Empowered by Innovation

Annual Report 2009

Year ended March 31, 2009

NEC CORPORATION

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FINANCIAL HIGHLIGHTS

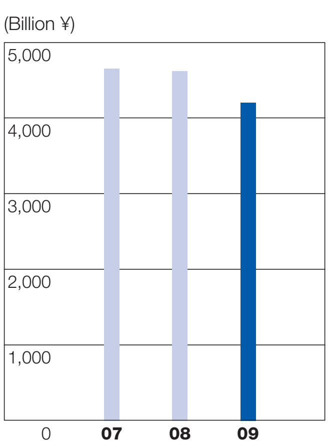
NEC Corporation and Consolidated Subsidiaries
For the years ended March 31, 2007, 2008 and 2009

(Japan GAAP)

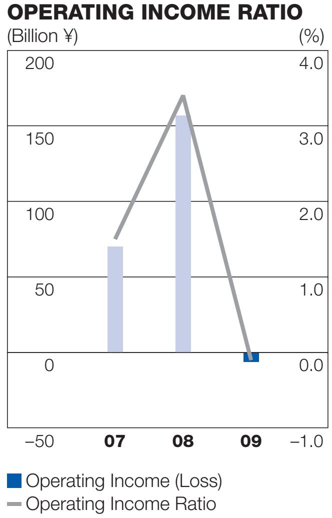
	In millions of yen			In millions of U.S. dollars	Percent change
	2007	2008	**2009**	**2009**	2009/2008
For the year:					
Net sales	¥4,652,649	¥4,617,153	**¥4,215,603**	**$42,582**	–8.7%
Operating income (loss)	69,976	156,765	**(6,201)**	**(63)**	—
Ordinary income (loss)	16,347	112,240	**(93,171)**	**(941)**	—
Net income (loss)	9,128	22,681	**(296,646)**	**(2,996)**	—
Per share data (in yen and U.S. dollars):					
Net income (loss)	4.43	11.06	**(146.64)**	**(1.48)**	—
Diluted net income	4.23	10.64	**—**	**—**	—
Cash dividends	8.00	8.00	**0.00**	**0.00**	—
At year-end:					
Total assets	3,731,669	3,526,795	**3,075,378**	**31,064**	–12.8
Owner's equity	1,038,808	1,004,221	**641,654**	**6,481**	–36.1
Interest-bearing debt	859,292	800,843	**925,163**	**9,345**	15.5
Number of employees	154,786	152,922	**143,327**		

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥99 = U.S.$1.
2. Net income (loss) per share is calculated based on the weighted-average number of shares outstanding during each period.
3. Owner's equity is sum of total shareholders' equity and total valuation and translation adjustments.

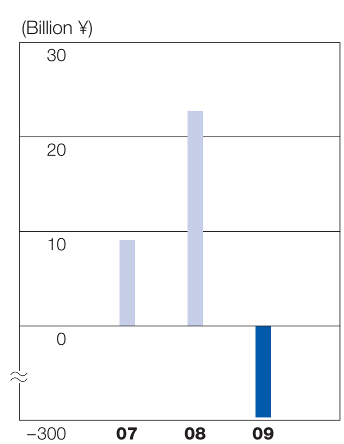
NET SALES



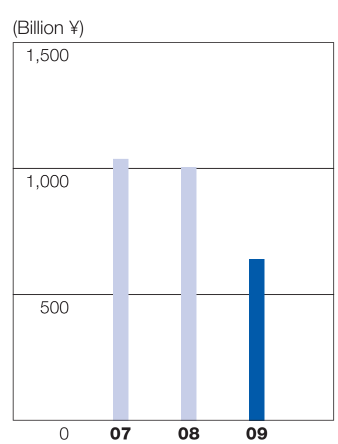
OPERATING INCOME (LOSS), OPERATING INCOME RATIO



NET INCOME (LOSS)



OWNER'S EQUITY



TO OUR SHAREHOLDERS

In fiscal 2009, the fiscal year ended March 31, 2009, NEC steadily expanded its business related to Next Generation Networks (NGNs) and delivered a solid performance in its IT Solutions business targeting the public sector and the retail and services industries in Japan. However, the sharp economic downturn from the second half of the fiscal year had a serious impact on the Electron Devices business and other operations, leading to a significant deterioration in NEC's performance.

As a result, in fiscal 2009, consolidated net sales were ¥4,215.6 billion, a year-on-year decline of 8.7%. We recorded a consolidated operating loss of ¥6.2 billion. Reflecting this worsening operating profitability, as well as equity in losses of affiliates and a loss on valuation of investment securities, NEC recorded a consolidated net loss of ¥296.6 billion in fiscal 2009.

In light of these circumstances, NEC has regrettably suspended its annual dividend payment for fiscal 2009. We deeply regret that we must report this outcome to our shareholders.

In fiscal 2010, we expect business conditions to become increasingly challenging amid the continuing global economic downturn. However, we see this difficult environment as the perfect opportunity to implement business reforms. NEC is thus making every effort to change its business structure, centered on business portfolio realignment, and implement rigorous profit structure reforms. We are also concentrating on core competencies, eyeing the next phase of growth on a global basis after the current downturn. At the same time, we remain committed to pursuing the NEC Group Vision 2017, which was announced in April 2008, with the aim of enhancing shareholder and corporate value over the long term.

Through these measures, the NEC Group is determined to work as one to restore profitability as soon as possible to ensure that it meets shareholder expectations. Your continued support and understanding will be vital to this endeavor.

June 2009

Kaoru Yano

KAORU YANO
President, NEC Corporation

MESSAGE FROM THE PRESIDENT

Kaoru Yano President, NEC Corporation

1. FISCAL 2009 PERFORMANCE AND MAIN ACCOMPLISHMENTS

2. INNOVATING NEC — (I) BUSINESS RESTRUCTURING
— (II) EARNINGS STRUCTURE REFORMS

3. A NEW FRAMEWORK TO SUPPORT STRUCTURAL REFORMS

1. FISCAL 2009 PERFORMANCE AND MAIN ACCOMPLISHMENTS

In fiscal 2009, the year ended March 31, 2009, the global economy continued to expand at a gradual pace in the first half. In the second half, however, the financial crisis in the United States and Europe had a serious impact on real economies worldwide, resulting in a severe global economic recession. In Japan, business investment declined due to an increasingly uncertain economic outlook and worsening corporate earnings reflecting a sharp drop in exports. Consumer spending also weakened significantly mainly due to deteriorating employment conditions and falling share prices. Overall, the Japanese economy experienced a significant downturn.

In this business environment, NEC's earnings power diminished across all segments. The Electron Devices business recorded a particularly large loss due to the unavoidable impact of sharp changes in market conditions. Due to the fact that the profitability also worsened in the Personal Solutions business, we must further reduce the break-even point in this business going forward.

NEC suffered a major setback in terms of its financial performance in fiscal 2009. However, we made progress on many other different fronts. In April 2008, we formulated the NEC Group Vision 2017, which articulates our aspirations and how we intend to contribute to society as the NEC Group, towards "an information society friendly to humans and the earth." We promoted a number of Company-wide initiatives aimed at making NEC a leading global company through innovation.

The energy-saving server ECO CENTER that we launched in May 2008 garnered many environmental accolades, including the METI Minister Award of Green IT Award 2008 and the Environment Minister's Prize at the Eco-Products Awards. Orders from all sectors for ECO CENTER, including customers such as Kyoto University, have steadily increased.

In the network systems field, we steadily expanded sales from businesses related to Next Generation Networks (NGNs). With an eye to the future expansion of our global business, we also strategically acquired NetCracker Technology Corp. of the United States, a company with exceptional expertise in operational support systems for communications service providers. In Japan, we obtained management control of OCC Corporation, a leading submarine cable manufacturer.

In regard to improving our profitability, we pressed ahead with production process innovation activities in the systems integration field and we initiated Company-wide business process and IT reforms, including reforms of corporate staff divisions. We also implemented drastic structural reforms aimed at eliminating unprofitable businesses. These moves included restructuring our LCD business and withdrawing from the PC business outside Japan.

THE NEC GROUP CORPORATE PHILOSOPHY, VISION, AND CORE VALUES

Corporate Philosophy	NEC strives through "C&C" to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential.		
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		
NEC Group Core Values	[OUR MOTIVATION] Passion for Innovation		
	[AS AN INDIVIDUAL] Self-help	[AS A TEAM MEMBER] Collaboration	[FOR OUR CUSTOMERS] Better Products, Better Services

2. INNOVATING NEC

(I) BUSINESS RESTRUCTURING

NEC sees the prevailing challenging business environment as the perfect opportunity to enhance its business operations. That is why we are working hard to change our business structure and implement profit structure reforms.

In terms of changing our business structure, we are concentrating on core competencies by realigning the NEC Group's business portfolio and focusing resources on future growth areas.

In this context, in the Electron Devices business, which suffered a major performance setback in the past fiscal year, we are stepping up efforts to rebuild both the semiconductor and electronic components businesses.

In the semiconductor business, we implemented measures to drastically reduce fixed costs, including the closure of certain production lines at NEC Electronics Corporation ahead of schedule. In addition, we worked to raise the efficiency of all manner of costs, including production, capital expenditures and R&D, with the aim of turning around our performance as early as possible.

In the electronic components business, NEC TOKIN Corporation strove to withdraw from unprofitable businesses and reorganize production bases, among other initiatives. In addition, NEC TOKIN was made a wholly owned subsidiary of NEC to concentrate management resources in growth domains such as the automotive lithium-ion battery business as part of efforts to develop a system for more efficiently conducting business operations going forward. In the LCD display business, NEC has taken steps to merge and consolidate production bases and reduce the number of personnel.

In the personal solutions business, we have also taken drastic measures such as withdrawing from businesses in Europe and Asia that had continued to post losses.

ENHANCEMENT OF THE SERVICES BUSINESS

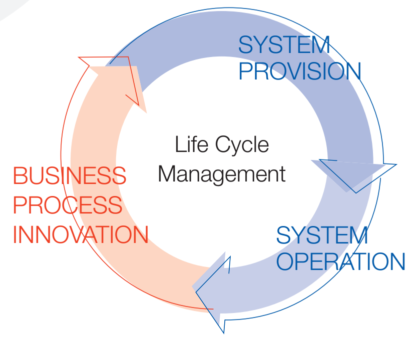
Cloud-oriented service platform solution

Supporting system life cycle management from business process reform to system deployment, operations and maintenance

- Provide customers with infrastructure systems as a service ahead of the competition
- Provide services supporting mission critical tasks for a variety of businesses and delivery models
- Provide business model consulting based on NEC's experience with business process reform

Services which realize business process innovation

Business model consulting



Service provision and operation

Software as a Service
Shared Service
Dedicated Service

"Cloud-oriented" services mid-term business scale

100 billion yen

Mid-term target for service business: Over 500 billion yen in sales

In the IT/Network Solutions business, we are strengthening our hand in areas with future growth potential where we can leverage NEC's strengths. One example is in service businesses for the cloud computing era.

In the current downturn, demand is increasing for IT systems offering high flexibility and cost savings to support business reforms or to realize the rapid start-up of new ventures. Large enterprises are reviewing business processes and IT systems at the divisional or operational level, from the standpoint of overall optimization. In the process, one pressing issue is to speed up management while scaling back operational costs.

In solving such issues, rather than owning all of the IT systems internally, we believe that an effective answer is to leverage IT by sourcing non-core functions over networks from external service providers, while retaining in-house specialist expertise in core areas that are a company's source of competitiveness. Many companies are focusing attention on cloud computing services to better manage their businesses.

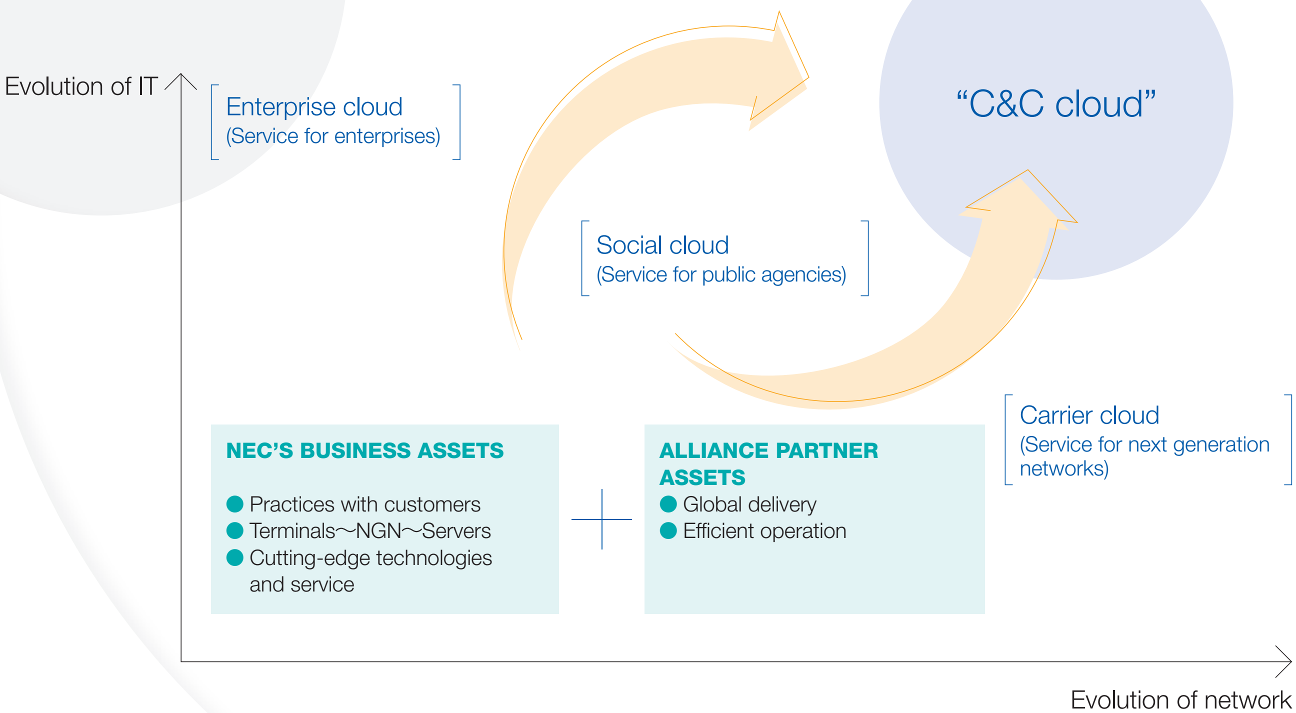
The NEC Group is currently revamping all aspects of its backbone IT system. This entails integrating all sales, accounting and procurement systems for internal use at a data center and developing platform systems for these functions. Using this infrastructure, we first plan to provide "Cloud-oriented" services to NEC Corporation and more than 50 NEC Group companies.

Based on the technology and expertise acquired through implementation of this system, we then plan to launch a "Cloud-oriented" services for a broad range of NEC customers. Our medium-term target is to generate ¥100 billion in annual sales from this business. We are also targeting overall sales of over ¥500 billion from services as quickly as possible.

To expand these service businesses globally, we are also looking to implement and promote a "C&C cloud" strategy based on the convergence of

“C&C CLOUD” CONCEPT & STRATEGY

NEC promotes “C&C cloud” with alliance partners



rapidly advancing IT and network technologies. Specifically, NEC aims to supply platforms based on three distinct types of cloud-computing models to a broad range of customers: the “enterprise cloud” model for systems integration within enterprises; the “carrier cloud” model for realizing NGN-related services; and the “social cloud” model to support public services infrastructure.

As part of this strategy, we plan to actively pursue strategic partnering as a means of securing and bolstering customer bases and operating assets such as global service delivery assets that the NEC Group currently lacks. In this way, we aim to extend to global markets the systems development expertise in advanced IT and networks that we have cultivated in Japan.

In the environment and energy business, a new domain, NEC will first focus on lithium-ion batteries for automotive applications through a joint venture established with Nissan Motor Co., Ltd. and NEC TOKIN Corporation. Over the medium and long terms, we plan to leverage the strengths of the NEC Group to create other new businesses in this sector, in areas such as energy-efficiency and CO_2 emissions reduction solutions. We see this sector evolving into a new engine of growth for NEC.

(II) EARNINGS STRUCTURE REFORMS

We are already implementing several measures to establish a leaner and more powerful earnings structure.

We are currently improving business processes across the NEC Group based on the two themes of simplifying operations and adopting global standards. Our aim by simplifying operations is to speed up management of the business. At the same time, by adopting global standards we aim to achieve world-class competitiveness across NEC's operations.

These reforms will also eliminate overlapping functions within the NEC Group, resulting in a reduction of about 20% in the number of divisions. Combined with the benefits of introducing a completely revamped backbone IT system, we expect to achieve a reduction in TCO* (total cost of ownership) for IT systems of at least 20% across the entire NEC Group.

In January 2009, NEC announced a plan to reduce its workforce by more than 20,000 personnel throughout the NEC Group, including staff affiliated with contractors. In line with this plan, we will be moving in-house some production that we had previously outsourced. In addition to labor costs, outsourcing engineering expenses, and business outsourcing expenses, we are also rigorously reducing all manner of costs, including selling, advertising and other expenses. In fiscal 2010, we plan to reduce fixed costs by ¥270 billion year on year. We are already executing activities that have been budgeted for at the individual business segment and division levels, and are closely monitoring progress against cost-cutting targets.

We are conscious of the fact that our top priority for fiscal 2010 is to pave the way for growth after the current downturn by seeing these structural reforms through, and achieving our performance targets.

* Total Cost of Ownership: the total cost of introducing, maintaining and managing IT systems.

ALL-OUT REDUCTION OF COSTS

Reduce fixed costs by 270 billion yen (versus fiscal 2009)

FIXED COST REDUCTION TARGETS BY COST ITEM

(Billion ¥)

Cost item	Reduction target
Labor cost	72.0
Outsourcing engineering, consignment of activities	124.0
Depreciation, lease, etc.	28.0
Other	46.0
Total	270.0

3. A NEW FRAMEWORK TO SUPPORT STRUCTURAL REFORMS

In April 2009, we revamped our organization to bolster earnings power and implement structural reforms aimed at new growth. Having established a "One NEC" framework that brings together NEC Corporation and NEC Group companies, we are now better positioned to supply customers with high-value-added solutions that maximize the Group's strengths.

In parallel, we have decided to reclassify our three business segments into six more detailed segments, in order to align our organization more closely to the business segments. This change will boost NEC's accountability to shareholders and capital markets by more clearly defining where business responsibility lies, while at the same time improving the quality of information we disclose.

The outlook calls for business conditions to remain challenging in fiscal 2010. Nevertheless, we see fiscal 2010 as a crucial year for transforming NEC by practising the NEC Group Core Values to pave the way for future growth. We will continue to bolster management of the entire NEC Group by strengthening our internal control systems, including strict enforcement of compliance, so that we achieve our business reforms.

Through these measures, the NEC Group aims to emerge from the current worldwide downturn as a leading global company. To this end, we will work tirelessly to bolster the Group's growth potential and earnings power.

Change towards a robust profit structure

Putting the NEC Group Core Values into practice

Change business structure to pursue growth

Aim to meet the earnings forecast for fiscal 2010, concentrate on core competencies in order to support the next phase of growth

Pursuing the NEC Group Vision 2017

Performance by Segment

NEC has made changes to its organization with the aim of boosting its earnings power and driving new growth. We have also reclassified our business segments.

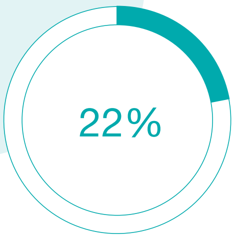
* In regard to segment figures, the results of former segments have been adjusted to conform with the new segment classification established with the aim of improving accountability for and enhancing the quality of the disclosure of information. These segment figures have not been audited by the accounting auditors.
The presentation of sales for new segments has been changed to sales to outside customers. (Sales of former segments included inter-segment sales.)

AT A GLANCE

NEC Corporation and Consolidated Subsidiaries
For the year ended March 31, 2009

IT SERVICES BUSINESS

PROPORTION OF SALES



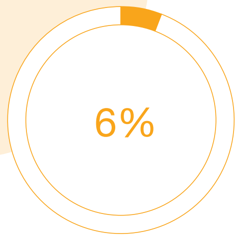
NEC supplies government agencies and private-sector companies with a range of IT services covering systems implementation, maintenance and support, and outsourcing. Using its extensive experience in building highly reliable systems backed by state-of-the-art IT and network technologies, NEC aims to realize an information society friendly to humans and the earth.

IT SERVICES

- Systems Integration
  (Systems Implementation, Consulting)
- Maintenance and Support
- Outsourcing

IT PRODUCTS BUSINESS

PROPORTION OF SALES



NEC supplies customers with products essential to the implementation of IT systems, including servers, supercomputers, storage equipment and software. NEC is committed to boosting the performance and energy efficiency of its products to help realize safe, secure, convenient and eco-friendly IT infrastructure.

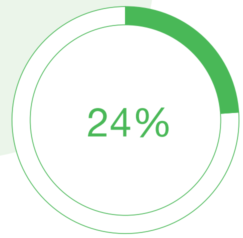
IT PRODUCTS

- IA Servers
- UNIX Servers
- Mainframe Computers
- Supercomputers
- Storage Products
- Professional Workstations
- Computer Software
  (Operating Systems, Middleware, Application Software)

Blade System SIGMABLADE

NETWORK SYSTEMS BUSINESS

PROPORTION OF SALES



NEC supplies equipment required in network implementation to communications service providers and corporate customers, along with network control platform systems and operating services. NEC's wealth of experience in large-scale network implementation and strong technical capabilities contribute to the development of highly reliable communications networks.

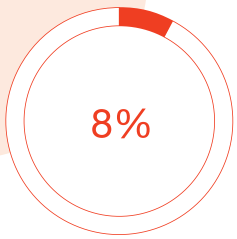
NETWORK SYSTEMS

- Network Systems for Communications Service Providers
  - Network Infrastructure
    (Mobile Communications Systems, Fixed-line Communications Systems)
    Backbone Networking Systems
    (SDH Systems, WDM Systems, Routers/Switching Systems)
    Access Networking Systems
    (Broadband Access Networking Systems, Mobile Access Networking Systems, Microwave Communications Systems)
  - Network Control Platforms Systems
  - Network Service Delivery Platform Systems
- Enterprise Network Systems
  (IP Telephony Systems, Routers/Switching Systems, Wireless LAN)

The PASOLINK ultra-compact point-to-point microwave wireless access system

SOCIAL INFRASTRUCTURE BUSINESS

PROPORTION OF SALES



NEC supplies industrial systems that support social infrastructure, including broadcasting systems, artificial satellites and integrated CCTV surveillance systems for airports and local governments, as well as other security-related systems that enhance public safety.

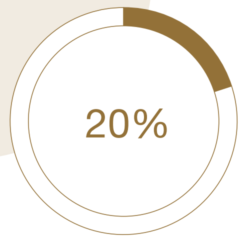
SOCIAL INFRASTRUCTURE

- Broadcasting Systems and Video Equipment
- Control Systems
- Transportation Systems
- Aerospace and Defense Systems
- Fire and Disaster Prevention Systems

Digital terrestrial TV transmitter for overseas markets

PERSONAL SOLUTIONS BUSINESS

PROPORTION OF SALES



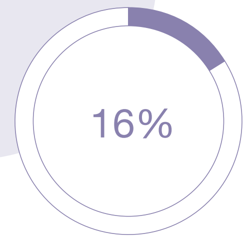
NEC provides mobile handsets, personal computers and other terminals that channel individuals to the ubiquitous networking society, as well as “BIGLOBE” Internet services. NEC is also developing new services that combine all of those elements. Harnessing cutting-edge technology, NEC seeks to develop products and services that are simple and convenient for everyone.

PERSONAL SOLUTIONS

- Mobile Handsets
- Personal Computers
- Personal Communications Equipment
- “BIGLOBE” Internet Services
- Displays Solutions

ELECTRON DEVICES BUSINESS

PROPORTION OF SALES



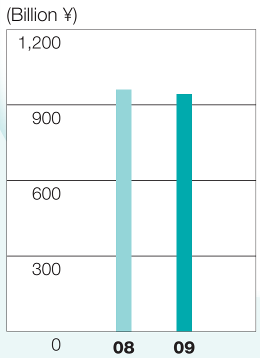
NEC provides the semiconductors, electronic components and other products that play a vital role in realizing higher performance devices mainly for manufacturers involved in digital consumer and automobiles.

ELECTRON DEVICES

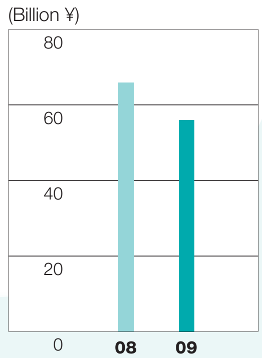
- Semiconductors
  - System LSIs
    (For Use in Communications Equipment, Computing and Peripheral Products, Consumer Electronics Products, Automotive and Industrial Products)
  - Microcontrollers
  - Discrete Devices
  - Optical and Microwave Devices
- Electronic Components and Others
  - Lithium-ion Rechargeable Batteries
  - Capacitors
  - Piezoelectric Devices
  - IC Cards, IC Tags
  - Various light sources and lighting fixtures
  - LCDs

IT SERVICES BUSINESS

SALES



OPERATING INCOME



Initiatives to Create and Drive Growth in New Markets: Established Seven Internet Lab. Co., Ltd.

Embracing the challenge of achieving innovation in the retail distribution sector through retail distribution—IT collaboration via R&D focused on the Internet, to help enrich consumer lifestyles and society as a whole.

FISCAL 2009 PERFORMANCE AND MAIN ACCOMPLISHMENTS

In fiscal 2009, business segment sales declined 2% year on year to ¥941.8 billion. This was mainly due to lower sales to the financial sector, reflecting harsh market conditions.

Meanwhile, operating income declined ¥9.9 billion year on year to ¥56.0 billion, in line with lower sales.

Despite the harsh operating environment, NEC constructed a large number of systems centered on service businesses and global operations, where it is concentrating efforts. In service businesses, NEC generated sales across a broad range of industry sectors. For example, NEC received an order from seven cities and towns in the Okitama region of Yamagata Prefecture for a system to provide operations such as information for residents and pensions, and an internal information system providing personnel affairs, accounting and other functions in an ASP format over networks.

In global operations, NEC delivered a supply chain management (SCM) system for Seiko Epson Corporation covering 11 sites worldwide. This system will be used to propose and implement production, sales and inventory plans for printer consumables. Elsewhere, in collaboration with ABeam Consulting Ltd., NEC constructed a new backbone system for the leading supplier of instant noodles in the U.S. market,*[1] Maruchan, Inc.*[2] The backbone system will enable the company to manage product information in real time from production through sales while also supporting highly accurate supply-demand forecasting and sales planning.

*[1] Based on Maruchan, Inc. data on volume-based market share in 2008
*[2] The manufacturing and sales company in North America for leading Japanese general food manufacturer Toyo Suisan Kaisha, Ltd.

FOR FURTHER GROWTH

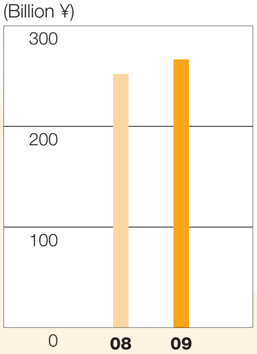
Looking ahead to the cloud computing era, NEC will bolster its service businesses going forward, with the aim of generating service business sales of over ¥500.0 billion over the medium term. NEC is currently revamping all aspects of its backbone IT system connecting NEC Corporation and its major affiliates worldwide. The new system will be a “Cloud-oriented” service provision platform that will provide sales, accounting and materials purchasing system functions to each company and division in the NEC Group via a datacenter. By introducing this system, NEC aims to speed up management at the consolidated level, improve business efficiency and lower TCO (total cost of ownership). Once built, this new system will become the reference model for supplying corporate clients with similar solutions, thereby helping NEC to expand service businesses that cater to the new era of cloud computing.

In global operations, NEC continues to refine its service lineup in markets outside Japan to drive global business expansion. In addition to supplying biometrics-related solutions, where NEC has superior technologies, we are stepping up sales activities for the Verticore Series™ of SAP® ERP-based business solutions for the midsize enterprise market in Asia.

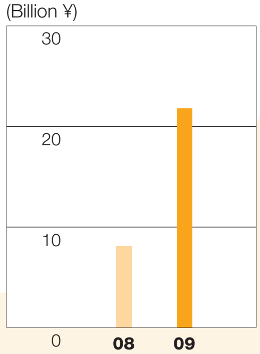
NEC is also targeting the development and growth of new areas in addition to existing markets. Seven Internet Lab. Co., Ltd., a joint venture set up by NEC Corporation and Seven & i Holdings Co., Ltd. to develop the theme of achieving innovation through collaboration between the retail distribution and IT sectors. This collaboration brings together the retailing know-how of the Seven & i Group with NEC’s research and technical expertise in information systems to research new possibilities in retailing using the Internet.

IT PRODUCTS BUSINESS

SALES



OPERATING INCOME



Express 5800 Series
No. 1 Share of the Japanese IA Server Market for 13 Consecutive Years

FISCAL 2009 PERFORMANCE AND MAIN ACCOMPLISHMENTS

In fiscal 2009, segment sales rose 6% year on year to ¥266.5 billion, mainly due to higher sales from the completion of large supercomputer and mainframe computer orders.

Operating income was ¥21.8 billion, more than double the previous year's result. This mainly reflected contributions from large orders and rigorous cost-cutting measures.

This segment mainly supplies servers, storage systems, and middleware that provide flexibility, dependability and simplicity, based on the "REAL IT PLATFORM" medium-term vision. NEC has held the No. 1*[1] share of Japan's market for Intel architecture (IA) servers in domestic volume shipment terms for 13 consecutive years. In recognition of its meticulous technical support services, NEC has ranked No. 1 in business partner satisfaction*[2] and customer satisfaction*[3] surveys by various market research organizations.

Employing cutting-edge high-density chip packaging and cooling technology, NEC's new Express 5800/ECO CENTER range of energy-efficient servers uses significantly less energy, and is much smaller and lighter than existing models, winning the Minister's Prize, the Ministry of Environment in the Eco-Products Category of the 5th Eco-Products Awards in Japan.

The Virtual PC Center thin client system launched by NEC ahead of the industry has posted significant sales growth. NEC has won the No. 1*[4] share of the Japanese market for product license shipments in the overall client virtualization software field.

FOR FURTHER GROWTH

Recently companies have been focusing on data centers as a means of more efficiently managing IT equipment, and business processes and services. Companies must also reduce their environmental impact by reducing the power consumption of IT devices, to help tackle global warming.

NEC aims to sharpen its competitiveness by quickly launching products that meet such demands and become mainstream next-generation IT platforms. Specifically, NEC is prioritizing the development of products that incorporate "green IT" such as energy- or space-saving features, and that address the growing data center demand in the cloud computing field, where the market has growth potential.

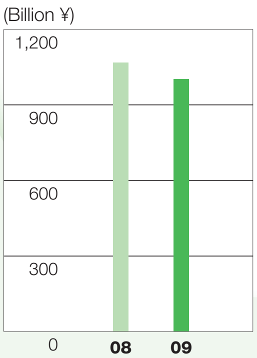
In software, NEC will enhance products especially in fields in strong demand, such as virtualization and integrated system management. In high-availability clustering software, which is used to monitor server operations and ensure operational redundancy based on multiple servers when faults occur, NEC has held the No. 1*[5] share of the Japanese market with CLUSTERPRO for four consecutive years.

NEC seeks to expand this business globally. NEC is especially focused on energy-efficient servers that use "green IT" technology and on product areas such as thin client systems that should become part of core IT infrastructure. These products address concerns about security as well as recent emerging threats such as global pandemics.

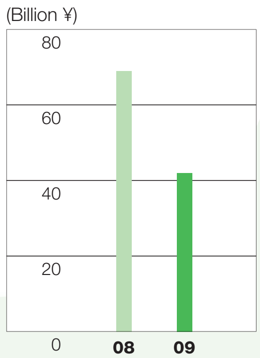
*[1] Source: IDC Japan (Japan Server 4Q08 Analysis, March 2009–J9290301)
*[2] Source: Nikkei Solution Business (ranked No. 1 in 11th Business Partner Satisfaction Survey, PC Servers Category, February 15, 2009 issue)
*[3] Source: Nikkei Computer (ranked No. 1 in 13th Customer Satisfaction Survey, PC & Servers Category, August 15, 2008 issue)
*[4] Source: IDC Japan (Japan Virtual Client Computing 2009–2013 Forecast and Second Half 2008 Analysis, April 2009-J9150102)
*[5] Source: IDC Japan (Japan High Availability Clustering Software 2008–2012 Forecast and 2007 Vendor Shares, November 2008-J9360101); in terms of revenues from Windows and Linux High Availability clustering software

NETWORK SYSTEMS BUSINESS

SALES



OPERATING INCOME



Installation of submarine cable system

FISCAL 2009 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales fell 6% year on year to ¥1,001.8 billion. This was mainly due to lower sales of systems to mobile communications service providers in Japan as well as reduced sales of enterprise network systems worldwide.

Reflecting the decline in sales revenue and foreign exchange losses due to the stronger yen, the segment posted operating income of ¥42 billion, a decline of ¥27 billion in year-on-year terms.

In fiscal 2009, NEC completed some strategic acquisitions to support future global business expansion. To strengthen its presence in the software and services sector, NEC acquired U.S.-based NetCracker Technology Corp., a company with outstanding expertise in operational support systems for communications service providers. NEC obtained management control of OCC Corporation, a submarine cable manufacturer. This acquisition will help NEC to maintain a stable position in the submarine cable systems market, an area of increasing business activity.

In the mobile broadband field, an area of projected future growth, NEC actively worked to expand business. Cumulative shipments of PASOLINK, an ultra-compact microwave communications system, surpassed 1 million units during fiscal 2009, claiming the top share of the global market for the second consecutive year. Orders from both domestic and overseas clients for systems based on emerging technologies such as WiMAX and femtocell systems also grew during the year.

FOR FURTHER GROWTH

Going forward, NEC is working to leverage its leading position in the implementation of Next Generation Networks (NGNs) within the advanced Japanese market to drive global business expansion.

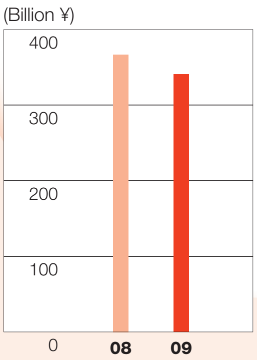
NEC's NGN-related products were fully compliant with all of the criteria of the Global MultiService Interoperability (GMI) event by 20 major communications equipment manufacturers from around the world. As a result, NEC further developed the reputation of its products as suitable for the international marketplace. In a separate development, NTT DOCOMO, Inc. decided to adopt NEC products for Long Term Evolution (LTE) next-generation mobile communications systems in overall areas. This customer validation will support NEC's ongoing efforts to sell such products more widely to customers outside Japan.

In other areas, NEC plans to focus resources on expanding operations in the software and services sector in collaboration with NetCracker Technology Corp. The market for the latter's operational support systems has considerable potential, with annual high sales growth projected over the medium term. NEC plans to promote such systems actively to domestic and overseas carriers, along with NEC's range of service platform-related products.

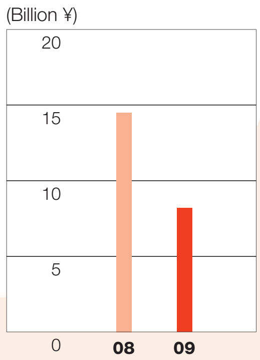
In the field of enterprise network systems, NEC will work to reinforce sales of "unified communications systems" based around its UNIVERGE series of communications servers.

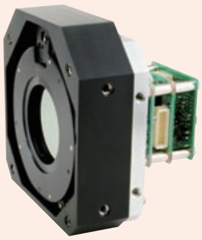
SOCIAL INFRASTRUCTURE BUSINESS

SALES



OPERATING INCOME





Uncooled infrared camera module

FISCAL 2009 PERFORMANCE AND MAIN ACCOMPLISHMENTS

In the Social Infrastructure business, segment sales declined 7% year on year to ¥340.4 billion. This was mainly due to lower sales from the aerospace and defense systems sector.

Reflecting an increase in development costs on space-related projects and foreign exchange losses arising from the yen's appreciation, the segment posted operating income of ¥8.2 billion, a decline of ¥6.2 billion in year-on-year terms.

In broadcasting and control systems, NEC focused on expanding its overseas business, particularly in European markets. The TDF Group, one of Europe's largest broadcasting transmission network operators, selected NEC as its global vendor for digital terrestrial TV transmitters. NEC received other orders for such broadcasting transmitters from major broadcasting companies in Switzerland and Denmark. NEC also captured increased demand for security systems, posting higher sales of integrated surveillance systems to local governments, airports and other clients in Japan.

In the aerospace and defense systems sector, NEC's state-of-the-art space technology was applauded in Japan and overseas. A new greenhouse gas (GHG) observation satellite called IBUKI was equipped with TANSO, a sensor for measuring GHGs that was developed and manufactured by NEC. The U.S. National Aeronautics and Space Administration (NASA) fitted the Space Shuttle Endeavour with an uncooled infrared camera module developed by NEC.

FOR FURTHER GROWTH

Going forward, NEC aims to expand sales mainly in overseas markets, based on the extensive orders it has won and superior technologies.

In broadcasting and control systems, NEC plans to accelerate overseas development of its digital terrestrial TV transmitters, which have already been supplied to more than 30 countries worldwide.* Other products that NEC plans to promote more aggressively in overseas markets include mail-sorting equipment which has been adopted in around 50 countries. In addition, NEC is focusing resources on traffic-related systems, where the market is expected to grow in future as electronic toll collection (ETC) becomes more widespread and intelligent transport systems (ITS) are introduced. NEC sees this sector as a target for medium-term sales expansion.

In the aerospace and defense systems sector, NEC is targeting overseas business development related to small commercial satellites following the enactment of the Basic Space Act in Japan in May 2008. NEC is also promoting sales of uncooled infrared sensor modules to a wide range of customers worldwide. These modules have varied potential applications in areas such as fire monitoring and food temperature control.

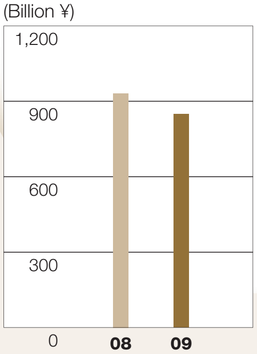
Going forward, NEC will continue to supply industrial systems that underpin social infrastructure along with security-related systems that help to realize a safe and secure society, with the aim of enhancing its corporate value.

* 110 countries if analog TV transmitters are included.

PERSONAL SOLUTIONS BUSINESS

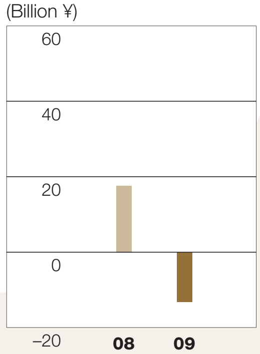
SALES

(Billion ¥)



OPERATING INCOME (LOSS)

(Billion ¥)



FISCAL 2009 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales declined 9% year on year to ¥848.6 billion. This was mainly attributable to lower PC shipments to corporate customers worldwide.

The segment posted an operating loss of ¥13.2 billion, worsening ¥30.8 billion from operating income in the previous year. This reflected the reduction in global PC shipments as well as higher development costs in the mobile terminals business associated with the development of products for multiple models.

In the mobile terminals sector, NEC introduced a large number of new models during fiscal 2009 to cater to increasingly diverse user needs, including new handsets with touch-panel displays and original models developed in collaboration with firms from other industrial sectors. NEC resumed mobile handset shipments to Softbank Mobile Corp. This helped NEC to grow shipment volumes and gain market share despite a significant contraction of the Japanese market.

In the PC field, NEC focused on selling products that make it easy for individual consumers to use the Windows Vista® operating system, including the LaVie range of PCs and VALUESTAR models with dual-core CPUs. NEC continued to introduce products based on original concepts, including the "Lui" home server client solution that enables remote usage of home-based PCs over a network, and the LaVie Light "netbook," a compact and lightweight PC with a specially designed easy-to-use keyboard. These moves were aimed at injecting vitality into the market.

FOR FURTHER GROWTH

Going forward, NEC aims to capture a higher domestic market share in consumer products such as mobile handsets and PCs by continuing to supply models that are attractive and easy to use.

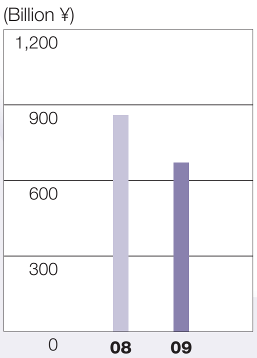
In mobile handsets, while further building on its strengths in ultra-slim models, NEC plans to focus on catering to emerging user requirements by introducing original terminals with features such as wireless LAN capabilities.

In PCs, NEC plans to continue developing more advanced models that function as information terminals for the broadband era. This involves upgrading functions that allow users to enjoy high-definition digital programs with ease, and facilitate the efficient editing and storage of high-quality broadband content. Another focus is on improving customer satisfaction through continuous improvement activities aimed at raising the quality of products and of customer support services.

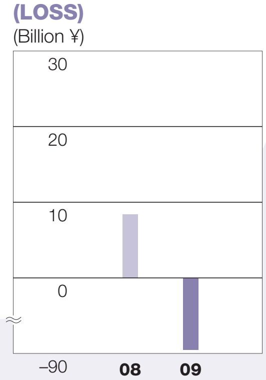
New business development is another goal for fostering medium-term growth. NEC is working to develop industry-specific terminals for the enterprise market that utilize the expertise developed in the IT Solutions business, particularly new hybrid products combining features of mobile phones and PCs. Through these efforts, NEC aims to create new business models that incorporate next-generation information terminals and related services.

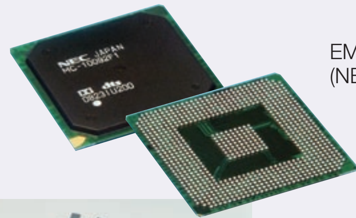
ELECTRON DEVICES BUSINESS

SALES



OPERATING INCOME (LOSS)





EMMA 3 LSI for digital AV applications
(NEC Electronics)

Large-capacity laminated
lithium-ion rechargeable batteries
(NEC TOKIN)

FISCAL 2009 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales declined 22% in year-on-year terms to ¥671.6 billion. This was mainly attributable to significantly lower sales of semiconductors and electronic components following substantial falls in market prices globally.

In line with the drop in sales, the segment posted an operating loss of ¥87.8 billion. This represented a decline of ¥96.2 billion compared with the operating income in the previous year.

NEC pressed ahead with drastic restructuring in the areas of semiconductors and electronic components. NEC Electronics Corporation, which supplies semiconductors, implemented measures to reduce fixed costs, including the closure of certain fabrication lines ahead of schedule. At NEC TOKIN Corporation, which supplies electronic components, structural reforms included moves to eliminate unprofitable product lines, reorganize operating bases and adjust recruitment policies; the company also bolstered its capital base through a third party allotment of shares to NEC Corporation. Furthermore, NEC LCD Technologies, Ltd., which is engaged in the LCD business, took steps to merge and consolidate production bases and reduce the number of personnel.

FOR FURTHER GROWTH

While undertaking structural reforms to overcome the difficult operating environment, NEC aims to achieve business expansion centered on products that help to address social issues by enhancing energy efficiency and reducing CO_2 emissions.

In the electronic components field, NEC plans to stabilize operations at NEC TOKIN Corporation by making the firm a wholly owned subsidiary as part of the rapid and dynamic implementation of a fundamental new strategy for the NEC Group in this sector. NEC plans to concentrate resources on the new field of lithium-ion batteries for automotive applications. In this manner, NEC aims to manage business operations with the view of boosting returns on capital employed.

In the semiconductor field, NEC is looking to achieve much larger reductions in fixed costs than in the previous year. The goal is to enhance business performance in fiscal 2010 through increased cost efficiencies in all areas relating to production, facilities and R&D.

R&D AND INTELLECTUAL ASSETS STRATEGY

NEC regards intellectual assets as a key management resource and conducts R&D activities based on closely linked management/business, R&D, and intellectual asset strategies. Through innovations driven by these R&D activities, NEC aims to achieve global growth over the medium and long term.

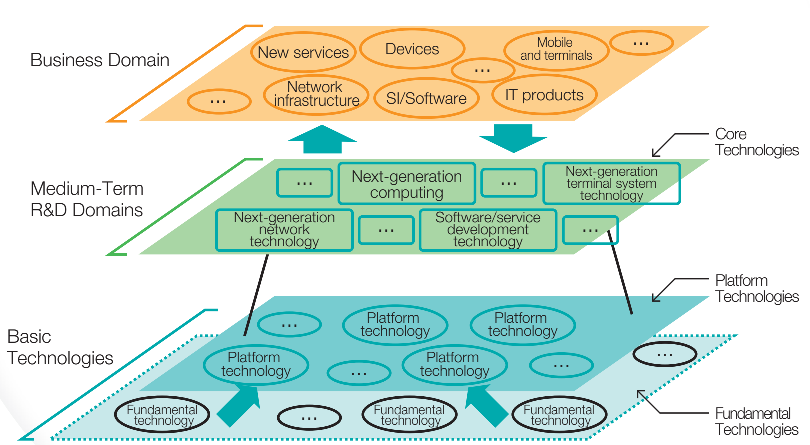
R&D FRAMEWORK AND RESEARCH DOMAINS

Today, we live in a ubiquitous networking era where people and things are connected anytime and anywhere, and there has been explosive growth in the volume of information around us. In this context, NEC seeks to bring to market products and services that address new needs arising from tumultuous changes in society, such as the mounting complexity of social systems and increasingly serious environmental and energy issues. To this end, it is essential that we effectively allocate R&D resources through a process of "focus on core competencies" while efficiently and rapidly commercializing our research achievements. Guided by this thinking, NEC has established important medium-term research domains in each core business field, and is managing R&D based on three platform research groups that are conscious of the characteristics of each business area, adapting to the differences in product development cycles and market trends.

THREE RESEARCH GROUPS SUPPORTING R&D AT NEC

- Solution Platforms Research Group:
  R&D in service platforms and common platforms that are the foundation of solutions implementation
- IT/NW System Platforms Research Group:
  R&D in IT/Network system platforms, hardware packaging and equipment business, and intellectual property core technologies that are the foundation of semiconductor devices
- Materials and Process Research Group:
  R&D in new concepts and materials for new electronic devices

R&D AND INNOVATION CREATION FOCUSED ON MEDIUM-TERM R&D DOMAINS



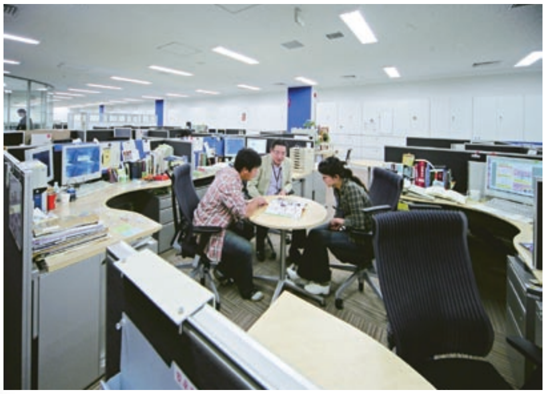
R&D PROMOTING BUSINESS COMMERCIALIZATION

In order to make a success of businesses in global markets, NEC believes that it is essential to carry out R&D activities with an awareness of regional characteristics of the market and technologies. For this reason, NEC has established research operations in North America, Europe and China that collaborate closely with NEC's research operation in Japan to form a four-point worldwide network that ensures R&D activities at a global scale.

To improve efficiency and to accelerate business commercialization in R&D activities, NEC actively utilizes Open Innovation and is also engaged in Concurrent R&D (market oriented R&D) approaches.

For Open Innovation, NEC has adopted a basic policy of engaging at a global scale. We are working to strengthen and combine NEC's own technologies with technologies from domestic and overseas universities, institutions, and different industries organizations. This is being done through initiatives including inviting researchers from outside NEC, joint research activities, and accepting student trainees under internship programs.

NEC's Tsukuba Research Laboratories conducts cutting-edge R&D activities in nanotechnology, quantum IT, environmental and energy technologies and other fields. Here, NEC strives to create a research environment that spurs innovation by promoting greater communication among researchers.



For Concurrent R&D, NEC is taking on challenges to create new value. For example, researchers are exchanging views on actual business needs and peripheral technologies with leading customers at the early stages of research, especially in the solution and services domains, and are effectively applying their findings to R&D activities.

Through these measures, NEC aims to raise its market competitiveness by shortening the time needed to commercialize R&D achievements.

INTELLECTUAL ASSET STRATEGIES SUPPORTING NEC

The NEC Group owns approximately 50,000 patents worldwide, including approximately 30,000 patents in Japan (as of March 2009). NEC positions intellectual assets as "the foundation underpinning the NEC Group's business competitiveness and stability," and is working to establish a patent portfolio that will assist business operations in the "Pro-Innovation" era. In order to develop strong business, NEC has already stepped up patent applications to ensure that patents are derived from new technologies. Particularly in growth areas, NEC will strive to fortify its patent network by pursuing strategic group-wide patent projects while strategically obtaining essential patents in standards.

To ensure stable and efficient business execution, NEC will strive to obtain patents globally, form cross license arrangements and alliances, and acquire intellectual assets from outside the company. NEC has established IA (intellectual asset) centers in the U.S., China, and Europe, and is working efficiently to obtain patents in each region, while stepping up intellectual asset development activities at overseas locations. At the same time, NEC carefully monitors infringements of its patents, trademarks, and designs by other companies as well as illegal copies of products. Through warnings and lawsuits, NEC works to protect its rights.

SUCCESSFUL TRANS-PACIFIC DEMONSTRATION OF PROGRAMMABLE FLOW SWITCH PROTOTYPES TO ENABLE FUTURE INTERNET INNOVATIONS

NEC is pursuing research into future Internet innovations, such as next generation internet. Programmable flow switches represent a platform technology that will pave the way for groundbreaking R&D aimed at advancing future Internet progress.

Programmable flow switches have the potential to revolutionize the prevailing network paradigm by simplifying the complexity of managing existing IP (Internet Protocol) networks.

Ordinarily, in conventional network equipment such as routers and switches, the packet switches that transmit data are integrated with the path control functionalities directing the flow of this data. A programmable flow switch enables the separation of these integrated packet switches and path control functions. The separated path control functions are then installed on a dedicated control server, which enables the unified control of the network.

This breakthrough will allow network users to freely assemble network control middleware without being constrained by conventional network architectures, paving the way for the development of revolutionary new services. This means that network users will be able to easily realize network environments using control middleware, even when they have yet to establish a dedicated network infrastructure of their own. For example, users will be able to easily set up a cloud computing system within a virtualized network environment.

In October 2008, NEC successfully demonstrated the use of programmable flow switch prototypes to control a trans-Pacific academic research network. These demonstrations were conducted jointly with Stanford University of the U.S. In addition to successfully demonstrating line control and path control switching spanning a wide-area network connecting the United States and Japan, NEC also demonstrated the long-distance migration of services running on a computer (virtual machine) installed at Stanford University in the U.S. to another computer installed at the Service Platform Architecture Research Center in Otemachi, Tokyo, Japan, without any interruption of service.

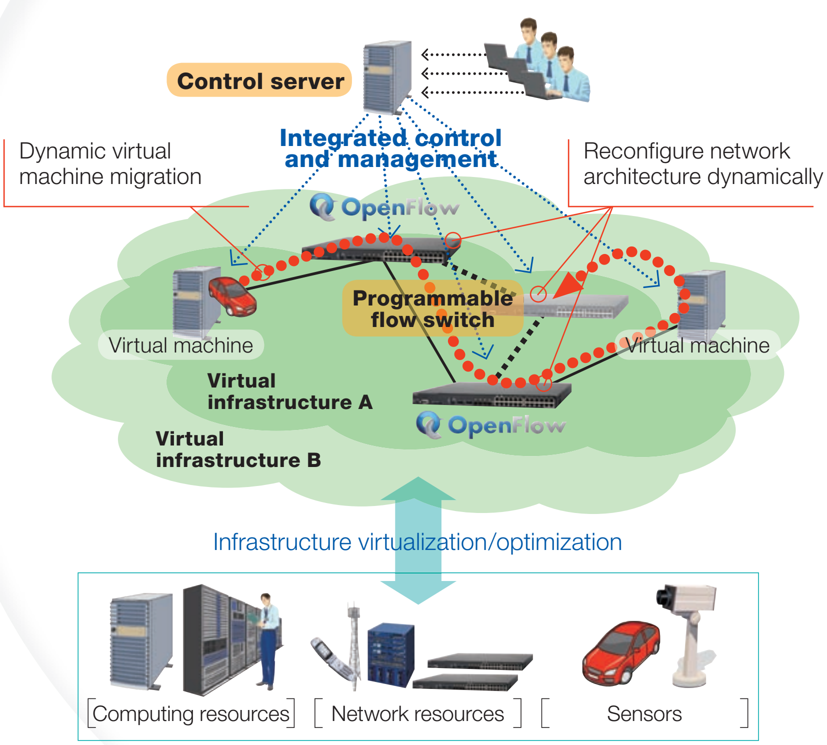
Through these activities, NEC is helping to promote research into future internet and new services that can be delivered over these networks.

The communications interface between the programmable flow switches and control servers uses "OpenFlow"* technology, an open standard developed by the OpenFlow Switch Consortium.

Going forward, NEC plans to develop network equipment that supports OpenFlow technology as part of its ongoing R&D activites.

* For further datails on "OpenFlow" technology, please visit the following website: http://www.openflowswitch.org/

FUTURE INTERNET ARCHITECTURE USING A PROGRAMMABLE FLOW SWITCH



DRIVING INNOVATION IN COMMUNICATION FOR ENTERPRISES AND SOCIETY USING SPEECH RECOGNITION TECHNOLOGY

NEC is concentrating on research and development in the field of speech recognition technology. This field has the potential to play a key role in realizing NEC's vision for working "to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential."

Speech recognition technology is used to convert speech into text on a computer. NEC has pursued research in this field since 1960, where it has continuously maintained world-class technological capabilities over half a century.

Currently, NEC is actively pressing ahead with the commercialization of speech recognition technology. In fact, NEC has introduced many different products and services employing this technology. In 2005, NEC developed the CSVIEW/VisualVoice speech recognition software. For customer call centers, CSVIEW/VisualVoice helps call operators and supervisors perform their duties more efficiently, helping to realize an enhanced quality of customer service. CSVIEW/VisualVoice is also currently in service within the NEC Group and is being used at prefectural police headquarters in Japan and at other institutions. In 2005, NEC also launched VoiceDo/HT, a PDA-type handheld speech recognition device that can be used even in noisy environments such as subway cars. VoiceDo/HT reduces workloads in the field and at other worksites by replacing the manual entry of information with speech input, and is currently being used at Toyama Prefecture meat inspection stations and auction sites, among other locations.

In 2007, NEC unveiled the VoiceGraphy system for supporting the preparation of minutes of assembly meetings and lecture presentations. VoiceGraphy has been adopted by quite a few local governments and enterprises, including the Aichi Prefectural Assembly and the Obama City Council.

From the current fiscal year, NEC has begun offering a support service for preparing minutes of meetings as Japan's first SaaS-type speech recognition service. This service has already been adopted by dozens of companies in Japan (as of June 30, 2009), including Toray Industries, Inc., Tokyu Corporation and Ricoh Co., Ltd. for use at general shareholders' meetings and lecture presentations. Going forward, NEC will work to expand service menus to drive further growth in this market.

NEC's Central Research Laboratories is developing the technology needed to enable speech recognition systems to be used in picking up conversations in varied situations, with the view to expanding the range of application fields. For example, research is focused on developing technology that can recognize the speech content of multiple speakers talking at once in situations like internal corporate meetings. Another goal is to develop speech recognition technologies that respond more flexibly to a variety of topics. This will be done by enabling these systems to switch the dictionaries they use to recognize speech to those that better match the topic of conversation, especially when conversations stray from the main topic or jump to different topics.

NEC believes speech recognition technology will play a central role in achieving the innovation needed to "realize an information society friendly to humans and the earth." NEC thus remains committed to pursuing R&D activities in this field.

IMAGE OF SaaS-TYPE SPEECH RECOGNITION SERVICE FOR PREPARING MINUTES OF MEETINGS

CORPORATE GOVERNANCE

(As of June 22, 2009)

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

CORPORATE GOVERNANCE STRUCTURE

NEC has introduced a corporate officer system to clarify management responsibility and facilitate prompt decision making and business execution. This has involved transferring substantial authority for business execution from the Board of Directors to corporate officers. NEC has also been working to improve management transparency through such means as strengthening the supervisory functions of the Board of Directors through Outside Directors, and establishing a Compensation Committee, and to ensure management soundness through such means as encouraging closer cooperation among NEC's Corporate Auditors, internal auditing division and Accounting Auditors.

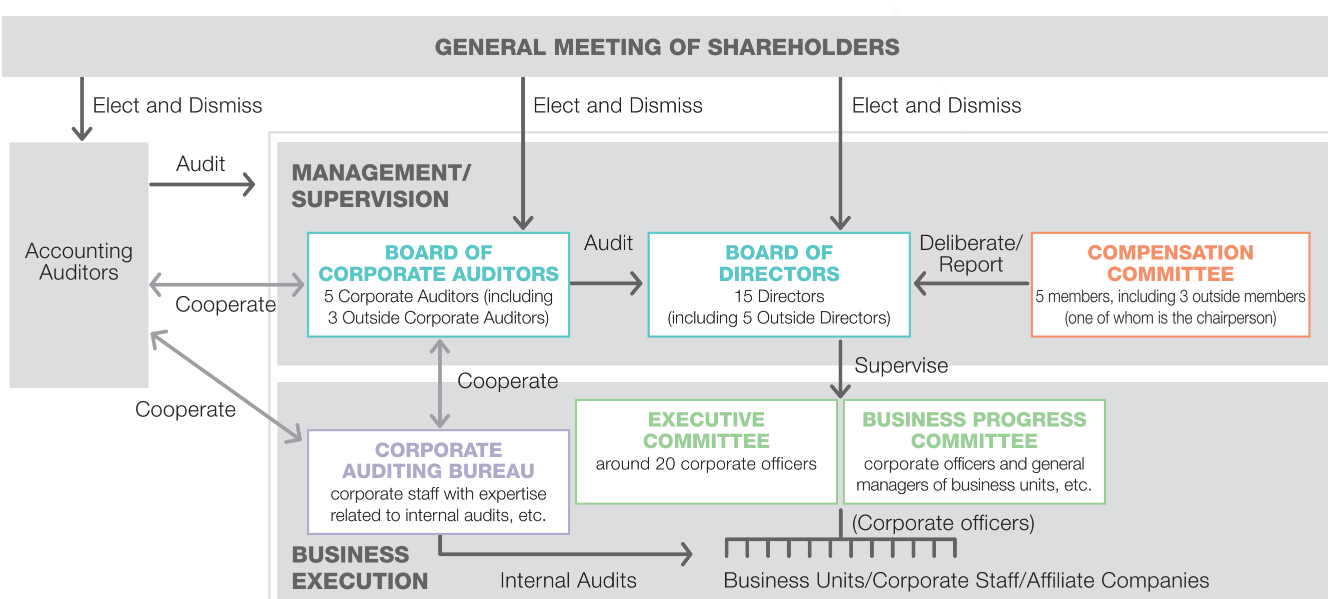
Board of Directors

NEC's Board of Directors consists of 15 members, five of whom are Outside Directors. The Board of Directors holds regular meetings once a month and extraordinary meetings as necessary to determine important matters related to business execution, including business realignment, funding plans and financing and investment, as well as matters concerning business plans.

Aiming to strengthen the Board of Directors' supervisory functions, NEC raised the number of Outside Directors to one-third of the Board of Directors. In parallel, NEC has been working to enhance deliberations by the Board of Directors through such means as briefing Outside Directors in advance on particularly important proposals to be put forward to the meetings of the Board of Directors.

NEC considers various factors when nominating Outside Directors. These include whether the candidate embraces the NEC Group Corporate Philosophy and has a strong willingness to realize it; whether the candidate is independent from the Company's management; and whether the candidate possesses experience, insight and other attributes that are useful to the execution of NEC's business operations.

CORPORATE GOVERNANCE STRUCTURE



Furthermore, the term of Directors is one year in order to clarify their responsibility for management every fiscal year.

Executive Committee and Business Progress Committee

The Executive Committee, which comprises around 20 corporate officers, discusses important NEC Group management issues such as management policies and strategies. This committee extensively discusses matters of particular importance prior to putting them forward to the meetings of the Board of Directors for approval. In doing so, the committee enhances the deliberations and ensures appropriate decision making.

Meanwhile, the Business Progress Committee comprises corporate officers, executive general managers of business units and other members. This committee deliberates and reports on matters related to the status of the NEC Group's business execution, such as monitoring progress with respect to meeting budgets adopted by the Board of Directors, with the aim of sharing management information and promoting execution efficiency.

Compensation Committee

NEC has established the Compensation Committee, which consists of five members, including three outside members, one of whom is the chairperson. This committee deliberates on the remuneration system and level of compensation for Directors and corporate officers from an objective perspective. The Compensation Committee reports the results of its deliberations to the Board of Directors.

Board of Corporate Auditors (Corporate Auditors)

NEC has adopted the corporate auditor system and established the Board of Corporate Auditors pursuant to the Company Law of Japan. NEC has five Corporate Auditors, including three Outside Corporate Auditors. Furthermore, the Board of Corporate Auditors holds regular meetings once a month and extraordinary meetings as necessary, decides on audit policies, standards, and other matters, and receives status reports on audits from each Corporate Auditor and on other matters.

The full-time Corporate Auditors strive to establish a governance structure for the entire NEC Group by cooperating with full-time Corporate Auditors of subsidiaries.

The Corporate Auditors are stepping up cooperation with the Accounting Auditors, such as by receiving briefings on financial audits covering status reports on their audits and audit plans, as well as on audits of the internal control system based on the Financial Instruments and Exchange Law, and exchanging opinions on their audits.

Corporate Auditing Bureau (Internal Auditing Division)

NEC has established the Corporate Auditing Bureau as an internal auditing division reporting directly to the president of NEC. This bureau mainly consists of corporate staff members with expertise in internal auditing. The Corporate Auditing Bureau performs audits of the NEC Group in cooperation with the internal auditing sections of NEC subsidiaries to ensure legal, appropriate and efficient execution of business activities, and identifies issues and proposes improvements.

The Corporate Auditing Bureau is taking steps to strengthen cooperation with the Corporate Auditors. These steps include reporting and exchanging opinions on audit results regularly or as necessary with the Corporate Auditors, and reporting on the status of "NEC Helpline," a compliance hotline for employees and contractors to discuss or report issues concerning possible breaches of corporate ethics or compliance.

Accounting Auditors

In fiscal 2009, the independent audit of NEC was performed by KPMG AZSA & Co.

KPMG AZSA & Co. was newly elected as NEC's Accounting Auditors in place of Ernst & Young ShinNihon* at the Ordinary General Meeting of Shareholders held in June 2008.

* As of July 1, 2008, Ernst & Young ShinNihon became a limited liability audit firm and changed its name to Ernst & Young ShinNihon LLC.

INTERNAL CONTROL SYSTEM

NEC's Board of Directors has formulated a "Basic Policy on Implementation of Internal Control Systems" for ensuring the properness of corporate business operations. The main points of this basic policy are as follows:

NEC shall endeavor to establish and operate its internal control systems more effectively, through continuous evaluation of the implementation of the internal control systems under this policy as well as taking measures necessary for its improvement, and conducting consistent reviews of this basic policy in response to changes in the business environment.

(1) In order to ensure that Directors and employees perform their duties in compliance with laws, regulations, and the Company's Articles of Incorporation, Directors and corporate officers shall take the lead in practicing and striving to make known the "NEC Group Charter of Corporate Behavior" and the "NEC Group Code of Conduct," both of which were adopted to establish business ethics standards for the NEC Group and to ensure compliance with laws and regulations, the Articles of Incorporation and internal rules. If any material violation of laws, the Articles of Incorporation or internal rules is found, NEC shall investigate the cause of such violation and formulate and implement preventive measures. In addition, NEC shall encourage the use of the NEC Helpline, a compliance hotline.

(2) NEC shall properly store and manage information in accordance with applicable laws, regulations and internal rules.

(3) NEC shall implement risk management systems efficiently and comprehensively under a consistent company-wide policy in accordance with internal rules. Business divisions shall properly implement risk management systems related to their operations and corporate staff divisions shall support such business divisions' activities. NEC shall fully deliberate matters of importance from a risk management perspective, such as its strategy to control important management risks. Of these, matters of particular importance shall be reported to the Board of Directors. The Corporate Auditing Bureau shall conduct audits of the enterprise risk management system and the status of risk management.

(4) In order to ensure that Directors perform their duties efficiently, the Board of Directors shall delegate substantial authority to corporate officers and promote more timely decision making and effective performance of duties. The corporate officers shall, under the supervision of the Board of Directors, conduct business efficiently in accordance with medium-term corporate management goals and budgets.

(5) In order to ensure that the NEC Group conducts operations appropriately, NEC shall send Directors and Corporate Auditors to subsidiaries; share information routinely with subsidiaries to conduct operations based on the "NEC Group Charter of Corporate Behavior" and the "NEC Group Code of Conduct"; and give instructions and assistance to subsidiaries with respect to the establishment of systems for ensuring compliance with laws, regulations and properness of business operations. The Corporate Auditing Bureau shall conduct audits of subsidiaries in cooperation with their internal auditing sections to ensure proper operations.

(6) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with applicable laws and regulations. From the perspective of proper and efficient operations of the NEC Group, NEC shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control utilizing information systems.

(7) NEC shall assign full-time employees to assist Corporate Auditors in performing their duties. The Corporate Auditors shall approve matters concerning these employees, including performance evaluations, personnel changes and disciplinary action.

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

(9) In order to ensure that audits are performed effectively, Corporate Auditors shall exchange information and consult with each other on the status of audits. Furthermore, Corporate Auditors shall periodically receive reports on financial audits from the Accounting Auditors and exchange opinions with them.

This policy is disclosed on NEC's website at the following URL:
http://www.nec.co.jp/profile/en/internalcontrol.html

INFORMATION DISCLOSURE STRUCTURE

NEC recognizes the importance of providing timely, proper and fair disclosure to obtain a fair evaluation of its corporate value from the capital markets. Accordingly, NEC regularly strives to ensure that internal divisions and subsidiaries have a clear understanding of timely disclosure and other rules issued by financial instruments exchanges, while establishing a framework for communication between relevant internal head office divisions and subsidiaries.

Furthermore, NEC holds quarterly investors' meetings where members of senior management announce and explain financial results. Other actions include holding regular meetings to explain management strategies, conducting presentations on business strategies and plant tours, improving disclosure of information on NEC's website (including the disclosure of materials, audio streams and other information issued at presentations, etc., both in Japanese and English), and enhancing investor relations activities on a global scale.

REMUNERATION FOR DIRECTORS AND CORPORATE AUDITORS

The maximum total amounts of remuneration for Directors and Corporate Auditors are determined by a resolution at the general meeting of shareholders.

The Company has established the Compensation Committee, which deliberates on the remuneration system and the level of remuneration for Directors and reports the results of its deliberations to the Board of Directors. Remuneration for Directors is determined according to their positions and whether they are an Outside Director or not, while bonuses for Directors are calculated by adding an amount determined based on an evaluation of the contribution of their performance to the business results of the Company during the previous fiscal year to an amount prescribed based on their position. No bonuses are paid to Outside Directors.

Remuneration for Corporate Auditors is calculated under certain rules determined by the Board of Corporate Auditors; no bonuses are paid to Corporate Auditors.

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

Remuneration for NEC's Directors and Corporate Auditors for fiscal 2009 is shown as follows:

FISCAL 2009 REMUNERATION

	Remuneration	
	Headcount	Total amount (In millions of yen)
Directors	**18**	**503**
(number of whom are Outside Directors)	(5)	(59)
Corporate Auditors	**6**	**94**
(number of whom are Outside Corporate Auditors)	(4)	(35)

Notes:
1. The above Headcount includes three Directors and one Corporate Auditor (Outside Corporate Auditor) who retired at the close of the 170th Ordinary General Meeting of Shareholders held on June 23, 2008.
2. In addition to the above remuneration, retirement allowance of ¥19,500,000 and ¥2,000,000 were paid to the three Directors and one Corporate Auditor (Outside Corporate Auditor), respectively, who retired at the close of the 170th Ordinary General Meeting of Shareholders.
3. Retirement allowance of ¥154,000,000 and ¥1,800,000 are scheduled to be paid to two Directors and one Corporate Auditor, respectively, who retired at the close of the 171st Ordinary General Meeting of Shareholders held on June 22, 2009.
4. As stated above, the retirement allowances system for Directors and Corporate Auditors was abolished as of the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006. However, a resolution on the payment of retirement allowance for terms of office through the close of the 168th Ordinary General Meeting of Shareholders was approved at the meeting. The payment of retirement allowance in the preceding notes (2) and (3) is based on this resolution.
5. The maximum monthly remuneration for Directors is ¥65,000,000. (approved at the 153rd Ordinary General Meeting of Shareholders held on June 27, 1991.)
6. The maximum monthly remuneration for Corporate Auditors is ¥12,000,000. (approved at the 170th Ordinary General Meeting of Shareholders held on June 23, 2008.)

(As of June 22, 2009)

DIRECTORS

Kaoru Yano	President (Representative Director)
Botaro Hirosaki	Senior Executive Vice President and Member of the Board (Representative Director)
Masatoshi Aizawa	Senior Executive Vice President and Member of the Board (Representative Director)
Akihito Otake	Executive Vice President and Member of the Board
Toshimitsu Iwanami	Senior Vice President and Member of the Board
Susumu Otani	Senior Vice President and Member of the Board
Takao Ono	Senior Vice President and Member of the Board
Junji Yasui	Senior Vice President and Member of the Board
Yukihiro Fujiyoshi	Senior Vice President and Member of the Board
Nobuhiro Endo	Senior Vice President and Member of the Board
Toshio Morikawa[*1]	Member of the Board Advisor, Sumitomo Mitsui Banking Corporation
Yoshinari Hara[*1]	Member of the Board Chief Corporate Adviser, Daiwa Securities Group Inc.
Sawako Nohara[*1]	Member of the Board President, IPSe Marketing, Inc.
Kenji Miyahara[*1]	Member of the Board Senior Adviser, Sumitomo Corporation
Hideaki Takahashi[*1]	Member of the Board Professor, Keio University Graduate School of Media and Governance

[*1] outside directors as stipulated in Item 15 of Article 2 of the Company Law of Japan

CORPORATE AUDITORS

Konosuke Kashima	full-time
Kenji Seo	full-time
Shinichi Yokoyama[*2]	Chairman, Representative Director, Sumitomo Life Insurance Company
Tatsuzo Homma[*2]	Attorney at Law
Satoshi Itoh[*2]	Certified Public Accountant

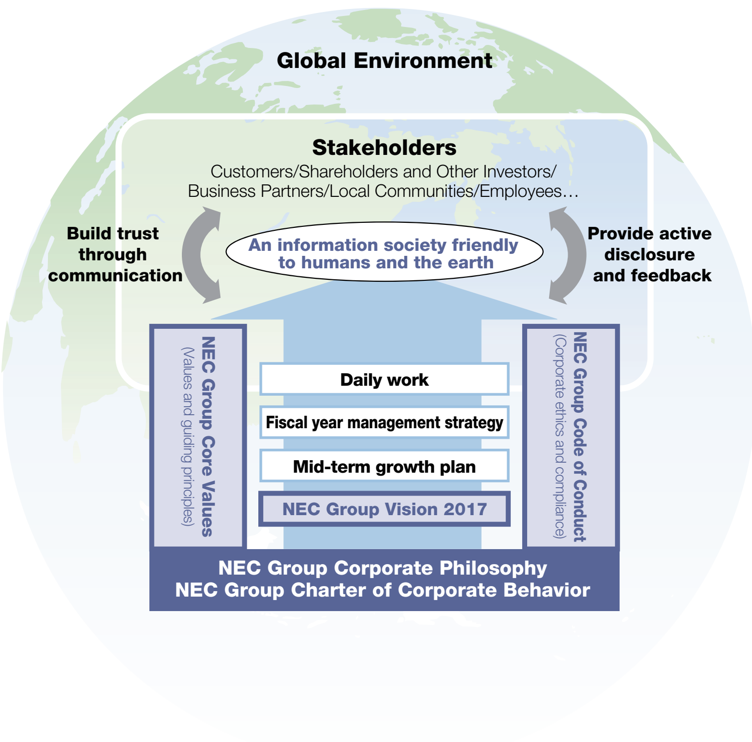
[*2] outside corporate auditors as stipulated in Item 16 of Article 2 of the Company Law of Japan

NEC'S CORPORATE SOCIAL RESPONSIBILITY

NEC considers CSR (Corporate Social Responsibility) initiatives to be inseparable from business activities. NEC seeks to realize "an information society friendly to humans and the earth," as set forth in the NEC Group Vision 2017. To this end, every employee rigorously observes business ethics and compliance standards, while practicing the NEC Group Core Values. We are committed to improving our corporate activities by actively disclosing information on the results of our CSR initiatives and related issues to all stakeholders. Through this process, we aim to contribute to the sustainable development of society as a whole and the NEC Group.

IMPLEMENTING THE NEC WAY

The NEC Way is a cohesive framework that organizes the NEC Group's business activities, including the NEC Group Corporate Philosophy, the NEC Group Vision 2017, the NEC Group Core Values, the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct. By implementing The NEC Way, we are determined to continue a myriad of environmental and social contribution activities to ensure the sustainable development of society and the NEC Group.



WiMAX SYSTEM FOR HOSPITALS DELIVERED TO REALIZE TELEHEALTH SERVICES IN THAILAND

NEC won an order to supply a WiMAX system to realize telehealth services from the Crown Prince Hospital Foundation, a charitable foundation that operates more than 20 hospitals in regional areas of Thailand. WiMAX is a next-generation wireless broadband communications system. NEC installed a WiMAX system at the Crown Prince Hospital in Chiang Khong, a town located in northern Thailand. The new system enables the provision of telehealth services to three Primary Care Units (PCUs) within a five-kilometer radius from the hospital via high-quality TV phones and video links. People in this mountainous region, where basic infrastructure such as roads and transportation is still underdeveloped, can now receive high-quality medical examinations at a nearby PCU without visiting the hospital.

Telehealth consultations at the Crown Prince Hospital, Chiang Khong

In the process of winning the order for this project, NEC was applauded not only for solving technical issues, but also for working tirelessly to address system management issues. Through this kind of support for telehealth services, NEC remains committed to realize "an information society friendly to humans and the earth" going forward.

NEC MAKE-A-DIFFERENCE DRIVE (MDD): PROACTIVE CORPORATE CITIZENSHIP ACTIVITIES IN LOCAL COMMUNITIES BY EMPLOYEES

Based on the slogan "Nature, Education, Community: The Heart of NEC" that uses the letters in the company name for the three key words, we have been conducting the NEC Make-a-Difference Drive (MDD). The program involves varied corporate citizenship activities directed at local communities in which NEC Group employees are encouraged to participate on a voluntary basis. Through NEC MDD, NEC Group employees across the world volunteer to take part in activities. While making a valuable social contribution to local communities, this helps employees to discover something new on a personal level while helping to cultivate a corporate mindset of high social commitment. In turn this helps NEC to achieve the goal of creating enhanced corporate value.

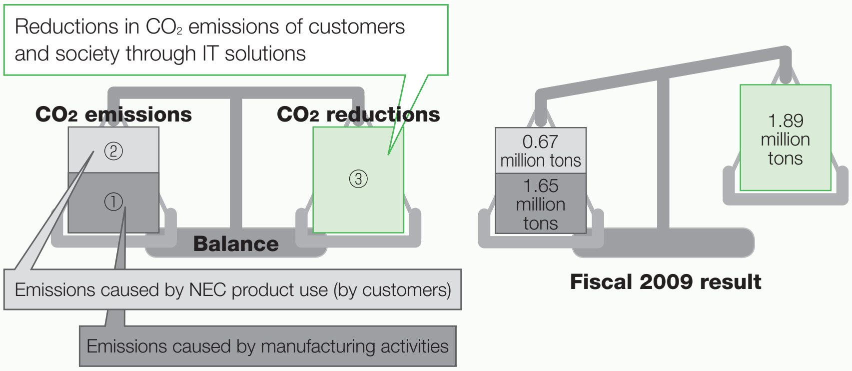
Tree-planting activities (NEC Philippines, Inc.)

In fiscal 2009, which marked the 10th year of MDD activities, the program saw 881 sites organize approximately 3,800 programs, involving roughly a total of 174,000 participants. Each of these results set new records. This program is proof that the MDD has become firmly established within the NEC Group, and going forward we will actively continue to expand this program.

PROMOTING ENVIRONMENTAL MANAGEMENT TARGETING "ZERO NET" CO_2 EMISSIONS

NEC is implementing environmental management targeting "zero net" CO_2 emissions by fiscal 2011, while helping customers and society as a whole reduce CO_2 emissions.

TARGETING "ZERO NET" CO_2 EMISSIONS



(① + ②) − ③ = **0**

NEC has been reducing greenhouse gas emissions generated by production activities, including CO_2 emissions, year after year. In fiscal 2009, NEC reduced these greenhouse gas emissions by roughly 430,000 tons from fiscal 2008 to approximately 1.65 million tons (CO_2 equivalent). These reductions were achieved mainly through enhanced productivity due to production innovation activities and the introduction of highly energy-efficient equipment. Furthermore, NEC has devised the "REAL IT COOL PROJECT," an initiative aimed at speeding up energy-saving developments for IT systems. Through this project, NEC aims to actively develop and supply technology and services to reduce and optimize the power consumption of customer IT environments.

Through these activities, CO_2 emissions and reductions in fiscal 2009 were as shown in the diagram on page 30, indicating steady progress towards our targets.

NEC IT COMMUNICATION SUPPORT COURSE FOR PEOPLE WITH SEVERE DISABILITIES HELD

We conduct the NEC IT Communication Support Course for People with Severe Disabilities, which aims to help people with severe disabilities to communicate using IT. This is a joint effort with the ALS/MND Support Center Sakurakai, a non-profit organization dedicated to providing nursing care support for people suffering at home from ALS.

NEC's "Operate Navi" software helps patients who are unable to freely move their arms to operate a computer by inputting the desired characters with slight movements of their fingertips, temples, or other body parts. The software enables users to freely express their feelings, enjoy Internet shopping and exchange e-mails.

In this workshop, NEC employees serve as instructors, and the participants, who are medical professionals, are introduced to various communication techniques and learn how to use the "Operate Navi" software and the input aid equipment. Continuous support is offered even after the workshop ends. Going forward, NEC will continue to hold the workshop throughout the country, with the aim of helping as many patients with severe disabilities as possible connect with society in a meaningful way.

Workshop session

Inclusion in Socially Responsible Investment (SRI) Indexes and Funds (as of June 2009)

- SRI Indexes
  Included in Dow Jones Sustainability World Indexes (U.S.) (as of June 2009) and other indices

Dow Jones Sustainability Indexes
Member 2008/09

- SRI Funds
  Included in Sumitomo Trust SRI Japan Open "Good Company" (as of December 2008) and other funds

Please visit the NEC website at the following URL for further details on NEC's CSR activities.
http://www.nec.co.jp/csr/en

FINANCIAL SECTION

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* Figures in the Financial Section represent results based on the former segment classification.

Selected Financial Data

【Japan GAAP】

Year Ended March 31	*Millions of yen* 2008	*Millions of yen* 2009	*Millions of U.S. dollars* 2009	*Percent change* 2009/2008
For the year:				
Net sales:	¥4,617,153	¥4,215,603	$42,582	-8.7%
IT/Network Solutions business	2,866,170	2,723,949	27,515	-5.0%
Mobile/Personal Solutions business	872,861	810,338	8,185	-7.2%
Electron Devices business	830,850	652,759	6,594	-21.4%
Others	487,927	396,442	4,004	-18.7%
Eliminations	(440,655)	(367,885)	(3,716)	-
Operating profit/loss:	156,765	(6,201)	(63)	-
IT/Network Solutions business	160,624	124,863	1,261	-22.3%
Mobile/Personal Solutions business	23,177	(7,922)	(80)	-
Electron Devices business	7,354	(79,317)	(801)	-
Others	11,756	(3,468)	(35)	-
Eliminations and unallocable operating expenses	(46,146)	(40,357)	(408)	-
Ordinary income	112,240	(93,171)	(941)	-
Net income	22,681	(296,646)	(2,996)	-
R&D expenses	352,200	346,529	3,500	-1.6%
Capital expenditures (property, plant and equipment)	122,577	103,142	1,042	-15.9%
Depreciation (property, plant and equipment)	147,779	133,624	1,350	-9.6%
Free cash flows	56,542	(145,808)	(1,473)	-
Per share data (in yen and U.S. dollars):				
Net income	11.06	(146.64)	(1.48)	-
Diluted net income	10.64	-	-	-
Cash dividends	8.00	0.00	0.00	-
At the year end:				
Total assets	3,526,795	3,075,378	31,064	-12.8%
Owner's equity	1,004,221	641,654	6,481	-36.1%
Interest-bearing debt	800,843	925,163	9,345	15.5%
Owner's equity ratio (%)	28.5%	20.9%		
D/E ratio(times)	0.80	1.44		
Return on owner's equity (%)	2.2%	-		
Number of employees	152,922	143,327		

Notes:
1. U.S.dollar amounts are translated from yen, for convenience only, at the rate of ¥99=U.S.$1.
2. Net sales and operating profit/loss of each business segment includes intersegment transactions.
3. Owner's equity is sum of total shareholders' equity and total valuation and translation adjustments.
4. D/E ratio is interest-bearing debt divided by owner's equity.

Management's Discussion and Analysis

Year Ended March 31, 2009 (Fiscal 2009)
Compared With the Year Ended March 31, 2008 (Fiscal 2008)

This section contains forward-looking statements concerning the NEC Group's financial condition and business results. These statements are based on the judgment of the NEC Group as of March 31, 2009. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

(1) Business Overview and Key Business Drivers

Based on the NEC Group Corporate Philosophy and the NEC Group Vision 2017, the NEC Group aims to capitalize on innovation to deliver an information society friendly to humans and the earth. As "One NEC," the NEC Group will provide total solutions that capitalize on the NEC Group's world-class technological competence in each of the NEC Group's business fields.

The NEC Group generates sales from the three principal segments of the IT/Network Solutions business, the Mobile/Personal Solutions business and the Electron Devices business. In the fiscal year ended March 31, 2009, these business segments generated 59%, 18% and 14%, respectively, of total consolidated net sales (calculating the ratios to total net sales based on segment sales including inter-segment transactions).

The following is an overview of products and services by business segment:

Sales in the IT/Network Solutions business are derived from the provision of products such as computer systems and communication/broadcasting systems and from the provision of systems integration (SI), technical support/maintenance and outsourcing services, mainly to government entities and other public-sector clients, telecommunications carriers and other business enterprises. The performance of this business segment is affected by changes in economic conditions, by IT investment trends, and by trends in investment by telecommunications carriers, among other factors.

Sales in the Mobile/Personal Solutions business are derived from the provision of mobile handsets to telecommunications carriers and of personal computers (PCs) to corporate and individual customers, primarily in Japan, and from the provision of "BIGLOBE" Internet services. Sales of mobile handsets are affected by the business strategies of telecommunications carriers, among other factors. Sales of PCs and Internet services vary in line with demand from corporate and individual customers.

Sales in the Electron Devices business are derived from the provision of system LSIs and other semiconductors, electronic components and other products. Semiconductor sales are affected by demand for end products such as digital consumer electronics.

(2) Analysis of Business Results for the Fiscal Year Ended March 31, 2009

The worldwide economy during the fiscal year ended March 31, 2009 continued to gradually grow as a whole in the first half, based on high growth in countries with emerging economies such as China and India, while prices of resources such as crude oil rose. However, the financial crisis in the U.S. and European countries seriously affected the real economy in the second half, which resulted in a significant economic downturn. The Japanese economic downturn was due to lower corporate earnings as a result of a sudden decrease in exports, rapidly declining capital expenditures caused by growing uncertainty about the direction of the economy, and significantly decreased consumer spending due to worsening employment conditions and falling stock prices.

Amid this business environment, in order to stimulate further growth and advancement, in April 2008, the NEC Group jointly adopted the "NEC Group Vision 2017," which represents the NEC Group's desired image of group business ten years in the future. The "NEC Group Core Values" of shared behavioral principles and values that are necessary to realize the company's vision were also established at the same time, and have been shared and made known throughout the NEC Group.

Furthermore, the NEC Group undertook the following efforts to enhance growth and improve profitability in the fiscal year ended March 31, 2009. In order to enhance growth, NEC focused on network systems as a primary business and strived to expand construction business of next generation networks (NGN) geared towards telecommunications carriers. Moreover, in order to strengthen NEC's global business, NEC proactively conducted mergers and acquisitions such as the acquisition of NetCracker Technology Corp. in the U.S., which has exceptional expertise in operations support systems for communications carriers, and the acquisition of management control over OCC Corporation, a submarine cable maker. Additionally, NEC's ultra compact microwave communications system, PASOLINK®, has maintained its top worldwide market share for two consecutive years (2007 and 2008 calendar years), which is utilized in communications networks of mobile communication carriers. In the environmental and energy fields, it was determined that the commercialization of high efficiency lithium-ion batteries for electric vehicles would be conducted by a joint venture company established by NEC, Nissan Motor Co., Ltd. and NEC Tokin Corporation. Through this move, NEC was promoting activities aimed at the realization of an "information society friendly to humans and the earth."

In order to improve profitability, NEC has implemented production innovation in the area of systems integration, company-wide business process innovation including administrative staff and information technology innovation. In addition, the NEC Group made extensive efforts to improve expenses efficiency and reduce costs. Moreover, NEC decided to withdraw from the overseas personal computer business in the face of the ongoing business slump caused by intensifying competition. NEC focused on restoring the business performance of NEC Electronics Corporation and NEC Tokin Corporation in the Electron Devices business, whose business results had declined due to rapid market deterioration.

NEC recorded consolidated sales of 4,215.6 billion yen for the fiscal year ended March 31, 2009, a decrease of 401.6 billion yen (8.7%) year on year. Despite an increase in sales in the Mobile/Personal Solutions business in the first half, due to an increase in mobile handset shipments, the rapid economic decline and subsequent decrease in demand during the second half, resulted in sales declines in all business segments, particularly in the Electron Devices business.

Regarding profitability, consolidated operating income decreased 163.0 billion yen year on year, resulting in an operating loss of 6.2 billion yen. This was mainly due to a decrease in gross profit in line with the decrease in consolidated sales despite efforts to reduce selling, general and administrative expenses.

In terms of consolidated ordinary income, NEC recorded a decrease of 205.4 billion yen year on year, resulting in an ordinary loss of 93.2 billion yen. This was the result of worsening operating losses, in addition to an allowance for possible losses related to legal proceedings and worsening equity in losses from affiliated companies due to the poor performance of certain affiliated companies accounted for by the equity method.

Loss before income taxes and minority interests was 291.0 billion yen, a year on year decrease of 384.6 billion yen. The loss was largely due to loss on devaluation of investments securities and restructuring charges in the Electron Devices business.

Income taxes, including current and deferred portion, was 35.3 billion yen. The ratio of income taxes to income (loss) before income taxes and minority interests was -12.1%. There was a difference the amount of this ratio and that of effective statutory tax rate, mainly due to the write-off of a portion of deferred tax assets with no prospect for recovery.

Minority interests in net loss of subsidiaries declined by 18.4 billion yen, to a loss of 29.6 billion yen. This was largely due to the worsening performance of a NEC subsidiary, NEC Electronics Corporation.

NEC recorded a consolidated net loss of 296.6 billion yen, a year on year decrease of 319.3 billion yen.

Sales and operating income in each segment (including inter-segment transactions) were as follows (figures in brackets denote increases or decreases as compared with the previous fiscal year):

a. IT/Network Solutions business

Sales:	2,723.9 billion yen	(-5.0%)
Operating income:	124.9 billion yen	(-35.8billion yen)

Sales in the IT/Network Solutions business for the fiscal year ended March 31, 2009 amounted to 2,723.9 billion yen, a decrease of 142.2 billion yen (5.0%) year on year.
With regard to sales by subsegment, in the area of IT Services/System Integration, sales decreased year on year, impacted by slowing investment in the worsening the Japanese economy.
Due to a reduction in shipments of business personal computers and servers, as well as the effect of slowing investment, sales in the area of IT Products decreased year on year. In the area of Network Systems, sales decreased year on year as a result of the completion of a round of investment in systems by domestic mobile communications carriers and the effect of slowing investment in systems by enterprises. In addition, sales in the area of Social Infrastructure decreased due to a reduction in large scale projects.

Operating income decreased by 35.8 billion yen (22.3%) year on year, to 124.9 billion yen, owing to the decrease in sales and exchange rate fluctuations in the area of Network Systems.

b. Mobile/Personal Solutions business

Sales:	810.3 billion yen	(- 7.2%)
Operating loss:	7.9 billion yen	(-31.1 billion yen)

Sales in the Mobile/Personal Solutions business for the fiscal year ended March 31, 2009 were 810.3 billion yen, a decrease of 62.5 billion yen (7.2%) year on year.
With regard to sales by subsegment, in the area of Mobile Terminals, sales increased year on year, as a result of growth in shipments due to an expanded variety of products and stronger product appeal, despite overall contraction in the mobile handset market in Japan. In the area of Personal Solutions, sales decreased year on year due to decreased sales of personal computers as a result of a downturn in the overseas market and a slowdown in investments by domestic companies.

Operating income in the Mobile/Personal Solutions business worsened by 31.1 billion yen year on year, to an operating loss of 7.9 billion yen, mainly due to an increase in development expenses for diversified models of mobile handsets in order to expand sales and for future business in the Mobile Terminals area, as well as intensifying price competition in the Japanese market and worsening overseas business conditions in the Personal Solutions area.

c. Electron Devices business

Sales:	652.8 billion yen	(-21.4%)
Operating loss:	79.3 billion yen	(-86.7 billion yen)

Sales in the Electron Devices business for the fiscal year ended March 31, 2009 amounted to 652.8 billion yen, a decrease of 178.1 billion yen (21.4%) year on year.
With regard to sales by subsegment, in the area of Semiconductors, sales fell year on year in semiconductors for computing and peripheral products and automotive and industrial products as well as general-purpose semiconductors such as discrete products. In the area of Electronic Components and Others, sales decreased year on year in general-purpose components such as capacitors and liquid crystal displays for various industries.

Operating income in the Electron Devices business worsened by 86.7 billion yen year on year, to an operating loss of 79.3 billion yen, mainly due to the large decrease in sales.

d. Others

Sales in the Others segment, which mainly consists of the manufacture and sale of monitors and LCD projectors, were 396.4 billion yen, a decrease of 91.5 billion yen (18.7%) year on year.

Operating income worsed by 15.2 billion yen year on year to an operating loss of 3.5 billion yen, owing to the decrease in sales.

(3) Liquidity and Capital Resources

a. Cash Flows

	Billions of Yen		*Millions of U.S. Dollars*
	2008	2009	2009
Net cash provided by (Used in)			
Operating activities	¥192.3	¥27.4	$277
Investing activities	(135.8)	(173.2)	(1,749)
Financing activities	(100.7)	102.2	1,032
Effect of exchange rate changes on cash and cash equivalents	(4.3)	(13.9)	(140)
Net decrease in cash and cash equivalents	¥(48.5)	¥(57.6)	$(582)

b. Basic Liquidity Management Policy/ Capital Resources

The NEC Group's basic policy is to maintain sufficient liquidity in hand for conducting future business activities. Liquidity in hand is the sum of cash and cash equivalents and the unused portion of committed credit facilities established with multiple financial institutions. As of March 31, 2009, NEC had a sufficient amount of liquidity. Total liquidity in hand as of March 31, 2009 was 624.1 billion yen, comprising cash and cash equivalents of 317.3 billion yen and unused committed credit facilities of 306.8 billion yen. Cash and cash equivalents are mainly denominated in yen as well as other denominations that include U.S. dollars and euros.

The NEC Group maintains credit facilities that it believes are sufficient to meet its short-term and long-term financing needs.

With regard to short-term financing, the NEC Group relies primarily on commercial paper ("CP") in Japan to provide for short-term financing. It has a 515.0 billion yen CP program. To prepare for unexpected short-term funding needs or instability in fund procurement through the issue of CP, the NEC Group maintains committed short-term credit facilities of 306.8

billion yen to ensure that funds may be borrowed from financial institutions at all times. Of this amount, 80.0 billion yen represents a committed credit facility with a contract period effective through March 2011 that enables it to obtain short-term loans.

With regard to long-term financing, the NEC Group has a 300.0 billion yen straight bond issuance program in Japan. In September 2008, the NEC Group issued 38th unsecured bond of 30.0 billion yen and 39th unsecured bond of 20.0 billion yen to raise funds for bond redemptions.

Our basic policy regarding the structure of liabilities on the balance sheets is to maintain a balanced mix of fund procurement from debt and capital market instruments, while securing adequate long-term funds, from the standpoint of satisfying funding requirements in a stable manner.

The Group's fund procurement status was as follows:

As of March 31,	2008	2009
Long-term fund procurement*1	62.3%	65.8%
Use of capital market instruments*2	65.4%	55.4%

*1 Long-term fund procurement is calculated by dividing the sum of bonds and long-term borrowings and others (lease obligations with maturities of more than one year) by interest-bearing debt.

*2 Use of capital market instruments is calculated by dividing the sum of bonds (including the current portion) and CPs by interest-bearing debt.

As of March 31, 2009, long-term fund procurement was 65.8% and the use of capital market instruments was 55.4%.

(4) Capital Expenditures

Capital expenditures of NEC for the fiscal year ended March 31, 2009 are broken down as follows (amounts do not include consumption taxes):

	Billions of Yen		*Millions of U.S. Dollars*
	2008	2009	2009
IT/Network Solutions business	¥23.9	¥21.8	$220
Mobile/Personal Solutions business	11.6	7.4	75
Electron Devices business	71.1	64.2	648
Others	15.9	9.7	98
Total	¥122.6	¥103.1	$1041

In the IT/Network Solutions business, capital expenditures included investments in 3G mobile communications systems; R&D equipment for computers, such as servers and storage; and production facilities.

In the Mobile/Personal Solutions business, capital expenditures included investments in BIGLOBE-related facilities; R&D equipment for mobile handsets; and production facilities.

In the Electron Devices business, capital expenditures included investments in R&D equipment mainly for cutting-edge LSIs; and production facilities.

NEC primarily used its own capital and borrowings to meet the funding requirements for these capital expenditures.

(5) Management Strategy and Policy

Based on the NEC Group Corporate Philosophy and the "NEC Group Vision 2017," the NEC Group aims to capitalize on innovation to deliver an information society friendly to humans and the earth. As "One NEC," the NEC Group will provide total solutions gathering together NEC Group's world-class technological competence in each of the NEC Group's business fields.

The NEC Group anticipates that severe business conditions will continue due to the worldwide economic recession stemming from the financial crisis in the U.S. and European countries. The NEC Group views the current harsh environment as an opportunity to strengthen the NEC Group's business and financial position and will steadily strive to reform the business and profit structure of the NEC Group.

In terms of business structure reform, the NEC Group is reassessing the NEC Group business portfolio, and accelerating the selection and concentration of the NEC Group businesses, towards the realization of an "information society friendly to humans and the earth".

In the IT/Network Solutions business, the NEC Group will work to strengthen service businesses geared to the cloud computing era. Cloud computing is a mechanism that allows users to obtain necessary services at any time through devices such as personal computers and portable information devices that use the Internet to access systems that are located "somewhere" in the network. In order to create this mechanism, it is required to provide a variety of hardware and software which realizes a sophisticated automation and virtualization, and also to provide integrated operations thereof. The NEC Group utilizes its expertise in the fields of both IT and networks to provide new services adapted for the cloud computing era. This is being done by concentrating the NEC Group's technologies and know-how in consulting, system integration, operation, maintenance and support, and outsourcing into one business unit. The NEC Group is proceeding with the complete reform of its core IT systems. The construction of core IT systems that integrate and concentrate the NEC Group-internal systems related to sales, accounting and purchasing into a data center will enable cloud computing-oriented services to be provided to NEC Group companies, including NEC Corporation. Based on the technologies and know-how to be obtained by this reform, the NEC Group will develop a wide variety of cloud computing-oriented service businesses. Moreover, in order to drive the expansion of these kinds of service businesses on a global scale, the NEC Group will actively explore the possibilities of mergers and acquisitions, in addition to last year's acquisition of NetCracker Technology Corp. in the U.S.. These mergers and acquisitions help the NEC Group to secure and enhance business resources that complement the NEC Group's own capabilities. These business resources include a stable customer base, and skill and expertise in data center operational management. Furthermore, the NEC Group aims to deliver its homegrown know-how of advanced IT network systems on a global scale.

In the Mobile/Personal Solutions business, the NEC Group leverages synergies between a wide variety of businesses such as mobile handsets, personal computers and Internet services "BIGLOBE," to create integrated products such as a new generation of information communication devices and services, and strives to create new personal solutions that will help to realize a ubiquitously networked society that enables the exchange of information anywhere, anytime.

In the environment/energy field, the NEC Group's latest business domain, the NEC Group has focused a great deal of attention on lithium-ion batteries business for electric vehicles. In the medium and long terms, the NEC Group will utilize its strengths, create environmental and energy related businesses that address the growing importance of environmental issues such as electricity conservation and carbon dioxide emissions reductions and make those businesses a source of future growth.

In the semiconductor area of the Electron Devices business, NEC implemented measures to drastically reduce fixed costs, including the closure of certain production lines at NEC Electronics Corporation ahead of schedule. In addition, NEC worked to raise the efficiency of all manner of costs, including production, capital expenditures and R&D, with the aim of turning around NEC's performance as early as possible in the semiconductor area. With respect to other unprofitable businesses, carefully considering a full range of options, the NEC Group will expeditiously and flexibly decide and implement its fundamental strategies in order to improve the capital efficiency of the NEC Group.

In terms of profit structure reform, by changing the NEC Group's overall operational processing structure into a "simple" form that corresponds with "global standards," and completely reforming its core IT systems so that those systems will adapt to the changed operational structure, the NEC Group will move forward with streamlining operations and reducing the costs of maintenance and operation of IT systems. In addition, by streamlining the NEC Group-wide organization by thoroughly eliminating the NEC Group's internally overlapping functions, and more effectively assigning personnel, the NEC Group will achieve agile management as "One NEC".

In January 2009, the NEC Group announced a personnel reduction of more than 20,000 people as a target, including personnel affiliated with outsourced contractors. While the internal production of formerly outsourced projects is currently proceeding, the NEC Group will continue to make efforts on the thorough reduction of a full range of expenses including fixed cost. Furthermore, while the NEC Group aims to eliminate unprofitable NEC Group businesses in the NEC Group through the execution of business structure reform, the NEC Group strives to improve profitability by strengthening its ability to respond to customer demands in profitable businesses.

Additionally, the NEC Group will focus on reinforcing consolidated NEC Group management through continuous efforts to strengthen the NEC Group-wide internal control system, mainly by ensuring thorough compliance.
By implementing these measures as mentioned above, the NEC Group aims to expand its business and improve its profitability. The goal is for the NEC Group to emerge from the current worldwide recession as a leading global company.

NEC Corporation and Subsidiaries
Consolidated Balance Sheets
March 31, 2008 and 2009

ASSETS	Millions of Yen 2008	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2009
CURRENT ASSETS:			
Cash and cash equivalents	¥ 374,838	¥317,271	$ 3,204,758
Short-term investments	517	764	7,717
Trade notes and accounts receivable	853,773	746,731	7,542,737
Inventories *(Note 7)*	457,493	378,366	3,821,879
Deferred tax assets *(Note 14)*	120,956	99,657	1,006,636
Other current assets *(Note 19)*	147,150	134,254	1,356,101
Allowance for doubtful accounts	(5,913)	(5,951)	(60,111)
Total current assets	1,948,814	1,671,092	16,879,717
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION *(Note 8)*:			
Land	89,224	91,523	924,475
Buildings and structures	227,522	218,983	2,211,949
Machinery and equipment	180,866	143,269	1,447,162
Furniture and fixtures	108,174	93,881	948,293
Construction in progress	34,961	33,375	337,121
Total property, plant and equipment	640,747	581,031	5,869,000
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Note 6)*	185,614	143,361	1,448,091
Investments in affiliated companies	223,478	131,119	1,324,434
Goodwill *(Notes 2.a and 17)*	93,525	93,365	943,081
Software	123,841	125,918	1,271,899
Deferred tax assets *(Note 14)*	131,465	150,676	1,521,980
Other assets *(Note 9)*	188,533	188,288	1,901,899
Allowance for doubtful accounts	(9,222)	(9,472)	(95,677)
Total investments and other assets	937,234	823,255	8,315,707
TOTAL ASSETS	¥ 3,526,795	¥3,075,378	$ 31,064,424

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2008	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES:			
Short-term borrowings *(Note 8)*	¥ 170,587	¥173,132	$1,748,808
Current portion of long-term debt *(Note 8)*	131,099	143,537	1,449,869
Trade notes and accounts payable	700,797	529,258	5,346,040
Accrued expenses	274,044	209,253	2,113,667
Other current liabilities *(Notes 10, 13 and 19)*	272,779	328,388	3,317,050
Total current liabilities	1,549,306	1,383,568	13,975,434
LONG-TERM LIABILITIES:			
Long-term debt *(Note 8)*	499,157	608,494	6,146,404
Liabilities for retirement benefits *(Note 9)*	224,143	224,378	2,266,444
Deferred tax liabilities *(Note 14)*	14,031	8,712	88,000
Other long-term liabilities *(Note 11)*	54,637	64,661	653,142
Total long-term liabilities	791,968	906,245	9,153,990
COMMITMENTS AND CONTINGENT LIABILITIES *(Notes 18,19 and 20)*			
NET ASSETS *(Notes 12 and 23*:			
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized — 7,500,000 thousand shares			
Issued — 2,029,733 thousand shares in 2008 and 2,029,733 thousand shares in 2009	337,940	337,940	3,413,535
Capital surplus	464,875	464,875	4,695,707
Retained earnings	179,391	(126,276)	(1,275,515)
Treasury stock—at cost: 4,947 thousand shares in 2008 and 6,287 thousand shares in 2009	(3,233)	(2,982)	(30,121)
Total shareholders' equity	978,973	673,557	6,803,606
VALUATION AND TRANSLATION ADJUSTMENTS:			
Unrealized gains on available-for-sale securities	29,898	(6,228)	(62,909)
Unrealized losses on derivative financial instruments	(283)	(120)	(1,212)
Foreign currency translation adjustments	(4,367)	(25,555)	(258,131)
Total valuation and translation adjustments	25,248	(31,903)	(322,252)
STOCK SUBSCRIPTION RIGHTS *(Note 13)*	115	123	1,242
MINORITY INTERESTS	181,185	143,788	1,452,404
Total net assets	1,185,521	785,565	7,935,000
TOTAL LIABILITIES AND NET ASEETS	¥ 3,526,795	¥ 3,075,378	$31,064,424

NEC Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended March 31, 2007, 2008 and 2009

	Millions of Yen			*Thousands of U.S. Dollars (Note 1)*
	2007	2008	2009	2009
NET SALES	¥ 4,652,649	¥ 4,617,153	¥ 4,215,603	$ 42,581,848
COST OF SALES *(Note 9)*	3,242,459	3,142,844	2,929,567	29,591,586
Gross profit	1,410,190	1,474,309	1,286,036	12,990,262
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES *(Notes 3, 9 and 15)*	1,340,214	1,317,544	1,292,237	13,052,899
Operating income (loss)	69,976	156,765	(6,201)	(62,637)
NON-OPERATING INCOME:				
Interest and dividend income	12,573	12,348	8,599	86,859
Settlement and compensation income	1,992	3,296	1,167	11,788
Equity in earnings of affiliated companies, net	—	1,003	—	—
Other non-operating income	11,630	13,206	10,545	106,515
Total non-operating income	26,195	29,853	20,311	205,162
NON-OPERATING EXPENSES:				
Interest expense	16,161	14,724	12,578	127,051
Provision for contingent loss *(Note 2.m)*	—	—	30,365	306,717
Retirement benefit expenses *(Note 9)*	13,863	13,850	14,791	149,404
Equity in losses of affiliated companies, net	4,006	—	12,647	127,747
Foreign exchange loss, net	2,622	17,872	10,952	110,626
Loss on disposals of property, plant and equipment	15,639	9,243	9,590	96,869
Settlement and compensation loss	7,510	2,142	—	—
Other non-operating expenses	20,023	16,547	16,358	165,232
Total non-operating expenses	79,824	74,378	107,281	1,083,646
Ordinary income (loss)	16,347	112,240	(93,171)	(941,121)
SPECIAL GAINS *(Note 16)*	115,155	12,126	20,631	208,394
SPECIAL LOSSES *(Note 16)*	35,205	30,748	218,430	2,206,364
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	96,297	93,618	(290,970)	(2,939,091)
INCOME TAXES *(Note 14)*:				
Current	30,728	38,791	30,196	305,010
Deferred	62,242	43,364	5,107	51,586
Total income taxes	92,970	82,155	35,303	356,596
MINORITY INTERESTS IN NET LOSS OF SUBSIDIARIES	(5,801)	(11,218)	(29,627)	(299,263)
NET INCOME (LOSS)	¥ 9,128	¥ 22,681	¥ (296,646)	$ (2,996,424)

NEC Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended March 31, 2007, 2008 and 2009

	Yen			*U.S. Dollars (Note 1)*
	2007	2008	2009	2009
PER SHARE OF COMMON STOCK *(Note 22)*:				
Basic net income (loss)	¥ 4.43	¥ 11.06	¥ (146.64)	$ (1.48)
Diluted net income	4.23	10.64	—	—
Cash dividends applicable to the year	8	8	—	—

See notes to consolidated financial statements.

NEC Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2007, 2008 and 2009

	Thousands	Shareholders' Equity			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2006	1,995,923	¥ 337,821	¥ 441,155	¥ 173,808	¥ (2,869)
Net income				9,128	
Cash dividends paid, ¥ 7 per share				(14,081)	
Bonuses to directors				(200)	
Purchases of treasury stock					(558)
Disposals of treasury stock			(153)		202
Increase due to stock-for-stock exchange *(Note 5)*	33,631		24,382		
Conversion of convertible bonds with stock subscription rights	1	1	1		
Other decrease in capital surplus			(547)		
Adjustment for changes in companies accounted for by the equity method				4,348	
Net changes in items other than shareholders' equity during the year					
BALANCE, MARCH 31, 2007	2,029,555	337,822	464,838	173,003	(3,225)
Net income				22,681	
Cash dividends paid, ¥ 8 per share				(16,202)	
Purchases of treasury stock					(281)
Disposals of treasury stock			(81)	(91)	273
Conversion of convertible bonds with stock subscription rights	178	118	118		
Net changes in items other than shareholders' equity during the year					
BALANCE, MARCH 31, 2008	2,029,733	337,940	464,875	179,391	(3,233)
Net income				(296,646)	
Cash dividends paid, ¥ 4 per share				(8,101)	
Purchases of treasury stock					(900)
Disposals of treasury stock				(920)	1,151
Net changes in items other than shareholders' equity during the year					
BALANCE, MARCH 31, 2009	2,029,733	¥ 337,940	¥ 464,875	¥ (126,276)	¥ (2,982)

	Shareholders' Equity			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, MARCH 31, 2008	$3,413,535	$4,695,707	$1,812,030	$(32,656)
Net income			(2,996,424)	
Cash dividends paid, $0.04 per share			(81,828)	
Purchases of treasury stock				(9,091)
Disposals of treasury stock			(9,293)	11,626
Net changes in items other than shareholders' equity during the year				
BALANCE, MARCH 31, 2009	$3,413,535	$4,695,707	$(1,275,515)	$(30,121)

See notes to consolidated financial statements.

Millions of Yen

	Valuation and Translation Adjustments						
Total	Unrealized Gains (Losses) on Available- for-sale Securities	Unrealized Losses on Derivative Financial Instruments	Foreign Currency Translation Adjustments	Total	Stock Subscription Rights	Minority Interests	Total Net Assets
¥ 949,915	¥ 78,128	¥ —	¥ 1,764	¥ 79,892	¥ —	¥ 212,843	¥ 1,242,650
9,128							9,128
(14,081)							(14,081)
(200)							(200)
(558)							(558)
49							49
24,382							24,382
2							2
(547)							(547)
4,348							4,348
—	(20,422)	(143)	7,043	(13,522)	81	(11,609)	(25,050)
972,438	57,706	(143)	8,807	66,370	81	201,234	1,240,123
22,681							22,681
(16,202)							(16,202)
(281)							(281)
101							101
236							236
—	(27,808)	(140)	(13,174)	(41,122)	34	(20,049)	(61,137)
978,973	29,898	(283)	(4,367)	25,248	115	181,185	1,185,521
(296,646)							(296,646)
(8,101)							(8,101)
(900)							(900)
231							231
—	(36,126)	163	(21,188)	(57,151)	8	(37,397)	(94,540)
¥ 673,557	¥ (6,228)	¥ (120)	¥ (25,555)	¥ (31,903)	¥ 123	¥ 143,788	¥ 785,565

Thousands of U.S. Dollars (Note 1)

	Valuation and Translation Adjustments						
Total	Unrealized Gains (Losses) on Available- for-sale Securities	Unrealized Losses on Derivative Financial Instruments	Foreign Currency Translation Adjustments	Total	Stock Subscription Rights	Minority Interests	Total Net Assets
$9,888,616	$ 302,000	$ (2,859)	$ (44,111)	$255,030	$ 1,162	$1,830,152	$ 11,974,960
(2,996,424)							(2,996,424)
(81,828)							(81,828)
(9,091)							(9,091)
2,333							2,333
—	(364,909)	1,647	(214,020)	(577,282)	80	(377,748)	(954,950)
$6,803,606	$(62,909)	$ (1,212)	$ (258,131)	$ (322,252)	$1,242	$1,452,404	$ 7,935,000

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2007, 2008 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2009
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ 96,297	¥ 93,618	¥ (290,970)	$ (2,939,091)
Depreciation	198,398	192,658	174,311	1,760,717
Amortization of long-term prepaid expenses	25,975	23,941	18,652	188,404
Impairment losses on property, plant and equipment, and other assets	2,768	4,555	30,487	307,949
Amortization of goodwill	8,287	9,332	11,113	112,253
Increase (decrease) in allowance for doubtful accounts	(13,327)	(11,254)	1,356	13,697
Increase in product warranty liabilities	24,553	4,820	3,678	37,152
Decrease in provision for loss on repurchase of computers	(3,177)	(3,859)	(2,262)	(22,848)
Increase in liabilities for retirement benefits	28,629	6,145	571	5,768
Increase in provision for business structure improvement	—	—	28,146	284,303
Increase in provision for contingent loss	—	—	29,200	294,949
Increase in provision for loss on guarantees	—	—	14,608	147,556
Interest and dividend income	(12,573)	(12,348)	(8,599)	(86,859)
Interest expense	16,161	14,724	12,578	127,051
Equity in losses (earnings) of affiliated companies	4,006	(1,003)	12,647	127,747
Gain on change in interests in subsidiaries and affiliated companies	(8,630)	(333)	—	—
Gain on sales of property, plant and equipment	(2,872)	(1,423)	(465)	(4,697)
Loss on sales of property, plant and equipment	208	932	597	6,030
Loss on retirement of property, plant and equipment	—	2,396	117	1,182
Gain on sales of investment securities	(25,651)	(3,320)	(3,957)	(39,970)
Write-off of investment securities	10,058	3,798	78,759	795,545
Loss on sales of investment securities	19	4	79	798
Gain on sales of investments in affiliated companies	(41)	(480)	(16,209)	(163,727)
Loss on sales of investments in affiliated companies	661	408	1,706	17,232
Gain on expiration of stock subscription rights	(2)	—	—	—
Gain on reversion of securities from the pension trust	(69,533)	—	—	—
Gain on transfer of securities to the pension trust	(6,534)	—	—	—
Settlement and compensation loss	7,510	2,142	—	—
(Increase) decrease in trade notes and accounts receivable	(31,524)	8,047	105,458	1,065,233
(Increase) decrease in inventories	(14,098)	20,942	70,408	711,192
(Increase) decrease in accounts receivable, other	41,350	(3,968)	5,725	57,828

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2007, 2008 and 2009

Decrease in trade notes and accounts payable	(24,413)	(82,171)	(170,129)	(1,718,474)
Others—net	32,742	(33,765)	(38,656)	(390,465)
Sub total	285,247	234,538	68,949	696,455
Interest and dividends received	12,598	12,384	8,742	88,303
Interest paid	(16,180)	(15,632)	(13,126)	(132,586)
Payment for settlement and compensation loss	(15,240)	(2,660)	—	—
Income taxes – paid	(28,107)	(36,328)	(37,206)	(375,818)
Net cash provided by operating activities	¥ 238,318	¥ 192,302	¥ 27,359	$ 276,354

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2007, 2008 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2009
Cash flows from investing activities				
Purchases of property, plant and equipment	¥(186,815)	¥(125,327)	¥(107,956)	$(1,090,465)
Proceeds from sales of property, plant and equipment	50,316	31,258	12,106	122,283
Acquisitions of intangible assets	(36,262)	(36,689)	(39,376)	(397,737)
Purchases of investment securities	(10,655)	(9,578)	(16,559)	(167,263)
Proceeds from sales of investment securities	38,432	8,006	6,933	70,030
Disbursements for acquisitions of shares of newly consolidated subsidiaries	(1,630)	(8,448)	(31,642)	(319,616)
Proceeds from acquisitions of shares of newly consolidated subsidiaries	1,716	51	175	1,768
Proceeds from sales of shares of subsidiaries being excluded from the consolidation	39	421	4,334	43,778
Disbursements for sales of shares of subsidiaries being excluded from the consolidation	(1,496)	—	—	—
Purchases of investments in affiliated companies	(22,915)	(5,287)	(5,879)	(59,384)
Proceeds from sales of investments in affiliated companies	260	464	4,599	46,455
(Increase) decrease in short-term loans receivable, net	119	3,673	(235)	(2,374)
Disbursements for loans receivable	(12,304)	(853)	(291)	(2,939)
Collection of loans receivable	14,887	86	174	1,758
Others—net	(3,368)	6,463	450	4,544
Net cash used in investing activities	(169,676)	(135,760)	(173,167)	(1,749,162)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings, net	70,574	(42,452)	(1,953)	(19,727)
Proceeds from long-term borrowings	15,564	108,807	231,233	2,335,687
Repayments of long-term borrowings	(58,328)	(71,958)	(68,753)	(694,475)
Proceeds from issuance of bonds	—	—	50,000	505,051
Redemption of bonds	(29,270)	(76,670)	(96,750)	(977,273)
Redemption of convertible bonds	(99,998)	—	—	—
Proceeds from capital contribution from minority shareholders	14,378	—	—	—
Dividends paid	(14,060)	(16,176)	(8,167)	(82,495)
Dividends paid to minority shareholders	(2,268)	(2,225)	(2,786)	(28,141)
Others—net	(331)	(30)	(669)	(6,758)
Net cash provided by (used in) financing activities	(103,739)	(100,704)	102,155	1,031,869
Effect of exchange rate changes on cash and cash equivalents	6,096	(4,369)	(13,914)	(140,545)
Net decrease in cash and cash equivalents	(29,001)	(48,531)	(57,567)	(581,484)
Cash and cash equivalents, at beginning of year	452,370	423,369	374,838	3,786,242

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2007, 2008 and 2009

Cash and cash equivalents, at end of year	¥423,369	¥374,838	¥317,271	$3,204,758
Non-cash investing and financing activities				
Stock-for-stock exchange	¥24,382	¥ —	¥ —	$ —
Finance leases	9,432	¥12,412	¥4,350	43,939
Conversion of convertible bonds with stock subscription rights	2	236	—	—

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (the "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which NEC Corporation ("NEC" or the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥99 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***— The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 328 (334 in 2008 and 342 in 2007, respectively) subsidiaries (together, the "Group"). Investments in 63 (66 in 2008 and 68 in 2007, respectively) affiliated companies are accounted for by the equity method.

Under the control or influence concept, those companies in which the Group, directly or indirectly, are able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence in terms of their operating and financial policies are accounted for by the equity method.

In preparation of the consolidated balance sheets, the portion of a consolidated subsidiary's assets and liabilities corresponding to the equity portion held by the Company is principally measured at fair value as at the date of each acquisition of stock, while the portion corresponding to the minority interests reflects the value stated on each subsidiary's non-consolidated balance sheet.

Goodwill, which represents cost in excess of fair value of net assets of subsidiaries acquired, is amortized on a straight-line basis over periods not exceeding 20 years (NEC Soft, Ltd. -20 years, NEC System Technologies, Ltd. -20 years, NEC Infrontia-15 years, Abeam Consulting Ltd. -10 years, NetCracker Technology Corporation -7 years).

b. ***Cash Equivalents***— Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial papers and bond funds, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories***—Inventories were stated at the lower of cost or market.
The cost of custom-made products, including the related work-in-process, is determined mainly by the specific identification method. The cost of mass produced standard products, finished products and raw materials is determined

mainly by the first-in, first-out method. The cost of work-in-process of mass produced standard products is determined mainly by the average method.

d. ***Investment Securities***—Marketable investment securities are valued at the quoted market prices prevailing at the fiscal year end, with unrealized gains and losses, net of applicable taxes, included in a component of net assets. The cost of securities sold is determined based on the moving-average method.
Non-marketable investment securities are stated at cost determined by the moving-average method.
Investments in limited partnerships are accounted for by the equity method.

e. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is computed principally by the declining-balance method based on the estimated useful lives of the assets.

The range of useful lives is principally from 7 to 60 years for buildings and structures, from 2 to 22 years for machinery and equipment, and furniture and fixtures. Leased assets are depreciated by the declining-balance method over the respective lease periods.

Upon the revision to the Corporation Tax Law in Japan, certain domestic subsidiaries changed their depreciation method for property, plant and equipment, excluding assets capitalized under finance lease, acquired on and after April 1, 2007 to the declining-balance method as permitted under the revised Corporation Tax Law, which is effective for fiscal years beginning on or after April 1, 2007. There was an inconsequential effect due to this change in depreciation method.

The Company and certain domestic subsidiaries had depreciated their property, plant and equipment up to their residual value, 5% of acquisition cost, as permitted under the former Corporation Tax Law. Upon the revision to the Corporation Tax Law enacted on April 1, 2007, the Company and those domestic subsidiaries depreciate such 5% portion of property, plant and equipment acquired on or before March 31, 2007 on a straight-line basis over 5 years starting in the following year in which the carrying value of property, plant and equipment has reached 5% of the acquisition cost.

The effect of this change in accounting treatment was to decrease operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2008 by ¥ 2,530 million. The effects on segment information are described in Note 24.

Effective from this fiscal year, the Company and its domestic consolidated subsidiaries have changed their useful lives in accordance with the Corporation Tax Law as amended. The effect of this change in statement of operations is immaterial.

Accumulated depreciation of property, plant and equipment as of March 31, 2007, 2008 and 2009 were ¥ 1,789,062 million, ¥ 1,791,098 million and ¥ 1,771,769 million ($ 17,896,657 thousand), respectively.

f. ***Software***— Software for sale to the market is amortized based on either projected sales volumes or projected sales amounts, primarily not to exceed the effective useful life of three years.

Software for internal use is amortized on a straight-line basis over the estimated useful life, not to exceed five years.

g. ***Long-lived Assets***— In principle, the Company groups assets for business use based on its business units and managerial accounting segments. The Company groups idle assets on an individual basis. The higher of the estimated net realizable value or the estimated value in use is used as the estimated recoverable amounts of fixed assets in business use. The net realizable value is used as the estimated recoverable amounts of idle assets.

h. ***Allowance for Doubtful Accounts*** — The allowance for doubtful accounts is provided against potential losses on collections at an amount determined using a historical bad debt loss ratio with the addition of an amount individually estimated on the collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency of the debtor.

i. ***Product Warranty Liabilities*** — The Group accrues product warranty liabilities for estimated future warranty costs using the historical ratio of warranty costs to net sales or other relevant factors, with the addition of an amount individually measured on the incremental costs that are expected to be incurred, in expectation of expenditures for warranty costs after sale of products, or upon delivery of developed software.

j. ***Provision for Loss on Repurchase of Computers*** —The Company accrues for the estimated losses arising from repurchase of computers based on the experiences in the past years.

k. ***Provision for Recycling Expenses of Personal Computers*** — In accordance with the personal computer recycling law in Japan, the Group accrues for the estimated recycling expenses of personal computers sold by the Company and its consolidated subsidiaries in Japan based on the volume of shipments and collection ratio.

The Company annually reviews the various rates used in the calculation of the provision based on reports issued by JEITA (Japan Electronics and Information Technology Industries Association) and the actual collection and recycling records of the subsidiary.

l. ***Provision for Business Structure Improvement*** — A provision has been made for the amount of the estimated losses and expenses to be incurred in connection with business structure improvements.

m. ***Provision for Contingent Loss*** — In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses has been made when they are reasonably estimated considering individual risks associated with each contingency.

n. ***Provision for Loss on Guarantees***— Provision for loss on guarantees is made against losses related to debt guarantees, to which the Company has taken the deterioration of financial conditions of affiliated companies into consideration.

o. ***Retirement and Pension Plans***— The Company and its domestic subsidiaries have non-contributory funded defined benefit plans, and most of the overseas subsidiaries have various types of pension benefit plans which are mainly defined contribution plans and defined benefit plans.

The Company and certain domestic subsidiaries have pension and retirement benefit trusts.

Liabilities for retirement benefits or prepaid pension expenses are recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year end.
The transitional obligation is amortized on a straight-line basis mainly over 15 years since fiscal 2001.
Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly, 14 years in fiscal 2007, 13 years in fiscal 2008 and fiscal 2009).

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly, 12 years in fiscal 2007, 13 years in fiscal 2008 and fiscal 2009), starting in the following year after incurrence.

p. ***Stock Options***— The ASBJ Statement No.8, "Accounting Standard for Share-based Payments" and related guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheets, the stock option is presented as a stock subscription right as a separate component of net assets until exercised. The standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

q. ***Research and Development Costs***— Research and development costs are charged to earnings as incurred. The amounts charged to earnings for the fiscal 2007, 2008 and 2009 were ¥ 334,639 million , ¥ 352,200 million and ¥ 346,529 million ($ 3,500,293 thousand), respectively.

r. ***Leases***— Finance leases as lessee are capitalized and accounted for as ordinary sales transactions.

s. ***Bonuses to Directors***— Bonuses to directors are accrued for in the fiscal year to which such bonuses are attributable.

t. ***Income Taxes***— The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of tax loss carryforwards and temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to tax loss carryforwards and temporary differences. Valuation allowances are established to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

u. ***Foreign Currency Transactions***— Foreign currency denominated monetary assets and liabilities are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations.

v. ***Foreign Currency Financial Statements***— The balance sheet accounts of the overseas subsidiaries and affiliated companies are translated into Japanese yen at the exchange rate as of the balance sheet date except for components of net assets, which are translated at the historical rates. Income and expense accounts of overseas subsidiaries and affiliated companies are translated into Japanese yen at the average exchange rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" and included in "Minority interests" in a separate component of net assets.

w. ***Derivative Financial Instruments*** — The Group enters into foreign exchange forward contracts, currency swaps and interest rate swaps.

Derivative financial instruments are classified and accounted for as follows: all derivatives are recognized as either assets or liabilities and measured at fair value, and a) for derivatives not qualifying for hedge accounting, unrealized gains or losses on derivative transactions are recognized in the consolidated statements of operations and b) for derivatives qualifying for hedge accounting, unrealized gains or losses on derivatives are deferred until maturity of the hedged transactions as a separate component of net assets.

x. ***Per Share Information***— Basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the fiscal year.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the fiscal year (or as of the time of issuance) with applicable adjustments for related interest expense, net of tax, and full exercise of outstanding stock subscription rights (Note 22).

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

Net assets per share are computed by dividing net assets available to common shareholders by the outstanding number of shares of common stock as of each balance sheet date (Note 23).

3. ACCOUNTING CHANGES

Adoption of Accounting Standards for Business Combinations and Business Divestitures— Effective for the fiscal year ended March 31, 2007, the Company adopted the "Accounting Standard for Business Combinations" (BAC Statement of Opinion, issued on October 31, 2003), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on December 27, 2005), and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, final revision, issued on December 22, 2006).

Revision of Accounting Standard for Treasury Shares and Appropriation of Legal Reserve —Effective for the fiscal year ended March 31, 2007, the Company adopted the revised "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (ASBJ Statement No. 1, final revision, issued on August 11, 2006) and "Implementation Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (ASBJ Guidance No. 2, final revision, issued on August 11, 2006), which had no effect on the consolidated statement of operations for the fiscal year ended March 31, 2007.

Accounting Standard for Directors' Bonus— Effective for the fiscal year ended March 31, 2007, the Company adopted the "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4, issued on November 29, 2005). As a result of this accounting change, operating income, ordinary income and income before income taxes and minority interests decreased by ¥401 million for the fiscal year ended March 31, 2007 from the corresponding amounts which would have been recorded under the previous method.

Accounting Standards for Stock Options— Effective for the fiscal year ended March 31, 2007, the Company adopted the "Accounting Standard for Share-based Payments" (ASBJ Statement No. 8, issued on December 27, 2005), and "Implementation Guidance on Accounting Standard for Share-based Payments" (ASBJ Guidance No. 11, final revision, issued on May 31, 2006), which had inconsequential effect on the consolidated statement of operations for the fiscal year ended March 31, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements— In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Company applied this accounting standard effective April 1, 2008. The impact of this change on income is immaterial.

Accounting Standard for Measurement of Inventories— In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The change has no impact on income.

Depreciation method changes for the property, plant and equipment— The Company and its domestic consolidated subsidiaries had formerly adopted the declining balance method as their depreciation method for the property, plant and equipment that is used for outsourcing or other businesses which earn regular income. However, they have adopted the straight line method beginning from this fiscal year because the importance of these businesses is increasing and this change clarifies the connection between related revenue and depreciation expenses. The impact of this change on income is immaterial.

4. CHANGES IN PRESENTATION METHOD

(Consolidated Statements of Operations)

"Provision for contingent loss" was presented as part of "Other non-operating expenses" for the fiscal years ended March 31, 2007, and March 31, 2008, but it is separately presented for the fiscal year ended March 31, 2009 because the amount exceeds 10 percent of total of non-operating expenses. The amount of "Provision for contingent loss" in "Other non-operating expenses" for the fiscal year ended March 31, 2008 was 2,155 million yen.

"Settlement and compensation loss" has been separately presented for the fiscal year ended March 31, 2007, and March 31, 2008, but it is included in "Other non-operating expenses" in non-operating expenses for the fiscal year ended March 31, 2009 because the amount is less than 10 percent of total of non-operating expenses. The amount of "Settlement and compensation loss" in "Other non-operating expenses" of non-operating expenses for the fiscal year ended March 31, 2009 was 3,270 million yen.

(Consolidated Statements of Cash Flows)

"Increase in provision for contingent loss" in Cash flows from operating activities was presented as part of "Others-net" for the fiscal year ended March 31, 2008, but it is separately presented in the fiscal year ended March 31, 2009 due to the increased significance in the amount. In addition, the amount of "Increase in provision for contingent loss" included in "Others-net" for the fiscal year ended March 31, 2008 was (761) million yen, as a consequence, the amount of "Others-net" other than "Increase in provision for contingent loss" was (33,004) million yen.

"Settlement and compensation loss" and "Payment for settlement and compensation loss" in Cash flows from operating activities has been included in "others-net" from the fiscal year ended March 31, 2009 due to the decreased significance in the amount. The amounts of "Settlement and compensation loss" and "Payment for settlement and compensation loss" included in "others-net" for the fiscal year ended March 31, 2009 were 3,270 million yen and (3,558) million yen, respectively.

5. BUSINESS COMBINATIONS

Stock-for-stock exchange transaction under common control (NEC Telenetworx, Ltd ("NEC Telenetworx") and NEC Nets SI Co., Ltd. ("Nets SI"))

Effective April 1, 2006, a stock-for-stock exchange transaction was conducted in which Nets SI, which was previously a 42.16% (26.91% excluding stocks in pension and retirement benefit trusts) owned subsidiary of NEC, acquired all shares (300,000 shares) of NEC Telenetworx, previously a wholly-owned subsidiary of NEC (Nets SI 26.051 shares for NEC Telenetworx 1 share). Nets SI engages in businesses of planning, consulting, designing, and constructing of network systems, while NEC Telenetworx engages in businesses of maintenance and support of equipment related to switching, carrier communication, wireless communication (microwave and satellite), communication control, broadcasting and activities in aerospace.

The stock-for-stock exchange transaction was intended to reinforce the maintenance and operation service business in the network solution area and to promote streamlining of the business. Through this stock-for-stock exchange transaction, the Company acquired additional 7,815,300 shares of Nets SI, the fair value of which was determined at ¥6,780 million based on the third party valuation appraisal. As a result, the Company's ownership interest in Nets SI increased by 9.09% (11.48% excluding stocks in pension and retirement benefit trusts).

Since Nets SI has minority shareholders, the Company accounted for the difference between the amount of decrease in its ownership interests in NEC Telenetworx and the fair value of the business deemed transferred to minority shareholders of NEC Telenetworx as special gain on change in interests in subsidiaries and affiliated companies (Note 16). The Company also recognized goodwill of ¥ 581 million for the fair value of additional investment in Nets SI in excess of the carrying amount of net assets acquired from minority shareholders of Nets SI.

Stock-for-stock exchange transaction under common control (NEC Infrontia Corporation ("NEC Infrontia"))

Effective May 1, 2006, a stock-for-stock exchange transaction was conducted in which NEC Infrontia, which was previously 65.71% owned subsidiary of NEC, became a wholly-owned subsidiary of the Company (NEC 0.774 shares for NEC Infrontia 1 share). NEC Infrontia engages in businesses of manufacturing and marketing of information and telecommunications systems and operation terminals and system solution business. The stock-for-stock exchange transaction was intended to reinforce the IP telephony business within the Group. Through this stock-for-stock exchange transaction, the Company acquired additional 34.29% of NEC Infrontia in exchange for NEC's common stock of 33,630,520 shares, the fair value of which was determined at ¥24,382 million based on the third party valuation appraisal.

The Company recognized goodwill of ¥12,916 million for the fair value of additional investment in NEC Infrontia in excess of the carrying amount of net assets acquired from minority shareholders of NEC Infrontia.

Business divestiture transaction (Sony NEC Optiarc Inc. ("Sony NEC Optiarc"))

Effective April 1, 2006, the Company and Sony Corporation ("Sony") contributed each of their optical disk drive businesses into a newly incorporated company, Sony NEC Optiarc, to integrate and reinforce the optical disk drive businesses of the Company and Sony. The businesses which were contributed by the Company were included in the business segment of IT/Network solution. As a result of this business divestiture, the Company acquired 45% ownership interest in Sony NEC Optiarc, which was determined based on the fair value of the contributed business. The fair value was determined based on the present value of future cash flows, estimated by a third party appraiser.

Incorporation of a jointly controlled company (Adcore-Tech Co., Ltd. ("Adcore-Tech"))

NEC, NEC Electronics Corporation ("NEC Electronics"), which is a majority-owned subsidiary of NEC, Matsushita Electric Industrial Co., Ltd ("Matsushita Electric"), Panasonic Mobile Communications Co., Ltd ("Panasonic Mobile"), which is a subsidiary of Matsushita Electric, and Texas Instruments Incorporated ("Texas Instruments") jointly incorporated Adcore-Tech which engages in the businesses of development, designing and technical licensing of a "communication platform" that plays the key role in communication technologies of mobile phone systems of third generation and onwards. Adcore-Tech plans to lead the development of a communication platform that will play the key role in the current advanced 3.5G mobile phone system, in anticipation of developing a 3.9G mobile phone system in the future. The results of development efforts will be licensed worldwide, contributing to the development of the mobile phone industry. The Company and NEC Electronics contributed ¥2,650 million in the aggregate into Adcore-Tech to acquire 44.2% ownership interest.

The shareholders of Adcore-Tech consist of three groups, namely, the Company and NEC Electronics, Matsushita Electric and Panasonic Mobile, and Texas Instruments. The total number of shares held by the Company and NEC Electronics is the same as the total number held by Matsushita Electric and Panasonic Mobile, both of which are the two largest shareholders among three groups.

6. INVESTMENT SECURITIES

The carrying amounts and aggregate fair values of marketable investment securities as of March 31, 2008 and 2009 were as follows:

	Millions of Yen			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 67,436	¥ 44,997	¥ 3,299	¥ 109,134
Debt securities	1,500	—	105	1,395
Others	3,430	42	255	3,217
Total	¥ 72,366	¥ 45,039	¥ 3,659	¥ 113,746

March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 62,445	¥ 12,969	¥ 13,710	¥ 61,704
Debt securities	1,002	—	144	858
Others	3,172	18	916	2,274
Total	¥ 66,619	¥ 12,987	¥ 14,770	¥ 64,836

March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	Thousands of U.S. Dollars			
Securities classified as:				
Available-for-sale:				
Equity securities	$ 630,758	$ 131,000	$ 138,485	$ 623,273
Debt securities	10,121	—	1,455	8,667
Others	32,040	182	9,253	22,970
Total	$ 672,919	$ 131,182	$ 149,193	$ 654,910

Non-marketable investment securities whose fair value is not readily determinable as of March 31, 2008 and 2009 were as follows:

	Carrying amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Available-for-sale:			
Equity securities	¥ 63,081	¥ 71,048	$ 717,657
Debt securities	1,018	931	9,404
Investments in limited partnerships	7,395	6,167	62,293
Others	374	379	3,828
Total	¥ 71,868	¥ 78,525	$ 793,182

7. INVENTORIES

Inventories as of March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Finished products	¥ 141,793	¥ 114,212	$ 1,153,657
Work in process	195,403	151,789	1,533,222
Raw materials and semi-finished components	120,297	112,365	1,135,000
Total	¥ 457,493	¥ 378,366	$ 3,821,879

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings

Short-term borrowings as of March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Loans (weighted-average interest rate of 1.25% as of March 31, 2009)	¥ 89,632	¥ 57,202	$ 577,798
Commercial papers (weighted-average interest rate of 0.75% as of March 31, 2009)	80,955	115,930	1,171,010
Total	¥ 170,587	¥ 173,132	$ 1,748,808

As of March 31, 2009, the Group had line-of-credit agreements for short-term borrowings with financial institutions aggregating ¥306,775 million ($3,098,737 thousand) and the remainder, ¥306,775 million ($3,098,737 thousand), was unused.

Long-term borrowings

Long-term debt as of March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Loans from financial institutions, due in 2009 through 2018 (weighted-average interest rate of 1.25% as of March 31, 2009)	¥ 145,156	¥327,721	$ 3,310,313
Less current portion	(23,907)	(11,968)	(120,889)
Total	¥ 121,249	¥ 315,753	$ 3,189,424

Bonds

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
NEC 21st unsecured 2.7% bonds due in 2009	¥ 18,500	¥ 18,500	$ 186,869
NEC 24th unsecured 2.6% bonds due in 2008	43,600	—	—
NEC 29th unsecured 2.25% bonds due in 2008	30,000	—	—
NEC 32nd unsecured 2.43% bonds due in 2010	19,800	19,800	200,000
NEC 35th unsecured 2.21% bonds due in 2008	15,400	—	—
NEC 38th unsecured 1.47% bonds due in 2013	—	30,000	303,030
NEC 39th unsecured 1.68% bonds due in 2015	—	20,000	202,020
NEC 10th unsecured 1.0% convertible bonds due in 2011	97,669	97,669	986,556
NEC Euro-yen 0.0% convertible bonds due in 2010	100,000	100,000	1,010,101
NEC Electronics Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants	110,000	110,000	1,111,111
NEC TOKIN Euro-yen 0.0% convertible bonds with stock subscription rights due in 2010	7,500	—	—
0.54%-1.51% bonds due in 2007 through 2011	565	315	3,182
Less current portion of bonds	(89,250)	(118,780)	(1,199,798)
Total	¥ 353,784	¥ 277,504	$ 2,803,071

The details of convertible bonds outstanding as of March 31, 2009 were as follows:

Description	NEC 10th unsecured 1.0% convertible bonds due in 2011	NEC Euro-yen 0.0% convertible bonds due in 2010
Period of conversion request	June 3, 1996 – September 29, 2011	January 7, 2002 – March 17, 2010
Conversion price (Yen)	¥ 1,326.00	¥ 1,664.10
Stock to be issued	Common stock	Common stock
Increase in equity due if converted (Yen/share)	¥ 663	¥ 832

The details of bonds with stock subscription rights were as follows:

Description	NEC Electronics Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants
Type of stocks to be issued upon exercise of stock subscription rights	Common stock
Issue price (Yen)	¥ 0
Exercise price (Yen)	¥ 9,860
Total exercise price (Millions of yen)	¥ 110,000
Total exercise price to be credited to common stock, upon exercise of the stock subscription rights.(Millions of yen)	–
Ratio of stock subscription rights (%)	100 %
Exercise period of stock subscription rights	June 10, 2004 – May 24, 2011

Lease obligations

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Lease obligations, due in 2009 through 2018 (weighted-average interest rate of 2.78% as of March 31, 2009)	¥ 42,066	¥ 28,026	$ 283,091
Less current portion	(17,942)	(12,789)	(129,182)
Total	¥ 24,124	¥ 15,237	$ 153,909

Annual maturities for the fiscal years ending March 31, 2010 through 2015 of long-term debt as of March 31, 2009 were as follows:

Year Ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2010	¥ 143,537	$ 1,449,869
2011	195,765	1,977,424
2012	224,056	2,263,192
2013	65,161	658,192
2014	99,979	1,009,889
2015 and thereafter	23,533	237,707
Total	¥ 752,031	$ 7,596,273

The carrying amounts of assets, net of accumulated depreciation, pledged as collateral for short-term borrowings of ¥2,052 million ($20,727 thousand) and long-term borrowings of ¥1,999 million ($ 20,192 thousand) and other debt of ¥182 million ($ 1,838 thousand) as of March 31, 2009 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
Land	¥ 10,071	$ 101,727
Buildings and structures	1,767	17,848
Machinery and equipment	831	8,394
Others	394	3,980
Total, net of accumulated depreciation	¥ 13,063	$ 131,949

9. RETIREMENT AND PENSION PLANS

The Company and its domestic subsidiaries have non-contributory funded defined benefit plans, which include defined benefit pension plans, tax-qualified pension plans and lump-sum severance payment plans. Additional retirement benefits are paid in certain circumstances.

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

The Company and certain domestic subsidiaries have pension and retirement benefit trusts. In the fiscal year 2007, due to a recovery in stock market conditions and other factors, there has been an excess of pension funds over the pension obligation of the Company. The Company reversed a portion of pension and retirement benefit trust assets during the period, to the extent that the excess funding position of pension assets on the trust is reasonably expected to continue, and recorded a special gain of ¥ 69,533 million. See Note 16.

The liability and the asset for employees' retirement benefits as of March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Project benefit obligations	¥(1,094,915)	¥(1,080,526)	$ (10,914,404)
Fair value of plan assets	730,595	586,154	5,920,747
Unfunded retirement benefit obligations	(364,320)	(494,372)	(4,993,657)
Unrecognized transitional obligation	101,794	85,194	860,546
Unrecognized actuarial gain	229,811	367,669	3,713,828
Unrecognized prior service costs	(104,977)	(104,466)	(1,055,212)
Net amounts recognized in the consolidated balance sheets	(137,692)	(145,975)	(1,474,495)
Prepaid pension expenses	86,451	78,403	791,949
Liabilities for retirement benefits	¥ (224,143)	¥ (224,378)	$ (2,266,444)

The components of retirement benefit expenses for the fiscal years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of Yen			*Thousands of U.S. Dollars*
	2007	2008	2009	2009
Service cost	¥ 45,739	¥ 40,413	¥ 38,155	$ 385,404
Interest cost	26,048	26,765	26,821	270,919
Expected return on plan assets	(15,292)	(16,643)	(15,110)	(152,626)
Amortization of transitional obligation	14,782	14,635	14,791	149,404
Amortization of actuarial gains and losses	3,311	7,122	19,379	195,747
Amortization of prior service costs	(8,838)	(9,880)	(9,551)	(96,475)
Others	3,633	7,424	10,406	105,111
Total retirement benefit expenses	¥ 69,383	¥ 69,836	¥ 84,891	$ 857,484

The line item of "Others" above includes the amount of contributions paid for the defined contribution pension plans.

In addition to retirement benefit expenses in the above table, special retirement benefits were recognized and included in "restructuring charges" under special losses, in the amount of ¥6,545 million for the fiscal year ended March31, 2008 and ¥22,198 million ($ 224,222 thousand) for the fiscal year ended March 31, 2009 respectively. See Note 16.

Assumptions used for the fiscal years ended March 31, 2008 and 2009 were as follows:

	2008	2009
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Amortization period of prior service costs	Mainly 13 years	Mainly 13 years
Amortization period of actuarial gains and losses	Mainly 13 years	Mainly 13 years
Amortization period of transitional obligation	Mainly 15 years	Mainly 15 years

Prior service costs and actuarial gains and losses are amortized on a straight-line basis.

10. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Advances from customers	¥ 67,924	¥ 58,701	$ 592,939
Reserve for bonuses to directors	488	302	3,051
Product warranty liabilities	40,032	42,119	425,444
Provision for business structure improvement	–	28,528	288,162
Provision for contingent loss	–	39,377	397,747
Others	164,335	159,361	1,609,707
Total	¥ 272,779	¥ 328,388	$ 3,317,050

"Provision for contingent loss" was presented as part of "Accrued expenses" of current liabilities as of March 31, 2008, but it is separately presented as of March 31, 2009 due to the increased significance in the balance. The balance of "Provision for contingent loss" included in "Accrued expenses" of current liabilities as of March 31, 2008 was 11,858 million yen.

11. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Provision for loss on repurchase of computers	¥ 12,496	¥ 10,234	$ 103,374
Long-term product warranty liabilities	918	1,798	18,162
Provision for recycling expenses of personal computers	5,726	6,790	68,586
Provision for contingent loss	–	12,244	123,677
Provision for loss on guarantees	–	14,608	147,556
Others	35,497	18,987	191,787
Total	¥ 54,637	¥ 64,661	$ 653,142

"Provision for contingent loss" was presented as part of "Others" of other long-term liabilities as of March 31, 2008, but it is separately presented as of March 31, 2009 due to the increased significance in the balance. The balance of "Provision for contingent loss" included in "Others" of other long-term liabilities as of March 31, 2008 was 18,409 million yen.

12. NET ASSETS

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. NEC meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. The amount of retained earnings available for dividends is based on NEC Corporation's retained earnings determined in accordance with generally accounting principles in Japan and the Companies Act of Japan.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Appropriations of retained earnings

Appropriations of retained earnings are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after approval by the Board of Directors.

(c) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus). No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(d) Treasury stock and treasury stock subscription rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock subscription rights are presented as a separate component of net assets. The Companies Act also provides that companies can purchase both treasury stock subscription rights and treasury stock. Such treasury stock subscription rights are presented as a separate component of net assets or deducted directly from stock subscription rights.

13. STOCK OPTIONS

The Company and NEC Electronics recognized no material stock-based compensation expense for the years ended March 31, 2008 and 2009.

The Company and NEC Electronics have stock option plans as follows:

NEC

The stock options outstanding during the fiscal years ended March 31, 2008 and 2009 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
2001 Stock Option	16 directors, and 154 employees of the Company	310,000 shares	July 2, 2001	From July 1, 2003 to June 30, 2007
2002 Stock Option	15 directors, and 218 employees of the Company including presidents of subsidiaries	358,000 shares	July 10, 2002	From July 1, 2004 to June 30, 2008
2003 Stock Option	15 directors, and 171 employees of the Company including presidents of subsidiaries	313,000 shares	July 10, 2003	From July 1, 2005 to June 30, 2009
2004 Stock Option	15 directors, and 159 employees of the Company including presidents of subsidiaries	289,000 shares	July 12, 2004	From July 1, 2006 to June 30, 2010
2005 Stock Option	15 directors, and 161 employees of the Company including presidents of subsidiaries	300,000 shares	July 11, 2005	From July 1, 2007 to June 30, 2011
2006 Stock Option	14 directors, and 158 employees of the Company including presidents of subsidiaries	304,000 shares	July 28, 2006	From August 1, 2008 to July 31, 2012

No vesting conditions are specified for options noted above.

The stock option activities during the fiscal years ended March 31, 2008 and 2009 were as follows:

	Shares		
	2001 Stock Option	2002 Stock Option	2003 Stock Option
For the year ended March 31, 2008			
Non-vested			
April 1, 2007 – Outstanding	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
March 31, 2008 – Outstanding	—	—	—
Vested			
April 1, 2007 - Outstanding	62,000	163,000	187,000
Vested	—	—	—
Exercised	—	—	—
Forfeited	(62,000)	(29,000)	(33,000)
March 31, 2008 – Outstanding	—	134,000	154,000
For the year ended March 31, 2009			
Non-vested			
April 1, 2008 – Outstanding	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
March 31, 2009 – Outstanding	—	—	—
Vested			
April 1, 2008 - Outstanding	—	134,000	154,000
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	(134,000)	(29,000)
March 31, 2009 – Outstanding	—	—	125,000
Exercise price	¥1,818	¥888	¥769
Average stock price at exercise	—	—	¥859
Fair value price at grant date	—	—	—

	Shares		
	2004 Stock Option	2005 Stock Option	2006 Stock Option
For the year ended March31, 2008			
Non-vested			
April 1, 2007 – Outstanding	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
March 31, 2008 – Outstanding	—	—	—
Vested			
April 1, 2007 - Outstanding	279,000	290,000	294,000
Vested	—	—	—
Exercised	—	—	—
Forfeited	(78,000)	—	—
March 31, 2008 – Outstanding	201,000	290,000	294,000
For the year ended March31, 2009			
Non-vested			
April 1, 2008 – Outstanding	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
March 31, 2009 – Outstanding	—	—	—
Vested			
April 1, 2008 - Outstanding	201,000	290,000	294,000
Vested	—	—	—
Exercised	—	—	—
Forfeited	(30,000)	(91,000)	—
March 31, 2009 – Outstanding	171,000	199,000	294,000
Exercise price	¥801	¥637	¥636
Average stock price at exercise	—	—	—
Fair value price at grant date	—	—	¥190

NEC Electronics

The stock options outstanding during the fiscal years ended March 31, 2008 and 2009 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
2003 Stock Option	3 directors, and 171 employees of NEC Electronics including presidents of subsidiaries	313,500 shares	October 17, 2003	From October 17, 2005 to October 16, 2007
2006 Stock Option	4 directors, and 26 employees of NEC Electronics including presidents of subsidiaries	75,000 shares	July 13, 2006	From July 13, 2008 to July 12, 2012

The 2003 options vested after two years from the date of grant under the condition that option holders were in service to NEC Electronics group as of the exercise date of the option and that consolidated income before income taxes of NEC Electronics for the fiscal year ended March 31, 2004 is ¥ 44 billion or more. The terms or the options are subject to adjustments if there is a stock split or reverse stock split. The plan provides conditions that options generally lapse automatically at termination of service before the exercise date and generally remain exercisable for one year after termination of service during the exercise period.

The 2006 options will vest after two years from the date of grant under the condition that option holders will be in service to NEC Electronics group as of the exercise date of the option. The terms of the options are subject to adjustments if there is a stock split or reverse stock split. The plan provides conditions that options generally lapse automatically at termination of service before the exercise date and generally remain exercisable for one year after termination of service during the exercise period.

The stock option activities during the fiscal years ended March 31, 2008 and 2009 were as follows:

	Shares	
	2003 Stock Option	2006 Stock Option
For the year ended March31, 2008		
Non-vested		
April 1, 2007 – Outstanding	–	75,000
Granted	–	–
Forfeited	–	(3,000)
Vested	–	–
March 31, 2008 – Outstanding	–	72,000
Vested		
April 1, 2007 - Outstanding	232,000	–
Vested	–	–
Exercised	–	–
Forfeited	(232,000)	–
March 31, 2008 – Outstanding	–	–
For the year ended March31, 2009		
Non-vested		
April 1, 2008 – Outstanding	–	72,000
Granted	–	–
Forfeited	–	–
Vested	–	72,000
March 31, 2009 – Outstanding	–	–
Vested		
April 1, 2008 - Outstanding	–	–
Vested	–	72,000
Exercised	–	–
Forfeited	–	–
March 31, 2009 – Outstanding	–	72,000
Exercise price	¥8,990	¥3,927
Average stock price at exercise	–	–
Fair value price at grant date	–	¥937

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for the fiscal years ended March 31, 2007, 2008 and 2009. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2008 and 2009 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Deferred tax assets :			
Tax loss carryforwards	¥ 182,682	¥ 244,882	$ 2,473,556
Pension and severance costs	110,188	118,099	1,192,919
Investments in affiliated companies	75,917	76,564	773,374
Accrued expenses and product warranty liabilities	72,946	61,724	623,475
Depreciation	46,817	54,474	550,242
Write-off of inventories	36,048	49,485	499,848
Write-off of investment securities	18,455	12,128	122,505
Provision for contingent loss	–	18,819	190,091
Research and development expenses	18,001	16,962	171,333
Elimination of unrealized profit by intercompany transactions among consolidated companies	12,504	12,083	122,051
Provision for business structure	–	10,295	103,990
Provision for loss on repurchase of computers	4,237	3,650	36,869
Others	57,669	86,853	877,303
Sub-total	635,464	766,018	7,737,556
Less valuation allowance	(233,240)	(432,706)	(4,370,768)
Total	402,224	333,312	3,366,788
Deferred tax liabilities:			
Gain on reversion of securities from the pension trust	40,875	10,444	105,495
Gain on transfer of securities to the pension trust	47,592	42,988	434,222
Unrealized gains on available-for-sale securities	11,335	257	2,596
Undistributed earnings of affiliated companies	32,854	5,681	57,384
Reserves under special taxation measures law	1,410	1,132	11,434
Others	30,512	31,298	316,142
Total	164,578	91,800	927,273
Net deferred tax assets	¥ 237,646	¥ 241,512	$ 2,439,515

Deferred tax assets arising from "Provision for contingent loss" in the fiscal year ended March 31, 2008, which were immaterial, have been included in "Accrued expenses and product warranty liabilities" and "Others".

Net deferred tax assets were included in the consolidated balance sheets as of March 31, 2008 and 2009 as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Current assets- deferred tax assets	¥ 120,956	¥ 99,657	$ 1,006,636
Investments and other assets- deferred tax assets	131,465	150,676	1,521,980
Current liabilities- other current liabilities	(744)	(109)	(1,101)
Long-term liabilities - deferred tax liabilities	(14,031)	(8,712)	(88,000)
Net deferred tax assets	¥ 237,646	¥ 241,512	$ 2,439,515

Reconciliation between the statutory tax rate and the effective tax rates reflected in the accompanying consolidated statements of operations for the fiscal years ended March 31, 2007, 2008 and 2009 was as follows:

	2007	2008	2009
Statutory tax rate	40.5%	40.5%	(40.5)%
Changes in valuation allowance	41.8	36.9	55.8
Undistributed earnings of affiliated companies	6.6	8.7	(9.3)
Non-deductible expenses for tax purposes	6.1	4.5	1.2
Amortization of goodwill	3.5	3.2	5.0
Equity in losses (earnings) of affiliated companies	2.3	(1.3)	(0.5)
Elimination of unrealized profit by intercompany transactions among consolidated companies	1.7	2.3	(0.7)
Tax rates difference relating to overseas subsidiaries	(1.5)	(4.0)	1.6
Others	(4.5)	(3.0)	(0.5)
Effective tax rates	96.5%	87.8%	12.1%

15. SIGNIFICANT COMPONENTS OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2007, 2008 and 2009 consisted of the followings:

	Millions of Yen			*Thousands of U.S. Dollars*
	2007	2008	2009	2009
Salaries for employees	¥ 362,999	¥ 367,662	¥ 350,584	$ 3,541,253
Research and development expenses	329,605	348,500	342,425	3,458,838
Provision for product warranty liabilities	26,789	19,284	17,368	175,434
Provision for loss on repurchase of computers	3,870	1,050	2,451	24,758
Allowance for doubtful accounts	2,374	170	3,824	38,626
Retirement benefit expenses	972	2,304	18,384	185,697

16. SPECIAL GAINS AND LOSSES

(1) Special gains

Special gains for the fiscal years ended March 31, 2007, 2008 and 2009 consisted of the followings:

	Millions of Yen			*Thousands of U.S. Dollars*
	2007	2008	2009	2009
Gain on reversion of securities from the pension trust *(Note 9)*	¥ 69,533	¥ —	¥ —	$ —
Gain on business transfers	—	3,547	—	—
Gain on reversal of allowance for doubtful accounts	—	1,499	—	—
Gain on sales of investment securities	25,651	3,320	3,957	39,970
Gain on change in interests in subsidiaries and affiliated companies *(Note 5)*	8,630	933	—	—
Gain on transfer of securities to the pension trust	6,534	—	—	—
Gain on sales of property, plant and equipment	2,872	1,423	465	4,697
Gain on reversal of provision for recycling expenses of personal computers	1,892	924	—	—
Gain on sales of investments in affiliated companies	41	480	16,209	163,727
Gain on expiration of stock subscription rights	2	—	—	—
Total	¥ 115,155	¥ 12,126	¥ 20,631	$ 208,394

Gain on reversion of securities from the pension trust

Gain on reversion of securities from the pension trust was recognized on reversion of marketable equity securities of Nippon Electric Glass Co., Ltd., an affiliated company accounted for by the equity method, previously contributed to and held by the pension trust. The reversion was mainly due to an improvement in the pension fund status.

Gain on business transfers

Gain on business transfers was mainly due to disposals of assets following the liquidations of electron device business and IT/Network solutions business in Europe.

Gain on change in interests in subsidiaries and affiliated companies

Gain on change in interests in subsidiaries and affiliated companies for the fiscal year ended March 31, 2007 was mainly related to a change in interest in the Biglobe business upon a private placement of the new shares to third party shareholders to establish NEC BIGLOBE Inc., and a change in interest in NEC Telenetworx.

Gain on change in interests in subsidiaries and affiliated companies for the fiscal year ended March 31, 2008 was mainly related to a new share issuance to designated third party shareholders conducted by Shanghai SVA NEC Liquid Crystal Display.

Gain on sales of investments in affiliated companies

Gain on sales of investments in affiliated companies for the fiscal year ended March 31, 2007 was mainly related to the sale of shares of Netwin, Inc.

Gain on sales of investments in affiliated companies for the fiscal year ended March 31, 2008 was mainly related to the sale of shares of Imation Corporation and NT Sales Co., LTD.

Gain on sales of investments in affiliated companies for the fiscal year ended March 31, 2009 was mainly related to the sale of shares of Sony NEC Optiarc Inc. and Pilot Gateway LTD. (Note 17).

(2) Special losses

Special losses for the fiscal years ended March 31, 2007, 2008 and 2009 consisted of the followings:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Restructuring charges *(Note 9)*	¥ 15,805	¥ 14,567	¥ 87,362	$ 882,444
Write-off of investment securities	10,058	3,798	78,759	795,545
Cost of corrective measures for products	4,695	4,420	5,312	53,658
Impairment losses on property, plant and equipment, and other assets	2,768	4,555	30,487	307,949
Provision for loss on guarantees	—	—	14,608	147,556
Loss on retirement of property, plant and equipment	—	2,396	117	1,182
Loss on change in interests in affiliated companies	—	600	—	—
Other retirement benefit expenses	991	—	—	—
Loss on sales of investments in affiliated companies	661	408	1,706	17,232
Loss on sales of property, plant and equipment	208	—	—	—
Loss on sales of investment securities	19	4	79	798
Total	¥ 35,205	¥ 30,748	¥218,430	$ 2,206,364

Restructuring charges

Restructuring charges for the fiscal year ended March 31, 2007 was mainly related to losses on disposals of assets and losses pertaining to the transfer of employees and the revision of the product configuration following the restructuring of the electron device business and mobile terminal business in China.

Restructuring charges for the fiscal year ended March 31, 2008 was mainly related to losses on the early retirement of employees, losses on disposals of assets following the liquidations of electron device business and losses on dismissals of employees working for IT/Network solutions business in Europe.

Restructuring charges for the fiscal year ended March 31, 2009 was mainly related to losses on the early retirement of employees, losses on disposals of assets following the liquidations of electron device business and losses on dismissals of employees working for Mobile/Personal solutions business outside of Japan.

Cost of corrective measures for products

Cost of corrective measures for products was mainly related to the costs to be incurred due to collection and replacement of defective products sold.

Impairment losses on property, plant and equipment, and other assets

Impairment losses were recognized mainly due to lower profitability of assets for business use, primarily consisting of buildings and structures, intangible assets and goodwill, and net realizable value declines of idle assets, primarily consisting of land and others.

Certain US subsidiary recognized impairment losses in compliant with US GAAP in the fiscal year ended March 31, 2009.

The following summarizes the breakdown of impairment losses by account:

	Millions of Yen			*Thousands of U.S. Dollars*
	2007	2008	2009	2009
Land	¥ 400	¥ 531	¥ 148	$ 1,495
Buildings and structures	231	914	536	5,414
Machinery and equipment	338	137	592	5,980
Furniture and fixtures	310	685	844	8,525
Construction in progress	—	65	704	7,111
Goodwill	—	565	24,621	248,697
Software	1,080	431	2,899	29,283
Other assets	409	1,227	143	1,444
Total	¥ 2,768	¥ 4,555	¥ 30,487	$ 307,949

Loss on retirement of property, plant and equipment

Loss on disposal of property, plant and equipment for the fiscal year ended March 31, 2008 was mainly related to the disposal expenses and costs in Tamagawa and Fuchu plants.

Loss on disposal of property, plant and equipment for the fiscal year ended March 31, 2009 was mainly related to the disposal expenses and costs in Sagamihara plants.

Loss on change in interests in affiliated companies

Loss on change in interests in affiliated companies for the fiscal year ended March 31, 2008 was mainly relate to the new share issuance to designated third party shareholders conducted by Nippon Electric Glass Co., Ltd.

Loss on sales of investments in affiliated companies

Loss on sales of investments in affiliated companies for the fiscal year ended March 31, 2007 was mainly related to the sales of investments in Packard Bell B.V. (Note 17)

Loss on sales of investments in affiliated companies for the fiscal year ended March 31, 2008 was mainly related to the sales of investments in AUTHENTIC, Ltd.

Loss on sales of investments in affiliated companies for the fiscal year ended March 31, 2009 was mainly related to the sales of investments in Media Exchange, Inc.

17. ADDITIONAL CASHFLOW INFORMATION

The Company acquired shares of NEC Philips Unified Solutions and NEC Neva Communications Systems, which were newly consolidated for the fiscal year ended March 31, 2007. The assets and liabilities of each company on the date of acquisition were as follows:

NEC Philips Unified Solutions

		Millions of Yen
Current assets	¥	8,856
Property, plant, and equipment		234
Goodwill		652
Current liabilities		(7,054)
Minority interests		(802)
Acquisition cost of shares		1,886
Cash and cash equivalents acquired		(256)
Disbursements for acquisition of shares of newly consolidated subsidiary	¥	1,630

NEC Neva Communications Systems

		Millions of Yen
Current assets	¥	2,576
Property, plant, and equipment		193
Current liabilities		(1,480)
Minority interests		(547)
Balance sheet value under the equity method as of March 31, 2007		(597)
Acquisition cost of shares		145
Cash and cash equivalents acquired		(1,861)
(Proceeds) from acquisition of shares of newly consolidated subsidiary	¥	(1,716)

The assets and liabilities of Packard Bell excluded from consolidation due to sale of shares for the fiscal year ended March 31, 2007 were as follows:

Packard Bell

	Millions of yen
Current assets	¥ 37,713
Property, plant, and equipment	1,147
Current liabilities	(35,511)
Long-term liabilities	(91)
Foreign currency translation adjustments	572
Loss on sales of investments in affiliated companies	(569)
Sale amount of shares	3,261
Investment securities	(263)
Other receivables	(1,999)
Cash and cash equivalents	(2,495)
Disbursements for sale of shares of subsidiary excluded from consolidation	¥ (1,496)

The assets and liabilities of other subsidiaries excluded from consolidation due to sales of shares for the fiscal year ended March 31, 2007 were as follows:

Other subsidiaries

	Millions of yen
Current assets	¥ 150
Property, plant, and equipment	62
Current liabilities	(131)
Long-term liabilities	(12)
Loss on sales of investments in subsidiaries	(30)
Sale of shares	39
Proceeds from sales of shares of subsidiaries excluded from consolidation	¥ 39

The Company acquired shares of NEC Sphere Communications, Inc. and other four companies, which were newly consolidated in the fiscal year ended March 31, 2008. The assets and liabilities on the date of acquisition were as follows:

NEC Sphere Communications, Inc. and other four companies

	Millions of Yen
Current assets	¥ 2,807
Property, plant, and equipment	125
Goodwill	9,092
Current liabilities	(1,208)
Minority interests	(596)
Acquisition cost of shares	10,220
Cash and cash equivalents	(1,772)
Disbursements for acquisition of shares of newly consolidated subsidiary	¥ 8,448

The assets and liabilities of NT Sales Co., Ltd. and other two companies, which were excluded from consolidation due to sale of shares for the fiscal year ended March 31, 2008, were as follows:

NT Sales Co., Ltd. and other two companies

	Millions of yen
Current assets	¥ 1,803
Fixed Assets	229
Goodwill	54
Current liabilities	(1,220)
Long-term liabilities	(80)
Minority interests	(239)
Gain on sales of investments in affiliated companies	159
Sale amount of shares	706
Cash and cash equivalents	(285)
Proceeds from sales of shares of subsidiaries excluded from consolidation	¥ 421

The Company acquired shares of NetCracker Technology Corporation and other four companies, which were newly consolidated in the fiscal year ended March 31, 2009. The assets and liabilities on the date of acquisition were as follows:

NetCracker Technology Corporation and other four companies

	Millions of Yen	*Thousands of U.S. Dollars*
Current assets	¥ 20,172	$ 203,757
Fixed Assets	6,590	66,566
Goodwill	31,004	313,172
Current liabilities	(14,587)	(147,343)
Long-term liabilities	(4,123)	(41,647)
Minority interests	(1,570)	(15,859)
Foreign currency translation adjustment	97	980
Acquisition cost of shares	37,583	379,626
Cash and cash equivalents	(5,941)	(60,010)
Disbursements for acquisition of shares of newly consolidated subsidiary	¥ 31,642	$ 319,616

The assets and liabilities of Pilot Gateway Ltd. and other two companies, which were excluded from consolidation due to sale of shares for the fiscal year ended March 31, 2009, were as follows:

Pilot Gateway Ltd. and other two companies

	Millions of Yen	*Thousands of U.S. Dollars*
Current assets	¥ 158	$ 1,596
Fixed Assets	61	616
Current liabilities	(118)	(1,192)
Long-term liabilities	(27)	(273)
Foreign currency translation adjustment	324	3,273
Gain on sales of investments in affiliated companies	7,586	76,626
Sale amount of shares	7,984	80,646
Long-term accounts receivables - other	(3,553)	(35,889)
Cash and cash equivalents	(97)	(979)
Proceeds from sales of shares of subsidiaries excluded from consolidation	¥ 4,334	$ 43,778

18. LEASES

The minimum obligations under noncancelable operating leases as of March 31, 2008 and 2009 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Due within one year	¥ 44,884	¥ 41,839	$ 422,616
Due after one year	129,965	95,866	968,344
Total	¥ 174,849	¥ 137,705	$ 1,390,960

19. DERIVATIVES

The Group enters into foreign exchange forward contracts, currency swaps and interest rate swaps based on the Group's policies approved by the director of finance to reduce the exposures to fluctuations in foreign exchange rates and interest rates. Furthermore, hedge accounting is utilized for interest rate swaps if qualified for hedge accounting. The Group's policies prohibit holding or issuing derivative financial instruments for trading purposes.

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

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

The counterparties with whom the derivative financial instruments are contracted are thoroughly assessed in terms of their credit risks. Therefore, the Group has concluded that derivative financial instruments include minimal market and credit risks.

Fair value of foreign exchange forward contracts is calculated based on the forward exchange rate. Fair value of currency swap contracts is determined based on the present values of expected future cash flows of the contracts at year end. Fair value of interest rate swaps was determined based on the present values of expected future cash flows of the swaps at year end.

The Group had the following derivatives contracts outstanding as of March 31, 2008 and 2009:

	Millions of Yen					
	2008			2009		
	Contract Amount	Fair Value	Unrealized Gain (Loss)	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts:						
Buying U.S.$	¥ 89,815	¥ 84,670	¥ (5,145)	¥ 71,835	¥ 73,118	¥ 1,283
Euro	5,036	5,022	(14)	3,539	3,569	30
Others	13,976	14,085	109	6,166	6,169	3
Selling U.S.$	106,187	100,735	5,452	91,624	96,636	(5,012)
Euro	15,877	15,913	(36)	11,874	12,161	(287)
Others	4,464	4,450	14	1,771	1,737	34
Currency swaps:	82	1	1	—	—	—
Total	¥ —	¥ —	¥ 381	¥ —	¥ —	¥ (3,949)
Interest rate swaps:						
Receive fixed/ Pay floating rates	¥ 180,000	¥ 984	¥ 984	¥ 80,000	¥ 191	¥ 191
Pay fixed/ Receive floating rates	175,685	(3,546)	(3,546)	103,505	(1,535)	(1,535)
Total	¥ —	¥ (2,562)	¥ (2,562)	¥ —	¥ (1,344)	¥ (1,344)

	Thousands of U.S. Dollars		
	2009		
	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:			
Buying U.S.$	$ 725,606	$ 738,566	$ 12,960
Euro	35,747	36,051	303
Others	62,283	62,313	30
Selling U.S.$	925,495	976,121	(50,626)
Euro	119,939	122,838	(2,899)
Others	17,889	17,545	343
Total	$ —	$ —	$ (39,889)
Interest rate swaps:			
Receive fixed/ Pay floating rates	$ 808,081	$ 1,929	$ 1,929
Pay fixed/ Receive floating rates	1,045,505	(15,505)	(15,505)
Total	$ —	$ (13,576)	$ (13,576)

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

20. CONTINGENT LIABILITIES

Litigation

NEC Electronics America, Inc., a consolidated subsidiary of the Company, has settled a number of class action civil antitrust lawsuits from direct DRAM purchasers seeking damages for alleged antitrust violations in the DRAM industry, but is still in litigations or in settlement negotiations with several customers who have opted out of such class action lawsuits. NEC Electronics America, Inc. has also been named as one of the defendants in a number of class action civil antitrust lawsuits from indirect DRAM purchasers (customers who had purchased products containing DRAM), as well as a number of antitrust lawsuits filed by the Attorneys General of numerous states in the United States. NEC group companies are also fully cooperating with, and providing information to, the European Commission in its investigation of potential violations of European Competition Laws in the DRAM industry. The European Commission may impose fines on one or more companies in the NEC group should they be found liable as a result of the investigation by the European Commission. Although the outcome of the aforementioned proceedings is not known at this time, the NEC group has provided an accrual in a reasonably estimated amount of potential losses thereafter.

Other Contingent Liabilities

As of March 31, 2008 and 2009, the Group had the following contingent liabilities:

	Millions of Yen		*Thousands of U.S. Dollars*
	2008	2009	2009
Trade notes discounted	¥ 680	¥ 314	$ 3,172
Trade notes endorsed	30	—	—
Guarantees for bank loans and others	32,936	10,251	103,545
Residual value guarantees under operating leases	25,050	25,028	252,808

21. RELATED PARTY DISCLOSURES

IPSe Marketing, Inc., whose 80% of voting rights were held by Sawako Nohara, a director of NEC, was consigned consulting services with respect to IT business by NEC for a fee of ¥9 million for the fiscal years ended March 31, 2008.

There is no related party disclosure which shall be disclosed for the fiscal years ended March 31, 2009.

22. NET INCOME PER SHARE

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the fiscal years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of Yen	*Thousands of shares*	*Yen*
	Net income	Weighted average shares	EPS
For the year ended March 31, 2007:			
Basic EPS			
Net income	¥ 9,128		
Amounts not attributable to common shareholders			
Participating convertible securities	(181)		
Net income available to common shareholders	¥ 8,947	2,020,369	¥ 4.43
Effect of Dilutive Securities			
Stock subscription rights		3	
Convertible bonds		92,426	
Diluted EPS			
Net income for computation	¥ 8,947	2,112,798	¥ 4.23
For the year ended March 31, 2008:			
Basic EPS			
Net income	¥ 22,681		
Amounts not attributable to common shareholders			
Participating convertible securities	(287)		
Net income available to common shareholders	¥ 22,394	2,024,893	¥11.06
Effect of Dilutive Securities			
Convertible bonds	581	133,795	
Diluted EPS			
Net income for computation	¥ 22,975	2,158,688	¥10.64
For the year ended March 31, 2009:			
Basic EPS			
Net loss	¥ (296,646)		
Amounts not attributable to common shareholders			
Participating convertible securities	(143)		
Net loss available to common shareholders	¥ (296,789)	2,023,970	¥ (146.64)
Effect of Dilutive Securities			
Convertible bonds	—	—	
Diluted EPS			
Net income for computation	—	—	—

	Thousands of U.S. Dollars	*Thousands of shares*	*U.S dollars*
	Net income	Weighted average shares	EPS
For the year ended March 31, 2009:			
Basic EPS			
Net loss	$ (2,996,424)		
Amounts not attributable to common shareholders			
Participating convertible securities	(1,444)		
Net loss available to common shareholders	$ (2,997,869)	2,023,970	$ (1.48)
Effect of Dilutive Securities			
Convertible bonds	—	—	
Diluted EPS			
Net income for computation	—	—	—

Equity instruments not included in the basis for calculation of diluted net income per share as they are anti-dilutive are certain convertible bonds, bonds with stock subscription rights and stock subscription rights.

Diluted net income per share for the fiscal 2009 is not disclosed because of the Company's net loss position.

23. NET ASSETS PER SHARE

Net assets per share as of March 31, 2008 and 2009 were as follows:

	Yen		*U.S. Dollars*
	2008	2009	2009
Net assets per share	¥ 495.96	¥ 317.11	$ 3.20

The basis for calculation of net assets per share for the fiscal years ended March 31, 2008 and 2009 were as follows:

	Millions of Yen	*Thousands of shares*	*Yen*
	Net assets	Number of shares of common stock to calculate net assets per share	Net assets per share
For the year ended March 31, 2008:			
Total net assets	¥ 1,185,521		
Amounts deducted from total net assets			
Stock subscription rights	(115)		
Minority interests	(181,185)		
Net assets as of the year end attributable to common shareholders	¥ 1,004,221	2,024,786	¥ 495.96
For the year ended March 31, 2009:			
Total net assets	¥ 785,565		
Amounts deducted from total net assets			
Stock subscription rights	(123)		
Minority interests	(143,788)		
Net assets as of the year end attributable to common shareholders	¥ 641,654	2,023,446	¥ 317.11

	Thousands of U.S. Dollars	*Thousands of shares*	*U.S. Dollars*
	Net assets	Number of shares of common stock to calculate net assets per share	Net assets per share
For the year ended March 31, 2009:			
Total net assets	$7,935,000		
Amounts deducted from total net assets			
Stock subscription rights	(1,242)		
Minority interests	(1,452,404)		
Net assets as of the year end attributable to common shareholders	$6,481,354	2,023,446	$3.20

24. SEGMENT INFORMATION

Information about business segments, geographical segments and sales to foreign customers of the Group for the fiscal years ended March 31, 2007, 2008 and 2009 were as follows:

(1) Business Segments

The Group operates in the IT/Network Solutions Business, Mobile/Personal Solutions Business, Electron Devices Business and other industry segments.

(Fiscal year ended March 31, 2007)

a. Sales and operating income (loss)

	Millions of Yen					
	2007					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations /Corporate	Consolidated
Net sales to external customers	¥ 2,659,774	¥ 801,692	¥ 816,918	¥ 374,265	¥ —	¥ 4,652,649
Intersegment sales and transfer	99,032	163,311	44,083	174,401	(480,827)	—
Total net sales	2,758,806	965,003	861,001	548,666	(480,827)	4,652,649
Operating expenses	2,604,742	998,493	884,036	530,928	(435,526)	4,582,673
Operating income (loss)	¥ 154,064	¥ (33,490)	¥ (23,035)	¥ 17,738	¥ (45,301)	¥ 69,976

b. Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen					
	2007					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations /Corporate	Consolidated
Total assets	¥ 1,654,550	¥ 372,403	¥ 869,204	¥ 505,389	¥ 330,123	¥ 3,731,669
Depreciation	60,516	26,076	87,448	13,375	10,983	198,398
Impairment loss on property, plant and equipment, and other assets	450	1,804	382	132	–	2,768
Capital expenditures	75,187	22,644	133,527	23,888	10,904	266,150

(Fiscal year ended March 31, 2008)

a. Sales and operating income

	Millions of Yen					
	2008					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥ 2,766,425	¥ 707,910	¥ 792,399	¥ 350,419	¥ –	¥ 4,617,153
Intersegment sales and transfer	99,745	164,951	38,451	137,508	(440,655)	–
Total net sales	2,866,170	872,861	830,850	487,927	(440,655)	4,617,153
Operating expenses	2,705,546	849,684	823,496	476,171	(394,509)	4,460,388
Operating income	¥ 160,624	¥ 23,177	¥ 7,354	¥ 11,756	¥ (46,146)	¥ 156,765

b. Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen					
	2008					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations/ Corporate	Consolidated
Total assets	¥1,712,358	¥ 329,982	¥ 757,539	¥443,194	¥ 283,722	¥ 3,526,795
Depreciation	63,324	23,637	79,916	13,278	12,503	192,658
Impairment loss on property, plant and equipment, and other assets	3,208	309	315	1	722	4,555
Capital expenditures	85,919	22,169	81,468	22,162	14,149	225,867

(Fiscal year ended March 31, 2009)

a. Sales and operating income (loss)

	Millions of Yen					
	2009					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations /Corporate	Consolidated
Net sales to external customers	¥ 2,639,345	¥ 690,942	¥ 625,202	¥ 260,114	¥ —	¥ 4,215,603
Intersegment sales and transfer	84,604	119,396	27,557	136,328	(367,885)	—
Total net sales	2,723,949	810,338	652,759	396,442	(367,885)	4,215,603
Operating expenses	2,599,086	818,260	732,076	399,910	(327,528)	4,221,804
Operating income (loss)	¥ 124,863	¥ (7,922)	¥ (79,317)	¥ (3,468)	¥ (40,357)	¥ (6,201)

b. Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen					
	2009					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations /Corporate	Consolidated
Total assets	¥1,605,292	¥283,194	¥554,437	¥334,552	¥297,903	¥3,075,378
Depreciation	58,764	21,275	70,570	13,200	10,502	174,311
Impairment loss on property, plant and equipment, and other assets	23,452	217	4,073	2,671	74	30,487
Capital expenditures	91,316	15,957	73,499	8,736	12,763	202,271

a. Sales and operating income (loss)

	Thousands of U.S. Dollars					
	2009					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	$ 26,660,050	$ 6,979,212	$ 6,315,172	$2,627,414	$ —	$ 42,581,848
Intersegment sales and transfer	854,586	1,206,020	278,354	1,377,051	(3,716,011)	—
Total net sales	27,514,636	8,185,232	6,593,526	4,004,465	(3,716,011)	42,581,848
Operating expenses	26,253,394	8,265,252	7,394,708	4,039,495	(3,308,364)	42,644,485
Operating income (loss)	$ 1,261,242	$ (80,020)	$ (801,182)	$ (35,030)	$ (407,647)	$ (62,637)

b. Total assets, depreciation, impairment loss and capital expenditures

	Thousands of U.S. Dollars					
	2009					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations/ Corporate	Consolidated
Total assets	$16,215,071	$2,860,545	$5,600,374	$3,379,313	$3,009,121	$ 31,064,424
Depreciation	593,576	214,899	712,828	133,333	106,081	1,760,717
Impairment loss on property, plant and equipment, and other assets	236,889	2,192	41,141	26,980	747	307,949
Capital expenditures	922,384	161,182	742,414	88,242	128,919	2,043,141

(a) The business segments are defined based on the similarity of types, characteristics, and the affinity of the sales market of products and services.

(b) Major services and products for each business segment are as follows:

IT/Network Solutions Business • • • • • •	System construction, consulting, outsourcing, support (maintenance), servers, storage products, professional workstations, business PCs, IT software, enterprise network systems, network systems for telecommunication carriers, broadcast video systems, control systems, aerospace/defense systems
Mobile/Personal Solutions Business • • •	Mobile handsets, personal computers, personal communication devices, BIGLOBE
Electron Devices Business • • • • • • • •	System LSI and other semiconductors, electronic components, LCD modules
Others • • • • • • • • • • • • • • • •	Lighting Equipment Business, Logistics Business, Projector Business, Display Business

(c) Unallocable operating expenses included in “Eliminations/ Corporate” for the fiscal years ended March 31, 2007, 2008 and 2009 were ¥47,136 million, ¥46,576 million and ¥39,851 million ($402,535 thousand), respectively. Main components of such expenses were general and administrative expenses incurred at the headquarters of the Company and basic research and development expenses.

(d) Assets included in "Eliminations/Corporate" as of March 31, 2007, 2008 and 2009 amounted to ¥499,418 million, ¥457,978 million and ¥430,143 million ($4,344,879 thousand), respectively. Main components of such assets are surplus funds (cash and cash equivalents, and short-term investments), long-term investment funds (investment securities), deferred tax assets and assets belonging to administrative departments of the Company.

(e) The Company and certain domestic subsidiaries had depreciated their property, plant and equipment up to their residual value, 5% of acquisition cost, as permitted under the former Corporation Tax Law. Upon the revision to the Corporation Tax Law enacted on April 1, 2007, the Company and those domestic subsidiaries depreciate such 5% portion of property, plant and equipment acquired on or before March 31, 2007 on a straight-line basis over 5 years starting in the following year in which the carrying value of property, plant and equipment has reached 5% of the acquisition cost.

The effect of this change in accounting treatment was to decrease operating income of IT/Network Solutions Business, Mobile/Personal Solutions Business, Electron Devices Business and Others for the year ended March 31, 2008 by ¥991 million, ¥138 million, ¥611 million and ¥790 million, respectively.

(f) The effect of changes in accounting policies on business segments for the fiscal year ended March 31, 2009 was as follows:

1) As discussed in Note 3, effective April 1, 2008, the Company applied PITF No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The impact of this change on income is immaterial.

2) As discussed in Note 3, effective April 1, 2008, the Company applied ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". The change has no impact on income.

3) As discussed in Note 3, effective April 1, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment that is used for outsourcing or other businesses which earn regular income from the declining-balance method to the straight-line method. The impact of this change on income is immaterial.

(2) Geographical Segments

The Group operates in Japan, Asia, Europe and other geographical segments.

	Millions of Yen					
	2007					
	Japan	Asia	Europe	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥ 3,683,325	¥ 261,430	¥ 387,962	¥ 319,932	¥ –	¥ 4,652,649
Intersegment sales and transfer	418,520	176,751	17,255	28,357	(640,883)	–
Total net sales	4,101,845	438,181	405,217	348,289	(640,883)	4,652,649
Operating expenses	4,024,759	434,941	409,139	350,335	(636,501)	4,582,673
Operating income (loss)	¥ 77,086	¥ 3,240	¥ (3,922)	¥ (2,046)	¥ (4,382)	¥ 69,976
Total assets	¥ 2,883,983	¥ 237,238	¥ 151,914	¥ 190,908	¥ 267,626	¥ 3,731,669

	Millions of Yen					
	2008					
	Japan	Asia	Europe	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥ 3,741,586	¥ 265,833	¥ 291,435	¥ 318,299	¥ –	¥ 4,617,153
Intersegment sales and transfer	425,513	183,263	13,380	25,556	(647,712)	–
Total net sales	4,167,099	449,096	304,815	343,855	(647,712)	4,617,153
Operating expenses	3,974,170	434,662	304,407	347,545	(600,396)	4,460,388
Operating income (loss)	¥ 192,929	¥ 14,434	¥ 408	¥ (3,690)	¥ (47,316)	¥ 156,765
Total assets	¥ 2,754,708	¥ 224,443	¥ 143,722	¥ 174,740	¥ 229,182	¥ 3,526,795

	Millions of Yen					
	2009					
	Japan	Asia	Europe	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥ 3,510,197	¥ 229,357	¥ 228,566	¥ 247,483	¥ —	¥ 4,215,603
Intersegment sales and transfer	333,529	140,562	9,475	20,770	(504,336)	—
Total net sales	3,843,726	369,919	238,041	268,253	(504,336)	4,215,603
Operating expenses	3,799,150	362,808	243,837	286,411	(470,402)	4,221,804
Operating income (loss)	¥ 44,576	¥ 7,111	¥ (5,796)	¥ (18,158)	¥ (33,934)	¥ (6,201)
Total assets	¥2,392,862	¥166,520	¥91,775	¥165,166	¥259,055	¥ 3,075,378

	Thousands of U.S. Dollars					
	2009					
	Japan	Asia	Europe	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	$ 35,456,536	$ 2,316,737	$ 2,308,747	$ 2,499,828	$ —	$ 42,581,848
Intersegment sales and transfer	3,368,980	1,419,818	95,707	209,798	(5,094,303)	—
Total net sales	38,825,516	3,736,555	2,404,454	2,709,626	(5,094,303)	42,581,848
Operating expenses	38,375,253	3,664,727	2,463,000	2,893,040	(4,751,535)	42,644,485
Operating income (loss)	$450,263	$ 71,828	$ (58,546)	$ (183,414)	$(342,768)	$ (62,637)
Total assets	$24,170,323	$1,682,020	$927,020	$1,668,343	$2,616,718	$ 31,064,424

(a) Geographical distances are considered in the classification of a country or a region.

(b) Major countries and regions in segments other than Japan are as follows:
(i) Asia ・・China, Republic of China, India, Singapore, and Indonesia
(ii) Europe・・U.K., France, Netherlands, Germany, Italy and Spain
(iii) Others・・U.S.A.

(c) Unallocable operating expenses included in "Eliminations/ Corporate" for the fiscal years ended March 31, 2007, 2008 and 2009 were ¥47,136 million, ¥46,576 million and ¥39,851 million ($402,535 thousand), respectively. Main components of such expenses were general and administrative expenses incurred at the headquarters of the Company and basic research and development expenses.

(d) Assets included in "Eliminations/Corporate" as of March 31, 2007, 2008 and 2009 amounted to ¥499,418 million, ¥457,978 million and ¥430,143 million ($4,344,879 thousand), respectively. Main components of such assets are surplus funds (cash and cash equivalents, and short-term investments), long-term investment funds (investment securities), deferred tax assets and assets belonging to administrative departments of the Company.

(e) The Company and certain domestic subsidiaries had depreciated their property, plant and equipment up to their residual value, 5% of acquisition cost, as permitted under the former Corporation Tax Law. Upon the revision to the Corporation Tax Law enacted on April 1, 2007, the Company and those domestic subsidiaries depreciate such 5% portion of property, plant and equipment acquired on or before March 31, 2007 on a straight-line basis over 5 years starting in the following year in which the carrying value of property, plant and equipment has reached 5% of the acquisition cost.
The effect of this change in accounting treatment was to decrease operating income of Japan segment for the year ended March 31, 2008 by ¥ 2,530 million.

(f) The effect of changes in accounting policies on geographical segments for the fiscal year ended March 31, 2009 was as follows:

1) As discussed in Note 3, effective April 1, 2008, the Company applied PITF No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The impact of this change on income is immaterial.

2) As discussed in Note 3, effective April 1, 2008, the Company applied ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". The change has no impact on income.

3) As discussed in Note 3, effective April 1, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment that is used for outsourcing or other businesses which earn regular income from the declining-balance method to the straight-line method. The impact of this change on income is immaterial.

(3) Sales to Foreign Customers

Sales to foreign customers for the fiscal years ended March 31, 2007, 2008 and 2009 amounted to ¥1,213,685 million, ¥1,155,749 million and ¥934,469 million ($9,439,081 thousand), respectively.

	Millions of Yen			
	2007			
	Asia	Europe	Others	Total
Overseas sales	¥ 421,949	¥ 448,487	¥ 343,249	¥ 1,213,685
Consolidated sales	–	–	–	4,652,649
Percentage of overseas sales to consolidated net sales (%)	9.1	9.6	7.4	26.1

	Millions of Yen			
	2008			
	Asia	Europe	Others	Total
Overseas sales	¥ 458,719	¥ 325,582	¥ 371,448	¥ 1,155,749
Consolidated sales	–	–	–	4,617,153
Percentage of overseas sales to consolidated net sales (%)	9.9	7.1	8.0	25.0

	Millions of Yen			
	2009			
	Asia	Europe	Others	Total
Overseas sales	¥ 374,288	¥ 260,155	¥ 300,026	¥ 934,469
Consolidated sales	–	–	–	4,215,603
Percentage of overseas sales to consolidated net sales (%)	8.9	6.2	7.1	22.2

	Thousands of U.S. Dollars			
	2009			
	Asia	Europe	Others	Total
Overseas sales	$ 3,780,687	$ 2,627,828	$ 3,030,566	$9,439,081
Consolidated sales	–	–	–	42,581,848
Percentage of overseas sales to consolidated net sales (%)	8.9	6.2	7.1	22.2

(a) Geographical distances are considered in the classification of a country or a region.

(b) Major countries and regions in segments other than Japan are as follows:
(i) Asia ・・China, Republic of China, India, Singapore, and Indonesia
(ii) Europe・・U.K., France, Netherlands, Germany, Italy and Spain
(iii) Others・・U.S.A.

(c) Overseas sales represent sales of the Group to countries and regions outside of Japan.

25. SUBSEQUENT EVENT

(1) NEC Corporation, NEC Electronics Corporation (hereafter NEC Electronics), Renesas Technology Corp. (hereafter Renesas), Hitachi, Ltd. and Mitsubishi Electric Corporation agreed on April 27, 2009 to enter into negotiations to integrate business operations at NEC Electronics and Renesas.

The preconditions for future negotiations are to integrate business operations targeting on April 1, 2010, and to maintain the listing of the new company's shares.

To ensure fairness and equitability, the ownership ratio of the integrated company will be decided before the conclusion of the integration contract through negotiations between NEC Electronics and Renesas, based on scheduled due diligence.

The new company will announce the company name, the location of its headquarters, the corporate representative, the board members, capitalization, total assets, and financial forecasts following the integration.

(2) Reductions of legal capital surplus and legal retained earnings and appropriation of surplus, which have not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2009, was approved at the Ordinary General Meeting of Shareholders held on June 22, 2009.

(a) Purpose:
This was carried out in order to dissolve the deficit in retained earnings brought forward as well as to ensure flexibility and agility in capital strategies.

(b) Procedure:
(i) In accordance with Paragraph 1, Article 448 of the Companies Act, the Company reduces the entire amount of its legal capital surplus and legal retained earnings as of March 31, 2009 and transfers them into other capital surplus and retained earnings brought forward, respectively.

Amounts of legal capital surplus and legal retained earnings to be decreased:

Legal capital surplus	¥422,495,506,916
Legal retained earnings	¥35,615,033,371

Amounts of other capital surplus and retained earnings brought forward to be increased:

Other capital surplus	¥422,495,506,916
Retained earnings brought forward	¥35,615,033,371

(ii) In accordance with Article 452 of the Companies Act, the Company reduces a part of other capital surplus in an amount of 331,287,110,883 yen and transfers it into retained earnings brought forward in order to dissolve the remaining deficit.

Amount of surplus to be decreased:

Other capital surplus	¥331,287,110,883 of ¥422,495,506,916

Amount of surplus to be increased:

Retained earnings brought forward	¥331,287,110,883

(c) Effective Date

July 30, 2009 (planned)

KPMG

Independent Auditors' Report

To the Board of Directors of
NEC Corporation (Nippon Denki Kabushiki Kaisya):

We have audited the accompanying consolidated balance sheets of NEC Corporation and consolidated subsidiaries as of March 31, 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the year ended March 31, 2009, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits. The accompanying consolidated balance sheets of NEC Corporation and subsidiaries as of March 31, 2008 and the related consolidated statements of operations, changes in net assets, and cash flows for each of two years ended March 31, 2008 and March 31, 2007 were audited by other auditors whose report dated June 23, 2008 expressed an unqualified opinion on those consolidated financial statements.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NEC Corporation and subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 22, 2009

INVESTOR INFORMATION

UNIT	1,000 shares
TRANSFER AGENT FOR COMMON STOCK	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan
HANDLING AGENT FOR COMMON STOCK	Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd. 3-1 Yaesu 2-chome, Chuo-ku, Tokyo, Japan
(MAILING ADDRESS)	Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd. 1-10, Nikkocho, Fuchu, Tokyo 183-8701, Japan
(TELEPHONE)	0120-176-417 (Toll free in Japan)

STOCK EXCHANGE LISTINGS AND QUOTATIONS

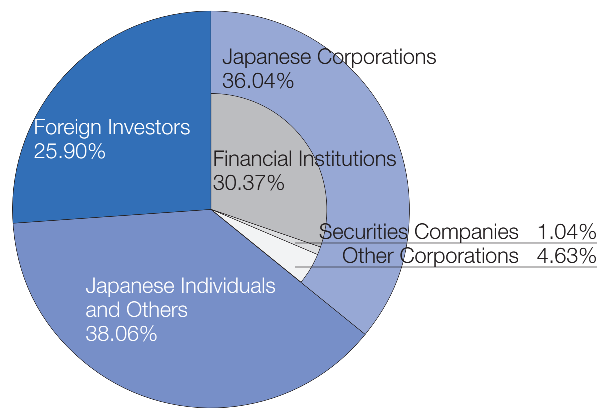
(As of March 31, 2009)

Common Stock:
Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange
Fukuoka Stock Exchange
Sapporo Securities Exchange

COMPOSITION OF SHAREHOLDERS

(Percentage of shares (%))

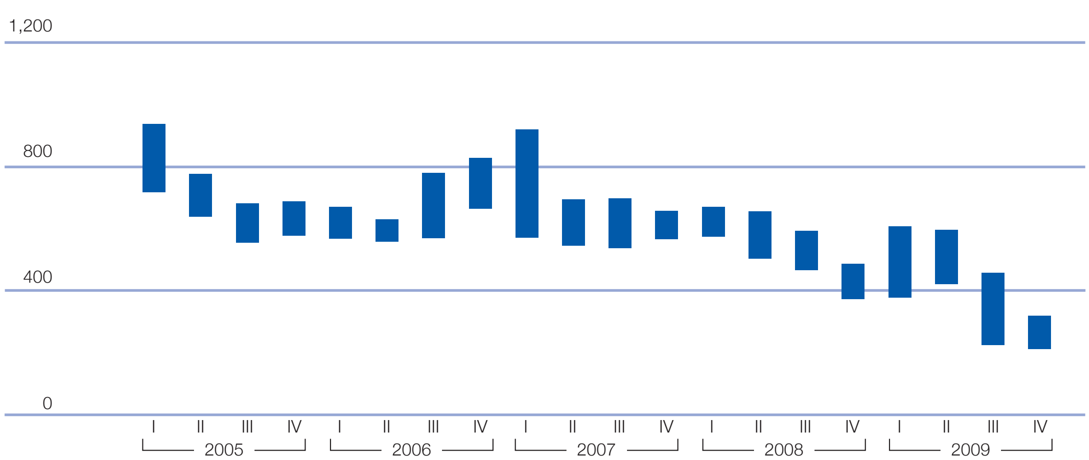
(As of March 31, 2009)



Number of shareholders 244,521

STOCK PRICE RANGE ON THE TOKYO STOCK EXCHANGE

(Yen)

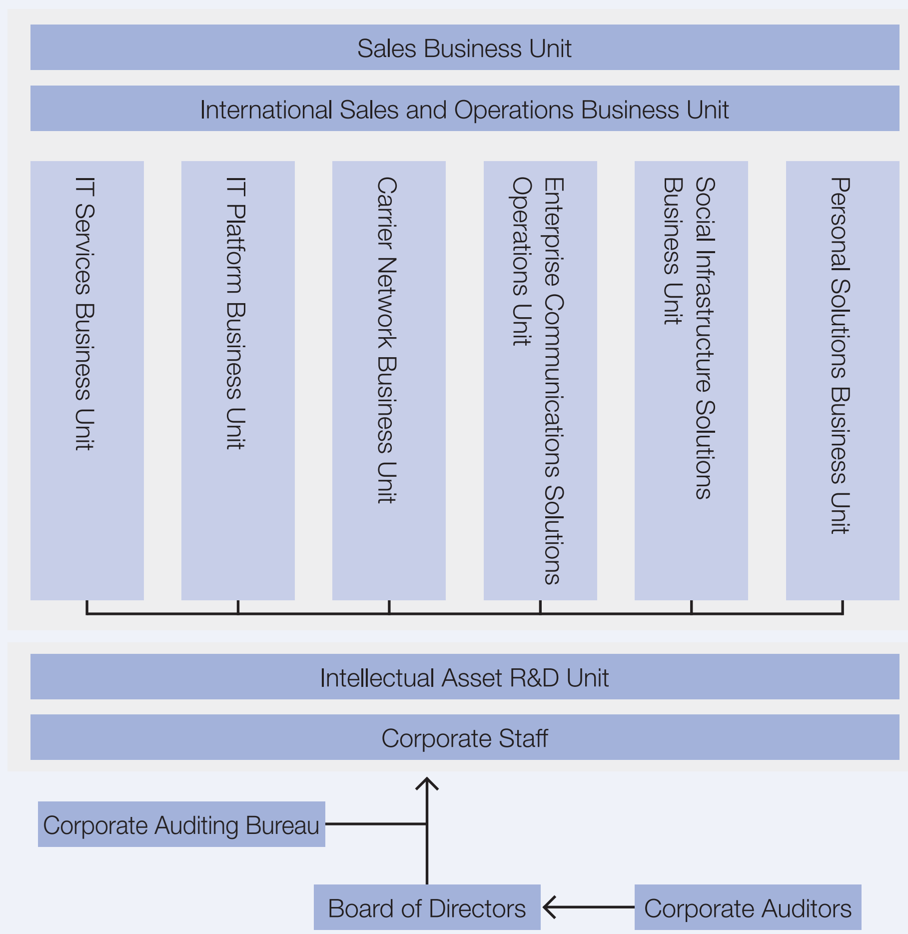


(Year ended March 31)

CORPORATE OVERVIEW

COMPANY NAME	NEC Corporation
ADDRESS	7-1, Shiba 5-chome, Minato-ku, Tokyo, Japan
ESTABLISHED	July 17, 1899
PRESIDENT	Kaoru Yano
CAPITAL	¥337.9 billion (As of March 31, 2009)
SHARES OF COMMON STOCK ISSUED	2,029,732,635 shares (As of March 31, 2009)
CONSOLIDATED NET SALES	¥4,215.6 billion (Year ended March 31, 2009)
BUSINESS SEGMENTS	IT Services Business IT Products Business Network Systems Business Social Infrastructure Business Personal Solutions Business Electron Devices Business
NUMBER OF EMPLOYEES	NEC Corporation and consolidated subsidiaries 143,327 (As of March 31, 2009)

ORGANIZATION CHART
(As of April 1, 2009)



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

NEC Corporation

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NEC home page: http://www.nec.com
Investor Relations home page: http://www.nec.co.jp/ir/en

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