

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

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 Quarter (April 1, 2012 to June 30, 2012)****of Fiscal Year ending March 31, 2013**

(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 June 2012	47,721	19.8	788	421.5	768	295.7
3 months ended June 2011	39,827	-5.3	151	-54.8	194	-39.6

	Net income (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
3 months ended June 2012	431	312.8	8.67	—
3 months ended June 2011	104	—	2.10	—

**(2) Financial Position**

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30-Jun-12	140,714	80,533	56.8	1,607.00
31-Mar-12	149,707	80,651	53.5	1,610.38

c.f. Owner's equity: 30-Jun-12: ¥79,911 million; 31-Mar-12: ¥80,080 million

**2. Dividends**

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended 3/12	—	14.00	—	14.00	28.00
FY ending 3/13 (projected)	—	19.00	—	19.00	38.00

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

**3. Financial Forecasts for Fiscal Year 2012 ending March 31, 2013 (April 1, 2012 to March 31, 2013)**

(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 Sep 2012	94,000	3.5	2,500	5.6	2,500	0.7	1,495	3.2	30.06
FY ending Mar 2013	220,000	7.5	10,500	7.7	10,500	9.7	6,200	35.0	124.68

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

## 4. Business Results

### (1) Business Results for the First Quarter of the Year Ending March 31, 2013

The Japanese economy saw a gradual recovery during the first quarter of the fiscal year ending March 31, 2013 (the period from April 1, 2012 to June 30, 2012, hereinafter the “first quarter”) against the backdrop of recovery demand and other factors even though the outlook for a genuine economic recovery remains uncertain as fears of a global economic slowdown rise within the context of the European debt crisis.

In this business environment, the ICT (Information and Communication Technology) market, in which the Company operates, also saw movement towards recovery in every sector.

To begin, in the enterprises market, in addition to the increased need for data centers, cloud<sup>2</sup> and other ICT services in the context of increased awareness of BCP (business continuity planning) and energy saving following the earthquake, there has been an increase in office move-related projects due to the rush to construct new buildings. In particular, the need for management innovation by senior managers using ICT is rising to improve corporate competitiveness, to revolutionize the way work is done in the office and to focus resources on core business areas using ICT as a service.

Telecommunications carriers continued to invest in the development of high-speed networks with large capacity to improve communications quality in step with rapidly rising communication volume brought by increases in the number of smartphone users and they have been intensifying investment in cell phone base stations in response to the opening of new frequencies.

In the central and local government market, investment in digitalized fire-fighting and disaster prevention systems is proceeding at full speed, supported by supplementary budgets.

In this market environment, the Company, in addition to expanding upfront investment to expand its service business by enhancing its base for providing comprehensive services through strengthening sales and cooperating with other companies, has been executing its plans for improving project management and handling projects in a consistent manner.

As a result of the above, the Company posted the following consolidated results for the first quarter of the fiscal year under review:

Net Sales	¥47,721 million	(19.8% increase year on year)
Operating Income	¥788 million	(421.5% increase year on year)
Ordinary Income	¥768 million	(295.7% increase year on year)
Net Income	¥431 million	(312.8% increase year on year)
(For Reference)		
Orders Received	¥65,257 million	(27.7% increase year on year)

Net sales were ¥47,721 million, up 19.8% year on year. In addition to a continuous increase in revenue from the Company's focus areas for growth, the Enterprises Networks business and the Carrier Networks business, Social Infrastructure, which had declined during the last fiscal year, has also recovered to produce increased revenue. Orders also increased across all segments, showing significant growth to ¥65,257 million, up 27.7%, as last term's focus on improving sales bore fruit, and there was a concentration on large-scale projects.

Turning to profit, operating income, ordinary income and net income showed big growth compared to the same period last year to ¥788 million, ¥768 million and ¥431 million, respectively. In addition to the increase in sales, this is due to the focus on the structural reform of the Social Infrastructure business during the last fiscal year bearing fruit and an acceleration of cost cutting activities. Expenses related to growth investments in business expansion has continued to expand aggressively.

Operating results by business segment were as follows:

**Net Sales by Segment** (million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Total
Three months ended June 30, 2012	<b>18,469</b>	<b>13,137</b>	<b>12,542</b>	<b>3,571</b>	<b>47,721</b>
Three months ended June 30, 2011	17,168	9,727	10,591	2,340	39,827
Increase (decrease)	1,301	3,410	1,950	1,231	7,893
Percentage increase (decrease) %	7.6	35.1	18.4	52.6	19.8

**Reference: Orders received by business segment** (million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Total
Three months ended June 30, 2012	<b>20,752</b>	<b>14,116</b>	<b>25,786</b>	<b>4,601</b>	<b>65,257</b>
Three months ended June 30, 2011	18,152	12,022	18,481	2,439	51,095
Increase (decrease)	2,600	2,093	7,304	2,162	14,161
Percentage increase (decrease) %	14.3	17.4	39.5	88.6	27.7

1. Enterprises Networks business (¥18,469 million, up 7.6% year on year):

Revenue increased compared to the same period last year as sales rose in a wide range of industries starting with the financial sector and the distribution and service industry. Responding to the need for management innovation by our clients, in addition to even more widespread sales of the office innovation solution, EmpoweredOffice<sup>\*</sup>, the Company planned to expand its foundations for providing comprehensive services to improve customers' business processes and to provide management backup through cloud, BPO<sup>\*</sup>, and other services, including the use of outside resources through partnerships. For this reason, a business tie-up in the shared service area was concluded with MOSHI MOSHI HOTLINE, INC. in April 2012 and, in June 2012, the Company took a 22% stake in Q&A Corporation, which excels in technical contact centers. Orders received showed further growth to ¥20,752 million, up 14.3% year on year.

2. Carrier Networks business (¥13,137 million, up 35.1% year on year):

As telecommunications carriers expanded investments in their networks in response to surging network traffic associated with increases in the number of smartphone users, the Company sought to bolster its entire supply chain, including network design, system integration, and services as well

as to develop new service areas, resulting in a big increase in revenue of 35.1% year on year. Orders received increased 17.4% year on year, to ¥14,116 million.

3. Social Infrastructures business (¥12,542 million, up 18.4% year on year):

Recovering from the stagnation following the earthquake, revenue increased year on year. The fire-fighting and disaster prevention system area saw a big year on year increase as investment in digitalization proceeded at full speed and improvements were made in price competitiveness and project management. Orders received saw a significant increase of 39.5% year on year to ¥25,786 million as, in addition to large-scale fire-fighting and disaster prevention system projects, there was a concentration of large-scale projects for the restoration of CATV networks in disaster-stricken areas and the installation of new cell phone base stations in response to the opening of new frequencies.

\*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 enable customers to fulfill their social responsibilities, such as the strengthening of security and environmental responsiveness.

\*BPO:

Abbreviation for Business Process Outsourcing. It is the outsourcing of a portion of an enterprise's business processes.

Outline of Business Segments

Business Segment	Descriptions of Main Businesses
Enterprises Networks	Service integration of ICT solutions, mainly for the enterprises market Total office solutions based on ICT with securities or environmental solutions and related operations, monitoring, and outsourcing services, as well as cloud-type solutions using our own data centers
Carrier Networks	Service integration of ICT platforms mainly for telecom carriers Systems integration of large-scale, wide-area, carrier-grade ICT platforms and data centers and related operations, monitoring services
Social Infrastructures	Service integration of ICT infrastructure for governments and public utilities (broadcasters, electric power companies, etc.), such as systems integration, operation, and monitoring, and the construction of telecom infrastructure
Others	Toyo Networks & System Integration Co., Ltd. and sales of purchased equipment

(2) Outlook for the Fiscal Year Ending March 31, 2013

Although there are concerns over fears of global economic uncertainty given the impact of economic instability in Europe and other factors, the domestic economy is expected to rebound based on recovery demand.

In this economic environment, the Company is making good progress in efforts to achieve the plan so there is no change to the original consolidated results forecast for the year ending March 31, 2013.

Net Sales	¥22,000 million	(7.5% increase year on year)
Operating Income	¥1,050 million	(7.7% increase year on year)
Ordinary Income	¥1,050 million	(9.7% increase year on year)
Net Income	620 million	(35.0% increase year on year)

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of June 30, 2012	As of March 31, 2012
<b>ASSETS</b>		
Current assets		
Cash and deposits	42,170	37,586
Notes and accounts receivable-trade	54,432	73,193
Purchased goods, materials and supplies	1,768	1,454
Work in process	9,845	6,588
Other	7,581	6,816
Allowance for doubtful accounts	(340)	(398)
Total current assets	115,458	125,240
Noncurrent assets		
Property, plant and equipment	9,145	9,066
Intangible assets	4,068	3,936
Investments and other assets		
Other	12,122	11,541
Allowance for doubtful accounts	(80)	(78)
Total investments and other assets	12,042	11,463
Total noncurrent assets	25,256	24,466
Total assets	140,714	149,707
	(Millions of yen)	
	As of June 30, 2012	As of March 31, 2012
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	27,380	30,321
Current portion of long-term loans payable	500	3,500
Income taxes payable	479	3,130
Provision for directors' bonuses	15	59
Provision for loss on order received	109	36
Other	12,696	13,230
Total current liabilities	41,180	50,277
Noncurrent liabilities		
Long-term loans payable	500	500
Provision for retirement benefits	16,988	16,828
Other	1,511	1,449
Total noncurrent liabilities	19,000	18,778
Total liabilities	60,181	69,055
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	50,708	50,973
Treasury stock	(54)	(53)
Total shareholders' equity	80,426	80,692
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5)	0
Foreign currency translation adjustment	(509)	(612)
Total accumulated other comprehensive income	(515)	(611)
Minority interests	621	571
Total net assets	80,533	80,651
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>140,714</b>	<b>149,707</b>

**(2) Consolidated Statements of Income and Comprehensive Income****(Consolidated Statements of Income)**

(Millions of yen)

	FY March 2013 1Q (3 months ended 6/12)	FY March 2012 1Q (3 months ended 6/11)
Net sales	47,721	39,827
Cost of sales	41,071	34,295
Gross profit	6,650	5,531
Selling, general and administrative expenses	5,861	5,380
Operating income	788	151
Non-operating income		
Interest income	13	18
Other	71	109
Total non-operating income	85	128
Non-operating expenses		
Interest expenses	10	15
Foreign exchange losses	56	42
Equity in losses of affiliates	21	-
Other	17	26
Total non-operating expenses	104	84
Ordinary income	768	194
Income before income taxes and minority interests	768	194
Income taxes	322	94
Income before minority interests	446	100
Minority interests in income	15	(4)
Net income	431	104

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	FY March 2013 1Q (3 months ended 6/12)	FY March 2012 1Q (3 months ended 6/11)
Income before minority interests	446	100
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	(3)
Foreign currency translation adjustment	140	48
Total other comprehensive income	134	45
Comprehensive income	580	145
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	527	141
Comprehensive income attributable to minority interests	53	4

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

(Millions of yen)

	FY March 2013 1Q (3 months ended 6/12)	FY March 2012 1Q (3 months ended 6/11)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	768	194
Depreciation and amortization	524	456
Amortization of goodwill	20	20
Amortization of negative goodwill	-	(7)
Increase (decrease) in allowance for doubtful accounts	(58)	(54)
Increase (decrease) in provision for retirement benefits	158	170
Increase (decrease) in provision for subsidiaries directors' retirement benefits	-	(170)
Increase (decrease) in provision for directors' bonuses	(44)	(68)
Increase (decrease) in provision for loss on order received	72	(13)
Interest and dividends income	(18)	(25)
Interest expenses	10	15
Equity in (earnings) losses of affiliates	21	-
Decrease (increase) in notes and accounts receivable-trade	18,971	29,801
Decrease (increase) in inventories	(3,555)	(1,513)
Decrease (increase) in notes and accounts payable-trade	(3,031)	(12,492)
Increase (decrease) in accrued consumption taxes	(979)	(1,032)
Other, net	(690)	(1,958)
Subtotal	<u>12,169</u>	<u>13,322</u>
Interest and dividends income received	18	44
Interest expenses paid	(9)	(4)
Income taxes paid	(2,923)	(3,085)
Net cash provided by (used in) operating activities	<u>9,255</u>	<u>10,276</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(177)	(333)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(346)	(135)
Purchase of investment securities	(1)	(1)
Payments of loans receivable	(4)	(5)
Collection of loans receivable	4	9
Purchase of stocks of equity method affiliate	(396)	-
Other, net	(22)	(16)
Net cash provided by (used in) investing activities	<u>(942)</u>	<u>(483)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-	(800)
Repayment of long-term loans payable	(3,000)	-
Proceeds from sale and purchase of treasury stock, net	(0)	(0)
Cash dividends paid	(684)	(635)
Other, net	(111)	(73)
Net cash provided by (used in) financing activities	<u>(3,796)</u>	<u>(1,509)</u>
Effect of exchange rate change on cash and cash equivalents	67	35
Net increase (decrease) in cash and cash equivalents	<u>4,584</u>	<u>8,319</u>
Cash and cash equivalents at beginning of period	<u>37,586</u>	<u>25,611</u>
Cash and cash equivalents at ending of period	<u>42,170</u>	<u>33,931</u>

**(4) Segment Information**

## Business Segment Information

First quarter of fiscal March 2013 (3 months ended June 2012)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	20,752	14,116	25,786	4,601	---	65,257
Sales						
(1) Sales to third parties	18,469	13,137	12,542	3,571	---	47,721
(2) Intersegment sales	---	---	---	---	---	---
Total	18,469	13,137	12,542	3,571	---	47,721
Operating income and loss	1,021	1,009	240	213	(1,697)	788

First quarter of fiscal March 2012 (3 months ended June 2011)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	18,152	12,022	18,481	2,439	---	51,095
Sales						
(1) Sales to third parties	17,168	9,727	10,591	2,340	---	39,827
(2) Intersegment sales	---	---	---	---	---	---
Total	17,168	9,727	10,591	2,340	---	39,827
Operating income and loss	1,152	960	(339)	(72)	(1,550)	151