

Financial Results for FY 2006/3 and Financial Forecast for FY 2007/3

May 11, 2006

NEC Corporation

(<http://www.nec.co.jp/ir/en/>)

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(Note)

1. The consolidated financial statements of NEC are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
2. "Operating income" set forth above is a measure commonly used by other Japanese companies that report their financial results in accordance with generally accepted accounting financial reporting practices in Japan. "Operating income" is calculated by deducting cost of sales and selling, general and administrative expenses from net sales. Management believes this measure is useful to investors in comparing NEC's results of operations to other Japanese companies. This measure, however, should not be construed as an alternative to "income before income taxes" or "net income" as determined in accordance with U.S. GAAP. Please refer to the condensed consolidated statement of operations for the calculation of the operating income.
3. In accordance with U.S. GAAP, a part of the consolidated financial information for the fiscal year ended March 31, 2005, related to certain operations that were discontinued during the fiscal year ended March 31, 2006, has been reclassified and restated.
4. The consolidated financial results for the fiscal year ended March 31, 2005 were revised from those already announced, and restated based on U.S. GAAP. However, as restated figures are currently being audited by NEC's independent auditors, NEC will promptly disclose revised consolidated financial results for the fiscal year ended March 31, 2005, after the aforementioned audit is complete.

Restatement of Consolidated Financial Results for Past Years

■ NEC will restate reported financial results for FY 01/3 through FY 05/3 based on U.S. GAAP

■ Status of restatement:

- Adjust the false transactions by an employee of an NEC subsidiary.
- Other revisions are implemented in order to achieve uniformity throughout the financial results in the past several years based upon U.S. GAAP. The reported results for FY 01/3 through FY 05/3 were valid, excluding the above mentioned false transactions.

■ Items for restatement:

- ① Adjustment of the impact of false transactions by an NEC subsidiary.
- ② Disclosure of discontinued operations to ensure comparability.
- ③ Achieve uniformity with FY 06/3 presentation based upon U.S. GAAP : scope of consolidation, capitalized development costs etc.

■ NEC will further enforce internal control and compliance.

Impact of the Restatement (Round)

(Billion Yen)	Sales		Segment profit		Equity	
	05/3	06/3	05/3	06/3	05/3	06/3
Impact by major items	-53.4	-26.2	10.7	25.0	-53.8	-30.0
① False transactions	NW -17.0		NW -4.0		-2.0	
② Discontinued operations	Other -61.0	Other -26.2	Other -2.0		-1.0	
③ Achieve uniformity						
• Scope of consolidation	*1 44.0		1.0		10.0	
• Reporting revenue net	*2 -18.0					
• Development costs: capitalization or expense			*3 27.0	*4 25.0	-20.0	
• Warranty reserve			-3.0		-8.0	-8.0
• Vacation accruals					-22.0	-22.0

05/3: Changes from reported amount

06/3: Differences from forecast

*1 IT23.0, MW14.0, Other7.0

*2 NW-10.0, Other-8.0

*3 IT4.0, NW23.0(Mobile 2/3, Broadband 1/3)

*4 IT1.0, NW20.0 (Mobile Terminal 18.0) , ED4.0

1. Financial Results for FY 2006/3

Executive Summary of FY06/3

Positive results toward growth trend

- Solidifying foundation for NGN (Next Generation Network) Strategy
 - Growth of mobile infrastructure business
 - Continuous improvement of profitability in broadband business
- Bottoming out of semiconductor and SI businesses

Decrease in operating income & net income compared to previous FY. Results were below forecasts

- Slowness in execution of reform measures and in response to changing environment
 - Delay in improving semiconductor and mobile terminal businesses
 - Loss from PC business due to depreciation of yen

Financial Results (Overview)

(Billion Yen)	FY05/3 Full Year	FY06/3 Full Year	
	Actual	Actual	YOY
Net sales	4,801.7	4,824.9	+ 0.5%
Operating income	141.9	95.4	-46.4
(% to Net sales)	3.0%	2.0%	
Income before income taxes	145.1	83.3	-61.8
Net income	77.2	12.1	-65.1
(% to Net sales)	1.6%	0.3%	
Net income per share: Basic (yen)	39.62	6.05	-33.6

Free cash flows	30.0	153.4	+123.4
Shareholders' equity	737.0	890.9	+153.9
Net interest-bearing debt	672.0	510.6	161.4cut
Net D/E ratio(times)	0.91	0.57	0.34cut
Shareholders' equity ratio	18.5%	22.9%	+4.4%

*FY05/3 results are restated.

Financial Results by Segment

(Billion Yen)		FY05/3	FY06/3	
		Actual	Actual	YOY
IT Solutions	Net sales	2,167.8	2,174.6	0%
	Profit/Loss (to sales)	106.1 4.9%	81.8 3.8%	-24.3
Network Solutions	Net sales	1,875.3	1,786.2	-5%
	Profit/Loss (to sales)	41.5 2.2%	62.0 3.5%	+ 20.5
Electron Devices	Net sales	869.1	808.4	-7%
	Profit/Loss (to sales)	33.4 3.8%	-25.5 -3.1%	-58.9
Others/Eliminations etc.	Net sales	-110.5	55.7	-
	Profit/Loss (to sales)	-39.1 -	-22.9 -	+ 16.2
Total	Net sales	4,801.7	4,824.9	0%
	Profit/Loss (to sales)	141.9 3.0%	95.4 2.0%	-46.4

*FY05/3 results are restated.

2. Financial Outlook for FY 2007/3

Basic Policy for FY07/3

Achievement of financial forecasts

Further execution of growth strategy

- ▶ Focus on growth business
 - Reinforcing R&D in NGN area
 - Increase in UNIVERGE sales
 - Improvement of profitability in SI business

Steady execution of measures to improve profitability

- ▶ Turnaround of under-performing businesses
 - Mobile terminals
 - Semiconductors
 - PCs
- ▶ Continuation of production/ process innovation

Crystallization of effects of re-organization and partnerships

- ▶ Realization of re-organization effects
 - Software/service
 - Enterprise N/W
 - BIGLOBE
- ▶ Positive effects of alliances

Improvements in internal governance / compliance

Financial Outlook (Overview)

(Billion Yen)	FY06/3	FY07/3		FY07/3	
	Full Year	Full Year		1st Half	
	Actual	Forecast	YOY	Forecast	YOY
Net sales	4,824.9	4,900	2%	2,250	NA*
Operating income	95.4	130	+34.6	15	
(% to Net sales)	2.0%	3%		1%	
Income before income taxes	83.3	100	+16.7	10	
Net income	12.1	50	+37.9	10	
(% to Net sales)	0.3%	1%		0%	
Net income per share: Basic (yen)	6.05	25.09	+19		
Free cash flows	153.4	120	-33.4		

*Financial Results for 1st Half of FY06/3 will be restated hereafter.

(Forecasts as of May 11, 2006)

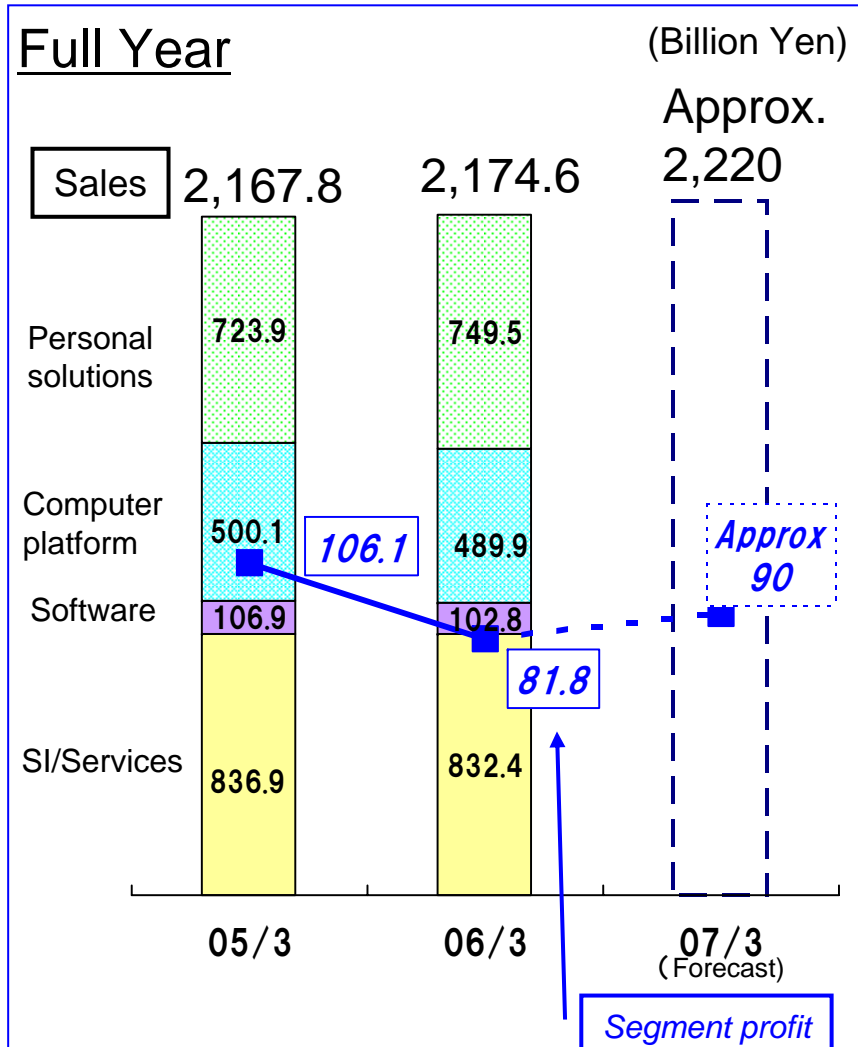
Financial Outlook by Segment

(Billion Yen)		FY06/3 Full Year Actual	FY07/3		
			1st Half Forecast	Full Year Forecast	YOY
IT Solutions	Net sales	2,174.6	1,010	2,220	2%
	Profit/Loss (to sales)	81.8 3.8%	20 2%	90 4%	+ 8.2
Network Solutions	Net sales	1,786.2	790	1,740	-3%
	Profit/Loss (to sales)	62.0 3.5%	16 2%	70 4%	+ 8.0
Electron Devices	Net sales	808.4	430	885	9%
	Profit/Loss (to sales)	-25.5 -3.1%	-2 -1%	8 1%	+ 33.5
Others/Eliminations etc.	Net sales	55.7	20	55	-1%
	Profit/Loss (to sales)	-22.9 -	-19 -	-38 -	-15.1
Total	Net sales	4,824.9	2,250	4,900	2%
	Profit/Loss (to sales)	95.4 2.0%	15 1%	130 3%	+ 34.6

(Forecasts as of May 11, 2006)

3. Segment Information

IT Solutions Business



(Forecast as of May 11 2006)
(05/3 is restated figure)

FY06/3:

- ◆ Sales remained almost the same as the previous year
 - PC shipment grew steadily (Personal solutions)
 - Computer platform decreased
- ◆ Profit declined as compared with the previous year (-¥24.3B)
 - Forex impact on Personal solutions
 - Prior investment in Software
 - Decreased profit from maintenance

FY07/3:

- ◆ Planning increase both in sales and profit
 - Profit increase in SI/services is planned due to upbeat domestic IT investment
 - Recovery of Personal solutions business

IT Solutions Business

■ SI/Services ... FY07/3 Plan: Steady profit increase

◇ Steady improvement of SI projects

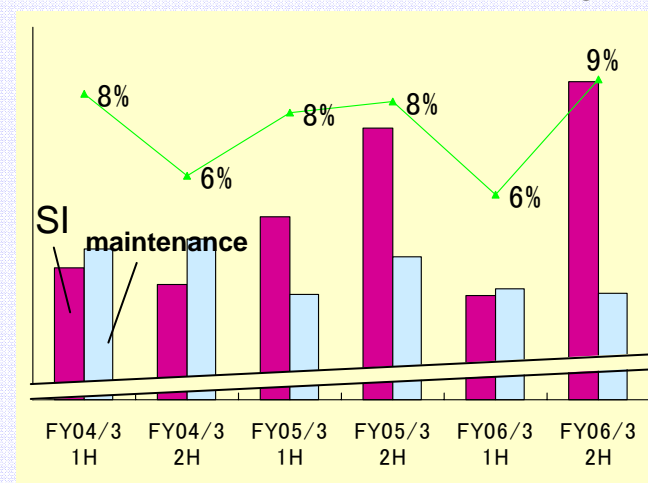
- Process innovation in SI projects was actualized (2nd half of 05/3)
- Loss from underperforming projects was narrowed by enhanced project management

➔ Further reinforcement in FY07/3

◇ Decrease in profit from maintenance was more than expected

- ➔ Promote reform through cost reduction
- ➔ Make group-wide efforts to improve profitability by sharing objectives

SI/services profit mix & margin

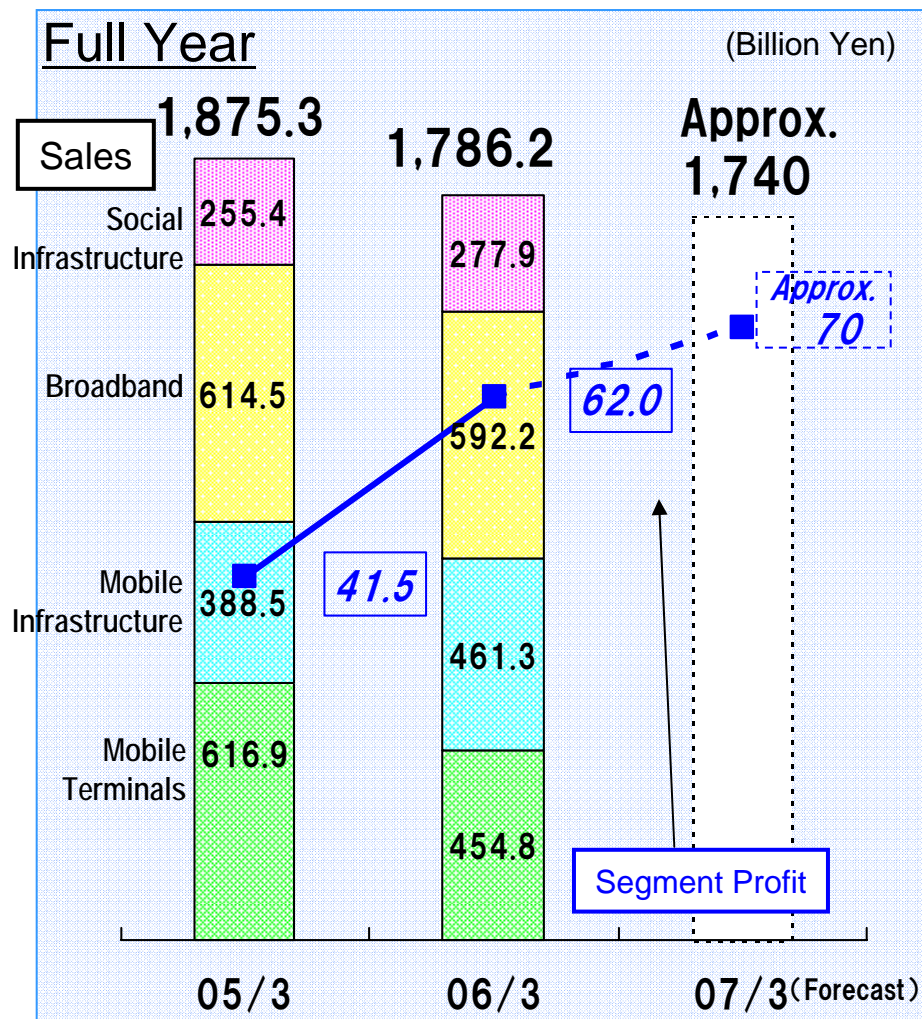


■ Personal solutions ... FY07/3 Plan: Recovery to profitable point

◇ PC profit declined by drastic change of exchange rates

- ➔ Reinforce tolerance to changes of business environment such as exchange rates (Continuing production process innovation, Reduce cost of maintenance/ support by quality improvement)

Network Solutions Business



- Forecast as of May 11, 2006
- FY05/3 results are restated.

FY06/3 Results:

◆ Sales decreased YoY -5%

- Mobile Terminals decreased by 27%
- Mobile Infra. Increased by 19% by favorable sales in both Japanese and overseas market

◆ Profit increased YoY ¥ 20.5 B

- Loss widened in Mobile Terminals because of rebuilding cost in China, etc.
- Profit from infrastructure businesses improved

FY07/3 Forecasts:

◆ Plan to increase profit by improving Mobile Terminals

- Turnaround of Mobile Terminals in 2H

◆ Continue robust performance in Infra. businesses as last year

Network Solutions Business

■ Mobile Terminals: In 2H of FY07/3, return to breakeven level

- ◇ Shipment volume in 06/3 10.9Mil. units (17% decrease)
→ more than 9Mil. in 07/3 (plan) Japan: flat Overseas: 40% decrease
- ◇ Tough competition in Japan is forecasted,
however reduce loss overseas by focusing on profitability

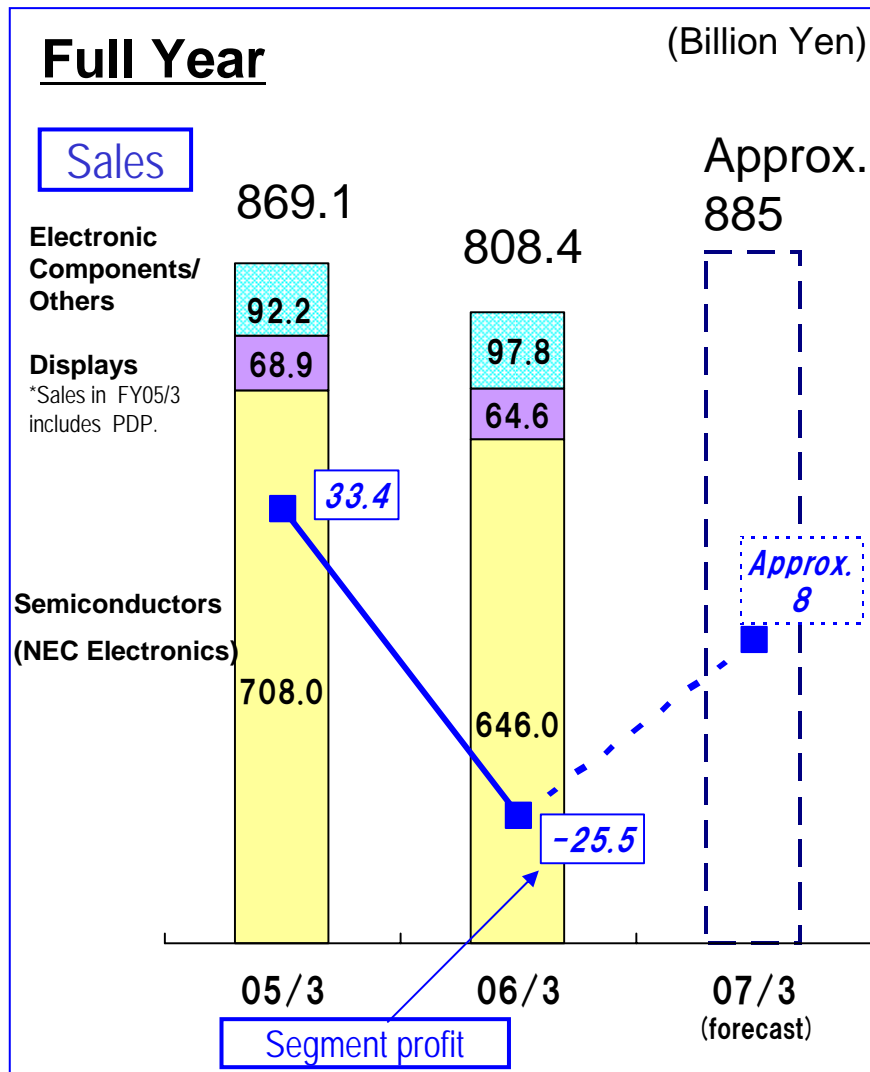
■ Mobile infrastructure: FY07/3 Keep sales and profit level of FY06/3

- ◇ 06/3 : Sales increased by 19% and profit grew significantly.
- ◇ 07/3 : Planning to maintain good results of the previous FY
 - Communication service providers in Japan will continue to invest to differentiate services even if it will not be at the level of 06/3
 - Overseas business : Market will grow steadily by the shift of GSM to W-CDMA

■ Broadband business: Keep same profit level with NGN R&D costs

- ◇ Business with communication service providers :
Starting up toward NGN, but mostly at preparatory stage such as trials.
Leading to greater up-front development
- ◇ Business with enterprises : Planning steady growth with UNIVERGE.
Expand overseas business by ex. capital participation in PBC

Electron Devices Business



FY06/3 Results:

Sales down yoy by -7%

Profit decreased yoy by ¥ -58.9 B

◆ Semiconductors

- Full-year sales significantly down due to overall weak demand
- Sales hit the bottom in 1Q and on a recovery trend
- Profit dropped due to the decline in net sales and price erosion

◆ LCDs, electronic components

- Stable sales/profit

FY07/3 Forecast:

◆ Semiconductors will return to the black

- Recovering orders and sales from marketing efforts
- Increasing marginal profit by expanding sales

Conclusion

Achievement of financial forecasts

Further execution of growth strategy

- ▶ Focus on growth business
 - Reinforcing R&D in NGN area
 - Increase in UNIVERGE sales
 - Improvement of profitability in SI business

Steady execution of measures to improve profitability

- ▶ Turnaround of under-performing businesses
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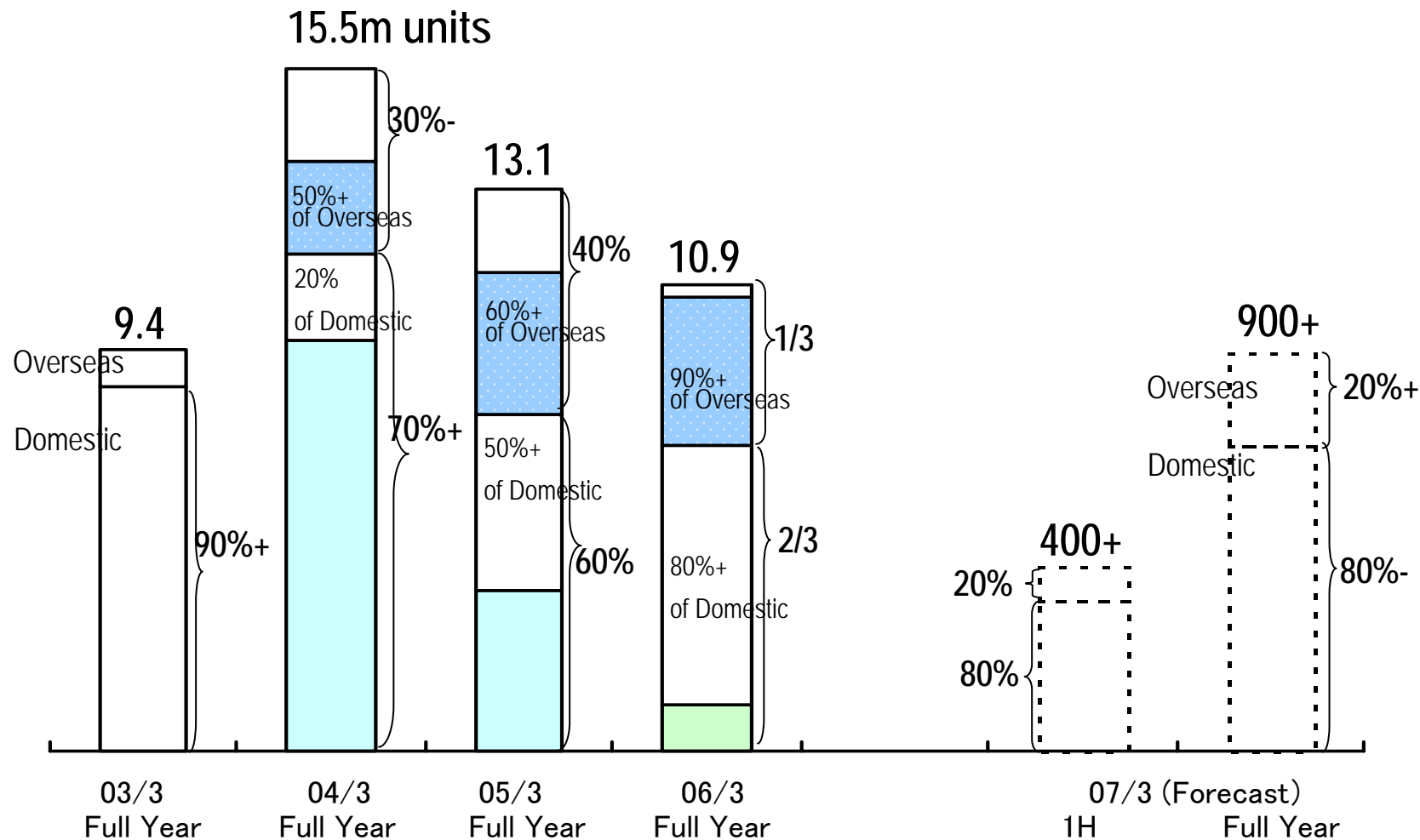
Improvements in internal governance / compliance

Empowered by Innovation

NEC

Sales of Mobile Terminals

Shipment volumes of mobile terminals



*Forecasts as of May. 11, 2006

Appendix

Impact of the Restatement by Segment

(1) Net Sales (including internal sold to other segments)

	FY05/3	
	Restated	Impact (changes from reported amount)
It Solutions	2,167.8	+23.4 scope of consolidation +23.0
Network Solutions	1,875.3	-16.7 false transactions -17.0, scope of consolidation +14.0, reporting revenue net -10.0
Electron Devices	869.1	+0.5
Others	586.4	-62.7 discontinued operations -61.0, scope of consolidation +7.0, reporting revenue net -8.0
Eliminations	-697.0	+2.1
Consolidated Total	4,801.7	-53.4 false transactions -17.0, scope of consolidation +44.0, reporting revenue net -18.0

FY06/3		
Actual	Impact (differences from forecast)	
2,174.6		
1,786.2		
808.4		
698.4	-26.2	discontinued operations
-642.6		
4,824.9	-26.2	discontinued operations -26.2

(2) Segment Profit or Loss

	FY05/3	
	Restated	Impact (changes from reported amount)
It Solutions	106.1	+3.8 R&D costs +4.0
Network Solutions	41.5	+15.1 false transactions -4.0, R&D costs +23.0
Electron Devices	33.4	-3.8 warranty reserve -3.0
Others	7.1	-4.4 discontinued operations -2.0
Eliminations	3.0	-
Unallocated corporate expenses*	-49.3	-
Consolidated Total	141.9	+10.7 false transactions -4.0, discontinued operations -2.0, R&D costs +27.0, warranty reserve -3.0

FY06/3		
Actual	Impact (differences from forecast)	
81.8	+1.0	R&D costs
62.0	+20.0	R&D costs
-25.5	+4.0	R&D costs
13.7		
11.5		
-48.1		
95.4	+25.0	R&D costs +25.0

*Unallocated corporate expenses include general corporate expenses and research and development expenses at NEC Corporation which are not allocated to any business segment.