

# Financial Results for the 1Q for the FY ending March 2017

July 29, 2016

NEC Networks & System Integration  
Corporation

(TSE: 1973, NESIC)

# 1Q FY2017/3 Summary

Net sales and income decreased year on year due primarily to reduced investment by telecom carriers and a decline in orders for the FF & DP system business.

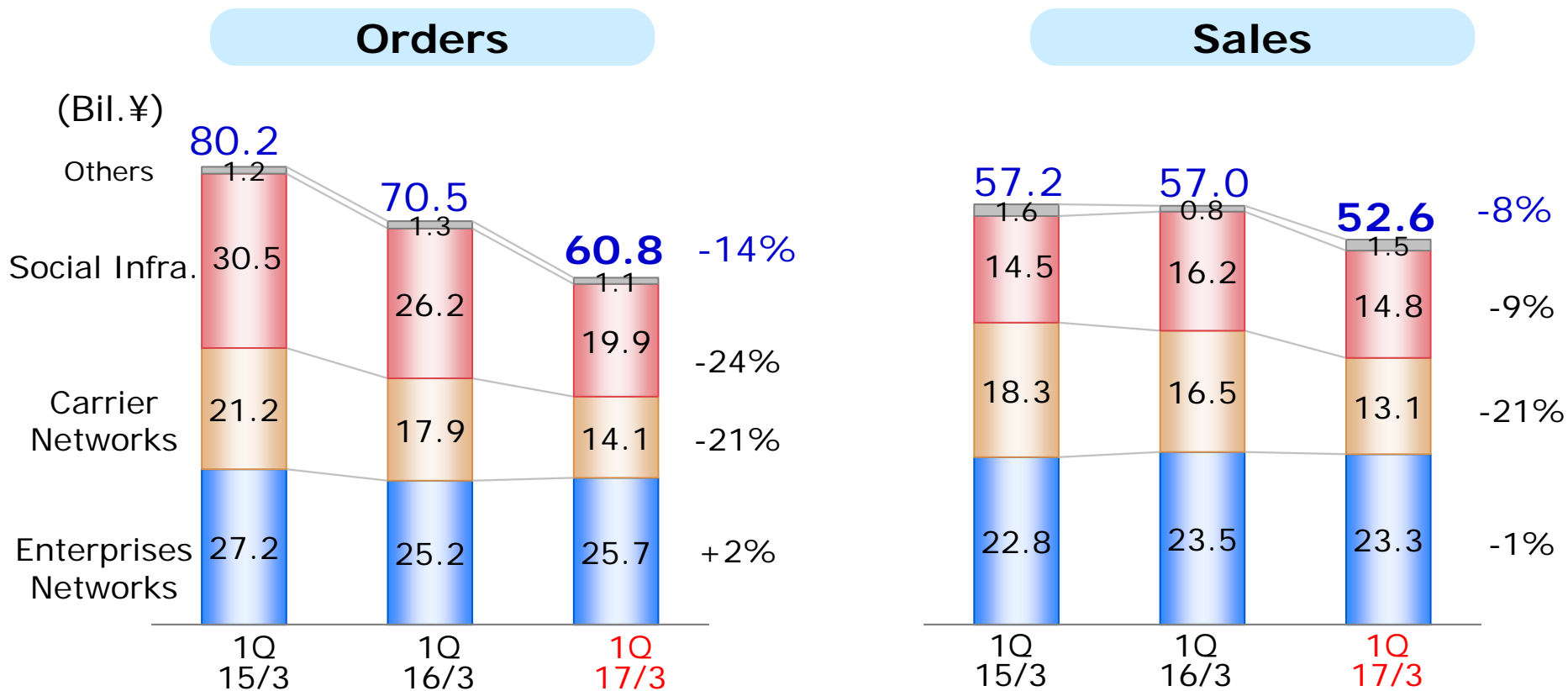
	1Q FY16/3	1Q FY17/3	Change	(Bil.¥)
Orders Received	70.5	60.8	-14%	
Net Sales	57.0	52.6	-8%	
Operating Income(Loss)	0.8	-0.5	-1.2	
(to Sales)	(1.3%)	-	-	
Net Income(Loss) attributable to owners of the parent	0.4	-0.5	-0.9	
(to Sales)	(0.6%)	-	-	
Free Cash Flows	17.7	18.0	+0.3	

\*FF: Fire-Fighting, DP: Disaster Prevention

# 1Q FY2017/3 Orders Received/Sales by Segment

Orders decreased year on year due to postponing the Social Infrastructure business to the 2Q or later (-¥3 bil.), as well as a decline in investment by telecom carriers (- 3) and FF & DP business (- 3).

Sales fell year on year given reduced investment by telecom carriers (- 3) and decreased business in FF & DP systems (- 3).



# 1Q FY2017/3 Enterprises Networks Business

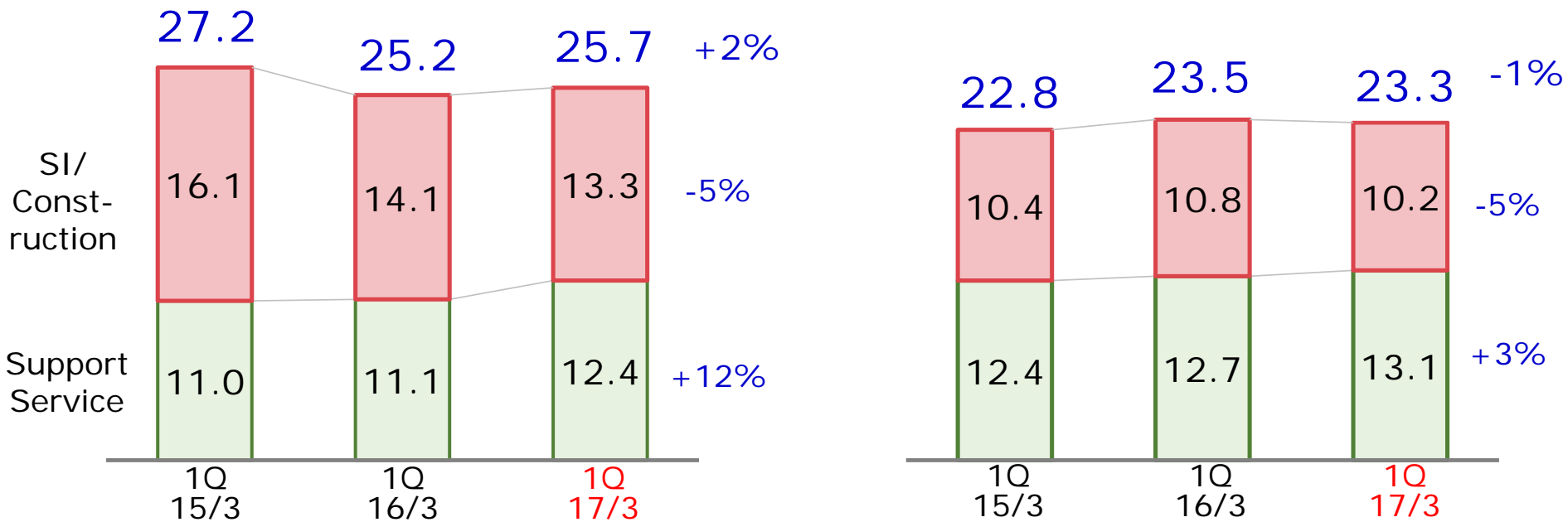
While ICT investment in the area of work style innovation remained strong, orders received and net sales remained flat from a year earlier because of the concentration of projects in 2Q.

- Both orders received and net sales in the service-based business steadily increased.

## Orders

## Sales

(Bil.¥)



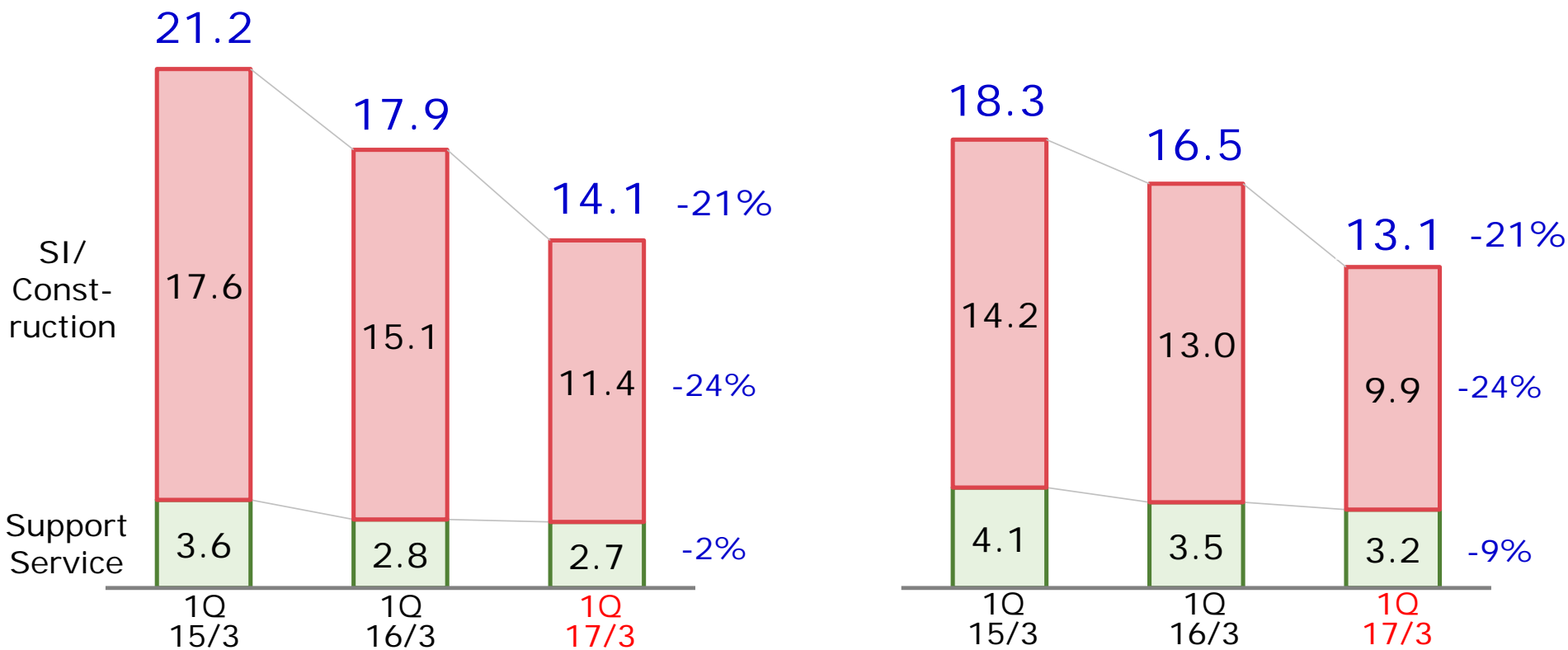
# 1Q FY2017/3 Carrier Networks Business

Both orders received and net sales decreased year on year due to reduced investment by telecom carriers.

(Bil.¥)

## Orders

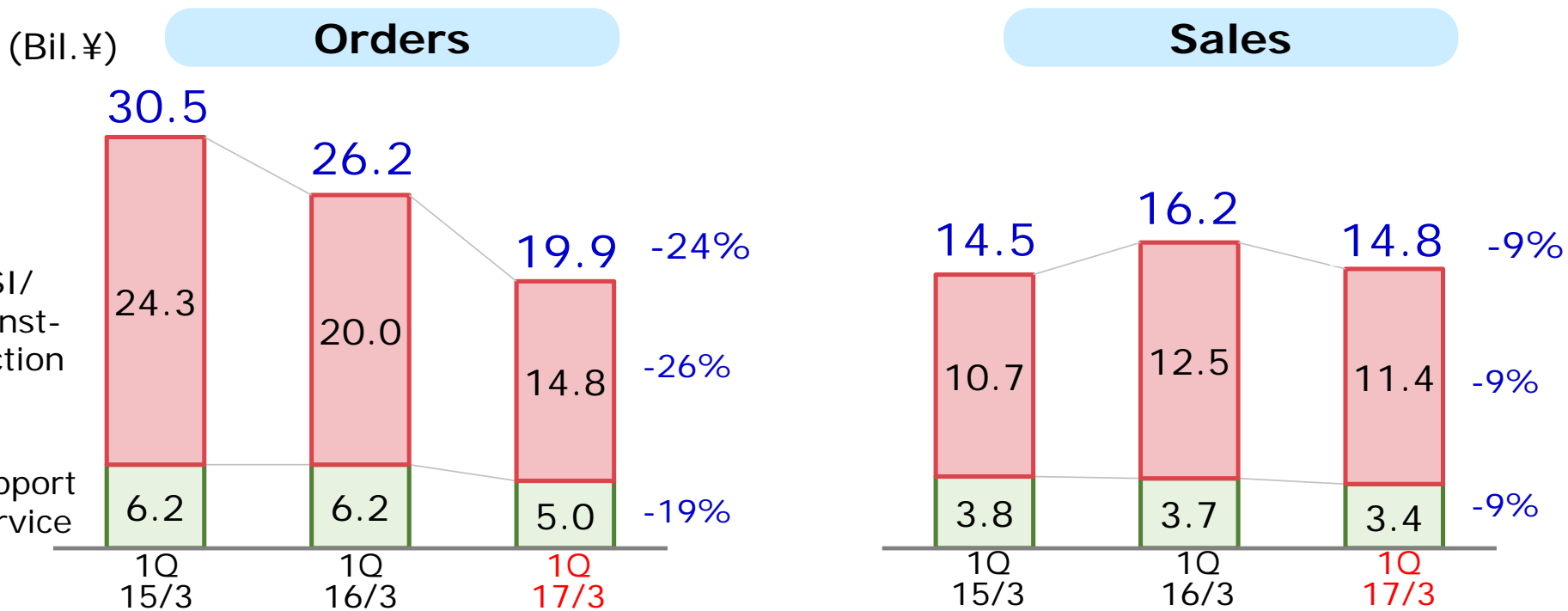
## Sales



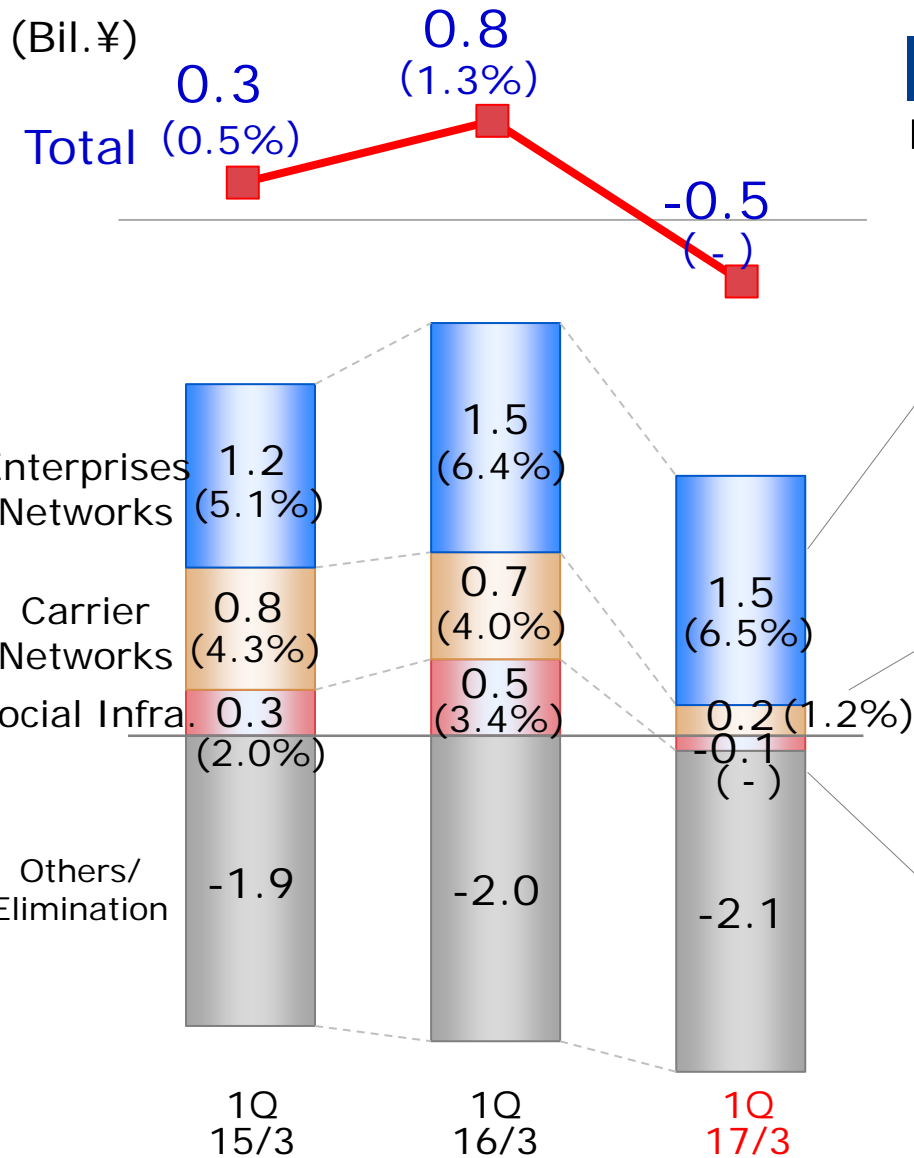
# 1Q FY2017/3 Social Infrastructure Business

Despite growth of overseas businesses, sales decreased year on year due to the completion of the FF emergency radio system digitalization project.

The decline in orders was caused largely by reduced business in FF and DP systems (¥-3) and pushing projects back to 2Q or later (-3).



# 1Q FY2017/3 Operating Income/Loss by Segment



Operating income declined due to reduced net sales.

## Enterprise Networks

- Operating income remained flat as an improved cost ratio offset slightly lower sales.

## Carrier Networks

- Operating income declined due to reduced net sales.
- Cost ratio improved due to the effects of cost structure reform.

## Social Infrastructure

- Operating income declined due to reduced net sales.
- Cost ratio fell on the temporary effect of low-profitability projects.

# 1Q FY2017/3 Cash Flows

(Bil.¥)

	1Q FY16.3	1Q FY17.3
Operating Cash Flow (A)	18.6	18.5
Investment Cash Flow(B)	-0.9	-0.6
<b>Free Cash Flows (A) + (B)</b>	<b>17.7</b>	<b>18.0</b>
Financial Cash Flow	-0.4	-1.5
Cash & cash equivalent	56.1	60.3



## No change from the initial forecasts

(Bil.¥)

	FY16/3	FY17/3 Forecasts	Change
Orders Receipts	274.9	280	+2%
Net Sales	280.0	270	-4%
Operating Income	14.1	13.5	-0.6
(to Sales)	(5.0%)	(5.0%)	0.0pt
Net Income	6.0	8.0	+2.0
attributable to owners of the parent (to Sales)	(2.1%)	(3.0%)	+0.9pt

※Forecasts as at July 29, 2016

# (Ref.) 1Q FY2017/3 Balance Sheet (End of June, 2016)

	End of Mar.16	End of Jun.16	Diff.
Cash and cash equivalents	43.9	60.3	16.5
Notes & accounts receivable	104.8	66.0	-38.8
Inventories	9.2	11.4	2.2
Others	9.7	11.5	1.8
<b>Current Assets</b>	<b>167.6</b>	<b>149.2</b>	<b>-18.4</b>
Noncurrent Assets	28.9	28.4	-0.5
<b>Assets</b>	<b>196.6</b>	<b>177.6</b>	<b>-19.0</b>

(Bil.¥)

Notes and accounts payable	39.2	24.9	-14.3
Loans/debt	8.5	8.7	0.2
Others	54.5	51.8	-2.7
<b>Liabilities</b>	<b>102.2</b>	<b>85.4</b>	<b>-16.8</b>
Shareholders' equity	97.1	94.8	-2.3
Accumulated other comprehensive income	-4.4	-4.3	0.1
Non-controlling interests	1.7	1.7	0.1
<b>Net Assets</b>	<b>94.4</b>	<b>92.3</b>	<b>-2.1</b>
<b>Liabilities &amp; Net Assets</b>	<b>196.6</b>	<b>177.6</b>	<b>-19.0</b>

<b>Owner's Equity Ratio</b>	<b>47.2%</b>	<b>51.0%</b>	<b>+3.8pt</b>
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# 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 of the FY 2016/3, 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 FY 2015/3 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>