NEWS RELEASE

Empowered by Innovation NEC

Amendment to Announcement of November 21, 2006

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Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2007

I. Consolidated Financial Results

	Six months ended September 30, 2006	Six months ended September 30, 2005	Change
	In billions of yen	In billions of yen	%
Net sales	2,221.6	2,283.8	-2.7
Operating income	7.5	5.0	+50.0
Ordinary income (loss)	(11.8)	(19.3)	-
Net income (loss)	(9.9)	(0.3)	-
	Yen	Yen	Yen
Net income per share (loss):			
Basic	(4.94)	(0.16)	-4.78
Diluted	-	-	-

	As of September 30, 2006	As of September 30, 2005	Change
	In billions of yen	In billions of yen	%
Total assets	3,694.5	3,748.7	-1.4
Number of employees	156,545	155,617	-

(Notes)

1. **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.**
2. **Number of consolidated subsidiaries and affiliated companies accounted for by the equity method is as follows:**

	As of September 30, 2006	As of September 30, 2005
Consolidated subsidiaries	**365**	**327**
Affiliated companies accounted for by the equity method	**68**	**68**

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/Network Solutions and Mobile/Personal 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, a flexible fiscal policy is essential for NEC 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 will pay an interim dividend of 4 yen per common share for the six months ended September 30, 2006, and expects to pay an annual dividend of 8 yen per common share (including the interim dividend) for the full year ending March 31, 2007.

Furthermore, NEC’s dividend system has not changed since the Company Law became 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 "IT/Network Solutions," "Mobile/Personal Solutions" and "Electron Devices" 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 IT/Network Solutions and Mobile/Personal Solutions Domain

1. Securing Stable Profits and Consistent Growth Focused on the Japanese Market

(1) Securing a stable profit foundation based on system integration

(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 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/Network Solutions, Mobile/Personal Solutions 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.

Finally, NEC will manage its internal control system 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. NEC is committed to 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. Change in Accounting Principles for Preparing Consolidated Financial Statements

Historically, NEC has prepared consolidated financial statements required under the Securities and Exchange Law of Japan and the Company Law of Japan in accordance with U.S. GAAP. Effective for the first half of the fiscal year ending March 31, 2007 (the six months ended September 30, 2006) and thereafter, NEC has changed the accounting principles for preparing its statements to Japan GAAP.

As a result, NEC plans to prepare its consolidated financial statements to be filed or disclosed for future financial periods in accordance with Japan GAAP, as required under Japanese laws.

2. Business Results

<1> Overview of the first half of the fiscal year ending March 31, 2007, and outlook for the full fiscal year ending March 31, 2007

During the first half of the fiscal year ending March 31, 2007, despite a slowdown in consumer spending in the U.S., the global economy continued to witness expanded growth with stable growth in Asia and Europe and sustained continuous high growth in China. There was sustained growth in the Japanese economy also, despite a slowdown in exports. This was principally due to steady domestic consumption mainly from an increase in capital expenditures in the corporate sector, amid an improvement in business results, and moderate recovery in growth of personal consumption in the household sector owing to an improvement in income and employment environments.

In the midst of this business environment, the financial results for the first half of the fiscal year ending March 31, 2007 were net sales of 2,221.6 billion yen, a decrease of 62.2 billion yen (2.7%) as compared with the corresponding period of the previous fiscal year. Despite steady sales growth in mobile communication systems to telecom carriers in the IT/Network Solutions business and an increase in sales in the Electron Devices business, mainly in semiconductors, this decrease was mainly due to a decrease in mobile phones and personal computer (“PC”) sales in the Mobile/Personal Solutions business.

Operating income amounted to 7.5 billion yen, an increase of 2.5 billion yen as compared with the corresponding period of the previous fiscal year. This was mainly due to an improvement in profitability and an increase in sales of mobile communication systems and semiconductors, despite a decrease in sales of mobile handsets, accrual of estimated warranty costs in the first half of the fiscal year ending March 31, 2007, for products already sold, and an increase in research and development costs.

Ordinary loss was 11.8 billion yen; however, this was an improvement of 7.5 billion yen as compared with the corresponding period of the previous fiscal year. This was due to an improvement in operating income, in addition to an improvement in non-operating income and expenses owing to an increase in interest received.

Income before income taxes for the first half of the fiscal year ending March 31, 2007, was 1.6 billion yen, a worsening of 6.1 billion yen as compared with the corresponding period of the previous fiscal year. Despite an improvement in ordinary loss, this was due to a decrease of 13.6 billion yen in extraordinary income (loss). The decrease in extraordinary income (loss) was principally due to a decrease in gain on sale of investment securities of affiliated companies and expense recorded in accordance with the reorganization of a factory in the Electron Devices business, despite a decrease in appraisal loss of investment securities and gain on change of equity of affiliates as accounted for by the equity method from the allocation of new shares to a third party in a subsidiary.

Net loss for the first half of the fiscal year ending March 31, 2007 was 9.9 billion yen. This was due to the recording of valuation allowance related to the deferred tax assets of some subsidiaries to the extent that there is uncertainty regarding their realization.

With respect to the full fiscal year ending March 31, 2007, NEC expects an increase in sales of fixed-line communication systems and mobile communications systems compared to the previous fiscal year, as well as continuing growth in the market environment of the area of system integration (hereafter “the area of IT Services/System Integration”). In addition, although recovery is expected in the Electron Devices business, the slowdown in demand in the mobile phone market is expected to continue, and NEC completed sale of its European consumer PC business in October 2006. As a result of these factors, NEC is aiming to achieve consolidated net sales of 4,680.0 billion yen for the fiscal year ending March 31, 2007, a decrease of 5.1% as compared with the previous fiscal year.

NEC is also targeting consolidated operating income of 100.0 billion yen, an increase of 27.5 billion yen as compared with the previous fiscal year, particularly due to the expected recovery in the Electron Devices business and the further promotion of cost reduction that NEC is currently pursuing.

Due to these factors, NEC is targeting consolidated ordinary income of 40.0 billion yen, an increase of 25.0 billion yen as compared with the previous fiscal year, and consolidated net income of 18.0 billion yen, an increase of 28.1 billion yen as compared with the previous fiscal year.

Consolidated	**Target for fiscal year ending March 31, 2007**	**Comparison with fiscal year ended March 31, 2006**
	In billions of yen	
Net sales	4,680.0	-5.1%
Operating income	100.0	+27.5 billion yen
Ordinary income	40.0	+25.0 billion yen
Net income	18.0	+28.1 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	2,250.0	-5.1%
Ordinary income	40.0	+12.4 billion yen
Net income	40.0	-1.9 billion yen

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

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

IT/Network Solutions Business

Sales: 1,264.5 billion yen (+1.9%)

Segment profit: 55.6 billion yen (+3.7 billion yen)

Results by business segment (including inter-segment transactions and profit/loss figures)

Subsegment	Six months ended September 30, 2006	Six months ended September 30, 2005	Change
	In billions of yen	In billions of yen	%
IT Services/System Integration	343.9	346.8	-0.8
IT Platforms	312.5	311.1	+0.5
Network Systems	485.2	467.4	+3.8
Social Infrastructure	122.9	115.8	+6.1
Total	1,264.5	1,241.1	+1.9

Sales of the IT/Network Solutions business for the six months ended September 30, 2006 amounted to 1,264.5 billion yen, an increase of 1.9% as compared with the corresponding period of the previous fiscal year.

In the areas of IT Services/System Integration and IT Platforms, sales amounted to 343.9 billion yen and 312.5 billion yen respectively, amounts in line with those of the corresponding period of the previous fiscal year. In the area of Network Systems, sales amounted to 485.2 billion yen, an increase of 3.8% as compared with the corresponding period of the previous fiscal year. This was due to an increase in sales to communication service providers such as Japanese mobile infrastructure and overseas wireless systems. In the area of Social Infrastructure, sales rose by 6.1% as compared with the corresponding period of the previous fiscal year, amounting to 122.9 billion yen, owing to increased sales, such as in digital broadcasting systems in the Japanese market.

Segment profit amounted to 55.6 billion yen, an increase of 3.7 billion yen as compared with the corresponding period of the previous fiscal year. This was mainly due to an increase in sales in the area of Network Systems.

Mobile/Personal Solutions Business

Sales:	499.0 billion yen	(-14.0%)
Segment loss:	37.3 billion yen	(A worsening of 21.6 billion yen)

Results by business segment (including inter-segment transactions and profit/loss figures)

Subsegment	Six months ended September 30, 2006	Six months ended September 30, 2005	Change
	In billions of yen	In billions of yen	%
Mobile Terminals	163.1	219.0	-25.5
Personal Solutions	335.9	361.0	-7.0
Total	499.0	580.0	-14.0

Sales for the Mobile/Personal Solutions business for the six months ended September 30, 2006 amounted to 499.0 billion yen, a decrease of 14.0% as compared with the corresponding period of the previous fiscal year.

In the area of Mobile Terminals, sales amounted to 163.1 billion yen, a decrease of 25.5% as compared with the corresponding period of the previous fiscal year. This was due to a decrease in the number of shipments in Japan, and in the 2.5G mobile handset business overseas, the introduction of new handsets was stopped in Europe and business was streamlined in China. In the area of Personal Solutions, sales amounted to 335.9 billion yen, a decrease of 7.0% as compared with the corresponding period of the previous fiscal year. This was due to stagnant growth in the consumer PC market in Japan.

Segment loss amounted to 37.3 billion yen, a worsening of 21.6 billion yen as compared with the corresponding period of the previous fiscal year. This was mainly due to a decrease in sales of mobile handsets in Japan and expense recorded in accordance with the reorganization of the Mobile Terminals business overseas.

Electron Devices Business

Sales:	427.0 billion yen	(+7.2%)
Segment loss:	4.2 billion yen	(An improvement of 6.1 billion yen)

Results by business segment (including inter-segment transactions and profit/loss figures)

Subsegment	Six months ended September 30, 2006	Six months ended September 30, 2005	Change
	In billions of yen	In billions of yen	%
Semiconductors	343.0	312.9	+9.6
Electronic Components & Others	84.0	85.5	-1.8
Total	427.0	398.4	+7.2

Sales of the Electron Devices business for the six months ended September 30, 2006 amounted to 427.0 billion yen, an increase of 7.2% as compared with the corresponding period of the previous fiscal year.

In the area of Semiconductors, sales were 343.0 billion yen, an increase of 9.6% as compared with the corresponding period of the previous fiscal year. This was mainly due to an increase in sales in all product areas, including driver integrated circuits for liquid crystal display, and microcontrollers that are used in a diverse range of products, following expansion of the semiconductor market. In the area of Electronic Components and Others, sales amounted to 84.0 billion yen, an amount in line with that of the corresponding period of the previous fiscal year.

Segment loss amounted to 4.2 billion yen, an improvement of 6.1 billion yen as compared with the corresponding period of the previous fiscal year. This is mainly due to an increase in sales of semiconductors.

(Note)
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.

3. Financial Condition

Net cash provided by operating activities for the six months ended September 30, 2006 was 106.1 billion yen, an improvement of 64.8 billion yen as compared with the corresponding period of the previous fiscal year. This was mainly due to a decrease in the payment of notes and accounts payable as compared with the corresponding period of the previous fiscal year.

Net cash used in investing activities was 64.9 billion yen, a worsening of 29.3 billion yen as compared with the corresponding period of the previous fiscal year. This was mainly due to proceeds from the sale of stock of Elpida Memory, Inc. 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 41.1 billion yen, an improvement of 35.5 billion yen as compared with the corresponding period of the previous fiscal year.

Net cash used in financing activities was 56.0 billion yen, due mainly to the redemption of bonds and the payment of loans. As a result, cash and cash equivalents amounted to 439.8 billion yen, a decrease of 12.6 billion yen as compared with the end of the previous fiscal year.

The balance of interest-bearing debt amounted to 877.2 billion yen, a reduction of 158.0 billion yen as compared with the end of the first half of the previous fiscal year. Debt-equity ratio was 0.85 (an improvement of 0.16 points as compared with the end of the first half of the previous fiscal year).

In addition, the balance of interest-bearing debt (net), obtained by deleting the balance of cash and cash equivalents from the balance of interest-bearing debt, amounted to 437.4 billion yen, a decrease of 178.7 billion yen as compared with the end of the first half of the previous fiscal year. Net debt-equity ratio was 0.42 (an improvement of 0.18 points as compared with the end of the first half of the previous fiscal year).

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

Six months ended September 30	2006 (AUDITED)	(% of net sales)	2005 (AUDITED)	(% of net sales)	Increase (Decrease)	2006	Fiscal 2006 (UNAUDITED)	(% of net sales)
Net sales	JPY 2,221,604	(100.0)	JPY 2,283,779	(100.0)	(JPY 62,175)	$18,827	JPY 4,929,970	(100.0)
Cost of sales	1,549,243	(69.7)	1,633,629	(71.5)	(84,386)	13,129	3,523,577	(71.5)
Gross profit on sales	672,361	(30.3)	650,150	(28.5)	22,211	5,698	1,406,393	(28.5)
Selling, general and administrative expenses	664,857	(30.0)	645,148	(28.3)	19,709	5,634	1,333,867	(27.0)
Operating income	7,504	(0.3)	5,002	(0.2)	2,502	64	72,526	(1.5)
Non-operating income	14,397	(0.7)	12,392	(0.6)	2,005	122	32,652	(0.7)
Interest income	4,384		2,964		1,420	37	6,664	
Dividend income	1,780		2,369		(589)	15	4,079	
Equity in earnings of affiliated companies	555		482		73	5	6,195	
Forein exchange income	-		-		-	-	1,042	
Other	7,678		6,577		1,101	65	14,672	
Non-operating expenses	33,720	(1.5)	36,740	(1.6)	(3,020)	286	90,223	(1.9)
Interest expense	7,441		8,497		(1,056)	63	16,810	
Forein exchange loss	2,415		120		2,295	20	-	
Other	23,864		28,123		(4,259)	203	73,413	
Ordinary income(loss)	(11,819)	(-0.5)	(19,346)	(-0.8)	7,527	(100)	14,955	(0.3)
Extraordinary income	28,046	(1.3)	33,485	(1.4)	(5,439)	237	58,803	(1.2)
Gain on sale of investment in securities	10,970		9,125		1,845	93	25,189	
Gain on charge of equity	8,630		623		8,007	73	2,909	
Gain on transfer of marketable securities to the pension	6,534		-		6,534	55	-	
Reversal of provision for recycleing expenses of personal computers	1,805		687		1,118	15	860	
Gain on sale of fixed assets	107		2,369		(2,262)	1	4,590	
Gain on sale of stock of affiliated companies	-		20,681		(20,681)	-	23,220	
Gain on transfer of substitutional portion of employees' pension funds	-		-		-	-	2,035	
Extraordinary loss	14,583	(0.7)	6,382	(0.3)	8,201	123	22,023	(0.5)
Restructuring charges	10,777		-		10,777	91	1,681	
Loss due to devaluation of investment in securities	1,545		5,631		(4,086)	13	10,540	
Impairment loss on fixed assets	1,283		482		801	11	661	
Pension and severance costs	978		269		709	8	560	
Product warranties cost	-		-		-	-	8,581	
Income before income taxes	1,644	(0.1)	7,757	(0.3)	(6,113)	14	51,735	(1.0)
Provision for income taxes	11,218	(0.5)	7,048	(0.3)	4,170	95	73,149	(1.5)
Minority interest in income of consolidated subsidiaries	353	(0.0)	1,040	(0.0)	(687)	3	(11,352)	(-0.3)
Net loss	(JPY 9,927)	(-0.4)	(JPY 331)	(0.0)	(JPY 9,596)	$(84)	(JPY 10,062)	(-0.2)

(Note)

*US dollar amounts are translated from yen, for convenience only, at the rate of US$1 = 118 yen.

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	September 30, 2006(AUDITED)	September 30, 2005(AUDITED)	Increase (Decrease)	March 31, 2006 (UNAUDITED)	Increase (Decrease)	September 30, 2006
Current assets	JPY 2,004,951	JPY 1,983,249	JPY 21,702	JPY 2,099,343	(JPY 94,392)	$16,992
Cash and deposit	347,815	387,889	(40,074)	404,303	(56,488)	2,948
Notes and accounts receivable, trade	732,616	696,702	35,914	858,328	(125,712)	6,209
Current marketable securities	93,303	31,509	61,794	49,242	44,061	791
Inventories	550,643	564,672	(14,029)	492,414	58,229	4,666
Deferred tax assets	109,092	117,197	(8,105)	106,243	2,849	925
Other current assets	181,908	195,340	(13,432)	198,430	(16,522)	1,541
Allowance for doubtful notes and accounts	(10,426)	(10,060)	(366)	(9,617)	(809)	(88)
Long-term assets	1,689,581	1,765,477	(75,896)	1,703,432	(13,851)	14,318
Property, plant and equipment	682,422	703,870	(21,448)	677,269	5,153	5,783
Buildings	241,504	251,348	(9,844)	244,534	(3,030)	2,047
Machinery and equipment	216,595	214,541	2,054	197,839	18,756	1,836
Tools and other equipment	102,057	110,819	(8,762)	104,861	(2,804)	865
Other Property	122,266	127,162	(4,896)	130,035	(7,769)	1,035
Intangible assets	237,224	250,339	(13,115)	236,345	879	2,010
Goodwill	92,976	76,129	16,847	79,397	13,579	788
Other intangible assets	144,248	174,210	(29,962)	156,948	(12,700)	1,222
Investments and other assets	769,935	811,268	(41,333)	789,818	(19,883)	6,525
Investment securities	253,214	236,662	16,552	266,040	(12,826)	2,146
Stock of Affiliated companies	103,605	105,368	(1,763)	110,319	(6,714)	878
Deferred tax assets	223,524	254,423	(30,899)	214,525	8,999	1,894
Other	215,246	244,262	(29,016)	229,845	(14,599)	1,824
Allowance for doubtful notes and accounts	(25,654)	(29,447)	3,793	(30,911)	5,257	(217)
Total assets	JPY 3,694,532	JPY 3,748,726	(JPY 54,194)	JPY 3,802,775	(JPY 108,243)	$31,310
Current liabilities	JPY 1,627,077	JPY 1,525,223	JPY 101,854	JPY 1,675,308	(JPY 48,231)	$13,789
Notes and accounts payable, trade	761,633	721,307	40,326	826,335	(64,702)	6,455
Short-term borrowings	118,155	163,027	(44,872)	136,756	(18,601)	1,001
Commercial Paper	40,000	71,000	(31,000)	35,000	5,000	339
Bonds payable (within one year)	146,418	59,270	87,148	129,268	17,150	1,241
Accounts payable, other and accrued expenses	269,762	266,135	3,627	284,502	(14,740)	2,286
Provision for bonus to directors	145	-	145	-	145	1
Current product warranty liabilities	24,924	3,744	21,180	11,229	13,695	211
Other current liabilities	266,040	240,740	25,300	252,218	13,822	2,255
Long-term liabilities	828,725	974,739	(146,014)	884,817	(56,092)	7,023
Bonds payable	473,504	612,524	(139,020)	519,791	(46,287)	4,013
Long-term borrowings	62,576	94,087	(31,511)	76,268	(13,692)	530
Accrued pension and severance costs	204,466	191,948	12,518	197,434	7,032	1,733
Provision for loss on repurchase of computers	17,689	23,265	(5,576)	19,532	(1,843)	150
Long-term product warranty liabilities	723	620	103	840	(117)	6
Provision for recycling expenses of personal computers	5,044	5,089	(45)	6,137	(1,093)	43
Long-term deferred tax liabilities	11,422	239	11,183	9,661	1,761	97
Other	53,301	46,967	6,334	55,154	(1,853)	451
Total liabilities	JPY 2,455,802	JPY 2,499,962	(JPY 44,160)	JPY 2,560,125	(JPY 104,323)	$20,812
Shareholders' equity	961,836	969,345	(7,509)	949,915	11,921	8,151
Common stock	337,822	337,821	1	337,821	1	2,863
Additional paid-in capital	464,924	441,268	23,656	441,155	23,769	3,940
Retained earnings	162,050	192,985	(30,935)	173,808	(11,758)	1,373
Treasury stock	(2,960)	(2,729)	(231)	(2,869)	(91)	(25)
Valuation and translation adjustments	71,335	53,488	17,847	79,892	(8,557)	605
Unrealized gains (losses) on marketable securities	66,461	58,624	7,837	78,128	(11,667)	563
Unrealized gains (losses) on hedging	9	-	9	-	9	0
Foreign currency translation adjustments	4,865	(5,136)	10,001	1,764	3,101	42
Share subscription rights	66	-	66	-	66	1
Minority interests	205,493	225,931	(20,438)	212,843	(7,350)	1,741
Total net assets	JPY 1,238,730	JPY 1,248,764	(JPY 10,034)	JPY 1,242,650	(JPY 3,920)	$10,498
Total liabilities and net assets	JPY 3,694,532	JPY 3,748,726	(JPY 54,194)	JPY 3,802,775	(JPY 108,243)	$31,310

Interest-bearing debt	JPY 877,202	JPY 1,035,203	(JPY 158,001)	JPY 935,103	(JPY 57,901)	$7,434
Net interest-bearing debt (*1)	437,410	616,127	(178,717)	482,733	(45,323)	3,707
Owner's equity (*2)	1,033,171	1,022,833	10,338	1,029,807	3,364	8,756
Owner's equity ratio (%) (*3)	28.0	27.3	0.7	27.1	0.9	
Shareholders' equity ratio (%) (*3)	26.0	25.9	0.1	25.0	1.0	
Debt-equity ratio (times) (*4)	0.85	1.01	(0.16)	0.91	(0.06)	
Net debt-equity ratio (times) (*4)	0.42	0.60	(0.18)	0.47	(0.05)	

(Notes)

*1 Net interest-bearing debt is interest-bearing debt less cash and cash equivalents.
*2 Owner's equity is total net assets less share subscription rights, minority interests.
*3 Owner's equity ratio is owner's equity divided by total assets. 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 owner's equity, respectively.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY (AUDITED)

(In millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance as of March 31,2006	337,821	441,155	173,808	△ 2,869	949,915
Changes in Six months ended September 30					
Increase by stock-for-stock exchange		24,382			24,382
Conversion of convertible debt and other	1	1			2
Bonus to directors			△ 200		△ 200
Dividends			△ 5,979		△ 5,979
Net income			△ 9,927		△ 9,927
Disposal and purchase of treasury stock, net		△ 67		△ 91	△ 158
Changes in the scope of equity method			4,348		4,348
Others		△ 547			△ 547
Net changes in item other than those in shareholder's equity					-
Total changes in Six months ended September 30	1	23,769	△ 11,758	△ 91	11,921
Balance as of September 30,2006	337,822	464,924	162,050	△ 2,960	961,836

	Valuation and translation adjustments			Share subscription rights	Minority interests	Total net assets
	Unrealized gains (losses) on marketable securities	Unrealized gains (losses) on hedging	Foreign currency translation adjustments			
Balance as of March 31,2006	78,128	-	1,764	-	212,843	1,242,650
Changes in Six months ended September 30						
Increase by stock-for-stock exchange						24,382
Conversion of convertible debt and other						2
Bonus to directors						△ 200
Dividends						△ 5,979
Net income						△ 9,927
Disposal and purchase of treasury stock, net						△ 158
Changes in the scope of equity method						4,348
Others						△ 547
Net changes in item other than those in shareholder's equity	△ 11,667	9	3,101	66	△ 7,350	△ 15,841
Total changes in Six months ended September 30	△ 11,667	9	3,101	66	△ 7,350	△ 3,920
Balance as of September 30,2006	66,461	9	4,865	66	205,493	1,238,730

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Six months ended September 30	2006 (AUDITED)	2005 (AUDITED)	Increase (Decrease)	2006	Fiscal 2006 (UNAUDITED)
I. Cash flows from operating activities:					
Income before income taxes and minority interests	**JPY 1,644**	JPY 7,757	(JPY 6,113)	**$14**	JPY 51,735
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:					
Depreciation and amortization	**93,011**	95,036	(2,025)	**788**	198,956
Amortization of long-term prepaid expense	**12,851**	15,802	(2,951)	**109**	34,750
Goodwill amortization	**4,164**	2,874	1,290	**35**	6,021
(Decrease) increase in allowance for doughtful accounts	**(4,651)**	4,560	(9,211)	**(39)**	5,098
Increase in product warranty liabilities	**13,470**	3,228	10,242	**114**	10,739
Decrease in provision for loss on repurchase of computers	**(1,843)**	(734)	(1,109)	**(16)**	(4,467)
Increase in accrued pension and severance costs	**6,805**	13,071	(6,266)	**58**	21,432
Interest and dividend income	**(6,164)**	(5,333)	(831)	**(52)**	(10,743)
Interest expense	**7,441**	8,497	(1,056)	**63**	16,810
Equity in earnings of affiliated companies	**(555)**	(482)	(73)	**(5)**	(6,195)
Gain due to stock issuances by subsidiaries	**(8,630)**	(623)	(8,007)	**(73)**	(2,909)
Gain on sale of fixed assets	**(107)**	(2,369)	2,262	**(1)**	(4,590)
Loss due to devaluation	**1,283**	482	801	**11**	661
Gain on sale of investment in securities	**(10,970)**	(9,125)	(1,845)	**(93)**	(25,189)
Loss due to devaluation of investment in securities	**1,545**	5,631	(4,086)	**13**	10,540
Gain on sale of stock of affiliated companies	**—**	(20,681)	20,681	**—**	(23,220)
Settlement and compensation for damages	**863**	5,427	(4,564)	**7**	19,126
Decrease (increase) in notes and accounts receivable	**135,752**	76,567	59,185	**1,150**	(76,683)
Decrease (increase) in inventories	**(54,707)**	(38,850)	(15,857)	**(464)**	34,878
Increase (decrease) in notes and accounts payable	**(66,728)**	(84,854)	18,126	**(565)**	14,650
Other, net	**7,051**	(10,088)	17,139	**61**	6,811
Sub-total	**131,525**	65,793	65,732	**1,115**	278,211
Interest and dividends received	**6,151**	5,344	807	**52**	10,760
Interest paid	**(7,336)**	(8,645)	1,309	**(62)**	(17,297)
Payment of settlement and compensation for damages	**(8,478)**	(2,206)	(6,272)	**(72)**	(7,828)
Income taxes paid	**(15,783)**	(18,983)	3,200	**(134)**	(38,042)
Net cash provided by operating activities	**106,079**	41,303	64,776	**899**	225,804
II. Cash flows from investing activities:					
Acquisitions of property, plant and equipment	**(92,502)**	(85,871)	(6,631)	**(784)**	(159,432)
Proceeds from sales of property, plant and equipment	**43,401**	33,027	10,374	**368**	69,442
Acquisitions of intangible assets	**(18,760)**	(21,813)	3,053	**(159)**	(47,635)
Payment for purchases of investments in securities	**(3,806)**	(4,498)	692	**(32)**	(12,584)
Proceeds from sales of investments in securities	**17,478**	14,462	3,016	**148**	36,271
Payment for purchase of subsidiaries' shares, resulting in change of consolidation scope	**(1,630)**	(2,093)	463	**(14)**	(3,608)
Proceeds from sales of subsidiaries' shares, resulting in change of consolidation scope	**39**	10,588	(10,549)	**0**	14,604
Payment for purchases of stock of Affiliated companies	**(10,955)**	(2,594)	(8,361)	**(93)**	(11,946)
Proceeds from sales of stock of Affiliated companies	**56**	28,728	(28,672)	**0**	29,052
Payment of loans receivable	**(10,576)**	(4,566)	(6,010)	**(89)**	(16,338)
Collection of loans receivable	**12,162**	3,152	9,010	**103**	18,769
Other, net	**156**	(4,202)	4,358	**2**	(1,282)
Net cash used in investing activities	**(64,937)**	(35,680)	(29,257)	**(550)**	(84,687)
Free cash flows （Ⅰ+Ⅱ）	**41,142**	5,623	35,519	**349**	141,117
III. Cash flows from financing activities:					
Decrease in short-term borrowings, net	**(18,279)**	(22,052)	3,773	**(155)**	(81,326)
Proceeds from long-term loans	**4,856**	15,073	(10,217)	**41**	24,643
Repayment of long-term loans	**(20,543)**	(22,548)	2,005	**(174)**	(55,130)
Proceeds from issuance of bonds	**—**	—	—	**—**	7,500
Payment for redemption of bonds	**(29,216)**	(55,335)	26,119	**(248)**	(85,570)
Proceeds from stock issuances	**14,378**	—	14,378	**122**	4,056
Dividends paid	**(5,961)**	(5,771)	(190)	**(51)**	(11,729)
Other, net	**(1,207)**	(1,755)	548	**(9)**	(2,643)
Net cash used in financing activities	**(55,972)**	(92,388)	36,416	**(474)**	(200,199)
Effect of exchange rate changes on cash and cash equivalents	**2,252**	4,339	(2,087)	**18**	9,950
Net decrease in cash and cash equivalents	**(12,578)**	(82,426)	69,848	**(107)**	(49,132)
Cash and cash equivalents at beginning of period	**452,370**	501,502	(49,132)	**3,834**	501,502
Cash and cash equivalents at end of period	**JPY 439,792**	JPY 419,076	JPY 20,716	**$3,727**	JPY 452,370

Preparation of the Interim Consolidated Financial Statements

1 Scope of consolidation

(1) Number of consolidated subsidiaries: 365

Major consolidated subsidiaries :NEC Electronics Corporation, NEC Personal Products Ltd.

(2) Number of affiliated companies accounted for by the equity method: 68

Major affiliated companies accounted for by the equity method:

Nippon Electric Glass Co., Ltd. ANRITSU CORPORATION.

2 Change in scope of consolidation and affiliated companies accounted for by the equity method

(1) Consolidated subsidiaries: 9 companies increase.

New major consolidated subsidiaries: NEC Biglobe Ltd, NEC Philips Unified Solutions.

A major deconsolidated subsidiary: NEC Compound Semiconductor Devices, Ltd.

(2) Affiliated companies accounted for by the equity method: no change

New major affiliated companies: Adcore-Tech Co., Ltd, Sony NEC Optiarc Inc.,

Decreased companies : Hua Hong Semiconductor , Ltd, and others.

3 Accounting Standards

(1) Valuation of Major Assets

(a) Securities

Investments in other securities

Marketable securities:

Fair value method. Unrealized gains and losses on investments in marketable securities are included in shareholders' equity. Cost of sales for marketable securities are based on the moving average cost.

Nonmarketable securities:

Moving average cost method

(b) Derivatives

Fair value method

(c) Inventories

Lower of cost or market method based on the cost calculated by the following method

Finished goods

Custom-made products: Accumulated products cost method

Mass-produced standard products: First-in, first-out method (in most cases)

Work in process

Custom-made products: Specific cost method

Mass-produced standard products: Average cost method

Purchased components and raw materials:

First-in, first-out method (in most cases)

(2) Depreciation method for fixed assets

(a) Property, plant and equipment

Depreciation is computed principally using the declining-balance method at rates based on the estimated useful lives of the assets.

(b) Intangible assets:

Software:

The company applies the depreciation method based on the projected sales volume to software for sale, and applies the straight-line method to software for internal use based on the estimated useful life (ranging up to 5 years).

Goodwill:

Goodwill are amortized on a straight-line basis over the periods that are estimated by each acquisition, ranging up to 20 years.

3 (3) Accounting Standards for Major Reserves

(a) Allowance for doubtful notes and accounts

An allowance for doubtful notes and accounts is provided based on credit loss history and an evaluation of any specific doubtful notes and accounts.

(b) Accrued pension and severance costs

In order to provide for pension and severance payments, accrued pension and severance cost is calculated based on the estimated amounts of benefit obligation and pension plan assets as of March 31, 2007.

Net obligations of resulting from the adoption of applicable accounting standards have been amortized over 15 years.

Unrecognized prior service cost is amortized on the straight-line method over the average remaining service period (mainly 14 years) of employees expected to receive benefits under the plan.

Actuarial loss is amortized on the straight-line method over the average remaining service period (mainly 12 years) of employees expected to receive benefits under the plan.

(c) Provision for loss on repurchase of computers

Provision for loss on repurchase of computers is calculated on the basis of past experience.

(d) Product warranty liabilities

In order to be prepared for after-sales service expenses for products, an estimated amount is calculated based on the actual past results against sales.

(e) Provision for recycling expenses of personal computers

In order to be prepared for recycling expenses of personal computers, the Company estimates the amounts of expenses which will be accrued in the future.

(4) Leases

The Company accounts for finance leases as assets at an amount equal to the present value of future minimum lease payments during the lease term.

(5) Hedge Activities

(a) Accounting for hedging activities

The Company adopts the deferred hedge accounting method for the derivative transaction in order to hedge the interest rate risk.

(b) Hedging instruments and hedged items

To hedge the interest rate risk regarding interest expenses resulting from loans and bonds, interest rate swap agreement are utilized as hedging instruments.

(c) Hedging policy

To hedge the interest rate risk regarding interest expense resulting from loans and bonds, interest rate swap agreements are utilized as hedging instruments.

(d) Assessment of hedge effectiveness

The Company assesses the hedge effectiveness based on the analysis of cumulative amounts of change in cash flow and fluctuations of market price of hedged items and hedging instuments.

(6) Other accounting issues

(a) Accounting for consumption taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the Consolidated Statements of Operations.

(b) Consolidated return system

The Company adopts the consolidated return system.

4 Change in Accounting Policy

(1) Accounting standards for presentation of net assets in the balance sheet

Effective from the interim accounting period ended September 30, 2006, the Company has adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board Statement No.5)" and the "Implementation Guidance for Accounting Standard for Presentation of Net Assets in the Balance Sheet (Financial Accounting Standards Implementation Guidance No.8)" both issued by the Accounting Standards Board of Japan on December 9, 2005.

The amount corresponding to the conventional "Shareholders' Equity" in the balance sheet is 1,033,162 million yen.

"Net assets" in the Balance Sheets for the interim accounting period is presented according to the revision of "Regulations Concerning the Terminology, Forms and Preparation Methods of Interim Consolidated Financial Statements".

(2) Accounting standards for business combinations

Effective from the interim accounting period ended September 30, 2006, the Company has adopted the "Accouting standards for Business Combinations (Business Accounting Council, October 31, 2003)", "Accounting Standard for Business Divestitures (Accounting Standards Board Statement No.7, December 27,2005)", and "Guide on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board Guidance No.10, December 27, 2005)".

(3) Partial revision of Accounting standards for treasury stock and appropriation of leagal reserve, etc

Effective from the interim accounting period ended September 30, 2006, the Company has adopted the revised "Accounting Standards for Treasury Stock and Appropriation of Legal Reserve (Accounting standards Board Statement No.1: final revision, August 11, 2006)" and " Implemention Guidance on Accounting Standards for Treasury Stock and Appropriation of Legal Reserve (Accounting standards Board Guidance No.2: final revision, August 11, 2006)".

(4) Accounting standards for stock option

Effective from the interim accounting period ended September 30, 2006, the Company has adopted the "Accouting Standard for Share-based Payment (Accounting Standards Board Statement No.8, December 27, 2005)", and "Implementation Guidance on Accounting Standard for Share-based Payment（Accounting Standards Board Guidance No.11, May 31, 2006)".

The effect of this adoption did not have material impact on the interim consolidated financial statements.

(5) Accounting standards for directors' bonus

Effective from the interim accounting period ended September 30, 2006, the Company has adopted the "Accounting Standard for Directors' Bonus (Accounting Standards Board Statement No.4, Novembe 29, 2005) ". As a result of this change, Operating Income and income before income tax decrease by ￥159 million and Ordinary loss increases by ￥159 million.

5 Cash Flow

Cash and cash equivalents in CONSOLIDATED STATEMENTS OF CASH FLOWS are calculated as follows.

Unit Million Yen	September 30, 2006	September 30, 2005	March 31, 2006
Cash and deposit	347,815	387,889	404,303
Current marketable securities	93,303	31,509	49,242
Time deposit and Current marketable securities with maturity of more than three months	(1,326)	(322)	(1,175)
Cash and cash equivalents	439,792	419,076	452,370

FINANCIAL INSTRUMENTS

As of September 30, 2006(AUDITED)

(1) Other securities with market values

(In millions of yen)

	Acquisition cost	Balance sheet amount	Difference
1. Stocks	**JPY 65,637**	**JPY 168,787**	**JPY 103,150**
2. Bonds	**900**	**936**	**36**
3. Other	**1,361**	**1,311**	**(50)**
Total	**JPY 67,898**	**JPY 171,034**	**JPY 103,136**

(2) Main Securities without Marketable Values

(In millions of yen)

	Balance sheet amount
Other Securities	
1. Stocks	**JPY 74,085**
2. Bonds	**25,987**
3. Investment limted partnership and similar partnership	**7,017**
4. Commercial Paper	**54,085**
5. M M F	**12,862**

As of September 30, 2005(AUDITED)

(1) Other securities with market values

(In millions of yen)

	Acquisition cost	Balance sheet amount	Difference
1. Stocks	JPY 70,189	JPY 160,430	JPY 90,241
2. Bonds	16	12	(4)
3. Other	124	98	(26)
Total	JPY 70,329	JPY 160,540	JPY 90,211

(2) Main Securities without Marketable Values

(In millions of yen)

	Balance sheet amount
Other Securities	
1. Stocks	JPY 65,066
2. Bonds	10
3. Investment limted partnership and similar partnership	7,298
4. Commercial Paper	25,390
5. M M F	4,820

FINANCIAL INSTRUMENTS

As of March 31, 2006(UNAUDITED)

(1) Other securities with market values

(In millions of yen)

	Acquisition cost	Balance sheet amount	Difference
1. Stocks	JPY 70,685	JPY 196,050	JPY 125,365
2. Bonds	816	811	(5)
3. Other	1,159	992	(167)
Total	JPY 72,660	JPY 197,853	JPY 125,193

(2) Main Securities without Marketable Values

(In millions of yen)

	Balance sheet amount
Other Securities	
1. Stocks	JPY 56,632
2. Bonds	7,709
3. Investment limted partnership and similar partnership	7,679
4. Commercial Paper	40,015
5. M.M.F	3,809

IMPORTANT SUBSEQUENT EVENTS

Since October 2006, the NEC Group has become an object of (1) inquires that began in October, 2006 by the U.S. Department of Justice and the European Commission into possible violations of the antitrust law (antitrust law/competition law) in the SRAM industry (2) inquires that began in October, 2006 by the Korea Fair Trade Commission regarding possible violations of Korea's antitrust law in the semiconductor industry, as well as (3) inquires that began in October, 2006 by the Japan Fair Trade Commision, the U.S. Department of Justice, the European Commission, the Korea Fair Trade Commission, and the Canada Competition Authorities into possible violations in the TFT liquid crystal display industry. In addition, after the commencement of inquires by the U.S. Department of Justice relating to possible violations of the antitrust act in the SRAM industry, several civil lawsuits(class action lawsuits) seeking damages from violations of the antitrust law were filed against NEC Electronics America, Inc. After the commencement of inquires by the U.S. Department of Justice relating to possible violations of the antitrust act in the TFT liquid crystal display industry, several civil lawsuits(class action lawsuits) seeking damages from violations of the antitrust law were also filed against NEC Corporation, NEC LCD Technologies, Inc. and NEC Electronics America, Inc. Conclusions have yet to be reached in the inquires by the above authorities or concerning the civil lawsuits in the U.S.

It has been discovered that there is a possibility of a defective part used in the electrical power supply unit within the LCD TV-installed desktop PCs VALUESTAR H and VALUESTAR G type H (model for direct web sales), which were sold in November, 2003 by NEC Corporation and its consolidated subsidiaries, overheating and emitting smoke/igniting.

NEC and its consolidated subsidiaries announced on December 18 that they were discontinuing use of the products by customers and that products would be taken back without charge and the faulty part exchanged in order to ensure the safe use of the aforementioned products by its customers.

In addition, NEC's consolidated subsidiaries will be responsible for any expenses incurred in handling the product or exchanging the part etc. after the announcement of the aforementioned phenomenon. However,it is difficult to make a logical estimate regarding the amount of the expenses to be incurred at the current time.There is no important effect on NEC's individual financial statements.

SEGMENT INFORMATION

1. Business Segment Information

Six months ended September 30, 2006 (AUDITED) (In millions of Yen)

	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Total before eliminations	Eliminations/ Corporate	Consolidated total
Revenues and operating income							
Revenues							
1. Customers	**1,206,550**	**419,695**	**408,633**	**186,726**	**2,221,604**	**—**	**2,221,604**
2. Intersegment	**57,923**	**79,319**	**18,412**	**87,175**	**242,829**	**(242,829)**	**—**
Total revenues	**1,264,473**	**499,014**	**427,045**	**273,901**	**2,464,433**	**(242,829)**	**2,221,604**
Operating expenses	**1,208,913**	**536,356**	**431,291**	**258,590**	**2,435,150**	**(221,050)**	**2,214,100**
Operating Income(loss)	**55,560**	**(37,342)**	**(4,246)**	**15,311**	**29,283**	**(21,779)**	**7,504**

Six months ended September 30, 2006 (In millions of U.S. dollars)

	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Total before eliminations	Eliminations/ Corporate	Consolidated total
Revenues and operating income							
Revenues							
1. Customers	10,225	3,557	3,463	1,582	18,827	—	18,827
2. Intersegment	491	672	156	739	2,058	(2,058)	—
Total revenues	10,716	4,229	3,619	2,321	20,885	(2,058)	18,827
Operating expenses	10,245	4,545	3,655	2,191	20,636	(1,873)	18,763
Operating Income(loss)	471	(316)	(36)	130	249	(185)	64

Six months ended September 30, 2005 (AUDITED) (In millions of Yen)

	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Total before eliminations	Eliminations/ Corporate	Consolidated total
Revenues and operating income							
Revenues							
1. Customers	1,187,869	497,294	377,743	220,873	2,283,779	—	2,283,779
2. Intersegment	53,213	82,740	20,685	80,809	237,447	(237,447)	—
Total revenues	1,241,082	580,034	398,428	301,682	2,521,226	(237,447)	2,283,779
Operating expenses	1,189,191	595,744	408,764	296,272	2,489,971	(211,194)	2,278,777
Operating Income(loss)	51,891	(15,710)	(10,336)	5,410	31,255	(26,253)	5,002

Fiscal 2006 (UNAUDITED) (In millions of Yen)

	IT/Network Solutions Business	Mobile/ Personal Solutions Business	Electron Devices Business	Others	Total before eliminations	Eliminations/ Corporate	Consolidated total
Revenues and operating income							
Revenues							
1. Customers	2,653,732	1,077,198	771,625	427,415	4,929,970	—	4,929,970
2. Intersegment	108,683	173,059	44,313	171,454	497,509	(497,509)	—
Total revenues	2,762,415	1,250,257	815,938	598,869	5,427,479	(497,509)	4,929,970
Operating expenses	2,581,583	1,305,573	846,732	581,247	5,315,135	(457,691)	4,857,444
Operating Income(loss)	180,832	(55,316)	(30,794)	17,622	112,344	(39,818)	72,526

(Notes)

* The classification of business segment is made by the type of services, characteristics and the similarities of target market.
* Major businesses of each segment are as follows:

IT/Network Solutions Business	System Construction, Consulting, Outsourcing, Support(Maintenance), Servers, Storage products, Professional workstations, Business PCs, Computer software, Enterprise network systems, Network systems for telecommunications carriers, Broadcast video systems, Control systems, Aerospace/Defense systems
Mobile/Personal Solutions Business	Mobile handsets, Personal computers, Personal communication devices, BIGLOBE
Electron Devices Business	System LSI and other semiconductors, Electronic components, LCD modules etc

* Unallocable operating expenses included in “Eliminations / Corporate ” for Six months ended September 30, 2006,2005 and Fiscal 2006 was ¥22,855 million($194 million), ¥24,981 million, ¥48,394 million, respectively.Corporate expenses include general corporate expenses and research and development expenses at NEC Corporation.
* Effective from the interim accounting period ended September 30, 2006, the Company has adopted the “Accounting Standards for Directors' Bonus (Accounting Standards Board Statement No.4, November 29, 2005) ”. The effect of this adoption did not have material impact on the interim consolidated financial statements.
* The Company has adopted the “Partial amendment to the Accounting Standards for employees’ retirement benefits (Accounting Standards Board Statement No.3, March 16, 2005)" and the "Application guideline for partial amendment to the Accounting Standards for employees’ retirement benefits (Accounting Standards Board Guidance No.7, March 16, 2005). As a result of this change, the increase of operating Income for Six months ended September 30, 2005 and Fiscal 2006 was ¥2,953 million (IT/Network Solutions Business ¥2,326 million, Mobile/Personal Solutions Business ¥216 million, Others ¥411 million), ¥5,910 million (IT/Network Solutions Business ¥4,655 million, Mobile/Personal Solutions Business ¥431 million, Others ¥824 million), respectively.

SEGMENT INFORMATION

2. Geographic area segments

Six months ended September 30, 2006 (AUDITED) (In millions of Yen)

	Japan	Europe	Others	Total before eliminations	Eliminations/Corporate	Consolidated total
Revenues and operating income						
Revenues						
1. Customers	**1,712,997**	**215,209**	**293,398**	**2,221,604**	—	**2,221,604**
2. Intersegment	**215,714**	**9,860**	**97,713**	**323,287**	**(323,287)**	—
Total revenues	**1,928,711**	**225,069**	**391,111**	**2,544,891**	**(323,287)**	**2,221,604**
Operating expenses	**1,919,243**	**225,634**	**390,754**	**2,535,631**	**(321,531)**	**2,214,100**
Operating Income(loss)	**9,468**	**(565)**	**357**	**9,260**	**(1,756)**	**7,504**

Six months ended September 30, 2006 (In millions of U.S. dollars)

	Japan	Europe	Others	Total before eliminations	Eliminations/Corporate	Consolidated total
Revenues and operating income						
Revenues						
1. Customers	14,517	1,824	2,486	18,827	—	18,827
2. Intersegment	1,828	84	828	2,740	(2,740)	—
Total revenues	16,345	1,908	3,314	21,567	(2,740)	18,827
Operating expenses	16,265	1,913	3,311	21,489	(2,726)	18,763
Operating Income(loss)	80	(5)	3	78	(14)	64

Six months ended September 30, 2005 (AUDITED) (In millions of Yen)

	Japan	Europe	Others	Total before eliminations	Eliminations/Corporate	Consolidated total
Revenues and operating income						
Revenues						
1. Customers	1,780,208	217,710	285,861	2,283,779	—	2,283,779
2. Intersegment	213,031	7,989	113,095	334,115	(334,115)	—
Total revenues	1,993,239	225,699	398,956	2,617,894	(334,115)	2,283,779
Operating expenses	1,991,471	226,212	394,941	2,612,624	(333,847)	2,278,777
Operating Income(loss)	1,768	(513)	4,015	5,270	(268)	5,002

Fiscal 2006 (UNAUDITED) (In millions of Yen)

	Japan	Europe	Others	Total before eliminations	Eliminations/Corporate	Consolidated total
Revenues and operating income						
Revenues						
1. Customers	3,825,580	494,330	610,060	4,929,970	—	4,929,970
2. Intersegment	440,730	20,007	256,735	717,472	(717,472)	—
Total revenues	4,266,310	514,337	866,795	5,647,442	(717,472)	4,929,970
Operating expenses	4,203,954	512,159	862,437	5,578,550	(721,106)	4,857,444
Operating Income(loss)	62,356	2,178	4,358	68,892	3,634	72,526

(Notes)

* The classification of business segment is made by the type of services, characteristics and the similarities of target market.
* "Europe " consists of the business results mainly in United Kingdom, France, Netherlands, Germany, Italy, Spain.
* Effective from the interim accounting period ended September 30, 2006, the Company has adopted the "Accounting Standards for Directors' Bonus (Accounting Standards Board Statement No.4, November 29, 2005) ". The effect of this adoption did not have material impact on the interim consolidated financial statements.
* The Company has adopted the "Partial amendment to the Accounting Standards for employees' retirement benefits (Accounting Standards Board Statement No.3, March 16, 2005" and the "Application guideline for partial amendment to the Accounting Standards for employees' retirement benefits (Accounting Standards Board Guidance No.7, March 16, 2005). As a result of this change, the increase of operating Income for Six months ended September 30,2005 and Fiscal 2006 was ¥2,953 million (Japan), ¥5,910 million (Japan), respectively.

SEGMENT INFORMATION

3. Overseas sales

Six months ended September 30, 2006 (AUDITED) (In millions of Yen)

	Europe	Others	Total
Overseas sales	**233,790**	**389,405**	**623,195**
Consolidated sales	—	—	**2,221,604**
Percentage of overseas sales to consolidated sales	**10.5%**	**17.6%**	**28.1%**

Six months ended September 30, 2006 (In millions of U.S. dollars)

	Europe	Others	Total
Overseas sales	1,981	3,300	5,281
Consolidated sales	—	—	18,827

Six months ended September 30, 2005 (AUDITED) (In millions of Yen)

	Europe	Others	Total
Overseas sales	252,050	363,260	615,310
Consolidated sales	—	—	2,283,779
Percentage of overseas sales to consolidated sales	11.0%	15.9%	26.9%

Fiscal 2006 (UNAUDITED) (In millions of Yen)

	Europe	Others	Total
Overseas sales	555,107	789,575	1,344,682
Consolidated sales	—	—	4,929,970
Percentage of overseas sales to consolidated sales	11.3%	16.0%	27.3%

* The classification of geographic area segments is made according to the geographical distances.
* “Europe ” consists of the business results mainly in United Kingdom, France, Netherlands, Germany, Italy, Spain.
* “Overseas sales” represents net sales and other operating revenue of consolidated subsidiaries in countries and areas as outside of Japan.

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," "targets," "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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