

Financial Results for the 1Q for the FY ending March 2015

July 30, 2014

NEC Networks & System Integration
Corporation

(TSE: 1973, NESIC)



FY2015/3 1Q Summary

Net sales increased due to the M&A effect (¥8 Bill), but incomes decreased on lower profitability associated with the change in sales mix and development cost increases at a subsidiary

Orders steadily increased centering on Enterprises NW and Social Infrastructures

(Billion Yen)

	1Q FY14/3	1Q FY15/3	YoY
Orders Received	64.6	80.2	+24%
Net Sales	50.2	57.2	+14%
Operating Income	1.5	0.3	-1.2
(to Sales)	(3.0%)	(0.5%)	-2.5pt
Net Income	1.0	0.1	-0.9
(to Sales)	(2.1%)	(0.2%)	-1.9pt
Free Cash Flows	14.1	12.2	-1.9

FY2015/3 1Q Orders/Sales by Segment

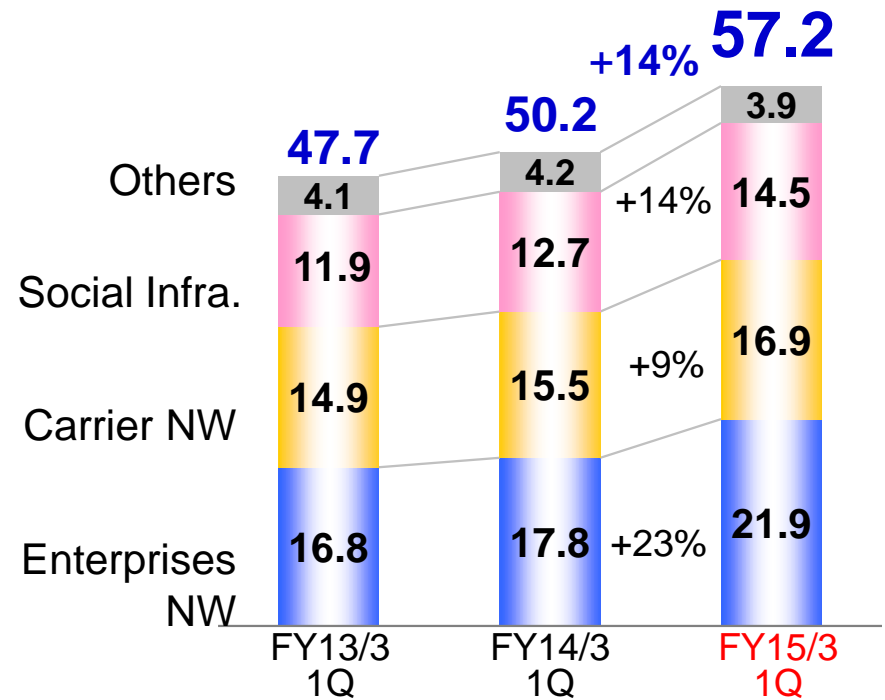
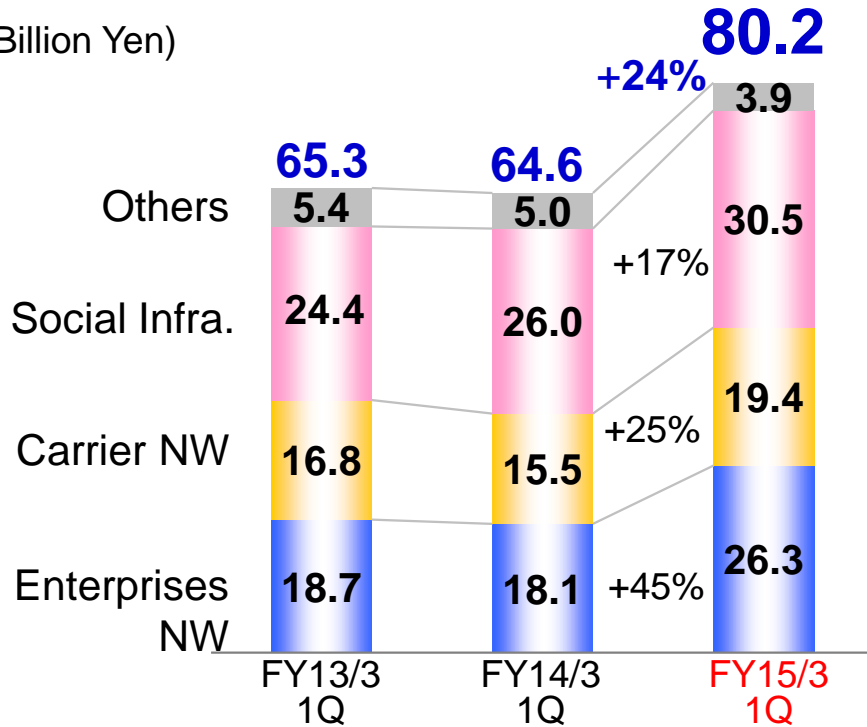
Orders increased due to ICT investment recovery, FF&DP * System business expansion as well as the effect of M&A (*FF: fire fighting, DP: disaster prevention)

Sales increased, offsetting the decrease in platinum band BTS construction, with an increase in FF&DP and the M&A effect

Orders Received

Sales

(Billion Yen)



*We have reviewed its operational structure, aiming to enhance it by restructuring it in accordance with markets. In the fiscal year under review, we have changed the contents of business segments, and construction work for carriers, including the construction of mobile communications base stations, has been transferred from Social Infrastructure segment to Carrier Networks segment, among other changes. Segment information for 1Q FY13/3 and 1QFY14/3 have been changed to reflect the change in the content of business segments

FY2015/3 1Q Enterprises Networks Business

Double digits increase in orders and sales

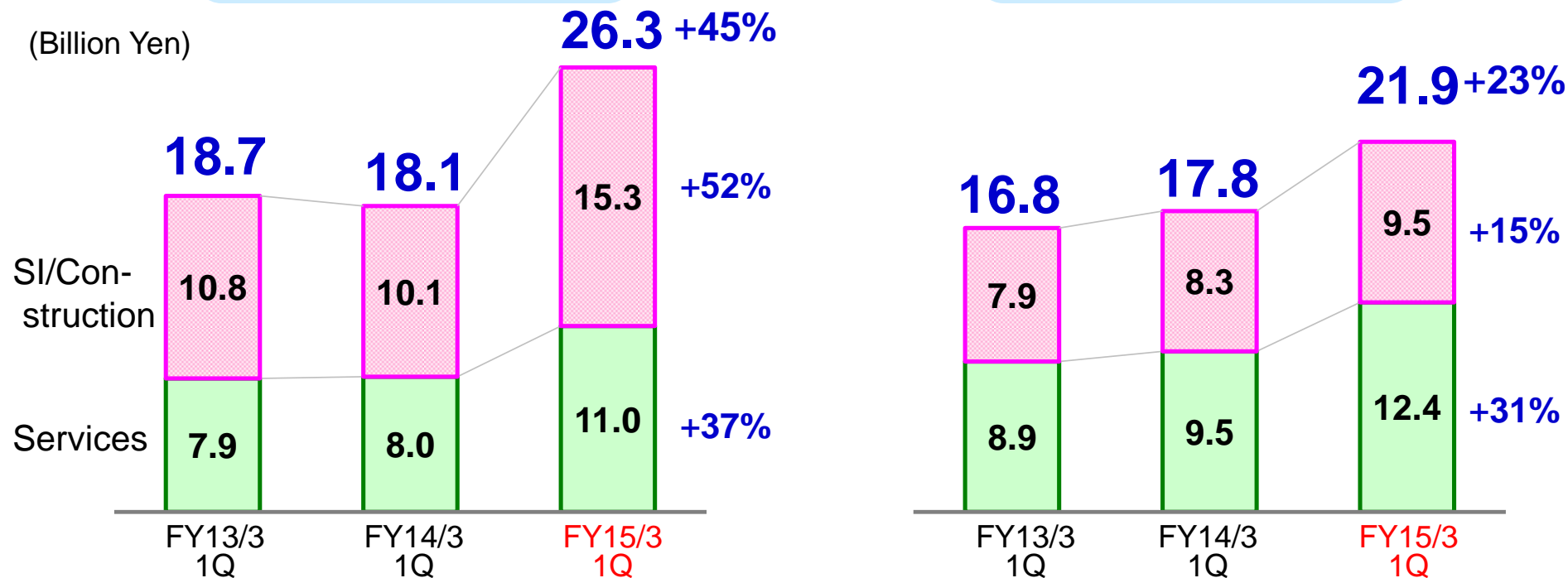
- Orders increased ahead of sales capturing the ICT investment intention recovery opportunity (+45% yoy)
- Consolidation of Q&A Corp. (Orders/Sales + ¥3.0 bill. yoy)
- EmpoweredOffice business remained strong (Sales +40% yoy)

* Including Q&A Corp.

Orders Received

Sales

(Billion Yen)



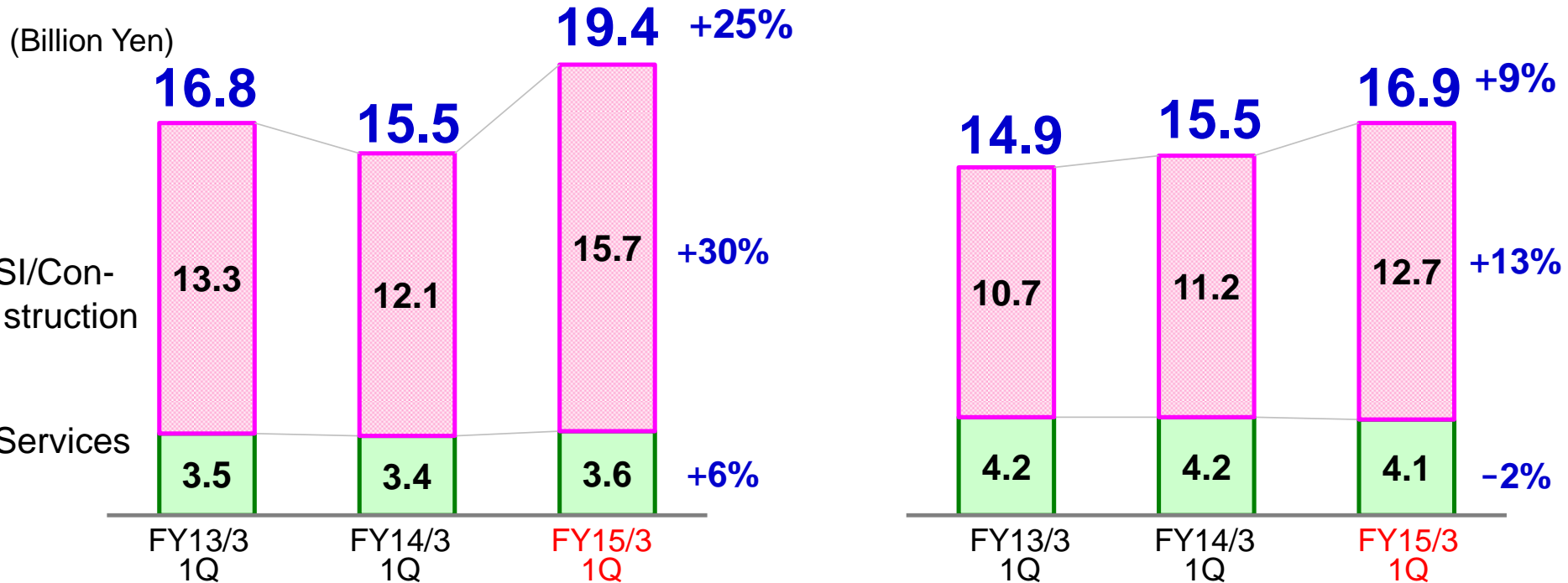
FY2015/3 1Q Carrier Networks Business

Orders and sales increased due to M&A executed in the previous year

- Consolidation of NEC Magnus Communications (Orders/Sales + ¥4.5 bill. yoy)
- Technical Outsourcing continued to rise (Sales +4% yoy)
- The mobile BTS business decreased with the termination of platinum band despite an increase in LTE (Sales -30% yoy)

Orders Received

Sales



FY2015/3 1Q Social Infrastructures Business

A double digits increase in orders and sales against a backdrop of increased public investment

- The FF&DP system business expansion continued toward the deadline for the digitalization of FF radio network scheduled in May 2016. (Orders +90%; Sales +60% yoy)

Orders Received

Sales

(Billion Yen)

30.5 +17%

24.4

26.0

24.3 +23%

18.4

19.9

6.2 +1%

6.0

6.1

FY13/3
1Q

FY14/3
1Q

FY15/3
1Q

11.9

12.7

14.5 +14%

8.4

9.2

10.7 +16%

3.5

3.5

3.8 +9%

FY13/3
1Q

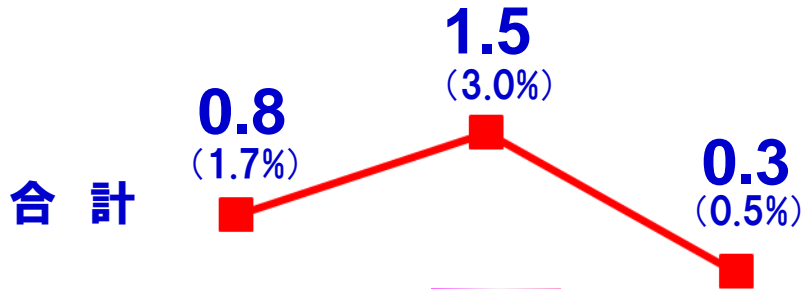
FY14/3
1Q

FY15/3
1Q

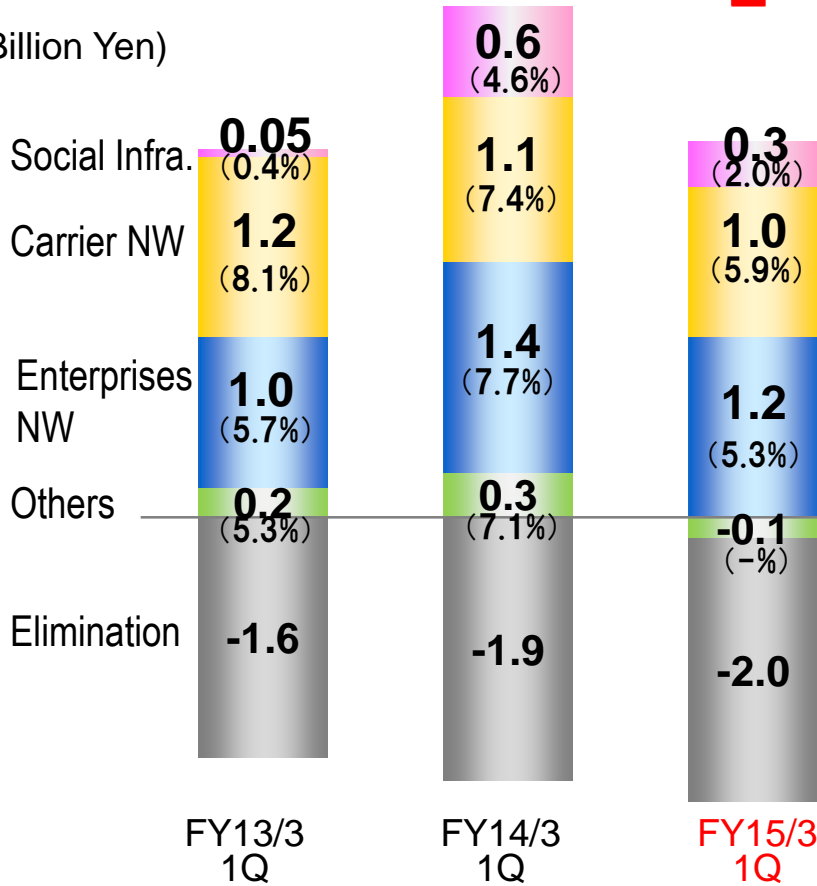
SI/Con-
struction

Services

FY2015/3 1Q Operating Income by Segment

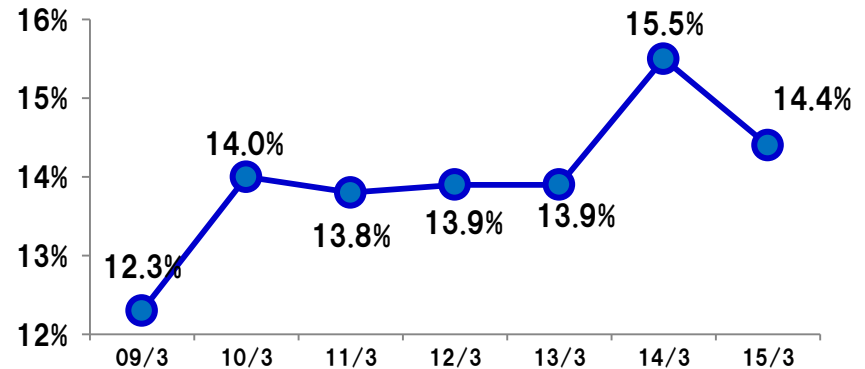


(Billion Yen)



Operating income decreased on lower profitability associated with the change in sales mix and development cost increases at a subsidiary

Gross margin trend(1Q)



- Increased development cost at a subsidiary
- Increased investment in services platform enforcement

Balance Sheet (End of June, 2014)

The owners' equity ratio increased 3.4% as a result of reducing total assets with the collection of accounts receivable and payments of accounts payable

(Billion Yen)

		End of 14/3	End of 14/6	Diff.
	Cash and cash equivalents	44.4	54.8	10.4
	Notes and accounts receivable	96.0	63.2	-32.8
	Inventories	8.2	11.1	3.0
	other	8.8	9.2	0.4
Current Assets		157.4	138.4	-19.0
Noncurrent Assets		31.7	32.5	0.8
Assets		189.1	170.9	-18.2
	Notes and accounts payable	43.2	32.0	-11.2
	Loans	6.4	6.3	-0.2
	Other	50.3	45.9	-4.3
Liabilities		99.9	84.2	-15.7
	Shareholders' equity	91.2	88.5	-2.6
	Valuation and translation adjustments	-3.7	-3.6	0.1
	Minority interests	1.7	1.7	0.0
Net Assets		89.2	86.6	-2.5
Liabilities & Net Assets		189.1	170.9	-18.2
Owner's Equity Ratio		46.3%	49.7%	+3.4pt

FY2015/3 1Q Cash Flows

Substantially positive FCF due to the collection of accounts receivable for projects posted at the end of previous fiscal year

(Billion Yen)

	1Q FY14/3	1Q FY15/3
Operating Cash Flow (A)	15.9	13.7
Investment Cash Flow(B)	-1.8	-1.5
Free Cash Flows (A)+(B)	14.1	12.2
Financial Cash Flow	-1.3	-1.8
Cash and Cash Equivalentents	43.2	54.8


FY2015/3 Full-Year Forecasts

No change from the initial forecasts

(Billion Yen)

	FY14/3	FY15/3 Forecasts	YoY
Net Sales	270.3	280	+4%
Operating Income	14.4	15	+0.6
(to Sales)	(5.3%)	(5.4%)	+0.1pt
Net Income	8.3	9	+0.7
(to Sales)	(3.1%)	(3.2%)	+0.1pt

*Forecasts as of July 30, 2014



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.

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