\Orchestrating a brighter world NEC

Annual Report 2015

Year Ended March 31, 2015

NEC Networks & System Integration Corporation

Profile

NEC Networks & System Integration Corporation grows with evolving communications.

Since its establishment in 1953, NEC Networks and System Integration Corporation (NESIC) has expanded its businesses from the installation of telecommunications infrastructure to the SI and maintenance of office networks and the service businesses, including the operation of network systems and outsourcing. NESIC offers unique services, including EmpoweredOffice, an office innovation solution, taking advantage of its ability to provide a broad range of ICT related services, from system integration to installation and other services for diverse customers in an integrated manner.

Leveraging the strengths it has developed over 60 years, NESIC aims to grow by revitalizing its customers' communications and adding new value. It has been more than 30 years since the Company listed its shares. We aim to enhance our corporate value to become a leading brand in the industry and increase the satisfaction of all stakeholders as an entity that contributes to society in various ways.

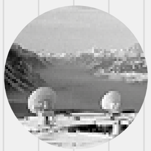
Founded in 1953

First construction of TV broadcasting systems

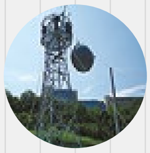
Crossbar switching equipment

Construction of broadcast automation systems for NHK

The Kashima Branch of the Radio Research Laboratory of the former Ministry of Posts and Communications



Construction of satellite communication systems in Switzerland



Construction of mobile base stations

1953
Nippon Electric Installation Company founded

1973
Sales ¥10 bn

1980
The company name changed to NEC System Integration & Construction, Ltd.

1983
Listed on the Tokyo Stock Exchange Second Section

1988
Sales ¥100 bn

1950

Age of **supporting the base of telecommunications**

Nippon Electric Installation Company founded (1953)

- Starting with the installation of switching, broadcasting, and radio systems
- Contributing to the creation of communications infrastructure in the postwar years of recovery

1960 / 1970

Age of **supporting global communications**

Full-scale development of international communications and satellite communications

- Building communications infrastructure worldwide
- Expanding the installation of broadcasting systems, submarine cables, and radio communication systems (satellite communications, microwave communications)

1980

Age of **responding to the diversification of communications**

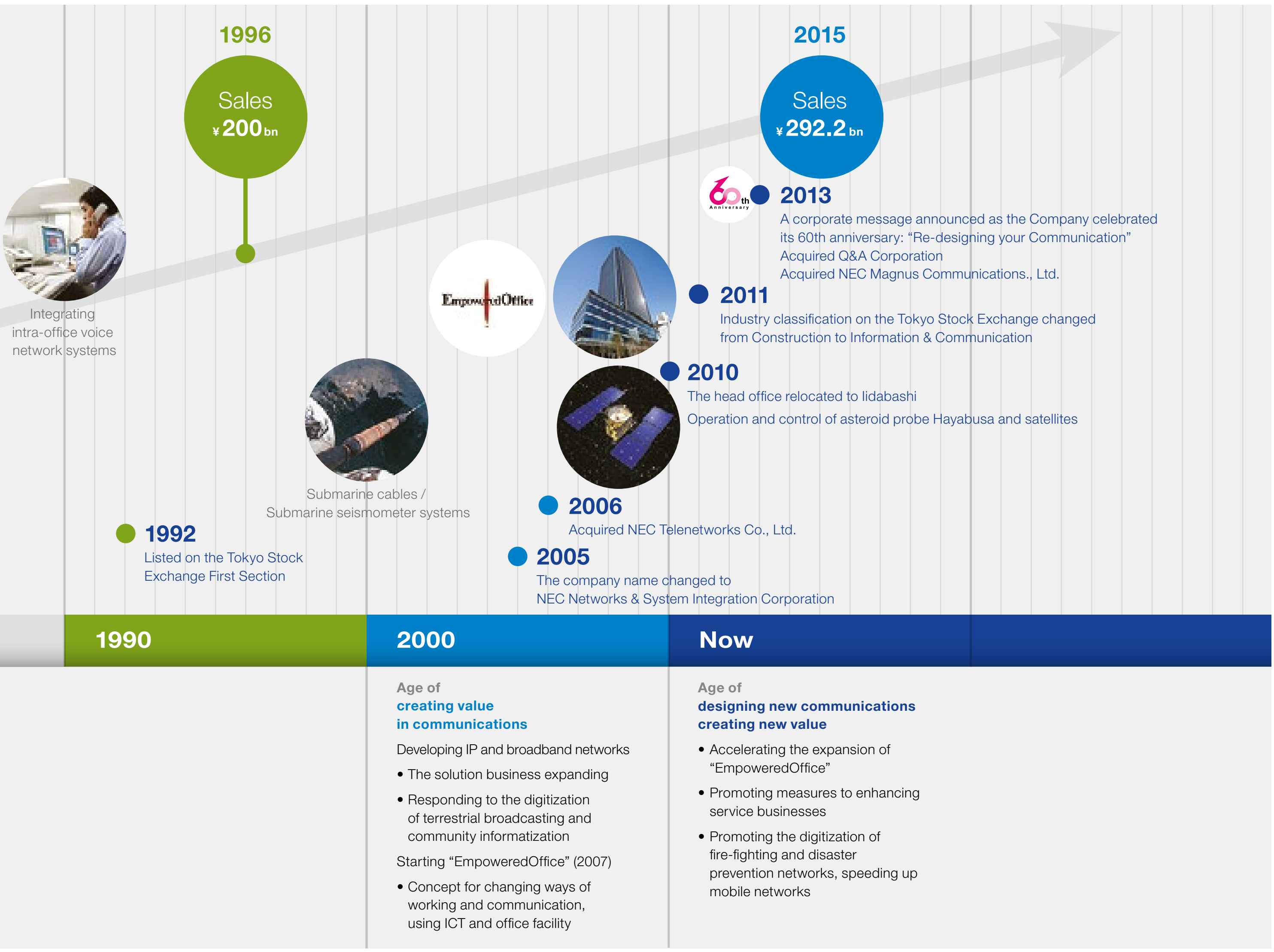
Liberalization of telecommunications, the rise of New Common Carriers

- Expanding business for NCCs and the building of mobile communications networks
- Expanding system integration business for companies

Contents

Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements concerning NEC Networks & System Integration Corporation and its consolidated subsidiaries' current plans, projections, strategies and performance. These forward-looking statements are not historical facts. Rather, they represent the assumptions and beliefs of the company management based on information currently available. The company therefore wishes to caution readers that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of risks or uncertainties.



Financial Highlights

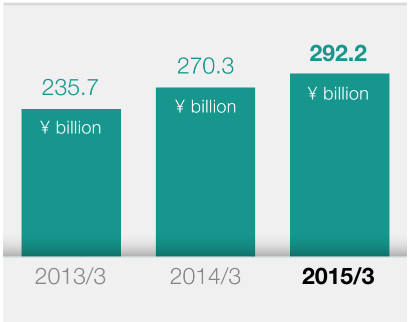
Key points of the results of the fiscal year under review

1 Orders and net sales were both at record highs.

2 Shareholder return expanded, as NESIC strengthened its earnings power.

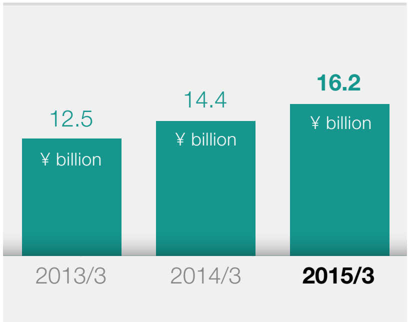
Net sales
¥292.2 billion

8.1% increase year on year



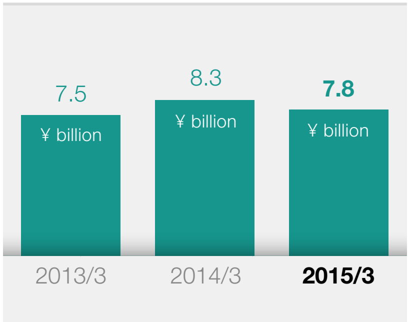
Operating income
¥16.2 billion

12.1% increase year on year



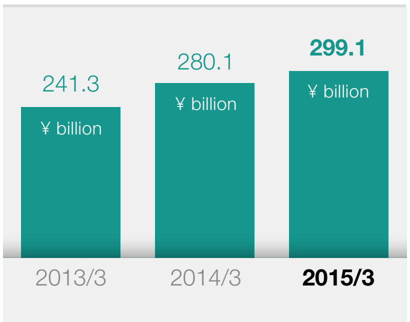
Net income
¥7.8 billion

5.6% decrease year on year



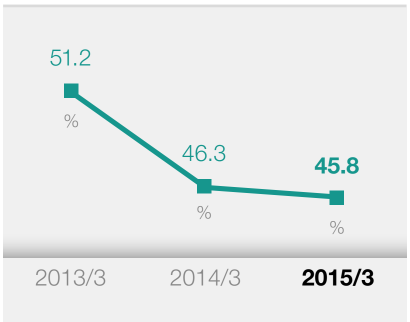
Orders
¥299.1 billion

6.8% increase year on year



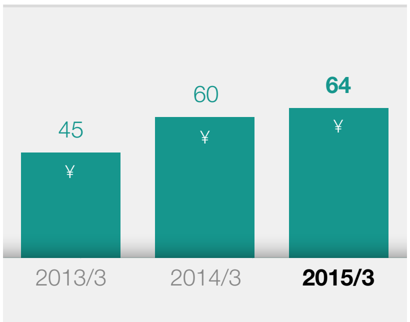
Owner's equity ratio
45.8%

0.5 points decrease from the end of the previous fiscal year



Annual dividends
¥64 per share

¥4 increase year on year



For the latest company news and IR information, please visit our website: http://www.nesic.co.jp/english/ir/index.html

Interview with the President

Thank you as always for your continued support.

As part of this Annual Report for the fiscal year ended March 31, 2015, I would like to take this opportunity to provide an overview of our operations and our results.

I hope we can continue to rely on the support and understanding of all of our shareholders in the future.

Masao Wada
President

Q How were the company's results for the fiscal year ended March 31, 2015?

A We achieved record results in terms of orders, net sales and operating income for the second year in a row.

With orders up 6.8% year on year to ¥299.1 billion, net sales up 8.1% to ¥292.2 billion and operating income up ¥1.7 billion to ¥16.2 billion, we achieved record results for the second consecutive year.

The increase in orders and net sales was largely down to a sustained strong performance from our enterprise networks and social infrastructure businesses thanks to a steady capture of the recovery in corporate ICT investment and an increase in projects relating to fire-fighting and disaster prevention information systems, as well as effective M&A carried out in the fiscal year ended March 31, 2014.

In addition to increased sales, operating income was also boosted by factors such as reduced costs and streamlined SG&A, enabling us to increase our operating margin to 5.5%, an improvement of 0.2 points.

This means that we have achieved our medium-term targets for the fiscal year ending March 31, 2016, in terms of net sales, operating income and operating margin, a full year ahead of schedule.

Net income on the other hand was down ¥500 million to ¥7.8 billion, due to the impact of one-off factors such as the reversal of deferred tax assets under revisions to tax legislation and extraordinary losses as a result of reorganizing subsidiaries. ROE (return on equity) was similarly down by 0.9 points to 8.7%.

Q What are your forecasts for the fiscal year ending March 31, 2016?

A We are aiming to exceed our medium-term targets and achieve record results.

Although we anticipate ups and downs with regard to business conditions in different sectors during the fiscal year ending March 31, 2016, we expect results to remain positive on the whole, due in part to a recovery from the after effects of increases in consumption tax.

In the enterprises networks business, we expect ICT investment to continue to recover in line with the ongoing economic recovery, and intend to continue increasing sales of our "EmpoweredOffice (EO)" office innovation solution in particular. In the carrier networks business meanwhile, we expect to see a slight decline in income due to reduced investment from telecommunications carriers. We nonetheless intend to continue to expand our technical outsourcing operations, including services for global vendors*. Despite a projected decline in projects relating to fire-fighting and disaster prevention information systems as part of our social infrastructure business, we are hoping to expand areas such as broadcasting networks, public infrastructure development and overseas infrastructure installation.

As a result of these initiatives, we are aiming to improve results even further, achieving ¥300 billion in orders, ¥295 billion in net sales and ¥16.5 billion in operating income, with an operating margin of 5.6%. We are also aiming to post record net income, at ¥9.5 billion, and an ROE of 10%, as we continue towards our medium-term targets.

**Comprehensive technical services including initial inspection, configuration, operation and maintenance of ICT devices manufactured overseas.*

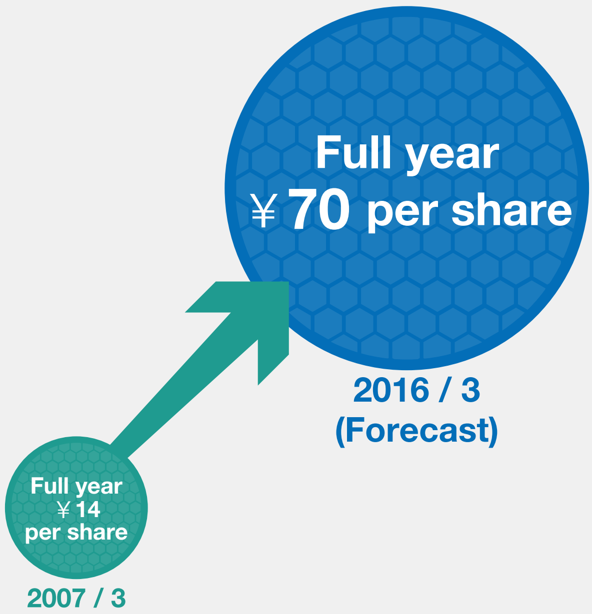
Q What are your plans regarding dividends?

A We are planning to increase dividends for the ninth consecutive year.

We operate a basic policy of providing stable dividends, and aim to give back more and more to our shareholders as our income increases, whilst also actively investing in growth. Based on this underlying policy, we paid out a year-end dividend of ¥32 per share for the fiscal year ended March 31, 2015 as planned, in spite of a temporary decline in net income. Combined with an interim dividend of ¥32 per share, that made for an annual dividend of ¥64, an increase of ¥4 year on year.

For the fiscal year ending March 31, 2016, we plan to pay an interim dividend of ¥35 per share and an annual dividend of ¥70 per share, marking an increase for the ninth consecutive year. We are committed to further strengthening our earning capability, so that we can give something back to our shareholders and live up to their expectations in the future.

Planning increase for the 9th year in a row



Q Given that the company has already achieved its medium-term targets for net sales and operating income, can you tell us about progress with initiatives in key businesses?

A We are aiming to build on our medium-term targets through growth in key businesses.

With the exception of 10% ROE, we have already achieved our medium-term targets. Rather than relaxing in this final fiscal year however, we intend to build on our targets even further.

Details of initiatives in each of our key businesses are as follows

As part of our EmpoweredOffice (EO) business, we have introduced EO solutions at all regional divisions and offices nationwide, so that we can expand business targeting regional customers. We have also developed and launched new solutions such as SmoothSpace using projection mapping technology, which is attracting a lot of attention in entertainment and other areas. In addition to enhancing customer value through initiatives such as these, we are working to bring over 20,000 visitors to our EO live office environment, so that we can initiate business talks.

In the technical outsourcing business, we established our Service Delivery Operation Center (sDOC) in June 2014, with the aim of integrating management and delivery service capabilities for replacement parts and products with technical support capabilities in areas such as repairs and system evaluations. We have made steady progress, including securing orders from major customers using services via sDOC, and intend to keep on expanding operations in the future.

As part of our infrastructure business, we have increased sales of fire-fighting systems and mobile communications base stations significantly earlier than projected. While we are likely to feel the after effects of that increase in the fiscal year ending March 31, 2016, we will nonetheless be focusing on areas that are expected to see comparatively active investment, including wireless disaster prevention information systems and indoor base stations, designed to improve communications inside buildings and underground.

We are continuing to slightly outperform projections with regard to our overseas business, thanks in part to orders for large projects in countries such as Thailand and Saudi Arabia. This is a result of focusing on expanding our telecommunications infrastructure business, spearheaded by existing overseas subsidiaries. In April 2015, our Thai subsidiary opened a Yangon Branch in Myanmar, a growth market where investment in infrastructure is expected to increase in the future. We will continue to explore new possibilities with existing customers during the year ending March 31, 2016, whilst at the same time expanding operations even further by stepping up business in Myanmar via our Yangon Branch.

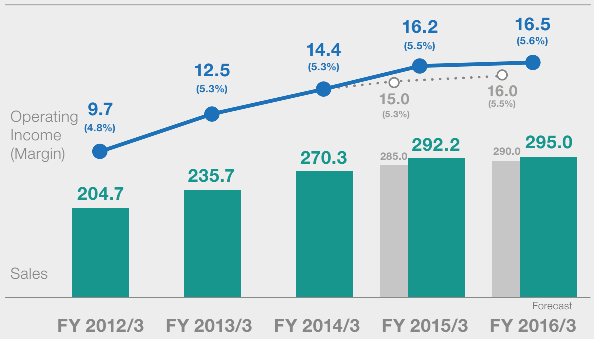
And finally…

We are in the process of formulating our next set of medium-term targets for growth in the future. As with the policy underpinning our current medium-term targets however, our basic policy for continued growth is to strengthen our service business and expand our infrastructure business. We can expect to see a wide range of market opportunities in the future too, including new markets such as 4K and 8K high definition broadcasting systems and improved infrastructure ahead of the 2020 Tokyo Olympics, and new technologies such as SDN* next generation communication systems. With that in mind, we intend to continue with strategic investment in growth sectors, as well as strengthening the foundations of our installation, maintenance and service business, and taking on challenges presented by these new technologies and markets.

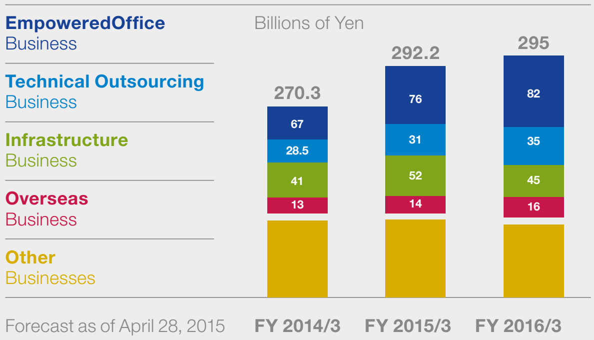
I hope we can continue to relay on full support and advice from all of our shareholders, now and in the future.

**SDN: Software-defined networking*

Revised Medium-Term Target FY 2016/3



Accelerating the growth in Strategic Business Areas

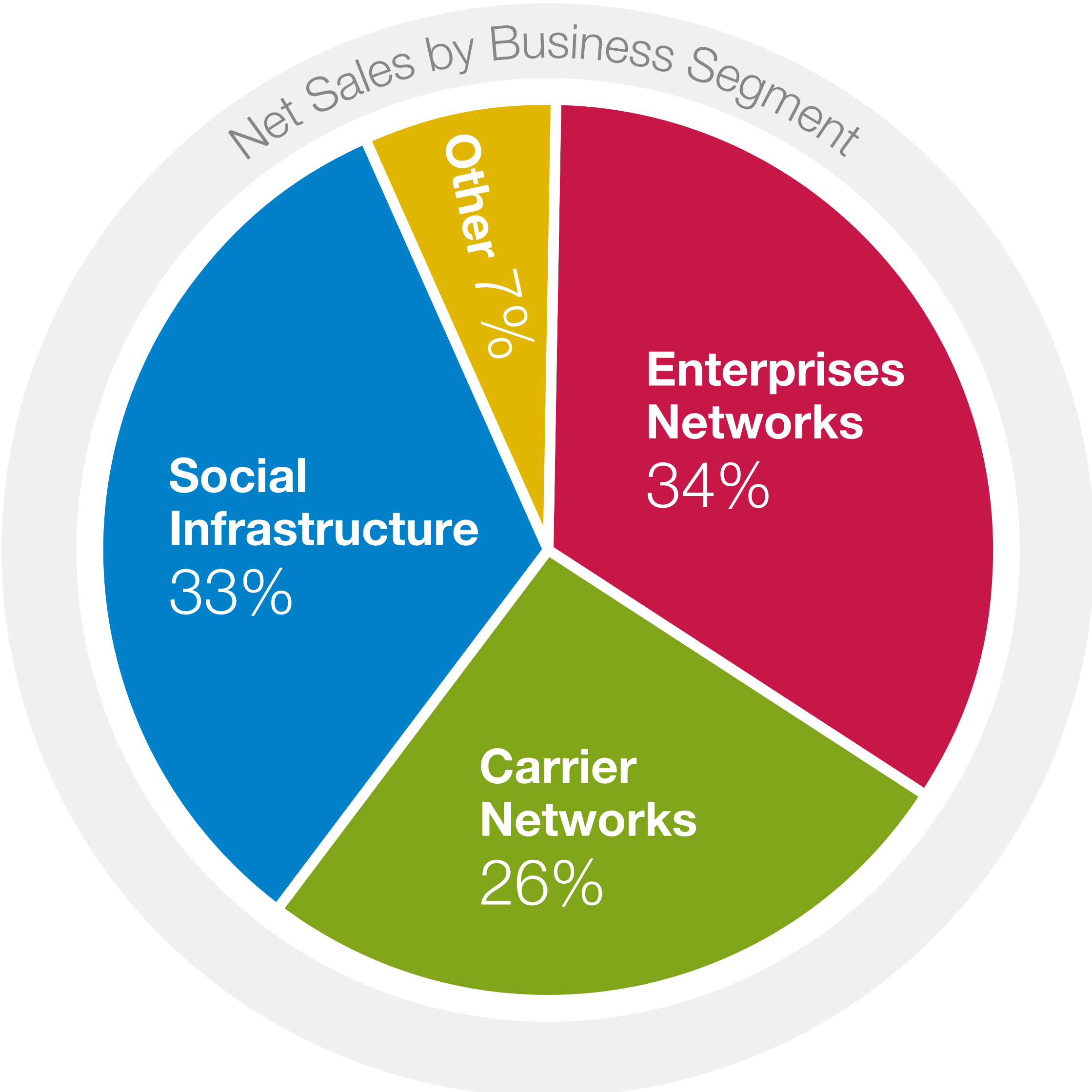


Business Performance by Segment

Our three core businesses

NESIC provides a range of services from planning to system design, maintenance, and operation in an integrated manner in a variety of fields ranging from ICT within companies to public and social infrastructure. NESIC has three core businesses: the Enterprises Networks business, Carrier Networks business, and Social Infrastructure business.

We will help a range of customers enhance their value, harnessing our ability to make proposals from customers' perspectives and our expertise and technological capabilities for all sorts of networks.



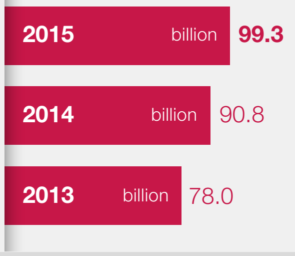
Enterprises Networks
business

We provide total support for office ICT in line with the wide-ranging needs of customers with diverse businesses, from network integration to maintenance, operation and outsourcing. We also promote “EmpoweredOffice (EO)” office innovation solutions.


Sales Trends

Net Sales
¥99.3 billion

9.3% increase year on year



Years ended March 31

Having targeted recovering ICT investment amongst our customers and actively catered to demand for management reform, we achieved a 9.3% increase in revenue year on year, through initiatives such increasing sales of EO office innovation solutions in particular.

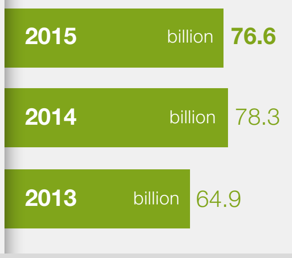
Carrier Networks
business

We provide network design, and systems integration, maintenance and operation services for telecommunications carriers. We offer support for smooth communication throughout society, harnessing our high quality, highly reliable technology and expertise to cope with rapid increase in traffic.


Sales Trends

Net Sales
¥76.6 billion

2.2% decrease year on year



Years ended March 31

Revenue was down 2.2% year on year, as a result of factors such as reduced investment amongst telecommunications carriers. This was due in part to the after effects of work on large base stations for new frequencies in the previous year.

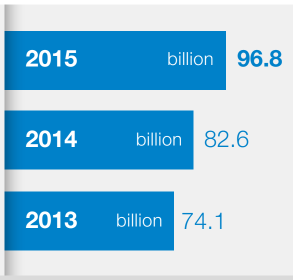
Social Infrastructure
business

We provide a wide range of services for ICT infrastructure, such as that of central and local government, broadcasters and power companies, from systems integration to operation and monitoring. We have also branched out into overseas infrastructure development, offering support for safety and security throughout society and people’s everyday lives.


Sales Trends

Net Sales
¥96.8 billion

17.1% increase year on year



Years ended March 31

Revenue was up 17.1% year on year, as a result of active public investment in ICT based around the themes of safety and security, including large-scale investment in digital fire-fighting and disaster prevention information systems.

**Construction work for telecommunications carriers, including the construction of mobile base stations, which was previously included under the “social infrastructure” segment, was incorporated into the “carrier networks” segment from the fiscal year ended March 31, 2015 onwards. As a result of this and other changes to reporting segments, figures for the fiscal years ended March 31, 2013 and ended March 31, 2014 have been reclassified accordingly.*

Topics 1

Introducing EmpoweredOffice at regional divisions and offices nationwide

Harnessing cutting-edge ICT to establish mobile working at our Kansai Regional Division

As part of efforts to expand our EmpoweredOffice (EO) business, we are working to introduce EO solutions to all regional divisions and offices nationwide. At our Kansai Regional Division in Osaka, we have introduced cutting-edge ICT and established mobile working using devices such as smartphones and tablets, based around the concept "EN" (meaning both circles and human connections in Japanese). As we also use our Kansai office for business talks with customers, this will enable us to offer cutting-edge working solutions to a wide range of customers.

EN-Office: Turning connections into circles and creating linked (harmonious) office spaces

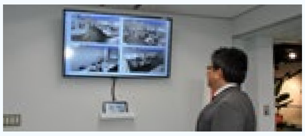
EN-Office creates spaces that bring together everyone working in the office, using layouts with an emphasis on "**EN**" (circles) and harmonious operations, by breaking down walls within the office.

It enables **mobile working**, free from constraints due to time or place.

Office entrance based on "**EN**" (circles)

Providing spaces to welcome customers, to strengthen "**EN**" (human connections)

In the office

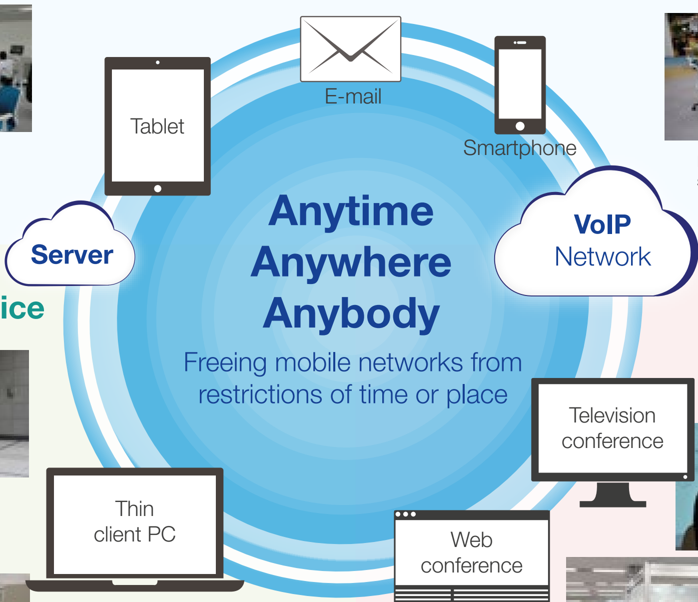


Sharing with other distant offices managed by the Kansai Regional Division, via a permanent connection

Sharing knowledge and ideas within a collaborative space designed to strengthen links between employees

Using wireless LAN to enable flexible working practices

Promoting top-down visualization and speeding up business



Away from the office

Employees can continue to work via a smartphone when out of the office, enabling them to work more efficiently

Employees can participate in company meetings face-to-face, even if they are away from the office

Connecting to distant offices

SmoothSpace

SmoothSpace is a means of connecting people at the heart of the office. It uses projection mapping, a technology that is currently attracting a lot of attention, to enable Kansai Regional Division to communicate with Head Office in Tokyo as if they were located on the same floor.

Topics 2

Expanding into new growth markets

Full-scale entry into the Myanmar market

Now that economic sanctions have been relaxed by advanced countries, Myanmar (the Republic of the Union of Myanmar) is expected to experience strong economic growth in the future. There is an urgent need to establish infrastructure to underpin growth in particular. Development in the network infrastructure sector, which is one of our specialist areas, is therefore expected to gather pace in the future, including communication systems as part of transport infrastructure and public telecommunication systems.

With five overseas subsidiaries in Thailand, Saudi Arabia, Brazil, the Philippines and China, we have been using our outstanding technical and installation capabilities to develop infrastructure for many years. Our Thai subsidiary in particular has built up expertise and a proven track record in developing overseas infrastructure, through services such as establishing a 3G (third generation mobile telecommunications) network for leading local mobile carrier AIS (Advanced Info Service Plc). Harnessing these strengths, we established a Yangon Branch of our Thai subsidiary in April 2015, and set up a Myanmar Project Office at our Head Office, with the aim of tapping into the Myanmar market to a greater extent.

We intend to maintain a firm focus on the burgeoning Myanmar market, as we harness our long-standing technical and installation capabilities to further expand our overseas operations and contribute to the development of the country as a whole.

Photos of our Thai subsidiary's Yangon Branch (building, opening ceremony, etc.)

Base station and antenna

Opening ceremony at the Yangon Branch on May 11, 2015

The exterior of the building where the Yangon Branch is located

The streets and suburbs of Yangon

Corporate Social Responsibility (CSR)

CSR Policy

NEC Networks & System Integration Corporation is a network system integrator that creates new communication. Harnessing its strengths—technologies and experience associated with networks—and its expertise in IT, NESIC engages in a range of services, from planning and design to system integration, installation and outsourcing, for systems that enable diverse forms of communication.

The Company's corporate message, "Re-designing your communication," expresses its aspirations to enhance communication through those services and to create and develop connections, ties, and links between people, between people and society, and between people and the earth. In addition to contributions through our services, we will engage in a range of activities that help to protect the global environment and strengthen our connection with the earth. We will also take steps to enhance customer satisfaction so that we build trust and strengthen our connection with our customers. Meanwhile, we will participate in local contribution activities to maintain and enhance our connection with communities.

The basis of those connections are our human resources, organization, and activities to ensure compliance, safety and security. We are hiring diverse human resources and offering systematic career development. In addition, we are creating better working environments. We ensure compliance and security while developing and providing secure systems and services with reliable quality.

Through a range of challenges in society through all our corporate activities, we are contributing to sustainable development in society and the world.

Major Themes in CSR

1 People's communication

As a network system integrator, we will fuse our strengths—technologies and experience associated with networks—and our IT expertise to provide systems that enable diverse forms of communication. Through these systems, we will enhance human communication and help to create and develop connections between people, between people and society, and between people and the earth.

2 Connection with the earth

We will offer systems and services that help reduce CO_2 emissions and energy consumption. Meanwhile, we will contribute to reducing society's environmental footprint (load) and protecting the global environment through activities in our business that minimize the environmental burden, use resources effectively, and maintain biological diversity.

3 Connection with customers

As a partner of our customers, we will strive to build trust by providing systems and services that contribute to our customers' businesses.

4 Connection with communities

As a good corporate citizen, we will engage in assistance to disaster areas and international cooperation, among other activities, in response to demands from society. We will contribute to communities through communication with them.

5 Enhancing compliance and achieving safety and security

We will consistently enhance compliance and pursue and ensure information security and safe work. We will deliver systems and services that have reliable quality.

6 Cultivating diversity and creating better working environments

We will respect fundamental human rights in all corporate activities and will hire and cultivate human resources with diverse individuality. We will take steps to create better working environments where people can fulfill their potential.

Assistance in disaster areas

Volunteer reconstruction assistance in areas affected by the Great East Japan Earthquake

Contribution to education for the young

Antarctic Club natural science classes are held in elementary schools. In the classes, NESIC employees that we have dispatched to the Antarctic each year to join winter groups there come together for talks.

Corporate Governance (As of June 26, 2015)

The Company believes that the cornerstone of corporate governance is ensuring management soundness and transparency by establishing a management system that enables quick decision-making to respond promptly to changes in the operating environment, and by practicing timely, appropriate disclosure. To that end, the Company has adopted a Board of Corporate Auditors system and has established a corporate governance system in which the Board of Directors and Board of Corporate Auditors play key roles.

The Company has also adopted an executive officer system to clearly demarcate the supervisory function and the business execution function. To enhance management transparency, the Company has outside directors and outside corporate auditors and seeks to achieve sound management by encouraging cooperation among corporate auditors, the Corporate Auditing Division, and independent accounting auditors.

I. Description of Corporate Organs

1 Board of Directors

The Board of Directors is composed of ten directors, including two outside directors. In addition to maintaining the number of directors at an optimum level for quick decision making, the Company has reduced the terms of directors to one year in order to clarify the management responsibility of directors and strengthen its management structure.

2 Executive Officers, Executive Committee, and Business Execution Committee

Based on an executive officer system, the Company also formed the Executive Committee, to discuss policies pertaining to key management and operating issues, and the Business Execution Committee, to monitor the progress of and report on significant matters concerning business execution, consisting of mainly executive officers at senior vice president level and higher and corporate auditors.

3 Board of Corporate Auditors

The Board of Corporate Auditors consists of five corporate auditors, including three outside auditors. It decides audit policies and related matters, and reports on the status of audits performed by each auditor. Corporate auditors also attend Board of Directors meetings and other important meetings, examine significant documents related to final decisions, and listen to directors and employees on performance of their duties, thus contributing to a system for sufficiently scrutinizing directors' performance of their duties.

4 Corporate Auditing Division

The Corporate Auditing Division has been established as an internal audit unit independent from the business execution divisions. It examines through internal audits whether business execution is being conducted legally and properly according to relevant laws, regulations and Company rules.

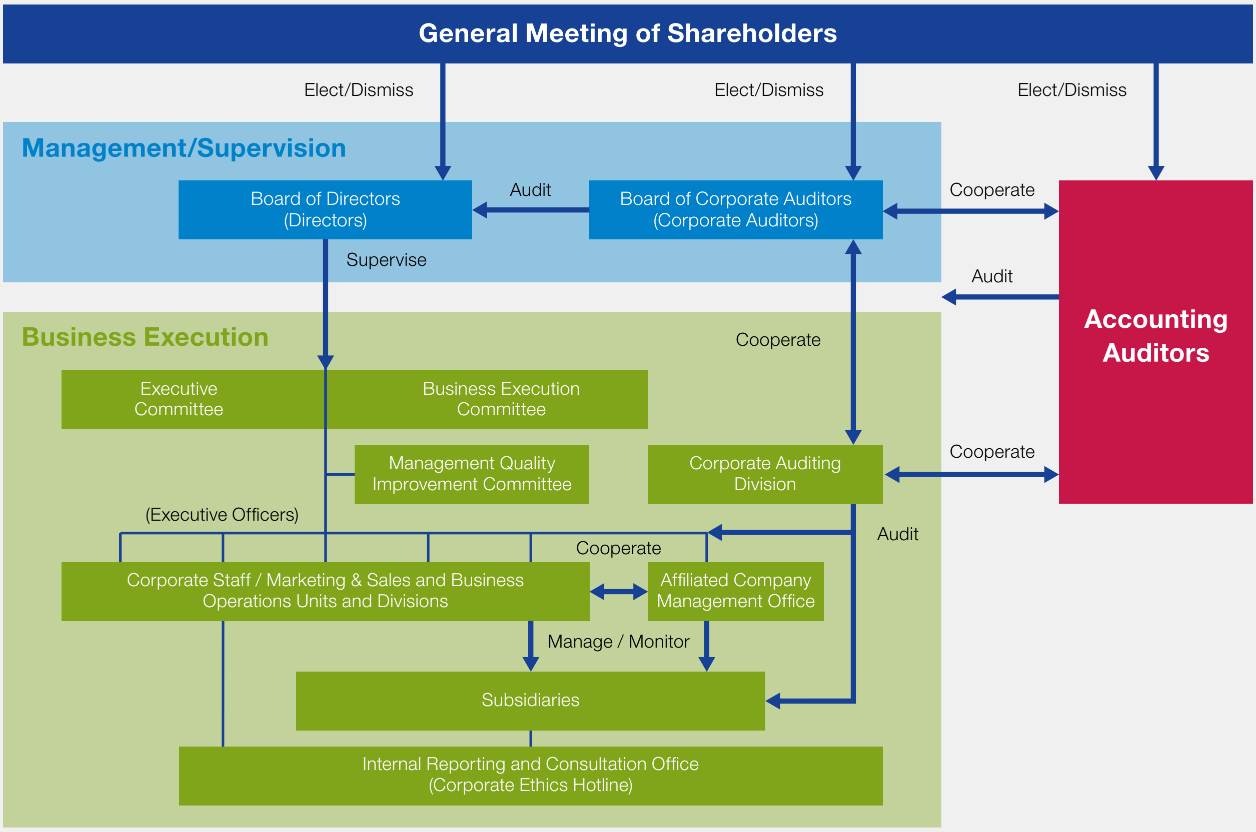
5 Accounting Auditors

The Company has an audit contract with KPMG AZSA LLC as its accounting auditors. KPMG AZSA LLC expresses its views on the financial statements as an auditor from an independent viewpoint.

II. Development of Internal Control Systems

The Company has established a basic policy for the development of internal control systems, as shown below, under Article 362, Paragraph 4, Item 6 of the Company Law and Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Company Law. The Company maintains the appropriate execution of operations under the basic policy, laws and regulations, and internal regulations.

The Company's mechanisms of business execution, management oversight, and internal control



III. Situation of Outside Directors and Outside Corporate Auditors

Of the Company's ten directors, two are outside directors. The Company believes this number is appropriate for giving advice and participating in decision making from fair and objective standpoints, strengthening the Company's corporate governance.

Outside Director Takayuki Matsui is a professor at the Graduate School of Professional Accountancy of Aoyama Gakuin University. The Company has Mr. Matsui use his expert knowledge in business administration, including internal control, to ensure transparency in the management of the Company and to strengthen corporate governance. Mr. Matsui attended all 13 meetings of the Board of Directors held in the fiscal year ended March 31, 2015. He has been designated as an independent director defined in Rule 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange.

Outside Director Yumiko Ichige is a lawyer at Nozomi Sogo Attorneys at Law. Using her professional knowledge and viewpoint about the corporate legal affairs, Ms. Ichige oversees the business execution of the Company from a fair and objective standpoint of an outsider. Ms. Ichige attended all 13 meetings of the Board of Directors held in the fiscal year ended March 31, 2015. She has been designated as an independent director defined in Rule 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange.

Of the Company's five corporate auditors, three are outside corporate auditors. We believe this number is appropriate for auditing the directors' execution of their duties from fair and objective standpoints, to strengthen the Company's corporate governance.

Outside Corporate Auditor Junichi Okuyama has been engaged in monitoring of sales activities and accounting for many years. Taking advantage of his extensive experience and knowledge relating to internal control, Mr. Okuyama primarily audits the legality of business execution from a fair and objective standpoint. Mr. Okuyama attended all 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held in the fiscal year ended March 31, 2015.

Outside Corporate Auditor Yuji Kikuchi is qualified as a lawyer and has considerable knowledge in finance and accounting. Using his professional knowledge and viewpoint about the law, Mr. Kikuchi is expected to audit the directors' performance of their duties from a fair and objective standpoint of an outsider. Mr. Kikuchi attended all 11 meetings of the Board of Directors and all 10 meetings of the Board of Corporate Auditors held in the fiscal year ended March 31, 2015 after his appointment on June 24, 2014. Mr. Kikuchi has been designated as an independent auditor defined in Rule 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange.

Outside Corporate Auditor Masayuki Horie is a professor at the College of Commerce, Nihon University. The Company has Mr. Horie use his expert knowledge in business administration, including internal control, to audit the directors' performance of their duties from a fair and objective standpoint of an outsider. Mr. Horie became an outside corporate auditor at the ordinary general meeting of shareholders held on June 23, 2015. Mr. Horie has been designated as an independent auditor defined in Rule 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange.

There are no special interests between the Company and its outside directors or outside corporate auditors.

The outside directors and outside corporate auditors regularly exchange information and consult with the Corporate Auditing Division and staff departments, receiving reports on business execution at meetings of the Board of Directors and on other occasions.

The outside corporate auditors cooperate with the independent auditors, exchanging information and consulting with them regularly at meetings of the Board of Corporate Auditors and on other occasions.

IV. Internal Audits and Audits by Auditors

The Corporate Auditing Division cooperates with the corporate auditors. The division reports the results of audits carried out under an audit plan for each fiscal year to the corporate auditors once a year and exchanges opinions with them as necessary.

The corporate auditors, the Corporate Auditing Division, and the accounting auditors cooperate with each other, exchanging opinions as necessary for statutory audits.

Directors and Corporate Auditors (As of June 23, 2015)

Front row, from left: 1. Mr. Yoichi Sato 2. Mr. Masao Wada 3. Mr. Shogo Minami

Back row, from left: 4. Mr. Tetsujiro Arano 5. Mr. Yoshifumi Kodama 6. Mr. Yushi Ushijima

Directors and Corporate Auditors
(As of June 23, 2015)

Board of Directors

President	Masao Wada
Senior Vice Presidents and Members of the Board	Yoichi Sato
	Shogo Minami
	Yoshifumi Kodama
	Tetsujiro Arano
Associate Senior Vice President and Member of the Board	Yushi Ushijima
Members of the Board	Takayuki Matsui*
	Yumiko Ichige*
	Masayuki Kisaki
	Yukinori Nakayama

Corporate Auditors

Corporate Auditors	Junichi Okuyama (full-time)
	Shoichi Fukaya (full-time)
	Takahiko Hara
	Yuji Kikuchi*
	Masayuki Horie*

* Independent directors who have been notified to the Tokyo Stock Exchange.
* Independent auditors who have been notified to the Tokyo Stock Exchange.

Six-Year Summary of Selected Financial Data

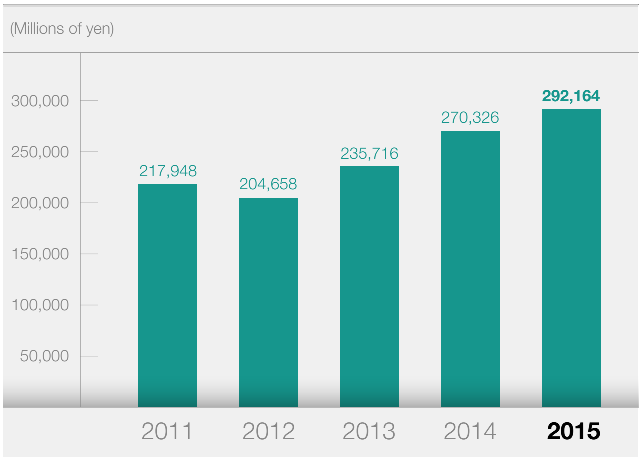
NEC Networks & System Integration Corporation and Consolidated Subsidiaries

Years ended March 31	Millions of yen						Thousands of U.S. dollars [1]
	2015	2014	2013	2012	2011	2010	**2015**
For the year:							
Orders	¥ 299,097	¥ 280,071	¥ 241,271	¥ 215,373	¥ 212,277	¥ 222,046	$ 2,468,408
Net sales	292,164	270,326	235,716	204,658	217,948	217,727	2,411,191
Selling, general and administrative expenses	31,951	30,271	24,699	22,332	22,297	23,070	263,687
Operating income	16,158	14,418	12,483	9,747	10,835	9,867	133,350
Net income	7,791	8,257	7,246	4,474	4,660	5,644	64,298
Free Cash Flows	-1,469	17,809	-5,152	15,946	-3,499	14,185	-12,123
Depreciation and amortization	2,805	2,565	2,164	1,941	2,151	2,244	23,149
Research and development costs	428	632	98	92	52	119	3,532
At year-end:							
Total assets	¥ 201,964	¥ 189,059	¥ 167,472	¥ 149,130	¥ 149,464	¥ 146,543	$ 1,666,782
Shareholders' equity	94,438	91,182	85,717	80,115	76,986	73,670	779,384
Total net assets	94,173	89,166	85,974	80,074	77,005	73,849	777,197
Per share of common stock (yen and U.S. dollars) :							
Net income	¥ 156.72	¥ 166.06	¥ 145.73	¥ 89.98	¥ 93.72	¥ 113.50	$ 1,293
Net assets (BPS)	1,864.61	1,760.06	1,714.74	1,598.77	1,537.19	1,472.14	15,388
Cash dividends applicable to the year	64.00	60.00	45.00	28.00	26.00	25.00	528
Ratios and return indicators:							
Operating income to net sales (%)	5.5	5.3	5.3	4.8	5.0	4.5	
Net income to net sales (%)	2.7	3.1	3.1	2.2	2.1	2.6	
Return on assets (ROA) (%) [2]	8.3	8.2	7.7	6.3	7.3	6.7	
Return on equity (ROE) (%) [3]	8.7	9.6	8.8	5.7	6.2	8.0	
Owners' equity (Net worth) ratio (%)	45.8	46.3	50.9	53.3	51.1	50.0	
Debt to equity ratio (times) [4]	0.07	0.07	0.05	0.05	0.08	0.07	
Number of employees	7,260	7,164	6,024	5,936	5,939	5,998	
Net sales per employee (thousands of yen) [5]	¥ 40,511	¥ 40,996	¥ 39,417	¥ 34,469	¥ 36,516	¥ 36,580	$ 334,332
Net income per employee (thousands of yen) [6]	¥ 1,080	1,252	1,212	754	781	948	8,913

Notes

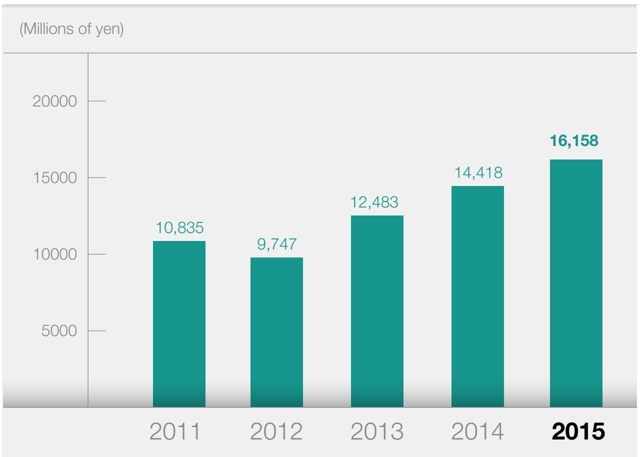
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥121.17 = U.S.$1.00, the approximate Tokyo foreign exchange market rate as of March 31, 2015.
2. Return on assets: Ordinary income / Average total assets during the term
3. Return on equity: Net income / Average net assets during the term
4. Debt to equity ratio: Interest-bearing debt / Net assets
5. Net sales per employee: Net sales / Average number of employees during the term
6. Net income per employee: Net income / Average number of employees during the term

Net Sales



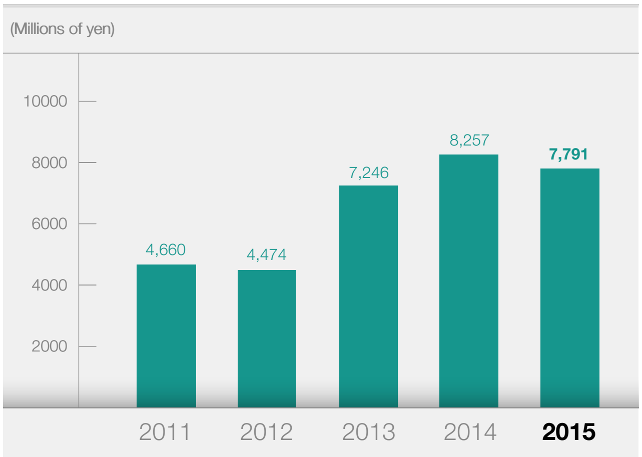
Years ended March 31

Operating Income



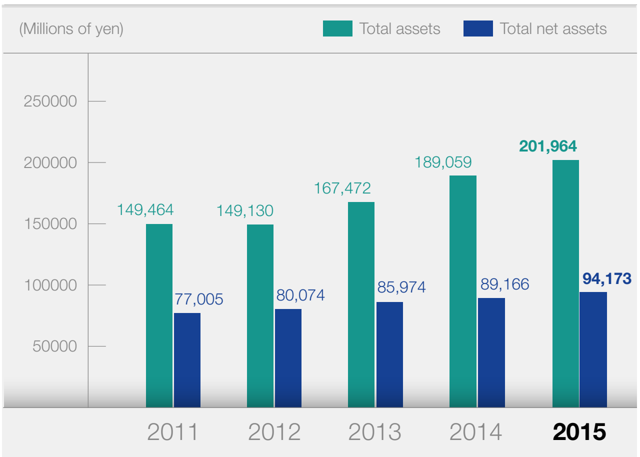
Years ended March 31

Net Income



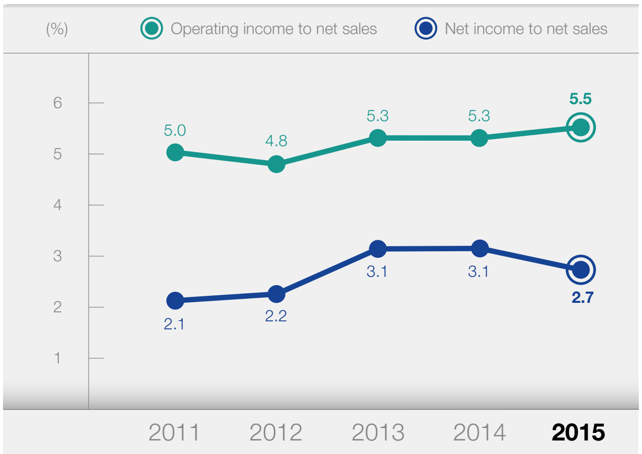
Years ended March 31

Total Assets and Total Net Assets



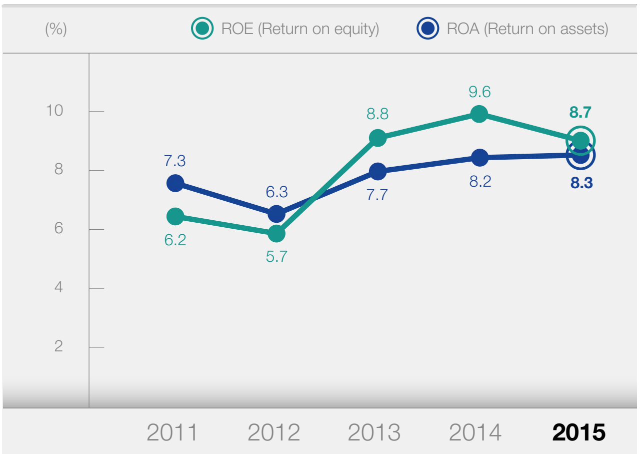
As of March 31

Operating Income to Net Sales and Net Income to Net Sales



Years ended March 31

ROE and ROA



Years ended March 31

Consolidated Financial Statements

Contents

CONSOLIDATED BALANCE SHEETS

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
As of March 31, 2015 and 2014

	Millions of yen				Thousands of U.S. dollars (note 3)
		2015		2014	2015
Assets					
Current assets:					
Cash and cash equivalents	¥	38,951	¥	44,434	$ 324,132
Notes and accounts receivable (note 21)		113,921		95,975	947,999
Inventories (note 6)		10,134		8,149	84,331
Deferred tax assets (note 9)		4,778		5,255	39,760
Other current assets		3,327		3,596	27,686
Allowance for doubtful accounts		(52)		(59)	(433)
Total current assets		171,061		157,351	1,423,492
Property and equipment:					
Land		2,508		2,508	20,870
Buildings and structures		9,885		9,748	82,258
Machinery and vehicles		233		275	1,939
Furniture and fixtures		13,365		12,577	111,217
Construction in progress		512		687	4,261
Other		1,180		1,414	9,819
Accumulated depreciation		(16,855)		(16,252)	(140,260)
Property and equipment, net		10,830		10,959	90,122
Intangibles, net of accumulated amortization (note 7)		5,871		6,516	48,856
Investments and other assets:					
Investment securities (notes 4 and 5)		550		530	4,577
Asset for retirement benefits (note 10)		992		0	8,255
Deferred tax assets (note 9)		8,578		9,518	71,382
Other assets (note 21)		4,129		5,784	34,360
Allowance for doubtful accounts		(52)		(1,602)	(433)
Total investments and other assets		14,199		14,231	118,158
Total assets	¥	201,964	¥	189,059	$ 1,680,652

	2015	2014	(note 3) 2015
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (note 8)	¥ 1,633	¥ 1,742	$ 13,589
Current installments of long-term debt (note 8)	3,168	171	26,363
Notes and accounts payable (notes 21)	48,662	43,191	404,943
Advances received (note 21)	3,175	3,122	26,421
Accrued income taxes (note 9)	4,358	4,711	36,265
Accrued bonuses to directors and corporate auditors	125	104	1,040
Accrued warranty on products	280	374	2,330
Accrued losses on sales contracts (note 6)	163	357	1,356
Other current liabilities	17,734	16,218	147,574
Total current liabilities	79,302	69,994	659,915
Long-term liabilities:			
Long-term debt (note 8)	1,349	4,518	11,226
Liability for retirement benefits (note 10)	25,832	24,152	214,962
Other liabilities (notes 9 and 11)	1,307	1,227	10,876
Total long-term liabilities	28,488	29,898	237,064
Total liabilities	107,790	99,893	896,979
Shareholders' equity (note 12):			
Common stock:	13,122	13,122	109,195
Authorized 100,000,000 shares; issued and outstanding 49,773,807 shares at March 31, 2015 and 2014			
Capital surplus	16,650	16,650	138,554
Retained earnings	64,932	61,474	540,335
Treasury stock, at cost; 133,413 shares at March 31, 2015 and 51,535 shares at March 31, 2014	(266)	(64)	(2,214)
Total shareholders' equity	94,438	91,182	785,870
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities (note 4)	47	25	391
Foreign currency translation adjustments	2	(233)	17
Accumulated adjustments for retirement benefits (note 10)	(1,927)	(3,459)	(16,036)
Total accumulated other comprehensive income	(1,878)	(3,668)	(15,628)
Minority interests	1,613	1,652	13,423
Total net assets	94,173	89,166	783,665
Commitments and contingencies (note 13)			
Total liabilities and net assets	¥ 201,964	¥ 189,059	$ 1,680,652

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (note 3)
	2015	2014	2015
Net sales (note 21)	¥ 292,164	¥ 270,326	$ 2,431,256
Cost of sales (notes 6 and 21)	244,054	225,635	2,030,906
Gross profit	48,110	44,690	400,350
Selling, general and administrative expenses (notes 15 and 16)	31,951	30,271	265,882
Operating income	16,158	14,418	134,460
Other income (expense):			
Interest income	70	38	583
Interest expense	(72)	(84)	(599)
Dividends income of insurance	121	151	1,007
Insurance income	50	71	416
Gain on step acquisitions	—	477	—
Gain on negative goodwill	—	170	—
Loss on disposal of property and equipment	(99)	(369)	(824)
Loss on sale of investment in subsidiaries	—	(369)	—
Restructuring charges	(349)	(214)	(2,904)
Amortization of goodwill (note 7)	(413)	—	(3,437)
Retirement benefit costs (note 10)	(573)	—	(4,768)
Relocation expenses for subsidiaries	(378)	—	(3,146)
Other, net	(37)	22	(308)
	(1,683)	(105)	(14,005)
Income before income taxes and minority interests	14,474	14,313	120,446
Income taxes (note 9):			
Current	5,565	5,866	46,309
Deferred	1,129	12	9,395
	6,695	5,878	55,713
Income before minority interests	7,779	8,435	64,733
Minority interests	(12)	178	(100)
Net income	¥ 7,791	¥ 8,257	$ 64,833

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (note 3)
	2015	2014	2015
Income before minority interests	¥ 7,779	¥ 8,435	$ 64,733
Other comprehensive income arising during the year (note 17):			
Net unrealized holding loss on other securities	19	12	158
Foreign currency translation adjustments	337	299	2,804
Adjustments for retirement benefit	1,532	—	12,749
Total other comprehensive income arising during the year	1,888	312	15,711
Comprehensive income	¥ 9,668	¥ 8,747	$ 80,453
Comprehensive income attributable to:			
Owners of the parent	¥ 9,580	¥ 8,500	$ 79,720
Minority interests	87	247	724

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Numbers of shares of common stock	Millions of yen				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total
	(Thousands)					
Balance at April 1, 2013	¥ 49,773	¥ 13,122	¥ 16,650	¥ 56,001	¥ (56)	¥ 85,717
Changes arising during year:						
Cash dividends				(2,784)		(2,784)
Net income				8,257		8,257
Purchase of treasury stock					(7)	(7)
Disposition of treasury stock			0		0	0
Net changes in accounts other than shareholders' equity						—
Total changes during the year	—	—	0	5,472	(7)	5,464
Balance at March 31, 2014	49,773	13,122	16,650	61,474	(64)	91,182
Cumulative effects of changes in accounting policies				(1,250)		(1,250)
Restated balance	49,773	13,122	16,650	60,223	(64)	89,932
Changes arising during year:						
Cash dividends				(3,082)		(3,082)
Net income				7,791		7,791
Purchase of treasury stock					(202)	(202)
Disposition of treasury stock			0		0	0
Net changes in accounts other than shareholders' equity						—
Total changes during the year	—	—	0	4,708	(202)	4,506
Balance at March 31, 2015	¥ 49,773	¥ 13,122	¥ 16,650	¥ 64,932	¥ (266)	¥ 94,438

	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized holding gain on other securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total	Minority interests	Total net assets
Balance at April 1, 2013	¥ 13	¥ (464)	¥ —	¥ (451)	¥ 708	¥ 85,974
Changes arising during year:						
Cash dividends				—		(2,784)
Net income				—		8,257
Purchase of treasury stock				—		(7)
Disposition of treasury stock				—		0
Net changes in accounts other than shareholders' equity	11	231	(3,459)	(3,217)	944	(2,272)
Total changes during the year	11	231	(3,459)	(3,217)	944	3,191
Balance at March 31, 2014	25	(233)	(3,459)	(3,668)	1,652	89,166
Cumulative effects of changes in accounting policies				—		(1,250)
Restated balance	25	(233)	(3,459)	(3,668)	1,652	87,916
Changes arising during year:						
Cash dividends				—		(3,082)
Net income				—		7,791
Purchase of treasury stock				—		(202)
Disposition of treasury stock				—		0
Net changes in accounts other than shareholders' equity	21	235	1,532	1,789	(38)	1,750
Total changes during the year	21	235	1,532	1,789	(38)	6,257
Balance at March 31, 2015	¥ 47	¥ 2	¥ (1,927)	¥ (1,878)	¥ 1,613	¥ 94,173

(Continued)

	Thousands of U.S. Dollars (note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at April 1, 2014	$ 109,195	$ 138,554	$ 511,559	$ (533)	$ 758,775
Cumulative effects of changes in accounting policies			(10,402)		(10,402)
Restated balance	109,195	138,554	501,148	(533)	748,373
Changes arising during year:					
Cash dividends			(25,647)		(25,647)
Net income			64,833		64,833
Purchase of treasury stock				(1,681)	(1,681)
Disposition of treasury stock		0		0	0
Net changes in accounts other than shareholders' equity					—
Total changes during the year	—	0	39,178	(1,681)	37,497
Balance at March 31, 2015	$ 109,195	$ 138,554	$ 540,335	$ (2,214)	$ 785,870

	Thousands of U.S. Dollars (note 3)					
	Accumulated other comprehensive income					
	Net unrealized holding gain on other securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total	Minority interests	Total net assets
Balance at April 1, 2014	$ 208	$ (1,939)	$ (28,784)	$ (30,523)	$ 13,747	$ 741,999
Cumulative effects of changes in accounting policies				—		(10,402)
Restated balance	208	(1,939)	(28,784)	(30,523)	13,747	731,597
Changes arising during year:						
Cash dividends				—		(25,647)
Net income				—		64,833
Purchase of treasury stock				—		(1,681)
Disposition of treasury stock				—		0
Net changes in accounts other than shareholders' equity	175	1,956	12,749	14,887	(316)	14,563
Total changes during the year	175	1,956	12,749	14,887	(316)	52,068
Balance at March 31, 2015	$ 391	$ 17	$ (16,036)	$ (15,628)	$ 13,423	$ 783,665

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (note 3)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 14,474	¥ 14,313	$ 120,446
Depreciation and amortization	2,805	2,565	23,342
Loss on sale of investment in subsidiaries	—	369	—
Restructuring charges	349	214	2,904
Retirement benefit costs	573	—	4,768
Relocation expenses for subsidiaries	378	—	3,146
Gain on step acquisitions	—	(477)	—
Amortization of goodwill	773	331	6,433
Gain on negative goodwill	—	(170)	—
Increase (decrease) in allowance for doubtful receivables	(1,557)	141	(12,957)
(Increase) decrease in asset for retirement benefits	(992)	—	(8,255)
Increase (decrease) in liability for retirement and severance benefits	—	(17,641)	—
Increase (decrease) in liability for retirement benefits	(850)	17,534	(7,073)
Increase (decrease) in accrued bonuses to directors and corporate auditors	20	8	166
Increase (decrease) in accrued warranty on products	(93)	(186)	(774)
Increase (decrease) in accrued losses on sales contracts	(193)	(673)	(1,606)
Interest and dividend income	(80)	(46)	(666)
Interest expense	72	84	599
Loss on disposal of property and equipment	99	369	824
(Increase) decrease in notes and accounts receivable	(17,156)	3,361	(142,764)
(Increase) decrease in inventories	(1,978)	4,261	(16,460)
Increase (decrease) in accumulated adjustments for retirement benefits	1,532	—	12,749
Increase (decrease) in notes and accounts payable	5,307	2,827	44,162
Other, net	4,680	1,852	38,945
Subtotal	8,164	29,039	67,937
Interest and dividend received	80	46	666
Interest paid	(73)	(86)	(607)
Income taxes paid	(5,711)	(5,685)	(47,524)
Net cash provided by (used in) operating activities	2,460	23,313	20,471

(Continued)

	Millions of yen		Thousands of U.S. dollars (note 3)
	2015	2014	2015
Cash flows from investing activities:			
Purchase of securities	(5,000)	—	(41,608)
Proceeds from redemption of securities	5,000	—	41,608
Purchase of property and equipment	(2,819)	(1,903)	(23,458)
Proceeds from sale of property and equipment	16	1	133
Purchase of intangibles	(786)	(849)	(6,541)
Proceeds from sale of intangibles	3	36	25
Purchase of investment securities	(8)	(52)	(67)
Loans receivable made	(6)	(34)	(50)
Collection of loans receivable	6	32	50
Payments for liquidation of subsidiaries	(109)	—	(907)
Purchase of investments in subsidiaries	—	(1,479)	—
Payments for transfer of business	—	(1,857)	—
Other, net	(226)	602	(1,881)
Net cash used in investing activities	(3,929)	(5,504)	(32,695)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(213)	(1,143)	(1,772)
Proceeds from long-term debt	—	1,500	—
Repayments of long-term debt	(172)	(898)	(1,431)
Proceeds from sale and purchase of treasury stock, net	(202)	(7)	(1,681)
Dividends paid to shareholders	(3,077)	(2,776)	(25,605)
Dividends paid to minority shareholders of subsidiaries	(16)	(3)	(133)
Other, net	(445)	(495)	(3,703)
Net cash used in financing activities	(4,127)	(3,824)	(34,343)
Effect of exchange rate changes on cash and cash equivalents	114	134	949
Net increase (decrease) in cash and cash equivalents	(5,482)	14,119	(45,619)
Cash and cash equivalents at beginning of year	44,434	30,315	369,760
Cash and cash equivalents at end of year	¥ 38,951	¥ 44,434	$ 324,132

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
March 31, 2015 and 2014

1. BASIS OF PREPARATION

NEC Networks & System Integration Corporation (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan. Its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Japanese Financial Instruments and Exchange Law and, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRSs.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The Company has 19 subsidiaries (companies over which the Company has the ability to control their operations) as of March 31, 2015 (21 subsidiaries as of March 31, 2014) and 1 affiliated company which the Company has the ability to exercise significant influence (the "Group").

NEC Networks & System Integration Engineering Co., Ltd., a consolidated subsidiary in prior years, ceased to be consolidated during the year through an absorption-type merger with the Company occurred on February 1, 2015.

The accompanying consolidated financial statements include the accounts of the Company and the significant companies controlled directly or indirectly by the Company. All significant intercompany balances and transactions have been eliminated in consolidation.

Investment in an affiliate is accounted for by the equity method.

The financial statements of the subsidiaries with year-end of December 31 have been used for consolidation. All material transactions that occurred in the periods from such year-end and March 31, which is the Company's year-end, have been adjusted.

The difference between the carrying amount and the underlying net assets at fair value at the respective dates of acquisition is allocated to identifiable assets and liabilities based on fair market value at the dates of acquisition. The unallocated portion of the difference, which is recognized as goodwill, is amortized by the straight-line method over a period of up to 20 years in which the future benefit of each investment is expected.

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to income.

The revenue and expense accounts of the foreign subsidiaries are translated into yen at the average exchange rates prevailing during the year, and, except for the components of shareholders' equity, the balance sheet accounts are translated at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Translation adjustments, except for the portion included in minority interests, are presented as a separate component of net assets in the accompanying consolidated financial statements.

(c) Cash equivalents
Cash and cash equivalents include all highly liquid investments – generally with original maturities of three months or less – that are readily convertible to known amounts of cash and have negligible risk of changes in value due to their short maturities.

(d) Investment securities
Investment securities other than those in subsidiaries are classified into one of three categories: trading, held-to-maturity or other securities. Trading securities are measured at fair value, and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are measured at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Investment securities classified as other securities are reviewed for impairment. An impairment loss is recognized when the fair value of investment securities declines significantly. Cost of securities sold is determined by the moving-average method.

(e) Inventories
Work in process is stated at the lower of cost or net selling value determined on a specific project basis. Purchased goods and materials are stated at the lower of cost or net selling value determined primarily by the moving-average method.

(f) Depreciation and amortization
Depreciation of property and equipment is principally computed by the straight-line method.

Significant renewals and improvements are capitalized. Maintenance and repair costs are charged to income.

The useful lives of property and equipment are summarized as follows:

Buildings and structures	3 to 50 years
Machinery and vehicles	2 to 17 years
Furniture and fixtures	2 to 20 years

Intangibles are amortized by the straight-line method over their estimated useful lives.
Software for sale is amortized based on projected sales volumes over the estimated effective periods (within 3 years). Software for internal use is amortized by the straight-line method over the estimated useful lives (within 5 years).

(g) Allowance for doubtful accounts
The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(h)Accrued warranty on products
Accrued warranty on products is provided for at the estimated warranty cost.

(i) Accrued losses on sales contracts
Accrued losses on sales contracts are provided for at the amount of estimated losses for work in process at the balance sheet date. Among sales orders of the Company on hand at the balance sheet date, for projects in which the estimated cost is expected to exceed the amount of the sales order, such excess costs on sales contracts are accrued

(j) Leases
Leased assets related to finance lease transactions without title transfer are depreciated by the straight-line method, with the lease term as their useful lives and no residual value.

(k) Research and development costs
Research and development costs are charged to income as incurred.

(l) Retirement benefits
Liability for retirement benefits is provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for the actuarial gain or loss and past service costs that are yet to be recognized. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of services of the eligible employees. Actuarial gain or loss is amortized in the subsequent year that it occurs by the straight-line method within the average remaining years (13 to 18 years) of service of the employees. Past service costs are amortized beginning from the year it is incurred by the straight-line method within the average remaining years (14 to 18 years) of service of the employees.

The Company and its consolidated domestic subsidiaries have adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015 (hereinafter, "Guidance No.25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the decision method of discount rate to the method using plural rate of discount set every retirement payment possibility period.
In accordance with Article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.
As a result of the application, the liability for retirement benefits increased by ¥1,943 million ($16,169 thousand) and retained earnings decreased by ¥1,250 million ($10,402 thousand) at the beginning of the current fiscal year. In addition, operating income and income before income taxes and minority interests increased by ¥134 million ($1,115 thousand) in the current fiscal year, respectively.
The effects on the earnings per share are explained in note 18.

(m) Income taxes
Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Derivative financial instruments
Derivatives are recorded at their fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is directly included in net assets.

(o) Revenue recognition
The percentage-of-completion method is applied if the outcome of the construction activity can be estimated reliably, otherwise, the completed-contract method is applied. The percentage of completion as of the end of the reporting period is estimated based on the percentage of the cost incurred to the estimated total cost.

(p) Accrued bonuses to directors and corporate auditors
The Company and its domestic consolidated subsidiaries provide accrued bonuses to directors and corporate auditors (except for internal corporate auditors) based on the estimated amounts to be paid in respect of the year.

(q) Accounting for consumption taxes
Consumption taxes generally withheld upon sale, as well as those paid for purchases of goods or services, are recorded as a liability or an asset, and are excluded from relevant revenue, costs or expenses.

(r) Reclassifications
Certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2014 to conform to the presentation for the year ended March 31, 2015.

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥120.17 = U.S.$1.00, the approximate rate of exchange on March 31, 2015. The translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

4. INVESTMENT SECURITIES

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2015	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 209	¥ 120	¥ 88	$ 1,739	$ 999	$ 732
Subtotal	209	120	88	1,739	999	732
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	25	41	(15)	208	341	(125)
Subtotal	25	41	(15)	208	341	(125)
Total	¥ 234	¥ 162	¥ 72	$ 1,947	$ 1,348	$ 599

	Millions of yen		
March 31, 2014	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 128	¥ 71	¥ 56
Subtotal	128	71	56
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	70	86	(15)
Subtotal	70	86	(15)
Total	¥ 198	¥ 157	¥ 40

Sales of securities classified as other securities for the year ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Proceeds from sales	¥ 3	¥ 154	$ 25
Gain on sales	0	97	0
Loss on sales	—	—	—

Unlisted equity securities of ¥182 million ($1,515 thousand) and ¥205 million at March 31, 2015 and 2014, respectively, are not included in the above table because there is no market value thereof and future cash flows cannot be estimated therefor, thus, making it extremely difficult to measure the fair value.

5. INVESTMENT IN AN AFFILIATE

The aggregate carrying amount of investment in an affiliate as of March 31, 2015 and 2014 was ¥133 million ($1,107 thousand) and ¥126 million, respectively.

6. INVENTORIES

a) Inventories at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Work in process	¥ 7,314	¥ 5,841	$ 60,864
Purchased goods and materials	2,820	2,308	23,467
Total	¥ 10,134	¥ 8,149	$ 84,331

b) Losses from revaluation of the lower of cost or net selling value for the years ended March 31, 2015 and 2014 were ¥-146 million ($-1,215 thousand) and ¥638 million, respectively.

c) Losses on sales contracts for the years ended March 31, 2015 and 2014 were ¥132 million ($1,098 thousand) and ¥151 million, respectively.

d) Accrued losses on sales contracts and work in process corresponding to the loss contract are not offset in the accompanying consolidated balance sheets.
Work in process inventories corresponding to accrued losses on sales contracts at March 31, 2015 and 2014 are as follows

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Work in process	¥ 44	¥ 212	$ 366

7. GOODWILL

Goodwill at March 31, 2015 and 2014 are recorded in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Intangibles, net of accumulated amortization	¥ 2,728	¥ 3,502	$ 22,701

According to the Article 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (Accounting Practice Committee Statement No. 7 amended on November 28, 2014 by the Japan Institute of Certified Public Accountants), goodwill is amortized and the amortization of goodwill for the year ended March 31, 2015 is ¥413 million ($3,437 thousand) recognized in the Other income (expense).

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans and long-term debt are unsecured.

The weighted average interest rates of current installments of long-term debt for both the years ended March 31, 2015 and 2014 were approximately 0.8% and of long-term debt for both the years ended March 31, 2015 and 2014 were approximately 0.7%.

The annual maturities of long-term debt at March 31, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2016	¥ 3,168	$ 26,363
2017	163	1,356
2018	171	1,423
2019	171	1,423
2020	171	1,423

As of March 31, 2015, the Group executed a ¥10,000 million ($83,215 thousand) committed borrowing facility with three domestic banks, and there is no outstanding borrowings having been occurred during the year.

9. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 35.6% and 38.0% for 2015 and 2014, respectively. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 were changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.
Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥1,194 million ($9,936 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥1,100 million ($9,154 thousand), evaluation differences of other securities increased by ¥1 million ($8 thousand) and accumulated adjustments for employee retirement benefits decreased by ¥90 million ($749 thousand).

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2015 and 2014 differed from the statutory tax rate for the following reasons:

	2015	2014
Statutory tax rate	35.6%	38.0%
Effect of:		
Expenses not deductible for tax purposes	1.0	0.9
Inhabitant tax per capita levy	0.9	0.9
Tax credit	(3.5)	(0.3)
Increase (decrease) in valuation allowance	1.9	(0.1)
Adjustments of deferred tax assets due to change in statutory tax rate	7.6	2.4
Amortization of goodwill	1.5	0.4
Other, net	1.3	(1.1)
Effective tax rate	46.3%	41.1%

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,477	¥ 2,451	$ 20,612
Social security contribution on employees' bonuses	329	325	2,738
Allowance for doubtful receivables	32	585	266
Accrued enterprise tax	360	372	2,996
Loss on revaluation of inventories	1,534	2,072	12,765
Unrealized profit on inventories	38	36	316
Accrued losses on sales contracts	53	129	441
Depreciation	338	367	2,813
Software	20	61	166
Asset retirement obligations	284	267	2,363
Liability for retirement benefits	8,675	8,600	72,189
Stock dividends	112	123	932
Impairment loss on investment securities	63	65	524
Asset adjustment account	321	468	2,671
Tax loss carry-forwards	957	328	7,964
Other	175	575	1,456
Subtotal	15,775	16,832	131,272
Valuation allowance	(1,351)	(1,167)	(11,242)
Total	14,424	15,665	120,030
Deferred tax liabilities:			
Asset for retirement benefits	(305)	–	(2,538)
Restoration cost for asset retirement obligations	(163)	(175)	(1,356)
Goodwill	(426)	(527)	(3,545)
Liability adjustment account	(172)	(196)	(1,431)
Other	(58)	(31)	(483)
Total	(1,126)	(931)	(9,370)
Net deferred tax assets	¥ 13,298	¥ 14,734	$ 110,660

Net deferred tax assets and liabilities as of March 31, 2015 and 2014 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets - Deferred tax assets	¥ 4,778	¥ 5,255	$ 39,760
Investments and other assets - Deferred tax assets	8,578	9,518	71,382
Long-term liabilities – Other liabilities	(59)	(40)	(491)

10. RETIREMENT BENEFIT PLANS

The Company and its consolidated subsidiaries have funded or unfunded defined benefit plans and defined contribution plans.

Lump-sum or annuity payments are paid from the corporate defined benefit pension plans, all of which are funded based on the employees' job grade and length of service.

Lump-sum payments are paid from unfunded lump-sum payment plans based on the employees' job grade, performance and length of service.

Certain consolidated subsidiaries use a simplified method for calculating retirement benefit asset and liability and retirement benefit costs that for lump-sum payment plans, the payment for voluntary retirement at fiscal year-end is deemed as retirement benefit obligation, and for annuity payment plans, the actuarial obligation on pension finance calculation in the recent years is deemed as the retirement benefit obligation.

As the merger with the Company on February 2015, NEC Networks & System Integration Engineering Ltd., who had adopted the simplified method for the measurement of the retirement benefit obligation, has applied the standard method in consistency with the regulations of retirement benefit plans, which resulted in the recognition of retirement benefit costs in the Other income (expense) for the year ended March 31, 2015 amounting to ¥573 million ($4,768 thousand) for the difference in the provision balances.

The information for the Company's and the consolidated subsidiaries' defined benefit plans at March 31, 2015 and 2014 for the years then ended is as follows.

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligation at beginning of year	¥ 48,899	¥ 44,367	$ 406,915
Cumulative effects of changes in accounting policies	1,943	—	16,169
Retirement benefit obligation with restatement at beginning of year	50,842	44,367	423,084
Service cost	2,318	2,141	19,289
Interest cost	698	833	5,808
Actuarial gain and loss	(213)	(488)	(1,772)
Benefits paid	(1,815)	(1,870)	(15,104)
Changes resulting from business combination	550	2,842	4,577
Expenses arising from the changes in accounting policy from the simplified method to the standard method	467	—	3,886
Other	15	1,073	125
Retirement benefit obligation at end of year	¥ 52,864	¥ 48,899	$ 439,910

Note: The above table excludes certain plans that have adopted the simplified method.

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Plan assets at beginning of year	¥ 25,591	¥ 22,149	$ 212,957
Expected return on plan assets	628	566	5,226
Actuarial gain and loss	1,426	1,013	11,867
Contributions paid by the employer	1,713	1,924	14,255
Benefits paid	(1,044)	(1,148)	(8,688)
Changes resulting from business combination	500	1,016	4,161
Other	7	68	58
Plan assets at end of year	¥ 28,823	¥ 25,591	$ 239,852

Note: The above table excludes certain plans that have adopted the simplified method.

(3) Reconciliation of changes in liability for retirement benefits whose plans adopted the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liability for retirement benefits at beginning of year	¥ 844	¥ 431	$ 7,023
Retirement benefit costs	119	135	990
Benefits paid	(52)	(72)	(433)
Changes resulting from business combination	(50)	350	(416)
Other	(63)	—	(524)
Liability for retirement benefits at end of year	¥ 798	¥ 844	$ 6,641

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligation	¥ 28,992	¥ 26,869	$ 241,258
Plan assets	(29,215)	(25,591)	(243,114)
	(223)	1,277	(1,856)
Unfunded retirement benefit obligation	25,062	22,875	208,555
Net liability for retirement benefits	¥ 24,839	¥ 24,152	$ 206,699
Liability for retirement benefits	¥ 25,832	¥ 24,152	$ 214,962
Asset for retirement benefits	(992)	(0)	(8,255)
Net liability for retirement benefits	¥ 24,839	¥ 24,152	$ 206,699

Note: The above table includes certain plans that have adopted the simplified method.

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 2,318	¥ 2,141	$ 19,289
Interest cost	698	833	5,808
Expected return on plan assets	(628)	(566)	(5,226)
Net actuarial loss amortization	1,359	1,324	11,309
Past service costs amortization	(477)	(477)	(3,969)
Retirement benefit costs calculated by the simplified method	119	135	990
Other	479	8	3,986
Retirement benefit costs	¥ 3,869	¥ 3,399	$ 32,196

Note: Other in 2015 represents the expenses arising from the changes in accounting policy from the simplified method to the standard method.

(6) Adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs	¥ (477)	¥ —	$ (3,969)
Actuarial gains and losses	2,998	—	24,948
Total	¥ 2,521	¥ —	$ 20,979

(7) Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs that are yet to be recognized	¥ (2,774)	¥ (3,252)	$ (23,084)
Actuarial gains and losses that are yet to be recognized	5,631	8,632	46,859
Total	¥ 2,856	¥ 5,379	$ 23,766

(8) Plan assets
(a) The components of plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Debt securities	¥ 15,120	¥ 13,200	$ 125,822
Equity securities	5,194	4,524	43,222
General account	3,025	3,098	25,173
Other	5,483	4,768	45,627
Total	¥ 28,823	¥ 25,591	$ 239,852

Note: Total plan assets include ¥579 million ($4,818 thousand) in a retirement benefit trust established for the corporate pension plan as of March 31, 2015 and 2014, respectively.

(b) Long-term expected rate of return
Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 and 2014 (expressed as weighted averages) are as follows:

	2015	2014
Discount rate	1.4%	1.7%
Long-term expected rate of return	2.5%	2.5%
Expected increase rate of salary	5.9%	5.9%

The amounts to be paid by the Company and its consolidated subsidiaries to the defined contribution plans were ¥439 million ($3,653 thousand) and ¥399 million for the years ended March 31, 2015 and 2014.

11. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations are based on estimated future restoration obligations related to leasehold contracts of head office and other facilities.

The obligations are calculated based on the estimated office rental period of mainly 20 years and a discounted rate of 1.7%.

The following table provides Company's total asset retirement obligations for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance, beginning of year	¥ 774	¥ 333	$ 6,441
Obligations incurred by asset acquisition	189	468	1,573
Obligations settled	(99)	(34)	(824)
Accretion expense	42	6	350
Remeasurements	(35)	–	(291)
Balance, end of year	¥ 871	¥ 774	$ 7,248

12. SHAREHOLDERS' EQUITY

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal earnings reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal earnings reserve equals 25% of their respective stated capital. The Companies Act also provides that additional paid-in capital and legal earnings reserve are available for appropriations by the resolution of the shareholders. The legal earnings reserve amounted to ¥546 million ($4,544 thousand) as of both March 31, 2015 and 2014. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Cash dividends charged to retained earnings for the years ended March 31, 2015 and 2014 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

The movement of treasury stock is as follows:

	Shares	
	2015	2014
At beginning of year	51,535	48,119
Increase- acquisition of treasury stock arising from the exercise of appraisal rights of dissenting shareholders in an absorption-type merger	80,000	—
Increase - purchase of odd lot shares	1,973	3,436
Decrease - sale of odd lot shares	95	20
At end of year	133,413	51,535

a) Dividends paid during the year ended March 31, 2014

The following was approved by the Board of Directors on April 26, 2013.

(a)	Total dividends	¥1,292 million
(b)	Cash dividends per common share	¥26
(c)	Record date	March 31, 2013
(d)	Effective date	June 4, 2013

The following was approved by the Board of Directors on October 30, 2013.

(a)	Total dividends	¥1,491 million
(b)	Cash dividends per common share	¥30
(c)	Record date	September 30, 2013
(d)	Effective date	December 3, 2013

b) Dividends paid during the year ended March 31, 2015

The following was approved by the Board of Directors on April 28, 2014.

(a)	Total dividends	¥1,491 million ($12,407 thousand)
(b)	Cash dividends per common share	¥30 ($0.25)
(c)	Record date	March 31, 2014
(d)	Effective date	June 3, 2014

The following was approved by the Board of Directors on October 30, 2014.

(a)	Total dividends	¥1,591 million ($13,240 thousand)
(b)	Cash dividends per common share	¥32 ($0.27)
(c)	Record date	September 30, 2014
(d)	Effective date	December 2, 2014

c) Dividends to be paid after March 31, 2015 although record date for payment falls within the year ended March 31, 2015

The following was approved by the Board of Directors on April 28, 2015.

(a)	Total dividends	¥1,588 million ($13,215 thousand)
(b)	Dividend source	Retained earnings
(c)	Cash dividends per common share	¥32 ($0.27)
(d)	Record date	March 31, 2015
(e)	Effective date	June 2, 2015

13. CONTINGENT LIABILITIES

At March 31, 2015, the Company was contingently liable as guarantor of indebtedness of the Company's employees in the aggregate amount of ¥26 million ($216 thousand).

14. LEASES

Operating leases

Future minimum operating lease payments subsequent to March 31, 2015 and 2014 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 883	¥ 2,480	$ 7,348
Due over one year	1,783	2,663	14,837
Total	¥ 2,667	¥ 5,143	$ 22,194

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The significant components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Employees salary	¥ 14,998	¥ 13,467	$ 124,807
Provision for bonuses to directors and corporate auditors	114	107	949
Retirement benefit costs	1,164	1,161	9,686
Provision of allowance for doubtful accounts	2	–	17

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses amounted to ¥428 million ($3,562 thousand) and ¥632 million for the years ended March 31, 2015 and 2014, respectively.

17. OTHER COMPREHENSIVE INCOME

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized holding gain on other securities:			
Unrealized holding gain arising during the year	¥ 31	¥ 19	$ 258
Reclassification adjustment for gain/loss realized in net income	(0)	—	(0)
Before tax amount	31	19	258
Tax	(11)	(7)	(92)
Net-of-tax amount	19	12	158
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	342	303	2,846
Reclassification adjustment for gain/loss realized in net income	—	—	—
Before tax amount	342	303	2,846
Tax	(4)	(3)	(33)
Net-of-tax amount	337	299	2,804
Adjustments for retirement benefit:			
Adjustments for retirement benefit arising during the year	1,639	—	13,639
Reclassification adjustment for gain/loss realized in net income	882	—	7,340
Before tax amount	2,521	—	20,979
Tax	(989)	—	(8,230)
Net-of-tax amount	1,532	—	12,749
Total other comprehensive income	¥ 1,888	¥ 312	$ 15,711

18. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2015	2014	2015
Net income per share	¥ 156.72	¥ 166.06	$ 1.30
Net assets per share	1,864.61	1,760.06	15.52

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. There is no equity instrument issued that has dilutive effect on earnings per share.

As described in note 2 (l), the Company has applied the "Accounting Standard for Retirement Benefits," and the current consolidated financial statements conform to the transition provision as described in Article 37 of the "Accounting Standard for Retirement Benefits." As a result, net assets per share at March 31, 2015 decreased by ¥27.02.
Amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at year-end.

19. FINANCIAL INSTRUMENTS

Conditions of Financial instruments

(1) Management policy

The Group makes short-term deposits or uses high-security financial instruments for fund management purposes. The Group obtains funding for capital expenditure plans mainly through bank loans.
The Group utilizes derivative financial instruments to hedge various risks as described in detail below and does not enter into derivatives for trading or speculative purposes.

(2) Financial instruments and risks

The notes and accounts receivable are exposed to credit risk of customers. Operating receivables and payables denominated in foreign currencies are exposed to foreign currency fluctuation risk.
Marketable and investment securities, except for short-term investments, are held for business and capital alliances with business associates, and are exposed to stock market fluctuation risk.
Maturities of notes and accounts payable are within one year.
Debts are for funding capital expenditure, and their maximum maturities are 8 years and 10 years after the balance sheet date for the years ended March 31, 2015 and 2014, respectively. All of the obligations have fixed interest rates and are not exposed to interest rate risk.
In order to hedge the foreign exchange rates fluctuation risk associated with operating receivables and payables denominated in foreign currencies, forward foreign exchange contracts are used.
Hedge accounting is applied for certain derivative transactions. Please refer to note 2 (n).

(3) Financial instruments risk management

1) Credit risk

To mitigate and quickly capture collectability issues, the Group regularly monitors customers' credit status, and performs due date controls and balance controls for each customer.
When the Group utilizes derivatives or deposits money and purchases securities for cash management purposes, to mitigate the counterparty risk, the counterparties to these transactions are financial institutions with high credit ratings.

2) Market risk

The Group comprehends foreign currency fluctuation risk by currency and by month, and to mitigate the risk, the Group enters into a forward exchange contract for hedging the cash flow fluctuation risk associated with operating receivables and payables denominated in foreign currencies.
To mitigate the stock market fluctuation risk, the Group regularly monitors stock prices and financial status of its business associates and continuously considers whether the Group holds the stock.
Derivative transactions entered into by the Group are in accordance with policies and rules that provide for risk management, approvals, reporting and verifications.

3) Liquidity risk

To mitigate the liquidity risk, the Group prepares and updates its funds management plan on a timely basis, and maintains an appropriate level of liquidity through its cash and cash equivalents and unused committed lines.

(4) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which quoted market price is not available is calculated based on certain assumptions, and the fair value may differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in note 20 (DERIVATIVES) does not represent the market risk of the derivative transactions.

(5) Concentration of credit risk

At both March 31, 2015 and 2014, 34% and 33% of operating receivables were receivables from a certain major customer.

Fair value of financial instruments

The carrying amount on the consolidated balance sheets, fair value and differences as of March 31, 2015 and 2014 are as follows.

Financial instruments, of which the fair value is extremely difficult to measure, are not included. (Please see (2) "Financial instruments of which the fair value is extremely difficult to measure")

	Millions of yen			Thousands of U.S. dollars		
March 31, 2015	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Assets:						
(1) Cash and cash equivalents	¥ 38,951	¥ 38,951	¥ —	$ 324,132	$ 324,132	$ —
(2) Notes and accounts receivable	113,921	113,921	—	947,999	947,999	—
(3) Investments securities:						
Other securities	234	234	—	1,947	1,947	—
Total	¥ 153,107	¥ 153,107	¥ —	$ 1,274,087	$ 1,274,087	$ —
Liabilities:						
(1) Notes and accounts payable	¥ 48,662	¥ 48,662	¥ —	$ 404,943	$ 404,943	$ —
(2) Short-term bank loans	1,633	1,633	—	13,589	13,589	—
(3) Current installments of long-term debt	3,168	3,168	—	26,363	26,363	—
(4) Long-term debt	1,349	1,349	—	11,226	11,226	—
Total	¥ 54,813	¥ 54,813	¥ —	$ 456,129	$ 456,129	$ —
Derivative transactions	¥ (147)	¥ (147)	¥ —	$ (1,223)	$ (1,223)	$ —

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and cash equivalents	¥ 44,434	¥ 44,434	¥ —
(2) Notes and accounts receivable	95,975	95,975	—
(3) Investments securities:			
Other securities	198	198	—
Total	¥ 140,608	¥ 140,608	¥ —
Liabilities:			
(1) Notes and accounts payable	¥ 43,191	¥ 43,191	¥ —
(2) Short-term bank loans	1,742	1,742	—
(3) Current installments of long-term debt	171	171	—
(4) Long-term debt	4,518	4,517	(1)
Total	¥ 49,623	¥ 49,622	¥ (1)
Derivative transactions	¥ (6)	¥ (6)	¥ —

* Derivative receivables and liabilities are on a net basis.

(1) Fair value measurement of financial instruments
Assets:
1) Cash and cash equivalents
The carrying amount approximates fair value because of the short maturity of these instruments.

2) Notes and accounts receivable
The carrying amount approximates fair value because of the short maturity of these instruments.

3) Investment securities
The fair value of equity securities is calculated by the quoted market price. Please see note 4 (INVESTMENT SECURITIES) for information by category.

Liabilities:
1) Notes and accounts payable
The carrying amount approximates fair value because of the short maturity of these instruments.

2) Short-term bank loans
The carrying amount approximates fair value because of the short maturity of these instruments.

3) Current installments of long-term debt
The carrying amount approximates fair value because of the short maturity of these instruments.

4) Long-term debt
Fair value of long-term debts is based on the present value of future cash flows discounted using the current borrowing rate for similar debt with comparable maturity.

Derivative transactions:
Please see note 20 (DERIVATIVES).

(2) Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted equity securities	¥ 182	¥ 205	$ 1,515
Investment in an affiliate	133	126	1,107

(3) Projected future redemption of monetary claims and securities with maturities at March 31, 2015

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 38,951	¥ –	¥ –	¥ –
Notes and accounts receivable	113,921	–	–	–
	¥ 152,873	¥ –	¥ –	¥ –

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 324,132	$ –	$ –	$ –
Notes and accounts receivable	947,999	–	–	–
	$ 1,272,139	$ –	$ –	$ –

(4) The annual maturities of long-term debt and other interest-bearing debt at March 31, 2015

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥ 1,633	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term debt	3,168	163	171	171	171	671

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	$ 13,589	$ –	$ –	$ –	$ –	$ –
Long-term debt	26,363	1,356	1,423	1,423	1,423	5,584

20. DERIVATIVES

The Company enters into forward exchange contracts with major Japanese banks in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates.

At March 31, 2015 and 2014, the disclosure of fair value information for derivatives which are not accounted for as hedges is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2015	Contract amount	Fair value	Valuation gain	Contract amount	Fair value	Valuation gain
Forward exchange contracts:						
To sell foreign currency:						
Thai baht	¥ 729	¥ (143)	¥ (143)	$ 6,066	$ (1,190)	$ (1,190)
To buy foreign currency:						
U.S. dollars	72	0	0	599	0	0
Euro	48	(4)	(4)	399	(33)	(33)
Total	¥ 850	¥ (147)	¥ (147)	$ 7,073	$ (1,223)	$ (1,223)

	Millions of yen		
March 31, 2014	Contract amount	Fair value	Valuation gain
Forward exchange contracts:			
To sell foreign currency:			
Thai baht	¥ 307	¥ (6)	¥ (6)
U.S. dollars	17	(0)	(0)
To buy foreign currency:			
U.S. dollars	52	(0)	(0)
Total	¥ 377	¥ (6)	¥ (6)

The fair value of forward exchange contracts is computed based on quotes from counterparties.

21. RELATED PARTY TRANSACTIONS

(1) The Company's balances with related parties and related transactions

NEC Corporation owned 51.49% and 51.42% of the Company's outstanding common stock as of March 31, 2015 and 2014, respectively.
Balances with NEC Corporation at March 31, 2015 and 2014, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Construction and maintenance of network system:			
Transactions:			
Sales	¥ 82,202	¥ 81,799	$ 684,048
Balances:			
Accounts receivable	¥ 36,220	¥ 29,039	$ 301,406
Advances received	469	562	3,903
Purchases of communication device:			
Transactions:			
Purchases	¥ 44,684	¥ 36,185	$ 371,840
Balances:			
Accounts payable	¥ 14,588	¥ 10,755	$ 121,395

NEC Facilities, Ltd. is a subsidiary of NEC Corporation at March 31, 2015 and 2014. Balances with NEC Facilities, Ltd. at March 31, 2015 and 2014, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Rental of a buildings:			
Transactions:			
Lease deposit payments	¥ 79	¥ 113	$ 657
Lease deposit repayments	72	72	599
Balances:			
Lease deposits	¥ 1,630	¥ 1,623	$ 13,564

22. SEGMENT INFORMATION

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine the distribution of management resources and evaluate their business results. The "enterprises networks business," "carrier networks business" and "social infrastructures business" are the Company's reportable segments. The Company combines business segments which have similar economic characteristics into these reportable segments. The business segments are based on the operation headquarters by service lines, which are the units used for internal reporting for performance management.
The enterprises networks business mainly renders service integration relating to ICT solution for enterprises. The segment renders total office solution services based on ICT with securities or environmental solutions and related operating/monitoring services, as well as outsourcing services using our own data centers and contact centers.
The carrier networks business mainly renders service integration for telecom carriers' ICT platforms (from mobile communications base stations to core networks), including systems integration, installation, and related services such as operations and monitoring, and systems integration of large-scale, wide-area, carrier-grade ICT platforms and data centers and the related operations/ monitoring services.
The social infrastructures business mainly renders service integration of ICT infrastructure for governments and public utilities (broadcasters, electric power companies, etc.), such as systems integration, installation, operation, and monitoring, and operations in markets other than the Tokyo, Nagoya, and Osaka areas.
Segment sales, income, assets and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements.

The Group has reviewed its operational structure, aiming to enhance it by restructuring it in accordance with markets. In the fiscal year under review, the Group has changed the contents of business segments, and construction work for carriers, including the construction of mobile communications base stations, has been transferred from the social infrastructure segment to the carrier networks segment, among other changes.
Segment information for the previous fiscal year has been changed to reflect the changes in the content of business segments.

The reported segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen					
March 31, 2015	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Sales:						
(1) Sales to third parties	¥ 99,269	¥ 76,631	¥ 96,782	¥ 19,481	¥ —	¥ 292,164
(2) Intersegment sales	—	—	—	—	—	—
Total	¥ 99,269	¥ 76,631	¥ 96,782	¥ 19,481	¥ —	¥ 292,164
Segment income	¥ 7,171	¥ 7,052	¥ 9,606	¥ 195	¥ (7,868)	¥ 16,158
Segment assets	¥ 43,658	¥ 25,524	¥ 62,202	¥ 10,846	¥ 59,731	¥ 201,964
Others:						
Depreciation and amortization	¥ 1,185	¥ 208	¥ 174	¥ 163	¥ 1,073	¥ 2,805
Purchases of property and equipment, and intangible assets	2,357	186	153	135	643	3,476
Investments in an affiliate accounted for by the equity method	133	—	—	—	—	133

March 31, 2015	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
	Thousands of U.S. dollars					
Sales:						
(1) Sales to third parties	$ 826,071	$ 637,688	$ 805,376	$ 162,112	$ —	$ 2,431,256
(2) Intersegment sales	—	—	—	—	—	—
Total	$ 826,071	$ 637,688	$ 805,376	$ 162,112	$ —	$ 2,431,256
Segment income	$ 59,674	$ 58,684	$ 79,937	$ 1,623	$ (65,474)	$ 134,460
Segment assets	$ 363,302	$ 212,399	$ 517,617	$ 90,255	$ 497,054	$ 1,680,652
Others:						
Depreciation and amortization	$ 9,861	$ 1,731	$ 1,448	$ 1,356	$ 8,929	$ 23,342
Purchases of property and equipment, and intangible assets	19,614	1,548	1,273	1,123	5,351	28,926
Investments in an affiliate accounted for by the equity method	1,107	—	—	—	—	1,107

March 31, 2014	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
	Millions of yen					
Sales:						
(1) Sales to third parties	¥ 90,804	¥ 78,335	¥ 82,627	¥ 18,559	¥ —	¥ 270,326
(2) Intersegment sales	—	—	—	—	—	—
Total	¥ 90,804	¥ 78,335	¥ 82,627	¥ 18,559	¥ —	¥ 270,326
Segment income	¥ 7,089	¥ 6,639	¥ 8,159	¥ 804	¥ (8,274)	¥ 14,418
Segment assets	¥ 35,796	¥ 34,103	¥ 44,094	¥ 9,999	¥ 65,065	¥ 189,059
Others:						
Depreciation and amortization	¥ 984	¥ 209	¥ 166	¥ 113	¥ 1,091	¥ 2,565
Purchases of property and equipment, and intangible assets	1,847	278	178	170	1,225	3,700
Investments in an affiliate accounted for by the equity method	126	—	—	—	—	126

Notes:

1. "Others" includes Toyo Networks & System Integration Co., Ltd. and purchases of information and telecommunications equipment, etc., which are not included in the reported segments.
2. “Adjustments” of ¥7,868 million ($65,474 thousand) and ¥8,274 million in segment income for the years ended March 31, 2015 and 2014, respectively, are mainly administrative operation expenses.
3. “Adjustments” of ¥59,731 million ($497,054 thousand) and ¥65,065 million in segment assets at March 31, 2015 and 2014, respectively, mainly consist of surplus funds (cash and deposits), land, long-term deposits and assets relating to the administrative operations of the parent company.
4. Segment income is adjusted with operating income in the consolidated statements of income.
5. “Depreciation and amortization” and “purchases of property and equipment, and intangible assets” include long-term prepaid expenses and their amortization.

Related information

Related segment information for the years ended March 31, 2015 and 2014 are as follows:

(1) Information by products and services

Please refer to the reported segment information.

(2) Geographical information

1) Sales

Disclosures are omitted because sales to Japanese customers are over 90% of sales in the consolidated statements of income.

2) Property and equipment

Disclosures are omitted because property and equipment located in Japan are over 90% of property and equipment in the consolidated balance sheets.

(3) Information by major customers

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Customer name:			
NEC Corporation			
Sales	¥ 96,416	¥ 88,914	$ 802,330

The above sales are related to the "enterprise networks" segment, "carrier networks" segment and "social infrastructures" segment.

Information of impairment loss on fixed assets by reported segments for the years ended March 31, 2015 and 2014

There are no amounts to report.

Information of amortization of goodwill and balances of goodwill by reported segments as of and for the years ended March 31, 2015 and 2014

	Millions of yen					
March 31, 2015	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Amortization of goodwill	¥ 548	¥ 164	¥ —	¥ 60	¥ —	¥ 773
Balances of goodwill	811	1,315	—	601	—	2,728

Note: This figure includes "Amortization of goodwill" recognized as other income (expense).

	Thousands of U.S. dollars					
March 31, 2015	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Amortization of goodwill	$ 4,560	$ 1,365	$ —	$ 499	$ —	$ 6,433
Balances of goodwill	6,749	10,943	—	5,001	—	22,701

	Millions of yen					
March 31, 2014	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Amortization of goodwill	¥ 106	¥ 164	¥ —	¥ 60	¥ —	¥ 331
Balances of goodwill	1,360	1,479	—	662	—	3,502

Negative goodwill incurred by reported segments for the years ended March 31, 2015 and 2014

There are no material amounts to report.

KPMG

<u>Independent Auditor's Report</u>

To the Board of Directors of NEC Networks & System Integration Corporation:

We have audited the accompanying consolidated financial statements of NEC Networks & System Integration Corporation, and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NEC Networks & System Integration Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

June 23, 2015
Tokyo, Japan

Global Network (As of July 1, 2015)

Head Office

2-6-1 Koraku, Bunkyo-ku, Tokyo 112-8560, Japan
Tel: +81-3-6699-7000

Major Domestic Regional Offices

Higashinihon, Kanto Koshin-etsu, Nakanihon, Kansai, Nishinihon, Hokkaido, Tohoku, Kanto, Kanagawa, Niigata, Chubu, Shizuoka, Hokuriku, Keiji, Kobe, Chugoku, Shikoku, Kyushu

Subsidiaries and Affiliates

NEC Magnus Communications., Ltd.
Head office: Tokyo, Japan
Established: November 1985
Capitalization: ¥190 million
Voting rights: 100.0%
Subsidiaries: TOYO ALPHANET CO.,LTD.
TNSi Europe GmbH

Nichiwa Co.
Head office: Hyogo, Japan
Established: January 1953
Capitalization: ¥50 million
Voting rights: 100.0%

NEC Net Innovation, Ltd.
Head office: Miyagi, Japan
Established: August 1977
Capitalization: ¥45 million
Voting rights: 100.0%

Q&A Corporation
Head office: Tokyo, Japan
Established: July 1997
Capitalization: ¥897 million
Voting rights: 55.9%
Subsidiaries: D-Cubic Corporation
Q&A WORKS CO.,LTD.
Q&A ARCHITECT CO., LTD
LanguageOne Corporation

NEC Networks & System Integration Services, Ltd.
Head office: Tokyo, Japan
Established: July 1988
Capitalization: ¥60 million
Voting rights: 100.0%

NESIC BRASIL S/A
Head office: Sao Paulo, Brazil
Established: November 1976
Voting rights: 87.4%

NESIC (Thailand) Ltd.
Head office: Bangkok, Thailand
Established: March 1991
Voting rights: 49.0%

NESIC PHILIPPINES, INC.
Head office: Manila, The Philippines
Established: April 1991
Voting rights: 100.0%

NESIC (GUANGZHOU) CO., LTD.
Head office: Guangzhou, China
Established: August 1998
Voting rights: 100.0%

Networks & System Integration Saudi Arabia Co. Ltd.
Head office: Al-Khobar, Saudi Arabia
Established: April 2006
Voting rights: 95.0%

Certifications

ISO9001: 2008
Certificate No.: JQA-0471

ISO14001: 2004
Certificate No.: JQA-EM0640

ISO/IEC27001: 2013
Certificate No.: JQA-IM1279
Organization: Office Solutions Division
(Enterprise Solutions Operations Unit)
(NEC Shared IT Services Department
Security Control Center)

Certificate No.: JQA-IM1013
Organization: Kansai Solutions Division (Enterprise Solutions Operations Unit)
(1st Solutions Department)
(3rd Solutions Department)
Nishinihon Systems Division
(Public Infrastructures Solutions Operations Unit)
(Kansai Service Center)

Certificate No.: JQA-IM0190
Organization: New Solutions Promotion Division
(Enterprise Solutions Operations Unit)
(Cloud Integration Department / Cloud Services Department)

Certificate No.: BSKS0027
Organization: Public Systems Division
(Public Infrastructures Solutions Operations Unit)

Certificate No.: JQA-IM1086
Organization: Fire & Disaster Prevention Systems Division

Certificate No.: JQA-IM0351
Organization: Services Delivery Division
(ICT Help Desk Services Department)
(Remote Operation Services Department)

ISO/IEC 20000-1: 2011
Certificate No.: JQA-IT0037
Organization: Enterprise Solutions Division /
Customer Engineering Division /
New Solutions Promotion Division /
Service Infrastructure Division /
Kansai Solutions Division
*As of March 31, 2015

Privacy Mark
Certificate No.: 21000053

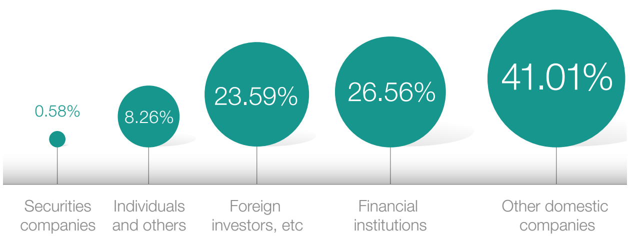
ISO 22301: 2012
(Business Continuity Management System)
Certificate No.: BCMS 539922
Certified Organization: NEC Group
Scope of the Certification of NESIC Group:
Network Operation & Maintenance Bussiness of Telecom Carrier Business Unit Carrier Operation and Maintenance Business

Investor Information (As of March 31, 2015)

Corporate Data

Corparate Name	NEC Networks & System Integration Corporation
Established	December 1, 1953 (registered as a stock company on November 26, 1953)
Number of Employees	5,009 (Non-consolidated) 7,260 (Consolidated)
URL	http://www.nesic.co.jp/english/
Listing	Tokyo Stock Exchange, First Section
Ticker Code	1973
Fiscal Year	April 1 - March 31 Annual meeting held in June
Common Stock Authorized	100,000,000 shares
Issued	49,773,807 shares
Number of Shareholders	8,064
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Independent Auditors	KPMG AZSA & Co.

Composition of Shareholders



Major Shareholders

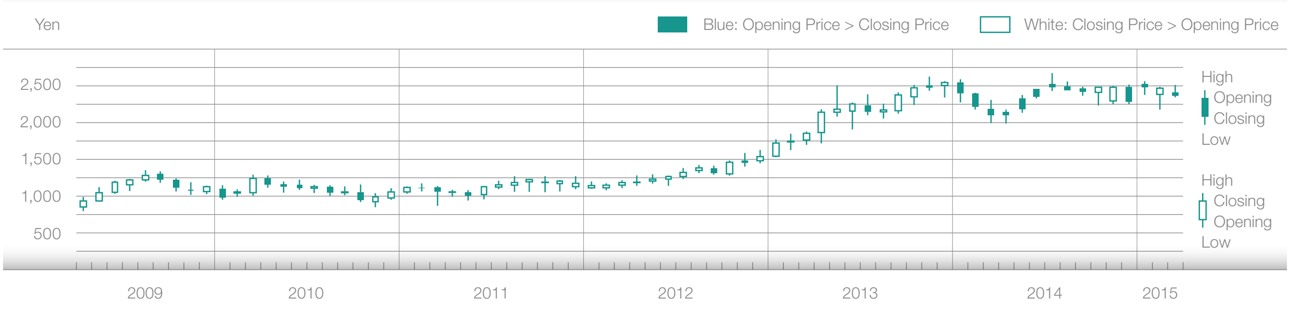
Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding [2]
NEC Corporation	19,106	38.49%
Japan Trustee Services Bank, Ltd. [*1] (Sumitomo Mitsui Trust Bank, Limited beneficiary trust account, NEC Corporation retirement benefit trust account)	6,400	12.89%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,403	2.83%
CMBL S.A. RE MUTUAL FUNDS	1,303	2.63%
Japan Trustee Services Bank, Ltd. (Trust account)	1,241	2.50%
Sumitomo Realty & Development Co., Ltd.	1,200	2.42%
Japan Trustee Services Bank, Ltd. (Trust account9)	1,094	2.20%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	745	1.50%
Employees' Stock Ownership Plan	663	1.34%
JP MORGAN CHASE BANK 385166	651	1.31%

Notes

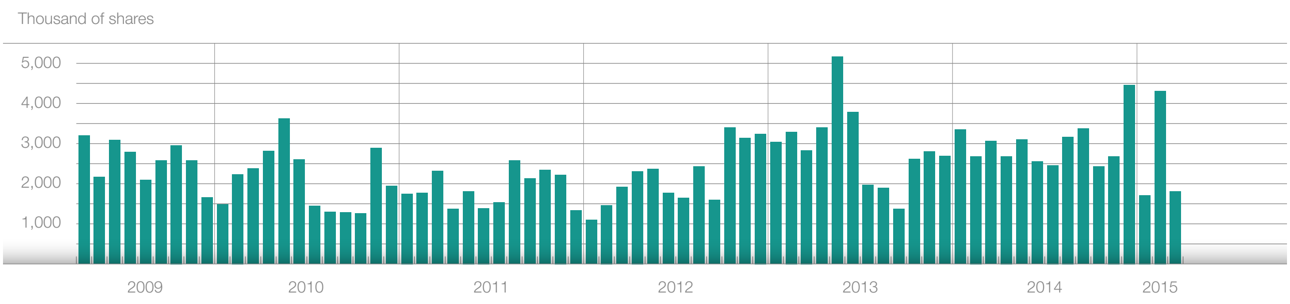
1 Shares held by Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited beneficiary trust account, NEC Corporation retirement benefit trust account) give NEC Corporation material voting rights because NEC Corporation has contributed shares of the Company to its retirement benefit trust. The percentage of material voting rights held by NEC Corporation as of March 31, 2015 was 51.49%.

2 The percentage of total shares outstanding is calculated based on the number of shares excluding treasury stock (133,513 shares).

Monthly Stock Price Range



Monthly Trading Volume



NEC NEC Networks & System Integration Corporation

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http://www.nesic.co.jp/english/