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Full Year Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

Consolidated Financial Results

	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016	Change
	In billions of yen	In billions of yen	%
Net Sales	2,935.5	2,821.2	-3.9
Operating income (loss)	128.1	107.3	-16.2
Ordinary income (loss)	112.1	82.7	-26.2
Net income (loss)(*1)	57.3	68.7	20.0
	Yen	Yen	Yen
Net income (loss) per share:			
Basic	22.05	26.45	4.40
Diluted	-	-	-
	In billions of yen	In billions of yen	%
Total assets	2,620.7	2,493.4	-4.9
Number of employees	98,882	98,726	-

(*1) Figures represents profit (loss) attributable to owners of the parent.

Notes:

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

	As of March 31, 2015	As of March 31, 2016
Consolidated subsidiaries	232	217
Affiliated companies accounted for by the equity method	51	52

1. Consolidated Business Results

(1) Overview of the fiscal year ended March 31, 2016 and outlook for the fiscal year ending March 31, 2017

The overall pace of growth for the worldwide economy slowed during the fiscal year ended March 31, 2016, as stable economic performance in advanced countries, such as the United States and Europe, was offset by a significant slowdown in the growth of emerging countries due to influences from a global decline in demand for resources and unstable financial markets.

As for the Japanese economy, although the corporate sector performed well, a decline in consumer spending and public investment, as well as a downturn in exports, led to sluggish economic growth.

Under this business environment, the NEC Group accelerated efforts towards the establishment of a globally deployable Social Solutions business in the final year of its "Mid-term Management Plan 2015" for transforming the NEC Group into a "Social Value Innovator," based on three management policies consisting of a "Focus on Solutions for Society," a "Focus on Asia, Promotion of Locally-led Business" and the goal to "Stabilize Our Financial Foundation."

In terms of the "Focus on Solutions for Society," NEC's efforts for expanding business included investment in core areas such as Software-Defined Networking (SDN) as a next generation networking technology, the cloud, big data, safety and security. In terms of SDN, NEC promoted activities for its commercialization among domestic and foreign telecommunications carriers, including the delivery of communications software, such as virtualized Evolved Packet Core (vEPC) for the newly launched commercial networks from NTT DOCOMO, INC. that feature Network Functions Virtualization (NFV) technologies. Moreover, NEC has steadily increased the number of active systems utilizing its SDN, including systems for hospitals, transportation authorities, local governments and data centers, thereby contributing to the efficient construction and operations of customer networks. Regarding cloud development, NEC strengthened its cloud platform business through the "NEC Cloud IaaS" service model and the "NEC Cloud System" ownership model, as well as its hybrid cloud linking these two models, thereby helping customers to operate their businesses safely and supporting the advancement of information and telecommunications infrastructure. As for big data, NEC delivered a system for financial institutions that can gather and automatically analyze a massive amount of customer feedback received daily (the "customer testimonials") along with a system that provides a variety of operational support, and strengthened efforts related to the Internet of Things (IoT) and artificial intelligence (AI). Regarding the safety and security sector, NEC expanded its support for the introduction, development and operation of systems related to the "My Number," social security and tax number system for governments, local public authorities and private businesses. NEC also received orders to provide face recognition systems for use by local governments throughout Japan in order to confirm the identity of citizens when their My Number cards are issued, thereby strengthening security and contributing to the safe operation of the My Number system.

Regarding the "Focus on Asia, Promotion of Locally-led Business," NEC engaged in efforts to promote growing businesses and establish new business models focused on the safety sector. Specifically, NEC received orders for an automated fingerprint identification system for the Philippine National Police, a face recognition solution for the Northern Territory Police Force in Australia, a face recognition system for customs operation at 14 leading international airports in Brazil, and a security system for the Buenos Aires subway in Argentina. Moreover, in order to protect the information assets of customers and strengthen the world's security surveillance networks, NEC established a new "Cyber Security Factory" in Singapore, following the one in

Japan that supports the development and operation of measures against cyberattacks. Furthermore, NEC's latest efforts to contribute to the safety and security of society include joint demonstration tests with the Central Weather Bureau of Taiwan for the early detection of earthquakes.

Lastly, regarding the goal to "Stabilize Our Financial Foundation," NEC secured net income and reduced interest-bearing debt as part of improving its debt-equity ratio and creating a sound balance sheet. Additionally, NEC worked on an operational reform promotion project centering on NEC Management Partner, Ltd. that carried out the transfer of staff functions and common IT assets from NEC to NEC Management Partner, Ltd.

The NEC Group recorded consolidated net sales of 2,821.2 billion yen for the fiscal year ended March 31, 2016, a decrease of 114.3 billion yen (-3.9%) year-on-year. This decrease was mainly due to decreased sales in the Public business and Telecom Carrier business as well as decreased sales from logistics services in Others no longer being consolidated, despite increased sales from the Enterprise business.

Regarding profitability, consolidated operating income (loss) worsened by 20.8 billion yen year-on-year, to an operating income of 107.3 billion yen, mainly due to decreased sales and worsening gross profit, despite reduced selling, general and administrative expenses.

In terms of consolidated ordinary income (loss), the NEC Group recorded a profit of 82.7 billion yen, worsening by 29.4 billion yen year-on-year, mainly due to the worsening of operating income (loss) in addition to the worsening of foreign exchange gain (loss).

Consolidated income (loss) before income taxes was a profit of 77.9 billion yen, a year-on-year worsening of 18.8 billion yen. This was primarily due to the worsening of ordinary income (loss), despite decreased business structure improvement expenses.

Profit (loss) attributable to owners of the parent for the fiscal year ended March 31, 2016 was a profit of 68.7 billion yen, a year-on-year improvement of 11.4 billion yen, mainly due to a tax expense decrease from the debt waiver for NEC Mobile Communications, Ltd., despite worsening of income (loss) before income taxes and the acquisition of non-controlling interests from making NEC Fielding, Ltd. a wholly-owned subsidiary in the previous fiscal year.

The NEC Group made the decision to voluntarily adopt International Financial Reporting Standards (IFRS) starting with the fiscal year ending March 31, 2017. As a result, the NEC Group's financial forecasts for the fiscal year ending March 31, 2017 are calculated based on IFRS. The NEC Group anticipates consolidated net sales of 2,880.0 billion yen, mainly due to the NEC Group experiencing growth from its focus on Solutions for Society and the expansion of global business. Moreover, the NEC Group anticipates consolidated operating income of 100.0 billion yen for the fiscal year ending March 31, 2017. The NEC Group also expects 50.0 billion yen of net income attributable to owner of the parent for the same period.

(2) Results by main business segment

Sales by segment (sales to external customers):

Segments	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
	In billions of yen	In billions of yen	%
Public	821.9	766.8	-6.7
Enterprise	270.5	300.7	11.2
Telecom Carrier	740.2	698.9	-5.6
System Platform	728.9	728.5	-0.0
Others	374.1	326.2	-12.8
Total	2,935.5	2,821.2	-3.9

Operating income (loss) by segment:

Segments	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
	In billions of yen	In billions of yen	In billions of yen
Public	74.8	57.5	-17.2
Enterprise	8.3	22.2	13.9
Telecom Carrier	62.0	45.6	-16.4
System Platform	31.4	37.5	6.1
Others	4.0	-8.9	-12.9
Adjustment	-52.4	-46.7	5.7
Total	128.1	107.3	-20.8

Note:

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

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

Public Business

Sales:	766.8 billion yen	(-6.7%)
Operating Income (Loss):	57.5 billion yen	(-17.2 billion yen)

In the Public business, sales were 766.8 billion yen, a decrease of 55.1 billion yen (-6.7%) year-on-year, mainly due to decreased sales from large-scale projects for government offices and public services during the same period of the previous fiscal year.

Operating income (loss) worsened by 17.2 billion yen year-on-year, to an operating income of 57.5 billion yen, mainly owing to decreased sales and an increase in loss-making projects.

Enterprise Business

Sales:	300.7 billion yen	(11.2%)
Operating Income (Loss):	22.2 billion yen	(13.9 billion yen)

In the Enterprise business, sales were 300.7 billion yen, an increase of 30.2 billion yen (11.2%) year-on-year, mainly due to increased sales from large-scale projects for the retail/services sector and manufacturing industries.

Operating income (loss) improved by 13.9 billion yen year-on-year, to an operating income of 22.2 billion yen, mainly owing to increased sales and the improved profitability of system construction services.

Telecom Carrier Business

Sales:	698.9 billion yen	(-5.6%)
Operating Income (Loss):	45.6 billion yen	(-16.4 billion yen)

In the Telecom Carrier business, sales were 698.9 billion yen, a decrease of 41.2 billion yen (-5.6%) year-on-year, mainly due to decreased domestic sales, despite increased international sales of submarine cable systems and Telecom Operations and Management Solutions (TOMS).

Operating income (loss) worsened by 16.4 billion yen year-on-year, to an operating income of 45.6 billion yen, mainly due to decreased sales and loss-making international projects.

System Platform Business

Sales:	728.5 billion yen	(-0.0%)
Operating Income (Loss):	37.5 billion yen	(6.1 billion yen)

In the System Platform business, sales were 728.5 billion yen, almost remaining flat year-on-year, mainly due to decreased maintenance service sales, despite increased sales in hardware.

Operating income (loss) improved by 6.1 billion yen year-on-year, to an operating income of 37.5 billion yen, mainly due to improved profitability in hardware.

Others

Sales:	326.2 billion yen	(-12.8%)
Operating Income (Loss):	-8.9 billion yen	(-12.9 billion yen)

In Others, sales were 326.2 billion yen, a decrease of 47.9 billion yen (-12.8%) year-on-year, mainly due to decreased Smart Energy business, a decline in mobile phone shipments and the logistics services business no longer being consolidated.

Operating income (loss) worsened by 12.9 billion yen year-on-year, to an operating loss of 8.9 billion yen, mainly owing to decreased sales.

2. Consolidated Financial Condition

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

Total assets were 2,493.4 billion yen as of March 31, 2016, a decrease of 127.2 billion yen as compared with the end of the previous fiscal year. Current assets as of March 31, 2016 decreased by 49.5 billion yen compared with the end of the previous fiscal year to 1,527.3 billion yen, mainly due to the collection of accounts receivable-trade. Noncurrent assets as of March 31, 2016 decreased by 77.7 billion yen compared with the end of the previous fiscal year to 966.2 billion yen, mainly due to decreased net defined benefit assets and goodwill.

Total liabilities as of March 31, 2016 decreased by 95.5 billion yen compared with the end of the previous fiscal year, to 1,640.9 billion yen. This was mainly due to a decrease in notes and accounts payable-trade and interest-bearing debt. The balance of interest-bearing debt amounted to 481.0 billion yen, a decrease of 39.8 billion yen as compared with the end of the previous fiscal year. The debt-equity ratio as of March 31, 2016 was 0.61 (an improvement of 0.02 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of March 31, 2016, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 288.7 billion yen, a decrease of 51.0 billion yen as compared with the end of the previous fiscal year. The net debt-equity ratio as of March 31, 2016 was 0.36 (an improvement of 0.05 points as compared with the end of the previous fiscal year).

Total net assets were 852.5 billion yen as of March 31, 2016, a decrease of 31.7 billion yen as compared with the end of the previous fiscal year, mainly due to decreased accumulated adjustment for employee retirement benefits and foreign currency translation adjustments, despite the recording of profit attributable to the owners of the parent.

As a result, the owner's equity as of March 31, 2016 was 792.1 billion yen and owner's equity ratio was 31.8% (an improvement of 0.4 points as compared with the end of the previous fiscal year).

Net cash inflows from operating activities for the fiscal year ended March 31, 2016 were 97.8 billion yen, an improvement of 9.9 billion yen as compared with the previous fiscal year, mainly due to improved working capital.

Net cash outflows from investing activities for the fiscal year ended March 31, 2016 were 32.2 billion yen, a decrease of 15.3 billion yen as compared with the previous fiscal year. This was mainly due to decreased outflows for business acquisitions.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the fiscal year ended March 31, 2016 totaled a cash inflow of 65.6 billion yen, an improvement of 25.2 billion yen year-on-year.

Net cash flows from financing activities for the fiscal year ended March 31, 2016 totaled a cash outflow of 50.1 billion yen, mainly due to outflow for the redemption of bonds and payment of dividends, despite the procurement of capital from the issuance of bonds.

As a result, cash and cash equivalents as of March 31, 2016 amounted to 192.3 billion yen, an increase of 11.2 billion yen as compared with the end of the previous fiscal year.

(2) Changes in cash flows related indices

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Owner's equity ratio	27.8%	31.4%	31.8%
Owner's equity ratio on market value basis	32.9%	35.0%	29.5%
Interest-bearing debt to cash flows ratio	6.3 times	6.2 times	5.1 times
Interest coverage ratio	9.4 times	8.7 times	10.0 times

Calculation methods for the above indices:

Owner's equity ratio:

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

Owner's equity ratio on market value basis:

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

Interest-bearing debt to cash flows 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. Voluntary adoption of IFRS, International Financial Reporting Standards

Upon adoption of IFRS, in the fiscal year ending March, 2017, the Company's consolidated statements of operations were prepared with required adjustments made to the consolidated financial statements prepared under the Japanese GAAP.

Note: Fiscal 2015 IFRS figures are currently not audited and subject to change upon audit completion during fiscal 2016.

Major differences between the Japanese GAAP and IFRS, with significant effects on the Company's consolidated statements of operations, are as follows:

FY 2015 Consolidated Statements of Operations

(In billions of yen)

	J-GAAP (FY 2015)						IFRS (FY 2015)
		Goodwill	Pension Costs	Reclassi- fication	Others	Total	
Net Sales	2,821.2				3.7	3.7	2,824.8
Operating Income (loss) (% to Net Sales)	107.3 (3.8%)	10.6	(1.3)	(25.6)	0.4	(15.9)	91.4 (3.2%)
Non-operating income/(expenses)	(24.6)			24.6		24.6	
Financial income/ (expenses) (*1)		0.8	(0.1)	(3.8)	(1.8)	(4.9)	(4.9)
Extraordinary income (loss)	(4.8)			4.8		4.8	
Profit (Loss) before income tax	77.9	11.4	(1.4)		(1.4)	8.6	86.6
Profit (loss) (*2)	68.7	11.4	(1.0)		(3.2)	7.2	75.9

1) Financial income, Financial (expenses) and Equity in earnings of affiliates

2) Profit (loss) attributable to owners of the parent

Major Adjusted Items

(a) Goodwill:

Under the Japanese GAAP, goodwill is amortized on a straight-line basis over a period not exceeding 20 years, whereas under IFRS, goodwill is not amortized on a regular basis.

(b) Pension costs:

Under the Japanese GAAP, actuarial gains and losses are amortized on a straight-line basis over a fixed period, and the expected rate of return on pension plan assets is determined in consideration of such factors as the current and expected long-term investment returns for each category of the plan assets.

By contrast, under IFRS, actuarial gains and losses are not amortized and the same value is given to both the expected rate of return and discount rate for post-employment benefit obligations.

(c) Reclassification presentation:

Under the Japanese GAAP, items such as provision for contingent loss are classified as non-operating income and expenses, and items such as impairment loss are classified as extraordinary income and loss. On the other hand, under IFRS, all items are included in operating income except for financial income and expenses and equity in earnings/losses of affiliates.

(d) Others:

With respect to accounting for finance lease by lessor, under the Japanese GAAP, net sales and cost of sales are recorded upon receipt of lease payments, whereas under IFRS, net sales and cost of sales of leased assets are recorded at inception of the lease.

In addition, regarding sales with repurchase agreement, under the Japanese GAAP, net sales and cost of sales are recorded upon delivery of products and, to provide for potential future losses at the time of repurchase, a provision for loss on repurchases is recorded using the amount of expected losses on repurchases based on historical data. On the other hand, under IFRS, the transactions are accounted for as operating leases.

Results by main business segment

Sales by segment (sales to external customers):

(In billions of yen)

	J-GAAP	IFRS	Difference
Public	766.8	771.6	4.8
Enterprise	300.7	300.3	-0.4
Telecom Carrier	698.9	697.5	-1.4
System Platform	728.5	728.6	0.0
Others	326.2	326.8	0.6
Total	2,821.2	2,824.8	3.7

Operating income (loss) by segment:

(In billions of yen)

	J-GAAP	IFRS	Difference
Public	57.5	57.3	-0.2
Enterprise	22.2	23.9	1.7
Telecom Carrier	45.6	46.5	1.0
System Platform	37.5	31.7	-5.8
Others	(8.9)	(18.2)	-9.3
Adjustment	(46.7)	(49.8)	-3.2
Total	107.3	91.4	-15.9

4. Fundamental Policy on Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2016 and the Fiscal Year Ending March 31, 2017

NEC's commitment to shareholder returns includes comprehensive consideration for the profit status of each period in addition to future capital requirements and the execution of business operations with an emphasis on capital efficiency, while regarding investment in growth areas and the enhancement of its financial base as being tied to the creation of long-term corporate value.

Since profit (loss) attributable to owners of the parent for the fiscal year ended March 31, 2016 was in line with expectations, NEC declared an annual dividend of 6 yen per share of common stock, the same value as announced at the beginning of the fiscal year.

For the fiscal year ending March 31, 2017, NEC plans for an annual dividend of 6 yen per share of common stock, while no interim dividend will be paid.

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

5. Risk Factors

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

(1) Risks related to economic conditions and financial markets

<1> Influence of economic conditions

The NEC Group's business is dependent, to a significant extent, on the Japanese market. The NEC Group's consolidated net sales to customers in Japan accounted for 78.6% of its total net sales in the fiscal year ended March 31, 2016. The deterioration of economic conditions in Japan in the future could have a material adverse effect on the results of operations and the financial position of the NEC Group.

Moreover, the NEC Group's business is also influenced by the economic conditions of countries and regions including Asia, Europe and the United States in which the NEC Group operates its business.

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

<2> Volatile nature of markets

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

<3> Fluctuations in foreign currency exchange and interest rate

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

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

(2) Risks related to the NEC Group's Management Policy

<1> Finance and profit fluctuations

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

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

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

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

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

<2> Acquisitions and other business combinations and reorganizations

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

- The NEC Group may be unable to realize the growth opportunities, improvement of its financial position, investment effect and other expected benefits by these acquisitions, business combinations and reorganizations in the expected time period or at all;
- The planned transactions may not be completed as scheduled or at all due to legal or regulatory requirements or contractual and other conditions to which such transactions are subject;
- Unanticipated problems could also arise in the integration process, including unanticipated restructuring or integration expenses and liabilities, as well as delays or other difficulties in coordinating, consolidating and integrating personnel, information and management systems, and customer products and services;

- The combined or reorganized entities may not be able to retain existing customers and strategic partners to the extent that they wish to diversify their suppliers for cost and risk management and other purposes;
- The combined or reorganized entities may require additional financial support from the NEC Group;
- The diversion of management and key employees' attention may detract from the NEC Group's ability to increase revenues and minimize costs;
- The goodwill and other intangible assets arising from the acquisitions and business reorganizations are subject to amortization and impairment charges;
- NEC Group's investments in the combined or reorganized entities are subject to valuation and other losses; and
- The transactions may result in other unanticipated adverse consequences.

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

<3> Alliance with strategic partners

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

<4> Expansion of global business

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

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

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

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

(3) Risks related to the NEC Group's business and operations

<1> Technological advances and response to customer needs

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

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

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

The NEC Group seeks to form and enhance alliances and partnerships with other companies to develop and commercialize technologies that will become industry standards for the products that it currently sells and plans to sell in the future. The NEC Group spends significant financial, human and other resources on developing and commercializing such technologies. The NEC Group may not, however, succeed in developing or commercializing such standard-setting technologies if its competitors' technologies are accepted as industry standards. In such a 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. These undetected errors could make the NEC Group liable for damages incurred by its customers.

<2> Production process

The markets in which the NEC Group operates are characterized by the introduction of products with short life cycles in a rapidly changing technological environment. Production processes of electronics products are highly complex, require advanced and costly manufacturing facilities, and must continuously be modified to improve efficiency and performance. Production difficulties or inefficiencies might affect profitability or interrupt production, and the NEC Group may not be able to deliver products on time in a cost-effective

and competitive manner. If production is interrupted, the NEC Group may not be able to shift production to other facilities quickly, and customers may purchase products from other suppliers. The resulting shortage of manufacturing capacity for some products could adversely affect the NEC Group's ability to compete. The resulting reductions in revenues could be significant.

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

<3> Defects in products and services

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

In order to prevent the defects of products and services or 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 of 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 unprofitable projects could hurt the NEC Group's business, results of operations and financial condition.

<4> Material procurement

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

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

<5> Intellectual property rights

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

<6> Intellectual property licenses owned by third parties

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

<7> Intense competition

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

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

The NEC Group sells products and services to some of its current and potential competitors. For example, the NEC Group receives orders from, and provides solutions to, competitors that

further integrate or otherwise use its solutions for large projects for which such competitors are engaged as the primary solutions provider. If these competitors cease to use the NEC Group's solutions for such large projects for competitive or other reasons, the NEC Group's business could be harmed.

<8> Dependence on certain key customers

The NEC Group's business, results of operations and financial condition may be adversely affected if certain key customers such as the NTT group, reduce their level of capital expenditures or current procurement or shift their investment focus as a result of such factors as significant business or financial problems.

<9> Risks related to customers' financial difficulties

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

<10> Retention of personnel

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

<11> Financing

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

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

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

<1> Internal control

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

If the NEC Group identifies a material weakness in its internal control systems, the NEC Group may incur significant additional costs for remedying such weakness. Despite the 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, the efforts by the NEC Group to further improve and standardize its business processes may continue to occupy significant management and human resources and the NEC Group may incur considerable financial costs.

<2> Legal proceedings

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

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

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

is subject to could require the significant involvement of senior management of the NEC Group, and may divert management attention from the NEC Group's business and operations.

<3> Laws and governmental policies

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

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

<4> Environmental laws and regulations

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

<5> Tax practice

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

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

Furthermore, the NEC Group is subject to continuous audits and examination of its income tax returns by tax authorities of various jurisdictions. The NEC Group regularly assesses the likelihood of adverse outcomes resulting from these audits and examinations to determine the adequacy of its provisions for income taxes. There can be no assurance that the outcomes of

these audits and examinations will not have an adverse effect on the NEC Group's results of operations and financial condition.

<6> Information management

The NEC Group stores a voluminous amount of personal information, including “My Number” social security and tax number information, as well as 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, improperly accessed or exposed by a cyberattack. If personal or confidential information in the NEC Group's possession about its customers or employees is leaked, improperly accessed or exposed by a cyberattack 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 Act on the Protection of Personal Information and other legal or regulatory requirements. 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.

<7> Human rights and work environment

In the countries and regions where the NEC Group operates, there is growing interest in how corporations respond to issues related to human rights and occupational safety and health. In the event that the NEC Group's business offices and/or supply chain is unable to appropriately respond to these issues, the NEC Group may be faced with criticism from a range of stakeholders, including local residents, clients, consumers, shareholders, investors and human rights organizations, and it may cause the reputation and brand value of the NEC Group to be damaged.

(5) Other Risks

<1> Natural and fire disasters

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

impossible for the NEC Group to deliver products or for its suppliers to deliver components, require large expenditures to repair or replace its facilities or create delays and inefficiencies in its supply chain.

<2> Accounting policies

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

<3> Retirement benefit obligations

Changes in actuarial assumptions such as discount rates 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, there is a possibility of retirement benefit obligations and/or retirement benefit expenses increasing in the event of a future reduction in discount rates or prior service costs resulting from a change in the system.

<4> 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 Exchange Act of 1934 (the "Exchange Act"). The SEC ordered that (a) NEC cease and desist from the violations of the Exchange Act because the SEC found that certain actions violated 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," which represents the NEC Group's desired image of society and group business, as well as the "NEC Group Values" of shared behavioral principles and values that are necessary to realize the NEC Group Vision.

NEC Group Vision:

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

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

NEC Group 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 more than 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, communities 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 on ROE as a management indicator for improving profitability. The NEC Group recorded an ROE of 8.5% under Japanese standards in the fiscal year ended March 31, 2016, but aims for an ROE of 10% (IFRS) in the fiscal year ending March 31, 2019 through its "Mid-term Management Plan 2018."

3. Middle and Long Term Management Strategy

In April 2016, the NEC Group established a "Mid-term Management Plan 2018," featuring mid-term management policies that include (1) a profit structure rebuilding plan, and (2) a return to growth. The NEC Group aims to expand business and improve profitability by transitioning to a "social value innovator" and establishing a globally competitive growth base.

4. Challenges to be Addressed by the NEC Group

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

In the three year "Mid-term Management Plan 2015" announced in April 2013, the NEC Group put forth a mid-term management policy consisting of (1) the Focus on Solutions for Society, (2) the Focus on Asia, Promotion of "Locally-led" Business, and (3) the goal to Stabilize Our Financial Foundation. However, in the fiscal year of 2015, with the exception of net income, the NEC Group was not able to achieve the performance targets of the Mid-term Management Plan. NEC recognizes that this is mainly due to challenges that include (1) insufficient ability to execute the start of new businesses, such as SDN and Smart Energy, (2) delays in business expansion and lack of revenues in relation to international business, and (3) falling behind in the structural improvement of earnings in response to a decline in existing business.

Based on this situation, in April 2016 the NEC Group formulated the "Mid-term Management Plan 2018" consisting of (1) an earnings structure rebuilding plan, and (2) a plan for returning to growth.

1) Earnings structure rebuilding plan

The NEC Group aims to establish an earnings structure for realizing a 5% operating income. First, in order to address struggling businesses and unprofitable projects, the NEC group will restructure the Smart Energy business and reinforce project management strength as part of suppressing losses from unprofitable projects. Moreover, the NEC Group will promote the acceleration of operational reform projects through streamlining staff operations/expenses and IT expenses, as well as the optimization of the development and production of hardware and software as part of creating a management base for supporting the group's competitive strength.

2) Returning to growth

The NEC Group aims to drive the globalization of its Social Solutions business. Specifically, in order to achieve business expansion, the NEC Group has defined safety business (surveillance, cyber security), global carrier network business (TOMS (Telecom Operations and Management Solutions), SDN/NFV) and the retail IT service business as its core business areas, and concentrates resources on these potentially growing areas.

The NEC Group regards compliance as one of the most important management issues and has been continuing its comprehensive observation of compliance. However, during the fiscal year of 2014 with respect to transactions for wireless digital emergency firefighting equipment, and during the fiscal year of 2015 with respect to transactions for telecommunications equipment for electric power systems with Tokyo Electric Power Company and Chubu Electric Power Co., Inc. respectively, the Japan Fair Trade Commission carried out on-site inspections on suspicions that NEC violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the commission's investigation is continuing. NEC places great importance on these issues and is fully cooperating with the commission's investigation. The NEC Group makes every effort

to closely observe compliance and to continuously establish and implement its internal control system.

The NEC Group will devote its full attention to implementing these measures as part of its efforts to contribute to the safety, security, efficiency and equality of society and to accelerate its growth and transformation to a "social value innovator."

Basic Rationale for Selection of Accounting Standards

The NEC Group made the decision of the voluntary adoption of International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2017 to enhance the international comparability of its financial information in capital markets.

Consolidated Balance Sheets

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

	March 31, 2015		March 31, 2016		March 31, 2016
Current assets	JPY 1,576,785		JPY 1,527,259		\$13,636
Cash and deposits	159,764		168,636		1,506
Notes and accounts receivable-trade	928,367		874,496		7,808
Short-term investment securities	23,340		25,505		228
Merchandise and finished goods	*5 88,301	*5	72,937		651
Work in process	*5 101,989	*5	102,443		915
Raw materials and supplies	*5 50,856		52,679		470
Deferred tax assets	65,351		79,418		709
Other	163,968		157,982		1,410
Allowance for doubtful accounts	(5,151)		(6,837)		(61)
Noncurrent assets	1,043,867		966,182		8,627
Property, plant and equipment	338,115		331,794		2,962
Buildings and structures, net	*1,2 172,177	*1,2	168,001		1,500
Machinery and equipment, net	*1 20,189	*1	19,516		174
Tools, furniture and fixtures, net	*1 67,643	*1	66,265		592
Land	*2 57,787	*2	57,189		511
Construction in progress	20,319		20,823		185
Intangible assets	188,409		157,671		1,408
Goodwill	66,985		46,123		412
Software	94,194		89,358		798
Other	27,230		22,190		198
Investments and other assets	517,343		476,717		4,257
Investment securities	157,078		143,116		1,278
Stocks of subsidiaries and affiliates	*3 90,153	*3	91,626		818
Long-term loans receivable	39,424		37,271		333
Deferred tax assets	85,114		114,316		1,021
Net defined benefit asset	74,622		23,634		211
Other	75,452		70,830		632
Allowance for doubtful accounts	(4,500)		(4,076)		(36)
Total assets	JPY 2,620,652		JPY 2,493,441		\$22,263

Note:

U.S. dollar amounts are translated from yen, for convenience of the reader, at the rate of ¥112 = U.S.\$1 .

Consolidated Balance Sheets (Continued)

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

	March 31, 2015		March 31, 2016	March 31, 2016
Current liabilities	JPY 1,069,548		JPY 1,012,042	\$9,036
Notes and accounts payable-trade	466,677		415,427	3,709
Short-term loans payable	*2 28,988	*2	40,102	358
Current portion of long-term loans payable	*2 14,407		105,354	941
Current portion of bonds payable	90,000		10,000	89
Accrued expenses	169,070		155,240	1,386
Advances received	122,714		119,675	1,069
Provision for product warranties	17,031		14,016	125
Provision for directors' bonuses	331		251	2
Provision for loss on construction contracts and others	5,596		7,429	66
Provision for business structure improvement	8,627		3,921	35
Provision for contingent loss	13,526		12,018	107
Other	132,581		128,609	1,149
Noncurrent liabilities	666,912		628,906	5,615
Bonds payable	50,000		90,000	804
Long-term loans payable	*2 332,404		229,897	2,053
Deferred tax liabilities	2,410		1,891	17
Provision for product warranties	2,943		2,348	21
Provision for loss on repurchase of computers	6,445		4,758	42
Provision for business structure improvement	5,867		2,944	26
Provision for contingent loss	5,480		7,179	64
Net defined benefit liability	228,686		258,632	2,309
Other	32,677		31,257	279
Total liabilities	1,736,460		1,640,948	14,651
Shareholders' equity	749,889		808,560	7,220
Capital stock	397,199		397,199	3,546
Capital surplus	148,694		149,034	1,331
Retained earnings	207,021		265,404	2,370
Treasury stock	(3,025)		(3,077)	(27)
Accumulated other comprehensive income	73,761		(16,468)	(147)
Valuation difference on available-for-sale securities	47,385		36,710	328
Deferred gains or losses on hedges	(271)		(1,525)	(14)
Foreign currency translation adjustments	12,795		(1,175)	(10)
Remeasurements of defined benefit plans	13,852		(50,478)	(451)
Non-controlling interests	60,542		60,401	539
Total net assets	884,192		852,493	7,612
Total liabilities and net assets	JPY 2,620,652		JPY 2,493,441	\$22,263

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

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

Fiscal year ended March 31	2015	2016	2016
Net sales	JPY 2,935,517	JPY 2,821,181	\$25,189
Cost of sales	2,039,499	1,978,757	17,667
Gross profit	896,018	842,424	7,522
Selling, general and administrative expenses	767,934	735,118	6,564
Operating income	128,084	107,306	958
Non-operating income	26,492	17,976	161
Interest income	1,960	1,673	15
Dividends income	3,698	4,243	38
Equity in earnings of affiliates	8,126	4,562	41
Foreign exchange gains	4,468	—	—
Other	8,240	7,498	67
Non-operating expenses	42,464	42,547	380
Interest expenses	10,066	9,760	87
Foreign exchange losses	—	8,482	76
Settlement package and Compensation for damage	2,554	7,220	65
Provision for contingent loss	5,872	4,745	42
Retirement benefit expenses	10,357	—	—
Other	13,615	12,340	110
Ordinary income	112,112	82,735	739
Extraordinary income	7,801	6,095	54
Gain on sales of investment securities	2,216	4,977	44
Gain on sales of subsidiaries and affiliates' stocks	*2 1,706	673	6
Gain on sales of noncurrent assets	*1 3,276	445	4
Gain on transfer of business	603	—	—
Extraordinary loss	23,176	10,908	97
Impairment loss	*4 8,932	10,645	95
Loss on sales of shares of subsidiaries and associates	—	138	1
Loss on valuation of investment securities	1,044	104	1
Loss on sales of investment securities	10	21	0
Business structure improvement expenses	*3 11,849	—	—
Loss on sales of noncurrent assets	672	—	—
Loss on exchange from business combination	669	—	—
Income before income taxes	96,737	77,922	696
Income taxes	40,812	3,883	35
Income taxes - current	31,868	20,085	179
Income taxes - deferred	8,944	(16,202)	(144)
Profit(loss)	55,925	74,039	661
Profit(loss) attributable to non-controlling interests	(1,377)	5,290	47
Profit(loss) attributable to owners of the parent	JPY 57,302	JPY 68,749	\$614

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Continued)**Consolidated Statements of Comprehensive Income**

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

Fiscal year ended March 31	2015	2016	2016
Profit(loss)	JPY 55,925	JPY 74,039	\$661
Other comprehensive income	106,681	(92,040)	(822)
Valuation difference on available-for-sale securities	12,028	(10,418)	(93)
Deferred gains or losses on hedges	674	(30)	(0)
Foreign currency translation adjustments	11,218	(11,798)	(105)
Remeasurements of defined benefit plans	78,611	(63,674)	(569)
Share of other comprehensive income of associates accounted for using equity method	4,150	(6,120)	(55)
Comprehensive income	JPY 162,606	(JPY 18,001)	(\$ 161)

Breakdown:

Comprehensive income (loss) attributable to owners of the parent	JPY 160,309	(JPY 21,480)	(\$ 192)
Comprehensive income (loss) attributable to non-controlling interests	2,297	3,479	31

Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2015

(In millions of yen)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock		
Balance at the beginning of current period	397,199	148,402	182,570	(2,976)		725,195
Cumulative effects of changes in accounting policies			(22,458)			(22,458)
Restated balance	397,199	148,402	160,112	(2,976)		702,737
Changes of items during the period						
Dividends from surplus			(10,393)			(10,393)
Net income			57,302			57,302
Purchase of treasury stock				(54)		(54)
Disposal of treasury stock		(2)		5		3
Other		294				294
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	292	46,909	(49)		47,152
Balance at the end of current period	397,199	148,694	207,021	(3,025)		749,889

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	34,292	(1,359)	(1,521)	(60,658)	(29,246)	71,714	767,663
Cumulative effects of changes in accounting policies						(1,608)	(24,066)
Restated balance	34,292	(1,359)	(1,521)	(60,658)	(29,246)	70,106	743,597
Changes of items during the period							
Dividends from surplus							(10,393)
Net income							57,302
Purchase of treasury stock							(54)
Disposal of treasury stock							3
Other							294
Net changes of items other than shareholders' equity	13,093	1,088	14,316	74,510	103,007	(9,564)	93,443
Total changes of items during the period	13,093	1,088	14,316	74,510	103,007	(9,564)	140,595
Balance at the end of current period	47,385	(271)	12,795	13,852	73,761	60,542	884,192

Consolidated Statements of Changes in Net Assets (Continued)

Fiscal year ended March 31, 2016

(In millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	397,199	148,694	207,021	(3,025)	749,889
Changes of items during the period					
Dividends from surplus			(10,396)		(10,396)
Profit (loss) attributable to owners of the parent			68,749		68,749
Purchase of treasury stock				(56)	(56)
Disposal of treasury stock		(2)		4	2
Change in treasury shares of parent arising from transactions with non-controlling shareholders		342			342
Change of scope of equity method			30		30
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	340	58,383	(52)	58,671
Balance at the end of current period	397,199	149,034	265,404	(3,077)	808,560

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	47,385	(271)	12,795	13,852	73,761	60,542	884,192
Changes of items during the period							
Dividends from surplus							(10,396)
Profit (loss) attributable to owners of the parent							68,749
Purchase of treasury stock							(56)
Disposal of treasury stock							2
Change in treasury shares of parent arising from transactions with non-controlling shareholders							342
Change of scope of equity method							30
Net changes of items other than shareholders' equity	(10,675)	(1,254)	(13,970)	(64,330)	(90,229)	(141)	(90,370)
Total changes of items during the period	(10,675)	(1,254)	(13,970)	(64,330)	(90,229)	(141)	(31,699)
Balance at the end of current period	36,710	(1,525)	(1,175)	(50,478)	(16,468)	60,401	852,493

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	3,546	1,328	1,849	(27)	6,696
Changes of items during the period					
Dividends from surplus			(93)		(93)
Profit (loss) attributable to owners of the parent			614		614
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		0	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders		3			3
Change of scope of equity method			0		0
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	3	521	(0)	524
Balance at the end of current period	3,546	1,331	2,370	(27)	7,220

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	423	(3)	115	123	658	540	7,894
Changes of items during the period							
Dividends from surplus							(93)
Profit (loss) attributable to owners of the parent							614
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Change in treasury shares of parent arising from transactions with non-controlling shareholders							3
Change of scope of equity method							0
Net changes of items other than shareholders' equity	(95)	(11)	(125)	(574)	(805)	(1)	(806)
Total changes of items during the period	(95)	(11)	(125)	(574)	(805)	(1)	(282)
Balance at the end of current period	328	(14)	(10)	(451)	(147)	539	7,612

Condensed Consolidated Statements of Cash Flows

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

Fiscal year ended March 31	2015	2016	2016
I. Cash flows from operating activities:			
Income before income taxes	JPY 96,737	JPY 77,922	\$696
Depreciation and amortization	78,717	73,026	652
Equity in earnings of affiliates	(8,126)	(4,562)	(41)
Decrease (increase) in notes and accounts receivable -trade	(74,822)	43,771	391
Decrease (increase) in inventories	(21,830)	7,693	69
Increase (decrease) in notes and accounts payable- trade	16,668	(44,723)	(399)
Income taxes paid	(34,395)	(25,391)	(227)
Others, net	34,968	(29,907)	(268)
Net cash provided by operating activities	87,917	97,829	873
II. Cash flows from investing activities:			
Net proceeds from (payments of) acquisitions and sales of property, plant and equipment	(28,671)	(29,776)	(266)
Purchase of intangible assets	(8,974)	(8,316)	(74)
Net proceeds from (payments of) purchases and sales of securities	(13,628)	2,755	25
Others, net	3,763	3,135	27
Net cash used in investing activities	(47,510)	(32,202)	(288)
III. Cash flows from financing activities:			
Net proceeds from (payments of) bonds and borrowings	(59,333)	(36,978)	(330)
Cash dividends paid	(10,358)	(10,368)	(93)
Others, net	(2,336)	(2,736)	(24)
Net cash used in financing activities	(72,027)	(50,082)	(447)
IV. Effect of exchange rate changes on cash and cash equivalents	6,115	(4,354)	(38)
V. Net increase (decrease) in cash and cash equivalents	(25,505)	11,191	100
VI. Cash and cash equivalents at beginning of period	206,637	181,132	1,617
VII. Cash and cash equivalents at end of period	*1 JPY 181,132	*1 JPY 192,323	\$1,717

Notes to Consolidated Financial Statements

Changes in Accounting Policy

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

From the beginning of the fiscal year ended March 31, 2016, the NEC Group has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), and other applicable standards. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to record as capital surplus, and the method of recording acquisition-related costs has been changed to recognize as period expenses for the fiscal year in which they are incurred. Furthermore, for business combinations that are carried out on or after the beginning of the fiscal year ended March 31, 2016, the accounting method has been changed to an adjusted acquisition cost allocation updated from the tentative accounting treatment and is reflected in the consolidated financial statements for the fiscal year in which the business combination occurs.

In addition, the change in the presentation method of net income (loss) and minority interests to non-controlling interests have been applied from the fiscal year ended March 31, 2016. To reflect these changes, consolidated statements of operations and consolidated balance sheets for the previous fiscal year have been reclassified.

Application of the Accounting Standard for Business Combinations and other applicable standards is in line with the transitional measures that are provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and is effective from the beginning of the fiscal year ended March 31, 2016.

As a result, there is no significant impact on operating income (loss), ordinary income (loss), and income (loss) before income taxes for the fiscal year ended March 31, 2016, and there is no significant impact on capital surplus for the fiscal year ended March 31, 2016.

Also from this fiscal year, disbursements for acquisitions or proceeds from sales of shares of subsidiaries without change of scope of consolidation have been presented in cash flows from financing activities, and cash out flows from acquisition related costs for acquisitions of shares of subsidiaries with change of scope of consolidation and cash out flows from acquisition or sale related costs for shares of subsidiaries without change of scope of consolidation have been presented in cash flows from operating activities on consolidated statements of cash flows.

The impact on per share information is shown in the corresponding section.

Changes in Presentation Method

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Consolidated Statements of Operations)

1. "Subsidy income" under non-operating income, presented separately in the previous fiscal year, is included in "Other" under non-operating income in the current fiscal year since the amount has become insignificant. The amount of "Subsidy income" included in "Other" under non-operating income is 737 million yen for the current fiscal year. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in method of presentation.

As a result, 2,361 million yen presented as "Subsidy income" and 5,879 million yen as "Other" under non-operating income in the consolidated statements of operations for the previous fiscal year is restated to present 8,240 million yen as "Other".

2. "Settlement package and Compensation for damage" included in "Other" under non-operating expenses in the previous fiscal year, is presented separately in the current fiscal year since the amount has become significant. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in method of presentation.

As a result, 16,169 million yen presented as "Other" under non-operating expenses in the consolidated statements of operations for the previous fiscal year is restated to present 2,554 million yen as "Settlement package and Compensation for damage" and 13,615 million yen as "Other".

Notes to Consolidated Balance Sheets

*1. Accumulated depreciation of property, plant and equipment

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Accumulated depreciation of property, plant and equipment	724,049	723,135

*2. Assets pledged as and debt secured by collateral

Balances - assets pledged as collateral

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Buildings and structures, net	212	198
Land	3,579	3,417
Others	436	550
Total	4,227	4,165

Balances - debt secured by collateral

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Short-term loans payable	281	1,081
Long-term loans payable	200	-
Others	46	58
Total	527	1,139

*3. Notes with relate to non-consolidated subsidiaries and affiliates

The investment amount for the jointly-controlled company included in stocks of subsidiaries and affiliates

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Stocks of subsidiaries and affiliates	634	204

4. Contingent liabilities

Guarantees for bank loans and others

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Employees	1,020	582
Affiliates/Others	3,668	1,289
Total	4,688	1,871

*5. Net presentation of inventories and provision for loss on construction contracts and others

Inventories related to construction contracts and others which are expected to result in a loss are presented at net of provision for loss on construction contracts and others. The amounts of provision for loss on construction contracts and others which are presented at net amount of correspondent inventories are as follows:

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Merchandise and finished goods	929	133
Work in process	4,532	4,304
Raw materials and supplies	7	—
Total	5,468	4,437

Notes to Consolidated Statements of Operations

- *1. Gain on sales of noncurrent assets
Due to sales of buildings, land and others.
- *2. Gain on sales of subsidiaries and affiliates' stocks
For the fiscal year ended March 31, 2015, mainly due to sales of stocks of Nittsu NEC Logistics, Ltd.
- *3. Business structure improvement expenses
For the fiscal year ended March 31, 2015, mainly for early retirement of employees due to business restructuring.
- *4. Impairment loss

(1) Summary of assets or asset groups for which impairment losses were recognized

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

Use	Type	Location
Assets for business use	<ul style="list-style-type: none"> ▪ Tools, furniture and fixtures ▪ Software ▪ Investments and other assets, and others 	Minato-ku, Tokyo, and others
Assets for business use	<ul style="list-style-type: none"> ▪ Buildings and structures ▪ Machinery and equipment ▪ Intangible assets, and others 	China
Idle assets	<ul style="list-style-type: none"> ▪ Buildings and structures ▪ Land and others 	Abiko City, Chiba Prefecture, and others
Others	<ul style="list-style-type: none"> ▪ Goodwill 	—

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

Use	Type	Location
Assets for business use	<ul style="list-style-type: none"> ▪ Tools, furniture and fixtures ▪ Software ▪ Investments and other assets, and others 	Kawasaki City, Kanagawa Prefecture, and others
Idle assets	<ul style="list-style-type: none"> ▪ Land 	Sunto County, Shizuoka Prefecture, and others
Others	<ul style="list-style-type: none"> ▪ Goodwill 	—

(2) Background to the recognition of impairment loss

Investments in certain fixed assets for business use and goodwill were not expected to be recoverable due to lower profitability of assets for business use and market value declines of idle assets.

Therefore the Company and its consolidated subsidiaries recognized impairment loss as extraordinary loss.

(3) Amounts of impairment loss

(In millions of yen)

Items	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Buildings and structures	1,994	244
Machinery and equipment	1,005	385
Tools, furniture and fixtures	306	845
Land	198	76
Construction in progress	5	49
Goodwill	3,031	6,703
Software	1,896	1,430
Intangible assets-other	251	57
Investments and other assets-other	246	856
Total	8,932	10,645

(4) Method for grouping assets

In principle, assets for business use are grouped based on business units and managerial accounting segments. Idle assets are grouped into a single asset group.

(5) Measurement of recoverable amounts

The higher of the net realizable value and value in use is used for the recoverable amounts of fixed assets for business use and goodwill. Net realizable value is used for the recoverable amounts of idle assets.

Net realizable value is estimated based on the assessed value for list of land prices, etc. The value in use is assessed at 1 yen in case the total of future cash flow is a negative amount.

Notes to Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of April 1, 2014	Increase	Decrease	Number of shares as of March 31, 2015
Common stock	2,604,733	-	-	2,604,733

Reasons for the change

Not applicable

2 Dividends

(1) Payment of dividends

Resolution	Class of stock	Total dividends (In millions of yen)	Dividends per share (In yen)	Record date	Effective date
Meeting of Board of Directors held on April 28, 2014	Common stock	10,396	4	March 31, 2014	June 2, 2014

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

Resolution	Class of stock	Total dividends (In millions of yen)	Resource of dividends	Dividends per share (In yen)	Record date	Effective date
Meeting of Board of Directors held on April 28, 2015	Common stock	10,396	Retained earnings	4	March 31, 2015	June 1, 2015

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

1 Stocks, issued

(In thousands of shares)

Class of stock	Number of shares as of April 1, 2015	Increase	Decrease	Number of shares as of March 31, 2016
Common stock	2,604,733	-	-	2,604,733

Reasons for the change

Not applicable

2 Dividends

(1) Payment of dividends

Resolution	Class of stock	Total dividends (In millions of yen)	Dividends per share (In yen)	Record date	Effective date
Meeting of Board of Directors held on April 28, 2015	Common stock	10,396	4	March 31, 2015	June 1, 2015

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

Resolution	Class of stock	Total dividends (In millions of yen)	Resource of dividends	Dividends per share (In yen)	Record date	Effective date
Meeting of Board of Directors held on April 28, 2016	Common stock	15,592	Retained earnings	6	March 31, 2016	June 1, 2016

Notes to Consolidated Statements of Cash Flows

*1. Reconciliation of cash and cash equivalents from the accounts recorded in consolidated balance sheets

(In millions of yen)

Items	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Cash and deposits	159,764	168,636
Short-term investment securities	23,340	25,505
Time deposits and Short-term investment securities with maturities of more than three months	(1,972)	(1,818)
Cash and cash equivalents	181,132	192,323

Segment Information

[Segment information]

1. Outline of reportable segments

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

The Company consists of segments that are identified in terms of products, services and markets based on business units. The company has four reportable segments: the Public, Enterprise, Telecom Carrier, and System Platform businesses.

The contents of the reportable segments are as follows:

Public business

This segment mainly renders System Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment for Government, Public, Healthcare, Finance and Media.

Enterprise business

This segment mainly renders System Integration (Systems Implementation, Consulting), Maintenance and Support, and Outsourcing / Cloud Services for Manufacturing, Retail and Services.

Telecom Carrier business

This segment mainly renders Network Infrastructure (Core Network, Mobile Phone Base Stations, Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Optical Transmission Systems, Routers / Switches, Mobile Backhaul ("PASOLINK")), and Services & Management (Telecom Operations and Management Solutions (TOMS), Services / Solutions) for Telecom Carriers.

System Platform business

This segment mainly renders Hardware (Servers, Mainframes, Supercomputers, Storage, Business PCs, Tablet Devices, POS, ATMs, Control Equipment, Wireless LAN Routers, Displays, Projectors), Software (Integrated Operation Management, Application Servers, Security, Database Software), Enterprise Network Solutions (IP Telephony Systems, WAN / Wireless Access Equipment, LAN Products), and Services (Data Center Infrastructure, Maintenance and Support).

2. Basis of measurement for reportable segment sales and segment income (loss)

Segment income (loss) is based on operating income (loss). Intersegment sales and transfers are based on arm's length price.

Segment Information (Continued)

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

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Sales								
1. Sales to customers	821,860	270,508	740,150	728,854	2,561,372	374,145	-	2,935,517
2. Intersegment Sales and transfers	52,170	5,088	20,246	65,290	142,794	32,423	(175,217)	-
Total sales	874,030	275,596	760,396	794,144	2,704,166	406,568	(175,217)	2,935,517
Segment income (loss) (Operating income (loss))	74,759	8,301	61,964	31,404	176,428	4,023	(52,367)	128,084

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(In millions of yen)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Sales								
1. Sales to customers	766,775	300,737	698,913	728,522	2,494,947	326,234	-	2,821,181
2. Intersegment Sales and transfers	38,051	6,845	19,625	71,023	135,544	17,865	(153,409)	-
Total sales	804,826	307,582	718,538	799,545	2,630,491	344,099	(153,409)	2,821,181
Segment income (loss) (Operating income (loss))	57,529	22,220	45,568	37,522	162,839	(8,867)	(46,666)	107,306

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(In millions of U.S. dollars)

	Reportable Segments					Others	Adjustment	Consolidated total
	Public	Enterprise	Telecom Carrier	System Platform	Total			
Sales								
1. Sales to customers	6,846	2,685	6,241	6,505	22,277	2,912	-	25,189
2. Intersegment Sales and transfers	340	61	175	634	1,210	160	(1,370)	-
Total sales	7,186	2,746	6,416	7,139	23,487	3,072	(1,370)	25,189
Segment income (loss) (Operating income (loss))	514	198	407	335	1,454	(79)	(417)	958

Notes:

- "Others" for the fiscal year ended March 31, 2015 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.), Mobile Phones, which are not included in reportable segments. "Others" for the fiscal year ended March 31, 2016 represents businesses such as Smart Energy (Electrodes/Energy Storage System, Solutions for Utilities, etc.) and Mobile Phones, which are not included in reportable segments.
- "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2015 includes corporate expenses of (51,533) million yen and noncurrent assets related adjustment of (959) million yen, unallocated to each reportable segment. "Adjustment" of segment income (loss) for the fiscal year ended March 31, 2016 includes corporate expenses of (48,282) million yen ((431) million U.S. dollars) and noncurrent assets related adjustment of (573) million yen ((5) million U.S. dollars), unallocated to each reportable segment. The corporate expenses, unallocated to each reportable segment, are mainly general and administrative expenses incurred at headquarters of NEC, and research and development expenses.

Segment Information (Continued)

[Related information]

Information about geographic areas

Sales

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
2,348,673	203,873	246,382	136,589	2,935,517

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(In millions of yen)

Japan	The Americas	Greater China, APAC	EMEA	Total
2,218,012	200,549	264,196	138,424	2,821,181

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(In millions of U.S. dollars)

Japan	The Americas	Greater China, APAC	EMEA	Total
19,803	1,791	2,359	1,236	25,189

Notes:

1. Sales are classified into country or region based on the locations of customers.
2. Major regions in segments other than Japan:
 - (1)The Americas: North America and Latin America
 - (2)Greater China, APAC: Greater China and Asia Pacific (Asia, Oceania)
 - (3)EMEA: Europe, Middle East and Africa

Notes: Lease Transactions

1. Finance Leases (lessee)

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

i) Type of lease asset

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

ii) Method of depreciation

The straight-line method based on the lease period.

2. Operating leases (lessee)

Future minimum lease obligations under non-cancellable operating leases

(In millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Due within one year	14,437	14,931
Due over one year	33,906	30,785
Total	48,343	45,716

Notes: Income Taxes

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

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
(Deferred tax assets)		
Net defined benefit liability	117,948	139,558
Tax loss carry forwards	78,809	85,791
Loss on devaluation of investment securities	67,477	62,006
Accrued expenses and provision for product warranties	40,336	35,769
Loss on devaluation of inventories	30,019	27,908
Depreciation	25,311	22,292
Provision for contingent loss	6,154	5,619
Elimination of unrealized profit through intercompany transactions among consolidated companies	6,174	5,101
Provision for loss on construction contracts and others	1,816	2,155
Provision for business structure improvement	4,460	2,080
Research and development expenses	1,858	1,585
Others	88,925	46,058
Sub-total	469,287	435,922
Less: valuation allowance	(276,050)	(202,045)
Total	193,237	233,877
(Deferred tax liabilities)		
Undistributed earnings of affiliated companies	(21,843)	(22,353)
Valuation difference on available-for-sale securities	(14,318)	(10,079)
Gain on transfer of securities to the pension trust	(8,400)	(7,883)
Others	(1,801)	(2,844)
Total	(46,362)	(43,159)
Net deferred tax assets	146,875	190,718

Note:

Net deferred tax assets are included in the consolidated balance sheets as follows.

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Current assets-deferred tax assets	65,351	79,418
Noncurrent assets-deferred tax assets	85,114	114,316
Current liabilities-others	(1,180)	(1,125)
Noncurrent liabilities-deferred tax liabilities	(2,410)	(1,891)

2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate

(%)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Statutory tax rate	35.5	33.0
(Reconciliation)		
Amortization of goodwill	7.0	7.8
Equity in losses (earnings) of affiliates	(3.1)	(2.1)
Temporary difference associated with investment in affiliated companies	4.0	(2.8)
Changes in valuation allowance	(4.0)	(33.7)
Others	2.8	2.8
Effective tax rate	42.2	5.0

3. Adjustments to the amount of deferred tax assets and liabilities due to changes in the corporate tax rate

Following the enactment of the law "Partial Amendment of the Corporation Tax Act, etc." (Act No.15 of 2016) and "Partial Amendment of Local Tax Act, etc." (Act No.13 of 2016) by the Diet on March 29, 2016, revised corporation tax rate will be imposed from the consolidated fiscal years beginning on or after April 1, 2016.

Accordingly, the statutory effective tax rate to be used in calculating deferred tax assets and liabilities in the current consolidated fiscal year, will be changed from 33.0% in the previous fiscal year to 31.0% for temporary differences expected to be eliminated from the consolidated fiscal year that begins on April 1, 2016 until the consolidated fiscal year that begins on April 1, 2017, and to 30.5% for temporary differences expected to be eliminated from the consolidated fiscal year that begins on April 1, 2018.

The changes in corporate tax rates has no significant impact on deferred tax assets and income taxes-deferred for the fiscal year ended March 31, 2016.

Notes: Marketable and Investment Securities

1. Available-for-sale securities

Fiscal year ended March 31, 2015

(In millions of yen)

Description	Balance sheet value	Acquisition cost	Unrealized gains (losses)
Securities with balance sheet value exceeding acquisition cost			
(1)Stocks	110,324	46,767	63,557
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	603	600	3
(3)Others	107	45	62
Sub-total	111,034	47,412	63,622
Securities with balance sheet value not exceeding acquisition cost			
(1)Stocks	15,354	19,226	(3,872)
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	398	400	(2)
(3)Others	23,368	23,394	(26)
Sub-total	39,120	43,020	(3,900)
Total	150,154	90,432	59,722

Note:

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 24,852 million yen), Investments in limited partnerships and similar partnerships under foreign laws (balance sheet value of 5,146 million yen), and Others (balance sheet value of 266 million yen).

Fiscal year ended March 31, 2016

(In millions of yen)

Description	Balance sheet value	Acquisition cost	Unrealized gains (losses)
Securities with balance sheet value exceeding acquisition cost			
(1)Stocks	97,927	44,773	53,154
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	-	-	-
(3)Others	95	42	53
Sub-total	98,022	44,815	53,207
Securities with balance sheet value not exceeding acquisition cost			
(1)Stocks	16,053	24,273	(8,220)
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	-	-	-
(3)Others	25,529	25,554	(25)
Sub-total	41,582	49,827	(8,245)
Total	139,604	94,642	44,962

Note:

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 24,053 million yen), Investments in limited partnerships and similar partnerships under foreign laws (balance sheet value of 4,698 million yen), and Others (balance sheet value of 266 million yen).

2. Available-for-sale securities sold

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(In millions of yen)

Description	Proceeds from sales	Gross realized gains	Gross realized losses
(1)Stocks	8,728	2,216	10
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	-	-	-
(3)Others	1	-	-
Total	8,729	2,216	10

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(In millions of yen)

Description	Proceeds from sales	Gross realized gains	Gross realized losses
(1)Stocks	7,616	4,977	21
(2)Bonds			
(a)Governmental and municipal bonds	-	-	-
(b)Corporate bonds	-	-	-
(3)Others	-	-	-
Total	7,616	4,977	21

3. Impairment of available-for-sale securities

With regard to stocks included in available-for-sale securities, impairment losses of 1,044 million yen and 104 million yen were recorded for the fiscal years ended March 31, 2015 and 2016, respectively.

Notes: Accounting for Retirement Benefits

1. Overview of the retirement benefit plans

The Company and its domestic consolidated subsidiaries have the defined benefit type of the corporate pension plans, the defined contribution 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 benefit plans and defined contribution plans.

The Company and certain domestic consolidated subsidiaries apply 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 implement cash-balance plans in the defined benefit pension 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. Defined benefit plans

(1) Reconciliation of changes in Defined benefit obligations

(In millions of yen)

Items	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Defined benefit obligations at beginning of year	959,420	1,026,973
Cumulative effects of changes in accounting policies	34,907	-
Restated balance	994,327	1,026,973
Service cost	31,818	32,276
Interest cost	13,549	13,656
Actuarial gains and losses	43,143	14,603
Benefits paid	(53,534)	(55,317)
Other	(2,330)	(7,075)
Defined benefit obligations at end of year	1,026,973	1,025,116

Note:

Certain consolidated subsidiaries adopted the simplified method.

(2) Reconciliation of changes in Plan assets

(In millions of yen)

Items	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Plan assets at beginning of year	749,367	872,909
Expected return on plan assets	14,214	15,940
Actuarial gains and losses	125,468	(78,181)
Employer contributions	27,239	26,364
Benefits paid	(45,195)	(43,134)
Other	1,816	(3,780)
Plan assets at end of year	872,909	790,118

Note:

Certain consolidated subsidiaries adopted the simplified method.

(3) Reconciliation between Defined benefit obligations (Plan assets) and amounts of Net defined benefit liability (asset) recognized in the consolidated balance sheet

(In millions of yen)

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Defined benefit obligations [funded]	835,110	830,983
Plan assets	(872,909)	(790,118)
	(37,799)	40,865
Defined benefit obligations [unfunded]	191,863	194,133
Net liability (asset) recognized in the consolidated balance sheet	154,064	234,998
Net defined benefit liability	228,686	258,632
Net defined benefit asset	(74,622)	(23,634)
Net liability (asset) recognized in the consolidated balance sheet	154,064	234,998

(4) Retirement benefit expenses

(In millions of yen)

Items	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Service cost	31,818	32,276
Interest cost	13,549	13,656
Expected return on plan assets	(14,214)	(15,940)
Amortization of actuarial gains and losses	22,766	11,827
Amortization of prior service costs	(8,939)	(8,645)
Amortization of transitional obligation	10,357	-
Retirement benefit expenses	55,337	33,174

Note:

Certain consolidated subsidiaries adopted the simplified method.

(5) Remeasurements of defined benefit plans (in Other comprehensive income)

The breakdown of remeasurements of defined benefit plans in other comprehensive income (before adjusting for tax effects) is as follows:

(In millions of yen)

Items	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Prior service costs	(10,194)	(7,810)
Actuarial gains and losses	106,319	(77,816)
Transitional obligation	10,357	-
Total	106,482	(85,626)

(6) Remeasurements of defined benefit plans (in Accumulated other comprehensive income)

The breakdown of amounts recognized in remeasurements of defined benefit plans in accumulated other comprehensive income (before adjusting for tax effects) is as follows:

(In millions of yen)

Items	Fiscal year ended March31,2015	Fiscal year ended March31,2016
Unrecognized prior service costs	(35,204)	(27,394)
Unrecognized actuarial gains and losses	17,565	95,381
Total	(17,639)	67,987

(7) Plan assets

(a) Percentage by major category of plan assets

Items	Fiscal year ended March31,2015	Fiscal year ended March31,2016
Equity securities	47%	38%
Debt securities	41%	46%
Other	12%	16%
Total	100%	100%

Note:

Total plan assets include 15% for the fiscal year ended March 31, 2015 and 12% for the fiscal year ended March 31, 2016 of contribution of securities to retirement benefit trust in the corporate pension plan.

(b) Determination procedure of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the NEC Group considers the current and projected asset allocations, as well as current and future long-term rate of returns for various categories of the plan assets.

(8) Basis for calculation of actuarial assumptions

Items	Fiscal year ended March31,2015 (From April 1,2014 to March 31,2015)	Fiscal year ended March31,2016 (From April 1,2015 to March 31,2016)
Discount rate	Mainly, 1.3%	Mainly, 1.3%
Long-term expected rate of return on plan assets	Mainly, 2.5%	Mainly, 2.5%

Note:

Defined benefit plans include multi-employer pension plans in which certain consolidated subsidiaries participate.

3. Defined contribution plans

Total defined contribution expense of the Company and its consolidated subsidiaries was 7,566 million yen for the fiscal year ended March 31, 2015 and 8,064 million yen for the fiscal year ended March 31, 2016.

Notes: Per Share Information

(In yen)

Items	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Net assets per share	316.93	304.81
Basic net income per share	22.05	26.45

Notes:

1. Diluted net income per share is not disclosed as dilutive share does not exist.
2. As described in "Changes in Accounting Policy", the NEC Group has applied "Accounting Standard for Business Combinations and other applicable standards."
The impact on Net income per share is immaterial.

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

Items	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Net income per share		
Profit(loss) attributable to owners of the parent (In millions of yen)	57,302	68,749
Amounts not attributable to common shareholders (In millions of yen)	-	-
Net income attributable to common stock (In millions of yen)	57,302	68,749
The average number of common stocks outstanding during the fiscal year (In thousands of shares)	2,598,601	2,598,737

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

Items	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net assets per share		
Total net assets (In millions of yen)	884,192	852,493
Amounts deducted from total net assets (In millions of yen)	60,542	60,401
(Non-controlling interests included in the above) (In millions of yen)	(60,542)	(60,401)
Net assets at the year end attributable to common stock (In millions of yen)	823,650	792,092
Number of common stocks at the year end to calculate net assets per share (In thousands of shares)	2,598,817	2,598,674

Notes: Subsequent Events

Not applicable

Notes: Others

NEC Latin America S.A., a consolidated subsidiary of NEC, received an order from the Brazilian Tax Authorities imposing an additional withholding tax on loan receivables for previous years in the amount of approximately 367 million Brazilian Real.

Following the dismissal of the petition of objection to the order, the company brought an action to court on April 14, 2016 for revocation of the order.

Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to NEC and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- Effects of economic conditions, volatility in the markets generally, and fluctuations in foreign currency exchange and interest rate
- Trends and factors beyond the NEC Group's control and fluctuations in financial conditions and profits of the NEC Group that are caused by external factors
- Risks arising from acquisitions, business combinations and reorganizations, including the possibility that the expected benefits cannot be realized or that the transactions may result in unanticipated adverse consequences
- Developments in the NEC Group's alliances with strategic partners
- Effects of expanding the NEC Group's global business
- Risk that the NEC Group may fail to keep pace with rapid technological developments and changes in customer preferences
- Risk that the NEC Group may lose sales due to problems with the production process or due to its failure to adapt to demand fluctuations
- Defects in products and services
- Shortcomings in material procurement and increases in delivery cost
- Acquisition and protection of intellectual property rights necessary for the operation of business
- Risk that intellectual property licenses owned by third parties cannot be obtained and/or are discontinued
- Risk that the NEC Group may be exposed to unfavorable pricing environment due to intensified competition
- Risk that a major customer changes investment targets, reduces capital investment and/or reduces the value of transactions with the NEC Group
- Risk that the NEC Group may be unable to provide or facilitate payment arrangements (such as vendor financing) to its customers on terms acceptable to them or at all, or risk that the NEC Group's customers are unable to make payments on time, due to the customers' financial difficulties or otherwise
- Risk that the NEC Group may experience a substantial loss of, or an inability to attract, talented personnel
- Risk that the NEC Group's ability to access the commercial paper market or other debt markets are adversely affected due to a downgrade in its credit rating
- Risk that the NEC Group may incur large costs and/or liabilities in relation to internal control, legal proceedings, laws and governmental policies, environmental laws and regulations, tax practice, information management, and human rights and working environment
- Consequences of natural and fire disasters
- Changes in methods, estimates and judgments that the NEC Group uses in applying its accounting policies
- Risk that the NEC Group may incur liabilities and losses in relation to its retirement benefit obligations

The forward-looking statements contained in this material are based on information that NEC possesses as of the date hereof. 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 the NEC Group. NEC does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
