Financial Results for FY 2006
(Fiscal year ended March 2007)

May 21, 2007
NEC Corporation
(http://www.nec.co.jp/ir/en)
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(Notes)
NEC has changed the accounting principles for preparing its consolidated financial statements from accounting principles generally accepted in the U.S., or U.S. GAAP, to accounting principles generally accepted in Japan, or Japan GAAP. Results for the first half of the fiscal year ended March 31, 2006 have been presented under Japan GAAP for comparison purposes.
I . Financial Results for FY 2006
(FY ended 2007/3)
## FY06 Financial Results (Overview)

(In billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>4,930.0</td>
<td>4,652.6</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>72.5</td>
<td>70.0</td>
<td>-2.6</td>
</tr>
<tr>
<td>(Ratio to Net Sales)</td>
<td>(1.5%)</td>
<td>(1.5%)</td>
<td></td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>15.0</td>
<td>16.3</td>
<td>+1.4</td>
</tr>
<tr>
<td>Net Income</td>
<td>-10.1</td>
<td>9.1</td>
<td>+19.2</td>
</tr>
<tr>
<td>(Ratio to Net Sales)</td>
<td>(-0.2%)</td>
<td>(0.2%)</td>
<td></td>
</tr>
<tr>
<td>Net income per share: (yen)</td>
<td>-5.26</td>
<td>4.43</td>
<td>+9.69</td>
</tr>
</tbody>
</table>
Key points of FY2006

<Achievements>

■ Focus on NGN-related business
  ▪ Established foothold in nascent NGN market
  ▪ Introduction of advanced products / technologies

■ Turnaround of mobile terminal business (2H/FY06)

<Challenges>

■ Slow recovery of semiconductor business

■ Insufficient growth speed of IT/NW solutions business
FY06 Sales/Operating Income by Segment

Sales (In Billions of Yen)

- FY05: 4,930.0
- FY06: 4,652.6

Operating Income (In Billions of Yen)

- FY05: 180.8
- FY06: 154.1

Segment Details:

**IT/NW Solutions**
- FY05: 2,762.4
- FY06: 2,758.8
- IT/NW Solutions: 180.8
- IT/NW Solutions: 72.5

**Mobile/Personal Solutions**
- FY05: 1,250.3
- FY06: 965.0
- Mobile/Personal Solutions: 72.5
- Mobile/Personal Solutions: 70.0

**Electron Devices**
- FY05: 815.9
- FY06: 861.0
- Electron Devices: 55.3
- Electron Devices: 33.5

**Others/Eliminations**
- FY05: 101.4
- FY06: 67.8
- Others/Eliminations: 22.2
- Others/Eliminations: 27.6

**Comparative Analysis**

- FY05 to FY06:
  - Sales: -6%
  - Operating Income: -55.3%

**Note:** Sales and Operating Income percentages reflect year-over-year changes.
FY06 IT/NW Solutions Business

■ IT Services/Systems Integration
- Service platforms for telecommunication carriers, distribution / retail, government, and finance sectors were steady

■ IT Platforms
- Sales decreased due to the decrease of DVD drive business
- Secured profit through cost reductions

■ Network Systems
- PASOLINK for the overseas market grew by approx. 15% yoy, driving growth
- Investment in base stations in Japan continued to be steady to enhance ease of connectivity, even after mobile number portability services started.
FY06 Mobile/Personal Solutions Business

■ Mobile Terminals
- Broke-even in 2H, reported profitability, excluding one-time charges
- Completed structuring reforms of overseas biz
- Introduced competitive products for Japanese market

■ Personal Solutions
- Sales decreased due to the impact of the sale of the consumer PC business in Europe and the difficult domestic PC market condition.
- Secured profit through cost reductions
FY06 Electron Devices Business

Semiconductors
- Operating Loss improved by ¥7.1B, but remained in the red.
- Increased fixed manufacturing costs and R&D expenses.
- Recorded expenses to improve profitability.

Electronic Components/Others
- Sales of electronic components rose by launch of “Proadlizer” and new products.

*The results for the area of Semiconductors are the official public figures of NEC Electronics Corporation, which are prepared in accordance with U.S. GAAP. The difference that arises as a result of the adjustment to Japan GAAP is included in Electronic Components and Others.
Ⅱ. Financial Forecasts for FY 2007 (FY ending 2008/3)
### FY07 Financial Forecasts (Overview)

(In billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY06</th>
<th>FY07 (forecast)</th>
<th>YoY</th>
<th>1H/FY07 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>4,652.6</td>
<td>4,700</td>
<td>+1%</td>
<td>2,150</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>70.0</td>
<td>130</td>
<td>+60%</td>
<td>15</td>
</tr>
<tr>
<td>(Ratio to Net Sales)</td>
<td>(1.5%)</td>
<td>(2.8%)</td>
<td>(0.7%)</td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>16.3</td>
<td>80</td>
<td>+64%</td>
<td>-10</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>9.1</td>
<td>30</td>
<td>+21%</td>
<td>-22</td>
</tr>
<tr>
<td>(Ratio to Net Sales)</td>
<td>(0.2%)</td>
<td>(0.6%)</td>
<td>(1.0%)</td>
<td></td>
</tr>
</tbody>
</table>

*Forecast as of May 21, 2007*
Challenges in FY2007

■ Reinforcement of growth strategy
  • Steady execution of NGN business strategy
  • Growth in global market
  → Strategic expenses for new market creation

■ Further improvement of non-profitable businesses
  • Solidifying mobile terminal business’ profitability
  • Support of NEC Electronics’ turnaround
    as the largest shareholder

■ Thorough enhancement of profitability
  • Further pursuit of production / development efficiency
    as NEC Group
FY07 Sales/Operating Income by Segment

Sales (In Billions of Yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY06</th>
<th>FY07 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT/NW Solutions</td>
<td>2,758.8</td>
<td>2,870</td>
</tr>
<tr>
<td>Mobile/Personal Solutions</td>
<td>965.0</td>
<td>890</td>
</tr>
<tr>
<td>Others/Eliminations</td>
<td>861.0</td>
<td>70</td>
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</tbody>
</table>

Operating Income (In Billions of Yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY06</th>
<th>FY07 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electron Devices</td>
<td>154.1</td>
<td>-53</td>
</tr>
<tr>
<td>Others/Eliminations</td>
<td>-27.6</td>
<td></td>
</tr>
<tr>
<td>Mobile/Personal Solutions</td>
<td>-23.0</td>
<td></td>
</tr>
<tr>
<td>Mobile/Personal Solutions</td>
<td>-33.5</td>
<td></td>
</tr>
</tbody>
</table>

*Forecast as of May 21, 2007*
FY07 IT/NW Solutions Business

**IT Services / Systems Integration**

- Aim for a stable increase in sales of service platforms for telecommunication carriers and financial sectors etc.
- Aim to increase profit through sales increase and cost reductions

**IT Platforms**

- Plan to maintain the same level of profit of FY06 in FY07, despite price erosion, by enhancing the competitiveness of products such as storage systems, middleware, and thin-client systems, in addition to reducing cost

**Network Systems**

- Japan: Investment in base stations will decline, but aim to increase NGN sales in the 2H.
- Overseas: target more growth and No1 share of PASOLINK

*Forecast as of May 21, 2007*
Growth Strategy

■ Expand NGN business
  • Provide globally-competitive products to expand carrier solutions business
  • Promote IT/NW solutions platforms, services platforms in NGN era
    ⇒ FY07 : Target double sales YOY (sales of FY06 were approx. Y90B)

■ Secure markets invigorated by NGN
  • Expansion of new services business, renovation of core systems in ubiquitous networking era
    (Video streaming services, EC, Ubiquitous networking solution-related businesses, etc)
  • Expand Outsourcing business
    ⇒ Promote LCM (Life Cycle Management) type outsourcing, linking SI / maintenance
    ⇒ Strengthen outsourcing services utilizing data centers with network technologies

- Sales of Outsourcing business
  - FY06: 240 Billion Yen
  - FY07 (Forecast): 290 Billion Yen
  - +20% growth

  - Comprehensive maintenances, etc.
  - NW Outsourcing, etc.
  - IT Outsourcing, etc.
FY07 Mobile/Personal Solutions Business

■ Mobile Terminals
- Aim to maintain profitability for full fiscal year
- Shipment target: 5M units
  Concentrate on Japanese business and regain volume

■ Personal Solutions
- Strive to maintain profit
- Aim to boost demand with the launch of new-style products, as well as further enhancement of the audio visual functions

Forecast as of May 21, 2007

-8%
FY07 Electron Devices Business

■ Semiconductors
  • Order backlog and amount of orders point to signs of recovery.
  • Achieve operating profit, with fixed cost reduction of 20B Yen YoY.

■ Electronic Components/Others
  • Sales increase is expected with new products.
  • Industrial LCD is projected to grow.

* Forecast as of May 21 2007

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Empowered by Innovation

NEC
## Segment Information

<table>
<thead>
<tr>
<th></th>
<th>FY2005</th>
<th>FY2006</th>
<th>FY2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First Half</td>
<td>Full Year</td>
<td>First Half</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>IT Services/SI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT Platforms</td>
<td>346.8</td>
<td>771.2</td>
<td>343.9</td>
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<tr>
<td>Network Systems</td>
<td>311.1</td>
<td>683.6</td>
<td>312.5</td>
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<td>Social Infrastructure</td>
<td>467.4</td>
<td>992.9</td>
<td>485.2</td>
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<td></td>
<td>115.8</td>
<td>314.7</td>
<td>122.9</td>
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<tr>
<td>IT/NW Solutions Business</td>
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<tr>
<td>Sales</td>
<td>1,241.1</td>
<td>2,762.4</td>
<td>1,264.5</td>
</tr>
<tr>
<td>Oper.Income/Loss</td>
<td>51.9</td>
<td>180.8</td>
<td>55.6</td>
</tr>
<tr>
<td>to sales</td>
<td>4.2%</td>
<td>6.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Mobile Terminals</td>
<td>219.0</td>
<td>480.9</td>
<td>163.1</td>
</tr>
<tr>
<td>Personal Solutions</td>
<td>361.0</td>
<td>769.4</td>
<td>335.9</td>
</tr>
<tr>
<td>Mobile Terminals/Personal Solutions business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>580.0</td>
<td>1,250.3</td>
<td>499.0</td>
</tr>
<tr>
<td>Oper.Income/Loss</td>
<td>-15.7</td>
<td>-55.3</td>
<td>-37.3</td>
</tr>
<tr>
<td>to sales</td>
<td>-2.7%</td>
<td>-4.4%</td>
<td>-7.5%</td>
</tr>
<tr>
<td>Electron Devices Business</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Sales</td>
<td>398.4</td>
<td>815.9</td>
<td>427.0</td>
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<tr>
<td>Oper.Income/Loss</td>
<td>-10.3</td>
<td>-30.8</td>
<td>-4.2</td>
</tr>
<tr>
<td>to sales</td>
<td>-2.6%</td>
<td>-3.8%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Others/Eliminations etc.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>64.2</td>
<td>101.4</td>
<td>31.1</td>
</tr>
<tr>
<td>Oper.Income/Loss</td>
<td>-20.8</td>
<td>-22.2</td>
<td>-6.6</td>
</tr>
<tr>
<td>to sales</td>
<td>-0.2%</td>
<td>1.5%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Total</td>
<td>2,283.8</td>
<td>4,930.0</td>
<td>2,221.6</td>
</tr>
<tr>
<td></td>
<td>5.0</td>
<td>72.5</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>0.2%</td>
<td>1.5%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

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