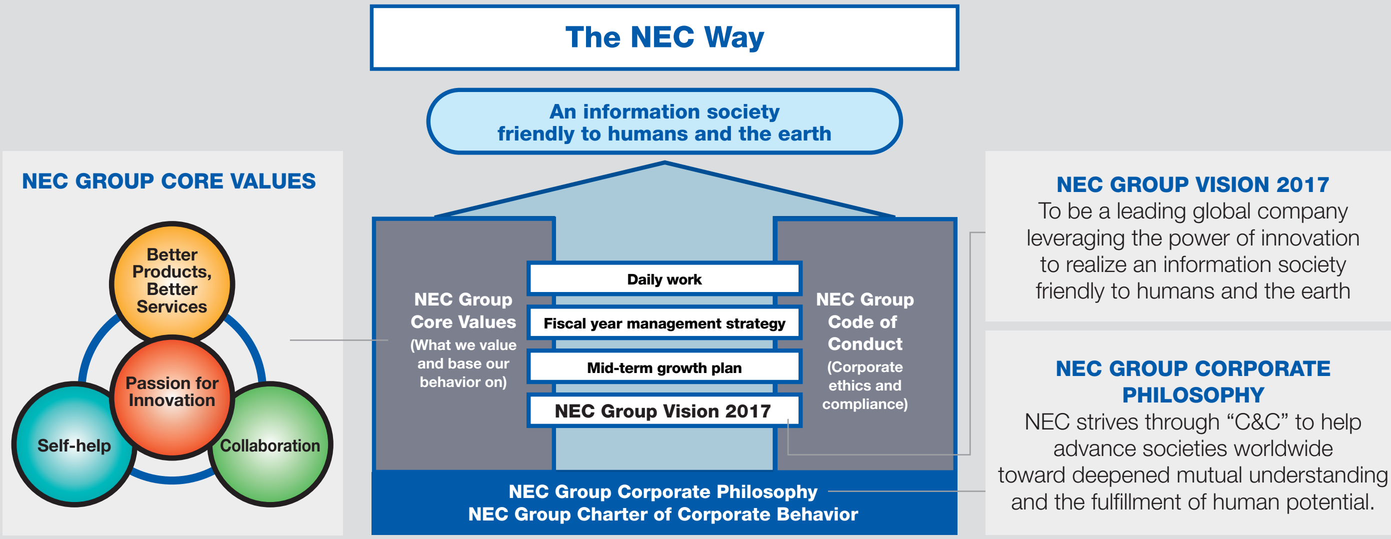
Empowered by Innovation

Annual Report 2011

Year ended March 31, 2011

NEC Corporation



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

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

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

Our important social responsibilities also include ensuring full accountability through the active disclosure of information on the results of our CSR initiatives and related issues, and communicating with stakeholders to improve our corporate activities and build trust.

CONTENTS

TO OUR SHAREHOLDERS

In fiscal 2011, NEC continued to face challenging business conditions, highlighted by the slow recovery of IT investment in Japan and sluggish investment by overseas telecom carriers. Furthermore, the Japanese economy was significantly impacted by the Great East Japan Earthquake in March 2011. As a result, NEC was unable to achieve its initial business targets for fiscal 2011.

Efforts are underway to recover from the impact of the earthquake. I wish to send my thoughts and prayers to all those affected by the disaster. The NEC Group is fully committed to contribute to quick recovery of the disaster stricken areas.

In fiscal 2011, although consolidated net sales dropped 13.1% year on year to ¥3,115.4 billion, consolidated operating income improved ¥6.9 billion from the previous fiscal year to ¥57.8 billion. However, NEC posted a consolidated net loss of ¥12.5 billion, ¥23.9 billion worse than the net income result in the previous fiscal year.

In light of these circumstances, NEC has decided not to pay an annual dividend for fiscal 2011. We deeply regret that we must report this decision to shareholders.

In February 2010, NEC unveiled its Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision." We are currently pursuing the plan's three key initiatives: focus on "C&C Cloud Strategy," expand global business and create new businesses. The NEC Group is determined to help Japan overcome the impact of the disaster earlier this year and recover. At the same time, NEC is striving to implement speedier management to realize the NEC Group Vision 2017, with the aim of enhancing shareholder and corporate value over the medium and long terms.

We look forward to your continued support and understanding as we work to reach our goals.

June 2011

N. Endo

NOBUHIRO ENDO
President, NEC Corporation

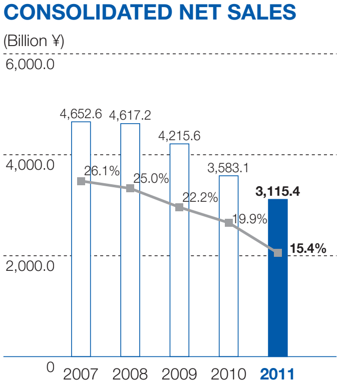
FINANCIAL HIGHLIGHTS

NEC Corporation and Consolidated Subsidiaries
For the years ended March 31, 2007, 2008, 2009, 2010 and 2011

	Millions of yen			
	2007	2008	2009	2010
For the year:				
Net sales	¥4,652,649	¥4,617,153	¥4,215,603	¥3,583,148
Overseas sales	1,213,685	1,155,749	934,469	712,886
Percentage of overseas sales to consolidated net sales (%)	26.1	25.0	22.2	19.9
Operating income (loss)	69,976	156,765	(6,201)	50,905
Ordinary income (loss)	16,347	112,240	(93,171)	49,429
Net income (loss)	9,128	22,681	(296,646)	11,428
Cash flows from operating activities	238,318	192,302	27,359	134,816
Cash flows from investing activities	(169,676)	(135,760)	(173,167)	(41,241)
Free cash flows	68,642	56,542	(145,808)	93,575
R&D expenses	334,639	352,200	346,529	275,970
Capital expenditures (property, plant and equipment)	177,480	122,577	103,142	83,098
Depreciation (property, plant and equipment)	149,681	147,779	133,624	111,167
Per share data (in yen and U.S. dollars):				
Net income (loss)	4.43	11.06	(146.64)	5.04
Diluted net income	4.23	10.64	–	4.91
Cash dividends	8.00	8.00	0.00	4.00
At year-end:				
Total assets	3,731,669	3,526,795	3,075,378	2,937,644
Owner's equity	1,038,808	1,004,221	641,654	790,904
Return on equity (%)	0.9	2.2	–	1.6
Owner's equity ratio (%)	27.8	28.5	20.9	26.9
Interest-bearing debt	859,292	800,843	925,163	729,548
Debt-equity ratio (times)	0.83	0.80	1.44	0.92
Number of employees	154,786	152,922	143,327	142,358
Number of consolidated subsidiaries	342	334	328	310

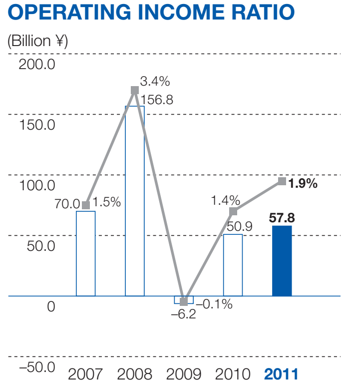
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥83 = U.S.$1.
2. Net income (loss) per share is calculated based on the weighted-average number of shares outstanding during each period.
3. Owner's equity is the sum of total shareholders' equity and total valuation and translation adjustments.
4. The debt-equity ratio is calculated by dividing interest-bearing debt by owner's equity.

NET SALES, PERCENTAGE OF OVERSEAS SALES TO CONSOLIDATED NET SALES



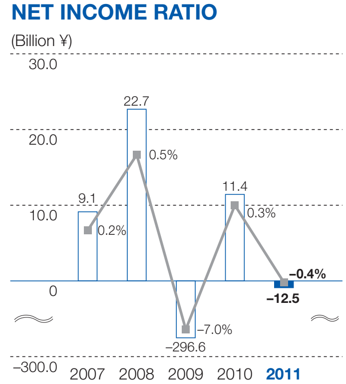
Net sales
Percentage of overseas sales to consolidated net sales

OPERATING INCOME (LOSS), OPERATING INCOME RATIO



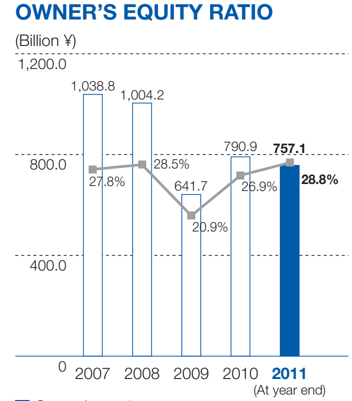
Operating income (loss)
Operating income ratio

NET INCOME (LOSS), NET INCOME RATIO



Net income (loss)
Net income ratio

OWNER'S EQUITY, OWNER'S EQUITY RATIO



Owner's equity
Owner's equity ratio

2011	Millions of U.S. dollars 2011	Percent change 2011/2010
¥3,115,424	$37,535	−13.1%
479,349	5,775	−32.8
15.4		
57,820	697	13.6
41	0	−99.9
(12,518)	(151)	–
33,660	406	−75.0
(146,244)	(1,762)	–
(112,584)	(1,356)	–
176,514	2,127	−36.0
52,850	637	−36.4
62,097	748	−44.1
(4.82)	(0.06)	–
–	–	–
0.00	0.00	–
2,628,931	31,674	−10.5
757,054	9,121	−4.3
–		
28.8		
675,798	8,142	−7.4
0.89		
115,840		
283		

Overview of Business Results for the Fiscal Year Ended March 2011

Net sales ¥3,115.4 billion (down 13.1% year on year)

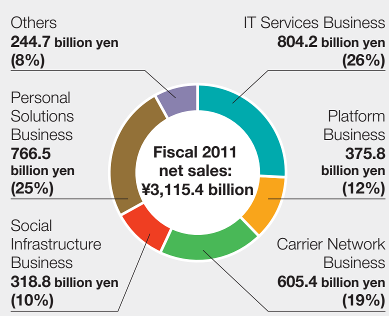
Net sales were ¥3,115.4 billion, down ¥467.7 billion year on year. This decrease mainly reflected the deconsolidation of NEC Electronics Corporation (currently Renesas Electronics Corporation), which previously conducted the NEC Group's semiconductor business, slow recovery in IT investment in Japan, and the impact of the Great East Japan Earthquake.

Operating income ¥57.8 billion (improved ¥6.9 billion year on year)
Net loss ¥12.5 billion (¥23.9 billion worse year on year)

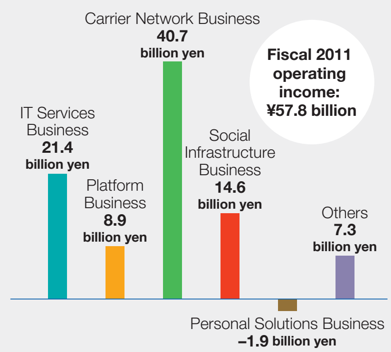
On the earnings front, operating income improved to ¥57.8 billion despite worsening profitability in the IT Services business and Personal Solutions business. This was mainly the result of the deconsolidation of NEC Electronics Corporation, which recorded an operating loss in the previous fiscal year. Another contributing factor was improved profitability in the Platform business.

NEC posted a net loss of ¥12.5 billion, representing a change of ¥23.9 billion from net income in the previous fiscal year. This was mainly due to the recording of equity in losses of affiliates and a smaller gain on sales of subsidiaries and affiliates' stocks.

SEGMENT SALES (COMPOSITION)

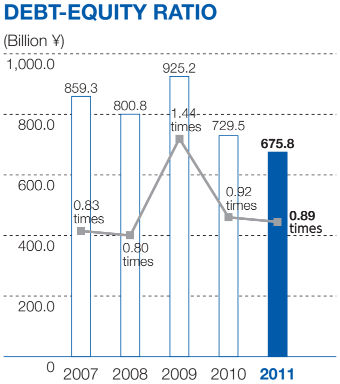


SEGMENT OPERATING INCOME (LOSS)



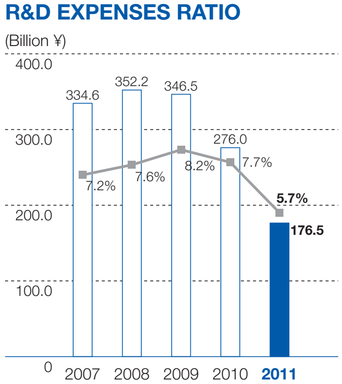
Note: Expenses other than the above include general and administrative expenses of divisions that are not affiliated with any segment and basic research and fundamental development expenses.

INTEREST-BEARING DEBT, DEBT-EQUITY RATIO



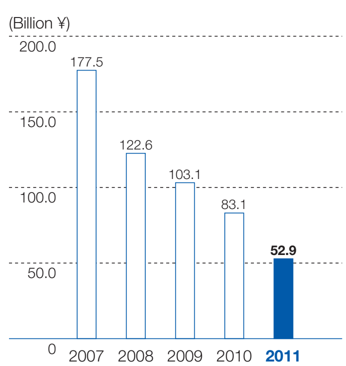
Interest-bearing debt
Debt-equity ratio

R&D EXPENSES, R&D EXPENSES RATIO

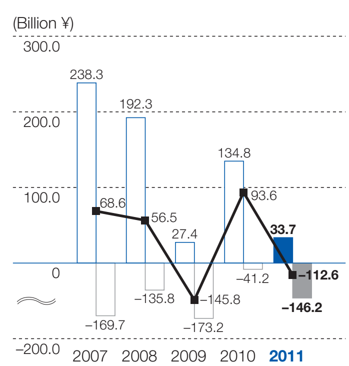


R&D expenses
R&D expenses ratio

CAPITAL EXPENDITURES



CASH FLOWS



Cash flows from operating activities
Cash flows from investing activities
Free cash flows

MESSAGE FROM THE PRESIDENT

Management Perspective on Business Strategies
Progress on Mid-Term Growth Plan “V2012” and Measures Ahead

1. Mid-Term Growth Plan “V2012” and Fiscal 2011 Results

Guided by the NEC Group Vision 2017, NEC aims “to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth.” In February 2010, the NEC Group set its medium-term policy of realizing the NEC Group Vision 2017 through customer-driven solutions leveraging its competitive strengths in the integration of IT and network. Accordingly, the NEC Group formulated its Mid-Term Growth Plan “V2012—Beyond boundaries, Toward our Vision.”

“V2012” MANAGEMENT TARGETS AND FISCAL 2011 BUSINESS PERFORMANCE

“V2012” is a milestone for achieving the NEC Group Vision 2017

2017

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

2012

(Billion ¥)	FY2010/3 Results	FY2011/3 Results	**FY2013/3 Targets**
Net sales	3,583.1	3,115.4	**4,000.0**
Overseas sales	712.9	479.3	**1,000.0**
Overseas sales ratio	19.9%*	15.4%	**25%**
Operating income	50.9	57.8	**200.0**
Operating income ratio	1.4%	1.9%	**5.0%**
Net income (loss)	11.4	–12.5	**100.0**
Return on equity (ROE)	1.6%	—	**10%**

* 15.6% excluding the semiconductor business

In fiscal 2011, the "V2012" plan's first year, the global economy on the whole moved closer to a self-sustaining recovery, mainly due to continuing economic growth in China, India and other emerging countries, along with stimulus measures in developed countries that supported their economies. This was despite persistently high unemployment rates in the U.S., European nations and other developed countries, and the financial crisis affecting certain European countries.

The Japanese economy saw consumer income and employment conditions remain difficult, and did not see a full-fledged recovery in capital investment. However, manufacturing output gradually improved on the back of recovering exports, while consumer spending also increased steadily influenced by economic stimulus measures. Nevertheless, economic activity was hit hard by the devastating Great East Japan Earthquake in March 2011, not to mention the accompanying disruptions to production and distribution, power shortages and other impacts.

In this business environment, NEC worked on the three key initiatives of the "V2012": Focus on the "C&C Cloud Strategy," expand global business, and create new businesses. As a result, NEC started to produce results, including winning projects or joining field trials in each of these key initiatives. Additionally, NEC integrated its mobile handset business with Casio Hitachi Mobile Communications Co., Ltd., in a move designed to enhance the competitiveness of this business. NEC also reached a strategic partnership agreement concerning integration of the PC business with Lenovo Group Limited. Looking back at the past year, however, NEC has yet to fully address outstanding issues such as developing a global business network. We must also speed up the execution of business expansion measures, including development of new products and services.

In fiscal 2011, our business performance fell far short of our initial forecast, and we were thus unable to achieve the targets as set in the plan. As the president of NEC, I deeply regret that the Company posted a net loss and has decided to pay no dividend for fiscal 2011.

Nobuhiro Endo
President, NEC Corporation

2. Fiscal 2011 Main Initiatives and Performance

Although NEC finished fiscal 2011 on a disappointing note in terms of business results, we are starting to see real progress toward the "V2012" objectives. Examples include battery and smart grid initiatives in new businesses, a stronger global business network, and winning and implementing advanced cloud computing projects. I would like to highlight some of our main initiatives and progress in the pages that follow.

(1) Focus on "C&C Cloud Strategy"

NEC will pursue the "C&C Cloud Strategy" in three main areas. The first area is the Cloud Service business for providing secure and reliable services to enterprises and governments. The second area is the Cloud System Implementation business for developing systems for enterprises and governments to provide or use cloud services. The third area is the Platform business for developing foundations supporting the first two areas. NEC aims to expand sales of "C&C Cloud Strategy" related businesses, including outsourcing and wireless broadband access.

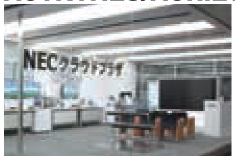
In fiscal 2011, NEC reported net sales of approximately ¥450.0 billion from "C&C Cloud Strategy" related businesses, mainly reflecting increased wireless broadband access sales, in addition to sales growth in the Cloud Service business, the Cloud System Implementation business and other areas.

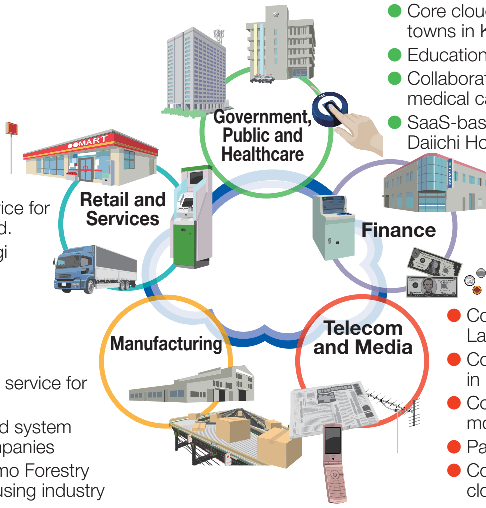
Specifically, NEC provided cloud services in many different fields, such as core systems for local governments and inter-hospital information sharing

PROGRESS WITH KEY INITIATIVES

Key initiatives	Fiscal 2011 Main Initiatives and Performance
"C&C Cloud Strategy"	[Japan] • Developed the key area of core systems, created new businesses with customers, created diverse service menu for small and medium-sized enterprises and organizations • Provided comprehensive solutions for LTE services
	[Overseas] • Developed network for global business expansion
Expand global business	• Established a regional headquarters in Latin America, thereby establishing "One NEC" formation in 5 regions • Established competence centers in key areas
Create new businesses	[Batteries] • Commenced mass production of automotive lithium-ion rechargeable batteries (electrodes) • Participated in various smart grid trials
	[Devices] • Launched smartphones and tablet devices

"C&C CLOUD STRATEGY" ACTIVITIES/ACHIEVEMENTS





- Financial accounting cloud service for 10 cities, towns, and villages in Yamanashi Prefecture
- Core cloud service system for 7 cities and towns in Nara Prefecture
- Core cloud service system for local governments in three towns in Kasuya, Fukuoka Prefecture
- Educational cloud system for Sennan City
- Collaboration with SANYO Electric Co., Ltd. on a regional medical care solution
- SaaS-based electric medical records system for Tamashima Daiichi Hospital in Kurashiki City, Okayama Prefecture

- Ticketless service for Shiki Theatre Company
- Integrated hotel cloud service for Nippon View Hotel Co., Ltd.
- CRM cloud system for Sugi Holdings Co., Ltd.

- Collaboration with Sumitomo Life Insurance Company on cloud service
- Private cloud for Sumitomo Mitsui Banking Corporation

- Cloud oriented accounting service for EXEDY Corporation
- Collaboration on core cloud system with four construction companies
- Collaboration with Sumitomo Forestry Co., Ltd.; SaaS for the housing industry

- Collaboration with Telefonica on cloud business in Latin America
- Collaboration with South Korea's Shinsegae Group in digital signage
- Contributions to NTT DOCOMO, INC.'s LTE-based mobile phone service, "Xi™"
- Participation in KDDI Corporation's field trial of LTE
- Collaboration with KDDI Corporation on mobile cloud service

services, leveraging its track record, technology and expertise in both IT and network fields. Furthermore, NEC rigorously overhauled business processes throughout the group, and integrated its core IT systems for accounting, sales, and purchasing into a cloud computing environment in order to raise operational efficiency and reduce operating costs. The new systems were brought fully online in fiscal 2011. Looking ahead, NEC intends to set up such systems for its customers by applying the technologies and expertise it has gained in the course of implementing and operating its own new core systems. We also worked hard to create new business models through collaboration with customers. For example, we broadly provided cloud computing services for enterprise systems combining NEC's cloud computing-related technology and customers' business expertise.

Efforts were also directed at fortifying our business infrastructure for providing cloud computing and many other services. We upgraded and expanded data centers while developing and optimizing common IT platforms.

(2) Expand Global Business

NEC is targeting overseas sales of ¥1.0 trillion, and raising the overseas sales ratio to 25% of our consolidated net sales in fiscal 2013.

In fiscal 2011, NEC reported overseas sales of ¥479.3 billion, representing 15.4% of consolidated net sales. This was mainly the result of lower sales from the Carrier Network business, as well as the deconsolidation of NEC Electronics Corporation (currently Renesas Electronics Corporation), which conducts the semiconductor business.

In fiscal 2011, NEC promoted business development driven by local leadership in line with the characteristics of its key regions, namely APAC (Asia Pacific), Greater China, EMEA (Europe, Middle East, Africa), and North America. These efforts were led by regional management companies (regional headquarters) in each region. With the establishment of a regional headquarters in Latin America in April 2011, NEC now has "One NEC" formation in 5 regions.

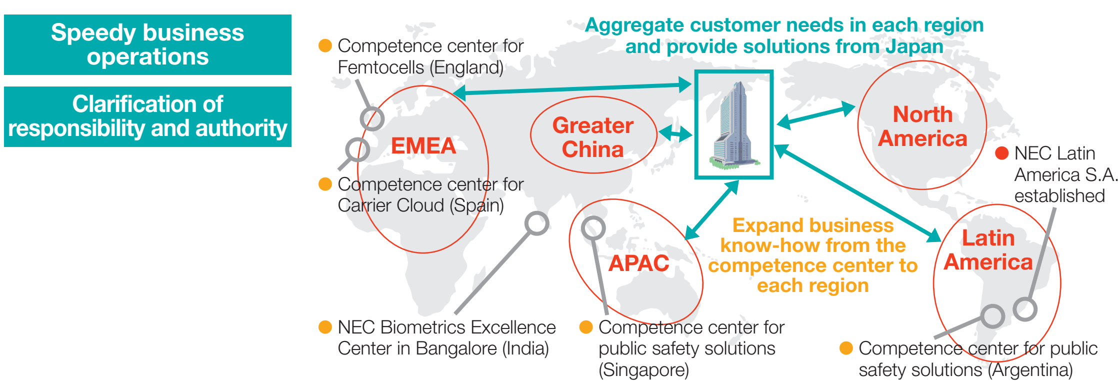
To accelerate global business expansion, competence centers were also established to centralize technologies and expertise in each business, and develop regional-driven solutions. Businesses include the Carrier Cloud business, which supports the provision of cloud-based services to subscribers by telecom carriers; the public safety business, including fingerprint and other biometric identification for facility access control and immigration control solutions; and the femtocell business. Femtocells are ultra-compact wireless base stations that are installed indoors.

(3) Create New Businesses

NEC is promoting the development of an automotive lithium-ion rechargeable battery business together with Nissan Motor Co., Ltd. in the Smart Energy and Green business—a new growth area. In fiscal 2011, NEC commenced full-scale mass production of electrodes, a core component of these batteries. In addition, NEC developed networked charging facilities linked to a cloud-based system. These charging facilities will assist the deployment of charging infrastructure over a wide area in support of the uptake of electric vehicles. During the fiscal year, NEC conducted trials aimed at enhancing the practicality of the system and promoting standardization of communications protocols with cloud-based systems.

Furthermore, NEC began taking steps to enter the smart grid market. One initiative was the development of a large-scale energy storage

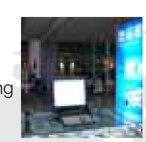
FORTIFYING NEC'S GLOBAL NETWORK (FIVE REGIONAL HEADQUARTERS AND COMPETENCE CENTERS)

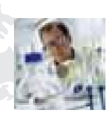


GLOBAL BUSINESS ACTIVITIES/ACHIEVEMENTS

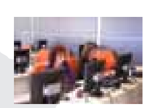
- Automated postal services systems for Norway Post
- Culling, Facing, Cancelling and Revenue-protection (CFCR) systems in the Netherlands
- Digital terrestrial TV broadcast transmitters in Bulgaria
- SaaS services for Telefonica
- Automated Fingerprint Identification System for the National Visa Information System for the Greek Ministry of Foreign Affairs

- Collaboration with Neusoft Corporation on cloud services
- Medical information system solutions for hospital in Chongqing
- RFID temperature traceability system for Jointown Pharmaceutical Group Co., Ltd.
- POS systems for new terminal building at the Guangzhou Baiyun International Airport
- IP telephony system for InterContinental Hotels & Resorts Shanghai Expo
- IP-based telephone and television system solutions for Mandarin Oriental, Macau
- Collaboration on LTE infrastructure business with Wuhan Research Institute of Post and Telecommunications (WRI) of China
- Global IT system for Shiseido Co., Ltd.
- Collaboration with SAP AG on cloud service



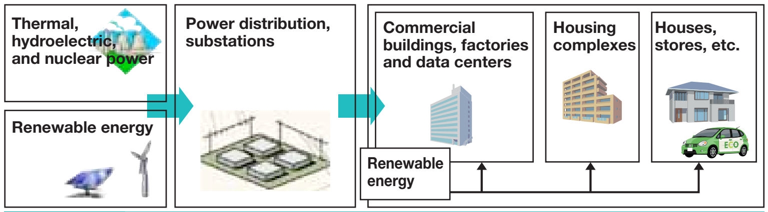


- Major submarine cable system project: Asia Submarine-cable Express (ASE)
- Major submarine cable system project: South-East Asia Japan Cable (SJC) system
- LTE field trial with Singapore Telecommunications Ltd. (SingTel)



- Collaboration with SomaLogic, Inc. in aptamer-related business
- Collaboration with Intel Corporation and Microsoft Corporation on digital signage
- Cloud computing-based education system for San Juan Province Ministry of Education, Argentina
- Medical equipment location management system for Albert Einstein Hospital

NEW BUSINESS ACTIVITIES (BATTERY, SMART GRID)



ICT (Information and Communication Technology) Activities

- Started field trial of transfer blocking system for distributed power with Chugoku Electric Power Co., Inc.
- Formed a business partnership with SEKISUI CHEMICAL CO., LTD. in the “smart house” field
- Promoted membership-based charging service for electric vehicles (EVs)
- Started EV car sharing field trial with EV driving information.

Energy Storage Activities

- Worked with Electric Power Research Institute (EPRI) of the U.S. to test a large-scale electricity storage system using NEC’s large-capacity lithium-ion rechargeable battery storage system
- Agreed to cooperate with Enel Distribuzione on next-generation smart grid and smart cities
- Joint development of building energy management systems using lithium-ion rechargeable batteries with Meidensha Corporation.

EV (Electric Vehicle) Activities

<EV Infrastructure>
Commercial facilities
(convenience stores, gas stations, etc.)

Charging facilities

- Charging facility trials in Oregon (U.S.)
- Charging facility trials with ENEOS and others

Electric vehicles

- Commenced mass production of electrodes for automotive lithium-ion rechargeable batteries

system that will enhance power usage efficiency by temporarily storing surplus electricity in the power distribution grid—the infrastructure that links power supply facilities such as power stations with end users including commercial facilities, plants and homes. Together with partner companies, NEC also actively conducted trials of energy management systems that optimize energy usage at commercial facilities and homes.

Meanwhile, in the field of multifunctional devices, NEC launched an Android™ smartphone, while upgrading and extending its lineup of tablet devices.

3. Fiscal 2012 Outlook

NEC has started to see some positive developments in the business environment, despite an unclear IT investment outlook in Japan and other uncertainties. One example is burgeoning data traffic in step with the rapid penetration of smartphones. This influx of data traffic is helping to drive growth mainly in NEC’s Carrier Network business.

With strengths in both IT and network, NEC sees steady progress with the adoption of cloud computing as an opportunity for business expansion. Looking ahead, advances in the digitization of all kinds of information and diversification in the type of information obtained from sensors, devices and various other sources will touch off explosive growth in data traffic. Data processing platforms based on the integration of IT and network for processing even larger amounts of data at an even faster rate will come to play an increasingly important role. Until now, data usage (data collection, processing and visualization) was limited to specific companies and business sectors. However, if vast amounts of data can be collected and processed in real time due to advances in the "cloud," it should spur the creation of new services through alliances crossing industry and business sector lines. These new services that employ dynamically generated data will be used via various terminals connected to the "cloud."

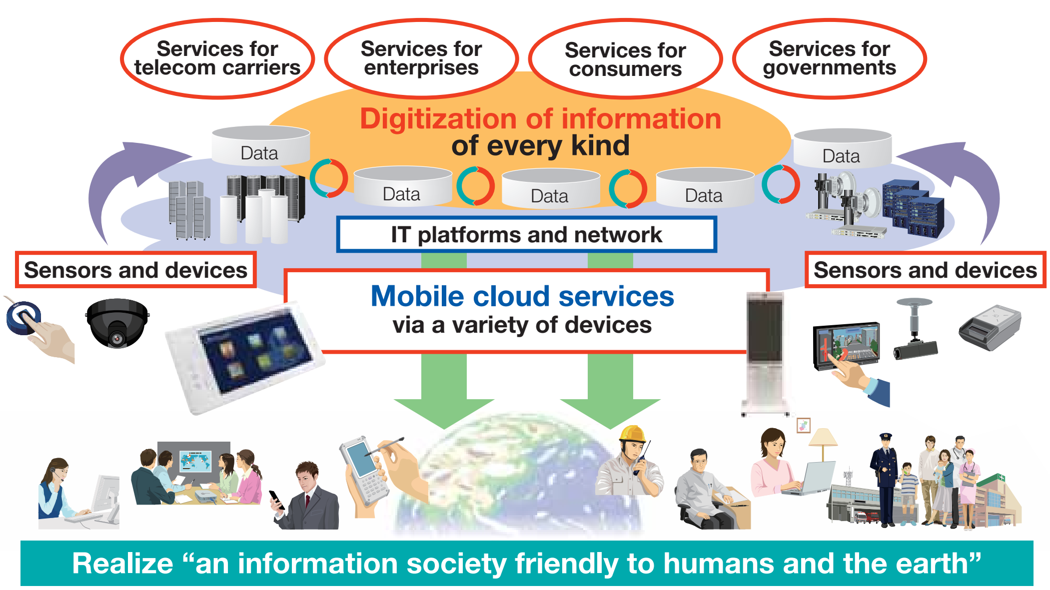
In this context, in the "C&C Cloud Strategy" related business, NEC will enhance the range of its cloud services tailored to each type of operation in government, manufacturing, retail distribution and other sectors, with the aim of expanding business. Furthermore, NEC intends to fully apply the technology and expertise gained by shifting its own core IT systems to a cloud environment. NEC seeks to win orders for cloud-based service projects underpinning customers' core operations. NEC will also promote the "C&C Cloud Strategy" by providing cloud services in a mobile environment based on wireless technologies, one of NEC's key strengths.

Partnerships with overseas companies will also be strengthened to expand sales on a global scale.

Turning to global business, NEC will promote local business leadership from its five regional headquarters around the world. At the same time, we will accelerate the transfer of authority to local overseas subsidiaries while implementing personnel management that result in greater appointment of local staff to management positions. The goal is to drive business expansion through speedy decision-making. Our efforts will be focused on high-growth areas, including education, the Smart Energy and Green business, healthcare, and public safety, especially in Asia and other emerging markets.

In new businesses, NEC will first sharpen its competitiveness in the automotive lithium-ion rechargeable battery business it is developing with Nissan Motor Co., Ltd., with the view to boosting sales further. We will strive to apply the findings of

PROVIDING "ALL-IN-ONE" CLOUD-BASED SERVICES, PLATFORMS AND DEVICES



trials of large-scale power storage systems for power distribution facilities and energy management systems for homes and commercial facilities to the development of solid businesses.

The NEC Group is committed to contribute to recovery efforts in support of people in areas devastated by the Great East Japan Earthquake. Working as "One NEC," the entire NEC Group will marshal its collective technological resources and assets to this end.

Specifically, NEC will do its utmost to develop robust ICT (Information and Communications Technology) infrastructure which will entail the rebuilding of communications infrastructure in preparation. It will also supply cloud services that enable access to information systems anywhere, anytime via networks. Through these measures, NEC will strive to make society safer and more secure.

The NEC Group will also help to implement measures that lead to more efficient use of energy. Measures include the energy storage system utilizing the technology of the NEC Group's lithium-ion rechargeable batteries, energy management systems that optimize energy usage in commercial facilities and homes, and energy-efficient products such as eco-friendly servers, as well as related technologies and expertise.

The NEC Group will put its full weight behind these efforts to realize "an information society friendly to humans and the earth," while driving business expansion. Furthermore, NEC works to enhance quality and cost efficiency in its effort to improve profitability. We look forward to your continued support and understanding as we endeavor to reach these goals.

AT A GLANCE

NEC Corporation and Consolidated Subsidiaries

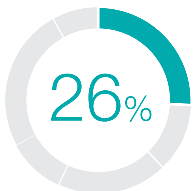
Net sales, operating income (loss) and composition of sales are financial results for the year ended March 31, 2011.

IT SERVICES BUSINESS

NET SALES 804.2 billion yen

OPERATING INCOME 21.4 billion yen

COMPOSITION OF SALES



MAJOR PRODUCTS AND SERVICES

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

SOLUTIONS BY BUSINESS SECTOR/ INDUSTRY

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

CROSS-INDUSTRY SOLUTIONS

Public Safety, Digital Signage and RFID Solutions

MAJOR CONSOLIDATED SUBSIDIARIES

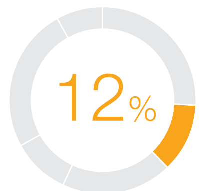
NEC Soft, Ltd.
NEC System Technologies, Ltd.
NEC Nexsolutions, Ltd.
NEC Fielding, Ltd.

PLATFORM BUSINESS

NET SALES 375.8 billion yen

OPERATING INCOME 8.9 billion yen

COMPOSITION OF SALES



MAJOR PRODUCTS AND SERVICES

- IT Platforms

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

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

MAJOR CONSOLIDATED SUBSIDIARIES

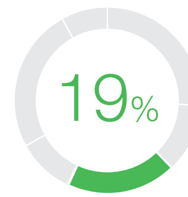
NEC Infrontia Corporation
NEC Computertechno, Ltd.

CARRIER NETWORK BUSINESS

NET SALES 605.4 billion yen

OPERATING INCOME 40.7 billion yen

COMPOSITION OF SALES

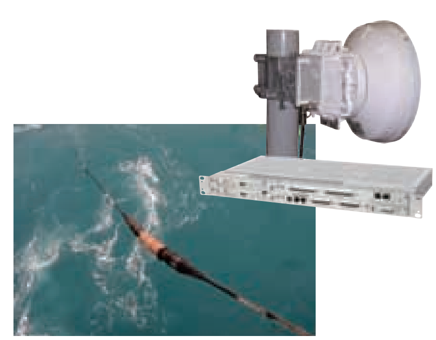


MAJOR PRODUCTS AND SERVICES

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

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

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



MAJOR CONSOLIDATED SUBSIDIARIES

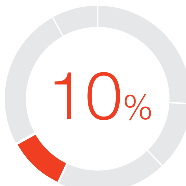
NEC Communication Systems, Ltd.
NEC Network Products, Ltd.
NEC Networks & System Integration Corporation

SOCIAL INFRASTRUCTURE BUSINESS

NET SALES 318.8 billion yen

OPERATING INCOME 14.6 billion yen

COMPOSITION OF SALES



MAJOR PRODUCTS AND SERVICES

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

MAJOR CONSOLIDATED SUBSIDIARIES

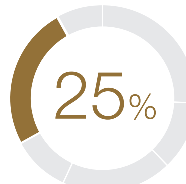
NEC Engineering, Ltd.
NEC TOSHIBA Space Systems, Ltd.
NEC Network and Sensor Systems, Ltd.
Nippon Avionics Co., Ltd.

PERSONAL SOLUTIONS BUSINESS

NET SALES 766.5 billion yen

OPERATING LOSS –1.9 billion yen

COMPOSITION OF SALES



MAJOR PRODUCTS AND SERVICES

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

MAJOR CONSOLIDATED SUBSIDIARIES

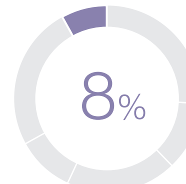
NEC CASIO Mobile Communications, Ltd.
NEC BIGLOBE, Ltd.
NEC Access Technica, Ltd.
NEC Display Solutions, Ltd.
NEC Mobiling, Ltd.

OTHERS

NET SALES 244.7 billion yen

OPERATING INCOME 7.3 billion yen

COMPOSITION OF SALES



MAJOR PRODUCTS AND SERVICES

- Lithium-ion Rechargeable Batteries
- Electronic Components
- Lighting Equipment

MAJOR CONSOLIDATED SUBSIDIARIES

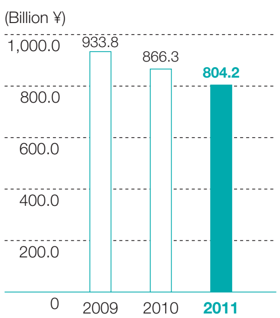
NEC TOKIN Corporation
NEC Lighting, Ltd.
NEC Energy Devices, Ltd.

IT SERVICES BUSINESS

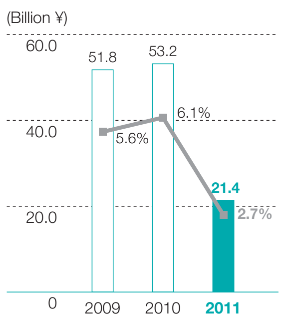
NEC supplies government agencies and private-sector companies with a range of IT services covering system implementation, maintenance and support, and outsourcing, as well as cloud services. Using its extensive experience in building highly reliable systems backed by state-of-the-art IT and network technologies, NEC aims to realize an information society friendly to humans and the earth.

Takaaki Shimizu
Senior Vice President

SALES



OPERATING INCOME, OPERATING INCOME RATIO



Operating income
Operating income ratio

FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales declined 7.2% year on year to ¥804.2 billion, despite steady growth in the “Cloud Service” business and outsourcing services. This decrease was mainly due to a delayed recovery in domestic IT investment and fewer large projects than in the previous year.

Operating income decreased ¥31.8 billion year on year to ¥21.4 billion. This decrease mainly reflected the drop in sales, worsening profitability from stiffer price competition, and larger loss from loss-making projects.

In fiscal 2011, NEC worked to expand its key Cloud Service business. As a result, NEC began providing a cloud service platform to Sumitomo Mitsui Banking Corporation, in addition to offering a core operating system as a cloud service to 7 cities and towns in Nara Prefecture and 10 cities, towns, and villages in Yamanashi Prefecture.

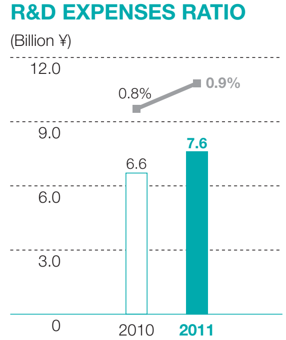
Furthermore, NEC strove to upgrade and expand its Software as a Service (SaaS) menu for specific business sectors, drawing on its experience in systems implementation for various customers. Examples included an electronic medical record service for small hospitals, and a comprehensive cloud service for hotels, which includes a hotel guest reservation system, digital signage system, and an IP telephony system. Another example was a library administration and operations system for universities.

In the public safety business, NEC delivered an automated fingerprint identification system for use in visa information systems to the Greek Ministry of Foreign Affairs. NEC also delivered core information systems and digital signage systems to the new International Terminal Building at Tokyo International Airport (Haneda). In these and other ways, NEC made progress in new business domains where future growth is expected.

FOR FURTHER GROWTH

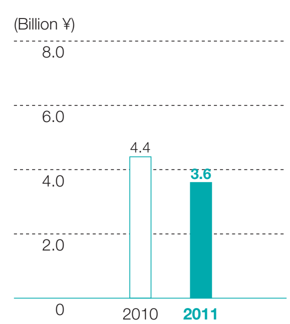
The medium-term market outlook indicates further advancement in cloud computing and expanding demand for IT in emerging countries. Based on this outlook, NEC is focused on expanding its “Cloud Service” business and global business.

R&D EXPENSES, R&D EXPENSES RATIO



R&D expenses
R&D expenses ratio

CAPITAL EXPENDITURES



In the "Cloud Service" business, NEC is creating new businesses that utilize cloud computing as its customers' partner in innovation.

These efforts have already seen NEC provide an asset management system to Sumitomo Life Insurance Company as a cloud service, in partnership with Sumitomo Life Information Systems Co., Ltd. Efforts are also under way to provide the same service to various financial institutions. These efforts will be expanded going forward. Together with customers, NEC plans to create cloud systems for specific industries, as well as clouds that link different business sectors, by leveraging its signature strengths in ubiquitous technology, integrated IT/network technologies and other areas.

In the core systems area, NEC has transformed the large-scale core IT systems underpinning the entire NEC Group into cloud-based systems. NEC is now applying this experience horizontally, with the view to help customers reduce their own IT-related operating costs. NEC is already producing results in this area. It has transformed the core operating system for the construction industry into a cloud service together with four construction companies (Tokyu Construction Co., Ltd., Takenaka Civil Engineering & Construction Co., Ltd., JDC Corporation and Tsuchiya Corporation). NEC now intends to accelerate these initiatives with the aim of driving future business expansion.

In the global business, NEC is working to create locally born solutions closely linked to the needs of each region around the world.

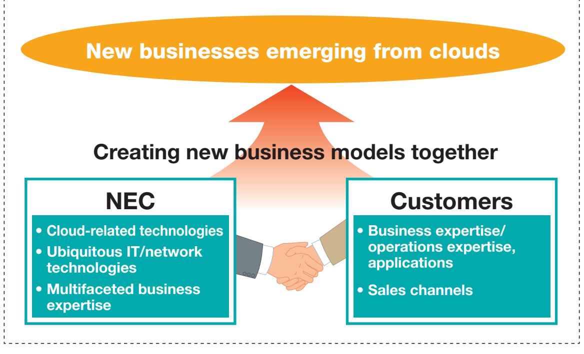
In collaboration with SomaLogic, Inc. of the U.S., NEC is harnessing its bioinformatics technology to develop a next-generation blood testing service for pharmaceutical companies and research institutes. In the future, NEC is looking to expand this initiative into the personal healthcare services market.

Furthermore, NEC possesses world-class fingerprint identification, facial recognition and other biometrics technologies in the public safety business. Based on these technologies, NEC aims to expand business into the social infrastructure area mainly by providing national ID systems and immigration control systems primarily to emerging countries.

In other areas, NEC is seeing the first signs of growth from new businesses that will drive future global expansion. Examples include an RFID solution project in greater China, and a payment service for financial institutions in the Asia-Pacific region. Looking ahead, NEC will utilize its cloud-oriented data centers in five global regions to convert such locally born solutions into global services.

NEC will continue working to drive business expansion in these key areas, while continuously promoting SI innovation activities in order to enhance profitability in the SI business.

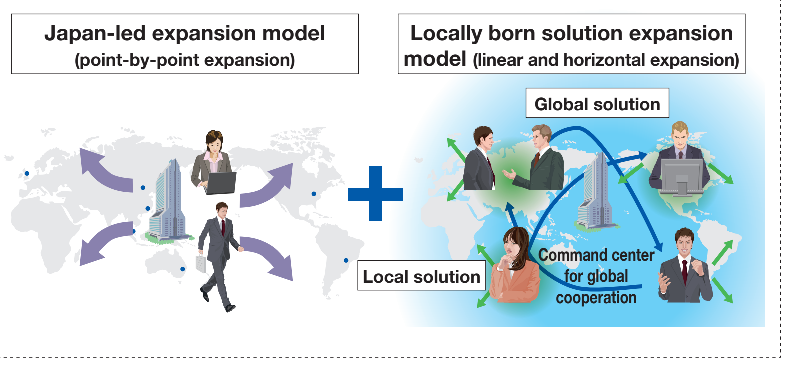
NEC is creating new businesses that utilize cloud computing as its customers' partner in innovation



NEC digital signage systems at the International Terminal Building of the Tokyo International Airport (Haneda)

NEC Cloud Plaza

Promote localization of businesses and solutions, in addition to Japan-led initiatives

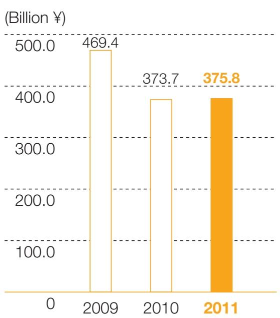


PLATFORM BUSINESS

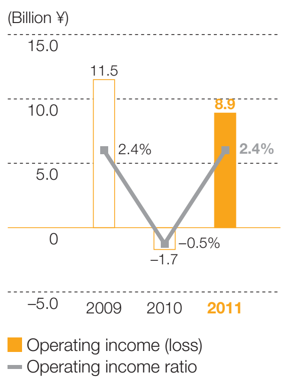
NEC supplies government agencies and enterprises with products essential to the implementation of IT systems and enterprise network systems, such as servers, storage, software and IP telephony systems. Based on its extensive track record, NEC is committed to providing highly reliable and energy-efficient platform products to help realize safe, secure, convenient and eco-friendly IT systems.

Masato Yamamoto
Senior Vice President

SALES



OPERATING INCOME (LOSS), OPERATING INCOME RATIO



FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 0.6% year on year to ¥375.8 billion. This was mainly due to steady growth of software sales such as virtualization through server integration and for cloud computing platforms, despite a decrease in sales of hardware, including servers.

The segment posted operating income of ¥8.9 billion, an improvement of ¥10.6 billion from an operating loss in the previous year. This mainly reflected continuous cost reductions and efficient development spending, in addition to the increase in sales.

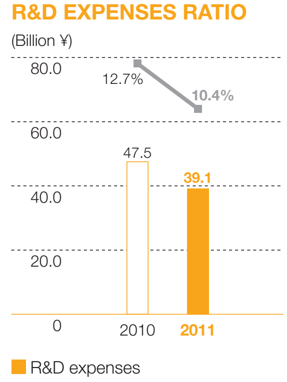
In fiscal 2011, NEC upgraded and extended its product line up addressing needs in the cloud computing era. Based on "REAL IT PLATFORM Generation2," a vision for IT platforms supporting cloud computing, NEC rolled out the "Express5800/ECO CENTER Series" of energy-efficient servers for data centers, which reduce power consumption by up to around 70% compared with conventional servers. Another product was "WebSAM Cloud Manager" software for streamlining operation and management in cloud environments. In PC servers, NEC has held the No. 1[*1] share of volume shipment in the Japanese market for 15 consecutive years. NEC also won No.1 ranking in the customer satisfaction survey[*2] for its integrated operation management and service execution platform software.

Turning to network products, NEC captured the No. 1 share[*3] of the Japanese enterprise telephony market and the No. 3 share[*3] of the corresponding worldwide market. Notably, NEC was selected as the preferred network solution vendor by Taj Group Hotels, one of India's luxury hotel chains, and won orders for an IP telephony system based on NEC's "UNIVERGE SV8000 Series" communication server.

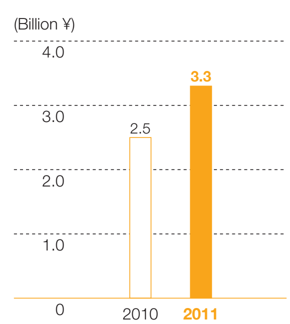
FOR FURTHER GROWTH

As the shift to cloud computing takes hold, the role of platforms is expected to become increasingly important. In response, NEC aims to drive further growth in its operations by focusing on three priority businesses: the unified communication (UC) business, common infrastructure for cloud business and server business.

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



*1 Source: IDC Japan, Japan Server Quarterly Model Analysis 2011Q1 (2010 calendar year)
*2 Source: Nikkei Computer (15th Customer Satisfaction Survey, August 18, 2010 issue); 1st place Web application server software category/1st place integrated operation management software category/1st place network equipment category

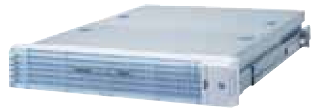
In the UC business, NEC unveiled a new product portfolio in February 2011. This product portfolio can be easily integrated with IT using virtualization software. NEC aims to offer these products globally by making them more attractive through features such as sophisticated IT-network integration and compatibility with smartphones and other new devices. Meanwhile, customers have been seeking to utilize communication tools, security platforms and other office solution platforms as services. In response, NEC plans to provide such office solution platforms on a full scale as a UNIVERGE service based on the portfolio, with the view to enhancing efficiency and power savings in offices. Furthermore, NEC will also focus on strategic products for emerging countries which started to roll-out in January 2011. NEC aims to become a global leading player in terms of both products and services.

In the common infrastructure for cloud business, NEC will provide a range of software centered on support for cloud services, which will drive its "C&C Cloud Strategy." This includes software for operation and management for cloud, and efficient use of resources, as well as high-speed processing of large volumes of data.

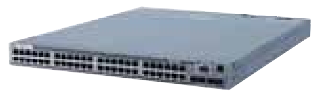
NEC has launched the "UNIVERGE PF Series," leading ahead of its industry. The new products are equipped with the new network control technology "OpenFlow". Nippon Express Co., Ltd. has adopted "UNIVERGE PF Series" to reduce network operating costs. "UNIVERGE PF Series" has received many accolades in Japan and abroad, including the "Best of Interop 2011" award in the infrastructure category at Interop Las Vegas 2011, and "Best of Show Award" in three categories at Interop Tokyo 2011. Going forward, NEC intends to actively market "UNIVERGE PF Series" as a next-generation network virtualization platform.

In the server business, NEC will provide PC servers that feature eco-friendly, high-density installation supported, and enhanced manageability, mainly to the data center market worldwide. To be a global supplier, NEC will take full advantage of the global sales channels developed in its enterprise network business, while working to win new customers in emerging markets.

NEC will continue working to strengthen its competitiveness, including deploying a common platform for hardware design and development concepts, and extending its software productivity enhancement across the company.



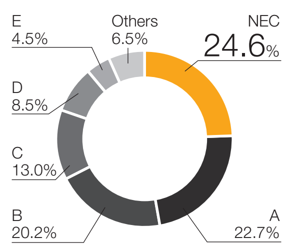
ProgrammableFlow Controller "UNIVERGE PF6800"



ProgrammableFlow Switch "UNIVERGE PF5240"

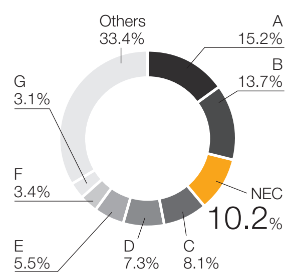
Express5800 series

SHARE OF JAPANESE PC SERVER MARKET
(VOLUME SHIPMENT BASIS)



Source: IDC Japan *1

SHARE OF GLOBAL ENTERPRISE TELEPHONY MARKET
(SEAT LICENSE SHIPMENT BASIS)



Source: Gartner *3

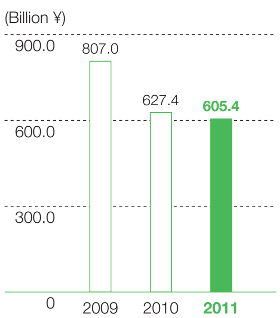
*3 Source: Gartner, "Market Share: Enterprise Telephony Equipment, Worldwide 2010" 29 March 2011 (Seat license shipment basis, 2010 calendar year)

CARRIER NETWORK BUSINESS

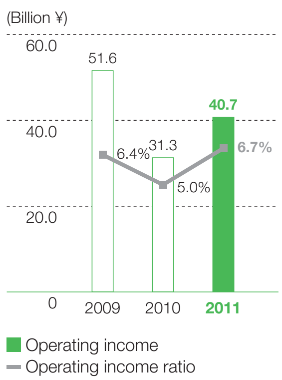
NEC supplies equipment required for network implementation to telecom carriers, along with network control platform systems and operating services. NEC's wealth of experience in large-scale network implementation and strong technical capabilities contribute to the development of highly reliable communications networks.

Shunichiro Tejima
Senior Vice President

SALES



OPERATING INCOME, OPERATING INCOME RATIO



FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales decreased 3.5% year on year to ¥605.4 billion. This decrease mainly reflected the impact of exchange rate fluctuations and delays with contractual procedures for submarine cable systems, despite higher domestic sales of wireless communications equipment and of cable television-related systems.

Operating income rose ¥9.4 billion year on year to ¥40.7 billion, mainly due to streamlined costs and higher sales from the second half of the fiscal year.

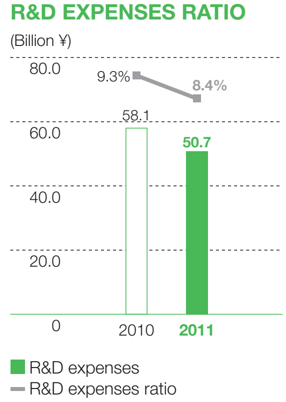
In fiscal 2011, NEC shipped wireless base stations for NTT DOCOMO, INC.'s new LTE-based mobile phone service Xi™ (read "Crossy"), along with related core networks and Ethernet transmission equipment. NEC also participated in LTE field trial projects with KDDI Corporation, Telefónica Moviles Argentina S.A., a subsidiary of Telefónica S.A. of Spain, and Globe Telecom, Inc. an associate of Singapore Telecommunications Ltd. In this manner, NEC built a solid track record in the latest LTE services both in Japan and overseas. In addition, NEC started to see signs of recovery in the business environment. NEC won large submarine cable system projects linking Japan and various Asian countries, including the Asia Submarine-cable Express system in January 2011 and South-East Asia Japan Cable system in April 2011. Also, femtocell solutions were supplied to telecom carriers in Norway and Russia.

In other areas, cumulative shipments of "PASOLINK," an ultra-compact microwave communications system, reached 1.64 million units in 145 countries as of April 2011. In this field, NEC launched the new "iPASOLINK" Series, which extends its cover from access to metro area. NEC has already received "iPASOLINK" orders from telecom carriers in India, Turkey and other countries.

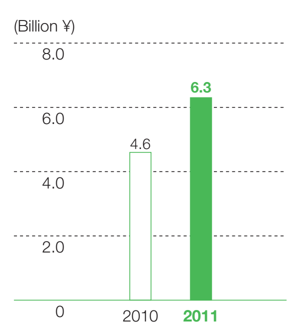
FOR FURTHER GROWTH

Data traffic has been increasing with the rapid uptake of smartphones and growing demand for mobile phones in emerging countries, presenting major business opportunities for NEC. In this environment, NEC is concentrating

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



business resources in four areas where it can demonstrate its own strengths and high market growth is expected: wireless broadband access, mobile backhaul, submarine cable systems, and services and management. NEC is taking on the challenge of enhancing its position in global markets while driving growth in net sales and earnings.

In wireless broadband access, NEC is striving to ensure the completion of LTE projects currently under way in Japan, and at the same time, working to develop business globally. Specifically, NEC entered into an agreement with Wuhan Research Institute of Post and Telecommunications (WRI), China's leading telecom equipment manufacturer, to cooperate in development, manufacturing, sales and maintenance in the LTE field. In femtocell solutions, NEC has already signed commercial agreements with more than 10 telecom carriers, primarily in Europe. NEC is now actively pitching femtocell solutions in the Middle East, Africa, Asia and other regions.

Mobile backhaul is expected to become an increasingly important infrastructure supporting burgeoning data traffic in step with growing demand for mobile phones in emerging countries. NEC possesses the high-quality wireless transmission technology bar none and conducts efficient manufacturing activities at NEC Network Products, Ltd. (former NEC Wireless Networks, Ltd.), a PASOLINK production site. Harnessing these strengths, NEC will maintain its competitive edge in markets going forward.

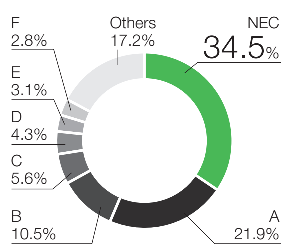
In submarine cable systems, data traffic is projected to increase steadily, especially in the Asia-Pacific region. As one of the world's three major submarine cable system providers, NEC is able to comprehensively supply products ranging from terminal equipment to submarine repeaters and cables. Leveraging these strengths, NEC will look to seize future business opportunities ahead.

In services and management, NEC will utilize the strengths of NetCracker Technology Corp., which was acquired in 2008. NetCracker has a global customer base, along with strong solution capabilities in consulting, sales and services. Harnessing these strengths, NEC will help telecom carriers to reduce operating costs.

LTE base station

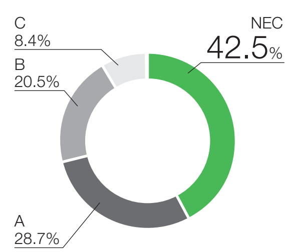
Submarine cable system

CARRIER NETWORK INFRASTRUCTURE MARKET SHARE, JAPAN (MONETARY BASIS)



Source: Gartner *2

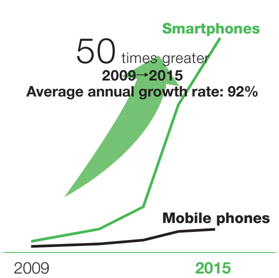
MOBILE CARRIER NETWORK INFRASTRUCTURE MARKET SHARE, JAPAN (MONETARY BASIS)



Source: Gartner *2

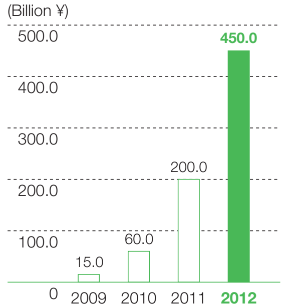
TREND AND OUTLOOK FOR DATA TRAFFIC VOLUME*1

(Traffic volume)



SIZE OF GLOBAL MARKET FOR LTE EQUIPMENT*1

(Billion ¥)



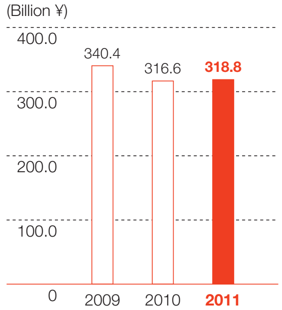
*1 Source: NEC estimates and projections based on data from various market research companies (calendar years).
*2 Source: Gartner "Market Share: Carrier Network Infrastructure, Worldwide, 2010" 22 March 2011 (2010 calendar year)

SOCIAL INFRASTRUCTURE BUSINESS

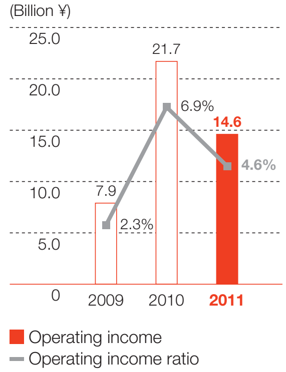
NEC provides eco-friendly, reliable and secure systems and solutions that contribute to a comfortable society. Through information and communications technology (ICT), these systems and solutions support the sophisticated operation of social infrastructure, including broadcasting and video distribution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

Tomonori Nishimura
Senior Vice President

SALES



OPERATING INCOME, OPERATING INCOME RATIO



FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 0.7% year on year to ¥318.8 billion. This increase mainly reflected steady growth in the social systems field including broadcasting, transportation, and fire and disaster prevention systems, despite a decline in sales in the aerospace and defense systems fields due to government expenditure cutbacks in Japan.

Operating income decreased ¥7.1 billion year on year to ¥14.6 billion mainly owing to the influence of highly profitable projects in the previous year and increased costs for strengthening the development and sales organization in the social systems field, despite efforts to reduce costs and tighten risk management.

In fiscal 2011, NEC saw the rapid emergence of replacement demand due to regional restructuring and digitization of wireless communications networks of fire and disaster prevention systems. NEC captured a high market share by harnessing strengths in software-based wireless technology and its extensive experience in large-scale fire-fighting command systems.

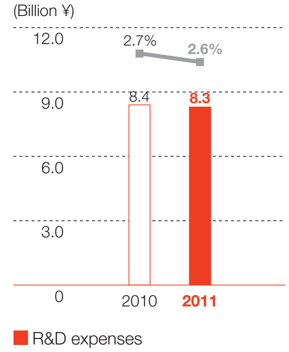
In addition, NEC is proposing systems that will support efforts to reduce CO_2 emissions in the logistics sector, which accounts for 20% of CO_2 emissions in Japan. In fiscal 2011, NEC developed a telematics system called “See-T Navi” in partnership with Yamato Transport Co., Ltd. to raise the efficiency of collection/delivery operations, and to support safer and more environmentally friendly vehicle operations.

Besides, NEC has been working to develop compact infrared cameras for security, thermography and other applications using its original uncooled infrared detector technology. In fiscal 2011, NEC developed an uncooled infrared camera called AEROEYE to support helicopter operations at night or in poor visibility conditions, and delivered the camera to the Tokyo Fire Department.

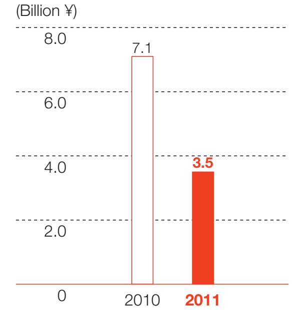
FOR FURTHER GROWTH

NEC provides a broad range of security solutions underpinning many different areas, from national and regional security to the protection of individuals and

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



corporations, with the aim of supporting a more reliable, safe, and comfortable society. In recent years, demand has grown for the digitization of wireless communications networks, which underpin transportation safety for expressways, and public transit such as railways, as well as reliable communications in the fire and disaster prevention fields. Particularly, replacement demand for fire and disaster prevention systems is expected to grow continuously over the next several years, driven by regional restructuring and the digitization of wireless communications networks. NEC continues to reinforce its operating structure in this field.

Furthermore, nationwide multimedia broadcasting for mobile terminals will enter service using remnant terrestrial analog broadcasting frequencies. Here, NEC will help to develop systems spanning program production to transmission (digital broadcasting) in support of the convergence of communications and broadcasting. Similarly, the intelligent transportation system (ITS) field is studying the feasibility of developing vehicle-to-vehicle and road-to-vehicle communications also using these remnant frequencies. In this area, NEC will help to develop technologies and build infrastructure that reduces traffic congestion and accidents.

Moreover, NEC offers ITS telematics solutions which help to reduce CO_2 emissions in the logistics field by facilitating safe and environmentally friendly driving and raising the efficiency of logistics operations. Looking ahead, NEC aims to expand this business by extending telematics solutions from commercial to personal vehicles and entering the ASP service* business using cloud computing.

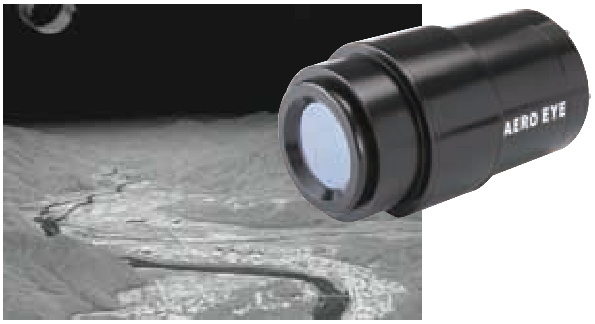
In other areas, NEC offers building solutions that enable integrated facility management for security and power consumption within a building. Also, NEC is currently participating in various smart grid demonstration trials. Going forward, NEC will roll out power control solutions that address the introduction of renewable energy and multiplying means of electricity trading, which are expected to advance further.

NEC set up the Overseas Business Strategy Office in September 2010 to promote overseas development of systems that support the advanced use of social infrastructure developed in Japan. Collaboration with partner companies and government agencies in fields such as expressways, railways, waterworks, fire and disaster prevention and space applications, NEC will strive to increase sales in emerging markets such as Asian countries, as well as Latin America and Africa, as it works to drive overseas business expansion forward.

High-performance fire-fighting command center to support rapid-response fire and disaster prevention and rescue activities (Fire and disaster prevention systems).

Digital terrestrial TV transmitters for overseas markets (Broadcasting and video distribution systems)

The ASNARO is equipped with the NEXTAR small standard satellite bus module.



Infrared camera AEROEYE IRV-3200H with a photograph taken by the camera

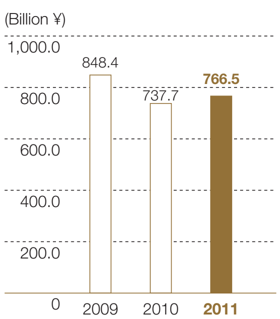
* ASP (Application Service Provider) service: A service where access to applications is provided to customers over the Internet.

PERSONAL SOLUTIONS BUSINESS

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

Takemitsu Kunio
Senior Vice President

SALES



OPERATING INCOME (LOSS), OPERATING INCOME RATIO

FISCAL 2011 PERFORMANCE AND MAIN ACCOMPLISHMENTS

Business segment sales increased 3.9% year on year to ¥766.5 billion. This increase was mainly due to the business integration with Casio Hitachi Mobile Communications Co., Ltd. and an increase in sales in the overseas display solutions business, despite sluggish mobile phone sales.

The segment posted an operating loss of ¥1.9 billion, a change of ¥20.8 billion from operating income in the previous year. This was mainly due to weak sales of mobile phones and increased development expenses for smartphones and other new devices.

In fiscal 2011, NEC launched the MEDIAS N-04C smartphone in the Japanese market. This model features the world's thinnest*[1] 7.7 mm profile—it weighs an ultra-light 105 g—and is equipped with multiple convenient functions.

Furthermore, NEC launched a notebook PC for individual customers with new features like a high audio-quality YAMAHA sound system and 3D display functionality. NEC also unveiled an energy-efficient PC model for enterprises featuring a function that automatically turns off monitors when users leave their seats, and a model that displays changes in PC power consumption. As a result, NEC's PCs held on to the top share of the Japanese market*[2].

NEC also introduced Android™-based tablet devices such as the Cloud Communicator LT-W, which features operability equivalent to a PC using a built-in keyboard.

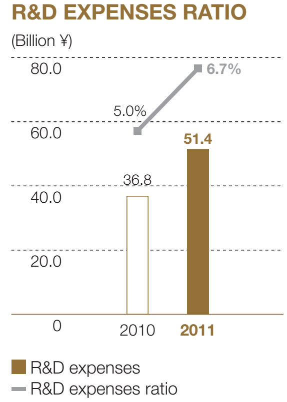
Moreover, in fiscal 2011, NEC agreed to a strategic partnership with Lenovo Group Limited in order to drive growth in the PC business through a more powerful market position, enhanced product portfolio and expanded distribution channels.

FOR FURTHER GROWTH

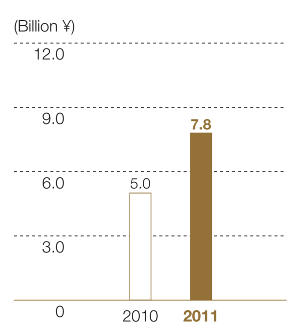
Looking ahead, NEC will focus on achieving global business expansion with smartphones, promote new businesses for tablet devices, and develop leaner operations.

In the mobile phone business, NEC will strive to expand business by supplying models that combine NEC's proprietary thin-profile and lightweight technologies with Casio Hitachi Mobile Communications' water-proof, dust-proof and shock-resistant technologies to customers.

R&D EXPENSES, R&D EXPENSES RATIO



CAPITAL EXPENDITURES



*[1] Among 3G mobile phones, as of February 24, 2011 (Source: NEC CASIO Mobile Communications, Ltd. research)

In smartphones, which are projected to rapidly penetrate global markets, NEC will concentrate on enhancing its product lineup, price competitiveness and regional product penetration.

First, NEC will enhance its product lineup by strengthening ties with developers and manufacturers of operating systems and chipsets that are commonly used in smartphones, and incorporate cutting-edge technology from each company as early as possible.

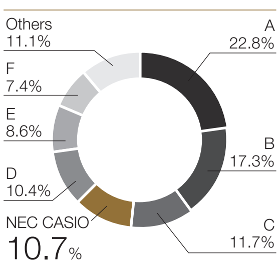
Next, NEC will enhance price competitiveness by increasing volume shipments per model through development of global base models. Each global model will be customized according to the needs of each region, underpinning NEC's global business expansion. In addition, NEC will apply production expertise developed in Japan to outsourced production overseas, in order to sharpen its cost competitiveness.

Finally, NEC intends to increase regional product penetration. To this end, NEC will expand business globally by stationing marketing personnel in each local market. NEC first aims to expand its presence in the North American market, and then steadily make inroads into Europe and emerging countries.

As with smartphones, tablet devices are tipped for substantial market growth going forward. In this market, NEC will offer thin, lightweight tablet devices, as well as provide vertical solutions from networks, service platforms to devices.

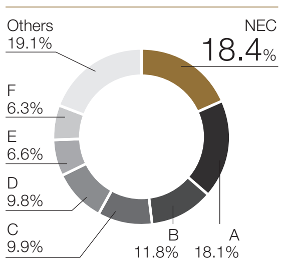
NEC will also respond to the needs of business customers who provide various services in fields such as electronic books, educational services, electric power and housing by offering distinctive product lineups featuring dual-screen tablet devices and other product innovations.

SHARE OF MOBILE PHONE VOLUME SHIPMENTS IN JAPAN



Source: Research by MM Research Institute, Ltd.

SHARE OF PC VOLUME SHIPMENTS IN JAPAN



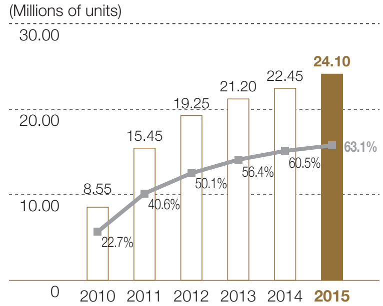
Source: IDC Japan [*2]

Note: Period is from April 1, 2010 to March 31, 2011

DOCOMO smartphone MEDIAS N-04C

Cloud communicator LT-W

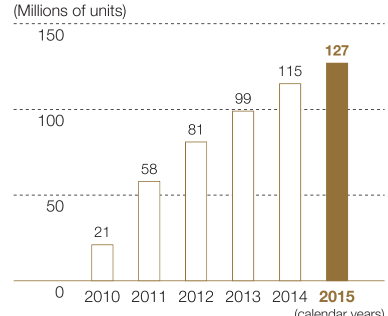
TREND AND OUTLOOK FOR SMARTPHONE SALES VOLUME AND SHARE IN JAPAN



Source: Research by MM Research Institute, Ltd.
Note: Fiscal 2010 is the period ended March 31, 2011

Smartphone sales volume
Share of smartphone sales volume

TREND AND OUTLOOK FOR WORLDWIDE TABLET SALES VOLUME



Source: NEC projections

Business expansion will also be driven by tablet devices sales through telecom carriers, large-scale retailers and other channels.

In addition to these measures, NEC aims to develop leaner operations through continuous efforts to enhance its quality and responsiveness to market developments by bolstering manufacturing capabilities at production centers in Japan.

[*2] Based on fiscal 2010 sales volume ranking
Source: IDC Japan, Japan Personal Computing Quarterly Model Analysis, 2011Q1

R&D AND INTELLECTUAL ASSETS STRATEGY

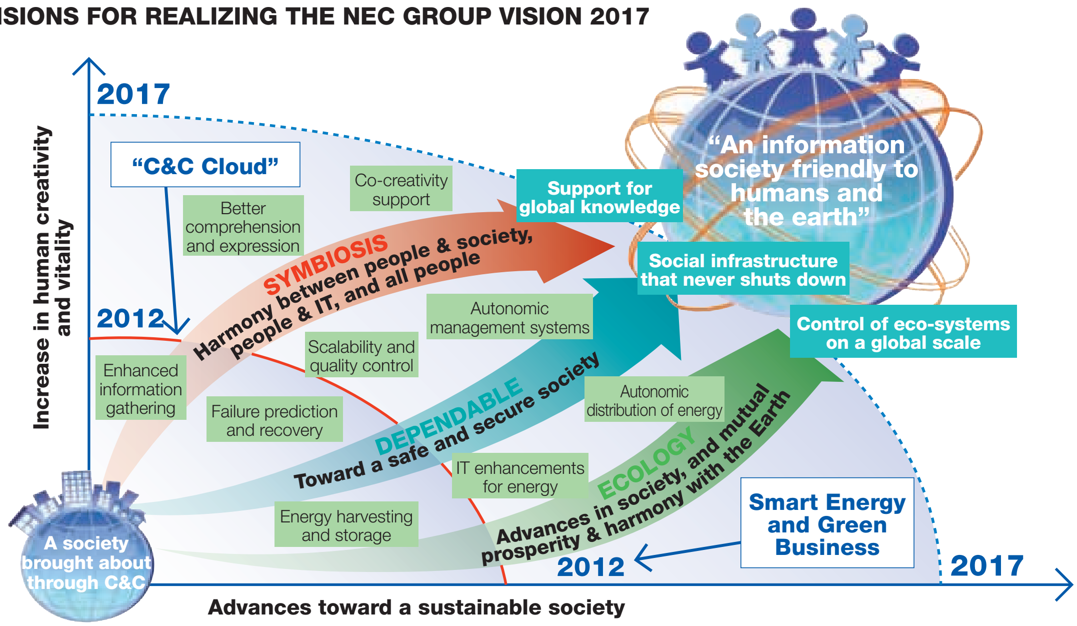
Based on its three long-term research visions, NEC is promoting R&D activities that contribute to realizing an "information society friendly to humans and the earth," while closely tying these activities to its intellectual assets and standardization strategies.

R&D STRATEGY

In order to create "an information society friendly to humans and the earth," which is asserted in the NEC Group Vision 2017, it is important to increase both human creativity and vitality, while developing a sustainable society. To this end, NEC has established three long-term research visions as the foundation of its long-term R&D efforts, with the aim of realizing this vision. These are: 1) "Symbiosis," defined as harmony between people and society, people and IT, and all people; 2) "Ecology," which is mutual prosperity and harmony with the earth; and 3) "Dependable," which refers to creating a safe and secure society. These three visions define the directions in which we will deepen our technologies through R&D activities over the long term.

Over the medium term, NEC will closely follow this long-term R&D policy, as it establishes key research areas to expand and enhance "C&C Cloud Strategy" related businesses, the Smart Energy and Green business, and other operations. At the same time, we will focus on producing research achievements that support the realization of the goals laid out in "V2012".

ENHANCE R&D ACTIVITIES BASED ON THREE LONG-TERM RESEARCH VISIONS FOR REALIZING THE NEC GROUP VISION 2017



SYMBIOSIS

—Realizing a harmonious coexistence between people and the information society, supporting the use of global knowledge—

This refers to technology that will help people to gather the necessary information from the overwhelming amount of information in the world and assist them in understanding that information. In other words, we will develop technology that will serve as a bridge between people and the information society, and help both to develop and grow. In the future, we aim to develop technology that will support mutual understanding among people, and support co-creation utilizing knowledge from around the world.

ECOLOGY

—Controlling ecosystems on a global scale—

In addition to energy-saving technologies, we will develop technologies to create new energy, store energy, reuse and redistribute energy to ensure its effective use. By applying information technology to energy, we make it possible to ascertain, manage and control its use. We will aim to establish autonomous and diversified technologies for energy that can be applied to the global ecosystem.

DEPENDABLE

—Creating social infrastructure systems that do not shut down—

We are developing technologies that will predict and prevent the failure of social infrastructure systems that require a high degree of reliability, such as energy networks, traffic networks, and distribution networks, as well as make these systems more efficient through coordination among systems. Ultimately, we aim to develop autonomous systems that recover on their own without stopping even if a malfunction occurs.

MAIN R&D ACHIEVEMENTS IN FISCAL 2011

In fiscal 2011, NEC developed a new video content identification technology that instantly detects illegal video copies. This technology was accepted as part of the MPEG-7 international standard for video identification. In addition, NEC developed a cloud-based charging system that enables charging infrastructure for electric vehicles to be deployed over a wide area, and is taking steps to commercialize this system.

In other areas, NEC developed cloud computing infrastructure technologies that enable systems to easily scale while maintaining high dependability for mission critical systems for enterprises, government bodies, telecom carriers and others. These technologies address the rapid increase in the amount of data processed by these systems. NEC also developed a technology that makes LTE base station installation work more efficient by automatically optimizing the parameters of each base station. LTE is a next-generation mobile communications standard. Another achievement was the development of a thin and flexible Organic Radical Battery (ORB) with significantly enhanced reliability and output. This ORB is expected to be used in IC cards and wearable devices in the future.

Turning to the contribution of R&D achievements to business operations, NEC developed the world's first next-generation network products equipped with OpenFlow technologies, namely a "ProgrammableFlow Controller" and "ProgrammableFlow Switch". Another achievement was the application of NEC's face recognition technologies to its "NeoFace Ver. 3.0" facial detection/comparison engine. NEC's face recognition technologies received the world's top ranking in the Biometric Grand Challenge's "Still-Face" Challenge Problem carried out by the U.S. National Institute of Standards and Technology (NIST).

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

VIDEO CONTENT IDENTIFICATION TECHNOLOGY THAT DETECTS ILLEGAL VIDEO COPIES INSTANTLY

Today, the Internet hosts a multitude of video content, but included among this content are numerous illegally copied or altered videos. Therefore, copyright infringement of the original video content has become a major issue for content holders and service providers.

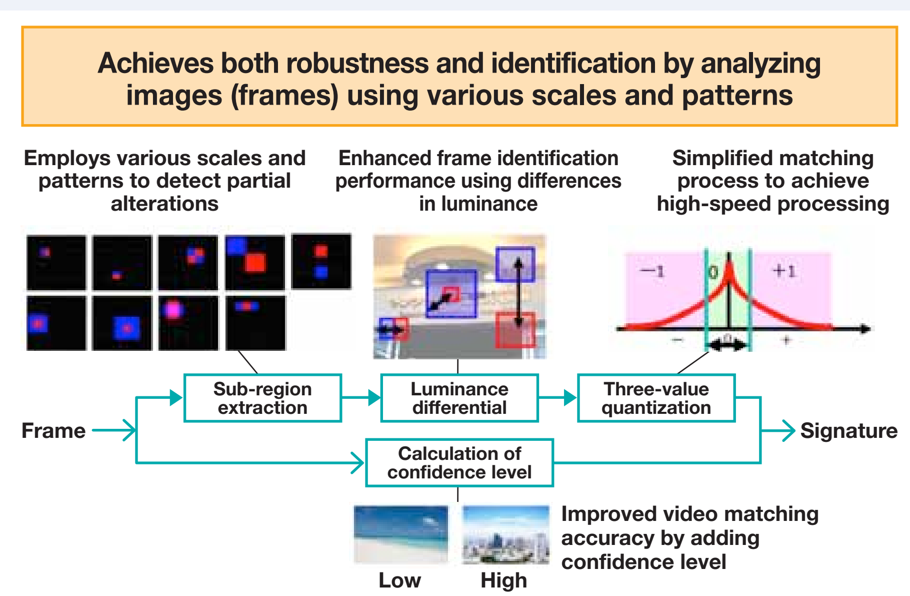
In response, NEC has developed video content identification technology that automatically detects such illegally copied or altered video instantly. This technology generates a unique fingerprint (video signature) to identify video content. Video signatures are extracted from frames based on differences in the luminance between sets of sub-regions on a frame. The technology then compares these video signatures to the signatures of the original content for identification.

Because the video signature requires very little storage memory, the technology can match approximately 1,000 hours of video in 1 second using the processing speed of a typical home PC. Furthermore, the technology can accurately detect not only simple video copies, but also video that has been traditionally difficult to detect. This includes video content that has been altered through caption and ticker overlays and other means, as well as video camera-captured copies.

In a technology evaluation conducted by an international standardization organization, the technology achieved an average detection rate of 96% at a very low false alarm rate of 5 ppm (5 in one million) when tested against various video content altered with malicious intent. As a result, the technology was approved as part of ISO/IEC 15938-3/Amd.4: MPEG-7 Video Signature Tools, an international standard for identification technology of video content.

Looking ahead, NEC intends to use this technology to provide a variety of applications, including the provision of services and information linked to promotional videos, surveys to track content usage, and advertising distribution linked to video viewing history.

VIDEO SIGNATURE GENERATION PROCESS



INTELLECTUAL ASSETS STRATEGY

NEC positions intellectual assets as "the foundation for the NEC Group's business competitiveness and stability," and is working to strengthen its intellectual assets from both quality and quantity standpoints. Specifically, NEC is concentrating on establishing a global patent network, to support achieving an overseas sales ratio of 50% as targeted in the NEC Group Vision 2017. One key focus is the core areas set forth in "V2012", including "C&C Cloud Strategy" related businesses and the Smart Energy and Green business. In these areas, NEC is carrying out Group-wide strategic patent projects on a global basis to obtain strong patents and patents that are being utilized. The NEC Group owns approximately 68,000 patents worldwide, including approximately 24,000 patents in Japan (as of March 2011).

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

DEVELOPMENT OF CLOUD-BASED CHARGING SYSTEM ENABLING WIDE-AREA DEPLOYMENT OF NETWORKED ELECTRIC VEHICLE CHARGING INFRASTRUCTURE

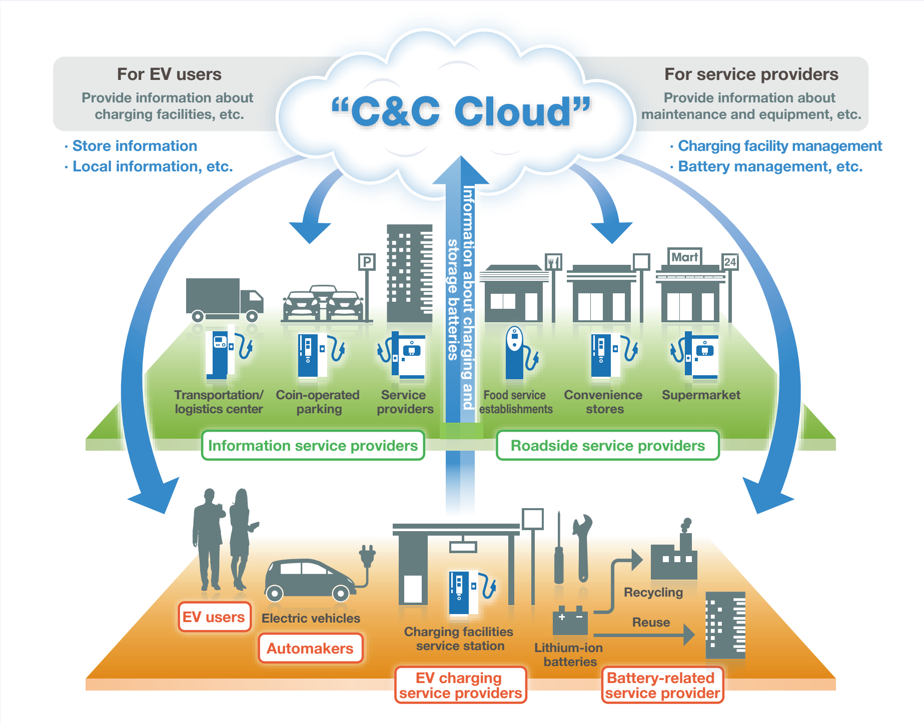
The popularization of electric vehicles (EVs) will be a crucial step to realizing a low-carbon society, and is therefore attracting a lot of public interest. Charging infrastructure for EVs will play a pivotal role in support of the full-scale uptake of EVs.

EV charging facilities can be installed in a variety of locations such as service stations (gas stations) convenience stores, shopping centers, theme parks, train stations and airports, because charging services can be provided wherever a supply of electricity is available. However, when deploying charging facilities over a wide area, EV charging service providers require infrastructure to efficiently operate and maintain charging facilities. It is also important to ensure that EV users can utilize charging services from any charging facility, without being restricted by differences in EV charging service providers. To this end, there is a need to ensure compatibility with many different authentication and billing methods, and establish links among the charging systems of EV charging service providers.

NEC has developed a cloud-based charging system that enables EV charging service providers to gather and manage information about charging facility usage and technical issues, as well as upgrade charging facility software and perform other related tasks via a network. The system is made possible by linking the maintenance and operating functions of charging facilities with the "cloud." Because EV charging service providers will be able to maintain and operate charging facilities remotely, they will be able to operate unstaffed charging facilities. This will facilitate the deployment of charging facilities in a variety of locations. In addition, by installing FeliCa multi-service card reader/writer systems in charging facilities, the system can be made to accept a variety of electronic money through links with cloud-based electronic money platforms. In these ways, the system will help to develop user-friendly charging infrastructure for both EV charging service providers and users.

Looking ahead, NEC will trial the new system together with partner companies, with the aim of commencing commercial operation of the system within fiscal 2012.

SCHEMATIC OF CHARGING INFRASTRUCTURE USING THE "C&C CLOUD"



ACTIVITIES FOR CONTRIBUTING TO THE ENVIRONMENT AND SOCIETY

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

ENVIRONMENTAL MANAGEMENT ACTIVITIES

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

From the low carbon perspective, in fiscal 2011, NEC helped to reduce 2.12 million tons of CO_2 emissions of its customers and society through various “entirely eco-friendly” IT solutions for offices, data centers, manufacturing and logistics. Also, NEC reduced the energy consumption of its products by 53% in fiscal 2011 compared with products in fiscal 2006.

From the perspective of ecosystem and biodiversity preservation, NEC aims to double the scope of its corporate citizenship program designed to promote biodiversity preservation by fiscal 2018, compared with fiscal 2010. In fiscal 2011, NEC formulated guidelines and enhanced its activities with 6,211 individual participants in its global biodiversity preservation program.

In resource recycling and conservation, NEC unveiled in August 2010, the development of a new bioplastic produced from non-edible plant ingredients that pose no concern about encroaching on food supplies. The new bioplastic has a plant ratio of more than 70%. Looking ahead, NEC plans to promote various activities with the aim of using bioplastics in all core products.

RESPONSE TO POWER SHORTAGES

In preparation for power shortages caused by the Great East Japan Earthquake that struck in March 2011, NEC has implemented response measures at Group offices and production sites within the service areas of Tokyo Electric Power Company, Inc. and Tohoku Electric Power Co., Inc. Measures include removing lights, reducing air conditioning usage, and suspending the operation of some elevators at these locations. Furthermore, NEC will implement various power conservation measures, including concentrating shifts on weekends and other holidays at its offices and plants, and certain affiliated companies within the Tokyo Electric Power service area during the summer, in addition to using natural gas as a power source and operating private power generators. Through these measures, the NEC Group aims to reduce its peak power consumption by 15% from fiscal 2011 in the Tokyo Electric Power Company and Tohoku Electric Power Company service areas.

RESTORATION AND RECOVERY EFFORTS IN AREAS DEVASTATED BY THE GREAT EAST JAPAN EARTHQUAKE

NEC is a provider of IT and network solutions underpinning social infrastructure. As such, NEC extended business continuity support immediately after the earthquake to its clients, namely local governments, telecom carriers, hospitals and companies in the disaster stricken areas, by restoring their infrastructure systems. Furthermore, the NEC Group has put its collective strengths behind restoration and recovery efforts in the areas. We have provided more than ¥100 million in relief money, and products and services, while our employees have conducted volunteer activities.

Volunteers at work in the disaster zone

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

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

Please visit the NEC website at the following URL for further details on NEC’s CSR activities.
http://www.nec.co.jp/csr/en/

Dow Jones Sustainability Indexes
Member 2010/11

sam 2011 gold class

FTSE4Good

ETHIBEL EXCELLENCE

MS-SRI

CORPORATE GOVERNANCE

(As of July 1, 2011)

In recognition of the fact that reliable corporate governance is essential to the maximization of corporate value, NEC is committed to strengthening its corporate governance practices through (1) assurance of transparent and sound management, (2) realization of prompt decision making and business execution, (3) clarification of accountability and (4) timely, appropriate and fair disclosure of information.

CORPORATE GOVERNANCE STRUCTURE

NEC has adopted the corporate auditor system of corporate governance, as illustrated in the chart below.

NEC has introduced a corporate officer system to separate management supervision from business execution and implement business operations based on prompt decision-making. This has involved transferring substantial authority for business execution from the Board of Directors to corporate officers. The total number of directors was reduced from 15 to 13 at the Ordinary General Meeting of Shareholders held on June 22, 2011. NEC has also been strengthening the supervisory functions of the Board of Directors by ensuring that 5 of the 13 directors are outside directors who will have no conflicting interests with NEC's general shareholders. Furthermore, NEC has been working to improve transparency of personnel matters of directors and corporate auditors and remuneration of directors and corporate officers by making decisions on such matters based on the results of discussions by the Nomination and Compensation Committee. NEC has also put in place personnel and systems to reinforce the functions of the corporate auditor's audit, while encouraging closer cooperation among NEC's corporate auditors, internal auditing division and accounting auditors.

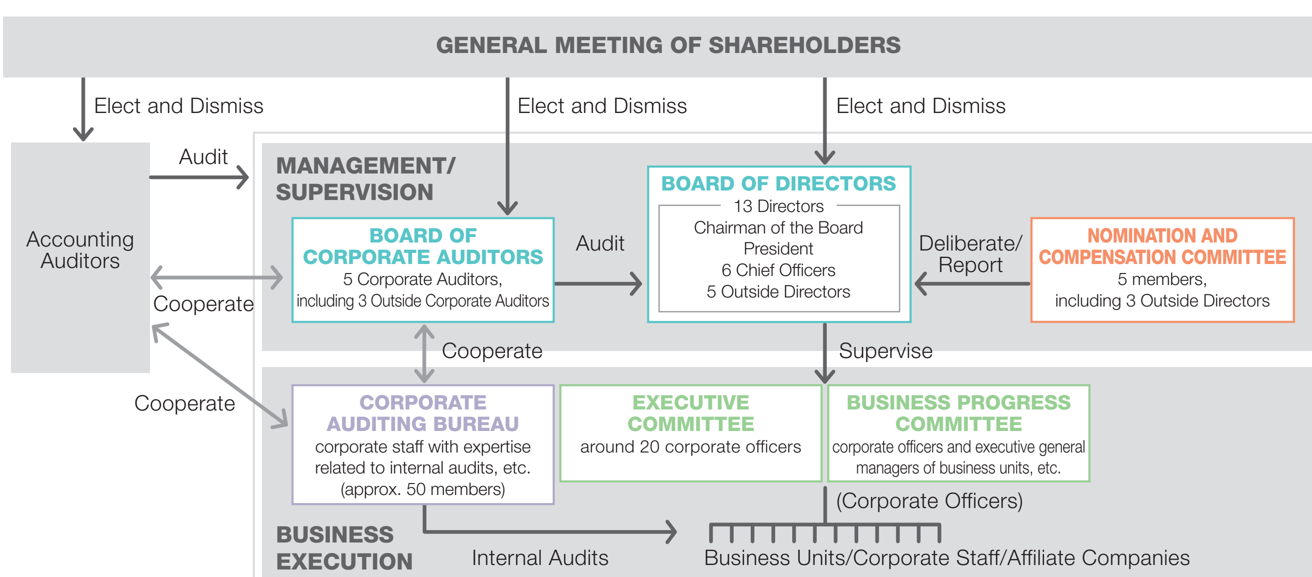
NEC has formulated a Company-wide strategy for realizing the NEC's Group Vision 2017. To this end, NEC appointed inside directors as chief officers in July 2011 to lead business unit operations and promote business development.

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

BOARD OF DIRECTORS

NEC's Board of Directors consists of 13 members, 5 of whom are outside directors. The Board of Directors holds regular meetings once a month, in principle, and extraordinary meetings as necessary to determine important matters related to business execution, including business realignment, funding plans and financing and investment, as well as matters concerning business plans. NEC reduced the size of its Board of Directors by 2 members from 15 members at the Ordinary General Meeting of Shareholders held on June 22, 2011. NEC will strive to ensure even sounder management through greater discussion at meetings of the Board of Directors as a result of this move.

CORPORATE GOVERNANCE STRUCTURE



NEC appoints as outside directors the personnel who will have no conflicting interests with NEC's general shareholders and who have experience of corporate management and deep insight for the purpose of (i) strengthening the supervisory functions over business execution; (ii) obtaining a broad range of advice on corporate management; and (iii) enhancing accountability for management.

Aiming to ensure that these roles and functions expected of outside directors are properly fulfilled, NEC has been working to enhance deliberations by the Board of Directors through such means as briefing outside directors in advance on particularly important proposals to be put forward to the meetings of the Board of Directors.

NEC also provides support to outside directors in order to facilitate their understanding of the NEC Group, such as by organizing tours of business sites and exhibitions of NEC and its subsidiaries. Furthermore, since June 2004 the term of directors has been set at one year in order to clarify their responsibility for management every fiscal year.

EXECUTIVE COMMITTEE AND BUSINESS PROGRESS COMMITTEE

The Executive Committee, which comprises around 20 corporate officers, discusses important NEC Group management issues such as management policies and strategies. This committee extensively discusses matters of particular importance prior to putting them forward to the meetings of the Board of Directors for approval. In doing so, the committee enhances the deliberations and ensures appropriate decision making.

Meanwhile, the Business Progress Committee comprises corporate officers, executive general managers of business units and other members. This committee deliberates and reports on matters related to the status of the NEC Group's business execution, such as monitoring progress with respect to meeting budgets adopted by the Board of Directors, with the aim of sharing management information and promoting execution efficiency.

NOMINATION AND COMPENSATION COMMITTEE

NEC has established the Nomination and Compensation Committee to enhance transparency of personnel matters of directors and corporate auditors and remuneration of directors and corporate officers. The committee consists of five members, including three outside directors. This committee deliberates on (i) personnel matters for directors, representative directors and corporate auditors, the chairman of the Board, and the president and (ii) the remuneration system and level of compensation for directors, representative directors and corporate officers from an objective perspective. The committee reports the results of its deliberations to the Board of Directors.

BOARD OF CORPORATE AUDITORS (CORPORATE AUDITORS)

NEC has appointed corporate auditors and established the Board of Corporate Auditors pursuant to the Company Law of Japan. NEC has five corporate auditors, three of whom are outside corporate auditors. Furthermore, the Board of Corporate Auditors holds regular meetings once a month and extraordinary meetings as necessary, decides on audit policies, standards, and other matters, and receives status reports on audits and on other matters from each corporate auditor.

Furthermore, NEC appoints as corporate auditors the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the corporate auditors. The corporate auditors who have considerable expertise in finance and accounting are as follows:

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

NEC appoints outside corporate auditors of independence who will have no conflicting interests with NEC's general shareholders, in order to ensure that audits are conducted from a neutral and objective perspective.

The full-time corporate auditors strive to establish a governance structure for the entire NEC Group by cooperating with full-time corporate auditors of subsidiaries.

The corporate auditors are taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of the "NEC Helpline," a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters. In addition, the corporate auditors cooperate with the outside directors, mainly by exchanging opinions on audits. The corporate auditors are also stepping up cooperation with the accounting auditors, such as by receiving briefings on financial audits covering status reports on their audits and audit plans, as well as on audits of the internal control systems based on the Financial Instruments and Exchange Law, and exchanging opinions on their audits.

NEC has established the Corporate Auditors Office with approximately 5 corporate staff members to assist with the corporate auditors' audit activities.

CORPORATE AUDITING BUREAU (INTERNAL AUDITING DIVISION)

NEC has established the Corporate Auditing Bureau as an internal auditing division reporting directly to the President of NEC. This Bureau consists of approximately 50 corporate staff members with expertise in internal auditing. The Corporate Auditing Bureau performs audits of the NEC Group in cooperation with the internal auditing sections of NEC subsidiaries to ensure legal, appropriate and efficient execution of business activities, and identifies issues and proposes improvements.

The Corporate Auditing Bureau is taking steps to strengthen cooperation with the accounting auditors by reporting on audit results and exchanging opinions with them regularly.

ACCOUNTING AUDITORS

In fiscal 2011, the independent audit of NEC was performed by three certified public accountants of KPMG AZSA LLC: Hideki Amano, Yasushi Hamada and Masafumi Tanabu. The independent audit was assisted by 41 certified public accountants, 45 assistant accountants and 31 other individuals.

RELATIONSHIPS WITH OUTSIDE DIRECTORS AND OUTSIDE CORPORATE AUDITORS

NEC conducts business transactions with Sumitomo Mitsui Banking Corporation ("SMBC"), for which the President and Chief Executive Officer is Takeshi Kunibe, who is an outside director of NEC. These transactions include sales of NEC's products and provision of services including, without limitation, system construction, operation and maintenance. In addition, NEC has borrowings from SMBC.

NEC entered into agreements with the outside directors and outside corporate auditors to limit their liabilities as stipulated in Paragraph 1, Article 423 of the Company Law to the higher of ¥20 million or the amount provided in the Company Law and the regulation for enforcement of the Company Law on condition that they perform their duties as directors or corporate auditors in good faith and without gross negligence.

STIPULATIONS IN NEC'S ARTICLES OF INCORPORATION

NEC stipulates in its Articles of Incorporation that the number of directors shall be no more than 20, and that the quorum required for the approval of a resolution on the election of directors shall be one-third of all the voting rights of the shareholders entitled to exercise their voting rights. NEC also stipulates in its Articles of Incorporation that it may determine matters provided for in each item of Paragraph 1, Article 459 of the Company Law by a resolution of the Board of Directors unless otherwise provided by the relevant laws and regulations, in order to conduct the distribution of surplus and acquisition of NEC's shares and other matters expeditiously. Furthermore, NEC stipulates in its Articles of Incorporation that the quorum required for the approval of a resolution by the general meetings of shareholders, as stipulated in Paragraph 2, Article 309 of the Company Law, shall be one-third of all the voting rights of the shareholders entitled to exercise their voting rights. This is to ensure the smooth operation of the general meetings of shareholders.

INTERNAL CONTROL SYSTEMS

NEC has formulated a "Basic Policy on Internal Control Systems" as a policy for development of systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation and other systems necessary to ensure the properness of operations.

NEC shall endeavor to establish and operate its internal control systems more effectively, through continuous evaluation of the implementation of the internal control systems under this policy as well as taking measures necessary for its improvement, and conducting consistent reviews of this basic policy in response to changes in the business environment.

NEC assessed the status of the implementation of its internal control systems for fiscal 2011 and confirmed that it has established and operated its internal control systems properly based on the Policy.

Below is an outline of systems based on the "Basic Policy on internal control systems":

① In order to ensure that the directors and employees perform their duties in compliance with laws, regulations, and NEC's articles of incorporation, the directors and corporate officers take the lead in practicing and striving to make known the "NEC Group Charter of Corporate Behavior" and the "NEC Group Code of Conduct," both of which were adopted to establish business ethics standards for the NEC Group and to ensure compliance with laws and regulations, the articles of incorporation and internal rules. NEC encourages the use of the NEC Helpline, a compliance hotline, and strives to identify breaches or facts that may constitute breaches as early as possible.

② NEC properly conducts the storage and management of information in accordance with applicable laws, regulations and internal rules.

③ NEC implements risk management systems efficiently and comprehensively under a consistent policy throughout the NEC Group in accordance with internal rules. Business divisions properly implement risk management systems related to their operations and corporate staff divisions support such business divisions' activities. NEC fully deliberates matters of importance from a risk management perspective such as its strategy to control important management risks. Of these, matters of particular importance are reported to the Board of Directors. The Corporate Auditing Bureau conducts audits of the NEC Group's risk management system and the implementation status of risk management in cooperation with internal auditing section of subsidiaries.

④ In order to ensure that the directors perform their duties efficiently, the Board of Directors delegates substantial authority to corporate officers and promotes more timely decision making concerning management of business operations and effective performance of duties. The corporate officers conduct business efficiently in accordance with medium-term corporate management goals and budgets determined by the Board of Directors.

⑤ In order to ensure that the NEC Group conducts operations appropriately, based on the "NEC Group Management Policy", NEC sends directors and corporate auditors to subsidiaries as well as shares information and conducts discussions on important matters concerning the management of business operations with subsidiaries. At the same time, NEC gives instructions and assistance to subsidiaries with respect to the establishment of systems for ensuring compliance with laws and regulations, and ensuring the properness of their business operations. The Corporate Auditing Bureau conducts audits of subsidiaries in cooperation with their internal auditing sections to ensure proper operations.

⑥ From the perspective of ensuring proper and efficient operations of the NEC Group, NEC also endeavors to improve and standardize business processes, and further strengthen internal control utilizing information systems.

⑦ Internal control over financial reporting of the NEC Group will be evaluated, maintained and improved in accordance with applicable laws and regulations.

⑧ NEC assigns full-time employees to assist the corporate auditors in performing their duties. Performance evaluations, personnel changes, disciplinary action and other similar measures pertaining to these employees are subject to the approval of the corporate auditors.

⑨ The directors and employees report on the status of the performance of their duties and other matters, as necessary.

⑩ In order to ensure that audits are performed effectively, the corporate auditors exchange information and consult with each other on the status of audits. Furthermore, the corporate auditors periodically receive reports on financial audits from the accounting auditors and exchange opinions with them.

The aforementioned Basic Policy is disclosed in full on NEC's website at the following URL:
http://www.nec.co.jp/profile/en/internalcontrol.html

INFORMATION DISCLOSURE STRUCTURE

NEC recognizes the importance of providing timely, proper and fair disclosure to obtain a fair evaluation of its corporate value from the capital markets. Accordingly, NEC regularly strives to ensure that internal divisions and subsidiaries have a clear understanding of timely disclosure and other rules issued by financial instruments exchanges, while establishing a framework for communication between relevant internal head office divisions and subsidiaries. Furthermore, NEC holds various events for the news media, analysts and institutional investors. Examples include management strategy presentations and quarterly earnings presentations by senior management, as well as business strategy presentations by various responsible managers, including plant tours. Efforts are also focused on improving disclosure of information on NEC's website, including the disclosure of materials, audio streams and other information issued at presentations and other events, both in Japanese and English, and enhancing investor relations activities on a global scale, including visiting overseas institutional investors. Disclosure to individual investors includes presentations and a website for these investors.

REMUNERATION FOR DIRECTORS AND CORPORATE AUDITORS

The maximum total amounts of remuneration for directors and corporate auditors are determined by a resolution at the general meeting of shareholders.

At NEC, remuneration for directors is determined by the Board of Directors based on the results of deliberations of this remuneration from an objective perspective by the Nomination and Compensation Committee. Remuneration for directors is determined according to their positions and whether they are an outside director or not, while bonuses for directors are calculated by adding an amount determined based on an evaluation of the contribution of their performance to the business results of NEC during the previous fiscal year to an amount prescribed based on their position. No bonuses are paid to outside directors.

Remuneration for corporate auditors is calculated under certain rules determined by the Board of Corporate Auditors; no bonuses are paid to corporate auditors.

NEC abolished the retirement allowance system for directors and corporate auditors at the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006.

Remuneration for NEC's directors and corporate auditors for fiscal 2011 is as follows:

FISCAL 2011 REMUNERATION

(Millions of yen)

Position	Total remuneration	Headcount
Directors (excluding Outside Directors)	417	14
Corporate Auditors (excluding Outside Corporate Auditors)	59	2
Outside Directors and Outside Corporate Auditors	95	9

Notes: 1. The above headcount includes 4 directors and a corporate auditor who retired at the close of the 172nd Ordinary General Meeting of Shareholders held on June 22, 2010.
2. Retirement allowance of ¥6,000,000 and ¥3,000,000 are scheduled to be paid to one director and one corporate auditor, respectively, who are to retire at the close of the 173rd Ordinary General Meeting of Shareholders.
3. The maximum monthly remuneration for directors is ¥65,000,000 (Approved at the 153rd Ordinary General Meeting of Shareholders held on June 27, 1991).
4. The maximum monthly remuneration for corporate auditors is ¥12,000,000 (approved at the 170th Ordinary General Meeting of Shareholders held on June 23, 2008).

OWNERSHIP OF SHARES

As of March 31, 2011, the number of stocks classified as investment securities held for purposes other than realizing income and capital gain was 469 and the total balance sheet amount of these stocks was ¥126,083 million. The top 10 stocks based on the balance sheet amount (except unlisted stocks) are as follows:

TOP 10 STOCKS BASED ON BALANCE SHEET AMOUNT

As of March 31, 2011

Name of stock	Number of shares (Thousands of shares)	Book value (Millions of yen)	Holding Purpose
Elpida Memory, Inc.	7,740	8,290	①
Sumitomo Electric Industries, Ltd.	6,914	7,958	②
Anritsu Corporation	8,312	5,262	③
The Sumitomo Trust and Banking Co., Ltd.	8,658	3,732	②
MEIDENSHA CORPORATION	8,730	3,230	②
MS&AD Insurance Group Holdings, Inc.	1,570	2,974	④
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	686	2,562	④
Taisho Pharmaceutical Co., Ltd.	1,100	1,980	②
Sumitomo Chemical Company Limited	4,083	1,694	②
Seven Bank, Ltd.	10	1,675	②

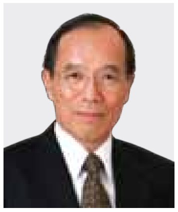
Note: Figures less than one thousand are rounded down.
① Due to the background of the establishment of the company as a joint venture with a third party
② To maintain and strengthen business relations with the company
③ At the request of the company
④ To maintain and strengthen business relations with the company and its group companies

No stocks classified as investment securities are held for the purposes of realizing income and capital gain.

In fiscal 2011, there was no stock classified as investment securities for which the purpose of holding changed from realizing income and capital gain to another purpose, and vice versa.

DIRECTORS AND CORPORATE AUDITORS

(As of July 1, 2011)



Kaoru Yano

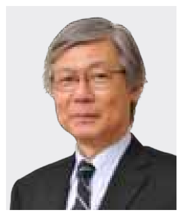
Nobuhiro Endo

Toshimitsu Iwanami

Yukihiro Fujiyoshi

Junji Yasui

Toshiyuki Mineno



Takashi Niino

Isamu Kawashima

Yoshinari Hara

Sawako Nohara

Kenji Miyahara

Hideaki Takahashi

Takeshi Kunibe

Directors

Kaoru Yano	Chairman of the Board (Representative Director)		
Nobuhiro Endo	President (Representative Director)		
Toshimitsu Iwanami	Senior Executive Vice President and Member of the Board (Representative Director)[*3]		
Yukihiro Fujiyoshi	Senior Executive Vice President and Member of the Board (Representative Director)[*3]		
Junji Yasui	Executive Vice President and Member of the Board[*3]		
Toshiyuki Mineno	Executive Vice President and Member of the Board[*3]		
Takashi Niino	Senior Vice President and Member of the Board[*3]		
Isamu Kawashima	Associate Senior Vice President and Member of the Board[*3]		
Yoshinari Hara[*1]	Member of the Board	Chief Corporate Adviser, Daiwa Securities Group Inc.	[Independent Director][*4]
Sawako Nohara[*1]	Member of the Board	President, IPSe Marketing, Inc.	[Independent Director][*4]
Kenji Miyahara[*1]	Member of the Board	Honorary Adviser, Sumitomo Corporation	[Independent Director][*4]
Hideaki Takahashi[*1]	Member of the Board	Professor, Keio University, Graduate School of Media and Governance	[Independent Director][*4]
Takeshi Kunibe[*1]	Member of the Board	President and Chief Executive Officer, Sumitomo Mitsui Banking Corporation	

Corporate Auditors

Konosuke Kashima	Corporate Auditor	Full-time	
Takao Ono	Corporate Auditor	Full-time	
Satoshi Itoh[*2]	Corporate Auditor	Certified Public Accountant	[Independent Corporate Auditor][*4]
Ryoji Nakagawa[*2]	Corporate Auditor	Attorney at Law	[Independent Corporate Auditor][*4]
Hideo Yamada[*2]	Corporate Auditor	Professor, Waseda University, Graduate School of Commerce	[Independent Corporate Auditor][*4]

*1 Outside directors as stipulated in Item 15 of Article 2 of the Company Law of Japan
*2 Outside corporate auditors as stipulated in Item 16 of Article 2 of the Company Law of Japan
*3 Chief officers responsible for formulating company-wide strategy, providing leadership to business units and promoting business development, in order to achieve the NEC Group Vision 2017
*4 NEC has notified the securities exchanges of Tokyo, Osaka, Nagoya, Fukuoka and Sapporo, on which NEC has listed its shares, of the independent directors and corporate auditors who will have no conflicting interests with NEC's general shareholders, the criteria of which are defined by each of these securities exchanges.

For further details on the directors and corporate auditors of NEC Corporation, please visit the following websites:
Directors: http://www.nec.co.jp/profile/executives/directors.html
Corporate Auditors: http://www.nec.co.jp/profile/executives/auditors.html

FINANCIAL SECTION

CONTENTS

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥83 = U.S.$1.

Management's Discussion and Analysis
Year Ended March 31, 2011 (Fiscal 2011)
Compared With the Year Ended March 31, 2010 (Fiscal 2010)

This section contains forward-looking statements concerning the NEC Group's analysis of financial condition, business results and cash flows. These statements are based on the judgment of the NEC Group as of March 31, 2011. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

1. Business Overview and Key Business Drivers

Guided by the NEC Group Vision 2017, NEC aims to be a leading global company leveraging the power of innovation to realize "an information society friendly to humans and the earth." In February 2010, the NEC Group determined its medium-term policy of realizing the NEC Group Vision 2017 through customer-driven solutions leveraging its competitive strengths in the integration of IT and network. The NEC Group also formulated its Mid-Term Growth Plan "V2012—Beyond boundaries, Toward our Vision." In fiscal 2011, the plan's first year, NEC worked on the three key initiatives of the Mid-Term Growth Plan "V2012": Focus on the "C&C Cloud Strategy," expand global business and create new businesses.

The NEC Group generates sales from five segments: the IT Services, Platform, Carrier Network, Social Infrastructure, and Personal Solutions businesses. In fiscal 2011, the IT Services business generated 25.8% of total consolidated net sales, the Platform business 12.1%, the Carrier Network business 19.4%, the Social Infrastructure business 10.2% and the Personal Solutions business 24.6%. (The ratios of segment sales to total net sales were calculated based on segment sales to external customers.)

The following is an overview of products and services by segment:

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

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

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

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

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

The performance of the IT Services, Platform, Carrier Network, and Social Infrastructure businesses is subject to changes in economic conditions, IT investment trends and investment by telecom carriers. The performance of the Personal Solutions business is subject to the business strategies of telecom carriers, demand from corporate and individual customers and other factors.

2. Analysis of Fiscal 2011 Business Results

*NEC has revised its business segments during the accounting period of fiscal 2011. To make comparisons, figures for the previous fiscal year have also been adjusted in accordance with the new segments.

In fiscal 2011, the global economy showed signs of a self sustaining 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 NEC's three key strategic policies - Focus on the "C&C Cloud Strategy," expand global business and create new businesses, and strived to strengthen profitability for this first year of its mid-term growth plan, "V2012 -Beyond boundaries, Toward our Vision-."

Firstly, concerning NEC's "C&C Cloud strategy", the NEC Group promoted the delivery of cloud services throughout a wide variety of domains, including core operating services for local governments, 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 implementation and operation of these new systems, which began full operations during fiscal 2011, will be used for the implementation of core 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 telecom carriers, NEC provided the communications infrastructure for NTT DOCOMO, INC.'s launch of "Xi" (read "Crossy") 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. In addition, a regional headquarters was established in Latin America in April 2011. NEC is now able to expand its global business through the five regional headquarters structure, responding to customers needs in each region. Furthermore, the NEC Group established competence centers for bringing together the necessary technologies and know-how for promoting global business. This includes the carrier cloud business in support of expanding cloud services for telecom carrier subscribers, public safety business, including fingerprint and biometrics identification for room access control and immigration control solutions, as well as the indoor ultra-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 relation of new business creation, the NEC Group's developments in the environment and energy fields include its promotion of lithium-ion rechargeable batteries for automotives through a joint venture with Nissan Motor Co., Ltd., and its verification trials for quick charging systems that are needed for the spread of electric automotives. 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™ based 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 strengths 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.

In fiscal 2011, NEC recorded consolidated sales of 3,115.4 billion yen, a decrease of 467.7 billion yen or 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 was 57.8 billion yen, improving by 6.9 billion yen year on year, 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 from the Platform business, despite worsening operating income (loss) from the IT Services business and Personal Solutions business.

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

Loss before income taxes and minority interests was 15.7 billion yen, a year on year worsening of 71.3 billion yen. This was mainly due to worsening ordinary income and worsening special income (loss) from reduced gain on sales of subsidiaries and affiliates' stocks.

Consolidated net loss was 12.5 billion yen, worsening by 23.9 billion yen year on year mainly due to larger loss before income taxes and minority interests, despite an improvement from reduced income taxes-deferred.

Sales and operating income (loss) in each segment were as follows (figures in parentheses represent year on year changes):

a. IT Services business

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

Sales of the IT Services business for fiscal 2011 amounted to 804.2 billion yen, a decrease of 62.1 billion yen or 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 was 21.4 billion yen, worsened by 31.8 billion yen year on year, mainly owing to reduced sales, worsening profitability from severe price competition and an increase in loss-making projects.

b. Platform business

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

Sales of the Platform business for fiscal 2011 amounted to 375.8 billion yen, an increase of 2.1 billion yen or 0.6% year on year, mainly due to the steady growth of software sales, despite a decrease in hardware sales, including servers.

Operating income was 8.9 billion yen, improving by 10.6 billion yen year on year, mainly owing to an increase in sales and continued cost reductions.

c. Carrier Network business

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

Sales of the Carrier Network business for fiscal 2011 amounted to 605.4 billion yen, a decrease of 22.0 billion yen or 3.5% year on year, mainly due to the influence of exchange rate fluctuation and the delay of contractual procedures for submarine cable systems, despite an increase in the sales of wireless communications equipment in domestic markets and cable television related systems.

Operating income was 40.7 billion yen, improving by 9.4 billion yen year on year, mainly owing to streamlining costs and increased sales in the second half of this fiscal year.

d. Social Infrastructure business

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

Sales of the Social Infrastructure business for fiscal 2011 amounted to 318.8 billion yen, an increase of 2.2 billion yen or 0.7% year on year, mainly due to the steady growth of the social systems field, including transportation systems and fire and disaster prevention systems, despite a decrease in sales in the aerospace and defense systems fields.

Operating income was 14.6 billion worsening by 7.1 billion yen year on year, mainly owing to the influence of highly profitable projects from the previous fiscal year and increasing costs for strengthening NEC's organization of development and sales in the social systems field, despite an effort to reduce costs.

e. Personal Solutions business

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

Sales of the Personal Solutions business for fiscal 2011 amounted to 766.5 billion yen, an increase of 28.8 billion yen or 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 loss was 1.9 billon yen, worsening by 20.8 billion yen year on year, mainly owing to sluggish sales of mobile phones and an increase in development costs for new devices, including smartphones.

f. Others

In the Others segment, sales were 244.7 billion yen, a decrease of 416.6 billion yen or 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.

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

3. Liquidity and capital resources

a. Cash Flows

	Billions of Yen		*Millions of U.S. Dollars*
	2010	2011	2011
Net cash provided by (used in)			
Operating activities (net)	¥ 134.8	¥ 33.7	$ 405.5
Investing activities (net)	(41.2)	(146.2)	(1,762.0)
Financing activities (net)	(80.4)	73.1	880.4
Effect of exchange rate changes on cash and cash equivalents	0.1	(4.1)	(49.1)
Net increase (decrease) in cash and cash equivalents	13.3	(43.6)	(525.1)
Cash and cash equivalents, at beginning of year	317.3	330.5	3,982.5
Decrease in cash and cash equivalents resulting from change of scope of consolidation	-	(92.8)	(1,117.9)
Increase in cash and cash equivalents resulting from merger	-	9.7	116.9
Cash and cash equivalents, at end of year	¥ 330.5	¥ 203.9	$ 2,456.4

b. Basic Liquidity Management Policy / Capital Resources

The NEC Group's basic policy is to maintain sufficient liquidity in hand for conducting business activities. Liquidity in hand is the sum of cash and cash equivalents and the unused portion of committed credit facilities established with multiple financial institutions. As of March 31, 2011, NEC had a sufficient amount of liquidity. Total liquidity in hand as of March 31, 2011 was 453.8 billion yen, comprising cash and cash equivalents of 203.9 billion yen and unused committed credit facilities of 249.9 billion yen. Cash and cash equivalents are mainly denominated in yen as well as other denominations that include U.S. dollars and euros.

The NEC Group maintains credit facilities that it believes are sufficient to meet its short-term and long-term financing needs. With regard to short-term financing, the NEC Group relies primarily on commercial paper ("CP") in Japan to provide for short-term financing. It has a 515.0 billion yen CP program. To prepare for unexpected short-term funding needs or instability in fund procurement through the issue of CP, the NEC Group maintains committed short-term credit facilities of 255.0 billion yen to ensure that funds may be borrowed from financial institutions at all times. Of this amount, 80.0 billion yen represents a committed credit facility with a contract period effective through March 2014 that enables NEC to obtain short-term loans. For long-term financing, the NEC Group has a 300.0 billion yen straight bond issuance program in Japan.

In June 2010, the NEC Group raised 100 billion yen through the issuance of unsecured bonds in Japan to finance the repayment of borrowings and the redemption of bonds during fiscal 2011. In December 2010, the NEC Group raised an additional 50 billion yen through the issuance of unsecured bonds in Japan to finance the redemption of commercial paper issued for debt repayment purposes during fiscal 2011.

Our basic policy regarding the structure of liabilities on the balance sheets is to maintain a balanced mix of fund procurement from debt and capital market instruments, while securing adequate long-term funds, from the standpoint of satisfying funding requirements in a stable manner.

The Group's fund procurement status was as follows:

As of March 31,	2010	2011
Long-term fund procurement*1	60.1%	51.1%
Use of capital market instruments*2	41.1%	68.3%

*1 Long-term fund procurement is calculated by dividing the sum of bonds and long-term borrowings and others (lease obligations with maturities of more than one year) by interest-bearing debt.

*2 Use of capital market instruments is calculated by dividing the sum of bonds (including the current portion) and CPs by interest-bearing debt.

As of March 31, 2011, long-term fund procurement was 51.1% and the use of capital market instruments was 68.3%.

4. Capital Expenditures

Capital expenditures of NEC and its consolidated subsidiaries for fiscal 2011 are broken down as follows (amounts do not include consumption taxes):

	Millions of Yen		*YoY Change*
	2010	2011	2011/2010
IT Services business	¥ 4,388	¥ 3,598	Down 18.0%
Platform business	2,475	3,266	Up 32.0%
Carrier Network business	4,597	6,297	Up 37.0%
Social Infrastructure business	7,062	3,458	Down 51.0%
Personal Solutions business	5,013	7,776	Up 55.1%
Others	59,563	28,455	Down 52.2%
Total	¥ 83,098	¥ 52,850	Down 36.4%

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

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

5. Management Strategy and Policy

The NEC Group aims "to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth" in the "NEC Group Vision 2017." In February 2010, the NEC Group outlined in its mid-term growth plan, "V2012 - Beyond boundaries, Toward our Vision -" that it aims to achieve the "NEC Group Vision 2017" through customer-driven solutions leveraging competitive strengths in the integration of IT and network. During this first year of the mid-term growth plan "V2012", the NEC Group took measures to implement its key strategic policies in support of "V2012": Focus on the "C&C Cloud Strategy," expand global business and create new businesses. However, the NEC Group was unable to achieve its original targets due to an inability to quickly implement strategies for 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."

With regards to 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 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 agencies, 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 core 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.

Concerning new business, the NEC Group aims to increase sales for the business of lithium-ion rechargeable batteries for automotives together with Nissan Motor Co., Ltd. through expanded production capacity, improved quality, advanced price competitiveness and reduced lead time. Furthermore, the NEC Group is also leveraging these technologies for 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 loss-making projects by strengthening the risk management regarding its project profitability as well as its contract conditions. Moreover, NEC 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 back offices.

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 strengths 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 automotives, energy management systems that optimize the energy of homes and businesses and energy saving products such as servers.

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."

NEC Corporation and Subsidiaries
Consolidated Balance Sheets
March 31, 2010 and 2011

ASSETS	Millions of Yen 2010	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2011
CURRENT ASSETS:			
Cash and cash equivalents *(Note 18)*	¥ 330,548	¥ 203,879	$ 2,456,373
Short-term investments *(Note 18)*	1,294	1,540	18,555
Trade notes and accounts receivable *(Note 18)*	773,388	726,355	8,751,265
Inventories *(Note 6)*	315,552	264,743	3,189,675
Deferred tax assets *(Note 13)*	93,307	97,431	1,173,867
Other current assets *(Note 18 and 19)*	134,900	153,104	1,844,627
Allowance for doubtful accounts	(6,024)	(4,472)	(53,880)
Total current assets	1,642,965	1,442,580	17,380,482
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION *(Note 7)*:			
Land	91,938	75,550	910,241
Buildings and structures	207,535	146,782	1,768,458
Machinery and equipment	133,018	43,933	529,313
Furniture and fixtures	77,681	61,862	745,325
Construction in progress	43,879	13,048	157,205
Total property, plant and equipment	554,051	341,175	4,110,542
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Note 5* and *18)*	151,221	137,692	1,658,940
Investments in affiliated companies *(Note 18)*	89,499	133,993	1,614,373
Goodwill *(Notes 2.a and 16)*	97,458	88,941	1,071,578
Software	117,278	116,169	1,399,626
Deferred tax assets *(Note 13)*	140,829	174,707	2,104,904
Other assets *(Note 8)*	154,183	210,940	2,541,446
Allowance for doubtful accounts	(9,840)	(17,266)	(208,024)
Total investments and other assets	740,628	845,176	10,182,843
TOTAL ASSETS	¥ 2,937,644	¥ 2,628,931	$ 31,673,867

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2010	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2011
CURRENT LIABILITIES:			
Short-term borrowings *(Note 7 and 18)*	¥ 91,161	¥ 212,758	$ 2,563,349
Current portion of long-term debt *(Note 7 and 18)*	200,286	117,658	1,417,566
Trade notes and accounts payable *(Note 18)*	522,533	464,529	5,596,735
Accrued expenses *(Note 18)*	175,660	160,559	1,934,446
Other current liabilities *(Notes 9, 13, 18 and 19)*	288,507	225,024	2,711,133
Total current liabilities	1,278,147	1,180,528	14,223,229
LONG-TERM LIABILITIES:			
Long-term debt *(Note 7 and 18)*	438,101	345,382	4,161,229
Liabilities for retirement benefits *(Note 8)*	237,645	182,022	2,193,036
Deferred tax liabilities *(Note 13)*	8,913	1,125	13,554
Other long-term liabilities *(Note 10)*	42,926	44,433	535,337
Total long-term liabilities	727,585	572,962	6,903,156
COMMITMENTS AND CONTINGENT LIABILITIES *(Notes 17,19 and 20)*			
NET ASSETS *(Notes 11 and 23)*:			
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized — 7,500,000 thousand shares			
Issued — 2,604,733 thousand shares in 2010 and 2011	397,199	397,199	4,785,530
Capital surplus	192,843	192,837	2,323,337
Retained earnings	216,439	192,943	2,324,615
Treasury stock—at cost: 6,190 thousand shares in 2010 and 6,270 thousand shares in 2011	(2,929)	(2,934)	(35,349)
Total shareholders' equity	803,552	780,045	9,398,133
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Valuation difference on available-for-sale securities	10,218	4,167	50,205
Deferred gains or losses on hedges	61	132	1,590
Foreign currency translation adjustments	(22,927)	(27,290)	(328,795)
Total accumulated other comprehensive income	(12,648)	(22,991)	(277,000)
STOCK SUBSCRIPTION RIGHTS *(Note 12)*	93	33	397
MINORITY INTERESTS	140,915	118,354	1,425,952
Total net assets	931,912	875,441	10,547,482
TOTAL LIABILITIES AND NET ASSETS	¥ 2,937,644	¥ 2,628,931	$ 31,673,867

NEC Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended March 31, 2009, 2010 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2010	2011	2011
NET SALES	¥ 4,215,603	¥ 3,583,148	¥ 3,115,424	$ 37,535,229
COST OF SALES *(Note 8)*	2,929,567	2,492,403	2,199,973	26,505,699
Gross profit	1,286,036	1,090,745	915,451	11,029,530
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 3,8 and 14)	1,292,237	1,039,840	857,631	10,332,903
Operating income (loss)	(6,201)	50,905	57,820	696,627
NON-OPERATING INCOME:				
Interest and dividend income	8,599	5,489	5,445	65,603
Reversal of provision for contingent loss	—	30,853	1,668	20,096
Equity in earnings of affiliated companies, net	—	7,336	—	—
Other non-operating income	11,712	12,869	9,840	118,554
Total non-operating income	20,311	56,547	16,953	204,253
NON-OPERATING EXPENSES:				
Interest expense	12,578	9,736	6,614	79,687
Retirement benefit expenses *(Note 8)*	14,791	14,441	12,057	145,265
Loss on disposals of property, plant and equipment	9,590	8,249	4,071	49,048
Provision for contingent loss *(Note 2.m)*	30,365	6,496	1,367	16,470
Foreign exchange loss, net	10,952	1,953	1,488	17,928
Equity in losses of affiliated companies, net	12,647	—	38,533	464,253
Other non-operating expenses	16,358	17,148	10,602	127,735
Total non-operating expenses	107,281	58,023	74,732	900,386
Ordinary income (loss)	(93,171)	49,429	41	494
SPECIAL GAINS *(Note 15)*	20,631	31,511	28,270	340,602
SPECIAL LOSSES *(Note 15)*	218,430	25,286	43,998	530,096
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	(290,970)	55,654	(15,687)	(189,000)
INCOME TAXES *(Note 13)*:				
Current	30,196	28,577	27,788	334,795
Deferred	5,107	12,661	(36,584)	(440,771)
Total income taxes	35,303	41,238	(8,796)	(105,976)
INCOME(LOSS) BEFORE MINORITY INTERESTS	(326,273)	14,416	(6,891)	(83,024)
MINORITY INTERESTS IN NET INCOME(LOSS) OF SUBSIDIARIES	(29,627)	2,988	5,627	67,795
NET INCOME (LOSS)	¥ (296,646)	¥ 11,428	¥ (12,518)	$ (150,819)

	Yen			U.S. Dollars (Note 1)
	2009	2010	2011	2011
PER SHARE OF COMMON STOCK *(Note 22)*:				
Basic net income (loss)	¥ (146.64)	¥5.04	¥ (4.82)	$ (0.06)
Diluted net income	—	4.91	—	—
Cash dividends applicable to the year	—	4.00	—	—

See notes to consolidated financial statements.

NEC Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
INCOME(LOSS) BEFORE MINORITY INTERESTS	¥ 14,416	¥ (6,891)	$ (83,024)
OTHER COMPREHENSIVE INCOME			
Valuation difference on available-for-sale securities	15,307	(5,941)	(71,578)
Deferred gains or losses on hedges	122	11	133
Foreign currency translation adjustment	1,238	2,470	29,759
Share of other comprehensive income of associates accounted for using equity method	2,375	(3,975)	(47,892)
Total other comprehensive income	19,042	(7,435)	(89,578)
COMPREHENSIVE INCOME	¥ 33,458	¥ (14,326)	$ (172,602)
Comprehensive income attributable to			
owners of the parent	¥ 30,683	¥ (22,861)	$ (275,433)
minority interests	2,775	8,535	102,831

NEC Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2009, 2010 and 2011

	Thousands	Shareholders' Equity		
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2008	2,029,733	¥ 337,940	¥ 464,875	¥ 179,391
Net income(loss)				(296,646)
Cash dividends paid, ¥ 4 per share				(8,101)
Purchases of treasury stock				
Disposals of treasury stock				(921)
Net changes in items other than shareholders' equity during the year				
BALANCE, MARCH 31, 2009	2,029,733	337,940	464,875	(126,276)
Net income				11,428
Issuance of new shares	575,000	59,260	59,260	
Deficit disposition			(331,287)	331,287
Purchases of treasury stock				
Disposals of treasury stock			(5)	
Net changes in items other than shareholders' equity during the year				
BALANCE, MARCH 31, 2010	2,604,733	397,199	192,843	216,439
Net income(loss)				(12,518)
Cash dividends paid, ¥ 4 per share				(10,395)
Purchases of treasury stock				
Disposals of treasury stock			(6)	
Change in equity in affiliates accounted for by equity method-treasury stock				
Change of scope of equity method				(583)
Net changes in items other than shareholders' equity during the year				
BALANCE, MARCH 31, 2011	2,604,733	¥ 397,199	¥ 192,837	¥ 192,943

	Shareholders' Equity		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, MARCH 31, 2010	$ 4,785,530	$ 2,323,409	$ 2,607,699
Net income(loss)			(150,819)
Cash dividends paid, $0.05 per share			(125,241)
Purchases of treasury stock			
Disposals of treasury stock		(72)	
Change in equity in affiliates accounted for by equity method-treasury stock			
Change of scope of equity method			(7,024)
Net changes in items other than shareholders' equity during the year			
BALANCE, MARCH 31, 2011	$ 4,785,530	$ 2,323,337	$ 2,324,615

Conforming to separate financial statements, total amounts seem to be inconsistent with calculation in some cases.

See notes to consolidated financial statements .

Millions of Yen

		Accumulated other comprehensive income						
Treasury Stock	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign Currency Translation Adjustments	Total	Stock Subscription Rights	Minority Interests	Total Net Assets
¥ (3,233)	¥ 978,973	¥ 29,898	¥ (283)	¥ (4,367)	¥ 25,248	¥ 115	¥ 181,185	¥ 1,185,521
	(296,646)							(296,646)
	(8,101)							(8,101)
(900)	(900)							(900)
1,151	229							229
	–	(36,126)	163	(21,188)	(57,151)	8	(37,397)	(94,540)
(2,982)	673,557	(6,228)	(120)	(25,555)	(31,903)	123	143,788	785,565
	11,428							11,428
	118,519							118,519
(47)	(47)							(47)
100	95							95
	–	16,446	181	2,628	19,255	(30)	(2,873)	16,352
(2,929)	803,552	10,218	61	(22,927)	(12,648)	93	140,915	931,912
	(12,518)							(12,518)
	(10,395)							(10,395)
(40)	(40)							(40)
12	6							6
23	23							23
	(583)							(583)
	–	(6,051)	71	(4,363)	(10,343)	(60)	(22,561)	(32,964)
¥ (2,934)	¥ 780,045	¥ 4,167	¥ 132	¥ (27,290)	¥ (22,991)	¥ 33	¥ 118,354	¥ 875,441

Thousands of U.S. Dollars (Note 1)

		Accumulated other comprehensive income						
Treasury Stock	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign Currency Translation Adjustments	Total	Stock Subscription Rights	Minority Interests	Total Net Assets
$ (35,289)	$ 9,681,349	$ 123,109	$ 735	$ (276,229)	$ (152,385)	$ 1,120	$ 1,697,771	$ 11,227,855
	(150,819)							(150,819)
	(125,241)							(125,241)
(482)	(482)							(482)
145	73							73
277	277							277
	(7,024)							(7,024)
	–	(72,904)	855	(52,566)	(124,615)	(723)	(271,819)	(397,157)
$ (35,349)	$ 9,398,133	$ 50,205	$ 1,590	$ (328,795)	$ (277,000)	$ 397	$ 1,425,952	$ 10,547,482

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2009, 2010 and 2011

	Millions of Yen			*Thousands of U.S. Dollars (Note 1)*
	2009	2010	2011	2011
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ (290,970)	¥ 55,654	¥ (15,687)	$ (189,000)
Depreciation	174,311	148,008	90,614	1,091,735
Amortization of long-term prepaid expenses	18,652	17,760	8,521	102,663
Impairment losses on property, plant and equipment, and other assets	30,487	6,973	5,873	70,759
Amortization of goodwill	11,113	11,404	12,983	156,422
Increase in allowance for doubtful accounts	1,356	107	6,577	79,241
Increase (decrease) in product warranty liabilities	3,678	(14,376)	(2,327)	(28,036)
Increase (decrease) in provision for loss on guarantees	14,608	(3,312)	(10,412)	(125,446)
Increase (decrease) in provision for loss on construction contracts and others	3,785	4,562	(4,320)	(52,048)
Increase in liabilities for retirement benefits	571	12,571	6,942	83,638
Increase (decrease) in provision for business structure improvement	28,146	(15,890)	(2,826)	(34,048)
Increase (decrease) in provision for contingent loss	29,200	(30,951)	(4,946)	(59,590)
Decrease in provision for loss on repurchase of computers	(2,262)	(879)	(1,735)	(20,904)
Interest and dividend income	(8,599)	(5,489)	(5,445)	(65,602)
Interest expense	12,578	9,736	6,614	79,687
Equity in losses (earnings) of affiliated companies	12,647	(7,336)	38,533	464,253
Loss on change in interests in subsidiaries and affiliated companies	—	—	5,996	72,241
Gain on sales of property, plant and equipment	(465)	(4,225)	(1,266)	(15,253)
Loss on retirement of property, plant and equipment	117	1,527	—	—
Gain on sales of investment securities	(3,957)	(537)	(2,492)	(30,024)
Loss on sales of investment securities	79	39	8	96
Write-off of investment securities	78,759	891	4,319	52,036
Gain on sales of investments in affiliated companies	(16,209)	(22,383)	(2,299)	(27,699)
Loss on sales of investments in affiliated companies	1,706	3,112	1,002	12,072
Gain on contribution of securities to retirement benefit trust	—	—	(19,206)	(231,398)
Loss on disaster	—	—	5,972	71,952
(Increase) decrease in trade notes and accounts receivable	105,458	(25,246)	(478)	(5,759)
Decrease in inventories	70,408	63,132	3,349	40,349
(Increase) decrease in accounts receivable, other	5,725	7,844	(5,344)	(64,386)
Decrease in trade notes and accounts payable	(170,129)	(8,582)	(10,380)	(125,060)
Others—net	(41,844)	(35,523)	(46,130)	(555,783)
Sub total	68,949	168,591	62,010	747,108
Interest and dividends received	8,742	5,623	5,513	66,422
Interest paid	(13,126)	(10,067)	(6,464)	(77,880)
Income taxes – paid	(37,206)	(29,331)	(27,399)	(330,108)
Net cash provided by operating activities	¥ 27,359	¥ 134,816	¥ 33,660	$ 405,542

NEC Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2009, 2010 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2010	2011	2011
Cash flows from investing activities				
Purchases of property, plant and equipment	¥ (107,956)	¥ (85,243)	¥ (57,580)	$ (693,735)
Proceeds from sales of property, plant and equipment	12,106	9,731	3,768	45,398
Acquisitions of intangible assets	(39,376)	(29,592)	(29,471)	(355,072)
Purchases of investment securities	(16,559)	(6,148)	(1,259)	(15,169)
Proceeds from sales of investment securities	6,933	16,081	3,767	45,385
Disbursements for acquisitions of shares of newly consolidated subsidiaries	(31,642)	(4,035)	(1,572)	(18,940)
Proceeds from acquisitions of shares of newly consolidated subsidiaries	175	—	—	—
Proceeds from sales of shares of subsidiaries being excluded from the consolidation	4,334	—	2,551	30,735
Disbursements for sales of shares of subsidiaries being excluded from the consolidation	—	—	(1,738)	(20,940)
Purchases of investments in affiliated companies	(5,879)	(19,645)	(59,615)	(718,253)
Proceeds from sales of investments in affiliated companies	4,599	71,980	145	1,747
(Increase) decrease in short-term loans receivable, net	(235)	63	1	12
Disbursements for loans receivable	(291)	(95)	(46)	(554)
Collection of loans receivable	174	5,180	200	2,410
Others—net	450	482	(5,395)	(65,000)
Net cash used in investing activities	(173,167)	(41,241)	(146,244)	(1,761,976)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings, net	(1,953)	(82,006)	125,829	1,516,012
Proceeds from long-term borrowings	231,233	64,472	6,167	74,301
Repayments of long-term borrowings	(68,753)	(59,872)	(177,176)	(2,134,650)
Proceeds from issuance of bonds	50,000	—	150,000	1,807,229
Redemption of bonds	(96,750)	(118,780)	(19,835)	(238,976)
Proceeds from issuance of common stock	—	118,519	—	—
Proceeds from stock issuance to minority shareholders	—	—	1,866	22,482
Dividends paid	(8,167)	(63)	(10,396)	(125,253)
Dividends paid to minority shareholders	(2,786)	(2,638)	(3,302)	(39,783)
Others—net	(669)	(40)	(78)	(940)
Net cash provided by (used in) financing activities	102,155	(80,408)	73,075	880,422
Effect of exchange rate changes on cash and cash equivalents	(13,914)	110	(4,073)	(49,072)
Net increase (decrease) in cash and cash equivalents	(57,567)	13,277	(43,582)	(525,084)
Cash and cash equivalents, at beginning of year	374,838	317,271	330,548	3,982,506
Decrease in cash and cash equivalents resulting from change of scope of consolidation	—	—	(92,787)	(1,117,916)
Increase in cash and cash equivalents resulting from merger	—	—	9,700	116,867
Cash and cash equivalents, at end of year	¥ 317,271	¥ 330,548	¥ 203,879	$ 2,456,373
Non-cash investing and financing activities				
Finance leases	¥ 4,350	¥ 2,426	¥ 3,986	$ 48,024
Contribution of secirities to retirement benefit trust	¥—	¥—	¥ 70,992	$ 855,325
Assets acquired and liabilities assumed in merger(Note16)				
Current assets	¥—	¥—	¥ 42,652	$ 513,879
Fixed assets	—	—	3,523	42,446
Total	—	—	46,175	556,325
Current liabilities	—	—	40,612	489,301
Long-term liabilities	—	—	1,021	12,301
Total	¥—	¥—	¥ 41,633	$ 501,602

See notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (the "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the presentation used for the year ended March 31, 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which NEC Corporation ("NEC" or the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. ***Consolidation***— The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 283 (310 in 2010 and 328 in 2009, respectively) subsidiaries (together, the "Group"). Investments in 55 (60 in 2010 and 63 in 2009, respectively) affiliated companies are accounted for by the equity method.

Under the control or influence concept, those companies in which the Group, directly or indirectly, are able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence in terms of their operating and financial policies are accounted for by the equity method.

For the years ended March 31, 2009 and 2010, in preparation of the consolidated balance sheets, the portion of a consolidated subsidiary's assets and liabilities corresponding to the equity portion held by the Company is principally measured at fair value as at the date of each acquisition of stock, while the portion corresponding to the minority interests reflects the value stated on each subsidiary's non-consolidated balance sheet.

The Accounting Standards Board of Japan ("ASBJ") issued and revised accounting standards 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 effective April 1, 2010. (Note 3)

For the years ended March 31, 2011, the assets and liabilities of the acquired consolidated subsidiaries are measured at fair value at the date of acquisition.

Goodwill, which represents cost in excess of fair value of net assets of subsidiaries acquired, is amortized on a straight-line basis over periods not exceeding 20 years (NEC Soft, Ltd. -20 years, NEC System Technologies, Ltd. -20 years, Abeam Consulting Ltd. -10 years, NetCracker Technology Corporation -7 years).

b. ***Cash Equivalents***— Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial papers and bond funds, all of which mature or become due within three months of the date of acquisition.

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

Of the merchandise and finished goods, the cost of custom-made products is determined mainly by the specific identification method and the cost of mass produced standard products is determined mainly by the first-in, first-out method.

Of the work in process, the cost of custom-made products is determined mainly by the specific identification method and the cost of mass produced standard products is determined mainly by the average cost method.

The cost of raw materials and supplies is determined mainly by the first-in, first-out method (Note 6).

d. ***Investment Securities***— Marketable investment securities are valued at the quoted market prices prevailing at the fiscal year end, with unrealized gains and losses, net of applicable taxes, included in a component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable investment securities are stated at cost determined by the moving-average method.

Investments in limited partnerships are accounted for by the equity method (Note 5).

e. ***Property, Plant and Equipment***— Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is computed principally by the declining-balance method based on the estimated useful lives of the assets.

The range of useful lives is principally from 7 to 60 years for buildings and structures, from 2 to 22 years for machinery and equipment, and furniture and fixtures. Leased assets are depreciated by the declining-balance method over the respective lease periods.

Effective from fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed their useful lives in accordance with the Corporation Tax Law as amended. The effect of this change in statement of operations was immaterial.

Accumulated depreciation of property, plant and equipment as of March 31, 2009, 2010 and 2011 were ¥1,771,769 million, ¥1,732,061 million and ¥838,310 million ($10,100,120 thousand), respectively.

f. ***Software***— Software for sale to the market is amortized based on either projected sales volumes or projected sales amounts, primarily not to exceed the effective useful life of three years.

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

g. ***Long-lived Assets***— In principle, the Company groups assets for business use based on its business units and managerial accounting segments. The Company groups idle assets on an individual basis. The higher of the estimated net realizable value or the estimated value in use is used as the estimated recoverable amounts of fixed assets in business use. The net realizable value is used as the estimated recoverable amounts of idle assets.

h. ***Allowance for Doubtful Accounts*** — The allowance for doubtful accounts is provided against potential losses on collections at an amount determined using a historical bad debt loss ratio with the addition of an amount individually estimated on the collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency of the debtor.

i. ***Product Warranty Liabilities***— The Group accrues product warranty liabilities for estimated future warranty costs using the historical ratio of warranty costs to net sales or other relevant factors, with the addition of an amount individually measured on the incremental costs that are expected to be incurred, in expectation of expenditures for warranty costs after sale of products, or upon delivery of developed software.

j. ***Provision for Loss on Repurchase of Computers***— The Company accrues for the estimated losses arising from repurchase of computers based on the experiences in the past years.

k. ***Provision for Recycling Expenses of Personal Computers***— In accordance with the personal computer recycling law in Japan, the Group accrues for the estimated recycling expenses of personal computers sold by the Company and its consolidated subsidiaries in Japan based on the volume of shipments and collection ratio.

The Company annually reviews the various rates used in the calculation of the provision based on reports issued by JEITA (Japan Electronics and Information Technology Industries Association) and the actual collection and recycling records of the subsidiary.

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

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

n. ***Provision for Loss on Guarantees***— Provision for loss on guarantees is made against losses related to debt guarantees, to which the Company has taken the deterioration of financial conditions of affiliated companies into consideration.

o. ***Retirement and Pension Plans***— The Company and its domestic subsidiaries have non-contributory funded defined benefit plans, and most of the overseas subsidiaries have various types of pension benefit plans which are mainly defined contribution plans and defined benefit plans.

The Company and certain domestic subsidiaries have pension and retirement benefit trusts.

Liabilities for retirement benefits or prepaid pension expenses are recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year end.

The transitional obligation is amortized on a straight-line basis mainly over 15 years since fiscal 2001.

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly 13 years since fiscal 2009).

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly 13 years since fiscal 2009), starting in the following year after incurrence (Note 8).

p. ***Stock Options***—ASBJ Statement No.8, "Accounting Standard for Share-based Payments" and related guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheets, the stock option is presented as a stock subscription right as a separate component of net assets until exercised. The standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value (Note 12).

- ***q. Research and Development Costs***— Research and development costs are charged to earnings as incurred. The amounts charged to earnings for the fiscal 2009, 2010 and 2011 were ¥346,529 million, ¥275,970 million and ¥176,514 million ($2,126,675 thousand), respectively.
- ***r. Leases***— Finance leases as lessee are capitalized and accounted for as ordinary sales transactions (Note 7 and 17).
- ***s. Bonuses to Directors***— Bonuses to directors are accrued for in the fiscal year to which such bonuses are attributable.
- ***t. Construction Contracts***— In December 2007, the ASBJ issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts". Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. Percentage-of-completion accounting method has been applied to made-to-order software and construction projects that completion percentage can be reasonably measured. To other construction projects that completion percentage can not be reasonably measured, completed-contract accounting method has been applied.
- ***u. Income Taxes***— The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of tax loss carryforwards and temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to tax loss carryforwards and temporary differences. Valuation allowances are established to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized (Note 13).
- ***v. Foreign Currency Transactions***— Foreign currency denominated monetary assets and liabilities are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations.
- ***w. Foreign Currency Financial Statements***— The balance sheet accounts of the overseas subsidiaries and affiliated companies are translated into Japanese yen at the exchange rate as of the balance sheet date except for components of net assets, which are translated at the historical rates. Income and expense accounts of overseas subsidiaries and affiliated companies are translated into Japanese yen at the average exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" and included in "Minority interests" in a separate component of net assets.

x. ***Derivatives***— The Group enters into foreign exchange forward contracts, currency swaps and interest rate swaps.

Derivatives are classified and accounted for as follows: all derivatives are recognized as either assets or liabilities and measured at fair value, and a) for derivatives not qualifying for hedge accounting, unrealized gains or losses on derivative transactions are recognized in the consolidated statements of operations and b) for derivatives qualifying for hedge accounting, unrealized gains or losses on derivatives are deferred until maturity of the hedged transactions as a separate component of net assets (Note 19).

y. ***Per Share Information***— Basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the fiscal year.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the fiscal year (or as of the time of issuance) with applicable adjustments for related interest expense, net of tax, and full exercise of outstanding stock subscription rights (Note 22).

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

Net assets per share are computed by dividing net assets available to common shareholders by the outstanding number of shares of common stock as of each balance sheet date (Note 23).

3. Accounting Changes

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements— In May 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Company applied this accounting standard effective April 1, 2008. The impact of this change on income is immaterial.

Accounting Standard for Measurement of Inventories— In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net realizable value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The change has no impact on income.

Depreciation method changes for the property, plant and equipment— The Company and its domestic consolidated subsidiaries had formerly adopted the declining balance method as their depreciation method for the property, plant and equipment that is used for outsourcing or other businesses which earn regular income. However, they have adopted the straight line method beginning from April 1, 2008 because the importance of these businesses is increasing and this change clarifies the connection between related revenue and depreciation expenses. The impact of this change on income is immaterial.

Changes in recognition criteria for completed contract revenue and costs— The "Accounting Standard for Construction Contracts" (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 the fiscal year ended March 31, 2010.

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 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) " (ASBJ Statement No.19, July 31, 2008) is applied from the fiscal year ended March 31, 2010.

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 the fiscal year ended March 31, 2010, 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.

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

Although the impact of this change on operating income (loss), ordinary income (loss) and segment information is immaterial, ¥1,434 million ($17,277thousand) is recorded loss on adjustment for changes of accounting standard for asset retirement obligations as extraordinary loss.

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—The ASBJ issued 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).The Group applies these accounting standards from the fiscal year ended March 31, 2011.

This change has no impact on income (loss) and segment information.

Accounting Standard for Business Combinations and others— The ASBJ issued 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). The Group applies these accounting standards from the fiscal year ended March 31, 2011.

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 (Note 2a).

These changes have no impact on income (loss) and segment information.

4. Changes in Presentation Method

(Additional Information)

Effective April 1, 2010, 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".

5. Investment Securities

The carrying amounts and aggregate fair values of marketable investment securities as of March 31, 2010 and 2011 were as follows:

	Millions of Yen			
Mar 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 62,525	¥ 26,414	¥ 5,694	¥ 83,245
Debt securities	1,001	—	178	823
Others	3,101	38	802	2,337
Total	¥ 66,627	¥ 26,452	¥ 6,674	¥ 86,405
Mar 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 64,622	¥ 20,093	¥ 8,415	¥ 76,300
Debt securities	1,000	—	188	812
Others	3,094	36	1,022	2,108
Total	¥ 68,716	¥ 20,129	¥ 9,625	¥ 79,220

	Thousands of U.S. Dollars			
Mar 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 778,579	$ 242,084	$ 101,386	$ 919,277
Debt securities	12,048	—	2,265	9,783
Others	37,277	434	12,313	25,398
Total	$ 827,904	$ 242,518	$ 115,964	$ 954,458

Non-marketable investment securities whose fair value is not readily determinable as of March 31, 2010 and 2011 were as follows:

	Carrying amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2011	2011
Available-for-sale:			
Equity securities	¥ 59,837	¥ 53,565	$ 645,361
Investments in limited partnerships	4,600	4,577	55,145
Others	379	330	3,976
Total	¥ 64,816	¥ 58,472	$ 704,482

The equity securities of Anritsu Corporation and other, previously accounted for by the equity method and classified in investments in affiliated companies, were currently reclassified to investment securities from the fiscal year ended March 31, 2011. As a result, investment securities increased by ¥5,301 million, and Valuation difference on available-for-sale securities increased by ¥1,470 million.

6. Inventories

Inventories as of March 31, 2010 and 2011 consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2011	2011
Merchandise & finished products	¥ 109,852	¥ 95,567	$ 1,151,410
Work in process	121,082	99,868	1,203,229
Raw materials and supplies	84,618	69,308	835,036
Total	¥ 315,552	¥ 264,743	$ 3,189,675

7. Short-term Borrowings and Long-term Debt

Short-term borrowings

Short-term borrowings as of March 31, 2010 and 2011 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Loans (weighted-average interest rate of 0.91% as of March 31, 2011)	¥ 69,163	¥ 48,780	$ 587,711
Commercial papers (weighted-average interest rate of 0.16% as of March 31, 2011)	21,998	163,978	1,975,638
Total	¥ 91,161	¥ 212,758	$ 2,563,349

As of March 31, 2011, the Group had line-of-credit agreements for short-term borrowings with financial institutions aggregating ¥255,000 million ($3,072,289 thousand), of which, ¥249,900 million ($3,010,843 thousand), was unused.

Long-term borrowings

Long-term borrowings as of March 31, 2010 and 2011 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Loans from financial institutions, due in 2011 through 2018 (weighted-average interest rate of 1.02% as of March 31, 2011)	¥ 328,383	¥ 151,091	$ 1,820,373
Less current portion	(169,507)	(13,245)	(159,578)
Total	¥ 158,876	¥ 137,846	$ 1,660,795

Bonds

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
NEC 32nd unsecured 2.43% bonds due in 2010	¥ 19,800	¥ –	$ –
NEC 38th unsecured 1.47% bonds due in 2013	30,000	30,000	361,446
NEC 39th unsecured 1.68% bonds due in 2015	20,000	20,000	240,964
NEC 40th unsecured 0.50% bonds due in 2013	–	40,000	481,928
NEC 41st unsecured 0.73% bonds due in 2015	–	40,000	481,928
NEC 42nd unsecured 1.02% bonds due in 2017	–	20,000	240,964
NEC 43rd unsecured 0.65% bonds due in 2015	–	30,000	361,445
NEC 44th unsecured 1.00% bonds due in 2017	–	20,000	240,964
NEC 10th unsecured 1.00% convertible bonds due in 2011	97,669	97,669	1,176,735
NEC Electronics Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants	110,000	–	–
1.08% bonds due in 2011	35	–	–
Less current portion of bonds	(19,830)	(97,669)	(1,176,735)
Total	¥ 257,674	¥ 200,000	$ 2,409,639

The details of convertible bonds outstanding as of March 31, 2011 were as follows:

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

Lease obligations

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Lease obligations, due in 2011 through 2018 (weighted-average interest rate of 1.94% as of March 31, 2011)	¥ 32,500	¥ 14,280	$ 172,048
Less current portion	(10,949)	(6,744)	(81,253)
Total	¥ 21,551	¥ 7,536	$ 90,795

Annual maturities for the fiscal years ending March 31, 2012 through 2017 of long-term debt as of March 31, 2011 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥117,658	$1,417,566
2013	68,490	825,181
2014	141,874	1,709,325
2015	1,730	20,844
2016	92,403	1,113,289
2017 and thereafter	40,885	492,590
Total	¥463,040	$5,578,795

The carrying amounts of assets, net of accumulated depreciation, pledged as collateral for short-term borrowings of ¥ 2,051 million ($24,711 thousand) and long-term borrowings of ¥ 350 million ($4,217 thousand) and other debt of ¥ 83 million ($1,000 thousand) as of March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 4,796	$ 57,783
Buildings and structures	1,172	14,120
Machinery and equipment	32	386
Others	10	121
Total, net of accumulated depreciation	¥ 6,010	$ 72,410

8. Retirement and Pension Plans

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

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

The liability and the asset for employees' retirement benefits as of March 31, 2010 and 2011 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Project benefit obligations	¥ (1,092,346)	¥ (939,852)	$ (11,323,518)
Fair value of plan assets	695,835	671,609	8,091,675
Unfunded retirement benefit obligations	(396,511)	(268,243)	(3,231,843)
Unrecognized transitional obligation	70,824	46,826	564,169
Unrecognized actuarial gain	239,098	228,333	2,751,000
Unrecognized prior service costs	(95,030)	(75,481)	(909,410)
Net amounts recognized in the consolidated balance sheets	(181,619)	(68,565)	(826,084)
Prepaid pension expenses	56,026	113,457	1,366,952
Liabilities for retirement benefits	¥ (237,645)	¥ (182,022)	$ (2,193,036)

The components of retirement benefit expenses for the fiscal years ended March 31, 2009, 2010 and 2011 were as follows:

	Millions of Yen			*Thousands of U.S. Dollars*
	2009	2010	2011	2011
Service cost	¥ 38,155	¥ 36,676	¥ 31,158	$ 375,398
Interest cost	26,821	27,259	23,318	280,940
Expected return on plan assets	(15,110)	(12,472)	(12,187)	(146,831)
Amortization of transitional obligation	14,791	14,441	12,057	145,265
Amortization of actuarial gains and losses	19,379	35,463	21,351	257,241
Amortization of prior service costs	(9,551)	(10,117)	(9,187)	(110,687)
Others	10,406	7,869	6,068	73,108
Total retirement benefit expenses	¥ 84,891	¥ 99,119	¥ 72,578	$ 874,434

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

In addition to retirement benefit expenses in the above table, special retirement benefits were recognized and included in "restructuring charges" under special losses, in the amount of ¥22,198 million for the fiscal year ended March 31, 2009. See Note 15.

Assumptions used for the fiscal years ended March 31, 2010 and 2011 were as follows:

	2010	2011
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Amortization period of prior service costs	Mainly 13 years	Mainly 13 years
Amortization period of actuarial gains and losses	Mainly 13 years	Mainly 13 years
Amortization period of transitional obligation	Mainly 15 years	Mainly 15 years

Prior service costs and actuarial gains and losses are amortized on a straight-line basis.

9. Other Current Liabilities

Other current liabilities consisted of the followings:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2011	2011
Advances from customers	¥ 65,550	¥ 58,437	$ 704,060
Reserve for bonuses to directors	262	266	3,205
Product warranty liabilities	27,887	24,827	299,121
Provision for business structure improvement	11,602	7,138	86,000
Provision for loss on construction contracts and others	14,088	9,763	117,627
Provision for loss on guarantees	10,985	—	—
Provision for contingent loss	10,886	3,989	48,060
Others	147,247	120,604	1,453,060
Total	¥ 288,507	¥ 225,024	$ 2,711,133

10. Other Long-term Liabilities

Other long-term liabilities consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Provision for loss on repurchase of computers	¥ 9,355	¥ 7,620	$ 91,807
Long-term product warranty liabilities	1,566	2,062	24,843
Provision for recycling expenses of personal computers	6,537	6,004	72,337
Provision for contingent loss	11,163	8,810	106,145
Provision for business structure improvement	1,139	1,326	15,976
Others	13,166	18,611	224,229
Total	¥ 42,926	¥ 44,433	$ 535,337

11. Net Assets

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. NEC meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. The amount of retained earnings available for dividends is based on NEC Corporation's retained earnings determined in accordance with generally accounting principles in Japan and the Companies Act of Japan.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Appropriations of retained earnings

Appropriations of retained earnings are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after approval by the Board of Directors.

(c) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus). No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(d) Treasury stock and treasury stock subscription rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock subscription rights are presented as a separate component of net assets. The Companies Act also provides that companies can purchase both treasury stock subscription rights and treasury stock. Such treasury stock subscription rights are presented as a separate component of net assets or deducted directly from stock subscription rights.

12. Stock Options

The Company and NEC Electronics recognized no material stock-based compensation expense for the years ended March 31, 2010 and 2011.

The Company and NEC Electronics have stock option plans as follows:

NEC

The stock options outstanding during the fiscal years ended March 31, 2010 and 2011 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
2003 Stock Option	15 directors, and 171 employees of the Company including presidents of subsidiaries	313,000 shares	July 10, 2003	From July 1, 2005 to June 30, 2009
2004 Stock Option	15 directors, and 159 employees of the Company including presidents of subsidiaries	289,000 shares	July 12, 2004	From July 1, 2006 to June 30, 2010
2005 Stock Option	15 directors, and 161 employees of the Company including presidents of subsidiaries	300,000 shares	July 11, 2005	From July 1, 2007 to June 30, 2011
2006 Stock Option	14 directors, and 158 employees of the Company including presidents of subsidiaries	304,000 shares	July 28, 2006	From August 1, 2008 to July 31, 2012

No vesting conditions are specified for options noted above.

The stock option activities during the fiscal years ended March 31, 2010 and 2011 were as follows:

	Shares			
	2003 Stock Option	2004 Stock Option	2005 Stock Option	2006 Stock Option
For the year ended March 31, 2010				
Non-vested				
April 1, 2009 – Outstanding	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
March 31, 2010 – Outstanding	—	—	—	—
Vested				
April 1, 2009 - Outstanding	125,000	171,000	199,000	294,000
Vested	—	—	—	—
Exercised	—	—	—	—
Forfeited	(125,000)	(33,000)	(34,000)	(77,000)
March 31, 2010 – Outstanding	—	138,000	165,000	217,000
For the year ended March 31, 2011				
Non-vested				
April 1, 2010 – Outstanding	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
March 31, 2011 – Outstanding	—	—	—	—
Vested				
April 1, 2010 - Outstanding	—	138,000	165,000	217,000
Vested	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	(138,000)	(39,000)	(43,000)
March 31, 2011 – Outstanding	—	—	126,000	174,000
Exercise price	¥ 769	¥ 756	¥ 601	¥ 600
Average stock price at exercise	¥ 859	—	—	—
Fair value price at grant date	—	—	—	¥ 190

NEC Electronics

The stock options outstanding during the fiscal year ended March 31, 2010 was as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
2006 Stock Option	4 directors, and 26 employees of NEC Electronics including presidents of subsidiaries	75,000 shares	July 13, 2006	From July 13, 2008 to July 12, 2012

The 2006 options will vest after two years from the date of grant under the condition that option holders will be in service to NEC Electronics group as of the exercise date of the option. The terms of the options are subject to adjustments if there is a stock split or reverse stock split. The plan provides conditions that options generally lapse automatically at termination of service before the exercise date and generally remain exercisable for one year after termination of service during the exercise period. The stock option activities during the fiscal year ended March 31, 2010 was as follows:

	Shares
	2006 Stock Option
For the year ended March31, 2010	
Non-vested	
April 1, 2009 – Outstanding	–
Granted	–
Forfeited	–
Vested	–
March 31, 2010 – Outstanding	–
Vested	
April 1, 2009 - Outstanding	72,000
Vested	–
Exercised	–
Forfeited	16,000
March 31, 2010 – Outstanding	56,000
Exercise price	¥ 3,927
Average stock price at exercise	–
Fair value price at grant date	¥ 937

13. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for the fiscal years ended March 31, 2010 and (40.5)% for the fiscal year ended March 31, 2009 and 2011. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2011	2011
Deferred tax assets :			
Tax loss carryforwards	¥ 337,827	¥ 237,252	$ 2,858,458
Pension and severance costs	137,175	122,290	1,473,374
Accrued expenses and product warranty liabilities	54,794	49,265	593,554
Depreciation	50,215	38,951	469,289
Write-off of inventories	40,196	32,674	393,663
Elimination of unrealized profit by intercompany transactions among consolidated companies	11,916	11,743	141,482
Investments in affiliated companies	12,322	11,519	138,783
Write-off of investment securities	10,845	8,136	98,024
Provision for contingent loss	8,283	4,770	57,470
Provision for loss on construction contracts and others	5,667	3,932	47,373
Provision for business structure	4,910	3,230	38,916
Provision for loss on repurchase of computers	3,393	2,789	33,602
Research and development expenses	17,119	2,532	30,506
Others	62,093	60,604	730,169
Sub-total	756,755	589,687	7,104,663
Less valuation allowance	(445,249)	(282,045)	(3,398,133)
Total	311,506	307,642	3,706,530
Deferred tax liabilities:			
Gain on contribution of securities to retirement benefit trust	40,578	22,037	265,506
Undistributed earnings of affiliated companies	9,218	3,970	47,831
Unrealized gains on available-for-sale securities	5,355	944	11,374
Reserves under special taxation measures law	484	59	711
Others	30,684	9,649	116,253
Total	86,319	36,659	441,675
Net deferred tax assets	¥ 225,187	¥ 270,983	$ 3,264,855

Net deferred tax assets were included in the consolidated balance sheets as of March 31, 2010 and 2011 as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2011	2011
Current assets- deferred tax assets	¥ 93,307	¥ 97,431	$ 1,173,867
Investments and other assets- deferred tax assets	140,829	174,707	2,104,904
Current liabilities- other current liabilities	(36)	(30)	(362)
Long-term liabilities - deferred tax liabilities	(8,913)	(1,125)	(13,554)
Net deferred tax assets	¥ 225,187	¥ 270,983	$ 3,264,855

Reconciliation between the statutory tax rate and the effective tax rates reflected in the accompanying consolidated statements of operations for the fiscal years ended March 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011
Statutory tax rate	(40.5) %	40.5 %	(40.5) %
Equity in losses (earnings) of affiliated companies	(0.5)	(0.3)	98.6
Changes in valuation allowance	55.8	19.2	58.3
Amortization of goodwill	5.0	7.9	33.5
Tax rates difference relating to overseas subsidiaries	1.6	(5.5)	5.2
Non-deductible expenses for tax purposes	1.2	1.1	5.0
Undistributed earnings of affiliated companies	(9.3)	11.3	(17.4)
Retirement benefit trust	–	–	(105.9)
Gain(loss) on change in equity	–	–	(118.7)
Elimination of unrealized profit by intercompany transactions among consolidated companies	(0.7)	(0.4)	–
Others	(0.5)	0.3	25.8
Effective tax rates	12.1 %	74.1 %	(56.1) %

14. Significant Components of Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2009, 2010 and 2011 consisted of the followings:

	Millions of Yen			*Thousands of U.S. Dollars*
	2009	2010	2011	2011
Salaries for employees	¥ 350,584	¥ 318,385	¥ 295,191	$ 3,556,518
Research and development expenses	342,425	271,101	170,739	2,057,096
Retirement benefit expenses	18,384	25,786	19,555	235,602
Provision for product warranty liabilities	17,368	12,278	7,666	92,361
Provision for loss on repurchase of computers	2,451	2,995	1,548	18,651
Allowance for doubtful accounts	3,824	1,034	156	1,880

15. Special Gains and Losses

(1) Special gains

Special gains for the fiscal years ended March 31, 2009, 2010 and 2011 consisted of the followings:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2010	2011	2011
Gain on contribution of securities to retirement benefit trust	¥ —	¥ —	¥ 19,206	$ 231,398
Gain on sales of investment securities	3,957	537	2,492	30,024
Gain on sales of investments in affiliated companies	16,209	22,383	2,299	27,699
Reversal of provision for loss on guarantees	—	3,312	1,557	18,759
Gain on sales of property, plant and equipment	465	4,225	1,266	15,253
Reversal of provision for recycling expenses of personal computers	—	1,024	1,193	14,373
Gain on business transfers	—	—	249	3,000
Gain on reversal of subscription rights to shares	—	30	8	96
Total	¥ 20,631	¥ 31,511	¥ 28,270	$ 340,602

Gain on contribution of securities to retirement benefit trust

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

Gain on sales of investments in affiliated companies

Gain on sales of investments in affiliated companies for the fiscal year ended March 31, 2009 was mainly related to the sale of shares of Sony NEC Optiarc Inc. and Pilot Gateway LTD.

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

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

Gain on business transfers

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

(2) Special losses

Special losses for the fiscal years ended March 31, 2009, 2010 and 2011 consisted of the followings:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2010	2011	2011
Restructuring charges *(Note 8)*	¥ 87,362	¥ 10,245	¥ 15,477	$ 186,470
Loss on change in equity	—	—	5,996	72,241
Loss on disaster	—	—	5,972	71,952
Impairment losses on property, plant and equipment, and other assets	30,487	6,973	5,873	70,759
Write-off of investment securities	78,759	891	4,319	52,036
Cost of corrective measures for products	5,312	2,487	3,697	44,542
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	—	1,434	17,277
Loss on sales of investments in affiliated companies	1,706	3,112	1,002	12,072
Provision for loss on guarantees	14,608	—	201	2,422
Loss on sales of noncurrent assets	—	12	19	229
Loss on sales of investment securities	79	39	8	96
Loss on retirement of property, plant and equipment	117	1,527	—	—
Total	¥ 218,430	¥ 25,286	¥ 43,998	$ 530,096

Restructuring charges

Restructuring charges for the fiscal year ended March 31, 2009 was mainly related to losses on the early retirement of employees, losses on disposals of assets following the liquidations of Electron Device business and losses on dismissals of employees working for Mobile/Personal solutions business outside of Japan. Restructuring charges for the fiscal year ended March 31, 2010 was mainly related to expenses for restoration to the original state of the office in association with relocations, and disposal of assets of Electron Device business.

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

Loss on change in equity

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

Loss on disaster

Loss on disaster for the fiscal year ended March 31, 2011 was 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.

Impairment losses on property, plant and equipment, and other assets

Impairment losses were recognized mainly due to lower profitability of assets for business use, primarily consisting of buildings and structures, intangible assets and goodwill, and net realizable value declines of idle assets, primarily consisting of land and others.

Certain US subsidiary recognized impairment losses in compliant with US GAAP in the fiscal year ended March 31, 2009 and 2010.

The following summarizes the breakdown of impairment losses by account:

	Millions of Yen			*Thousands of U.S. Dollars*
	2009	2010	2011	2011
Land	¥ 148	¥ 64	¥ 342	$ 4,121
Buildings and structures	536	2,642	863	10,398
Machinery and equipment	592	1,459	1,827	22,012
Furniture and fixtures	844	617	208	2,506
Construction in progress	704	240	1,192	14,361
Goodwill	24,621	753	—	—
Software	2,899	703	1,130	13,614
Other assets	143	495	311	3,747
Total	¥ 30,487	¥ 6,973	¥ 5,873	$ 70,759

Cost of corrective measures for products

Cost of corrective measures for products was mainly related to the costs to be incurred due to collection and replacement of defective products sold.

Loss on sales of investments in affiliated companies

Loss on sales of investments in affiliated companies for the fiscal year ended March 31, 2009 was mainly related to the sales of investments in Media Exchange, Inc.

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

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

Loss on retirement of property, plant and equipment

Loss on retirement of property, plant and equipment for the fiscal year ended March 31, 2009 was mainly related to the disposal expenses and costs in Sagamihara plants.

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

16. Additional Cash Flow Information

The Company acquired shares of NetCracker Technology Corporation and other four companies, which were newly consolidated in the fiscal year ended March 31, 2009. The assets and liabilities on the date of acquisition were as follows:

NetCracker Technology Corporation and other four companies

	Millions of Yen
Current assets	¥ 20,172
Fixed assets	6,590
Goodwill	31,004
Current liabilities	(14,587)
Long-term liabilities	(4,123)
Minority interests	(1,570)
Foreign currency translation adjustment	97
Acquisition cost of shares	37,583
Cash and cash equivalents	(5,941)
Disbursements for acquisition of shares of newly consolidated subsidiary	¥ 31,642

The assets and liabilities of Pilot Gateway Ltd. and other two companies, which were excluded from consolidation due to sale of shares for the fiscal year ended March 31, 2009, were as follows:

Pilot Gateway Ltd. and other two companies

	Millions of Yen
Current assets	¥ 158
Fixed assets	61
Current liabilities	(118)
Long-term liabilities	(27)
Foreign currency translation adjustment	324
Gain on sales of investments in affiliated companies	7,586
Sale amount of shares	7,984
Long-term accounts receivables - other	(3,553)
Cash and cash equivalents	(97)
Proceeds from sales of shares of subsidiaries excluded from consolidation	¥ 4,334

The Company acquired shares of three companies, which were newly consolidated in the fiscal year ended March 31, 2010. The assets and liabilities on the date of acquisition were as follows:

Three companies

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

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

Four companies

	Millions of Yen	*Thousands of U.S. Dollars*
Current assets	¥ 1,482	$ 17,855
Fixed assets	875	10,542
Goodwill	967	11,651
Current liabilities	(882)	(10,626)
Long-term liabilities	(339)	(4,084)
Minority interests	(136)	(1,639)
Acquisition cost of shares	1,967	23,699
Cash and cash equivalents	(395)	(4,759)
Disbursements for acquisition of shares of newly consolidated subsidiary	¥ 1,572	$ 18,940

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

Three companies

	Millions of Yen	*Thousands of U.S. Dollars*
Current assets	¥ 2,348	$ 28,289
Fixed assets	1,930	23,253
Current liabilities	(1,689)	(20,349)
Long-term liabilities	(716)	(8,627)
Foreign currency translation adjustment	10	120
Valuation difference on available-for-sale securities	(5)	(60)
Gain on sales of investments in affiliated companies	1,322	15,928
Sale amount of shares	3,200	38,554
Cash and cash equivalents	(649)	(7,819)
Disbursements for sales of shares of subsidiaries excluded from consolidation	¥ 2,551	$ 30,735

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

SGI Japan, LTD.

	Millions of Yen	*Thousands of U.S. Dollars*
Current assets	¥ 6,850	$ 82,530
Fixed assets	682	8,217
Current liabilities	(4,376)	(52,723)
Long-term liabilities	(611)	(7,361)
Minority interests	(1,111)	(13,386)
Valuation difference on available-for-sale securities	(3)	(36)
Deferred gains or losses on hedges	1	12
Loss on sales of investments in affiliated companies	(620)	(7,470)
Sale amount of shares	812	9,783
Other receivables	(81)	(976)
Cash and cash equivalents	(2,469)	(29,747)
Proceeds from sales of shares of subsidiaries excluded from consolidation	¥ (1,738)	$ (20,940)

Merger

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

17. Leases

The minimum obligations under noncancelable operating leases as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Due within one year	¥ 35,810	¥ 18,310	$ 220,603
Due after one year	80,082	43,291	521,578
Total	¥ 115,892	¥ 61,601	$ 742,181

18. Financial Instruments

(1) Summary of financial instruments

a. Policy of financial instruments

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

b. Content and risks of financial instruments

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

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

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

Long-term borrowings, bonds payable and finance lease liabilities are generally made for the purpose of financing capital investments. The latest redemption date of such liabilities is in seven (eight in 2010) years. These interest-bearing debts with floating interest rate are exposed to interest rate risks.

Derivatives consist of forward exchange contracts, currency options and interest rate swaps. Forward exchange contracts and currency options are used to hedge foreign exchange risk of foreign currency denominated receivables and payables occurred during ordinary course of businesses. Interest rate swaps are used to hedge the effect from interest rate and market value movements for bank loans and corporate bonds issued.

The hedging instruments, hedged items, policies and assessment of effectiveness concerning the hedge accounting are described in Note19.

c. Risk management of financial instruments

Management of credit risk (risk of customer's default)

NEC and its subsidiaries regularly monitor the financial position of significant customers and manage the due dates and its receivables balance due from each customer to minimize the risk of defaults resulting from deterioration of a customers' financial position at a periodical basis.

Financial institutions with higher credit capabilities are selected as counterparties while dealing in derivative transactions, deposit transactions and purchase of financial assets for short-term investments in order to reduce the counterparty risk.

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

The Group manages foreign exchange risk by currency in each due month, and to minimize its risk by utilizing netting settlement of foreign currency receivables and payables, and by utilizing forward exchange contracts and currency options.

Interest rate swap contracts are also used to control interest rate volatility risk in our bank loans and corporate bonds.

Regarding the market price risk of investment securities, the Group regularly monitors the fair value of such securities as well as financial positions of the issuers (customer enterprises). The Group also continuously reviews effectiveness of possessing such securities taking into consideration of business relationship with customer enterprises.

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

Management of liquidity risk (risk of impracticability to execute payment)

Liquidity risk is managed by frequent update of the cash-flow budget and maintaining level of liquidity represented by current cash balance and unused lines of credit.

d. Supplemental explanation concerning the fair value of financial instruments

The fair value of a financial instrument is based on the current market price or using reasonable estimates in case of no readily available market price. Such estimates include various underlying factors and assumptions and may subject to change if other reliable assumptions may used for the calculation.

(2) Fair value of financial instruments

Carrying amount, fair value and difference between them as of March 31, 2010 and 2011 were as follows:

	Millions of Yen					
	2010			2011		
	Carrying Amount	Fair Value	Difference	Carrying Amount	Fair Value	Difference
Assets:						
Cash and cash equivalents	¥ 330,548	¥ 330,548	¥ —	¥ 203,879	¥ 203,879	¥ —
Short-term investments	1,294	1,294	—	1,540	1,540	—
Trade notes and accounts receivable	773,388	772,993	(395)	726,355	725,974	(381)
Investment securities	86,405	86,405	—	79,220	79,220	—
Investments in affiliated companies	42,755	30,381	(12,374)	89,286	74,958	(14,328)
Total	¥1,234,390	¥1,221,621	¥ (12,769)	¥1,100,280	¥ 1,085,571	¥ (14,709)
Liabilities:						
Short-term borrowings(*)	¥ 91,161	¥ 91,161	¥ —	¥ 212,758	¥ 212,758	—
Current portion of long-term debt(*)	189,337	189,337	—	110,914	110,914	—
Trade notes and accounts payable	522,533	522,533	—	464,529	464,529	—
Accrued expenses	175,660	175,660	—	160,559	160,559	—
Long-term debt(*)	416,550	415,326	(1,224)	337,846	339,440	1,594
Total	¥1,395,241	¥1,394,017	¥ (1,224)	¥1,286,606	¥ 1,288,200	¥ 1,594
Derivatives (**)	¥ (761)	¥ (761)	¥ —	¥ 228	¥ 228	¥ —

	Thousands of U.S. Dollars		
2011	Carrying Amount	Fair Value	Difference
Assets:			
Cash and cash equivalents	$ 2,456,373	$ 2,456,373	$ —
Short-term investments	18,555	18,555	—
Trade notes and accounts receivable	8,751,265	8,746,675	(4,590)
Investment securities	954,458	954,458	—
Investments in affiliated companies	1,075,735	903,108	(172,627)
Total	$ 13,256,386	$ 13,079,169	$ (177,217)
Liabilities:			
Short-term borrowings(*)	$ 2,563,349	$ 2,563,349	$ —
Current portion of long-term debt(*)	1,336,313	1,336,313	—
Trade notes and accounts payable	5,596,735	5,596,735	—
Accrued expenses	1,934,446	1,934,446	—
Long-term debt(*)	4,070,434	4,089,639	19,205
Total	$ 15,501,277	$ 15,520,482	$ 19,205
Derivatives (**)	$ 2,747	$ 2,747	$ —

(*) The amounts of lease obligation are not included to either Short-term borrowings, Current portion of long-term debts or Long-term loans debts.

(**) Derivatives are presented as net amount of assets and liabilities, and amounts in parentheses are liabilities as the results of netting.

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

Cash and cash equivalents and Short-term investments

Fair value equals to carrying amount, since they are to be settled in short term.

Trade notes and accounts receivable

For which are to be settled in short term, fair value equals to carrying amount. For others, to be settled in long term, fair value is measured by using discount rate considering credit and other risk.

Investment securities and Investments in affiliated companies

Fair value equals to price at financial instrument exchange.

Trade notes and accounts payable, Short-term borrowings, Current portion of long-term debt and Accrued expenses

Fair value equals to carrying amount, since they are to be settled in short term.

Long-term debt

Fair value of bonds equals to market price. Fair value of long-term borrowings is measured by using discount rate to be applied in case of financing same amount with sum of principal and interest.

Derivatives

The information of the fair value for derivatives is included in Note 19.

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

	Carrying Amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2010	*2011*	*2011*
Investment securities:			
unlisted stocks	¥ 59,837	¥ 53,565	$ 645,361
Investments in affiliated companies:			
unlisted stocks	46,744	44,707	538,638
Investments in limited partnerships and similar partnerships under foreign laws	4,600	4,577	55,145
Others	379	330	3,976
Total	¥ 111,560	¥ 103,179	$ 1,243,120

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

	Millions of Yen			
March 31, 2011	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 203,879	¥ —	¥ —	¥ —
Trade notes and accounts receivable	713,886	11,596	722	151
Short-term investments	1,540	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities (bonds)	—	—	—	812
Total	¥ 919,305	¥ 11,596	¥ 722	¥ 963

	Thousands of U.S. Dollars			
March 31, 2011	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 2,456,373	$ —	$ —	$ —
Trade notes and accounts receivable	8,601,036	139,711	8,699	1,819
Short-term investments	18,555	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities (bonds)	—	—	—	9,783
Total	$ 11,075,964	$ 139,711	$ 8,699	$ 11,602

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

19. Derivatives

Derivative transactions as of March 31, 2010 and 2011 were as follows:

	Millions of Yen					
	2010			2011		
	Contract Amount	Fair Value	Unrealized Gain (Loss)	Contract Amount	Fair Value	Unrealized Gain (Loss)
Currency related						
Foreign exchange forward contracts:						
Buying						
U.S.$	¥ 48,127	¥ 48,957	¥ 830	¥ 40,481	¥ 40,984	¥ 503
Euro	6,049	6,136	87	—	—	—
Others	10,697	10,895	198	10,580	10,770	190
Selling						
U.S.$	80,102	82,238	(2,136)	34,486	34,690	(204)
Euro	9,553	9,241	312	8,336	8,643	(307)
Others	2,116	2,126	(10)	4,150	4,099	51
Currency swaps	129	1	1	—	—	—
Total			¥ (718)			¥ 233
Interest rate related						
Interest rate swaps:						
Pay fixed/Receive floating rates	¥ 3,000	¥ (43)	¥ (43)	¥ 2,000	¥ (5)	¥ (5)
Total			¥ (43)			¥ (5)

	Thousands of U.S. Dollars		
2011	Contract Amount	Fair Value	Unrealized Gain (Loss)
Currency related			
Foreign exchange forward contracts:			
Buying			
U.S.$	$ 487,723	$ 493,783	$ 6,060
Euro	—	—	—
Others	127,470	129,759	2,289
Selling			
U.S.$	415,494	417,952	(2,458)
Euro	100,434	104,133	(3,699)
Others	50,000	49,385	615
Total			$ 2,807
Interest rate related			
Interest rate swaps:			
Pay fixed/Receive floating rates	$ 24,096	$ (60)	$ (60)
Total			$ (60)

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative transactions to which hedge accounting is applied as of March 31, 2010 and 2011, included in the above table, were as follows:

	Millions of Yen					
	2010			2011		
	Hedged Item	Contract Amount	Fair Value	Hedged Item	Contract Amount	Fair Value
Currency related						
Foreign exchange forward contracts:						
Buying	Accounts payable			Accounts payable		
U.S.$		¥3,501	¥3,659		¥7,122	¥ 7,224
Euro		40	38		1	1
Selling	Accounts receivable			Accounts receivable		
U.S.$		91	84		299	301
Euro		3	3		1,747	1,725
Interest rate related						
Interest rate swaps:						
Pay fixed/Receive floating rates	Long-term borrowings	3,000	(43)	Long-term borrowings	2,000	(5)

	Thousands of U.S. Dollars		
2011	Hedged Item	Contract Amount	Fair Value
Currency related			
Foreign exchange forward contracts:			
Buying	Accounts payable		
U.S.$		$ 85,807	$ 87,036
Others		12	12
Selling	Accounts receivable		
U.S.$		3,602	3,627
Others		21,048	20,783
Interest rate related			
Interest rate swaps:			
Pay fixed/Receive floating rates	Long-term borrowings	24,096	(60)

20. Contingent Liabilities

Other Contingent Liabilities

As of March 31, 2010 and 2011, the Group had the following contingent liabilities:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2011	2011
Trade notes discounted	¥ 1,044	¥ 1,341	$ 16,157
Guarantees for bank loans and others	9,168	23,260	280,241
Residual value guarantees under operating leases	8,946	—	—

21. Related Party Disclosures

There is no significant related party disclosure which shall be disclosed for the fiscal years ended March 31, 2010.

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

2011	*Millions of Yen*	*Thousands of U.S. Dollars*
Subscription of capital stock (*)	¥ 56,300	$ 678,313

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

Information Concerning Important Related Companies

In the year ended March 31, 2011, important related companies were Renesas Electronics Corporation and NEC Capital Solutions Limited. Condensed financial information prepared based on the consolidated financial statements of both companies was as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
Current assets total	¥ 1,403,777	$ 16,912,976
Noncurrent assets total	562,732	6,779,904
Current liabilities total	999,297	12,039,723
Long-term liabilities total	602,966	7,264,651
Net assets total	364,246	4,388,506
Sales	1,365,519	16,452,036
Income (loss) before income taxes and minority interests	(103,700)	(1,249,398)
Net income (loss)	(111,303)	(1,341,000)

22. Net Income Per Share

Reconciliations of the difference between basic and diluted net income per share ("EPS") for the fiscal years ended March 31, 2009, 2010 and 2011 were as follows:

	Millions of Yen	*Thousands of shares*	*Yen*
	Net income(loss)	Weighted average shares	EPS
For the year ended March 31, 2009:			
Basic EPS			
Net loss	¥ (296,646)		
Amounts not attributable to common shareholders			
Participating convertible securities	(143)		
Net loss available to common shareholders	¥ (296,789)	2,023,970	¥ (146.64)
Effect of Dilutive Securities			
Convertible bonds	–	–	
Diluted EPS			
Net income for computation	–	–	–
For the year ended March 31, 2010:			
Basic EPS			
Net income	¥ 11,428		
Amounts not attributable to common shareholders			
Participating convertible securities	(124)		
Net income available to common shareholders	¥ 11,304	2,241,695	¥ 5.04
Effect of Dilutive Securities			
Convertible bonds	2	60,093	
Diluted EPS			
Net income for computation	¥ 11,306	2,301,788	¥ 4.91
For the year ended March 31, 2011:			
Basic EPS			
Net loss	¥ (12,518)		
Amounts not attributable to common shareholders			
Participating convertible securities	–		
Net loss available to common shareholders	¥ (12,518)	2,598,491	¥ (4.82)
Effect of Dilutive Securities			
Convertible bonds	–	–	
Diluted EPS			
Net income for computation	–	–	–

	Thousands of U.S. Dollars	*Thousands of shares*	*U.S. Dollars*
	Net income(loss)	Weighted average shares	EPS
For the year ended March 31, 2011:			
Basic EPS			
Net loss	$ (150,819)		
Amounts not attributable to common shareholders			
Participating convertible securities	–		
Net loss available to common shareholders	$ (150,819)	2,598,491	$ (0.06)
Effect of Dilutive Securities			
Convertible bonds	–	–	
Diluted EPS			
Net income for computation	–	–	–

Equity instruments not included in the basis for calculation of diluted net income per share as they are anti-dilutive are certain convertible bonds, bonds with stock subscription rights and stock subscription rights. Diluted net income per share for the fiscal 2009 and 2011 is not disclosed because of the Company's net loss position.

23. Net Assets Per Share

Net assets per share as of March 31, 2010 and 2011 were as follows:

	Yen		*U.S. Dollars*
	2010	2011	2011
Net assets per share	¥ 304.36	¥ 291.35	$ 3.51

The basis for calculation of net assets per share for the fiscal years ended March 31, 2010 and 2011 were as follows:

	Millions of Yen	*Thousands of shares*	*Yen*
	Net assets	Number of shares of common stock to calculate net assets per share	Net assets per share
For the year ended March 31, 2010:			
Total net assets	¥ 931,912		
Amounts deducted from total net assets			
Stock subscription rights	(93)		
Minority interests	(140,915)		
Net assets as of the year end attributable to common shareholders	¥ 790,904	2,598,542	¥ 304.36
For the year ended March 31, 2011:			
Total net assets	¥ 875,441		
Amounts deducted from total net assets			
Stock subscription rights	(33)		
Minority interests	(118,354)		
Net assets as of the year end attributable to common shareholders	¥ 757,054	2,598,462	¥ 291.35

	Thousands of U.S. Dollars	*Thousands of shares*	*U.S. Dollars*
	Net assets	Number of shares of common stock to calculate net assets per share	Net assets per share
For the year ended March 31, 2011:			
Total net assets	$ 10,547,482		
Amounts deducted from total net assets			
Stock subscription rights	(397)		
Minority interests	(1,425,952)		
Net assets as of the year end attributable to common shareholders	$ 9,121,133	2,598,462	$ 3.51

24. 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). In addition the Group changed its segmentation at the beginning of the fiscal year. In this section, financial information for the year ended March 31, 2009 and 2010 are disclosed in conformity with old requirement and in old segment.

For the years ended March 31, 2009 and 2010

(1) Business Segments

The Group operates in the IT/Network Solutions Business, Mobile/Personal Solutions Business, Electron Devices Business and other industry segments for the fiscal year ended March 31, 2009.

From the April 1, 2009, the number of business segments has been changed to 7 (hereafter " the new business segments"), which are composed of IT Services, IT Products, Network Systems, Social Infrastructure, Personal Solutions, Electron Devices and Others, due to the organizational reform. As a result of that change, the segment information for the fiscal year ended March 31, 2009 has been reclassified in a manner consistent with that used for the fiscal year ended March 31, 2010.

(Fiscal year ended March 31, 2009)

a. Sales and operating income (loss)

	Millions of Yen					
	2009					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥2,639,345	¥690,942	¥625,202	¥260,114	¥ —	¥4,215,603
Intersegment sales and transfers	84,604	119,396	27,557	136,328	(367,885)	—
Total net sales	2,723,949	810,338	652,759	396,442	(367,885)	4,215,603
Operating expenses	2,599,086	818,260	732,076	399,910	(327,528)	4,221,804
Operating income(loss)	¥124,863	¥(7,922)	¥(79,317)	¥(3,468)	¥(40,357)	¥(6,201)

b. Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen					
	2009					
	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Eliminations/ Corporate	Consolidated
Total assets	¥1,605,292	¥283,194	¥554,437	¥334,552	¥297,903	¥3,075,378
Depreciation	58,764	21,275	70,570	13,200	10,502	174,311
Impairment loss on property, plant and equipment, and other assets	23,452	217	4,073	2,671	74	30,487
Capital expenditures	91,316	15,957	73,499	8,736	12,763	202,271

(Fiscal year ended March 31, 2009) – on the new business segments' basis

a. *Sales and operating income (loss)*

	Millions of Yen								
	2009								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥941,812	¥266,529	¥1,001,811	¥340,370	¥848,608	¥671,646	¥144,827	¥ —	¥4,215,603
Intersegment sales and transfers	65,003	42,009	56,791	25,041	64,741	30,085	146,444	(430,114)	—
Total net sales	1,006,815	308,538	1,058,602	365,411	913,349	701,731	291,271	(430,114)	4,215,603
Operating expenses	950,792	286,788	1,016,650	357,220	926,561	789,569	285,510	(391,286)	4,221,804
Operating income (loss)	¥56,023	¥21,750	¥41,952	¥8,191	¥(13,212)	¥(87,838)	¥5,761	¥(38,828)	¥(6,201)

b. *Total assets, depreciation, impairment loss and capital expenditures*

	Millions of Yen								
	2009								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Eliminations/ Corporate	Consolidated
Total assets	¥613,899	¥130,534	¥586,778	¥281,668	¥309,576	¥595,483	¥230,502	¥326,938	¥3,075,378
Depreciation	20,506	6,533	19,877	8,512	22,902	77,350	6,493	12,138	174,311
Impairment loss on property, plant and equipment, and other assets	979	—	22,473	86	2,080	4,359	436	74	30,487
Capital expenditures	35,433	10,108	28,465	10,395	17,260	77,309	8,867	14,434	202,271

(Fiscal year ended March 31, 2010)

a. *Sales and operating income (loss)*

	Millions of Yen								
	2010								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥ 876,470	¥ 209,217	¥ 785,881	¥ 316,566	¥ 737,870	¥ 572,774	¥ 84,370	¥ —	¥3,583,148
Intersegment sales and transfers	49,440	30,860	43,865	18,407	51,117	19,411	110,792	(323,892)	—
Total net sales	925,910	240,077	829,746	334,973	788,987	592,185	195,162	(323,892)	3,583,148
Operating expenses	866,624	241,201	801,777	312,223	769,708	649,012	184,081	(292,383)	3,532,243
Operating income (loss)	¥ 59,286	¥ (1,124)	¥ 27,969	¥ 22,750	¥ 19,279	¥ (56,827)	¥ 11,081	¥ (31,509)	¥ 50,905

b. Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen								
	2010								
	IT Services	IT Products	Network Systems	Social Infra-structure	Personal Solutions	Electron Devices	Others	Eliminations/ Corporate	Consoli dated
Total assets	¥557,625	¥124,918	¥525,420	¥287,644	¥306,410	¥583,735	¥170,120	¥381,772	¥2,937,644
Depreciation	19,257	5,926	16,205	8,364	16,177	65,916	4,567	11,596	148,008
Impairment loss on property, plant and equipment, and other assets	875	—	993	5	769	3,953	281	97	6,973
Capital expenditures	22,635	5,735	12,523	12,365	14,555	65,940	11,132	20,670	165,555

(a) The business segments are defined based on the similarity of types, characteristics, and the affinity of the sales market of products and services.

(b) Major services and products for each business segment are as follows:

IT Services …………	Systems Integration (System Construction, Consulting), Support Service (Maintenance), Outsourcing
IT Products …………	PC Servers, Mainframe Computers, UNIX Servers, Supercomputers, Storage Products, Professional Workstations, Computer Software (OS, Middleware, Application Software)
Network Systems …………	Network Systems for Communication Service Providers (Mobile Communication Systems, Fixed-line Communication Systems, etc.), Enterprise Network Systems (IP Telephony Systems, etc.)
Social Infrastructure …………	Broadcasting Systems and Video Equipment, Control Systems, Transportation Systems, Aerospace Systems (Aircraft Traffic Control Systems, Satellites, etc.), Defense Systems (Radar Equipment, etc.), Fire and Disaster Prevention Systems
Personal Solutions …………	Mobile Handsets, Personal Computers, Personal Communication Equipment, Monitors, Projectors, "BIGLOBE" Internet Services
Electron Devices …………	System LSIs (For Use in Communications Equipment, Computing and Peripheral Products, Consumer Electronics Products, Automotive and Industrial Products), Microcontrollers, Discrete Devices, Optical and Microwave Devices, Capacitors, Lithium-ion Batteries, Relays, Piezoelectric Devices, IC Cards, IC Tags, LCD Displays, Lighting Equipment, Cold Cathode Fluorescent Lamps (CCFL)

(c) Unallocable operating expenses included in "Eliminations/Corporate" for the fiscal years ended March 31, 2009 and 2010 were ¥39,851 million (¥38,848 million on the new segments' basis) and ¥32,065 million, respectively. Main components of such expenses were general and administrative expenses incurred at the headquarters of the Company and basic research and development expenses.

(d) Assets included in "Eliminations/Corporate" as of March 31, 2009 and 2010 amounted to ¥430,143 million (¥456,483 million on the new segments' basis) and ¥496,164 million, respectively. Main components of such assets are surplus funds (cash and cash equivalents, and short-term investments), long-term investment funds (investment securities), deferred tax assets and assets belonging to administrative departments of the Company.

(e) The effect of changes in accounting policies on business segments for the fiscal years ended March 31, 2009 and 2010 are described in Note.3.

(2) Geographical Segments

The Group operates in Japan, Asia, Europe and other geographical segments.

	Millions of Yen					
	2009					
	Japan	Asia	Europe	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥ 3,510,197	¥ 229,357	¥ 228,566	¥ 247,483	¥ —	¥ 4,215,603
Intersegment sales and transfers	333,529	140,562	9,475	20,770	(504,336)	—
Total net sales	3,843,726	369,919	238,041	268,253	(504,336)	4,215,603
Operating expenses	3,799,150	362,808	243,837	286,411	(470,402)	4,221,804
Operating income (loss)	¥ 44,576	¥ 7,111	¥ (5,796)	¥ (18,158)	¥ (33,934)	¥ (6,201)
Total assets	¥ 2,366,522	¥ 166,520	¥ 91,775	¥ 165,166	¥ 285,395	¥ 3,075,378

	Millions of Yen					
	2010					
	Japan	Asia	Europe	Others	Eliminations/ Corporate	Consolidated
Net sales to external customers	¥ 3,022,629	¥ 207,168	¥ 155,815	¥ 197,536	¥ —	¥ 3,583,148
Intersegment sales and transfers	277,794	119,817	4,221	19,574	(421,406)	—
Total net sales	3,300,423	326,985	160,036	217,110	(421,406)	3,583,148
Operating expenses	3,223,221	315,787	160,016	220,368	(387,149)	3,532,243
Operating income (loss)	¥ 77,202	¥ 11,198	¥ 20	¥ (3,258)	¥ (34,257)	¥ 50,905
Total assets	¥ 2,211,035	¥ 196,840	¥ 88,727	¥ 156,710	¥ 284,332	¥ 2,937,644

(a) Geographical distances are considered in the classification of a country or a region.

(b) Major countries and regions in segments other than Japan are as follows:

(i) Asia ··········· China, Republic of China, India, Singapore and Indonesia

(ii) Europe······ U.K., France, Netherlands, Germany, Italy and Spain

(iii) Others······ U.S.A.

(c) Unallocable operating expenses included in "Eliminations/Corporate" for the fiscal years ended March 31, 2009 and 2010 were ¥38,848 million and ¥32,065 million, respectively. Main components of such expenses were general and administrative expenses incurred at the headquarters of the Company and basic research and development expenses. From fiscal year ended March 31, 2010, in relation to change of business segments, the Company redefined scope of unallocable expenses. Before redefinition Unallocable operating expenses included in "Eliminations/Corporate" for the fiscal year ended March 31, 2009 was ¥39,851 million.

(d) Assets included in "Eliminations/Corporate" as of March 31, 2009 and 2010 amounted to ¥456,483 million and ¥496,164 million, respectively. Main components of such assets are surplus funds (cash and cash equivalents, and short-term investments), long-term investment funds (investment securities), deferred tax assets and assets belonging to administrative departments of the Company. From fiscal year ended March 31, 2010, in relation to change of business segments, the Company redefined scope of corporate assets. Before redefinition Assets included in "Eliminations/Corporate, " total assets of "Eliminations/Corporate" and total assets of "Japan" as of March 31, 2009 are ¥430,143 million, ¥259,055 million and ¥2,392,862 million, respectively.

(e) The effect of changes in accounting policies on geographical segments for the fiscal years ended March 31, 2009 and 2010 are described in Note.3.

(3) Sales to Foreign Customers

Sales to foreign customers for the fiscal years ended March 31, 2009 and 2010 amounted to ¥934,469 million and ¥712,886 million, respectively.

	Millions of Yen			
	2009			
	Asia	Europe	Others	Total
Overseas sales	¥ 374,288	¥ 260,155	¥ 300,026	¥ 934,469
Consolidated sales	—	—	—	4,215,603
Percentage of overseas sales to consolidated net sales (%)	8.9	6.2	7.1	22.2

	Millions of Yen			
	2010			
	Asia	Europe	Others	Total
Overseas sales	¥ 321,790	¥ 164,672	¥ 226,424	¥ 712,886
Consolidated sales	—	—	—	3,583,148
Percentage of overseas sales to consolidated net sales (%)	9.0	4.6	6.3	19.9

(a) Geographical distances are considered in the classification of a country or a region.

(b) Major countries and regions in segments other than Japan are as follows:

(i) Asia ・・China, Republic of China, India, Singapore and Indonesia

(ii) Europe・・U.K., France, Netherlands, Germany, Italy and Spain

(iii) Others・・U.S.A.

(c) Overseas sales represent sales of the Group to countries and regions outside of Japan.

For the year ended March 31, 2011

(1) General information about reportable segments

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

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

The contents of each reported segment are as follows:

IT Services Business

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

Platform Business

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

Carrier Network Business

This reported segment manufactures and sells Network Infrastructure for Telecommunications Carriers (Backbone Network Systems, Access Network Systems) and Services and Management for

Telecommunications Carriers (Network Operation Support Systems (OSS), Business Support Systems (BSS), Network Control Platform Systems, Network Service Delivery Platform Systems).

Social Infrastructure Business

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

Personal Solutions Business

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

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

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

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

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

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

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 as follows.

(Fiscal year ended March 31, 2010)

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

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

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

(c) "Adjustment" of increase in noncurrent assets included increase in assets belonged to headquarters of the Company of ¥23,200 million.

(Fiscal year ended March 31, 2011)

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

	Thousands of U.S. Dollars								
	2011								
	Reported Segments								
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Total	Others	Adjustment	Consolidated Total
Net Sales									
1. Sales to customers	$ 9,689,169	$ 4,527,349	$ 7,294,253	$ 3,840,795	$ 9,235,084	$ 34,586,650	$ 2,948,579	$ —	$ 37,535,229
2. Intersegment sales and transfers	581,108	547,109	370,096	183,940	532,217	2,214,470	860,434	(3,074,904)	—
Total sales	$ 10,270,277	$ 5,074,458	$ 7,664,349	$ 4,024,735	$ 9,767,301	$ 36,801,120	$ 3,809,013	$ (3,074,904)	$ 37,535,229
Segment income(loss) (Operating income(loss))	$ 258,036	$ 107,036	$ 490,759	$ 175,603	$ (23,024)	$ 1,008,410	$ 87,807	$ (399,590)	$ 696,627
Segment assets	$ 6,177,988	$ 2,319,084	$ 4,950,229	$ 3,113,542	$ 4,450,362	$ 21,011,205	$ 4,337,446	$ 6,325,216	$ 31,673,867
Other items									
Depreciation	$ 207,928	$ 106,711	$ 144,325	$ 109,988	$ 199,084	$ 768,036	$ 173,639	$ 150,060	$ 1,091,735
Amortization of goodwill	71,819	952	54,867	—	6,181	133,819	18,036	—	151,855
Investments in affiliated companies	164,952	12,205	36,337	10,120	70,964	294,578	1,333,831	(14,036)	1,614,373
Increase in noncurrent assets	400,542	173,482	146,723	113,976	284,494	1,119,217	303,409	326,181	1,748,807

(a) "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.

(b) "Adjustment" of segment income (loss) included corporate expenses of ¥ (40,155) million ($(483,795) thousand) for the fiscal year ended March 31, 2011 unallocated to each reported segment and noncurrent assets related adjustment of ¥4,532 million ($54,602 thousand) for the year ended March 31, 2011. The corporate expenses, unallocated to each reported segment, were mainly both general and administrative expenses incurred at headquarters of the Company, and research and development expenses.

(c) "Adjustment" of segment assets included corporate assets of ¥ 555,869 million ($6,697,217 thousand) for the fiscal year ended March 31, 2011 unallocated to each reported segment. Main components of corporate assets, mainly belonged to the Company, were surplus funds (cash and cash equivalents, and short-term investments), deferred tax assets, prepaid pension expenses, long-term investment funds (investment securities) belonging to administrative departments of the Company, noncurrent assets and other assets.

(d) "Adjustment" of increase in noncurrent assets included increase of headquarters of the Company of ¥ 32,891 million ($396,277 thousand) for the fiscal year ended March 31, 2011 unallocated to each reported segment.

Related information

1. Information about products and services

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

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

2. Information about geographic areas

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

	Thousands of U.S. Dollars				
	2011				
	Japan	Asia	Europe	Others	Total
Net Sales	$ 31,759,940	$ 1,909,277	$ 1,322,687	$ 2,543,325	$ 37,535,229
Property, plant and equipment, net of accumulated depreciation	3,948,638	35,663	18,229	108,012	4,110,542

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

3. Information about major customers

	Millions of Yen	*Thousands of U.S. Dollars*	reported segment
	2011	2011	2011
Sales to:			
NTT Group *	¥ 454,735	$ 5,478,735	Carrier Network and Personal Solutions

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

Information about impairment loss of noncurrent assets by reported segments

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

	Thousands of U.S. Dollars							
	2011							
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Others	Corporate/ Eliminations	Total
Impairment loss of noncurrent assets	$386	$ —	$205	$24	$9,265	$44,036	$16,843	$70,759

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

Information about amortization and ending balance of goodwill by reported segments

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

	Thousands of U.S. Dollars							
	2011							
	IT Services	Platform	Carrier Network	Social Infrastructure	Personal Solutions	Others	Corporate/ Eliminations	Total
Amortization	$71,819	$952	$54,867	$ —	$6,181	$18,036	$ —	$151,855
Ending balance	642,169	—	246,650	735	29,506	152,518	—	1,071,578

Information about gain on negative goodwill by reported segments

(Fiscal year ended March 31, 2011)

Not applicable.

25. Business Combinations

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

a. 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

b. Reason for the business combination

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

c. Date of the business combination

April 1, 2010

d. Legal form of the business combination

Merger by absorption with NEC Electronics Corporation as surviving company

(Name of the new company: Renesas Electronics Corporation)

e. 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).

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

In the business segment information for the 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".

26. Subsequent Event

The Company issued the following Unsecured Straight Bonds on June 21, 2011:

(1) 45th Series Unsecured Straight Bonds

Aggregate nominal amount	:	20,000 million yen
Issue price	:	100 % of the principal amount
Coupon rate	:	0.608 % per annum
Payment date	:	June 21, 2011
Maturity date	:	June 20, 2014
Redemption price	:	100 % of the principal amount
Use of proceeds	:	Redemption of convertible bonds
Financial covenants	:	Negative pledge clause (with inter-bond pari passu clause) attached

(2) 46th Series Unsecured Straight Bonds

Aggregate nominal amount	:	10,000 million yen
Issue price	:	100 % of the principal amount
Coupon rate	:	0.792 % per annum
Payment date	:	June 21, 2011
Maturity date	:	June 21, 2016
Redemption price	:	100 % of the principal amount
Use of proceeds	:	Redemption of convertible bonds
Financial covenants	:	Negative pledge clause (with inter-bond pari passu clause) attached

KPMG

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of NEC Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income for the years ended March 31, 2011 and 2010, statement of operations for the year ended March 31, 2009, and statements of changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NEC Corporation and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
June 22, 2011

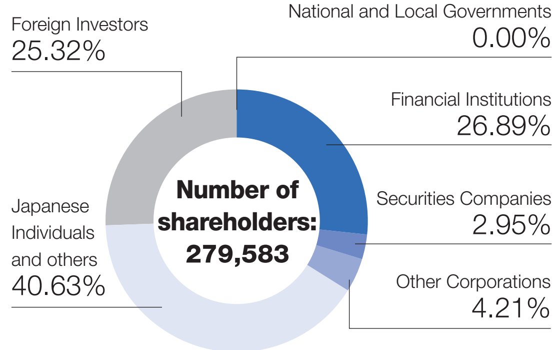
INVESTOR INFORMATION

Unit	1,000 shares
Transfer Agent for Common Stock	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan
Handling Agent for Common Stock	Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd. 3-1 Yaesu 2-chome, Chuo-ku, Tokyo, Japan
(Mailing Address)	Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd. 1-10, Nikkocho, Fuchu, Tokyo 183-8701, Japan
(Telephone)	0120-176-417 (Toll free in Japan)
Stock Exchange Listings and Quotations	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo (As of March 31, 2011)

Composition of Shareholders

(Percentage of shares (%))

(As of March 31, 2011)

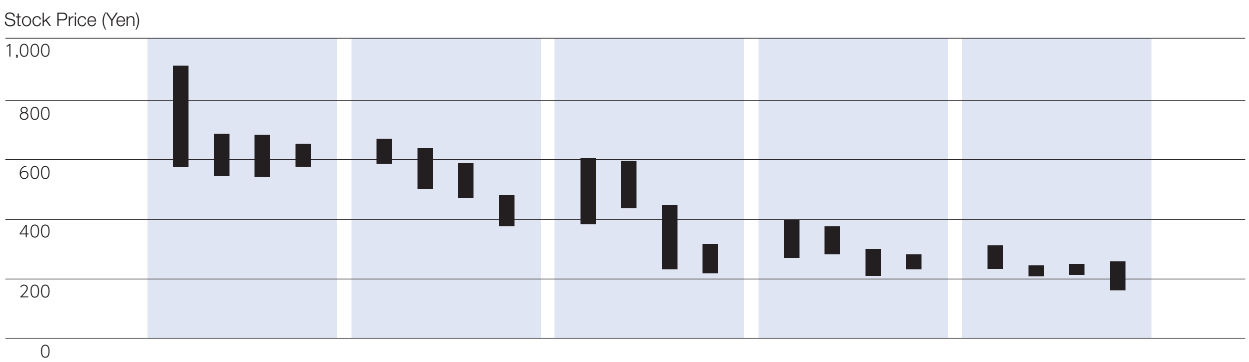


Major Shareholders (Top 10) (As of March 31, 2011)

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	115,740	4.45
Japan Trustee Services Bank, Ltd. (Trust Account)	109,153	4.20
SSBT OD05 Omnibus Account-Treaty Clients	71,632	2.76
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	50,402	1.94
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	47,029	1.81
NEC Employee Shareholding Association	46,442	1.79
Nippon Life Insurance Company	41,977	1.61
Sumitomo Life Insurance Company	41,000	1.58
State Street Bank West Client-Treaty	23,413	0.90
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retrust Account/Sumitomo Electric Industries, Ltd. Employee Pension Trust Account)	22,880	0.88

Note: The shareholding ratio is calculated by excluding the number of treasury stock (5,461,748 shares).

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



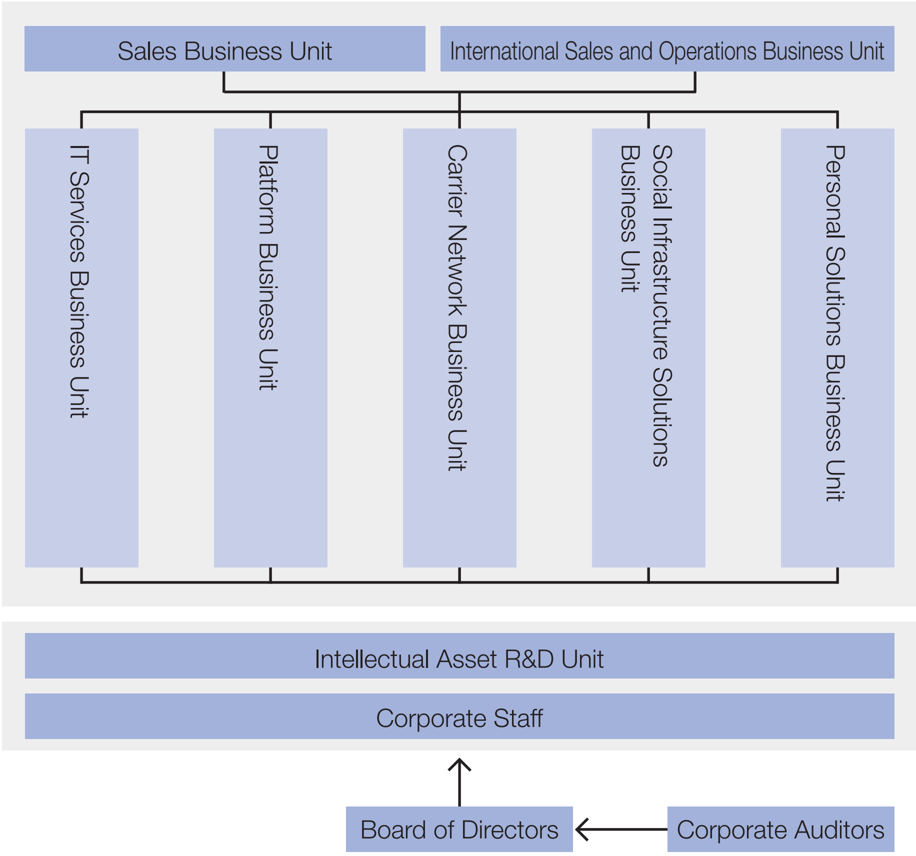
	2007	2008	2009	2010	2011
Year's high	916	670	605	397	312
Year's low	543	376	218	210	162

(On a quarterly basis for the years ended March 31)

CORPORATE OVERVIEW

Company Name	NEC Corporation
Address	7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Established	July 17, 1899
President	Nobuhiro Endo
Capital	¥397.2 billion (As of March 31, 2011)
Shares of Common Stock Issued	2,604,732,635 shares (As of March 31, 2011)
Consolidated Net Sales	¥3,115.4 billion (Year ended March 31, 2011)
Business Segments	IT Services Business Platform Business Carrier Network Business Social Infrastructure Business Personal Solutions Business
Number of Employees	115,840 (NEC Corporation and consolidated subsidiaries) (As of March 31, 2011)

Organization Chart



Investor Relations (IR) website

http://www.nec.co.jp/ir/en/

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

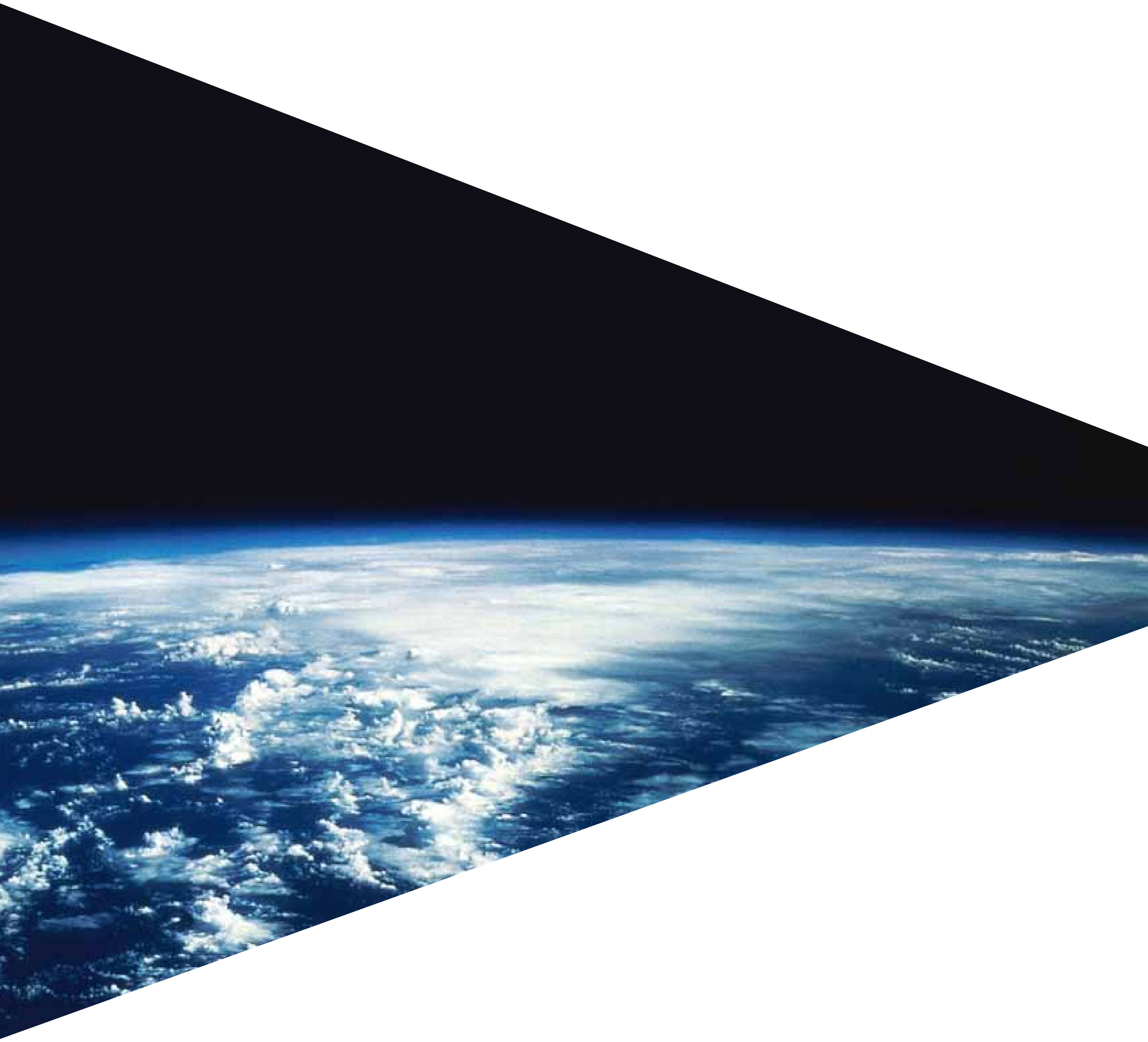
CAUTIONARY STATEMENTS:

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

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

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

NEC Corporation
7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Telephone: +81-3-3454-1111
NEC home page: http://www.nec.com



ISSN 0910-0229

Printed in Japan