Empowered by Innovation

Annual Report 2011

Year Ended March 31, 2011

NEC Networks & System Integration Corporation

Profile

NEC Networks & System Integration Corporation ("the Company") was established in 1953 primarily as a builder of communications infrastructure. Today, as a top-class system integrator in Japan's ICT business field, the Company provides a full range of customer-driven services in ICT with a core of networks along with total facility management for enterprises, telecom carriers and the government.

Although its business areas are centered on system integration and services such as BPO, cloud and system operation, the Company also retain engineering, our core business at the time of our foundation, as an element differentiating us from other system integrators. As one of very few comprehensive system integrators in Japan, it is in a very unique position.

Foundation Era

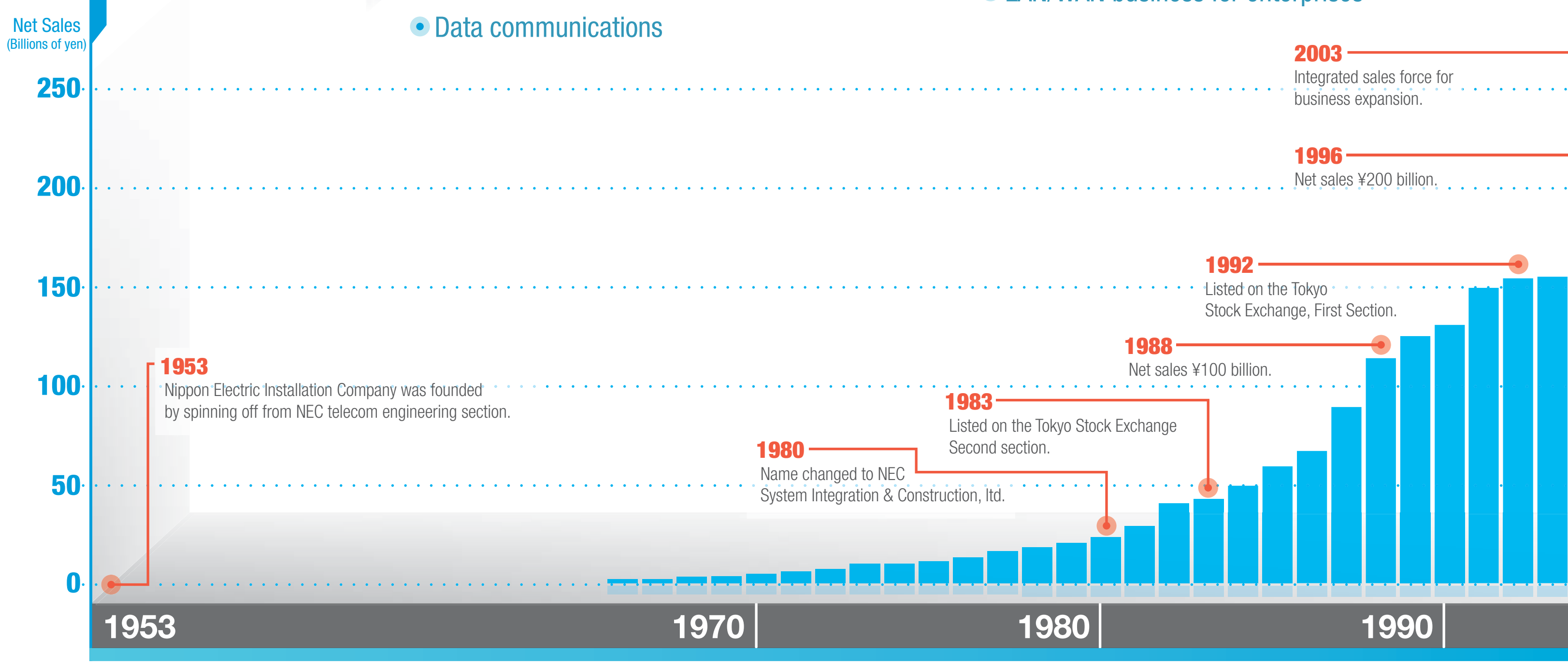
- Installation of switching equipment and its maintenance

Growth by Telecommunications Engineering Business

- Broadcasting system, submarine cable, radio communication (satellite, microwave communications system)
- Full-scale overseas operations
- Data communications

Telecommunications Engineering + Network SI & Maintenance

- 24/7 nationwide maintenance service in Japan
- Communications system for telecom carriers along with telecom liberalization (switching system, mobile communication base station)
- LAN/WAN business for enterprises



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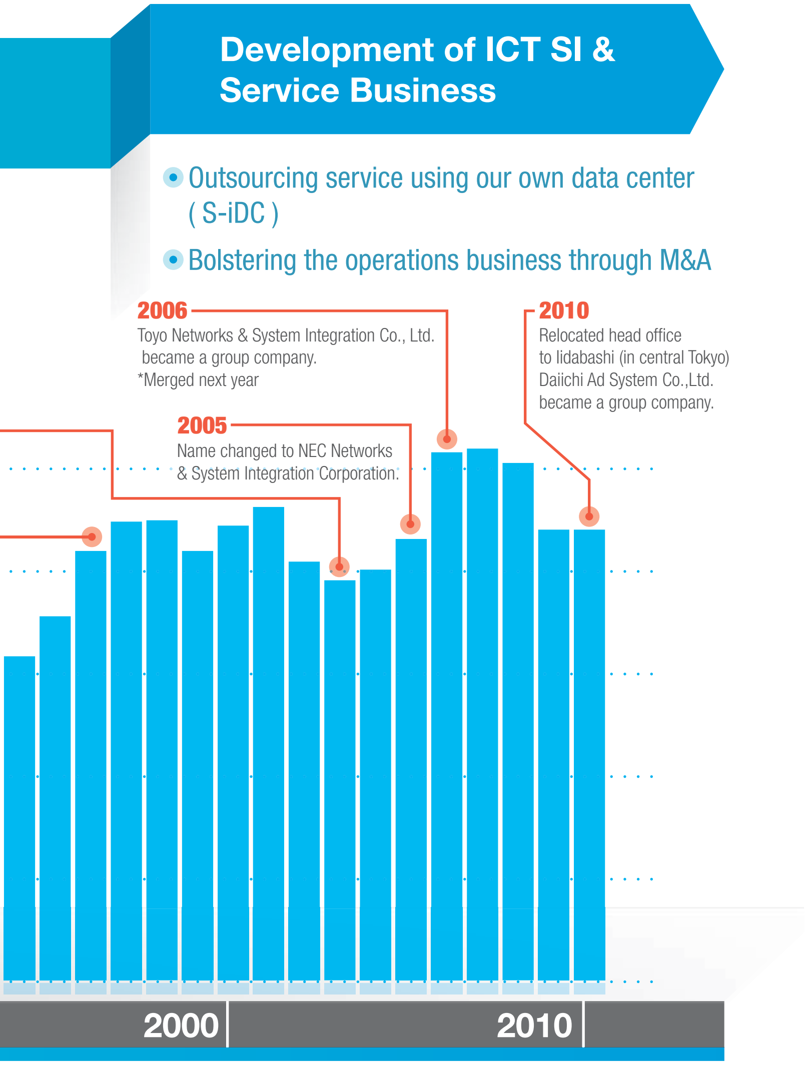


Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements concerning NEC Networks & System Integration Corporation and its consolidated subsidiaries' current plans, projections, strategies and performance. These forward-looking statements are not historical facts. Rather, they represent the assumptions and beliefs of the company management based on information currently available. The company therefore wishes to caution readers that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of risks or uncertainties.

Financial Highlights

Achieved higher operating income and ordinary income

Although net sales increased only marginally, steps necessary for the future growth have been taken.

Check Points

1. Although net sales for the year only marginally increased, the Company took steps to ensure future growth.

2. Operating income increased, reflecting overall cost innovation.

3. The Company took steps to ensure future growth by developing cloud computing bases in western Japan.

Q: How were net sales for the fiscal year under review?

Net sales for the year rose slightly on a year-on-year basis. Sales from the solutions that used ICT for companies such as financial and service industries increased, while sales from the development of information infrastructure to enhance local information networks for government also climbed. This offset a fall in sales from overseas communications infrastructure construction work. In addition, despite the adverse impact from the earthquake, sales began to increase in the second half of the year, pointing to a stronger performance in the future.

Q: What was income for the fiscal year under review?

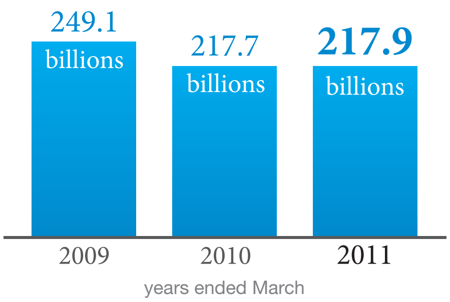
Given the effects of a company wide effort to cut overall costs, the cost of sales ratio and the ratio of selling, general, and administrative expenses to sales improved. As a result, operating income rose approximately 10% from the previous year, and ordinary income rose approximately 8%, while both the operating profit margin and ordinary profit margin reached record highs at 5.0%. Net income fell approximately 18% year on year, reflecting the recording of extraordinary losses, such as expenses associated with the relocation of the head office in October 2010, charges for restructuring subsidiaries, and losses from the Great East Japan Earthquake.

NEC

Net sales

¥ 217.9 billion

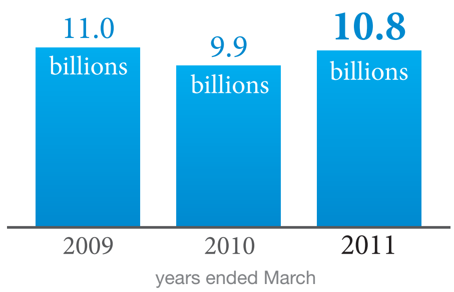
(0.1% increase year on year)



Operating income

¥ 10.8 billion

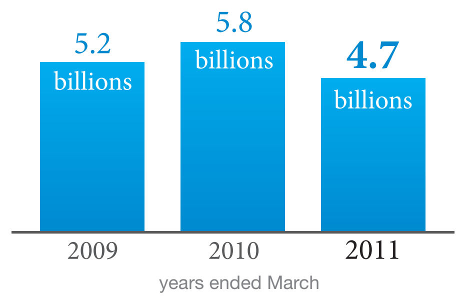
(9.8% increase year on year)



Net income

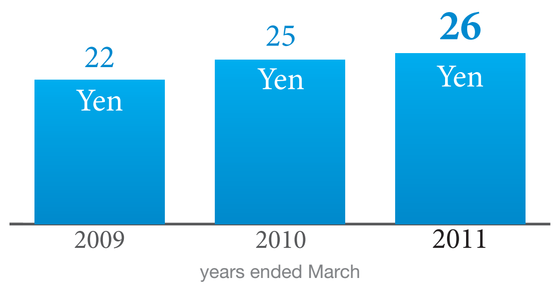
¥ 4.7 billion

(18.2% decrease year on year)



Dividends

The Company's policy of dividend payments is to distribute profits to meet its shareholders' expectations by taking into account operating results, while it places importance on maintaining retained earnings with an eye to strategic investments in growth areas. As a result we increased annual dividend payments to 26 yen per share for the fiscal year ended March 2011.

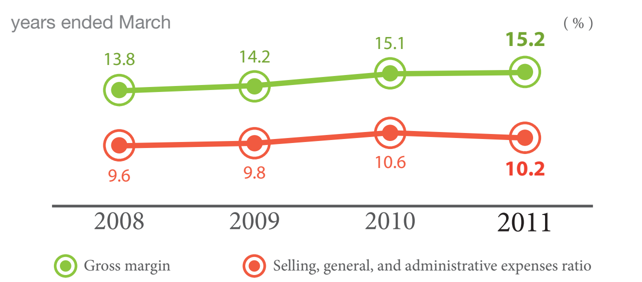


Financial α plus

Our earnings capability has been bolstered through overall cost innovation.

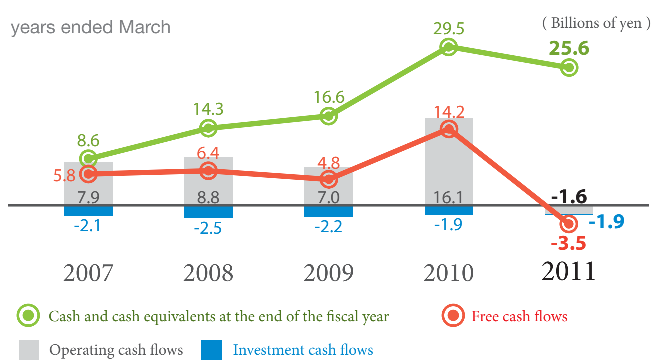
Strengthening the earning capability

Since the relocation of its head office, the company has been accelerating its management innovation activity, and employees have been united in streamlining overall expenses, including costs and selling, general, and administrative expenses. We carried out thorough project management even for large-scale projects, including those related to local information networks. As a result, gross margin has improved steadily.



Financial strength that ensures aggressive investments for growth

Although there was a temporary excess of expenditures, due to factors such as the timing of the collection of funds from large-scale projects, the Company maintained an annual average of more than ¥5 billion of free cash flows, securing sound financial strength. By using its strong financial situation, the Company will accelerate growth going forward.



President Masahiko Yamamoto expresses his views on initiatives to achieve further growth.

Interview with the President

Aiming for further growth

Facing a major transformation in society, NEC Networks & System Integration Corporation continues to evolve and advance by tackling a range of challenges.

Q: What is the impact on the Company's operations from the Great East Japan Earthquake?

Fortunately, the impact of the earthquake on the Company's operations has been limited.

We would like to express our deepest condolences for the victims and their families. We sincerely hope for the earliest recovery of the afflicted areas.

The Company has been offering maximum support and assistance to its customers in the disaster afflicted areas in their efforts to restore their services and operations. Since immediately after the earthquake, the Company has dispatched more than 100 employees to the areas hit by the disaster and it has been working on restoring lifeline facilities, such as mobile base stations. On behalf of the Company, I personally visited the afflicted areas, and noted that mobile base stations were functioning as one of the few communications methods in the wake of the disaster. This underscored to me the critical roles and responsibilities we have.

Although there was an impact on the Company's sales and income from the disaster, it was fortunately negligible, with no serious consequences.

Q: What were key business activities and results for the fiscal year ended March 2011?

The Company bolstered the information and communications technology (ICT) business and took other strategic actions to achieve new growth.

Net sales for the fiscal year under review were stagnant, but operating income increased year on year. The Company meanwhile took a number of steps to achieve future growth.

Let me summarize the results in each business segment.

1. Enterprises Networks

Net sales of the enterprise business rose year on year, given a recovery in ICT investment, mainly from the financial sector. In particular, EmpoweredOffice(*1), the mainstay solution of the enterprise business, contributed to the strong performance of the Enterprises Networks business, coupled with the effects of making the Company's entire head office a showroom. The new Iidabashi head office, which attracts many visitors, has not only created an efficient and comfortable working space by removing unnecessary partition walls and large cabinets; it has also proven resilient to earthquakes in the wake of the March 11 disaster. The new head office also earned a strong reputation among customers, from the perspective of the continuity of operations and power savings.

2. Carrier Networks

The most significant topic in the telecommunication industry in the fiscal year ended March 2011 was the sharp increase in the use of smartphones. This resulted in a rapid rise in communication traffic in the mobile network, among other effects. As a result, investments in infrastructure by mobile carriers began to rise, resulting in an increase in the Company's related sales, mainly in the second half of the fiscal year. This area is likely to continue to grow in the future.

3. Social infrastructure

With the complete transition to digital terrestrial television broadcasting in July 2011, business developing infrastructure for information and telecommunications for local government was robust. The company achieved higher sales by efficiently capturing demand for developing CATV systems that were related to these businesses. Moreover, as a member of the NEC Group, it took part in the project of the Hayabusa asteroid probe and contributed to its successful return to the earth.

I will explain next the measures we have taken to achieve growth in the future.

During the fiscal year under review, we adopted strategies to strengthen our ICT service business in anticipation of demand for services such as cloud computing, a growth market. We opened a new office service center in Osaka in October 2010 to strengthen the cloud computing infrastructure in the western region of Japan. In December 2010, we made Daiichi Ad System Co., Ltd. a subsidiary to strengthen the contact center business and other related businesses. We plan to take these initiatives to ensure growth in the next fiscal year and beyond.

Q: What kind of business is the ICT service business?

NEC Networks & System Integration Corporation develops, manages and maintains tailored ICT systems.

With ICT systems becoming ever more sophisticated and complex, the roles they play in all fields of the public and private sectors have become increasingly important. Consequently, if system problems arise, the impact on operations can be grave. To avoid these risks, the most popular trend these days is for customers to outsource the integration and operation of ICT systems to trustworthy companies. This service business is called the ICT service business. Cloud computing services, which have attracted a great deal of public attention, are also an ICT service business. Demand for this business is also expected to grow from the perspective of the continuity of operations and cost cutting.

Responding to these market needs as described above, the Company provides tailored services of high quality, such as contract telephone reception and administrative operations and the operation of e-mail systems, to customers at competitive prices. By effectively harnessing the investments it made during the fiscal year under review, the Company will turn the ICT service business into a new growth pillar.

Q: Five years have passed since you became president. How do you evaluate your achievement and please explain your outlook?

Operating income grew 1.8 times, but strengthening our growth capability remains a challenge for the future.

The most important issue I have been tackling since I became president in 2006 has been enhancing the value of the Company. If we look at profitability, one indicator of measuring corporate value, operating income grew by a factor of 1.8 over the last five years (compared with the level in the fiscal year ended March 2006), and the operating margin improved to 5.0%, up from 2.8%. The Company's financial strength also improved, with owner's equity exceeding 50%. I believe that this reflects progress in cost cutting through AC-I[*2] activities.

Work is still needed to strengthen our capacity for growth, another important indicator. Although there were a variety of external factors, I must squarely face the fact that net sales remain almost on a par with those in the fiscal year ended March 2006.

For its medium-term goal (net sales of ¥300 billion for the fiscal year ending March 2013), the Company has launched a new management innovation activity, Value Innovation, from the fiscal year under review.

Q: Will the Company aim to achieve growth in the next fiscal year (the fiscal year ending March 2012)?

The company aims to achieve net sales of ¥240 billion.

In the fiscal year ending March 2012, NEC Networks & System Integration Corporation will continue to invest aggressively in growth, aiming to achieve net sales of ¥240 billion.

The Company will continue to pursue the initiatives it took in the fiscal year ended March 2011 and strengthen its solution services to address problems that many corporate customers have, including streamlining management and business continuity. We will focus in particular on EmpoweredOffice, which includes power and energy saving solutions, and other ICT services, which includes cloud computing.

In public communications, the use of smartphones is expected to continue rising. In response, a number of carriers are planning to construct additional mobile base stations and strengthen their mobile networks. We will steadily respond to these needs, and in doing so will seek to bolster sales.

In social infrastructure, I expect strong demand from fiscal the fiscal year ending March 2012 in areas related to updating firefighting control systems and replacing digital radio systems, as a result of requirements for firefighting and disaster-prevention in wider areas and progress in digitalization. To respond to these opportunities, we have become active in these fields, establishing a division and taking other actions.

We excel in these areas and will continue our efforts to expand our operations by improving the quality of our approach to customers and strengthening our cost competitiveness. Meanwhile, we will invest actively, including M&A, and aim to create new business areas.

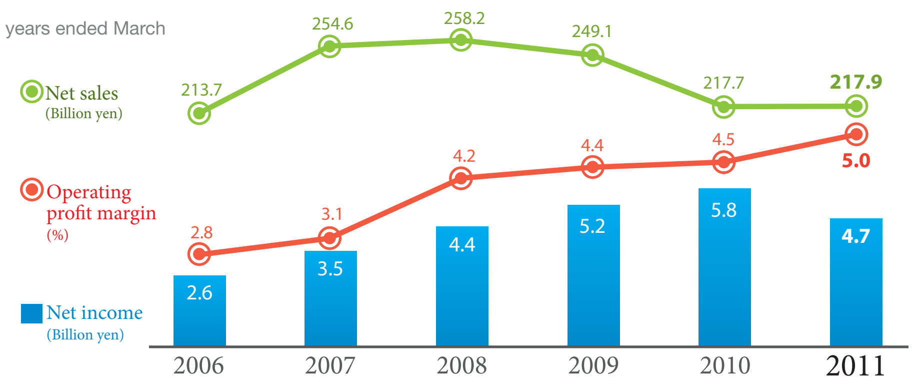
Q: Finally, do you have a message for our shareholders?

The company aims to bolster shareholder value through transformation and the evolution.

I am determined to bolster shareholder value by improving corporate value based on business growth. As we rely on the quality of our people, we will step up training of our employees and improve the ability to offer proposals to customers from their perspective. With these initiatives, and also by continuing to strengthen measures to achieve growth based on transformation and the evolution, we will strive to achieve our target net sales of ¥240 billion.

As we pursue this course, we hope that we can continue to count on the support and understanding of our shareholders.

Performance Trends



Glossary

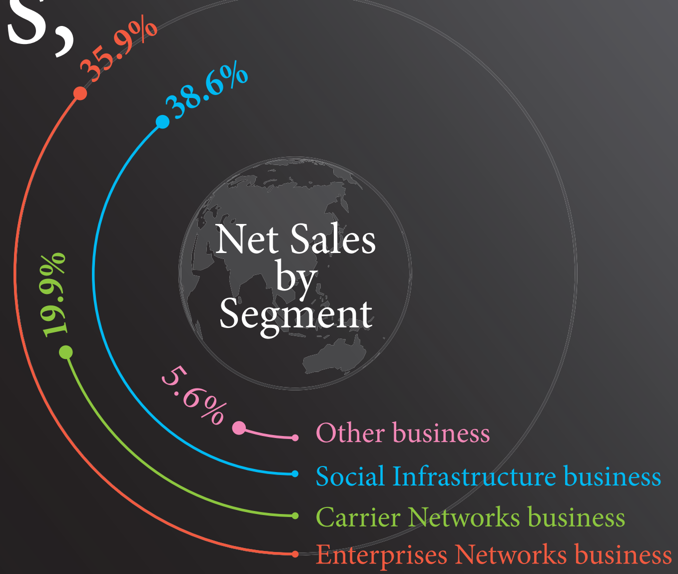
***1 EmpoweredOffice**
EmpoweredOffice is our office innovation solution. It combines our strengths in ICT and facility management to enable more intellectual and creative styles of work through process reform. It also proposes new methods and places of work that enable customers to fulfill their social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

***2 AC-I**
AC-I stands for All Cost & Management Innovation. It is a management innovation activity of the company.

Business performance by segment

Through its three main business pillars,

the Enterprises Networks business, the Carrier Networks business, and the Social Infrastructure business, NEC Networks & System Integration Corporation provides comprehensive services to customers, from planning to system design, management, and maintenance in a range of product areas, including enterprise ICT and public and social infrastructure. The Company offers support to bolster value for a wide range of customers by leveraging its customer-oriented proposal capabilities and its comprehensive network knowhow and technologies.



Enterprises Networks business

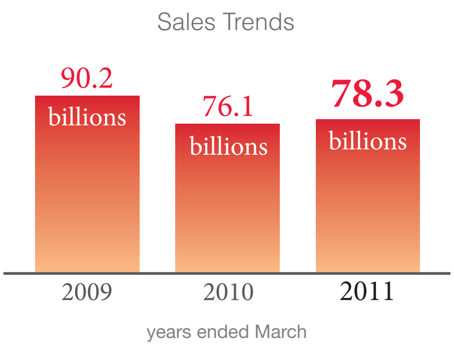
The Enterprises Networks business provides solutions that use ICT, mainly for the enterprises market.

Services include EmpoweredOffice, a comprehensive office innovation solution that achieves superior office productivity and efficiency along with energy saving, and related services such as the operation and monitoring of systems, as well as cloud computing services that use the Company's data centers.

Net sales

¥ 78.3 billion

(Increase 2.8% year on year)

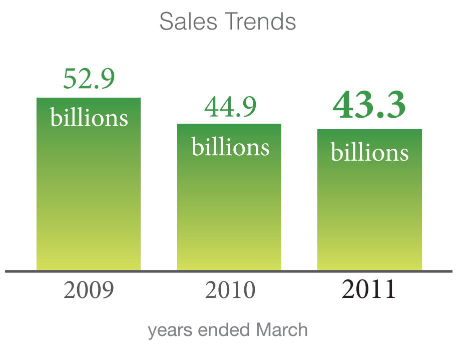


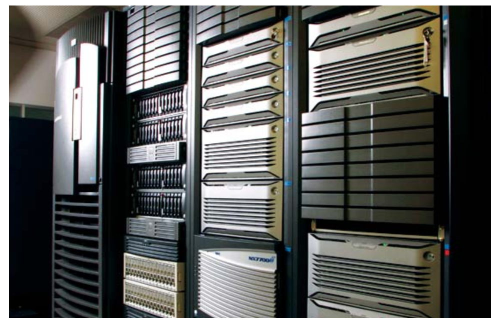
Sales increased year on year, reflecting higher demand for systems as a result of the relocation and integration of offices of financial companies, and demand for renewing systems for manufacturing and service companies. Intensive sales activities after the relocation of the Company's head office also contributed to the higher sales.

Carrier Networks business

The Carrier Networks business provides services related to public networks, mainly for telecommunications carriers.

It supports telecommunications carriers through a comprehensive support structure by offering services that include integrating high quality and highly reliable networks, as well as operation and maintenance services that take advantage of its nationwide support service network. Through these activities, the Carrier Networks business supports daily communications including mobile phones and the internet.





Net sales

¥ 43.3 billion

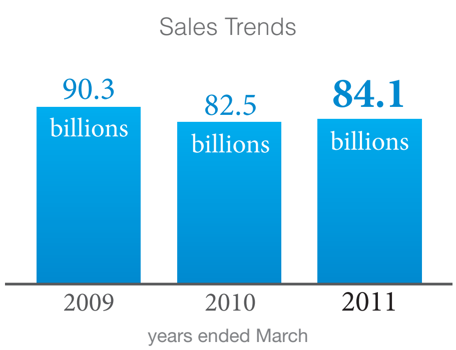
(Decrease 3.6% year on year)

Sales for the fiscal year under review declined, mainly reflecting investment cutbacks by certain telecommunications carriers and a decline in overseas sales. However, sales started to rise in the second half of the year, reflecting the Company's aggressive response to an increase in investments related to communications infrastructure, on the back of a rapid increase in the use of smartphones.

Social Infrastructure business

The Social Infrastructure business provides services related to the integration, operation, and monitoring of systems related to ICT infrastructure for governments and public utilities (including broadcasters and electric power companies)

It develops the social infrastructure that enables safe and comfortable lives, including local information networks and fire-fighting and disaster prevention systems. It also develops telecommunications infrastructure, such as mobile phone base stations.



Net sales

¥ 84.1 billion

(Increase 1.9% year on year)

Sales rose year on year, reflecting the effects of the Company's initiatives to aggressively capture demand related to local information networks, the result of the introduction of digital terrestrial television broadcasting in July 2011, which offset a decline in overseas communications infrastructure work.

EmpoweredOffice

Leads the growth of NEC Networks & System Integration Corporation.

EmpoweredOffice provides customers with comprehensive support, from designing to establishing an office environment where employees can work actively and comfortably. By using the Company's superior ICT technologies that give customers access to diverse information anywhere and at any time, the Company will create an active office environment through innovations with a focus on an efficient and comfortable working style.

Non-paper meetings stimulate vigorous discussions. Standing meetings shorten the length of the meeting.

Free desk layout; Working freely with anybody, anywhere, at any time, bolstering space efficiency

Since its launch as a new business in 2007, EmpoweredOffice has achieved steady growth. In October 2010, the Company relocated its head office to Iidabashi, the center of a business area in Tokyo, and transformed the entire company into EmpoweredOffice. It will aim to further expand its operations by promptly offering solutions from an office that is close to its customers.

Proposals that customers can actually see and feel at the new head office contribute to a rise in orders.

A number of customers visits the new head office every day and take part in a tour of our practice at our own office. This tour attracts, in particular, customers who in management positions, as it offers them a chance to actually see what we have been doing to reform the working style as one of the pillars of our management innovation activities. As a result, we successfully attracted a wider range of customers, and the time from proposals to the start of actual business negotiations has been shortening.

Consequently, this business has been growing, as we received orders for large projects from food manufacturers, newspaper companies, and other companies as well as orders to create offices for companies developing operations in China.

Aiming for new growth through the transformation of EmpoweredOffice

Many companies have now started to take serious actions to ensure business continuity in times of disaster and to reduce their use of electricity. EmpoweredOffice is a solution that can respond to these challenges, and the market is likely to grow in the future.

Using the experience we have gained from initiatives taken at our Iidabashi head office, along with our ability to tailor proposals to customer needs, we will continue to refine EmpoweredOffice, aiming to expand its operations and achieve growth.

Number of visitors to the EmpoweredOffice Center

New Iidabashi head office

562 companies and 2,052 visitors

(From October 2010 to the end of May 2011)

Topics NEC Networks & System Integration Corporation accelerates specific initiatives for growth.

Transformation Creating new businesses for future growth

Taking steps to make cloud computing and other new services pillars for the new growth of the ICT service business.

Customer needs in the ICT service business are growing, and the Company has positioned this business as a pillar for future growth, planning a number of key initiatives.

The growing importance of ICT services

Internal ICT systems have now become such an important part of the infrastructure for customers that many would not be able to operate if the system were ever suspended. At the same time, as technologies related to ICT services become more sophisticated and more complex, the initial investments and the burden of managing and maintaining the technologies have been rising.

Because of these issues, an increasing number of customers are using ICT systems as services provided by certain trustworthy companies, who develop and manage the systems on a contract basis.

Aggressive initiatives in the growing cloud computing market

Cloud computing enables customers to receive ICT services via the network without having their own ICT systems. In this field, we established an office service center in Osaka in October 2010 by consolidating service functions that covered western Japan. The number of users has been rising, as the service—which is customized to meet the needs of individual customers—has been proven popular.

In the National Capital area, where we have already been providing cloud computing services, we expect to establish a second data center in the first half of fiscal ending March 2012. Through this initiative, it will strive to further strengthen its business foundations.

Under this operating structure, which enables it to respond carefully to customers' requirements nationwide, we will provide low-cost services of high quality, aiming to achieve new growth.

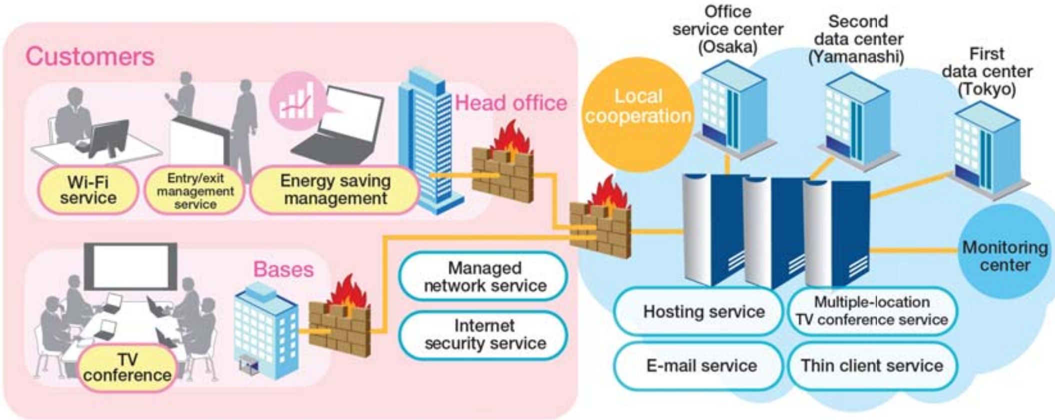
Strengthening the contact center outsourcing business by making Daiichi Ad System Co., Ltd. a subsidiary

In the contact center area, where inquiries from customers and applications for products are gathered, we made Daiichi Ad System Co., Ltd. a subsidiary in December 2010. Daiichi Ad System is an outsourcing company that offers services for dealing with customers. Its own clients include major travel agencies and mail-order companies.

NEC Networks & System Integration Corporation has been offering superior services for developing contact center systems. With Daiichi Ad System as a subsidiary, it can now offer one-stop comprehensive services for contact centers, from system integration to operations for contact centers.

While continuing to make aggressive strategic investments that take advantage of its strong financial base, we will expand our ICT service business and strive to achieve new growth.

How cloud computing services might be provided in the future



Topics NEC Networks & System Integration Corporation accelerates specific initiatives for growth.

Evolution Strengthening existing businesses for new growth

NEC Networks & System Integration Corporation actively satisfies market needs.

Strengthening businesses for telecommunications carriers in response to the growing popularity of smartphones

Smartphones offer a range of entertainment via telecommunications lines, including music, videos, and games. With the recent rapid rise in the popularity of smartphones, the volume of information and telecommunications exchanged through mobile phones has increased explosively.

Actively responding to rising demand, including network development

Anticipating future increases in the use of smartphones, telecommunications carriers in Japan are actively strengthening their networks, including base stations.

NEC Networks & System Integration Corporation has been acting to capture this demand for stronger networks by offering its superior comprehensive service system, encompassing sales, design, integration, and maintenance, backed by its excellent technologies.

Fire-fighting and disaster prevention systems ensure the safety and security of daily lives.

Reaching the sites of fires and patients quickly and efficiently; the Company integrates and maintains the control systems and wireless communications systems of fire stations.

Expanding operations by strengthening the fire-fighting and disaster prevention business structure

Demand is shifting from local information networks to fire-fighting and disaster prevention systems that cover wider areas and that are digitalized

Initiatives to make fire-fighting and disaster prevention systems more sophisticated and other efforts to integrate infrastructure related to security and safety are now underway nationwide.

Fire-fighting and disaster prevention are very important social infrastructure that help to protect the lives of the public. In the fire-fighting area, the development of a control system that is available across a wider area and the development of wireless and digital control systems are particularly urgent requirements. In the disaster prevention area, as a result of the merger of the municipality, the progress of integration and the digitalization of public disaster prevention wireless communications has been accelerating. Needs for new systems that can satisfy the requirements described above have been growing.

Aiming to steadily bolster orders through cooperation with NEC, an industry leader

NEC Networks & System Integration Corporation established the Fire and Disaster Prevention Systems Division as a specialist team in April 2011. The division comprises specialists who can deal with the entire process of system engineering, design, integration, operation, and maintenance and who can satisfy municipal demand for emergency fire-fighting digital radios and for disaster prevention systems. With the cooperation of NEC, a leader in fire-fighting and disaster prevention systems, we will participate in various projects and seek to expand our operations.

Opportunities for the Company to show its strength

Because digital radios have different radio properties, it is necessary to redesign base stations and networks.

A comprehensive support capability that covers everything from research and design to integration and maintenance is the key.

Corporate Governance

The Company believes that

the cornerstone of corporate governance is ensuring management soundness and transparency by establishing a management system that enables quick decision-making to respond promptly to changes in the operating environment, and by practicing timely, appropriate disclosure. To that end, the Company has adopted a Board of Corporate Auditors system and has established a corporate governance system in which the Board of Directors and Board of Corporate Auditors play key roles. The Company has also adopted an executive officer system to clearly demarcate the supervisory function and the business execution function. To enhance management transparency, the Company has outside directors and outside corporate auditors and seeks to achieve sound management by encouraging cooperation among corporate auditors, the Internal Auditing Division, and independent auditors.

I. Description of Corporate Organs

(1) Board of Directors

The Board of Directors is composed of eight directors, including two outside directors. In addition to maintaining the number of directors at an optimum level for quick decision making, the Company has reduced the terms of directors to one year in order to clarify the management responsibility of directors and strengthen its management structure.

(2) Executive Officers, Executive Committee, and Business Execution Committee

Based on an executive officer system, the Company also formed the Executive Committee, consisting of executive officers at senior vice president level and higher and corporate auditors, to discuss policies pertaining to key management and operating issues, and the Business Execution Committee, which consists primarily of executive officers and general managers, to monitor the progress of and report on significant matters concerning business execution.

(3) Board of Corporate Auditors

The Board of Corporate Auditors consists of four corporate auditors, including three outside auditors. It decides audit policies and related matters, and reports on the status of audits performed by each auditor. Corporate auditors also attend Board of Directors meetings and other important meetings, examine significant documents related to final decisions, and listen to directors and employees on performance of their duties, thus contributing to a system for sufficiently scrutinizing directors' performance of their duties.

(4) Internal Auditing Division

The Internal Auditing Division has been established as an internal audit unit independent from the business execution divisions. It examines through internal audits whether business execution is being conducted legally and properly according to relevant laws, regulations and Company rules.

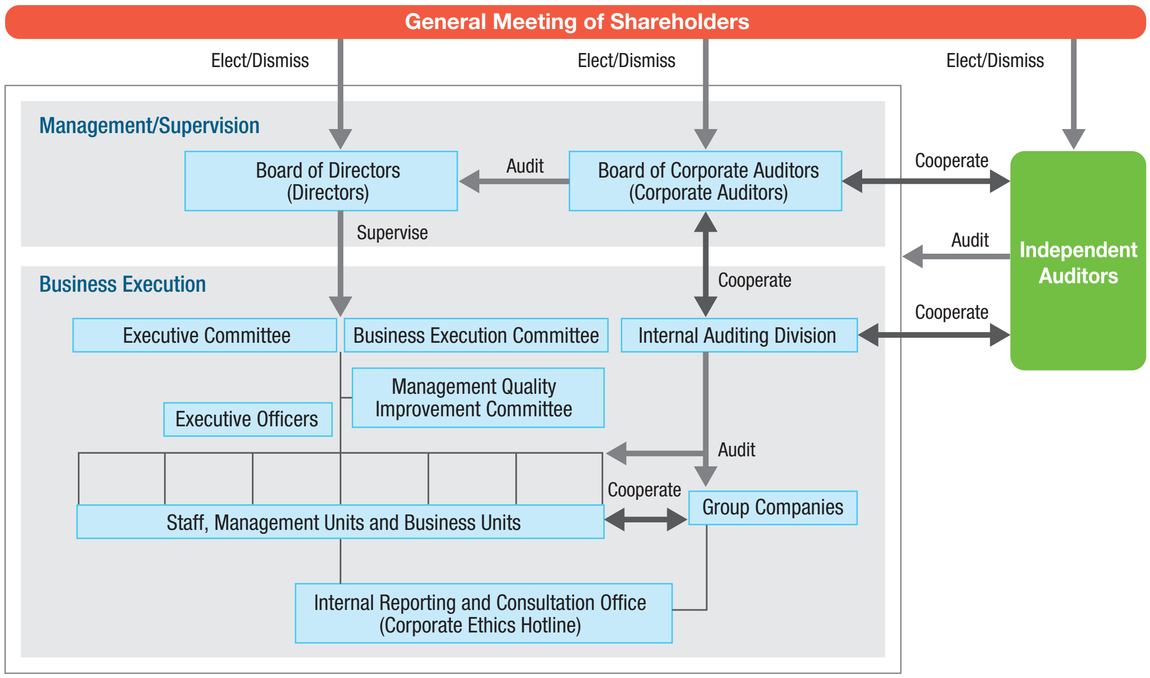
(5) Independent Auditors

The Company has an audit contract with KPMG AZSA & Co. as its independent auditors to audit its accounts. KPMG AZSA & Co. expresses its views on the financial statements as an auditor from an independent viewpoint.

II. Development of Internal Control Systems

The Company has established a basic policy for the development of internal control systems, as shown below, under Article 362, Paragraph 4, Item 6 of the Company Law and Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Company Law. The Company maintains the appropriate execution of operations under the basic policy, laws and regulations, and internal regulations.

The Company's mechanisms of business execution, management oversight, and internal control



III. Situation of Outside Directors and Outside Corporate Auditors

Of the Company's eight directors, two are outside directors. The Company believes this number is appropriate for giving advice and participating in decision making from fair and objective standpoints, strengthening the Company's corporate governance.

Outside Director Takayuki Matsui is a professor at the Graduate School of Professional Accountancy of Aoyama Gakuin University. The Company has Mr. Matsui use his expert knowledge in business administration, including internal control, to ensure transparency in the management of the Company and to strengthen corporate governance. Mr. Matsui attended all 13 meetings of the Board of Directors held in FY2010 ended March 31, 2011. He has been designated as an independent director defined in Rule 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange.

Outside Director Hideki Niwaya is engaged in the network solution business of NEC Corporation and uses his extensive experience and knowledge for the management of the Company. He became an outside director at the ordinary general meeting of shareholders held on June 23, 2011.

Of the Company's four corporate auditors, three are outside corporate auditors. We believe this number is appropriate for auditing the directors' execution of their duties from fair and objective standpoints, to strengthen the Company's corporate governance.

Outside Corporate Auditor Harutame Umezawa is qualified as a lawyer and has considerable knowledge in finance and accounting. Using his professional knowledge and viewpoint about the law, Mr. Umezawa audits the directors' performance of their duties from a fair and objective standpoint of an outsider. He attended

12 of 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held in FY2010. Mr. Umezawa has been designated as an independent auditor defined in Rule 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange.

Outside Corporate Auditor Takao Kaneko has been engaged in accounting and auditing for many years and has considerable knowledge about finance and accounting. Taking advantage of his extensive experience and knowledge relating to internal control, Mr. Kaneko primarily audits the legality of business execution from a fair and objective standpoint. He attended all 10 meetings of the Board of Directors and all 10 meetings of the Board of Corporate Auditors held in FY2010 after his appointment on June 23, 2010.

Outside Corporate Auditor Yasuo Totsuka is dealing with procurement in NEC Corporation. Making full use of his extensive experience and knowledge relating to internal control, Mr. Totsuka chiefly audits the legality of business execution from a fair and objective standpoint. He attended 12 of 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held in FY2010.

There are no special interests between the Company and its outside directors or outside corporate auditors.

The outside directors and outside corporate auditors regularly exchange information and consult with the Internal Auditing Division and staff departments, receiving reports on business execution at meetings of the Board of Directors and on other occasions.

The outside corporate auditors cooperate with the independent auditors, exchanging information and consulting with them regularly at meetings of the Board of Corporate Auditors and on other occasions.

IV. Internal Audits and Audits by Auditors

The Internal Auditing Division cooperates with the corporate auditors. The division reports the results of audits carried out under an audit plan for each fiscal year to the corporate auditors once a year and exchanges opinions with them as necessary.

The corporate auditors, the Internal Auditing Division, and the independent auditors cooperate with each other, exchanging opinions as necessary for statutory audits.

Directors and Corporate Auditors

(As of June 23, 2011)

(From left)
Mr. Kanehako,
Mr. Hara,
Mr. Yamamoto,
Mr. Konno,
Mr. Fujita,
Mr. Iijima

Directors

President:

Masahiko Yamamoto

Senior Vice Presidents and Members of the Board:

Yasuo Iijima
Koshiro Konno
Atsushi Fujita
Akinori Kanehako
Takahiko Hara

Members of the Board:

Takayuki Matsui [1, 3]
Hideki Niwaya [1]

Corporate Auditors

Takao Kaneko (full-time) [2]
Yasuo Hayashi (full-time)
Harutame Umezawa [2, 3]
Yasuo Totsuka [2]

Notes:

1. Outside directors as stipulated in Item 15 of Article 2 of the Company Law of Japan
2. Outside corporate auditors as stipulated in Item 16 of Article 2 of the Company Law of Japan
3. An independent director and an independent auditor as stipulated in Rule 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange

Corporate Social Responsibility (CSR)

CSR Policy

The Company builds trusting relationships with its stakeholders by putting compliance first, working to solve social issues through business activities, and soundly improving and returning profits to society.

Seven CSR Initiatives

We identified the most relevant and significant issues and themes for stakeholders and society as a whole and selected seven CSR initiatives.

Through these initiatives, we will fulfill our responsibilities to society, as expected.

Another important social responsibility is accountability, which the Company fulfills by disclosing the details and results of CSR initiatives to stakeholders.

Quality Initiatives, Environmental Activities, Information Security and Protecting Personal Information Toward Greater Customer Satisfaction and Sustainable Development

Quality Initiatives

The Company constantly pursues the highest levels of quality and safety through measures such as customer satisfaction and quality management activities, including activities based on ISO 9001 certification. The Company provides customers with high quality, safe and secure systems with the latest technology.

Environmental Activities

The Company states in its Charter of Corporate Behavior that it will "contribute to society as an environment-conscious corporate citizen." In 1999, the Company received ISO 14001 certification for environmental management. Since then it has worked to reduce waste disposal volume, achieved 100 percent use of recycled paper for copy paper in the year ended March 31, 2002, improved the recycling rate, changed to small lots for lead soldering for on-site use, and introduced low-pollution vehicles. Moreover, in recent years, the Company has implemented green procurement to meet chemical substance regulations (the European RoHS directive and others), and conducted energy conservation and emissions trading aimed at preventing global warming.

Information Security and Protecting Personal Information

The Company has established a personal information protection policy. Moreover, the Company understands that personal information is an important information asset, and maintains a compliance program (a personal information management system) that conforms to JIS Q 15001: 2006. In this way, every employee works to properly protect personal information. In addition, the Company established the Basic Policy on Information Security and the Basic Rules on Information Security, and conducts activities to maintain and enhance information security. Based on the policy and rules, the Company strengthens security measures for internal information systems and promotes educational activities for Group employees and others, while strictly controlling security at data centers and other locations that handle important customer information, through operations based on ISO/IEC 27001, an international standard for information security systems.

ISO 9001: 2008
Certificate Number: JQA-0471

ISO 14001: 2004
Certificate Number: JQA-EM0640

ISO/IEC 27001: 2005
Certificate Number: IC03J0025
Organization: SI & Services Operations Unit Office Solutions Division
Certificate Number: JQA-IM0190
Organization: SI & Services Operations Unit Outsourcing Service Division
Certificate Number: JQA-IM0351
Organization: SI & Services Operations Unit Service Infrastructure Division
Certificate Number: JQA-IM1013
Organization: Regional Operations Unit Kansai 1st & 2nd Service Center / Kansai SI Department

ISO/IEC20000-1:2005
Certificate Number: JQA-IT0037
Organization: SI & Services Operations Unit Outsourcing Service Division / Customer Engineering Division / Service Infrastructure Division

Privacy Mark
Certificate Number: 21000053

Six-Year Summary of Selected Financial Data

NEC Networks & System Integration Corporation and Consolidated Subsidiaries Years ended March 31

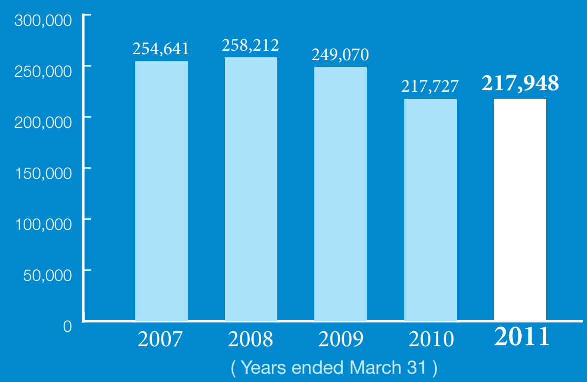
	Millions of yen						Thousands of U.S. dollars [1]
	2011	2010	2009	2008	2007	2006	**2011**
For the year:							
Orders	¥ 222,277	¥ 222,046	¥ 245,257	¥ 254,512	¥ 253,577	¥ 223,383	$ 2,673,205
Net sales	217,948	217,727	249,070	258,212	254,641	213,672	2 ,621,142
Selling, general and administrative expenses	22,297	23,070	24,501	24,824	25,413	20,502	268,154
Operating income	10,835	9,867	10,968	10,743	7,849	6,056	130,307
Net income	4,747	5,806	5,154	4,412	3,476	2,609	57,090
Capital expenditures	2,762	1,928	2,529	2,611	2,371	1,804	33,217
Depreciation and amortization	2,151	2,244	2,270	2,130	2,203	1,966	25,869
Research and development costs	52	119	290	419	595	455	625
At year-end:							
Total assets	¥ 149,923	¥ 146,915	¥ 147,462	¥ 154,171	¥ 148,797	¥ 134,911	$ 1,803,304
Shareholders' equity	77,445	74,043	69,334	65,251	61,692	54,017	931,139
Total net assets	77,464	74,221	69,340	66,132	62,201	54,625	931,618
Interest-bearing debt	6,300	5,000	5,121	5,652	5,531	8,800	75,767
Per share of common stock (yen and U.S. dollars) :							
Net income	¥ 95.46	¥ 116.74	¥ 103.61	¥ 88.67	¥ 70.72	¥ 60.56	$ 1,148
Net assets (BPS)	1,546.42	1,479.62	1,381.92	1,311.71	1,233.52	1,285.92	18,578
Cash dividends applicable to the year	26.00	25.00	22.00	20.00	14.00	14.00	313
Ratios and return indicators:							
Operating income to net sales (%)	5.0	4.5	4.4	4.2	3.1	2.8	
Return on assets (ROA) (%) [2]	7.4	6.9	7.4	6.9	5.5	4.6	
Return on equity (ROE) (%) [3]	6.3	8.2	7.7	7.0	6.0	4.9	
Owners' equity (Net worth) ratio (%)	51.3	50.1	46.6	42.3	41.3	40.0	
Current ratio (times) [4]	2.49	2.35	2.18	1.97	1.93	1.86	
Debt to equity ratio (times) [5]	0.08	0.07	0.07	0.09	0.09	0.16	
Number of employees	5,939	5,998	5,906	5,817	6,407	4,897	
Net sales per employee (thousands of yen) [6]	¥ 36,516	¥ 36,580	¥ 42,493	¥ 42,247	¥ 45,053	¥ 46,982	$ 439,158
Net income per employee (thousands of yen) [7]	795	975	879	722	615	574	9,128

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15 = U.S.$1.00, the approximate Tokyo foreign exchange market rate as of March 31, 2011.
2. Return on assets: Ordinary income / Average total assets during the term
3. Return on equity: Net income / Average net assets during the term
4. Current ratio: Current assets / Current liabilities
5. Debt to equity ratio: Interest-bearing debt / Net assets
6. Net sales per employee: Net sales / Average number of employees during the term
7. Net income per employee: Net income / Average number of employees during the term

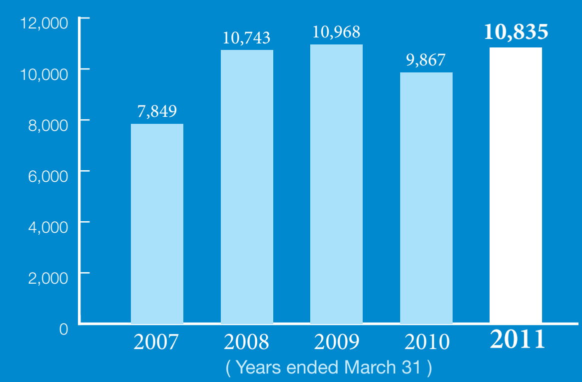
Net Sales

(Millions of yen)



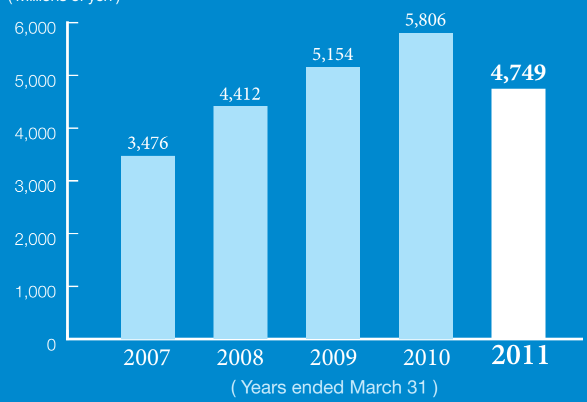
Operating Income

(Millions of yen)



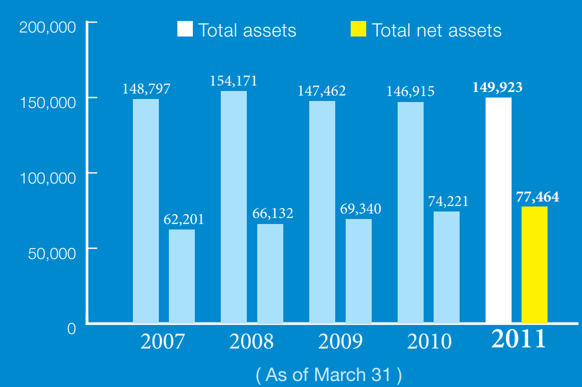
Net Income

(Millions of yen)



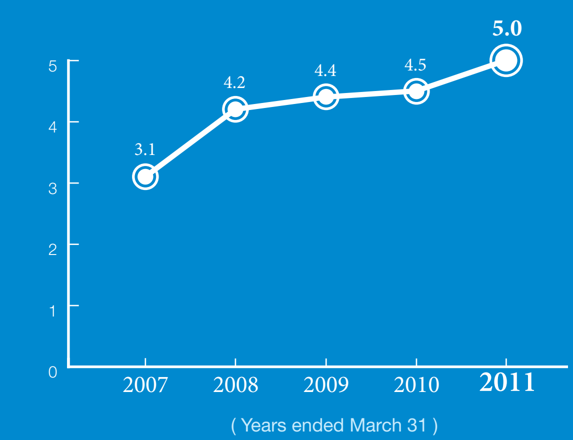
Total Assets and Total Net Assets

(Millions of yen)



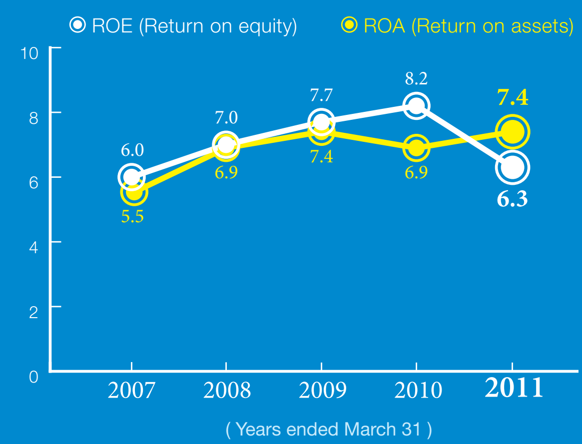
Operating Income to Net Sales

(%)



ROE and ROA

(%)



CONSOLIDATED BALANCE SHEETS

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (note 3)
	2011	2010	2011
Assets			
Current assets:			
Cash and cash equivalents	¥ 25,611	¥ 29,538	$ 308,010
Notes and accounts receivable (note 20)	86,331	79,988	1,038,256
Inventories (note 5)	7,105	7,269	85,448
Deferred tax assets (note 8)	4,929	4,590	59,278
Other current assets	2,689	2,726	32,339
Allowance for doubtful accounts	(308)	(204)	(3,704)
Total current assets	126,360	123,908	1,519,663
Property and equipment:			
Land	2,508	2,508	30,162
Buildings and structures	8,105	8,350	97,474
Machinery and vehicles	311	344	3,740
Furniture and fixtures	9,605	10,126	115,514
Construction in progress	120	161	1,443
Other	718	399	8,635
Accumulated depreciation	(12,746)	(14,026)	(153,289)
Property and equipment, net	8,624	7,864	103,716
Intangibles, net of accumulated amortization (note 6)	3,673	3,656	44,173
Investments and other assets:			
Investment securities (note 4)	360	381	4,330
Deferred tax assets (note 8)	7,071	7,142	85,039
Other assets (note 20)	3,906	4,094	46,975
Allowance for doubtful accounts	(73)	(131)	(878)
Total investments and other assets	11,264	11,486	135,466
Total assets	¥ 149,923	¥ 146,915	$ 1,803,043

		Millions of yen			Thousands of U.S. dollars (note 3)
		2011		2010		2011
Liabilities and Net Assets						
Current liabilities:						
Short-term bank loans (note 7)	¥	1,800	¥	—	$	21,648
Current installments of long-term debt (note 7)		500		2,000		6,013
Notes and accounts payable (note 20)		31,354		34,979		377,078
Advances received (note 20)		1,625		1,579		19,543
Accrued income taxes (note 8)		3,302		3,004		39,711
Accrued bonuses to directors and corporate auditors		89		92		1,070
Accrued losses on sales contracts		75		128		902
Other current liabilities		12,025		11,008		144,618
Total current liabilities		50,773		52,792		610,619
Long-term liabilities:						
Long-term debt (note 7)		4,000		3,000		48,106
Accrued employees' retirement benefits (note 9)		16,301		15,792		196,043
Accrued retirement benefits for directors of subsidiary (note 9)		170		—		2,044
Other liabilities (notes 6 and 8)		1,212		1,109		14,576
Total long-term liabilities		21,685		19,901		260,794
Total liabilities		72,458		72,693		871,413
Shareholders' equity (note 11):						
Common stock:		13,122		13,122		157,811
Authorized 100,000,000 shares; issued and outstanding 49,773,807 shares at March 31, 2011 and 2010						
Capital surplus		16,650		16,650		200,241
Retained earnings		47,722		44,318		573,927
Treasury stock, at cost; 42,922 shares at March 31, 2011 and 41,180 shares at March 31, 2010		(50)		(48)		(601)
Total shareholders' equity		77,445		74,043		931,389
Accumulated other comprehensive income:						
Net unrealized holding gain on other securities (note 4)		2		6		24
Deferred gain on hedges		—		3		—
Foreign currency translation adjustments		(543)		(467)		(6,530)
Total accumulated other comprehensive income		(540)		(457)		(6,494)
Minority interests		559		635		6,723
Total net assets		77,464		74,221		931,618
Commitments and contingencies (note 12)						
Total liabilities and net assets	¥	149,923	¥	146,915	$	1,830,043

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (note 3)
	2011	2010	2011
Net sales (note 20)	¥ 217,948	¥ 217,727	$ 2,621,143
Cost of sales (notes 5 and 20)	184,816	184,788	2,222,682
Gross profit	33,132	32,939	398,461
Selling, general and administrative expenses (notes 14 and 15)	22,297	23,070	268,154
Operating income	10,835	9,867	130,307
Other income (expense):			
Interest income	79	49	950
Interest expense	(57)	(66)	(686)
Dividends income of insurance	103	101	1,239
Insurance received	38	62	457
Reversal of allowance for doubtful receivables	31	166	373
Gain on adjustments of the cost share relating to seconded employees	279	—	3,355
Foreign currency exchange loss	(133)	(66)	(1,600)
Loss on disposal of property and equipment	(89)	(21)	(1,070)
Impairment loss on investment securities (note 4)	(8)	(45)	(96)
Provision of allowance for doubtful receivables	(140)	(19)	(1,684)
Bad debts expenses	(119)	—	(1,431)
Cumulative effect of accounting change(note 1(q))	(437)	—	(5,256)
Expenses relating to move of the head office	(1,509)	—	(18,148)
Loss on disaster	(282)	—	(3,391)
Restructuring charges of subsidiaries	(366)	—	(4,402)
Other, net	111	97	1,335
	(2,499)	258	(30,054)
Income before income taxes and minority interests	8,335	10,125	100,241
Income taxes (note 8):			
Current	4,008	3,886	48,202
Deferred	(219)	454	(2,634)
	3,788	4,341	45,556
Income before minority interests	4,546	5,784	54,672
Minority interests	(200)	(21)	(2,405)
Net income	¥ 4,747	¥ 5,806	$ 57,090

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (note 3)
	2011	2011
Income before minority interests	¥ 4,546	$ 54,672
Other comprehensive income arising during the year:		
Net unrealized holding loss on other securities	(4)	(48)
Deferred loss on hedges	(3)	(36)
Foreign currency translation adjustments	(87)	(1,046)
Total other comprehensive income arising during the year	(95)	(1,143)
Comprehensive income	¥ 4,451	$ 53,530
Comprehensive income attributable to:		
Owners of the parent	4,663	56,079
Minority interests	(211)	(2,538)

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Numbers of shares of common stock	Millions of yen				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total
	(Thousands)					
Balance at March 31, 2009	49,773	¥ 13,122	¥ 16,650	¥ 39,606	¥ (45)	¥ 69,334
Changes arising during year:						
Cash dividends				(1,094)		(1,094)
Net income				5,806		5,806
Purchase of treasury stock					(2)	(2)
Disposition of treasury stock			(0)		0	0
Transfer from capital surplus to retained earnings			0	(0)		—
Net changes in accounts other than shareholders' equity						
Total changes during the year	—	—	(0)	4,711	(2)	4,708
Balance at March 31, 2010	49,773	13,122	16,650	44,318	(48)	74,043
Changes arising during year:						
Cash dividends				(1,342)		(1,342)
Net income				4,747		4,747
Purchase of treasury stock					(1)	(1)
Disposition of treasury stock			(0)		0	0
Transfer from capital surplus to retained earnings			0	(0)		—
Net changes in accounts other than shareholders' equity						
Total changes during the year	—	—	—	3,404	(1)	3,402
Balance at March 31, 2011	49,773	¥ 13,122	¥ 16,650	¥ 47,722	¥ (50)	¥ 77,445

	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized holding gain (loss) on other securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2009	¥ (0)	¥ (2)	¥ (601)	¥ (604)	¥ 610	¥ 69,340
Changes arising during year:						
Cash dividends						(1,094)
Net income						5,806
Purchase of treasury stock						(2)
Disposition of treasury stock						0
Transfer from capital surplus to retained earnings						—
Net changes in accounts other than shareholders' equity	7	5	133	146	25	171
Total changes during the year	7	5	133	146	25	4,880
Balance at March 31, 2010	6	3	(467)	(457)	635	74,221
Changes arising during year:						
Cash dividends						(1,342)
Net income						4,747
Purchase of treasury stock						(1)
Disposition of treasury stock						0
Transfer from capital surplus to retained earnings						—
Net changes in accounts other than shareholders' equity	(4)	(3)	(75)	(83)	(75)	(159)
Total changes during the year	(4)	(3)	(75)	(83)	(75)	3,243
Balance at March 31, 2011	¥ 2	¥ —	¥ (543)	¥ (540)	¥ 559	¥ 77,464

(Continued)

	Thousands of U.S. Dollars (note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2010	$ 157,811	$ 200,241	$ 532,989	$ (577)	$ 890,475
Changes arising during year:					
Cash dividends			(16,140)		(16,140)
Net income			57,090		57,090
Purchase of treasury stock				(12)	(12)
Disposition of treasury stock		(0)		0	0
Transfer from capital surplus to retained earnings		0	(0)		—
Net changes in accounts other than shareholders' equity					
Total changes during the year	—	—	40,938	(12)	40,914
Balance at March 31, 2011	$ 157,811	$ 200,241	$ 573,927	$ (601)	$ 931,389

	Thousands of U.S. Dollars (note 3)					
	Accumulated other comprehensive income					
	Net unrealized holding gain (loss) on other securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2010	$ 72	$ 36	$ (5,616)	$ (5,496)	$ 7,637	$ 892,616
Changes arising during year:						
Cash dividends						(16,140)
Net income						57,090
Purchase of treasury stock						(12)
Disposition of treasury stock						0
Transfer from capital surplus to retained earnings						—
Net changes in accounts other than shareholders' equity	(48)	(36)	(902)	(998)	(902)	(1,912)
Total changes during the year	(48)	(36)	(902)	(998)	(902)	39,002
Balance at March 31, 2011	$ 24	$ —	$ (6,530)	$ (6,494)	$ 6,723	$ 931,618

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (note 3)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 8,335	¥ 10,125	$ 100,241
Depreciation and amortization	2,151	2,244	25,869
Amortization of goodwill	67	59	806
Increase (decrease) in allowance for doubtful receivables	47	(223)	565
Increase (decrease) in liability for retirement and severance benefits	469	(29)	5,640
Increase (decrease) in accrued bonuses to directors and corporate auditors	(2)	21	(24)
Increase (decrease) in accrued losses on sales contracts	(52)	87	(625)
Interest and dividend income	(86)	(61)	(1,034)
Interest expense	57	66	686
Impairment loss on investment securities	8	45	96
(Gain) loss on sale of investment securities	(35)	10	(421)
(Gain) loss on sale of property and equipment	1	(0)	12
Loss on disposal of property and equipment	89	21	1,070
Cumulative effect of accounting change	437	—	5,256
Expenses relating to move of the head office	1,509	—	18,148
Loss on disaster	282	—	3,391
Restructuring charges of subsidiaries	366	—	4,402
(Increase) decrease in notes and accounts receivable	(6,281)	11,610	(75,538)
(Increase) decrease in inventories	(31)	2,152	(373)
Decrease in notes and accounts payable	(3,413)	(5,013)	(41,046)
Other, net	(613)	(931)	(7,372)
Subtotal	3,305	20,186	39,747
Interest and dividend received	85	61	1,022
Interest paid	(58)	(66)	(698)
Payment of expenses relating to move of the head office	(1,114)	—	(13,397)
Income taxes paid	(3,814)	(4,111)	(45,869)
Net cash provided by (used in) operating activities	(1,595)	16,070	(19,182)

(Continued)

	Millions of yen		Thousands of U.S. dollars (note 3)
	2011	2010	2011
Cash flows from investing activities:			
Purchase of property and equipment	(2,206)	(1,097)	(26,530)
Proceeds from sale of property and equipment	10	3	120
Purchase of intangibles	(555)	(830)	(6,675)
Proceeds from sale of intangibles	378	—	4,546
Purchase of investment securities	(5)	(3)	(60)
Proceeds from sale of investment securities	35	33	421
Loans receivable made	(31)	(52)	(373)
Collection of loans receivable	44	47	529
Purchase of investments in a subsidiary, net of cash acquired	(473)	—	(5,689)
Payments of lease deposits relating to move of the head office	(747)	—	(8,984)
Collection of lease deposits relating to move of the head office	1,879	—	22,598
Payments made to settle asset retirement obligations	(367)	—	(4,414)
Other, net	135	14	1,624
Net cash used in investing activities	(1,904)	(1,885)	(22,898)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	1,778	(124)	21,383
Repayments of long-term debt	(2,014)	—	(24,221)
Proceeds from long-term debt	1,500	—	18,040
Proceeds from sale and purchase of treasury stock, net	(1)	(2)	(12)
Dividends paid to shareholders	(1,341)	(1,090)	(16,127)
Other, net	(257)	(164)	(3,091)
Net cash used in financing activities	(337)	(1,382)	(4,053)
Effect of exchange rate changes on cash and cash equivalents	(89)	121	(1,070)
Net increase in cash and cash equivalents	(3,926)	12,923	(47,216)
Cash and cash equivalents at beginning of year	29,538	16,614	355,238
Cash and cash equivalents at end of year	¥ 25,611	¥ 29,538	$ 308,010

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NEC Networks & System Integration Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

1. BASIS OF PREPARATION

NEC Networks & System Integration Corporation (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan. Its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.
The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Japanese Financial Instruments and Exchange Law and, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRSs.
As permitted by the Japanese Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.
Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The Company has 14 subsidiaries (companies over which the Company exercises control operations) as of March 31, 2011 (13 subsidiaries as of March 31, 2010).
The accompanying consolidated financial statements include the accounts of the Company and the significant companies controlled directly or indirectly by the Company. All significant intercompany balances and transactions have been eliminated in consolidation.
The financial statements of the subsidiaries with year ends of December 31 have been used for consolidation. All material transactions that occurred in the periods from such year ends and March 31, the Company's year ends, have been adjusted.
The difference between the carrying amount and the underlying net assets at fair value at the respective dates of acquisition is allocated to identifiable assets and liabilities based on fair market value at the dates of acquisition. The unallocated portion of the difference, which is recognized as goodwill or negative goodwill, is amortized by the straight-line method over a period, up to twenty years, in which the future benefit of each investment is expected.

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates.
All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to income.
The revenue and expense accounts of the foreign subsidiaries are translated into yen at the average exchange rates prevailing during the year, and, except for the components of shareholders' equity, the balance sheet accounts are translated at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Translation adjustments, except for the portion included in minority interests, are presented as a separate component of net assets in the accompanying consolidated financial statements.

(c) Cash equivalents

Cash and cash equivalents include all highly liquid investments – generally with original maturities of three months or less – that are readily convertible to known amounts of cash and have negligible risk of changes in value due to their short maturities.

(d) Investment securities

Investment securities other than those in subsidiaries are classified into three categories: trading, held-to-maturity or other securities. Trading securities are measured at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are measured at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost except for investments in limited partnerships that are accounted for by the equity method. Investment securities classified as other securities are reviewed for impairment. An impairment loss is recognized when the fair value of investment securities declines significantly. Cost of securities sold is determined by the moving-average method.

(e) Inventories

Work in process is stated at lower of cost or net selling value determined on a specific project basis. Purchased goods and materials are stated at lower of cost or net selling value determined primarily by the moving-average method.

(f) Depreciation and amortization

Depreciation of property and equipment is principally computed by the declining-balance method, except for certain leased assets of the Company and property and equipment of certain foreign subsidiaries on which depreciation is computed by the straight-line method, based on the estimated useful lives of the respective assets. Significant renewals and improvements are capitalized. Maintenance and repair costs are charged to income.

The useful lives of property and equipment are summarized as follows:

Buildings and structures	3 to 65 years
Machinery and vehicles	4 to 17 years
Furniture and fixtures	2 to 20 years

Intangibles are amortized by the straight-line method over their estimated useful lives.
Software for sale is amortized based on projected sales volumes over the estimated effective periods (within 3 years). Software for internal use is amortized by the straight-line method over the estimated useful lives (within 5 years).

(g) Allowance for doubtful receivables

The allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(h) Accrued losses on sales contracts

Accrued losses on sales contracts are provided for at the amount of estimated losses for work in process at the balance sheet date. Among sales orders of the Company on hand at balance sheet date, for projects in which the estimated cost is expected to exceed the amount of the sales order, such excess costs on sales contracts are accrued.

(i) Leases

Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line method, with the lease periods as their useful lives and no residual value.
Finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain “as if capitalized” information.

(j) Research and development costs

Research and development costs are charged to income as incurred.

(k) Retirement benefits
Accrued employees' retirement benefits are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for the unrecognized actuarial gain or loss and unrecognized prior service benefit or cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of services of the eligible employees. Actuarial gain or loss is amortized in the subsequent year that it occurs by the straight-line method over the average remaining years of service of the employees. Prior service benefit or cost is amortized beginning the year it is incurred by the straight-line method over the average remaining years of service of the employees.
From the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No. 19, July 31, 2008). The accounting standard removes the treatment, which provides that a company may use the discount rate determined taking into consideration fluctuations in the yield of bonds over a certain period, and the Company is required to use the discount rate at the each year end. There was no effect of this adoption on consolidated financial statements for the year ended March 31, 2010.
Certain consolidated subsidiary has unfunded defined benefit pension plans for directors. The provision for the plans has been made in the accompanying consolidated financial statements for vested benefits to which directors are entitled if they were to retire and sever immediately at the balance sheet date.

(l) Income taxes
Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) Derivative financial instruments
Derivatives are recorded at their fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is directly included in the net assets.

(n) Revenue recognition
The percentage-of-completion method is applied if the outcome of the construction activity can be estimated reliably, otherwise the completed-contract method is applied. The percentage of completion as of the end of the reporting period is estimated based on the percentage of the cost incurred to the estimated total cost.
From the year ended March 31, 2010, the Company adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007). With respect to construction contracts whose activity commenced in the year ended March 31, 2010, the percentage-of-completion method was applied if the outcome of the construction activity can be estimated reliably, otherwise the completed-contract method was applied. Previously, revenues from construction contracts of the Company was recognized by the completed-contract method except for network integration and telecommunications construction with contracted amounts exceeding ¥100 million, which were recognized by the percentage-of-completion method. The effect of the change on net sales, gross profit, operating income and income before income taxes and minority interests was immaterial.

(o)Accrued bonuses to directors and corporate auditors
The Company and its domestic consolidated subsidiaries provide accrued bonuses to directors and corporate auditors (except for internal corporate auditors) based on the estimated amounts to be paid in respect of the year.

(p)Accounting for consumption taxes
Consumption taxes generally withheld upon sale as well as that paid for purchases of goods or services, are recorded as a liability or an asset, and are excluded from the relevant revenue, costs or expenses.

(q) Asset retirement obligations
From the year ended March 31, 2011, the Company applied "the Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "the Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). As a result of adopting these standards, the effect of operating income was minor, and income before income taxes and minority interests decreased by ¥ 458 million ($5,508 thousand) for the year ended March 31, 2011.

(r) Presentation of Comprehensive Income
From the year ended March 31, 2011, the Company applied "the Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010) and "the Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, Revised on June 30, 2010).

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥83.15 = U.S.$1.00, the approximate rate of exchange on March 31, 2011. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

4. INVESTMENT SECURITIES

a) The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2011 and 2010 were summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2011	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 72	¥ 52	¥ 19	$ 866	$ 625	$ 229
Subtotal	72	52	19	866	625	229
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	24	39	(15)	289	469	(180)
Subtotal	24	39	(15)	289	469	(180)
Total	¥ 96	¥ 91	¥ 4	$ 1,155	$ 1,094	$ 48

	Millions of yen		
March 31, 2010	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 64	¥ 40	¥ 23
Subtotal	64	40	23
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	20	32	(11)
Debt securities	2	2	—
Subtotal	22	34	(11)
Total	¥ 86	¥ 74	¥ 12

Unlisted equity securities of ¥212 million ($2,550 thousand) and ¥220 million and investments in limited partnerships of ¥51 million ($613 thousand) and ¥73 million at March 31, 2011 and 2010, respectively are not included in the above table because there is no market value and future cash flows cannot be estimated, therefore it is extremely difficult to measure the fair value.

b) Sales of securities classified as other securities for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Proceeds from sales	¥ 0	¥ 32	$ 0
Gains on sales	0	7	0
Losses on sales	0	17	0

c) The Company recognized impairment losses on other securities with fair value of ¥8 million ($96 thousand) and ¥43 million for the years ended March 31, 2011 and 2010, respectively. The Company recognizes impairment losses on other securities when the market value declines by more than 50 percent, or when the market value declines by more than 30 percent but less than 50 percent, the Company recognizes necessary impairment losses as a result of considering the possibility of recovery.

5. INVENTORIES

a) Inventories at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Work in process	¥ 5,612	¥ 5,572	$ 67,492
Purchased goods and materials	1,493	1,696	17,956
Total	¥ 7,105	¥ 7,269	$ 85,448

b) Loss from revaluation of lower-of-cost or net selling value for the years ended March 31, 2011 and 2010 is ¥496 million ($5,965 thousand) and ¥486 million, respectively.

c) Losses on sales contracts for the years ended March 31, 2011 and 2010 is ¥53 million ($637 thousand) and ¥128 million, respectively.

6. GOODWILL

Goodwill at March 31, 2011 and 2010 are recorded in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Intangibles, net of accumulated amortization	¥ 1,243	¥ 1,017	$ 14,949
Other liabilities	(11)	(18)	(132)

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT
Short-term loans and long-term debt are unsecured.

The weighted average interest rates of long-term debt for the years ended March 31, 2011 and 2010 were approximately 0.9% and 1.0%, respectively. The annual maturities of the long-term debt at March 31, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2012	¥ 500	$ 6,013
2013	3,500	42,093
2014	500	6,013
Total	¥ 4,500	$ 54,119

As of March 31, 2011, the Company and subsidiaries (the "Group") executed a ¥3,000 million ($36,079 thousand) committed borrowing facility with three domestic banks, and ¥1,300 million ($15,634 thousand) was drawn from this facility.

8. INCOME TAXES
Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.7% for both 2011 and 2010. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2011 and 2010 differ from the statutory tax rate for the following reasons:

	2011	2010
Statutory tax rate	40.7%	40.7%
Effect of:		
Expenses not deductible for tax purposes	1.7	1.2
Dividend income not taxable for tax purposes	(0.0)	(0.0)
Inhabitant tax per capita levy	1.3	1.1
Increase (decrease) in valuation allowance	0.1	0.4
Difference in statutory tax rates of foreign subsidiaries	0.5	-
Other, net	1.2	(0.5)
Effective tax rates	45.5%	42.9%

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,216	¥ 2,184	$ 26,651
Social security contribution on employees' bonuses	274	258	3,295
Allowance for doubtful receivables	121	42	1,455
Accrued enterprise tax	306	264	3,680
Percentage-of-completion method	24	79	289
Loss on revaluation of inventories	2,312	2,354	27,805
Unrealized profit on inventories	35	36	421
Accrued losses on sales contracts	19	52	229
Depreciation	273	330	3,283
Software	268	342	3,223
Accrued employees' retirement benefits	6,612	6,397	79,519
Stock dividends	141	141	1,696
Impairment loss on investment securities	230	224	2,766
Other	1,252	680	15,057
Subtotal	14,090	13,389	169,453
Valuation allowance	(1,681)	(1,633)	(20,216)
Total	12,408	11,755	149,224
Deferred tax liabilities:			
Prepaid employees' retirement benefits	(304)	—	(3,656)
Reserve for special depreciation	—	(14)	—
Other	(111)	(12)	(1,335)
Total	(416)	(27)	(5,003)
Net deferred tax assets	¥ 11,991	¥ 11,727	$ 144,209

Net deferred tax assets and liabilities as of March 31, 2011 and 2010 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets - Deferred tax assets	¥ 4,929	¥ 4,590	$ 59,278
Investments and other assets - Deferred tax assets	7,071	7,142	85,039
Long-term liabilities – Other liabilities	(9)	(5)	(108)

9. RETIREMENT BENEFIT PLANS

The Company and certain consolidated subsidiaries have defined benefit plans, (i.e., Welfare Pension Fund Plans ("WPFP") and lump-sum payment plans), covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

And the Company has a defined contribution plan for certain future pension benefits.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ (39,175)	¥ (36,781)	$ (471,137)
Plan assets at fair value	17,996	17,269	216,428
Unfunded retirement benefit obligation	(21,178)	(19,512)	(254,696)
Unrecognized actuarial loss	10,456	9,041	125,749
Unrecognized prior service benefit	(4,830)	(5,320)	(58,088)
Net amount recognized in the consolidated balance sheets	(15,552)	(15,792)	(187,035)
Prepaid retirement and severance benefits	749	—	9,008
Accrued employees' retirement benefits	¥ (16,301)	¥ (15,792)	$ (196,043)

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥ 1,658	¥ 1,638	$ 19,940
Interest cost	915	889	11,004
Expected return on plan assets	(418)	(347)	(5,027)
Amortization of actuarial loss	973	808	11,702
Amortization of prior service benefit or cost	(490)	(490)	(5,893)
Total	2,637	2,497	31,714
Other	279	242	3,355
	¥ 2,917	¥ 2,739	$ 35,081

"Other" is the contribution to the defined contribution plan.

The assumptions used in accounting for the above plans were as follows:

	2011	2010
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

Directors and corporate auditors are not covered by the plans described above. For such persons, the certain consolidated subsidiary has unfunded defined benefit pension plans. Under the plans, directors are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the Company. The liability for retirement and severance benefits related to these plans is ¥170 million ($2,044 thousand) at March 31, 2011.

10. ASSET RETIREMENT OBLIGATION

The asset retirement obligation is based on estimated future restoration obligation related to leasehold contracts of head office and other facilities.
The obligation is calculated based on the estimated office rental period of mainly 20 years and discounted rate of 1.7%.

The following table provides a Company's total asset retirement obligation for the year ended March 31, 2011:

	Millions of yen	Thousands of U.S. dollars
Balance, beginning of year	¥ 459	$ 5,520
Obligation incurred by asset acquisition	234	2,814
Obligation settled	(418)	(5,027)
Accretion expense	2	24
Balance, end of year	¥ 279	$ 3,355

The above asset retirement obligation at the beginning of year is calculated by estimating the undiscounted future cash flow as of the beginning of the year and by using a discount rate.

The balance of the asset retirement obligation at beginning of the fiscal year was determined based upon the guidance set forth in "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008).

11. SHAREHOLDERS' EQUITY

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.
The Corporation Law provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal earnings reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal earnings reserve equals 25% of their respective stated capital. The Corporation Law also provides that additional paid-in capital and legal earnings reserve are available for appropriations by the resolution of the shareholders. The legal earnings reserve amounted to ¥546 million ($6,566 thousand) as of both March 31, 2011 and 2010. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.
Cash dividends charged to retained earnings for the years ended March 31, 2011 and 2010 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Corporation Law.

Movement of treasury stocks was as follows:

	Shares	
	2011	2010
At beginning of year	41,180	38,581
Increase - purchase of odd lot shares	1,873	2,688
Decrease - sale of odd lot shares	(131)	(89)
At end of year	42,922	41,180

a) Dividends paid during the year ended March 31, 2010
The following was approved by the Board of Directors held on May 12, 2009.

(a)	Total dividends	¥547 million
(b)	Cash dividends per common share	¥11
(c)	Record date	March 31, 2009
(d)	Effective date	June 2, 2009

The following was approved by the Board of Directors held on October 29, 2009.

(a)	Total dividends	¥547 million
(b)	Cash dividends per common share	¥11
(c)	Record date	September 30, 2009
(d)	Effective date	December 3, 2009

b) Dividends paid during the year ended March 31, 2011
The following was approved by the Board of Directors held on May 12, 2010.

(a)	Total dividends	¥696 million ($8,370 thousand)
(b)	Cash dividends per common share	¥14 ($0.17)
(c)	Record date	March 31, 2010
(d)	Effective date	June 2, 2010

The following was approved by the Board of Directors held on October 28, 2010.

(a)	Total dividends	¥646 million ($7,769 thousand)
(b)	Cash dividends per common share	¥13 ($0.16)
(c)	Record date	September 30, 2010
(d)	Effective date	December 2, 2010

c) Dividends to be paid after March 31, 2011 but the record date for the payment belongs to the year ended March 31, 2011
The following was approved by the Board of Directors held on April 28, 2011.

(a)	Total dividends	¥646 million ($7,769 thousand)
(b)	Dividend source	Retained earnings
(c)	Cash dividends per common share	¥13 ($0.16)
(d)	Record date	March 31, 2011
(e)	Effective date	June 2, 2011

12. CONTINGENT LIABILITIES

At March 31, 2011, the Company was contingently liable as guarantor of indebtedness of the Company's employees in the aggregate amount of ¥94 million ($1,130 thousand).

13. LEASES

a) Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2011 and 2010, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition costs:			
Machinery and vehicles	¥ 5	¥ 5	$ 60
Furniture and fixtures	357	2,075	4,293
Software	194	409	2,333
	¥ 557	¥ 2,490	$ 6,699
Accumulated depreciation:			
Machinery and vehicles	¥ 3	¥ 2	$ 36
Furniture and fixtures	289	1,719	3,476
Software	164	317	1,972
	¥ 457	¥ 2,040	$ 5,496
Net book value:			
Machinery and vehicles	¥ 1	¥ 2	$ 12
Furniture and fixtures	68	356	818
Software	30	91	361
	¥ 99	¥ 450	$ 1,191

Lease payments relating to finance leases accounted for as operating leases amounted to ¥364 million ($4,378 thousand) and ¥723 million for the years ended March 31, 2011 and 2010, respectively. The depreciation expense of the leased assets computed by the straight-line method over the respective lease terms and the interest expense portion, which is calculated based on the interest method, included in the lease payments amounted to ¥340 million ($4,089 thousand) and ¥8 million ($96 thousand), respectively, for the year ended March 31, 2011 and ¥679 million and ¥24 million, respectively, for the year ended March 31, 2010.

Future minimum lease payments subsequent to March 31, 2011 and 2010 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 77	¥ 362	$ 926
Due over one year	28	109	337
Total	¥ 105	¥ 471	$ 1,263

b) Operating leases
Future minimum operating lease payments subsequent to March 31, 2011 and 2010 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 1,886	¥ 26	$ 22,682
Due over one year	6,008	51	72,255
Total	¥ 7,895	¥ 77	$ 94,949

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The significant components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Employees salary	¥ 10,518	¥ 10,737	$ 126,494
Provision for bonuses to directors and corporate auditors	110	111	1,323
Retirement benefit expenses	920	1,098	11,064

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses amounted to ¥52 million ($625 thousand) and ¥119 million for the years ended March 31, 2011 and 2010, respectively.

16. COMPREHENSIVE INCOME

a) Comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
Comprehensive income attributable to owners of the parent	¥ 5,952
Comprehensive income attributable to minority interests	27
Total comprehensive income	¥ 5,980

b) Other comprehensive income for the year ended March 31, 2010 was consisted of as follows:

	Millions of yen
Net unrealized gain on other securities	¥ 7
Deferred gains on hedges	5
Foreign currency translation adjustments	182
Total other comprehensive income	¥ 195

17. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2011	2010	2011
Net income per share	¥ 95.46	¥ 116.74	$ 1.15
Net assets per share	1,546.42	1,479.62	18.60

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. There is no equity instruments issued that has dilutive effect on earnings per share.
Amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

18. FINANCIAL INSTRUMENTS

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and its "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 Guidance, March 10, 2008) were applied from the year ended March 31, 2010.

Conditions of Financial instruments

(1) Management policy
The Group makes short-term deposits or high-security financial instruments for fund management purposes. The Group finances funds for capital expenditure plans mainly through bank loans.
The Group utilizes derivative financial instruments to hedge various risks as described in detail below and does not enter into derivatives for trading or speculative purposes.

(2) Financial instruments and risks
The notes and accounts receivable are exposed to credit risk of customers. Operating receivables and payables denominated in foreign currencies are exposed to foreign currency fluctuation risk.
Marketable and investment securities, except for short-term investments, are held for business and capital alliances with business associates, and are exposed to stock market fluctuation risk.
Maturities of notes and accounts payable are within one year.
Long-term debt and lease obligations are for financing funds for capital expenditure and their maximum maturities are 6 and half years after the balance sheet date. All of the obligations are with fixed interest rates and are not exposed to interest rate risk.
In order to hedge the foreign exchange rates fluctuation risk associated with the operating receivables and payables denominated in foreign currencies, forward foreign exchange contracts are used.
Hedge accounting is applied for certain derivative transactions. Please refer to note 2(m).

(3) Financial instruments risk management
1) Credit risk
To mitigate and quickly capture the collectability issues, the Group regularly monitors customers' credit status, and performs due date controls and balance controls for each customer.
When the Group utilizes derivatives or deposits money and purchases securities for cash management purposes, to mitigate the counterparty risk, the counterparties to these transactions are financial institutions with high credit ratings.

2) Market risk
To mitigate the foreign currency fluctuation risk, the Group enters into a forward exchange contract for hedging the cash flow fluctuation risk associated with operating receivables and payables denominated in foreign currencies.
To mitigate the stock market fluctuation risk, the Group regularly monitors a stock price and a business associate's financial status, and continuously considers whether the Group holds the stock.
Derivative transactions entered into by the Group are in accordance with the policies and rules which provide risk management, approvals, reports and verifications.

3) Liquidity risk
To mitigate the liquidity risk, the Group prepares and updates a funds management plan on a timely basis, and maintains an appropriate level of liquidity which is total of cash and cash equivalents and unused committed lines.

(4) Supplemental explanation regarding fair value of financial instruments
Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in note 19. DERIVATIVES does not represent the market risk of the derivative transactions.

(5) Concentration of credit risk
At March 31, 2011 and 2010, 39% and 44% of operating receivables are receivables from a certain major customer, respectively.

Fair value of financial instruments
The carrying amount on the consolidated balance sheets, fair value, and differences as of March 31, 2011 and 2010 are as follows.
Financial instruments, of which it is extremely difficult to measure the fair value, are not included. (Please see "(2) Financial instruments of which the fair value is extremely difficult to measure")

	Millions of yen			Thousands of U.S. dollars		
March 31, 2011	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Assets:						
(1) Cash and cash equivalents	¥ 25,611	¥ 25,611	¥ —	$ 308,010	$ 308,010	$ —
(2) Notes and accounts receivable	86,331	86,329	(1)	1,038,256	1,038,232	(12)
(3) Investments securities:						
Other securities	96	96	—	1,155	1,155	—
Total	¥ 112,039	¥ 112,037	¥ (1)	$ 1,347,432	$ 1,347,408	$ (12)
Liabilities:						
(1) Notes and accounts payable	¥ 31,354	¥ 31,354	¥ —	$ 377,078	$ 377,078	$ —
(2) Short-term debt	1,800	1,800	—	21,648	21,648	—
(3) Current portion of long-term debt	500	500	—	6,013	6,013	—
(4) Long-term debt	4,000	4,001	(1)	48,106	48,118	(12)
Total	¥ 37,654	¥ 37,656	¥ (1)	$ 452,844	$ 452,868	$ (12)
Derivative transactions	¥ 0	¥ 0	¥ —	$ 0	$ 0	$ —

March 31, 2010	Millions of yen Carrying amount	Fair value	Differences
Assets:			
(1) Cash and cash equivalents	¥ 29,538	¥ 29,538	¥ —
(2) Notes and accounts receivable	79,988	79,982	(5)
(3) Investments securities:			
Other securities	86	86	—
Total	¥ 109,613	¥ 109,607	¥ (5)
Liabilities:			
(1) Notes and accounts payable	¥ 34,979	¥ 34,979	¥ —
(2) Current portion of long-term debt	2,000	2,000	—
(3) Long-term debt	3,000	3,014	(14)
Total	¥ 39,979	¥ 39,993	¥ (14)
Derivative transactions	¥ 5	¥ 5	¥ —

* Derivative receivables and liabilities are on net basis.

(1) Fair value measurement of financial instruments
Assets:
1) Cash and cash equivalents
The carrying amount approximates fair value because of the short maturity of these instruments.

2) Notes and accounts receivable
The fair value is based on the present value of future cash flows through maturity discounted using an estimated credit-risk-adjusted interest rate.

3) Investment securities
The fair value of equity securities is calculated by quoted market price. Please see note 4. INVESTMENT SECURITIES for information by category.

Liabilities:
1) Notes and accounts payable
The carrying amount approximates fair value because of the short maturity of these instruments.

2) Short-term debt
The carrying amount approximates fair value because of the short maturity of these instruments.

3) Current portion of long-term debt
The carrying amount approximates fair value because of the short maturity of these instruments.

4) Long-term debt
Fair value of long-term debts is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Derivative Transactions:
Please see note 19. DERIVATIVES.

(2) Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted equity securities	¥ 212	¥ 220	$ 2,550
Investments in limited partnerships	51	73	613

(3) Projected future redemption of monetary claim and securities with maturities at March 31, 2011

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 25,611	¥ —	¥ —	¥ —
Notes and accounts receivable	86,295	36	—	—
	¥ 111,907	¥ 36	¥ —	¥ —

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 308,010	$ —	$ —	$ —
Notes and accounts receivable	1,037,823	433	—	—
	$ 1,345,845	$ 433	$ —	$ —

(4) The annual maturities of the long-term debt at March 31, 2011

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Long-term debt	¥ 500	¥ 3,500	¥ 500	¥ —	¥ —	¥ —

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Long-term debt	$ 6,013	$ 42,093	$ 6,013	$ —	$ —	$ —

19. DERIVATIVES

The Company has entered into forward exchange contracts with major Japanese banks in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates.

At March 31, 2011, the disclosure of fair value information for derivatives which is not accounted for as hedges are as follows:

	Millions of yen		
	Contract amounts	Fair value	Valuation gain (loss)
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	¥ 159	¥ 0	¥ 0
Singapore dollar	1	0	0
Total	¥ 160	¥ 0	¥ 0

	Thousands of U.S. dollars		
	Contract amounts	Fair value	Valuation gain (loss)
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	$ 1,912	$ 0	$ 0
Singapore dollar	12	0	0
Total	$ 1,924	$ 0	$ 0

At March 31, 2010, the disclosure of fair value information for derivatives which was accounted for as hedges are as follows:

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen Contract amounts	Millions of yen Fair value
	Forward exchange contracts:			
Deferral hedge accounting	To sell foreign currency:			
	U.S. dollar	Accounts receivable	¥ 91	¥ 6
	Euro	Accounts receivable	3	0
	To buy foreign currency:			
	U.S. dollar	Accounts payable	5	0
	Euro	Accounts payable	39	(1)
	Total		¥ 139	¥ 5

The fair value of forward exchange contracts is computed based on quotes from counterparties.

20. RELATED PARTY TRANSACTIONS

The Company's outstanding common stock was owned by NEC Corporation by 51.44% both at March 31, 2011 and 2010, respectively.

Balances with NEC Corporation at March 31, 2011 and 2010, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Construction and maintenance of network system:			
Transactions:			
Sales	¥ 72,986	¥ 77,187	$ 877,763
Balances:			
Accounts receivable	¥ 33,545	¥ 34,884	$ 403,428
Advances received	230	248	2,766
Purchases of communication device:			
Transactions:			
Purchases	¥ 33,552	¥ 31,499	$ 403,512
Balances:			
Accounts payable	¥ 7,863	¥ 7,180	$ 94,564

NEC Fielding, Ltd is a subsidiary of NEC Corporation as at March 31, 2011 and 2010. Balances with the company at March 31, 2011 and 2010, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Construction and maintenance of network system:			
Transactions:			
Sales	¥ 2,148	¥ 2,652	$ 25,833
Balances:			
Notes receivable	¥ 124	¥ 216	$ 1,491
Accounts receivable	514	572	6,182
Advances received	18	18	216
Purchases of communication device:			
Transactions:			
Purchases	¥ 1,042	¥ 1,418	$ 12,532
Balances:			
Accounts payable	¥ 276	¥ 258	$ 3,319

NEC Communication Systems, Ltd is a subsidiary of NEC Corporation as at March 31, 2011 and 2010. Balances with the company at March 31, 2011 and 2010, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Construction and maintenance of network system:			
Transactions:			
Sales	¥ 4,542	¥ 5,487	$ 54,624
Balances:			
Accounts receivable	¥ 981	¥ 1,483	$ 11,798
Advances received	—	3	—

NEC Engineering, Ltd is a subsidiary of NEC Corporation as at March 31, 2011 and 2010. Balances with the company at March 31, 2011 and 2010, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Construction and maintenance of network system:			
Transactions:			
Sales	¥ 1,922	¥ 2,758	$ 23,115
Balances:			
Accounts receivable	¥ 670	¥ 1,152	$ 8,058
Advances received	—	0	—

NEC Facilities, Ltd is a subsidiary of NEC Corporation as at March 31, 2011 and 2010. Balances with the company at March 31, 2011 and 2010, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Rental of a buildings:			
Transactions:			
Lease deposit payment	¥ 941	¥ 20	$ 11,317
Lease deposit repayment	2,287	—	27,505
Balances:			
Lease deposit	¥ 1,567	¥ 2,913	$ 18,845

NEC Magunus Communications, Ltd is a subsidiary of NEC Corporation as at March 31, 2011 and 2010. Balances with the company at March 31, 2011 and 2010, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Construction and maintenance of network system:			
Transactions:			
Sales	¥ 5,159	¥ 1,898	$ 62,044
Balances:			
Accounts receivable	¥ 2,507	¥ 645	$ 30,150

21. SEGMENT INFORMATION

From the year ended March 31, 2011, the Company applied "the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 21, 2008) and "the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

"Enterprises networks business", "Carrier networks business" and "Social infrastructures business" are the Company's reported segments. The Company summarized business segments which have similar economic features and are based on the operational headquarters by services which are units for performance management into the reported segments.

Enterprises networks business mainly renders Service Integration relating to ICT Solution for enterprises. The segment renders total office solution which includes support for security or environment issues by using the ITC, operation, monitoring and providing outsourcing service of the total office solution and providing cloud services by own data center.

Carrier networks business mainly renders Service Integration relating to ICT Foundation for carriers. The segment renders SI services relating to large-scale and wide-range ICT Foundation and data center of carrier grade and operation and monitoring service of the SI services.

Social infrastructures business mainly renders Service Integration relating to SI services of ICT Infrastructure for governments or public-interest corporations (broadcasters, electric companies, etc.) and related operation and monitoring service, and provides construction of communication.

Segment sales, income, assets and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements.

The reported segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2011 was summarized as follows:

	Millions of yen					
	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Sales:						
(1) Sales to third parties	¥ 78,266	¥ 43,317	¥ 84,099	¥ 12,266	¥ —	¥ 217,948
(2) Intersegment sales	—	—	—	—	—	—
Total	¥ 78,266	¥ 43,317	¥ 84,099	¥ 12,266	¥ —	¥ 217,948
Segment income	¥ 7,709	¥ 4,439	¥ 4,817	¥ 235	¥ (6,366)	¥ 10,835
Segment assets	¥ 29,002	¥ 20,479	¥ 45,815	¥ 9,208	¥ 45,417	¥ 149,923
Others:						
Depreciation and amortization	¥ 866	¥ 302	¥ 110	¥ 89	¥ 783	¥ 2,151
Purchases of property and equipment, and intangible assets	1,188	151	129	47	1,693	3,211

	Thousands of U.S. dollars					
	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Sales:						
(1) Sales to third parties	$ 941,263	$ 520,950	$ 1,011,413	$ 147,517	$ —	$ 2,621,143
(2) Intersegment sales	—	—	—	—	—	—
Total	$ 941,263	$ 520,950	$ 1,011,413	$ 147,517	$ —	$ 2,621,143
Segment income	$ 92,712	$ 53,385	$ 57,931	$ 2,826	$ (76,560)	$ 130,307
Segment assets	$ 348,791	$ 246,290	$ 550,992	$ 110,740	$ 546,206	$ 1,803,043
Others:						
Depreciation and amortization	$ 10,425	$ 3,632	$ 1,323	$ 1,070	$ 9,417	$ 25,869
Purchases of property and equipment, and intangible assets	14,287	1,816	1,551	565	20,361	38,617

Notes:

1. "Others" includes Toyo Networks & System Integration Co., Ltd. and purchases of information and telecommunications equipment, etc., which are not included in reported segments.
2. “Adjustments” of ¥6,366 million ($76,560 thousand) in segment income are mainly administrative operation expenses.
3. “Adjustments” of ¥45,417 million ($546,206 thousand) in segment assets mainly consist of surplus funds (cash and deposits), land, long-term deposits and assets relating to the administrative operations of the parent company.
4. Segment income is adjusted with operating income in the consolidated statements of income.
5. “Depreciation and amortization” and “Purchases of property and equipment, and intangible assets” include long-term prepaid expenses and its amortization.

The reported segment information for the year ended March 31, 2010 which are restated to conform to the segmentation for the year ended March 31, 2011 are as follows:

	Millions of yen					
	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Sales:						
(1) Sales to third parties	¥ 76,143	¥ 44,946	¥ 82,531	¥ 14,106	¥ —	¥ 217,727
(2) Intersegment sales	—	—	—	—	—	—
Total	¥ 76,143	¥ 44,946	¥ 82,531	¥ 14,106	¥ —	¥ 217,727
Segment income	¥ 7,428	¥ 3,938	¥ 3,989	¥ 571	¥ (6,060)	¥ 9,867
Segment assets	¥ 28,286	¥ 19,945	¥ 40,115	¥ 9,650	¥ 48,917	¥ 146,915
Others:						
Depreciation and amortization	¥ 1,026	¥ 340	¥ 121	¥ 122	¥ 632	¥ 2,244
Purchases of property and equipment, and intangible assets	991	351	85	88	575	2,092

Notes:

1. "Others" includes Toyo Networks & System Integration Co., Ltd. and purchases of information and telecommunications equipment, etc., which are not included in reported segments.
2. “Adjustments” of ¥6,060 million in segment income are mainly administrative operation expenses.
3. “Adjustments” of ¥48,917 million in segment assets mainly consist of surplus funds (cash and deposits), land, long-term deposits and assets relating to the administrative operations of the parent company.
4. Segment income is adjusted with operating income in the consolidated statements of income.
5. “Depreciation and amortization” and “Purchases of property and equipment, and intangible assets” include long-term prepaid expenses and its amortization.

The following is based on the former segmentation for the year ended March 31, 2010:

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of products in Japan and foreign countries in three major segments: the Network integration/Support service segment, the Telecommunications engineering segment, and the Device sales segment.

Business segments

The business segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2010 was summarized as follows:

	Millions of yen					
	Network integration /Support service	Telecommu -nications engineering	Device sales	Total	Elimination or corporate	Consolidated
I. Sales:						
(1) Sales to third parties	¥ 145,646	¥ 60,846	¥ 11,233	¥ 217,727	¥ —	¥ 217,727
(2) Intersegment sales	—	—	—	—	—	—
Total sales	145,646	60,846	11,233	217,727	—	217,727
Operating expenses	133,463	58,157	10,630	202,251	5,607	207,859
Operating income	¥ 12,183	¥ 2,689	¥ 603	¥ 15,475	¥ (5,607)	¥ 9,867
II. Assets, depreciation expenses, capital expenditures:						
Assets	¥ 64,408	¥ 28,092	¥ 3,271	¥ 95,771	¥ 51,143	¥ 146,915
Depreciation expenses	1,027	34	—	1,062	1,182	2,244
Capital expenditures	935	15	—	951	1,141	2,092

Notes:

1. Business segments are classified based on nature of business.
2. The main business of each segment is as follows:
   - Network integration /Support service: Planning and consulting, software development, construction, operation and maintenance, outsourcing services and supply of originally developed products and devices for network systems to strengthen the operating efficiency and competitiveness of customers.
   - Telecommunications engineering: Construction of network infrastructure, and electric and air-conditioning facilities.
   - Device sales: Sales of data communication devices, etc.
3. The non-categorized operating expenses of ¥5,607 million in the Elimination or corporate line consist primarily of administrative operation expenses.
4. Corporate assets of ¥51,143 million in the Elimination or corporate line consist primarily of surplus funds (cash and deposits), land, long-term investments (investment securities), long-term deposits and assets relating to the administrative operations.
5. Accounting changes

   (Retirement benefits)

   For the year ended March 31, 2010, as described in Note 2 (k), the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No. 19, July 31, 2008). The effect of the change on segments was none.

   (Revenue recognition)

   For the year ended March 31, 2010, as described in Note 2 (n), the Company adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007). The effect of the change on segments was immaterial.

Geographical segments
As net sales and total assets of the foreign operations constituted less than 10% of the consolidated totals for the year ended March 31, 2010, the disclosure of geographical segment information was omitted.

Overseas sales
As overseas sales constituted less than 10% of the consolidated net sales for the year ended March 31, 2010, the disclosure of overseas sales information was omitted.

Related information
Related segment information for the year ended March 31, 2011 are as follows:
(1) Information by products and services
Please refer to the reported segment information.

(2) Geographical information
① Sales
Disclosures are omitted because sales to Japanese customer are over 90% of sales in the consolidated statements of income.

② Property and equipment
Disclosures are omitted because property and equipment located in Japan are over 90% of property and equipment in the consolidated balance sheets.

(3) Information by major customers

Customer name	Sales	Related reported segments
NEC Corporation	¥73,577 million ($884,871 thousand)	Enterprise networks Carrier networks Social infrastructures

Information of impairment loss on fixed assets by reported segments for the year ended March 31, 2011
Not applicable.

Information of amortization of goodwill and balances of goodwill by reported segments as of and for the year ended March 31, 2011

	Millions of yen					
	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Amortization of goodwill	¥ 13	¥ —	¥ —	¥ 60	¥ —	¥ 74
Balances as of goodwill	400	—	—	842	—	1,243

	Thousands of U.S. dollars					
	Enterprise networks	Carrier networks	Social infrastructures	Others	Adjustments	Total
Amortization of goodwill	$ 156	$ —	$ —	$ 722	$ —	$ 890
Balances as of goodwill	4,811	—	—	10,126	—	14,949

Negative goodwill incurred by reported segments for the year ended March 31, 2011
Not applicable.

KPMG

Independent Auditors' Report

To the Board of Directors of NEC Networks & System Integration Corporation:

We have audited the accompanying consolidated balance sheets of NEC Networks & System Integration Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income and comprehensive income for the year ended March 31, 2011, statement of income for the year ended March 2010, and statements of changes in net assets and cash flows for each of the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NEC Networks & System Integration Corporation and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 16 to the consolidated financial statements, in which the comprehensive income for the year ended March 31, 2010 is disclosed.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
June 23, 2011

Global Network (As of October 1, 2011)

Head Office

2-6-1 Koraku, Bunkyo-ku, Tokyo 112-8560, Japan
Tel: +81-3-6699-7000
Fax: +81-3-6699-7405

Major Domestic Regional Offices

Higashinihon, Nakanihon, Kansai, Nishinihon
Hokkaido, Tohoku, Shin-etsu, Kitakanto, Kanagawa, Chubu, Shizuoka,
Hokuriku, Keiji, Kobe, Chugoku, Shikoku, Kyushu

Subsidiaries and Affiliates

Toyo Networks & System Integration Co., Ltd.

Head office: Kanagawa, Japan
Established: May 2005
Capitalization: ¥400 million
Voting rights: 100.00%

NEC Networks & System Integration Engineering, Ltd.

Head office: Tokyo, Japan
Established: October 1992
Capitalization: ¥50 million
Voting rights: 100.00%

NEC Networks & System Integration Services, Ltd.

Head office: Tokyo, Japan
Established: July 1988
Capitalization: ¥60 million
Voting rights: 100.00%

NESIC Ascerent, Ltd.

Head office: Tokyo, Japan
Established: June 1951
Capitalization: ¥20 million
Voting rights: 100.00%

TOYO ALPHANET CO., LTD.

Head office: Kanagawa, Japan
Established: April 1981
Capitalization: ¥20 million
Voting rights 1: 100.00% (100.00%)

Nichiwa Co., Ltd.

Head office: Hyogo, Japan
Established: January 1953
Capitalization: ¥50 million
Voting rights: 100.00%

DAIICHI AD SYSTEM CO., LTD.

Head office: Tokyo, Japan
Established: August 1979
Capitalization: ¥75 million
Voting rights: 78.18%

NESIC BRASIL S/A

Head office: Sao Paulo, Brazil
Established: November 1976
Voting rights: 87.44%

NESIC (Thailand) Ltd.

Head office: Bangkok, Thailand
Established: March 1991
Voting rights: 49.00%

NESIC PHILIPPINES, INC.

Head office: Manila, The Philippines
Established: April 1991
Voting rights: 100.00%

P. T. NESIC BUKAKA

Head office: Jakarta, Indonesia
Established: May 1993
Voting rights: 80.00%

NESIC (GUANGZHOU) CO., LTD.

Head office: Guangzhou, China
Established: August 1998
Voting rights: 100.00%

Networks & System Integration Saudi Arabia Co., Ltd.

Head office: Al-Khobar, Saudi Arabia
Established: April 2006
Voting rights: 100.00%

TNSi Europe GmbH

Head office: Koln, Germany
Established: October 2005
Voting rights 1: 100.00% (100.00%)

Notes:

1. Figures in parentheses after the percentage of voting rights held represent percentages inclusive of indirectly held shares.

Investor Information (As of March 31, 2011)

Corporate Name:
NEC Networks & System Integration Corporation

Established:
November 26, 1953

Number of Employees:
4,344 (Non-consolidated)
5,939 (Consolidated)

URL:
http://www.nesic.co.jp/english/

Listing:
Tokyo Stock Exchange, First Section

Ticker Code:
1973

Fiscal Year:
April 1 - March 31
Annual meeting held in June

Common Stock Authorized:
100,000,000 shares

Issued:
49,773,807 shares

Number of Shareholders:
10,055

Transfer Agent:
The Sumitomo Trust and Banking Company, Limited
3-1, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan

Independent Auditors:
KPMG AZSA & Co.

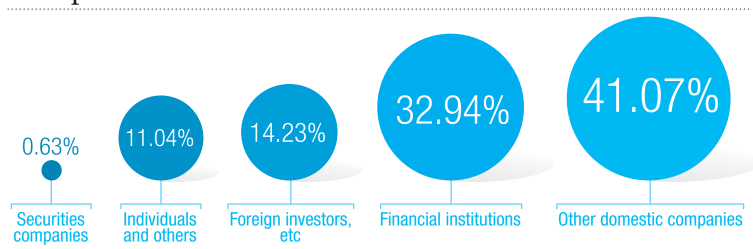
Major Shareholders:

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding[2]
NEC Corporation	19,106	38.42%
Japan Trustee Services Bank, Ltd.[1] (The Sumitomo Trust and Banking Company, Limited beneficiary trust account, NEC Corporation retirement benefit trust account)	6,400	12.87%
Japan Trustee Services Bank, Ltd. (Trust account)	4,802	9.66%
The Master Trust Bank of Japan, Ltd. (Trust account)	2,080	4.18%
Sumitomo Realty & Development Co., Ltd.	1,200	2.41%
Employees' Stock Ownership Plan	748	1.51%
Japan Trustea Services Bank, Ltd. (Trust account 9)	724	1.46%
JP Morgan Chase Bank 385166	676	1.36%
Mellon Bank, N.A. As Agent For Its Client Mellon Omnibus US Pension	613	1.23%
Northern Trust Co AVFC RE Northern Trust Guernsey Irish Clients	495	1.00%

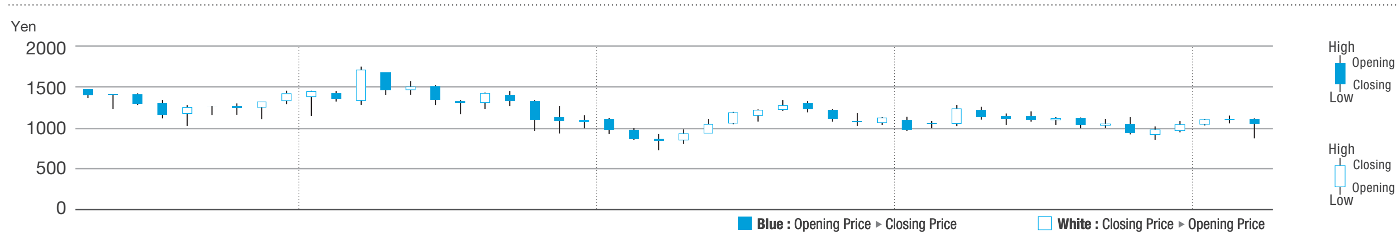
Notes:

1. Shares held by Japan Trustee Services Bank, Ltd. (The Sumitomo Trust and Banking Company, Limited beneficiary trust account, NEC Corporation retirement benefit trust account) give NEC Corporation material voting rights because NEC Corporation has contributed shares of the Company to its retirement benefit trust. The percentage of material voting rights held by NEC Corporation as of March 31, 2011 was 51.44%.
2. The percentage of total shares outstanding is calculated based on the number of shares excluding treasury stock (43,022 shares).

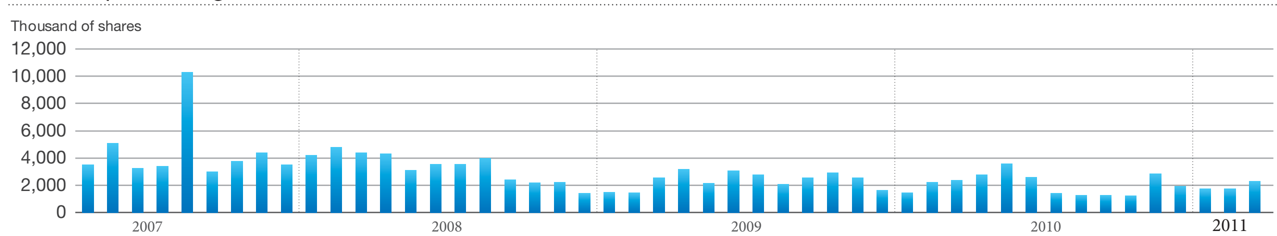
Composition of Shareholders:



Monthly Stock Price Range:



Monthly Trading Volume:



NEC Networks & System Integration Corporation

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