

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, 2017 to June 30, 2017)
of Fiscal Year ending March 31, 2018**

(Rounded down to the nearest million yen.)

(1) Net Sales and Income

	Net sales (¥ million)	Year-on-year change (%)	Operating income	Year-on-year change (%)	Ordinary income	Year-on-year change (%)
3 months ended June 2017	53,147	0.9	-688	—	-729	—
3 months ended June 2016	52,649	-7.7	-456	—	-517	—

	Net income attributable to owners of the parent (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
3 months ended June 2017	-626	—	-12.63	—
3 months ended June 2016	-534	—	-10.77	—

c.f. Comprehensive income: 1Q/FY Mar 2018: ¥-446 million (- %); 1Q/FY Mar 2017: ¥-450 million (-%)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/Jun/2017	182,281	94,414	50.6	1,859.00
31/Mar/2017	197,469	96,674	47.9	1,906.03

c.f. Owner's equity: 30/Jun/2017: ¥92,275 million; 31/Mar/2017: ¥94,611 million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended Mar. 2017	—	36.00	—	36.00	72.00
FY ending Mar. 2018	—	37.00 ※	— ※	37.00 ※	74.00 ※

※ Forecasts

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

3. Financial Forecasts for Fiscal Year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
6 months ending Sep. 2017	120,000	1.0	2,000	15.9	2,000	7.9	1,100	8.7	22.16
FY ending Mar. 2018	270,000	4.7	10,500	5.3	10,500	5.3	6,700	2.3	134.98

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 to cope with the market in response to intensified competition.

Factors affecting results are not limited to the ones mentioned above.

4. Business Results

(1) Business Results for the 1Q for the Fiscal Year Ending March 31, 2018

During the 1Q for the fiscal year ending March 31, 2018 (the period from April 1, 2017 to June 30, 2017), the Japanese economy continued to experience a moderate recovery, supported by the effects of various policies amid a recovery of capital spending and an improvement of corporate earnings and employment.

In the fields of information and communication technology (ICT), in which NEC Networks & System Integration Corporation ("the Company") operates, differences were observed in each field under these economic conditions.

First, in the corporate market, while corporate managers continued to hold critical views on the effects of investment, there was healthy investment for enhancing business management and competitiveness, including investment in work style innovation.

In the telecom carrier business, restraints on capital spending for network infrastructure have bottomed out.

In the central and local governments as well as the public interest market, a sense of firmness in investments implemented under the concept of safety and security and for the improvement of urban infrastructure remained unchanged. In addition, following the revision of the Feed-In Tariff (FIT) Act, demand for the construction of solar power generation plants has become brisk. Meanwhile, there was weakness in the public sector, where the competitive environment worsened.

Meanwhile, overseas, particularly in Asia, there is a demand for the construction of such infrastructure as mobile communications networks.

In this market environment, the Group stepped up its initiatives for business related to the work style reform, including "EmpoweredOffice (*)," in response to the growing momentum of work style reforms. Particularly for telecommuting, the needs for which have emerged recently, based on the results of an internal field trial conducted from 2015, preparation for a full company-wide introduction from July 2017 was made together with active promotion for sales expansion. In addition, the Group bolstered its overseas business, in particular offering both the know-how it has developed through its extensive track record with domestic telecom carriers and its high quality construction to overseas telecom carriers. Meanwhile, in projects for the construction of large solar power generation plants, orders for which were received during the previous fiscal year, construction proceeded steadily under the company-wide project management system.

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

Net sales	¥53,147 million	¥497million	increase year on year
Operating income (loss)	(¥688 million)	¥232million	decrease year on year
Ordinary income (loss)	(¥729 million)	¥212million	decrease year on year
Net income (loss) attributable to owners of the parent	(¥626 million)	¥ 92million	decrease year on year
< Reference >			
Orders received	¥64,291 million	¥3,448million	increase year on year

Net sales increased 0.9% year on year, to ¥53,147 million. This was caused by the contribution to sales of projects for the construction of large solar power generation plants orders for which were received during the previous fiscal year, and an increase in sales in the key areas under the medium-term business strategy (announced in May 2016), including the area related to the work style reform. These factors offset a decrease in sales to government and public offices in the Social Infrastructures business. Orders received increased 5.7% year on year, to ¥64,291 million, due mainly to a strong performance with corporations and an increase in orders from government and public offices, as well as the bottoming out of restraints on capital spending among telecom carriers.

On the profit front, operating income and ordinary income declined ¥232 million and ¥212 million year on year, to losses of ¥688 million and ¥729 million, respectively, chiefly reflecting a deteriorating cost of sales ratio and higher general, selling and administrative expenses in the Social Infrastructures business, despite an improvement in the Enterprise Networks and the Carrier Networks businesses owing to a net sales increase and more efficient costs. As a result, net income attributable to owners of the parent decreased ¥92 million year on year, to a loss of ¥626 million.

Operating results by business segment were as follows:

Net sales by business segment

(Million yen)

	Enterprise Networks	Carrier Networks	Social Infrastructures	Other	Total
1Q Fiscal 2018.3	23,897	13,602	14,560	1,086	53,147
1Q Fiscal 2017.3	23,253	13,109	14,794	1,492	52,649
Increase or decrease	644	493	(234)	(406)	497
Ratio of increase/decrease (%)	2.8	3.8	(1.6)	(27.2)	0.9

Reference: Orders received by business segment

(Million yen)

	Enterprise Networks	Carrier Networks	Social Infrastructures	Other	Total
1Q Fiscal 2018.3	26,383	15,398	21,326	1,182	64,291
1Q Fiscal 2017.3	25,724	14,143	19,867	1,107	60,843
Increase or decrease	659	1,255	1,459	74	3,448
Ratio of increase/decrease (%)	2.6	8.9	7.3	6.8	5.7

1. Enterprise Networks business

Net sales increased 2.8% year on year, to ¥23,897 million, reflecting solid sales of EmpoweredOffice, a solution for office innovation, as ICT investment for work style reform remained firm.

2. Carrier Networks business

Net sales increased 3.8% year on year, to ¥13,602 million, reflecting the bottoming out of restraints on capital spending among telecom carriers.

3. Social Infrastructures business

Net sales dropped 1.6% year on year, to ¥14,560 million, with the contribution to sales of projects for the construction of large solar power generation plants, orders for which were received during the previous fiscal year, offset by a drop in sales to the government and public offices.

***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
Enterprise 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 Development, manufacturing, sales and systems integration of network equipment and other equipment.
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. Overseas subsidiaries
Others	Sales of purchased equipment

(2) Outlook for the Fiscal Year Ending March 31, 2018

The Japanese economy is expected to show a moderate recovery, reflecting the effect of government measures and improvements in employment and income conditions. However, the domestic economy continues to face downward pressure due to such factors as the sharp appreciation of the yen and concerns over a downturn in overseas economies.

In this economic environment, the consolidated forecast for the fiscal year ending March 31, 2018 remains unchanged from the plans on a company-wide basis, without any change from the initial forecast.

Net sales	¥270 billion	4.7% increase year on year
Operating income	¥10.5 billion	5.3% increase year on year
Ordinary income	¥10.5 billion	5.3% increase year on year
Net income attributable to owners of the parent	¥6.7 billion	2.3% increase year on year

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and cash equivalents	59,648	74,494
Notes and accounts receivable	91,152	59,868
Purchased goods, materials and supplies	2,679	2,978
Work in process	5,815	6,494
Other	9,796	10,292
Allowance for doubtful accounts	(92)	(84)
Total current assets	168,999	154,043
Non-current assets		
Property and equipment	10,719	10,438
Intangible assets		
Goodwill	1,689	1,625
Other	2,871	3,234
Total intangible assets	4,561	4,859
Investments and other assets		
Other	13,240	12,991
Allowance for doubtful accounts	(51)	(51)
Total investments and other assets	13,188	12,940
Total non-current assets	28,469	28,238
Total assets	197,469	182,281
Liabilities		
Current liabilities		
Notes and accounts payable	36,474	26,229
Short-term bank loans	4,069	3,514
Current installments of long-term debt	171	171
Accrued income taxes	2,964	346
Accrued bonuses to directors and corporate auditors	67	20
Accrued warranty on products	123	113
Accrued losses on sales contracts	645	759
Other current liabilities	18,981	19,296
Total current liabilities	63,498	50,452
Long-term liabilities		
Long-term debt	4,014	3,971
Liabilities for retirement benefits	31,206	31,386
Other liabilities	2,075	2,056
Total long-term liabilities	37,296	37,414
Total liabilities	100,795	87,867
Net assets		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,652	16,655
Retained earnings	70,622	68,209
Treasury stock, at cost	(272)	(273)
Total shareholders' equity	100,124	97,713
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	35	45
Foreign currency translation adjustments	(394)	(428)
Accumulated adjustments for retirement benefits	(5,154)	(5,054)
Total accumulated other comprehensive income	(5,513)	(5,437)
Non-controlling interests	2,062	2,138
Total net assets	96,674	94,414
Total liabilities and net assets	197,469	182,281

(2) Consolidated Statements of Income and Comprehensive Income**(Consolidated Statements of Income)**

(Millions of yen)

	1Q, FY March 2017 (3 months ended June 2016)	1Q, FY March 2018 (3 months ended June 2017)
Net sales	52,649	53,147
Cost of sales	44,987	45,517
Gross profit	7,661	7,629
Selling, general and administrative expenses	8,118	8,318
Operating income (loss)	(456)	(688)
Non-operating income		
Interest income	9	4
Exchange gain	-	26
Other	93	58
Total non-operating income	102	88
Non-operating expenses		
Interest expenses	21	27
Foreign exchange losses	35	-
Business reconstruction expenses for subsidiaries	18	31
Other	87	70
Total non-operating expenses	163	129
Ordinary income (loss)	(517)	(729)
Extraordinary losses		
Closing of affiliates cost	59	-
Total extraordinary losses	59	-
Income (loss) before income taxes	(576)	(729)
Income taxes	(98)	(200)
Net income (loss)	(478)	(529)
Net income (loss) attributable to non-controlling interests	55	97
Net income (loss) attributable to owners of the parent	(534)	(626)

(Millions of yen)

(Millions of yen)

	1Q, FY March 2017 (3 months ended June 2016)	1Q, FY March 2018 (3 months ended June 2017)
Net income (loss)	(478)	(529)
Other comprehensive income		
Net unrealized holding loss on other securities	(6)	10
Foreign currency translation adjustments	(149)	(26)
Adjustments for retirement benefit	184	99
Total other comprehensive income	28	83
Comprehensive income (loss)	(450)	(446)
Comprehensive income (loss) attributable to:		
Owners of the parent	(465)	(550)
Non-controlling interests	15	103

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1Q, FY March 2017 (3 months ended June 2016)	1Q, FY March 2018 (3 months ended June 2017)
Cash flows from operating activities		
Net income (loss) before income taxes	(576)	(729)
Depreciation and amortization	714	686
Amortization of goodwill	63	63
Increase (decrease) in asset for retirement benefit	(16)	100
Increase (decrease) in liability for retirement	114	341
Increase (decrease) in accrued bonuses to directors and	(82)	(47)
Increase (decrease) in accrued warranty on	(18)	(9)
Increase (decrease) in accrued losses on sales contracts	182	114
Interest and dividend income	(15)	(10)
Interest expense	21	27
(Increase) decrease in notes and accounts	38,385	31,235
(Increase) decrease in inventories	(2,226)	(979)
Increase (decrease) in notes and accounts payable	(14,232)	(10,233)
Increase (decrease) in accrued consumption taxes	(1,241)	(556)
Other, net	956	718
Subtotal	22,027	20,722
Interest and dividend income received	15	10
Interest paid	(18)	(25)
Income taxes paid	(3,486)	(2,451)
Net cash provided by (used in) operating activities	18,538	18,256
Cash flows from investing activities		
Purchase of property and equipment	(440)	(327)
Proceeds from sale of property and equipment	-	4
Purchase of intangibles	(91)	(586)
Purchase of investment securities	(1)	(1)
Loans receivable made	(1)	(0)
Collection of loans receivable	1	1
Other, net	(27)	(0)
Net cash used in investing activities	(561)	(911)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	415	(549)
Repayments of long-term debt	(42)	(42)
Dividends paid to shareholders	(1,725)	(1,773)
Dividends paid to minority shareholders of	(11)	(13)
Other, net	(125)	(108)
Net cash provided by used in financing activities	(1,488)	(2,487)
Effect of exchange rate changes on cash and cash equivalents	(32)	(10)
Net increase (decrease) in cash and cash equivalents	16,456	14,845
Cash and cash equivalents at beginning of period	43,889	59,648
Cash and cash equivalents at end of period	60,346	74,494

(4) Segment Information

Business Segment Information

First quarter of fiscal March 2018 (3 months ended June 2017)

(Millions of yen)

	Enterprise Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Sales						
(1) Sales to third parties	23,897	13,602	14,560	1,086	-	53,147
(2) Intersegment sales	-	-	-	-	-	-
Total	23,897	13,602	14,560	1,086	-	53,147
Operating income and loss	1,551	648	(907)	33	(2,014)	(688)

First quarter of fiscal March 2017 (3 months ended June 2016)

(Millions of yen)

	Enterprise Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Sales						
(1) Sales to third parties	23,253	13,109	14,794	1,492	-	52,649
(2) Intersegment sales	-	-	-	-	-	-
Total	23,253	13,109	14,794	1,492	-	52,649
Operating income and loss	1,515	157	(51)	51	(2,129)	(456)