

Financial Results for the 1Q for the FY ending March 2016

July 30, 2015

NEC Networks & System Integration
Corporation

(TSE: 1973, NESIC)

1Q FY2016/3 Summary

- Operating income increased thanks to the improved cost of sales ratio and streamlined SG&A
- Orders were almost in line with projections, although declined.

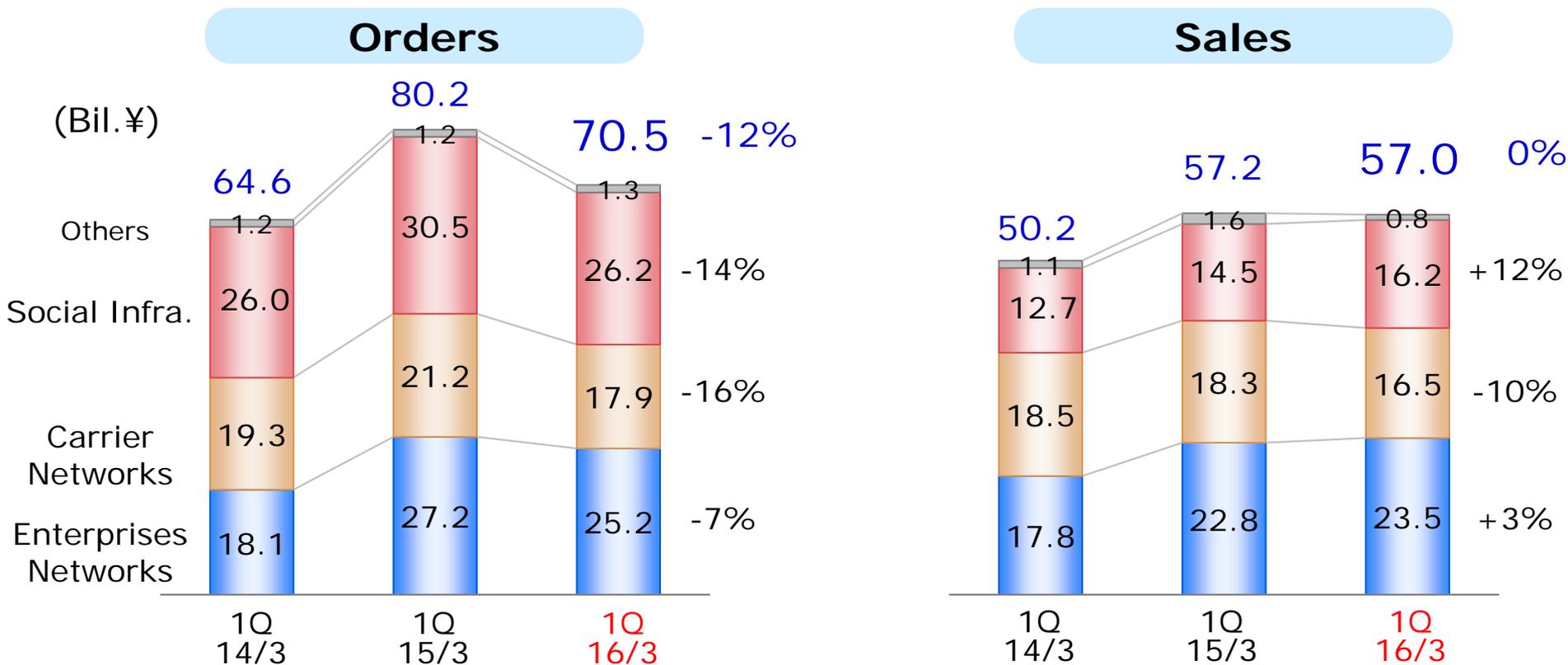
	1Q FY15/3	1Q FY16/3	Change	(Bil.¥)
Orders Received	80.2	70.5	-12%	
Net Sales	57.2	57.0	-0%	
Operating Income	0.3	0.8	+0.5	
(to Sales)	(0.5%)	(1.3%)	+0.8pt	
Net Income *	0.1	0.4	+0.3	
(to Sales)	(0.2%)	(0.6%)	+0.4pt	
Free Cash Flows	12.2	17.7	+5.5	

*Profit attributable to owners of parent

1Q FY2016/3 Orders Received/Sales by Segment

Orders declined, mainly reflecting a decrease in orders for the FF & DP systems business (- 7 billion yen) and the impact of CAPEX cuts by telecom carriers, although orders from general corporate customers and overseas increased.

Sales remained flat, offsetting the impact of CAPEX cuts by telecom carriers, as the sales of Enterprise NW and Social Infrastructure businesses, including FF & DP systems, increased.



FF: fire fighting, DP: disaster prevention

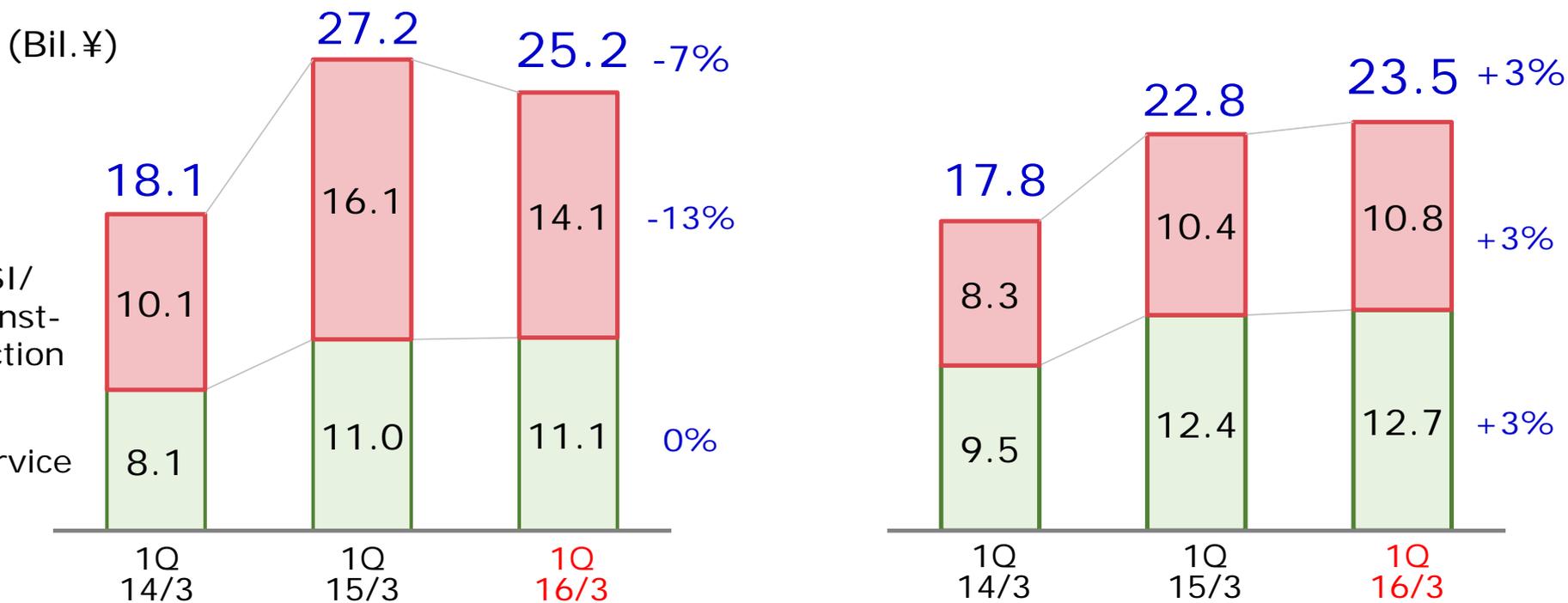
1Q FY2016/3 Enterprises Networks Business

Sales increased as the EmpoweredOffice business remained strong.

- Orders decreased, mainly reflecting a reactionary drop in large projects in the previous year.
- Sales of EmpoweredOffice solutions: + 4%.
Expected to expand, capitalizing on demand for the renewal of PBXs.

Orders

Sales



1Q FY2016/3 Carrier Networks Business

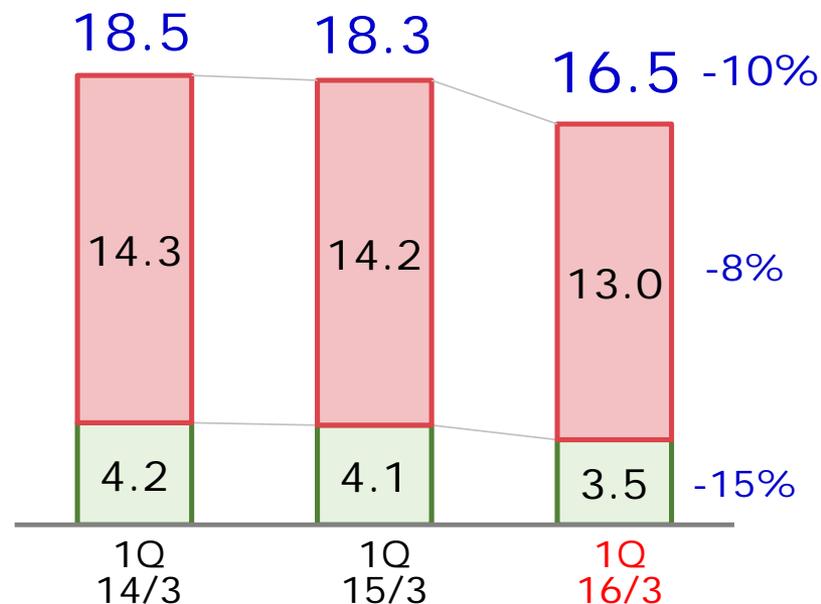
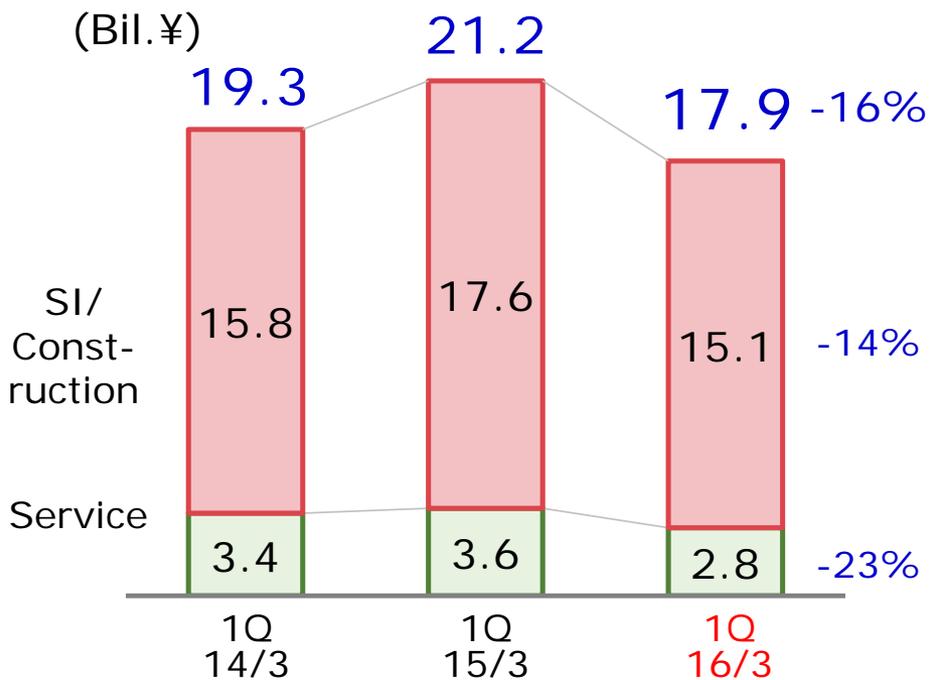
Both orders and sales decreased because of the impact of CAPEX cuts by telecom carriers.

- Dealings in the mobile BTS business declined.
(Orders: - 50%, Sales: - 25%, year on year)
- Sales in the technical outsourcing business remained unchanged.

Orders

Sales

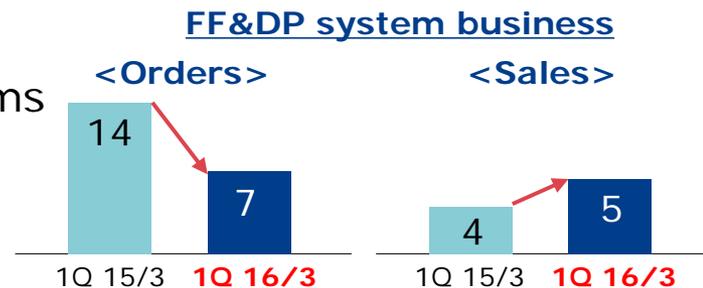
(Bil.¥)



1Q FY2016/3 Social Infrastructures Business

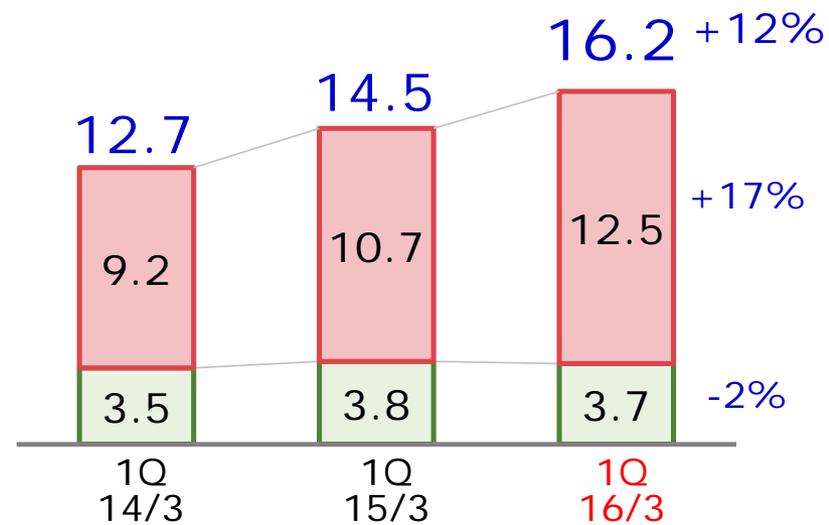
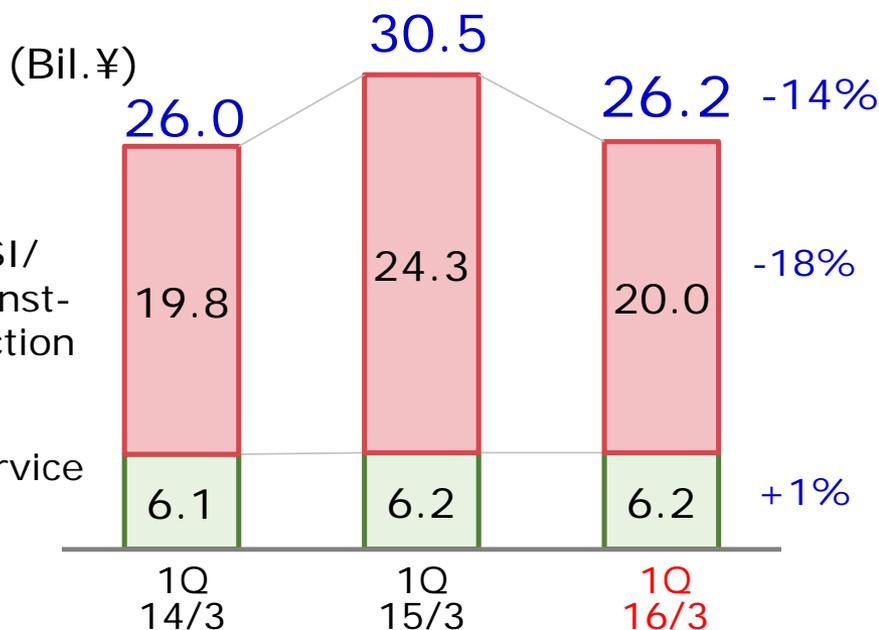
Sales rose given increased sales to government offices for such products as FF & DP systems.

- Sales of FF & DP systems increased despite a decline in orders, as the migration of FF systems was underway towards digitization before the deadline of May 2016.
- Orders increased for overseas infrastructure installation works and space-related projects.



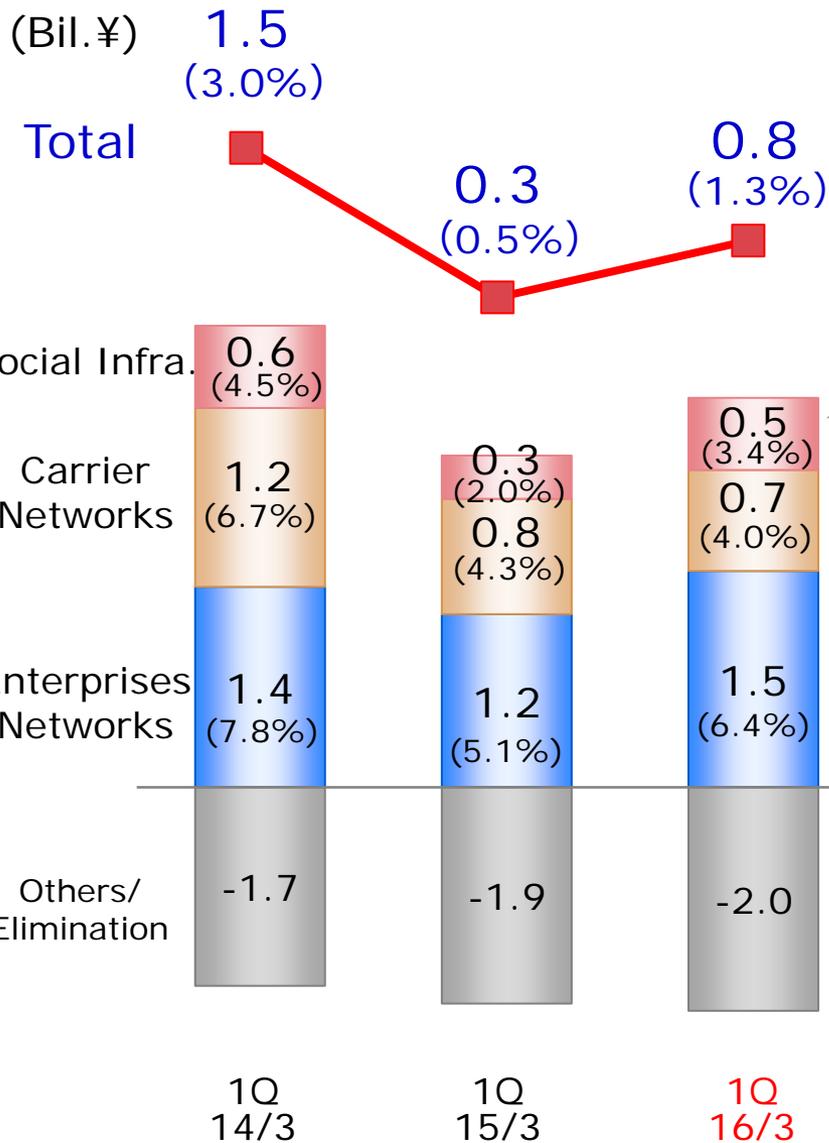
Orders

Sales



FF: fire fighting, DP: disaster prevention

1Q FY2016/3 Operating Income by Segment



Income increased with an improvement in the cost of sales ratio and the streamlining of SG&A.

- Social Infrastructure
 - Income rose on increased sales.
- Carriers Networks
 - Income remained almost unchanged, despite the impact of decreased sales, due to cost reductions such as the facilitation of in-house production and streamlining of SG&A.
- Enterprises Networks
 - Income rose on increased sales and streamlined SG&A.

1Q FY2016/3 Balance Sheet (End of June, 2015)

Owner's equity ratio improved 4.6% mainly because of a reduction in total assets through the collection of accounts receivables and payment of accounts payables.

	End of 15/3	End of 15/6	Diff.	
				(Bil.¥)
Cash and cash equivalents	39.0	56.1	17.1	
Notes & accounts receivable	113.9	71.4	-42.5	
Inventories	10.1	13.2	3.0	
other	8.1	9.6	1.5	
Current Assets	171.1	150.2	-20.8	
Noncurrent Assets	30.9	30.9	0.0	
Assets	202.0	181.1	-20.8	
Notes and accounts payable	48.7	33.7	-15.0	
Loans	6.2	7.5	1.4	
Other	53.0	47.0	-5.9	
Liabilities	107.8	88.2	-19.6	
Shareholders' equity	94.4	93.2	-1.2	
Accumulated other comprehensive income	-1.9	-1.9	-0.1	
Non-controlling interests	1.6	1.6	0.0	
Net Assets	94.2	92.9	-1.3	
Liabilities & Net Assets	202.0	181.1	-20.8	
Owner's Equity Ratio	45.8%	50.4%	+4.6pt	

1Q FY2016/3 Cash Flows

FCF for 1Q improved significantly, reflecting payments received for large projects that had not been recognized as sales at the end of the previous fiscal year.

(Bil.¥)

	1Q 15/3	1Q 16/3
Operating Cash Flow (A)	13.7	18.6
Investment Cash Flow(B)	-1.5	-0.9
Free Cash Flows (A) + (B)	12.2	17.7
Financial Cash Flow	-1.8	-0.4
Cash and Cash Equivalents	54.8	56.1

No change from the initial forecasts

(Bil.¥)

	FY15/3	FY16/3 Forecasts	Change
Orders Receipts	299.1	300	+0%
Net Sales	292.2	295	+1%
Operating Income	16.2	16.5	+ 0.3
(to Sales)	(5.5%)	(5.6%)	+0.1pt
Net Income [*]	7.8	9.5	+1.7
(to Sales)	(2.7%)	(3.2%)	+0.5pt

*Profit attributable to owners of parent

※Forecasts as at July 30, 2015

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.

The Group implemented the realignment of domestic subsidiaries to facilitate the efficient management of group companies, such as the integration (absorption-type merger) of Toyo Networks & System Integration Co., Ltd by NEC Magnus Communications, Ltd. As a result, changes were made to the consolidated financial results from the first quarter under review, such as the inclusion of Toyo Networks & System Integration Co., Ltd, which had been included in the "others" segment previously, in the "Carrier Networks" segment, which includes NEC Magnus Communications, Ltd.

Segment information for the fiscal years ended March 2014 and 2015 has been changed to reflect the change in the content of business segments.

Re-designing your Communication

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



NEC

NEC Networks & System Integration Corporation

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