

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 Half (April 1, 2017 to September 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 (%) |
|--|--------------------------|----------------------------|---------------------|----------------------------|--------------------|----------------------------|
| 6 months ended September 2017 | 119,937 | 0.9 | 2,514 | 45.8 | 2,640 | 42.5 |
| 6 months ended September 2016 | 118,833 | -7.0 | 1,725 | -51.2 | 1,852 | -48.5 |

| | Net income attributable to owners of the parent (¥ million) | Year-on-year change (%) | Net income per share (¥) | Net income per share (diluted) (¥) |
|--|---|----------------------------|--------------------------------|--|
| 6 months ended September 2017 | 1,613 | 59.5 | 32.51 | — |
| 6 months ended September 2016 | 1,011 | -48.0 | 20.39 | — |

c.f. Comprehensive income: 1H/FY Mar 2018: ¥2,004 million (86.8%); 1H/FY Mar 2017: ¥1,072 million (-50.9%)

(2) Financial Position

| | Total assets (¥ million) | Net assets (¥ million) | Owner's equity ratio (%) | Net assets per share (¥) |
|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------------|
| 30/Sep/2017 | 192,879 | 96,864 | 49.1 | 1,907.71 |
| 31/Mar/2017 | 197,469 | 96,674 | 47.9 | 1,906.03 |

c.f. Owner's equity: 30/Sep/2017: ¥94,692 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) | (%) | (¥) |
| 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 1H for the Fiscal Year Ending March 31, 2018

During the first half for the fiscal year ending March 31, 2018 (the period from April 1, 2017 to September 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 and signs of recovery began to appear. In the central and local governments as well as the public interest market, investment in improvements in safety and security and other urban infrastructure remained strong; however, the market also faced some harsh conditions as part of the business environment deteriorated. Following the revision of the Feed-In Tariff (FIT) Act, demand for the construction of solar power generation plants has become brisk. In the overseas market, while demand for the development of infrastructure for mobile communications and other businesses grew, particularly in Asia, market weakness was also evident, for instance in postponed projects in other regions.

In this market environment, the Group stepped up its initiatives for businesses related to the work style innovation, including EmpoweredOffice , and new technologies and themes such as robotics and AI in response to the growing momentum of work style reforms. The needs for teleworking, in particular, have been growing recently, and in July 2017, the Company introduced teleworking throughout the organization based on the results of an internal field trial that had been underway since 2015. At the same time, the Company implemented 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 mega-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 first half for the fiscal year under review:

| | | | |
|--|------------------|-------|-----------------------|
| Net sales | ¥119,937 million | 0.9% | increase year on year |
| Operating income | ¥2,514 million | 45.8% | increase year on year |
| Ordinary income | ¥2,640 million | 42.5% | increase year on year |
| Net income attributable to owners of the parent | ¥1,613 million | 59.5% | increase year on year |
| < Reference > | | | |
| Orders received | ¥128,653 million | 10.9% | decrease year on year |

Net sales increased 0.9% year on year, to ¥119,937 million. This result reflected growth in sales of services for telecom carriers in the Carrier Networks business, the contribution to sales of projects for the construction of large mega-solar power generation plants, orders for which were received in 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 innovation. Orders received decreased 10.9% year on year, to ¥128,653 million, due mainly to the larger orders received for the construction of large mega-solar power generation plants and for a large maintenance business for a telecom carrier that existed in the previous fiscal year.

On the profit front, operating income increased 45.8% year on year, to ¥2,514 million, ordinary income grew 42.5% year on year, to ¥2,640 million yen, and net income attributable to owners of the parent rose 59.5% year on year, to ¥1,613 million. This was a result primarily of an improved project mix and continuous cost structural reforms in the Enterprise Networks business and Carrier Networks business, which offset a decline in the Social Infrastructures segment due to a higher cost of sales ratio and an increase in selling, general and administrative expenses.

Operating results by business segment were as follows:

Net sales by business segment

(Million yen)

| | Enterprises Networks | Carrier Networks | Social Infrastructures | Other | Total |
|-------------------------------------|-------------------------|---------------------|---------------------------|---------|---------|
| 1H Fiscal 2018.3 | 51,971 | 30,403 | 35,244 | 2,318 | 119,937 |
| 1H Fiscal 2017.3 | 52,060 | 28,477 | 34,928 | 3,366 | 118,833 |
| Increase/(decrease) | (89) | 1,925 | 316 | (1,048) | 1,104 |
| Ratio of increase/(decrease) (%) | (0.2) | 6.8 | 0.9 | (31.1) | 0.9 |

Reference: Orders received by business segment

(Million yen)

| | Enterprise Networks | Carrier Networks | Social Infrastructures | Other | Total |
|-------------------------------------|------------------------|---------------------|---------------------------|--------|----------|
| 1H Fiscal 2018.3 | 52,920 | 31,037 | 41,923 | 2,771 | 128,653 |
| 1H Fiscal 2017.3 | 60,512 | 35,210 | 45,565 | 3,096 | 144,385 |
| Increase/(decrease) | (7,591) | (4,173) | (3,642) | (324) | (15,732) |
| Ratio of increase/(decrease) (%) | (12.5) | (11.9) | (8.0) | (10.5) | (10.9) |

1. Enterprise Networks business

While net sales remained generally unchanged year on year at ¥51,971 million, ICT investment in work style reform remained active and EmpoweredOffice, an office innovation solution business achieved growth.

2. Carrier Networks business

Net sales rose 6.8 % year on year, to ¥30,403 million thanks to the expansion of businesses for telecom carriers.

3. Social Infrastructures business

Net sales climbed 0.9% year on year, to ¥35,244 million, owing to the contribution of the construction of large mega-solar power generation plants, which were received in the previous fiscal year, offsetting a decrease in sales in the overseas businesses.

*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 September 30, 2017 |
|---|-------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 59,648 | 69,205 |
| Notes and accounts receivable | 91,152 | 75,834 |
| Purchased goods, materials and supplies | 2,679 | 2,897 |
| Work in process | 5,815 | 7,304 |
| Other current assets | 9,796 | 9,538 |
| Allowance for doubtful accounts | (92) | (99) |
| Total current assets | 168,999 | 164,681 |
| Non-current assets | | |
| Property and equipment | 10,719 | 10,464 |
| Intangible assets | | |
| Goodwill | 1,689 | 1,561 |
| Other | 2,871 | 3,282 |
| Total intangible assets | 4,561 | 4,843 |
| Investments and other assets | | |
| Other | 13,240 | 12,939 |
| Allowance for doubtful accounts | (51) | (50) |
| Total investments and other assets | 13,188 | 12,889 |
| Total non-current assets | 28,469 | 28,198 |
| Total assets | 197,469 | 192,879 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 36,474 | 32,361 |
| Short-term bank loans | 4,069 | 4,081 |
| Current installments of long-term debt | 171 | 171 |
| Accrued income taxes | 2,964 | 1,419 |
| Accrued bonuses to directors and corporate auditors | 67 | 38 |
| Accrued warranty on products | 123 | 119 |
| Accrued losses on sales contracts | 645 | 528 |
| Other current liabilities | 18,981 | 19,962 |
| Total current liabilities | 63,498 | 58,681 |
| Long-term liabilities | | |
| Long-term debt | 4,014 | 3,928 |
| Liabilities for retirement benefits | 31,206 | 31,434 |
| Other liabilities | 2,075 | 1,971 |
| Total long-term liabilities | 37,296 | 37,333 |
| Total liabilities | 100,795 | 96,015 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 13,122 | 13,122 |
| Capital surplus | 16,652 | 16,655 |
| Retained earnings | 70,622 | 70,449 |
| Treasury stock, at cost | (272) | (274) |
| Total shareholders' equity | 100,124 | 99,952 |
| Accumulated other comprehensive income | | |
| Net unrealized holding gain on other securities | 35 | 48 |
| Foreign currency translation adjustments | (394) | (431) |
| Accumulated adjustments for retirement benefits | (5,154) | (4,877) |
| Total accumulated other comprehensive income | (5,513) | (5,259) |
| Non-controlling interests | 2,062 | 2,171 |
| Total net assets | 96,674 | 96,864 |
| Total liabilities and net assets | 197,469 | 192,879 |

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

(Millions of yen)

| | 1H, FY March 2017 (6 months ended September 2016) | 1H, FY March 2018 (6 months ended September 2017) |
|--|--|--|
| Net sales | 118,833 | 119,937 |
| Cost of sales | 100,748 | 100,921 |
| Gross profit | 18,085 | 19,016 |
| Selling, general and administrative expenses | 16,359 | 16,501 |
| Operating income | 1,725 | 2,514 |
| Non-operating income | | |
| Interest income | 21 | 13 |
| Dividends income of insurance | 190 | 197 |
| Other | 154 | 101 |
| Total non-operating income | 366 | 312 |
| Non-operating expenses | | |
| Interest expenses | 42 | 55 |
| Business reconstruction expenses for subsidiaries | 41 | 37 |
| Other | 154 | 94 |
| Total non-operating expenses | 238 | 187 |
| Ordinary income | 1,852 | 2,640 |
| Extraordinary losses | | |
| Closing of affiliates cost | 79 | - |
| Total extraordinary losses | 79 | - |
| Income before income taxes | 1,773 | 2,640 |
| Income taxes | 655 | 902 |
| Net income | 1,118 | 1,737 |
| Net income attributable to non-controlling interests | 106 | 123 |
| Net income attributable to owners of the parent | 1,011 | 1,613 |

(Millions of yen)

(Millions of yen)

| | 1H, FY March 2017 (6 months ended September 2016) | 1H, FY March 2018 (6 months ended September 2017) |
|---|--|--|
| Net income | 1,118 | 1,737 |
| Other comprehensive income | | |
| Net unrealized holding loss on other securities | 4 | 12 |
| Foreign currency translation adjustments | (378) | (22) |
| Adjustments for retirement benefit | 328 | 277 |
| Total other comprehensive income | (45) | 267 |
| Comprehensive income | 1,072 | 2,004 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 1,080 | 1,867 |
| Non-controlling interests | (7) | 136 |

(3) Consolidated Statements of Cash Flows

(Millions of yen)

| | 1H, FY March 2017 (6 months ended September | 1H, FY March 2018 (6 months ended September 2017) |
|--|--|--|
| Cash flows from operating activities | | |
| Net income (loss) before income taxes | 1,773 | 2,640 |
| Depreciation and amortization | 1,431 | 1,275 |
| Amortization of goodwill | 127 | 127 |
| (Increase) decrease in asset for retirement benefit | (63) | 196 |
| Increase (decrease) in liability for retirement benefits | 275 | 548 |
| Increase (decrease) in accrued bonuses to directors and corporate auditors | (65) | (29) |
| Increase (decrease) in accrued warranty on products | (47) | (4) |
| Increase (decrease) in accrued losses on sales contracts | 524 | (117) |
| Interest and dividend income | (28) | (20) |
| Interest expense | 42 | 55 |
| (Increase) decrease in notes and accounts receivable | 28,735 | 15,291 |
| (Increase) decrease in inventories | (1,849) | (1,706) |
| Increase (decrease) in notes and accounts payable | (7,944) | (4,115) |
| Increase (decrease) in accrued consumption taxes | (1,214) | (429) |
| Other, net | 954 | 2,127 |
| Subtotal | 22,653 | 15,838 |
| Interest and dividend income received | 28 | 20 |
| Interest paid | (42) | (55) |
| Income taxes paid | (3,564) | (2,492) |
| Net cash provided by (used in) operating activities | 19,074 | 13,311 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (991) | (779) |
| Proceeds from sale of property and equipment | 0 | 4 |
| Purchase of intangibles | (172) | (860) |
| Proceeds from sale of intangibles | - | 3 |
| Purchase of investment securities | (4) | (8) |
| Proceeds from sale of investment securities | 3 | 4 |
| Loans receivable made | (1) | (0) |
| Collection of loans receivable | 2 | 1 |
| Other, net | (39) | (6) |
| Net cash used in investing activities | (1,204) | (1,641) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term bank loans | 626 | 0 |
| Repayments of long-term debt | (84) | (85) |
| Dividends paid to shareholders | (1,735) | (1,785) |
| Dividends paid to minority shareholders of subsidiaries | (14) | (17) |
| Other, net | (249) | (226) |
| Net cash provided by used in financing activities | (1,458) | (2,114) |
| Effect of exchange rate changes on cash and cash equivalents | (64) | 1 |
| Net increase (decrease) in cash and cash equivalents | 16,347 | 9,556 |
| Cash and cash equivalents at beginning of period | 43,889 | 59,648 |
| Cash and cash equivalents at end of period | 60,237 | 69,205 |

(4) Segment Information

Business Segment Information

First half of fiscal March 2018 (6 months ended September 2017)

(Millions of yen)

| | Enterprise Networks | Carrier Networks | Social Infrastructures | Others | Adjustments | Total |
|----------------------------|---------------------|------------------|------------------------|--------|-------------|---------|
| Sales | | | | | | |
| (1) Sales to third parties | 51,971 | 30,403 | 35,244 | 2,318 | - | 119,937 |
| (2) Intersegment sales | - | - | - | - | - | - |
| Total | 51,971 | 30,403 | 35,244 | 2,318 | - | 119,937 |
| Operating income and loss | 4,346 | 2,109 | 118 | 98 | (4,158) | 2,514 |

First half of fiscal March 2017 (6 months ended September 2016)

(Millions of yen)

| | Enterprise Networks | Carrier Networks | Social Infrastructures | Others | Adjustments | Total |
|----------------------------|---------------------|------------------|------------------------|--------|-------------|---------|
| Sales | | | | | | |
| (1) Sales to third parties | 52,060 | 28,477 | 34,928 | 3,366 | - | 118,833 |
| (2) Intersegment sales | - | - | - | - | - | - |
| Total | 52,060 | 28,477 | 34,928 | 3,366 | - | 118,833 |
| Operating income and loss | 3,621 | 1,048 | 1,459 | 106 | (4,511) | 1,725 |