Consolidated Financial Statements for the Interim Period Ended September 30, 2006

October 26, 2006

NEC Networks & System Integration Corporation
http://www.nesic.co.jp
Representative: Masahiko Yamamoto, President
Contact: Shoichi Fukaya, General Manager, Corporate Finance & Controller Division
Board of Directors meeting: October 26, 2006
Parent Company: NEC Corporation (Code number: 6701)
Percentage of the Company's voting rights held by the parent company: 51.5%

Stock exchange listing: Tokyo
Code number: 1973
Use of U.S. accounting standards: No

1. Results for the Interim Period Ended September 30, 2006 (April 1, 2006 - September 30, 2006)

(1) Sales and Income

Note: All amounts are rounded down to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Interim period ended Sept. 30, 2006	114,639	21.0	3,011	37.0	2,969	36.1
Interim period ended Sept. 30, 2005	94,734	8.7	2,198	23.4	2,182	22.7
Year ended March 31, 2006	213,672	7.6	6,056	25.9	5,982	25.9

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Interim period ended Sept. 30, 2006	1,540	93.8	31.66	—
Interim period ended Sept. 30, 2005	794	216.0	18.94	—
Year ended March 31, 2006	2,609	113.5	60.56	—

Note: 1. Equity in earnings of affiliates: Interim period ended Sept. 30, 2006: ¥— million;
Interim period ended Sept. 30, 2005: ¥— million; Year ended March 31, 2006: ¥— million
2. Average number of shares outstanding (consolidated): Interim period ended Sept. 30, 2006: 48,652,006 shares
Interim period ended Sept. 30, 2005: 41,960,932 shares Year ended March 31, 2006: 41,958,482 shares)
3. Changes in accounting methods: Yes
4. Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
Interim period ended Sept. 30, 2006	131,833	60,446	45.3	1,200.25
Interim period ended Sept. 30, 2005	123,900	52,349	42.3	1,247.65
Year ended March 31, 2006	134,911	54,017	40.0	1,285.92

Note: Number of shares outstanding at end of period (consolidated): Interim period ended Sept. 30, 2006: 49,767,229 shares;
Interim period ended Sept. 30, 2005: 41,958,625 shares; Year ended March 31, 2006: 41,954,000 shares

(3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Interim period ended Sept. 30, 2006	8,095	(923)	(7,033)	10,267
Interim period ended Sept. 30, 2005	5,242	(2,013)	1,227	14,680
Year ended March 31, 2006	3,493	(2,874)	(968)	9,903

(4) Scope of consolidation and application of the equity method
Consolidated subsidiaries: 13 companies
Unconsolidated subsidiaries accounted for by the equity method: None
Affiliated companies accounted for by the equity method: None

(5) Changes in scope of consolidation and application of the equity method:
Consolidation: (New) 2 (Eliminated) None
Equity method: (New) None (Eliminated) None

2. Projected Results for Fiscal 2007 (April 1, 2006 - March 31, 2007)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Year ending March 31, 2007	260,000	7,800	4,200

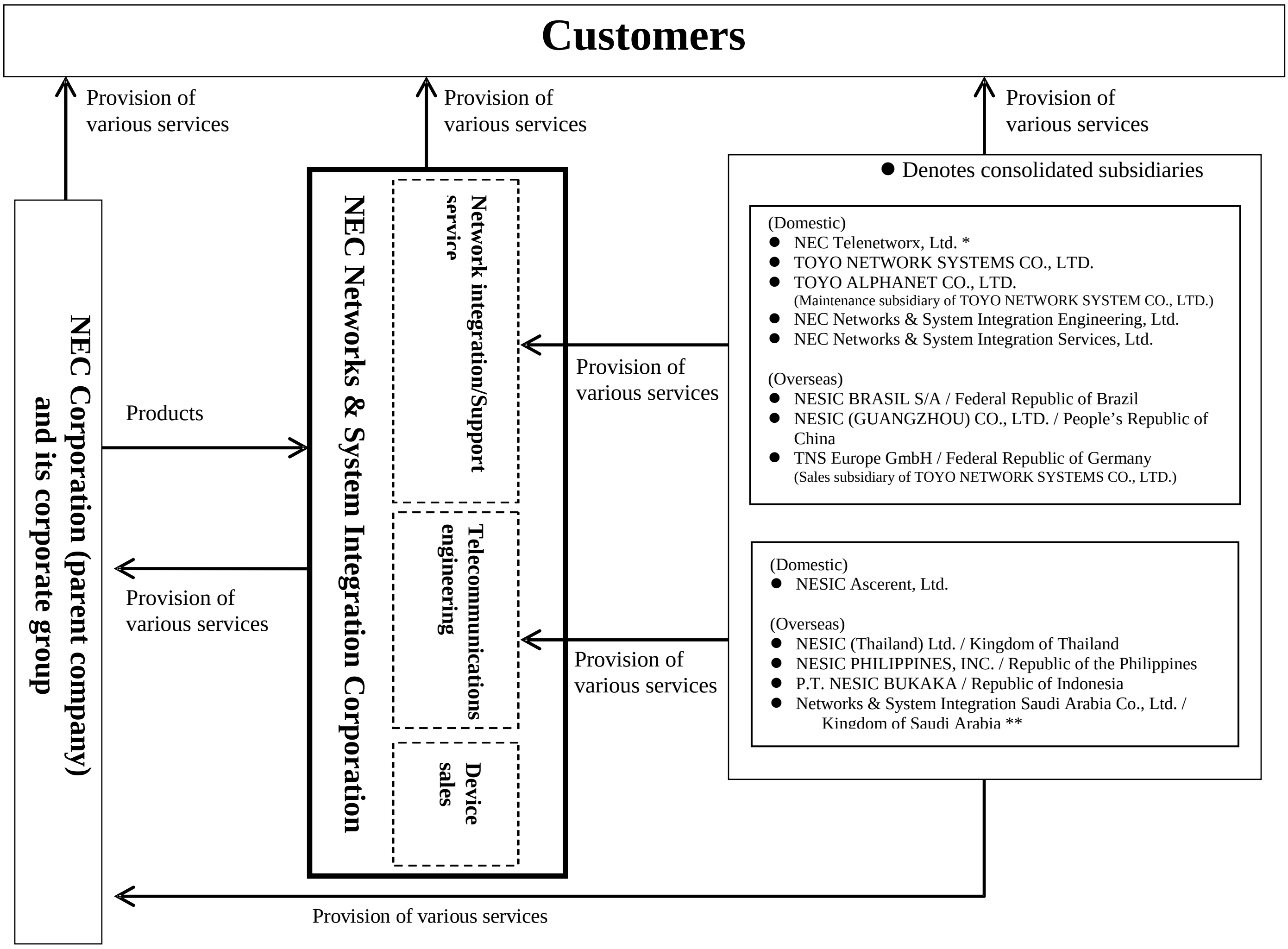
Reference: Estimated earnings per share (fiscal 2007): ¥84.39

Please refer to page 7 of the attached materials for items concerning the projected results.

Corporate Group

The NEC Networks & System Integration Group consists of 13 consolidated subsidiaries with NEC Networks & System Integration Corporation as the core.

As a system integrator, the Group provides total system planning and consulting, design, integration, maintenance, network operation and monitoring, and outsourcing services centered on its network-related fields, its main area of business. The Group also manufactures and sells network communication equipment.



* NEC Telenetworx, Ltd. is included in the scope of consolidation from this interim consolidated accounting period as a result of an exchange of shares in April 2006.

** Networks & System Integration Saudi Arabia Co., Ltd. is included in the scope of consolidation from this interim consolidated accounting period as a result of its establishment in April 2006.

Management Policies

1. Basic Policies of the Company's Management

NEC Networks & System Integration Corporation ("the Company") was established in 1953 as a builder of communication network infrastructure. Today, the Company is working to expand its business realm and increase shareholder value as a system integrator with its principal business in network integration and support service and telecommunications engineering.

The NEC Networks & System Integration Group ("the Group") is made up of core companies in the network solutions business of the NEC Group. As such, the Group will work in unison to fulfill this corporate philosophy and management guidelines, and will organically combine the Group's strengths in sales, system integration (including telecommunications construction), and software development and maintenance to further reinforce its business capabilities amid a rapidly changing operating environment.

The NEC Networks & System Integration Group's corporate philosophy and management guidelines follow below.

NEC Networks & System Integration Group Corporate Philosophy

As a business partner to its customers, the NEC Networks & System Integration Group aims to build a bridge to a new era by:

- increasing customer value
- helping create a more convenient and prosperous society
- creating peace of mind through the establishment of reliable networks.

NEC Networks & System Integration Group Management Guidelines

- Aim to increase the corporate value of our customers.
- Contribute to shareholders, customers and communities through sound management.
- Maintain a commitment to the highest levels of quality and safety.
- Act as a good, environmentally conscious corporate citizen
- Aim to create a workplace in which employees can fully exercise their capabilities.

2. Basic Policy on Profit Distribution

The Company places importance on increasing shareholder returns, and seeks to return profits to shareholders by increasing its corporate value through efforts to strengthen its operating foundation, enhancing its financial position and increasing earnings. The Company's policy in regard to dividends is to make appropriate dividend payments to meet the expectations of shareholders, taking into general account factors such as consolidated performance and investment trends.

The Company's fundamental policy for deploying internal capital reserves is to invest strategically in growth sectors, new businesses and enhanced competitiveness based on assessment of future developments in network-related markets.

3. Medium- and Long-Term Management Strategies

In the Group's business domain of network-related business, the long-term expansion trend in domestic investment by telecommunications companies and other private-sector companies is expected to continue, due to factors such as the anticipated full-scale development of the Next-Generation Network (NGN) and investment in services derived from it.

In this business environment, the Group will work to contribute to increasing the value of its customers as their best partner, based on its corporate philosophy and management guidelines. At the same time, the Group will work to strengthen profitability and establish a firm position in the network business with leading-edge technology, and will aim to be trusted and well-regarded by stakeholders, including customers and shareholders. The Group will work together to achieve these objectives.

4. Issues Facing the Company

In the midst of a rapidly changing business environment, intensifying competition, and more sophisticated and complex customer demands in regard to price, quality and turnaround times, the Group will respond with speed in providing services that satisfy customers. The Group will work in unison to reform its business structure and strengthen its operating foundation, and by doing so achieve steady growth and stronger profitability.

Specific measures are:

1) Expanding Network Integration / Support Service

   Further infrastructure reinforcement in our consistent service system that extends from planning and consulting to proposal, design and device selection, system construction, education and training, support service, and operation and administration (outsourcing).

   Specifically, we will enhance our system construction technologies and our ability to provide solutions that go as far as proposal of customer business models, and will expand our maintenance and outsourcing services.

2) Developing the Market for Small and Medium-Sized Companies

   In addition to sales efficiency reforms such as review of business processes and resources related to sales activities and reinforcement of sales capabilities through expansion of our sales force and a new organization, we will develop a new market for small and medium-sized companies by investing in a new service menu that includes niche businesses and office relocation and consolidation.

3) Strengthening Our NGN Business Infrastructure

   We will work as a member of the NEC Group to prepare for trials for NGN application by telecommunications companies, followed by full-fledged NGN development. We will also strengthen our business infrastructure, including the organization and resources.

4) Improving Our Competitiveness in the Telecommunications Engineering Business

   We will make innovations in construction technology and steadily implement cost-cutting measures to boost our competitiveness and further improve construction quality, thus increasing the trust of customers.

5) Strengthening Profitability with Comprehensive Cost Reforms

   We will enhance our comprehensive cost reform efforts and will improve personnel efficiency and promote more efficient allocation of expenses to further strengthen our cost competitiveness.

6) Developing and Enhancing Human Resources

   We will development and strengthen engineers who can respond to increasingly sophisticated and complex technologies and human resources who can exercise a high level of ability in smooth project management. We will also acquire advanced technical qualifications to respond to changes in the environment.

By forcefully promoting these business structure innovations, the Company will work to further increase its overall management efficiency, improve its management structure and increase its corporate value.

Business Results and Financial Condition

1. Summary of the Interim Period Ended September 30, 2006

During the interim period under review, despite high crude oil prices, the end of the zero interest rate policy and concerns about the effects of uncertainty in international conditions, the Japanese economy moved toward recovery with increased capital investment along with improved corporate performance and an upturn in the employment situation.

In the business environment of the NEC Networks & System Integration Group (“the Group”) during the interim period, among telecommunications companies, mobile communications providers expanded development of base stations to improve calling services and voice quality as competition for subscribers increased. In addition, other companies introduced IP telephony and mobile networks for the purpose of enhancing the sophistication of their network environments and increasing operating efficiency, and also reinforced security systems to prevent information leaks. These and other factors resulted in steady domestic private-sector demand for network-related investment.

In this business environment, the Company added NEC Telenetworx, Ltd., which is involved in businesses including construction and maintenance of network systems, to the Group in April 2006 to promote a more consistent service system for customers in Network Integration / Support Service. With this addition, the Company established a firmer foundation as the core company of the NEC Group in the network solutions business. As a result, in the Network Integration / Support Service business, evaluation, on-site adjustment and support services related to network systems for telecommunications companies expanded, and construction of network systems for other companies was also solid.

Regarding performance for the interim consolidated accounting period, for the reasons described above, consolidated net sales totaled ¥114,639 million, a 21.0 percent increase compared with the same period of the previous year. Consolidated orders received were ¥125,763 million, a 16.9 percent increase compared with the same period of the previous year, due to increased orders for network systems and other services resulting from a stronger sales organization for medium-sized companies in addition to the reasons above.

Consolidated operating income rose ¥812 million to ¥3,011 million, a 37.0 percent increase compared with the same period of the previous year, due to the increase in net sales and promotion of cost-cutting activities and other measures. Consolidated ordinary income was ¥2,969 million, a 36.1 percent increase compared with the same period of the previous year due to the improvement in operating income, and net income totaled ¥1,540 million, a 93.8 percent increase compared with the same period of the previous year.

Results by business segment are as follows.

Network Integration / Support Service

Sales increased 35.2 percent, or ¥19,024 million, compared with the same period of the previous year to ¥73,117 million. The main factors in the increase were growth in evaluations and on-site adjustment of devices and systems as well as support services for telecommunications companies, and an increase in orders for new network systems (VoIP-ready systems, etc.) and updating of existing systems for other companies, particularly in the financial and manufacturing industries.

Orders received increased 44.1 percent, or ¥24,644 million, compared with the same period of the previous year to ¥80,476 million. The main factors were the same as the reasons for the increase in net sales, as well as increased orders for network systems due to measures to strengthen the sales organization for medium-sized companies.

Telecommunications Engineering

Sales increased 15.1 percent, or ¥3,943 million, compared with the same period of the previous year to ¥30,089 million. The main factors were construction of base stations for mobile communications providers ordered in the previous fiscal year and increased sales of regional information networks for local governments.

Orders received increased 0.3 percent, or ¥93 million, to ¥32,759 million, essentially unchanged from the same period of the previous year.

Device Sales

The main factor in the 21.1 percent, or ¥3,063 million, decrease in sales compared with the same period of the previous year was a decline in transactions in stand-alone devices not accompanied by system integration, because the Company concentrated resources in the Network Integration / Support Service business, where it can exercise its strengths in system integration.

Main Contents of Business Segments by Type

Business	Main Contents
Network Integration / Support Service	Planning and consulting, software development, integration, operation and maintenance, outsourcing services and supply of originally developed products and devices for network systems to strengthen the operating efficiency and competitiveness of customers
Telecommunications Engineering	Installation of data communication bases and construction of ancillary facilities
Device Sales	Sales of data communication devices, etc.

2. Cash Flow

Cash and cash equivalents ("cash") as of September 30, 2006 increased by ¥364 million compared to the end of the previous fiscal year to ¥10,267 million. Although cash flows from financing activities decreased, cash flow from operating activities increased.

(Cash Flows from Operating Activities)

Net cash provided by operating activities for the interim period was ¥8,095 million, due to factors including a decrease in trade notes and accounts receivable, although trade notes and account payable decreased. Net cash provided by operating activities increased ¥2,852 million compared with ¥5,242 million for the same period of the previous fiscal year.

(Cash Flows from Investing Activities)

Investing activities used cash of ¥923 million, due to factors including purchases of property and equipment and intangibles. This represented an increase in cash of ¥1,090 million compared to the same period of the previous fiscal year, when net cash used in investing activities was ¥2,013 million due to payment of ¥748 million for purchases of common stocks of newly consolidated subsidiaries, in addition to property and equipment and other factors.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥7,033 million due to factors including a decrease in repayment of short-term bank loans. Cash from financing activities decreased ¥8,260 million compared to the same period of the previous fiscal year, when financing activities provided net cash of ¥1,227 million.

The Company paid dividends of ¥291 million for the period, approximately the same amount as in the same period of the previous fiscal year.

Financial Indicators

Interim period ended September 30	2003	2004	2005	2006
Net worth ratio (%)	46.9	47.2	42.3	45.3
Debt repayment period (years)	4.1	2.2	1.0	0.3
Interest coverage ratio	9.6	42.2	119.3	265.6

Net worth ratio: Net assets/Total assets

Debt repayment period: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest expense

Notes: All financial indicators are calculated using consolidated financial figures.

For operating cash flow, cash flow from operating activities in the consolidated statements of cash flows is used. Interest-bearing debt includes all debt recorded in the consolidated balance sheets on which the Company pays interest.

3. Outlook for the Full Fiscal Year

Although the Japanese economy can be expected to continue its gradual recovery, the effects of uncertainty about world affairs, rising interest rates, the trend of crude oil prices and other matters are creating concerns about the future.

In the Group's business areas, regarding domestic private-sector demand, network-related investment is expected to remain firm, as trials for application of NGN at telecommunications companies are set to begin, among other factors. However, the competitive landscape is likely to become even more severe.

In response to this business environment, the Group will fulfill its role as the core companies in the network solutions business of the NEC Group as it moves toward the NGN era, and will move to enhance its market responsiveness and skills in new technologies as it aims to further develop its business in the field of networks, where growth is expected. Specifically, the Group will introduce a new solutions menu that makes the most of its strengths centered on the middle market, and will aggressively develop businesses including the IP network related business. In addition, the Group will work to further strengthen its operating foundation and increase business efficiency with a consistent service system from planning and consulting to proposal, design and device selection, system construction, education and training, support service, and operation and administration (outsourcing). Through these measures, we will aim for revenue growth and further business development for the entire Group.

In the telecommunications engineering business, the Company will continue to promote cost reductions and will take measures to enhance its project responsiveness, including management capabilities, and further improve construction quality. Moreover, to respond to a challenging competitive environment, the Company will strengthen its comprehensive cost reform efforts and further enhance cost competitiveness by improving personnel efficiency and making more effective use of expenditures.

Due to factors including growth in the Network Integration / Support Service business, centered on domestic private-sector demand from telecommunications companies and other companies, the Company projects the following consolidated results for the full fiscal year:

Orders received	**¥266.5 billion (19.3% increase year-on-year)**
Net sales	**¥260.0 billion (21.7% increase year-on-year)**
Operating income	**¥7.9 billion (30.4% increase year-on-year)**
Ordinary income	**¥7.8 billion (30.4% increase year-on-year)**
Net income	**¥4.2 billion (61.0% increase year-on-year)**

Note: The consolidated results outlook above is a forecast of the future that is not based on established facts, and therefore is subject to risks and uncertainties. Readers should be aware that actual results could differ materially from this outlook due to changes in various factors. Significant factors that could influence results include, but are not limited to, the economic environment surrounding the Group's businesses, trends in society, demand trends for the systems and services the Group provides, downward price pressure due to increasing competition, and the Group's ability to respond to markets.

4. Significant Items Concerning Business Management

On April 1, 2006, the Company made NEC Telenetworx, Ltd. a subsidiary through an exchange of shares with NEC Corporation for the purpose of further expanding its network integration/support service business. NEC Telenetworx, Ltd. plans to merge with the Company within the next year.

- Main businesses of NEC Telenetworx, Ltd.:
  Carrier network and public network maintenance, operation and monitoring services and on-site adjustment, etc.

5. Business and Other Risks

(1) About Security Management

As a system integrator, the NEC Networks & Systems Integration Group is engaged in the supply and maintenance of total systems with a focus on networks and related fields; network operation and monitoring services; and outsourcing services, and therefore possesses the information of a large number of customers. The Company has obtained Privacy Mark certification, and has obtained ISO/IEC27001 certification for information security management at its Customer Service Center, which serves as the call center. In addition, the Company has obtained ISMS certification at its Data Center. Moreover, the Company provides ethics education to employees and thorough training in measures to prevent information leaks.

However, the occurrence of an information leak, in spite of measures the Group is implementing such as those described above, not only could cause harm to the Group, but would also be expected to be detrimental to operating activities due to loss of social trust, and therefore could potentially have an impact on the Group's business results.

(2) Response to Complaints from Customers

The Group follows the principles of "Customers First" and "Customer Oriented," based on its policy of always taking the customer's perspective in its various points of contact with customers.

In particular, in the event that a complaint is received from a customer regarding the Group's systems and services, rules are established for communication and reporting systems at the companywide level according to the content of the complaint, and a system has been created to respond quickly. Also, because the Group's business areas of networks and network-related services are markets in which market environments are constantly changing due to rapid technological innovation and other factors, the Group systematically conducts technical training of its employees and the employees of partner companies to upgrade their skills on a regular basis. However, in spite of such measures as those described above, the occurrence of a shortcoming or dissatisfaction in regard to the Group's technologies or in the speed of its response to customer needs could have an adverse effect on the Group's business results.

(3) Relationship with NEC Corporation

As a member of the NEC Group, the Group conducts its business based on cooperation with NEC Corporation, and primarily handles the products and equipment of NEC Corporation.

Consequently, any major change in the competitiveness or positioning of NEC Corporation's products and equipment in the market could have an adverse effect on the Group's business results.

(4) Overseas Business Development

In executing its overseas business, the Group conducts business based on project management that leverages the know-how it has accumulated in regard to the various risks in each region.

In the event of system damage or the cancellation of projects due to events such as deterioration of political conditions or the occurrence of terrorist acts or war, or if the Group withdraws from a site due to an evacuation advisory from the government, the Group would incur additional costs and could be liable for compensation due to project delays. Such occurrences, or a sudden change in foreign exchange rates, could have an adverse effect on the Group's business results.

Interim Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
ASSETS						
I Current assets	107,062	81.2%	99,853	80.6%	113,119	83.8%
Cash and cash equivalents	10,276		14,690	19.4	9,910	16.2
Notes and accounts receivable, trade	72,395		63,632		82,656	
Inventories	19,737		18,074		16,744	
Other current assets	6,147		4,659		5,023	
Allowance for doubtful receivables	(1,494)		(1,203)		(1,214)	
II Fixed assets	24,771	18.8	24,046		21,791	
Property and equipment:	8,154		9,589		7,760	
Buildings	3,293		3,159		3,125	
Other property and equipment	4,860		6,430		4,634	
Intangible fixed assets	3,939		3,270		3,226	
Investments and other assets:	12,677		11,186		10,804	
Deferred income taxes	7,910		6,709		6,405	
Other assets	4,892		4,650		4,533	
Allowance for doubtful receivables	(124)		(172)		(134)	
Total assets	131,833	100.0	123,900	100.0	134,911	100.0
LIABILITIES						
I Current liabilities:	49,600	37.6%	51,008	41.1%	60,760	45.0%
Notes and accounts payable, trade	33,961		31,196		43,594	
Short-term bank loans	500		5,715		3,800	
Accrued losses on sales contracts	160		395		24	
Advances received	4,566		6,167		4,156	
Other current liabilities	10,411		7,533		9,184	
II Long-term liabilities:	21,787	16.5	19,944	16.1	19,524	14.5
Long-term debt	5,000		5,000		5,000	
Accrued employees' retirement benefits	16,693		14,790		14,353	
Accrued retirement benefits for directors and corporate auditors	60		105		130	
Other liabilities	32		47		40	
Total liabilities	71,387	54.1	70,952	57.2	80,285	59.5

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(Millions of yen)

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES						
Minority interests in consolidated subsidiaries	—	—	598	0.5%	608	0.5%
SHAREHOLDERS' EQUITY						
I Common stock	—	—	13,122	10.6	13,122	9.7
II Capital surplus	—	—	12,622	10.2	12,622	9.4
III Retained earnings	—	—	27,879	22.5	29,413	21.8
IV Unrealized holding gain on securities	—	—	170	0.1	150	0.1
V Foreign currency translation adjustments	—	—	(532)	(0.4)	(370)	(0.3)
VI Treasury stock, at cost	—	—	(913)	(0.7)	(920)	(0.7)
Total shareholders' equity	—	—	52,349	42.3	54,017	40.0
Total liabilities, minority interests and shareholders' equity	—	—	123,900	100.0	134,911	100.0
NET ASSETS						
I Shareholders' equity	60,109	45.6%	—	—	—	—
Common stock	13,122		—		—	
Capital surplus	16,650		—		—	
Retained earnings	30,343		—		—	
Treasury stock, at cost	(6)		—		—	
II Valuation, foreign currency and other adjustments	(376)	(0.3)	—	—	—	—
Unrealized holding gain on securities	66		—		—	
Deferred hedge gain (loss)	(74)		—		—	
Foreign currency translation adjustments	(368)		—		—	
III Minority interests in consolidated subsidiaries	713	0.6	—	—	—	—
Total net assets	60,446	45.9	—	—	—	—
Total liabilities and total net assets	131,833	100.0	—	—	—	—

Interim Consolidated Statements of Income

(Millions of yen)

	Interim period ended Sept. 30, 2006		Interim period ended Sept. 30, 2005		Year ended March 31, 2006	
Ⅰ. Net sales	114,639	100.0%	94,734	100.0%	213,672	100.0%
Ⅱ. Cost of sales	99,660	86.9	82,917	87.5	187,113	87.6
Gross profit	14,978	13.1	11,817	12.5	26,559	12.4
Ⅲ. Selling, general and administrative expenses	11,967	10.5	9,618	10.2	20,502	9.6
Operating income	3,011	2.6	2,198	2.3	6,056	2.8
IV. Non-operating income:	278	0.2	216	0.2	414	0.2
Interest income	13	0.2	10	0.2	25	
Insurance dividend income	63		82		82	
Gain on reversal of allowance for doubtful receivables	50		—		—	0.2
Other income	151		123		305	
V. Non-operating expenses:	320		232		488	
Interest expense	33		46		93	
Evaluation loss on inventories	74		—		—	
Evaluation loss on investment securities	48		—		70	
Exchange loss	44		101		126	
Provision for doubtful receivables	—		30		62	
Other losses	119		53		136	
Ordinary income	2,969	2.6	2,182	2.3	5,982	2.8
VI. Extraordinary losses:	—	—	154	0.2	451	0.2
Loss on sale of land	—		154		154	
Expense for a change in company's name	—		—		159	
Loss on disposal of obsolete inventories	—		—		138	
Income before income taxes and minority interests	2,969	2.6	2,028	2.1	5,530	2.6
Income taxes						
Current	1,411	1.3	1,020	1.1	2,804	1.4
Deferred	2	0.0	191	0.2	66	0.0
Minority interests in consolidated subsidiaries	15	0.0	22	0.0	50	0.0
Net income	1,540	1.3	794	0.8	2,609	1.2

Interim Consolidated Statements of Retained Earnings

(Millions of yen)

		Interim period ended Sept. 30, 2005	Year ended March 31, 2006
CAPITAL SURPLUS			
I	Capital surplus, beginning of period	12,622	12,622
II	Increase in capital surplus	0	0
	Gain on retirement of treasury stock	0	0
III	Capital surplus, end of period	12,622	12,622
RETAINED EARNINGS			
I	Retained earnings, beginning of period	27,415	27,415
II	Increase in retained earnings	794	2,621
	Net income	794	2,609
	Prior year deferred tax adjustment of consolidated subsidiaries	—	12
III	Decrease in retained earnings	330	624
	Cash dividends paid	293	587
	Bonuses to directors and corporate auditors	37	37
IV	Retained earnings, end of period	27,879	29,413

Interim Consolidated Statements of Changes in Shareholders' Equity, etc.

Interim Period Ended September 30, 2006

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2006	13,122	12,622	29,413	(920)	54,238
Changes during the interim period					
Change due to exchange of shares	—	3,779	—	916	4,695
Dividends from retained earnings	—	—	(293)	—	(293)
Bonuses paid to directors and corporate officers	—	—	(68)	—	(68)
Drawdown of reserve for advanced depreciation	—	—	—	—	—
Net income	—	—	1,540	—	1,540
Purchase of treasury stock	—	—	—	(3)	(3)
Disposal of treasury stock	—	0	—	0	0
Transfer to retained earnings from other capital surplus	—	248	(248)	—	—
Net change of items other than shareholders' equity during the interim period	—	—	—	—	—
Total changes during the interim period	—	4,027	930	913	5,871
Balance at September 30, 2006	13,122	16,650	30,343	(6)	60,109

	Valuation, foreign currency and other adjustments				Minority interests in consolidated subsidiaries	Total net assets
	Unrealized holding gain on securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total valuation, foreign currency and other adjustments		
Balance at March 31, 2006	150	—	(370)	(220)	608	54,625
Changes during the interim period						
Change due to exchange of shares	—	—	—	—	—	4,695
Dividends from retained earnings	—	—	—	—	—	(293)
Bonuses paid to directors and corporate officers	—	—	—	—	—	(68)
Drawdown of reserve for advanced depreciation	—	—	—	—	—	—
Net income	—	—	—	—	—	1,540
Purchase of treasury stock	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	—	—	0
Transfer to retained earnings from other capital surplus	—	—	—	—	—	—
Net change of items other than shareholders' equity during the interim period	(83)	(74)	1	(156)	104	(51)
Total changes during the interim period	(83)	(74)	1	(156)	104	5,820
Balance at September 30, 2006	66	(74)	(368)	(376)	713	60,446

Interim Consolidated Statements of Cash Flows

(Millions of yen)

	Interim period ended Sept. 30, 2006	Interim period ended Sept. 30, 2005	Year ended March 31, 2006
I Cash flows from operating activities			
Income before income taxes and minority interests	2,969	2,028	5,530
Depreciation and amortization	1,075	975	1,966
Amortization of excess of costs over net assets acquired	—	25	53
Amortization of goodwill	26	—	—
Provision for doubtful receivables	179	9	(18)
Provision for accrued employees' retirement benefits	(518)	(385)	(885)
Provision for retirement benefits for directors and corporate auditors	(69)	27	52
Provision for accrued losses on sales contracts	136	395	24
Interest and dividend income	(24)	(23)	(38)
Interest expense	33	46	93
Impairment loss on investment securities	48	—	70
Loss on sale of property and equipment	—	154	154
Trade notes and accounts receivable	23,984	13,179	(5,701)
Inventories	(1,744)	951	4,095
Trade notes and accounts payable	(15,434)	(11,676)	679
Other	(531)	801	(460)
Subtotal	10,129	6,509	5,616
Interest and dividends received	24	23	38
Interest paid	(30)	(43)	(89)
Income taxes paid	(2,028)	(1,245)	(2,072)
Net cash provided by operating activities	8,095	5,242	3,493
II Cash flows from investing activities			
Purchases of property and equipment	(362)	(994)	(1,506)
Sales of property and equipment	4	120	129
Purchases of intangibles, net of allowance for amortization	(636)	(336)	(738)
Purchases of investment securities	(42)	(27)	(113)
Sales of investment securities	15	—	94
Loans receivable made	(15)	(12)	(22)
Collection of loans receivable	14	9	19
Purchase of common stocks of newly consolidated subsidiaries	—	(748)	(748)
Other	98	(23)	11
Net cash used in by investing activities	(923)	(2,013)	(2,874)
III Cash flows from financing activities			
Net decrease in short-term bank loans	(6,552)	(3,472)	(5,366)
Proceeds from long-term debt	—	5,000	5,000
Purchases of treasury stock	(3)	(4)	(11)
Proceeds from sales of treasury stock	0	0	1
Cash dividends paid	(291)	(292)	(585)
Dividends paid to minority interests in consolidated subsidiaries	(1)	(1)	(1)
Other	(184)	(2)	(4)
Net cash (used in) provided by financing activities	(7,033)	1,227	(968)
IV Effect of exchange rate changes on cash and cash equivalents	18	21	51
V Net (increase) decrease in cash and cash equivalents	157	4,478	(298)
VI Cash and cash equivalents at beginning of the year	9,903	10,202	10,202
VII Increase in cash and cash equivalents accompanying consolidation	56	—	—
VIII Increase in cash and cash equivalents from exchange of shares	150	—	—
VIII Cash and cash equivalents at end of period	10,267	14,680	9,903

Basis of Preparation of the Interim Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries: 13

NEC Networks & System Integration Engineering, Ltd.
NEC Networks & System Integration Services, Ltd.
NESIC Ascerent Company
TOYO NETWORK SYSTEMS CO., LTD.
TOYO ALPHANET CO., LTD.
NEC Telenetworx, Ltd.
NESIC BRASIL S/A
NESIC (Thailand) Ltd.
NESIC PHILIPPINES, INC.
P.T. NESIC BUKAKA
NESIC (GUANGZHOU) CO., LTD.
TNS Europe GmbH
Networks & System Integration Saudi Arabia Co., Ltd.

Notes:

1. NEC Telenetworx, Ltd. is included in the scope of consolidation as of the interim period ended September 30, 2006 as a result of an exchange of shares in April 2006.
2. Networks & System Integration Saudi Arabia Co. Ltd. is included in the scope of consolidation as of the interim period ended September 30, 2006 as a result of its establishment in April 2006.

Number of unconsolidated subsidiaries: 1
NESIC CHILE S.A.
Note: Reason for exclusion from the scope of consolidation

Since this company's business is small in scale, and its total assets, net sales, consolidated net income (amount in proportion to equity held) and consolidated retained earnings (amount in proportion to equity held) would not have a material effect on the consolidated financial statements, it is not included in the scope of consolidation.

2. Application of the Equity Method

Unconsolidated subsidiaries to which the equity method is applied: None
Unconsolidated subsidiaries to which the equity method is not applied:
1 company (NESIC CHILE S.A.)
Note: Reason equity method is not applied
The equity method is not applied to this company, as it would not have a material effect on consolidated profit and loss and consolidated retained earnings, and the importance of this company in the aggregate is not significant.

3. Fiscal Years of Consolidated Subsidiaries

Of the Company's consolidated subsidiaries, seven have interim balance sheet dates on June 30.
In preparing the interim consolidated financial statements, the financial statements of those subsidiaries as of June 30 are used, and adjustments are made in consolidation to reflect significant transactions that took place between then and the interim consolidated balance sheet date.

4. Notes on Accounting Standards

(1) Valuation of Major Assets

(a) Securities

Available-for-sale securities:

Fair value available: At market, based on market quotes at fiscal year-end. (Net unrealized gains and losses are directly charged or credited to shareholders' equity. Selling costs are determined based mainly on the moving average method.)

Fair value not available: At cost, based on the moving average method.

Investments in Investment Limited Partnerships are valued at the net amount proportionate to the Company's ownership interests, based on the financial statements for the most recent fiscal year available, depending on the reporting date specified in the partnership agreement.

(b) Inventories

Equipment and materials

Equipment: At cost determined by the moving average method, except at cost determined by the first-in, first-out (FIFO) method for certain consolidated subsidiaries

Primary materials: At cost determined by the moving average method

Secondary materials: At cost determined by the gross average method

Supplies: Last purchase price method

Work in process: At cost determined on a specific project basis

(2) Depreciation of Major Fixed Assets

(a) Property and Equipment

Principally computed by the declining-balance method except for certain leased assets of the Company and property and equipment of certain foreign subsidiaries on which depreciation is computed by the straight-line method

(b) Intangible Assets

Straight-line method.

Software for sale on the market is depreciated based on its estimated sales volume in the estimated period of validity (within 3 years). Software for internal use is depreciated using the straight-line method based on its estimated useful life (within 5 years).

(3) Major Reserves

(a) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided mainly at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers that are experiencing financial difficulties.

(b) Accrued Losses on Sales Contracts

Provision for accrued losses on sales contracts is made at the amount of losses on sales contracts at the balance sheet date.

(c) Accrued Employees' Retirement Benefits

The Company provides for employees' retirement benefits in the amount recognized as arising at the interim consolidated balance sheet date, mainly based on the projected amount of benefit obligations and pension plan assets at the end of the fiscal year.

Prior service cost is amortized as incurred by the straight-line method over the average remaining years of service of the employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the average remaining years of service of the employees.

(d) Accrued Retirement Benefits for Directors and Corporate Auditors

Provision for retirement benefits for directors and corporate auditors is made at estimated amounts required at the balance sheet date based on internal rules.

(4) Accounting for Significant Lease Transactions

Finance lease contracts other than those deemed to transfer the ownership of the leased assets to lessees are accounted for as operating leases, except for certain foreign subsidiaries, which account for them as ordinary sales transactions.

(5) Hedge Accounting

(a) Methods of Hedge Accounting

The Company uses mainly deferred hedging. However, under certain conditions, forward foreign exchange contracts are accounted for as if each hedging instrument and hedged item were one combined financial instrument.

(b) Hedging Instruments and Hedged Items

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency receivables and payables
	Planned foreign currency transactions

(c) Hedging Policy

The Company hedges foreign exchange risk mainly based on its risk management policies.

(d) Method of Assessing Hedge Effectiveness

The Company determines the effectiveness of hedges by comparing the cumulative fluctuation of hedging instruments and the cumulative fluctuation of hedged items. For qualified forward foreign exchange contracts that qualify for accounting as if each hedging instrument and hedged item were one combined financial instrument, the qualification is substituted for assessment of effectiveness.

(6) Other

(a) Accounting for consumption taxes:

Consumption taxes and local consumption taxes are not included in the amounts in the consolidated financial statements.

(b) Revenue recognition:

The Company generally recognizes revenues by the completed-contract method, except that those in the system integration business with contracted amounts exceeding ¥100 million are recognized by the percentage-of- completion method, and revenues from construction work of foreign consolidated subsidiaries (with certain exceptions) are recognized by the percentage-of-completion method.

5. Scope of Funds in the Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash on hand, demand deposits, and short-term investments that have a high degree of liquidity with maturity dates within three months or less, are readily convertible into cash, and are exposed to insignificant risk of changes in value.

6. All amounts herein are rounded down to the nearest million yen.

Changes in Accounting Methods:

(Accounting Standards for Presenting Net Assets in the Balance Sheets)

Effective from the interim term under review, the Company applied Accounting Standards for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Statement No. 5, December 9, 2005) and Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Guidance No. 8, December 9, 2005). This change has no effect on profit and loss.

The amount corresponding to the previous “Total Shareholders’ Equity” is ¥5,987 million.

The Company has presented Net Assets in the consolidated interim financial statements in accordance with the revision of the Regulations for Consolidated Interim Financial Statements.

(Accounting Standards for Business Combinations)

Effective from the interim term under review, the Company applied Accounting Standards for Business Combinations (Business Accounting Council, October 31, 2003) and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan, Statement No. 7, December 27, 2005) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan, Guidance No. 10, December 27, 2005).

Changes to Method of Disclosure:

(Consolidated Interim Statements of Cash Flows)

The item previously presented as “Amortization of excess of costs over net assets acquired” is presented as “Amortization of goodwill” as of the interim period ended September 30, 2006.

Notes to Interim Consolidated Balance Sheets

(Millions of yen)

As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
1. Accumulated depreciation of property and equipment 11,396	1. Accumulated depreciation of property and equipment 9,940	1. Accumulated depreciation of property and equipment 8,971
2. Guarantee obligations Sumitomo Mitsui Banking Corporation 209	2. Guarantee obligations Sumitomo Mitsui Banking Corporation 256	2. Guarantee obligations Sumitomo Mitsui Banking Corporation 236
3. Treatment of notes maturing on the Interim Balance Sheet Date Notes maturing on the balance sheet date are treated as settled on the clearance date. As the interim balance sheet date was a bank holiday in Japan, notes maturing on that date are included in the ending balances. Notes and accounts receivable 647 Notes and accounts payable 98		3. The Company has entered into a loan commitment contract with the Sumitomo Mitsui Banking Corporation and two other banks as a method of short-term fund procurement to secure stable funding. The total amount of the contract is ¥11.0 billion and the contract period is from January 2006 to January 2009. The unexercised loan balance related to the loan commitment as of March 31, 2006 is as follows. Total amount of loan commitment 11,000 Exercised loan balance 3,250 Difference 7,750
4. The Company has entered into a loan commitment contract with the Sumitomo Mitsui Banking Corporation and two other banks as a method of short-term fund procurement to secure stable funding. The total amount of the contract is ¥11.0 billion and the contract period is from January 2006 to January 2009. The unexercised loan balance related to the loan commitment as of September 30, 2006 is as follows. Total amount of loan commitment 11,000 Exercised loan balance — Difference 11,000		

Notes to Interim Consolidated Statements of Income

(Millions of yen)

Interim period ended September 30, 2006	Interim period ended September 30, 2005	Year ended March 31, 2006
——	1. Components of loss on sales of fixed assets Land 154	1. Components of loss on sales of fixed assets Land 154 2. "Loss on disposal of obsolete inventories" is a one-time disposal of inventory assets that became obsolete due to rapid changes in markets and technologies.

Notes to Interim Consolidated Statements of Changes in Shareholders' Equity, etc.

Interim period ended September 2006 (April 1-Sept. 30, 2006)

1. Items related to issued and outstanding shares

	Number of Shares at End of Previous Fiscal Year	Increase	Decrease	Number of Shares at End of Interim Period
Common stock (shares)	43,069,207	6,704,600	—	49,773,807

(Reason for change)

The increase of 6,704,600 shares in the number of outstanding shares of common stock was due to issuance of new stock in connection with a share exchange.

2. Items related to treasury stock

	Number of Shares at End of Previous Fiscal Year	Increase	Decrease	Number of Shares at End of Interim Period
Treasury stock (shares)	1,115,207	2,273	1,110,902	6,578

(Reason for change)

The increase of 2,273 shares in the number of shares of treasury stock was due to purchases of odd-lot shares.
The decrease of 1,110,700 shares in the number of shares of treasury stock was due to the allocation for replacement of shares in connection with a share exchange.

3. Items related to share warrants
None applicable.

4. Items related to dividends
(1) Cash dividends paid

(Resolution)	Share Class	Cash Dividends Paid	Cash Dividends per Share	Record Date	Dividend Rights Date
Ordinary General Meeting of Shareholders on June 29, 2006	Common stock	¥293 million	¥7.00	March 31, 2006	June 30, 2006

(2) For dividends made for interim period under review but for which dividend rights dates are after end of interim period

(Resolution)	Share Class	Source of Dividends	Cash Dividends Paid	Cash Dividends per Share	Record Date	Dividend Rights Date
Board of Directors Meeting on October 26, 2006	Common stock	Retained earnings	¥348 million	¥7.00	September 30, 2006	December 8, 2006

Notes to Consolidated Statements of Cash Flows

(Millions of yen)

Interim period ended September 30, 2006	Interim period ended September 30, 2005	Year ended March 31, 2006
Relationship between ending balance of cash and cash equivalents and amounts reported in the consolidated balance sheets	Relationship between ending balance of cash and cash equivalents and amounts reported in the consolidated balance sheets	Relationship between ending balance of cash and cash equivalents and amounts reported in the consolidated balance sheets
Cash and cash equivalents 10,276	Cash and cash equivalents 14,690	Cash and cash equivalents 9,910
Total 10,276	Total 14,690	Total 9,910
Time deposits with maturities exceeding three months (8)	Time deposits with maturities exceeding three months (10)	Time deposits with maturities exceeding three months (6)
Cash and cash equivalents 10,267	Cash and cash equivalents 14,680	Cash and cash equivalents 9,903

Segment Information

1. Business Segment Information

Interim period ended September 2006 (April 1-Sept. 30, 2006)

(Millions of yen)

	Network integration/ Support service	Telecommu-nications engineering	Device sales	Total	Eliminations and Corporate	Consolidated
Orders	80,476	32,759	12,527	12,763	—	125,763
Net sales (1) Sales to outside customers	73,117	30,089	11,432	114,639	—	114,639
(2) Intersegment sales and transfers	—	—	—	—	—	—
Total	73,117	30,089	11,432	114,639	—	114,639
Operating expenses	68,452	29,014	11,226	108,694	2,934	111,628
Operating income	4,664	1,074	205	5,945	(2,934)	3,011

Interim period ended September 2005 (April 1-Sept. 30, 2005)

(Millions of yen)

	Network integration/ Support service	Telecommu-nications engineering	Device sales	Total	Eliminations and Corporate	Consolidated
Orders	55,832	32,666	19,049	107,548	—	107,548
Net sales (1) Sales to outside customers	54,093	26,145	14,495	94,734	—	94,734
(2) Intersegment sales and transfers	—	—	—	—	—	—
Total	54,093	26,145	14,495	94,734	—	94,734
Operating expenses	51,102	24,893	14,456	90,451	2,084	92,536
Operating income	2,991	1,252	38	4,282	(2,084)	2,198

(April 1, 2005 - March 31, 2006) (Millions of yen)

	Network integration/ Support service	Telecommu-nications engineering	Device sales	Total	Eliminations and Corporate	Consolidated
Orders	118,410	68,462	36,510	223,383	—	223,383
Net sales (1) Sales to outside customers	116,997	63,765	32,909	213,672	—	213,672
(2) Intersegment sales and transfers	—	—	—	—	—	—
Total	116,997	63,765	32,909	213,672	—	213,672
Operating expenses	110,313	60,254	32,874	203,442	4,173	207,616
Operating income	6,684	3,510	35	10,230	(4,173)	6,056

2. Geographical Segment Information

(April 1-September 30, 2006)
Geographical segment information is omitted because Japan accounted for more than 90 percent of the total net sales and total assets of all segments.

(April 1-September 30, 2005)
Geographical segment information is omitted because Japan accounted for more than 90 percent of the total net sales and total assets of all segments.

(April 1, 2005--March 31, 2006)
Geographical segment information is omitted because Japan accounted for more than 90 percent of the total net sales and total assets of all segments.

3. Overseas Sales
(April 1-September 30, 2006)
Overseas sales information is omitted because overseas sales accounted for less than 10 percent of consolidated net sales.

(April 1-September 30, 2005)
Overseas sales information is omitted because overseas sales accounted for less than 10 percent of consolidated net sales.

(April 1, 2005--March 31, 2006)
Overseas sales information is omitted because overseas sales accounted for less than 10 percent of consolidated net sales.

Lease Transactions

Omitted due to disclosure on EDINET.

Marketable Securities

Interim period ended September 30, 2006

1. Other marketable securities with market values (As of September 30, 2006)

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost: Stocks	112	218	105
Total	112	218	105

2. Description of securities without market values (As of September 30, 2006)

(Millions of yen)

	Balance sheet amount
Other marketable securities	
(1) Unlisted stocks (not including OTC stocks)	284
(2) Investment Limited Partnerships	341
Total	625

Note: The Company made write-offs of ¥48 million for “Other marketable securities” without market values in the interim period ended September 30, 2006. In making write-offs, the Company judges the real value of the stock to have dropped significantly if it has declined to 50 percent or less of the net price per share at the time of acquisition due to deterioration of the issuing company’s financial condition, and writes off the difference, except in cases in which the stock’s recoverability is supported by adequate evidence.

Interim period ended September 30, 2005

1. Other marketable securities with market values (As of September 30, 2005)

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost: Stocks	148	451	302
Total	148	451	302

2. Description of securities without market values (As of September 30, 2005)

(Millions of yen)

	Balance sheet amount
Other marketable securities	
(1) Unlisted stocks (not including OTC stocks)	373
(2) Investment Limited Partnerships	389
Total	763

Year ended March 31, 2006

1. Other marketable securities with market values

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost: Stocks	136	412	275
Total	136	412	275

2. Description of securities without market values (As of September 30, 2005)

(Millions of yen)

	Balance sheet amount
Other marketable securities	
(1) Unlisted stocks (not including OTC stocks)	304
(2) Investment Limited Partnerships	391
Total	695

Note: The Company made write-offs of ¥70 million for "Other marketable securities" without market values in the year ended March 31, 2006. In making write-offs, the Company judges the real value of the stock to have dropped significantly if it has declined to 50 percent or less of the net price per share at the time of acquisition due to deterioration of the issuing company's financial condition, and writes off the difference, except in cases in which the stock's recoverability is supported by adequate evidence.

Derivative Transactions

Interim period ended September 30, 2006 (As of September 30, 2006)
None applicable.
The Company makes forward foreign exchange transactions, which do not qualify under this note because hedge accounting is applied.

Interim period ended September 30, 2005 (As of September 30, 2005)
None applicable.
The Company makes forward foreign exchange transactions, which do not qualify under this note because hedge accounting is applied.

Year ended March 31, 2006 (As of March 31, 2006)
None applicable.
The Company makes forward foreign exchange transactions, which do not qualify under this note because hedge accounting is applied.

Business Combinations, Etc.

Omitted due to disclosure on EDINET.