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Full Year Consolidated Financial Results for the Fiscal Year Ended March 31, 2010

Consolidated Financial Results

	Fiscal Year Ended March 31, 2010	Fiscal Year Ended March 31, 2009	Change
	In billions of yen	In billions of yen	%
Net sales	3,583.1	4,215.6	-15.0
Operating income (loss)	50.9	-6.2	-
Ordinary income (loss)	49.4	-93.2	-
Net income (loss)	11.4	-296.6	-
	yen	yen	yen
Net income per share:			
Basic	5.04	-146.64	151.68
Diluted	4.91	-	-
	In billions of yen	In billions of yen	%
Total assets	2,937.6	3,075.4	-4.5
Number of employees	142,358	143,327	-

(Note)

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

	As of March 31, 2010	As of March 31, 2009
Consolidated subsidiaries	310	328
Affiliated companies accounted for by the equity method	60	63

1. Consolidated Business Results

As stated in the July 16, 2009 announcement, “NEC to Revise its Business Segments,” NEC has revised its business segmentation from the first quarter of the fiscal year ended March 31, 2010. Figures for the corresponding period of the previous fiscal year have been adjusted in accordance with the new segments.

(1) Overview of the fiscal year ended March 31, 2010 and outlook for the fiscal year ending March 31, 2011

The worldwide economy during the fiscal year ended March 31, 2010 remained severe overall in the first half of the fiscal year, influenced by the financial crisis from the previous fiscal year. The second half, despite continuing high unemployment rates in North America and Europe, began to show signs of recovery through the effects of economic measures taken by governments throughout the world and economic growth driven by expansion in emerging countries, mainly in China.

The Japanese economy exhibited positive signs through inventory adjustments and manufacturing improvement from the recovery of export demand driven mainly by Asian markets in the second half of the fiscal year. However, corporate capital investment restraint due to low corporate earnings and severe employment and income conditions continued. Consequently the domestic economy has not recovered from the steep economic decline of the second half of the previous fiscal year.

The NEC Group recognized this difficult business environment as an opportunity to strengthen its management framework and implement business structure reform through a fundamental review of its business portfolio and reform of its profit structure.

Firstly, in terms of the business structure reform, in September 2009 NEC decided to merge NEC Electronics Corporation, which is engaged in the semiconductors business, with Renesas Technology Corp. in order to further strengthen its business foundations and technological assets, and increase corporate value through enhanced customer satisfaction. In April 2010, NEC Electronics Corporation merged with Renesas Technology Corp. and changed its business name to Renesas Electronics Corporation. As a result of the merger, NEC Electronics Corporation is no longer a consolidated subsidiary of NEC. Furthermore, NEC took measures in order to improve capital efficiency, including selling shares in affiliate

companies that show little prospect of forming synergies within the NEC Group.

Moreover, in September 2009, NEC, Casio Computer Co., Ltd. and Hitachi, Ltd. agreed to integrate NEC's mobile handset businesses with Casio Hitachi Mobile Communications Co., Ltd., a joint venture company between Casio Computer Co., Ltd. and Hitachi, Ltd., and to operate them as a joint venture in order to strengthen mobile handset competitiveness and expand business domestically and abroad. NEC also launched specialized new products and services geared for the cloud computing era, including its "Cloud Platform Suite™," in support of the company's "C&C Cloud Strategy" that capitalizes on NEC's strengths in both the IT and network fields. Furthermore, NEC advanced its preparation for full-scale environmental and energy related businesses that are expected to play an important role for future growth. NEC also established a new company in April 2010 that is focused on the lithium-ion battery business which is expected to be a core element of environmental and energy related businesses.

In terms of profit structure reform, NEC's fixed costs were reduced by 320.9 billion yen year-on-year due to reduced technology subcontracting costs, agent service fees and payroll costs. In order to improve business efficiency and reduce maintenance and operational costs, NEC revised the Group's overall business processes and made progress towards directing NEC's core IT systems into cloud environments. In April 2010, NEC began operating a new accounting system and aims to gradually implement the new system throughout sales and procurement areas.

Furthermore, NEC raised 118.5 billion yen through the issuance of new shares in order to reinforce the financial foundations necessary for carrying out management reforms and promoting growth strategies.

In addition to these policies, NEC announced, and started to take measures to implement, its mid-term growth plan, "V2012 -Beyond boundaries, Toward our Vision-," in February 2010, which outlines the company's growth strategies over the next three years.

NEC recorded consolidated sales of 3,583.1 billion yen for the fiscal year ended March 31, 2010, a decrease of 632.5 billion yen (15.0%) year-on-year. This was mainly due to large decreases in sales for the Network Systems business, Electron Devices business and Personal Solutions business.

Regarding profitability, consolidated operating income (loss) improved by 57.1 billion yen year-on-year, for an operating profit of 50.9 billion yen, due to a reduction of selling, general and administrative expenses, in spite of a decrease in gross operating profit from declining sales.

In terms of ordinary income (loss), NEC recorded a profit of 49.4 billion yen, improving by 142.6 billion yen year-on-year, due to improving operating income (loss), a profit from reversal of provision for possible losses related to legal proceedings, etc. and improving equity in earnings (losses) of affiliates as a result of improvement of performance from a portion of affiliated companies accounted for by the equity method.

Income (loss) before income taxes and minority interests was a profit of 55.7 billion yen, a year-on-year improvement of 346.6 billion yen. This was mainly due to a large decrease in business structure improvement expenses and loss on valuation of investment securities.

Net income (loss) improved by 308.1 billion yen year-on-year, to a profit of 11.4 billion yen, due mainly to the improvement of income (loss) before income taxes and minority interests.

Consolidated sales of 3,300.0 billion yen are projected for the fiscal year ending March 31, 2011, a year-on-year decline of 7.9%. This decline is due to NEC Electronics Corporation (now Renesas Electronics Corporation) no longer being an NEC consolidated subsidiary, despite the expected advancement of cloud computing business through the integration of NEC's strengths in both the IT and network fields and the forecasted expansion of global business and new business based on NEC's mid-term growth plan "V2012." NEC anticipates operating income of 100.0 billion yen, a year-on-year increase of 49.1 billion yen, due to removal of the loss-making NEC Electronics Corporation from consolidation, increased earnings from expanded sales focused on the IT and Network Solutions businesses and the advancement of profit structure reform. NEC also expects 15.0 billion yen of net income for the same period.

Consolidated	Target for fiscal year ending March 31, 2011	Comparison with fiscal year ended March 31, 2010
	In billions of yen	
Sales	3,300.0	(7.9%)
Operating income	100.0	+49.1 billion yen
Ordinary income	70.0	+20.6 billion yen
Net income	15.0	+3.6 billion yen

NEC does not incorporate into its consolidated business forecasts equity income (loss) from Renesas Electronics Corporation, which is an equity-method affiliate of NEC, because it has not disclosed its business income (loss) forecasts for the fiscal year ending March 31, 2011.

(2) Results by main business segment

Sales by segment (sales to external customers):

Segment	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009	Change
	In billions of yen	In billions of yen	%
IT Services	876.5	941.8	-6.9
IT Products	209.2	266.5	-21.5
Network Systems	785.9	1,001.8	-21.6
Social Infrastructure	316.6	340.4	-7.0
Personal Solutions	737.9	848.6	-13.0
Electron Devices	572.8	671.6	-14.7
Others	84.4	144.8	-41.7
Total	3,583.1	4,215.6	-15.0

Operating income or loss by segment

Segment	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009	Change
	In billions of yen	In billions of yen	In billions of yen
IT Services	59.3	56.0	3.3
IT Products	-1.1	21.8	-22.9
Network Systems	28.0	42.0	-14.0
Social Infrastructure	22.8	8.2	14.6
Personal Solutions	19.3	-13.2	32.5
Electron Devices	-56.8	-87.8	31.0
Others	11.1	5.8	5.3
Eliminations / Corporate	-31.5	-38.8	7.3
Total	50.9	-6.2	57.1

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

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

IT Services Business

Sales:	876.5 billion yen	(-6.9%)
Operating Income (Loss):	59.3 billion yen	(+3.3 billion yen)

In the IT Services business, sales were 876.5 billion yen, a decrease of 65.3 billion yen (-6.9%) year-on-year, mainly impacted by corporate IT investment restraint in Japan, despite the steady growth of SI services for distribution businesses and outsourcing services.

Operating income (loss) improved by 3.3 billion yen year-on-year, to an operating income of 59.3 billion yen, mainly owing to a reduction of fixed costs.

IT Products Business

Sales:	209.2 billion yen	(-21.5%)
Operating Income (Loss):	-1.1 billion yen	(-22.9 billion yen)

In the IT Products business, sales were 209.2 billion yen, a decrease of 57.3 billion yen (-21.5%) year-on-year, mainly due to a decrease in large-scale projects as compared to the previous fiscal year and corporate IT investment restraint in Japan.

Operating income (loss) worsened by 22.9 billion yen year-on-year, to an operating loss of 1.1 billion yen, mainly owing to a decrease in sales in spite of the efforts to reduce fixed costs.

Network Systems Business

Sales:	785.9 billion yen	(-21.6%)
Operating Income (Loss):	28.0 billion yen	(-14.0 billion yen)

In the Network Systems business, sales were 785.9 billion yen, a decrease of 215.9 billion yen (-21.6%) year-on-year, mainly impacted by worldwide investment restraint in systems by communications carriers and other businesses.

Operating income (loss) worsened by 14.0 billion yen year-on-year, to an operating income of 28.0 billion yen, mainly owing to a large decrease in sales in spite of the efforts to reduce fixed costs.

Social Infrastructure Business

Sales:	316.6 billion yen	(-7.0%)
Operating Income (Loss)	22.8 billion yen	(+14.6 billion yen)

In the Social Infrastructure business, sales were 316.6 billion yen, a decrease of 23.8 billion yen (-7.0%) year-on-year, mainly impacted by a decrease in large-scale projects in the aerospace and defense fields as compared to the previous fiscal year and capital investment restraint in the commercial broadcasting businesses in the broadcasting field.

Operating income (loss) improved by 14.6 billion yen year-on-year, for an operating income of 22.8 billion yen, mainly owing to a reduction of fixed costs.

Personal Solutions Business

Sales:	737.9 billion yen	(-13.0%)
Operating Income (Loss):	19.3 billion yen	(+32.5 billion yen)

In the Personal Solutions business, sales were 737.9 billion yen, a decrease of 110.7 billion yen (-13.0%) year-on-year, mainly impacted by a decrease in domestic sales for mobile handsets in the mobile terminal field, and corporate IT investment restraint and ongoing price reductions in the personal computer and others field in the first half of the fiscal year, despite an increase in sales of personal computers, as well as monitors and projectors for overseas markets in the second half of the fiscal year.

Operating income (loss) improved by 32.5 billion yen year-on-year, to an operating income of 19.3 billion yen, mainly owing to the reduction of fixed costs and other expenses as well as improved development efficiency.

Electron Devices Business

Sales:	572.8 billion yen	(-14.7%)
Operating Income (Loss):	-56.8 billion yen	(+31.0 billion yen)

In the Electron Devices business, sales were 572.8 billion yen, a decrease of 98.9 billion yen (-14.7%) year-on-year, mainly impacted by a decline in sales in the field of semiconductors, including LSI for consumer electronics, as well as a decline in sales of general purpose devices such as capacitors and liquid crystal displays for industrial use in the field of electronic components and others.

Operating income (loss) improved by 31.0 billion yen year-on-year, to an operating loss of 56.8 billion yen, mainly owing to a reduction in fixed costs.

Others

Sales:	84.4 billion yen	(-41.7%)
Operating Income (Loss):	11.1 billion yen	(+5.3 billion yen)

In the Others segment, sales were 84.4 billion yen, a decrease of 60.5 billion yen (-41.7%) year-on-year, mainly due to reduced sales by the discontinuation of the personal computer business for enterprises in Europe.

Operating income (loss) improved by 5.3 billion yen year-on-year, to an operating income of 11.1 billion yen, mainly due to reduced losses in the personal computer business for enterprises in Europe.

2. Consolidated Financial Condition

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

Total assets were 2,937.6 billion yen as of March 31, 2010, a decrease of 137.7 billion yen as compared with the end of the previous fiscal year. Current assets as of March 31, 2010 decreased by 28.1 billion yen compared with the end of the previous fiscal year to 1,643.0 billion yen, mainly due to a 62.8 billion yen decrease in inventory, despite a 26.7 billion yen increase in notes and accounts receivable-trade. Noncurrent assets decreased by 109.6 billion yen compared with the end of the previous fiscal year to 1,294.7 billion yen, mainly due to a 77.4 billion yen decrease in investment and other assets mainly as a result of the sale of shares in affiliates, and a 27.0 billion yen decrease in property, plant and equipment as a result of the reduction of capital expenditures.

Total liabilities as of March 31, 2010 decreased by 284.1 billion yen as compared with the end of the previous fiscal year, to 2,005.7 billion yen. This was mainly due to a decrease in interest-bearing debt by 195.6 billion yen as compared with the end of the previous fiscal year as a result of the redemption of bonds, and a 29.6 billion yen decrease in provision for contingent loss related to legal proceedings. The balance of interest-bearing debt amounted to 729.5 billion yen and the debt-equity ratio as of March 31, 2010 was 0.92 (an improvement of 0.52 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of March 31, 2010, obtained by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 399.0 billion yen, a decrease of 208.9 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of March 31, 2010 was 0.50 (an improvement of 0.45 points as compared with the end of the previous fiscal year).

Total net assets were 931.9 billion yen as of March 31, 2010, an increase of 146.3 billion yen as compared with the end of the previous fiscal year mainly due to an issuance of new shares in the third quarter and recording of net income. As a result, the owner's equity as of March 31, 2010 was 790.9 billion yen and owner's equity ratio was 26.9% (an improvement of 6.0 points as compared with the end of the previous fiscal year).

Net cash flows from operating activities for the fiscal year ended March 31, 2010 was a cash inflow of 134.8 billion yen, a cash inflow improvement of 107.5 billion yen year-on-year mainly due to improved income before income taxes and minority interests and an increase in working capital.

Net cash flows from investing activities for the fiscal year ended March 31, 2010 was a cash outflow

of 41.2 billion yen, an outflow decrease of 131.9 billion yen year-on-year mainly due to reduced outflows from a decrease in the acquisition of property, plant and equipment as well as an increase in revenue from the sale of shares in affiliates.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the fiscal year ended March 31, 2010 totaled a cash inflow of 93.6 billion yen, an improvement of 239.4 billion yen year-on-year.

Net cash flows from financing activities for the fiscal year ended March 31, 2010 totaled a cash outflow of 80.4 billion yen, mainly due to the redemption of bonds and commercial papers, despite inflows from the issuance of new shares.

As a result, cash and cash equivalents as of March 31, 2010 amounted to 330.5 billion yen, an increase of 13.3 billion yen as compared with the end of the previous fiscal year.

② Changes in cash flow related indices

	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Owner's equity ratio	28.5%	20.9%	26.9%
Owner's equity ratio on market value basis	21.8%	17.4%	24.9%
Cash flow to interest-bearing debt ratio	4.3 times	31.5 times	6.1 times
Interest coverage ratio	13.1 times	2.2 times	13.8 times

Calculation methods for the above indices:

Owner's equity ratio:

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

Owner's equity ratio on market value basis:

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

Cash flow to interest-bearing debt ratio:

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

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

Interest coverage ratio:

Cash flows from operating activities / interest expenses

(Notes)

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

3. Fundamental Policy on Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2010 and the Fiscal Year Ending March 31, 2011

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

NEC will pay an annual dividend of 4 yen per share of common stock for the full year ended March 31, 2010.

For the fiscal year ending March 31, 2011, NEC plans not to pay its interim dividend and has not yet determined its year-end dividend.

In addition, NEC stipulates in its Articles of Incorporation that it may determine distribution of surplus dividends flexibly through resolutions of the Board of Directors, and that record dates of

distribution of surplus dividends shall be March 31 and September 30.

4. Risk Factors

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

<1> Influence of economic conditions

The NEC Group's business is dependent to a significant extent on the Japanese market. NEC Group's sales to customers in Japan accounted for 80.1% of its total net sales in the fiscal year ended March 31, 2010. The Japanese economy has not recovered from the steep economic decline of the second half of the previous fiscal year. The outlook for the Japanese economy in terms of public and private sector capital investment, consumer spending, and foreign currency exchange rates is uncertain. The length and severity of the continuing weakness of the Japanese economy could have a material adverse effect on the NEC Group's business and financial results. The NEC Group's business is also influenced by the economic conditions of countries and regions including Asia, Europe and the United States in which the NEC Group operates its business.

Uncertainties in the economy make it difficult to forecast future levels of economic activity. Because the components of the NEC Group's planning and forecasting depend upon estimates of economic activity in the markets that the NEC Group serves, the prevailing economic uncertainty makes it more difficult than usual to estimate its future income and required expenditures. If the NEC Group is mistaken in its planning and forecasting, it will be more difficult for the NEC Group to respond appropriately to changing market conditions.

<2> Intense competition

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

The NEC Group has many competitors in Japan and other countries, ranging from large multinational corporations to a number of relatively small, rapidly growing, and highly specialized companies. Unlike many of the NEC Group's competitors, however, it operates in many businesses and competes with companies that specialize in one or more of its product or service lines. As a result, the NEC Group may not be able to fund or invest in some of its businesses as much as its competitors can, and it may not be able to change or take advantage of market opportunities as quickly or as well as they can.

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

<3> Volatile nature of the markets

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

<4> Retention of personnel

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

<5> Defects in products and services

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

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

<6> Fluctuations in foreign currency exchange and interest rate

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

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

<7> Accounting policies

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

<8> Mid-term growth plan

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

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

<9> Acquisitions and other business combinations and reorganizations

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

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

- The transactions may result in other unanticipated adverse consequences.

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

<10> Expansion of global business

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

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

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

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

<11> Technological advances and response to customer needs

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

- keep pace with rapid technological developments and maintain technological leadership;
- enhance existing products and services;
- develop and manufacture innovative products in a timely and cost-effective manner;

- utilize or adjust to new products, services, and technologies;
- attract and retain highly capable technical and engineering personnel;
- accurately assess the demand for, and perceived market acceptance of, new products and services that the NEC Group develops;
- avoid delays in developing or shipping new products;
- address increasingly sophisticated customer requirements; and
- have the NEC Group's products integrated into its customers' products and systems.

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

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

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

<12> Finance and profit fluctuations

The NEC Group's results of operations for any quarter or year are not necessarily indicative of results to be expected in future periods. The NEC Group's results of operations have historically been, and

will continue to be, subject to quarterly and yearly fluctuations as a result of a number of factors, including:

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

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

- adverse changes in the conditions in the markets of the products and services that the NEC Group offers;
- governmental decisions regarding the development and deployment of IT and communications infrastructure, including the size and timing of governmental expenditures in these areas;
- the size and timing of capital expenditures by its customers;
- inventory practices of its customers;
- conditions in the broader markets for IT and communications, and in the Japanese and global economies generally;
- changes in governmental regulation or policy affecting the IT and communications industries;
- adverse changes in the public and private equity and debt markets, and the ability of its customers and suppliers to obtain financing or to fund capital expenditures; and
- adverse changes in the credit quality of its customers and suppliers.

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

<13> Intellectual property rights

The NEC Group depends on its proprietary technology, and its ability to obtain patents and other intellectual property rights covering its products, services, business models, and design and manufacturing processes. The process of seeking and maintaining patent protection can be long and expensive. The NEC Group's patents could be challenged, invalidated, or circumvented. The fact that the NEC Group holds many patents or other intellectual property rights does not ensure that the rights granted under them will provide competitive advantages to the NEC Group. For example, the protection afforded by the NEC Group's intellectual property rights may be undercut by rapid changes

in technologies in the industries in which the NEC Group operates. Similarly, there can be no assurance that claims allowed on any future patents will be sufficiently broad to protect the NEC Group's technology. Effective patent, copyright, and trade secret protection may be unavailable or limited in some countries, and the NEC Group's trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors, and other persons. Further, pirated products of inferior quality infringing the NEC Group's intellectual property rights may damage its brand and adversely affect sales of its products. Litigation, which could consume financial and management resources, may be necessary to enforce the NEC Group's patents or other intellectual property rights.

<14> Intellectual property licenses owned by third parties

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

<15> Legal proceedings

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

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

NEC Electronics America, Inc., (currently, Renesas Electronics America Inc.) has settled a number of class action civil antitrust lawsuits from direct DRAM purchasers seeking damages for alleged antitrust violations in the DRAM industry in the United States, but it is still in settlement negotiation

with certain customer who has opted out of such class action lawsuits. NEC Electronics America, Inc. has also been named as one of the defendants in class action civil antitrust lawsuits from indirect DRAM purchasers (customers who had purchased products containing DRAM) in the United States as well as antitrust lawsuits filed by the Attorneys General of numerous states in the United States, both seeking damages for alleged antitrust violations made by NEC Group companies in the period during which the NEC Group had conducted the DRAM business. The NEC Group companies are also fully cooperating with, and providing information to, the European Commission in its investigation of potential violations of European competition laws in the DRAM industry. The European Commission may impose fines on one or more companies in the NEC Group companies should they be found liable as a result of the investigation by the European Commission. The NEC Group has provided an accrual in a reasonably estimated amount of potential losses in connection with these DRAM-related legal proceedings.

The NEC Group companies have been subject to the investigation in connection with potential violation of the antimonopoly laws (antitrust laws, competition laws) in the TFT LCD module industry conducted by the U.S. Department of Justice, the European Commission, the Korea Fair Trade Commission and the Competition Bureau of Canada. In May 2009, the European Commission sent the Statement of Objections to several companies relating to supply of the TFT LCD module, but NEC and its subsidiaries have not received such Statement of Objections.

In connection with potential violation of the antimonopoly laws (antitrust laws, competition laws) in the SRAM industry, the NEC Group companies are named defendants in a number of class action lawsuits in the United States and Canada, seeking damages for alleged violations of antimonopoly laws in the SRAM industry, but the NEC Group companies have agreed to the settlement with both of the direct and indirect purchasers class in the United States.

Furthermore, in a lawsuit seeking for the revocation of the Fair Trade Commission's trial decision that had ordered an exclusion treatment in the suspected violation of the antimonopoly law regarding general competitive bidding for automatic postal code reading machinery by the former General Post Office (Japan Post), the Tokyo High Court dismissed NEC's request for the revocation, and consequently, NEC has made an appeal and a petition for acceptance of final appeal to the Supreme Court. No conclusion has been reached related to the lawsuit at this moment. In addition, trial proceedings regarding payment of the surcharge to the Commission are still in the process.

It is difficult to foresee the results of legal actions and proceedings currently involving the NEC Group or of those which may arise in the future, and an adverse result in these matters could have a significant

negative effect on the NEC Group's business, results of operations and financial condition. In addition, any legal or administrative proceedings which the NEC Group is subject to could require the significant involvement of senior management of the NEC Group, and may divert management attention from the NEC Group's business and operations.

<16> Internal control

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

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

<17> Natural and fire disasters

Natural disasters, fires, public health issues, armed hostilities, terrorism and other incidents, whether in Japan or any other country in which the NEC Group operate, could cause damage or disruption to the NEC Group, its suppliers or customers, or could create political or economic instability, any of which could harm its business. For example, several of the NEC Group's facilities in Japan could be subject to catastrophic loss caused by earthquakes. The spread of unknown infectious diseases, such as

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

<18> Material procurement

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

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

- an increase in the cost of raw materials, components, equipment and other supplies, which can adversely affect the NEC Group's profitability.

<19> Production process

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

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

<20> Alliance with strategic partners

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

<21> Dependence on the NTT Group

The NEC Group derived approximately 11.5% of its net sales in the fiscal year ended March 31, 2010 from the NTT group (Nippon Telegraph and Telephone Corporation and its affiliates including NTT DOCOMO, Inc.). If the NTT group reduces its level of capital expenditures or current procurement or shifts its investment focus as a result of significant business or financial problems or otherwise, the NEC Group's business, results of operations and financial condition may be adversely affected. In addition, the NEC Group's business may be adversely affected if the NTT group begins to manufacture products that the NEC Group supplies or acquires its competitors.

<22> Risks related to customers' financial difficulties

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

<23> Retirement benefit obligations

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

<24> Financing

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

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

<25> Laws and governmental policies

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

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

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

<26> Tax practice

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

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

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

<27> Information management

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

The NEC Group is required to handle personal information in compliance with the Personal Information Protection Law of Japan. The NEC Group may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information. The cost and operational consequences of implementing further data protection measures could be significant. In addition, incidents of unauthorized disclosure could create a negative public perception of the NEC

Group's operations, systems or brand, which may in turn decrease customer and market confidence in the NEC Group and materially and adversely affect its business, results of operations and financial condition.

<28> Sale of NEC's common stock in the United States

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

Management Policy

1. Fundamental Management Policy

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

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

NEC Group Vision 2017:

“To be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth”

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

NEC Group Core Values:

“Passion for Innovation,” “Self-help,” “Collaboration,” “Better Products, Better Services”

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

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

2. Management Indicator Goals

The NEC Group aims to realize certain operating results as a leading global corporate group, and attaches paramount importance to ROE as a management indicator for improving profitability. Although the NEC Group posted an ROE of 1.6% in the fiscal year ended March 31, 2010, the NEC Group will aim for further ROE improvements in the next fiscal year.

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

3. Middle and Long Term Management Strategy

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

4. Challenges to be Addressed by the NEC Group

The NEC Group strives to accelerate its business activities towards achieving business expansion and profitability improvement through leveraging and integrating its strengths in both the fields of IT and networks based on the mid-term growth plan “V2012.”

In terms of business expansion, NEC will direct its attention towards cloud related business, global business and new business.

In recent years, ICT (information and communication technology) markets have become keenly interested in “virtual IT,” where users gain access to IT services through network connections, rather than directly owning IT assets by themselves. In particular, a great deal of attention is being devoted to cloud services that enable users to be provided necessary services at any time through their own devices by accessing an IT system through the Internet that is located “somewhere” in a network, without even knowing the whereabouts of the service provider’s data center.

In order to expand cloud related business by leveraging the movement towards “clouds” and “services,” the NEC Group will focus on the provision of secure cloud services for enterprises, the “Cloud Services business,” and the integration of cloud systems for enterprises or local governments that will provide cloud services to their customers or citizens, the “Cloud System Implementation business.”

For more than 30 years, the NEC Group has advocated “C&C,” the integration of computer and communication technologies, as well as built on its accomplishments by reinforcing its strengths in both the IT and network fields. Furthermore, the NEC Group has promoted the implementation of cloud systems and the use of cloud services throughout the NEC Group itself by integrating the NEC Group’s core IT systems into its data centers, and constructing its platform systems. The NEC Group will capitalize on these accomplishments, technologies and know-how to continue promoting its “C&C Cloud Strategy.”

In terms of global business, the NEC Group will establish a five pole global business structure by establishing companies which play a central role in each of five regions, North America, Latin America, Greater China, APAC (Asia Pacific) and EMEA (Europe/Middle East/Africa) in order to utilize the NEC Group’s worldwide assets, including its customer base and technologies, more effectively, and to promote business expansion with products and services that are specialized for each region. The NEC Group will devote particular attention to the rapidly expanding Asian markets and other emerging markets, while seeking to expand its public safety business, including fingerprint identification, biometrics identification and entry/exit management utilizing the NEC Group’s accomplishments. The NEC Group will accelerate global business expansion by sharing these accomplishments and know-how throughout the NEC Group.

In terms of new business, the NEC Group will combine the NEC Group’s wide range of assets, including products, services and technologies, and create new products and services that satisfy customer needs. In recent years, the environment and energy fields have been drawing greater

attention, and the NEC Group is focusing on the business of lithium-ion batteries for automotives together with Nissan Motor Co., Ltd. In the future, the integration of electric storage technologies that are cultivated through the battery business, as well as IT and network technologies, are expected to result in the creation of new business fields. Specifically, new business opportunities may include advanced electric power meters (smart meters) with communication or management functions for a range of facilities, home energy management systems and smart grids featuring optimized electricity distribution. Furthermore, in recent years, multifunction terminals that connect cloud services and users have been drawing greater attention. The NEC Group will make gains throughout domestic and international markets by developing and providing new terminals with a competitive advantage based on the combination of the strengths the NEC Group has cultivated in both the personal computer and mobile phone fields and the synergies of a business merger with Casio Hitachi Mobile Communications Co., Ltd.

In terms of profitability improvement, in order to establish a stable revenue base for supporting future business expansion, the NEC Group will strengthen the essential personnel for international business development, as well as the service staff required for cloud services, by effectively deploying and optimizing human resources.

Additionally, starting with 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 strive to meet the goals set forth in its mid-term growth plan “V2012” as a milestone towards achieving the NEC Group Vision 2017, “to be a leading global company leveraging the power of innovation to realize and information society friendly to humans and the earth.”

CONSOLIDATED BALANCE SHEETS

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

	March 31, 2009	March 31, 2010	March 31, 2010
Current assets	JPY 1,671,092	JPY 1,642,965	\$17,667
Cash and deposits	226,601	195,095	2,098
Notes and accounts receivable-trade	*5 746,731	*5 773,388	8,316
Short-term investment securities	91,434	136,747	1,470
Merchandise and finished goods	139,724	*6 109,852	1,181
Work in process	151,789	*6 121,082	1,302
Raw materials and supplies	86,853	*6 84,618	910
Deferred tax assets	99,657	93,307	1,003
Other	134,254	134,900	1,452
Allowance for doubtful accounts	(5,951)	(6,024)	(65)
Noncurrent assets	1,404,286	1,294,679	13,921
Property, plant and equipment	581,031	554,051	5,957
Buildings and structures, net	*1,2 218,983	*1,2 207,535	2,232
Machinery and equipment, net	*1,2 143,269	*1,2 133,018	1,430
Tools, furniture and fixtures, net	*1 93,881	*1 77,681	835
Land	*2 91,523	*2 91,938	988
Construction in progress	33,375	43,879	472
Intangible assets	224,102	218,894	2,354
Goodwill	93,365	97,458	1,048
Software	125,918	117,278	1,261
Other	4,819	4,158	45
Investments and other assets	599,153	521,734	5,610
Investment securities	143,361	151,221	1,626
Stocks of subsidiaries and affiliates	*3 131,119	*3 89,499	962
Deferred tax assets	150,676	140,829	1,514
Other	183,469	150,025	1,614
Allowance for doubtful accounts	(9,472)	(9,840)	(106)
Total assets	JPY 3,075,378	JPY 2,937,644	\$31,588

(Note)

US dollar amounts are translated from yen, for convenience only, at the rate of US\$1 = 93 yen.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

	March 31, 2009	March 31, 2010	March 31, 2010
Current liabilities	JPY 1,383,568	JPY 1,278,147	\$13,744
Notes and accounts payable-trade	529,258	522,533	5,619
Short-term loans payable	*2 57,202	*2 69,163	744
Commercial papers	115,930	21,998	237
Current portion of long-term loans payable	*2 11,968	*2 169,507	1,823
Current portion of bonds	118,780	19,830	213
Accrued expenses	209,253	175,660	1,889
Advances received	58,701	65,550	705
Provision for product warranties	42,119	27,887	300
Provision for directors' bonuses	302	262	3
Provision for loss on construction contracts and others	-	14,088	151
Provision for loss on guarantees	-	10,985	118
Provision for business structure improvement	28,528	11,602	125
Provision for contingent loss	39,377	10,886	117
Other	172,150	158,196	1,700
Noncurrent liabilities	906,245	727,585	7,823
Bonds payable	69,835	50,005	538
Convertible bonds	97,669	97,669	1,050
Bonds with subscription rights to shares	110,000	110,000	1,183
Long-term loans payable	*2 315,753	*2 158,876	1,708
Deferred tax liabilities	8,712	8,913	96
Provision for retirement benefits	224,378	237,645	2,555
Provision for product warranties	1,798	1,566	17
Provision for loss on repurchase of computers	10,234	9,355	101
Provision for recycling expenses of personal computers	6,790	6,537	70
Provision for loss on guarantees	14,608	-	-
Provision for business structure improvement	-	1,139	12
Provision for contingent loss	12,244	11,163	120
Other	34,224	34,717	373
Total liabilities	2,289,813	2,005,732	21,567
Shareholders' equity	673,557	803,552	8,641
Capital stock	337,940	397,199	4,271
Capital surplus	464,875	192,843	2,074
Retained earnings	(126,276)	216,439	2,327
Treasury stock	(2,982)	(2,929)	(31)
Valuation and translation adjustments	(31,903)	(12,648)	(136)
Valuation difference on available-for-sale securities	(6,228)	10,218	110
Deferred gains or losses on hedges	(120)	61	1
Foreign currency translation adjustment	(25,555)	(22,927)	(247)
Subscription rights to shares	123	93	1
Minority interests	143,788	140,915	1,515
Total net assets	785,565	931,912	10,021
Total liabilities and net assets	JPY 3,075,378	JPY 2,937,644	\$31,588

CONSOLIDATED STATEMENTS OF OPERATIONS

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

Fiscal year ended March 31	2009	2010	2010
Net sales	JPY 4,215,603	JPY 3,583,148	\$38,528
Cost of sales	2,929,567	2,492,403	26,800
Gross profit	1,286,036	1,090,745	11,728
Selling, general and administrative expenses	1,292,237	1,039,840	11,181
Operating income (loss)	(6,201)	50,905	547
Non-operating income	20,311	56,547	608
Interest income	5,560	1,337	14
Dividends income	3,039	4,152	45
Reversal of provision for contingent loss	-	30,853	332
Equity in earnings of affiliates	-	7,336	79
Other	11,712	12,869	138
Non-operating expenses	107,281	58,023	624
Interest expenses	12,578	9,736	105
Retirement benefit expenses	14,791	14,441	155
Loss on abandonment of noncurrent assets	9,590	8,249	89
Provision for contingent loss	30,365	6,496	70
Foreign exchange losses	10,952	1,953	21
Equity in losses of affiliates	12,647	-	-
Other	16,358	17,148	184
Ordinary income (loss)	(93,171)	49,429	531
Extraordinary income	20,631	31,511	339
Gain on sales of subsidiaries and affiliates' stocks	*1 16,209	*1 22,383	241
Gain on sales of noncurrent assets	*2 465	*2 4,225	45
Reversal of provision for loss on guarantees	-	3,312	36
Reversal of provision for recycling expenses of personal computers	-	1,024	11
Gain on sales of investment securities	3,957	537	6
Gain on reversal of subscription rights to shares	-	30	0
Extraordinary loss	218,430	25,286	272
Business structure improvement expenses	*3 87,362	*3 10,245	110
Impairment loss	*4 30,487	*4 6,973	75
Loss on sales of stocks of subsidiaries and affiliates	*5 1,706	*5 3,112	34
Cost of corrective measures for products	*6 5,312	*6 2,487	27
Loss on retirement of noncurrent assets	*7 117	*7 1,527	16
Loss on valuation of investment securities	*8 78,759	*8 891	10
Loss on sales of investment securities	79	39	0
Loss on sales of noncurrent assets	-	12	0
Provision for loss on guarantees	14,608	-	-
Income (loss) before income taxes and minority interests	(290,970)	55,654	598
Income taxes - current	30,196	28,577	307
Income taxes - deferred	5,107	12,661	136
Minority interests in income (loss)	(29,627)	2,988	32
Net income (loss)	(JPY 296,646)	JPY 11,428	\$123

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Fiscal year ended March 31	2009	2010	2010
Shareholders' equity			
Capital Stock			
Balance at the end of previous period	JPY 337,940	JPY 337,940	\$ 3,634
Changes of items during the period			
Issuance of new shares	-	59,260	637
Total changes of items during the period	-	59,260	637
Balance at the end of period	337,940	397,199	4,271
Capital surplus			
Balance at the end of previous period	464,875	464,875	4,999
Changes of items during the period			
Issuance of new shares	-	59,260	637
Deficit disposition	-	(331,287)	(3,562)
Disposal of treasury stock	-	(5)	(0)
Total changes of items during the period	-	(272,033)	(2,925)
Balance at the end of period	464,875	192,843	2,074
Retained earnings			
Balance at the end of previous period	179,391	(126,276)	(1,358)
Changes of items during the period			
Dividends from surplus	(8,101)	-	-
Deficit disposition	-	331,287	3,562
Net income (loss)	(296,646)	11,428	123
Disposal of treasury stock	(921)	-	-
Total changes of items during the period	(305,667)	342,715	3,685
Balance at the end of period	(126,276)	216,439	2,327
Treasury Stock			
Balance at the end of previous period	(3,233)	(2,982)	(32)
Changes of items during the period			
Purchase of treasury stock	(900)	(47)	(0)
Disposal of treasury stock	1,151	100	1
Total changes of items during the period	251	53	1
Balance at the end of period	(2,982)	(2,929)	(31)
Total shareholders' equity			
Balance at the end of previous period	978,973	673,557	7,243
Changes of items during the period			
Issuance of new shares	-	118,519	1,274
Deficit disposition	-	-	-
Dividends from surplus	(8,101)	-	-
Net income (loss)	(296,646)	11,428	123
Purchase of treasury stock	(900)	(47)	(0)
Disposal of treasury stock	229	95	1
Total changes of items during the period	(305,416)	129,995	1,398
Balance at the end of period	JPY 673,557	JPY 803,552	\$ 8,641

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS(CONTINUED)

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

Fiscal year ended March 31	2009	2010	2010
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	JPY 29,898	(JPY 6,228)	(\$67)
Changes of items during the period			
Net changes of items other than shareholders' equity	(36,126)	16,446	177
Total changes of items during the period	(36,126)	16,446	177
Balance at the end of period	(6,228)	10,218	110
Deferred gains or losses on hedges			
Balance at the end of previous period	(283)	(120)	(1)
Changes of items during the period			
Net changes of items other than shareholders' equity	163	181	2
Total changes of items during the period	163	181	2
Balance at the end of period	(120)	61	1
Foreign currency translation adjustment			
Balance at the end of previous period	(4,367)	(25,555)	(275)
Changes of items during the period			
Net changes of items other than shareholders' equity	(21,188)	2,628	28
Total changes of items during the period	(21,188)	2,628	28
Balance at the end of period	(25,555)	(22,927)	(247)
Total Valuation and translation adjustments			
Balance at the end of previous period	25,248	(31,903)	(343)
Changes of items during the period			
Net changes of items other than shareholders' equity	(57,151)	19,255	207
Total changes of items during the period	(57,151)	19,255	207
Balance at the end of period	(31,903)	(12,648)	(136)
Subscription rights to shares			
Balance at the end of previous period	115	123	1
Changes of items during the period			
Net changes of items other than shareholders' equity	8	(30)	(0)
Total changes of items during the period	8	(30)	(0)
Balance at the end of period	123	93	1
Minority interests			
Balance at the end of previous period	181,185	143,788	1,546
Changes of items during the period			
Net changes of items other than shareholders' equity	(37,397)	(2,873)	(31)
Total changes of items during the period	(37,397)	(2,873)	(31)
Balance at the end of period	143,788	140,915	1,515
Total net assets			
Balance at the end of previous period	1,185,521	785,565	8,447
Changes of items during the period			
Issuance of new shares	-	118,519	1,274
Deficit disposition	-	-	-
Dividends from surplus	(8,101)	-	-
Net income (loss)	(296,646)	11,428	123
Purchase of treasury stock	(900)	(47)	(0)
Disposal of treasury stock	229	95	1
Net changes of items other than shareholders' equity	(94,540)	16,352	176
Total changes of items during the period	(399,956)	146,347	1,574
Balance at the end of period	JPY 785,565	JPY 931,912	\$ 10,021

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Fiscal year ended March 31	2009	2010	2010
I. Net cash provided by (used in) operating activities:			
Income (loss) before income taxes and minority interests	(JPY 290,970)	JPY 55,654	\$598
Depreciation and amortization	174,311	148,008	1,591
Equity in (earnings) losses of affiliates	12,647	(7,336)	(79)
(Increase) decrease in notes and accounts receivable-trade	105,458	(25,246)	(271)
Decrease in inventories	70,408	63,132	679
Decrease in notes and accounts payable-trade	(170,129)	(8,582)	(92)
Income taxes paid	(37,206)	(29,331)	(315)
Others, net	162,840	(61,483)	(661)
Net cash provided by operating activities	27,359	134,816	1,450
II. Net cash provided by (used in) investing activities:			
Net proceeds from (payment of) acquisitions and sales of property, plant and equipment	(95,850)	(75,512)	(812)
Purchase of intangible assets	(39,376)	(29,592)	(318)
Net proceeds from (payment of) purchases and sales of securities	(38,039)	58,233	626
Others, net	98	5,630	61
Net cash used in investing activities	(173,167)	(41,241)	(443)
III. Net cash provided by (used in) financing activities:			
Net proceeds from (payment of) bonds and borrowings	113,777	(196,186)	(2,110)
Proceeds from issuance of common stock	-	118,519	1,274
Cash dividends paid	(8,167)	(63)	(1)
Others, net	(3,455)	(2,678)	(29)
Net cash provided by (used in) financing activities	102,155	(80,408)	(866)
IV. Effect of exchange rate changes on cash and cash equivalents	(13,914)	110	1
V. Net increase (decrease) in cash and cash equivalents	(57,567)	13,277	142
VI. Cash and cash equivalents at beginning of period	374,838	317,271	3,412
VII. Cash and cash equivalents at end of period	*1 JPY 317,271	*1 JPY 330,548	\$3,554

Changes in Significant Items for Presenting Consolidated Financial Statements

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
<p>_____</p>	<p>(Changes in recognition criteria for completed contract revenue and costs)</p> <p>The “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (ASBJ) Statement No.15, December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18, December 27, 2007) are applied from this fiscal year.</p> <p>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.</p> <p>The impact of this change on sales, income and segment information is immaterial.</p>
<p>_____</p>	<p>(Accounting standard for retirement benefits)</p> <p>The “Partial Amendments to Accounting Standard for Retirement Benefits (Part3)” (Accounting Standards Board of Japan (ASBJ) Statement No.19, July 31, 2008) is applied from this fiscal year.</p> <p>The change has no impact on income, segment information and retirement benefit obligations.</p>

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
<p style="text-align: center;">_____</p>	<p>(Treatment of foreign exchange forward contract related to foreign currency future transaction)</p> <p>Foreign exchange forward contracts measured at fair value and its valuation difference was previously recognized in income and expense. From this fiscal year, deferred hedge accounting is being applied to a portion of the foreign exchange forward contracts.</p> <p>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.</p> <p>The impact of this change on income and segment information is immaterial.</p>
<p>(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)</p> <p>The “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No.18, May 17, 2006) is applied from this fiscal year and necessary modifications have been made for consolidation.</p> <p>The impact of the change on income is immaterial.</p>	<p style="text-align: center;">_____</p>

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
<p>(Valuation standard and method changes for inventories)</p> <p>Adoption of the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No.9, July 5, 2006) from this fiscal year has changed the valuation basis for inventories from the lower-of-cost-or-market method to the cost method (which writes off the book value of inventories based on decreases in profitability). The change has no impact on income.</p>	<hr/>
<p>(Depreciation method changes for the property, plant and equipment)</p> <p>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.</p> <p>However, they have adopted the straight line method beginning from this fiscal year because the importance of these businesses is increasing and this change clarifies the connection between related revenue and depreciation expenses. The impact of the change on income is immaterial.</p>	<hr/>

Changes in Presentation Method

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
<p style="text-align: center;">_____</p>	<p>(Consolidated Balance Sheets)</p> <p>The amount of expected losses related to construction contracts and others included in the “Accrued expenses” at the end of the previous fiscal year (9,155 million yen at the end of the previous fiscal year) is included in “Provision for loss on construction contracts and others” at the end of this fiscal year.</p>
<p>(Consolidated Balance Sheets)</p> <p>In accordance with the "Cabinet Office Ordinance in Order to Reform the Part of the Regulations regarding Language, Format and Method of Preparation of Financial Statements and Other Statutory Reports, and that of Other Regulations (Cabinet Office Ordinance No.50, August 7, 2008), "Inventories" presented in the financial statements as of March 31, 2008 are classified into "Merchandise and finished goods", "Work in process" and "Raw materials and supplies" in the fiscal year ended March 31,2009. The amounts of "Merchandise and finished goods", "Work in process" and "Raw materials and supplies", included in "Inventories" in the financial statements as of the fiscal year ended March 31, 2008, were 194,528 million yen, 181,785 million yen and 81,180 million yen, respectively.</p>	<p style="text-align: center;">_____</p>

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
<p>(Consolidated Balance Sheets)</p> <p>“Provision for contingent loss” in Consolidated Balance Sheets had been presented in “Accrued expenses” of current liabilities and “Other” of noncurrent liabilities until the fiscal year ended March 31, 2008, but it is separately presented in the fiscal year ended March 31, 2009 due to the increased significance in amount. The amounts of “Provision for contingent loss” included in “Accrued expenses” of current liabilities and “Other” of noncurrent liabilities as of March 31, 2008 were 11,858 million yen and 18,409 million yen, respectively.</p>	<hr/>
<p>(Consolidated Statements of Operations)</p> <p>“Provision for contingent loss” was presented as part of “Other non-operating expenses” for the fiscal years ended March 31, 2008, but it is separately presented for the fiscal year ended March 31, 2009 because the amount exceeds 10 percent of total of non-operating expenses. The amount of “Provision for contingent loss” in “Other non-operating expenses” for the fiscal year ended March 31, 2008 was 2,155 million yen.</p>	<hr/>
<p>(Consolidated Statements of Operations)</p> <p>“Settlement and compensation loss” had been separately presented for the fiscal year ended March 31, 2008, but it is included in “Other non-operating expenses” in non-operating expenses for the fiscal year ended March 31, 2009 because the amount is less than 10 percent of total of non-operating expenses. The amount of “Settlement and compensation loss” in “Other non-operating expenses” of non-operating expenses for the fiscal year ended March 31, 2009 was 3,270 million yen.</p>	<hr/>

Notes to Consolidated Financial Statements
Notes to Consolidated Balance Sheets

(In millions of yen)

Items	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
*1. Accumulated depreciation of property, plant and equipment	1,771,769	1,732,061
*2. Assets pledged as and debt secured by collateral	Buildings and structures	Buildings and structures
	1,767	1,227
	Machinery and equipment	Machinery and equipment
	831	57
Balances - assets pledged as collateral	Land	Land
	10,071	4,674
	Others	Others
	394	15
	Total	Total
	13,063	5,973
Balances - debt secured by collateral	Short-term loans payable	Short-term loans payable
	2,052	1,883
	Long-term loans payable	Long-term loans payable
	1,999	350
	Others	Others
	182	36
	Total	Total
	4,233	2,269
*3. Notes with relate to non-consolidated subsidiaries and affiliates	The investment amount for the jointly-controlled company included in investments in affiliated companies	The investment amount for the jointly-controlled company included in investments in affiliated companies
	4,640	6,972
*4. Contingent liabilities	Employees	Employees
	8,842	7,118
	NT Sales Co., Ltd.	NT Sales Co., Ltd.
	1,230	1,230
Guarantees for bank loans and others	Others	Others
	179	820
	Total	Total
	10,251	9,168
Guarantees for residual value of operating leases	Sumitomo Mitsui Finance and Leasing Company, Limited	BOT LEASE CO., LTD.
	19,963	3,375
	BOT LEASE CO., LTD.	Sumitomo Mitsui Finance and Leasing Company, Limited
	3,684	2,766
	IBJ Leasing Company, Limited	IBJ Leasing Company, Limited
	995	2,419
	Others	Others
	386	386
	Total	Total
	25,028	8,946

Items	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Others	<p>NEC Electronics America, Inc., a consolidated subsidiary of the Company, has settled a number of class action civil antitrust lawsuits from direct DRAM purchasers seeking damages for alleged antitrust violations in the DRAM industry, but is still in litigations or in settlement negotiations with several customers who have opted out of such class action lawsuits. NEC Electronics America, Inc. has also been named as one of the defendants in a number of class action civil antitrust lawsuits from indirect DRAM purchasers (customers who had purchased products containing DRAM), as well as a number of antitrust lawsuits filed by the Attorneys General of numerous states in the United States. NEC group companies are also fully cooperating with, and providing information to, the European Commission in its investigation of potential violations of European Competition Laws in the DRAM industry. The European Commission may impose fines on one or more companies in the NEC group should they be found liable as a result of the investigation by the European Commission. Although the outcome of the aforementioned proceedings is not known at this time, the NEC group has provided an accrual in a reasonably estimated amount of potential losses thereafter.</p>	<p>NEC Electronics America, Inc., a consolidated subsidiary of the Company, has settled a number of class action civil antitrust lawsuits from direct DRAM purchasers seeking damages for alleged antitrust violations in the DRAM industry, but is still in settlement negotiations with several customers who have opted out of such class action lawsuits. NEC Electronics America, Inc. has also been named as one of the defendants in a number of class action civil antitrust lawsuits from indirect DRAM purchasers (customers who had purchased products containing DRAM), as well as a number of antitrust lawsuits filed by the Attorneys General of numerous states in the United States. NEC group companies are also fully cooperating with, and providing information to, the European Commission in its investigation of potential violations of European Competition Laws in the DRAM industry. The European Commission may impose fines on one or more companies in the NEC group should they be found liable as a result of the investigation by the European Commission. Although the outcome of the aforementioned proceedings is not known at this time, the NEC group has provided an accrual in a reasonably estimated amount of potential losses thereafter.</p>
*5. Discounted portion of Notes receivable-trade	314	1,044

Items	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
<p>*6. Net presentation of inventories and provision for loss on construction contracts and others</p>	<p>_____</p>	<p>Inventories related to construction contracts and others which is expected to be resulted in a loss are presented at net of provision for loss on construction contracts and others of 11,218 million yen (the sum of following provision for loss on construction contracts and others; 2,709 million yen for merchandise and finished goods, 8,492 million yen for work in process, and 17 million yen for raw materials and supplies).</p>

Notes to Consolidated Statements of Operations

(In millions of yen)

Items	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
*1. Gain on sales of subsidiaries and affiliates' stocks	Mainly due to sales of stocks of Sony NEC Optiarc Inc.and Pilot Gateway Ltd.	Mainly due to sales of stocks of Nippon Electric Glass Co.,Ltd.
*2. Gain on sales of noncurrent assets	Due to sales of land.	Same as on the left.
*3 . Business structure improvement expenses	Expenses mainly for early retirement of employees and disposal of assets of Electron Device business, and dismissal of employees following the liquidations of Mobile/Personal solutions business outside of Japan.	Expenses mainly for restoration to the original state of the office in association with relocations, and disposal of assets of Electron Device business.

Items	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)																																				
<p>*4. Impairment loss</p>	<p>(1) Summary of assets or asset groups for which impairment losses were recognized.</p> <table border="1" data-bbox="539 432 970 1368"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Assets for business use</td> <td>Intangible assets, and others</td> <td>United States of America</td> </tr> <tr> <td>Assets for business use</td> <td>• Buildings and structures, • Machinery and equipment, • Tools and fixtures etc. • Intangible assets, and others</td> <td>Ashigara-kami County, Kanagawa Prefecture, and others</td> </tr> <tr> <td>Assets for business use</td> <td>• Buildings and structures, • Tools and fixtures etc. • Intangible assets, and others</td> <td>Minato-ku, Tokyo, Shinagawa-ku, Tokyo, and others</td> </tr> <tr> <td>Idle assets</td> <td>Land and others</td> <td>Oita City, Oita Prefecture and others</td> </tr> <tr> <td>Others</td> <td>Goodwill</td> <td>—</td> </tr> </tbody> </table>	Use	Type	Location	Assets for business use	Intangible assets, and others	United States of America	Assets for business use	• Buildings and structures, • Machinery and equipment, • Tools and fixtures etc. • Intangible assets, and others	Ashigara-kami County, Kanagawa Prefecture, and others	Assets for business use	• Buildings and structures, • Tools and fixtures etc. • Intangible assets, and others	Minato-ku, Tokyo, Shinagawa-ku, Tokyo, and others	Idle assets	Land and others	Oita City, Oita Prefecture and others	Others	Goodwill	—	<p>(1) Summary of assets or asset groups for which impairment losses were recognized.</p> <table border="1" data-bbox="987 432 1418 1440"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Assets for business use</td> <td>• Buildings and structures, • Machinery and equipment, • Tools and fixtures etc. • Intangible assets, and others</td> <td>Koka City, Shiga Prefecture, and Ina City, Nagano Prefecture</td> </tr> <tr> <td>Assets for business use</td> <td>• Buildings and structures, • Tools and fixtures etc. • Intangible assets, and others</td> <td>Minato-ku, Tokyo, Shinagawa-ku, Tokyo, and others</td> </tr> <tr> <td>Assets for business use</td> <td>• Buildings and structures, • Machinery and equipment, • Tools and fixtures etc. • Intangible assets, and others</td> <td>United States of America</td> </tr> <tr> <td>Idle assets</td> <td>Buildings and structures</td> <td>Kusatsu City, Shiga Prefecture</td> </tr> <tr> <td>Others</td> <td>Goodwill</td> <td>—</td> </tr> </tbody> </table>	Use	Type	Location	Assets for business use	• Buildings and structures, • Machinery and equipment, • Tools and fixtures etc. • Intangible assets, and others	Koka City, Shiga Prefecture, and Ina City, Nagano Prefecture	Assets for business use	• Buildings and structures, • Tools and fixtures etc. • Intangible assets, and others	Minato-ku, Tokyo, Shinagawa-ku, Tokyo, and others	Assets for business use	• Buildings and structures, • Machinery and equipment, • Tools and fixtures etc. • Intangible assets, and others	United States of America	Idle assets	Buildings and structures	Kusatsu City, Shiga Prefecture	Others	Goodwill	—
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	<p>(2) Background to the recognition of impairment loss.</p> <p>Investments in certain fixed assets for business use and goodwill were not expected to be recoverable due to lower profitability of assets for business use and market value declines of idle assets. Therefore the Company groups recognized impairment loss as extraordinary loss.</p>	<p>(2) Background to the recognition of impairment loss.</p> <p>Same as on the left.</p>																																				

Items	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)																																										
	<p>(3) Amounts of impairment loss</p> <table border="0"> <tr> <td>Buildings and structures</td> <td style="text-align: right;">536</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">592</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">844</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">148</td> </tr> <tr> <td>Construction in progress</td> <td style="text-align: right;">704</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">24,621</td> </tr> <tr> <td>Software</td> <td style="text-align: right;">2,899</td> </tr> <tr> <td>Intangible assets-other</td> <td style="text-align: right;">143</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">30,487</td> </tr> </table>	Buildings and structures	536	Machinery and equipment	592	Tools, furniture and fixtures	844	Land	148	Construction in progress	704	Goodwill	24,621	Software	2,899	Intangible assets-other	143	<hr/>		Total	30,487	<p>(3) Amounts of impairment loss</p> <table border="0"> <tr> <td>Buildings and structures</td> <td style="text-align: right;">2,642</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">1,459</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">617</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">64</td> </tr> <tr> <td>Construction in progress</td> <td style="text-align: right;">240</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">753</td> </tr> <tr> <td>Software</td> <td style="text-align: right;">703</td> </tr> <tr> <td>Intangible assets-other</td> <td style="text-align: right;">254</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">241</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">6,973</td> </tr> </table>	Buildings and structures	2,642	Machinery and equipment	1,459	Tools, furniture and fixtures	617	Land	64	Construction in progress	240	Goodwill	753	Software	703	Intangible assets-other	254	Others	241	<hr/>		Total	6,973
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	<p>(4) Method for grouping assets</p> <p>In principle, the Company groups assets for business use based on its business units and managerial accounting segments. The Company groups idle assets into a single asset group.</p>	<p>(4) Method for grouping assets</p> <p>Same as on the left.</p>																																										
	<p>(5) Measurement of recoverable amounts</p> <p>The higher of the net realizable value and value in use is used for the recoverable amounts of fixed assets for business use. Net realizable value is used for the recoverable amounts of idle assets. Net realizable value is estimated based on the assessed value for list of land prices, etc. The value in use is assessed at 1 yen because the total of future cash flow is a negative amount. For the subsidiaries in United States of America, impairment loss under local GAAP is recorded in extraordinary loss.</p>	<p>(5) Measurement of recoverable amounts</p> <p>Same as on the left.</p>																																										

Items	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
*5. Loss on sales of stocks of subsidiaries and affiliates	Mainly due to sales of stocks of Media Exchange, Inc.	Due to sales of stocks of DAVID Systems GmbH, and others.
*6. Cost of corrective measures for products	Mainly cost of corrective measures for defective products and substitution of products.	Same as on the left.
*7. Loss on retirement of noncurrent assets	Mainly due to rebuilding expenses and cost in Sagamihara Plant.	Mainly due to removal costs of buildings and structures associated with sales of land and rebuilding expenses and cost in Tamagawa Plant.
*8. Loss on valuation of investment securities	Impairment loss recognized mainly for investment securities.	Same as on the left.

Notes to Consolidated Statements of Changes in Net Assets
Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of March 31, 2008	Increase	Decrease	Number of shares as of March 31, 2009
Common stock	2,029,733	-	-	2,029,733

Reasons for the change
Not applicable

2 Dividends

Payment of dividends

Resolution	Class of stock	Total dividends (In millions of yen)	Dividends per share (In yen)	Record date	Effective date
Extraordinary Meeting of Board of Directors held on May 15, 2008	Common stock	8,104	4	March 31, 2008	June 2, 2008

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

1 Stocks, issued

(In thousands of shares)

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

Reasons for the change

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

Issuance of new shares by offering	537,500 thousand shares
Issuance of new shares by way of third-party allotment	37,500 thousand shares

2 Dividends

(1) Payment of dividends

Not applicable

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

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

Notes to Consolidated Statements of Cash Flows

(In millions of yen)

Items	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
*1. Reconciliation of cash and cash equivalents from the accounts recorded in consolidated balance sheets	Cash and deposits 226,601	Cash and deposits 195,095
	Short-term investment securities 91,434	Short-term investment securities 136,747
	Time deposits and Short-term investment securities with maturities of more than three months (764)	Time deposits and Short-term investment securities with maturities of more than three months (1,294)
	Cash and cash equivalents 317,271	Cash and cash equivalents 330,548

Notes: Segment Information

Business Segment Information

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(In millions of yen)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total Before Eliminations/Corporate	Eliminations/Corporate	Consolidated Total
I Net Sales and Operating Income										
Net Sales										
(1) Sales to customers	941,812	266,529	1,001,811	340,370	848,608	671,646	144,827	4,215,603	—	4,215,603
(2) Inter-segment sales and transfers	65,003	42,009	56,791	25,041	64,741	30,085	146,444	430,114	(430,114)	—
Total sales	1,006,815	308,538	1,058,602	365,411	913,349	701,731	291,271	4,645,717	(430,114)	4,215,603
Operating expenses	950,792	286,788	1,016,650	357,220	926,561	789,569	285,510	4,613,090	(391,286)	4,221,804
Operating income (loss)	56,023	21,750	41,952	8,191	(13,212)	(87,838)	5,761	32,627	(38,828)	(6,201)

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

(In millions of yen)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total Before Eliminations/Corporate	Eliminations/Corporate	Consolidated Total
I Net Sales and Operating Income										
Net Sales										
(1) Sales to customers	876,470	209,217	785,881	316,566	737,870	572,774	84,370	3,583,148	—	3,583,148
(2) Inter-segment sales and transfers	49,440	30,860	43,865	18,407	51,117	19,411	110,792	323,892	(323,892)	—
Total sales	925,910	240,077	829,746	334,973	788,987	592,185	195,162	3,907,040	(323,892)	3,583,148
Operating expenses	866,624	241,201	801,777	312,223	769,708	649,012	184,081	3,824,626	(292,383)	3,532,243
Operating income (loss)	59,286	(1,124)	27,969	22,750	19,279	(56,827)	11,081	82,414	(31,509)	50,905

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

(In millions of U.S. dollars; 1 U.S. dollar = 93 yen)

	IT Services	IT Products	Network Systems	Social Infrastructure	Personal Solutions	Electron Devices	Others	Total Before Eliminations/Corporate	Eliminations/Corporate	Consolidated Total
I Net Sales and Operating Income										
Net Sales										
(1) Sales to customers	9,424	2,250	8,450	3,404	7,934	6,159	907	38,528	—	38,528
(2) Inter-segment sales and transfers	532	331	472	198	550	209	1,191	3,483	(3,483)	—
Total sales	9,956	2,581	8,922	3,602	8,484	6,368	2,098	42,011	(3,483)	38,528
Operating expenses	9,319	2,593	8,621	3,357	8,277	6,979	1,979	41,125	(3,144)	37,981
Operating income (loss)	637	(12)	301	245	207	(611)	119	886	(339)	547

Notes:

- 1 The business segments are defined based on similarity of its types, characteristics, and affinity of sales market of products and services.
- 2 From this fiscal year, the number of business segments has been changed to 7, 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 these changes, 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.
- 3 Major services and products for each business segment
 - 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.) and 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)

4 Unallocable operating expenses included in “Eliminations/ Corporate” for the fiscal years ended March 31, 2010 and 2009 are 32,065 million yen (345 millions of U.S. dollars) and 38,848 million yen, respectively. Main components of such expenses are both general and administrative expenses incurred at headquarters of the Company, and research and development expenses.

Geographical Segments Information

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(In millions of yen)

	Japan	Asia	Europe	Others	Total	Eliminations /Corporate	Consolidated total
I Net Sales and Operating Income							
Net Sales							
(1) Sales to customers	3,510,197	229,357	228,566	247,483	4,215,603	—	4,215,603
(2) Intersegment sales and transfers	333,529	140,562	9,475	20,770	504,336	(504,336)	—
Total sales	3,843,726	369,919	238,041	268,253	4,719,939	(504,336)	4,215,603
Operating expenses	3,799,150	362,808	243,837	286,411	4,692,206	(470,402)	4,221,804
Operating income (loss)	44,576	7,111	(5,796)	(18,158)	27,733	(33,934)	(6,201)

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

(In millions of yen)

	Japan	Asia	Europe	Others	Total	Eliminations /Corporate	Consolidated total
I Net Sales and Operating Income							
Net Sales							
(1) Sales to customers	3,022,629	207,168	155,815	197,536	3,583,148	—	3,583,148
(2) Intersegment sales and transfers	277,794	119,817	4,221	19,574	421,406	(421,406)	—
Total sales	3,300,423	326,985	160,036	217,110	4,004,554	(421,406)	3,583,148
Operating expenses	3,223,221	315,787	160,016	220,368	3,919,392	(387,149)	3,532,243
Operating income (loss)	77,202	11,198	20	(3,258)	85,162	(34,257)	50,905

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

(In millions of U.S. dollars; 1 U.S. dollar = 93 yen)

	Japan	Asia	Europe	Others	Total	Eliminations /Corporate	Consolidated total
I Net Sales and Operating Income							
Net Sales							
(1) Sales to customers	32,501	2,228	1,675	2,124	38,528	—	38,528
(2) Intersegment sales and transfers	2,987	1,288	45	211	4,531	(4,531)	—
Total sales	35,488	3,516	1,720	2,335	43,059	(4,531)	38,528
Operating expenses	34,658	3,396	1,720	2,370	42,144	(4,163)	37,981
Operating income (loss)	830	120	0	(35)	915	(368)	547

Notes:

- 1 Geographical distances are considered in classification of country or region.
- 2 Major countries and regions in segments other than Japan.
 - (1) Asia China, Chinese Taipei, India, Singapore and Indonesia
 - (2) Europe U.K., France, the Netherlands, Germany, Italy and Spain
 - (3) Others U.S.A.
- 3 Unallocable operating expenses included in “Eliminations/ Corporate” for the fiscal years ended March 31, 2010 and 2009 are 32,065 million yen (345 millions of U.S. dollars) and 38,848 million yen, respectively. Main components of such expenses are both general and administrative expenses incurred at the headquarters of the Company, and research and development expenses.

Overseas Sales

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(In millions of yen)				
	Asia	Europe	Others	Total
I Overseas sales	374,288	260,155	300,026	934,469
II Consolidated sales	—	—	—	4,215,603
III Percentage of overseas sales to consolidated sales(%)	8.9	6.2	7.1	22.2

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

(In millions of yen)				
	Asia	Europe	Others	Total
I Overseas sales	321,790	164,672	226,424	712,886
II Consolidated sales	—	—	—	3,583,148
III Percentage of overseas sales to consolidated sales(%)	9.0	4.6	6.3	19.9

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

(In millions of U.S. dollars; 1 U.S. dollar = 93 yen)				
	Asia	Europe	Others	Total
I Overseas sales	3,460	1,771	2,434	7,665
II Consolidated sales	—	—	—	38,528

Notes:

- 1 Geographical distances are considered in classification of country or region.
- 2 Major countries and regions in segments other than Japan.
 - (1) Asia China, Chinese Taipei, India, Singapore and Indonesia
 - (2) Europe U.K., France, the Netherlands, Germany, Italy and Spain
 - (3) Others U.S.A.
- 3 Overseas sales represent sales in countries and regions outside of Japan by the Company and its consolidated subsidiaries.

Notes: Lease Transactions

(In millions of yen)

	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)												
1. Finance Leases (lessee) Except those in which the title of leased property will be transferred to the lessee	<p>i) Type of lease asset Primarily related to production facilities for Electrical equipment (machinery and equipment) and outsourcing-related equipment (machinery and equipment, tools, furniture and fixtures).</p> <p>ii) Method of depreciation Other than outsourcing-related equipment, the declining-balance method in which the useful life is assumed to be the lease period. The straight-line method is applicable for outsourcing-related equipment.</p>	<p>i) Type of lease asset Same as on the left.</p> <p>ii) Method of depreciation Same as on the left.</p>												
2. Operating leases (lessee) Future minimum lease obligations under non-cancellable operating leases	<table> <tr> <td>Due within one year</td> <td style="text-align: right;">41,839</td> </tr> <tr> <td>Due over one year</td> <td style="text-align: right;">95,866</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>137,705</u></td> </tr> </table>	Due within one year	41,839	Due over one year	95,866	<u>Total</u>	<u>137,705</u>	<table> <tr> <td>Due within one year</td> <td style="text-align: right;">35,810</td> </tr> <tr> <td>Due over one year</td> <td style="text-align: right;">80,082</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>115,892</u></td> </tr> </table>	Due within one year	35,810	Due over one year	80,082	<u>Total</u>	<u>115,892</u>
Due within one year	41,839													
Due over one year	95,866													
<u>Total</u>	<u>137,705</u>													
Due within one year	35,810													
Due over one year	80,082													
<u>Total</u>	<u>115,892</u>													

Notes: Income Taxes

(In millions of yen)

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
1.	1.
Breakdown of major factors of deferred tax assets and liabilities	Breakdown of major factors of deferred tax assets and liabilities
(Deferred tax assets)	(Deferred tax assets)
Tax loss carry forwards	Tax loss carry forwards
244,882	337,827
Pension and severance expenses	Pension and severance expenses
118,099	137,175
Investments in affiliated companies	Accrued expenses and product warranty liabilities
76,564	54,794
Accrued expenses and product warranty liabilities	Depreciation
61,724	50,215
Depreciation	Loss on devaluation of inventories
54,474	40,196
Loss on devaluation of inventories	Research and development expenses
49,485	17,119
Provision for contingent loss	Investments in affiliated companies
18,819	12,322
Research and development expenses	Elimination of unrealized profit through intercompany transactions among consolidated companies
16,962	11,916
Loss on devaluation of investment securities	Loss on devaluation of investment securities
12,128	10,845
Elimination of unrealized profit through intercompany transactions among consolidated companies	Provision for contingent loss
12,083	8,283
Provision for business structure improvement	Provision for loss on construction contracts and others
10,295	5,667
Provision for loss on repurchase of computers	Provision for business structure improvement
3,650	4,910
Others	Provision for loss on repurchase of computers
86,853	3,393
Sub-total	Others
766,018	62,093
Less: valuation allowance	Sub-total
(432,706)	756,755
Total	Less: valuation allowance
333,312	(445,249)
(Deferred tax liabilities)	Total
Gain on transfer of securities to the pension trust	311,506
(42,988)	(Deferred tax liabilities)
Securities reversed from the pension trust	Gain on transfer of securities to the pension trust
(10,444)	(40,578)
Undistributed earnings of affiliated companies	Undistributed earnings of affiliated companies
(5,681)	(9,218)
Reserves under special taxation measures law	Unrealized gains on available-for-sale securities
(1,132)	(5,355)
Unrealized gains on available-for-sale securities	Reserves under special taxation measures law
(257)	(484)
Others	Others
(31,298)	(30,684)
Total	Total
(91,800)	(86,319)
Net deferred tax assets	Net deferred tax assets
241,512	225,187

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)																																																																												
<p>Note: Net deferred tax assets are included in the consolidated balance sheets as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">99,657</td> </tr> <tr> <td>-deferred tax assets</td> <td></td> </tr> <tr> <td>Noncurrent assets</td> <td style="text-align: right;">150,676</td> </tr> <tr> <td>-deferred tax assets</td> <td></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(109)</td> </tr> <tr> <td>-Others</td> <td></td> </tr> <tr> <td>Noncurrent liabilities</td> <td style="text-align: right;">(8,712)</td> </tr> <tr> <td>-deferred tax liabilities</td> <td></td> </tr> </table> <p>2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Statutory tax rate</td> <td style="text-align: right;">(40.5)%</td> </tr> <tr> <td colspan="2"> (Reconciliation)</td> </tr> <tr> <td>Changes in valuation allowance</td> <td style="text-align: right;">55.8</td> </tr> <tr> <td>Amortization of goodwill</td> <td style="text-align: right;">5.0</td> </tr> <tr> <td>Tax rates difference relating to overseas subsidiaries</td> <td style="text-align: right;">1.6</td> </tr> <tr> <td>Non-deductible expenses for tax purposes</td> <td style="text-align: right;">1.2</td> </tr> <tr> <td>Equity in earnings(losses) of affiliated companies</td> <td style="text-align: right;">(0.5)</td> </tr> <tr> <td>Elimination of unrealized profit through intercompany transactions among consolidated companies</td> <td style="text-align: right;">(0.7)</td> </tr> <tr> <td>Undistributed earnings of affiliated companies</td> <td style="text-align: right;">(9.3)</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">(0.5)</td> </tr> <tr> <td style="border-top: 1px solid black;">Effective tax rate</td> <td style="text-align: right; border-top: 1px solid black;">12.1%</td> </tr> </table>	Current assets	99,657	-deferred tax assets		Noncurrent assets	150,676	-deferred tax assets		Current liabilities	(109)	-Others		Noncurrent liabilities	(8,712)	-deferred tax liabilities		Statutory tax rate	(40.5)%	 (Reconciliation)		Changes in valuation allowance	55.8	Amortization of goodwill	5.0	Tax rates difference relating to overseas subsidiaries	1.6	Non-deductible expenses for tax purposes	1.2	Equity in earnings(losses) of affiliated companies	(0.5)	Elimination of unrealized profit through intercompany transactions among consolidated companies	(0.7)	Undistributed earnings of affiliated companies	(9.3)	Others	(0.5)	Effective tax rate	12.1%	<p>Note: Net deferred tax assets are included in the consolidated balance sheets as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">93,307</td> </tr> <tr> <td>-deferred tax assets</td> <td></td> </tr> <tr> <td>Noncurrent assets</td> <td style="text-align: right;">140,829</td> </tr> <tr> <td>-deferred tax assets</td> <td></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(36)</td> </tr> <tr> <td>-Others</td> <td></td> </tr> <tr> <td>Noncurrent liabilities</td> <td style="text-align: right;">(8,913)</td> </tr> <tr> <td>-deferred tax liabilities</td> <td></td> </tr> </table> <p>2. 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Notes: Marketable and Investment Securities

Fiscal year ended March 31, 2009

1. Available-for-sale securities with the quoted market prices (As of March 31, 2009)

(In millions of yen)

	Description	Acquisition cost	Balance sheet value	Unrealized gains (losses)
Securities with balance sheet value exceeding acquisition cost	(1) Stocks	15,704	28,673	12,969
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	-	-	-
	(3) Others	24	42	18
	Sub-total	15,728	28,715	12,987
Securities with balance sheet value not exceeding acquisition cost	(1) Stocks	46,741	33,031	(13,710)
	(2) Bonds			
	(a) Governmental and municipal bonds	-	-	-
	(b) Corporate bonds	1,502	1,348	(154)
	(3) Others	3,148	2,232	(916)
	Sub-total	51,391	36,611	(14,780)
Total		67,119	65,326	(1,793)

2. Available-for-sale securities sold during the fiscal year ended March 31, 2009

(From April 1, 2008 to March 31, 2009)

(In millions of yen)

Proceeds from sales	Gross realized gains	Gross realized losses
6,933	3,957	79

3. Balance sheet value of major securities without the market prices (As of March 31, 2009)

(In millions of yen)

	Balance sheet value
Available-for-sale securities	
1. Stocks	71,048
2. Bonds	931
3. Investments in limited partnerships and similar partnerships under foreign laws	6,167
4. Certificates of deposit	76,721
5. Commercial papers	12,578
6. MMF	1,645

4. Redemption schedule of available-for-sale securities with fixed maturities (As of March 31, 2009)

(In millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
(a) Bonds				
Governmental and municipal bonds	-	-	-	-
Corporate bonds	490	933	-	856
Commercial Papers	12,578	-	-	-
(b) Others	-	-	-	-
Total	13,068	933	-	856

Fiscal year ended March 31, 2010

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

(In millions of yen)

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

Notes:

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

Unlisted stocks (balance sheet value of 59,837 million yen),

Investments in limited partnerships and similar partnerships under foreign laws

(balance sheet value of 4,600 million yen), and Others (balance sheet value of 379 million yen).

2. Available-for-sale securities sold during the fiscal year ended March 31, 2010
(From April 1, 2009 to March 31, 2010)

(In millions of yen)

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

3. Impairment of available-for-sale securities

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

Notes: Accounting for Retirement Benefits

1 . Overview of the retirement benefit plans

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

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

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

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

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

2. Retirement benefit obligations

(In millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
A. Retirement benefit obligations	(1,080,526)	(1,092,346)
B. Plan assets	586,154	695,835
C. Unfunded retirement benefit obligations (A+B)	(494,372)	(396,511)
D. Unrecognized transitional obligation	85,194	70,824
E. Unrecognized actuarial gains and losses	367,669	239,098
F. Unrecognized prior service costs (reduction in obligations)	(104,466)	(95,030)
G. Net amounts recognized in the consolidated balance sheet (C+D+E+F)	(145,975)	(181,619)
H. Prepaid pension expenses	78,403	56,026
I. Liabilities for retirement benefits (G-H)	(224,378)	(237,645)

Notes:

- 1 Certain consolidated subsidiaries adopted the simplified method in calculating the retirement benefit obligations.
- 2 Prepaid pension expenses are included in "Other" of investments and other assets in the consolidated balance sheets.

3. Retirement benefit expenses

(In millions of yen)

	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
A. Service cost	38,155	36,676
B. Interest cost	26,821	27,259
C. Expected return on plan assets	(15,110)	(12,472)
D. Amortization of transitional obligation	14,791	14,441
E. Amortization of actuarial gains and losses	19,379	35,463
F. Amortization of prior service costs	(9,551)	(10,117)
G. Other (Note 2)	10,406	7,869
H. Retirement benefit expenses (A+B+C+D+E+F+G)	84,891	99,119

Notes:

- 1 Retirement benefit expenses of consolidated subsidiaries adopting the simplified method are included in "A. Service cost".
- 2 "G. Other" represents the amount of premiums paid for defined contribution pension plans.

4. Basis for calculation of retirement benefit obligations

	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
A. Allocation method for projected retirement benefit cost	Mainly, point basis	Same as on the left.
B. Discount rate	Mainly, 2.5%	Same as on the left.
C. Expected rate of return on plan assets	Mainly, 2.5%	Same as on the left.
D. Period for amortization of prior service costs	Mainly, 13 years (Prior service costs are amortized on a straight-line basis over certain years within employees' average remaining service periods as incurred.)	Same as on the left.
E. Period for amortization of actuarial gains and losses	Mainly, 13 years (Actuarial gains and losses are amortized on a straight-line basis over certain years within employees' average remaining service periods, starting from the following year after incurred.)	Same as on the left.
F. Period for amortization of transitional obligation	Mainly, 15 years	Same as on the left.

Notes: Per Share Information

(In yen)

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)		Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)	
Net assets per share	317.11	Net assets per share	304.36
Basic net loss per share	△146.64	Basic net income per share	5.04
Diluted net income per share	—	Diluted net income per share	4.91

- Notes: 1. Diluted net income per share in the fiscal year ended March 31, 2009 was not disclosed due to the net loss per share although dilutive shares existed.
2. The basis for calculating net income(loss) per share are as follows.

	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
Net income (loss) per share		
Net income (loss) (In millions of yen)	△296,646	11,428
Amounts not attributable to common shareholders (In millions of yen)	143	124
(Participating convertible securities included in the above)	(143)	(124)
Net income (loss) attributable to common stock (In millions of yen)	△296,789	11,304
The average number of common stocks outstanding during the fiscal year (In thousands of shares)	2,023,970	2,241,695
Diluted net income per share		
Adjustments to net income (In millions of yen)	—	2
Increased number of common stocks (In thousands of shares)	—	60,093
(convertible bonds included in the above)	—	(60,093)

	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
Summary of equity instruments which were not included in the basis for calculating diluted net income per share as they are anti-dilutive	<p>(a) Convertible bonds</p> <p>10th unsecured convertible bonds (face value of 100,000 million yen) Euro-yen convertible bonds due in 2010 (face value of 100,000 million yen)</p> <p>(b) Bonds with stock subscription rights issued by consolidated subsidiaries</p> <p>Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants which were issued by NEC Electronics (face value of 110,000 million yen)</p> <p>(c) Stock subscription rights</p> <p>4 kinds of stock subscription rights (the number of stock subscription rights is 789 units) Stock subscription right issued by NEC Electronics (the number of stock subscription rights is 720 units)</p>	<p>(a) Convertible bonds</p> <p>10th unsecured convertible bonds (face value of 100,000 million yen)</p> <p>(b) Bonds with stock subscription rights issued by consolidated subsidiaries</p> <p>Euro-yen zero coupon convertible bonds with stock subscription rights due in 2011 subject to certain covenants which were issued by NEC Electronics (face value of 110,000 million yen)</p> <p>(c) Stock subscription rights</p> <p>3 kinds of stock subscription rights (the number of stock subscription rights is 520 units) Stock subscription right issued by NEC Electronics (the number of stock subscription rights is 560 units)</p>

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

	Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)	Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)
Net assets per share		
Total net assets (In millions of yen)	785,565	931,912
Amounts deducted from total net assets (In millions of yen)	143,911	141,008
(stock subscription rights included in the above)	(123)	(93)
(Minority interests included in the above)	(143,788)	(140,915)
Net assets at the year end attributable to common stock (In millions of yen)	641,654	790,904
Number of common stocks at the year end to calculate net assets per share (In thousands of shares)	2,023,446	2,598,542

Subsequent Events

1.

As part of business structure reform aimed at strengthening business foundations and technological assets, and increasing corporate value through enhanced customer satisfaction, on April 1, 2010, based on the merger agreement reached on December 15, 2009, the Company's consolidating subsidiary (included in electron devices segment and operating mainly semiconductor business), NEC Electronics Corporation merged with Renesas Technology Corp., an entity operating in the semiconductor business, and changed its name to Renesas Electronics Corporation (Renesas EL). As a result of this merger, Renesas EL has become an affiliate applying for the equity method of accounting.

The Company will apply the business combination accounting for shareholders stipulated in the Paragraph 48 of "Accounting Standard for Business Divestitures (Accounting Standards Board of Japan – ASBJ Statement No.7)" after the application of the purchase method of accounting by NEC Electronics Corporation being as an acquirer on this merger transaction.

On April 1, 2010, the Company also subscribed the third-party allotment, new shares issued by Renesas EL, as follows:

Number of new shares subscribed:	61,395,857 shares of common stock
Issue price:	917 yen per share
Aggregated subscription price:	56,300 million yen
Ownership ratio of the Company after the third-party allotment:	34.0 % (see note)

Note: excludes shares whose voting rights is to be exercised at the instruction of the Company based on the employee pension and retirement trust agreement with the Sumitomo Trust and Banking Co. (representing 1.5% of ownership ratio)

2.

In order to strengthen competitiveness in mobile handset business on May 1, 2010, based on the corporate split agreement reached on March 24, 2010, the Company transferred its mobile handset business to NEC CASIO Mobile Communications, Ltd. (NEC CASIO) through absorption-type corporate split. NEC CASIO plans to

merge in Casio Hitachi Mobile Communications Co., Ltd. on June 1, 2010.

The Company will apply the accounting for consolidation stipulated in the Paragraph 19 of “Accounting Standard for Business Divestitures (ASBJ Statements No.7)” on the transfer transaction of the Company’s mobile handset business to NEC CASIO. The Company plans to apply the business combination accounting for shareholders stipulated in the Paragraph 48 of “Accounting Standard for Business Divestiture (ASBJ Statement No.7)” after the application of the purchase method accounting by NEC CASIO being as an acquirer on the scheduled merger transactions with Casio Hitachi Mobile Communications Co., Ltd.

CAUTIONARY STATEMENTS:

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

forward-looking statements, whether as a result of new information, future events, or otherwise.

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

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