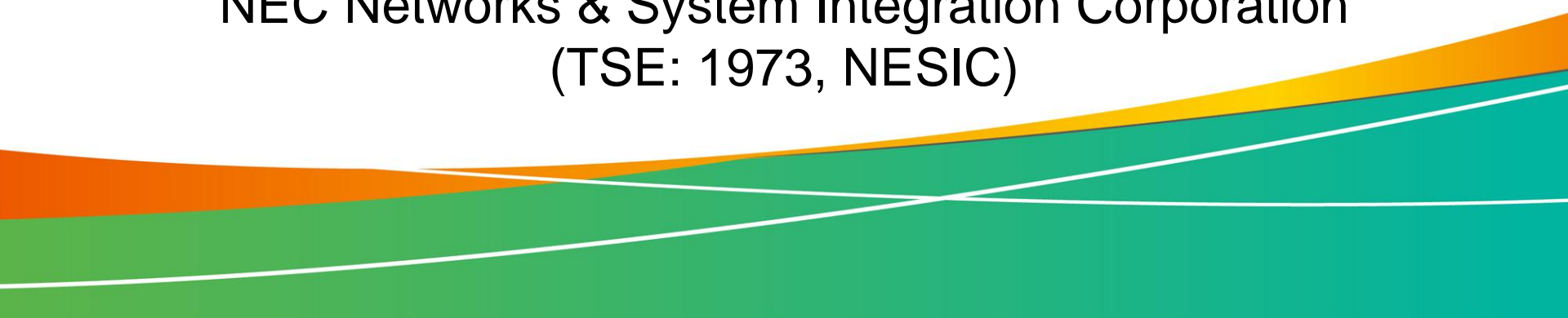


# Financial Results for the 1H ending March 2015

October 31, 2014

Masao Wada, President

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



# Agenda

---

I. Results for 1H FY2015/3

II. Forecasts for FY2015/3

III. Progress of Mid-Term Business Plan

---

I. Results for 1H FY2015/3

II. Forecasts for FY2015/3

III. Progress of Mid-Term Business Plan

# 1H FY2015/3 Summary

Achieved all targets thanks to strong orders and sales

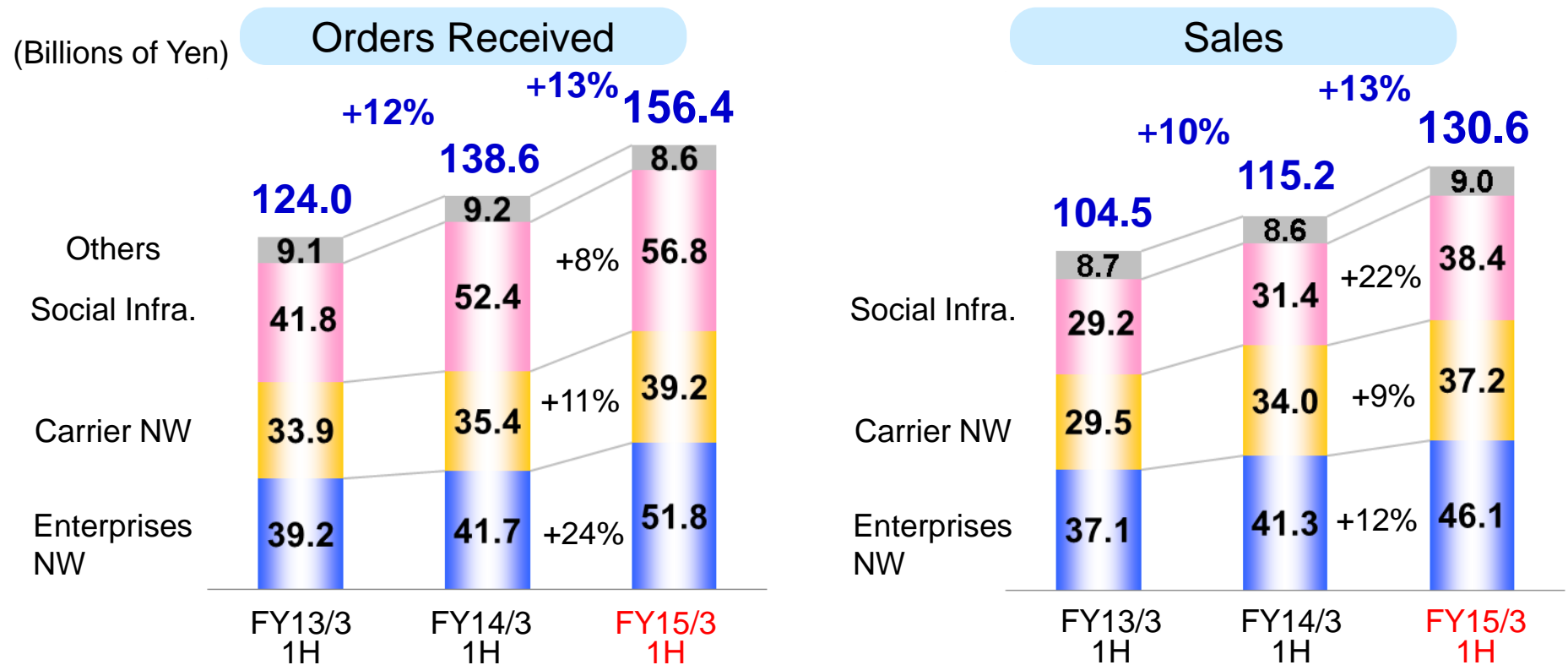
(Billion Yen)

	1H FY14/3	1H FY15/3	YoY	Forecast as of Apr.28	Diff.
Orders Received	138.6	156.4	+13%	140.0	+16.4
Net Sales	115.2	130.6	+13%	125.0	+5.6
Operating Income	4.2	4.5	+0.3	4.5	-
(to Sales)	(3.6%)	(3.4%)	-0.2pt	(3.6%)	-0.2pt
Net Income	2.7	2.7	-	2.7	-
(to Sales)	(2.3%)	(2.1%)	-0.2pt	(2.2%)	-0.1pt
Free Cash Flows	14.6	4.4	-10.2		

# 1H FY2015/3 Sales/Orders Received by Segment

Achieved a successive double-digit increase in orders & sales due to an ICT investment recovery and FF&DP\* systems as well as the effect of M&A

\* FF: Firefighting, DP: Disaster prevention



\*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 FY13/3 and FY14/3 have been changed to reflect the change in the content of business segments

# 1H FY2015/3 Enterprises Networks Business

## Double-digit increase in orders and sales

- Orders increased ahead of sales capturing the ICT investment intention recovery opportunity (+24% yoy)
- Consolidation of Q&A Corp. (Orders/Sales + ¥3.0 bill. in 1Q)
- EmpoweredOffice business remained strong (Sales +20% yoy)

\* Including Q&A Corp.

### Orders Received

(Billion Yen)

**51.8 +24%**

**39.2**

**22.3**

**16.9**

FY13/3  
1H

**41.7**

**21.7**

**20.0**

FY14/3  
1H

**28.5 +31%**

**23.3 +17%**

**FY15/3  
1H**

SI/Con-  
struction

Services

### Sales

**46.1 +12%**

**37.1**

**18.7**

**18.4**

FY13/3  
1H

**41.3**

**19.6**

**21.7**

FY14/3  
1H

**21.6 +10%**

**24.5 +13%**

**FY15/3  
1H**

SI/Con-  
struction

Services

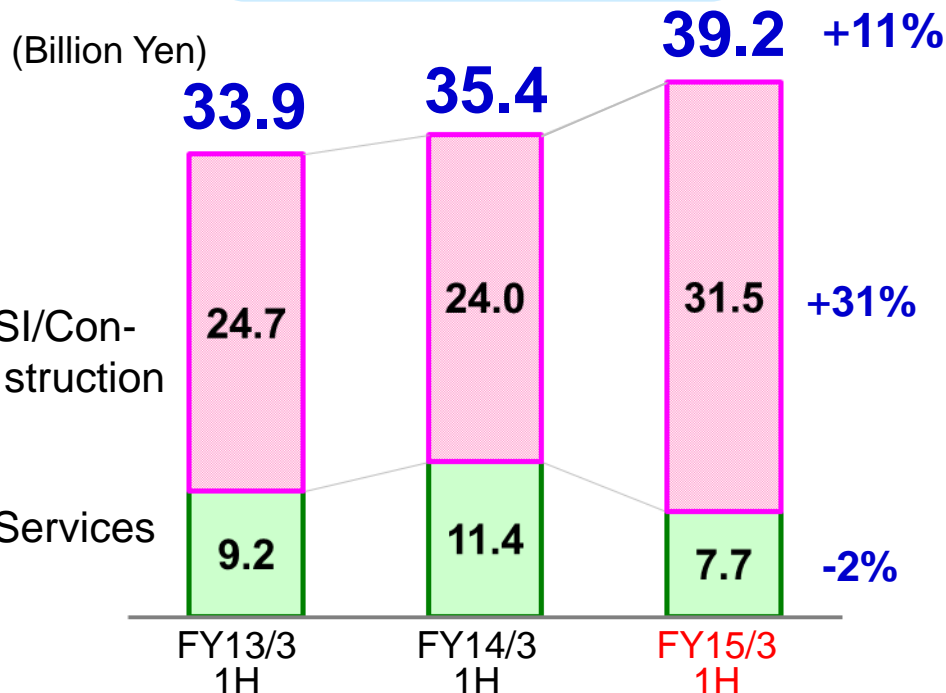
# 1H FY2015/3 Carrier Networks Business

## Orders and sales increased

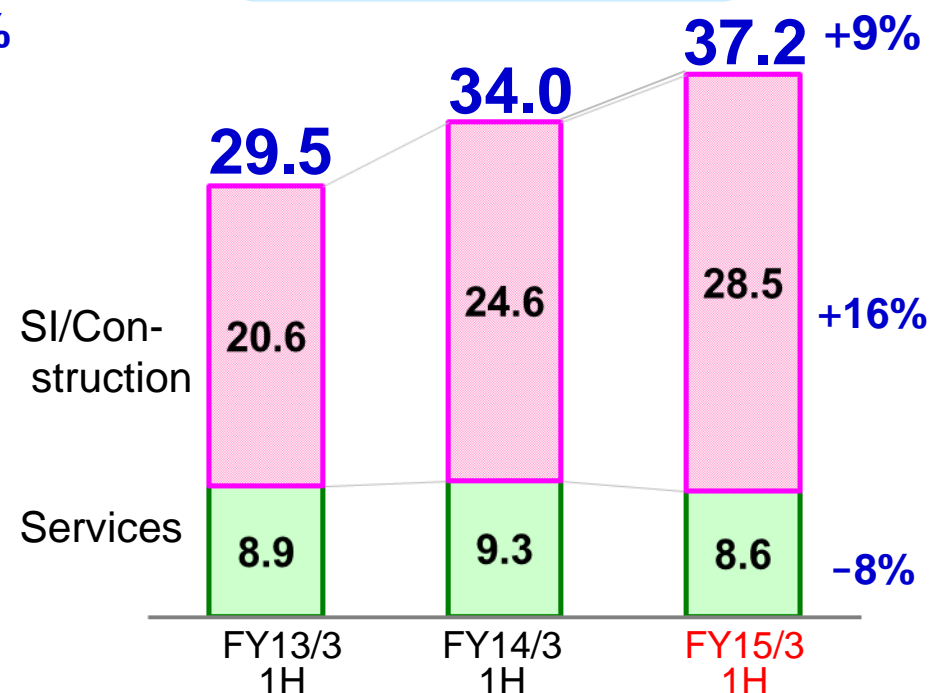
due to M&A executed in the previous year

- Consolidation of NEC Magnus Communications (Orders/Sales + ¥10 bill. yoy)
- Technical Outsourcing continued to rise (Sales +11% yoy)
- The mobile BTS business decreased with the termination of platinum band despite an increase in LTE (Sales -30% yoy)
- The decline in orders for services is attributed to the block posting of long-term maintenance projects in the previous fiscal year

### Orders Received



### Sales

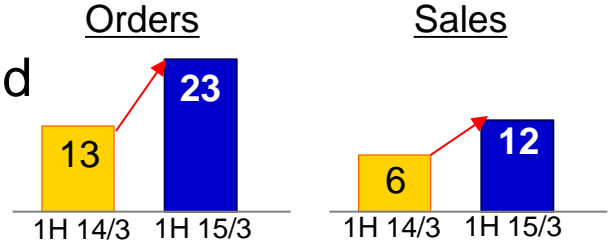


# 1H FY2015/3 Social Infrastructure Business

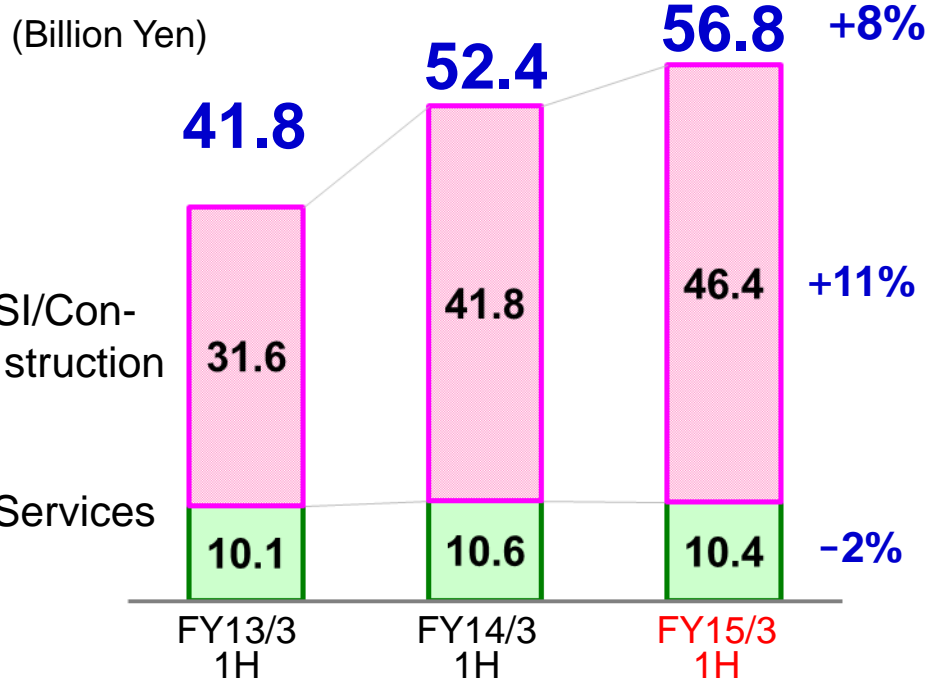
A substantial increase in orders and sales against a backdrop of increased public investment

- Orders for FF&DP systems increased and installation work is booming

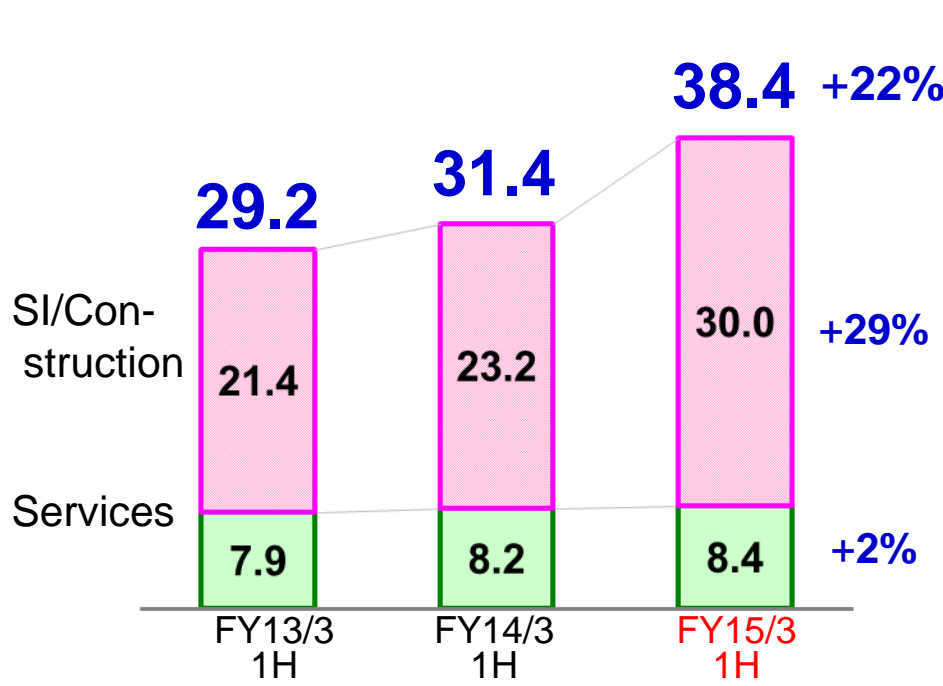
FF&DP systems trend (billion yen)



Orders Received

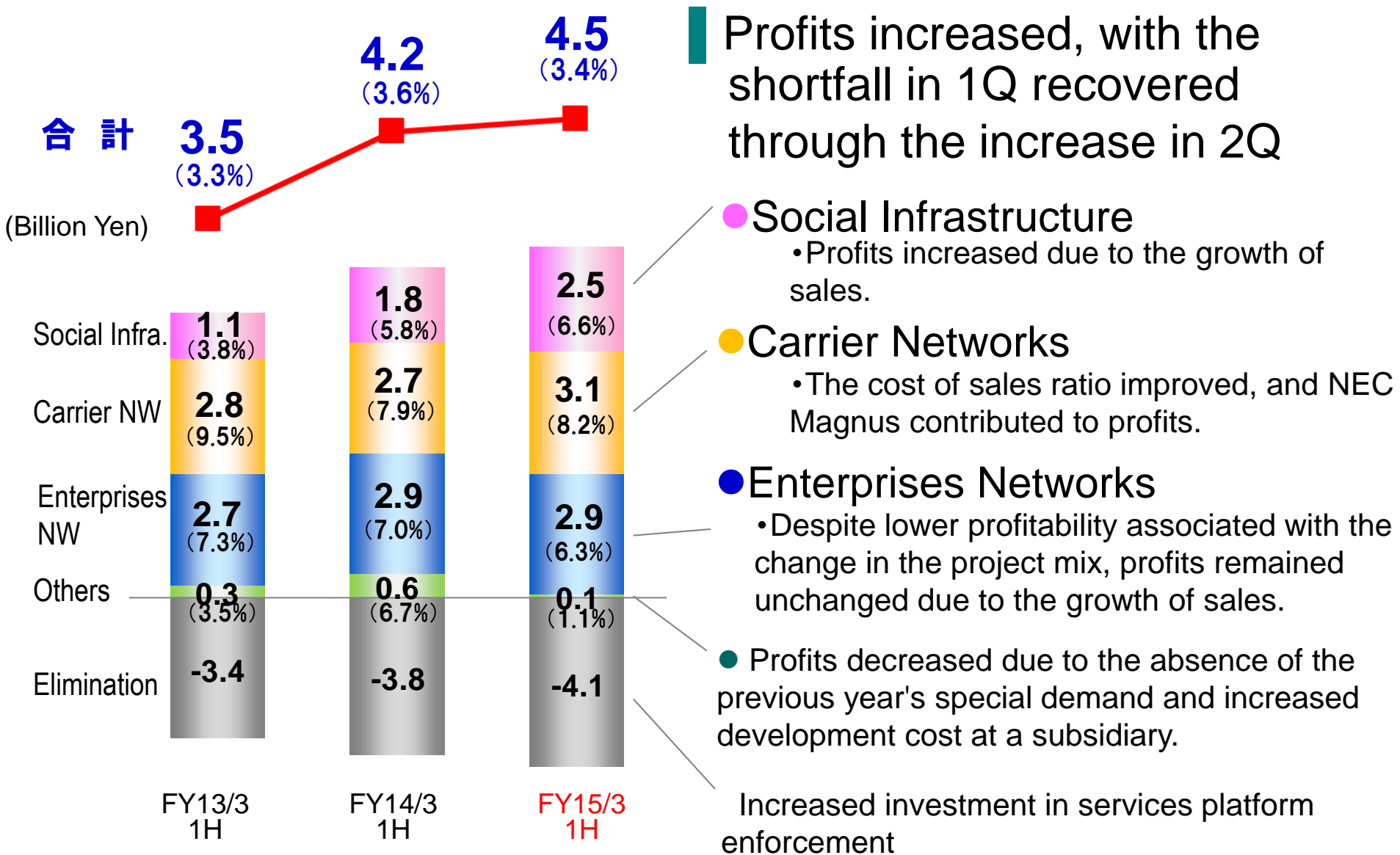


Sales





# 1H FY2015/3 Operating Income/Loss by Segment



# 1H FY2015/3 Balance Sheet (End of Sep. 2014)

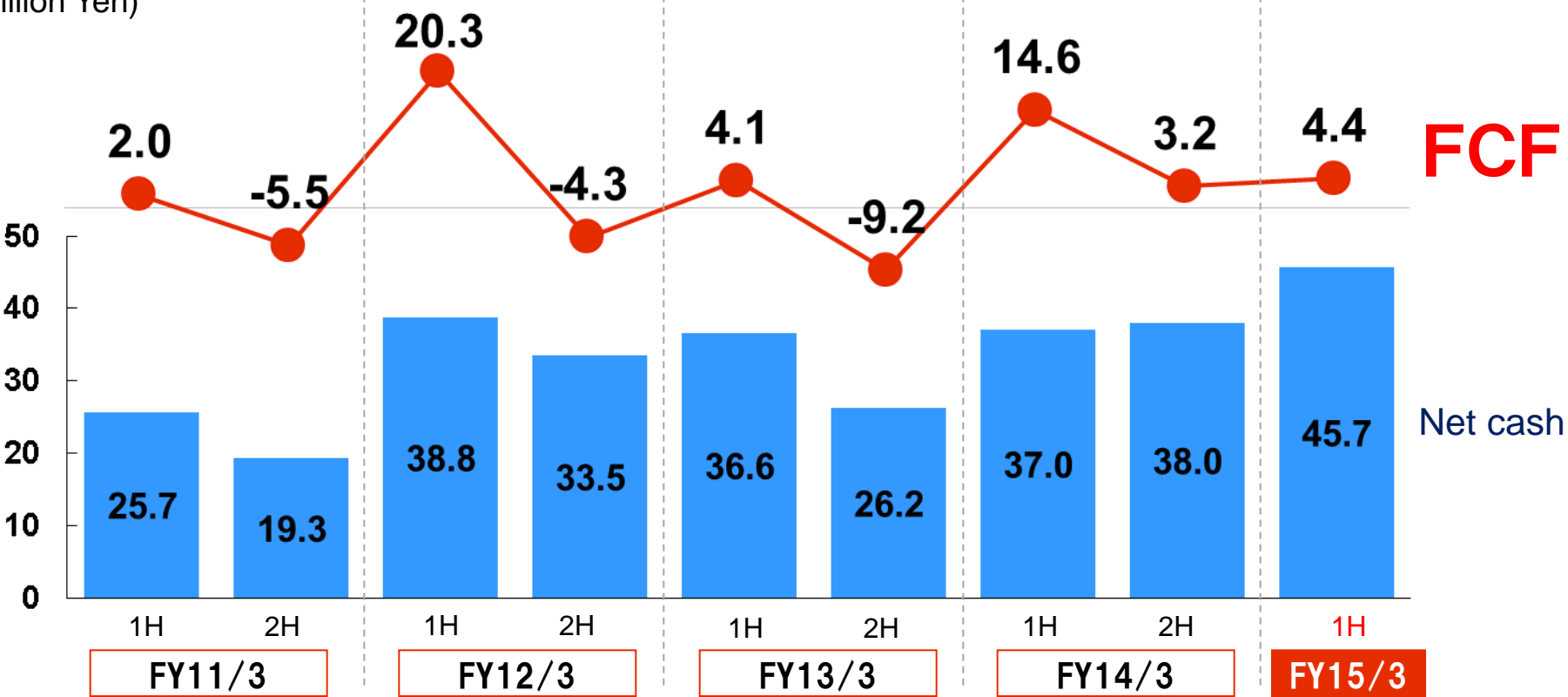
(billion yen)

		End of 14/3	End of 14/9	Diff.
	Cash and cash equivalents	44.4	51.9	7.5
	Notes and accounts receivable	96.0	77.1	-18.9
	Inventories	8.2	12.4	4.3
	other	8.8	8.8	0.0
<b>Current Assets</b>		<b>157.4</b>	<b>150.3</b>	<b>-7.1</b>
Noncurrent Assets		31.7	32.3	0.6
<b>Assets</b>		<b>189.1</b>	<b>182.6</b>	<b>-6.5</b>
	Notes and accounts payable	43.2	37.8	-5.4
	Loans	6.4	6.2	-0.2
	Other	50.3	49.2	-1.1
<b>Liabilities</b>		<b>99.9</b>	<b>93.2</b>	<b>-6.7</b>
	Shareholders' equity	91.2	91.1	-0.1
	Valuation and translation adjustments	-3.7	-3.5	0.2
	Minority interests	1.7	1.7	0.1
<b>Net Assets</b>		<b>89.2</b>	<b>89.4</b>	<b>0.2</b>
<b>Liabilities &amp; Net Assets</b>		<b>189.1</b>	<b>182.6</b>	<b>-6.5</b>
<b>Owner's Equity Ratio</b>		<b>46.3%</b>	<b>48.0%</b>	<b>+1.7pt</b>

# 1H FY2015/3 Cash Flows

FCF decreased from the previous 1H due to the increase in ongoing projects and the timing of cash collection

(Billion Yen)



\*Net cash = Cash and cash equivalent – interest-bearing debt

---

I. Results for 1H FY2015/3

II. Forecasts for FY2015/3

III. Progress of Mid-Term Business Plan

The business environment is solid at present, particularly in Enterprises Networks and Social Infrastructure.

- Enterprises Networks
  - ICT investment is strengthening with the economic recovery.
- Carrier Networks
  - Telecom carriers' capex is weak compared with the high level in the previous year.
- Social Infrastructure
  - Public investment in safety & security is expected to continue.
  - Installation for FF digitalization projects is booming, although orders will decline in 2H.

# FY2015/3 Full-Year Forecasts

Orders and sales forecasts revised upward on the back of the 1H results and the solid business environment

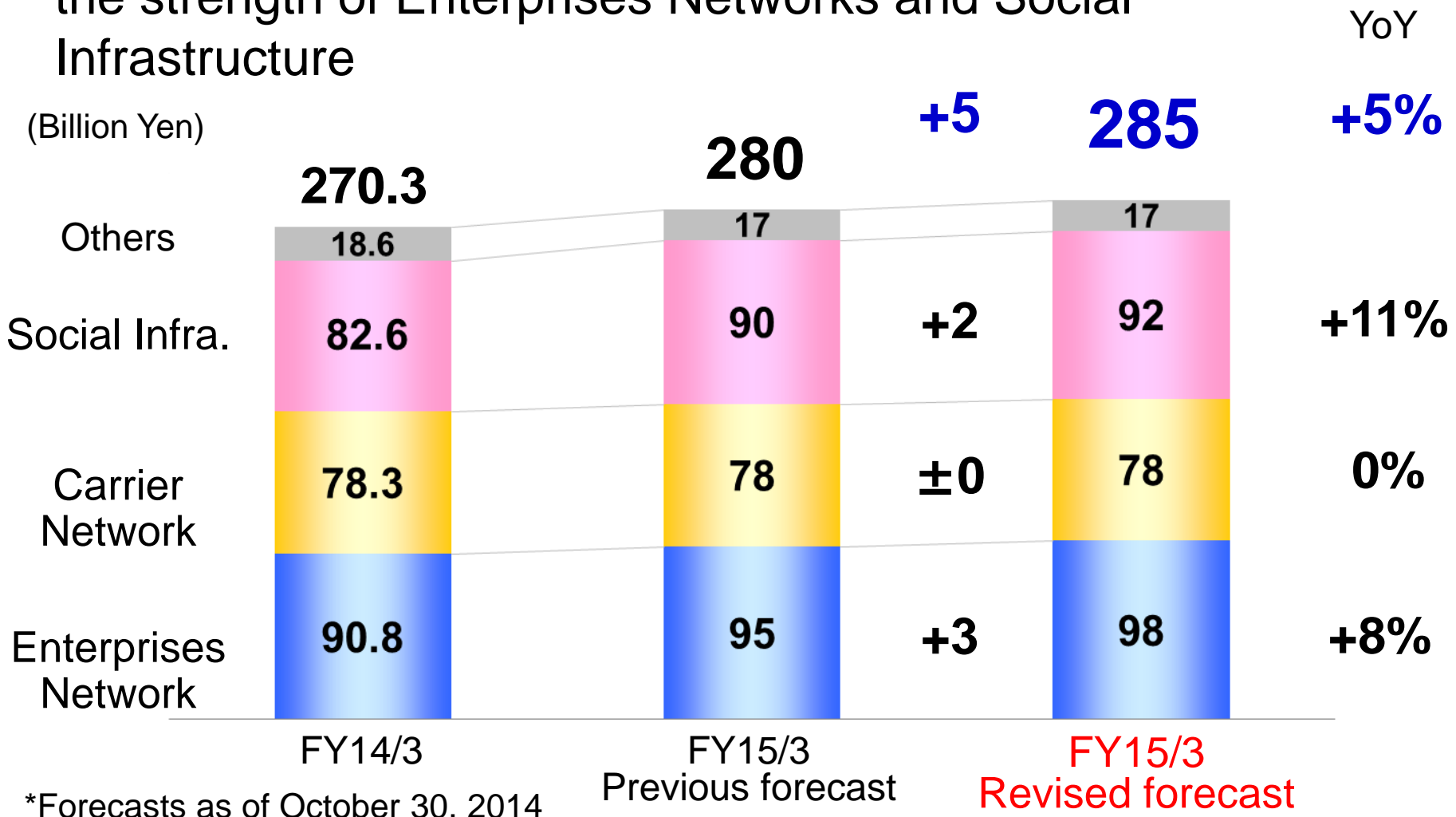
(billion yen)

	FY14/3	FY15/3 Forecasts	YoY	Previous forecasts	Diff.
Orders Received	280.1	295	+5%	290	5
Net Sales	270.3	285	+5%	280	5
Operating Income	14.4	15	+0.6	15	-
(to Sales)	(5.3%)	(5.3%)	+0.0pt	(5.4%)	-0.1pt
Net Income	8.3	9	+0.7	9	-
(to Sales)	(3.1%)	(3.2%)	+0.1pt	(3.2%)	+0.0pt

\*Forecasts as of October 30, 2014

# FY2015/3 Full-Year Sales Forecasts by Segment

Sales forecast revised upward by 5 billion yen, reflecting the strength of Enterprises Networks and Social Infrastructure

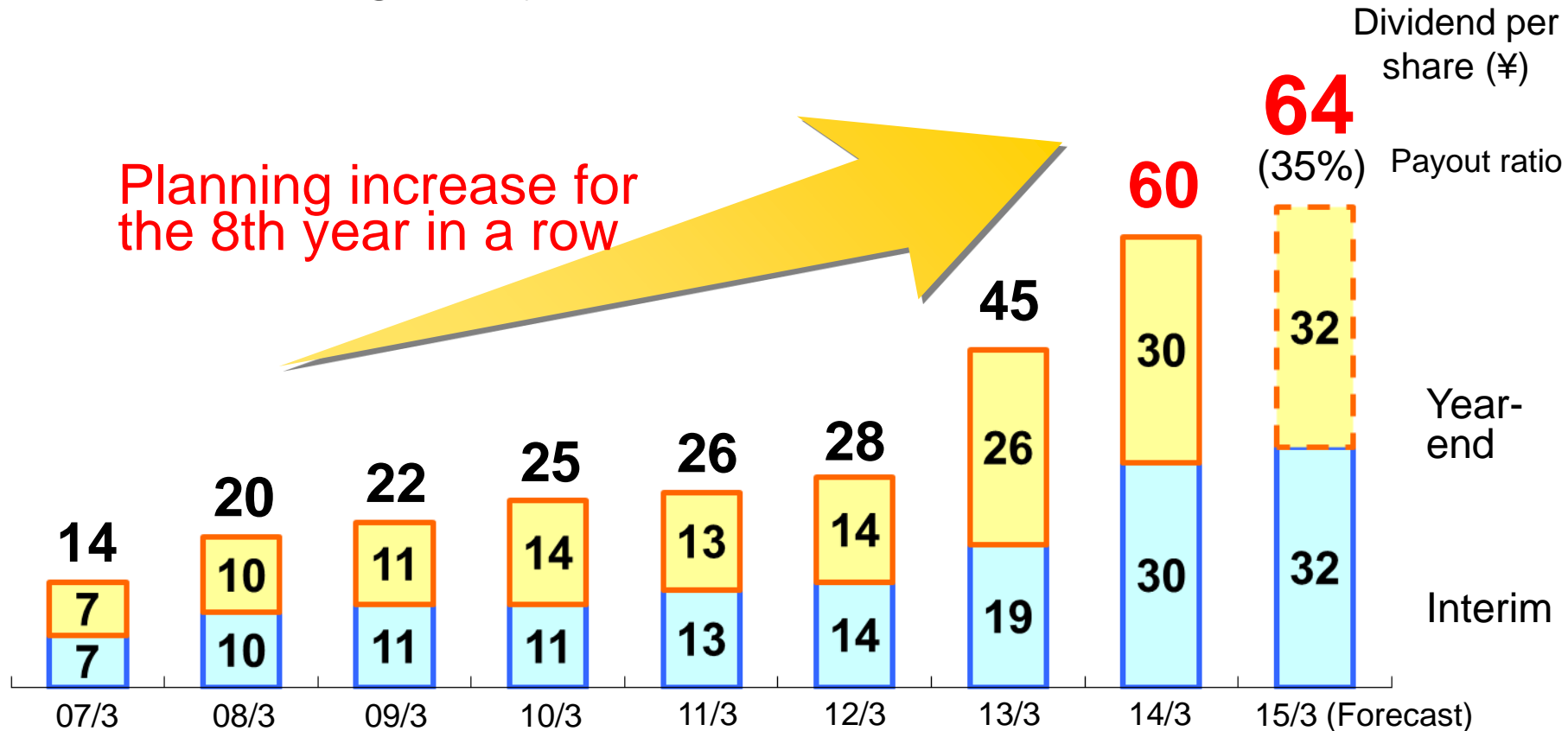


# Dividend Plan

(\*Forecasts as of October 30, 2014)

Payment of interim dividend of ¥30 as planned at the beginning of the fiscal year

- No change in year-end dividend planned





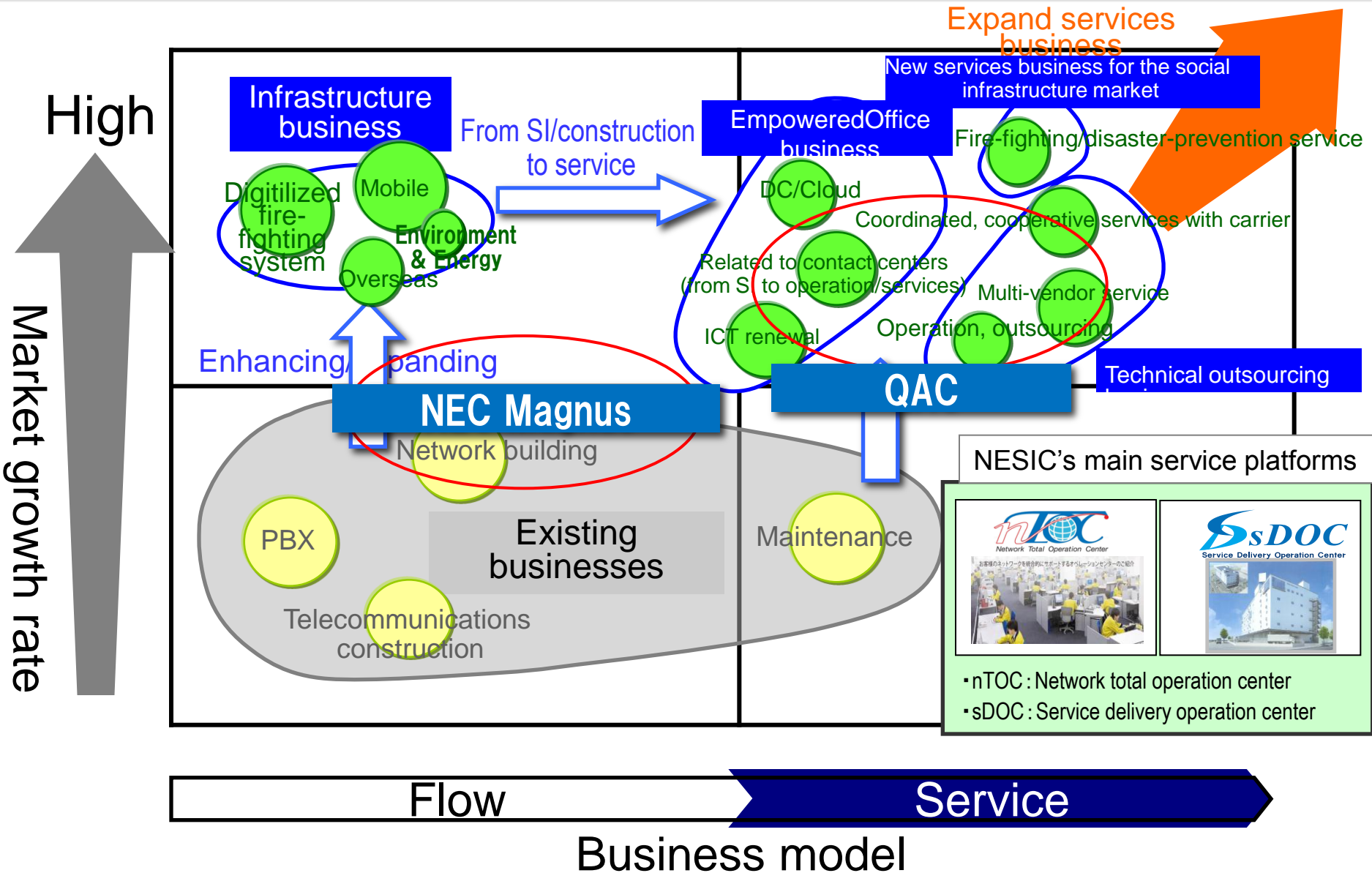
---

I. Results for 1H FY2015/3

II. Forecasts for FY2015/3

**III. Progress of Mid-Term Business Plan**

# Key Business Domains (Strategic Map)



■ Improve both of top-line and bottom-line while making a structural change to the services business

- Sales over ¥290 billion
- Operating income over ¥16 billion
- Operating margin over 5.5%
- ROE over 10%



Improve shareholder value as a listed company

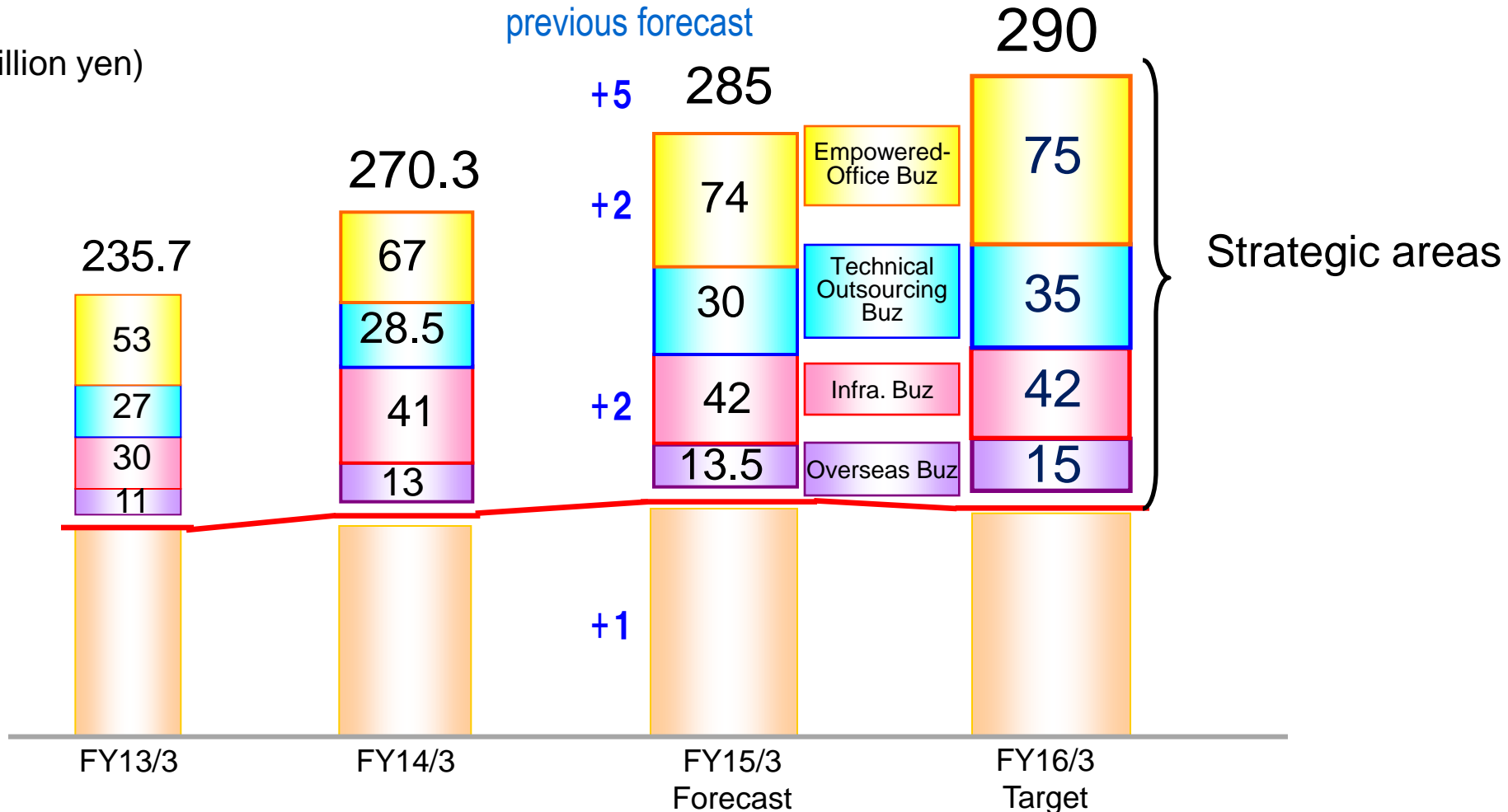
# Medium-Term Target (Net Sales by Strategic Area)

## Accelerating the growth in strategic business areas

\*Targets as of May 8, 2014

(Billion yen)

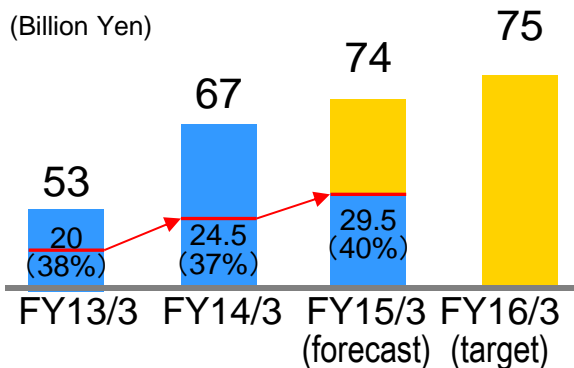
Diff. from  
previous forecast



# EmpoweredOffice Business

## Sales

(Billion Yen)



Figures in parentheses show progress rate to the full-year forecast.

## Strategy

### ● Market expansion

- Regional/public
- Further penetration into office market

### ● Services business enforcement

- Total services combining common platforms
- DC and cloud business

## Progress toward achievement of mid-term business plan

### ● Promotion of market expansion

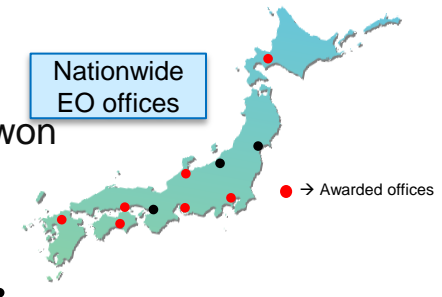
#### ◆ Further penetration into the office

- Business expansion through cooperation with developers and real estate firms

-> Related orders in 1H: Twice as many as the previous 1H

#### ◆ Promotion of conversion of regional offices and branch offices into EO and activities for brand penetration

- Increase in inquiries: Twice as many as the previous term
- Seven bases, including the head office, won the Nikkei New Office Awards



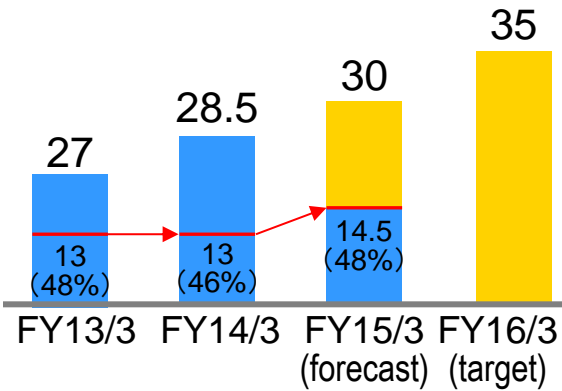
### ● Enhancing work-style innovation solutions

#### ◆ Enhancing actions on competitive, global-standard products

# Technical Outsourcing Business

## Sales

(Billion Yen)



## Strategy

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

Progress toward achievement of mid-term business plan

- Establishment of new bases for the technical outsourcing business

◆ Launch of Service Delivery Operation Center (sDOC) <July>



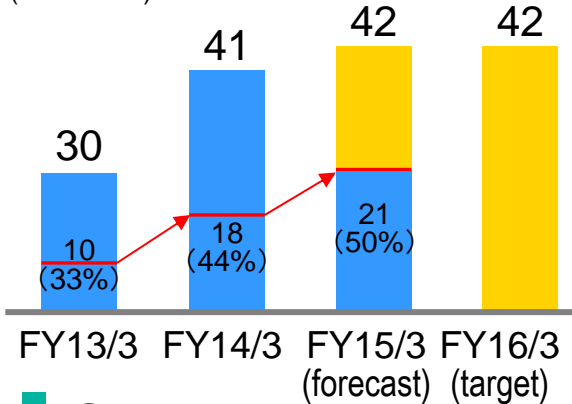
- Promoting technical OS services used at the center

- About 500 people from around 70 companies have visited the center to undertake inspection tours since its establishment.
- Order sources expanded from overseas vendors and telecom carriers to SI sales companies, etc.

# 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

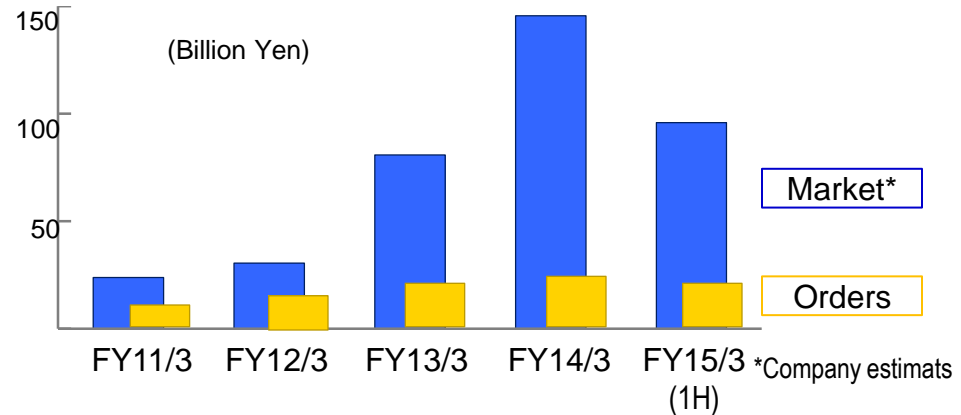
## Progress toward achievement of mid-term business plan

### ● Promotion of FF&DP

- ◆ Entering the final stretch in the activities for winning orders related to the digitalization of fire-fighting radio (due in May 2016)

### - Our market share: 20% secured

(Cumulative total for FY11/3 to 1H of FY15/3)



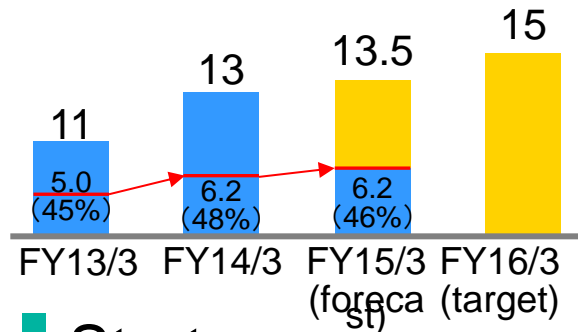
### ● Promotion of mobile BTS

- 1H: Shares for outdoor BTS increased mainly in the Tokyo metropolitan area despite the decline attributed to the absence of platinum band BTS construction projects
  - 2H: Business expansion through an increase in orders for indoor BTS
- (Order entry plan for Mobile BTS for 2H: Up 15% from the previous 2H)

# 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 toward achievement of mid-term business plan

- Expansion of telecom infrastructure business
  - ◆ Expanding the telecom infrastructure construction business through the further penetration of existing customers
    - Thailand (AIS): 3G network projects
      - Cumulative total of volume of orders in two years: Approx. 10 billion yen
    - Saudi Arabia (Aramco):
      - Expansion of plant related network
        - Project in the west coast region (expanded to approx. 4 billion yen)
        - Targeting the next large-scale project
- Initiatives in JOC business
  - Philippines: Communications facilities for major manufacturing companies
  - China, Hong Kong: Office relocations/Conversion to EO

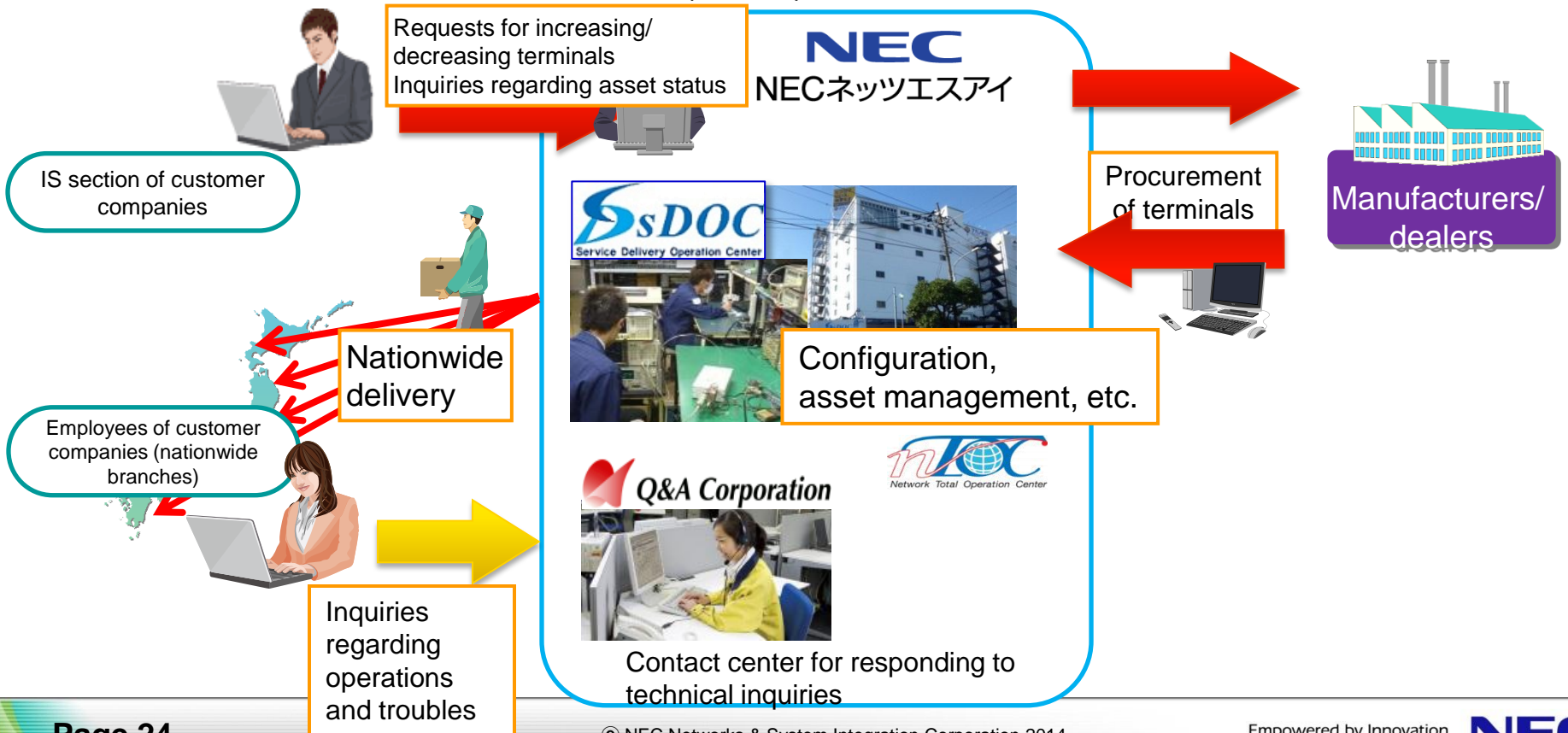


# Effects of synergies with M&A companies (Example of QAC)

## Creation of new services (1)

**NEC**  
NECネットワークスアイ ×  **Q&A Corporation**

-To undertake, as an outsourcee, all operations related to ICT asset management, ranging from the procurement of ICT terminals for customer companies, configuration, and nationwide deliveries, to asset management and responses to technical inquiries from employees of the customer companies, by combining the technical contact center function of QAC with our service infrastructure (sDOC).



# Effects of synergies with M&A companies (Example of QAC)

## Creation of new services (2)

- Multilingual contact center services provided in five languages, reflecting the increase in foreign tourists and needs associated with the globalization of companies (**available 24 hours a day, 365 days a year**)
  - **Response to technical inquiries** from employees of customer companies from all over the world concerning global-standard ICT systems and software adopted by the Japanese global companies
  - Response to inquiries from foreign residents and tourists in Japan made to the fire department (#119), hotels, and others



# In Closing

Accelerate mid-term growth achieving revised FY2014/3 forecasts


Business  
Growth

Organizational  
Growth

Human  
Growth

Conduct business giving top priority to compliance

Enhance shareholders value



# 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 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>