

Annual Report 2014

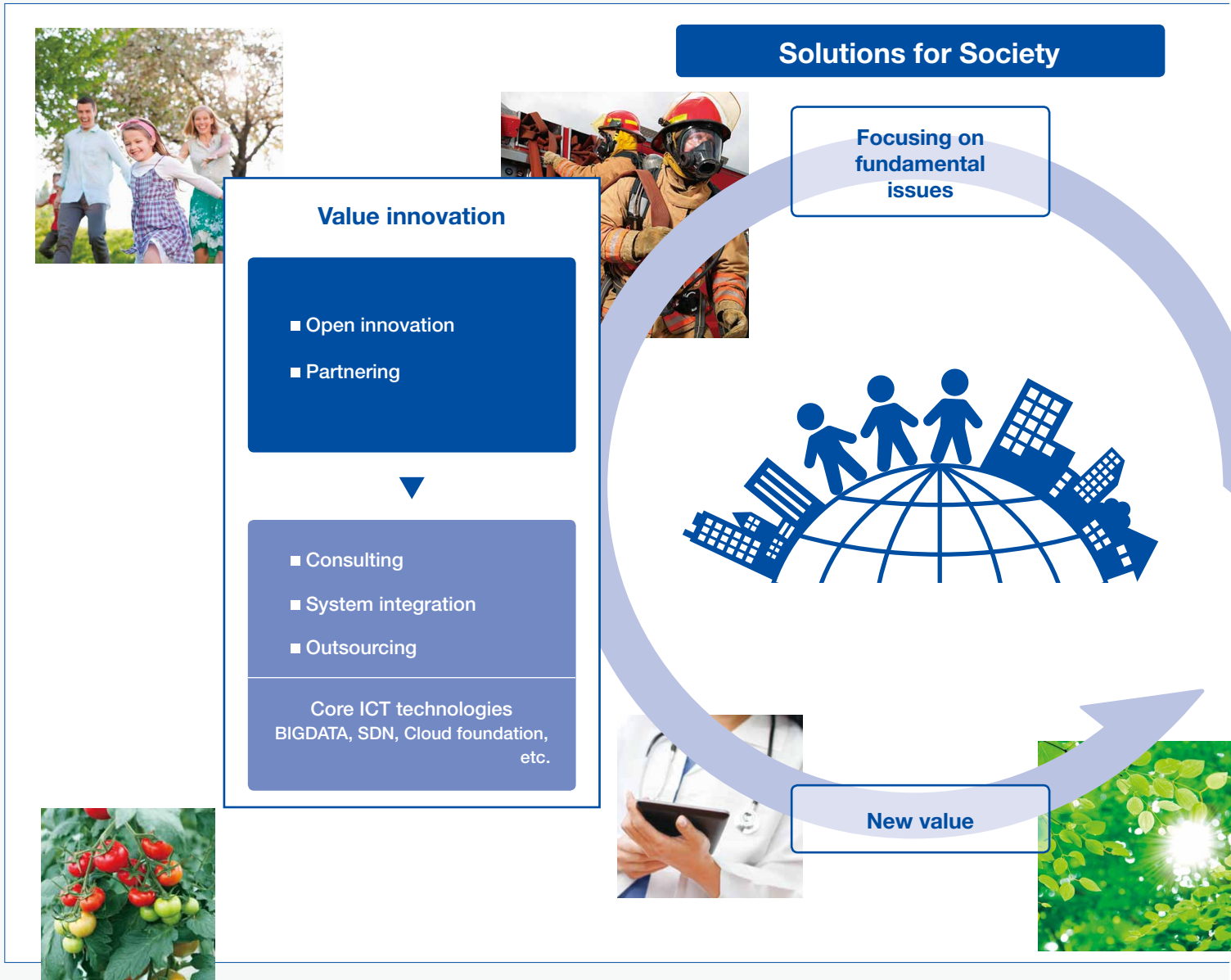
Year ended March 31, 2014



Orchestrating a brighter world



NEC will transform into a “Social Value Innovator” in an aim to build an affluent and equitable society which makes efficient use of resources and where people lead safe and secure lives.



Editorial Policy

Due to growing interest in non-financial information among stakeholders in recent years, the need for the integrated corporate disclosure of financial and non-financial information has been increasing. NEC has published an integrated annual report that provides both financial and non-financial information since 2013.

By exchanging opinions with the International Integrated Reporting Council (IIRC), institutional investors, customers and other related persons, NEC will continue to provide clearer and more useful information going forward.

Reporting Period

April 1, 2013 to March 31, 2014
(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 3.1”
- United Nations Global Compact
- ISO 26000



Value for society

Safety

Ensuring a wide range of safety, from individual to country



Security

Serving society and the earth



Efficiency

Realizing sustainable growth



Equality

Closing the social divide and eliminating inequality



Other Related Information

- Earnings releases/annual securities report
- Corporate Governance Report

- Corporate Social Responsibility (CSR)
- Annual Environmental Report
- Information Security Report
- Social Contribution Activities



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

NEC is a signatory to the United Nations Global Compact.

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EVALUATION BY EXTERNAL PARTIES

- Dow Jones Sustainability Asia Pacific Index



- FTSE4Good Global Index



- Euronext Vigeo World 120 Index



- ETHIBEL PIONEER & EXCELLENCE



- MS-SRI Morningstar Socially Responsible Investment Index



- oekom rated as Prime



MESSAGE FROM THE PRESIDENT



Nobuhiro Endo
President, NEC Corporation

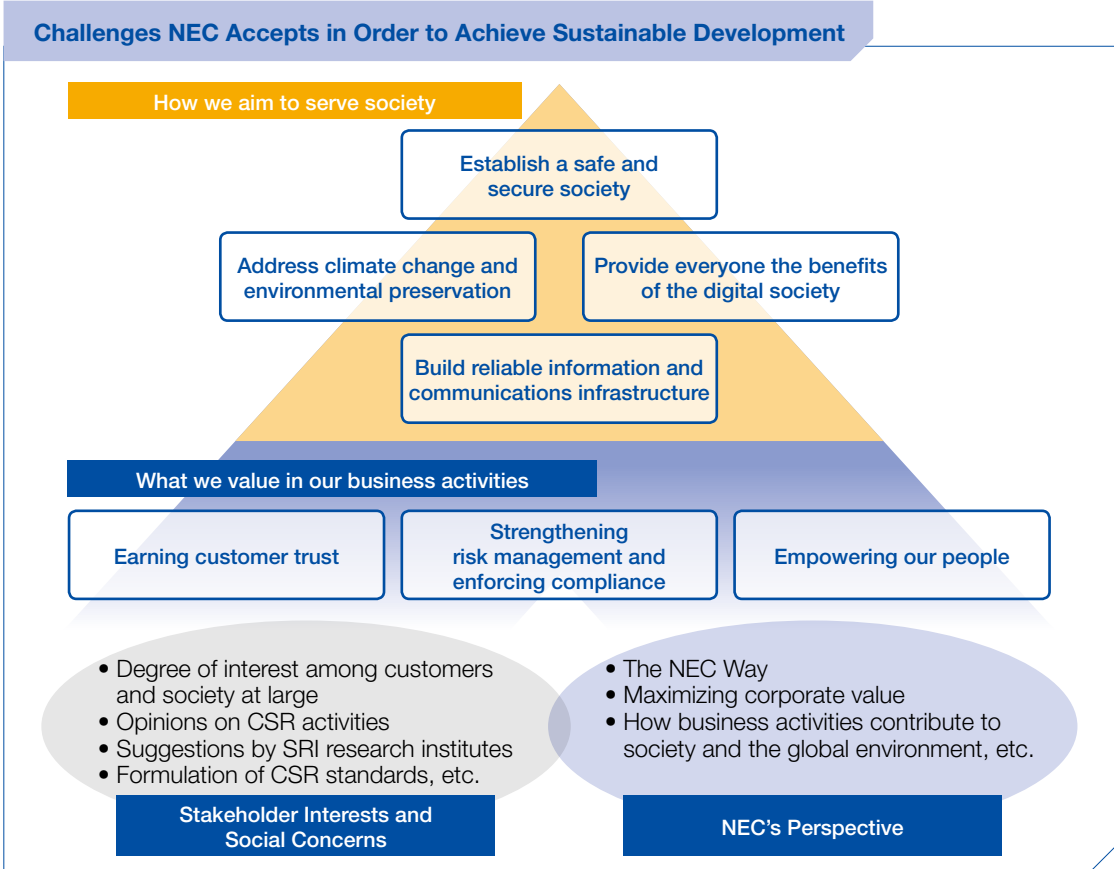
Sustainable Development

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 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. We are also committed to maintaining active disclosure of activities and challenges, as well as 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. Looking ahead, we will strive to address social issues from a global perspective by contributing to a range of UN-formulated initiatives directed at developing a sustainable 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 with different ideas can collaborate. In line with this, NEC participated in the Ministry of Health, Labor and Welfare's Declaration of Positive Action, an initiative aimed at promoting women's success in the workplace, during the fiscal year under review (the year ended March 31, 2014). Going forward, NEC will promote innovation as well as global leaders who will lead innovation to enhance societal value.



Market Environment Outlook and Long-term Prospects

Looking ahead to the year 2050, the global population is forecast to increase from seven billion to nine billion. As this happens, the ratio of urban population is projected to rise from 50% to 70% as urbanization progresses. The shift to city living will boost demand for energy, food, water and resources faster than population growth, which will contribute

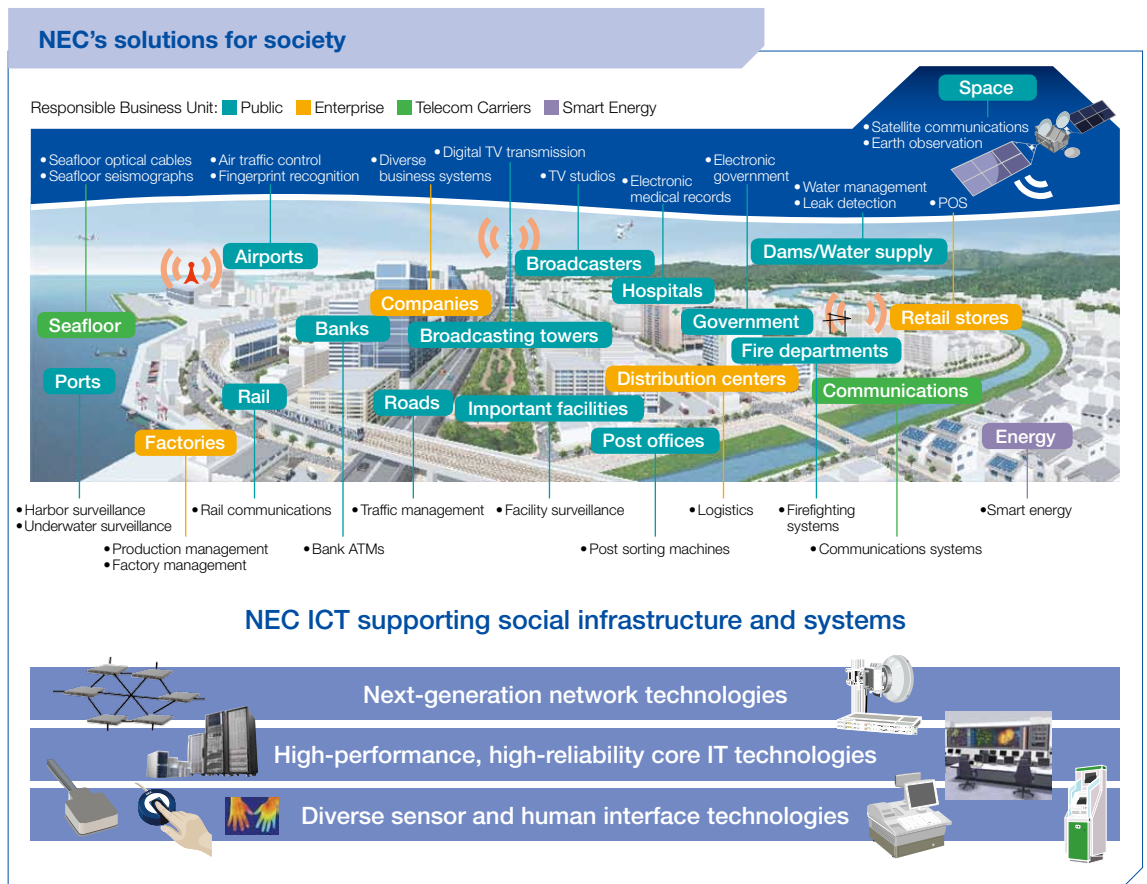
to rapid economic growth. However, rapid economic growth is also expected to create social issues related to urbanization and population increases. In addressing these issues, an innovative social infrastructure will be imperative to maintaining a safe and secure society while making efficient use of resources.

Focus on Solutions for Society

At the NEC Group, with our focus on “Solutions for Society,” we are leveraging our strengths in information and communications technology (ICT) to provide new social infrastructure that will make society safer, more secure, efficient and a fair place, in which people can lead prosperous lives.

NEC already supplies a vast array of advanced ICT-based social infrastructure—traffic management, firefighting and disaster prevention systems, water resource management systems, seafloor seismographs and systems for electronic medical records. To these systems, we applied our extensive line-up of original sensing, next-generation networking and IT platform technologies, which operate in environments ranging from the seafloor to outer space. We are proud to provide these infrastructures which play an essential role in supporting people’s everyday lives.

Looking ahead, NEC will provide new solutions and services which are more diversified and sophisticated, using technologies such as big data, cloud and software-defined networking (SDN). In doing so, I am confident that the value NEC offers to society through ICT will elevate. As a next step, we will implement quantitative assessments of the societal value we provide, and then implement initiatives aimed at maximizing that value. At present, one of the quantitative indicators NEC has established is the amount of CO₂ emissions reduced by the IT solutions we provide to customers and society. Going forward, we will strive to expand solutions for society to maximize the contributions we make to society from a broader perspective, thereby maximizing their societal value.



Toward Achieving the “Mid-term Management Plan 2015”

Orchestrating a brighter world

In line with the “Mid-term Management Plan 2015” which we announced in April 2013, we have declared our commitment to transforming NEC into a “Social Value Innovator.” By creating both social and corporate value, we aim to achieve growth by addressing issues of real importance to society. NEC has a history of more than 100 years since our founding, and we believe that our transformation to become a social value innovator will build a sound foundation for the next century of our growth.

Based on this belief and amid our ongoing business activities to achieve our mid-term management plan, NEC is promoting “Solutions for Society” to our customers and business partners around the world. NEC also initiates the implementation of the solutions in the NEC Group, as we announced our new corporate key message; “Orchestrating a brighter world.”

This message encapsulates our strong determination to collaborate closely with people around the globe to enrich and brighten people’s lives, society, and the future through the provision of value that will ensure the safety, security, efficiency and equality of society. At NEC, we strive to achieve the mid-term management plan, and moreover, to achieve our goal as a social value innovator to make world a brighter place.

Looking back, the first year of the “Mid-term Management Plan 2015” was a year of preparation in which we established a foundation for future growth. I believe that this second year, the fiscal year ending March 31, 2015, will be crucial in capitalizing on this foundation to deliver results. In the final year of this three-year plan, the fiscal year ending March 31, 2016, we will be ready for full-scale growth as a social value innovator.

To successfully achieve the “Mid-term Management Plan 2015,” I particularly focus on sharpening our global competitiveness. As a social value innovator, NEC is committed to delivering safety, security, efficiency and equality worldwide. 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.

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

June 2014



Nobuhiro Endo
President, NEC Corporation

PROGRESS ON “MID-TERM MANAGEMENT PLAN 2015”

In April 2013, NEC announced “Mid-term Management Plan 2015,” and declared its focus on “Solutions for Society.” In fiscal 2014, the first year of the plan, we made good progress in preparing for future growth. We made investments in areas of focus, acquired businesses, and revised the Group’s business portfolio.

We see fiscal 2015, the second year of the plan, as a year to capitalize on our achievements in the previous year. In this section, let us review the progress we made and look at what we aim to achieve in fiscal 2015.

Fiscal 2014 Performance

The NEC Group recorded consolidated net sales of ¥3,043.1 billion for fiscal 2014, a decrease of ¥28.5 billion, or 0.9% year on year. This was mainly from decreased sales in Others, due to the deconsolidation of a mobile phone sales business and a decline in mobile phone shipments, in spite of increased sales in the Public, Enterprise and System Platform business units. Regarding profitability, consolidated operating income lowered by ¥8.5 billion year on year, to ¥106.2

billion, mainly due to decreased sales from the mobile phone sales business and the sale of patents related to LCD in the previous fiscal year. Consolidated net income was ¥33.7 billion, a year-on-year improvement of ¥3.3 billion, mainly due to gain on sales of subsidiaries’ and affiliates’ stocks, despite the lower consolidated operating income and increased non-operating expenses. Results of net sales, operating income and net income exceeded the Company forecasts, and a dividend of ¥4 per share was issued as promised at the beginning of the period.

(Billion ¥)	FY2013/3	FY2014/3	
	Results	Initial plan	Results
Net sales	3,071.6	3,000.0	3,043.1
Overseas sales	483.1		569.2
Overseas sales ratio	15.7%		18.7%
Operating income	114.6	100.0	106.2
Operating income ratio	3.7%	3.3%	3.5%
Net income	30.4	20.0	33.7
Return on equity (ROE)	4.5%		4.8%

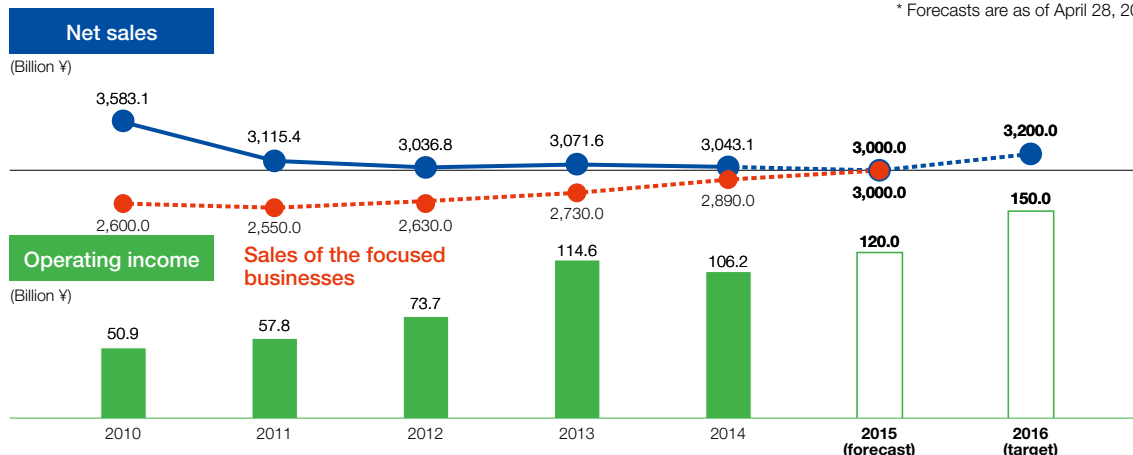
Review of Recent Progress

Over the past few years, we have undertaken structural reforms and revised the NEC Group business portfolio to generate higher profits at sales level of ¥3 trillion. We achieved our profit targets in fiscal 2013 and fiscal 2014, despite a sales decrease. Moreover, sales of the focused businesses grew steadily since fiscal 2011, and rose by approximately 6% in fiscal 2014 on a year-on-year basis. Operating income appeared to have fallen in fiscal 2014 compared with fiscal 2013 when gains on the sale of patents were recorded. When we excluded such special gains, we observed a steady improvement in the operating income level year on year.

In formulating “Mid-term Management Plan 2015,” the Company made a significant decision to focus its operations on “Solutions for Society.” We formed a management policy to turn NEC into a “Social Value Innovator,” and implemented the restructuring of our business portfolio to complete the transformation quickly. Over the past year, the management team at NEC had intense discussions, addressing important issues to shape the Company into a more resilient entity. We asked ourselves, in which areas should NEC concentrate its resources if the sales were to remain at a ¥3 trillion level, and how should we change the business portfolio? How should we shape the corporate culture so that NEC sustains its services to society for another century? What is the ideal structure which enables an organization to respond to an ever-changing market? How do we strengthen our global competitiveness?

Business Performance (Performance for fiscal 2010 to fiscal 2014, forecast for fiscal 2015, target for fiscal 2016)

* Forecasts are as of April 28, 2014



Based on this discussion, we took decisive steps to restructure NEC's mobile phone business, an issue of the past few years. We ceased the development of new smartphone models and significantly reduced the scale of operations. In fiscal 2014, the Company recorded extraordinary losses of approximately ¥22 billion in restructuring. In addition, we divested the Group's equity stakes in NEC Mobiling, Ltd. (now MX Mobiling, Co., Ltd.), a mobile phone sales subsidiary, and in Internet service provider NEC BIGLOBE Ltd. (now BIGLOBE, Inc.). These steps defined our determination to focus on "Solutions for Society."

In addition, we took initiatives to reinforce operations in delivering "Solutions for Society." Some of the

initiatives included consolidation of NEC Fielding, Ltd., a provider of network operation and maintenance services, into a wholly owned subsidiary, and acquisition of the smart energy business. We also strengthened overseas business operations with the establishment of the Global Safety Division (GSD), NEC Laboratories Singapore in Singapore (NLS), and the Regional Retail Business Support Center (RBSC) in Malaysia as international logistics bases.

As a result of these initiatives to restructure the business portfolio, we closed fiscal 2014 with success. Going forward, we continue to take bold steps toward attaining further growth.

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%**

Achievements and Initiatives in Fiscal 2014

In fiscal 2014, we worked to boost globally competitive solutions based on the three policies of “Mid-term Management Plan 2015”; focus on “Solutions for Society,” focus on Asia and the promotion of ‘locally-led’ businesses, and stabilize the financial foundation.

In the second year of the mid-term plan, we will implement growth strategies with accelerated speed. Specifically, we will reinforce our focused business and global expansion in establishing “Solutions for Society” and attaining sustainable growth of NEC. We will also accelerate efforts to strengthen cost competitiveness by rationalizing and restructuring international businesses and low margin businesses.

(1) Focus on Solutions for Society

NEC aims to offer solutions to social issues caused by rising global population and urbanization. In this regard, we focused on creating solution businesses that advance social infrastructure through ICT. Our achievements include accelerated investments in growth fields where NEC has notable strengths, such as SDN (Software-

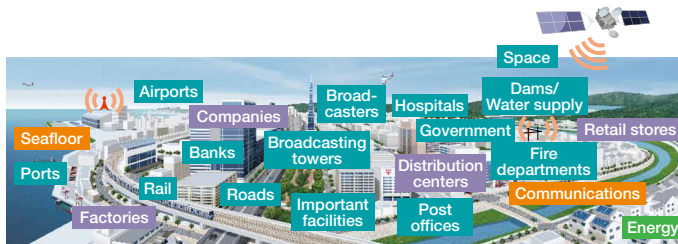
Defined Networking), big data, and cloud services, securing project orders, and conducting field tests.

In the field of social infrastructure, we focused resources on solutions relating to traffic, water, communications, urban development and industrial parks, and cyber security. Examples included air traffic control radar and disaster prevention systems in Asia, including Japan. In our efforts to seek new business opportunities, we conducted field tests for sewage in collaboration with a local government in Japan. In addition, we received multiple system orders in preparation for Japan’s national ID number system scheduled for 2016.

In TOMS (Telecom Operations & Management Solutions), we continued to expand business in this area by leveraging highly competitive products and global service capabilities. NetCracker Technology Corp., a U.S. subsidiary of NEC, recorded substantial growth in the TOMS business after the acquisition of the BSS (business support system) operations of U.S.-based Convergys Corporation in May 2012. From some 50 companies in 2008, NetCracker’s client base has now grown to more than 250 companies in 58 countries. In fiscal 2014, NetCracker commercialized an integrated solution

Main Initiatives in “Solutions for Society” Business

- Contribute to JAXA’s “Hisaki (SPRINT-A)” launch **Space**
- Start construction of the Japan Trench undersea earthquake tsunami observation network **Seafloor**
- Won SEA-ME-WE 5 Contract to strengthen ultra-broadband undersea connectivity between Singapore and France **Seafloor**



- Develop failure sign monitoring system for large-scale plants **Important facilities**
- Build ICT systems for stadiums in Brazil **Important facilities**
- Provide urban surveillance solution for the province of Santa Fe, Argentina **Important facilities**
- Integrate fire emergency digital radio and common fire command systems in Chiba, Japan **Fire departments**
- Order receipt related to the national ID number system **Government**
- Delivery of “Field Communication System” to Ground Self-Defense Force **Government**
- Build a common station network utilizing SDN at Tokyo Station, for JR East **Companies**

Reinforcements

- **Launched ‘Cyber Security Strategy Office’**
- **Established “National ID Business Promotion Department”**
- **Released TOMS9.0**
Communications **Companies**
- **Released NEC SDN Solutions**
Communications **Companies**
- **Collaborate with HP at Networking Solutions for Enterprise Customers in SDN Field** **Companies**

- Order receipt of communication unit of smart meter, for TEPCO **Energy**
- Start energy service for households through a battery rental model **Energy**
- Delivery of large capacity Lithium-ion battery storage system for ENEL Distribuzione **Energy**
- Acquired energy storage systems business of A123 Systems, LLC **Energy**



Society Issues	New Business Model Examples/Tests
Creating Safe and Secure Cities	<ul style="list-style-type: none"> Participation in “Singapore Safe City Test Bed” project to create safer, more secure city Order for urban surveillance solution by the government of Santa Fe Province in Argentina Development of crowd behavior analysis technology to mitigate risks of accidents/incidents in public spaces and facilities
Efficient Energy Use	<ul style="list-style-type: none"> Energy demand forecasts (for energy use by buildings) using heterogeneous mixture learning technologies Optimization of power supply network using lithium-ion battery energy storage systems to promote renewable energy
Creating Highly Reliable Infrastructure	<ul style="list-style-type: none"> Field testing in Funabashi (Chiba Prefecture) of a sewage pipe management system using an inspection robot jointly developed by NEC and Japan Sewage Works Agency Anomaly detection/monitoring system for large-scale facilities using Invariant Analyzer* technology
Building Urban Infrastructure in Emerging Nations	<ul style="list-style-type: none"> Order for communications infrastructure in Myanmar (ODA grant-assisted), in consortium with Sumitomo Corporation and NTT Communications Order for airport/aviation security infrastructure in Myanmar (ODA grant-assisted), in consortium with Sumitomo, Toshiba and Morita Corporation Order for project to modernize international airport from Civil Aviation Authority of Nepal (ODA grant-assisted)
Strengthening Disaster Response	<ul style="list-style-type: none"> Order from the Philippines to establish tsunami and earthquake monitoring systems, provide related real-time information to the public, and establish related wide-area disaster-prevention systems (Japanese government grant-assisted) Construction of disaster information and communications system at the ASEAN Coordinating Center for Humanitarian Assistance on Disaster Management in Indonesia (participation in the project to share disaster-related information between ASEAN-member nations)

* Invariant Analyzer 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.

which features BSS and OSS (network operations support system) capabilities. This solution completes system construction and additional functions in less time and at lower cost. We expect this business to help drive the growth of NEC’s Telecom Carrier business in fiscal 2015.

In the SDN field, we are targeting customers in both public and private sectors, including government agencies, data center operators and telecom carriers. We are using SDN to simplify and enhance usability of existing networks in data centers and for customers in private-sector and public-sector. In fiscal 2014, we supplied network solutions to enterprises, hospitals and transportation networks. Our track record in SDN now stands at over 100 projects. To further accelerate these initiatives, we formed a partnership with Hewlett-Packard with the aim of establishing an SDN ecosystem based on open standards. In the telecom carrier sector, backed by raising interest in SDN to upgrade and automate network operation controls, we promoted cooperative field tests with leading global carriers such as Telefónica S.A. of Spain. A commercialized market for SDN is expected to form around fiscal 2016, and NEC is stepping ahead in preparing for the market growth.

In the smart energy sector, we acquired the A123 Energy Solutions division of U.S.-based A123 Systems, LLC and established a new company, NEC Energy Solutions, Inc. The new company provides energy storage

systems to power companies and other enterprises. We aim to provide smart energy solutions worldwide, based on the unit’s strong global track record in system deployment and related system construction expertise. By integrating energy storage systems with our in-house ICT, we also aim to develop the next generation of smart energy services.

NEC issued a tender offer for NEC Fielding, Ltd. to make it into a wholly owned subsidiary with the intention to reinforce the System Platform Business Unit, the support base for “Solutions for Society.” In doing so, NEC aims to create a service delivery framework in response to changing market conditions in the era of cloud computing.

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

Our initiatives in global development resulted in new track records in social infrastructure projects and a strong framework that supported locally led businesses.

In April 2013, we established the Global Safety Division (GSD) as the global headquarters of safety business in Singapore. In September 2013, we also launched NEC Laboratories Singapore (NLS) to develop and test advanced safety-related and other solutions, based on collaboration with local universities, research institutions and enterprises.

Main Initiatives in Global Business

Government Strategic partnership with Chongqing City (China) for smart city and cloud development

Enterprise Integrated mission-critical systems for Hotel New Otani Chang Fu Gong, Beijing, China



Communications Construction for communication infrastructure in Myanmar

Airports Order receipt for supply of airport/aviation security infrastructure in Myanmar



Banks Order receipt for IT infrastructure construction project for State Bank of Vietnam

Enhanced ■ **Launched RBSC in Malaysia**

Retail Supported HALALINK's expansion throughout Malaysia by providing headquarter systems and convenience store systems



Retail Selected by CP ALL, operator of approximately 7,500 7-Eleven stores in Thailand to provide next-generation POS terminals

Airports Selected by the Civil Aviation Authority of Nepal to support modernization of the nation's international airport

Government Order receipt for cloud-based disaster and emergency information system in Taiwan

Banks Integrated common back-up system for bank accounting systems in Taiwan

Airports Order receipt for air traffic control radar for Taiwan's Air Navigation and Weather Services

Enhanced ■ **Launched "Global Safety Division" in Singapore**
■ **Launched NEC Laboratories Singapore**

• Joined "Singapore Safe City Test Bed"



Government Order receipt for wide-area disaster prevention system in the Philippines

Seafloor Order receipt for country-wide seafloor optical cable system in Indonesia



The Singapore Ministry of Home Affairs and the Singapore Economic Development Board chose NEC Asia Pacific Pte Ltd, the NEC subsidiary overseeing the GSD and NLS, to lead a project called "Singapore Safe City Test Bed" aimed at testing advanced public safety technologies. We are confident that this initiative is the beginning of many projects to follow, accelerating the development of locally led businesses in Singapore.

NEC has built a strong track record in supplying communications and disaster-prevention systems to local governments in Japan. This experience and technical expertise is also supporting global business development. NEC now delivers disaster-prevention systems utilizing disaster-resilient communications infrastructure in Taiwan and the Philippines, and air traffic control radar systems from the ASEAN countries. We are confident that strong demand for infrastructure, led by Asia, will support our future global expansion. Other accomplishments in fiscal 2014 included orders in areas such as surveillance, rail communications security, cyber security, and face recognition.

(3) Stabilize the Financial Foundation

In May 2013, NEC raised ¥130 billion in hybrid financing to fund dynamic and strategic investments in "Solutions for Society," while also creating a stable financial foundation by leaving capital in reserve for any unexpected environment. We also undertook steps aimed at reinforcing cost competitiveness and improving cash flow generation capabilities.

To reinforce cost competitiveness, we strengthened and enhanced efficiencies of the Group's production structures through the reorganization of four subsidiaries involved in hardware development and production. We also reorganized four staff service subsidiaries to make human resources, general affairs and other back office functions more efficient. Furthermore, we reinforced NEC's global supply chain management (SCM) by optimizing global logistics networks and creating integrated SCM systems to link the overseas regional headquarters with offices in Japan. We also employed offshore services from India, reinforced risk analysis for new orders, and conducted project management training.

To improve cash flows while generating working capital efficiencies, we initiated steps across the NEC Group to shorten the cash conversion cycle (CCC). This involved strict management of inflows of funds and trade receivables, as well as optimization of payment terms based on the type of business entity. Free cash flows in fiscal 2014 totaled ¥55.2 billion, even after the payment of approximately ¥60 billion to acquire trust beneficiary rights relating to land and buildings on the site of NEC Tamagawa Renaissance City. This marked a significant improvement over fiscal 2013.

Carrying Out NEC's Growth Strategy

Fiscal 2015 is a vital year for us in achieving the goals of "Mid-term Management Plan 2015." In fiscal 2015, the second year of the management plan, we will work to further expand our business in areas such as SDN, cloud services and big data. We will accelerate our efforts to turn the growth potential and positive momentum into actual growth for the NEC Group.

In the SDN field, the opportunities are growing to supply solutions to enterprises, data centers, and telecom carriers. We are determined to build on these opportunities and continue to make progress in establishing a strong presence in this growing market. In particular, we are focusing on SDN solutions for telecom carriers with the intention of taking advantage of leading technology and establishing a track record ahead of the commercialization of the market.

In cloud business, we continue to develop a wide range of services, with a particular focus on expanding services through our Kanagawa Data Center. In the field of big data, where NEC holds world-class data analysis technologies, we are strengthening solution development efforts for a wide range of customers in areas such as fault detection/monitoring, energy demand prediction, and face recognition.

In the smart energy domain, we are developing communications units for smart meters for which we received orders in fiscal 2014. We also plan to conduct field tests for residential energy storage systems as we promote more widespread adoption of such technologies. In addition, we plan the full-scale global business development of large-scale energy storage systems for electric utilities, a potential new business area for NEC.

Looking at our achievements in global business development, we now have a track record in air traffic control radar and disaster prevention systems. We will continue to respond to demand for advanced social infrastructure, especially in Asia.

We also plan to accelerate efforts at developing locally led businesses, supported by the strong base in Singapore. In fiscal 2015, we will build on our Singapore-based initiatives to forge differentiated solutions for local needs in fields, such as retail and safety. Furthermore, we will apply our experience and expertise gained from businesses in Singapore to accelerate locally led businesses across the globe.

We plan to make strategic investments in fiscal 2015 totaling ¥15 billion in the areas of SDN, cloud services and big data, which is double the amount we invested in the previous year. Our first priority is to secure SDN-related projects with overseas telecom carriers. We will also develop new solutions in the areas of cloud services, big data, and safety to support the ongoing growth of these businesses.

In closing, we want to reiterate that NEC is now moving in a new direction where "Solutions for Society" lie at the center of our business. In doing so, we can leverage the strengths of NEC in growing business domains. We expect to record further achievements in these domains during fiscal 2015 as we seek to realize the goals contained in "Mid-term Management Plan 2015."

Going forward, our goal remains to contribute to a better society by developing "Solutions for Society" so that we can transform NEC into a "Social Value Innovator" and, in doing so, serve a broader range of stakeholders.



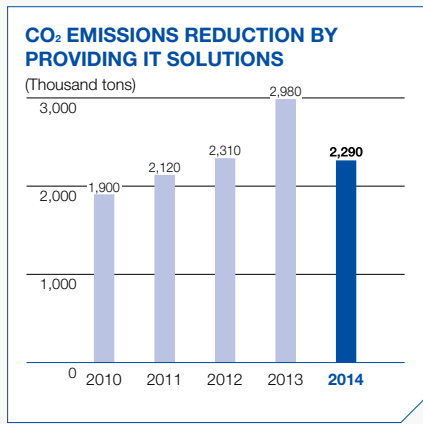
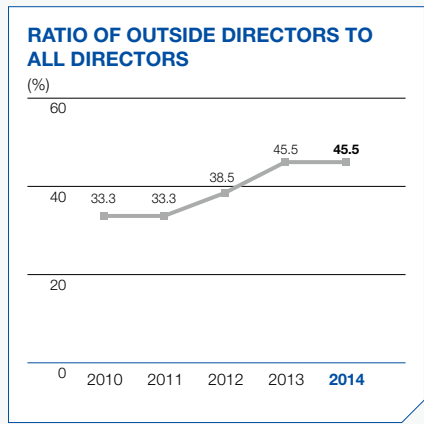
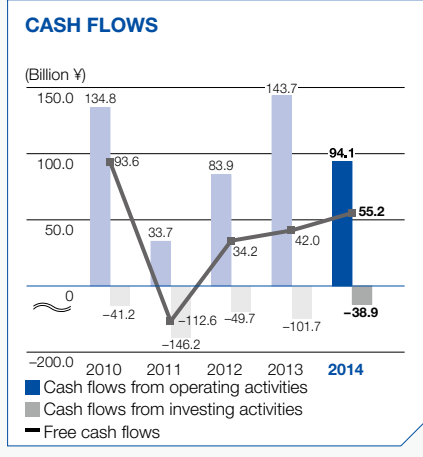
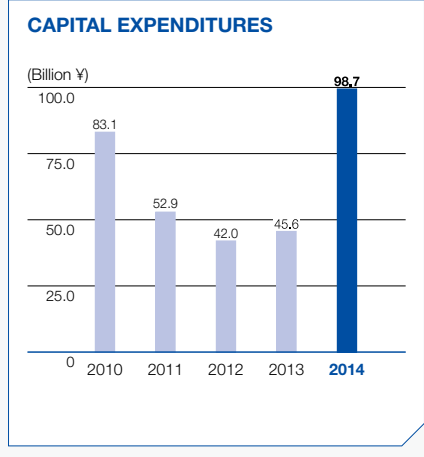
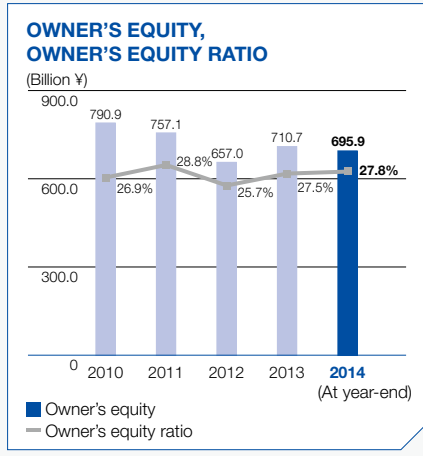
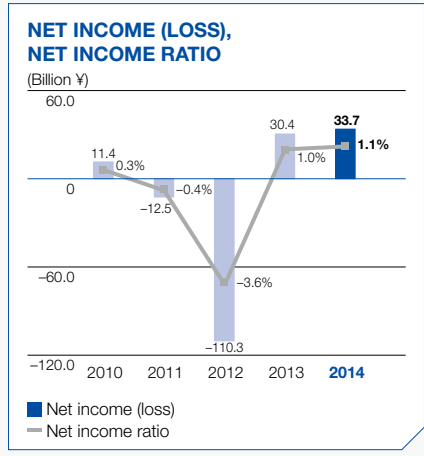
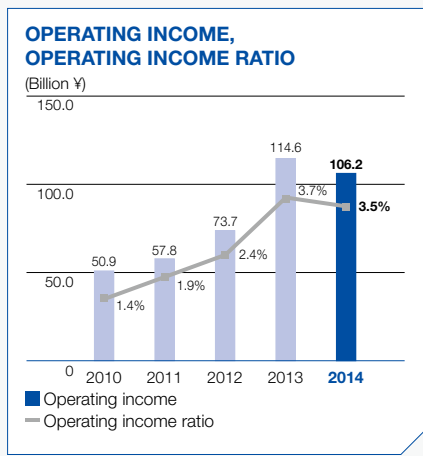
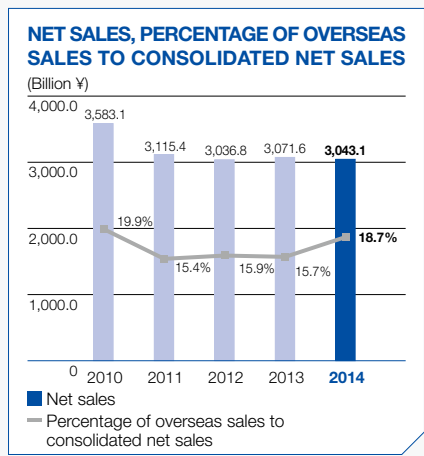
PERFORMANCE HIGHLIGHTS

NEC Corporation and Consolidated Subsidiaries
For the years ended March 31, 2010, 2011, 2012, 2013 and 2014

Financial indicators	Millions of yen			
	2010	2011	2012	2013
For the year:				
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 overseas 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
Diluted net income	4.91	–	–	–
Cash dividends	4.00	0.00	0.00	4.00
At year-end:				
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
Non-financial indicators				
Number of employees	142,358	115,840	109,102	102,375
Ratio of outside directors to all directors (%)	33.3	33.3	38.5	45.5
Response rate of employees' survey (%)	79	82	82	84
CO ₂ 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
Greenhouse gas emissions (thousand tons)	1,148	527	492	–
Greenhouse gas emissions by GHG Protocol Scopes (thousand tons)				
Scope 1	–	–	–	76
Scope 2	–	–	–	389
Scope 3	–	–	–	7,670

- Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥103 = 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. The ratio of outside directors to all directors applies to NEC Corporation.
6. The response rate of employees' survey applies to NEC Corporation and its domestic consolidated subsidiaries.
7. Improvement in energy efficiency of products is based on a comparison with the year ended March 31, 2006.
8. Until the year ended March 31, 2012, greenhouse gas emissions represented the sum of greenhouse gas emissions under GHG Protocol Initiative Scopes 1 and 2. From the year ended March 31, 2013, greenhouse gas emissions for GHG Protocol Scopes 1, 2 and 3 are shown separately (See note on page 59).

	Millions of U.S. dollars	Percent change 2014/2013
2014	2014	
¥3,043,114	\$29,545	-0.9%
569,172	5,526	17.8
18.7		
106,193	1,031	-7.4
69,152	671	-24.9
33,742	328	10.9
94,124	914	-34.5
(38,893)	(378)	-
55,231	536	31.5
142,723	1,386	-5.9
98,708	958	116.4
45,167	439	-11.7
12.99	0.13	10.9
-	-	-
4.00	0.04	0.0
2,505,329	24,324	-2.9
695,949	6,757	-2.1
4.8		
27.8		
575,151	5,584	-4.7
0.83		
258		
2014		Percent change 2014/2013
100,914		
45.5		
82		
2,290		-23.2
75		
-		
60		-21.1
295		-24.2
7,206		-6.0



AT A GLANCE

NEC Corporation and Consolidated Subsidiaries

Net sales, operating income (loss) and composition of sales are financial results for the year ended March 31, 2014.

PUBLIC BUSINESS

NET SALES

738.4 billion yen

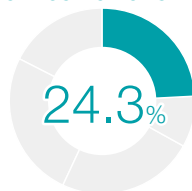
OPERATING INCOME

58.6 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

272.3 billion yen

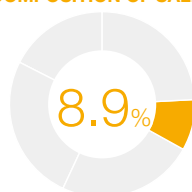
OPERATING INCOME

6.5 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

725.8 billion yen

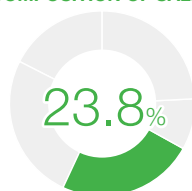
OPERATING INCOME

60.3 billion yen

MAIN CUSTOMERS

Telecom carriers

COMPOSITION OF SALES



MAJOR PRODUCTS AND SERVICES

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

SYSTEM PLATFORM BUSINESS

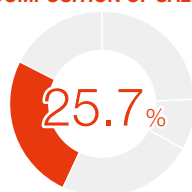
NET SALES

780.8 billion yen

OPERATING INCOME

30.7 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

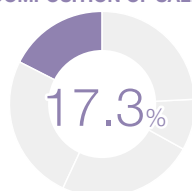
NET SALES

525.9 billion yen

OPERATING LOSS

-1.4 billion yen

COMPOSITION OF SALES



MAJOR PRODUCTS AND SERVICES

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

- 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 Engineering, Ltd.
- NEC Facilities, Ltd.
- NEC Network and Sensor Systems, Ltd.
- NEC TOSHIBA Space Systems, 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.
- 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 Display Solutions, Ltd.
- NEC Embedded Products, Ltd.
- NEC Fielding, Ltd.



MAJOR CONSOLIDATED SUBSIDIARIES

- NEC Energy Devices, Ltd.
- NEC Energy Solutions, Inc.
- NEC CASIO Mobile Communications, Ltd.
- NEC Lighting, Ltd.
- NEC Nexsolutions, 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 2014 Performance and Main Accomplishments

In the public business, sales were ¥738.4 billion, an increase of 8.5% year on year, mainly due to the steady sales from government offices and public services.

Operating income improved by ¥9.6 billion year on year, to ¥58.6 billion, mainly owing to increased sales.

In fiscal 2014 in the government agency sector, NEC delivered a “field communication system” for the Japan Ground Self-Defense Force. This software-based wireless technology enables a single radio to handle multiple bandwidths via software controls.

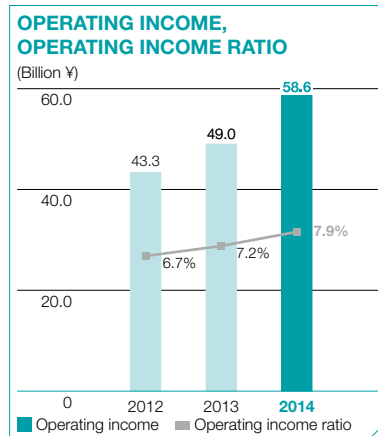
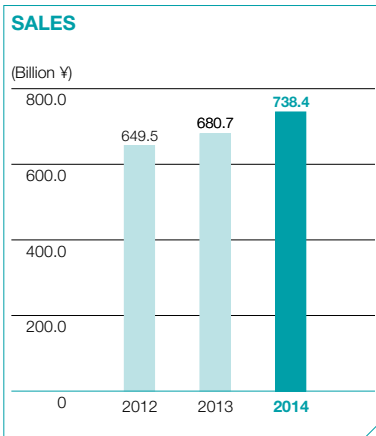
NEC also received multiple orders related to the establishment of a national ID number, or “my number” system, in Japan to commence in 2016. We established the National ID Business Promotion Department in December 2013 to meet much anticipated procurement needs on a full scale. We also received orders for air traffic control radar systems from Taiwan’s Air Traffic Control Center and Nepal’s Civil Aviation Authority.

In the public services sector, NEC delivered Japan’s first firefighting emergency radio system to serve all of Chiba Prefecture, along with the country’s largest joint

firefighting command system, responding to the demand for the digitalization of firefighting emergency radio systems. In addition, we received orders for a wide-area disaster prevention system in the Philippines and for a cloud-base disaster and emergency information system in Taiwan. Other accomplishments included an SDN-based “common station network” in Tokyo Station, built for the East Japan Railway Corporation (JR East).

In the medical sector, we enhanced the lineup of our MegaOak series of electronic medical records products to meet demand for system upgrades. In the financial sector, in addition to delivering sales support and mission-critical systems for financial institutions in Japan, we also provided solutions utilizing tablet and smart-phone devices to enhance customer operations. For the media industry, we began sales of the world’s first real-time compression unit for 4K/60P high-definition video, anticipating the start of 4K*¹ broadcasting.

*1 4K broadcasting: A next-generation broadcasting service that offers ultra-high-definition images with double the vertical and horizontal pixels of current full high-definition broadcasts. “4K/60P” indicates 4K images (3,840 x 2,160 pixels) displayed at a rate of 60 frames per second.



Main components of field communication systems

Broadband multi-purpose wireless equipment Access node equipment



For Future Growth

OPPORTUNITIES

- Active investment in Japan related to the National ID number system and upcoming international events.
- Expansion of investment in urban infrastructure, primarily in emerging countries.

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 for mobile wireless systems in the public sector, cyber security and infrastructure diagnostics.
- Make effective use of resources through standardized development processes and by making greater use of offshore resources.

The ICT market in Japan is expected to expand as the central and local governments increase their investment in the National ID number system, and social infrastructure in preparation for the Tokyo Olympic and Paralympic Games in 2020 and other international events to be held in Japan. We see many opportunities for our public business to grow more in the domestic market. In addition, NEC is focusing on social infrastructure, especially transportation, water, telecommunications, urban development and cyber security. We are deploying the experience and expertise we gained through stable operations in Japan, and working to create global solutions with our unique technologies. In response to resource shortages, we are adopting standardized systems integration development processes and employing more offshore resources.

In transportation, we are expanding sales of security solutions using facial recognition technology, and flight information systems. By approaching customers and deploying our renowned air traffic control radar systems, we hope to offer complete ICT-based airport solutions that optimize the flow of people, goods and aircraft. In the space business, where NEC has years of experience, we provide a standardized satellite bus system*2 to provide shorter delivery times, lower costs and enhanced reliability. We are expanding sales worldwide, particularly in Asia. In water resource management, we conducted joint research with Imperial College London in smart water management, as well as collaborated with Gutermann AG of Switzerland to develop solutions for predicting water demand and detecting water leaks. In

addition, we carried out a field test with the Japan Sewage Works Agency on a sewage pipe management system in Funabashi, Chiba Prefecture.

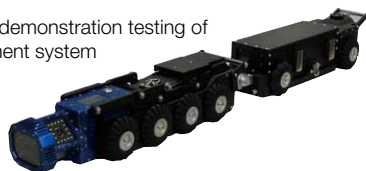
In terms of disaster-resistant telecommunications infrastructure, NEC is focusing on building highly reliable networks utilizing its software-based wireless and ad hoc network technologies. We are providing disaster-prevention systems by applying these network technologies.

In urban development, NEC is expanding business with the Prediction Monitoring and Diagnostic System for large-scale complex facilities utilizing Invariant Analysis technologies. We delivered this system to The Chugoku Electric Power Co., Inc. in June of 2014, and plan to expand sales to power plants and factories worldwide. In cyber security, the Global Safety Division established in Singapore initiated participation in local public safety sector field tests. We continue to expand our regionally-led systems integration business.

At NEC, we are changing the focus of public business to service-oriented from product-oriented, with services that include contracted operations in the ICT field as we continue to work toward greater global growth.

*2 Satellite bus system: Structurally, artificial satellites consist of a mission-specific component for performing communications, Earth observation and other tasks, and a bus component that provides functions common to all satellites, such as attitude control and power supply.

Inspection robot used in demonstration testing of a sewage pipe management system



ENTERPRISE BUSINESS



In the enterprise business, we provide IT solutions for manufacturing, retail and services. We intend to launch new services that can add value for our customers. 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.

Manabu Kinoshita
Executive Vice President

Fiscal 2014 Performance and Main Accomplishments

In the enterprise business, sales increased 8.2% year on year to ¥272.3 billion. This increase mainly reflected steady growth in sales to the retail and services sector.

Operating income improved ¥1.1 billion year on year to ¥6.5 billion, mainly due to increased sales.

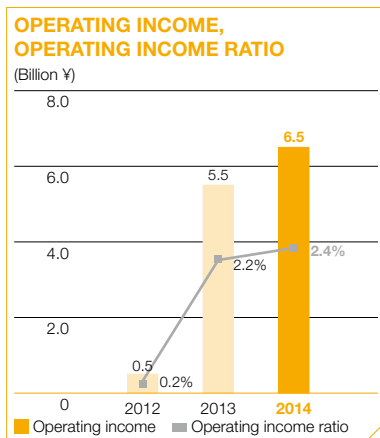
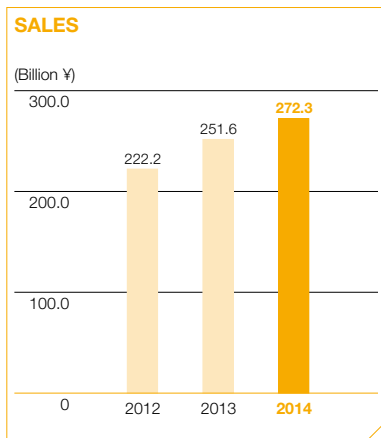
In the manufacturing sector, we provided Daikin Industries, Ltd. with an IT platform for its global mission-critical systems in a private cloud environment. Among other accomplishments, NEC and ABeam Consulting Ltd., an NEC subsidiary, built an information utilization platform for Asahi Kasei Corporation, to analyze business data in real-time.

In the retail and services sector, NEC provided head-quarter and store systems for Halalink Worldwide (M) Sdn Bhd, a major retailer in Malaysia opening new convenience stores. This project was managed by NEC's Regional Retail Business Support Center (RBSC), an organization set up in Malaysia to offer regional strategy

proposals and sales support to the retail sector. NEC also began sales of its new DCMStar/ChainStore solution, which packages the expertise we gained in providing systems for multi-store chains, and expanded sales to the retail sector primarily in the Asia-Pacific region. In an effort to further respond to regional needs, we began sales of a package of solutions for multi-store chains in North America.

NEC launched a mobile POS solution, which provides a tablet-based, low-cost POS system as a cloud service. We also enhanced online-to-offline functions to link this service with reservation management and electronic receipt services, and began marketing to retail and services sectors worldwide.

In addition, NEC received an order from Toyo Seikan Group Holdings, Ltd. to build a network system using SDN, as part of Toyo Seikan's project to integrate the networks of its various group companies.



For Further Growth

OPPORTUNITIES

- Recovery in IT investment in Japan as manufacturing, retail and services sectors recover.
- Japanese business models, such as convenience stores and retail services, to be deployed in international markets.

THREAT FACTORS

- Competitive pressure to intensify in Japan.

NEC'S RESPONSE

- Accelerate deployment of convenience store systems and other solutions that reflect our strengths and track record.
- Reduce costs through enhanced cost controls.
- Strengthen resources through reorganization of software subsidiaries and expanding utilization of overseas resources.
- Create solutions by leveraging our strong technology in big data.

In Japan, a recovery in IT investments is expected with improvement in the performance of domestic companies. That said, the IT market for private-sector demand in Japan is highly competitive, and slips easily into price competition. Against this backdrop, NEC is implementing measures to secure profit margins by enforcing cost controls, streamlining its software subsidiaries through reorganization and employing overseas resources.

In another effort, NEC is expanding sales in international markets by leveraging expertise we gained in Japan, and enhancing our competitive edge by focusing resources on areas of particular interest to customers—big data, cloud services and SDN. Furthermore, we are providing comprehensive expertise in the design, operation and maintenance of POS and in-store terminal systems acquired through working with convenience store chains in Japan. We set the RBSC as a sales and marketing “hub” to approach convenience stores, drug stores and other retailers with multi-store operations worldwide.

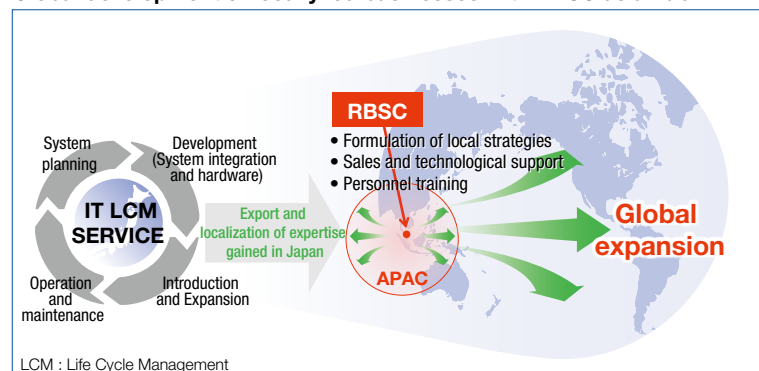
We are pushing forward to package and adapt cloud solutions for real-time management of global distribution, visualization tools that link and allow centralized management for front-line logistics operations, and ERP solutions for the manufacturing sector. In addition to supporting Japanese customers in their efforts to enter global markets, NEC is actively approaching customers worldwide, primarily in the Asia and Pacific region.

In big data, NEC is focusing on proactive use of its own advanced technology in creating new solutions. By

using a heterogeneous mixture learning technology, that is, a big data analysis technology that can automatically discover a wide range of regularities from large volumes of data, NEC is working with Obayashi Corporation to demonstrate a system to predict a building's energy demands. NEC is also developing solutions for predicting and detecting failures in large-scale plants by deploying invariant analysis technology. The application of this technology helps to detect anomalous behavior in large volumes of data and to prevent breakdown. Furthermore, NEC is testing with customers to commercialize solution packages for textual entailment recognition and image analysis technologies.

In SDN and cloud-based services, NEC is building a framework to offer proposals optimized to each customer's business type and needs, underpinned by its track record for solution delivery. Going forward, we will capture business opportunities in markets that are expected to expand.

Global development of locally led businesses with RBSC as a hub



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 2014 Performance and Main Accomplishments

In the telecom carrier business, sales were ¥725.8 billion, an increase of 2.3% year on year, mainly due to increased international sales of telecom operations and management solutions (TOMS) and mobile backhaul.

Operating income worsened by ¥11.2 billion year on year, to ¥60.3 billion, mainly due to increased investment expenses related to software-defined networking (SDN) and TOMS. Notably, a temporary increase in profit related to intellectual property was recorded in the previous fiscal year.

In the Japanese market, the need to respond to increased data traffic due to the widespread use of smartphones fell somewhat from the previous year's high levels. Even then, NEC captured solid business opportunities in network infrastructure, primarily in base stations as telecom carriers expanded their LTE service coverage.

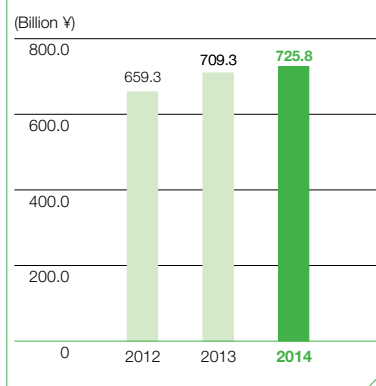
In submarine cable systems, NEC received an order for expansion of the Asia Pacific Cable Network 2 project, and entered into a contract for the new

SEA-ME-WE 5 project. In mobile backhaul, we provided products to telecom operators in international markets including T-Mobile Czech Republic a.s., the largest telecom carrier in the country, and Mobile TeleSystems OJSC, Russia's largest telecom carrier. Additionally, NEC joined with Sumitomo Corporation and NTT Communications Corporation in building communications infrastructure in Myanmar, and delivered LTE microcell compact wireless base stations to Russia's Scartel LLC.

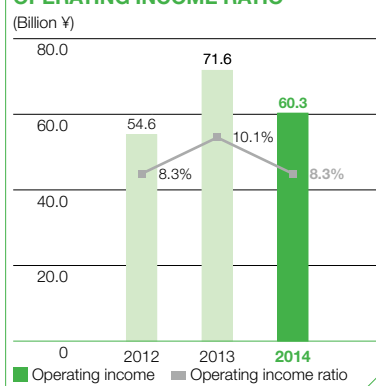
In the TOMS business, NetCracker Technology Corp., an NEC subsidiary, completed integration of its operation support systems (OSS) with the business support systems (BSS) platform of Convergys Corporation of the U.S., the acquisition of which was completed in May 2012. NetCracker launched sales of TOMS 9.0, a solution which builds and adds functions more quickly and at a lower cost. In fiscal 2014, NetCracker reinforced delivery of an integrated OSS/BSS solution, winning orders from Hub Telecom of France, Russia's OJSC MegaFon, Deutsche Telekom AG of Germany, and Sprint Nextel in the U.S., among many others.

In SDN business, NEC announced the launch of the world's first virtualized mobile core network solution (vEPC) in October 2013. This solution provides network functions running on commercial, off-the-shelf servers with Intel Architecture (IA). The solution was deployed in the communications infrastructure for Myanmar, noted above. NEC also enhanced Traffic Management Solution for advanced control of network data traffic, making it possible to provide optimal network operations linked with SDN.

SALES



OPERATING INCOME, OPERATING INCOME RATIO



For Further Growth

OPPORTUNITIES

- Expansion of global communications infrastructure market in the emerging nations.
- Strong need to reduce capital investments and operating costs as communications infrastructure grows 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.

NEC expects to see the telecom carrier market grow globally, primarily among emerging nations, with a steady demand for network infrastructure. In Japan, the market is matured and we expect to see fewer large investments in network infrastructure. Furthermore, we expect that competition will intensify as markets become increasingly borderless. NEC is working to firmly maintain its domestic advantage through the early adoption of advanced technologies, while targeting global business growth by positioning TOMS and SDN as two priority areas, enticing customers with what we can offer: lesser capital investment and lower operating costs.

In TOMS, we continue to enjoy market growth by offering a solution that reduces customers' operating costs. NetCracker Technology Corp. has already established its position as a leading TOMS vendor with a record of supplying over 250 clients in 58 countries, providing its comprehensive OSS/BSS solution. To pursue further business growth, we will target not only telecom carriers, but also customers in other sectors,

such as electric power and logistics companies, by leveraging NEC's global network as we aim to capture a major share of the international market.

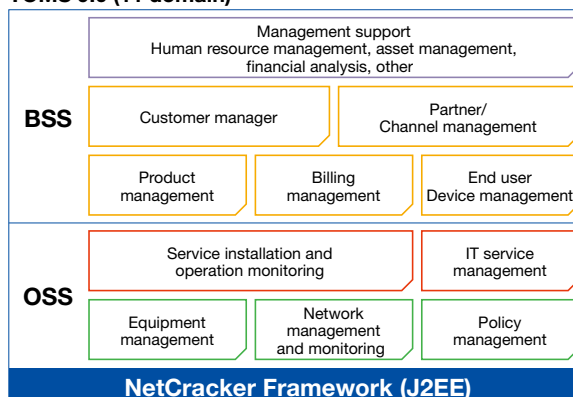
In SDN business, momentum to deploy the solution is building among telecom carriers. We are working to acquire orders and to conduct joint testing with leading carriers in Japan and abroad, including Telefonica of Spain and Portugal Telecom. By building a track record ahead of full-scale market expansion, we will secure an advantageous position as the market enters its growth phase.

In addition, we are set to capture business opportunities in LTE, where we expect strong demand to remain, and we target early compatibility with LTE-Advanced, the next evolution of the technology. NEC also intends to expand its business by increasing customer demand for mobile backhaul, ensuring solid delivery of submarine cable projects, and accelerating deployment of LTE small cell solutions, where new international markets are expected to be launched.



LTE Base Station Installation
(Soccer ground in Mandalay, Myanmar)

TOMS 9.0 (11 domain)



A wide range of services to be provided more quickly and at lower cost through the integration of the TOMS 9.0 service lineup and the OSS/BSS platform

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 fuse 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 2014 Performance and Main Accomplishments

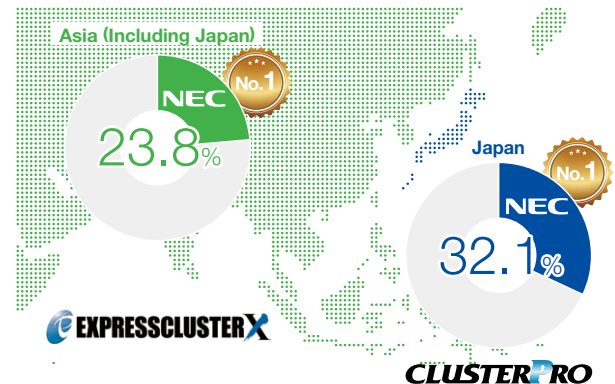
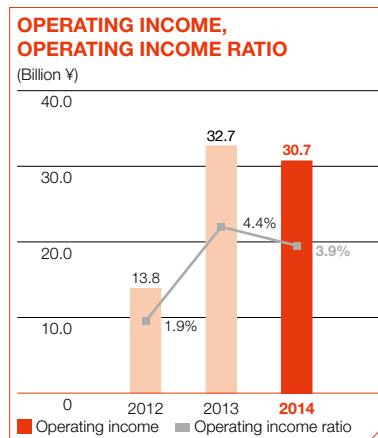
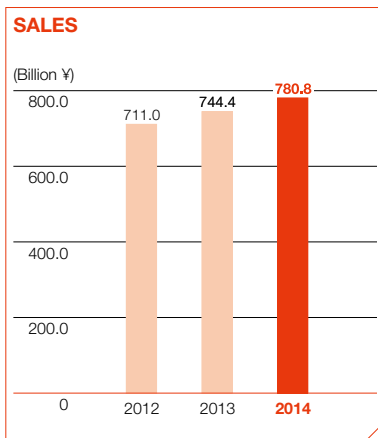
In the system platform business, sales were ¥780.8 billion, an increase of 4.9% year on year, mainly due to increased sales in hardware.

Operating income worsened by ¥2.0 billion year on year, to ¥30.7 billion, mainly due to project lineup changes.

In hardware, NEC enhanced its “Express5800 series” PC server lineup, adding models with more processing capability in virtualization and big data. Other additional models realize lower costs of deployment and operation through server integration and power efficiency. Thanks to steady sales of these products, the “Express5800 series” product line took the No. 1 share*1 in the Japanese market for the 18th consecutive year. The end of official support for Windows® XP also brought strong demand for corporate PC purchases, resulting in strong shipments of corporate PCs.

In software, our “EXPRESSCLUSTER” high-availability software (sold as “CLUSTERPRO” in Japan), took the No. 1 share*2 in the Asia Pacific market, including Japan, for the fourth consecutive year. This software monitors system failure and ensures system operation in the event of a failure. We also enhanced cloud-compatible products, including “WebSAM,” a core cloud platform software, and “WebOTX,” which improves the fault tolerance and reliability of cloud-based systems.

In enterprise network solutions, NEC continued structural reforms in its international business for better profitability. We also focused on SDN, enhancing “UNIVERGE PF” series with OpenFlow technology, and built a solid track record with companies such as Nippon Jimuki Co., Ltd. and TV Asahi Corporation. In services, we established NEC Kanagawa Data Center, as part of efforts to provide stronger cloud platform and housing services.



“EXPRESSCLUSTER” held the No. 1 share of the Asia Pacific market for four consecutive years

For Future Growth

OPPORTUNITIES

- Expansion of cloud services
- Spread use of big data

THREAT FACTORS

- Price competition to intensify in the general-purpose market

NEC'S RESPONSE

- Focus on value-added, solution-based platform products linked to the cloud. Offer vertical integration of system components optimized for specific industries and uses.
- Maintain price competitiveness by cost reductions and streamlining of development costs.

While markets for cloud-based services and utilization of big data are expected to expand, price competition of commodity hardware is becoming fierce. In response to these conditions, we are reducing costs and streamlining development expenses through standardization of components among hardware products, greater use of offshore development, and integration of development and production subsidiaries. In addition, in response to our customers' investments in areas of growth such as cloud platforms and big data, we are enhancing the "NEC Solution Platforms" product line, which provides value-added, solution-based platform products with vertical integration of system components for specific industries and uses. We are transforming our business model from one that competes in a commoditized market to one that can compete on added value.

In cloud platforms, we are reinforcing services and building a foundation for new business by utilizing the Kanagawa Data Center. The data center began full-scale operations in April 2014 and NEC is aggressively marketing its "NEC Cloud IaaS" service, which utilizes ICT resources such as housing services, servers and storage through the data center. Furthermore, we will focus on expanding sales of "NEC Solution Platforms," utilizing energy-saving, high-density servers and advanced cooling technology, and by leveraging the operational expertise gained through the Kanagawa Data Center.

In the growing new market for SDN, NEC will expand deployment among advanced customers worldwide with its strong track record in both IT and networks. To promote the widespread adoption of enterprise SDN, we are working to build an open ecosystem through collaboration with a wide range of hardware and application vendors. In terms of building a stronger business structure for cloud services, NEC is making NEC

Fielding, Ltd. a wholly-owned subsidiary in the first half of 2014. We will push ahead with more steps to streamline costs, including standardization of spare parts and consolidation of call centers. Furthermore, in July 2014, NEC established NEC Platforms, Ltd., a merger of four development and manufacturing companies (NEC Access Technica Ltd., NEC Infrontia Corporation, NEC Infrontia Tohoku Corporation and NEC Computertechno, Ltd.) for servers and enterprise network equipment. The new company aims to generate globally-competitive products by promoting the integration and mutual utilization of technologies that represent strength of each manufacturing site.

*1 Source: CY1996-2013 Japan x86 Server Market (Unit, Factory Revenue (Yen)), IDC Japan Server Quarterly Model Analysis, 2014Q1

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.

*2 Source: IDC Japan White Paper, "New Potential for High-Availability Solutions Identified from Market Growth and Best Practices: Growth Picks up for Business Continuity, Cloud, and Emerging Economies" Sponsored by NEC, November 2013



(Left) Integrated IT infrastructure for cloud services
"NEC Solution Platforms" Product (Cloud Platform for Dedicated Hosting)

(Right) 2-Way Module Server, "Express5800 series"/E 120e-M

CONTRIBUTE TO SUSTAINABLE GROWTH IN MYANMAR THROUGH COMMUNICATIONS INFRASTRUCTURE

Building Advanced Communications Infrastructure to Support Raising Living Standards and Economic Growth



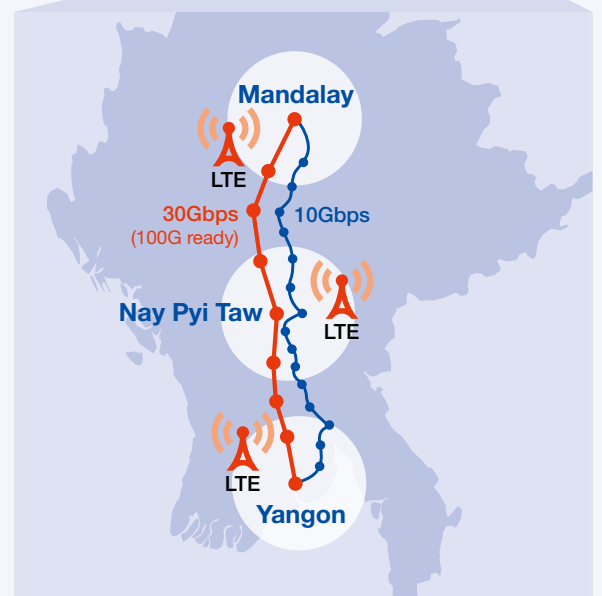
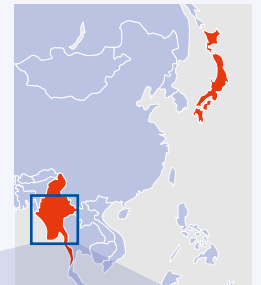
In Myanmar, the unfolding process toward democracy has been accompanied by momentum to seek further improvements in people's living standards and vitalization of the economy. The Japanese government made a decision in April 2012, to support Myanmar boost reforms in a wide variety of fields across the country. NEC, too, took initiatives to contribute to development by responding to a variety of needs within Myanmar. The government of Myanmar sought support from the Japanese government and Japan International Cooperation Agency (JICA), and the Emergency Communications Network Improvement Plan was carried out, becoming one of the successful examples of these initiatives.

Communications in Myanmar

In Myanmar, only about 10% of people have a phone, mobile or fixed-line, and only approximately 1% are connected to the Internet. The Myanmar government has set phone ownership targets of 50% by 2015 and 80% by 2016 to improve communication in the country. At the time when the initiatives began, Myanmar was due to host the Southeast Asian Games (SEA Games) in December 2013, and to assume the role of Chair of ASEAN for 2014. It was imperative to enhance the country's communications infrastructure as Myanmar raised its presence on a global scale.

Official Development Assistance (ODA) from Japan

NEC formed a consortium with Sumitomo Corporation and NTT Communications Corporation. The consortium closed a contract with Myanmar's Ministry of Communications and Information Technology in May 2013 in support of the country's Emergency Communications Network Improvement Plan. A project was launched to install equipment and improve the Internet connectivity in the country to build up its communications infrastructure. This was the first infrastructure construction project in Myanmar that utilized Official Development Assistance (ODA) from Japan since the Japanese government resumed economic cooperation in 2012.



Placement of the optical transmission network

High-speed, High-capacity Core Optical Transmission Network and LTE Base Station with Cutting-edge Communications Devices

The consortium's role was to improve Myanmar's communications infrastructure to a level that rivaled those of developed countries. NEC built on an existing optic fiber network, linking the three key infrastructure cities of Yangon, Nay Pyi Taw and Mandalay, to form an infrastructure axis. A high-speed, high capacity core optical transmission network was set to provide each of the cities with LTE communications, fixed-line telephones and Internet communications in city networks with speeds of up to 10 Gbps.

In addition, LTE base stations were set in 50 locations across the three cities. Apart from this ODA project for the Emergency Communications Network Improvement Plan, NEC also installed free of charge an additional 30 LTE base stations around venues of the SEA Games to enhance usability.

Furthermore, NEC installed state-of-the-art technologies within the communications bureau that include virtualized Evolved Packet Core (vEPC)*¹ virtual mobile network solutions and DW7000*² optical transmission equipment. Once equipment had been installed, training of engineers from Myanmar began, with the aim that the system be maintained and operated by them.

NEC has a proud track record of building communications infrastructure worldwide, and we used that expertise to contribute to significant improvements in the communications environment in Myanmar. In the three cities involved in the project and areas surrounding them, it became possible for approximately 40,000 LTE communications users, about 1.5 million fixed-line and some 1 million Internet communications users to utilize the system at the same time.

*1 Virtualized Evolved Packet Core (vEPC): A virtualized mobile core network solution that achieves Network Functions Virtualization (NFV) on a virtualization infrastructure running on a commercial-off-the-shelf server hardware with Intel Architecture (IA).

*2 DW7000: Optical transmission equipment supporting a 100 Gb/s Ethernet



A Design Ahead of its Time Supports Sustainable Growth

This project was to be completed within only six months from the closing of contract. By working closely with government organizations and taking procedures step by step, we completed the project on schedule successfully. This infrastructure delivered by the consortium, contributed to smooth telecommunications during the SEA Games held in December 2013. It is currently supporting the telecommunication environment at the ASEAN Summit in Nay Pyi Taw, which began in May 2014.

NEC's DW7000, which was installed at the communications bureau, is cutting-edge optical transmission equipment that supports a 100 Gbps Ethernet, enabling high-speed, high-capacity on communications networks. This makes it a design ahead of its time and will be the first step in sustainable development going forward. Furthermore, we believe that it will help to raise the standard of living for the people of Myanmar and enliven the country's economy.

NEC was awarded the 42nd International Telecommunication Union-Association of Japan (ITU-AJ) Award (International Cooperation Field Accomplishment), by the ITU-AJ for contributing to this project.

NEC's strong presence in Myanmar's infrastructure continues, as it contributed in developing airport infrastructure in Myanmar to ensure safe airport operation.

Following the success in Myanmar, NEC will provide a variety of social solutions utilizing ICT solutions and contribute to infrastructure development in emerging countries going forward.



Awarded the 42nd ITU-AJ Award, International Cooperation Field Accomplishment Prize

UTILIZE ICT TO ENHANCE DISASTER RESPONSE CAPABILITIES IN THE ASEAN REGION

Strengthening Disaster Support Functions at the AHA Centre

The ASEAN Coordinating Centre for Humanitarian Assistance on disaster management (AHA Centre) was established in 2011 with the Secretariat located in Jakarta, Indonesia. The establishment of AHA Centre was guided by the ASEAN Agreement on Disaster Management and Emergency Response (AADMER) that was ratified by ASEAN member countries in 2009.

Natural disasters such as earthquakes, tsunami and cyclones occur frequently in the ASEAN region. AHA Centre is mandated to conduct joint emergency response, sharing information and facilitating assistance among the 10 member countries during an emergency situation. This Web-based Crisis Information System project is the second project supported by Japan's Ministry of Foreign Affairs and the Ministry of Internal Affairs and Communications, with the aim strengthening the interconnectivity and interoperability between AHA Centre and ASEAN member states.

Building a Highly Reliable Platform

In this project, NEC delivered key ICT components to build the disaster communications system platform, including "Express5800 series" servers and "iStorage

series" storage and network devices, and will also support the maintenance of the system.

With hardware and software that have established reputations for high reliability, combined with 24-hour, 365-day support provided by our Indonesian subsidiary, disaster-related information can be shared at any time, day or night, and a system has been built up to rapidly provide humanitarian support during the response phase of an emergency situation.

Contributing through Business Development Entrenched in the Local Community

NEC has laid down deep roots in Indonesia extending back to the 1960s, and currently its subsidiary has a local workforce on a scale of 200 people. With this project, too, local staff providing technical support have been highly regarded. Consequently, this has led to extensions of the maintenance contract and endeavoring to meet detailed needs has led to more orders for equipment and machinery that enhances the functionality of the AHA Centre in a variety of ways. Inside the centre, NEC products are widely used, including large-screen monitors displaying information from each country and digital signage.

In April 2014, during the Indonesian government's international disaster drill, Mentawai Megathrust DiREx 2014, the AHA Centre moderated contact and support between Indonesia and ASEAN member countries. AHA Centre's ICT capabilities have once more contributed to the regional humanitarian assistance and disaster relief (HADR).

NEC will continue supporting this project to contribute to society based on local needs.



NEC Indonesia employees who oversaw the project

REALIZE SAFER BUS OPERATIONS IN HONG KONG

Issues with Hong Kong's Public Transportation Network of Buses

Hong Kong is famous for its vibrant mix of modern and traditional as much as its remarkable economic growth. It continues to attract more tourists and business travelers to its shores every year.

Hong Kong has some of the highest population density in the world. This is why Hong Kong is reliant on buses to provide cost effective and flexible transportation service to its residents and visitors. In the past, Hong Kong buses did not have a Fleet Management System (FMS) in place. This lack of a system made it difficult to centralize the data and operations for monitoring the status of a bus fleet as well as the performance of the bus drivers. Furthermore, there were no stop announcement or information displays in the vehicles making it hard for passengers to know when to get off at their stop. In particular, the bus system was not seen as a user friendly service for tourists.

Citybus Limited & New World First Bus Services Limited (CTB&NWFB) install FMS to Ensure Safe and Secure Operations

To tackle some of the issues in the bus services, leading Hong Kong bus operators, CTB&NWFB, began a phased installation of FMS in 2010 for all their buses (approx. 1,600 buses).

FMS uses GPS tracking to obtain positioning information from buses, and in combination with the bus operator's enterprise data, the system calculates and reports on operational performance, such as whether the service is running on time, and what part of routes are most likely to have delays. These reports are also useful for driving service improvements through support operation

planning and route planning, as well as for driver training.

One challenge of offering these services in Hong Kong is that it is difficult to get accurate GPS data because of the unique environment of narrow streets surrounded by skyscrapers. However, by gathering vehicle data (such as odometer readings, speed, brake use, etc.) and using it in combination with GPS data, it will become possible to obtain the location of buses more accurately. This approach enhances the accuracy of passenger services by providing next stop announcements automatically to passengers and allows bus drivers to concentrate on driving.

FMS has also been installed on around 180 airport shuttle buses (around 11% of their buses) which have installed a real-time system that, as well as gauging buses' operational status, also estimates their arrival times. Therefore, passengers can find out via PC web sites or Smartphone apps when their bus will arrive.

FMS is highly regarded for its contributing to improving services and both companies were awarded the Best Public Service Application Grand Award at the Hong Kong ICT Awards 2013.

Looking Ahead

Currently, considerations are being made to expand real-time operations indicators across the entire fleet. It is expected that the implementation of FMS will reduce accidents and CO₂ emissions due to more ecologically-aware driving patterns.

Going forward, NEC will continue expanding locally led businesses and make positive contributions to society by offering people a safer and more secure travelling experience.



CTB&NWFB vehicles that run in Hong Kong



A smartphone app to search bus routes and estimated arrival times



A display in the bus informing passengers of the next stop

PROMOTE RENEWABLE ENERGY WITH ENERGY STORAGE SYSTEMS

With rising populations and urban development, demand for electricity is anticipated to increase significantly. While facing issues revolving around climate change, it is essential to reduce the use of fossil fuels and protect forests. Today, renewable energy has attracted attention as a solution to meet both these needs.

It is known that renewable energy like photovoltaic or wind power fluctuates significantly with climactic conditions—daylight or the amount of wind—and may result in an unreliable supply if they occupy a substantial ratio on power grids. Power grids must maintain a constant balance between power supply and demand, and when an unstable source of power generation occupies a large ratio, it widens the gap between demand and supply and significant electricity moderation is needed to fill that gap. Further, when the balance is lost between supply and demand, fluctuations in voltage and frequency occur, causing blackouts or damage to electronic equipment. This poses an obstacle in promoting wider use of renewable energy.

The Energy Storage System (ESS) solves these problems, and moreover, it is recognized as an effective means of stabilizing power grids. Demand for ESS is now increasing globally.

At NEC, we are developing a large-scale ESS using lithium-ion battery technologies. In February 2014, we delivered a large, lithium-ion grid ESS with an output of

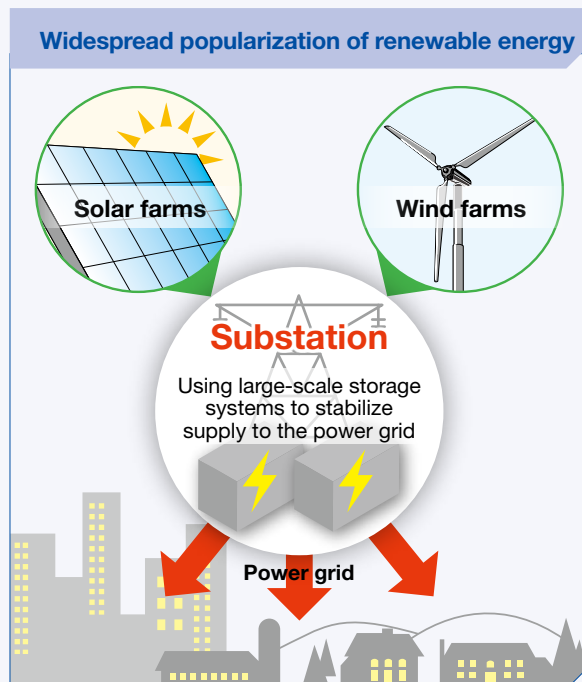
2 MW and capacity of storing 2 MW hours of power to Enel Distribuzione, Italy's largest power distribution system operator.

The system is used to test power supply control at the Chiaravalle primary substation in the region of Calabria, southern Italy, where renewable energy sources such as solar and wind farms are widely implemented. Tests are carried out on the storage system technologies and measure economic effects in southern Italy, where usage of renewable energy sources is advancing.

In addition, NEC acquired the A123 Energy Solutions, the storage systems business unit of A123 Systems, LLC., from the Wanxiang Group Corporation of China in May 2014 and established NEC Energy Solutions, Inc., based in Massachusetts, U.S. A123 Energy Solutions has a world-class track record of storage system supply to power companies. NEC Energy Solutions will incorporate A123 Energy Solutions' sales experience and system expertise, marketing the new energy storage solution to major power suppliers worldwide.

It is anticipated that ESSs will be incorporated into smart grid infrastructure, which controls smart meters in houses, offices and factories and provides a two-way, real-time information exchange of electricity demand with ICT.

Going forward, NEC will focus on integrating storage systems with ICT—cloud platforms and big data application technologies—to create innovative energy services and expand business globally. We are committed to promote the usage of renewable energy and contribute to stable electricity infrastructure, with an aim to provide solutions for energy-related problems in society.



Storage system at the Chiaravalle primary substation in the Calabria region, Italy

REDUCE CO₂ THROUGH SAVING ENERGY AT DATA CENTERS

NEC has 59 data centers across Japan and contributes to the stable operation of customers' IT systems.

NEC Kanagawa Data Center (Kanagawa DC), which opened in January 2014, is the largest center we have. It employs NEC's latest technologies, such as face recognition systems and Software-Defined Networking (SDN), and provides highly efficient, safe and secure services. It is positioned as our flagship data center forming the foundation of NEC's "Solutions for Society."

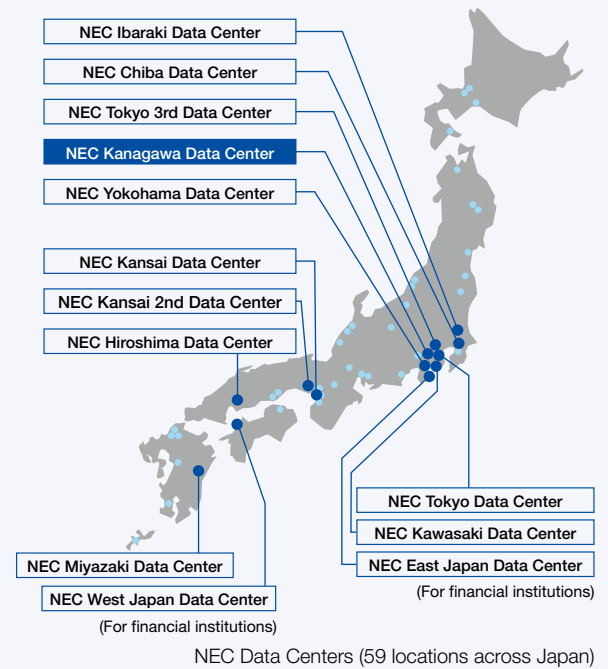
Generally, data centers consume a large amount of electricity. There are many servers which consume power, and air conditioning devices are installed to keep the servers cooled. Conserving energy use at data centers is an important factor to reduce cost and enhance business competitiveness. Moreover, saving energy will contribute to reducing CO₂.

Kanagawa DC uses cutting-edge technologies to achieve a high level of energy conservation performance for a data center. It employs high-density, power-saving servers which were developed as a standard model for NEC Cloud IaaS, the new cloud-based platform service provided by the center. These servers achieve a power consumption reduction of approximately 75% compared to conventional servers.

Furthermore, the center sets special racks equipped with cooling devices using phase change cooling technologies*. The technology was developed by NEC's Central Research Laboratories, and the amount of power consumed for air conditioning to cool the racks is approximately 30% lower than conventional cooling methods. In addition, the double-layered structure in the ceiling of the server room employs a new type of air-conditioning that emits cool air from the ceiling, which leads to power consumption of approximately 20% less than conventional methods where cold air is pumped up from the floor.

The energy efficiency of a data center is measured using an index called PUE**2, and undertaking these various initiatives at Kanagawa DC resulted in a score of 1.26 (design basis), the highest standard in the industry.

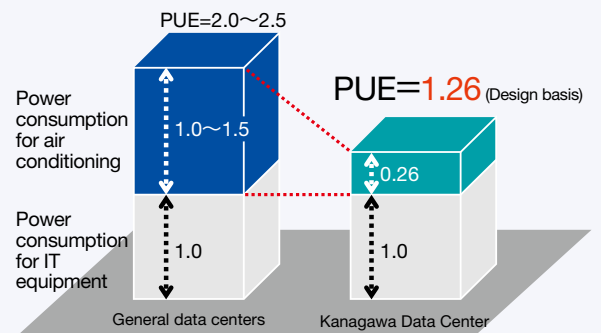
Going forward, NEC will capitalize on the expertise gained from operating Kanagawa DC to support the construction of data centers and, furthermore, contribute to reducing the CO₂ emitted from using ICT systems.



High density and power-saving server



Cooling equipment using phase change cooling technologies



*1 Phase change cooling technology: A cooling technology that utilizes a phenomenon in which the movement of a large amount of heat occurs due to a phase change that happens when a coolant changes from liquid to vapor or from vapor to liquid.

**2 Power Usage Effectiveness (PUE): An indicator of power effectiveness in data centers and calculated by dividing the power consumption of the entire data center by the power consumption of ICT devices used within it.

IMPROVE CUSTOMER SERVICES AT RAILWAY STATIONS

Challenges Railway Stations Face

There are a variety of systems installed at train stations, but differences in system policy and installation timing result in multiple networks optimized for individual tasks. In addition, large stations frequently undergo refurbishment, but construction work is limited to about three hours between the last train and the first train the following morning. Under these circumstances, it takes time to complete new construction and becomes difficult to provide new services quickly.

To solve these issues, East Japan Railway Company (JR East) proposed the installation of JR-STnet, a “common station network” infrastructure development for Tokyo Station. This plan included integration and management of different networks at the station with flexibility to add or change the network environment as required.

World's First Use of SDN in the Railway Industry

With conventional networks, equipment is set individually for data flow. As an outcome providing a new service requires changes in network settings, entailing significant cost and time.

To overcome these challenging tasks, NEC proposed SDN technology. This technology allows software to control equipment for data transfer, contributing to flexible, efficient communications.

NEC's SDN solution provides flexibility in adding or changing networks, and reduces operation costs

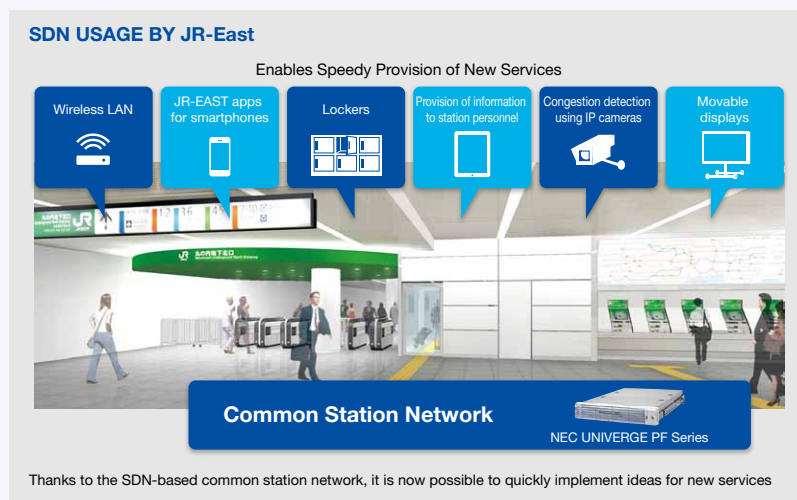


significantly. As a result, planning of new services became easier and the services were provided with greater flexibility and speed. Some of the services include wireless LAN for smart devices and a quick search for unoccupied lockers at Tokyo Station.

Further Improving Services

JR East intends to make further service improvements using this “common station network” at Tokyo Station. For example, passengers are able to use applications on their smartphones or tablet devices to obtain information such as train delays, while those unfamiliar with such equipment can consult station employees who will use the same information installed in their portable devices to assist customers. JR East hopes the system will make the station even more convenient for its customers.

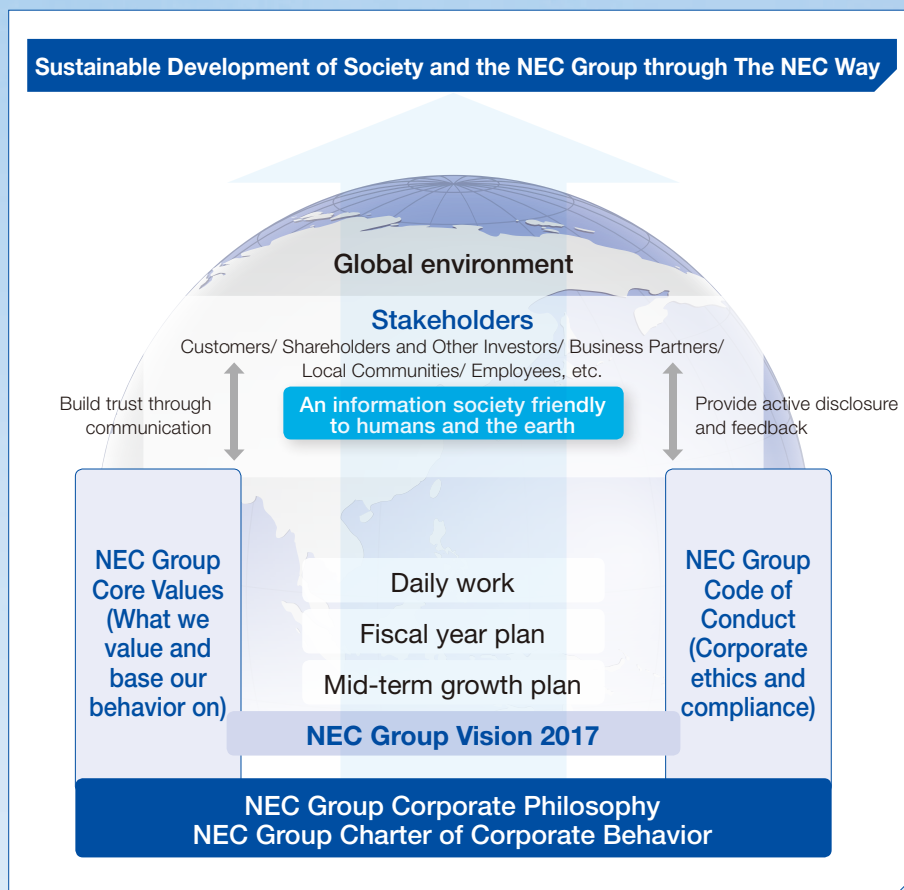
Going forward, NEC will focus on developing infrastructure in places facing issues similar to those at Tokyo Station, in its aim to provide solutions which can benefit everyone in the digital society.



BUSINESS FOUNDATION TO SUPPORT VALUE CREATION

NEC creates social and corporate values continuously by implementing **The NEC Way***, a cohesive framework that outlines management practices and operations.

NEC strives to strengthen its management base by engaging in activities to raise corporate trust and sound management, such as by building relationships with various stakeholders, as well as through personal development, environment protection and thorough compliance.



* 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.

STAKEHOLDER ENGAGEMENT

The NEC Group aims to transform into a “Social Value Innovator” in its ongoing efforts serve society. We think that doing that requires being sensitive to society’s movements and expectations.

For the NEC Group, communication with our diversity of stakeholders gives us a strong feel for movements occurring within society, and enables us to solve social issues together, making this an indispensable and vital initiative.

Sending a Message to the International Community through a United Nations Global Compact Interview

Once every three years, coinciding with the United Nations Global Compact Leaders’ Summit, the United Nations Global Compact conducts a CEO Survey about corporate activities promoting development of sustainable societies and proposals that can be made to the international community.

In June 2013, NEC President Nobuhiro Endo took part in this CEO Survey, expressing his feelings about contributing through business to the development of a sustainable society, explaining actual examples of NEC’s “Solutions for Society” and the Company’s commitment to contribute to the UN initiative. The results of the survey were published in the *CEO Study on Sustainability 2013*, issued in September 2013, and introduced at the Leaders’ Summit held the same month.

In addition, the United Nations Global Compact website cites NEC’s “Mid-term Management Plan 2015,”

containing the expansion of the “Solutions for Society” business seeking long-term growth and enhanced profitability, as one of the case studies given as an “ESG Value Driver Framework,” a new management model for corporate value creation.

NEC is sending its message to the international community through the United Nations Global Compact and contributes to the development of a sustainable society.



Dialogue with an NPO “CSR Review Forum-Japan” for Transforming into a “Social Value Innovator”: For the Second Year of the Mid-term Management Plan

In May 2014, NEC held a dialogue with CSR Review Forum-Japan (CRF), an alliance of NGOs, NPOs, consumer groups and labor groups.

CRF and various NEC individual divisions had dialogue about core issues based on ISO 26000, international guidance for social responsibility, reviewing their activities. This review process has continued on an ongoing basis since 2011.

This dialogue, held for the fourth year, saw the participation of Takashi Niino, Senior Executive Vice President responsible for overseeing management planning, who spoke about the transformation to a “Social Value Innovator” as outlined in the “Mid-term Management Plan 2015,” the background behind this and the state of current progress. CRF’s main comments in response were as follows:

- It is crucial to look at social issues confronting those outside of our customers and clarify an outline of solutions for them

- It is necessary to show that the success of a business is not just about profit and loss, but also how much it has done to solve social issues
- “Social Value Innovation” is not limited to new business creation, but existing businesses must also be inspected from the perspective of solving social issues and a review of the value chain is needed

Furthermore, based on this dialogue with CRF, a review by the management planning and IR divisions some days later discussed an assessment index related to “Social Value Innovation.”



Participating in International Conferences in China

NEC participated in international conferences in China, namely the 8th International CSR Forum in China held in Beijing in June 2013, and the United Nations Global Compact 5th Global Compact China-Japan-Korea Network Roundtable Conference held in July of the same year.

At the 8th International CSR Forum in China, held jointly by the China WTO Tribune and Chinese and German CSR projects, participants from governments, corporations, academia, CSR-specialist organizations, NGOs and more discussed global CSR issues and initiatives. NEC was a representative of Japan's Council for Better Corporate Citizenship (CBCC) and introduced CSR case studies from Japanese companies, as well as



The 8th International CSR Forum in China

from NEC. Moreover, during the session on "Energy Efficiency and Sustainable Urban Development," NEC (China) Co., Ltd. gave a presentation on NEC's smart city initiatives.

At the China-Japan-Korea Network Roundtable Conference, a United Nations Global Compact local network gathering for Japan, China and South Korea to discuss CSR promotion in East Asia, a panel discussion on company roles in climate change saw NEC (China) Co., Ltd. give a presentation, speaking about NEC's environmental management philosophy and introducing an energy reduction solution, and discuss issues with representatives from Japan, China and South Korea.



United Nations Global Compact 5th Global Compact China-Japan-Korea Network Roundtable Conference

Dialogue with Transparency International about Anti-Corruption

In February 2014, NEC's Legal Division met with representatives from Transparency International UK and Transparency International Japan for dialogue on anti-corruption initiatives, discussing expectations and more regarding improvements to NEC's initiatives. NEC will continue dialogue with NGOs going forward to respond to society's expectations.



Dialogue with "NEC Paddy Making Project" Partner NPO about Contribution to Environmental Protection

In May 2014, NEC Group employees met for dialogue with representatives from the Asaza Fund, a certified NPO involved in initiatives to restore natural surroundings in the Kasumigaura region and partner in the NEC Paddy Making Project.

This dialogue involved 16 participants, including representatives of Asaza Fund, NEC Group business divisions and corporate departments. Under the theme of "Contribution Possibilities for IT in Environmental Protection," there was a lively exchange of opinions about matters such as the use of past data collected from the project's network sensors and production of an ideal agricultural robot.

Ten years have passed since the start of the NEC Paddy Making Project was undertaken together with the Asaza Fund. Going forward, NEC will actively focus on this project through greater participation from employees and their families to contribute to environmental preservation, including the preservation of biodiversity.



EMPOWERING OUR PEOPLE

NEC is working to promote quality workplaces that respect diversity, and to cultivate HR on a global basis. Programs to maintain the health and safety of employees are ongoing. NEC also encourages employees to participate in local volunteer activities to promote greater consideration of the relationship with society and sensitivity to social needs.

Promoting Women's Success in the Workplace

The NEC President's declaration on Positive Action was posted on the Ministry of Health, Labour and Welfare's website supporting women's success in the workplace. Details of the declaration are as follows:

NEC regards the promotion of diversity as a management strategy and sees diverse HR as the key to success in global business. We consider success by diverse HR, starting with women, indispensable for sustainable corporate growth, and we aim to shape the Company to be one where each and every individual can maximize his or her abilities.

We make the following specific declarations to enable the realization of these ideals.

- Strengthen executive management commitment and promote initiatives clearly positioned as management strategy
- Put in place a system for systematically appointing female managers holding the post of department manager or higher, with a view to them becoming corporate officers in the future
- Support career development and building of personal business networks focused on mid-career and younger employees who will carry future generations
- Promote awareness raising and mutual understanding through management training for managers

These declarations will be used for initiatives from a micro-viewpoint on how to increase the number of women in positions that will bring them closer to decision-making levels, and how women can continue working through life events such as marriage or child-raising, as well as effective ways of supporting them to overcome any obstacles. In addition, the Company will present opportunities for all employees to undergo a change in awareness.

As of April 2014, NEC had 397 female managers (the ratio of female managers was 5.1%), of whom 105 held the position of department manager or higher.



Strengthening Systematic Training of Young Employees to Embody NEC Group Core Values

NEC has implemented the 3 Years Fundamental Program (3FP) from fiscal 2014 to strengthen the foundations of young employees and make sure they become human resources who embody the NEC Group Core Values by the end of their third year in the Company.

Under 3FP there are a variety of programs available, such as employees looking back at their careers at key intermediate milestones (keywords being broaden, heighten and probe), frontline practical education given at factories or in sales, or taking on problem-solving

using knowledge acquired to solve problems encountered in the workplace.

Moreover, to foster a good atmosphere of developing younger employees throughout the workplace, on the job development (OJD) periods (a system where each employee is assigned to a manager as a mentor and an assistant manager to coach them) have been extended to three years, while seminars are held for supervisors (managers and coaches) and there is an email magazine issued with information useful for development.

“R&D Frontier Program” for Employees to Find Solutions for Social Issues in Emerging Nations

NEC’s Central Research Laboratories is implementing the Overseas Work Program run by Cross Fields, an NPO whose members graduated from the fiscal 2012 NEC Social Entrepreneurship School. Cross Fields provides corporate employees opportunities to use their skills with local people in helping resolve social issues. The employees are sent for certain periods to NPOs in developing and emerging countries.

During the fiscal year under review, two employees dispatched to India worked with local entrepreneurs to improve a farming distribution service and provide employment opportunities for the young and disabled. Both of the dispatched employees took on the

challenge of using the power of ICT to solve social issues in emerging nations, obtaining viewpoints from necessary perspectives and a feel for thoughts and behavior. Going forward, NEC will continue to foster social sensitivity as part of its HR development.

Proposing a handy POS system using a tablet PC



A dispatched employee holds a public hearing at a privately-owned store

Communication with Employees —One NEC Survey—

Every year, the NEC Group conducts the One NEC Survey, an opinion survey targeting the employees of NEC Group companies. During the year under review, the survey was carried out from July to August 2013 to ascertain individual employees’ values, motivations and degree of sharing the “Mid-term Management Plan 2015,” with replies received from 51,473 people for a response rate of 82%.

The survey results are used to identify issues and devise action plans for conducting Group-wide management and performing evaluations based on NEC Group Vision 2017 and Core Values. The survey materials are also used to comprehensively understand employee thinking at each Group company about the company, workplaces, duties and other matters, and consider the need and direction for personnel initiatives and measures to revitalize the organization.

“NEC Nature Quest” for NEC Group New Employees to Nurture CSR Awareness

NEC has been working on a biodiversity garden project “NEC Nature Quest” in Shiba Park, near the NEC headquarters, together with the Tokyo Metropolitan Park Association and the NPO Green Works since fiscal 2012. Employees use their lunch breaks and other times to do weeding or plant bulbs to protect biodiversity.

In fiscal 2014, approximately 350 new employees took part in cleaning activities and biodiversity protection activities in Shiba Park as one aspect of their training. This was the first time that fieldwork had been incorporated into the new employee training program.

One of the participants said, “I was extremely interested in this activity and really gave it my all. I could learn about the nature and history of the area around the headquarters and I want to go to work paying more attention to the surroundings.”

Furthermore, in May 2014, NEC Nature Quest was awarded an honorable mention at the 49th Tokyo Metropolitan Park Association Awards for providing employees with an opportunity to deepen their understanding of preserving biodiversity and in recognition for having established a volunteering system for employees and their families.

Going forward, NEC aims to continue raising employees’ awareness of the environment and contribute to the community while promoting NEC Nature Quest.



New employees tending to a flowerbed in Shiba Park



The honorable mention award for the 49th Tokyo Metropolitan Park Association Awards

EARNING CUSTOMER TRUST

NEC considers customer value from a social perspective and seeks to work with customers to find solutions to social issues. Maintaining customers' trust is indispensable for this.

Argentina's "Tigre Vision 2030" Project Aiming to Create a Lively City

NEC holds workshops with customers to depict the visions of how they can create both social and customer value in the future. NEC worked with the city of Tigre, a suburb of the Argentinean capital of Buenos Aires, to create "Tigre Vision 2030." This vision is a detailed depiction of the three values the city wants to present to its citizens and visitors by 2030: environmental protection; enrichment of public services; and, fostering of social capital. Social capital is a concept that binds the trusting relationships of people in societies, regions and communities with values to create a significant asset for cities.

In this project, NEC incorporated an idea called "backcasting" into the workshop session it held. At the session, participants from Tigre and the NEC project team collaborated to clarify the objective of the city's vision, then looked back from that point to the present

day and drew up an action plan. We detailed the vision and action plan in a concept book we named "Tigre Vision 2030."



Utilizing an affinity diagram in the workshop

Customer Satisfaction Education and Training for All NEC Group Employees Globally

It is crucial to ensure that all employees throughout the world adhere to the spirit of the "Better Products, Better Services" motto so NEC can realize its goal of being a leading global company under the NEC Group Vision 2017. In fiscal 2014, we continued on from the previous year with more specific details and implemented them during training at overseas subsidiaries.

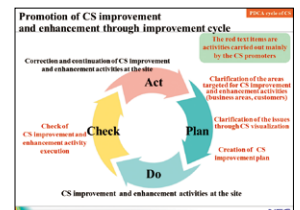
The program has two sections, one for regular employees and the other aimed at those responsible for activities to promote enhanced customer satisfaction (CS).

For regular employees, the aim is to gain a firmer grasp of the Universal CS Mind, keywords that express the key points for realizing customer satisfaction. Using case studies, they learn about the five key points from the perspective of customers, sales staff, system engineers and maintenance officials.

For those in charge of promoting CS, training is conducted using an in-house SNS, assembling expertise and frequently asked questions (FAQ) in a PDCA cycle

that goes from planning enhanced CS (including policies and objectives), visualizing CS and clarifying issues, countermeasures for issues and implementing improvements.

Among the thoughts expressed by those who have undergone the training were, "The contents fitted reality," and "The case studies focusing on daily events we're likely to experience were great." In the coming fiscal year, we want to incorporate these opinions and continue this training for all employees.



Materials for training to foster a global CS mindset

ADDRESSING CLIMATE CHANGE AND ENVIRONMENTAL PRESERVATION

In 2010, NEC formulated the NEC Group Environmental Management Action Plan 2017/2030 as a mid- to long-term environmental goal, setting action plans based on three key perspectives—low carbon emissions, ecosystem and biodiversity preservation, and resource recycling and conservation.

Progress of the NEC Group Environmental Management Action Plan 2017/2030

A target is set to contribute to a reduction of 15 million tons in CO₂ emissions by fiscal 2018 and 50 million tons by fiscal 2031, for customers and all of society through the provision of IT solutions. In fiscal 2014, NEC reduced 2.29 million tons of CO₂ emissions. This represented total CO₂ emission cuts of 9.70 million tons over four years from fiscal 2011, indicating steady progress toward the goal.

Another low-carbon target is to reduce CO₂ emissions by improving the energy efficiency of products. NEC aims to achieve an 80% reduction by fiscal 2018 and 90% reduction by fiscal 2031 compared with CO₂ emissions in fiscal 2004. In fiscal 2014, the reduction was 75%, against the target of 67%, owing to the internal spread of the NEC Eco Symbol Star System* and aggressive development of energy efficient products.

From the perspective of ecosystem and biodiversity preservation, NEC aims to have 12,000 employees engage in social contribution activities associated with ecosystems and biodiversity by fiscal 2018. In fiscal 2014, 8,417 employees took part in these activities. In addition, NEC added three new IT solutions for preservation of biodiversity utilizing its advanced technologies and products: monitoring invasive species, monitoring the marine environment and monitoring for forest preservation. NEC now offers a total of six solutions for biodiversity preservation.

NEC is employing its NeCycle® bioplastic in products to encourage the widespread use of this material, as an initiative for promoting recycling and conservation of

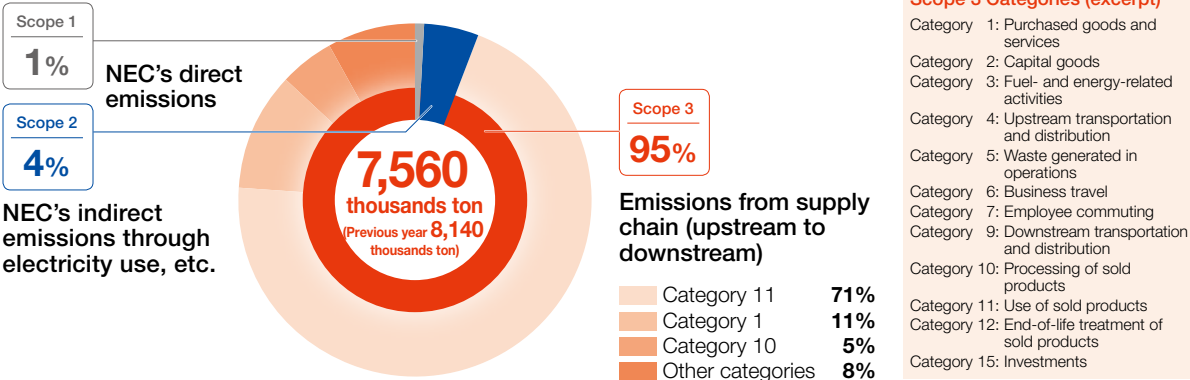
resources. The material was used in the internal components of gas station fueling systems. NEC also developed a technology that cut energy used in production by approximately 90% for cellulose-based bioplastic using non-edible plant resources.

Strengthening Scope 3 Compliance

NEC began collecting data from some suppliers to enhance the accuracy of data analysis as part of its response to the Scope 3 Standard under the Greenhouse Gas Protocol, which NEC has applied to cut overall CO₂ emissions in its supply chain since fiscal 2013. In fiscal 2014, CO₂ emissions across the entire NEC Group supply chain decreased with a change in the holding stake of subsidiaries, which was reflected in Category 15 (Investments) of Scope 3. In fiscal 2015, NEC will continue to move forward by seeking energy-saving performance from its products and cooperation from suppliers to reduce emissions in categories 11 (Use of sold products) and 1 (Purchased goods and services), which carry comparatively larger weighting.

Notably, collation of data for Scope 3 was undertaken in compliance with the GHG Protocol Initiative Scope 3 Standard and underwent a third-party review by the Mizuho Information & Research Institute, Inc. to ensure transparency and reliability.

* NEC Eco Symbol Star System: A system that awards Eco Symbol Star-logos to products and services that satisfy NEC and industry-leading standards. The symbol is a self-declaration type of ISO (International Standards Organization) environmental label (Type II).



Fiscal 2014 CO₂ Emissions from the Entire NEC Group Supply Chain

R&D AND INTELLECTUAL PROPERTY STRATEGY

NEC is promoting R&D activities with perspectives in intellectual property and standardization strategies. The Company aims to solve complex social issues and to create innovative technologies in providing new values to customers and society.

Main Research Domains and R&D Strategy

NEC aims to support society in becoming a safe, secure, efficient and fair place by promoting the development of “Solutions for Society” under the “Mid-term Management Plan 2015.” R&D activities at NEC improve technology which 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.

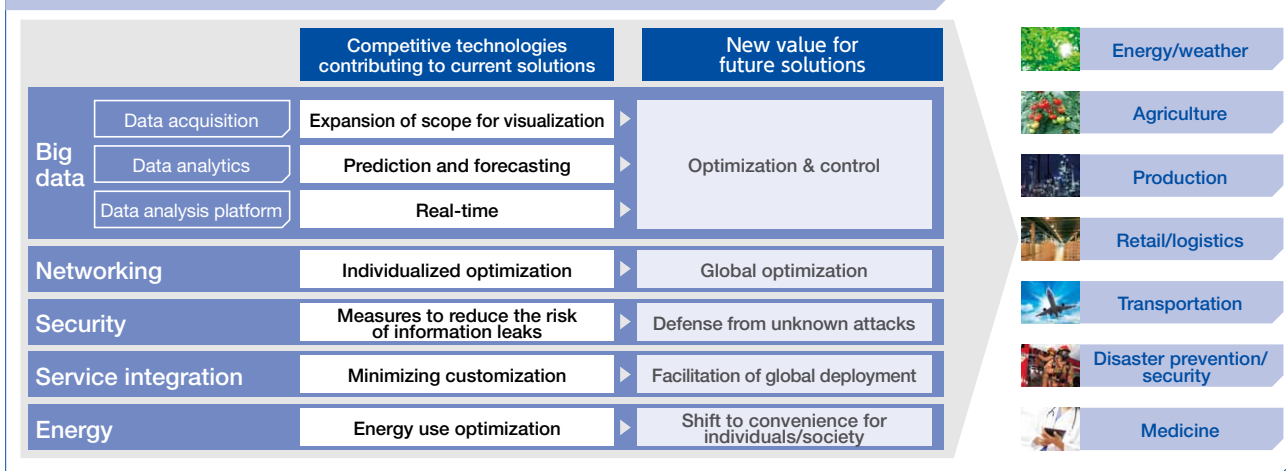
NEC is accelerating activities that make vital contributions in business domains related to “Solutions for Society,” including big data analysis, SDN, safety and smart energy. Efforts are made to reinforce unique, competitive technology assets such as big data analytics technologies—the Invariant Analyzer, heterogeneous mixture learning and text mining—, network virtualization technologies, and sensing technologies for environments from the deep sea to space. Moreover, the Company challenges itself to create innovative technologies never seen before.

NEC works closely with its customers in creating new value for the areas of priority. Consequently, in fiscal 2014, our achievements include joint testing with customers for commercialization of items such as a failure sign monitoring system for large-scale facilities utilizing invariant analysis technology, systems to predict energy demand in buildings using heterogeneous mixture learning technology, and a solution to cool data centers using phase change cooling technology.

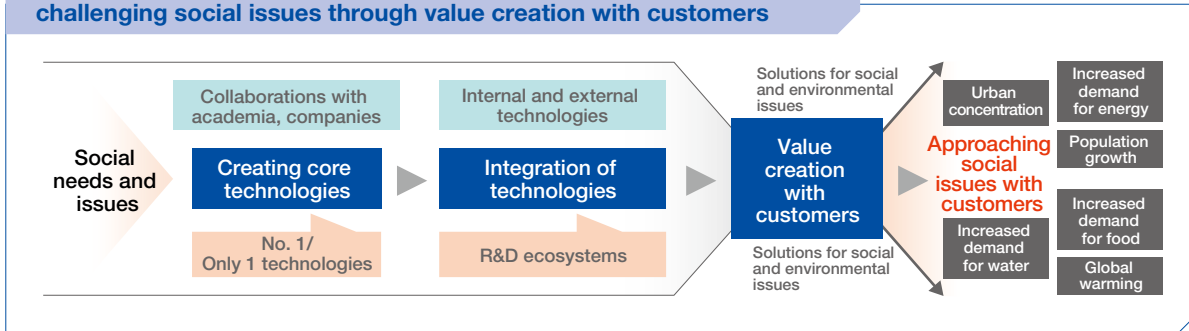
Additionally, in efforts to accelerate global business, NEC opened NEC Laboratories Singapore (NLS) as a new global solution research base. NLS is currently involved in testing related to public safety in Singapore as part of a joint research framework with local research organizations and customers. In such cases, too, NEC strives to create new solutions that serve local needs by working closely with customers. Ultimately, NEC aims to apply the results of these trials to other global markets.

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.

Focus on seven research areas aimed at advancement of social infrastructure



Creating core technologies, combining multiple technologies and challenging social issues through value creation with customers



R&D Achievements in Fiscal 2014

Failure sign monitoring system for large-scale plants

Developed monitoring systems using Invariant Analysis technology and tested them at The Chugoku Electric Power Co., Inc.

Technologies developed for providing flexible wide area networks with SDN

Within the “Open Innovation over Network Platform” project jointly developed by five companies aimed at applying SDN comprehensively on a wide area network infrastructure, established the basic technologies for a platform merging and controlling multiple wide area network infrastructure and the general-purpose network control applications used in these.

Development of big data software technology that enables real-time processing at world-class speed

Application of proprietary parallelization technology to create software technology enabling high-speed processing of large quantities of information for calculation of video or voice data on a generic many-core server

Crowd behavior analysis technology that detects abnormalities in a crowd from changes of people’s movement

Technologies using security cameras to enable early detection of incidents in crowds by tracking abnormalities due to changes of people’s movement

Development of energy-saving cooling technology for data centers, reducing air conditioning power consumption by a maximum of 50%

Technologies that effectively remove heat from ICT equipment using phase change cooling technology based on the nature of a coolant that removes heat when transforming from a liquid to a vapor (Applied at the NEC Kanagawa Data Center)

Intellectual Property Strategy

The NEC Group owns approximately 68,000 patents worldwide, including some 25,000 patents in Japan as of March 2014. 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 smart 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.

NEC participates in standardization initiatives with the belief that it will help create and expand businesses, and also contribute to the stable offering of products and services. In addition to promoting a business model that utilizes standardization, NEC is actively participating in standards organizations both in Japan and overseas. The Company’s external engagements involving intellectual property include licensing activities to reduce business risks and expand business opportunities.

CORPORATE GOVERNANCE

(As of June 23, 2014)

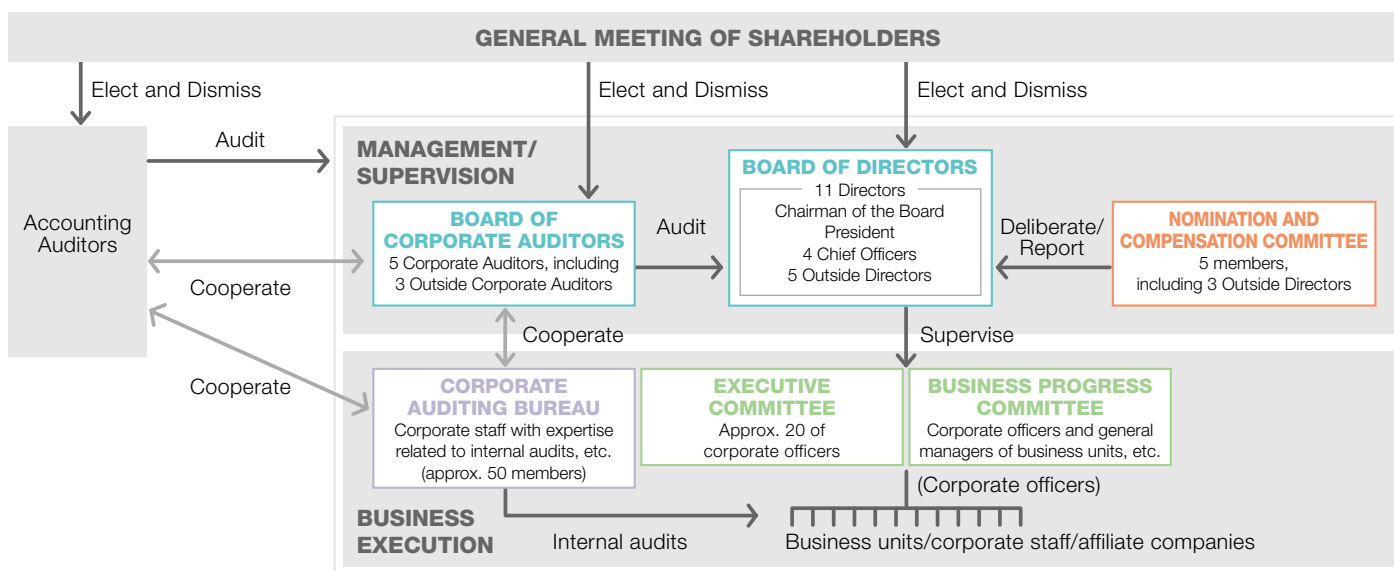
In recognition of the fact that reliable corporate governance is essential to the maximization of corporate value, NEC is committed to strengthening its corporate governance practices through (1) assurance of transparent and sound management, (2) realization of prompt decision making and business execution,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

Corporate Governance Structure

NEC adopts the corporate auditor system of corporate governance, as illustrated in the chart below.

NEC believes that its corporate governance is functioning properly under the current system. Nonetheless, NEC will make continuous improvements to this system in line with changes in the business environment in order to establish an optimal corporate governance system.

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



Form of Organization	Corporate auditor system
Chair of the Board of Directors	Chairman
Directors	No. of directors: 11 (of which outside directors: 5) Term: 1 year
Corporate Auditors*1	No. of corporate auditors: 5 (of which outside corporate auditors: 3) Term: 4 years
Independent Directors/ Independent Corporate Auditors	No. of independent directors: 4, No. of independent corporate auditors: 3
Policy regarding incentive payments to directors	Remuneration and bonuses linked to business results*2
Remuneration (For fiscal 2014)	Directors Total amount in remuneration: ¥348 million for a headcount of 14 (of which, outside directors: 7, Total remuneration: ¥60 million)*3,4
	Corporate auditors Total amount in remuneration: ¥95 million for a headcount of 6 (of which, outside corporate auditors: 3, Total: ¥36 million)*3,4

*1 Two full-time corporate auditors oversee governance for the entire NEC Group by cooperating with full-time corporate auditors of subsidiaries.

*2 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.

*3 The above headcounts include 3 directors and 1 corporate auditor who retired at the close of the 175th Ordinary General Meeting of Shareholders held on June 24, 2013.

*4 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 176th Ordinary General Meeting of Shareholders.

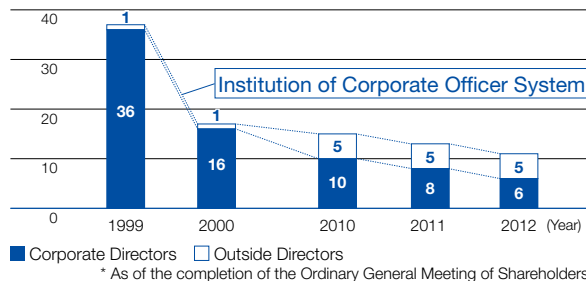
Main Initiatives for Strengthening Corporate Governance

NEC has carried out the following measures.

Streamlining Board of Directors

The total number of directors was reduced and the proportion of outside directors was raised to fully ensure managerial transparency and soundness. In addition, criteria for matters to be put before the Board of Directors were revised and a corporate officer system was instituted in April 2000. Through these changes, NEC has worked to delegate authority from the Board of Directors to corporate officers, separate management supervision from business execution and expedite the execution process.

NO. OF DIRECTORS



Establishing a Nomination and Compensation Committee

The committee has been established to ensure the transparency, validity and objectivity of personnel matters and remuneration for directors. The committee is made up of five members, including three outside directors, one of whom is appointed as the chairperson, and it is chaired by an outside director.

<http://www.nec.com/en/global/about/executives/committee2.html>

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. Chief officers are appointed by corporate directors and they function to oversee business execution by each business unit from a company-wide perspective.

REASON FOR APPOINTMENT OF OUTSIDE DIRECTORS AND OUTSIDE CORPORATE AUDITORS AND ATTENDANCE AT MEETINGS

Position	Name	Reason for appointment	Attendance at meetings in fiscal 2014 (times)	
			Board of Directors	Board of Corporate Auditors
Outside Directors	Takeshi Kunibe	Extensive experience and deep insight as a bank manager	10/12	—
	Hitoshi Ogita	Extensive experience and deep insight in management of a manufacturing company	10/12	—
	Kaori Sasaki	Wide range of knowledge on marketing and perspective of consumers	10/12	—
	Motoyuki Oka	Extensive experience and deep insight in management of a general trading company, including the management of overseas firms	9/10	—
	Kunio Noji	Extensive experience and deep insight in management of a manufacturing company	10/10	—
Outside Corporate Auditors	Satoshi Itoh	Extensive audit experience and specialized financial and accounting knowledge as a certified public accountant over many years	11/12	16/16
	Hideo Yamada	Experience in teaching and research in the fields of corporate finance and accounting at universities and other institutions as an expert in corporate management strategy	12/12	16/16
	Kyoko Okumiya	Extensive experience and deep insight as an attorney at law	Inaugurated in June 2014	

The three outside directors, Takeshi Kunibe, Hitoshi Ogita and Motoyuki Oka, are members of the Nomination and Compensation Committee.

Support Structure for Outside Directors and Outside Corporate Auditors

Outside directors and outside corporate auditors 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. Support is also provided from a number of perspectives to enhance deliberations at meetings of the Board of Directors, including tours of NEC and subsidiary business sites and exhibitions.

Outside directors visited the Kofu factory of NEC Computertechno, Ltd. (currently NEC Platforms, Ltd.)



RISK MANAGEMENT AND COMPLIANCE

NEC must regularly strengthen its risk management and compliance practices to ensure that business management is always sound from the standpoint of what society expects. To this end, NEC develops internal systems and procedures that are even more secure across the NEC Group and strengthens supply chain initiatives.

Internal Control Systems, Compliance, and Risk Management

NEC establishes and implements internal control systems on the basis of a basic policy for the maintenance of such systems to ensure the appropriateness of its corporate activities under Japan's Companies Act.

The major pillars of NEC's internal control systems are compliance (fulfilling the requirements of society, including laws and regulations) and risk management (identifying, assessing, and mitigating risks). NEC regards these pillars as essential to being a respected company in society and meeting the expectations of stakeholders.

NEC actively promotes compliance activities. It conducts web-based training related to compliance on a continuing basis for NEC and domestic affiliates. It also

provides support for education and awareness-raising activities at overseas affiliates through multilingual training curriculums on compliance that include competition law and corruption prevention (in Japanese, English, Chinese, Spanish, and Portuguese).

NEC annually investigates the status of the establishment and implementation of internal control systems at about 30 business units and corporate organizations and identifies risks it needs to address on a priority basis. Improvement activities are then conducted and evaluated, and NEC confirms that the risk management systems are functioning appropriately.

CSR Assessor Training to Expand On-site CSR Assessment in Supply Chains

The NEC Group conducted written surveys of suppliers in conformance with guidelines issued by the Japan Electronics and Information Technology Industries Association (JEITA). In the previous fiscal year, focus was placed on human rights and occupational safety and health, which were clearly revealed by the surveys as areas of weakness, and an onsite assessment program (CSR-PMR assessment) was started to improve supplier management.

This fiscal year, to further fortify the program's foundation, nine NEC China procurement representatives from Beijing, Shanghai and Shenzhen assembled for training as assessors. The training consisted of 1) CSR-PMR assessment training, 2) supplier interview technique training, and 3) training on points of emphasis during factory inspections.

CSR-PMR assessment training involved learning the general principles of Co-Capacity Building as well as discussions on technical aspects.

In supplier interview technique training, NEC enlisted the help of outside experts, the non-governmental organization Inno Community Development Organisation. Training was conducted on practical interviewing methods and included role-playing exercises. Discussions were also held on the importance of taking into consideration China's culture and customs.

The training on points of emphasis during factory inspections involved conducting peer assessments together with local factories. Peer assessments consist of factory assessments in which NEC employees, peers of the factory's employees, act as assessors. Inspections conducted in this way tend to have a somewhat stronger third-party perspective than internal audits conducted by the factory's own employees. At the two Chinese affiliates where peer assessment was conducted, minor problems related to health and safety were discovered, but no major problems from a CSR standpoint.

Next fiscal year, NEC is preparing to extend its onsite assessment program to local subsidiaries and manufacturing contractors in China, Thailand and India.



An Inno Community Development Organisation instructor giving guidance



Assessors on a factory inspection

MESSAGES FROM OUTSIDE DIRECTOR AND OUTSIDE CORPORATE AUDITOR

Diversity is the Key to Growth

Diversity is a word we hear quite often, but very few organizations in Japan have truly grasped its essence. In most Japanese companies, discussions, evaluations, decisions, and various actions are led by Japanese men of the same generation and cultural background who have often graduated from the same universities. Naturally, potential problems abound: difficulty in creating new products and services, a failure to deliver a message that touches the hearts of a wide and varied range of consumers through press conferences and other PR and advertising activities, and a lack of acceptance in global markets. These issues arise because companies are full of people with similar values and ideas. Diversity suggests many things, but I particularly value “diversity of thought.” It is the ability to think of a single thing from a variety of perspectives and needs. Each employee, as well as a company as a whole, should nurture this ability to think diversely. NEC possesses innumerable cutting-edge, world-leading technologies, and many of its employees have globally competitive skill sets. It is precisely for this reason that I want to see NEC ensure that diverse perspectives and values are seated at the table; people who utilize new ways of looking at things, and contribute to global markets with liberated, forward-looking ideas, both during discussion and debate, and in their decision-making. This is the contribution that I expect NEC to make to the world.

Kaori Sasaki
Outside Director



Contributing to Strong Corporate Governance Leading to Sustainable Growth and Reliable Communications

It has been six years since I was first elected as one of NEC's outside corporate auditors. During this period, the Company instituted a reorganization of its businesses and structural reforms over several times and clarified a direction for selection and concentration of its operations to accommodate rapidly changing conditions in the electronics industry. I see that the efforts are bearing fruit in the form of earnings improvement. I would like to express my admiration for management, who have boldly executed these major reforms, as well as applaud the fact that the corporate governance system has functioned effectively. The Board of Directors has been slimmed down and now has an ideal makeup of eleven total directors of whom five are outside directors, which enables lively debate, even more rapid decision-making speed and greater efficiency. The Board of Corporate Auditors which, as before, is comprised of two internal and three outside resources, has sufficiently demonstrated, from a truly objective viewpoint, expected governance functions, which include, among other things, checking the effectiveness of the Board meetings, communicating with management as well as internal and outside directors, effectively coordinating with the internal audit division and independent auditors, and checking for any legal compliance issues.

As a corporate auditor, I intend to continue contributing toward strong corporate governance leading to the Group's sustainable growth and reliable communications for shareholders and other stakeholders.

Satoshi Itoh
Outside Corporate Auditor



DIRECTORS AND CORPORATE AUDITORS

(As of June 23, 2014)

Directors



Kaoru Yano
Chairman of the Board

1966 Joined NEC Corporation
1995 Member of the Board
1999 Executive Vice President and Member of the Board
2004 Senior Executive Vice President and Member of the Board (Representative Director)
2006 President (Representative Director)
2010 Chairman of the Board (Representative Director)
2012 Chairman of the Board



Nobuhiro Endo
President (Representative Director)

1981 Joined NEC Corporation
2006 Senior Vice President
2009 Executive Vice President
2009 Executive Vice President and Member of the Board
2010 President (Representative Director)



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

1977 Joined NEC Corporation
2008 Senior Vice President
2010 Executive Vice President
2011 Executive Vice President and Member of the Board
2012 Senior Executive Vice President and Member of the Board (Representative Director)



Takeshi Kunibe *1
Member of the Board
President and Chief Executive Officer,
Sumitomo Mitsui Banking Corporation (SMBC)

2003 Director, SMBC
2006 Managing Director, SMBC
2007 Director and Member of the Board of Directors,
Sumitomo Mitsui Financial Group, Inc.
2009 Senior Managing Director and
Member of the Board of Directors, SMBC
2011 President and Chief Executive Officer, SMBC
2011 Member of the Board, NEC Corporation



Hitoshi Ogita *1 [Independent Director]*3
Member of the Board
Adviser to the Board, Asahi Group Holdings, Ltd.

1997 Director, Asahi Breweries, Ltd.
(currently Asahi Group Holdings, Ltd.)
2000 Managing Corporate Officer, Asahi Breweries, Ltd.
2002 Senior Managing Corporate Officer,
Asahi Breweries, Ltd.
2002 Corporate Officer and Vice President,
Asahi Soft Drinks Co., Ltd.
2003 President and Representative Director,
Asahi Soft Drinks Co., Ltd.
2006 President and Representative Director,
Asahi Breweries, Ltd.
2010 Chairman of the Board and Representative Director,
Asahi Breweries, Ltd.
2012 Member of the Board, NEC Corporation
2014 Adviser to the Board, Asahi Group Holdings, Ltd.



Kaori Sasaki *1 [Independent Director]*3
Member of the Board
President and CEO, ewoman, Inc.

1987 President and CEO, UNICUL International, Inc.
2000 President and CEO, ewoman, Inc.
2012 Member of the Board, NEC Corporation

Corporate Auditors



Fujio Okada
Corporate Auditor (full time)

1976 Joined NEC Corporation
2003 General Manager, Legal Division
2006 Senior Vice President
2010 Executive Vice President
2013 Advisor
2013 Corporate Auditor



Tetsuya Fujioka
Corporate Auditor (full time)

1981 Joined NEC Corporation
2010 General Manager, Corporate Finance Division
2013 Vice President
2014 Corporate Auditor



Satoshi Itoh *2 [Independent Corporate Auditor]*3
Corporate Auditor
Certified Public Accountant

1970 Licensed as Certified Public Accountant
1978 Partner, Arthur Andersen & Co.
1993 Partner, Asahi & Co. (currently, KPMG AZSA LLC)
2002 Professor, Chuo University,
Graduate School of International Accounting
2008 Corporate Auditor, NEC Corporation

**Junji Yasui**

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

- 1973 Joined NEC Corporation
- 2004 Senior Vice President
- 2008 Executive Vice President
- 2008 Executive Vice President and Member of the Board
- 2012 Senior Executive Vice President and
Member of the Board (Representative Director)

**Takaaki Shimizu**

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

- 1978 Joined NEC Corporation
- 2010 Senior Vice President
- 2011 Executive Vice President
- 2013 Executive Vice President and Member of the Board

**Isamu Kawashima**

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

- 1981 Joined NEC Corporation
- 2009 General Manager, Corporate Controller Division
- 2011 Member of the Board
- 2011 Senior Vice President and Member of the Board

**Motoyuki Oka** *1 [Independent Director]*3

Member of the Board
Senior Adviser, Sumitomo Corporation

- 1994 Director, Sumitomo Corporation
- 1998 Managing Director, Sumitomo Corporation
- 2001 Senior Managing Director, Sumitomo Corporation
- 2001 President and Chief Executive Officer,
Sumitomo Corporation
- 2007 Chairman of the Board of Directors,
Sumitomo Corporation
- 2012 Senior Adviser, Sumitomo Corporation
- 2013 Member of the Board, NEC Corporation

**Kunio Noji** *1 [Independent Director]*3

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

- 1997 Director, Komatsu Ltd.
- 2001 Managing Director, Komatsu Ltd.
- 2003 Director and Senior Executive Officer, Komatsu Ltd.
- 2007 President and CEO, Komatsu Ltd.
- 2013 Chairman of the Board, Komatsu Ltd.
- 2013 Member of the Board, NEC Corporation

**Hideo Yamada** *2 [Independent Corporate Auditor]*3

Corporate Auditor
Professor, Waseda University, Graduate School of Commerce

- 1978 Joined Mitsukoshi Ltd.
- 1981 Joined Mitsubishi Research Institute Inc.
- 1997 Professor, Waseda University,
Systems Science Institute
- 2007 Professor, Waseda University,
Graduate School of Commerce
- 2011 Corporate Auditor, NEC Corporation

**Kyoko Okumiya** *2 [Independent Corporate Auditor]*3

Corporate Auditor
Attorney at law

- 1984 Registered as an Attorney at Law
- 2014 Corporate Auditor, NEC Corporation

*1 Outside directors as stipulated in the Company Law of Japan

*2 Outside corporate auditors as stipulated in the Company Law of Japan

*3 Independent directors and independent corporate auditors who have been notified to the Tokyo Stock Exchange on which shares of NEC are listed.

For further details on the directors and corporate auditors of NEC Corporation, please visit the following websites:

Directors:

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

Corporate Auditors:

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

BUSINESS EXECUTION STRUCTURE

(As of July 1, 2014)

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 company-wide perspective.



Takashi Niino

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

Fiscal 2014 (the year under review) was the first year of the “Mid-term Management Plan 2015,” and a preparation phase for achieving that plan. NEC nurtured company-wide drivers of growth—SDN, big data, cloud-based services and cyber security—while building a strong portfolio for “Solutions for Society.”

In fiscal 2015, we will focus on the implementation phase to deliver concrete results. This will include growth driven by global expansion and cost reduction through Group-wide business reforms, in an effort to cultivate a new NEC Group culture.



Junji Yasui

Senior Executive Vice President
CSCO (Chief Supply Chain Officer)

With successfully ending the first year of our mid-term plan, we are confident that our focus on “Solutions for Society” is becoming the backbone to a structure that generates earnings on a continuous basis. To further bolster this structure, we will work to build a stronger financial base.

As we target further growth, NEC will also strengthen its supply chain to support the global expansion of our “Solutions for Society.” We will strive to make the best out of the NEC Group as a whole in becoming a leading global company.



Hideichi Okada

Senior Executive Vice President

I joined the executive team in July with a firm belief that promoting NEC’s global business is essential to achieving the management targets. Our mission is to deliver services through the information and communication technologies NEC possesses, that will bring a sense of security to every person; that will provide social infrastructure to support the growth of emerging countries; and that will make our customers happy. I am committed to work closely with the leaders of each nation to promote understanding to our business, and contribute to accelerating the expansion of our global business.



Manabu Kinoshita

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

We worked to strengthen the enterprise business in the first year of the mid-term plan. The “Supply Chain,” consisting of manufacturing, logistics and retail services, in order to deliver products to end users, is the most typical “Social Infrastructure” related to people’s lives. NEC supports the supply chain in an aim to realize an abundant society for all people by contributing to business growth of our global customers with new value created from our assets.

We will collaborate closely with our sales partners and deliver our values to customers nationwide for higher Customer Satisfaction and for our sustainable growth.



Tomonori Nishimura

Executive Vice President
In charge of Public Business Unit

It is essential to boost our business and improve profitability as we pursue delivery of customer and social values. Each one of us will pay good attention to what is going on around us, so that we are aware of what our customers and society expect from us.

By combining NEC’s expertise, we can, without a doubt, expand customer and social value. Through a cycle of looking, thinking and acting, and by making an effort to accelerate that cycle, we will work to maximize the value that NEC offers.



Masato Yamamoto

Executive Vice President
In charge of the System Integration,
Services & Engineering Operations Unit

To promote NEC’s “Solutions for Society,” it is important that we continue to generate new solutions that reflect demand from society and customers. To accomplish this, we will bring together the strengths of the NEC group as a whole for future developments, and further enhance customer satisfaction through ongoing, relentless improvement.



Takayuki Morita

Executive Vice President
In charge of Global Business Unit

In fiscal 2014, as part of globalizing NEC's "Solutions for Society," we established a Global Safety Division and NEC Laboratories Singapore, to reinforce regional R&D capabilities. The division managed the release and marketing of NEC's world-leading face recognition technology solutions. In the area of interagency collaboration, NEC worked with the Singapore government to conduct field trials, and received positive reviews at the World Cities Summit held in June. In the fiscal 2015, we will further enhance our services including surveillance systems for key buildings.



Takaaki Shimizu

Executive Vice President
CMO (Chief Marketing Officer)
In charge of Business Innovation Unit

All NEC Group employees share the underlying message in our new business statement, "Orchestrating a brighter world." We believe that our capabilities and experience can contribute to society and to businesses. By gaining insight into social mega-trends and pursuing the question of how we can serve society, we will continue generating innovation into the future.



Takemitsu Kunio

Senior Vice President
In charge of Smart Energy Business Unit

In fiscal 2014, we focused on expanding shipments of NEC's energy storage systems for homes and winning orders for our AMI* business in Japan. NEC also delivered a large-scale grid energy storage system for a world's leading power company as well as acquiring the grid energy storage business of a firm with a top-notch record of implementation.

In fiscal 2015, we will accelerate global expansion, building on our efforts developed in the previous fiscal year, and furthermore, contribute to global energy issues.

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



Isamu Kawashima

Senior Vice President
CFO (Chief Financial Officer)

I am pleased to report that we closed the first year of the mid-term plan successfully. The financial base supporting this plan is improving with an increase in cash flow from improved earnings and cash conversion cycle.

In fiscal 2015, NEC will further strengthen cost competitiveness and expand our global business by increasing investments in key areas, while working toward achieving the mid-term goals.



Nobuhiro Odake

Senior Vice President
In charge of Supply Chain Management Unit

The mission of my unit is to optimize the supply chain for products and services across the NEC Group. Supply chain management (SCM) starts with product planning, and works to manage and improve the flow of product development, production, procurement and logistics from the viewpoint of One NEC. The true starting point, however, are the customers, who are also the ultimate destination. I believe that the true meaning of comprehensive SCM optimization is to establish a value chain that leads to customer satisfaction (CS). We will remind ourselves of the true value of SCM as we work to achieve a CS-centric supply chain.



Shunichiro Tejima

Executive Vice President
In charge of Telecom Carrier Business Unit

In fiscal 2014, my business unit expanded TOMS business and gained a foothold with global telecom carriers in the area of SDN.

In fiscal 2015, we will further expand customer value by concentrating our IT and network technologies around TOMS and SDN, and focusing on achieving global growth.



Shinichi Shoji

Executive Vice President
In charge of System Platform Business Unit

At the System Platform Business Unit, we provide a foundation to support sales and system engineers and business units through our expertise in ICT, in promoting NEC's "Solutions for Society."

Strong ICT is made possible through cost competitiveness and superior quality, as well as through added-value functionalities that only NEC can provide. By making these components more sophisticated, and further, incorporating them into solution-based platforms, we will continue to lead in the era of cloud-based services and big data.



Katsumi Emura

Senior Vice President
In charge of Central Research Laboratories

At NEC's Central Research Laboratories, we create world-leading solutions in various fields, including face recognition and big data analysis by R&D focuses with scientific depth in areas such as cognitive science, machine learning and correlative analysis. Our research has led to collaborations with our customers in creating solutions such as social infrastructure monitoring that we expect will have broad applications. Anticipating future developments in society from analyzing the market and technology trends, we will create solutions that are truly competitive, and that will support sustainable growth for NEC.



Susumu Makihara

Senior Vice President
In charge of Personnel and General Affairs

We focus on securing healthy human resources and reinforcing people development so that every employee can proactively contribute to achieving NEC's mid-term plan and beyond. In addition, we promote an active workplace with a diversified workforce to expand NEC's "Solutions for Society" globally. We will secure our continuous growth in Japan's challenging labor environment with its decreasing working population and aging society.

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>

OVERSEAS BUSINESS EXECUTION STRUCTURE

(As of June 23, 2014)

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.



Shinsuke Takahashi
President & CEO
NEC Corporation of America

North America is a dynamic environment where the impact of technological innovation on commerce, industry, people and society-at-large is rapidly growing. People are eager to embrace the future through new technologies that have meaningful value and improve their lives and lifestyles. NEC Corporation of America is applying its unique capabilities and expertise in innovative solutions, such as big data analytics and managed services, to unlock the full potential of emerging trends and global business growth for NEC.



Atsushi Kuroda
President & CEO
NEC Latin America

In fiscal 2014, NEC acquired multiple large-scale projects in Latin America, including ICT systems for soccer stadiums in Brazil, digital cinema systems in Colombia, and urban surveillance solution and net book in Argentina. In fiscal 2015, the second year of the mid-term plan, we will expand revenue by reinforcing business with the region's leading telecom carriers, and focusing on strategic products—SDN (vCPE) and TOMS, safety solutions, thin client products for education, disaster prevention infrastructure, and terrestrial digital transmission equipment—that leverage NEC's strengths in ICT technology.



Naoki Iizuka
President & CEO
NEC Europe

In the EMEA region, we address a diversity of markets with very different characteristics. The European market is mature but active in driving new technology trends, such as Software Defined Networking (SDN). While in the emerging markets, in the Middle East, Africa and the Commonwealth of Independent States, we're seeing high levels of growth in the social infrastructure sector. We're striving to fully leverage NEC's social solution assets—such as SDN, Public Safety and Smart Energy—to develop competitive ICT solutions rooted in local market needs. In this way, we're creating new value for our customers and contributing to the expansion of NEC's global business.



Kiyofumi Kusaka
President
NEC (China)

In the rapidly changing and developing Greater China region, we expect to see business growth to drive NEC's global business expansion. We will put in every effort to meet customer expectations by bringing our advanced technology to this market. NEC will target business growth in the new areas of security and healthcare, responding to increasing interest of local customers.



Toshiya Matsuki
CEO
NEC Asia Pacific

Asia-Pacific is a key region under the “Mid-term Management Plan 2015.” NEC Asia Pacific plays an important role in driving business expansion within the 10 nations of ASEAN, as well as in India and Oceania. In this rapidly evolving region, speed and flexibility are necessary to ensure the development of business. NEC will aggressively promote locally-led business in public safety, smart energy and SDN/TOMS, as well as trying to propel new innovations through the newly established NEC Laboratories Singapore.

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Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥103 = U.S.\$1.

2. Please refer to the separate publication “Annual Report 2014 (Financials)” for details of “Note XX” on pages 51 to 58.

CONSOLIDATED BALANCE SHEETS

NEC Corporation and Subsidiaries
March 31, 2013 and 2014

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 19)	¥ 197,132	¥ 206,637	\$ 2,006,184
Short-term investments (Note 19)	1,829	2,322	22,544
Trade notes and accounts receivable (Note 19)	834,052	842,308	8,177,748
Inventories (Note 7)	242,639	214,395	2,081,505
Deferred tax assets (Note 13)	78,761	74,431	722,631
Other current assets (Notes 19 and 20)	164,055	167,626	1,627,437
Allowance for doubtful accounts	(4,662)	(4,810)	(46,699)
Total current assets	1,513,806	1,502,909	14,591,350
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Note 8):			
Land	66,502	63,585	617,330
Buildings and structures	124,283	175,570	1,704,563
Machinery and equipment	25,586	17,878	173,573
Furniture and fixtures	62,695	63,075	612,379
Construction in progress	15,701	26,078	253,184
Total property, plant and equipment	294,767	346,186	3,361,029
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 19)	138,139	147,710	1,428,835
Investments in affiliated companies (Note 19)	92,668	78,293	760,126
Goodwill	93,895	76,203	739,835
Software	114,088	98,285	954,223
Long-term loans receivable (Note 19)	44,019	40,123	389,544
Deferred tax assets (Notes 3 and 13)	97,570	108,398	1,052,408
Net defined benefit assets (Notes 3 and 9)	—	10,404	101,010
Other assets (Note 9)	212,868	112,897	1,096,087
Allowance for doubtful accounts	(20,854)	(15,539)	(150,864)
Total investments and other assets	772,393	656,234	6,371,204
TOTAL ASSETS	¥2,580,966	¥2,505,329	\$24,323,583

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 19)	¥ 56,587	¥ 32,415	\$ 314,709
Current portion of long-term debt (Notes 8 and 19)	145,883	66,126	642,000
Trade notes and accounts payable (Note 19)	458,724	446,494	4,334,893
Accrued expenses (Note 19)	169,221	152,792	1,483,418
Other current liabilities (Notes 10, 13, 19 and 20)	293,241	287,758	2,793,767
Total current liabilities	1,123,656	985,585	9,568,787
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 19)	400,981	476,610	4,627,282
Liabilities for retirement benefits (Note 9)	178,868	—	—
Net defined benefit liability (Notes 3 and 9)	—	220,457	2,140,359
Deferred tax liabilities (Note 13)	2,231	2,213	21,485
Other long-term liabilities (Note 11)	39,083	52,801	512,631
Total long-term liabilities	621,163	752,081	7,301,757
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 18, 20 and 21)			
NET ASSETS (Notes 12 and 24):			
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized – 7,500,000 thousand shares			
Issued – 2,604,733 thousand shares in 2013 and 2014	397,199	397,199	3,856,301
Capital surplus	148,405	148,402	1,440,796
Retained earnings	157,771	182,570	1,772,524
Treasury stock – at cost:			
6,381 thousand shares in 2013 and 6,515 thousand shares in 2014	(2,946)	(2,976)	(28,893)
Total shareholders' equity	700,429	725,195	7,040,728
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 3):			
Valuation difference on available-for-sale securities	18,333	34,292	332,932
Deferred gains or losses on hedges	(1,076)	(1,359)	(13,194)
Foreign currency translation adjustments	(7,020)	(1,521)	(14,767)
Remeasurements of defined benefit plans	—	(60,658)	(588,913)
Total accumulated other comprehensive income	10,237	(29,246)	(283,942)
MINORITY INTERESTS (Note 3)	125,481	71,714	696,253
Total net assets	836,147	767,663	7,453,039
TOTAL LIABILITIES AND NET ASSETS	¥2,580,966	¥2,505,329	\$24,323,583

CONSOLIDATED STATEMENTS OF OPERATIONS

NEC Corporation and Subsidiaries
Years Ended March 31, 2012, 2013 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2013	2014	2014
NET SALES	¥3,036,836	¥3,071,609	¥3,043,114	\$29,544,796
COST OF SALES (Note 9)	2,128,920	2,142,243	2,128,457	20,664,631
Gross profit	907,916	929,366	914,657	8,880,165
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 14)	834,174	814,719	808,464	7,849,165
Operating income	73,742	114,647	106,193	1,031,000
NON-OPERATING INCOME:				
Interest and dividends income	6,108	5,247	6,251	60,689
Equity in earnings of affiliated companies, net	—	409	2,719	26,398
Subsidy income (Note 5)	630	535	2,165	21,020
Foreign exchange gain, net	—	446	593	5,757
Other non-operating income (Note 5)	11,878	8,940	6,507	63,175
Total non-operating income	18,616	15,577	18,235	177,039
NON-OPERATING EXPENSES:				
Interest expenses	5,446	5,979	10,036	97,437
Retirement benefit expenses (Note 9)	11,867	11,631	11,325	109,952
Provision for contingent loss (Note 5)	2,519	1,327	11,452	111,184
Equity in losses of affiliated companies, net	12,705	—	—	—
Foreign exchange loss, net	2,672	—	—	—
Other non-operating expenses (Note 5)	15,099	19,263	22,463	218,087
Total non-operating expenses	50,308	38,200	55,276	536,660
Ordinary income	42,050	92,024	69,152	671,379
SPECIAL GAINS (Note 15)	28,375	16,780	58,341	566,417
SPECIAL LOSSES (Note 15)	67,124	39,525	43,532	422,641
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	3,301	69,279	83,961	815,155
INCOME TAXES (Note 13):				
Current	23,911	30,724	33,558	325,806
Deferred	84,283	(198)	8,808	85,514
Total income taxes	108,194	30,526	42,366	411,320
INCOME (LOSS) BEFORE MINORITY INTERESTS	(104,893)	38,753	41,595	403,835
MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES	5,374	8,319	7,853	76,243
NET INCOME (LOSS)	¥ (110,267)	¥ 30,434	¥ 33,742	\$ 327,592

	Yen			U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 23):				
Basic net income (loss)	¥ (42.44)	¥ 11.71	¥ 12.99	\$ 0.13
Diluted net income	—	—	—	—
Cash dividends applicable to the year	—	4.00	4.00	0.04

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NEC Corporation and Subsidiaries
Years Ended March 31, 2012, 2013 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2013	2014	2014
INCOME (LOSS) BEFORE MINORITY INTERESTS	¥(104,893)	¥38,753	¥41,595	\$403,835
OTHER COMPREHENSIVE INCOME (Note 16):				
Valuation difference on available-for-sale securities.	12,156	2,096	15,858	153,961
Deferred gains or losses on hedges	(231)	(845)	(253)	(2,456)
Foreign currency translation adjustments	(1,250)	16,724	4,450	43,204
Share of other comprehensive income of associates accounted for using equity method	(476)	5,690	1,239	12,029
Total other comprehensive income	10,199	23,665	21,294	206,738
COMPREHENSIVE INCOME	¥ (94,694)	¥62,418	¥62,889	\$610,573
Comprehensive income attributable to				
owners of the parent	¥(100,073)	¥53,468	¥54,917	\$533,175
minority interests.	5,379	8,950	7,972	77,398

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NEC Corporation and Subsidiaries
Years Ended March 31, 2012, 2013 and 2014

	Thousands					
	Outstanding number of shares of common stock	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total
BALANCE, APRIL 1, 2011	2,604,733	¥397,199	¥192,837	¥ 192,943	¥(2,934)	¥ 780,045
Net income (loss)				(110,267)		(110,267)
Purchases of treasury stock					(10)	(10)
Disposals of treasury stock			(3)		5	2
Change of scope of equity method				(17)		(17)
Net changes in items other than shareholders' equity during the year						—
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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
BALANCE, MARCH 31, 2013	\$3,856,301	\$1,440,815	\$1,531,758	\$(28,602)	\$6,800,272
Net income			327,592		327,592
Cash dividends paid, \$0.04 per share			(100,913)		(100,913)
Purchases of treasury stock				(340)	(340)
Disposals of treasury stock		(19)		49	30
Change of scope of equity method			14,087		14,087
Net changes in items other than shareholders' equity during the year					—
BALANCE, MARCH 31, 2014	\$3,856,301	\$1,440,796	\$1,772,524	\$(28,893)	\$7,040,728

Conforming to separate financial statements, total 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
¥ 4,167	¥ 132	¥(27,290)	¥ —	¥(22,991)	¥ 33	¥118,354	¥ 875,441
							(110,267)
							(10)
							2
							(17)
12,106	(274)	(1,638)	—	10,194	(10)	2,280	12,465
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

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
\$177,990	\$(10,447)	\$(68,155)	\$ —	\$ 99,388	\$ —	\$1,218,262	\$8,117,922
							327,592
							(100,913)
							(340)
							30
							14,087
154,942	(2,747)	53,388	(588,913)	(383,330)	—	(522,009)	(905,339)
\$332,932	\$(13,194)	\$(14,767)	\$(588,913)	\$(283,942)	\$—	\$ 696,253	\$7,453,039

CONSOLIDATED STATEMENTS OF CASH FLOWS

NEC Corporation and Subsidiaries
Years Ended March 31, 2012, 2013 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2013	2014	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income taxes and minority interests	¥ 3,301	¥ 69,279	¥ 83,961	\$ 815,155
Depreciation	83,058	83,612	76,977	747,349
Amortization of long-term prepaid expenses	7,711	6,748	4,972	48,272
Impairment losses on property, plant and equipment, and other assets . . .	6,501	21,949	15,934	154,699
Amortization of goodwill	12,660	15,428	17,085	165,874
Increase (decrease) in allowance for doubtful accounts	2,589	591	(4,163)	(40,417)
Decrease in product warranty liabilities	(4,686)	(1,183)	(1,220)	(11,845)
Increase (decrease) in provision for loss on construction contracts and others	193	7,987	(6,634)	(64,408)
Increase (decrease) in liabilities for retirement benefits	6,855	(3,939)	—	—
Increase in net defined benefit liability	—	—	45,828	444,932
Decrease in remeasurements of defined benefit plans	—	—	(60,658)	(588,913)
Increase (decrease) in provision for business structure improvement	18,463	(22,644)	9,086	88,214
Increase (decrease) in provision for contingent loss	(939)	(3,575)	10,476	101,709
Increase (decrease) in provision for loss on repurchase of computers	(1,151)	(1,143)	1,583	15,369
Interest and dividends income	(6,108)	(5,247)	(6,251)	(60,689)
Interest expense	5,446	5,979	10,036	97,437
Equity in losses (earnings) of affiliated companies	12,705	(409)	(2,719)	(26,398)
Loss (gain) on change in equity	(18)	(2,657)	(365)	(3,544)
Gain on sales of property, plant and equipment	(966)	(1,569)	(368)	(3,573)
Loss on retirement of property, plant and equipment	—	636	—	—
Gain on sales of investment securities	(1,357)	(9,057)	(2,698)	(26,194)
Loss on sales of investment securities	11	2	23	223
Write-off of investment securities	16,037	804	1,738	16,874
Gain on sales of investments in affiliated companies	(15,376)	(1,728)	(53,923)	(523,524)
Loss on sales of investments in affiliated companies	1,118	880	64	621
Loss on contribution of securities to retirement benefit trust	—	5,898	—	—
Loss on disaster	2,131	—	—	—
Gain on insurance claim	(10,648)	(1,625)	—	—
Increase in trade notes and accounts receivable	(88,216)	(9,600)	(22,680)	(220,194)
(Increase) decrease in inventories	(150)	5,496	24,327	236,184
(Increase) decrease in accounts receivable, other	15,591	(2,792)	3,380	32,816
Increase (decrease) in trade notes and accounts payable	28,976	(8,548)	(4,034)	(39,165)
Others—net	(7,690)	22,267	(12,107)	(117,544)
Sub total	86,041	171,840	127,650	1,239,320
Interest and dividends received	6,111	4,481	6,216	60,350
Interest paid	(5,152)	(5,928)	(8,914)	(86,544)
Income taxes paid	(22,650)	(28,653)	(30,828)	(299,301)
Proceeds from insurance income	19,507	2,008	—	—
Net cash provided by operating activities	¥ 83,857	¥ 143,748	¥ 94,124	\$ 913,825

See notes to consolidated financial statements.

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2013	2014	2014
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	¥ (39,772)	¥ (46,012)	¥ (89,458)	\$ (868,524)
Proceeds from sales of property, plant and equipment	4,759	5,208	5,440	52,816
Acquisitions of intangible assets	(17,421)	(14,556)	(12,327)	(119,680)
Purchases of investment securities	(1,977)	(1,159)	(995)	(9,660)
Proceeds from sales of investment securities	1,999	27,601	14,907	144,728
Disbursements for acquisitions of shares of newly consolidated subsidiaries	(2,345)	(58,072)	(806)	(7,825)
Proceeds from acquisitions of shares of newly consolidated subsidiaries	—	—	116	1,126
Proceeds from sales of shares of subsidiaries being excluded from the consolidation	1,178	553	42,504	412,660
Disbursements for sales of shares of subsidiaries being excluded from the consolidation	(4,308)	(524)	—	—
Purchases of investments in affiliated companies	(358)	(582)	(27,693)	(268,864)
Proceeds from sales of investments in affiliated companies	6,779	1,151	26,515	257,427
(Increase) decrease in short-term loans receivable, net	(101)	187	(50)	(485)
Disbursements for loans receivable	(475)	(17,543)	(169)	(1,641)
Collection of loans receivable	294	195	247	2,398
Others—net	2,042	1,811	2,876	27,922
Net cash used in investing activities	(49,706)	(101,742)	(38,893)	(377,602)
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in short-term borrowings, net	(85,998)	(70,289)	(26,745)	(259,660)
Proceeds from long-term borrowings	191,760	58,456	138,630	1,345,922
Repayments of long-term borrowings	(20,351)	(82,996)	(76,239)	(740,185)
Proceeds from issuance of bonds	30,000	—	—	—
Redemption of bonds	—	—	(70,000)	(679,612)
Redemption of convertible bonds	(97,669)	—	—	—
Dividends paid	(39)	(4)	(10,378)	(100,757)
Dividends paid to minority shareholders	(3,211)	(3,949)	(5,218)	(50,660)
Others—net	200	(25)	(33)	(320)
Net cash provided by (used in) financing activities	14,692	(98,807)	(49,983)	(485,272)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(879)	6,200	4,257	41,330
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,964	(50,601)	9,505	92,281
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	203,879	251,843	197,132	1,913,903
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION	—	(4,110)	—	—
CASH AND CASH EQUIVALENTS, AT END OF YEAR	¥251,843	¥ 197,132	¥206,637	\$2,006,184
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Finance leases	¥ 2,372	¥ 1,670	¥ 1,326	\$ 12,874
Contribution of securities to retirement benefit trust	—	26,437	—	—

NON-FINANCIAL SECTION

NEC Corporation and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	2013	2014	Units
Number of employees by region Total	102,375	100,914	People
Japan	81,061	79,504	People
Greater China	6,023	5,706	People
Asia Pacific	6,789	7,025	People
EMEA	3,595	3,507	People
North America	2,835	3,144	People
Latin America	2,072	2,028	People
Ratio of outside directors to all directors ⁽¹⁾	45.5	45.5	%
Response rate of employees' survey ⁽²⁾	84	82	%
Labor accidents and disasters ⁽³⁾			
Frequency rate	0.14	0.09	
Severity rate	0.00	0.00	
CO₂ emissions reduction by providing IT solutions	2,980	2,290	Thousand tons
Improvement in energy efficiency of products ⁽⁴⁾	64	75	%
Greenhouse gas emissions ⁽⁵⁾			
Scope 1	76	60	Thousand tons
Scope 2	389	295	Thousand tons
Scope 3	7,670	7,206	Thousand tons
Energy usage			
Electricity	710	669	Million kWh
Gas	22	21	Million m ³
Fuel (heavy oil and kerosene)	5.6	3.0	Thousand kl
Water usage	2,950	2,645	Thousand m ³
Industrial waste			
Emission volume	73	23	Thousand tons
Resource reuse rate	86.2	76.0	%

Notes

(1) Scope: NEC Corporation

(2) Scope: NEC Corporation and domestic consolidated subsidiaries

(3) 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

(4) Compared with fiscal 2006

(5) Greenhouse gas refers to CO₂ (carbon dioxide), CH₄ (methane), N₂O (nitrous oxide), HFCs (hydrofluorocarbons), PFCs (perfluorocarbons), SF₆ (sulphur hexafluoride), and NF₃ (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

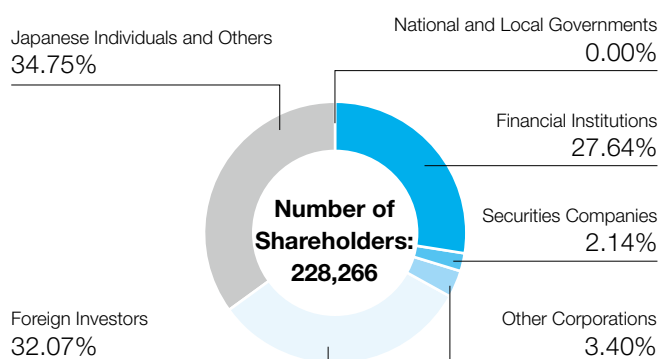
Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam

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

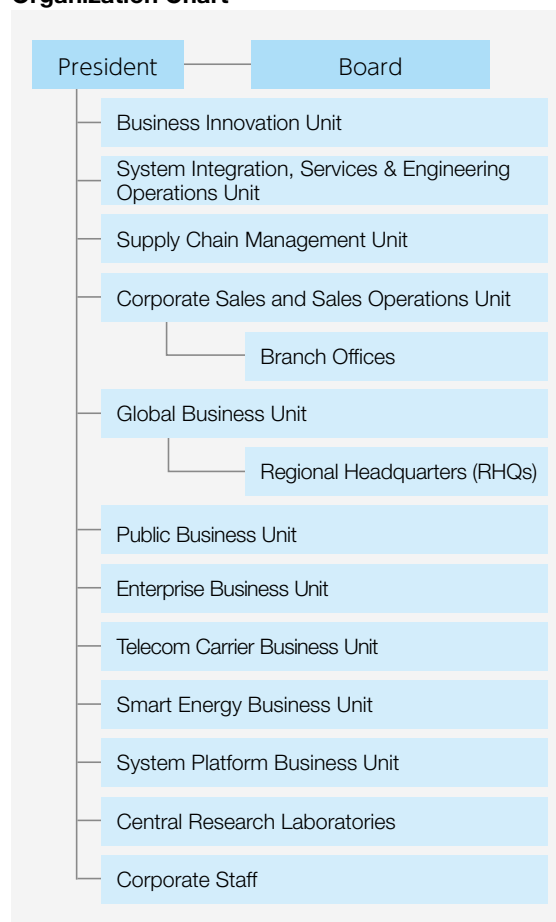
CORPORATE OVERVIEW

Company Name NEC Corporation
Address 7-1, Shiba 5-chome, Minato-ku, Tokyo
 108-8001, Japan
Established July 17, 1899
Number of Employees
 100,914 (NEC Corporation and
 consolidated subsidiaries)
 (As of March 31, 2014)
Shares of Common Stock Issued
 2,604,732,635 shares (As of March 31, 2014)
Stock Exchange Listing
 Tokyo
Transfer Agent for Common Stock
 Sumitomo Mitsui Trust Bank, Limited
 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Composition of Shareholders (Percentage of shares (%))
 (As of March 31, 2014)



Organization Chart



Major Shareholders (Top 10) (As of March 31, 2014)

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	142,685	5.49
Japan Trustee Services Bank, Ltd. (Trust Account)	125,109	4.81
NEC Employee Shareholding Association	53,840	2.07
Nippon Life Insurance Company	41,977	1.62
Sumitomo Life Insurance Company	41,000	1.58
Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	34,405	1.32
State Street Bank West Client – Treaty	28,991	1.12
Japan Trustee Services Bank, Ltd. (Trust Account No. 6)	28,665	1.10
Japan Trustee Services Bank, Ltd. (Trust Account No. 5)	28,626	1.10
Japan Trustee Services Bank, Ltd. (Trust Account No. 1)	28,483	1.10

Notes: 1. The shareholding ratio is calculated by excluding the number of treasury stock (5,708,009 shares).

2. NEC Corporation received from BlackRock Japan Co., Ltd. a copy of a report of possession of large volume ("*Tairyō Hōyū Hokokusyo*") dated April 7, 2014, indicating that, as of March 31, 2014, it held 138,205,900 shares, or 5.31% of the total issued shares, of NEC Corporation. NEC Corporation is unable to confirm its shareholdings of beneficially owned shares of NEC Corporation at the end of fiscal 2014.

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.

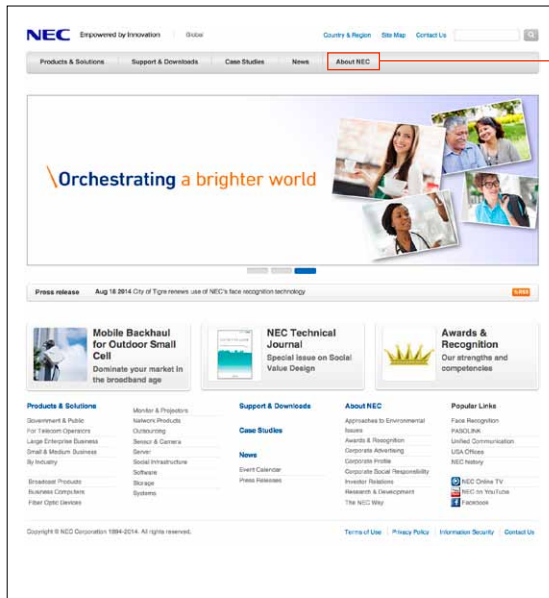
Trademarks

- NEC is a registered trademark of NEC Corporation in Japan and other countries.
- All other names may be trademarks of their respective owners.

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

NEC home page

<http://www.nec.com>



Corporate Social Responsibility (CSR)

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

NEC constantly strives to enhance the corporate social responsibility (CSR) information available on its website. The CSR section contains details of NEC's approach to CSR and activities based on seven CSR initiatives.

Division in Charge

CSR Promotion and Social Contributions Office,
Corporate Communications Division

Investor Relations (IR)

<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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