

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 Quarter (April 1, 2013 to June 30, 2013)****of Fiscal Year ending March 31, 2014**

(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 2013	50,166	5.1	1,527	93.7	1,574	104.8
3 months ended June 2012	47,721	19.8	788	421.5	768	295.7

	Net income (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
3 months ended June 2013	1,078	150.1	21.69	—
3 months ended June 2012	431	312.8	8.67	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30-Jun-13	159,111	87,797	54.1	1,730.39
31-Mar-13	168,295	86,797	51.2	1,731.29

c.f. Owner's equity: 30-Jun-13: ¥86,043 million; 31-Mar-13: ¥86,089 million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended 3/13	—	19.00	—	26.00	45.00
FY ending 3/14 (projected)	—	30.00	—	30.00	60.00

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

3. Financial Forecasts for Fiscal Year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(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 2013	108,000	3.4	3,700	6.3	3,700	3.5	2,220	3.1	44.64
FY ending Mar 2014	240,000	1.8	13,000	4.1	13,000	3.3	7,800	4.1	156.86

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 Fiscal Year Ending March 31, 2014

During the first three months of the fiscal year ending March 31, 2014 (the period from April 1, 2013 to June 30, 2013), the Japanese economy reflected the correction of the yen appreciation and the rebound in stock prices in expectations of the government's economic measures and financial policy. As a result, corporate earnings improved, centering on the manufacturing industry, and the Japanese economy generally showed a recovery trend.

Under these economic conditions, business remained steady in the fields of information and communication technology (ICT), in which NEC Networks & System Integration Corporation ("the Company") operates.

First, in the corporate market, the recovery in business sentiment did not yet lead to an increase in ICT investments. However, the need for management innovation that takes advantage of ICT, such as reforming work style in offices and concentrating resources in principal businesses that use ICT services with the aim of increasing competitiveness, remained firm.

For telecommunications carriers, investments in the development of high-speed broadband networks decreased slightly, but remained at a high level in response to the increase in communication volume in tandem with the increasing number of smartphone users. Investments in mobile base stations changed from investing in new frequency ranges to more active investments in LTE.

In the central and local governments market, investments in the digitization of fire-fighting and disaster-prevention systems remained steady, thanks to the support of the government budget, and ICT-related public investments rose.

In this market environment, the Company and its consolidated subsidiaries (hereinafter the "Group") increased their upfront investments to expand their service businesses by strengthening their sales capabilities and broadening their systems for providing comprehensive services in cooperation with other companies. The Group also sought to increase project management capability and addressed emerging projects.

As a result, the Group posted the following consolidated results for the three months under review:

Net sales	¥50,166 million	5.1% increase year on year
Operating income	¥1,527 million	93.7% increase year on year
Ordinary income	¥1,574 million	104.8% increase year on year
Net income	¥1,078 million	150.1% increase year on year
< Reference >		
Orders received	¥64,588 million	1.0% decrease year on year

Net sales rose 5.1% year on year, to ¥50,166 million, reflecting a sharp increase in net sales for the Social Infrastructure business and the continued increase in net sales for the Enterprises Networks business. In the Carrier Networks business, net sales declined in response to large projects with a high equipment ratio, which were implemented in the previous year. Meanwhile, orders received decreased 1.0% from the previous year, to ¥64,588 million, reflecting a decline in reaction to the orders received in the previous year for submarine seismometer systems in the Carrier Networks business and the accelerated orders received in the previous year in the Enterprises Networks business.

Turning to profit, operating income increased considerably from the previous year, to ¥1,527 million; ordinary income increased to ¥1,574 million; and net income increased to ¥1,078 million, respectively, reflecting a rise in net sales and the acceleration of cost-reduction efforts, including improvements in the efficiency of maintenance bases and in-house production, while investments were made to expand business.

Operating results by business segment were as follows:

Net sales by business segment

(Million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructure	Other	Total
1Q Fiscal 2013 (three months ended June 30, 2013)	19,191	11,907	15,581	3,486	50,166
1Q Fiscal 2012 (three months ended June 30, 2012)	18,469	13,137	12,542	3,571	47,721
Increase or decrease	722	-1,230	3,038	-85	2,445
Ratio of increase or decrease (%)	3.9	-9.4	24.2	-2.4	5.1

Reference: Orders received by business segment

(Million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructure	Other	Total
1Q Fiscal 2013 (three months ended June 30, 2013)	19,674	12,552	28,207	4,153	64,588
1Q Fiscal 2012 (three months ended June 30, 2012)	20,752	14,116	25,786	4,601	65,257
Increase or decrease	-1,077	-1,564	2,420	-448	-668
Ratio of increase or decrease (%)	-5.2	-11.1	9.4	-9.7	-1.0

1). Enterprises Networks business (¥19,191 million, up 3.9% year on year)

Net sales rose from the previous year, centering on the manufacturing industry, thanks to the results of growth investments including the strengthening of sales capabilities. The Group's sales focus on its office innovation solution EmpoweredOffice* increased further in response to customer needs for management innovation. In addition, the Group continued to expand and strengthen its system for providing comprehensive services such as cloud computing and BPO, including using outside resources through partnerships to help customers improve their operations and management. As part of this effort, in June 2013 the Group made Q&A Corporation, which is strong in the technical contact center field, a consolidated company to produce more synergistic effects, and to enforce contact center business.

2). Carrier Networks business (¥11,907 million, down 9.4% year on year)

The Group took over the SI and service business related to stations from NEC Mobiling, Ltd. The Group therefore actively invested in telecommunications carriers' network development in response to the increase in communications volume in step with the increasing number of

smartphone users. However, net sales declined 9.4% from the previous year due to the effect of implementing temporary large projects with a high equipment ratio in the previous year.

3). Social Infrastructure business (¥15,581 million, up 24.2% year on year)

The Group improved its ability to implement projects as well as its price competitiveness. The Group also increased its investment in the digitization of fire-fighting and disaster-prevention systems, which gained momentum, and investments in the installation of mobile base stations in response to new frequency ranges. As a result, net sales increased sharply from the previous year.

*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.

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, 2014

The domestic economy is recovering, reflecting the correction of the yen appreciation and the rebound in stock prices. However, the overseas economy has continued to slow, thereby entailing a downside risk in the domestic economy. The environment is therefore uncertain.

Against this backdrop, the results of the Company have remained almost as expected. The consolidated results forecast for the fiscal year ending March 31, 2014 is the same as the initial forecast.

Net sales	¥240 billion	1.8% increase year on year
Operating income	¥13 billion	4.1% increase year on year
Ordinary income	¥13 billion	3.3% increase year on year
Net income	¥7.8 billion	4.1% increase year on year

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	June 30, 2013	March 31, 2013
ASSETS		
Current assets		
Cash and deposits	43,892	30,935
Notes and accounts receivable-trade	63,683	93,039
Purchased goods, materials and supplies	1,596	1,408
Work in process	10,979	8,965
Other	9,070	8,266
Allowance for doubtful accounts	(92)	(116)
Total current assets	129,130	142,499
Noncurrent assets		
Property, plant and equipment	9,711	9,292
Intangible assets		
Goodwill	4,023	1,080
Other	3,429	3,161
Total intangible assets	7,453	4,241
Investments and other assets		
Other	12,874	12,330
Allowance for doubtful accounts	(58)	(69)
Total investments and other assets	12,816	12,261
Total noncurrent assets	29,981	25,796
Total assets	159,111	168,295

	(Millions of yen)	
	As of	As of
	June 30, 2013	March 31, 2013
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	27,175	36,404
Short-term loans payable	2,399	599
Current portion of long-term loans payable	684	500
Income taxes payable	772	4,367
Provision for directors' bonuses	17	96
Provision for product warranties	74	90
Provision for loss on order received	1,080	1,028
Other	14,910	16,526
Total current liabilities	47,115	59,612
Noncurrent liabilities		
Long-term loans payable	3,483	3,000
Provision for retirement benefits	18,907	17,641
Other	1,807	1,243
Total noncurrent liabilities	24,198	21,884
Total liabilities	71,313	81,497
NET ASSETS		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	56,610	56,824
Treasury stock	(58)	(56)
Total shareholders' equity	86,324	86,540
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13	13
Foreign currency translation adjustment	(295)	(464)
Total accumulated other comprehensive income	(281)	(451)
Minority interests	1,754	708
Total net assets	87,797	86,797
TOTAL LIABILITIES AND NET ASSETS	159,111	168,295

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

(Millions of yen)

	FY March 2014 1Q (3 months ended 6/13)	FY March 2013 1Q (3 months ended 6/12)
Net sales	50,166	47,721
Cost of sales	42,366	41,071
Gross profit	7,799	6,650
Selling, general and administrative expenses	6,272	5,861
Operating income	1,527	788
Non-operating income		
Interest income	7	13
Reversal of allowance for doubtful accounts	28	14
Foreign exchange gains	31	-
Other	70	57
Total non-operating income	138	85
Non-operating expenses		
Interest expenses	17	10
Loss on retirement of noncurrent assets	27	2
Other	46	92
Total non-operating expenses	91	104
Ordinary income	1,574	768
Extraordinary income		
Gain on step acquisitions	477	-
Total extraordinary income	477	-
Extraordinary loss		
Loss on sales of subsidiaries' stocks	369	-
Total extraordinary losses	369	-
Income before income taxes and minority interests	1,683	768
Income taxes	586	322
Income before minority interests	1,096	446
Minority interests in income	17	15
Net income	1,078	431

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	FY March 2014 1Q (3 months ended 6/13)	FY March 2013 1Q (3 months ended 6/12)
Income before minority interests	1,096	446
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(6)
Foreign currency translation adjustment	241	140
Total other comprehensive income	241	134
Comprehensive income	1,337	580
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,248	527
Comprehensive income attributable to minority interests	89	53

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY March 2014 1Q (3 months ended 6/13)	FY March 2013 1Q (3 months ended 6/12)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,683	768
Depreciation and amortization	575	524
Loss (gain) on sales of subsidiaries' stocks	369	-
Loss (gain) on step acquisitions	(477)	-
Amortization of goodwill	61	20
Increase (decrease) in allowance for doubtful accounts	(39)	(58)
Increase (decrease) in provision for retirement benefits	1,250	158
Increase (decrease) in provision for directors' bonuses	(79)	(44)
Increase (decrease) in provision for product warranties	(16)	-
Increase (decrease) in provision for loss on order received	51	72
Interest and dividends income	(12)	(18)
Interest expenses	17	10
Equity in (earnings) losses of affiliates	17	21
Decrease (increase) in notes and accounts receivable-trade	31,531	18,971
Decrease (increase) in inventories	(1,505)	(3,555)
Increase (decrease) in notes and accounts payable-trade	(9,893)	(3,031)
Increase (decrease) in accrued consumption taxes	(1,369)	(979)
Other, net	(2,169)	(690)
Subtotal	<u>19,993</u>	<u>12,169</u>
Interest and dividends income received	12	18
Interest expenses paid	(10)	(9)
Income taxes paid	(4,127)	(2,923)
Net cash provided by (used in) operating activities	<u>15,866</u>	<u>9,255</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(389)	(177)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(210)	(346)
Purchase of investment securities	(1)	(1)
Payments of loans receivable	(10)	(4)
Collection of loans receivable	6	4
Purchase of stocks of equity method affiliate	-	(396)
Payments for transfer of business	(1,857)	-
Other, net	705	(22)
Net cash provided by (used in) investing activities	<u>(1,758)</u>	<u>(942)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	99	-
Repayment of long-term loans payable	-	(3,000)
Proceeds from sale and purchase of treasury stock, net	(1)	(0)
Cash dividends paid	(1,273)	(684)
Other, net	(122)	(111)
Net cash provided by (used in) financing activities	<u>(1,298)</u>	<u>(3,796)</u>
Effect of exchange rate change on cash and cash equivalents	87	67
Net increase (decrease) in cash and cash equivalents	<u>12,897</u>	<u>4,584</u>
Cash and cash equivalents at beginning of period	<u>30,935</u>	<u>37,586</u>
Cash and cash equivalents at end of period	<u>43,832</u>	<u>42,170</u>

(4) Segment Information

Business Segment Information

First quarter of fiscal March 2014 (3 months ended June 2013)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	19,674	12,552	28,207	4,153	-	64,588
Sales						
(1) Sales to third parties	19,191	11,907	15,581	3,486	-	50,166
(2) Intersegment sales	-	-	-	-	-	-
Total	19,191	11,907	15,581	3,486	-	50,166
Operating income and loss	1,487	1,312	464	189	(1,925)	1,527

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