

The following is an English translation of the Notice of the 178th Ordinary General Meeting of Shareholders of NEC Corporation (the “Company”) to be held on June 22, 2016 (including the Business Report, Consolidated Financial Statements, Notes to Consolidated Financial Statements and Non-consolidated Financial Statements with respect to the 178th Business Period from April 1, 2015 to March 31, 2016, and report on the results of the audit on the Consolidated Financial Statements conducted by Independent Auditors and the Audit & Supervisory Board (KANSAYAKU-KAI)), 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
Chairman of the Board
(Representative Director)

May 31, 2016

To Our Shareholders:

NOTICE OF THE 178TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

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

- 1. DATE:** June 22, 2016 (Wednesday) 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 178th Business Period from April 1, 2015 to March 31, 2016, and report on the results of the audit conducted on the Consolidated Financial Statements conducted by the Accounting Auditors and the Audit & Supervisory Board (KANSAYAKU-KAI).

MATTERS TO BE VOTED UPON:

- Proposal No. 1: Election of Eleven Directors
Proposal No. 2: Election of One Audit & Supervisory Board Member (KANSAYAKU)
Proposal No. 3: Approval of Payment of Bonuses to Directors

- From this year, no souvenirs will be provided to the shareholders attending the Meeting. We would appreciate your understanding.

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. Nobuhiro Endo (November 8, 1953)	April 1981	Joined the Company	265,000
	July 2005	Senior General Manager, Mobile Network Operations Unit	
	April 2006	Associate Senior Vice President, Executive General Manager, Mobile Network Operations Unit	
	April 2009	Senior Vice President	
	June 2009	Senior Vice President and Member of the Board	
	April 2010	President (Representative Director)	
	April 2016	Chairman of the Board (Representative Director)	
	(to present)		
	Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of network business and NEC Group's management strategies, and also, having been engaged in the management of the Company as President (Representative Director) since 2010 and as Chairman of the Board (Representative Director) since April 2016. The Company has nominated him as a candidate for Director considering that he is appropriate to manage external affairs as a representative of the Company, and to promote the reinforcement of NEC Group's corporate governance by advancing Research and Development and building culture which will be the basis of sustainable growth for NEC Group.		

Name (Date of Birth)			Number of the Company's Shares Held
2. Takashi Niino (September 8, 1954)	<p>April 1977</p> <p>April 2004</p> <p>April 2005</p> <p>April 2006</p> <p>April 2008</p> <p>August 2008</p> <p>April 2010</p> <p>June 2011</p> <p>July 2011</p> <p>April 2012</p> <p>April 2016</p>	<p>Joined the Company</p> <p>Executive General Manager, 2nd Solutions Sales Operations Unit</p> <p>Senior General Manager, 3rd Solutions Operations Unit</p> <p>Executive General Manager, Financial Solutions Operations Unit</p> <p>Associate Senior Vice President, Executive General Manager, Financial Solutions Operations Unit</p> <p>Associate Senior Vice President</p> <p>Senior Vice President</p> <p>Senior Vice President and Member of the Board</p> <p>Senior Vice President, CSO (Chief Strategy Officer) and Member of the Board</p> <p>Senior Executive Vice President, CSO (Chief Strategy Officer) , CIO (Chief Information Officer) and Member of the Board (Representative Director)</p> <p>President (Representative Director) and CEO (Chief Executive Officer) (to present)</p>	52,000
<p>Reasons for Nomination of a Candidate:</p> <p>He has extensive experience and sufficient performance records, having had been engaged in the management of financial solutions business and NEC Group's management strategies as Senior Executive Vice President, CSO, CIO and Member of the Board (Representative Director), and afterwards, having been engaged in the management of the Company as President (Representative Director) and CEO. The Company has nominated him as a candidate for Director considering that he is appropriate to lead the Company's revenue growth by enhancing Social Solutions business and global business, and promoting NEC Group's operational reforms.</p>			
3. Takaaki Shimizu (September 23, 1954)	<p>April 1978</p> <p>April 2003</p> <p>April 2006</p> <p>October 2007</p> <p>April 2010</p> <p>July 2011</p> <p>April 2013</p> <p>June 2013</p>	<p>Joined the Company</p> <p>General Manager, 2nd Government Solutions Division</p> <p>Executive General Manager, Government Solutions Operations Unit</p> <p>Executive General Manager, Government and Public Solutions Operations Unit</p> <p>Associate Senior Vice President</p> <p>Senior Vice President</p> <p>Senior Vice President, CMO (Chief Marketing Officer)</p> <p>Senior Vice President (currently, Executive Vice President), CMO (Chief Marketing Officer) and Member of the Board (to present)</p>	34,000

Name (Date of Birth)			Number of the Company's Shares Held
	<p>Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of the government and public solutions business and IT solutions business, and afterwards, having been in charge of marketing and business innovation strategies as Senior Vice President (currently, Executive Vice President) and CMO. The Company has nominated him as a candidate for Director considering that he is appropriate to implement the business model reforms and the marketing strategies for NEC Group's growth and to supervise the Company's business units.</p>		
<p>4. Isamu Kawashima (February 20, 1959)</p>	<p>April 1981 April 2009 July 2010 June 2011 July 2011 April 2015</p>	<p>Joined the Company General Manager, Corporate Controller Division General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division and Member of the Board Associate Senior Vice President (currently, Senior Vice President), CFO (Chief Financial Officer) and Member of the Board Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (to present)</p>	<p>46,000</p>
<p>Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of accounting and financial affairs at the Company's business units and its overseas subsidiaries, and afterwards, having been in charge of NEC Group's accounting and financial strategies as Senior Vice President (currently, Executive Vice President) and CFO (Chief Financial Officer). The Company has nominated him as a candidate for Director considering that he is appropriate to implement the strategies for NEC Group's business growth and business performance improvement mainly in the fields of accounting and financial affairs and to supervise the Company's business units.</p>			
<p>5. Takayuki Morita (February 5, 1960)</p> <p>*New candidate</p>	<p>April 1983 April 2002 April 2006 April 2008 July 2011 April 2016</p>	<p>Joined the Company General Manager, Business Development Division Senior Vice President and Executive General Manager, Corporate Business Development Unit Senior Vice President Executive Vice President Executive Vice President and CGO (Chief Global Officer) (to present)</p>	<p>14,000</p>
<p>Important Concurrent Positions: Outside Director, Hua Hong Semiconductor Limited</p>			

Name (Date of Birth)			Number of the Company's Shares Held
	<p>Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of the Company's M&A and global business, and afterwards, having been in charge of global business strategies as Executive Vice President and CGO. The Company has nominated him as a candidate for Director considering that he is appropriate to implement strategies for enhancing NEC Group's global business and its revenue growth, and to supervise the Company's business units.</p>		
<p>6. Katsumi Emura (December 20, 1957)</p> <p>*New candidate</p>	<p>April 1982 April 2004 April 2007 April 2010 April 2013 April 2016</p>	<p>Joined the Company General Manager, Research Planning Division Executive General Manager, Intellectual Asset Management Unit Senior Vice President and Executive General Manager, Central Research Laboratories Senior Vice President Executive Vice President and CTO (Chief Technology Officer) (to present)</p>	<p>20,000</p>
<p>Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of intellectual properties and Research and Development, and afterwards, having been in charge of NEC Group's technology strategies as Executive Vice President and CTO. The Company has nominated him as a candidate for Director considering that he is appropriate to implement Research and Development and technology strategies for NEC Group's growth and to supervise the Company's business units.</p>			
<p>7. Takeshi Kunibe (March 8, 1954)</p> <p>*Candidate for Outside Director</p>	<p>April 1976 June 2003 October 2006 June 2007 April 2009 April 2011 June 2011</p>	<p>Joined the Sumitomo Bank Limited (currently, Sumitomo Mitsui Banking Corporation "SMBC") Director, SMBC Managing Director, SMBC Director and Member of the Board of Directors, Sumitomo Mitsui Financial Group, Inc. ("SMFG") (to present) Senior Managing Director and Member of the Board of Directors, SMBC President and Chief Executive Officer, SMBC (to present) Member of the Board of the Company (to present)</p>	<p>0</p>
<p>Important Concurrent Positions: President and Chief Executive Officer, SMBC Director and Member of the Board of Directors, SMFG Chairman, Japanese Bankers Association</p>			

Name (Date of Birth)		Number of the Company's Shares Held																								
	<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 bank.</p> <p>Attendance at meeting of the Board of Directors: 12 meetings out of 12 meetings</p>																									
<p>8. Hitoshi Ogita (January 1, 1942)</p> <p>*Candidate for Outside Director</p>	<table border="1"> <tr> <td data-bbox="504 705 715 741">April 1965</td> <td data-bbox="718 705 1225 763">Joined Asahi Breweries, Ltd. (currently, Asahi Group Holdings, Ltd.)</td> </tr> <tr> <td data-bbox="504 768 715 804">March 1997</td> <td data-bbox="718 768 1225 826">Director and General Manager of Fukuoka Branch, Asahi Breweries, Ltd.</td> </tr> <tr> <td data-bbox="504 831 715 866">September 1997</td> <td data-bbox="718 831 1225 898">Director and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.</td> </tr> <tr> <td data-bbox="504 902 715 938">March 2000</td> <td data-bbox="718 902 1225 1003">Managing Corporate Officer and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.</td> </tr> <tr> <td data-bbox="504 1008 715 1043">October 2000</td> <td data-bbox="718 1008 1225 1108">Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.</td> </tr> <tr> <td data-bbox="504 1113 715 1149">March 2002</td> <td data-bbox="718 1113 1225 1214">Senior Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.</td> </tr> <tr> <td data-bbox="504 1218 715 1254">September 2002</td> <td data-bbox="718 1218 1225 1276">Corporate Officer and Vice President, Asahi Soft Drinks, Co., Ltd.</td> </tr> <tr> <td data-bbox="504 1281 715 1317">March 2003</td> <td data-bbox="718 1281 1225 1339">President and Representative Director, Asahi Soft Drinks, Co., Ltd.</td> </tr> <tr> <td data-bbox="504 1344 715 1379">March 2006</td> <td data-bbox="718 1344 1225 1411">President and Representative Director, Asahi Breweries, Ltd.</td> </tr> <tr> <td data-bbox="504 1415 715 1451">March 2010</td> <td data-bbox="718 1415 1225 1482">Chairman of the Board and Representative Director, Asahi Breweries, Ltd.</td> </tr> <tr> <td data-bbox="504 1487 715 1523">June 2012</td> <td data-bbox="718 1487 1225 1523">Member of the Board of the Company (to present)</td> </tr> <tr> <td data-bbox="504 1527 715 1563">March 2014</td> <td data-bbox="718 1527 1225 1585">Adviser to the Board, Asahi Group Holdings, Ltd. (to present)</td> </tr> </table> <p>Important Concurrent Positions: Adviser to the Board, Asahi Group Holdings, Ltd. Outside Director, Imperial Hotel, Ltd.</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 manufacturing company.</p>	April 1965	Joined Asahi Breweries, Ltd. (currently, Asahi Group Holdings, Ltd.)	March 1997	Director and General Manager of Fukuoka Branch, Asahi Breweries, Ltd.	September 1997	Director and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.	March 2000	Managing Corporate Officer and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.	October 2000	Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.	March 2002	Senior Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.	September 2002	Corporate Officer and Vice President, Asahi Soft Drinks, Co., Ltd.	March 2003	President and Representative Director, Asahi Soft Drinks, Co., Ltd.	March 2006	President and Representative Director, Asahi Breweries, Ltd.	March 2010	Chairman of the Board and Representative Director, Asahi Breweries, Ltd.	June 2012	Member of the Board of the Company (to present)	March 2014	Adviser to the Board, Asahi Group Holdings, Ltd. (to present)	10,000
April 1965	Joined Asahi Breweries, Ltd. (currently, Asahi Group Holdings, Ltd.)																									
March 1997	Director and General Manager of Fukuoka Branch, Asahi Breweries, Ltd.																									
September 1997	Director and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.																									
March 2000	Managing Corporate Officer and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.																									
October 2000	Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.																									
March 2002	Senior Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.																									
September 2002	Corporate Officer and Vice President, Asahi Soft Drinks, Co., Ltd.																									
March 2003	President and Representative Director, Asahi Soft Drinks, Co., Ltd.																									
March 2006	President and Representative Director, Asahi Breweries, Ltd.																									
March 2010	Chairman of the Board and Representative Director, Asahi Breweries, Ltd.																									
June 2012	Member of the Board of the Company (to present)																									
March 2014	Adviser to the Board, Asahi Group Holdings, Ltd. (to present)																									

Name (Date of Birth)			Number of the Company's Shares Held
	Attendance at meeting of the Board of Directors: 12 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. Outside Director, AGP Corporation		
	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.		
	Attendance at meeting of the Board of Directors: 12 meetings out of 12 meetings		
10. Motoyuki Oka (September 15, 1943) *Candidate for Outside Director	April 1966 June 1994 April 1997 April 1998 April 2001 June 2001 June 2007 June 2012 June 2013	Joined Sumitomo Corporation Director and General Manager of Iron & Steel Division No.3, Sumitomo Corporation Director and General Manager of Planning & Coordination Division, Sumitomo Corporation Managing Director and General Manager of Planning & Coordination Division, Sumitomo Corporation Senior Managing Director, Sumitomo Corporation President and Chief Executive Officer, Sumitomo Corporation Chairman of the Board of Directors, Sumitomo Corporation Senior Adviser, Sumitomo Corporation (to present) Member of the Board of the Company (to present)	0
	Important Concurrent Positions: Senior Adviser, Sumitomo Corporation Outside Director, Japan Tobacco Inc.		
	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 general trading company including the management of overseas firms.		
	Attendance at meeting of the Board of Directors: 12 meetings out of 12 meetings		

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 (Representative Director), Komatsu Ltd.		
June 2013	Member of the Board of the Company (to present)		
April 2016	Chairman of the Board, Komatsu Ltd. (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: 11 meetings out of 12 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 five years, Mr. Hitoshi Ogita and Ms. Kaori Sasaki have served for four years, and Messrs. Motoyuki Oka and Kunio Noji have served for three years 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, respectively, 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 Audit & Supervisory Board Members (KANSAYAKU)” of the Business Report (pages from 22 to 24).

Proposal No. 2: Election of One (1) Audit & Supervisory Board Member (KANSAYAKU)

Upon the close of the Meeting, the term of office of Mr. Satoshi Itoh as Audit & Supervisory Board Member (KANSAYAKU) will expire. It is proposed that one Audit & Supervisory Board Member (KANSAYAKU) be elected. The consent of the Audit & Supervisory Board (KANSAYAKU-KAI) 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
Kazuyasu Yamada (February 24, 1949) *New candidate *Candidate for Outside Audit & Supervisory Board Member (KANSAYAKU)	October 1973	Joined Osaka Office of Price Waterhouse (currently, PricewaterhouseCoopers)	0
	October 1976	Licensed as Certified Public Accountant (to present)	
	April 1978	Retired from Price Waterhouse (currently, PricewaterhouseCoopers)	
	April 1978	Joined Osaka Office of Tohmatsu Awoki & Co. (currently, Deloitte Touche Tohmatsu LLC)	
	May 1986	Partner, Tohmatsu Awoki & Co. (currently, Deloitte Touche Tohmatsu LLC)	
	October 2010	Reputation and Risk Leader, member of Management Board, Deloitte Touche Tohmatsu LLC	
	September 2013	Resigned from Reputation and Risk Leader, member of Management Board, Deloitte Touche Tohmatsu LLC	
	June 2014	Retired from Deloitte Touche Tohmatsu LLC	
	Important Concurrent Positions: Certified Public Accountant		
	Reasons for Nomination of a Candidate: The Company has nominated him as a candidate for Outside Audit & Supervisory Board Member (KANSAYAKU) 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 a lot of auditing experience as a Certified Public Accountant and professional insight in finance and accounting. Although he has never been involved in management of companies, the Company has judged that he can perform the duties as Outside Audit & Supervisory Board Member (KANSAYAKU) for the reasons described above.		

Notes: 1. The Company has notified the Tokyo Stock Exchange of Mr. Kazuyasu Yamada as an independent Audit & Supervisory Board Member (KANSAYAKU).

2. When Mr. Kazuyasu Yamada is elected as an Audit & Supervisory Board Member (KANSAYAKU) of the Company, the Company will enter into agreement with him to limit his 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 his 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 he has performed his duty as Audit & Supervisory Board Member (KANSAYAKU) in good faith and without gross negligence.

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

It is proposed that 36,800,000 yen be paid to the 6 Directors who are not Outside Directors and holding office as of the last day of the 178th Business Period as bonuses for the 178th Business Period in view of the results of operations and other factors.

BUSINESS REPORT

(For the period from April 1, 2015 to March 31, 2016)

1. Review of Operations

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

Overview

The overall pace of growth for the worldwide economy slowed during the fiscal year ended March 31, 2016, as stable economic performance in advanced countries, such as the United States and Europe, was offset by a significant slowdown in the growth of emerging countries due to influences from a global decline in demand for resources and unstable financial markets.

As for the Japanese economy, although the corporate sector performed well, a decline in consumer spending and public investment, as well as a downturn in exports, led to sluggish economic growth.

Under this business environment, the NEC Group accelerated efforts towards the establishment of a globally deployable Social Solutions business in the final year of its "Mid-term Management Plan 2015" for transforming the NEC Group into a "Social Value Innovator," 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."

In terms of the "Focus on Solutions for Society," the Company's efforts for expanding business included investment in core areas such as Software-Defined Networking (SDN) as a next generation networking technology, the cloud, big data, safety and security. In terms of SDN, the Company promoted activities for its commercialization among domestic and foreign telecommunications carriers, including the delivery of communications software, such as virtualized Evolved Packet Core (vEPC) for the newly launched commercial networks from NTT DOCOMO, INC. that feature Network Functions Virtualization (NFV) technologies. Moreover, the Company has steadily increased the number of active systems utilizing its SDN, including systems for hospitals, transportation authorities, local governments and data centers, thereby contributing to the efficient construction and operations of customer networks. Regarding cloud development, the Company strengthened its cloud platform business through the "NEC Cloud IaaS" service model and the "NEC Cloud System" ownership model, as well as its hybrid cloud linking these two models, thereby helping customers to operate their businesses safely and supporting the advancement of information and telecommunications infrastructure. As for big data, the Company delivered a system for financial institutions that can gather and automatically analyze a massive amount of customer feedback received daily (the "customer testimonials") along with a system that provides a variety of operational support, and strengthened efforts related to the Internet of Things (IoT) and artificial intelligence (AI). Regarding the safety and security sector, the Company expanded its support for the introduction, development and operation of systems related to the "My Number," social security and tax number system for governments, local public authorities and private businesses. The Company also received orders to provide face recognition systems for use by local governments throughout Japan in order to confirm the identity of citizens when their My Number cards are issued, thereby strengthening security and contributing to the safe operation of the My Number system.

Regarding the "Focus on Asia, Promotion of Locally-led Business," the Company engaged in efforts to promote growing businesses and establish new business models focused on the safety sector. Specifically, the Company received orders for an automated fingerprint identification system for the Philippine National Police, a face recognition solution for the Northern Territory Police Force in Australia, a face recognition system for customs operation at 14 leading international airports in Brazil, and a security system for the Buenos Aires subway in Argentina. Moreover, in order to protect the information assets of customers and strengthen the world's security surveillance networks, the Company established a new "Cyber

Security Factory" in Singapore, following the one in Japan that supports the development and operation of measures against cyberattacks. Furthermore, the Company's latest efforts to contribute to the safety and security of society include joint demonstration tests with the Central Weather Bureau of Taiwan for the early detection of earthquakes.

Lastly, regarding the goal to "Stabilize Our Financial Foundation," the Company secured net income and reduced interest-bearing debt as part of improving its debt-equity ratio^(*) and creating a sound balance sheet. Additionally, the Company worked on an operational reform promotion project centering on NEC Management Partner, Ltd. that carried out the transfer of staff functions and common IT assets from the Company to NEC Management Partner, Ltd.

The NEC Group recorded consolidated net sales of 2,821.2 billion yen for the fiscal year ended March 31, 2016, a decrease of 114.3 billion yen (-3.9%) year-on-year. This decrease was mainly due to decreased sales in the Public business and Telecom Carrier business as well as decreased sales from logistics services in Others no longer being consolidated, despite increased sales from the Enterprise business.

Regarding profitability, consolidated operating income (loss) worsened by 20.8 billion yen year-on-year, to an operating income of 107.3 billion yen, mainly due to decreased sales and worsening gross profit, despite reduced selling, general and administrative expenses.

In terms of consolidated ordinary income (loss), the NEC Group recorded a profit of 82.7 billion yen, worsening by 29.4 billion yen year-on-year, mainly due to the worsening of operating income (loss) in addition to the worsening of foreign exchange gain (loss).

Consolidated income (loss) before income taxes was a profit of 77.9 billion yen, a year-on-year worsening of 18.8 billion yen. This was primarily due to the worsening of ordinary income (loss), despite decreased business structure improvement expenses.

Profit (loss) attributable to owners of the parent for the fiscal year ended March 31, 2016 was a profit of 68.7 billion yen, a year-on-year improvement of 11.4 billion yen, mainly due to a tax expense decrease from the debt waiver for NEC Mobile Communications, Ltd., despite worsening of income (loss) before income taxes and the acquisition of non-controlling interests from making NEC Fielding, Ltd. a wholly-owned subsidiary in the previous fiscal year.

For the fiscal year ended March 31, 2016, the Company declared an annual dividend of 6 yen (an increase of 2 yen) per share of common stock.

(*)The debt-equity ratio is calculated by dividing interest-bearing debt by owner's equity.

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.

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
<ul style="list-style-type: none"> ● Government: Social Security and Tax Systems, Fingerprint Identification Systems, Air Traffic Control Systems, Satellite Communications / Earth Observation, Field Communication Systems ● Public: Local Government Systems, School / Education Systems, Postal Tracking Systems, Firefighting Command Systems, Wireless Digital Emergency Firefighting Equipment, Disaster Prevention Systems, Traffic Control Systems, Railroad Communication Systems, Infrastructure Surveillance / Energy Management ● Healthcare: Electric Medical Record Systems, Regional Healthcare Information Network ● Finance: Bank Settlement Systems, Business Branch Systems ● Media: TV Program Production / News Production / Transmission Systems, Digital TV Transmitters

In the Public business, sales were 766.8 billion yen, a decrease of 55.1 billion yen (-6.7%) year-on-year, mainly due to decreased sales from large-scale projects for government offices and public services during the same period of the previous fiscal year.

Operating income (loss) worsened by 17.2 billion yen year-on-year, to an operating income of 57.5 billion yen, mainly owing to decreased sales and an increase in loss-making projects.

Enterprise Business

Major Services and Products
<ul style="list-style-type: none"> ● Systems Integration (Systems Implementation, Consulting), Maintenance and Support, and Outsourcing / Cloud Services
Examples of Solutions by Business Sector / Industry
<ul style="list-style-type: none"> ● Manufacturing: Global SCM Systems, Product Lifecycle Management Systems, Production Management Systems, Sales Management Systems ● Retail and Services: Retail Systems for Stores and Head Offices, Logistics Management Systems

In the Enterprise business, sales were 300.7 billion yen, an increase of 30.2 billion yen (11.2%) year-on-year, mainly due to increased sales from large-scale projects for the retail/services sector and manufacturing industries.

Operating income (loss) improved by 13.9 billion yen year-on-year, to an operating income of 22.2 billion yen, mainly owing to increased sales and the improved profitability of system construction services.

Telecom Carrier Business

Major Services and Products
<ul style="list-style-type: none"> ● Network Infrastructure for Telecom Carriers Core Network, Mobile Phone Base Stations, Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Optical Transmission Systems, Routers / Switches, Mobile Backhaul ("Pasolink") ● Services & Management for Telecom Carriers Telecom Operations and Management Solutions (TOMS), Services / Solutions

In the Telecom Carrier business, sales were 698.9 billion yen, a decrease of 41.2 billion yen (-5.6%) year-on-year, mainly due to decreased domestic sales, despite increased international sales of submarine cable systems and Telecom Operations and Management Solutions (TOMS).

Operating income (loss) worsened by 16.4 billion yen year-on-year, to an operating income of 45.6

billion yen, mainly due to decreased sales and loss-making international projects.

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 728.5 billion yen, almost remaining flat year-on-year, mainly due to decreased maintenance service sales, despite increased sales in hardware.

Operating income (loss) improved by 6.1 billion yen year-on-year, to an operating income of 37.5 billion yen, mainly due to improved profitability in hardware.

Others

Major Services and Products
<ul style="list-style-type: none"> ● Smart Energy Electrodes, Energy Storage Systems, Energy Management Systems, EV / PHV Charging Infrastructure, A communications unit for smart meters (AMI), Solutions for Utilities ● Mobile Phones ● Lighting Equipment

In Others, sales were 326.2 billion yen, a decrease of 47.9 billion yen (-12.8%) year-on-year, mainly due to decreased Smart Energy business, a decline in mobile phone shipments and the logistics services business no longer being consolidated.

Operating income (loss) worsened by 12.9 billion yen year-on-year, to an operating loss of 8.9 billion yen, mainly owing to decreased sales.

(2) Capital Expenditures of the NEC Group

The total capital expenditures of the NEC Group amounted to 36.3 billion yen during this Business Period. Major capital expenditures included investment in equipment related cloud services, equipment for development of software and networking products and equipment for development and production of defense system and satellite system.

(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 technology that rapidly identifies objects appeared with particular patterns through a large amount of video data

In crime prevention and criminal investigations, it is overly time consuming to identify a person who appears frequently in the same place or a person who appears in multiple places through a large volume

of video data by manual or by using facial recognition technology, and therefore time saving in such identification process has been a pressing issue.

The Company has developed "Profiling Across Spatio-Temporal Data" technology that, by combining with NEC's facial recognition solutions, drastically lightens the workload involved in the analysis of video data. This technology groups persons' faces based on a "level of similarity" and organizes the group with a tree-shaped data management structure, allowing high-speed search of the person appears with particular pattern such as time, place and frequency.

The Company is planning to commercialize this technology during a fiscal year of 2016, while extending its application from crime prevention and criminal investigation to a variety of segments such as retailing and service industries.

(ii) Development of an artificial intelligence technology that enables advanced decisions such as the formation of strategies and plans based on predictions achieved from big data analysis

The popularization of IoT increases the demand in effective use of Big Data. In 2012, the Company developed "Heterogeneous mixture learning technology" which detects massive patterns from Big Data, and enables highly accurate and large-scale predictions. However, there still has been a limitation on the scale and accuracy of advanced decisions, such as strategy planning, made by human based on such predictions.

The Company has developed an artificial intelligence technology "Predictive Robust Optimization Framework Technology" capable of making such advanced decisions at extremely high speed with a high degree of accuracy. For examples, this technology enables water distribution planning based on water demand predictions and product pricing based on product demand predictions automatically and instantly.

The Company will contribute to a creation of a new value obtainable from Big Data by utilizing this technology and "Heterogeneous mixture learning technology".

(4) Financing Activities of the NEC Group

In July 2015, the Company issued unsecured bonds of 50.0 billion yen in Japan, in order to raise funds for the redemption of bonds during this Business Period.

(5) Material Reorganization, etc.

In order to expand its Social Solution business in African region, as of July 1, 2015, NEC Europe, a wholly owned subsidiary of the Company, invested in XON Holdings Proprietary Limited, a company engaged in ICT solution business mainly in the sub-Saharan African region that lies south of the Sahara desert.

(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."

In the three year "Mid-term Management Plan 2015" announced in April 2013, the NEC Group put forth a mid-term management policy consisting of (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. However, in the fiscal year of 2015, with the exception of net income, the NEC Group was not able to achieve the performance targets of the Mid-term Management Plan. NEC recognizes that this is mainly due to challenges that include (1) insufficient ability to execute the start of new businesses, such as SDN and Smart Energy, (2) delays in business expansion and lack of revenues in relation to international business, and (3) falling behind in the structural improvement of earnings in response to a decline in existing business.

Based on this situation, in April 2016 the NEC Group formulated the "Mid-term Management Plan 2018" consisting of (1) an earnings structure rebuilding plan, and (2) a plan for returning to growth.

1) Earnings structure rebuilding plan

The NEC Group aims to establish an earnings structure for realizing a 5% operating income. First, in order to address struggling businesses and unprofitable projects, the NEC group will restructure the Smart Energy business and reinforce project management strength as part of suppressing losses from unprofitable projects. Moreover, the NEC Group will promote the acceleration of operational reform projects through streamlining staff operations/expenses and IT expenses, as well as the optimization of the development and production of hardware and software as part of creating a management base for supporting the group's competitive strength.

2) Returning to growth

The NEC Group aims to drive the globalization of its Social Solutions business. Specifically, in order to achieve business expansion, the NEC Group has defined safety business (surveillance, cyber security), global carrier network business (TOMS (Telecom Operations and Management Solutions), SDN/NFV) and the retail IT service business as its core business areas, and concentrates resources on these potentially growing areas.

The NEC Group regards compliance as one of the most important management issues and has been continuing its comprehensive observation of compliance. However, during the fiscal year of 2014 with respect to transactions for wireless digital emergency firefighting equipment, and during the fiscal year of 2015 with respect to transactions for telecommunications equipment for electric power systems with Tokyo Electric Power Company and Chubu Electric Power Co., Inc. respectively, the Japan Fair Trade Commission carried out on-site inspections on suspicions that NEC violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the commission's investigation is continuing. NEC places great importance on these issues and is fully cooperating with the commission's investigation. The NEC Group makes every effort to closely observe compliance and to continuously establish and implement its internal control system.

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, 2013 (175th Business Period)	Fiscal Year ended March 31, 2014 (176th Business Period)	Fiscal Year ended March 31, 2015 (177th Business Period)	Fiscal Year ended March 31, 2016 (178th Business Period)
Net sales	3,071.6	3,043.1	2,935.5	2,821.2
Ordinary income (loss)	92.0	69.2	112.1	82.7
Profit (loss) attributable to owners of the parent	30.4	33.7	57.3	68.7
Net income (loss) per share (yen)	11.71	12.99	22.05	26.45

Total assets	2,581.0	2,505.3	2,620.7	2,493.4
Net assets	836.1	767.7	884.2	852.5

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, 2013 (175th Business Period)	Fiscal Year ended March 31, 2014 (176th Business Period)	Fiscal Year ended March 31, 2015 (177th Business Period)	Fiscal Year ended March 31, 2016 (178th Business Period)
Net sales	1,855.3	1,902.4	1,919.6	1,820.1
Ordinary income (loss)	79.6	46.7	56.0	28.6
Net income (loss)	26.5	67.6	55.6	42.1
Net income (loss) per share (yen)	10.20	26.02	21.39	16.18
Total assets	2,081.8	2,143.7	2,223.6	2,069.8
Net assets	545.4	617.9	671.3	692.6

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 Platforms, Ltd.	10,332	100	Development, manufacture, sale and maintenance of information and communications systems equipment, etc. and provision of systems integration services etc.
NEC Fielding, Ltd.	9,670	67.3	Installation and maintenance of computers and network systems
NEC Solution Innovators, Ltd.	8,669	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

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
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.
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.)	110,968	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)	214,375	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 figure for the Company's shareholding ratio of NEC Networks & System Integration Corporation shown above does not account for 6,400,000 (12.9%) 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.
3. On April 1, 2016, NEC Solution Innovators, Ltd. merged with NEC Software Okinawa, 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 and Sensor Systems, Ltd. (Hidaka, etc) OCC Corporation (Kitakyushu, etc) NEC Network Products, Ltd. (Fukushima, etc) NEC Platforms, Ltd. (Kofu, 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	14,787
Enterprise Business	7,240
Telecom Carrier Business	23,378
System Platform Business	18,383
Others	34,938
Total	98,726

(ii) Employees of the Company

Number of Employees	Increase (Decrease) from March 31, 2015	Average Age	Average Years of Employment
22,235	(1,747)	42.9	18.6

(11) Major Borrowings (In millions of yen)

Creditors	Balance of Borrowings
Sumitomo Mitsui Banking Corporation	103,711
Sumitomo Mitsui Trust Bank, Limited	63,079
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	43,879
Mizuho Bank, Ltd.	37,986

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 5,995,679 shares)
- (3) **Number of Shareholders** 195,536

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

Name of Shareholders	Number of Shares Held	Shareholding Ratio
Japan Trustee Services Bank, Ltd. (Trust Account)	112,282	4.32%
The Master Trust Bank of Japan, Ltd. (Trust Account)	109,174	4.20%
The Chase Manhattan Bank, N.A. London Special Account No.1	75,831	2.92%
NEC Employee Shareholding Association	50,626	1.95%
Nippon Life Insurance Company	41,977	1.62%
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	41,113	1.58%
Sumitomo Life Insurance Company	41,000	1.58%
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	38,765	1.49%
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	37,321	1.44%
Japan Trustee Services Bank, Ltd. (Trust Account No.7)	36,115	1.39%

Note: The shareholding ratio is calculated by excluding the number of treasury stock (5,995,679 shares).

(5) Classification of Shareholders

Classification of Shareholders	Shareholding Ratio
Japanese government and local government	0.00%
Financial Institutions	28.89%
Securities Companies	2.79%
Other Corporations	3.08%

Foreign Investors	35.99%
Japanese Individuals and Others	29.25%
Total	100%

3. Matters related to Directors and Audit & Supervisory Board Members (KANSAYAKU)

(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Audit & Supervisory Board Members (KANSAYAKU)

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 / Corporate Strategy and Corporate Communications / Important matters relating to Business Innovation, Human Resources, General Affairs and Management Information Systems
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) Business Innovation
Isamu Kawashima	Executive Vice President and Member of the Board	CFO (Chief Financial Officer) Corporate Controller and Corporate Finance
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. Outside Director, AGP Corporation
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 (Representative Director), Komatsu Ltd. Outside Director, Ricoh Company, Ltd.

Name	Position at the Company	Responsibility and Important Concurrent Position
Fujio Okada	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	-
Tetsuya Fujioka	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	-
Satoshi Itoh	Audit & Supervisory Board Member (KANSAYAKU)	Certified Public Accountant Outside Audit & Supervisory Board Member (KANSAYAKU), SMFG Outside Audit & Supervisory Board Member (KANSAYAKU), Nisshin Seifun Group Inc.
Kyoko Okumiya	Audit & Supervisory Board Member (KANSAYAKU)	Attorney at Law Outside Director, Morinaga Milk Industry Co., Ltd. Outside Director, DC Co.,Ltd.
Takeshi Kikuchi	Audit & Supervisory Board Member (KANSAYAKU)	Attorney at Law

Notes:

- At the 177th Ordinary General Meeting of Shareholders held on June 22, 2015, Mr. Takeshi Kikuchi was newly elected as Audit & Supervisory Board Members (KANSAYAKU) of the Company.
- Messrs. Takeshi Kunibe, Hitoshi Ogita, Motoyuki Oka, and Kunio Noji and Ms. Kaori Sasaki are Outside Directors.
- Messrs. Satoshi Itoh, Takeshi Kikuchi and Ms. Kyoko Okumiya are Outside Audit & Supervisory Board Members (KANSAYAKU).
- 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 and Takeshi Kikuchi and Mss. Kaori Sasaki and Kyoko Okumiya, as independent Directors / Audit & Supervisory Board Members (KANSAYAKU).
- Messrs. Tetsuya Fujioka and Satoshi Itoh have considerable expertise in finance and accounting as follows:

Tetsuya Fujioka	Accounting experience for many years and experience as former General Manager of Corporate Finance Division
Satoshi Itoh	Extensive auditing experience as a Certified Public Accountant for many years

- The names of Audit & Supervisory Board Members (KANSAYAKU) 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)
Hideo Yamada	Audit & Supervisory Board Member (KANSAYAKU)	June 22, 2015 (expiration)

- On April 1, 2016, the positions and responsibilities of Directors were changed as follows:

Name	Position after change	Responsibility after change
Nobuhiro Endo	Chairman of the Board (Representative Director)	Company's Management Policy/ Important matters relating to building NEC Group's culture and Research and Development

Name	Position after change	Responsibility after change
Takashi Niino	President (Representative Director)	CEO (Chief Executive Officer) Management of the Company's business, Corporate Auditing and Export & Import Trade Control
Junji Yasui	Senior Executive Vice President and Member of the Board (Representative Director)	Special assignment by President
Kaoru Yano	Member of the Board	
Takeshi Kunibe	Member of the Board	President and Chief Executive Officer, SMBC Director and Member of the Board of Directors, SMFG Chairman, Japanese Bankers Association
Kunio Noji	Member of the Board	Chairman of the Board, Komatsu Ltd. Outside Director, Ricoh Company, Ltd.

8. 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 Audit & Supervisory Board Members (KANSAYAKU)

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

Remunerations for Audit & Supervisory Board Members (KANSAYAKU) are only fixed monthly remunerations and do not include bonuses linked to the business results because the responsibility of Audit & Supervisory Board Members (KANSAYAKU) is to audit performance of Directors.

The fixed monthly remunerations are determined for a full-time Audit & Supervisory Board Member (KANSAYAKU) 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 Directors (one of whom is the chairperson).

2) Remuneration for Audit & Supervisory Board Members (KANSAYAKU)

Remuneration for Audit & Supervisory Board Members (KANSAYAKU) is determined through discussions between Audit & Supervisory Board Members (KANSAYAKU).

(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 Audit & Supervisory Board Members (KANSAYAKU), 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 Audit & Supervisory Board Members (KANSAYAKU) 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 Audit & Supervisory Board Member (KANSAYAKU) Shareholding Association and keep the shares through the term of office of Directors and Audit & Supervisory Board Members (KANSAYAKU).

(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)	11 (5)	363 (60)	6 -	37 -
Audit & Supervisory Board Members (KANSAYAKU) (of which Outside Audit & Supervisory Board Members (KANSAYAKU))	6 (4)	96 (36)	- -	- -

Notes: 1. The above headcount includes one Audit & Supervisory Board Member (KANSAYAKU) who retired at the close of the 177th Ordinary General Meeting of Shareholders held on June 22, 2015.

2. The total amount of bonus in the table above is to be submitted for approval to the 178th Ordinary General Meeting of Shareholders.

3. The Company plans to pay as retirement allowance 45,500,000 yen to one Director who will retire at the close of the 178th Ordinary General Meeting of Shareholders held on June 22, 2016.

4. As described in "(i) Company Policy on Remuneration" above, the Company abolished retirement allowance system for Directors and Audit & Supervisory Board Members (KANSAYAKU) at the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006. At the same Meeting, it was resolved for the payment of retirement allowance in recognition of services by the Directors and Audit & Supervisory Board Members (KANSAYAKU) to the Company during their terms of offices as Directors or Audit & Supervisory Board Members (KANSAYAKU) up to the close of such Meeting. The payments of retirement allowance described 3 above are pursuant to this resolution.

5. 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).

6. The maximum monthly remuneration for Audit & Supervisory Board Members (KANSAYAKU)

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 Audit & Supervisory Board Members (KANSAYAKU)

Name	Major Activities
Takeshi Kunibe	He attended all of the 12 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 bank.
Hitoshi Ogita	He attended all of the 12 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.
Kaori Sasaki	She attended all of the 12 meetings of the Board of Directors 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	He attended all of the 12 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.
Kunio Noji	He attended 11 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.
Satoshi Itoh	He attended 11 meetings of the Board of Directors out of 12 meetings, and all of the 16 meetings of the Audit & Supervisory Board (KANSAYAKU-KAI), 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.
Kyoko Okumiya	She attended all of the 12 meetings of the Board of Directors, and all of the 16 meetings of the Audit & Supervisory Board (KANSAYAKU-KAI), 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.
Takeshi Kikuchi	After the assumption of office as Audit & Supervisory Board Member (KANSAYAKU), he attended all of the 10 meetings of the Board of Directors, and all of the 12 meetings of the Audit & Supervisory Board (KANSAYAKU-KAI), 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.

(4) Outline of agreements entered into with Outside Directors and Outside Audit & Supervisory Board Members (KANSAYAKU) 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 and Takeshi Kikuchi and Ms. Kyoko Okumiya, who are Outside Audit & Supervisory Board Members (KANSAYAKU), 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 Audit & Supervisory Board Members (KANSAYAKU) 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	521
(ii) Total amount of money and other property benefit paid to the Accounting Auditors by the Company and its subsidiaries	1,567

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 other laws, and it is impracticable to distinguish between these two types of fees.

2. Audit & Supervisory Board (KANSAYAKU-KAI) has received necessary documents and reports from the Directors, relevant divisions and the Accounting Auditor. In addition, the Audit & Supervisory Board (KANSAYAKU-KAI) has evaluated the adequacy of the audit plans and the scheduled audit hour proposed for the current fiscal year, and has considered whether the amount of remuneration proposed for the current fiscal year is adequate, by comparing the audit plans and the performance of the Accounting Auditor for the previous fiscal year and by confirming the transitions of the hours of audits and the amount of remuneration. As a result, the Audit & Supervisory Board (KANSAYAKU-KAI) has made the agreement stipulated in Paragraph 1, Article 399 of the Companies Act regarding the remuneration to Accounting Auditor.

3. 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" and other advisory services.

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

If the Accounting Auditors is found to correspond to any of the items stipulated in Paragraph 1, Article 340 of the Companies Act, Audit & Supervisory Board (KANSAYAKU-KAI) shall be entitled to dismiss the Accounting Auditors subject to the consent of all Audit & Supervisory Board Members (KANSAYAKU), in which case the Audit & Supervisory Board Member (KANSAYAKU) appointed by the Audit & Supervisory Board (KANSAYAKU-KAI) reports on the fact that said Accounting Auditors has been dismissed and the reason for dismissal, at the first shareholders meeting held after such dismissal. Audit & Supervisory Board (KANSAYAKU-KAI) will determine the contents of a proposal for a dismissal or disapproval of the reappointment of the Accounting Auditors to be submitted to the shareholders meeting when the situation arises where the Accounting Auditors are no longer able to execute their duties in a proper manner and Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to change the Accounting Auditors, or Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to

change the Accounting Auditors in order to improve properness or efficiency of the audit by the Accounting Auditors.

5. System and Policy of the Company

(1) System to ensure the properness of operations and outline of the status of the implementation of such system

(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 Policy in English translation is provided through the Company’s website (<http://jpn.nec.com/profile/en/internalcontrol.html>), and the summary of which is described below.

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 audit & supervisory board members (KANSAYAKU) where necessary and decide on a division in charge of

supervising each of the subsidiaries, and such division in charge shall receive reports from such subsidiary regarding matters of importance on business operations, and give instructions and assistance to the subsidiary so that it shall properly conduct risk controls. 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 Audit & Supervisory Board Members (KANSAYAKU) in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by Audit & Supervisory Board Members (KANSAYAKU).

(ix) Directors and employees shall report to Audit & Supervisory Board Members (KANSAYAKU) on the status of the performance of their duties. In addition, the Company shall give instructions to the Directors, Audit & Supervisory Board Members (KANSAYAKU) and employees of the subsidiaries so that they shall report to Audit & Supervisory Board Members (KANSAYAKU) of the Company on the status of the performance of their duties.

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

(Outline of the status of the implementation of system to ensure the properness of operations)

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. Principal efforts made during this fiscal year are described below.

With regard to the compliance, top management of the Company repeatedly conveyed messages about importance of ethics in economic activities and thorough compliance practices to make employees understand therewith. In addition, the Company conducted web-based compliance trainings for all employees and face-to-face trainings according to employee's job categories and positions. Risk Control and Compliance Committee deliberates on investigating causes of, and formulating preventative measures on irregularities within the NEC Group, and oversees the implementation of the preventative measures by relevant divisions.

With regard to the risk management, Risk Control and Compliance Committee and Executive Committee deliberated on and selected certain risks to be addressed in NEC Group-wide priority ("Priority Risk") from important risks for NEC Group in consideration of impacts on NEC Group business and necessity of new measures, and the status of the actions for such Priority Risk was reported to the Board of Directors.

With regard to the group management, based on the NEC Group Management Policy, the Company promotes the leveling of the systems of subsidiaries' management and strengthens the group-wide function for total optimization of NEC Group and maximization of the NEC Group's corporate value. In addition, the internal auditing division confirms issues of subsidiaries and proposes improvement based on the results of audits which it directly performed to subsidiaries or audit results which were obtained from internal auditing division of the subsidiaries.

With regard to the audit by Audit & Supervisory Board Members (KANSAYAKU), Audit & Supervisory Board Members (KANSAYAKU) receives reports on the status of the execution of their duties from Directors and employees of the Company and its subsidiaries. In addition, Audit & Supervisory Board Members (KANSAYAKU) periodically receives reports on financial audit from the Accounting Auditors and exchange opinions with them, and cooperates with the Accounting Auditors and the internal auditing division.

(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

The Company’s commitment to shareholder returns includes comprehensive consideration for the profit status of each period in addition to future capital requirements and the execution of business operations with an emphasis on capital efficiency, while regarding investment in growth areas and the enhancement of its financial base as being tied to the creation of long-term corporate value.

Since profit (loss) attributable to owners of the parent for the fiscal year ended March 31, 2016 was in line with expectations, the Company declared an annual dividend of 6 yen per share of common stock, the same value as announced at the beginning of the fiscal year.

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, 2016)

(In millions of yen)

Account	Amount
Assets	
<u>Current assets</u>	1,527,259
Cash and deposits	168,636
Notes and accounts receivable-trade	874,496
Short-term investment securities	25,505
Merchandise and finished goods	72,937
Work in process	102,443
Raw materials and supplies	52,679
Deferred tax assets	79,418
Other	157,982
Allowance for doubtful accounts	(6,837)
<u>Noncurrent assets</u>	966,182
Property, plant and equipment	331,794
Buildings and structures, net	168,001
Machinery and equipment, net	19,516
Tools, furniture and fixtures, net	66,265
Land	57,189
Construction in progress	20,823
Intangible assets	157,671
Goodwill	46,123
Software	89,358
Other	22,190
Investments and other assets	476,717
Investment securities	143,116
Stocks of subsidiaries and affiliates	91,626
Long-term loans receivable	37,271
Deferred tax assets	114,316
Net defined benefit asset	23,634
Other	70,830
Allowance for doubtful accounts	(4,076)
Total assets	2,493,441

(In millions of yen)

Account	Amount
Liabilities	
<u>Current liabilities</u>	1,012,042
Notes and accounts payable-trade	415,427
Short-term loans payable	40,102
Current portion of long-term loans payable	105,354
Current portion of bonds payable	10,000
Accrued expenses	155,240
Advances received	119,675
Provision for product warranties	14,016
Provision for directors' bonuses	251
Provision for loss on construction contracts and others	7,429
Provision for business structure improvement	3,921
Provision for contingent loss	12,018
Other	128,609
<u>Noncurrent liabilities</u>	628,906
Bonds payable	90,000
Long-term loans payable	229,897
Deferred tax liabilities	1,891
Provision for product warranties	2,348
Provision for loss on repurchase of computers	4,758
Provision for business structure improvement	2,944
Provision for contingent loss	7,179
Net defined benefit liability	258,632
Other	31,257
Total liabilities	1,640,948
Net Assets	
<u>Shareholders' equity</u>	808,560
Capital stock	397,199
Capital surplus	149,034
Retained earnings	265,404
Treasury stock	(3,077)
<u>Accumulated other comprehensive income</u>	(16,468)
Valuation difference on available-for-sale securities	36,710
Deferred gains or losses on hedges	(1,525)
Foreign currency translation adjustments	(1,175)
Remeasurements of defined benefit plans	(50,478)
<u>Non-controlling interests</u>	60,401
Total net assets	852,493
Total liabilities and net assets	2,493,441

CONSOLIDATED STATEMENT OF OPERATIONS

(For the fiscal year ended March 31, 2016)

(In millions of yen)

Account	Amount
Net sales	2,821,181
Cost of sales	1,978,757
Gross profit	842,424
Selling, general and administrative expenses	735,118
Operating income	107,306
Non-operating income	17,976
Interest income	1,673
Dividends income	4,243
Equity in earnings of affiliates	4,562
Other	7,498
Non-operating expenses	42,547
Interest expenses	9,760
Foreign exchange losses	8,482
Settlement package and compensation for damage	7,220
Provision for contingent loss	4,745
Other	12,340
Ordinary income	82,735
Extraordinary income	6,095
Gain on sales of investment securities	4,977
Gain on sales of subsidiaries and affiliates' stocks	673
Gain on sales of noncurrent assets	445
Extraordinary loss	10,908
Impairment loss	10,645
Loss on sales of shares of subsidiaries and associates	138
Loss on valuation of investment securities	104
Loss on sales of investment securities	21
Income before income taxes	77,922
Income taxes	3,883
Income taxes – current	20,085
Income taxes – deferred	(16,202)
Profit(loss)	74,039
Profit(loss) attributable to non-controlling interests	5,290
Profit(loss) attributable to owners of the parent	68,749

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(For the fiscal year ended March 31, 2016)

(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	148,694	207,021	(3,025)	749,889
Changes of items during the period					
Dividends from surplus			(10,396)		(10,396)
Profit(loss) attributable to owners of the parent			68,749		68,749
Purchase of treasury stock				(56)	(56)
Disposal of treasury stock		(2)		4	2
Change in treasury shares of parent arising from transactions with non-controlling shareholders		342			342
Change of scope of equity method			30		30
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	340	58,383	(52)	58,671
Balance at the end of current period	397,199	149,034	265,404	(3,077)	808,560

	Accumulated other comprehensive income					Non-control ling 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	47,385	(271)	12,795	13,852	73,761	60,542	884,192
Changes of items during the period							
Dividends from surplus							(10,396)
Profit(loss) attributable to owners of the parent							68,749
Purchase of treasury stock							(56)
Disposal of treasury stock							2
Change in treasury shares of parent arising from transactions with non-controlling shareholders							342
Change of scope of equity method							30
Net changes of items other than shareholders' equity	(10,675)	(1,254)	(13,970)	(64,330)	(90,229)	(141)	(90,370)
Total changes of items during the period	(10,675)	(1,254)	(13,970)	(64,330)	(90,229)	(141)	(31,699)
Balance at the end of current period	36,710	(1,525)	(1,175)	(50,478)	(16,468)	60,401	852,493

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(For the fiscal year ended March 31, 2016)

(In millions of yen)

Account	Amount
Net cash provided by (used in) operating activities:	
Income before income taxes and minority interests	77,922
Depreciation and amortization	73,026
Equity in earnings of affiliates	(4,562)
Decrease in notes and accounts receivable-trade	43,771
Decrease in inventories	7,693
Decrease in notes and accounts payable-trade	(44,723)
Income taxes paid	(25,391)
Others, net	(29,907)
Net cash provided by operating activities	97,829
Net cash provided by (used in) investing activities:	
Net proceeds from (payments of) acquisitions and sales of property, plant and equipment	(29,776)
Purchases of intangible assets	(8,316)
Net proceeds from (payments of) purchases and sales of securities	2,755
Others, net	3,135
Net cash used in investing activities	(32,202)
Net cash provided by (used in) financing activities:	
Net proceeds from (payments of) bonds and borrowings	(36,978)
Cash dividends paid	(10,368)
Others, net	(2,736)
Net cash used in financing activities	(50,082)
Effect of exchange rate changes on cash and cash equivalents	(4,354)
Net increase in cash and cash equivalents	11,191
Cash and cash equivalents at beginning of period	181,132
Cash and cash equivalents at end of period	192,323

Notes to Consolidated Financial Statements

I Notes to Significant Items for Presenting Consolidated Financial Statements, etc.

1. Scope of consolidation

Number of consolidated subsidiaries 217 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 Platforms, Ltd..

Change in the scope of consolidation includes additions of 3 and exclusions of 18 subsidiaries. Significant changes were as follows:

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

3 subsidiaries

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

14 subsidiaries

Subsidiaries excluded from the consolidation scope due to merger:

4 subsidiaries listed below.

(Prior to merger)	(New - after merger)
NEC Network and Sensor Systems, Ltd. NETCOMSEC Co., Ltd.	NEC Network and Sensor Systems, Ltd.
NEC Magnus Communications, Ltd. Toyo Networks & System Integration Co., Ltd.	NEC Magnus Communications, Ltd.

And 2 other subsidiaries

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 52 companies

Major companies

Keyware Solutions Inc., ALAXALA Networks Corporation, Lenovo NEC Holdings B.V., NEC Capital Solutions Limited, Japan Aviation Electronics Industry, Limited, Nittsu NEC Logistics, Ltd., NEC TOKIN Corporation, Automotive Energy Supply Corporation, HBA Corporation

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

2 affiliated companies 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 the Company owns are between 20/100 and 50/100 based on our account.

Name of the company

JECC Corporation ("JECC" hereafter)

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 12 companies.

The fiscal year of these 12 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 policies

(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 cannot 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 methods

(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 non-controlling 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 benefit formula basis method is mainly applied when allocating the projected retirement benefit cost to the current consolidated fiscal year.

Amortization method for prior service costs, and actuarial gains and losses

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 deferred assets

Bond issuance cost is expensed when incurred.

(e) Accounting for consumption taxes

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

(f) Application of consolidated corporate-tax return system

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

II Notes to Changes in Accounting Policy

From the beginning of the fiscal year ended March 31, 2016, the NEC Group has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), and other applicable standards. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to record as capital surplus, and the method of recording acquisition-related costs has been changed to recognize as period expenses for the fiscal year in which they are incurred. Furthermore, for business combinations that are carried out on or after the beginning of the fiscal year ended March 31, 2016, the accounting method has been changed to an adjusted acquisition cost allocation updated from the tentative accounting treatment and is reflected in the consolidated financial statements for the fiscal year in which the business combination occurs.

In addition, the change in the presentation method of net income (loss) and minority interests to non-controlling interests have been applied from the fiscal year ended March 31, 2016. To reflect these changes, consolidated statements of operations and consolidated balance sheets for the previous fiscal year have been reclassified.

Application of the Accounting Standard for Business Combinations and other applicable standards is in line with the transitional measures that are provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and is effective from the beginning of the fiscal year ended March 31, 2016.

As a result, there is no significant impact on operating income (loss), ordinary income (loss), and income (loss) before income taxes for the fiscal year ended March 31, 2016, and there is no significant impact on capital surplus for the fiscal year ended March 31, 2016.

Also from this fiscal year, disbursements for acquisitions or proceeds from sales of shares of subsidiaries without change of scope of consolidation have been presented in cash flows from financing activities, and cash out flows from acquisition related costs for acquisitions of shares of subsidiaries with change of scope of consolidation and cash out flows from acquisition or sale related costs for shares of subsidiaries without change of scope of consolidation have been presented in cash flows from operating activities on consolidated statements of cash flows.

The impact on per share information is shown in the corresponding section.

III Notes to Changes in Presentation Method

1. "Subsidy income" under non-operating income, presented separately in the previous fiscal year, is included in "Other" under non-operating income in the current fiscal year since the amount has become insignificant. The amount of "Subsidy income" included in "Other" under non-operating income is 737 million yen for the current fiscal year.
2. "Settlement package and compensation for damage" included in "Other" under non-operating expenses in the previous fiscal year, is presented separately in the current fiscal year since the amount has become significant.

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, net	198
Land	3,417
Others	550
<hr/>	
Total	4,165

(2) Balances - debts secured by collateral

	(In millions of yen)
Short-term loans payable	1,081
Others	58
<hr/>	
Total	1,139

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 4,437 million yen (the sum of following provision for loss on construction contracts and others; 133 million yen for merchandise and finished goods, and 4,304 million yen for work in process).

3. Accumulated depreciation of property, plant and equipment

	(In millions of yen)
Accumulated depreciation	723,135

4. Contingent liabilities

Guarantees for bank loans and others

The Company guarantees bank loans of employees and affiliates/others.

	(In millions of yen)
Employees	582
Affiliates/Others	1,289
<hr/>	
Total	1,871

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
Meeting of Board of Directors held on April 28, 2015	Common stock	10,396	4	March 31, 2015	June 1, 2015

(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, 2016.

(a) Resource of dividends	Retained earnings
(b) Total Dividends	15,592 million yen
(c) Dividends per share	6 yen
(d) Record date	March 31, 2016
(e) Effective date	June 1, 2016

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) Nature 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 seven years, while the redemption date of the hybrid finance (subordinated loan) executed in May 2013 is the end of June 2073. Although these interest-bearing debts with floating interest rate are exposed to interest rate risks, these are partially hedged by 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) Items related to accounting policies (b) Accounting for significant hedging activities.

(3) Risk management for financial instruments

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

The Company and its consolidated subsidiaries regularly monitor the financial position of major client companies and manage the due dates and its receivables balance due from each company to minimize the risk of defaults resulting from deterioration of a company's financial position.

Financial institutions with high credit ratings 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 reduces the risk by utilizing netting settlement of foreign currency-denominated trade 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 the securities as well as financial positions of the issuers (client companies). The NEC Group also continuously reviews effectiveness of possessing such securities, taking into consideration the business relationship with client companies.

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

(c) Management of liquidity risk (payment default risk)

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) Supplementary explanation for the fair value of financial instruments

The fair value of a financial instrument is based on the current market price or reasonable calculations in the absence of market price. Since various fluctuating factors are reflected in the calculations, different assumptions could result in different fair value.

2. Fair value of financial instruments

Fair value and its variance from the balance sheet value at March 31, 2016 are as follows:

(In millions of yen)

	Balance sheet value	Fair value	Difference
(1)Cash and deposits	168,636	168,636	-
(2)Notes and accounts receivable-trade	874,496	874,329	(167)
(3)Short-term investment securities	25,505	25,505	-
(4)Investment securities	114,099	114,099	-
(5)Stocks of subsidiaries and affiliates	56,772	43,863	(12,909)
(6)Long-term loans receivable	37,271	37,271	-
Total assets	1,276,779	1,263,703	(13,076)
(1)Notes and accounts payable-trade	415,427	415,427	-
(2)Short-term loans payable	40,102	40,102	-
(3)Current portion of long-term loans payable	105,354	105,354	-
(4)Current portion of bonds payable	10,000	10,000	-
(5)Accrued expenses	155,240	155,240	-
(6)Bonds payable	90,000	90,949	949
(7)Long-term loans payable	229,897	231,244	1,347
Total liabilities	1,046,020	1,048,316	2,296
Derivatives(*1)	(2,602)	(2,602)	-

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

Note:

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 following are not included in “(4) Investment securities” or “(5) Stocks of subsidiaries and affiliates” table above, since they are without market prices, which make it extremely difficult to assess fair values.

Classification	Balance sheet value (In millions of yen)
Investment securities Unlisted stocks	24,053
Stocks of subsidiaries and affiliates Unlisted stocks	34,854
Investment in limited partnerships and similar partnerships under foreign laws	4,698
Others	266
Total	63,871

VII Notes : Per Share Information

Net assets per share	304.81 yen
Net income per share	26.45 yen

Note:

As described in “Changes in Accounting Policy”, the NEC Group has applied “Accounting Standard for Business Combinations and other applicable standards.”

The impact on net income per share is immaterial.

VIII Notes : Others

1. Lease transactions

Operating leases (lessee)	
Obligations under non-cancellable operating leases	(In millions of yen)
Due within one year	14,931
Due over one year	30,785
Total	45,716

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	97,927	44,773	53,154
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	-	-	-
	(3) Others	95	42	53
	Sub-total	98,022	44,815	53,207
Securities with balance sheet value not exceeding acquisition cost	(1) Stocks	16,053	24,273	(8,220)
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	-	-	-
	(3) Others	25,529	25,554	(25)
	Sub-total	41,582	49,827	(8,245)
Total		139,604	94,642	44,962

Note:

The following are not included in “(1) Available-for-sale securities” table above – because of lack of their available market price and not being able to estimate reasonably for their cash flows.

Unlisted stocks (balance sheet value of 24,053 million yen),

Investments in limited partnerships and similar partnerships under foreign laws

(balance sheet value of 4,698 million yen), and Others (balance sheet value of 266 million yen).

(2) Available-for-sale securities sold during the fiscal year ended March 31, 2016

(In millions of yen)

Description	Proceeds from sales	Gross realized gains	Gross realized losses
(1) Stocks	7,616	4,977	21
(2) Bonds			
(a) Governmental and municipal bonds	-	-	-
(b) Corporate bonds	-	-	-
(3) Others	-	-	-
Total	7,616	4,977	21

(3) Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 104 million yen were recorded for this fiscal year.

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	1,026,973
Service cost	32,276
Interest cost	13,656
Actuarial gains and losses	14,603
Benefits paid	(55,317)
Other	(7,075)
Defined benefit obligations at end of year	1,025,116

Note: Certain consolidated subsidiaries adopted the simplified method.

(b) Reconciliation of changes in Plan assets

(In millions of yen)	
Plan assets at beginning of year	872,909
Expected return on plan assets	15,940
Actuarial gains and losses	(78,181)
Employer contributions	26,364
Benefits paid	(43,134)
Other	(3,780)
Plan assets at end of year	790,118

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]	830,983
Plan assets	(790,118)
	40,865
Defined benefit obligations [unfunded]	194,133
Net liability (asset) recognized in the consolidated balance sheet	234,998
	258,632
Net defined benefit liability	258,632
Net defined benefit asset	(23,634)
Net liability (asset) recognized in the consolidated balance sheet	234,998

(d) Retirement benefit expenses

(In millions of yen)

Service cost	32,276
Interest cost	13,656
Expected return on plan assets	(15,940)
Amortization of actuarial gains and losses	11,827
Amortization of prior service costs	(8,645)
Retirement benefit expenses	33,174

Note: Certain consolidated subsidiaries adopted the simplified method.

(e) Remeasurements of defined benefit plans (in Other comprehensive income)

The breakdown of remeasurements of defined benefit plans in other comprehensive income (before adjusting for tax effects) is as follows:

(In millions of yen)

Prior service cost	(7,810)
Actuarial gains and losses	(77,816)
Total	(85,626)

(f) Remeasurements of defined benefit plans (in Accumulated other comprehensive income)

The breakdown of amounts recognized in remeasurements of defined benefit plans in accumulated other comprehensive income (before adjusting for tax effects) is as follows:

(In millions of yen)

Unrecognized prior service cost	(27,394)
Unrecognized actuarial gains and losses	95,381
Total	67,987

(g) Plan assets

(i) Percentage by major category of plan assets

Equity securities	38%
Debt securities	46%
Other	16%
Total	100%

Note: Total plan assets include 12% 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.

(h) Basis for calculation of actuarial assumptions

(i) Discount rate

Mainly, 1.3%

(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

Total defined contribution expense of the Company and its consolidated subsidiaries was 8,064 million yen for the fiscal year ended March 31, 2016.

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	• Tools, furniture and fixtures • Software • Investments and other assets, and others	Kawasaki City, Kanagawa Prefecture, and others
Idle assets	• Land	Sunto County, Shizuoka Prefecture, and others
Others	• 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	244
Machinery and equipment	385
Tools, furniture and fixtures	845
Land	76
Construction in progress	49
Goodwill	6,703
Software	1,430
Intangible assets-other	57
Investments and other assets-other	856
Total	10,645

(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. Income taxes

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

(Deferred tax assets)	(In millions of yen)
Net defined benefit liability	139,558
Tax loss carry forwards	85,791
Loss on devaluation of investment securities	62,006
Accrued expenses and provision for product warranties	35,769
Loss on devaluation of inventories	27,908
Depreciation	22,292
Provision for contingent loss	5,619
Elimination of unrealized profit through intercompany transactions among consolidated companies	5,101
Provision for loss on construction contracts and others	2,155
Provision for business structure improvement	2,080
Research and development expenses	1,585
Others	46,058
Sub-total	435,922
Less: valuation allowance	(202,045)
Total	233,877
(Deferred tax liabilities)	
Undistributed earnings of affiliated companies	(22,353)
Valuation difference on available-for-sale securities	(10,079)
Gain on transfer of securities to the pension trust	(7,883)
Others	(2,844)
Total	(43,159)
Net deferred tax assets	190,718

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

Current assets - deferred tax assets	79,418
Noncurrent assets - deferred tax assets	114,316
Current liabilities - other	(1,125)
Noncurrent liabilities - deferred tax liabilities	(1,891)

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

	(%)
Statutory tax rate	33.0
(Reconciliation)	
Amortization of goodwill	7.8
Equity in losses (earnings) of affiliates	(2.1)
Temporary difference associated with investment in affiliated companies	(2.8)
Changes in valuation allowance	(33.7)
Others	2.8
Effective tax rate	<u>5.0</u>

- (3) Impact of changes in the corporate tax rate

Following the enactment of the law "Partial Amendment of the Corporation Tax Act, etc." (Act No.15 of 2016) and "Partial Amendment of Local Tax Act, etc." (Act No.13 of 2016) by the Diet on March 29, 2016, revised corporation tax rate will be imposed from the consolidated fiscal years beginning on or after April 1, 2016.

Accordingly, the statutory effective tax rate to be used in calculating deferred tax assets and liabilities in the current consolidated fiscal year, will be changed from 33.0% in the previous fiscal year to 31.0% for temporary differences expected to be eliminated from the consolidated fiscal year that begins on April 1, 2016 until the consolidated fiscal year that begins on April 1, 2017, and to 30.5% for temporary differences expected to be eliminated from the consolidated fiscal year that begins on April 1, 2018.

The changes in corporate tax rates has no significant impact on deferred tax assets and income taxes-deferred for the fiscal year ended March 31, 2016.

BALANCE SHEET
(Non-consolidated)
(As of March 31, 2016)

(In millions of yen)

Account	Amount
Assets	
<u>Current assets</u>	1,038,278
Cash and deposits	54,144
Notes receivable-trade	3,078
Accounts receivable-trade	606,979
Lease investment assets	9,704
Short-term investment securities	25,000
Merchandise and finished goods	23,881
Work in process	52,212
Raw materials and supplies	12,761
Advance payments-trade	54,151
Prepaid expenses	15,728
Deferred tax assets	37,880
Accounts receivable-other	109,910
Other	32,922
Allowance for doubtful accounts	(72)
<u>Noncurrent assets</u>	1,031,552
Property, plant and equipment	233,525
Buildings, net	126,765
Structures, net	3,031
Machinery and equipment, net	9,437
Vehicles, net	300
Tools, furniture and fixtures, net	43,221
Land	38,113
Construction in progress	12,659
Intangible assets	67,695
Patent right	856
Right of using facilities	71
Software	66,658
Other	109
Investments and other assets	730,332
Investment securities	139,973
Stocks of subsidiaries and affiliates	399,820
Investments in capital	256
Long-term loans receivable	11,214
Long-term loans receivable from subsidiaries and affiliates	68,270
Deferred tax assets	33,843
Prepaid pension cost	52,239
Other	28,762
Allowance for doubtful accounts	(4,046)
Total assets	2,069,830

(In millions of yen)

Account	Amount
Liabilities	
<u>Current liabilities</u>	1,012,891
Notes payable-trade	260
Accounts payable-trade	475,914
Current portion of long-term loans payable	102,483
Current portion of bonds payable	10,000
Lease obligations	281
Accounts payable-other	34,975
Accrued expenses	55,005
Income taxes payable	608
Advances received	86,804
Deposits received	202,632
Provision for product warranties	7,913
Provision for directors' bonuses	37
Provision for loss on construction contracts and others	5,066
Provision for business structure improvement	1,541
Provision for contingent loss	11,618
Asset retirement obligations	265
Other	17,490
<u>Noncurrent liabilities</u>	364,339
Bonds payable	90,000
Long-term loans payable	221,424
Lease obligations	1,066
Provision for loss on repurchase of computers	4,758
Provision for loss on guarantees	35,433
Provision for business structure improvement	2,575
Provision for contingent loss	2,378
Asset retirement obligations	1,235
Other	5,471
Total liabilities	1,377,230
Net Assets	
<u>Shareholders' equity</u>	658,195
Capital stock	397,199
Capital surplus	106,018
Legal capital surplus	59,260
Other capital surplus	46,758
Retained earnings	158,014
Legal retained earnings	4,159
Other retained earnings	153,856
Retained earnings brought forward	153,856
Treasury stock	(3,036)
<u>Valuation and translation adjustments</u>	34,404
Valuation difference on available-for-sale securities	35,098
Deferred gains or losses on hedges	(694)
Total net assets	692,600
Total liabilities and net assets	2,069,830

STATEMENT OF OPERATIONS
(Non-consolidated)
(For the fiscal year ended March 31, 2016)

(In millions of yen)

Account	Amount
Net sales	1,820,109
Cost of sales	1,380,348
Gross profit	439,761
Selling, general and administrative expenses	419,726
Operating income	20,035
Non-operating income	35,729
Interest income	1,789
Dividends income	31,430
Other	2,510
Non-operating expenses	27,122
Interest expenses	8,101
Settlement package and compensation for damage	6,873
Foreign exchange losses	4,796
Other	7,352
Ordinary income	28,642
Extraordinary income	8,631
Gain on sales of investment securities	4,838
Reversal of provision for loss on guarantees	2,973
Gain on sales of noncurrent assets	445
Gain on sales of subsidiaries and affiliates' stocks	376
Extraordinary loss	28,144
Loss on valuation of stocks of subsidiaries and affiliates	17,658
Provision for loss on guarantees	6,532
Impairment loss	3,256
Provision of allowance for doubtful accounts for subsidiaries and affiliates	638
Loss on valuation of investment securities	26
Loss on sales of investment securities	21
Loss on sales of shares of subsidiaries and associates	13
Income before income taxes	9,129
Income taxes	(32,928)
Income taxes – current	(14,974)
Income taxes – deferred	(17,954)
Net income	42,057

STATEMENT OF CHANGES IN NET ASSETS

(Non-consolidated)

(For the fiscal year ended March 31, 2016)

(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	46,760	106,020	3,119	123,234	126,353
Changes of items during the period							
Dividends from surplus						(10,396)	(10,396)
Provision of legal retained earnings					1,040	(1,040)	-
Net income						42,057	42,057
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	30,622	31,661
Balance at the end of current period	397,199	59,260	46,758	106,018	4,159	153,856	158,014

	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	(2,984)	626,588	45,391	(642)	44,750	671,338
Changes of items during the period						
Dividends from surplus		(10,396)				(10,396)
Provision of legal retained earnings		-				-
Net income		42,057				42,057
Purchase of treasury stock	(56)	(56)				(56)
Disposal of treasury stock	4	2				2
Total changes of items other than shareholders' equity			(10,293)	(52)	(10,345)	(10,345)
Total changes of items during the period	(52)	31,607	(10,293)	(52)	(10,345)	21,262
Balance at the end of current period	(3,036)	658,195	35,098	(694)	34,404	692,600

Independent Auditor's Report

April 27, 2016

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Eiji Mizutani (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Kondo (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Hasegawa (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, 2016 and for the year from April 1, 2015 to March 31, 2016 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 27, 2016

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Eiji Mizutani (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Kondo (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Hasegawa (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, 2016 and for the 178th year from April 1, 2015 to March 31, 2016 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 AUDIT & SUPERVISORY BOARD (KANSAYAKU-KAI)

With respect to the performance of duties by the Directors for the 178th business period from April 1, 2015 to March 31, 2016, the Audit & Supervisory Board (KANSAYAKU-KAI) has prepared this audit report through deliberation based on the audit reports prepared by the respective Audit & Supervisory Board Members (KANSAYAKU) and hereby reports, as follows:

1. Audit method by Audit & Supervisory Board Members (KANSAYAKU) and the Audit & Supervisory Board (KANSAYAKU-KAI) and details thereof

(1) The Audit & Supervisory Board (KANSAYAKU-KAI) has determined, among other things, the auditing policies and auditing plans, received reports regarding the status of conduct of audit and its results from each Audit & Supervisory Board Member (KANSAYAKU), 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.

(2) Pursuant to the Code of *Kansayaku* Auditing Standards and in accordance with the auditing policies and auditing plans determined by the Audit & Supervisory Board (KANSAYAKU-KAI), each Audit & Supervisory Board Member (KANSAYAKU) 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, and performed audit in the way hereinafter prescribed:

(i) each Audit & Supervisory Board Member (KANSAYAKU) has 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. As for the subsidiaries, we have ensured to communicate with the Directors and Audit & Supervisory Board Members (KANSAYAKU) and other personnel of the subsidiaries and to exchange information therewith, and, when necessary, received reports from the subsidiaries with regard to their business;(ii) each Audit & Supervisory Board Member (KANSAYAKU) has 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 corporate group consisting of the Company and its subsidiary corporations 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;

(iii) With regard to “Policy on the Control over the Company” stated in the business report, each Audit & Supervisory Board Member (KANSAYAKU) has examined the contents of the said policy; and

(iv) each Audit & Supervisory Board Member (KANSAYAKU) has 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 business report and the supplementary schedules, 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.

(i) 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.

(ii) 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.

(iii) 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. As prescribed in “4. Challenges to be Addressed by the NEC Group” of the business report, the Japan Fair Trade Commission carried out on-site inspections on suspicions that the Company violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade with respect to multiple transactions and the commission’s investigation is continuing. The Audit & Supervisory Board (KANSAYAKU-KAI) will make continuous effort to verify the facts with respect to these issues and monitor any actions taken by the Company in order to enhance compliance and to establish and implement its internal control system.

(iv) 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, 2016

Audit & Supervisory Board (KANSAYAKU-KAI)

NEC Corporation

Full-time Audit & Supervisory Board Member (KANSAYAKU)	Fujio Okada (Seal)
Full-time Audit & Supervisory Board Member (KANSAYAKU)	Tetsuya Fujioka (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Satoshi Itoh (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Kyoko Okumiya (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Takeshi Kikuchi(Seal)