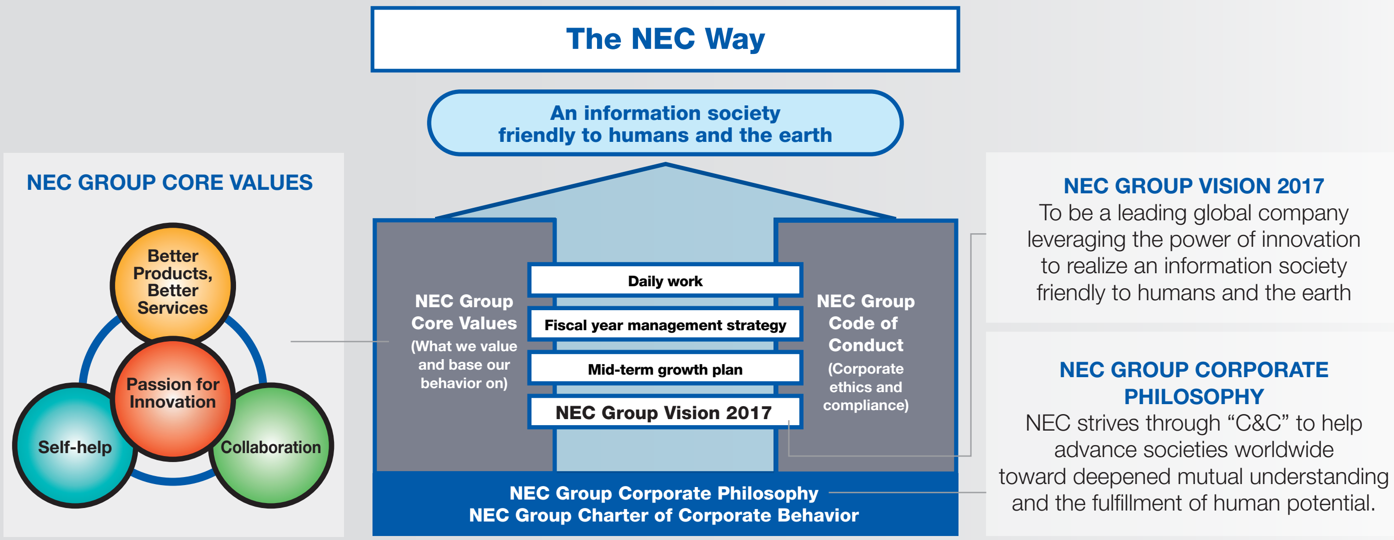
Empowered by Innovation

Annual Report 2012

Year ended March 31, 2012

NEC Corporation



"C&C": The integration of Computers and Communications

NEC aims to ensure the sustainable development of society and the NEC Group by implementing The NEC Way.

It is crucial that companies recognize that their existence is premised on society, and at the same time is part and parcel of the global environment that is precious to all forms of life on the earth. NEC seeks to realize "an information society friendly to humans and the earth," as set forth in the NEC Group Vision 2017 based on its Corporate Philosophy. To this end, in the course of daily operations, every employee will rigorously adhere to corporate ethics and compliance standards, practice the NEC Group Core Values (what we value and base our behavior on), and help solve issues faced by customers and society.

Our important social responsibilities also include ensuring full accountability 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.

CONTENTS

TO OUR SHAREHOLDERS

In fiscal 2012, NEC was unable to achieve its initial business targets for the fiscal year mainly because of the major upheaval in the economic environment due to fiscal crisis in various European countries, the appreciation of the yen, and the impact of the Great East Japan Earthquake and the flooding in Thailand. Another factor was the impact of Japan's tax reforms. In light of these circumstances, NEC has decided not to pay a year-end dividend for fiscal 2012 following management's decision not to pay an interim dividend. We deeply regret that we must report this decision to our shareholders.

In fiscal 2012, although consolidated net sales decreased 2.5% year on year to ¥3,036.8 billion, consolidated operating income improved ¥15.9 billion from the previous fiscal year to ¥73.7 billion. However, our bottom line was impacted by several factors, including a review of deferred tax assets reflecting Japan's tax reforms and financial results for fiscal 2012, and the recording of business structure improvement expenses. As a result, NEC posted a consolidated net loss of ¥110.3 billion, ¥97.7 billion worse than the net loss result in the previous fiscal year.

In February 2010, NEC unveiled its Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision." Under this plan, NEC has striven to implement speedier management to drive business expansion, with the view to achieving its net sales target of ¥4 trillion in fiscal 2013. However, NEC has been unable to deliver adequate results due to the onset of an increasingly severe business environment surrounding the company, compounded by abrupt shifts in the economic environment. In light of these conditions, we have started restructuring challenged business areas through measures including personnel reductions, to ensure that we generate stable profits based on the current level of sales. These measures are directed at transforming NEC into a profitable enterprise. Furthermore, the NEC Group intends to implement reforms designed to transform itself into a cash flow-driven enterprise with four core businesses, namely the IT Services business, Carrier Network business, Social Infrastructure business and Energy business. Our overriding goal is to enhance corporate value.

We would appreciate your continued support and understanding as we work to reach our goals.

June 2012

N. Endo

Nobuhiro Endo

President, NEC Corporation

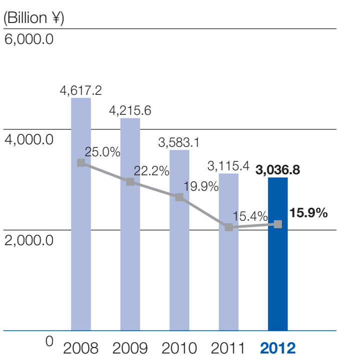
FINANCIAL HIGHLIGHTS

NEC Corporation and Consolidated Subsidiaries
For the years ended March 31, 2008, 2009, 2010, 2011 and 2012

	Millions of yen			
	2008	2009	2010	2011
For the year:				
Net sales	¥4,617,153	¥4,215,603	¥3,583,148	¥3,115,424
Overseas sales	1,155,749	934,469	712,886	479,349
Percentage of overseas sales to consolidated net sales (%)	25.0	22.2	19.9	15.4
Operating income (loss)	156,765	(6,201)	50,905	57,820
Ordinary income (loss)	112,240	(93,171)	49,429	41
Net income (loss)	22,681	(296,646)	11,428	(12,518)
Cash flows from operating activities	192,302	27,359	134,816	33,660
Cash flows from investing activities	(135,760)	(173,167)	(41,241)	(146,244)
Free cash flows	56,542	(145,808)	93,575	(112,584)
R&D expenses	352,200	346,529	275,970	176,514
Capital expenditures (property, plant and equipment)	122,577	103,142	83,098	52,850
Depreciation (property, plant and equipment)	147,779	133,624	111,167	62,097
Per share data (in yen and U.S. dollars):				
Net income (loss)	11.06	(146.64)	5.04	(4.82)
Diluted net income	10.64	–	4.91	–
Cash dividends	8.00	0.00	4.00	0.00
At year-end:				
Total assets	3,526,795	3,075,378	2,937,644	2,628,931
Owner's equity	1,004,221	641,654	790,904	757,054
Return on equity (%)	2.2	–	1.6	–
Owner's equity ratio (%)	28.5	20.9	26.9	28.8
Interest-bearing debt	800,843	925,163	729,548	675,798
Debt-equity ratio (times)	0.80	1.44	0.92	0.89
Number of employees	152,922	143,327	142,358	115,840
Number of consolidated subsidiaries	334	328	310	283

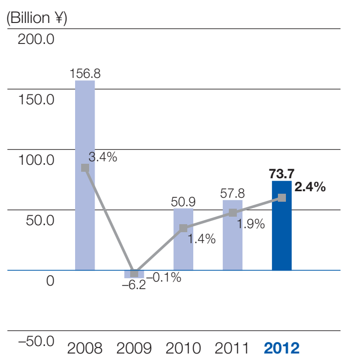
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥82 = U.S.$1.
2. Net income (loss) per share is calculated based on the weighted-average number of shares outstanding during each period.
3. Owner's equity is the sum of total shareholders' equity and total valuation and translation adjustments.
4. The debt-equity ratio is calculated by dividing interest-bearing debt by owner's equity.

NET SALES, PERCENTAGE OF OVERSEAS SALES TO CONSOLIDATED NET SALES



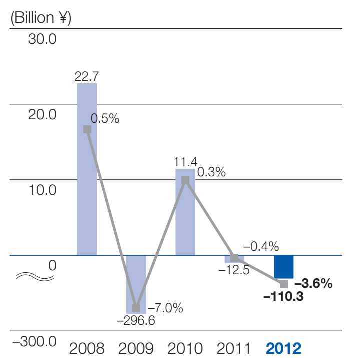
■ Net sales
— Percentage of overseas sales to consolidated net sales

OPERATING INCOME (LOSS), OPERATING INCOME RATIO



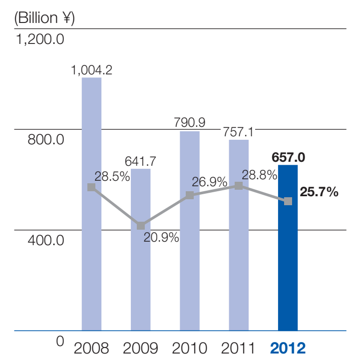
■ Operating income (loss)
— Operating income ratio

NET INCOME (LOSS), NET INCOME RATIO



■ Net income (loss)
— Net income ratio

OWNER'S EQUITY, OWNER'S EQUITY RATIO



■ Owner's equity
— Owner's equity ratio

	Millions of U.S. dollars	Percent change
2012	2012	2012/2011
¥3,036,836	**$37,035**	−2.5%
481,492	**5,872**	0.4
15.9		
73,742	**899**	27.5
42,050	**513**	–
(110,267)	**(1,345)**	–
83,857	**1,023**	149.1
(49,706)	**(606)**	–
34,151	**416**	–
161,968	**1,975**	−8.2
41,980	**512**	−20.6
53,306	**650**	−14.2
(42.44)	**(0.52)**	–
–	**–**	–
0.00	**0.00**	–
2,557,570	**31,190**	−2.7
656,956	**8,012**	−13.2
–		
25.7		
692,734	**8,448**	2.5
1.05		
109,102		
265		

Overview of Business Results for the Fiscal Year Ended March 2012

Net sales ¥3,036.8 billion (down 2.5% year on year)

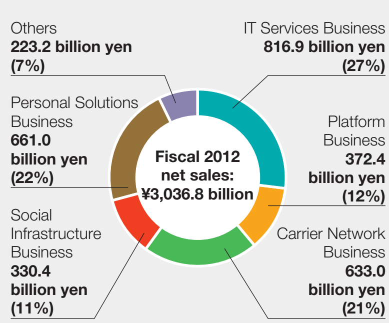
Net sales were ¥3,036.8 billion, down ¥78.6 billion year on year, despite higher sales in the Carrier Network, IT Services and Social Infrastructure businesses. This decrease mainly reflected lower sales in the Personal Solutions business primarily due to the deconsolidation of the PC business for individual customers. Excluding the influence from the business no longer being consolidated, net sales increased by around 1% year on year.

Operating income ¥73.7 billion (improved ¥15.9 billion year on year)

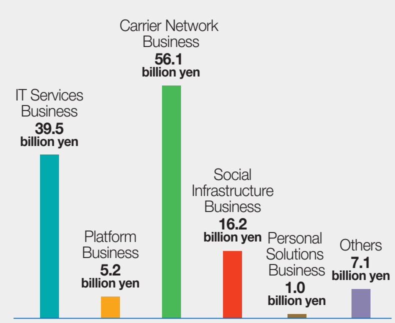
Net loss −¥110.3 billion (¥97.7 billion worse year on year)

NEC posted an operating income of ¥73.7 billion. This primarily reflected higher earnings year on year in the IT Services and Carrier Network businesses.
NEC posted a net loss of ¥110.3 billion, ¥97.7 billion worse than in the previous fiscal year, despite lower equity in losses of affiliates. This result mainly reflected the recording of business structure improvement expenses as special losses and an increase in deferred income taxes due to the review of deferred tax assets reflecting tax reforms in Japan and financial results for fiscal 2012.

SEGMENT SALES (COMPOSITION)

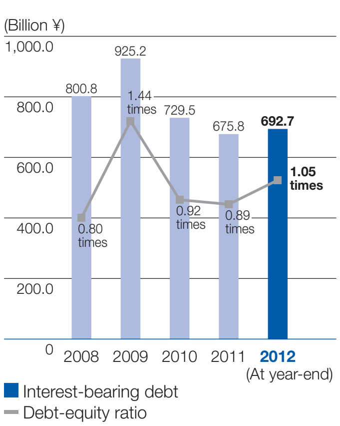


SEGMENT OPERATING INCOME

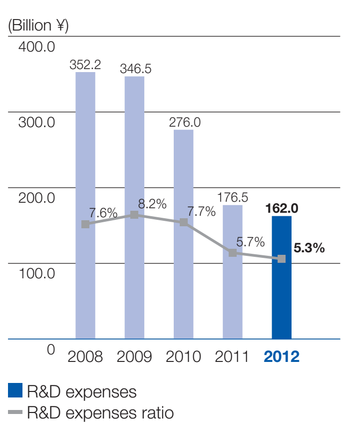


Note: Expenses other than the above include general and administrative expenses of divisions that are not affiliated with any segment and basic research and fundamental development expenses.

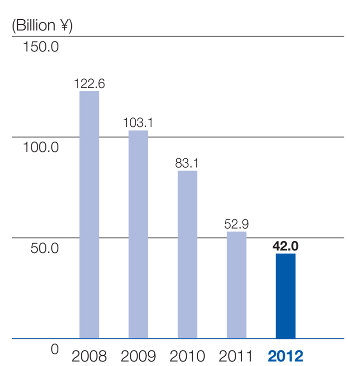
INTEREST-BEARING DEBT, DEBT-EQUITY RATIO



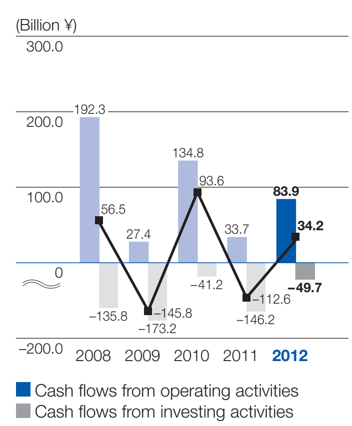
R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



CASH FLOWS



MESSAGE FROM THE PRESIDENT

Management Perspective on Business Strategies

Nobuhiro Endo
President, NEC Corporation

1. Mid-Term Growth Plan "V2012" and Fiscal 2012 Results

Guided by the NEC Group Vision 2017, NEC aims "to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth." In February 2010, the NEC Group set 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 network. Accordingly, the NEC Group formulated its Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision."

In fiscal 2012, the "V2012" plan's second year, the global economy showed signs of a slowdown in the pace of economic recovery, mainly due to the financial market turmoil accompanying the spread of the European debt crisis, the flooding in Thailand, interest rate hikes in China, India and certain other countries aimed at taming inflation, and slow improvement in employment and consumer spending in the U.S.

The Japanese economy remained in a challenging condition, mainly due to the impact of the global economic slowdown, the persistently strong yen and the flooding in Thailand. However, there were some signs of recovery from the downturn caused by the Great East Japan Earthquake.

In this business environment, as in fiscal 2011, NEC continued to advance the three key initiatives of the "V2012" plan: Focus on the "C&C Cloud Strategy," expand global business, and create new businesses. As we pursued these measures, we also strove to speedily address shifts in the business environment.

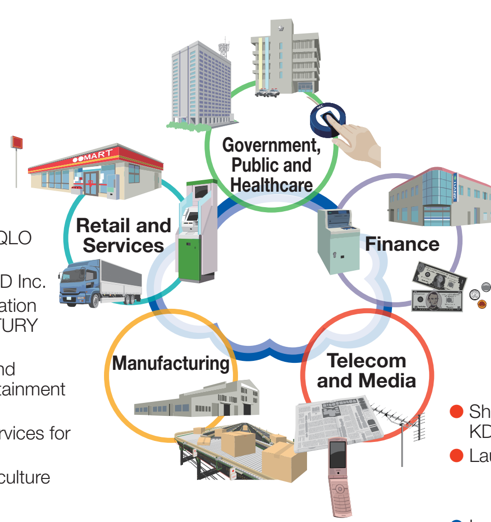
Focus on "C&C Cloud Strategy"

In fiscal 2012, NEC actively worked to provide secure and reliable cloud services by enhancing the range of its cloud services tailored to each type of operation in government, manufacturing and retail distribution sectors. In addition, NEC has obtained technologies and expertise by shifting its own core IT systems to a cloud environment. Harnessing these strengths, NEC provided cloud-based services underpinning customers' core operation systems, such as the global accounting system for Sanden Corporation. NEC also began providing the CONNEXIVE solution to realize services using M2M*1 (Machine to Machine) communications technology, which is designed to integrate various sensors and devices over a network.

Another priority was to expand sales of cloud services on a global basis. To this end, NEC worked to establish business and customer bases through collaboration with local IT companies such as the Neusoft Corporation Group of China and the STEE Group of Singapore.

For telecom carriers, NEC continued to provide communication infrastructure for high-speed,

"C&C CLOUD" ACTIVITIES / ACHIEVEMENTS



- Financial accounting cloud services for 10 towns and villages in Kanagawa Prefecture
- Unified communication system for Ishigaki City and Taketomi Town in Okinawa Prefecture
- Library system for Maebashi City and Yamato City libraries
- Education information cloud for education committee of Hiroshima City
- Private cloud for Tokai University
- Hybrid cloud for the University of Tokushima
- SaaS-based electric medical records system for Tamashima Daiichi Hospital in Kurashiki City, Okayama Prefecture

- Digital signage solutions for UNIQLO (Fast Retailing Co., Ltd.)
- Accounting system for COOKPAD Inc.
- Cloud services of Internet reservation data exchange for HOTEL CENTURY SOUTHERN TOWER
- SaaS-based e-ticket issuance and authentication services for Entertainment Plus Inc.
- Indirect material procurement services for Cecile Co., Ltd.
- Collaboration with Nepon in agriculture ICT cloud

- Shipment of LTE base stations to KDDI Corporation
- Launch of M2M Solution "CONNEXIVE"

- Global Accounting System for Sanden Corporation
- Content chemical management solution complying with the REACH regulations for YASKAWA Electric Corporation
- Health management system for Seiko Epson Corporation
- Collaboration with Mitsubishi Electric Corporation in cloud service business for manufacturing management systems
- Alliance with Obayashi Corporation and GRAPHISOFT SE in Smart BIM Cloud

- Launch of services from NEC Kansai 2nd Data Center
- Launch of services from NEC Hokkaido Data Center

*1 M2M stands for "Machine to Machine." By exchanging data among network-connected machines, such as sensors, automobiles, vending machines, home electric appliances, M2M technology is designed to gather information and control various equipment.

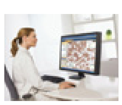
large-capacity LTE-based mobile communication services to NTT DOCOMO, INC., as in the previous fiscal year. In fiscal 2012, NEC began providing this infrastructure to KDDI Corporation as well. Additionally, NEC entered into an agreement with Cisco Systems, Inc. of the U.S. for collaboration on the deployment and sale of commercial LTE networks targeting global markets.

Expand Global Business

In fiscal 2012, NEC promoted business development driven by local leadership primarily through regional management companies (regional headquarters) in five regions, namely North America, Greater China, APAC (Asia Pacific), EMEA (Europe, Middle East, and Africa) and Latin America. NEC also worked to expand businesses such as submarine cable systems and the PASOLINK ultra-compact microwave communications system. In the Carrier Cloud business, NEC builds platforms needed by telecom carriers to provide cloud-based services to subscribers and provides related operational support. Here, NEC began providing services to telecom carriers in such countries as Thailand, Belarus and Argentina. In fiscal 2012, NEC reported overseas sales of ¥481.5 billion, representing 15.9% of consolidated net sales.

Furthermore, NEC acquired Global View S.A., a company with a strong track record in video surveillance services in Argentina, with the view to accelerating global business expansion of the public safety business. Moreover, NEC entered into an agreement with Convergys Corporation of the U.S. on the acquisition of its business support systems (BSS) operations for telecom carriers. The purpose of this acquisition is to enhance NEC's services for telecom carriers, primarily those overseas. BSS operations provide billing management, customer support and other services to telecom carriers.

GLOBAL BUSINESS ACTIVITIES / ACHIEVEMENTS



- Collaboration with Royal Philips Electronics on digital pathology systems
- Postal automation system for Swiss Post
- Femtocell systems for Kuwait Zain
- Acquisition of activation business from India Subex by NetCracker
- Launch of PASOLINK production in India
- Partnership on cloud services with Trimax IT Infrastructure & Services Limited of India
- Establishment of NEC Mobile Network Excellence Center in India
- Establishment of NEC Africa Ltd.

- Launch of SaaS business application store with Mobile TeleSystems OJSC
- Collaboration with Neusoft Corporation on cloud services
- Transport Management System for Beijing P.G.F. Logistics Co., Ltd. in China
- Collaboration with Jointown Pharmaceutical Group Co., Ltd. on pharmaceutical logistics management solutions

- Alliance with Korea's Shinsegae I&C Co., Ltd. and NICE Information Service Co., Ltd. for cloud service models that analyze customer information
- SaaS cloud service for the Amata Industrial Estate, Thailand
- Collaboration with Singapore STEE on cloud services
- Advanced Postal automation systems for POS Malaysia Berhad
- POS system for Alfamart, an Indonesian retailer

- Submarine cable system project: Asia Pacific Gateway
- Submarine cable system project: South-East Asia Japan Cable (SJC)
- Submarine cable system project: Maldives

- iPASOLINK: NEC won more than 200,000 orders for the "iPASOLINK" series on a cumulative basis as of May 2012

- Digital signage solutions for UNIQLO (Fast Retailing Co., Ltd.)
- Collaboration with Cisco Systems, Inc. to build commercial LTE networks
- Acquisition of the BSS business of U.S.-based Convergys Corporation
- Programmable Flow for Genesis Hosting Solutions
- Participation in smart city development in Brazil
- Establishment of NEC Latin America S.A.
- Acquisition of Global View S.A. of Argentina
- SaaS-based cloud services in Argentina with Telefónica S.A.

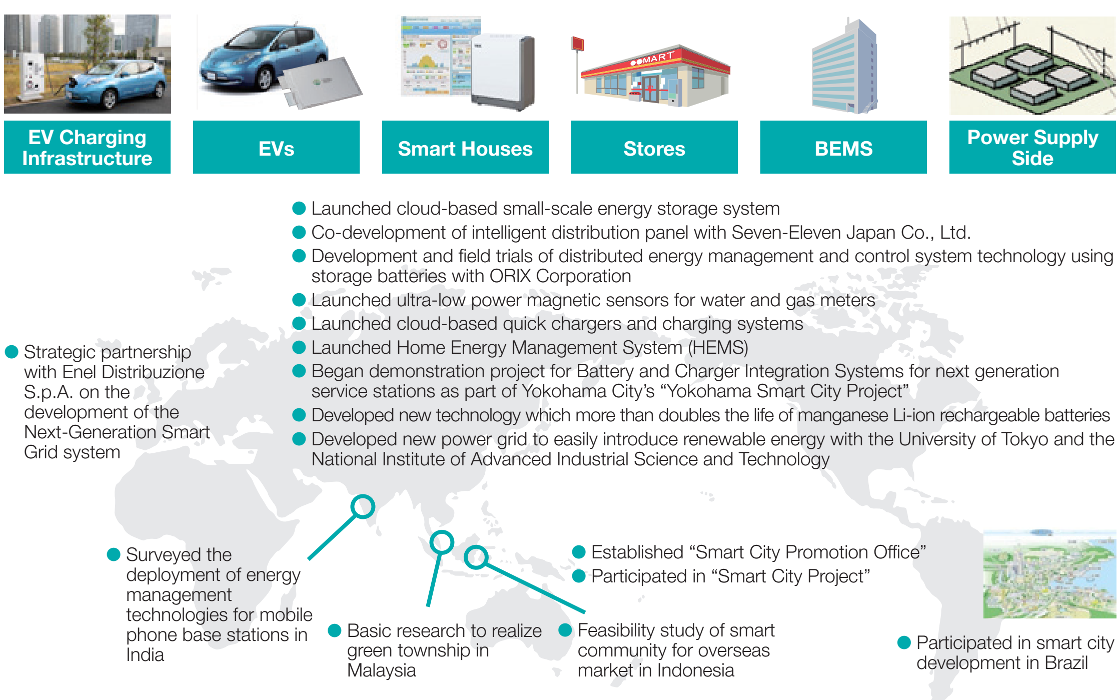
Create New Businesses

In fiscal 2012, NEC worked together with Nissan Motor Co., Ltd. to ensure steady mass production and shipments of electrodes for automotive lithium-ion rechargeable batteries, a key component of these batteries. In addition, NEC strove to actively conduct trials aimed at enhancing the practicality and reliability of electric vehicle (EV) charging infrastructure, along with promoting related standardization, in support of greater uptake of this infrastructure. NEC also commenced sales of cloud-based charging systems that reduce the workload of charging station operators through the provision of cloud-based remote control and monitoring of charging stations. For the household sector, NEC began offering a Home Energy Management System (HEMS) that makes household power consumption and electricity charges more visible using cloud-based services. NEC also launched sales of small-scale energy storage systems enabling households to conserve power consumption.

NEC also worked toward achieving new city development initiatives utilizing information and communications technology (ICT). To this end, NEC actively implemented a range of measures in collaboration with various partners worldwide, including participation in a smart city development planned in a major Brazilian city, with the view to build a new energy efficient society.

In addition to implementing these measures to achieve the key initiatives of "V2012," NEC made progress on other fronts to enhance the competitiveness of its businesses. In the electronic component business, NEC TOKIN Corporation reached an agreement on forming a capital and business alliance with KEMET Corporation of the U.S. In addition, NEC integrated the domestic PC business with Lenovo Group Limited.

NEW BUSINESS ACTIVITIES (SMART ENERGY)



Nevertheless, the business environment surrounding NEC became even more challenging than initially anticipated. For this reason, NEC finished fiscal 2012 on a disappointing note in terms of business results. Operating income fell short of our initial ¥90 billion target, mainly reflecting the lack of competitiveness in smartphones, and the impact of the flooding in Thailand. Furthermore, we reviewed deferred tax assets in light of Japan's tax reforms and our business results for fiscal 2012. Consequently, for the second straight year, NEC recorded a net loss and decided to pay no annual dividend. As the president of NEC, I deeply regret these results.

	FY2010/3	FY2011/3	FY2012/3	
(Billion ¥)	Results	Results	Initial plan	**Results**
Net sales	3,583.1	3,115.4	3,300.0	**3,036.8**
Overseas sales	712.9	479.3		**481.5**
Overseas sales ratio	19.9%*	15.4%		**15.9%**
Operating income	50.9	57.8	90.0	**73.7**
Operating income ratio	1.4%	1.9%	2.7%	**2.4%**
Net income (loss)	11.4	–12.5	15.0	**–110.3**
Return on equity (ROE)	1.6%	–		**–**

* 15.6% excluding the semiconductor business

2. Structural Reforms

NEC has so far striven to drive business expansion with the view to achieving its net sales target of ¥4 trillion in fiscal 2013. However, in light of the strong yen and other market factors and no likelihood of any sharp recovery in the economic environment or business conditions, we have decided to change our management policy. We are now making every effort to transform NEC into an enterprise that can generate stable operating income of more than ¥100 billion even with the current level of net sales of ¥3 trillion. In line with this, in fiscal 2012, NEC recorded an extraordinary loss of ¥40.5 billion for business structure improvement expenses, including personnel reductions.

NEC will first implement personnel reductions as part of structural reforms aimed at making NEC a solidly profitable enterprise. At the same time, NEC will press ahead with structural reforms of challenged business areas, such as the mobile phone business and the platform business.

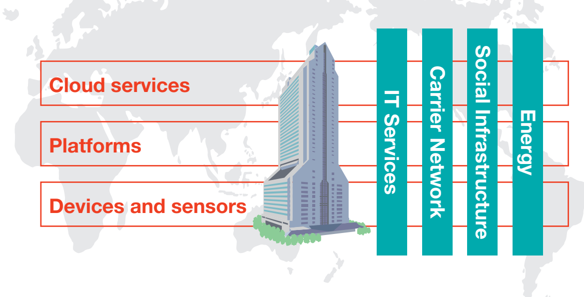
NEC plans to reduce personnel by approximately 10,000 by the end of September 2012. These personnel should consist of around 7,000 staff members in Japan, including external contractors, and approximately 3,000 staff members overseas.

NEC will consider far-reaching structural reforms of its mobile phone business, such as outsourcing part of its domestic development and production to overseas companies. In the platform business, NEC will promote alliances and collaboration with other companies particularly in the fields of hardware including servers, with the aim of establishing a globally competitive business, while streamlining the NEC Group's development and production operations.

As a result of implementing cost reductions in addition to these structural reforms, NEC is projecting a positive impact of ¥40.0 billion on operating income in fiscal 2013, compared with fiscal 2012.

3. Focus on Four Core Businesses

In addition to these structural reforms, NEC has positioned the IT Services business, the Carrier Network business, the Social Infrastructure business and the Energy business as its four core businesses. These businesses are expected to generate stable cash flows going forward. In these fields, NEC will concentrate investment particularly on domains for which growth is anticipated. Through this approach, NEC will strive to build a new foundation for growth.



(1) IT Services Business

The market for IT services in Japan is gradually recovering. Expectations are also rising for the creation of new added value using big data processing technology, which can process and analyze large

Initiatives to Expand Solutions to the Retail Distribution Sector

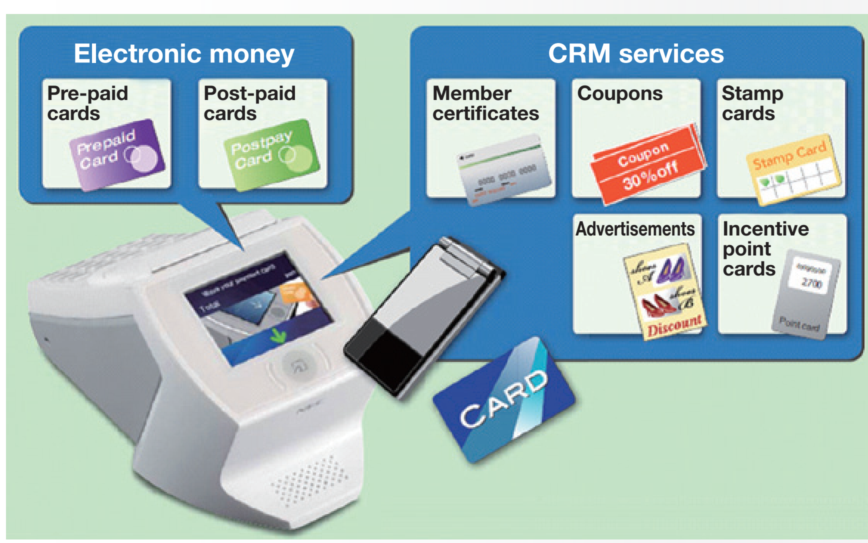
IT Services Business

In recent years, the retail distribution sector has been accelerating new initiatives utilizing ICT, such as developing multi-channel operations by linking brick-and-mortar stores with online shops and conducting effective marketing activities by analyzing purchasing behavior. This is in addition to utilizing ICT in core operation fields for purposes such as reducing costs and improving operating efficiency. In the retail distribution industry, given that sales methods to consumers can set companies apart from their competitors, there are particularly high hopes for market expansion in customer management, settlement and other domains.

For the retail distribution sector, NEC already supplies customers with traditional solutions underpinning core operations, such as ordering and procurement, inventory management and store operations, as a cloud-based service. Also, NEC already provides POS systems, electronic money platforms and other systems that provide an interface with consumers. Building on its track record of deliveries in Japan, NEC has established a growing global track record, highlighted by the delivery of POS systems to major convenience store operators in Indonesia and Mexico. Moreover, NEC has an extensive track record in integrating electronic money platform systems primarily in Japan. The technologies and expertise developed through this wealth of experience have become a significant source of strength for NEC.

Furthermore, NEC has provided new solutions harnessing cutting-edge technologies. For example, NEC has rolled out digital signage solutions that enable efficient marketing, and smart power distribution boards that enable efficient power consumption by making power usage in stores visible. Going forward, NEC seeks to develop solutions designed to offer more sophisticated added value to customers. For example, NEC plans to embed into POS systems a compact sensor that can estimate the age and gender of customers using its world-acclaimed face recognition technology.

TERMINALS AT WHICH ELECTRONIC MONEY CAN BE USED FOR A VARIETY OF CARDS AND COUPONS



volumes of diverse data. In this context, NEC will work to expand the services business based on its track record and expertise developed over the years, while focusing on measures in domains where large IT investment is anticipated, such as smartphone-related capital investment, financial sector realignment, and large systems upgrade and replacement projects. In addition, NEC aims to win orders for projects related to the recovery from the Great East Japan Earthquake, as well as for national ID system projects in Japan and in emerging countries.

Furthermore, NEC will strive to expand its overseas business by building global systems that are increasingly needed by Japanese companies moving into overseas markets. At the same time, NEC will enhance its overseas business foundations mainly through alliances and collaboration with other companies.

In addition to these measures, NEC will make upfront investment in future growth. Investments will be focused on further upgrading and expanding cloud services, rapidly enhancing technologies such as big data processing, and bolstering overseas business.

(2) Carrier Network Business

Demand is expanding for high-speed, large capacity communications systems on the back of burgeoning growth in data traffic driven by the popularization of smartphones. Business models are also changing rapidly. For example, telecom carriers are now providing their own cloud services. In this climate, NEC is working to increase sales of

Aiming for Global Expansion of the Services and Management Field

Carrier Network Business

In the Carrier Network business, NEC will continue to concentrate business resources in four areas: wireless broadband access, mobile backhaul, submarine cable systems, and services and management. In these areas, NEC can demonstrate its unique strengths, and high market growth is expected. Among the four areas, services and management involves providing telecom service providers with mainly software and consulting services designed to provide platforms for launching new services or reduce operation and management costs. It is an area that is expected to grow at a faster pace than the growth rate for capital investment in communication infrastructure equipment.

OSS/BSS*[1] is expected to see particularly high growth overseas, because these systems enable the integrated operation and management of increasingly complex networks. From the standpoint of enhancing services and raising cost efficiency, demand is growing for the next-generation of products that will enable unified operations by integrating OSS and BSS.

Since the acquisition of NetCracker Technology Corp. in 2008, NEC has steadily increased sales centered on OSS operations. Through the latest acquisition of the BSS operations of Convergys Corporation, NEC now has a framework in place for providing total solutions that fuse the strengths of both companies.

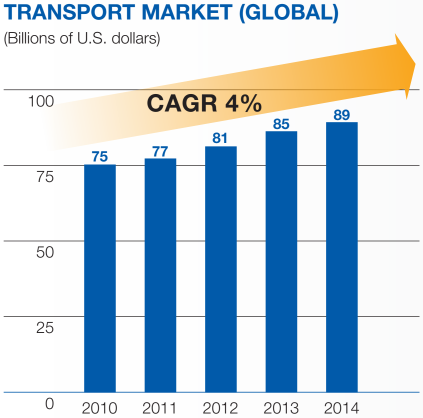
Going forward, NEC will strive to increase sales by leveraging the product lineups of both companies. In parallel, NEC will provide services that fit the needs of the communications industry by establishing the next-generation of OSS/BSS solutions, as it endeavors to expand this business globally.

*1 OSS/BSS (Operation Support Systems / Business Support Systems): Collectively refers to network operation support systems (OSS) and business support systems (BSS) including billing management and customer support management.

SERVICE AND MANAGEMENT IS A GROWING FIELD

CHANGE IN THE ACCESS AND TRANSPORT MARKET (GLOBAL)

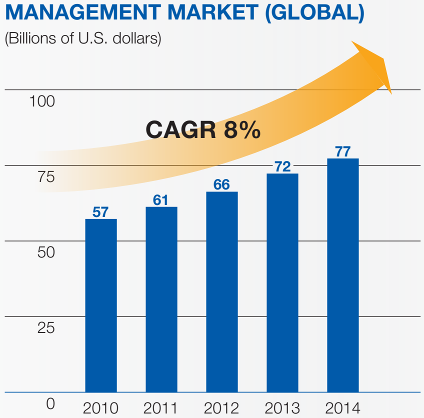
(Billions of U.S. dollars)



Estimated by NEC based on projections of various companies.

CHANGE IN THE SERVICE AND MANAGEMENT MARKET (GLOBAL)

(Billions of U.S. dollars)



Estimated by NEC based on projections of various companies.

communications infrastructure for LTE services to Japanese telecom carriers, while promoting sales to overseas telecom carriers through collaboration with other companies. Efforts are also focused on expanding NEC's market share by enhancing the product competitiveness of its ultra-compact microwave communications system, PASOLINK. Additionally, in submarine cable systems, NEC will steadily execute large projects and seismic observation system projects. Another priority is to make the most of the business support system (BSS) operations acquired from Convergys Corporation of the U.S. in order to enhance service operations for overseas telecom carriers. In addition to these measures, NEC plans to increase upfront investment in future growth, in such areas as next-generation operational support systems (OSS) and business support systems (BSS), carrier cloud, and OpenFlow technology.

(3) Social Infrastructure Business

In Japan, business opportunities are being spawned by developments including the rebuilding of social infrastructure systems in association with disaster

Creating a Safety Business Through a Multi-Faceted Combination of Technology Assets

Social Infrastructure Business

NEC positions the Social Infrastructure business, which helps to achieve a secure and reliable society, as one of its four core businesses. To develop advanced social infrastructure, it is crucial to cover the entire sequence of events from gathering data about the real world using sensing technology, to efficiently transmitting the gathered data over networks, and using the new added value created through the processing and analysis of such data to aid decision-making. NEC possesses core technologies in sensing, networking, information processing and other areas that underpin such infrastructure. NEC has also developed systems integration technology in the course of numerous large-scale systems integration projects. By taking full advantage of these assets, we believe that we can deliver social infrastructure solutions totally unique to NEC.

To illustrate, NEC possesses a broad range of sensing technologies such as high-sensitivity infrared sensors that can image objects through the detection of infrared radiation, and high-sensitivity cameras that can take color pictures even in brightness settings as dim as starlight, as well as underwater sensors that can detect intruders based on underwater acoustics and other factors. NEC combines these sensors with technical advances such as video analysis technologies that detect people and behavior in real time based on NEC's network technology and video surveillance technology. As a result, NEC is able to provide optimal solutions for the surveillance of key facilities that require a particularly sophisticated level of security, such as airports, railways, power plants and harbors. By taking these solutions to an even higher level, NEC believes that it may be able to predict and forecast systems disruptions and incidents, as well as crime, in the future.

In the safety field, including facility surveillance and disaster prevention systems, NEC will accelerate the development of new solutions that integrate its technology assets, with the goal of developing smart social infrastructure worldwide in the coming years.

ILLUSTRATION OF HARBOR SECURITY SYSTEM

recovery efforts, regional restructuring of fire and disaster prevention systems, digitization of wireless communications networks and upgrades to the second generation of ETC equipment. By steadily capturing demand for these sorts of projects, NEC aims to ensure a steady operating base.

Globally, there is heightened demand for reliable and secure social infrastructure designed to prevent terrorism and crime, and predict natural disasters, among other ends. To address these needs, NEC will endeavor to create businesses in public safety fields based on its business assets. Examples include surveillance systems for key facilities such as airports and harbors, and disaster prevention systems. Efforts will also be directed at strengthening the operating base with an emphasis on profitability, with the aim of driving the expansion of these businesses.

(4) Energy Business

Smart city projects and measures to make more efficient use of energy are becoming increasingly prominent around the world. Accordingly, this field has immense growth potential. NEC aims to generate new business through proactive participation in smart city projects in various countries worldwide. At the same time, NEC will take steps to expand business focusing on the electrode business for automotives, small energy storage systems, and Home Energy Management Systems (HEMS). Eyeing growth over the medium term, NEC will develop a smart energy business framework that integrates development, manufacturing and sales. This will enable NEC to create an energy service business that fuses its energy components and ICT.

Toward the Full-Scale Expansion of the Smart Energy Business

Energy Business

NEC is focusing on the smart energy business, which will contribute to achieving a low-carbon society, with the aim of creating "an information society friendly to humans and the earth." NEC's greatest strength in this field is that it possesses both ICT, including computer, network and cloud technologies, and energy component technology, such as energy storage systems and charging systems for EV/PHV*[1].

Leveraging this strength, NEC is working to create new businesses by teaming up with partners in various fields across different industries and fusing one another's specialties and expertise. NEC has already commercialized electrodes for automotive lithium-ion rechargeable batteries, and small-scale energy storage systems. In addition, NEC has commercialized cloud-based HEMS and cloud-based charging infrastructure. Moreover, NEC is also actively promoting field trials aimed at commercializing energy storage systems for buildings and commercial facilities, as well as for the power transmission grid.

In April 2012, eyeing further business expansion going forward, NEC established the Smart Energy Business Operations Unit, which will centralize the Company's assets related to development, manufacturing and sales in the smart energy domain, with the view to bolster business development capabilities and speed up business expansion. In July 2012, NEC began shipping a cloud-based small-scale energy storage system that is remotely supported 24/7, 365-days a year. Through these and other products, NEC will strive to create products and services that further integrate energy components and ICT.

To answer global needs for more efficient energy usage, NEC will accelerate the launch of the smart energy business, with the goal of helping to build a new energy-efficient society.

Cloud-based small-scale energy storage system fitted with rechargeable lithium-ion batteries

*[1] Plug-in hybrid vehicle

4. Restoring Trust and Improving Corporate Value

In fiscal 2013, emerging countries are expected to maintain high economic growth, despite concerns about economic weakness in developed countries centered on Europe. In Japan, market conditions are projected to recover gradually, primarily due to demand related to the recovery from the Great East Japan Earthquake. However, the prevailing foreign exchange rate levels are highly likely to persist for some time. In light of these factors, there are no prospects for any rapid recovery in market conditions. In this context, NEC's first priority is to achieve its business forecasts and resume dividends by seeing structural reforms through to the very end. By doing so, we aim to restore the trust of shareholders and other investors.

Furthermore, NEC will focus on key fields centered on its four core businesses, with the aim of improving its corporate value. Efforts will be concentrated on creating and winning new business opportunities to drive global business expansion.

Looking ahead, NEC will continue to make every effort to "realize an information society friendly to humans and the earth." We ask for your continued support and understanding as we endeavor to reach this goal.

AT A GLANCE

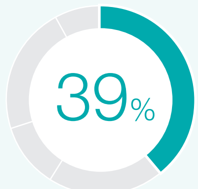
NEC Corporation and Consolidated Subsidiaries
From April 1, 2012, NEC has reclassified its segments. Figures are based on the new segment classification.
Net sales, operating income and the net sales ratio for the fiscal year ended March 31, 2012 have been reclassified to conform to the new segment presentation.

IT SOLUTIONS BUSINESS

NET SALES 1,189.2 billion yen

OPERATING INCOME 44.8 billion yen

COMPOSITION OF SALES



MAJOR PRODUCTS AND SERVICES

IT SERVICES

- Systems Integration (Systems Implementation, Consulting)
- Maintenance and Support
- Outsourcing (Data Center Services, IT Operation Management)/Cloud Services

SOLUTIONS BY BUSINESS SECTOR/ INDUSTRY

- Government/Public/Healthcare:
  Systems for Central Government Ministries, Electric Medical Record Systems
- Finance/Telecom/Media:
  Bank Settlement Systems, Systems for Broadcasters
- Manufacturing:
  Production Management Systems, Sales Management Systems
- Retail/Services:
  Retails Systems for Stores and Head Offices, Distribution Management Systems

PLATFORM

- IT Platforms

  Hardware
  PC Servers, UNIX Servers, Mainframes, Supercomputers, Storage and ATMs

  Software
  Integrated Operation Management, Application Server, Security, Operating System (OS) and Database Software
- Enterprise Network Solutions
  IP Telephony Systems, WAN/Wireless Access Equipment, LAN Products

MAJOR CONSOLIDATED SUBSIDIARIES

NEC Soft, Ltd.
NEC System Technologies, Ltd.
NEC Nexsolutions, Ltd.
NEC Fielding, Ltd.

MAJOR CONSOLIDATED SUBSIDIARIES

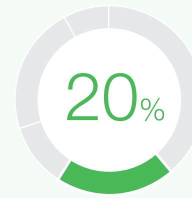
NEC Infrontia Corporation
NEC Computertechno, Ltd.

CARRIER NETWORK BUSINESS

NET SALES 602.7 billion yen

OPERATING INCOME 50.6 billion yen

COMPOSITION OF SALES

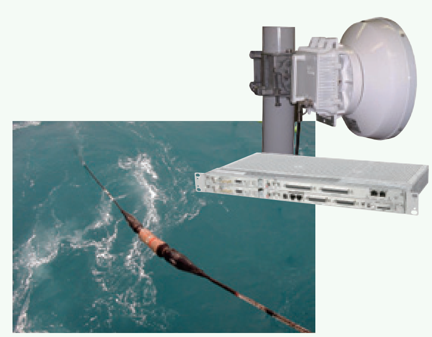


MAJOR PRODUCTS AND SERVICES

- Network Infrastructure
  (Wireless Communications Systems, Fixed-line Communications Systems)

  Backbone Network Systems
  Optical Transmission Systems, Submarine Cable Systems, Routers/Switches

  Access Network Systems
  Wireless Broadband Access (Mobile Phone Base Stations), Mobile Backhaul ("PASOLINK"), Broadband Access (FTTx)
- Services & Management
  Network Operation Support Systems (OSS)/Business Support Systems (BSS), Network Control Platform Systems, Network Service Delivery Platform Systems



MAJOR CONSOLIDATED SUBSIDIARIES

NEC Network Products, Ltd.
NEC Communication Systems, Ltd.
NEC Networks & System Integration Corporation

SOCIAL INFRASTRUCTURE BUSINESS

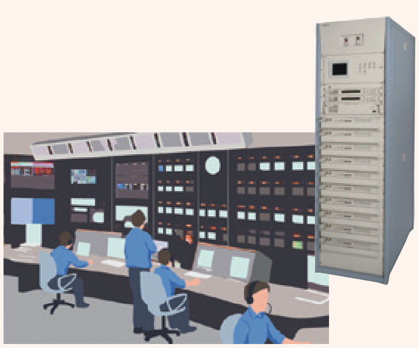
NET SALES 330.4 billion yen

OPERATING INCOME 16.2 billion yen

COMPOSITION OF SALES 11%

MAJOR PRODUCTS AND SERVICES

- Broadcasting and Video Distribution Systems
  Digital Terrestrial TV Transmitters, Studio Systems
- Control Systems
  Postal/Logistics Automation Systems, ITS Telematics Systems, Industry Computers
- Transportation and Public Network Systems
  Train Radio Systems, Smart Building Management Systems
- Fire and Disaster Prevention Systems
  Fire-fighting Command Systems, Disaster Prevention Radio Systems
- Aerospace and Defense Systems
  Air Traffic Control Systems, Satellite Systems, Uncooled Infrared Sensors



MAJOR CONSOLIDATED SUBSIDIARIES

NEC Engineering, Ltd.
NEC TOSHIBA Space Systems, Ltd.
NEC Network and Sensor Systems, Ltd.
Nippon Avionics Co., Ltd.

PERSONAL SOLUTIONS BUSINESS

NET SALES 661.0 billion yen

OPERATING INCOME 1.0 billion yen

COMPOSITION OF SALES 22%

MAJOR PRODUCTS AND SERVICES

- Smartphones and Mobile Phones
- Business PCs
- Tablet Devices
- Mobile Routers and Wireless Routers
- “BIGLOBE” Internet Services
- Display Solutions
  (Monitors, Projectors, Public Displays for Digital Signage)

MAJOR CONSOLIDATED SUBSIDIARIES

NEC CASIO Mobile Communications, Ltd.
NEC Access Technica, Ltd.
NEC BIGLOBE, Ltd.
NEC Embedded Products, Ltd.
NEC Display Solutions, Ltd.
NEC Mobiling, Ltd.

OTHERS

NET SALES 253.5 billion yen

OPERATING INCOME 11.1 billion yen

COMPOSITION OF SALES 8%

MAJOR PRODUCTS AND SERVICES

- Smart Energy
  Electrodes/Energy Storage Systems
  Energy Management Systems
  EV/PHV Charging Infrastructure
  Solutions for Utilities
- Lighting Equipment

MAJOR CONSOLIDATED SUBSIDIARIES

NEC Energy Devices, Ltd.
NEC Lighting, Ltd.

REVIEW OF OPERATIONS

IT SOLUTIONS BUSINESS

Takaaki Shimizu
Senior Vice President

NEC provides a range of IT services covering system integration, maintenance and support, operation and outsourcing, as well as cloud services. NEC also supplies the platforms essential to the development of IT systems and enterprise network systems, such as servers, storage, software and IP telephony systems. Using its extensive experience in developing 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.

FISCAL 2012 PERFORMANCE AND MAIN ACCOMPLISHMENTS

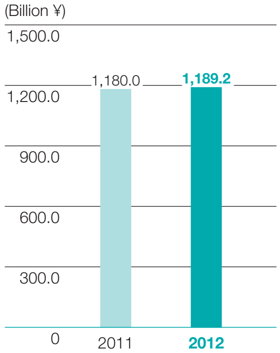
Business segment sales increased 0.8% year on year to ¥1,189.2 billion. This increase mainly reflected steady growth in the IT services business, mostly to government agencies, local governments, medical institutions and the manufacturing sector. This was despite lower sales in the platform business, centered on hardware, primarily due to the impact of the flooding in Thailand.

Operating income improved ¥14.5 billion year on year to ¥44.8 billion. This improvement was mainly due to higher sales, fewer unprofitable projects and cost reductions in the IT services business, which outweighed lower earnings in the platform business due to lower sales and the impact of the flooding in Thailand.

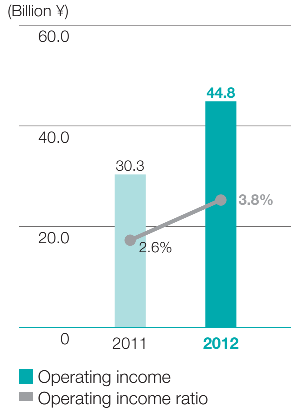
In fiscal 2012, in the IT services business, NEC remained focused on increasing sales of Software as a Service (SaaS) for specific business sectors and operations. Examples included finance, accounting and payroll management systems for 10 local government bodies in Kanagawa Prefecture, and a SaaS-based electronic medical record service for medical institutions. Furthermore, NEC steadily built up its track record of integration of private cloud systems for educational institutions such as Tokai University, and integration of business systems infrastructure for All Nippon Airways, Co., Ltd.

In the platform business, NEC's "UNIVERGE PF Series" (ProgrammableFlow), the world's first next generation network products equipped with the new network control technology OpenFlow, attracted considerable attention. Given the extremely strong customer interest in these products, which substantially reduce network operation and management costs, NEC supplied "UNIVERGE PF Series" products to enterprises and data center operators worldwide. In addition, the "UNIVERGE PF Series" received the "Best of Interop 2012" award at Interop Las Vegas 2012. In other areas, NEC has received many accolades from customers for its platform products supporting cloud computing. For example, NEC's PC server "Express5800 series" achieved the No. 1 share[*1] in the Japanese market for the 16th consecutive year. NEC's core cloud platform

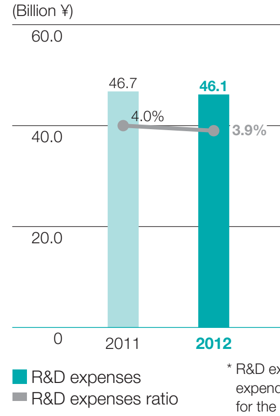
SALES



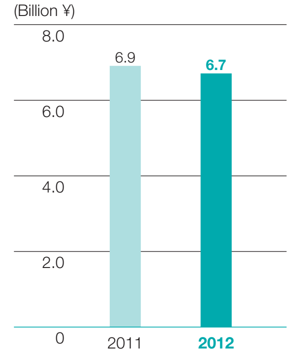
OPERATING INCOME, OPERATING INCOME RATIO



R&D EXPENSES*, R&D EXPENSES RATIO*



CAPITAL EXPENDITURES*



* R&D expenses, the R&D expenses ratio and capital expenditures represent the sum of corresponding figures for the former IT Services and Platform businesses

[*1] Source: CY1996–2011 Japan x86 Server Market (Unit, Factory Revenue (Yen)), IDC, Worldwide Quarterly Server Tracker, 2012Q1
[*2] Source: Nikkei Computer (16th Customer Satisfaction Survey, August 18, 2011 issue); 1st place integrated operation management software category

software “WebSAM” was also ranked No. 1 in a customer satisfaction survey*[2] for the second straight year.

FOR FURTHER GROWTH

Despite an uncertain outlook due to concerns about a recession in Europe and other factors, IT investment by customers in Japan, which had been curtailed since the Lehman Brothers bankruptcy and the Great East Japan Earthquake, has started to show signs of gradual recovery.

In anticipation of medium-term market developments, such as progress on the shift to cloud computing and expanding demand for IT systems in emerging countries, NEC will accelerate measures for future growth. Efforts will be focused on expanding the services business and global business.

To expand the services business, NEC will enhance its lineup of platform products supporting the delivery of services. In addition, NEC has opened data centers in Kansai and Hokkaido. In the hardware business, NEC will contribute to power conservation efforts by supplying servers, storage and other hardware that can operate in a 40ºC environment, which is 5ºC higher than the general operating temperature limit for such equipment. In the software business, NEC aims to help customers enhance management and create new business using Big Data, which continues to increase tremendously. To this end, NEC is working to increase sales of database software “InfoFrame” that achieves flexible scalability and high reliability through its competitive technology.

Furthermore, NEC will provide comprehensive support ranging from design to operation of customers’ IT assets. Measures include development of solutions for specific business sectors and operations through a strategic cloud business partnership with Microsoft Japan Co., Ltd. for large enterprises, and stronger collaboration in integrated operation and management of systems with Oracle Corporation Japan.

Eyeing expansion of global business, NEC aims to provide support to Japanese companies seeking to enter overseas markets as their strategic partner, with emphasis on companies in the manufacturing and distribution sectors. One example is a cloud oriented accounting service delivered to Sanden Corporation as a global accounting system. NEC plans to roll out this system at their overseas subsidiaries going forward.

Moreover, NEC will continue to strengthen business development based on globally competitive products and services. These include solutions utilizing NEC’s world-class biometrics technologies, such as fingerprint identification and face recognition. Another example is point-of-sale (POS) systems, for which orders are increasing overseas from major convenience store operators in Indonesia and Mexico, among other customers.

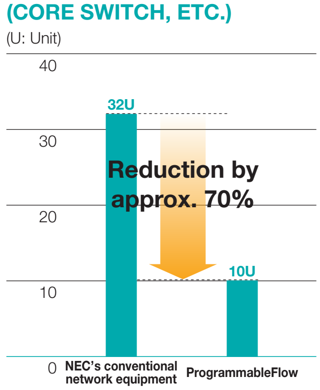
Through the foregoing measures, the IT services and platform businesses will work as one and combine their expertise in specific business sectors and operations developed over the years, as well as technologies and products where their strengths lie. The goal is to further enhance and promote the supply of value-added solutions from the customer’s viewpoint.

Contactless hybrid finger scanner

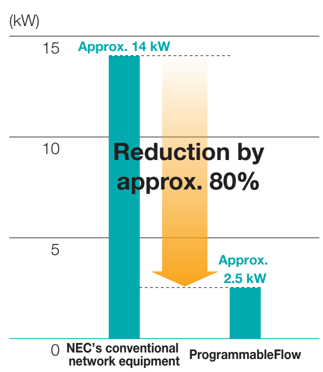
ADVANTAGES OF IMPLEMENTING UNIVERGE PF SERIES:

- Installation space and power consumption: Reduced by 70-80%
- Switchover time in the event of a disruption: Less than 1 second
- Dramatic reduction in operating costs

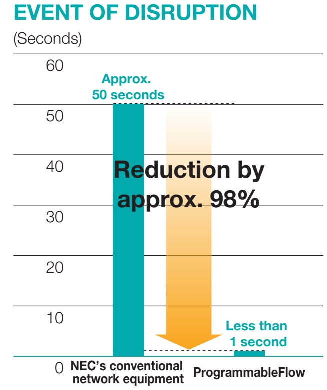
INSTALLATION SPACE (CORE SWITCH, ETC.)



POWER CONSUMPTION



SWITCHING TIME IN THE EVENT OF DISRUPTION



CARRIER NETWORK BUSINESS

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.

Shunichiro Tejima
Senior Vice President

FISCAL 2012 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 4.4% year on year to ¥602.7 billion. This increase mainly reflected steady growth in sales of mobile network infrastructure in Japan, as well as submarine cable systems.

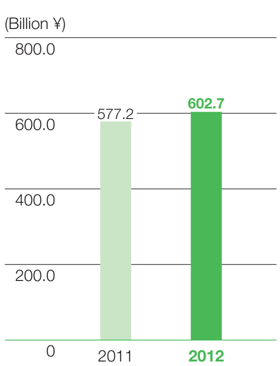
Operating income improved ¥12.8 billion year on year to ¥50.6 billion, mainly due to a sales increase in Japan and submarine cable systems.

In fiscal 2012, NEC captured business opportunities arising from data traffic growth driven by the uptake of smartphones in Japan. Notably, NEC began shipping LTE base stations to KDDI Corporation in addition to NTT DOCOMO, INC. In overseas business, NEC won large submarine cable system projects linking Japan and various Asian countries, including the South-East Asia Japan Cable system in April 2011 and the Asia Pacific Gateway system in December 2011. In other areas, NEC made steady progress with the launch of new ultra-compact microwave communications system, "iPASOLINK" Series, which extends its cover from access to metro area, following commencement of sales in the previous fiscal year. NEC had won more than 200,000 "iPASOLINK" orders on a cumulative basis as of May 2012. The services and management business expects to see market expansion surpass growth in capital expenditures in network infrastructure equipment. In this business, NEC launched M2M solutions "CONNEXIVE," in addition to acquisition of the business support system division of Convergys Corporation of the U.S. Through these initiatives, NEC has reinforced its execution framework for bringing globally competitive products and solutions to market as early as possible.

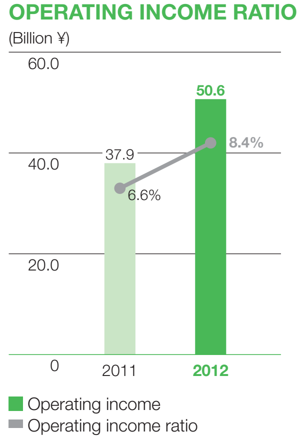
FOR FURTHER GROWTH

Data traffic is projected to grow sharply with the rapid uptake of smartphones in Japan and growing demand for mobile phones in emerging countries, presenting major business opportunities for NEC. In this environment, NEC will continue to concentrate business resources on four key

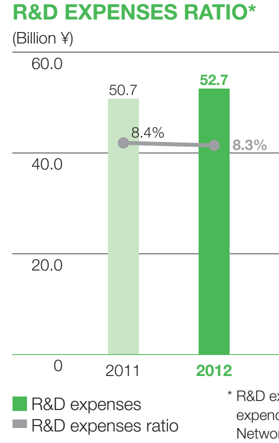
SALES



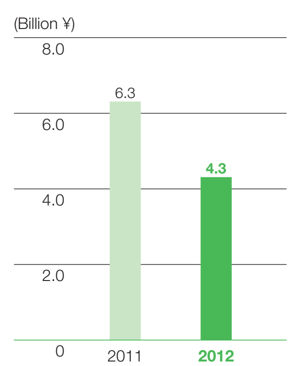
OPERATING INCOME, OPERATING INCOME RATIO



R&D EXPENSES*, R&D EXPENSES RATIO*



CAPITAL EXPENDITURES*



* R&D expenses, the R&D expenses ratio and capital expenditures represent the figures for the former Carrier Network business.

areas: wireless broadband access, mobile backhaul, submarine cable systems, and services and management. NEC will strive to enhance its position in global markets while driving growth in sales and earnings.

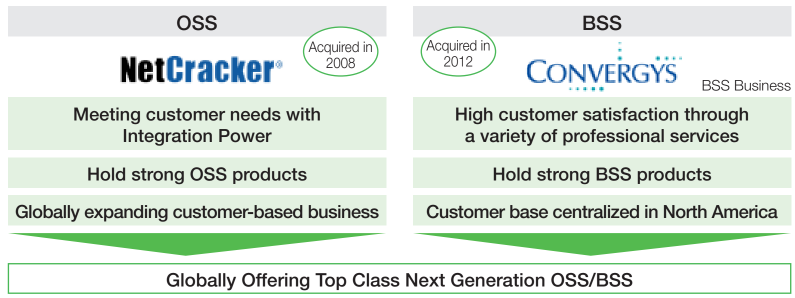
In wireless broadband access, NEC entered into an agreement for collaboration with Cisco Systems, Inc. of the U.S. on the deployment and sale of commercial LTE networks targeting overseas markets. Cisco Systems boasts a world-class delivery track record in the market for core networks. In addition to completing the LTE projects in Japan currently under way, NEC will promote LTE business in overseas markets through the joint supply of Cisco Systems' mobile core systems, and NEC's LTE base stations. Furthermore, in femtocells, NEC already has 60 commercial-use/trial-based contracts*[1]. By cultivating new customers and increasing ties with existing ones, NEC will strive to further expand femtocell shipments.

In mobile backhaul, NEC has commenced a portion of PASOLINK development and production operations in India, one of the world's largest markets for mobile backhaul. This move is aimed at minimizing the impact of the yen's appreciation and further enhancing PASOLINK's competitiveness. Looking ahead, NEC will continue to bolster business development by taking full advantage of its advanced wireless transmission technology and high quality and efficient manufacturing operations.

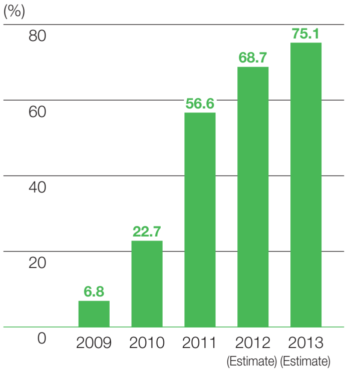
In submarine cable systems, NEC will steadily drive business expansion by seizing business opportunities in the Asia-Pacific region, where demand is strong. Another priority for expanding business will be to address growing demand in recent years for earthquake and tsunami observation systems.

In services and management, NEC will combine the respective strengths of the operation support systems of NetCracker Technology Corp. and the business support system of Convergys, in order to achieve a fully integrated system including service implementation to operations, monitoring and billing. This will give NEC the ability to address the need for enhanced services and greater cost efficiency among telecom carriers. In other areas, NEC is focusing on M2M solutions, which mainly target the domains of agriculture, the environment, energy, transportation and logistics and remote control of machinery, as well as the cloud business, where NEC has already won orders from telecom carriers in Europe, Latin America and CIS countries. In these fields, NEC will further upgrade and extend its lineup of services in an effort to cultivate and develop overseas markets.

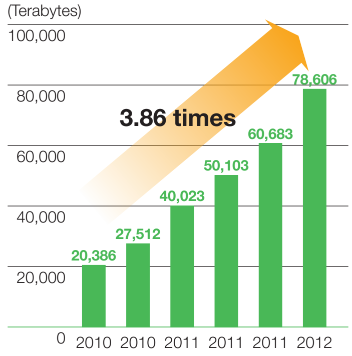
AIMS OF ACQUIRING CONVERGYS CORPORATION'S BSS OPERATIONS



SMARTPHONE SALES VOLUME RATIO IN JAPAN



TREND IN MOBILE COMMUNICATIONS TRAFFIC IN JAPAN



LTE compact wireless base station (MB4300 Series)

Source: Ministry of Internal Affairs and Communications, MM Research Institute, Ltd. (Minato City, Tokyo)

*[1] The number of commercial-use/trial-based contracts as of May 31, 2012.

SOCIAL INFRASTRUCTURE BUSINESS

NEC provides eco-friendly, reliable and secure systems and solutions that contribute to a comfortable society. Through information and communications technology (ICT), these systems and solutions support the sophisticated operation of social infrastructure, including broadcasting and video distribution systems, control systems, transportation and public network systems, fire and disaster prevention systems, and aerospace and defense systems.

Tomonori Nishimura
Senior Vice President

FISCAL 2012 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 3.6% year on year to ¥330.4 billion. This increase mainly reflected steady growth in the social systems field including broadcasting, and fire and disaster prevention systems, despite a decline in sales in the aerospace and defense systems fields due to government expenditure cutbacks in Japan.

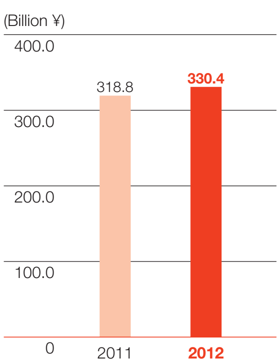
Operating income improved ¥1.6 billion to ¥16.2 billion, mainly reflecting increased sales and cost reductions.

In fiscal 2012, in the social systems field, particularly broadcasting and video distribution systems, NEC delivered a studio system for multimedia broadcasting to mmbi, Inc., which launched "NOTTV™,"*1 Japan's first broadcasting service for smartphone users. In addition, digital terrestrial TV transmitters designed to provide digital terrestrial TV broadcasting service to the Kanto region were delivered to TV Asahi Corporation, TV TOKYO Corporation, and Fuji Television Network, Inc. These digital terrestrial TV transmitters, which reduce power consumption by more than 40% compared with conventional models, have been installed on "TOKYO SKYTREE®"*2. Overseas, NEC supplied digital broadcasting equipment to Argentina. Ever since its first delivery in 1998 to the U.K., where the world's first commercial digital terrestrial broadcasting service was launched, NEC has delivered more than 3,000 digital terrestrial TV transmitters to 42 countries around the world. Leveraging this track record and its technical capabilities as competitive advantages, NEC will continue to provide products that meet customer needs.

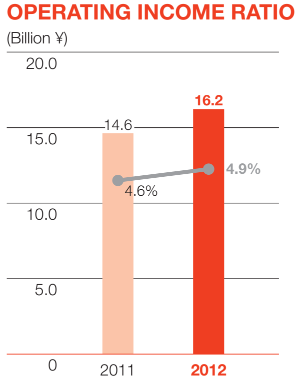
Since fiscal 2011, demand for disaster prevention systems in Japan has increased significantly due to regional enlargement and digitization of wireless communication networks of fire and disaster prevention systems. NEC has maintained a high market share in this field by leveraging software defined radio (SDR) technology developed ahead of the industry. Moreover, NEC also delivered postal automation systems to Switzerland and Malaysia.

In the aerospace and defense systems field, NEC was chosen to design the systems of the asteroid explorer for the "Hayabusa 2 Project," which is scheduled for launch in 2014. This comes in recognition of NEC's solid track record

SALES

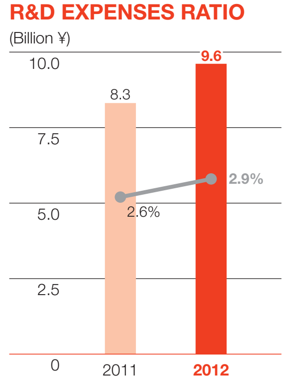


OPERATING INCOME, OPERATING INCOME RATIO



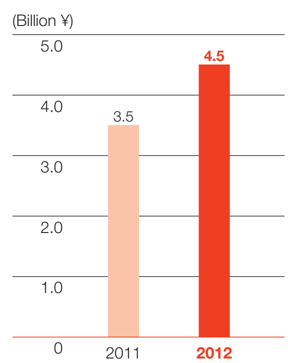
■ Operating income
■ Operating income ratio

R&D EXPENSES, R&D EXPENSES RATIO



■ R&D expenses
■ R&D expenses ratio

CAPITAL EXPENDITURES



*1 NOTTV is a trademark of mmbi, Inc.
*2 "TOKYO SKYTREE" is a registered trademark of TOBU RAILWAY CO., LTD. & TOBU TOWER SKYTREE CO., LTD.

and experience in this field. The asteroid explorer will be the successor to the original “Hayabusa” asteroid explorer, which returned to Earth in June 2010.

FOR FURTHER GROWTH

The social infrastructure business should continue to expand as earthquake recovery-related projects get fully under way. Expansion should also be driven by continuing demand for digital communications in the fire and disaster prevention, broadcasting and transportation systems fields.

In light of this business environment, NEC’s first priority will be to build a stable operating base by ensuring that it seizes business opportunities. Opportunities will include replacement demand driven by regional enlargement and digitization of wireless communications networks of fire and disaster prevention systems, upgrades to the second generation of ETC systems, and renovation of broadcasting studio facilities. Another opportunity will be overseas demand for TV transmitters.

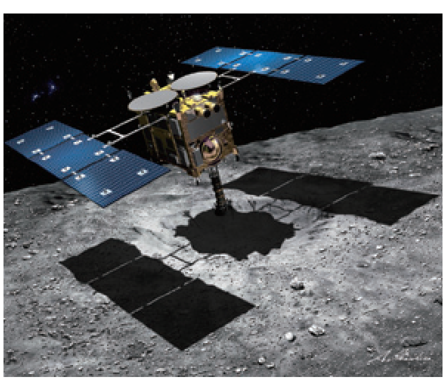
Furthermore, NEC aims to launch new businesses by developing technologies related to telematics systems, intelligent transportation system (ITS) communications (vehicle-to-vehicle and road-to-vehicle communications) and smart grids (control of energy).

NEC is also focused on expanding business globally by utilizing the business assets it owns. NEC has a strong track record in projects such as astronomical observation satellites and the “Hayabusa” asteroid explorer. Leveraging this strength, NEC will develop compact Earth observation satellites with a low cost and short delivery time utilizing the NEXTAR small standard satellite bus module system[*3].

Digital terrestrial TV transmitters installed on “TOKYO SKYTREE®”
(Broadcasting and video distribution systems)

NEC plans to market this satellite to emerging countries primarily in Asia, where there are growing needs for owning satellites for disaster prevention and other purposes. NEC also intends to create new businesses in the safety domain, including surveillance of critical facilities and disaster prevention systems, with the view to develop the safety business globally. This effort will comprehensively utilize NEC’s strengths in various technologies such as sensor, network and information processing technologies.

NEC has other unique products, such as the X-info Table (read “Cross-info Table”), a large tablet device that enables the rapid gathering and analysis of information by multiple people, and terahertz imagers, which has sensitivity in terahertz waves[*4] and can find out something from terahertz images that cannot be observed with visible light or infrared radiation. By proposing unique solutions harnessing these sorts of products, NEC will strive to win new customers.



“Hayabusa 2”
(Image provided by Akihiro Ikeshita)

High-performance fire-fighting command center
(Fire and disaster prevention systems)

[*3] Bus system: Structurally, artificial satellites consist of a mission-specific component for performing communications, Earth observation and other tasks, and a bus component that provides functions common to all satellites, such as attitude control and power supply. NEC is working on standardizing the bus component of satellites.

[*4] Terahertz waves: These electromagnetic waves are situated between visible light / infrared radiation and radio waves. Because they can be transmitted through paper, plastic, fabrics, smoke and other substances, terahertz waves are attracting high hopes for applications in various fields, such as non-destructive inspection, healthcare and drug discovery and detection of illegal substances.

PERSONAL SOLUTIONS BUSINESS

NEC supplies smartphones, mobile phones, Internet services, personal computers for enterprises, display solutions and other products. It is also engaged in the creation of new terminal devices that serve as interfaces between cloud computing and users, and services that add value to such terminals. Harnessing cutting-edge technology, NEC develops products and services that are simple and convenient for everyone.

Takemitsu Kunio
Senior Vice President

FISCAL 2012 PERFORMANCE AND MAIN ACCOMPLISHMENTS

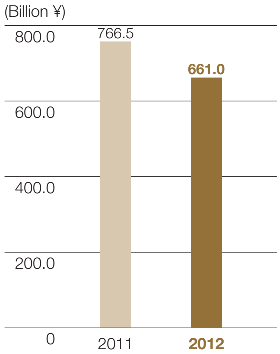
Business segment sales decreased 13.8% year on year to ¥661.0 billion. This decrease mainly reflected the deconsolidation of the PC business for individual customers from the second quarter, following the establishment of a joint venture with Lenovo Group Limited. Another factor was the negative impact of sluggish mobile phone sales.

The segment posted operating income of ¥1.0 billion, an improvement of ¥2.9 billion from the operating loss recorded in the previous fiscal year. This improvement was mainly due to more efficient spending of development expenses and cost reductions.

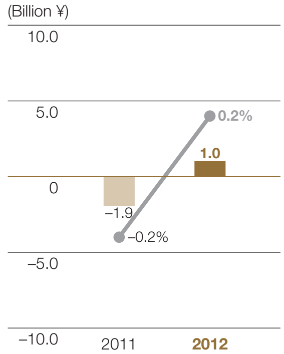
In fiscal 2012, NEC concentrated its efforts in the mobile phone business on the shift to smartphones and global business expansion. In Japan, NEC put a smartphone supply structure in place for Japan's three major telecom carriers by launching "MEDIAS"*1 brand smartphones for KDDI Corporation and SOFTBANK MOBILE Corp., following a launch for NTT DOCOMO, INC. In addition, NEC rolled out the DOCOMO smartphone "docomo NEXT series MEDIAS LTE N-04D" that is compatible with the next-generation LTE-based mobile phone service Xi™*2 (read "crossy"). Overseas, NEC began shipping mobile phone products to the Chinese and Thai markets, after commencing shipments to Verizon Wireless of the U.S. However, the competitive landscape intensified drastically in Japan due to the entry of overseas mobile phone vendors into the domestic market. As a result, NEC's mobile phone sales volume fell far short of its initial target, and also decreased in year-on-year terms.

In tablet devices, NEC was the industry's first to launch a tablet device for a telecom carrier, with the rollout of DOCOMO tablet "MEDIAS TAB N-06D". This model features a 7-inch high-definition LCD that can be used to view the "NOTTV™"*3 broadcasting service for smartphone users. For enterprises, NEC launched "Cloud Communicator LT-B", a tablet device optimal for business use, such as sales activities at stores and offices, as well as outside the office. Furthermore, Sumitomo Life Insurance Company has

SALES

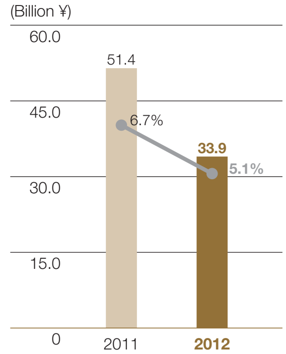


OPERATING INCOME (LOSS), OPERATING INCOME RATIO



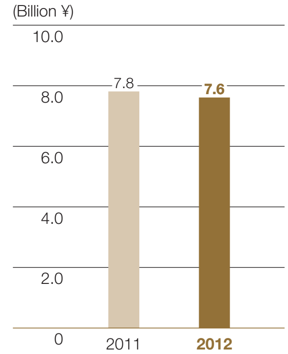
■ Operating income (loss)
■ Operating income ratio

R&D EXPENSES, R&D EXPENSES RATIO



■ R&D expenses
■ R&D expenses ratio

CAPITAL EXPENDITURES



*1 MEDIAS is a trademark of NEC CASIO Mobile Communications, Ltd.
*2 Xi (crossy) is a trademark or registered trademark of NTT DOCOMO, INC. in Japan and/or other countries.
*3 NOTTV is a trademark of mmbi, Inc.

chosen to use 40,000 NEC tablet PCs based on Windows® and compatible with the LTE service as new handheld devices for sales representatives. Through these activities, NEC was endeavoring to expand its product lineup.

DOCOMO smartphone
"docomo with series MEDIAS X N-07D"

FOR FURTHER GROWTH

As the Japanese market goes through a dramatic transformation, NEC's mobile phone business has seen sluggish growth in mobile phone sales volume, due to a lack of competitiveness in smartphones and delays in developing business globally. In response, NEC will implement far-reaching structural reforms aimed at restoring sound operations. In tablet devices, NEC must accelerate efforts to open up new markets. Going forward, NEC will strive to develop leaner operations to solve these issues, while working to expand business.

In the mobile phone business, NEC will first step up its collaborative development with overseas Joint Design Manufacturers (JDMs), together with the outsourcing of production to overseas JDMs. This will enable NEC to streamline its development and production operations in Japan, while maintaining and increasing its competitiveness.

Next, NEC will strive to develop mobile phones that fully harness its edge in thin and lightweight technologies as well as water-proof, dust-proof, and shock-resistant technologies. NEC will focus on developing appealing products, including foldable, dual-screen models. These efforts will be directed at improving the competitiveness of NEC mobile phones. Also, NEC will strive to enhance various services and links with the cloud-based services, in addition to improving mobile phones themselves, in an effort to further increase its competitiveness.

In addition to these measures, NEC plans to launch products that fit the needs of mobile phone carriers, by catering to regional and customer characteristics. Business will be expanded mainly in North America, but also in the countries of Latin America and the APAC (Asia-Pacific) region.

In tablet devices, NEC will launch models for individual customers, while expanding the product lineup for telecom carriers and enterprises. Tablet devices offer prospects for a broad range of uses. Examples include devices to operate and display information about households including HEMS, as well as for e-books and educational services. In fact, NEC has already built up a track record in implementing tablet devices at cable TV providers, educational institutes, and financial institutions. Overseas, NEC will strengthen its hand in the mobile cloud solution business in China. Building on its track record, NEC aims to steadily expand business worldwide.

"MEDIAS TAB N-06D" is a waterproof tablet customers can use to watch "NOTTV™"

Tablet device
"Cloud Communicator LT-B"

R&D AND INTELLECTUAL PROPERTY STRATEGY

Based on its three long-term research visions, NEC is promoting R&D activities that contribute to realizing an "information society friendly to humans and the earth," while closely tying these activities to its intellectual assets and standardization strategies.

R&D STRATEGY

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 themes as the foundation of its long-term R&D efforts. These are: "Harmony between people and society, people and IT, and all people (Symbiosis)," "Creating a safe and secure society (Dependable)," and "Mutual prosperity and harmony with the earth (Ecology)." Based on this long-term R&D policy, NEC will focus on producing research achievements that contribute to the "C&C Cloud Strategy" related business and Smart Energy business.

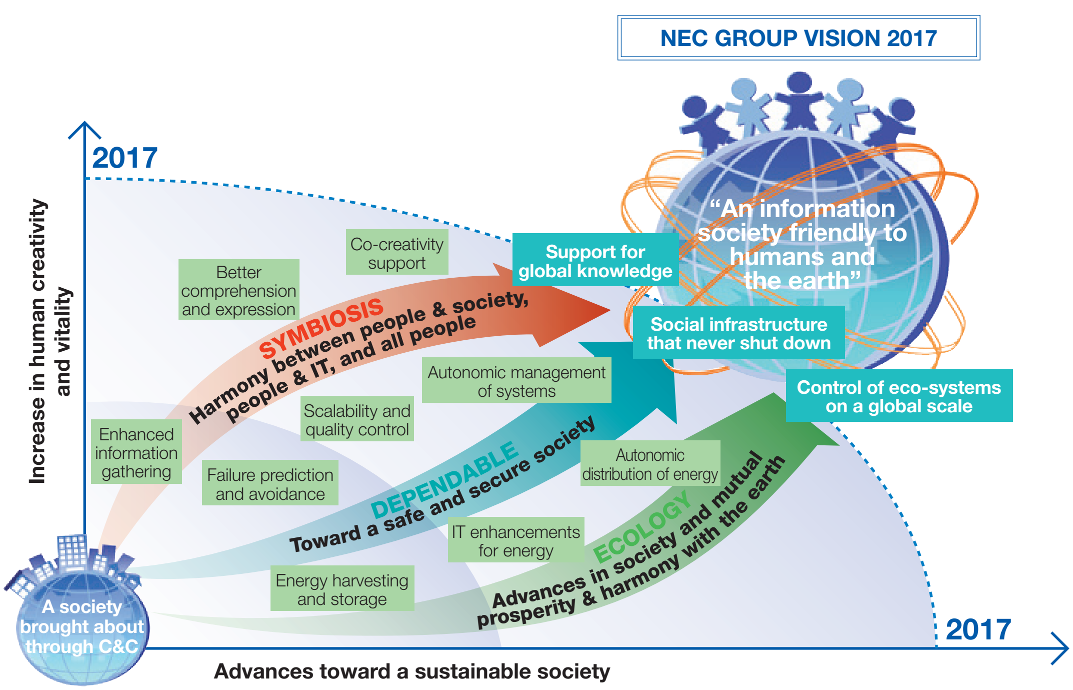
In April 2012, NEC reorganized the R&D framework to speed up the contribution of R&D activities to business operations. The research organization was reorganized into the Cloud Research Group and the Green Innovation Research Group, in an effort to bolster the R&D framework in the "C&C Cloud Strategy" and Smart Energy domains. In addition, NEC established the C&C Innovation Initiative with the aim of strengthening marketing functions led by NEC Central Research Laboratories. The C&C Innovation Initiative will work to explore potential needs through dialog with customers and markets worldwide and create new businesses. In other areas, NEC will accelerate "Global Open Innovation" through stronger partnerships with overseas universities and companies and by promoting R&D activities closely tied to local markets mainly in emerging countries. The goal is to contribute to global business expansion.

MAIN R&D ACHIEVEMENTS IN FISCAL 2012

In fiscal 2012, in the "C&C Cloud Strategy" domain, NEC developed data processing platforms designed to support the era of big data. For example, NEC developed high-speed and real-time stream processing technologies for big data enabling a processing speed of approximately 2.5 million events per second. NEC is also implementing R&D

BASIC POLICY ON OUR R&D

Enhance R&D Activities Based on Three Long-term Research Visions (SYMBIOSIS, DEPENDABLE, ECOLOGY) to Realize the NEC Group Vision 2017



activities aimed at detecting early signs of deterioration in electronic devices, buildings and water pipes. To accomplish this, NEC has developed a vibration sensor that can detect tiny, abnormal vibrations that were previously difficult to capture. This was achieved by increasing sensor sensitivity roughly twenty-fold in comparison to existing sensors.

Furthermore, in the Smart Energy domain, rechargeable lithium-ion batteries are expected to find more and more uses in homes, buildings, power grids and so forth. NEC developed a technology for extending the life span of lithium-ion batteries by more than twice the conventional life span. Elsewhere, together with Tohoku University, NEC is pursuing fundamental research aimed at developing next-generation LSIs that will reduce the standby power consumption of electronic devices to zero, and succeed in the development of its basic circuitry. These R&D achievements will contribute to the efficient use of energy.

Turning to the contribution of R&D achievements to business operations, NEC has adopted a proprietary analytical algorithm for rapidly detecting deterioration in system performance and identifying the cause in its WebSAM

Initiatives to Develop New OpenFlow Network Control Technology

OpenFlow is attracting interest as a new network control technology supporting simple and flexible operation of increasingly large and complex networks. NEC has conducted R&D activities as a core member of the OpenFlow Consortium, a standardization body for this technology, since its founding. NEC has pioneered R&D and commercialization of OpenFlow technologies. In 2011, NEC launched "UNIVERGE PF Series" (ProgrammableFlow), the world's first network control products equipped with OpenFlow technologies.

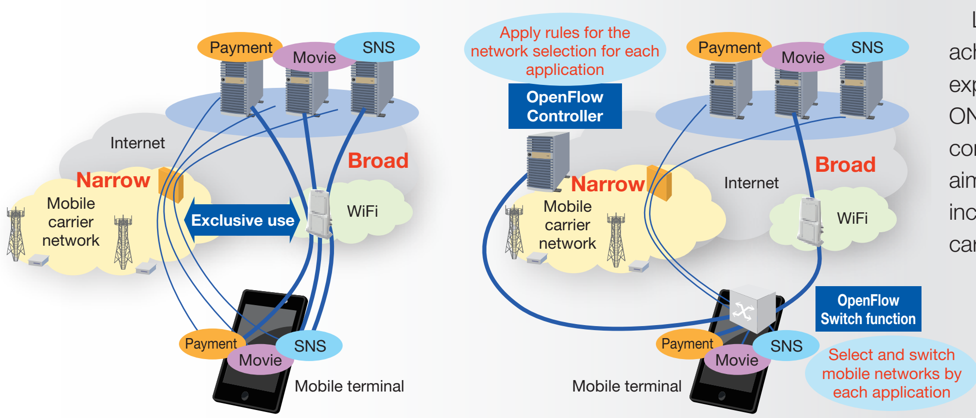
In fiscal 2012, NEC developed technology for automating the configuration of network equipment by using OpenFlow technologies in a cloud-based environment—one that automates the operation of large numbers of servers and network devices. As a result, this technology simultaneously reduces security management and operation costs while enhancing networks. As one part of this development, NEC provides open source software that automates the control of IT and network resources for OpenStack, a cloud-based shared platform. In addition, NEC focused on R&D efforts directed at building efficient infrastructure for operators using OpenFlow technologies. To address burgeoning mobile communications traffic, NEC developed a dynamic policy-based mobile data offloading*[1] technology for mobile networks. This was done by installing OpenFlow controllers in networks, and installing software with OpenFlow switch functions in mobile terminals. As a result, this technology allows networks to be utilized more efficiently.

OpenFlow is a technology that enables an SDN (Software Defined Network) to flexibly change the network functions and configurations using software. By achieving automation of network design and integration, along with network optimization matched to IT, SDN will help to drive the expansion of ICT services. OpenFlow is greatly contributing to NEC's active proposals regarding demonstration experiments and standardization work for the Open Networking Foundation (ONF), an SDN standardization organization that was established in March 2011. In April 2012, NEC joined forces with Stanford University and the University of California, Berkeley of the U.S., as well as various companies, to establish the Open Network Research Center (ONRC) and commenced related activities.

Leveraging its OpenFlow R&D achievements and product development experience amassed to date, as well as ONRC initiatives, going forward NEC will continue to actively pursue R&D activities aimed at applying SDN In a variety of fields, including cloud data centers, communication carriers, and service providers.

- Priority: efficient usage of mobile networks to deal with rapid growth of heavy and diverse traffic led by deployment of smart devices
- Approach: select appropriate mobile networks for each application based on control of mobile carriers

→ Advantages:
- improve efficiency of network infrastructure for mobile carriers
- improve performance and quality of applications for users



*1 Mobile data offloading: To address growing cellular network traffic, this technique reduces network loads by diverting data traffic from mobile phones to non-cellular networks, such as wireless LANs.

Invariant Analyzer software, which analyzes system performance for large-scale cloud systems. Leveraging achievements originating from NEC Central Research Laboratories, NEC's R&D activities also contributed to the development of products such as a cloud-based recharging system and small-scale energy storage system.

Going forward, by continuing to implement market-oriented R&D activities, NEC will work to continuously drive innovation to support the NEC Group with an emphasis on enhancing R&D efficiency and accelerating the commercialization of new technologies.

INTELLECTUAL PROPERTY STRATEGY

The NEC Group owns approximately 64,000 patents worldwide, including approximately 22,000 patents in Japan (as of March 2012). NEC positions intellectual property as "the foundation for the NEC Group's business competitiveness and stability," and is working to strengthen its intellectual property 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. In the "C&C Cloud Strategy" and the Smart Energy domains in particular, NEC is carrying out Group-wide strategic patent projects on a global basis to obtain strong patents and patents that are being utilized.

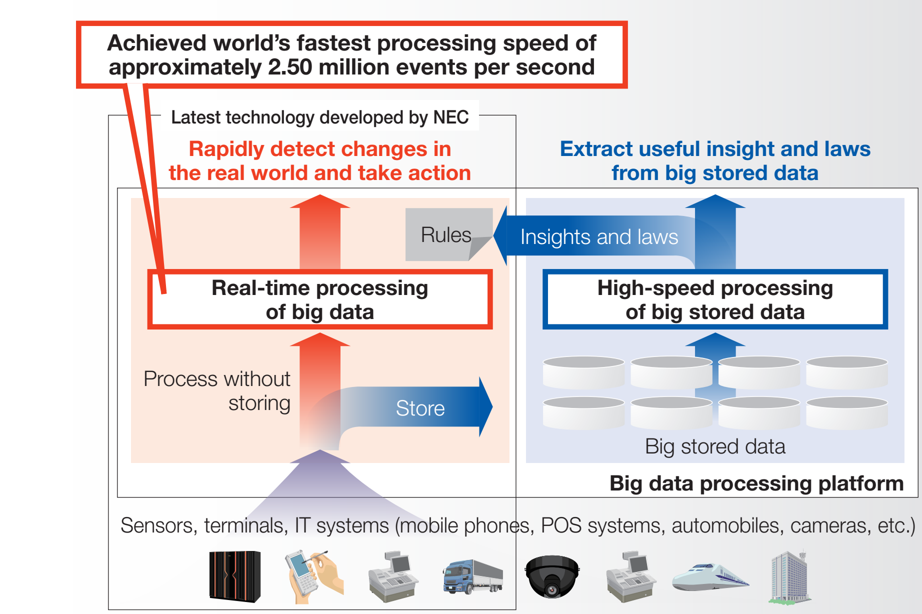
Furthermore, NEC believes that participating in standards initiatives will help create and expand businesses, and will also contribute to the stable offering of products and services. In addition to pursuing a business model that utilizes standardization, NEC is engaged strategically in standardization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

Development of High-Speed and Real-Time Stream Processing Technologies for Big Data Enabling Processing Speeds of 2.5 Million Events per Second

As a variety of digital information has become available, the amount of information accessible to society using sensors, mobile terminals and other devices has exploded. In this era of big data, it is crucial to create value by identifying useful data from the massive amount of information available. It is then important to process and analyze that data, so that it can be promptly fed back to the real world. NEC is focusing R&D efforts on data processing platform technology. This technology is set to become a wellspring of competitiveness for enterprises seeking to create value using big data.

In fiscal 2012, NEC developed stream processing technologies that can process big data gathered from numerous sensors and mobile terminals at high speeds and provide information in real time according to user conditions. Previously, the technique for performing this type of data processing was to first gather all the data into a database and then process it all at once. This made it difficult to provide information in real time. The latest technology developed by NEC processes only data that satisfy certain conditions based on a high-speed comparison of data gathered by sensors against predetermined conditions for required data. Through this approach, NEC has achieved the world's fastest processing speed of approximately 2.5 million events per second. This system has adequate processing power, for example, to smoothly process data updated every minute from all of the roughly 80 million vehicles owned in Japan, enabling users to monitor ever-changing information on traffic congestion and other parameters in real time.

NEC possesses the world's fastest data processing platform technologies and advanced data analysis technologies. Leveraging these strengths, NEC will strive to create new added value utilizing big data.



ACTIVITIES FOR CONTRIBUTING TO THE ENVIRONMENT AND SOCIETY

In this section, NEC presents its environmental management and corporate citizenship activities, from the standpoint of corporate social responsibility (CSR).

ENVIRONMENTAL MANAGEMENT ACTIVITIES

To contribute on the environmental front to realizing the NEC Group Vision 2017, NEC formulated an action plan in June 2010 called the NEC Group Environmental Management Action Plan 2017/2030. Under the plan, NEC is promoting environmental management based on three key perspectives—low carbon, ecosystem and biodiversity preservation, and resource recycling and conservation.

From the low carbon perspective, NEC aims to reduce total CO_2 emissions by 15 million tons from fiscal 2011 to fiscal 2018 through the provision of IT/Network solutions that help to reduce the environmental impact of customers and society. In fiscal 2012, NEC helped to reduce an additional 2.31 million tons of CO_2 emissions (a total of 4.43 million tons from fiscal 2011). Also, NEC improved the energy efficiency of its products by 66% in fiscal 2012 compared with its products in fiscal 2006.

Furthermore, NEC will strengthen its hand in providing smart energy solutions combining energy storage systems and energy management systems (EMS), as well as electric vehicle charging infrastructure. The goal is to help achieve a new energy-efficient society.

From the perspective of ecosystem and biodiversity preservation, NEC aims to increase participation in its corporate citizenship program designed to promote biodiversity preservation to 12,000 people by fiscal 2018. In fiscal 2012, NEC enhanced its biodiversity preservation activities based on its guidelines. As a result, participation in NEC's global biodiversity preservation program increased by 1,821 people to 8,032 people. In addition, NEC has continued to develop solutions that contribute to preserving biodiversity such as monitoring of natural ecosystems using wireless sensors.

In resource recycling and conservation, NEC has established the goal of "using bioplastics in all core products" by fiscal 2018. In fiscal 2012, NEC used bioplastics in two more products, namely LCD projectors and POS terminals, bringing the total number of such products to six. Looking ahead, NEC will continue promoting bioplastics development activities, including efforts to commercialize a new bioplastic that it unveiled in August 2010. With a plant ratio of more than 70%, this new bioplastic is produced from non-edible plant ingredients that pose no concern about encroaching on food supplies.

NEC "TOMONI" PROJECT

In July 2011, NEC launched NEC "TOMONI" Project ("We are with you") to implement restoration and recovery efforts together with people in the regions affected by the Great East Japan Earthquake, and to pull the entire NEC Group together as "One NEC" behind these efforts. NEC "TOMONI" Project ("We are with you") has two programs: volunteer activities in support of disaster-affected regions, and social contribution initiatives supporting recovery and reconstruction.

(1) Volunteer activities in support of disaster-affected regions

NEC held a total of 7 volunteer activity projects in the affected regions through March 2012. A total of 358 NEC officers and employees participated in these projects. The volunteers gave their time to collect fishing and ship equipment washed up on-shore by the tsunami, remove rubble and assist with the operation of the Fukkouichi[*1] ("Recovery Market") event held in Minamisanriku Town.

Employees remove rubble in Minamisanriku Town.

Employees help to sell miso at the Fukkouichi ("Recovery Market") event

(2) Social contribution programs tied to support for restoration and recovery

NEC implemented 17 social contribution programs through March 2012, focusing on people with disabilities, other socially vulnerable groups and children, while utilizing existing social contribution programs.

Some of the programs held in the affected regions included the NEC Guide Dog Caravan, which supports training of guide dogs, the NEC Galileo Club, which offers hands-on science classes for children, and the NEC IT Workshop for Mothers.

[*1] Fukkouichi ("Recovery Market") is an event designed to have shopkeepers from Minamisanriku Town's shopping street and other town residents join forces to restore happiness to their town. Fukkouchi embodies the townspeople's hopes of rebuilding a town that fills people's lives with happiness.

NEC'S INCLUSION IN MAJOR SOCIALLY RESPONSIBLE INVESTMENT (SRI) INDEXES:

- Dow Jones Sustainability World Index, SAM Bronze Class
- FTSE4Good Global Index
- ETHIBEL EXCELLENCE
- MS-SRI Morningstar Socially Responsible Investment Index

Dow Jones Sustainability Indexes Member 2011/12 · sam 2012 bronze class · FTSE4Good · ETHIBEL EXCELLENCE · MS-SRI

Please visit the NEC website at the following URL for further details on NEC's CSR activities.

URL **http://www.nec.co.jp/csr/en/**

DIRECTORS AND CORPORATE AUDITORS

(As of June 22, 2012)

Directors

Kaoru Yano
Chairman of the Board

April	1966	Joined NEC Corporation
June	1995	Member of the Board
June	1999	Senior Vice President and Member of the Board
October	2002	Executive Vice President and Member of the Board
June	2004	Senior Executive Vice President and Member of the Board (Representative Director)
April	2006	President (Representative Director)
April	2010	Chairman of the Board (Representative Director)
April	2012	Chairman of the Board

Nobuhiro Endo
President (Representative Director)

April	1981	Joined NEC Corporation
April	2006	Associate Senior Vice President
April	2009	Senior Vice President
June	2009	Senior Vice President and Member of the Board
April	2010	President (Representative Director)

Takashi Niino
Senior Executive Vice President and
Member of the Board (Representative Director)

April	1977	Joined NEC Corporation
April	2008	Associate Senior Vice President
April	2010	Senior Vice President
June	2011	Senior Vice President and Member of the Board
April	2012	Senior Executive Vice President, CSO (Chief Strategy Officer), CIO (Chief Information Officer) and Member of the Board (Representative Director)

Kenji Miyahara*1
Member of the Board
Honorary Adviser, Sumitomo Corporation
[Independent Director]*3

June	1986	Director, Sumitomo Corporation
June	1990	Managing Director, Sumitomo Corporation
June	1993	Senior Managing Director, Sumitomo Corporation
June	1995	Executive Vice President, Sumitomo Corporation
June	1996	President and Chief Executive Officer, Sumitomo Corporation
June	2001	Chairman of the Board, Sumitomo Corporation
June	2007	Member of the Board, NEC Corporation (to present)
June	2007	Senior Adviser, Sumitomo Corporation
June	2010	Honorary Adviser, Sumitomo Corporation (to present)

Hideaki Takahashi*1
Member of the Board
Professor, Keio University Graduate School of
Media and Governance [Independent Director]*3

March	1992	Executive Vice President and Representative Director, NCR Japan, Ltd.
December	1997	Senior Vice President, NCR Corporation, Chairman and Representative Director, NCR Japan, Ltd.
July	1999	Deputy President, Fuji Xerox Co., Ltd.
March	2000	Deputy President and Representative Director, Fuji Xerox Co., Ltd.
January	2006	Professor, Keio University Graduate School of Media and Governance (to present)
June	2007	Member of the Board, NEC Corporation (to present)

Takeshi Kunibe*1
Member of the Board
President and Chief Executive Officer,
Sumitomo Mitsui Banking Corporation "SMBC"

June	2003	Director, SMBC
October	2006	Managing Director, SMBC
June	2007	Director and Member of the Board of Directors, Sumitomo Mitsui Financial Group, Inc. (to present)
April	2009	Senior Managing Director and Member of the Board of Directors, SMBC
April	2011	President and Chief Executive Officer, SMBC (to present)
June	2011	Member of the Board, NEC Corporation (to present)

Corporate Auditors

Konosuke Kashima	Corporate Auditor	Full-time	
Takao Ono	Corporate Auditor	Full-time	
Satoshi Itoh*2	Corporate Auditor	Certified Public Accountant	[Independent Corporate Auditor]*3
Ryoji Nakagawa*2	Corporate Auditor	Attorney at Law	[Independent Corporate Auditor]*3
Hideo Yamada*2	Corporate Auditor	Professor, Waseda University, Graduate School of Commerce	[Independent Corporate Auditor]*3

Junji Yasui
Senior Executive Vice President and
Member of the Board (Representative Director)

April	1973	Joined NEC Corporation
April	2004	Associate Senior Vice President
April	2008	Senior Vice President
June	2008	Senior Vice President and Member of the Board
April	2010	Executive Vice President and Member of the Board
April	2012	Senior Executive Vice President, CSCO (Chief Supply Chain Officer) and Member of the Board (Representative Director)

Toshiyuki Mineno
Executive Vice President and Member of the Board

April	1974	Joined NEC Corporation
April	2007	Associate Senior Vice President
April	2009	Senior Vice President
June	2010	Senior Vice President and Member of the Board
July	2011	Executive Vice President and Member of the Board
April	2012	Executive Vice President, CMO (Chief Marketing Officer) and Member of the Board

Isamu Kawashima
Associate Senior Vice President and
Member of the Board

April	1981	Joined NEC Corporation
April	2009	General Manager, Corporate Controller Division
June	2011	Member of the Board
July	2011	Associate Senior Vice President, CFO (Chief Financial Officer) and Member of the Board

Hitoshi Ogita*1
Member of the Board
Chairman of the Board and Representative Director,
Asahi Group Holdings, Ltd. [Independent Director]*3

March	1997	Director, Asahi Breweries, Ltd. (currently Asahi Group Holdings, Ltd.)
March	2000	Managing Corporate Officer, Asahi Breweries, Ltd.
March	2002	Senior Managing Corporate Officer, Asahi Breweries, Ltd.
September	2002	Corporate Officer and Vice President, Asahi Soft Drinks, Ltd.
March	2003	President and Representative Director, Asahi Soft Drinks, Ltd.
March	2006	President and Representative Director, Asahi Breweries, Ltd.
March	2010	Chairman of the Board and Representative Director, Asahi Breweries, Ltd. (to present)
June	2012	Member of the Board, NEC Corporation (to present)

Kaori Sasaki*1
Member of the Board
President and CEO, ewoman, Inc.
[Independent Director]*3

July	1987	President and CEO, UNICUL International, Inc. (to present)
March	2000	President and CEO, ewoman, Inc. (to present)
June	2012	Member of the Board, NEC Corporation (to present)

*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.

For further details on the directors and corporate auditors of NEC Corporation, please visit the following websites:

Directors: URL **http://www.nec.com/en/global/about/executives/directors.html**

Corporate Auditors: URL **http://www.nec.com/en/global/about/executives/auditors.html**

CORPORATE GOVERNANCE

(As of June 22, 2012)

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, as illustrated in the chart below.

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. The total number of directors was reduced from 15 to 13 at the Ordinary General Meeting of Shareholders held on June 22, 2011. The total number of directors was further reduced to 11 at the Ordinary General Meeting of Shareholders held on June 22, 2012. NEC has also been strengthening the supervisory functions of the Board of Directors by ensuring that 5 of the 11 directors are outside directors. Furthermore, NEC has been working to improve transparency of personnel matters of directors and corporate auditors and remuneration of directors and corporate officers by making decisions on such matters based on the results of discussions by the Nomination and 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 has formulated a Company-wide strategy for realizing the NEC's Group Vision 2017. To this end, NEC appointed inside directors as chief officers in July 2011 to lead business unit operations and promote business development.

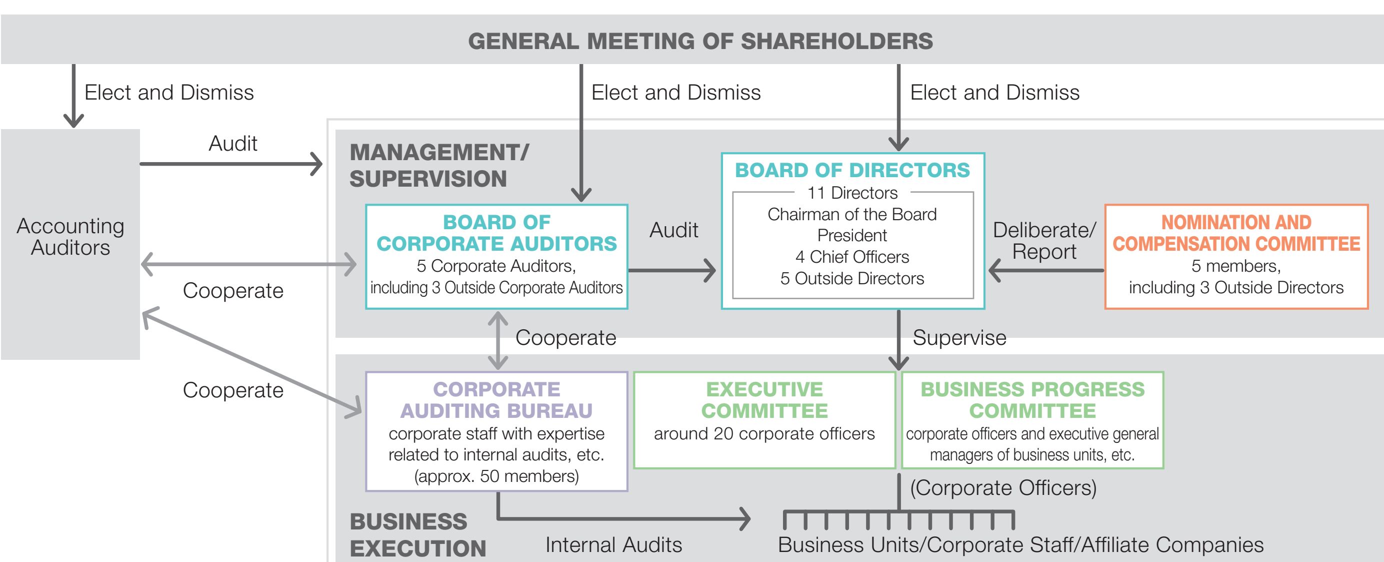
NEC believes that its corporate governance is functioning adequately under the current system described above. Nonetheless, NEC will make continuous improvements to this system in line with changes in the business environment in order to establish an optimal corporate governance system.

URL **http://www.nec.co.jp/profile/en/governance.html**

INDEPENDENCE OF OUTSIDE DIRECTORS AND OUTSIDE CORPORATE AUDITORS

NEC appoints as outside directors personnel who are independent from the Company's management 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.

CORPORATE GOVERNANCE STRUCTURE



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. 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.

NEC appoints as outside corporate auditors personnel who are independent from the Company's management and who have the experience and knowledge necessary to conduct audits, in order to ensure that audits are conducted from a neutral and objective perspective.

Major Activities of Outside Directors and Outside Corporate Auditors for Fiscal 2012

Name	Major Activities
Yoshinari Hara	He attended 13 meetings of the Board of Directors out of 14 meetings held during fiscal 2012 and made remarks, including questions and opinions as appropriate, mainly based on his extensive experience and deep insight as a corporate manager.
Sawako Nohara	She attended all of the 14 meetings of the Board of Directors held during fiscal 2012 and made remarks, including questions and opinions as appropriate, mainly from the perspective of end users centered on consumers and citizens.
Kenji Miyahara	He attended 13 meetings of the Board of Directors out of 14 meetings held during fiscal 2012 and made remarks, including questions and opinions as appropriate, mainly based on his extensive experience and deep insight as a corporate manager.
Hideaki Takahashi	He attended 13 meetings of the Board of Directors out of 14 meetings held during fiscal 2012 and made remarks, including questions and opinions as appropriate, mainly based on his extensive experience and deep insight as a corporate manager.
Takeshi Kunibe	After the assumption of office as Director of the Company, he attended 8 meetings of the Board of Directors out of 10 meetings held during fiscal 2012 and made remarks, including questions and opinions as appropriate, mainly based on his extensive experience and deep insight as a bank manager.
Satoshi Itoh	He attended all of the 14 meetings of the Board of Directors, and all of the 14 meetings of the Board of Corporate Auditors, both held during fiscal 2012 and made remarks, including questions and opinions as appropriate, mainly based on his extensive experience and deep insight as a financial and accounting expert.
Ryoji Nakagawa	He attended all of the 14 meetings of the Board of Directors, and all of the 14 meetings of the Board of Corporate Auditors, both held during fiscal 2012, and made remarks, including questions and opinions as appropriate mainly based on his extensive experience and deep insight as a legal expert.
Hideo Yamada	After the assumption of office as Corporate Auditor of the Company, he attended all of the 10 meetings of the Board of Directors, and all of the 11 meetings of the Board of Corporate Auditors, both held during fiscal 2012 and made remarks, including questions and opinions as appropriate mainly based on his deep insight regarding management strategy and expertise in finance and accounting.

REMUNERATION FOR DIRECTORS AND CORPORATE AUDITORS

For the purpose of continuously improving corporate value and strengthening its competitiveness, NEC's basic policy on the remuneration for directors and corporate auditors is to establish a remuneration level and structure appropriate for a global company. This policy is designed to enable NEC to secure excellent human resources while providing additional incentive for directors and corporate auditors to improve the performance of the NEC Group.

Remuneration for directors consists of fixed monthly remuneration and bonuses linked to business results. The fixed monthly remuneration is determined according to their positions and whether they are an outside director or not, to the extent of the maximum amount approved at the General Meeting of Shareholders. The bonuses 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 a standard amount prescribed based on their position. Given that outside directors are expected to play a leading role in supervision over business execution, no bonuses are paid to outside directors from the viewpoint of ensuring their independence.

Remuneration for corporate auditors is only fixed monthly remuneration and does not include bonuses linked to business results because the responsibility of corporate auditors is to audit the performance of directors. The fixed monthly remuneration is determined according to whether they are a full-time corporate auditor or not, to the extent of the maximum amount approved at the General Meeting of Shareholders.

Regarding the process of determination, remuneration for directors is determined by resolution of the Board of Directors based on the results of deliberations of this remuneration from an objective perspective by the Nomination and Compensation Committee, of which the majority of members are outside members (one of whom is the chairperson). Remuneration for corporate auditors is determined through discussions within the Board of Corporate Auditors.

Bonuses to directors are calculated based on key indicators (net sales, operating income, etc.) of the NEC Group's consolidated business performance for the previous fiscal year.

In order to ensure the objectiveness and properness of remuneration for directors and corporate auditors, the level of the remuneration is determined based on the result of a third party's investigation regarding the remuneration of other companies whose business content and scale are similar to those of the Company.

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. In order to promote management focused on creating shareholder value, NEC recommends that inside directors purchase NEC's shares through the Director and Corporate Auditor Shareholding Association and retain ownership of the shares throughout their terms of office.

AMOUNTS OF REMUNERATION FOR FISCAL 2012

	Fixed remuneration	
	Headcount	Total remuneration
Directors (of which, Outside Directors)	18 (6)	¥383 million (¥59 million)
Corporate Auditors (of which, Outside Corporate Auditors)	7 (4)	¥93 million (¥35 million)

Notes: 1. The above headcount includes 5 directors and 2 corporate auditors who retired at the close of the 173rd Ordinary General Meeting of Shareholders held on June 22, 2011.
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).

INTERNAL CONTROL SYSTEMS

NEC has established and implemented its internal control system based on the basic policy for maintenance of the system to ensure the properness of the Company's operations as provided in Item 6, Paragraph 4 of Article 362 of the Company Law adopted by resolution of the Board of Directors (the "Policy"). NEC assessed the status of the implementation of its internal control system for fiscal 2012 and confirmed that it has established and implemented its internal control system properly based on the Policy.

The Basic Policy on Internal Control Systems is disclosed on NEC's corporate website.

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 by various responsible managers, including plant tours. 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 website for these investors.

Presentation for individual investors

URL **http://www.nec.com/en/global/ir/corporate/disclosure.html**

(Disclosure Policy)

OWNERSHIP OF SHARES

As of March 31, 2012, the number of stocks classified as investment securities held for purposes other than realizing income and capital gain was 457 and the total balance sheet amount of these stocks was ¥144,102 million. The top 10 stocks based on the balance sheet amount (except unlisted stocks) are as follows:

TOP 10 STOCKS BASED ON BALANCE SHEET AMOUNT

As of March 31, 2012

Name of stock	Number of shares (Thousands of shares)	Book value (Millions of yen)	Holding purpose
Lenovo Group Limited	281,129	20,791	①
Anritsu Corporation	8,312	9,011	②
Sumitomo Electric Industries, Ltd.	6,914	7,834	③
Sumitomo Mitsui Trust Holdings, Inc.	12,901	3,406	④
MS&AD Insurance Group Holdings, Inc.	1,570	2,668	④
MEIDENSHA CORPORATION	8,730	2,628	③
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	686	2,576	④
Taisho Pharmaceutical Holdings Co., Ltd.	330	2,214	④
Seven Bank, Ltd.	10,000	1,810	③
1st Holdings, Inc.	3,133	1,723	④

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 its pertinent group companies
② At the request of the company
③ To maintain and strengthen business relations with the company
④ 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 2012, 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.

FINANCIAL SECTION

CONTENTS

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥82 = U.S.$1.

Management's Discussion and Analysis

Year Ended March 31, 2012 (Fiscal 2012)

Compared With the Year Ended March 31, 2011 (Fiscal 2011)

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, 2012. 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

Guided by the NEC Group Vision 2017, NEC aims to be a leading global company leveraging the power of innovation to realize "an information society friendly to humans and the earth." 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 network. The NEC Group also formulated its Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision." In fiscal 2012, NEC continued to take measures to implement the NEC's three key strategic policies - Focus on the "C&C Cloud Strategy," expand global business and create new businesses, and strived to strengthen profitability of its mid-term growth plan, "V2012 - Beyond boundaries, Toward our Vision-".

The NEC Group generates sales from five segments: the IT Services, Platform, Carrier Network, Social Infrastructure, and Personal Solutions businesses. In fiscal 2012, the IT Services business generated 26.9% of net sales, the Platform business 12.3%, the Carrier Network business 20.8%, the Social Infrastructure business 10.9% and the Personal Solutions business 21.8%. (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 segment:

Sales in the IT Services business are derived mainly from systems integration such as systems implementation and consulting as well as support services such as maintenance, outsourcing services such as data center services and IT operation management, and cloud services. These services are provided primarily to government agencies and private-sector companies.

Sales in the Platform business are derived mainly from the manufacturing and sale of PC servers, UNIX servers, mainframes, supercomputers, storage and ATMs, IP telephony systems, WAN and wireless access equipment, and LAN products. Sales are also derived from software, including integrated operation management, application server, security, operating system, and database software.

Sales in the Carrier Network business are derived mainly from the manufacturing and sale of network infrastructure such as backbone network systems and access network systems, primarily to telecom carriers. Sales are also derived from provision of services and management, including network operation support systems (OSS), business support systems (BSS), network control platform systems, and network service delivery platform systems for telecom carriers.

Sales in the Social Infrastructure business are derived mainly from the manufacturing and sale of broadcasting and video distribution systems such as digital terrestrial TV transmitters, control systems such as postal/logistics automation systems, transportation and public network systems such as train radio systems, fire and disaster prevention systems such as fire-fighting command systems, and aerospace and defense systems such as air traffic control systems and uncooled infrared sensors.

Sales in the Personal Solutions business are derived mainly from the manufacturing and sale of mobile phones, smartphones, personal computers, tablet devices, mobile routers and wireless routers, as well as the provision of "BIGLOBE" Internet services and display solutions, including monitors, projectors, and public displays for digital signage.

The performance of the IT Services, Platform, Carrier Network, 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 telecom carriers, demand from corporate and individual customers and other factors.

2. Analysis of Fiscal 2012 Business Results

In fiscal 2012, the global economy was characterized by a slowdown in its recovery due to the financial market turmoil resulting from the European sovereign debt crisis, flooding in Thailand, the raising of interest rates to control inflation in countries such as China and India and a delay in the recovery of employment and consumer spending in the United States.

The Japanese economy, despite signs of recovery from the slump caused by the Great East Japan Earthquake of March 2011, was impacted by the slowdown of the global economy, prolonged appreciation of the yen and flooding in Thailand.

In this business environment, the NEC Group took measures to implement the NEC's three key strategic policies: Focus on the "C&C Cloud Strategy," expand global business and create new businesses, and strive to strengthen profitability through its mid-term growth plan – "V2012 - Beyond boundaries, Toward our Vision-".

Firstly, concerning NEC's C&C Cloud strategy, NEC has enhanced its lineup of cloud services that suit a wide range of fields, including central and local government, and manufacturing and retail industries, in addition to working proactively to provide safe and secure cloud services. Furthermore, NEC promoted the delivery of cloud services for its customers' mission-critical businesses, such as global accounting systems, by leveraging technologies and know-how NEC gained from developing its own mission-critical IT systems into cloud systems. Moreover, NEC started providing CONNEXIVE, a solution using the machine to machine (M2M) technologies that network a wide variety of sensors and devices, and promoted provision of system platforms that support the realization of M2M as well as cloud service applications. At the same time, as part of promoting the global expansion of cloud services, NEC worked to establish a business infrastructure and customer base through collaboration with local IT companies in China and Singapore. Regarding telecom carriers, NEC continued to provide network infrastructures for high speed, high capacity LTE services for NTT DOCOMO, INC., and began to provide equipment for KDDI Corporation. NEC also reached an agreement with Cisco Systems, Inc. to collaborate in the deployment and sales of commercial LTE networks for global markets.

Regarding the global business, NEC promoted business expansion driven by five regional headquarters in North America, Greater China, APAC (Asia Pacific), EMEA (Europe, Middle East and Africa) and Latin America. In addition to expanding sales of submarine cable systems and ultra-compact microwave communications systems, such as "PASOLINK", in the cloud business for telecom carriers, NEC developed the platforms for providing cloud services to subscribers of telecom carriers in Thailand, Belarus and Argentina and supported the operation of those services. In preparation for the global expansion of the public safety business, NEC acquired Global View S.A., which has a significant market presence in the video surveillance service in Argentina. Also, in order to strengthen services for global telecom carriers, NEC agreed to acquire the business support system division of Convergys Corporation of the United States, which provides platforms such as billing management and customer support management for telecom carriers.

In relation to new business creation, NEC increased the shipment of electrodes, a core component of lithium-ion rechargeable batteries, which are produced in collaboration with Nissan Motor Co., Ltd. Furthermore, NEC is proactively taking part in trials for setting standards and improving the usefulness and reliability of charging infrastructure for electric vehicles for its wider deployment. Moreover, the NEC Group started selling cloud-based charging systems that integrate rapid chargers and cloud services for business customers who install electric vehicles chargers. For households, NEC began selling energy management systems that enable users to "visualize" the volume of their home electricity consumption and billing charges by utilizing cloud as well as home energy storage systems that automatically control household electricity use and reduce its consumption. At the same time, NEC has established "Smart City Promotions Office" aiming to develop a new urban area with information and communications technology (ICT), and has proactively worked with a wide range of partners towards a new energy society, including participation in a smart city development project planned for a major urban area in Brazil.

In the field of recovery efforts from the Great East Japan Earthquake, NEC supported the implementation of reconstruction activities by redeploying network infrastructures, offering cloud services and providing community support services. In order to leverage its experience and know-how gained from these efforts, NEC established a "Revival Support Promotion Office." At the core of this new organization, NEC aims to contribute to the recovery of damaged areas and to make full use of ICT to expand the development of communities that are safe, secure and resistant to disaster both in Japan and overseas.

To improve profitability, NEC strengthened its risk management programs related to project profitability and terms of contract, and made efforts to decrease unprofitable projects. At the same time, NEC took activities to reduce costs by expanding overseas procurement, use of offshore development resources and improving quality control.

In addition to these activities, NEC strengthened its competitiveness by integrating its personal computer business in Japan with the Lenovo Group, and in the electronic component business, NEC TOKIN Corporation has agreed to form a capital and business alliance with KEMET Electronics Corporation of the United States.

In fiscal 2012, NEC recorded consolidated sales of 3,036.8 billion yen, a decrease of 78.6 billion yen or 2.5% year-on-year. This decrease was mainly due to deconsolidation of personal computer business for consumers, in spite of increased sales from the Carrier Network business, IT Services business and Social Infrastructure business.

Regarding profitability, consolidated operating income improved by 15.9 billion yen year on year, to 73.7 billion yen, mainly due to improved cost efficiency and streamlined selling, general and administrative expenses.

Ordinary income improved by 42.0 billion yen year on year, to 42.1 billion yen, mainly due to improved operating income and reduced equity in losses of affiliates.

Income before income taxes and minority interests was 3.3 billion yen, a year-on-year increase of 19.0 billion yen. This was primarily due to improved ordinary income despite extraordinary losses from restructuring costs.

Consolidated net loss worsened by 97.7 billion yen year on year, to 110.3 billion yen, mainly due to an increase of income taxes–deferred due to the revision of deferred tax assets that reflect tax reform in Japan and financial results in fiscal 2012, in spite of 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:	816.9 billion yen	(+1.6%)
Operating income:	39.5 billion yen	(+18.1 billion yen)

In the IT Services business, sales were 816.9 billion yen, an increase of 12.7 billion yen or 1.6% year on year, mainly due to the steady growth in the local government, medical institutions and manufacturing sectors.

Operating income improved by 18.1 billion yen year on year, to 39.5 billion yen, mainly owing to increased sales, a decline in unprofitable projects and cost reductions.

b. *Platform business*

Sales:	372.4 billion yen	(-0.9%)
Operating income:	5.2 billion yen	(-3.6 billion yen)

In the Platform business, sales were 372.4 billion yen, a decrease of 3.4 billion yen or 0.9% year on year, mainly resulting from the impact of flooding in Thailand, especially on the hardware business. This decrease came about despite the steady growth of software sales.

Operating income worsened by 3.6 billion yen year on year, to 5.2 billion yen, mainly owing to a decrease in sales and the impact of flooding in Thailand.

c. *Carrier Network business*

Sales:	633.0 billion yen	(+4.5%)
Operating income:	56.1 billion yen	(+15.4 billion yen)

In the Carrier Network business, sales were 633.0 billion yen, an increase of 27.5 billion yen or 4.5% year on year, mainly due to an increase in sales of wireless network infrastructures and submarine cable systems.

Operating income improved by 15.4 billion yen year on year, to 56.1 billion yen, mainly owing to an increase in sales.

d. Social Infrastructure business

Sales:	330.4 billion yen	(+3.6%)
Operating income:	16.2 billion yen	(+1.6 billion yen)

In the Social Infrastructure business, sales were 330.4 billion yen, an increase of 11.6 billion yen or 3.6% year on year, mainly due to the steady growth of social systems including broadcast, fire and disaster prevention systems.

Operating income improved by 1.6 billion yen year on year, to 16.2 billion yen, mainly owing to an increase in sales and cost reductions.

e. Personal Solutions business

Sales:	661.0 billion yen	(-13.8%)
Operating Income:	1.0 billion yen	(+2.9 billion yen)

In the Personal Solutions business, sales were 661.0 billion yen, a decrease of 105.5 billion yen or 13.8% year on year, mainly due to the personal computer business for consumers no longer being consolidated from the second quarter of fiscal 2012.

Operating income improved by 2.9 billion yen year on year, to 1.0 billion yen, mainly due to efficiency in development and cost reductions.

f. Others

In Others, sales were 223.2 billion yen, a decrease of 21.5 billion yen or 8.8% year on year, mainly due to the LCD module business no longer being consolidated from the second quarter of fiscal 2012 and the impact of flooding in Thailand on the electronic components business.

Operating income was approximately the same as the previous year, at 7.1 billion yen, mainly owing to cost reductions, despite a decrease in sales.

3. Liquidity and capital resources

a. Cash Flows

	Billions of Yen		*Millions of U.S. Dollars*
	2011	2012	2012
Net cash provided by (used in)			
Operating activities (net)	¥ 33.7	¥ 83.9	$ 1,022.6
Investing activities (net)	(146.2)	(49.7)	(606.2)
Financing activities (net)	73.1	14.7	179.2
Effect of exchange rate changes on cash and cash equivalents	(4.1)	(0.9)	(10.7)
Net increase (decrease) in cash and cash equivalents	(43.6)	48.0	584.9
Cash and cash equivalents, at beginning of year	330.5	203.9	2,486.3
Decrease in cash and cash equivalents resulting from change of scope of consolidation	(92.8)	-	-
Increase in cash and cash equivalents resulting from merger	9.7	-	-
Cash and cash equivalents, at end of year	¥ 203.9	¥ 251.8	$3,071.3

b. Basic Liquidity Management Policy / Capital Resources

The NEC Group's basic policy is to maintain sufficient liquidity in hand for conducting 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, 2012, NEC had a sufficient amount of liquidity. Total liquidity in hand as of March 31, 2012 was 503.6 billion yen, comprising cash and cash equivalents of 251.8 billion yen and unused committed credit facilities of 251.8 billion yen. Cash and cash equivalents are mainly denominated in yen as well as other denominations that include U.S. dollars and euros.

The NEC Group maintains credit facilities that it believes are sufficient to meet its short-term and long-term financing needs. With regard to short-term financing, the NEC Group relies primarily on commercial paper ("CP") in Japan to provide for short-term financing. It has a 515.0 billion yen CP program. To prepare for unexpected short-term funding needs or instability in fund procurement through the issue of CP, the NEC Group maintains committed short-term credit facilities of 251.8 billion yen to ensure that funds may be borrowed from financial institutions at all times. Of this amount, 80.0 billion yen represents a committed credit facility with a contract period effective through March 2014 that enables NEC to obtain short-term loans. For long-term financing, the NEC Group has a 300.0 billion yen straight bond issuance program in Japan.

In June 2011, the NEC Group raised 30.0 billion yen through the issuance of unsecured bonds in Japan to finance the redemption of convertible bonds during fiscal 2012.

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,	2011	2012
Long-term fund procurement*1	51.1%	71.8%
Use of capital market instruments*2	68.3%	47.3%

*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, 2012, long-term fund procurement was 71.8% and the use of capital market instruments was 47.3%.

4. Capital Expenditures

Capital expenditures of NEC and its consolidated subsidiaries for fiscal 2012 are broken down as follows (amounts do not include consumption taxes):

	Millions of Yen		*YoY Change*
	2011	2012	2012/2011
IT Services business	¥ 3,598	¥ 3,390	Down 5.8%
Platform business	3,266	3,348	Up 2.5%
Carrier Network business	6,297	4,308	Down 31.6%
Social Infrastructure business	3,458	4,476	Up 29.4%
Personal Solutions business	7,776	7,614	Down 2.1%
Others	28,455	18,844	Down 33.8%
Total	¥ 52,850	¥ 41,980	Down 20.6%

In the IT Services business, capital expenditures included investment in facilities related to cloud services. In the Platform business, capital expenditures included investments in R&D equipment and production facilities for computers, such as servers and storage, along with production facilities for key telephones and POS systems. In the Carrier Network business, capital expenditures included investments in R&D equipment and production facilities mainly for next-generation wireless communications systems. In the Social Infrastructure business, capital expenditures included investments in R&D equipment and production facilities for defense, satellite and other systems. In the Personal Solutions business, capital expenditures included investments in R&D equipment and production facilities for mobile phones and smartphones; and facilities related to the “BIGLOBE” Internet service. In others, capital expenditures included investments in production facilities for lithium-ion rechargeable battery electrodes for electric vehicles.

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

5. Management Strategy and Policy

The NEC Group aims "to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth" in the "NEC Group Vision 2017." In February 2010, the NEC Group outlined in its mid-term growth plan, "V2012 - Beyond boundaries, Toward our Vision -", that it aims to achieve the "NEC Group Vision 2017" through customer-driven solutions leveraging competitive strengths in the integration of IT and networks. The NEC Group continued to take measures in fiscal 2012 to implement its key strategic policies in support of "V2012": Focus on the "C&C Cloud Strategy," and expand global business and create new businesses as well as work to quickly deal with environmental changes. However, since the economic environment changed rapidly and the business environment surrounding the NEC Group became even more severe, the results efforts fell short of our initial targets.

Under the above circumstances, while also carrying out structural reform, the NEC Group aims to implement business reforms that generate stable cash flow, particularly within four business areas.

1) Regarding structural reform

The NEC Group is taking measures to secure profitability with the current level of sales by implementing personnel reductions and structural reforms in the challenging mobile terminal and platform businesses. Regarding the electronic component business, in order to strengthen business competitiveness, in March 2012, NEC TOKIN Corporation agreed to form a capital and business alliance with KEMET Electronics Corporation.

Regarding personnel reductions, approximately 10,000 staff is scheduled to be reduced by the end of September 2012 (roughly 7,000 staff including external contractors in Japan, and approximately 3,000 staff overseas). In the fiscal year ended March 31, 2012, an extraordinary loss of approximately 40 billion yen was recorded for restructuring cost, including headcount reductions.

In the mobile terminal business, the NEC Group is promoting the outsourcing of a part of its development and production in Japan to overseas companies and considering further fundamental structural reforms.

In the platform business, particularly hardware such as servers, the NEC Group is promoting the establishment of partnerships and collaboration with other companies as a part of efforts to gain a world-class competitive edge and to streamline the NEC Group's development and production.

2) Four key business areas

Going forward, there is expected to be a large increase in demand for big data processing, which can process and analyze large volumes of diverse data for predicting human behavior, natural phenomena and social movements, and network infrastructures for the rapid increase of data traffic. Furthermore, there is great urgency for the development of safe and secure social infrastructure that achieves not only the prevention of terrorism and crime, but also the most appropriate disaster prevention measures based on natural disaster estimates. Additionally, acceleration in investment is expected towards the realization of a smart society that makes efficient use of limited resources such as electricity.

The NEC Group aims to implement business reforms that generate stable cash flow, particularly from four business areas that have strengths in the infrastructure domains of the IT service business, carrier network business, social infrastructure business and energy business.

Regarding the IT service business, while recovery of the Japanese market is expected, the NEC Group is expanding the service business, such as cloud services, based on past achievements and know-how, as well as business opportunities related to the recovery from the Great East Japan Earthquake and orders for national ID systems both in Japan and emerging countries. In addition to expanding global business, such as accumulating orders for global systems from Japanese companies that are expanding overseas operations, the NEC Group will strengthen its global business through alliances and collaboration with local companies.

In the carrier network business, there is increasing demand for high speed, high capacity network infrastructures for the rapid increase of data traffic due to the spread of smartphones. Moreover, the business model is rapidly changing, such as telecom carriers moving to provide their own cloud services. Under these circumstances, the NEC Group is expanding sales to Japanese telecom carriers through such products as network infrastructures for LTE services, as well as promoting sales to global telecom carriers through collaboration with other companies. Furthermore, the NEC Group is taking measures for strengthening the product competitiveness of its ultra compact microwave communications system, PASOLINK, to recover market share and steadily carrying out large-scale submarine cable system projects. Additionally, the utilization of business assets such as those acquired from Convergys Corporation helps to strengthen the service business for global telecom carriers.

Regarding the social infrastructure business, orders are steadily being received for the reconstruction of social infrastructure systems in association with disaster recovery efforts, the expanding area of fire-fighting command systems and the digitization of wireless communications networks. Furthermore, the NEC Group is working to expand the public safety business including disaster prevention systems and surveillance systems for key facilities such as airports and harbors. The NEC Group is strengthening its business by concentrating its resources in order to expand these businesses.

In the field of the energy business, the NEC Group aims to capture business opportunity through efficient energy use. Specifically, it is participating proactively in smart city projects throughout the world, and expanding business for lithium-ion rechargeable batteries for electric vehicles. Furthermore, the NEC Group is seeking to accelerate the commercialization of new business areas such as home energy storage systems and large-scale power storage systems for power distribution facilities.

The NEC Group will implement these measures by leveraging the strengths of its innovative technologies to generate new business and differentiate itself from its competitors.

Additionally, focusing on compliance, the NEC Group will continue concentrating on the reinforcement of internal control systems and consolidated operational management as “One NEC.”

The NEC Group will implement these measures, aiming to regain trust from shareholders and investors and to increase corporate value, while staying on the path to realizing an “information society friendly to humans and the earth.”

Consolidated Balance Sheets

NEC Corporation and Subsidiaries
March 31, 2011 and 2012

ASSETS	Millions of Yen 2011	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents *(Note 19)*	¥ 203,879	¥ 251,843	$ 3,071,256
Short-term investments *(Note 19)*	1,540	2,007	24,476
Trade notes and accounts receivable *(Note 19)*	726,355	810,579	9,885,110
Inventories *(Note 6)*	264,743	249,917	3,047,768
Deferred tax assets *(Note 13)*	97,431	76,222	929,537
Other current assets *(Notes 19 and 20)*	153,104	128,522	1,567,341
Allowance for doubtful accounts	(4,472)	(4,653)	(56,744)
Total current assets	1,442,580	1,514,437	18,468,744
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION *(Notes 3 and 7)*:			
Land	75,550	72,317	881,915
Buildings and structures	146,782	134,618	1,641,683
Machinery and equipment	43,933	35,445	432,256
Furniture and fixtures	61,862	60,268	734,975
Construction in progress	13,048	13,247	161,549
Total property, plant and equipment	341,175	315,895	3,852,378
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 5 and 19)*	137,692	153,688	1,874,244
Investments in affiliated companies *(Note 19)*	133,993	117,635	1,434,573
Goodwill *(Notes 2.a and 17)*	88,941	75,969	926,451
Software	116,169	121,541	1,482,207
Deferred tax assets *(Note 13)*	174,707	96,476	1,176,537
Other assets *(Note 8)*	210,940	181,216	2,209,951
Allowance for doubtful accounts	(17,266)	(19,287)	(235,207)
Total investments and other assets	845,176	727,238	8,868,756
TOTAL ASSETS	¥ 2,628,931	¥ 2,557,570	$ 31,189,878

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2011	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings *(Notes 7 and 19)*	¥ 212,758	¥ 126,981	$ 1,548,549
Current portion of long-term debt *(Notes 7 and 19)*	117,658	68,046	829,829
Trade notes and accounts payable *(Note 19)*	464,529	466,177	5,685,085
Accrued expenses *(Note 19)*	160,559	156,175	1,904,573
Other current liabilities *(Notes 9,13,19 and 20)*	225,024	241,233	2,941,866
Total current liabilities	1,180,528	1,058,612	12,909,902
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 7 and 19)*	345,382	497,707	6,069,597
Liabilities for retirement benefits *(Note 8)*	182,022	182,735	2,228,476
Deferred tax liabilities *(Note 13)*	1,125	3,040	37,073
Other long-term liabilities *(Note 10)*	44,433	37,862	461,732
Total long-term liabilities	572,962	721,344	8,796,878
COMMITMENTS AND CONTINGENT LIABILITIES *(Notes 18,20 and 21)*			
NET ASSETS *(Notes 11 and 24)*:			
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized — 7,500,000 thousand shares			
Issued — 2,604,733 thousand shares in 2011 and 2012	397,199	397,199	4,843,890
Capital surplus	192,837	192,834	2,351,634
Retained earnings	192,943	82,659	1,008,037
Treasury stock—at cost: 6,270 thousand shares in 2011 and 6,321 thousand shares in 2012	(2,934)	(2,939)	(35,841)
Total shareholders' equity	780,045	669,753	8,167,720
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Valuation difference on available-for-sale securities	4,167	16,273	198,451
Deferred gains or losses on hedges	132	(142)	(1,732)
Foreign currency translation adjustments	(27,290)	(28,928)	(352,780)
Total accumulated other comprehensive income	(22,991)	(12,797)	(156,061)
STOCK SUBSCRIPTION RIGHTS *(Note 12)*	33	24	293
MINORITY INTERESTS	118,354	120,634	1,471,146
Total net assets	875,441	777,614	9,483,098
TOTAL LIABILITIES AND NET ASSETS	¥ 2,628,931	¥ 2,557,570	$ 31,189,878

Consolidated Statements of Operations

NEC Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2011	2012	2012
NET SALES	¥ 3,583,148	¥ 3,115,424	¥ 3,036,836	$ 37,034,585
COST OF SALES *(Notes 3 and 8)*	2,492,403	2,199,973	2,128,920	25,962,439
Gross profit	1,090,745	915,451	907,916	11,072,146
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES *(Notes 3,8 and 14)*	1,039,840	857,631	834,174	10,172,853
Operating income	50,905	57,820	73,742	899,293
NON-OPERATING INCOME:				
Interest and dividend income	5,489	5,445	6,108	74,488
Equity in earnings of affiliated companies, net	7,336	—	—	—
Other non-operating income *(Note 4)*	43,722	11,508	12,508	152,536
Total non-operating income	56,547	16,953	18,616	227,024
NON-OPERATING EXPENSES:				
Interest expense	9,736	6,614	5,446	66,415
Equity in losses of affiliated companies, net	—	38,533	12,705	154,939
Retirement benefit expenses *(Note 8)*	14,441	12,057	11,867	144,719
Foreign exchange loss, net	1,953	1,488	2,672	32,585
Other non-operating expenses *(Note 4)*	31,893	16,040	17,618	214,854
Total non-operating expenses	58,023	74,732	50,308	613,512
Ordinary income	49,429	41	42,050	512,805
SPECIAL GAINS *(Note 15)*	31,511	28,270	28,375	346,036
SPECIAL LOSSES *(Note 15)*	25,286	43,998	67,124	818,585
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	55,654	(15,687)	3,301	40,256
INCOME TAXES *(Note 13)*:				
Current	28,577	27,788	23,911	291,598
Deferred	12,661	(36,584)	84,283	1,027,841
Total income taxes	41,238	(8,796)	108,194	1,319,439
INCOME(LOSS) BEFORE MINORITY INTERESTS	14,416	(6,891)	(104,893)	(1,279,183)
MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES	2,988	5,627	5,374	65,537
NET INCOME (LOSS)	¥ 11,428	¥ (12,518)	¥ (110,267)	$ (1,344,720)

	Yen			U.S. Dollars (Note 1)
	2010	2011	2012	2012
PER SHARE OF COMMON STOCK *(Note 23)*:				
Basic net income (loss)	¥ 5.04	¥ (4.82)	¥ (42.44)	$ (0.52)
Diluted net income	4.91	—	—	—
Cash dividends applicable to the year	4.00	—	—	—

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

NEC Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2011	2012	2012
INCOME(LOSS) BEFORE MINORITY INTERESTS	¥ 14,416	¥ (6,891)	¥ (104,893)	$ (1,279,183)
OTHER COMPREHENSIVE INCOME *(Note 16):*				
Valuation difference on available-for-sale securities	15,307	(5,941)	12,156	148,244
Deferred gains or losses on hedges	122	11	(231)	(2,817)
Foreign currency translation adjustments	1,238	2,470	(1,250)	(15,244)
Share of other comprehensive income of associates accounted for using equity method	2,375	(3,975)	(476)	(5,805)
Total other comprehensive income	19,042	(7,435)	10,199	124,378
COMPREHENSIVE INCOME	¥ 33,458	¥ (14,326)	¥ (94,694)	$ (1,154,805)
Comprehensive income attributable to				
owners of the parent	¥ 30,683	¥ (22,861)	¥ (100,073)	$ (1,220,402)
minority interests	2,775	8,535	5,379	65,597

Consolidated Statements of Changes in Net Assets

NEC Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Thousands	Shareholders' Equity			
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, APRIL 1, 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)
Net income(loss)				(12,518)	
Cash dividends paid, ¥ 4 per share				(10,395)	
Purchases of treasury stock					(40)
Disposals of treasury stock			(6)		12
Change in equity in affiliates accounted for by equity method-treasury stock					23
Change of scope of equity method				(583)	
Net changes in items other than shareholders' equity during the year					
BALANCE, MARCH 31, 2011	2,604,733	397,199	192,837	192,943	(2,934)
Net income(loss)				(110,267)	
Purchases of treasury stock					(10)
Disposals of treasury stock			(3)		5
Change of scope of equity method				(17)	
Net changes in items other than shareholders' equity during the year					
BALANCE, MARCH 31, 2012	2,604,733	¥ 397,199	¥ 192,834	¥ 82,659	¥ (2,939)

	Shareholders' Equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, MARCH 31, 2011	$ 4,843,890	$ 2,351,671	$ 2,352,964	$ (35,780)
Net income(loss)			(1,344,720)	
Purchases of treasury stock				(122)
Disposals of treasury stock		(37)		61
Change of scope of equity method			(207)	
Net changes in items other than shareholders' equity during the year				
BALANCE, MARCH 31, 2012	$ 4,843,890	$ 2,351,634	$ 1,008,037	$ (35,841)

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							
	Accumulated other comprehensive income						
Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total	Stock subscription rights	Minority interests	Total net assets
¥ 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
(12,518)							(12,518)
(10,395)							(10,395)
(40)							(40)
6							6
23							23
(583)							(583)
-	(6,051)	71	(4,363)	(10,343)	(60)	(22,561)	(32,964)
780,045	4,167	132	(27,290)	(22,991)	33	118,354	875,441
(110,267)							(110,267)
(10)							(10)
2							2
(17)							(17)
-	12,106	(274)	(1,638)	10,194	(10)	2,280	12,465
¥ 669,753	¥ 16,273	¥ (142)	¥ (28,928)	¥ (12,797)	¥ 24	¥ 120,634	¥ 777,614

Thousands of U.S. Dollars (Note 1)							
	Accumulated other comprehensive income						
Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total	Stock subscription rights	Minority interests	Total net assets
$ 9,512,745	$ 50,817	$ 1,610	$ (332,805)	$ (280,378)	$ 402	$ 1,443,341	$ 10,676,110
(1,344,720)							(1,344,720)
(122)							(122)
24							24
(207)							(207)
-	147,634	(3,342)	(19,975)	124,317	(109)	27,805	152,013
$ 8,167,720	$ 198,451	$ (1,732)	$ (352,780)	$ (156,061)	$ 293	$ 1,471,146	$ 9,483,098

Consolidated Statements of Cash Flows

NEC Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2011	2012	2012
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ 55,654	¥ (15,687)	¥ 3,301	$ 40,256
Depreciation	148,008	90,614	83,058	1,012,902
Amortization of long-term prepaid expenses	17,760	8,521	7,711	94,037
Impairment losses on property, plant and equipment, and other assets	6,973	5,873	6,501	79,280
Amortization of goodwill	11,404	12,983	12,660	154,390
Increase in allowance for doubtful accounts	107	6,577	2,589	31,573
Decrease in product warranty liabilities	(14,376)	(2,327)	(4,686)	(57,146)
Decrease in provision for loss on guarantees	(3,312)	(10,412)	—	—
Increase (decrease) in provision for loss on construction contracts and others	4,562	(4,320)	193	2,354
Increase in liabilities for retirement benefits	12,571	6,942	6,855	83,598
Increase (decrease) in provision for business structure improvement	(15,890)	(2,826)	18,463	225,159
Decrease in provision for contingent loss	(30,951)	(4,946)	(939)	(11,451)
Decrease in provision for loss on repurchase of computers	(879)	(1,735)	(1,151)	(14,037)
Interest and dividend income	(5,489)	(5,445)	(6,108)	(74,488)
Interest expense	9,736	6,614	5,446	66,415
Equity in losses (earnings) of affiliated companies	(7,336)	38,533	12,705	154,939
Loss (gain) on change in interests in subsidiaries and affiliated companies	—	5,996	(18)	(220)
Gain on sales of property, plant and equipment	(4,225)	(1,266)	(966)	(11,780)
Loss on retirement of property, plant and equipment	1,527	—	—	—
Gain on sales of investment securities	(537)	(2,492)	(1,357)	(16,549)
Loss on sales of investment securities	39	8	11	134
Write-off of investment securities	891	4,319	16,037	195,573
Gain on sales of investments in affiliated companies	(22,383)	(2,299)	(15,376)	(187,512)
Loss on sales of investments in affiliated companies	3,112	1,002	1,118	13,634
Gain on contribution of securities to retirement benefit trust	—	(19,206)	—	—
Loss on disaster	—	5,972	2,131	25,988
Gain on insurance claim	—	—	(10,648)	(129,854)
Increase in trade notes and accounts receivable	(25,246)	(478)	(88,216)	(1,075,805)
(Increase) decrease in inventories	63,132	3,349	(150)	(1,829)
(Increase) decrease in accounts receivable, other	7,844	(5,344)	15,591	190,134
Increase (decrease) in trade notes and accounts payable	(8,582)	(10,380)	28,976	353,366
Others—net	(35,523)	(46,130)	(7,690)	(93,781)
Sub total	168,591	62,010	86,041	1,049,280
Interest and dividends received	5,623	5,513	6,111	74,524
Interest paid	(10,067)	(6,464)	(5,152)	(62,829)
Income taxes – paid	(29,331)	(27,399)	(22,650)	(276,219)
Proceeds from insurance income	—	—	19,507	237,890
Net cash provided by operating activities	¥ 134,816	¥ 33,660	¥ 83,857	$ 1,022,646

Consolidated Statements of Cash Flows

NEC Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2011	2012	2012
Cash flows from investing activities				
Purchases of property, plant and equipment	¥ (85,243)	¥ (57,580)	¥ (39,772)	$ (485,024)
Proceeds from sales of property, plant and equipment	9,731	3,768	4,759	58,037
Acquisitions of intangible assets	(29,592)	(29,471)	(17,421)	(212,451)
Purchases of investment securities	(6,148)	(1,259)	(1,977)	(24,110)
Proceeds from sales of investment securities	16,081	3,767	1,999	24,378
Disbursements for acquisitions of shares of newly consolidated subsidiaries	(4,035)	(1,572)	(2,345)	(28,598)
Proceeds from sales of shares of subsidiaries being excluded from the consolidation	—	2,551	1,178	14,366
Disbursements for sales of shares of subsidiaries being excluded from the consolidation	—	(1,738)	(4,308)	(52,537)
Purchases of investments in affiliated companies	(19,645)	(59,615)	(358)	(4,366)
Proceeds from sales of investments in affiliated companies	71,980	145	6,779	82,671
(Increase) decrease in short-term loans receivable, net	63	1	(101)	(1,232)
Disbursements for loans receivable	(95)	(46)	(475)	(5,793)
Collection of loans receivable	5,180	200	294	3,585
Others—net	482	(5,395)	2,042	24,903
Net cash used in investing activities	(41,241)	(146,244)	(49,706)	(606,171)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings, net	(82,006)	125,829	(85,998)	(1,048,756)
Proceeds from long-term borrowings	64,472	6,167	191,760	2,338,537
Repayments of long-term borrowings	(59,872)	(177,176)	(20,351)	(248,183)
Proceeds from issuance of bonds	—	150,000	30,000	365,854
Redemption of bonds	(118,780)	(19,835)	—	—
Redemption of convertible bonds	—	—	(97,669)	(1,191,085)
Proceeds from issuance of common stock	118,519	—	—	—
Proceeds from stock issuance to minority shareholders	—	1,866	—	—
Dividends paid	(63)	(10,396)	(39)	(476)
Dividends paid to minority shareholders	(2,638)	(3,302)	(3,211)	(39,159)
Others—net	(40)	(78)	200	2,439
Net cash provided by (used in) financing activities	(80,408)	73,075	14,692	179,171
Effect of exchange rate changes on cash and cash equivalents	110	(4,073)	(879)	(10,719)
Net increase (decrease) in cash and cash equivalents	13,277	(43,582)	47,964	584,927
Cash and cash equivalents, at beginning of year	317,271	330,548	203,879	2,486,329
Decrease in cash and cash equivalents resulting from change of scope of consolidation	—	(92,787)	—	—
Increase in cash and cash equivalents resulting from merger	—	9,700	—	—
Cash and cash equivalents, at end of year	¥ 330,548	¥ 203,879	¥ 251,843	$ 3,071,256
Non-cash investing and financing activities				
Finance leases	¥ 2,426	¥ 3,986	¥ 2,372	$ 28,927
Contribution of securities to retirement benefit trust	¥—	¥ 70,992	¥—	$—
Assets acquired and liabilities assumed in merger *(Note 17)*				
Current assets	¥—	¥ 42,652	¥—	$—
Fixed assets	—	3,523	—	—
Total	—	46,175	—	—
Current liabilities	—	40,612	—	—
Long-term liabilities	—	1,021	—	—
Total	¥—	¥ 41,633	¥—	$—

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NEC Corporation and Subsidiaries

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, 2012.

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 ¥ 82 to $1, the approximate rate of exchange at March 31, 2012. 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, 2012 include the accounts of the Company and its 265 subsidiaries (together, the "Group"). Investments in 55 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.

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. ***Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***— The Company applies 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; and 5) exclusion of minority interests from net income, if contained.

c. ***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.

d. ***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).

e. ***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).

f. ***Property, Plant and Equipment***— Property, plant and equipment are stated at cost. For the years ended March 31, 2010 and 2011, depreciation of property, plant and equipment of the Group was computed principally by the declining-balance method based on the estimated useful lives of the assets. For the year ended March 31, 2012, depreciation of property, plant and equipment of the Group was computed by the straight-line method based on the estimated useful lives of the assets (Note 3).

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 straight-line method over the respective lease periods.

Accumulated depreciation of property, plant and equipment as of March 31, 2010, 2011 and 2012 were ¥1,732,061 million, ¥838,310 million and ¥786,212 million ($9,587,951 thousand), respectively.

g. ***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 two years.

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

h. ***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.

i. ***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.

j. ***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.

k. ***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.

l. ***Provision for loss on construction contracts and others***— 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.

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

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

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).

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

p. ***Stock Options***— 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 2010, 2011 and 2012 were ¥275,970 million, ¥176,514 million and ¥161,968 million ($1,975,220 thousand), respectively.

r. ***Leases***— Finance leases as lessee are capitalized and accounted for as ordinary sales transactions (Note 7 and 18).

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

t. ***Construction Contracts***— Percentage-of-completion accounting method has been 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 has been applied.

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 are 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 20).

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 23).

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 24).

3. Accounting Changes

Accounting Standard for Asset Retirement Obligations— The ASBJ issued the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 of March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 of March 31, 2008). The Group applies these accounting standards from the fiscal year ended March 31, 2011.

¥1,434 million is recorded as loss on adjustment for changes of accounting standard for asset retirement obligations as extraordinary loss. The impact of this change to operating income (loss), ordinary income (loss) and segment information are not material.

Change in depreciation method for property, plant and equipment and useful lives— From the fiscal year ended March 31, 2012, the Group changed the depreciation method and revised the useful lives of portion of assets based on actual utilization.

In prior periods, the Group had adopted principally the declining-balance method as depreciation method for property, plant and equipment. From the fiscal year ended March 31, 2012, the Group uniformly adopted the straight-line method over the estimated useful lives of the assets.

This is mainly due to a shift in business conditions such as the exclusion of NEC's semiconductor business from consolidation and more focus towards services where stable long-term revenues can be expected, known as "Cloud Computing Services."

This shift in business conditions resulted in an increase in the ratio of assets more suitably depreciated by the straight-line method, which enables depreciation cost to be equally allocated over its useful lives (Note 2f).

Compared to the previous method of accounting, the impacts of these changes and revisions on income (loss) and segment information are immaterial.

(Additional Information)

From the fiscal year ended March 31, 2012, the "Accounting Standard for Accounting Changes and Error Corrections"(ASBJ Statement No.24 of December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections"(ASBJ Guidance No.24 of December 4, 2009) has been applied to accounting changes and corrections of prior period errors.

4. Changes in Presentation Method

(Consolidated Statements of Operations)

"Reversal of provision for contingent loss" which was separately presented in the prior periods (¥1,668 million and ¥30,853 million for the years ended March 31, 2011 and 2010, respectively) have been reclassified into "Other" in non-operating income to conform with current year presentation.

"Loss on disposals of property, plant and equipment" which was separately presented in the prior periods (¥4,071 million and ¥8,249 million for the years ended March 31, 2011 and 2010, respectively) have been reclassified into "Other" in non-operating expenses to conform with current year presentation.

"Provision for contingent loss" which was separately presented in the prior periods (¥1,367 million and ¥6,496 million for the years ended March 31, 2011 and 2010, respectively) have been reclassified into "Other" in non-operating expenses to conform with current year presentation.

5. Investment Securities

The carrying amounts and aggregate fair values of marketable investment securities as of March 31, 2011 and 2012 were as follows:

	Millions of Yen			
Mar 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 64,622	¥ 20,093	¥ 8,415	¥ 76,300
Debt securities	1,000	—	188	812
Others	3,094	36	1,022	2,108
Total	¥ 68,716	¥ 20,129	¥ 9,625	¥ 79,220
Mar 31, 2012				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 63,021	¥ 31,486	¥ 2,674	¥ 91,833
Debt securities	1,000	—	155	845
Others	1,969	21	11	1,979
Total	¥ 65,990	¥ 31,507	¥ 2,840	¥ 94,657

	Thousands of U.S. Dollars			
Mar 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 768,549	$ 383,976	$ 32,610	$ 1,119,915
Debt securities	12,195	—	1,890	10,305
Others	24,012	256	134	24,134
Total	$ 804,756	$ 384,232	$ 34,634	$ 1,154,354

Non-marketable investment securities whose fair value is not readily determinable as of March 31, 2011 and 2012 were as follows:

	Carrying amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2012	2012
Available-for-sale:			
Equity securities	¥ 53,565	¥ 54,547	$ 665,207
Investments in limited partnerships	4,577	4,157	50,695
Others	330	327	3,988
Total	¥ 58,472	¥ 59,031	$ 719,890

6. Inventories

Inventories as of March 31, 2011 and 2012 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Merchandise & finished products	¥ 95,567	¥ 91,898	$ 1,120,707
Work in process	99,868	91,408	1,114,732
Raw materials and supplies	69,308	66,611	812,329
Total	¥ 264,743	¥ 249,917	$ 3,047,768

7. Short-term Borrowings and Long-term Debt

Short-term borrowings

Short-term borrowings as of March 31, 2011 and 2012 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Loans (weighted-average interest rate of 1.18% as of March 31, 2012)	¥ 48,780	¥ 28,990	$ 353,537
Commercial papers (weighted-average interest rate of 0.12% as of March 31, 2012)	163,978	97,991	1,195,012
Total	¥ 212,758	¥ 126,981	$ 1,548,549

As of March 31, 2012, the Group had unused line-of-credit agreements for short-term borrowings with financial institutions aggregating ¥251,750 million ($3,070,122 thousand).

Long-term borrowings

Long-term borrowings as of March 31, 2011 and 2012 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Loans from financial institutions, due in 2012 through 2018 (weighted-average interest rate of 0.81% as of March 31, 2012)	¥ 151,091	¥ 327,953	$ 3,999,427
Less current portion	(13,245)	(64,793)	(790,159)
Total	¥ 137,846	¥ 263,160	$ 3,209,268

Bonds

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
NEC 38th unsecured 1.47% bonds due in 2013	¥ 30,000	¥ 30,000	$ 365,854
NEC 39th unsecured 1.68% bonds due in 2015	20,000	20,000	243,902
NEC 40th unsecured 0.50% bonds due in 2013	40,000	40,000	487,805
NEC 41st unsecured 0.73% bonds due in 2015	40,000	40,000	487,805
NEC 42nd unsecured 1.02% bonds due in 2017	20,000	20,000	243,902
NEC 43rd unsecured 0.65% bonds due in 2015	30,000	30,000	365,854
NEC 44th unsecured 1.00% bonds due in 2017	20,000	20,000	243,902
NEC 45th unsecured 0.61% bonds due in 2014	—	20,000	243,902
NEC 46th unsecured 0.79% bonds due in 2016	—	10,000	121,952
NEC 10th unsecured 1.00% convertible bonds due in 2011	97,669	—	—
Less current portion of bonds	(97,669)	—	—
Total	¥ 200,000	¥ 230,000	$ 2,804,878

The details of convertible bonds were as follows:

Description	NEC 10th unsecured 1.0% convertible bonds due in 2011
Period of conversion request	June 3, 1996 – September 29, 2011
Conversion price (Yen)	¥ 1,250.00
Stock to be issued	Common stock
Increase in equity due if converted (Yen/share)	¥ 625

Lease obligations

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2012	2012
Lease obligations, due in 2012 through 2019 (weighted-average interest rate of 1.68% as of March 31, 2012)	¥ 14,280	¥ 7,800	$ 95,122
Less current portion	(6,744)	(3,253)	(39,671)
Total	¥ 7,536	¥ 4,547	$ 55,451

Annual maturities for the fiscal years ending March 31, 2013 through 2018 of long-term debt as of March 31, 2012 were as follows:

Year Ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2013	¥ 68,046	$ 829,829
2014	142,213	1,734,305
2015	59,216	722,146
2016	92,572	1,128,927
2017	106,674	1,300,902
2018 and thereafter	97,032	1,183,317
Total	¥ 565,753	$ 6,899,426

The carrying amounts of assets, net of accumulated depreciation, pledged as collateral for short-term borrowings of ¥ 2,491 million ($30,378 thousand) and long-term borrowings of ¥ 300 million ($3,659 thousand) and other debt of ¥ 47 million ($573 thousand) as of March 31, 2012 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
Land	¥ 4,671	$ 56,964
Buildings and structures	589	7,183
Machinery and equipment	16	195
Others	7	85
Total, net of accumulated depreciation	¥ 5,283	$ 64,427

8. Retirement and Pension Plans

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

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

The liability and the asset for employees' retirement benefits as of March 31, 2011 and 2012 consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2012	2012
Project benefit obligations	¥ (939,852)	¥ (929,558)	$ (11,336,073)
Fair value of plan assets	671,609	627,504	7,652,488
Unfunded retirement benefit obligations	(268,243)	(302,054)	(3,683,585)
Unrecognized transitional obligation	46,826	34,068	415,463
Unrecognized actuarial gain	228,333	231,659	2,825,110
Unrecognized prior service costs	(75,481)	(63,164)	(770,293)
Net amounts recognized in the consolidated balance sheets	(68,565)	(99,491)	(1,213,305)
Prepaid pension expenses	113,457	83,244	1,015,171
Liabilities for retirement benefits	¥ (182,022)	¥ (182,735)	$ (2,228,476)

The components of retirement benefit expenses for the fiscal years ended March 31, 2010, 2011 and 2012 were as follows:

	Millions of Yen			*Thousands of U.S. Dollars*
	2010	2011	2012	2012
Service cost	¥ 36,676	¥ 31,158	¥ 30,762	$ 375,146
Interest cost	27,259	23,318	23,051	281,110
Expected return on plan assets	(12,472)	(12,187)	(12,030)	(146,707)
Amortization of transitional obligation	14,441	12,057	11,867	144,719
Amortization of actuarial gains and losses	35,463	21,351	27,921	340,500
Amortization of prior service costs	(10,117)	(9,187)	(8,882)	(108,317)
Others	7,869	6,068	6,596	80,439
Total retirement benefit expenses	¥ 99,119	¥ 72,578	¥ 79,285	$ 966,890

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

On top of the above retirement benefit expenses, additional expenses mainly for early retirement of employees due to business restructuring were recognized and included in " Restructuring charges" under special losses, in the amount of ¥29,830 million ($363,780 thousand) for the fiscal year ended March 31, 2012. (Note 15)

Assumptions used for the fiscal years ended March 31, 2011 and 2012 were as follows:

	2011	2012
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
	2011	2012	2012
Advances from customers	¥ 58,437	¥ 57,013	$ 695,280
Reserve for bonuses to directors	266	219	2,671
Product warranty liabilities	24,827	19,278	235,098
Provision for business structure improvement	7,138	25,917	316,061
Provision for loss on construction contracts and others	9,763	9,945	121,280
Provision for contingent loss	3,989	2,762	33,683
Others	120,604	126,099	1,537,793
Total	¥ 225,024	¥ 241,233	$ 2,941,866

10. Other Long-term Liabilities

Other long-term liabilities consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Provision for loss on repurchase of computers	¥ 7,620	¥ 6,469	$ 78,890
Long-term product warranty liabilities	2,062	2,676	32,634
Provision for recycling expenses of personal computers	6,004	142	1,732
Provision for contingent loss	8,810	8,622	105,147
Provision for business structure improvement	1,326	979	11,939
Others	18,611	18,974	231,390
Total	¥ 44,433	¥ 37,862	$ 461,732

11. Net Assets

The significant provisions in the Companies Act of Japan (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 recognized no stock-based compensation expense for the years ended March 31, 2011 and 2012.

The stock options outstanding during the fiscal years ended March 31, 2011 and 2012 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
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, 2011 and 2012 were as follows:

	Shares	
	2005 Stock Option	2006 Stock Option
For the year ended March 31, 2012		
Non-vested		
April 1, 2011 - Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
March 31, 2012 - Outstanding	—	—
Vested		
April 1, 2011 - Outstanding	126,000	174,000
Vested	—	—
Exercised	—	—
Forfeited	(126,000)	(50,000)
March 31, 2012 - Outstanding	—	124,000
Exercise price	¥ 601	¥ 600
Average stock price at exercise	—	—
Fair value price at grant date	—	¥ 190

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, 2010 and 2012, and (40.5)% for the fiscal year ended March 31, 2011. 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, 2011 and 2012 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2012	2012
Deferred tax assets :			
Tax loss carryforwards	¥ 237,252	¥ 219,368	$ 2,675,219
Pension and severance costs	122,290	115,681	1,410,744
Accrued expenses and product warranty liabilities	49,265	46,625	568,598
Write-off of inventories	32,674	37,214	453,829
Depreciation	38,951	33,437	407,768
Investments in affiliated companies	11,519	17,111	208,671
Provision for business structure improvement	3,230	10,263	125,158
Write-off of investment securities	8,136	8,024	97,854
Elimination of unrealized profit by intercompany transactions among consolidated companies	11,743	4,241	51,719
Provision for contingent loss	4,770	4,006	48,854
Provision for loss on construction contracts and others	3,932	3,755	45,793
Research and development expenses	2,532	1,182	14,415
Others	63,393	43,773	533,817
Sub-total	589,687	544,680	6,642,439
Less valuation allowance	(282,045)	(326,029)	(3,975,963)
Total	307,642	218,651	2,666,476
Deferred tax liabilities:			
Gain on contribution of securities to retirement benefit trust	22,037	19,317	235,573
Undistributed earnings of affiliated companies	3,970	15,074	183,830
Unrealized gains on available-for-sale securities	944	7,165	87,378
Reserves under special taxation measures law	59	180	2,195
Others	9,649	7,289	88,890
Total	36,659	49,025	597,866
Net deferred tax assets	¥ 270,983	¥ 169,626	$ 2,068,610

Net deferred tax assets were included in the consolidated balance sheets as of March 31, 2011 and 2012 as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2012	2012
Current assets - deferred tax assets	¥ 97,431	¥ 76,222	$ 929,537
Investments and other assets - deferred tax assets	174,707	96,476	1,176,537
Current liabilities - other current liabilities	(30)	(32)	(391)
Long-term liabilities - deferred tax liabilities	(1,125)	(3,040)	(37,073)
Net deferred tax assets	¥ 270,983	¥ 169,626	$ 2,068,610

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, 2010, 2011 and 2012 were as follows:

	2010	2011	2012
Statutory tax rate	40.5 %	(40.5) %	40.5 %
Changes in valuation allowance	19.2	58.3	1,786.3
Adjustment of deferred tax assets due to change in statutory tax rate	—	—	749.7
Undistributed earnings of affiliated companies	11.3	(17.4)	247.2
Amortization of goodwill	7.9	33.5	179.4
Equity in losses (earnings) of affiliated companies	(0.3)	98.6	152.1
Non-deductible expenses for tax purposes	1.1	5.0	31.2
Tax rates difference relating to overseas subsidiaries	(5.5)	5.2	(14.6)
Others	(0.1)	(198.8)	105.8
Effective tax rates	74.1 %	(56.1) %	3,277.6 %

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011), corporation tax rates will be changed for the fiscal years beginning on or after April 1, 2012. In addition, the Special Reconstruction Corporation Tax, surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning in the period from April 1, 2012 to March 31, 2015. In line with these changes the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 40.5% to 38.0% for temporary differences expected to be utilized in the fiscal years beginning on or after April 1, 2012. The rate was also changed to 35.5% for temporary differences expected to be utilized in the fiscal years beginning on or after April 1, 2015.

As a result of this change, deferred tax assets (net of deferred tax liabilities) as of March 31, 2012 decreased by ¥24,749 million (US$301,817 thousands), and income taxes increased by ¥24,749 million ($301,817 thousands).

14. Significant Components of Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2010, 2011 and 2012 consisted of the followings:

	Millions of Yen			*Thousands of U.S. Dollars*
	2010	2011	2012	2012
Salaries for employees	¥ 318,385	¥ 295,191	¥ 291,188	$ 3,551,073
Research and development expenses	271,101	170,739	156,626	1,910,073
Retirement benefit expenses	25,786	19,555	22,573	275,280
Provision for product warranty liabilities	12,278	7,666	10,854	132,366
Allowance for doubtful accounts	1,034	156	2,073	25,280
Provision for loss on repurchase of computers	2,995	1,548	964	11,756

15. Special Gains and Losses

(1) Special gains

Special gains for the fiscal years ended March 31, 2010, 2011 and 2012 consisted of the followings:

	Millions of Yen			*Thousands of U.S. Dollars*
	2010	2011	2012	2012
Gain on sales of investments in affiliated companies	¥ 22,383	¥ 2,299	¥ 15,376	$ 187,512
Gain on insurance claim	—	—	10,648	129,854
Gain on sales of investment securities	537	2,492	1,357	16,549
Gain on sales of property, plant and equipment	4,225	1,266	966	11,780
Gain on change in equity	—	—	18	219
Gain on reversal of subscription rights to shares	30	8	10	122
Gain on contribution of securities to retirement benefit trust	—	19,206	—	—
Reversal of provision for loss on guarantees	3,312	1,557	—	—
Reversal of provision for recycling expenses of personal computers	1,024	1,193	—	—
Gain on business transfers	—	249	—	—
Total	¥ 31,511	¥ 28,270	¥ 28,375	$ 346,036

Gain on sales of investments in affiliated companies

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

Gain on sales of investments in affiliated companies for the fiscal year ended March 31, 2011 mainly related to the sale of shares of Tohoku Chemical Industries, LTD.

Gain on sales of investments in affiliated companies for the fiscal year ended March 31, 2012 mainly related to the sale of shares of NEC Personal Computers, LTD.

Gain on insurance claim

Gain on insurance claim for the fiscal year ended March 31, 2012 due to insurance proceeds by the flooding in Thailand which was offset by losses on noncurrent assets and inventories.

Gain on contribution of securities to retirement benefit trust

Gain on contribution of securities to retirement benefit trust for the fiscal year ended March 31, 2011 due to transfer of a portion of shares that NEC holds in Renesas Electronics Corporation to the retirement benefit trust.

Gain on business transfers

Gain on business transfers for the fiscal year ended March 31, 2011 mainly due to the sales of assets related to the liquidations of Platform business in the United States of America.

(2) Special losses

Special losses for the fiscal years ended March 31, 2010, 2011 and 2012 consisted of the followings:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2011	2012	2012
Restructuring charges *(Note 8)*	¥ 10,245	¥ 15,477	¥ 40,535	$ 494,329
Write-off of investment securities	891	4,319	16,037	195,573
Impairment losses on property, plant and equipment, and other assets	6,973	5,873	6,501	79,281
Loss on disaster	—	5,972	2,131	25,988
Loss on sales of investments in affiliated companies	3,112	1,002	1,118	13,634
Relocation expenses	—	—	713	8,695
Loss on sales of noncurrent assets	12	19	78	951
Loss on sales of investment securities	39	8	11	134
Loss on change in equity	—	5,996	—	—
Cost of corrective measures for products	2,487	3,697	—	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,434	—	—
Provision for loss on guarantees	—	201	—	—
Loss on retirement of property, plant and equipment	1,527	—	—	—
Total	¥ 25,286	¥ 43,998	¥ 67,124	$ 818,585

Restructuring charges

Restructuring charges for the fiscal year ended March 31, 2010 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.

Restructuring charges for the fiscal year ended March 31, 2011 mainly related to expenses for early retirement of employees in Personal Solutions business, and office-moving in association with relocations.

Restructuring charges for the fiscal year ended March 31, 2012 mainly related to expenses of ¥29,830 million ($363,780 thousand) which is primarily for early retirement of employees due to business restructuring, and ¥7,664 million ($93,463 thousand) for loss on noncurrent assets and other expenses due to business reorganization.

Write-off of investment securities

Write-off of investment securities mainly resulted from the impairment loss of certain investment securities.

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.

The following summarizes the breakdown of impairment losses by account:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2011	2012	2012
Land	¥ 64	¥ 342	¥ 507	$ 6,183
Buildings and structures	2,642	863	452	5,512
Machinery and equipment	1,459	1,827	1,347	16,427
Furniture and fixtures	617	208	716	8,732
Construction in progress	240	1,192	290	3,537
Goodwill	753	—	2,792	34,049
Software	703	1,130	220	2,683
Other assets	495	311	177	2,158
Total	¥ 6,973	¥ 5,873	¥ 6,501	$ 79,281

Loss on disaster

Loss on disaster for the fiscal year ended March 31, 2011 related to the Great East Japan Earthquake, mainly fixed costs during the temporary shutdown period of operations and business, and losses on noncurrent assets and inventories.

Loss on disaster for the fiscal year ended March 31, 2012 related to the flooding in Thailand, mainly fixed costs during the temporary shutdown period of operations.

Loss on sales of investments in affiliated companies

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

Loss on sales of investments in affiliated companies for the fiscal year ended March 31, 2011 related to the sales of investments in SGI Japan, LTD., and others.

Loss on sales of investments in affiliated companies for the fiscal year ended March 31, 2012 mainly related to the sales of investments in JICD Corporation, and others.

Loss on change in equity

Loss on change in equity for the fiscal year ended March 31, 2011 mainly related to a change in equity in NEC Electronics Corporation merged with Renesas Technology Corp.

Cost of corrective measures for products

Cost of corrective measures for products for the fiscal years ended March 31, 2010 and 2011 mainly related to the costs to be incurred due to collection and replacement of defective products sold.

Loss on retirement of property, plant and equipment

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

16. Components of Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2012 consisted of the followings:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Valuation difference on available-for-sale securities		
Increase(decrease) during the year	¥ 4,771	$ 58,183
Reclassification adjustments	13,826	168,610
Sub-total, before tax	18,597	226,793
Tax (expense) or benefit	(6,441)	(78,549)
Sub-total, net of tax	¥ 12,156	$ 148,244
Differed gains or losses on hedges		
Increase(decrease) during the year	¥ (169)	$ (2,061)
Reclassification adjustments	(157)	(1,915)
Sub-total, before tax	(326)	(3,976)
Tax (expense) or benefit	95	1,159
Sub-total, net of tax	¥ (231)	$ (2,817)
Foreign currency translation adjustments		
Increase(decrease) during the year	¥ (1,321)	$ (16,110)
Reclassification adjustments	(401)	(4,890)
Sub-total, before tax	(1,722)	(21,000)
Tax (expense) or benefit	472	5,756
Sub-total, net of tax	¥ (1,250)	$ (15,244)
Share of other comprehensive income of associates accounted for using equity method		
Increase(decrease) during the year	¥ (476)	$ (5,805)
Total other comprehensive income	¥ 10,199	$ 124,378

17. Additional Cash Flow Information

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
Current assets	¥ 2,728
Fixed assets	3,228
Goodwill	915
Current liabilities	(1,267)
Long-term liabilities	(324)
Acquisition cost of shares	5,280
Consideration, unpaid	(330)
Cash and cash equivalents	(915)
Disbursements for acquisitions of shares of newly consolidated subsidiaries	¥ 4,035

The Company acquired shares of four companies, which were newly consolidated in the fiscal year ended March 31, 2011. The assets and liabilities on the date of acquisition were as follows:

Four companies

	Millions of Yen
Current assets	¥ 1,482
Fixed assets	875
Goodwill	967
Current liabilities	(882)
Long-term liabilities	(339)
Minority interests	(136)
Acquisition cost of shares	1,967
Cash and cash equivalents	(395)
Disbursements for acquisitions of shares of newly consolidated subsidiaries	¥ 1,572

The assets and liabilities of three companies, which were excluded from consolidation due to sale of shares for the fiscal year ended March 31, 2011, were as follows:

Three companies

	Millions of Yen
Current assets	¥ 2,348
Fixed assets	1,930
Current liabilities	(1,689)
Long-term liabilities	(716)
Foreign currency translation adjustment	10
Valuation difference on available-for-sale securities	(5)
Gain on sales of investments in affiliated companies	1,322
Sale amount of shares	3,200
Cash and cash equivalents	(649)
Proceeds from sales of shares of subsidiaries being excluded from the consolidation	¥ 2,551

The assets and liabilities of SGI Japan, Ltd., which was excluded from consolidation due to sale of shares for the fiscal year ended March 31, 2011, were as follows:

SGI Japan, Ltd.

	Millions of Yen
Current assets	¥ 6,850
Fixed assets	682
Current liabilities	(4,376)
Long-term liabilities	(611)
Minority interests	(1,111)
Valuation difference on available-for-sale securities	(3)
Deferred gains or losses on hedges	1
Loss on sales of investments in affiliated companies	(620)
Sale amount of shares	812
Other receivables	(81)
Cash and cash equivalents	(2,469)
Disbursements for sales of shares of subsidiaries being excluded from the consolidation	¥ (1,738)

The assets and liabilities of NEC LCD Technologies, Ltd., which was excluded from consolidation due to sale of shares for the fiscal year ended March 31, 2012, were as follows:

NEC LCD Technologies, Ltd.

	Millions of Yen	*Thousands of U.S. Dollars*
Current assets	¥ 7,515	$ 91,646
Fixed assets	80	976
Current liabilities	(4,096)	(49,951)
Long-term liabilities	(2,504)	(30,537)
Minority interests	1	12
Acquisition of shares	(539)	(6,573)
Gain on sales of investments in affiliated companies	3,228	39,366
Sale amount of shares	3,685	44,939
Other receivables	(185)	(2,256)
Cash and cash equivalents	(2,322)	(28,317)
Proceeds from sales of shares of subsidiaries being excluded from the consolidation	¥ 1,178	$ 14,366

The assets and liabilities of NEC Personal Computers, Ltd., which was excluded from consolidation due to transfer of shares for the fiscal year ended March 31, 2012, were as follows:

NEC Personal Computers, Ltd.

	Millions of Yen	*Thousands of U.S. Dollars*
Current assets	¥ 34,129	$ 416,208
Fixed assets	13,198	160,951
Current liabilities	(24,691)	(301,110)
Long-term liabilities	(11,887)	(144,963)
Valuation difference on available-for-sale securities	(383)	(4,671)
Deferred gains or losses on hedges	1	12
Acquisition of shares	(17,302)	(211,000)
Gain on sales of investments in affiliated companies	11,589	141,329
Transfer amount of shares	4,654	56,756
Cash and cash equivalents	(8,962)	(109,293)
Disbursements for transfer of shares of subsidiaries being excluded from the consolidation	¥ (4,308)	$ (52,537)

Merger

NEC CASIO Mobile Communications, Ltd., a consolidated subsidiary, merged with Casio Hitachi Mobile Communications Co., Ltd. during the fiscal year ended March 31, 2011. Asset acquired and liabilities assumed in this merger are presented on consolidated statements of cash flows.

18. Leases

The minimum obligations under noncancelable operating leases as of March 31, 2011 and 2012 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2012	2012
Due within one year	¥ 18,310	¥ 19,494	$ 237,732
Due after one year	43,291	84,806	1,034,219
Total	¥ 61,601	¥ 104,300	$ 1,271,951

19. Financial Instruments

(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 seven 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 are described in Note 20.

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 and fair value as of March 31, 2011 and 2012 were as follows:

	Millions of Yen					
	2011			2012		
	Carrying Amount	Fair Value	Difference	Carrying Amount	Fair Value	Difference
Assets:						
Cash and cash equivalents	¥ 203,879	¥ 203,879	¥ —	¥ 251,843	¥ 251,843	¥ —
Short-term investments	1,540	1,540	—	2,007	2,007	—
Trade notes and accounts receivable	726,355	725,974	(381)	810,579	810,307	(272)
Investment securities	79,220	79,220	—	94,657	94,657	—
Investments in affiliated companies	89,286	74,958	(14,328)	79,295	68,784	(10,511)
Total	¥1,100,280	¥1,085,571	¥ (14,709)	¥ 1,238,381	¥1,227,598	¥ (10,783)
Liabilities:						
Short-term borrowings(*)	¥ 212,758	¥ 212,758	—	¥ 126,981	¥ 126,981	¥ —
Current portion of long-term debt(*)	110,914	110,914	—	64,793	64,793	—
Trade notes and accounts payable	464,529	464,529	—	466,177	466,177	—
Accrued expenses	160,559	160,559	—	156,175	156,175	—
Long-term debt(*)	337,846	339,440	1,594	493,160	494,478	1,318
Total	¥1,286,606	¥1,288,200	¥ 1,594	¥ 1,307,286	¥1,308,604	¥ 1,318
Derivatives (**)	¥ 228	¥ 228	¥ —	¥ (1,992)	¥ (1,992)	¥ —

	Thousands of U.S. Dollars		
2012	Carrying Amount	Fair Value	Difference
Assets:			
Cash and cash equivalents	$ 3,071,256	$ 3,071,256	$ —
Short-term investments	24,476	24,476	—
Trade notes and accounts receivable	9,885,110	9,881,793	(3,317)
Investment securities	1,154,354	1,154,354	—
Investments in affiliated companies	967,012	838,829	(128,183)
Total	$ 15,102,208	$ 14,970,708	$ (131,500)
Liabilities:			
Short-term borrowings(*)	$ 1,548,549	$ 1,548,549	$ —
Current portion of long-term debt(*)	790,159	790,159	—
Trade notes and accounts payable	5,685,085	5,685,085	—
Accrued expenses	1,904,573	1,904,573	—
Long-term debt(*)	6,014,146	6,030,219	16,073
Total	$ 15,942,512	$ 15,958,585	$ 16,073
Derivatives (**)	$ (24,293)	$ (24,293)	$ —

(*) Amounts of lease obligation are not included in either Short-term borrowings, Current portion of long-term debt or Long-term debt.

(**) Derivatives are presented at net of related assets and liabilities. Amounts in parentheses indicate liabilities.

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 short term receivable, fair value equals to carrying amount. For long term receivable, fair value is measured 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 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 20.

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

	Carrying Amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2011	*2012*	*2012*
Investment securities:			
unlisted stocks	¥ 53,565	¥ 54,547	$ 665,207
Investments in affiliated companies:			
unlisted stocks	44,707	38,340	467,561
Investments in limited partnerships and similar partnerships under foreign laws	4,577	4,157	50,695
Others	330	327	3,988
Total	¥ 103,179	¥ 97,371	$ 1,187,451

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

	Millions of Yen			
March 31, 2012	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	¥ 251,843	¥ —	¥ —	¥ —
Short-term investments	2,007	—	—	—
Trade notes and accounts receivable	791,746	18,282	432	119
Investment securities				
Available-for-sale securities with contractual maturities (bonds)	—	—	—	845
Total	¥ 1,045,596	¥ 18,282	¥ 432	¥ 964

	Thousands of U.S. Dollars			
March 31, 2012	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	$ 3,071,256	$ —	$ —	$ —
Short-term investments	24,476	—	—	—
Trade notes and accounts receivable	9,655,439	222,951	5,268	1,451
Investment securities	—	—	—	—
Available-for-sale securities with contractual maturities (bonds)	—	—	—	10,305
Total	$ 12,751,171	$ 222,951	$ 5,268	$ 11,756

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

20. Derivatives

Derivative transactions as of March 31, 2011 and 2012 were as follows:

	Millions of Yen					
	2011			2012		
	Contract Amount	Fair Value	Unrealized Gain (Loss)	Contract Amount	Fair Value	Unrealized Gain (Loss)
Currency related						
Foreign exchange forward contracts:						
Buying						
U.S.$	¥ 40,481	¥ 40,984	¥ 503	¥ 58,873	¥ 59,284	¥ 411
Euro	—	—	—	27	30	3
Others	10,580	10,770	190	1,704	1,691	(13)
Selling						
U.S.$	34,486	34,690	(204)	44,093	45,996	(1,903)
Euro	8,336	8,643	(307)	9,325	9,728	(403)
Others	4,150	4,099	51	10,489	10,576	(87)
Total			¥ 233			¥ (1,992)
Interest rate related						
Interest rate swaps:						
Pay fixed/Receive floating rates	¥ 2,000	¥ (5)	¥ (5)	¥ —	¥ —	¥ —
Total			¥ (5)			¥ —

2012	*Thousands of U.S. Dollars* Contract Amount	Fair Value	Unrealized Gain (Loss)
Currency related			
Foreign exchange forward contracts:			
Buying			
U.S.$	$ 717,963	$ 722,975	$ 5,012
Euro	329	366	37
Others	20,781	20,622	(159)
Selling			
U.S.$	537,720	560,927	(23,207)
Euro	113,719	118,634	(4,915)
Others	127,915	128,976	(1,061)
Total			$ (24,293)

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, 2011 and 2012, included in the above table, were as follows:

	Millions of Yen					
	2011			2012		
	Hedged Item	Contract Amount	Fair Value	Hedged Item	Contract Amount	Fair Value
Currency related						
Foreign exchange forward contracts:						
Buying	Accounts payable			Accounts payable		
U.S.$		¥7,122	¥ 7,224		¥ —	¥ —
Others		1	1		—	—
Selling	Accounts receivable			Accounts receivable		
U.S.$		299	301		4,386	4,615
Others		1,747	1,725		1,466	1,471
Interest rate related						
Interest rate swaps:						
Pay fixed/Receive floating rates	Long-term borrowings	2,000	(5)	Long-term borrowings	—	—

	Thousands of U.S. Dollars		
2012	Hedged Item	Contract Amount	Fair Value
Currency related			
Foreign exchange forward contracts:			
Selling	Accounts receivable		
U.S.$		$ 53,488	$ 56,280
Others		17,878	17,939

21. Contingent Liabilities

As of March 31, 2011 and 2012, the Group had the following contingent liabilities:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2012	2012
Trade notes discounted	¥ 1,341	¥ —	$ —
Guarantees for bank loans and others	23,260	11,477	139,963

22. Related Party Disclosures

There is no significant related party transaction subject to disclosures for the fiscal year ended March 31, 2010.

Transactions of the Company with affiliated company for the year ended March 31, 2011 were as follows:

2011	*Millions of Yen*
Subscription of capital stock (*)	¥ 56,300

(*) The Company invested into the third-party allotment in the amount of 917 yen per share which were issued by Renesas Electronics Corporation.

Transactions of the Company with other entity of which representative director is also a director of the Company for the year ended March 31, 2012 were as follows:

2012	*Millions of Yen*	*Thousands of U.S. Dollars*
Borrowing funds (*)		
Balances:		
Current portion of long-term debt	¥ 5,750	$ 70,122
Long-term debt	60,000	731,707

(*) Borrowing funds from Sumitomo Mitsui Banking Corporation, of which Mr. Takeshi Kunibe, the outside director of the Company, is appointed as a representative director, is based on arm's-length terms and conditions. The Company has 0.1% of shares of Sumitomo Mitsui Financial Group, Inc.

Information Concerning Significant Affiliated Companies

In the year ended March 31, 2012, important related companies were Renesas Electronics Corporation and NEC Capital Solutions Limited. Condensed financial information prepared based on the consolidated financial statements of both companies was as follows:

2012	*Millions of Yen*	*Thousands of U.S. Dollars*
Current assets total	¥ 1,131,344	$ 13,796,878
Noncurrent assets total	520,200	6,343,902
Current liabilities total	799,838	9,754,122
Long-term liabilities total	542,838	6,619,975
Net assets total	308,868	3,766,683
Sales	1,115,872	13,608,195
Income (loss) before income taxes and minority interests	(50,501)	(615,866)
Net income (loss)	(58,627)	(714,963)

23. Net Income Per Share

Reconciliations of the difference between basic and diluted net income per share ("EPS") for the fiscal years ended March 31, 2010, 2011 and 2012 were as follows:

	Millions of Yen	*Thousands of shares*	*Yen*
	Net income(loss)	Weighted average shares	EPS
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
For the year ended March 31, 2011:			
Basic EPS			
Net loss	¥ (12,518)		
Amounts not attributable to common shareholders	—		
Net loss available to common shareholders	¥ (12,518)	2,598,491	¥ (4.82)
Effect of Dilutive Securities	—	—	
Diluted EPS			
Net income for computation	—	—	—
For the year ended March 31, 2012:			
Basic EPS			
Net loss	¥ (110,267)		
Amounts not attributable to common shareholders	—		
Net loss available to common shareholders	¥ (110,267)	2,598,442	¥ (42.44)
Effect of Dilutive Securities	—	—	
Diluted EPS			
Net income for computation	—	—	—

	Thousands of U.S. Dollars	*Thousands of shares*	*U.S. Dollars*
	Net income(loss)	Weighted average shares	EPS
For the year ended March 31, 2012:			
Basic EPS			
Net loss	$ (1,344,720)		
Amounts not attributable to common shareholders	—		
Net loss available to common shareholders	$ (1,344,720)	2,598,442	$ (0.52)
Effect of Dilutive Securities	—	—	
Diluted EPS			
Net income for computation	—	—	—

For the years ended March 31, 2010 and 2011, 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.

For the year ended March 31, 2012, equity instruments not included in the basis for calculation of diluted net income per share as they are anti-dilutive are stock subscription rights.

Diluted net income per share for the fiscal 2011 and 2012 is not disclosed because of the Company's net loss position.

24. Net Assets Per Share

Net assets per share as of March 31, 2011 and 2012 were as follows:

	Yen		*U.S. Dollars*
	2011	2012	2012
Net assets per share	¥ 291.35	¥ 252.83	$ 3.08

The basis for calculation of net assets per share for the fiscal years ended March 31, 2011 and 2012 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, 2011:			
Total net assets	¥ 875,441		
Amounts deducted from total net assets			
Stock subscription rights	(33)		
Minority interests	(118,354)		
Net assets as of the year end attributable to common shareholders	¥ 757,054	2,598,462	¥ 291.35
For the year ended March 31, 2012:			
Total net assets	¥ 777,614		
Amounts deducted from total net assets			
Stock subscription rights	(24)		
Minority interests	(120,634)		
Net assets as of the year end attributable to common shareholders	¥ 656,956	2,598,412	¥ 252.83

	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, 2012:			
Total net assets	$ 9,483,098		
Amounts deducted from total net assets			
Stock subscription rights	(293)		
Minority interests	(1,471,146)		
Net assets as of the year end attributable to common shareholders	$ 8,011,659	2,598,412	$ 3.08

25. Segment Information

From the fiscal year ended March 31, 2011, the Group applies the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No.17 of March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 of March 21, 2008).

(1) General information about reportable segments

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results. The Company has its business units identified by products and services. Each business unit plans its comprehensive domestic and overseas strategy for its products and services, and operates its business activities.

Therefore, the Company consists of its business units, identified by products and services, that are five reported segments of "IT Services Business", "Platform Business", "Carrier Network Business", "Social Infrastructure Business" and "Personal Solutions Business".

The contents of each reported segment are as follows:

IT Services Business

This reported segment mainly renders Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing (Data Center Services, IT Operation Management) and Cloud Services for Governments and Enterprises.

Platform Business

This reported segment manufactures and sells PC Servers, UNIX Servers, Mainframes, Supercomputers, Storage, ATMs, IP Telephony Systems, WAN and Wireless Access Equipment, LAN Products and Computer Software (Integrated Operation Management, Application Server, Security, Operating System (OS), Database Software).

Carrier Network Business

This reported segment manufactures and sells Network Infrastructure for Telecommunications Carriers (Backbone Network Systems, Access Network Systems) and Services and Management for Telecommunications Carriers (Network Operation Support Systems (OSS), Business Support Systems (BSS), Network Control Platform Systems, Network Service Delivery Platform Systems).

Social Infrastructure Business

This reported segment manufactures and sells Broadcasting and Video Distribution Systems (Digital Terrestrial TV Transmitters), Control Systems (Postal and Logistics Automation Systems), Transportation and Public Network Systems (Train Radio Systems), Fire and Disaster Prevention Systems (Fire-fighting Command Systems) and Aerospace and Defense Systems (Air Traffic Control Systems, Uncooled Infrared Sensors).

Personal Solutions Business

This reported segment manufactures and sells Mobile Phones, Smartphones, Personal Computers, Tablet Devices, Mobile Routers and Wireless Routers, and renders "BIGLOBE" Internet Services and Display Solutions (Monitors, Projectors, Public Displays for Digital Signage).

(2) Basis of measurement about reported segment sales, segment income or loss, segment assets and other material items

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

Segment assets are based on amount of assets after offsetting receivables caused by internal transactions including intersegment transactions.

(3) Information about reported segment sales, segment income or loss, segment assets and other material items

From the fiscal year ended March 31, 2011, the reported segment has been changed to five reported segments, which are composed of "IT Services", "Platform", "Carrier Network", "Social Infrastructure" and "Personal Solutions", due to the organizational reform.

With this change, segment information for the fiscal year ended March 31, 2010 has been reclassified in a manner used for the fiscal year ended March 31, 2011 as follows.

(Fiscal year ended March 31, 2010)

	Millions of Yen								
	2010								
	Reported Segments								
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total	Others	Adjustment	Consolidated Total
Net Sales									
1. Sales to customers	¥ 866,349	¥ 373,710	¥ 627,411	¥ 316,566	¥ 737,745	¥ 2,921,781	¥ 661,367	¥ —	¥ 3,583,148
2. Intersegment sales and transfers	49,440	60,549	30,267	18,407	51,117	209,780	91,544	(301,324)	—
Total sales	¥ 915,789	¥ 434,259	¥ 657,678	¥ 334,973	¥ 788,862	¥ 3,131,561	¥ 752,911	¥ (301,324)	¥ 3,583,148
Segment income(loss) (Operating income(loss))	¥ 53,180	¥ (1,705)	¥ 31,342	¥ 21,711	¥ 18,852	¥ 123,380	¥ (44,929)	¥ (27,546)	¥ 50,905
Segment assets	¥ 523,376	¥ 190,609	¥ 405,323	¥ 270,066	¥ 304,063	¥ 1,693,437	¥ 770,572	¥ 473,635	¥ 2,937,644
Other items									
Depreciation	¥ 18,013	¥ 9,158	¥ 12,815	¥ 8,538	¥ 14,377	¥ 62,901	¥ 71,894	¥ 13,213	¥ 148,008
Amortization of goodwill	5,978	—	4,192	—	56	10,226	1,178	—	11,404
Investments in affiliated companies	13,450	968	3,030	811	5,229	23,488	66,558	(547)	89,499
Increase in noncurrent assets	23,821	9,571	9,074	12,628	14,771	69,865	78,791	16,899	165,555

(a) "Adjustment" of segment income (loss) included corporate expenses of ¥(31,965) million unallocated to each reported segment and noncurrent assets related adjustment of ¥3,484 million.

(b) "Adjustment" of segment assets included corporate assets of ¥514,963 million unallocated to each reported segment.

(c) "Adjustment" of increase in noncurrent assets included increase in the Company of ¥23,200 million unallocated to each reported segment.

(Fiscal year ended March 31, 2011)

	Millions of Yen								
	2011								
	Reported Segments								
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total	Others	Adjustment	Consolidated Total
Net Sales									
1. Sales to customers	¥ 804,201	¥ 375,770	¥ 605,423	¥ 318,786	¥ 766,512	¥ 2,870,692	¥ 244,732	¥ —	¥ 3,115,424
2. Intersegment sales and transfers	48,232	45,410	30,718	15,267	44,174	183,801	71,416	(255,217)	—
Total sales	¥ 852,433	¥ 421,180	¥ 636,141	¥ 334,053	¥ 810,686	¥ 3,054,493	¥ 316,148	¥ (255,217)	¥ 3,115,424
Segment income(loss) (Operating income(loss))	¥ 21,417	¥ 8,884	¥ 40,733	¥ 14,575	¥ (1,911)	¥ 83,698	¥ 7,288	¥ (33,166)	¥ 57,820
Segment assets	¥ 512,773	¥ 192,484	¥ 410,869	¥ 258,424	¥ 369,380	¥ 1,743,930	¥ 360,008	¥ 524,993	¥ 2,628,931
Other items									
Depreciation	¥ 17,258	¥ 8,857	¥ 11,979	¥ 9,129	¥ 16,524	¥ 63,747	¥ 14,412	¥ 12,455	¥ 90,614
Amortization of goodwill	5,961	79	4,554	—	513	11,107	1,497	—	12,604
Investments in affiliated companies	13,691	1,013	3,016	840	5,890	24,450	110,708	(1,165)	133,993
Increase in noncurrent assets	33,245	14,399	12,178	9,460	23,613	92,895	25,183	27,073	145,151

(Fiscal year ended March 31, 2012)

	Millions of Yen								
	2012								
	Reported Segments								
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total	Others	Adjustment	Consolidated Total
Net Sales									
1. Sales to customers	¥ 816,851	¥ 372,350	¥ 632,964	¥ 330,413	¥ 661,026	¥ 2,813,604	¥ 223,232	¥ —	¥ 3,036,836
2. Intersegment sales and transfers	38,743	42,357	27,158	14,267	39,942	162,467	64,700	(227,167)	—
Total sales	¥ 855,594	¥ 414,707	¥ 660,122	¥ 344,680	¥ 700,968	¥ 2,976,071	¥ 287,932	¥ (227,167)	¥ 3,036,836
Segment income(loss) (Operating income(loss))	¥ 39,527	¥ 5,245	¥ 56,084	¥ 16,167	¥ 1,035	¥ 118,058	¥ 7,077	¥ (51,393)	¥ 73,742
Segment assets	¥ 556,940	¥ 192,898	¥ 422,431	¥ 281,215	¥ 317,535	¥ 1,771,019	¥ 339,214	¥ 447,337	¥ 2,557,570
Other items									
Depreciation	¥ 16,153	¥ 7,772	¥ 10,848	¥ 7,522	¥ 11,951	¥ 54,246	¥ 15,077	¥ 13,735	¥ 83,058
Amortization of goodwill	5,777	—	4,635	17	549	10,978	1,682	—	12,660
Investments in affiliated companies	12,051	1,027	2,939	842	100	16,959	101,695	(1,019)	117,635
Increase in noncurrent assets	30,840	18,308	11,969	8,379	19,310	88,806	21,825	7,578	118,209

	Thousands of U.S. Dollars								
	2012								
	Reported Segments								
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total	Others	Adjustment	Consolidated Total
Net Sales									
1. Sales to customers	$ 9,961,597	$ 4,540,854	$ 7,719,073	$ 4,029,427	$ 8,061,293	$ 34,312,244	$ 2,722,341	$ —	$ 37,034,585
2. Intersegment sales and transfers	472,476	516,549	331,195	173,988	487,097	1,981,305	789,024	(2,770,329)	—
Total sales	$ 10,434,073	$ 5,057,403	$ 8,050,268	$ 4,203,415	$ 8,548,390	$ 36,293,549	$ 3,511,365	$ (2,770,329)	$ 37,034,585
Segment income(loss) (Operating income(loss))	$ 482,037	$ 63,963	$ 683,951	$ 197,159	$ 12,622	$ 1,439,732	$ 86,305	$ (626,744)	$ 899,293
Segment assets	$ 6,791,951	$ 2,352,415	$ 5,151,598	$ 3,429,451	$ 3,872,378	$ 21,597,793	$ 4,136,756	$ 5,455,329	$ 31,189,878
Other items									
Depreciation	$ 196,988	$ 94,780	$ 132,293	$ 91,732	$ 145,744	$ 661,537	$ 183,866	$ 167,499	$ 1,012,902
Amortization of goodwill	70,451	—	56,525	207	6,695	133,878	20,512	—	154,390
Investments in affiliated companies	146,963	12,524	35,842	10,268	1,220	206,817	1,240,183	(12,427)	1,434,573
Increase in noncurrent assets	376,098	223,268	145,963	102,183	235,488	1,083,000	266,158	92,415	1,441,573

(a) "Others" for the fiscal year ended March 31, 2011 represents businesses such as Lithium-ion Rechargeable Batteries, Electronic Components, LCD Panels and Lighting Equipment, which are not included in reported segments.

"Others" for the fiscal year ended March 31, 2012 represents businesses such as Lithium-ion Rechargeable Batteries, Electronic Components and Lighting Equipment, which are not included in reported segments.

(b) "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2011 included corporate expenses of ¥(40,155) million unallocated to each reported segment and noncurrent assets related adjustment of ¥4,532 million, respectively.

"Adjustment" of segment income (loss) for the fiscal year ended March 31, 2012 included corporate expenses of ¥(52,242) million ($(637,098) thousand) unallocated to each reported segment and noncurrent assets related adjustment of ¥785 million ($9,573 thousand), respectively.

The corporate expenses, unallocated to each reported segment, were mainly both general and administrative expenses incurred at headquarters of the Company, and research and development expenses.

(c) "Adjustment" of segment assets for the fiscal years ended March 31, 2011 and 2012 included corporate assets of ¥555,869 million and ¥483,291 million ($5,893,793 thousand), respectively, unallocated to each reported segment.

Main components of corporate assets, mainly belonged to the Company, were surplus funds (cash and cash equivalents, and short-term investments), deferred tax assets, prepaid pension expenses, long-term investment funds (investment securities) belonging to administrative departments of the Company, noncurrent assets and other assets.

(d) "Adjustment" of increase in noncurrent assets for the fiscal years ended March 31, 2011 and 2012 included increase in the Company of ¥32,891 million and ¥12,912 million ($157,463 thousand), respectively, unallocated to each reported segment.

Related information

1. Information about products and services

The reported segments of the Company are the business units identified by products and services.

As the information was disclosed in each section, there is no additional information related to products and services to be disclosed in this section.

2. Information about geographic areas

	Millions of Yen 2011				
	Japan	Asia	Europe	Others	Total
Net Sales	¥ 2,636,075	¥ 158,470	¥ 109,783	¥ 211,096	¥ 3,115,424
Property, plant and equipment, net of accumulated depreciation	327,737	2,960	1,513	8,965	341,175

	Millions of Yen 2012				
	Japan	Asia	Europe	Others	Total
Net Sales	¥ 2,555,344	¥ 152,960	¥ 104,406	¥ 224,126	¥ 3,036,836
Property, plant and equipment, net of accumulated depreciation	301,692	3,586	1,419	9,198	315,895

	Thousands of U.S. Dollars 2012				
	Japan	Asia	Europe	Others	Total
Net Sales	$ 31,162,731	$ 1,865,366	$ 1,273,244	$ 2,733,244	$ 37,034,585
Property, plant and equipment, net of accumulated depreciation	3,679,171	43,731	17,305	112,171	3,852,378

* Sales, based in the locations of customers, were classified by country or region.

3. Information about major customers

	Millions of Yen		Thousands of U.S. Dollars	
	2011	2012	2012	Reported Segments
Sales to:				
NTT Group *	¥ 454,735	¥ 491,076	$ 5,988,732	Carrier Network and Personal Solutions

* Nippon Telegraph and Telephone Corporation ("NTT") and its subsidiaries and affiliated companies including NTT DOCOMO, Inc.

Information about impairment loss of noncurrent assets by reported segments

	Millions of Yen 2011							
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Others	Corporate/ Eliminations	Total
Impairment loss of noncurrent assets	¥ 32	¥ –	¥ 17	¥ 2	¥ 769	¥ 3,655	¥ 1,398	¥ 5,873

	Millions of Yen 2012							
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Others	Corporate/ Eliminations	Total
Impairment loss of noncurrent assets	¥ 626	¥ –	¥ –	¥ 5	¥ 1,663	¥ 3,880	¥ 327	¥ 6,501

	Thousands of U.S. Dollars 2012							
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Others	Corporate/ Eliminations	Total
Impairment loss of noncurrent assets	$ 7,634	$ –	$ –	$ 61	$ 20,281	$ 47,317	$ 3,988	$ 79,281

* Corporate/Eliminations included Impairment loss mainly incurred at headquarters of the Company unallocated to each reported segment.

Information about amortization and ending balance of goodwill by reported segments

	Millions of Yen							
	2011							
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Others	Corporate/ Eliminations	Total
Amortization	¥ 5,961	¥ 79	¥ 4,554	¥ —	¥ 513	¥ 1,497	¥ —	¥ 12,604
Ending balance	53,300	—	20,472	61	2,449	12,659	—	88,941

	Millions of Yen							
	2012							
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Others	Corporate/ Eliminations	Total
Amortization	¥ 5,777	¥ —	¥ 4,635	¥ 17	¥ 549	¥ 1,682	¥ —	¥ 12,660
Ending balance	47,270	—	16,252	110	1,551	10,786	—	75,969

	Thousands of U.S. Dollars							
	2012							
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Others	Corporate/ Eliminations	Total
Amortization	$ 70,451	$ —	$ 56,525	$ 207	$ 6,695	$ 20,512	$ —	$ 154,390
Ending balance	576,463	—	198,195	1,341	18,915	131,537	—	926,451

Information about gain on negative goodwill by reported segments

(Fiscal years ended March 31, 2011 and 2012)

Not applicable.

26. Business Combinations

On July 1, 2011, in order to strengthen its personal computer business, the Company divided personal computer business of NEC Personal Products, Ltd. (currently NEC Embedded Products, Ltd.) and established NEC Personal Computers, Ltd. by means of company split. On the same day, the Company transferred all the shares of NEC Personal Computers, Ltd. to Lenovo NEC Holdings B.V. and 49% shares in Lenovo NEC Holdings B.V. were allotted to the Company. As a result, Lenovo NEC Holdings B.V. has become an affiliate of the Company accounted for by the equity method. Outline of the transaction is as follows:

a. Outline of the business combination

Name of the business: personal computer business

Major operation: Development, manufacture, sale and related business of personal computers

b. Reason for the business combination

In order to strengthen personal computer business

c. Date of the business combination

July 1, 2011

d. Legal form of the business combination

(i) Incorporation-type company split, in which NEC Personal Products, Ltd. was the splitting company and NEC Personal Computers, Ltd. that was newly incorporated was the succeeding company.

(ii)Transfer of all the shares of NEC Personal Computers, Ltd. from the Company to Lenovo NEC Holdings B.V. and allotment of 49% shares of Lenovo NEC Holdings B.V.

e. Outline of accounting method

The Company applies accounting procedures stipulated by Articles 45, of the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of December 26, 2008) to acquisition of shares of Lenovo NEC Holdings B. V. accounted for by the equity method.

f. Name of the reported segment in which the subsidiary was included

Personal Solutions business

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of NEC Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of operation, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the years in the three-year period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NEC Corporation and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2012, in accordance with accounting principles generally accepted in Japan.

Convenience Translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 22, 2012
Tokyo, Japan

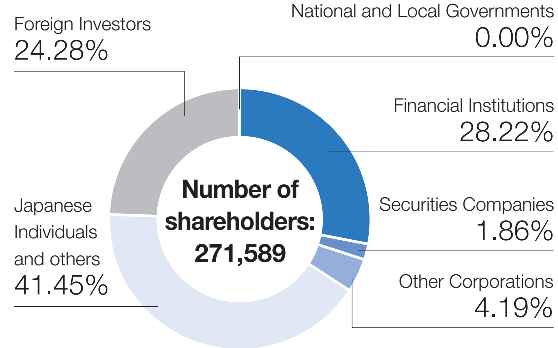
INVESTOR INFORMATION

Unit	1,000 shares
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Handling Agent for Common Stock	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
(Mailing Address)	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 1-10, Nikkocho, Fuchu, Tokyo 183-8701, Japan
(Telephone)	0120-176-417 (Toll free in Japan)
Stock Exchange Listings and Quotations	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Composition of Shareholders

(Percentage of shares (%))

(As of March 31, 2012)

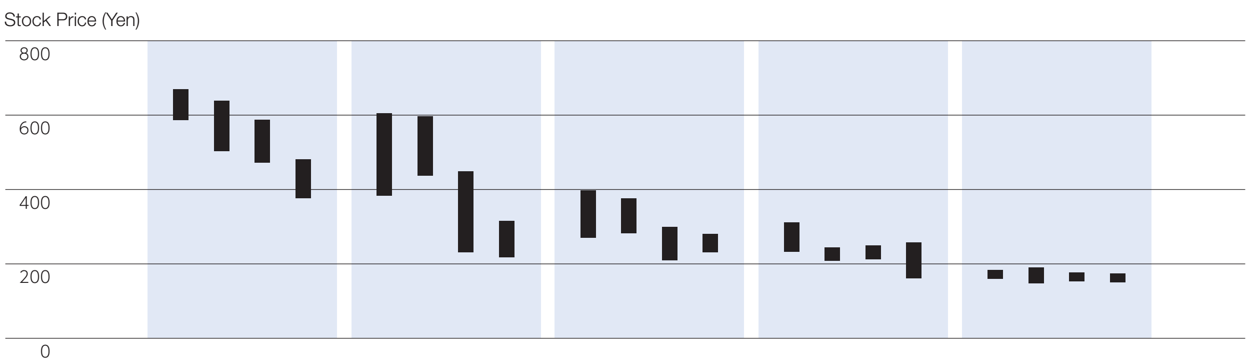


Major Shareholders (Top 10) (As of March 31, 2012)

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	142,433	5.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	121,633	4.68
SSBT OD05 Omnibus Account-Treaty Clients	78,312	3.01
NEC Employee Shareholding Association	52,556	2.02
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	50,855	1.96
Nippon Life Insurance Company	41,977	1.62
Sumitomo Life Insurance Company	41,000	1.58
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	33,799	1.30
The Bank of New York Europe Limited 131705	27,617	1.06
Tam Two	23,417	0.90

Note: The shareholding ratio is calculated by excluding the number of treasury stock (5,512,435 shares).

Stock Price Range (Based on closing value on the Tokyo Stock Exchange, Stock Code: 6701)



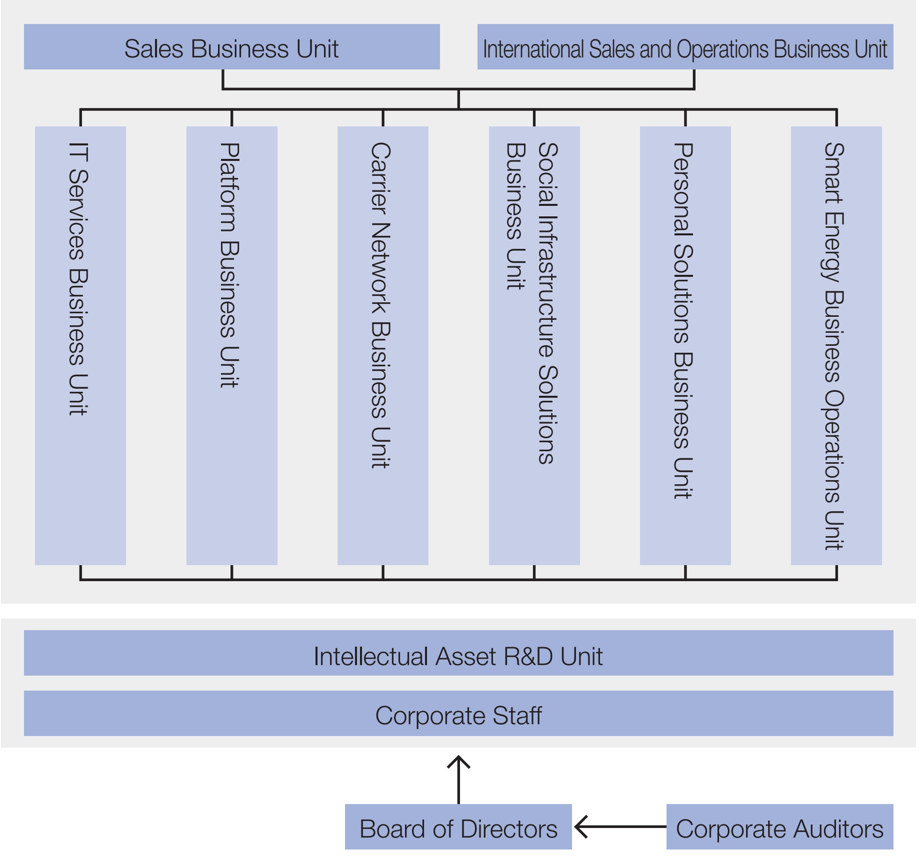
	2008	2009	2010	2011	2012
Year's high	670	605	397	312	190
Year's low	376	218	210	162	147

(On a quarterly basis for the years 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, 2012)
Shares of Common Stock Issued	2,604,732,635 shares (As of March 31, 2012)
Consolidated Net Sales	¥3,036.8 billion (Year ended March 31, 2012)
Business Segments	IT Solutions Business (IT Services, Platform) Carrier Network Business Social Infrastructure Business Personal Solutions Business
Number of Employees	109,102 (NEC Corporation and consolidated subsidiaries) (As of March 31, 2012)

Organization Chart



Investor Relations (IR) website

http://www.nec.com/en/global/ir

Posted on the NEC Investor Relations (IR) website are presentation materials and other documents, NEC's financial position and business results, stock and bond information, and much more. NEC constantly strives to enhance the disclosure on this website.

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.

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