

NEC Networks &amp; 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, 2010 to September 30, 2010)**  
**of Fiscal Year 2010 ending March 31, 2011**  
(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 9/10 (1H/FY10)	98,193	-1.1	3,069	-5.3	3,005	-9.9
6 months ended 9/09 (1H/FY09)	99,243	-13.8	3,240	-21.6	3,334	-25.0

	Net income (¥ million)	Year-on- year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
6 months ended 9/10 (1H/FY10)	542	-71.8	10.92	—
6 months ended 9/09 (1H/FY09)	1,922	-22.6	38.66	—

**(2) Financial Position**

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/09/2010	141,812	73,933	51.7	1,475.46
31/03/2010	146,915	74,221	50.1	1,479.62

c.f. Owner's equity: 30/09/10: ¥73,377 million; 31/03/10: ¥73,585 million

**2. Dividends**

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended 3/10	—	11.00	—	14.00	25.00
FY ending 3/11	—	13.00	—	13.00 (projected)	26.00 (projected)

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

**3. Financial Forecasts for Fiscal Year 2010 ending March 31, 2011 (April 1, 2010 to March 31, 2011)**

(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 3/11	240,000	10.2	10,000	1.3	10,000	-1.2	4,700	-19.0	94.51

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 on Consolidated Financial Statements for the First Half of Fiscal 2010

### (1) Qualitative Information on Consolidated Operating Results

During the first half of the fiscal year ending March, 31, 2011 (the period from April 1, 2010 to September 30, 2010), the Japanese economy achieved a moderate recovery owing to factors including a turnaround in capital investment and consumer spending, which in turn reflected an improvement in the results of exporters and related businesses and the effects of the countercyclical measures taken by the Japanese government. However, there are reservations about the future outlook, given the appreciation of the yen triggered by credit concerns in Europe.

In the information and communications technology (ICT) market, where NEC Networks & System Integration Corporation (the "Company") operates, a recovery was seen in the corporate sector. Investments in large projects relating to network system revision and office relocation have begun to emerge mainly in the financial and manufacturing sectors, whereas most investments up to the previous fiscal year had been allocated to temporary small projects. Investment in data center establishment and related fields also tends to grow in anticipation of the expansion of the market for cloud computing and other new services. Among telecommunications carriers, capital investments in existing networks and other areas have continued to be curbed. However, the amount of investment in projects to unify network protocols with the Internet Protocol has continued to rise steadily, while preparations for the commercialization of the LTE, a next-generation mobile communications platform, are fully underway. Central and local governments continued to invest actively in local information networks to eliminate the digital divide (interregional information gap).

In this operating environment, the Company and its consolidated subsidiaries (hereinafter the "Group") posted the following consolidated results for the first half of the current fiscal year:

Orders Received	¥107,019 million	a ¥2,859 million decrease year on year
Net Sales	¥ 98,193 million	a ¥1,050 million decrease year on year
Operating Income	¥ 3,069 million	a ¥ 170 million decrease year on year
Ordinary Income	¥ 3,005 million	a ¥ 328 million decrease year on year
Net Income	¥ 542 million	a ¥1,379 million decrease year on year

Although orders and net sales fell slightly year on year, the Group sought to sustain its growth. In business for the corporate sector, orders from customers rose, especially from the financial and manufacturing sectors, as a result of strengthened proposal activities focusing on EmpoweredOffice (\*), which aimed at responding to the recovery in ICT investment. The Group also achieved steady expansion of businesses in promising areas such as data centers, contact centers, and environment-related fields. We took our head office relocation as an opportunity to show an example of revitalization and efficiency improvement of office enabled by EmpoweredOffice, including our reforms in the way of working. We showed our example to potential customers on a real-time basis from the planning phase, in an attempt to materialize latent demand from even more customers. In the local information network market centering on local governments, the Group achieved significant increases in both orders and sales due to aggressive measures aimed at increasing our market share. In contrast, we registered a decline in construction work for telecommunications carriers related to base stations for mobile communications as well as a fall in carrier system related business for the NEC Group, both a reflection of restraints placed on investment. Overseas construction also fell.

Turning to profit, we continued to pursue Group-wide initiatives to improve our overall cost efficiency and underlying profitability, by continuing and strengthening our "All Cost & Management Innovation (AC-I)" management innovation activities as well as innovations in work processes and work styles. As a result, we could achieve almost the same level of operating income as that

posted in the same term of the previous fiscal year. Ordinary income decreased by ¥328 million year on year, to ¥3,005 million, because of foreign exchange losses incurred. Net income decreased by ¥1,379 million year on year to ¥5,42million, as we posted extraordinary losses ¥1,946 due to head office relocation and other factors. We undertook all head office relocation tasks in the first half of the fiscal year ahead of schedule. This was aimed at using our new offices as showrooms, for example, in order to begin accelerating our growth strategy in the second half of the year. As a result, we processed all related costs, including costs we planned to post as extraordinary losses for the second half of the current fiscal year at the time of the last forecast, ahead of schedule in the first half of the year.

Operating results by business segment were as follows.

Orders Received					(Million yen)
	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Total
First half / Fiscal 2011/3 (Six months ended September 30, 2010)	37,437	21,991	40,942	6,648	107,019
First half / Fiscal 2010/3 (Six months ended September 30, 2009)	36,830	23,250	43,192	6,605	109,879
Increase (decrease)	606	(1,259)	(2,250)	43	(2,859)
Percentage increase (decrease)	1.6	(5.4)	(5.2)	0.7	(2.6)

Net Sales					(Million yen)
	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Total
First half / Fiscal 2011/3 (Six months ended September 30, 2010)	36,316	19,080	36,419	6,376	98,193
First half / Fiscal 2010/3 (Six months ended September 30, 2009)	36,171	22,113	33,781	7,175	99,243
Increase (decrease)	144	(3,033)	2,637	(799)	(1,050)
Percentage increase (decrease)	0.4	(13.7)	7.8	(11.1)	(1.1)

※ EmpoweredOffice:

EmpoweredOffice is our office innovation solution. It combines our strengths in ICT and facility installation to enable more intellectual and creative styles of work through process reforms. It also proposes new methods and places of work that allow customers

### Enterprises Networks

Both orders and net sales increased year on year with our expansion in the financial and manufacturing sectors and the steady increase in our results in growth areas, such as the environment and energy, which resulted from a step up in our sales activities.

**Carrier Networks**

We achieved strong results in operations such as network protocol unification with the Internet protocol and the establishment of next-generation data centers. However, orders and net sales declined year on year because of factors such as the completion of an NGN investment cycle and reduced investment by mobile communications carriers.

**Social Infrastructures**

Both orders and net sales concerning local information networks increased year on year as a result of aggressive sales promotion centering on local governments. However, orders decreased slightly from the same period of the previous fiscal year due to a decline in construction work related to base stations for mobile communications carriers and work for building infrastructure overseas.

**5. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

	(Millions of yen)	
	As of September 30, 2010	As of March 31, 2010
<b>ASSETS</b>		
Current assets		
Cash and deposits	11,493	29,538
Notes and accounts receivable-trade	69,749	79,988
Short-term investment securities	19,499	---
Purchased goods, materials and supplies	1,718	1,696
Work in process	8,407	5,572
Other	7,301	7,316
Allowance for doubtful accounts	(196)	(204)
Current assets	<u>117,974</u>	<u>123,908</u>
Noncurrent assets		
Property, plant and equipment	8,095	7,864
Intangible assets	3,453	3,656
Investments and other assets		
Other	12,388	11,618
Allowance for doubtful accounts	(100)	(131)
Investments and other assets	<u>12,288</u>	<u>11,486</u>
Noncurrent assets	<u>23,837</u>	<u>23,007</u>
Assets	<u>141,812</u>	<u>146,915</u>

	(Millions of yen)	
	As of September 30, 2010	As of March 31, 2009
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	31,748	34,979
Short-term loans payable	2,300	---
Current portion of long-term loans payable	---	2,000
Income taxes payable	758	3,004
Provision for directors' bonuses	36	92
Provision for loss on order received	35	128
Other	13,130	12,588
Current liabilities	<u>48,009</u>	<u>52,792</u>
Noncurrent liabilities		
Long-term loans payable	3,000	3,000
Provision for retirement benefits	15,749	15,792
Other	1,119	1,109
Noncurrent liabilities	<u>19,869</u>	<u>19,901</u>
Liabilities	<u>67,878</u>	<u>72,693</u>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	44,165	44,318
Treasury stock	(48)	(48)
Shareholders' equity	<u>73,889</u>	<u>74,043</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1	6
Deferred gains or losses on hedges	(0)	3
Foreign currency translation adjustment	(512)	(467)
Valuation and translation adjustments	<u>(511)</u>	<u>(457)</u>
Minority interests	555	635
Net assets	<u>73,933</u>	<u>74,221</u>
Liabilities and net assets	<u>141,812</u>	<u>146,915</u>

**(2) Consolidated Statements of Income**

(Millions of yen)

	<b>FY2010 1H</b> <b>(6 months ended</b> <b>9/2010)</b>	<b>FY2009 1H</b> <b>(6 months ended</b> <b>9/2009)</b>
Net sales	<b>98,193</b>	99,243
Cost of sales	<b>84,203</b>	84,532
Gross profit	<b>13,989</b>	14,710
Selling, general and administrative expenses	<b>10,920</b>	11,469
Operating income	<b>3,069</b>	3,240
Non-operating income		
Interest income	<b>42</b>	24
Dividends income of insurance	<b>100</b>	100
Other	<b>143</b>	160
Non-operating income	<b>286</b>	285
Non-operating expenses		
Interest expenses	<b>28</b>	32
Foreign exchange losses	<b>136</b>	113
Bad debts expenses	<b>119</b>	---
Other	<b>66</b>	46
Non-operating expenses	<b>350</b>	192
Ordinary income	<b>3,005</b>	3,334
Extraordinary loss		
Loss on adjustment for changes of accounting	<b>437</b>	---
Head office transfer cost	<b>1,509</b>	---
Extraordinary loss	<b>1,946</b>	---
Income before income taxes and minority interests	<b>1,058</b>	3,334
Income taxes	<b>587</b>	1,407
Income before minority interests	<b>470</b>	---
Minority interests in income	<b>(72)</b>	3
Net income	<b>542</b>	1,922

**(3) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2010 1H (6 months ended 9/2010)	FY2009 1H (6 months ended 9/2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,058	3,334
Depreciation and amortization	1,030	1,085
Amortization of goodwill	33	33
Amortization of negative goodwill	(3)	(3)
Increase (decrease) in allowance for doubtful accounts	(37)	(53)
Increase (decrease) in provision for retirement benefits	(42)	(124)
Increase (decrease) in provision for directors' bonuses	(56)	(41)
Increase (decrease) in provision for loss on order received	(93)	(37)
Interest and dividends income	(48)	(35)
Interest expenses	28	32
Loss (gain) on valuation of investment securities	0	0
Loss (gain) on sales of investment securities	(35)	---
Loss (gain) on sales of property, plant and equipment	1	0
Loss on retirement of noncurrent assets	11	16
Loss on adjustment for changes of accounting standard for asset retirement obligations	437	---
Head office transfer cost	1,509	---
Decrease (increase) in notes and accounts receivable-trade	10,142	26,712
Decrease (increase) in inventories	(2,891)	(618)
Increase (decrease) in notes and accounts payable-trade	(3,628)	(11,709)
Increase (decrease) in accrued consumption taxes	(787)	(1,465)
Other, net	(339)	(3)
Subtotal	<u>6,289</u>	<u>17,123</u>
Interest and dividends income received	48	35
Interest expenses paid	(31)	(32)
Income taxes paid	(2,772)	(3,025)
Net cash provided by (used in) operating activities	<u>3,533</u>	<u>14,100</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(767)	(477)
Proceeds from sales of property, plant and equipment	9	0
Purchase of intangible assets	(264)	(456)
Proceeds from sales of intangible assets	377	---
Purchase of investment securities	(2)	(7)
Proceeds from sales of investment securities	35	14
Payments of loans receivable	(15)	(30)
Collection of loans receivable	20	23
Payments for lease deposits for head office transfer	(747)	---
Payments made to settle asset retirement obligations	(70)	---
Other, net	(75)	(14)
Net cash provided by (used in) investing activities	<u>(1,499)</u>	<u>(947)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	300	---
Proceeds from sale and purchase of treasury stock, net	(0)	(1)
Cash dividends paid	(695)	(542)
Cash dividends paid to minority shareholders	---	(2)
Other, net	(119)	(59)
Net cash provided by (used in) financing activities	<u>(514)</u>	<u>(607)</u>
Effect of exchange rate change on cash and cash equivalents	(64)	117
Net increase (decrease) in cash and cash equivalents	<u>1,455</u>	<u>12,662</u>
Cash and cash equivalents at beginning of period	<u>29,538</u>	<u>16,614</u>
Cash and cash equivalents at end of period	<u>30,993</u>	<u>29,277</u>

#### (4) Segment Information

Business Segment Information  
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

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

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	36,830	23,250	43,192	6,605	---	109,879
Sales						
(1) Sales to third parties	36,171	22,113	33,781	7,175	---	99,243
(2) Intersegment sales	---	---	---	---	---	---
Total	36,171	22,113	33,781	7,175	---	99,243
Operating income and loss	3,019	1,865	1,091	251	(2,987)	3,240

※ From the first quarter for the year ending 2011/3, the business segment has been changed based on a new organization geared towards strengthening customer-oriented service businesses in compliance with its management approach.

※ The actual first half figures for the year ended 2010/3 are reclassified for comparison in connection with the change of reporting segments and have not been audited.