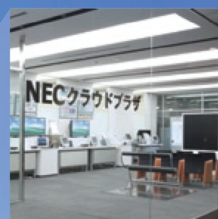
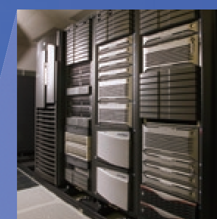
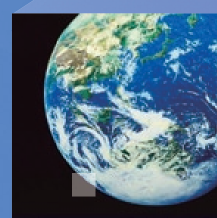
Empowered by Innovation

Annual Report 2010

Year ended March 31, 2010



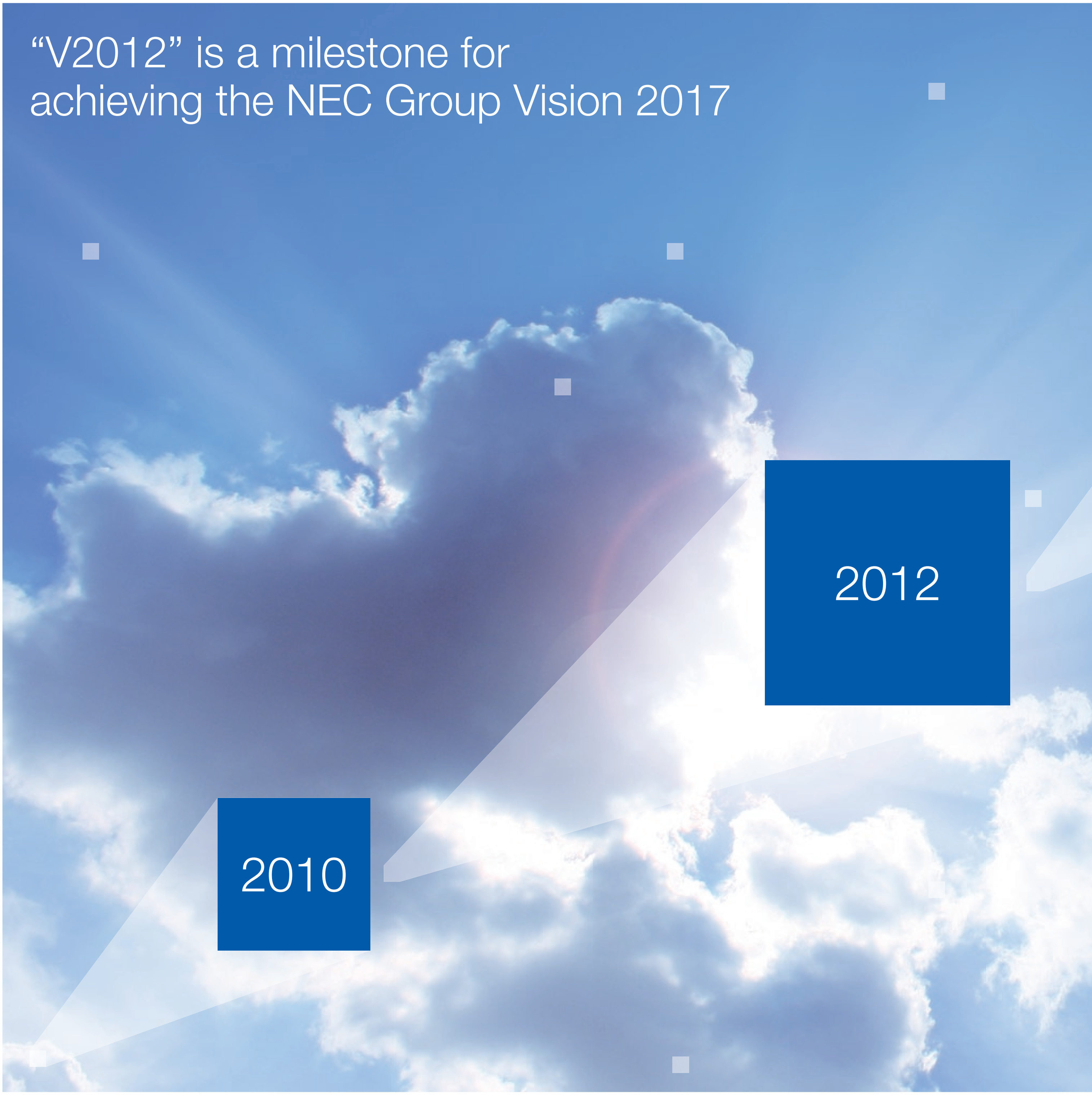




V2012
—Beyond boundaries, Toward our Vision—

NEC Corporation

V2012—Beyond boundaries, Toward



our Vision—

2017

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

"V2012—Beyond boundaries, Toward our Vision"
(Fiscal 2011–Fiscal 2013)

Mid-term Growth Plan Objective
Aim to achieve the NEC Group Vision 2017 through customer-driven solutions leveraging our competitive strength in the integration of IT and networks

- Focus on "C&C Cloud Strategy"
- Expand Global Business
- Create New Businesses

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CAUTIONARY STATEMENTS:
This annual report contains forward-looking statements pertaining to strategies, financial targets, technology, products and services, and business performance of NEC Corporation and its consolidated subsidiaries (collectively “NEC”). Written forward-looking statements may appear in other documents that NEC files with financial instruments exchanges or regulatory authorities, such as the Director of the Kanto Finance Bureau, and in reports to shareholders and other communications. NEC is relying on certain safe-harbors for forward-looking statements in making these disclosures. Some of the forward-looking statements can be identified by the use of forward-looking words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “estimates,” “targets,” “aims,” or “anticipates,” or the negative of those words, or other comparable words or phrases. You can also identify forward-looking statements by discussions of strategy, beliefs, plans, targets, or intentions. Forward-looking statements necessarily depend on currently available assumptions, data, or methods that may be incorrect or imprecise and NEC may not be able to realize the results expected by them. You should not place undue reliance on forward-looking statements, which reflect NEC’s analysis and expectations only. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Among the factors that could cause actual results to differ materially from such statements include (i) global economic conditions and general economic conditions in NEC’s markets, (ii) fluctuating demand for, and competitive pricing pressure on, NEC’s products and services, (iii) NEC’s ability to continue to win acceptance of NEC’s products and services in highly competitive markets, (iv) NEC’s ability to expand into foreign markets, such as China, (v) regulatory change and uncertainty and potential legal liability relating to NEC’s business and operations, (vi) NEC’s ability to restructure, or otherwise adjust, its operations to reflect changing market conditions, (vii) movement of currency exchange rates, particularly the rate between the yen and the U.S. dollar, (viii) the impact of unfavorable conditions or developments, including share price declines, in the equity markets which may result in losses from devaluation of listed securities held by NEC, and (ix) impact of any regulatory action or legal proceeding against NEC. Any forward-looking statements speak only as of the date on which they are made. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect NEC. NEC does not undertake any obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.

The management targets included in this annual report are not projections, and do not represent management’s current estimates of future performance. Rather, they represent targets that management will strive to achieve through the successful implementation of NEC’s business strategies.

Finally, NEC cautions you that the statements made in this annual report are not an offer of marketable securities for sale. Marketable securities may not be offered or sold in any jurisdiction in which required registration is absent or an exemption from registration under the applicable securities laws is not granted.

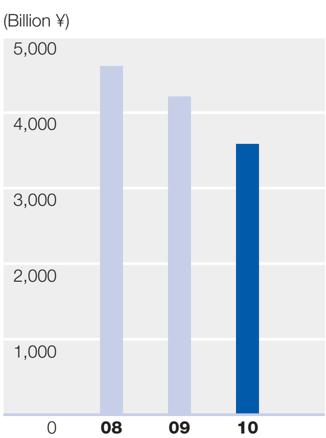
FINANCIAL HIGHLIGHTS

NEC Corporation and Consolidated Subsidiaries
For the years ended March 31, 2008, 2009 and 2010

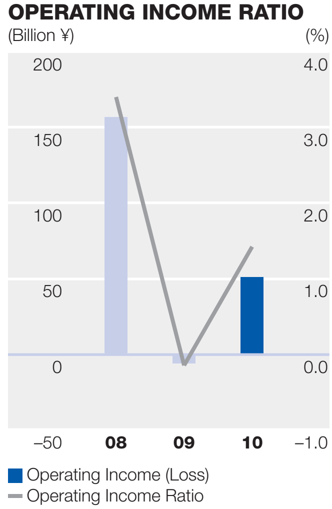
	In millions of yen			In millions of U.S. dollars	Percent change
	2008	2009	**2010**	**2010**	2010/2009
For the year:					
Net sales	¥4,617,153	¥4,215,603	**¥3,583,148**	**$38,528**	–15.0%
Operating income (loss)	156,765	(6,201)	**50,905**	**547**	–
Ordinary income (loss)	112,240	(93,171)	**49,429**	**531**	–
Net income (loss)	22,681	(296,646)	**11,428**	**123**	–
Per share data (in yen and U.S. dollars):					
Net income (loss)	11.06	(146.64)	**5.04**	**0.05**	–
Diluted net income	10.64	–	**4.91**	**0.05**	–
Cash dividends	8.00	0.00	**4.00**	**0.04**	–
At year-end:					
Total assets	3,526,795	3,075,378	**2,937,644**	**31,588**	–4.5
Owner's equity	1,004,221	641,654	**790,904**	**8,504**	23.3
Interest-bearing debt	800,843	925,163	**729,548**	**7,845**	–21.1
Number of employees	152,922	143,327	**142,358**		

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93 = 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 the sum of total shareholders' equity and total valuation and translation adjustments.

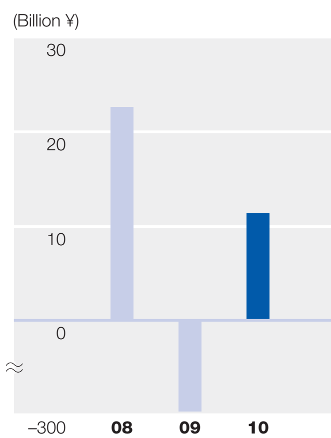
NET SALES



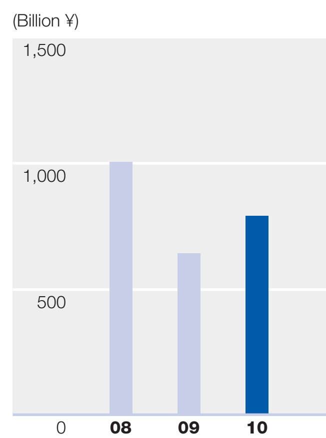
OPERATING INCOME (LOSS), OPERATING INCOME RATIO



NET INCOME (LOSS)



OWNER'S EQUITY



TO OUR SHAREHOLDERS

In fiscal 2010, the fiscal year ended March 31, 2010, NEC continued to face difficult conditions, mainly in the first half of the fiscal year, due to the impact of the financial crisis in the previous fiscal year. However, the NEC Group sees this difficult business environment as a major opportunity for enhancing its business operations. NEC has made every effort to change its business structure, centered on business portfolio realignment, and implement rigorous profit structure reforms.

As a result, in fiscal 2010, although consolidated net sales were ¥3,583.1 billion, a year-on-year decline of 15.0%, consolidated operating profitability improved ¥57.1 billion from the previous fiscal year to operating income of ¥50.9 billion. Moreover, NEC posted consolidated net income of ¥11.4 billion, an improvement of ¥308.1 billion from the net loss in the previous fiscal year.

NEC has decided to pay an annual dividend of ¥4 per share for fiscal 2010.

In February 2010, NEC unveiled its Mid-Term Growth Plan “V2012—Beyond boundaries, Toward our Vision,” which sets forth NEC’s medium-term management strategy for the next 3 years. The NEC Group sees “V2012” as a milestone for achieving the NEC Group Vision 2017. We will steadily press ahead with three key initiatives—focus on “C&C Cloud Strategy,” expand global business and create new businesses—to sow the seeds of future growth.

Economic conditions remain challenging worldwide. Nevertheless, through the measures outlined above, we are determined to achieve our business targets for fiscal 2011, the first year of the “V2012” Mid-Term Growth Plan. At the same time, we remain committed to pursuing the NEC Group Vision 2017, with the aim of enhancing shareholder and corporate value over the medium and long terms.

We look forward to your continued support and understanding as we work to reach our goals.

June 2010

NOBUHIRO ENDO
President, NEC Corporation

Management Perspective on Business Strategies

DRIVING THE “V2012” MID-TERM

1. Fiscal 2010 Main Initiatives and Performance
2. Mid-Term Growth Plan
“V2012—Beyond boundaries, Toward our Vision”
(1) Focus on “C&C Cloud Strategy”
(2) Expand Global Business
(3) Create New Businesses
3. Towards Achieving “V2012”

Nobuhiro Endo
President, NEC Corporation

November	**1953**	Born in Kanagawa Prefecture, Japan
March	**1981**	Awarded doctoral degree by the Graduate School of Science and Engineering, Tokyo Institute of Technology
April	**1981**	Joined NEC Corporation
April	**2003**	General Manager, Mobile and Wireless Division
July	**2005**	Senior General Manager, Mobile Network Operations Unit
April	**2006**	Associate Senior Vice President, Executive General Manager, Mobile Network Operations Unit
April	**2009**	Senior Vice President
June	**2009**	Senior Vice President and Member of the Board
April	**2010**	President (Representative Director) (to present)

1. Fiscal 2010 Main Initiatives and Performance

To make NEC a stronger enterprise we changed our business structure mainly through business portfolio realignment, and implemented rigorous profit structure reforms.

In fiscal 2010, the year ended March 31, 2010, the global economy continued to face difficult conditions throughout the first half, due to the impact of the financial crisis in the previous fiscal year. In the second half, the global economy started to show signs of an upturn, mainly owing to a global economic recovery driven by economic growth in emerging countries centered on China. Another factor was that economic stimulus measures by various governments around the world began to take effect.

In Japan, industrial production staged a recovery during the second half as inventory adjustments quieted down and exports picked up, mainly to Asia. However, corporate earnings remained sluggish, companies continued to restrain business investment, and employment and income conditions remained weak. Consequently, the Japanese economy was unable to recover from the economic downturn in the second half of the previous fiscal year.

GROWTH PLAN FORWARD

NEC sees this difficult business environment as a major opportunity for enhancing its business operations. NEC has made every effort to change its business structure, centered on business portfolio realignment, and implement rigorous profit structure reforms.

In terms of changing our business structure, we decided to integrate NEC Electronics Corporation with Renesas Technology Corp. The goal is to strengthen the business foundations and technologies of NEC Electronics, which is engaged in the semiconductor business, and increase its corporate value through further improvement in customer satisfaction. NEC Electronics Corporation merged with Renesas Technology Corp., in April 2010, and changed its trade name to Renesas Electronics Corporation. As a result, NEC Electronics Corporation is no longer a consolidated subsidiary of NEC.

Furthermore, we integrated NEC's mobile handset business with Casio Hitachi Mobile Communications Co., Ltd., in order to strengthen competitiveness in the mobile handset business and expand business including in overseas markets. From June 2010, business operations began under a new company, NEC CASIO Mobile Communications, Ltd.

In anticipation of the cloud computing era, we started to provide products and services that embody the "C&C Cloud Strategy" by leveraging the strengths of the NEC Group in both IT and networks.

In other areas, NEC took steps to fully develop the Smart Energy and Green business, which is positioned as a new growth domain for the NEC Group. Specifically, we spun-off the lithium-ion rechargeable batteries business from NEC TOKIN Corporation into a newly established company, NEC Energy Devices, Ltd., in April 2010.

MAIN INITIATIVES AND PERFORMANCE

Changing our business structure: Business portfolio realignment

- Integrated NEC Electronics Corporation with Renesas Technology Corp.
- Integrated mobile handset business with Casio Hitachi Mobile Communications Co., Ltd.
- Executed the "C&C Cloud Strategy"
- Promoted the lithium-ion rechargeable battery business

Profit structure reforms: Switching to a lean earnings structure

- Reduced fixed costs by ¥320.9 billion year on year
- Implemented business process and IT reforms

Raised funds to bolster financial position

In terms of profit structure reforms, NEC reduced fixed costs by ¥320.9 billion from the previous fiscal year, mainly by reducing costs for outsourcing engineering and consignment of activities, as well as labor and other fixed costs.

Furthermore, in order to speed up business management at the Group level, raise operating efficiency and reduce maintenance and operation costs for IT systems, NEC worked to consolidate its core IT systems into a cloud computing environment in line with a review of business processes throughout the NEC Group. In fact, a new accounting system has already begun operation from April 2010, with plans to phase in new systems related to sales and purchasing in the near future.

Moreover, NEC raised ¥118.5 billion through the issuance of new shares, with the aim of bolstering its financial position so as to execute the aforementioned business reforms and accelerate its growth strategy. NEC will use these funds mainly to drive future growth, primarily for investment in the development of cloud service platforms and next-generation networks as well as capital expenditures in the Smart Energy and Green business.

Asteroid Explorer “HAYABUSA”

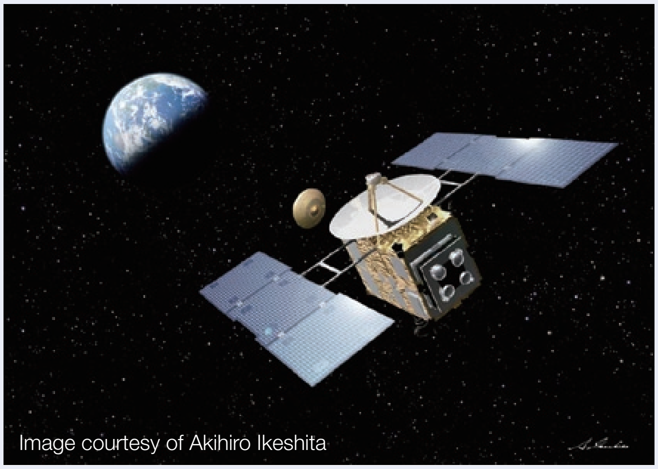


Image courtesy of Akihiro Ikeshita

After seven years in space, “HAYABUSA” returned to earth in June 2010. The spacecraft’s mission—to collect particles from the surface of the ITOKAWA asteroid and deliver them to earth—was the first of its kind in the world. NEC, under the direction of the Japan Aerospace Exploration Agency (JAXA), was involved in the development, manufacturing, testing and operation of its satellite systems. NEC was also responsible for the development of core onboard systems for the spacecraft itself, including ion engines, cameras, ranging sensors, and communications systems. Within NEC, many of these same wireless and sensor technologies are being applied to its “C&C Cloud Strategy” related businesses.

2. Mid-Term Growth Plan
"V2012—Beyond boundaries, Toward our Vision"

NEC has three key initiatives for achieving the business targets set forth in the Mid-Term Growth Plan "V2012": Focus on the "C&C Cloud Strategy," expand global business and create new businesses.

In February 2010, NEC unveiled its Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision," which sets forth NEC's medium-term management strategy for the next 3 years. The letter "V" signifies our determination to achieve a "V"-shaped recovery and "Victory," by having all NEC Group employees worldwide practice our Core "Values" in pursuit of the NEC Group "Vision." The phrase "Beyond boundaries, Toward our Vision" embodies our commitment to achieving our goals by driving businesses across organizational boundaries.

The NEC Group sees "V2012" as a crucial milestone for achieving the NEC Group Vision 2017, which was formulated in April 2008. Under "V2012," our business targets for fiscal 2013 are net income of ¥100 billion and ROE of 10%. These targets assume projected net sales of ¥4,000 billion and operating income of ¥200 billion in fiscal 2013.

To reach these business targets, NEC has established three key initiatives that it will focus on over the next three years. The first initiative is focusing on the "C&C Cloud Strategy," integrating NEC's strength in IT and network technologies, which NEC has developed extensively over the years. The second initiative is expanding global business, through establishing a regional global network centered on five regions. Finally, the third initiative is creating new businesses as "One NEC" by taking full advantage of the NEC Group's assets.

The three key initiatives for driving NEC's future business growth are as follows:

"V2012" IS A MILESTONE FOR ACHIEVING THE NEC GROUP VISION 2017

"V2012" management targets

NET INCOME	ROE	OVERSEAS SALES
¥100 billion	10%	25%

(1) Focus on "C&C Cloud Strategy"

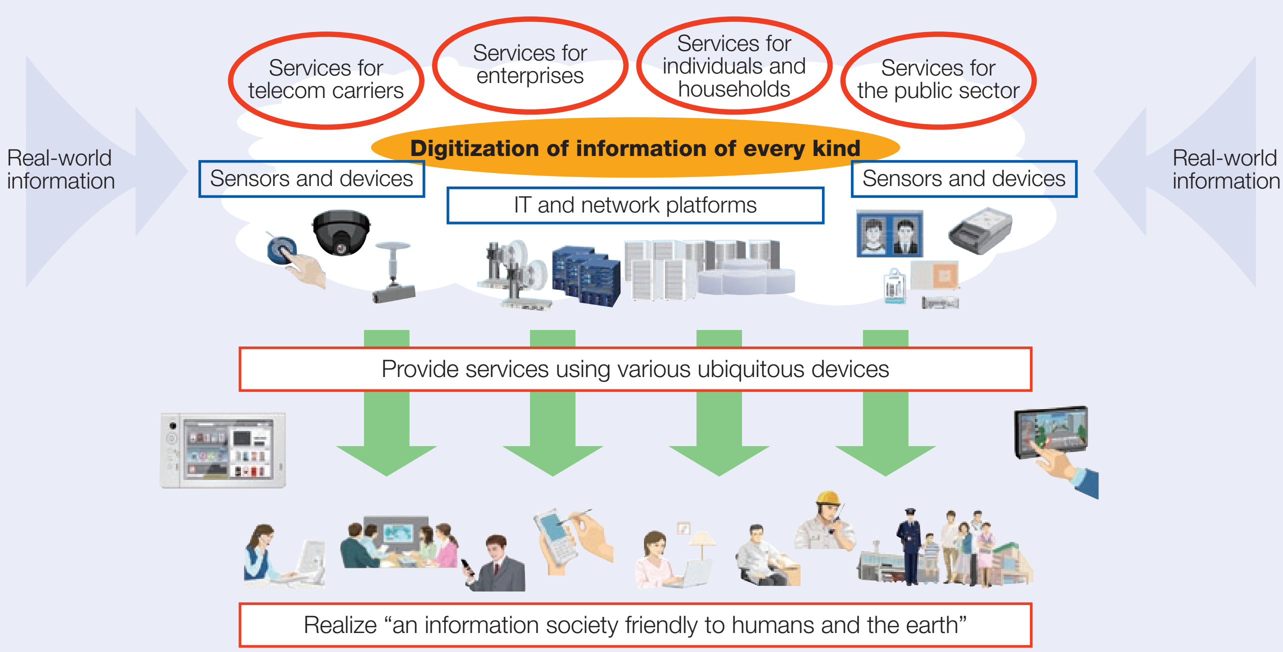
Currently, cloud services are attracting considerable attention in the ICT (Information and Communications Technology) market. This is because cloud services allow users to utilize IT services over networks only as much as necessary and when needed, rather than requiring them to own all the IT resources internally by themselves. However, a high degree of technological expertise in both IT and networks is essential to providing highly reliable cloud services.

NEC first proposed its C&C concept; "the integration of Computers and Communications" around 30 years ago. Ever since, it has continuously honed both its IT and network technologies, and has built up an extensive track record in both fields. Based on NEC's competence in these fields, cloud computing is an area where NEC is able to fully demonstrate its unique strengths.

NEC will promote the "C&C Cloud Strategy" in three main areas. The first area is the "Cloud Service" business for providing secure and reliable services to enterprises. The second area is the "Cloud System Implementation" business for developing systems for enterprises and local governments that enable them to provide cloud services to their own customers or residents. The third area is the "Platform" business for developing foundations supporting the first two areas. In fiscal 2013, NEC aims to generate net sales of ¥1,000 billion from "C&C Cloud Strategy" related businesses, including outsourcing and wireless broadband access equipment.

Cloud computing will significantly change the nature of IT. NEC sees this upcoming change as a significant business opportunity, and will thus take proactive steps in this area.

"C&C CLOUD" SERVICES PROVIDED BY NEC



(2) Expand global business

Expanding global business is an important focus. In fiscal 2013, NEC is targeting overseas sales of ¥1,000 billion, which is double the amount of present overseas sales and will account for 25% of NEC's consolidated net sales.

We are putting in place a structure for reaching the goals of the "V2012" plan in order to transform NEC into a "leading global company" as set forth in the NEC Group Vision 2017. To this end, we will establish a global network centered on these five regions by establishing core regional management companies in each of the following regions—(1) Greater China, (2) Asia Pacific, (3) Europe, Middle East and Africa, (4) North America, and (5) Latin America. Through the effective mutual use of the NEC Group's assets, including its technologies and proven expertise built over the years, NEC will create globally competitive products and services for customers worldwide.

Revamping of NEC's Core IT System Into a Cloud Service Provision Platform

NEC is revamping its core IT system, in order to speed up business management at the Group level, improve business efficiency, and reduce system operating costs. The new accounting system was brought fully online in April 2010. With regard to the new systems for sales and purchasing, the current system is being operated in parallel with the new system in preparation for the planned start of full-scale operation in October 2010.

The core IT system will integrate and consolidate accounting, sales and purchasing and other systems that have so far been owned and operated individually by each Group company. The new system will provide these system functions to the entire Group as a "Cloud-oriented" service. The new system will enable NEC to substantially reduce operating costs previously required for each individual system.

The revamping of NEC's core system takes full advantage of NEC's strong technological capabilities in both IT and networks, its wealth of experience in building open mission critical systems, and its ability to efficiently operate and manage large-scale systems. This initiative goes beyond simply upgrading an internal company system. Its significance lies in being a cutting-edge example of the implementation of a large-scale cloud service platform.

Going forward, NEC will present this new core system to customers as part of its track record in the implementation, operation and maintenance of large-scale cloud service provision platforms. NEC aims to establish new service businesses in the core systems field, and expand a wide range of cloud-oriented service businesses.

In each region, NEC will establish competence centers, led by these regional management companies, in various fields. By creating optimal solutions within each region, building up expertise, and applying these resources across the Group, NEC aims to accelerate global business expansion. Concrete measures include developing “C&C Cloud Strategy” related businesses for telecom carriers around the world and public safety businesses for governments and enterprises.

For example, in the public safety business, NEC provides immigration control, national ID and other systems that utilize biometrics authentication technologies such as fingerprint and face authentication. These products and services play a key role in maintaining public safety and security. In this business, NEC has already delivered more than 200 systems to 30 countries around the world, and its technological expertise has been highly applauded worldwide.

In order to step up the global expansion of the public safety business, we established the “NEC Biometrics Excellence Center” in Bangalore, India in May 2010. As a competence center in the biometrics authentication field, the center will support operations not only in the Asia-Pacific region, but also in other regions globally.

Given that public security and safety needs are expected to continue increasing going forward, NEC is targeting net sales of ¥100 billion from the public safety business over the medium term.

(3) Create new businesses

In addition to driving the “C&C Cloud Strategy” and expanding global business, creating new businesses that will accelerate our future growth is a key theme. In this area, by combining various NEC Group assets, including products, services and technologies, we intend to develop new services and products that satisfy customer needs under the “One NEC” concept.

One example of an area where we are already active is the Smart Energy and Green business. Together with Nissan Motor Co., Ltd., NEC is currently promoting the electrode business. Electrodes are core components of lithium-ion rechargeable batteries for electric vehicles. In fiscal 2013, NEC is targeting net sales of ¥100 billion from this business.

In future, we aim to create new businesses by fusing power storage technology developed in our battery business with IT and network technologies. Specifically, we are targeting smart meters and home energy management systems, both of which feature communications functions and the ability to control other devices. We also aim to enter the smart grid market. Smart grids are attracting attention as power distribution networks capable of optimizing the supply of electricity.

3. Towards Achieving "V2012"

NEC will continue to embrace the challenge of achieving its business targets by bolstering its growth potential and earnings power.

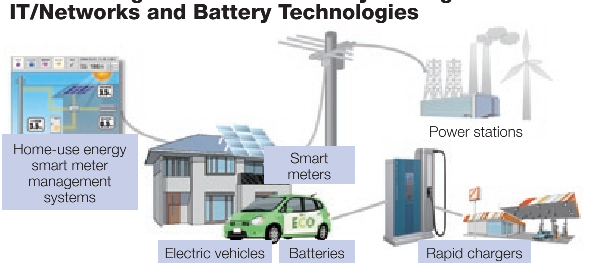
Fiscal 2011 is an extremely important year for the NEC Group because it is the first year of the "V2012" Mid-Term Growth Plan. We cannot be optimistic about our business environment. Nonetheless, we will continue our "inward efforts" to raise the efficiency of business management as before, while remaining strongly conscious of the need for "outward efforts" to increase sales. With this in mind, we will sow the seeds of future expansion to strengthen our growth potential and earnings power.

In the NEC Group Vision 2017, NEC established its vision for itself in 2017: "To be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth." To realize the NEC Group Vision 2017, and achieve the "V2012" milestone towards this vision, we must engage in a process of personal and organizational innovation. Every employee of the NEC Group is strongly determined to achieve these goals.

I look forward to your continued support and understanding as NEC continues to meet the challenge of achieving the "V2012" business targets.

New Framework for Expanding the Smart Energy and Green Business

Contributing to a Greener Society Through IT/Networks and Battery Technologies



In the "V2012" Mid-Term Growth Plan, NEC has positioned the lithium-ion rechargeable battery business at the heart of the Smart Energy and Green business—a new growth area for the NEC Group.

Together with Nissan Motor Co., Ltd., NEC has launched an electrode business focused on this crucial component of automotive lithium-ion rechargeable batteries.

When launching an electrode business for automotive batteries, sufficient business resources must be invested to achieve the high level of product quality required of automobile parts. This includes the establishment of a quality control system, close coordination with automakers, and continuous investment in research and development activities.

On April 1, 2010, NEC Energy Devices Ltd. was established to conduct the development, production, sale and maintenance of lithium-ion rechargeable batteries and electrodes. The company was set up to execute unified management of the lithium-ion rechargeable battery business. At the same time, a Smart Energy and Green Business Operations Unit was established within NEC.

Under this new framework, NEC started mass production of electrodes for automotive batteries in July 2010. NEC plans to use the manufacturing technology cultivated through the mass production of electrodes and high quality required for automotive applications to develop power storage applications for the smart grid field and create new businesses by integrating NEC's ICT and power storage technologies.

We will proactively aim to expand the Smart Energy and Green business as "One NEC."

AT A GLANCE

NEC Corporation and Consolidated Subsidiaries
From April 1, 2010, NEC has reclassified its segments. Figures are based on the new segment classification.
Net sales, operating income (loss) and the net sales ratio for the fiscal year ended March 31, 2010 have been reclassified to conform to the new segment presentation.
These segment results have not been audited by the accounting auditors.

IT SERVICES BUSINESS

NET SALES
866.3
billion yen

OPERATING INCOME
53.2
billion yen

PROPORTION OF SALES
24%

NEC supplies government agencies and enterprises with a range of IT services covering systems integration, 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

PLATFORM BUSINESS

NET SALES
373.7
billion yen

OPERATING LOSS
1.7
billion yen

PROPORTION OF SALES
10%

NEC supplies government agencies and enterprises with products essential to the implementation of IT systems and enterprise network systems, such as servers, supercomputers, storage equipment, software and IP telephony systems. NEC is committed to boosting the performance and energy efficiency of its products to help realize safe, secure, convenient and eco-friendly IT systems.

PLATFORMS

- PC Servers
- UNIX Servers
- Mainframe Computers
- Supercomputers
- Storage Products
- Professional Workstations
- Computer Software
  (Operating Systems, Middleware, Industry/Business Application Software)
- Enterprise Network Systems
  (IP telephony systems, Routers/Switching Systems, Wireless LAN)

Cloud Platform Suite™ is a cloud-oriented service platform

CARRIER NETWORK BUSINESS

NET SALES
627.4
billion yen

OPERATING INCOME
31.3
billion yen

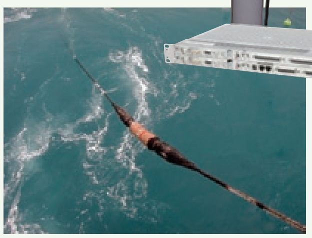
PROPORTION OF SALES
18%

NEC supplies equipment required for network implementation to telecom carriers, 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.

CARRIER NETWORKS

- 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 Platform Systems
- Network Service Delivery Platform Systems

"PASOLINK" ultra-compact microwave communications system



Submarine cable system

SOCIAL INFRA-STRUCTURE BUSINESS

NET SALES
316.6
billion yen

OPERATING INCOME
21.7
billion yen

PROPORTION OF SALES
9%

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

SOCIAL INFRASTRUCTURE

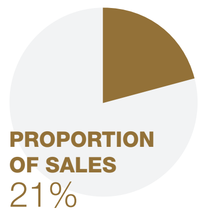
- Broadcasting Systems and Video Equipment
- Control Systems
- Transportation and Public Systems
- Fire and Disaster Prevention Systems
- Aerospace and Defense Systems

Digital terrestrial TV transmitter for overseas markets

PERSONAL SOLUTIONS BUSINESS

NET SALES
737.7
billion yen

OPERATING INCOME
18.9
billion yen



PROPORTION OF SALES
21%

NEC supplies individuals and enterprises with mobile handsets, personal computers, Internet services and monitors. It is also engaged in the creation of new terminal devices and services for the cloud computing era. 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
- Display Solutions
  (Monitors, Projectors)

* As of April 1, 2010, NEC Electronics Corporation, which has conducted the NEC Group's semiconductor business, is no longer a consolidated subsidiary of NEC Corporation. As a result of this change, the Electron Devices business segment has been abolished, and all operations other than the semiconductor business previously included in this segment have been included in the Others segment.

OTHERS

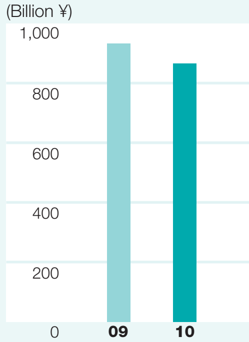
- Lithium-Ion Rechargeable Batteries
- Capacitors
- LCD Panels
- Lighting Equipment

Automotive lithium-ion rechargeable battery produced by Automotive Energy Supply Corporation, a joint venture with Nissan Motor Co., Ltd.

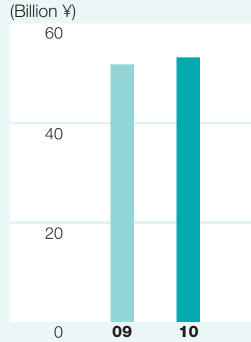
PERFORMANCE BY SEGMENT

IT SERVICES BUSINESS

SALES



OPERATING INCOME



NEC Cloud Plaza

FISCAL 2010 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales declined 7% year on year to ¥866.3 billion. This was mainly due to restrained IT investment by Japanese companies, despite steady growth in SI services for the retail sector and outsourcing services.

Operating income improved ¥1.4 billion year on year to ¥53.2 billion, mainly due to fixed cost reductions.

In fiscal 2010, NEC implemented concrete measures in our key areas of the “Cloud Service” and “Cloud System Implementation” businesses. As a result, in Japan, NEC will provide the global accounting system to EXEDY Corporation, a major automotive parts company. This global accounting system is one of EXEDY’s next-generation core IT systems, and will be provided as a cloud-oriented accounting service utilizing NEC’s expertise in implementing proprietary core IT systems. Together with an automotive parts production management system developed by NEC, it is scheduled to start operations from the end of 2011.

Overseas, NEC has reached a basic agreement with the Telefónica Group on cooperation in a broad range of cloud businesses. NEC developed the service platform for the Telefónica Group to provide various SaaS*[1]-based applications to small and medium-sized enterprises primarily in Spain. Furthermore, in February 2010, NEC and Telefónica Group agreed to expand these cloud businesses into the Latin American countries.

FOR FURTHER GROWTH

In order to speed up consolidated business management, improve operating efficiency and reduce TCO*[2], NEC is working to consolidate its core IT systems into a cloud computing environment in tandem with a review of business processes. NEC Cloud Plaza was opened to showcase examples of the core system reformation and for customers to actually experience SaaS-based services. Utilizing this facility, NEC will propose and expand cloud-related business.

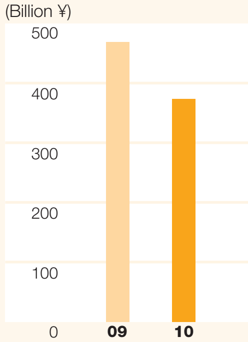
In addition, we established the NEC Biometrics Excellence Center in Bangalore, India to expand overseas biometrics identification solutions such as fingerprinting. Also, the European Cloud Competence Center was established in Spain to promote cloud businesses for telecom carriers. With these facilities, we aim to expand the overseas businesses, taking full advantage of both our service business expertise in IT, and our global business expertise in networks.

In other areas, NEC is engaged in the development of new mobile cloud services with KDDI Corporation, using SDIO*[3] card-compatible RFID multi-reader/writers embedded in mobile handsets. In this manner, NEC is actively working to create and expand new businesses.

*[1] Software as a Service
*[2] Total Cost of Ownership
*[3] Secure Digital Input/Output

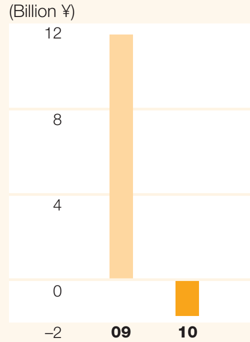
SALES

(Billion ¥)



OPERATING INCOME (LOSS)

(Billion ¥)



Cloud Platform Suite™ is a cloud-oriented service platform

PLATFORM BUSINESS

FISCAL 2010 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales decreased 20% year on year to ¥373.7 billion. This was mainly due to fewer large-scale projects than in fiscal 2009 and restrained IT investment by Japanese companies.

In line with the drop in sales, the segment posted an operating loss of ¥1.7 billion, despite fixed cost reductions. This represented a decline of ¥13.2 billion compared with operating income in the previous year.

In fiscal 2010, NEC formulated the platform vision "REAL IT PLATFORM Generation2," which addresses cloud computing, and provided servers, storage and middleware that realize a flexible, dependable and simple next-generation IT Platform.

In the field of PC servers, NEC has held the No. 1[*1] share of volume shipment in the Japanese market for 14 consecutive calendar years. NEC also won recognition for its superior technical support services, ranking No. 1[*2] in the customer satisfaction survey.

In addition, Tokio Marine & Nichido Fire Insurance Co., Ltd. has adopted the "VirtualPCCenter," one of Japan's largest virtual PC thin client systems consisting of approximately 30,000 units (including their group companies), in order to strengthen information security and reduce total cost of ownership. Leveraging NEC's latest distinctive technologies, NEC intends to contribute to their business process reforms.

In the field of the enterprise telephony business, NEC took the No. 1[*3] share of the Japanese market and the No. 2[*4] share of the worldwide market. NEC delivered a fully converged voice and data network system centered on the NEC "UNIVERGE SV8500" communications server to The Peninsula Shanghai. Through this network NEC has helped The Peninsula Shanghai to provide superior customer service to hotel guests and apartment residents, as well as streamline the workload of hotel employees.

FOR FURTHER GROWTH

In April 2010, the "IT Platform Business Unit" and the "Enterprise Communications Solutions Operations Unit" were merged to form the "Platform Business Unit" in order to expand the "C&C Cloud Strategy" related business by leveraging strengths in the fields of IT and networks.

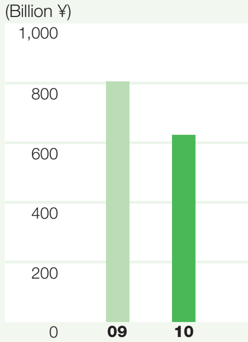
By consolidating the IT platform business and enterprise communications solutions business, which are responsible for cloud computing platforms, into a single business unit, NEC will steadily phase in the integration process beginning with product combinations. In the future, NEC will develop products including software that integrate IT and networks, in order to offer globally competitive products that harness its strengths in both areas.

The first step was to develop the "Cloud Platform Suite™," a cloud-oriented platform launched in January 2010, as a product designed to meet various corporate needs in the cloud computing era. NEC is currently developing integrated platforms that deliver superior cost, reliability, speed and environment-friendliness by harnessing its unique automated system performance prediction, analysis technology and network virtualization technology. Looking ahead, NEC will strengthen products and services in anticipation of the cloud computing era.

[*1] Source: IDC Japan, Japan Server Quarterly Model Analysis 2010Q1
[*2] Source: Nikkei Computer (14th Customer Satisfaction Survey, PC Servers Category, August 19, 2009 issue)
[*3] [*4] Based on telephony seat license shipments. Source: Gartner, Market Share: Enterprise Telephony Equipment and Business Telephones, Worldwide, 2009, 22 March 2010

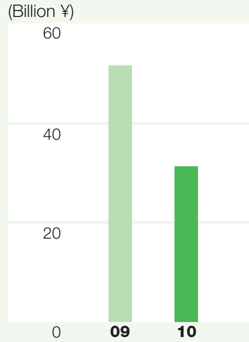
SALES

(Billion ¥)



OPERATING INCOME

(Billion ¥)



Femtocell ultra-compact wireless base station designed for use in residential or small business environments

"PASOLINK" ultra-compact microwave communications system

CARRIER NETWORK BUSINESS

FISCAL 2010 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales decreased 22% year on year to ¥627.4 billion. This was mainly due to the restrained investment by telecom carriers worldwide.

Operating income decreased ¥20.2 billion year on year to ¥31.3 billion, mainly reflecting the large drop in sales, despite fixed cost reductions.

Amid difficult market conditions, fiscal 2010 was marked by the emergence of some results from wireless broadband access businesses utilizing new technologies for which growth is anticipated going forward. In Japan, NEC began shipping 3.9G LTE[*1] wireless base stations for NTT DOCOMO, Inc., and was selected as a vendor for the development and production by KDDI Corporation. In the overseas market, NEC also participated in trial projects with Telefónica S.A. of Spain and Singapore Telecommunications Limited.

Furthermore, UQ Communications Inc. of Japan and Tatung InfoComm Co., Ltd. of Taiwan have launched commercial services utilizing WiMAX systems which NEC delivered. In addition, SFR of France has begun commercial services using a femtocell solution provided by NEC.

In other areas, cumulative shipments of "PASOLINK," an ultra-compact microwave communications system, reached 1.44 million units, and NEC has secured the top share[*2] of the global market in this field for three consecutive calender years.

FOR FURTHER GROWTH

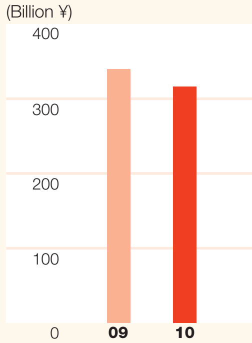
Investment in network infrastructure is expected to increase backed by the sharp increase in data traffic driven by the rapidly expanding market for smartphones and other data terminals. In the field of the wireless broadband access businesses including LTE, WiMAX and femtocell as the new service platforms for telecom carriers, NEC aims to expand its overseas business by leveraging its strong position in the Japanese market, which is ahead of the rest of the world.

In addition, NEC will focus on expanding the software and services business by strengthening collaboration with NetCracker Technology Corp., which was acquired in 2008. The market for NetCracker's operations support systems has considerable potential to achieve high growth over the medium term. In fiscal 2010, NetCracker won orders and was selected as a vendor from Japanese and overseas telecom carriers of Malaysia, Russia, New Zealand and Germany. Looking ahead, NEC will continue to actively promote operations support systems, including our service platform-related products.

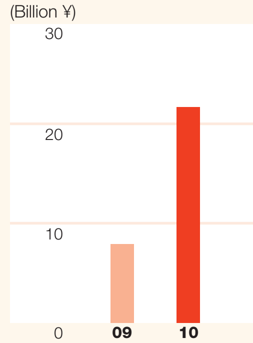
In other areas, NEC will work to develop new businesses and markets, such as the field of smart grid, in addition to winning orders for large-scale projects for submarine cable systems and launching next-generation "PASOLINK."

*1 Long-Term Evolution
*2 Source: Survey by Sky Light Research (From January to December 2009 on a cumulative basis)

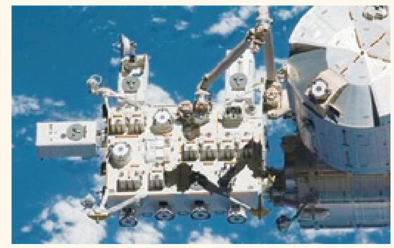
SALES



OPERATING INCOME



Digital terrestrial TV transmitter for overseas markets



Kibo, the Japanese manned experiment module on the International Space Station (ISS)
Courtesy of JAXA/NASA

SOCIAL INFRA-STRUCTURE BUSINESS

FISCAL 2010 PERFORMANCE AND MAIN ACCOMPLISHMENTS

In the Social Infrastructure business, segment sales decreased 7% year on year to ¥316.6 billion. This was mainly the result of restrained investment due to the declining economy.

Operating income increased ¥13.8 billion year on year to ¥21.7 billion, mainly due to fixed cost reductions.

In the social systems field, which includes broadcasting systems, control systems, transportation and public network systems, and fire and disaster prevention systems, NEC contributed to the establishment of digital TV broadcasting networks in global markets through the deployment of digital terrestrial TV transmitters for Arqiva Ltd., a major U.K. broadcast operator, and Broadcast Service Denmark A/S. In another initiative, Yamato Transport Co., Ltd. partnered with NEC to develop and deploy an advanced telematics system called "See-T Navi" to ensure that drivers of its collection/delivery vehicles drive more safely and in a more environmentally friendly manner.

In the aerospace and defense systems field, Aerojet, a GenCorp company (U.S.) and NEC began exploring the feasibility of jointly supplying low power ion engine for satellites. Ion engine can be used for geosynchronous satellite propulsion systems and deep space missions providing significant advantages over traditional chemical propulsion systems due to the higher fuel efficiency. Under the contract with Japan Aerospace Exploration Agency (JAXA), NEC has also developed and manufactured various instruments for the Japanese Experiment Module Kibo on the International Space Station, such as the main computer to control Kibo, robot arms, inter-satellite communications systems, and experimental science equipment. In other areas, NEC's cutting-edge technologies are contributing to various sectors of society. For example, NEC provides the infrared cameras deployed at airports and other facilities to counter new strains of influenza.

FOR FURTHER GROWTH

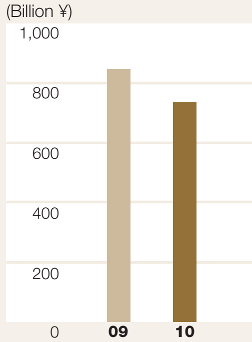
Looking ahead, NEC will focus on expanding sales and generating steady earnings. NEC will also develop its business globally by leveraging its core strengths in IT and network technologies.

In the social systems field, NEC aims to create new businesses in the Smart Energy and Green business area. We will expand business in systems that support the foundations of society. This includes telematics systems for business vehicles that reduce CO_2 emissions by raising logistics efficiency, and smart grids that control electric power supply through IT.

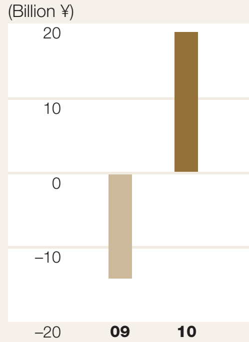
In the aerospace and defense systems field, our goal is to expand the IT and network solutions business using satellites by building up expertise in commercial satellites through the alliance with Aerojet. These efforts will be based on our technologies in science and technology satellites, where we command the top market share in Japan.

In addition, we aim to expand our business in various fields, including TV transmitters and automated postal services systems by utilizing our track record in global markets.

SALES



OPERATING INCOME (LOSS)



Integrated audio-visual PC VALUESTAR N

docomo STYLE series™ N-01B: a slim mobile phone featuring a French nail polish design

PERSONAL SOLUTIONS BUSINESS

FISCAL 2010 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales declined 13% year on year to ¥737.7 billion. This was mainly attributable to decreased sales of mobile handsets in Japan, as well as a drop in Japanese PC sales due to the impact of restrained corporate IT investment and falling prices, primarily in the first half of the fiscal year.

The segment posted operating income of ¥18.9 billion, an improvement of ¥33.0 billion from an operating loss in the previous year. This mainly reflected reductions of fixed costs and other expenses, and more efficient spending on development costs.

In the field of mobile handsets, NEC introduced new models with enhanced functions, including advanced camera functions and waterproof features. In addition to this functionality, NEC also rolled out new models with outstanding design features such as collaboration models with designers and brands.

As for PCs, NEC rolled out new Windows 7®-equipped models with functions that are the first of their kind in the industry, including an integrated audio-visual PC featuring enhanced video and audio features, and a model that allows wireless viewing of three types of digital broadcasting*1. For enterprises, NEC launched PC models reflecting market needs, including an eco-friendly model featuring sharply reduced power consumption and a model with a standard five-year guarantee for reliable use over extended periods of time. As a result, NEC's PCs held on to the top share of the Japanese market*2. In addition, Internet service "BIGLOBE" developed new businesses targeting the cloud computing era, and in display solutions we achieved steady sales expansion primarily overseas.

FOR FURTHER GROWTH

NEC's mobile terminals business was integrated with Casio Hitachi Mobile Communications Co., Ltd. in June 2010. Looking ahead, by combining their advanced technological development and product planning capabilities, we intend to capture synergies as we launch attractive new products in the global markets.

Furthermore, under the "C&C Cloud Strategy," NEC is bringing a terminal device to the market that lies between PCs and mobile phones and links users and cloud services. By taking full advantage of its 7-inch screen, we will propose this device to enterprises who are planning to provide vertically integrated services including terminal devices in fields such as electronic books, education, electric power and housing. In this way we aim to develop a new business model for providing everything from systems to terminal devices together.

*1 Terrestrial digital, BS and 110 degree CS broadcasting
*2 Based on fiscal 2010 sales volume ranking
Source: IDC Japan, Japan Personal Computing Quarterly Model Analysis, 2010Q1

R&D AND INTELLECTUAL ASSETS STRATEGY

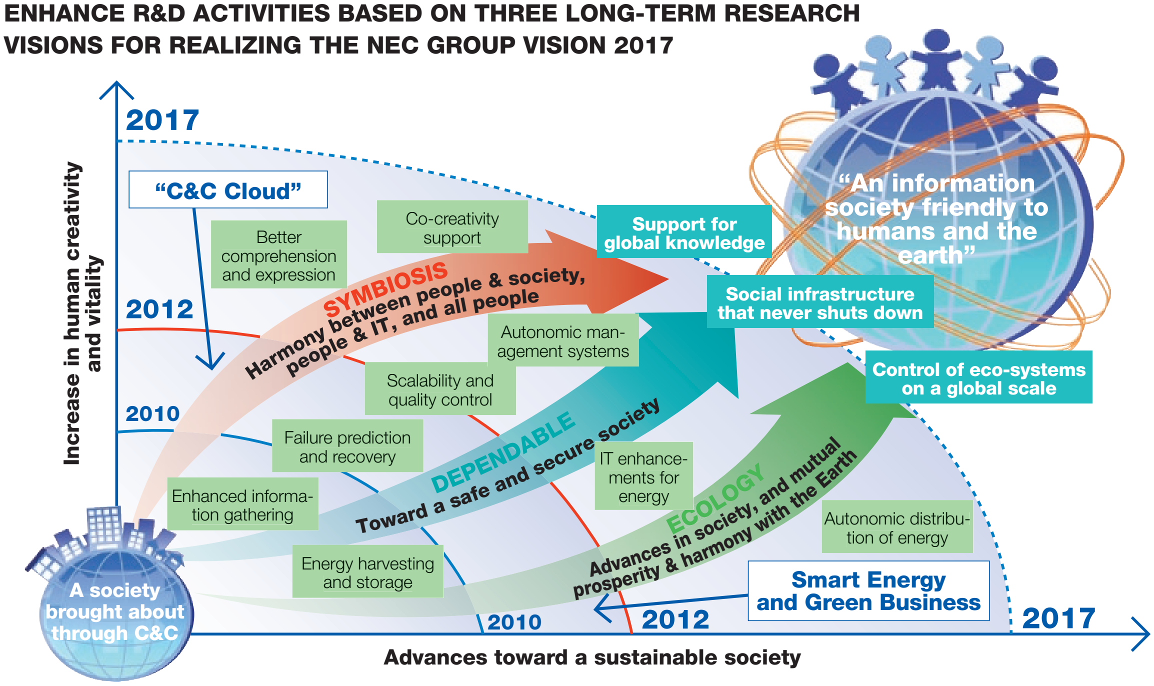
Based on its three long-term research visions to achieve the NEC Group Vision 2017, NEC is promoting R&D activities that contribute to the Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision," a milestone in this process, while closely tying these activities to its intellectual assets and standardization strategies.

R&D POLICY

In order to create "an information society friendly to humans and the earth," which is asserted in the NEC Group Vision 2017, it is important to increase both human creativity and vitality, while developing a sustainable society. To this end, NEC has established three long-term research visions as the foundation of its long-term R&D efforts, with the aim of realizing this vision. These are: 1) "Symbiosis," defined as harmony between people and society, people and IT, and all people; 2) "Ecology," which is mutual prosperity and harmony with the earth; and 3) "Dependable," which refers to creating a safe and secure society. (Additional explanation and chart below.)

Over the mid-term, NEC will closely follow this R&D policy, as it establishes key research areas to expand and enhance "C&C Cloud Strategy" related businesses, the Smart Energy and Green business, and other operations. At the same time, we will focus on generating research achievements that support the realization of the goals laid out in "V2012."

ENHANCE R&D ACTIVITIES BASED ON THREE LONG-TERM RESEARCH VISIONS FOR REALIZING THE NEC GROUP VISION 2017



SYMBIOSIS

—Realizing a harmonious coexistence between people and the information society, supporting the use of global knowledge—

This refers to technology that will help people to gather the necessary information from the overwhelming amount of information in the world and assist them in understanding that information. In other words, we will develop technology that will serve as a bridge between people and the information society, and help both to develop and grow. In the future, we aim to develop technology that will support mutual understanding among people, and support co-creation utilizing knowledge from around the world.

ECOLOGY

—Controlling ecosystems on a global scale—

In addition to energy-saving technologies, we will develop technologies to create new energy, store energy, reuse and redistribute energy to ensure its effective use. By applying information technology to energy, we make it possible to ascertain, manage and control its use. We will aim to establish autonomous and diversified technologies for energy that can be applied to the global ecosystem.

DEPENDABLE

—Creating social infrastructure systems that do not shut down—

We are developing technologies that will predict and prevent the failure of social infrastructure systems that require a high degree of reliability, such as energy networks, traffic networks, and distribution networks, as well as make these systems more efficient through coordination among systems. Ultimately, we aim to develop autonomous systems that recover on their own without stopping even if a malfunction occurs.

R&D FRAMEWORK

NEC pursues both technological development activities directly related to product development that are handled primarily by business units, and R&D activities that are in the mid- to long-term horizon, which are handled primarily by Central Research Laboratories.

At Central Research Laboratories, R&D activities are carried out by two core research groups: the Service Research Group and the IT/Network System Research Group. The Service Research Group takes part in the "C&C Cloud Strategy" and engages in R&D for cloud platform technologies, ubiquitous platform technologies and media processing technologies. The IT/Network System Research Group focuses on technologies that integrate IT and networks.

In addition, NEC has three organizations to continue driving innovation for the NEC Group. The Green Innovation Research Laboratories were newly established in April 2010 to help accelerate Smart Energy and Green business. The C&C Innovation Research Laboratories were created to research new forms of information processing and communication from fundamental principles looking ahead to the next 10 to 30 years. The Business Innovation Center was established to promote new business innovation using newly developed technologies.

Overseas, NEC has three research sites located in the US, Europe and China to conduct R&D activities leveraging the local characteristics of each region. These research sites work closely with the research centers in Japan to create globally competitive innovation.

Furthermore, NEC pursues market-oriented R&D, and manages R&D with an emphasis on optimizing R&D efficiency and accelerating commercialization of research achievements. As part of this, NEC engages in Concurrent R&D, in which customer interaction begins at early stages of research allowing for the discovery of inherent needs and enabling flexible response to any changes in the market needs. NEC also actively utilizes Open Innovation, in which R&D activities are accelerated by incorporating external resources. By carrying out these initiatives on a global basis, NEC aims to strengthen its competitiveness in the marketplace by shortening the time required to commercialize R&D achievements.

INTELLECTUAL ASSETS STRATEGY

The NEC Group owns approximately 74,000 patents worldwide, including approximately 27,000 patents in Japan (as of March 2010). NEC positions intellectual assets as "the foundation for the NEC Group's business competitiveness and stability," and is working to strengthen its intellectual assets from both quality and quantity standpoints. Specifically, NEC is concentrating on establishing a global patent network, to support achieving an overseas sales ratio of 50% as targeted in the NEC Group Vision 2017. One key focus is the core areas set forth in "V2012", including "C&C Cloud Strategy" related businesses and the Smart Energy and Green business. In these areas, NEC is carrying out Group-wide strategic patent projects on a global basis to obtain strong patents and patents that are being utilized.

Furthermore, NEC believes that participating in standards initiatives will help create and expand businesses, and will also contribute to the stable offering of products and services. In addition to pursuing a business model that utilizes standardization, NEC is engaged strategically in standardization activities by actively participating in standardization entities both in Japan and overseas. Also, as part of external engagements with intellectual assets, NEC is actively pursuing licensing activities to reduce business risks and expand business opportunities.

NEC WINS GRAND AWARD OF THE 42ND ICHIMURA INDUSTRIAL AWARDS

NEC recently won the grand award at the 42nd Ichimura Industrial Awards. The grand award is a prestigious award that has been conferred to only 16 projects over the course of the previous 41 award presentations.

NEC received the prize in recognition of high marks for making a significant contribution to industry through the development of power control technology for mobile transmission. In 2000, this technology was adopted as the international standard for the third-generation mobile phone system (W-CDMA), which is currently widely used around the world. The technology has contributed to the expansion of wireless transmission capacity, an improvement in communications quality, and the reduction in energy use by wireless base stations for the W-CDMA format.

IMAGE RECOGNITION TECHNOLOGY IN SUPPORT OF PUBLIC SAFETY BUSINESS

Image recognition technology is to analyze a variety of images using a computer to extract the needed information, such as fingerprints or facial images, according to the application, and identify the image. By cross-checking the fingerprints or facial images against registered images in a database, the identity of an individual can be authenticated through fingerprint matching or by face recognition.

NEC has long conducted R&D on image recognition technology. NEC's fingerprint identification technology dates back approximately 40 years, while its face recognition technology has a roughly 20-year history.

NEC commercialized fingerprint identification technology in 1982. Since then, NEC has deployed more than 200 systems, including automated fingerprint identification systems (AFIS) for law enforcement and national ID systems, primarily to government users in 30 countries around the world. Additionally, NEC's fingerprint identification technology is widely used both in Japan and overseas for such applications as room access control systems and personal authentication systems.

Since being commercialized in 2002, NEC's face recognition technology has steadily penetrated the market, with applications in immigration control systems using passport images, as well as facility entrance systems using facial images for entry passes. Going forward, NEC expects growth in the applications for its face recognition technology, including digital signage (electronic advertisements), as well as user interface applications for mobile phones, home appliances, ATMs, automobiles and so forth.

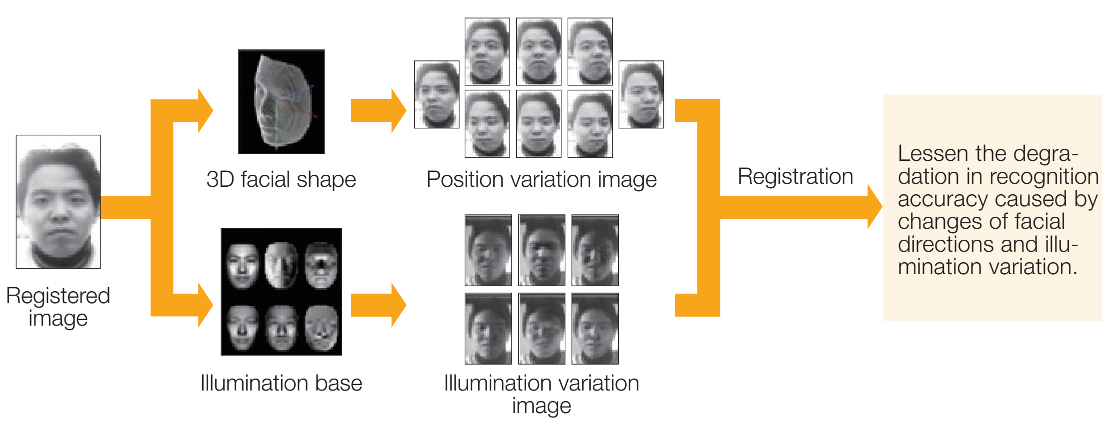
Eyeing further growth in opportunities to use these face recognition technologies, Central Research Laboratories are directing research at increasing recognition accuracy while making the technology more resilient to variations in photo-shooting environments. Two methods are currently being developed. One is the Perturbation Space Method. This method generates numerous images from various facial angles and lighting conditions from a single registered image. The generated images are then added to the registered images, in order to realize robust matching against changes in photo-shooting conditions and enhance recognition accuracy. The second method is the Discriminative Multi-feature Fusion Method. Under this method, only the effective features for identifying the individual are selected adaptively from the many image features extracted from the facial image. Using these features, the system is robust with respect to facial changes caused by aging or the effect of wearing or taking off glasses, among other factors.

These technologies, cultivated by NEC through half a century of R&D activities, have received high marks throughout the world. Since 2004, NEC's fingerprint identification technology has ranked first in the world each year in the benchmark test conducted by the National Institute of Standards and Technology (NIST) of the U.S. Furthermore, NEC's face recognition technology placed first in the NIST's biometrics technology benchmark test (still face image recognition) in 2010.

NEC will leverage its globally competitive fingerprint identification and face recognition technologies to proactively expand its public safety business.

PERTURBATION SPACE METHOD

Generate and register various position and illumination variation images from one registered image.



Developed method: Only one frontal facial image is required.

Conventional method: Each individual must take numerous and accurate facial images under various positions and illumination conditions

R&D INTO IT/NETWORK INTEGRATED CONTROL TECHNOLOGY SUPPORTING THE "C&C CLOUD STRATEGY"

In recent years, cloud services that provide IT over networks are increasingly being deployed by private-sector companies and the public sector. In order to deploy these cloud services, it is necessary to promote cloud infrastructure which is the platform for these services.

However, the current cloud infrastructure requires complex operation and management of IT and network systems. This is because at present IT systems and network systems are configured independently for each individual service provided by the cloud. Furthermore, because cloud infrastructure is designed and operated independently for each service, resources cannot be effectively shared among different infrastructures in response to service usage levels and the number of users. Scalability is also insufficient. For example, infrastructure must be redesigned when services are expanded.

To solve these problems, NEC is pursuing R&D into IT/network integrated control technology using OpenFlow*[1]. This technology can be used to unify the control and management of IT and network resources dispersed globally. Through this technology, NEC aims to increase the competitiveness of the cloud services that it offers by reducing the capital investment needed to build cloud infrastructure and cutting the operating costs.

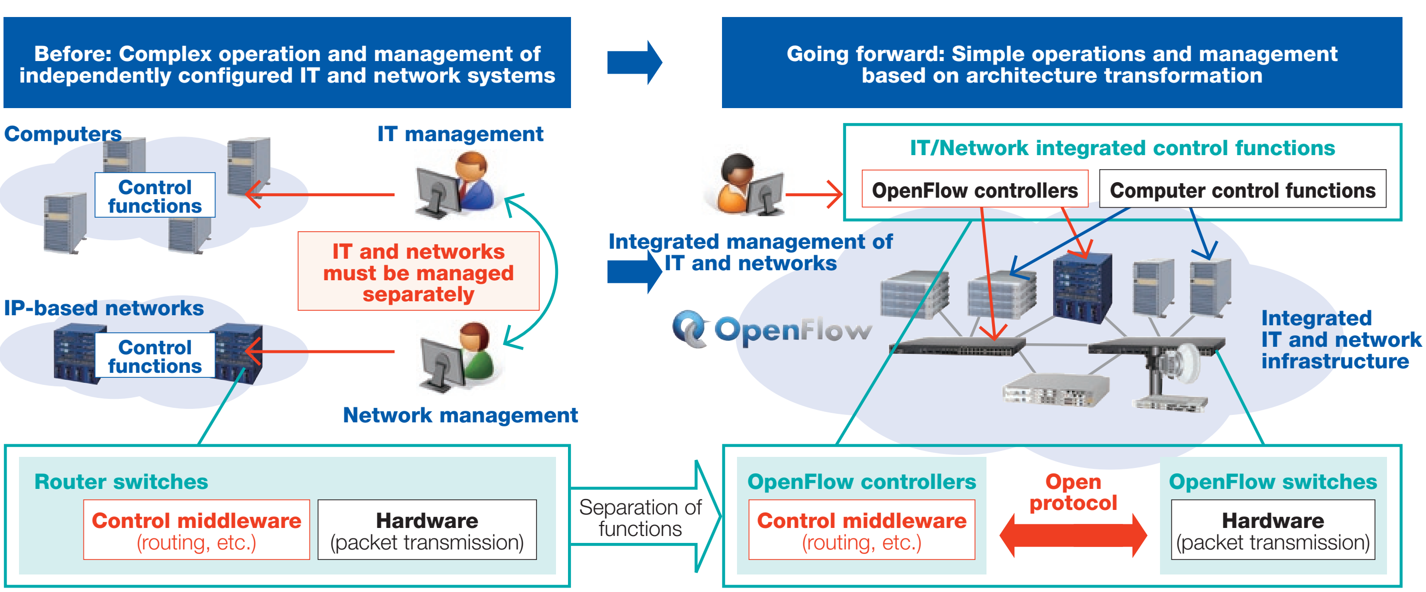
The application of this technology will enable the automated construction of virtual systems based on service characteristics, and the optimal allocation of resources depending on the usage status of IT and network resources. In other words, the technology will allow cloud infrastructure spread around the world to be treated as if it were a single infrastructure, enabling the efficient operation and management of infrastructure with the necessary resources allocated to the necessary places. Also, by developing control functions for new services as needed, it is possible to quickly and flexibly respond to new services which are expected to expand in the future without redesigning the cloud infrastructure.

NEC has already successfully completed field trials using this technology to automatically construct virtual networks based on service details and to automatically allocate IT and network resources in line with service usage status. NEC plans to develop a commercial OpenFlow technology product for data centers within the fiscal year ending March 31, 2011.

Going forward, NEC will speed up R&D activities focused on rapidly establishing IT/Network integrated control technology for data centers, with the aim of building cloud infrastructure that is highly responsive to changes.

*1 OpenFlow: Generic name for the technology and interface specifications advocated by the OpenFlow Switch Consortium (http://www.openflowswitch.org/) established primarily by Stanford University (U.S.). NEC has participated in the OpenFlow Switch Consortium since its inception, and is engaged in OpenFlow-related R&D activities.

IT/NETWORK INTEGRATED CONTROL TECHNOLOGY SUPPORTING THE "C&C CLOUD STRATEGY"



CORPORATE GOVERNANCE

(As of June 22, 2010)

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 adopted the corporate auditor system of corporate governance.

NEC has introduced a corporate officer system to separate management supervision from business execution and implement business operations based on prompt decision-making. This has involved transferring substantial authority for business execution from the Board of Directors to corporate officers. NEC has also been strengthening the supervisory functions of the Board of Directors by ensuring that the number of Outside Directors who will have no conflicting interests with NEC's general shareholders is one-third of the total number of Directors, and been working to improve management transparency through establishing a Compensation Committee. NEC has also put in place personnel and systems to reinforce the functions of the Corporate Auditor's audit, while encouraging closer cooperation among NEC's Corporate Auditors, internal auditing division and Accounting Auditors.

NEC believes that its corporate governance system is functioning adequately under the current system written above.

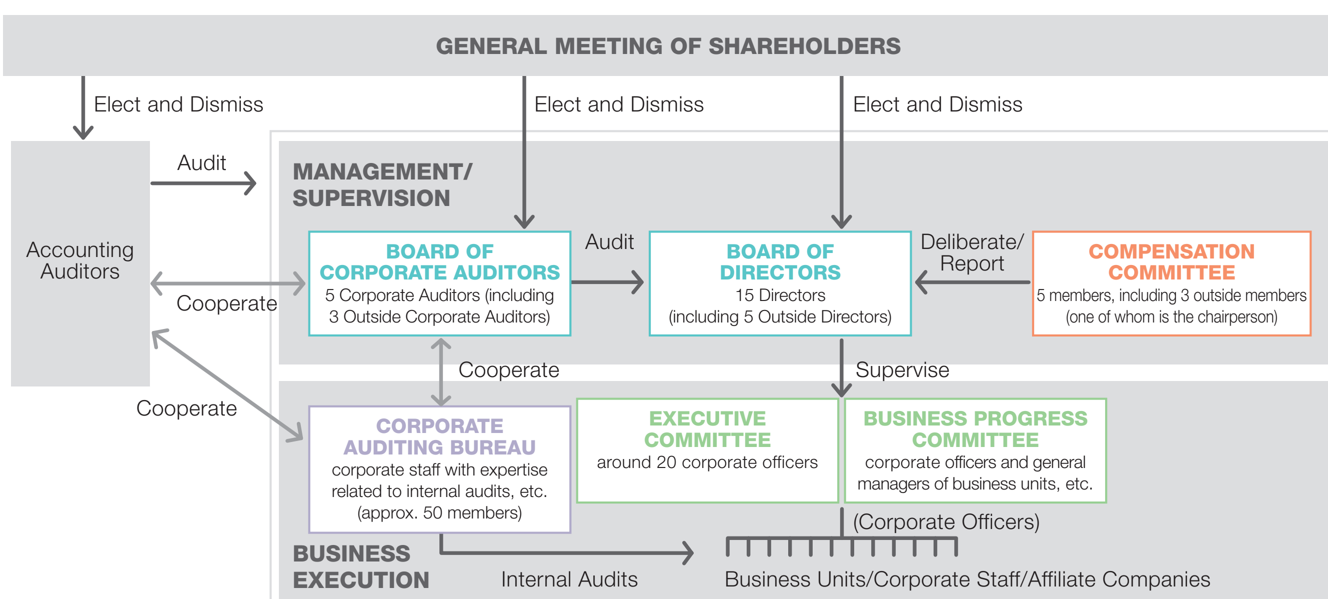
BOARD OF DIRECTORS

NEC's Board of Directors consists of 15 members and five of them are Outside Directors, which is one-third of all members. 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.

NEC appoints as Outside Directors the personnel who will have no conflicting interests with NEC's general shareholders and who have experience of corporate management and deep insight for the purpose of (i) strengthening the supervisory functions over business execution; (ii) obtaining a broad range of advice on corporate management; and (iii) enhancing accountability for management.

Aiming to ensure that these roles and functions expected of Outside Directors are properly fulfilled, 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.

CORPORATE GOVERNANCE STRUCTURE



NEC also provides support to Outside Directors in order to facilitate their understanding of the NEC Group, such as by organizing tours of business sites and exhibitions of NEC and its subsidiaries.

Furthermore, since June 2004 the term of Directors has been set at 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 appointed Corporate Auditors 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 and on other matters from each Corporate Auditor.

Furthermore, NEC appoints as Corporate Auditors the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the Corporate Auditors. The Corporate Auditors who have considerable expertise in finance and accounting are as follows:

Kenji Seo	Experience as former General Manager of the Corporate Finance and IR Division and the Affiliated Company Division of NEC Corporation and engagement in financial affairs for many years
Satoshi Itoh	Extensive auditing experience as a Certified Public Accountant for many years

NEC appoints Outside Corporate Auditors of independence who will have no conflicting interests with NEC's general shareholders, in order to ensure that audits are conducted from a neutral and objective perspective.

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 taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of the "NEC Helpline," a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters. The Corporate Auditors are also 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 systems based on the Financial Instruments and Exchange Law, and exchanging opinions on their audits.

NEC has established the Corporate Auditors Office with approximately 5 corporate staff members to assist with the Corporate Auditors' audit activities.

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 approximately 50 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 Accounting Auditors by reporting on audit results and exchanging opinions with them regularly.

ACCOUNTING AUDITORS

In fiscal 2010, the independent audit of NEC was performed by three certified public accountants of KPMG AZSA & Co.: Hideki Amano, Yasushi Hamada and Masafumi Tanabu. The independent audit was assisted by 29 certified public accountants, 59 assistant accountants and 20 other individuals.

* Effective from July 1, 2010, KPMG AZSA & Co. became KPMG AZSA LLC, due to a change in the category of audit corporation.

RELATIONSHIPS WITH OUTSIDE DIRECTORS AND OUTSIDE CORPORATE AUDITORS

NEC conducts business transactions with Sumitomo Life Insurance Company, for which the Chairman, Representative Director is Shinichi Yokoyama, who is an Outside Corporate Auditor of NEC, such as sales of NEC's products and provision of services including, without limitation, system construction, operation and maintenance.

In addition, NEC has long-term borrowings from Sumitomo Life Insurance Company.

NEC entered into agreements with the Outside Directors and Outside Corporate Auditors to limit their liabilities as stipulated in Paragraph 1, Article 423 of the Company Law to the higher of ¥20 million or the amount provided in the Company Law and the Regulation for Enforcement of the Company Law on condition that they perform their duties as Directors or Corporate Auditors in good faith and without gross negligence.

STIPULATIONS IN NEC'S ARTICLES OF INCORPORATION

NEC stipulates in its Articles of Incorporation that the number of Directors shall be no more than 20, and that the quorum required for the approval of a resolution on the election of Directors shall be one-third of all the voting rights of the shareholders entitled to exercise their voting rights. NEC also stipulates in its Articles of Incorporation that it may determine matters provided for in each item of Paragraph 1, Article 459 of the Company Law by a resolution of the Board of Directors unless otherwise provided by the relevant laws and regulations, in order to conduct the distribution of surplus and acquisition of NEC's shares and other matters expeditiously.

Furthermore, NEC stipulates in its Articles of Incorporation that the quorum required for the approval of a resolution by the general meetings of shareholders, as stipulated in Paragraph 2, Article 309 of the Company Law, shall be one-third of all the voting rights of the shareholders entitled to exercise their voting rights. This is to ensure the smooth operation of the general meetings of shareholders.

INTERNAL CONTROL SYSTEMS

NEC has formulated a "Basic Policy on Implementation of Internal Control Systems" as a policy for development of systems necessary to ensure that the execution of duties by Directors complies with laws and regulations and the articles of incorporation and other systems necessary to ensure the properness of operations.

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.

NEC assessed the status of the implementation of its internal control systems for fiscal 2010 and confirmed that it has established and operated its internal control systems properly based on the Policy.

Below is an outline of systems based on the "Basic Policy on Implementation of Internal Control Systems":

① In order to ensure that the Directors and employees perform their duties in compliance with laws, regulations, and NEC's Articles of Incorporation, the Directors and corporate officers 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. NEC encourages the use of the NEC Helpline, a compliance hotline, and strives to identify breaches or facts that may constitute breaches as early as possible.

② NEC properly conducts the storage and management of information in accordance with applicable laws, regulations and internal rules.

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

④ In order to ensure that the Directors perform their duties efficiently, the Board of Directors delegates substantial authority to corporate officers and promotes more timely decision making concerning management of business operations and effective performance of duties. The corporate officers conduct business efficiently in accordance with medium-term corporate management goals and budgets determined by the Board of Directors.

⑤ In order to ensure that the NEC Group conducts operations appropriately, NEC sends the Directors and Corporate Auditors to subsidiaries along with sharing information routinely with subsidiaries to conduct operations based on the "NEC Group Charter of Corporate Behavior" and the "NEC Group Code of Conduct." At the same time, NEC gives instructions and assistance to subsidiaries with respect to the establishment of systems for ensuring compliance with laws and regulations, and ensuring the properness of their business operations. The Corporate Auditing Bureau conducts audits of subsidiaries in cooperation with their internal auditing sections to ensure proper operations. The NEC Group endeavors to evaluate, maintain and improve internal control over financial reporting in accordance with applicable laws and regulations. From the perspective of proper and efficient operations of the NEC Group, NEC also endeavors to conduct improvement and standardization of business processes, and further strengthen its internal control utilizing information systems.

⑥ NEC assigns full-time employees to assist the Corporate Auditors in performing their duties. Performance evaluations, personnel changes, disciplinary action and other similar measures pertaining to these employees are subject to the approval of the Corporate Auditors.

⑦ At the request of the Corporate Auditors, the Directors and employees report on the status of the performance of their duties and other matters, as necessary.
⑧ In order to ensure that audits are performed effectively, the Corporate Auditors exchange information and consult with each other on the status of audits. Furthermore, the Corporate Auditors periodically receive reports on financial audits from the Accounting Auditors and exchange opinions with them.

The aforementioned Basic Policy is disclosed in full 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 various events for the news media, analysts and institutional investors. Examples include management strategy presentations and quarterly earnings presentations by senior management, as well as business strategy presentations and plant tours by various responsible managers. Efforts are also focused on improving disclosure of information on NEC's website, including the disclosure of materials, audio streams and other information issued at presentations and other events, both in Japanese and English, and enhancing investor relations activities on a global scale, including visiting overseas institutional investors. Disclosure to individual investors includes presentations and a newly redesigned website for these investors.

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.

NEC 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 NEC 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.

NEC 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 2010 is as follows:

FISCAL 2010 REMUNERATION

(In millions of yen)

Position	Total remuneration	Headcount
Directors (excluding Outside Directors)	345	12
Corporate Auditors (excluding Outside Corporate Auditors)	48	3
Outside Directors and Outside Corporate Auditors	86	8

Notes: 1. The above headcount includes two Directors and one Corporate Auditor who retired at the close of the 171st Ordinary General Meeting of Shareholders held on June 22, 2009.
2. The maximum monthly remuneration for Directors is ¥65,000,000 (approved at the 153rd Ordinary General Meeting of Shareholders held on June 27, 1991).
3. 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).

OWNERSHIP OF SHARES

As of March 31, 2010, the number of brands of stocks classified as investment securities held for purposes other than realizing income and capital gain was 484 and the total balance sheet amount of these stocks was ¥137,397 million. The top 10 brands of such stocks based on the balance sheet amount (except unlisted stocks) are as follows:

TOP 10 STOCKS ON BALANCE SHEET AMOUNT

As of March 31, 2010

Name of stock	Number of shares (In thousands of shares)	Book value (In millions of yen)	Holding purpose
Elpida Memory, Inc.	7,740	14,249	①
Sumitomo Electric Industries, Ltd.	6,914	7,924	②
The Sumitomo Trust and Banking Co., Ltd.	8,658	4,745	②
Mitsui Sumitomo Insurance Group Holdings, Inc.	1,570	4,075	③
MEIDENSHA CORPORATION	8,730	3,632	②
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	686	2,703	③
Sumitomo Metal Industries, Ltd.	8,038	2,275	②
Seven Bank, Ltd.	10	1,880	②
Taisho Pharmaceutical Co., Ltd.	1,100	1,870	②
Sumitomo Chemical Company Limited	4,083	1,866	②

Note: Figures less than one thousand are rounded down.
① Due to the background of the establishment of the company as a joint venture with a third party
② To maintain and strengthen business relations with the company
③ To maintain and strengthen business relations with the company and its group companies

No stocks classified as investment securities are held for the purposes of realizing income and capital gain.

In fiscal 2010, there was no stock classified as investment securities for which the purpose of holding changed from realizing income and capital gain to another purpose, and vice versa.

DIRECTORS AND CORPORATE AUDITORS

(As of June 22, 2010)

DIRECTORS

Kaoru Yano	Chairman of the Board (Representative Director)	
Nobuhiro Endo	President (Representative Director)	
Toshimitsu Iwanami	Senior Executive Vice President and Member of the Board (Representative Director)	
Yukihiro Fujiyoshi	Senior Executive Vice President and Member of the Board (Representative Director)	
Takao Ono	Executive Vice President and Member of the Board	
Junji Yasui	Executive Vice President and Member of the Board	
Toshiyuki Mineno	Senior Vice President and Member of the Board	
Takemitsu Kunio	Senior Vice President and Member of the Board	
Takuji Tomiyama	Senior Vice President and Member of the Board	
Manabu Kinoshita	Senior Vice President and Member of the Board	
Toshio Morikawa*1	Member of the Board Advisor, Sumitomo Mitsui Banking Corporation	[Independent Director]*3
Yoshinari Hara*1	Member of the Board Chief Corporate Adviser, Daiwa Securities Group Inc.	[Independent Director]*3
Sawako Nohara*1	Member of the Board President, IPSe Marketing, Inc.	[Independent Director]*3
Kenji Miyahara*1	Member of the Board Honorary Adviser, Sumitomo Corporation	[Independent Director]*3
Hideaki Takahashi*1	Member of the Board Professor, Keio University Graduate School of Media and Governance	[Independent Director]*3

CORPORATE AUDITORS

Konosuke Kashima	Full-time	
Kenji Seo	Full-time	
Shinichi Yokoyama*2	Chairman, Representative Director, Sumitomo Life Insurance Company	[Independent Corporate Auditor]*3
Satoshi Itoh*2	Certified Public Accountant	[Independent Corporate Auditor]*3
Ryoji Nakagawa*2	Attorney at Law	[Independent Corporate Auditor]*3

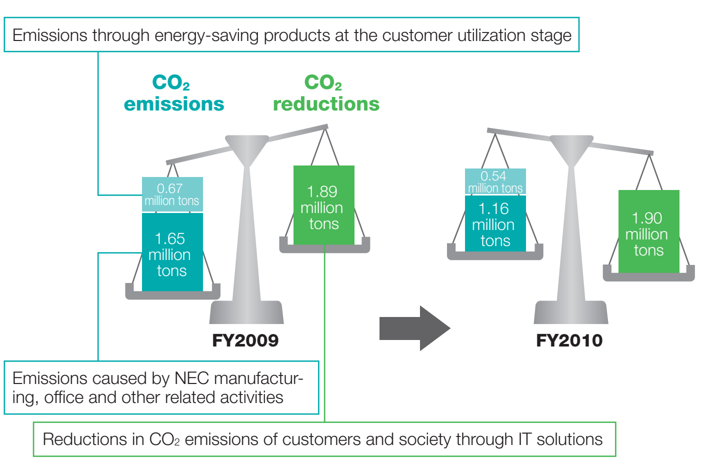
*1 Outside Directors as stipulated in Item 15 of Article 2 of the Company Law of Japan
*2 Outside Corporate Auditors as stipulated in Item 16 of Article 2 of the Company Law of Japan
*3 NEC has notified the securities exchanges of Tokyo, Osaka, Nagoya, Fukuoka and Sapporo, on which NEC has listed its shares, of the independent Directors and Corporate Auditors who will have no conflicting interests with NEC's general shareholders, the criteria of which are defined by each of these securities exchanges.

CORPORATE SOCIAL RESPONSIBILITY

At NEC, we consider CSR (corporate social responsibility) initiatives to be inseparable from corporate activities. We aim to ensure the sustainable development of society and the NEC Group by implementing The NEC Way. We recognize that our important social responsibilities include ensuring full accountability to stakeholders through the active disclosure of information on the results of our CSR initiatives and related issues, and communicating with stakeholders to improve our corporate activities and build trust.

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. In fiscal 2010, based on The NEC Way, we formulated the NEC Group Management Policy, which sets forth basic approaches and rules that must be shared by the NEC Group, with the aim of strengthening consolidated management foundations. The entire NEC Group will share and implement The NEC Way and the NEC Group Management Policy, as the foundations for promoting CSR-driven management.

SUSTAINABLE DEVELOPMENT OF SOCIETY AND THE NEC GROUP THROUGH THE NEC WAY



ACHIEVING "ZERO NET" CO_2 EMISSIONS ONE YEAR EARLY

ADDRESS CLIMATE CHANGE AND ENVIRONMENTAL PRESERVATION

ACHIEVING "ZERO NET" CO_2 EMISSIONS ONE YEAR EARLY

NEC achieved its goal of zero net CO_2 emissions by fiscal 2011, which is set forth in the NEC Environmental Management Vision 2010, one year ahead of schedule.

In fiscal 2010, NEC reduced greenhouse gases (CO_2 equivalent) emissions from manufacturing, office and other business related activities by 0.49 million tons to 1.16 million tons, compared with fiscal 2009. This reduction resulted from a switch to equipment for removing greenhouse gases and energy-saving equipment, as well as the promotion of production innovation and other activities. CO_2 emissions though energy-saving products at the customer utilization stage were reduced by 0.13 million tons from fiscal 2009 to 0.54 million tons, as a result of raising the energy efficiency of products. Specifically, NEC strove to lower power consumption, in addition to expanding ECO Symbol Star products, which offer superior environmental performance. In helping customers and society to reduce CO_2 emissions through providing IT solutions, NEC expanded the development of systems which upon adoption reduce CO_2 emissions by 50% or more, and promoted business proposals that combine CO_2 reduction benefits and cost savings. Consequently, NEC reduced these emissions by 1.9 million tons.

NEC GROUP ENVIRONMENTAL MANAGEMENT ACTION PLAN 2017/2030 NEWLY FORMULATED

To contribute on the environmental front to realizing "an information society friendly to humans and the earth," as stated in the NEC Group Vision 2017, NEC has formulated an action plan based on three key perspectives—low carbon, ecosystem and biodiversity preservation, and resource recycling and conservation.

From the low carbon perspective, NEC will help to reduce the overall CO_2 emissions of society as a whole in becoming "entirely eco-friendly" with respect to work, mobility and lifestyle. This includes making offices "entirely eco-friendly," for example, by switching to low-power ICT devices and lighting, and by achieving paperless operations and enhanced productivity through Web conferences and telecommuting from home. Other measures include providing electrodes for automotive lithium-ion rechargeable batteries and developing power storage systems and smart grids that utilize lithium-ion rechargeable batteries. Through these measures, we aim to help reduce CO_2 emissions by 15 million tons by fiscal 2018 and by 50 million tons by fiscal 2031.

Furthermore, NEC has established improvement targets for the energy efficiency of its products to reduce CO_2 emissions at the customer utilization stage. To ensure that all products enter the top class of energy-saving products, NEC is targeting an 80% reduction in power consumption of all products in fiscal 2018, compared with fiscal 2006, and a 90% reduction in the same in fiscal 2031*[1].

From the perspective of ecosystem and biodiversity preservation, NEC will offer technology and solutions that contribute to the preservation of ecosystem and biodiversity. These include remote sensing technologies from satellites in orbit and wireless sensor terminals for monitoring natural ecosystems. We will also strengthen forestation and other activities that contribute to ecosystem and biodiversity in line with the NEC Group Action Guidelines on Biodiversity.

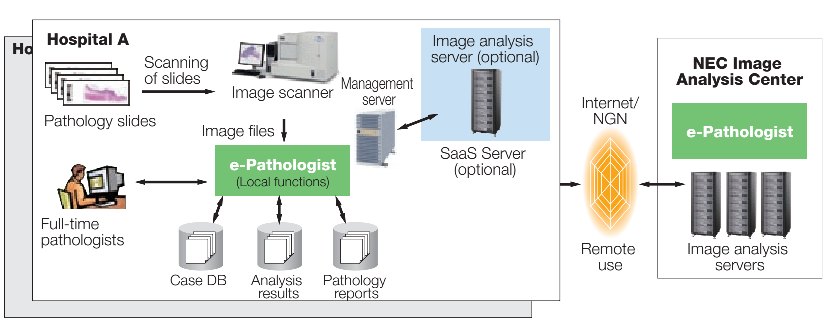
In resource recycling and conservation, NEC has produced results on many different fronts. Eyeing the transition from fossil resources to renewable resources, NEC aims to use bio-plastics in all major products in 2017.

*[1] Energy conservation results based on product performance

DEVELOPMENT OF THE e-PATHOLOGIST CANCER DIAGNOSIS ASSISTANCE SYSTEM: REALIZING FASTER DIAGNOSIS FOR EARLY DETECTION OF CANCER

The industrialized nations around the world are seeing increased cancer patient numbers and this is becoming a pressing issue for society. NEC has worked to develop the computer assisted pathological diagnosis assistance system “e-Pathologist” for prevention, early detection and early treatment of cancer, which are essential to defeat this disease. The e-Pathologist system analyzes digitized microscope images of tissue-sample (specimen) slides, and extracts the feature points of suspicious tissues or cells suspected of having cancer from the images with high precision and speed. Through these functions, the system improves the speed of pathological diagnosis and achieves a substantial improvement of administrative efficiency in hospitals.

NEC also plans to offer the system as a SaaS cloud-oriented service. This will enable customers to use the system only when needed, and only to the extent necessary, without having to make a large initial investment. Looking ahead, NEC will pursue further research and development with the view to developing applications in advanced areas such as personalized medicine and drug discovery.



THE E-PATHOLOGIST CENTER DIAGNOSIS ASSISTANCE SYSTEM

“GLOBAL TRACK TO INNOVATOR (GTI)”: DEVELOPING NEW EMPLOYEES INTO KEY GLOBAL PERSONNEL

Because employees will play a crucial role in realizing the NEC Group Vision 2017 and the V2012 Mid-Term Growth Plan, NEC is developing human resources in various ways. One example is the “GTI” program. Under this program, NEC is fostering globally viable innovators by stationing a certain number of new employees overseas every year for a period of one to two years, allowing them to experience actual business operations abroad. In fiscal 2010, we stationed 17 new employees as trainees to learn about operations at business sites in Africa, India and other locations worldwide.

Working at NEC Corporation Alger Liaison Office (Algeria)

INCLUSION IN SOCIALLY RESPONSIBLE INVESTMENT (SRI) INDEXES AND FUNDS

- SRI Indexes
  Included in Dow Jones Sustainability World Indexes (U.S.) (as of August 2010) and other indices

Dow Jones Sustainability Indexes
Member 2009/10

- SRI Funds
  Included in Eco Partners – Midori no Tsubasa (Green Wings) of Mitsubishi UFJ Asset Management Co., Ltd. (as of July 2010) 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

Year Ended March 31	Millions of yen 2009	Millions of yen 2010	Millions of U.S. dollars 2010	Percent change 2010/2009
For the year				
Net sales	¥4,215,603	¥3,583,148	$38,528	-15.0%
IT Services business	941,812	876,470	9,424	-6.9%
IT Products business	266,529	209,217	2,250	-21.5%
Network Systems business	1,001,811	785,881	8,450	-21.6%
Social Infrastructure business	340,370	316,566	3,404	-7.0%
Personal Solutions business	848,608	737,870	7,934	-13.0%
Electron Devices business	671,646	572,774	6,159	-14.7%
Others	144,827	84,370	907	-41.7%
Operating income (loss)	(6,201)	50,905	547	-
IT Services business	56,023	59,286	637	5.8%
IT Products business	21,750	(1,124)	(12)	-
Network Systems business	41,952	27,969	301	-33.3%
Social Infrastructure business	8,191	22,750	245	177.7%
Personal Solutions business	(13,212)	19,279	207	-
Electron Devices business	(87,838)	(56,827)	(611)	-
Others	5,761	11,081	119	92.3%
Eliminations / Corporate	(38,828)	(31,509)	(339)	-
Ordinary income (loss)	(93,171)	49,429	531	-
Net income (loss)	(296,646)	11,428	123	-
R&D expenses	346,529	275,970	2,967	-20.4%
Capital expenditures (property, plant and equipment)	103,142	83,098	894	-19.4%
Depreciation (property, plant and equipment)	133,624	111,167	1,195	-16.8%
Free cash flows	(145,808)	93,575	1,006	-
Per share data (in yen and U.S. dollars):				
Net income (loss)	(146.64)	5.04	0.05	-
Diluted net income	-	4.91	0.05	-
Cash dividends	0.00	4.00	0.04	-
At the year end				
Total assets	3,075,378	2,937,644	31,588	-4.5%
Owner's equity	641,654	790,904	8,504	23.3%
Interest-bearing debt	925,163	729,548	7,845	-21.1%
Owner's equity ratio (%)	20.9%	26.9%		
D/E ratio(times)	1.44	0.92		
Return on owner's equity (%)	-	1.6%		
Number of employees	143,327	142,358		

Notes:
1. U.S.dollar amounts are translated from yen, for convenience only, at the rate of ¥93=U.S.$1.
2. Net sales of each business segment are sales to external customers.
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, 2010 (Fiscal 2010)

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

This section contains forward-looking statements concerning the NEC Group's analysis of financial condition, business results and cash flows. These statements are based on the judgment of the NEC Group as of March 31, 2010. 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 its Corporate Philosophy, NEC aspires to contribute to customers and society at large, in order to achieve "an information society that is friendly to humans and the earth." To this end, we will execute The NEC Way, which organizes NEC Group business activities into a cohesive framework. This framework includes the NEC Group Vision, which expresses what we envision for the society of the future and our role as a company in this context; the NEC Group Core Values, which defines important values and principles of behavior for NEC Group employees; the NEC Group Charter of Corporate Behavior; and the NEC Group Code of Conduct.

The NEC Group generates sales from six segments: the IT Services, IT Products, Network Systems, Social Infrastructure, Personal Solutions, and Electron Devices businesses. In fiscal 2010, the IT Services business generated 24.5% of total consolidated net sales, the IT Products business 5.8%, the Network Systems business 21.9%, the Social Infrastructure business 8.8%, the Personal Solutions business 20.6%, and the Electron Devices business 16.0%. (The ratios of segment sales to total net sales were calculated based on segment sales to external customers.)

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

Sales in the IT Services business are derived mainly from systems construction, consulting and other systems integration services, as well as maintenance and support services and outsourcing services. These services are provided primarily to government agencies and private-sector companies.

Sales in the IT Products business are derived mainly from the manufacturing and sale of PC servers, mainframe computers, UNIX servers, supercomputers, storage products, professional workstations and computer software, such as operating systems, middleware and application software.

Sales in the Network Systems business are derived mainly from the manufacturing and sale of network systems primarily for telecom carriers and enterprises. Mobile communications, fixed-line communications and other systems are provided to the former, while IP telephony and other systems are provided to the latter.

Sales in the Social Infrastructure business are derived mainly from the manufacturing and sale of broadcasting systems and video equipment, control systems, transportation and public systems, aerospace systems, such as air traffic control systems and satellites, defense systems, including radar equipment, and fire and disaster prevention systems.

Sales in the Personal Solutions business are derived mainly from the manufacturing and sale of mobile handsets, personal computers for corporate and individual customers, personal communications equipment, monitors and projectors, as well as the "BIGLOBE" Internet services.

Sales in the Electron Devices business are derived primarily from the manufacturing and sale of semiconductors, including system LSIs, as well as electronic components and other products, including capacitors and lithium-ion rechargeable batteries.

The performance of the IT Services, IT Products, Network Systems, and Social Infrastructure businesses is subject to changes in economic conditions, IT investment trends and investment by telecom carriers. The performance of the Personal Solutions business is subject to the business strategies of mobile operators, demand from corporate and individual customers and other factors. The performance of the Electron Devices business is subject to demand for end products using NEC Group devices and components.

(2)Analysis of Fiscal 2010 Business Results

In fiscal 2010, the global economy continued to face difficult conditions in the first half, due to the impact of the financial crisis in the previous fiscal year. In the second half, despite

continuing high unemployment rates in North America and Europe, signs of recovery emerged as a result of stimulus measures by various governments around the world and economic growth driven by expansion in emerging countries, mainly China.
In the second half, the Japanese economy showed signs of improvement such as inventory adjustments and increasing industrial production, supported by an upturn in demand for exports mainly from Asian markets. However, corporate capital investment was restrained due to low corporate earnings, and lackluster employment and income conditions continued. Consequently, the Japanese economy did not recover from the steep economic decline of the second half of the previous fiscal year.

The NEC Group saw this difficult business environment as an opportunity to strengthen its management framework and change its business structure through a fundamental review of its business portfolio and reform of its profit structure.
Looking first at changing its business structure, in September 2009, NEC decided to merge NEC Electronics Corporation, which is engaged in the semiconductor business, with Renesas Technology Corp. in order to reinforce its business foundations and technological assets, and increase corporate value through enhanced customer satisfaction. In April 2010, NEC Electronics Corporation merged with Renesas Technology Corp. and changed its name to Renesas Electronics Corporation. As a result of the merger, NEC Electronics Corporation is no longer a consolidated subsidiary of NEC.

Furthermore, NEC strove to improve capital efficiency. One measure was to sell shares in affiliated companies that are unlikely to generate synergies within the NEC Group.

Moreover, in September 2009, NEC, Casio Computer Co., Ltd. and Hitachi, Ltd. agreed to integrate NEC's mobile handset businesses with Casio Hitachi Mobile Communications Co., Ltd., a joint venture company between Casio Computer Co., Ltd. and Hitachi, Ltd., and to operate them as a joint venture. The purpose of this agreement is to strengthen mobile handset competitiveness and expand business domestically and abroad.

NEC also launched specialized new cloud computing products and services, including its "Cloud Platform Suite™," in support of its "C&C Cloud Strategy," which capitalizes on the NEC Group's strengths in both the IT and network fields.

Furthermore, NEC laid the groundwork for full-scale smart energy and green businesses, targeting a field that is expected to play an important role in driving future growth. In April 2010, NEC also established a new company specializing in the lithium-ion rechargeable battery business, which is set to become a core smart energy and green business.

Turning secondly to profit structure reform, NEC reduced its fixed costs by 320.9 billion yen year on year, mainly by reducing costs for outsourcing engineering, consignment of activities and labor. In order to improve business efficiency and reduce maintenance and operational costs, NEC worked to consolidate its core IT systems into a cloud computing environment in line with a review of business processes throughout the NEC Group. In April 2010, NEC began operating a new accounting system, with plans to gradually phase in new systems related to sales and procurement.

Furthermore, NEC raised 118.5 billion yen through the issuance of new shares in order to reinforce the financial foundations necessary for promoting growth strategies and carrying out management reforms.

In addition to these measures, in February 2010, NEC announced its Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision," which outlines NEC's growth strategies over the next three years.

In fiscal 2010, NEC recorded consolidated sales of 3,583.1 billion yen, a decrease of 632.5 billion yen, or 15.0%, year on year. This was mainly due to large decreases in sales in the Network Systems, Electron Devices and Personal Solutions businesses.

On the earnings front, consolidated operating income was 50.9 billion yen, improving by 57.1 billion yen from an operating loss in the previous year. This improvement was mainly due to reduced selling, general and administrative expenses, despite decreased gross profit from declining sales.

NEC posted ordinary income of 49.4 billion yen, reversing the previous year's ordinary loss by 142.6 billion yen year on year. This result was due to improved operating profitability, a profit from reversal of provision for possible losses related to legal proceedings and other items. Another factor was improved equity in earnings of affiliates, reflecting stronger performance by certain affiliated companies accounted for by the equity method.

Income before income taxes and minority interests was 55.7 billion yen, a year on year improvement of 346.6 billion yen from a loss before income taxes and minority interests in the previous year. This was mainly due to a large decrease in business structure improvement expenses and loss on valuation of investment securities.

Net income was 11.4 billion yen, improving by 308.1 billion yen from a net loss in the previous year. This improvement was due mainly to the improved income before income taxes and minority interests.

Sales and operating income (loss) in each segment were as follows (figures in parentheses represent year on year changes):

a. IT Services business

Sales:	876.5 billion yen	(-6.9%)
Operating income:	59.3 billion yen	(+3.3 billion yen)

Sales in the IT Services business for fiscal 2010 were 876.5 billion yen, a decrease of 65.3 billion yen, or 6.9%, year on year, mainly reflecting restrained corporate IT investment in Japan, despite steady growth in SI services in the distribution sector and outsourcing services in Japan.

Operating income was 59.3 billion yen, improving by 3.3 billion yen from the previous year, mainly owing to reduced fixed costs.

b. IT Products business

Sales:	209.2 billion yen	(-21.5%)
Operating loss:	1.1 billion yen	(-22.9 billion yen)

Sales in the IT Products business for fiscal 2010 were 209.2 billion yen, a decrease of 57.3 billion yen, or 21.5%, year on year, mainly due to fewer large-scale projects than in the previous year, and restrained corporate IT investment in Japan.

The IT Products business reported an operating loss of 1.1 billion yen, worsening by 22.9 billion from operating income for fiscal 2009. This change was mainly due to the drop in sales, despite efforts to reduce fixed costs.

c. Network Systems business

Sales:	785.9 billion yen	(-21.6%)
Operating income:	28.0 billion yen	(-14.0 billion yen)

Sales in the Network Systems business for fiscal 2010 were 785.9 billion yen, a decrease of 215.9 billion yen, or 21.6%, year on year, mainly reflecting sluggish investment by telecom carriers worldwide.

Operating income decreased by 14.0 billion yen year on year, to 28.0 billion yen, mainly owing to the large drop in sales, despite efforts to reduce fixed costs.

d. Social Infrastructure business

Sales:	316.6 billion yen	(-7.0%)
Operating income:	22.8 billion yen	(+14.6 billion yen)

Sales in the Social Infrastructure business for fiscal 2010 were 316.6 billion yen, a decrease of 23.8 billion yen, or 7.0%, year on year. This decrease mainly reflected fewer large-scale projects in the aerospace and defense fields than in the previous year and restrained investment in broadcasting businesses.

Operating income rose by 14.6 billion yen year on year, to 22.8 billion yen, mainly owing to reduced fixed costs.

e. Personal Solutions business

Sales:	737.9 billion yen	(-13.0%)
Operating income:	19.3 billion yen	(+32.5 billion yen)

Sales in the Personal Solutions business for fiscal 2010 were 737.9 billion yen, a decrease of 110.7 billion yen, or 13.0%, year on year. This decrease mainly reflected a drop in domestic mobile handset sales, restrained corporate IT investment and falling personal computer prices in the first half, despite increased sales of personal computers, as well as display monitors and projectors for overseas markets, in the second half.

The Personal Solutions business reported operating income of 19.3 billion yen, an improvement of 32.5 billion yen from an operating loss in the previous year. This improvement was mainly owing to reduced fixed costs and other expenses as well as improved R&D efficiency.

f. Electron Devices business

Sales: 572.8 billion yen (-14.7%)

Operating loss: 56.8 billion yen (+31.0 billion yen)

Sales in the Electron Devices business for fiscal 2010 were 572.8 billion yen, down 98.9 billion yen, or 14.7%, year on year. This decrease mainly reflected lower sales of semiconductors, including system LSIs for consumer electronics, as well as decreased sales of general purpose devices such as capacitors, and liquid crystal displays for industrial use in the electronic component and other fields.

The Electron Devices business reported an operating loss of 56.8 billion yen, an improvement of 31.0 billion yen year on year, mainly owing to reduced fixed costs.

g. Others

In the Others segment, sales were 84.4 billion yen, a decrease of 60.5 billion yen, or 41.7%, year on year, mainly due to reduced sales resulting from the discontinuation of the personal computer business for enterprises in Europe.

Operating income rose by 5.3 billion yen year on year, to 11.1 billion yen, mainly due to reduced losses in the personal computer business for enterprises in Europe.

(3) Liquidity and capital resources

a. Cash Flows

	Billions of Yen		*Millions of U.S. Dollars*
	2009	2010	2010
Net cash provided by (used in)			
Operating activities	¥27.4	¥134.8	$1,450
Investing activities	(173.2)	(41.2)	(443)
Financing activities	102.2	(80.4)	(865)
Effect of exchange rate changes on cash and cash equivalents	(13.9)	0.1	1
Net increase (decrease) in cash and cash equivalents	¥(57.6)	¥13.3	$143

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, 2010, NEC had a sufficient amount of liquidity. Total liquidity in hand as of March 31, 2010 was 574.8 billion yen, comprising cash and cash equivalents of 330.5 billion yen and unused committed credit facilities of 244.3 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 274.1 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 2013 that enables NEC 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 fiscal 2010, the NEC Group raised 118.5 billion yen through the issuance of new shares. Funds were used for development investments in cloud service platforms and next generation networks; capital expenditures in the smart energy and green fields; and the repayment of interest-bearing debt.

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,	2009	2010
Long-term fund procurement*1	65.8%	60.1%
Use of capital market instruments*2	55.4%	41.1%

*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, 2010, long-term fund procurement was 60.1% and the use of capital market instruments was 41.1%.

(4) Capital Expenditures

Capital expenditures of NEC and its consolidated subsidiaries for fiscal 2010 are broken down as follows (amounts do not include consumption taxes):

	Millions of Yen		*YoY Change*
	2009	2010	2010/2009
IT Services business	¥4,942	¥4,344	Down 12.1%
IT Products business	2,168	1,504	Down 30.6%
Network Systems business	9,499	5,507	Down 42.0%
Social Infrastructure business	3,720	7,045	Up 89.4%
Personal Solutions business	8,446	4,892	Down 42.1%
Electron Devices business	68,308	51,951	Down 23.9%
Others	6,059	7,855	Up 29.6%
Total	¥103,142	¥83,098	Down 19.4%

In the IT Services business, capital expenditures included investment in facilities related to outsourcing services. In the IT Products business, capital expenditures included investments in R&D equipment for computers, such as servers and storage; and production facilities. In the Network Systems business, capital expenditures included R&D equipment for next-generation mobile communications systems; and production facilities. In the Social Infrastructure business, capital expenditures included facility renovation work at the Fuchu Plant; investments in R&D equipment for satellite systems; and production facilities. In the Personal Solutions business, capital expenditures included investments in R&D equipment and production facilities for mobile handsets; and facilities related to the "BIGLOBE" Internet service. In the Electron Devices business, capital expenditures included investments in R&D

equipment and production facilities mainly for cutting-edge system LSIs; and production facilities for automotive lithium-ion rechargeable batteries.

NEC primarily used its own capital and borrowings to fund these capital expenditures.

(5) Management Strategy and Policy

Based on its Corporate Philosophy, NEC aspires to contribute to customers and society at large, in order to achieve "an information society that is friendly to humans and the earth." To this end, we will execute The NEC Way, which organizes NEC Group business activities into a cohesive framework. This framework includes the NEC Group Vision, which expresses what we envision for the society of the future and our role as a company in this context; the NEC Group Core Values, which defines important values and principles of behavior for NEC Group employees; and the NEC Group Charter of Corporate Behavior; and the NEC Group Code of Conduct.

In February 2010, the NEC Group determined its medium-term policy of realizing the NEC Group Vision 2017 through customer-driven solutions leveraging its competitive strengths in the integration of IT and networks. The NEC Group also formulated its Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision," as a roadmap for realizing its vision. Guided by this plan, the NEC Group will strive to accelerate business activities with the view to expanding business and enhancing profitability. This will be achieved by leveraging and integrating the NEC Group's strengths in both the IT and network fields.

The NEC Group will focus on cloud-related businesses, global businesses and new businesses to drive business expansion.

In recent years, ICT (information and communications technology) markets have developed an increasingly strong interest in "leveraging IT" by accessing IT services over networks, rather than directly owning IT assets internally. Such cloud services that enable users to obtain necessary services at any time are attracting particularly strong attention. Through these services, customers can access IT systems located "somewhere" on the Internet using their own devices, without knowledge of the exact whereabouts of the service provider's data center.

In order to expand cloud-related businesses by leveraging the growing adoption of "clouds" and "services," the NEC Group will focus on two areas. The first is the "Cloud Services business," which involves the provision of secure cloud services to enterprises. The second is the "Cloud System Implementation business," which involves the integration of cloud systems for enterprises or local governments so that they can provide cloud services to their own customers or residents.

The NEC Group first proposed its C&C vision for "the future integration of Computers and Communications", more than 30 years ago. Ever since, it has continuously honed both its IT and network technologies, and has built up an extensive track record in both fields. Furthermore, the implementation of cloud systems and the use of cloud services have been promoted throughout the NEC Group itself by consolidating the NEC Group's core IT systems into its data centers, constructing platform systems and in other ways. The NEC Group will take full advantage of its track record, technologies and know-how to continue promoting its "C&C Cloud Strategy."

Global business development is also important. The NEC Group will establish a global business structure by establishing core regional management companies in each of five regions, namely North America, Latin America, Greater China, APAC (Asia Pacific) and EMEA (Europe/Middle East/Africa). The goal is to utilize the NEC Group's worldwide assets, including its customer base and technologies, more effectively, and to promote business expansion through products and services that are fine-tuned to each region. The NEC Group will concentrate on the rapidly expanding Asian and other emerging markets, while seeking to expand its public safety business, including fingerprint and other biometrics authentication systems and border control systems based on the NEC Group's track record. The NEC Group will accelerate global business expansion by sharing this record and know-how throughout the NEC Group.

The NEC Group is also working to create new businesses. The NEC Group will combine its wide range of assets, including products, services and technologies, and create new products and services that satisfy customer needs. In recent years, the smart energy and green fields have been drawing greater attention. In response, the NEC Group is focusing on the automotive lithium-ion rechargeable battery business together with Nissan Motor Co., Ltd. In the future, the integration of electric storage technologies that are cultivated through the battery business, as well as IT and network technologies, are expected to result in the creation of new business fields. Specifically, new business opportunities may include smart meters with communications or management functions for configuring facilities, home energy management systems and smart grids featuring optimized electricity distribution. Furthermore, in recent years, multi-functional terminals that connect cloud services and users have come to the fore. The NEC Group intends to enhance its presence in domestic and international markets by developing and providing competitive new terminals. These terminals will be grounded on the combined strengths developed by the NEC Group in both the personal computer and mobile phone fields and the synergies generated by the business merger with Casio Hitachi Mobile Communications Co., Ltd.

Efforts to improve profitability will be continued. In order to establish a stable revenue base for future business expansion, the NEC Group will effectively deploy and optimize human resources so as to strengthen key personnel required for international business development, as well as the service staff required for cloud services.

The NEC Group will continue to develop group-wide internal control systems, in addition to enforcing compliance, while working to enhance business management at the consolidated level as "One NEC."

The NEC Group will strive to meet the goals set forth in its Mid-Term Growth Plan "V2012" as a milestone towards achieving the NEC Group Vision 2017: "to be a leading global company leveraging the power of innovation to realize and information society friendly to humans and the earth."

NEC Corporation and Subsidiaries
Consolidated Balance Sheets
March 31, 2009 and 2010

ASSETS	*Millions of Yen* 2009	2010	*Thousands of U.S. Dollars (Note 1)* 2010
CURRENT ASSETS:			
Cash and cash equivalents *(Note 18)*	¥ 317,271	¥ 330,548	$ 3,554,279
Short-term investments *(Note 18)*	764	1,294	13,914
Trade notes and accounts receivable *(Note 18)*	746,731	773,388	8,316,000
Inventories *(Note 6)*	378,366	315,552	3,393,032
Deferred tax assets *(Note 13)*	99,657	93,307	1,003,301
Other current assets *(Note 18 and 19)*	134,254	134,900	1,450,538
Allowance for doubtful accounts	(5,951)	(6,024)	(64,774)
Total current assets	1,671,092	1,642,965	17,666,290
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION *(Note 7)*:			
Land	91,523	91,938	988,581
Buildings and structures	218,983	207,535	2,231,559
Machinery and equipment	143,269	133,018	1,430,301
Furniture and fixtures	93,881	77,681	835,280
Construction in progress	33,375	43,879	471,817
Total property, plant and equipment	581,031	554,051	5,957,538
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Note 5* and *18)*	143,361	151,221	1,626,032
Investments in affiliated companies *(Note 18)*	131,119	89,499	962,355
Goodwill *(Notes 2.a and 16)*	93,365	97,458	1,047,935
Software	125,918	117,278	1,261,054
Deferred tax assets *(Note 13)*	150,676	140,829	1,514,290
Other assets *(Note 8)*	188,288	154,183	1,657,882
Allowance for doubtful accounts	(9,472)	(9,840)	(105,806)
Total investments and other assets	823,255	740,628	7,963,742
TOTAL ASSETS	¥ 3,075,378	¥ 2,937,644	$ 31,587,570

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2009	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2010
CURRENT LIABILITIES:			
Short-term borrowings *(Note 7 and 18)*	¥ 173,132	¥ 91,161	$ 980,226
Current portion of long-term debt *(Note 7 and 18)*	143,537	200,286	2,153,613
Trade notes and accounts payable *(Note 18)*	529,258	522,533	5,618,634
Accrued expenses *(Note 18)*	200,098	175,660	1,888,817
Other current liabilities *(Notes 9, 13, 18 and 19)*	337,543	288,507	3,102,226
Total current liabilities	1,383,568	1,278,147	13,743,516
LONG-TERM LIABILITIES:			
Long-term debt *(Note 7 and 18)*	608,494	438,101	4,710,763
Liabilities for retirement benefits *(Note 8)*	224,378	237,645	2,555,323
Deferred tax liabilities *(Note 13)*	8,712	8,913	95,839
Other long-term liabilities *(Note 10)*	64,661	42,926	461,570
Total long-term liabilities	906,245	727,585	7,823,495
COMMITMENTS AND CONTINGENT LIABILITIES *(Notes 17,19 and 20)*			
NET ASSETS *(Notes 11 and 23)*:			
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized — 7,500,000 thousand shares			
Issued — 2,029,733 thousand shares in 2009 and 2,604,733 thousand shares in 2010	337,940	397,199	4,270,957
Capital surplus	464,875	192,843	2,073,581
Retained earnings	(126,276)	216,439	2,327,301
Treasury stock—at cost: 6,287 thousand shares in 2009 and 6,190 thousand shares in 2010	(2,982)	(2,929)	(31,495)
Total shareholders' equity	673,557	803,552	8,640,344
VALUATION AND TRANSLATION ADJUSTMENTS:			
Unrealized gains(losses) on available-for-sale securities	(6,228)	10,218	109,871
Unrealized gains(losses) on derivative financial instruments	(120)	61	656
Foreign currency translation adjustments	(25,555)	(22,927)	(246,527)
Total valuation and translation adjustments	(31,903)	(12,648)	(136,000)
STOCK SUBSCRIPTION RIGHTS *(Note 12)*	123	93	1,000
MINORITY INTERESTS	143,788	140,915	1,515,215
Total net assets	785,565	931,912	10,020,559
TOTAL LIABILITIES AND NET ASSETS	¥ 3,075,378	¥ 2,937,644	$ 31,587,570

NEC Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			*Thousands of U.S. Dollars (Note 1)*
	2008	2009	2010	2010
NET SALES	¥ 4,617,153	¥ 4,215,603	¥3,583,148	$ 38,528,473
COST OF SALES *(Note 8)*	3,142,844	2,929,567	2,492,403	26,800,032
Gross profit	1,474,309	1,286,036	1,090,745	11,728,441
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES *(Notes 3,8 and 14)*	1,317,544	1,292,237	1,039,840	11,181,075
Operating income (loss)	156,765	(6,201)	50,905	547,366
NON-OPERATING INCOME:				
Interest and dividend income	12,348	8,599	5,489	59,021
Reversal of provision for contingent loss	—	—	30,853	331,753
Equity in earnings of affiliated companies, net	1,003	—	7,336	78,882
Settlement and compensation income	3,296	1,167	—	—
Other non-operating income	13,206	10,545	12,869	138,376
Total non-operating income	29,853	20,311	56,547	608,032
NON-OPERATING EXPENSES:				
Interest expense	14,724	12,578	9,736	104,688
Retirement benefit expenses *(Note 8)*	13,850	14,791	14,441	155,280
Loss on disposals of property, plant and equipm	9,243	9,590	8,249	88,699
Provision for contingent loss *(Note 2.m)*	—	30,365	6,496	69,849
Foreign exchange loss, net	17,872	10,952	1,953	21,000
Equity in losses of affiliated companies, net	—	12,647	—	—
Settlement and compensation loss	2,142	—	—	—
Other non-operating expenses	16,547	16,358	17,148	184,387
Total non-operating expenses	74,378	107,281	58,023	623,903
Ordinary income (loss)	112,240	(93,171)	49,429	531,495
SPECIAL GAINS *(Note 15)*	12,126	20,631	31,511	338,828
SPECIAL LOSSES *(Note 15)*	30,748	218,430	25,286	271,892
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	93,618	(290,970)	55,654	598,431
INCOME TAXES *(Note 13)*:				
Current	38,791	30,196	28,577	307,280
Deferred	43,364	5,107	12,661	136,140
Total income taxes	82,155	35,303	41,238	443,420
MINORITY INTERESTS IN NET INCOME(LOSS) SUBSIDIARIES	(11,218)	(29,627)	2,988	32,129
NET INCOME (LOSS)	¥ 22,681	¥ (296,646)	¥ 11,428	$ 122,882

NEC Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended March 31, 2008, 2009 and 2010

	Yen			*U.S. Dollars (Note 1)*
	2008	2009	2010	2010
PER SHARE OF COMMON STOCK *(Note 22):*				
Basic net income (loss)	¥ 11.06	¥ (146.64)	¥ 5.04	$ 0.05
Diluted net income	10.64	—	4.91	0.05
Cash dividends applicable to the year	8	—	4	0.04

See notes to consolidated financial statements.

NEC Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2008, 2009 and 2010

	Thousands	Shareholders' Equity			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 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(loss)				(296,646)	
Cash dividends paid, ¥ 4 per share				(8,101)	
Purchases of treasury stock					(900)
Disposals of treasury stock				(921)	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)
Net income				11,428	
Issuance of new shares	575,000	59,260	59,260		
Deficit disposition			(331,287)	331,287	
Purchases of treasury stock					(47)
Disposals of treasury stock			(5)		100
Net changes in items other than shareholders' equity during the year					
BALANCE, MARCH 31, 2010	2,604,733	¥ 397,199	¥ 192,843	¥ 216,439	¥ (2,929)

	Shareholders' Equity			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, MARCH 31, 2009	$3,633,763	$4,998,657	$(1,357,807)	$(32,065)
Net income			122,882	
Issuance of new shares	637,204	637,204		
Deficit disposition		(3,562,226)	3,562,226	
Purchases of treasury stock				(505)
Disposals of treasury stock		(54)		1,075
Net changes in items other than shareholders' equity during the year				
BALANCE, MARCH 31, 2010	$4,270,957	$2,073,581	$2,327,301	$(31,495)

Conforming to separate financial statements, total amounts seem to be inconsistent with calculation in some cases.

See notes to consolidated financial statements.

Millions of Yen

	Valuation and Translation Adjustments						
Total	Unrealized Gains (Losses) on Available- for-sale Securities	Unrealized Gains(Losses) on Derivative Financial Instruments	Foreign Currency Translation Adjustments	Total	Stock Subscription Rights	Minority Interests	Total Net Assets
¥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)
229							229
—	(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
11,428							11,428
118,519							118,519
(47)							(47)
95							95
—	16,446	181	2,628	19,255	(30)	(2,873)	16,352
¥803,552	¥10,218	¥61	¥(22,927)	¥(12,648)	¥93	¥140,915	¥931,912

Thousands of U.S. Dollars (Note 1)

	Valuation and Translation Adjustments						
Total	Unrealized Gains (Losses) on Available- for-sale Securities	Unrealized Gains (Losses) on Derivative Financial Instruments	Foreign Currency Translation Adjustments	Total	Stock Subscription Rights	Minority Interests	Total Net Assets
$7,242,548	$(66,968)	$ (1,290)	$ (274,785)	$ (343,043)	$1,323	$1,546,107	$ 8,446,935
122,882							122,882
1,274,398							1,274,398
(505)							(505)
1,021							1,021
—	176,839	1,946	28,258	207,043	(323)	(30,892)	175,828
$8,640,344	$109,871	$656	$ (246,527)	$ (136,000)	$1,000	$1,515,215	$10,020,559

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	2010	2010
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ 93,618	¥ (290,970)	¥ 55,654	$ 598,430
Depreciation	192,658	174,311	148,008	1,591,484
Amortization of long-term prepaid expenses	23,941	18,652	17,760	190,968
Impairment losses on property, plant and equipment, and other assets	4,555	30,487	6,973	74,978
Amortization of goodwill	9,332	11,113	11,404	122,624
Increase (decrease) in allowance for doubtful accounts	(11,254)	1,356	107	1,151
Increase (decrease) in product warranty liabilities	4,820	3,678	(14,376)	(154,581)
Increase (decrease) in provision for loss on guarantees	—	14,608	(3,312)	(35,613)
Increase in provision for loss on construction contracts and others	—	3,785	4,562	49,054
Increase in liabilities for retirement benefits	6,145	571	12,571	135,172
Increase (decrease) in provision for business structure improvement	—	28,146	(15,890)	(170,860)
Increase (decrease) in provision for contingent loss	—	29,200	(30,951)	(332,806)
Decrease in provision for loss on repurchase of computers	(3,859)	(2,262)	(879)	(9,452)
Interest and dividend income	(12,348)	(8,599)	(5,489)	(59,022)
Interest expense	14,724	12,578	9,736	104,688
Equity in losses (earnings) of affiliated companies	(1,003)	12,647	(7,336)	(78,882)
Gain on change in interests in subsidiaries and affiliated companies	(333)	—	—	—
Gain on sales of property, plant and equipment	(1,423)	(465)	(4,225)	(45,430)
Loss on retirement of property, plant and equipment	2,396	117	1,527	16,419
Gain on sales of investment securities	(3,320)	(3,957)	(537)	(5,774)
Loss on sales of investment securities	4	79	39	419
Write-off of investment securities	3,798	78,759	891	9,581
Gain on sales of investments in affiliated companies	(480)	(16,209)	(22,383)	(240,677)
Loss on sales of investments in affiliated companies	408	1,706	3,112	33,462
Settlement and compensation loss	2,142	—	—	—
(Increase) decrease in trade notes and accounts receivable	8,047	105,458	(25,246)	(271,462)
Decrease in inventories	20,942	70,408	63,132	678,839
(Increase) decrease in accounts receivable, other	(3,968)	5,725	7,844	84,344
Decrease in trade notes and accounts payable	(82,171)	(170,129)	(8,582)	(92,280)

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2008, 2009 and 2010

Others—net	(32,833)	(41,844)	(35,523)	(381,968)
Sub total	234,538	68,949	168,591	1,812,806
Interest and dividends received	12,384	8,742	5,623	60,462
Interest paid	(15,632)	(13,126)	(10,067)	(108,247)
Payment for settlement and compensation loss	(2,660)	—	—	—
Income taxes – paid	(36,328)	(37,206)	(29,331)	(315,387)
Net cash provided by operating activities	¥ 192,302	¥ 27,359	¥ 134,816	$ 1,449,634

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	2010	2010
Cash flows from investing activities				
Purchases of property, plant and equipment	¥ (125,327)	¥ (107,956)	¥ (85,243)	$ (916,591)
Proceeds from sales of property, plant and equipment	31,258	12,106	9,731	104,634
Acquisitions of intangible assets	(36,689)	(39,376)	(29,592)	(318,194)
Purchases of investment securities	(9,578)	(16,559)	(6,148)	(66,107)
Proceeds from sales of investment securities	8,006	6,933	16,081	172,914
Disbursements for acquisitions of shares of newly consolidated subsidiaries	(8,448)	(31,642)	(4,035)	(43,387)
Proceeds from acquisitions of shares of newly consolidated subsidiaries	51	175	—	—
Proceeds from sales of shares of subsidiaries being excluded from the consolidation	421	4,334	—	—
Purchases of investments in affiliated companies	(5,287)	(5,879)	(19,645)	(211,237)
Proceeds from sales of investments in affiliated companies	464	4,599	71,980	773,978
(Increase) decrease in short-term loans receivable, net	3,673	(235)	63	677
Disbursements for loans receivable	(853)	(291)	(95)	(1,021)
Collection of loans receivable	86	174	5,180	55,699
Others—net	6,463	450	482	5,183
Net cash used in investing activities	(135,760)	(173,167)	(41,241)	(443,452)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings, net	(42,452)	(1,953)	(82,006)	(881,785)
Proceeds from long-term borrowings	108,807	231,233	64,472	693,247
Repayments of long-term borrowings	(71,958)	(68,753)	(59,872)	(643,785)
Proceeds from issuance of bonds	—	50,000	—	—
Redemption of bonds	(76,670)	(96,750)	(118,780)	(1,277,204)
Proceeds from issuance of common stock	—	—	118,519	1,274,398
Dividends paid	(16,176)	(8,167)	(63)	(677)
Dividends paid to minority shareholders	(2,225)	(2,786)	(2,638)	(28,366)
Others—net	(30)	(669)	(40)	(430)
Net cash provided by (used in) financing activities	(100,704)	102,155	(80,408)	(864,602)
Effect of exchange rate changes on cash and cash equivalents	(4,369)	(13,914)	110	1,183
Net Increase (decrease) in cash and cash equivalents	(48,531)	(57,567)	13,277	142,763
Cash and cash equivalents, at beginning of year	423,369	374,838	317,271	3,411,516
Cash and cash equivalents, at end of year	¥ 374,838	¥317,271	¥330,548	$ 3,554,279
Non-cash investing and financing activities				
Finance leases	¥ 12,412	¥ 4,350	¥ 2,426	$ 26,086
Conversion of convertible bonds with stock	236	—	—	—

subscription rights

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.

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the presentation used for the year ended March 31, 2010.

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 ¥ 93 to $1, the approximate rate of exchange at March 31, 2010. 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, 2010 include the accounts of the Company and its 310 (328 in 2009 and 334 in 2008, respectively) subsidiaries (together, the "Group"). Investments in 60 (63 in 2009 and 66 in 2008, 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, 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 are stated at the cost method (which writes off the book value of inventories based on decreases in profitability), determined by the following valuation methods.

Of the merchandise and finished goods, the cost of custom-made products is determined mainly by the specific identification method and the cost of mass produced standard products is determined mainly by the first-in, first-out method. Of the work in process, the cost of custom-made products is determined mainly by the specific identification method and the cost of mass produced standard products is determined mainly by the average cost method.
The cost of raw materials and supplies is determined mainly by the first-in, first-out method(Note 6).

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(Note 5).

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 fiscal year ended March 31, 2009, 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, 2008, 2009 and 2010 were ¥ 1,791,098 million, ¥ 1,771,769 million and ¥ 1,732,061 million ($ 18,624,312 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 13 years since fiscal 2008).

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly 13 years since fiscal 2008), starting in the following year after incurrence(Note 8).

p. ***Stock Options***— The Accounting Standard Board of Japan (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 (Note 12).

q. ***Research and Development Costs***— Research and development costs are charged to earnings as incurred. The amounts charged to earnings for the fiscal 2008, 2009 and 2010 were ¥ 352,200 million , ¥ 346,529 million and ¥ 275,970 million ($ 2,967,419 thousand), respectively.

r. ***Leases***— Finance leases as lessee are capitalized and accounted for as ordinary sales transactions(Note 7 and 17).

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

t. ***Construction Contracts***—In December 2007, the ASBJ issued the ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and the ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts". Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. Percentage-of-completion accounting method was applied to made-to-order software and construction projects that completion percentage can be reasonably measured. To other construction projects that completion percentage can not be reasonably measured, completed-contract accounting method was applied. The impact of this change on sales, income and segment information was immaterial for the year ended March 31, 2010.

u. ***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(Note 13).

v. ***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.

w. ***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.

x. ***Derivatives*** — The Group enters into foreign exchange forward contracts, currency swaps and interest rate swaps.

Derivatives 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(Note 19).

y. ***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

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements— In May 2006,the ASBJ issued the 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 the 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 realizable 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 realizable 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 April 1, 2008 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.

Changes in recognition criteria for completed contract revenue and costs— The "Accounting Standard for Construction Contracts" (the ASBJ Statement No.15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (the ASBJ Guidance No.18, December 27, 2007) are applied from this fiscal year.
The percentage-of-completion method has been applied to the portion of construction performed through the end of this fiscal year, in those cases where the outcome of performance activity is deemed certain (the estimation for the degree of completion of construction is determined by the percentage of the cost incurred to the estimated total cost) for the made-to-order software and construction projects that commenced on or after April 1, 2009. When the outcome of performance activity is not deemed to be certain, the completed-contract method is applied.
The impact of this change on sales, income and segment information is immaterial.

Accounting standard for retirement benefits— The "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (the ASBJ Statement No.19, July 31, 2008) is applied from this fiscal year.
The change has no impact on income, segment information and retirement benefit obligations.

Treatment of foreign exchange forward contract related to foreign currency future transaction— Foreign exchange forward contracts measured at fair value and its valuation difference was previously recognized in income and expense. From this fiscal year, deferred hedge accounting is being applied to a portion of the foreign exchange forward contracts.

This is mainly due to the revision of "Risk management policy" related to foreign exchange forward contracts, and the change resulted from the expectation of sales increase in foreign currencies for future long-term projects. Accordingly, the hedge effect is recorded in the financial statements and periodic income and loss are more properly calculated.

The impact of this change on income and segment information 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 year ended March 31, 2008, but it is separately presented from 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, 2008, but it is included in "Other non-operating expenses" in non-operating expenses from 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 (decrease) 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 from the fiscal year ended March 31, 2009 due to the increased significance in the amount. In addition, the amount of "Increase (decrease) 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. INVESTMENT SECURITIES

The carrying amounts and aggregate fair values of marketable investment securities as of March 31, 2009 and 2010 were as follows:

	Millions of Yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
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, 2010				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 62,525	¥ 26,414	¥ 5,694	¥ 83,245
Debt securities	1,001	—	178	823
Others	3,101	38	802	2,337
Total	¥ 66,627	¥ 26,452	¥ 6,674	¥ 86,405

	Thousands of U.S. Dollars			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 672,312	$ 284,022	$ 61,226	$ 895,108
Debt securities	10,763	—	1,914	8,849
Others	33,344	408	8,623	25,129
Total	$ 716,419	$ 284,430	$ 71,763	$ 929,086

Non-marketable investment securities whose fair value is not readily determinable as of March 31, 2009 and 2010 were as follows:

	Carrying amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Available-for-sale:			
Equity securities	¥ 71,048	¥ 59,837	$ 643,409
Debt securities	931	—	—
Investments in limited partnerships	6,167	4,600	49,462
Others	379	379	4,075
Total	¥ 78,525	¥ 64,816	$ 696,946

6. INVENTORIES

Inventories as of March 31, 2009 and 2010 consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Finished products	¥ 114,212	¥ 87,233	$ 937,989
Work in process	151,789	121,082	1,301,957
Raw materials and semi-finished components	112,365	107,237	1,153,086
Total	¥ 378,366	¥ 315,552	$ 3,393,032

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings

Short-term borrowings as of March 31, 2009 and 2010 consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Loans (weighted-average interest rate of 0.85% as of March 31, 2010)	¥ 57,202	¥ 69,163	$ 743,688
Commercial papers (weighted-average interest rate of 0.11% as of March 31, 2010)	115,930	21,998	236,538
Total	¥173,132	¥ 91,161	$ 980,226

As of March 31, 2010, the Group had line-of-credit agreements for short-term borrowings with financial institutions aggregating ¥ 274,120million ($ 2,947,527thousand), of which, ¥ 244,283million ($ 2,626,699thousand), was unused.

Long-term borrowings

Long-term borrowings as of March 31, 2009 and 2010 consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Loans from financial institutions, due in 2010 through 2018 (weighted-average interest rate of 1.07% as of March 31, 2010)	¥ 327,721	¥ 328,383	$ 3,531,000
Less current portion	(11,968)	(169,507)	(1,822,656)
Total	¥ 315,753	¥ 158,876	$ 1,708,344

Bonds

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
NEC 21st unsecured 2.7% bonds due in 2009	¥ 18,500	¥ —	$ —
NEC 32nd unsecured 2.43% bonds due in 2010	19,800	19,800	212,903
NEC 38th unsecured 1.47% bonds due in 2013	30,000	30,000	322,581
NEC 39th unsecured 1.68% bonds due in 2015	20,000	20,000	215,054
NEC 10th unsecured 1.0% convertible bonds due in 2011	97,669	97,669	1,050,204
NEC Euro-yen 0.0% convertible bonds due in 2010	100,000	—	—
NEC Electronics Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants	110,000	110,000	1,182,796
1.08%-1.51% bonds due in 2009 through 2011	315	35	376
Less current portion of bonds	(118,780)	(19,830)	(213,226)
Total	¥ 277,504	¥ 257,674	$ 2,770,688

The details of convertible bonds outstanding as of March 31, 2010 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)	¥ 1,250.00	¥ 1,557.60
Stock to be issued	Common stock	Common stock
Increase in equity due if converted (Yen/share)	¥ 625	¥ 779

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*
	2009	2010	2010
Lease obligations, due in 2010 through 2018 (weighted-average interest rate of 2.48% as of March 31, 2010)	¥ 28,026	¥ 32,500	$ 349,462
Less current portion	(12,789)	(10,949)	(117,731)
Total	¥ 15,237	¥ 21,551	$ 231,731

Annual maturities for the fiscal years ending March 31, 2011 through 2016 of long-term debt as of March 31, 2010 were as follows:

Year Ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2011	¥ 200,286	$ 2,153,613
2012	231,790	2,492,365
2013	73,781	793,344
2014	105,264	1,131,871
2015	3,606	38,774
2016 and thereafter	23,660	254,409
Total	¥ 638,387	$ 6,864,376

The carrying amounts of assets, net of accumulated depreciation, pledged as collateral for short-term borrowings of ¥ 1,883million ($ 20,247thousand) and long-term borrowings of ¥ 350million ($ 3,763thousand) and other debt of ¥ 36million ($ 387thousand) as of March 31, 2010 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
Land	¥ 4,674	$ 50,258
Buildings and structures	1,227	13,194
Machinery and equipment	57	613
Others	15	161
Total, net of accumulated depreciation	¥5,973.00973	$ 64,226

8. 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 liability and the asset for employees' retirement benefits as of March 31, 2009 and 2010 consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Project benefit obligations	¥ (1,080,526)	¥ (1,092,346)	$ (11,745,656)
Fair value of plan assets	586,154	695,835	7,482,097
Unfunded retirement benefit obligations	(494,372)	(396,511)	(4,263,559)
Unrecognized transitional obligation	85,194	70,824	761,549
Unrecognized actuarial gain	367,669	239,098	2,570,946
Unrecognized prior service costs	(104,466)	(95,030)	(1,021,828)
Net amounts recognized in the consolidated balance sheets	(145,975)	(181,619)	(1,952,892)
Prepaid pension expenses	78,403	56,026	602,431
Liabilities for retirement benefits	¥ (224,378)	¥ (237,645)	$ (2,555,323)

The components of retirement benefit expenses for the fiscal years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			*Thousands of U.S. Dollars*
	2008	2009	2010	2010
Service cost	¥ 40,413	¥ 38,155	¥ 36,676	$ 394,365
Interest cost	26,765	26,821	27,259	293,108
Expected return on plan assets	(16,643)	(15,110)	(12,472)	(134,108)
Amortization of transitional obligation	14,635	14,791	14,441	155,280
Amortization of actuarial gains and losses	7,122	19,379	35,463	381,323
Amortization of prior service costs	(9,880)	(9,551)	(10,117)	(108,785)
Others	7,424	10,406	7,869	84,613
Total retirement benefit expenses	¥ 69,836	¥ 84,891	¥ 99,119	$ 1,065,796

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 for the fiscal year ended March 31, 2009 respectively. See Note 15.

Assumptions used for the fiscal years ended March 31, 2009 and 2010 were as follows:

	2009	2010
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.

9. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Advances from customers	¥ 58,701	¥ 65,550	$ 704,839
Reserve for bonuses to directors	302	262	2,817
Product warranty liabilities	42,119	27,887	299,860
Provision for business structure improvement	28,528	11,602	124,753
Provision for loss on construction contracts and others	9,155	14,088	151,484
Provision for loss on guarantees	—	10,985	118,118
Provision for contingent loss	39,377	10,886	117,054
Others	159,361	147,247	1,583,301
Total	¥ 337,543	¥ 288,507	$ 3,102,226

10. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Provision for loss on repurchase of computers	¥ 10,234	¥ 9,355	$ 100,592
Long-term product warranty liabilities	1,798	1,566	16,839
Provision for recycling expenses of personal computers	6,790	6,537	70,290
Provision for contingent loss	12,244	11,163	120,032
Provision for business structure improvement	—	1,139	12,247
Provision for loss on guarantees	14,608	—	—
Others	18,987	13,166	141,570
Total	¥ 64,661	¥ 42,926	$ 461,570

11. 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.

12. STOCK OPTIONS

The Company and NEC Electronics recognized no material stock-based compensation expense for the years ended March 31, 2009 and 2010.

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

NEC

The stock options outstanding during the fiscal years ended March 31, 2009 and 2010 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
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, 2009 and 2010 were as follows:

	Shares		
	2002 Stock Option	2003 Stock Option	2004 Stock Option
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	201,000
Vested	—	—	—
Exercised	—	—	—
Forfeited	(134,000)	(29,000)	(30,000)
March 31, 2009 – Outstanding	—	125,000	171,000
For the year ended March 31, 2010			
Non-vested			
April 1, 2009 – Outstanding	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
March 31, 2010 – Outstanding	—	—	—
Vested			
April 1, 2009 - Outstanding	—	125,000	171,000
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	(125,000)	(33,000)
March 31, 2010 – Outstanding	—	—	138,000
Exercise price	¥ 888	¥ 769	¥ 756
Average stock price at exercise	—	¥ 859	—
Fair value price at grant date	—	—	—

	Shares	
	2005 Stock Option	2006 Stock Option
For the year ended March31, 2009		
Non-vested		
April 1, 2008 – Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
March 31, 2009 – Outstanding	—	—
Vested		
April 1, 2008 - Outstanding	290,000	294,000
Vested	—	—
Exercised	—	—
Forfeited	(91,000)	—
March 31, 2009 – Outstanding	199,000	294,000
For the year ended March31, 2010		
Non-vested		
April 1, 2009 – Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
March 31, 2010 – Outstanding	—	—
Vested		
April 1, 2009 - Outstanding	199,000	294,000
Vested	—	—
Exercised	—	—
Forfeited	(34,000)	(77,000)
March 31, 2010 – Outstanding	165,000	217,000
Exercise price	¥ 601	¥ 600
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, 2009 and 2010 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
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 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, 2009 and 2010 were as follows:

	Shares
	2006 Stock Option
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
For the year ended March31, 2010	
Non-vested	
April 1, 2009 – Outstanding	—
Granted	—
Forfeited	—
Vested	—
March 31, 2010 – Outstanding	—
Vested	
April 1, 2009 - Outstanding	72,000
Vested	—
Exercised	—
Forfeited	16,000
March 31, 2010 – Outstanding	56,000
Exercise price	¥ 3,927
Average stock price at exercise	—
Fair value price at grant date	¥ 937

13. 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, 2008 and 2010 and (40.5)% for the fiscal year ended March 31, 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, 2009 and 2010 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Deferred tax assets :			
Tax loss carryforwards	¥ 244,882	¥ 337,827	$ 3,632,548
Pension and severance costs	118,099	137,175	1,475,000
Accrued expenses and product warranty liabilities	61,724	54,794	589,183
Depreciation	54,474	50,215	539,946
Write-off of inventories	49,485	40,196	432,215
Research and development expenses	16,962	17,119	184,075
Investments in affiliated companies	76,564	12,322	132,495
Elimination of unrealized profit by intercompany transactions among consolidated companies	12,083	11,916	128,129
Write-off of investment securities	12,128	10,845	116,613
Provision for contingent loss	18,819	8,283	89,065
Provision for loss on construction contracts and others	—	5,667	60,935
Provision for business structure	10,295	4,910	52,796
Provision for loss on repurchase of computers	3,650	3,393	36,484
Others	86,853	62,093	667,667
Sub-total	766,018	756,755	8,137,151
Less valuation allowance	(432,706)	(445,249)	(4,787,624)
Total	333,312	311,506	3,349,527
Deferred tax liabilities:			
Gain on transfer of securities to the pension trust	42,988	40,578	436,323
Undistributed earnings of affiliated companies	5,681	9,218	99,118
Unrealized gains on available-for-sale securities	257	5,355	57,581
Reserves under special taxation measures law	1,132	484	5,204
Gain on reversion of securities from the pension trust	10,444	—	—
Others	31,298	30,684	329,935
Total	91,800	86,319	928,161
Net deferred tax assets	¥ 241,512	¥ 225,187	$ 2,421,366

Net deferred tax assets were included in the consolidated balance sheets as of March 31, 2009 and 2010 as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Current assets- deferred tax assets	¥ 99,657	¥ 93,307	$ 1,003,301
Investments and other assets- deferred tax assets	150,676	140,829	1,514,290
Current liabilities- other current liabilities	(109)	(36)	(386)
Long-term liabilities - deferred tax liabilities	(8,712)	(8,913)	(95,839)
Net deferred tax assets	¥ 241,512	¥ 225,187	$ 2,421,366

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, 2008, 2009 and 2010 were as follows:

	2008	2009	2010
Statutory tax rate	40.5%	(40.5)%	40.5%
Changes in valuation allowance	36.9	55.8	19.2
Undistributed earnings of affiliated companies	8.7	(9.3)	11.3
Non-deductible expenses for tax purposes	4.5	1.2	1.1
Amortization of goodwill	3.2	5.0	7.9
Equity in losses (earnings) of affiliated companies	(1.3)	(0.5)	(0.3)
Elimination of unrealized profit by intercompany transactions among consolidated companies	2.3	(0.7)	(0.4)
Tax rates difference relating to overseas subsidiaries	(4.0)	1.6	(5.5)
Others	(3.0)	(0.5)	0.3
Effective tax rates	87.8%	12.1%	74.1%

14. SIGNIFICANT COMPONENTS OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2008, 2009 and 2010 consisted of the followings:

	Millions of Yen			*Thousands of U.S. Dollars*
	2008	2009	2010	2010
Salaries for employees	¥ 367,662	¥ 350,584	¥ 318,385	$ 3,423,495
Research and development expenses	348,500	342,425	271,101	2,915,065
Provision for product warranty liabilities	19,284	17,368	12,278	132,022
Provision for loss on repurchase of computers	1,050	2,451	2,995	32,204
Allowance for doubtful accounts	170	3,824	1,034	11,118
Retirement benefit expenses	2,304	18,384	25,786	277,269

15. SPECIAL GAINS AND LOSSES

(1) Special gains

Special gains for the fiscal years ended March 31, 2008, 2009 and 2010 consisted of the followings:

	Millions of Yen			*Thousands of U.S. Dollars*
	2008	2009	2010	2010
Gain on sales of investments in affiliated companies	¥ 480	¥ 16,209	¥ 22,383	$ 240,677
Gain on sales of property, plant and equipment	1,423	465	4,225	45,430
Reversal of provision for loss on guarantees	—	—	3,312	35,613
Reversal of provision for recycling expenses of personal computers	924	—	1,024	11,011
Gain on sales of investment securities	3,320	3,957	537	5,774
Gain on reversal of subscription rights to shares	—	—	30	323
Gain on business transfers	3,547	—	—	—
Gain on reversal of allowance for doubtful accounts	1,499	—	—	—
Gain on change in interests in subsidiaries and affiliated companies	933	—	—	—
Total	¥ 12,126	¥ 20,631	¥ 31,511	$ 338,828

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, 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, 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.

Gain on sales of investments in affiliated companies for the fiscal year ended March 31, 2010 was mainly related to the sale of shares of Nippon Electric Glass Co., LTD.

(2) Special losses

Special losses for the fiscal years ended March 31, 2008, 2009 and 2010 consisted of the followings:

	Millions of Yen			*Thousands of U.S. Dollars*
	2008	2009	2010	2010
Restructuring charges *(Note 8)*	¥ 14,567	¥ 87,362	¥ 10,245	$ 110,161
Impairment losses on property, plant and equipment, and other assets	4,555	30,487	6,973	74,979
Loss on sales of investments in affiliated companies	408	1,706	3,112	33,462
Cost of corrective measures for products	4,420	5,312	2,487	26,742
Loss on retirement of property, plant and equipment	2,396	117	1,527	16,419
Write-off of investment securities	3,798	78,759	891	9,581
Loss on sales of investment securities	4	79	39	419
Loss on sales of noncurrent assets	—	—	12	129
Provision for loss on guarantees	—	14,608	—	—
Loss on change in interests in affiliated companies	600	—	—	—
Total	¥ 30,748	¥ 218,430	¥ 25,286	$ 271,892

Restructuring charges

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.

Restructuring charges for the fiscal year ended March 31, 2010 was mainly related to expenses for restoration to the original state of the office in association with relocations, and disposal of assets of Electron Device business.

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 and 2010.

The following summarizes the breakdown of impairment losses by account:

	Millions of Yen			*Thousands of U.S. Dollars*
	2008	2009	2010	2010
Land	¥ 531	¥ 148	¥ 64	$ 688
Buildings and structures	914	536	2,642	28,409
Machinery and equipment	137	592	1,459	15,688
Furniture and fixtures	685	844	617	6,634
Construction in progress	65	704	240	2,581
Goodwill	565	24,621	753	8,097
Software	431	2,899	703	7,559
Other assets	1,227	143	495	5,323
Total	¥ 4,555	¥ 30,487	¥ 6,973	$ 74,979

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 disposal of property, plant and equipment for the fiscal year ended March 31, 2010 was mainly related to removal costs of buildings and structures associated with sales of land and rebuilding expenses and cost in Tamagawa Plant.

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, 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.

Loss on sales of investments in affiliated companies for the fiscal year ended March 31, 2010 was related to the sales of investments in DAVID Systems GmbH, and others.

16. ADDITIONAL CASHFLOW INFORMATION

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
Current assets	¥ 20,172
Fixed Assets	6,590
Goodwill	31,004
Current liabilities	(14,587)
Long-term liabilities	(4,123)
Minority interests	(1,570)
Foreign currency translation adjustment	97
Acquisition cost of shares	37,583
Cash and cash equivalents	(5,941)
Disbursements for acquisition of shares of newly consolidated subsidiary	¥ 31,642

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
Current assets	¥ 158
Fixed Assets	61
Current liabilities	(118)
Long-term liabilities	(27)
Foreign currency translation adjustment	324
Gain on sales of investments in affiliated companies	7,586
Sale amount of shares	7,984
Long-term accounts receivables - other	(3,553)
Cash and cash equivalents	(97)
Proceeds from sales of shares of subsidiaries excluded from consolidation	¥ 4,334

The Company acquired shares of three companies, which were newly consolidated in the fiscal year ended March 31, 2010. The assets and liabilities on the date of acquisition were as follows:

Three companies

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 2,728	$ 29,333
Fixed Assets	3,228	34,710
Goodwill	915	9,839
Current liabilities	(1,267)	(13,624)
Long-term liabilities	(324)	(3,484)
Acquisition cost of shares	5,280	56,774
Consideration, unpaid	(330)	(3,548)
Cash and cash equivalents	(915)	(9,839)
Disbursements for acquisition of shares of newly consolidated subsidiary	¥ 4,035	$ 43,387

17. LEASES

The minimum obligations under noncancelable operating leases as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Due within one year	¥ 41,839	¥ 35,810	$ 385,054
Due after one year	95,866	80,082	861,097
Total	¥ 137,705	¥ 115,892	$ 1,246,151

18. FINANCIAL INSTRUMENTS

On March 10, 2008, the ASBJ revised the ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued the ASBJ Guidance No.19 "Guidance on Disclosures about Fair Value of Financial Instruments ". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Summary of financial instruments

a. Policy of financial instruments

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

b. Content and risks of financial instruments

Receivables from ordinary course of business such as notes and accounts receivable-trade are exposed to credit risk of customers.
Receivables and payables from ordinary course of business denominated in foreign currency are exposed to foreign exchange risk.
Marketable securities and investment securities, excluding financial instruments held for short-term investment, relate to investment activities aimed at strengthening the Company's operational or financial alliance with the investees. These marketable securities and investment securities are exposed to market risk.
Long-term borrowings, bonds payable and finance lease liabilities are generally made for the purpose of financing capital investments. The latest redemption date of such liabilities is in eight years. These interest-bearing debts with floating interest rate are exposed to interest rate risks.

Derivatives consist of forward exchange contracts, currency options and interest rate swaps. Forward exchange contracts and currency options are used to hedge foreign exchange risk of foreign currency denominated receivables and payables occurred during ordinary course of businesses. Interest rate swaps are used to hedge the effect from interest rate and market value movements for bank loans and corporate bonds issued.
The hedging instruments, hedged items, policies and assessment of effectiveness concerning the hedge accounting is described in Note19.

c. Risk management of financial instruments

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

NEC and its subsidiaries regularly monitor the financial position of significant customers and manage the due dates and its receivables balance due from each customer to minimize the risk of defaults resulting from deterioration of a customers' financial position at a periodical basis.
Financial institutions with higher credit capabilities are selected as counterparties while dealing in derivative transactions, deposit transactions and purchase of financial assets for short-term investments in order to reduce the counterparty risk.

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

The Group manages foreign exchange risk by currency in each due month, and to minimize its risk by utilizing netting settlement of foreign currency receivables and payables, and by utilizing forward exchange contracts and currency options.
Interest rate swap contracts are also used to control interest rate volatility risk in our bank loans and corporate bonds.
Regarding the market price risk of investment securities, the Group regularly monitors the fair value of such securities as well as financial positions of the issuers (customer enterprises). The Group also continuously reviews effectiveness of possessing such securities taking into consideration of business relationship with customer enterprises.
The Group trades derivatives based on the corporate policy which governs risk management, approval, reporting and verification process.

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

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

d. Supplemental explanation concerning the fair value of financial instruments

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

(2) Fair value of financial instruments

Carrying amount, fair value and difference between them as of March 31, 2010 were as follows:

	Millions of Yen		
	Carrying amount	Fair value	Difference
Assets:			
Cash and cash equivalents	¥ 330,548	¥ 330,548	¥ —
Trade notes and accounts receivable	773,388	772,993	(395)
Short-term investments	1,294	1,294	—
Investment securities	86,405	86,405	—
Investments in affiliated companies	42,755	30,381	(12,374)
Total	¥ 1,234,390	¥ 1,221,621	¥ (12,769)
Liabilities:			
Trade notes and accounts payable	¥ 522,533	¥ 522,533	¥ —
Short-term borrowings(*)	91,161	91,161	—
Current portion of long-term debt(*)	189,337	189,337	—
Accrued expenses	175,660	175,660	—
Long-term debt(*)	416,550	415,326	(1,224)
Total	¥ 1,395,241	¥ 1,394,017	¥ (1,224)
Derivatives (**)	¥ (761)	¥ (761)	¥ —

	Thousands of U.S.Dollars		
	Carrying amount	Fair value	Difference
Assets:			
Cash and cash equivalents	$ 3,554,279	$ 3,554,279	$ −
Trade notes and accounts receivable	8,316,000	8,311,753	(4,247)
Short-term investments	13,914	13,914	−
Investment securities	929,086	929,086	−
Investments in affiliated companies	459,732	326,678	(133,054)
Total	$ 13,273,011	$ 13,135,710	$ (137,301)
Liabilities:			
Trade notes and accounts payable	$ 5,618,634	$ 5,618,634	$ −
Short-term borrowings(*)	980,226	980,226	−
Current portion of long-term debt(*)	2,035,882	2,035,882	−
Accrued expenses	1,888,817	1,888,817	−
Long-term debt(*)	4,479,032	4,465,871	(13,161)
Total	$ 15,002,591	$ 14,989,430	$ (13,161)
Derivatives (**)	$ (8,183)	$ (8,183)	$ −

(*) The amounts of lease obligation are not included to either Short-term borrowings, Current portion of long-term debts or Long-term loans debts.

(**) Derivatives are presented as net amount of assets and liabilities, and amounts in parentheses are liabilities as the results of netting.

(a) Measurement of fair value of financial instruments and information related to securities and derivatives trade

Cash and cash equivalents and Short-term investments

Fair value equals to carrying amount , since they are to be settled in short term.

Trade notes and accounts receivable

For which are to be settled in short term, fair value equals to carrying amount . For others, to be settled in long term, fair value is measured by using discount rate considering credit and other risk.

Investment securities and Investments in affiliated companies

Fair value equals to price at financial instrument exchange.

Trade notes and accounts payable, Short-term borrowings, Current portion of long-term debt and Accrued expenses

Fair value equals to carrying amount , since they are to be settled in short term.

Long-term debt

Fair value of bonds equals to market price. Fair value of long-term borrowings is measured by using discount rate to be applied in case of financing same amount with sum of principal and interest.

Derivatives

The information of the fair value for derivatives is included in Note 19.

(b) The followings are not included in "Investment securities" or "Investments in affiliated companies" table above –due to lack of their available market price and not be able to estimate the future cash flows reasonably:

	Carrying amount	
March 31, 2010	*Millions of Yen*	*Thousands of U.S.Dollars*
Investment securities:		
unlisted stocks	¥ 59,837	$ 643,409
Investments in affiliated companies:		
unlisted stocks	46,744	502,623
Investments in limited partnerships and similar partnerships under foreign laws	4,600	49,462
Others	379	4,075
Total	¥ 111,560	$ 1,199,569

(3) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 330,548	¥ –	¥ –	¥ –
Trade notes and accounts receivable	755,343	16,851	1,015	179
Short-term investments	1,294	–	–	–
Investment securities				
Available-for-sale securities with contractual maturities (bonds)	–	1	–	822
Total	¥ 1,087,185	¥ 16,852	¥ 1,015	¥ 1,001

	Thousands of U.S.Dollars			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 3,554,279	$ –	$ –	$ –
Trade notes and accounts receivable	8,121,968	181,193	10,914	1,925
Short-term investments	13,914	–	–	–
Investment securities				
Available-for-sale securities with contractual maturities (bonds)	–	11	–	8,838
Total	$11,690,161	$ 181,204	$ 10,914	$ 10,763

Please see Note 7 for annual maturities of long-term debt.

19. DERIVATIVES

Derivative transactions as of March 31, 2009 and 2010 were as follows:

	Millions of Yen					
	2009			2010		
	Contract Amount	Fair Value	Unrealized Gain (Loss)	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts:						
Buying U.S.$	¥ 71,835	¥ 73,118	¥ 1,283	¥ 48,127	¥ 48,957	¥ 830
Euro	3,539	3,569	30	6,049	6,136	87
Others	6,166	6,169	3	10,697	10,895	198
Selling U.S.$	91,624	96,636	(5,012)	80,102	82,238	(2,136)
Euro	11,874	12,161	(287)	9,553	9,241	312
Others	1,771	1,737	34	2,116	2,126	(10)
Currency swaps:	—	—	—	129	1	1
Total	¥ —	¥ —	¥ (3,949)	¥ —	¥ —	¥ (718)
Interest rate swaps:						
Receive fixed/ Pay floating rates	¥ 80,000	¥ 191	¥ 191	¥ —	¥ —	¥ —
Pay fixed/ Receive floating rates	103,505	(1,535)	(1,535)	3,000	(43)	(43)
Total	¥ —	¥ (1,344)	¥ (1,344)	¥ —	¥ (43)	¥ (43)

	Thousands of U.S. Dollars		
	2010		
	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts:			
Buying U.S.$	$ 517,494	$ 526,419	$ 8,925
Euro	65,043	65,978	935
Others	115,022	117,151	2,129
Selling U.S.$	861,312	884,280	(22,968)
Euro	102, 721	99,366	3,355
Others	22,752	22,860	(108)
Currency swaps:	1,387	11	11
Total	$ —	$ —	$ (7,721)
Interest rate swaps:			
Receive fixed/ Pay floating rates	$ —	$ —	$ —
Pay fixed/ Receive floating rates	32,258	(462)	(462)
Total	$ —	$ (462)	$ (462)

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.

Derivative transactions to which hedge accounting is applied as of March 31, 2010, included in the above table, were as follows:

	Millions of Yen		
	Hedged item	Contract Amount	Fair Value
Foreign exchange forward contracts:			
Buying	Accounts payable		
U.S.$		¥ 3,501	¥ 3,659
Euro		40	38
Selling	Accounts receivable		
U.S.$		91	84
Euro		3	3
Interest rate swaps: (Pay fixed/ Receive floating rates)	Long-term borrowings	3,000	(43)

	Thousands of U.S. Dollars		
	Hedged item	Contract Amount	Fair Value
Foreign exchange forward contracts:			
Buying	Accounts payable		
U.S.$		$ 37,645	$ 39,344
Euro		430	409
Selling	Accounts receivable		
U.S.$		978	903
Euro		32	32
Interest rate swaps: (Pay fixed/ Receive floating rates)	Long-term borrowings	32,258	(462)

20. CONTINGENT LIABILITIES

Litigation

NEC Electronics America, Inc. (currently Renesas Electronics America Inc.), a former 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 settlement negotiations with a customer who has 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. Although the outcome of the aforementioned proceedings is not known at this time, the Group has provided an accrual in a reasonably estimated amount of potential losses thereafter.

In May 2010, the Company, NEC Electronics (Europe) GmbH (currently Renesas Electronics Europe GmbH), and other Company's former subsidiary received a notice of decision from the European Commission to impose fines on the ground of infringement of European competition laws in the DRAM industry. This decision was adopted pursuant to the settlement procedures introduced by the European Commission.

Other Contingent Liabilities

As of March 31, 2009 and 2010, the Group had the following contingent liabilities:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2010	2010
Trade notes discounted	¥ 314	¥ 1,044	$ 11,226
Guarantees for bank loans and others	10,251	9,168	98,581
Residual value guarantees under operating leases	25,028	8,946	96,194

21. RELATED PARTY DISCLOSURES

There is no significant related party disclosure which shall be disclosed for the fiscal years ended March 31, 2009 and 2010.

22. NET INCOME PER SHARE

Reconciliations of the difference between basic and diluted net income per share ("EPS") for the fiscal years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen	*Thousands of shares*	*Yen*
	Net income(loss)	Weighted average shares	EPS
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	–	–	–
For the year ended March 31, 2010:			
Basic EPS			
Net income	¥11,428		
Amounts not attributable to common shareholders			
Participating convertible securities	(124)		
Net income available to common shareholders	¥11,304	2,241,695	¥5.04
Effect of Dilutive Securities			
Convertible bonds	2	60,093	
Diluted EPS			
Net income for computation	¥11,306	2,301,788	¥4.91

	Thousands of U.S. Dollars	*Thousands of shares*	*U.S. Dollars*
	Net income	Weighted average shares	EPS
For the year ended March 31, 2010:			
Basic EPS			
Net income	$ 122,882		
Amounts not attributable to common shareholders			
Participating convertible securities	(1,334)		
Net loss available to common shareholders	$ 121,548	2,241,695	$ 0.05
Effect of Dilutive Securities			
Convertible bonds	22	60,093	
Diluted EPS			
Net income for computation	$121,570	2,301,788	$0.05

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, 2009 and 2010 were as follows:

	Yen		*U.S. Dollars*
	2009	2010	2010
Net assets per share	¥317.11	¥304.36	$3.27

The basis for calculation of net assets per share for the fiscal years ended March 31, 2009 and 2010 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, 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
For the year ended March 31, 2010:			
Total net assets	¥931,912		
Amounts deducted from total net assets			
Stock subscription rights	(93)		
Minority interests	(140,915)		
Net assets as of the year end attributable to common shareholders	¥790,904	2,598,542	¥ 304.36

	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, 2010:			
Total net assets	$ 10,020,559		
Amounts deducted from total net assets			
Stock subscription rights	(1,000)		
Minority interests	(1,515,215)		
Net assets as of the year end attributable to common shareholders	$ 8,504,344	2,598,542	$ 3.27

24. SEGMENT INFORMATION

Information about business segments, geographical segments and sales to foreign customers of the Group for the fiscal years ended March 31, 2008, 2009 and 2010 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 for the fiscal years ended March 31, 2008 and 2009.

From the April 1, 2009, the number of business segments has been changed to 7 (hereafter " the new business segments"), which are composed of IT Services, IT Products, Network Systems, Social Infrastructure, Personal Solutions, Electron Devices and Others, due to the organizational reform. As a result of that change, the segment information for the fiscal year ended March 31, 2009 has been reclassified in a manner consistent with that used for the fiscal year ended March 31, 2010.

(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

(Fiscal year ended March 31, 2009) – on the new business segments' basis

a. Sales and operating income (loss)

	Millions of Yen								
	2009								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Eliminations /Corporate	Consolidated
Net sales to external customers	¥941,812	¥266,529	¥1,001,811	¥340,370	¥848,608	¥671,646	¥144,827	¥ —	¥4,215,603
Intersegment sales and transfer	65,003	42,009	56,791	25,041	64,741	30,085	146,444	(430,114)	—
Total net sales	1,006,815	308,538	1,058,602	365,411	913,349	701,731	291,271	(430,114)	4,215,603
Operating expenses	950,792	286,788	1,016,650	357,220	926,561	789,569	285,510	(391,286)	4,221,804
Operating income(loss)	¥ 56,023	¥ 21,750	¥ 41,952	¥ 8,191	¥ (13,212)	¥ (87,838)	¥ 5,761	¥ (38,828)	¥ (6,201)

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

	Millions of Yen								
	2009								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Elimi nations /Corporate	Consoli dated
Total assets	¥ 613,899	¥ 130,534	¥ 586,778	¥ 281,668	¥ 309,576	¥ 595,483	¥ 230,502	¥ 326,938	¥ 3,075,378
Depreciation	20,506	6,533	19,877	8,512	22,902	77,350	6,493	12,138	174,311
Impairment loss on property, plant and equipment, and other assets	979	—	22,473	86	2,080	4,359	436	74	30,487
Capital expenditures	35,433	10,108	28,465	10,395	17,260	77,309	8,867	14,434	202,271

(Fiscal year ended March 31, 2010)

a. Sales and operating income (loss)

	Millions of Yen								
	2010								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Elimi nations /Corporate	Consoli dated
Net sales to external customers	¥ 876,470	¥ 209,217	¥ 785,881	¥ 316,566	¥ 737,870	¥ 572,774	¥ 84,370	¥ —	¥3,583,148
Intersegment sales and transfer	49,440	30,860	43,865	18,407	51,117	19,411	110,792	(323,892)	—
Total net sales	925,910	240,077	829,746	334,973	788,987	592,185	195,162	(323,892)	3,583,148
Operating expenses	866,624	241,201	801,777	312,223	769,708	649,012	184,081	(292,383)	3,532,243
Operating income(loss)	¥ 59,286	¥ (1,124)	¥ 27,969	¥ 22,750	¥ 19,279	¥ (56,827)	¥ 11,081	¥ (31,509)	¥ 50,905

	Thousands of U.S. Dollars								
	2010								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Elimi nations /Corporate	Consoli dated
Net sales to external customers	$9,424,409	$2,249,645	$8,450,333	$3,403,935	$7,934,086	$6,158,861	$907,204	$ —	$38,528,473
Intersegment sales and transfer	531,613	331,828	471,667	197,925	549,645	208,720	1,191,312	(3,482,710)	—
Total net sales	9,956,022	2,581,473	8,922,000	3,601,860	8,483,731	6,367,581	2,098,516	(3,482,710)	38,528,473
Operating expenses	9,318,538	2,593,559	8,621,258	3,357,236	8,276,430	6,978,624	1,979,366	(3,143,904)	37,981,107
Operating income(loss)	$ 637,484	$ (12,086)	$ 300,742	$ 244,624	$ 207,301	$ (611,043)	$ 119,150	$ (338,806)	$ 547,366

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

	Millions of Yen								
	2010								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Elimi nations /Corporate	Consoli dated
Total assets	¥ 557,625	¥ 124,918	¥ 525,420	¥ 287,644	¥ 306,410	¥ 583,735	¥ 170,120	¥ 381,772	¥ 2,937,644
Depreciation	19,257	5,926	16,205	8,364	16,177	65,916	4,567	11,596	148,008
Impairment loss on property, plant and equipment, and other assets	875	—	993	5	769	3,953	281	97	6,973
Capital expenditures	22,635	5,735	12,523	12,365	14,555	65,940	11,132	20,670	165,555

	Thousands of U.S. Dollars								
	2010								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Elimi nations /Corporate	Consoli dated
Total assets	$5,995,968	$1,343,204	$5,649,678	$3,092,946	$3,294,731	$6,276,721	$1,829,247	$4,105,075	$31,587,570
Depreciation	207,065	63,720	174,247	89,936	173,946	708,774	49,108	124,688	1,591,484
Impairment loss on property, plant and equipment, and other assets	9,409	—	10,677	54	8,269	42,505	3,022	1,043	74,979
Capital expenditures	243,387	61,667	134,656	132,957	156,505	709,032	119,699	222,258	1,780,161

(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 Services・・・・・・・・・・・・・ Systems Integration (Sysytem Construction, Consulting), Support Service (Maintenance), Outsourcing

IT Products・・・・・・・・・・・・・ PC Servers, Mainframe Computers, UNIX Servers, Supercomputers, Storage Products, Professional Workstations, Computer Software (OS, Middleware, Application Software)

Network Systems・・・・・・・・・・・ Network Systems for Communication Service Providers (Mobile Communication Systems, Fixed-line Communication Systems, etc.), Enterprise Network Systems (IP Telephony Systems, etc.)

Social Infrastructure・・・・・・・・・・ Broadcasting Systems and Video Equipment, Control Systems, Transportation Systems, Aerospace Systems (Aircraft Traffic Control Systems, Satellites, etc.), Defense Systems (Radar Equipment, etc.), Fire and Disaster Prevention Systems

Personal Solutions・・・・・・・・・・ Mobile Handsets, Personal Computers, Personal Communication Equipment, Monitors, Projectors, "BIGLOBE" Internet Services

Electron Devices・・・・・・・・・・・ 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, Capacitors, Lithium-ion Batteries, Relays, Piezoelectric Devices, IC Cards, IC Tags, LCD Displays, Lighting Equipment, Cold Cathode Fluorescent Lamps (CCFL)

(c) Unallocable operating expenses included in "Eliminations/ Corporate" for the fiscal years ended March 31, 2008, 2009 and 2010 were ¥46,576 million, ¥39,851 million (¥38,848 million on the new segments' basis) and ¥ 32,065 million ($ 344,785 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, 2008, 2009 and 2010 amounted to ¥457,978 million, ¥430,143 million (¥456,483 million on the new segments' basis) and ¥496,164 million ($5,335,097 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 years ended March 31, 2009 and 2010 are described in Note.3.

(2) Geographical Segments

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

	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	¥ 2,366,522	¥ 166,520	¥ 91,775	¥ 165,166	¥ 285,395	¥ 3,075,378

	Millions of Yen					
	2010					
	Japan	Asia	Europe	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥ 3,022,629	¥ 207,168	¥ 155,815	¥ 197,536	¥ —	¥ 3,583,148
Intersegment sales and transfer	277,794	119,817	4,221	19,574	(421,406)	—
Total net sales	3,300,423	326,985	160,036	217,110	(421,406)	3,583,148
Operating expenses	3,223,221	315,787	160,016	220,368	(387,149)	3,532,243
Operating income (loss)	¥ 77,202	¥ 11,198	¥ 20	¥ (3,258)	¥ (34,257)	¥ 50,905
Total assets	¥ 2,211,035	¥ 196,840	¥ 88,727	¥ 156,710	¥ 284,332	¥ 2,937,644

	Thousands of U.S. Dollars					
	2010					
	Japan	Asia	Europe	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	$ 32,501,387	$ 2,227,613	$ 1,675,430	$ 2,124,043	$ —	$ 38,528,473
Intersegment sales and transfer	2,987,032	1,288,355	45,387	210,473	(4,531,247)	—
Total net sales	35,488,419	3,515,968	1,720,817	2,334,516	(4,531,247)	38,528,473
Operating expenses	34,658,290	3,395,559	1,720,602	2,369,548	(4,162,892)	37,981,107
Operating income (loss)	$ 830,129	$ 120,409	$ 215	$ (35,032)	$ (368,355)	$ 547,366
Total assets	$ 23,774,570	$ 2,116,559	$ 954,054	$ 1,685,054	$ 3,057,333	$ 31,587,570

(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, 2008, 2009 and 2010 were ¥46,576 million, ¥38,848 million and ¥32,065 million ($344,785 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. From fiscal year ended March 31, 2010, in relation to change of business segments, the Company redefined scope of unallocable expenses. Before redefinition Unallocable operating expenses included in "Eliminations/ Corporate" for the fiscal year ended March 31, 2009 was ¥39,851 million.

(d) Assets included in "Eliminations/Corporate" as of March 31, 2008, 2009 and 2010 amounted to ¥457,978 million, ¥456,483 million and ¥496,164 million ($5,335,097 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. From fiscal year ended March 31, 2010, in relation to change of business segments, the Company redefined scope of corporate assets. Before redefinition Assets included in "Eliminations/ Corporate" , total assets of "Eliminations/ Corporate" and total assets of "Japan" as of March 31, 2009 are ¥430,143 million, ¥259,055 million and ¥2,392,862 million, respectively.

(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 years ended March 31, 2009 and 2010 are described in Note.3.

(3) Sales to Foreign Customers

Sales to foreign customers for the fiscal years ended March 31, 2008, 2009 and 2010 amounted to ¥ 1,155,749 million, ¥ 934,469 million and ¥ 712,886 million ($ 7,665,441 thousand), respectively.

	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

	Millions of Yen			
	2010			
	Asia	Europe	Others	Total
Overseas sales	¥ 321,790	¥ 164,672	¥ 226,424	¥ 712,886
Consolidated sales	—	—	—	3,583,148
Percentage of overseas sales to consolidated net sales (%)	9.0	4.6	6.3	19.9

	Thousands of U.S. Dollars			
	2010			
	Asia	Europe	Others	Total
Overseas sales	$ 3,460,107	$ 1,770,667	$ 2,434,667	$ 7,665,441
Consolidated sales	—	—	—	38,528,473
Percentage of overseas sales to consolidated net sales (%)	9.0	4.6	6.3	19.9

(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) As part of business structure reform aimed at strengthening business foundations and technological assets, and increasing corporate value through enhanced customer satisfaction, on April 1, 2010, based on the merger agreement reached on December 15, 2009, the Company's consolidating subsidiary (included in electron devices segment and operating mainly semiconductor business), NEC Electronics Corporation merged with Renesas Technology Corp., an entity operating in the semiconductor business, and changed its name to Renesas Electronics Corporation (Renesas EL). As a result of this merger, Renesas EL has become an affiliate applying for the equity method of accounting.

The Company will apply the business combination accounting for shareholders stipulated in the Paragraph 48 of "Accounting Standard for Business Divestitures the ASBJ Statement No.7 after the application of the purchase method of accounting by NEC Electronics Corporation being as an acquirer on this merger transaction.

On April 1, 2010, the Company also subscribed the third-party allotment, new shares issued by Renesas EL, as follows:

Number of new shares subscribed:	61,395,857 shares of common stock
Issue price:	917 yen per share
Aggregated subscription price:	56,300 million yen
Ownership ratio of the Company after the third-party allotment:	34.0 % (see note)

Note: excludes shares whose voting rights is to be exercised at the instruction of the Company based on the employee pension and retirement trust agreement with the Sumitomo Trust and Banking Co. (representing 1.5% of ownership ratio).

(2) In order to strengthen competitiveness in mobile handset business on May 1, 2010, based on the corporate split agreement reached on March 24, 2010, the Company transferred its mobile handset business to NEC CASIO Mobile Communications, Ltd. (NEC CASIO) through absorption-type corporate split. NEC CASIO merged in Casio Hitachi Mobile Communications Co., Ltd. on June 1, 2010.

The Company will apply the accounting for consolidation stipulated in the Paragraph 19 of the ASBJ Statement No.7 on the transfer transaction of the Company's mobile handset business to NEC CASIO. The Company plans to apply the business combination accounting for shareholders stipulated in the Paragraph 48 of the ASBJ Statement No.7 after the application of the purchase method accounting by NEC CASIO being as an acquirer on the scheduled merger transactions with Casio Hitachi Mobile Communications Co., Ltd.

(3) The Company issued the following Unsecured Straight Bonds on June 3, 2010:

(a) 40th Series Unsecured Straight Bonds

Aggregate nominal amount	:	40,000 million yen
Issue price	:	100 % of the principal amount
Coupon rate	:	0.495 % per annum
Payment date	:	June 3, 2010
Maturity date	:	June 3, 2013
Redemption price	:	100 % of the principal amount
Use of proceeds	:	Repayments of debts
Financial covenants	:	Negative pledge clause (with inter-bond pari passu clause) attached

(b) 41st Series Unsecured Straight Bonds

Aggregate nominal amount	:	40,000 million yen
Issue price	:	100 % of the principal amount
Coupon rate	:	0.727 % per annum
Payment date	:	June 3, 2010
Maturity date	:	June 3, 2015
Redemption price	:	100 % of the principal amount
Use of proceeds	:	Repayments of debts
Financial covenants	:	Negative pledge clause (with inter-bond pari passu clause) attached

(c) 42nd Series Unsecured Straight Bonds

Aggregate nominal amount	:	20,000 million yen
Issue price	:	100 % of the principal amount
Coupon rate	:	1.022 % per annum
Payment date	:	June 3, 2010
Maturity date	:	June 2, 2017
Redemption price	:	100 % of the principal amount
Use of proceeds	:	Repayments of debts
Financial covenants	:	Negative pledge clause (with inter-bond pari passu clause) attached

KPMG

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of NEC Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended 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 statements of operations, changes in net assets, and cash flows of NEC Corporation and subsidiaries for the year ended March 31, 2008 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 financial position of NEC Corporation and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, 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, 2010 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.

(Additional Information)
As reported in Notes for material subsequent events,

1 on April 1, 2010, the Company's consolidating subsidiary, NEC Electronics Corporation merged with Renesas Technology Corp., and changed its name to Renesas Electronics Corporation. As a result of this merger, Renesas Electronics Corporation has become an affiliate of the Company applying for the equity method of accounting.
2 on June 3, 2010, the Company issued the Unsecured Straight Bonds.

KPMG AZSA & Co.

Tokyo, Japan
June 22, 2010

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

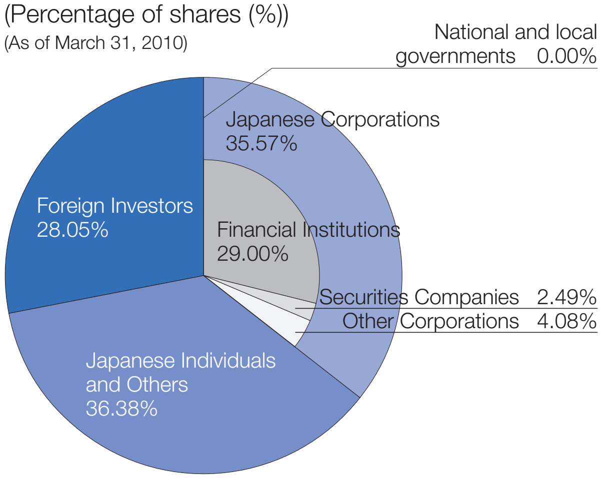
(As of March 31, 2010)

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

COMPOSITION OF SHAREHOLDERS

(Percentage of shares (%))

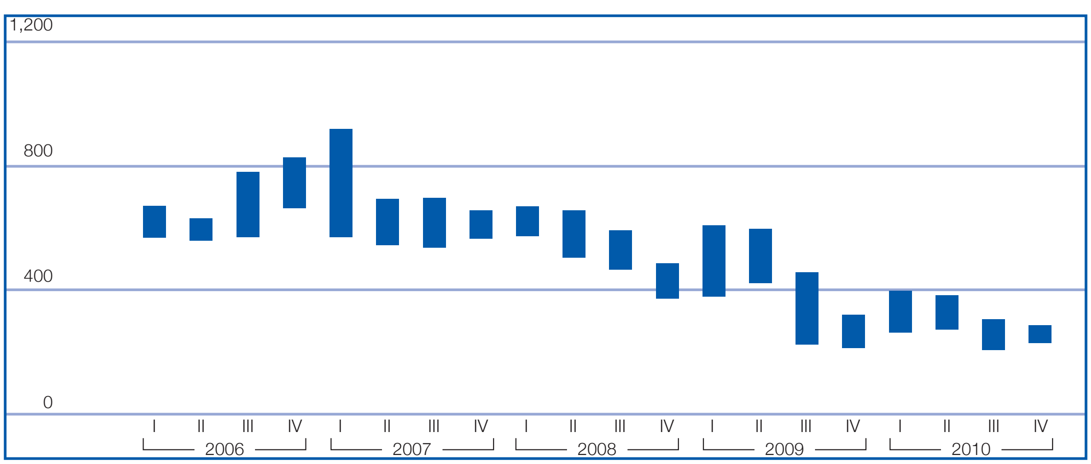
(As of March 31, 2010)



Number of shareholders 271,737

STOCK PRICE RANGE ON THE TOKYO STOCK EXCHANGE

(Yen)

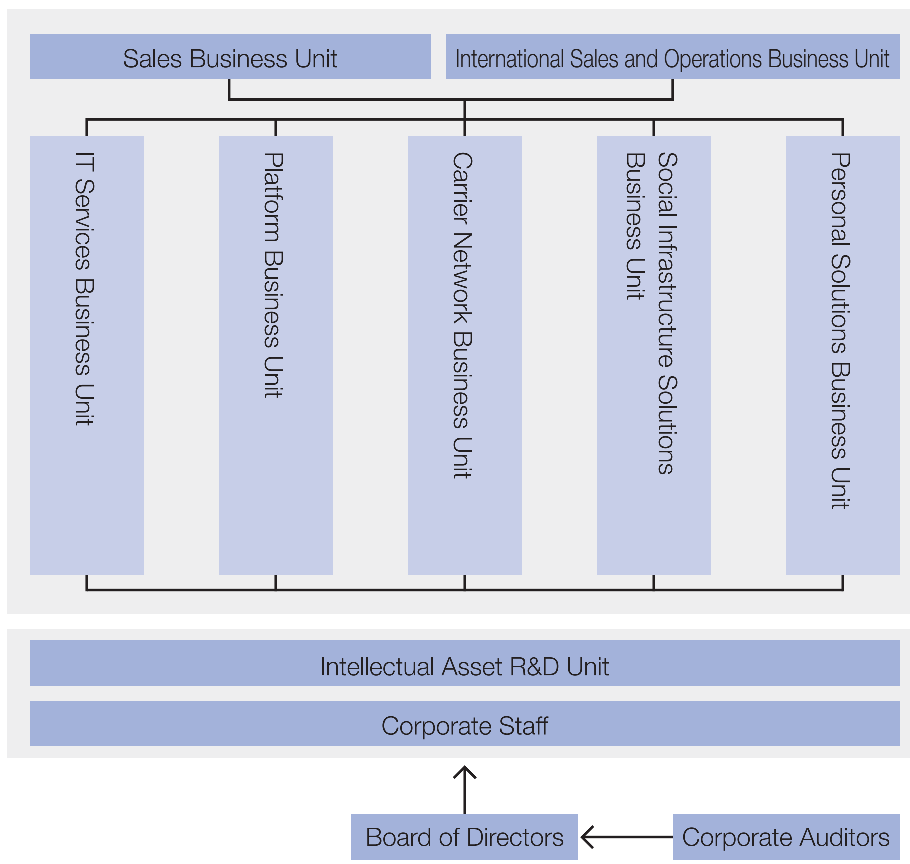


(Year ended March 31)

CORPORATE OVERVIEW

COMPANY NAME	NEC Corporation
ADDRESS	7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
ESTABLISHED	July 17, 1899
PRESIDENT	Nobuhiro Endo
CAPITAL	¥397.2 billion (As of March 31, 2010)
SHARES OF COMMON STOCK ISSUED	2,604,732,635 shares (As of March 31, 2010)
CONSOLIDATED NET SALES	¥3,583.1 billion (Year ended March 31, 2010)
BUSINESS SEGMENTS	IT Services Business Platform Business Carrier Network Business Social Infrastructure Business Personal Solutions Business
NUMBER OF EMPLOYEES	NEC Corporation and consolidated subsidiaries 142,358 (As of March 31, 2010)

ORGANIZATION CHART
(As of April 1, 2010)



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

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