

The following is an English translation of the Notice of the 176th Ordinary General Meeting of Shareholders of NEC Corporation (the "Company") to be held on June 23, 2014 (including the Business Report, Consolidated Financial Statements, Notes to Consolidated Financial Statements and Non-consolidated Financial Statements with respect to the 176th Business Period from April 1, 2013 to March 31, 2014, and report on the results of the audit on the Consolidated Financial Statements conducted by Independent Auditors and the Board of Corporate Auditors), EXCEPT for the translation of any instructions on voting rights and the access map for the place of the meeting in the Notice and the Notes to Non-consolidated Financial Statements. This translation includes the Notes to Consolidated Financial Statements, and the Japanese original thereof is provided only through the Company's website (<http://jpn.nec.com/ir>). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

NEC Corporation

Securities Code 6701

7-1, Shiba 5-chome,
Minato-ku, Tokyo

Nobuhiro Endo
President

May 30, 2014

To Our Shareholders:

NOTICE OF
THE 176TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

This is to inform you that the Hundred and Seventy-Sixth Ordinary General Meeting of Shareholders (the "Meeting") of NEC Corporation (the "Company") will be held as follows:

1. **DATE:** June 23, 2014 (Monday) at 10:00 a.m. (Japan Standard Time)
2. **PLACE:** Convention Hall, Second Basement Floor, The Prince Park Tower Tokyo
at 8-1, Shiba Koen 4-chome, Minato-ku, Tokyo
3. **AGENDA OF THE MEETING:**

MATTERS TO BE REPORTED UPON:

Report on the Business Report, the Consolidated Financial Statements and Financial Statements of the 176th Business Period from April 1, 2013 to March 31, 2014, and report on the results of the audit conducted on the Consolidated Financial Statements conducted by the Accounting Auditors and the Board of Corporate Auditors.

MATTERS TO BE VOTED UPON:

- Proposal No. 1: Election of Eleven Directors
Proposal No. 2: Election of Two Corporate Auditors
Proposal No. 3: Approval of Payment of Bonuses to Directors

In the event that the Company finds any correction(s) that should be made in the reference documents for the Meeting, the Business Report, the Consolidated Financial Statements and the Financial Statements (including Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements), such correction(s) will be specified through the Company's website (<http://jpn.nec.com/ir>).

REFERENCE DOCUMENTS FOR THE MEETING

Proposed Matters for Voting and reference matters thereof:

Proposal No. 1: Election of Eleven (11) Directors

Upon the close of the Meeting, the term of office as Director of all eleven Directors will expire. It is proposed that eleven Directors be elected.

The candidates are as follows:

Name (Date of Birth)		Number of the Company's Shares Held	
1. Kaoru Yano (February 23, 1944)	<p>April 1966 June 1995 June 1999 December 2000 April 2002 October 2002 April 2003 June 2004 April 2006 April 2010 April 2012</p>	<p>Joined the Company Member of the Board Senior Vice President and Member of the Board Senior Vice President and Member of the Board, Company Deputy President of NEC Networks Senior Vice President and Member of the Board, Company President of NEC Networks Executive Vice President and Member of the Board, Company President of NEC Networks Executive Vice President and Member of the Board Senior Executive Vice President and Member of the Board (Representative Director) President (Representative Director) Chairman of the Board (Representative Director) Chairman of the Board (to present)</p>	153,000
2. Nobuhiro Endo (November 8, 1953)	<p>April 1981 July 2005 April 2006 April 2009 June 2009 April 2010</p>	<p>Joined the Company Senior General Manager, Mobile Network Operations Unit Associate Senior Vice President, Executive General Manager, Mobile Network Operations Unit Senior Vice President Senior Vice President and Member of the Board President (Representative Director) (to present)</p>	211,000

Name (Date of Birth)			Number of the Company's Shares Held
3. Takashi Niino (September 8, 1954)	April 1977 April 2004 April 2005 April 2006 April 2008 August 2008 April 2010 June 2011 July 2011 April 2012	Joined the Company Executive General Manager, 2nd Solutions Sales Operations Unit Senior General Manager, 3rd Solutions Operations Unit Executive General Manager, Financial Solutions Operations Unit Associate Senior Vice President, Executive General Manager, Financial Solutions Operations Unit Associate Senior Vice President Senior Vice President Senior Vice President and Member of the Board Senior Vice President, CSO (Chief Strategy Officer) and Member of the Board Senior Executive Vice President, CSO (Chief Strategy Officer) , CIO (Chief Information Officer) and Member of the Board (Representative Director) (to present)	42,000
4. Junji Yasui (January 3, 1951)	April 1973 April 2003 April 2004 April 2005 April 2006 April 2008 June 2008 April 2010 July 2011 April 2012	Joined the Company Executive General Manager, Control Systems Operations Unit Associate Senior Vice President, Executive General Manager, 3rd Solutions Sales Operations Unit Associate Senior Vice President, Executive General Manager, 4th Solutions Operations Unit Associate Senior Vice President Senior Vice President Senior Vice President and Member of the Board Executive Vice President and Member of the Board Executive Vice President, CSCO (Chief Supply Chain Officer) and Member of the Board Senior Executive Vice President, CSCO (Chief Supply Chain Officer) and Member of the Board (Representative Director) (to present)	70,276
5. Takaaki Shimizu (September 23, 1954)	April 1978 April 2003 April 2006 October 2007 April 2010 July 2011	Joined the Company General Manager, 2nd Government Solutions Division Executive General Manager, Government Solutions Operations Unit Executive General Manager, Government and Public Solutions Operations Unit Associate Senior Vice President Senior Vice President	21,000

Name (Date of Birth)			Number of the Company's Shares Held
	April 2013	Senior Vice President, CMO (Chief Marketing Officer)	
	June 2013	Senior Vice President (currently, Executive Vice President), CMO(Chief Marketing Officer) and Member of the Board (to present)	
6. Isamu Kawashima (February 20, 1959)	April 1981	Joined the Company	35,000
	April 2009	General Manager, Corporate Controller Division	
	July 2010	General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division	
	June 2011	General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division and Member of the Board	
	July 2011	Associate Senior Vice President (currently, Senior Vice President), CFO (Chief Financial Officer) and Member of the Board (to present)	
7. Takeshi Kunibe (March 8, 1954) *Candidate for Outside Director	April 1976	Joined the Sumitomo Bank Limited (currently, Sumitomo Mitsui Banking Corporation “SMBC”)	0
	June 2003	Director, SMBC	
	October 2006	Managing Director, SMBC	
	June 2007	Director and Member of the Board of Directors, Sumitomo Mitsui Financial Group, Inc.(“SMFG”) (to present)	
	April 2009	Senior Managing Director and Member of the Board of Directors, SMBC	
	April 2011	President and Chief Executive Officer, SMBC (to present)	
	June 2011	Member of the Board of the Company (to present)	
Important Concurrent Positions: President and Chief Executive Officer, SMBC Director and Member of the Board of Directors, SMFG			
Reasons for Nomination of a Candidate: The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a bank.			
Attendance at meeting of the Board of Directors: 10 meetings out of 12 meetings			

Name (Date of Birth)			Number of the Company's Shares Held
8. Hitoshi Ogita (January 1, 1942) *Candidate for Outside Director	April 1965 March 1997 September 1997 March 2000 October 2000 March 2002 September 2002 March 2003 March 2006 March 2010 June 2012 March 2014	Joined Asahi Breweries, Ltd. (currently, Asahi Group Holdings, Ltd.) Director and General Manager of Fukuoka Branch, Asahi Breweries, Ltd. Director and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd. Managing Corporate Officer and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd. Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd. Senior Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd. Corporate Officer and Vice President, Asahi Soft Drinks, Co., Ltd. President and Representative Director, Asahi Soft Drinks, Co., Ltd. President and Representative Director, Asahi Breweries, Ltd. Chairman of the Board and Representative Director, Asahi Breweries, Ltd. Member of the Board of the Company (to present) Adviser to the Board, Asahi Group Holdings, Ltd. (to present)	10,000
Important Concurrent Positions: Adviser to the Board, Asahi Group Holdings, Ltd. Outside Director, Imperial Hotel, Ltd.			
Reasons for Nomination of a Candidate: The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company.			
Attendance at meeting of the Board of Directors: 10 meetings out of 12 meetings			
9. Kaori Sasaki (May 12, 1959) *Candidate for Outside Director	July 1987 March 2000 June 2012	President and CEO, UNICUL International, Inc. (to present) President and CEO, ewoman, Inc. (to present) Member of the Board of the Company (to present)	0
Important Concurrent Positions: President and CEO, UNICUL International, Inc. President and CEO, ewoman, Inc.			

Name (Date of Birth)		Number of the Company's Shares Held																		
	<p>Reasons for Nomination of a Candidate: The Company has nominated her as a candidate for Outside Director considering that she has superior character, discernment and high ethical standards. In addition, she would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and she has wide range of knowledge on marketing and perspective of consumers.</p> <p>Attendance at meeting of the Board of Directors: 10 meetings out of 12 meetings</p>																			
<p>10. Motoyuki Oka (September 15, 1943)</p> <p>*Candidate for Outside Director</p>	<table border="1"> <tr> <td data-bbox="501 680 715 719">April 1966</td> <td data-bbox="715 680 1233 719">Joined Sumitomo Corporation</td> </tr> <tr> <td data-bbox="501 719 715 779">June 1994</td> <td data-bbox="715 719 1233 779">Director and General Manager of Iron & Steel Division No.3, Sumitomo Corporation</td> </tr> <tr> <td data-bbox="501 779 715 840">April 1997</td> <td data-bbox="715 779 1233 840">Director and General Manager of Planning & Coordination Division, Sumitomo Corporation</td> </tr> <tr> <td data-bbox="501 840 715 958">April 1998</td> <td data-bbox="715 840 1233 958">Managing Director and General Manager of Planning & Coordination Division, Sumitomo Corporation</td> </tr> <tr> <td data-bbox="501 958 715 996">April 2001</td> <td data-bbox="715 958 1233 996">Senior Managing Director, Sumitomo Corporation</td> </tr> <tr> <td data-bbox="501 996 715 1057">June 2001</td> <td data-bbox="715 996 1233 1057">President and Chief Executive Officer, Sumitomo Corporation</td> </tr> <tr> <td data-bbox="501 1057 715 1140">June 2007</td> <td data-bbox="715 1057 1233 1140">Chairman of the Board of Directors, Sumitomo Corporation</td> </tr> <tr> <td data-bbox="501 1140 715 1178">June 2012</td> <td data-bbox="715 1140 1233 1178">Senior Adviser, Sumitomo Corporation (to present)</td> </tr> <tr> <td data-bbox="501 1178 715 1216">June 2013</td> <td data-bbox="715 1178 1233 1216">Member of the Board of the Company (to present)</td> </tr> </table> <p>Important Concurrent Positions: Senior Adviser, Sumitomo Corporation Outside Director, Japan Tobacco Inc.</p> <p>Reasons for Nomination of a Candidate: The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a <u>general trading company including the management of overseas firms.</u></p> <p>Attendance at meeting of the Board of Directors: 9 meetings out of 10 meetings</p>	April 1966	Joined Sumitomo Corporation	June 1994	Director and General Manager of Iron & Steel Division No.3, Sumitomo Corporation	April 1997	Director and General Manager of Planning & Coordination Division, Sumitomo Corporation	April 1998	Managing Director and General Manager of Planning & Coordination Division, Sumitomo Corporation	April 2001	Senior Managing Director, Sumitomo Corporation	June 2001	President and Chief Executive Officer, Sumitomo Corporation	June 2007	Chairman of the Board of Directors, Sumitomo Corporation	June 2012	Senior Adviser, Sumitomo Corporation (to present)	June 2013	Member of the Board of the Company (to present)	0
April 1966	Joined Sumitomo Corporation																			
June 1994	Director and General Manager of Iron & Steel Division No.3, Sumitomo Corporation																			
April 1997	Director and General Manager of Planning & Coordination Division, Sumitomo Corporation																			
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June 2001	President and Chief Executive Officer, Sumitomo Corporation																			
June 2007	Chairman of the Board of Directors, Sumitomo Corporation																			
June 2012	Senior Adviser, Sumitomo Corporation (to present)																			
June 2013	Member of the Board of the Company (to present)																			

Name (Date of Birth)			Number of the Company's Shares Held
11. Kunio Noji (November 17, 1946) *Candidate for Outside Director	April 1969	Joined Komatsu Ltd.	0
	June 1997	Director, Komatsu Ltd.	
	June 2001	Managing Director and President of Production Division and e-Komatsu Technical Center, Komatsu Ltd.	
	April 2003	Director and Senior Executive Officer and President of Construction & Mining Equipment Marketing Division, Komatsu Ltd.	
	April 2005	Director and Senior Executive Officer	
July 2006	Director and Senior Executive Officer and General Manager of KOMATSU Way Division, Komatsu Ltd.		
June 2007	President and CEO, Komatsu Ltd.		
April 2013	Chairman of the Board, Komatsu Ltd. (to present)		
June 2013	Member of the Board of the Company (to present)		
Important Concurrent Positions: Chairman of the Board, Komatsu Ltd. Outside Director, Ricoh Company, Ltd.			
Reasons for Nomination of a Candidate: The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company.			
Attendance at meeting of the Board of Directors: 10 meetings out of 10 meetings			

- Notes: 1. The Company has notified the Tokyo Stock Exchange on which the Company lists its shares, of each of Messrs. Hitoshi Ogita, Motoyuki Oka and Kunio Noji and Ms. Kaori Sasaki as an independent Director.
2. Mr. Takeshi Kunibe has been an Executing Person of SMBC, a major business partner of the Company for the last five years.
3. The Company has business relationship with SMBC of which Mr. Takeshi Kunibe is President and Chief Executive Officer, for the sales of the Company's products and provision of services including system construction, operation and maintenance, and borrowings from SMBC.
4. Mr. Takeshi Kunibe has served for three years, Mr. Hitoshi Ogita and Ms. Kaori Sasaki have served for two years, and Messrs. Motoyuki Oka and Kunio Noji have served for one year as Outside Directors of the Company.
5. The Company has entered into agreements with Messrs. Takeshi Kunibe, Hitoshi Ogita, Motoyuki Oka and Kunio Noji and Ms. Kaori Sasaki to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Companies Act (the "Liabilities Limitation Agreements") pursuant to Article 24 of the Company's Articles of Incorporation. The outline of the Liabilities Limitation Agreements is to limit their liabilities as stipulated in Paragraph 1, Article 423 of the Companies Act to the higher amount of 20 million yen or the amount provided in the Companies Act and the Regulation for Enforcement of the Companies Act on the condition that they have performed their duties as Directors in good faith and without gross negligence.
6. The positions and responsibilities in the Company of each proposed Director who is an existing Director, are described in "3.(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Corporate Auditors" of the Business Report (pages 21 to22).

Proposal No. 2: Election of Two (2) Corporate Auditors

Upon the close of the Meeting, Mr. Takao Ono will resign as Corporate Auditor and the term of office of Mr. Ryoji Nakagawa as Corporate Auditor will expire. It is proposed that two Corporate Auditors be elected. The consent of the Board of Corporate Auditors for this Proposal has been obtained.

The candidates are as follows:

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
Tetsuya Fujioka (September 29, 1958) *New candidate	April 1981 April 2010 April 2013 May 2014	Joined the Company General Manager, Corporate Finance Division Vice President, General Manager, Corporate Finance Division Vice President (to present)	8,100
	Important Concurrent Positions: Outside Director, NEC Capital Solutions Limited		
Kyoko Okumiya (June 2, 1956) *New candidate *Candidate for Outside Corporate Auditor	April 1984	Registered as an Attorney at Law	0
	Important Concurrent Positions: Attorney at law		
	Reasons for Nomination of a Candidate: The Company has nominated her as a candidate for Outside Corporate Auditor considering that she has superior character, discernment and high ethical standards. In addition, she would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and she has a lot of experience and professional insight as an attorney at law. Although she has never been involved in management of companies, the Company has judged that she can perform the duties as Outside Corporate Auditor for the reasons described above.		

Notes: 1. The Company will notify the Tokyo Stock Exchange of Ms. Kyoko Okumiya as an independent Corporate Auditor.

2. When Ms. Kyoko Okumiya is elected as a Corporate Auditor of the Company, the Company will enter into agreement with her to limit her liabilities as stipulated in Paragraph 1, Article 427 of the Companies Act (the "Liabilities Limitation Agreement") pursuant to Article 31 of the Company's Articles of Incorporation. The outline of the Liabilities Limitation Agreement is to limit her liabilities as stipulated in Paragraph 1, Article 423 of the Companies Act to the higher amount of 20 million yen or the amount provided in the Companies Act and the Regulation for Enforcement of the Companies Act on the condition that she has performed her duty as Corporate Auditor in good faith and without gross negligence.

Proposal No. 3: Approval of Payment of Bonuses to Directors

It is proposed that 72,000,000 yen be paid to the 6 Directors who are not Outside Directors and holding office as of the last day of the 176th Business Period as bonuses for the 176th Business Period in view of the results of operations and other factors.

BUSINESS REPORT

(For the period from April 1, 2013 to March 31, 2014)

1. Review of Operations

(1) Development and Results of Operations of the NEC Group

Overview

The worldwide economy during the fiscal year ended March 31, 2014 was characterized by a temporary deceleration in the United States due to reduced government expenditures from the influence of budgetary constraints as well as retreating expectations in the economic outlook. However, the region's economic recovery trend continued, centered mainly on consumer spending. In Europe, there were signs of a gradual recovery, but there was a deceleration in emerging markets, such as China and Russia. Overall, the worldwide economy experienced a gradual recovery.

The Japanese economy was characterized by solid performance due to the effects of aggressive monetary and fiscal policy measures as well as an increase in consumer spending owing to a rush in demand leading up to a rise in Japan's consumer tax. In the corporate sector, performance improved in both the manufacturing and non-manufacturing sectors due to the gradual recovery in exports and the expansion in domestic demand in addition to the gradual increase in capital investment centered on the non-manufacturing sector.

Under this business environment, the NEC Group moved forward with efforts supporting its "Mid-term Management Plan 2015," announced in April 2013, based on three management policies consisting of a "Focus on Solutions for Society," a "Focus on Asia, Promotion of Locally-led Business," and the goal to "Stabilize Our Financial Foundation" as part of realizing sustainable sales growth and establishing Social Solutions business with global expanding strength.

In terms of the "Focus on Solutions for Society," aiming to utilize its information and communications technologies (ICT) in order to provide advanced social infrastructure that helps to address the growing social needs that are expected to arise from the world's rising population and urbanization, the NEC Group made investments in the central domains of Software-Defined Networking (SDN), a next generation networking technology, Telecom Operations and Management Solutions (TOMS) and Big Data, where the NEC Group also achieved results by winning orders and participating in field trials.

Specifically, in the Public business, business expanded through the regional enlargement and wireless digitalization of fire-fighting command systems as well as the delivery of field communication systems for the Japan Ground Self-Defense Force. Moreover, the Company established National ID Business Promotion Department to drive business related to the National ID System being established by Japan's central and local governments in 2016, which will assign an identification number to each citizen in order to integrate their social security and tax related information. The Company has taken some orders for the National ID System.

In the Enterprise business, in addition to the expansion of its existing system integration business, the NEC Group also worked to expand its global business for retailers as well as new business in areas that include cloud services, SDN and Big Data.

Furthermore, the NEC Group's Telecom Carrier business focused on TOMS and SDN as pillars of business growth. In terms of TOMS, the NEC Group began offering telecommunications carriers a comprehensive operational management system that integrates Network Operations Support Systems (OSS) with Business Support Systems (BSS). In the SDN domain, the NEC Group provided the world's first commercial offering of a virtualized mobile core network solution as part of a communications infrastructure construction project in Myanmar. Additionally, the NEC Group promoted activities aimed at

commercializing services with leading global carriers such as Spain-based Telefonica.

In the Smart Energy business, the NEC Group won orders for smart meter communications units for the Tokyo Electric Power Company and provided large-capacity lithium-ion energy storage systems for one of Italy's leading power companies. Moreover, the Company reached an agreement to acquire the grid energy storage and commercial systems business of US-based A123 Systems, LLC as part of strengthening its energy storage system business, one of the core areas of the NEC Group's Smart Energy business.

The System Platform business that supports the Social Solutions business carried out a tender offer as part of making NEC Fielding, Ltd. a wholly-owned subsidiary in order to strengthen service delivery systems.

Regarding the "Focus on Asia, Promotion of Locally-led Business," in addition to the Company's establishment of Global Safety Division in Singapore as a base for global business solutions, the Company also established NEC Laboratories Singapore as a base for research in the same field, thereby promoting the locally-led Safety business. Moreover, the NEC Group made efforts to expand global business by winning orders for disaster prevention systems that capitalize on the disaster-resistant communications infrastructure of Taiwan and the Philippines, as well as orders for air traffic control systems from a member of the Association of Southeast Asian Nations (ASEAN).

Lastly, regarding the goal to "Stabilize Our Financial Foundation," the Company raised 130 billion yen through hybrid financing (subordinated loan). Furthermore, in order to strengthen cost competitiveness, the Company resolved to carry out a reorganization of subsidiaries that conduct development and production as well as subsidiaries that conduct indirect operations, such as human resources and general affairs.

Additionally, the NEC Group reviewed its business portfolio in order to centralize its management resources towards the Social Solutions business, ended the development of smartphones, which was a particularly challenging area in recent years, and the Company sold its shares in NEC Mobiling, Ltd. (currently MX Mobiling Co., Ltd.), which carried out mobile phone sales, to MX Holdings Co., Ltd. Moreover, the Company sold all of its shares in NEC BIGLOBE, Ltd. (currently BIGLOBE Inc.), an Internet service provider, to a special purpose company controlled by Japan Industrial Partners IV Investment Limited Partnership and others.

The NEC Group recorded consolidated net sales of 3,043.1 billion yen for the fiscal year ended March 31, 2014, a decrease of 28.5 billion yen (-0.9%) year-on-year. This decrease was mainly due to decreased sales from Others, due to the mobile phone sales business no longer being consolidated and a decline in mobile phone shipments, in spite of increased sales from the Public business, the Enterprise business and the System Platform business.

Regarding profitability, consolidated operating income (loss) worsened by 8.5 billion yen year-on-year, to an operating income of 106.2 billion yen, mainly due to decreased sales from the mobile phone sales business and the sale of patents related to LCD in the previous fiscal year.

In terms of consolidated ordinary income (loss), the NEC Group recorded a profit of 69.2 billion yen, worsening by 22.9 billion yen year-on-year, mainly due to the worsening of consolidated operating income (loss) in addition to increased non-operating expenses.

Consolidated income (loss) before income taxes and minority interests was a profit of 84.0 billion yen, a year-on-year improvement of 14.7 billion yen. This was primarily due to gain on sales of subsidiaries and affiliates' stocks, despite worsening consolidated ordinary income (loss).

Consolidated net income (loss) was a profit of 33.7 billion yen, a year-on-year improvement of 3.3 billion yen.

For the fiscal year ended March 31, 2014, the Company declared an annual dividend of 4 yen per share of common stock.

Review of Operations by Business Segments and Major Business

The NEC Group's primary business consists of four business segments: the Public, Enterprise, Telecom Carrier, and System Platform businesses. The followings are major services and products, and a review of the financial results for each business segment of the NEC Group for this Business Period.

Note: From the first quarter of the fiscal year ended March 31, 2014, the business segment has been changed to four business segments, the Public, Enterprise, Telecom Carrier and System Platform businesses, due to the organizational reform on April 1, 2013. Previously, the business segments were the IT Solutions, Carrier Network, Social Infrastructure and Personal Solutions businesses.

Public Business

Major Services and Products	
●	Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing, Cloud Services, and System Equipment
Examples of Solutions by Business Sector / Industry	
●	Government: Systems for Central Government Ministries , Aerospace and Defense Systems (Air Traffic Control Systems, Satellite Systems, Uncooled Infrared Sensors)
●	Public: Local Government Systems, Train Radio Systems, Fire and Disaster Prevention Systems (Fire-fighting Command Systems, Disaster Prevention Radio Systems)
●	Healthcare: Electric Medical Record Systems, Regional Medical Care Cooperation Systems
●	Finance: Bank Settlement Systems, Business Branch Systems
●	Media: Systems for Broadcasters, Digital Terrestrial TV Transmitters, Studio Systems

In the Public business, sales were 738.4 billion yen, an increase of 57.7 billion yen (8.5%) year-on-year, mainly due to the steady sales from government offices and public services.

Operating income (loss) improved by 9.6 billion yen year-on-year, to an operating income of 58.6 billion yen, mainly owing to increased sales.

Enterprise Business

Major Services and Products	
●	Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing and Cloud Services
Examples of Solutions by Business Sector / Industry	
●	Manufacturing: Production Management Systems, Sales Management Systems
●	Retail and Services: Retail Systems for Stores and Head Offices, Distribution Management Systems

In the Enterprise business, sales were 272.3 billion yen, an increase of 20.7 billion yen (8.2%) year-on-year, mainly due to the steady sales from the distribution and service industries.

Operating income (loss) improved by 1.1 billion yen year-on-year, to an operating income of 6.5 billion yen, mainly owing to increased sales.

Telecom Carrier Business

Major Services and Products
<ul style="list-style-type: none"> ● Network Infrastructure for Telecommunications Carriers (Backbone Network Systems, Access Network Systems) ● Services & Management for Telecommunications Carriers (Telecom Operations and Management Solutions (TOMS) (Network Operation Support Systems (OSS), Business Support Systems (BSS)), Network Control Platform Systems, Network Service Delivery Platform Systems)

In the Telecom Carrier business, sales were 725.8 billion yen, an increase of 16.5 billion yen (2.3%) year-on-year, mainly due to increased international sales of Telecom Operations and Management Solutions (TOMS) and wireless communication equipment (mobile backhaul).

Operating income (loss) worsened by 11.2 billion yen year-on-year, to an operating income of 60.3 billion yen, mainly due to increased investment expenses related to Software-Defined Networking (SDN), a next generation networking technology, and TOMS. In addition, a temporary increase in profit related to intellectual property was recorded in the previous fiscal year.

System Platform Business

Major Services and Products
<ul style="list-style-type: none"> ● Hardware (Servers, Mainframes Supercomputers, Storage, Business PCs, Tablet Devices, POS, ATMs, Control Equipment, Wireless LAN Routers, Displays, Projectors) ● Software (Integrated Operation Management, Application Servers, Security, Database Software) ● Enterprise Network Solutions (IP Telephony Systems, WAN / Wireless Access Equipment, LAN Products) ● Services (Data Center Infrastructure, Maintenance and Support)

In the System Platform business, sales were 780.8 billion yen, an increase of 36.4 billion yen (4.9%) year-on-year, mainly due to increased sales in hardware.

Operating income (loss) worsened by 2.0 billion yen year-on-year, to an operating income of 30.7 billion yen, mainly due to project lineup changes.

Others

Major Services and Products
<ul style="list-style-type: none"> ● Smart Energy (Electrodes / Energy Systems, Energy Management Systems, EV / PHV Charging Infrastructure, Solutions for Utilities) ● Mobile Phones ● “BIGLOBE” Internet Services ● Lighting Equipment

In Others, sales were 525.9 billion yen, a decrease of 159.8 billion yen (-23.3%) year-on-year, mainly due to a decline in mobile phone shipments as well as the mobile phone sales business and the electronic components business no longer being consolidated.

Operating income (loss) worsened by 18.3 billion yen year-on-year, to an operating loss of 1.4 billion yen, mainly owing to decreased sales and the sale of patents related to LCD in the previous fiscal year.

(2) Capital Expenditures of the NEC Group

The total capital expenditures of the NEC Group amounted to 98.7 billion yen during this Business Period. Major capital expenditures included investment in equipment for development of software and networking products, equipment related cloud services and equipment for development and production of defense system and satellite system.

Furthermore, the Company acquired trust beneficiary rights set to land and buildings of the NEC Group's Tamagawa Plant facilities which was leased to the Company.

(3) Research and Development of the NEC Group

The main achievements in research and development of the NEC Group for this Business Period are as follows:

(i) Development of failure sign monitoring system for large-scale plants

In recent years, there is a strong expectation for ICT to solve challenges of taking measures against unsafety and the deterioration of social infrastructures.

The Company developed a system that accurately monitors failure signs from large-scale plants such as factories and electric power plants, which constitute social infrastructures. This system utilizes the Company's unique technologies that automatically extract and model invariant relationships (invariant) under normal conditions from various sensor data, enabling accurate and quick detection of failure signs by capturing the difference with the models created under normal conditions as failure signs.

Going forward, the Company will continue to verify the effectiveness of this system through field trials at large-scale plants and to actively pursue deployment of this system throughout the world.

(ii) The world's first Development of crowd behavior analysis technologies that detect abnormalities in a crowd from changes of people's movement

In public space or large-scale facilities, there is a growing risk of fall accidents, crimes and terrorisms.

The Company has developed "crowd behavior analysis technologies" that accurately estimate the degree of congestion, even in an extremely crowded environment, and quickly detect abnormalities in a crowd. These technologies accurately estimate the degree of the congestion, and detect the abnormalities by matching and analyzing security camera images against pseudo images created without identifying individuals.

The Company will contribute to realization of safe and secure cities through the technologies that enable to understand the congestion situation and to quickly detect incidents and accidents in public space or large-scale facilities.

(4) Financing Activities of the NEC Group

There was no material fund procurement by means of issuance of shares or bonds by the NEC Group during this Business Period.

(5) Material Reorganization, etc.

(i) In order to focus its management resources on Social Solutions business, as of June 19, 2013, the Company sold all of its shares in NEC Mobiling, Ltd. (currently MX Mobiling Co., Ltd.) to MX Holdings Co., Ltd.

(ii) In order to strengthen its logistics services business globally, as of December 1, 2013, NEC Logistics, Ltd. became a joint venture company with Nippon Express Co., Ltd. and changed its name to Nittsu NEC Logistics, Ltd.

(iii) In order to strengthen its service delivery systems for operation and maintenance services in its Social Solutions business, from January 31, 2014, the Company carried out a tender offer as part of making NEC Fielding, Ltd. a wholly-owned subsidiary. As a result, the percentage of the Company's voting rights in NEC Fielding, Ltd. reached 97.2% (including the voting rights on the shares contributed by the Company to the Company's employee retirement benefit trust, with the right to give voting instructions on such shares having been reserved by the Company).

(iv) In order to strengthen its energy storage system business, as of March 24, 2014, the Company

entered into an agreement to acquire the grid energy storage and commercial systems business from US-based A123 Systems, LLC.

(v) In order to focus its management resources on Social Solutions business, as of March 31, 2014, the Company sold all of its shares in NEC BIGLOBE, Ltd. (currently BIGLOBE Inc.) to a special purpose company controlled by Japan Industrial Partners IV Investment Limited Partnership and others.

(6) Challenges to be Addressed by the NEC Group

The NEC Group aims “to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth” as part of the “NEC Group Vision 2017.”

In the “Mid-term Management Plan 2015” announced in April 2013, the NEC Group put forth mid-term management policies that include (1) the Focus on Solutions for Society, (2) the Focus on Asia, Promotion of “Locally-led” Business, and (3) the goal to Stabilize Our Financial Foundation. The NEC Group is now accelerating efforts towards the establishment of a globally deployable Social Solutions business in order to realize these growth strategies.

(i) Focus on Solutions for Society

The NEC Group is focusing management resources on its Social Solutions business that provides advanced social infrastructure utilizing Information and Communication Technologies (ICT) aiming to contribute to the safety, security, efficiency and equality of society and to accelerate its growth and transformation to a “social value innovator.”

Specifically, the NEC Group’s Public business is steadily responding to demand related to the establishment of a National ID System by Japan’s central and local governments as well as the regional enlargement and wireless digitization of firefighting command systems, while also seeking to expand global business by leveraging a stable domestic business base. In the Enterprise business, the NEC Group is aiming to expand new business, including cloud services, SDN and Big Data, as well as to expand global business through the “Regional Retail Business Support Center” established in Malaysia in order to strengthen the solutions business for retailers. Through these efforts, the NEC Group is seeking to improve profitability of the Enterprise business. The Telecom Carrier business is focused on expanding global business with TOMS and SDN as pillars of growth. In terms of the Smart Energy business, the NEC Group will capitalize on the energy storage system integration business that it agreed to acquire this fiscal year from US-based A123 Systems, LLC in order to strengthen its energy storage system business, while also taking measures to expand new business domains such as smart meters. In the System Platform business that supports the Social Solutions business, the Company will strengthen service delivery systems by making NEC Fielding, Ltd. a wholly-owned subsidiary and will expand data centers and focus on the provision of cloud-based services.

(ii) Focus on Asia, Promotion of “Locally-led” Business

In the NEC Group’s “Mid-term Management Plan 2015,” the NEC Group aims to expand business through strong demand for the advancement of social infrastructure, especially in Asian markets, toward establishment of a foundation for growth and competitiveness on a global scale. The NEC Group also seeks to increase its sensitivity to local needs and to accelerate locally-led business.

Specifically, the NEC Group aims to capitalize on the Global Safety Division as a pillar for promoting the expansion of safety business through shared solutions that can be provided horizontally across multiple domains, and also, while strengthening cooperation with governments and financial institutions, reliably secure economic assistance projects in the domain of global social infrastructure construction utilizing ICT. Moreover, the NEC Group will leverage NEC Laboratories Singapore to drive cooperation with local

research institutions and customers, to develop new solutions that utilize the NEC Group's cutting-edge technologies and to promote business on a global scale, especially in Asian markets.

(iii) Stabilize Our Financial Foundation

As part of fulfilling the Company's growth strategy, the NEC Group is promoting the strengthening of cost competitiveness, improving its profit structure in order to ensure net income and building towards a financial base that reliably produces annual free cash flows of more than 100 billion yen.

By carrying out these measures, the NEC Group aims to reach its mid-term management goals, achieve an operating income ratio of 5% and to realize an international sales ratio of 25% as soon as possible.

The NEC Group regards compliance as one of the most important management issues and continues its comprehensive observation of compliance as well as efforts to establish and operate its internal control systems. As outlined in the previous fiscal year's business report of the Company, NETCOMSEC Co. Ltd., a consolidated subsidiary of the Company, recorded and billed an excessive amount to Japan's Ministry of Defense. NETCOMSEC Co. Ltd. is in ongoing consultations, and the company remains suspended from participating in requests for proposals for future contracts with the Ministry of Defense. Furthermore, acts of fraud committed by an employee belonging to a subsidiary of NEC Networks & System Integration Corporation, a consolidated subsidiary of the Company, were discovered. As a result, NEC Networks & System Integration Corporation is now implementing preventative measures in response to the findings of an investigation committee led by an outside corporate auditor. The Company is making every effort to prevent a repeat of these kinds of incidents and to reinforce the NEC Group's internal control including observation of compliance.

The NEC Group will devote its full attention to implementing these measures as part of its efforts to contribute to the safety, security, efficiency and equality of society and to accelerate its growth and transformation to a "social value innovator."

(7) Changes in the Results of Operations and the Financial Position

(i) Changes in the Results of Operations and the Financial Position (Consolidated)

(In billions of yen except per share figures)

Fiscal Year Indices	Fiscal Year ended March 31, 2011 (173rd Business Period)	Fiscal Year ended March 31, 2012 (174th Business Period)	Fiscal Year ended March 31, 2013 (175th Business Period)	Fiscal Year ended March 31, 2014 (176th Business Period)
Net sales	3,115.4	3,036.8	3,071.6	3,043.1
Ordinary income (loss)	0	42.1	92.0	69.2
Net income (loss)	(12.5)	(110.3)	30.4	33.7
Net income (loss) per share (yen)	(4.82)	(42.44)	11.71	12.99
Total assets	2,628.9	2,557.6	2,581.0	2,505.3
Net assets	875.4	777.6	836.1	767.7

Note: "Net income (loss) per share" is calculated based on the weighted-average number of shares outstanding during each period. In addition, the Company has adopted "Accounting standard regarding the net income per share" (Statement No.2 of Accounting Standards Board of Japan) and "Implementation Guidance for the application of the accounting standard regarding the net income per share" (Implementation Guideline No.4 of Accounting Standards Board of Japan).

(ii) Changes in the Results of Operations and the Financial Position (Non-Consolidated)

(In billions of yen except per share figures)

Fiscal Year Indices	Fiscal Year ended March 31, 2011 (173rd Business Period)	Fiscal Year ended March 31, 2012 (174th Business Period)	Fiscal Year ended March 31, 2013 (175th Business Period)	Fiscal Year ended March 31, 2014 (176th Business Period)
Net sales	1,701.6	1,749.2	1,855.3	1,902.4
Ordinary income (loss)	(7.8)	13.1	79.6	46.7
Net income (loss)	11.4	(84.7)	26.5	67.6
Net income (loss) per share (yen)	4.40	(32.57)	10.20	26.02
Total assets	2,005.0	1,998.9	2,081.8	2,143.7
Net assets	589.0	516.2	545.4	617.9

Note: "Net income (loss) per share" is calculated based on the weighted-average number of shares outstanding during each period.

(8) Parent Company and Principal Subsidiaries

(i) Parent Company

The Company has no parent company.

(ii) Principal Subsidiaries

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
	(Millions of yen)	(%)	
NEC Infrontia Corporation	10,332	100	Development, manufacture and sale of communications systems, POS terminals, etc.
NEC Soft, Ltd.	8,669	100	Provision of systems integration services, etc., and development of software
NEC System Technologies, Ltd.	6,796	100	Provision of systems integration services, etc., and development of software
NEC Display Solutions, Ltd.	3,000	100 (0.04)	Development and manufacture of monitors and projectors, and provision of image display solutions
NEC Communication Systems, Ltd.	1,000	100	Development of network systems-related software and equipment
NEC Network Products, Ltd.	400	100	Development, manufacture and maintenance of communications equipment, etc.
NEC Networks & System Integration Corporation	13,122	38.4	Design, construction and maintenance of information and communications systems, installation of telecommunications systems, and sale of information and communications equipment, etc.
NEC Fielding, Ltd.	9,670	67.3	Installation and maintenance of computers and network systems
Nippon Avionics Co., Ltd.	5,895	53.8	Development, manufacture and sale of information systems, electronic devices and electronic components

	(U.S. dollars)	(%)	
NEC Corporation of America (U.S.A.)	27	100	Regional representative and supervising operation in North America, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of Sterling pound)		
NEC Europe Ltd. (U.K.)	108,134	100	Regional representative and supervising operation in Europe, the Middle East and Africa, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of Singapore dollars)		
NEC Asia Pacific Pte. Ltd. (Singapore)	80,280	100	Regional representative and supervising operation in Asia Pacific, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of U.S. dollars)		
NEC (China) Co., Ltd. (People's Republic of China)	162,790	100	Regional representative and supervising operation in Greater China
	(Thousands of Brazilian real)		
NEC Latin America S.A. (Brasil)	199,655	100	Regional representative and supervising operation in Latin America, sale of communications equipment and provision of systems integration services, etc.

Notes: 1. Parenthetical figures indicate the percentage of shares held indirectly by the Company.

2. The figures for the Company's shareholding ratio of NEC Networks & System Integration Corporation and NEC Fielding, Ltd. shown above do not account for the following shares that were contributed by the Company as part of employee pension trust. The voting rights of such shares will be exercised at the instruction of the Company pursuant to the terms of the trusts indentures.

NEC Networks & System Integration Corporation	6,400,000 (12.9%)
NEC Fielding, Ltd.	16,300,000 (29.9%)

3. On April 1, 2014, NEC Soft, Ltd. merged with NEC System Technologies, Ltd., NEC Software Hokkaido, Ltd., NEC Software Tohoku, Ltd., NEC Software Hokuriku, Ltd., NEC Software Chubu, Ltd. and NEC Software Kyushu, Ltd., and changed its name to NEC Solution Innovators, Ltd.

(9) Principal Offices of the NEC Group, etc.

Head Office	Minato-ku, Tokyo
Branch Divisions	Hokkaido Branch Division (Sapporo) Tohoku Branch Division (Sendai) Kanto-Koshinetsu Branch Division (Saitama) Minami-Kanto Branch Division (Yokohama) Tokai Branch Division (Nagoya) Hokuriku Branch Division (Kanazawa) Kansai Branch Division (Osaka) Chugoku Branch Division (Hiroshima) Shikoku Branch Division (Takamatsu) Kyushu Branch Division (Fukuoka)
Plants	Tamagawa Plant (Kawasaki) Fuchu Plant (Fuchu, Tokyo) Sagamihara Plant (Sagamihara) Abiko Plant (Abiko)
Domestic Manufacturing Center	Nippon Avionics Co., Ltd. (Yokohama) NEC Network Products, Ltd. (Fukushima, etc) OCC Corporation (Kitakyushu, etc) NEC Computertechno, Ltd. (Kofu, etc) NEC Infrontia Corporation (Kawasaki, etc) NEC Energy Devices, Ltd. (Sagamihara)
Overseas Subsidiaries	NEC Corporation of America (U.S.A.) NEC Europe Ltd. (U.K.) NEC Asia Pacific Pte. Ltd. (Singapore) NEC (China) Co., Ltd. (People's Republic of China) NEC Latin America S.A. (Brasil)

(10) Employees**(i) Employees of the NEC Group**

Segment	Number of Employees
Public Business	14,112
Enterprise Business	7,884
Telecom Carrier Business	22,576
System Platform Business	18,883
Others	37,459
Total	100,914

(ii) Employees of the Company

Number of Employees	Increase (Decrease) from March 31, 2013	Average Age	Average Years of Employment
24,237	876	42.3	18.2

(11) Major Borrowings

(In millions of yen)

Creditors	Balance of Borrowings
Sumitomo Mitsui Banking Corporation	106,946
Sumitomo Mitsui Trust Bank, Limited	65,819
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	43,525
Mizuho Bank, Ltd.	36,631

2. Shares and Shareholders of the Company

- (1) Total Number of Authorized Shares 7,500,000,000 shares
- (2) Total Number of Shares Issued 2,604,732,635 shares
(including treasury stock of 5,708,009 shares)
- (3) Number of Shareholders 228,266

(4) Major Shareholders (Top 10) (In thousands of shares)

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

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

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

(5) Classification of Shareholders

Classification of Shareholders	Shareholding Ratio
Japanese government and local government	0.00%
Financial Institutions	27.64%
Securities Companies	2.14%
Other Corporations	3.40%
Foreign Investors	32.07%
Japanese Individuals and Others	34.75%
Total	100%

3. Matters related to Directors and Corporate Auditors

(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Corporate Auditors

Name	Position at the Company	Responsibility and Important Concurrent Position
Kaoru Yano	Chairman of the Board	
Nobuhiro Endo	President (Representative Director)	Overall management of execution of the Company's business, and Corporate Auditing
Takashi Niino	Senior Executive Vice President and Member of the Board (Representative Director)	CSO (Chief Strategy Officer), CIO (Chief Information Officer) Assisting President regarding Corporate Auditing / Business Innovation, Corporate Strategy, Corporate Communications and External Relations / Important matters relating to Human Resources, General Affairs, Management Information Systems and Business Process Control
Junji Yasui	Senior Executive Vice President and Member of the Board (Representative Director)	CSCO (Chief Supply Chain Officer) Supply Chain Management and Export & Import Trade Control
Takaaki Shimizu	Executive Vice President and Member of the Board	CMO (Chief Marketing Officer) System Integration & Services and Corporate Social Responsibility Promotion & Environmental Management
Isamu Kawashima	Senior Vice President and Member of the Board	CFO (Chief Financial Officer) Corporate Controller, Corporate Finance and Sales Business Control
Takeshi Kunibe	Member of the Board	President and Chief Executive Officer, SMBC Director and Member of the Board of Directors, SMFG
Hitoshi Ogita	Member of the Board	Adviser to the Board, Asahi Group Holdings, Ltd. Outside Director, Imperial Hotel, Ltd.
Kaori Sasaki	Member of the Board	President and CEO, UNICUL International, Inc. President and CEO, ewoman, Inc.
Motoyuki Oka	Member of the Board	Senior Adviser, Sumitomo Corporation Outside Director, Japan Tobacco Inc.
Kunio Noji	Member of the Board	Chairman of the Board, Komatsu Ltd. Outside Director, Ricoh Company, Ltd.
Takao Ono	Corporate Auditor (full-time)	-
Fujio Okada	Corporate Auditor (full-time)	-
Satoshi Itoh	Corporate Auditor	Certified Public Accountant Outside Corporate Auditor, SMFG Outside Corporate Auditor, SMBC Outside Corporate Auditor, Nisshin Seifun Group Inc.
Ryoji Nakagawa	Corporate Auditor	Attorney at Law
Hideo Yamada	Corporate Auditor	Professor, Waseda University, Graduate School of Commerce

Notes: 1. At the 175th Ordinary General Meeting of Shareholders held on June 24, 2013, Messrs. Takaaki Shimizu, Motoyuki Oka and Kunio Noji were newly elected as Directors of the Company.

2. At the 175th Ordinary General Meeting of Shareholders held on June 24, 2013, Mr. Fujio Okada was newly

elected as Corporate Auditor of the Company.

3. Messrs. Takeshi Kunibe, Hitoshi Ogita, Motoyuki Oka, and Kunio Noji and Ms. Kaori Sasaki are Outside Directors.
4. Messrs. Satoshi Itoh, Ryoji Nakagawa and Hideo Yamada are Outside Corporate Auditors.
5. The Company has notified Tokyo Stock Exchange on which the Company lists its shares, of each of Messrs. Hitoshi Ogita, Motoyuki Oka, Kunio Noji, Satoshi Itoh, Ryoji Nakagawa and Hideo Yamada and Ms. Kaori Sasaki, as independent Directors / Corporate Auditors.
6. Messrs. Takao Ono, Satoshi Itoh and Hideo Yamada have considerable expertise in finance and accounting as follows:

Takao Ono	Experience as former General Manager of Corporate Controller Division, Corporate Finance and IR Division and Internal Control Division, and Director responsible for accounting, finance, and internal control over financial reporting affairs
Satoshi Itoh	Extensive auditing experience as a Certified Public Accountant for many years
Hideo Yamada	Experience in teaching and research at universities in the fields of finance and accounting as an expert in management strategy

7. The names of Directors and Corporate Auditors who retired during this Business Period, their position at the time of the retirement and the date and reasons of their retirement are as follows:

Name	Position at the time of retirement	Date of retirement (reason)
Toshiyuki Mineno	Executive Vice President and Member of the Board	June 24, 2013 (expiration)
Kenji Miyahara	Member of the Board	June 24, 2013 (expiration)
Hideaki Takahashi	Member of the Board	June 24, 2013 (expiration)
Konosuke Kashima	Corporate Auditor	June 24, 2013 (expiration)

8. On April 1, 2014, the positions and responsibilities of Directors were changed as follows:

Name	Position after change	Responsibility after change
Takashi Niino	Senior Executive Vice President and Member of the Board (Representative Director)	CSO (Chief Strategy Officer), CIO (Chief Information Officer) Assisting President regarding Corporate Auditing / Corporate Strategy and Corporate Communications / Important matters relating to Business Innovation, Human Resources, General Affairs, Management Information Systems and Business Process Control
Junji Yasui	Senior Executive Vice President and Member of the Board (Representative Director)	CSCO (Chief Supply Chain Officer) Export & Import Trade Control / Important matters relating to Supply Chain Management
Takaaki Shimizu	Executive Vice President and Member of the Board	CMO (Chief Marketing Officer) Business Innovation

9. The Company has business relationship with SMBC for the sales of the Company's products and provision of services including system construction, operation and maintenance, and borrowing from SMBC.

(2) Remuneration for Directors and Corporate Auditors

(i) Company Policy on Remuneration

(a) Basic Policy

For the purpose of continuously improving corporate value and strengthening its competitiveness, the

Company's basic policy on the remuneration for Directors and Corporate Auditors is to set the level and system appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group.

(b) Remuneration System

1) Remuneration for Directors

Remuneration for Directors consists of fixed monthly remunerations and bonuses linked to the business results.

The fixed monthly remunerations are determined according to the positions of Directors, and the distinction of Outside Director or not, to the extent of the maximum amount approved at the General Meeting of Shareholders.

The bonuses are calculated by, adding to the standard amount determined for each positions of Directors, evaluation, under certain rules, of the contribution by Director to the business results during previous fiscal year. No bonuses are paid to Outside Directors from the viewpoint of securing their independence from the Company because the Company expects that Outside Directors play a leading role in supervision over business execution.

2) Remuneration for Corporate Auditors

Remunerations for Corporate Auditors are only fixed monthly remunerations and do not include bonuses linked to the business results because the responsibility of Corporate Auditors is to audit performance of Directors.

The fixed monthly remunerations are determined for a full-time Corporate Auditor or not, respectively, to the extent of the maximum amount approved at the General Meeting of Shareholders.

(c) Process of Determination

1) Remuneration for Directors

Remuneration for Directors is determined by the resolution of the Board of Directors, based on the results of their deliberation from an objective viewpoint by the Nomination and Compensation Committee, the majority of the members of which are the outside members (one of whom is the chairperson).

2) Remuneration for Corporate Auditors

Remuneration for Corporate Auditors is determined through discussions between Corporate Auditors.

(d) Links between Remuneration and the Company's Performance

Directors' Bonuses are calculated according to the certain indexes (Net Sales, Operating Income and others) that the Company considers are important regarding the consolidated business results of the NEC Group during previous fiscal year.

(e) Determination of the Level of Remuneration

In order to ensure objectiveness and properness of the Remuneration for Directors and Corporate Auditors, the level of the remuneration is determined on the result of the third party's investigation regarding the remunerations of other companies whose business contents and scale are similar to those of the Company.

(f) Others

1) The Company abolished its retirement allowance system for Directors and Corporate Auditors at the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006.

2) In order to promote a management improving shareholder value, the Company recommends that Directors (except for Outside Directors) purchase the Company's shares through the Director and Corporate Auditor Shareholding Association and keep the shares through the term of office of Directors and Corporate Auditor.

(ii) Amounts of Remuneration for this Business Period

	Remuneration		Bonus	
	Headcount	Total Amount (In millions of yen)	Headcount	Total Amount (In millions of yen)
Directors (of which Outside Directors)	14 (7)	348 (60)	6 -	72 -

Corporate Auditors	6	95	-	-
(of which Outside Corporate Auditors)	(3)	(36)	-	-

- Notes: 1. The above headcount includes three Directors and one Corporate Auditor who retired at the close of the 175th Ordinary General Meeting of Shareholders held on June 24, 2013.
2. The total amount of bonus in the table above is to be submitted for approval to the 176th Ordinary General Meeting of Shareholders.
3. The maximum monthly remuneration for Directors is 65,000,000 yen (approved at the 153rd Ordinary General Meeting of Shareholders held on June, 27, 1991).
4. The maximum monthly remuneration for Corporate Auditors is 12,000,000 yen (approved at the 170th Ordinary General Meeting of Shareholders held on June 23, 2008).

(3) Major Activities of Outside Directors and Outside Corporate Auditors

Name	Major Activities
Takeshi Kunibe	He attended 10 meetings of the Board of Directors out of 12 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a bank.
Hitoshi Ogita	He attended 10 meetings of the Board of Directors out of 12 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Kaori Sasaki	She attended 10 meetings of the Board of Directors out of 12 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on wide range of knowledge on marketing and perspective of consumers.
Motoyuki Oka	After the assumption of office as Director of the Company, he attended 9 meetings of the Board of Directors out of 10 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Kunio Noji	After the assumption of office as Director of the Company, he attended all of the 10 meetings of the Board of Directors held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Satoshi Itoh	He attended 11 meetings of the Board of Directors out of 12 meetings, and all of the 16 meetings of the Board of Corporate Auditors, both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as a financial and accounting expert.
Ryoji Nakagawa	He attended 11 meetings of the Board of Directors out of 12 meetings, and all of the 16 meetings of the Board of Corporate Auditors, both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on a lot of experience and deep insight as a legal expert.
Hideo Yamada	He attended all of the 12 meetings of the Board of Directors, and all of the 16 meetings of the Board of Corporate Auditors, both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on deep insight regarding management strategy and expertise in finance and accounting.

(4) Outline of agreements entered into with Outside Directors and Outside Corporate Auditors to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Companies Act

Pursuant to Articles 24 and 31 of the Articles of Incorporation of the Company, the Company entered into agreements with Messrs. Takeshi Kunibe, Hitoshi Ogita, Motoyuki Oka and Kunio Noji and Ms. Kaori Sasaki, who are Outside Directors, and Messrs. Satoshi Itoh, Ryoji Nakagawa and Hideo Yamada, who are Outside Corporate Auditors, to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Companies Act. The outline of such agreements is to limit their liabilities as stipulated in Paragraph 1,

Article 423 of the Companies Act to the higher of 20 million yen or the amount provided in the Companies Act and the Regulation for Enforcement of the Companies Act on the condition that they perform their duties as Directors or Corporate Auditors in good faith and without gross negligence.

4. Accounting Auditors

(1) Name of the Accounting Auditors

KPMG AZSA LLC

(2) The Amount of Compensation to the Accounting Auditors

Classification	Amount (In millions of yen)
(i) The total fees paid to the Accounting Auditors by the Company as compensation for their duties under the Companies Act	587
(ii) Total amount of money and other property benefit paid to the Accounting Auditors by the Company and its subsidiaries	1,521

Notes: 1. The fees set forth in column (i) above include the fees for audit under the Financial Instruments and Exchange Law and other laws because there are no separate provisions in the audit contract with the Accounting Auditors between the fees for audit under the Companies Act and the fees for audit under the Financial Instruments and Exchange Law, and it is impracticable to distinguish between these two types of fees.

2. Of the Company's subsidiaries listed in "1.(8)(ii) Principal Subsidiaries" above, those subject to audit by certified public accountants or audit firm other than the Accounting Auditors are as follows:

Name of Subsidiary	Certified Public Accountant
NEC Corporation of America	KPMG LLP
NEC Europe Ltd.	KPMG LLP
NEC Asia Pacific Pte. Ltd.	KPMG LLP
NEC (China) Co., Ltd.	KPMG Huazhen
NEC Latin America S.A.	KPMG Auditores Independentes

(3) Non-audit services rendered by the Accounting Auditors

In addition to the work stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law, during this Business Period, the Company engaged the Accounting Auditors for services in relation to the "Audit Procedures regarding Control Risk of Subcontracted Services".

(4) Company Policy regarding dismissal or decision not to reappoint the Accounting Auditors

Subject to the prior consent of the Board of Corporate Auditors, the Board of Directors will propose a dismissal or disapproval of the reappointment of the Accounting Auditors to the shareholders meeting when the situation arises where the Accounting Auditors are no longer able to execute their duties in a proper manner or the Board of Directors decides that it is appropriate to dismiss or disapprove the reappointment of the Accounting Auditors.

5. System and Policy of the Company

(1) System to ensure the properness of operations

The Company has established and implemented its internal control system based on the basic policy for maintenance of the system of the Company to ensure the properness of operations as provided in Item 6, Paragraph 4 of Article 362 of the Companies Act adopted by resolution of the Board of Directors (the "Policy"). The Company assessed the status of the implementation of its internal control system for this Business Period and confirmed that it has established and implemented its internal control system properly based on the Policy. A summary of the Policy is as follows:

The Company shall endeavor to establish and implement its internal control system more effectively, through continuous evaluation of the implementation of its internal control system under the Policy as well as taking measures necessary for its improvement, and conducting consistent reviews of the Policy responding to changes in the business environment.

(i) In order to ensure the compliance with the laws, regulations and the Company's Articles of Incorporation in the performance of duties by Directors and employees, Directors and corporate officers shall take the lead in practicing NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct that were adopted to establish business ethics standards for the NEC Group and to ensure compliance with laws, regulations, the Articles of Incorporation and its internal rules, and promote thorough understanding on these charter and code within the NEC Group. If any material violation of laws, regulations, Articles of Incorporation or internal rules is found, the Company shall investigate the cause of such violation and formulate and implement preventative measures. In addition, the Company shall prompt the use of "Compliance Hotline".

(ii) The Company shall properly retain and manage information in accordance with applicable laws, regulations and the Company's internal rules.

(iii) The Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Company's internal rules. Business divisions shall properly conduct risk management related to their assignment and corporate staff divisions shall support such business divisions' activities. The Company shall deliberate fully on such matters of importance from a perspective of risk management, such as the strategy to control important management risk, and the matters of particular importance shall be reported to the Board of Directors. The internal auditing division shall, through cooperation with internal auditing section of subsidiaries, conduct audits of NEC Group's enterprise risk management system and the status of implementation of risk management.

(iv) In order to ensure the efficient performance of duties by Directors, the Board of Directors shall delegate its authorities to corporate officers and promote timely decision-making and effective performance of duties. Corporate officers shall, under the direction of the Board of Directors, efficiently conduct businesses in accordance with midterm corporate management goals and budgets.

(v) In order to ensure the proper operation of the NEC Group, the Company shall, through NEC Group Management Policy, give instructions and assistance to the subsidiaries for the establishment of the systems ensuring compliance with laws, regulations and properness of the operation of business. In order to improve soundness and efficiency of management systems in NEC Group, the Company shall dispatch directors and corporate auditors where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall exchange information, and consult with such subsidiary regarding matters of importance on business operations. The internal auditing division shall conduct audits of the subsidiaries through cooperation with their internal auditing sections to ensure their proper operations.

(vi) From the perspective of proper and efficient operations of NEC Group, the Company shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control by utilizing information systems.

(vii) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with applicable laws and regulations.

(viii) The Company shall assign full-time employees to assist Corporate Auditors in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by Corporate Auditors.

(ix) Directors and employees shall report to Corporate Auditors on the status of the performance of their duties.

(x) In order to ensure the effective audit, meetings of the Board of Corporate Auditors shall be held and Corporate Auditors shall exchange information and consult with each other on the status of audits. Furthermore, Corporate Auditors shall periodically receive reports on financial audit from the Accounting Auditors and exchange opinions with them.

(2) Policy on the Control over the Company

The Company believes that the ultimate decision as to the person who should control the financial and business policy of the Company shall be made by the shareholders of the Company. However, in the event that a person or entity (the "Proposer") proposes to purchase the substantial number of the shares of the Company with an intent to control the Company or proposes the takeover of the Company, the Company believes it is the responsibilities of the Board of Directors (i) to request the Proposer to provide appropriate information on the reasonableness of the consideration and other conditions of the proposal and the influence such action may have on the management policy and business plan of the Company, (ii) to evaluate the information provided and consider whether such proposal has merit in promoting the corporate value of the Company and the common interest of the shareholders, and (iii) to express the opinion of the Company for purposes of assisting the shareholders to make decisions whether or not to accept the proposal. In addition, the Company believes that, in particular the circumstances, it may be required to negotiate with the Proposer or to present alternative proposals to the shareholders.

Currently, the Company has not adopted a policy of defensive measures that will become effective when a proposal is made by a Proposer. It is the Company's intention, however, that if (i) the sufficient information is not provided by the Proposer, (ii) the shareholders are not afforded the time sufficient to consider the proposal or (iii) the Company decides that the proposal would have an adverse effect on the corporate value of the Company or the common interest of the shareholders, the Company will decide and implement reasonable countermeasures that are practicable at the time of the proposal and acceptable to the shareholders. Further, the Company may consider the introduction of defensive measures based on the business environment, the market trend, the trends of laws and regulations etc. if it is considered appropriate to do so for purposes of promoting the corporate value of the Company and the common interest of the shareholders.

(3) Policy on the determination of distribution of surplus

As the Company needs to adopt a flexible policy in order to better respond to the rapidly changing business environment, the Company considers, among other factors, the following factors in determining its distribution of surplus: the profits earned in the relevant fiscal period; the financial outlook for the following fiscal periods, the dividend payout ratio, and the internal demand for funds such as capital expenditures.

The Company will pay an annual dividend of 4 yen per share of common stock for the full year ended March 31, 2014.

In addition, the Company stipulates in its Articles of Incorporation that it may determine distribution of surplus flexibly through resolutions of the Board of Directors, and that record dates of distribution of surplus shall be March 31 and September 30 of each year.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2014)

(In millions of yen)

Account	Amount
Assets	
<u>Current assets</u>	1,502,909
Cash and deposits	192,668
Notes and accounts receivable-trade	842,308
Short-term investment securities	16,291
Merchandise and finished goods	76,235
Work in process	83,922
Raw materials and supplies	54,238
Deferred tax assets	74,431
Other	167,626
Allowance for doubtful accounts	(4,810)
<u>Noncurrent assets</u>	1,002,420
Property, plant and equipment	346,186
Buildings and structures, net	175,570
Machinery and equipment, net	17,878
Tools, furniture and fixtures, net	63,075
Land	63,585
Construction in progress	26,078
Intangible assets	198,781
Goodwill	76,203
Software	98,285
Other	24,293
Investments and other assets	457,453
Investment securities	147,170
Stocks of subsidiaries and affiliates	78,293
Long-term loans receivable	40,123
Deferred tax assets	108,398
Net defined benefit asset	10,404
Other	88,604
Allowance for doubtful accounts	(15,539)
Total assets	2,505,329

(In millions of yen)

Account	Amount
Liabilities	
<u>Current liabilities</u>	985,585
Notes and accounts payable-trade	446,494
Short-term loans payable	32,415
Current portion of long-term loans payable	44,284
Current portion of bonds payable	20,000
Accrued expenses	152,792
Advances received	128,601
Provision for product warranties	16,687
Provision for directors' bonuses	318
Provision for loss on construction contracts and others	11,342
Provision for business structure improvement	7,359
Provision for contingent loss	12,506
Other	112,787
<u>Noncurrent liabilities</u>	752,081
Bonds payable	140,000
Long-term loans payable	333,534
Deferred tax liabilities	2,213
Provision for product warranties	4,197
Provision for loss on repurchase of computers	6,909
Provision for business structure improvement	6,859
Provision for contingent loss	5,915
Net defined benefit liability	220,457
Other	31,997
Total liabilities	1,737,666
Net Assets	
<u>Shareholders' equity</u>	725,195
Capital stock	397,199
Capital surplus	148,402
Retained earnings	182,570
Treasury stock	(2,976)
<u>Accumulated other comprehensive income</u>	(29,246)
Valuation difference on available-for-sale securities	34,292
Deferred gains or losses on hedges	(1,359)
Foreign currency translation adjustments	(1,521)
Remeasurements of defined benefit plans	(60,658)
<u>Minority interests</u>	71,714
Total net assets	767,663
Total liabilities and net assets	2,505,329

CONSOLIDATED STATEMENT OF OPERATIONS

(For the fiscal year ended March 31, 2014)

(In millions of yen)

Account	Amount
Net sales	3,043,114
Cost of sales	2,128,457
Gross profit	914,657
Selling, general and administrative expenses	808,464
Operating income	106,193
Non-operating income	18,235
Interest income	1,707
Dividends income	4,544
Equity in earnings of affiliates	2,719
Subsidy income	2,165
Foreign exchange gains	593
Other	6,507
Non-operating expenses	55,276
Interest expenses	10,036
Retirement benefit expenses	11,325
Provision for contingent loss	11,452
Other	22,463
Ordinary income	69,152
Extraordinary income	58,341
Gain on sales of subsidiaries and affiliates' stocks	53,923
Gain on sales of investment securities	2,698
Gain on change in equity	607
Gain on step acquisitions	454
Gain on sales of noncurrent assets	368
Gain on transfer of business	291
Extraordinary loss	43,532
Business structure improvement expenses	25,304
Impairment loss	15,934
Loss on valuation of investment securities	1,738
Loss on change in equity	242
Relocation expenses	215
Loss on sales of stocks of subsidiaries and affiliates	64
Loss on sales of investment securities	23
Loss on sales of noncurrent assets	12
Income before income taxes and minority interests	83,961
Income taxes	42,366
Income taxes – current	33,558
Income taxes – deferred	8,808
Income before minority interests	41,595
Minority interests in income	7,853
Net income	33,742

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(For the fiscal year ended March 31, 2014)

(In millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	397,199	148,405	157,771	(2,946)	700,429
Changes of items during the period					
Dividends from surplus			(10,394)		(10,394)
Net income			33,742		33,742
Purchase of treasury stock				(35)	(35)
Disposal of treasury stock		(2)		5	3
Change of scope of equity method			1,451		1,451
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(2)	24,799	(30)	24,766
Balance at the end of current period	397,199	148,402	182,570	(2,976)	725,195

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	18,333	(1,076)	(7,020)	-	10,237	125,481	836,147
Changes of items during the period							
Dividends from surplus							(10,394)
Net income							33,742
Purchase of treasury stock							(35)
Disposal of treasury stock							3
Change of scope of equity method							1,451
Net changes of items other than shareholders' equity	15,959	(283)	5,499	(60,658)	(39,483)	(53,767)	(93,250)
Total changes of items during the period	15,959	(283)	5,499	(60,658)	(39,483)	(53,767)	(68,483)
Balance at the end of current period	34,292	(1,359)	(1,521)	(60,658)	(29,246)	71,714	767,663

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(For the fiscal year ended March 31, 2014)

(In millions of yen)

Account	Amount
Net cash provided by (used in) operating activities:	
Income before income taxes and minority interests	83,961
Depreciation and amortization	76,977
Equity in earnings of affiliates	(2,719)
Gain on change in equity	(365)
Increase in notes and accounts receivable-trade	(22,680)
Decrease in inventories	24,327
Decrease in notes and accounts payable-trade	(4,034)
Income taxes paid	(30,828)
Others, net	(30,515)
Net cash provided by operating activities	94,124
Net cash provided by (used in) investing activities:	
Net proceeds from (payments of) acquisitions and sales of property, plant and equipment	(84,018)
Purchases of intangible assets	(12,327)
Net proceeds from (payments of) purchases and sales of securities	54,548
Others, net	2,904
Net cash used in investing activities	(38,893)
Net cash provided by (used in) financing activities:	
Net proceeds from (payments of) bonds and borrowings	(34,354)
Cash dividends paid	(10,378)
Others, net	(5,251)
Net cash used in financing activities	(49,983)
Effect of exchange rate changes on cash and cash equivalents	4,257
Net increase in cash and cash equivalents	9,505
Cash and cash equivalents at beginning of period	197,132
Cash and cash equivalents at end of period	206,637

Notes to Consolidated Financial Statements

I Significant Items for Presenting Consolidated Financial Statements, etc.

1. Scope of consolidation

Number of consolidated subsidiaries 258 companies

Major consolidated subsidiaries

NEC Corporation of America, NEC Europe Ltd., NEC Asia Pacific Pte. Ltd., NEC (China) Co., Ltd., NEC Latin America S.A., Nippon Avionics Co., Ltd., ABeam Consulting Ltd., NEC Networks & System Integration Corporation, and NEC Fielding, Ltd.

Change in the scope of consolidation includes additions of 14 and exclusions of 26 subsidiaries. Significant changes were as follows:

Consolidated subsidiaries included in the consolidation scope as a result of acquisitions and incorporation, etc.

14 subsidiaries

Consolidated subsidiaries excluded from the consolidation scope as a result of sales and liquidation, etc.

25 subsidiaries

Major companies

NEC Mobiling, Ltd.(currently MX Mobiling Co., Ltd),
NEC BIGLOBE, Ltd.(currently BIGLOBE, Inc.), and the other

Subsidiaries excluded from the consolidation scope due to merger.

1 subsidiary as follows:

(Previous)	(New)
NEC Control Systems, Ltd. NEC Engineering, Ltd.	NEC Engineering, Ltd.

2. Items related to application of equity method

(1) Number of companies accounted for by the equity method

There are no subsidiaries accounted for by the equity method instead of consolidation.

Number of affiliated companies accounted for by the equity method 51 companies

Major companies

Keyware Solutions Inc., Nippon Computer Systems Corporation, ALAXALA Networks Corporation, Lenovo NEC Holdings B.V., NEC Capital Solutions Limited, Japan Aviation Electronics Industry, Limited, NEC TOKIN Corporation, Automotive Energy Supply Corporation, HBA Corporation, and Sincere Corporation.

4 affiliated companies were newly accounted for by the equity method.

6 affiliated companies, including Renesas Electronics Corporation, Honda Elesys Co., Ltd.(currently Nidec Elesys Corporation), NEC TOPPAN Circuit Solutions, Inc.(currently KYOCERA Circuit Solutions, Inc.), were excluded from the affiliated companies accounted for by the equity method.

(2) There are no unconsolidated subsidiaries and affiliated companies, to which the equity method is not applied.

(3) Names of the companies that were not accounted for as affiliated companies in spite of the voting rights that we own are between 20/100 and 50/100 based on our account.

Name of the company

JECC Corporation (hereinafter referred to as the "JECC")

Reason for not being included in affiliated companies

NEC Corporation ("The Company" hereafter) owns more than 20% of the total number of outstanding stocks of JECC. However, JECC was excluded from affiliated companies, because it is jointly owned and managed by 6 domestic electronic computer manufacturers to promote the data-processing industry.

3. Items related to the fiscal year of consolidated subsidiaries

The fiscal year of consolidated subsidiaries ends on March 31 except for 15 companies.

The fiscal year of these 15 subsidiaries mainly ends on December 31, and the financial statements as of and for the year ended December 31 were included in the NEC consolidation.

The Company made adjustments for material transactions between the fiscal year of the subsidiaries and the fiscal year of the Company, as needed.

4. Items related to accounting standards

(1) Valuation basis and method of major assets

(a) Marketable and investment securities

Available-for-sale securities

-Securities with market prices

Securities with market prices are valued at the quoted market prices prevailing at fiscal year end.

Unrealized gains or losses are included in a component of net assets. The cost of securities sold is determined based on the moving-average cost method.

-Securities without market prices

Moving-average cost method

-Investments in limited partnership, etc.

Based on the latest available financial statements, the investments in limited partnerships were accounted for by the equity method.

(b) Derivatives

Market value method

(c) Inventories

Inventories are stated at the cost method (which writes off the book value of inventories based on decreases in profitability), determined by the following valuation methods:

Valuation method

Merchandise and finished goods Custom-made products: Mainly, specific identification method
Mass produced standard products: Mainly, first-in, first-out method

Work in process Custom-made products: Mainly, specific identification method
Mass produced standard products: Mainly, average cost method

Raw materials and supplies Mainly, first-in, first-out method

(2) Depreciation and amortization method of major noncurrent assets

(a) Property, plant and equipment

Depreciation is computed by the straight-line method

Estimated useful lives are as follows:

Buildings and structures: 7 - 60 years

Machinery and equipment, Tools, furniture and fixtures: 2 - 22 years

Leased assets are depreciated by the straight-line method over the respective lease periods.

(b) Intangible assets

Software

Software for sale to the market is amortized either based on projected sales volumes or projected sales amounts (Mainly the estimated useful life is within 2 years). Software for internal use is amortized on a straight-line basis over the estimated useful lives (Mainly within 5 years).

Goodwill

Goodwill is amortized on a straight-line basis over the periods within 20 years.

(c) Investments and other assets

Long-term prepaid expenses

Long-term prepaid expenses are amortized on a straight-line basis, or amortized based on the actual sales volume.

(3) Accounting standards for significant reserves

Allowance for doubtful accounts

An allowance for doubtful accounts is provided against potential losses on collection at an amount determined using a historical bad debt ratio for normal receivables, plus an amount individually estimated on the collectibility of receivables that are expected to be uncollectible due to deterioration in financial condition or insolvency of the debtor.

Provision for product warranties

The Company and its consolidated subsidiaries accrue a provision for product warranties for estimated future warranty costs using the historical ratio of warranty costs to sales, plus an amount individually measured on the incremental costs that are expected to be incurred, in expectation of expenditures for warranty costs after sale of products, or upon delivery of developed software.

Provision for directors' bonuses

Provision for directors' bonuses is recognized in consolidated financial statements as expected payment amount due to provide bonuses to their directors next year.

Provision for loss on construction contracts and others

Provision for loss on construction contracts and others is recognized against estimated future losses resulted from made-to-order software, construction projects and others.

Provision for business structure improvement

The Company provides provision for losses and expenses to be incurred in connection with business structure improvement.

Provision for contingent loss

The amount of expected losses, which is reasonably estimable, considering individual risks with respect to each contingent events, is made by provision for contingent loss against possible expenses related to such as proceedings and matters in litigation.

Provision for loss on repurchase of computers

The Company provides provision for the estimated losses arising from the repurchase of computers based on the actual loss incurred in the past.

(4) Significant criteria for revenue and expenses recognition

Recognition criteria for completed contract revenue and costs

Percentage-of-completion accounting method is applied to made-to-order software and construction projects that completion percentage can be reasonably measured.

For other construction projects where completion percentage can not be reasonably measured, completed-contract accounting method is applied.

The estimation for the degree of completion of construction is determined by the percentage of the cost incurred to the estimated total cost.

(5) Other significant accounting method

(a) Standard for converting major foreign assets or liabilities to domestic currency

Foreign currency denominated assets and liabilities are translated into Japanese yen at the current exchange rate prevailing at the fiscal year end. Translation gains and losses are recognized in the consolidated statement of operations. In addition, assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rate prevailing at the respective fiscal year ends. Income and expenses are translated into Japanese yen at the average exchange rate of the fiscal year. The translation differences are included in foreign currency translation adjustments and minority interests in net assets.

(b) Accounting for significant hedging activities

Method of hedge accounting

Derivative transactions that are utilized to hedge interest rate risk and foreign exchange risk are measured at fair value as of the balance sheet date and the unrealized gains or losses are deferred until the maturity of such derivatives.

Hedging instruments and hedged items

Hedging instruments: Interest rate swaps and foreign exchange forward contracts

Hedged items: Bonds and loans payable, foreign currency debts and credits, forecasted transaction denominated in foreign currency.

The Company's policy for hedging

Derivative transactions are entered into in accordance with "Risk management policy", which is the internal policy of the Company and its consolidated subsidiaries, to offset market fluctuations or to fix the cash flows of the hedged items.

Assessment of hedge effectiveness

The Company assesses the hedge effectiveness by comparing the changes in fair value or the cumulative changes in cash flows of hedging instruments with the corresponding changes of hedged items.

(c) Accounting for retirement benefit

Allocation method for projected retirement benefit cost

With regard to the calculation of retirement benefit obligation, the point basis method is applied when allocating the projected retirement benefit cost to the current consolidated fiscal year.

Amortization method for Transitional obligation, Prior service costs, and Actuarial gains and losses

Transitional obligation is amortized on a straight-line basis mainly over 15 years.

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly 13 years).

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly 13 years), starting from the following year after incurred.

(d) Accounting for consumption taxes

Consumption taxes are excluded from each transaction amount and accounted for separately.

(e) Application of consolidated corporate-tax return system

The Company files its tax return under the consolidated corporate-tax return system.

II Changes in Accounting Policy

From the end of the fiscal year ended March 2014, the NEC Group has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012, hereafter "Retirement Benefits Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012, hereafter "Retirement Benefits Guideline"). (However, paragraph 35 of "Retirement Benefits Standard" and paragraph 67 of "Retirement Benefits Guideline" are excluded from the application.)

Commencing with the current consolidated fiscal year, the NEC Group changed its accounting method to record net defined benefit liability and net defined benefit asset for retirement benefit for the amount deducting plan assets from defined benefit obligations. Accordingly, the NEC Group recorded in net defined benefit liability and net defined benefit asset for retirement benefit, unrecognized actuarial gains and losses, unrecognized prior service costs and unrecognized transitional obligation due to the revised accounting standard.

The current consolidated financial statements conform to the transitional treatment as defined in the paragraph 37 of "Retirement Benefits Standard". The NEC Group reflected the impact of the accounting change in adjusting remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the current consolidated fiscal year.

As a result, the NEC Group recorded net defined benefit asset of 10,404 million yen and net defined benefit liability of 220,457 million yen at the end of the current consolidated fiscal year. In addition, deferred tax assets increased by 24,773 million yen, accumulated other comprehensive income decreased by 60,658 million yen and minority interests decreased by 4,385 million yen. The impact on the net income per share is shown in the corresponding section.

III Changes in Presentation Method

1. "Subsidy income" which was included in "Other" under non-operating income in the previous fiscal year, is presented and disclosed separately from this fiscal year due to the increase in the monetary significance.
2. The amount of "Reversal of provision for contingent loss" which was separately disclosed in prior fiscal years, is immaterial in this fiscal year, thus the amount has been included in "Other" under non-operating income for this fiscal year. The amount of "Reversal of provision for contingent loss" which is included in "Other" under non-operating income in this fiscal year is 912 million yen.
3. Provision for contingent loss" which was included in "Other" under non-operating expenses in the previous fiscal year, is presented and disclosed separately from this fiscal year due to the increase in the monetary significance.

IV Notes to Consolidated Balance Sheet

1. Assets pledged as and debts secured by collateral

(1) Balances - assets pledged as collateral

	(In millions of yen)
Buildings and structures	238
Land	3,579
Others	300
<hr/> Total	<hr/> 4,117

(2) Balances - debts secured by collateral

	(In millions of yen)
Short-term loans payable	2,297
Long-term loans payable	200
Others	49
<hr/> Total	<hr/> 2,546

2. Net presentation of inventories and provision for loss on construction contracts and others

Inventories related to construction contracts and others which are expected to result in a loss are presented at net of provision for loss on construction contracts and others of 8,469 million yen (the sum of following provision for loss on construction contracts and others; 773 million yen for merchandise and finished goods, 7,696 million yen for work in process).

3. Accumulated depreciation of property, plant and equipment

	(In millions of yen)
Accumulated depreciation	728,969

4. Contingent liabilities

Guarantees for bank loans and others

The Company guarantees bank loans of the other companies and others

	(In millions of yen)
Automotive Energy Supply Corporation	3,355
Employees	1,619
Others	1,597
<hr/> Total	<hr/> 6,571

5. Other Contingent liabilities

In November 2013, Japan Post Co., Ltd. brought an action for damages against NEC, based on Article 25 of the Antimonopoly Act, where the grounds for the lawsuit are a breach of the Act regarding the acceptance of order of automatic postal code reading and sorting machines, former Ministry of Posts and Telecommunications (now Japan Post Co., Ltd.) placed in a public tender. The outcome of the legal proceedings is uncertain at this point, and the impact on the consolidated financial condition and results of operations remains unclear.

V Notes to Consolidated Statement of Changes in Net Assets

1. Stocks, issued

Common stock 2,604,732,635 shares

2. Dividends

(1) Payment of dividends

Resolution	Class of Stock	Total dividends (In millions of yen)	Dividends per share (In yen)	Record Date	Effective Date
Ordinary Meeting of Board of Directors held on April 26, 2013	Common stock	10,397	4	March 31, 2013	June 3, 2013

(2) Dividends with recorded date within this fiscal year and effective date within the following fiscal year:

The Company proposed and resolved the matter of payment of dividends for Common Stock at the ordinary Meeting of Board of Directors held on April 28, 2014.

(a) Resource of dividends	Retained earnings
(b) Total Dividends	10,396 million yen
(c) Dividends per share	4 yen
(d) Record date	March 31, 2014
(e) Effective date	June 2, 2014

VI Notes : Financial Instruments

1. Summary of financial instruments

(1) Policy of financial instruments

The NEC Group operates its surplus funds by depositing its funds with major banks or investing into short-term financial assets with lower volatility risk. For the purpose of financing long-term capital, the NEC Group primarily make loans from banks and issue corporate bonds. For the purpose of financing short-term fund, the Company mainly makes loans from banks or issue commercial papers. Derivatives are generally used to hedge the risks further described below, and not for the purpose of speculative investments.

(2) Contents and risks of financial instruments

Receivables from ordinary course of business such as notes and accounts receivable-trade are exposed to credit risk of customers.

Receivables and payables from ordinary course of business denominated in foreign currency are exposed to foreign exchange risk.

Marketable securities and investment securities, excluding financial instruments held for short-term investment, relate to investment activities aimed at strengthening the Company's operational or financial alliance with the investees. These marketable securities and investment securities are exposed to market risk.

Long-term loans receivable are mainly related to affiliated companies.

Long-term borrowings, bonds payable and finance lease liabilities are generally made for the purpose of financing capital investments. The redemption dates of such liabilities are mainly within six years, while the redemption date of the hybrid finance (subordinated loan) executed in May 2013 is the end of June in 2073. Although these interest-bearing debts with floating interest rate are exposed to interest rate risks, these are partially hedged using derivatives (interest rate swaps).

Derivatives consist of forward exchange contracts, currency options and interest rate swaps. Forward exchange contracts and currency options are used to hedge foreign exchange risk of foreign currency denominated receivables and payables occurred during ordinary course of businesses. Interest rate swaps are used to hedge the effect from interest rate and market value movements for bank loans and corporate bonds issued.

The hedging instruments, hedged items, policies and assessment of effectiveness concerning the hedge accounting are described at I 4.(5) Other significant accounting method (b) Accounting for significant hedging activities.

(3) Risk management for financial instruments

(a) Management of credit risk (risk of customer's default)

NEC and its subsidiaries regularly monitor the financial position of significant customers and manage the due dates and its receivables balance due from each customer to minimize the risk of defaults resulting from deterioration of a customers' financial position at a periodical basis.

Financial institutions with higher credit capabilities are selected as counterparties while dealing in derivative transactions, deposit transactions and purchase of financial assets for short-term investments in order to reduce the counterparty risk.

(b) Management of market risk (foreign exchange risk, interest rate risk and others)

The NEC Group manages foreign exchange risk by currency in each due month, and to minimize its risk by utilizing netting settlement of foreign currency receivables and payables, and by utilizing forward exchange contracts and currency options.

Interest rate swap contracts are also used to control interest rate volatility risk in our bank loans and corporate bonds.

Regarding the market price risk of investment securities, the NEC Group regularly monitors the fair value of such securities as well as financial positions of the issuers (customer enterprises). The NEC Group also continuously reviews effectiveness of possessing such securities taking into consideration of business relationship with customer enterprises.

The NEC Group trades derivatives based on the corporate policy which governs risk management, approval, reporting and verification process.

(c) Management of liquidity risk (risk of impracticability to execute payment)

Liquidity risk is managed by frequent update of the cash-flow budget and maintaining level of liquidity represented by current cash balance and unused lines of credit.

(4) Surplus explanation of the fair value of financial instruments

The fair value of a financial instrument is based on the current market price or using reasonable estimates in case of no readily available market price. Such estimates include various underlying factors and assumptions and may subject to change if other reliable assumptions may be used for the calculation.

2. Fair value of financial instruments

Fair value and its variance from the balance sheet value at March 31, 2014 are as follows:

(In millions of yen)

	Balance sheet value	Fair value	Difference
(1)Cash and deposits	192,668	192,668	-
(2)Notes and accounts receivable-trade	842,308	841,358	(950)
(3)Short-term investment securities	16,291	16,291	-
(4)Investment securities	96,164	96,164	-
(5)Stocks of subsidiaries and affiliates	50,754	54,952	4,198
(6)Long-term loans receivable	40,123	40,123	-
Total assets	1,238,308	1,241,556	3,248
(1)Notes and accounts payable-trade	446,494	446,494	-
(2)Short-term loans payable	32,415	32,415	-
(3)Current portion of long-term loans payable	44,284	44,284	-
(4)Current portion of bonds payable	20,000	20,000	-
(5)Accrued expenses	152,792	152,792	-
(6)Bonds payable	140,000	141,700	1,700
(7)Long-term loans payable	333,534	335,376	1,842
Total liabilities	1,169,519	1,173,061	3,542
Derivatives(*1)	(3,532)	(3,532)	-

(*1) Derivatives are presented at net amount of assets and liabilities, and amounts in parentheses represent net liabilities.

Notes:

1. Measurement of fair value of financial instruments and information related to securities and derivatives trade

Assets

(1) Cash and deposits

Fair value equals to balance sheet value, since they are to be settled in short term.

(2) Notes and accounts receivable-trade

For short term receivable, fair value equals to balance sheet value. For long term receivable, fair value is measured using discount rate considering credit and other risk.

(3) Short-term investment securities

Fair value equals to balance sheet value, since short-term investment securities mainly consists of certificate of deposit and commercial papers, which are to be settled in short term.

(4) Investment securities and (5) Stocks of subsidiaries and affiliates

Fair value equals to price at financial instruments exchange.

(6) Long-term loans receivable

Fair value equals to balance sheet value, since they are mainly based on floating rate.

Liabilities

(1) Notes and accounts payable-trade,(2) Short-term loans payable,(3) Current portion of long-term loans payable,(4) Current portion of bonds payable, and (5) Accrued expenses

Fair value equals to balance sheet value, since they are to be settled in short term.

(6) Bonds payable

Fair value equals to market price.

(7) Long-term loans payable

Fair value is measured using discount rate to be applied in case of financing same amount with sum of principal and interest.

Derivatives

Fair value of forward exchange contracts are based on forward exchange rate. Fair value of interest rate swaps are calculated based on the discounted future cash flows using interest rate of the end of this fiscal year.

2. The followings are not included in “(4) Investment securities” or “(5) Stocks of subsidiaries and affiliates” table above – due to lack of their available market price and not being able to estimate the future cash flows reasonably:

Classification	Balance sheet value (In millions of yen)
Investment securities Unlisted stocks	46,206
Stocks of subsidiaries and affiliates Unlisted stocks	27,539
Investment in limited partnerships and similar partnerships under foreign laws	4,519
Others	281
Total	78,545

VII Notes : Per Share Information

Net assets per share	267.86 yen
Net income per share	12.99 yen

Notes:

As described in “Changes in Accounting Policy”, the NEC Group has applied “Accounting Standard for Retirement Benefits” and the current consolidated financial statements conform to the transitional treatment as defined in the paragraph 37 of “Accounting Standard for Retirement Benefits”.

As a result, Net assets per share decreased by 23.35 yen at the end of the current consolidated fiscal year.

VIII Notes : Others

1. Lease transactions

Operating leases (lessee)	
Obligations under non-cancellable operating leases	(In millions of yen)
Due within one year	17,037
Due over one year	29,719
Total	46,756

2. Marketable and Investment securities

(1) Available-for-sale securities

(In millions of yen)

	Description	Balance sheet value	Acquisition cost	Unrealized gains (losses)
Securities with balance sheet value exceeding acquisition cost	(1) Stocks	92,689	45,098	47,591
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	-	-	-
	(3) Others	96	44	52
	Sub-total	92,785	45,142	47,643
Securities with balance sheet value not exceeding acquisition cost	(1) Stocks	2,420	2,979	(559)
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	935	1,000	(65)
	(3) Others	16,315	16,340	(25)
	Sub-total	19,670	20,319	(649)
Total		112,455	65,461	46,994

Notes:

The followings are not included in “(1) Available-for-sale securities” table above - due to lack of their available market price and not being able to estimate the future cash flows reasonably:

Unlisted stocks (balance sheet value of 46,206 million yen),

Investments in limited partnerships and similar partnerships under foreign laws

(balance sheet value of 4,519 million yen), and Others (balance sheet value of 281 million yen).

(2) Available-for-sale securities sold during the fiscal year ended March 31, 2014

(In millions of yen)

Description	Proceeds from sales	Gross realized gains	Gross realized losses
(1) Stocks	14,906	2,697	23
(2) Bonds			
(a) Governmental and municipal bonds	-	-	-
(b) Corporate bonds	-	-	-
(3) Others	1	1	-
Total	14,907	2,698	23

(3) Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 1,738 million yen were recorded in this fiscal year.

(4) Changes in the classification of securities

The classification of the stocks of Renesas Electronics Corporation and others has been changed from stock of affiliated companies to available-for-sale securities from the fiscal year ended March 31, 2014.

As a result, Investment securities increased by 10,049 million yen, and Valuation difference on available-for-sale securities increased by 6,814 million yen.

3. Retirement benefits

(1) Overview of the retirement benefit plans

The Company and its domestic consolidated subsidiaries have the defined benefit type of the corporate pension plans, the defined contribution pension plans, and the lump-sum severance payment plans. Additional retirement benefits are paid in certain circumstances.

Most of overseas consolidated subsidiaries have various types of pension benefit plans which cover substantially all employees. Those plans are mainly defined benefit plans and defined contribution plans.

The Company and certain domestic consolidated subsidiaries apply point-based plans, under which benefits are calculated based on accumulated points allocated to employees according to their class of positions and evaluations. The Company and certain domestic consolidated subsidiaries implement cash-balance plans in the defined benefit pension plans. Under these plans, benefits are calculated based on both accumulated points allocated to employees according to their class of positions and accumulated interest points recalculated based on the market interest rates.

(2) Defined benefit plans

(a) Reconciliation of changes in Defined benefit obligations

(In millions of yen)	
Defined benefit obligations at beginning of year	968,387
Service cost	32,235
Interest cost	16,419
Actuarial gain and loss	(2,757)
Benefits paid	(54,828)
Other	(36)
Defined benefit obligations at end of year	959,420

Note: Certain consolidated subsidiaries adopted the simplified method in calculating the defined benefit obligations.

(b) Reconciliation of changes in Plan assets

(In millions of yen)	
Plan assets at beginning of year	626,582
Expected return on plan assets	13,219
Actuarial gain and loss	127,397
Employer contributions	27,140
Benefits paid	(45,745)
Other	774
Plan assets at end of year	749,367

Note: Certain consolidated subsidiaries adopted the simplified method.

(c) Reconciliation between Defined benefit obligations (Plan assets) and amounts of Net defined benefit liability (asset) recognized in the consolidated balance sheet

(In millions of yen)

Defined benefit obligations [funded]	782,067
Plan assets	749,367
	32,700
Defined benefit obligations [unfunded]	177,353
Net liability (asset) recognized in the consolidated balance sheet	210,053
Net defined benefit liability	220,457
Net defined benefit asset	10,404
Net liability (asset) recognized in the consolidated balance sheet	210,053

(d) Retirement benefit expenses

(In millions of yen)

Service cost	32,235
Interest cost	16,419
Expected return on plan assets	(13,219)
Amortization of actuarial gains and losses	33,558
Amortization of prior service costs	(9,195)
Amortization of transitional obligation	11,325
Retirement benefit expenses	71,123

Note: Certain consolidated subsidiaries adopted the simplified method.

(e) Remeasurements of defined benefit plans

Amounts recognized in Remeasurements of defined benefit plans (before adjusting for tax effects)

(In millions of yen)

Unrecognized prior service cost	(45,398)
Unrecognized actuarial gains and losses	123,884
Unrecognized transitional obligation	10,357
Total	88,843

(f) Plan assets

(i) Percentage by major category of plan assets

Equity securities	46%
Debt securities	44%
Other	10%
Total	100%

Notes: Total plan assets include 14% of contribution of securities to retirement benefit trust in the corporate pension plan.

(ii) Determination procedure of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the NEC Group considers the current and projected asset allocations, as well as current and future long-term rate of returns for various categories of the plan assets.

- (g) Basis for calculation of actuarial assumptions
- (i) Discount rate
Mainly, 1.4%
- (ii) Long-term expected rate of return on plan assets
Mainly, 2.5%

Note:

Defined benefit plans include multi-employer pension plans in which certain consolidated subsidiaries participate.

(3) Defined contribution plans

The amount to be paid by the Company and its consolidated subsidiaries to the defined contribution plans was 7,267 million yen for the fiscal year ended March 31, 2014.

4. Impairment losses on noncurrent assets

(1) Summary of assets or asset groups for which impairment losses were recognized

Use	Type	Location
Assets for business use	<ul style="list-style-type: none"> • Tools, furniture and fixtures • Software • Investments and other assets, and others 	Kawasaki City, Kanagawa Prefecture, and others
Assets for business use	<ul style="list-style-type: none"> • Buildings and structures • Machinery and equipment • Tools, furniture and fixtures • Land • Software, and others 	Kodama Country, Saitama Prefecture
Idle assets	<ul style="list-style-type: none"> • Buildings and structures • Land 	Ikoma City, Nara Prefecture, and others
Others	<ul style="list-style-type: none"> • Goodwill 	—

(2) Background to the recognition of impairment loss

Investments in certain fixed assets for business use and goodwill were not expected to be recoverable due to lower profitability of assets for business use and market value declines of idle assets.

Therefore the Company and its consolidated subsidiaries recognized impairment loss as extraordinary loss.

(3) Amounts of impairment loss

	(In millions of yen)
Buildings and structures	1,699
Machinery and equipment	1,163
Tools, furniture and fixtures	913
Land	3,185
Construction in progress	12
Goodwill	5,784
Software	2,799
Intangible assets - other	8
Investments and other assets - other	371
Total	15,934

(4) Method for grouping assets

In principle, assets for business use are grouped based on business units and managerial accounting segments.

Idle assets are grouped into a single asset group.

(5) Measurement of recoverable amounts

The higher of the net realizable value and value in use is used for the recoverable amounts of fixed assets for business use and goodwill. Net realizable value is used for the recoverable amounts of idle assets.

Net realizable value is estimated based on the assessed value for list of land prices, etc. The value in use is assessed at 1 yen in case the total of future cash flow is a negative amount.

5. Business Combinations

(1) Business combination of a consolidated subsidiary of the Company

On June 19, 2013, the Company transferred all of the Company's shares in NEC Mobiling, Ltd. (currently MX Mobiling Co., Ltd.), a consolidated subsidiary of the Company, to MX Holdings Co., Ltd., a subsidiary of Marubeni Corporation. Outline of the transaction is as follows:

(a) Outline of the business combination

(i) Company profiles

Acquiring company: MX Holdings Co., Ltd.

Major operation: Operation of mobile business, mainly Sales of mobile phones

Acquired company: NEC Mobiling, Ltd.

Major operation: Sales of network products, After-sales and support services

(ii) Reason for the business combination

The Company applied for the tender offer bid implemented from April 30, 2013 to June 12, 2013 by MX Holdings Co., Ltd.

(iii) Date of the business combination

June 19, 2013

(iv) Overview of transaction including legal form

Transfer of shares in consideration for cash

(b) Outline of accounting method

The Company applies accounting procedures stipulated by Articles 35, of the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of September 13, 2013).

(c) Name of the reportable segment in which the subsidiary was included

"Others"

(2) Business combination of a consolidated subsidiary of the Company

On March 31, 2014, the Company transferred all of its shares in NEC BIGLOBE, Ltd.(currently BIGLOBE, Inc.) to a special purpose company owned by Japan Industrial Partners IV Investment Limited Partnership and others, for which Japan Industrial Partners, Inc. manages, operates and provides information. Outline of the transaction is as follows:

(a) Outline of the business combination

(i) Company profiles

Acquiring company: BJ Holdings, Ltd.

Acquired company: NEC BIGLOBE, Ltd.

Major operation: Information and communication services using networks such as the internet

(ii) Reason for the business combination

Further strengthening competitiveness to expanding business of NEC BIGLOBE, Ltd.

(iii) Date of the business combination

March 31, 2014

(iv) Overview of transaction including legal form

Transfer of shares in consideration for cash

(b) Outline of accounting method

The Company applies accounting procedures stipulated by Articles 35, of the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of September 13, 2013).

(c) Name of the reportable segment in which the subsidiary was included
“Others”

6. Income taxes

(1) Breakdown of major factors of deferred tax assets and liabilities

(Deferred tax assets)	(In millions of yen)
Net defined benefit liability	158,678
Tax loss carry forwards	124,235
Loss on devaluation of investment securities	73,922
Accrued expenses and provision for product warranties	44,000
Loss on devaluation of inventories	41,526
Depreciation	30,908
Investments in affiliated companies	15,083
Provision for contingent loss	6,529
Elimination of unrealized profit through intercompany transactions among consolidated companies	4,729
Provision for business structure improvement	4,717
Provision for loss on construction contracts and others	4,029
Research and development expenses	1,473
Others	85,016
Sub-total	594,845
Less: valuation allowance	(372,463)
Total	222,382
(Deferred tax liabilities)	
Undistributed earnings of affiliated companies	(18,981)
Valuation difference on available-for-sale securities	(11,987)
Gain on transfer of securities to the pension trust	(9,016)
Reserves under special taxation measures law	(7)
Others	(2,367)
Total	(42,358)
Net deferred tax assets	180,024

Note: Net deferred tax assets are included in the consolidated balance sheet as follows:

Current assets - deferred tax assets	74,431
Noncurrent assets - deferred tax assets	108,398
Current liabilities - other	(592)
Noncurrent liabilities - deferred tax liabilities	(2,213)

- (2) The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate

	(%)
Statutory tax rate	38.0
(Reconciliation)	
Undistributed earnings of affiliated companies	16.3
Amortization of goodwill	10.4
Decrease of deferred tax assets due to tax rate changes	3.4
Equity in losses (earnings) of affiliates	(1.2)
Changes in valuation allowance	(13.6)
Others	(2.8)
	<hr/>
Effective tax rate	50.5
	<hr/>

- (3) Impact of revisions to the corporate tax rate

Following the promulgation of the law “Partial Amendment of the Income Tax Act, etc.” (Act No.10 of 2014) in Japan on March 31, 2014, special reconstruction corporation tax will not be imposed from the consolidated fiscal years beginning on or after April 1, 2014.

Accordingly, for temporary differences expected to be reversed in the current fiscal year, the effective tax rate applied to the calculation of deferred tax assets and liabilities in the current consolidated fiscal year, was lowered from 38.0% in the prior fiscal year to 35.5% in the current fiscal year.

As a result, the amount of deferred tax assets (the amount remaining after deducting deferred tax liabilities) decreased by 2,867 million yen, while income taxes-deferred recognized in costs for the current consolidated fiscal year increased by 2,867 million yen.

7. Additional information

NETCOMSEC Co. Ltd., a wholly owned subsidiary of NEC, was found to have recorded and billed an excessive amount of working hours to certain contracts with Japan Ministry of Defense. NETCOMSEC Co. Ltd., voluntarily reported this information to the Ministry of Defense, who subsequently suspended NETCOMSEC Co. Ltd., from participating in requests for proposals for future contracts with the Japan Ministry of Defense. NETCOMSEC Co. Ltd., will return the excess amount to the Ministry of Defense once such amount and period are determined.

In addition, an employee has embezzled money from a subsidiary of NEC Networks & System Integration Corporation, an NEC’s consolidated subsidiary. NEC Networks & System Integration Corporation has determined the amount of money embezzled in each fiscal year and recorded the corresponding amount as non-operating loss in each fiscal year to restate its past consolidated financial statements. Overall, NEC has assessed that the impact of the fraud on its consolidated financial statements is not considered material as to influence the decision making of stakeholders. Therefore, NEC has recorded a one-time loss of 1,560 million yen, the aggregated loss of prior years and current year, as “Other” under non-operating expenses for the fiscal year ended March 31, 2014.

BALANCE SHEET
(Non-consolidated)
(As of March 31, 2014)

(In millions of yen)

Account	Amount
Assets	
<u>Current assets</u>	988,053
Cash and deposits	71,502
Notes receivable-trade	3,562
Accounts receivable-trade	558,574
Lease investment assets	962
Short-term investment securities	14,000
Merchandise and finished goods	25,640
Work in process	42,235
Raw materials and supplies	13,831
Advance payments-trade	67,890
Prepaid expenses	14,443
Deferred tax assets	32,900
Accounts receivable-other	95,804
Other	46,912
Allowance for doubtful accounts	(202)
<u>Noncurrent assets</u>	1,155,615
Property, plant and equipment	238,386
Buildings, net	129,068
Structures, net	3,575
Machinery and equipment, net	5,064
Vehicles, net	258
Tools, furniture and fixtures, net	41,429
Land	43,823
Construction in progress	15,169
Intangible assets	79,873
Patent right	409
Right of using facilities	89
Software	79,180
Other	195
Investments and other assets	837,356
Investment securities	142,061
Stocks of subsidiaries and affiliates	374,666
Investments in capital	256
Long-term loans receivable	13,753
Long-term loans receivable from subsidiaries and affiliates	166,203
Deferred tax assets	19,316
Prepaid pension cost	93,812
Other	41,293
Allowance for doubtful accounts	(14,005)
Total assets	2,143,668

(In millions of yen)

Account	Amount
Liabilities	
<u>Current liabilities</u>	913,605
Notes payable-trade	318
Accounts payable-trade	467,990
Current portion of long-term loans payable	42,792
Current portion of bonds payable	20,000
Lease obligations	287
Accounts payable-other	27,913
Accrued expenses	57,418
Income taxes payable	2,602
Advances received	105,922
Deposits received	158,631
Provision for product warranties	8,470
Provision for directors' bonuses	72
Provision for loss on construction contracts and others	9,107
Provision for contingent loss	4,176
Asset retirement obligations	264
Other	7,643
<u>Noncurrent liabilities</u>	612,122
Bonds payable	140,000
Long-term loans payable	325,542
Lease obligations	645
Provision for loss on repurchase of computers	6,909
Provision for loss on guarantees	130,281
Provision for contingent loss	2,270
Asset retirement obligations	1,213
Other	5,262
Total liabilities	1,525,727
Net Assets	
<u>Shareholders' equity</u>	584,036
Capital stock	397,199
Capital surplus	106,022
Legal capital surplus	59,260
Other capital surplus	46,763
Retained earnings	83,750
Legal retained earnings	2,079
Other retained earnings	81,670
Retained earnings brought forward	81,670
Treasury stock	(2,935)
<u>Valuation and translation adjustments</u>	33,905
Valuation difference on available-for-sale securities	35,209
Deferred gains or losses on hedges	(1,304)
Total net assets	617,941
Total liabilities and net assets	2,143,668

STATEMENT OF OPERATIONS
(Non-consolidated)
(For the fiscal year ended March 31, 2014)

(In millions of yen)

Account	Amount
Net sales	1,902,365
Cost of sales	1,428,156
Gross profit	474,208
Selling, general and administrative expenses	446,064
Operating income	28,144
Non-operating income	49,502
Interest income	2,130
Dividends income	42,936
Foreign exchange gains	2,126
Other	2,310
Non-operating expenses	30,975
Interest expenses	9,152
Retirement benefit expenses	8,281
Settlement payment and compensation loss	3,208
Other	10,335
Ordinary income	46,671
Extraordinary income	94,848
Gain on sales of subsidiaries and affiliates' stocks	91,550
Gain on sales of investment securities	2,506
Reversal of provision for loss on guarantees	313
Gain on transfer of business	278
Gain on sales of noncurrent assets	199
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	3
Extraordinary loss	66,400
Provision for loss on guarantees	45,455
Loss on valuation of stocks of subsidiaries and affiliates	13,420
Impairment loss	5,438
Loss on valuation of investment securities	1,651
Provision of allowance for doubtful accounts for subsidiaries and affiliates	407
Loss on sales of investment securities	13
Loss on sales of noncurrent assets	12
Loss on sales of stocks of subsidiaries and affiliates	4
Income before income taxes	75,119
Income taxes	7,497
Income taxes – current	(1,303)
Income taxes – deferred	8,800
Net income	67,622

STATEMENT OF CHANGES IN NET ASSETS

(Non-consolidated)

(For the fiscal year ended March 31, 2014)

(In millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
					Retained earnings brought forward	Total retained earnings	
Balance at the beginning of current period	397,199	59,260	46,765	106,025	1,040	25,485	26,525
Changes of items during the period							
Dividends from surplus						(10,397)	(10,397)
Provision of legal retained earnings					1,040	(1,040)	
Net income						67,622	67,622
Purchase of treasury stock							
Disposal of treasury stock			(2)	(2)			
Total changes of items other than shareholders' equity							
Total changes of items during the period	-	-	(2)	(2)	1,040	56,185	57,225
Balance at the end of current period	397,199	59,260	46,763	106,022	2,079	81,670	83,750

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,905)	526,843	19,627	(1,038)	18,589	545,433
Changes of items during the period						
Dividends from surplus		(10,397)				(10,397)
Provision of legal retained earnings		-				-
Net income		67,622				67,622
Purchase of treasury stock	(35)	(35)				(35)
Disposal of treasury stock	5	3				3
Total changes of items other than shareholders' equity			15,582	(267)	15,316	15,316
Total changes of items during the period	(30)	57,193	15,582	(267)	15,316	72,508
Balance at the end of current period	(2,935)	584,036	35,209	(1,304)	33,905	617,941

Independent Auditor's Report

April 24, 2014

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Hiroyuki Sakai (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yasushi Hamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masafumi Tanabu (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the CONSOLIDATED BALANCE SHEET, the CONSOLIDATED STATEMENT OF OPERATIONS, the CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS and the related notes of NEC Corporation (the "Company") as at March 31, 2014 and for the year from April 1, 2013 to March 31, 2014 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 referred to above present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

April 24, 2014

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Hiroyuki Sakai (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yasushi Hamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masafumi Tanabu (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the BALANCE SHEET, the STATEMENT OF OPERATIONS, the STATEMENT OF CHANGES IN NET ASSETS and the related notes, and the supplementary schedules of NEC Corporation (the "Company") as at March 31, 2014 and for the 176th year from April 1, 2013 to March 31, 2014 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, 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 financial statements and the supplementary schedules 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 financial statements and the supplementary schedules.

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 financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

REPORT OF THE BOARD OF CORPORATE AUDITORS

With respect to the performance of duties by the Directors for the 176th business period from April 1, 2013 to March 31, 2014, the Board of Corporate Auditors has prepared this audit report through deliberation based on the audit reports prepared by the respective Corporate Auditors and hereby reports, as follows:

1. Audit method by Corporate Auditors and the Board of Corporate Auditors and details thereof

The Board of Corporate Auditors has determined, among other things, the auditing policies and plans, received reports regarding the status of conduct of audit and its results from each Corporate Auditor, received reports from Directors, other relevant employees and the Accounting Auditors concerning the performance of their duties, and, when necessary, requested them to provide explanations.

Pursuant to the Code of *Kansayaku* Auditing Standards and in accordance with the auditing policies and plans determined by the Board of Corporate Auditors, each Corporate Auditor has ensured to communicate effectively with Directors, employees including those in the internal auditing division and other relevant personnel, made efforts to collect necessary information and improve auditing environment, attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees and other relevant personnel regarding the performance of their duties, requested them to provide explanations when necessary, examined important authorization documents and associated information, and investigated the operations and financial conditions at the headquarters and other principal offices. Furthermore, we have monitored and verified the contents of resolutions of the Board of Directors regarding the enhancement of system required to be implemented to ensure the proper operations of corporation under Paragraphs 1 and 3, Article 100 of the Regulation for Enforcement of the Companies Act (internal control system) including a system to ensure that the performance of duties by Directors is in compliance with the laws, regulations and the Articles of Incorporation, and the status of the internal control system established and operated according to the said resolutions. With regard to “Policy on the Control over the Company” stated in the business report, we have examined the contents of the said policy. As for the subsidiaries, we have ensured to communicate with the Directors and Corporate Auditors and other personnel of the subsidiaries and to exchange information therewith, and, when necessary, received reports from the subsidiaries with regard to their business. Based on the aforementioned methods, we have examined the business report and supplementary schedules for this business period.

In addition, we have monitored and verified whether the Accounting Auditors were maintaining their independence and properly performing audits, received reports from the Accounting Auditors on the performance of their duties, the methods and results of the audit, and, when necessary, requested them to provide explanations. We have also received from the Accounting Auditors a notice confirming that “the systems for ensuring proper performance of duties of the Accounting Auditors” was properly implemented pursuant to the laws and regulations, and standards released by Business Accounting Deliberation Council and others, and, when necessary, requested them to provide explanations. Based on the aforementioned methods, we have examined the consolidated financial statements (consolidated balance sheet, consolidated statement of operations, consolidated statement of changes in net assets and notes to consolidated financial statements) as well as non-consolidated financial statements (balance sheet, statement of operations, statement of changes in net assets and notes to non-consolidated financial statements) and supplementary schedules.

2. Results of audit

- (1) Audit results concerning the business reports, etc.
 - a. We confirm that the business report and the supplementary schedules fairly present the conditions of the Company in conformity with applicable laws, regulations and its Articles of Incorporation.
 - b. We have found no improper acts by Directors in the performance of their duties or any material facts in connection with the performance by Directors of their duties that constitute any violation of applicable laws, regulations or the Articles of Incorporation.
 - c. We confirm that the contents of the resolution of the Board of Directors on the internal control system

of the Company are fair and appropriate. Furthermore, we confirm that the establishment and operation of the internal control system, which are described as appropriate in the business report, are fair and appropriate.

- d. We have found no matters that must be pointed out with regards to “Policy on the Control over the Company” stated in the business report.
- (2) Audit results concerning non-consolidated financial statements and supplementary schedules
We confirm that the methods and results of the audit conducted by KMPG AZSA LLC the Accounting Auditors, are fair and appropriate.
- (3) Audit results concerning consolidated financial statements
We confirm that the methods and results of the audit conducted by KPMG AZSA LLC the Accounting Auditors, are fair and appropriate.

April 28, 2014

Board of Corporate Auditors
NEC Corporation

Full-time Corporate Auditor	Takao Ono (Seal)
Full-time Corporate Auditor	Fujio Okada (Seal)
Outside Corporate Auditor	Satoshi Itoh (Seal)
Outside Corporate Auditor	Ryoji Nakagawa (Seal)
Outside Corporate Auditor	Hideo Yamada (Seal)