

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, 2014 to June 30, 2014)  
of Fiscal Year ending March 31, 2015**

(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<br>(¥ million) | Year-on-year<br>change (%) | Operating<br>income<br>(¥ million) | Year-on-year<br>change (%) | Ordinary income<br>(¥ million) | Year-on-year<br>change (%) |
|-----------------------------|--------------------------|----------------------------|------------------------------------|----------------------------|--------------------------------|----------------------------|
| 3 months ended June<br>2014 | 57,229                   | 14.1                       | 296                                | -80.6                      | 379                            | -75.1                      |
| 3 months ended June<br>2013 | 50,166                   | 5.1                        | 1,527                              | 93.7                       | 1,526                          | 139.6                      |

|                             | Net income<br>(¥ million) | Year-on-year<br>change (%) | Net income per<br>share<br>(¥) | Net income per<br>share (diluted)<br>(¥) |
|-----------------------------|---------------------------|----------------------------|--------------------------------|--|
| 3 months ended June<br>2014 | 103                       | -90.1                      | 2.09                           | —  |
| 3 months ended June<br>2013 | 1,048                     | 200.0                      | 21.09                          | —  |

**(2) Financial Position**

|           | Total assets<br>(¥ million) | Net assets<br>(¥ million) | Owner's equity<br>ratio (%) | Net assets per<br>share (¥) |
|-----------|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| 30-Jun-14 | 170,875                     | 86,637                    | 49.7                        | 1,709.03                    |
| 31-Mar-14 | 189,059                     | 89,166                    | 46.3                        | 1,760.06                    |

c.f. Owner's equity: 30-Jun-14: ¥84,976 million; 31-Mar-14: ¥87,514 million

**2. Dividends**

|                               | Dividends per share (¥) |         |                |          |           |
|-------------------------------|-------------------------|---------|----------------|----------|-----------|
|                               | 1st<br>quarter          | Interim | 3rd<br>quarter | Year-end | Full year |
| FY ended 3/14                 | —                       | 30.00   | —              | 30.00    | 60.00     |
| FY ending 3/15<br>(projected) | —                       | 32.00   | —              | 32.00    | 64.00     |

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

**3. Financial Forecasts for Fiscal Year ending March 31, 2015 (April 1, 2014 to March 31, 2015)**

(Percentages represent change compared to the previous corresponding period.)

|                             | Net sales   |     | Operating income |     | Ordinary income |     | Net income  |     | Net income per<br>share |
|-----------------------------|-------------|-----|------------------|-----|-----------------|-----|-------------|-----|-------------------------|
|                             | (¥ million) | (%) | (¥ million)      | (%) | (¥ million)     | (%) | (¥ million) | (%) | (¥)                     |
| 6 months ending Sep<br>2014 | 125,000     | 8.5 | 4,500            | 7.7 | 4,500           | 6.3 | 2,700       | 0.6 | 54.30                   |
| FY ending Mar 2015          | 280,000     | 3.6 | 15,000           | 4.0 | 15,000          | 3.2 | 9,000       | 9.0 | 181.01                  |

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 as pressure to lower prices and ability

## 4. Business Results

### (1) Business Results for the First Quarter for the Fiscal Year Ending March 31, 2015

During the first quarter for the fiscal year ending March 31, 2015 (the period from April 1, 2014 to June 30, 2014), the outlook for the Japanese economy remained uncertain, given concern over a downturn in overseas economies. Nonetheless, the economy generally staged a moderate recovery due to the government's economic measures and financial policy.

Under these economic conditions, our business remained steady *overall* in the fields of information and communication technology (ICT), in which NEC Networks & System Integration Corporation ("the Company") operates, although it varied from field to field.

First, in the corporate market, although corporate managers continued to hold severe views on investment effects, ICT investments for enhancing business management and competitiveness, including reforming the work style, remained firm. Given an economic recovery, there were signs of a recovery in investment appetite.

Telecommunications carriers' capital spending faced a negative impact as their investments in large base stations for new frequency ranges, strong until the first half of the previous fiscal year, were completed. However, investments in the development of high-speed broadband networks, especially LTE networks, continued.

In the central and local governments market, investments in the digitization of fire-fighting and disaster-prevention network 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") took aggressive steps to deal with emerging projects, mainly by strengthening their sales capabilities and their ability to provide comprehensive services, using M&A carried out in the previous fiscal year.

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

|                  |                 |                             |
|------------------|-----------------|-----------------------------|
| Net sales        | ¥57,229 million | 14.1% increase year on year |
| Operating income | ¥296 million    | 80.6% decrease year on year |
| Ordinary income  | ¥379 million    | 75.1% decrease year on year |
| Net income       | ¥103 million    | 90.1% decrease year on year |
| < Reference >    |                 |                             |
| Orders received  | ¥80,154 million | 24.1% increase year on year |

Net sales rose 14.1% year on year, to ¥57,229 million. While sales from the construction of large base stations declined, the Group aggressively took steps to capture business opportunities from increases in public investment in fire-fighting and disaster prevention systems and other systems for securing public security and safety. In addition, Q&A Corporation and NEC Magnus Communications, Ltd., which the Group made consolidated subsidiaries in June and October 2013, respectively, contributed to 1Q results. Orders received expanded ahead of sales, rising 24.1% year on year, to ¥80,154 million.

Turning to profit, operating income, ordinary income and net income declined year on year to ¥296 million, ¥379 million, and ¥103 million respectively, reflecting the effect of a number of highly profitable projects in the same period of the previous fiscal year and an increase in temporary expenses associated with product development at a subsidiary.

Operating results by business segment were as follows:

**Net sales by business segment**

(Million yen)

|                                      | Enterprises<br>Networks | Carrier<br>Networks | Social<br>Infrastructure | Other        | Total         |
|--------------------------------------|-------------------------|---------------------|--------------------------|--------------|---------------|
| <b>1Q Fiscal 2015.3</b>              | <b>21,941</b>           | <b>16,854</b>       | <b>14,508</b>            | <b>3,924</b> | <b>57,229</b> |
| 1Q Fiscal 2014.3                     | 17,803                  | 15,451              | 12,715                   | 4,196        | 50,166        |
| Increase or decrease                 | 4,138                   | 1,402               | 1,793                    | -271         | 7,062         |
| Ratio of increase or<br>decrease (%) | 23.2                    | 9.1                 | 14.1                     | -6.5         | 14.1          |

**Reference: Orders received by business segment**

(Million yen)

|                                      | Enterprises<br>Networks | Carrier<br>Networks | Social<br>Infrastructure | Other        | Total         |
|--------------------------------------|-------------------------|---------------------|--------------------------|--------------|---------------|
| <b>1Q Fiscal 2015.3</b>              | <b>26,338</b>           | <b>19,365</b>       | <b>30,502</b>            | <b>3,948</b> | <b>80,154</b> |
| 1Q Fiscal 2014.3                     | 18,110                  | 15,530              | 25,983                   | 4,964        | 64,588        |
| Increase or decrease                 | 8,227                   | 3,834               | 4,519                    | -1,015       | 15,566        |
| Ratio of increase or<br>decrease (%) | 45.4                    | 24.7                | 17.4                     | -20.5        | 24.1          |

1). Enterprise Networks business (¥21,941 million, up 23.2% year on year)

The Group's sales focus on its office innovation solution EmpoweredOffice\* increased further in response to customer needs for management innovation. As part of its initiatives to expand and strengthen its system for providing comprehensive services to help customers improve their operations and management, in June 2013 the Group made Q&A Corporation, which has an advantage in technical support and consulting, its consolidated subsidiary. Reflecting these initiatives, net sales rose 23.2% year on year, to ¥21,941 million.

2). Carrier Networks business (¥16,854 million, up 9.1% year on year)

Despite the effect of the construction of large base stations associated with new frequency ranges in the previous fiscal year, net sales increased 9.1% year on year, to ¥16,854 million due to the effect of having made NEC Magnus Communications, Ltd., which has its own network technology and security technology, its consolidated subsidiary in October 2013.

3). Social Infrastructure business (¥14,508 million, up 14.1% year on year)

The Group actively responded to increasing ICT investments for security and safety in the public sector, especially investments in the digitization of fire-fighting and disaster prevention systems. As a result, net sales climbed 14.1% year on year, to ¥14,508 million.

\*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<br>Total office solutions based on ICT with securities or environmental solutions and related operation/monitoring services, as well as outsourcing services using our own contact centers and data centers   |
| Carrier Networks      | Service integration mainly for telecom carriers' ICT platforms (from mobile communications base stations to core networks), including systems integration, installation, and related services such as operations and monitoring.<br>Systems integration of large-scale, wide-area, carrier-grade ICT platforms and data centers and related operations, monitoring services |
| Social Infrastructure | Service integration of ICT infrastructure for governments and public utilities (broadcasters, electric power companies, etc.), such as systems integration, installation, operation, and monitoring, and operations in markets other than the Tokyo, Nagoya, and Osaka areas  |
| Others                | Toyo Networks & System Integration Co., Ltd. and sales of purchased equipment   |

\*The Group has reviewed its operational structure, aiming to enhance it by restructuring it in accordance with markets. In the fiscal year under review, the Group has changed the contents of business segments, and construction work for carriers, including the construction of mobile communications base stations, has been transferred from Social Infrastructure segment to Carrier Networks segment, among other changes.

Segment information for the previous fiscal year has been changed to reflect the change in the content of business segments.

## (2) Outlook for the Fiscal Year Ending March 31, 2015

The domestic economy is on a recovery trend, chiefly because of the effect of the government's economic policies. However, there are downside risks in the domestic economy, including concern over a downturn in overseas economies.

Against this backdrop, the results of the Company have remained almost in line with expectations. The consolidated results forecast for the fiscal year ending March 31, 2015 is the same as the initial forecast.

|                  |              |                            |
|------------------|--------------|----------------------------|
| Net sales        | ¥280 billion | 3.6% increase year on year |
| Operating income | ¥15 billion  | 4.0% increase year on year |
| Ordinary income  | ¥15 billion  | 3.2% increase year on year |
| Net income       | ¥9 billion   | 9.0% increase year on year |

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

|   | As of<br>March 31, 2014 | As of<br>June 30, 2014 |
|---|-------------------------|------------------------|
| <b>Assets</b>   |                         |                        |
| Current assets  |                         |                        |
| Cash and deposits                                     | 44,434                  | 54,840                 |
| Notes and accounts receivable - trade                 | 95,975                  | 63,218                 |
| Purchased goods, materials and supplies               | 2,308                   | 3,299                  |
| Work in process                                       | 5,841                   | 7,841                  |
| Other   | 8,852                   | 9,223                  |
| Allowance for doubtful accounts                       | -59                     | -54                    |
| Total current assets                                  | 157,351                 | 138,368                |
| Non-current assets                                    |                         |                        |
| Property, plant and equipment                         | 10,959                  | 11,122                 |
| Intangible assets                                     |                         |                        |
| Goodwill  | 3,502                   | 3,411                  |
| Other   | 3,014                   | 2,987                  |
| Total intangible assets                               | 6,516                   | 6,399                  |
| Investments and other assets                          |                         |                        |
| Other   | 15,834                  | 16,586                 |
| Allowance for doubtful accounts                       | -1,602                  | -1,601                 |
| Total investments and other assets                    | 14,231                  | 14,985                 |
| Total non-current assets                              | 31,708                  | 32,507                 |
| Total assets  | 189,059                 | 170,875                |
| <b>Liabilities</b>                                    |                         |                        |
| Current liabilities                                   |                         |                        |
| Notes and accounts payable - trade                    | 43,191                  | 32,040                 |
| Short-term loans payable                              | 1,742                   | 1,622                  |
| Current portion of long-term loans payable            | 171                     | 168                    |
| Income taxes payable                                  | 4,711                   | 592                    |
| Provision for directors' bonuses                      | 104                     | 27                     |
| Provision for product warranties                      | 374                     | 350                    |
| Provision for loss on order received                  | 357                     | 197                    |
| Other   | 19,340                  | 17,508                 |
| Total current liabilities                             | 69,994                  | 52,508                 |
| Non-current liabilities                               |                         |                        |
| Long-term loans payable                               | 4,518                   | 4,475                  |
| Net defined benefit liability                         | 24,152                  | 26,112                 |
| Other   | 1,227                   | 1,141                  |
| Total non-current liabilities                         | 29,898                  | 31,729                 |
| Total liabilities                                     | 99,893                  | 84,237                 |
| <b>Net assets</b>                                     |                         |                        |
| Shareholders' equity                                  |                         |                        |
| Capital stock   | 13,122                  | 13,122                 |
| Capital surplus                                       | 16,650                  | 16,650                 |
| Retained earnings                                     | 61,474                  | 58,835                 |
| Treasury shares                                       | -64                     | -65                    |
| Total shareholders' equity                            | 91,182                  | 88,543                 |
| Accumulated other comprehensive income                |                         |                        |
| Valuation difference on available-for-sale securities | 25                      | 32                     |
| Foreign currency translation adjustment               | -233                    | -264                   |
| Remeasurements of defined benefit plans               | -3,459                  | -3,335                 |
| Total accumulated other comprehensive income          | -3,668                  | -3,567                 |
| Minority interests                                    | 1,652                   | 1,661                  |
| Total net assets                                      | 89,166                  | 86,637                 |
| Total liabilities and net assets                      | 189,059                 | 170,875                |

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

### (Consolidated Statements of Income)

(Millions of yen)

|   | FY March 2014 1Q<br>(3 months ended 6/13) | FY March 2015 1Q<br>(3 months ended 6/14) |
|---|---|---|
| Net sales   | 50,166                                    | 57,229                                    |
| Cost of sales                                     | 42,366                                    | 48,965                                    |
| Gross profit                                      | 7,799                                     | 8,263                                     |
| Selling, general and administrative expenses      | 6,272                                     | 7,967                                     |
| Operating income                                  | 1,527                                     | 296                                       |
| Non-operating income                              |   |   |
| Interest income                                   | 7   | 15  |
| Insurance income                                  | 14  | 37  |
| Other   | 88  | 109                                       |
| Total non-operating income                        | 110                                       | 163                                       |
| Non-operating expenses                            |   |   |
| Interest expenses                                 | 17  | 20  |
| Other   | 93  | 59  |
| Total non-operating expenses                      | 111                                       | 79  |
| Ordinary income                                   | 1,526                                     | 379                                       |
| Extraordinary income                              |   |   |
| Gain on step acquisitions                         | 477                                       | —   |
| Total extraordinary income                        | 477                                       | —   |
| Extraordinary losses                              |   |   |
| Area business restructuring cost                  | —   | 104                                       |
| Loss on sales of shares of subsidiaries           | 369                                       | —   |
| Total extraordinary losses                        | 369                                       | 104                                       |
| Income before income taxes and minority interests | 1,634                                     | 275                                       |
| Income taxes                                      | 568                                       | 139                                       |
| Income before minority interests                  | 1,066                                     | 135                                       |
| Minority interests in income                      | 17  | 31  |
| Net income  | 1,048                                     | 103                                       |

(Millions of yen)

|   | FY March 2014 1Q<br>(3 months ended 6/13) | FY March 2015 1Q<br>(3 months ended 6/14) |
|---|---|---|
| Income before minority interests                        | 1,066                                     | 135                                       |
| Other comprehensive income                              |   |   |
| Valuation difference on available-for-sale securities   | -0  | 6   |
| Foreign currency translation adjustment                 | 241                                       | -35                                       |
| Remeasurements of defined benefit plans, net of tax     | —   | 124                                       |
| Total other comprehensive income                        | 241                                       | 95  |
| Comprehensive income                                    | 1,307                                     | 231                                       |
| Comprehensive income attributable to                    |   |   |
| Comprehensive income attributable to owners of parent   | 1,218                                     | 204                                       |
| Comprehensive income attributable to minority interests | 89  | 26  |

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

(Millions of yen)

|  | FY March 2014 1Q<br>(3 months ended 6/13) | FY March 2015 1Q<br>(3 months ended 6/14) |
|--|---|---|
| <b>Cash flows from operating activities</b>                  |   |   |
| Income before income taxes and minority interests            | 1,634                                     | 275                                       |
| Depreciation   | 575                                       | 665                                       |
| Area business restructuring cost                             | -   | 104                                       |
| Loss (gain) on sales of shares of subsidiaries               | 369                                       | -   |
| Loss (gain) on step acquisitions                             | -477                                      | -   |
| Amortization of goodwill                                     | 61  | 90  |
| Increase (decrease) in allowance for doubtful accounts       | 9   | 46  |
| Increase (decrease) in provision for retirement benefits     | 1,250                                     | -   |
| Increase(decrease)in net defined benefit liability           | -   | 18  |
| Increase (decrease) in provision for directors' bonuses      | -79                                       | -77                                       |
| Increase (decrease) in provision for product warranties      | -16                                       | -23                                       |
| Increase (decrease) in provision for loss on order received  | 51  | -159                                      |
| Interest and dividend income                                 | -12                                       | -23                                       |
| Interest expenses  | 17  | 20  |
| Decrease (increase) in notes and accounts receivable - trade | 31,609                                    | 32,695                                    |
| Decrease (increase) in inventories                           | -1,505                                    | -2,992                                    |
| Remeasurements of defined benefit plans                      | -   | 124                                       |
| Increase (decrease) in notes and accounts payable - trade    | -9,893                                    | -11,125                                   |
| Increase (decrease) in accrued consumption taxes             | -1,369                                    | -1,110                                    |
| Other, net   | -2,200                                    | -515                                      |
| Subtotal   | <u>20,023</u>                             | <u>17,960</u>                             |
| Interest and dividend income received                        | 12  | 23  |
| Interest expenses paid                                       | -10                                       | -14                                       |
| Income taxes paid  | -4,127                                    | -4,289                                    |
| Net cash provided by (used in) operating activities          | <u>15,896</u>                             | <u>13,680</u>                             |
| <b>Cash flows from investing activities</b>                  |   |   |
| Purchase of property, plant and equipment                    | -389                                      | -1,135                                    |
| Proceeds from sales of property, plant and equipment         | 0   | 8   |
| Purchase of intangible assets                                | -210                                      | -206                                      |
| Purchase of investment securities                            | -1  | -1  |
| Payments of loans receivable                                 | -10                                       | -2  |
| Collection of loans receivable                               | 6   | 2   |
| Payments for transfer of business                            | -1,857                                    | -   |
| Other, net   | 705                                       | -150                                      |
| Net cash provided by (used in) investing activities          | <u>-1,758</u>                             | <u>-1,486</u>                             |
| <b>Cash flows from financing activities</b>                  |   |   |
| Net increase (decrease) in short-term loans payable          | 99  | -100                                      |
| Repayments of long-term loans payable                        | -   | -45                                       |
| Proceeds from sale and purchase of treasury stock, net       | -1  | -1  |
| Cash dividends paid  | -1,273                                    | -1,477                                    |
| Cash dividends paid to minority shareholders                 | -   | -13                                       |
| Other, net   | -122                                      | -124                                      |
| Net cash provided by (used in) financing activities          | <u>-1,298</u>                             | <u>-1,761</u>                             |
| Effect of exchange rate change on cash and cash equivalents  | 87  | -25                                       |
| Net increase (decrease) in cash and cash equivalents         | <u>12,927</u>                             | <u>10,406</u>                             |
| Cash and cash equivalents at beginning of period             | <u>30,315</u>                             | <u>44,434</u>                             |
| Cash and cash equivalents at end of period                   | <u>43,242</u>                             | <u>54,840</u>                             |

**(4) Segment Information**

## Business Segment Information

First quarter of fiscal March 2015 (3 months ended June 2014)

(Millions of yen)

|                            | Enterprises Networks | Carrier Networks | Social Infrastructures | Others | Adjustments | Total  |
|----------------------------|----------------------|------------------|------------------------|--------|-------------|--------|
| Orders received            | 26,338               | 19,365           | 30,502                 | 3,948  | -           | 80,154 |
| Sales                      |                      |                  |                        |        |             |        |
| (1) Sales to third parties | 21,941               | 16,854           | 14,508                 | 3,924  | -           | 57,229 |
| (2) Intersegment sales     | -                    | -                | -                      | -      | -           | -      |
| Total                      | 21,941               | 16,854           | 14,508                 | 3,924  | -           | 57,229 |
| Operating income and loss  | 1,157                | 988              | 287                    | (140)  | (1,997)     | 296    |

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            | 18,110               | 15,530           | 25,983                 | 4,964  | -           | 64,588 |
| Sales                      |                      |                  |                        |        |             |        |
| (1) Sales to third parties | 17,803               | 15,451           | 12,715                 | 4,196  | -           | 50,166 |
| (2) Intersegment sales     | -                    | -                | -                      | -      | -           | -      |
| Total                      | 17,803               | 15,451           | 12,715                 | 4,196  | -           | 50,166 |
| Operating income and loss  | 1,379                | 1,144            | 582                    | 298    | (1,877)     | 1,527  |

\*The Group has reviewed its operational structure, aiming to enhance it by restructuring it in accordance with markets. In the fiscal year under review, the Group has changed the contents of business segments, and construction work for carriers, including the construction of mobile communications base stations, has been transferred from Social Infrastructure segment to Carrier Networks segment, among other changes.

Segment information for the previous fiscal year has been changed to reflect the change in the content of business segments.