NEWS RELEASE

Empowered by Innovation NEC

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Full Year Consolidated Financial Results for the Fiscal Year Ended March 31, 2011

Consolidated Financial Results

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31, 2010	Change
	In billions of yen	In billions of yen	%
Net sales	3,115.4	3,583.1	-13.1
Operating income	57.8	50.9	13.6
Ordinary income	0.0	49.4	-99.9
Net income (loss)	-12.5	11.4	-
	yen	yen	yen
Net income per share:			
Basic	-4.82	5.04	-9.86
Diluted	-	4.91	-
	In billions of yen	In billions of yen	%
Total assets	2,628.9	2,937.6	-10.5
Number of employees	115,840	142,358	-

(Note)

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

	As of March 31, 2011	As of March 31, 2010
Consolidated subsidiaries	**283**	**310**
Affiliated companies accounted for by the equity method	**55**	**60**

1. Consolidated Business Results

As stated in the July 6, 2010 announcement, “NEC to Revise its Business Segments,” NEC has revised its business segments from the first quarter of the fiscal year ended March 31, 2011. 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, 2011 and outlook for the fiscal year ending March 31, 2012

The worldwide economy during the fiscal year ended March 31, 2011 showed signs of a self sustaining economic recovery as a result of continued expansion in emerging countries such as China and India and the effects of economic measures taken by governments in developed countries, including the United States and Europe, despite continued high unemployment throughout such developed countries, and the emergence of the financial crisis in Europe.

The Japanese economy exhibited positive signs through slow manufacturing improvement from the recovery of export and steady improvement of consumer spending being influenced by economic stimulus packages. However, severe consumer income conditions and employment continued and corporate capital investment have yet to make a full-scale recovery. Furthermore, economic activity was significantly impacted by the damages and accompanying production and distribution disruption, as well as power shortages and other results from the Great East Japan Earthquake of March 2011.

Under this business environment, the NEC Group took measures to implement the company’s three key strategic policies - “Promotion of C&C Cloud Strategy,” “Global Business Expansion,” and “New Business Creation” and strived to strengthen profitability for this first year of its mid-term growth plan, “V2012 -Beyond boundaries, Toward our Vision-.”

Firstly, in terms of promoting the company’s C&C Cloud strategy, the NEC Group promoted the delivery of cloud services throughout a wide variety of domains, including mission critical services for municipalities, together with the management of resident information and information sharing services between hospitals through the use of the NEC Group’s accomplishments in the IT and Network fields as well as its technologies and know-how. Moreover, the NEC Group thoroughly revised its business processes across the entire group as part of improving business efficiency and reducing costs, in addition to advancing activities that concentrate key IT systems for accounting, sales and procurement within a cloud environment. The technology and know-how acquired from the construction and operation of these new systems, which began full operation during this period, will be used for the construction of mission critical systems for customers. Additionally, the NEC Group actively promoted the creation of new business models in cooperation with customers, including the broad expansion of cloud services that combine the NEC Group's cloud technologies with customer business know-how. The NEC Group also took measures to expand data centers as part of strengthening business foundations for the provision of cloud services, in addition to maintaining and optimizing shared IT foundations for service provision. In support of telecommunications carriers, NEC provided the communications infrastructure for NTT DOCOMO, INC.'s launch of "Xi" in December 2010, a high-speed, high-capacity LTE mobile communications service.

Regarding the expansion of global business, the NEC Group promoted business expansion through regional headquarters in North America, Greater China, APAC (Asia Pacific) and EMEA (Europe, Middle East and Africa) that each utilize local leadership and cater to regional characteristics. A regional headquarters was established in Latin America in April 2011 as well, resulting in the establishment of a five pole global business structure. Furthermore, the NEC Group established bases for pooling the necessary technologies and know-how for promoting global business, including the carrier cloud business in support of expanding cloud services for telecommunication carrier subscribers, public safety business, including fingerprint identification, biometrics identification, and entry/exit management, as well as the indoor compact wireless base station (femtocell) business. Collectively, these technologies and know-how will be used to create optimized solutions that meet customer needs and to horizontally develop business throughout the entire NEC Group.

In terms of new business creation, the NEC Group's developments in the environment and energy fields include its promotion of lithium-ion rechargeable batteries for automobiles through a joint venture with Nissan Motor Co., Ltd., and its verification trials for high-speed recharging systems that are needed for the spread of electric automobiles. Moreover, the NEC Group began activities in support of the future smart grid markets, including the active promotion of verification trials with business partners for large-scale storage systems for electricity distribution, as well as energy management systems that optimize the use of energy for both homes and businesses. In the multifunction terminal domain, NEC began providing Android^{TM} equipped smartphones to the domestic market in Japan and expanded its lineup of tablet devices.

Regarding the strengthening of profitability, in addition to reducing costs, the management system for assessing profitability risks was also reinforced.

On top of these activities, NEC also improved its competitive strength by integrating its mobile phone business with Casio Hitachi Mobile Communications, Co., Ltd. and by reaching a strategic partnership agreement with Lenovo Group Limited in order to unify the two companies’ personal computer business.

NEC recorded consolidated sales of 3,115.4 billion yen for the fiscal year ended March 31, 2011, a decrease of 467.7 billion yen (13.1%) year-on-year. This was mainly due to NEC Electronics Corporation (currently Renesas Electronics Corporation), which had been engaged in the semiconductors business within the NEC Group, no longer being a consolidated subsidiary of NEC, the delayed recovery of domestic IT investment and the Great East Japan Earthquake.

Regarding profitability, consolidated operating income (loss) improved by 6.9 billion yen year-on-year, for an operating profit of 57.8 billion yen, mainly due to NEC Electronics Corporation, which recorded an operating loss during the previous fiscal year, no longer being a consolidated subsidiary, and improving operating income (loss) from the Platform business, despite worsening operating income (loss) from the IT Services business and Personal Solutions business.

In terms of ordinary income (loss), NEC recorded a profit of 0.04 billion yen, worsening by 49.4 billion yen year-on-year, despite improving operating income (loss), mainly due to equity in losses of affiliates.

Income (loss) before income taxes and minority interests was a loss of 15.7 billion yen, a year-on-year worsening of 71.3 billion yen. This was mainly due to worsening ordinary income (loss) and worsening extraordinary income (loss) from reduced gain on sales of subsidiaries and affiliates’ stocks.
Consolidated net income (loss) worsened by 23.9 billion yen year-on-year, to a loss of 12.5 billion yen, due mainly to a worsening of income (loss) before income taxes and minority interests, despite an improvement from reduced income taxes-deferred.

Consolidated sales of 3,300.0 billion yen are projected for the fiscal year ending March 31, 2012, a year-on-year increase of 5.9%. This is due to a forecast of steady sales increases through NEC's concentration on cloud related business, global business and new business domains, despite a reduced sales forecast as a result of the Great East Japan Earthquake. NEC anticipates operating income of 90.0 billion yen, a year-on-year increase of 32.2 billion yen, due to increased profits from expanding sales and the promotion of earnings restructuring. NEC also expects 15.0 billion yen of consolidated net income for the same period.

Regarding consolidated financial forecasts for the first half of the fiscal year ending March 31, 2012, due to the difficulty of gauging the effects from the Great East Japan Earthquake, NEC will postpone the announcement of first half forecasts. Further detail will be announced as soon as it becomes available.

Consolidated	Forecast for fiscal year ending March 31, 2012 In billions of yen	Comparison with fiscal year ended March 31, 2011
Sales	3,300.0	+5.9%
Operating income	90.0	+32.2 billion yen
Ordinary income	55.0	+55.0 billion yen
Net income	15.0	+27.5 billion yen

(2) Results by main business segment

Sales by segment (sales to external customers):

Segment	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Change
	In billions of yen	In billions of yen	%
IT Services	804.2	866.3	-7.2
Platform	375.8	373.7	0.6
Carrier Network	605.4	627.4	-3.5
Social Infrastructure	318.8	316.6	0.7
Personal Solutions	766.5	737.7	3.9
Others	244.7	661.4	-63.0
Total	3,115.4	3,583.1	-13.1

Operating income or loss by segment

Segment	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Change
	In billions of yen	In billions of yen	In billions of yen
IT Services	21.4	53.2	-31.8
Platform	8.9	-1.7	10.6
Carrier Network	40.7	31.3	9.4
Social Infrastructure	14.6	21.7	-7.1
Personal Solutions	-1.9	18.9	-20.8
Others	7.3	-44.9	52.2
Adjustment	-33.2	-27.5	-5.6
Total	57.8	50.9	6.9

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

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

IT Services Business

Sales:	804.2 billion yen	(-7.2%)
Operating Income (Loss):	21.4 billion yen	(-31.8 billion yen)

In the IT Services business, sales were 804.2 billion yen, a decrease of 62.1 billion yen (-7.2%) year-on-year, mainly impacted by the delayed recovery of IT investment in Japan and a decline in large-scale projects, despite the steady growth of sales in cloud services and outsourcing.

Operating income (loss) worsened by 31.8 billion yen year-on-year, to an operating income of 21.4 billion yen, mainly owing to reduced sales, worsening profitability from heavy price competition and an increase in non-profitable projects.

Platform Business

Sales:	375.8 billion yen	(+0.6%)
Operating Income (Loss):	8.9 billion yen	(+10.6 billion yen)

In the Platform business, sales were 375.8 billion yen, an increase of 2.1 billion yen (+0.6%) year-on-year, mainly due to the steady growth of software sales, despite a decrease in hardware sales, including servers.

Operating income (loss) improved by 10.6 billion yen year-on-year, to an operating income of 8.9 billion yen, mainly owing to an increase in sales and continued cost reductions.

Carrier Network Business

Sales:	605.4 billion yen	(-3.5%)
Operating Income (Loss):	40.7 billion yen	(+9.4 billion yen)

In the Carrier Network business, sales were 605.4 billion yen, a decrease of 22.0 billion yen (-3.5%) year-on-year, mainly due to the influence of exchange rate fluctuation and the delay of contractual procedures for submarine network systems, despite an increase in the sales of wireless communications equipment in domestic markets and cable television related systems.

Operating income (loss) improved by 9.4 billion yen year-on-year, to an operating income of 40.7 billion yen, mainly owing to streamlining costs and increased sales in the second half of the fiscal year.

Social Infrastructure Business

Sales:	318.8 billion yen	(+0.7%)
Operating Income (Loss)	14.6 billion yen	(-7.1 billion yen)

In the Social Infrastructure business, sales were 318.8 billion yen, an increase of 2.2 billion yen (+0.7%) year-on-year, mainly due to the steady growth of the social system field, including transportation systems and fire and disaster prevention systems, despite a decrease in sales in the aerospace and defense systems fields.

Operating income (loss) worsened by 7.1 billion yen year-on-year, for an operating income of 14.6 billion yen, mainly owing to the influence of highly profitable projects from the previous period and increasing costs for strengthening the company’s organization of development and sales in the social system field, despite an effort to reduce costs.

Personal Solutions Business

Sales:	766.5 billion yen	(+3.9%)
Operating Income (Loss):	-1.9 billion yen	(-20.8 billion yen)

In the Personal Solutions business, sales were 766.5 billion yen, an increase of 28.8 billion yen (+3.9%) year-on-year, mainly due to the integration of the mobile phone business with Casio Hitachi Mobile Communications Co., Ltd. and an increase in sales in display business for overseas markets, despite sluggish sales of mobile phones.

Operating income (loss) worsened by 20.8 billion yen year-on-year, to an operating loss of 1.9 billion yen, mainly owing to sluggish sales of mobile phones and an increase in development costs for new devices, including smartphones and others.

Others

Sales:	244.7 billion yen	(-63.0%)
Operating Income (Loss):	7.3 billion yen	(+52.2 billion yen)

In Others, sales were 244.7 billion yen, a decrease of 416.6 billion yen (-63.0%) year-on-year, mainly due to NEC Electronics Corporation (currently Renesas Electronics Corporation), which had been engaged in the semiconductor business within the NEC Group, no longer being a consolidated subsidiary of NEC.

Operating income (loss) improved by 52.2 billion yen year-on-year, to an operating income of 7.3 billion yen, mainly due to NEC Electronics Corporation, which recorded an operating loss during the previous fiscal year, no longer being a consolidated subsidiary of NEC.

2. Consolidated Financial Condition

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

Total assets were 2,628.9 billion yen as of March 31, 2011, a decrease of 308.7 billion yen as compared with the end of the previous fiscal year. Current assets as of March 31, 2011 decreased by 200.4 billion yen compared with the end of the previous fiscal year to 1,442.6 billion yen and noncurrent assets decreased by 108.3 billion yen compared with the end of the previous fiscal year to 1,186.4 billion yen, mainly due to a decrease in accounts receivable, inventory and property, plant and equipment as a result of NEC Electronics Corporation no longer being a consolidated subsidiary, despite investment in Renesas Electronics Corporation, which became an affiliate company accounted for by the equity method, being recorded in “stocks of subsidiaries and affiliates.”

Total liabilities as of March 31, 2011 decreased by 252.2 billion yen as compared with the end of the previous fiscal year, to 1,753.5 billion yen. This was mainly due to a decrease in accounts payable-trade liabilities and accrued expenses as a result of NEC Electronics Corporation no longer being a consolidated subsidiary, despite the issuance of commercial papers and bonds. The balance of interest-bearing debt decreased by 53.8 billion yen as compared with the end of the previous fiscal year, to 675.8 billion yen and the debt-equity ratio as of March 31, 2011 was 0.89 (an improvement of 0.03 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of March 31, 2011, obtained by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 471.9 billion yen, an increase of 72.9 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of March 31, 2011 was 0.62 (a worsening of 0.12 points as compared with the end of the previous fiscal year).

Total net assets were 875.4 billion yen as of March 31, 2011, a decrease of 56.5 billion yen as compared with the end of the previous fiscal year, mainly due to a decrease in minority interests.

As a result, the owner’s equity as of March 31, 2011 was 757.1 billion yen and owner’s equity ratio was 28.8% (an improvement of 1.9 points as compared with the end of the previous fiscal year).

Net cash flows from operating activities for the fiscal year ended March 31, 2011 was a cash inflow of 33.7 billion yen, a cash inflow worsening of 101.2 billion yen year-on-year mainly due to worsening income before income taxes and minority interests.

Net cash flows from investing activities for the fiscal year ended March 31, 2011 was a cash outflow of 146.2 billion yen, an outflow increase of 105.0 billion yen year-on-year mainly due to decreased inflows from the sales of stocks of subsidiaries and affiliates.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the fiscal year ended March 31, 2011 totaled a cash outflow of 112.6 billion yen, a worsening of 206.2 billion yen year-on-year.

Net cash flows from financing activities for the fiscal year ended March 31, 2011 totaled a cash inflow of 73.1 billion yen, mainly due to financing from the issuance of commercial papers and bonds, despite the payment of long-term loans payable.

As a result, cash and cash equivalents decreased by 43.6 billion yen as compared with the end of the previous fiscal year. Cash and cash equivalents amounted to 203.9 billion yen due to an additional decrease of 83.1 billion yen resulting from change of the scope of consolidation and others.

② *Changes in cash flow related indices*

	Year ended March 31, 2009	**Year ended March 31, 2010**	**Year ended March 31, 2011**
Owner's equity ratio	20.9%	26.9%	28.8%
Owner's equity ratio on market value basis	17.4%	24.9%	17.9%
Cash flow to interest-bearing debt ratio	31.5 times	6.1 times	20.9 times
Interest coverage ratio	2.2 times	13.8 times	5.1 times

Calculation methods for the above indices:

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

Owner’s equity ratio on market value basis:

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

Cash flow to interest-baring debt ratio:

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

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

Interest coverage ratio:

Cash flows from operating activities / interest expenses

(Notes)

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

3. Fundamental Policy on Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2011 and the Fiscal Year Ending March 31, 2012

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

Regrettably, NEC will not pay an annual dividend for the fiscal year ended March 31, 2011 in consideration of the profits earned in the fiscal year ended March 31, 2011, the uncertain future business environment and others.

For the fiscal year ending March 31, 2012, NEC has not yet determined its interim dividend or its year-end dividend.

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 84.6% of its total net sales in the fiscal year ended March 31, 2011. The Japanese economy will decline significantly on a temporary basis due to the Great East Japan Earthquake. A delayed economic recovery caused by continued supply chain disruption and power shortages 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, it will be more difficult for the NEC Group to respond appropriately to changing market conditions.

<2> Volatile nature of the markets

The markets for some of the NEC Group's products, including mobile handsets, personal computers, and electronic devices, are highly volatile. Downturns have been characterized by diminished demand, obsolete products excess inventories, accelerated erosion of prices, and periodic production overcapacity. 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> Mid-term growth plan

While the NEC Group is implementing measures for expanding its business and improving its profitability based on the mid-term growth plan, "V2012-Beyond boundaries, Toward our Vision-" which was announced in February 2010, the NEC Group may not be able to successfully implement strategies or measures based on this mid-term growth plan or realize all or part of the benefits that it expects from them.

Any failure or unanticipated difficulties in implementing its strategies or measures based on the mid-term growth plan could significantly disrupt the NEC Group’s operations and adversely affect its results of operations, financial condition and reputation.

<2> 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.

<3> 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.

<4> 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.

<5> 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 14.6% of its net sales in the fiscal year ended March 31, 2011 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 significant business or financial problems or otherwise, the NEC Group's business, results of operations and financial condition may be adversely affected. In addition, the NEC Group's business may be adversely affected if the NTT group begins to manufacture products that the NEC Group supplies or acquires its competitors.

<9> Risks related to customers' financial difficulties

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

<10> Retention of personnel

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

<11> Financing

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

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

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

<1> Internal control

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

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

<2> Legal proceedings

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

The NEC Group may also from time to time be involved in various lawsuits and legal proceedings other than intellectual property infringement claims.

NEC has been subject to the investigation by the Brazilian competition authority in connection with the potential violation of the Brazilian competition law in the DRAM industry. In Canada, some of the NEC group companies have been named as one of the defendants in a class action civil antitrust lawsuit seeking damages for alleged violation of antitrust laws in the DRAM industry.

The NEC Group companies have been subject to the investigation in connection with potential violation of the antimonopoly laws (antitrust laws, competition laws) in the TFT LCD module industry conducted by the U.S. Department of Justice ("DOJ"), the European Commission, the Korea Fair Trade Commission and the Competition Bureau of Canada. In December 2010, the European Commission announced that it imposed fines on Korean and Taiwanese companies, but the NEC Group has not been subject to such fines.

Furthermore, in the United States, NEC has been named as one of the defendants in a class action lawsuit for alleged violation of antitrust laws in the optical disk drive industry. Some defendants of the lawsuit have been ordered to provide information to DOJ, but NEC has not received such an order.

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 carryforwards 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 carryforward period are lower than forecasted, due to further deterioration in market conditions or other circumstances. In addition, the amount of the NEC Group's deferred tax assets could be reduced due to changes in tax laws, regulations or accounting principles related to future deductions of income tax rates. Any such reduction will adversely affect the NEC Group's income for the period of the adjustment.

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

<6> Information management

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

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

⑤ Other Risks

<1> Natural and fire disasters

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

<2> Accounting policies

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

<3> Retirement benefit obligations

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

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

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

Management Policy

1. Fundamental Management Policy

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

To pursue this philosophy, the NEC Group jointly adopted the “NEC Group Vision 2017,” which represents the NEC Group’s desired image of society and group business in 2017, as well as the “NEC Group Values” of shared behavioral principles and values that are necessary to realize the NEC Group’s 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 people and the earth, where information and communication technology help people as an integral part of their lives, and act in harmony with the global environment through innovation that unites the powers of intelligence, expertise and technology inside and outside the NEC Group.

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

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

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

2. Management Indicator Goals

The NEC Group aims to realize certain operating results as a leading global corporate group, and attaches paramount importance to ROE as a management indicator for improving profitability. Although the NEC Group posted a net loss in the fiscal year ended March 31, 2011, the NEC Group will aim for net income improvements in the next fiscal year.

NEC is also seeking to achieve an ROE of 10% in the fiscal year ending March 31, 2013 through its mid-term growth plan, “V2012 - Beyond boundaries, Toward our Vision -,” as announced in February 2010.

3. Middle and Long Term Management Strategy

The NEC Group outlined that it aims to achieve the “NEC Group Vision 2017” through customer-driven solutions leveraging our competitive strength in the integration of IT and networks in its mid-term growth plan, “V2012 - Beyond boundaries, Toward our Vision -.” Basing the mid-term growth plan “V2012” as a milestone for achieving the “NEC Group Vision 2017,” the NEC Group strives to accelerate its business activities focused on expanding its business and improving its profitability while moving into the “cloud era.”

4. Challenges to be Addressed by the NEC Group

During this first year of the mid-term growth plan “V2012,” although the NEC Group took measures to implement its key strategic policies in support of “V2012,” “Promotion of C&C Cloud Strategy,” “Global Business Expansion,” and “New Business Creation,” the NEC Group was unable to achieve its original targets due to an inability to quickly implement strategies for the construction of a global business structure or the development of new products and services for business expansion.

In the fiscal year ending March 31, 2012, the NEC Group will concentrate on business expansion while also accelerating its efforts to strengthen profitability as part of its mid-term growth plan “V2012” and the succeeding “NEC Group Vision 2017.”

In terms of business expansion, the NEC Group will first dedicate itself to three key strategic policies in support of “V2012.”

The NEC Group is capitalizing on its strengths in both the IT and Network fields to provide total solutions that include the provision of cloud services for enterprises and local governments, IT platforms for the provision of cloud services, sensors that handle a wide variety of electric information as electronic data, and multifunction terminals. Furthermore, the NEC Group is providing communications infrastructure, including high speed, high capacity mobile communications systems, in anticipation of increased communications demand from the spread of multifunction terminals, such as smartphones and tablet devices. This communications infrastructure will be the platform for the provision of various cloud services.

Looking forward, the NEC Group seeks to leverage its achievements and know-how to enhance its lineup of the most suitable cloud services for a full range of industries, including government offices, manufacturers and distributors, and to drive the expansion of sales. Furthermore, the NEC Group will utilize the technologies and know-how cultivated through the group’s internal implementation of cloud services for core IT systems in order to win orders from customers for additional mission critical cloud service development. Moreover, the NEC Group will strengthen its international business coordination in order to expand cloud service sales on a global scale. The NEC Group will drive the promotion of its “C&C Cloud Strategy,” including its provision of cloud services for mobile environments, by capitalizing on the NEC Group’s wireless technology strengths.

Regarding global business, the NEC Group aims to expand business by executing decisions quickly and effectively, and by promoting operations through the unified regional leadership of five regional headquarters covering North America, Latin America, Greater China, APAC (Asia Pacific) and EMEA (Europe, Middle East, Africa), accelerating the transfer of responsibility to local subsidiaries, localizing the management layer and advancing personnel policies. The NEC Group will devote particular attention to the educational, environmental, energy, medical and public safety fields which are forecast to experience particularly high growth in emerging markets, including Asia.

In terms of new business, the NEC Group aims to increase sales for the business of lithium-ion rechargeable batteries for automobiles together with Nissan Motor Co., Ltd. by strengthening competitive power through expanded production capacity, improved quality, advanced price competitiveness and reduced lead time. Furthermore, the NEC Group is also leveraging these technologies for automobile oriented lithium-ion rechargeable batteries to expand sales outside of the automotive field. Moreover, in the smart grid field, business ties are steadily being formed from the results of verification trials conducted in the fiscal year ended March 31, 2011 for energy management systems for homes and businesses as well as trials for large-scale energy storage systems for energy distribution.

In the area of multifunction terminals, including smartphones and tablet devices, the NEC Group seeks to provide the products utilizing its technologies and know-how to support a wide range of needs while the NEC Group forms additional partnerships in order to further drive the full development of new business.

Additionally, the NEC Group focuses on effectively combining its wide range of assets, including products, services and technologies, in order to create new business opportunities as “One NEC.”

In terms of reinforcing profitability, the NEC Group seeks to reduce non-profitable projects by strengthening the risk management regarding its project profitability as well as its contract conditions. Moreover, the company aims to fully engage in quality control. In order to maximize its profits, the NEC Group will continue to promote cost reductions and to drive the operational efficiency of indirect departments.

To all of those impacted by the Great East Japan Earthquake, the NEC Group is contributing towards ongoing recovery efforts by concentrating its technologies and assets as “One NEC.” Specifically, the NEC Group is utilizing its IT and Network strength to reestablish communications infrastructure, including wireless communications, in preparation for future disasters. The NEC Group is also providing cloud services for local governments that enable the use of information systems through networks, as well as providing cloud services that enable information sharing between hospitals. All of these are part of the NEC Group’s efforts towards the realization of a safe and secure society that uses information and communications technology (ICT) to create an environment where services can be utilized at any time, from any location. The NEC Group leverages its technologies and know-how to contribute to energy policies through lithium-ion rechargeable batteries for automobiles, energy management systems that optimize the energy of homes and businesses and energy conserving products such as an energy conserving server.

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

The NEC Group will devote its full attention to implementing these measures, which target expanded business and reinforced earnings, 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, 2010		**March 31, 2011**	**March 31, 2011**
Current assets		JPY 1,642,965		**JPY 1,442,580**	**$17,381**
Cash and deposits		195,095		**184,662**	**2,225**
Notes and accounts receivable-trade	*5	773,388	*5	**726,355**	**8,751**
Short-term investment securities		136,747		**20,757**	**250**
Merchandise and finished goods	*6	109,852	*6	**95,567**	**1,151**
Work in process	*6	121,082	*6	**99,868**	**1,203**
Raw materials and supplies	*6	84,618	*6	**69,308**	**835**
Deferred tax assets		93,307		**97,431**	**1,174**
Other		134,900		**153,104**	**1,846**
Allowance for doubtful accounts		(6,024)		**(4,472)**	**(54)**
Noncurrent assets		1,294,679		**1,186,351**	**14,293**
Property, plant and equipment		554,051		**341,175**	**4,111**
Buildings and structures, net	*1,2	207,535	*1,2	**146,782**	**1,768**
Machinery and equipment, net	*1,2	133,018	*1,2	**43,933**	**529**
Tools, furniture and fixtures, net	*1	77,681	*1	**61,862**	**745**
Land	*2	91,938	*2	**75,550**	**910**
Construction in progress		43,879		**13,048**	**159**
Intangible assets		218,894		**208,202**	**2,508**
Goodwill		97,458		**88,941**	**1,072**
Software		117,278		**116,169**	**1,400**
Other		4,158		**3,092**	**36**
Investments and other assets		521,734		**636,974**	**7,674**
Investment securities		151,221		**137,692**	**1,659**
Stocks of subsidiaries and affiliates	*3	89,499	*3	**133,993**	**1,614**
Deferred tax assets		140,829		**174,707**	**2,105**
Other		150,025		**207,848**	**2,504**
Allowance for doubtful accounts		(9,840)		**(17,266)**	**(208)**
Total assets		JPY 2,937,644		**JPY 2,628,931**	**$31,674**

(Note)

US dollar amounts are translated from yen, for convenience only, at the rate of US$1 = 83 yen.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

		March 31, 2010		March 31, 2011	March 31, 2011
Current liabilities		JPY 1,278,147		**JPY 1,180,528**	**$14,223**
Notes and accounts payable-trade		522,533		**464,529**	**5,597**
Short-term loans payable	*2	69,163	*2	**48,780**	**588**
Commercial papers		21,998		**163,978**	**1,976**
Current portion of long-term loans payable	*2	169,507	*2	**13,245**	**160**
Current portion of bonds		19,830		**-**	**-**
Current portion of convertible bonds		-		**97,669**	**1,177**
Accrued expenses		175,660		**160,559**	**1,934**
Advances received		65,550		**58,437**	**704**
Provision for product warranties		27,887		**24,827**	**299**
Provision for directors' bonuses		262		**266**	**3**
Provision for loss on construction contracts and others		14,088		**9,763**	**118**
Provision for loss on guarantees		10,985		**-**	**-**
Provision for business structure improvement		11,602		**7,138**	**86**
Provision for contingent loss		10,886		**3,989**	**48**
Other		158,196		**127,348**	**1,533**
Noncurrent liabilities		727,585		**572,962**	**6,903**
Bonds payable		50,005		**200,000**	**2,410**
Convertible bonds		97,669		-	**-**
Bonds with subscription rights to shares		110,000		-	**-**
Long-term loans payable	*2	158,876	*2	**137,846**	**1,661**
Deferred tax liabilities		8,913		**1,125**	**14**
Provision for retirement benefits		237,645		**182,022**	**2,193**
Provision for product warranties		1,566		**2,062**	**25**
Provision for loss on repurchase of computers		9,355		**7,620**	**92**
Provision for recycling expenses of personal computers		6,537		**6,004**	**72**
Provision for business structure improvement		1,139		**1,326**	**16**
Provision for contingent loss		11,163		**8,810**	**106**
Other		34,717		**26,147**	**314**
Total liabilities		2,005,732		**1,753,490**	**21,126**
Shareholders' equity		803,552		**780,045**	**9,399**
Capital stock		397,199		**397,199**	**4,785**
Capital surplus		192,843		**192,837**	**2,324**
Retained earnings		216,439		**192,943**	**2,325**
Treasury stock		(2,929)		**(2,934)**	**(35)**
Accumulated other comprehensive income		(12,648)		**(22,991)**	**(277)**
Valuation difference on available-for-sale securities		10,218		**4,167**	**50**
Deferred gains or losses on hedges		61		**132**	**2**
Foreign currency translation adjustment		(22,927)		**(27,290)**	**(329)**
Subscription rights to shares		93		**33**	**0**
Minority interests		140,915		**118,354**	**1,426**
Total net assets		931,912		**875,441**	**10,548**
Total liabilities and net assets		JPY 2,937,644		**JPY 2,628,931**	**$31,674**

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF INCOME

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

Fiscal year ended March 31	2010	**2011**	**2011**
Net sales	JPY 3,583,148	**JPY 3,115,424**	**$37,535**
Cost of sales	2,492,403	**2,199,973**	**26,505**
Gross profit	1,090,745	**915,451**	**11,030**
Selling, general and administrative expenses	1,039,840	**857,631**	**10,333**
Operating income	50,905	**57,820**	**697**
Non-operating income	56,547	**16,953**	**204**
Interest income	1,337	**1,327**	**16**
Dividends income	4,152	**4,118**	**50**
Reversal of provision for contingent loss	30,853	**-**	**-**
Equity in earnings of affiliates	7,336	**-**	**-**
Other	12,869	**11,508**	**138**
Non-operating expenses	58,023	**74,732**	**901**
Interest expenses	9,736	**6,614**	**80**
Equity in losses of affiliates	-	**38,533**	**464**
Retirement benefit expenses	14,441	**12,057**	**145**
Foreign exchange losses	1,953	**1,488**	**18**
Loss on abandonment of noncurrent assets	8,249	**-**	**-**
Provision for contingent loss	6,496	**-**	**-**
Other	17,148	**16,040**	**194**
Ordinary income	49,429	**41**	**0**
Extraordinary income	31,511	**28,270**	**341**
Gain on contribution of securities to retirement benefit trust	-	*1 **19,206**	**232**
Gain on sales of investment securities	537	**2,492**	**30**
Gain on sales of subsidiaries and affiliates' stocks	*2 22,383	*2 **2,299**	**28**
Reversal of provision for loss on guarantees	3,312	**1,557**	**19**
Gain on sales of noncurrent assets	*3 4,225	*3 **1,266**	**15**
Reversal of provision for recycling expenses of personal computers	1,024	**1,193**	**14**
Gain on transfer of business	-	*4 **249**	**3**
Gain on reversal of subscription rights to shares	30	**8**	**0**
Extraordinary loss	25,286	**43,998**	**530**
Business structure improvement expenses	*5 10,245	*5 **15,477**	**187**
Loss on change in equity	-	*6 **5,996**	**72**
Loss on disaster	-	*7 **5,972**	**72**
Impairment loss	*8 6,973	*8 **5,873**	**71**
Loss on valuation of investment securities	*9 891	*9 **4,319**	**52**
Cost of corrective measures for products	*10 2,487	*10 **3,697**	**45**
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	**1,434**	**17**
Loss on sales of stocks of subsidiaries and affiliates	*11 3,112	*11 **1,002**	**12**
Provision for loss on guarantees	-	**201**	**2**
Loss on sales of noncurrent assets	12	**19**	**0**
Loss on sales of investment securities	39	**8**	**0**
Loss on retirement of noncurrent assets	*12 1,527	**-**	**-**
Income (loss) before income taxes and minority interests	55,654	**(15,687)**	**(189)**
Income taxes	41,238	**(8,796)**	**(106)**
Income taxes - current	28,577	**27,788**	**335**
Income taxes - deferred	12,661	**(36,584)**	**(441)**
Loss before minority interests	-	**(6,891)**	**(83)**
Minority interests in income	2,988	**5,627**	**68**
Net income (loss)	JPY 11,428	**JPY (12,518)**	**$(151)**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

Fiscal year ended March 31		2011	2011
Loss before minority interests		JPY (6,891)	$(83)
Other comprehensive income	*2	(7,435)	(90)
Valuation difference on available-for-sale securities		(5,941)	(72)
Deferred gains or losses on hedges		11	0
Foreign currency translation adjustment		2,470	30
Share of other comprehensive income of associates accounted for using equity method		(3,975)	(48)
Comprehensive income	*1	JPY (14,326)	$(173)
Breakdown:			
Comprehensive income attributable to owners of the parent		JPY (22,861)	$(276)
Comprehensive income attributable to minority interests		8,535	103

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Fiscal year ended March 31	2010	2011	2011
Shareholders' equity			
Capital Stock			
Balance at the end of previous period	JPY 337,940	**JPY 397,199**	**$ 4,785**
Changes of items during the period			
Issuance of new shares	59,260	**-**	**-**
Total changes of items during the period	59,260	**-**	**-**
Balance at the end of period	397,199	**397,199**	**4,785**
Capital surplus			
Balance at the end of previous period	464,875	**192,843**	**2,324**
Changes of items during the period			
Issuance of new shares	59,260	**-**	**-**
Deficit disposition	(331,287)	**-**	**-**
Disposal of treasury stock	(5)	**(6)**	**(0)**
Total changes of items during the period	(272,033)	**(6)**	**(0)**
Balance at the end of period	192,843	**192,837**	**2,324**
Retained earnings			
Balance at the end of previous period	(126,276)	**216,439**	**2,608**
Changes of items during the period			
Dividends from surplus	-	**(10,395)**	**(125)**
Deficit disposition	331,287	**-**	**-**
Net income (loss)	11,428	**(12,518)**	**(151)**
Change of scope of equity method	-	**(583)**	**(7)**
Total changes of items during the period	342,715	**(23,496)**	**(283)**
Balance at the end of period	216,439	**192,943**	**2,325**
Treasury Stock			
Balance at the end of previous period	(2,982)	**(2,929)**	**(35)**
Changes of items during the period			
Purchase of treasury stock	(47)	**(40)**	**(0)**
Disposal of treasury stock	100	**12**	**0**
Change in equity in affiliates accounted for by equity method-treasury stock	-	**23**	**0**
Total changes of items during the period	53	**(5)**	**(0)**
Balance at the end of period	(2,929)	**(2,934)**	**(35)**
Total shareholders' equity			
Balance at the end of previous period	673,557	**803,552**	**9,682**
Changes of items during the period			
Issuance of new shares	118,519	**-**	**-**
Deficit disposition	-	**-**	**-**
Dividends from surplus	-	**(10,395)**	**(125)**
Net income (loss)	11,428	**(12,518)**	**(151)**
Purchase of treasury stock	(47)	**(40)**	**(0)**
Disposal of treasury stock	95	**6**	**0**
Change in equity in affiliates accounted for by equity method-treasury stock	-	**23**	**0**
Change of scope of equity method	-	**(583)**	**(7)**
Total changes of items during the period	129,995	**(23,507)**	**(283)**
Balance at the end of period	JPY 803,552	**JPY 780,045**	**$ 9,399**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS(CONTINUED)

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

Fiscal year ended March 31	2010	2011	2011
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	JPY (6,228)	**JPY 10,218**	**$123**
Changes of items during the period			
Net changes of items other than shareholders' equity	16,446	**(6,051)**	**(73)**
Total changes of items during the period	16,446	**(6,051)**	**(73)**
Balance at the end of period	10,218	**4,167**	**50**
Deferred gains or losses on hedges			
Balance at the end of previous period	(120)	**61**	**1**
Changes of items during the period			
Net changes of items other than shareholders' equity	181	**71**	**1**
Total changes of items during the period	181	**71**	**1**
Balance at the end of period	61	**132**	**2**
Foreign currency translation adjustment			
Balance at the end of previous period	(25,555)	**(22,927)**	**(276)**
Changes of items during the period			
Net changes of items other than shareholders' equity	2,628	**(4,363)**	**(53)**
Total changes of items during the period	2,628	**(4,363)**	**(53)**
Balance at the end of period	(22,927)	**(27,290)**	**(329)**
Total accumulated other comprehensive Income			
Balance at the end of previous period	(31,903)	**(12,648)**	**(152)**
Changes of items during the period			
Net changes of items other than shareholders' equity	19,255	**(10,343)**	**(125)**
Total changes of items during the period	19,255	**(10,343)**	**(125)**
Balance at the end of period	(12,648)	**(22,991)**	**(277)**
Subscription rights to shares			
Balance at the end of previous period	123	**93**	**1**
Changes of items during the period			
Net changes of items other than shareholders' equity	(30)	**(60)**	**(1)**
Total changes of items during the period	(30)	**(60)**	**(1)**
Balance at the end of period	93	**33**	**0**
Minority interests			
Balance at the end of previous period	143,788	**140,915**	**1,697**
Changes of items during the period			
Net changes of items other than shareholders' equity	(2,873)	**(22,561)**	**(271)**
Total changes of items during the period	(2,873)	**(22,561)**	**(271)**
Balance at the end of period	140,915	**118,354**	**1,426**
Total net assets			
Balance at the end of previous period	785,565	**931,912**	**11,228**
Changes of items during the period			
Issuance of new shares	118,519	**-**	**-**
Deficit disposition	-	**-**	**-**
Dividends from surplus	-	**(10,395)**	**(125)**
Net income (loss)	11,428	**(12,518)**	**(151)**
Purchase of treasury stock	(47)	**(40)**	**(0)**
Disposal of treasury stock	95	**6**	**0**
Change in equity in affiliates accounted for by equity method-treasury stock	-	**23**	**0**
Change of scope of equity method	-	**(583)**	**(7)**
Net changes of items other than shareholders' equity	16,352	**(32,964)**	**(397)**
Total changes of items during the period	146,347	**(56,471)**	**(680)**
Balance at the end of period	JPY 931,912	**JPY 875,441**	**$ 10,548**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Fiscal year ended March 31	2010	2011	2011
Ⅰ. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	JPY 55,654	**JPY (15,687)**	**$(189)**
Depreciation and amortization	148,008	**90,614**	**1,092**
Equity in (earnings) losses of affiliates	(7,336)	**38,533**	**464**
Loss on change in equity	-	**5,996**	**72**
Increase in notes and accounts receivable-trade	(25,246)	**(478)**	**(6)**
Decrease in inventories	63,132	**3,349**	**40**
Decrease in notes and accounts payable-trade	(8,582)	**(10,380)**	**(125)**
Income taxes paid	(29,331)	**(27,399)**	**(330)**
Others, net	(61,483)	**(50,888)**	**(612)**
Net cash provided by operating activities	134,816	**33,660**	**406**
Ⅱ. Cash flows from investing activities:			
Net proceeds from (payment of) acquisitions and sales of property, plant and equipment	(75,512)	**(53,812)**	**(648)**
Purchase of intangible assets	(29,592)	**(29,471)**	**(355)**
Net proceeds from (payment of) purchases and sales of securities	58,233	**(57,721)**	**(695)**
Others, net	5,630	**(5,240)**	**(64)**
Net cash used in investing activities	(41,241)	**(146,244)**	**(1,762)**
Ⅲ. Cash flows from financing activities:			
Net proceeds from (payment of) bonds and borrowings	(196,186)	**84,985**	**1,024**
Proceeds from issuance of common stock	118,519	**-**	**-**
Cash dividends paid	(63)	**(10,396)**	**(125)**
Others, net	(2,678)	**(1,514)**	**(19)**
Net cash provided by (used in) financing activities	(80,408)	**73,075**	**880**
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	110	**(4,073)**	**(49)**
Ⅴ. Net increase (decrease) in cash and cash equivalents	13,277	**(43,582)**	**(525)**
Ⅵ. Cash and cash equivalents at beginning of period	317,271	**330,548**	**3,983**
Ⅶ. Decrease in cash and cash equivalents resulting from change of scope of consolidation	-	**(92,787)**	**(1,118)**
Ⅷ. Increase in cash and cash equivalents resulting from merger	-	**9,700**	**116**
Ⅸ. Cash and cash equivalents at end of period	*1 JPY 330,548	*1 **JPY 203,879**	**$2,456**

Changes in Significant Items for Presenting Consolidated Financial Statements

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
――――――――――――	(Application of "Accounting Standard for Asset Retirement Obligations") From this fiscal year, NEC Corporation and its consolidated subsidiaries ("the Group") applies the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18 of March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 of March 31, 2008). Although the impact of this change on operating income (loss), ordinary income (loss) and segment information is immaterial, 1,434 million yen is recorded loss on adjustment for changes of accounting standard for asset retirement obligations as extraordinary loss.
――――――――――――	(Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”) From this fiscal year, the Group applies the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 of March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24 of March 10, 2008). This change has no impact on income (loss) and segment information.

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
――――――――――――	(Application of "Accounting Standard for Business Combinations" and others) From this fiscal year, the Group applies the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008), the "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 of December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 of December 26, 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008). Regarding the valuation of assets and liabilities of the Company's consolidated subsidiaries, the Company changed the valuation method of minority interests from Partial-fair value method to Full fair value method with this adoption. These changes have no impact on income(loss) and segment information.
(Changes in recognition criteria for completed contract revenue and costs) The "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan (ASBJ) Statement No.15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007) are applied from this fiscal year. The percentage-of-completion method has been applied to the portion of construction performed through the end of this fiscal year, in those cases where the outcome of performance activity is deemed certain (the	――――――――――――

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
estimation for the degree of completion of construction is determined by the percentage of the cost incurred to the estimated total cost) for the made-to-order software and construction projects that commenced on or after April 1, 2009. When the outcome of performance activity is not deemed to be certain, the completed-contract method is applied. The impact of this change on sales, income and segment information is immaterial.	
(Accounting standard for retirement benefits) The "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (Accounting Standards Board of Japan (ASBJ) Statement No.19, July 31, 2008) is applied from this fiscal year. The change has no impact on income, segment information and retirement benefit obligations.	――――――――――
(Treatment of foreign exchange forward contract related to foreign currency future transaction) Foreign exchange forward contracts measured at fair value and its valuation difference was previously recognized in income and expense. From this fiscal year, deferred hedge accounting is being applied to a portion of the foreign exchange forward contracts. This is mainly due to the revision of "Risk management policy" related to foreign exchange forward contracts, and the change resulted from the expectation of sales increase in foreign currencies for future long-term projects. Accordingly, the hedge effect is recorded in the financial statements and periodic income and loss are more properly calculated. The impact of this change on income and segment information is immaterial.	――――――――――

Changes in Presentation Method

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
(Consolidated Balance Sheets) The amount of expected losses related to construction contracts and others included in the “Accrued expenses” at the end of the previous fiscal year (9,155 million yen at the end of the previous fiscal year) is included in “Provision for loss on construction contracts and others” at the end of this fiscal year.	―――――――
―――――――	(Consolidated Statements of Income) From this fiscal year, the Group applies the “Cabinet office Ordinance Partially Revising Regulations on Terminology, Form and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24,2009) based on the “Accounting Standard for Consolidated Financial Statements”(ASBJ Statement No.22, December 26,2008). As a result, ”Loss before minority interest” is presented for the fiscal year ended March 31, 2011 on the consolidated financial statements.

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
――――――――――	(Consolidated Statements of Income) “Reversal of provision for contingent loss” had been separately presented for the fiscal year ended March 31, 2010, but it is included in “Other” in non-operating income for the fiscal year ended March 31, 2011 because the amount is less than 10 percent of total of non-operating income. The amount of “Reversal of provision for contingent loss” in “Other” of non-operating income for the fiscal year ended March 31, 2011 was 1,668 million yen.
――――――――――	(Consolidated Statements of Income) “Provision for contingent loss” had been separately presented for the fiscal year ended March 31, 2010, but it is included in “Other” in non-operating expenses for the fiscal year ended March 31, 2011 because the amount is less than 10 percent of total of non-operating expenses. The amount of “Provision for contingent loss” in “Other” of non-operating expenses for the fiscal year ended March 31, 2011 was 1,367 million yen.
――――――――――	(Consolidated Statements of Income) “Loss on abandonment of noncurrent assets” had been separately presented for the fiscal year ended March 31, 2010, but it is included in “Other” in non-operating expenses for the fiscal year ended March 31, 2011 because the amount is less than 10 percent of total of non-operating expenses. The amount of “Loss on abandonment of noncurrent assets” in “Other” of non-operating expenses for the fiscal year ended March 31, 2011 was 4,071 million yen.

Additional Information

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
―――――――――	(Additional Information) From this fiscal year, the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010) has been applied. The amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments" of previous fiscal year are shown as those of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income".

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(In millions of yen)

Items	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
*1. Accumulated depreciation of property, plant and equipment		1,732,061		838,310
*2. Assets pledged as and debt secured by collateral				
Balances - assets pledged as collateral	Buildings and structures	1,227	Buildings and structures	1,172
	Machinery and equipment	57	Machinery and equipment	32
	Land	4,674	Land	4,796
	Others	15	Others	10
	Total	5,973	Total	6,010
Balances - debt secured by collateral	Short-term loans payable	1,883	Short-term loans payable	2,051
	Long-term loans payable	350	Long-term loans payable	350
	Others	36	Others	83
	Total	2,269	Total	2,484
*3. Notes with relate to non-consolidated subsidiaries and affiliates	The investment amount for the jointly-controlled company included in investments in affiliated companies	6,972	The investment amount for the jointly-controlled company included in investments in affiliated companies	5,808
4. Contingent liabilities				
Guarantees for bank loans and others	Employees	7,118	Renesas Electronics Corporation	10,210
	NT Sales Co., Ltd.	1,230	Automotive Energy Supply Corporation	7,047
	Others	820	Employees	5,074
	Total	9,168	Others	929
			Total	23,260
Guarantees for residual value of operating leases	BOT LEASE CO., LTD.	3,375	―――	
	Sumitomo Mitsui Finance and Leasing Company, Limited	2,766		
	IBJ Leasing Company, Limited	2,419		
	Others	386		
	Total	8,946		

Items	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Others	NEC Electronics America, Inc., a consolidated subsidiary of the Company, has settled a number of class action civil antitrust lawsuits from direct DRAM purchasers seeking damages for alleged antitrust violations in the DRAM industry, but is still in settlement negotiations with several customers who have opted out of such class action lawsuits. NEC Electronics America, Inc. has also been named as one of the defendants in a number of class action civil antitrust lawsuits from indirect DRAM purchasers (customers who had purchased products containing DRAM), as well as a number of antitrust lawsuits filed by the Attorneys General of numerous states in the United States. NEC group companies are also fully cooperating with, and providing information to, the European Commission in its investigation of potential violations of European Competition Laws in the DRAM industry. The European Commission may impose fines on one or more companies in the NEC group should they be found liable as a result of the investigation by the European Commission. Although the outcome of the aforementioned proceedings is not known at this time, the NEC group has provided an accrual in a reasonably estimated amount of potential losses thereafter.	―――――――――
*5. Discounted portion of Notes receivable-trade	1,044	1,341

Items	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
*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 11,218 million yen (the sum of following provision for loss on construction contracts and others; 2,709 million yen for merchandise and finished goods, 8,492 million yen for work in process, and 17 million yen for raw materials and supplies).	Inventories related to construction contracts and others which is expected to be resulted in a loss are presented at net of provision for loss on construction contracts and others of 7,048 million yen (the sum of following provision for loss on construction contracts and others; 2,448 million yen for merchandise and finished goods, 4,558 million yen for work in process, and 42 million yen for raw materials and supplies).

Notes to Consolidated Statements of Income

(In millions of yen)

Items	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
*1. Gain on contribution of securities to retirement benefit trust	________	Due to transfer of a portion of shares that NEC holds in Renesas Electronics Corporation to the retirement benefit trust.
*2. Gain on sales of subsidiaries and affiliates' stocks	Mainly due to sales of stocks of Nippon Electric Glass Co.,Ltd.	Mainly due to sales of stocks of Tohoku Chemical Industries, Ltd.
*3. Gain on sales of noncurrent assets	Due to sales of land.	Due to sales of buildings and land and others.
*4. Gain on transfer of business	________	Mainly due to the sales of assets related to the liquidations of Platform business in the United States.
*5. Business structure improvement expenses	Expenses mainly for restoration to the original state of the office in association with relocations, and disposal of assets of Electron Device business.	Expenses mainly for early retirement of employees in Personal Solutions business, and office-moving in association with relocations.
*6. Loss on change in equity	________	Mainly due to a change in equity in NEC Electronics Corporation merged with Renesas Technology Corp.
*7. Loss on disaster	________	Related to the Great East Japan Earthquake, mainly fixed costs during the temporary shutdown period of operations and business, and losses on noncurrent assets and inventories.

<table>
<tr><th>Items</th><th>Fiscal year ended
March 31, 2010
(From April 1, 2009
to March 31, 2010)</th><th>Fiscal year ended
March 31, 2011
(From April 1, 2010
to March 31, 2011)</th></tr>
<tr><td>*8.
Impairment loss</td><td>(1)
Summary of assets or asset groups for which impairment losses were recognized.
<table>
<tr><th>Use</th><th>Type</th><th>Location</th></tr>
<tr><td>Assets for business use</td><td>・Buildings and structures,
・Machinery and equipment,
・Tools and fixtures etc.
・Intangible assets, and others</td><td>Koka City, Shiga Prefecture, and Ina City, Nagano Prefecture</td></tr>
<tr><td>Assets for business use</td><td>・Buildings and structures,
・Tools and fixtures etc.
・Intangible assets, and others</td><td>Minato-ku, Tokyo, Shinagawa-ku, Tokyo, and others</td></tr>
<tr><td>Assets for business use</td><td>・Buildings and structures,
・Machinery and equipment,
・Tools and fixtures etc.
・Intangible assets, and others</td><td>United States of America</td></tr>
<tr><td>Idle assets</td><td>Buildings and structures</td><td>Kusatsu City, Shiga Prefecture</td></tr>
<tr><td>Others</td><td>Goodwill</td><td>—</td></tr>
</table>
(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.</td><td>(1)
Summary of assets or asset groups for which impairment losses were recognized.
<table>
<tr><th>Use</th><th>Type</th><th>Location</th></tr>
<tr><td>Assets for business use</td><td>・Buildings and structures,
・Machinery and equipment
・Tools and fixtures etc.
・Construction in progress</td><td>China</td></tr>
<tr><td>Assets for business use</td><td>・Tools and fixtures etc.
・Construction in progress, and others</td><td>Kawasaki City, Kanagawa Prefecture and others</td></tr>
<tr><td>Idle assets</td><td>・Land,
・Construction in progress,
・Software, and others</td><td>Minato-ku, Tokyo, Utsunomiya City, Tochigi Prefecture, and others</td></tr>
<tr><td>Idle assets</td><td>・Machinery and equipment,
・Tools and fixtures etc.
・Construction in progress</td><td>Shimoniikawa County, Toyama Prefecture, Shiroishi City, Miyagi Prefecture, and others</td></tr>
</table>
(2)
Background to the recognition of impairment loss.

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

<table>
<tr><th>Items</th><th>Fiscal year ended
March 31, 2010
(From April 1, 2009
to March 31, 2010)</th><th>Fiscal year ended
March 31, 2011
(From April 1, 2010
to March 31, 2011)</th></tr>
<tr><td></td><td>(3)
Amounts of impairment loss

Buildings and structures 2,642
Machinery and equipment 1,459
Tools, furniture and fixtures 617
Land 64
Construction in progress 240
Goodwill 753
Software 703
Intangible assets-other 254
Others 241
Total 6,973

(4)
Method for grouping assets

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

(5)
Measurement of recoverable amounts

The higher of the net realizable value and value in use is used for the recoverable amounts of fixed assets for business use.
Net realizable value is used for the recoverable amounts of idle assets.
Net realizable value is estimated based on the assessed value for list of land prices, etc. The value in use is assessed at 1 yen because the total of future cash flow is a negative amount.
For the subsidiaries in United States of America, impairment loss under local GAAP is recorded in extraordinary loss.</td><td>(3)
Amounts of impairment loss

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

(4)
Method for grouping assets

Same as on the left.

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

Items	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
*9. Loss on valuation of investment securities	Impairment loss recognized mainly for investment securities.	Same as on the left.
*10. Cost of corrective measures for products	Mainly cost of corrective measures for defective products and substitution of products.	Same as on the left.
*11. Loss on sales of stocks of subsidiaries and affiliates	Due to sales of stocks of DAVID Systems GmbH, and others.	Due to sales of stocks of SGI Japan, Ltd., and others.
*12. Loss on retirement of noncurrent assets	Mainly due to removal costs of buildings and structures associated with sales of land and rebuilding expenses and cost in Tamagawa Plant.	――――

Notes to Consolidated Statements of Comprehensive Income

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

*1 Comprehensive income of previous fiscal year

(In millions of yen)

Comprehensive income attributable to owners of the parent	30,683
Comprehensive income attributable to minority interests	2,775
Total comprehensive income	33,458

*2 Other comprehensive income of previous fiscal year

(In millions of yen)

Valuation difference on available-for-sale securities	15,307
Deferred gains or losses on hedges	122
Foreign currency translation adjustment	1,238
Share of other comprehensive income of associates accounted for using equity method	2,375
Total other comprehensive income	19,042

Notes to Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of March 31, 2009	Increase	Decrease	Number of shares as of March 31, 2010
Common stock	2,029,733	575,000	-	2,604,733

Reasons for the change

Reason for the increase in number of shares is as follows:

Issuance of new shares by offering 537,500 thousand shares

Issuance of new shares by way of third-party allotment 37,500 thousand shares

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

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

1 Stocks, issued

(In thousands of shares)

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

Reasons for the change

Not applicable

2 Dividends

Payment of dividends

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

Notes to Consolidated Statements of Cash Flows

(In millions of yen)

Items	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
*1. Reconciliation of cash and cash equivalents from the accounts recorded in consolidated balance sheets	Cash and deposits	195,095	Cash and deposits	184,662
	Short-term investment securities	136,747	Short-term investment securities	20,757
	Time deposits and Short-term investment securities with maturities of more than three months	(1,294)	Time deposits and Short-term investment securities with maturities of more than three months	(1,540)
	Cash and cash equivalents	330,548	Cash and cash equivalents	203,879

SEGMENT INFORMATION

[Segment information]

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

1. Outline of reported segments

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

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

The contents of each reported segment are as follows:

IT Services Business

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

Platform Business

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

Carrier Network Business

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

Social Infrastructure Business

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

SEGMENT INFORMATION (CONTINUED)

Personal Solutions Business

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

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

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

(In millions of yen)

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

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

(In millions of yen)

	Reported Segments						Others	Adjustment	Consolidated total
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total			
Sales									
1. Sales to customers	866,349	373,710	627,411	316,566	737,745	2,921,781	661,367	—	3,583,148
2. Intersegment sales and transfers	49,440	60,549	30,267	18,407	51,117	209,780	91,544	(301,324)	—
Total sales	915,789	434,259	657,678	334,973	788,862	3,131,561	752,911	(301,324)	3,583,148
Segment income (loss) (Operating income (loss))	53,180	(1,705)	31,342	21,711	18,852	123,380	(44,929)	(27,546)	50,905

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

(In millions of U.S. dollars)

	Reported Segments						Others	Adjustment	Consolidated total
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total			
Sales									
1. Sales to customers	**9,689**	**4,528**	**7,294**	**3,841**	**9,235**	**34,587**	**2,948**	**—**	**37,535**
2. Intersegment sales and transfers	**581**	**547**	**370**	**184**	**532**	**2,214**	**861**	**(3,075)**	**—**
Total sales	**10,270**	**5,075**	**7,664**	**4,025**	**9,767**	**36,801**	**3,809**	**(3,075)**	**37,535**
Segment income (loss) (Operating income (loss))	**258**	**107**	**491**	**176**	**(23)**	**1,009**	**88**	**(400)**	**697**

(Notes)

1. From the fiscal year ended March 31, 2011, the reported segment has been changed to five reported segments, which are composed of "IT Services", "Platform", "Carrier Network", "Social Infrastructure" and "Personal Solutions", due to the organizational reform. In this change, segment information for the fiscal year ended March 31, 2010 has been reclassified in a manner used for the fiscal year ended March 31, 2011. "Others" represents businesses such as Lithium-ion Rechargeable Batteries, Electronic Components, LCD Panels and Lighting Equipment, which are not included in reported segments. "Others" also includes the former "Electron Devices Business", which has become immaterial since NEC Electronics was no longer a consolidated subsidiary in this period.

2. "Adjustment" of segment income (loss) includes corporate expenses of (40,155) million yen ((484) millions of U.S. dollars) unallocated to each reported segment and noncurrent assets related adjustment of 4,532 million yen (55 millions of U.S. dollars) for the fiscal year ended March 31, 2011. The corporate expenses, unallocated to each reported segment, are mainly both general and administrative expenses incurred at headquarters of the Company, and research and development expenses.

SEGMENT INFORMATION (CONTINUED)

[Related information]

Information about geographic areas

Sales

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

(In millions of yen)

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

(In millions of U.S. dollars)

Japan	Asia	Europe	Others	Total
31,760	**1,909**	**1,323**	**2,543**	**37,535**

(Note)

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

Notes: Lease Transactions

(In millions of yen)

	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
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 production facilities for Electrical equipment (machinery and equipment) and outsourcing-related equipment (machinery and equipment, tools, furniture and fixtures). ii) Method of depreciation Other than outsourcing-related equipment, the declining-balance method in which the useful life is assumed to be the lease period. The straight-line method is applicable for outsourcing-related equipment.	i) Type of lease asset Primarily related to outsourcing-related equipment (tools, furniture and fixtures). ii) Method of depreciation Same as on the left.
2.Operating leases (lessee) Future minimum lease obligations under non-cancellable operating leases	Due within one year 35,810 Due over one year 80,082 Total 115,892	Due within one year 18,310 Due over one year 43,291 Total 61,601

Notes: Income Taxes

(In millions of yen)

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

1\. Breakdown of major factors of deferred tax assets and liabilities

(Deferred tax assets)	
Tax loss carry forwards	337,827
Pension and severance expenses	137,175
Accrued expenses and product warranty liabilities	54,794
Depreciation	50,215
Loss on devaluation of inventories	40,196
Research and development expenses	17,119
Investments in affiliated companies	12,322
Elimination of unrealized profit through intercompany transactions among consolidated companies	11,916
Loss on devaluation of investment securities	10,845
Provision for contingent loss	8,283
Provision for loss on construction contracts and others	5,667
Provision for business structure improvement	4,910
Provision for loss on repurchase of computers	3,393
Others	62,093
Sub-total	756,755
Less: valuation allowance	(445,249)
Total	311,506
(Deferred tax liabilities)	
Gain on transfer of securities to the pension trust	(40,578)
Undistributed earnings of affiliated companies	(9,218)
Unrealized gains on available-for-sale securities	(5,355)
Reserves under special taxation measures law	(484)
Others	(30,684)
Total	(86,319)
Net deferred tax assets	225,187

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

1\. Breakdown of major factors of deferred tax assets and liabilities

(Deferred tax assets)	
Tax loss carry forwards	237,252
Pension and severance expenses	122,290
Accrued expenses and product warranty liabilities	49,265
Depreciation	38,951
Loss on devaluation of inventories	32,674
Elimination of unrealized profit through intercompany transactions among consolidated companies	11,743
Investments in affiliated companies	11,519
Loss on devaluation of investment securities	8,136
Provision for contingent loss	4,770
Provision for loss on construction contracts and others	3,932
Provision for business structure improvement	3,230
Provision for loss on repurchase of computers	2,789
Research and development expenses	2,532
Others	60,604
Sub-total	589,687
Less: valuation allowance	(282,045)
Total	307,642
(Deferred tax liabilities)	
Gain on transfer of securities to the pension trust	(22,037)
Undistributed earnings of affiliated companies	(3,970)
Unrealized gains on available-for-sale securities	(944)
Reserves under special taxation measures law	(59)
Others	(9,649)
Total	(36,659)
Net deferred tax assets	270,983

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
Note: Net deferred tax assets are included in the consolidated balance sheets as follows: Current assets -deferred tax assets 93,307 Noncurrent assets -deferred tax assets 140,829 Current liabilities -others (36) Noncurrent liabilities -deferred tax liabilities (8,913)	Note: Net deferred tax assets are included in the consolidated balance sheets as follows. Current assets -deferred tax assets 97,431 Noncurrent assets -deferred tax assets 174,707 Current liabilities -others (30) Noncurrent liabilities -deferred tax liabilities (1,125)
2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows: Statutory tax rate 40.5 % (Reconciliation) Changes in valuation allowance 19.2 Undistributed earnings of affiliated companies 11.3 Amortization of goodwill 7.9 Non-deductible expenses for tax purposes 1.1 Equity in earnings(losses) of affiliated companies (0.3) Elimination of unrealized profit through intercompany transactions among consolidated companies (0.4) Tax rates difference relating to overseas subsidiaries (5.5) Others 0.3 Effective tax rate 74.1 %	2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows: Statutory tax rate (40.5)% (Reconciliation) Equity in earnings(losses) of affiliated companies 98.6 Changes in valuation allowance 58.3 Amortization of goodwill 33.5 Tax rates difference relating to overseas subsidiaries 5.2 Non-deductible expenses for tax purposes 5.0 Undistributed earnings of affiliated companies (17.4) Retirement benefit trust (105.9) Gain(loss) on change in equity (118.7) Others 25.8 Effective tax rate (56.1)%

Notes: Marketable and Investment Securities

Fiscal year ended March 31, 2010

1. Available-for-sale securities (As of March 31, 2010)

(In millions of yen)

	Description	Balance sheet value	Acquisition cost	Unrealized gains (losses)
Securities with balance sheet value exceeding acquisition cost	(1) Stocks	64,145	37,731	26,414
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	-	-	-
	(3) Others	60	22	38
	Sub-total	64,205	37,753	26,452
Securities with balance sheet value not exceeding acquisition cost	(1) Stocks	19,100	24,794	(5,694)
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	1,721	1,899	(178)
	(3) Others	138,126	138,928	(802)
	Sub-total	158,947	165,621	(6,674)
Total		223,152	203,374	19,778

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 59,837 million yen),
Investments in limited partnerships and similar partnerships under foreign laws (balance sheet value of 4,600 million yen), and Others (balance sheet value of 379 million yen).

2. Available-for-sale securities sold during the fiscal year ended March 31, 2010

(From April 1, 2009 to March 31, 2010)

(In millions of yen)

Description	Proceeds from sales	Gross realized gains	Gross realized losses
(1) Stocks	16,059	536	39
(2) Bonds			
(a) Governmental and municipal bonds	-	-	-
(b) Corporate bonds	-	-	-
(3) Others	22	1	-
Total	16,081	537	39

3. Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 891 million yen were recorded in this fiscal year.

Fiscal year ended March 31, 2011

1. Available-for-sale securities (As of March 31, 2011)

(In millions of yen)

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

Notes:

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

2. Available-for-sale securities sold during the fiscal year ended March 31, 2011
(From April 1, 2010 to March 31, 2011)

(In millions of yen)

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

3. Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 4,319 million yen were recorded in this fiscal year.

4. Change in the classification of securities

We changed classification of the stocks of Anritsu Corporation etc., heretofore considered as stock of affiliated companies, to available-for-sale securities from the fiscal year ended March 31, 2011.

As a result, Investment securities increased by 5,301 million yen, and Valuation difference on available-for-sale securities increased by 1,470 million yen.

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, the tax-qualified 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, 2010	Fiscal year ended March 31, 2011
A. Retirement benefit obligations	(1,092,346)	(939,852)
B. Plan assets	695,835	671,609
C. Unfunded retirement benefit obligations (A+B)	(396,511)	(268,243)
D. Unrecognized transitional obligation	70,824	46,826
E. Unrecognized actuarial gains and losses	239,098	228,333
F. Unrecognized prior service costs (reduction in obligations)	(95,030)	(75,481)
G. Net amounts recognized in the consolidated balance sheet (C+D+E+F)	(181,619)	(68,565)
H. Prepaid pension expenses	56,026	113,457
I. Liabilities for retirement benefits (G-H)	(237,645)	(182,022)

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, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
A. Service cost	36,676	31,158
B. Interest cost	27,259	23,318
C. Expected return on plan assets	(12,472)	(12,187)
D. Amortization of transitional obligation	14,441	12,057
E. Amortization of actuarial gains and losses	35,463	21,351
F. Amortization of prior service costs	(10,117)	(9,187)
G. Other (Note 2)	7,869	6,068
H. Retirement benefit expenses (A+B+C+D+E+F+G)	99,119	72,578

Notes:

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

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

4. Basis for calculation of retirement benefit obligations

	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
A. Allocation method for projected retirement benefit cost	Mainly, point basis	Same as on the left.
B. Discount rate	Mainly, 2.5%	Same as on the left.
C. Expected rate of return on plan assets	Mainly, 2.5%	Same as on the left.
D. Period for amortization of prior service costs	Mainly, 13 years (Prior service costs are amortized on a straight-line basis over certain years within employees' average remaining service periods as incurred.)	Same as on the left.
E. Period for amortization of actuarial gains and losses	Mainly, 13 years (Actuarial gains and losses are amortized on a straight-line basis over certain years within employees' average remaining service periods, starting from the following year after incurred.)	Same as on the left.
F. Period for amortization of transitional obligation	Mainly, 15 years	Same as on the left.

Notes:　Business Combinations

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
Not Applicable

Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
On April 1, 2010, the Company's consolidated subsidiary, NEC Electronics Corporation merged with Renesas Technology Corp., and changed its name to Renesas Electronics Corporation (Renesas EL). As a result of this merger, Renesas EL has become an affiliate applying for the equity method of accounting. Outline of the merger is as follows.

Outline of the business combination
Company profiles
Surviving company: NEC Electronics Corporation
Major operation: R&D, manufacture, sale and servicing of semiconductor devices mainly on system LSIs

Merged company: Renesas Technology Corp.
Major operation: Development, design, manufacture, sale and servicing of SoC products such as MCUs, logic devices and analog devices; discrete semiconductor products; and memory products such as SRAM

Reason for the business combination
In order to strengthen their business foundations and technological assets, while increasing corporate value through enhanced customer satisfaction

Date of the business combination
April 1, 2010

Legal form of the business combination
Merger by absorption with NEC Electronics Corporation as surviving company
(Name of the new company: Renesas Electronics Corporation)

Outline of accounting method

The company applies the purchase method to the business combination with NEC Electronics Corporation as acquiring company and the accounting procedures stipulated by Articles 48, of the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of December 26, 2008).

Name of the reported segment in which the subsidiary was included

In the business segment information for fiscal year ended March 31, 2010, the subsidiary is included in “Electron Devices”. If this information is represented in a manner used for the fiscal year ended March 31, 2011, this is included in the “Others”.

Notes: Per Share Information

(In yen)

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)		Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	
Net assets per share	304.36	Net assets per share	291.35
Basic net income per share	5.04	Basic net loss per share	(4.82)
Diluted net income per share	4.91	Diluted net income per share	—

Notes: 1. Diluted net income per share in the fiscal year ended March 31, 2011 is not disclosed due to the net loss per share although dilutive shares exist.
2. The basis for calculating net income(loss) per share are as follows.

	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
Net income (loss) per share		
Net income (loss) (In millions of yen)	11,428	(12,518)
Amounts not attributable to common shareholders (In millions of yen)	124	—
(Participating convertible securities included in the above)	(124)	—
Net income (loss) attributable to common stock (In millions of yen)	11,304	(12,518)
The average number of common stocks outstanding during the fiscal year (In thousands of shares)	2,241,695	2,598,491
Diluted net income per share		
Adjustments to net income (In millions of yen)	2	—
Increased number of common stocks (In thousands of shares)	60,093	—
(convertible bonds included in the above)	(60,093)	—

	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
Summary of equity instruments which were not included in the basis for calculating diluted net income per share as they are anti-dilutive	(a) Convertible bonds 10th unsecured convertible bonds (face value of 100,000 million yen) (b) Bonds with stock subscription rights issued by consolidated subsidiaries Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants which were issued by NEC Electronics (face value of 110,000 million yen) (c) Stock subscription rights 3 kinds of stock subscription rights (the number of stock subscription rights is 520 units) Stock subscription right issued by NEC Electronics (the number of stock subscription rights is 560 units)	(a) Convertible bonds 10th unsecured convertible bonds (face value of 100,000 million yen) (b) Bonds with stock subscription rights issued by affiliated companies accounted for using the equity method Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants which were issued by Renesas Electronics Corporation (face value of 110,000 million yen) (c) Stock subscription rights 2 kinds of stock subscription rights (the number of stock subscription rights is 300 units) Stock subscription right issued by Renesas Electronics Corporation (the number of stock subscription rights is 510 units)

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

	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
Net assets per share		
Total net assets (In millions of yen)	931,912	875,441
Amounts deducted from total net assets (In millions of yen)	141,008	118,387
(stock subscription rights included in the above)	(93)	(33)
(Minority interests included in the above)	(140,915)	(118,354)
Net assets at the year end attributable to common stock (In millions of yen)	790,904	757,054
Number of common stocks at the year end to calculate net assets per share (In thousands of shares)	2,598,542	2,598,462

Notes: Subsequent Events

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
As part of business structure reform aimed at strengthening business foundations and technological assets, and increasing corporate value through enhanced customer satisfaction, on April 1, 2010, based on the merger agreement reached on December 15, 2009, the Company's consolidating subsidiary (included in electron devices segment and operating mainly semiconductor business), NEC Electronics Corporation merged with Renesas Technology Corp., an entity operating in the semiconductor business, and changed its name to Renesas Electronics Corporation (Renesas EL). As a result of this merger, Renesas EL has become an affiliate applying for the equity method of accounting. The Company will apply the business combination accounting for shareholders stipulated in the Paragraph 48 of "Accounting Standard for Business Divestitures (Accounting Standards Board of Japan – ASBJ Statement No.7)" after the application of the purchase method of accounting by NEC Electronics Corporation being as an acquirer on this merger transaction. On April 1, 2010, the Company also subscribed the third-party allotment, new shares issued by Renesas EL, as follows: Number of new shares subscribed: 61,395,857 shares of common stock Issue price: 917 yen per share Aggregated subscription price: 56,300 million yen Ownership ratio of the Company after the third-party allotment: 34.0 % (see note) Note: excludes shares whose voting rights is to be exercised at the instruction of the Company based on the employee pension and retirement trust agreement with the Sumitomo Trust and Banking Co. (representing 1.5% of ownership ratio)	―――――――――

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	Fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)
In order to strengthen competitiveness in mobile handset business on May 1, 2010, based on the corporate split agreement reached on March 24, 2010, the Company transferred its mobile handset business to NEC CASIO Mobile Communications, Ltd. (NEC CASIO) through absorption-type corporate split. NEC CASIO plans to merge in Casio Hitachi Mobile Communications Co., Ltd. on June 1, 2010. The Company will apply the accounting for consolidation stipulated in the Paragraph 19 of "Accounting Standard for Business Divestitures (ASBJ Statements No.7)" on the transfer transaction of the Company's mobile handset business to NEC CASIO. The Company plans to apply the business combination accounting for shareholders stipulated in the Paragraph 48 of "Accounting Standard for Business Divestiture (ASBJ Statement No.7)" after the application of the purchase method accounting by NEC CASIO being as an acquirer on the scheduled merger transactions with Casio Hitachi Mobile Communications Co., Ltd.	

CAUTIONARY STATEMENTS:

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

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

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

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