

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

NEC Networks &amp; 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, 2018 to September 30, 2018)**  
**of Fiscal Year ending March 31, 2019**

(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 (%)
<b>6 months ended September 2018</b>	<b>122,506</b>	<b>2.1</b>	<b>2,632</b>	<b>4.7</b>	<b>2,900</b>	<b>9.9</b>
6 months ended September 2017	119,937	0.9	2,514	45.8	2,640	42.5

	Net income attributable to owners of the parent (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
<b>6 months ended September 2018</b>	<b>1,911</b>	<b>18.4</b>	<b>38.51</b>	—
6 months ended September 2017	1,613	59.5	32.51	—

c.f. Comprehensive income: 1H/FY Mar 2019: ¥2,113 million (5.4%); 1H/FY Mar 2018: ¥2,004 million (86.8%)

**(2) Financial Position**

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
<b>30/Sep/2018</b>	<b>200,417</b>	<b>102,225</b>	<b>49.8</b>	<b>2,009.13</b>
31/Mar/2018	207,643	101,732	47.9	2,004.04

c.f. Owner's equity: 30/Sep/2018: ¥99,725 million; 31/Mar/2018: ¥99,473 million

**2. Dividends**

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended Mar. 2018	—	37.00	—	37.00	74.00
<b>FY ending Mar. 2019</b>	—	<b>38.00</b>	— ※	<b>38.00</b> ※	<b>76.00</b> ※

※ Forecasts

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

**3. Financial Forecasts for Fiscal Year ending March 31, 2019 (April 1, 2018 to March 31, 2019)**

(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. 2019	280,000	4.5	11,500	4.0	11,500	5.0	7,500	1.9	151.10

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, 2019

During the first half of the fiscal year ending March 31, 2019 (the period from April 1, 2018, to September 30, 2018), the Japanese economy continued a moderate recovery, supported by policy effects accompanied by improvements observed in employment and income conditions, despite worrying trends in areas such as trade and associated fluctuations in financial and capital markets and a string of natural disasters

Under those economic conditions, disparities were observed in different segments of the information and communication technology (ICT) market, the business domain where NEC Networks & System Integration Corporation (hereinafter “the Company”) operates.

In the enterprises market, companies maintained a high level of investment in management improvements, such as work-style innovation and strengthening their competitiveness, and revived capital expenditure in response to rising inbound tourism. In addition, interest in cutting-edge technologies, including DX (digital transformation) such as artificial intelligence (AI), the Internet of things (IoT), and data analysis, has been rising. In the telecommunications carrier business, investment in network infrastructure centering on mobile base stations showed a recovery. In the central and local government and public interest-related markets, investment in improving urban infrastructure such as broadcasting and CATV remained active. On the other hand, in some fields, effects have been observed from natural disasters and investments in firefighting commander systems, which have entered a transitional period. Overseas markets showed signs of recovery, including an increase in demand for telecommunication facilities in ASEAN regions in response to improvements in urban infrastructure, as well as the resumption of capital expenditure which had been postponed in some regions due to the impact of factors such as crude oil prices.

In this market environment, the Company and its consolidated subsidiaries (hereinafter the “Group”) continued to step up their initiatives in businesses related to work-style innovation, including “EmpoweredOffice (\*),” in response to a growing trend to change work styles. At the same time, the Group has proactively proceeded with growth investment such as R&D and verification of new solutions, including a verification test for the DX technology field, as well as investment in venture enterprises through the CVC fund established in January 2018. We also responded actively to demand for improvements in network infrastructure in step with to hotel construction, which has been more active in recent years. In addition, the Group bolstered its systems to expand businesses for telecommunications carriers whose capital spending is expected to recover, which included the establishment of a new company jointly with KDDI Corporation and the rebuilding of a base station construction system.

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

Net sales	¥122,506 million	2.1%	increase year on year
Operating income	¥2,632 million	4.7%	increase year on year
Ordinary income	¥2,900 million	9.9%	increase year on year
Net income attributable to owners of the parent	¥1,911 million	18.4%	increase year on year
< Reference >			
Orders received	¥146,727 million	14.0%	increase year on year

Net sales increased 2.1% year on year, to ¥ 122,506 million. The result reflected growth in sales achieved in the Enterprise Networks business and Carrier Networks business, centering on key areas under the Group's medium-term business strategy (covering the period from the fiscal year ended March 31, 2017, to the fiscal year ending March 31, 2019) such as work-style innovation. Orders received grew 14.0% year on year, to ¥146,727 million, due to strong results posted for general companies consisting primarily of financial companies, in which projects concentrated in the first half of the fiscal year under review and service companies such as hotels, , as well as the recovery of capital spending on network infrastructure among telecommunications carriers.

Looking at profits, operating income rose 4.7% year on year, to ¥2,632 million, ordinary income grew 9.9% year on year, to ¥2,900 million, and net income attributable to owners of the parent rose 18.4% year on year, to ¥1,911 million. These results reflected factors such as the decline in the earnings of the Social Infrastructures business and its execution of proactive investment in growth, which was offset by an improvement in the cost of sales ratio in the Enterprise Networks business that resulted primarily from positive changes in the sales mix, such as the increased weighting of projects with high added value, and efficiency gains.

Operating results by business segment were as follows:

**Net sales by business segment**

(Million yen)

	Enterprise Networks	Carrier Networks	Social Infrastructures	Other	Total
<b>1H Fiscal 2019.3</b>	55,816	31,556	32,016	3,116	122,506
1H Fiscal 2018.3	51,971	30,403	35,244	2,318	119,937
Increase or (decrease)	3,845	1,153	(3,228)	798	2,568
Ratio of increase/(decrease) (%)	7.4	3.8	(9.2)	34.5	2.1

**Reference: Orders received by business segment**

(Million yen)

	Enterprise Networks	Carrier Networks	Social Infrastructures	Other	Total
<b>1H Fiscal 2019.3</b>	58,519	39,139	45,250	3,816	146,727
1H Fiscal 2018.3	52,920	31,037	41,923	2,771	128,653
Increase or (decrease)	5,599	8,102	3,327	1,044	18,074
Ratio of increase/(decrease) (%)	10.6	26.1	7.9	37.7	14.0

**1. Enterprise Networks business**

ICT investment in work-style reforms remained strong. EmpoweredOffice, a work-style innovation solution, achieved growth, too. As a result, net sales for the business increased 7.4% year on year, to ¥55,816 million.

**2. Carrier Networks business**

Net sales for the business rose 3.8% year on year, to ¥31,556 million, reflecting the growth in business for telecommunications carriers and non-carrier businesses such as network development for service industries.

**3. Social Infrastructures business**

Net sales for the business decreased 9.2% year on year, to ¥32,016 million, as a reactionary fall in civil engineering for development in large projects for constructing mega solar power plants and decreased sales in businesses for overseas markets offset growth in the broadcasting and CATV segment.

**\*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, 2019

The Japanese economy is expected to show a moderate recovery, reflecting factors such as the effects of central government measures and improvements in employment and income conditions. However, the domestic economy continues to face downward pressure owing to factors such as concerns over a downturn in overseas economies under the effects of trade issues and other conditions.

Regarding the Group's consolidated business forecasts for the fiscal year ending March 31, 2019, although strong progress was made during the first half of the fiscal year, the initial projections remain unchanged in view of uncertainties in the macroeconomic environment.

Net sales	¥280 billion	4.5% increase year on year
Operating income	¥11.5 billion	4.0% increase year on year
Ordinary income	¥11.5 billion	5.0% increase year on year
Net income attributable to owners of the parent	¥7.5 billion	1.9% increase year on year

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	57,281	66,416
Notes and accounts receivable	103,911	82,440
Electronically recorded monetary claims	494	481
Purchased goods, materials and supplies	2,379	3,872
Work in process	5,858	8,757
Other	5,414	5,494
Allowance for doubtful accounts	(121)	(83)
Total current assets	175,218	167,378
Non-current assets		
Property and equipment	10,093	10,342
Intangible assets		
Goodwill	1,394	1,270
Other	3,990	4,308
Total intangible assets	5,384	5,578
Investments and other assets		
Deferred tax assets	12,714	12,598
Other	4,270	4,585
Allowance for doubtful accounts	(37)	(66)
Total investments and other assets	16,947	17,117
Total non-current assets	32,425	33,038
Total assets	207,643	200,417
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	39,574	31,858
Electronically recorded obligations	728	674
Short-term bank loans	4,086	3,692
Current installments of long-term debt	3,171	3,171
Accrued income taxes	3,768	1,471
Accrued bonuses to directors and corporate auditors	102	44
Accrued warranty on products	116	111
Accrued losses on sales contracts	557	1,029
Other current liabilities	20,768	23,292
Total current liabilities	72,874	65,347
Long-term liabilities		
Long-term debt	842	757
Liabilities for retirement benefits	30,428	30,354
Other liabilities	1,765	1,732
Total long-term liabilities	33,037	32,844
Total liabilities	105,911	98,191
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,655	16,659
Retained earnings	74,357	74,432
Treasury stock, at cost	(276)	(277)
Total shareholders' equity	103,858	103,936
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	42	27
Foreign currency translation adjustments	(374)	(493)
Accumulated adjustments for retirement benefits	(4,053)	(3,746)
Total accumulated other comprehensive income	(4,385)	(4,211)
Non-controlling interests	2,258	2,500
Total net assets	101,732	102,225
Total liabilities and net assets	207,643	200,417

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

(Millions of yen)

	1H, FY March 2018 (6 months ended September 2017)	1H, FY March 2019 (6 months ended September 2018)
Net sales	119,937	122,506
Cost of sales	100,921	102,979
Gross profit	19,016	19,526
Selling, general and administrative expenses	16,501	16,894
Operating income	2,514	2,632
Non-operating income		
Interest income	13	20
Dividends income of insurance	197	193
Other	101	175
Total non-operating income	312	389
Non-operating expenses		
Interest expenses	55	53
Loss on disposal of property and equipment	29	33
Business reconstruction expenses for subsidiaries	37	-
Other	64	33
Total non-operating expenses	187	120
Ordinary income	2,640	2,900
Income before income taxes	2,640	2,900
Income taxes	902	889
Net income	1,737	2,011
Net income attributable to non-controlling interests	123	99
Net income attributable to owners of the parent	1,613	1,911

(Millions of yen)

(Millions of yen)

	1H, FY March 2018 (6 months ended September 2017)	1H, FY March 2019 (6 months ended September 2018)
Net income	1,737	2,011
Other comprehensive income		
Net unrealized holding loss on other securities	12	(14)
Foreign currency translation adjustments	(22)	(187)
Adjustments for retirement benefit	277	307
Share of other comprehensive income of associates accounted for using equity method	—	(2)
Total other comprehensive income	267	102
Comprehensive income	2,004	2,113
Comprehensive income attributable to:		
Owners of the parent	1,867	2,084
Non-controlling interests	136	28

**(3) Consolidated Statements of Cash Flows**

(Millions of yen)

	1H, FY March 2018 (6 months ended September 2017)	1H, FY March 2019 (6 months ended September 2018)
Cash flows from operating activities		
Net income before income taxes	2,640	2,900
Depreciation and amortization	1,275	1,242
Amortization of goodwill	127	123
Increase (decrease) in allowance for doubtful receivables	5	(5)
(Increase) decrease in asset for retirement benefit	196	134
Increase (decrease) in liability for retirement benefits	548	269
Increase (decrease) in accrued bonuses to directors and corporate auditors	(29)	(57)
Increase (decrease) in accrued warranty on products	(4)	(4)
Increase (decrease) in accrued losses on sales contracts	(117)	472
Interest and dividend income	(20)	(34)
Interest expense	55	53
(Increase) decrease in notes and accounts receivable	15,291	21,219
(Increase) decrease in inventories	(1,706)	(4,404)
Increase (decrease) in notes and accounts payable	(4,115)	(7,720)
Increase (decrease) in accrued consumption taxes	(429)	(868)
Other, net	2,122	4,179
Subtotal	15,838	17,499
Interest and dividend income received	20	34
Interest paid	(55)	(54)
Income taxes paid	(2,492)	(3,254)
Net cash provided by (used in) operating activities	13,311	14,225
Cash flows from investing activities		
Purchase of property and equipment	(779)	(1,080)
Proceeds from sale of property and equipment	4	0
Purchase of intangibles	(860)	(1,153)
Proceeds from sale of intangibles	3	-
Purchase of investment securities	(8)	(115)
Loans receivable made	(0)	-
Collection of loans receivable	1	0
Other, net	(1)	(386)
Net cash used in investing activities	(1,641)	(2,734)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	0	(290)
Repayments of long-term debt	(85)	(85)
Net (increase) decrease in treasury shares	(2)	(1)
Dividends paid to shareholders	(1,785)	(1,834)
Dividends paid to minority shareholders of subsidiaries	(17)	(27)
Proceeds from share issuance to non-controlling shareholders	-	245
Other, net	(224)	(229)
Net cash provided by used in financing activities	(2,114)	(2,223)
Effect of exchange rate changes on cash and cash equivalents	1	(132)
Net increase (decrease) in cash and cash equivalents	9,556	9,134
Cash and cash equivalents at beginning of period	59,648	57,281
Cash and cash equivalents at end of period	69,205	66,416



#### (4) Segment Information

##### Business Segment Information

First half of fiscal March 2019 (6 months ended September 2018)

(Millions of yen)

	Enterprise Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
<b>Sales</b>						
(1) Sales to third parties	55,816	31,556	32,016	3,116	-	122,506
(2) Intersegment sales	-	-	-	-	-	-
<b>Total</b>	<b>55,816</b>	<b>31,556</b>	<b>32,016</b>	<b>3,116</b>	<b>-</b>	<b>122,506</b>
<b>Operating income and loss</b>	<b>5,102</b>	<b>1,835</b>	<b>(123)</b>	<b>131</b>	<b>(4,315)</b>	<b>2,632</b>

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

(Millions of yen)

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