

Message from the President

To remain an essential company in the eyes of society in 5 years, 10 years and beyond, NEC will create new value by always keeping abreast of what constitutes value for its customers and society.



Takashi Niino President and CEO

- September 1954 Born in Fukuoka Prefecture, Japan
- March 1977 Graduated from the Faculty of Engineering of Kyoto University
- April 1977 Joined NEC Corporation
- April 2008 Senior Vice President
- April 2010 Executive Vice President
- June 2011 Executive Vice President and Member of the Board
- April 2012 Senior Executive Vice President and Member of the Board
- April 2016 President and CEO (Representative Director) (to present)

Aiming to Remain an Essential Company in Society's Eyes

Since its inception in 1899, NEC has been ethically creating products and services of value to customers under the motto "Better Products, Better Services." We are committed to remaining a company of choice and trusted by customers and all other stakeholders. This commitment has been captured in the NEC Way, which encapsulates the NEC Group's management philosophy, vision and business framework. The NEC Way guides all of us at NEC.

Meanwhile, the value that customers and society seek and expect from NEC is constantly changing. Whereas by itself our technologies and products were once a sufficient source of value, customers and society are now tapping into increasingly diverse sources of value. To remain an essential company in the eyes of society in 5 years, 10 years and beyond, we must create new value by constantly keeping our finger on the pulse of what it constitutes. Such an approach is absolutely imperative.

To express this mindset both internally and externally, we adopted "Orchestrating a brighter world" as our Brand Statement in 2014. This Brand Statement reflects NEC's determination to realize bright, hope-filled societies and ways of life as a leading integrator that possesses both computing and network technologies and combines them with diverse knowledge and ideas in collaboration

with people around the world. Guided by the NEC Way, we have chosen the path of creating social value in the form of safety, security, efficiency and equality, all of which are prerequisites for all people, and an abundant society, in the aim of orchestrating a brighter world. To achieve this aim, we have identified the seven themes for social value creation, in which we can help resolve social issues by leveraging our strengths. Continuously providing value as a social value innovator is our approach to sustainability.

Interest is growing globally in building sustainable societies has led to the emergence of international societal frameworks such as the United Nations Global Compact (UNGC), a set of sustainability guidelines for companies. The UNGC encompasses 10 principles pertaining to human rights, labor, the environment and anti-corruption. As a UNGC signatory since 2005, NEC conducts its business activities in compliance with these 10 principles.

In 2015, the UN adopted Sustainable Development Goals (SDGs) that coincidentally have much in common with NEC's seven social value-creation themes. We believe that by continuing to create social value, NEC will also contribute to the achievement of the SDGs.



NEC Group Corporate Philosophy:

NEC strives through 'C&C' to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential

NEC Group Vision:

To be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth

NEC Group Core Values:

"Passion for Innovation," "Self-help," "Collaboration," "Better Products, Better Services"

Renewed Focus on Compliance

Over the course of conducting business activities, NEC was notified by the Japan Fair Trade Commission of a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade ("Antimonopoly Act") with respect to transactions with Tokyo Electric Power Co., Inc. (currently Tokyo Electric Power Company Holdings, Inc.) on telecommunications equipment for electric power systems, in July 2016. In February 2017, NEC also received Cease and Desist Orders and Surcharge Payment Orders from the Japan Fair Trade Commission for activities in violation of the Antimonopoly Act with respect to transactions for wireless digital emergency firefighting equipment, and with respect to transactions for hybrid optical communication equipment and equipment for transmission lines for Chubu Electric Power Co., Inc.

Compliance is one of the NEC Group's top management priorities. The NEC Group has a long history of diligently implementing and continuously operating internal control systems. We sincerely regret and have self-reflected deeply on the repeated violations of the Antimonopoly Act. In response, we are endeavoring to reinforce our entire Group workforce's compliance mindset by repeatedly reminding all personnel about compliance-related matters, revising our fair trading education curriculum and methods, and stepping up internal reviews and monitoring of fair-trade compliance. These measures are not merely a one-off response. Going forward, we will endeavor to prevent recurrences of violations of the Antimonopoly Act by continuously improving our compliance regime in the aim of regaining trust.

NEC's Challenge

We have long been expanding our operations by developing and supplying products and services of value to our customers. In the past, our business units' technologies and products were so valued by customers that we were able to grow simply by upgrading our technologies and products. The more we did so, the more our operations grew. Today, however, customers and society's needs and wants have evolved and are diversifying so much that we can no longer grow our operations merely by virtue of the technologies or products alone.

To adapt to such change, NEC must mount company-wide efforts that transcends internal organizational boundaries and identify how and where to provide value by innovatively deploying its diverse assets in synergistic

combinations. This is the biggest change in NEC's history. Building the pillars that will drive NEC's next growth phase in response to this change is the greatest challenge currently facing NEC.

To surmount this challenge, we have designated key business areas in our mid-term management plans and have been allocating resources in pursuit of business expansion. While our efforts are starting to bear fruit in certain areas, we have yet to achieve full-fledged expansion in any of the key business areas. We have so far been unable to build the pillars of globally competitive businesses that will drive our next phase of growth.

How do we successfully navigate this challenge? I believe the key to this is management speed.

High-speed Management and the CEO's Role

Society and customers have been changing at a dizzying pace in recent years. If asked how well NEC's businesses are adapting to such change, I cannot deny that we lagged in certain areas. To avoid falling behind, and to keep abreast of societal changes and regain leadership stature, NEC must visibly step up its management speed.

To do so with a sense of urgency, we have delegated authority to eight C-suite officers tasked with addressing nine issues that require action across internal organizational boundaries. As CEO, I of course assume responsibility for the final outcomes, but a CEO cannot realistically make every decision. The other C-suite officers must make decisions to the extent possible within the range of their respective responsibilities and authority.

This initiative is not confined solely to C-suite officers. Our C-suite officers were appointed in the hope they would serve as in-house exemplars of transformation by

changing and evolving themselves. I hope that such a transformational spirit is ultimately instilled in each and every front-line employee and pervasively embedded into NEC's culture. I believe that fostering a culture of thinking for oneself and proactively taking action will revitalize our organization and resulting in faster management speed.

For NEC to survive in an era of digital transformation, it must swiftly change not only its business models but also everything from its employees' individual mindsets to its corporate culture.

Given such a reality, I believe my most important roles as CEO is to determine the direction of NEC's evolution and advancement, and foster a culture in which NEC thrives, organizationally and in terms of human resources and its business processes.

CGO : Chief Global Officer	CHRO : Chief Human Resources Officer	CSO : Chief Strategy Officer
CFO : Chief Financial Officer	CIO : Chief Information Officer	CMO : Chief Marketing Officer
CTO : Chief Technology Officer	CISO : Chief Information Security Officer	CCO : Chief Compliance Officer

In Pursuit of Improved Profitability

NEC aspires to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth. Current profits, however, are still insufficient for NEC to be globally competitive. We must improve our profitability. I believe there are three keys to doing so.

The first is to redouble internal efforts. We must thoroughly reduce and eliminate waste arising from unprofitable projects and other inefficiencies.

The second is to ensure adequate profits from domestic operations. With domestic markets already highly

mature, we assume that our domestic revenue will remain largely unchanged. Customers, by contrast, are constantly changing. Domestic business models likewise are changing dramatically. Amid such an environment, the key issue for NEC is how to transition existing businesses to sufficiently profitable business models.

The third is our mindset vis-à-vis global operations. Future revenue growth is contingent on expansion of our global operations. Such expansion has been a key priority of our mid-term management plans to date. We must bear in mind, however, that we cannot inflexibly cling to

on to the success of our domestic business models when expanding operations globally. In running a global business, we must first forget the values and sense of time we have cultivated in our domestic operations and then develop a business model that will generate sufficient sales and profits globally. After deciding which aspects of our key business areas (for example, Safety, SDN/NFV) to target, we aim to expeditiously move forward by pursuing alliances and/or where feasible M&As.

Given NEC's current situation, we cannot afford to prioritize any of these three keys over the others. We must simultaneously forge ahead on all three fronts. NEC has long been pursuing a 5% operating margin as one of its targets. This target is now imbued with a sense of critical urgency: if we do not achieve it soon, NEC may not have a future. I am determined to first expeditiously achieve our 5% operating margin target and then further boost our operating margin to a globally competitive level.

Maximizing Corporate Value Through Co-creation

Digital transformation is driving society toward a major turning point. We see this development as not a mere trend but a watershed event consequential enough to change economies' industrial structure. As digital transformation continues to progress, new business models and arrangements will emerge. As they do, what NEC is capable of accomplishing on an individual basis will progressively shrink in scope. Going forward, the issue of how to collaborate with customers and various

other stakeholders to maximize the value NEC provides will become increasingly important. NEC will engage in an ethical manner such co-creation more proactively than in the past, not only in Japan but also globally.

Lastly, I want to reiterate that all NEC personnel must act fairly and ethically with a bona fide compliance-first mindset. By doing so consistently we will enhance our corporate value as a sound company while regaining the trust of all stakeholders.

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Takashi Niino
President and CEO

