

Financial Results for 1Q FY07/3 (First Quarter of Fiscal Year Ending March 2007)

July 27, 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 (loss)" 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 (loss)" 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 (loss) taxes" or "net income (loss)" as determined in accordance with U.S. GAAP. Please refer to the condensed consolidated statement of operations for the calculation of operating income (loss).
3. In accordance with U.S. GAAP, a part of the consolidated financial information for the three months ended June 30, 2005 related to certain operations that were discontinued during the fiscal year ended March 31, 2005 has been reclassified.
4. The consolidated financial results for the three months ended June 30, 2005 have been revised from those already announced, and restated based on U.S. GAAP.
5. The segment information disclosed in this document is approximate figure and is unaudited.

Change in Business Segments

- Reorganized Business Units from April, '06
 - To accelerate execution of growth strategy, enhancing our capabilities to respond to business opportunities in the next generation network (NGN) era
 - New business structure contributes to speedy integration of IT and network technologies and solutions
- New business segments are based on above mentioned business structure and reflect the difference in nature of the businesses (ex. customer, business models)

“IT/Network Solutions Business”

Provides ubiquitous infrastructure, platforms and solutions to government and public offices, and enterprises including network operators

“Mobile/Personal Solutions Business”

Provides ubiquitous user interface devices and solutions to mainly individual users

“Electron Devices” (no change)

1. Overview of the Financial Results

Executive summary

FY2006 Challenges

Move aggressively towards growth

- ~Focus on NGN strategies
- ~Assure progress in turnaround of
underperforming businesses

1Q Progress

Made good start as whole NEC Group

- 1) 3% sales growth YoY
- 2) Regained profitability

➔ Achieve full-year forecast:
Operating income ¥130 Billion

Progress towards Growth

■ NGN

- Increase in business orders
 - Positive outcome in NGN vendor selection in Japan: 40G MUX, OADM, router/switch, IMS related systems
 - Service platform for Telefónica Móviles España
- Product launch, technological development
 - Launch of video delivery platform for FOMA for service providers
 - Launch of “NC 9000 series,” a core network control software for NGN
 - Development of quality degradation analysis for large-scale networks
- Standardization activities
 - Participate in GMI 2006 - World's First IMS Multi-Vendor Network Interoperability Trial

■ Enhancement of Platform Business

- Strategic alliances with Microsoft and EMC
- Establishment of new IT platform vision

Financial Summary (Overview)

(Billion Yen)

	1Q			1st half		
	FY06/3	FY07/3		FY06/3	FY07/3	
	Actual (Restated)	Actual	YOY	Actual (Restated)	Forecast	YOY
Net sales	992.8	1,018.4	+ 2.6%	2,212.8	2,250	+ 1.7%
Operating income (% to Net sales)	-9.9 -1.0%	14.7 1.4%	+24.6	23.1 * 1.0%	25 1.1%	+2.0
Income before income taxes	-15.8	12.9	+28.7	24.6	10	-14.6
Net income (% to Net sales)	-5.3 -0.5%	11.5 1.1%	+16.8	22.0 1.0%	10 0.4%	-12.0
Net income per share: Basic (yen)	-2.74	5.47	+8.21	*Revised by +10		
Free cash flows	-118.9	-69.1	+49.8			
Shareholders' equity	784.1	905.9	+121.8			
Net interest-bearing debt	798.3	588.2	210.1cut			
Net D/E ratio (times)	1.02	0.65	0.37cut			
Shareholders' equity ratio	20.4%	24.3%	+3.9%			

*Forecasts as of July 27, 2006

Financial Summary by Segment

(Billion Yen)		1Q			1st half			
		FY06/3	FY07/3		FY06/3	FY07/3		
		Actual	Actual	YOY	Actual	Forecast	YOY	Revised by
IT/Network Solutions	Net sales	518.1	556.9	+7%	1,236.2	1,290	+4%	+ 50
	Profit/Loss (to sales)	7.6 1.5%	27.6 5.0%	+ 20.0	56.6 4.6%	67 5.2%	+ 10.4	+ 10
Mobile/Personal Solutions	Net sales	280.8	238.3	-15%	566.2	510	-10%	- 50
	Profit/Loss (to sales)	4.3 1.5%	-10.1 -4.2%	- 14.4	-5.7 -1.0%	-19 -3.7%	- 13.3	+ 0
Electron Devices	Net sales	181.6	204.0	+12%	393.7	430	+9%	+ 0
	Profit/Loss (to sales)	-9.7 -5.3%	-2.4 -1.1%	+ 7.3	-9.5 -2.4%	-2 -0.5%	+ 7.5	+ 0
Others/Eliminations etc.	Net sales	12.4	19.2	-	16.7	20	-	+ 0
	Profit/Loss (to sales)	-12.1 -	-0.4 -	+ 11.7	-18.3 -	-21 -	- 2.7	+ 0
Total	Net sales	992.8	1,018.4	+3%	2,212.8	2,250	+2%	+ 0
	Profit/Loss (to sales)	-9.9 -1.0%	14.7 1.4%	+ 24.6	23.1 1.0%	25 1.1%	+ 2	+ 10

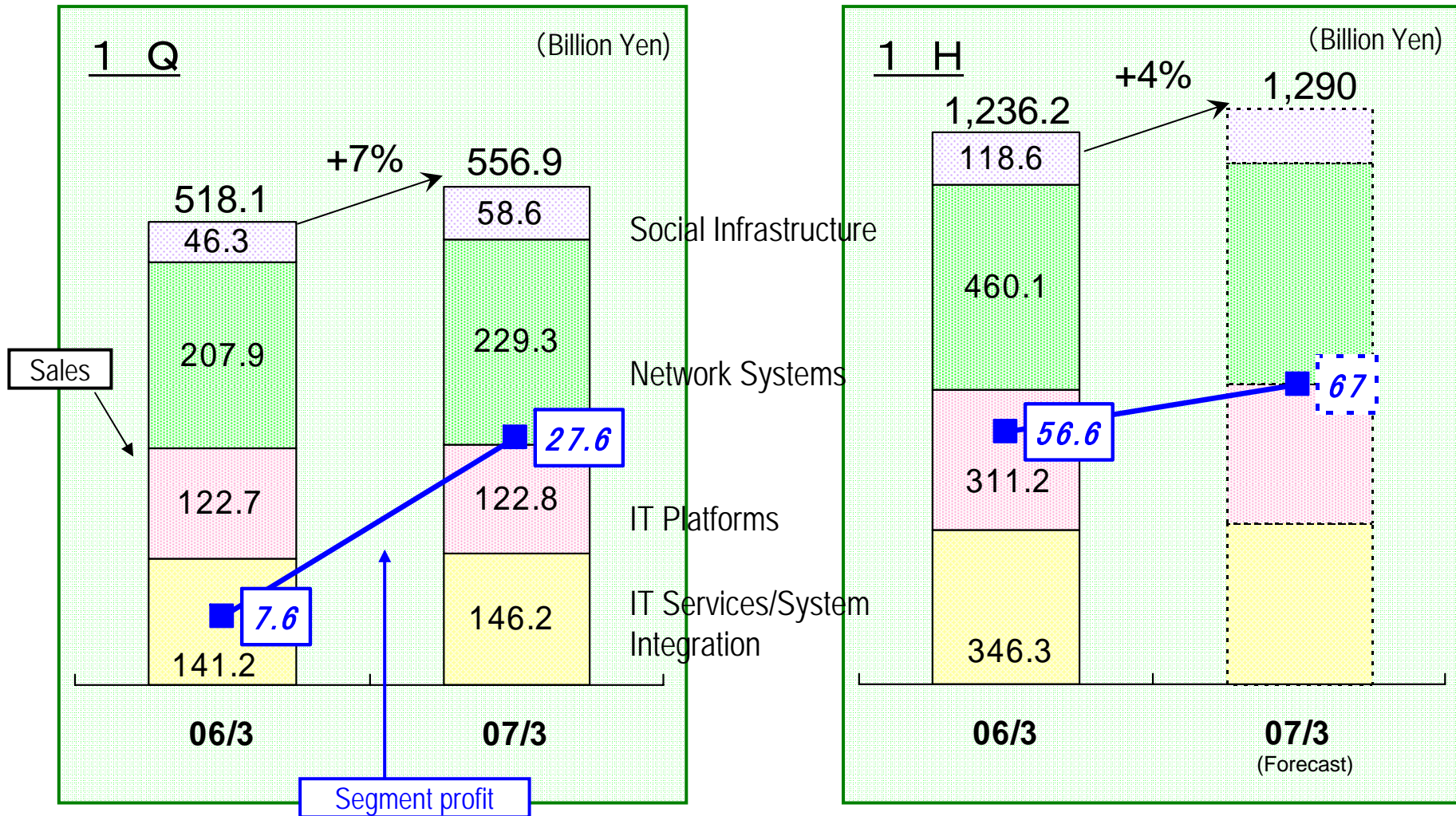
*Forecasts as of July 27, 2006

2. Segment Information

IT/Network Solutions Business

~ Sales and segment profit increased.

(Sales increased 7%, Operating profits achieved approx. 5%) ~



*Forecasts as of July 27, 2006

IT/Network Solutions Business

■ IT Services/System Integration: Sales and profit increased YoY

◇Market: IT investment is steadily improving in response to the recovery of the macro economy.

◇NEC 1Q: - Sales were steady as a whole, although results were mixed among industry sectors.
- Secured profit as planned due to containment of loss from underperforming projects.

Full Year:

- Aim for operating profit margin of approximately 8% by steady sales growth and process innovations in system integration (SI) projects.

■ IT Platforms: Sales and profit almost flat YoY

◇Market: Pricing pressure remains severe in the area of servers, etc.

◇NEC

- Strive to increase sales by launching new products (i.e. NX7700i, SIGMABLADE) that realize next generation IT platforms.

IT/Network Solutions Business

■ Network Systems: Strive to achieve the full year forecast by continuing to yield solid results following on from last year

- ◇ Mobile Infra. : Service providers tend to bring forward their investment. Sales of PASOLINK continue to increase centered on Asia.
- ◇ Fixed-line Infra. : Concentrate on orders for NGN-related trials.
- ◇ Enterprise Networks : Flat. Planning to expand business focusing on security, mobile and small & medium businesses.

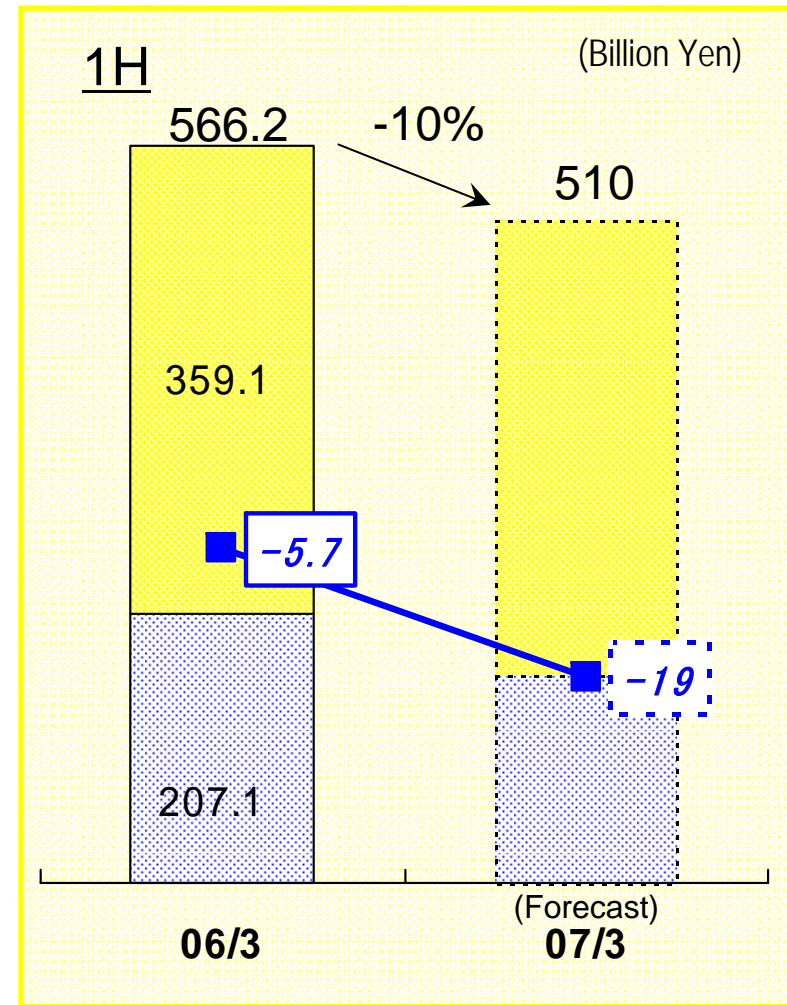
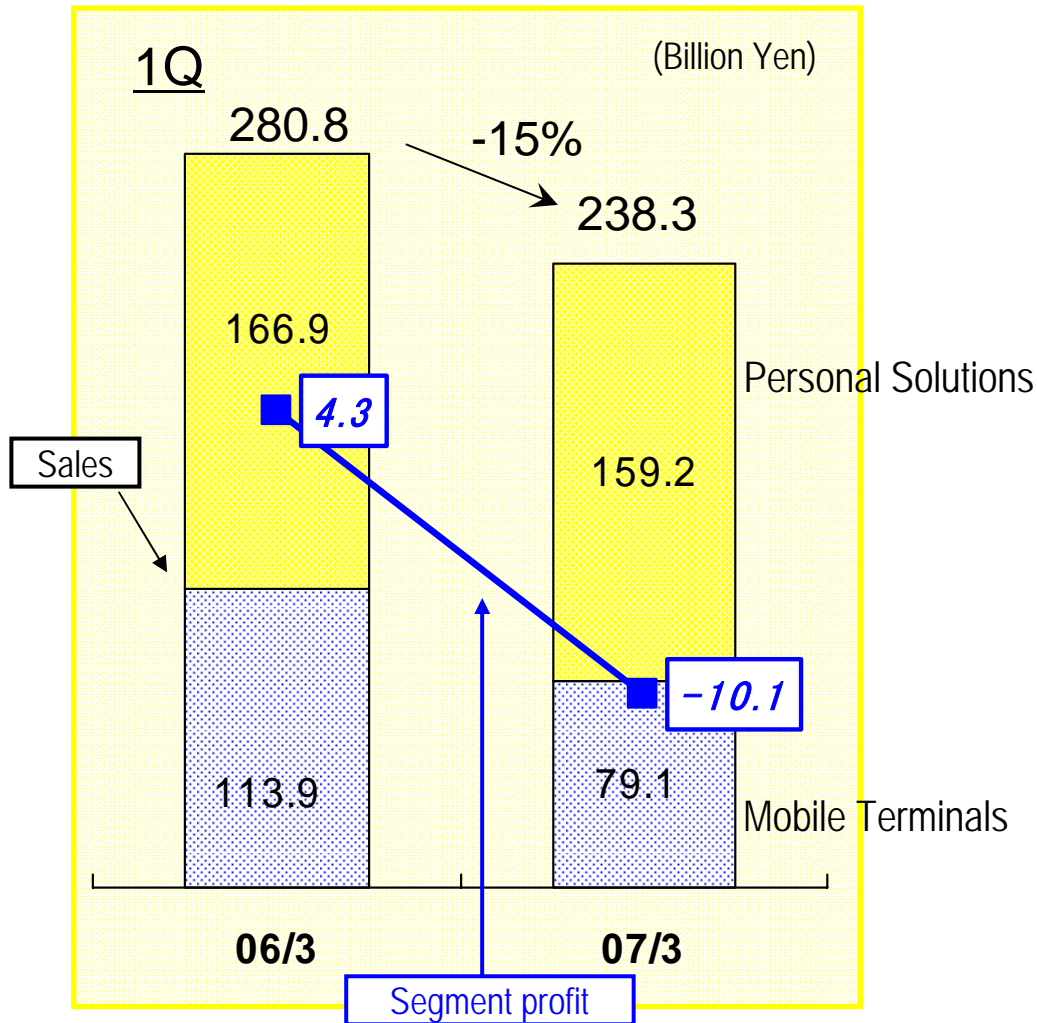
■ Social Infrastructure: Excellent in 1Q due to front load projects

- ◇ Increased YoY, although the sales of digital terrestrial TV broadcasting systems in rural areas passed their peak in FY05. Business opportunities overseas are expected in the future.

Mobile/Personal Solutions Business

Sales and segment profit decreased.

(Sales decreased 15%, Operating profits were as planned)



*Forecasts as of July 27, 2006

Mobile/Personal Solutions Business

■ Mobile Terminals: Profit decreased due to sales decline but within the scope of expectation

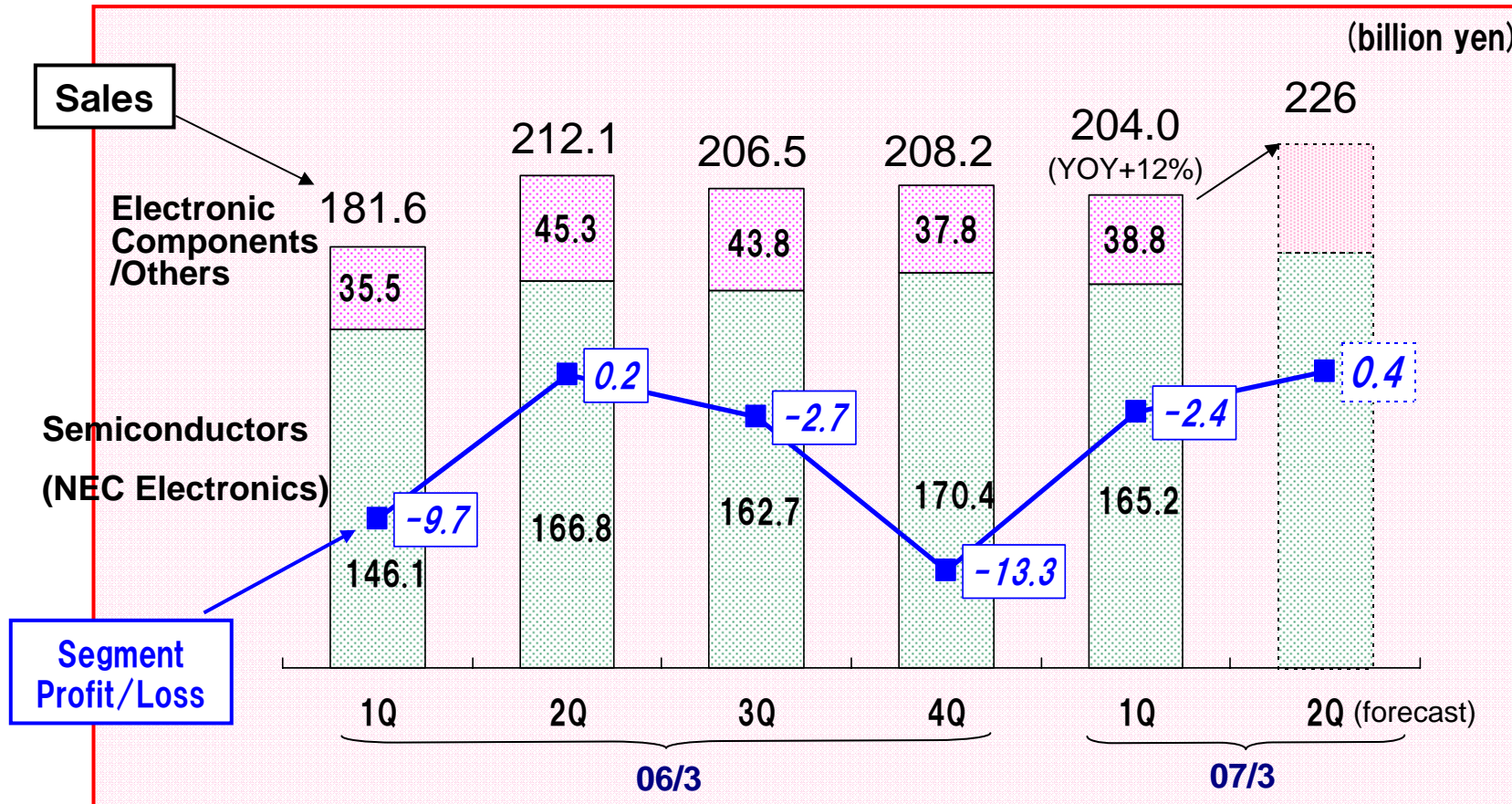
- ◇ Shipment volume in 1Q: Approx. 1.7m units (YoY approx. 30% decrease)
- ◇ Japan: Approx 20% decrease. Profit lowered due to sales decline etc.
 - focus on improving competitiveness
by a reduction in development costs through alliances.
- ◇ Overseas: Approx 50% decrease, continue to focus on profitability

■ Personal Solutions: Almost broke even in Japanese PC business

- ◇ Market
 - Sales of business PCs slowed down due to a transition period for replacement. Consumer PCs were weak because demand shifted to digital home appliances.
- ◇ NEC
 - The PC business in Japan almost broke even in the 1Q as a result of continuing production process innovation and reduction of support costs by enhanced quality.

Electron Devices Business

1Q almost achieved planned target, improved YOY.



(billion yen)	06/3				07/3
	1Q	2Q	3Q	4Q	1Q
Profit/Loss in the semicon. Area	-9.8	-2.3	-7.0	-16.6	-5.8

*Forecasts as of July 27, 2006

Electron Devices Business

■ Semiconductor Solutions: A trend toward sales recovery, aiming for further improvement in 2Q.

◇ Market environment

Continued gradual improvement, but mixed results depending on the market for each product in each region.

◇ 1Q results

Sales/Profit improved YOY

- Sales increased in every product area.
- Sales expanded mainly in LCD driver ICs and general purpose microcontrollers.

■ Electronic Components and Others (Formerly LCDs & Electronic Components and Others)

1Q results

◇LCDs: Sales were flat YOY, secured stable sales/profit.

◇Electronic components: Demand for capacitors, etc., increased, along with the market growth.

In Conclusion

FY2006 Challenges

Move aggressively towards growth

- ~Focus on NGN strategies
- ~Assure progress in turnaround of
underperforming businesses

1Q Progress

Made good start as whole NEC Group

- 1) 3% sales growth YoY
- 2) Regained profitability

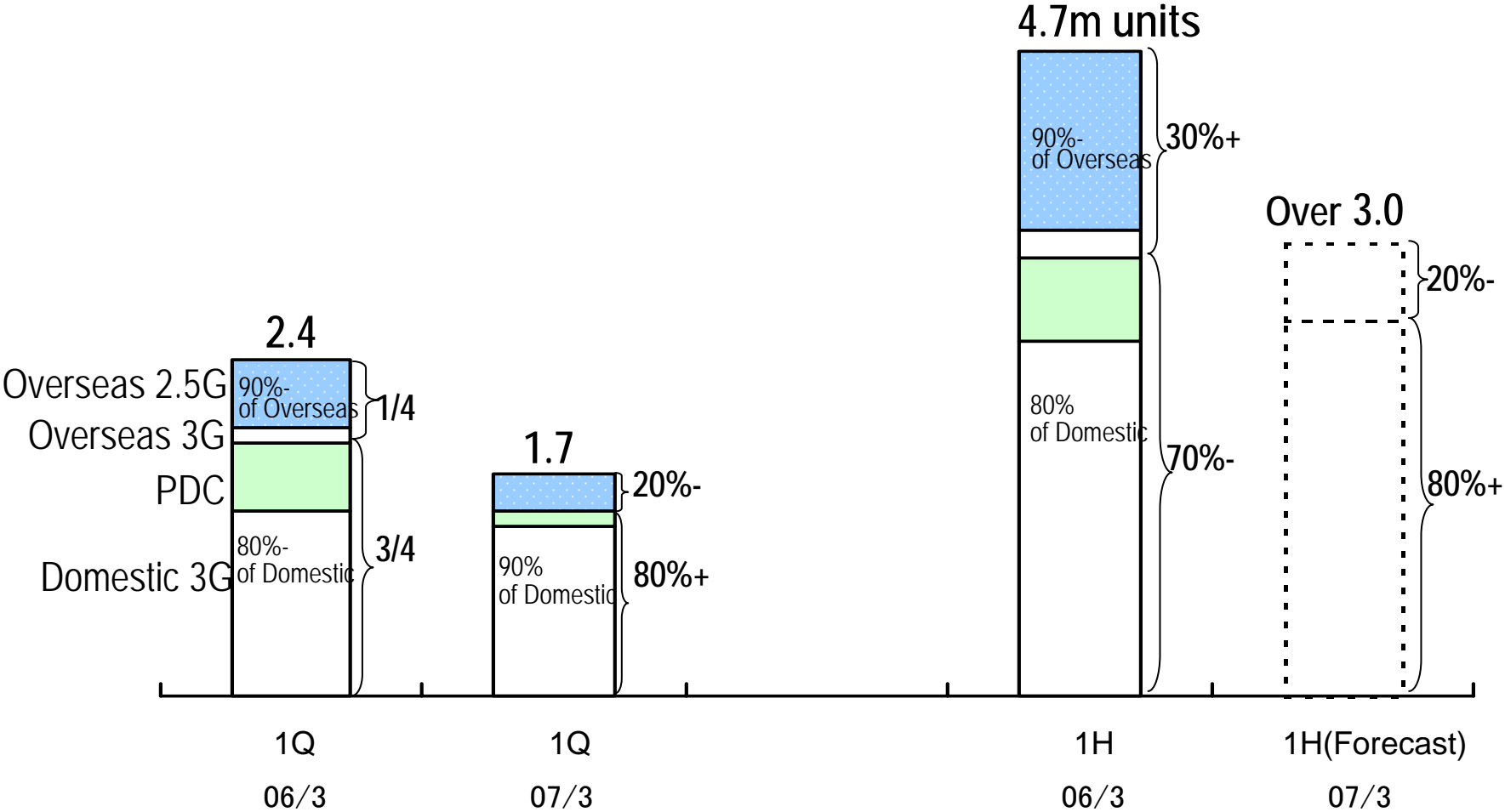
➔ Achieve full-year forecast:
Operating income ¥130 Billion

Empowered by Innovation

NEC

Sales of Mobile Terminals

Shipment volumes of mobile terminals



*Forecasts as of July 27, 2006

The figures required by financial rules will be disclosed in order of precedence

■ Restated financial statements

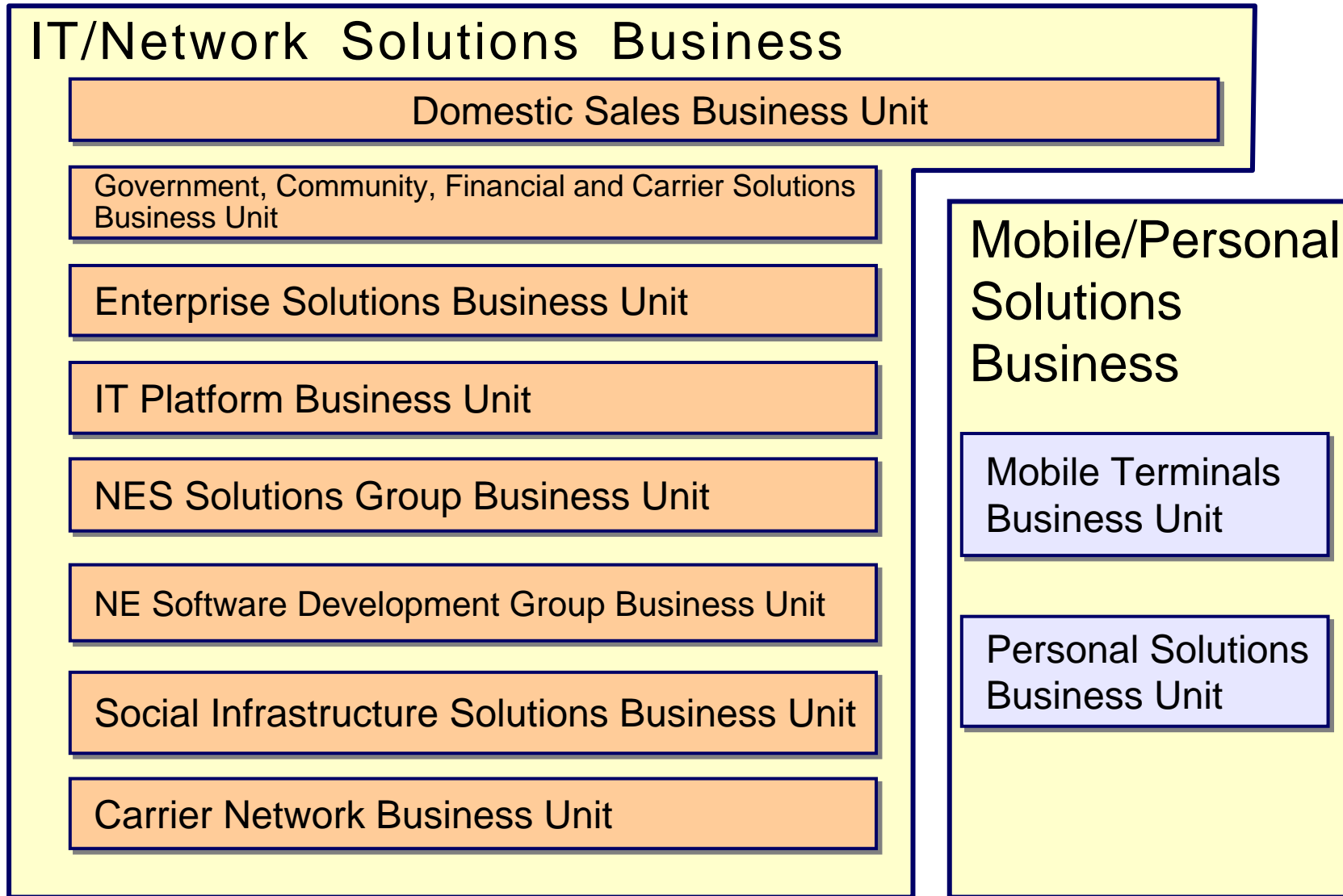
- FY ended March 03 - FY March 06 (full year) •••disclosed
- 1st Quarter of FY March 06 ••• •••disclosed today
- 1st Half of FY March 06 will be disclosed later.

■ Reclassification by new business segment

FY March 05 - (rough figure disclosed on July 14)

- FY March 05 full year
- FY March 06 by quarter, half year, full year

Note : 1st Quarter of FY March 06 figure and reclassified figures are unaudited.

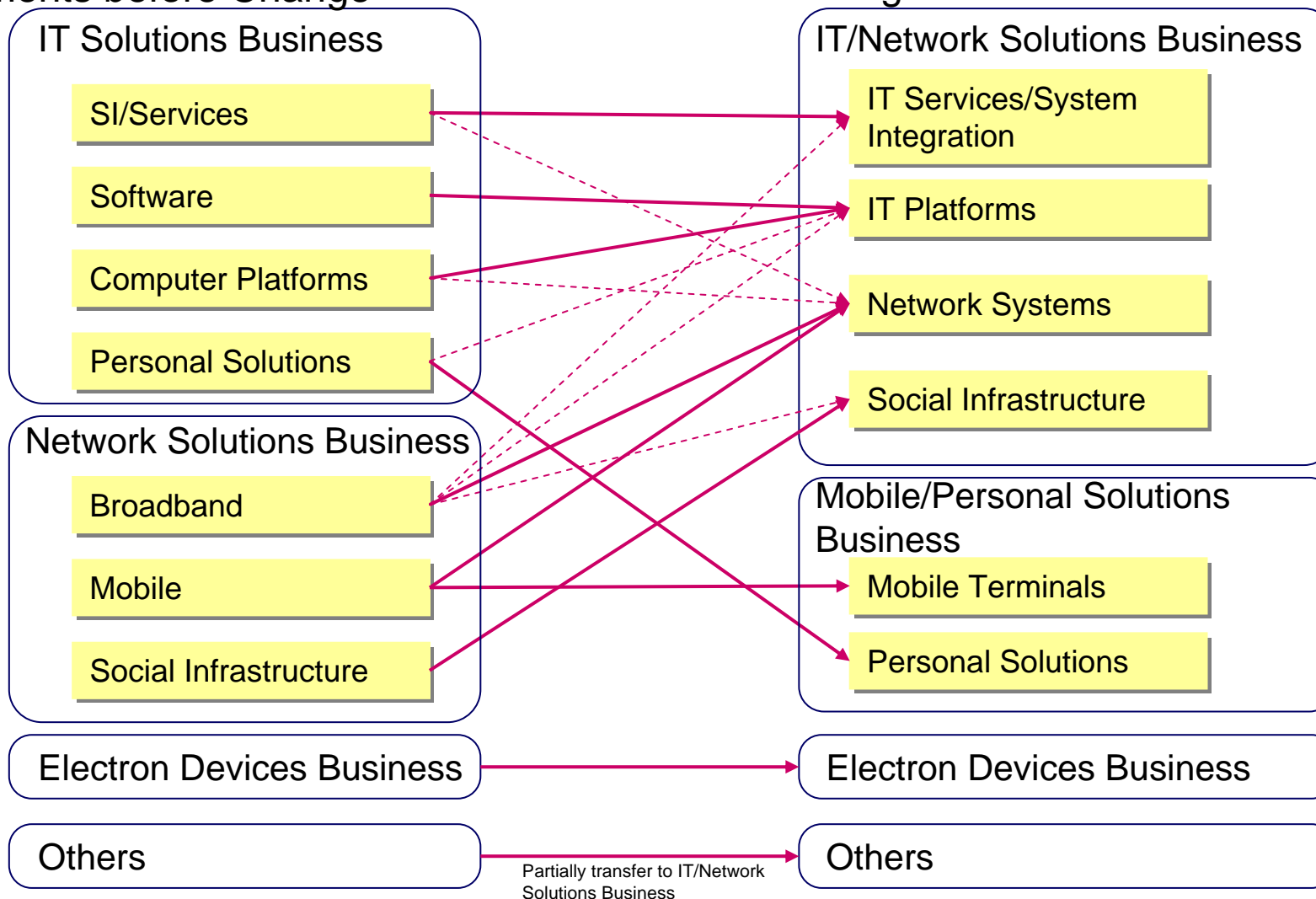


Appendix

Correlation Chart of New & Old Segments

Segments before Change

New Segments



In addition to the above change, there will be other effects arising from the revision of segments such as changes in business responsibility within divisions, changes in consolidated divisions of subsidiaries, and increase or decrease of inter-segment sales volume.

Appendix

Financial Summary by Segment (New Segment)

(Billion Yen)		FY05/3		FY06/3			FY07/3			
		Full Year		1Q	1st half	Full Year	1Q	1st half		Full Year
		Actual		Actual	Actual	Actual	Actual	May Forecast	Forecast	Forecast
IT Services/SI	Net sales	750.2	141.2	346.3	769.4	146.2				
	Platforms	701.1	122.7	311.2	672.7	122.8				
	NW Systems	916.9	207.9	460.1	993.1	229.3				
	Social Infrastructure	294.7	46.3	118.6	314.3	58.6				
	IT/Network Solutions	2,662.9	518.1	1,236.2	2,749.5	556.9	1,240	1,290	2,790	
	Profit/Loss to sales	171.0 6.4%	7.6 1.5%	56.6 4.6%	177.3 6.4%	27.6 5.0%	57 4.6%	67 5.2%	187 6.7%	
Mobile Terminals	Net sales	634.0	113.9	207.1	453.9	79.1				
	Personal Solutions	725.6	166.9	359.1	765.2	159.2				
Mobile/Personal Solutions	1,359.6	280.8	566.2	1,219.1	238.3	560	510	1,160		
	Profit/Loss to sales	-25.1 -1.8%	4.3 1.5%	-5.7 -1.0%	-29.1 -2.4%	-10.1 -4.2%	-19 -3.4%	-19 -3.7%	-19 -1.6%	
Electron Devices	Net sales	869.1	181.6	393.7	808.4	204.0	430	430	885	
	Profit/Loss to sales	33.4 3.8%	-9.7 -5.3%	-9.5 -2.4%	-25.5 -3.2%	-2.4 -1.2%	-2 -0.5%	-2 -0.5%	8 0.9%	
Others / Eliminations	Net sales	-89.9	12.3	16.7	47.9	19.2	20	20	65	
	Profit/Loss	-37.4	-12.1	-18.3	-27.3	-0.4	-21	-21	-46	
Consolidated Total	Net sales	4,801.7	992.8	2,212.8	4,824.9	1,018.4	2,250	2,250	4,900	
	Profit/Loss	141.9	-9.9	23.1	95.4	14.7	15	25	130	
	to sales	3.0%	-1.0%	1.0%	2.0%	1.4%	0.7%	1.1%	2.7%	

*Forecasts as of July 27, 2006