

Orchestrating a brighter world



# Annual Report 2015

Year ended March 31, 2015



NEC will create “an information society friendly to humans and the earth” Way. A more concrete application of this principle is our declaration of image of “orchestrating a brighter world,” reflecting the principle to our NEC serves to society and customers with values contributes to by security, efficiency and equality through the power of ICT to offer medium- to long-term development of the NEC Group.

### Sustainable Development of Society and the NEC Group through The NEC Way



The NEC Way includes the Group Corporate Philosophy, the Group Vision 2017, the Group Core Values, the Group Charter of Corporate Behavior, and the Group Code of Conduct.

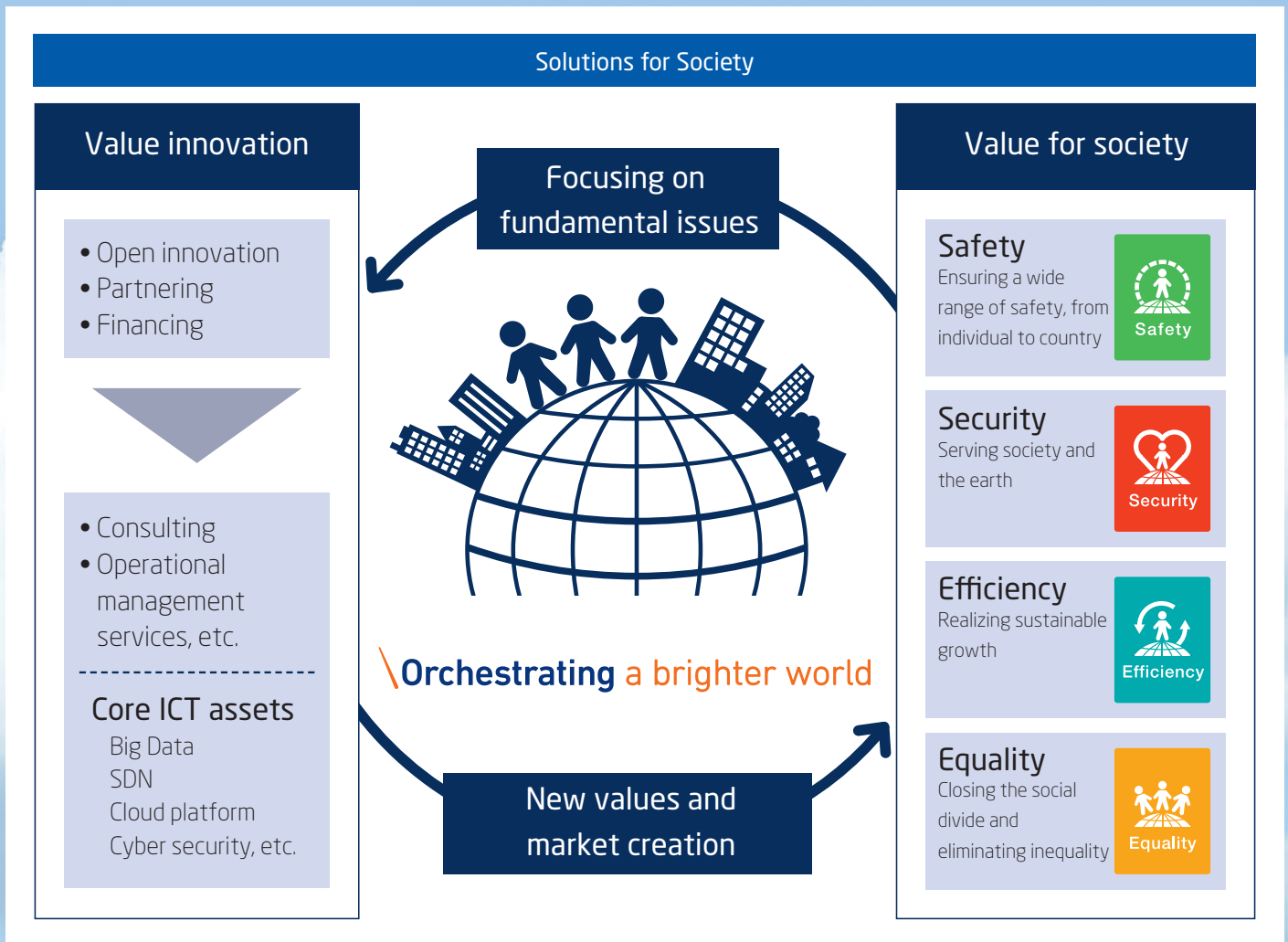
**NEC Group Corporate Philosophy:** NEC strives through “C&C” to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential

**NEC Group Vision 2017:** 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, and Better Products, Better Services

by contributing to customers and society through the practice of the NEC becoming a "Social Value Innovator." We have developed a corporate key business activities.

continuing to present to society or customers values such as safety, solutions to social problems. We hope that our contribution underpins the



**Corporate Key Message: Orchestrating a brighter world**

NEC fuses innovative ICT technology, services and knowledge cultivated over many years to provide social solutions through collaboration and cooperation with people around the globe and realize a safe, secure, efficient and equal society that brightens people's lives. Orchestrating a brighter world includes NEC's strong determination for the future.



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### Editorial Policy

Since 2013, NEC has published an integrated annual report that provides both financial and non-financial information.

Annual Report 2015 comprises four chapters: I Management Policies; II Business Activities for Value Creation; III Business Foundation to Support Value Creation; and IV Corporate Data. The first chapter outlines thoughts about NEC’s “Mid-term Management Plan 2015” and medium- to long-term value creation. The second chapter includes an introduction to specific examples of activities in addition to outlining business structure and social value creation. The third chapter introduces the management foundation supporting NEC’s medium- to long-term corporate value enhancement through such means as corporate governance, directors and members of the Audit & Supervisory Board and the business execution structure.

By exchanging opinions with the International Integrated Reporting Council (IIRC), institutional investors and various other stakeholders, and reflecting their opinions in its reporting, NEC will continue to provide clearer and more useful information going forward.

### Reporting Period

April 1, 2014 to March 31, 2015 (This report also includes information obtained after this reporting period)

### Scope of Report

NEC Corporation and its Consolidated Subsidiaries

### Reference Guidelines

- Global Reporting Initiative (GRI) “Sustainability Reporting Guidelines 4.0”
- United Nations Global Compact
- ISO 26000



NEC is a signatory to the United Nations Global Compact.

### Other Related Information

- Earnings releases/annual securities report
- Corporate Governance Report
- Corporate Social Responsibility (CSR)
- Annual Environmental Report
- Information Security Report
- Social Contribution Activities

### Evaluation by External Parties

FTSE4Good Global Index



Euronext Vigeo World 120 Index



ETHIBEL PIONEER & EXCELLENCE



STOXX ESG LEADERS



Morningstar Socially Responsible Investment Index



EcoVadis



MSCI ACWI ESG Index  
MSCI World ESG Index

## Message from the President



### Sustainable Development

At NEC, we ensure continual development of the NEC Group and contribute to a sustainable society by implementing The NEC Way, a cohesive framework that outlines the NEC Group's management practices and operations.

NEC is working to realize "an information society friendly to humans and the earth" as asserted in the NEC Group Vision 2017, based on NEC's Corporate Philosophy. With belief that enterprises must contribute to the well-being of society, everyone at NEC values moral and is committed to meeting compliance standards in daily business operations and putting into practice the NEC Group Core Values. In doing so, the NEC Group aims to solve social and environmental issues which affect people's lives. It is also important to maintain proactive disclosure of activities and challenges to our stakeholders and fulfill

accountability. The Corporate Governance Code was adopted in June, and the NEC Group will continue to bolster initiatives emphasizing dialogue with stakeholders as we aim to ensure highly-effective corporate governance. We are also committed to keeping open communications with stakeholders to improve our operations and build relationships of trust.

One of the ongoing practices began in 2005, when NEC became a signatory to the United Nations Global Compact (UNGC). NEC continues to conduct corporate business activities in compliance with the ten principles in the areas of human rights, labor, the environment, and anti-corruption based on the UNGC framework.

NEC is also participating proactively in international frameworks such as "Transforming our world: the 2030

Agenda for Sustainable Development” that will be adopted by the United Nations this September, and we are striving to solve social issues through our “Solutions for Society.”

The concept of innovation takes on a very important meaning in the context of NEC’s efforts to solve social

issues. To be an innovative company, it is vital to establish a diverse culture where people from different backgrounds and different ideas can collaborate. Going forward, NEC will promote innovation as well as global leaders who will lead innovation to enhance societal value.

## Value Creation through Information and Communications Technology

In line with the “Mid-term Management Plan 2015,” we declared our commitment to transforming the NEC Group into a “Social Value Innovator.” Through our “Solutions for Society,” we are working to provide the values of safety, security, efficiency and equality.

Observing the megatrends in the world, we see some social problems are emerging, such as resources and environmental issues, as well as growth in emerging countries. In the fiscal year under review, we have selected the areas in which we can contribute to solving problems, and we have established seven themes for social value creation. Formulating these seven themes enables us to further clarify the direction the NEC Group should pursue,

as well as provide additional clarity for the “Solutions for Society.”

The NEC Group takes full advantage of Information and Communications Technology, or ICT to provide value, such as safety, security, efficiency and equality through the “Solutions for Society.” We place particular importance on three keywords: “real-time,” “dynamic,” and “remote.” This is because these are strengths rooted in the technologies and know-how that we have cultivated over the years, and the source of the value the NEC Group provides.

For example, in the field of Big Data utilization, new services leveraging ICT are being created. In these services, massive amounts of data are processed and analyzed in real



time, and the analytics are applied to forecast future events and create dynamic solutions for our customers. Moreover, these services can be provided to the customers remotely.

By pursuing the real-time nature of ICT, as well as its dynamism and remote properties, we provide social solutions that contribute to the world through values of safety, security, efficiency and equality.

NEC possesses many powerful technologies and solutions in ICT, including face recognition technology with the world's most accuracy, as well as in domains such as analytic engines, Big Data, SDN, cloud platform and safety. We will utilize ICT to link these technologies with individual infrastructure systems and continue to contribute to the building of infrastructure that offers new value.

## Maximizing Corporate Value

In April 2013, we announced our "Mid-term Management Plan 2015." The first year of the plan was positioned as a year for preparation, the second set as a year for delivering results, and the third positioned as a year for growth. In the fiscal year ending March 31, 2016 (the upcoming fiscal year), as the year of growth, we will focus on initiatives aimed at accelerating our growth strategy and improving our profitability.

In addition, we believe it is necessary to reform our corporate culture to increase corporate value over the long-term horizon. At the NEC Group, there is a deeply-rooted culture of providing prominent value to each client in a customized manner. However, to be competitive on a global scale and grow our business, we must build up a single, common platform that we provide to multiple customers. Therefore, we will also work on establishing a business model that will be integrated into our corporate culture.

In terms of our initiatives over the medium to long-term span, we have concluded a partnership agreement with the Tokyo Organising Committee of the Olympic and Paralympic Games, and NEC has become a Gold Partner for the Tokyo 2020 Olympic and Paralympic Games (Tokyo 2020). Tokyo 2020 is an opportunity for Japan to evolve into a mature society, and also represents a chance for NEC to accelerate its transformation into a social value innovator through contributions primarily to Tokyo 2020's Specialist Public Safety Equipment & Software and Network Equipment that will help create a legacy\* for solving social problems.

NEC provides biometric authentication technologies including the face recognition technology, and the world's first commercialized SDN-based network solutions. We will leverage our track record in providing technologies as well

as its know-how and cooperate with a variety of partners to build a social infrastructure in 2020. Furthermore, we will focus on legacy-building achievements while accelerating the development and expansion of "Solutions for Society" that aims to create a more advanced social infrastructure through ICT.

As a social value innovator, NEC is committed to delivering safety, security, efficiency and equality worldwide to connect to our own growth. We will continue to create new value to achieve our mid-term management plan and realize our Group vision, together with the sustainable growth of society and the NEC Group in the future.

I look forward to your continued understanding and support as we endeavor to reach our goals.

June 2015



**Nobuhiro Endo**  
President, NEC Corporation

\* Legacy: Tangible and intangible assets in sports, society(culture, education), environment, urban development, and economy that are built in cities and countries for the hosting of the Olympics and Paralympic Games

# Progress on “Mid-term Management Plan 2015”

The fiscal year ended March 31, 2015 (the fiscal year under review) marked the second year of the “Mid-term Management Plan 2015,” and during the year we focused on business activities aimed at achieving growth. Having declared our intention to transform the NEC Group into a Social Value Innovator, we are engaging in businesses based on the three policies of focusing on “Solutions for Society,” focus on Asia and the promotion of ‘locally-led’ businesses, and stabilizing our financial foundation.

We have positioned the fiscal year ending March 31, 2016 (the upcoming fiscal year), the final year of the mid-term management plan, as a year for growth. In the upcoming fiscal year, we will grow our businesses and create the launching point for the next mid-term management plan. In this feature, we introduce the achievements made during the second year of the mid-term management plan, as well as initiatives we will undertake in the third year.

## Main Initiatives and Performance in Fiscal 2015

### (1) Focus on “Solutions for Society”

NEC concentrates its management resources in “Solutions for Society,” and provides advanced social infrastructure using ICT (information and communications technology). We are transforming

into a Social Value Innovator and aim to contribute to the realization of an affluent society, a society that ensures safety, security, efficiency and equality.

### Mid-term Management Policy

#### (1) Focus on Solutions for Society

##### Transformation into a “Social Value Innovator”

- Focus management resources on businesses that advance social infrastructure through ICT
- Create new business models with the understanding that social problems provide an opportunity for growth

#### (2) Focus on Asia, Promotion of “Locally-led” Businesses

##### Create a foundation for growth as a company able to compete globally

- Focus on emerging and developing countries, in particular in Asia
- Realize increased sensitivity to local needs, increased business speed

#### (3) Stabilize Our Financial Foundation

- Enhance cost competitiveness
- Create an earnings structure that generates operating income of ¥150 billion and free cash flows of ¥100 billion
- Use hybrid finance to ensure financial reserve

Achieve an  
operating income  
ratio of **5%** and  
an overseas sales  
ratio of **25%**

In the fiscal year under review, we focused on SDN (Software-Defined Networking), a next-generation network technology that provides both efficiency and safety. In Japan, NEC was selected as the partner vendor for NTT DOCOMO, INC.'s development of network virtualization technology. We progressed on preparations for a large-scale trial on a commercial network aimed at launching Virtualized Customer Premises Equipment (vCPE) solutions for Telefónica Brasil, S.A. Already, NEC has delivered more than 250 systems for a variety of customers, including hospitals, transportation systems, municipalities, telecom operators, and data centers.

In the cloud business, we utilized the NEC Kanagawa Data Center to expand sales of the “NEC Cloud IaaS” cloud platform

service. The strengths of our service are high cost performance, strong performance, and high reliability. Furthermore, we will newly build the NEC Kobe Data Center to strengthen the domestic data center business.

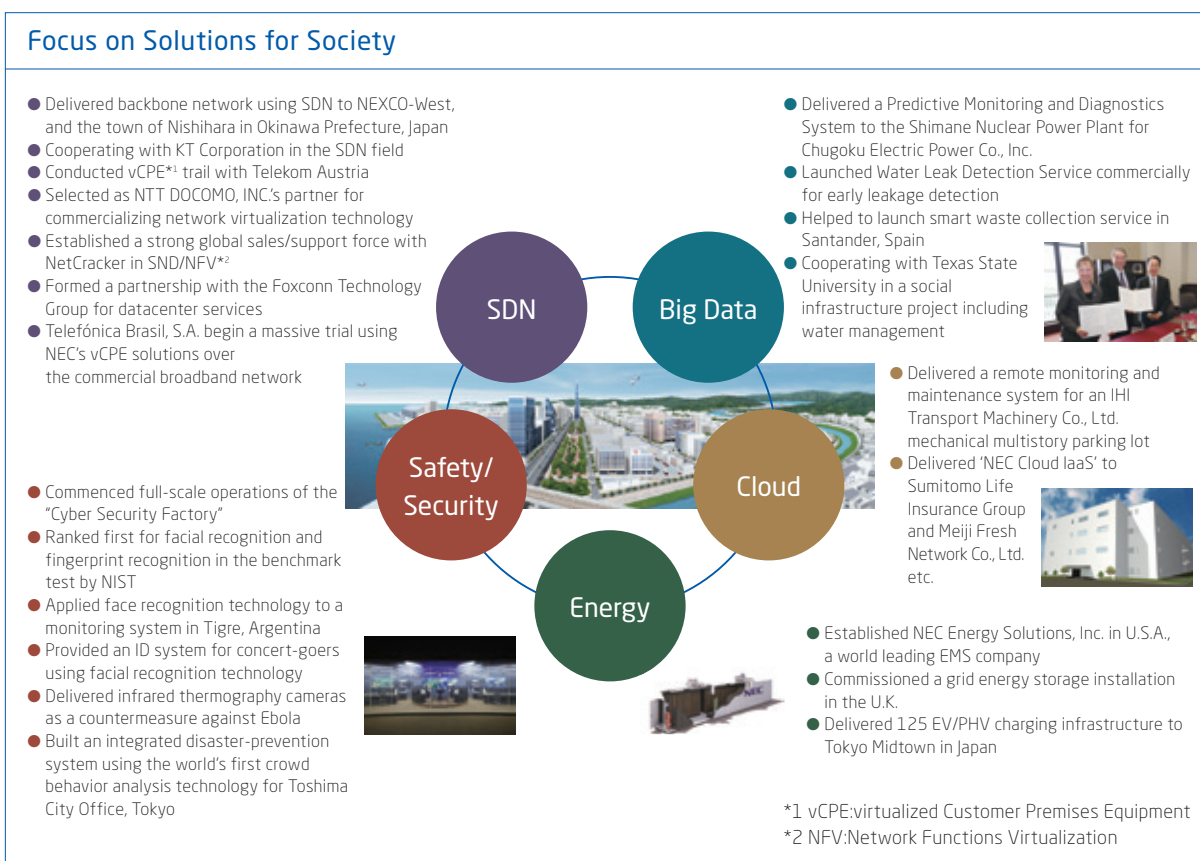
In Big Data, we delivered a Predictive Monitoring and Diagnostics System for large-scale plants to The Chugoku Electric Power Co., Inc. This system detects abnormalities in equipment at an early stage and provides information on locations of possible abnormalities, allowing time for repairs before a malfunction occurs. In the state of Texas in the U.S., we worked on a project for a Water Leak Detection Service. By combining high-precision sensors and the cloud, this service allows water utilities to manage water resources at low cost.



In safety, in June 2014 we began full-scale operations of the Cyber Security Factory to support the comprehensive information security of approximately 100 companies. This facility was newly constructed as a core base for protecting information assets from cyberattacks. On the other hand, our face recognition technology, which supports a more secure society, was ranked No. 1 for the third consecutive time in benchmark testing performed by the U.S. National Institute of

Standards and Technology (NIST). Our fingerprint recognition technology was also ranked highest in the industry.

Finally, in smart energy, NEC delivered smart meter communication units for Tokyo Electric Power Company, Incorporated. We also established NEC Energy Solutions, Inc. in the U.S. as part of our effort to globally expand the energy storage business.



## (2) Focus on Asia, Promotion of "Locally-led" Businesses

The NEC Group is expanding international business with an aim to establish a foundation for growth in Asia in particular, where there is robust demand for social infrastructure. We are paying close attention to local needs and work to accelerate the development of "locally-led" businesses.

During the fiscal year under review, in the telecom carrier business, NEC worked on a number of large projects for submarine cable systems in the Asia-Pacific region. In addition, we received an order for the world's first submarine cable system crossing the South Atlantic Ocean as well as an order from Zambia's Zamtel for a large mobile backhaul project. NEC and its subsidiary, NetCracker

Technology Corp., provided Swisscom AG, a leading Swiss telecom company for Operational Support System or OSS. We also agreed with Swisscom to discuss further for providing technology for next-generation Telecom Operations and Management Solutions (hereafter, TOMS) and Management and Network Orchestration (hereafter, MANO).

Moreover, in the IT-related business, we began new businesses globally in both the IT and social infrastructure fields. During the fiscal year under review, NEC integrated the public transportation fare system of Dhaka (Bangladesh) and introduced facial recognition technology into the urban surveillance system of Tigre (Argentina). We also participated in a smart waste collection management

service in Santander (Spain), and provided managed IT service in Australia. These projects were obtained by offering the NEC Group's technologies and expert solutions in a global market, and going

forward, we will develop these as the pillars of our solutions for further growth.

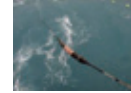
## Main Initiatives in Global Business

### Greater China and APAC

- Commenced demonstration tests for energy management system for mobile phone base stations in India
- Deployed leading face recognition solution at Lemon Tree Hotels for advanced security
- Provided face recognition technology to Surat City Police
- Delivered a transit fare system for public transportation in Dhaka, Bangladesh
- Built ICT infrastructure for the Myanmar International Convention Center
- Implemented solutions for SMRT Corporation to enhance bus service excellence
- Signed MOU with Singapore Economic Development Board to collaborate on cyber security, smart energy, health care and IoT



- Cooperating with KT Corporation in SDN field
- Awarded an order to build New Trans-Pacific Cable System "FASTER"
- Began construction of "SEA-US" (the South-East Asia-United States) Cable System
- Awarded an order to build a submarine cable system between Thailand and Hong Kong
- Implemented nationwide digital TV transmitters for Thai Public Broadcasting Service
- Provided cloud service Obligato for SaaS, to auto part and machine tool manufacturer in Thailand
- Won a contract for management and provision of Centralised Processing facilities for the Australian Department of Defence
- Awarded a next generation WiFi and video solution, "iPASOLINK EX" for public safety purposes from the Liverpool City Council, Australia
- Won TOMS contract from Singtel Optus Pty Limited, an integrated telecommunications service provider in Australia



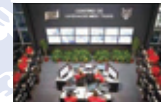
### EMEA

- Collaborated with Arqiva with the BBC on a series of live trials of over-the-air 4K Ultra High Definition (UHD) broadcasts
- Formed a partnership with Ymens to develop trustworthy government cloud services for Romania
- Helped to launch smart waste collection service in Santander, Spain
- Collaborated with Dacom B.V. on precision farming solution field tests in Romania
- Awarded a contract for microcell backbone/access from Zamtel, Zambia
- Delivered infrared thermography cameras as a countermeasure against Ebola



### Americas

- Delivered ICT system for a stadium in Natal, Brazil
- Collaborated with Brazil's largest TV network, for live 4K terrestrial broadcasting trial
- Started large-scale trial on a commercial network aimed at launching vCPE solutions for Telefónica Brasil, S.A.
- Applied face recognition technology for a monitoring system in Tigre, Argentina
- Collaborating with the Mexican Space Agency in satellite development
- Cooperating with Texas State University in a social infrastructure project
- Built ICT rooms at schools and community centers in Colombia



### (3) Stabilize Our Financial Foundation

In terms of building a stable financial foundation, the NEC Group aims to secure solid net income and consistently generate 100 billion yen of free cash flows per year by establishing stronger profit structure. Furthermore, NEC hones cost competitiveness to accelerate its growth in a global market.

To this end, NEC acquired 100% stakes of NEC Fielding, Ltd., in enhancing efficiency in system integration and services. Furthermore, we reorganized the domestic hardware and software development and production offices, thereby strengthening "Solutions for Society." We also established NEC Management Partner, Ltd. and initiated measures to improve business processes.

## Carrying Out NEC's Growth Strategy

In the "Mid-term Management Plan 2015," the NEC Group has established "Solutions for Society," as a focus business for global reach, and is advancing initiatives to deliver lasting growth. In the two years after our announcement of the midterm plan, we built stronger business portfolio with clearer focus areas. In the third and final year of the plan, we strive to make major contributions to markets.

In looking back at the past two years, the environment has improved in domestic public infrastructure investment, including outdoor communications systems, initiatives related to fire prevention digital technology, and initiatives related to the adoption of the Social Security and Tax Number System in Japan. On the other hand, some markets were slower than we initially expected, namely, the launch of the market for SDN for telecom carriers and the launch of energy markets, which we had expected would expand significantly. Furthermore, the weakening of the yen resulted in higher materials costs, particularly in the system platform business.

Taking these into consideration, in fiscal 2016, we will focus on accelerating growth strategies and improving profitability.

With respect to accelerating the growth strategies, we plan to increase strategic investments in SDN and energy by ¥15 billion year on year in fiscal 2016, and boost both sales and profits of these businesses over the medium term. We will also increase the sales ratio of focus businesses, such as SDN, cloud, Big Data, safety, and smart energy, from 10% to 15% year on year.

In terms of bolstering initiatives aimed at improving our level of profitability, we are taking initiatives to streamline business

processes and reduce workload of indirect operations by 30%. We will allocate abundant resources from these initiatives into growth fields, such as businesses related to the Social Security and Tax Number System and the Tokyo 2020 Olympic and Paralympic Games, thereby achieving more efficient business management.

In fiscal 2016, we will set the course of direction that the NEC Group can follow to achieve future growth, and create the next medium-term management plan.

Going forward, our goal remains to contribute to realizing a better society by developing "Solutions for Society." NEC is transforming into a "Social Value Innovator" to serve a broader range of stakeholders.



# Message from the CFO



**Isamu Kawashima**

Executive Vice President, CFO (Chief Financial Officer) and  
Member of the Board

## Fiscal 2015 Performance

The NEC Group recorded consolidated net sales of ¥2,935.5 billion for fiscal 2015, a decrease of ¥107.6 billion or 3.5% year on year. While the Public business saw an increase in sales, there was a decrease in the System Platform business. Also, sales of Others declined due to deconsolidation of the Internet service business and mobile phone sales business. Regarding profitability, consolidated operating income improved by ¥21.9 billion year on year, to ¥128.1 billion, mainly due to increased sales in the Public business and improved mobile phone business.

Consolidated net income was ¥57.3 billion, a year-on-year improvement of ¥23.6 billion. Despite a decrease in subsidiaries and affiliates' stock, there was improvement in operating income as well as in non-operating income including equity in earnings of affiliates and foreign exchange gain. In addition, there were minority interests in income from making NEC Fielding, Ltd. a wholly-owned subsidiary. As a result, return on equity (ROE) was 7.5%, a 2.7 percentage point improvement from the previous fiscal year.

## Dividends and Returns to Shareholders

NEC intends to adopt a policy that best responds to the rapidly changing business environment. Thus, the Company considers, among other factors, the following in determining its cash dividends: the profits earned in the relevant fiscal year; the financial outlook for the following fiscal year, the dividend payout ratio, and the internal demand for funds such as capital expenditures. NEC

attained the target for operating income and net income, and a dividend of ¥4 per share was issued as promised at the beginning of the period. For the fiscal year ending March 31, 2016, NEC plans for an annual dividend of ¥6 per share of common stock while no interim dividend will be paid.

(Billion ¥)	FY2014/3	FY2015/3	
	Results	Initial plan	Results
Net sales	3,043.1	3,000.0	2,935.5
Overseas sales	569.2		586.8
Overseas sales ratio	18.7%		20.0%
Operating income	106.2	120.0	128.1
Operating income ratio	3.5%	4.0%	4.4%
Net income	33.7	35.0	57.3
Return on equity (ROE)	4.8%		7.5%

## Fiscal 2015 Financial State

Total assets were ¥2,620.7 billion as of March 31, 2015, an increase of ¥115.3 billion compared with the end of the previous fiscal year. Current assets as of March 31, 2015 increased by ¥73.9 billion compared with

the end of the previous fiscal year to ¥1,576.8 billion, mainly due to an increase in accounts receivable-trade.



Noncurrent assets as of March 31, 2015 increased by ¥41.4 billion compared with the end of the previous fiscal year to ¥1,043.9 billion, mainly due to increased retirement benefit assets.

Total liabilities as of March 31, 2015 decreased by ¥1.2 billion compared with the end of the previous fiscal year, to ¥1,736.5 billion. The balance of interest-bearing debt amounted to ¥520.8 billion, a decrease of ¥54.4 billion compared with the end of the previous fiscal year. The debt-equity ratio as of March 31, 2015 was 0.63, an improvement of 0.20 points compared with the end of the previous fiscal year. The balance of net interest-bearing debt as of March 31, 2015, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to ¥339.6 billion, a decrease of ¥28.9 billion compared with the end of the previous fiscal year. The net debt-equity ratio as of March 31, 2015 was 0.41, an improvement of 0.12 points compared with the end of the previous fiscal year.

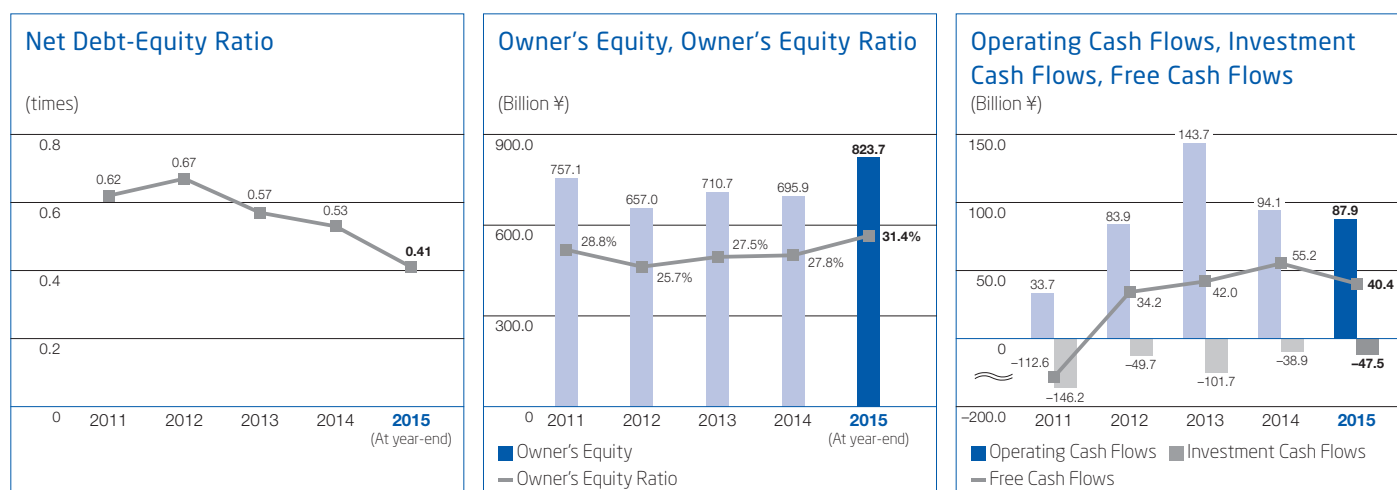
Total net assets were ¥884.2 billion as of March 31, 2015, an increase of ¥116.5 billion compared with the end of the previous fiscal year, mainly due to the recording of net income and an increase in the remeasurements of defined benefit plans for the fiscal year ended March 31, 2015.

As a result, the owner's equity as of March 31, 2015 was ¥823.7 billion and owner's equity ratio was 31.4%, an improvement of 3.6 points compared with the end of the previous fiscal year.

Net cash inflows from operating activities for the fiscal year ended March 31, 2015 were ¥87.9 billion, a worsening of ¥6.2 billion compared with the previous fiscal year, mainly due to worsened working capital.

Net cash outflows from investing activities for the fiscal year ended March 31, 2015 were ¥47.5 billion, an increase of ¥8.6 billion as compared with the previous fiscal year. This was mainly due to increased outflows for business acquisitions, while in the same period of the previous fiscal year, the acquisition of trust beneficiary rights set to land and buildings of the NEC Group's Tamagawa business facilities was offset by cash inflows from the gain on sales of subsidiaries and affiliates' stocks.

As a result, free cash flows, the sum of cash flows from operating activities and investing activities for the fiscal year ended March 31, 2015 totaled a cash inflow of ¥40.4 billion, a decrease of ¥14.8 billion year on year.



## Initiatives for Fiscal 2016

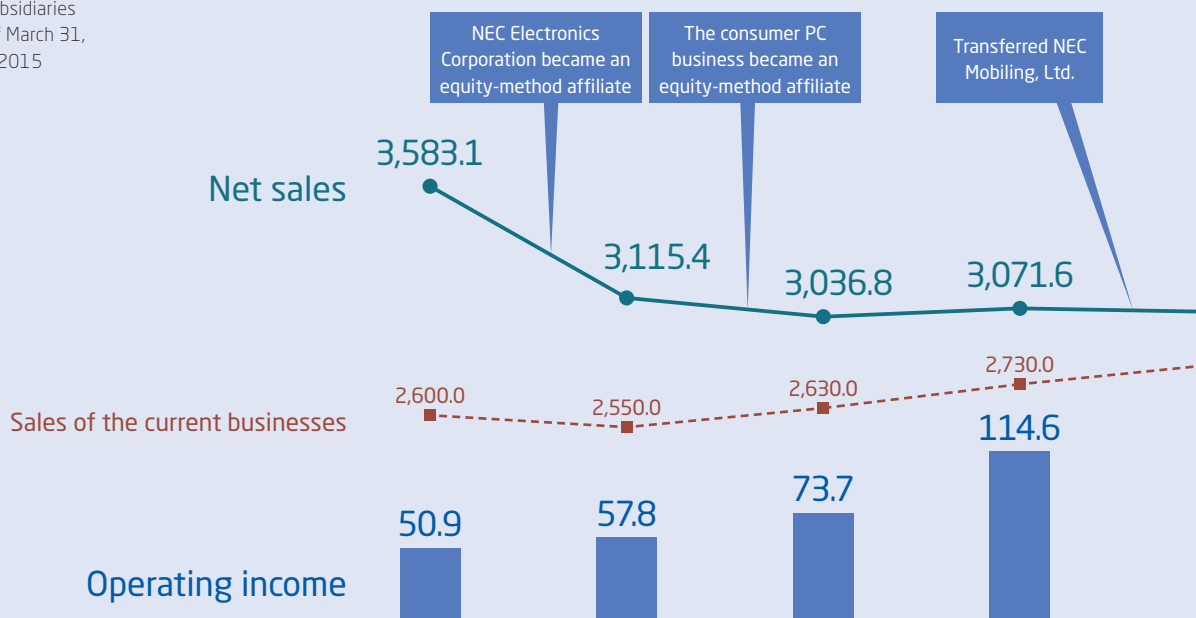
NEC has achieved year-beginning targets for operating income and net income for the past three years consecutively, including the year under review, and is shaping a structure capably of recording stable profits in addition to focusing on "Solutions for Society." The business plan for the year ending March 31, 2016, the final year of the "Mid-term Management Plan 2015," is to accelerate in strategic investments necessary for NEC to enter its growth trajectory. This will enable well-balanced business portfolio centered on sales and earnings growth in target domains or overseas to grow, and achieve better profitability and improved cash flows.

The NEC Group is preparing for the voluntary adoption of International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2017, to enhance the international comparability of its financial information in capital markets.

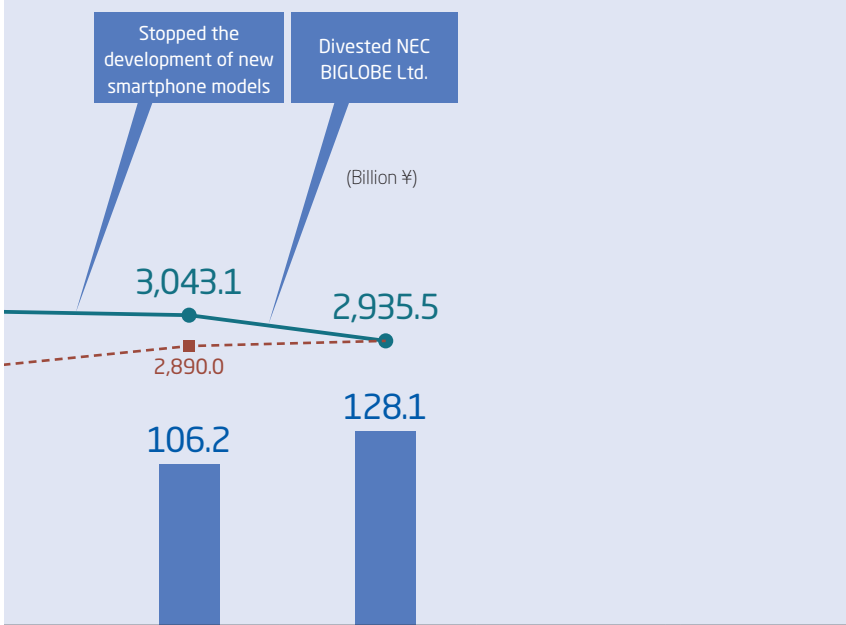
At NEC, we will continue with our initiatives in establishing a strong finance foundation. In doing so, we aim to achieve initial targets in the upcoming fiscal year, and to record results in accordance with a year for growth.

# Performance Highlights

NEC Corporation and Consolidated Subsidiaries  
For the years ended or at year-end of March 31,  
2010, 2011, 2012, 2013, 2014 and 2015



	Millions of yen			
	2010	2011	2012	2013
Net sales .....	¥3,583,148	¥3,115,424	¥3,036,836	¥3,071,609
Overseas sales .....	712,886	479,349	481,492	483,118
Percentage of international sales to consolidated net sales (%) .....	19.9	15.4	15.9	15.7
Operating income .....	50,905	57,820	73,742	114,647
Ordinary income .....	49,429	41	42,050	92,024
Net income (loss) .....	11,428	(12,518)	(110,267)	30,434
Cash flows from operating activities .....	134,816	33,660	83,857	143,748
Cash flows from investing activities .....	(41,241)	(146,244)	(49,706)	(101,742)
Free cash flows .....	93,575	(112,584)	34,151	42,006
R&D expenses .....	275,970	176,514	161,968	151,676
Capital expenditures (property, plant and equipment) .....	83,098	52,850	41,980	45,614
Depreciation (property, plant and equipment) .....	111,167	62,097	53,306	51,167
Per share data (in yen and U.S. dollars):				
Net income (loss) .....	5.04	(4.82)	(42.44)	11.71
Cash dividends .....	4.00	0.00	0.00	4.00
Total assets .....	2,937,644	2,628,931	2,557,570	2,580,966
Owner's equity .....	790,904	757,054	656,956	710,666
Return on equity (%) .....	1.6	—	—	4.5
Owner's equity ratio (%) .....	26.9	28.8	25.7	27.5
Interest-bearing debt .....	729,548	675,798	692,734	603,451
Debt-equity ratio (times) .....	0.92	0.89	1.05	0.85
Number of consolidated subsidiaries .....	310	283	265	270
Number of employees .....	142,358	115,840	109,102	102,375
CO <sub>2</sub> emissions reduction by providing IT solutions (thousand tons) ....	1,900	2,120	2,310	2,980
Improvement in energy efficiency of products (%) .....	44	53	66	64



2014	2015	Millions of U.S. dollars 2015	Percent change 2015/2014
¥3,043,114	¥2,935,517	\$24,463	-3.5%
569,172	586,844	4,890	3.1
18.7	20.0		
106,193	128,084	1,067	20.6
69,152	112,112	934	62.1
33,742	57,302	478	69.8
94,124	87,917	733	-6.6
(38,893)	(47,510)	(396)	—
55,231	40,407	337	-26.8
142,723	134,205	1,118	-6.0
98,708	37,425	312	-62.1
45,167	48,518	404	7.4
12.99	22.05	0.18	69.7
4.00	4.00	0.03	0.0
2,505,329	2,620,652	21,839	4.6
695,949	823,650	6,864	18.3
4.8	7.5		
27.8	31.4		
575,151	520,778	4,340	-9.5
0.83	0.63		
258	232		
100,914	98,882		
2,290	2,540		
75	91		

## Key Management Measures

- Measures to restructure business portfolio
- Measures to grow business and strengthen financial foundation

### Year ended March 31, 2011

- Made the semiconductor business NEC Electronics Corporation, currently Renesas Electronics Corporation, into an equity-method affiliate

### Year ended March 31, 2012

- Made the consumer PC business into an equity-method affiliate
- Acquired Global View S.A., which provides video surveillance services in Argentina

### Year ended March 31, 2013

- Acquired the business support system business of U.S.-based Convergys Corporation
- Acquired IT service business of Australia-based CSG Limited
- Made NEC TOKIN Corporation into an equity-method affiliate

### Year ended March 31, 2014

- Divested the Group's equity stakes in NEC Mobiling, Ltd., currently MX Mobiling, Co., Ltd., a mobile phone business
- Stopped the development of new smartphone models in mobile phone business

### Year ended March 31, 2015 (fiscal year under review)

- Divested the Group's equity stakes in NEC BIGLOBE Ltd. currently BIGLOBE, Inc., an Internet Service Provider in March, 2014
- Made NEC Fielding, Ltd., a network operation and maintenance service provider, a wholly-owned subsidiary
- Established NEC Solution Innovators, Ltd. in a reorganization of seven software subsidiaries
- Established NEC Platforms, Ltd. in a reorganization of four hardware development and manufacturing companies
- Established NEC Management Partner, Ltd. in a reorganization of four staff service subsidiaries
- Completed acquisition of storage system business to power companies and established NEC Energy Solutions, Inc. in North America

- Notes:
1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120 = U.S.\$1.
  2. Net income (loss) per share is calculated based on the weighted-average number of shares outstanding during each period.
  3. Owner's equity is the sum of total shareholders' equity and total accumulated other comprehensive income.
  4. The debt-equity ratio is calculated by dividing interest-bearing debt by owner's equity.
  5. Improvement in energy efficiency of products is based on a comparison with the year ended March 31, 2006.

# At a Glance

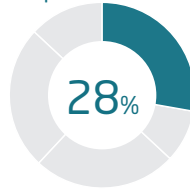
NEC Corporation and Consolidated Subsidiaries

Net sales, operating income and composition of sales are financial results for the year ended March 31, 2015.

## Public Business

Net sales **821.9** billion yen  
 Operating income **74.8** billion yen  
 Main customers  
 Government, public, healthcare, finance and media

Composition of sales



### Major Products and Services

- Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing/Cloud Services, System Equipment

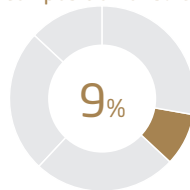
### Examples of Solutions by Business Sector/Industry

- Government: Social Security and Tax, Fingerprint Identification, Air Traffic Control, Satellite Communications/Earth Observation, Outdoor Communication

## Enterprise Business

Net sales **270.5** billion yen  
 Operating income **8.3** billion yen  
 Main customers  
 Manufacturing, retail and services

Composition of sales



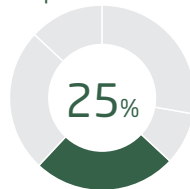
### Major Products and Services

- Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing/Cloud Services

## Telecom Carrier Business

Net sales **740.2** billion yen  
 Operating income **62.0** billion yen  
 Main customers  
 Telecom carriers

Composition of sales



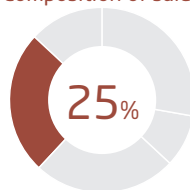
### Major Products and Services

- **Network Infrastructure**  
 Core Network, Mobile Phone Base Stations, Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Optical Transmission Systems, Routers/Switches, Mobile Backhaul ("PASOLINK")

## System Platform Business

Net sales **728.9** billion yen  
 Operating income **31.4** billion yen

Composition of sales



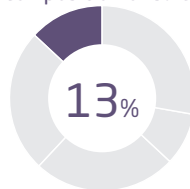
### Major Products and Services

- **Hardware**  
 Servers, Mainframes, Supercomputers, Storage, Business PCs, Tablet Devices, POS, ATMs, Control Equipment, Wireless LAN Routers, Displays, Projectors
- **Software**  
 Integrated Operation Management, Application Servers, Security and Database Software

## Others

Net sales **374.1** billion yen  
 Operating income **4.0** billion yen

Composition of sales



### Major Products and Services

- Smart Energy  
 (Electrodes/Energy Storage Systems, Energy Management Systems, EV/PHV Charging Infrastructure, AMI\*, Solutions for Utilities)
- Mobile Phones
- Lighting Equipment

\* AMI (Advanced Metering Infrastructure): A communications unit for smart meters



- ▶ Public: Local Government, School/Education, Postal Tracking, Firefighting Command, Firefighting Emergency Radio Systems, Disaster Prevention, Traffic Control, Railroad Communication, Infrastructure Surveillance/Energy Management
- ▶ Healthcare: Electronic Medical Record, Regional Healthcare Information Network
- ▶ Finance: Banking, Business Branch Systems
- ▶ Media: TV Program Production/News Production/Transmission Systems, Digital TV Transmitters

**Major Consolidated Subsidiaries**

- NEC Facilities, Ltd.
- NEC Engineering, Ltd.
- NEC Network and Sensor Systems, Ltd.
- NEC Space Technologies, Ltd.
- Nippon Avionics Co., Ltd.



**Examples of Solutions by Business Sector/Industry**

- ▶ Manufacturing: Global SCM, Product Lifecycle Management, Production Management, Sales Management
- ▶ Retail and Services: Retail Systems for Stores and Head Offices, Logistics Management

**Major Consolidated Subsidiaries**

- ABeam Consulting Ltd.



**Services & Management**

- Telecom Operations & Management Solutions (TOMS), Services/Solutions

**Major Consolidated Subsidiaries**

- NEC Network Products, Ltd.
- NEC Communication Systems, Ltd.
- OCC Corporation
- NEC Networks & System Integration Corporation
- NetCracker Technology Corp.



**Enterprise Network Solutions**

- IP Telephony Systems, WAN/Wireless Access Equipment, LAN Products

**Services**

- Data Center Infrastructure, Maintenance and Support

**Major Consolidated Subsidiaries**

- NEC Platforms, Ltd.
- NEC Fielding, Ltd.
- NEC Display Solutions, Ltd.
- NEC Embedded Products, Ltd.



**Major Consolidated Subsidiaries**

- NEC Energy Devices, Ltd.
- NEC Energy Solutions, Inc.
- NEC Mobile Communications, Ltd.
- NEC Lighting, Ltd.
- NEC Nexsolutions, Ltd.
- NEC Management Partner, Ltd.



# Review of Operations

## Public Business



In the public business, we provide safe, secure and efficient social solutions for domestic and foreign governments, governmental agencies, local governments, public institutions, financial institutions and other organizations by combining our distinctive technology assets, including network and sensor technologies and analysis technology, with a broad expertise in systems integration.

**Tomonori Nishimura**  
Executive Vice President

### Fiscal 2015 Performance

In the public business, sales were ¥821.9 billion, an increase of 11.3% year on year, due to large projects for government agencies including a field communication system, and high demand in wide-area disaster prevention digitization of firefighting emergency radio system.  
Operating income improved ¥16.2 billion year on year to ¥74.8 billion, mainly owing to increased sales.

### Fiscal 2015 Main Accomplishments

In addition to responding to large projects and special demand, NEC strengthened technologies and productivity in growth areas and developed solutions to return concrete results.

#### ▶ Strengthening Technical Capabilities and Productivity

Ranked first for facial recognition and fingerprint identification in the benchmark test by the U.S. National Institute of Standards and Technology (NIST)  
Began operations at the Satellite Integration Center, where satellites are assembled, assessed and tested among other things  
Commenced full-scale operations of the Cyber Security Factory to support the implementation and operation of cyberattack countermeasures to protect customers' information assets

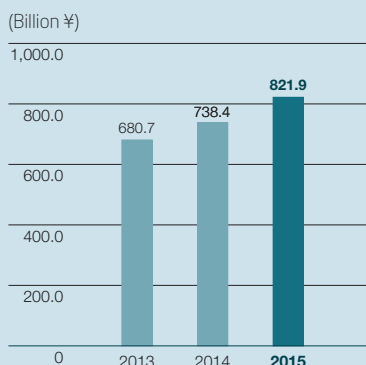
#### ▶ Solutions Development

Launched network solutions supporting the Social Security and Tax Number System in preparation of local governments starting their procurements related to the system  
Launched the Water Leak Detection Service using cutting-edge technologies from collection and analysis of Big Data to detect leaks in water pipes rapidly and minutely  
Launched the NeoFace Monitor security software to prevent illegal access to PCs by requiring facial recognition to log on

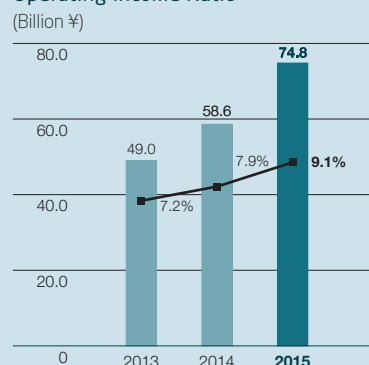
#### ▶ Specific Results

Delivered the Predictive Monitoring and Diagnostics System to The Chugoku Electric Power Co., Inc. for use in the No. 2 reactor at the Shimane Nuclear Power Plant  
Delivered backbone network using SDN to West Nippon Expressway Company Limited (NEXCO-West)  
Provided an ID system for concert-goers using facial recognition technology  
Built an integrated disaster-prevention system using the world's first crowd behavior analysis technology for Toshima City Office, Tokyo

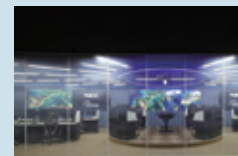
### Sales



### Operating Income, Operating Income Ratio



Large-scale space chamber at the Satellite Integration Center



Cyber Security Factory



NeoFace Monitor, PC security software using facial recognition

■ Operating Income — Operating Income Ratio

## For Future Growth

### OPPORTUNITIES

- ▶ Activated domestic investments in preparation for the introduction of the National ID number system and hosting of the Tokyo 2020 Olympic and Paralympic Games
- ▶ Expanded investment in urban infrastructure centered on emerging countries/Measures against degradation of infrastructure

### THREAT FACTORS

- ▶ Loss of opportunities from a shortage of resources

### NEC'S RESPONSE

- ▶ Take a proactive approach to domestic customers by leveraging our strengths in sensors, networks, IT and other fields
- ▶ Enter international markets with competitive solutions including Predictive Monitoring and Diagnostics System, water management solutions, complete airport solutions, cyber security and biometrics
- ▶ Effectively leverage resources, including the standardization of development processes

## Business Environment

ICT investment in Japan is on the road to recovery and there is a tailwind of support for social infrastructure projects ahead of the January 2016 implementation of the Social Security and Tax Number System in which individual numbers will start being used, and the Tokyo 2020 Olympic and Paralympic Games. In the international market, meanwhile, demand for constructing new

infrastructures is arising at cities in newly emerging countries, while in developed countries there are needs for infrastructure diagnostics and preventative preservation to counter degradation of existing infrastructures. It is estimated that markets for transport, water and energy will expand in particular.

## NEC's Issues and Responses

Under this business environment, NEC works to expand sales by responding to demand unique to Japan in the Social Security and Tax Number System, regional revitalization, national resilience projects, and the New Basic Plan on Space Policy. In addition, with initiatives taken in focus businesses in Japan and overseas such as Big Data, SDN, cloud-based services and safety, we will establish new businesses that will provide a foothold for growth going forward.

NEC carried out field trials with customers and delivered systems. Our initiatives include the Predictive Monitoring and Diagnostics System (PMDS), a safe operation system for large-scale facilities that detects equipment irregularities at the predictive stage; a Water Leak Detection Service that inspects and efficiently manages waterway leaks; and complete airport solutions that support air traffic control through to service facilities within airports for safe

and smooth operations. Moreover, we are steadily expanding results of the Cyber Security Factory, which protects customers' information assets from cyberattacks. Currently, we are providing security monitoring services to about 100 companies. Additionally, NEC holds the world's most accurate facial and fingerprint identification technologies, and we are expanding the applications of the technologies with immigration control and urban surveillance to applications such as verifying people entering concert halls and preventing illegal access to PCs.

On the other hand, NEC acknowledges possible risks of losing business opportunities due to resource shortage in system integration. In response, NEC is working to standardize development processes to enhance efficiency.

## Medium- to Long-Term Value Creation

The public business is largely related to social infrastructure, and the projects are characteristically long in life cycle. As a result, it is important to conduct business development with future outlook in an early state to deliver medium- to long-term growth. To this end, we initiated the development of a Water Leak Detection Service for a local government in the state of Texas, U.S.A. which then led to initiatives such as conducting joint research on social infrastructure projects with Texas State University in fields other than detection of water leaks. We will expand growth on a global scale by steadily

commercializing these initiatives and continuing activities that produce results.

Going forward, NEC will proactively propose solutions incorporating cutting-edge technology in response to market opportunities, including the Tokyo 2020 Olympic and Paralympic Games. Furthermore, we will accelerate the transformation as a service provider in the ICT field for global development, while focus on building business models that are competitive in the international market.

## Enterprise Business



NEC provides IT solutions in manufacturing and retail/services in the private sector, launching new services to help create new value for customers.

In particular, we are accelerating development in the total supply chain management (SCM) business for manufacturing, retail and logistics worldwide as it will be a growth field going forward.

**Chikara Ishii**  
Senior Vice President

### Fiscal 2015 Performance

In the enterprise business, sales decreased 0.7% year on year to ¥270.5 billion. While sales to the retail and services showed solid growth, sales to the manufacturing sector decreased.

Operating income improved by ¥1.8 billion year on year to ¥8.3 billion, owing to cost reduction and the improved profitability of system integration services, despite reduced sales.

### Fiscal 2015 Main Accomplishments

NEC provides "NEC Global Enterprise Solutions", an integrated solution based on our strong track record in Japan and prominent services. In fiscal 2015, NEC expanded its sales and services globally in addition to Japan.

#### ► To Create

Supported Pioneer Corporation for a project to renew the global SCM system  
Provided cloud based PLM\*1 service "Obbligato for SaaS" for a Thai automotive component and harvesting machinery manufacturer

#### ► To Transport

Launched global sales of the Logistics Visualization System software that enables transparent logistics process  
Provide Yamato System Development Co., Ltd. with a system to support product inspection, which utilizes image recognition technology  
Launched a project to integrate the traffic fare system in Dhaka, Bangladesh

#### ► To Sell

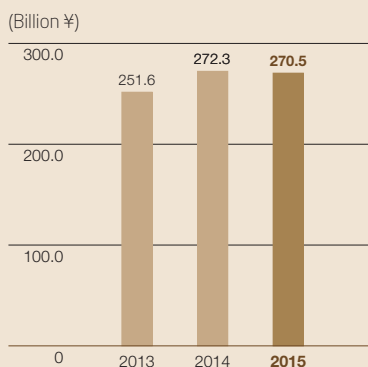
Enhancement of chain store solutions for retailers worldwide: Cost-effective touch screen POS and software  
Launched cloud service for car dealerships in emerging markets  
Renewed the management system for the Universal Express® Pass of Universal Studios Japan®\*2

\*1 PLM: Product Lifecycle Management

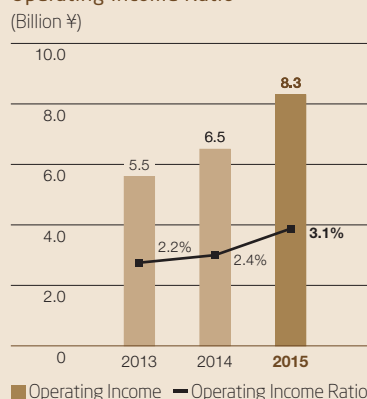
\*2 NEC is an official marketing partner of Universal Studios Japan®.

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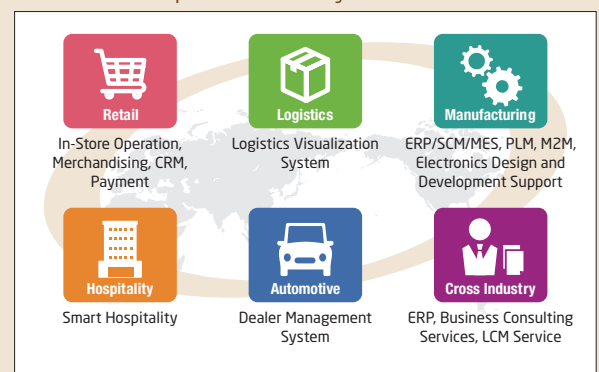
### Sales



### Operating Income, Operating Income Ratio



### NEC Global Enterprise Solutions System





## For Future Growth

### OPPORTUNITIES

- ▶ Recovery in IT investment in Japan as domestic corporate business performance improves
- ▶ Japanese business models for convenience stores and retail services to be further deployed in the international markets

### THREAT FACTORS

- ▶ Cost competition to intensify in Japan

### NEC'S RESPONSE

- ▶ Leverage NEC's unique technologies to develop value chain innovations
- ▶ Expand "NEC Global Enterprise Solutions" that reflect our strengths and track record in Japan and international market
- ▶ Reduce costs through further cost management

## Business Environment

In Japan, IT investments are expected to improve with recovery in the performance of domestic companies though some industries show weaker momentum than others. It is notable that IT investments that contribute to a customer's business growth or to create new business for customers have gained vigor. Furthermore, markets are projected to expand for enterprise SDN, which has already entered a period of widespread adoption, and security, in

addition to Big Data utilization and cloud-based services. That said, the IT market for private-sector demand in Japan is highly competitive, and slips easily into price competition. As a result, securing profits remains a challenge in these fields.

Globally, there are opportunities to broaden business with Japanese companies making inroads to emerging countries, or an expansion in local markets.

## NEC's Issues and Responses

On the basis of this business environment, NEC is responding with ongoing efforts to reduce costs through cost management to improve profitability of the Enterprise Business. In addition, we continue to establish the competitive "Solutions for Society" by accelerating the value chain innovations of "to create, transport and to sell" to deliver the "Solutions for Society" closest to people's lives and lifestyles. Furthermore, in addition to expanding SDN solutions to accelerate business development in the SDN market, NEC is leveraging its unique technologies to focus on

growth areas: security solutions such as measures against targeted attacks, information leaks and corporate response to the Social Security and Tax Number System; failure sign monitoring systems and demand forecasts using Big Data; and cloud services catered to customers' needs.

In expanding global business, NEC sets "NEC Global Enterprise Solutions," a set of strong solutions with prominent track records in Japan, as its core solutions. With it, we will move ahead to grow in Asian market.

## Medium- to Long-Term Value Creation

Improving profitability is the key factor for the medium- to long-term growth of the Enterprise Business. NEC is approaching this by shifting the business model of the Enterprise Business. This includes that in addition to increasing the ratio of upstream processes such as consulting in the systems integration business, we will move ahead with packaging and toward cloud-based services centered on growth areas. This will entail converting the traditional customization model to a business model premised on horizontal development.

Globally, NEC will further expand "NEC Global Enterprise Solutions" and strengthen the business by leveraging the expertise of Regional Business Support Centers (RBSC) in global development. We aim to broaden target regions and industries, and create new businesses in the international market.

## Telecom Carrier Business



In the telecom carrier business, we supply equipment mainly to telecom carriers for network implementation, along with network control platform systems and operating services. NEC's wealth of experience in large-scale network implementation and strong technical capabilities contribute to the development of highly reliable communications networks.

**Shunichiro Tejima**  
Executive Vice President

### Fiscal 2015 Performance

In the telecom carrier business, sales were ¥740.2 billion, an increase of 2.0% year on year, thanks to increased international business through submarine cable systems and mobile backhaul even as Japanese sales were flat.

Operating income improved by ¥1.6 billion year on year, to ¥62.0 billion owing to increased sales and streamlined costs, despite accelerated investment in growth fields such as software-defined networking (SDN) and Telecom Operations & Management Solutions (TOMS).

### Fiscal 2015 Main Accomplishments

We focused on expanding sales in the international markets and in new growth areas such as TOMS and SDN. We are also ahead of our peers in Japan with our response to new technologies.

#### ▶ SDN/NFV\*

Strengthened the global structure in the SDN/NFV field for telecom carriers with NetCracker Technology Corp.  
Worked together with a leading South Korean telecom carrier, KT Corporation in the SDN field  
Implemented vCPE trials with the Telekom Austria Group

#### ▶ TOMS

Received an order for an operational support system from major Australian telecom carrier Singtel Optus Pty Limited  
Completed an OSS development project for the main service division of Swisscom AG and are jointly exploring further expanding the scope of next-generation TOMS and MANO

#### ▶ Submarine Cable Systems

Won an order for the FASTER submarine cable system linking Japan and the U.S.  
Won an order for the SEA-US submarine cable system linking Southeast Asia and the U.S.  
Concluded a contract for SACS, the world's first submarine cable system for the South Atlantic

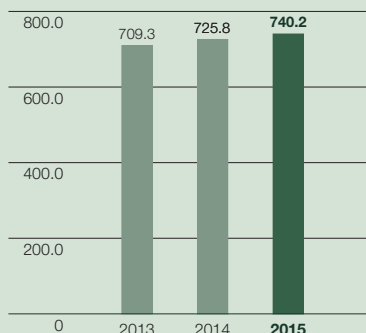
#### ▶ Japan

Delivered LTE-A base stations  
Cooperated with NTT DOCOMO, INC. on 5G testing

\* NFV: Network Functions Virtualization

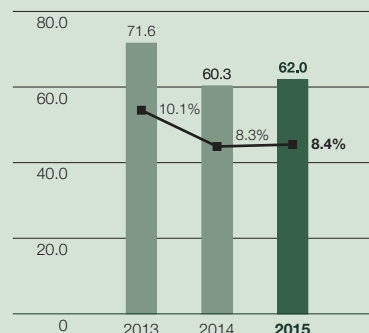
#### Sales

(Billion ¥)



#### Operating Income, Operating Income Ratio

(Billion ¥)



An iPASOLINK established in Thailand's Nakhon Sawan Province

■ Operating Income — Operating Income Ratio

## For Future Growth

### OPPORTUNITIES

- ▶ Expansion of global communications infrastructure market in the emerging nations
- ▶ Strong need to reduce capital investments and operating costs as communications infrastructure becomes more complex

### THREAT FACTORS

- ▶ Maturation of the Japanese market and increased competition from global vendors



### NEC'S RESPONSE

- ▶ Global marketing of solutions such as TOMS and SDN that reduce capital investments and operating costs for customers
- ▶ Maintain domestic advantage through prompt response to advanced technologies

## Business Environment

The environment for business targeting telecom carriers is expected to be severe in Japan by a matured market in which we expect to see a decrease in investments in network infrastructure. Furthermore, we expect that competition will intensify as markets become increasingly borderless.

Globally, however, the market is expected to grow particularly in emerging countries, backed by a steady increase in needs for

network infrastructure. In addition, services such as TOMS, which contributes to reducing customers' operating costs, are expected to grow.

Moreover, while the market launch of SDN/NFV is delaying, telecom operators are working steadily in commercial application of the service, which is expected to trigger significant changes in the telecom carrier business.

## NEC's Issues and Responses

Amid such an operating environment, NEC will firmly maintain its domestic advantage in the intensifying global competition by promptly providing network devices with advanced technologies to our customers. In the international market, we will grow in existing businesses such as submarine cable systems and mobile backhaul in response to the need for infrastructure expansion. Furthermore, we have positioned TOMS and SDN/NFV as focus

fields, and we will contribute to our customers in and outside of Japan in cutting their capital expenditures and operating costs. For SDN/NFV, in particular, we acknowledge that establishing a prominent position in the newly commercialized market is important in expanding our business when the market starts to grow. To this end, we are investing in development and sales resources to accelerate business development.

## Medium- to Long-Term Value Creation

Medium-to long-term growth in the telecom carrier business relies on an extension of steady growth in TOMS and the rapid commercialization of SDN/NFV. We expect to see demand in the TOMS market to grow in response to advancing network operation controls going forward. NEC will expand business with its subsidiary NetCracker Technology Corp.

For telecom carrier SDN/NFV, we believe that obtaining rapid commercialization results will expand business opportunities among global telecom carriers. To this end we will actively move forward with proposal, and field tests for Telefónica Brasil, S.A. and other global carriers.

Furthermore, in preparation for the full-scale commercialization of SDN/NFV for telecom carriers going forward, we have collaborated with NetCracker Technology in strengthening the global sales expansion network for SDN/NFV solutions. Looking ahead, NetCracker Technology has been delivering to more than 250 companies in 58 countries, utilizing solution selling methods cultivated by marketing TOMS to accelerate proposal activities directed at telecom carriers across the globe.

## System Platform Business



In the system platform business, we provide products for business, ranging from terminals to network and computer equipment, software products and service platforms, as well as solutions and services based on them. Our solution platforms, which organically combine these products, solutions and services, reduce labor and improve efficiency for customers, while at the same time creating new value based on ICT.

**Shinichi Shoji**  
Executive Vice President

### Fiscal 2015 Performance

In the system platform business, sales were ¥728.9 billion, a decrease of 6.6% year on year, due to the special demand for corporate PCs that occurred in the previous fiscal year and the reduction of enterprise networks.

Operating income was ¥31.4 billion, an increase of ¥0.7 billion year on year due mainly to structural reforms in enterprise networks and integration of NEC Fielding, Ltd. in spite of the rapid devaluation of the yen.

### Fiscal 2015 Main Accomplishments

We strengthened the business in growth areas such as cloud platforms and SDN, as well as bolstered the profit structure.

#### ► Reinforcing Profitability

The new company NEC Platforms, Ltd. integrated development and production functions of subsidiaries to strengthen production capabilities  
Improved business operations by making NEC Fielding, Ltd. a wholly owned subsidiary

#### ► Growth Areas

Began development of the next-generation vector supercomputer aiming for performance more than 10 times greater than existing models  
Commenced operations at NEC Cloud IaaS/Kanagawa Data Center  
Strengthened SDN strategies for the private sector, government agencies and data center operators (reinforced the "NEC SDN Solutions" system)

#### ► Existing Areas

Achieved the leading share in 2014 enterprise telephony equipment market in Japan and the third largest share worldwide\*1  
The "Express5800 series" PC server lineup achieved the No. 1 share\*\*2 in the Japanese market for the 19th consecutive year

\*1 Source: Gartner, "Market Share: Enterprise Telephony Equipment, Worldwide 2014," 17 March 2015 (Seat License Shipment base)

Graph created by NEC, based on research by Gartner

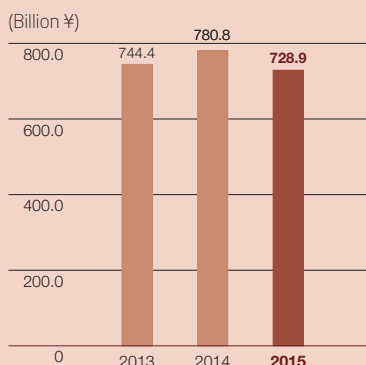
The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of Annual Report 2015) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

\*2 Source: CY1996-2014 Japan x86 Server Market (Unit, Factory Revenue (Yen))

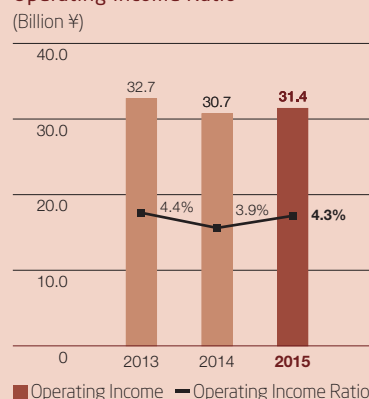
Source: IDC, Worldwide Quarterly Server Tracker 2015Q1

IDC declares a statistical tie in the server market when there is less than one percent difference in the factory revenues of two or more vendors.

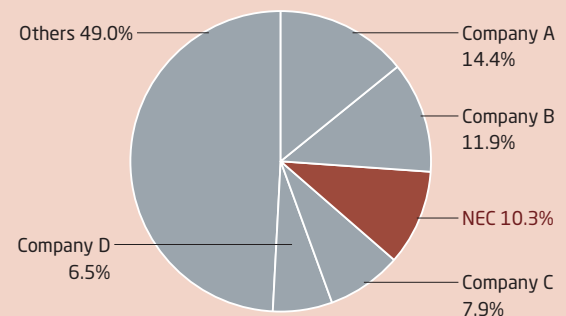
#### Sales



#### Operating Income, Operating Income Ratio



#### Global Share of Enterprise Telephony Equipment (Worldwide Market Share CY2014)\*1



## For Future Growth

### OPPORTUNITIES

- ▶ Popularization and expansion of cloud services and Big Data due to the uptake of the IoT
- ▶ Expansion of demand for security

### THREAT FACTORS

- ▶ Price competition to intensify in the general-purpose market
- ▶ Costs to increase due to weak yen



### NEC'S RESPONSE

- ▶ Accelerate creation of new services in growth areas such as Big Data and cloud services
- ▶ Create solution platforms in preparation for the IoT
- ▶ Maintain cost competitiveness through further cost reductions and development cost efficiency

## Business Environment

The environment encompassing the system platform business has become increasingly harsh in recent years with customers seeking lower costs particularly in the general-purpose hardware. Added to that, costs rose in the latter half of fiscal 2015 due to the rapid yen depreciation, which is expected to continue through fiscal 2016.

On the other hand, the market is expected to grow in areas that can strengthen competitiveness and cost reductions for customers. These include cloud platforms, SDN, Big Data and security, and advanced information processing platforms supporting the enormous amounts of digital data generated by the popularization of the IoT (Internet of Things) going forward.

## NEC's Issues and Responses

To provide strong ICT assets as a foundational business and support business units in promoting the "Solutions for Society" amid such an operating environment, the System Platform Business Unit will streamline costs and expenses by standardizing parts used in various types of hardware. Moreover, we are reforming the development and production framework to raise cost competitiveness and maintain our position in the existing market.

In addition, we are creating new solutions in fields such as SDN, safety and security, Big Data and cloud platforms for further growth. NEC sees sales expansion in these areas as an immediate goal and is accelerating business development by investing in the growth areas.

## Medium- to Long-Term Value Creation

The general-purpose market is expected to become fierce in competition going forward. For the system platform business to deliver significant value over the medium- to long-term in this environment, NEC is reforming its business models from providing various types of hardware, software and components parts, to providing the combination of these items as solutions.

NEC has proprietary technology and expertise in Big Data engines with vector supercomputers, virtualized platforms evolving SDN and edge computing. NEC will leverage these strengths going forward as we strive to take the lead in the upcoming IoT age. Furthermore, we will integrate these three strengths and accelerate creation of solution platforms that provides higher added-value.

# Sales Structure in Japan



**Manabu Kinoshita**

Executive Vice President  
In charge of Corporate Sales and Sales Operations Unit

## Providing Solution through Sales Network Nationwide

NEC's domestic sales network consists of 64 branch offices and sites nationwide. NEC's approach is to leverage the entire capabilities of One NEC, integrating the solution assets of each business unit and affiliated companies and to present solutions for

realizing advanced social infrastructure utilizing ICT. We provide these solutions for a wide range of customers including telecom carriers, governments, government agencies, local governments, public institutions and private sectors.

## Responding to Customer Needs and Accelerating Growth

NEC's domestic business accounts for about 80% of its total sales and underpins the business foundation of the entire Company. To sustain the growth of domestic business, domestic sales focuses on business in the areas of SDN, Big Data, cloud services, and cyber security—all NEC strengths. Furthermore, NEC is facilitating business development in new markets with significant potential, such as adaptation of the Social Security and Tax Number System to the private sector, and dealing with the increasing development of social infrastructure brought on by the Tokyo 2020 Olympic and Paralympic Games, as well as increasing tourism to Japan.

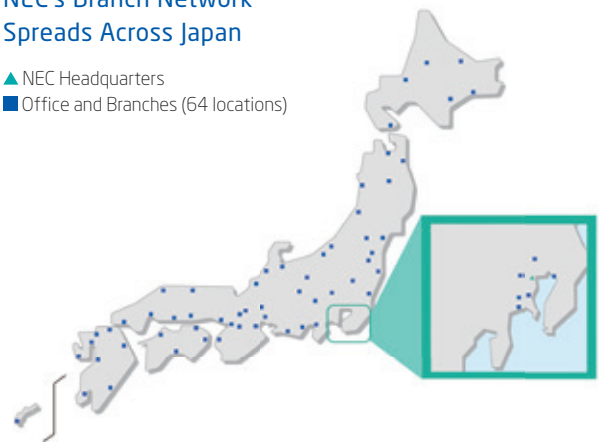
Cooperation between sales partners is another key point that sustains our domestic business. In the sales partner business, hardware is our core product, but we expect intensified price competition for general-purpose products. In the future, we need to expand the business into new area such as cloud-based services and SDN. NEC views market change as a chance and will co-create new value with sales partners by providing competitive solutions and services, as well as an enhancement of support to the sales partners.

## Transforming into Social Value Innovative Sales

In NEC's transformation into a "Social Value Innovator," a domestic sales force is taking a role in creating new value to solve essential issues that society and customers face. To this end, we carefully examine changes in market and customers' business issues, and connecting these with our assets in creating new value for the customers. Under the theme of "transformation into a Social Value Innovator," we are investing sales skill development of each sales force in improving multi-faceted analytical capabilities on market environments and customer challenges and in having extensive knowledge on leading edge technologies and solution assets in the company. Going forward, domestic business teams will work on creating new social value as a point of customer contact in the field, and contributing to the development of a society in which people can live more prosperous lives.

### NEC's Branch Network Spreads Across Japan

- ▲ NEC Headquarters
- Office and Branches (64 locations)



For further details about NEC branch offices and their locations, please visit the following website:

<http://jpn.nec.com/profile/branch.html> (Japanese only)

\* Number of NEC branch offices (as of March 31, 2015)



# Sales Structure for the International Business



**Takayuki Morita**  
Executive Vice President  
In Charge of Global Business Unit

## Three Keys to Achieving the Mid-term Management Policy

NEC's mid-term management policy is to create a foundation for growth globally by focusing on Asia and promoting "locally-led" businesses. There are three key points to achieving this and expanding "Solutions for Society" on a global scale. The first point is to create globally

appealing solutions, the second is to enhance our ability to provide engineering services locally, and the third is to foster relationships of trust to provide long-term solutions with our customers.

## Focus on Safety and Networks that Leverage the Strengths of NEC

Firstly, in terms of creating solutions, it is important that we define areas that leverage the strengths of NEC in global markets—where environments and income levels are diverse and geographically spread out—and develop business on a priority basis. Specifically, safety and networks are our two areas of focus. In the area of safety, we have expanded business by leveraging NEC's world-leading technologies in facial and fingerprint recognition. Our safety business is centered on the Global Safety Division (GSD) established in Singapore in 2013. In fiscal 2015, our achievements

include winning orders in the Middle East, South America and other new markets.

In the area of networks, NEC leads in the development and provision of solutions and focuses on the areas of SDN/NFV. In preparation for commercialization, we are proactively promoting the new network technologies, and while collaborating with our subsidiary, NetCracker Technology Corporation in application of its extensive global experience, NEC will continue to step up its activities in anticipation of future market expansion.

## Strengthening Local Operations

In addition to upgrading and expanding NEC solutions, we are engaging in partnerships as well as mergers and acquisitions in our aim to provide services locally. In Australia, in 2012, we acquired the IT services business of CSG Limited, a company with a well-established IT managed services domain for governments. Through CSG, we provide many government agencies with ICT integrated managed services, including our strong networks solutions. Our

services are highly acclaimed by customers. In South America, we have acquired a video surveillance company and are developing and providing solutions that incorporate our image recognition and behavior analysis technologies. In the area of cloud services, NEC initiated a joint venture with Singapore Technologies Electronics Limited in Singapore and a joint business with the Foxconn Technology Group in Taiwan.

## Building Relationships of Trust through Proactive Project Participation

Finally, NEC proactively participates in collaboration and demonstration testing with government agencies in earning trustful relationships. In Singapore, coinciding with the establishment of GSD, we have set up a research laboratory and have expanded collaboration with government agencies including the Singapore Economic Development Board and Singapore's Agency for Science, Technology and Research. In Chongqing China, we have entered into a strategic partnership with the city government and are working on an eco-center project to achieve energy-efficient operation. In addition, we have participated in

several projects in improving the operation and management of social infrastructure. For example, NEC provided solutions for a waste collection system utilizing sensors and Big Data analysis, and established and managed a cloud city operations center in Santander, Spain. We also participated in a water conservation management project in the U.S. state of Texas.

NEC will continue to pursue the steady growth of its global business while taking these initiatives to a deeper level and expanding them.

# Sales Structure for the International Business by Regional Headquarters (As of July 1, 2015)

NEC set global revenue growth as an important theme of its “Mid-term Management Plan 2015.” By quickly responding to the unique needs of each region—North America, Central and South America, EMEA (Europe, the Middle East and Africa), Greater China region and APAC (the Asia/Pacific region)—NEC will generate locally led businesses.

Note: RHQ is the acronym for Regional Headquarters



**Shinsuke Takahashi**  
President & CEO  
NEC Corporation of America

## Message from the Head of RHQ

NEC Corporation of America provides solutions that improve social infrastructure while providing safety, security, and operational efficiency. From foundational solutions like software-defined networking (SDN) to advanced Biometric security solutions, today's portfolio is focused on improving business productivity while positively impacting society. Complimenting these solutions are unique Big Data and Analytics capabilities adding value and predictability across the entire portfolio. Prioritizing social solutions has already led to new opportunities in Airports, Federal Government and Local Utilities and in the coming years these solutions will present significant growth opportunities.

## Main Initiatives

In 2014, NEC Corporation of America expanded its Unified Communications (UC) portfolio by integrating both SDN and biometrics technologies to deliver one of the industries' most innovative communication offering. The Retail solution team also enhanced their portfolio by developing a new point of sale system that integrates hardware, software and services enabling a full life-cycle management retail solution. In addition, Cloud solutions were also expanded and now include UC-as-a-Service and cloud-based contact center solutions. Major advancements were also made in Federal Government signing contracts for both Biometrics and UC solutions.

Looking forward to 2015, NEC Corporation of America will continue to prioritize solutions that provide value to both businesses and individuals.



**Masazumi Takata**  
President & CEO  
NEC Latin America

## Message from the Head of RHQ

There are great examples of how we contribute to improve the quality of various services of our customers. Our solutions are leveraged by innovative approach that serves to create real social value. We collaborate with our customers and partners closely to prepare better products and services that enable society advancement.

We are very excited with the possibilities NEC will have in near future to further contribute to Latin America in its tremendous growth opportunity to a next stage.

## Main Initiatives

NEC has achieved business expectations in Latin America region, with a consistent growth in sales in 2014 and good prospects for 2015.

The positive results come from several projects in which the Company is applying key ICT solutions, such as the digitalization of Mexican passport with highly standards for security, facial recognition for the Brazilian airports to support custom clearance process, virtual classroom e-learning solution in Argentina, biometrics system for a bank in Chile and enablement of Colombian rural area with a quick and easy access to the Internet to narrow the citizen's digital divide.

Looking forward to 2015, NEC Latin America will continue to expand its business and sales in safety, security and other growing areas to strengthen its market presence in Latin America.





**Naoki Iizuka**  
President & CEO  
NEC Europe

### Message from the Head of RHQ

As the final year of “Mid-term Management Plan 2015,” and the year to set the solid basis for the next mid-term management plan, our goal is to establish NEC’s broader presence in the EMEA region. We will continue to expand our communication business in SDN, TOMS, and cloud services for telecom carriers. In addition, we will also promote the expansion of the enterprise business in emerging countries. Furthermore, NEC is exploiting biometrics and smart city projects for public sectors and smart energy business in the EMEA region. As a “locally rooted NEC,” we will strengthen these business and contribute to the communities.

### Main Initiatives

In fiscal 2015, while we saw geopolitical risk in some areas, we fortified the business foundation across the EMEA region. In the Middle East, we received an order to build a large communications project in Saudi Arabia, and sales have increased at NEC Africa since its establishment in 2011. We will further reinforce our business operations in emerging market.

In Europe and the Middle East, there are global telecom carriers expanding business in Asia, Central and South America, and Africa. We are building strong relationship with them by collaborating with Japan and other RHQs.

Looking ahead, we are actively promoting public safety, smart city and cyber security as growth drivers for the next mid-term management plan. We are marketing face recognition solutions to not only government agencies but to enterprise arena. Moreover, we are engaged in tangible smart city projects in Spain and the U.K. to improve the sustainability of cities by utilizing cloud computing, SDN and other innovative technologies.



**Kiyofumi Kusaka**  
President  
NEC (China)

### Message from the Head of RHQ

The Greater China region is becoming a key market in the NEC Group. The economic growth rate of the Greater China region, compared to the rapid growth of the past 10 years, has shifted to a “constant speed.” However, the size of China’s economy has already surpassed that of Japan’s and China has solidified its position as the world’s second economic superpower. At the same time, China is rapidly changing its disposition from having being viewed as the world’s factory to now being seen as a massive consumer market. NEC China will introduce NEC’s advanced technologies and products more rapidly to its ever-changing market and meet diverse and complex customer expectations.

### Main Initiatives

In response to interests in security in the Greater China region, we took steps to fortify the facial recognition business. In Hong Kong, we received an order for a large-scale IT solution from the government, and in Taiwan, we delivered an automatic ticket gate system for trains and cutting-edge kiosk terminals for large convenience stores.

In fiscal 2016, we will continue to boost the security business while expanding into energy, healthcare, and other fields. Taking advantage of the relocation of NEC China’s Beijing office closer to the city center, we installed the most advanced solutions, such as facial recognition and SDN, thus turning the office into a showroom and creating an environment where customers can directly experience these solutions.

In Taiwan and Hong Kong, we expect to receive orders for large projects and aim for steady business expansion.





**Toshiya Matsuki**  
CEO  
NEC Asia Pacific

### Message from the Head of RHQ

NEC Asia Pacific is expanding business within the 10 nations of ASEAN, as well as in India and Oceania. The Asia-Pacific market shows strong growth and in addition to ASEAN economic integration, demand for infrastructure in Indonesia, India, the Philippines, Myanmar, and Vietnam, which all face a demographic dividend period, is expected to reach about ¥8 trillion by 2020. NEC Asia-Pacific will focus on the “Solutions for Society” based on ICT and use the advanced technologies of biometrics, cyber security, SDN, Big Data analysis, and smart energy to contribute to the realization of a “Safer City.” We will actively promote the development of solutions tailored to local needs and the creation of business models, while taking a leading role in the further growth of NEC’s global business.

### Promote Locally-led Safety Businesses Centered on GSD

NEC has selected the “safety business” as a pillar of its global growth strategy. In this business, the Global Safety Division (GSD), established in Singapore in April 2013, is the key to achieving growth. GSD is set out for product planning and development, and sales support for the global market. GSD worked closely with NEC Laboratories Singapore, a research lab established in September 2013, to create and expand locally led businesses.

In fiscal 2015, GSD launched the NeoFace solution series, which was developed and rooted in local needs. We won orders in new markets including the Middle East and South America. In fiscal 2016, we will fully expand the safety business by facilitating the success of our inter-agency collaboration system as demonstrated in Singapore in 2014, and by accelerating the horizontal deployment of new solutions that leverage our partnership with INTERPOL in the area of cyber security.

### Main Initiatives

In fiscal 2015, we received several orders of large-scale managed service projects for government agencies and enterprises in Australia and Singapore. In the area of public safety, we have delivered facial recognition systems to India, and are taking advantage of our strategic partnership with INTERPOL in the area of cyber security. Further, in Singapore, we have developed an inter-agency collaboration system and have aggressively promoted it to governments in various countries.

In the next fiscal year, we will further expand business in the areas of safety and security, strategic business fields, as well in healthcare, smart energy, retail, logistics and transportation, SDN/NFV, and managed services. As a leading player in the Asia-Pacific region, we are committed to contribute to the region’s development.



### Accelerating SDN/NFV Solution Deployment with NetCracker Technology

In preparation for the full-scale commercial deployment of SDN/NFV by telecom carriers, NEC is actively marketing to domestic and overseas telecom carriers. In fiscal 2015, to further accelerate this initiative, we strengthened collaboration with our subsidiary NetCracker Technology Corp., in development, sales and marketing in this area, and built a system for global sales expansion of SDN and NFV.

NetCracker Technology has extensive experience with Telecom Operations & Management Solutions (TOMS) for global telecom carriers. It also has development know-how for solutions (MANO) that perform integrated operations of SDN/NFV.

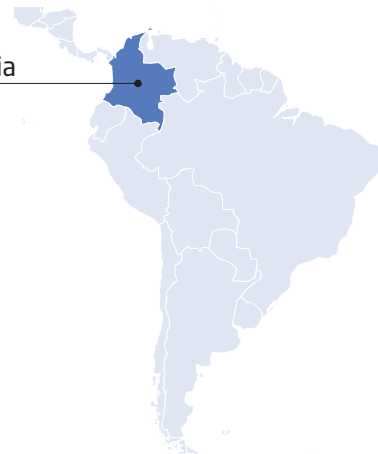
As a pioneer that provides comprehensive SDN/NFV and MANO, we will focus on expanding our presence and performance among global telecom carriers.

# Business Activities for Solving Social Issues

## Contribute to Creating an Equal Society in Colombia through ICT

In Colombia, South America, raising international competitiveness in some key social fields such as health care, education, politics, and agriculture, is an urgent task for economic growth and for improving the quality of citizens' lives. Yet, inequitable distribution of benefits depending on residence is a problem. To eliminate this inequality, Colombia has taken a number of measures, but among them ICT shows tremendous potential. However, hampered by a harsh environment, including rugged mountain terrain and the Amazon rainforest, the Internet penetration rate in Colombia was only about 18% in 2013 and roughly just 1% in non-urban areas (in reference to MINTIC site; <http://colombiatic.mintic.gov.co/602/w3-article-5085.html>).

Colombia



### Support to "Vive Digital"

Colombia's Ministry of Information Technologies and Communications (MINTIC) is promoting the spread of ICT infrastructure throughout the country under the Plan Vive Digital, a measure aimed at closing the digital divide and having all citizens enjoy the benefits of ICT, and a pillar of its policy for economic development.

As part of the Plan Vive Digital, NEC participated in Kiosco Vive Digital, which aims to create more than 4,200 ICT rooms as Internet access points throughout Colombia. NEC was selected to participate as a project member, through the official public bid process in Colombia, because of its experience setting up Internet connections in numerous countries, its capability of offering detailed support locally and for proposing a deployment plan in anticipation of Colombia's future.

In this project, NEC built an Internet environment via communication satellites for approximately 650 community spaces, including schools and community centers in the areas that are located far from urban zones and have less than 100 residents, and installed PCs, printers and IP phones. In this way, places where it had been difficult to obtain the latest information, such as the Amazon wilderness and mountainous regions, can now gather information and do business via the Internet.

### Always Keeping Abreast of Residents' Needs through Interactive Communication

Through this plan, the Colombian government, which until then had no means of swift and reliable communication with these remote villages, was able to communicate and provide information to all citizens, including background on vital areas such as health care,

education, politics, and agriculture.

To further enhance the plan's effectiveness and to connect to future development, MINTIC took the lead in interacting closely with residents and constantly gathering feedback from various regions. As a result, demand for ICT environments exceeded expectations and the need for an increase in network connections mounted with the sharp growth in the number of users of the terminals. In addition, the need for improved access to education has become evident with the increased ability of residents to express their needs. Colombia has begun a study to determine the best steps it can take based on this feedback.

By uncovering and solving social issues that are closely tied to the community and customers, NEC will help bring about an abundant and equal society where individuals can thrive and everyone can enjoy the benefits of ICT.





## Contribute to Enhancing Expressway Safety and Security through the Use of SDN

Driven by its founding motto "100% safety and reliability," West Nippon Expressway Company Limited (NEXCO-West), which operates the expressways of West Japan, has actively promoted road maintenance and traffic safety measures. Further, NEXCO-West has taken steps to enhance disaster recovery, raise local collaboration and customer satisfaction and has contributed to the development of western Japan based on the Group's collective efforts. Above all, western Japan is the area where damage from Tonankai or Nankai earthquakes is expected and the expressway plays a key social role in delivering relief supplies and personnel in times of emergency or disaster. With that in mind, NEXCO-West is improving the earthquake resistant roads, conducting disaster-preparedness drills in collaboration with local organizations and reinforcing the functions of the traffic control centers by building a backup system and a wide area network infrastructure.

### Functions of Traffic Control Centers and the Challenges of Existing Network Configuration

The traffic control centers observe local traffic volumes and weather patterns using ample information from traffic measurement facilities, and weather forecast equipment located at regular intervals on the expressway network. They also function as the "control towers" that provide guidance concerning on-the-spot traffic regulations, the handling of accidents and other matters.

NEXCO-West has set up traffic control centers in Kansai, Chugoku, Shikoku, and Kyushu that operate 24 hours a day, 365 days a year to support expressway safety.

However, at NEXCO-West, networks that connect the traffic control centers and roadside equipment such as traffic

measurement facilities and weather forecast equipment are built separately for each region and only exchange information within those regions. Therefore, if the traffic control center of one region ceases operation in the event of a disaster, its monitoring and control of that region's expressways become difficult. In order to solve this problem, a mutual backup system that could compensate and take over and manage a center's functions was required.

### Achieving Flexible Operational Management through Centrally-Controlled Software

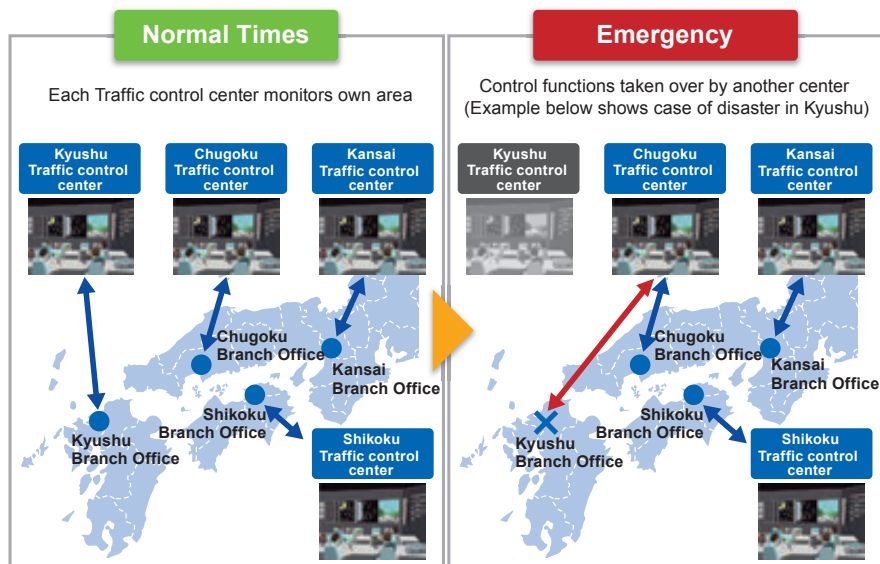
To solve this problem, NEXCO-West adopted NEC's SDN solution. NEC built an SDN network linking multiple routes between 45 traffic control centers and expressway offices within a 4,000-km-wide area to create a wide area network that connects multiple traffic control centers in each region and enables advanced route control.

Since this network's configuration can be changed instantly through centrally controlled software in case of an emergency, the access point of the network's roadside equipment can be quickly switched. Therefore, even during a disaster, a mutual backup system can cover for each region's center functions and stable expressway service is maintained.

### Future Development

SDN is a technology that revolutionizes existing networks and adds new value to existing infrastructure. At NEC, SDN is held up as one key area in the "Solutions for Society." We will promote a safe and secure social infrastructure for solving social issues with customers by providing a wide range of solutions that leverage SDN.

Example of an SDN backup traffic control-framework for traffic control centers





## Contribute to Solving Water-Related Social Problems through ICT Early Detection of Water Pipe Leaks with "Water Leak Detection Service" ensuring minimal wastage of water

With the world's population expected to increase to more than 9 billion in 2050 and due to economic development and urbanization in emerging nations, world water demand will continue to grow. In addition, an investigative report by the Intergovernmental Panel on Climate Change (IPCC) warns that many regions face severe water shortages due to the effects of climate change caused by global warming. If this persists, it is predicted that two-thirds of the world's population will become "water-stressed" in 2025 and experience the inconvenience that water shortage has on daily life. Under these circumstances, it is important to use precious water resource without wasting it. Unfortunately, there are many cities around the world with water leak rates exceeding 10% due to aging pipes that are not being upgraded because of cost issues and other factors. Therefore, water resources are being wasted.

However, trying to eliminate water leaks while still using old waterworks infrastructure is a global challenge.

The Water Leak Detection Service that NEC launched in September 2014 contributes significantly to the efficient use of precious water resources minimizing the wastage due to leak. With conventional water leak detection methods, the most common approach is for a maintenance specialist is to use a dedicated instrument to listen by ear from the street level for the sound of water leaking from water pipes buried in the ground. As a result, extensive checking is required and timely detection is difficult. In contrast, by simply installing a sensor in a

water pipe valve, NEC's Water Leak Detection Service can pinpoint a leak within a range of about one meter by using a large amount of minute vibration data. Therefore, water leaks that had until now been mostly left undetected for a long time can be detected at an early stage.

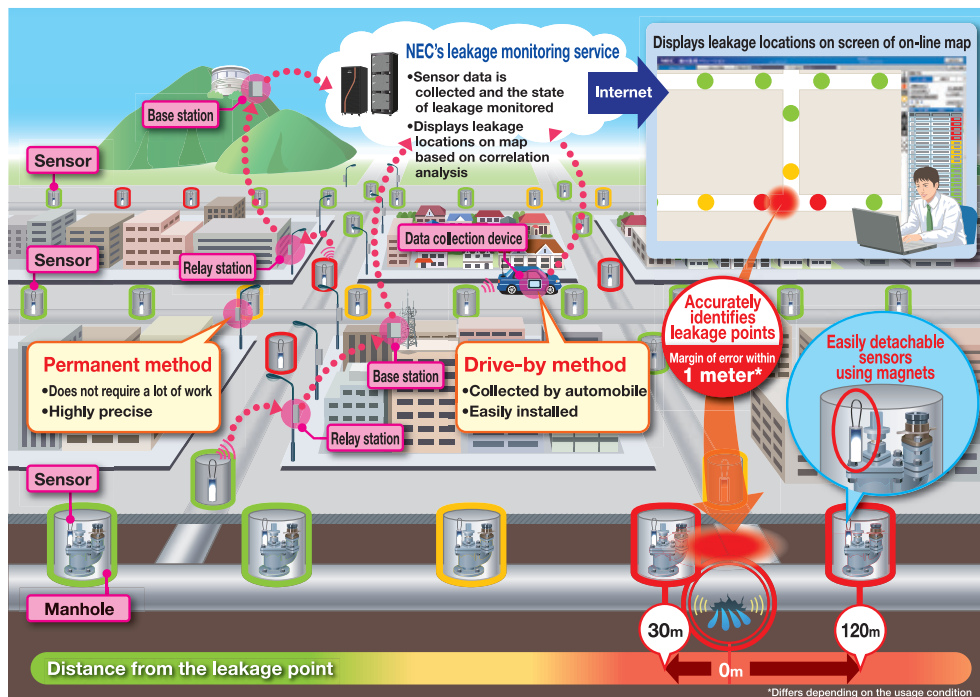
Stopping water leak damage early also contributes to a reduction in the energy needed for desalination. Moreover, it becomes possible to provide water tailored to demand. This is achieved with weather forecasting, demand forecasting based on the analysis of vast amounts of water usage, and predicting failures by analyzing equipment operation data. All of this is accomplished with a wide range of technologies, such as sensing, machine-to-machine communications (M2M), cloud computing, and Big Data analysis. These are areas in which NEC is competent.

In addition, the Water Leak Detection Service places no extra load on aging water pipes and can extend the life of waterworks infrastructure. Moreover, because it is possible to find signs of broken and faulty water pipes and equipment's resulting in preventive maintenance "smart water management" becomes a reality, creating a stable supply of water without waste.

NEC will continue to provide new value through smart water management, including its Water Leak Detection Service, to solve social problems related to water.



Water leak sensor logger



## Contribute to a More Efficient City through a Smart City Project in Santander, Spain

Santander has actively participated in the European Union's Seventh Framework Programme for Research (FP7)\*1, Horizon2020\*2. Now, Santander is also very much engaged in 12 relevant projects in the north of Spain. In addition, NEC is eagerly promoting the development of a smart city.

NEC, in partnership with a local waste collection service provider, has been participating in upgrading the city's waste collection service, and began developing a "Cloud City Operations Center." The center is not only designed to make the entire city's administrative services visible but also manages, predicts, and automates those services.

\*1 A multi-year research grant program that covers 10 fields, including ICT. FP7 was carried out over seven years starting in 2007

\*2 A seven-year funding program for EU research and innovation that started in 2014, succeeding FP7

Santander



### Santander's Waste Collection Management Service

With a typical waste collection service, the waste collectors simply establish a specific collection route and times. Then, the waste is collected from containers installed in each area of the city. In contrast, NEC's waste collection management service utilizes M2M sensors mounted in collection containers. The accumulated amount of waste is turned into digital data that is transmitted through a network to a control center. At the center, the collected data is analyzed to determine the optimum collection time and route and then displayed on a monitor mounted in each waste collection vehicle.

In this way, the waste collectors can place the highest priority on collection from containers with the greatest amount of waste. This enables more efficient waste vehicle operation and reduces unimportant and useless work. The result is both lower operating costs and reduced environmental impact that would otherwise come from unnecessary vehicle exhaust.

Moreover, a smartphone application linked to the waste collection management service allows users to make reports when the collection containers are full of waste or when they discover illegal dumping. This has contributed to a cleaner and more pleasant city for the residents.



### Startup of Cloud City Operations Center as Base for Smart City Operations

Santander is promoting the visual display of its administrative services in all areas of the city, including its waste-collection management services. Therefore, NEC, in partnership with Santander, started a Cloud City Operations Center.

The center constantly monitors and analyzes environmental data, such as air temperature, traffic volume, noise, CO<sub>2</sub> levels, and the brightness of natural light. The data comes from the M2M sensors installed throughout the city thanks to the FP7 initiative and is used for a wide range of public services.

As a result, NEC is providing services that enhance the quality of citizens' lives through the comprehensive display of the service operations, the analysis and management of integrated data, and forecasts and automation based on them. The citizens now enjoy a more efficient way of using public services in their city lives.

M2M sensor



## Infrared Thermography to Prevent the Spread of Ebola in African Countries

Preventing the spread of deadly diseases such as Ebola is an urgent task for maintaining a safe and secure society. Key points are how to suppress the disease when it is spreading and how to prevent its resurgence after it has ended.

### NEC's Supply of Infrared Thermographic Cameras as an Important Measure against Ebola

In November 2014, the Japanese government added U.S.\$100 million to its aid to combat the Ebola epidemic in West Africa. As part of this effort, NEC delivered 13 non-contact infrared thermographic cameras to three African countries (Côte d'Ivoire, Ethiopia, and Ghana) through the Japan International Cooperation Agency (JICA). Operation of the cameras began in early February 2015.

NEC plans to expand delivery of the cameras to other African countries through fiscal 2016.

Because Ebola is accompanied by fever during its onset, the survival rate of an infected person increases through early fever detection enabling early isolation, and early treatment. This also lowers the risk of infection to others.

### Performance and Safety of the Cameras

The cameras provided have very similar functions as cameras supplied to Japanese airports, including Narita International Airport. By not missing slight temperature changes, even for high fevers, and by making temperature distribution information visual in real time, the cameras can detect fever onset and existence with great accuracy, even in people walking rapidly. Moreover, because the cameras can measure the body surface temperature of a person passing through an airport or crossing a border checkpoint without contact in real time, the safety of personnel performing the measurements is protected.

With its high measurement accuracy and safety, in addition to helping to greatly curtail the current spread of Ebola, the camera is an effective measure against the possibility of future resurgence.

### Demonstration at the African Union Summit

At the African Union Summit in Ethiopia in January 2015, NEC, which was the only corporate participant, demonstrated the cameras with the cooperation of Japan's Ministry of Foreign Affairs and the Japanese Embassy in Ethiopia. The demonstration attracted a tremendous amount of interest from African heads of state attending the summit. Taking advantage of this opportunity, NEC called attention to the usefulness of the cameras and made a strong appeal for contributions to prevent the spread of Ebola.

### NEC's Contributions to Safety and Security

NEC views providing people with safety and security as benefits that the Company can contribute to society.

Therefore, NEC will continue to leverage its assets to the maximum extent and help solve the challenges facing the world.



Infrared thermography camera  
InfReC R300SR series  
(manufactured by Nippon Avionics Co., Ltd., an NEC subsidiary)



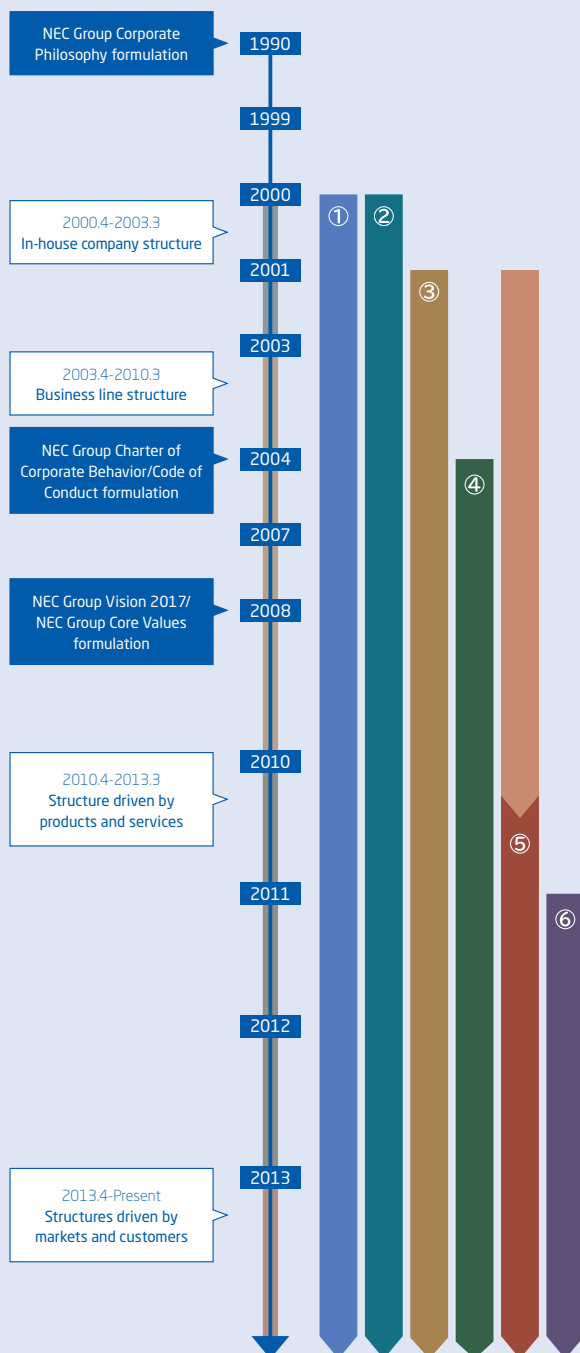
Camera being used at an international airport in Côte d'Ivoire

# Corporate Governance

## Basic Policy

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, NEC is committed to strengthening its corporate governance practices through (1) assurance of transparent and sound management, (2) realization of prompt decision making and business execution, (3) clarification of accountability and (4) timely, appropriate and fair disclosure of information.

## Main Initiatives for Strengthening Corporate Governance



### ① Institution of Corporate Officer System

NEC instituted a corporate officer system in April, 2000 and worked to delegate authority from the Board of Directors to corporate officers in aim to separate management supervision from business execution and expedite business execution based on prompt decision making.

### ② Reducing the Number of Directors

The number of Directors was reduced to streamline the Board of Directors. The aim is to ensure even sounder management through greater discussion at meetings of the Board of Directors and to deliver prompt decision making.

#### Reduction in the number of Directors (At the conclusion of the Ordinary General Meeting of Shareholders)

1999 37	▶	2000 17	▶	From 2012 onward 11
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### ③ Appointing Multiple Outside Directors

NEC added an Outside Director in June 2001 to a total of two Outside Directors in order to strengthen the supervisory functions of the Board of Directors. The members have increased and the system of five Outside Directors has continued since its inception in June 2007.

#### Ratio of Outside Directors to all Directors (At the conclusion of the Ordinary General Meeting of Shareholders)

1999 2.7%	▶	2010 33.3%	▶	From 2012 onward 45.5%
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### ④ Shortening Directors' Terms

In June 2004, the term of Directors was shortened from two years to one year in order to clarify their responsibility for management.

### ⑤ Establishing a Nomination and Compensation Committee

The committee has been established to ensure the transparency, validity and objectivity of nomination and remuneration of Directors\*. The committee is made up of five members, including three Outside Directors, one of whom is appointed as the chairperson.

\* The Compensation Committee established in 2001 was enhanced to the Nomination and Compensation Committee in 2010.

[URL](http://www.nec.com/en/global/about/executives/committee2.html) <http://www.nec.com/en/global/about/executives/committee2.html>

### ⑥ Instituting Chief Officer Positions

The chief officer position was instituted in July 2011 for the purpose of developing company-wide strategy and for leading business units in the promotion of the company's business, toward realization of the NEC Group Vision 2017. Corporate Directors are appointed as chief officers and they function to oversee business execution by each business unit from a company-wide perspective.

## Continued Strengthening and Improvement of the System

NEC adopts the company with the Audit & Supervisory Board Members (KANSAYAKU) ("A&SBMs") to serve a double-check process: Board of Directors supervises the business execution and the Audit & Supervisory Board (KANSAYAKU-KAI) ("A&SB") audits the legitimacy and appropriateness of Director's decision-making or activities. We have established a hybrid structure by a combination of a corporate officer system, multiple Outside Directors, and a Nomination and Compensation Committee comprised of Outside Directors as majority. In this way, we separate management supervision from the business execution while striving to ensure management transparency and soundness.

NEC believes that its corporate governance is functioning adequately under the current system described above. However, NEC realizes the importance of further strengthening its corporate governance in order to focus on the "Solutions for Society" and strive to create social value and maximize corporate value.

NEC actively incorporated concrete measures to strengthen its governance ahead of Japan's "Corporate Governance Code" that entered into force in June 2015, and NEC is focusing its efforts on enhancements and improvements of this system in order to realize more effective corporate governance.

### Independence Criteria for Outside Directors and Audit & Supervisory Board Members

NEC declares that an Outside Director and an Outside Audit & Supervisory Board Member (KANSAYAKU) who is not fallen under any of the following description is independent of NEC.

- (1) Presently or at any time within the past three years, any of his or her relative within the second degree of relationship holds or held a position equal to or higher than a general manager at NEC or a Group subsidiary
- (2) Presently or at any time within the past three years, the person is or was a person executing the operations ("executing person") of a major business partner<sup>\*1</sup>, or any of his or her relative within the second degree of relationship is or was an executing person at a major business partner<sup>\*1</sup> (if such a person holds or held a position equal to or higher than a position equivalent of a general manager at NEC)
- (3) In any one of the past three fiscal years, the person or any of his or her relative within the second degree of relationship has received financial compensation of ¥10 million or more (excluding remuneration for Directors or A&SBMs) from NEC
- (4) Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has belonged to Accounting Auditors of NEC
- (5) Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has been an executing person of an organization that has received a significant amount of donation from NEC<sup>\*2</sup>

**\*1 Major business partner:**

- 1) A business partner with the total amount of transactions with NEC (consideration for offering products/services and procurements) exceeding 2% of sales of NEC or such business partner; or, 2) A business partner from which NEC's annual average outstanding borrowings exceeding 2% of total assets of NEC in any one of the past three fiscal years

**\*2 Organization that has received a significant amount of donation from NEC:**

- An organization that has received from NEC a significant amount of donation exceeding the greater of ¥10 million, or 2% of the gross income of such organization, in any one of the past three fiscal years

### Enhancing the Effectiveness of the Board of Directors

For Directors and A&SBMs to be able to appropriately fill their expected roles and responsibilities, NEC has stipulated a policy of implementing periodical training for Directors and A&SBMs so that they can acquire the necessary expertise and information regarding the roles and responsibilities of Directors and A&SBMs (including legal responsibilities), and the necessary expertise and information regarding the company's business. NEC takes steps for Outside Directors and A&SBMs to deepen understanding of the NEC Group, including tours of NEC and subsidiary business sites and exhibitions. We will continue to provide various kinds of support.



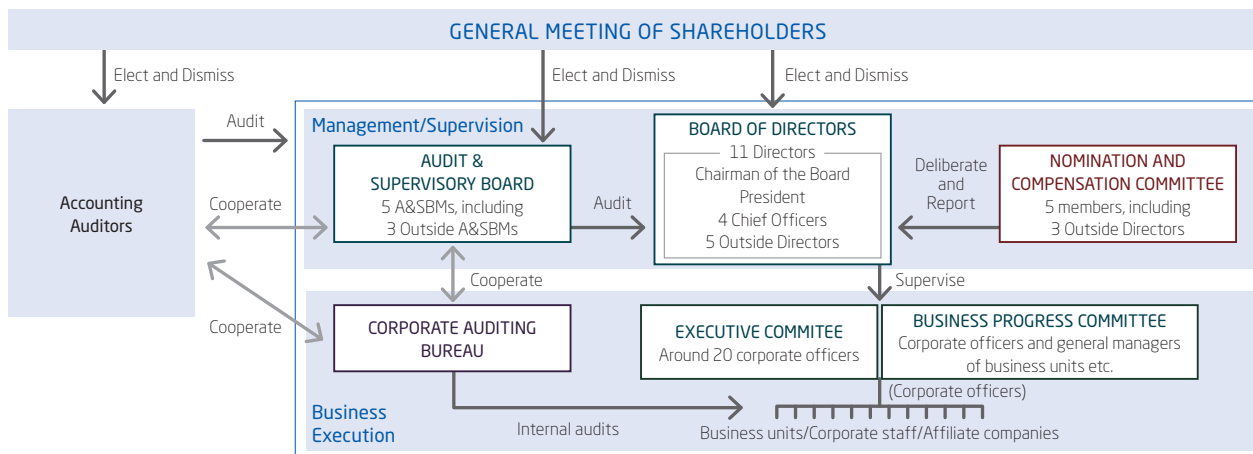
Outside Director and A&SBMs on tour at the OCC Corporation's Submarine System Plant in Kitakyushu City, Fukuoka Prefecture

To enhance deliberations at meetings of the Board of Directors, Outside Directors and Outside A&SBMs are provided documents in advance of meetings of the Board of Directors. They are also given briefings in advance on particularly important items to be included on the board's agenda. In addition, the Board of Directors receives from CFO for shareholders' opinions obtained through IR activities, and from CSO for issues or measures related to sustainability, and it has opportunities to share and discuss such matters. Looking ahead, we plan to conduct an analysis and assessment of the effectiveness of the Board of Directors with the objective of further enhancing their functions.

For further details on the corporate governance of NEC Corporation, please visit the following websites:

 <http://jpn.nec.com/profile/en/governance.html>

## Overview of the Corporate Governance Structure



### Board of Directors

The Board of Directors holds regular meetings once a month, in principle and extraordinary meetings as necessary to determine important matters related to business execution, including business realignment, funding plans and financing and investment, as well as matters concerning business plans.

#### Status of Fiscal 2015

Chief officers provided activity reports and management plans and progress reports for each business segment. The Board of Directors actively discussed such reports as well as resolution agenda such as restructuring domestic production bases, operating efficiency and business reforms. A broad range of advice was given by Outside Directors, in particular, tapping into their own extensive experience in such roles as corporate management, and based on their deep insights.

### Executive Committee

The Executive Committee discusses important NEC Group management issues such as policies and strategies. This committee extensively discusses matters of particular importance prior to putting them forward to the meetings of the Board of Directors for approval. In doing so, the committee enhances the deliberations and ensures appropriate decision making.

### Business Progress Committee

The Business Progress Committee deliberates and reports on matters related to the status of the NEC Group's business execution, such as monitoring progress with respect to meeting budgets approved by the Board of Directors, with the aim of sharing management information and promoting execution efficiency.

### Nomination and Compensation Committee

The Nomination and Compensation Committee deliberates on (i) nomination of Directors, Representative Directors and Audit & Supervisory Board Members (KANSAYAKU) ("A&SBMs"), the chairman of the Board, and the president and (ii) the structure and the level of remuneration for Directors, representative Directors and corporate officers from an objective perspective. The committee reports the results of its deliberations to the Board of Directors.

### Audit & Supervisory Board (KANSAYAKU-KAI) ("A&SB")

A&SB holds regular meetings once a month and extraordinary meetings as necessary, decides on audit policies, standards, and other matters, and receives status reports on audits from each A&SBMs and on other matters.

<b>Form of Organization</b>		Company with the Audit & Supervisory Board Members (KANSAYAKU)
<b>Chair of the Board of Directors</b>		Chairman
<b>Directors</b>	<b>No. of Directors</b>	11 (of which Outside Directors: 5)
	<b>Term</b>	1 year
<b>Audit &amp; Supervisory Board Members (KANSAYAKU) ("A&amp;SBMs")</b>	<b>No. of A&amp;SBMs</b>	5 (of which Outside A&SBMs: 3)
	<b>Term</b>	4 years
<b>Independent Directors/Independent A&amp;SBMs</b>		No. of Independent Directors: 4, No. of Independent A&SBMs: 3
<b>Policy regarding incentive payments to Directors</b>		Remuneration and bonuses linked to business results*1
<b>Remuneration**2 (For fiscal 2015)</b>	<b>Directors</b>	Total amount in remuneration: ¥354 million for a headcount of 11 (of which, Outside Directors: 5, Total remuneration: ¥60 million)
		Total amount in bonus: ¥72 million for a headcount of 6
	<b>A&amp;SBMs</b>	Total amount in remuneration: ¥96 million for a headcount of 7 (of which, Outside A&SBMs: 4, Total remuneration: ¥36 million)*3

\*1 Director bonuses are linked to the NEC Group's performance to assure performance incentives. Bonuses are not paid to Outside Directors in order to help ensure their independence.

\*2 NEC does not disclose remuneration per individual. For NEC's basic remuneration policies and systems, please refer to the Business Report in the notice of the 177th Ordinary General Meeting of Shareholders.

\*3 The above headcounts include 2 A&SBMs who retired at the close of the 176th Ordinary General Meeting of Shareholders held on June 23, 2014.



# Messages from Outside Director and Audit & Supervisory Board Member

## Revitalize Our Board, Increase Our Corporate Value

Three years have passed since I assumed my post as an outside director. Since then, the Company's operating performance has improved steadily against the fast-changing business environment. I believe that it is the fruit of the orchestrated effort by the Board members in guiding the Company through structural reforms and realignment of business portfolio to implement "scrap and rebuild" of better organization. It is noteworthy that the board members have had intense discussions to determine how the NEC Group should contribute to better society for long into the future as an acclaimed corporate citizen.

Looking ahead, I believe that for NEC to accelerate its growth is by incorporating the proprietary technologies into new business models. For example, in the "Solutions for Society," we can offer solutions to a large number of social issues with the technologies that we already have and with new technologies we will develop. My visits to business sites have confided me that NEC and its technologies have vast possibilities in various fields, including ICT and energy. It is my role to use my perspective from outside the Company and assist NEC to turn these possibilities into real business. I am committed to offer my opinions proactively with respect to internal proposals, thereby further vitalizing the Board of Directors.

With the adoption of the Corporate Governance Code in June, the members of the Board are working to ensure that the framework properly functions and moreover, it is carried out with high conscience. I cannot emphasize enough the importance of having a governance system that is best suited for the company's future vision for itself. As a member of the Board, I will continue to work in attaining sustainable growth of the NEC corporate value.

Outside Director

**Hitoshi Ogita**



## Compliance and Corporate Citizenship Form "the Arteries" of a Company

I was appointed to the post of outside Audit & Supervisory Board Member in June 2014. Since then, I have taken on the responsibility to guide the NEC Group in compliance with laws and regulations. I believe that establishing and maintaining strong compliance to regulations is of particular importance to NEC, with its advanced technologies and a global presence as a solution provider to both social infrastructure and systems utilized in risk management for society.

Often times, corporate scandals do not occur from a lack of understanding of complex laws and regulations. In many cases, corporate scandals are simply of illegal activities at a fundamental level that goes against common knowledge. It is my understanding that such activities occur when the reasoning and practices inside an organization drift away from the common knowledge and an organization loses its flexibility.

In the world of physics and mechanical engineering, the term "compliance" refers to the elasticity or flexibility of an object. For a company, the spirit of compliance and corporate citizenship is like "an artery" to a living organism. A living organism cannot survive if its arteries lose their flexibility and blood stops circulating. Likewise, an organization cannot live no matter how hard it works to improve its operating performance, if the spirit of compliance and corporate citizenship does not work as "the arteries" in the organization.

All employees of the NEC Group are serious, hard-working, and knowledgeable in their fields. While continuing to value and protect these strengths, I ask employees to possess a "flexible spirit" and sensitivities for the common knowledge.

At NEC, all Group companies are taking steps to enhance their compliance systems. As an outside Audit & Supervisory Board Member, I plan to voice my opinions based on my view from outside the Company. I am committed to contribute in fostering a healthier and supplier NEC culture.

Outside Audit & Supervisory Board Member (KANSAYAKU)

**Kyoko Okumiya**



# Directors and Audit & Supervisory Board Members

(As of June 22, 2015)

## Directors



**Kaoru Yano**

Chairman of the Board

Yano has served as President (Representative Director) and Chairman of the Board (Representative Director).



**Takeshi Kunibe**

Member of the Board  
President and Chief Executive Officer,  
Sumitomo Mitsui Banking Corporation  
Director and Member of the Board of Directors,  
Sumitomo Mitsui Financial Group, Inc.

Kunibe has extensive experience and deep insight as a bank manager.

- Attendance at meetings of the Board of Directors: 12 out of 12



**Nobuhiro Endo**

President (Representative Director)

After being engaged in the management of network business and NEC Group's management strategies, Endo has since 2010 been President (Representative Director).



**Hitoshi Ogita**

Member of the Board  
Adviser to the Board, Asahi Group Holdings, Ltd.

Ogita has extensive experience and deep insight with management of a manufacturing company.

- Attendance at meetings of the Board of Directors: 12 out of 12



**Takashi Niino**

Senior Executive Vice President,  
CSO (Chief Strategy Officer),  
CIO (Chief Information Officer) and  
Member of the Board (Representative Director)

After being engaged in the management of the financial solutions business, Niino is now in charge of the NEC Group's management strategies.



**Kaori Sasaki**

Member of the Board  
President and CEO, UNICUL International, Inc.  
President and CEO, ewoman, Inc.

Sasaki has wide range of knowledge on marketing and perspective of consumers.

- Attendance at meetings of the Board of Directors: 11 out of 12



**Junji Yasui**

Senior Executive Vice President,  
CSCO (Chief Supply Chain Officer) and  
Member of the Board (Representative Director)

After being engaged in the management in a broad range of fields of IT solutions business and network business, and Yasui is now in overall charge of the NEC Group's supply chain.



**Motoyuki Oka**

Member of the Board  
Senior Adviser, Sumitomo Corporation

Oka has extensive experience and deep insight with management of a general trading company, on including the management of overseas firms.

- Attendance at meetings of the Board of Directors: 10 out of 12



**Takaaki Shimizu**

Executive Vice President,  
CMO (Chief Marketing Officer) and  
Member of the Board

After being engaged in the management of the government and public solutions business and IT solutions business, Shimizu is now in charge of marketing and business innovation strategies.



**Kunio Noji**

Member of the Board  
Chairman of the Board, Komatsu Ltd.

Noji has extensive experience and deep insight with management of a manufacturing company.

- Attendance at meetings of the Board of Directors: 12 out of 12



**Isamu Kawashima**

Executive Vice President,  
CFO (Chief Financial Officer) and  
Member of the Board

After being engaged in the management of accounting and financial affairs at the business units and overseas subsidiaries, Kawashima is now in charge of the NEC Group's accounting and financial strategies.

- Notes: 1. NEC has notified the Tokyo Stock Exchange of its four independent Directors and three independent Audit & Supervisory Board Members ("A&SBMs"). Independent Directors include; Mr. Hitoshi Ogita, Ms. Kaori Sasaki, Mr. Motoyuki Oka and Mr. Kunio Noji. Independent A&SBMs include; Mr. Satoshi Itoh, Ms. Kyoko Okumiya and Mr. Takeshi Kikuchi.
2. Attendance at meetings: the number of attendance at meetings (meetings of the Board of Directors or meetings of A&SBMs) out of the number of the meetings held in the fiscal year ended March 31, 2015

## Audit & Supervisory Board Members (KANSAYAKU)



**Fujio Okada**

Audit & Supervisory Board Member (full-time)

Okada has extensive experience in management of the legal and internal control division.



**Tetsuya Fujioka**

Audit & Supervisory Board Member (full-time)

Fujioka has accounting experience for many years and experience as former General Manager of Corporate Finance Division.



**Satoshi Itoh**

Audit & Supervisory Board Member  
Certified Public Accountant

Itoh has extensive audit experience and specialized financial and accounting knowledge as a certified public accountant over many years

- Attendance:  
At meetings of the Board of Directors: 11 out of 12  
At meetings of the Audit & Supervisory Board: 15 out of 15



**Kyoko Okumiya**

Audit & Supervisory Board Member  
Attorney at Law

Okumiya has extensive knowledge and specialized experience as an attorney at law.

- Attendance:  
At meetings of the Board of Directors: 10 out of 10  
At meetings of the Audit & Supervisory Board: 11 out of 11  
(Appointed in June 2014)



**Takeshi Kikuchi**

Audit & Supervisory Board Member  
Attorney at Law

Kikuchi has extensive knowledge and specialized experience as an attorney at law in fields such as IT.

(Appointed in June 2015)

For further details on the Directors and Audit & Supervisory Board Members of NEC Corporation, please visit the following websites:

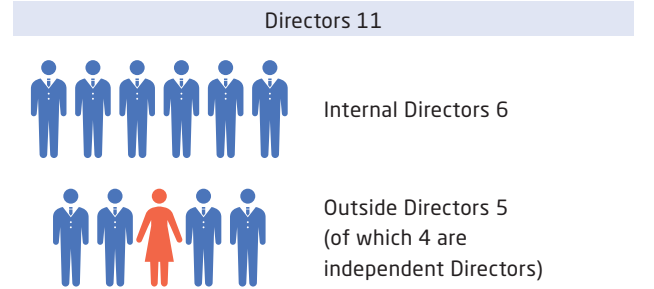
**Directors**

<http://www.nec.com/en/global/about/executives/directors.html>

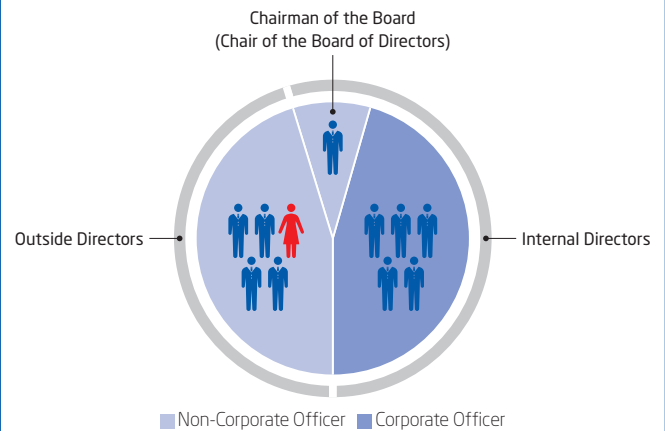
**Audit & Supervisory Board Members (KANSAYAKU)**

<http://www.nec.com/en/global/about/executives/auditors.html>

## Board of Directors



The Board of Directors makes important decisions for the Company's business execution, starting with deciding on its basic management policies. It also fulfills the responsibility of overall supervising of business execution, and therefore requires viewpoints based on broad knowledge, and the Board of Directors is comprised with consideration given to diversity in such factors as career background, specialist field and gender.



## Audit & Supervisory Board (KANSAYAKU-KAI)



NEC appoints of the Audit & Supervisory Board Members with the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and who strengthen the auditing functions of the Audit & Supervisory Board.

# Business Execution Structure

(As of July 1, 2015)

At NEC, the president, chief officers, corporate officers in charge of business units and other officers interact actively in exchanging information and discussion to enhance management speed and to execute business from a companywide perspective.



**Takashi Niino**  
Senior Executive Vice President,  
CSO (Chief Strategy Officer), CIO (Chief Information Officer)

In fiscal 2015 (the year under review) or the second year of the Mid-Term Management Plan 2015, we were able to achieve some positive results in the global development of "Solutions for Society", an area of focus for NEC.

In fiscal 2016 (the upcoming fiscal year), we will enhance our business model and grow these operations as a Social Value Innovator, and further pursue the NEC Group operational reforms and work on formulating the next mid-term management plan to be a leading global company.



**Junji Yasui**  
Senior Executive Vice President and CSCO  
(Chief Supply Chain Officer)

Our efforts over the past two years have shaped NEC into a company capable of posting sustainable profits. In the final year of "Mid-Term Management Plan 2015," we will go a step further and grow. At the same time, as we expand our global reach, NEC ensures compliance with trade and import/export management, as well as to further improve the quality of our products and services.

We have had success in raising the level of customer satisfaction and improving to resolve quality issues, and now we are ready to make further improvements, with global growth in our sights. Through activities to make product quality an integral part of NEC Group's culture, we will continue to build the foundation upon which we will become a leading global company.



**Hideichi Okada**  
Senior Executive Vice President  
In charge of Global Business Strategy

Expanding the global business is necessary to achieve the NEC Group's management targets. I believe it is our mission at NEC to leverage our information and communications technologies to provide social infrastructure essential for safe living that people around the world want and for development in emerging countries, as well as to deliver services that please our customers. I will work to gain the understanding of top leaders in countries around the world and carry out with these initiatives quickly.



**Manabu Kinoshita**  
Executive Vice President  
In charge of Corporate Sales and Sales Operations Unit

In the upcoming fiscal year as the final year of the current Mid-term Management Plan, we focus on three key initiatives targeting continuous growth in the domestic business. First, we enhance sales support functions related to the domains that NEC is focusing on, such as SDN, Big Data, cloud, safety/security, and energy, as well as key sectors including local governments, healthcare, electric power, and broadcasting for further expansion of sales in Japan. Second, we expand the sales partner business by introducing new products and services such as the Social Security and Tax Number System, cloud, and SDN. Finally, we develop salesforce capability in creating new value for our customers and society. We will grow domestic business through these initiatives, and to improve the level of customer satisfaction.



**Tomonori Nishimura**  
Executive Vice President  
In charge of Public Business Unit

The upcoming fiscal year is the final year of the current "Mid-term Management Plan 2015," and NEC is committed to making it a year in which we deliver on the goals of the plan. Currently, the market is looking for NEC to both grow and become more profitable. To this end, we will boost NEC's brand strength as a Social Value Innovator, by making our products and services globally competitive and widening the scope of our contribution to society through our business.

In the upcoming fiscal year, the Public Business Unit will evolve into a more profitable business unit by paving the way for overseas sales growth and by further improving the business structure.



**Masato Yamamoto**  
Executive Vice President  
In charge of System Integration, Services & Engineering Operations Unit

The "Mid-Term Management Plan 2015," which was formulated in April 2013, calls for NEC to focus on "Solutions for Society". As a part of this, I am particularly interested in enhancing our ability to create products, services and solutions that satisfy our customers around the world.

We will continue to integrate the NEC Group's capabilities, and continue tirelessly to be better at what we do and to provide the best for our customers.





**Takayuki Morita**  
Executive Vice President  
In charge of Global Business Unit

I believe our mission is to work with our customers, partner companies, and government bodies around the world to realize a managed service of cutting-edge solutions for society. We leverage NEC's technologies ranked No. 1 in the world, in fields such as biometrics-related technology, network and other virtualization technology, and Big Data-related technology using correlation analytics, and to continuously provide such managed services globally.

To this end, in addition to providing commercial-base systems, we are engaged in many field trials throughout the world. NEC will continue to propose new types of value for society.



**Takaaki Shimizu**  
Executive Vice President and CMO (Chief Marketing Officer)  
In charge of Business Innovation Unit

NEC has established seven themes of social value innovation, and set these as areas in which we will contribute to society going forward. IoT is integrated into all types of industrial fields at a rapid pace. Having devoted ourselves to network and computer technologies for 116 years, NEC will continue to be an innovator in the field of IoT.

This innovation is supported by our cutting-edge technologies in fields including Big Data, cloud, SDN/NFV, and cybersecurity, as well as our system integration capabilities to deliver these technologies as solutions to our customers. Going forward, we will continually refine our technologies and capabilities, and provide new values needed by society.



**Isamu Kawashima**  
Executive Vice President and CFO (Chief Financial Officer)

In the fiscal year under review, we worked in building a stable financial foundation while delivering profit at the same time.

We have achieved the income targets we set at the beginning of the year for three consecutive years, and continue to grow our business operations.

In the upcoming fiscal year, the final fiscal year of "Mid-Term Management Plan 2015," we aim to provide financial support for the execution of growth strategies in key areas, including SDN, Big Data, cloud, safety/security, and energy, and continue to build a foundation for business expansion.



**Katsumi Emura**  
Senior Vice President  
In charge of Central Research Laboratories

NEC is continuously working with customers to deliver innovations. Over the years, we have used our world-leading face recognition technology and unique Big Data analytics technologies to create a host of powerful solutions, including integrated surveillance of cities and infrastructure as well as secure and stable facility operations. We have already begun to roll out these solutions globally. In the upcoming fiscal year, we will further strengthen our global research activities to create new solutions for society, and contribute to NEC's future growth.



**Nobuhiro Odake**  
Senior Vice President  
In charge of Supply Chain Management Unit

Our unit is working to enhance and improve the supply chain optimized for the NEC Group as a whole. Underlying our activities is the strong belief that we are always responsible to provide the highest value for our customers. In the upcoming fiscal year, we will fully apply IoT and the related technologies to make our supply chain faster and more visible through process innovation. Our activities for customer satisfaction come before anything else. Taking this idea to heart, we will raise the level of our procurement, production, delivery and product quality even higher.



**Shunichiro Tejima**  
Executive Vice President  
In charge of Telecom Carrier Business Unit

Telecom Carrier Business Unit brings together NEC's IT and network technologies to build information and communications platforms and thereby contribute to the realization of an affluent society.

In the upcoming fiscal year, we are committing ourselves to serve a wide range of customers in and outside of Japan in delivering solutions to the challenges they face. We will achieve further growth on a global scale with solutions combining SDN, which makes network building easy through virtualization, and TOMS, which boosts network operating efficiency.



**Shinichi Shoji**  
Executive Vice President  
In charge of System Platform Business Unit

System Platform Business Unit continues to provide strong ICT assets as a platform to support "Solutions for Society", as well as sales and system engineers backing the business. Our strong ICT assets are obtained with cost competitiveness on a global scale and high quality, with added value that our competitors cannot imitate. We will take a steadfast approach to evolving components, and continue to lead the IoT era with a solution platforms that integrates NEC's unrivaled strengths in Big Data engines centered on vector computers; virtualized platforms that evolves SDN; and edge computing.



**Takemitsu Kunio**  
Senior Vice President  
In charge of Smart Energy Business Unit

In the global electric utility market, "Distributed Energy" is increasingly widespread as a new energy source. ICT is used for sophisticated power control, a great example of the "integration of ICT and energy technology" that NEC has been proposing over the years. In fiscal 2015, we achieved notable growth by enhancing our product assets, such as large and small electricity storage systems and AML. In the upcoming fiscal year, we will promote the ICT driven distributed energy, which is expected to become increasingly widespread in Japan, too. We will establish a business model that better serves the market and customers, and achieve sustainable business growth.



**Susumu Makihara**  
Senior Vice President  
In charge of Personnel and General Affairs

Increasing the global competitiveness of our work force is essential in order for NEC to grow. However, Japan is facing demographic issues because of the aging of society and a declining birthrate. Therefore, in fiscal 2015, NEC took initiatives to further pursue diversity in its employment in terms of gender and nationality. Moreover, we have implemented succession planning to develop our future leaders. In addition, in the upcoming fiscal year, we will carry out more initiatives to improve our work styles and establish workplaces more appropriate for a diversified pool of talent.



**Chikara Ishii**  
Senior Vice President  
In charge of Enterprise Business Unit

Enterprise Business Unit contributes to the realization of a safe, secure and affluent society by providing value to customers in the manufacturing, retail and service sectors. In the upcoming fiscal year, we will further expand our business globally by jointly creating value with customers, centered on value chain innovations linking manufacturing, distribution and sales, and work tirelessly to make the final year of the "Mid-Term Management Plan 2015" a year of growth that will lead NEC into the future.

For further details on the corporate officers of NEC Corporation, please visit the following website:

 <http://www.nec.com/en/global/about/executives/svp.html>

# Stakeholder Engagement

The NEC Group is carrying out reforms aimed at becoming a social value innovator capable of continuously contributing to society for over 100 years. To this end, it is important for the Group to be sensitive to societal trends and expectations.

Through communications with various stakeholders, the Group will continue to work with them to find solutions to social issues.



## Dialogs with Shareholders and Investors

Shareholders and other investors constitute one of NEC's most important stakeholder groups. By raising the transparency of management through timely, appropriate, and fair disclosure, NEC aims to deepen the investment community's understanding of our corporate value.

Dialogs with shareholders (interviews) are primarily conducted by the Investor Relations Office (IR Office), the department within the Corporate Strategy Division responsible for investor relations. The Company president and CFO also meet with key shareholders. However, before members of senior management meet with the shareholders, they talk with the IR Office, Corporate Communications Division, Accounting Division, Finance Division, Legal Division, and other relevant internal divisions. The reason for these prior meetings is to ensure a shared understanding of both the management strategies and the overall operating performance to disclose. This is an effective way of preventing the disclosure of what could be considered "insider information". In addition, officer(s) from the IR Office always sit in on meetings between shareholders and members of senior management, and later report on the details of the meeting to relevant NEC managers. In principal, more than one IR Office officer will attend the meetings with shareholders, thereby ensuring mutual checks to control the information disclosed. During the fiscal year under review, the Company held 440 meetings (88 more than in the previous fiscal year) with securities analysts and institutional investors inside and outside of Japan. In this way, we engaged in dialog with more than 800 people representing approximately 700 companies.

In addition to individual meetings, members of senior management hold management briefings and quarterly financial-result briefings for the media, securities analysts, and institutional investors. Also, executives responsible for individual businesses have briefings on their businesses, including tours of facilities and briefings on research progress. During the fiscal year under review, management conducted financial-result briefings such as:

- the president speaking at briefings in April and October,
- a tour of our Fuchu Plant's Satellite Integration Center in July,
- an R&D briefing in December, and
- a seminar on business related to Japan's upcoming Social Security and Tax Number System in March.

Members of senior management also engage in dialog with shareholders through the General Meeting of Shareholders. Additionally, the IR Office holds briefings for individual investors several times a year at branches of securities companies. During the fiscal year under review, approximately 350 people attended such briefings, which were held in seven cities across Japan.

Shareholders' opinions and the ideas gained through these IR activities are regularly provided as feedback to senior management. Then, once each quarter, the CFO reports on shareholders' opinions and ideas at a Board of Directors Meeting.





## Identifying Reform Issues through Dialogs with “CSR Review Forum-Japan” (an NPO) to Become a Social Value Innovator

From mid-May to early June 2015, NEC held discussions with CSR Review Forum-Japan (CRF), which is an alliance of NGOs, NPOs, consumer groups, and labor groups.

CRF and various individual NEC divisions had talks to review their own activities about core issues based on ISO 26000, a standard providing international guidance for social responsibility. This review process has been ongoing since 2011.

As in the previous year, Senior Executive Vice President Takashi Niino participated and talked about making changes to become a social value innovator, as reflected in the Company’s mid-term management policy. He discussed developments such as the NEC Vision books and the new brand message “Orchestrating a brighter world,” which were released during the fiscal year under review. In this way, there was meaningful dialog on how to foster a better corporate culture as well as on current progress.

After the various discussions, CRF commented as follows:



- “We hope that NEC’s “Solutions for Society” is added to the next mid-term management plan.”
- “In resolving social issues, we would like Japanese companies to further leverage their special attributes. Japanese companies are conscientious, precise, and friendly to the weak, which are qualities that many non-Japanese companies do not possess as much.”
- “The social issues that the world faces cannot be solved by one private-sector company alone. The issues are too large and will take a long time to solve. Consequently, it is important that a number of companies form a network to solve them.”
- “It is important for companies to tell shareholders and investors that they wish to also be evaluated on their long-term social value creation, not just on their business results.”

NEC assured CRF that it will continue to deepen discussions about the importance of linking our businesses to social issues. Among other approaches, we will also explore more ways to inform the public about the “Solutions for Society,” selecting assessment indicators to measure the extent to which social issues are being resolved.

## Dialogs on Contributions by Business Sector to the UN’s Millennium Development Goals

In April 2015, “The 15th Infopoverty World Conference” was held at the United Nations’ headquarters. It was held by the Observatory for Cultural and Audiovisual Communication (OCCAM), a non-governmental organization registered with the United Nations Economic and Social Council and the Department of Public Information. People representing various countries took part.

Mr. Masahiro Ikeno, vice president of NEC’s Global Business Unit, represented the Company to share its “Solutions for Society” (such as an ID system using NEC’s biometric identification technology and a broadband network system) to promote NEC’s ability to improve safety, security, efficiency, and social equality with information and communication technologies.

A participant’s comment: “NEC has such excellent solutions and successful cases, which I learned about for the first time. We would like to maintain regular contact with them.”

OCCAM’s comment: “We can develop policy guidelines and give advice on what the international community should do for governments. However, we also need the involvement of private companies to implement practical solutions for each government. We hope NEC can continue to be involved in these efforts.”

Since the adoption of the UN’s MDGs\*, the conference has been held every year, starting in 2001. A variety of stakeholders such as governments, companies, and NGOs have been taking part in the conference and share innovative solutions with each other. As a result,

many solutions have been implemented over the past 14 years. This has been done in collaboration with 1,800 public and private sector organizations from more than 60 countries.

NEC will continue to generate stakeholder dialogs with the UN, NGOs, and representatives of governments around the world to propose additional solutions.



\* MDGs: Millennium Development Goals. They were adopted at the UN’s headquarters in New York. They range from halving extreme poverty rates to eradicating poverty and hunger by the target date of 2015.

# Empowering Our People

The NEC Group, to make additional progress with our global business, has established new practices under an “NEC Group Human Rights Policy” as we strive to further respect human rights. We actively promote women’s success in the workplace, and are strengthening the training of employees who can excel in a global environment. In addition, we conduct research into employee awareness both domestically and overseas to promote quality workplaces, and strive to acquire official certification regarding safety and health.

## Formulating the “NEC Group Human Rights Policy”

As a global company, NEC supports the following codes of conduct and guidelines advocated by the United Nations, the International Labor Organization (ILO), the European Commission, and other organizations.

- **The International Bill of Human Rights (United Nations)**
- **The ILO Declaration on Fundamental Principles and Rights at Work**
- **The United Nations Global Compact**
- **Guiding Principles on Business and Human Rights (UNGP) (United Nations)**
- **The ICT Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights (European Commission)**

In 2004, NEC added an item expressing respect for human rights to its “NEC Group Charter of Corporate Behavior” and in April 2015 newly formulated the NEC Group Human Rights Policy as a commitment to stakeholders. This policy states that NEC shall engage in dialog and discussion with stakeholders to develop and implement due diligence on human rights. It also requires that a similar respect for human rights be shown not only by NEC Group employees, but also by business partners in the value chain and by other associates.

## Promoting Women’s Success in the Workplace

NEC appointed and promoted personnel irrespective of gender even before the enactment of the Equal Employment Opportunity Law in 1985.

NEC’s recruitment of new graduates in recent years has seen the ratio of women among them grow to around 20% to 25%. In addition, the percentage of the total number of managers who are women exceeds 5%. In addition, there are 96 management-class female employees who are ranked in the position of department manager or higher, including division leaders and branch managers. The percentage of such women is 3.8%. (The figures are as of April 2015.) In addition, NEC is actively engaged in creating workplaces where women can succeed in line with the action plan below, which is outlined in the Japan Business Federation (Keidanren) Action Plan on Women’s Active Participation in the Workforce.

### Voluntary Action Plan on Promotion of Women to Managerial and Board Positions

- ▶ Achieve a percentage of women ranked department manager or higher of 5% by April 2018
- ▶ Raise career awareness and form networks of young and mid-career employees using female managers, mainly those ranked as relatively high business unit managers
- ▶ Strengthen the support of employees aiming to be working parents
- ▶ Promote innovative working styles by utilizing ICT and with a focus on diversity

In line with this action plan, in fiscal 2015 NEC implemented the following policies and events aimed at providing women with career support and raising employee awareness.

#### ● **Business unit manager interviews about employing women at the position of department manager**

NEC conducted interviews to gain opinions and proposals regarding matters that included the career experience needed for such employment, fields in which success can be expected, and reviews of the working styles

of employees who have restrictions on working hours, including shorter working hours while raising children.

#### ● **An interactive event for young and mid-career female employees**

In December 2014, NEC held a diversity promotion event called “Think About Your Career, Your Dreams.” This was an interactive event for female employees held by SELENE (short for “Scarlet Elegance in NEC”), a volunteer group of NEC female managers.

The event had two main aims. One was to make women realize there are many options for their career plans, life plans, and work styles. The other was to enable the participants to meet many different people from within the Company. About 80 young and mid-career female employees took part.

#### ● **Seminar on support for returning to work while raising children**

In February 2015, NEC held a seminar on support for returning to the workplace for employees who were on leave to raise children. It was attended by about 50 employees on such leave. Participants learned about the current state of the Company, systems supporting working parents, and self-management techniques. They also worked in groups to positively reflect on returning to the workplace.



#### ● **Career development events for female sales staff**

Since fiscal 2013, networking events such as national women’s sales staff events and women’s leadership training have been held across the Company for the purpose of training female sales staff. These events are not limited to employees, but also involve exchanges with salespeople from different sectors, helping broaden perspectives through networking with people from other companies.



## Making Global Professionals More Visible and Training Them

To further support our global growth from the personnel side, in fiscal 2011, the NEC Group began building a framework for training professionals capable of succeeding in a global organization.

NEC created a global-standard framework on human resources and skills to provide a common global scale for gauging the capabilities of human resources. Based on this, NEC developed a Web-based SaaS-style management tool for human resources and skills to improve the visibility of the skills of professionals at overseas subsidiaries. Moreover, in fiscal 2015, NEC carried out skills surveys at overseas subsidiaries that have yet to introduce such management tools. We were able to

visualize the skills of about 80% of the service personnel, systems engineers, and software developers.

For employees at overseas subsidiaries who are expected to become leaders to drive global business, we are implementing global leader training. Through this training, we will help them share what the NEC Group aims to be and expand personal business networks by gathering leadership candidates from various regions.



## Employee Surveys: One NEC Survey and Engagement Survey

The NEC Group conducts One NEC Surveys each year for all employees of Group affiliates in Japan to better understand employees' opinions and thoughts about the Company, workplaces, and jobs. In addition, since fiscal 2012, NEC has carried out Engagement Surveys for employees of overseas Group companies every other year. The results of both surveys are utilized to determine the direction of human resources initiatives and measures to develop organizations.

### One NEC Survey (Japan)

In fiscal 2015, this survey was conducted at NEC Corporation and 33 NEC Group companies in Japan. The purposes were to identify the factors that motivate each employee to perform better and improve customer satisfaction. Responses were obtained from 48,857 employees, making the response rate about 84%. More than 70% of the respondents expressed positive opinions about their high degree of trust in their co-workers, their desire to contribute to customers, and their loyalty to NEC. However, only from 40% to 50% of the employees

had positive opinions about career opportunities, evaluation systems, and work processes. Based on these results, NEC will further enhance and promote career opportunities to provide employees better future prospects and a greater sense of growth.

### Engagement Survey (Overseas Subsidiaries)

In fiscal 2015, this survey was conducted at overseas subsidiaries in 30 countries managed by the Global Business Unit. It was in seven languages. Responses were obtained from 7,900 employees and the response rate was 77%. More than 60% of the respondents expressed positive opinions regarding teamwork and customer-oriented work execution. In contrast, the positive response rates for career opportunities, evaluation systems, and work environments were about 35%. This tendency is similar to the responses of employees in Japan. Based on these trends, NEC will collaborate with each region to develop the organization further.

## Tackling Health and Safety

A fundamental NEC principle is that "NEC will maintain and enhance comfortable and supportive workplaces to ensure the health and safety of all people working at its business sites." Based on that, NEC provides various occupational health and safety and health enhancement activities company-wide, taking into account the characteristics of each company and workplace.

### Adoption and Functioning of the NEC Group's Occupational Health and Safety Management Regulations

NEC established a company-wide Occupational Health & Safety Policy in 2010. It was used to regulate specific actions in individual situations. In 2012, the NEC Group's Occupational Health and Safety Management Regulations were established as part of efforts to enhance the quality of the activities.

### Efforts to Acquire OHSAS 18001 Certification

The NEC Group has been working since fiscal 2011 to obtain OHSAS 18001 certification by fiscal 2015 for occupational health and safety, taking into account the characteristics of each company and workplace. Certification has already been obtained for 11 NEC Group companies thought to be likely to have health and safety risks, including the NEC Kansai Building, sales bases, and production lines. Looking forward, we are moving ahead with OHSAS certification or implementation of a similar program for other NEC Group companies.



OHSAS certificate

# Earning Customer Trust

NEC considers value for customers from a societal perspective, and will continue to work with customers to contribute to solving social problems. All of our employees discuss how to maximize value for customers, create opportunities to share awareness, and utilize ICT to contribute to solving social issues where customers are located.

## “The NEC Group Values Day:” Aimed at Maximizing Benefits for Customers and Society

NEC uses July 17, the anniversary of the company’s founding in 1899, as “NEC Group Values Day,” a day on which all employees reaffirm the four values of great importance to our company: Better Products, Better Services; Passion for Innovation; Collaboration; and Self-help. On that day, employees at each workplace spend time discussing what the values are so as to better satisfy customers’ expectations. Employees also discuss what they should do to maximize such values, using it as an opportunity to foster a mindset of putting ideas into action based on a sense of ownership.

In 2014, we added a “Values Achievement Award” to our “NEC Contributors of the Year” event. The event honors employees and teams that contribute to customers, markets, and/or society and help grow the NEC Group’s culture by being aware of the value their work provides to customers. In 2014, there were seven recipients of the award.

Award recipients included a team that helped with “Sports Festival in Tokyo 2013” by volunteering with operations and cleaning sidewalks. The team also worked closely with Tokyo’s Koto Ward and other organizations to develop and provide a smartphone app that offered information on competition venues during the festival. Another team provided customers with manufacturing know-how linking sales and production plants and is working with clients to promote production innovations.



NEC Contributors of the Year awards ceremony

## Local Subsidiary’s Efforts to Support Developing Countries

As part of its social contribution program in the Philippines, NEC Telecom Software Philippines, Inc., worked with the Japan International Cooperation Agency (JICA) to support a program that fosters exchanges between high schools in the Philippines and Japan.

With the aim of improving communication skills that allow people to enjoy global success, Subangdaku Technical Vocational School in Cebu (one of Philippines’s model schools for technical education) and Chiba Prefectural Ichikawa High School of Technology in Japan connected via a network and discussed differences in the cultures and learning methods at the two schools.

The students felt a sense of affinity based on the schools’ having many subjects in common, such as math and physical education. But, through ICT, they also got a real sense of the differences between the schools, such as the clothing, accents, the number of class periods for occupational technology classes and specialized courses, and the different things they were producing in their classes. Following the completion of the program, students from both schools said that the program helped them speak with confidence and that they started to enjoy communicating in English.

Going forward, NEC will continue to earn the trust of local communities through locally rooted global social contribution activities in the communities where we operate.



Network-based exchange program between high school students in Japan and the Philippines

# Progress of NEC Group “Environmental Management Action Plan 2017/2030” and New Objectives for Climate Change

In fiscal 2011, we established NEC Group “Environmental Management Action Plan 2017/2030,” which defines mid- and long-term environment management targets. In addition, we have been working on new targets to strengthen our contribution to combating climate change since last year.

NEC Group Environmental Management Action Plan 2017/2030 includes specific targets based on three key perspectives:

- low carbon emissions
- ecosystem and biodiversity preservation
- resource recycling and conservation.

One of the goals of the low carbon emissions is to contribute to a reduction in CO<sub>2</sub> emissions from customers and society through the provision of IT solutions. With respect to this goal, we are working to reduce CO<sub>2</sub> emissions by 15 million tons by fiscal 2018. During fiscal 2015, we contributed to reductions of 2.54 million tons. With this, our cumulative CO<sub>2</sub> emission cuts over the five years since fiscal 2011 stood at 11.71 million tons. Therefore, we are making good progress toward achieving the 15-million-ton goal.

Another low-carbon target is to reduce CO<sub>2</sub> emissions during the use of our products by improving their energy efficiency. In this regard, NEC aims to achieve an 80% reduction by fiscal 2018 compared with that for fiscal 2006 products. In fiscal 2015, the reduction was already 91%, which was significantly higher than the target. This reduction was primarily due to the growth in shipments of network equipment with extremely high energy-efficiency improvements.

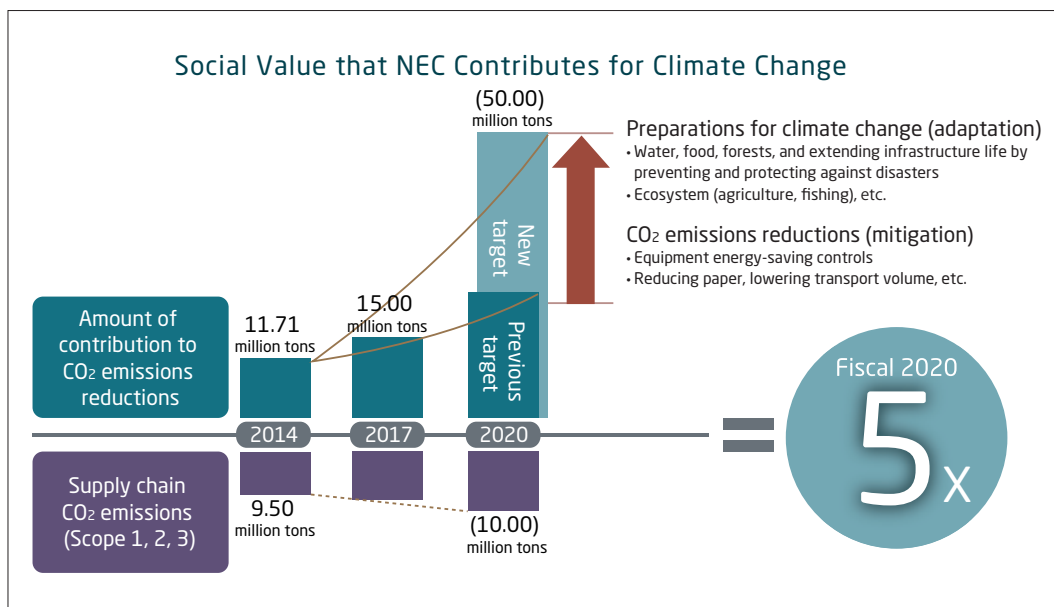
From the perspective of ecosystem and biodiversity preservation, over 9,880 employees worldwide have participated in social contribution activities associated with such preservation. In addition, NEC added three new solutions utilizing our advanced technologies and products to contribute to the preservation of biodiversity. These include a solution that supports the destruction of invasive foreign species and

a cultivation management portal. As a result, we now have a total of nine solutions for biodiversity preservation.

With respect to resource recycling and conservation, one target is to expand the application of NEC’s NeCycle® bioplastic. NEC is making progress with this, including NeCycle® usage in base units for point-of-sale (POS) terminals.

Last year, NEC began initiatives to increase our contributions to “adaptation” to climate change in addition to furthering our contributions to curbing greenhouse gas emissions (or the “mitigation” of climate change). These include preparing for natural disasters, food shortages, water shortages, and other problems that are on the rise due to the impacts of climate change.

With respect to the mitigation, we started measures to reduce the overall supply chain emissions involving our Tamagawa Plant. To do so, we integrated the management of energy at the community level, increased the accuracy of Scope 3 data by strengthening collaboration with suppliers, and enhanced reliability through third-party verifications. With respect to the adaptation, we have created a brochure that explains specifically, and in simple language, how IT can help with adaptation. We then began to bolster our solutions contributing to adaptation and started a trial to quantitatively assess the level of contribution of the solutions. Through these initiatives, NEC is working toward achieving a new environmental management target for CO<sub>2</sub> reductions that is five times greater than that for the overall CO<sub>2</sub> emissions from our entire supply chain by fiscal 2020.





# R&D and Intellectual Property Strategy

NEC aims to create a “Solutions for Society” and conducts research and development activities in close collaboration with intellectual property and standardization strategies. Researchers go out to visit customers, work through a variety of hypotheses until they can identify the exact problem, and then strive to create potential solutions that contribute to business and maximize value by using NEC’s No. 1 technologies and unique technologies as our sources of competitiveness.

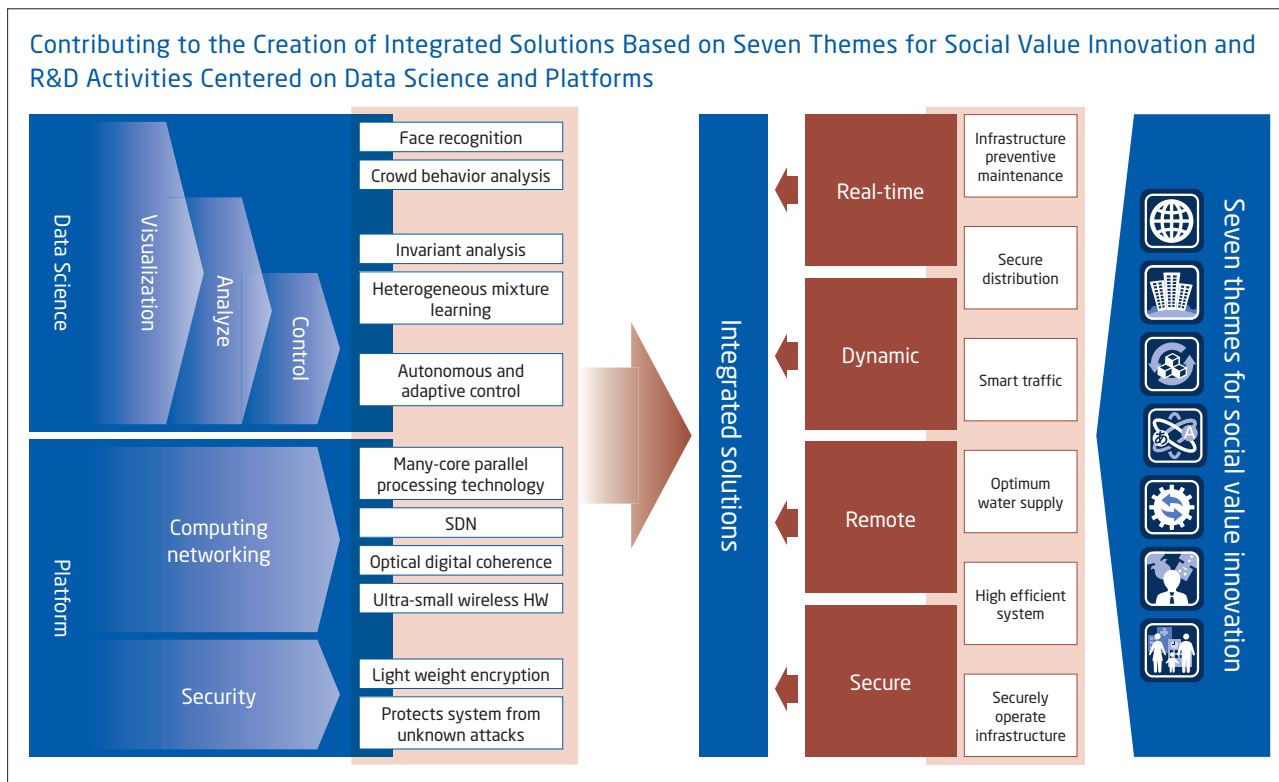
## Main Research Domains and R&D Strategy

NEC aims to provide value that will ensure the safety, security, efficiency and equality in society by promoting the development of “Solutions for Society” under the “Mid-term Management Plan 2015.” R&D activities at NEC improve technology that supports current businesses in providing the solutions. Furthermore, the R&D programs are designed to create technologies for future businesses that can provide added value for society. All in all, successful R&D activities support the sustainable development of the Company.

Regarding research domains, R&D activities are set to make vital contributions to seven themes related to social value innovation.

These include “data science,” which creates new values from Big Data using visualization and analyzing technologies, and “platforms” that are needed to respond to the large-scale, complicated issues actually facing the world.

NEC possesses many proprietary and highly competitive technological assets in both these areas. We continue to reinforce NEC’s strengths in these areas, and furthermore, strengthen sources of value provision in real-time, dynamic, remote and secure, thereby enhancing the competitiveness of the “Solutions for Society.”

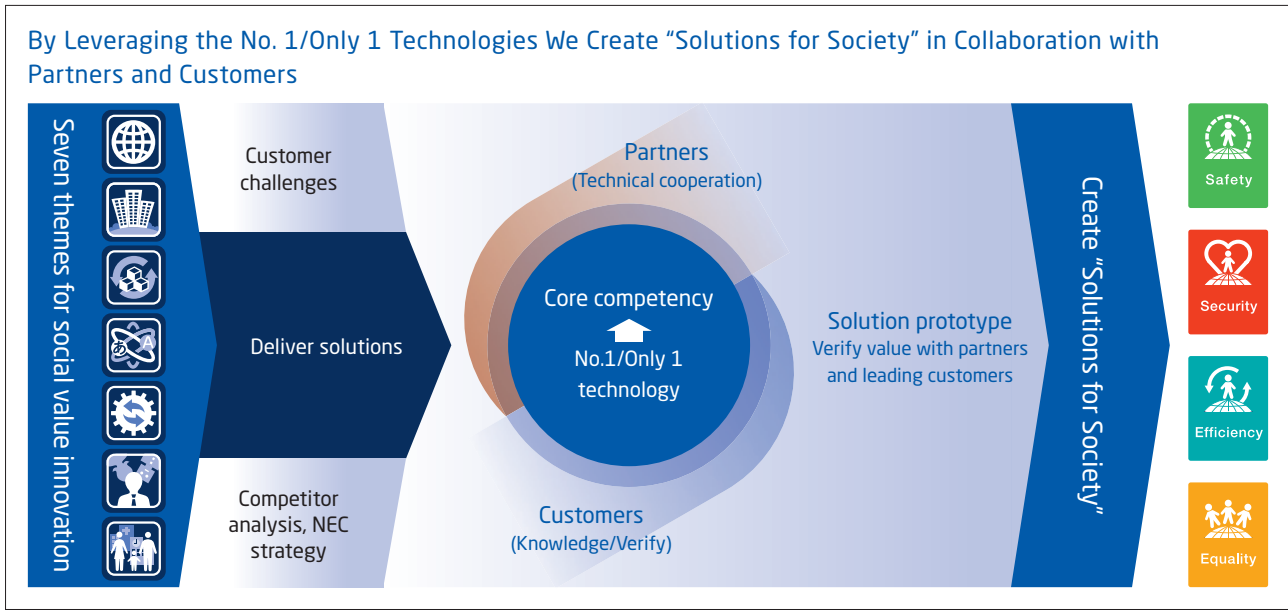


At NEC, we apply a process in determining R&D activities to carry on. The process involves focusing on domains in which NEC can provide high value; creating core competence after thoroughly refining strong technologies; and then delivering strong solutions by collaborating with partners and customers. We find this process important from the viewpoint of contributing to business with greater value through R&D.

As a result, in fiscal 2015, we contributed to creating the new “Solutions for Society,” including through solution with the Predictive Monitoring and Diagnostics System for large-scale complex facilities utilizing Invariant Analysis technology\* and through the integrated disaster readiness system using crowd behavior analysis technology.

\* Invariant Analysis technology is an analytics-based technology that extracts and models the relationships within large amounts of data to enable the detection of behavior that is anomalous with the model, thus allowing discovery of potential performance issues.





Moreover, to expand these types of initiatives globally, NEC is moving ahead with R&D in the five regions globally including North America, Europe, China, Singapore and Japan. We will leverage their local advantages and accelerate the creation of new business by initiating collaborations with these regions.

Through its R&D programs, NEC aims to contribute to development of "Solutions for Society" as outlined in the "Mid-term Management Plan 2015," and to create new value to help realize "an information society friendly to humans and the earth" described in the NEC Group Vision 2017.

### R&D Achievements in Fiscal 2015

- Developed technology to observe and measure internal deterioration of a structure through video**  
 Developed the world's first technology capable of measuring and estimating internal deterioration inside structures such as roads or bridges based on video images of the surface taken by camera. Contributed to early detection of structural deterioration and more efficient repairs, and reducing the cost of maintenance inspections.
- Developed software technology to integrate different types of networks to expand SDN usage**  
 Developed the world's first technology to enable service providers and telecommunications carriers to efficiently build and operate wide area networks through integrated management of multiple types of different networks such as optical or wireless.
- Strengthened heterogeneous mixture learning technologies that automatically discover massive patterns hidden in Big Data**  
 Developed new data analysis techniques to automate NEC's heterogeneous mixture learning technology. Enabled high-speed, highly accurate large-scale demand forecasts based on millions of target data, including sales forecasts by product and energy demand forecasts.
- Developed "Fingerprint of Things" recognition technology capable of identifying industrial products and parts through fine surface patterns**  
 Developed the world's first "Fingerprint of Things" recognition technology that enables instantaneous and highly accurate identification to identify specific products and their respective manufacturers by using image recognition of fine patterns naturally generated on the surface of industrial products or parts and matching these with cloud-based data. Application of this technology enables selection of optimum distribution routes and ensures the authenticity of products without any special device or identification tags.

### Intellectual Property Strategy

The NEC Group owns approximately 65,000 patents worldwide, including some 22,000 patents in Japan as of March 2015. The Company positions intellectual property as important management resources for the NEC Group's business competitiveness and stability, and is working to strengthen its intellectual property capability. Specifically, NEC is concentrating on establishing a global patent portfolio, to support quickly achieving an overseas sales ratio of 25% as targeted in "Mid-term Management Plan 2015." In such areas as SDN and energy in particular, NEC is carrying out Group-wide strategic patent projects on a global basis

to obtain patents that are strong and used extensively.

Furthermore, NEC believes that participating in standardization initiatives will help create and expand businesses, and will also contribute to the stable offering of products and services. In addition to pursuing a business model that utilizes standardization, NEC is engaged strategically in standardization activities by actively participating in standards organizations both in Japan and overseas. Also, as part of its external engagements with intellectual property, NEC is actively pursuing licensing activities to reduce business risks and expand business opportunities.

# Compliance and Risk Management

NEC actively promotes thorough compliance activities and the strengthening of its risk management, including within its supply chain. In these ways, NEC strives to ensure sound business activities for society.

## Thorough Internal Compliance and Risk Management

NEC believes that compliance and risk management are essential for a company to exist within society and to meet society's expectations and requirements. Consequently, every year, NEC identifies risks companywide that it needs to address on a priority basis, and carries out improvement activities. NEC also conducts web-based training related to compliance on a continuing basis for NEC Corporation and domestic subsidiaries. In addition, the Company carries out the following initiatives.

### ● Compliance with Competition Laws and Corruption (Bribery) Prevention

NEC and its domestic and overseas subsidiaries are thorough in abiding by policies regarding competition-law compliance and corruption prevention. To achieve this, we promote awareness-raising and system improvement activities by which we conduct business activities that place compliance as the highest priority in a fiercely competitive world. In fiscal 2015, about 5,000 people, including officers and employees of domestic subsidiaries, underwent group training. All the members of the business units in charge of areas regarded as being at high risk for bribes were advised to take part. At overseas subsidiaries, training for all officers and employees was implemented through e-learning.

### ● Compliance Self-Checks

In fiscal 2015, NEC started new self-check compliance testing for all general managers of NEC and officers of domestic subsidiaries (except for listed subsidiaries). The self-checks encourage awareness of compliance weaknesses in the checker's own division and promote early

detection and elimination of problems by giving feedback to each division in the form of an analysis of the results and advice on best practices.

### ● Compliance Hotline

The Company established a compliance hotline at NEC Corporation and a third-party organization as a point of contact for consultation and reporting in the event an employee for some reason cannot consult a superior or associated division about actions that are or may be a breach of the "NEC Group Code of Conduct." In fiscal 2015, there were 65 cases of consultations or reports, such as doubts about internal systems or management and claims about the possibility of breaches of ethical behavior. Details of the matters consulted on or reported were evaluated by the internal divisions in charge to determine whether the claims required a follow-up survey. Then, the results of any survey were given to those who requested consultation.

NEC has been working to implement thorough compliance practices, including through the above measures. However, in November 2014, the Fair Trade Commission conducted on-site inspections on suspicion of NEC's violation of the Antimonopoly Act of Japan in connection with transactions concerning radio systems for firefighting. Moreover, in May 2015, there were more such inspections in connection with transactions concerning telecommunications equipment for electric power systems. Taking these incidents very seriously, the NEC Group is cooperating fully with the commission's investigations.

## Strengthening Suppliers' CSR

NEC is engaged in a variety of initiatives to bolster suppliers' CSR based on the NEC Group Procurement Policy.

One aspect of that has been CSR-Process Management Reviews (CSR-PMR), which have been conducted since fiscal 2013. The reviews involve visiting suppliers' sites and conducting onsite assessments of human rights, labor, health, and safety. Unlike a regular audit, a feature of this activity is the concept of joint CSR capability building, which involves dialog with the supplier to raise the CSR abilities of both parties.

In fiscal 2015, CSR-PMR assessments were conducted in collaboration with a local NGO on three production contractors in China. As a result, several problems were found that included employment conditions, working hours, and health and safety management. We issued corrective-action recommendations and subsequently confirmed

that progress had been made. Going forward, we will expand the number of assessments carried out and the regions to assess.



Assessment at a plant

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Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120 = U.S.\$1.  
2. Please refer to the separate publication "Annual Report 2015 (Financials)" for details of "Note XX" on pages 53 to 60.

# Consolidated Balance Sheets

NEC Corporation and Subsidiaries  
March 31, 2014 and 2015

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 19) .....	¥ 206,637	¥ 181,132	\$ 1,509,433
Short-term investments (Note 19) .....	2,322	1,972	16,433
Trade notes and accounts receivable (Note 19) .....	842,308	928,367	7,736,392
Inventories (Note 7) .....	214,395	241,146	2,009,550
Deferred tax assets (Note 13) .....	74,431	65,351	544,592
Other current assets (Notes 19 and 20) .....	167,626	163,968	1,366,400
Allowance for doubtful accounts .....	(4,810)	(5,151)	(42,925)
Total current assets .....	1,502,909	1,576,785	13,139,875
<b>PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Note 8):</b>			
Land .....	63,585	57,787	481,558
Buildings and structures .....	175,570	172,177	1,434,808
Machinery and equipment .....	17,878	20,189	168,242
Furniture and fixtures .....	63,075	67,643	563,692
Construction in progress .....	26,078	20,319	169,325
Total property, plant and equipment .....	346,186	338,115	2,817,625
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 6 and 19) .....	147,170	157,078	1,308,983
Investments in affiliated companies (Note 19) .....	78,293	90,153	751,275
Goodwill .....	76,203	66,985	558,208
Software .....	98,285	94,194	784,950
Long-term loans receivable (Note 19) .....	40,123	39,424	328,534
Deferred tax assets (Note 13) .....	108,398	85,114	709,283
Net defined benefit asset (Note 9) .....	10,404	74,622	621,850
Other assets (Notes 19 and 20) .....	112,897	102,682	855,684
Allowance for doubtful accounts .....	(15,539)	(4,500)	(37,500)
Total investments and other assets .....	656,234	705,752	5,881,267
<b>TOTAL ASSETS</b> .....	<b>¥2,505,329</b>	<b>¥2,620,652</b>	<b>\$21,838,767</b>

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Notes 8 and 19) .....	¥ 32,415	¥ 28,988	\$ 241,567
Current portion of long-term debt (Notes 8 and 19) .....	66,126	106,267	885,558
Trade notes and accounts payable (Note 19) .....	446,494	466,677	3,888,975
Accrued expenses (Note 19) .....	152,792	169,070	1,408,917
Other current liabilities (Notes 10, 13, 19 and 20) .....	287,758	298,546	2,487,883
Total current liabilities .....	985,585	1,069,548	8,912,900
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 8 and 19) .....	476,610	385,523	3,212,692
Net defined benefit liability (Notes 3 and 9) .....	220,457	228,686	1,905,717
Deferred tax liabilities (Note 13) .....	2,213	2,410	20,083
Other long-term liabilities (Notes 11, 19 and 20) .....	52,801	50,293	419,108
Total long-term liabilities .....	752,081	666,912	5,557,600
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 18, 20 and 21)</b>			
<b>NET ASSETS (Notes 12 and 24):</b>			
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock:			
Authorized — 7,500,000 thousand shares			
Issued — 2,604,733 thousand shares in 2014 and 2015 .....	397,199	397,199	3,309,992
Capital surplus .....	148,402	148,694	1,239,116
Retained earnings (Note 3) .....	182,570	207,021	1,725,175
Treasury stock—at cost:			
6,515 thousand shares in 2014 and			
5,916 thousand shares in 2015 .....	(2,976)	(3,025)	(25,208)
Total shareholders' equity .....	725,195	749,889	6,249,075
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>			
Valuation difference on available-for-sale securities .....	34,292	47,385	394,875
Deferred gains or losses on hedges .....	(1,359)	(271)	(2,258)
Foreign currency translation adjustments .....	(1,521)	12,795	106,625
Remeasurements of defined benefit plans .....	(60,658)	13,852	115,433
Total accumulated other comprehensive income .....	(29,246)	73,761	614,675
<b>MINORITY INTERESTS (Note 3) .....</b>	<b>71,714</b>	<b>60,542</b>	<b>504,517</b>
Total net assets .....	767,663	884,192	7,368,267
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b>¥2,505,329</b>	<b>¥2,620,652</b>	<b>\$21,838,767</b>

# Consolidated Statements of Operations

NEC Corporation and Subsidiaries  
Years Ended March 31, 2013, 2014 and 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2014	2015	2015
<b>NET SALES</b> .....	¥3,071,609	¥3,043,114	¥2,935,517	\$24,462,642
<b>COST OF SALES (Note 9)</b> .....	2,142,243	2,128,457	2,039,499	16,995,825
<b>Gross profit</b> .....	929,366	914,657	896,018	7,466,817
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 14)</b> .....	814,719	808,464	767,934	6,399,450
<b>Operating income</b> .....	114,647	106,193	128,084	1,067,367
<b>NON-OPERATING INCOME:</b>				
Interest and dividends income .....	5,247	6,251	5,658	47,150
Equity in earnings of affiliated companies, net .....	409	2,719	8,126	67,717
Foreign exchange gain, net .....	446	593	4,468	37,233
Subsidy income .....	535	2,165	2,361	19,675
Other non-operating income .....	8,940	6,507	5,879	48,992
<b>Total non-operating income</b> .....	15,577	18,235	26,492	220,767
<b>NON-OPERATING EXPENSES:</b>				
Interest expense .....	5,979	10,036	10,066	83,883
Retirement benefit expenses (Note 9) .....	11,631	11,325	10,357	86,308
Provision for contingent loss .....	1,327	11,452	5,872	48,934
Other non-operating expenses .....	19,263	22,463	16,169	134,742
<b>Total non-operating expenses</b> .....	38,200	55,276	42,464	353,867
<b>Ordinary income</b> .....	92,024	69,152	112,112	934,267
<b>SPECIAL GAINS (Note 15)</b> .....	16,780	58,341	7,801	65,008
<b>SPECIAL LOSSES (Note 15)</b> .....	39,525	43,532	23,176	193,133
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b> .....	69,279	83,961	96,737	806,142
<b>INCOME TAXES (Note 13):</b>				
Current .....	30,724	33,558	31,868	265,567
Deferred .....	(198)	8,808	8,944	74,533
<b>Total income taxes</b> .....	30,526	42,366	40,812	340,100
<b>INCOME BEFORE MINORITY INTERESTS</b> .....	38,753	41,595	55,925	466,042
<b>MINORITY INTERESTS IN NET INCOME (LOSS) OF SUBSIDIARIES</b> .....	8,319	7,853	(1,377)	(11,475)
<b>NET INCOME</b> .....	¥ 30,434	¥ 33,742	¥ 57,302	\$ 477,517
		Yen		U.S. Dollars (Note 1)
	2013	2014	2015	2015
<b>PER SHARE OF COMMON STOCK (Note 23):</b>				
Basic net income .....	¥11.71	¥12.99	¥22.05	\$0.18
Diluted net income .....	—	—	—	—
Cash dividends applicable to the year .....	4.00	4.00	4.00	0.03

See notes to consolidated financial statements.



# Consolidated Statements of Comprehensive Income

NEC Corporation and Subsidiaries

Years Ended March 31, 2013, 2014 and 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2014	2015	2015
<b>INCOME BEFORE MINORITY INTERESTS</b> .....	¥38,753	¥41,595	¥ 55,925	\$ 466,042
<b>OTHER COMPREHENSIVE INCOME (Note 16):</b>				
Valuation difference on available-for-sale securities .....	2,096	15,858	12,028	100,233
Deferred gains or losses on hedges .....	(845)	(253)	674	5,617
Foreign currency translation adjustments .....	16,724	4,450	11,218	93,483
Remeasurements of defined benefit plans .....	—	—	78,611	655,092
Share of other comprehensive income of associates accounted for using equity method .....	5,690	1,239	4,150	34,583
Total other comprehensive income .....	23,665	21,294	106,681	889,008
<b>COMPREHENSIVE INCOME</b> .....	¥62,418	¥62,889	¥162,606	\$1,355,050
Comprehensive income attributable to				
owners of the parent .....	¥53,468	¥54,917	¥160,309	\$1,335,908
minority interests .....	8,950	7,972	2,297	19,142

# Consolidated Statements of Changes in Net Assets

NEC Corporation and Subsidiaries  
Years Ended March 31, 2013, 2014 and 2015

	Thousands					
	Outstanding number of shares of common stock	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total
BALANCE, MARCH 31, 2012 .....	2,604,733	¥397,199	¥192,834	¥ 82,659	¥ (2,939)	¥669,753
Deficit disposition .....			(44,426)	44,426		—
Net income .....				30,434		30,434
Purchases of treasury stock .....					(11)	(11)
Disposals of treasury stock .....			(3)		4	1
Change of scope of equity method .....				252		252
Net changes in items other than shareholders' equity during the year .....						—
BALANCE, MARCH 31, 2013 .....	2,604,733	397,199	148,405	157,771	(2,946)	700,429
Net income .....				33,742		33,742
Cash dividends paid, ¥4 per share .....				(10,394)		(10,394)
Purchases of treasury stock .....					(35)	(35)
Disposals of treasury stock .....			(2)		5	3
Change of scope of equity method .....				1,451		1,451
Net changes in items other than shareholders' equity during the year .....						—
BALANCE, MARCH 31, 2014 .....	2,604,733	397,199	148,402	182,570	(2,976)	725,195
Cumulative effects of changes in accounting policies .....				(22,458)		(22,458)
Restated balance .....		397,199	148,402	160,112	(2,976)	702,737
Net income .....				57,302		57,302
Cash dividends paid, ¥4 per share .....				(10,393)		(10,393)
Purchases of treasury stock .....					(54)	(54)
Disposals of treasury stock .....			(2)		5	3
Change of scope of equity method .....			294			294
Net changes in items other than shareholders' equity during the year .....						—
BALANCE, MARCH 31, 2015 .....	2,604,733	¥397,199	¥148,694	¥ 207,021	¥ (3,025)	¥749,889

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
BALANCE, MARCH 31, 2014 .....	\$3,309,992	\$1,236,683	\$1,521,416	\$ (24,800)	\$6,043,291
Cumulative effects of changes in accounting policies .....			(187,150)		(187,150)
Restated balance .....	3,309,992	1,236,683	1,334,266	(24,800)	5,856,141
Net income .....			477,517		477,517
Cash dividends paid, \$0.03 per share .....			(86,608)		(86,608)
Purchases of treasury stock .....				(450)	(450)
Disposals of treasury stock .....		(17)		42	25
Change of scope of equity method .....		2,450			2,450
Net changes in items other than shareholders' equity during the year .....					—
BALANCE, MARCH 31, 2015 .....	\$3,309,992	\$1,239,116	\$1,725,175	\$ (25,208)	\$6,249,075

Conforming to separate financial statements, total translated amounts seem to be inconsistent with calculation in some cases.  
See notes to consolidated financial statements.

Millions of Yen							
Accumulated other comprehensive income							
Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Stock subscription rights	Minority interests	Total net assets
¥16,273	¥ (142)	¥ (28,928)	¥ —	¥ (12,797)	¥ 24	¥120,634	¥777,614
							—
							30,434
							(11)
							1
							252
2,060	(934)	21,908	—	23,034	(24)	4,847	27,857
18,333	(1,076)	(7,020)	—	10,237	—	125,481	836,147
							33,742
							(10,394)
							(35)
							3
							1,451
15,959	(283)	5,499	(60,658)	(39,483)	—	(53,767)	(93,250)
34,292	(1,359)	(1,521)	(60,658)	(29,246)	—	71,714	767,663
							(24,066)
34,292	(1,359)	(1,521)	(60,658)	(29,246)	—	70,106	743,597
							57,302
							(10,393)
							(54)
							3
							294
13,093	1,088	14,316	74,510	103,007	—	(9,564)	93,443
¥47,385	¥ (271)	¥ 12,795	¥ 13,852	¥ 73,761	¥ —	¥ 60,542	¥884,192

Thousands of U.S. Dollars (Note 1)							
Accumulated other comprehensive income							
Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Stock subscription rights	Minority interests	Total net assets
\$285,767	\$(11,325)	\$ (12,675)	\$(505,484)	\$(243,717)	\$—	\$597,617	\$6,397,191
							(200,550)
285,767	(11,325)	(12,675)	(505,484)	(243,717)	—	584,217	6,196,641
							477,517
							(86,608)
							(450)
							25
							2,450
109,108	9,067	119,300	620,917	858,392	—	(79,700)	778,692
\$394,875	\$ (2,258)	\$106,625	\$115,433	\$614,675	\$—	\$504,517	\$7,368,267

# Consolidated Statements of Cash Flows

NEC Corporation and Subsidiaries  
Years Ended March 31, 2013, 2014 and 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2014	2015	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income taxes and minority interests .....	¥ 69,279	¥ 83,961	¥ 96,737	\$ 806,142
Depreciation .....	83,612	76,977	78,717	655,975
Amortization of long-term prepaid expenses .....	6,748	4,972	5,126	42,717
Impairment losses on property, plant and equipment, and other assets .....	21,949	15,934	8,932	74,433
Amortization of goodwill .....	15,428	17,085	16,814	140,117
Increase (decrease) in allowance for doubtful accounts .....	591	(4,163)	(11,030)	(91,917)
Decrease in product warranty liabilities .....	(1,183)	(1,220)	(979)	(8,158)
Increase (decrease) in provision for loss on construction contracts and others .....	7,987	(6,634)	(5,763)	(48,025)
Increase (decrease) in provision for business structure improvement .....	(22,644)	9,086	392	3,267
Increase (decrease) in provision for contingent loss .....	(3,575)	10,476	787	6,558
Increase (decrease) in provision for loss on repurchase of computers .....	(1,143)	1,583	(464)	(3,867)
Interest and dividends income .....	(5,247)	(6,251)	(5,658)	(47,150)
Interest expense .....	5,979	10,036	10,066	83,883
Equity in earnings of affiliated companies .....	(409)	(2,719)	(8,126)	(67,717)
Gain on change in equity .....	(2,657)	(365)	—	—
Gain on sales of property, plant and equipment .....	(1,569)	(368)	(3,276)	(27,300)
Loss on retirement of property, plant and equipment .....	636	—	—	—
Gain on sales of investment securities .....	(9,057)	(2,698)	(2,216)	(18,466)
Loss on sales of investment securities .....	2	23	10	83
Write-off of investment securities .....	804	1,738	1,044	8,700
Gain on sales of investments in affiliated companies .....	(1,728)	(53,923)	(1,706)	(14,217)
Loss on sales of investments in affiliated companies .....	880	64	—	—
Loss on contribution of securities to retirement benefit trust ..	5,898	—	—	—
Gain on insurance claim .....	(1,625)	—	—	—
Increase in trade notes and accounts receivable .....	(9,600)	(22,680)	(74,822)	(623,516)
(Increase) decrease in inventories .....	5,496	24,327	(21,830)	(181,917)
(Increase) decrease in accounts receivable, other .....	(2,792)	3,380	5,665	47,208
Increase (decrease) in trade notes and accounts payable ..	(8,548)	(4,034)	16,668	138,900
Others—net (Note 5) .....	18,328	(26,937)	21,635	180,292
Subtotal .....	171,840	127,650	126,723	1,056,025
Interest and dividends received .....	4,481	6,216	5,721	47,675
Interest paid .....	(5,928)	(8,914)	(10,132)	(84,433)
Income taxes paid .....	(28,653)	(30,828)	(34,395)	(286,625)
Proceeds from insurance income .....	2,008	—	—	—
Net cash provided by operating activities .....	¥143,748	¥ 94,124	¥ 87,917	\$ 732,642

See notes to consolidated financial statements.

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2014	2015	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment .....	¥ (46,012)	¥ (89,458)	¥ (42,461)	\$ (353,842)
Proceeds from sales of property, plant and equipment .....	5,208	5,440	13,790	114,917
Acquisitions of intangible assets .....	(14,556)	(12,327)	(8,974)	(74,783)
Purchases of investment securities .....	(1,159)	(995)	(1,367)	(11,392)
Proceeds from sales of investment securities .....	27,601	14,907	8,729	72,742
Disbursements for acquisitions of shares of newly consolidated subsidiaries .....	(58,072)	(806)	(10,518)	(87,650)
Proceeds from acquisitions of shares of newly consolidated subsidiaries .....	—	116	—	—
Proceeds from sales of shares of subsidiaries being excluded from the consolidation .....	553	42,504	33	275
Disbursements for sales of shares of subsidiaries being excluded from the consolidation .....	(524)	—	(3,378)	(28,150)
Purchases of investments in affiliated companies .....	(582)	(27,693)	(7,127)	(59,392)
Proceeds from sales of investments in affiliated companies .....	1,151	26,515	—	—
(Increase) decrease in short-term loans receivable, net .....	187	(50)	63	525
Disbursements for loans receivable .....	(17,543)	(169)	(155)	(1,292)
Collection of loans receivable .....	195	247	907	7,558
Others—net .....	1,811	2,876	2,948	24,567
Net cash used in investing activities .....	(101,742)	(38,893)	(47,510)	(395,917)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Decrease in short-term borrowings, net .....	(70,289)	(26,745)	(2,275)	(18,958)
Proceeds from long-term borrowings .....	58,456	138,630	9,875	82,292
Repayments of long-term borrowings .....	(82,996)	(76,239)	(46,933)	(391,108)
Redemption of bonds .....	—	(70,000)	(20,000)	(166,667)
Dividends paid .....	(4)	(10,378)	(10,358)	(86,317)
Dividends paid to minority shareholders .....	(3,949)	(5,218)	(2,579)	(21,492)
Others—net .....	(25)	(33)	243	2,025
Net cash used in financing activities .....	(98,807)	(49,983)	(72,027)	(600,225)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS .....</b>	<b>6,200</b>	<b>4,257</b>	<b>6,115</b>	<b>50,958</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	<b>(50,601)</b>	<b>9,505</b>	<b>(25,505)</b>	<b>(212,542)</b>
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR ..</b>	<b>251,843</b>	<b>197,132</b>	<b>206,637</b>	<b>1,721,975</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION .....</b>	<b>(4,110)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS, AT END OF YEAR .....</b>	<b>¥197,132</b>	<b>¥206,637</b>	<b>¥181,132</b>	<b>\$1,509,433</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>				
Finance leases .....	¥1,670	¥1,326	¥781	\$6,508
Contribution of securities to retirement benefit trust .....	26,437	—	—	—

# Non-Financial Section

NEC Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2014 and 2015

	2014	2015	Units
<b>Number of employees by region Total</b> .....	100,914	<b>98,882</b>	People
Japan .....	79,504	<b>78,056</b>	People
Greater China .....	5,706	<b>4,882</b>	People
Asia Pacific .....	7,025	<b>6,926</b>	People
EMEA .....	3,507	<b>4,540</b>	People
North America .....	3,144	<b>2,502</b>	People
Latin America .....	2,028	<b>1,976</b>	People
<b>Ratio of outside directors to all directors*<sup>1</sup></b> .....	45.5	<b>45.5</b>	%
<b>Female managers</b> .....	390	<b>386</b>	People
<b>Ratio of female managers</b> .....	5.1	<b>5.2</b>	%
<b>Response rate of employees' survey (Domestic) *<sup>2</sup></b> .....	82	<b>84</b>	%
<b>Response rate of employees' survey (Overseas) *<sup>3</sup></b> .....	—	<b>77</b>	%
<b>Labor accidents and disasters*<sup>4</sup></b>			
Frequency rate .....	0.09	<b>0.09</b>	
Severity rate .....	0.00	<b>0.00</b>	
<b>CO<sub>2</sub> emissions reduction by providing IT solutions</b> .....	2,290	<b>2,540</b>	Thousand tons
<b>Improvement in energy efficiency of products*<sup>5</sup></b> .....	75	<b>91</b>	%
<b>Greenhouse gas emissions*<sup>6</sup></b>			
Scope 1 .....	60	<b>58</b>	Thousand tons
Scope 2 .....	295	<b>337</b>	Thousand tons
Scope 3 .....	7,206	<b>9,098</b>	Thousand tons
<b>Energy usage</b>			
Electricity .....	669	<b>628</b>	Million kWh
Gas .....	21	<b>21</b>	Million m <sup>3</sup>
Fuel (heavy oil and kerosene) .....	3.0	<b>2.7</b>	Thousand kl
<b>Water usage</b> .....	2,645	<b>2,375</b>	Thousand m <sup>3</sup>
<b>Industrial waste</b>			
Emission volume .....	23	<b>25.6</b>	Thousand tons
Resource reuse rate .....	76.0	<b>81.4</b>	%

\*1 Scope: NEC Corporation

\*2 Scope: NEC Corporation and 33 domestic consolidated subsidiaries

\*3 Scope: Overseas subsidiaries in 30 countries overseen by the Global Business Unit

\*4 Scope: NEC Corporation and domestic consolidated subsidiaries

Frequency rate: Number of deaths and injuries due to industrial accidents divided by total working hours times one million

Severity rate: Number of lost working days divided by total working hours times one thousand

\*5 Compared with fiscal 2006

\*6 Greenhouse gas refers to CO<sub>2</sub> (carbon dioxide), CH<sub>4</sub> (methane), N<sub>2</sub>O (nitrous oxide), HFCs (hydrofluorocarbons), PFCs (perfluorocarbons), SF<sub>6</sub> (sulphur hexafluoride), and NF<sub>3</sub> (nitrogen trifluoride). Greenhouse gas emissions are calculated based on the following categories stated by the Greenhouse Gas Protocol (GHG Protocol).

Scope 1: Direct GHG emissions occur from sources that are owned or controlled by the Company

Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam

Scope 3: Other indirect emissions covering corporate upstream and downstream processes not included in Scope 2

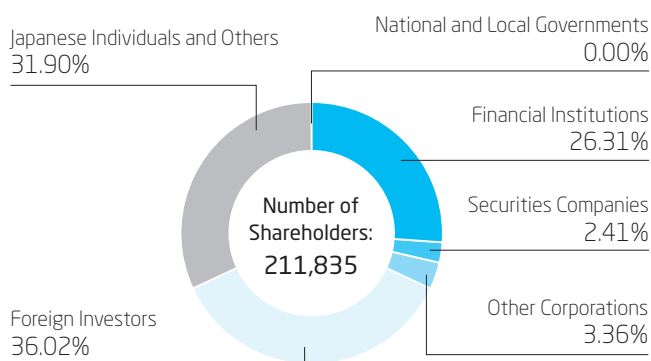


# Corporate Overview

<b>Company Name</b>	NEC Corporation
<b>Address</b>	7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
<b>Established</b>	July 17, 1899
<b>Number of Employees</b>	98,882 (NEC Corporation and consolidated subsidiaries) (As of March 31, 2015)
<b>Shares of Common Stock Issued</b>	2,604,732,635 shares (As of March 31, 2015)
<b>Stock Exchange Listing</b>	Tokyo (Stock Code: 6701)
<b>Transfer Agent for Common Stock</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

## Composition of Shareholders (Percentage of shares)

(As of March 31, 2015)



## Organization Chart



## Major Shareholders (Top 10) (As of March 31, 2015)

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	129,161	4.97
Japan Trustee Services Bank, Ltd. (Trust Account)	105,848	4.07
NEC Employee Shareholding Association	51,816	1.99
The Chase Manhattan Bank 385036	47,660	1.83
Nippon Life Insurance Company	41,977	1.62
Sumitomo Life Insurance Company	41,000	1.58
The Bank of New York Mellon SA/NV 10	36,570	1.41
Credit Suisse Securities (USA) LLC SPCL. For EXCL.BEN	32,679	1.26
Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	32,476	1.25
State Street Bank West Client – Treaty 505234	32,078	1.23

Note: The shareholding ratio is calculated by excluding the number of treasury stock (5,852,991 shares).

#### CAUTIONARY STATEMENTS:

This annual report contains forward-looking statements pertaining to strategies, financial targets, technology, products and services, and business performance of NEC Corporation and its consolidated subsidiaries (collectively "NEC"). Written forward-looking statements may appear in other documents that NEC files with financial instruments exchanges or regulatory authorities, such as the Director of the Kanto Finance Bureau, and in reports to shareholders and other communications. NEC is relying on certain safe-harbors for forward-looking statements in making these disclosures. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "targets," "aims," or "anticipates," or the negative of those words, or other comparable words or phrases. You can also identify forward-looking statements by discussions of strategy, beliefs, plans, targets, or intentions. Forward-looking statements necessarily depend on currently available assumptions, data, or methods that may be incorrect or imprecise and NEC may not be able to realize the results expected by them. You should not place undue reliance on forward-looking statements, which reflect NEC's analysis and expectations only. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Among the factors that could cause actual results to differ materially from such statements include (i) global economic conditions and general economic conditions in NEC's markets, (ii) fluctuating demand for, and competitive pricing pressure on, NEC's products and services, (iii) NEC's ability to continue to win acceptance of NEC's products and services in highly competitive markets, (iv) NEC's ability to expand into foreign markets, such as China, (v) regulatory change and uncertainty and potential legal liability relating to NEC's business and operations, (vi) NEC's ability to restructure, or otherwise adjust, its operations to reflect changing market conditions, (vii) movement of currency exchange rates, particularly the rate between the yen and the U.S. dollar, (viii) the impact of unfavorable conditions or developments, including share price declines, in the equity markets which may result in losses from devaluation of listed securities held by NEC, and (ix) impact of any regulatory action or legal proceeding against NEC. Any forward-looking statements speak only as of the date on which they are made. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect NEC. NEC does not undertake any obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.

The management targets included in this annual report are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management will strive to achieve through the successful implementation of NEC's business strategies.

Finally, NEC cautions you that the statements made in this annual report are not an offer of marketable securities for sale. Marketable securities may not be offered or sold in any jurisdiction in which required registration is absent or an exemption from registration under the applicable securities laws is not granted.

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The information contained in Annual Report 2015 is also available on NEC's website.

NEC home page

<http://www.nec.com>



### Corporate Social Responsibility

<http://www.nec.com/en/global/csr>

NEC constantly strives to enhance the corporate social responsibility (CSR) information available on its website.

**Division in Charge** CSR Promotion and Social Contributions Office, Corporate Communications Division

### Investor Relations

<http://www.nec.com/en/global/ir>

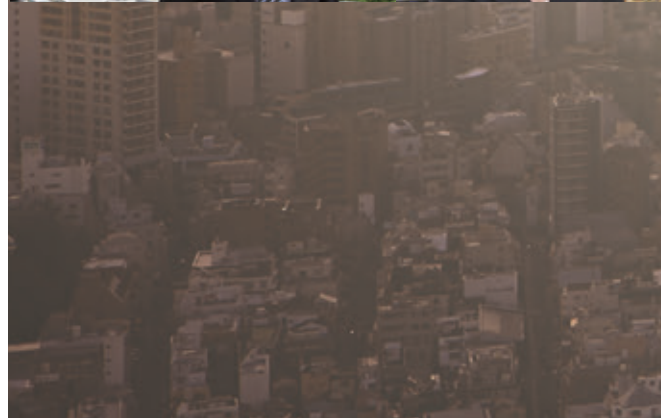
Posted on the NEC Investor Relations (IR) website are IR presentation materials and other documents, NEC's financial position and business results, stock and bond information, and much more. NEC constantly strives to enhance the disclosure on this website.

**Division in Charge** Investor Relations Office, Corporate Strategy Division



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