

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 Nine Months (April 1, 2017 to December 31, 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 (%) |
|---------------------------------|--------------------------|----------------------------|---------------------|----------------------------|--------------------|----------------------------|
| 9 months/FY Mar 2018 | 184,926 | 3.1 | 4,443 | 28.6 | 4,471 | 24.4 |
| 9 months / FY Mar 2017 | 179,314 | -7.6 | 3,456 | -47.9 | 3,594 | -46.9 |

| | Net income attributable to owners of the parent (¥ million) | Year-on-year change (%) | Net income per share (¥) | Net income per share (diluted) (¥) |
|---------------------------------|---|----------------------------|--------------------------------|--|
| 9 months/FY Mar 2018 | 3,001 | 40.7 | 60.46 | — |
| 9 months/ FY Mar 2017 | 2,132 | -46.8 | 42.96 | — |

c.f. Comprehensive income: 9 Months/FY Mar 2018: ¥3,652 million (56.0%); 9 Months/FY Mar 2017: ¥2,341 million (-50.4%)

(2) Financial Position

| | Total assets (¥ million) | Net assets (¥ million) | Owner's equity ratio (%) | Net assets per share (¥) |
|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------------|
| 31/Dec/2017 | 191,427 | 96,675 | 49.3 | 1,903.18 |
| 31/Mar/2017 | 197,469 | 96,674 | 47.9 | 1,906.03 |

c.f. Owner's equity: 31/Dec/2017: ¥94,467 million; 31/Mar/2017: ¥94,611 million

2. Dividends

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

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 First Nine Months for the Fiscal Year Ending March 31, 2018

During the first Nine Months for the fiscal year ending March 31, 2018 (the period from April 1, 2017 to December 31, 2017), the Japanese economy continued to experience a moderate recovery, supported by the effects of various political measures and a moderate increase in capital spending, together with improvements in 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 a slight recovery has appeared.

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 competitive environment remained harsh in part, showing weakness.

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 such as the renewal of “EmpoweredOffice Center,” the showroom at the head office, by incorporating the cutting-edge technologies and services of Japan and other countries. 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 Nine Months under review:

| | | | |
|--|------------------|-------|-----------------------|
| Net sales | ¥184,926 million | 3.1% | increase year on year |
| Operating income | ¥4,443 million | 28.6% | increase year on year |
| Ordinary income | ¥4,471 million | 24.4% | increase year on year |
| Net income attributable to owners of the parent | ¥3,001 million | 40.7% | increase year on year |
| <Reference> | | | |
| Orders received | ¥201,665 million | 0.2% | decrease year on year |

Net sales increased 3.1% year on year, to ¥184,926 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 remained on a par with the result for the same period of the previous fiscal year, 201,665 million yen, due mainly to the new order received for the construction of large mega-solar power generation plants and growth in orders for central and local governments, including disaster prevention systems as well as a large project acquisition in the social infrastructures segment, offsetting the absence of the large projects in the previous fiscal year.

On the profit front, operating income increased 28.6% year on year, to ¥4,443 million, ordinary income grew 24.4% year on year, to ¥4,471 million yen, and net income attributable to owners of the parent rose 40.7% year on year, to ¥3,001 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:

Sales by business segment

(Million yen)

| | Enterprises Networks | Carrier Networks | Social Infrastructures | Other | Total |
|-------------------------------------|-------------------------|---------------------|---------------------------|--------------|----------------|
| 9M Fiscal 2018.3 | 78,960 | 45,864 | 55,450 | 4,650 | 184,926 |
| 9M Fiscal 2017.3 | 77,404 | 42,646 | 54,311 | 4,951 | 179,314 |
| Increase/(decrease) | 1,556 | 3,217 | 1,138 | (301) | 5,612 |
| Ratio of increase/(decrease) (%) | 2.0 | 7.5 | 2.1 | (6.1) | 3.1 |

Reference: Orders received by business segment

(Million yen)

| | Enterprise Networks | Carrier Networks | Social Infrastructures | Other | Total |
|-------------------------------------|------------------------|---------------------|---------------------------|--------------|----------------|
| 9M Fiscal 2018.3 | 84,879 | 46,528 | 65,466 | 4,790 | 201,665 |
| 9M Fiscal 2017.3 | 85,354 | 50,054 | 62,359 | 4,359 | 202,127 |
| Increase/(decrease) | (475) | (3,526) | 3,107 | 430 | (462) |
| Ratio of increase/(decrease) (%) | (0.6) | (7.0) | 5.0 | 9.9 | (0.2) |

1. Enterprise Networks business

ICT investment in work style reform remained active and EmpoweredOffice, an office innovation solution business, achieved growth. In addition, the electric facilities in the project received in the previous fiscal year for construction of large mega-solar power generation plants contributed to the sales. As a result, sales increased 2.0% year on year to 78,960 million yen.

2. Carrier Networks business

Sales rose 7.5 % year on year, to ¥45,864 million thanks to the expansion of businesses for telecom carriers.

3. Social Infrastructures business

Sales climbed 2.1% year on year, to ¥55,450 million, reflecting the contribution of civil engineering and development in 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 December 31, 2017 |
|---|-------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 59,648 | 59,127 |
| Notes and accounts receivable | 91,152 | 82,511 |
| Purchased goods, materials and supplies | 2,679 | 2,652 |
| Work in process | 5,815 | 9,079 |
| Other | 9,796 | 10,022 |
| Allowance for doubtful accounts | (92) | (98) |
| Total current assets | <u>168,999</u> | <u>163,296</u> |
| Non-current assets | | |
| Property and equipment | 10,719 | 10,090 |
| Intangible assets | | |
| Goodwill | 1,689 | 1,456 |
| Other | 2,871 | 3,510 |
| Total intangible assets | <u>4,561</u> | <u>4,966</u> |
| Investments and other assets | | |
| Other | 13,240 | 13,124 |
| Allowance for doubtful accounts | (51) | (49) |
| Total investments and other assets | <u>13,188</u> | <u>13,074</u> |
| Total non-current assets | <u>28,469</u> | <u>28,131</u> |
| Total assets | <u>197,469</u> | <u>191,427</u> |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 36,474 | 32,235 |
| Short-term bank loans | 4,069 | 4,016 |
| Current installments of long-term debt | 171 | 171 |
| Accrued income taxes | 2,964 | 1,017 |
| Accrued bonuses to directors and corporate auditors | 67 | 18 |
| Accrued warranty on products | 123 | 116 |
| Accrued losses on sales contracts | 645 | 530 |
| Other current liabilities | 18,981 | 19,409 |
| Total current liabilities | <u>63,498</u> | <u>57,515</u> |
| Long-term liabilities | | |
| Long-term debt | 4,014 | 3,885 |
| Liabilities for retirement benefits | 31,206 | 31,477 |
| Other liabilities | 2,075 | 1,873 |
| Total long-term liabilities | <u>37,296</u> | <u>37,236</u> |
| Total liabilities | <u>100,795</u> | <u>94,752</u> |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 13,122 | 13,122 |
| Capital surplus | 16,652 | 16,655 |
| Retained earnings | 70,622 | 70,000 |
| Treasury stock, at cost | (272) | (275) |
| Total shareholders' equity | <u>100,124</u> | <u>99,502</u> |
| Accumulated other comprehensive income | | |
| Net unrealized holding gain on other securities | 35 | 57 |
| Foreign currency translation adjustments | (394) | (388) |
| Accumulated adjustments for retirement benefits | (5,154) | (4,704) |
| Total accumulated other comprehensive income | <u>(5,513)</u> | <u>(5,034)</u> |
| Non-controlling interests | 2,062 | 2,207 |
| Total net assets | <u>96,674</u> | <u>96,675</u> |
| Total liabilities and net assets | <u>197,469</u> | <u>191,427</u> |

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

(Millions of yen)

| | FY Mar/2017 1Q-3Q (9 months ended Dec. 2016) | FY/Mar 2018 1Q-3Q (9 months ended Dec. 2017) |
|--|---|---|
| Net sales | 179,314 | 184,926 |
| Cost of sales | 151,381 | 155,782 |
| Gross profit | 27,932 | 29,143 |
| Selling, general and administrative expenses | 24,476 | 24,700 |
| Operating income | 3,456 | 4,443 |
| Non-operating income | | |
| Interest income | 31 | 24 |
| Insurance income | 190 | 197 |
| Other | 219 | 148 |
| Total non-operating income | 441 | 370 |
| Non-operating expenses | | |
| Interest expenses | 65 | 87 |
| Other | 237 | 254 |
| Total non-operating expenses | 303 | 342 |
| Ordinary income | 3,594 | 4,471 |
| Extraordinary income | | |
| Gain on sale of non-current assets | - | 283 |
| Gain on sale of investment in affiliates | - | 38 |
| Total extraordinary income | - | 322 |
| Extraordinary losses | | |
| Closing of affiliates cost | 87 | - |
| Total extraordinary losses | 87 | - |
| Income before income taxes | 3,507 | 4,793 |
| Income taxes | 1,233 | 1,662 |
| Net income | 2,273 | 3,130 |
| Net income attributable to non-controlling interests | 141 | 129 |
| Net income attributable to owners of the parent | 2,132 | 3,001 |

(Millions of yen)

| | FY Mar/2017 1Q-3Q (9 months ended Dec. 2016) | FY/Mar 2018 1Q-3Q (9 months ended Dec. 2017) |
|---|---|---|
| Net income | 2,273 | 3,130 |
| Other comprehensive income | | |
| Net unrealized holding loss on other securities | 11 | 22 |
| Foreign currency translation adjustments | (417) | 49 |
| Adjustments for retirement benefit | 473 | 450 |
| Total other comprehensive income | 67 | 522 |
| Comprehensive income | 2,341 | 3,652 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 2,315 | 3,480 |
| Non-controlling interests | 26 | 172 |

(3) Consolidated Statements of Cash Flows

(Millions of yen)

| | FY Mar/2017 1Q-3Q (9 months ended Dec. 2016) | FY/Mar 2018 1Q-3Q (9 months ended Dec. 2017) |
|--|---|---|
| Cash flows from operating activities | | |
| Net income before income taxes | 3,507 | 4,793 |
| Depreciation and amortization | 2,164 | 1,906 |
| Amortization of goodwill | 191 | 190 |
| Increase (decrease) in asset for retirement benefit | (70) | 228 |
| Increase (decrease) in liability for retirement benefits | 534 | 743 |
| Increase (decrease) in accrued bonuses to directors and corporate auditors | (80) | (49) |
| Increase (decrease) in accrued warranty on products | (63) | (7) |
| Increase (decrease) in accrued losses on sales contracts | (55) | (116) |
| Interest and dividend income | (40) | (32) |
| Interest expense | 65 | 87 |
| (Increase) decrease in notes and accounts receivable | 26,870 | 8,747 |
| (Increase) decrease in inventories | (3,004) | (3,229) |
| Increase (decrease) in notes and accounts payable | (8,749) | (4,363) |
| Increase (decrease) in accrued consumption taxes | (861) | (228) |
| Other, net | 1,990 | 732 |
| Subtotal | 22,396 | 9,400 |
| Interest and dividend income received | 40 | 32 |
| Interest paid | (62) | (85) |
| Income taxes paid | (4,060) | (3,682) |
| Net cash provided by (used in) operating activities | 18,314 | 5,665 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (1,340) | (1,115) |
| Proceeds from sale of property and equipment | 0 | 384 |
| Purchase of intangibles | (550) | (1,195) |
| Proceeds from sale of intangibles | - | 11 |
| Purchase of investment securities | (7) | (25) |
| Proceeds from sale of investment securities | 3 | 4 |
| Loans receivable made | (1) | (1) |
| Collection of loans receivable | 4 | 2 |
| Proceeds from sales of investments in affiliates | - | 74 |
| Other, net | (124) | (115) |
| Net cash used in investing activities | (2,017) | (1,974) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term bank loans | 551 | (125) |
| Repayments of long-term debt | (120) | (128) |
| Dividends paid to shareholders | (3,514) | (3,615) |
| Dividends paid to minority shareholders of subsidiaries | (14) | (17) |
| Other, net | (383) | (335) |
| Net cash provided by used in financing activities | (3,482) | (4,222) |
| Effect of exchange rate changes on cash and cash equivalents | (104) | 10 |
| Net increase (decrease) in cash and cash equivalents | 12,709 | (520) |
| Cash and cash equivalents at beginning of period | 43,889 | 59,648 |
| Cash and cash equivalents at end of period | 56,599 | 59,127 |

(4) Segment Information

Business Segment Information

1Q-3Q of fiscal March 2018 (9 months ended December 2017)

(Millions of yen)

| | Enterprise Networks | Carrier Networks | Social Infrastructures | Others | Adjustments | Total |
|--------------------------------|---------------------|------------------|------------------------|--------------|----------------|----------------|
| Sales | | | | | | |
| (1) Sales to third parties | 78,960 | 45,864 | 55,450 | 4,650 | - | 184,926 |
| (2) Intersegment sales | - | - | - | - | - | - |
| Total | 78,960 | 45,864 | 55,450 | 4,650 | - | 184,926 |
| Operating income (loss) | 6,897 | 2,912 | 640 | 204 | (6,212) | 4,443 |

1Q-3Q of fiscal March 2017 (9 months ended December 2016)

(Millions of yen)

| | Enterprise Networks | Carrier Networks | Social Infrastructures | Others | Adjustments | Total |
|--------------------------------|---------------------|------------------|------------------------|--------------|----------------|----------------|
| Sales | | | | | | |
| (1) Sales to third parties | 77,404 | 42,646 | 54,311 | 4,951 | - | 179,314 |
| (2) Intersegment sales | - | - | - | - | - | - |
| Total | 77,404 | 42,646 | 54,311 | 4,951 | - | 179,314 |
| Operating income (loss) | 5,416 | 1,663 | 2,793 | 178 | (6,596) | 3,456 |