

NEC Networks & System Integration Corporation

Stock exchange listing: Tokyo

Code number: 1973

Tel: +81-3-5463-1111

<http://www.nesic.co.jp/english/index.html>

1. Consolidated Results for the First Half (April 1, 2009 to September 30, 2009)
of Fiscal Year 2009 ending March 31, 2010
(Rounded down to the nearest million yen.)

(1) Net Sales and Income

(Percentages represent change compared with the same period of the previous fiscal year.)

	Net sales (¥ million)	Year-on- year change (%)	Operating income (¥ million)	Year-on- year change (%)	Ordinary income (¥ million)	Year-on- year change (%)
6 months ended 9/09 (1H/FY09)	99,243	-13.8	3,240	-21.6	3,334	-25.0
6 months ended 9/08 (1H/FY08)	115,136	—	4,135	—	4,442	—

	Net income (¥ million)	Year-on- year change (%)	Net income per share (¥)	Net income per share (diluted)
6 months ended 9/09 (1H/FY09)	1,922	-22.6	38.66	—
6 months ended 9/08 (1H/FY08)	2,483	—	49.92	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/09/2009	134,860	70,913	52.1	1,412.40
31/03/2009	147,462	69,340	46.6	1,381.92

c.f. Owner's equity: 30/9/09: ¥70,243 million; 31/3/09: ¥68,730 million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ending 3/10 (projected)	—	11.00	—	11.00	22.00
FY ended 3/09	—	11.00	—	11.00	22.00

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

3. Financial Forecasts for Fiscal Year 2009 ending March 31, 2010 (April 1, 2009 to March 31, 2010)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
FY ending 3/10	230,000	-7.7	9,200	-16.1	9,200	-17.9	5,160	0.1	103.75

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

Cautionary Statement

Forecasts of results mentioned in this document are future estimates and are thus inclusive of risks and uncertain factors since they are not based on definite facts. Please be aware that a variety of factors could cause actual results to differ significantly from those projected. The major factors affecting actual results include the economic climate and social trends surrounding the business of this Company's group, consumer trends vis-a-vis systems and services provided by this Company's group, as well as pressure to lower prices and ability to cope with the market in response to intensified competition.

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

4. Qualitative Information and Financial Statements

Operating Results for the First Half of Fiscal 2009

During the first half of fiscal 2009 (April 1 to September 30, 2009), conditions in Japan's economy remained challenging with ongoing weakness in capital investment and consumer spending, despite some signs of improvement including progress in inventory adjustments and an increase in exports to Asia. The unemployment rate reached a record high, and enterprise earnings worsened as the value of the yen increased against other currencies.

In the network-related business field, where the NEC Networks & System Integration Group ("the Group") operates, enterprises centered on financial companies and manufacturers continued to postpone projects related to new network construction and replacement, and delayed closing orders due to spending cutbacks and investment restraint. Among telecommunications carriers, investment by some mobile communications carriers also declined. However, supplementary budgets and other national government policies supported upgrades to high-speed, high-capacity communications infrastructure by local governments to eliminate the digital divide between urban and rural areas, as well as the expansion of firefighting networks. Upgrading is expected to progress actively. In addition, network-related investment by public utilities is increasing with broadcasting and cable television companies actively expanding their terrestrial digital broadcasting reception areas.

In this economic and operating environment, the Group has set the fiscal year ending March 31, 2010 as a year to prepare for future growth. While steadily securing local government projects by establishing a more flexible nationwide response structure and enhancing the support services business, we have concentrated on strengthening integrated office proposals centered on EmpoweredOffice,* utilizing the strengths of the entire Company. Moreover, we are working to raise productivity and reinforce our solid earnings structure through business process improvements such as cost management by further strengthening its ongoing "All Cost and Management Innovation (AC-I)" management innovation activities.

* EmpoweredOffice: An office reform solution that we provide. It fuses our strengths in information and communication technologies (ICT) and facility installation to reform office work processes by encouraging knowledge-building work styles and proposes changes in ways of working and the workplace environment to fulfill social responsibilities such as stronger security and environmental responsiveness.

As a result, the Group's operating results for the first half were as follows:

Orders received	¥109,879 million (a 12.7% decrease compared with the same period of the previous fiscal year)
Net sales	¥99,243 million (a 13.8% decrease)
Operating income	¥3,240 million (a 21.6% decrease)
Ordinary income	¥3,334 million (a 25.0% decrease)
Net income	¥1,922 million (a 22.6% decrease)

Although net sales and income decreased compared with the same period of the previous fiscal year due to the challenging operating environment, the Group achieved its initial forecast for orders. In addition, by accelerating management innovation activities we reduced the cost of sales ratio compared with the same period of the previous fiscal year and our initial forecast, and all income figures exceeded initial forecasts.

Net sales decreased 13.8 percent compared with the same period of the previous fiscal year to ¥99,243 million. In addition to a decrease in enterprise sales due to the effect of restrained investment and postponement of projects, support services for the NEC Group declined and sales from a number of projects related to the supplementary budgets of local governments for the year ended March 31, 2009 were shifted to the second half of the year ending March 31, 2010.

Under these conditions, the Group made some progress toward improving results in priority areas in the second half and beyond. Although sales to local governments decreased, orders increased significantly due to stronger response to the solid local information network market. In addition, sales of EmpoweredOffice to enterprises increased compared with the same period of the previous fiscal year due to aggressive customer-centered initiatives offering a wider range of proposals, including those for small-scale projects that help reduce costs and extend system life.

The Group also worked to further strengthen its earnings structure by promoting management innovation activities (AC-I) already under way. Specifically, while strengthening work process improvements in marketing and sales and engineering divisions, we also focused on top-down management reinforcement initiatives such as the thorough elimination of waste in Company-wide shared tasks and costs including those in administrative divisions. Moreover, upgrades to the infrastructure of the support services business, such as the establishment of the Network Total Operation Centers (nTOCs) and the Parts Delivery Operation Center (pDOC) that handles maintenance parts, enhanced service quality, including maintenance response speed, and improved work efficiency by optimizing parts storage and delivery. These measures strengthened profitability by lowering the cost of sales ratio 0.9 percentage points. However, due to the decrease in net sales, operating income decreased 21.6 percent compared with the same period of the previous fiscal year to ¥3,240 million, ordinary income decreased 25.0 percent to ¥3,334 million, and net income decreased 22.6 percent to ¥1,922 million.

Operating results by business segment were as follows.

Orders Received	(Millions of yen)			
	NI/SS	Telecommuni- cations Engineering	Product Sales	Total
First half / Fiscal 2009 (Six months ended September 30, 2009)	74,900	30,170	4,808	109,879
First half / Fiscal 2008 (Six months ended September 30, 2008)	86,573	31,515	7,704	125,794
Increase (decrease)	(11,673)	(1,345)	(2,896)	(15,914)
Percentage increase (decrease)	(13.5)	(4.3)	(37.6)	(12.7)

Network Integration/Support Services

Despite an increase in government orders centered on local information networks, overall segment orders decreased compared with the same period of the previous fiscal year due to the challenging operating environment.

Telecommunications Engineering

Although orders increased for infrastructure construction to upgrade networks of local governments and broadcasting and cable television companies in various regions in Japan, overall segment orders decreased compared with the same period of the previous fiscal year due to various factors, including a decrease in orders from mobile communications carriers for construction of base stations.

Product Sales

Orders decreased compared with the same period of the previous fiscal year due to restrained investment by enterprises.

Net Sales	(Millions of yen)			
	NI/SS	Telecommuni- cations	Product Sales	Total

		Engineering		
First half / Fiscal 2009 (Six months ended September 30, 2009)	69,004	25,287	4,951	99,243
First half / Fiscal 2008 (Six months ended September 30, 2008)	77,314	29,494	8,327	115,136
Increase (decrease)	(8,309)	(4,207)	(3,376)	(15,893)
Percentage increase (decrease)	(10.7)	(14.3)	(40.5)	(13.8)

Network Integration/Support Services

Overall sales decreased due to restrained investment in the challenging environment as well as the absence of large projects for the government received in the same period of the previous fiscal year.

Telecommunications Engineering

Sales decreased compared with the same period of the previous fiscal year due to factors including the decline in sales to telecommunications carriers and the decrease in sales for communications networks at oil refineries in Saudi Arabia.

Product Sales

Sales decreased compared with the same period of the previous fiscal year due to the effect of restrained investment by enterprises.

Main Contents of Business Segments by Type

Business	Main Contents
Network Integration / Support Services	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	Network infrastructure construction and installation of electrical and air conditioning systems
Product Sales	Sales of data communication devices, etc.

5. Qualitative Information on Consolidated Results Forecasts

Outlook for Fiscal 2009

An early recovery in the global economy, including the Japanese economy, is not expected, and there are concerns that severe conditions will continue. In business fields where the Group operates, the challenging operating environment is expected to continue as projected at the outset of fiscal 2009. Demand from local governments is projected to remain solid for regional public networks and firefighting networks due to factors including the anticipated effect of the second supplementary budget. However, uncertain conditions are expected to continue, mainly among enterprises.

In this environment, with results largely as planned, initial forecasts for fiscal 2009 remain unchanged.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	September 30, 2009	March 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	29,277	16,614
Notes and accounts receivable	64,910	91,321
Purchased goods, materials and supplies	2,072	2,081
Work in process	7,981	7,333
Other current assets	7,054	6,340
Allowance for doubtful receivables	(338)	(378)
Total current assets	<u>110,956</u>	<u>123,312</u>
Fixed assets		
Property and equipment	8,005	8,126
Intangible fixed assets	4,192	4,307
Investments and other assets		
Other	11,869	11,890
Allowance for doubtful receivables	(164)	(174)
Total investments and other assets	<u>11,705</u>	<u>11,715</u>
Total fixed assets	<u>23,903</u>	<u>24,149</u>
Total assets	<u>134,860</u>	<u>147,462</u>

	(Millions of yen)	
	As of	As of
	September 30, 2009	March 31, 2009
LIABILITIES		
Current liabilities		
Notes and accounts payable	28,332	39,915
Short-term bank loans	128	121
Current portion of long-term loans payable	2,000	---
Accrued income taxes	1,561	3,177
Accrued bonuses to directors and corporate auditors	28	70
Accrued losses on sales contracts	2	40
Other current liabilities	12,104	13,185
Total current liabilities	<u>44,157</u>	<u>56,511</u>
Long-term liabilities		
Long-term debt	3,000	5,000
Accrued employees' retirement benefits	15,696	15,817
Other liabilities	1,092	793
Total long-term liabilities	<u>19,789</u>	<u>21,610</u>
Total liabilities	<u>63,946</u>	<u>78,121</u>
NET ASSETS		
Shareholders' equity		
Common stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	40,982	39,606
Treasury stock	(47)	(45)
Total shareholders' equity	<u>70,708</u>	<u>69,334</u>
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities	(5)	(0)
Deferred gains (losses) on hedges	17	(2)
Foreign currency translation adjustments	(476)	(601)
Total valuation and translation adjustments	<u>(464)</u>	<u>(604)</u>
Minority interests	669	610
Total net assets	<u>70,913</u>	<u>69,340</u>
Total liabilities and net assets	<u>134,860</u>	<u>147,462</u>

(2) Consolidated Statements of Income

(Millions of yen)

	1H/FY2009 (6 months ended 9/09)	1H/FY2008 (6 months ended 9/08)
Net sales	99,243	115,136
Cost of sales	84,532	99,186
Gross profit	14,710	15,950
Selling, general and administrative expenses	11,469	11,815
Operating income	3,240	4,135
Non-operating income		
Interest income	24	32
Insurance dividend income	100	123
Other	160	283
Total non-operating income	285	440
Non-operating expenses		
Interest expenses	32	33
Loss on disposal of property and equipment	---	36
Exchange loss	113	---
Other	46	61
Total non-operating expenses	192	132
Ordinary income	3,334	4,442
Income before income taxes and minority interests	3,334	4,442
Income taxes	1,407	1,928
Minority interests in income (loss)	3	30
Net income	1,922	2,483

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H/FY2009 (6 months ended 9/09)	1H/FY2008 (6 months ended 9/08)
Cash flows from operating activities		
Income before income taxes and minority interests	3,334	4,442
Depreciation and amortization	1,085	1,113
Amortization of goodwill	33	33
Amortization of negative goodwill	(3)	(16)
Increase (decrease) in allowance for doubtful receivables	(53)	(34)
Increase (decrease) in accrued employees' retirement benefits	(124)	(362)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(41)	(41)
Increase (decrease) in accrued losses on sales contracts	(37)	(467)
Interest and dividend income	(35)	(47)
Interest expenses	32	33
Loss (gain) on valuation of investment securities	0	7
Loss (gain) on sale of property and equipment	0	(1)
Loss on disposal of property and equipment	16	36
Decrease (increase) in notes and accounts receivable	26,712	22,455
Decrease (increase) in inventories	(618)	(988)
Increase (decrease) in notes and accounts payable	(11,709)	(12,857)
Increase (decrease) in accrued consumption taxes and other	(1,465)	(1,094)
Other, net	(3)	294
Subtotal	<u>17,123</u>	<u>12,505</u>
Interest and dividends received	35	48
Interest paid	(32)	(33)
Income taxes paid	(3,025)	(4,261)
Net cash provided by operating activities	<u>14,100</u>	<u>8,259</u>
Cash flows from investing activities		
Purchase of property and equipment	(477)	(593)
Sale of property and equipment	0	2
Purchase of intangibles	(456)	(673)
Purchase of investment securities	(7)	(3)
Sale of Investment securities	14	---
Loans receivable made	(30)	(13)
Collection of loans receivable	23	12
Purchase of investments in newly consolidated subsidiaries	---	175
Other, net	(14)	22
Net cash used in investing activities	<u>(947)</u>	<u>(1,071)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	---	(630)
Payments on long-term debt	---	(29)
Proceeds from sale and purchase of treasury stock, net	(1)	(7)
Dividends paid to shareholders	(542)	(493)
Dividends paid to minority interests in consolidated subsidiaries	(2)	(2)
Other, net	(59)	(5)
Net cash used in financing activities	<u>(607)</u>	<u>(1,168)</u>
Effect of exchange rate changes		
on cash and cash equivalents	117	(84)
Net increase (decrease) in cash and cash equivalents	<u>12,662</u>	<u>5,934</u>
Cash and cash equivalents at beginning of period	<u>16,614</u>	<u>14,341</u>
Cash and cash equivalents at end of period	<u>29,277</u>	<u>20,275</u>

(4) Segment Information

Business Segment Information

First half of fiscal 2009 (6 months ended September 2009)

(Millions of yen)

	Network Integration/ Support Services	Telecommunications Engineering	Product Sales	Total	Eliminations and corporate	Consolidated
Orders received	74,900	30,170	4,808	109,879	---	109,879
Sales						
(1) Sales to third parties	69,004	25,287	4,951	99,243	---	99,243
(2) Intersegment sales	---	---	---	---	---	---
Total	69,004	25,287	4,951	99,243	---	99,243
Operating income and loss	4,674	1,053	279	6,007	(2,766)	3,240

First quarter of fiscal 2008 (6 months ended Septembere 2008)

(Millions of yen)

	Network Integration/ Support Services	Telecommunications Engineering	Product Sales	Total	Eliminations and corporate	Consolidated
Orders received	86,573	31,515	7,704	125,794	---	125,794
Sales						
(1) Sales to third parties	77,314	29,494	8,327	115,136	---	115,136
(2) Intersegment sales	---	---	---	---	---	---
Total	77,314	29,494	8,327	115,136	---	115,136
Operating income and loss	5,408	1,234	246	6,889	(2,754)	4,135