

These financial statements have been prepared in accordance with accounting principals generally accepted in Japan.

NEC Networks & System Integration Corporation

Stock exchange listing: Tokyo

Code number: 1973

<http://www.nesic.co.jp/english/index.html>

**1. Consolidated Results for the First Quarter (April 1, 2014 to June 30, 2014)
of Fiscal Year ending March 31, 2015**

(Rounded down to the nearest million yen.)

(1) Net Sales and Income

(Percentages represent change compared with the same period of 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 (%)
3 months ended June 2014	57,229	14.1	296	-80.6	379	-75.1
3 months ended June 2013	50,166	5.1	1,527	93.7	1,526	139.6

	Net income (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
3 months ended June 2014	103	-90.1	2.09	—
3 months ended June 2013	1,048	200.0	21.09	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30-Jun-14	170,875	86,637	49.7	1,709.03
31-Mar-14	189,059	89,166	46.3	1,760.06

c.f. Owner's equity: 30-Jun-14: ¥84,976 million; 31-Mar-14: ¥87,514 million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended 3/14	—	30.00	—	30.00	60.00
FY ending 3/15 (projected)	—	32.00	—	32.00	64.00

Note: Revisions to projected dividends for the quarter under review: no

3. Financial Forecasts for Fiscal Year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentages represent change compared to the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
6 months ending Sep 2014	125,000	8.5	4,500	7.7	4,500	6.3	2,700	0.6	54.30
FY ending Mar 2015	280,000	3.6	15,000	4.0	15,000	3.2	9,000	9.0	181.01

Note: Revisions to projected results for the quarter under review: no

Cautionary Statement

Forecasts of results mentioned in this document are future estimates and are thus inclusive of risks and uncertain factors since they are not based on definite facts. Please be aware that a variety of factors could cause actual results to differ significantly from those projected. The major factors affecting actual results include the economic climate and social trends surrounding the business of this Company's group, consumer trends vis-a-vis systems and services provided by this Company's group, as well as pressure to lower prices and ability

4. Business Results

(1) Business Results for the First Quarter for the Fiscal Year Ending March 31, 2015

During the first quarter for the fiscal year ending March 31, 2015 (the period from April 1, 2014 to June 30, 2014), the outlook for the Japanese economy remained uncertain, given concern over a downturn in overseas economies. Nonetheless, the economy generally staged a moderate recovery due to the government's economic measures and financial policy.

Under these economic conditions, our business remained steady *overall* in the fields of information and communication technology (ICT), in which NEC Networks & System Integration Corporation ("the Company") operates, although it varied from field to field.

First, in the corporate market, although corporate managers continued to hold severe views on investment effects, ICT investments for enhancing business management and competitiveness, including reforming the work style, remained firm. Given an economic recovery, there were signs of a recovery in investment appetite.

Telecommunications carriers' capital spending faced a negative impact as their investments in large base stations for new frequency ranges, strong until the first half of the previous fiscal year, were completed. However, investments in the development of high-speed broadband networks, especially LTE networks, continued.

In the central and local governments market, investments in the digitization of fire-fighting and disaster-prevention network systems remained steady, thanks to the support of the government budget, and ICT-related public investments rose.

In this market environment, the Company and its consolidated subsidiaries (hereinafter the "Group") took aggressive steps to deal with emerging projects, mainly by strengthening their sales capabilities and their ability to provide comprehensive services, using M&A carried out in the previous fiscal year.

As a result, the Group posted the following consolidated results for the quarter under review:

Net sales	¥57,229 million	14.1% increase year on year
Operating income	¥296 million	80.6% decrease year on year
Ordinary income	¥379 million	75.1% decrease year on year
Net income	¥103 million	90.1% decrease year on year
< Reference >		
Orders received	¥80,154 million	24.1% increase year on year

Net sales rose 14.1% year on year, to ¥57,229 million. While sales from the construction of large base stations declined, the Group aggressively took steps to capture business opportunities from increases in public investment in fire-fighting and disaster prevention systems and other systems for securing public security and safety. In addition, Q&A Corporation and NEC Magnus Communications, Ltd., which the Group made consolidated subsidiaries in June and October 2013, respectively, contributed to 1Q results. Orders received expanded ahead of sales, rising 24.1% year on year, to ¥80,154 million.

Turning to profit, operating income, ordinary income and net income declined year on year to ¥296 million, ¥379 million, and ¥103 million respectively, reflecting the effect of a number of highly profitable projects in the same period of the previous fiscal year and an increase in temporary expenses associated with product development at a subsidiary.

Operating results by business segment were as follows:

Net sales by business segment

(Million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructure	Other	Total
1Q Fiscal 2015.3	21,941	16,854	14,508	3,924	57,229
1Q Fiscal 2014.3	17,803	15,451	12,715	4,196	50,166
Increase or decrease	4,138	1,402	1,793	-271	7,062
Ratio of increase or decrease (%)	23.2	9.1	14.1	-6.5	14.1

Reference: Orders received by business segment

(Million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructure	Other	Total
1Q Fiscal 2015.3	26,338	19,365	30,502	3,948	80,154
1Q Fiscal 2014.3	18,110	15,530	25,983	4,964	64,588
Increase or decrease	8,227	3,834	4,519	-1,015	15,566
Ratio of increase or decrease (%)	45.4	24.7	17.4	-20.5	24.1

1). Enterprise Networks business (¥21,941 million, up 23.2% year on year)

The Group's sales focus on its office innovation solution EmpoweredOffice* increased further in response to customer needs for management innovation. As part of its initiatives to expand and strengthen its system for providing comprehensive services to help customers improve their operations and management, in June 2013 the Group made Q&A Corporation, which has an advantage in technical support and consulting, its consolidated subsidiary. Reflecting these initiatives, net sales rose 23.2% year on year, to ¥21,941 million.

2). Carrier Networks business (¥16,854 million, up 9.1% year on year)

Despite the effect of the construction of large base stations associated with new frequency ranges in the previous fiscal year, net sales increased 9.1% year on year, to ¥16,854 million due to the effect of having made NEC Magnus Communications, Ltd., which has its own network technology and security technology, its consolidated subsidiary in October 2013.

3). Social Infrastructure business (¥14,508 million, up 14.1% year on year)

The Group actively responded to increasing ICT investments for security and safety in the public sector, especially investments in the digitization of fire-fighting and disaster prevention systems. As a result, net sales climbed 14.1% year on year, to ¥14,508 million.

*EmpoweredOffice:

EmpoweredOffice is our office innovation solution. It combines our strengths in ICT and facility installation to enable more intellectual and creative styles of work through process reforms. It also proposes new methods and places of work that enable customers to fulfill their social responsibilities, such as the strengthening of security and environmental responsiveness.

Outline of Business Segments

Business Segment	Descriptions of Main Businesses
Enterprises Networks	Service integration of ICT solutions, mainly for the enterprises market Total office solutions based on ICT with securities or environmental solutions and related operation/monitoring services, as well as outsourcing services using our own contact centers and data centers
Carrier Networks	Service integration mainly for telecom carriers' ICT platforms (from mobile communications base stations to core networks), including systems integration, installation, and related services such as operations and monitoring. Systems integration of large-scale, wide-area, carrier-grade ICT platforms and data centers and related operations, monitoring services
Social Infrastructure	Service integration of ICT infrastructure for governments and public utilities (broadcasters, electric power companies, etc.), such as systems integration, installation, operation, and monitoring, and operations in markets other than the Tokyo, Nagoya, and Osaka areas
Others	Toyo Networks & System Integration Co., Ltd. and sales of purchased equipment

*The Group has reviewed its operational structure, aiming to enhance it by restructuring it in accordance with markets. In the fiscal year under review, the Group has changed the contents of business segments, and construction work for carriers, including the construction of mobile communications base stations, has been transferred from Social Infrastructure segment to Carrier Networks segment, among other changes.

Segment information for the previous fiscal year has been changed to reflect the change in the content of business segments.

(2) Outlook for the Fiscal Year Ending March 31, 2015

The domestic economy is on a recovery trend, chiefly because of the effect of the government's economic policies. However, there are downside risks in the domestic economy, including concern over a downturn in overseas economies.

Against this backdrop, the results of the Company have remained almost in line with expectations. The consolidated results forecast for the fiscal year ending March 31, 2015 is the same as the initial forecast.

Net sales	¥280 billion	3.6% increase year on year
Operating income	¥15 billion	4.0% increase year on year
Ordinary income	¥15 billion	3.2% increase year on year
Net income	¥9 billion	9.0% increase year on year

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	44,434	54,840
Notes and accounts receivable - trade	95,975	63,218
Purchased goods, materials and supplies	2,308	3,299
Work in process	5,841	7,841
Other	8,852	9,223
Allowance for doubtful accounts	-59	-54
Total current assets	<u>157,351</u>	<u>138,368</u>
Non-current assets		
Property, plant and equipment	10,959	11,122
Intangible assets		
Goodwill	3,502	3,411
Other	3,014	2,987
Total intangible assets	<u>6,516</u>	<u>6,399</u>
Investments and other assets		
Other	15,834	16,586
Allowance for doubtful accounts	-1,602	-1,601
Total investments and other assets	<u>14,231</u>	<u>14,985</u>
Total non-current assets	<u>31,708</u>	<u>32,507</u>
Total assets	<u>189,059</u>	<u>170,875</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	43,191	32,040
Short-term loans payable	1,742	1,622
Current portion of long-term loans payable	171	168
Income taxes payable	4,711	592
Provision for directors' bonuses	104	27
Provision for product warranties	374	350
Provision for loss on order received	357	197
Other	19,340	17,508
Total current liabilities	<u>69,994</u>	<u>52,508</u>
Non-current liabilities		
Long-term loans payable	4,518	4,475
Net defined benefit liability	24,152	26,112
Other	1,227	1,141
Total non-current liabilities	<u>29,898</u>	<u>31,729</u>
Total liabilities	<u>99,893</u>	<u>84,237</u>
Net assets		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	61,474	58,835
Treasury shares	-64	-65
Total shareholders' equity	<u>91,182</u>	<u>88,543</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25	32
Foreign currency translation adjustment	-233	-264
Remeasurements of defined benefit plans	-3,459	-3,335
Total accumulated other comprehensive income	<u>-3,668</u>	<u>-3,567</u>
Minority interests	1,652	1,661
Total net assets	<u>89,166</u>	<u>86,637</u>
Total liabilities and net assets	<u>189,059</u>	<u>170,875</u>

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

	FY March 2014 1Q (3 months ended 6/13)	FY March 2015 1Q (3 months ended 6/14)
Net sales	50,166	57,229
Cost of sales	42,366	48,965
Gross profit	7,799	8,263
Selling, general and administrative expenses	6,272	7,967
Operating income	1,527	296
Non-operating income		
Interest income	7	15
Insurance income	14	37
Other	88	109
Total non-operating income	110	163
Non-operating expenses		
Interest expenses	17	20
Other	93	59
Total non-operating expenses	111	79
Ordinary income	1,526	379
Extraordinary income		
Gain on step acquisitions	477	—
Total extraordinary income	477	—
Extraordinary losses		
Area business restructuring cost	—	104
Loss on sales of shares of subsidiaries	369	—
Total extraordinary losses	369	104
Income before income taxes and minority interests	1,634	275
Income taxes	568	139
Income before minority interests	1,066	135
Minority interests in income	17	31
Net income	1,048	103

(Millions of yen)

	FY March 2014 1Q (3 months ended 6/13)	FY March 2015 1Q (3 months ended 6/14)
Income before minority interests	1,066	135
Other comprehensive income		
Valuation difference on available-for-sale securities	-0	6
Foreign currency translation adjustment	241	-35
Remeasurements of defined benefit plans, net of tax	—	124
Total other comprehensive income	241	95
Comprehensive income	1,307	231
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,218	204
Comprehensive income attributable to minority interests	89	26

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY March 2014 1Q (3 months ended 6/13)	FY March 2015 1Q (3 months ended 6/14)
Cash flows from operating activities		
Income before income taxes and minority interests	1,634	275
Depreciation	575	665
Area business restructuring cost	–	104
Loss (gain) on sales of shares of subsidiaries	369	–
Loss (gain) on step acquisitions	-477	–
Amortization of goodwill	61	90
Increase (decrease) in allowance for doubtful accounts	9	△6
Increase (decrease) in provision for retirement benefits	1,250	–
Increase(decrease)in net defined benefit liability	–	18
Increase (decrease) in provision for directors' bonuses	-79	-77
Increase (decrease) in provision for product warranties	-16	-23
Increase (decrease) in provision for loss on order received	51	-159
Interest and dividend income	-12	-23
Interest expenses	17	20
Decrease (increase) in notes and accounts receivable - trade	31,609	32,695
Decrease (increase) in inventories	-1,505	-2,992
Remeasurements of defined benefit plans	–	124
Increase (decrease) in notes and accounts payable - trade	-9,893	-11,125
Increase (decrease) in accrued consumption taxes	-1,369	-1,110
Other, net	-2,200	-515
Subtotal	20,023	17,960
Interest and dividend income received	12	23
Interest expenses paid	-10	-14
Income taxes paid	-4,127	-4,289
Net cash provided by (used in) operating activities	15,896	13,680
Cash flows from investing activities		
Purchase of property, plant and equipment	-389	-1,135
Proceeds from sales of property, plant and equipment	0	8
Purchase of intangible assets	-210	-206
Purchase of investment securities	-1	-1
Payments of loans receivable	-10	-2
Collection of loans receivable	6	2
Payments for transfer of business	-1,857	–
Other, net	705	-150
Net cash provided by (used in) investing activities	-1,758	-1,486
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	99	-100
Repayments of long-term loans payable	–	-45
Proceeds from sale and purchase of treasury stock, net	-1	-1
Cash dividends paid	-1,273	-1,477
Cash dividends paid to minority shareholders	–	-13
Other, net	-122	-124
Net cash provided by (used in) financing activities	-1,298	-1,761
Effect of exchange rate change on cash and cash equivalents	87	-25
Net increase (decrease) in cash and cash equivalents	12,927	10,406
Cash and cash equivalents at beginning of period	30,315	44,434
Cash and cash equivalents at end of period	43,242	54,840

(4) Segment Information

Business Segment Information

First quarter of fiscal March 2015 (3 months ended June 2014)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	26,338	19,365	30,502	3,948	-	80,154
Sales						
(1) Sales to third parties	21,941	16,854	14,508	3,924	-	57,229
(2) Intersegment sales	-	-	-	-	-	-
Total	21,941	16,854	14,508	3,924	-	57,229
Operating income and loss	1,157	988	287	(140)	(1,997)	296

First quarter of fiscal March 2014 (3 months ended June 2013)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	18,110	15,530	25,983	4,964	-	64,588
Sales						
(1) Sales to third parties	17,803	15,451	12,715	4,196	-	50,166
(2) Intersegment sales	-	-	-	-	-	-
Total	17,803	15,451	12,715	4,196	-	50,166
Operating income and loss	1,379	1,144	582	298	(1,877)	1,527

*The Group has reviewed its operational structure, aiming to enhance it by restructuring it in accordance with markets. In the fiscal year under review, the Group has changed the contents of business segments, and construction work for carriers, including the construction of mobile communications base stations, has been transferred from Social Infrastructure segment to Carrier Networks segment, among other changes.

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