Consolidated Financial Statements for the Interim Period Ended September 30, 2007

November 14, 2007

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

NEC Networks & System Integration Corporation
Stock exchange listing: Tokyo, First Section
Telephone: 81-3-5463-1111
Code number: 1973
http://www.nesic.co.jp/english/index.html
Representative: Masahiko Yamamoto, President
Contact: Shoichi Fukaya, General Manager, Corporate Finance & Controller Division
Filing of Securities Report (*Hanki hokokusho*) (scheduled): November 30, 2007
Start of distribution of dividends (scheduled): December 4, 2007

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

1. Results for the Interim Period Ended September 30, 2007 (April 1, 2007 - September 30, 2007)

(1) Net Sales and Income (Percentages represent change compared with the previous interim period.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Interim period ended Sept. 30, 2007	117,397	2.4	4,230	40.5	4,233	42.5
Interim period ended Sept. 30, 2006	114,639	21.0	3,011	37.0	2,969	36.1
Year ended March 31, 2007	254,641	—	7,849	—	7,860	—

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Interim period ended Sept. 30, 2007	2,039	32.4	40.98	—
Interim period ended Sept. 30, 2006	1,540	93.8	31.66	—
Year ended March 31, 2007	3,476	—	70.72	—

(Reference) Equity in earnings (loss) of affiliates: Interim period ended Sept. 30, 2007: ¥— million, Interim period ended Sept. 30, 2006: ¥— million, Year ended March 31, 2007: ¥— million

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
Interim period ended Sept. 30, 2007	141,789	64,209	44.7	1,273.32
Interim period ended Sept. 30, 2006	131,833	60,446	45.3	1,200.25
Year ended March 31, 2007	148,797	62,201	41.3	1,233.52

(Reference) Total equity: Interim period ended Sept. 30, 2007: ¥63,361 million, Interim period ended Sept. 30, 2006: ¥59,732 million, Year ended March 31, 2007: ¥61,384 million

(3) Cash Flows

	Cash flow from operating activities (¥ million)	Cash flow from investing activities (¥ million)	Cash flow from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Interim period ended Sept. 30, 2007	4,963	(1,043)	(303)	12,342
Interim period ended Sept. 30, 2006	8,095	(923)	(7,033)	10,267
Year ended March 31, 2007	7,899	(2,129)	(7,360)	8,602

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full-year
Year ended March 31, 2007		7.00		7.00	14.00
Year ending March 31, 2008		10.00			20.00
Year ending March 31, 2008 (Est.)				10.00	

3. Projected Results for the Fiscal Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)

(Percentages represent change compared with the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Year ending March 31, 2008	270,000	6.0	10,000	27.4	9,800	24.7	4,300	23.7	86.41

4. Other

(1) Changes in Major Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): No

(2) Changes in Accounting Rules, Procedures, Presentation Method, etc. for the Interim Consolidated Financial Statements
(Changes in material items that form the basis for the preparation and presentation of the interim consolidated financial statements)
(a) Changes in consolidated accounting methods: Yes
(b) Changes other than (a) above: No

Note: For more details, see "Basis of Preparation of the Interim Consolidated Financial Statements" on page 17.

(3) Number of shares issued and outstanding (common stock)
(a) Number of shares at end of period (including treasury stock): Interim period ended Sept. 30, 2007: 49,773,807 shares, Interim period ended Sept. 30, 2006: 49,773,807 shares, Year ended March 31, 2007: 49,773,807 shares
(b) Treasury stock at end of period: Interim period ended Sept. 30, 2007: 13,468 shares, Interim period ended Sept. 30, 2006: 6,578 shares, Year ended March 31, 2007: 10,255 shares
Note: See "Per Share Information" on page 31 for the number of shares used as the basis for calculation of earnings per share (consolidated).

(Reference) Summary of Unconsolidated Results

1. Unconsolidated Results for the Interim Period Ended September 30, 2007 (April 1, 2007 - September 30, 2007)

(1) Net Sales and Income (Percentages represent change compared with the previous fiscal year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Interim period ended Sept. 30, 2007	107,162	26.5	4,419	141.3	4,482	136.3
Interim period ended Sept. 30, 2006	84,703	0.2	1,831	(2.7)	1,897	1.8
Year ended March 31, 2007	189,498	—	4,016	—	4,736	—

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)
Interim period ended Sept. 30, 2007	3,003	192.3	60.36
Interim period ended Sept. 30, 2006	1,027	56.5	21.12
Year ended March 31, 2007	2,945	—	59.90

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
Interim period ended Sept. 30, 2007	132,418	61,789	46.7	1,241.75
Interim period ended Sept. 30, 2006	112,102	57,557	51.3	1,156.53
Year ended March 31, 2007	126,382	59,076	46.7	1,187.15

(Reference) Total equity: Interim period ended Sept. 30, 2007: ¥61,789 million, Interim period ended Sept. 30, 2006: ¥57,557 million, Year ended March 31, 2007: ¥59,076 million

2. Projected Unconsolidated Results for the Fiscal Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)

(Percentages represent change compared to the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal year ending March 31, 2008 (Full year)	248,800	31.3	10,300	156.4	10,100	113.2	5,500	86.8	110.53

Note: Cautionary Remark Regarding Forward-Looking Statements
These materials contain forward-looking statements concerning NEC Networks & System Integration Corporation and its consolidated subsidiaries' current plans, projections, strategies and performance. These forward-looking statements are not historical facts. Please be aware that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of risks and uncertainties. Major factors affecting performance include, but are not limited to, economic conditions in which the businesses of the NEC Networks & System Integration Group operate, social trends, downward pressure on prices due to increased competition or market trends with regard to the systems and services the Group provides, and ability to respond to the market.
Please refer to "1. Business Results, (1) Analysis of Business Results" on page 3 for assumptions related to projected results.

1. Business Results

(1) Analysis of Business Results

(a) Business Results for the Interim Period Ended September 30, 2007

During the interim period under review (April 1 – September 30, 2007), despite concerns about rising crude oil and raw material prices, as well as the effects of financial instability caused by the U.S. subprime loan problem on the domestic and international economies, the Japanese economy remained on a moderate recovery path as a result of factors such as improvement in corporate earnings and an upturn in employment, including increased hiring of new college graduates.

In the business environment of the NEC Networks & System Integration Group ("the Group"), investment in networks was solid. Enterprises continued to adopt new network systems for the purpose of strategically and effectively using information, and also invested in security systems to prevent information leaks and systems intended to strengthen internal controls in line with the Japanese version of the Sarbanes-Oxley Act. Among telecommunications carriers, new common carriers (NCCs), a key customer segment, continue to invest in expansion and improvement of services as the number of subscribers increases. In addition, trials are being conducted for the Next Generation Network (NGN) and preparations are being made for commercialization of NGN services.

In this business environment, the Group worked to expand its markets by upgrading its business structure and enhancing its market responsiveness.

The merger of its consolidated subsidiary NEC Telenetworx, Ltd. in April further strengthened the Company's one-stop service system in the network business and established a more robust infrastructure in preparation for the NGN era.

As a business expansion measure, the Group has moved to reinforce its ability to plan and develop a menu of solutions and services for enterprise customers based on their needs. In the first half of the fiscal year, the Company commercialized EmpoweredOffice[1], which uses ICT[2] to boost the entrepreneurial capacity of customers, and opened the EmpoweredOffice Center in its head office building, where customers can gain hands-on experience with EmpoweredOffice. Through these and other measures, the Company worked aggressively to increase its market responsiveness and improve its infrastructure with a focus on medium-sized companies. Among telecommunications carriers, in addition to participating in an NGN trial, the Company strengthened its ability to handle NGN business by improving and expanding its training system for mastering the technological skills needed to offer new services.

For the interim period, consolidated orders received were ¥128,170 million, a 1.9 percent increase compared with the same period of the previous fiscal year. Consolidated net sales were ¥117,397 million, a 2.4 percent increase. This was primarily the result of strong performance by support services for enterprise and government customers, reflecting an enhanced business foundation from the merger of NEC Telenetworx, Ltd., in addition to increases in NGN-related system construction, development support and other services for telecommunications carriers. Other factors included an increase in construction of communication facilities for local governments, broadcasters and electric power companies, and the effect of a large-scale project overseas.

Consolidated operating income increased 40.5 percent compared with the same period of the previous fiscal year to ¥4,230 million and consolidated ordinary income increased 42.5 percent to ¥4,233 million. In addition to the increase in net sales, the cost of sales ratio improved due to cost reduction efforts such as reducing follow-up work hours, one of the results of across-the-board cost reforms. Consolidated net income increased 32.4 percent compared with the same period of the previous fiscal year to ¥2,039 million.

Results by business segment are as follows.

Network Integration / Support Services

Orders received increased 3.7 percent compared with the same period of the previous fiscal year to ¥83,428 million, and sales increased 3.9 percent to ¥75,993 million. In the network integration field, system construction and development support increased toward commercialization of NGN-related business, in which the Company participated from the trial stage. Construction of network systems for government customers also increased. In the support services field, network system operation and outsourcing and other support services for enterprise and government customers increased.

Telecommunications Engineering

Orders received increased 5.2 percent compared with the same period of the previous fiscal year to ¥34,459 million, and sales increased 1.8 percent to ¥30,626 million. While installations of mobile communication base stations decreased, construction of regional information networks for local governments was solid, and installation of broadcasting facilities for digital terrestrial broadcasting and cable television systems and installation of communication systems for electric power companies increased. In addition, the Group received a large-scale order for plant communication equipment overseas. These factors resulted in an overall increase in sales and orders for the Telecommunications Engineering segment.

Product Sales

Orders received decreased 17.9 percent compared with the same period of the previous fiscal year to ¥10,283 million, and sales decreased 5.7 percent to ¥10,777 million. The principal factor was a decrease in sales of stand-alone devices not accompanied by system integration, as the Company concentrated resources on the Network Integration / Support Services business, where it can deploy its system integration strengths.

Main Contents of Business Segments by Type

Business	Main Contents
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, etc.

(b) Outlook for the Fiscal Year

A. Overall Outlook

Although the Japanese economy can be expected to remain on a gradual recovery track, trends in the U.S. economy and the effect of rising crude oil and raw material prices are creating concern about the future.

In the Group’s business areas, solid network-related investment among enterprises in the first half is expected to continue. Among telecommunications carriers, the total amount of investment is expected to be basically unchanged, but NCCs are increasing their capital spending, including more aggressive efforts to expand market share by providing higher-capacity and higher-quality network services.

In response to this business environment, the Group will continue to work to expand its markets and enhance its business operations. To enhance business operations, following the merger of NEC Telenetworx, Ltd. in April, organizational reforms were implemented in October to further strengthen the Group’s business foundation and make its businesses more efficient. The main components of organizational reforms are 1) restructuring business operations for the telecommunications carriers and social infrastructure market, 2) strengthening NGN business operations, 3) strengthening the stock business for enterprises, and 4) integration of the stock business service platform. With these organizational reforms, the Group has reinforced its business foundation as network systems integrator to enable speedy delivery of high-quality services that match customer needs.

To expand its markets, the Group will introduce the EmpoweredOffice system in the head office sales division in the second half to raise sales efficiency. By creating a “model office,” the Group will also create an office environment that facilitates more practical sales proposal activities.

In addition to these initiatives, in services for enterprises, the Group will enhance measures aimed at market expansion targeting medium-sized enterprises. Drawing on its strengths – expertise in network and IT technologies, nationwide support service capabilities, and extensive experience in installation of office systems – the Group will further enhance development and commercialization of attractive new office solutions for customers.

For telecommunications carriers, the Group will work to build expertise in NGN and other new technologies in order to expand business into more advanced areas of system integration. In addition, the Group will significantly upgrade its human resources by quickly cultivating engineers with advanced skills in the areas of system construction and operation. As concrete measures in the second half, in the head office building, the Group will construct network equipment of the same level of sophistication as that used by telecommunications carriers, and will build a new facility to conduct system testing and education and training in a virtual NGN environment. With these and other measures, the Group will establish a solid position as a system integrator in the NGN era, and strengthen its response capabilities among telecommunications carriers.

In addition to these measures to expand markets and reinforce business operations, the Group will continue to aggressively implement process reforms, such as the reduction of follow-up work hours achieved in the first half, and will work to further strengthen profitability by increasing operating efficiency through management improvements. In addition, the Group will implement measures to enhance quality and CS[3] activities in order to raise the level of customer satisfaction.

The Company projects the following consolidated business results for the full fiscal year.

The average exchange rates assumed in preparing the outlook for the fiscal year are US$1 = ¥115 and 1 euro = ¥150.

Orders received	**¥275.0 billion**	**(8.4% increase year-on-year)**
Net sales	**¥270.0 billion**	**(6.0% increase year-on-year)**
Operating income	**¥10.0 billion**	**(27.4% increase year-on-year)**
Ordinary income	**¥9.8 billion**	**(24.7% increase year-on-year)**
Net income	**¥4.3 billion**	**(23.7% increase year-on-year)**

Medium-term targets are as disclosed in the consolidated financial statements for the fiscal year ended March 31, 2007 (released on May 15, 2007). In the year ending March 31, 2010, the Company will aim for net sales of ¥300.0 billion and operating income of ¥11.5 billion.

Progress toward the medium-term targets in the fiscal year ending March 31, 2008 is basically in line with the Company’s plan, with net sales projected to be as planned, and operating income projected to be higher than planned. The entire Group will continue working toward achievement of the targets.

B. Outlook by Segment

Network Integration / Support Services (NISS) Business

Due to strengthening of the business infrastructure for the aforementioned telecommunications carriers and other companies, construction of network systems, including NGN, for telecommunications carriers, construction of networks and security systems for other companies, and related support services are expected to continue increasing. As a result, in the network integration / support services business in the next fiscal year, orders are expected to be

¥182.5 billion, a 10.9 percent increase year-on-year, and sales are expected to be ¥177.5 billion, a 9.9 percent increase year-on-year.

Telecommunications Engineering

Strong demand is expected for installation of base stations for telecommunications carriers and construction of regional information networks for local governments. Orders are expected to be ¥67.5 billion, a 3.5 percent increase year-on-year, and sales are expected to be ¥67.5 billion, a 0.6 percent increase year-on-year.

Product Sales

Transactions in the stand-alone device category, which is independent of the system integration business, are forecast to be essentially unchanged year-on-year. Therefore, in the product sales business for the full year, orders are expected to be ¥25.0 billion, a 5.3 percent increase year-on-year, and sales are expected to be ¥25.0 billion, a 4.2 percent decrease year-on-year.

[1] EmpoweredOffice: A solution that enables companies to boost their entrepreneurial capacity by effectively using the three elements involved in office work (communication, information and facilities) to make business process innovations in the office, renew the office environment and empower every employee. We provide all-in-one service for offices of medium-sized companies, from proposal to installation, operation and maintenance and outsourcing.

[2] ICT: Information and Communication Technology

[3] CS: Customer Satisfaction. This term refers to an approach to providing products and services that puts customers first.

(2) Analysis of Financial Condition

(a) Assets, Liabilities and Net Assets

(Assets)

Current assets increased by ¥11,339 million compared to the end of the previous interim period. Main factors included an ¥8,841 million increase in notes and accounts receivable.

Fixed assets decreased by ¥1,384 million compared to the end of the previous interim period.

As a result of the above, total assets increased by ¥9,955 million compared to the end of the previous interim period.

(Liabilities)

Current liabilities increased by ¥7,138 million compared to the end of the previous interim period. The main factor was a ¥6,123 million increase in notes and accounts payable, trade compared to the end of the previous interim period.

Long-term liabilities decreased by ¥945 million compared to the end of the previous interim period.

As a result, overall liabilities increased by ¥6,192 million compared to the end of the previous interim period.

Interest-bearing debt was ¥5,582 million, essentially unchanged from the end of the previous interim period.

(Net Assets)

Net assets increased by ¥3,762 million compared to the end of the previous interim period. The main factor was a ¥3,279 million increase in retained earnings.

(b) Cash Flows

Cash and cash equivalents (“cash”) at the end of the interim period increased by ¥3,739 million compared to the end of the previous fiscal year to ¥12,342 million. While cash flow from investing activities and cash flow from financing activities decreased, cash flow from operating activities increased.

(Cash Flow from Operating Activities)

Net cash provided by operating activities for the interim period was ¥4,963 million, due to factors including a decrease in notes and accounts receivable, although trade notes and accounts payable decreased. Net cash provided by operating activities decreased by ¥3,131 million from ¥8,095 million for the previous interim period.

(Cash Flow from Investing Activities)

Investing activities used cash of ¥1,043 million, due to factors including purchases of property and equipment and intangibles. Net cash used in investing activities increased ¥119 million compared to ¥923 million for the previous interim period.

(Cash Flow from Financing Activities)

Net cash used in financing activities was ¥303 million due to cash dividends paid and other factors. Net cash used in financing activities decreased ¥6,729 million compared to ¥7,033 million for the previous interim period due to factors including a decrease from repayment of short-term bank loans in the previous interim period.

Cash dividends paid totaled ¥344 million, an increase of ¥53 million compared to the same period of the previous fiscal year.

Cash Flow Indicators

	Interim period ended September 30, 2004	Interim period ended September 30, 2005	Interim period ended September 30, 2006	Interim period ended September 30, 2007
Net worth ratio (%)	47.2	42.3	45.3	44.7
Debt repayment period (years)	2.2	1.0	0.3	0.6
Interest coverage ratio (%)	42.2	119.3	265.6	103.1

Net worth ratio: Net worth/Total assets

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

Interest coverage ratio: Operating cash flow/Interest expense

Notes:
1. All financial indicators are calculated using consolidated financial figures.
2. For operating cash flow, cash flow from operating activities in the consolidated statements of cash flows is used. Interest-bearing debt includes all debt recorded in the consolidated balance sheets on which the Company pays interest.

(3) Basic Policy on Profit Distribution, and Dividends in the Current Fiscal Year

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

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

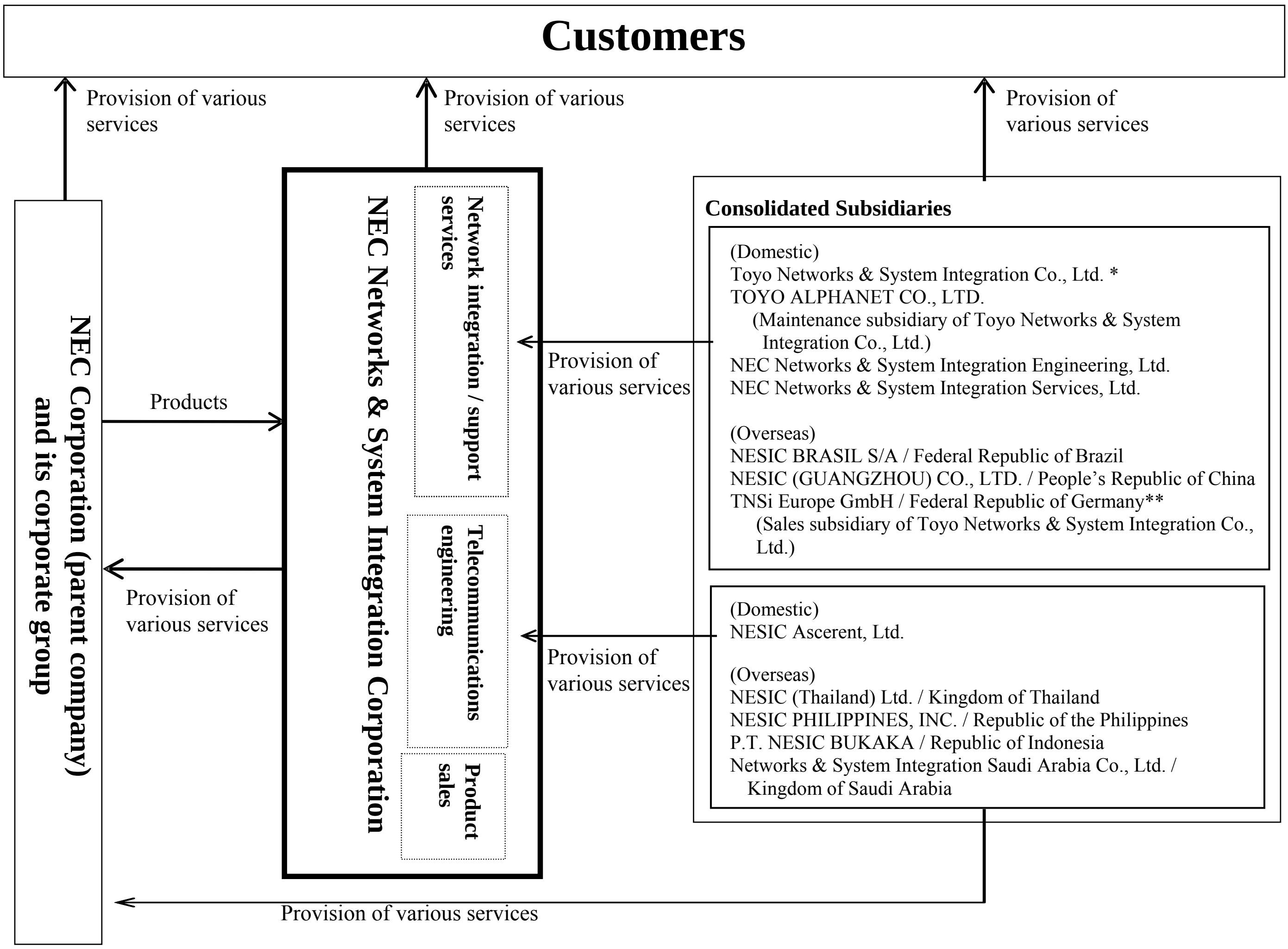
The interim dividend and the scheduled year-end dividend for the fiscal year ending March 31, 2008 are as follows.

	Dividend Per Share (Yen)		
	Interim	Year-End	Annual
Year ended March 31, 2007	7.00	7.00	14.00
Year ending March 31, 2008 (scheduled)	10.00	10.00	20.00

2. Corporate Group

As of September 30, 2007, the NEC Networks & System Integration Group consists of 12 consolidated subsidiaries with NEC Networks & System Integration Corporation as the core.

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



*Toyo Networks & System Integration Co., Ltd. changed its name as of July 2, 2007. (former name: TOYO NETWORK SYSTEMS CO., LTD.)

** TNSi Europe GmbH changed its name as of August 22, 2007. (former name: TNS Europe GmbH)

*** NEC Telenetworx, Ltd. was merged and absorbed on April 1, 2007, and has been removed from the scope of consolidation as of the current fiscal year.

3. Management Policies

(1) Basic Policies of the Company's Management
(2) Management Targets
(3) Medium- and Long-Term Management Strategies
(4) Issues Facing the Company

Disclosure of the items above is omitted, as there are no significant changes from the content of the policies disclosed in the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2007 (released May 15, 2007).

Progress toward the management targets in (2) above is described in "1. Business Results, (1) Analysis of Business Results, (b) Outlook for the Fiscal Year, A. Overall Outlook."

The summary of consolidated interim business results in which the management policy is described in greater detail is available at the following URLs:

NEC Networks & System Integration website:
http://www.nesic.co.jp/ir/pdf/20070515t.pdf (Japanese)
http://www.nesic.co.jp/english/pdf/200703_cfs.pdf (English)

Tokyo Stock Exchange website (Listed company search)
http://www.tse.or.jp/listing/compsearch/index.html

4. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
ASSETS						
I Current assets	118,402	83.5%	107,062	81.2%	125,498	84.3%
Cash and cash equivalents	12,342		10,276		8,602	
Notes and accounts receivable, trade	81,237		72,395		95,353	
Inventories	17,920		19,737		15,090	
Other current assets	7,179		6,147		6,652	
Allowance for doubtful accounts	(278)		(1,494)		(200)	
II Fixed assets	23,386	16.5	24,771	18.8	23,298	15.7
Property, plant and equipment:	8,260		8,154		8,260	
Buildings	3,386		3,293		3,353	
Other property, plant and equipment	4,873		4,860		4,906	
Intangible fixed assets	3,642		3,939		3,758	
Investments and other assets:	11,483		12,677		11,279	
Deferred income taxes	7,160		7,910		6,549	
Other assets	4,470		4,892		4,855	
Allowance for doubtful accounts	(146)		(124)		(125)	
Total assets	141,789	100.0	131,833	100.0	148,797	100.0
LIABILITIES						
I Current liabilities	56,738	40.0%	49,600	37.6%	65,173	43.8%
Notes and accounts payable, trade	40,085		33,961		48,333	
Short-term bank loans	582		500		531	
Advances received	3,387		4,566		3,451	
Accrued losses on sales contracts	483		160		183	
Other current liabilities	12,199		10,411		12,673	
II Long-term liabilities	20,841	14.7	21,787	16.5	21,422	14.4
Long-term debt	5,000		5,000		5,000	
Accrued employees' retirement benefits	15,711		16,693		16,300	
Accrued retirement benefits for directors and corporate auditors	46		60		95	
Other liabilities	83		32		25	
Total liabilities	77,580	54.7	71,387	54.1	86,596	58.2

(Millions of yen)

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
NET ASSETS						
I Shareholders' equity	63,379	44.7%	60,109	45.6%	61,692	41.5%
Common stock	13,122		13,122		13,122	
Capital surplus	16,650		16,650		16,650	
Retained earnings	33,622		30,343		31,931	
Treasury stock, at cost	(15)		(6)		(11)	
II Adjustments for valuation, foreign currency translation and others	(18)	(0.0)	(376)	(0.3)	(308)	(0.2)
Unrealized holding gain on securities	17		66		(14)	
Deferred hedge gain (loss)	(6)		(74)		(40)	
Foreign currency translation adjustments	(29)		(368)		(253)	
III Minority interests in consolidated subsidiaries	847	0.6	713	0.6	816	(0.5)
Total net assets	64,209	45.3	60,446	45.9	62,201	41.8
Total liabilities and net assets	141,789	100.0	131,833	100.0	148,797	100.0

(2) Interim Consolidated Statements of Income

(Millions of yen)

	Interim period ended September 30, 2007		Interim period ended September 30, 2006		Year ended March 31, 2007	
Ⅰ. Net sales	117,397	100.0%	114,639	100.0%	254,641	100.0%
Ⅱ. Cost of sales	101,253	86.2	99,660	86.9	221,379	86.9
Gross profit	16,143	13.8	14,978	13.1	33,262	13.1
Ⅲ. Selling, general and administrative expenses	11,913	10.2	11,967	10.5	25,413	10.0
Operating income	4,230	3.6	3,011	2.6	7,849	3.1
IV. Non-operating income:	387	0.3	278	0.2	683	0.3
Interest income	12		13		26	
Insurance dividend income	111		63		63	
Other non-operating income	262		201		593	
V. Non-operating expenses:	384	0.3	320	0.2	672	0.3
Interest expense	48		33		74	
Exchange losses	85		44		—	
Evaluation loss on inventories	63		74		77	
Evaluation loss on investment securities	62		48		48	
Other non-operating expenses	124		119		472	
Ordinary income	4,233	3.6	2,969	2.6	7,860	3.1
VI. Extraordinary losses:	238	0.2	—	—	586	0.2
Loss on liquidation of a subsidiary	238		—		586	
Income before income taxes and minority interests	3,995	3.4	2,969	2.6	7,273	2.9
Income taxes - Current	2,788	2.4	1,411	1.3	3,784	1.5
- Deferred	(804)	(0.7)	2	0.0	(29)	(0.0)
Minority interests in consolidated subsidiaries	(28)	(0.0)	15	0.0	41	0.0
Net income	2,039	1.7	1,540	1.3	3,476	1.4

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

Interim period ended September 30, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2007	13,122	16,650	31,931	(11)	61,692
Changes during the interim period					
Dividends from retained earnings	—	—	(348)	—	(348)
Net income	—	—	2,039	—	2,039
Purchase of treasury stock	—	—	—	(4)	(4)
Disposal of treasury stock	—	0	—	0	0
Net change of items other than shareholders' equity during the interim period	—	—	—	—	—
Total changes during the interim period	—	0	1,691	(4)	1,686
Balance at September 30, 2007	13,122	16,650	33,622	(15)	63,379

	Adjustments for valuation, foreign currency and others				Minority interests in consolidated subsidiaries	Total net assets
	Unrealized holding gain on securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total adjustments for valuation, foreign currency and others		
Balance at March 31, 2007	(14)	(40)	(253)	(308)	816	62,201
Changes during the interim period						
Dividends from retained earnings	—	—	—	—	—	(348)
Net income	—	—	—	—	—	2,039
Purchase of treasury stock	—	—	—	—	—	(4)
Disposal of treasury stock	—	—	—	—	—	0
Net change of items other than shareholders' equity during the interim period	31	33	224	(289)	31	320
Total changes during the interim period	31	33	224	(289)	31	2,007
Balance at September 30, 2007	17	(6)	(29)	(18)	847	64,209

Interim period ended September 30, 2006

(Millions of yen)

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

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

Year ended March 31, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2006	13,122	12,622	29,413	(920)	54,238
Changes during the year					
Change due to exchange of shares	—	3,779	—	916	4,695
Dividends from retained earnings	—	—	(642)	—	(642)
Bonuses paid to directors and corporate officers	—	—	(68)	—	(68)
Net income	—	—	3,476	—	3,476
Purchase of treasury stock	—	—	—	(8)	(8)
Disposal of treasury stock	—	0	—	0	0
Transfer to retained earnings from other capital surplus	—	248	(248)	—	—
Net change of items other than shareholders' equity during the year	—	—	—	—	—
Total changes during the year	—	4,027	2,518	908	7,454
Balance at March 31, 2007	13,122	16,650	31,931	(11)	61,692

	Adjustments for valuation, foreign currency and others				Minority interests in consolidated subsidiaries	Total net assets
	Unrealized holding gain on securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total adjustments for valuation, foreign currency and others		
Balance at March 31, 2006	150	—	(370)	(220)	608	54,625
Changes during the year						
Change due to exchange of shares	—	—	—	—	—	4,695
Dividends from retained earnings	—	—	—	—	—	(642)
Bonuses paid to directors and corporate officers	—	—	—	—	—	(68)
Net income	—	—	—	—	—	3,476
Purchase of treasury stock	—	—	—	—	—	(8)
Disposal of treasury stock	—	—	—	—	—	0
Transfer to retained earnings from other capital surplus	—	—	—	—	—	—
Net change of items other than shareholders' equity during the year	(164)	(40)	117	(87)	208	120
Total changes during the year	(164)	(40)	117	(87)	208	7,575
Balance at March 31, 2007	(14)	(40)	(253)	(308)	816	62,201

(4) Interim Consolidated Statements of Cash Flows

(Millions of yen)

	Interim period ended Sept. 30, 2007	Interim period ended Sept. 30, 2006	Year ended March 31, 2007
I Cash flows from operating activities			
Income before income taxes and minority interests	3,995	2,969	7,273
Depreciation and amortization	1,042	1,075	2,203
Amortization of goodwill	33	26	67
Amortization of negative goodwill	(10)	—	(13)
Increase (decrease) in allowance for doubtful receivables	97	179	(1,115)
Increase (decrease) in prepaid employees' retirement benefit	261	—	(162)
Decrease in accrued employees' retirement benefits	(589)	(518)	(1,011)
Accrued retirement benefits for directors and corporate auditors	(48)	(69)	(35)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(78)	—	78
Increase in accrued losses on sales contracts	299	136	159
Interest and dividend income	(24)	(24)	(39)
Interest expenses	48	33	74
Impairment loss on investment securities	62	48	48
Gain on sale of investment securities	(3)	—	(63)
Gain on sale of property and equipment	(10)	—	(22)
Loss on sale of property and equipment	0	—	0
Loss on disposal of fixed assets	60	—	80
Restructuring charges of a subsidiary	238	—	586
Decrease in notes and accounts receivable	14,438	23,984	1,280
Decrease (increase) in inventories	(2,813)	(1,744)	2,614
Decrease in notes and accounts payable	(8,360)	(15,434)	(1,171)
Other, net	(1,389)	(531)	406
Subtotal	7,247	10,129	11,238
Interest and dividend received	24	24	39
Interest paid	(48)	(30)	(70)
Income taxes paid	(2,260)	(2,028)	(3,307)
Net cash provided by operating activities	4,963	8,095	7,899
II Cash flows from investing activities			
Purchase of property and equipment	(731)	(362)	(1,216)
Sale of property and equipment	11	4	32
Purchase of intangibles	(390)	(636)	(1,149)
Purchase of investment securities	(10)	(42)	(42)
Sale of investment securities	7	15	96
Dividends from investment associations	145	—	54
Refund from investment in investment associations	—	—	15
Loans receivable made	(38)	(15)	(55)
Collection of loans receivable	44	14	56
Other	(81)	98	77
Net cash used in by investing activities	(1,043)	(923)	(2,129)
III Cash flows from financing activities			
Net decrease in short-term bank loans	48	(6,552)	(6,521)
Purchase of treasury stock	(4)	(3)	(8)
Proceeds from sale of treasury stock	0	0	0
Dividends paid to shareholders	(344)	(291)	(644)
Dividends paid to minority interests in consolidated subsidiaries	(3)	(1)	(1)
Other	—	(184)	(184)
Net cash used in financing activities	(303)	(7,033)	(7,360)
IV Effect of exchange rate changes on cash and cash equivalents	123	18	82
V Net increase in cash and cash equivalents	3,739	157	(1,507)
VI Cash and cash equivalents at beginning of the period	8,602	9,903	9,903
VII Increase in cash and cash equivalents due to change in scope of consolidation	—	56	56
VIII Increase in cash and cash equivalents resulting from the stock-for-stock exchange transaction	—	150	150
IX Cash and cash equivalents at end of period	12,342	10,267	8,602

(5) Basis of Preparation of the Interim Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries: 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
NESIC (GUANGZHOU) CO., LTD.
TNSi Europe GmbH
Networks & System Integration Saudi Arabia Co., Ltd.

Notes:

1. NEC Telenetworx, Ltd., which was a consolidated subsidiary in the fiscal year ended March 31, 2007, merged with the Company and was absorbed on April 1, 2007, and is therefore excluded from the scope of consolidation as of the interim period ended September 30, 2007.
2. Toyo Networks & System Integration Co., Ltd. changed its name from TOYO NETWORK SYSTEMS CO., LTD. as of July 2, 2007.
3. TNSi Europe GmbH changed its name from TNS Europe GmbH as of August 22, 2007.

Number of unconsolidated subsidiaries: 1
NESIC CHILE S.A.
Note: Reason for exclusion from the scope of consolidation
Since this company's business is small in scale, and its total assets, net sales, consolidated net income (amount in proportion to equity held) and consolidated retained earnings (amount in proportion to equity held) would not have a material effect on the interim consolidated financial statements, it is not included in the scope of consolidation.

2. Application of the Equity Method

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

3. Interim Balance Sheet Dates of Consolidated Subsidiaries

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

4. Notes on Accounting Standards

(1) Valuation of Major Assets

(a) Securities

Available-for-sale securities:

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

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

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

(b) Inventories

Equipment and materials

Equipment: At cost determined by the moving average method

Primary materials: At cost determined by the moving average method

Secondary materials: At cost determined by the gross average method

Supplies: Last purchase price method

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

(2) Depreciation of Major Fixed Assets

(a) Property and Equipment

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

Change in Accounting Policy:

As of the interim period ended September 30, 2007, the Company and its domestic consolidated subsidiaries changed their method of depreciation of property and equipment acquired on or after to April 1, 2007 to the method prescribed by the revised Income Tax Law (Law Revising a Portion of the Income Tax Law, Law No. 6, March 30, 2007, and the Ordinance Revising a Portion of the Enforcement Regulations for the Income Tax Law, Ordinance No. 83, March 30, 2007).

This change had no material effect on operating income, ordinary income and income before income taxes and minority interests.

Additional Information:

As of the interim period ended September 30, 2007, assets of the Company and its domestic consolidated subsidiaries acquired before April 1, 2007 that have been depreciated to the final depreciable limit are depreciated on a straight-line basis over five years starting from the fiscal year after the final depreciable limit is reached.

This change had no material effect on operating income, ordinary income and income before income taxes and minority interests.

(b) Intangible Assets

Straight-line method.

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

(3) Major Reserves

(a) Allowance for Doubtful Receivables

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

(b) Accrued Losses on Sales Contracts

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

(c) Accrued Employees' Retirement Benefits

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

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

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

(d) Accrued Retirement Benefits for Directors and Corporate Auditors

Certain consolidated subsidiaries make provisions for retirement benefits for directors and corporate auditors at the amounts required at the interim consolidated balance sheet date based on internal rules.

Additional Information:

Prior to April 1, 2007, the Company made provisions for retirement benefits for directors and corporate auditors at the amounts required at the consolidated balance sheet dates based on internal rules. At the general meeting of shareholders held on June 26, 2007, the proposal for final payments of benefits in connection with abolition of the retirement benefit system for directors and corporate auditors was approved. Therefore, final payments of retirement benefits to directors and corporate auditors are included in "Other liabilities" in Long-term liabilities.

(4) Accounting for Significant Lease Transactions

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

(5) Hedge Accounting

(a) Methods of Hedge Accounting

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

(b) Hedging Instruments and Hedged Items

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

(c) Hedging Policy

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

(d) Method of Assessing Hedge Effectiveness

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

(6) Other

(a) Accounting for consumption taxes:

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

(b) Revenue recognition:

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

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

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

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

(6) Notes to Interim Consolidated Financial Statements

Notes to Interim Consolidated Balance Sheets

(Millions of yen)

As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
1. Accumulated depreciation of property and equipment 12,109	1. Accumulated depreciation of property and equipment 11,396	1. Accumulated depreciation of property and equipment 11,701
2. Guarantee obligations Sumitomo Mitsui Banking Corporation 180	2. Guarantee obligations Sumitomo Mitsui Banking Corporation 209	2. Guarantee obligations Sumitomo Mitsui Banking Corporation 194
3. The Company has entered into a loan commitment contract with the Sumitomo Mitsui Banking Corporation and two other banks as a method of short-term fund procurement to secure stable funding. The total amount of the contract is ¥11.0 billion and the contract period is from January 2006 to January 2009. The unexercised loan balance related to the loan commitment as of September 30, 2007 is as follows. Total amount of loan commitment 11,000 Exercised loan balance — Difference 11,000	3. The Company has entered into a loan commitment contract with the Sumitomo Mitsui Banking Corporation and two other banks as a method of short-term fund procurement to secure stable funding. The total amount of the contract is ¥11.0 billion and the contract period is from January 2006 to January 2009. The unexercised loan balance related to the loan commitment as of September 30, 2006 is as follows. Total amount of loan commitment 11,000 Exercised loan balance — Difference 11,000	3. The Company has entered into a loan commitment contract with the Sumitomo Mitsui Banking Corporation and two other banks as a method of short-term fund procurement to secure stable funding. The total amount of the contract is ¥11.0 billion and the contract period is from January 2006 to January 2009. The unexercised loan balance related to the loan commitment as of March 31, 2007 is as follows. Total amount of loan commitment 11,000 Exercised loan balance — Difference 11,000
4. Treatment of Notes Maturing on the Interim Balance Sheet Date Notes maturing on the interim balance sheet date are treated as settled on the clearance date. As the interim balance sheet date was a bank holiday in Japan, notes maturing on that date are included in the ending balances. Notes and accounts receivable 403	4. Treatment of Notes Maturing on the Interim Balance Sheet Date Notes maturing on the interim balance sheet date and obligations due in cash on specified dates (with conditions the same as notes) are treated as settled on the clearance date. As the interim balance sheet date was a bank holiday in Japan, notes maturing on that date are included in the ending balances. Notes and accounts receivable 647 Notes and accounts payable 98	4. Treatment of Notes Maturing on the Balance Sheet Date Notes maturing on the balance sheet date are treated as settled on the clearance date. As the balance sheet date was a bank holiday in Japan, notes maturing on that date are included in the ending balances. Notes and accounts receivable 507

Notes to Interim Consolidated Statements of Income

(Millions of yen)

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Year ended March 31, 2007
"Loss on liquidation of a subsidiary" is the loss associated with withdrawal from unprofitable business of a subsidiary in Brazil.	―――	"Loss on liquidation of a subsidiary" is the loss associated with withdrawal from unprofitable business of a subsidiary in Brazil.

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

Interim period ended September 30, 2007 (April 1 – Sept. 30, 2007)

1. Items related to issued and outstanding shares

	Number of Shares at End of Previous Fiscal Year	Increase	Decrease	Number of Shares at End of Interim Period
Common stock (shares)	49,773,807	—	—	49,773,807

2. Items related to treasury stock

	Number of Shares at End of Previous Fiscal Year	Increase	Decrease	Number of Shares at End of Interim Period
Treasury stock (shares)	10,255	3,720	507	13,468

(Reason for change)

Breakdown of the number of shares increased is as follows:
Increase due to repurchase of shares less than one trading unit 3,720 shares

Breakdown of the number of shares decreased is as follows:
Decrease due to requests to purchase shares up to one round trading unit 507 shares

3. Items related to share warrants
None applicable.

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

(Resolution)	Share Class	Cash Dividends Paid	Cash Dividends per Share	Record Date	Dividend Rights Date
Board of Directors meeting on May 15, 2007	Common stock	¥348 million	¥7.00	March 31, 2007	June 5, 2007

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

(Resolution)	Share Class	Source of Dividends	Cash Dividends Paid	Cash Dividends per Share	Record Date	Dividend Rights Date
Board of Directors Meeting on November 14, 2007	Common stock	Retained earnings	¥497 million	¥10.00	September 30, 2007	December 4, 2007

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

1. Items related to issued and outstanding shares

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

(Reason for change)

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

2. Items related to treasury stock

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

(Reason for change)

Breakdown of the number of shares increased is as follows:
Increase due to repurchase of shares less than one trading unit 2,273 shares

Breakdown of the number of shares decreased is as follows:
Decrease due to allocations related to stock conversions 1,110,700 shares
Decrease due to requests to purchase shares up to one round trading unit 202 shares

3. Items related to share warrants

None applicable.

4. Items related to dividends

(1) Cash dividends paid

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

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

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

Year ended March 31, 2007 (April 1, 2006 – March 31, 2007)

1. Items related to issued and outstanding shares

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

(Reason for change)

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

2. Items related to treasury stock

	Number of Shares at End of Previous Fiscal Year	Increase	Decrease	Number of Shares at the End of the Fiscal Year
Treasury stock (shares)	1,115,207	6,075	1,111,027	10,255

(Reason for change)

Breakdown of the number of shares increased is as follows:
Increase due to repurchase of shares less than one trading unit 6,075 shares

Breakdown of the number of shares decreased is as follows:
Decrease due to allocations related to stock conversions 1,110,700 shares
Decrease due to requests to purchase shares up to one round trading unit 327 shares

3. Items related to share warrants
None applicable.

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

(Resolution)	Share Class	Cash Dividends Paid	Cash Dividends per Share	Record Date	Dividend Rights Date
Ordinary General Meeting of Shareholders on June 29, 2006	Common stock	¥293 million	¥7.00	March 31, 2006	June 30, 2006
Board of Directors Meeting on October 26, 2006	Common stock	¥348 million	¥7.00	September 30, 2006	December 8, 2006

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

(Resolution)	Share Class	Source of Dividends	Cash Dividends Paid	Cash Dividends per Share	Record Date	Dividend Rights Date
Board of Directors Meeting on May 15, 2007	Common stock	Retained earnings	¥348 million	¥7.00	March 31, 2007	June 5, 2007

Notes to Interim Consolidated Statements of Cash Flows

(Millions of yen)

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Year ended March 31, 2007
Relationship between ending balance of cash and cash equivalents and amounts reported in the interim consolidated balance sheets Cash and cash equivalents 12,342 Total 12,342 Time deposits with maturities exceeding three months — Cash and cash equivalents 12,342	Relationship between ending balance of cash and cash equivalents and amounts reported in the interim consolidated balance sheets Cash and cash equivalents 10,276 Total 10,276 Time deposits with maturities exceeding three months (8) Cash and cash equivalents 10,267	1. Relationship between ending balance of cash and cash equivalents and amounts reported in the consolidated balance sheets Cash and cash equivalents 8,602 Total 8,602 Time deposits with maturities exceeding three months — Cash and cash equivalents 8,602 2. Significant non-cash transactions In the year ended March 31, 2007, the Company conducted an exchange of shares that made NEC Telenetworx, Ltd., a wholly owned subsidiary, and issued new shares and granted shares of treasury stock. As a result, capital surplus and treasury stock increased and decreased as follows: Increase in capital surplus due to share exchange 4,028 Decrease in capital surplus due to share exchange (net loss on disposal of treasury stock) 248 Decrease in treasury stock due to share exchange 916

Segment Information

1. Business Segment Information

Interim period ended September 30, 2007 (April 1 - Sept. 30, 2007)

(Millions of yen)

	Network integration / support services	Telecommu-nications engineering	Product sales	Total	Eliminations and Corporate	Consolidated
Orders	83,428	34,459	10,283	128,170	—	128,170
Net sales (1) Sales to outside customers	75,993	30,626	10,777	117,397	—	117,397
(2) Intersegment sales and transfers	—	—	—	—	—	—
Total	75,993	30,626	10,777	117,397	—	117,397
Operating expenses	71,524	28,672	10,436	110,633	2,533	113,167
Operating income	4,468	1,954	340	6,763	(2,533)	4,230

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

(Millions of yen)

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

Year ended March 31, 2007 (April 1, 2006 - March 31, 2007)

(Millions of yen)

	Network integration / support services	Telecommu-nications engineering	Product sales	Total	Eliminations and Corporate	Consolidated
Orders	164,634	65,192	23,750	253,577	—	253,577
Net sales (1) Sales to outside customers	161,473	67,085	26,082	254,641	—	254,641
(2) Intersegment sales and 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

2. Geographical Segment Information

Interim period ended September 30, 2007 (April 1 - September 30, 2007)
Geographical segment information is omitted because Japan accounted for more than 90 percent of the total net sales and total assets of all segments.

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

Year ended March 31, 2007 (April 1, 2006 - March 31, 2007)
Geographical segment information is omitted because Japan accounted for more than 90 percent of the total net sales and total assets of all segments.

3. Overseas Sales

Interim period ended September 30, 2007 (April 1 - September 30, 2007)
Overseas sales information is omitted because overseas sales accounted for less than 10 percent of consolidated net sales.

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

Year ended March 31, 2007 (April 1, 2006 - March 31, 2007)
Overseas sales information is omitted because overseas sales accounted for less than 10 percent of consolidated net sales.

Marketable Securities

Interim period ended September 30, 2007 (As of September 30, 2007)

1. Other marketable securities with market values

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost: Stocks	119	148	29
Total	119	148	29

2. Description of securities without market values

(Millions of yen)

	Balance sheet amount
Other marketable securities	
(1) Unlisted stocks (not including OTC stocks)	232
(2) Investment Limited Partnerships	131
Total	364

Note: The Company made write-offs of ¥62 million for “Other marketable securities” without market values in the interim period ended September 30, 2007. In making write-offs, the Company judges the real value of the stock to have dropped significantly if it has declined to 50 percent or less of the net price per share at the time of acquisition due to deterioration of the issuing company’s financial condition, and writes off the difference, except in cases in which the stock’s recoverability is supported by adequate evidence.

Interim period ended September 30, 2006 (As of September 30, 2006)

1. Other marketable securities with market values

(Millions of yen)

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

2. Description of securities without market values

(Millions of yen)

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

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

Year ended March 31, 2007 (As of March 31, 2007)

1. Other marketable securities with market values

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost: Stocks	112	191	78
Total	112	191	78

2. Description of securities without market values

(Millions of yen)

	Balance sheet amount
Other marketable securities	
(1) Unlisted stocks (not including OTC stocks)	284
(2) Investment Limited Partnerships	210
Total	495

Note: The Company made write-offs of ¥48 million for “Other marketable securities” without market values in the year ended March 31, 2007. In making write-offs, the Company judges the real value of the stock to have dropped significantly if it has declined to 50 percent or less of the net price per share at the time of acquisition due to deterioration of the issuing company’s financial condition, and writes off the difference, except in cases in which the stock’s recoverability is supported by adequate evidence.

Business Combinations

Interim period ended September 30, 2007 (April 1, 2007 – September 30, 2007)
None applicable.

Interim period ended September 30, 2006 (April 1, 2006 – September 30, 2006)

1. Names and business description of combined business, legal form of business combination and summary of transactions including purpose of transactions

   (1) Name and business description of combined business
   1) Name of combined business
   NEC Telenetworx, Ltd.
   2) Business description of combined business
   Maintenance, operation and monitoring services for equipment and facilities for wireless and exchange telecommunications, broadcast video, etc., and on-site adjustment and evaluation, technological support, etc.

   (2) Legal form of business combination
   Share exchange

   (3) Summary of transactions including purpose of transactions
   On December 15, 2005, the Company concluded a share exchange agreement to make NEC Telenetworx, Ltd. a wholly owned subsidiary for the purpose of further strengthening its network integration / support services business. The share exchange was implemented on April 1, 2006.

   When the share exchange was made, 26.051 common shares of NEC Networks & System Integration Corporation were allocated for each one common share of NEC Telenetworx, Ltd. to the shareholder (NEC Corporation) listed in the final shareholder register of NEC Telenetworx, Ltd. on the day before the share exchange date. The shares allocated and delivered were 1,110,700 shares of the treasury stock held by the Company, in addition to 6,704,600 shares of newly issued common stock (total: 7,815,300 shares).

2. Summary of Accounting Standards Implemented
   This transaction is classified as a transaction under joint control as prescribed in “Accounting Standard for Business Combinations” (Business Accounting Council, October 31, 2003), and accounting treatment in connection with the share exchange was based on this.

Year ended March 31, 2007 (April 1, 2006 – March 31, 2007)

1. Names and business description of combined business, legal form of business combination and summary of transactions including purpose of transactions

   (1) Name and business description of combined business
      1) Name of combined business
         NEC Telenetworx, Ltd.
      2) Business description of combined business
         Maintenance, operation and monitoring services for equipment and facilities for wireless and exchange telecommunications, broadcast video, etc., and on-site adjustment and evaluation, technological support, etc.

   (2) Legal form of business combination
      Share exchange

   (3) Summary of transactions including purpose of transactions
      On December 15, 2005, the Company concluded a share exchange agreement to make NEC Telenetworx, Ltd. a wholly owned subsidiary for the purpose of further strengthening its network integration / support services business. The share exchange was implemented on April 1, 2006.

      When the share exchange was made, 26.051 common shares of NEC Networks & System Integration Corporation were allocated for each one common share of NEC Telenetworx, Ltd. to the shareholder (NEC Corporation) listed in the final shareholder register of NEC Telenetworx, Ltd. on the day before the share exchange date. The shares allocated and delivered were 1,110,700 shares of the treasury stock held by the Company, in addition to 6,704,600 shares of newly issued common stock (total: 7,815,300 shares).

2. Summary of Accounting Standards Implemented
   This transaction is classified as a transaction under joint control as prescribed in "Accounting Standard for Business Combinations" (Business Accounting Council, October 31, 2003), and accounting treatment in connection with the share exchange was based on this.

Per Share Information

Interim period ended Sept. 30, 2007		Interim period ended Sept. 30, 2006		Year ended March 31, 2007	
Net assets per share (yen)	1,273.32	Net assets per share (yen)	1,200.25	Net assets per share (yen)	1,233.52
Net income per share (yen)	40.98	Net income per share (yen)	31.66	Net income per share (yen)	70.72

Notes: 1. Diluted net income per share is omitted because no dilution exists.

2. The basis of calculation of the amount of net income per share is as follows:

	As of Sept. 30, 2007	As of Sept. 30, 2006	As of March 31, 2007
Net assets as of the balance sheet date (million yen)	64,209	60,446	62,201
Net assets pertaining to common stock (million yen)	63,361	59,732	61,384
Amount deducted from total net assets (million yen)	847	713	816
Minority interests	847	713	816
Average number of shares of common stock during the period (thousand shares)	49,773	49,773	49,773
Average number of shares of treasury stock during the period (thousand shares)	13	6	10
Number of shares used to calculate net assets per share (thousand shares)	49,760	49,767	49,763

3. The basis of calculation of the amount of net income per share is as follows:

	Interim period ended Sept. 30, 2007	Interim period ended Sept. 30, 2006	Year ended March 31, 2007
Net income on consolidated statements of income (million yen)	2,039	1,540	3,476
Amount not attributable to common stock (million yen)	—	—	—
Net income pertaining to common stock (million yen)	2,039	1,540	3,476
Average number of shares of common stock during the period (thousand shares)	49,761	48,652	49,165

Omission of Disclosure

Disclosure of the notes concerning lease transactions and derivative transactions is omitted because the necessity of disclosure in the consolidated financial statements is not likely to be significant.

5. Interim Unconsolidated Financial Statements
(1) Interim Unconsolidated Balance Sheets

(Millions of yen)

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
ASSETS						
I Current assets	107,255	81.0%	84,913	75.7%	99,628	78.8%
Cash and cash equivalents	10,339		8,380		6,698	
Notes receivable	1,734		1,648		2,074	
Accounts receivable, trade	72,460		55,775		70,573	
Inventories	16,431		14,840		11,844	
Other current assets	6,466		5,689		8,552	
Allowance for doubtful accounts	(176)		(1,421)		(115)	
II Fixed assets	25,163	19.0	27,189	24.3	26,753	21.2
Property and equipment:	7,797		7,174		7,211	
Buildings	3,328		2,997		2,968	
Other property and equipment	4,469		4,176		4,242	
Intangible fixed assets	2,501		1,820		1,833	
Investments and other assets:	14,864		18,195		17,708	
Deferred income taxes	6,149		5,245		5,115	
Investment in subsidiaries and affiliates	4,684		9,020		9,020	
Other assets	4,158		4,050		3,694	
Allowance for doubtful receivables	(127)		(122)		(122)	
Total assets	132,418	100.0	112,102	100.0	126,382	100.0
LIABILITIES						
I Current liabilities	51,887	39.2%	37,603	33.6%	51,154	40.5%
Notes payable	1,990		1,868		1,834	
Accounts payable, trade	35,091		24,140		37,506	
Short-term bank loans	500		500		500	
Advances received	2,909		4,279		2,971	
Accrued losses on sales contracts	483		160		183	
Other current liabilities	10,912		6,654		8,158	
II Long-term liabilities	18,741	14.1	16,941	15.1	16,151	12.8
Long-term debt	5,000		5,000		5,000	
Accrued employees' retirement benefits	13,706		11,910		11,097	
Accrued retirement benefits for directors and corporate auditors	—		31		53	
Other liabilities	34		—		—	
Total liabilities	70,629	53.3	54,545	48.7	67,305	53.3

(Millions of yen)

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
NET ASSETS						
I Shareholders' equity	61,779	46.7%	57,564	51.3%	59,128	46.7%
Common stock	13,122		13,122		13,122	
Capital surplus	16,650		16,650		16,650	
Additional paid-in capital	16,650		16,650		16,650	
Other capital surplus	0		—		—	
Retained earnings	32,022		27,797		29,366	
Legal reserve	546		546		546	
Other retained earnings						
Reserve for advanced asset compression	1		1		1	
Special reserve	23,940		23,940		23,940	
Retained earnings carried forward	7,533		3,309		4,878	
Treasury stock, at cost	(15)		(6)		(11)	
II Adjustments for valuation, foreign currency translation and others	10	0.0	(7)	(0.0)	(51)	(0.0)
Unrealized holding gain on securities	17		67		(10)	
Deferred hedge gain (loss)	(6)		(74)		(40)	
Total net assets	61,789	46.7	57,557	51.3	59,076	46.7
Total liabilities and total net assets	132,418	100.0	112,102	100.0	126,382	100.0

(2) Interim Unconsolidated Statements of Income

(Millions of yen)

	Interim period ended September 30, 2007		Interim period ended September 30, 2006		Year ended March 31, 2007	
Ⅰ. Net sales	107,162	100.0%	84,703	100.0%	189,498	100.0%
Ⅱ. Cost of sales	92,504	86.3	74,271	87.7	167,159	88.2
Gross profit	14,657	13.7	10,432	12.3	22,338	11.8
Ⅲ. Selling, general and administrative expenses	10,238	9.6	8,600	10.1	18,322	9.7
Operating income	4,419	4.1	1,831	2.2	4,016	2.1
IV. Non-operating income:	375	0.4	359	0.4	1,260	0.7
Interest income	6		4		21	
Other non-operating income	369		355		1,238	
V. Non-operating expenses:	312	0.3	294	0.4	539	0.3
Interest expense	35		36		71	
Other non-operating expenses	277		257		467	
Ordinary income	4,482	4.2	1,897	2.2	4,736	2.5
VI. Extraordinary gains:	862	0.8	—	—	—	—
Gain on cancellation of shares of merged company	862		—		—	
VII. Extraordinary losses:	337	0.3	—	—	—	—
Loss on valuation of affiliates stock	337		—		—	
Income before income taxes	5,008	4.7	1,897	2.2	4,736	2.5
Income taxes						
- current	2,654	2.5	725	0.8	1,986	1.0
- deferred	(649)	(0.6)	144	0.2	(194)	(0.1)
Net income	3,003	2.8	1,027	1.2	2,945	1.6

(3) Interim Unconsolidated Statements of Changes in Shareholders' Equity, etc.

Interim period ended September 30, 2007

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at March 31, 2007	13,122	16,650	—	16,650
Changes during the interim period				
Disposal of treasury stock	—	—	0	0
Total changes during the interim period	—	—	0	0
Balance at September 30, 2007	13,122	16,650	0	16,650

	Shareholders' equity						
	Retained earnings					Treasury stock	Total share-holders' equity
	Legal reserve	Other retained earnings			Total retained earnings		
		Reserve for asset compression	Special reserve	Retained earnings carried forward			
Balance at March 31, 2007	546	1	23,940	4,878	29,366	(11)	59,128
Changes during the interim period							
Dividends from retained earnings	—	—	—	(348)	(348)	—	(348)
Net income	—	—	—	3,003	3,003	—	3,003
Purchase of treasury stock	—	—	—	—	—	(4)	(4)
Disposal of treasury stock	—	—	—	—	—	0	0
Total changes during the interim period	—	—	—	2,655	2,655	(4)	2,651
Balance at September 30, 2007	546	1	23,940	7,533	32,022	(15)	61,779

	Adjustments for valuation, foreign currency and others			Total net assets
	Unrealized holding gain on securities	Deferred hedge gain (loss)	Total adjustments for valuation, foreign currency and others	
Balance at March 31, 2007	(10)	(40)	(51)	59,076
Changes during the interim period				
Dividends from retained earnings	—	—	—	(348)
Net income	—	—	—	3,003
Purchase of treasury stock	—	—	—	(4)
Disposal of treasury stock	—	—	—	0
Net change of items other than shareholders' equity during the interim period	27	34	61	61
Total changes during the interim period	27	34	61	2,712
Balance at September 30, 2007	17	(6)	10	61,789

Interim period ended September 30, 2006

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at March 31, 2006	13,122	12,622	0	12,622
Changes during the interim period				
Change due to exchange of shares	—	4,028	(248)	3,779
Disposal of treasury stock	—	—	0	0
Transfer to retained earnings from other capital surplus	—	—	248	248
Total changes during the interim period	—	4,028	(0)	4,027
Balance at September 30, 2006	13,122	16,650	—	16,650

	Shareholders' equity						
	Retained earnings					Treasury stock	Total share-holders' equity
	Legal reserve	Other retained earnings			Total retained earnings		
		Reserve for asset compression	Special reserve	Retained earnings carried forward			
Balance at March 31, 2006	546	1	23,940	2,868	27,357	(920)	52,182
Changes during the interim period							
Change due to exchange of shares	—	—	—	—	—	916	4,695
Dividends from retained earnings	—	—	—	(293)	(293)	—	(293)
Bonuses paid to directors and corporate officers	—	—	—	(45)	(45)	—	(45)
Drawdown of reserve for advanced depreciation	—	(0)	—	0	—	—	—
Net income	—	—	—	1,027	1,027	—	1,027
Purchase of treasury stock	—	—	—	—	—	(3)	(3)
Disposal of treasury stock	—	—	—	—	—	0	0
Transfer to retained earnings from other capital surplus	—	—	—	(248)	(248)	—	—
Total changes during the interim period	—	(0)	—	440	440	913	5,382
Balance at September 30, 2006	546	1	23,940	3,309	27,797	(6)	57,564

	Adjustments for valuation, foreign currency and others			Total net assets
	Unrealized holding gain on securities	Deferred hedge gain (loss)	Total adjustments for valuation, foreign currency and others	
Balance at March 31, 2006	150	—	150	52,332
Changes during the interim period				
Change due to exchange of shares	—	—	—	4,695
Dividends from retained earnings	—	—	—	(293)
Bonuses paid to directors and corporate officers	—	—	—	(45)
Drawdown of reserve for advanced depreciation	—	—	—	—
Net income	—	—	—	1,027
Purchase of treasury stock	—	—	—	(3)
Disposal of treasury stock	—	—	—	0
Transfer to retained earnings from other capital surplus	—	—	—	—
Net change of items other than shareholders' equity during the interim period	(82)	(74)	(157)	(157)
Total changes during the interim period	(82)	(74)	(157)	5,224
Balance at September 30, 2006	67	(74)	(7)	57,557

Year ended March 31, 2007

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at March 31, 2006	13,122	12,622	0	12,622
Changes during the year				
Change due to exchange of shares	—	4,028	(248)	3,779
Disposal of treasury stock	—	—	0	0
Transfer to retained earnings from other capital surplus	—	—	248	248
Total changes during the year	—	4,028	(0)	4,027
Balance at March 31, 2007	13,122	16,650	—	16,650

	Shareholders' equity						
	Retained earnings					Treasury stock	Total share-holders' equity
	Legal reserve	Other retained earnings					
		Reserve for asset compression	Special reserve	Retained earnings carried forward	Total retained earnings		
Balance at March 31, 2006	546	1	23,940	2,868	27,357	(920)	52,182
Changes during the year							
Change due to exchange of shares	—	—	—	—	—	916	4,695
Dividends from retained earnings	—	—	—	(642)	(642)	—	(642)
Bonuses paid to directors and corporate officers	—	—	—	(45)	(45)	—	(45)
Drawdown of reserve for advanced depreciation	—	(0)	—	0	—	—	—
Net income	—	—	—	2,945	2,945	—	2,945
Purchase of treasury stock	—	—	—	—	—	(8)	(8)
Disposal of treasury stock	—	—	—	—	—	0	0
Transfer to retained earnings from other capital surplus	—	—	—	(248)	(248)	—	—
Total changes during the 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

	Adjustments for valuation, foreign currency and others			Total net assets
	Unrealized holding gain on securities	Deferred hedge gain (loss)	Total adjustments for valuation, foreign currency and others	
Balance at March 31, 2006	150	—	150	52,332
Changes during the year				
Change due to exchange of shares	—	—	—	4,695
Dividends from retained earnings	—	—	—	(642)
Bonuses paid to directors and corporate officers	—	—	—	(45)
Drawdown of reserve for advanced depreciation	—	—	—	—
Net income	—	—	—	2,945
Purchase of treasury stock	—	—	—	(8)
Disposal of treasury stock	—	—	—	0
Transfer to retained earnings from other capital surplus	—	—	—	—
Net change of items other than shareholders' equity during the year	(160)	(40)	(201)	(201)
Total changes during the year	(160)	(40)	(201)	6,744
Balance at March 31, 2007	(10)	(40)	(51)	59,076

(4) Basis of Preparation of the Interim Unconsolidated Financial Statements

1. Valuation of Major Assets

(a) Securities

Stock of subsidiaries: At cost based on the moving average method

Available-for-sale securities:

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

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

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

(b) Inventories

Equipment and materials

Equipment: At cost determined by the moving average method

Primary materials: At cost determined by the moving average method

Secondary materials: At cost determined by the gross average method

Supplies: Last purchase price method

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

2. Depreciation of Major Fixed Assets

(a) Property and Equipment

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

Change in Accounting Policy:

As of the interim period ended September 30, 2007, the Company changed its method of depreciation of property and equipment acquired on or after to April 1, 2007 to the method prescribed by the revised Income Tax Law (Law Revising a Portion of the Income Tax Law, Law No. 6, March 30, 2007, and the Ordinance Revising a Portion of the Enforcement Regulations for the Income Tax Law, Ordinance No. 83, March 30, 2007).

This change had no material effect on operating income, ordinary income and income before income taxes.

Additional Information:

As of the interim period ended September 30, 2007, assets acquired before April 1, 2007 that have been depreciated to the final depreciable limit are depreciated on a straight-line basis over five years starting from the fiscal year after the final depreciable limit is reached.

This change had no material effect on operating income, ordinary income and income before income taxes.

(b) Intangible Assets

Straight-line method.

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

3. Major Reserves

(a) Allowance for Doubtful Receivables

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

(b) Accrued Losses on Sales Contracts

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

(c) Accrued Employees' Retirement Benefits

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

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

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

4. Accounting for Lease Transactions

Finance lease contracts other than those deemed to transfer the ownership of the leased assets to lessees are accounted for as operating leases.

5. Hedge Accounting

(a) Methods of Hedge Accounting

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

(b) Hedging Instruments and Hedged Items

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

(c) Hedging Policy

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

(d) Method of Assessing Hedge Effectiveness

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

6. Other

(a) Accounting for consumption taxes:

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

(b) Revenue recognition:

The Company generally recognizes revenues by the completed-contract method, except that those in the system integration business with contracted amounts exceeding ¥100 million are recognized by the percentage-of-completion method.

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

(Additional information)

Prior to April 1, 2007, the Company made provisions for retirement benefits for directors and corporate auditors at the amounts required at the balance sheet dates based on internal rules. At the general meeting of shareholders held on June 26, 2007, the proposal for final payments of benefits in connection with abolition of the retirement benefit system for directors and corporate auditors was approved. Therefore, final payments of retirement benefits to directors and corporate auditors are included in “Other liabilities” in Long-term liabilities.

(5) Notes to Interim Unconsolidated Financial Statements

Notes to Interim Unconsolidated Balance Sheets

(Millions of yen)

As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
1. Accumulated depreciation of property and equipment 9,466	1. Accumulated depreciation of property and equipment 6,789	1. Accumulated depreciation of property and equipment 7,136
2．Guarantee obligations (1) Sumitomo Mitsui Banking Corporation 180 (2) Related to overseas subsidiaries 778	2. Guarantee obligations Sumitomo Mitsui Banking Corporation 209	2．Guarantee obligations (1) Sumitomo Mitsui Banking Corporation 194 (2) Related to overseas subsidiaries 592
3. The Company has entered into a loan commitment contract with the Sumitomo Mitsui Banking Corporation and two other banks as a method of short-term fund procurement to secure stable funding. The total amount of the contract is ¥11.0 billion and the contract period is from January 2006 to January 2009. The unexercised loan balance related to the loan commitment as of September 30, 2007 is as follows. Total amount of loan commitment 11,000 Exercised loan balance — Difference 11,000	3. The Company has entered into a loan commitment contract with the Sumitomo Mitsui Banking Corporation and two other banks as a method of short-term fund procurement to secure stable funding. The total amount of the contract is ¥11.0 billion and the contract period is from January 2006 to January 2009. The unexercised loan balance related to the loan commitment as of September 30, 2006 is as follows. Total amount of loan commitment 11,000 Exercised loan balance — Difference 11,000	3. The Company has entered into a loan commitment contract with the Sumitomo Mitsui Banking Corporation and two other banks as a method of short-term fund procurement to secure stable funding. The total amount of the contract is ¥11.0 billion and the contract period is from January 2006 to January 2009. The unexercised loan balance related to the loan commitment as of March 31, 2007 is as follows. Total amount of loan commitment 11,000 Exercised loan balance — Difference 11,000
4. Treatment of Notes Maturing on the Interim Balance Sheet Date Notes maturing on the interim balance sheet date are treated as settled on the clearance date. As the interim balance sheet date was a bank holiday in Japan, notes maturing on that date are included in the ending balances. Notes and accounts receivable: 285	4. Treatment of Notes Maturing on the Interim Balance Sheet Date Notes maturing on the interim balance sheet date are treated as settled on the clearance date. As the interim balance sheet date was a bank holiday in Japan, notes maturing on that date are included in the ending balances. Notes and accounts receivable: 486	4. Treatment of Notes Maturing on the Fiscal Year-End Balance Sheet Date Notes maturing on the balance sheet date are treated as settled on the clearance date. As the interim balance sheet date was a bank holiday in Japan, notes maturing on that date are included in the ending balances. Notes and accounts receivable: 333

Notes to Interim Unconsolidated Statements of Income (Millions of yen)

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Year ended March 31, 2007
Loss on cancellation of shares of merged company was due to the merger of NEC Telenetworx, Ltd.	―――――――	―――――――

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

Interim period ended September 30, 2007 (April 1 - September 30, 2007)

Items related to treasury stock

	Number of Shares at End of Previous Fiscal Year	Increase	Decrease	Number of Shares at End of Interim Period
Treasury stock (shares)	10,255	3,720	507	13,468

(Reason for change)
Breakdown of the number of shares increased is as follows:
Increase due to repurchase of shares less than one trading unit 3,720 shares

Breakdown of the number of shares decreased is as follows:
Decrease due to requests to purchase shares up to one round trading unit 507 shares

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

Items related to treasury stock

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

(Reason for change)
Breakdown of the number of shares increased is as follows:
Increase due to repurchase of shares less than one trading unit 2,273 shares

Breakdown of the number of shares decreased is as follows:
Decrease due to allocations related to stock conversions 1,110,700 shares
Decrease due to requests to purchase shares up to one round trading unit 202 shares

Year ended March 31, 2007 (April 1, 2006 – March 31, 2007)

Items related to treasury stock

	Number of Shares at End of Previous Fiscal Year	Increase	Decrease	Number of Shares at End of Fiscal Year
Treasury stock (shares)	1,115,207	6,075	1,111,027	10,255

(Reason for change)
Breakdown of the number of shares increased is as follows:
Increase due to repurchase of shares less than one trading unit 6,075 shares

Breakdown of the number of shares decreased is as follows:
Decrease due to allocations related to stock conversions 1,110,700 shares
Decrease due to requests to purchase shares up to one round trading unit 327 shares

Marketable Securities

Interim period ended September 30, 2007 (As of September 30, 2007)
There are no shares of subsidiaries with market values.

Interim period ended September 30, 2006 (As of September 30, 2006)
There are no shares of subsidiaries with market values.

Year ended March 31, 2007 (As of March 31, 2007)
There are no shares of subsidiaries with market values.

Business Combinations

Interim period ended September 30, 2007 (April 1, 2007 – September 30, 2007)

1. Names and business description of combined business, legal form of business combination and summary of transactions including purpose of transactions

   (1) Name and business description of combined business
      1) Combining business
         Name: NEC Networks & System Integration Corporation
         Business description: As a systems integrator, the company provides total system planning, consulting, design, construction, maintenance, network operation, monitoring and outsourcing services, mainly in the network field, its main business area, and manufactures and sells network communication devices and other products.
      2) Merged business
         Name: NEC Telenetworx, Ltd.
         Business description: Maintenance, operation and monitoring services for equipment and facilities for wireless and exchange telecommunications, broadcast video, etc., and on-site adjustment and evaluation, technical support, etc.

   (2) Legal form of business combination and name of company after combination
      Merger with NEC Networks & System Integration Corporation as the surviving company and NEC Telenetworx, Ltd. as the non-surviving company. The name of the company after the combination is NEC Networks & System Integration Corporation.
      There was no issue of new shares or increase in capital due to the merger.

   (3) Summary of transactions including purpose of transactions
      The Company merged its wholly owned subsidiary NEC Telenetworx, Ltd. in order to further unify the mutual strengths of the two companies – nationwide sales capabilities, system building capabilities, construction technology and maintenance capabilities – and expand and reinforce business through concentration and efficient use of management resources.

2. Summary of Accounting Procedures Implemented
   This transaction qualifies as a transaction under joint control, as specified in the Accounting Standards for Business Combinations (Business Accounting Council, October 31, 2003), and accounting procedures associated with this transaction were performed accordingly.

Interim period ended September 30, 2006 (April 1, 2006 – September 30, 2006)
The content is identical to that in "Business Combinations" in the notes to the consolidated financial statements, and is therefore omitted.

Year ended March 31, 2007 (April 1, 2006 – March 31, 2007)
The content is identical to that in "Business Combinations" in the notes to the consolidated financial statements, and is therefore omitted.

Per Share Information

Interim period ended Sept. 30, 2007		Interim period ended Sept. 30, 2006		Year ended March 31, 2007	
Net assets per share (yen)	1,241.75	Net assets per share (yen)	1,156.53	Net assets per share (yen)	1,187.15
Net income per share (yen)	60.36	Net income per share (yen)	21.12	Net income per share (yen)	59.90

Notes: 1. Diluted net income per share is omitted because no dilution exists.
2. The basis of calculation of the amount of net income per share is as follows:

	As of Sept. 30, 2007	As of Sept. 30, 2006	As of March 31, 2007
Net assets as of the balance sheet date (million yen)	61,789	57,557	59,076
Net assets pertaining to common stock (million yen)	61,789	57,557	59,076
Amount deducted from total net assets (million yen)	—	—	—
Average number of shares of common stock during the period (thousand shares)	49,773	49,773	49,773
Average number of shares of treasury stock during the period (thousand shares)	13	6	10
Number of shares used to calculate net assets per share (thousand shares)	49,760	49,767	49,763

3. The basis of calculation of the amount of net income per share is as follows:

	Interim period ended Sept. 30, 2007	Interim period ended Sept. 30, 2006	Year ended March 31, 2007
Net income on consolidated statements of income (million yen)	3,003	1,027	2,945
Amount not attributable to common stock (million yen)	—	—	—
Net income pertaining to common stock (million yen)	3,003	1,027	2,945
Average number of shares of common stock during the period (thousand shares)	49,761	48,652	49,165