NEWS RELEASE

Empowered by Innovation NEC

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Full Year Consolidated Financial Results for the Fiscal Year Ended March 31, 2013

Consolidated Financial Results

	Fiscal Year Ended March 31, 2012	Fiscal Year Ended March 31, 2013	Change
	In billions of yen	In billions of yen	%
Net Sales	3,036.8	3,071.6	1.1
Operating income	73.7	114.6	55.5
Ordinary income	42.1	92.0	118.8
Net income (loss)	-110.3	30.4	—
	yen	yen	yen
Net income (loss) per share:			
Basic	-42.44	11.71	54.15
Diluted	—	—	—
	In billions of yen	In billions of yen	%
Total assets	2,557.6	2,581.0	0.9
Number of employees	109,102	102,375	—

(Notes)

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

	As of March 31, 2012	As of March 31, 2013
Consolidated subsidiaries	265	270
Affiliated companies accounted for by the equity method	55	53

1. Consolidated Business Results

As stated in the July 6, 2012 announcement, “NEC Revises Business Segments,” NEC has revised its business segments from the first quarter of the fiscal year ended March 31, 2013. Figures for the corresponding period of the previous fiscal year have been adjusted in accordance with the new segments.

(1) Overview of the fiscal year ended March 31, 2013 and outlook for the fiscal year ending March 31, 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated net sales of 3,000.0 billion yen are projected for the fiscal year ending March 31, 2014, a year-on-year decrease of 2.3%. This is mainly due to decreased sales from the sale of patents related to LCD displays and NEC Mobiling, Ltd., which had been engaged in the mobile phone sales business within the NEC Group, no longer being consolidated, despite an increase in Social Infrastructure sales.

The NEC Group anticipates consolidated operating income of 100.0 billion yen for the fiscal year ending March 31, 2014, a year-on-year decrease of 14.6 billion yen, mainly due to decreasing sales and increasing investments in focused areas. The NEC Group also expects 20.0 billion yen of consolidated net income for the same period.

Consolidated	Forecast for fiscal year ending March 31, 2014 In billions of yen	Comparison with fiscal year ended March 31, 2013
Net Sales	3,000.0	-2.3%
Operating income	100.0	-14.6 billion yen
Ordinary income	70.0	-22.0 billion yen
Net income	20.0	-10.4 billion yen

(2) Results by main business segment

Sales by segment (sales to external customers):

Segments	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Change
	In billions of yen	In billions of yen	%
IT Solutions	1,189.2	1,245.8	4.8
Carrier Network	602.7	647.7	7.5
Social Infrastructure	330.4	372.3	12.7
Personal Solutions	661.0	589.1	-10.9
Others	253.5	216.6	-14.5
Total	3,036.8	3,071.6	1.1

Operating income (loss) by segment:

Segments	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Change
	In billions of yen	In billions of yen	In billions of yen
IT Solutions	44.8	66.1	21.3
Carrier Network	50.6	63.1	12.5
Social Infrastructure	16.2	27.8	11.6
Personal Solutions	1.0	-3.7	-4.7
Others	11.1	22.3	11.2
Adjustment	-50.0	-61.0	-11.0
Total	73.7	114.6	40.9

(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” of this news release.

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

IT Solutions Business

Sales:	1,245.8 billion yen	(4.8%)
Operating Income (Loss):	66.1 billion yen	(21.3 billion yen)

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

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

Carrier Network Business

Sales:	647.7 billion yen	(7.5%)
Operating Income (Loss):	63.1 billion yen	(12.5 billion yen)

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

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

Social Infrastructure Business

Sales:	372.3 billion yen	(12.7%)
Operating Income (Loss):	27.8 billion yen	(11.6 billion yen)

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

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

Personal Solutions Business

Sales:	589.1 billion yen	(-10.9%)
Operating Income (Loss):	-3.7 billion yen	(-4.7 billion yen)

In the Personal Solutions business, sales were 589.1 billion yen, a decrease of 71.9 billion yen (-10.9%) year-on-year, mainly due to the personal computer business for private users no longer being consolidated from the second quarter of the fiscal year ended March 31, 2012 and a decline in mobile phone shipments.

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

Others

Sales:	216.6 billion yen	(-14.5%)
Operating Income (Loss):	22.3 billion yen	(11.2 billion yen)

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

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

2. Consolidated Financial Condition

(1) Analysis of the condition of assets, liabilities, net assets, and cash flows

Total assets were 2,581.0 billion yen as of March 31, 2013, an increase of 23.4 billion yen as compared with the end of the previous fiscal year. Current assets as of March 31, 2013 decreased by 0.6 billion yen compared with the end of the previous fiscal year to 1,513.8 billion yen. Noncurrent assets increased by 24.0 billion yen compared with the end of the previous fiscal year to 1,067.2 billion yen, mainly due to business acquisitions.

Total liabilities as of March 31, 2013 decreased by 35.1 billion yen as compared with the end of the previous fiscal year, to 1,744.8 billion yen. This was mainly due to a decrease in interest-bearing debt, despite an increase in advances received. The balance of interest-bearing debt as of March 31, 2013 amounted to 603.5 billion yen, a decrease of 89.3 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of March 31, 2013 was 0.85 (an improvement of 0.20 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of March 31, 2013, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 406.3 billion yen, a decrease of 34.6 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of March 31, 2013 was 0.57 (an improvement of 0.10 points as compared with the end of the previous fiscal year).

Total net assets were 836.1 billion yen as of March 31, 2013, an increase of 58.5 billion yen as compared with the end of the previous fiscal year, mainly due to recording a consolidated net income and an increase in foreign currency translation adjustment.

As a result, the owner’s equity as of March 31, 2013 was 710.7 billion yen and owner’s equity ratio was 27.5% (an improvement of 1.8 points as compared with the end of the previous fiscal year).

Net cash inflows from operating activities for the fiscal year ended March 31, 2013 were 143.7 billion yen, an improvement of 59.9 billion yen year-on-year, mainly due to improved consolidated income (loss) before income taxes and minority interests, despite outflows for voluntary early retirement.

Net cash outflows from investing activities for the fiscal year ended March 31, 2013 were 101.7 billion yen, an increase of 52.0 billion yen year-on-year, mainly due to increased outflows for business acquisitions.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the fiscal year ended March 31, 2013 totaled a cash inflow of 42.0 billion yen, an improvement of 7.9 billion yen year-on-year.

Net cash flows from financing activities for the fiscal year ended March 31, 2013 totaled a cash outflow of 98.8 billion yen, mainly due to the redemption of commercial papers.

As a result, cash and cash equivalents as of March 31, 2013 amounted to 197.1 billion yen, a decrease of 54.7 billion yen as compared with the end of the previous fiscal year.

(2) Changes in cash flows related indices

	Year ended March 31, 2011	**Year ended March 31, 2012**	**Year ended March 31, 2013**
Owner's equity ratio	28.8%	25.7%	27.5%
Owner's equity ratio on market value basis	17.9%	17.6%	24.7%
Cash flows to interest-bearing debt ratio	20.9 times	8.2 times	4.5 times
Interest coverage ratio	5.1 times	15.4 times	24.0 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 flows to interest-bearing 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, 2013 and the Fiscal Year Ending March 31, 2014

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.

For the fiscal year ended March 31, 2013, NEC will pay an annual dividend of 4 yen per share of common stock.

For the fiscal year ending March 31, 2014, NEC plans to pay an annual 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 84.3% of its total net sales in the fiscal year ended March 31, 2013. While it is expected that the Japanese economy will grow moderately and steadily against the backdrop of a gradual recovery in business confidence, economic uncertainty remains due to factors such as the weak foreign demand accompanied by the stagnant European economy. 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 phones, 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 17.3% of its net sales in the fiscal year ended March 31, 2013 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 provides 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 Japan or any other country in which the NEC Group operates, 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. The application of new or revised accounting standards may significantly affect the NEC Group's financial condition and its results of operations.

<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 of 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 recorded an ROE of 4.5% in the fiscal year ended March 31, 2013, but aims for an ROE of 10% in the fiscal year ending March 31, 2016 through its "Mid-term Management Plan 2015."

3. Middle and Long Term Management Strategy

The NEC Group has established a "Mid-term Management Plan 2015," featuring mid-term management policies that include (1) the focus on Solutions for Society, (2) the focus on Asian markets and the promotion of "locally-led" business, and (3) the creation of a stable financial foundation. The NEC Group aims to expand business and improve profitability by transitioning to a "social value innovator" and establishing a globally competitive growth base.

4. Challenges to be Addressed by the NEC Group

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

In April 2013, the NEC Group established its "Mid-term Management Plan 2015," featuring mid-term management policies that include (1) the focus on Solutions for Society, (2) the focus on Asian markets and the promotion of "locally-led" business, and (3) the creation of a stable financial foundation.

1) Focus on Solutions for Society

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

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

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

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

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

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

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

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

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

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

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

3) Creation of a stable financial foundation

The NEC Group aims to strengthen cost competitiveness by carrying out a full range of cost reductions and minimizing poor quality. The NEC Group is working to ensure net income by reducing non-operating loss and extraordinary loss, establishing a profit structure that enables continual payment of dividends and improving accounts receivable, inventory and accounts payable turnover in order to build a financial base that is stable and provides for an annual free cash flow of more than 100 billion yen by the 2015 fiscal year.

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

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

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

CONSOLIDATED BALANCE SHEETS

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

		March 31, 2012		**March 31, 2013**	**March 31, 2013**
Current assets		JPY 1,514,437		**JPY 1,513,806**	**$16,104**
Cash and deposits		195,443		**174,295**	**1,854**
Notes and accounts receivable-trade		810,579		**834,052**	**8,873**
Short-term investment securities		58,407		**24,666**	**262**
Merchandise and finished goods	*6	91,898	*6	**93,776**	**998**
Work in process	*6	91,408	*6	**86,032**	**915**
Raw materials and supplies		66,611		**62,831**	**668**
Deferred tax assets		76,222		**78,761**	**838**
Other		128,522		**164,055**	**1,746**
Allowance for doubtful accounts		(4,653)		**(4,662)**	**(50)**
Noncurrent assets		1,043,133		**1,067,160**	**11,353**
Property, plant and equipment		315,895		**294,767**	**3,136**
Buildings and structures, net	*1,2	134,618	*1,2	**124,283**	**1,322**
Machinery and equipment, net	*1,2	35,445	*1,2	**25,586**	**272**
Tools, furniture and fixtures, net	*1	60,268	*1	**62,695**	**667**
Land	*2	72,317	*2	**66,502**	**707**
Construction in progress		13,247		**15,701**	**168**
Intangible assets		201,662		**233,786**	**2,487**
Goodwill		75,969		**93,895**	**999**
Software		121,541		**114,088**	**1,214**
Other		4,152		**25,803**	**274**
Investments and other assets		525,576		**538,607**	**5,730**
Investment securities		153,688		**138,139**	**1,470**
Stocks of subsidiaries and affiliates	*3	117,635	*3	**92,668**	**986**
Long-term loans receivable		836		**44,019**	**468**
Deferred tax assets		96,476		**97,570**	**1,038**
Other		176,228		**187,065**	**1,990**
Allowance for doubtful accounts		(19,287)		**(20,854)**	**(222)**
Total assets		JPY 2,557,570		**JPY 2,580,966**	**$27,457**

(Note)

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥94 = U.S.$1 .

CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

		March 31, 2012		**March 31, 2013**	**March 31, 2013**
Current liabilities		JPY 1,058,612		**JPY 1,123,656**	**$11,954**
Notes and accounts payable-trade		466,177		**458,724**	**4,880**
Short-term loans payable	*2	28,990	*2	**26,590**	**283**
Commercial papers		97,991		**29,997**	**319**
Current portion of long-term loans payable	*2	64,793	*2	**73,486**	**782**
Current portion of bonds payable		-		**70,000**	**745**
Accrued expenses		156,175		**169,221**	**1,800**
Advances received		57,013		**122,154**	**1,300**
Provision for product warranties		19,278		**18,370**	**195**
Provision for directors' bonuses		219		**335**	**4**
Provision for loss on construction contracts and others		9,945		**17,955**	**191**
Provision for business structure improvement		25,917		**3,993**	**42**
Provision for contingent loss		2,762		**1,217**	**13**
Other		129,352		**131,614**	**1,400**
Noncurrent liabilities		721,344		**621,163**	**6,608**
Bonds payable		230,000		**160,000**	**1,702**
Long-term loans payable	*2	263,160	*2	**237,028**	**2,522**
Deferred tax liabilities		3,040		**2,231**	**24**
Provision for retirement benefits		182,735		**178,868**	**1,903**
Provision for product warranties		2,676		**3,049**	**32**
Provision for loss on repurchase of computers		6,469		**5,326**	**57**
Provision for business structure improvement		979		**750**	**8**
Provision for contingent loss		8,622		**6,641**	**71**
Other		23,663		**27,270**	**289**
Total liabilities		1,779,956		**1,744,819**	**18,562**
Shareholders' equity		669,753		**700,429**	**7,451**
Capital stock		397,199		**397,199**	**4,226**
Capital surplus		192,834		**148,405**	**1,578**
Retained earnings		82,659		**157,771**	**1,678**
Treasury stock		(2,939)		**(2,946)**	**(31)**
Accumulated other comprehensive income		(12,797)		**10,237**	**109**
Valuation difference on available-for-sale securities		16,273		**18,333**	**195**
Deferred gains or losses on hedges		(142)		**(1,076)**	**(11)**
Foreign currency translation adjustment		(28,928)		**(7,020)**	**(75)**
Subscription rights to shares		24		-	**-**
Minority interests		120,634		**125,481**	**1,335**
Total net assets		777,614		**836,147**	**8,895**
Total liabilities and net assets		JPY 2,557,570		**JPY 2,580,966**	**$27,457**

CONSOLIDATED STATEMENTS OF OPERATIONS AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF OPERATIONS

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

Fiscal year ended March 31	2012	2013	2013
Net sales	JPY 3,036,836	**JPY 3,071,609**	**$32,677**
Cost of sales	2,128,920	**2,142,243**	**22,790**
Gross profit	907,916	**929,366**	**9,887**
Selling, general and administrative expenses	834,174	**814,719**	**8,667**
Operating income	73,742	**114,647**	**1,220**
Non-operating income	18,616	**15,577**	**166**
Interest income	1,654	**1,407**	**15**
Dividends income	4,454	**3,840**	**41**
Reversal of provision for contingent loss	1,188	**2,971**	**32**
Foreign exchange gains	-	**446**	**5**
Equity in earnings of affiliates	-	**409**	**4**
Other	11,320	**6,504**	**69**
Non-operating expenses	50,308	**38,200**	**407**
Interest expenses	5,446	**5,979**	**64**
Retirement benefit expenses	11,867	**11,631**	**124**
Equity in losses of affiliates	12,705	**-**	**-**
Foreign exchange losses	2,672	**-**	**-**
Other	17,618	**20,590**	**219**
Ordinary income	42,050	**92,024**	**979**
Extraordinary income	28,375	**16,780**	**178**
Gain on sales of investment securities	1,357	**9,057**	**97**
Gain on change in equity	18	*1 **2,657**	**28**
Gain on sales of subsidiaries and affiliates' stocks	*2 15,376	**1,728**	**18**
Gain on insurance claim	*3 10,648	*3 **1,625**	**17**
Gain on sales of noncurrent assets	*4 966	*4 **1,569**	**17**
Gain on transfer of business	-	**120**	**1**
Gain on reversal of subscription rights to shares	10	**24**	**0**
Extraordinary loss	67,124	**39,525**	**420**
Impairment loss	*5 6,501	*5 **21,949**	**233**
Loss on contribution of securities to retirement benefit trust	-	*6 **5,898**	**63**
Business structure improvement expenses	*7 40,535	*7 **5,538**	**59**
Provision of allowance for doubtful accounts for subsidiaries and affiliates	-	**3,818**	**41**
Loss on sales of stocks of subsidiaries and affiliates	1,118	**880**	**9**
Loss on valuation of investment securities	16,037	**804**	**8**
Loss on retirement of noncurrent assets	-	**636**	**7**
Loss on sales of investment securities	11	**2**	**0**
Loss on disaster	*8 2,131	**-**	**-**
Relocation expenses	713	**-**	**-**
Loss on sales of noncurrent assets	78	**-**	**-**
Income before income taxes and minority interests	3,301	**69,279**	**737**
Income taxes	108,194	**30,526**	**325**
Income taxes - current	23,911	**30,724**	**327**
Income taxes - deferred	84,283	**(198)**	**(2)**
Income (loss) before minority interests	(104,893)	**38,753**	**412**
Minority interests in income	5,374	**8,319**	**88**
Net Income (loss)	(JPY 110,267)	**JPY 30,434**	**$324**

CONSOLIDATED STATEMENTS OF OPERATIONS 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	2012	2013	2013
Income (loss) before minority interests	(JPY 104,893)	**JPY 38,753**	**$412**
Other comprehensive income	10,199	**23,665**	**252**
Valuation difference on available-for-sale securities	12,156	**2,096**	**22**
Deferred gains or losses on hedges	(231)	**(845)**	**(9)**
Foreign currency translation adjustment	(1,250)	**16,724**	**178**
Share of other comprehensive income of associates accounted for using equity method	(476)	**5,690**	**61**
Comprehensive income	(JPY 94,694)	**JPY 62,418**	**$664**
Breakdown:			
Comprehensive income attributable to owners of the parent	(JPY 100,073)	**JPY 53,468**	**$569**
Comprehensive income attributable to minority interests	5,379	**8,950**	**95**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Fiscal year ended March 31	2012	2013	2013
Shareholders' equity			
Capital Stock			
Balance at the beginning of current period	JPY 397,199	**JPY 397,199**	**$4,226**
Changes of items during the period			
Total changes of items during the period	-	**-**	**-**
Balance at the end of current period	397,199	**397,199**	**4,226**
Capital surplus			
Balance at the beginning of current period	192,837	**192,834**	**2,051**
Changes of items during the period			
Deficit disposition	-	**(44,426)**	**(473)**
Disposal of treasury stock	(3)	**(3)**	**(0)**
Total changes of items during the period	(3)	**(44,429)**	**(473)**
Balance at the end of current period	192,834	**148,405**	**1,578**
Retained earnings			
Balance at the beginning of current period	192,943	**82,659**	**878**
Changes of items during the period			
Deficit disposition	-	**44,426**	**473**
Net Income (loss)	(110,267)	**30,434**	**324**
Change of scope of equity method	(17)	**252**	**3**
Total changes of items during the period	(110,284)	**75,112**	**800**
Balance at the end of current period	82,659	**157,771**	**1,678**
Treasury Stock			
Balance at the beginning of current period	(2,934)	**(2,939)**	**(31)**
Changes of items during the period			
Purchase of treasury stock	(10)	**(11)**	**(0)**
Disposal of treasury stock	5	**4**	**0**
Total changes of items during the period	(5)	**(7)**	**(0)**
Balance at the end of current period	(2,939)	**(2,946)**	**(31)**
Total shareholders' equity			
Balance at the beginning of current period	780,045	**669,753**	**7,124**
Changes of items during the period			
Deficit disposition	-	**-**	**-**
Net Income (loss)	(110,267)	**30,434**	**324**
Purchase of treasury stock	(10)	**(11)**	**(0)**
Disposal of treasury stock	2	**1**	**0**
Change of scope of equity method	(17)	**252**	**3**
Total changes of items during the period	(110,292)	**30,676**	**327**
Balance at the end of current period	JPY 669,753	**JPY 700,429**	**$7,451**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS(CONTINUED)

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

Fiscal year ended March 31	2012	2013	2013
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	JPY 4,167	**JPY 16,273**	**$173**
Changes of items during the period			
Net changes of items other than shareholders' equity	12,106	**2,060**	**22**
Total changes of items during the period	12,106	**2,060**	**22**
Balance at the end of current period	16,273	**18,333**	**195**
Deferred gains or losses on hedges			
Balance at the beginning of current period	132	**(142)**	**(2)**
Changes of items during the period			
Net changes of items other than shareholders' equity	(274)	**(934)**	**(9)**
Total changes of items during the period	(274)	**(934)**	**(9)**
Balance at the end of current period	(142)	**(1,076)**	**(11)**
Foreign currency translation adjustment			
Balance at the beginning of current period	(27,290)	**(28,928)**	**(308)**
Changes of items during the period			
Net changes of items other than shareholders' equity	(1,638)	**21,908**	**233**
Total changes of items during the period	(1,638)	**21,908**	**233**
Balance at the end of current period	(28,928)	**(7,020)**	**(75)**
Total accumulated other comprehensive income			
Balance at the beginning of current period	(22,991)	**(12,797)**	**(137)**
Changes of items during the period			
Net changes of items other than shareholders' equity	10,194	**23,034**	**246**
Total changes of items during the period	10,194	**23,034**	**246**
Balance at the end of current period	(12,797)	**10,237**	**109**
Subscription rights to shares			
Balance at the beginning of current period	33	**24**	**0**
Changes of items during the period			
Net changes of items other than shareholders' equity	(10)	**(24)**	**(0)**
Total changes of items during the period	(10)	**(24)**	**(0)**
Balance at the end of current period	24	**-**	**-**
Minority interests			
Balance at the beginning of current period	118,354	**120,634**	**1,283**
Changes of items during the period			
Net changes of items other than shareholders' equity	2,280	**4,847**	**52**
Total changes of items during the period	2,280	**4,847**	**52**
Balance at the end of current period	120,634	**125,481**	**1,335**
Total net assets			
Balance at the beginning of current period	875,441	**777,614**	**8,270**
Changes of items during the period			
Deficit disposition	-	**-**	**-**
Net Income (loss)	(110,267)	**30,434**	**324**
Purchase of treasury stock	(10)	**(11)**	**(0)**
Disposal of treasury stock	2	**1**	**0**
Change of scope of equity method	(17)	**252**	**3**
Net changes of items other than shareholders' equity	12,465	**27,857**	**298**
Total changes of items during the period	(97,827)	**58,533**	**625**
Balance at the end of current period	JPY 777,614	**JPY 836,147**	**$8,895**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Fiscal year ended March 31	2012	2013	2013
Ⅰ. Cash flows from operating activities:			
Income before income taxes and minority interests	JPY 3,301	**JPY 69,279**	**$737**
Depreciation and amortization	83,058	**83,612**	**889**
Equity in losses (earnings) of affiliates	12,705	**(409)**	**(4)**
Loss (gain) on change in equity	(18)	**(2,657)**	**(28)**
Increase in notes and accounts receivable-trade	(88,216)	**(9,600)**	**(102)**
Decrease (increase) in inventories	(150)	**5,496**	**58**
Increase (decrease) in notes and accounts payable-trade	28,976	**(8,548)**	**(91)**
Income taxes paid	(22,650)	**(28,653)**	**(305)**
Others, net	66,851	**35,228**	**375**
Net cash provided by operating activities	83,857	**143,748**	**1,529**
Ⅱ. Cash flows from investing activities:			
Net proceeds from (payment of) acquisitions and sales of property, plant and equipment	(35,013)	**(40,804)**	**(434)**
Purchase of intangible assets	(17,421)	**(14,556)**	**(155)**
Net proceeds from (payment of) purchases and sales of securities	968	**(31,032)**	**(330)**
Others, net	1,760	**(15,350)**	**(163)**
Net cash used in investing activities	(49,706)	**(101,742)**	**(1,082)**
Ⅲ. Cash flows from financing activities:			
Net proceeds from (payment of) bonds and borrowings	17,742	**(94,829)**	**(1,009)**
Cash dividends paid	(39)	**(4)**	**(0)**
Others, net	(3,011)	**(3,974)**	**(42)**
Net cash provided by (used in) financing activities	14,692	**(98,807)**	**(1,051)**
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	(879)	**6,200**	**66**
Ⅴ. Net increase (decrease) in cash and cash equivalents	47,964	**(50,601)**	**(538)**
Ⅵ. Cash and cash equivalents at beginning of period	203,879	**251,843**	**2,679**
Ⅶ. Decrease in cash and cash equivalents resulting from change of scope of consolidation	-	**(4,110)**	**(44)**
Ⅷ. Cash and cash equivalents at end of period	*1 JPY 251,843	*1 **JPY 197,132**	**$2,097**

Note to Consolidated Financial Statements

Changes in Presentation Method

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Consolidated Balance Sheets)

"Long-term loans receivable" which was included in "Other" under investments and other assets in the previous fiscal year, is presented and disclosed separately from this fiscal year due to the increase in the monetary significance. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in method of presentation,

As a result, 177,064 million yen presented as "Other" under investments and other assets in the consolidated balance sheets for the previous fiscal year is restated to present 836 million yen for "Long-term loans receivable" and 176,228 million yen for "Other".

(Consolidated Statements of Operations)

"Reversal of provision for contingent loss" which was included in "Other" under non-operating income in the previous fiscal year, is presented and disclosed separately from this fiscal year due to the increase in the monetary significance. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in method of presentation,

As a result, 12,508 million yen presented as "Other" under non-operating income in the consolidated statements of operations for the previous fiscal year is restated to present 1,188 million yen for "Reversal of provision for contingent loss" and 11,320 million yen for "Other".

Notes to Consolidated Balance Sheets

(In millions of yen)

Items	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013	
*1. Accumulated depreciation of property, plant and equipment		786,212		720,665
*2. Assets pledged as and debt secured by collateral				
Balances - assets pledged as collateral	Buildings and structures	589	Buildings and structures	261
	Machinery and equipment	16	Machinery and equipment	—
	Land	4,671	Land	3,579
	Others	7	Others	5
	Total	5,283	Total	3,845
Balances - debt secured by collateral	Short-term loans payable	2,491	Short-term loans payable	1,971
	Long-term loans payable	300	Long-term loans payable	300
	Others	47	Others	42
	Total	2,838	Total	2,313
*3. Notes with relate to non-consolidated subsidiaries and affiliates	The investment amount for the jointly-controlled company included in investments in affiliated companies	235	The investment amount for the jointly-controlled company included in investments in affiliated companies	117
4. Contingent liabilities				
Guarantees for bank loans and others	Automotive Energy Supply Corporation	6,881	Automotive Energy Supply Corporation	5,118
	Employees	3,791	Employees	2,470
	Others	805	Others	1,017
	Total	11,477	Total	8,605

Items	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
5. Other Contingent liabilities	――――――――――	NETCOMSEC Co. Ltd., a wholly owned subsidiary of NEC, was found to have recorded and billed an excessive amount of working hours to certain contracts with Japan Ministry of Defense. NETCOMSEC Co. Ltd., voluntarily reported this information to the Ministry of Defense, who subsequently suspended NETCOMSEC Co. Ltd., from participating in requests for proposals for future contracts with the Japan Ministry of Defense. NETCOMSEC Co. Ltd., will return the excess amount to the Ministry of Defense once such amount and period are determined, but no estimate is available for these figures. As a result, the effect of this payment on the NEC Group's consolidated financial condition and results of operations remains unclear.
*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 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).	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 8,197 million yen (the sum of following provision for loss on construction contracts and others; 586 million yen for merchandise and finished goods, 7,611 million yen for work in process).

Notes to Consolidated Statements of Operations

(In millions of yen)

Items	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
*1. Gain on change in equity	――――	Mainly related to a new share issuance to designated third party shareholders conducted by NEC TOKIN Corporation.
*2. Gain on sales of subsidiaries and affiliates' stocks	Mainly due to sales of stocks of NEC Personal Computers, Ltd.	――――
*3. Gain on insurance claim	Income due to insurance proceeds by the flooding in Thailand which is offset by losses on noncurrent assets and inventories.	Income due to insurance proceeds by the flooding in Thailand which is offset by losses on noncurrent assets, inventories and others.
*4. Gain on sales of noncurrent assets	Due to sales of buildings, land and others.	Due to sales of buildings, land and others.

(In millions of yen)

<table>
<tr><th>Items</th><th>Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)</th><th>Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)</th></tr>
<tr><td>*5.
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
· 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><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
· Tools, furniture and fixtures
· Software
· Investments and other assets, and others</td><td>Kawasaki City, Kanagawa Prefecture, and others</td></tr>
<tr><td>Assets for business use</td><td>· Buildings and structures
· Machinery and equipment, and others</td><td>Koka City, Shiga Prefecture, and others</td></tr>
<tr><td>Idle assets</td><td>· Land and others</td><td>Sunto County, Shizuoka Prefecture, and others</td></tr>
</table>
</td></tr>
</table>

(In millions of yen)

<table>
<tr><th>Items</th><th>Fiscal year ended
March 31, 2012
(From April 1, 2011
to March 31, 2012)</th><th>Fiscal year ended
March 31, 2013
(From April 1, 2012
to March 31, 2013)</th></tr>
<tr><td></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
Investments and other assets-other 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><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 829
Machinery and equipment 1,007
Tools, furniture and fixtures 1,787
Land 319
Construction in progress 117
Goodwill —
Software 13,685
Intangible assets-other 8
Investments and other assets-other 4,197
Total 21,949

(4)
Method for grouping assets

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

(In millions of yen)

Items	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
	(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 in case the total of future cash flow is a negative amount.
*6. Loss 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.
*7. Business structure improvement expenses	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.	Mainly for early retirement of employees due to business restructuring.
*8. Loss on disaster	Related to the flooding in Thailand, mainly fixed costs during the temporary shutdown period of operations.	―――

Notes to Consolidated Statements of Changes in Net Assets

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

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of April 1, 2012	Increase	Decrease	Number of shares as of March 31, 2013
Common stock	2,604,733	-	-	2,604,733

Reasons for the change

Not applicable

2 Dividends

(1) Payment of dividends

Not applicable

(2) Dividends which recorded date is within this fiscal year and effective date is within the following fiscal year

Resolution	Class of stock	Total dividends (In millions of yen)	Resource of dividends	Dividends per share (In yen)	Record date	Effective date
Meeting of Board of Directors held on April 26, 2013	Common stock	10,397	Retained earnings	4	March 31, 2013	June 3, 2013

Notes to Consolidated Statements of Cash Flows

(In millions of yen)

Items	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013	
*1. Reconciliation of cash and cash equivalents from the accounts recorded in consolidated balance sheets	Cash and deposits	195,443	Cash and deposits	174,295
	Short-term investment securities	58,407	Short-term investment securities	24,666
	Time deposits and Short-term investment securities with maturities of more than three months	(2,007)	Time deposits and Short-term investment securities with maturities of more than three months	(1,829)
	Cash and cash equivalents	251,843	Cash and cash equivalents	197,132

SEGMENT INFORMATION

[Segment information]

1. Outline of reportable segments

The reportable 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 four reportable segments of "IT Solutions Business", "Carrier Network Business", "Social Infrastructure Business" and "Personal Solutions Business".

The contents of each reportable segment are as follows:

IT Solutions Business

This reportable segment mainly renders Systems Integration (Systems Implementation, Consulting), Maintenance and Support and Outsourcing (Data Center Services, IT Operation Management) and Cloud Services, and 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 reportable 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 reportable 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 reportable segment manufactures and sells Smartphones, Mobile Phones, Business PCs, 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 reportable 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 reportable segments

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

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	IT Solutions	Carrier Network	Social Infrastructure	Personal Solutions	Total			
Sales								
1. Sales to customers	1,189,201	602,719	330,413	661,026	2,783,359	253,477	—	3,036,836
2. Intersegment sales and transfers	53,704	30,412	14,267	39,942	138,325	68,935	(207,260)	—
Total sales	1,242,905	633,131	344,680	700,968	2,921,684	322,412	(207,260)	3,036,836
Segment income (loss) (Operating income (loss))	44,772	50,629	16,167	1,035	112,603	11,141	(50,002)	73,742

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	IT Solutions	Carrier Network	Social Infrastructure	Personal Solutions	Total			
Sales								
1. Sales to customers	**1,245,827**	**647,690**	**372,323**	**589,149**	**2,854,989**	**216,620**	**—**	**3,071,609**
2. Intersegment sales and transfers	**47,595**	**26,475**	**14,927**	**41,061**	**130,058**	**65,334**	**(195,392)**	**—**
Total sales	**1,293,422**	**674,165**	**387,250**	**630,210**	**2,985,047**	**281,954**	**(195,392)**	**3,071,609**
Segment income (loss) (Operating income (loss))	**66,116**	**63,129**	**27,810**	**(3,690)**	**153,365**	**22,316**	**(61,034)**	**114,647**

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(In millions of U.S. dollars)

	Reportable Segments					Others	Adjustment	Consolidated total
	IT Solutions	Carrier Network	Social Infrastructure	Personal Solutions	Total			
Sales								
1. Sales to customers	**13,253**	**6,890**	**3,961**	**6,268**	**30,372**	**2,305**	**—**	**32,677**
2. Intersegment sales and transfers	**507**	**282**	**159**	**436**	**1,384**	**695**	**(2,079)**	**—**
Total sales	**13,760**	**7,172**	**4,120**	**6,704**	**31,756**	**3,000**	**(2,079)**	**32,677**
Segment income (loss) (Operating income (loss))	**703**	**672**	**296**	**(39)**	**1,632**	**237**	**(649)**	**1,220**

(Notes)

1. "Others" represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), Electronic Components and Lighting Equipment, which are not included in reportable segments.
2. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2012 includes corporate expenses of (50,851) million yen unallocated to each reportable segment and noncurrent assets related adjustment of 785 million yen, respectively. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2013 includes corporate expenses of (57,395) million yen ((611) millions of U.S. dollars) unallocated to each reportable segment and noncurrent assets related adjustment of (1,844) million yen ((20) millions of U.S. dollars), respectively. The corporate expenses, unallocated to each reportable segment, are mainly both general and administrative expenses incurred at headquarters of the Company, and research and development expenses.

SEGMENT INFORMATION (CONTINUED)

4. Change in reportable segments

From the first quarter of the fiscal year ended March 31, 2013, the reportable segment has been changed from five reportable segments, which are composed of "IT Services," "Platform," "Carrier Network," "Social Infrastructure" and "Personal Solutions," to four reportable segments, which are composed of "IT Solutions," "Carrier Network," "Social Infrastructure" and "Personal Solutions," due to the organizational reform on April 1, 2012. This change is the integration of "IT Services" and "Platform" into "IT Solutions" to drive the creation of powerful cloud services and the build-up of cloud platforms that enable flexible business procedures, as well as the consolidation of the energy business from "Carrier Network" into "Others" following the setup of the business operation unit, which will supervise the vertical integration of the energy business. With this change, segment information for the fiscal year ended March 31, 2012 has been reclassified to conform with the fiscal year ended March 31, 2013 presentation.

[Related information]

Information about geographic areas

Sales

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, 2013 (From April 1, 2012 to March 31, 2013)

(In millions of yen)

Japan	Asia	Europe	Others	Total
2,588,491	**162,320**	**84,168**	**236,630**	**3,071,609**

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(In millions of U.S. dollars)

Japan	Asia	Europe	Others	Total
27,537	**1,727**	**895**	**2,518**	**32,677**

(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
   The straight-line method based on 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, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Due within one year	19,494	22,312
Due over one year	84,806	77,457
Total	104,300	99,769

Notes: Income Taxes

(In millions of yen)

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)		Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	
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	219,368	Tax loss carry forwards	177,766
Pension and severance expenses	115,681	Pension and severance expenses	117,047
Accrued expenses and product warranty liabilities	46,625	Accrued expenses and product warranty liabilities	48,326
Loss on devaluation of inventories	37,214	Loss on devaluation of inventories	39,069
Depreciation	33,437	Depreciation	37,263
Investments in affiliated companies	17,111	Investments in affiliated companies	17,059
Loss on devaluation of investment securities	8,024	Loss on devaluation of investment securities	7,079
Provision for loss on construction contracts and others	3,755	Provision for loss on construction contracts and others	6,813
Elimination of unrealized profit through intercompany transactions among consolidated companies	4,241	Elimination of unrealized profit through intercompany transactions among consolidated companies	5,008
Provision for contingent loss	4,006	Provision for contingent loss	2,748
Research and development expenses	1,182	Research and development expenses	1,487
Provision for business structure improvement	10,263	Provision for business structure improvement	1,372
Others	43,773	Others	65,860
Sub-total	544,680	Sub-total	526,897
Less: valuation allowance	(326,029)	Less: valuation allowance	(313,274)
Total	218,651	Total	213,623
(Deferred tax liabilities)		(Deferred tax liabilities)	
Undistributed earnings of affiliated companies	(15,074)	Undistributed earnings of affiliated companies	(17,493)
Gain on transfer of securities to the pension trust	(19,317)	Gain on transfer of securities to the pension trust	(9,076)
Unrealized gains on available-for-sale securities	(7,165)	Unrealized gains on available-for-sale securities	(7,681)
Reserves under special taxation measures law	(180)	Reserves under special taxation measures law	(16)
Others	(7,289)	Others	(5,992)
Total	(49,025)	Total	(40,258)
Net deferred tax assets	169,626	Net deferred tax assets	173,365

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Note: Net deferred tax assets are included in the consolidated balance sheets as follows. Current assets -deferred tax assets: 76,222 Noncurrent assets -deferred tax assets: 96,476 Current liabilities -others: (32) Noncurrent liabilities -deferred tax liabilities: (3,040)	Note: Net deferred tax assets are included in the consolidated balance sheets as follows. Current assets -deferred tax assets: 78,761 Noncurrent assets -deferred tax assets: 97,570 Current liabilities -others: (735) Noncurrent liabilities -deferred tax liabilities: (2,231)
2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:	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, 2012	Fiscal year ended March 31, 2013
Statutory tax rate	40.5 %	38.0 %
(Reconciliation)		
Amortization of goodwill	179.4	8.5
Undistributed earnings of affiliated companies	247.2	4.2
Non-deductible expenses for tax purposes	31.2	1.3
Tax rates difference relating to overseas subsidiaries	(14.6)	0.3
Equity in losses (earnings) of affiliated companies	152.1	(0.4)
Changes in valuation allowance	1,786.3	(2.7)
Retirement benefit trust	—	(5.3)
Others	855.5	0.2
Effective tax rate	3,277.6 %	44.1 %

Notes: Marketable and Investment Securities

1. Available-for-sale securities

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).

Fiscal year ended March 31, 2013

(In millions of yen)

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

Notes:

The followings are not included in “1. Available-for-sale securities” table above - 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 56,826 million yen),
Investments in limited partnerships and similar partnerships under foreign laws (balance sheet value of 5,087 million yen), and Others (balance sheet value of 286 million yen).

2. Available-for-sale securities sold

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

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(In millions of yen)

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

3. Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 16,037 million yen and 804 million yen were recorded for the fiscal years ended March 31, 2012 and 2013, 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, 2012	Fiscal year ended March 31, 2013
A. Retirement benefit obligations	(929,558)	(968,387)
B. Plan assets	627,504	626,582
C. Unfunded retirement benefit obligations (A+B)	(302,054)	(341,805)
D. Unrecognized transitional obligation	34,068	22,227
E. Unrecognized actuarial gains and losses	231,659	287,071
F. Unrecognized prior service costs (reduction in obligations)	(63,164)	(54,658)
G. Net amounts recognized in the consolidated balance sheet (C+D+E+F)	(99,491)	(87,165)
H. Prepaid pension expenses	83,244	91,703
I. Liabilities for retirement benefits (G-H)	(182,735)	(178,868)

Notes:

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

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

3. Retirement benefit expenses

(In millions of yen)

	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
A. Service cost	30,762	30,697
B. Interest cost	23,051	22,479
C. Expected return on plan assets	(12,030)	(12,078)
D. Amortization of transitional obligation	11,867	11,631
E. Amortization of actuarial gains and losses	27,921	27,052
F. Amortization of prior service costs	(8,882)	(8,749)
G. Other (Note 2)	6,596	6,995
H. Retirement benefit expenses (A+B+C+D+E+F+G)	79,285	78,027

Notes:

1 Retirement benefit expenses of consolidated subsidiaries adopting the simplified method are included in “A. Service cost”.

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

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, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Mainly, 2.5%	Mainly, 1.4%

(3) Expected rate of return on plan assets

Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
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: Per Share Information

(In yen)

	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Net assets per share	252.83	273.51
Basic net income(loss) per share	(42.44)	11.71

Notes: 1. Diluted net income per share in the fiscal year ended March 31, 2012 is not disclosed due to the net loss per share although dilutive shares exist. Diluted net income per share in the fiscal year ended March 31, 2013 is not disclosed as dilutive share does not exist.
2. The basis for calculating net income(loss) per share is as follows.

	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Net income(loss) per share		
Net income(loss) (In millions of yen)	(110,267)	30,434
Amounts not attributable to common shareholders (In millions of yen)	—	—
Net income(loss) attributable to common stock (In millions of yen)	(110,267)	30,434
The average number of common stocks outstanding during the fiscal year (In thousands of shares)	2,598,442	2,598,383
Summary of equity instruments which were not included in the basis for calculating diluted net income per share as they are anti-dilutive	(a) Stock subscription rights 1 kind of stock subscription rights (the number of stock subscription rights is 124 units) Stock subscription rights issued by Renesas Electronics Corporation (the number of stock subscription rights is 280 units)	—

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

	Fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Net assets per share		
Total net assets (In millions of yen)	777,614	836,147
Amounts deducted from total net assets (In millions of yen)	120,658	125,481
(stock subscription rights included in the above)	(24)	—
(Minority interests included in the above)	(120,634)	(125,481)
Net assets at the year end attributable to common stock (In millions of yen)	656,956	710,666
Number of common stocks at the year end to calculate net assets per share (In thousands of shares)	2,598,412	2,598,352

Notes:　Subsequent Events

On April 26, 2013, the Company held a board of directors meeting and resolved that the Company would enter into a subscription contract with Marubeni Corporation (Marubeni). The contract stipulates that Marubeni, through MX Holdings Co., Ltd., a subsidiary of Marubeni, subscribes all of NEC's shares (7,410,000 shares) in NEC Mobiling, Ltd. (NEC Mobiling), a consolidating subsidiary of the Company, through a tender offer bid scheduled to be implemented from April 30, 2013. In the event of Marubeni's successful subscription through this tender offer bid, NEC Mobiling will no longer be a consolidating subsidiary of the Company. As a result, an extraordinary gain of approximately 16 billion yen from the sales of subsidiary's stocks is expected to be recorded in the consolidated financial statements for the fiscal year ending March 31, 2014.

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.

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