

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 Half (April 1, 2013 to September 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 (%)
6 months ended 9/13 (1H/FY3/14)	115,240	10.3	4,177	20.0	4,391	22.9
6 months ended 9/12 (1H/FY3/13)	104,456	15.0	3,482	47.1	3,574	44.0

	Net income (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
6 months ended 9/13 (1H/FY3/14)	2,780	29.2	55.92	—
6 months ended 9/12 (1H/FY3/13)	2,152	48.6	43.30	—

**(2) Financial Position**

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/09/2013	165,355	89,256	53.1	1,764.50
31/03/2013	168,295	86,797	51.2	1,731.29

c.f. Owner's equity: 30/09/13: ¥87,737 million ; 31/03/13: ¥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	—	30.00	—	30.00 (projected)	60.00 (projected)

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
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
FY ending 3/14	250,000	6.1	13,500	8.1	13,500	7.3	8,200	9.4	164.91

Note: Revisions to projected results for the quarter under review: Yes

**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 6 Months of the Fiscal Year Ending March 31, 2014

During the first six months of the fiscal year ending March 31, 2014 (the period from April 1, 2013 to September 30, 2013), the outlook for the Japanese economy remained uncertain, given concern over a downturn in overseas economies and a volatile stock market. Nonetheless, the economy did benefit from the correction of the strong yen and the rebound in stock prices on expectations of the government's economic measures and financial policy. As a result, corporate earnings improved, especially at large companies, and the economy generally staged a moderate recovery.

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	¥115,240 million	10.3% increase year on year
Operating income	¥4,177 million	20.0% increase year on year
Ordinary income	¥4,391 million	22.9% increase year on year
Net income	¥2,780 million	29.2% increase year on year
< Reference >		
Orders received	¥138,641 million	11.8% increase year on year

Net sales rose 10.3% year on year, to ¥115,240 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. Orders received climbed 11.8%, to ¥138,641 million, attributable to a sharp rise in the Social Infrastructure business

and an increase in the Enterprises Networks business due to the effect of making Q&A Corporation a consolidated subsidiary in June 2013. Despite a reaction to orders received in the previous fiscal year for submarine seismometer systems, orders in the Carrier Networks business also rose on the expansion of maintenance projects for carriers using the Company's service infrastructure. To expand its business, the Company decided that it would make NEC Magnus Communications, Ltd. a consolidated subsidiary on October 1, 2013. The Company aims to achieve growth through synergy between NEC Magnus Communications' own network technology and security technology and the Company's customer base and technology and service infrastructure.

Turning to profit, operating income increased considerably from the previous year, to ¥4,177 million; ordinary income increased to ¥4,391 million; and net income increased to ¥2,780 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
<b>1H Fiscal 2014.3 (six months ended Sep. 30, 2013)</b>	44,476	25,863	37,820	7,079	115,240
1H Fiscal 2013.3 (six months ended Sep. 30, 2012)	40,742	26,385	29,909	7,418	104,456
Increase or decrease	3,733	-521	7,911	-339	10,783
Ratio of increase or decrease (%)	9.2	-2.0	26.5	-4.6	10.3

**Reference: Orders received by business segment**

(Million yen)

	Enterprises Networks	Carrier Networks	Social Infrastructure	Other	Total
<b>1H Fiscal 2014.3 (six months ended Sep. 30, 2013)</b>	45,473	29,247	56,770	7,149	138,641
1H Fiscal 2013.3 (six months ended Sep. 30, 2012)	43,084	28,354	45,059	7,480	123,979
Increase or decrease	2,389	893	11,710	-331	14,661
Ratio of increase or decrease (%)	5.5	3.1	26.0	-4.4	11.8

1). Enterprises Networks business (¥44,476 million, up 9.2% 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 support and consulting service field, a consolidated company to produce more synergistic effects, and to enforce contact center business.

2). Carrier Networks business (¥25,863 million, down 2.0% 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 2.0% 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 (¥37,820 million, up 26.5% 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

Although companies' ICT investments have not shown a full-scale recovery yet, there are strong needs for management reform. Despite increasing uncertainty, capital spending by carriers remains high. Meanwhile, investments in infrastructure for safety and security are accelerating at government offices and local governments. The market environment is generally favorable, albeit to varying degrees from market to market, and there have been signs of improvement since the beginning of the fiscal year. Meanwhile, the Company made NEC Magnus Communications, Ltd. a consolidated subsidiary on October 1, 2013. Considering the results in the first half of the fiscal year under review and the effect of NEC Magnus Communications becoming a consolidated subsidiary, the Company has revised its consolidated results forecast. The net sales forecast has been revised to ¥250 billion. The Company expects to post record incomes: operating income and ordinary income of ¥13.5 billion and net income of ¥8.2 billion.

Net sales	¥250 billion	6.1% increase year on year
Operating income	¥13.5 billion	8.1% increase year on year
Ordinary income	¥13.5 billion	7.3% increase year on year
Net income	¥8.2 billion	9.4% increase year on year

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

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
<b>ASSETS</b>		
Current assets		
Cash and deposits	30,935	44,470
Notes and accounts receivable-trade	93,039	71,502
Purchased goods, materials and supplies	1,408	1,699
Work in process	8,965	9,287
Other	8,266	8,410
Allowance for doubtful accounts	(116)	(102)
Total current assets	142,499	135,268
Noncurrent assets		
Property, plant and equipment	9,292	9,959
Intangible assets		
Goodwill	1,080	3,678
Other	3,161	3,427
Total intangible assets	4,241	7,105
Investments and other assets		
Other	12,330	13,079
Allowance for doubtful accounts	(69)	(56)
Total investments and other assets	12,261	13,022
Total noncurrent assets	25,796	30,087
Assets	168,295	165,355

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	36,404	28,897
Short-term loans payable	599	2,817
Current portion of long-term loans payable	500	671
Income taxes payable	4,367	1,900
Provision for directors' bonuses	96	42
Provision for product warranties	90	56
Provision for loss on order received	1,028	611
Other	16,526	16,889
Total current liabilities	59,612	51,887
Noncurrent liabilities		
Long-term loans payable	3,000	3,349
Provision for retirement benefits	17,641	19,114
Other	1,243	1,747
Total noncurrent liabilities	21,884	24,211
Liabilities	81,497	76,098
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,650	16,650
Retained earnings	56,824	58,312
Treasury stock	(56)	(60)
Shareholders' equity	86,540	88,024
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13	23
Foreign currency translation adjustment	(464)	(310)
Accumulated other comprehensive income	(451)	(286)
Minority interests	708	1,519
Net assets	86,797	89,256
Liabilities and Net assets	168,295	165,355

**(2) Consolidated Statements of Income**

(Millions of yen)

	FY3/2013 1H (6 months ended 9/2012)	FY3/2014 1H (6 months ended 9/2013)
Net sales	104,456	115,240
Cost of sales	89,103	97,700
Gross profit	15,352	17,539
Selling, general and administrative expenses	11,870	13,362
Operating income	3,482	4,177
Non-operating income		
Interest income	27	18
Dividends income of insurance	106	151
Other	135	177
Non-operating income	268	347
Non-operating expenses		
Interest expenses	21	44
Foreign exchange losses	16	39
Other	137	48
Non-operating expenses	176	133
Ordinary income	3,574	4,391
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	3,574	4,500
Income taxes	1,396	1,669
Income before minority interests	2,177	2,830
Minority interests in income	24	50
Net income	2,152	2,780

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	FY3/2013 1H (6 months ended 9/2012)	FY3/2014 1H (6 months ended 9/2013)
Income before minority interests	2,177	2,830
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	9
Foreign currency translation adjustment	(3)	214
Other comprehensive income	(9)	223
Comprehensive income	2,168	3,054
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,141	2,944
Comprehensive income attributable to minority interests	26	109

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

(Millions of yen)

	FY3/2013 1H (6 months ended 9/2012)	FY3/2014 1H (6 months ended 9/2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,574	4,500
Depreciation and amortization	1,058	1,204
Loss (gain) on sales of subsidiaries' stocks	-	369
Loss (gain) on step acquisitions	-	(477)
Amortization of goodwill	40	151
Increase (decrease) in allowance for doubtful accounts	(263)	(29)
Increase (decrease) in provision for retirement benefits	322	1,455
Increase (decrease) in provision for directors' bonuses	(23)	(54)
Increase (decrease) in provision for product warranties	164	(35)
Increase (decrease) in provision for loss on order received	54	(417)
Interest and dividends income	(33)	(24)
Interest expenses	21	44
Loss on retirement of noncurrent assets	16	39
Equity in (earnings) losses of affiliates	23	16
Decrease (increase) in notes and accounts receivable-trade	8,960	23,722
Decrease (increase) in inventories	(4,883)	85
Increase (decrease) in notes and accounts payable-trade	(921)	(8,192)
Increase (decrease) in accrued consumption taxes	(612)	(1,075)
Other, net	1,718	121
Subtotal	9,218	21,405
Interest and dividends income received	33	24
Interest expenses paid	(22)	(46)
Income taxes paid	(2,957)	(4,143)
Net cash provided by (used in) operating activities	6,271	17,239
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(616)	(933)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(889)	(498)
Purchase of investment securities	(3)	(3)
Payments of loans receivable	(7)	(18)
Collection of loans receivable	7	15
Purchase of stocks of equity method affiliate	(396)	-
Payments for transfer of business	-	(1,857)
Other, net	36	655
Net cash provided by (used in) investing activities	(1,868)	(2,642)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-	402
Repayment of long-term loans payable	(3,000)	(67)
Proceeds from sale and purchase of treasury stock, net	(0)	(3)
Cash dividends paid	(695)	(1,290)
Other, net	(231)	(250)
Net cash provided by (used in) financing activities	(3,927)	(1,210)
Effect of exchange rate change on cash and cash equivalents	(4)	87
Net increase (decrease) in cash and cash equivalents	470	13,474
Cash and cash equivalents at beginning of period	37,586	30,935
Cash and cash equivalents at end of period	38,057	44,409



#### (4) Segment Information

Business Segment Information

First half of fiscal 3/2014 (6 months ended September 2013)

(Millions of yen)

	Enterprises Networks	Carrier Networks	Social Infrastructures	Others	Adjustments	Total
Orders received	45,473	29,247	56,770	7,149	---	138,641
Sales						
(1) Sales to third parties	44,476	25,863	37,820	7,079	---	115,240
(2) Intersegment sales	---	---	---	---	---	---
Total	44,476	25,863	37,820	7,079	---	115,240
Operating income and loss	3,278	2,804	1,615	371	(3,891)	4,177

First half of fiscal 3/2013 (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