

NEC Networks & System Integration Corporation

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1. Consolidated Results for the First Quarter (April 1, 2009 to June 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 (%)
3 months ended 6/09 (1Q/FY09)	43,233	-8.8	273	70.2	325	-7.8
3 months ended 6/08 (1Q/FY08)	47,400	—	160	—	352	—

	Net income (¥ million)	Year-on- year change (%)	Net income per share (¥)	Net income per share (diluted)
3 months ended 6/09 (1Q/FY09)	211	54.4	4.26	—
3 months ended 6/08 (1Q/FY08)	137	—	2.76	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/06/2009	127,637	69,120	53.6	1,376.85
31/03/2009	147,462	69,340	46.6	1,381.92

c.f. Owner's equity: 30/06/09: ¥68,476 million; 31/03/09: ¥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, 2008 to March 31, 2009)

(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)	(%)	(¥)
6 months ending 9/09	105,000	-8.8	3,000	-27.5	3,000	-32.5	1,650	-33.6	33.18
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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	June 30, 2009	March 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	21,095	16,614
Notes and accounts receivable	64,417	91,321
Purchased goods, materials and supplies	2,404	2,081
Work in process	8,963	7,333
Other current assets	7,154	1,481
Allowance for doubtful receivables	(325)	(378)
Total current assets	<u>103,708</u>	<u>123,312</u>
Fixed assets		
Property and equipment	7,994	8,126
Intangible fixed assets	4,224	4,307
Investments and other assets		
Other	11,879	11,890
Allowance for doubtful receivables	(169)	(174)
Total investments and other assets	<u>11,709</u>	<u>11,715</u>
Total fixed assets	<u>23,929</u>	<u>24,149</u>
Total assets	<u>127,637</u>	<u>147,462</u>

	(Millions of yen)	
	As of	As of
	June 30, 2009	March 31, 2009
LIABILITIES		
Current liabilities		
Notes and accounts payable	26,027	39,915
Short-term bank loans	131	121
Current portion of long-term loans payable	2,000	---
Accrued income taxes	284	3,177
Accrued bonuses to directors and corporate auditors	12	70
Accrued losses on sales contracts	0	40
Other current liabilities	10,514	13,185
Total current liabilities	<u>38,969</u>	<u>56,511</u>
Long-term liabilities		
Long-term debt	3,000	5,000
Accrued employees' retirement benefits	15,661	15,817
Other liabilities	886	793
Total long-term liabilities	<u>19,547</u>	<u>21,610</u>
Total liabilities	<u>58,517</u>	<u>78,121</u>
NET ASSETS		
Shareholders' equity		
Common stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	39,271	39,606
Treasury stock	(46)	(45)
Total shareholders' equity	<u>68,998</u>	<u>69,334</u>
Valuation and translation adjustments		
Net unrealized gain (loss)		
on other securities	4	(0)
Deferred gains (losses) on hedges	(3)	(2)
Foreign currency translation adjustments	(522)	(601)
Total valuation and translation adjustments	<u>(521)</u>	<u>(604)</u>
Minority interests	<u>643</u>	<u>610</u>
Total net assets	<u>69,120</u>	<u>69,340</u>
Total liabilities and net assets	<u>127,637</u>	<u>147,462</u>

(2) Consolidated Statements of Income

(Millions of yen)

	FY2009 Q1 (3 months ended 6/09)	FY2008 Q1 (3 months ended 6/08)
Net sales	43,233	47,400
Cost of sales	37,201	41,568
Gross profit	6,031	5,832
Selling, general and administrative expenses	5,758	5,672
Operating income	273	160
Non-operating income		
Interest income	7	9
Reversal of allowance for doubtful accounts	58	---
Exchange gain	---	93
Other	58	124
Total non-operating income	124	227
Non-operating expenses		
Interest expenses	15	18
Loss on valuation of investment securities	---	7
Exchange loss	34	---
Other	22	9
Total non-operating expenses	72	35
Ordinary income	325	352
Income before income taxes and minority interests	325	352
Income taxes	115	206
Minority interests in income (loss)	(2)	8
Net income	211	137

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2009 Q1 (3 months ended 6/09)	FY2008 Q1 (3 months ended 6/08)
Cash flows from operating activities		
Income before income taxes and minority interests	325	352
Depreciation and amortization	536	513
Amortization of goodwill	16	16
Amortization of negative goodwill	(1)	(11)
Increase (decrease) in allowance for doubtful receivables	(58)	(4)
Increase (decrease) in accrued employees' retirement benefits	(157)	(185)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(58)	(59)
Increase (decrease) in accrued losses on sales contracts	(40)	(467)
Interest and dividend income	(18)	(23)
Interest expenses	15	18
Loss (gain) on valuation of investment securities	0	7
Loss (gain) on sale of property and equipment	0	(0)
Loss on disposal of property and equipment	2	2
Decrease (increase) in notes and accounts receivable	27,089	23,499
Decrease (increase) in inventories	(1,936)	(3,471)
Increase (decrease) in notes and accounts payable	(13,984)	(14,877)
Increase (decrease) in accrued consumption taxes and other	(1,669)	(1,641)
Other, net	(1,675)	(472)
Subtotal	<u>8,386</u>	<u>3,196</u>
Interest and dividends received	18	24
Interest paid	(7)	(10)
Income taxes paid	(3,067)	(4,261)
Net cash provided by operating activities	<u>5,330</u>	<u>(1,051)</u>
Cash flows from investing activities		
Purchase of property and equipment	(159)	(202)
Sale of property and equipment	0	0
Purchase of intangibles	(184)	(217)
Purchase of investment securities	(0)	(2)
Sale of Investment securities	1	---
Loans receivable made	(15)	(8)
Collection of loans receivable	11	8
Purchase of investments in newly consolidated subsidiaries	---	175
Other, net	(5)	45
Net cash used in investing activities	<u>(352)</u>	<u>(202)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	---	(450)
Payments on long-term debt	---	(29)
Proceeds from sale and purchase of treasury stock, net	(0)	(2)
Dividends paid to shareholders	(535)	(478)
Other, net	(23)	(1)
Net cash used in financing activities	<u>(560)</u>	<u>(961)</u>
Effect of exchange rate changes		
on cash and cash equivalents	62	(169)
Net increase (decrease) in cash and cash equivalents	<u>4,480</u>	<u>(2,384)</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>21,095</u>	<u>11,957</u>

(4) Segment Information

Business Segment Information

First quarter of fiscal 2009 (3 months ended June 2009)

(3 months ended 6/09)

(Millions of yen)

	Network Integration/ Support Services	Telecommunications Engineering	Product Sales	Total	Eliminations and corporate	Consolidated
Orders received	36,423	13,598	2,792	52,813	---	52,813
Sales						
(1) Sales to third parties	31,290	9,717	2,224	43,233	---	43,233
(2) Intersegment sales	---	---	---	---	---	---
Total	31,290	9,717	2,224	43,233	---	43,233
Operating income and loss	1,282	188	111	1,581	(1,308)	273

First quarter of fiscal 2008 (3 months ended June 2008)

(3 months ended 6/08)

(Millions of yen)

	Network Integration/ Support Services	Telecommunications Engineering	Product Sales	Total	Eliminations and corporate	Consolidated
Orders received	44,098	13,549	4,316	61,964	---	61,964
Sales						
(1) Sales to third parties	32,956	10,476	3,968	47,400	---	47,400
(2) Intersegment sales	---	---	---	---	---	---
Total	32,956	10,476	3,968	47,400	---	47,400
Operating income and loss	1,265	69	98	1,433	(1,273)	160

5. Qualitative Information and Financial Statements

1) Qualitative Information on Consolidated Operating Results

Operating Results for the First Quarter of Fiscal 2009, the Year Ending March 31, 2010

During the first quarter (April 1, 2009 to June 30, 2009), the turmoil in financial and capital markets began to subside, but conditions in the global economy remained severe. In Japan, although the speed of economic deterioration eased, challenging conditions continued including delayed recovery of corporate earnings and significant restraint in capital investment.

On the other hand, in the network-related business field, where the NEC Networks & System Integration Group (“the Group”) operates, investment by local governments expanded for high-speed, high-volume communications infrastructure to eliminate the digital divide between urban and rural areas and expansion of regional firefighting and disaster prevention networks. In addition, broadcasting and cable TV companies actively constructed network infrastructure to expand their terrestrial digital broadcast reception areas. However, challenging conditions were evident in a growing trend toward restraint in enterprise network-related investment, primarily among financial businesses and manufacturers, while investment by certain mobile communications carriers decreased.

In this environment, the Group has set the fiscal year ending March 31, 2010 as a year to prepare for future growth. While expanding sales with steady initiatives to secure local government projects by establishing a more flexible nationwide response structure and enhancing the support services business, we concentrated on strengthening integrated office proposals centered on EmpoweredOffice,* utilizing the strengths of the entire Company. We worked to raise productivity and reinforce our solid earnings structure through business process improvements, thorough cost management and other measures by developing and strengthening All Cost and Management Innovation (AC-I) management reform activities.

As a result, the Group posted the following results for the first quarter:

Orders received	¥52,813 million (a ¥9,150 million decrease compared with the same period of the previous fiscal year)
Net sales	¥43,233 million (a ¥4,167 million decrease)
Operating income	¥273 million (a ¥112 million increase)
Ordinary income	¥325 million (a ¥27 million decrease)
Net income	¥211 million (a ¥74 million increase)

Although orders received and net sales decreased from the same period of the previous fiscal year, the cost of sales ratio improved as a result of accelerating management reform activities, and we achieved an increase in operating income.

Net sales decreased 8.8 percent from the same period of the previous fiscal year to ¥43,233 million. Sales of network infrastructure construction in the government market, including sales for regional information networks were firm due to enhancement of our nationwide project execution capabilities. Despite the severe environment, sales to enterprises were basically unchanged as the Group focused on proposals centered on EmpoweredOffice for reducing costs and lightening the burden of system maintenance and operation. In addition, sales increased in nearly all markets of the strategic support services business due to concentration on more aggressive proposals and increasing the ratio of maintenance contracts. However, overall sales decreased due to a decline in sales to telecommunications carriers and the NEC Group.

At the same time, we focused on enhancing productivity and improving profitability by further promoting AC-I management reform activities already being implemented on a Group-wide basis, including internal processing improvements and cost management. Moreover, we enhanced infrastructure in the support services business including the establishment of network total operation

centers (nTOCs) and the parts delivery operation center (pDOC), which handles parts for maintenance. As a result, we enhanced services including maintenance response speed while enhancing the efficiency of operations including improving distribution efficiency in parts storage, delivery and other areas. Because of these initiatives, the cost of sales ratio improved 1.7 percentage points compared with the same period of the previous fiscal year, operating income increased ¥112 million to ¥273 million, and the ratio of operating income to net sales improved 0.3 percentage points. In addition, although ordinary income decreased due to worsening non-operating loss resulting from exchange rates, net income increased ¥74 million to ¥211 million.

Operating results by business segment are as follows.

Orders Received				(Millions of yen)
	NI/SS	Telecommuni- cations Engineering	Product Sales	Total
Three months ended June 30, 2009	36,423	13,598	2,792	52,813
Three months ended June 30, 2008	44,098	13,549	4,316	61,964
Increase (decrease)	(7,675)	49	(1,523)	(9,150)
Percentage increase (decrease)	(17.4)	0.4	(35.3)	(14.8)

Network Integration / Support Services

Orders received from enterprises, the NEC Group and telecommunications carriers declined compared with the same period of the previous fiscal year due to the severe operating environment.

Telecommunications Engineering

Although construction of base stations for mobile communications carriers decreased, overall segment orders received increased slightly compared with the same period of the previous fiscal year due to an increase in orders received for infrastructure construction to upgrade networks of local governments and broadcasting and cable TV companies in various regions.

Product Sales

Orders received 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 Engineering	Product Sales	Total
Three months ended June 30, 2009	31,290	9,717	2,224	43,233
Three months ended June 30, 2008	32,956	10,476	3,968	47,400
Increase (decrease)	(1,665)	(758)	(1,743)	(4,167)
Percentage increase (decrease)	(5.1)	(7.2)	(43.9)	(8.8)

Network Integration / Support Services

Sales to financial businesses and other enterprises increased compared with the same period of the previous fiscal year through response to cost reduction and other customer needs, despite the severe environment of restrained investment. However, overall segment sales decreased due to a peak-out in investment by telecommunications carriers in high-speed 3G networks and a decrease in sales to the NEC Group. Overall sales in the support services business, including to enterprises, increased as

we made more aggressive proposals and took other initiatives to increase the ratio of maintenance contracts.

Telecommunications Engineering

Despite steady sales to local governments and broadcasting and cable TV companies, segment sales decreased compared with the same period of the previous fiscal year due to factors including the decline in mobile base station construction and the decrease in sales for communications 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.

* Empowered Office: 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.

2) Qualitative Information on Financial Position

Assets

Total assets at June 30, 2009 were ¥127,637 million, a decrease of ¥19,824 million from the end of the previous fiscal year. Current assets were ¥103,708 million, a decrease of ¥19,604 million. The main factors included a ¥4,480 million increase in cash and cash equivalents and a ¥26,904 million decrease in notes and accounts receivable. Fixed assets were ¥23,929 million, a decrease of ¥220 million.

Liabilities

Total liabilities at June 30, 2009 were ¥58,517 million, a decrease of ¥19,604 million from the end of the previous fiscal year. The main factors were a decrease of ¥13,888 million in notes and accounts payable and a decrease of ¥2,893 million in accrued income taxes. Interest-bearing debt was ¥5,131 million, approximately the same as at the end of the previous fiscal year.

Net Assets

Net assets at June 30, 2009 were ¥69,120 million, a decrease of ¥220 million from the end of the previous fiscal year. The main factors included a ¥335 million decrease in retained earnings.

6. Qualitative Information on Consolidated Results Forecasts 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, particularly investment restraint among enterprises.

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

Orders received	¥230.0 billion (a 6.2 percent decrease year-on-year)
Net sales	¥230.0 billion (a 7.7 percent decrease year-on-year)
Operating income	¥9.2 billion (a 16.1 percent decrease year-on-year)
Ordinary income	¥9.2 billion (a 17.9 percent decrease year-on-year)
Net income	¥5.16 billion (a 0.1 percent increase year-on-year)