

The following is an English translation of the Notice of the 175th Ordinary General Meeting of Shareholders of NEC Corporation (the "Company") to be held on June 24, 2013 (including the Business Report, Consolidated Financial Statements, Notes to Consolidated Financial Statements and Non-consolidated Financial Statements with respect to the 175th Business Period from April 1, 2012 to March 31, 2013, and report on the results of the audit on the Consolidated Financial Statements conducted by Independent Auditors and the Board of Corporate Auditors), EXCEPT for the translation of any instructions on voting rights and the access map for the place of the meeting in the Notice and the Notes to Non-consolidated Financial Statements. This translation includes the Notes to Consolidated Financial Statements, and the Japanese original thereof is provided only through the Company's website (<http://www.nec.co.jp/ir/ja/>). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

NEC Corporation

Securities Code 6701

7-1, Shiba 5-chome,
Minato-ku, Tokyo

Nobuhiro Endo
President

May 31, 2013

To Our Shareholders:

NOTICE OF
THE 175TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

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

1. **DATE:** June 24, 2013 (Monday) at 10:00 a.m. (Japan Standard Time)
2. **PLACE:** Convention Hall, Second Basement Floor, The Prince Park Tower Tokyo
at 8-1, Shiba Koen 4-chome, Minato-ku, Tokyo
3. **AGENDA OF THE MEETING:**

MATTERS TO BE REPORTED UPON:

Report on the Business Report, the Consolidated Financial Statements and Financial Statements of the 175th Business Period from April 1, 2012 to March 31, 2013, and report on the results of the audit conducted on the Consolidated Financial Statements conducted by the Accounting Auditors and the Board of Corporate Auditors.

MATTERS TO BE VOTED UPON:

- Proposal No. 1: Election of Eleven Directors
Proposal No. 2: Election of One Corporate Auditor
Proposal No. 3: Approval of Payment of Bonuses to Directors

In the event that the Company finds any correction(s) that should be made in the reference documents for the Meeting, the Business Report, the Consolidated Financial Statements and the Financial Statements (including Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements), such correction(s) will be specified through the Company's website (<http://www.nec.co.jp/ir/ja/>).

REFERENCE DOCUMENTS FOR THE MEETING

Proposed Matters for Voting and reference matters thereof:

Proposal No. 1: Election of Eleven (11) Directors

Upon the close of the Meeting, the term of office as Director of all eleven Directors will expire. It is proposed that eleven Directors be elected.

The candidates are as follows:

Name (Date of Birth)	Brief Employment History and Important Concurrent Positions		Number of the Company's Shares Held
1. Kaoru Yano (February 23, 1944)	April 1966 June 1995 June 1999 December 2000 April 2002 October 2002 April 2003 June 2004 April 2006 April 2010 April 2012	Joined the Company Member of the Board Senior Vice President and Member of the Board Senior Vice President and Member of the Board, Company Deputy President of NEC Networks Senior Vice President and Member of the Board, Company President of NEC Networks Executive Vice President and Member of the Board, Company President of NEC Networks Executive Vice President and Member of the Board Senior Executive Vice President and Member of the Board (Representative Director) President (Representative Director) Chairman of the Board (Representative Director) Chairman of the Board (to present)	140,000
2. Nobuhiro Endo (November 8, 1953)	April 1981 July 2005 April 2006 April 2009 June 2009 April 2010	Joined the Company Senior General Manager, Mobile Network Operations Unit Associate Senior Vice President, Executive General Manager, Mobile Network Operations Unit Senior Vice President Senior Vice President and Member of the Board President (Representative Director) (to present)	172,000

Name (Date of Birth)	Brief Employment History and Important Concurrent Positions		Number of the Company's Shares Held
3. Takashi Niino (September 8, 1954)	April 1977 April 2004 April 2005 April 2006 April 2008 August 2008 April 2010 June 2011 July 2011 April 2012	Joined the Company Executive General Manager, 2nd Solutions Sales Operations Unit Senior General Manager, 3rd Solutions Operations Unit Executive General Manager, Financial Solutions Operations Unit Associate Senior Vice President, Executive General Manager, Financial Solutions Operations Unit Associate Senior Vice President Senior Vice President Senior Vice President and Member of the Board Senior Vice President, CSO (Chief Strategy Officer) and Member of the Board Senior Executive Vice President, CSO (Chief Strategy Officer), CIO (Chief Information Officer) and Member of the Board (Representative Director) (to present)	35,000
4. Junji Yasui (January 3, 1951)	April 1973 April 2003 April 2004 April 2005 April 2006 April 2008 June 2008 April 2010 July 2011 April 2012	Joined the Company Executive General Manager, Control Systems Operations Unit Associate Senior Vice President, Executive General Manager, 3rd Solutions Sales Operations Unit Associate Senior Vice President, Executive General Manager, 4th Solutions Operations Unit Associate Senior Vice President Senior Vice President Senior Vice President and Member of the Board Executive Vice President and Member of the Board Executive Vice President, CSCO (Chief Supply Chain Officer) and Member of the Board Senior Executive Vice President, CSCO (Chief Supply Chain Officer) and Member of the Board (Representative Director) (to present)	61,276
5. Isamu Kawashima (February 20, 1959)	April 1981 April 2009 July 2010 June 2011 July 2011	Joined the Company General Manager, Corporate Controller Division General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division and Member of the Board Associate Senior Vice President, CFO (Chief	28,000

Name (Date of Birth)	Brief Employment History and Important Concurrent Positions		Number of the Company's Shares Held
		Financial Officer) and Member of the Board (to present)	
6. Takaaki Shimizu (September 23, 1954) *New candidate	April 1978 April 2003 April 2006 October 2007 April 2010 July 2011 April 2013	Joined the Company General Manager, 2nd Government Solutions Division Executive General Manager, Government Solutions Operations Unit Executive General Manager, Government and Public Solutions Operations Unit Associate Senior Vice President Senior Vice President Senior Vice President, CMO (Chief Marketing Officer) (to present)	13,000
7. Takeshi Kunibe (March 8, 1954)	April 1976 June 2003 October 2006 June 2007 April 2009 April 2011 June 2011	Joined the Sumitomo Bank Limited (currently, Sumitomo Mitsui Banking Corporation "SMBC") Director, SMBC Managing Director, SMBC Director and Member of the Board of Directors, Sumitomo Mitsui Financial Group, Inc. ("SMFG") (to present) Senior Managing Director and Member of the Board of Directors, SMBC President and Chief Executive Officer, SMBC (to present) Member of the Board of the Company (to present)	0
	Important Concurrent Positions: President and Chief Executive Officer, SMBC Director and Member of the Board of Directors, SMFG Chairman, Japanese Bankers Association		

Name (Date of Birth)	Brief Employment History and Important Concurrent Positions		Number of the Company's Shares Held
8. Hitoshi Ogita (January 1, 1942)	<p>April 1965</p> <p>March 1997</p> <p>September 1997</p> <p>March 2000</p> <p>October 2000</p> <p>March 2002</p> <p>September 2002</p> <p>March 2003</p> <p>March 2006</p> <p>March 2010</p> <p>June 2012</p>	<p>Joined Asahi Breweries, Ltd. (currently, Asahi Group Holdings, Ltd.)</p> <p>Director and General Manager of Fukuoka Branch, Asahi Breweries, Ltd.</p> <p>Director and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.</p> <p>Managing Corporate Officer and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.</p> <p>Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.</p> <p>Senior Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.</p> <p>Corporate Officer and Vice President, Asahi Soft Drinks, Ltd.</p> <p>President and Representative Director, Asahi Soft Drinks, Ltd.</p> <p>President and Representative Director, Asahi Breweries, Ltd.</p> <p>Chairman of the Board and Representative Director, Asahi Breweries, Ltd. (to present)</p> <p>Member of the Board of the Company (to present)</p>	10,000
	<p>Important Concurrent Positions: Chairman of the Board and Representative Director, Asahi Group Holdings, Ltd. Outside Director, Imperial Hotel, Ltd.</p>		
9. Kaori Sasaki (May 12, 1959)	<p>July 1987</p> <p>March 2000</p> <p>June 2012</p>	<p>President and CEO, UNICUL International, Inc. (to present)</p> <p>President and CEO, ewoman, Inc. (to present)</p> <p>Member of the Board of the Company (to present)</p>	0
	<p>Important Concurrent Positions: President and CEO, UNICUL International, Inc. President and CEO, ewoman, Inc. Outside Director, Nissen Holdings Co., Ltd.</p>		

Name (Date of Birth)	Brief Employment History and Important Concurrent Positions		Number of the Company's Shares Held
10. Motoyuki Oka (September 15, 1943) *New candidate	April 1966 June 1994 April 1997 April 1998 April 2001 June 2001 June 2007 June 2012	Joined Sumitomo Corporation Director and General Manager of Iron & Steel Division No.3, Sumitomo Corporation Director and General Manager of Planning & Coordination Division, Sumitomo Corporation Managing Director and General Manager of Planning & Coordination Division, Sumitomo Corporation Senior Managing Director, Sumitomo Corporation President and Chief Executive Officer, Sumitomo Corporation Chairman of the Board of Directors, Sumitomo Corporation Senior Adviser, Sumitomo Corporation (to present)	0
	Important Concurrent Positions: Senior Adviser, Sumitomo Corporation Outside Director, Japan Tobacco Inc.		
11. Kunio Noji (November 17, 1946) *New candidate	April 1969 June 1997 June 2001 April 2003 April 2005 July 2006 June 2007 April 2013	Joined Komatsu Ltd. Director, Komatsu Ltd. Managing Director and President of Production Division and e-Komatsu Technical Center, Komatsu Ltd. Director and Senior Executive Officer and President of Construction & Mining Equipment Marketing Division, Komatsu Ltd. Director and Senior Executive Officer Director and Senior Executive Officer and General Manager of KOMATSU Way Division, Komatsu Ltd. President and CEO, Komatsu Ltd. Chairman of the Board, Komatsu Ltd. (to present)	0
	Important Concurrent Positions: Chairman of the Board, Komatsu Ltd. Outside Director, Ricoh Company, Ltd.		

Notes: 1. Messrs. Takeshi Kunibe, Hitoshi Ogita, Motoyuki Oka and Kunio Noji and Ms. Kaori Sasaki are candidates for Outside Directors. The Company has nominated them as candidates for Outside Directors considering that they have superior character, discernment and high ethical standards. In addition, they would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and they have the following experience and insight:

Takeshi Kunibe	Extensive experience and deep insight as management of bank
Hitoshi Ogita	Extensive experience and deep insight as management of manufacturing company
Kaori Sasaki	Wide range of knowledge on marketing and perspective of consumers
Motoyuki Oka	Extensive experience and deep insight as management of general trading company including the management of overseas firms

Kunio Noji Extensive experience and deep insight as management of manufacturing company

2. The Company has notified Tokyo Stock Exchange on which the Company lists its shares, of each of Mr. Hitoshi Ogita and Ms. Kaori Sasaki as an independent Director. In addition, the Company will notify Tokyo Stock Exchange of each of Messrs. Motoyuki Oka and Kunio Noji as the independent Director.
3. Mr. Takeshi Kunibe has been an Executing Person of SMBC, a major business partner of the Company for the last five years.
4. The Company has business relationship with SMBC of which Mr. Takeshi Kunibe is President and Chief Executive Officer, for the sales of the Company's products and provision of services including system construction, operation and maintenance, borrowings from SMBC and provision of guarantees for the debts of the Company's subsidiaries owed to SMBC.
5. Mr. Takeshi Kunibe has served for two years, and Mr. Hitoshi Ogita and Ms. Kaori Sasaki have served for one year as Outside Directors of the Company.
6. The Company has entered into agreements with Messrs. Takeshi Kunibe, Hitoshi Ogita and Ms. Kaori Sasaki to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Company Law (the "Liabilities Limitation Agreements") pursuant to Article 24 of the Company's Articles of Incorporation. When Messrs. Motoyuki Oka and Kunio Noji are elected as Directors of the Company, the Company will enter into the Liabilities Limitation Agreements with them. The outline of the Liabilities Limitation Agreements is to limit their liabilities as stipulated in Paragraph 1, Article 423 of the Company Law to the higher amount of 20 million yen or the amount provided in the Company Law and the Regulation for Enforcement of the Company Law on the condition that they perform their duties as Directors in good faith and without gross negligence.
7. The positions and responsibilities in the Company of each proposed Director who is an existing Director, are described in "3.(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Corporate Auditors" of the Business Report (pages 21 to23).

Proposal No. 2: Election of One Corporate Auditor

Upon the close of the Meeting, the term of office of Mr. Konosuke Kashima as Corporate Auditor will expire. It is proposed that one Corporate Auditor be elected. The consent of the Board of Corporate Auditors for this Proposal has been obtained.

The candidate is as follows:

Name (Date of Birth)	Brief Employment History and Important Concurrent Positions		Number of the Company's Shares Held
Fujio Okada (September 17, 1952) *New candidate	April 1976 January 2003 April 2006 April 2007 April 2008 April 2010 April 2013	Joined the Company General Manager, Legal Division Associate Senior Vice President, General Manager, Legal Division Associate Senior Vice President, General Manager, Risk Control and Compliance Division Associate Senior Vice President Senior Vice President Advisor (to present)	29,000

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

It is proposed that 93,000,000 yen be paid to the 6 Directors who are not Outside Directors and holding office as of the last day of the 175th Business Period as bonuses for the 175th Business Period in view of the results of operations and other factors.

BUSINESS REPORT

(For the period from April 1, 2012 to March 31, 2013)

1. Review of Operations

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

Overview

The worldwide economy during the fiscal year ended March 31, 2013 was characterized by a continued economic downturn in Europe against the backdrop of its expanding fiscal crisis, and although high economic growth in emerging countries, such as China and India, had been maintained until now, their economic growth rates slowed due to the impact from stagnating exports to developed countries and the monetary tightening aimed at controlling inflation.

The Japanese economy was characterized by continued reconstruction demand from the Great East Japan Earthquake of March 2011, despite appreciation of the yen and a continuing decline in exports due to the economic slowdown overseas. However, following the start of the new government administration in December 2012, expectations for its new economic policies and monetary easing have promoted a depreciation of the yen and higher stock prices, resulting in expectations of recovery from the economic slowdown.

Under this business environment, the NEC Group has administered structural reforms for transitioning to profitability and taken efforts to transform the NEC Group into a stable cash flow generating entity based on four business pillars.

In terms of the structural reforms, a personnel reduction of approximately 10,000 personnel, consisting of approximately 7,000 domestic staff, including outsourced personnel, and roughly 3,000 overseas staff, was carried out as originally planned. Furthermore, in order to adapt to the harsh market environment, the mobile phone business streamlined development and production and promoted offshore outsourcing, while the Platform business also streamlined development and production. Additionally, as a result of emergency personnel measures, such as wage reductions for executives, managers and general employees, the NEC Group achieved its goal of improving operating income by approximately 40 billion yen.

Regarding the NEC Group's business portfolio review, for the electronic components business, a capital and business alliance with KEMET Electronics Corporation in the United States was formed and NEC TOKIN Corporation is no longer consolidated. Moreover, Renesas Electronics Corporation, the an affiliated company of the Company accounted for by the equity method, resolved a capital increase by a third party allotment of shares to Innovation Network Corporation of Japan and eight private enterprises.

Overall, the NEC Group worked to build a foundation for growth through concentrated investment in four specific fields representing business pillars of the NEC Group.

In the IT Solutions business, the NEC Group promoted global business expansion in the IT services area by acquiring the Technology Solutions business of CSG Limited, an Australia-based Information and Communications Technology (ICT) company. The NEC Group also expanded its solutions menu for growth areas, such as big data consulting services and M2M (Machine to Machine) solutions for the manufacturing industry.

In the Carrier Network business, the NEC Group made efforts to capture business opportunities arising from increasing demand related to smart phones in the domestic market as well as from LTE service expansion and the steady implementation of submarine cable system projects. In terms of the services and management business, the NEC Group expanded business by acquiring the business support systems operations of United States-based Convergys Corporation, then integrating this business with the operation

support systems operations of NetCracker Technology Corporation, a subsidiary of the Company, making it possible to provide comprehensive operational management systems globally.

In the Social Infrastructure business, the NEC Group actively contributed to the reconstruction of social infrastructure systems as part of recovering from the Great East Japan Earthquake. Furthermore, the NEC Group responded to special demands for expanding fire prevention systems and digitizing wireless emergency systems, in addition to forming a partnership for the development of cyber security measures with INTERPOL, an international police organization, and acquiring Cyber Defense Institute, Inc., a company specializing in security, in order to expand business that helps ensure the safety and security of communities.

Lastly, in the Energy business, the NEC Group exercised efforts to commercialize new fields including the beginning of mass production of home energy storage systems at NEC Computertechno, Ltd.'s Kofu factory, as well as the beginning of collaborative business among ORIX Corporation and EPCO Incorporated towards a rental business for household energy storage systems. Additionally, the NEC Group received an order from Enel Distribuzione S.p.A., an affiliate of leading Italian power company, Enel S.p.A., to provide one of the largest high-capacity lithium-ion energy storage systems in Europe.

In addition to these initiatives, as of April 1, 2013, the NEC Group changed its organizational structure in order to realize the NEC Group's new mid-term management plan, become more responsive to market and customer sentiment and create globally competitive products and services.

The NEC Group recorded consolidated net sales of 3,071.6 billion yen for the fiscal year ended March 31, 2013, an increase of 34.8 billion yen (1.1%) year-on-year. This increase was mainly due to increased sales from the IT Solutions business, the Carrier Network business and the Social Infrastructure business, in spite of decreased sales from the Personal Solutions business.

Regarding profitability, consolidated operating income (loss) improved by 40.9 billion yen year-on-year, to an operating income of 114.6 billion yen, mainly due to increased sales, the execution of structural reforms, an improved cost percentage and streamlined selling, general and administrative expenses.

In terms of consolidated ordinary income (loss), the NEC Group recorded a profit of 92.0 billion yen, improving by 50.0 billion yen year-on-year, mainly due to the improvement of consolidated operating income (loss) and equity in earnings (losses) of affiliates.

Consolidated income (loss) before income taxes and minority interests was a profit of 69.3 billion yen, a year-on-year improvement of 66.0 billion yen. This was primarily due to improved consolidated ordinary income (loss) and a decrease in business structure improvement expenses.

Consolidated net income (loss) was a profit of 30.4 billion yen, a year-on-year improvement of 140.7 billion yen, mainly due to the influence of the revision of deferred tax assets for the previous fiscal year.

Review of Operations by Business Segments and Major Business

The NEC Group's primary business consists of four business segments: IT Solutions business, Carrier Network business, Social Infrastructure business and Personal Solutions business. The following are major services and products, and a review of the financial results for each business segment of the NEC Group for this Business Period.

Note: According to the change of the Company's organizational structure as of April 1, 2013 the Company revised its business segmentation as of the same date. By this revision, the IT Service business and the Platform business was integrated into the IT Solutions business and consolidation of the Energy business was consolidated in Others.

IT Solutions Business

Major Services and Products
Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing (Data Center Services, IT Operation Management) and Cloud Services, PC Servers, UNIX Servers, Mainframes, Supercomputers, Storage, ATMs, IP Telephony Systems, WAN and Wireless Access Equipment, LAN Products, Computer Software (Integrated Operation Management, Application Server, Security, Operating System (OS), Database Software)

In the IT Solutions business, sales were 1,245.8 billion yen, an increase of 56.6 billion yen (+4.8%) year-on-year, mainly due to the steady growth of sales of IT services in the manufacturing and distribution/service fields as well as increased sales of hardware and software from large-scale projects for the platform business.

Operating income (loss) improved by 21.3 billion yen year-on-year, to an operating income of 66.1 billion yen, mainly owing to increased sales and structural reforms.

Carrier Network Business

Major Services and Products
Network Infrastructure for Telecommunications Carriers (Backbone Network Systems, Access Network Systems), Services & Management for Telecommunications Carriers (Network Operation Support Systems (OSS), Business Support Systems (BSS), Network Control Platform Systems, Network Service Delivery Platform Systems)

In the Carrier Network business, sales were 647.7 billion yen, an increase of 45.0 billion yen (+7.5%) year-on-year, mainly due to the steady growth in domestic business and the consolidation of the business support systems operations of United States-based Convergy Corporation.

Operating income (loss) improved by 12.5 billion yen year-on-year, to an operating income of 63.1 billion yen, mainly owing to an increase in sales.

Social Infrastructure Business

Major Services and Products
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), Aerospace and Defense Systems (Air Traffic Control Systems, Uncooled Infrared Sensors)

In the Social Infrastructure business, sales were 372.3 billion yen, an increase of 41.9 billion yen (+12.7%) year-on-year, mainly due to the steady growth in fire and disaster prevention systems in the Social System field as well as the aerospace and defense system fields.

Operating income (loss) improved by 11.6 billion yen year-on-year, to an operating income of 27.8 billion yen, mainly owing to an increase in sales and a reduction in costs.

Personal Solutions Business

Major Services and Products
Smartphones, Mobile Phones, Personal Computers for Enterprise, Tablet Devices, Mobile Routers and Wireless Routers, "BIGLOBE" Internet Services, Display Solutions (Monitors, Projectors, Public Displays for Digital Signage)

In the Personal Solutions business, sales were 589.1 billion yen, a decrease of 71.9 billion yen

(-10.9%) year-on-year, mainly due to the personal computer business for private users no longer being consolidated from the second quarter of the fiscal year ended March 31, 2012 and a decline in mobile phone shipments.

Operating income (loss) worsened by 4.7 billion yen year-on-year, to an operating loss of 3.7 billion yen, mainly owing to the decrease in sales, despite efficiency in development and structural reforms.

Others

Major Services and Products
Smart Energy (Electrodes/Energy Systems, Energy Management Systems, EV/PHV Charging Infrastructure, Solutions for Utilities), Electronic Components, Lighting Equipment

In Others, sales were 216.6 billion yen, a decrease of 36.9 billion yen (-14.5%) year-on-year, mainly due to the panel business for LCD displays no longer being consolidated from the second quarter of the fiscal year ended March 31, 2012 and a decrease in the electronic components business.

Operating income (loss) improved by 11.2 billion yen year-on-year, to an operating income of 22.3 billion yen, mainly owing to the sale of patents related to LCD displays.

(2) Capital Expenditures of the NEC Group

The total capital expenditures of the NEC Group amounted to 45.6 billion yen during this Business Period. Major capital expenditures included investment in equipment for development of software and networking products, production lines for electrodes of lithium-ion rechargeable batteries for automobiles, production line for home energy storage systems, as well as equipment for its “BIGLOBE” Internet services.

(3) Research and Development of the NEC Group

The main achievements in research and development of the NEC Group for this Business Period are as follows:

(i) Development of Technologies automatically detecting massive patterns from Big Data

There is a growing expectation for analyzing and utilizing the Big Data which is collected through the Internet and sensors for the purpose to clarify existing problems and predict future events. It is important to detect patterns of data in order to utilize the Big Data, which includes various data with different patterns. Although, traditionally, such patterns have been analyzed based on hypotheses made by experts, it is difficult for human to make accurate hypotheses, which has made highly accurate analyses challenging.

The Company developed heterogeneous mixture learning technologies that may analyze the randomly collected Big Data more efficiently and accurately, and automatically detect patterns of data which have been difficult to detect, by classifying the Big Data based on the relationships among the data.

With the development of these technologies, it becomes possible, for example, to predict more accurately building electricity demand which can be changed by various factors as well as to find diseases at an early point by analyzing people’s daily life data such as heartbeat and body temperature and detecting abnormality thereof.

(ii) Development of Technologies to sharpen images taken at night, in bad weather and at long distance

Visual surveillance systems which cover large areas are helpful to prevent a crime and terrorism. However, under the conditions of long distance, night or bad weather, subjects in images become less visible and may be overlooked or discovered belatedly.

The Company developed technologies to reduce the roughness (noise) of images taken in dark place with high sensitivity and to sharpen images taken in foggy and misty conditions. These technologies can separate images, based on those visual characteristics and causes of degradation, into geometrical elements where color and brightness change significantly and detailed texture elements, and apply to them sharpening process suited to traits of each image with processing to reduce noise.

Furthermore, by combining these technologies with real-time multiple frame super resolution developed by the Company, which can enhance the resolution of images including moving subjects, the Company also developed systems, for the first time in the world, to realize a 24-hour real-time surveillance system of large areas even in the less-visible situation such as night and bad weather.

(iii) Development of new device for generating electricity from easily accessible heat sources

Although a large amount of heat is generated in various places in the society, most of it has been abandoned without being utilized. Traditionally, some thermoelectric devices which can make use of wasted heat and generate electricity have been developed and, however, due to complexity of those structures, it has been difficult for such devices to be used in heat sources having large areas or curved surfaces, which bring many challenges to the practical application.

The Company and Tohoku University developed a new thermoelectric device using the spin Seebeck effect. This device can be coated on heat sources directly due to its simple structure and make it possible to generate a large amount of electricity from heat sources having large areas as well as to be applied to various shaped heat sources.

Furthermore, highly efficient thermoelectric conversion by the spin Seebeck effect can lead to efficient utilization of wasted heat as electricity.

The Company and Tohoku University will continue the research and development on practical applications of this new device.

Notes: 1. The spin Seebeck effect is a phenomenon where spin current is generated by a temperature gradient across magnetic materials.

2. A part of this achievement is achieved through “Generation of Nanointegration of Heat, Electricity, and Motion by Spin Current” (Research Director: Eiji Saitoh Professor, Tohoku University) research under the JST-CREST “Creation of Nanosystems with Novel Functions through Process Integration” (Research Supervisor: Jun-ichi Sone, Vice president, National Institute of Material Science).

(4) Financing Activities of the NEC Group

There was no material fund procurement by means of issuance of shares or bonds by the NEC Group during this Business Period.

(5) Material Reorganization, etc.

(i) In order to strengthen its solutions capability for telecommunications carriers, as of May 16, 2012, NetCracker Technology Corporation, a wholly owned subsidiary of the Company, acquired the business support systems business of the United States-based Convergys Corporation.

(ii) In order to strengthen its IT services business in Asia Pacific, as of July 2, 2012, NEC Australia Pty. Ltd. acquired the technology solution business of the Australia-based CSG Limited.

(iii) In order to strengthen its electronic components business, as of February 1, 2013, NEC TOKIN Corporation became, pursuant to the capital and business alliance agreement with the United States-based KEMET Electronics Corporation, a joint venture company with KEMET Electronics Corporation and an affiliated company of the Company accounted for by the equity method.

(iv) In order to strengthen its logistics services business in global markets, as of March 27, 2013, the Company entered in to an agreement to make NEC Logistics, Ltd. a joint venture company with NIPPON EXPRESS CO., LTD.

(6) Challenges to be Addressed by the NEC Group

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

In April 2013, the NEC Group established its “Mid-term Management Plan 2015,” featuring mid-term management policies that include (i) the focus on Solutions for Society, (ii) the focus on Asian markets and the promotion of “locally-led” business, and (iii) the creation of a stable financial foundation.

(i) Focus on Solutions for Society

In recent years, some of the most important concerns for society include the effective use of the earth’s limited resources in line with its growing population, as well as crisis management in response to natural disasters, crimes and other emergencies.

The NEC Group is providing new social infrastructure based on Information and Communication Technologies (ICT) by assembling knowledge and technologies, inside and outside of the group, in order to help realize a society that is safe, secure, efficient and equitable. The NEC Group leverages a foundation of internal strengths among networks, IT infrastructure, sensors, terminal technologies and know-how, as well as external technologies and know-how, as it strives to provide innovative “Solutions for Society” based on ICT.

The NEC Group provides integrated solutions for government offices and enterprises, including financial, distribution, logistics and transportation companies, that utilize high-performance, highly-reliable IT infrastructure technologies, a variety of sensor and terminal technologies, as well as its know-how from providing system integration and services. Additionally, the NEC Group provides total solutions that meet customer needs by focusing on consulting and system operational services for businesses, as well as forming alliances with partners in other industries and financial institutions to provide financing to the NEC Group’s customers. Specifically, the NEC Group strengthens business domains that include smart energy, cyber security, satellite deployment, distribution and logistics infrastructure, and contributes to the advancement of social infrastructure in global markets.

The NEC Group also provides comprehensive operational management systems for telecommunications carriers by integrating its existing network operational support system business with the business support system business that was acquired in 2012 in order to streamline system operations associated with providing extensive services by telecommunications carriers to their customers, operational monitoring and billing. Furthermore, the NEC Group provides solutions that enable secure and stable networks by leveraging next generation network technologies (Software-Defined Networking) that utilize software to manage network functions and configuration in order to change network environments flexibly.

The system platform business that supports the Social Solutions business is also strengthening competitiveness in global markets and ensuring stable quality. In addition, the NEC Group proposes servers, network equipment and software as a single system that can be introduced at a low cost and in a short period of time, optimized for specific businesses and industries.

Regarding the mobile phone business, the NEC Group is considering alliances with other companies as a framework to ensure global competitiveness in this area.

Through these measures, the NEC Group aims to improve corporate value by selecting and concentrating on business that revolves around the Social Solutions business.

(ii) Focus on Asian markets and the promotion of “locally-led” business

The NEC Group is establishing a foundation to expeditiously realize an overseas sales ratio of 25%, focusing largely on the Social Solutions business.

The NEC Group focuses on Asian markets, where there is heavy demand for social infrastructure advancement. The NEC Group’s 5 regional headquarters, located throughout the world, reinforce functions such as local marketing and development, enable each region to promote its strengths throughout the NEC

Group's worldwide network, and accelerate "locally-led" business.

The Company established the Global Safety Business Division in Singapore in order to strategically plan and implement its safety business. This will help to rapidly adapt locally developed solutions and provide them in additional markets. Going forward, the NEC Group aims to accelerate global business and increase its awareness of local needs.

(iii) Creation of a stable financial foundation

The NEC Group aims to strengthen cost competitiveness by carrying out a full range of cost reductions and minimizing poor quality. The NEC Group is working to ensure net income by reducing non-operating loss and extraordinary loss, establishing a profit structure that enables continual payment of dividends and improving accounts receivable, inventory and accounts payable turnover in order to build a financial base that is stable and provides for an annual free cash flow of more than 100 billion yen by the end of fiscal year ending March 31, 2016.

The NEC Group continues its comprehensive observation of compliance as well as efforts to maintain and operate internal control systems. Recently, it was found that a consolidated subsidiary of the company, NETCOMSEC Co. Ltd., recorded and billed an excessive amount of working hours to certain contracts with Japan's Ministry of Defense. NETCOMSEC reported this and was suspended from participating in requests for proposals for future contracts with Japan's Ministry of Defense. The Company sincerely apologizes to its shareholders and investors for any concern that may have been caused by this matter.

The NEC Group is making every effort to prevent a repeat of this kind of incident and to reinforce the group's comprehensive observation of compliance.

The NEC Group will devote its full attention to implementing these measures and increasing corporate value, while on the path to realizing an "information society friendly to humans and the earth."

(7) Changes in the Results of Operations and the Financial Position

(i) Changes in the Results of Operations and the Financial Position (Consolidated)

(In billions of yen except per share figures)

Fiscal Year Indices	Fiscal Year ended March 31, 2010 (172nd Business Period)	Fiscal Year ended March 31, 2011 (173rd Business Period)	Fiscal Year ended March 31, 2012 (174th Business Period)	Fiscal Year ended March 31, 2013 (175th Business Period)
Net sales	3,583.1	3,115.4	3,036.8	3,071.6
Ordinary income (loss)	49.4	0	42.1	92.0
Net income (loss)	11.4	(12.5)	(110.3)	30.4
Net income (loss) per share (yen)	5.04	(4.82)	(42.44)	11.71
Total assets	2,937.6	2,628.9	2,557.6	2,581.0
Net assets	931.9	875.4	777.6	836.1

Note: "Net income (loss) per share" is calculated based on the weighted-average number of shares outstanding during each period. In addition, the Company has adopted "Accounting standard regarding the net income per share" (Statement No.2 of Accounting Standards Board of Japan) and "Implementation Guidance for the application of the accounting standard regarding the net income per share" (Implementation Guideline No.4 of Accounting Standards Board of Japan).

(ii) Changes in the Results of Operations and the Financial Position (Non-Consolidated)

(In billions of yen except per share figures)

Fiscal Year Indices	Fiscal Year ended March 31, 2010 (172nd Business Period)	Fiscal Year ended March 31, 2011 (173rd Business Period)	Fiscal Year ended March 31, 2012 (174th Business Period)	Fiscal Year ended March 31, 2013 (175th Business Period)
Net sales	1,919.3	1,701.6	1,749.2	1,855.3
Ordinary income (loss)	39.9	(7.8)	13.1	79.6
Net income (loss)	39.2	11.4	(84.7)	26.5
Net income (loss) per share (yen)	17.48	4.40	(32.57)	10.20
Total assets	1,930.1	2,005.0	1,998.9	2,081.8
Net assets	593.6	589.0	516.2	545.4

Note: "Net income (loss) per share" is calculated based on the weighted-average number of shares outstanding during each period.

(8) Parent Company and Principal Subsidiaries**(i) Parent Company**

The Company has no parent company.

(ii) Principal Subsidiaries

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
	(Millions of yen)	(%)	
NEC Infrontia Corporation	10,332	100	Development, manufacture and sale of communications systems, POS terminals, etc.
NEC Soft, Ltd.	8,669	100	Provision of systems integration services, etc., and development of software
NEC System Technologies, Ltd.	6,796	100	Provision of systems integration services, etc., and development of software
NEC Access Technica, Ltd.	4,000	100	Development, manufacture, sale and rental of communications equipment and electronic devices
NEC Communication Systems, Ltd.	1,000	100	Development of network systems-related software and equipment
NEC Network Products, Ltd.	400	100	Development, manufacture and maintenance of communications equipment, etc.
NEC CASIO Mobile Communications, Ltd.	5,000	70.7	Development, manufacture, sale and maintenance of smartphones and mobile phones
NEC Networks & System Integration Corporation	13,122	38.4	Design, construction and maintenance of information and communications systems, installation of telecommunications systems, and sale of information and communications equipment, etc.
NEC Fielding, Ltd.	9,670	37.2	Installation and maintenance of computers and network systems

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
Nippon Avionics Co., Ltd.	5,895	53.8	Development, manufacture and sale of information systems, electronic devices and electronic components
NEC Mobiling, Ltd.	2,371	51.0	Sale and maintenance of smartphones and mobile phones

	(U.S. dollars)	(%)	
NEC Corporation of America (U.S.A.)	27	100	Regional representative and supervising operation in North America, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of Sterling pound)		
NEC Europe Ltd. (U.K.)	65,274	100	Regional representative and supervising operation in Europe, the Middle East and Africa, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of Singapore dollars)		
NEC Asia Pacific Pte. Ltd. (Singapore)	80,280	100	Regional representative and supervising operation in Asia Pacific, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of U.S. dollars)		
NEC (China) Co., Ltd. (People's Republic of China)	159,958	100	Regional representative and supervising operation in Greater China
	(Thousands of Brazilian real)		
NEC Latin America S.A. (Brasil)	199,655	100	Regional representative and supervising operation in Latin America, sale of communications equipment and provision of systems integration services, etc.

Notes: The figures for the Company's shareholding ratio of NEC Networks & System Integration Corporation and NEC Fielding, Ltd. shown above do not account for the following shares that were contributed by the Company as part of employee pension trust. The voting rights of such shares will be exercised at the instruction of the Company pursuant to the terms of the trusts indentures.

NEC Networks & System Integration Corporation	6,400,000 (12.9%)
NEC Fielding, Ltd.	16,300,000 (29.9%)

(9) Principal Offices of the NEC Group, etc.

Head Office	Minato-ku, Tokyo
Branch Divisions	Hokkaido Branch Division (Sapporo) Tohoku Branch Division (Sendai) Kanto-Koshinetsu Branch Division (Saitama) Minami-Kanto Branch Division (Yokohama) Tokai Branch Division (Nagoya) Hokuriku Branch Division (Kanazawa) Kansai Branch Division (Osaka) Chugoku Branch Division (Hiroshima) Shikoku Branch Division (Takamatsu) Kyushu Branch Division (Fukuoka)
Plants	Tamagawa Plant (Kawasaki) Fuchu Plant (Fuchu, Tokyo) Sagamihara Plant (Sagamihara) Abiko Plant (Abiko)
Domestic Manufacturing Center	NEC Computertechno, Ltd. (Kofu, etc) NEC Network Products, Ltd. (Fukushima, etc) OCC Corporation (Kitakyushu, etc) Nippon Avionics Co., Ltd. (Yokohama, etc) NEC Saitama, Ltd. (Kamikawamachi, Kodama-gun, Saitama) NEC Energy Devices, Ltd. (Sagamihara)
Overseas Subsidiaries	NEC Corporation of America (U.S.A.) NEC Europe Ltd. (U.K.) NEC Asia Pacific Pte. Ltd. (Singapore) NEC (China) Co., Ltd. (People's Republic of China) NEC Latin America S,A. (Brasil)

(10) Employees**(i) Employees of the NEC Group**

Segment	Number of Employees
IT Solutions Business	47,364
Carrier Network Business	20,832
Social Infrastructure Business	9,131
Personal Solutions Business	7,544
Others	17,504
Total	102,375

(ii) Employees of the Company

Number of Employees	Increase (Decrease) from March 31, 2012	Average Age	Average Years of Employment
23,361	(607)	41.5	16.4

(11) Major Borrowings

(In millions of yen)

Creditors	Balance of Borrowings
Sumitomo Mitsui Banking Corporation	74,573
Sumitomo Mitsui Trust Bank, Limited	44,977
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	41,690
Mizuho Corporate Bank, Ltd.	19,275

2. Shares and Shareholders of the Company

- (1) **Total Number of Authorized Shares** 7,500,000,000 shares
- (2) **Total Number of Shares Issued** 2,604,732,635 shares
(including treasury stock of 5,573,266 shares)
- (3) **Number of Shareholders** 263,993

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

Name of Shareholders	Number of Shares Held	Shareholding Ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	113,708	4.37%
Japan Trustee Services Bank, Ltd. (Trust Account)	107,319	4.13%
SSBT OD05 Omnibus Account - Treaty Clients	80,361	3.09%
NEC Employee Shareholding Association	52,955	2.04%
Nippon Life Insurance Company	41,977	1.62%
Sumitomo Life Insurance Company	41,000	1.58%
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	40,030	1.54%
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	30,566	1.18%
State Street Bank and Trust Company 505225	25,955	1.00%
Japan Trustee Services Bank, Ltd. (Trust Account No.1)	23,832	0.92%

Note: The shareholding ratio is calculated by excluding the number of treasury stock (5,573,266 shares).

(5) Classification of Shareholders

Classification of Shareholders	Shareholding Ratio
Japanese government and local government	0.00%
Financial Institutions	25.74%
Securities Companies	2.87%
Other Corporations	3.77%
Foreign Investors	25.09%
Japanese Individuals and Others	42.53%
Total	100%

3. Matters related to Directors and Corporate Auditors

(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Corporate Auditors

Name	Position at the Company	Responsibility and Important Concurrent Position
Kaoru Yano	Chairman of the Board	
Nobuhiro Endo	President (Representative Director)	Overall management of execution of the Company's business, and Corporate Auditing
Takashi Niino	Senior Executive Vice President and Member of the Board (Representative Director)	CSO (Chief Strategy Officer), CIO (Chief Information Officer) Assisting President regarding Service Business Strategy and Corporate Auditing / Corporate Strategy and Business Development, and Corporate Communications / Important matters relating to Business Incubation, Human Resources, General Affairs, Management Information Systems, and Sales and Service Business Process Management
Junji Yasui	Senior Executive Vice President and Member of the Board (Representative Director)	CSCO (Chief Supply Chain Officer) Export & Import Trade Control / Important matters relating to Product Coordination, Quality Management, and Purchasing
Toshiyuki Mineno	Executive Vice President and Member of the Board	CMO (Chief Marketing Officer) Business Incubation
Isamu Kawashima	Associate Senior Vice President and Member of the Board	CFO (Chief Financial Officer) Corporate Controller, Corporate Finance and Sales Business Control
Kenji Miyahara	Member of the Board	Honorary Adviser, Sumitomo Corporation Outside Corporate Auditor, Seiko Epson Corporation
Hideaki Takahashi	Member of the Board	Outside Director, Fukuoka Financial Group, Inc.
Takeshi Kunibe	Member of the Board	President and Chief Executive Officer, SMBC Director and Member of the Board of Directors, SMFG
Hitoshi Ogita	Member of the Board	Chairman of the Board and Representative Director, Asahi Group Holdings, Ltd. Outside Director, Imperial Hotel, Ltd.
Kaori Sasaki	Member of the Board	President and CEO, UNICUL International, Inc. President and CEO, ewoman, Inc. Outside Director, Nissen Holdings Co., Ltd.
Konosuke Kashima	Corporate Auditor (full-time)	-
Takao Ono	Corporate Auditor (full-time)	-
Satoshi Itoh	Corporate Auditor	Certified Public Accountant Outside Corporate Auditor, SMFG Outside Corporate Auditor, SMBC Outside Corporate Auditor, Nisshin Seifun Group Inc.
Ryoji Nakagawa	Corporate Auditor	Attorney at Law
Hideo Yamada	Corporate Auditor	Professor, Waseda University, Graduate School of Commerce

Notes: 1. At the 174th Ordinary General Meeting of Shareholders held on June 22, 2012, Mr. Hitoshi Ogita and Ms.

Kaori Sasaki were newly elected as Directors of the Company.

2. Messrs. Kenji Miyahara, Hideaki Takahashi, Takeshi Kunibe and Hitoshi Ogita and Ms. Kaori Sasaki are Outside Directors.
3. Messrs. Satoshi Itoh, Ryoji Nakagawa and Hideo Yamada are Outside Corporate Auditors.
4. The Company has notified Tokyo Stock Exchange on which the Company lists its shares, of each of Messrs. Kenji Miyahara, Hideaki Takahashi, Hitoshi Ogita, Satoshi Itoh, Ryoji Nakagawa and Hideo Yamada and Ms. Kaori Sasaki, as independent Directors/Corporate Auditors.
5. Messrs. Takao Ono, Satoshi Itoh and Hideo Yamada have considerable expertise in finance and accounting as follows:

Takao Ono	Experience as former General Manager of Corporate Controller Division, Corporate Finance and IR Division and Internal Control Division, and Director responsible for accounting, finance, and internal control over financial reporting affairs
Satoshi Itoh	Extensive auditing experience as a Certified Public Accountant for many years
Hideo Yamada	Experience in teaching and research at universities in the fields of finance and accounting as an expert in management strategy

6. The names of Directors who retired during this Business Period, their position at the time of the retirement and the date and reasons of their retirement are as follows:

Name	Position at the time of retirement	Date of retirement (reason)
Toshimitsu Iwanami	Senior Executive Vice President and Member of the Board (Representative Director)	June 22, 2012 (expiration)
Yukihiro Fujiyoshi	Senior Executive Vice President and Member of the Board (Representative Director)	June 22, 2012 (expiration)
Yoshinari Hara	Member of the Board	June 22, 2012 (expiration)
Sawako Nohara	Member of the Board	June 22, 2012 (expiration)

7. On April 1, 2013, the positions and responsibilities of Directors were changed as follows:

Name	Position after change	Responsibility after change
Takashi Niino	Senior Executive Vice President and Member of the Board (Representative Director)	CSO (Chief Strategy Officer), CIO (Chief Information Officer) Assisting President regarding Corporate Auditing / Business Innovation, Corporate Strategy, and Corporate Communications / Important matters relating to Human Resources, General Affairs, Management Information Systems, and Business Process Control
Junji Yasui	Senior Executive Vice President and Member of the Board (Representative Director)	CSCO (Chief Supply Chain Officer) Supply Chain Management and Export & Import Trade Control
Toshiyuki Mineno	Executive Vice President and Member of the Board	Special assignment by the President relating to treating overseas important client and developing new market

Name	Position after change	Responsibility after change
Takeshi Kunibe	Member of the Board	President and Chief Executive Officer, SMBC Director and Member of the Board of Directors, SMFG Chairman, Japanese Bankers Association

8. The Company has business relationship with SMBC for the sales of the Company's products and provision of services including system construction, operation and maintenance, borrowing from SMBC and provision of guarantees for the debts of Company's subsidiaries owed to SMBC.

(2) Remuneration for Directors and Corporate Auditors

(i) Company Policy on Remuneration

(a) Basic Policy

For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company's basic policy on the remuneration for Directors and Corporate Auditors is to set the level and system appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group.

(b) Remuneration System

1) Remuneration for Directors

Remuneration for Directors consists of fixed monthly remunerations and bonuses linked to the business results.

The fixed monthly remunerations are determined according to the positions of Directors, and the distinction of Outside Director or not, to the extent of the maximum amount approved at the General Meeting of Shareholders.

The bonuses are calculated by, adding to the standard amount determined for each positions of Directors, evaluation, under certain rules, of the contribution by Director to the business results during previous fiscal year. No bonuses are paid to Outside Directors from the viewpoint of securing their independence from the Company because the Company expects that Outside Directors play a leading role in supervision over business execution.

2) Remuneration for Corporate Auditors

Remunerations for Corporate Auditors are only fixed monthly remunerations and do not include bonuses linked to the business results because the responsibility of Corporate Auditors is to audit performance of Directors.

The fixed monthly remunerations are determined for a full-time Corporate Auditor or not, respectively, to the extent of the maximum amount approved at the General Meeting of Shareholders.

(c) Process of Determination

1) Remuneration for Directors

Remuneration for Directors is determined by the resolution of the Board of Directors, based on the results of their deliberation from an objective viewpoint by the Nomination and Compensation Committee, the majority of the members of which are the outside members (one of whom is the chairperson).

2) Remuneration for Corporate Auditors

Remuneration for Corporate Auditors is determined through discussions between Corporate Auditors.

(d) Links between Remuneration and the Company's Performance

Directors' Bonuses are calculated according to the certain indexes (Net Sales, Operating Income and others) that the Company considers are important regarding the consolidated business results of the NEC Group during previous fiscal year.

(e) Determination of the Level of Remuneration

In order to ensure objectiveness and propriety of the Remuneration for Directors and Corporate Auditors, the level of the remuneration is determined on the result of the third party's investigation regarding the remunerations of other companies whose business contents and scale are similar to those of the Company.

(f) Others

- 1) The Company abolished its retirement allowance system for Directors and Corporate Auditors at the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006.
- 2) In order to promote a management improving shareholder value, the Company recommends that Directors (except for Outside Directors) purchase the Company's shares through the Director and Corporate Auditor Shareholding Association and keep the shares through the term of office of Directors and Corporate Auditor.

(ii) Amounts of Remuneration for this Business Period

	Remuneration		Bonus	
	Headcount	Total Amount (In millions of yen)	Headcount	Total Amount (In millions of yen)
Directors (of which Outside Directors)	15 (7)	266 (54)	6 -	93 -
Corporate Auditors (of which Outside Corporate Auditors)	5 (3)	80 (32)	- -	- -

- Notes: 1. The above headcount includes four Directors who retired at the close of the 174th Ordinary General Meeting of Shareholders held on June 22, 2012.
2. The total amount of bonus in the table above is to be submitted for approval to the 175th Ordinary General Meeting of Shareholders.
3. The maximum monthly remuneration for Directors is 65,000,000 yen (approved at the 153rd Ordinary General Meeting of Shareholders held on June, 27, 1991).
4. The maximum monthly remuneration for Corporate Auditors is 12,000,000 yen (approved at the 170th Ordinary General Meeting of Shareholders held on June 23, 2008).

(3) Major Activities of Outside Directors and Outside Corporate Auditors

Name	Major Activities
Kenji Miyahara	He attended 11 meetings of the Board of Directors out of 14 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Hideaki Takahashi	He attended 13 meetings of the Board of Directors out of 14 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Takeshi Kunibe	He attended 12 meetings of the Board of Directors out of 14 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a bank.
Hitoshi Ogita	After the assumption of office as Director of the Company, he attended 11 meetings of the Board of Directors out of 12 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Kaori Sasaki	After the assumption of office as Director of the Company, she attended 10 meetings of the Board of Directors out of 12 meetings held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on wide range of knowledge on marketing and perspective of consumers.
Satoshi Itoh	He attended 12 meetings of the Board of Directors out of 14 meetings, and all of the 15 meetings of the Board of Corporate Auditors, both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as a financial and accounting expert.
Ryoji Nakagawa	He attended all of the 14 meetings of the Board of Directors, and all of the 15 meetings of the Board of Corporate Auditors, both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on a lot of experience and deep insight as a legal expert.
Hideo Yamada	He attended all of the 14 meetings of the Board of Directors, and all of the 15 meetings of the Board of Corporate Auditors, both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on deep insight regarding management strategy and expertise in finance and accounting.

(4) Outline of agreements entered into with Outside Directors and Outside Corporate Auditors to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Company Law

Pursuant to Articles 24 and 31 of the Articles of Incorporation of the Company, the Company entered into agreements with Messrs. Kenji Miyahara, Hideaki Takahashi, Takeshi Kunibe and Hitoshi Ogita and Ms. Kaori Sasaki, who are Outside Directors, and Messrs. Satoshi Itoh, Ryoji Nakagawa and Hideo Yamada, who are Outside Corporate Auditors, to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Company Law. The outline of such agreements is to limit their liabilities as stipulated in Paragraph 1, Article 423 of the Company Law to the higher of 20 million yen or the amount provided in the Company Law and the Regulation for Enforcement of the Company Law on the condition that they perform their duties as Directors or Corporate Auditors in good faith and without gross negligence.

4. Accounting Auditors**(1) Name of the Accounting Auditors**

KPMG AZSA LLC

(2) The Amount of Compensation to the Accounting Auditors

Classification	Amount (In millions of yen)
(i) The total fees paid to the Accounting Auditors by the Company as	630

compensation for their duties under the Company Law	
(ii) Total amount of money and other property benefit paid to the Accounting Auditors by the Company and its subsidiaries	1,634

Notes: 1. The fees set forth in column (i) above include the fees for audit under the Financial Instruments and Exchange Law and other laws because there are no separate provisions in the audit contract with the Accounting Auditors between the fees for audit under the Company Law and the fees for audit under the Financial Instruments and Exchange Law, and it is impracticable to distinguish between these two types of fees.

2. Of the Company's subsidiaries listed in "1.(8)(ii) Principal Subsidiaries" above, those subject to audit by certified public accountants or audit firm other than the Accounting Auditors are as follows:

Name of Subsidiary	Certified Public Accountant
NEC Corporation of America	KPMG LLP
NEC Europe Ltd.	KPMG LLP
NEC Asia Pacific Pte. Ltd.	KPMG LLP
NEC (China) Co., Ltd.	KPMG Huazhen
NEC Latin America S.A.	KPMG Auditores Independentes

(3) Non-audit services rendered by the Accounting Auditors

In addition to the work stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law, during this Business Period, the Company engaged the Accounting Auditors for, among others, services in relation to the "Audit Procedures regarding Control Risk of Subcontracted Services" and other advisory services.

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

Subject to the prior consent of the Board of Corporate Auditors, the Board of Directors will propose a dismissal or disapproval of the reappointment of the Accounting Auditors to the shareholders meeting when the situation arises where the Accounting Auditors are no longer able to execute their duties in a proper manner or the Board of Directors decides that it is appropriate to dismiss or disapprove the reappointment of the Accounting Auditors.

5. System and Policy of the Company

(1) System to ensure the properness of operations

The Company has established and implemented its internal control system based on the basic policy for maintenance of the system of the Company to ensure the properness of operations as provided in Item 6, Paragraph 4 of Article 362 of the Company Law adopted by resolution of the Board of Directors (the "Policy"). The Company assessed the status of the implementation of its internal control system for this Business Period and confirmed that it has established and implemented its internal control system properly based on the Policy. A summary of the Policy is as follows:

The Company shall endeavor to establish and implement its internal control system more effectively, through continuous evaluation of the implementation of its internal control system under the Policy as well as taking measures necessary for its improvement, and conducting consistent reviews of the Policy responding to changes in the business environment.

(i) In order to ensure the compliance with the laws, regulations and the Company's Articles of Incorporation in the performance of duties by Directors and employees, Directors and corporate officers shall take the lead in practicing NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct that were adopted to establish business ethics standards for the NEC Group and to ensure compliance with laws, regulations, the Articles of Incorporation and its internal rules, and promote thorough understanding on these

charter and code within the NEC Group. If any material violation of laws, regulations, Articles of Incorporation or internal rules is found, the Company shall investigate the cause of such violation and formulate and implement preventative measures. In addition, the Company shall prompt the use of “Compliance Hotline”.

(ii) The Company shall properly retain and manage information in accordance with applicable laws, regulations and the Company's internal rules.

(iii) The Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Company's internal rules. Business divisions shall properly conduct risk management related to their assignment and corporate staff divisions shall support such business divisions' activities. The Company shall deliberate fully on such matters of importance from a perspective of risk management, such as the strategy to control important management risk, and the matters of particular importance shall be reported to the Board of Directors. The internal auditing division shall, through cooperation with internal auditing section of subsidiaries, conduct audits of NEC Group's enterprise risk management system and the status of implementation of risk management.

(iv) In order to ensure the efficient performance of duties by Directors, the Board of Directors shall delegate its authorities to corporate officers and promote timely decision-making and effective performance of duties. Corporate officers shall, under the direction of the Board of Directors, efficiently conduct businesses in accordance with midterm corporate management goals and budgets.

(v) In order to ensure the proper operation of the NEC Group, the Company shall, through NEC Group Management Policy, give instructions and assistance to the subsidiaries for the establishment of the systems ensuring compliance with laws, regulations and properness of the operation of business. In order to improve soundness and efficiency of management systems in NEC Group, the Company shall dispatch directors and corporate auditors where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall exchange information, and consult with such subsidiary regarding matters of importance on business operations. The internal auditing division shall conduct audits of the subsidiaries through cooperation with their internal auditing sections to ensure their proper operations.

(vi) From the perspective of proper and efficient operations of NEC Group, the Company shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control by utilizing information systems.

(vii) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with applicable laws and regulations.

(viii) The Company shall assign full-time employees to assist Corporate Auditors in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by Corporate Auditors.

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

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

(2) Policy on the Control over the Company

The Company believes that the ultimate decision as to the person who should control the financial and business policy of the Company shall be made by the shareholders of the Company. However, in the event that a person or entity (the “Proposer”) proposes to purchase the substantial number of the shares of the Company with an intent to control the Company or proposes the takeover of the Company, the Company believes it is the responsibilities of the Board of Directors (i) to request the Proposer to provide appropriate information on the reasonableness of the consideration and other conditions of the proposal and the influence such action may have on the management policy and business plan of the Company, (ii) to evaluate the information provided and consider whether such proposal has merit in promoting the corporate value of the Company and the common interest of the shareholders, and (iii) to express the opinion of the Company for purposes of assisting the shareholders to make decisions whether or not to accept the proposal. In addition, the Company believes that, in particular the circumstances, it may be required to negotiate with the Proposer or to present alternative proposals to the shareholders.

Currently, the Company has not adopted a policy of defensive measures that will become effective when a proposal is made by a Proposer. It is the Company’s intention, however, that if (i) the sufficient information is not provided by the Proposer, (ii) the shareholders are not afforded the time sufficient to consider the proposal or (iii) the Company decides that the proposal would have an adverse effect on the corporate value of the Company or the common interest of the shareholders, the Company will decide and implement reasonable countermeasures that are practicable at the time of the proposal and acceptable to the shareholders. Further, the Company may consider the introduction of defensive measures based on the business environment, the market trend, the trends of laws and regulations etc. if it is considered appropriate to do so for purposes of promoting the corporate value of the Company and the common interest of the shareholders.

(3) Policy on the determination of distribution of surplus

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

The Company will pay an annual dividend of 4 yen per share of common stock for the full year ended March 31, 2013.

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

CONSOLIDATED BALANCE SHEET

(As of March 31, 2013)

(In millions of yen)

Account	Amount
Assets	
<u>Current assets</u>	1,513,806
Cash and deposits	174,295
Notes and accounts receivable-trade	834,052
Short-term investment securities	24,666
Merchandise and finished goods	93,776
Work in process	86,032
Raw materials and supplies	62,831
Deferred tax assets	78,761
Other	164,055
Allowance for doubtful accounts	(4,662)
<u>Noncurrent assets</u>	1,067,160
Property, plant and equipment	294,767
Buildings and structures, net	124,283
Machinery and equipment, net	25,586
Tools, furniture and fixtures, net	62,695
Land	66,502
Construction in progress	15,701
Intangible assets	233,786
Goodwill	93,895
Software	114,088
Other	25,803
Investments and other assets	538,607
Investment securities	138,139
Stocks of subsidiaries and affiliates	92,668
Long-term loans receivable	44,019
Deferred tax assets	97,570
Other	187,065
Allowance for doubtful accounts	(20,854)
Total assets	2,580,966

(In millions of yen)

Account	Amount
Liabilities	
<u>Current liabilities</u>	1,123,656
Notes and accounts payable-trade	458,724
Short-term loans payable	26,590
Commercial papers	29,997
Current portion of long-term loans payable	73,486
Current portion of bonds payable	70,000
Accrued expenses	169,221
Advances received	122,154
Provision for product warranties	18,370
Provision for directors' bonuses	335
Provision for loss on construction contracts and others	17,955
Provision for business structure improvement	3,993
Provision for contingent loss	1,217
Other	131,614
<u>Noncurrent liabilities</u>	621,163
Bonds payable	160,000
Long-term loans payable	237,028
Deferred tax liabilities	2,231
Provision for retirement benefits	178,868
Provision for product warranties	3,049
Provision for loss on repurchase of computers	5,326
Provision for business structure improvement	750
Provision for contingent loss	6,641
Other	27,270
Total liabilities	1,744,819
Net Assets	
<u>Shareholders' equity</u>	700,429
Capital stock	397,199
Capital surplus	148,405
Retained earnings	157,771
Treasury stock	(2,946)
<u>Accumulated other comprehensive income</u>	10,237
Valuation difference on available-for-sale securities	18,333
Deferred gains or losses on hedges	(1,076)
Foreign currency translation adjustment	(7,020)
<u>Minority interests</u>	125,481
Total net assets	836,147
Total liabilities and net assets	2,580,966

CONSOLIDATED STATEMENT OF OPERATIONS

(For the fiscal year ended March 31, 2013)

(In millions of yen)

Account	Amount
Net sales	3,071,609
Cost of sales	2,142,243
Gross profit	929,366
Selling, general and administrative expenses	814,719
Operating income	114,647
Non-operating income	15,577
Interest income	1,407
Dividends income	3,840
Reversal of provision for contingent loss	2,971
Foreign exchange gains	446
Equity in earnings of affiliates	409
Other	6,504
Non-operating expenses	38,200
Interest expenses	5,979
Retirement benefit expenses	11,631
Other	20,590
Ordinary income	92,024
Extraordinary income	16,780
Gain on sales of investment securities	9,057
Gain on change in equity	2,657
Gain on sales of subsidiaries and affiliates' stocks	1,728
Gain on insurance claim	1,625
Gain on sales of noncurrent assets	1,569
Gain on transfer of business	120
Gain on reversal of subscription rights to shares	24
Extraordinary loss	39,525
Impairment loss	21,949
Loss on contribution of securities to retirement benefit trust	5,898
Business structure improvement expenses	5,538
Provision of allowance for doubtful accounts for subsidiaries and affiliates	3,818
Loss on sales of stocks of subsidiaries and affiliates	880
Loss on valuation of investment securities	804
Loss on retirement of noncurrent assets	636
Loss on sales of investment securities	2
Income before income taxes and minority interests	69,279
Income taxes	30,526
Income taxes – current	30,724
Income taxes – deferred	(198)
Income before minority interests	38,753
Minority interests in income	8,319
Net income	30,434

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(For the fiscal year ended March 31, 2013)

(In millions of yen)

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

(In millions of yen)

Account	Amount
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	
Balance at the beginning of current period	16,273
Changes of items during the period	
Net changes of items other than shareholders' equity	2,060
Total changes of items during the period	2,060
Balance at the end of current period	18,333
Deferred gains or losses on hedges	
Balance at the beginning of current period	(142)
Changes of items during the period	
Net changes of items other than shareholders' equity	(934)
Total changes of items during the period	(934)
Balance at the end of current period	(1,076)
Foreign currency translation adjustments	
Balance at the beginning of current period	(28,928)
Changes of items during the period	
Net changes of items other than shareholders' equity	21,908
Total changes of items during the period	21,908
Balance at the end of current period	(7,020)
Total accumulated other comprehensive income	
Balance at the beginning of current period	(12,797)
Changes of items during the period	
Net changes of items other than shareholders' equity	23,034
Total changes of items during the period	23,034
Balance at the end of current period	10,237
Subscription rights to shares	
Balance at the beginning of current period	24
Changes of items during the period	
Net changes of items other than shareholders' equity	(24)
Total changes of items during the period	(24)
Balance at the end of current period	-
Minority interests	
Balance at the beginning of current period	120,634
Changes of items during the period	
Net changes of items other than shareholders' equity	4,847
Total changes of items during the period	4,847
Balance at the end of current period	125,481

(In millions of yen)

Account	Amount
Total net assets	
Balance at the beginning of current period	777,614
Changes of items during the period	
Deficit disposition	-
Net income	30,434
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Change of scope of equity method	252
Net changes of items other than shareholders' equity	27,857
Total changes of items during the period	58,533
Balance at the end of current period	836,147

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(For the fiscal year ended March 31, 2013)

(In millions of yen)

Account	Amount
Net cash provided by (used in) operating activities:	
Income before income taxes and minority interests	69,279
Depreciation and amortization	83,612
Equity in earnings of affiliates	(409)
Gain on change in equity	(2,657)
Increase in notes and accounts receivable-trade	(9,600)
Decrease in inventories	5,496
Decrease in notes and accounts payable-trade	(8,548)
Income taxes paid	(28,653)
Others, net	35,228
Net cash provided by operating activities	143,748
Net cash provided by (used in) investing activities:	
Net proceeds from (payments of) acquisitions and sales of property, plant and equipment	(40,804)
Purchases of intangible assets	(14,556)
Net proceeds from (payments of) purchases and sales of securities	(31,032)
Others, net	(15,350)
Net cash used in investing activities	(101,742)
Net cash provided by (used in) financing activities:	
Net proceeds from (payments of) bonds and borrowings	(94,829)
Cash dividends paid	(4)
Others, net	(3,974)
Net cash used in financing activities	(98,807)
Effect of exchange rate changes on cash and cash equivalents	6,200
Net decrease in cash and cash equivalents	(50,601)
Cash and cash equivalents at beginning of period	251,843
Decrease in cash and cash equivalents resulting from change of scope of consolidation	(4,110)
Cash and cash equivalents at end of period	197,132

Notes to Consolidated Financial Statements

I Significant Items for Presenting Consolidated Financial Statements, etc.

1. Scope of consolidation

Number of consolidated subsidiaries 270 companies

Major consolidated subsidiaries

NEC Corporation of America, NEC Europe Ltd., NEC Asia Pacific Pte. Ltd., NEC (China) Co., Ltd., NEC Latin America S.A., NEC Fielding, Ltd., NEC Infrontia Corporation, NEC Networks & System Integration Corporation, Nippon Avionics Co., Ltd., NEC CASIO Mobile Communications, Ltd., and NEC Mobiling, Ltd.

Change in the scope of consolidation includes additions of 35 and exclusions of 30 subsidiaries. Significant changes were as follows:

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

35 subsidiaries

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

12 subsidiaries

Consolidated subsidiaries excluded from the consolidation scope as a result of decline in shareholding ratio.

15 subsidiaries

Major companies

NEC TOKIN Corporation, and the other

Subsidiaries excluded from the consolidation scope due to merger.

3 subsidiaries as follows:

(Previous)	(New)
OCC Holdings Co., LTD. OCC Corporation	OCC Corporation
NEC Avio Infrared Technologies Co., Ltd. Nippon Avionics Co., Ltd.	Nippon Avionics Co., Ltd.

And 1 subsidiary.

2. Items related to application of equity method

(1) Number of companies accounted for by the equity method

There are no subsidiaries accounted for by the equity method instead of consolidation.

Number of affiliated companies accounted for by the equity method 53 companies

Major companies

Nippon Computer Systems Corporation, Keyware Solutions Inc., ALAXALA Networks Corporation, Lenovo NEC Holdings B.V., Renesas Electronics Corporation, NEC TOKIN Corporation, NEC TOPPAN Circuit Solutions, Inc., Honda Elesys Co., Ltd., NEC SCHOTT Components Corporation, NEC Capital Solutions Limited, Japan Aviation Electronics Industry, Limited, Automotive Energy Supply Corporation, and Sincere Corporation.

5 affiliated companies, including NEC TOKIN Corporation were newly accounted for by the equity method.

7 affiliated companies, including NLT Technologies, Ltd. were excluded from the affiliated companies accounted for by the equity method.

(2) There are no unconsolidated subsidiaries and affiliated companies, to which the equity method is not applied.

(3) Names of the companies that were not accounted for as affiliated companies in spite of the voting right that

we own between 20/100 and 50/100 based on our account.

Name of the company

Japan Electronic Computer Co., Ltd. (hereinafter referred to as the "JECC")

Reason for not being included in affiliated companies

NEC Corporation ("The Company" hereafter) owns more than 20% of the total number of outstanding stocks of JECC. However, JECC was excluded from affiliated companies, because it is jointly owned and managed by 6 domestic electronic computer manufacturers to promote the data-processing industry.

3. Items related to the fiscal year of consolidated subsidiaries

The fiscal year of consolidated subsidiaries ends on March 31 except for 17 companies.

The fiscal year of these 17 subsidiaries mainly ends on December 31, and the financial statements as of and for the year ended December 31 were included in the NEC consolidation.

The Company made adjustments for material transactions between the fiscal year of the subsidiaries and the fiscal year of the Company, as needed.

4. Items related to accounting standards

(1) Valuation basis and method of major assets

(a) Marketable and investment securities

Available-for-sale securities

-Securities with market prices

Securities with market prices are valued at the quoted market prices prevailing at fiscal year end.

Unrealized gains or losses are included in a component of net assets. The cost of securities sold is determined based on the moving-average cost method.

-Securities without market prices

Moving-average cost method

-Investments in limited partnership, etc.

Based on the latest available financial statements, the investments in limited partnerships were accounted for by the equity method.

(b) Derivatives

Market value method

(c) Inventories

Inventories are stated at the cost method (which writes off the book value of inventories based on decreases in profitability), determined by the following valuation methods:

Valuation method

Merchandise and finished goods	Custom-made products: Mainly, specific identification method Mass produced standard products: Mainly, first-in, first-out method
Work in process	Custom-made products: Mainly, specific identification method Mass produced standard products: Mainly, average cost method
Raw materials and supplies	Mainly, first-in, first-out method

(2) Depreciation and amortization method of major noncurrent assets

(a) Property, plant and equipment

Depreciation is computed by the straight-line method

Estimated useful lives are as follows:

Buildings and structures: 7 - 60 years

Machinery and equipment, Tools, furniture and fixtures: 2 - 22 years

Leased assets are depreciated by the straight-line method over the respective lease periods.

(b) Intangible assets

Software

Software for sale to the market is amortized either based on projected sales volumes or projected sales amounts (Mainly the estimated useful life is within 2 years). Software for internal use is amortized on a

Goodwill	<p>straight-line basis over the estimated useful lives of up to 5 years.</p> <p>Goodwill is amortized on a straight-line basis over the periods within 20 years.</p>
(c) Investments and other assets	
Long-term prepaid expenses	<p>Long-term prepaid expenses are amortized on a straight-line basis, or amortized based on the actual sales volume.</p>
(3) Accounting standards for significant reserves	
Allowance for doubtful accounts	<p>An allowance for doubtful accounts is provided against potential losses on collection at an amount determined using a historical bad debt ratio for normal receivables, plus an amount individually estimated on the collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency.</p>
Provision for product warranties	<p>The Company and its consolidated subsidiaries accrue a provision for product warranties for estimated future warranty costs using the historical ratio of warranty costs to sales, plus an amount individually measured on the incremental costs that are expected to be incurred, in expectation of expenditures for warranty costs after sale of products, or upon delivery of developed software.</p>
Provision for directors' bonuses	<p>Provision for directors' bonuses is recognized in consolidated financial statements as expected payment amount due to provide bonuses to their directors next year.</p>
Provision for loss on construction contracts and others	<p>Provision for loss on construction contracts and others is recognized against future losses resulted from made-to-order software, construction projects and others.</p>
Provision for business structure improvement	<p>The Company provides provision for losses and expenses to be incurred in connection with business structure improvement.</p>
Provision for contingent loss	<p>The amount of expected losses, which is reasonably estimable, considering individual risks with respect to each contingent events, is made by provision for contingent loss against possible expenses related to such as proceedings and matters in litigation.</p>
Provision for retirement benefits or prepaid pension expenses	<p>Provision for retirement benefits or prepaid pension expenses are provided for employees' pension and severance payments based on the estimated retirement benefit obligations and the estimated fair value of plan assets as of this fiscal year end.</p> <p>Transitional obligation is amortized on a straight-line basis over mainly 15 years.</p> <p>Prior service costs are amortized on a straight-line basis over the</p>

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 the following year after incurrence.

Provision for loss on repurchase of computers

The Company provides provision for the estimated losses arising from the repurchase of computers based on the actual loss incurred in the past.

(4) Significant criteria for revenue and expenses recognition

Recognition criteria for completed contract revenue and costs

Percentage-of-completion accounting method is applied to made-to-order software and construction projects that completion percentage can be reasonably measured.

To other construction projects that completion percentage can not be reasonably measured, completed-contract accounting method is applied.

The estimation for the degree of completion of construction is determined by the percentage of the cost incurred to the estimated total cost.

(5) Other significant accounting method

(a) Standard for converting major foreign assets or liabilities to domestic currency

Foreign currency denominated assets and liabilities are translated into Japanese yen at the current exchange rate prevailing at the fiscal year end. Translation gains and losses are recognized in the consolidated statement of operations. In addition, assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rate prevailing at the respective fiscal year ends. Income and expenses are translated into Japanese yen at the average exchange rate of the fiscal year. The translation differences are included in foreign currency translation adjustments and minority interests in net assets.

(b) Accounting for significant hedging activities

Method of hedge accounting

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

Hedging instruments and hedged items

Hedging instruments: Interest rate swaps and foreign exchange forward contracts

Hedged items: Bonds and loans payable, foreign currency debts and credits, forecasted transaction denominated in foreign currency.

The Company's policy for hedging

Derivative transactions are entered into in accordance with "Risk management policy", which is the internal policy of the Company and its consolidated subsidiaries, to offset market fluctuations or to fix the cash flows of the hedged items.

Assessment of hedge effectiveness

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

(c) Accounting for Consumption taxes

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

(d) Application of consolidated corporate-tax return system

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

II Changes in Presentation Method

1. "Long-term loans receivable" which was included in "Other" under investments and other assets in the previous fiscal year, is presented and disclosed separately from this fiscal year due to the increase in the monetary significance.
2. "Reversal of provision for contingent loss" which was included in "Other" under non-operating income in the previous fiscal year, is presented and disclosed separately from this fiscal year due to the increase in the monetary significance.

III Notes to Consolidated Balance Sheet

1. Assets pledged as and debts secured by collateral

(1) Balances - assets pledged as collateral

	(In millions of yen)
Buildings and structures	261
Land	3,579
Others	5
Total	3,845

(2) Balances - debts secured by collateral

	(In millions of yen)
Short-term loans payable	1,971
Long-term loans payable	300
Others	42
Total	2,313

2. Net presentation of inventories and provision for loss on construction contracts and others

Inventories related to construction contracts and others which are expected to be resulted in a loss are presented at net of provision for loss on construction contracts and others of 8,197 million yen (the sum of following provision for loss on construction contracts and others; 586 million yen for merchandise and finished goods, 7,611 million yen for work in process).

3. Accumulated depreciation of property, plant and equipment

	(In millions of yen)
Accumulated depreciation	720,665

4. Contingent liabilities

Guarantees for bank loans and others

The Company guarantees bank loans of the other companies and others

	(In millions of yen)
Automotive Energy Supply Corporation	5,118
Employees	2,470
Others	1,017
Total	8,605

5. Other Contingent liabilities

NETCOMSEC Co. Ltd., a wholly owned subsidiary of NEC, was found to have recorded and billed an excessive amount of working hours to certain contracts with Japan Ministry of Defense. NETCOMSEC Co. Ltd., voluntarily reported this information to the Ministry of Defense, who subsequently suspended NETCOMSEC Co. Ltd., from participating in requests for proposals for future contracts with the Japan Ministry of Defense. NETCOMSEC Co. Ltd., will return the excess amount to the Ministry of Defense once such amount and period are determined, but no estimate is available for these figures. As a result, the effect of this payment on the NEC Group's consolidated financial condition and results of operations remains unclear.

IV Notes to Consolidated Statement of Changes in Net Assets

1. Stocks, issued

Common stock	2,604,732,635 shares
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2. Dividends

(1) Payment of dividends

Not applicable

(2) Dividends which recorded date is within this fiscal year and effective date are within the following fiscal year: The Company proposed and resolved the matter of payment of dividends for Common Stock at the ordinary Meeting of Board of Directors held on April 26, 2013.

(a) Resource of dividends	Retained earnings
(b) Total Dividends	10,397 million yen
(c) Dividends per share	4 yen
(d) Record date	March 31, 2013
(e) Effective date	June 3, 2013

V Notes : Financial Instruments

1. Summary of financial instruments

(1) Policy of financial instruments

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

(2) Contents and risks of financial instruments

Receivables from ordinary course of business such as notes and accounts receivable-trade are exposed to credit risk of customers.

Receivables and payables from ordinary course of business denominated in foreign currency are exposed to foreign exchange risk.

Marketable securities and investment securities, excluding financial instruments held for short-term investment, relate to investment activities aimed at strengthening the Company's operational or financial alliance with the investees. These marketable securities and investment securities are exposed to market risk.

Long-term loans receivable are mainly related to affiliated companies.

Long-term borrowings, bonds payable and finance lease liabilities are generally made for the purpose of financing capital investments. The redemption dates of such liabilities are mainly within seven years. 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 at I 4.(5) Other significant accounting method (b) Accounting for significant hedging activities.

(3) Risk management for financial instruments

(a) 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.

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

NEC 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, NEC group regularly monitors the fair value of such securities as well as financial positions of the issuers (customer enterprises). NEC group also continuously reviews effectiveness of possessing such securities taking into consideration of business relationship with customer enterprises.

NEC group trades derivatives based on the corporate policy which governs risk management, approval, reporting and verification process.

(c) 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.

(4) Surplus explanation of 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 be used for the calculation.

2. Fair value of financial instruments

Fair value and its variance from the balance sheet value at March 31, 2013 are as follows:

(In millions of yen)

	Balance sheet value	Fair value	Difference
(1)Cash and deposits	174,295	174,295	-
(2)Notes and accounts receivable-trade	834,052	833,064	(988)
(3)Short-term investment securities	24,666	24,666	-
(4)Investment securities	75,940	75,940	-
(5)Stocks of subsidiaries and affiliates	47,931	39,774	(8,157)
(6)Long-term loans receivable	44,019		
Allowance for doubtful accounts(*1)	(3,818)		
	40,201	40,201	-
Total assets	1,197,085	1,187,940	(9,145)
(1)Notes and accounts payable-trade	458,724	458,724	-
(2)Short-term loans payable	26,590	26,590	-
(3)Commercial papers	29,997	29,997	-
(4)Current portion of long-term loans payable	73,486	73,486	-
(5)Current portion of bonds payable	70,000	70,000	-
(6)Accrued expenses	169,221	169,221	-
(7)Bonds payable	160,000	161,031	1,031
(8)Long-term loans payable	237,028	237,849	821
Total liabilities	1,225,046	1,226,898	1,852
Derivatives(*2)	(4,498)	(4,498)	-

(*1) The amount of allowance for doubtful accounts, which is recorded individually for Long-term loans receivable, is excluded.

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

Notes:

1. Measurement of fair value of financial instruments and information related to securities and derivatives trade

Assets

(1) Cash and deposits

Fair value equals to balance sheet value, since they are to be settled in short term.

(2) Notes and accounts receivable-trade

For short term receivable, fair value equals to balance sheet value. For long term receivable, fair value is measured using discount rate considering credit and other risk.

(3) Short-term investment securities

Fair value equals to balance sheet value, since short-term investment securities mainly consists of CD and commercial papers, which are to be settled in short term.

(4) Investment securities and (5) Stocks of subsidiaries and affiliates

Fair value equals to price at financial instruments exchange.

(6) Long-term loans receivable

Fair value equals to balance sheet value, since they are mainly based on floating rate.

Liabilities

(1) Notes and accounts payable-trade,(2) Short-term loans payable,(3) Commercial papers,(4) Current portion of long-term loans payable,(5) Current portion of bonds payable, and (6) Accrued expenses

Fair value equals to balance sheet value, since they are to be settled in short term.

(7) Bonds payable

Fair value equals to market price.

(8) Long-term loans payable

Fair value is measured using discount rate to be applied in case of financing same amount with sum of principal and interest.

Derivatives

Fair value of forward exchange contracts are based on forward exchange rate.

2. The followings are not included in “(4) Investment securities” or “(5) Stocks of subsidiaries and affiliates” table above – due to lack of their available market price and not being able to estimate the future cash flows reasonably:

Classification	Balance sheet value (In millions of yen)
Investment securities Unlisted stocks	56,826
Stocks of subsidiaries and affiliates Unlisted stocks	44,737
Investment in limited partnerships and similar partnerships under foreign laws	5,087
Others	286
Total	106,936

VI Notes : Per Share Information

Net assets per share	273.51 yen
Net income per share	11.71 yen

VII Notes : Others

1. Lease transactions

Operating leases (lessee)	
Obligations under non-cancellable operating leases	(In millions of yen)
Due within one year	22,312
Due over one year	77,457
<u> Total</u>	<u>99,769</u>

2. Marketable and Investment securities

(1) Available-for-sale securities

(In millions of yen)

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

Notes:

The followings are not included in “(1) Available-for-sale securities” table above - due to lack of their available market price and not being able to estimate the future cash flows reasonably:

Unlisted stocks (balance sheet value of 56,826 million yen),

Investments in limited partnerships and similar partnerships under foreign laws

(balance sheet value of 5,087 million yen), and Others (balance sheet value of 286 million yen).

(2) Available-for-sale securities sold during the fiscal year ended March 31, 2013

(In millions of yen)

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

(3) Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 804 million yen were recorded in this fiscal year.

3. Retirement benefits

(1) Overview of the retirement benefit 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 NEC Welfare Pension Fund, established by the Company and certain domestic consolidated subsidiaries, received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the pension fund in September 2002 and the portion related to past services in December 2003. Following the approval, the Company and certain domestic consolidated subsidiaries implemented the defined benefit pension plan and terminated the welfare pension fund plans.

After the fiscal year ended March 31, 2004, the Company and certain domestic consolidated subsidiaries implemented point-based plans, under which benefits are calculated based on accumulated points allocated to employees according to their class of positions and evaluations.

The Company and certain domestic consolidated subsidiaries terminated their welfare pension fund plans and tax-qualified pension plans and implemented cash-balance plans. Under these plans, benefits are calculated based on both accumulated points allocated to employees according to their class of positions and accumulated interest points recalculated based on the market interest rates.

(2) Retirement benefit obligations

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

Notes: 1. Certain consolidated subsidiaries adopted the simplified method in calculating the retirement benefit obligations.

2. Prepaid pension expenses are included in "Other" of investments and other assets in the consolidated balance sheets.

(3) Retirement benefit expenses

(In millions of yen)

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

Notes: 1. Retirement benefit expenses of consolidated subsidiaries adopting the simplified method are included in "A. Service cost".

2. "G. Other" represents the amount of premiums paid for defined contribution pension plans.

(4) Basis for calculation of retirement benefit obligations

A. Allocation method for projected retirement benefit cost	Mainly, point basis
B. Discount rate	Mainly, 1.4%
C. Expected rate of return on plan assets	Mainly, 2.5%
D. Period for amortization of prior service costs	Mainly, 13 years (Prior service costs are amortized on a straight-line basis over certain years within employees' average remaining service periods as incurred.)
E. Period for amortization of actuarial gains and losses	Mainly, 13 years (Actuarial gains and losses are amortized on a straight-line basis over certain years within employees' average remaining service periods, starting from the following year after incurred.)
F. Period for amortization of transitional obligation	Mainly, 15 years

4. Impairment losses on noncurrent assets

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

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

(2) Background to the recognition of impairment loss

Investments in certain fixed assets for business use were not expected to be recoverable due to lower profitability of assets for business use and market value declines of idle assets.

Therefore the Company groups recognized impairment loss as extraordinary loss.

(3) Amounts of impairment loss

	(In millions of yen)
Buildings and structures	829
Machinery and equipment	1,007
Tools, furniture and fixtures	1,787
Land	319
Construction in progress	117
Software	13,685
Intangible assets - other	8
Investments and other assets-other	4,197
Total	21,949

(4) Method for grouping assets

In principle, the Company groups assets for business use based on its business units and managerial accounting segments. The Company groups idle assets into a single asset group.

(5) Measurement of recoverable amounts

The higher of the net realizable value and value in use is used for the recoverable amounts of fixed assets for business use. Net realizable value is used for the recoverable amounts of idle assets.

Net realizable value is estimated based on the assessed value for list of land prices, etc. The value in use is assessed at 1 yen in case the total of future cash flow is a negative amount.

5. Business Combinations

Not Applicable

6. Income taxes

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

(Deferred tax assets)	(In millions of yen)
Tax loss carry forwards	177,766
Pension and severance expenses	117,047
Accrued expenses and product warranty liabilities	48,326
Loss on devaluation of inventories	39,069
Depreciation	37,263
Investments in affiliated companies	17,059
Loss on devaluation of investment securities	7,079
Provision for loss on construction contracts and others	6,813
Elimination of unrealized profit through intercompany transactions among consolidated companies	5,008
Provision for contingent loss	2,748
Research and development expenses	1,487
Provision for business structure improvement	1,372
Others	65,860
Sub-total	<u>526,897</u>
Less: valuation allowance	<u>(313,274)</u>
Total	213,623
 (Deferred tax liabilities)	
Undistributed earnings of affiliated companies	(17,493)
Gain on transfer of securities to the pension trust	(9,076)
Unrealized gains on available-for-sale securities	(7,681)
Reserves under special taxation measures law	(16)
Others	(5,992)
Total	<u>(40,258)</u>
Net deferred tax assets	<u>173,365</u>

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

Current assets - deferred tax assets	78,761
Noncurrent assets - deferred tax assets	97,570
Current liabilities - other	(735)
Noncurrent liabilities - deferred tax liabilities	(2,231)

(2) The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:

	(%)
Statutory tax rate	38.0
 (Reconciliation)	
Amortization of goodwill	8.5
Undistributed earnings of affiliated companies	4.2
Non-deductible expenses for tax purposes	1.3
Tax rates difference relating to overseas subsidiaries	0.3
Equity in losses(earnings) of affiliated companies	(0.4)
Changes in valuation allowance	(2.7)
Retirement benefit trust	(5.3)
Others	0.2
Effective tax rate	<u>44.1</u>

BALANCE SHEET
(Non-consolidated)
(As of March 31, 2013)

(In millions of yen)

Account	Amount
Assets	
<u>Current assets</u>	979,793
Cash and deposits	53,015
Notes receivable-trade	3,625
Accounts receivable-trade	553,319
Lease investment assets	1,983
Short-term investment securities	12,000
Merchandise and finished goods	30,373
Work in process	41,124
Raw materials and supplies	14,259
Advance payments-trade	52,279
Prepaid expenses	14,730
Deferred tax assets	35,337
Short-term loans receivable to subsidiaries and affiliates	62,349
Accounts receivable-other	100,914
Other	4,740
Allowance for doubtful accounts	(253)
<u>Noncurrent assets</u>	1,101,994
Property, plant and equipment	169,442
Buildings, net	72,811
Structures, net	3,190
Machinery and equipment, net	5,996
Vehicles, net	298
Tools, furniture and fixtures, net	36,224
Land	45,860
Construction in progress	5,063
Intangible assets	90,157
Patent right	1,784
Leasehold right	89
Software	88,049
Right of using facilities	129
Other	105
Investments and other assets	842,394
Investment securities	131,105
Stocks of subsidiaries and affiliates	396,505
Investments in capital	261
Long-term loans receivable	116
Long-term loans receivable from employees	56
Long-term loans receivable from subsidiaries and affiliates	134,378
Claims provable in bankruptcy, claims provable in rehabilitation and other	16,881
Long-term prepaid expenses	12,396
Deferred tax assets	29,894
Lease and guarantee deposits	12,760
Prepaid pension cost	124,041
Other	2,855
Allowance for doubtful accounts	(18,855)
Total assets	2,081,787

(In millions of yen)

Account	Amount
Liabilities	
<u>Current liabilities</u>	1,049,272
Notes payable-trade	148
Accounts payable-trade	456,985
Commercial papers	29,997
Current portion of long-term loans payable	70,475
Current portion of bonds payable	70,000
Lease obligations	276
Accounts payable-other	36,802
Accrued expenses	63,226
Income taxes payable	2,319
Advances received	97,665
Deposits received	187,217
Provision for product warranties	9,452
Provision for directors' bonuses	93
Provision for loss on construction contracts and others	13,399
Provision for contingent loss	1,034
Asset retirement obligations	557
Other	9,627
<u>Noncurrent liabilities</u>	487,082
Bonds payable	160,000
Long-term loans payable	230,205
Lease obligations	774
Provision for loss on repurchase of computers	5,326
Provision for loss on guarantees	85,139
Provision for contingent loss	1,861
Asset retirement obligations	1,192
Other	2,585
Total liabilities	1,536,354
Net Assets	
<u>Shareholders' equity</u>	526,843
Capital stock	397,199
Capital surplus	106,025
Legal capital surplus	59,260
Other capital surplus	46,765
Retained earnings	26,525
Legal retained earnings	1,040
Other retained earnings	25,485
Retained earnings brought forward	25,485
Treasury stock	(2,905)
<u>Valuation and translation adjustments</u>	18,589
Valuation difference on available-for-sale securities	19,627
Deferred gains or losses on hedges	(1,038)
Total net assets	545,433
Total liabilities and net assets	2,081,787

STATEMENT OF OPERATIONS
(Non-consolidated)
(For the fiscal year ended March 31, 2013)

(In millions of yen)

Account	Amount
Net sales	1,855,320
Cost of sales	1,373,658
Gross profit	481,663
Selling, general and administrative expenses	442,781
Operating income	38,881
Non-operating income	62,049
Interest income	1,821
Dividends income	51,920
Foreign exchange gains	2,809
Other	5,499
Non-operating expenses	21,305
Interest expenses	5,529
Retirement benefit expenses	8,281
Other	7,496
Ordinary income	79,625
Extraordinary income	12,670
Gain on sales of investment securities	8,947
Gain on sales of subsidiaries and affiliates' stocks	1,632
Gain on sales of noncurrent assets	1,393
Reversal of provision for loss on guarantees	675
Gain on reversal of subscription rights to shares	24
Extraordinary loss	76,834
Provision for loss on guarantees	43,403
Loss on contribution of securities to retirement benefit trust	15,601
Loss on valuation of stocks of subsidiaries and affiliates	8,521
Impairment loss	4,370
Provision of allowance for doubtful accounts for subsidiaries and affiliates	3,818
Loss on retirement of noncurrent assets	636
Loss on valuation of investment securities	449
Loss on sales of stocks of subsidiaries and affiliates	34
Loss on sales of investment securities	1
Income before income taxes	15,461
Income taxes	(11,063)
Income taxes - current	(5,563)
Income taxes - deferred	(5,500)
Net income	26,525

STATEMENT OF CHANGES IN NET ASSETS**(Non-consolidated)****(For the fiscal year ended March 31, 2013)**

(In millions of yen)

Account	Amount
Shareholders' equity	
Capital stock	
Balance at the beginning of current period	397,199
Changes of items during the period	
Total changes of items during the period	-
Balance at the end of current period	397,199
Capital surplus	
Legal capital surplus	
Balance at the beginning of current period	59,260
Changes of items during the period	
Total changes of items during the period	-
Balance at the end of current period	59,260
Other capital surplus	
Balance at the beginning of current period	91,194
Changes of items during the period	
Deficit disposition	(44,426)
Disposal of treasury stock	(3)
Total changes of items during the period	(44,429)
Balance at the end of current period	46,765
Total capital surplus	
Balance at the beginning of current period	150,454
Changes of items during the period	
Deficit disposition	(44,426)
Disposal of treasury stock	(3)
Total changes of items during the period	(44,429)
Balance at the end of current period	106,025

(In millions of yen)

Account	Amount
Retained earnings	
Legal retained earnings	
Balance at the beginning of current period	1,040
Changes of items during the period	
Total changes of items during the period	-
Balance at the end of current period	1,040
Other retained earnings	
Retained earnings brought forward	
Balance at the beginning of current period	(45,466)
Changes of items during the period	
Deficit disposition	44,426
Net income	26,525
Total changes of items during the period	70,951
Balance at the end of current period	25,485
Total retained earnings	
Balance at the beginning of current period	(44,426)
Changes of items during the period	
Deficit disposition	44,426
Net income	26,525
Total changes of items during the period	70,951
Balance at the end of current period	26,525
Treasury stock	
Balance at the beginning of current period	(2,898)
Changes of items during the period	
Purchase of treasury stock	(11)
Disposal of treasury stock	4
Total changes of items during the period	(7)
Balance at the end of current period	(2,905)
Total shareholders' equity	
Balance at the beginning of current period	500,329
Changes of items during the period	
Deficit disposition	-
Net income	26,525
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Total changes of items during the period	26,515
Balance at the end of current period	526,843

(In millions of yen)

Account	Amount
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	
Balance at the beginning of current period	16,030
Changes of items during the period	
Net changes of items other than shareholders' equity	3,597
Total changes of items during the period	3,597
Balance at the end of current period	19,627
Deferred gains or losses on hedges	
Balance at the beginning of current period	(171)
Changes of items during the period	
Net changes of items other than shareholders' equity	(867)
Total changes of items during the period	(867)
Balance at the end of current period	(1,038)
Total valuation and translation adjustments	
Balance at the beginning of current period	15,859
Changes of items during the period	
Net changes of items other than shareholders' equity	2,730
Total changes of items during the period	2,730
Balance at the end of current period	18,589
Subscription rights to shares	
Balance at the beginning of current period	24
Changes of items during the period	
Net changes of items other than shareholders' equity	(24)
Total changes of items during the period	(24)
Balance at the end of current period	-
Total net assets	
Balance at the beginning of current period	516,211
Changes of items during the period	
Deficit disposition	-
Net income	26,525
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Net changes of items other than shareholders' equity	2,707
Total changes of items during the period	29,221
Balance at the end of current period	545,433

Independent Auditor's Report

April 24, 2013

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Hideki Amano (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yasushi Hamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masafumi Tanabu (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the CONSOLIDATED BALANCE SHEET, the CONSOLIDATED STATEMENT OF OPERATIONS, the CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS and the related notes of NEC Corporation (the "Company") as at March 31, 2013 and for the year from April 1, 2012 to March 31, 2013 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

April 24, 2013

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Hideki Amano (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yasushi Hamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masafumi Tanabu (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the BALANCE SHEET, the STATEMENT OF OPERATIONS, the STATEMENT OF CHANGES IN NET ASSETS and the related notes, and the supplementary schedules of NEC Corporation (the "Company") as at March 31, 2013 and for the 175th year from April 1, 2012 to March 31, 2013 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

REPORT OF THE BOARD OF CORPORATE AUDITORS

With respect to the performance of duties by the Directors for the 175th business period from April 1, 2012 to March 31, 2013, the Board of Corporate Auditors has prepared this audit report through deliberation based on the audit reports prepared by the respective Corporate Auditors and hereby reports, as follows:

1. Audit method by Corporate Auditors and the Board of Corporate Auditors and details thereof

The Board of Corporate Auditors has determined, among other things, the auditing policies and plans, received reports regarding the status of conduct of audit and its results from each Corporate Auditor, received reports from Directors, other relevant employees and the Accounting Auditors concerning the performance of their duties, and, when necessary, requested them to provide explanations.

Pursuant to the Code of *Kansayaku* Auditing Standards and in accordance with the auditing policies and plans determined by the Board of Corporate Auditors, each Corporate Auditor has ensured to communicate effectively with Directors, employees including those in the internal auditing division and other relevant personnel, made efforts to collect necessary information and improve auditing environment, attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees and other relevant personnel regarding the performance of their duties, requested them to provide explanations when necessary, examined important authorization documents and associated information, and investigated the operations and financial conditions at the headquarters and other principal offices. Furthermore, we have monitored and verified the contents of resolutions of the Board of Directors regarding the enhancement of system required to be implemented to ensure the proper operations of corporation under Paragraphs 1 and 3, Article 100 of the Regulation for Enforcement of the Company Law (internal control system) including a system to ensure that the performance of duties by Directors is in compliance with the laws, regulations and the Articles of Incorporation, and the status of the internal control system established and operated according to the said resolutions. With regard to “Policy on the Control over the Company” stated in the business report, we have examined the contents of the said policy. As for the subsidiaries, we have ensured to communicate with the Directors and Corporate Auditors and other personnel of the subsidiaries and to exchange information therewith, and, when necessary, received reports from the subsidiaries with regard to their business. Based on the aforementioned methods, we have examined the business report and supplementary schedules for this business period.

In addition, we have monitored and verified whether the Accounting Auditors were maintaining their independence and properly performing audits, received reports from the Accounting Auditors on the performance of their duties, the methods and results of the audit, and, when necessary, requested them to provide explanations. We have also received from the Accounting Auditors a notice confirming that “the systems for ensuring proper performance of duties of the Accounting Auditors” was properly implemented pursuant to the laws and regulations, and standards released by Business Accounting Deliberation Council and others, and, when necessary, requested them to provide explanations. Based on the aforementioned methods, we have examined the consolidated financial statements (consolidated balance sheet, consolidated statement of operations, consolidated statement of changes in net assets and notes to consolidated financial statements) as well as non-consolidated financial statements (balance sheet, statement of operations, statement of changes in net assets and notes to non-consolidated financial statements) and supplementary schedules.

2. Results of audit

- (1) Audit results concerning the business reports, etc.
 - a. We confirm that the business report and the supplementary schedules fairly present the conditions of the Company in conformity with applicable laws, regulations and its Articles of Incorporation.
 - b. We have found no improper acts by Directors in the performance of their duties or any material facts in connection with the performance by Directors of their duties that constitute any violation of applicable laws, regulations or the Articles of Incorporation.
 - c. We confirm that the contents of the resolution of the Board of Directors on the internal control system

of the Company are fair and appropriate. Furthermore, we confirm that the establishment and operation of the internal control system, which are described as appropriate in the business report, are fair and appropriate.

- d. We have found no matters that must be pointed out with regards to “Policy on the Control over the Company” stated in the business report.
- (2) Audit results concerning non-consolidated financial statements and supplementary schedules
We confirm that the methods and results of the audit conducted by KMPG AZSA LLC the Accounting Auditors, are fair and appropriate.
- (3) Audit results concerning consolidated financial statements
We confirm that the methods and results of the audit conducted by KPMG AZSA LLC the Accounting Auditors, are fair and appropriate.

April 26, 2013

Board of Corporate Auditors
NEC Corporation

Full-time Corporate Auditor	Konosuke Kashima (Seal)
Full-time Corporate Auditor	Takao Ono (Seal)
Outside Corporate Auditor	Satoshi Itoh (Seal)
Outside Corporate Auditor	Ryoji Nakagawa (Seal)
Outside Corporate Auditor	Hideo Yamada (Seal)