

FINANCIAL SECTION

CONTENTS

34	FINANCIAL REVIEW
42	CONSOLIDATED BALANCE SHEETS
44	CONSOLIDATED STATEMENTS OF INCOME
45	CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
47	CONSOLIDATED STATEMENTS OF CASH FLOWS
48	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
65	REPORT OF INDEPENDENT AUDITORS

FINANCIAL REVIEW

Overview

During the fiscal year ended March 31, 2009, the NEC Fielding Group took active initiatives centered on Customer Satisfaction (CS) and Corporate Social Responsibility (CSR), working to realize steady business growth. As a result, the Group achieved lower sales but higher profits on a year-on-year basis.

Net Sales

Sales in the fiscal year under review fell 1.4% from the previous fiscal year to ¥211,087 million. The Group achieved sales gains in focus areas with stable revenues, including existing maintenance businesses such as maintenance and repair services, as well as management support, cooperative services for vendor equipment and software support. Nevertheless, system deployment services and supplier services saw lower revenues against the backdrop of the economic recession, and media service revenues also declined, due in part to the absence of a special project that contributed in the previous fiscal year.

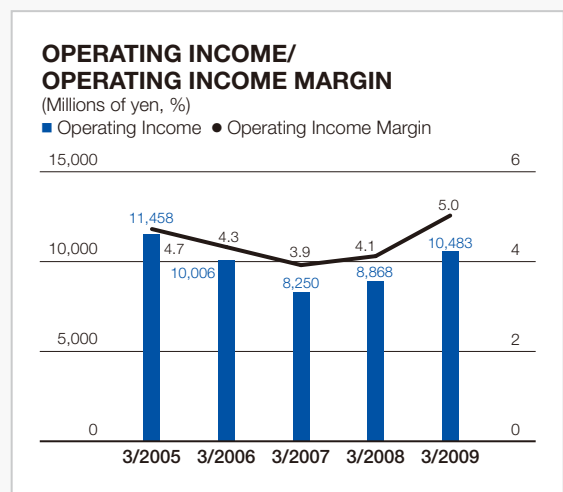
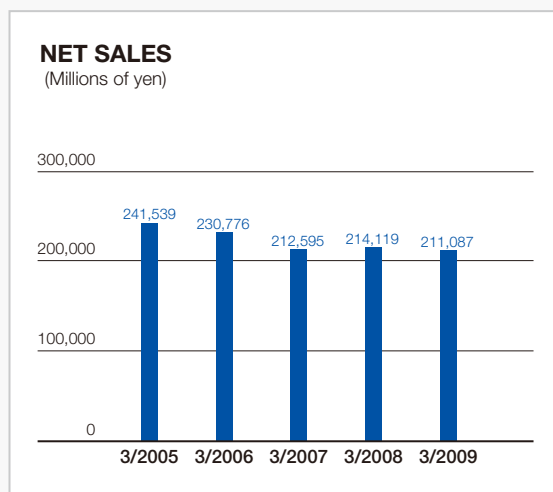
Operating Income

Operating income rose 18.2% year on year to ¥10,483 million. This was the result of ongoing cost-reduction activities, including promotion of in-house production through enhanced efficiency and progress with production reform activities related to repair parts and components.

Sales and Operating Income by Segment

(A) PROACTIVE MAINTENANCE OPERATIONS

Proactive Maintenance Operations responded to the challenging business environment by working to strengthen technological capabilities in software support and to enhance system maintenance and multi-vendor maintenance response by accelerating cooperation with other firms in order to generate sales. Sales were maintained at the same level and earnings power enhanced by means of cost structure reforms centered on production innovations. These



included promotion of enhanced operating efficiency through renovations to the IT infrastructure and the logistics network for maintenance parts. In addition, the Group added NEC Infrontia System Service Corporation (NISS) as a wholly owned subsidiary in order to further strengthen the business structure.

As a result of these activities, the segment recorded the following results.

Sales grew 4.4% year on year to ¥102,051 million. This reflected steady growth in existing business domains, achieved through activities promoting contracts made independently of NEC and stronger alliances with resellers, as well as double-digit growth of 10.0% in focused business domains such as cooperative maintenance services for vendor equipment and software support.

Operating income rose 26.1% to ¥15,269 million. Contributing factors included an increase in revenues in high-value-added focus fields and existing businesses, as well as reforms to the maintenance formation aimed at enhancing the efficiency of operations. The latter included the integration of repair bases on a regional and device model basis. Another factor was improved profit margins, thanks to the reduction of costs for repair parts and components and machinery-related costs. Cost-reduction activities centered on reforming production.

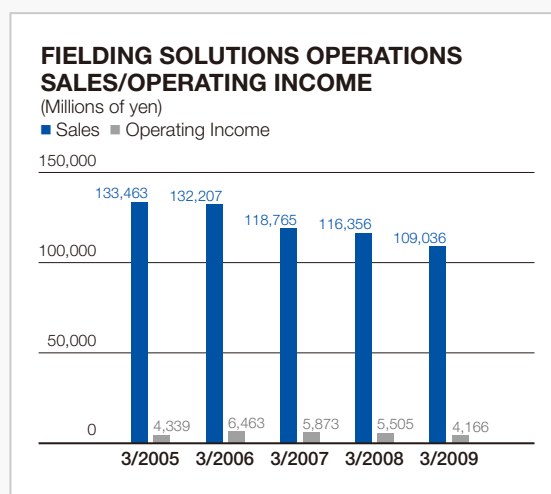
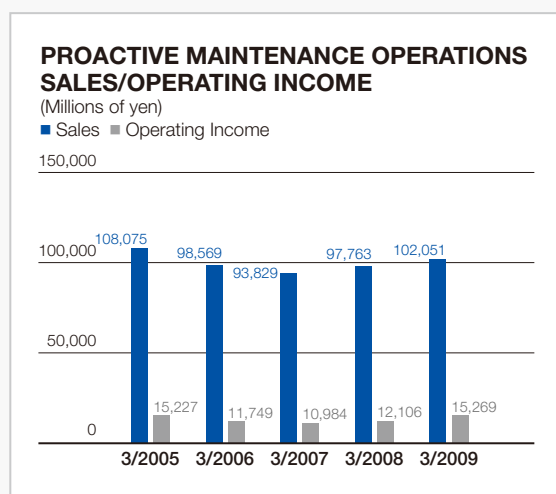
(B) FIELDING SOLUTIONS OPERATIONS

In order to accurately capitalize on growth in the IT services market to drive growth of the NEC Fielding Group, the Fielding Solutions Operations worked to expand high-value-added operation support. In the same vein, it strengthened after-sales support services in fields such as security, where customer needs are high.

As a result of these activities, the segment recorded the following results.

Sales decreased 6.3% year on year to ¥109,036 million. Sales were boosted by the addition of a management support service and help desk to the Integrated IT Management Support Center,*¹ as well as double-digit growth of 17.1% from the previous fiscal year in security/VoIP*² and the “e-Iding” Internet shopping site. However, systems deployment services and supplier services witnessed a drop in orders as a result of the economic slowdown, and media service revenues also declined, due in part to the absence of a special project that contributed in the previous fiscal year.

Operating income decreased 24.3% year on year to ¥4,166 million. This reflected lower earnings due to lower revenues, and acquisition of strategic or special projects, as well as functional enhancements to our Integrated IT Management Support Center and “e-Iding” system. Other contributing factors included lower profit margins due to



upfront investments, such as training of personnel with a view to expanding LCM^{*3} services and introduction of personnel resources.

*1: The Integrated IT Management Support Center is a center that delivers comprehensive services including remote monitoring for servers and storage, fault recovery, helpdesk and IT asset management with the goal of assisting clients with optimal IT system management.

*2: VoIP technology enables the transmission of audio data using Internet protocols.

*3: LCM (life cycle management) services involve creation of a system plan as well as subsequent operations and maintenance.

Note: Operating income for both Proactive Maintenance Operations and Fielding Solutions Operations does not reflect costs from the General Affairs and Comptroller divisions or other general and administrative divisions.

Other Income (Expenses)

In the fiscal year under review, NEC Fielding recorded net other expenses of ¥880 million, compared to net other income of ¥415 million in the previous fiscal year. The main contributors to this expense were ¥481 million in losses on disposal of assets, ¥410 million in expenses for the business reorganization costs and office transfer expenses, and ¥481 million in losses on devaluation of inventories and expenses for discontinued operation.

Income Before Income Taxes and Minority Interests, and Net Income

Income before income taxes and minority interests in the fiscal year under review was ¥9,603 million, an increase of 3.4% from the previous fiscal year.

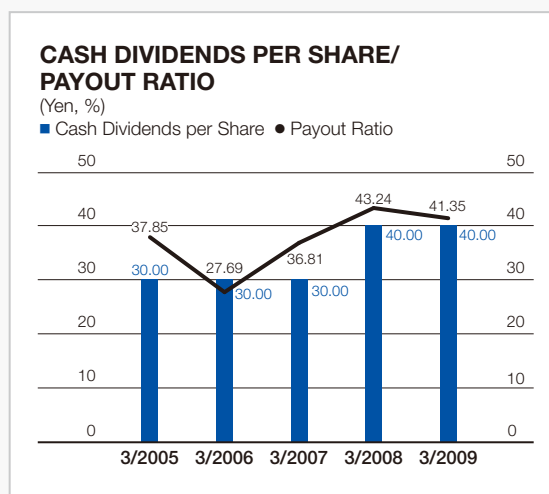
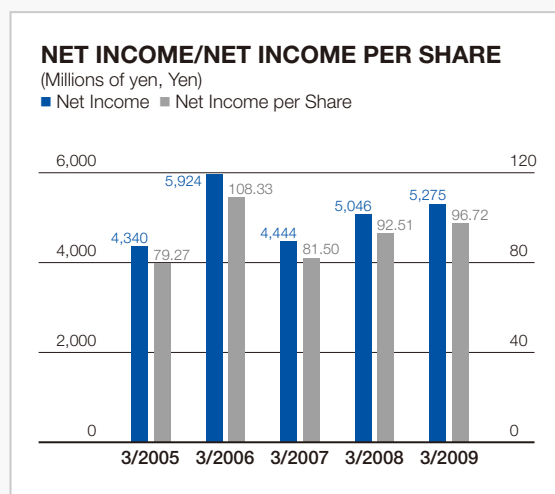
Net income was ¥5,275 million, an increase of 4.6% from the previous fiscal year, and the net income margin rose 0.1 of a percentage point to 2.5%. Net income per share was ¥96.72, up from ¥92.51 from a year earlier.

Financial Position and Liquidity

(A) ASSETS

Total assets at the end of the fiscal year amounted to ¥131,913 million, up ¥416 million from the previous fiscal year.

Current assets stood at ¥99,961 million, down ¥2,002 million. This mainly reflected a decrease of ¥5,743 million in trade notes and accounts receivable to ¥42,663 million, which outweighed an increase of ¥3,531 million in cash and cash equivalents (cash and deposits, funds to affiliates) to ¥23,347 million.



Fixed assets amounted to ¥31,952 million, up ¥2,418 million from the previous fiscal year. This was primarily due to an increase of ¥1,459 million in prepaid pension expenses to ¥12,696 million, and an increase of ¥1,396 million in intangible assets to ¥7,422 million.

(B) LIABILITIES

Total liabilities at the end of the fiscal year amounted to ¥61,993 million, down ¥2,199 million from the previous fiscal year.

Current liabilities totaled ¥45,748 million, down ¥2,486 million. This mainly reflected a decrease of ¥4,996 million in trade notes and accounts payable to ¥23,302 million, which offset an increase of ¥1,814 million in advances received to ¥8,755 million.

Total non-current liabilities were largely on a par with the previous fiscal year-end at ¥16,245 million, representing an increase of only ¥287 million.

(C) NET ASSETS

Net assets at the end of the fiscal year stood at ¥69,920 million, up ¥2,615 million from the previous fiscal year-end. This was mainly attributable to a ¥2,821 million increase in retained earnings to ¥50,177 million.

As a result of the above, the current ratio as of the end of the fiscal year was 218.5%, up 7.1 percentage points from the previous fiscal year-end. The shareholders' equity ratio also increased, rising 1.9 percentage points to 53.0%.

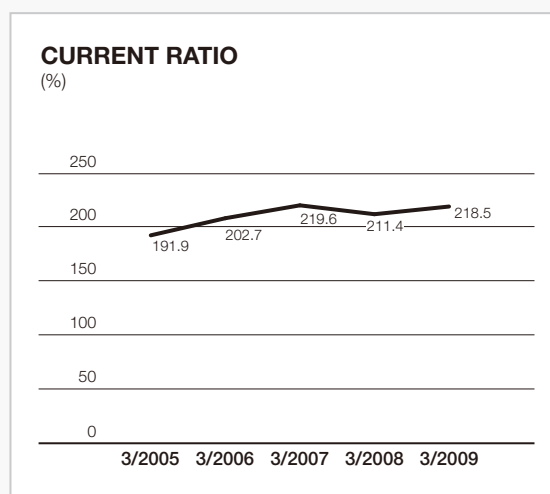
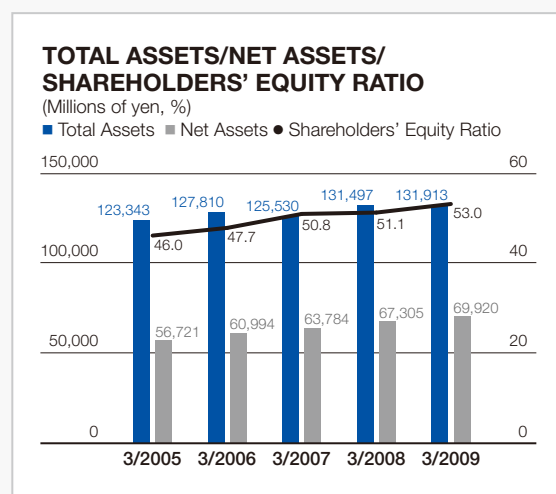
Cash Flows

Cash and cash equivalents ("cash") increased ¥3,531 million during the fiscal year, to ¥23,347 million.

Cash flows for the fiscal year and the factors contributing to increases and decreases in cash flows are discussed below.

(A) CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities in the fiscal year under review was ¥9,984 million, up ¥2,190 million from the previous fiscal year. This increase reflected a ¥320 million rise in income before income taxes and minority interests, as well as a ¥4,055 million increase in collection of trade notes and accounts receivable compared to the



previous fiscal year and a change of ¥729 million in inventories from an increase of ¥58 million in the previous fiscal year to a decrease of ¥671 million in the fiscal year under review, all of which outweighed a year-on-year increase in payment of trade notes and accounts payable of ¥3,748 million.

(B) CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities during the fiscal year was almost on a par with the previous year at ¥3,823 million, representing a decrease of ¥6 million.

(C) CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities during the fiscal year under review rose ¥739 million year on year to ¥2,622 million. This was primarily due to an increase of ¥815 million in the total amount of cash dividends paid to ¥2,452 million due to a year-end dividend applicable to the previous fiscal year of ¥25 per share and an interim dividend of ¥20 per share applicable to the fiscal year under review.

R&D Expenses

NEC Fielding conducts research and development in the fields served by its Proactive Maintenance and Fielding Solutions operations to enable it to propose and offer services matching customer needs.

R&D for Proactive Maintenance Operations focuses on technologies for the stable operation of IT systems, studying efficient and effective maintenance and IT management techniques that integrate both hardware and software to stay abreast of customer needs.

R&D for Fielding Solutions Operations is directed toward aspects of IT systems ranging from installation to operation outsourcing and examines solutions for improving system operation and efficiency. It leads to system design and installation support services that incorporate the latest technologies and products, and to IT management services such as system operation support, helpdesk services and monitoring.

The following lists some of the highlights of the R&D results for the period.

(A) PROACTIVE MAINTENANCE OPERATIONS

- (1) NEC Fielding is working to develop technologies that enable remote monitoring of customers' IT system operational status around the clock, 365 days a year. In the year under review, we established technologies for safely transmitting large volumes of data, including log information and configuration information. We are also endeavoring to establish technologies for identifying impediment sources among information gathered. In these ways, we are seeking to deliver more reliable remote monitoring services.
- (2) In the call center business, we are utilizing text clustering technologies to develop a case study information database that automatically extracts analogous cases out of a large number of previous telephone customer support calls. We are also developing technologies enabling cross-lateral searches of related databases. In these ways, we are striving to improve customer service and enhance the efficiency of our call centers.
- (3) NEC Fielding is conducting research into effective educational methods aimed at improving the technological capabilities of customer engineers in the field. In the year under review, research covered observations and verifications related to the human memory from diverse perspectives. Specifically, we sought to find tools that promote the greatest memory retention, and we made verifications related to educational materials and methods conducive to memory retention using real data. In these ways, we are working to improve the support capabilities behind our technological expertise.

(B) FIELDING SOLUTIONS OPERATIONS

- (1) In the field of IT management services, we are developing technologies related to countering information leakage in our customers' computer systems. In the year under review, we conducted research aimed at verifying compatibility between security-related software and asset management software at the time of thin client system installation. We also researched ways to verify costs of converting existing PCs into thin client systems. Through such efforts, we are working to deliver fully reliable security-related services.
- (2) In the area of information security-related solutions, we are working to develop technologies for erasing data from recording media, including magnetic media (such as hard disks and open tape reels) and optical media (such as CD-R and MO disks). In the year under review, we clarified the magnetic field generation mechanism as it applies to erasure of data from magnetic recording media, and sought to develop physical breakdown methods. In addition, we promoted development of devices with an emphasis on operability and portability, and we completed a prototype portable device that can erase data on cartridge-type optical disk media, including MO disks. In these ways, we are striving to expand our data erasure services for recording media.

During the fiscal year under review, total R&D costs amounted to ¥144 million.

Outlook for the Fiscal Year Ending March 31, 2010

The NEC Fielding Group's consolidated forecasts for the fiscal year ending March 31, 2010 are as follows.

	Units: Billions of yen, %			
	3/2010 (Forecast)	3/2009 (Actual result)	Increase/ Decrease	% Change
Proactive Maintenance Operations	¥102.1	¥102.1	¥ 0	0.0
Fielding Solutions Business	97.9	109.0	-11.1	-10.2
Consolidated Sales and Income	200.0	211.1	-11.1	-5.3
Operating income	10.0	10.5	-0.5	-4.6
Recurring income	10.0	10.1	-0.1	-0.8
Net income	5.4	5.3	0.1	2.4

These forecasts are judgments based on the information available at the time of writing, and may differ materially from actual results due to a number of factors, including unknown risks and uncertainties.

Business Risks

(A) SECURITY CONTROL

The nature of the NEC Fielding Group's IT Support Service requires the Group to hold a variety of customer-related information. The Group has established rules governing the handling of information and has obtained the Privacy Mark certification as part of its commitment to privacy protection. In addition the Group obtained ISO/IEC 27001:2005 certification, an international standard for information security management systems (ISMS), with respect to the iSolution centers and helpdesk operations, both of which are locally-oriented outsourcing services. All employees are required to undergo training to develop a full understanding of what to do to protect customer information

in the course of customer-related duties and of measures to prevent information leaks from within the Group. In the event of unauthorized disclosure of information despite such precautions, however, the Company may be held liable for damages, and the performance of the Group may be adversely affected.

(B) INAPPROPRIATE AND ILLEGAL CONDUCT OF EMPLOYEES

The NEC Fielding Group upholds corporate conduct consistent with “good corporate citizenship.” In line with this, it has set forth the “NEC Fielding Rules of Conduct,” which essentially call for compliance with relevant laws, ordinances and regulations in the execution of corporate activities. In addition, the Group has conducted training and other activities to elevate the ethical awareness of its employees. However, these efforts in themselves may be insufficient to completely preclude the likelihood of business-related conduct of an inappropriate or illegal nature by employees. In the event of such inappropriate or illegal conduct by employees, the business of the Group may be adversely affected if such conduct results in compensation claims by third parties or an order to suspend business activities and transactions.

(C) MAINTAINING AND INCREASING CUSTOMER SATISFACTION

The value that the NEC Fielding Group presents to its customers lies in its ability to ensure trouble-free management and the optimized utilization of customers’ IT systems in the IT service areas. To put it differently, the value of the Group is an intangible one and it surfaces, in the form of higher customer confidence and trust in the Group, if and only if the Group has been successful in delivering solutions in excess of customers’ expectations. The IT service industry where the Group operates is known for the extremely swift pace of technological innovations. Therefore, the Group constantly faces the risk of its services, technologies and technical skills becoming obsolete for reasons ranging from new additions, changes in specifications and new service launches with respect to the equipment which the Group is contracted to service. To keep abreast of technological innovations, the Group makes an ongoing organized effort to master new skills and technologies. Moreover, to respond to customers in an appropriate and timely manner, the Company has put in place a structure of Company-wide call escalation, which helps it build a better and quicker understanding of customers’ requirements and wishes. Despite such measures, however, NEC Fielding may be subject to complaints from customers or NEC Group companies that have outsourced to NEC Fielding or may face contract termination in the event that the customer feels that the NEC Fielding Group’s handling has been inadequate or incomplete, or the work has been flawed, and these factors in turn may adversely impact the performance of the NEC Fielding Group.

(D) CHANGES IN THE BUSINESS ENVIRONMENT

Japan’s IT support market, which is the principal business universe of the NEC Fielding Group, is projected for further growth, and for this very reason, competition among businesses is expected to intensify while customers will increasingly demand lower prices.

Even under these challenging conditions, NEC Fielding sought to secure profits in Proactive Maintenance Operations and continue enhancements to the Fielding Solutions Operations business model. To this end, the Group worked to shift resources to enhance customer contacts, lower costs by reducing maintenance components and materials expenses through thorough defect management, and expand business by promoting new business areas such as IT and network integration, contracts independent of NEC Corporation, and vendor cooperation. However, the business performance of the Group may be adversely affected, should there be greater-than-expected erosion of service prices, due to an increasing shift to open architecture or fewer-than-expected opportunities to service equipment due to improved product quality.

(E) RELATIONSHIP TO NEC CORPORATION AND THE MANAGEMENT STRATEGY OF THE NEC GROUP

The NEC Fielding Group operates its IT support service business in partnership with NEC Corporation and NEC Group companies.

NEC Corporation and the NEC Group are pursuing reviews of organization and frameworks aimed at simplification of systems and mechanisms and introduction of global standards with a view to transforming the business structure and reforming the earnings structure in order to achieve growth. However, the performance of the NEC Fielding Group may be impacted if its responsibilities and position in the NEC Group change.

(F) SECURING AND TRAINING HUMAN RESOURCES

To deliver IT support services that precisely meet customers' requirements, it is essential for the NEC Fielding Group to recruit and develop high-quality human resources with relevant technical skills on an ongoing basis. To this end, the Group has set forth a merit- and result-based personnel policy. It also recruits college graduates, mostly with technical degrees, on a regular basis and requires its technical employees to undergo over 20 days of training every year.

Despite the implementation of measures such as these, delays in administering employee training, losses of opportunities to recruit new members and the brain drain of existing members to non-Group companies, among other factors, may cause the quality of IT support services by the Group to deteriorate and have an adverse impact on business results.

(G) NATURAL DISASTERS AND OTHER RISKS

The NEC Fielding Group's places of business may suffer devastating damage in the event of an earthquake or other natural disaster. To be ready, the Group has established two call centers, which are customers' first points of contact, in eastern and western Japan, each serving as a back-up for the other. In addition, there are two computer centers, again in eastern and western Japan, where compatible information systems are running in parallel. The Company undertakes these and other measures to circumvent complete operational shutdowns. However, if devastating damage is inflicted, in particular on the facilities of the Company's logistics division, which supplies maintenance parts and materials, or the information system division, there may be a delay in operations with a corresponding drop in the quality of service provided to customers, as well as expenses incurred for the repair and replacement of offices and facilities of the Group.

(H) DEVELOPMENT OF OVERSEAS BUSINESS

The NEC Fielding Group has embarked on overseas business expansion as demonstrated by its formation of a subsidiary in China, among others. Overseas business expansion faces a number of unanticipated risks such as wars, terrorism and other politically induced turmoil, changes in economic conditions, prevailing laws and regulations, as well as health epidemics and more. Any of these could potentially hurt the business performance of the Group.

CONSOLIDATED BALANCE SHEETS

NEC Fielding, Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2009	2008	2009
ASSETS			
Current assets:			
Cash and cash equivalents (Note 16)	¥ 23,347	¥ 19,816	\$ 237,675
Trade notes and accounts receivable (Note 16)	42,663	48,406	434,318
Allowance for doubtful accounts	(65)	(37)	(658)
	42,598	48,369	433,660
Lease investment assets	31	—	310
Securities (Note 6)	491	—	4,993
Inventories (Note 7)	24,450	25,393	248,907
Deferred tax assets (Note 9)	7,155	6,695	72,841
Other current assets	1,889	1,690	19,231
Total current assets	99,961	101,963	1,017,617
Property and equipment:			
Buildings and structures	5,373	5,304	54,702
Machinery, equipment and vehicles	9	270	92
Tools, furniture and fixtures (Note 12)	3,569	3,850	36,329
Land	1,144	1,159	11,651
Lease assets (Note 12)	807	—	8,212
Construction in progress	—	9	—
	10,902	10,592	110,986
Accumulated depreciation	(6,439)	(6,473)	(65,548)
Property and equipment, net	4,463	4,119	45,438
Intangible assets	7,422	6,026	75,553
Investments and other assets:			
Investment securities (Note 6)	880	1,419	8,960
Long-term loans receivable	2	3	26
Prepaid pension expenses (Note 10)	12,696	11,237	129,243
Deferred tax assets (Note 9)	2,433	2,778	24,765
Other assets	4,453	4,261	45,334
Allowance for doubtful accounts	(397)	(309)	(4,038)
Total investments and other assets	20,067	19,389	204,290
Total assets	¥131,913	¥131,497	\$1,342,898

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (Note 16)	¥ 23,302	¥ 28,298	\$ 237,216
Lease obligations (Note 12)	201	—	2,049
Accrued income taxes (Note 9)	3,038	2,485	30,924
Accrued expenses	3,126	3,069	31,829
Advances received (Note 16)	8,755	6,941	89,124
Accrued bonuses to employees	5,250	5,686	53,448
Accrued bonuses to directors and corporate auditors	22	28	223
Provision for point card certificates	12	—	125
Other current liabilities	2,042	1,727	20,790
Total current liabilities	45,748	48,234	465,728
Non-current liabilities:			
Long term lease obligations (Note 12)	527	—	5,362
Accrued retirement benefits for employees (Note 10)	15,257	15,951	155,315
Other non-current liabilities	461	7	4,697
Total non-current liabilities	16,245	15,958	165,374
Commitments and contingent liabilities (Note 8)			
Net assets (Note 11):			
Shareholders' equity:			
Common stock, without par value;			
Authorized—188,560,000 shares			
Issued—54,540,000 shares	9,670	9,670	98,443
Capital surplus	10,161	10,161	103,442
Retained earnings	50,177	47,356	510,805
Treasury stock, at cost, 528 shares in 2009 and 448 shares in 2008	(1)	(1)	(10)
Total shareholders' equity	70,007	67,186	712,680
Valuation and translation adjustments:			
Unrealized holding losses on securities	(91)	(62)	(929)
Foreign currency translation adjustments	(18)	14	(179)
Total valuation and translation adjustments	(109)	(48)	(1,108)
Minority interests	22	167	224
Total net assets	69,920	67,305	711,796
Total liabilities and net assets	¥131,913	¥131,497	\$1,342,898

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

NEC Fielding, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2009	2008	2009
Net sales (Notes 16 and 17)	¥211,087	¥214,119	\$2,148,903
Cost of sales (Notes 7, 10, 16 and 17)	175,260	179,319	1,784,180
Gross profit	35,827	34,800	364,723
Selling, general and administrative expenses (Notes 10, 13, 16 and 17)	25,344	25,932	257,999
Operating income (Note 17)	10,483	8,868	106,724
Other income (expenses):			
Interest and dividend income	96	75	979
Losses on disposal of assets	(481)	(72)	(4,904)
Write-down of investment securities	—	(30)	—
Interest expenses	(12)	(0)	(121)
Business reorganization costs (Note 14)	(229)	—	(2,336)
Office transfer expenses (Note 14)	(181)	—	(1,844)
Office restructuring charge (Note 14)	—	(45)	—
Losses on devaluation of inventories (Note 7)	(273)	—	(2,778)
Expenses for discontinued operation (Note 14)	(208)	—	(2,119)
Other, net	408	487	4,155
	(880)	415	(8,968)
Income before income taxes and minority interests	9,603	9,283	97,756
Income taxes (Note 9):			
Current	4,368	3,154	44,462
Deferred	(95)	1,018	(971)
	4,273	4,172	43,491
Minority interests	55	65	562
Net income	¥ 5,275	¥ 5,046	\$ 53,703

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NEC Fielding, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Number of shares of total common stock issued	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance at March 31, 2007	54,540,000	¥9,670	¥10,161	¥43,946	¥(1)	¥63,776
Net income	—	—	—	5,046	—	5,046
Cash dividends paid	—	—	—	(1,636)	—	(1,636)
Purchases of treasury stock	—	—	—	—	(0)	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2008	54,540,000	¥9,670	¥10,161	¥47,356	¥(1)	¥67,186
Net income	—	—	—	5,275	—	5,275
Cash dividends paid	—	—	—	(2,454)	—	(2,454)
Purchases of treasury stock	—	—	—	—	(0)	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2009	54,540,000	¥9,670	¥10,161	¥50,177	¥(1)	¥70,007

	Thousands of U.S. dollars (Note 5)				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance at March 31, 2008	\$98,443	\$103,442	\$482,087	\$ (9)	\$683,963
Net income	—	—	53,703	—	53,703
Cash dividends paid	—	—	(24,985)	—	(24,985)
Purchases of treasury stock	—	—	—	(1)	(1)
Net changes in items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2009	\$98,443	\$103,442	\$510,805	\$(10)	\$712,680

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)

NEC Fielding, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen				
	Unrealized holding losses on securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	¥ (1)	¥ 10	¥ 9	¥ —	¥63,785
Net income	—	—	—	—	5,046
Cash dividends paid	—	—	—	—	(1,636)
Purchases of treasury stock	—	—	—	—	(0)
Net changes in items other than shareholders' equity	(61)	4	(57)	167	110
Balance at March 31, 2008	¥(62)	¥ 14	¥ (48)	¥ 167	¥67,305
Net income	—	—	—	—	5,275
Cash dividends paid	—	—	—	—	(2,454)
Purchases of treasury stock	—	—	—	—	(0)
Net changes in items other than shareholders' equity	(29)	(32)	(61)	(145)	(206)
Balance at March 31, 2009	¥(91)	¥(18)	¥(109)	¥ 22	¥69,920

	Thousands of U.S. dollars (Note 5)				
	Unrealized holding losses on securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	\$(636)	\$ 142	\$ (494)	\$ 1,704	\$685,173
Net income	—	—	—	—	53,703
Cash dividends paid	—	—	—	—	(24,985)
Purchases of treasury stock	—	—	—	—	(1)
Net changes in items other than shareholders' equity	(293)	(321)	(614)	(1,480)	(2,094)
Balance at March 31, 2009	\$(929)	\$(179)	\$(1,108)	\$ 224	\$711,796

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NEC Fielding, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2009	2008	2009
Operating activities:			
Income before income taxes and minority interests	¥ 9,603	¥ 9,283	\$ 97,756
Depreciation and amortization	2,130	2,118	21,686
Losses on devaluation of inventories	273	—	2,778
Increase (decrease) in allowance for doubtful accounts	116	65	1,180
Increase (decrease) in accrued bonuses to employees	(436)	50	(4,435)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(6)	9	(64)
Increase (decrease) in accrued retirement benefits for employees	(694)	(653)	(7,069)
Increase (decrease) in the provision for point card certificates	12	—	125
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	—	(1)	—
Losses on disposal of assets	481	91	4,915
Losses (gains) on sales of intangible assets	—	1	—
Losses on devaluation of intangible assets	42	—	432
Losses (gains) on maturity of investment securities	(12)	(14)	(118)
Write-down of investment securities	—	30	—
Expenses for discontinued operation	208	—	2,119
Losses on devaluation of golf club memberships	2	—	25
Interest and dividend income	(96)	(75)	(979)
Interest expenses	12	0	121
Decrease (increase) in trade notes and accounts receivable	5,743	1,688	58,460
Decrease (increase) in inventories	671	(58)	6,826
Decrease (increase) in prepaid pension expenses	(1,458)	(2,094)	(14,846)
Decrease (increase) in other assets	(291)	(206)	(2,960)
Increase (decrease) in trade notes and accounts payable	(4,981)	(1,233)	(50,709)
Increase (decrease) in accrued expenses	57	(340)	582
Increase (decrease) in accrued enterprise tax	1	4	6
Increase (decrease) in accrued consumption taxes	128	(101)	1,299
Increase (decrease) in advances received	1,814	2,206	18,463
Increase (decrease) in other liabilities	418	(598)	4,256
Other	122	91	1,237
Subtotal	13,859	10,263	141,086
Interest and dividends received	93	74	950
Interest paid	(12)	(0)	(121)
Disbursements for discontinued operation	(139)	—	(1,415)
Income taxes paid	(3,817)	(2,583)	(38,860)
Income taxes received	—	40	—
Net cash provided by operating activities	9,984	7,794	101,640
Investing activities:			
Net proceeds from maturity of investment securities	11	14	118
Purchases of property and equipment	(292)	(332)	(2,976)
Proceeds from sales of property and equipment	13	61	130
Purchases of intangible assets	(3,013)	(1,830)	(30,677)
Proceeds from sales of intangible assets	—	1	—
Purchases of investment securities	—	(930)	—
Purchase of subsidiary's shares	(427)	—	(4,343)
Purchase of subsidiary's shares due to change in scope of consolidation	—	(844)	—
Other	(115)	31	(1,173)
Net cash used in investing activities	(3,823)	(3,829)	(38,921)
Financing activities:			
Net increase (decrease) in short-term borrowings	—	(223)	—
Purchases of treasury stock	(0)	(0)	(1)
Repayment of lease obligations	(123)	—	(1,248)
Cash dividends paid	(2,452)	(1,637)	(24,965)
Cash dividends paid to minority shareholders	(47)	(23)	(480)
Net cash used in financing activities	(2,622)	(1,883)	(26,694)
Effect of exchange rate changes on cash and cash equivalents	(34)	5	(345)
Net increase in cash and cash equivalents	3,505	2,087	35,680
Cash and cash equivalents at beginning of year	19,816	17,729	201,726
Increase in cash and cash equivalents due to change in scope of consolidation	26	—	269
Cash and cash equivalents at end of year	¥23,347	¥19,816	\$237,675

See note 18 for non-cash transactions.
See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NEC Fielding, Ltd. and Consolidated Subsidiaries
March 31, 2009

1. Basis of Presenting the Consolidated Financial Statements

NEC Fielding, Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 3. d), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009 are prepared in accordance with International Financial Reporting Standards with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

(A) BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company had the following six consolidated subsidiaries as of March 31, 2009:

- NDEC Co., Ltd.
- Fielding Supportcrew, Ltd.
- NEC Fielding Information Technology Services (Beijing) Co., Ltd.
- NEC Infrontia System Service Corporation
- Fielding System Technology, Ltd.
- NEC Fielding System Integration Technologies (Beijing) Co., Ltd.

Of the companies listed above, NEC Fielding System Integration Technologies (Beijing) Co., Ltd. was established on February 5, 2008 and included in the scope of consolidation in the period ended March 31, 2009, because the operations started on April 1, 2008.

All of the Company's consolidated subsidiaries have a fiscal year-end of March 31, with the exception of NEC Fielding Information Technology Services (Beijing) Co., Ltd. and NEC Fielding System Integration Technologies (Beijing) Co., Ltd., whose fiscal year-ends are on December 31. Significant transactions of NEC Fielding Information Technology Services (Beijing) Co., Ltd. and NEC Fielding System Integration Technologies (Beijing) Co., Ltd. conducted between January 1 and March 31 are included in the consolidated accounts, with adjustments made as necessary.

The excess of cost over the underlying equity in net assets at the dates of acquisition of the major consolidated subsidiaries is amortized by the straight-line method over 5 years.

(B) CASH EQUIVALENTS

The Company considers all highly liquid investments which bear little risk with respect to change of valuation and with maturity of three months or less when purchased to be cash equivalents.

(C) SECURITIES

Securities with quoted market price classified as other securities are carried at fair value with any changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in net assets. The cost of securities with quoted market price sold is calculated by using the moving-average method.

Securities without quoted market price classified as other securities are carried at cost determined by the moving-average method.

Held-to-maturity debt securities are reported at amortized cost.

(D) INVENTORIES

Prior to April 1, 2008, inventories of the Company and consolidated subsidiaries are stated at cost determined by the weighted-average method. As discussed in Note 3. a), effective April 1, 2008, the Company and consolidated subsidiaries adopted a new accounting standard for measurement of inventories and stated the inventories at the lower of weighted-average cost or net realizable value at March 31, 2009.

(E) DEPRECIATION AND AMORTIZATION

Depreciation of property and equipment is calculated by the declining-balance method except for leased assets and assets for outsourcing being calculated by the straight-line method, based on the estimated useful lives of the respective assets. Significant renewals and betterments are capitalized at cost. Maintenance and repair costs are charged to income as incurred. The useful lives of property and equipment are summarized as follows:

Buildings and structures	2 to 50 years
Machinery, equipment and vehicles	10 years
Tools, furniture and fixtures	2 to 20 years

Except for leased assets, intangible assets are amortized by the straight-line method over their respective estimated useful lives. Software intended for internal use is amortized on a straight-line basis over an estimated useful life not exceeding five years.

Leased assets are depreciated by the straight-line method based on the lease term of the respective assets and no residual value.

(F) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, in addition to an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(G) ACCRUED BONUSES TO EMPLOYEES

The accrued bonuses to employees are provided at an amount calculated based on estimated bonus payments incurred at the end of the fiscal year.

(H) ACCRUED BONUSES TO DIRECTORS AND CORPORATE AUDITORS

The accrued bonuses to directors and corporate auditors are provided at an amount calculated based on estimated bonus payments incurred at the end of the fiscal year.

(I) ACCRUED RETIREMENT BENEFITS FOR EMPLOYEES

Accrued retirement benefits or prepaid pension expenses for employees have been recorded at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gains or losses and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over an estimate of the average remaining years of service of the eligible employees.

Actuarial gains and losses are amortized in the year subsequent to their occurrence by the straight-line method over periods ranging from 12 years through 18 years, which represents the average remaining years of service of the eligible employees.

Prior service cost is amortized beginning the year it is incurred by the straight-line method over 17 years, which represents the average remaining years of service of the eligible employees.

(J) PROVISION FOR POINT CARD CERTIFICATES

Provision for point card certificates which were granted to website customers is provided at an amount calculated based on the estimated cost at March 31, 2009.

(K) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates. All revenues and expenses denominated in foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gains or losses are credited or charged to income.

The revenue and expense accounts of the overseas consolidated subsidiaries are translated at the average exchange rates prevailing during the year, and, except for the components of net assets, the balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets are translated at their historical exchange rates. Resulting translation differences are presented as foreign currency translation adjustments in the accompanying consolidated financial statements.

(L) LEASES

The Company and consolidated subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer the ownership of the leased property to the lessee as operating leases with disclosures of certain "as if capitalized" information. As discussed in Note 3. c), the Company and consolidated subsidiaries adopted a new accounting standard and capitalized finance leases which commenced after March 31, 2008, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

(M) REVENUE RECOGNITION

Revenue from construction of computer systems, network systems and communication systems is recognized upon customer acceptance. Revenue from sales of instruments and machinery is recognized, in principle, on the date at which such instruments and machinery are delivered to customers. Fees for maintenance and repairs are recognized when the services are rendered.

3. Changes in Accounting Policies

- a) Effective from the fiscal year ended March 31, 2009, the Company and consolidated subsidiaries have adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9, July 5, 2006). The adoption had no effect on the consolidated financial statements.
- b) Effective from the fiscal year ended March 31, 2009, the Company has changed the depreciation method for property and equipment associated with businesses that provide regular income, such as outsourcing, to the straight-line method from the declining-balance method. Because the importance of these businesses has increased, this change was made to further clarify the relationship between related income and depreciation costs. Operating income and income before income taxes and minority interests increased by ¥20 million (US\$206 thousand) due to this change in accounting policy.

Effective from the fiscal year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for property and equipment acquired on or after April 1, 2007 in accordance with the revised Corporate Tax Law in Japan.

With respect to property and equipment acquired before April 1, 2007, the Company and its domestic consolidated subsidiaries have used the method applicable before the law's revision to depreciate fixed assets. When the residual value of a fixed asset after depreciation reaches 5% of the asset's acquisition cost, the remaining 5% is depreciated over five years using the straight-line method beginning in the subsequent fiscal year.

- c) Previously, the Company and its domestic consolidated subsidiaries accounted for finance leases other than those that transfer ownership as operating lease transactions. However, from the fiscal year ended March 31, 2009 the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, June 17, 1993 (The First Committee of Business Accounting Council), revised March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, January 18, 1994 (Auditing Committee of the Japanese Institute of Certified Public Accountants)), and now account for these leases as ordinary sale and purchase transactions. The Company and its domestic consolidated subsidiaries have continued to treat finance leases other than those that transfer ownership that went into effect before the first year of application of this standard as normal operating lease transactions. As a result of this change, operating income increased by ¥6 million (US\$64 thousand), and income before income taxes and minority interests decreased by ¥5 million (US\$54 thousand), respectively.
- d) Effective from the fiscal year ended March 31, 2009, the Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18, May 17, 2006) and made the necessary adjustments in preparing the consolidated financial statements. As a result of this change, operating income and income before income taxes and minority interests each increased by ¥11 million (US\$109 thousand), respectively.
- e) On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP unless the impact is not material.
 - (a) Goodwill not subject to amortization
 - (b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
 - (c) Capitalized expenditures for research and development activities
 - (d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
 - (e) Retrospective treatment of a change in accounting policies
 - (f) Accounting for net income attributable to minority interests

As a result, gross profit and operating income increased by ¥11 million (US\$109 thousand), and income before income taxes and minority interests increased by ¥11 million (US\$109 thousand) for the year ended March 31, 2009. The effects on segment information are described in Note 17.

4. Business Combination

The Company has acquired a company and applied purchase method accounting for the business combination. The details of the business combination are summarized as follows.

(A) Name of acquiree and its business, the principal reason for business combination, date of consolidation, legal form of business combination, and ratio of voting rights acquired

(1) Name of acquiree and its business

Name of acquiree: NEC Infrontia System Service Corporation

Its business: Installation and maintenance of POS and network systems

(2) Principal reason for business combination

To strengthen the framework for the POS and network systems installation and maintenance business

(3) Date of consolidation

July 2, 2007

(4) Legal form of business combination

Acquisition of shares

(5) Ratio of voting rights acquired

66.66%

(B) Period for which performance of the acquiree company is included in the consolidated financial statements of NEC Fielding

July 2, 2007 to March 31, 2008

(C) Breakdown of acquisition cost for acquired company

Acquisition cost: ¥853 million for shares of NEC Infrontia System Service Corporation

(D) Amount of goodwill recognized, reason for recognition, amortization method and period of amortization

(1) Amount of goodwill recognized

¥602 million

(2) Reason for recognition

This represents the excess earnings power of the maintenance service functions for logistics operators and the network systems technological capabilities offered by NEC Infrontia System Service Corporation

(3) Amortization method and period of amortization

Amortization over five years in equal amounts

(E) Breakdown of assets and liabilities acquired as a result of business combination

Current assets: ¥2,337 million

Non-current assets: ¥181 million

Total assets: ¥2,518 million

Current liabilities: ¥2,142 million

Total liabilities: ¥2,142 million

(F) Estimated impact on consolidated statements of income for the year ended March 31, 2008 assuming that the business combination was concluded on the first day of the fiscal year

Net sales: ¥2,716 million

Operating income: ¥79 million

Income before income taxes and minority interests: ¥79 million

Net income: ¥26 million

Net income per share: ¥0.49

(Method of calculating the impact above)

The estimated impact is the difference between net sales and income calculated on the assumption that the business combination was concluded on the first day of the fiscal year and net sales and income as reported in the consolidated statements of income of the acquiring company.

The information in this note has not been audited.

5. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥98.23 = US\$1.00, the approximate rate of exchange on March 31, 2009. The translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

6. Securities

Securities with quoted market price classified as other securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying Value	Unrealized gains (losses)	Acquisition cost	Carrying value	Unrealized gains (losses)
March 31, 2009						
Securities with carrying value exceeding acquisition cost:						
Equity securities	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Securities with acquisition value exceeding carrying cost:						
Equity securities	—	—	—	—	—	—
Debt securities	1,500	1,346	(154)	15,270	13,703	(1,567)
Other	—	—	—	—	—	—
Subtotal	1,500	1,346	(154)	15,270	13,703	(1,567)
Total	¥1,500	¥1,346	¥(154)	\$15,270	\$13,703	\$(1,567)

March 31, 2008	Millions of yen		
	Acquisition Cost	Carrying value	Unrealized gains (losses)
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ —	¥ —	¥ —
Debt securities	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities with acquisition value exceeding carrying cost:			
Equity securities	—	—	—
Debt securities	1,500	1,395	(105)
Other	—	—	—
Subtotal	1,500	1,395	(105)
Total	¥1,500	¥1,395	¥(105)

Securities without quoted market price classified as other securities consisted of unlisted securities of ¥24 million (US\$244 thousand) at March 31, 2009 and 2008.

Out of the debt securities classified as other securities, ¥500 million (US\$5,090 thousand) is scheduled to be redeemed within one year, while ¥1,000 million (US\$10,180 thousand) is scheduled to be redeemed in more than 10 years.

7. Inventories

Inventories at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Merchandise and finished goods	¥ 2,411	¥ 2,391	\$ 24,548
Work in process	922	1,267	9,384
Raw materials and supplies	21,117	21,735	214,975
Total	¥24,450	¥25,393	\$248,907

The amount of write-downs on book value of inventory assets held for the purpose of sales in the ordinary course of business due to decline in profitability at March 31, 2009 is as follows:

Cost of sales: ¥990 million (US\$10,074 thousand)

Other expenses: ¥273 million (US\$2,778 thousand)

Other expenses of ¥273 million (US\$2,778 thousand) include a one-time loss on valuation that occurred as a result of reviewing estimate methods in response to the actual circumstances.

8. Commitments and Contingent Liabilities

The Company entered into overdraft agreements amounting to ¥1,000 million, in the aggregate, at March 31, 2008, with banks in order to timely provide working capital. However, no loans payable were outstanding at March 31, 2008 under those overdraft and loan commitment agreements.

9. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of 40.7% for 2009 and 2008. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their country.

The effective tax rate reflected in the consolidated statements of income for the years ended March 31, 2009 and 2008 differ from the statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate	40.7 %	40.7%
Effect of:		
Per capita local tax	2.0 %	2.1%
Expenses not deductible for tax purposes	1.8 %	1.3%
Other	(0.0)%	0.8%
Effective tax rate	44.5 %	44.9%

The significant components of deferred tax assets at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Accrued bonuses	¥2,156	¥2,333	\$21,946
Accrued enterprise tax	262	216	2,672
Accrued retirement benefits for employees	1,418	2,102	14,439
Loss on devaluation of inventories	4,264	3,778	43,411
Other	1,530	1,085	15,571
Total deferred tax assets	9,630	9,514	98,039
Valuation allowance	(42)	(41)	(433)
Net deferred tax assets	¥9,588	¥9,473	\$97,606

10. Accrued Retirement Benefits for Employees

The Company and its subsidiaries have defined retirement benefit plans which consist of a pension plan, a tax-qualified plan and a lump-sum severance plan, covering substantially all employees who are entitled upon retirement to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rate of pay, length of service, and the conditions under which termination occurs. Effective October 1, 2007, the Company revised its existing defined benefit pension plan and introduced a defined contribution plan for a portion of future payments. This change reduced the retirement benefit obligation by ¥2,596 million, which was treated as reduction of prior service costs and amortized over the remaining average service period of employees.

The following table sets forth the funded and accrued status of these plans, and the amounts recognized in the consolidated balance sheets at March 31, 2009 and 2008 for the Company's and consolidated subsidiaries' defined retirement benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥(50,116)	¥(47,749)	\$(510,190)
Fair value of plan assets	36,049	41,747	366,987
Unfunded retirement benefit obligation	(14,067)	(6,002)	(143,203)
Unrecognized actuarial loss	20,956	11,497	213,337
Unrecognized prior service cost	(9,450)	(10,209)	(96,206)
Net retirement benefit obligation	(2,561)	(4,714)	(26,072)
Prepaid pension expenses	12,696	11,237	129,243
Accrued retirement benefits for employees	¥(15,257)	¥(15,951)	\$(155,315)

Notes: 1. On January 1, 2004, the Company received permission from the Japanese government to return the substitutional portion of its welfare pension fund and transfer from a welfare pension to a corporate pension fund. In conjunction with this change, the Company transferred to a defined benefit corporate pension system and revised its retirement pension system.

In addition, on October 1, 2007, the Company revised its existing defined benefit pension plan and introduced a defined contribution plan for a portion of future payments. The Company also applied the "Accounting Standard for Transfer of Retirement Benefit Systems" (ASBJ Guidance No. 1, January 31, 2002).

The unrecognized prior service cost (reduction of obligation) is the result of the application of above plan and accounting standard.

2. Certain consolidated subsidiaries apply the simplified method to calculation of retirement benefit obligations.

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 1,941	¥ 2,186	\$ 19,759
Interest cost	1,163	1,249	11,834
Expected return on plan assets	(1,314)	(1,388)	(13,373)
Amortization of actuarial loss	1,037	736	10,554
Amortization of prior service cost	(759)	(687)	(7,723)
Other	732	566	7,450
Total	¥ 2,800	¥ 2,662	\$ 28,501

The assumptions used in accounting for the above plans are as follows:

	2009	2008
Discount rate	2.5%	2.5%
Expected rates of return on plan assets:		
Company	3.5%	3.5%
Subsidiaries	3.0%	3.0%

11. Net Assets

The Corporation Law in Japan provides that an amount equal to 10% of the amount to be distributed as capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distribution.

Of capital contributed by shareholders, the amount not included in common stock is included in capital surplus as additional paid-in capital.

Legal reserves comprise additional paid-in capital and legal earnings reserve. However, the Corporation Law in Japan requires that 10% of the amount to be distributed as dividends or the portion of 25% of common stock that exceeds the total of additional paid-in capital and legal earnings reserve, whichever is smaller, be reserved as legal reserves until the sum of additional paid-in capital and legal earnings reserve equals one-fourth of paid-in capital.

Additional paid-in-capital and legal earnings reserve are shown on the consolidated balance sheets under capital surplus and retained earnings, respectively.

Under the Corporation Law in Japan, it is possible to incorporate additional paid-in capital and legal earnings reserve in retained earnings, and to issue dividends funded by this combined sum.

Earnings available for dividends are calculated according to legal regulations based on the non-consolidated financial statements.

12. Leases

(A) FINANCE LEASE CONTRACTS WITHOUT OWNERSHIP TRANSFER

The following pro forma amounts represent the acquisition costs, accumulated depreciation and carrying amount of leased property at March 31, 2009 and 2008, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Acquisition costs:			
Tools, furniture and fixtures	¥3,139	¥4,250	\$31,953
Other	30	825	304
	¥3,169	¥5,075	\$32,257
Accumulated depreciation:			
Tools, furniture and fixtures	¥1,913	¥2,214	\$19,475
Other	14	751	142
	¥1,927	¥2,965	\$19,617
Carrying amount:			
Tools, furniture and fixtures	¥1,226	¥2,036	\$12,478
Other	16	74	162
	¥1,242	¥2,110	\$12,640

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements and the related depreciation expense and interest expense for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Lease payments	¥1,050	¥1,246	\$10,694
Depreciation expense	1,003	1,188	10,216
Interest expense	41	47	418

Depreciation expense is computed by the straight-line method over the respective lease terms assuming no residual value.

Future lease payments subsequent to March 31, 2009 and 2008 for finance leases currently accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	¥ 639	¥ 977	\$ 6,507
Due after one year	631	1,168	6,422
Total	¥1,270	¥2,145	\$12,929

(B) LEASE OBLIGATIONS

Category	Balance at previous year-end (Millions of yen)	Balance at year-end (Millions of yen)	Balance at year-end (Thousands of U.S. dollars)	Average Interest Rate (%)	Repayment Term
Lease payments due within one year	—	¥201	\$2,049	2.5%	—
Lease payments due after one year	—	527	5,362	2.6	2010–2014
Total	—	¥728	\$7,411	—	—

Notes: 1. Average interest rate represents a weighted average of the interest rates applied to the balance of lease obligations at the end of the fiscal year.
2. The amount of lease obligations to be paid within five years (excluding those to be paid within one year), for years ended March 31, 2009 and 2008 are as follows:

	1–2 years (Millions of yen)	2–3 years (Millions of yen)	3–4 years (Millions of yen)	4–5 years (Millions of yen)
2009 Lease obligations	¥206	¥211	¥87	¥20
2008 Lease obligations	—	—	—	—

	1–2 years (Thousands of U.S. dollars)	2–3 years (Thousands of U.S. dollars)	3–4 years (Thousands of U.S. dollars)	4–5 years (Thousands of U.S. dollars)
2009 Lease obligations	\$2,099	\$2,151	\$885	\$203

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 amounted to ¥144 million (US\$1,467 thousand) and ¥137 million, respectively.

14. Other Income (Expenses)

(A) BUSINESS REORGANIZATION COSTS

Business reorganization costs were costs associated with the integration of sales bases and other related costs of the Company and its subsidiary, NEC Infrontia System Service Corporation, in order to enhance the management efficiency of the Group.

(B) OFFICE TRANSFER EXPENSES

Office transfer expenses were costs associated with relocating the maintenance parts management center of the Repair Division for the purpose of innovating production by centralizing supply, repair and deployment for maintenance parts.

(C) OFFICE RESTRUCTURING CHARGES

Office restructuring charges were costs associated with consolidation of the warehouse and repair center of the Company and subsidiary NEC Infrontia System Service Corporation for enhancing Group management efficiency.

(D) EXPENSES FOR DISCONTINUED OPERATION

Expenses for discontinued operation were costs associated with the cessation of optical media press production operations.

15. Per Share Information

Per share information for the years ended March 31, 2009 and 2008 is as follows:

	Yen		U.S. dollars
	2009	2008	2009
Basic net income	¥96.72	¥92.51	\$0.98
Cash dividends applicable to the year	40.00	40.00	0.41

	Yen		U.S. dollars
	2009	2008	2009
Net assets	¥1,281.60	¥1,230.98	\$13.05

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share was omitted because no potentially dilutive instruments were outstanding during the years ended March 31, 2009 and 2008.

Cash dividends per share represent the cash dividends declared as applicable to the year. The amount per share of net assets was computed based on the net assets excluding minority interests and the number of shares of common stock outstanding at March 31, 2009 and 2008.

16. Related Party Transactions

The terms and conditions of the transactions with related parties as described below were negotiated and determined on an arm's-length basis.

The Company's outstanding common stock owned by NEC Corporation ("NEC") was 67.10% at March 31, 2009 and 2008. Consolidated net sales to NEC amounted to ¥114,313 million (US\$1,163,730 thousand) and ¥118,247 million for the years ended March 31, 2009 and 2008, respectively. These transactions consisted primarily of maintenance and installation of equipment and sale of supply components. In addition, the Company purchased certain components and other items from NEC for ¥25,924 million (US\$263,916 thousand) and ¥17,382 million in the aggregate for the years ended March 31, 2009 and 2008, respectively. These transactions consisted primarily of purchases of products, parts and components.

Cash and cash equivalents included deposits made to NEC in the amount of ¥15,000 million (US\$152,703 thousand) and ¥12,000 million as of March 31, 2009 and 2008, respectively. With regard to the deposit of funds, deposits totaled ¥175,509 million (US\$1,786,715 thousand) and ¥169,433 million for the years ended March 31, 2009 and 2008, respectively. Withdrawals totaled ¥172,509 million (US\$1,756,174 thousand) and ¥168,433 million, and interest income amounted to ¥91 million (US\$926 thousand) and ¥68 million for the years ended March 31, 2009 and 2008, respectively.

The Company provided significant credits to NEC as of March 31, 2009 and 2008 which consisted of notes and accounts receivable of ¥25,354 million (US\$258,113 thousand) and ¥28,286 million, respectively. Advances received totaled ¥2,162 million (US\$22,010 thousand) and ¥1,559 million for the years ended March 31, 2009 and 2008, respectively. The Company also had a significant financial obligation in notes and accounts payable of ¥4,734 million (US\$48,189 thousand) and ¥3,221 million for the years ended March 31, 2009 and 2008, respectively.

The Company has related party transactions with subsidiaries of the parent company, which are NEC Personal Products, Ltd., NEC Nexsolutions, Ltd. and NEC Facilities, Ltd.

In the fiscal years ended March 31, 2009 and 2008, the consolidated net sales to NEC Personal Products, Ltd. were ¥7,002 million (US\$71,282 thousand) and ¥6,128 million, respectively. These transactions consisted primarily of contracted maintenance of personal devices. The Company's major claims on NEC Personal Products, Ltd. at March 31, 2009 and 2008 consisted of trade notes and accounts receivable of ¥1,632 million (US\$16,614 thousand) and ¥1,696 million, respectively. In the fiscal year ended March 31, 2009, the consolidated net sales to NEC Nexsolutions, Ltd. were ¥6,066 million (US\$61,753 thousand). These transactions consisted primarily of contracted maintenance and repair of equipment, as well as support for introducing network systems. The Company's major claims on NEC Nexsolutions, Ltd. at March 31, 2009 consisted of trade notes and accounts receivable of ¥1,472 million (US\$14,985 thousand).

In the fiscal year ended March 31, 2009, the amounts of deposit paid as deposits on leased real estate by the Company to NEC Facilities, Ltd. and returned were ¥116 million (US\$1,181 thousand) and ¥17 million (US\$173 thousand), respectively. The Company had deposits as guarantee money paid to NEC Facilities, Ltd. of ¥1,808 million (US\$18,406 thousand) and ¥1,709 million for the years ended March 31, 2009 and 2008, respectively, primarily guarantee money paid.

17. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in business maintenance services and computer maintenance services in the proactive maintenance segment, and system deployment services, supply services and IT management services in the fielding solutions segment.

(A) BUSINESS SEGMENTS

The business segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of yen				
March 31, 2009	Proactive maintenance	Fielding solutions	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:					
Sales to third parties	¥102,051	¥109,036	¥211,087	¥ —	¥211,087
Intersegment sales	15	—	15	(15)	—
Total sales	102,066	109,036	211,102	(15)	211,087
Operating expenses	86,797	104,870	191,667	8,937	200,604
Operating income	¥ 15,269	¥ 4,166	¥ 19,435	¥ (8,952)	¥ 10,483
II. Assets, depreciation and amortization, capital expenditures:					
Total assets	¥ 48,335	¥ 34,329	¥ 82,664	¥49,249	¥131,913
Depreciation and amortization	¥ 1,005	¥ 1,009	¥ 2,014	¥ 116	¥ 2,130
Capital expenditures	¥ 1,023	¥ 634	¥ 1,657	¥ 4,104	¥ 5,761

	Thousands of U.S. dollars				
March 31, 2009	Proactive maintenance	Fielding solutions	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:					
Sales to third parties	\$1,038,898	\$1,110,005	\$2,148,903	\$ —	\$2,148,903
Intersegment sales	157	—	157	(157)	—
Total sales	1,039,055	1,110,005	2,149,060	(157)	2,148,903
Operating expenses	883,609	1,067,596	1,951,205	90,974	2,042,179
Operating income	\$ 155,446	\$ 42,409	\$ 197,855	\$ (91,131)	\$ 106,724
II. Assets, depreciation and amortization, capital expenditures:					
Total assets	\$ 492,060	\$ 349,474	\$ 841,534	\$501,364	\$1,342,898
Depreciation and amortization	\$ 10,233	\$ 10,272	\$ 20,505	\$ 1,181	\$ 21,686
Capital expenditures	\$ 10,415	\$ 6,458	\$ 16,873	\$ 41,781	\$ 58,654

March 31, 2008	Millions of yen				
	Proactive maintenance	Fielding Solutions	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:					
Sales to third parties	¥97,763	¥116,356	¥214,119	¥ —	¥214,119
Intersegment sales	13	—	13	(13)	—
Total sales	97,776	116,356	214,132	(13)	214,119
Operating expenses	85,670	110,851	196,521	8,730	205,251
Operating income	¥12,106	¥ 5,505	¥ 17,611	¥ (8,743)	¥ 8,868
II. Assets, depreciation and amortization, capital expenditures:					
Total assets	¥52,940	¥ 36,293	¥ 89,233	¥42,264	¥131,497
Depreciation and amortization	¥ 979	¥ 1,006	¥ 1,985	¥ 133	¥ 2,118
Capital expenditures	¥ 732	¥ 776	¥ 1,508	¥ 67	¥ 1,575

Unallocated operating expenses included in eliminations or corporate at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Unallocated operating expenses included in eliminations or corporate	¥8,952	¥8,743	\$91,131

Major costs are those related to the Company's General Affairs Division and general management divisions such as the Accounting Division.

Assets included in eliminations or corporate at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Assets included in eliminations or corporate	¥52,158	¥44,306	\$530,977

The major assets are surplus operating capital (cash and cash equivalents), securities, long-term investment funds (investment securities), deferred tax assets and assets related to general administrative operations.

Changes in Accounting Policies and Accounting Treatment

(1) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

As stated in the Changes in Accounting Policies, from the fiscal year ended March 31, 2009, the Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements."

As a result of this change, operating income from Proactive Maintenance Operations was ¥8 million (US\$83 thousand) higher than if the former method had been applied, while operating income from Fielding Solutions Operations was ¥3 million (US\$26 thousand) higher.

(2) Application of accounting standard for lease transactions

As stated in the Changes in Accounting Policies, from the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Lease Transactions" and the "Guidance on Accounting Standard for Lease Transactions."

As a result of this change, operating income from Proactive Maintenance Operations was ¥5 million (US\$48 thousand) higher than if the former method had been applied, while operating income from Fielding Solutions Operations was ¥0 million (US\$5 thousand). Eliminations or corporate was ¥1 million (US\$11 thousand) higher.

(3) Changes in depreciation method for outsourcing operations equipment

As stated in the Changes in Accounting policies, from the fiscal year ended March 31, 2009, the Company has applied the straight-line method as the depreciation method for property and equipment associated with businesses that provide regular income, such as outsourcing.

As a result of this change, operating income from Fielding Solutions Operations was ¥20 million (US\$206 thousand) higher than if the former method had been applied.

(B) GEOGRAPHICAL SEGMENTS

As net sales of foreign consolidated subsidiaries were less than 10% of consolidated total sales, the disclosure of geographical segment information is omitted for the years ended March 31, 2009 and 2008.

(C) OVERSEAS SALES

As overseas sales were less than 10% of consolidated net sales for the years ended March 31, 2009 and 2008, the disclosure of overseas sales information is omitted.

18. Non-cash Transactions

The amounts of property and obligation concerning finance leases for the year ended March 31, 2009 are ¥692 million (US\$7,047 thousand) and ¥697 million (US\$7,100 thousand), respectively.

19. Subsequent Events

- a) The payout of retained earnings listed below is not reflected in the attached consolidated financial statements for the fiscal year ended March 31, 2009. This payout was approved, however, by the Board of Directors on May 29, 2009.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥20 (\$0.20) per share	¥1,091	\$11,104

- b) Based on a resolution at a meeting of the Board of Directors held on January 30, 2009, the Company made NEC Infrontia System Service Corporation a wholly owned subsidiary on March 31, 2009, and absorbed the company by a merger on April 1, 2009.

(1) Purpose of Merger

The Company made NEC Infrontia System Service Corporation a subsidiary on July 2, 2007, with a view to strengthening the framework for the POS and network system installation and maintenance business. In order to further enhance the speed and efficiency of business development, the Company made NEC Infrontia System Service Corporation a wholly owned subsidiary on March 31, 2009, and absorbed the company by a merger on April 1, 2009.

(2) Overview of Company Acquired

Company name: NEC Infrontia System Service Corporation
Head office: 6-1, Kitamikata 2-chome, Takatsu-ku, Kawasaki, Kanagawa, Japan
Representative: Toshio Nishimura, President
Capital: ¥90 million (US\$916 thousand)
Net assets: ¥534 million (US\$5,433 thousand)
Total assets: ¥2,749 million (US\$27,984 thousand)
Employees: 327 people
Description of business: Sales, installation, maintenance, repair, and technical servicing of communications, electronic and information processing devices and LAN system design and construction

Note: Net assets, total assets and number of employees are as of March 31, 2009.

(3) Net Sales and Net Income of the Company Acquired for the Most Recent Fiscal Year (Year ended March 31, 2009)

Net sales: ¥10,457 million (US\$106,456 thousand)
Net income: ¥172 million (US\$1,754 thousand)

(4) Summary of Merger

Method: The merger was by absorption, with NEC Fielding, Ltd. the surviving company, and NEC Infrontia System Service Corporation being dissolved.
Name of principal shareholder and percentage of total issued shares held (As of March 31, 2009):
NEC Fielding, Ltd. 100%
Allotment of shares in relation to the merger:
NEC Infrontia System Service Corporation became a wholly owned subsidiary on March 31, 2009. No new shares were issued due to the merger, nor was there any increase in capital or payments as a result.
Name of the company following merger:
NEC Fielding, Ltd.

(5) Assets Acquired and Liabilities Assumed Due to Merger

Total Assets: ¥2,749 million (US\$27,984 thousand)
Total Liabilities: ¥2,215 million (US\$22,551 thousand)

(6) Overview of Accounting Treatment

This merger was treated as an acquisition under common control based on the "Accounting Standard for Business Combinations" (Business Accounting Council October 31, 2003) and "Application Guideline Concerning Business Combination Accounting Standard and Business Separation Accounting Standard" (ASBJ Guidance No. 10, revised November 15, 2007).

REPORT OF INDEPENDENT AUDITORS



Independent Auditors' Report

To the Board of Directors of NEC Fielding, Ltd.:

We have audited the accompanying consolidated balance sheet of NEC Fielding, Ltd. and consolidated subsidiaries as of March 31, 2009, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of NEC Fielding, Ltd. as of March 31, 2008 and for the year then ended, were audited by other auditors whose report thereon dated June 25, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 consolidated financial statements referred to above present fairly, in all material respects, the financial position of NEC Fielding, Ltd. and consolidated subsidiaries as of March 31, 2009, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 25, 2009