


Financial Results for the Fiscal Year Ended March 2014

May 8, 2014

Masao Wada, President

NEC Networks & System Integration Corporation
(TSE: 1973, NESIC)



Agenda

I. FY 2014/3 Financial Results

II. FY 2015/3 Forecasts

III. Update of Medium-Term

Business Plan

I. FY 2014/3 Financial Results

FY2014/3 Financial Summary

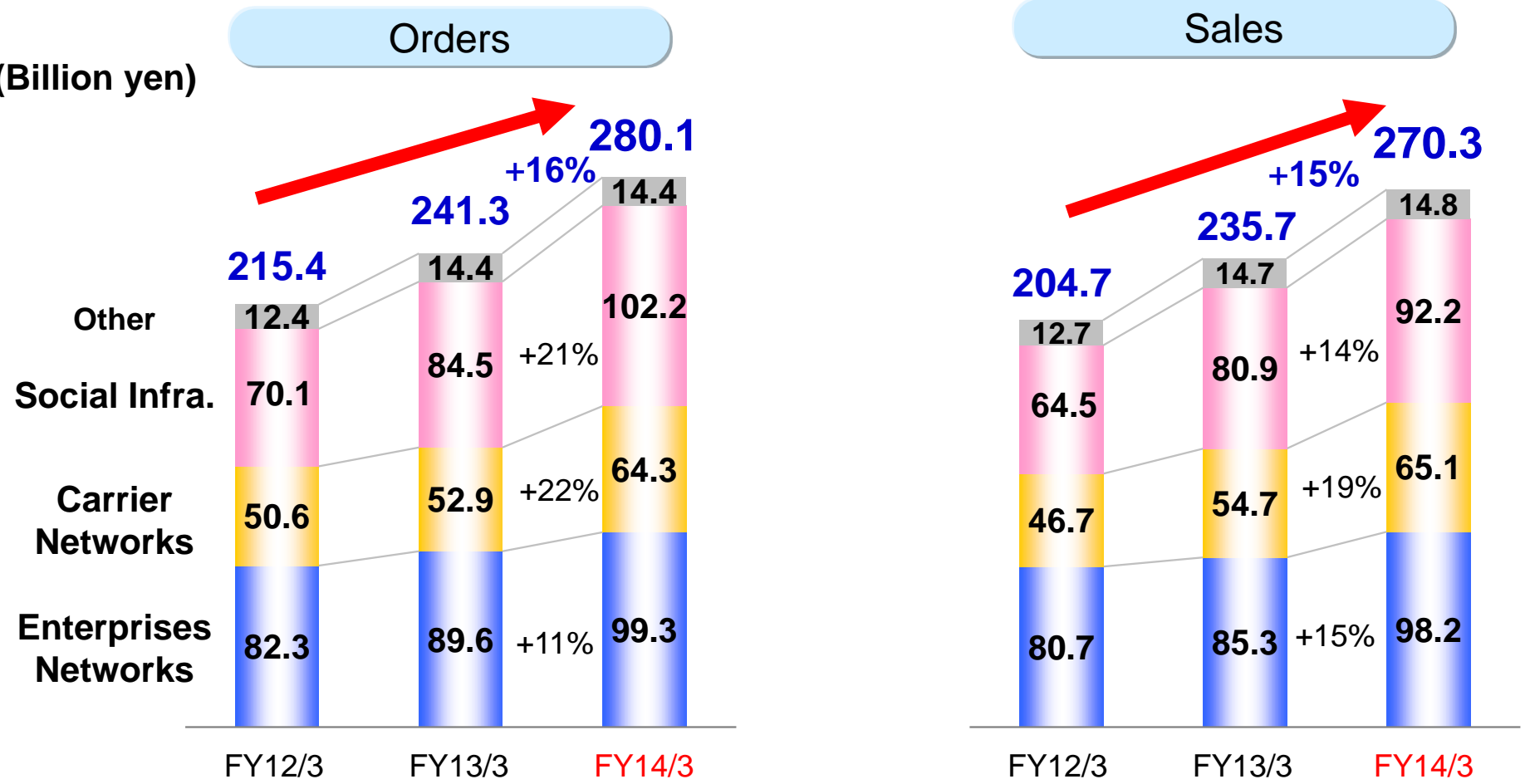
Record-setting performance in orders, sales and profits

(Billion Yen)

| | FY13/3 | FY14/3 | YoY | Forecasts (Jan. 30, 14) |
|------------------|--------|--------|--------|----------------------------|
| Orders Received | 241.3 | 280.1 | +16% | - |
| Net Sales | 235.7 | 270.3 | +15% | 260.0 |
| Operating Income | 12.5 | 14.4 | +1.9 | 14.0 |
| (to Sales) | (5.3%) | (5.3%) | 0.0pt | (5.4%) |
| Net Income | 7.2 | 8.3 | +1.0 | 8.3 |
| (to Sales) | (3.1%) | (3.1%) | 0.0pt | (3.2%) |
| ROE | 8.8% | 9.6% | +0.8pt | |
| Free Cash Flows | -5.2 | 17.8 | +23.0 | |

FY2014/3 Orders Received/Sales by Segment

Achieved a double-digit increase in orders & sales in all three major segments, reflecting M&A and expansion of Social Infrastructure.

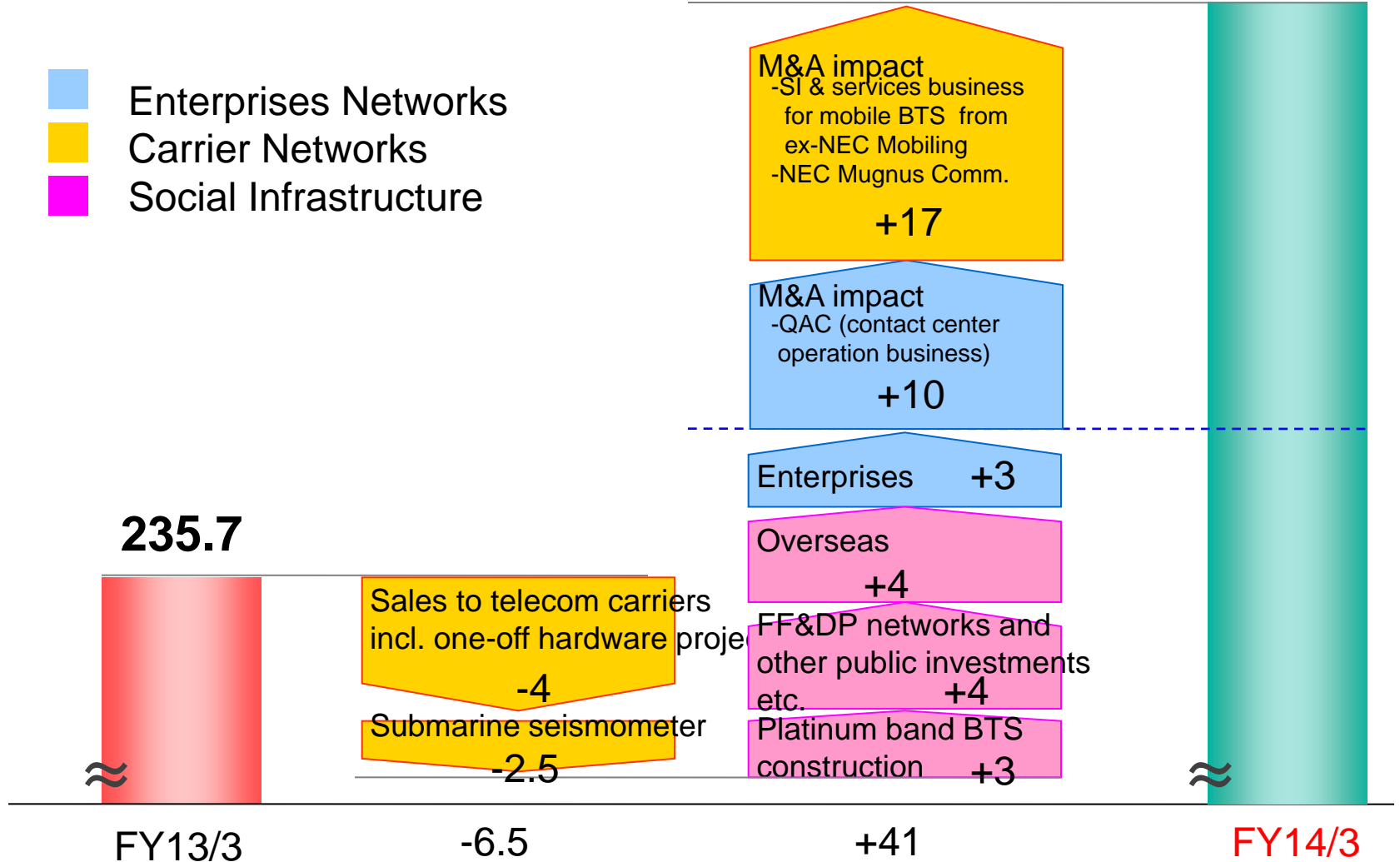


FY2014/3 Sales Analysis

(Billion Yen)

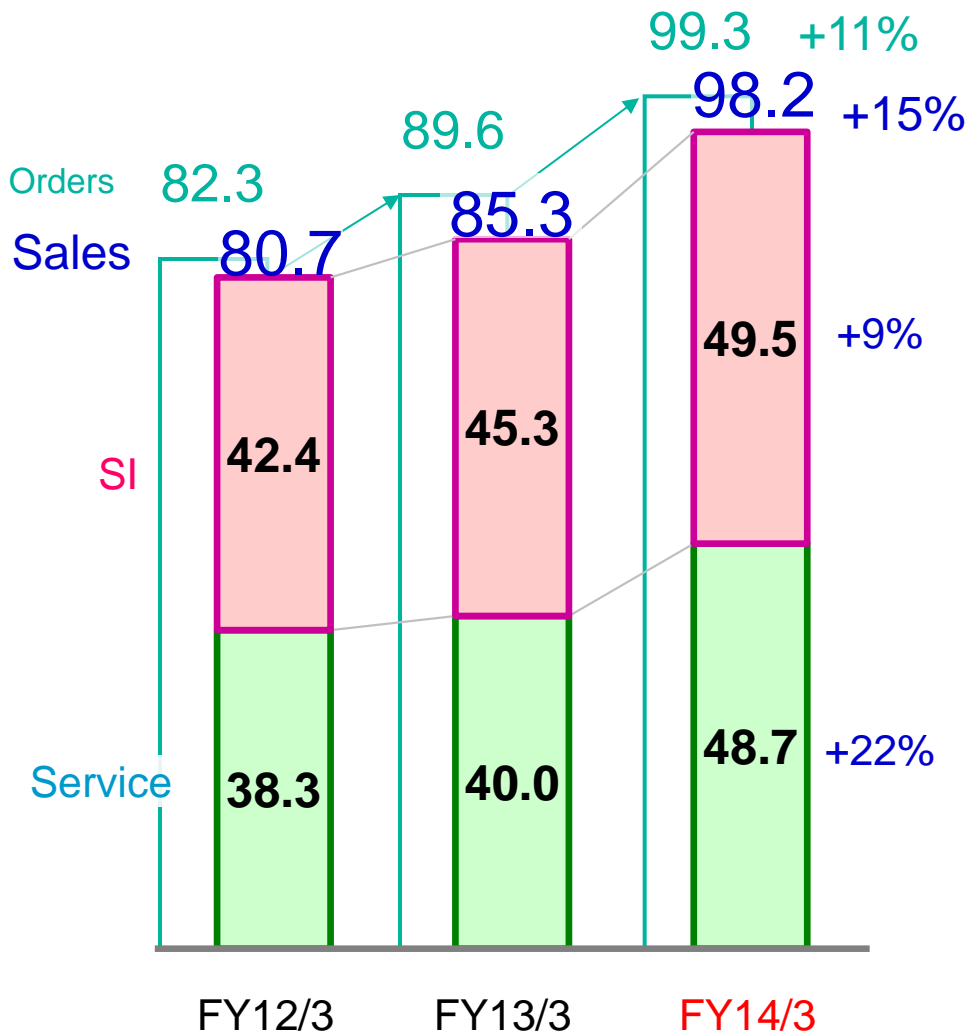
270.3

- Enterprises Networks
- Carrier Networks
- Social Infrastructure

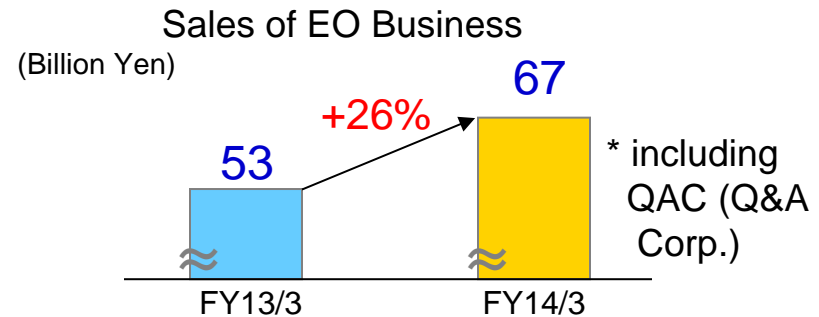


FY2014/3 Enterprises Networks Business

(Billion yen)



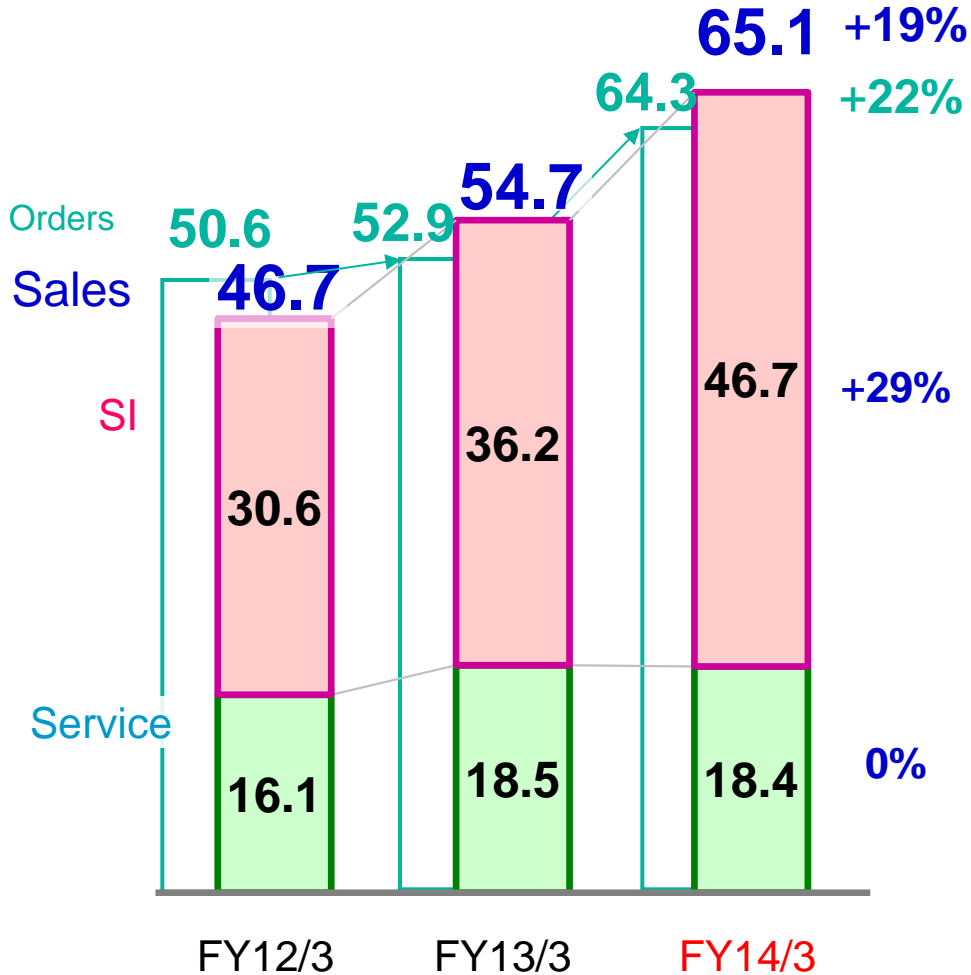
Double-digit growth due to continued expansion of EmpoweredOffice (EO) business



- Proactively captured business opportunity of office relocation
- Promotion to regional company and local governments
 - Introduced EO concept to 10 major regional offices
 - > Won Nikkei New Office Awards
- Expanded Service business with acquisition of Q and A Corp. (QAC)
 - Technical support for individual users
 - > Expansion to B2B2C business

FY2014/3 Carrier Networks Business

(Billion yen)



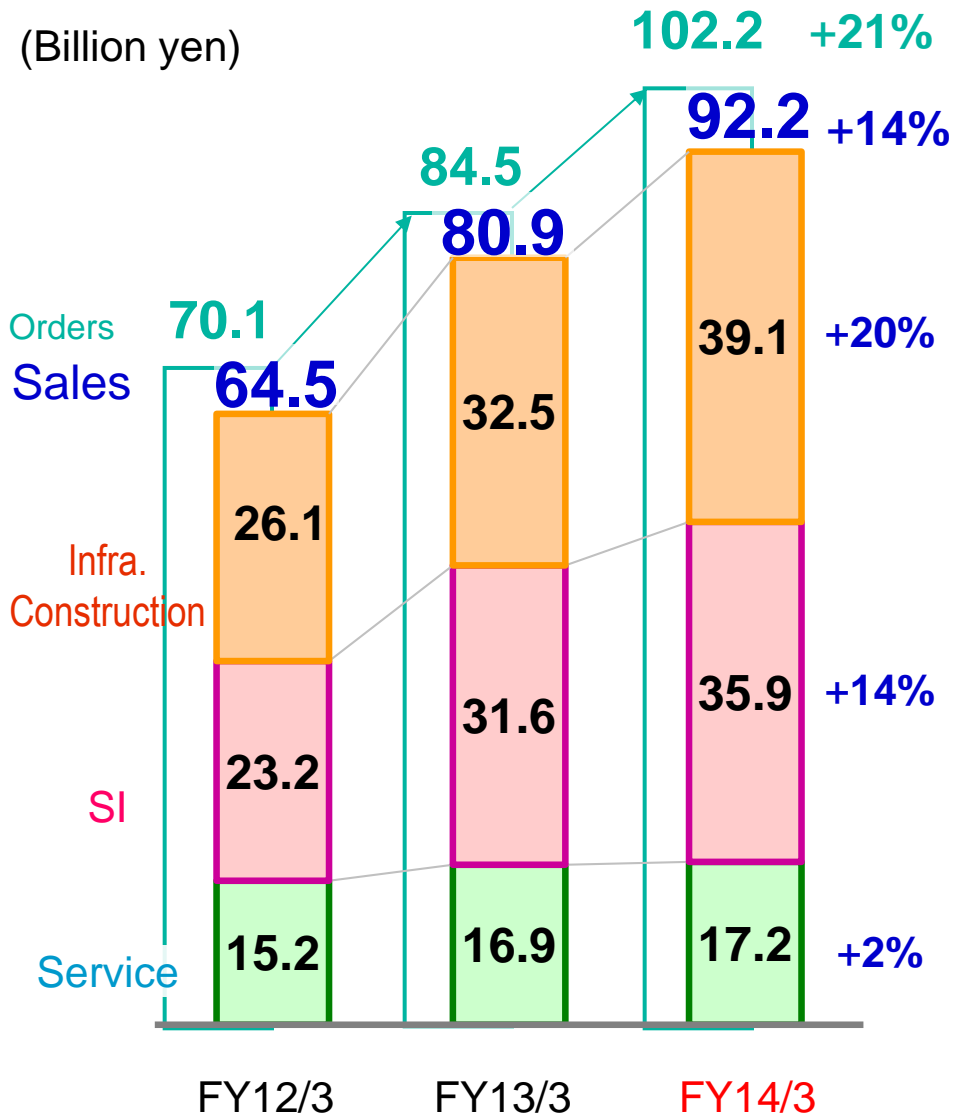
Achieved substantial growth in orders and sales despite the absence of last year's large projects* and the rebound of strong investment in traffic improvement

*One-off hardware project, Submarine seismometer systems

- M&A contributed to the results (¥17 bill.)
 - Mobile BTS SI & services business from former NEC Mobiling
 - Acquisition of NEC Magnus* (2H)
 - *NEC Magnus Communications
- Technical outsourcing business steadily increased (+5%)
 - Expansion to upstream service area for a telecom carrier
 - QC area for an overseas vendor, etc.

FY2014/3 Social Infrastructure Business

(Billion yen)

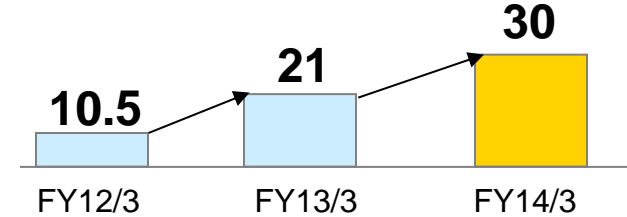


Orders & sales jumped

- Reliably captured increases in public investment
 - Continued expansion of FF&DP buz

FF & DP Network Business Orders

(Billion yen)

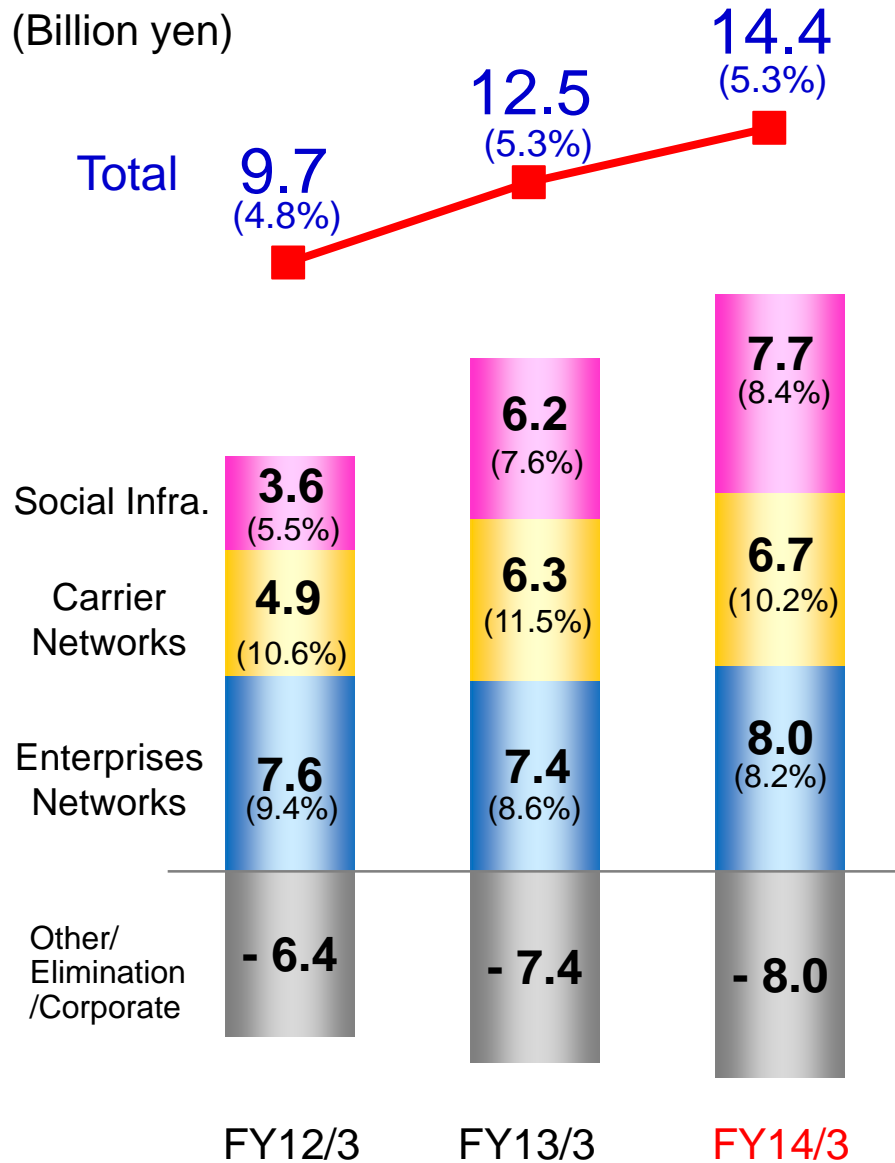


*FF: fire fighting, DP: disaster prevention

- Satellite communication network available at the time of disaster
- BTS construction increased
 - Platinum band BTS peaked in 1H and decreased in 2H
- Overseas infra. business increased
 - 3G network in Thailand
 - Oil plant network in Saudi Arabia

FY2014/3 Operating Income by Segment

(Billion yen)



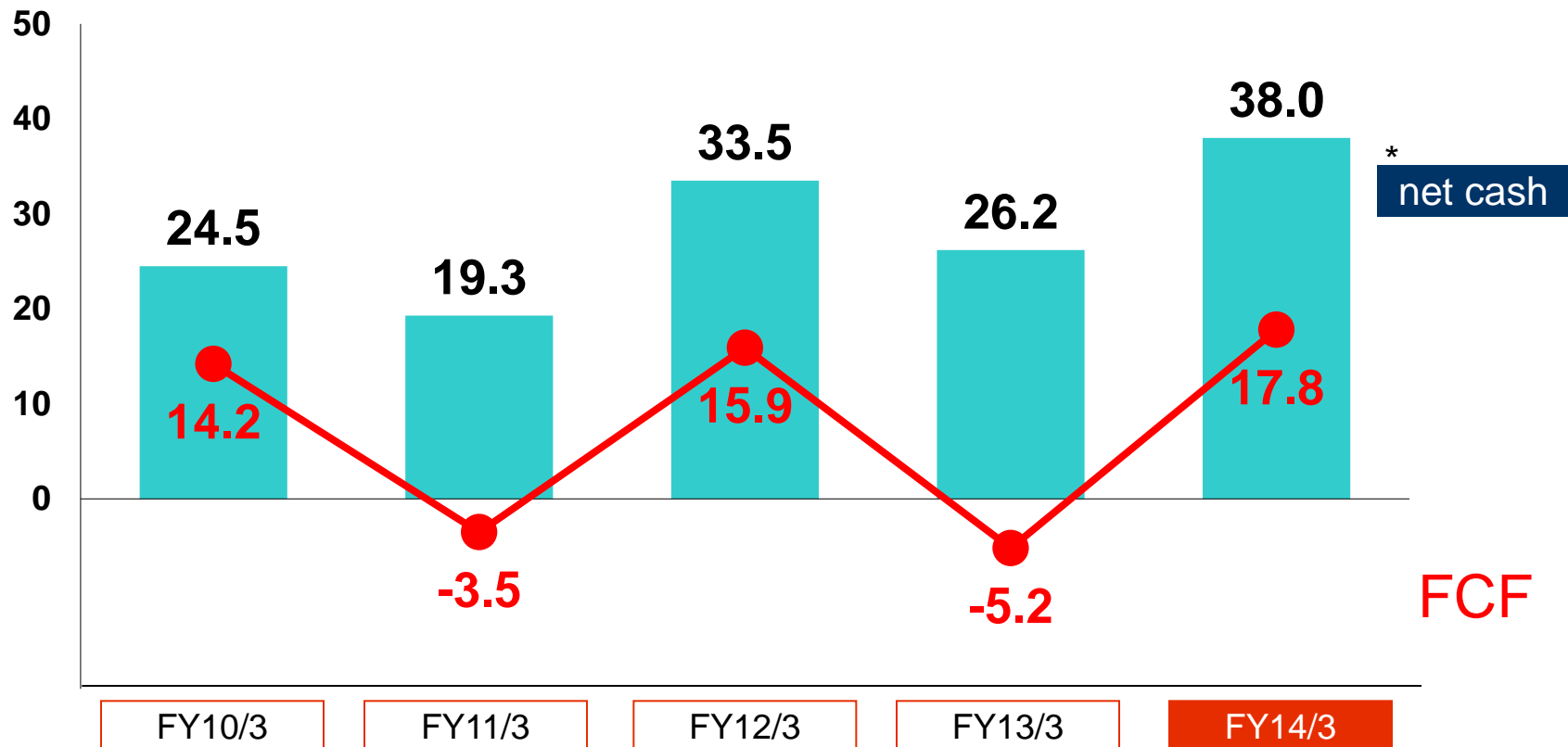
Achieved record profit
Increased operating income
in all three major segments

- **Enterprises NW:**
 - Increased operating income due to sales increase
- **Carrier NW:**
 - Increased operating income due to M&A effect and progress of internal production
- **Social Infrastructure:**
 - Significantly increased operating income due to sales increase and improved cost of sales ratio
- **Others/Elimination:**
 - Increased cost for enforcement of SCM bases and EO introduction cost for regional offices

FY2014/3 Cash Flows

FCF was substantially positive due to cash collection of large projects sold in the previous FY.

(Billion yen)



*Net cash=cash and cash equivalents – interest bearing debt

FY2014/3 (End of Mar. 2014) Balance Sheet

Maintain a strong financial base despite a decrease in the owner's equity ratio due to an increase in total assets through M&A and the impact of the change in accounting rule.

| | | End of 13/3 | End of 14/3 | Diff. | (Billion yen) |
|--------------------------|---------------------------------------|-------------|-------------|-------|---------------|
| | Cash and cash equivalents | 30.3 | 44.4 | 14.1 | |
| | Notes and accounts receivable | 92.3 | 96.0 | 3.6 | |
| | Inventories | 10.4 | 8.2 | -2.2 | |
| | other | 8.1 | 8.8 | 0.6 | |
| | Current Assets | 141.2 | 157.4 | 16.2 | |
| | Noncurrent Assets | 26.3 | 31.7 | 5.4 | |
| | Assets | 167.5 | 189.1 | 21.6 | |
| | Notes and accounts payable | 36.4 | 43.2 | 6.8 | |
| | Loans | 4.1 | 6.4 | 2.3 | |
| | Other | 41.0 | 50.3 | 9.3 | |
| | Liabilities | 81.5 | 99.9 | 18.4 | |
| | Shareholders' equity | 85.7 | 91.2 | 5.5 | |
| | Valuation and translation adjustments | -0.5 | -3.7 | -3.2 | |
| | Minority interests | 0.7 | 1.7 | 0.9 | |
| Net Assets | 86.0 | 89.2 | 3.2 | | |
| Liabilities & Net Assets | 167.5 | 189.1 | 21.6 | | |
| Owner's Equity Ratio | 50.9% | 46.3% | -4.6pt | | |

II. Forecasts for FY2015/3

FY2015/3 Business Environment

The business environment is solid thanks to the Abenomics effect and supplementary budget, despite the potential impact of increased consumption tax

●Enterprises Networks

-Although ICT investment is not yet fully activated following the economic recovery in Japan, a modest rebound is expected.

●Carrier Networks

-Telecom carriers' investment in traffic improvement remains high, but total capex including hardware maintenance etc. is uncertain.
Demand to adopt overseas vendors is expected to continue to expand.

●Social Infrastructures

-Large-scale supplementary budget and public investment will continue.
Investment in safety & security is anticipated.
-LTE BTS installation will expand but the rebound of platinum band BTS installation is expected.

Steadily continue increases in sales and profit.

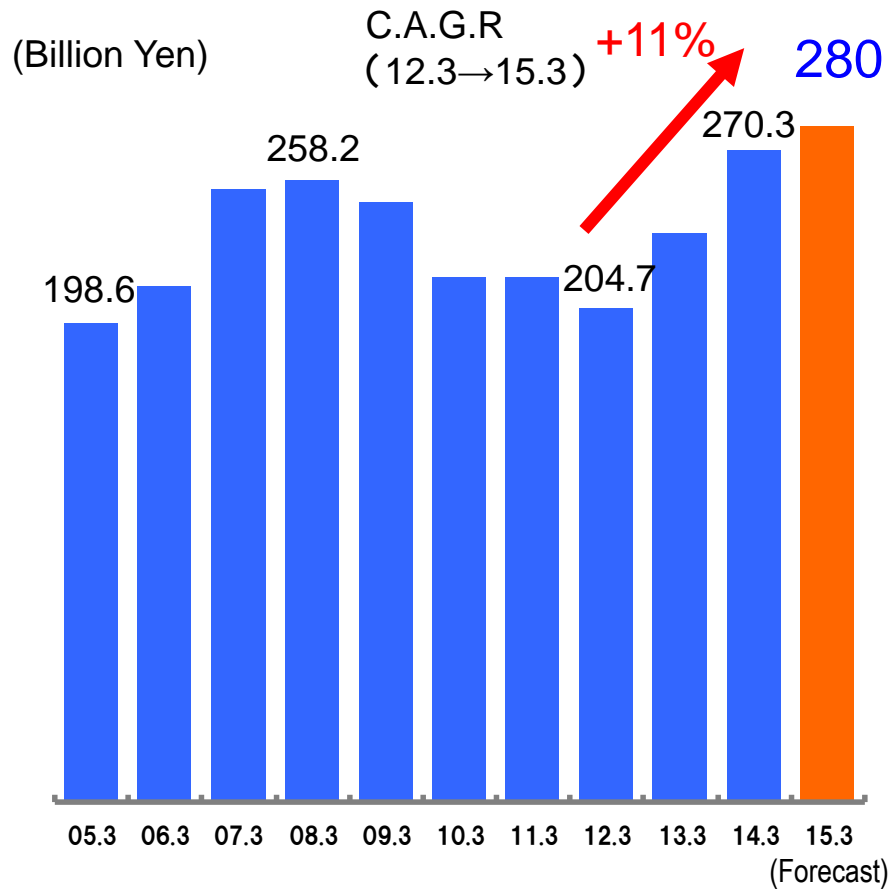
(Billion yen)

| | FY14/3 | FY15/3 Forecasts | YoY |
|------------------|--------|---------------------|--------|
| Net Sales | 270.3 | 280.0 | +4% |
| Operating Income | 14.4 | 15.0 | +0.6 |
| (to Sales) | (5.3%) | (5.4%) | +0.1pt |
| Net Income | 8.3 | 9.0 | +0.7 |
| (to Sales) | (3.1%) | (3.2%) | +0.1pt |

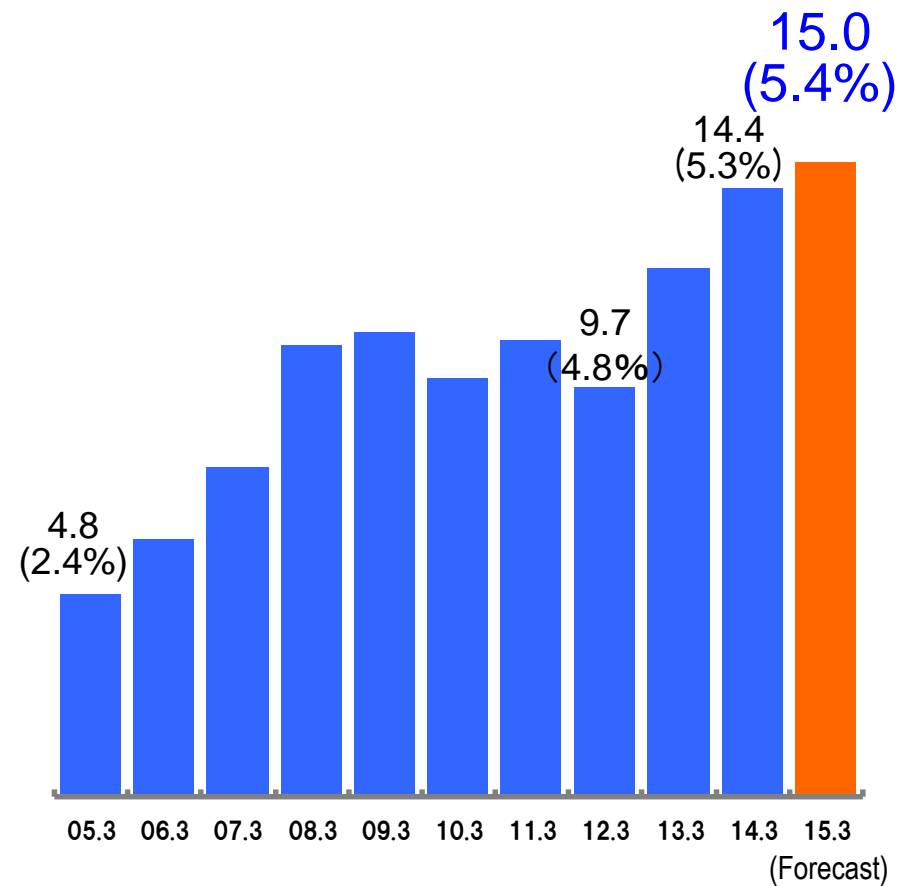
*Forecasts as of April 28, 2014

Aim to set new records for both sales and profit.

Net Sales



Operating Income (to Sales)



Topline growth

- Enterprises Networks
 - Accelerating growth in EO Business including regional expansion
 - Expanding services business using common business platforms such as SCM platform and contact center platform
- Carrier Networks
 - Cultivating carrier market focusing on technical outsourcing business
 - Pursuing business synergy with NEC Magnus Communications
- Social Infrastructure
 - Proactively capturing public investment business opportunities

Profitability enforcement

- Cost innovation
 - Decreasing subcontracting cost with in-house production, etc.
 - Promoting efficiency using common business platforms
- Streamlining SG&A

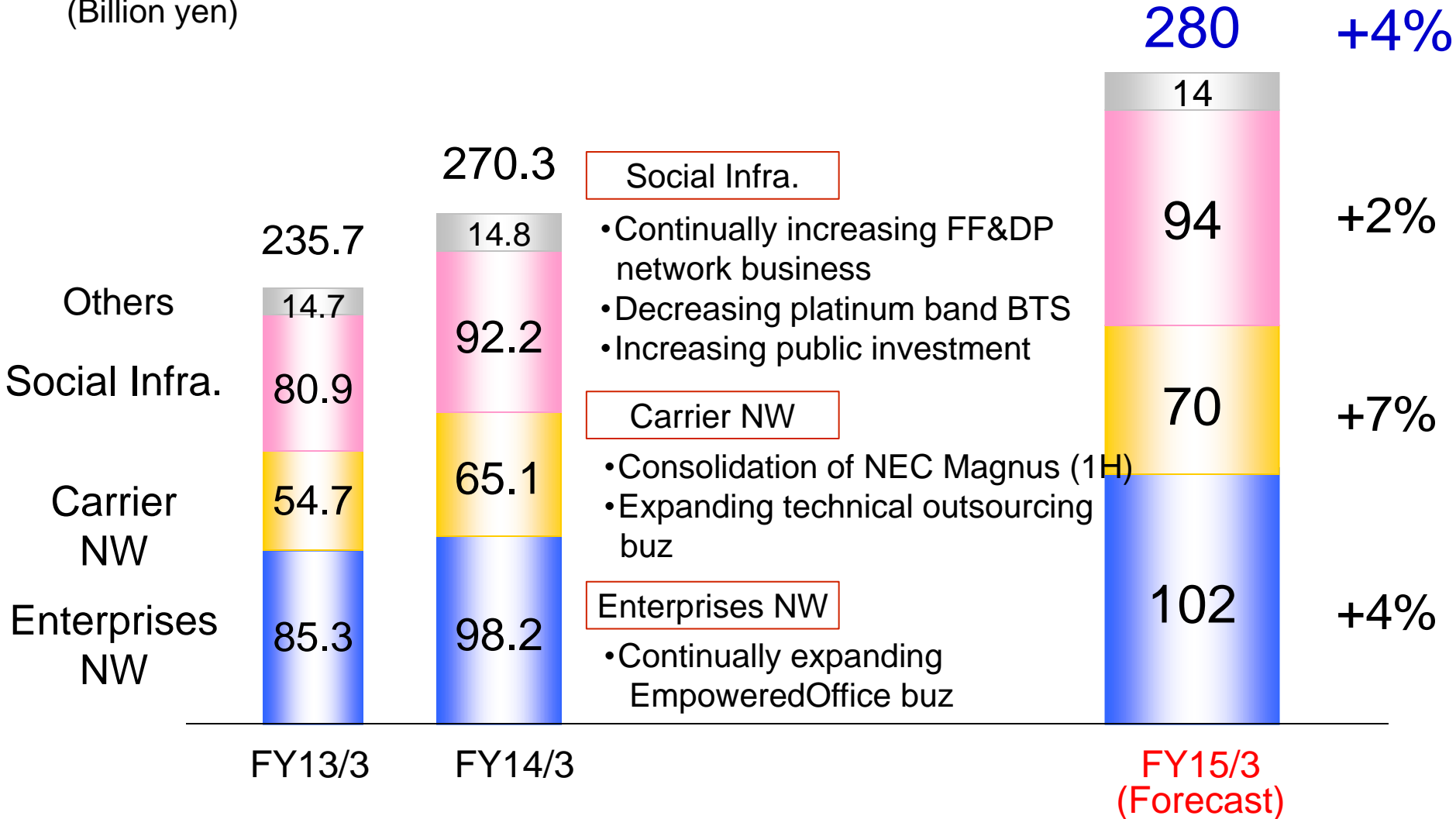
- Conduct business giving top priority to compliance
- ◆ Thoroughly executing compliance-enforcement measures as NESIC group
 - Revision of accounting & financing process
 - Group-wide personnel rotation
 - Enforcement of compliance education
 - Enforcement of in-house & outside audits
 - Enforcement of group management

FY2014/3 Full-Year Forecasts (Sales by Segment)

(*Forecasts as of April 28, 2014)

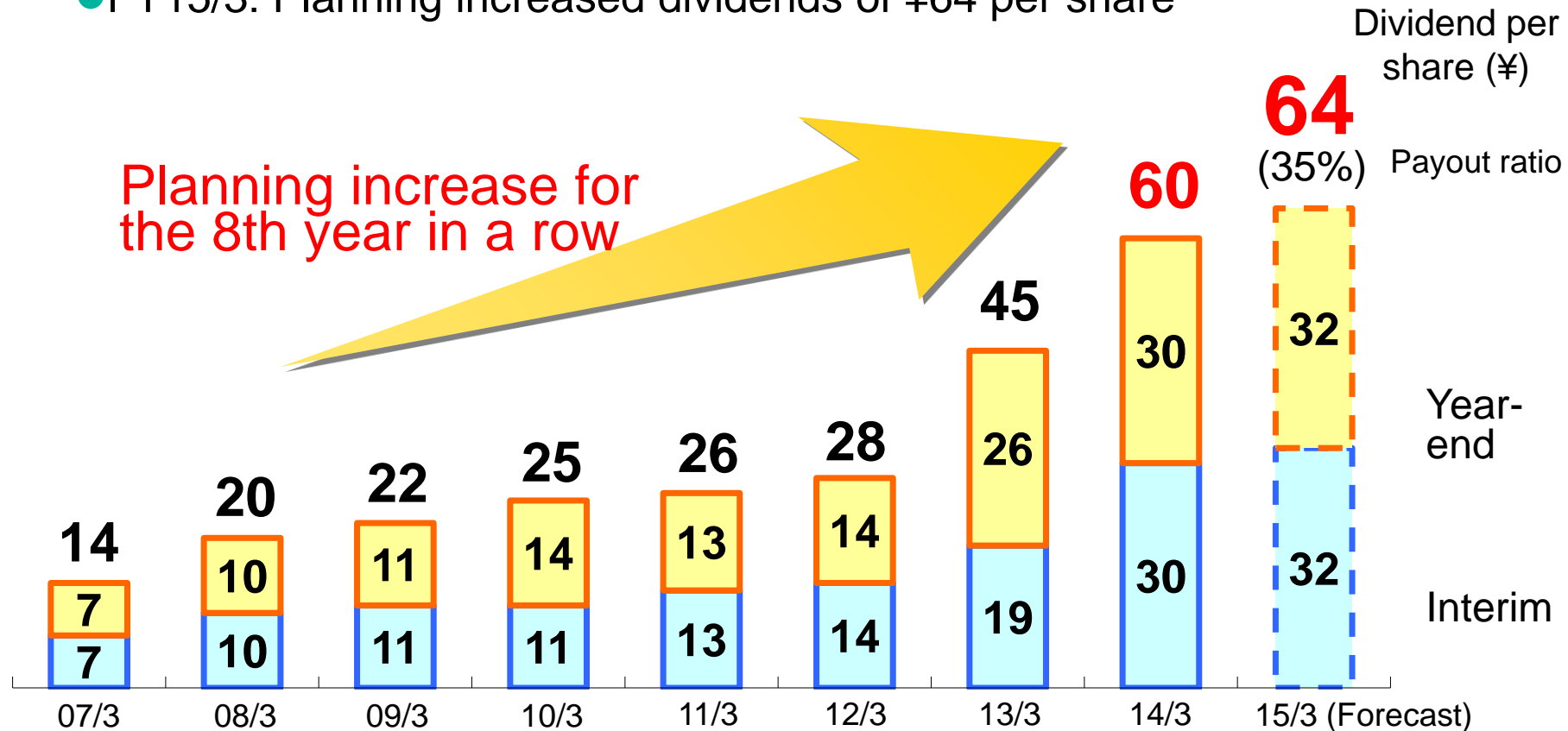
Steadily increase sales in major segments.

(Billion yen)



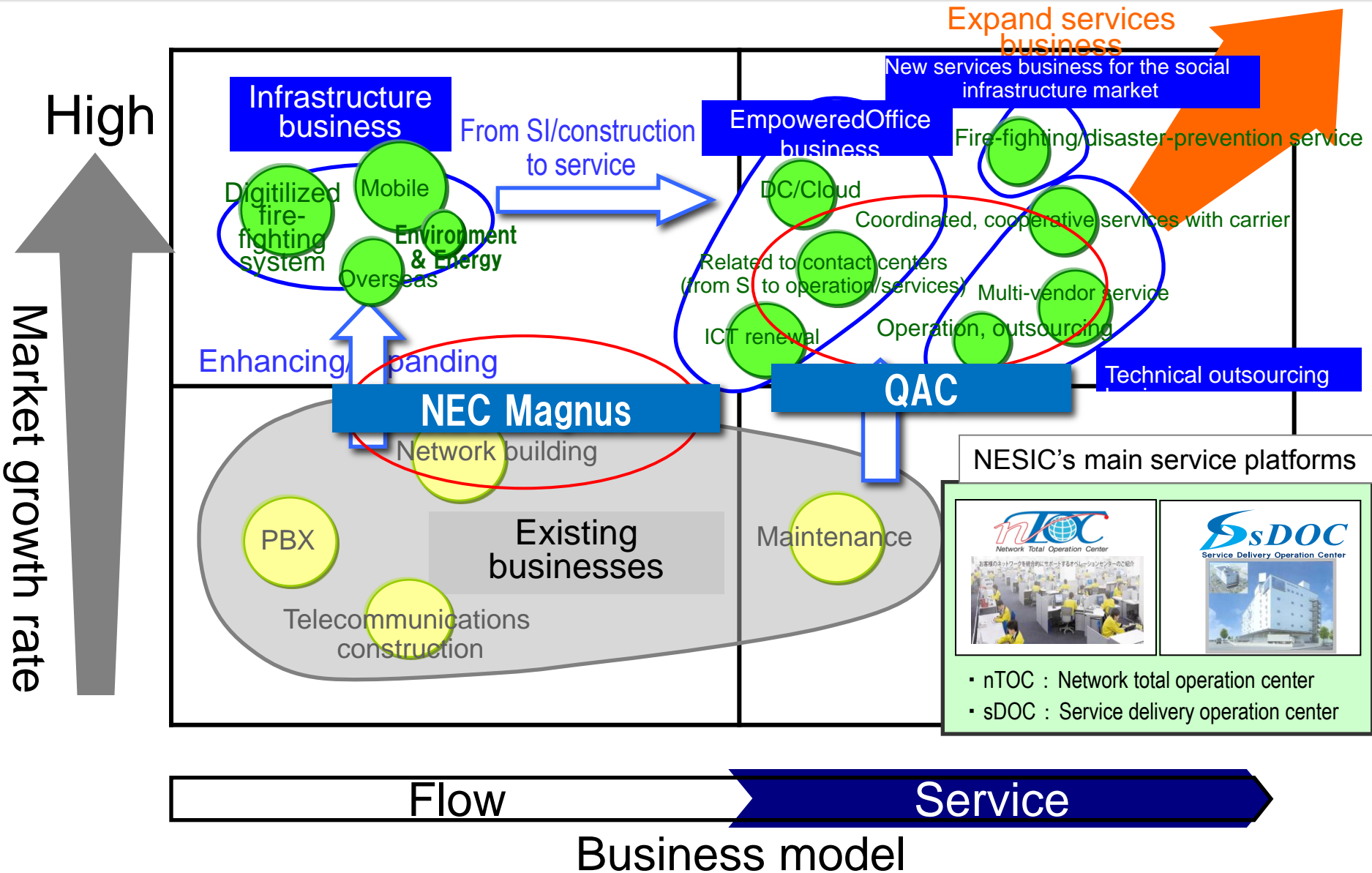
Increasing dividends in step with improvements in profitability based on stable dividend policy

- FY14/3: Year-end dividends: ¥30 per share (Full year ¥60) as planned
- FY15/3: Planning increased dividends of ¥64 per share



III. Update of Medium-Term Business Plan

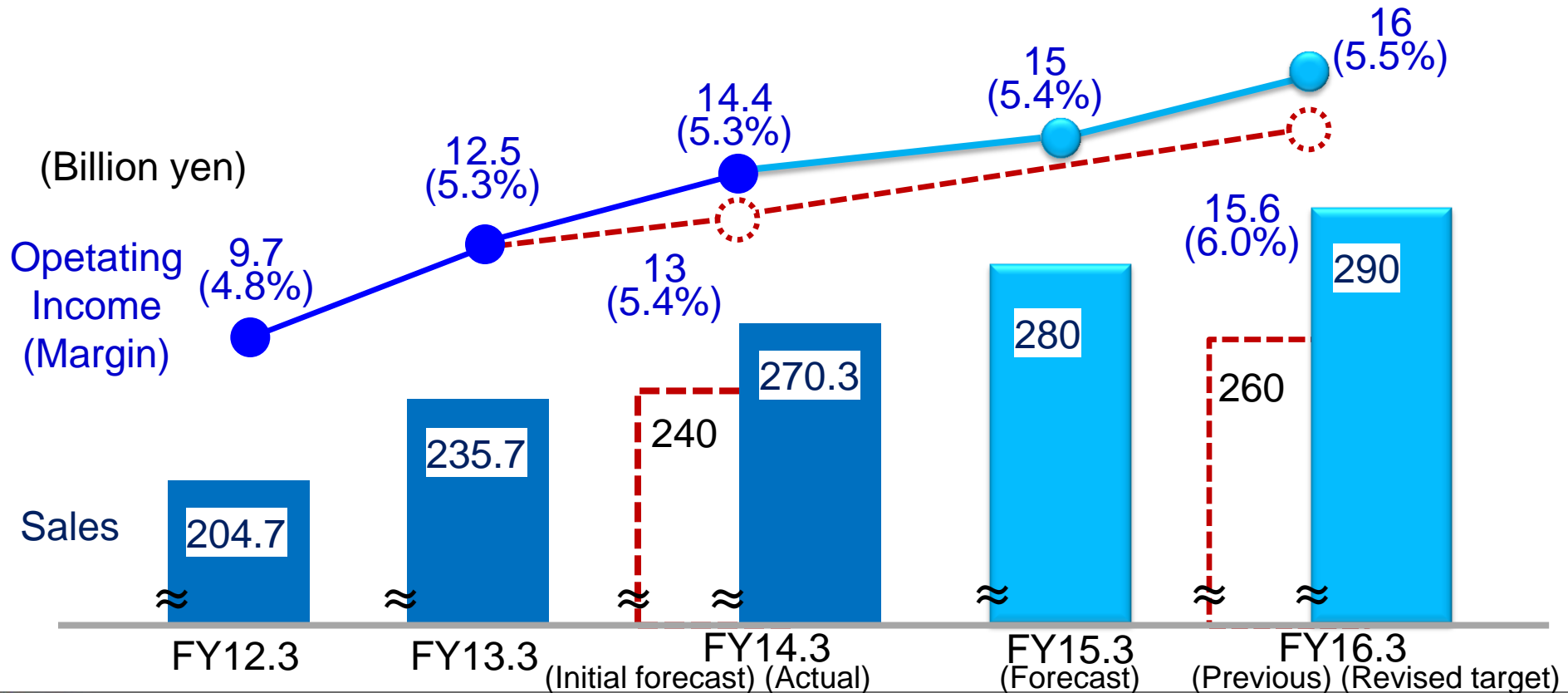
Key Business Domains (Strategic Map)



Revised Medium-Term Target (FY2016/3)

*Targets as of May 8, 2014

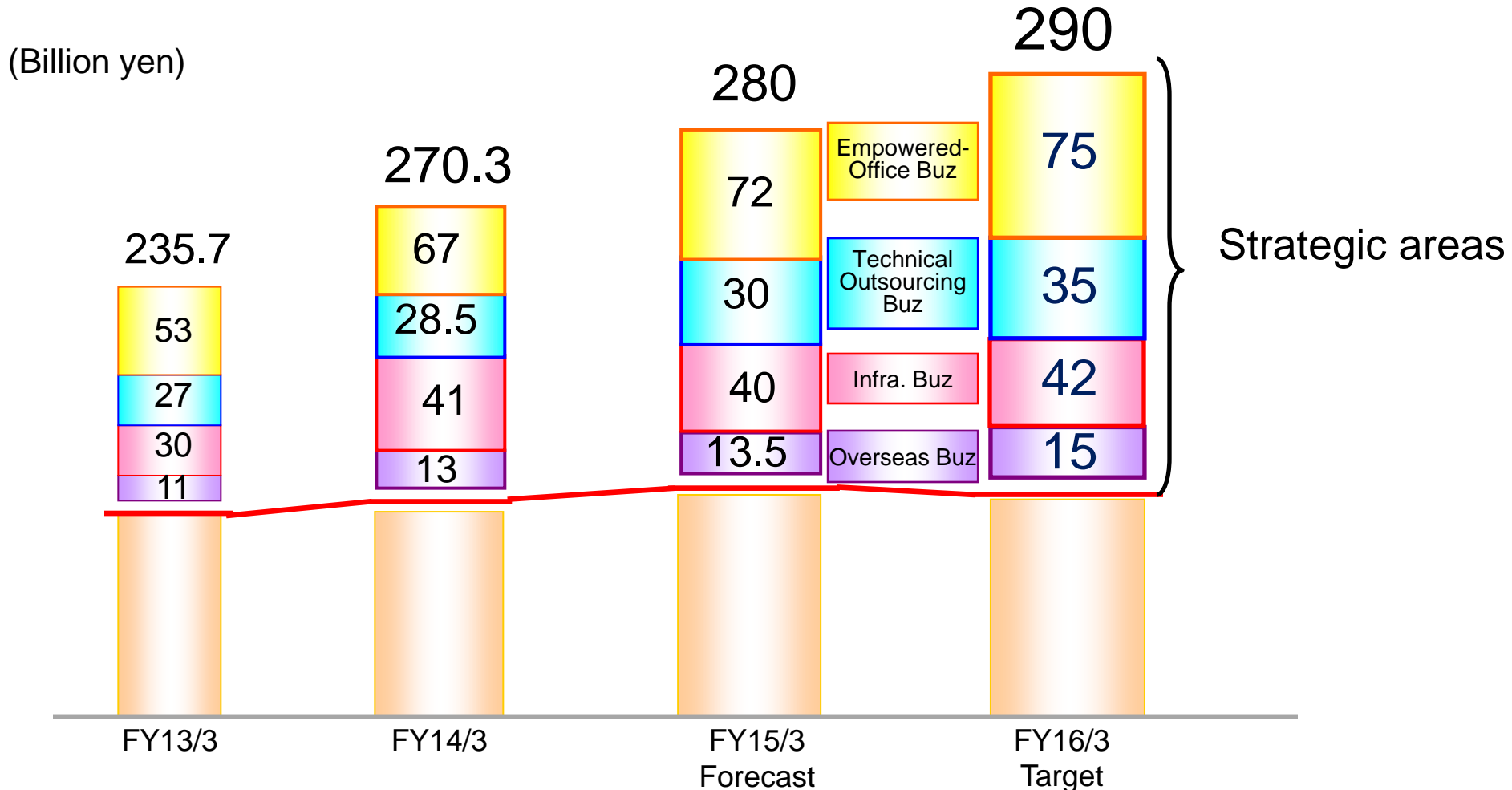
Net Sales ¥ 290 billion
 Operating Income ¥ 16 billion
 Operating Margin 5.5%
 ROE 10%



Medium-Term Target (Net Sales by Strategic Area)

*Targets as of May 8, 2014

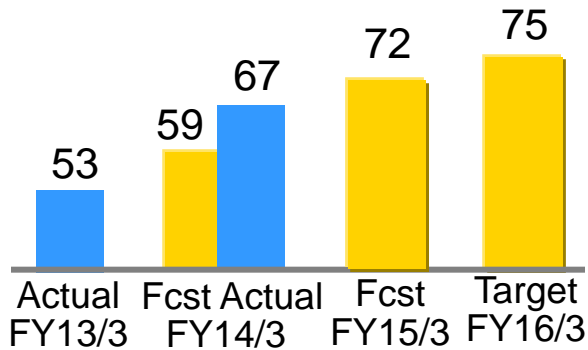
Accelerating the growth in strategic business areas



EmpoweredOffice Business

Sales

(Billion Yen)



Strategy

- Market expansion
 - Regional/public
 - Further penetration into office market
- Services business enforcement
 - Total services combining common platforms
 - DC and cloud business

Progress to achieve medium-term target

● Start-up of regional EO business

Promoted EO adoption of our branches

Case: Kansai Branch

Mobile work with latest ICT usage

Working style free from location
fully utilizing smart devices

- Received orders of EO including office relocation from regional customers (¥ 1 billion in FY14.3)

- Renewal of a showroom EOC in head office
 - Increasing approach to executive customers

[Visitor companies to our EO in FY14.3]

Head office: 900 (+200 YoY)

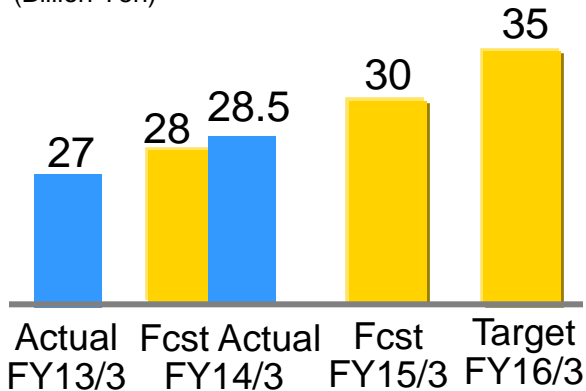
Regional branches: 400 (+300)



Technical Outsourcing Business

Sales

(Billion Yen)



Strategy

- Full usage of common services platforms
- Further penetration into telecom carriers market
- Cultivation of enterprises market

Progress to achieve medium-term target

- Launch of sDOC (Services Delivery Operation Center) on June, 2014

Aim

- Expand the BPO business by providing customers with our technical knowhow as a solution.
(Integration of technical support and delivery function)
→ Increase to ¥35 billion (16/3) using sDOC
Particularly targeting mid-sized companies and overseas vendors
- Cost competitiveness by integration of functions



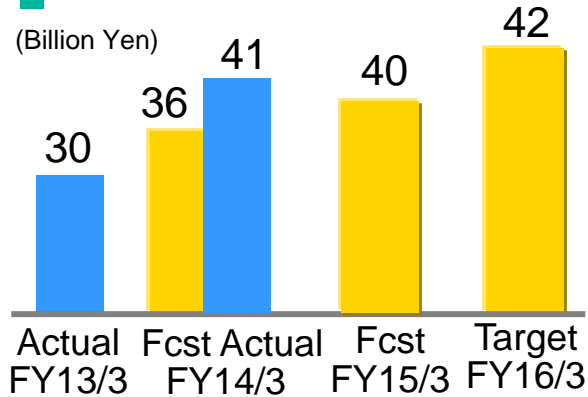
Running cost: 15% down compared to before sDOC

sDOC
Service Delivery Operation Center

Infrastructure Business

Sales

(Billion Yen)



Strategy

● Mobile BTS

- Regional expansion & share up
- Synergy with business acquired SI & services business

● FF&DP (Fire-fighting & Disaster-prevention network)

- Share-up in FF&DP system business
- Creation of services business

Progress to achieve medium-term target

● Mobile BTS business

- Synergy by integration with SI & services business acquired from former NEC Mobiling
 - Making up for the decrease of unit price by nationwide project execution capability

Outdoor system

14/3→15/3: 2.6 times

Indoor business

14/3→15/3 : 1.7 times

- Expanding business fields (multi carriers, indoor business) to next services such as VoLTE & LTE-A

● FF&DP business

- Business expansion by partnership with NEC
NESIC share: 20% (total of FY11/3-FY14/3)

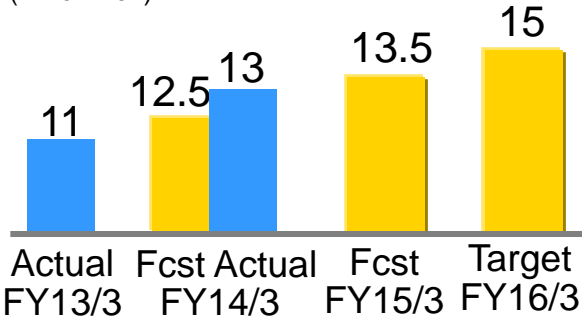
● Introduction of new services

- Multi-language services for emergency call
- Examination of other new services such as providing a range of disaster information and services for evacuation centers

Overseas Business

Sales

(Billion Yen)



Strategy

- Telecom infra. business expansion centered on Asia

<Key fields>

THA: 3G for telecom carrier

PHI, SIN, IDN:

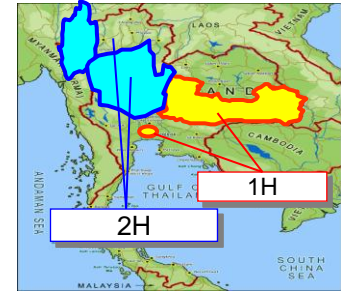
Disaster prevention, telecom Network for railways

- JOC business centering on China

Progress to achieve medium-term target

- Expansion of orders of communication infrastructure
- Thailand: 3G network installation
¥ 4 billion (2.5 in 1H, 1.5 in 2H)

Thai 3G project



Philippines: Wide-area DP system ¥ 400 million

Singapore etc.: Railway communication systems
¥600 million

Brazil: Telecom equipment relocation for national broadband plan ¥1.2 billion

- Initiatives for JOC (Japan originated companies) business

Philippines: Communication systems for plants of manufacturing companies

China & HK: Office relocation, EO

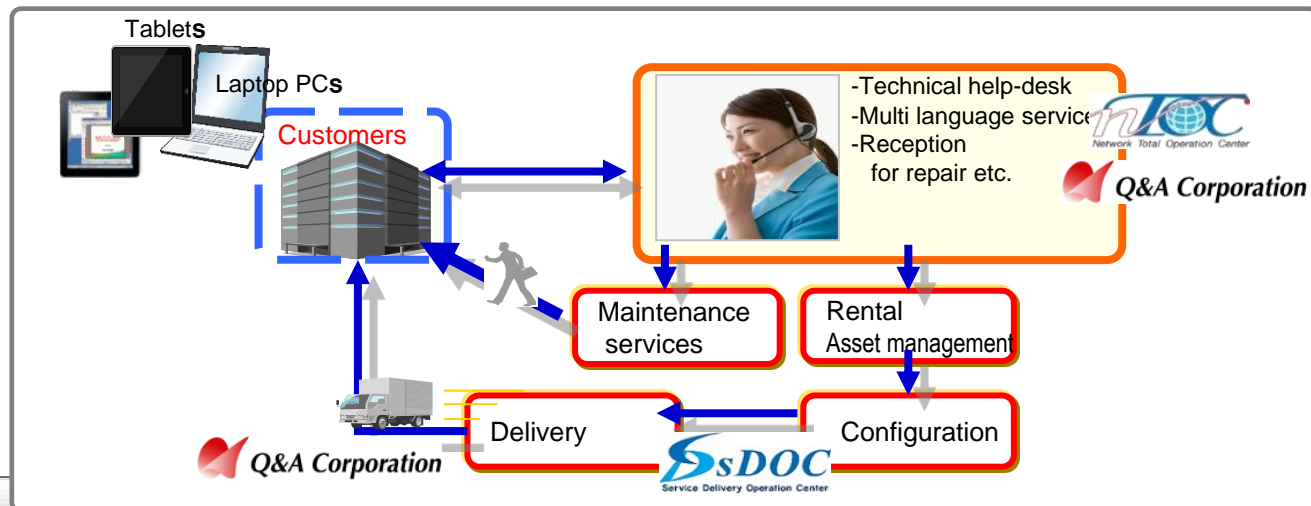


Synergies with QAC

Business expansion by combining NESIC's ICT business and QAC's technical support capabilities

<Example> Multi-location POS installation business for a nationwide retail company

- ⇒ Using QAC's cost-competitive nationwide services
- ⇒ Acquired help-desk BPO services using QAC's technical services capability



Synergies with NEC Magnus Communications

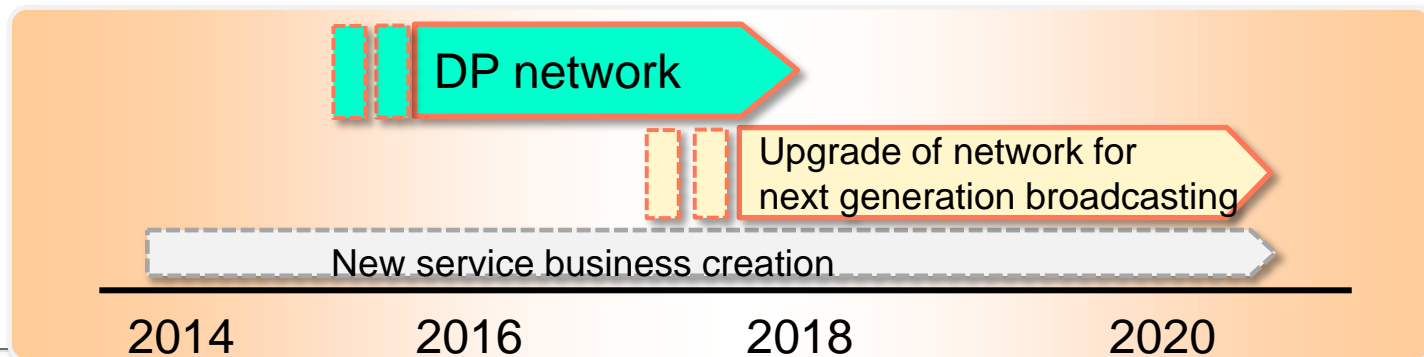
Promoting collaboration activities targeting mid-range CATV business opportunities

<Market>

- Enforcement of DP information network for Nankai-Trough
- Upgrade of network for next-generation broadcasting (4K, 8K)

⇒ <<NESIC's opportunities>>

- Preparation of network redundancy
- Opticalization of old transmission
- A broader array of services for information sharing & notifications to residents etc.



In closing

Achieving upward revised medium-term targets
with the ultimate aim of becoming the leading system integrator

| | |
|------------------|---------------|
| Net Sales | ¥ 290 billion |
| Operating Income | ¥ 16 billion |
| Operating Margin | 5.5% |
| ROE | 10% |


Business growth

Organizational
growth

Human growth

Conduct business giving top priority to compliance

Improving value for shareholders



Re-designing your Communication

NEC Networks & System Integration Corporation is committed to increasing customer value by redesigning future communications from the user's perspective.



Cautionary Statement

Forecasts and targets 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 to cope with the market in response to intensified competition.

Factors affecting results are not limited to the ones mentioned above.

NEC

NEC Networks & System Integration Corporation

<http://www.nesic.co.jp/english/ir/index.htm>