NEWS RELEASE

Empowered by Innovation NEC

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***** For immediate use May 11, 2006

Full Year Consolidated Financial Results for the Fiscal Year Ended March 31, 2006

I. Consolidated Financial Results

	Fiscal Year Ended March 31, 2006	**Fiscal Year Ended March 31, 2005 [Restated]**	**Change**
	In billions of yen	In billions of yen	%
Net sales	4,824.9	4,801.7	+0.5
Operating income	95.4	141.9	-32.7
Income from continuing operations before income taxes	83.3	145.1	-42.6
Net income	12.1	77.2	-84.3
	yen	yen	yen
Net income per share:			
Basic	6.05	39.62	-33.57
Diluted	5.78	36.37	-30.59
	In billions of yen	In billions of yen	%
Total assets	3,895.8	3,982.5	-2.2
Number of employees	154,180	154,001	-

(Notes)

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 those of 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 operating income.

3. The number of consolidated subsidiaries and affiliated companies accounted for by the equity method is as follows:

	As of March 31, 2006	As of March 31, 2005 [Restated]
Consolidated subsidiaries	**356**	**317**
Affiliated companies accounted for by the equity method	**68**	**69**

4. 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.
5. NEC adopted the Financial Accounting Standards Board ("FASB") Interpretation No.47 ("FIN47"), "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143", at March 31, 2006.
6. 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.

II. Management Policy

1. Fundamental Management Policy

Information technology ("IT") and network technology have become indispensable to our daily lives, enterprises, and national and local governments. In addition, various convergences are now occurring, such as the convergence of IT and network technologies. Due to such convergences and advancements in broadband (high speed, large capacity networks and related services) and mobile (accessibility via mobile information terminals) technology, a "ubiquitous networked society" is being realized, in which necessary information can be exchanged anytime, anywhere through various information and telecommunication devices. Furthermore, companies are beginning to construct next-generation networks ("NGNs") to enable higher-speed, more convenient, and safer and more secure network environments, aiming to create new services integrating telecommunications with financial services or broadcasting. The combination and integration of IT and network technologies is key to realizing these kinds of networks and services.

In order to enable individuals to spend safe, happy and rich lives, and corporations to enhance their competitiveness and management efficiency by utilizing IT and networks in this new society, the NEC Group, under the corporate slogan "Empowered by Innovation," intends to contribute to realizing the new potential of people and society through continuing innovation for "improved customer satisfaction."

In addition to its IT Solutions and Network Solutions businesses, the NEC Group also aims to provide solutions of true value for its customers and to contribute to the realization of a "ubiquitous networked society" through its Electron Devices business, including semiconductors.

Finally, the NEC Group aims at sustained growth of society and enterprises by fulfilling its social responsibility as a good corporate citizen. At the same time, the NEC Group is working to increase its corporate value acknowledging its duty toward its stakeholders including its shareholders, customers, and employees.

2. Fundamental Policy on Distribution of Profits

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

NEC expects to pay an annual dividend of 6 yen per common share for the full year ended March 31, 2006 (including an interim dividend of 3 yen per common share).

In addition, regarding the fundamental policy for dividend distribution, in response to the recent enforcement of the new Company Law in Japan NEC is planning to amend its Articles of Incorporation at its Annual General Meeting of Shareholders to be held in June 2006, to enable a more flexible distribution of the surplus dividend through resolutions of the Board of Directors. Furthermore, there will be no change to NEC's dividend system after the Company Law becomes effective. Dividends will be paid twice annually, with the record dates of March 31 and September 30, as in the past.

3. Company's Principles and Policies on Reducing the Number of Shares in a Trading Unit

Reducing the number of shares constituting one "share unit" (tan-gen kabu) is recognized as an effective way to increase the number of individual investors and enhance stock liquidity. However, such transaction will entail a substantial expense. When it is judged necessary NEC will respond appropriately taking into account, among other issues, the stock price levels, the number of shareholders, the shareholder composition, cost effectiveness, and NEC's financial condition.

4. Mid- to Long-Term Business Strategy

Positioning “Integrated IT/Network Solutions” and “Semiconductor Solutions” as its core business domains, the NEC Group strives to enhance its corporate value by pursuing business and technology synergies between these domains while allowing them to

develop their respective strategies in accordance with their individual business characteristics.
The NEC Group set forth its mid-term growth strategy in October 2003, and has been implementing the strategy since that time. By leveraging the advanced, world-leading broadband and mobile infrastructure available in the Japanese market into overseas markets, the NEC Group aims to create and acquire new growth opportunities in the upcoming, full-scale ubiquitous networked society.

Outline of Mid-Term Growth Strategy in Integrated IT/Network Domain

1. Securing Reliable Profits and Stable Growth Focused on the Japanese Market
   (1) Securing a reliable profit foundation based on systems integration ("SI") services
   (2) Expanding the network solutions business through integration with IT business
   (3) Revitalizing the product business
2. Capturing New Growth Opportunities
   (1) Expanding global business
   (2) Strengthening measures to prepare for an upcoming, full-scale "ubiquitous networked society" in Japan
3. Combining NEC Group Core Competencies to Support Growth

Recently, the NEC Group has been confronted with certain issues that need to be addressed, such as the rapidly changing business environment starting with accelerating competition in the Japanese mobile handset market, increasing capital requirements, and complexity relating to new technology development. On the other hand, the NEC Group is presented with new business opportunities arising from the shift to NGNs and increasing demands for software/services in various areas.

The NEC Group is enhancing its capabilities to respond to these market conditions, striving to focus on rapidly growing areas in IT/Network solutions markets, and endeavoring to achieve performance recovery of its mobile handset and semiconductor businesses. Furthermore, the NEC Group is pursuing global expansion with a focus on IT/Network solutions businesses and aims to accomplish mid-term growth.

5. Challenges to Be Addressed by NEC Group

In Japan, broadband and mobile infrastructures are expanding significantly. Drastic changes in consumer behavior have led to rapid growth and expansion of the e-commerce market for individual consumers, in particular the “mobile commerce market” that utilizes mobile handsets. In addition, with the expansion of these markets, new services have emerged that integrate telecommunications with financial services or broadcasting, such as the addition of e-money and credit card functions to mobile handsets and the start of what is referred to as “one segment broadcasting.”

We are approaching the realization of a true “ubiquitous networked society” in which communication via phone or e-mail is possible anytime, anywhere, enabling the use of a variety of services and the exchange of information, and accelerated development in this field is anticipated. At the same time, companies are increasingly taking measures to strengthen the systems that act as their service platforms in order to respond promptly and precisely to diversifying market needs. One of these initiatives entails the construction of NGNs based on internet protocol technology and platforms that provide integrated services linked with NGNs by domestic telecommunications and service carriers.

Taking advantage of the changes in this business environment, the NEC Group will strive to achieve growth by offering total solutions, leveraging its world-class technological excellence in the fields of IT, networks and electron devices.

As part of its strategy, the NEC Group will provide IT/network solutions that incorporate leading technology including electron devices and IT/network platform technology. The NEC Group will take an active role in creating new businesses and markets by (1) aiding its customers to utilize information communication technology strategically, and enhancing the reliability and stability of information systems that are already fundamental to society, and (2) providing platforms that enable flexible and timely response to diversifying service content.

In addition, the NEC Group will strive to create products and solutions that are competitive by strengthening its value chain (the process flow from product planning, development, and design to manufacturing and maintenance), thereby promoting the accumulation of technology within the NEC Group and enhancement of its development structure for key components.

Furthermore, to strengthen measures for growth, the NEC Group will increase its global expansion focusing on its IT/network solutions business. It will also strive for an early recovery of the mobile handset business by promoting structural reform of its overseas business and efficiency in development activities, and of the semiconductor business by strengthening its sales efforts and strategic alliances.

By continuously pursuing its business strategies, the NEC Group aims to develop into a global and innovative corporate group, achieving business growth and enhanced profitability.

In addition, the NEC Group is aware of the seriousness of the false transactions carried out by an employee of an NEC subsidiary, which were announced in March, 2006. In order to prevent such incidents from recurring in the future, NEC will manage its internal control systems more strictly within NEC Corporation and NEC Group companies, enforce additional cross check functions, and strengthen the level of cooperation with the statutory auditors and internal auditing divisions of NEC Group companies for more effective internal audits. Furthermore, NEC is committed to preventing such incidents by further emphasizing legal compliance by the executives and employees of NEC Corporation and NEC Group Companies through compliance seminars and educational training.

III. Business & Financial Review

1. Business Results

<1> *Overview of the fiscal year ended March 31, 2006, and outlook for the fiscal year ending March 31, 2007*

In March 2006, NEC announced the results of an investigation into false transactions carried out by an employee of an NEC subsidiary. NEC deeply regrets that such transactions occurred at one of its subsidiaries, and would like to sincerely apologize to all concerned people for any inconvenience or confusion it may cause. In connection with this incident, NEC has restated its consolidated financial results for past fiscal years in accordance with U.S. GAAP. Within the consolidated financial results for the fiscal year ended March 31, 2006, comparisons with the previous fiscal year set forth under “Overview of the fiscal year ended March 31, 2006,” “Results by business segments” and “Financial condition” are based on restated figures.

During the fiscal year ended March 31, 2006, the global economy was generally healthy with continuing stable growth in the U.S. as well as sustained continuous high growth in newly industrializing countries such as China and Russia. The Japanese economy experienced steady growth in capital expenditures and consumer spending, and in the second half of the fiscal year, exports began to recover, leading to growth in both domestic and foreign demand.

In the midst of this business environment, the NEC Group implemented the measures discussed below during the fiscal year ended March 31, 2006, and strengthened its structure to pursue growth of the NEC Group.

First of all, as a measure to strengthen its market productivity and business execution capabilities, NEC made NEC Soft, Ltd. and NEC System Technologies, Ltd. wholly-owned subsidiaries of NEC in order to strengthen the system construction and software development capabilities of the entire NEC Group. Through this measure, NEC aimed to enhance collaboration within the NEC Group in the areas of SI and software businesses, thereby increasing the NEC Group’s profitability and strengthening its ability to provide solutions to its customers. NEC also decided to make NEC Infrontia Corporation its wholly-owned subsidiary in order to strengthen the enterprise network solutions business, and to achieve this objective, in February 2006, NEC entered into a stock-for-stock exchange agreement with NEC Infrontia Corporation. In the area of hardware development, NEC concentrated on hardware development in the area of IT/Network Integration, such as NGNs for telecommunications/service carriers, as this business area is expected to be a source of future growth for the NEC Group.

With respect to structural business reform, the NEC Group focused on strengthening NEC's business platform through total process innovation, including initiatives to strengthen manufacturing. Production innovation, which previously had been focused on hardware, was expanded to the areas of software and system development. Furthermore, NEC promoted more effective coordination of the value chain (the process flow from product planning, development, and design to manufacturing and maintenance) within the NEC Group through measures such as in-house production of core parts in an effort to build a structure that will enable each company in the NEC Group to realize its maximum potential.

With an eye toward expanding its global business, NEC advanced collaboration and alliances with overseas companies in the fields of servers and enterprise telecommunications systems. At the same time, in an effort to select and focus its key businesses, NEC transferred its shares in NEC Machinery Corporation and Anelva Corporation to Canon Inc. and reached an agreement with Sony Corporation to establish an alliance in the optical disc drive business.

Consolidated net sales for the fiscal year ended March 31, 2006 were 4,824.9 billion yen, an increase of 23.2 billion yen (0.5%) as compared with the previous fiscal year. The increase was mainly due to a significant increase in sales of mobile communications systems, an increase in sales of personal computers, and the fact that an affiliated company accounted for by the equity method which engages in the manufacture and sale of monitors became a consolidated subsidiary of NEC. These increased sales were partially offset by a decrease in sales of mobile handsets outside of Japan due to unit price declines, and a decrease in sales of semiconductors for telecommunications equipment such as mobile handsets.

Consolidated income from continuing operations before income taxes (*note) for the fiscal year ended March 31, 2006 amounted to 83.3 billion yen, a decrease of 61.8 billion yen (42.6%) as compared with the previous fiscal year. The decrease was principally due to a fall in sales of mobile phone handsets and semiconductors, and an increase in development costs, despite an improvement in profitability in mobile communications systems. In addition, consolidated net income for the fiscal year ended March 31, 2006 was 12.1 billion yen, a decrease of 65.1 billion yen (84.3%) as compared with the previous fiscal year. The decrease was mainly due to the decrease in income from continuing operations before income taxes.

Note*

In accordance with U.S. GAAP, NEC has stated net income from discontinued operations, net of tax for the fiscal year ended March 31, 2006 separately from consolidated income from continuing operations before income taxes to reflect the transfer of shares of NEC Machinery Corporation and Anelva Corporation.

For the fiscal year ending March 31, 2007, NEC projects consolidated net sales of 4,900.0 billion yen, an increase of 1.6% as compared with the fiscal year ended March 31, 2006, expecting continuing steady demand in the area of SI/services, growth in the area of broadband, and recovery in the performance of the Electron Devices business. NEC is targeting consolidated operating income of 130.0 billion yen through an increase in consolidated net sales and further promotion of cost reduction. In addition, NEC is targeting consolidated net income of 50.0 billion yen through an increase in consolidated operating income.

Consolidated	**Target for fiscal year ending March 31, 2007**	**Comparison with fiscal year ended March 31, 2006**
	In billions of yen	
Net sales	4,900.0	+1.6%
Operating income	130.0	+34.6 billion yen
Income from continuing operations before income taxes	100.0	+16.7 billion yen
Net income	50.0	+37.9 billion yen

Non-consolidated	**Target for fiscal year ending March 31, 2007**	**Comparison with fiscal year ended March 31, 2006**
	In billions of yen	
Net sales	2,280.0	-3.8%
Ordinary income	50.0	+22.4 billion yen
Net income	40.0	-1.9 billion yen

<2> *<u>Results by business segments (including inter-segment transactions and profit/loss figures)</u>*

Sales and segment profits of NEC's main segments were as follows (figures in brackets denote increases or decreases as compared with the previous fiscal year):

IT Solutions Business

Sales:	2,174.6 billion yen	(+0.3%)
Segment profit:	81.8 billion yen	(-24.3 billion yen)

Sales of the IT Solutions business for the fiscal year ended March 31, 2006 amounted to 2,174.6 billion yen, an amount almost equivalent to that of the previous fiscal year.

Net sales by products and services were as follows:
In the area of personal solutions business, due to an increase in sales of personal computers, sales amounted to 749.5 billion yen, an increase of 3.5% as compared with the previous fiscal year. In the area of SI (hereafter "SI/services"), sales amounted to 832.4 billion yen, an amount almost equivalent to that of the previous fiscal year. In contrast, in the area of computer platforms, due to a decrease in sales of optical disc drivers, sales amounted to 489.9 billion yen, a decrease of 2.0% as compared with the previous fiscal year. In the area of software, due to a particularly large order in the previous fiscal year, sales amounted to 102.8 billion yen, a decrease of 3.8% as compared with the previous fiscal year.

Regarding profitability, as a result of intensified price competition and aggravation of profitability in personal computer business resulting from an increase in cost due to a weak yen rate, segment profit decreased by 24.3 billion yen as compared with the previous fiscal year, amounting to 81.8 billion yen.

Network Solutions Business

Sales:	1,786.2 billion yen	(-4.8%)
Segment profit:	62.0 billion yen	(+20.5 billion yen)

Sales of the Network Solutions business for the fiscal year ended March 31, 2006 decreased by 4.8% as compared with the previous fiscal year, amounting to 1,786.2 billion yen.

Net sales by products and services were as follows:
In the area of fixed-line communication systems (hereafter “broadband”), due to a decrease in domestic sales principally caused by large orders acquired in the previous fiscal year, sales decreased by 3.6% as compared with the previous fiscal year, amounting to 592.2 billion yen. In the mobile area, although sales of mobile communication systems (hereafter “mobile infrastructure”) increased due to the launch of new services by domestic telecommunication carriers and favorable capital expenditure for network expansion in Japan and overseas, sales of mobile handsets decreased significantly due to severe competition in Japan and overseas. As a result, sales in the mobile area overall decreased by 8.9% as compared with the previous fiscal year, and amounted to 916.1 billion yen. In the area of social infrastructure, due to an increase in sales of digital terrestrial broadcasting infrastructure, sales amounted to 277.9 billion yen, an increase of 8.8% as compared with the previous fiscal year.

Segment profit increased by 20.5 billion yen as compared with the previous fiscal year, and amounted to 62.0 billion yen. This was mainly due to an increase in sales and improved profitability owing to production innovation in the mobile infrastructure business.

Electron Devices Business

Sales:	808.4 billion yen	(-7.0%)
Segment loss:	-25.5 billion yen	(-58.9 billion yen)

Sales of the Electron Devices business for the fiscal year ended March 31, 2006 amounted to 808.4 billion yen, a decrease of 7.0% as compared with the previous fiscal year.

Net sales by products and services were as follows:
In the area of semiconductors, sales decreased by 8.8% as compared with the previous fiscal year, and amounted to 646.0 billion yen. This was mainly due to a significant decrease in sales of semiconductors for telecommunications equipment, including mobile

handsets. In the display area, sales amounted to 64.6 billion yen, a decrease of 6.2% as compared with the previous fiscal year. Although sales of color liquid crystal displays for industrial use were steady, this decrease was mainly due to the transfer of the plasma display business in the first half of the previous fiscal year. In the area of electronic components and others, sales amounted to 97.8 billion yen, an increase of 6.1% as compared with the previous fiscal year.

Regarding profitability, despite measures for improved productivity and cost efficiency, due to a significant decrease in sales and drop in unit price, the Electron Devices business recorded segment loss of 25.5 billion yen, a worsening of 58.9 billion yen as compared with the previous fiscal year.

<3> Subsequent Event

On May 1, 2006, NEC made NEC Infrontia Corporation a wholly-owned subsidiary of NEC in accordance with the stock-for-stock exchange agreement, and issued 33,630,520 new shares to the shareholders of NEC Infrontia Corporation (excluding NEC) with the exchange ratio of 0.774 shares in NEC for one (1) share in NEC Infrontia Corporation.

Note*

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.

2. Financial Condition

Net cash provided by operating activities was 236.9 billion yen, an improvement of 72.6 billion yen as compared with the previous fiscal year. This was mainly due to a decrease in the payment of notes and accounts payable as compared with the previous fiscal year.

Net cash used in investing activities was 83.5 billion yen, an improvement of 50.8 billion yen as compared with the previous fiscal year. This was mainly due to a decrease in capital expenditure payments for semiconductors as compared with the previous fiscal year, and the fact that the only tender offer was for NEC Infrontia Corporation, as compared to the tender offers for NEC Soft, Ltd. and NEC System Technologies, Ltd.

and the acquisition of ABeam Consulting, Ltd. in the previous fiscal year. As a result, free cash flows (the sum of cash flows from operating activities and investing activities) were cash inflows of 153.4 billion yen, an improvement of 123.4 billion yen as compared with the previous fiscal year.

Net cash used in financing activities was 210.0 billion yen, due mainly to the redemption of bonds and the payment of dividends. As a result, cash and cash equivalents as of March 31, 2006 amounted to 455.9 billion yen, a decrease of 46.7 billion yen as compared with the end of the previous fiscal year.

The balance of interest-bearing debt amounted to 966.5 billion yen as of March 31, 2006, a reduction of 208.1 billion yen as compared with the end of the previous fiscal year, as a result of the implementation of continual reduction measures. Debt-equity ratio as of March 31, 2006 was 1.08 (an improvement of 0.51 points as compared with the end of the previous fiscal year).

The balance of interest-bearing debt (net), obtained by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to 510.6 billion yen as of March 31, 2006, a reduction of 161.4 billion yen as compared with the end of the previous fiscal year. Net debt-equity ratio was 0.57 as of March 31, 2006 (an improvement of 0.34 points as compared with the end of the previous fiscal year).

	End of Fiscal Year 2004	**End of Fiscal Year 2005**	**End of Fiscal Year 2006**
Shareholders' equity ratio	15.8%	18.5%	22.9%
Shareholders' equity ratio on market value basis	40.4%	31.3%	42.3%
Redemption years	4.0 years	7.2 years	4.5 years
Interest coverage ratio	12.6	8.9	14.4

Calculation methods for each of the above indices:

Shareholders' equity ratio:

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

Shareholders' equity ratio on market value basis:

Aggregated market value of shares at the end of each fiscal year / total assets at the end of each fiscal year

Redemption years:

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 expense

Note*

The consolidated financial results for the past fiscal years were revised from those already announced, and restated based on U.S. GAAP. However, as restated figures for the past fiscal years are currently being audited by NEC's independent auditors, NEC will promptly disclose revised consolidated financial results for the past fiscal years after the aforementioned audit is complete.

IV. Risk Factors

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

<1> Intense Competition

The NEC Group is subject to intense competition in many of the markets in which it operates from various competitors ranging from large multinational corporations to relatively small, rapidly growing, and highly specialized companies. The entrance of additional competitors into the markets in which the NEC Group operates increases the risk that the NEC Group's products and services will become subject to intense price competition.

<2> Risk Related to Production Process

The computer, communications, semiconductor, and other 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 are highly complex, require advanced and costly equipment, and must continuously be modified to improve yields and performance. If production is interrupted by the defects, malfunction or other failure of manufacturing facilities, the NEC Group may not be able to shift production to other facilities quickly, and customers may purchase products from other suppliers. The shortage of manufacturing capacity for some products could adversely affect the NEC Group’s ability to compete. The resulting reductions in revenues and damage to customer relationships could be significant. In addition, during downturns, customers generally do not order products as far in advance of the scheduled shipment date as they do when the industry is operating closer to capacity, making it difficult to forecast production levels and revenues.

<3> Risk Related to Semiconductor Business

The market for semiconductors has a highly cyclical nature called a "silicon cycle" and has suffered downturns from time to time. Downturns have been characterized by diminished demand, excess inventories, and accelerated erosion of prices. Although the

NEC Group operates its business while carefully monitoring the cycle of the market, downswing of the silicon cycle may have adverse effects on its operating results.

<4> *Influence of Economic Conditions*

The NEC Group's business is highly dependent on the Japanese market. If the Japanese economy becomes sluggish again, there could be a significant impact on the NEC Group's financial results. The NEC Group also depends on markets outside Japan, and its financial results are therefore subject to negative economic developments in foreign countries.

<5> *Laws and Government 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 government policies, and uncertainty relating to legal liabilities. Substantial changes in the regulatory or legal environments in which the NEC Group operates could adversely affect its business, operating results, and financial condition.

<6> *Defects in Products and Services*

There is a risk that defects may occur in the NEC Group's products and services. The occurrence of these defects could make the NEC Group liable for damages caused by these defects, including consequential damages. Negative publicity concerning such defects could also discourage customers from purchasing the NEC Group's products and services. Both could hurt the NEC Group's business, operating results, and financial condition.

<7> *Risk Related to Foreign Currency Exchange*

Foreign exchange rate fluctuations may negatively impact the NEC Group's business, operating results, and financial condition. Changes in exchange rates can affect the yen value of the NEC Group's equity investments and monetary assets and liabilities arising from business transactions in foreign currencies. They can also affect the costs and sales proceeds of products or services that are denominated in foreign currencies.

<8> Technological Advances and Response to Customer Needs

If the NEC Group fails to keep up with rapid technological changes and changes in customers' needs, and to offer and support new products and services in response to such changes, the NEC Group's business, operating results and financial condition may be adversely affected. Furthermore, the development process could be lengthier than originally planned, and require the NEC Group to commit many more resources. Technology and standards may change while the NEC Group is in a development stage, rendering the NEC Group's products obsolete or uncompetitive before their introduction.

<9> Risk Related to Intellectual Property Rights

The NEC Group depends on its proprietary technology and its ability to obtain patents, licenses, and other intellectual property rights covering its products, services, business models, and design and manufacturing processes. However, the protection afforded by the NEC Group’s intellectual property rights, such as patents, patent applications, and copyrights, may be undercut by rapid changes in technologies in the industries in which the NEC Group operates. Similarly, there can be no assurance that claims allowed on any future patents will be sufficiently broad to protect the NEC Group’s technology. Effective patent, copyright, and trade-secret protection may be unavailable or limited in some countries, and the NEC Group’s trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors, and other persons. In addition, there may be cases of blatant disregard of the NEC Group’s intellectual property rights, in which inferior, pirated products damage its brand image.

<10> Legal Proceedings

From time to time, NEC Group companies are involved in various lawsuits and legal proceedings, including patent and other intellectual property infringement claims. Whether or not claims against NEC Group companies have merit, their defense may require significant resources. If an infringement claim by a third party is successful, and the license for the infringed technology or substitutable non-infringing technology cannot be obtained, the business of the NEC Group could be adversely affected.

The investigation being conducted by the Antitrust Division of the U.S. Department of Justice (“DOJ”) in regard to potential antitrust violations in the U.S. dynamic random access memory (“DRAM”) industry was resolved with respect to the NEC Group by a cooperation and non-prosecution agreement with the DOJ. However, NEC Electronics America, Inc., an indirect subsidiary of NEC (“NECELAM”) is currently subject to investigations being conducted by the Attorneys General of several states in the U.S. in connection with alleged antitrust violations among the DRAM suppliers. Furthermore, NECELAM has been named as one of the defendants in a number of class action civil antitrust lawsuits seeking damages for alleged antitrust violations. NEC and NECELAM have commenced settlement negotiations with certain customers to which they sold DRAM products in the past. In addition, the NEC Group is fully cooperating with the European Commission in an investigation of potential violations of European competition laws in the DRAM industry. Although nothing has been resolved at this time in connection with the investigations by several state Attorneys General and the European Commission, civil lawsuits or the settlement negotiations, the NEC Group has provided an accrual for the fiscal year ended March 31, 2006 in a reasonably estimated amount under current circumstances for the civil lawsuits and settlements with the customers.

In Japan, NEC received from the Tokyo High Court a judgment to annul a decision by the Fair Trade Commission of Japan (JFTC) to issue a cease and desist order with respect to NEC's bids for automatic letter processing systems ordered by the Ministry of Posts and Telecommunications (currently, Japan Post). The JFTC has filed an appeal with the Supreme Court of Japan with respect to such judgment. NEC has also attended hearings on the JFTC's surcharge payment orders against NEC.

These and other legal proceedings are subject to inherent uncertainties, and an adverse result in these or other matters that may arise from time to time could have a material adverse effect on the NEC Group's business, results of operations or financial condition

<11> Risk Related to Natural Disasters

If any of the NEC Group's facilities and buildings in Japan were to suffer catastrophic damage, it could disrupt the NEC Group's operations, delay production and shipments, reduce revenue, and result in large losses and expenses to repair or replace the facility.

<12> Risk Related to Material Procurement

The NEC Group’s manufacturing operations depend on obtaining deliveries of raw materials, components, equipment, and other supplies in a timely manner. 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 only available from a limited number of suppliers or a single supplier. The NEC Group’s results of operations would be hurt if the NEC Group could not obtain adequate delivery of these supplies in a timely manner, or if the NEC Group had to pay significantly more for them. In addition, the possibility of defective raw materials, components, equipment, or other supplies could adversely affect the reliability and reputation of the NEC Group’s products.

<13> *Risk Related to Potential Acquisitions and Investments*

From time to time, the NEC Group exploits opportunities to expand its business through acquisitions and investments. The NEC Group, however, may not be able to achieve the benefits that it expects from a particular acquisition. The NEC Group's business, operating results, and financial condition may suffer if it fails to allocate its resources effectively and appropriately to meet the respective requirements of both its existing businesses and any businesses it may acquire.

<14> *Risk Related to Deferred Tax Assets*

The NEC Group currently has deferred tax assets resulting from net operating loss carry forwards and deductible temporary differences, both of which will reduce taxable income in the future.

In the event of a deterioration in market conditions or results of operations, in which NEC determines that all or part of such deferred tax assets are unlikely to be realizable, an adjustment to deferred tax assets may be made and NEC Group’s income could be decreased for the period such adjustment was made.

<15> *Risk Related to Information Management*

The NEC Group possesses a voluminous amount of personal information and confidential information in connection with the operation of its business. If such information in the NEC Group's possession is leaked or improperly accessed and subsequently misused, it could negatively affect the NEC Group's reputation, consume financial resources to resolve the situation, and lower the NEC Group's brand value, thereby hurting the NEC Group's operating results.

<16> *<u>Risk Related to Fraudulent Acts and Mistakes</u>*

The NEC Group is taking action to improve and strengthen its internal control systems by such means as further documentation and improvement to the financial reporting system, and the implementation of stronger internal financial audit and internal operational audit functions. However, the NEC Group may discover possible fraudulent acts such as false financial reporting, embezzlement, or mistakes, which would require restatement of financial statements and could decrease the NEC Group’s income. For example, in March 2006, NEC announced that it had discovered certain fictitious purchases and sales that were made by an employee of an NEC subsidiary. In consideration of the impact of such fictitious transactions and other changes in the basis or assumptions for NEC’s financial statements, NEC is currently reviewing and preparing restatements of its consolidated financial statements for past fiscal years.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Fiscal 2006	**(% of net sales)**	Fiscal 2005	(% of net sales)	Increase (Decrease)	**Fiscal 2006**
Net sales	**JPY 4,824,929**	**(100.0)**	JPY 4,801,715	(100.0)	JPY 23,214	**$41,239**
Cost of sales	**3,536,002**	**(73.3)**	3,511,031	(73.1)	24,971	**30,222**
Selling, general and administrative expenses	**1,193,501**	**(24.7)**	1,148,834	(23.9)	44,667	**10,201**
Operating income	**95,426**	**(2.0)**	141,850	(3.0)	(46,424)	**816**
Non-operating income	**57,351**	**(1.1)**	71,152	(1.4)	(13,801)	**490**
Interest and dividends	**10,733**		9,102		1,631	**92**
Other	**46,618**		62,050		(15,432)	**398**
Non-operating expenses	**69,472**	**(1.4)**	67,899	(1.4)	1,573	**594**
Interest	**16,422**		18,529		(2,107)	**140**
Other	**53,050**		49,370		3,680	**454**
Income from continuing operations before income taxes	**83,305**	**(1.7)**	145,103	(3.0)	(61,798)	**712**
Provision for income taxes	**98,643**	**(2.0)**	93,652	(1.9)	4,991	**842**
Minority interest in income (loss) of consolidated subsidiaries	**(13,421)**	**(-0.3)**	7,955	(0.2)	(21,376)	**(115)**
Equity in earnings (losses) of affiliated companies	**9,467**	**(0.2)**	33,651	(0.7)	(24,184)	**80**
Net income from continuing operations	**7,550**	**(0.2)**	77,147	(1.6)	(69,597)	**65**
Net income from discontinued operations, net of tax	**9,403**	**(0.2)**	68	(0.0)	9,335	**80**
Net income before cumulative effect of accounting change	**16,953**	**(0.4)**	77,215	(1.6)	(60,262)	**145**
Cumulative effect of accounting change, net of tax	**(4,816)**	**(-0.1)**	-	-	(4,816)	**(41)**
Net income	**JPY 12,137**	**(0.3)**	JPY 77,215	(1.6)	(JPY 65,078)	**$104**

(Notes)

*US dollar amounts are translated from yen, for convenience only, at the rate of US$1 = 117 yen.

*Comprehensive income (loss), adds net income to change in accumulated other comprehensive income (loss), were 120,576 million yen (income) and 101,058 million yen (income) for the year ended March 31, 2006 and 2005, respectively. Accumulated other comprehensive income (loss) includes foreign currency translation adjustments, minimum pension liability adjustment, unrealized gains (losses) on marketable securities and unrealized gains (losses) on derivative financial instruments.

*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.

*NEC adopted the Financial Accounting Standards Board("FASB") Interpretation No.47("FIN47"), "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143", at March 31, 2006. The results of adoption of FIN47 have been disclosed as "Cumulative effect of accounting change, net of tax".

*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.

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	March 31, 2006	March 31, 2005	Increase (Decrease)	**March 31, 2006**
Current assets	**JPY 2,106,753**	JPY 2,094,285	JPY 12,468	**$18,006**
Cash and cash equivalents	**455,932**	502,629	(46,697)	**3,897**
Notes and accounts receivable, trade	**997,050**	918,222	78,828	**8,522**
Inventories	**461,095**	489,028	(27,933)	**3,941**
Other current assets	**192,676**	184,406	8,270	**1,646**
Long-term assets	**1,789,029**	1,888,260	(99,231)	**15,291**
Long-term receivables, trade	**11,633**	9,880	1,753	**99**
Investments and advances	**453,459**	407,821	45,638	**3,876**
Property, plant and equipment	**691,779**	744,610	(52,831)	**5,913**
Other assets	**632,158**	725,949	(93,791)	**5,403**
Total assets	**JPY 3,895,782**	JPY 3,982,545	(JPY 86,763)	**$33,297**

Current liabilities	**JPY 1,721,250**	JPY 1,741,658	(JPY 20,408)	**$14,711**
Short-term borrowings and current portion of long-term debt	**322,380**	375,009	(52,629)	**2,755**
Notes and accounts payable, trade	**865,573**	848,231	17,342	**7,398**
Other current liabilities	**533,297**	518,418	14,879	**4,558**
Long-term liabilities	**1,082,460**	1,280,272	(197,812)	**9,252**
Long-term debt	**644,151**	799,654	(155,503)	**5,506**
Accrued pension and severance costs	**368,109**	435,084	(66,975)	**3,146**
Other	**70,200**	45,534	24,666	**600**
Minority shareholders' equity in consolidated subsidiaries	**201,192**	223,659	(22,467)	**1,720**
Total shareholders' equity	**890,880**	736,956	153,924	**7,614**
Common stock	**337,821**	337,820	1	**2,887**
Additional paid-in capital	**500,819**	455,683	45,136	**4,281**
Retained earnings	**74,537**	74,357	180	**637**
Accumulated other comprehensive income (loss)	**(19,428)**	(127,867)	108,439	**(166)**
Treasury stock	**(2,869)**	(3,037)	168	**(25)**
Total liabilities and shareholders' equity	**JPY 3,895,782**	JPY 3,982,545	(JPY 86,763)	**$33,297**

Interest-bearing debt (*1)	**JPY 966,531**	JPY 1,174,663	(JPY 208,132)	**$8,261**
Net interest-bearing debt (*2)	**510,599**	672,034	(161,435)	**4,364**
Shareholders' equity ratio (%) (*3)	**22.9**	18.5	4.4	
Debt-equity ratio (times) (*4)	**1.08**	1.59	(0.51)	
Net debt-equity ratio (times) (*4)	**0.57**	0.91	(0.34)	

Accumulated other comprehensive income (loss) breakdown:				
Foreign currency translation adjustments	**JPY 1,567**	(JPY 16,303)	JPY 17,870	**$13**
Minimum pension liability adjustment	**(90,581)**	(138,707)	48,126	**(774)**
Unrealized gains (losses) on marketable securities	**70,676**	28,889	41,787	**604**
Unrealized gains (losses) on derivative financial instruments	**(1,090)**	(1,746)	656	**(9)**
Total accumulated other comprehensive income (loss)	**(JPY 19,428)**	(JPY 127,867)	JPY 108,439	**($166)**

(Notes)
*1 Interest-bearing debt is the sum of short-term borrowings, current portion of long-term debt and long-term debt.
*2 Net interest-bearing debt is interest-bearing debt less cash and cash equivalents.
*3 Shareholders' equity ratio is shareholders' equity divided by total assets.
*4 Debt-equity ratio and net debt-equity ratio are interest-bearing debt and net interest-bearing debt divided by shareholders' equity, respectively.

* 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.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Fiscal 2006	Fiscal 2005	Increase (Decrease)	Fiscal 2006
I. Cash flows from operating activities:				
Net income	**JPY 12,137**	JPY 77,215	(JPY 65,078)	**$104**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	**155,499**	175,728	(20,229)	**1,329**
Equity in earnings of affiliated companies, net of dividends	**(8,282)**	(32,640)	24,358	**(71)**
Increase in notes and accounts receivable	**(82,974)**	(6,472)	(76,502)	**(709)**
Decrease in inventories	**25,616**	29,133	(3,517)	**219**
Increase (decrease) in notes and accounts payable	**16,647**	(105,902)	122,549	**142**
Other, net	**118,288**	27,228	91,060	**1,011**
Net cash provided by operating activities	**236,931**	164,290	72,641	**2,025**
II. Cash flows from investing activities:				
Proceeds from sales of fixed assets	**69,442**	89,422	(19,980)	**594**
Additions to fixed assets	**(207,067)**	(273,464)	66,397	**(1,770)**
Proceeds from sales of marketable securities	**33,505**	29,754	3,751	**286**
Purchase of marketable securities	**(7,014)**	(1,112)	(5,902)	**(60)**
Other, net	**27,598**	21,081	6,517	**236**
Net cash used in investing activities	**(83,536)**	(134,319)	50,783	**(714)**
Free cash flows （Ⅰ+Ⅱ）	**153,395**	29,971	123,424	**1,311**
III. Cash flows from financing activities:				
Net repayments of bonds and borrowings	**(199,726)**	(29,502)	(170,224)	**(1,707)**
Proceeds from stock issuances by subsidiaries	**4,056**	-	4,056	**35**
Dividends paid	**(14,136)**	(14,060)	(76)	**(121)**
Other, net	**(236)**	1,300	(1,536)	**(2)**
Net cash used in financing activities	**(210,042)**	(42,262)	(167,780)	**(1,795)**
Effect of exchange rate changes on cash and cash equivalents	**9,950**	5,780	4,170	**85**
Net decrease in cash and cash equivalents	**(46,697)**	(6,511)	(40,186)	**(399)**
Cash and cash equivalents at beginning of year	**502,629**	509,140	(6,511)	**4,296**
Cash and cash equivalents at end of year	**JPY 455,932**	JPY 502,629	(JPY 46,697)	**$3,897**

(Note)

*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.

SEGMENT INFORMATION

1.Business Segment Information

(1) Net Sales (Including internal sales to other segments)

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

	Fiscal 2006	**(% of total)**	% change	Fiscal 2005	(% of total)	**Fiscal 2006**
IT Solutions business	**JPY 2,174,551**	**(45.1)**	+0.3	JPY 2,167,843	(45.1)	**$18,586**
Network Solutions business	**1,786,200**	**(37.0)**	-4.8	1,875,307	(39.1)	**15,267**
Electron Devices business	**808,373**	**(16.8)**	-7.0	869,127	(18.1)	**6,909**
Others	**698,368**	**(14.5)**	+19.1	586,399	(12.2)	**5,969**
Eliminations	**(642,563)**	**(-13.4)**	-	(696,961)	(-14.5)	**(5,492)**
Consolidated total	**JPY 4,824,929**	**(100.0)**	+0.5	JPY 4,801,715	(100.0)	**$41,239**

(2) Segment Profit or Loss

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

	Fiscal 2006	**(% of profit on sales)**	Increase (Decrease)	Fiscal 2005	(% of profit on sales)	**Fiscal 2006**
IT Solutions business	**JPY 81,797**	**(3.8)**	(JPY 24,306)	JPY 106,103	(4.9)	**$699**
Network Solutions business	**62,003**	**(3.5)**	20,479	41,524	(2.2)	**530**
Electron Devices business	**(25,453)**	**(-3.1)**	(58,868)	33,415	(3.8)	**(218)**
Others	**13,705**	**(2.0)**	6,558	7,147	(1.2)	**117**
Eliminations	**11,488**	**-**	8,511	2,977	-	**98**
Unallocated corporate expenses*	**(48,114)**	**-**	1,202	(49,316)	-	**(410)**
	95,426	**(2.0)**	(46,424)	141,850	(3.0)	**816**
Other income	**57,351**		(13,801)	71,152		**490**
Other expenses	**(69,472)**		(1,573)	(67,899)		**(594)**
Consolidated income from continuing operations before income taxes	**JPY 83,305**		(JPY 61,798)	JPY 145,103		**$712**

(Notes)

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

* 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.

* 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.

(3) Net Sales to External Customers (Unaudited)

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

	Fiscal 2006	Fiscal 2005	% change	**Fiscal 2006**
IT Solutions business	**JPY 1,879.0**	JPY 1,843.9	+1.9	**$16,060**
Domestic	**1,482.4**	1,486.1	-0.2	**12,670**
Overseas	**396.6**	357.8	+10.8	**3,390**
Network Solutions business	**1,682.7**	1,785.7	-5.8	**14,382**
Domestic	**1,309.3**	1,310.7	-0.1	**11,191**
Overseas	**373.4**	475.0	-21.4	**3,191**
Electron Devices business	**764.1**	808.3	-5.5	**6,531**
Domestic	**377.8**	432.5	-12.7	**3,229**
Overseas	**386.3**	375.8	+2.8	**3,302**
Others	**499.1**	363.8	+37.2	**4,266**
Domestic	**311.9**	266.1	+17.2	**2,666**
Overseas	**187.2**	97.7	+91.6	**1,600**
Consolidated total	**JPY 4,824.9**	JPY 4,801.7	+0.5	**$41,239**
Domestic	**3,481.4**	3,495.4	-0.4	**29,756**
Overseas	**1,343.5**	1,306.3	+2.8	**11,483**

(4) Net Sales by Products and Services (Including internal sales to other segments) (Unaudited)

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

	Fiscal 2006	Fiscal 2005	% change	**Fiscal 2006**
IT Solutions business	**JPY 2,174.6**	JPY 2,167.8	+0.3	**$18,586**
SI / Services	**832.4**	836.9	-0.5	**7,114**
Software	**102.8**	106.9	-3.8	**879**
Computers Platforms	**489.9**	500.1	-2.0	**4,187**
Personal Solutions	**749.5**	723.9	+3.5	**6,406**
Network Solutions Business	**JPY 1,786.2**	JPY 1,875.3	-4.8	**$15,267**
Broadband	**592.2**	614.5	-3.6	**5,062**
Mobile	**916.1**	1,005.4	-8.9	**7,830**
Social Infrastructure	**277.9**	255.4	+8.8	**2,375**
Electron Devices business	**JPY 808.4**	JPY 869.1	-7.0	**$6,909**
Semiconductors	**646.0**	708.0	-8.8	**5,521**
Displays	**64.6**	68.9	-6.2	**552**
Electronic Components	**97.8**	92.2	+6.1	**836**

(Notes)

*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.

*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 aforementione audit is complete.

2. Geographic Segment Information *

(1) Net Sales

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

	Fiscal 2006	**(% of total)**	% change	Fiscal 2005	(% of total)	**Fiscal 2006**
Japan	**JPY 3,721,574**	**(77.1)**	**+0.1**	JPY 3,717,347	**(77.4)**	**$31,808**
Overseas	**1,103,355**	**(22.9)**	**+1.8**	1,084,368	**(22.6)**	**9,431**
Consolidated	**JPY 4,824,929**	**(100.0)**	**+0.5**	JPY 4,801,715	**(100.0)**	**$41,239**

(2) Geographic Profit or Loss

	Fiscal 2006	**(% of profit on sales)**	Increase (Decrease)	Fiscal 2005	(% of profit on sales)	**Fiscal 2006**
Japan	**JPY 88,441**	**(2.4)**	(JPY 34,002)	JPY 122,443	**(3.3)**	**$756**
Overseas	**6,985**	**(0.6)**	(12,422)	19,407	**(1.8)**	**60**
	95,426	**(2.0)**	(46,424)	141,850	**(3.0)**	**816**
Other income	**57,351**		(13,801)	71,152		**490**
Other expenses	**(69,472)**		(1,573)	(67,899)		**(594)**
Consolidated income from continuing operations before income taxes	**JPY 83,305**		(JPY 61,798)	JPY 145,103		**$712**

* Geographic segment information based on the country location of NEC Corporation or subsidiary.
* 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.
* 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.

3. Sales by Market (Unaudited) *

	Fiscal 2006	% change	Fiscal 2005	**Fiscal 2006**
Japan	**JPY 3,481,419**	**-0.4**	JPY 3,495,393	**$29,756**
Overseas	**1,343,510**	**+2.8**	1,306,322	**11,483**
Consolidated	**JPY 4,824,929**	**+0.5**	JPY 4,801,715	**$41,239**

* Sales by Market information based on the country location of customers.
* 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.
* 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.

FINANCIAL INSTRUMENTS

(1) Marketable securities

The cost, fair value and net unrealized holding gains/losses for marketable securities by major security type are summarized as follows:

(In millions of yen)

	March 31, 2006	March 31, 2005
Available-for-sale:		
Equity securities		
Cost	**JPY 83,033**	JPY 58,333
Fair value	**197,001**	107,577
Net unrealized holding gains	**113,968**	49,244
Debt securities		
Cost	**616**	30
Fair value	**611**	35
Net unrealized holding gains (losses)	**(5)**	5

(2) Investments in affiliated companies accounted for by the equity method

The carrying amount and market value of stocks of affiliated companies accounted for by the equity method which have quoted market values are summarized as follows:

(In millions of yen)

	March 31, 2006	March 31, 2005
Carrying amount	**JPY 111,207**	JPY 149,448
Market value	**333,297**	302,648
	222,090	153,200

(Note)

* 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.

PENSION AND SEVERANCE PLANS

NEC Corporation and its subsidiaries in Japan have severance indemnity plans and non-contributory defined benefit funded pension plans, or only severance indemnity plans, covering substantially all of their employees who meet specified eligibility requirements. Under the plans, employees whose service with the Company is terminated are, under most circumstances, entitled to lump-sum severance indemnities and/or pension payments, determined by reference to their current base rate of pay, length of service, job classification, performance, conditions under which the termination occurs and interest crediting rate calculated based on market interest rate. The funding policy is to make contributions that can be deducted for Japanese income tax purposes.

The contributions to the contributory and the non-contributory pension plans are placed into trusteed pension funds.

The weighted-average assumptions used to determine benefit obligations at March 31, 2006 and 2005 were as follows:

	March 31, 2006	March 31, 2005
Discount rate	**2.5%**	2.5%
Rate of increase in future compensation level	**1.7% - 3.8%**	1.7% - 3.8%

The weighted-average assumptions used to determine net pension and severance cost for the year ended March 31, 2006 and 2005 were as follows:

	March 31, 2006	March 31, 2005
Discount rate	**2.5%**	2.5%
Rate of increase in future compensation level	**1.7% - 3.8%**	1.7% - 3.8%
Expected long-term rate of return on plan assets	**2.5%**	2.5%

NET INCOME PER SHARE

A reconciliation of the numerators and the denominators of the basic and diluted per share computations for net income is as follows:

(In millions of yen)

	Fiscal 2006	Fiscal 2005
Net income from continuing operations	**JPY 7,550**	JPY 77,147
Effect of participating securities	**(166)**	(889)
Net income from continuing operations available to common shareholders	**7,384**	76,258
Effect of dilutive securities	**(6)**	(222)
Diluted net income from continuing operations	**JPY 7,378**	JPY 76,036
Net income from discontinued operations, net of tax	**JPY 9,403**	JPY 68
Cumulative effect of accounting change, net of tax	**(JPY 4,816)**	—
Net income	**JPY 12,137**	JPY 77,215
Effect of participating securities	**(166)**	(889)
Net income available to common shareholders	**11,971**	76,326
Effect of dilutive securities	**(6)**	(222)
Diluted net income	**JPY 11,965**	JPY 76,104

(Number of shares)

	Fiscal 2006	Fiscal 2005
Weighted-average number of shares of common stock outstanding for the period	**1,977,542,400**	1,926,424,743
Effect of dilutive securities	**92,438,747**	166,262,345
Weighted-average number of shares of diluted common stock outstanding for the period	**2,069,981,147**	2,092,687,088

Net Income Per Share:

(In yen)

	Fiscal 2006	Fiscal 2005
Basic	**JPY 6.05**	JPY 39.62
Income from continuing operations	**3.73**	39.59
Income from discontinued operations, net of tax	**4.75**	0.03
Cumulative effect of accounting change, net of tax	**(2.43)**	—
Diluted	**JPY 5.78**	JPY 36.37
Income from continuing operations	**3.56**	36.34
Income from discontinued operations, net of tax	**4.54**	0.03
Cumulative effect of accounting change, net of tax	**(2.32)**	—

Securities that could potentially dilute basic EPS in the future that were not included in the fully diluted computation because they would have been antidilutive were as follows:

(Number of shares)

	Fiscal 2006	Fiscal 2005
Stock options	**967,000**	1,234,000

(Notes)
*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.

*NEC adopted the Financial Accounting Standards Board("FASB") Interpretation No.47("FIN47"), "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143", at March 31, 2006. The results of adoption of FIN47 have been disclosed as "Cumulative effect of accounting change, net of tax".

*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.

(Note)

"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.

CAUTIONARY STATEMENTS:

This material contains forward-looking statements pertaining to strategies, financial targets, technology, products and services, and business performance of NEC Corporation and its consolidated subsidiaries (collectively "NEC"). Written forward-looking statements may appear in other documents that NEC files with stock exchanges or regulatory authorities, such as the U.S. Securities and Exchange Commission, and in reports to shareholders and other communications. The U.S. Private Securities Litigation Reform Act of 1995 contains, and other applicable laws may contain, a safe-harbor for forward-looking statements, on which NEC relies in making these disclosures. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "aims," or "anticipates," or the negative of those words, or other comparable words or phrases. You can also identify forward-looking statements by discussions of strategy, beliefs, plans, targets, or intentions. Forward-looking statements necessarily depend on currently available assumptions, data, or methods that may be incorrect or imprecise and NEC may not be able to realize the results expected by them. You should not place undue reliance on forward-looking statements, which reflect NEC's analysis and expectations only. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Among the factors that could cause actual results to differ materially from such statements include (i) global economic conditions and general economic conditions in NEC's markets, (ii) fluctuating

demand for, and competitive pricing pressure on, NEC's products and services, (iii) NEC's ability to continue to win acceptance of NEC's products and services in highly competitive markets, (iv) NEC's ability to expand into foreign markets, such as China, (v) regulatory change and uncertainty and potential legal liability relating to NEC's business and operations, (vi) NEC's ability to restructure, or otherwise adjust, its operations to reflect changing market conditions, and (vii) movement of currency exchange rates, particularly the rate between the yen and the U.S. dollar. Any forward-looking statements speak only as of the date on which they are made. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect NEC. NEC does not undertake any obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.

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

Finally, NEC cautions you that the statements made in this material are not an offer of securities for sale. The securities may not be offered or sold in any jurisdiction in which registration is required absent registration or an exemption from registration under the applicable securities laws. For example, any public offering of securities to be made in the United States must be registered under the U.S. Securities Act of 1933 and made by means of an English language prospectus that contains detailed information about NEC and management, as well as NEC's financial statements.

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