Member of Financial Accounting Standards Foundation

Financial Statements for FY2008 (the Fiscal Year Ended March31, 2008)

May 14, 2008

Company Name: NEC Networks & System Integration Corporation — Listed Exchange TSE First Section
Code Number: 1973 — (URL: http://www.nesic.co.jp)
Representative: President — Masahiko Yamamoto
Contact: Associate Senior Vice President — Katsunobu Mizutani — TEL: (03)5463-1111
Annual General Meeting of Stockholders (scheduled): June 25, 2008
Start of distribution of dividends (scheduled): June 9, 2008
Filing of Securities Report (Yuka shoken hokokusho) (scheduled): June 25, 2008

(Rounded down to nearest million yen)

1. Consolidated Results for March 2008 Quarter (April 1, 2007 through March 31, 2008)

(1) Consolidated Operating Results (Percentages represent changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY 2008	258,212	1.4	10,743	36.9	10,423	32.6	4,412	26.9
FY 2007	254,641	19.2	7,849	29.6	7,860	31.4	3,476	33.3

	Net Income Per Share	Diluted Earnings Per Share	Net Return on Equity	Ordinary Income to Total Assets	Operating Profits to Net Sales
	yen	yen	%	%	%
FY 2008	88.67	-	7.0	6.9	4.2
FY 2007	70.72	-	6.0	5.5	3.1

(Reference) Equity Method in Income and Loss in Investment of Affiliated Companies
FY 2008 — Million Yen FY 2007 — Million Yen

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Equity Per Share
	Millions of Yen	Millions of Yen	%	yen
Mar .31, 2008	154,171	66,132	42.3	1,311.71
Mar .31, 2007	148,797	62,201	41.3	1,233.52

(Reference) Total Equity Mar .31, 2008 65,267 Millions of Yen Mar .31, 2007 61,384 Million Yen

(3) Consolidated Cash Flow Status

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at Term End
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY 2008	8,809	- 2,454	- 727	14,341
FY 2007	7,899	- 2,129	- 7,360	8,602

2. Status of Dividends

	Cash Dividends Per Share			Total Cash Dividends (Annual)	Dividends Payout Ratio (Consolidate	Dividends on Net Assets
(Record Date)	Interim Period-end	Fiscal Year-end	Annual			
	yen	yen	yen	Millions of Yen	%	%
FY 2007	7.00	7.00	14.00	696	19.8	1.1
FY 2008	10.00	10.00	20.00	995	22.6	1.6
FY 2009 (Estimate)	11.00	11.00	22.00		22.3	

3. Consolidated Financial Forecast for FY 2009 (April 1, 2008 through March 3, 2009

(Percentages represent year-on-year changes for full years and second quarter changes from the year for second quarter consolidated cumulative terms.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	yen
Second quarter (First six months of FY 2009)	120,000	2.2	4,300	1.7	4,250	0.4	2,400	17.7	48.23
Full Fiscal Year	265,000	2.6	11,000	2.4	10,600	1.7	4,900	11.1	98.48

4. Others

(1) Changes in major subsidiaries during this period (changes in specified subsidiaries due to changes None

(2) Changes in accounting principles, procedures, or methods of presentation associated with the preparation of consolidated financial statements

(as described in "Important Changes in the Basis for Preparation of Consolidated Financial Statements")

i. Changes associated with the revised accounting standards: Yes

ii. Other changes: None

Note: For further details, see page 18 ("Important Changes in the Basis for Preparation of Consolidated Financial Statements").

(3) Number of Issued Shares (Common Stock)

i. Shares at the End of the Period (Including Treasur	FY 2008	49,773,807 Shares	FY 2007	49,773,807 Shares
ii. Treasury Stock at the End of the Period:	FY 2008	16,352 Shares	FY 2007	10,255 Shares

Note: For details of the number of shares used as the basis for computation of the net income per share (consolidated) for the year, please refer to page 32 ("Per Share Information").

(Reference) Summary of Non-consolidated Results

Non-consolidated Results for FY 2008 (April 1, 2007 through March 31, 2008)

(1) Non-consolidated Operating Results (Percentages represent changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY 2008	237,893	25.5	10,408	159.1	10,174	114.8	5,217	77.2
FY 2007	189,498	-0.9	4,016	- 22.1	4,736	- 5.9	2,945	35.9

	Net Income per Share	Diluted Earnings per Share
	yen	yen
FY 2008	104.86	-
FY 2007	59.90	-

(2) Non-consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Equity per Share
	Millions of Yen	Millions of Yen	%	yen
Mar .31, 2008	144,857	63,555	43.9	1,277.30
Mar .31, 2007	126,382	59,076	46.7	1,187.15

(Reference) Total Equity　Mar .31, 2008　63,555 Millions of Yen　Mar .31, 2007　59,076 Millions of Yen

Note: Forecasts of results mentioned in this document are future estimates and are thus inclusive of risks and uncertain factors since they are not based on definite facts. Please be aware that a variety of factors could cause actual results to differ significantly from those projected. The major factors affecting actual results include the economic climate and social trends surrounding the business of this Company's group, consumer trends vis-a-vis systems and services provided by this Company's group, as well as pressure to lower prices and ability to cope with the market in response to intensified competition.
Factors affecting results are not limited to the ones mentioned above.
For information about assumptions used for deriving forecasts of results, please refer to "(1) The Analysis of Results" in "1. Operating Results" on page 3.

1. Operating Results

(1) Analysis of Operating Results

i. Operating Results for this Period

Although the Japanese economy, during the first half of this period (April 1, 2007 to March 31, 2008), saw gradual recovery due to improvements in enterprise earnings, our economic climate experienced slowdown at the end of the period due to increasing risks to the future of the economy, such as disruption in global financial capital markets reflecting subprime loan that have turned into great concerns ever since the last half of this period, a sharp rise in appreciation of yen, and a rise in the cost of living as a result of an exorbitant rise in crude oil and raw material prices.

As for the business environment surrounding our company's group, Telecommunication-Carriers stepped up investments related to the NGN (Next Generation Network) aiming to initiate commercial services in March 2008. With regard to enterprises, network system has been widely introduced for the purpose of streamlining management and strengthening security and internal controls through practical use of ICT*1, especially in the greater metropolitan areas. Local governments also saw continued expansion in services of regional public networks and improved quality and outreach in fire and disaster management systems. On the other hand, network-related investments were sluggish due to harsh trends of economy in local areas, and even network-related investments for the construction of mobile base stations saw slowdown as a result of settled services for these stations accompanying the implementation of mobile number portability (MNP) systems for the time being.

In the midst of such business environment, the Company's group strived to strengthen its business base, including investment, and profitability to further beef up NGN and enterprise solutions business, aiming to expand our business over the mid- and long-term.

As for the strengthening of our business base, we merged with NEC Telenetworx, Ltd., a company that mainly deals with maintenance of network system, in April and carried out Company-wide organizational reforms in October 2007. Thus, we strengthened our support service system and established a strong business base in the face of the NGN age.

In addition to these organizational reforms, our Company made efforts to strengthen our mid- and long-range capacity for growth. In the initiatives for companies, the Company developed corporation-specific office-wide solutions (*Empowered Office**2) into a full-fledged business, and open of the Empowered Office Center in our head office building as a space that provides a direct sense for these solutions, and particularly with our medium-sized businesses, we have been proactive with initiatives to strengthen our ability to be responsive to the market and improve the systems.

As for the NGN business with prospects of full-fledged investment, we strived to include those who are engaged in Telecommunication-Carriers into our act of planning of NGN demonstration testing, and in addition, recently constructed the NGN Laboratory in February 2008 to furnish our head office building with an environment on par with others in the Telecommunication-Carriers. In addition to strengthening system testing, education, training, and personnel development, we also carried out measures to strengthen our capabilities to handle NGN services for enterprise market, such as servicing an environment that allows for the development and checking of NGN services in cooperation with the *Empowered Office* Center mentioned above for enterprise-oriented NGN service that is expected to grow.

As for the strengthening of our profitability, we carried out our total cost reform activities (AC-I activities*3) that have become a fixture of our enterprise environment, and consequently, we have, as of this year, been proactively engaged in initiatives tying in with the strengthening of profitability, such as the expansion of process reform activities. As a result, we saw stable and good results that would be led to improved profits, such as efforts to improve business efficiency through reduction of backward-looking production costs and reassessment of work processes.

As a result of these business efforts and subsequent results stated above, the current consolidated fiscal year resulted in as follows:

Consolidated Sales Bids Awarded:	254,512 million yen (0.4% increase over previous year)
Consolidated Net Sales:	258,212 million yen (1.4% increase over previous year)
Consolidated Operating Income:	10,743 million yen (36.9% increase over previous year)
Consolidated Ordinary Income:	10,423 million yen (32.6% increase over previous year)
Consolidated Net Income:	4,412 million yen (26.9% increase over previous year)

Not only did our income increase over the previous year, it was also our highest income ever, profits-wise.

Favorable start in NGN business and proactive sales activities to accommodate officer transfer demands, involving ICT use and security-related matters for enterprise, contributed to the increase in the consolidated bids awarded and consolidated net sales despite of quieting down of investments in mobile base stations and sluggishness in local consumer investment in networks,

As for businesses by governments, construction of regional public networks by local governments and support services worked favourably.

The consolidated operating income and consolidated ordinary income increased due to an increase in net sales and improvement in cost price rate and rate of general and administrative costs resulting from efforts to improve business efficiency through total cost reform and process reforming activities.

Consolidated net income reached 4,412 million yen (26.9% increase over the previous year) as the sum total consequences of an increase in consolidated ordinary income plus 1,596 million yen in extraordinary losses.

This 1,596 million yen in extraordinary losses was the sum total of a lump-sum repayment of 1,041 million yen for mathematical discrepancy in post-retirement benefit liabilities that accompanied the merger with NEC Telenetworx, Ltd. and 554 million yen in losses due to business reorganization in overseas subsidiary company.

Business segments by type are shown as follows.

Network Integration Support Services (NI/SS)

The bids awarded for this consolidated fiscal year were 164,765 million yen (0.1% increase over the previous year), and net sales were 163,418 million yen (1.2% over the previous year). The main NGN-related factor for the above was an increase in aid for construction and development of systems to bring products into market, and for corporations whose business activities are focused around the larger metropolitan areas, office transfer demands, practical use of ICT and security-related matters grow steadily, and an increase in support systems for governments and enterprises worked well to support it as good factors. Compared to the previous year, however, business remained at the same level due to sluggish network investments at the local, consumer-based level and a slowdown in the performance of in some of consolidated subsidiaries.

Telecommunications Engineering

The bids awarded for this consolidated fiscal year were 68,846 million yen (5.6% increase over the previous year), and net sales were 70,339 million yen (4.8% over the previous year). Although quieting down of mobile base station construction projects accompanying implementation of MNP systems worked as the first factor, increase in award and sales are sustainably the increase in overall Telecommunications Engineering including an increase in broadcasting installation which involved ground digital broadcasting and cable televisions, and communications installation for electrical power companies.

Product sales

Bids awarded for this consolidated fiscal year were 20,900 million yen (12.0% decrease over the previous year), and net sales were 24,454 million yen (decrease of 6.2% over the previous year). The main factor was the focus on resources for our Network Integration Support Services which exerts our advantageous systems integration capabilities, which lead to a decrease in individual units of equipment unrelated to systems integration.

Main Type-specific Business Segment Details

Segment	Main Details
Network Integration/ Support Services	Planning and consulting, software development, construction, 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	Network infrastructure construction and installation of electrical and air conditioning systems
Product sales	Sales of data communication devices. （ex : PC, Server, etc.）

*1 ICT:

Abbreviation for "Information and Communication Technology"

*2 *Empowered Office*:

Solutions that efficiently fuse three elements of office work (communication, information, and facilities) in an effort to reform office work processes and the office environment, and also empower each individual employee to realize greater enterprise viability.

*3 AC-I Activities (Total Cost Reform Activities):

Abbreviation for “All Costs and Management Innovation”

ii. Next Year's Forecast

(a) Overall Forecast

Although the Japanese economy looks stable after bottoming out, the impact of moves in the US economy, such as its exchange and stock markets, as well as exorbitantly high prices in crude oil and raw materials, is giving rise to concerns about the future of the economy.

Although this sense of economic non-transparency, in effect, give the business sectors of this Company's group causes for concern, we anticipate continued network-related investment at the enterprise level, such as more widespread use of ICT that includes strengthening internal control and security measures, especially in the metropolitan areas. Although the communications industry anticipates a decrease in the total amount of investment in equipment for the communications industry as a whole, because of estimated reduction of investment in conventional systems, it is estimated that practical operations in organizing NGN systems, investments by those in the Telecommunication-Carriers to have more shares in the market will run favourably.

Our Company's group, committed to responding to such a business environment, is striving to have greater profitability on a continued basis, and focus on strengthening business in order to increase its capacity for growth.

Based on the axis of expansion measures, such as stronger NGN business systems implemented in the previous year and commercialization of *Empowered Office*, we are working to further increase our competitive edge and improve response capabilities to the market in the NGN-related business and enterprise markets in which full-fledged expansion is expected. Additionally, in the support service business underpinning our Company's growth, we are working to strengthen our business base so that we can, in turn, strengthen our capabilities to provide maintenance on a nationwide level. More specifically, in April 2008, we set up our Network Total Operation Center (nTOC), an integrative operation center that works to concentrate the support service functions of our Company's network systems. With our nTOC-based services at the core of our support service business, we work on expanding our scope of businesses through enrichment of our support service line-up. At the same time, we work on expanding our network integration business through our efforts to meet renewed demands.

In April, NICHIWA Co., which is working on expanding its business activities primarily in the areas of Kobe and Himeji, also became a whole subsidiary of ours. We strive to make efforts to further strengthen the network systems business of medium-sized enterprises in this region through NICHIWA's sales capabilities and our Company group's SE/SI capabilities, expanding into consumer market of the Kansai region.

In addition to efforts to expand these markets and strengthen our business makeup, we are carrying out AC-I activities such as reducing backward-looking production requirements and continuing to strengthen process reforms that raised the previous year's results, and also working to further reinforce profitability by making management more efficient through strengthening of its capabilities. Our Company's group is furthermore carrying out initiatives to improve customer satisfaction in the areas of quality and CS*.

Below is an estimated forecast of next year's consolidated performance.

The exchange rates assumed in next year's performance forecast are the mid-year average of 105 yen to the US dollar and 155 yen to the Euro.

Sales Bids Awarded:	265 billion yen	(4.1% increase over the previous year)
Net Sales:	265 billion yen	(2.6% increase over the previous year)
Operating Income:	11 billion yen	(2.4% increase over the previous year)
Ordinary Income:	10.6 billion yen	(1.7% increase over the previous year)
Net Income:	4.9 billion yen	(11.1% increase over the previous year)

For our mid-year goals, as disclosed in the "FY 2007 Earnings Digests" on May 15, 2007, we are striving for net sales of at least 300 billion yen and operating income of at least 11.5 billion yen in the 2009 fiscal year (ending March 2010). As for progress during the 2007 fiscal year (ended March 2008), we failed to achieve our net sales goal due to changes in our business environment, but operating income exceeded our projections due to a decrease in cost price.

During this fiscal year, we intend, after taking into account changes in the business environment, to settle on our mid-year goals for the 2010 fiscal year onward.

(b) Segment-specific Forecasts

Network Integration Support Services (NI/SS)

We anticipate a continued increase in the construction of network systems for the communications business and enterprises, and in their accompanying support services, through strengthening of our business capacities of the NGN-related businesses and enterprise markets mentioned in the overall forecast. Consequently, in the next year’s consolidated performance forecast for NI/SS business, we estimate 175 billion yen in awarded sales bids (6.2% increase over the previous year) and 175 billion yen in net sales (7.1% increase over the previous year).

Telecommunications Engineering

We anticipate construction of domestic communications facilities, including those affiliated with regional public networks, and also expect that the market for overseas communications construction will stay favorable in the next year’s consolidated performance forecast for Telecommunications Engineering, so we estimate 70 billion yen in awarded sales bids (1.7% increase over the previous year) and 70 billion yen in net sales (0.5% decrease over the previous year).

Product sales

In the next year's consolidated performance forecast for Product sales, that is, transactions that involve single units of equipment, we estimate 20 billion yen in awarded sales bids (4.3% decrease over the previous year) and 20 billion yen in net sales (18.2 % decrease over the previous year).

*CS: Abbreviation for “customer satisfaction”: Putting customer satisfaction first in pursuit of the products and services that the customer needs most

(2) Financial Position Analysis

i. Assets, Liabilities, and Net Assets

(Assets)

Current assets increased by 4,757 million yen over the previous consolidated fiscal year. The main factor for this was an increase of 5,739 million yen in cash and deposits.

Fixed assets increased by 617 million yen over the previous consolidated fiscal year.

Consequently, total assets increased by 5,374 million yen over the previous consolidated fiscal year.

(Liabilities)

Current liabilities increased by 1,065 million yen over the previous consolidated fiscal year. The main factor for this was an increase of 2,040 million yen in accrued income tax.

Fixed liabilities increased by 377 million yen over the previous consolidated fiscal year.

Consequently, total liabilities increased by 1,443 million yen over the previous consolidated fiscal year.

The balance of liabilities with interest was 5,652 million yen, almost the same as the previous year.

(Net Assets)

Net assets increased by 3,931 million yen over the previous consolidated fiscal year. The main factor for this was an increase of 3,566 million yen in capital surplus.

ii. Cash Flow

Cash and cash equivalents (hereinafter, “funds”) for this consolidated fiscal year increased by 5,739 million yen over the previous consolidated fiscal year due to an increase in cash flow from operating activities and cash flow from financing activities, even though cash flow from investing activities decreased, thus amounting to 14,341 million yen for this consolidated fiscal year.

(Cash Flow from Operating Activities)

Cash flow from operating activities during this consolidated fiscal year increased to 8.89 billion yen due to a decrease in inventories, even though trade receivables increased and accounts payable decreased. This increased by 909 million yen over the previous consolidated fiscal year's increase of 7,899 million yen.

(Cash Flow from Investing Activities)

As for cash flow from investing activities during this consolidated fiscal year, funds decreased by 2,454 million yen as a result of expenditures that were caused by acquisition of tangible and intangible fixed assets. This decreased by 324 million yen over the previous consolidated fiscal year's increase of 2,129 million yen.

(Cash Flow from Financing Activities)

As for cash flow from financing activities during this consolidated fiscal year, funds decreased by 727 million yen due to payment of dividends. This increased by 6,632 million yen over a decrease of 7,360 million yen during the previous consolidated fiscal year due to a decrease in repayment of short-term loans.

Dividends increased by 197 million yen over the previous year, and we are paying out 842 million yen.

Changes in Cash Flow-related Indicators

	FY 2005	FY 2006	FY 2007	FY 2008
Shareholders' Equity Ratio	41.7%	40.0%	41.3%	42.3%
Years of Debt Amortization	7.9	2.5	0.7	0.6
Interest Coverage Ratio	11.2	38.9	111.3	94.5

Shareholders' equity ratio: Shareholders' equity/Total assets

Years of debt amortization: Debt with interest/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest payment
*Each indicator was calculated using the consolidated base financial figures.
*Operating cash flow uses the cash flow from operating activities in the Consolidated Cash Flow Statement. Liability with interest deals with all interest-paying debts from among the sum total of debts in the Consolidated Balance Sheets.

(3) Basic Policy regarding Profit Distribution and This Year and Next Year's Distribution

Our Company puts it on top priority to have an increase in shareholders' profits. In addition to working to strengthen our management base, improve the financial strength, and increase our profitability, we intend to work so that earnings shall be retained by all of our shareholders. Regarding dividends, it is our policy to distribute profits appropriately, according to expectations by all of our shareholders, while taking into the consolidated results and investment trends and the like.

As for internal reserve funds, we consider it fundamental to focus on strengthening of our competitive edge and strategically investing in new and growing domains while taking into the future expansion of network-related markets.

Furthermore, regarding (estimated) dividends for the next year, because of increased earnings as a result of cost and process reforms, we plan to increase our annual dividends by 2 yen to 22 yen (increasing interim period-end and year-end dividends each by 1 yen) so that earnings are distributed to all our shareholders.

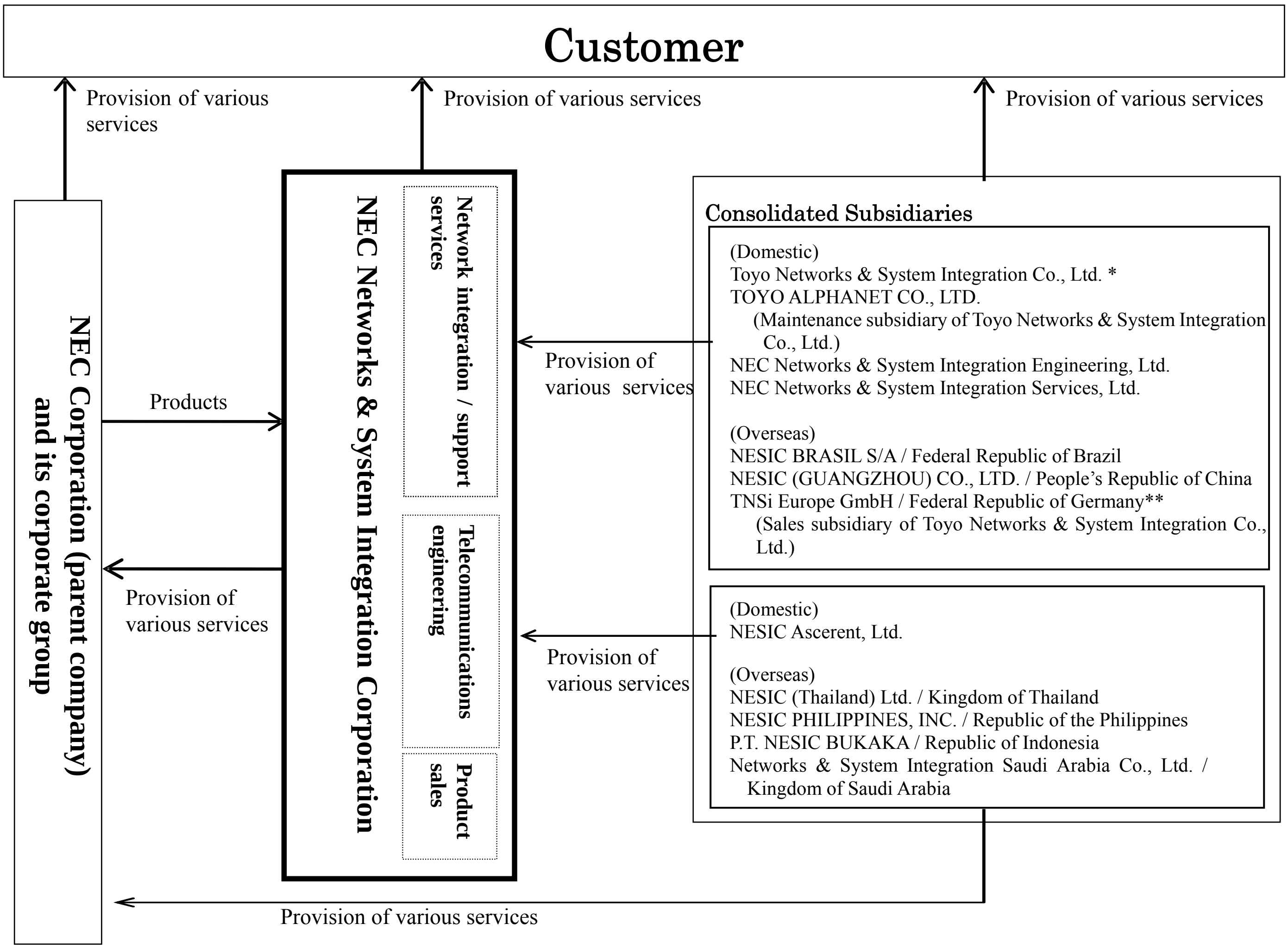
	Cash Dividends Per Share (Yen)		
	Interim Period-end	Year-end	Annual
FY 2008	10.00	10.00	20.00
FY 2009 (Estimated)	11.00	11.00	22.00

2. Enterprise Group

Enterprise Group Outlook

Our Company's enterprise group, as of the end of March 2008, is composed of our Company and twelve (12) consolidated subsidiaries.

Our Company's group, as a systems integrator, provides planning/consulting, designing, construction, maintenance, network operations/monitoring, and outsourcing of the total system that are focused on network-related domains, which is one of our main areas of business, and we are expanding the manufacturing and sales of our network communications equipment.



*1: Toyo Networks & System Integration Co., Ltd. changed its company name on July 2, 2007.
(Previous name: Toyo Network Systems Co., Ltd.)

*2: TNSi Europe GmbH changed its company name on August 22, 2007.
(Previous name: TNS Europe GmbH)

*3 NEC Telenetworx, Ltd. accompanying a merger on April 1, 2007, has been excluded from the scope of consolidation as of this consolidated fiscal year.

*4 NICHIWA Co. became a subsidiary of ours on April 1, 2008. Consequently, there are thirteen (13) consolidated subsidiaries as of April 1, 2008.

3. Management Policy

(1) Basic Company Management Policy

Our Company was established in 1953 primarily as a communications network infrastructure construction business, and has since been striving to broaden its scope of businesses and to increase customer value as a systems integrator whose principal businesses include network integration support systems and construction of communications.

Our Company’s group, as a core company of the NEC group in the network solutions sector, has used full resources of the group to realize our enterprise philosophy and management policy, and to strengthen our sales power which expands nationwide, system construction, construction technology, and supporting services, and thus, we intend to further promote enterprise innovation.

The company’s philosophy and management policy of our Company’s group are as follows:

NEC Networks and System Integration Group Enterprise Philosophy

The NEC Networks and System Integration group, as a business partner to its customers, aims to build a bridge to a new era by:

- Increase customer value
- Help create a more convenient and prosperous society
- Create peace of mind through the establishment of reliable networks.

NEC Networks and System Integration Group Management Policy

- Aim to increase the enterprise value of its customers.
- Make a contribution to our shareholders, customers, and regional communities through sound management.
- Constant commitment to the highest quality and safety standards.
- Act as good enterprise citizens in a way that respects the environment.
- Aim to create a workplace that demonstrates the fullest extent of our employees’ skills.

(2) Targeted Management Indicators

Our Company’s group, in addition to steady growth, intends to make efficient management a matter of great importance, stressing increased profits in the way of total assets, net assets, and net sales.

As mid-range targets, we aim to reach at least 300 billion yen in net sales and at least 11.5 billion yen in operating income in the 2009 fiscal year.

During this fiscal year, by taking into account changes in the business environment, we intend to settle on our mid-range goals for the 2010 fiscal year onward.

(3) Mid- and Long-range Company Management Strategies

In network-related businesses, which is one of business sectors of this Company's group, we expect to invest in more full-fledged servicing of NGN and their derivative services, and at the mid- and long-range levels, we also anticipate a trend of broadening in domestic network-related investments, such as Telecommunication-Carriers and enterprises.

In the midst of such a business environment, our Company’s group, based on its enterprise philosophy and management policy, is striving, as our customers' best partner, to provide highly reliable systems and services that will satisfy our customers and contribute to increased customer value.

As the mid-range policy for strengthening growth of our capabilities, our Company made NEC Telenetworx, Ltd. into a whole subsidiary (merged in April 2007) in April 2006, for the purpose of strengthening our NI/SS business functions and merged NICHIWA Co. into a whole subsidiary in April 2008, for the purpose of strengthening our sales capabilities in the Kansai region, and we proactively carried out M&A. We are continuing to make strategic investments in an effort to further increase our ability to grow in the future.

Furthermore, in addition to our efforts to constantly promote enterprise innovation and strengthen our business capabilities and profitability, we firmly establish our position in the network business sector through state-of-the-arts technologies and aim to become a enterprise that our stakeholders including all our customers and shareholders give trust and high value. Our Company’s group intends to unite together to realize the above goals.

(4) Issues to be Handled by Our Company

In the midst of increasingly higher, more complicated customer demands on value, quality, and deadlines, as well as rapid changes and fierce competition in the business environment, our Company’s group is providing fast-paced, timely services to satisfy our customers. In the future, we shall prioritize compliance as the basis of our management policy, and undertake management reforms and reinforcements as a unified group, we shall strive to improve enterprise value.

The impending issues that our Company aims to handle in carrying out the business above are as follows:

i. Strengthening our Capacities for Growth

(1) Expansion of Network Integration Support System Business

Expansion of Enterprise Markets

We introduce our Company's own services and systems with the core function of *Empowered Office* total office solutions, in which networks, IT, facilities, and support services are provided with efficiency, and are striving towards groundbreaking new enterprise markets.

Strengthening NGN Business

In addition to undertaking the full-fledged expansion of Telecommunication-Carriers based servicing and NGN-based services as a member of the NEC group, we are striving to strengthen our NGN business by reinforcing our business systems, including organizations and resources, training the engineers that support our NGN making practical use of the NGN Laboratory, and creating new NGN-based services.

Strengthening Support Service Business

We shall strive to keep our nationwide maintenance systems – our Company's unique feature, and in addition, shall strengthen and expand the scope of the whole of our businesses through organization of bases for support services that should work on "Network Total Operation Center (nTOC)" (launched in April, 2008), and through expansion of the outsourcing business that should work on efficient use of data center. Alongside this, we shall work to have more orders of network integration business and communications business.

(2) Strengthening Sales Power

We are working to strengthen sales power through reforms on sales efficiency, such as reassessing the work processes and resources related to sales activities, and also strengthening our sales personnel.

(3) Stronger Maintenance of Communication Construction Business

As for our communication construction business, which has served as our core business since our Company's establishment and also as our Company's strongpoint against competition, we are working to strengthen our ability to respond to the market through systems reinforcement that involves stronger development of engineers, including those in our affiliated and participating companies, in an environment that demands higher standards in communications construction technology that includes migration from legacy networks in the NGN domain and large-scale network construction in governments. As with *Empowered Office*, we tie in with the expansion of our network integration business by creating a new solution distinctive to our Company and making the best use of communication construction know-how, we are also engaging in ongoing maintenance of our Telecommunications Engineering.

ii. Strengthening Profitability

In addition to the improvement of business efficiency through expansion of our process reform activities, including reform of our work process, we are striving to further strengthen cost competitiveness through further promotion of activities for carrying out total cost reform (AC-I).

iii. Strengthening Safety, Quality, and Environmental Initiatives

Our Company, in compliance with the ISO 9001:2000 quality management system, is working to improve safety and quality in all work processes by making thoroughgoing day-to-day efforts to conduct pre-checks before the start of work, executing work reliably on the basis of various types of specifications, manuals, and protocols, and conducting mandatory and post-work testing and checks for all work processes in order to maintain the quality that our customers demand, as well as providing services that bring customer satisfaction.

In terms of business environment, too, we aim to be a "enterprise in harmony with the environment through the undertaking of environmentally friendly business activities" in compliance with the ISO 14001:2000 environmental management system, and we are taking initiatives to expand our activities on all environmental fronts and are practising thoroughgoing compliance with environmental rules and regulations.

From those responsible for providing products and services that bring customer satisfaction, or those responsible for management of environmental activity projects, to those that take charge on-site, all our staff shall also continue to strengthen future initiatives for maintaining and improving safety, quality, and the environment.

iv. Strengthening Compliance and Internal Control

Our Company shall put compliance a top priority, and continue to carry out thoroughgoing efforts to conduct its enterprise activities, based on law-abiding spirit and enterprise ethics. In particular, concerning internal controls such as the Corporation Law and Financial Instrument and Exchange Law in Japan, we are making thoroughgoing efforts to keep and maintain proper financial statements and conduct fair transactions, including a rigorously accurate record of bids awarded, and we have also set up an investigation room for assessing the appropriateness of these transactions.

Furthermore, in order to detect compliance problems at the earliest possible stage, we, in addition to our internal consultation site, are striving to establish a site for consultations outside our Company regarding compliance matters, and are also perfecting an internal notification system.

Still more, we set up a “Management Quality Improvement Committee” in order to not only strengthen compliance and internal control but also carry out investigation, discussion, and Company-wide information-sharing regarding specific measures on risk management as well as ways to improve the quality of management. Through the above, we shall strive for management that stresses compliance and further strengthens internal control.

v. Keeping and Developing Human Resources

We strive to keep and develop engineers responsible for increasingly advanced and complex technology, as well as human resources who can demonstrate a high level of skill in the smooth operation of projects and those with high technical qualifications for handling changes in the environment.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of Yen)

Fiscal Term / Account	Previous Consolidated Fiscal Year (as of March 31, 2007)		Current Consolidated Fiscal Year (as of March 31, 2008)		Increase/Decrease
	Amount	Component Ratio	Amount	Component Ratio	Amount
(Assets)		%		%	
I. Current Assets	125,498	84.3	130,256	84.5	4,757
Cash and Deposits	8,602		14,341		5,739
Notes Receivable and Accounts Receivable	95,353		96,552		1,198
Inventories	15,090		11,806		- 3,283
Deferred Tax Assets	5,493		5,938		444
Other	1,159		2,077		918
Allowance for Doubtful Accounts	- 200		- 461		- 260
II. Fixed Assets	23,298	15.7	23,915	15.5	617
Tangible Fixed Assets	8,260	5.6	8,236	5.3	- 23
Buildings and Structures	3,391		3,559		168
Machinery, Equipment, and Vehicles	49		33		- 16
Tools, Furniture, and Fixtures	2,070		2,012		- 57
Land	2,423		2,423		—
Construction in Progress	325		207		- 117
Intangible Fixed Assets	3,758	2.5	3,862	2.5	104
Investments and Other Assets	11,279	7.6	11,816	7.7	536
Investments in Securities	686		445		- 240
Deferred Tax Assets	6,549		7,602		1,053
Other	4,169		3,931		- 238
Allowance for Doubtful Accounts	- 125		- 162		- 37
Total Assets	148,797	100.0	154,171	100.0	5,374

(Unit: Millions of Yen)

Fiscal Term / Account	Previous Consolidated Fiscal Year (as of March 31, 2007)		Current Consolidated Fiscal Year (as of March 31, 2008)		Increase/Decrease
	Amount	Component Ratio	Amount	Component Ratio	Amount
(Liabilities)		%		%	
I. Current Liabilities	65,173	43.8	66,239	43.0	1,065
Notes Payable and Accounts Payable	48,333		46,625		- 1,708
Short-term Loans Payable	531		652		120
Accrued Income Tax	2,457		4,461		2,004
Accrued Tax Liabilities	1,529		2,069		540
Advance Payments Received	3,451		2,913		- 538
Director Bonus Allowances	78		59		- 19
Allowances for Contingent Losses	183		467		283
Other	8,608		8,991		382
II. Fixed Liabilities	21,422	14.4	21,800	14.1	377
Long-term Loans Payable	5,000		5,000		—
Reserves for Retirement Allowances	16,300		16,660		359
Director Retirement Allowances	95		60		- 35
Other	25		79		53
Total Liabilities	86,596	58.2	88,039	57.1	1,443
Net Assets					
I Shareholders' Equity	61,692	41.5	65,251	42.3	3,558
Capital Stock	13,122		13,122		—
Capital Surplus	16,650		16,650		0
Retained Earnings	31,931		35,497		3,566
Treasury Stock	- 11		- 19		- 8
II Total Valuation and Translation Differences	- 308	- 0.2	16	0.0	324
Unrealized Gain on Available-for-sale Securities	- 14		11		26
Deferred Hedge Losses	- 40		51		91
Foreign Currency Translation Adjustment	- 253		- 46		206
□ Minority Interest	816	0.5	865	0.6	48
Total Net Assets	62,201	41.8	66,132	42.9	3,931
Total Liabilities and Net Assets	148,797	100.0	154,171	100.0	5,374

(2) Consolidated Statement of Income

(Unit: Millions of Yen)

Fiscal Term / Account	Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)		Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Growth Rate
		%		%		%
I Net Sales	254,641	100.0	258,212	100.0	3,570	1.4
II Cost of Sales	221,379	86.9	222,644	86.2	1,265	0.6
Gross Profit	33,262	13.1	35,567	13.8	2,305	6.9
III Selling, General, and Administrative Expenses	25,413	10.0	24,824	9.6	- 588	- 2.3
Operating Income	7,849	3.1	10,743	4.2	2,893	36.9
IV Non-operating Income	683	0.3	539	0.2	- 143	- 21.0
Interest Income	26		25		- 1	- 3.8
Insurance Dividend Income	63		111		48	76.3
Other	593		401		- 191	- 32.2
Non-operating Expenses	672	0.3	858	0.4	186	27.7
Interest Expenses	74		88		14	18.9
Loss on Retirement of Fixed Assets	80		116		35	44.6
Loss from Devaluation of Investment Securities	48		91		42	88.5
Foreign Exchange Losses	—		299		299	—
Miscellaneous	469		263		- 205	- 43.9
Ordinary Income	7,860	3.1	10,423	4.0	2,563	32.6
VI Extraordinary Losses	586	0.2	1,596	0.6	1,009	172.1
Loss on Termination of Certain Retirement Benefit	—		1,041		1,041	—
Loss on Subsidiary Business Restructuring	586		554		- 32	- 5.5
Income Before Income Taxes and Others	7,273	2.9	8,827	3.4	1,553	21.4
Income Taxes-Current	3,784	1.5	5,985	2.3	2,200	58.2
Income Taxes-Deferred	- 29	- 0.0	- 1,575	- 0.6	- 1,546	—
Minority Interest	41	0.0	5	0.0	- 36	- 87.2
Net Income	3,476	1.4	4,412	1.7	935	26.9

(3) Consolidated Statement of Changes in Net Assets

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007) (Unit: Millions of Yen)

Item	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2006	13,122	12,622	29,413	- 920	54,238
Increase During the Consolidated Fiscal Year					
Increase from Share Exchange		3,779		916	4,695
Distribution of Surplus			- 642		- 642
Bonuses for Directors and Corporate Auditors			- 68		- 68
Net Income			3,476		3,476
Treasury Stock Acquisition				- 8	- 8
Disposal of Treasury Stock		0		0	0
Transfer to Retained Earnings from Other Capital Surplus		248	- 248		—
Fluctuating Amount of Income Other Than Shareholders' Equity During the Consolidated Fiscal Year (Net Amount)					—
Total Increase During the Consolidated Fiscal Year	—	4,027	2,518	908	7,454
Balance at March 31, 2007	13,122	16,650	31,931	- 11	61,692

Item	Valuation and Translation Adjustments				Minority Interests	Total Net Assets
	Unrealized Gain on Available-for sale Securities	Deferred Hedge Income	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments		
Balance at March 31, 2006	150	—	- 370	- 220	608	54,625
Increase During the Consolidated Fiscal Year						
Increase from Share Exchange				—		4,695
Distribution of Surplus				—		- 642
Officers' Bonuses				—		- 68
Current Net Income				—		3,476
Treasury Stock Acquisition				—		- 8
Disposal of Treasury Stock				—		0
Transfer to Retained Earnings from Other Capital Surplus				—		—
Fluctuating Amount of Income Other Than Shareholders' Equity During the Consolidated Fiscal Year (Net Amount)	- 164	- 40	117	- 87	208	120
Total Increase During the Consolidated Fiscal Year	- 164	- 40	117	- 87	208	7,575
Balance at March 31, 2007	- 14	- 40	- 253	- 308	816	62,201

Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008) (Unit: Millions of Yen)

Item	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2007	13,122	16,650	31,931	- 11	61,692
Increase During the Consolidated Fiscal Year					
Distribution of Surplus			- 845		- 845
Net Income			4,412		4,412
Treasury Stock Acquisition				- 8	- 8
Disposal of Treasury Stock		0		0	0
Fluctuating Amount of Income Other Than Shareholders' Equity During the Consolidated Fiscal Year (Net Amount)					—
Total Increase During the Consolidated Fiscal Year	—	0	3,566	- 8	3,558
Balance at March 31, 2008	13,122	16,650	35,497	- 19	65,251

Item	Total Valuation and Translation Adjustments				Minority Interests	Total Net Assets
	Unrealized Gain on Available-for sale Securities	Deferred Hedge Income	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments		
Balance at March 31, 2007	- 14	- 40	- 253	- 308	816	62,201
Increase During the Consolidated Fiscal Year						
Distribution of Surplus				—		- 845
Net Income				—		4,412
Treasury Stock Acquisition				—		- 8
Disposal of Treasury Stock				—		0
Fluctuating Amount of Income Other Than Shareholders' Equity During the Consolidated Fiscal Year (Net Amount)	26	91	206	324	48	372
Total Increase During the Consolidated Fiscal Year	26	91	206	324	48	3,931
Balance at March 31, 2008	11	51	- 46	16	865	66,132

(4) Consolidated Cash Flow Statement

(Unit: Millions of Yen)

Account \ Fiscal Term	Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007) Amount	Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008) Amount
I Cash Flow from Operating Activities		
Income Before Income Taxes and Other	7,273	8,827
Depreciation and Amortization	2,203	2,130
Amortization of Goodwill	67	67
Amortization of Negative Goodwill	- 13	- 13
Increase/Decrease in Allowance for Doubtful Accounts	- 1,115	296
Increase/Decrease in Prepaid Pension Costs	- 162	261
Increase/Decrease in Liability for Retirement Benefits	- 1,011	361
Decrease in Allowance for Directors' and Corporate Auditors' Retirement and Severance Benefits	- 35	- 35
Increase/Decrease in Allowance for Payment of Bonuses to Directors and Corporate Auditors	78	- 19
Provision for Accrued Losses on Sales Contracts	159	283
Interest and Dividend Income	- 39	- 37
Interest Expenses	74	88
Unrealized Loss on Available-for-sale	48	91
Unrealized Gain on Available-for-sale	- 63	- 12
Unrealized Gain on Tangible Fixed Assets	- 22	- 12
Loss from Sale of Fixed Assets	0	0
Loss on Retirement of Fixed Assets	80	116
Loss on Subsidiary Business Restructuring	586	554
Increase-Decrease in Notes and Accounts Receivables	1,280	- 971
Decrease in Inventories	2,614	3,198
Decrease in Accounts Payable	- 1,171	- 1,762
Other	406	- 565
Subtotal	11,238	12,845
Interest and Dividend Income	39	37
Interest Paid	- 70	- 93
Tax and Other Paid	- 3,307	- 3,980
Cash Flow from Operating Activities	7,899	8,809
II Cash Flow from Investing Activities		
Purchases of Tangible Fixed Assets	- 1,216	- 1,518
Proceeds from Sales of Tangible Fixed Assets	32	19
Purchases of Intangible Fixed Assets	- 1,149	- 1,085
Purchases of Investment Securities	- 42	- 10
Proceeds from Sales of Investment Securities	96	24
Income from Investment Consortium Dividends	54	145
Income from Repayment on Investment in Investment Consortiums	15	—
Increase in Loan Receivables	- 55	- 46
Collection of Loans	56	55
Other	77	- 39
Cash Flow from Investing Activities	- 2,129	- 2,454
III Cash Flow from Financing Activities		
Net Increase/Decrease in Short-term Debt	- 6,521	125
Purchases of Treasury Stock	- 8	- 8
Proceeds from Sales of Treasury Stocks	0	0
Dividends Paid	- 644	- 842
Dividends Paid to Minority Interests	- 1	- 3

Account \ Fiscal Term	Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)	Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)
	Amount	Amount
Other	- 184	—
Cash Flow from Financing Activities	- 7,360	- 727
Effect of Exchange Rate on Cash and Cash Equivalents	82	112
Increase/Decrease in Cash and Cash Equivalents	- 1,507	5,739
Cash and Cash Equivalents at Beginning of Year	9,903	8,602
Increase in Cash and Cash Equivalents Due to Consolidation of Subsidiaries	56	—
Increase in Cash and Cash equivalents due to Transfer of Shares	150	—
Year-end Balance for Cash and Cash Equivalents	8,602	14,341

(5) Major Items Serving as the Basis for Preparing the Consolidated Financial Statements

1. Matters Pertaining to the Scope of Consolidation

Consolidated Subsidiaries: Twelve (12) NEC Networks & System Integration Engineering,Ltd
NEC Networks & System Integration Services, Ltd.
NESIC Ascerent, Ltd.
Toyo Networks & System Integration Co., Ltd.
Toyo Alphanet Co., Ltd.
NESIC BRASIL S/A
NESIC (Thailand), Ltd.
NESIC Philippines, Inc.
P.T. NESIC BUKAKA
Naixike (Guangzhou) Co., Ltd.
TNSi Europe GmbH
Networks & System Integration Saudi Arabia Co., Ltd.

Notes: 1. NEC Telenetworx, Ltd. was a consolidated subsidiary during the previous consolidated fiscal year, and was absorbed by the Company on April 1, 2007, and as of the current consolidated fiscal year, it has been removed from the scope of consolidation.

2. Toyo Networks & System Integration Co., Ltd. changed its company name from Toyo Network Systems Co., Ltd. to its current name on July 2, 2007.

TNSi Europe GmbH changed its company name from TNS Europe GmbH to its current name on August 22, 2007.

2. Matters Pertaining to the business Fiscal Year of the Consolidated Subsidiaries

The accounts settlement date for seven (7) of our consolidated subsidiaries is December 31. The Company shall use Consolidated Financial Statements prepared as of this date, and major transactions occurring between these accounts settlement dates shall be adjusted as required according to consolidation.

3. Matters Pertaining to Accounting Procedure Standards

(1) Valuation Standard and Method for Significant Assets

i. Available-for-sale Securities

Other Available-for-sale Securities:

Securities that have fair market values are stated at fair market value based on the quoted market price at the end of the fiscal year.

(The related valuation differences are directly charged or credited to the shareholders' equity, and the cost of securities sold is computed by the moving average method.)

Securities without fair market value are stated at cost, which is determined by the moving average method.

Contributions to limited liability partnerships that are engaged in investment business are calculated by a method factoring in both the amount of partnership interests and the net amount on the basis of the most recently available financial statement in accordance with the statement date set forth in the partnership agreement.

ii. Inventories

Equipment and Materials

Equipment is stated at cost, which is determined by the moving average method.

Principal materials are stated at cost, which is determined by the moving average method.

Supplementary materials are stated at cost, which is determined by the total average method.

Supplies are carried by last cost method.

Work in process is carried by specific cost method.

(2) Depreciation Method for Significant Depreciable Assets

i. Tangible fixed assets generally take the declining balance method, but the straight-line method is adopted for some lending assets and some foreign consolidated subsidiaries.

(Changes in Accounting Policy)

As of the current consolidated fiscal year, our Company and its domestic consolidated subsidiaries, accompanying revisions to the Corporation Tax Law in Japan (Law No. 6 enacted on March 30, 2007 partially revising the Japanese Income tax Law and Ordinance No. 83 enacted on March 30, 2007 partially revising the Japanese Corporate Tax Law Enforcement Order), shall change their accounting method to one based on the revised Corporate Tax Law.

The impact on operating income, ordinary income and shareholders' equity before taxes, etc. shall be minimal.

(Additional Information)

As of the current consolidated fiscal year, our Company and its domestic consolidated subsidiaries shall adopt an accounting method depreciating accounts acquired before March 31, 2007 uniformly over a five-year period from the year following the end of their depreciation to the depreciable limit. The impact on operating income, ordinary income and shareholders' equity before taxes, etc. shall be minimal.

ii. Intangible fixed assets shall be calculated by the straight-line method.

Software for sale on the market shall be calculated by a method based on the estimated amount to be sold during the estimated number of years [three (3) years maximum], and internally used software shall be calculated by a straight-line method based on the estimated internally usable period [five (5) years maximum].

(3) Accounting Standards for Significant Allowances

i. Allowances for Doubtful Accounts: To reserve for losses on doubtful accounts such as trade receivables, loans, and the like, general allowances are provided using a rate determined by past bad debt experience, and specific allowances are also provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.

ii. Allowances for Bonuses to Directors and Corporate Auditors: To reserve for the payment of bonuses provided to Directors and Corporate Auditors, the portion corresponding to the current consolidated fiscal year is calculated based on the amount deemed payable.

iii. Provision for Accrued Losses on Sales Contracts: To reserve against future losses on sales bid contracts, the estimated loss to sales bid contracts is calculated at the end of the current consolidated fiscal year.

iv. Allowance for Retirement Benefits: To provide for employee's retirement benefits, this allowance is, in general, recorded based on the projected retirement benefit obligations and pension assets of the current consolidated fiscal year end.

Prior service cost is to be charged on proportionally distributed expenses by using the straight-line method, based on the employees' average remaining years of service when the cost is incurred.

Prior service cost is to be charged on proportionally distributed expenses by using the straight-line method, based on the employees' average remaining years of service when the cost is incurred.

v. Retirement Benefits Allowance for Directors and Corporate Auditors: To reserve for the payment of retirement benefits to Directors and Corporate Auditors, the required consolidated fiscal year-end allowance shall be recorded, in accordance with our Company's by-laws, for some of the Company's consolidated subsidiaries.

(Additional Information)

To provide for the payment of retirement benefits to Directors and Corporate Auditors, our Company formerly made a policy of recognizing allowances in the amount payable at each fiscal year-end in accordance with our Company's By-laws, but at the Ordinary General Meeting of Shareholders held on June 26, 2007, a proposal was approved for payment of benefits to Directors and Corporate Auditors due to abolition of the retirement benefits program. Consequently, the portion of this payment made in lieu of the former retirement benefits is recorded as "Other" fixed liabilities.

(4) Accounting Procedure for Significant Lease Transactions

Financing and leasing transactions other than those in which transfer of ownership of leased articles to the borrower is approved shall be reported, based on an accounting procedure in accordance with ordinary leasing transaction methods.

(5) Significant Hedge Accounting Method

i. Method of Hedge Accounting

As a rule, the deferred hedge procedure shall be adopted.

Furthermore, the designation procedure shall be adopted for foreign exchange contracts that meet the requirements for designation.

ii. Hedge Schemes and Targets

Hedge Scheme	Hedge Targets
Exchange contracts	foreign currency, receivables and payables, and transactions to be conducted in foreign currency

iii. Hedge Policy

In general, hedging of risks that pertains to the fluctuation of foreign exchange quotes shall be done in accordance with our Company's risk management policy.

iv. Method of Assessing the Validity of Hedging

Valuation and assessment is done by comparing the cumulative amount of currency fluctuation in the hedge scheme to the cumulative amount of fluctuation in the target

For foreign exchange contracts that meet the requirements for designation, validity shall be assessed by the extent to which hedging falls under the requirements for designation.

(6) Important Matters for Presenting Consolidated Financial Statements

i. Accounting Procedure for Consumption Tax: Accounting procedure for national and regional consumption taxes shall be based on the tax exclusion method.

ii. Standards for Reporting Net Sales: Net sales are reported based on the delivery of articles sold, but our Company's system integration business (contracted for 100 million yen) shall be reported based on the progress of business, while construction by our foreign consolidated subsidiaries (with some exception) shall be reported based on the progress of construction.

4. Matters regarding Valuation of the Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of consolidated subsidiaries shall be valuated according to an across-the-board fair market valuation method.

5. Matters regarding Amortization of Goodwill and Negative Goodwill

Goodwill and negative goodwill shall be uniformly amortized across a reasonable number of years within a 20-year period, assessed on a case-by-case basis.

6. Scope of Assets in Consolidated Cash Flow Statements

Our assets comprise cash on hand, demand deposits, and high-currency, easily cash-convertible, short-term investments expiring with three (3) months of the date they were acquired and incurring minimal risk from fluctuation in value.

7. Reported amounts are rounded down to the nearest million yen.

(6) Notes to Consolidated Financial Statements

(Concerning Consolidated Balance Sheets:)

(Unit: Millions of Yen)

<table>
<tr><th>Current Consolidated Fiscal Year (as of March 31, 2007)</th><th>Current Consolidated Fiscal Year (as of March 31, 2008)</th></tr>
<tr><td>1. Cumulative Depreciation and Amortization of Tangible Fixed Assets: 11,701
2. Guarantee Liabilities
The financial institution through which the loans from the housing funds financing system for our Company's employees are guaranteed is Mitsui Sumitomo Bank Co., Ltd.
194
3. Goodwill and Negative Goodwill
Intangible Fixed Assets: 1,090
"Other" Fixed Liability: 25
4. Our Company, as a means of raising funds, has entered into a commitment line borrowing agreement with three (3) companies, including Mitsui Sumitomo Bank Co., Ltd., in order to harmoniously ensure stable assets, and the term of the agreement, totalling 11 billion yen, is from January 2006 through January 2009.
The balance of unexecuted loans payable at the end of the current consolidated fiscal year under the commitment line for borrowing is as follows:
Total Borrowing Commitment: 11,000
Balance of Executed Loans: —
Deductions: 11,000
5. Procedure for Trade Notes Expiring by the End Date of the Consolidated Fiscal Year
Accounting for trade notes that expire by the end date of the consolidated fiscal year shall be done through an approval procedure on the date of the exchange of notes.
Since the end date of the current consolidated fiscal year was a financial institution holiday, trade notes that expire by the end date of the next consolidated fiscal year have been included in the consolidated fiscal year-end balance.
Trade Notes and Accounts Receivable: 507</td><td>1. Cumulative Depreciation and Amortization of Tangible Fixed Assets: 12,477
2. Guarantee Liabilities
The financial institution through which the loans from the housing funds financing system for our Company's employees are guaranteed is Mitsui Sumitomo Bank Co., Ltd.
160
3. Goodwill and Negative Goodwill
Intangible Fixed Assets: 1,023
"Other" Fixed Liability: 44
4. Our Company, as a means of raising funds, has entered into a commitment line borrowing agreement with three (3) companies, including Mitsui Sumitomo Bank Co., Ltd., in order to harmoniously ensure stable assets, and the term of the agreement, totalling 11 billion yen, is from January 2006 through January 2009.
The balance of unexecuted loans payable at the end of the current consolidated fiscal year under the commitment line for borrowing is as follows:
Total Borrowing Commitment: 11,000
Balance of Executed Loans: —
Deductions: 11,000</td></tr>
</table>

(Concerning Consolidated Loss Statements:)

(Unit: Millions of Yen)

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)	Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)

"Loss on Subsidiary Business Restructuring" denotes losses accompanying withdrawal of our Brazil subsidiary's unprofitable business.	"Loss on Subsidiary Business Restructuring" denotes losses accompanying withdrawal of our Brazil subsidiary's unprofitable business.

（Concerning Consolidated Shareholders' Equity Fluctuation Statements）

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)

1. Matters regarding Issued Shares

Type of Stock	Previous Consolidated Fiscal Year-end	Increase	Decrease	Current Consolidated Fiscal Year-end
Common Stock (Shares):	43,069,207	6,704,600	—	49,773,807

Summary of Reasons for Fluctuation:

A breakdown of the number of increased shares is as follows:

Increase Due to Issuing of New Shares Accompanying Stock Exchange: 6,704,600 shares

2. Matters regarding Treasury Stock

Type of Stock	Previous Consolidated Fiscal Year-end	Increase	Decrease	Current Consolidated Fiscal Year-end
Common Stock (Shares):	1,115,207	6,075	1,111,027	10,255

Summary of Reasons for Fluctuation:

A breakdown of the number of increased shares is as follows:

Increase Due to Purchases of Less Than One Unit of Shares: 6,075 shares

A breakdown of the number of decreased shares is as follows:

Decrease Due to Granting of Share Distribution Accompanying Stock Exchange: 1,110,700 shares

Decrease Due to Requests for Additional Shares to Complete a Whole Unit: 327 shares

3. Matters regarding New Share Options

Not applicable

4. Matters regarding Dividends

(1) Dividend Payments

Proposal	Type of Stock	Total Dividends (Millions of Yen)	Cash Dividends Per Share (Yen)	Record Date	Effective Issue Date
June 29, 2006 Ordinary General Meeting of Shareholders	Common Stock	293	7.00	March 31, 2006	June 30, 2006
October 26, 2006 Board Meeting	Common Stock	348	7.00	September 30, 2006	December 8, 2006

(2) Dividends, from among those whose Record Date Falls within the Current Consolidated Fiscal Year, whose Effective Issue Date Falls within the Next Consolidated Fiscal Year

Proposal	Type of Stock	Dividend Capital	Total Dividends (Millions of Yen)	Cash Dividends Per Share (Yen)	Record Date	Effective Issue Date
May 15, 2007 Board Meeting	Common Stock	Retained Earnings	348	7.00	March 31, 2007	June 5, 2007

Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)

1. Matters regarding Issued Shares

Type of Stock	Previous Consolidated Fiscal Year-end	Increase	Decrease	Current Consolidated Fiscal Year-end
Common Stock (Shares):	49,773,807	—	—	49,773,807

2. Matters regarding Treasury Stock

Type of Stock	Previous Consolidated Fiscal Year-end	Increase	Decrease	Current Consolidated Fiscal Year-end
Common Stock (Shares):	10,255	6,826	729	16,352

Summary of Reasons for Fluctuation:

A breakdown of the number of increased shares is as follows:

Increase Due to Purchases of Less Than One Unit of Shares: 6,826 shares

A breakdown of the number of decreased shares is as follows:

Decrease Due to Requests for Additional Shares to Complete a Whole Unit: 729 shares

3. Matters regarding New Share Options

Not applicable

4. Matters regarding Dividends

(1) Dividend Payments

Proposal	Type of Stock	Total Dividends (Millions of Yen)	Cash Dividends Per Share (Yen)	Record Date	Effective Issue Date
May 15, 2007 Board Meeting	Common Stock	348	7.00	March 31, 2007	June 5, 2007
November 14, 2007 Board Meeting	Common Stock	497	10.00	September 30, 2007	December 4, 2007

(2) Dividends, from among those whose Record Date Falls within the Current Consolidated Fiscal Year, whose Effective Issue Date Falls within the Next Consolidated Fiscal Year

Proposal	Type of Stock	Dividend Capital	Total Dividends (Millions of Yen)	Cash Dividends Per Share (Yen)	Record Date	Effective Issue Date
May 30, 2008 Board Meeting	Common Stock	Retained Earnings	497	10.00	March 31, 2008	June 9, 2008

(Concerning Consolidated Cash Flow Statements:)

(Unit: Millions of Yen)

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)	Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)
1. Relationship Between Year-end Balance of "Cash and Cash Equivalents" and the Amount of Accounts Mentioned in Consolidated Balance Sheets "Cash and Cash Equivalents" Account: 8,602 Total: 8,602 Regular Deposits Exceeding the 3-month Deposit Period: — Cash and Cash Equivalents 8,602 2. Details of Significant Non-funds Transactions In the current consolidated fiscal year, we are engaged in stock trading that pertains to NEC Telenetworx, Ltd. as a full-fledged subsidiary of our Company, and as a result of issuing of new shares and swapping of treasury stock, retained earnings and treasury stock are as follows: Increase in Retained Earnings Due to Stock Exchange: 4,028 Decrease in Retained Earnings Due to Stock Exchange: (Loss on Disposal of Treasury Stock) 248 Decrease in Treasury Stock Due to Stock Exchange: 916	1. Relationship Between Year-end Balance of "Cash and Cash Equivalents" and the Amount of Accounts Mentioned in Consolidated Balance Sheets "Cash and Cash Equivalents) Account: 14,341 Total: 14,341 Regular Deposits Exceeding the 3-month Deposit Period: — Cash and Cash Equivalents 14,341

Segment Information

1. Business Type-based Segment Information

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)

(Unit: Millions of Yen)

	NI/SS	Telecommunications Engineering	Product sales	Total	Elimination or Corporate	Consolidated
Total Sales Bids Awarded	164,634	65,192	23,750	253,577	—	253,577
Net Sales (1) Net Sales to Outside Customers	161,473	67,085	26,082	254,641	—	254,641
(2) Internal Net Sales Between Segments or Transfers	—	—	—	—	—	—
Total	161,473	67,085	26,082	254,641	—	254,641
Operating Expenses	150,508	63,946	25,941	240,397	6,394	246,792
Operating Income	10,964	3,139	140	14,244	(6,394)	7,849

Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)

(Unit: Millions of Yen)

	NI/SS	Telecommunications Engineering	Product sales	Total	Elimination or Corporate	Consolidated
Total Sales Bids	164,765	68,846	20,900	254,512	—	254,512
Net Sales (1) Net Sales to Outside Customers	163,418	70,339	24,454	258,212	—	258,212
(2) Internal Net Sales Between Segments or Transfers	—	—	—	—	—	—
Total	163,418	70,339	24,454	258,212	—	258,212
Operating Expenses	152,416	66,142	23,561	242,120	5,348	247,469
Operating Income	11,002	4,197	892	16,091	(5,348)	10,743

2. Location-specific Segment Information

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)

Omitted since all segments' percentages (in Japan) for total net sales and total monetary amount of assets have exceeded 90%.

Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)

Omitted since all segments' percentages (in Japan) for total net sales and total monetary amount of assets have exceeded 90%.

3. Overseas Net Sales

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)

Omitted since overseas net sales made up less than 10% of consolidated net sales.

Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)

Omitted since overseas net sales made up less than 10% of consolidated net sales.

Transactions with Affiliates

Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)

1. Parent Company and Major Corporate Shareholders

(Unit: Millions of Yen)

Attributes	Name of Company	Address	Common Stock or Capital	Business Details or Occupation	Percentage of Voting Rights Held (or Company Holding)	Details of Relationship: Concurrent Posts Held by Officer	Details of Relationship: Business Relationship	Details of Transaction	Amount of Transaction	Account	Current Year-end Balance
Parent Company	NEC (Ltd.)	Minato-ku, Tokyo	337,939	Manufacture and sale computers, communication equipment, and software; provides related services.	Company Holding: Direct: 51.48%	—	Contracts the building and maintenance of its company's network systems;	Contracts the building and maintenance of its company's network systems;	97,046	Notes receivable and accounts receivable; Advance payments received	47,124 825
							Purchases its company's products.	Purchases communications equipment	45,734	Notes receivable and accounts receivable	10,457

Notes: 1. Transaction conditions and decisions made about them are determined in the same manner as ordinary transaction conditions.

2. Monetary amounts for transactions include consumption tax, etc.

3. Current year-end balances do not include consumption tax, etc.

4. The above-mentioned percentage of voting rights held are computed by including 6.4 million shares of our Company's stock contributed by NEC (Ltd.) to Japan Trustee Services Bank, Ltd. (Sumitomo Trust and Banking Co. re-entrustment; NEC [Ltd.] Retirement Benefits Trust counter) as a retirement benefits trust.

2. Sister Companies

(Unit: Millions of Yen)

Attributes	Name of Company	Address	Common Stock or Capital	Business Details or Occupation	Percentage of Voting Rights Held (or Company Holding)	Details of Relationship		Details of Transaction	Amount of Transaction	Account	Current Year-end Balance
						Concurrent Posts Held by Officer	Business Relationship				
Subsidiary of Parent Company	NEC Fielding (Ltd.)	Minato-ku, Tokyo	9,670	Computer maintenance; facilities construction and on-site restructuring; sale of supplies.	—	—	Contracts the building and maintenance of its company's network systems;	Contracts the building and maintenance of network systems;	3,638	Notes receivable and accounts receivable; Advance payments received	1,076 50
							Purchases its company's products.	Purchases communications equipment	1,513	Notes payable and accounts payable	525
Subsidiary of Parent Company	NEC Communication System (Ltd.)	Minato-ku, Tokyo	1,000	Sales and development of communications equipment software; design of communications equipment	—	One (1) concurrent post	Contracts the building and maintenance of its company's network systems;	Contracts the building and maintenance of network systems;	8,765	Notes receivable and accounts receivable;	2,651
Subsidiary of Parent Company	NEC Engineering (Ltd.)	Shinagawa-ku, Tokyo	370	Development and design of communications equipment and computers	—	—	Contracts the building and maintenance of its company's network systems;	Contracts the building and maintenance of network systems;	4,286	Notes receivable and accounts receivable; Advance payments received	1,652 5
Subsidiary of Parent Company	NEC Facilities (Ltd.)	Minato-ku, Tokyo	240	Design and construction management of buildings; construction management; real estate sales business; insurance agency business	—	—	Outsourcing of real estate management work for buildings occupied by our Company	Outsourcing of real estate management work for buildings occupied by our Company	191	Investments and other assets; Other	2,870
Subsidiary of Parent Company	NEC Magnus Communication (Ltd.)	Minato-ku, Tokyo	190	Development, manufacture, sales, installation work, and maintenance of communications equipment and cable TV-related equipment	—	—	Contracts the building and maintenance of its company's network systems;	Contracts the building and maintenance of network systems;	3,004	Notes receivable and accounts receivable;	1,556

Notes: 1. Transaction conditions and decisions made about them are determined in the same manner as ordinary transaction conditions.
2. Monetary amounts for transactions do not include consumption tax, etc.
3. Current year-end balances include consumption tax, etc.

Tax Effect Accounting

(Unit: Millions of Yen)

General Reason-specific Breakdown of Deferred Tax Assets and Deferred Tax Liability:

	Previous Consolidated Fiscal Year (as of March 31, 2007)	Current Consolidated Fiscal Year (as of March 31, 2008)
(Deferred Tax Assets)		
Bonus Allowances	1,754	2,004
Bonus Portion of [Japanese] Social Insurance Fees	201	235
Allowances for Doubtful Accounts	59	114
Unpaid Enterprise Tax	233	369
Completion Basis	125	77
Loss on Revaluation of Inventories	2,204	2,504
Inventory—Inter-company Profits	21	23
Allowance for Loss on Sales Bid Contracts	74	190
Depreciation	133	369
Software	551	343
Retirement Benefits Allowance	6,089	6,756
Stock Dividends	146	146
Loss on Valuation of Available-for-sale Securities (Previous) / Loss on Devaluation from Investment Securities (Current)	247	301
Loss on Subsidiary Business Restructuring	199	116
Other	1,149	1,725
Subtotal of Deferred Tax Assets	13,193	15,278
Valuation Allowance	-1,031	-1,632
Total Deferred Tax Assets	12,162	13,646

Previous Consolidated Fiscal Year (as of March 31, 2007)	Current Consolidated Fiscal Year (as of March 31, 2008)
(Deferred Tax Liability)	(Deferred Tax Liability)
Reserve for Compression of Fixed Assets	Reserve for Compression of Fixed Assets
Reserve for Special Depreciation	Reserve for Special Depreciation
Net unrealized Holding Gains on Available-for-sale Securities	Net unrealized Holding Gains on Available-for-sale Securities
Other	Deferred Hedge Losses
-	Other
-	-
-	-
-	-
	--
1	
89	0
	61
29	
0	8

			350
Total Deferred Tax Liability	-119	Total Deferred Tax Liability	-105
Net Amount of Deferred Tax Assets	12,042	Net Amount of Deferred Tax Assets	13,540

Available-for-sale Securities

Previous Consolidated Fiscal Year

Other Items with Fair Market Values as Available-for-sale Securities (March 31, 2007)

(Unit: Millions of Yen)

Classification	Historical Cost	Amount Reported on Consolidated Balance Sheets	Difference
Items Where the Amount Reported on Consolidated Balance Sheets Exceeds Historical Cost: Stocks	112	191	78
Total	112	191	78

2. Other Available-for-sale Securities Sold During the Current Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)

(Unit: Millions of Yen)

Amount Sold	Total Gain on Sales	Total Loss on Sales
96	63	—

General Details of Available-for-sale Securities not Valuated at Fair Market Value (March 31, 2007)

(Unit: Millions of Yen)

Classification	Amount Reported on Consolidated Balance Sheets
Other Available-for-sale Securities:	
(1) Unlisted Stocks	284
(2) Investment Business Limited Liability Partnerships	210
Total	495

Notes: During the current consolidated fiscal year, the accounting procedure for stocks without fair market value in "Other Available-for-sale Securities" involved asset impairment of 48 million yen. Concerning asset impairment, if the total value of net assets per share drops by more than 50% as a result of worsening of the issuing company's financial position, this shall be interpreted as marked drop in the substantial stock value, and the asset impairment procedure shall be used, except when substantiated by proof of sufficient recoverability.

Current Consolidated Fiscal Year

Other Items with Fair Market Values as Available-for-sale Securities (March 31, 2008)

(Unit: Millions of Yen)

Classification	Historical Cost	Amount Reported on Consolidated Balance Sheets	Difference
Items Where the Amount Reported on Consolidated Balance Sheets Exceeds Historical Cost: Stocks	80	99	19
Subtotal	80	99	19
Items Where the Amount Reported on Consolidated Balance Sheets Exceeds Historical Cost: Stocks	12	12	—
Subtotal	12	12	—
Total	92	112	19

Notes: During the current consolidated fiscal year, the accounting procedure for stocks not having fair market value in “Other Available-for-sale Securities” involved asset impairment of 18 million yen. If the year-end fair market value drops by more than 50% of the historical cost, all assets shall be impaired, and if it drops by 30-50%, assets shall be impaired for the amount deemed necessary after taking recoverability into account.

2. Other Available-for-sale Securities Sold during the Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)

(Unit: Millions of Yen)

Amount Sold	Total Gain on Sales	Total Loss on Sales
24	12	—

General Details of Available-for-sale Securities not Valuated at Fair Market Value (March 31, 2008)

(Unit: Millions of Yen)

Classification	Amount Reported on Consolidated Balance Sheets
Other Available-for-sale Securities:	
(1) Unlisted Stocks	222
(2) Investment Business Limited Liability Partnerships	110
Total	332

Notes: During the current consolidated fiscal year, the accounting procedure for stocks not having fair market value in “Other Available-for-sale Securities” involved asset impairment of 71 million yen. Concerning asset impairment, if the total value of net assets per share drops by more than 50% as a result of worsening of the issuing company’s financial position, this shall be interpreted as marked drop in the substantial stock value, and the asset impairment procedure shall be used, except when substantiated by proof of sufficient recoverability.

Concerning Retirement Benefits:

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)	Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)
1. Outline of Adopted Retirement Benefits Plan An enterprise pension fund plan, qualified retirement fund plan, and a lump-sum retirement plan have been established as a fixed benefits plan for our Company and some of its consolidated subsidiaries.	1. Outline of Adopted Retirement Benefits Plan An enterprise pension fund plan and a lump-sum retirement plan have been established as a fixed benefits plan for our Company and some of its consolidated subsidiaries. On April 1, 2008, our Company switched from a fixed benefits retirement pension plan to a fixed contribution pension plan for a part of its future plan.
2. Projected Benefits Obligations (1) Projected Benefit Obligation -37,646 million yen (2) Fair Value of Pension Plan Assets 20,165 (3) Unfunded Benefits Obligation (1) + (2) -17,481 (4) Unrecognized Actuarial Loss 6,776 (5) Unrecognized Prior Service Cost (Cost Reduction) - 5,335 (6) Retirement Benefits Allowance (3) + (4) + (5) -16,039 (7) Prepaid Pension Cost 261 (8) Retirement Benefits Allowance (6) - (7) -16,300 Note: Some of the consolidated subsidiaries have adopted the simplified method of computing retirement benefits obligation.	2. Projected Benefits Obligations (1) Projected Benefit Obligation -35,476 million yen (2) Fair Value of Pension Plan Assets 16,176 (3) Unfunded Benefits Obligation (1) + (2) -19,299 (4) Unrecognized Actuarial Loss 8,949 (5) Unrecognized Prior Service Cost (Cost Reduction) - 6,310 (6) Retirement Benefits Allowance (3) + (4) + (5) -16,660 Note: Some of the consolidated subsidiaries adopt the simplified method of computing retirement benefits obligation.
3. Retirement Benefits Costs (1) Service Cost (See Note) 1,770 million yen (2) Interest Cost 924 (3) Expected return on Plan Assets - 449 (4) Recognized Actuarial Loss 629 (5) Prior Service Obligation Costs - 395 (6) Retirement Benefits Costs (1) + (2) + (3) + (4) + (5) 2,480 Note: Retirement benefits costs of consolidated subsidiaries that adopt the simplified method are reported in "(1) Service Cost".	3. Retirement Benefits Costs (1) Service Cost (See Note) 1,811 million yen (2) Interest Cost 888 (3) Expected Return on Plan Assets - 435 (4) Recognized Actuarial Loss 567 (5) Prior Service Obligation Costs - 373 (6) Retirement Benefits Costs (1) + (2) + (3) + (4) + (5) 2,459 (7) Loss on Partial Termination of Retirement Benefits Plan (Note 2) 1,041 (8) Total (6) + (7) 3,501 Note 1: Retirement benefits costs of consolidated subsidiaries that adopt the simplified method are reported in "(1) Service Cost". Note 2: Regarding "(7) Loss on Partial Termination of Retirement Benefits Plan", Our Company incurred

	loss on partial termination of its retirement benefits plan due to fixing of the amount of pension assets pertaining to succession of rights and duties from the NEC enterprise pension fund accompanying a merger with NEC Telenetworx, Ltd.
4. Basis for Calculation of Retirement Benefit Obligations, etc. (1) Term Distribution Method for Projected Amount of Retirement Benefits Periodic allocation of a fixed amount over the retirement benefits period (2) Discount Rate 2.5% (3) Expected Return on Plan Assets 2.5%～3.5% (4) Years Over Which Prior Service Cost is Amortized Cost is distributed, using the straight-line method, according to the employee’s average remaining term of service at the time that amortization occurs. (5) Years Over Which Recognized Actuarial Loss is Amortized Cost is distributed, using the straight-line method, from the year following each occurrence of amortization according to the employee’s average remaining term of service at the time that amortization occurs.	4. Basis for Calculation of Retirement Benefit Obligations, etc. (2) Term Distribution Method for Projected Amount of Retirement Benefits Periodic allocation of a fixed amount over the retirement benefits period (2) Discount Rate 2.5% (3) Expected Return on Plan Assets 2.5%～3.5% (4) Years Over Which Prior Service Cost is Amortized Cost is distributed, using the straight-line method, according to the employee’s average remaining term of service at the time that amortization occurs. (5) Years Over Which Recognized Actuarial Loss is Amortized Cost is distributed, using the straight-line method, from the year following each occurrence of amortization according to the employee’s average remaining term of service at the time that amortization occurs.

Enterprises Merger, etc.

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)

1. Post-Merger Enterprise Name, Business Details, Legal Form of the Merger, and Outline (Including Purpose) of Transactions

(1) Name of Post-merger Enterprise and Business Details

i. Name of Post-merger Enterprise

NEC Telenetworx, Ltd.

ii. Business Details of Post-merger Enterprise

Equipment for wireless and private branch exchange communications, broadcast video; facilities-related services for monitoring maintenance and operations; on-site adjustment and evaluation of systems; technical assistance, etc.

(2) Legal Form of Enterprise Merger

stock-for-stock exchange

(3) Summary, Including Purpose, of Transactions

On December 15, 2005, our Company entered into a share exchange agreement whereby NEC Telenetworx, Ltd. would become a full-fledged subsidiary of our Company, for the purpose of further strengthening its Network Integration Support Services, and on April 1, 2006, shares were exchanged between both companies.

During the stock-for-stock exchange, shares were allocated in a proportion of 26.051 shares of our Company’s common stock for each single share of common stock owned by NEC Telenetworx, Ltd. and exchanged with (NEC Corp.) shareholders listed in the last roster of NEC Telenetworx, Ltd. shareholders on the day preceding the stock-for-stock exchange. 6,704,600 shares of newly issued common stock were allocated and exchanged in addition to 1,110,700 shares of treasury stock held by our Company (total of 7,815,300 shares).

2. Summary of Accounting Procedures Used

Accounting procedures accompanying the exchange of shares were in accordance with and based on procedures for shared control transactions as set forth in “Accounting Procedures for Enterprise Mergers” (October 31, 2003 Accounting Procedures Board Meeting).

Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)

Not applicable

Per Share Information

Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)		Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)	
Net Asset Value Per Share (Yen)	1,233.52	Net Asset Value Per Share (Yen)	1,311.71
Earnings Per Share (Yen)	70.72	Earnings Per Share (Yen)	88.67

Notes: 1. Since no potential stock existed, diluted earnings per share are not mentioned.

2. The basis for calculating net asset value per share is as follows:

	Previous Consolidated Fiscal Year (March 31, 2007)	Current Consolidated Fiscal Year (March 31, 2008)
Total from “Net Assets” Section of Consolidated Balance Sheets (Millions of Yen)	62,201	66,132
Net Asset Value of Common Stock (Millions of Yen)	61,384	65,267
Total Deductions from "Net Assets" Section (Millions of Yen)	816	865
Minority Interests	816	865
Number of Issued Shares of Common Stock (Thousands of Shares)	49,773	49,773
Number of Issued Shares of Treasury Stock (Thousands of Shares)	10	16
Amount of Common Stock Used to Compute Net Asset Value Per Share (Thousands of Shares)	49,763	49,757

3. The basis for calculating earnings per share is as follows:

	Previous Consolidated Fiscal Year (From April 1, 2006 through March 31, 2007)	Current Consolidated Fiscal Year (From April 1, 2007 through March 31, 2008)
Earnings per Share Reported in Consolidated Loss Statements (Millions of Yen)	3,476	4,412
Amount Not Belonging to Common Stock (Millions of Yen)	—	—
Net Asset Value of Common Stock (Millions of Yen)	3,476	4,412
Average Number of Mid-year Shares of Common Stock (Thousands of Shares)	49,165	49,760

Omission of Disclosure

Disclosure of notes for leasing and derivative transactions was omitted since it was not deemed to be of major importance to the Earnings Digests.

5. Non-consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of Yen)

Account \ Fiscal term	75th Fiscal Term As of March 31, 2007		76th Fiscal Term As of March 31, 2008		**Increase/Decrease**
	Amount	Component Ratio	Amount	Component Ratio	Amount
(Assets)		%		%	
I. Current Assets	99,628	78.8	119,385	82.4	19,757
Cash and Deposits	6,698		12,391		5,693
Notes Receivable	2,074		1,778		- 296
Accounts Receivable	70,573		87,957		17,384
Equipment and Materials	2,534		2,163		- 371
Works in Process	9,309		8,193		- 1,116
Prepaid Expenses	228		346		118
Loans to Affiliated Companies	4,304		100		- 4,204
Deferred Tax Assets	3,184		5,271		2,086
Other	835		1,540		705
Allowances for Doubtful Accounts	- 115		- 358		- 242
II. Fixed Assets	26,753	21.2	25,471	17.6	- 1,281
Tangible Fixed Assets	7,211	5.7	7,782	5.4	571
Buildings	2,968		3,470		502
Structures	35		37		2
Vehicles	12		10		- 2
Tools, Furniture, and Fixtures	1,456		1,678		221
Land	2,422		2,423		1
Construction in Progress	315		161		- 154
Intangible Fixed Assets	1,833	1.5	2,765	1.9	931
Trademark Rights	2		2		- 0
Software	1,727		2,657		930
Other	103		105		1
Investments and Other Assets	17,708	14.0	14,924	10.3	- 2,784
Investments in Securities	629		422		- 207
Investments - Affiliated Companies	9,020		4,427		- 4,593
Long-term Loans to Employees	1		4		2
Long-term Prepaid Expenses	18		24		6
Long-term Guarantee Deposits	2,378		2,969		591
Deferred Tax Assets	5,115		6,583		1,467
Other	666		635		- 30
Allowances for Doubtful Accounts	- 122		- 143		- 20
Total Assets	126,382	100.0	144,857	100.0	18,475

(Unit: Millions of Yen)

Account \ Fiscal term	75th Fiscal Term As of March 31, 2007		76th Fiscal Term As of March 31, 2008		**Increase/Decrease**
	Amount	Component Ratio	Amount	Component Ratio	Amount
(Liabilities)		%		%	
I. Current Liabilities	51,154	40.5	61,666	42.5	10,511
Notes Payable	1,834		2,629		795
Accounts Payable	37,506		41,482		3,976
Short-term Loans Payable	500		500		—
Accounts Payable - Other	1,285		1,719		434
Accrued Expenses	2,963		5,067		2,103
Accrued Income tax	1,314		4,250		2,935
Accrued Tax Liabilities	1,261		2,007		746
Advance Payments Received	2,971		2,617		- 353
Deposits Received	1,210		884		- 325
Director Bonus Allowances	52		38		- 13
Allowances for Contingent Losses	183		467		283
Other	71		1		- 70
II. Fixed Liabilities	16,151	12.8	19,636	13.6	3,485
Long-term Loans Payable	5,000		5,000		—
Reserve for Retirement Allowances	11,097		14,601		3,504
Director Retirement Allowances	53		—		- 53
Other	—		34		34
Total Liabilities	67,305	53.3	81,302	56.1	13,997
(Net Assets)					
I. Shareholders' Equity	59,128	46.7	63,492	43.8	4,363
Capital Stock	13,122		13,122		—
Capital Surplus	16,650		16,650		0
Additional Paid-in Capital	16,650		16,650		—
Other Capital Surplus	—		0		0
Retained Earnings	29,366		33,738		4,371
Legal Reserve	546		546		—
Other Retained Earnings	28,819		33,191		4,371
Reserve for Compression of Fixed Assets	1		1		- 0
Contingent Reserve	23,940		23,940		—
Retained Earnings Carried	4,878		9,250		4,372
Treasury Stock	- 11		- 19		- 8
II. Total Valuation and Translation Adjustments	- 51	- 0.0	63	0.1	114

Unrealized Gain on Available-for-sale Securities	- 10		11		22
Deferred Hedge Losses	- 40		51		92
Total Net Assets	59,076	46.7	63,555	43.9	4,478
Total Liabilities and Net Assets	126,382	100.0	144,857	100.0	18,475

(2) Non-consolidated Statement of Income

(Unit: Millions of Yen)

Account / Fiscal Term	75th Fiscal Year From April 1, 2006 Through March 31, 2007		76th Fiscal Year From April 1, 2007 Through March 31, 2008		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Growth Rate
		%		%		%
I. Net Sales	189,498	100.0	237,893	100.0	48,394	25.5
II. Cost of Sales	167,159	88.2	205,873	86.5	38,713	23.2
Gross Profit	22,338	11.8	32,020	13.5	9,681	43.3
III. Selling, General, and Administrative Expenses	18,322	9.7	21,612	9.1	3,289	18.0
Operating Income	4,016	2.1	10,408	4.4	6,391	159.1
IV. Non-operating Income	1,260	0.7	465	0.2	- 794	-63.1
Interest Income	21		15		- 5	-26.4
Dividend Income	753		154		- 599	-79.5
Insurance Dividend Income	63		111		48	76.3
Miscellaneous Income	420		183		- 237	-56.5
V. Non-operating Expense	539	0.3	699	0.3	159	29.6
Interest Expenses	71		67		- 3	- 5.4
Foreign Exchange Losses	10		278		268	2,517.2
Loss on Retirement of Fixed Assets	22		85		63	283.6
Loss on Devaluation of Inventory	77		77		- 0	- 0.2
Miscellaneous	357		189		- 167	-46.9
Ordinary Income	4,736	2.5	10,174	4.3	5,437	114.8
VI. Extraordinary Income	—	—	862	0.4	862	—
Gain on Extinguishment of Tie-in Shares	—		862		862	—
VII. Extraordinary Losses	—	—	1,636	0.7	1,636	—
Loss on Partial Termination of Certain Retirement Benefits Plans	—		1,041		1,041	—
Loss on Devaluation of Stocks from Affiliated Companies	—		594		594	—
Income Before Income Taxes	4,736	2.5	9,400	4.0	4,663	98.5
Income Taxes-Current	1,986	1.0	5,571	2.4	3,585	180.5
Income Taxes-Deferred	- 194	- 0.1	- 1,388	- 0.6	- 1,194	—
Net Income	2,945	1.6	5,217	2.2	2,272	77.2

(3) Non-consolidated Statement of Changes in Net Assets

75th Fiscal Year (From April 1, 2006 through March 31, 2007) (Unit: Millions of Yen)

Item	Shareholders' Equity			
	Capital Stock	Capital Surplus		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Balance at March 31, 2006	13,122	12,622	0	12,622
Increase During this Business Fiscal Year				
Increase from Stock-for-stock Exchange		4,028	- 248	3,779
Disposal of Treasury Stock			0	0
Transfer to Retained Earnings from Other Capital Surplus			248	248
Total Increase During Business Fiscal Year	—	4,028	- 0	4,027
Balance at March 31, 2007	13,122	16,650	—	16,650

Item	Shareholders' Equity						
	Retained Earnings					Treasury Stock	Total Shareholders' Equity
	Legal Reserve	Other Retained Earnings			Total Retained Earnings		
		Reserve for Compression of Fixed Assets	Contingent Reserve	Retained Earnings Carried			
Balance at March 31, 2006	546	1	23,940	2,868	27,357	- 920	52,182
Increase During this Business Fiscal Year							
Increase from Stock-for-stock Exchange					—	916	4,695
Distribution of Surplus				- 642	- 642		- 642
Bonuses for Directors and Corporate Auditors				- 45	- 45		- 45
Reversal of Reserve for Compression of Fixed Assets		- 0		0	—		—
Net Income				2,945	2,945		2,945
Treasury Stock Acquisition					—	- 8	- 8
Disposal of Treasury Stock					—	0	0
Transfer to Retained Earnings from Other Capital Surplus				- 248	- 248		—
Total Increase During Business Fiscal Year	—	- 0	—	2,009	2,009	908	6,946
Balance at March 31, 2007	546	1	23,940	4,878	29,366	- 11	59,128

Item	Valuation and Translation Adjustments			Total Net Assets
	Unrealized Gain on Available-for sale Securities	Deferred Hedge Losses	Total Valuation and Translation Adjustments	
Balance at March 31, 2006	150	—	150	52,332
Increase During Business Fiscal Year				
Increase from Stock-for-stock Exchange			—	4,695
Distribution of Surplus			—	- 642
Bonuses for Directors and Corporate Auditors			—	- 45
Reversal of Reserve for Compression of Fixed Assets			—	—
Net Income			—	2,945
Treasury Stock Acquisition			—	- 8
Disposal of Treasury Stock			—	0
Transfer to Retained Earnings from Other Capital Surplus			—	—
(Net) Decrease During Business Fiscal Year	- 160	- 40	- 201	- 201
Total Increase/Decrease During the Business Fiscal Year	- 160	- 40	- 201	6,744
Balance at March 31, 2007	- 10	- 40	- 51	59,076

76th Fiscal Year (From April 1, 2007 through March 31, 2008) (Unit: Millions of Yen)

Item	Shareholders' Equity			
	Capital Stock	Capital Surplus		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Balance at March 31, 2007	13,122	16,650	—	16,650
Increase During Business Fiscal Year				
Distribution of Surplus				—
Reversal of Reserve for Compression of Fixed Assets				—
Net Income				—
Treasury Stock Acquisition				—
Disposal of Treasury Stock			0	0
(Net) Increase/Decrease During the Business Fiscal Year				—
Total Increase/Decrease During the Business Fiscal Year	—	—	0	0
Balance at March 31, 2008	13,122	16,650	0	16,650

Item	Shareholders' Equity						
	Retained Earnings					Treasury Stock	Total Shareholders' Equity
	Legal Reserve	Other Retained Earnings			Total Retained Earnings		
		Reserve for Compression of Fixed Assets	Contingent Reserve	Retained Earnings Carried			
Balance at March 31, 2007	546	1	23,940	4,878	29,366	- 11	59,128
Increase During Business Fiscal Year							
Distribution of Surplus				- 845	- 845		- 845
Reversal of Reserve for Compression of Fixed Assets		- 0		0	—		—
Net Income				5,217	5,217		5,217
Treasury Stock Acquisition					—	- 8	- 8
Disposal of Treasury Stock					—	0	0
(Net) Increase/Decrease During Business Fiscal Year					—		—
Total Increase/Decrease During the Business Fiscal Year	—	- 0	—	4,372	4,371	- 8	4,363
Balance at March 31, 2008	546	1	23,940	9,250	33,738	- 19	63,492

Item	Valuation and Translation Adjustments			Total Net Assets
	Unrealized Gain on Available-for-sale Securities	Deferred Hedge Losses	Total Valuation and Translation Adjustments	
Balance at March 31, 2007	- 10	- 40	- 51	59,076
Increase During Business Fiscal Year				
Distribution of Surplus			—	- 845
Reversal of Reserve for Compression of Fixed Assets			—	—
Net Income			—	5,217
Treasury Stock Acquisition			—	- 8
Disposal of Treasury Stock			—	0
(Net) Increase/Decrease During the Business Fiscal Year	22	92	114	114
Total Increase/Decrease During the Business Fiscal Year	22	92	114	4,478
Balance at March 31, 2008	11	51	63	63,555

(4) Important Accounting Policies

1. Standards and Methods for Valuating Available-for-sale Securities

Subsidiary stock is stated at cost, which is determined by the moving average method.

Other Available-for-sale Securities:

Securities with fair market value are stated at fair market value based on the quoted market price at the end of the fiscal year.

(The related valuation differences are directly charged or credited to the shareholders' equity, and the cost of securities sold is computed by the moving average method.)

Securities without fair market value are stated at cost, which is determined by the moving average method.

Contributions to limited liability partnerships that are engaged in investment business are calculated by a method factoring in both the amount of partnership interests and the net amount on the basis of the most recently available financial statement in accordance with the statement date set forth in the partnership agreement.

2. Standards and Methods for Valuating Inventories

Equipment and Materials

Equipment is stated at cost, which is determined by the moving average method.

Principal materials are stated at cost, which is determined by the moving average method.

Supplementary materials are stated at cost, which is determined by the total average method.

Supplies are carried by the last cost method.

Work in process is carried by the specific cost method.

3. Depreciation Method for Fixed Assets

(1) Tangible fixed assets generally take the declining balance method, but the straight-line method is adopted for some lending assets.

(Changes in Accounting Policy)

As of the current business fiscal year, accompanying revisions to the Corporation Tax Law (Law No. 6 enacted on March 30, 2007 that revised part of the Income Tax Law in Japan and Ordinance No. 83 enacted on March 30, 2007 that revised part of the Corporation Tax Law Enforcement Order) in Japan, the accounting method for acquisitions from April 1, 2007 onward shall be changed to one based on the revised Corporation Tax Law.

The impact on operating income, ordinary income, and shareholders' equity before taxes, etc. shall be minimal.

(Additional Information)

As of the current business fiscal year, an accounting method shall be adopted depreciating accounts acquired before March 31, 2007 uniformly over a five-year period from the year following the end of their depreciation to the depreciable limit.

The impact on operating income, ordinary income and shareholders' equity before taxes, etc. shall be minimal.

(2) Intangible fixed assets shall be reported using the straight-line method.

Software for sale on the market shall be calculated by a method based on the estimated sales volume during the estimated number of years (three [3] years maximum], and internally used software shall be calculated by a straight-line method based on the estimated internally usable period (five [5] years maximum).

4. Accounting Standards for Allowances

(1) Allowances for Doubtful Accounts: To reserve for loss on doubtful accounts such as trade receivables, loans, and the like, general allowances are provided using a rate determined by past bad debt experience, and specific allowances are also provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.

(2) Allowances for Bonuses to Directors and Corporate Auditors: To reserve for the payment of bonuses provided to Directors and Corporate Auditors, the portion corresponding to the current business fiscal year is calculated based on the amount deemed payable.

(3) Provision for Accrued Losses on Sales Contracts: To reserve against future losses on sales bid contracts, the estimated loss to sales bid contracts is calculated at the end of the current business fiscal year.

(4) Allowance for Retirement Benefits: To provide for employee retirement benefits, this allowance is recorded based on the projected retirement benefit obligations and pension assets of the current business fiscal year end.

Prior service cost is to be charged on proportionally distributed expenses using the straight-line method based on the employees' average remaining years of service when the cost is incurred.

Prior service cost, the year after each cost is incurred, is to be charged on proportionally distributed expenses using the straight-line method based on the employees' average remaining years of service when the cost is incurred.

5. Leasing Transaction Procedure

Financing and leasing transactions other than those that pertain to transfer of ownership of leased articles to the borrower shall be reported based on an accounting procedure in accordance with ordinary leasing transaction methods.

6. Method of Hedge Accounting

(1) Method of Hedge Accounting

As a rule, the deferred hedge procedure shall be adopted.

Furthermore, the designation procedure shall be adopted for foreign exchange contracts meeting the requirements for designation.

(2) Hedge Schemes and Targets

Hedge Scheme	Hedge Targets
Exchange contracts	Foreign currency, receivables and payables, and transactions to be conducted in foreign currency

(3) Hedge Policy

In general, hedging of risks involving the fluctuation of foreign exchange quotes shall be done in accordance with our Company's risk management policy.

(4) Method of Hedge Accounting

Assessed by comparing the cumulative amount of currency fluctuation in the hedge scheme to the cumulative amount of fluctuation in the target

For foreign exchange contracts meeting the requirements for designation, validity shall be assessed by the extent to which hedging falls under the requirements for designation.

7 Important Matters Serving as the Basis for Preparing Non-Consolidated Financial Statements

(1) Accounting Procedure for Consumption Tax: Accounting procedure for national and regional consumption taxes shall be based on the tax exclusion method.

(2) Standards for Reporting Net Sales: Net sales shall be reported based on the delivery of articles sold, but our Company's system integration business (contracted for 100 million yen) shall be reported based on the progress of business.

8. Reported amounts are rounded down to the nearest million yen.

(Additional Information)

To provide for the payment of retirement benefits to Directors and Corporate Auditors, our Company formerly made a policy of recognizing allowances in the amount payable at each fiscal year-end in accordance with our Company's By-laws, but at the Ordinary General Meeting of Shareholders held on June 26, 2007, a proposal was approved for payment of benefits to Directors and Corporate Auditors due to the abolition of the retirement benefits program. Consequently, the portion of this payment made in lieu of the former retirement benefits is recorded as "Other" fixed liabilities.

(5) Notes to Non-consolidated Financial Statements

Concerning Balance Sheet:

(Unit: Millions of Yen)

75th Fiscal Year (As of March 31, 2007)	76th Fiscal Year (As of March 31, 2008)
1. Cumulative Depreciation and Amortization of Tangible Fixed Assets: 7,136	1. Cumulative Depreciation and Amortization of Tangible Fixed Assets: 9,871
2. Guarantee Liabilities (1) The financial institution through which the loans from the housing funds financing system for our Company's employees are guaranteed is Mitsui Sumitomo Bank Co., Ltd. 194 (2) Guarantee Liability for Overseas Subsidiary Loans: 592	2. Guarantee Liabilities (1) The financial institution through which the loans from the housing funds financing system for our Company's employees are guaranteed is Mitsui Sumitomo Bank Co., Ltd. 160 (2) Guarantee Liability for Overseas Subsidiary Loans: 672
3. Our Company, as a means of raising funds, has entered into a commitment line borrowing agreement with three (3) companies, including Mitsui Sumitomo Bank Co., Ltd., in order to harmoniously ensure stable assets, and the term of the agreement, totaling 11 billion yen, is from January 2006 through January 2009. The balance of unexecuted loans payable at the end of the current business fiscal year under the commitment line for borrowing is as follows: Total Borrowing Commitment: 11,000 Balance of Executed Loans: — Deductions: 11,000	3. Our Company, as a means of raising funds, has entered into a commitment line borrowing agreement with three (3) companies, including Mitsui Sumitomo Bank Co., Ltd., in order to harmoniously ensure stable assets, and the term of the agreement, totaling 11 billion yen, is from January 2006 through January 2009. The balance of unexecuted loans payable at the end of the current business fiscal year under the commitment line for borrowing is as follows: Total Borrowing Commitment: 11,000 Balance of Executed Loans: — Deductions: 11,000
4. Procedure for Trade Notes Expiring by the End Date of the Business Fiscal Year Accounting for trade notes that expire by the end date of the business fiscal year shall be done through an approval procedure on the date of the exchange of notes. Since the end date of the current business fiscal year was a financial institution holiday, trade notes expiring by the end date of the next business fiscal year have been included in the business fiscal year-end balance. Notes Receivable 333	

Concerning Income Statements:

(Unit: Millions of Yen)

75th Fiscal Year From April 1, 2006 through March 31, 2007	76th Fiscal Year From April 1, 2007 Through March 31, 2008
――――――――	"Gain on Extinguishment of Tie-in Shares" is a result of the absorption of NEC Telenetworx, Ltd.

Concerning Shareholders' Equity Fluctuation Statements:

75th Fiscal Year (From April 1, 2006 through March 31, 2007)

2. Treasury Stock

Type of Stock	Previous Business Fiscal Year-end	Increase	Decrease	Current Business Fiscal Year-end
Common Stock (Shares):	1,115,207	6,075	1,111,027	10,255

Summary of Reasons for Fluctuation:

A breakdown of the number of increased shares is as follows:

Increase Due to Purchases of Less Than One Unit of Shares: 6,075 shares

A breakdown of the number of decreased shares is as follows:

Decrease Due to Granting of Share Distribution Accompanying Stock-for-stock Exchange: 1,110,700 shares

Decrease Due to Requests for Additional Shares to Complete a Whole Unit: 327 shares

76th Fiscal Year (From April 1, 2007 through March 31, 2008) (Unit: Millions of Yen)

2. Treasury Stock

Type of Stock	Previous Business Fiscal Year-end	Increase	Decrease	Current Business Fiscal Year-end
Common Stock (Shares):	10,255	6,826	729	16,352

Summary of Reasons for Fluctuation:

A breakdown of the number of increased shares is as follows:

Increase Due to Purchases of Less Than One Unit of Shares: 6,826 shares

A breakdown of the number of decreased shares is as follows:

Decrease Due to Requests for Additional Shares to Complete a Whole Unit: 729 shares

Available-for-sale Securities

75th Fiscal Year (At March 31, 2007)

Our subsidiaries' stock has no fair market value.

76th Fiscal Year (At March 31, 2008)

Our subsidiaries' stock has no fair market value.

Enterprise Merger, etc.

75th Fiscal Year (From April 1, 2006 through March 31, 2007)

Not mentioned here, since the same contents are already included in “ EnterpriseMerger, etc.” of the “Notes” Section of the Consolidated Financial Statements

76th Fiscal Year (From April 1, 2007 through March 31, 2008)

1. Post-Merger Enterprise Name, Business Details, Legal Form of the Merger, and Outline (Including Purpose) of Transactions

(1) Name of Merging Enterprise (or Business Involved in the Merger), and Business Details

i. Merging Enterprise

Name: NEC Networks & System Integration Co., Ltd.

Business Details: Our Company’s group, as a systems integrator, provides planning/consulting, design, construction, maintenance, network operations/monitoring, and outsourcing for a total system focused on network-related domains, which are our main area of business, and we are expanding the manufacturing and sales of our network communications equipment.

ii. Enterprise Being Merged

Name: NEC Telenetworx, Ltd.

Business Details: Equipment for wireless and private branch exchange communication, broadcast video; facilities-related services for monitoring maintenance and operations; on-site adjustment and evaluation of systems; technical assistance, etc.

(2) Legal Form of Enterprise Merger, and Name of Post-merger Enterprise

Since our Company is keeping its identity post-merger and absorbing NEC Telenetworx, Ltd., the post-merger name is NEC Networks & System Integration Co., Ltd.

There shall be no new shares issued or increase in capital stock as a result of the merger.

(3) Summary including Purpose, of Transactions

NEC Telenetworx, Ltd. was absorbed into our Company as a full-fledged subsidiary in an effort to broaden and reinforce our business by utilizing the mutual strengths of our capacity for nationwide expansion operations, systems building, construction technology, further unification of our maintenance capabilities, and also the concentration and greater efficiency of out management resources.

2. Summary of Accounting Procedures Used

Accounting procedures accompanying the exchange of shares were in accordance with and based on procedures for shared control transactions as set forth in “Accounting Procedures for Enterprise Mergers” (October 31, 2003, Accounting Procedures Board Meeting).

Per Share Information

75th Fiscal Year From April 1, 2006 through March 31, 2007		76th Fiscal Year From April 1, 2007 Through March 31, 2008	
Net Asset Value Per Share (Yen)	1,187.15	Net Asset Value Per Share (Yen)	1,277.30
Earnings Per Share (Yen)	59.90	Earnings Per Share (Yen)	104.86

Notes: 1. Since no potential stock existed, diluted earnings per share are not mentioned.

2. The basis for calculating net asset value per share is as follows:

	75th Fiscal Year (March 31, 2007)	76th Fiscal Year (March 31, 2008)
Total from “Net Assets” Section of Balance Sheets (Millions of Yen)	59,076	63,555
Net Asset Value of Common Stock (Millions of Yen)	59,076	63,555
Total Deductions from "Net Assets" Section (Millions of Yen)	—	—
Number of Issued Shares of Common Stock (Thousands of Shares)	49,773	49,773
Number of Issued Shares of Treasury Stock (Thousands of Shares)	10	16
Amount of Common Stock Used to Compute Net Asset Value Per Share (Thousands of Shares)	49,763	49,757

3. The basis for calculating earnings per share is as follows:

	75th Fiscal Year From April 1, 2006 through March 31, 2007	76th Fiscal Year From April 1, 2007 through March 31, 2008
Earnings Per Share Reported in Income Statements (Millions of Yen)	2,945	5,217
Amount Not Belonging to Common Stock (Millions of Yen)	—	—
Net Asset Value of Common Stock (Millions of Yen)	2,945	5,217
Average Number of Mid-year Shares of Common Stock (Thousands of Shares)	49,165	49,760