

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, 2012 to September 30, 2012)
of Fiscal Year 2012 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 (%)
6 months ended 9/12 (1H/FY12)	104,456	15.0	3,482	47.1	3,574	44.0
6 months ended 9/11 (1H/FY11)	90,815	-7.5	2,367	-22.9	2,481	-17.4

	Net income (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
6 months ended 9/12 (1H/FY12)	2,152	48.6	43.30	—
6 months ended 9/11 (1H/FY11)	1,448	166.8	29.14	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/09/2012	148,187	82,120	55.0	1,639.46
31/03/2012	149,707	80,651	53.5	1,610.38

c.f. Owner's equity: 30/09/12: ¥81,525 million; 31/03/12: ¥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	—	19.00	—	19.00 (projected)	38.00 (projected)

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
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
FY ending 3/13	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

4. Business Results

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

The Japanese economy saw a moderate recovery during the first half of the fiscal year ending March 31, 2012 (the period from April 1, 2012 to September 30, 2012), against a backdrop of demand for restoration from the earthquake disaster and other factors. However, the economic outlook was becoming increasingly uncertain, reflecting rising concerns over the global economy attributable to the debt crisis in Europe, among other factors.

In this environment, the information and communication technology (ICT) market saw a movement towards a recovery in every sector.

First, in the enterprises market, in addition to increased needs for data centers, cloud², and other ICT services in the context of increased awareness of the need for business continuity planning and energy saving following the earthquake, there has been a rise in the number of projects related to office relocations due to the rush to construct new buildings. In particular, there has been growing demand for management innovation by senior managers using ICT 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, while their awareness of the investment effect has increased.

Telecommunications carriers continued to invest in the development of high-speed networks with a large capacity to improve communications quality, in step with rapidly rising communication volumes associated with greater numbers of smartphone users, and they have been intensifying investments 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 expanded ahead of schedule, supported by supplementary budgets.

In this market environment, the Company boosted its upfront investment to expand its service business by enhancing its ability to provide comprehensive services through stronger sales and cooperation with other companies. It has also been executing plans for improving project management and handling projects in a consistent manner.

As a result of these efforts, the Company posted the following consolidated results for the first half of the fiscal year under review:

Net Sales	¥104,456 million	(15.0% increase year on year)
Operating Income	¥3,482 million	(47.1% increase year on year)
Ordinary Income	¥3,574 million	(44.0% increase year on year)
Net Income	¥2,152 million	(48.6% increase year on year)
(For Reference)		
Orders Received	¥123,979 million	(15.4% increase year on year)

Net sales were ¥104,456 million, up 15.0% year on year. In addition to a continuous increase in revenue from the Company's focus areas for growth, namely 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 ¥123,979 million, up 15.4%, as last term's focus on improving sales produced results, and there was a concentration on large-scale projects.

Turning to profit, operating income, ordinary income and net income showed substantial growth compared with the same period last year, to ¥3,482 million, ¥3,574 million, and ¥2,152 million, respectively. In addition to the increase in sales, this also reflects the outcomes of the focus on the structural reform of the Social Infrastructure business during the last fiscal year and an acceleration of cost-cutting activities. Meanwhile, selling, general, and administrative expenses increased year on year, as the Company had been actively making upfront investments since the previous fiscal year, such as in strengthening sales resources for future business expansion.

Operating results by business segment were as follows:

Net Sales by Segment (million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructure	Others	Total
First Half ended September 30, 2012	40,742	26,385	29,909	7,418	104,456
First Half ended September 30, 2011	37,906	21,263	25,857	5,788	90,815
Increase (decrease)	2,836	5,122	4,051	1,630	13,640
Percentage increase (decrease) %	7.5	24.1	15.7	28.2	15.0

Reference: Orders received by business segment (million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructure	Others	Total
First Half ended September 30, 2012	43,084	28,354	45,059	7,480	123,979
First Half ended September 30, 2011	40,700	25,379	35,785	5,566	107,431
Increase (decrease)	2,384	2,975	9,274	1,914	16,548
Percentage increase (decrease) %	5.9	11.7	25.9	34.4	15.4

1. Enterprises Networks business (¥40,742 million, up 7.5% 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 manufacturing industry. Responding to the demand for management innovation by our clients, in addition to even more widespread sales of office innovation solutions with EmpoweredOffice as the mainstay solution, the Company planned to expand its foundations for providing comprehensive services to improve customers' business processes and to provide management backup through the cloud, BPO(Business Process Outsourcing), and other services, including the use of outside resources through partnerships. As part of these efforts, 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 also showed growth to ¥43,084 million, up 5.9% year on year.

2. Carrier Networks business (¥26,385 million, up 24.1% year on year):

As telecommunications carriers stepped up investments in their networks in response to surging network traffic associated with a rise in the number of smartphone users, the Company sought to bolster its entire supply chain, including network design, system

integration, and services, while also developing new service areas, resulting in a major increase in revenue of 24.1% year on year. Orders also increased 11.7% year on year, to ¥28,354 million.

3. Social Infrastructure business (¥29,909 million, up 15.7% year on year):

Recovering from the stagnation that followed the earthquake, revenue increased year on year. The fire-fighting and disaster prevention system field saw a substantial year-on-year increase as investment in digitalization proceeded at full speed and improvements were made in price competitiveness and project management. Orders also posted a significant increase, rising 25.9% year on year to ¥45,059 million as, in addition to large-scale fire-fighting and disaster prevention system projects, 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 were effective in generating orders.

*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.

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

The ICT-related markets in which the Company operates are expected to remain firm, given social infrastructure investment, especially by local governments, and the acceleration of investment in networks by telecommunications carriers. Nonetheless, the global economy is becoming increasingly uncertain given the international situation, including the economic insecurity in Europe, among other factors.

In this environment, the original consolidated results forecasts for the year ending March 31, 2013 remain unchanged to reflect concerns about the future outlook, even though consolidated results for the first half exceeded the plan.

Net Sales	¥220.0 billion	(7.5% increase year on year)
Operating Income	¥10.5 billion	(7.7% increase year on year)
Ordinary Income	¥10.5 billion	(9.7% increase year on year)
Net Income	¥6.2 billion	(35.0% increase year on year)

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
ASSETS		
Current assets		
Cash and deposits	37,586	38,057
Notes and accounts receivable-trade	73,193	64,236
Purchased goods, materials and supplies	1,454	1,674
Work in process	6,588	11,250
Other	6,816	7,280
Allowance for doubtful accounts	(398)	(117)
Total current assets	<u>125,240</u>	<u>122,381</u>
Noncurrent assets		
Property, plant and equipment	9,066	9,330
Intangible assets	3,936	4,313
Investments and other assets		
Other	11,541	12,254
Allowance for doubtful accounts	(78)	(93)
Investments and other assets	<u>11,463</u>	<u>12,161</u>
Noncurrent assets	<u>24,466</u>	<u>25,805</u>
Assets	<u>149,707</u>	<u>148,187</u>

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	30,321	29,407
Current portion of long-term loans payable	3,500	500
Income taxes payable	3,130	1,608
Provision for directors' bonuses	59	35
Provision for loss on order received	36	90
Provision for product warranties	-	164
Other	13,230	15,085
Current liabilities	<u>50,277</u>	<u>46,891</u>
Noncurrent liabilities		
Long-term loans payable	500	500
Provision for retirement benefits	16,828	17,152
Other	1,449	1,523
Noncurrent liabilities	<u>18,778</u>	<u>19,175</u>
Liabilities	<u>69,055</u>	<u>66,067</u>
NET ASSETS		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	50,973	52,430
Treasury stock	(53)	(54)
Shareholders' equity	<u>80,692</u>	<u>82,148</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(5)
Foreign currency translation adjustment	(612)	(617)
Accumulated other comprehensive income	<u>(611)</u>	<u>(623)</u>
Minority interests	571	595
Net assets	<u>80,651</u>	<u>82,120</u>
Liabilities and Net assets	<u>149,707</u>	<u>148,187</u>

(2) Consolidated Statements of Income

(Millions of yen)

	FY2011 1H (6 months ended 9/2011)	FY2012 1H (6 months ended 9/2012)
Net sales	90,815	104,456
Cost of sales	77,481	89,103
Gross profit	13,333	15,352
Selling, general and administrative expenses	10,966	11,870
Operating income	2,367	3,482
Non-operating income		
Interest income	38	27
Dividends income of insurance	102	106
Other	190	135
Non-operating income	332	268
Non-operating expenses		
Interest expenses	31	21
Foreign exchange losses	125	61
Other	60	93
Non-operating expenses	218	176
Ordinary income	2,481	3,574
Income before income taxes and minority interests	2,481	3,574
Income taxes	1,016	1,396
Income before minority interests	1,465	2,177
Minority interests in income	16	24
Net income	1,448	2,152

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	FY2011 1H (6 months ended 9/2011)	FY2012 1H (6 months ended 9/2012)
Income before minority interests	1,465	2,177
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(6)
Foreign currency translation adjustment	6	(3)
Other comprehensive income	2	(9)
Comprehensive income	1,467	2,168
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,458	2,141
Comprehensive income attributable to minority interests	9	26

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2011 1H (6 months ended 9/2011)	FY2012 1H (6 months ended 9/2012)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,481	3,574
Depreciation and amortization	934	1,058
Amortization of goodwill	40	40
Amortization of negative goodwill	(8)	-
Increase (decrease) in allowance for doubtful accounts	(48)	(263)
Increase (decrease) in provision for retirement benefits	294	322
Increase (decrease) in provision for subsidiaries directors' retirement benefits	(170)	-
Increase (decrease) in provision for directors' bonuses	(62)	(23)
Increase (decrease) in provision for loss on order received	(16)	54
Increase (decrease) in provision for product warranties	-	164
Interest and dividends income	(46)	(33)
Interest expenses	31	21
Loss on retirement of noncurrent assets	29	16
Equity in (earnings) losses of affiliates	-	23
Decrease (increase) in notes and accounts receivable-trade	33,208	8,960
Decrease (increase) in inventories	(1,538)	(4,883)
Increase (decrease) in notes and accounts payable-trade	(8,188)	(921)
Increase (decrease) in accrued consumption taxes	(830)	(612)
Other, net	(1,620)	1,718
Subtotal	24,489	9,218
Interest and dividends income received	65	33
Interest expenses paid	(31)	(22)
Income taxes paid	(3,115)	(2,957)
Net cash provided by (used in) operating activities	21,408	6,271
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(729)	(616)
Proceeds from sales of property, plant and equipment	1	0
Purchase of intangible assets	(386)	(889)
Purchase of investment securities	(3)	(3)
Payments of loans receivable	(9)	(7)
Collection of loans receivable	13	7
Purchase of stocks of equity method affiliate	-	(396)
Other, net	27	36
Net cash provided by (used in) investing activities	(1,087)	(1,868)
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	(645)	(695)
Other, net	(151)	(231)
Net cash provided by (used in) financing activities	(1,596)	(3,927)
Effect of exchange rate change on cash and cash equivalents	23	(4)
Net increase (decrease) in cash and cash equivalents	18,747	470
Cash and cash equivalents at beginning of period	25,611	37,586
Cash and cash equivalents at end of period	44,359	38,057

(4) Segment Information

Business Segment Information

First half of fiscal 2012 (6 months ended September 2012)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	43,084	28,354	45,059	7,480	---	123,979
Sales						
(1) Sales to third parties	40,742	26,385	29,909	7,418	---	104,456
(2) Intersegment sales	---	---	---	---	---	---
Total	40,742	26,385	29,909	7,418	---	104,456
Operating income and loss	2,957	2,489	1,270	319	(3,555)	3,482

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	3,507	2,287	(21)	(70)	(3,335)	2,367