

NEC Networks & System Integration Corporation

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1. Consolidated Results for the First Three Quarters (April 1, 2009 to December 31, 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 (%)
9 months ended Dec/09	147,624	-12.2	4,763	-10.6	4,980	-7.9
9 months ended Dec/08	168,144	—	5,325	—	5,408	—

	Net income (¥ million)	Year-on- year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
9 months ended Dec/09	2,856	-6.3	57.44	—
9 months ended Dec/08	3,047	—	61.26	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
31-Dec-09	132,548	71,235	53.3	1,419.51
31-Mar-09	147,462	69,340	46.6	1,381.92

c.f. Owner's equity: 31/Dec/09: ¥70,596 million; 31/Mar/09: ¥68,730 million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ending Mar/10 (projected)	—	11.00	—	11.00	22.00
FY ended Mar/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 Mar/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 or 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 Nine Months of Fiscal 2009 (April – December 2009)

During the first nine months of fiscal 2009 (April 1 to December 31, 2009), conditions in Japan's economy remained challenging amid the global economic recession that began in autumn 2008. Although there were signs of turnaround in some sectors, including recovery of production, uncertainty persisted due to factors including instability in currency markets.

In the Information and Communication Technology (ITC) field, where the NEC Networks & System Integration Group ("the Group") operates, sales in the support services business were solid centered on such areas as operation, monitoring and outsourcing. Investment by governments remained strong, although enterprises and telecommunications carriers continued to restrain investment. Local governments continued to actively promote local information networks to eliminate the digital divide and upgrades to high-speed, wide-area firefighting and disaster prevention systems. Other promising signs included a recovery in enterprise investment centered on the Tokyo area and increased investment in data center construction and related fields in anticipation of expanding markets for cloud computing and other new services.

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

Orders received ¥159,020 million (a 13.3% decrease compared with the same period of the previous fiscal year)

Net sales ¥147,624 million (a 12.2% decrease)

Operating income ¥4,763 million (a 10.6% decrease)

Ordinary income ¥4,980 million (a 7.9% decrease)

Net income ¥2,856 million (a 6.3% decrease)

Net sales and income decreased for the nine months from April 1 to December 31, 2009. However, the Group achieved record earnings for the third quarter from October 1 to December 31, 2009 by further accelerating management innovation activities, lowering the cost of sales ratio and reducing selling, general and administrative expenses.

Net sales decreased 12.2 percent compared with the same period of the previous fiscal year to ¥147,624 million due to a decrease in sales to the NEC Group and mobile communications carriers. However, sales grew steadily in the priority areas such as EmpoweredOffice* and support services. Stronger cost reduction and management efficiency-related proposals resulted in double-digit growth of EmpoweredOffice sales to enterprises. Moreover, sales in the support services business grew nearly 10 percent due to higher service quality resulting from functional reinforcement of service infrastructure and a focus on service proposals. Efforts to increase competitiveness and strengthen the operating structure, including the flexible shift of resources throughout Japan and reinforcement of project management, resulted in solid government sales related to local information networks and high-speed, wide-area firefighting and disaster prevention systems. Sales in the communications infrastructure business to public utilities such as broadcasting and power companies also increased.

Orders from governments and for EmpoweredOffice solutions grew strongly. In addition, orders in the Tokyo area in the three-month period from October to December 2009 increased compared with the same period of the previous fiscal year due in part to steady growth of orders for data center construction, the infrastructure for cloud computing services. Such results in priority areas have set the stage for the fourth quarter and beyond.

The Group worked to reinforce its earnings structure in ways such as stepping up management innovation activities and focusing on total cost efficiency. Specifically, measures included improving the efficiency of the support services business infrastructure, including further integrating maintenance parts centers, while improving distribution efficiency of materials by further integrating materials distribution and delivery centers. In addition, led by top management, the Group worked together to improve work processes and eliminate waste in shared tasks and costs. These and other measures lowered the cost of sales ratio 0.9 points while promoting greater efficiency in selling, general and administrative expenses. As a result, although operating income, ordinary income and net income for the nine months from April 1 to December 31, 2009 decreased compared with the same period of the previous fiscal year, they reached record levels for the three months from October to December.

Operating results by business segment were as follows.

Orders Received

(Millions of yen)

	NI/SS	Telecommunications Engineering	Product Sales	Total
9 months ended Dec. 09	106,417	45,063	7,540	159,020
9 months ended Dec. 08	121,935	51,147	10,258	183,340
Increase (decrease)	(15,517)	(6,084)	(2,717)	(24,319)
Percentage increase (decrease)	(12.7)	(11.9)	(26.5)	(13.3)

Network Integration/Support Services

Orders decreased, mainly from the NEC Group and mobile communications carriers. However, government orders increased due to increased opportunities resulting from the promotion of local information networks and upgrading to high-speed, wide-area firefighting and disaster prevention systems. In the three months from October to December 2009, enterprise orders began to increase in the Tokyo area due in part to a rise in orders for EmpoweredOffice and expansion of the data center construction business in anticipation of an expanding market for cloud computing. Such results have set the stage for the fourth quarter and beyond.

Telecommunications Engineering

Greater competitiveness and a stronger operating structure resulted in an increase in government orders centered on local information network markets. However, overall segment orders decreased due to various factors, including a decrease in orders from mobile communications carriers for installation 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	Telecommunications Engineering	Product Sales	Total
9 months ended Dec. 09	101,651	38,814	7,158	147,624
9 months ended Dec. 08	113,684	43,159	11,300	168,144
Increase (decrease)	(12,033)	(4,344)	(4,142)	(20,520)
Percentage increase (decrease)	(10.6)	(10.1)	(36.7)	(12.2)

Network Integration/Support Services

Although sales decreased overall, mainly from the NEC Group, stronger proposals resulted in double-digit growth of EmpoweredOffice sales. In addition, sales of the enterprise support services business increased nearly 10 percent due to higher service quality resulting from functional reinforcement of the business infrastructure including parts centers. In addition, government sales began to increase in the three months from October to December 2009 following strong orders.

Telecommunications Engineering

Although sales to broadcasting and power companies for telecommunications infrastructure construction continued to increase, overall segment sales decreased due to factors including a decrease in investment in base stations by mobile communications carriers.

Product Sales

Orders decreased compared with the same period of the previous fiscal year due to 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.

* 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.

5. Qualitative Information on Consolidated Results Forecasts

Outlook for Fiscal 2009

Uncertainty remains in the Japanese economy. However, governments, including local governments, and broadcasting and power companies are expected to continue active investment. In the enterprise market, in addition to a promising recovery in investment centered on the Tokyo area, demand in the support services business is expected to remain strong, backed by customer usage trends. Moreover, infrastructure and other investment in cloud computing and other new services, as well as related markets, are growing rapidly.

In this environment, with results largely as planned, the initial forecast for the year ending March 31, 2010 remains unchanged. The Group aims to meet its initial full-year results forecast by making stronger proposals centered on EmpoweredOffice that meet changing customer needs while further enhancing its efforts in the priority areas set at the beginning of the fiscal year, including strengthening the support services business through measures including accelerating Life-Cycle Management business, and promoting services for cloud computing and other new business fields. In addition, the Group will increase orders for projects from local governments, and enhance its project execution ability.

The exchange rates assumed in preparing the forecast for the full fiscal year are 90 yen to the U.S. dollar and 130 yen to the Euro.

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)

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of December 31, 2009	As of March 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	23,487	16,614
Notes and accounts receivable	66,194	91,321
Purchased goods, materials and supplies	1,959	2,081
Work in process	9,966	7,333
Other current assets	7,533	6,340
Allowance for doubtful receivables	(242)	(378)
Total current assets	<u>108,898</u>	<u>123,312</u>
Fixed assets		
Property and equipment	7,890	8,126
Intangible fixed assets	4,085	4,307
Investments and other assets		
Other	11,833	11,890
Allowance for doubtful receivables	(159)	(174)
Total investments and other assets	<u>11,674</u>	<u>11,715</u>
Total fixed assets	<u>23,650</u>	<u>24,149</u>
Total assets	<u>132,548</u>	<u>147,462</u>

	(Millions of yen)	
	As of December 31, 2009	As of March 31, 2009
LIABILITIES		
Current liabilities		
Notes and accounts payable	26,747	39,915
Short-term bank loans	---	121
Current portion of long-term loans payable	2,000	---
Accrued income taxes	1,202	3,177
Accrued bonuses to directors and corporate auditors	19	70
Accrued losses on sales contracts	15	40
Other current liabilities	11,397	13,185
Total current liabilities	<u>41,382</u>	<u>56,511</u>
Long-term liabilities		
Long-term debt	3,000	5,000
Accrued employees' retirement benefits	15,792	15,817
Other liabilities	1,138	793
Total long-term liabilities	<u>19,930</u>	<u>21,610</u>
Total liabilities	<u>61,313</u>	<u>78,121</u>
NET ASSETS		
Shareholders' equity		
Common stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	41,368	39,606
Treasury stock	(47)	(45)
Total shareholders' equity	<u>71,094</u>	<u>69,334</u>
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities	6	(0)
Deferred gains (losses) on hedges	14	(2)
Foreign currency translation adjustments	(518)	(601)
Total valuation and translation adjustments	<u>(497)</u>	<u>(604)</u>
Minority interests	638	610
Total net assets	<u>71,235</u>	<u>69,340</u>
Total liabilities and net assets	<u>132,548</u>	<u>147,462</u>

(2) Consolidated Statements of Income

(Millions of yen)

	1Q-3Q/FY2009 (9 months ended Dec/09)	1Q-3Q/FY2008 (9 months ended Dec/08)
Net sales	147,624	168,144
Cost of sales	125,883	145,002
Gross profit	21,740	23,142
Selling, general and administrative expenses	16,977	17,816
Operating income	4,763	5,325
Non-operating income		
Interest income	36	46
Insurance dividend income	100	123
Reversal of allowance for doubtful accounts	106	---
Other	193	340
Total non-operating income	436	511
Non-operating expenses		
Interest expenses	49	50
Loss on valuation of investment securities	45	---
Exchange loss	72	227
Other	52	150
Total non-operating expenses	219	428
Ordinary income	4,980	5,408
Income before income taxes and minority interests	4,980	5,408
Income taxes	2,121	2,312
Minority interests in income (loss)	2	48
Net income	2,856	3,047

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1Q-3Q/FY2009 (9 months ended Dec/09)	1Q-3Q/FY2008 (9 months ended Dec/08)
Cash flows from operating activities		
Income before income taxes and minority	4,980	5,408
Depreciation and amortization	1,641	1,685
Amortization of goodwill	49	49
Amortization of negative goodwill	(5)	(20)
Increase (decrease) in allowance for doubtful receivables	(153)	(43)
Increase (decrease) in accrued employees' retirement benefits	(27)	(371)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(51)	(53)
Increase (decrease) in accrued losses on sales contracts	(25)	(467)
Interest and dividend income	(48)	(62)
Interest expenses	49	50
Loss (gain) on valuation of investment	45	8
Loss (gain) on sale of property and equipment	0	(1)
Loss on disposal of property and equipment	19	43
Decrease (increase) in notes and accounts receivable	25,312	23,346
Decrease (increase) in inventories	(2,505)	(5,063)
Increase (decrease) in notes and accounts payable	(13,217)	(16,067)
Increase (decrease) in accrued consumption taxes and other	(1,278)	(816)
Other, net	(1,249)	(292)
Subtotal	13,536	7,333
Interest and dividends received	48	63
Interest paid	(41)	(42)
Income taxes paid	(4,093)	(6,027)
Net cash provided by operating activities	9,450	1,326
Cash flows from investing activities		
Purchase of property and equipment	(679)	(854)
Sale of property and equipment	0	2
Purchase of intangibles	(613)	(985)
Purchase of investment securities	(3)	(4)
Sale of Investment securities	9	---
Loans receivable made	(39)	(18)
Collection of loans receivable	37	19
Purchase of investments in newly consolidated subsidiaries	---	175
Other, net	2	10
Net cash used in investing activities	(1,286)	(1,655)
Cash flows from financing activities		
Net increase (decrease) in short-term bank	(126)	(950)
Payments on long-term debt	---	(29)
Proceeds from sale and purchase of treasury stock, net	(2)	(25)
Dividends paid to shareholders	(1,085)	(1,036)
Dividends paid to minority interests in consolidated subsidiaries	(2)	(2)
Other, net	(161)	(26)
Net cash used in financing activities	(1,378)	(2,070)
Effect of exchange rate changes on cash and cash equivalents	86	(214)
Net increase (decrease) in cash and cash equivalents	6,872	(2,613)
Cash and cash equivalents at beginning of period	16,614	14,341
Cash and cash equivalents at end of period	23,487	11,728

(4) Segment Information

Business Segment Information

First 3 quarters of fiscal 2009 (9 months ended December 2009)

(Millions of yen)

	Network Integration/ Support Services	Telecommunications Engineering	Product Sales	Total	Eliminations and corporate	Consolidated
Orders received	106,417	45,063	7,540	159,020	---	159,020
Sales						
(1) Sales to third parties	101,651	38,814	7,158	147,624	---	147,624
(2) Intersegment sales	---	---	---	---	---	---
Total	101,651	38,814	7,158	147,624	---	147,624
Operating income and loss	6,834	1,598	403	8,836	(4,072)	4,763

First 3 quarters of fiscal 2008 (9 months ended December 2008)

(Millions of yen)

	Network Integration/ Support Services	Telecommunications Engineering	Product Sales	Total	Eliminations and corporate	Consolidated
Orders received	121,935	51,147	10,258	183,340	---	183,340
Sales						
(1) Sales to third parties	113,684	43,159	11,300	168,144	---	168,144
(2) Intersegment sales	---	---	---	---	---	---
Total	113,684	43,159	11,300	168,144	---	168,144
Operating income and loss	7,181	1,902	382	9,466	(4,140)	5,325