

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

NEC Networks & System Integration Corporation

Stock exchange listing: Tokyo

Code number: 1973

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

**1. Consolidated Results for the First Half (April 1, 2011 to September 30, 2011)
of Fiscal Year 2011 ending March 31, 2012**
(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 9/11 (1H/FY11)	90,815	-7.5	2,367	-22.9	2,481	-17.4
6 months ended 9/10 (1H/FY10)	98,193	-1.1	3,069	-5.3	3,005	-9.9

	Net income (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
6 months ended 9/11 (1H/FY11)	1,448	166.8	29.14	—
6 months ended 9/10 (1H/FY10)	542	-71.8	10.92	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/09/2011	137,796	78,285	56.4	1,562.75
31/03/2011	149,923	77,464	51.3	1,546.42

c.f. Owner's equity: 30/09/11: ¥77,716 million; 31/03/11: ¥76,904 million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended 3/11	—	13.00	—	13.00	26.00
FY ending 3/12	—	14.00	—	14.00 (projected)	28.00 (projected)

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

3. Financial Forecasts for Fiscal Year 2011 ending March 31, 2012 (April 1, 2011 to March 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
FY ending 3/12	240,000	10.1	11,000	1.5	11,000	0.6	6,200	30.6	124.67

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

4. Qualitative Information on Consolidated Financial Statements for the First Half of Fiscal 2011

(1) Qualitative Information on Consolidated Operating Results

During the first half of the fiscal year ending March 31, 2012 (the period from April 1, 2011 to September 30, 2011), the Japanese economy gradually recovered from the sharp decline experienced in the wake of the Great East Japan Earthquake that struck on March 2011. Nonetheless, significant uncertainty about the economic outlook remained, given the ongoing appreciation of the yen triggered by expanding concerns of a global economic slowdown, mainly in the United States and Europe.

In this economic environment, in the information and communications technology (ICT^{*1}) market, where NEC Networks & System Integration Corporation (hereinafter the "Company") operates, a number of activities got underway in each sector of the market that should enable a recovery from the temporary impact of the earthquake.

In the enterprises market, although some companies took a cautious approach by holding off nonessential investment in light of the uncertain future outlook resulting from the appreciation of the yen and other factors, the experience of the earthquake raised awareness of the need for business continuity plans (BCP) and energy saving. As part of this trend, demand for the use of ICT services, such as the use of data centers and cloud computing^{*2}, has been growing. Telecommunications carriers also boosted their investment in the development of higher-speed networks with larger capacity to increase network traffic and improve communications quality, in step with the sharp increase in the number of smartphone users.

In the central and local governments market, investment in local information networks, targeting the shift to terrestrial broadcasting digitalization, declined and remained low after peaking in the second half of the previous fiscal year. Meanwhile, the start of investment associated with efforts to rebuild the areas destroyed by the earthquake has been delayed. Meanwhile, investment in digitalizing fire-fighting and disaster prevention systems across broader areas has been growing, although it generally remains slow.

In this market environment, the Company took steps to strengthen sales staff, systems engineers, and other key human resources through various measures including internal reallocations. The Company also continued to invest in the growth of its services businesses, specifically in areas such as upgrading and expanding its data center capacity and developing cloud services.

In this operating environment, the Company posted the following consolidated results for the first half of the current fiscal year:

Net sales	¥90,815 million	(¥7,377 million decrease year on year)
Operating income	¥2,367 million	(¥702 million decrease year on year)
Ordinary income	¥1,448 million	(¥905 million increase year on year)
Net income		
<Reference>	¥107,431 million	(¥411 million increase year on year)
Orders received		

Net sales were ¥90,815 million, down 7.5% from the same period of the previous fiscal year. This fall was attributable to the sizable decline in sales from the Social Infrastructure business, as extensive investments related to local information networks came to an end. However, the Enterprises Networks business and the Carrier Networks business, the Company's growth segments, performed well and both posted higher sales. Meanwhile, orders were ¥107,431 million, up 0.4% year on year. The decline in orders in the Social Infrastructure business was offset by increases in orders in the Enterprises Networks business and the Carrier Networks business.

Turning to profit items, although net sales fell year on year, the gross margin improved 0.5 percentage points from the year-ago period to 14.7%, attributable to efficiencies achieved through innovations in work processes and work styles and other measures. Selling, general, and administrative expenses remained almost on a par with the year-ago figure, posting an increase of ¥46 million. This reflected the results of management innovation, while the Group also stepped up investment in its future growth. Consequently, both operating income and ordinary income decreased year on year, to ¥2,367 million and ¥2,481 million, respectively. In contrast, net income increased by ¥905 million year on year to ¥1,448 million, as the impact of extraordinary losses posted in the previous fiscal year for the head office relocation disappeared.

Operating results by business segment were as follows.

(Million yen)

Net sales	Enterprises Networks	Carrier Networks	Social Infrastructure	Others	Total
Six months ended September 30, 2011	37,906	21,263	25,857	5,788	90,815
Six months ended September 30, 2010	36,316	19,080	36,419	6,376	98,193
Increase (decrease)	1,589	2,182	(10,562)	(587)	(7,377)
Percentage increase (decrease)	4.4	11.4	(29.0)	(9.2)	(7.5)

(Million yen)

Orders received	Enterprises Networks	Carrier Networks	Social Infrastructure	Others	Total
Six months ended September 30, 2011	40,700	25,379	35,785	5,566	107,431
Six months ended September 30, 2010	37,437	21,991	40,942	6,648	107,019
Increase (decrease)	3,262	3,388	(5,156)	(1,082)	411
Percentage increase (decrease)	8.7	15.4	(12.6)	(16.3)	0.4

1. Enterprises Networks business (¥37,906 million, up 4.4% year on year):

The Enterprises Networks business recorded higher sales, mainly reflecting a recovery from the sharp decline seen in the immediate wake of the disaster, an increase in sales to the manufacturing and service sectors, etc., and the effects of the inclusion of DAIICHI AD SYSTEM in consolidated subsidiaries. Signs of recovery were more clearly in evidence, as shown in the 6.6% year-on-year increase in sales during the consolidated second quarter (July to September). This was mainly attributable to initiatives to strengthen the menu—including BCP and energy

saving centered on EmpoweredOffice (*³), an office innovation solution—to meet the needs of customers, as well as action to bolster service businesses, such as cloud computing and outsourcing that use the Company's data centers. Orders also recovered to ¥40,700 million, up 8.7% from the same period in the previous fiscal year.

2. Carrier Networks business (¥21,263 million, up 11.4% year on year):

Sales of the Carrier Networks business rose at a double-digit rate, reflecting the response to the increase in spending on networks by telecommunications carriers in step with the rapid rise in network traffic, which in turn is attributable to the increase in the number of smartphone users and the impact of the Company's initiatives to strengthen the supply chain from design of networks to the integration of systems and provision of services. Orders also increased 15.4% year on year, to ¥25,379 million.

3. Social Infrastructure business (¥25,857 million, down 29.0% year on year):

Sales of the Social Infrastructure business declined year on year, reflecting a decline in infrastructure construction. This was mainly in reaction to expanded investments related to local information networks in the previous fiscal year, boosted by the government's supplementary budgets and following the introduction of terrestrial broadcasting digitalization. Orders also fell 12.6% from the same period of the previous fiscal year, to ¥35,785 million, mainly reflecting the concentration of large projects related to local information networks in the previous fiscal year. In response, in the fire-fighting and disaster prevention systems business, the Company has stepped up its comprehensive initiatives by establishing a specialized organization in April 2011. Both orders and sales for fire-fighting and disaster prevention systems have grown, although project commencement has been relatively slow. As a result, orders of the Social Infrastructure business during the consolidated second quarter (July to September) came to ¥17,303 million, down 2.6% year on year, which suggests that the market may be touching bottom.

(2) Qualitative Information on Outlook for Fiscal Year Ending March 31, 2012

The Japanese economy is beginning to recover from the sharp decline in the wake of the Great East Japan Earthquake, despite a fair share of uncertainty about the future outlook, given the ongoing appreciation of the yen that was triggered by spreading concerns about the global economic slowdown.

In this business environment, the Company sees the current fiscal year as a time to capture mid-term growth and has been actively developing business with an eye on driving growth. We aim at achieving the figures in the initial forecasts for the consolidated fiscal year ending March 31, 2012 by consistently seeking to accelerate growth in the Enterprises Networks business and the Carrier Networks business, the Company's growth segments, although there are risks related to the slow performance of the Social Infrastructure business and a sense of uncertainty about the future.

Net sales	¥240 billion	(up 10.1% year on year)
Operating income	¥11 billion	(up 1.5% year on year)
Ordinary income	¥11 billion	(up 0.6% year on year)
Net income	¥6.2 billion	(up 30.6% year on year)

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2011	As of March 31, 2011
ASSETS		
Current assets		
Cash and deposits	23,359	25,611
Notes and accounts receivable-trade	53,112	86,331
Short-term investment securities	20,999	---
Purchased goods, materials and supplies	1,496	1,493
Work in process	7,155	5,612
Other	7,999	7,619
Allowance for doubtful accounts	(267)	(308)
Current assets	<u>113,856</u>	<u>126,360</u>
Noncurrent assets		
Property, plant and equipment	8,747	8,624
Intangible assets	3,634	3,673
Investments and other assets		
Other	11,626	11,337
Allowance for doubtful accounts	(67)	(73)
Investments and other assets	<u>11,558</u>	<u>11,264</u>
Noncurrent assets	<u>23,940</u>	<u>23,563</u>
Assets	<u>137,796</u>	<u>149,923</u>

(Millions of yen)

	As of September 30, 2011	As of March 31, 2011
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	23,176	31,354
Short-term loans payable	1,000	1,800
Current portion of long-term loans payable	3,500	500
Income taxes payable	1,404	3,302
Provision for directors' bonuses	27	89
Provision for loss on order received	58	75
Other	11,580	13,651
Current liabilities	<u>40,747</u>	<u>50,773</u>
Noncurrent liabilities		
Long-term loans payable	1,000	4,000
Provision for retirement benefits	16,597	16,301
Other	1,166	1,383
Noncurrent liabilities	<u>18,763</u>	<u>21,685</u>
Liabilities	<u>59,511</u>	<u>72,458</u>
NET ASSETS		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	48,525	47,722
Treasury stock	(50)	(50)
Shareholders' equity	<u>78,247</u>	<u>77,445</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1)	2
Foreign currency translation adjustment	(529)	(543)
Accumulated other comprehensive income	<u>(531)</u>	<u>(540)</u>
Minority interests	569	559
Net assets	<u>78,285</u>	<u>77,464</u>
Liabilities and net assets	<u>137,796</u>	<u>149,923</u>

(2) Consolidated Statements of Income

(Millions of yen)

	FY2011 1H (6 months ended 9/2011)	FY2010 1H (6 months ended 9/2010)
Net sales	90,815	98,193
Cost of sales	77,481	84,203
Gross profit	13,333	13,989
Selling, general and administrative expenses	10,966	10,920
Operating income	2,367	3,069
Non-operating income		
Interest income	38	42
Dividends income of insurance	102	100
Other	190	143
Non-operating income	332	286
Non-operating expenses		
Interest expenses	31	28
Foreign exchange losses	125	136
Other	60	185
Non-operating expenses	218	350
Ordinary income	2,481	3,005
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	437
Head office transfer cost	-	1,509
Extraordinary loss	-	1,946
Income before income taxes and minority interests	2,481	1,058
Income taxes	1,016	587
Income before minority interests	1,465	470
Minority interests in income	16	(72)
Net income	1,448	542

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	FY2011 1H (6 months ended 9/2011)	FY2010 1H (6 months ended 9/2010)
Income before minority interests	1,465	470
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(5)
Deferred gains or losses on hedges	-	(4)
Foreign currency translation adjustment	6	(52)
Other comprehensive income	2	(62)
Comprehensive income	1,467	408
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,458	488
Comprehensive income attributable to minority interests	9	(79)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2011 1H (6 months ended 9/2011)	FY2010 1H (6 months ended 9/2010)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,481	1,058
Depreciation and amortization	934	1,030
Amortization of goodwill	40	33
Amortization of negative goodwill	(8)	(3)
Increase (decrease) in allowance for doubtful accounts	(48)	(37)
Increase (decrease) in provision for retirement benefits	294	(42)
Increase (decrease) in provision for subsidiaries directors' retirement benefits	(170)	-
Increase (decrease) in provision for directors' bonuses	(62)	(56)
Increase (decrease) in provision for loss on order received	(16)	(93)
Interest and dividends income	(46)	(48)
Interest expenses	31	28
Loss (gain) on valuation of investment securities	1	0
Loss (gain) on sales of property, plant and equipment	(0)	1
Loss on retirement of noncurrent assets	29	11
Decrease (increase) in notes and accounts receivable-trade	33,208	10,142
Decrease (increase) in inventories	(1,538)	(2,891)
Increase (decrease) in notes and accounts payable-trade	(8,188)	(3,628)
Increase (decrease) in accrued consumption taxes	(830)	(787)
Other, net	(1,621)	1,585
Subtotal	24,489	6,302
Interest and dividends income received	65	48
Interest expenses paid	(31)	(31)
Income taxes paid	(3,115)	(2,785)
Net cash provided by (used in) operating activities	21,408	3,533
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(729)	(767)
Proceeds from sales of property, plant and equipment	1	9
Purchase of intangible assets	(386)	(264)
Purchase of investment securities	(3)	(2)
Payments of loans receivable	(9)	(15)
Collection of loans receivable	13	20
Other, net	27	(479)
Net cash provided by (used in) investing activities	(1,087)	(1,499)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(800)	2,300
Proceeds from sale and purchase of treasury stock, net	(0)	(0)
Cash dividends paid	(645)	(695)
Other, net	(151)	(2,119)
Net cash provided by (used in) financing activities	(1,596)	(514)
Effect of exchange rate change on cash and cash equivalents	23	(64)
Net increase (decrease) in cash and cash equivalents	18,747	1,455
Cash and cash equivalents at beginning of period	25,611	29,538
Cash and cash equivalents at end of period	44,359	30,993

(4) Segment Information

Business Segment Information

First half of fiscal 2011 (6 months ended September 2011)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	40,700	25,379	35,785	5,566	---	107,431
Sales						
(1) Sales to third parties	37,906	21,263	25,857	5,788	---	90,815
(2) Intersegment sales	---	---	---	---	---	---
Total	37,906	21,263	25,857	5,788	---	90,815
Operating income and loss	3,267	2,287	218	(70)	(3,335)	2,367

First half of fiscal 2010 (6 months ended September 2010)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	37,437	21,991	40,942	6,648	---	107,019
Sales						
(1) Sales to third parties	36,316	19,080	36,419	6,376	---	98,193
(2) Intersegment sales	---	---	---	---	---	---
Total	36,316	19,080	36,419	6,376	---	98,193
Operating income and loss	3,364	1,445	1,108	132	(2,981)	3,069