC biometric solutions have significant implications on security-related solutions and applications. Innovative initiatives from NEC, its partners and customers are creating opportunities for biometrics in the hospitality, retail, sports and entertainment, and other vertical segments. NEC's biometrics integration with communications solutions promise to enhance the consumer experience and satisfaction, and overall customer revenues.

Customer Purchase Experience

NEC brings its assets to market in a holistic approach that differentiates the company from the majority of its competitors. Further, NEC's differentiation stems from not only a uniquely broad and compelling portfolio of products and services; its differentiation is bolstered by the company's vision of enabling the Smart Enterprise.

The NEC Smart Enterprise concept aims to assist customers with their evolutionary needs to become more successful in operations, production, sales, customer support, security, and more. Smart Enterprise seeks to enhance business tasks and workflows with integrated voice, video, and data technologies across the communications, IT, and vertical solutions domains.

Business transformation does not happen overnight. NEC is establishing its expertise to create a path for each individual customer. Each specific path accounts for respective customer budgets, current assets, personnel resources and demographics, vertical

industry, and long term goals. NEC assists with the development of a long term vision for its customers, and follows through with flexible options to protect existing investments. As a result, NEC customers can become more agile, mobile, and collaborative regardless of whether they consume solutions on-premises, from the cloud or as hybrid solutions.

In facilitating enterprise communications transformation, NEC is providing multiple strategies to find the best fit for each organization.

Brand Equity

Founded in 1899, the NEC name is widely associated with quality and innovation in both the consumer and enterprise technology markets. Throughout its history, the company has anticipated, tuned and adapted its products and services in line with evolving customer demands to successfully maintain the established NEC brand equity.

NEC's global presence and reach have been and continues to be instrumental to the strong brand equity that is the envy of its competitors. The company conducts business in 160 countries worldwide. It operates nine networked global research and development centers and employs a staff of 99,000 people worldwide, earning the company 64,000 patents. In addition, NEC consistently allocates five percent of its revenues toward continued innovation.

In summary, NEC continues to demonstrate the corporate strength and stability that is needed to achieve continued long term success in an increasingly dynamic marketplace.

Conclusion

The enterprise communications market is in a state of transition due to the influence of fast evolving macro and micro trends. NEC's Smart Enterprise initiative is providing holistic enterprise communications transformation options that help customers adapt and flourish in the face of complex challenges.

With its strong overall performance, NEC has earned Frost & Sullivan's 2016 Company of the Year Award.

Significance of Company of the Year

To win the Company of the Year award (i.e., to be recognized as a leader not only in your industry, but among your non-industry peers as well) requires a company to demonstrate excellence in growth, innovation, and leadership. This kind of excellence typically translates into superior performance in three key areas: demand generation, brand development, and competitive positioning. These areas serve as the foundation of a company's future success and prepare it to deliver on the two criteria that define the Company of the Year Award (Visionary Innovation & Performance and Customer Impact).



Understanding Company of the Year

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on visionary innovation to enhance customer value and impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated two key factors—Visionary Innovation & Performance and Customer Impact—according to the criteria identified below.

Visionary Innovation & Performance

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios through Mega Trends
- Criterion 3: Implementation Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact

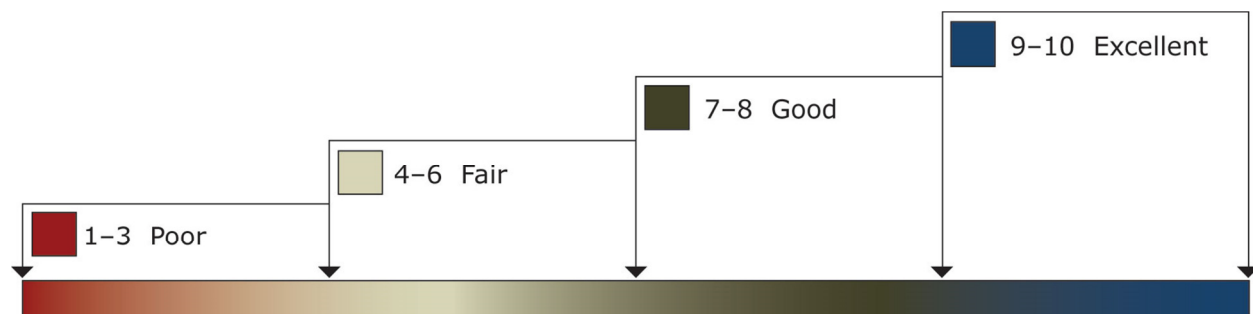
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practice Award Analysis for NEC

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard is organized by Visionary Innovation & Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key players as Competitor 2 and Competitor 3.

DECISION SUPPORT SCORECARD FOR COMPANY OF THE YEAR AWARD

<i>Measurement of 1–10 (1 = poor; 10 = excellent)</i>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
NEC	10	9.4	9.7
Competitor 2	9	8	8.5
Competitor 3	8	7	7.5

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers' unmet or under-served needs, and creating the products or solutions to address them effectively

Criterion 2: Visionary Scenarios through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling "first to market" growth opportunities solutions

Criterion 4: Implementation of Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 3: Blue Ocean Strategy

Requirement: Strategic focus in creating a leadership position in a potentially "uncontested" market space, manifested by stiff barriers to entry for competitors

Criterion 5: Financial Performance

Requirement: Strong overall business performance in terms of revenues, revenue growth, operating margin and other key financial metrics

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 2: Customer Purchase Experience

Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service

Criterion 4: Customer Service Experience

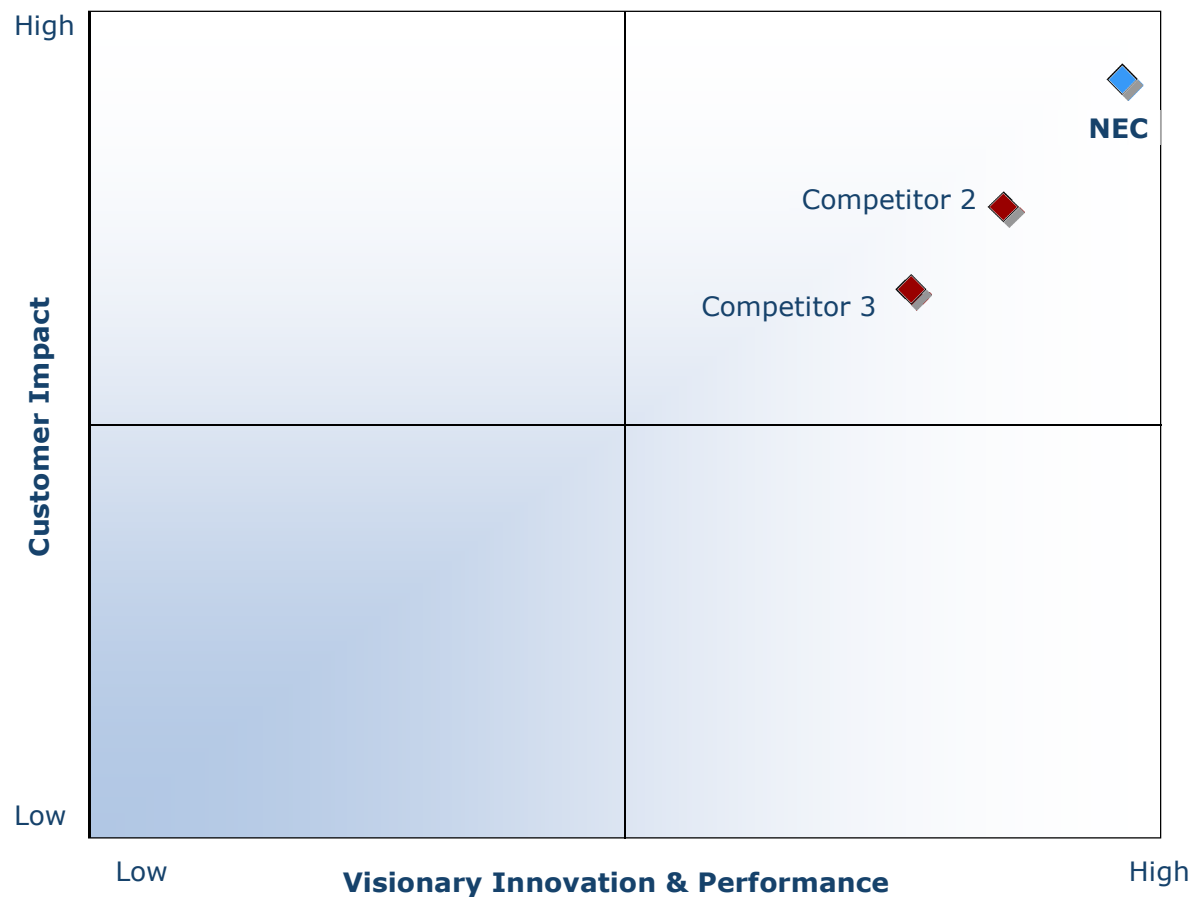
Requirement: Customer service is accessible, fast, stress-free, and of high quality

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

DECISION SUPPORT MATRIX FOR COMPANY OF THE YEAR AWARD

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan Awards follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify award recipient candidates from around the globe	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates 	Matrix positioning all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized award candidates
6 Conduct global industry review	Build consensus on award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible award candidates, representing success stories worldwide
7 Perform quality check	Develop official award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best-practice award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform award recipient of award recognition	<ul style="list-style-type: none"> • Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of award and plan for how recipient can use the award to enhance the brand
10 Take strategic action	Upon licensing, company may share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in future strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.