NEWS RELEASE

Empowered by Innovation NEC

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Full Year Consolidated Financial Results for the Fiscal Year Ended March 31, 2012

Consolidated Financial Results

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31, 2012	Change
	In billions of yen	In billions of yen	%
Net Sales	3,115.4	3,036.8	-2.5
Operating income	57.8	73.7	27.5
Ordinary income	0.0	42.1	-
Net income (loss)	-12.5	-110.3	-
	yen	yen	yen
Net income (loss) per share:			
Basic	-4.82	-42.44	-37.62
Diluted	-	-	-
	In billions of yen	In billions of yen	%
Total assets	2,628.9	2,557.6	-2.7
Number of employees	115,840	109,102	-

(Notes)

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

	As of March 31, 2011	As of March 31, 2012
Consolidated subsidiaries	283	265
Affiliated companies accounted for by the equity method	55	55

1. Consolidated Business Results

(1) Overview of the fiscal year ended March 31, 2012 and outlook for the fiscal year ending March 31, 2013

The worldwide economy during the fiscal year ended March 31, 2012 was characterized by a slow down in its recovery due to the financial market turmoil resulting from the European debt crisis, flooding in Thailand, the raising of interest rates to control inflation in countries such as China and India and a delay in the improvement of employment and consumer spending in the United States.

The Japanese economy continued to exhibit severe conditions that, despite signs of recovery from the slump caused by the Great East Japan Earthquake of March 2011, were impacted by the slow down of the worldwide economy, prolonged appreciation of the yen and flooding in Thailand.

Under this business environment, the NEC Group took measures to implement the company's three key strategic policies of its mid-term growth plan - "Promotion of C&C Cloud Strategy," "Global Business Expansion" and "New Business Creation," as well as strived to strengthen profitability.

Firstly, in terms of promoting the company's C&C Cloud strategy, the NEC Group has enhanced its lineup of cloud services that are suited for a wide range of industries, including government offices, the manufacturing industry and the retail field, in addition to working aggressively to provide safe and secure cloud services. Furthermore, the NEC Group drove provision of cloud services for its customers' mission critical businesses, including global accounting systems, by capitalizing on technologies and know-how the NEC Group gained from building its own mission-critical IT systems into the cloud. Moreover, the NEC Group started providing CONNEXIVE, a solution using the machine to machine (M2M) technologies that network a wide variety of sensors and devices, and promoted provision of system platforms that support the realization of M2M as well as cloud service applications. At the same time, as part of promoting global sales of cloud services, the NEC Group worked to establish a business base and customer base through collaboration with local IT companies in China and Singapore. In terms of telecommunications carriers, the NEC Group continued to provide communications infrastructure for high speed, high capacity LTE mobile communications services for NTT DOCOMO, INC., and began to provide infrastructure for

KDDI Corporation. The NEC Group also reached an agreement with United States-based Cisco Systems, Inc. to collaborate in the construction and sales of commercial LTE networks for global markets.

Regarding the expansion of global business, the NEC Group promoted business expansion through five regional headquarters in North America, Greater China, APAC (Asia Pacific), EMEA (Europe, Middle East and Africa) and Latin America. In addition to expanding sales of submarine cable systems and PASOLINK ultra-compact microwave communications systems and others, in the carrier cloud business, the NEC Group built the foundations for providing cloud services to subscribers of telecommunications carriers in Thailand, Belarus and Argentina and supported the operation of those services. In preparation for the global expansion of the public safety business, the NEC Group acquired Global View S.A., which has a record of accomplishments in the video surveillance service field in Argentina. The NEC Group also agreed to acquire the telecommunications carrier business support system division of Convergys Corporation, a United States-based company that provides billing management and customer support management foundations, among others, for telecommunications carriers, in order to strengthen services for telecommunications carriers overseas.

In terms of new business creation, the NEC Group made capital investment for expanding the production capabilities of electrodes, a central component of lithium-ion rechargeable batteries for automobiles, which are produced in collaboration with Nissan Motor Co., Ltd. Furthermore, the NEC Group is aggressively taking part in trials for establishing standards and improving the usefulness and reliability of charging infrastructure for electric automobiles as part of promoting the spread of its deployment, greater user friendliness and convenience. Moreover, the NEC Group started selling cloud-based charging systems that integrate rapid chargers and cloud services for businesses that install electric automobile chargers. For households, the NEC Group began sales of energy management systems that enable users to “visualize” the volume of their home electricity consumption and billing charges as well as home electricity storage systems that automatically control household electricity use and reduce the volume of its consumption. At the same time, the NEC Group has established a “Smart City Promotions Office” that works to realize new approaches to urban development with information and communications technology (ICT), and has proactively worked with a wide range of partners towards a new energy society, including participation in a smart city development project planned for a major urban area in Brazil.
In terms of recovery efforts for areas devastated by the Great East Japan Earthquake of March

2011, the NEC Group supported the implementation of reconstruction activities by redeveloping communications infrastructure, offering cloud services and providing community support services, among others. In order to leverage its experience and know-how gained from these efforts, the NEC Group established an “Office for Reconstruction Assistance.” At the core of this new organization, the NEC Group aims to contribute to the recovery of stricken areas and to make full use of ICT to expand the development of communities that are safe, secure and resistant to disaster both domestically and internationally.

To strengthen profitability, the NEC Group strengthened risk management related to project profitability and contract terms and made efforts to curb unprofitable projects. At the same time, the NEC Group expanded overseas procurement, use of offshore development services and promoted quality control to reduce costs.

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

NEC recorded consolidated sales of 3,036.8 billion yen for the fiscal year ended March 31, 2012, a decrease of 78.6 billion yen (-2.5%) year-on-year. This decrease was mainly due to reduced sales from the Personal Solutions business, mainly due to the personal computer business for private users no longer being consolidated, in spite of increased sales from the Carrier Network business, IT Services business and Social Infrastructure business. Excluding the influence from the personal computer business for private users and other business no longer being consolidated, NEC recorded an approximate 1% consolidated sales increase as compared with the previous fiscal year.

Regarding profitability, consolidated operating income (loss) improved by 15.9 billion yen year-on-year, to an operating profit of 73.7 billion yen, mainly due to an improved cost percentage and streamlined selling, general and administrative expenses.

In terms of ordinary income (loss), NEC recorded a profit of 42.1 billion yen, improving by 42.0 billion yen year-on-year, mainly due to improved operating income (loss) and reduced equity in losses of affiliates.

Income (loss) before income taxes and minority interests was a profit of 3.3 billion yen, a year-on-year increase of 19.0 billion yen. This was primarily due to improved ordinary income (loss) despite extraordinary loss from business structure improvement expenses.

Consolidated net income (loss) worsened by 97.7 billion yen year-on-year, to a loss of 110.3 billion yen, mainly due to an increase of income taxes due to the review of deferred tax assets that reflect tax reform and financial results for this fiscal year, in spite of improved income (loss) before income taxes and minority interests.

Consolidated sales of 3,150.0 billion yen are projected for the fiscal year ending March 31, 2013, a year-on-year increase of 3.7%. This is due to a projected increase in sales for the Carrier Network business mainly from overseas business growth, a projected increase in sales for the Social Infrastructure business from the involvement in recovery projects, and a projected increase in sales for the IT Services business from a concentration in areas with active IT investment and the expansion of cloud related business, despite the decrease in consolidated sales due to the personal computer business for private users and the electronic component business no longer being consolidated. NEC anticipates operating income of 100.0 billion yen, a year-on-year increase of 26.3 billion yen, due to increased profits from expanding sales and the promotion of earnings by restructuring. NEC also expects 20.0 billion yen of consolidated net income for the same period.

Consolidated	Forecast for fiscal year ending March 31, 2013 In billions of yen	Comparison with fiscal year ended March 31, 2012
Sales	3,150.0	+3.7%
Operating income	100.0	+26.3 billion yen
Ordinary income	70.0	+28.0 billion yen
Net income	20.0	+130.3 billion yen

(2) Results by main business segment

Sales by segment (sales to external customers):

Segment	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Change
	In billions of yen	In billions of yen	%
IT Services	804.2	816.9	1.6
Platform	375.8	372.4	-0.9
Carrier Network	605.4	633.0	4.5
Social Infrastructure	318.8	330.4	3.6
Personal Solutions	766.5	661.0	-13.8
Others	244.7	223.2	-8.8
Total	3,115.4	3,036.8	-2.5

Operating income or loss by segment

Segment	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Change
	In billions of yen	In billions of yen	In billions of yen
IT Services	21.4	39.5	18.1
Platform	8.9	5.2	-3.6
Carrier Network	40.7	56.1	15.4
Social Infrastructure	14.6	16.2	1.6
Personal Solutions	-1.9	1.0	2.9
Others	7.3	7.1	-0.2
Adjustment	-33.2	-51.4	-18.2
Total	57.8	73.7	15.9

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

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

IT Services Business

Sales:	816.9 billion yen	(1.6%)
Operating Income (Loss):	39.5 billion yen	(18.1 billion yen)

In the IT Services business, sales were 816.9 billion yen, an increase of 12.7 billion yen (+1.6%) year-on-year, mainly due to the steady growth of sales for local government offices, medical institutions and the manufacturing sector.

Operating income (loss) improved by 18.1 billion yen year-on-year, to an operating income of 39.5 billion yen, mainly owing to increased sales, a decline in unprofitable projects and cost reductions.

Platform Business

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

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

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

Carrier Network Business

Sales:	633.0 billion yen	(4.5%)
Operating Income (Loss):	56.1 billion yen	(15.4 billion yen)

In the Carrier Network business, sales were 633.0 billion yen, an increase of 27.5 billion yen (+4.5%) year-on-year, mainly due to an increase in sales of wireless communications equipment and submarine network systems.

Operating income (loss) improved by 15.4 billion yen year-on-year, to an operating income of 56.1 billion yen, mainly owing to an increase in sales.

Social Infrastructure Business

Sales:	330.4 billion yen	(3.6%)
Operating Income (Loss):	16.2 billion yen	(1.6 billion yen)

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

Operating income (loss) improved by 1.6 billion yen year-on-year, for an operating income of 16.2 billion yen, mainly owing to an increase in sales and cost reductions.

Personal Solutions Business

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

In the Personal Solutions business, sales were 661.0 billion yen, a decrease of 105.5 billion yen (-13.8%) year-on-year, mainly due to the personal computer business for private users no longer being consolidated from the second quarter of this year.

Operating income (loss) improved by 2.9 billion yen year-on-year, to an operating income of 1.0 billion yen, mainly due to efficiency in development and cost reductions.

Others

Sales:	223.2 billion yen	(-8.8%)
Operating Income (Loss):	7.1 billion yen	(-0.2 billion yen)

In Others, sales were 223.2 billion yen, a decrease of 21.5 billion yen (-8.8%) year-on-year, mainly due to the panel business for LCD displays no longer being consolidated from the second quarter of this year and the impact of flooding in Thailand on the electronic components business.

Operating income (loss) was approximately the same as the previous year, for an operating income of 7.1 billion yen, mainly owing to cost reductions, despite a decrease in sales.

2. Consolidated Financial Condition

①Analysis of condition of assets, liabilities, net assets and cash flow

Total assets were 2,557.6 billion yen as of March 31, 2012, a decrease of 71.4 billion yen as compared with the end of the previous fiscal year. Current assets as of March 31, 2012 increased by 71.9 billion yen compared with the end of the previous fiscal year to 1,514.4 billion yen. This was mainly due to an increase in notes and accounts receivable - trade. Noncurrent assets decreased by 143.2 billion yen compared with the end of the previous fiscal year to 1,043.1 billion yen, mainly due to a decrease in deferred tax assets as well as the continued depreciation of property, plant and equipment.

Total liabilities as of March 31, 2012 increased by 26.5 billion yen as compared with the end of the previous fiscal year, to 1,780.0 billion yen. This was mainly due to an increase in long-term loans payable and corporate bonds, despite the redemption of convertible bonds and commercial papers. The balance of interest-bearing debt increased by 16.9 billion yen as compared with the end of the previous fiscal year, to 692.7 billion yen and the debt-equity ratio as of March 31, 2012 was 1.05 (a worsening of 0.16 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of March 31, 2012, obtained by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 440.9 billion yen, a decrease of 31.0 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of March 31, 2012 was 0.67 (a worsening of 0.05 points as compared with the end of the previous fiscal year).

Total net assets were 777.6 billion yen as of March 31, 2012, a decrease of 97.8 billion yen as compared with the end of the previous fiscal year, mainly due to recording net loss.

As a result, the owner’s equity as of March 31, 2012 was 657.0 billion yen and owner’s equity ratio was 25.7% (a worsening of 3.1 points as compared with the end of the previous fiscal year).

Net cash flows from operating activities for the fiscal year ended March 31, 2012 was a cash inflow of 83.9 billion yen, an improvement of 50.2 billion yen year-on-year, mainly due to an improvement in loss before income taxes and minority interests.

Net cash flows from investing activities for the fiscal year ended March 31, 2012 was a cash outflow of 49.7 billion yen, a decrease of 96.5 billion yen year-on-year, mainly due to decreased outflows from the purchase of stocks of subsidiaries and affiliates and the purchase of property, plant and equipment.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the fiscal year ended March 31, 2012 totaled a cash inflow of 34.2 billion yen, an increase of 146.7 billion yen year-on-year.

Net cash flows from financing activities for the fiscal year ended March 31, 2012 totaled a cash inflow of 14.7 billion yen, mainly due to the financing through long-term borrowings and the issuance of bonds, despite the redemption of convertible bonds and commercial papers.

As a result, cash and cash equivalents increased by 48.0 billion yen as compared with the end of the previous fiscal year to 251.8 billion yen.

②Changes in cash flow related indices

	Year ended March 31, 2010	**Year ended March 31, 2011**	**Year ended March 31, 2012**
Owner's equity ratio	26.9%	28.8%	25.7%
Owner's equity ratio on market value basis	24.9%	17.9%	17.6%
Cash flow to interest-bearing debt ratio	6.1 times	20.9 times	8.2 times
Interest coverage ratio	13.8 times	5.1 times	15.4 times

Calculation methods for the above indices:

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

Owner’s equity ratio on market value basis:

Aggregated market value of owner's equity at the end of each fiscal year / total assets at the end of each fiscal year

Cash flow to interest-baring debt ratio:

Average balance of interest-bearing debt / cash flows from operating activities

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

Interest coverage ratio:

Cash flows from operating activities / interest expenses

(Notes)

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

3. Fundamental Policy on Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2012 and the Fiscal Year Ending March 31, 2013

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

Regrettably, NEC will not pay an annual dividend for the fiscal year ended March 31, 2012 in consideration of the net loss recorded in the fiscal year ended March 31, 2012, and others.

For the fiscal year ending March 31, 2013, NEC plans to pay a year-end dividend of 4 yen per share of common stock while no interim dividend will be paid.

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

4. Risk Factors

The NEC Group’s business is subject to many kinds of risks. The principal risks affecting the NEC Group’s business are described briefly below.

① Risks related to economic conditions and financial markets

<1> Influence of economic conditions

The NEC Group’s business is dependent, to a significant extent, on the Japanese market. The NEC Group’s sales to customers in Japan accounted for 84.1% of its total net sales in the fiscal year ended March 31, 2012. While it is expected that the Japanese economy will grow steadily due to demand related to the recovery from the Great East Japan Earthquake of March 2011, economic uncertainty remains due to factors such as the weak foreign demand accompanied by the stagnant European economy and appreciation of the yen. A delayed economic recovery could have a material adverse effect not only on the NEC Group’s business operations directly but also on the NEC Group’s operations’ results and financial conditions due to an adverse effect on the NEC Group’s affiliated companies. The NEC Group’s business is also influenced by the economic conditions of countries and regions including Asia, Europe and the United States in which the NEC Group operates its business.

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

<2> Volatile nature of markets

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

<3> Fluctuations in foreign currency exchange and interest rate

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

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

② Risks related to the NEC Group's Management Policy

<1> Finance and profit fluctuations

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

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

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

- adverse changes in the market conditions for the products and services that the NEC Group offers;
- governmental decisions regarding the development and deployment of IT and communications infrastructure, including the size and timing of governmental expenditures in these areas;

- the size and timing of capital expenditures by its customers;
- inventory practices of its customers;
- general conditions for IT and communication markets, and for the domestic and global economies;
- changes in governmental regulations or policies affecting the IT and communications industries;
- adverse changes in the public and private equity and debt markets, and the ability of its customers and suppliers to obtain financing or to fund capital expenditures; and
- adverse changes in the credit conditions of its customers and suppliers.

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

<2> Acquisitions and other business combinations and reorganizations

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

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

- NEC Group’s investments in the combined or reorganized entities are subject to valuation and other losses; and
- The transactions may result in other unanticipated adverse consequences.

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

<3> Alliance with strategic partners

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

<4> Expansion of global business

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

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

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

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

③ Risks related to the NEC Group’s business and operations

<1> Technological advances and response to customer needs

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

- keep pace with rapid technological developments and maintain technological leadership;
- enhance existing products and services;
- develop and manufacture innovative products in a timely and cost-effective manner;
- utilize or adjust to new products, services, and technologies;
- attract and retain highly capable technical and engineering personnel;
- accurately assess the demand for, and perceived market acceptance of, new products and services that the NEC Group develops;
- avoid delays in developing or shipping new products;
- address increasingly sophisticated customer requirements; and
- have the NEC Group’s products integrated into its customers’ products and systems.

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

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

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

<2> Production process

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

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

<3> Defects in products and services

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

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

<4> Material procurement

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

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

<5> Intellectual property rights

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

<6> Intellectual property licenses owned by third parties

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

<7> Intense competition

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

The NEC Group has many competitors in Japan and other countries, ranging from large multinational corporations to a number of relatively small, rapidly growing, and highly specialized companies.

Unlike many of the NEC Group's competitors, however, it operates in many businesses and competes with companies that specialize in one or more of its product or service lines. As a result, the NEC Group may not be able to fund or invest in some of its businesses as much as its competitors can, and it may not be able to change or take advantage of market opportunities as quickly or as well as they can.

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

<8> Dependence on the NTT Group

The NEC Group derived approximately 16.2% of its net sales in the fiscal year ended March 31, 2012 from the NTT group (Nippon Telegraph and Telephone Corporation and its affiliates including NTT DOCOMO, INC.). If the NTT group reduces its level of capital expenditures or current procurement or shifts its investment focus as a result of such factors as significant business or financial problems, the NEC Group's business, results of operations and financial condition may be adversely affected. In addition, the NEC Group's business may be adversely affected if the NTT group begins to manufacture products that the NEC Group supplies or acquires its competitors.

<9> Risks related to customers' financial difficulties

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

<10> Retention of personnel

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

<11> Financing

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

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

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

<1> Internal control

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

In addition, if any administrative or judicial sanction is issued against the NEC Group as a result of these events, it may lose business opportunities.

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

<2> Legal proceedings

From time to time, the NEC Group companies are involved in various lawsuits and legal proceedings, including intellectual property infringement claims. Due to the existence of a large number of intellectual property rights in the fields in which the NEC Group operates and the rapid rate of issuance of new intellectual property rights, it is difficult to completely judge in advance whether a product or any of its components may infringe upon the intellectual property rights of others. Whether or not intellectual property infringement claims against the NEC Group companies have merit, significant financial and management resources may be required to defend the NEC Group from such claims. If an intellectual property infringement claim by a third party is successful and the NEC Group could not obtain a license of technology which is subject of the infringement claim or any substitution thereof, it could have a material adverse effect on the NEC Group's business, results of operations and financial condition.

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

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

<3> Laws and governmental policies

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

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

<4> Environmental laws and regulations

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

<5> Tax practice

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

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

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

<6> Information management

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

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

⑤ Other Risks

<1> Natural and fire disasters

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

<2> Accounting policies

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

<3> Retirement benefit obligations

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

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

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

Management Policy

1. Fundamental Management Policy

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

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

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

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

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

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

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

2. Management Indicator Goals

The NEC Group aims to realize certain operating results as a leading global corporate group, and attaches paramount importance to ROE as a management indicator for improving profitability. The NEC Group was seeking to achieve an ROE of 10% in the fiscal year ending March 31, 2013 through its mid-term growth plan, "V2012 - Beyond boundaries, Toward our Vision -," as announced in February 2010, and worked to quickly deal with environmental changes. However, since the economic environment changed rapidly and the business environment surrounding the NEC Group became even more severe, the result of these efforts fell short, and the company recorded a net loss for the fiscal year ended March 31, 2012. The NEC Group aims for a positive net income and to improve ROE in the fiscal year ending March 31, 2013.

3. Middle and Long Term Management Strategy

The NEC Group outlined that it aims to achieve the "NEC Group Vision 2017" through customer-driven solutions leveraging our competitive strength in the integration of IT and networks in its mid-term growth plan, "V2012 - Beyond boundaries, Toward our Vision -." Basing the mid-term growth plan "V2012" as a milestone for achieving the "NEC Group Vision 2017," the NEC Group strived to accelerate its business activities focused on expanding its business and improving its profitability while moving into the "cloud era," and worked to quickly deal with environmental changes. However, since the economic environment changed rapidly and the business environment surrounding the NEC Group became even more severe, the result of these efforts fell short.

In response to these environmental changes, the NEC Group decided to reduce personnel by approximately 10,000 staff and implement restructuring for the challenged business areas of mobile phones and platforms. The NEC Group also aims to implement business reforms that generate stable cash flow, particularly from the four business pillars of the IT service business, carrier network business, social infrastructure business and energy business. Going forward, while implementing these measures, the NEC Group will define a new mid-term growth plan.

4. Challenges to be Addressed by the NEC Group

The NEC Group continued to take measures in the fiscal year ended March 31, 2012 to implement its three key strategic policies in support of "V2012," "Promotion of C&C Cloud Strategy," "Global Business Expansion," and "New Business Creation," as well as worked to quickly deal with environmental changes. However, since the economic environment changed rapidly and the business environment surrounding the NEC Group became even more severe, the result of these efforts fell short and it was unable to achieve its original performance targets.

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

1) Regarding structural reform

The NEC Group is taking measures to secure profitability, even while maintaining current sales levels, by implementing personnel reductions and structural reforms within the challenged mobile phone and platform businesses. Regarding the electronic component business, in order to strengthen business competitiveness, in March 2012 NEC TOKIN Corporation agreed to form a capital and business alliance with the United States-based KEMET Electronics Corporation.

In terms of personnel reductions, a total reduction of approximately 10,000 staff is scheduled to be completed by the end of September 2012, including roughly 7,000 staff domestically, including external contractors, and approximately 3,000 staff overseas. In the current fiscal year, an extraordinary loss of approximately 40 billion yen was recorded for business structure improvement expenses, including staff reductions.

Regarding the mobile phone business, the NEC Group is promoting the outsourcing of a part of its domestic development and production to overseas companies and considering further fundamental structural reforms.

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

2) Four business pillars

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

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

In terms of the IT service business, recovery of the domestic market is expected to include the expansion of the service business, such as cloud services that leverage past achievements and know-how, as well as business related to the recovery from the Great East Japan Earthquake and orders for national ID systems both in Japan and emerging countries. Furthermore, in addition to expanding international business through orders to construct global systems for Japan-based companies that are expanding overseas operations, the NEC Group will strengthen its global business foundations through alliances and collaboration with other companies.

In the carrier network business, there is increasing demand for high speed, high capacity communications systems for the rapid increase of information transmission volumes due to the spread of smartphones. Moreover, the business model for the carrier network business is rapidly changing, such as telecommunications carriers moving to provide their own cloud services. Within these circumstances, the NEC Group is expanding sales to domestic telecommunications carriers through such products as communications infrastructure for LTE services, as well as promoting sales to foreign telecommunications carriers through collaboration with other companies. Furthermore, the NEC Group is recovering market share through such measures as strengthening the product competitiveness of its ultra compact microwave communications system, PASOLINK, and steadily carrying out large-scale submarine cable system projects. Additionally, the utilization of such business assets as those acquired from the United States-based Convergys Corporation helps to strengthen the service business for foreign telecommunications carriers.

Regarding the social infrastructure business, orders are steadily being received for the reconstruction of social infrastructure systems in association with disaster recovery efforts, the expanding area of fire department systems and the digitization of wireless communications networks. In terms of international business, the NEC Group is working to expand the public safety business through projects that include disaster prevention systems as well as surveillance systems for key facilities such as airports and harbors. Furthermore, the NEC Group is strengthening its business base by concentrating its resources in order to expand these businesses.

In terms of the energy business, the NEC Group aims to expand business related to the social movement for efficient energy use. Specifically, it is participating aggressively in smart city projects throughout the world, and expanding business for lithium-ion rechargeable batteries for automobiles. Furthermore, the NEC Group is seeking to accelerate the commercialization of new business areas such as scale storage systems that feature electricity transmission and distribution for mass produced household storage systems.

The NEC Group will implement these measures by utilizing the strength of its innovative technologies to generate new business and differentiate itself from the competition.

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

The NEC Group will devote its full attention to implementing these measures, aiming to regain trust from shareholders and investors and to reinforce corporate value, while on the path to realizing an “information society friendly to humans and the earth.”

CONSOLIDATED BALANCE SHEETS

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

		March 31, 2011		**March 31, 2012**	**March 31, 2012**
Current assets		JPY 1,442,580		**JPY 1,514,437**	**$18,469**
Cash and deposits		184,662		**195,443**	**2,383**
Notes and accounts receivable-trade	*5	726,355	*5	**810,579**	**9,885**
Short-term investment securities		20,757		**58,407**	**712**
Merchandise and finished goods	*6	95,567	*6	**91,898**	**1,121**
Work in process	*6	99,868	*6	**91,408**	**1,115**
Raw materials and supplies	*6	69,308	*6	**66,611**	**812**
Deferred tax assets		97,431		**76,222**	**930**
Other		153,104		**128,522**	**1,568**
Allowance for doubtful accounts		(4,472)		**(4,653)**	**(57)**
Noncurrent assets		1,186,351		**1,043,133**	**12,721**
Property, plant and equipment		341,175		**315,895**	**3,852**
Buildings and structures, net	*1,2	146,782	*1,2	**134,618**	**1,642**
Machinery and equipment, net	*1,2	43,933	*1,2	**35,445**	**432**
Tools, furniture and fixtures, net	*1	61,862	*1	**60,268**	**735**
Land	*2	75,550	*2	**72,317**	**882**
Construction in progress		13,048		**13,247**	**161**
Intangible assets		208,202		**201,662**	**2,459**
Goodwill		88,941		**75,969**	**926**
Software		116,169		**121,541**	**1,482**
Other		3,092		**4,152**	**51**
Investments and other assets		636,974		**525,576**	**6,410**
Investment securities		137,692		**153,688**	**1,874**
Stocks of subsidiaries and affiliates	*3	133,993	*3	**117,635**	**1,435**
Deferred tax assets		174,707		**96,476**	**1,177**
Other		207,848		**177,064**	**2,159**
Allowance for doubtful accounts		(17,266)		**(19,287)**	**(235)**
Total assets		JPY 2,628,931		**JPY 2,557,570**	**$31,190**

(Note)

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

CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

		March 31, 2011		**March 31, 2012**	**March 31, 2012**
Current liabilities		JPY 1,180,528		**JPY 1,058,612**	**$12,910**
Notes and accounts payable-trade		464,529		**466,177**	**5,685**
Short-term loans payable	*2	48,780	*2	**28,990**	**354**
Commercial papers		163,978		**97,991**	**1,195**
Current portion of long-term loans payable	*2	13,245	*2	**64,793**	**790**
Current portion of convertible bonds		97,669		**-**	**-**
Accrued expenses		160,559		**156,175**	**1,905**
Advances received		58,437		**57,013**	**695**
Provision for product warranties		24,827		**19,278**	**235**
Provision for directors' bonuses		266		**219**	**3**
Provision for loss on construction contracts and others		9,763		**9,945**	**121**
Provision for business structure improvement		7,138		**25,917**	**316**
Provision for contingent loss		3,989		**2,762**	**34**
Other		127,348		**129,352**	**1,577**
Noncurrent liabilities		572,962		**721,344**	**8,797**
Bonds payable		200,000		**230,000**	**2,805**
Long-term loans payable	*2	137,846	*2	**263,160**	**3,209**
Deferred tax liabilities		1,125		**3,040**	**37**
Provision for retirement benefits		182,022		**182,735**	**2,228**
Provision for product warranties		2,062		**2,676**	**33**
Provision for loss on repurchase of computers		7,620		**6,469**	**79**
Provision for business structure improvement		1,326		**979**	**12**
Provision for contingent loss		8,810		**8,622**	**105**
Other		32,151		**23,663**	**289**
Total liabilities		1,753,490		**1,779,956**	**21,707**
Shareholders' equity		780,045		**669,753**	**8,168**
Capital stock		397,199		**397,199**	**4,844**
Capital surplus		192,837		**192,834**	**2,352**
Retained earnings		192,943		**82,659**	**1,008**
Treasury stock		(2,934)		**(2,939)**	**(36)**
Accumulated other comprehensive income		(22,991)		**(12,797)**	**(156)**
Valuation difference on available-for-sale securities		4,167		**16,273**	**198**
Deferred gains or losses on hedges		132		**(142)**	**(2)**
Foreign currency translation adjustment		(27,290)		**(28,928)**	**(352)**
Subscription rights to shares		33		**24**	**0**
Minority interests		118,354		**120,634**	**1,471**
Total net assets		875,441		**777,614**	**9,483**
Total liabilities and net assets		JPY 2,628,931		**JPY 2,557,570**	**$31,190**

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF INCOME

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

Fiscal year ended March 31		2011		2012	2012
Net sales		JPY 3,115,424		**JPY 3,036,836**	**$37,035**
Cost of sales		2,199,973		**2,128,920**	**25,963**
Gross profit		915,451		**907,916**	**11,072**
Selling, general and administrative expenses		857,631		**834,174**	**10,173**
Operating income		57,820		**73,742**	**899**
Non-operating income		16,953		**18,616**	**227**
Interest income		1,327		**1,654**	**20**
Dividends income		4,118		**4,454**	**54**
Other		11,508		**12,508**	**153**
Non-operating expenses		74,732		**50,308**	**613**
Interest expenses		6,614		**5,446**	**66**
Equity in losses of affiliates		38,533		**12,705**	**155**
Retirement benefit expenses		12,057		**11,867**	**145**
Foreign exchange losses		1,488		**2,672**	**33**
Other		16,040		**17,618**	**214**
Ordinary income		41		**42,050**	**513**
Extraordinary income		28,270		**28,375**	**346**
Gain on sales of subsidiaries and affiliates' stocks	*1	2,299	*1	**15,376**	**187**
Gain on insurance adjustment		-	*2	**10,648**	**130**
Gain on sales of investment securities		2,492		**1,357**	**17**
Gain on sales of noncurrent assets	*3	1,266	*3	**966**	**12**
Gain on change in equity		-		**18**	**0**
Gain on reversal of subscription rights to shares		8		**10**	**0**
Gain on contribution of securities to retirement benefit trust	*4	19,206		**-**	**-**
Reversal of provision for loss on guarantees		1,557		**-**	**-**
Reversal of provision for recycling expenses of personal computers		1,193		**-**	**-**
Gain on transfer of business	*5	249		**-**	**-**
Extraordinary loss		43,998		**67,124**	**819**
Business structure improvement expenses	*6	15,477	*6	**40,535**	**494**
Loss on valuation of investment securities	*7	4,319	*7	**16,037**	**196**
Impairment loss	*8	5,873	*8	**6,501**	**79**
Loss on disaster	*9	5,972	*9	**2,131**	**26**
Loss on sales of stocks of subsidiaries and affiliates	*10	1,002	*10	**1,118**	**14**
Relocation expenses		-		**713**	**9**
Loss on sales of noncurrent assets		19		**78**	**1**
Loss on sales of investment securities		8		**11**	**0**
Loss on change in equity	*11	5,996		**-**	**-**
Cost of corrective measures for products	*12	3,697		**-**	**-**
Loss on adjustment for changes of accounting standard for asset retirement obligations		1,434		**-**	**-**
Provision for loss on guarantees		201		**-**	**-**
Income (loss) before income taxes and minority interests		(15,687)		**3,301**	**40**
Income taxes		(8,796)		**108,194**	**1,319**
Income taxes - current		27,788		**23,911**	**292**
Income taxes - deferred		(36,584)		**84,283**	**1,027**
Loss before minority interests		(6,891)		**(104,893)**	**(1,279)**
Minority interests in income		5,627		**5,374**	**66**
Net loss		(JPY 12,518)		**(JPY 110,267)**	**($1,345)**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

Fiscal year ended March 31	2011	**2012**	**2012**
Loss before minority interests	(JPY 6,891)	**(JPY 104,893)**	**($1,279)**
Other comprehensive income	(7,435)	**10,199**	**124**
Valuation difference on available-for-sale securities	(5,941)	**12,156**	**148**
Deferred gains or losses on hedges	11	**(231)**	**(3)**
Foreign currency translation adjustment	2,470	**(1,250)**	**(15)**
Share of other comprehensive income of associates accounted for using equity method	(3,975)	**(476)**	**(6)**
Comprehensive income	(JPY 14,326)	**(JPY 94,694)**	**($1,155)**
Breakdown:			
Comprehensive income attributable to owners of the parent	(JPY 22,861)	**(JPY 100,073)**	**($1,221)**
Comprehensive income attributable to minority interests	8,535	**5,379**	**66**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Fiscal year ended March 31	2011	2012	2012
Shareholders' equity			
Capital Stock			
Balance at the beginning of current period	JPY 397,199	**JPY 397,199**	**$4,844**
Changes of items during the period			
Total changes of items during the period	-	**-**	**-**
Balance at the end of current period	397,199	**397,199**	**4,844**
Capital surplus			
Balance at the beginning of current period	192,843	**192,837**	**2,352**
Changes of items during the period			
Disposal of treasury stock	(6)	**(3)**	**(0)**
Total changes of items during the period	(6)	**(3)**	**(0)**
Balance at the end of current period	192,837	**192,834**	**2,352**
Retained earnings			
Balance at the beginning of current period	216,439	**192,943**	**2,353**
Changes of items during the period			
Dividends from surplus	(10,395)	**-**	**-**
Net loss	(12,518)	**(110,267)**	**(1,345)**
Change of scope of equity method	(583)	**(17)**	**(0)**
Total changes of items during the period	(23,496)	**(110,284)**	**(1,345)**
Balance at the end of current period	192,943	**82,659**	**1,008**
Treasury Stock			
Balance at the beginning of current period	(2,929)	**(2,934)**	**(36)**
Changes of items during the period			
Purchase of treasury stock	(40)	**(10)**	**(0)**
Disposal of treasury stock	12	**5**	**0**
Change in equity in affiliates accounted for by equity method-treasury stock	23	**-**	**-**
Total changes of items during the period	(5)	**(5)**	**(0)**
Balance at the end of current period	(2,934)	**(2,939)**	**(36)**
Total shareholders' equity			
Balance at the beginning of current period	803,552	**780,045**	**9,513**
Changes of items during the period			
Dividends from surplus	(10,395)	**-**	**-**
Net loss	(12,518)	**(110,267)**	**(1,345)**
Purchase of treasury stock	(40)	**(10)**	**(0)**
Disposal of treasury stock	6	**2**	**0**
Change in equity in affiliates accounted for by equity method-treasury stock	23	**-**	**-**
Change of scope of equity method	(583)	**(17)**	**(0)**
Total changes of items during the period	(23,507)	**(110,292)**	**(1,345)**
Balance at the end of current period	JPY 780,045	**JPY 669,753**	**$8,168**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS(CONTINUED)

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

Fiscal year ended March 31	2011	2012	2012
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	JPY 10,218	**JPY 4,167**	**$51**
Changes of items during the period			
Net changes of items other than shareholders' equity	(6,051)	**12,106**	**147**
Total changes of items during the period	(6,051)	**12,106**	**147**
Balance at the end of current period	4,167	**16,273**	**198**
Deferred gains or losses on hedges			
Balance at the beginning of current period	61	**132**	**2**
Changes of items during the period			
Net changes of items other than shareholders' equity	71	**(274)**	**(4)**
Total changes of items during the period	71	**(274)**	**(4)**
Balance at the end of current period	132	**(142)**	**(2)**
Foreign currency translation adjustment			
Balance at the beginning of current period	(22,927)	**(27,290)**	**(333)**
Changes of items during the period			
Net changes of items other than shareholders' equity	(4,363)	**(1,638)**	**(19)**
Total changes of items during the period	(4,363)	**(1,638)**	**(19)**
Balance at the end of current period	(27,290)	**(28,928)**	**(352)**
Total accumulated other comprehensive Income			
Balance at the beginning of current period	(12,648)	**(22,991)**	**(280)**
Changes of items during the period			
Net changes of items other than shareholders' equity	(10,343)	**10,194**	**124**
Total changes of items during the period	(10,343)	**10,194**	**124**
Balance at the end of current period	(22,991)	**(12,797)**	**(156)**
Subscription rights to shares			
Balance at the beginning of current period	93	**33**	**0**
Changes of items during the period			
Net changes of items other than shareholders' equity	(60)	**(10)**	**(0)**
Total changes of items during the period	(60)	**(10)**	**(0)**
Balance at the end of current period	33	**24**	**0**
Minority interests			
Balance at the beginning of current period	140,915	**118,354**	**1,443**
Changes of items during the period			
Net changes of items other than shareholders' equity	(22,561)	**2,280**	**28**
Total changes of items during the period	(22,561)	**2,280**	**28**
Balance at the end of current period	118,354	**120,634**	**1,471**
Total net assets			
Balance at the beginning of current period	931,912	**875,441**	**10,676**
Changes of items during the period			
Dividends from surplus	(10,395)	**-**	**-**
Net loss	(12,518)	**(110,267)**	**(1,345)**
Purchase of treasury stock	(40)	**(10)**	**(0)**
Disposal of treasury stock	6	**2**	**0**
Change in equity in affiliates accounted for by equity method-treasury stock	23	**-**	**-**
Change of scope of equity method	(583)	**(17)**	**(0)**
Net changes of items other than shareholders' equity	(32,964)	**12,465**	**152**
Total changes of items during the period	(56,471)	**(97,827)**	**(1,193)**
Balance at the end of current period	JPY 875,441	**JPY 777,614**	**$9,483**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Fiscal year ended March 31	2011	2012	2012
Ⅰ. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	(JPY 15,687)	JPY 3,301	$40
Depreciation and amortization	90,614	83,058	1,013
Equity in losses of affiliates	38,533	12,705	155
Loss (gain) on change in equity	5,996	(18)	(0)
Increase in notes and accounts receivable-trade	(478)	(88,216)	(1,076)
Decrease (increase) in inventories	3,349	(150)	(2)
Increase (decrease) in notes and accounts payable-trade	(10,380)	28,976	353
Income taxes paid	(27,399)	(22,650)	(276)
Others, net	(50,888)	66,851	816
Net cash provided by operating activities	33,660	83,857	1,023
Ⅱ. Cash flows from investing activities:			
Net proceeds from (payment of) acquisitions and sales of property, plant and equipment	(53,812)	(35,013)	(427)
Purchase of intangible assets	(29,471)	(17,421)	(212)
Net proceeds from (payment of) purchases and sales of securities	(57,721)	968	12
Others, net	(5,240)	1,760	21
Net cash used in investing activities	(146,244)	(49,706)	(606)
Ⅲ. Cash flows from financing activities:			
Net proceeds from (payment of) bonds and borrowings	84,985	17,742	216
Cash dividends paid	(10,396)	(39)	(0)
Others, net	(1,514)	(3,011)	(37)
Net cash provided by financing activities	73,075	14,692	179
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	(4,073)	(879)	(11)
Ⅴ. Net increase (decrease) in cash and cash equivalents	(43,582)	47,964	585
Ⅵ. Cash and cash equivalents at beginning of period	330,548	203,879	2,486
Ⅶ. Decrease in cash and cash equivalents resulting from change of scope of consolidation	(92,787)	-	-
Ⅷ. Increase in cash and cash equivalents resulting from merger	9,700	-	-
Ⅸ. Cash and cash equivalents at end of period	*1 JPY 203,879	*1 JPY 251,843	$3,071

Changes in Accounting Policies

Fiscal year ended March 31, 2012(From April 1, 2011 to March 31, 2012)

(Change in the depreciation method for property, plant and equipment and useful lives)

From this fiscal year, NEC Corporation (the “Company”) and its consolidated subsidiaries changed the depreciation method and revised the useful lives of a portion of assets based on actual utilization.

In prior periods, the Company and its consolidated subsidiaries depreciated property, plant and equipment with the declining-balance method. From this fiscal year, the Company and its consolidated subsidiaries uniformly adopted straight-line depreciation over the estimated useful lives of the assets.

The reason for this change is due to a shift in business conditions that include the exclusion of NEC’s semiconductor business from consolidation and a stronger business focus towards services where stable long-term revenues can be expected, such as “Cloud Computing Services.” This shift in business conditions resulted in an increase in the ratio of assets more suitably depreciated by the straight-line method, which enables depreciation costs to be equally allocated over its useful lives.

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

Changes in Presentation Method

Fiscal year ended March 31, 2012(From April 1, 2011 to March 31, 2012)

(Consolidated Balance Sheet)

The amount of “Provision for recycling expenses of personal computers” which was separately disclosed in prior fiscal years, is immaterial on this fiscal year, thus the amount has been included in “Noncurrent liabilities - Other” as of the end of this fiscal year.

The balance of “Provision for recycling expenses of personal computers” which is included in “Noncurrent liabilities - Other” as of March 31, 2012 is 142 million yen.

Additionally, “Provision for recycling expenses of personal computers”, 6,004 million yen, as of March 31, 2011 is reclassified to “Noncurrent liabilities - Other” to conform to this change.

Additional Information

Fiscal year ended March 31, 2012(From April 1, 2011 to March 31, 2012)

(Application of Accounting Standard for Accounting Changes and Error Corrections)

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

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(In millions of yen)

Items	Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012	
*1. Accumulated depreciation of property, plant and equipment		838,310		786,212
*2. Assets pledged as and debt secured by collateral				
Balances - assets pledged as collateral	Buildings and structures	1,172	Buildings and structures	589
	Machinery and equipment	32	Machinery and equipment	16
	Land	4,796	Land	4,671
	Others	10	Others	7
	Total	6,010	Total	5,283
Balances - debt secured by collateral	Short-term loans payable	2,051	Short-term loans payable	2,491
	Long-term loans payable	350	Long-term loans payable	300
	Others	83	Others	47
	Total	2,484	Total	2,838
*3. Notes with relate to non-consolidated subsidiaries and affiliates	The investment amount for the jointly-controlled company included in investments in affiliated companies	5,808	The investment amount for the jointly-controlled company included in investments in affiliated companies	235
4. Contingent liabilities				
Guarantees for bank loans and others	Renesas Electronics Corporation	10,210	Automotive Energy Supply Corporation	6,881
	Automotive Energy Supply Corporation	7,047	Employees	3,791
	Employees	5,074	Others	805
	Others	929		
	Total	23,260	Total	11,477
*5. Discounted portion of Notes receivable-trade		1,341		—

(In millions of yen)

Items	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
*6. Net presentation of inventories and provision for loss on construction contracts and others	Inventories related to construction contracts and others which is expected to be resulted in a loss are presented at net of provision for loss on construction contracts and others of 7,048 million yen (the sum of following provision for loss on construction contracts and others; 2,448 million yen for merchandise and finished goods, 4,558 million yen for work in process, and 42 million yen for raw materials and supplies).	Inventories related to construction contracts and others which is expected to be resulted in a loss are presented at net of provision for loss on construction contracts and others of 5,258 million yen (the sum of following provision for loss on construction contracts and others; 535 million yen for merchandise and finished goods, 4,723 million yen for work in process).

Notes to Consolidated Statements of Income

(In millions of yen)

Items	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
*1. Gain on sales of subsidiaries and affiliates' stocks	Mainly due to sales of stocks of Tohoku Chemical Industries, Ltd.	Mainly due to sales of stocks of NEC Personal Computers, Ltd.
*2. Gain on insurance adjustment	―――――――	Income due to insurance proceeds by the flooding in Thailand which is offset by losses on noncurrent assets and inventories.
*3. Gain on sales of noncurrent assets	Due to sales of buildings and land and others.	Due to sales of buildings and land and others.
*4. Gain on contribution of securities to retirement benefit trust	Due to transfer of a portion of shares that NEC holds in Renesas Electronics Corporation to the retirement benefit trust.	―――――――
*5. Gain on transfer of business	Mainly due to the sales of assets related to the liquidations of Platform business in the United States.	―――――――
*6. Business structure improvement expenses	Expenses mainly for early retirement of employees in Personal Solutions business, and office-moving in association with relocations.	29,830 million yen mainly for early retirement of employees due to business restructuring, and 7,664 million yen for loss on noncurrent assets and other expenses due to business reorganization.
*7. Loss on valuation of investment securities	Impairment loss recognized mainly for investment securities.	Impairment loss recognized mainly for investment securities.

(In millions of yen)

<table>
<tr><th>Items</th><th>Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)</th><th>Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)</th></tr>
<tr><td>*8.
Impairment loss</td><td>(1)
Summary of assets or asset groups for which impairment losses were recognized.
<table>
<tr><th>Use</th><th>Type</th><th>Location</th></tr>
<tr><td>Assets for business use</td><td>· Buildings and structures
· Machinery and equipment
· Tools, furniture and fixtures
· Construction in progress</td><td>China</td></tr>
<tr><td>Assets for business use</td><td>· Tools, furniture and fixtures
· Construction in progress, and others</td><td>Kawasaki City, Kanagawa Prefecture and others</td></tr>
<tr><td>Idle assets</td><td>· Land
· Construction in progress
· Software, and others</td><td>Minato-ku, Tokyo, Utsunomiya City, Tochigi Prefecture, and others</td></tr>
<tr><td>Idle assets</td><td>· Machinery and equipment
· Tools, furniture and fixtures
· Construction in progress</td><td>Shimoniikawa County, Toyama Prefecture, Shiroishi City, Miyagi Prefecture, and others</td></tr>
</table>
</td><td>(1)
Summary of assets or asset groups for which impairment losses were recognized.
<table>
<tr><th>Use</th><th>Type</th><th>Location</th></tr>
<tr><td>Assets for business use</td><td>· Buildings and structures
· Machinery and equipment
· Software, and others</td><td>Kawasaki City, Kanagawa Prefecture, and others</td></tr>
<tr><td>Idle assets</td><td>· Buildings and structures
· Machinery and equipment
· Tools, furniture and fixtures
· Construction in progress</td><td>Shimoniikawa County, Toyama Prefecture, and others</td></tr>
<tr><td>Idle assets</td><td>· Buildings and structures
· Land</td><td>Tatsuno City, Hyogo Prefecture</td></tr>
<tr><td>Others</td><td>· Goodwill</td><td>—</td></tr>
</table>
</td></tr>
</table>

(In millions of yen)

<table>
<tr><th>Items</th><th>Fiscal year ended
March 31, 2011
(From April 1, 2010
to March 31, 2011)</th><th>Fiscal year ended
March 31, 2012
(From April 1, 2011
to March 31, 2012)</th></tr>
<tr><td></td><td>(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

Buildings and structures 863
Machinery and equipment 1,827
Tools, furniture and fixtures 208
Land 342
Construction in progress 1,192
Software 1,130
Intangible assets-other 4
Others 307
Total 5,873

(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.</td><td>(2)
Background to the recognition of impairment loss.

Investments in certain fixed assets for business use and goodwill were not expected to be recoverable due to lower profitability of assets for business use and market value declines of idle assets.
Therefore the Company groups recognized impairment loss as extraordinary loss.

(3)
Amounts of impairment loss

Buildings and structures 452
Machinery and equipment 1,347
Tools, furniture and fixtures 716
Land 507
Construction in progress 290
Goodwill 2,792
Software 220
Intangible assets-other 29
Others 148
Total 6,501

(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.</td></tr>
</table>

(In millions of yen)

Items	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
	(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 because the total of future cash flow is a negative amount.	(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 because the total of future cash flow is a negative amount.
*9. Loss on disaster	Related to the Great East Japan Earthquake, mainly fixed costs during the temporary shutdown period of operations and business, and losses on noncurrent assets and inventories.	Related to the flooding in Thailand, mainly fixed costs during the temporary shutdown period of operations.
*10. Loss on sales of stocks of subsidiaries and affiliates	Due to sales of stocks of SGI Japan, Ltd., and others.	Due to sales of stocks of JICD Corporation, and others.
*11. Loss on change in equity	Mainly due to a change in equity in NEC Electronics Corporation merged with Renesas Technology Corp.	―――――
*12. Cost of corrective measures for products	Mainly cost of corrective measures for defective products and substitution of products.	―――――

Notes to Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of April 1, 2010	Increase	Decrease	Number of shares as of March 31, 2011
Common stock	2,604,733	-	-	2,604,733

Reasons for the change

Not applicable

2 Dividends

Payment of dividends

Resolution	Class of stock	Total dividends (In millions of yen)	Dividends per share (In yen)	Record date	Effective date
Extraordinary Meeting of Board of Directors held on May 12, 2010	Common stock	10,398	4	March 31, 2010	June 1, 2010

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of April 1, 2011	Increase	Decrease	Number of shares as of March 31, 2012
Common stock	2,604,733	-	-	2,604,733

Reasons for the change

Not applicable

2 Dividends

Not applicable

Notes to Consolidated Statements of Cash Flows

(In millions of yen)

Items	Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012	
*1. Reconciliation of cash and cash equivalents from the accounts recorded in consolidated balance sheets	Cash and deposits	184,662	Cash and deposits	195,443
	Short-term investment securities	20,757	Short-term investment securities	58,407
	Time deposits and Short-term investment securities with maturities of more than three months	(1,540)	Time deposits and Short-term investment securities with maturities of more than three months	(2,007)
	Cash and cash equivalents	203,879	Cash and cash equivalents	251,843

SEGMENT INFORMATION

[Segment information]

1. Outline of reported segments

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

The Company has its business units identified by products and services. Each business unit plans its comprehensive domestic and overseas strategy for its products and services, and operates its business activities.

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

The contents of each reported segment are as follows:

IT Services Business

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

Platform Business

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

Carrier Network Business

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

Social Infrastructure Business

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

Personal Solutions Business

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

SEGMENT INFORMATION (CONTINUED)

2. Basis of measurement about reported segment sales and segment income (loss)

Segment income (loss) is based on operating income (loss). Intersegment sales and transfers are based on Arm's Length Price.

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

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

(In millions of yen)

	Reported Segments						Others	Adjustment	Consolidated total
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total			
Sales									
1. Sales to customers	804,201	375,770	605,423	318,786	766,512	2,870,692	244,732	ー	3,115,424
2. Intersegment sales and transfers	48,232	45,410	30,718	15,267	44,174	183,801	71,416	(255,217)	ー
Total sales	852,433	421,180	636,141	334,053	810,686	3,054,493	316,148	(255,217)	3,115,424
Segment income (loss) (Operating income (loss))	21,417	8,884	40,733	14,575	(1,911)	83,698	7,288	(33,166)	57,820

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(In millions of yen)

	Reported Segments						Others	Adjustment	Consolidated total
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total			
Sales									
1. Sales to customers	**816,851**	**372,350**	**632,964**	**330,413**	**661,026**	**2,813,604**	**223,232**	**ー**	**3,036,836**
2. Intersegment sales and transfers	**38,743**	**42,357**	**27,158**	**14,267**	**39,942**	**162,467**	**64,700**	**(227,167)**	**ー**
Total sales	**855,594**	**414,707**	**660,122**	**344,680**	**700,968**	**2,976,071**	**287,932**	**(227,167)**	**3,036,836**
Segment income (loss) (Operating income (loss))	**39,527**	**5,245**	**56,084**	**16,167**	**1,035**	**118,058**	**7,077**	**(51,393)**	**73,742**

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(In millions of U.S. dollars)

	Reported Segments						Others	Adjustment	Consolidated total
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total			
Sales									
1. Sales to customers	**9,962**	**4,541**	**7,719**	**4,029**	**8,061**	**34,312**	**2,723**	**ー**	**37,035**
2. Intersegment sales and transfers	**472**	**516**	**331**	**174**	**487**	**1,980**	**788**	**(2,768)**	**ー**
Total sales	**10,434**	**5,057**	**8,050**	**4,203**	**8,548**	**36,292**	**3,511**	**(2,768)**	**37,035**
Segment income (loss) (Operating income (loss))	**482**	**64**	**684**	**197**	**13**	**1,440**	**86**	**(627)**	**899**

(Notes)

1. "Others" for the fiscal year ended March 31, 2011 represents businesses such as Lithium-ion Rechargeable Batteries, Electronic Components, LCD Panels and Lighting Equipment, which are not included in reported segments. "Others" for the fiscal year ended March 31, 2012 represents businesses such as Lithium-ion Rechargeable Batteries, Electronic Components and Lighting Equipment, which are not included in reported segments.
2. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2011 includes corporate expenses of (40,155) million yen unallocated to each reported segment and noncurrent assets related adjustment of 4,532 million yen, respectively. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2012 includes corporate expenses of (52,242) million yen ((637) millions of U.S. dollars) unallocated to each reported segment and noncurrent assets related adjustment of 785 million yen (10 millions of U.S. dollars), respectively. The corporate expenses, unallocated to each reported segment, are mainly both general and administrative expenses incurred at headquarters of the Company, and research and development expenses.

SEGMENT INFORMATION (CONTINUED)

[Related information]

Information about geographic areas

Sales

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

(In millions of yen)

Japan	Asia	Europe	Others	Total
2,636,075	158,470	109,783	211,096	3,115,424

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(In millions of yen)

Japan	Asia	Europe	Others	Total
2,555,344	**152,960**	**104,406**	**224,126**	**3,036,836**

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(In millions of U.S. dollars)

Japan	Asia	Europe	Others	Total
31,163	**1,865**	**1,273**	**2,734**	**37,035**

(Note)

Sales, based on the locations of customers, are classified by country or region.

Notes: Lease Transactions

1. Finance Leases (lessee)

Except those in which the title of leased property will be transferred to the lessee

i) Type of lease asset

Primarily related to outsourcing-related equipment (tools, furniture and fixtures).

ii) Method of depreciation

For the fiscal year ended March 31, 2011, other than outsourcing-related equipment, the declining-balance method in which the useful life is assumed to be the lease period. The straight-line method is applicable for outsourcing-related equipment.

For the fiscal year ended March 31, 2012, the straight-line method in which the useful life is assumed to be the lease period.

2. Operating leases (lessee)

Future minimum lease obligations under non-cancellable operating leases

(In millions of yen)

	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
Due within one year	18,310	19,494
Due over one year	43,291	84,806
Total	61,601	104,300

Notes: Income Taxes

(In millions of yen)

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)		Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	
1. Breakdown of major factors of deferred tax assets and liabilities		1. Breakdown of major factors of deferred tax assets and liabilities	
(Deferred tax assets)		(Deferred tax assets)	
Tax loss carry forwards	237,252	Tax loss carry forwards	219,368
Pension and severance expenses	122,290	Pension and severance expenses	115,681
Accrued expenses and product warranty liabilities	49,265	Accrued expenses and product warranty liabilities	46,625
Loss on devaluation of inventories	32,674	Loss on devaluation of inventories	37,214
Depreciation	38,951	Depreciation	33,437
Investments in affiliated companies	11,519	Investments in affiliated companies	17,111
Provision for business structure improvement	3,230	Provision for business structure improvement	10,263
Loss on devaluation of investment securities	8,136	Loss on devaluation of investment securities	8,024
Elimination of unrealized profit through intercompany transactions among consolidated companies	11,743	Elimination of unrealized profit through intercompany transactions among consolidated companies	4,241
Provision for contingent loss	4,770	Provision for contingent loss	4,006
Provision for loss on construction contracts and others	3,932	Provision for loss on construction contracts and others	3,755
Research and development expenses	2,532	Research and development expenses	1,182
Others	63,393	Others	43,773
Sub-total	589,687	Sub-total	544,680
Less: valuation allowance	(282,045)	Less: valuation allowance	(326,029)
Total	307,642	Total	218,651
(Deferred tax liabilities)		(Deferred tax liabilities)	
Gain on transfer of securities to the pension trust	(22,037)	Gain on transfer of securities to the pension trust	(19,317)
Undistributed earnings of affiliated companies	(3,970)	Undistributed earnings of affiliated companies	(15,074)
Unrealized gains on available-for-sale securities	(944)	Unrealized gains on available-for-sale securities	(7,165)
Reserves under special taxation measures law	(59)	Reserves under special taxation measures law	(180)
Others	(9,649)	Others	(7,289)
Total	(36,659)	Total	(49,025)
Net deferred tax assets	270,983	Net deferred tax assets	169,626

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
Note: Net deferred tax assets are included in the consolidated balance sheets as follows.	Note: Net deferred tax assets are included in the consolidated balance sheets as follows.

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Current assets -deferred tax assets	97,431	76,222
Noncurrent assets -deferred tax assets	174,707	96,476
Current liabilities -others	(30)	(32)
Noncurrent liabilities -deferred tax liabilities	(1,125)	(3,040)

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

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Statutory tax rate	(40.5)%	40.5 %
(Reconciliation)		
Changes in valuation allowance	58.3	1,786.3
Adjustments of deferred tax assets due to change in statutory tax rate	-	749.7
Undistributed earnings of affiliated companies	(17.4)	247.2
Amortization of goodwill	33.5	179.4
Equity in earnings(losses) of affiliated companies	98.6	152.1
Non-deductible expenses for tax purposes	5.0	31.2
Tax rates difference relating to overseas subsidiaries	5.2	(14.6)
Others	(198.8)	105.8
Effective tax rate	(56.1)%	3,277.6 %

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
――――――――――――	3. Adjustments of deferred tax assets and liabilities due to the change in statutory tax rate Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011), corporation tax rates will be changed for the fiscal years beginning on or after April 1, 2012. In addition, the Special Reconstruction Corporation Tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning in the period from April 1, 2012 to March 31, 2015. In line with these changes, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 40.5% to 38.0% for temporary differences expected to be utilized in the fiscal years beginning on or after April 1, 2012. The rate was also changed to 35.5% for temporary differences expected to be utilized in the fiscal years beginning on or after April 1, 2015. As a result of this change, NEC's deferred tax assets (net of deferred tax liabilities) as of March 31, 2012 decreased by 24,749 million yen, and income taxes increased by 24,749 million yen.

Notes: Marketable and Investment Securities

1. Available-for-sale securities

Fiscal year ended March 31, 2011

(In millions of yen)

	Description	Balance sheet value	Acquisition cost	Unrealized gains (losses)
Securities with balance sheet value exceeding acquisition cost	(1) Stocks	49,253	29,160	20,093
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	-	-	-
	(3) Others	55	19	36
	Sub-total	49,308	29,179	20,129
Securities with balance sheet value not exceeding acquisition cost	(1) Stocks	27,047	35,462	(8,415)
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	812	1,000	(188)
	(3) Others	22,810	23,832	(1,022)
	Sub-total	50,669	60,294	(9,625)
Total		99,977	89,473	10,504

Notes:

The followings are not included in "1. Available-for-sale securities" table above - because of lack of their available market price and not being able to estimate reasonably for their future cash flows:
Unlisted stocks (balance sheet value of 53,565 million yen),
Investments in limited partnerships and similar partnerships under foreign laws
(balance sheet value of 4,577 million yen), and Others (balance sheet value of 330 million yen).

Fiscal year ended March 31, 2012

(In millions of yen)

	Description	Balance sheet value	Acquisition cost	Unrealized gains (losses)
Securities with balance sheet value exceeding acquisition cost	(1) Stocks	77,287	45,801	31,486
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	-	-	-
	(3) Others	32	11	21
	Sub-total	77,319	45,812	31,507
Securities with balance sheet value not exceeding acquisition cost	(1) Stocks	14,546	17,220	(2,674)
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	845	1,000	(155)
	(3) Others	60,354	60,365	(11)
	Sub-total	75,745	78,585	(2,840)
Total		153,064	124,397	28,667

Notes:

The followings are not included in "1. Available-for-sale securities" table above - because of lack of their available market price and not being able to estimate reasonably for their future cash flows:
Unlisted stocks (balance sheet value of 54,547 million yen),
Investments in limited partnerships and similar partnerships under foreign laws (balance sheet value of 4,157 million yen), and Others (balance sheet value of 327 million yen).

2. Available-for-sale securities sold

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

(In millions of yen)

Description	Proceeds from sales	Gross realized gains	Gross realized losses
(1) Stocks	3,753	2,492	8
(2) Bonds			
(a) Governmental and municipal bonds	-	-	-
(b) Corporate bonds	-	-	-
(3) Others	75	-	-
Total	3,828	2,492	8

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(In millions of yen)

Description	Proceeds from sales	Gross realized gains	Gross realized losses
(1) Stocks	1,937	1,340	10
(2) Bonds			
(a) Governmental and municipal bonds	-	-	-
(b) Corporate bonds	-	-	-
(3) Others	62	17	1
Total	1,999	1,357	11

3. Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 4,319 million yen and 16,037 million yen were recorded for the fiscal years ending March 31, 2011 and 2012, respectively.

Notes: Accounting for 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)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
A. Retirement benefit obligations	(939,852)	(929,558)
B. Plan assets	671,609	627,504
C. Unfunded retirement benefit obligations (A+B)	(268,243)	(302,054)
D. Unrecognized transitional obligation	46,826	34,068
E. Unrecognized actuarial gains and losses	228,333	231,659
F. Unrecognized prior service costs (reduction in obligations)	(75,481)	(63,164)
G. Net amounts recognized in the consolidated balance sheet (C+D+E+F)	(68,565)	(99,491)
H. Prepaid pension expenses	113,457	83,244
I. Liabilities for retirement benefits (G-H)	(182,022)	(182,735)

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)

	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
A. Service cost	31,158	30,762
B. Interest cost	23,318	23,051
C. Expected return on plan assets	(12,187)	(12,030)
D. Amortization of transitional obligation	12,057	11,867
E. Amortization of actuarial gains and losses	21,351	27,921
F. Amortization of prior service costs	(9,187)	(8,882)
G. Other (Note 2)	6,068	6,596
H. Retirement benefit expenses (A+B+C+D+E+F+G)	72,578	79,285

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.

3 In addition to the above retirement benefit expenses, expenses mainly for early retirement of employees due to business restructuring were recognized as ”Business structure improvement expenses” in extraordinary loss, in the amount of 29,830 million yen for the year ended March 31,2012.

4. Basis for calculation of retirement benefit obligations

(1) Allocation method for projected retirement benefit cost

Mainly, point basis

(2) Discount rate

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
Mainly, 2.5%	Mainly, 2.5%

(3) Expected rate of return on plan assets

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
Mainly, 2.5%	Mainly, 2.5%

(4) Period for amortization of prior service costs

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

(5) Period for amortization of actuarial gains and losses

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

(6) Period for amortization of transitional obligation

Mainly, 15 years

Notes: Business Combinations

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

1. Outline of the business combination
   Name of the business: personal computer business
   Major operation: Development, manufacture, sale and related business of personal computers

2. Reason for the business combination
   Strengthening of personal computer business

3. Date of the business combination
   July 1, 2011

4. Legal form of the business combination
   (1) Incorporation-type company split, in which NEC Personal Products, Ltd. was the splitting company and NEC Personal Computers, Ltd. that was newly incorporated was the succeeding company.
   (2) Transfer of all the shares of NEC Personal Computers, Ltd. from the Company to Lenovo NEC Holdings B.V. and allotment of 49% shares of Lenovo NEC Holdings B.V.

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

6. Name of the reported segment in which the subsidiary was included
   Personal Solutions business

Notes: Per Share Information

(In yen)

	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
Net assets per share	291.35	252.83
Basic net loss per share	(4.82)	(42.44)

Notes: 1. Diluted net income per share is not disclosed due to the net loss per share although dilutive shares exist.
2. The basis for calculating net loss per share are as follows.

	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
Net loss per share		
Net loss (In millions of yen)	(12,518)	(110,267)
Amounts not attributable to common shareholders (In millions of yen)	—	—
Net loss attributable to common stock (In millions of yen)	(12,518)	(110,267)
The average number of common stocks outstanding during the fiscal year (In thousands of shares)	2,598,491	2,598,442

	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
Summary of equity instruments which were not included in the basis for calculating diluted net income per share as they are anti-dilutive	(a) Convertible bonds 10th unsecured convertible bonds (face value of 100,000 million yen) (b) Bonds with stock subscription rights issued by affiliated companies accounted for using the equity method Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants which were issued by Renesas Electronics Corporation (face value of 110,000 million yen) (c) Stock subscription rights 2 kinds of stock subscription rights (the number of stock subscription rights is 300 units) Stock subscription right issued by Renesas Electronics Corporation (the number of stock subscription rights is 510 units)	(a) Stock subscription rights 1 kind of stock subscription rights (the number of stock subscription rights is 124 units) Stock subscription right issued by Renesas Electronics Corporation (the number of stock subscription rights is 280 units)

3. The basis for calculating net assets per share are as follows.

	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)
Net assets per share		
Total net assets (In millions of yen)	875,441	777,614
Amounts deducted from total net assets (In millions of yen)	118,387	120,658
(stock subscription rights included in the above)	(33)	(24)
(Minority interests included in the above)	(118,354)	(120,634)
Net assets at the year end attributable to common stock (In millions of yen)	757,054	656,956
Number of common stocks at the year end to calculate net assets per share (In thousands of shares)	2,598,462	2,598,412

Notes: Subsequent Events

Not applicable

CAUTIONARY STATEMENTS:

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

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

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

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

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