NEWS RELEASE

Empowered by Innovation NEC

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Full Year Consolidated Financial Results for the Fiscal Year Ended March 31, 2014

Consolidated Financial Results

	Fiscal Year ended March 31, 2013	Fiscal Year ended March 31, 2014	Change
	In billions of yen	In billions of yen	%
Net Sales	3,071.6	3,043.1	-0.9
Operating income (loss)	114.6	106.2	-7.4
Ordinary income (loss)	92.0	69.2	-24.9
Net income (loss)	30.4	33.7	10.9
	Yen	Yen	Yen
Net income (loss) per share:			
Basic	11.71	12.99	1.28
Diluted	—	—	—
	In billions of yen	In billions of yen	%
Total assets	2,581.0	2,505.3	-2.9
Number of employees	102,375	100,914	—

(Notes)

Number of consolidated subsidiaries and affiliated companies accounted for by the equity method is as follows:

	As of March 31, 2013	As of March 31, 2014
Consolidated subsidiaries	270	258
Affiliated companies accounted for by the equity method	53	51

1. Consolidated Business Results

As stated in the July 9, 2013 announcement, "NEC to Revise Business Segments," NEC has revised its business segments from the first quarter of the fiscal year ended March 31, 2014. Figures for the corresponding period of the previous fiscal year have been restated to conform with the new segments.

(1) Overview of the fiscal year ended March 31, 2014 and outlook for the fiscal year ending March 31, 2015

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

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

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

In terms of the "Focus on Solutions for Society," aiming to utilize its information and communications technologies (ICT) in order to provide advanced social infrastructure that helps to address the growing social needs that are expected to arise from the world's rising population and urbanization, the NEC Group made investments in the central domains of

Software-Defined Networking (SDN), a next generation networking technology, Telecom Operations and Management Solutions (TOMS) and Big Data, where the NEC Group also achieved results by winning orders and participating in field trials.

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

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

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

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

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

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

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

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

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

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

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

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

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

In terms of the fiscal year ending March 31, 2015, the NEC Group anticipates consolidated net sales of 3,000.0 billion yen, a year-on-year decrease of 1.4%, mainly due to NEC BIGLOBE, Ltd. no longer being consolidated, as well as the review of the mobile phone terminal business, despite the NEC Group experiencing growth from its Focus on Solutions for Society and the expansion of global business.

The NEC Group anticipates consolidated operating income of 120.0 billion yen for the fiscal year ending March 31, 2015, a year-on-year increase of 13.8 billion yen, mainly due to the business portfolio review outlined above and enhanced cost competitiveness from measures such as the reorganization of subsidiaries. The NEC Group also expects 35.0 billion yen of consolidated net income for the same period.

Consolidated	Forecast for fiscal year ending March 31, 2015 In billions of yen	Comparison with fiscal year ended March 31, 2014
Net Sales	3,000.0	-1.4%
Operating income	120.0	13.8 billion yen
Ordinary income	90.0	20.8 billion yen
Net income	35.0	1.3 billion yen

(2) Results by main business segment

Sales by segment (sales to external customers):

Segments	**Fiscal year ended March 31, 2013**	**Fiscal year ended March 31, 2014**	**Change**
	In billions of yen	In billions of yen	%
Public	680.7	738.4	8.5
Enterprise	251.6	272.3	8.2
Telecom Carrier	709.3	725.8	2.3
System Platform	744.4	780.8	4.9
Others	685.7	525.9	-23.3
Total	3,071.6	3,043.1	-0.9

Operating income (loss) by segment:

Segments	**Fiscal year ended March 31, 2013**	**Fiscal year ended March 31, 2014**	**Change**
	In billions of yen	In billions of yen	In billions of yen
Public	49.0	58.6	9.6
Enterprise	5.5	6.5	1.1
Telecom Carrier	71.6	60.3	-11.2
System Platform	32.7	30.7	-2.0
Others	16.9	-1.4	-18.3
Adjustment	-61.0	-48.6	12.4
Total	114.6	106.2	-8.5

(Note) Amounts in this section "(2) Results by main business segment" are rounded to 0.1 billion yen. Amounts in millions of yen are shown in section "Notes: Segment Information" of this news release.

(Business segment figures in brackets below denote increases or decreases as compared with the previous fiscal year.)

Public Business

Sales:	738.4 billion yen	(8.5%)
Operating Income (Loss):	58.6 billion yen	(9.6 billion yen)

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

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

Enterprise Business

Sales:	272.3 billion yen	(8.2%)
Operating Income (Loss):	6.5 billion yen	(1.1 billion yen)

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

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

Telecom Carrier Business

Sales:	725.8 billion yen	(2.3%)
Operating Income (Loss):	60.3 billion yen	(-11.2 billion yen)

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

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

System Platform Business

Sales:	780.8 billion yen	(4.9%)
Operating Income (Loss):	30.7 billion yen	(-2.0 billion yen)

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

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

Others

Sales:	525.9 billion yen	(-23.3%)
Operating Income (Loss):	-1.4 billion yen	(-18.3 billion yen)

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

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

2. Consolidated Financial Condition

(1) Analysis of the condition of assets, liabilities, net assets, and cash flows

Total assets were 2,505.3 billion yen as of March 31, 2014, a decrease of 75.6 billion yen as compared with the end of the previous fiscal year. Current assets as of March 31, 2014 decreased by 10.9 billion yen compared with the end of the previous fiscal year to 1,502.9 billion yen. Noncurrent assets as of March 31, 2014 decreased by 64.7 billion yen compared with the end of the previous fiscal year to 1,002.4 billion yen, mainly due to the reduction in prepaid pension cost owing to the application of new accounting standards for retirement benefits, despite an increase from the acquisition of trust beneficiary rights set to land and buildings of the NEC Group's Tamagawa business facilities.

Total liabilities as of March 31, 2014 decreased by 7.2 billion yen compared with the end of the previous fiscal year, to 1,737.7 billion yen. This was mainly due to a decrease in bonds and commercial papers, despite an increase in long-term debt due to financing through hybrid finance (subordinated loan) and an increase in net defined benefit liability. The balance of interest-bearing debt amounted to 575.2 billion yen, a decrease of 28.3 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of March 31, 2014 was 0.83 (an improvement of 0.02 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of March 31, 2014, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 368.5 billion yen, a decrease of 37.8 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of March 31, 2014 was 0.53 (an improvement of 0.04 points as compared with the end of the previous fiscal year).

Total net assets were 767.7 billion yen as of March 31, 2014, a decrease of 68.5 billion yen as compared with the end of the previous fiscal year, mainly due to the recording of remeasurements of defined benefit plans and a decrease in minority interests, despite net income for the fiscal year ended March 31, 2014.

As a result, the owner's equity as of March 31, 2014 was 695.9 billion yen and owner's equity ratio was 27.8% (an improvement of 0.3 point as compared with the end of the previous fiscal year).

Net cash inflows from operating activities for the fiscal year ended March 31, 2014 were 94.1 billion yen, a worsening of 49.6 billion yen as compared with the previous fiscal year, mainly due to worsened operating income.

Net cash outflows from investing activities for the fiscal year ended March 31, 2014 were 38.9 billion yen, a decrease of 62.8 billion yen as compared with the previous fiscal year. This was mainly due to decreased outflows for business acquisitions and increased inflows from sales of subsidiaries and affiliates' stocks, despite increased outflows for the acquisition of trust beneficiary rights.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the fiscal year ended March 31, 2014 totaled a cash inflow of 55.2 billion yen, an improvement of 13.2 billion yen year-on-year.

Net cash flows from financing activities for the fiscal year ended March 31, 2014 totaled a cash outflow of 50.0 billion yen, mainly due to outflow from the redemption of bonds and commercial papers as well as payment for dividends, despite financing through hybrid finance .

As a result, cash and cash equivalents as of March 31, 2014 amounted to 206.6 billion yen, an increase of 9.5 billion yen as compared with the end of the previous fiscal year.

(2) Changes in cash flows related indices

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Owner's equity ratio	25.7%	27.5%	27.8%
Owner's equity ratio on market value basis	17.6%	24.7%	32.9%
Cash flows to interest-bearing debt ratio	8.2 times	4.5 times	6.3 times
Interest coverage ratio	15.4 times	24.0 times	9.4 times

Calculation methods for the above indices:

Owner's equity ratio:
Owner's equity at the end of each fiscal year / total assets at the end of each fiscal year

Owner's equity ratio on market value basis:
Aggregated market value of owner's equity at the end of each fiscal year / total assets at the end of each fiscal year

Cash flows to interest-bearing debt ratio:
Average balance of interest-bearing debt / cash flows from operating activities

* Average balance of interest-bearing debt = (balance of interest-bearing debt at the beginning of the fiscal year + balance of interest-bearing debt at the end of the fiscal year) /2

Interest coverage ratio:
Cash flows from operating activities / interest expenses

(Notes)
1. The above indices are calculated using consolidated financial figures.
2. Aggregated market value of owner's equity is calculated using the outstanding number of shares excluding treasury stock.

3. Fundamental Policy on Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2014 and the Fiscal Year Ending March 31, 2015

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

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

For the fiscal year ending March 31, 2015, NEC plans for an annual dividend of 4 yen per share of common stock while no interim dividend will be paid.

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

4. Risk Factors

The NEC Group's business is subject to various risks. The principal risks affecting the NEC Group's business are described briefly below.

(1) Risks related to economic conditions and financial markets

<1> Influence of economic conditions

The NEC Group's business is dependent, to a significant extent, on the Japanese market. The NEC Group's consolidated net sales to customers in Japan accounted for 81.3% of its total net sales in the fiscal year ended March 31, 2014. The deterioration of economic conditions in Japan in the future could have a material adverse effect on the results of operations and the financial position of the NEC Group.

Moreover, the NEC Group's business is also influenced by the economic conditions of countries and regions including Asia, Europe and the United States in which the NEC Group operates its business.

Uncertainties in the economy make it difficult to forecast future levels of economic activity. Because the components of the NEC Group's planning and forecasting depend upon estimates of economic activity in the markets that the NEC Group serves, the prevailing economic uncertainty makes it more difficult than usual to estimate its future income and required expenditures. If the NEC Group is mistaken in its planning and forecasting, there is a possibility that the NEC Group will not be able to appropriately respond to the changing market conditions.

<2> Volatile nature of markets

Markets for some of the NEC Group's products are highly volatile. Downturns have been characterized by diminished demand, obsolete products, excess inventories, accelerated erosion of prices, and periodic overproduction. The volatile nature of the relevant markets may lead to future recurrences of downturns with similar or more adverse effects on the NEC Group's results of operations.

<3> Fluctuations in foreign currency exchange and interest rate

The NEC Group is exposed to risks of foreign currency exchange rate fluctuations. The NEC Group's consolidated financial statements, which are presented in Japanese yen, are affected by fluctuations in foreign exchange rates. Changes in exchange rates affect the yen value of the NEC Group's equity investments and monetary assets and liabilities arising from business transactions in foreign currencies. They also affect the costs and sales proceeds of products or services that are denominated in foreign currencies. Despite measures undertaken by the NEC Group to reduce, or hedge against, foreign currency exchange risks, foreign exchange rate fluctuations may hurt the NEC Group's business, results of operations and financial condition. Depending on the movements of particular foreign exchange rates, the NEC Group may be adversely affected at a time when the same currency movements are benefiting some of its competitors.

The NEC Group is also exposed to risks of interest rate fluctuations, which may affect its overall operational costs and the value of its financial assets and liabilities, in particular, long-term debt. Despite measures undertaken by the NEC Group to hedge a portion of its exposure against interest rate fluctuations, such fluctuations may increase the NEC Group's operational costs, reduce the value of its financial assets, or increase the value of its liabilities.

(2) Risks related to the NEC Group's Management Policy

<1> Finance and profit fluctuations

The NEC Group's results of operations for any quarter or year are not necessarily indicative of results to be expected in future periods. The NEC Group's results of operations have historically been, and will continue to be, subject to quarterly and yearly fluctuations as a result of a number of factors, including:

- the introduction and market acceptance of new technologies, products, and services;
- variations in product costs, and the mix of products sold;
- the size and timing of customer orders, which in turn will often depend upon the success of customers' businesses or specific products or services;
- the impact of acquired businesses and technologies;
- manufacturing capacity and lead times; and
- fixed costs.

There are other trends and factors beyond the NEC Group's control which may affect its results of operations, and make it difficult to predict results of operations for a particular period. These include:

- adverse changes in the market conditions for the products and services that the NEC Group offers;
- governmental decisions regarding the development and deployment of IT and communications infrastructure, including the size and timing of governmental expenditures in these areas;
- the size and timing of capital expenditures by its customers;
- inventory practices of its customers;
- general conditions for IT and communication markets, and for the domestic and global economies;
- changes in governmental regulations or policies affecting the IT and communications industries;
- adverse changes in the public and private equity and debt markets, and the ability of its customers and suppliers to obtain financing or to fund capital expenditures; and
- adverse changes in the credit conditions of its customers and suppliers.

These trends and factors could have a material adverse effect on the NEC Group's business, results of operations and financial condition.

<2> Acquisitions and other business combinations and reorganizations

The NEC Group has completed and continues to seek appropriate opportunities for acquisitions and other business combinations and reorganizations in order to expand its business and strengthen its competitiveness. The NEC Group faces risks arising from acquisitions, business combinations and reorganizations, which could adversely affect its ability to achieve its strategic goals. For example,

- The NEC Group may be unable to realize the growth opportunities, improvement of its financial position, investment effect and other expected benefits by these acquisitions, business combinations and reorganizations in the expected time period or at all;
- The planned transactions may not be completed as scheduled or at all due to legal or regulatory requirements or contractual and other conditions to which such transactions are subject;
- Unanticipated problems could also arise in the integration process, including unanticipated restructuring or integration expenses and liabilities, as well as delays or other difficulties in coordinating, consolidating and integrating personnel, information and management systems, and customer products and services;
- The combined or reorganized entities may not be able to retain existing customers and strategic partners to the extent that they wish to diversify their suppliers for cost and risk management and other purposes;
- The combined or reorganized entities may require additional financial support from the NEC Group;
- The diversion of management and key employees' attention may detract from the NEC Group's ability to increase revenues and minimize costs;
- The goodwill and other intangible assets arising from the acquisitions and business reorganizations are subject to amortization and impairment charges;
- NEC Group's investments in the combined or reorganized entities are subject to valuation and other losses; and
- The transactions may result in other unanticipated adverse consequences.

Any of the foregoing and other risks may adversely affect the NEC Group's business, results of operations, financial condition and stock price.

<3> Alliance with strategic partners

The NEC Group has entered into a number of long-term strategic alliances with leading industry participants, both to develop new technologies and products and to manufacture existing and new products. If the NEC Group's strategic partners encounter financial or other business difficulties, if their strategic objectives change or if they no longer perceive the NEC Group to be an attractive alliance partner, they may no longer desire or be able to participate in the NEC Group's alliances. The NEC Group's business could be hurt if the NEC Group is unable to continue one or more of its alliances. The NEC Group participates in large projects where the NEC Group and various other companies provide services and products that are integrated into systems to meet customer requirements. If any of the services or products that any other company provides have any defects or problems causing the integrated systems to malfunction or otherwise fail to meet customer requirements, the NEC Group's reputation and business could be harmed.

<4> Expansion of global business

The NEC Group's strategies include expanding its business in markets outside Japan. In many of these markets, the NEC Group faces entry barriers such as the existence of long-standing relationships between its potential customers and their local suppliers, and protective regulations. In addition, pursuing international growth opportunities may require the NEC Group to make significant investments long before it realizes returns on the investments, if any. Increased investments may result in expenses growing at a faster rate than revenues.

The NEC Group's overseas projects and investments, particularly in China, could be adversely affected by:

- exchange controls;
- restrictions on foreign investment or the repatriation of income or invested capital;
- nationalization of local industries;
- changes in export or import restrictions;
- changes in the tax system or rate of taxation in the countries; and
- economic, social, and political risks.

In addition, difficulties in foreign financial markets and economies, particularly in emerging markets, could adversely affect demand from customers in the affected countries. Because of these factors, the NEC Group may not succeed in expanding its business in international markets. This could hurt its business growth prospects and results of operations.

(3) Risks related to the NEC Group's business and operations

<1> Technological advances and response to customer needs

The markets for the products and services that the NEC Group offers are characterized by rapidly changing technology, evolving technical standards, changes in customer preferences, and the frequent introduction of new products and services. The development and commercialization of new technologies and the introduction of new products and services will often make existing products and services obsolete or unmarketable. The NEC Group's competitiveness in the future will depend at least in part on its ability to:

- keep pace with rapid technological developments and maintain technological leadership;
- enhance existing products and services;
- develop and manufacture innovative products in a timely and cost-effective manner;

- utilize or adjust to new products, services, and technologies;
- attract and retain highly capable technical and engineering personnel;
- accurately assess the demand for, and perceived market acceptance of, new products and services that the NEC Group develops;
- avoid delays in developing or shipping new products;
- address increasingly sophisticated customer requirements; and
- have the NEC Group's products integrated into its customers' products and systems.

The NEC Group may not be successful in identifying and marketing product and service enhancements, or offering and supporting new products and services, in response to rapid changes in technologies and customer preferences. If the NEC Group fails to keep up with these changes, its business, results of operations and financial condition will be significantly harmed. In addition, the NEC Group may encounter difficulties in incorporating its technologies into its products in accordance with its customers' expectations, which may adversely affect its relationships with its customers, its reputation and revenues.

The NEC Group seeks to form and enhance alliances and partnerships with other companies to develop and commercialize technologies that will become industry standards for the products that it currently sells and plans to sell in the future. The NEC Group spends significant financial, human and other resources on developing and commercializing such technologies. The NEC Group may not, however, succeed in developing or commercializing such standard-setting technologies if its competitors' technologies are accepted as industry standards. In such case, the NEC Group's competitive position, reputation and results of operations could be adversely affected.

The process of developing new products entails many risks. The development process can be lengthy and costly, and requires the NEC Group to commit a significant amount of resources well in advance of sales. Technology and standards may change while the NEC Group is in the development stage, rendering its products obsolete or uncompetitive before their introduction. The NEC Group's newly developed products may contain undetected errors that may be discovered after their introduction and shipment. Those undetected errors could make the NEC Group liable for damages incurred by its customers.

<2> Production process

The markets in which the NEC Group operates are characterized by the introduction of products with short life cycles in a rapidly changing technological environment. Production processes of electronics products are highly complex, require advanced and costly manufacturing facilities, and must continuously be modified to improve efficiency and performance. Production difficulties or inefficiencies might affect profitability or interrupt production, and the NEC Group may not be able to deliver products on time in a cost-effective and competitive manner. If production is interrupted, the NEC Group may not be able to shift production to other facilities quickly, and customers may purchase products from other suppliers. The resulting shortage of manufacturing capacity for some products could adversely affect the NEC Group's ability to compete. The resulting reductions in revenues could be significant.

Legal and practical restrictions on the termination of employees, union agreements, and other factors limit the NEC Group's ability during industry downturns to reduce its production capacity and costs in order to adjust to reduced levels of demand. Conversely, during periods of increasing demand, the NEC Group may not have sufficient capacity to meet customer orders. As a result, the NEC Group may lose sales as customers turn to competitors who may be able to satisfy their increased demand.

<3> Defects in products and services

The NEC Group faces risks arising from defects in its products and services. Many of its products and services are used in "mission critical" situations where the adverse consequences of failure may be severe, exposing it to even greater risk. Product and service defects could make the NEC Group liable for damages incurred by its customers. Negative publicity concerning these problems could also make it more difficult to convince customers to buy the NEC Group's products and services.

In order to prevent the defects of products and services or the unprofitable projects, the NEC Group takes thorough measures to control risks in projects such as system development projects from the beginning of business negotiation, through understanding on customer's confirmed system requirements or technical difficulties, and quality control measures on hardware and software of which systems consist. However, it is difficult to prevent them completely. The defects of its products or services or the unprofitable projects could hurt the NEC Group's business, results of operations and financial condition.

<4> Material procurement

The NEC Group's manufacturing operations depend on obtaining deliveries of raw materials, components, equipment, and other supplies in a timely manner. In some cases, the NEC Group purchases on a just-in-time basis. Because the products that the NEC Group purchases are often complex or specialized, it may be difficult for the NEC Group to substitute one supplier for another or one product for another. Some products are available only from a limited number of suppliers or a single supplier. Although the NEC Group believes that supplies of the raw materials, components, equipment, and other supplies that the NEC Group uses are currently adequate, shortages in critical materials could occur due to an interruption in supply or an increase in industry demand. In addition, a financial market disruption could pose liquidity or solvency risks for the NEC Group's suppliers, which could reduce its sources of supply or disrupt its supply chain. The NEC Group's results of operations would be hurt if it could not obtain adequate delivery of these supplies in a timely manner, or if it had to pay significantly more for them. Reliance on suppliers and industry supply conditions generally involve several risks, including:

- insolvency of, or other liquidity constraints affecting, key suppliers;
- the possibility of defective raw materials, components, equipment or other supplies, which can adversely affect the reliability and reputation of the NEC Group's products;
- a shortage of raw materials, components, equipment or other supplies, and reduced control over delivery schedules, which can adversely affect the NEC Group's manufacturing capacity and efficiencies; and
- an increase in the cost of raw materials, components, equipment and other supplies, which can adversely affect the NEC Group's profitability.

<5> Intellectual property rights

The NEC Group depends on its proprietary technology, and its ability to obtain patents and other intellectual property rights covering its products, services, business models, and design and manufacturing processes. The applications for patents and the maintenance of registered patents can be a time and cost consuming process. The NEC Group's patents could be challenged, invalidated, or circumvented. The fact that the NEC Group holds many patents or other intellectual property rights does not ensure that the rights granted under them will provide competitive advantages to the NEC Group. For example, the protection afforded by the NEC Group's intellectual property rights may be undermined by rapid changes in technologies in the industries in which the NEC Group operates. Similarly, there can be no assurance that claims allowed on any future patents will be broad enough to protect the NEC Group's technology. Effective patent, copyright, and trade secret protection may be unavailable or limited in some countries, and the NEC Group's trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors, and other persons. Further, pirated products of inferior quality infringing the NEC Group's intellectual property rights may damage its brand and adversely affect sales of its products. Litigation, which could consume financial and management resources, may be necessary to enforce the NEC Group's patents or other intellectual property rights.

<6> Intellectual property licenses owned by third parties

Many of the NEC Group's products are designed to include software or other intellectual property licenses from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of the NEC Group's products, the NEC Group believes that, based upon experience and industry's standard practices, these licenses can be obtained on commercially reasonable terms in principle. There can be no assurance that the NEC Group will be able to obtain, on commercially reasonable terms or at all, from third parties the licenses that the NEC Group will need.

<7> Intense competition

Competition creates an unfavorable pricing environment for the NEC Group in many of the markets in which it operates. Competition places significant pressure on the NEC Group's ability to maintain gross margins and is particularly acute during market slowdowns. The entry of additional competitors into the markets in which the NEC Group operates increases the risk that its products and services will become subject to intense price competition. Some of the NEC Group's competitors mainly in Asian countries may have an advantage of lower production cost than the NEC Group does and may be able to compete for customers more effectively than it can in terms of price. In recent years, the time between the introduction of a new product developed by the NEC Group and the production of the same or a comparable product by its competitors has become shorter. This has increased the risk that the products the NEC Group offers will become subject to intense price competition sooner than in the past.

The NEC Group has many competitors in Japan and other countries, ranging from large multinational corporations to a number of relatively small, rapidly growing, and highly specialized companies. Unlike many of the NEC Group's competitors, however, it operates in many businesses and competes with companies that specialize in one or more of its product or service lines. As a result, the NEC Group may not be able to fund or invest in some of its businesses as much as its competitors can, and it may not be able to change or take advantage of market opportunities as quickly or as well as they can.

The NEC Group sells products and services to some of its current and potential competitors. For example, the NEC Group receives orders from, and provides solutions to, competitors that further integrate or otherwise use its solutions for large projects for which such competitors are engaged as the primary solutions provider. If these competitors cease to use the NEC Group's solutions for such large projects for competitive or other reasons, the NEC Group's business could be harmed.

<8> Dependence on the NTT Group

The NEC Group derived approximately 12.3% of its net sales in the fiscal year ended March 31, 2014 from the NTT group (Nippon Telegraph and Telephone Corporation and its affiliates including NTT DOCOMO, INC.). If the NTT group reduces its level of capital expenditures or current procurement or shifts its investment focus as a result of such factors as significant business or financial problems, the NEC Group's business, results of operations and financial condition may be adversely affected. In addition, the NEC Group's business may be adversely affected if the NTT group begins to manufacture products that the NEC Group supplies or acquires its competitors.

<9> Risks related to customers' financial difficulties

The NEC Group sometimes provides vendor financing to its customers or offer customers extended payment terms or other forms of financing to assist their purchase of the NEC Group's products and services. If the NEC Group is unable to provide or facilitate such payment arrangements or other forms of financing to its customers on terms acceptable to them or at all, due to financial difficulties or otherwise, the NEC Group's results of operations could be adversely affected. In addition, many of the NEC Group's customers purchase products and services from the NEC Group on payment terms that provide for deferred payment. If the NEC Group's customers for whom it has extended payment terms or provided other financing terms, or from whom it has substantial accounts receivable, encounter financial difficulties or inability to access credit from others, and are unable to make payments on time, the NEC Group's business, results of operations and financial condition could be adversely affected.

<10> Retention of personnel

Like all technology companies, the NEC Group must compete for talented employees to develop its products, services and solutions. As a result, the NEC Group's human resources organization focuses significant efforts on attracting and retaining individuals in key technology positions. If the NEC Group experiences a substantial loss of, or an inability to attract, talented personnel, it may experience difficulty in meeting its business objectives.

<11> Financing

The NEC Group's primary sources of funds are cash flows from operations, borrowings from banks and other institutional lenders, and funding from the capital markets, such as offerings of commercial paper and other debt securities. A downgrade in the NEC Group's credit ratings could result in increases in its interest expenses and could have an adverse impact on its ability to access the commercial paper market or other debt markets, which could have an adverse effect on the NEC Group's financial position and liquidity.

A failure of one or more of the NEC Group's major lenders, a decision by one or more of them to stop lending to the NEC Group or instability in the capital markets could have an adverse impact on the NEC Group's access to funding. If the NEC Group fails to obtain external financing on terms acceptable to it, or at all, or to generate sufficient cash flows from its operations or sales of its assets, when necessary, the NEC Group will be unable to fulfill its obligations, and its business will be materially adversely affected. In addition, to the extent the NEC Group finances its activities with additional debt, the NEC Group may become subject to financial and other covenants that may restrict its ability to pursue its growth strategy.

(4) Risks related to internal control, legal proceedings, laws and governmental policies

<1> Internal control

The NEC Group is taking action to guarantee the accuracy of its financial reporting by strengthening its internal controls with expanding documentation of the business process and implementing stronger internal auditing. However, even effective internal control systems can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. For example, the inherent limitations of internal control systems include fraud, human error, or circumvention of controls, such as through collusion among multiple employees. In addition, the systems may not be able to effectively deal with changes in the business environment unforeseen at the time that the systems were implemented or with non-routine transactions. The NEC Group's established business processes may not function effectively, and fraudulent acts, such as false financial reporting or embezzlement, or inadvertent mistakes may occur. Such events may require restatement of financial information and could adversely affect the NEC Group's financial condition or results of operations. The NEC Group's reputation in the financial markets may also be damaged as a result of these events. In addition, if any administrative or judicial sanction is issued against the NEC Group as a result of these events, it may lose business opportunities.

If the NEC Group identifies a material weakness in its internal control systems, the NEC Group may incur significant additional costs for remedying such weakness. Despite its efforts by the NEC Group to continually improve and standardize its business processes from the perspective of ensuring effective operations and enhancing efficiency, it is difficult to design and establish common business processes since the NEC Group operates in a diverse range of countries and regions, using varying business processes. Consequently, its efforts by the NEC Group to further improve and standardize its business processes may continue to occupy significant management and human resources and the NEC Group may incur considerable financial costs.

<2> Legal proceedings

From time to time, the NEC Group companies are involved in various lawsuits and legal proceedings, including intellectual property infringement claims. Due to the existence of a large number of intellectual property rights in the fields in which the NEC Group operates and the rapid rate of issuance of new intellectual property rights, it is difficult to completely judge in advance whether a product or any of its components may infringe upon the intellectual property rights of others.

Whether or not intellectual property infringement claims against the NEC Group companies have merit, significant financial and management resources may be required to defend the NEC Group from such claims. If an intellectual property infringement claim by a third party is successful and the NEC Group could not obtain a license of technology which is subject of the infringement claim or any substitution thereof, it could have a material adverse effect on the NEC Group's business, results of operations and financial condition.

The NEC Group may also from time to time be involved in various lawsuits and legal proceedings concerning such laws as business laws, antitrust laws, product liability laws, and environmental laws other than intellectual property infringement actions.

It is difficult to foresee the results of legal actions and proceedings currently involving the NEC Group or of those which may arise in the future, and an adverse result in these matters could have a significant negative effect on the NEC Group's business, results of operations and financial condition. In addition, any legal or administrative proceedings which the NEC Group is subject to could require the significant involvement of senior management of the NEC Group, and may divert management attention from the NEC Group's business and operations.

<3> Laws and governmental policies

In many of the countries in which the NEC Group operates, its business is subject to various risks associated with unexpected regulatory changes, uncertainty in the application of laws and governmental policies and uncertainty relating to legal liabilities. Substantial changes in the regulatory or legal environments, including the economic, tax, defense, labor, spending and other policies of the governments of Japan and other jurisdictions in which the NEC Group operates could adversely affect its business, results of operations and financial condition.

Changes in Japanese and international telecommunications regulations and tariffs, including those pertaining to Internet-related businesses and technologies, could affect the sales of the NEC Group's products or services, and this could adversely affect its business, results of operations and financial condition.

<4> Environmental laws and regulations

The NEC Group's operations are subject to many environmental laws and regulations governing, among other things, air emissions, wastewater discharges, the use and handling of hazardous substances, waste disposal, chemical substances in products, product recycling, soil and ground water contamination and global warming. The NEC Group faces risks of environmental liability arising from its current, historical, and future manufacturing activities. The NEC Group endeavors to comply with laws and government policies, establishing self-management norms and conducting daily inspections and environmental auditing in accordance with its internal environmental policies. However, costs associated with future additional and stricter environmental compliance or remediation obligations could adversely affect the NEC Group's business, results of operations and financial condition.

<5> Tax practice

The NEC Group's effective tax rate could be adversely affected by: earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates; changes in the valuation of the NEC Group's deferred tax assets and liabilities; transfer pricing adjustments; tax effects of nondeductible compensation; or changes in tax laws, regulations, accounting principles or interpretation thereof in the various jurisdictions in which the NEC Group operates. Any significant increase in the NEC Group's future effective tax rates could reduce net income for future periods.

The NEC Group currently carries deferred tax assets resulting from tax loss carry forwards and deductible temporary differences, both of which will reduce its taxable income in the future. However, the deferred tax assets may only be realized against taxable income. The amount of the NEC Group's deferred tax assets that is considered realizable could be reduced from time to time if estimates of future taxable income from its operations and tax planning strategies during the carry forward period are lower than forecasted, due to further deterioration in market conditions or other circumstances. In addition, the amount of the NEC Group's deferred tax assets could be reduced due to changes in tax laws, regulations or accounting principles related to future deductions of income tax rates. Any such reduction will adversely affect the NEC Group's income for the period of the adjustment.

Furthermore, the NEC Group is subject to continuous audits and examination of its income tax returns by tax authorities of various jurisdictions. The NEC Group regularly assesses the likelihood of adverse outcomes resulting from these audits and examinations to determine the adequacy of its provisions for income taxes. There can be no assurance that the outcomes of these audits and examinations will not have an adverse effect on the NEC Group's results of operations and financial condition.

<6> Information management

The NEC Group stores a voluminous amount of personal information and confidential information in the regular course of its business. There have been many cases where such information and records in the possession of corporations and institutions were leaked or improperly accessed. If personal or confidential information in the NEC Group's possession about its customers or employees is leaked or improperly accessed and subsequently misused, it may be subject to liability and regulatory action, and its reputation and brand value may be damaged.

The NEC Group is required to handle personal information in compliance with the Act on the Protection of Personal Information. The NEC Group may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information. The cost and operational consequences of implementing further data protection measures could be significant. In addition, incidents of unauthorized disclosure could create a negative public perception of the NEC Group's operations, systems or brand, which may in turn decrease customer and market confidence in the NEC Group and materially and adversely affect its business, results of operations and financial condition.

(5) Other Risks

<1> Natural and fire disasters

Natural disasters, fires, public health issues, armed hostilities, terrorism and other incidents, whether Japan or any other country in which the NEC Group operates, could cause damage or disruption to the NEC Group, its suppliers or customers, or could create political or economic instability, any of which could harm its business. For example, several of the NEC Group's facilities in Japan could be subject to catastrophic loss caused by earthquakes. The spread of unknown infectious diseases, such as a new type of influenza virus or a worsening of the H1N1 pandemic, could affect adversely the NEC Group's operations by rendering its employees unable to work, reducing customer demand or by disrupting its suppliers' operations. In addition, under the circumstance where network and information systems become more important to operating activities of the NEC Group, such systems are vulnerable to shutdowns caused by unforeseen events such as power outages or natural disasters or terrorism, hardware or software defects, or computer viruses and computer hacking. Although the NEC Group has various measures in place, including the earthquake-resistant reinforcement of its principal facilities in Japan, periodic training drills for employees and redundant back-up information systems, and have adopted and implemented a group-wide business continuity plan outlining countermeasures to be taken in response to these events, any of these events, over which the NEC Group has little or no control, could cause a decrease in demand for its products or services, make it difficult or impossible for the NEC Group to deliver products or for its suppliers to deliver components, require large expenditures to repair or replace its facilities or create delays and inefficiencies in its supply chain.

<2> Accounting policies

The methods, estimates and judgments that the NEC Group uses in applying in its accounting policies could have a significant impact on its results of operations. Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead the NEC Group to change its methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect the NEC Group's results of operations. Due to the volatility in the financial markets and overall economic uncertainty, the actual amounts realized in the future on the NEC Group's debt and equity investments may differ significantly from the fair values currently assigned to them. The application of new or revised accounting standards may significantly affect the NEC Group's financial condition and its results of operations.

<3> Retirement benefit obligations

Changes in actuarial assumptions such as discount rates on which the calculation of projected benefit obligations are based may have an adverse effect on the NEC Group's financial condition and its results of operations. For example, any future reduction of discount rates may cause actuarial losses, or the NEC Group may experience prior service costs in the future resulting from amendments to the plans. Changes in the interest rate environment and other factors may also adversely affect the amount of the NEC Group's retirement benefit liabilities and the resulting annual amortization expense.

<4> Sale of NEC's common stock in the United States

As a result of the failure to file annual reports on Form 20-F with the Securities and Exchange Commission in the United States (the "SEC") for the fiscal year ended March 31, 2006 and thereafter, American depositary shares of NEC were delisted from the NASDAQ Stock Market in October 2007. In addition, NEC was subject to an informal inquiry by the SEC concerning matters including its failure to file annual reports on Form 20-F for the fiscal year ended March 31, 2006 and thereafter. In June 2008, NEC entered into a settlement agreement with the SEC, and as part of the settlement, the SEC issued an order under Section 12(j) of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"). The SEC ordered that (a) NEC ceases and desists from the violations of certain provisions of the Exchange Act because the SEC found that certain of its actions violated certain provisions of the Exchange Act, and (b) the registration under the Exchange Act of its common stock and American depositary shares be revoked. NEC did not admit or deny the findings by the SEC set forth in the order. No fine or other monetary payment was required under the order. As a result of the revocation, no broker or dealer worldwide and no member of a U.S. securities exchange may make use of the mails or any means or instrumentality of interstate commerce in the United States to effect any transaction in, or to induce the purchase or sale of, shares of common stock or American depositary shares of NEC.

Accordingly, it may be difficult for shareholders of NEC to sell or purchase the shares of NEC's common stock in the United States, and this situation may continue in the future.

Management Policy

1. Fundamental Management Policy

Based on the NEC Group Corporate Philosophy, "NEC strives through "C&C" to help advance societies worldwide towards deeper mutual understanding and the fulfillment of human potential," the NEC Group aims to become a global company by contributing to the development of an information society through "C&C," the integration of Computers (Information Technology) and Communications (Telecommunication Technology).

To pursue this philosophy, the NEC Group jointly adopted the "NEC Group Vision 2017," which represents the NEC Group's desired image of society and group business in 2017, as well as the "NEC Group Values" of shared behavioral principles and values that are necessary to realize the NEC Group Vision.

NEC Group Vision 2017:
"To be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth"

The NEC Group aims to lead the world in realizing an information society that is friendly to humans and the earth, where information and communication technologies help people as an integral part of their lives, and act in harmony with the global environment through innovation that unites the powers of intelligence, expertise and technology inside and outside of the NEC Group.

NEC Group Core Values:
"Passion for Innovation," "Self-help," "Collaboration," "Better Products, Better Services"

The NEC Group will strive to provide satisfaction and inspiration for our customers through the efforts of self-reliant individuals, motivated by a "passion for innovation," that work as part of a team to continuously pursue the provision of better products and services. This mentality of "Better Products, Better Services"- not settling for less than the best - has been shared among employees since the establishment of the NEC Group. The NEC Group aims to pursue its Corporate Philosophy and realize the Group Vision through actions based on the Values that have been passed down and fostered over the 100-year history of the NEC Group.

Finally, the NEC Group aims for sustained growth for society and business through efforts to increase its corporate value by practicing the "NEC Way" which systemizes the structure of the NEC Group's management activities such as Corporate Philosophy, Vision, Core Values, Charter of Corporate Behavior, Code of Conduct and its drive to bring satisfaction to all of its stakeholders, including shareholders, customers, and employees alike.

2. Management Indicator Goals

The NEC Group aims to realize certain operating results as a leading global corporate group, and attaches paramount importance on ROE as a management indicator for improving profitability. The NEC Group recorded an ROE of 4.8% in the fiscal year ended March 31, 2014, but aims for an ROE of 10% in the fiscal year ending March 31, 2016 through its "Mid-term Management Plan 2015."

3. Middle and Long Term Management Strategy

In April 2013, the NEC Group established a "Mid-term Management Plan 2015," featuring mid-term management policies that include (1) the Focus on Solutions for Society, (2) the Focus on Asia, Promotion of "Locally-led" Business, and (3) the goal to Stabilize Our Financial Foundation. The NEC Group aims to expand business and improve profitability by transitioning to a "social value innovator" and establishing a globally competitive growth base.

4. Challenges to be Addressed by the NEC Group

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

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

1) Focus on Solutions for Society
The NEC Group is focusing management resources on its Social Solutions business that provides advanced social infrastructure utilizing Information and Communication Technologies (ICT) aiming

to contribute to the safety, security, efficiency and equality of society and to accelerate its growth and transformation to a "social value innovator."

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

2) Focus on Asia, Promotion of "Locally-led" Business

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

Specifically, the NEC Group aims to capitalize on the Global Safety Division as a pillar for promoting the expansion of safety business through shared solutions that can be provided horizontally across multiple domains, and also, while strengthening cooperation with governments and financial institutions, reliably secure economic assistance projects in the domain of global social infrastructure construction utilizing ICT. Moreover, the NEC Group will leverage NEC Laboratories Singapore to drive cooperation with local research institutions and customers, to develop new solutions that utilize the NEC Group's cutting-edge technologies and to promote business on a global scale, especially in Asian markets.

3) Stabilize Our Financial Foundation

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

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

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

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

CONSOLIDATED BALANCE SHEETS

(In millions of yen, millions of U.S.dollars)

		March 31, 2013		**March 31, 2014**	**March 31, 2014**
Current assets		JPY 1,513,806		**JPY 1,502,909**	**$14,592**
Cash and deposits		174,295		**192,668**	**1,871**
Notes and accounts receivable-trade		834,052		**842,308**	**8,178**
Short-term investment securities		24,666		**16,291**	**158**
Merchandise and finished goods	*6	93,776	*6	**76,235**	**740**
Work in process	*6	86,032	*6	**83,922**	**815**
Raw materials and supplies		62,831		**54,238**	**527**
Deferred tax assets		78,761		**74,431**	**723**
Other		164,055		**167,626**	**1,627**
Allowance for doubtful accounts		(4,662)		**(4,810)**	**(47)**
Noncurrent assets		1,067,160		**1,002,420**	**9,732**
Property, plant and equipment		294,767		**346,186**	**3,361**
Buildings and structures, net	*1,2	124,283	*1,2	**175,570**	**1,705**
Machinery and equipment, net	*1	25,586	*1	**17,878**	**174**
Tools, furniture and fixtures, net	*1	62,695	*1	**63,075**	**612**
Land	*2	66,502	*2	**63,585**	**617**
Construction in progress		15,701		**26,078**	**253**
Intangible assets		233,786		**198,781**	**1,930**
Goodwill		93,895		**76,203**	**740**
Software		114,088		**98,285**	**954**
Other		25,803		**24,293**	**236**
Investments and other assets		538,607		**457,453**	**4,441**
Investment securities		138,139		**147,170**	**1,429**
Stocks of subsidiaries and affiliates	*3	92,668	*3	**78,293**	**760**
Long-term loans receivable		44,019		**40,123**	**390**
Deferred tax assets		97,570		**108,398**	**1,052**
Net defined benefit asset		-		**10,404**	**101**
Other		187,065		**88,604**	**860**
Allowance for doubtful accounts		(20,854)		**(15,539)**	**(151)**
Total assets		JPY 2,580,966		**JPY 2,505,329**	**$24,324**

(Note)

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

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions of yen, millions of U.S.dollars)

		March 31, 2013		**March 31, 2014**	**March 31, 2014**
Current liabilities		JPY 1,123,656		**JPY 985,585**	**$9,569**
Notes and accounts payable-trade		458,724		**446,494**	**4,335**
Short-term loans payable	*2	26,590	*2	**32,415**	**315**
Commercial papers		29,997		**-**	**-**
Current portion of long-term loans payable	*2	73,486	*2	**44,284**	**430**
Current portion of bonds payable		70,000		**20,000**	**194**
Accrued expenses		169,221		**152,792**	**1,483**
Advances received		122,154		**128,601**	**1,249**
Provision for product warranties		18,370		**16,687**	**162**
Provision for directors' bonuses		335		**318**	**3**
Provision for loss on construction contracts and others		17,955		**11,342**	**110**
Provision for business structure improvement		3,993		**7,359**	**71**
Provision for contingent loss		1,217		**12,506**	**121**
Other		131,614		**112,787**	**1,096**
Noncurrent liabilities		621,163		**752,081**	**7,302**
Bonds payable		160,000		**140,000**	**1,359**
Long-term loans payable	*2	237,028	*2	**333,534**	**3,238**
Deferred tax liabilities		2,231		**2,213**	**21**
Provision for product warranties		3,049		**4,197**	**41**
Provision for loss on repurchase of computers		5,326		**6,909**	**67**
Provision for business structure improvement		750		**6,859**	**67**
Provision for contingent loss		6,641		**5,915**	**57**
Provision for retirement benefits		178,868		**-**	**-**
Net defined benefit liability		-		**220,457**	**2,140**
Other		27,270		**31,997**	**312**
Total liabilities		1,744,819		**1,737,666**	**16,871**
Shareholders' equity		700,429		**725,195**	**7,041**
Capital stock		397,199		**397,199**	**3,856**
Capital surplus		148,405		**148,402**	**1,441**
Retained earnings		157,771		**182,570**	**1,773**
Treasury stock		(2,946)		**(2,976)**	**(29)**
Accumulated other comprehensive income		10,237		**(29,246)**	**(284)**
Valuation difference on available-for-sale securities		18,333		**34,292**	**333**
Deferred gains or losses on hedges		(1,076)		**(1,359)**	**(13)**
Foreign currency translation adjustments		(7,020)		**(1,521)**	**(15)**
Remeasurements of defined benefit plans		-		**(60,658)**	**(589)**
Minority interests		125,481		**71,714**	**696**
Total net assets		836,147		**767,663**	**7,453**
Total liabilities and net assets		JPY 2,580,966		**JPY 2,505,329**	**$24,324**

CONSOLIDATED STATEMENTS OF OPERATIONS AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of yen, millions of U.S. dollars)

Fiscal year ended March 31	2013	**2014**	**2014**
Net sales	JPY 3,071,609	**JPY 3,043,114**	**$29,545**
Cost of sales	2,142,243	**2,128,457**	**20,665**
Gross profit	929,366	**914,657**	**8,880**
Selling, general and administrative expenses	814,719	**808,464**	**7,849**
Operating income	114,647	**106,193**	**1,031**
Non-operating income	15,577	**18,235**	**177**
Interest income	1,407	**1,707**	**17**
Dividends income	3,840	**4,544**	**44**
Equity in earnings of affiliates	409	**2,719**	**26**
Subsidy income	535	**2,165**	**21**
Foreign exchange gains	446	**593**	**6**
Other	8,940	**6,507**	**63**
Non-operating expenses	38,200	**55,276**	**537**
Interest expenses	5,979	**10,036**	**97**
Retirement benefit expenses	11,631	**11,325**	**110**
Provision for contingent loss	1,327	**11,452**	**111**
Other	19,263	**22,463**	**219**
Ordinary income	92,024	**69,152**	**671**
Extraordinary income	16,780	**58,341**	**567**
Gain on sales of subsidiaries and affiliates' stocks	1,728	*1 **53,923**	**524**
Gain on sales of investment securities	9,057	**2,698**	**26**
Gain on change in equity	*2 2,657	**607**	**6**
Gain on step acquisitions	-	**454**	**4**
Gain on sales of noncurrent assets	*3 1,569	*3 **368**	**4**
Gain on transfer of business	120	**291**	**3**
Gain on insurance claim	*4 1,625	**-**	**-**
Gain on reversal of subscription rights to shares	24	**-**	**-**
Extraordinary loss	39,525	**43,532**	**423**
Business structure improvement expenses	*5 5,538	*5 **25,304**	**246**
Impairment loss	*6 21,949	*6 **15,934**	**155**
Loss on valuation of investment securities	804	**1,738**	**17**
Loss on change in equity	-	**242**	**2**
Relocation expenses	-	**215**	**2**
Loss on sales of stocks of subsidiaries and affiliates	880	**64**	**1**
Loss on sales of investment securities	2	**23**	**0**
Loss on sales of noncurrent assets	-	**12**	**0**
Loss on contribution of securities to retirement benefit trust	*7 5,898	**-**	**-**
Provision of allowance for doubtful accounts for subsidiaries and affiliates	3,818	**-**	**-**
Loss on retirement of noncurrent assets	636	**-**	**-**
Income before income taxes and minority interests	69,279	**83,961**	**815**
Income taxes	30,526	**42,366**	**411**
Income taxes - current	30,724	**33,558**	**325**
Income taxes - deferred	(198)	**8,808**	**86**
Income before minority interests	38,753	**41,595**	**404**
Minority interests in income	8,319	**7,853**	**76**
Net Income	JPY 30,434	**JPY 33,742**	**$328**

CONSOLIDATED STATEMENTS OF OPERATIONS AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of yen, millions of U.S. dollars)

Fiscal year ended March 31	2013	**2014**	**2014**
Income before minority interests	JPY 38,753	**JPY 41,595**	**$404**
Other comprehensive income	23,665	**21,294**	**207**
Valuation difference on available-for-sale securities	2,096	**15,858**	**154**
Deferred gains or losses on hedges	(845)	**(253)**	**(2)**
Foreign currency translation adjustments	16,724	**4,450**	**43**
Share of other comprehensive income of associates accounted for using equity method	5,690	**1,239**	**12**
Comprehensive income	JPY 62,418	**JPY 62,889**	**$611**
Breakdown:			
Comprehensive income attributable to owners of the parent	JPY 53,468	**JPY 54,917**	**$534**
Comprehensive income attributable to minority interests	8,950	**7,972**	**77**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2013

(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	192,834	82,659	(2,939)	669,753
Changes of items during the period					
Deficit disposition		(44,426)	44,426		-
Net income			30,434		30,434
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock		(3)		4	1
Change of scope of equity method			252		252
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(44,429)	75,112	(7)	30,676
Balance at the end of current period	397,199	148,405	157,771	(2,946)	700,429

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at the beginning of current period	16,273	(142)	(28,928)	-	(12,797)	24	120,634	777,614
Changes of items during the period								
Deficit disposition								-
Net income								30,434
Purchase of treasury stock								(11)
Disposal of treasury stock								1
Change of scope of equity method								252
Net changes of items other than shareholders' equity	2,060	(934)	21,908	-	23,034	(24)	4,847	27,857
Total changes of items during the period	2,060	(934)	21,908	-	23,034	(24)	4,847	58,533
Balance at the end of current period	18,333	(1,076)	(7,020)	-	10,237	-	125,481	836,147

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)

Fiscal year ended March 31, 2014

(In millions of yen)

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

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

Fiscal year ended March 31, 2014

(In millions of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,856	1,441	1,532	(29)	6,800
Changes of items during the period					
Dividends from surplus			(101)		(101)
Net income			328		328
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		0	0
Change of scope of equity method			14		14
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(0)	241	(0)	241
Balance at the end of current period	3,856	1,441	1,773	(29)	7,041

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	178	(10)	(68)	-	100	1,218	8,118
Changes of items during the period							
Dividends from surplus							(101)
Net income							328
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Change of scope of equity method							14
Net changes of items other than shareholders' equity	155	(3)	53	(589)	(384)	(522)	(906)
Total changes of items during the period	155	(3)	53	(589)	(384)	(522)	(665)
Balance at the end of current period	333	(13)	(15)	(589)	(284)	696	7,453

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen, millions of U.S. dollars)

Fiscal year ended March 31		2013		2014	2014
Ⅰ. Cash flows from operating activities:					
Income before income taxes and minority interests		JPY 69,279		**JPY 83,961**	**$815**
Depreciation and amortization		83,612		**76,977**	**747**
Equity in earnings of affiliates		(409)		**(2,719)**	**(26)**
Loss (gain) on change in equity		(2,657)		**(365)**	**(4)**
Increase in notes and accounts receivable-trade		(9,600)		**(22,680)**	**(220)**
Decrease in inventories		5,496		**24,327**	**236**
Decrease in notes and accounts payable-trade		(8,548)		**(4,034)**	**(39)**
Income taxes paid		(28,653)		**(30,828)**	**(299)**
Others, net		35,228		**(30,515)**	**(296)**
Net cash provided by operating activities		143,748		**94,124**	**914**
Ⅱ. Cash flows from investing activities:					
Net proceeds from (payments of) acquisitions and sales of property, plant and equipment		(40,804)		**(84,018)**	**(816)**
Purchase of intangible assets		(14,556)		**(12,327)**	**(120)**
Net proceeds from (payments of) purchases and sales of securities		(31,032)		**54,548**	**530**
Others, net		(15,350)		**2,904**	**28**
Net cash used in investing activities		(101,742)		**(38,893)**	**(378)**
Ⅲ. Cash flows from financing activities:					
Net proceeds from (payments of) bonds and borrowings		(94,829)		**(34,354)**	**(333)**
Cash dividends paid		(4)		**(10,378)**	**(101)**
Others, net		(3,974)		**(5,251)**	**(51)**
Net cash used in financing activities		(98,807)		**(49,983)**	**(485)**
Ⅳ. Effect of exchange rate changes on cash and cash equivalents		6,200		**4,257**	**41**
Ⅴ. Net increase (decrease) in cash and cash equivalents		(50,601)		**9,505**	**92**
Ⅵ. Cash and cash equivalents at beginning of period		251,843		**197,132**	**1,914**
Ⅶ. Decrease in cash and cash equivalents resulting from change of scope of consolidation		(4,110)		**-**	**-**
Ⅷ. Cash and cash equivalents at end of period	*1	JPY 197,132	*1	**JPY 206,637**	**$2,006**

Notes to Consolidated Financial Statements

Changes in Accounting Policy

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

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

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

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

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

Changes in Presentation Method

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Consolidated Statements of Operations)

1.“Subsidy income” which was included in “Other” under non-operating income in the previous fiscal year, is presented and disclosed separately from this fiscal year due to the increase in the monetary significance. And the amount of “Reversal of provision for contingent loss” which was separately disclosed in prior fiscal years, is immaterial in this fiscal year, thus the amount has been included in “Other” under non-operating income for this fiscal year. The amount of “Reversal of provision for contingent loss” which is included in “Other” under non-operating income in this fiscal year is 912 million yen. The consolidated financial statements for the previous fiscal year have been restated to reflect these changes in method of presentation.

As a result, 2,971 million yen presented as “Reversal of provision for contingent loss” and 6,504 million yen presented as “Other” under non-operating income in the consolidated statements of operations for the previous fiscal year is restated to present 535 million yen for “Subsidy Income” and 8,940 million yen for “Other”.

2. “Provision for contingent loss” which was included in “Other” under non-operating expenses in the previous fiscal year, is presented and disclosed separately from this fiscal year due to the increase in the monetary significance. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in method of presentation.
As a result, 20,590 million yen presented as “Other” under non-operating expenses in the consolidated statements of operations for the previous fiscal year is restated to present 1,327 million yen for “Provision for contingent loss” and 19,263 million yen for “Other”.

Additional information
NETCOMSEC Co. Ltd., a wholly owned subsidiary of NEC, was found to have recorded and billed an excessive amount of working hours to certain contracts with Japan Ministry of Defense. NETCOMSEC Co. Ltd., voluntarily reported this information to the Ministry of Defense, who subsequently suspended NETCOMSEC Co. Ltd., from participating in requests for proposals for future contracts with the Japan Ministry of Defense. NETCOMSEC Co. Ltd., will return the excess amount to the Ministry of Defense once such amount and period are determined.
In addition, an employee has embezzled money from a subsidiary of NEC Networks & System Integration Corporation, an NEC’s consolidated subsidiary. NEC Networks & System Integration Corporation has determined the amount of money embezzled in each fiscal year and recorded the corresponding amount as non-operating loss in each fiscal year to restate its past consolidated financial statements. Overall, NEC has assessed that the impact of the fraud on its consolidated financial statements is not considered material as to influence the decision making of stakeholders. Therefore, NEC has recorded a one-time loss of 1,560 million yen, the aggregated loss of prior years and current year, as “Other” under non-operating expenses for the fiscal year ended March 31, 2014.

Notes to Consolidated Balance Sheets

＊ 1. Accumulated depreciation of property, plant and equipment

(In millions of yen)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Accumulated depreciation of property, plant and equipment	720,665	728,969

＊ 2. Assets pledged as and debt secured by collateral

Balances - assets pledged as collateral

(In millions of yen)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Buildings and structures	261	238
Land	3,579	3,579
Others	5	300
Total	3,845	4,117

Balances - debt secured by collateral

(In millions of yen)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Short-term loans payable	1,971	2,297
Long-term loans payable	300	200
Others	42	49
Total	2,313	2,546

＊ 3. Notes with relate to non-consolidated subsidiaries and affiliates

The investment amount for the jointly-controlled company included in stocks of subsidiaries and affiliates

(In millions of yen)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Stocks of subsidiaries and affiliates	117	388

4. Contingent liabilities

Guarantees for bank loans and others

(In millions of yen)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Automotive Energy Supply Corporation	5,118	3,355
Employees	2,470	1,619
Others	1,017	1,597
Total	8,605	6,571

5. Other Contingent liabilities

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

* 6. 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. The amounts of provision for loss on construction contracts and others which are presented at net amount of correspondent inventories are as follows.

(In millions of yen)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Merchandise and finished goods	586	773
Work in process	7,611	7,696
Total	8,197	8,469

Notes to Consolidated Statements of Operations

＊1. Gain on sales of subsidiaries and affiliates' stocks

For the fiscal year ended March 31, 2014, mainly due to sales of stocks of NEC BIGLOBE, Ltd. (currently BIGLOBE, Inc.) and NEC Mobiling, Ltd. (currently MX Mobiling Co., Ltd.).

＊2. Gain on change in equity

For the fiscal year ended March 31, 2013, mainly related to a new share issuance to designated third party shareholders conducted by NEC TOKIN Corporation.

＊3. Gain on sales of noncurrent assets

Due to sales of buildings, land and others.

＊4. Gain on insurance claim

For the fiscal year ended March 31, 2013, related to income due to insurance proceeds by the flooding in Thailand which is offset by losses on noncurrent assets, inventories and others.

＊5. Business structure improvement expenses

For the fiscal year ended March 31, 2013, mainly for early retirement of employees due to business restructuring.
For the fiscal year ended March 31, 2014, mainly due to the reviewing of the mobile phone handset business.

＊6. Impairment loss

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

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

Use	Type	Location
Assets for business use	･Buildings and structures ･Tools, furniture and fixtures ･Software ･Investments and other assets, and others	Kawasaki City, Kanagawa Prefecture, and others
Assets for business use	･Buildings and structures ･Machinery and equipment, and others	Koka City, Shiga Prefecture, and others
Idle assets	･Land and others	Sunto County, Shizuoka Prefecture, and others

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

Use	Type	Location
Assets for business use	･Tools, furniture and fixtures ･Software ･Investments and other assets, and others	Kawasaki City, Kanagawa Prefecture, and others
Assets for business use	･Buildings and structures ･Machinery and equipment ･Tools, furniture and fixtures ･Land ･Software, and others	Kodama Country, Saitama Prefecture
Idle assets	･Buildings and structures ･Land	Ikoma City, Nara 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

Items	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Buildings and structures	829	1,699
Machinery and equipment	1,007	1,163
Tools, furniture and fixtures	1,787	913
Land	319	3,185
Construction in progress	117	12
Goodwill	―	5,784
Software	13,685	2,799
Intangible assets-other	8	8
Investments and other assets-other	4,197	371
Total	21,949	15,934

(4) Method for grouping assets

In principle, assets for business use are grouped based on business units and managerial accounting segments. Idle assets are grouped into a single asset group.

(5) Measurement of recoverable amounts

The higher of the net realizable value and value in use is used for the recoverable amounts of fixed assets for business use and goodwill. Net realizable value is used for the recoverable amounts of idle assets.
Net realizable value is estimated based on the assessed value for list of land prices, etc. The value in use is assessed at 1 yen in case the total of future cash flow is a negative amount.

* 7. Loss on contribution of securities to retirement benefit trust

For the fiscal year ended March 31, 2013, due to transfer of a portion of shares that NEC holds in Renesas Electronics Corporation to the retirement benefit trust.

Notes to Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of April 1, 2012	Increase	Decrease	Number of shares as of March 31, 2013
Common stock	2,604,733	-	-	2,604,733

Reasons for the change
Not applicable

2 Dividends

(1) Payment of dividends
Not applicable

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

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

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of April 1, 2013	Increase	Decrease	Number of shares as of March 31, 2014
Common stock	2,604,733	-	-	2,604,733

Reasons for the change
Not applicable

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 26, 2013	Common stock	10,397	4	March 31, 2013	June 3, 2013

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

Resolution	Class of stock	Total dividends (In millions of yen)	Resource of dividends	Dividends per share (In yen)	Record date	Effective date
Meeting of Board of Directors held on April 28, 2014	Common stock	10,396	Retained earnings	4	March 31, 2014	June 2, 2014

Notes to Consolidated Statements of Cash Flows

*1. Reconciliation of cash and cash equivalents from the accounts recorded in consolidated balance sheets

(In millions of yen)

Items	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Cash and deposits	174,295	192,668
Short-term investment securities	24,666	16,291
Time deposits and Short-term investment securities with maturities of more than three months	(1,829)	(2,322)
Cash and cash equivalents	197,132	206,637

SEGMENT INFORMATION

[Segment information]

1. Outline of reportable segments

The reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Company consists of segments that are identified in terms of products, services and markets based on business units. The company has four reportable segments: the Public, Enterprise, Telecom Carrier, and System Platform businesses.

The contents of the reportable segments are as follows:

Public business

This segment mainly renders System Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing, Cloud Services and System Equipment for Government, Public, Healthcare, Finance and Media.

Enterprise business

This segment mainly renders System Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing and Cloud Services for Manufacturing, Distribution and Services.

Telecom Carrier

This segment mainly renders Network Infrastructure (Backbone Network Systems, Access Network Systems), and Services & Management (Telecom Operations and Management Solutions (TOMS) (Network Operation Support Systems (OSS), Business Support Systems (BSS)), Network Control Platform Systems, Network Service Delivery Platform Systems) for Telecom Carriers.

System Platform

This segment mainly renders 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 Networks Solutions (IP Telephony Systems, WAN/Wireless Access Equipment, LAN Products) and Services (Data Center Infrastructure, Support (Maintenance)).

2. Basis of measurement for reportable segment sales and segment income (loss)

Segment income (loss) is based on operating income (loss). Intersegment sales and transfers are based on arm’s length price.

SEGMENT INFORMATION (CONTINUED)

3. Information about sales and segment income (loss) by reportable segment

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Sales								
1. Sales to customers	680,653	251,574	709,282	744,403	2,385,912	685,697	—	3,071,609
2. Intersegment sales and transfers	17,441	3,165	26,127	60,691	107,424	46,212	(153,636)	—
Total sales	698,094	254,739	735,409	805,094	2,493,336	731,909	(153,636)	3,071,609
Segment income (loss) (Operating income (loss))	49,038	5,461	71,562	32,699	158,760	16,922	(61,035)	114,647

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Sales								
1. Sales to customers	**738,364**	**272,316**	**725,758**	**780,755**	**2,517,193**	**525,921**	**—**	**3,043,114**
2. Intersegment sales and transfers	**19,983**	**4,858**	**21,744**	**65,545**	**112,130**	**45,348**	**(157,478)**	**—**
Total sales	**758,347**	**277,174**	**747,502**	**846,300**	**2,629,323**	**571,269**	**(157,478)**	**3,043,114**
Segment income (loss) (Operating income (loss))	**58,590**	**6,539**	**60,329**	**30,723**	**156,181**	**(1,398)**	**(48,590)**	**106,193**

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(In millions of U.S. dollars)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Sales								
1. Sales to customers	**7,169**	**2,644**	**7,046**	**7,580**	**24,439**	**5,106**	**—**	**29,545**
2. Intersegment sales and transfers	**194**	**47**	**211**	**637**	**1,089**	**440**	**(1,529)**	**—**
Total sales	**7,363**	**2,691**	**7,257**	**8,217**	**25,528**	**5,546**	**(1,529)**	**29,545**
Segment income (loss) (Operating income (loss))	**569**	**63**	**586**	**298**	**1,516**	**(14)**	**(471)**	**1,031**

(Notes)

1. "Others" for the fiscal year ended March 31, 2013 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), Smartphones, Mobile Phones, Electronic Components and “BIGLOBE” Internet Services, which are not included in reportable segments. "Others" for the fiscal year ended March 31, 2014 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), Mobile Phones and “BIGLOBE” Internet Services, which are not included in reportable segments.
2. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2013 includes corporate expenses of (57,396) million yen and noncurrent assets related adjustment of (1,844) million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2014 includes corporate expenses of (49,837) million yen ((484) million U.S. dollars) and noncurrent assets related adjustment of 1,008 million yen (10 million U.S. dollars), unallocated to each reportable segment. The corporate expenses, unallocated to each reportable segment, are mainly general and administrative expenses incurred at headquarters of NEC, and research and development expenses.

SEGMENT INFORMATION (CONTINUED)

4. Change in reportable segments

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

As a result of this change, segment information and related information about geographic areas for the fiscal year ended March 31, 2013 have been restated to conform with the fiscal year ended March 31, 2014 presentation.

[Related information]

Information about geographic areas

Sales

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
2,588,491	180,579	202,964	99,575	3,071,609

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
2,473,942	**202,343**	**239,450**	**127,379**	**3,043,114**

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(In millions of U.S. dollars)

Japan	The Americas	Greater China, APAC	EMEA	Total
24,019	**1,964**	**2,325**	**1,237**	**29,545**

(Notes)

1. Sales are classified into country or region based on the locations of customers.
2. Major regions in segments other than Japan:
   (1) The Americas: North America and Latin America
   (2) Greater China, APAC: Greater China and Asia Pacific (Asia, Oceania)
   (3) EMEA: Europe, Middle East and Africa

Notes: Lease Transactions

1. Finance Leases (lessee)
   Except those in which the title of leased property will be transferred to the lessee

   i) Type of lease asset
   Primarily related to outsourcing-related equipment (tools, furniture and fixtures).

   ii) Method of depreciation
   The straight-line method based on the lease period.

2. Operating leases (lessee)
   Future minimum lease obligations under non-cancellable operating leases

(In millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Due within one year	22,312	17,037
Due over one year	77,457	29,719
Total	99,769	46,756

Notes: Income Taxes

1. Breakdown of major factors of deferred tax assets and liabilities

(In millions of yen)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
(Deferred tax assets)		
Pension and severance expenses	117,047	—
Net defined benefit liability	—	158,678
Tax loss carry forwards	177,766	124,235
Loss on devaluation of investment securities	7,079	73,922
Accrued expenses and provision for product warranties	48,326	44,000
Loss on devaluation of inventories	39,069	41,526
Depreciation	37,263	30,908
Investments in affiliated companies	17,059	15,083
Provision for contingent loss	2,748	6,529
Elimination of unrealized profit through intercompany transactions among consolidated companies	5,008	4,729
Provision for business structure improvement	1,372	4,717
Provision for loss on construction contracts and others	6,813	4,029
Research and development expenses	1,487	1,473
Others	65,860	85,016
Sub-total	526,897	594,845
Less: valuation allowance	(313,274)	(372,463)
Total	213,623	222,382
(Deferred tax liabilities)		
Undistributed earnings of affiliated companies	(17,493)	(18,981)
Valuation difference on available-for-sale securities	(7,681)	(11,987)
Gain on transfer of securities to the pension trust	(9,076)	(9,016)
Reserves under special taxation measures law	(16)	(7)
Others	(5,992)	(2,367)
Total	(40,258)	(42,358)
Net deferred tax assets	173,365	180,024

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

(In millions of yen)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Current assets-deferred tax assets	78,761	74,431
Noncurrent assets-deferred tax assets	97,570	108,398
Current liabilities-others	(735)	(592)
Noncurrent liabilities-deferred tax liabilities	(2,231)	(2,213)

2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate

(%)

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Statutory tax rate	38.0	38.0
(Reconciliation)		
Undistributed earnings of affiliated companies	4.2	16.3
Amortization of goodwill	8.5	10.4
Decrease of deferred tax assets due to tax rate changes	—	3.4
Equity in losses (earnings) of affiliates	(0.4)	(1.2)
Changes in valuation allowance	(2.7)	(13.6)
Others	(3.5)	(2.8)
Effective tax rate	44.1	50.5

3. Impact of revisions to the corporate tax rate

Following the promulgation of the law "Partial Amendment of the Income Tax Act, etc." (Act No.10 of 2014) in Japan on March 31, 2014, special reconstruction corporation tax will not be imposed from the consolidated fiscal years beginning on or after April 1, 2014.
Accordingly, for temporary differences expected to be reversed in the current fiscal year, the effective tax rate applied to the calculation of deferred tax assets and liabilities in the current consolidated fiscal year, was lowered from 38.0% in the prior fiscal year to 35.5% in the current fiscal year.
As a result, the amount of deferred tax assets (the amount remaining after deducting deferred tax liabilities) decreased by 2,867 million yen, while income taxes-deferred recognized in costs for the current consolidated fiscal year increased by 2,867 million yen.

Notes: Marketable and Investment Securities

1. Available-for-sale securities

Fiscal year ended March 31, 2013

(In millions of yen)

Description	Balance sheet value	Acquisition cost	Unrealized gains (losses)
Securities with balance sheet value exceeding acquisition cost			
(1)Stocks	67,783	37,841	29,942
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	-	-	-
(3)Others	73	39	34
Sub-total	67,856	37,880	29,976
Securities with balance sheet value not exceeding acquisition cost			
(1)Stocks	7,152	9,098	(1,946)
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	900	1,000	(100)
(3)Others	24,698	24,709	(11)
Sub-total	32,750	34,807	(2,057)
Total	100,606	72,687	27,919

Note:

The followings 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 future cash flows: Unlisted stocks (balance sheet value of 56,826 million yen), Investments in limited partnerships and similar partnerships under foreign laws (balance sheet value of 5,087 million yen), and Others (balance sheet value of 286 million yen).

Fiscal year ended March 31, 2014

(In millions of yen)

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

Note:

The followings 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 future cash flows: Unlisted stocks (balance sheet value of 46,206 million yen), Investments in limited partnerships and similar partnerships under foreign laws (balance sheet value of 4,519 million yen), and Others (balance sheet value of 281 million yen).

2. Available-for-sale securities sold

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(In millions of yen)

Description	Proceeds from sales	Gross realized gains	Gross realized losses
(1)Stocks	25,695	9,048	2
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	-	-	-
(3)Others	1,906	9	-
Total	27,601	9,057	2

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(In millions of yen)

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

3. Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 804 million yen and 1,738 million yen were recorded for the fiscal years ended March 31, 2013 and 2014, respectively.

4. Change in the classification of securities

The classification of the stocks of Renesas Electronics Corporation and others has been changed from stock of affiliated companies to available-for-sale securities from the fiscal year ended March 31, 2014. As a result, Investment securities increased by 10,049 million yen, and Valuation difference on available-for-sale securities increased by 6,814 million yen.

Notes: Accounting for Retirement Benefits

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

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. Retirement benefit obligations

(In millions of yen)

A. Retirement benefit obligations	(968,387)
B. Plan assets	626,582
C. Unfunded retirement benefit obligations (A+B)	(341,805)
D. Unrecognized transitional obligation	22,227
E. Unrecognized actuarial gains and losses	287,071
F. Unrecognized prior service costs (reduction in obligations)	(54,658)
G. Net amounts recognized in the consolidated balance sheet (C+D+E+F)	(87,165)
H. Prepaid pension expenses	91,703
I. Liabilities for retirement benefits (G-H)	(178,868)

Notes:
1. Certain consolidated subsidiaries adopted the simplified method in calculating the retirement benefit obligations.
2. Prepaid pension expenses are included in “Other” of investments and other assets in the consolidated balance sheets.

3. Retirement benefit expenses

(In millions of yen)

A. Service cost	30,697
B. Interest cost	22,479
C. Expected return on plan assets	(12,078)
D. Amortization of transitional obligation	11,631
E. Amortization of actuarial gains and losses	27,052
F. Amortization of prior service costs	(8,749)
G. Other (Note 2)	6,995
H. Retirement benefit expenses (A+B+C+D+E+F+G)	78,027

Notes:
1. Retirement benefit expenses of consolidated subsidiaries adopting the simplified method are included in "A. Service cost".
2. "G. Other" represents the amount of premiums paid for defined contribution pension plans.

4. Basis for calculation of retirement benefit obligations

(1) Allocation method for projected retirement benefit cost

Mainly, point basis

(2) Discount rate

Mainly, 1.4%

(3) Expected rate of return on plan assets

Mainly, 2.5%

(4) Period for amortization of prior service costs

Mainly, 13 years
(Prior service costs are amortized on a straight-line basis over certain years within employees' average remaining service periods as incurred.)

(5) Period for amortization of actuarial gains and losses

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

(6) Period for amortization of transitional obligation

Mainly, 15 years

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

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

(1) Reconciliation of changes in Defined benefit obligations

(In millions of yen)

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

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

(2) Reconciliation of changes in Plan assets

(In millions of yen)

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

Note:
Certain consolidated subsidiaries adopted the simplified method.

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

(In millions of yen)

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

(4) Retirement benefit expenses

(In millions of yen)

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

Note:
Certain consolidated subsidiaries adopted the simplified method.

(5) Remeasurements of defined benefit plans

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

(In millions of yen)

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

(6) Plan assets

(a) Percentage by major category of plan assets

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

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

(b) 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.

(7) Basis for calculation of actuarial assumptions

(a) Discount rate

Mainly, 1.4%

(b) Long-term expected rate of return on plan assets

Mainly, 2.5%

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

3. Defined contribution plans

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

Notes: Business Combinations

1. Business combination of a consolidated subsidiary of the Company

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

(1) Outline of the business combination

(a) Company profiles

Acquiring company: MX Holdings Co., Ltd.

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

Acquired company: NEC Mobiling, Ltd.

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

(b) Reason for the business combination

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

(c) Date of the business combination

June 19, 2013

(d) Overview of transaction including legal form

Transfer of shares in consideration for cash

(2) Outline of accounting method

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

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

"Others"

2. Business combination of a consolidated subsidiary of the Company

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

(1) Outline of the business combination

(a) Company profiles

Acquiring company: BJ Holdings, Ltd.

Acquired company: NEC BIGLOBE, Ltd.

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

(b) Reason for the business combination

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

(c) Date of the business combination

March 31, 2014

(d) Overview of transaction including legal form

Transfer of shares in consideration for cash

(2) Outline of accounting method

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

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

“Others”

Notes: Per Share Information

(In yen)

Items	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Net assets per share	273.51	267.86
Basic net income per share	11.71	12.99

Notes:

1. Diluted net income per share is not disclosed as dilutive share does not exist.
2. As described in "Changes in Accounting Policy", the NEC Group has applied "Accounting Standard for Retirement Benefits" and the current consolidated financial statements conform to the transitional treatment as defined in the paragraph 37 of "Accounting Standard for Retirement Benefits".
As a result, Net assets per share decreased by 23.35 yen at the end of the current consolidated fiscal year.
3. The basis for calculating net income per share is as follows:

Items	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Net income per share		
Net income (In millions of yen)	30,434	33,742
Amounts not attributable to common shareholders (In millions of yen)	—	—
Net income attributable to common stock (In millions of yen)	30,434	33,742
The average number of common stocks outstanding during the fiscal year (In thousands of shares)	2,598,383	2,598,290

4. The basis for calculating net assets per share is as follows:

Items	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net assets per share		
Total net assets (In millions of yen)	836,147	767,663
Amounts deducted from total net assets (In millions of yen)	125,481	71,714
(Minority interests included in the above) (In millions of yen)	(125,481)	(71,714)
Net assets at the year end attributable to common stock (In millions of yen)	710,666	695,949
Number of common stocks at the year end to calculate net assets per share (In thousands of shares)	2,598,352	2,598,218

Notes: Subsequent Events

Not applicable

CAUTIONARY STATEMENTS:

This material contains forward-looking statements pertaining to strategies, financial targets, technology, products and services, and business performance of NEC Corporation and its consolidated subsidiaries (collectively "NEC"). Written forward-looking statements may appear in other documents that NEC files with stock exchanges or regulatory authorities, such as the Director of the Kanto Finance Bureau, and in reports to shareholders and other communications. NEC is relying on certain safe-harbors for forward-looking statements in making these disclosures. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "targets," "aims," or "anticipates," or the negative of those words, or other comparable words or phrases. You can also identify forward-looking statements by discussions of strategy, beliefs, plans, targets, or intentions. Forward-looking statements necessarily depend on currently available assumptions, data, or methods that may be incorrect or imprecise and NEC may not be able to realize the results expected by them.

You should not place undue reliance on forward-looking statements, which reflect NEC’s analysis and expectations only. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Among the factors that could cause actual results to differ materially from such statements include (i) global economic conditions and general economic conditions in NEC’s markets, (ii) fluctuating demand for, and competitive pricing pressure on, NEC’s products and services, (iii) NEC’s ability to continue to win acceptance of NEC’s products and services in highly competitive markets, (iv) NEC’s ability to expand into foreign markets, such as China, (v) regulatory change and uncertainty and potential legal liability relating to NEC’s business and operations, (vi) NEC’s ability to restructure, or otherwise adjust, its operations to reflect changing market conditions, (vii) movement of currency exchange rates, particularly the rate between the yen and the U.S. dollar, (viii) the impact of unfavorable conditions or developments, including share price declines, in the equity markets which may result in losses from devaluation of listed securities held by NEC, and (ix) impact of any regulatory action or legal proceeding against NEC. Any forward-looking statements speak only as of the date on which they are made. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect NEC. NEC does not undertake

any obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.
The management targets included in this material are not projections, and do not represent management’s current estimates of future performance. Rather, they represent targets that management will strive to achieve through the successful implementation of NEC’s business strategies.
Finally, NEC cautions you that the statements made in this material are not an offer of securities for sale. Securities may not be offered or sold in any jurisdiction in which required registration is absent or an exemption from registration under the applicable securities laws is not granted.

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