

# Financial Results for the 1Q for the FY ending March 2018

July 31, 2017

NEC Networks & System Integration  
Corporation

(TSE: 1973, NESIC)

# 1Q FY2018/3 Summary

Toward a return to growth, orders increased. Sales grew steadily, in line with the annual forecast.

Operating loss increased due to elevated expenses for growth and the impact of unprofitable projects.

(¥ Bn.)

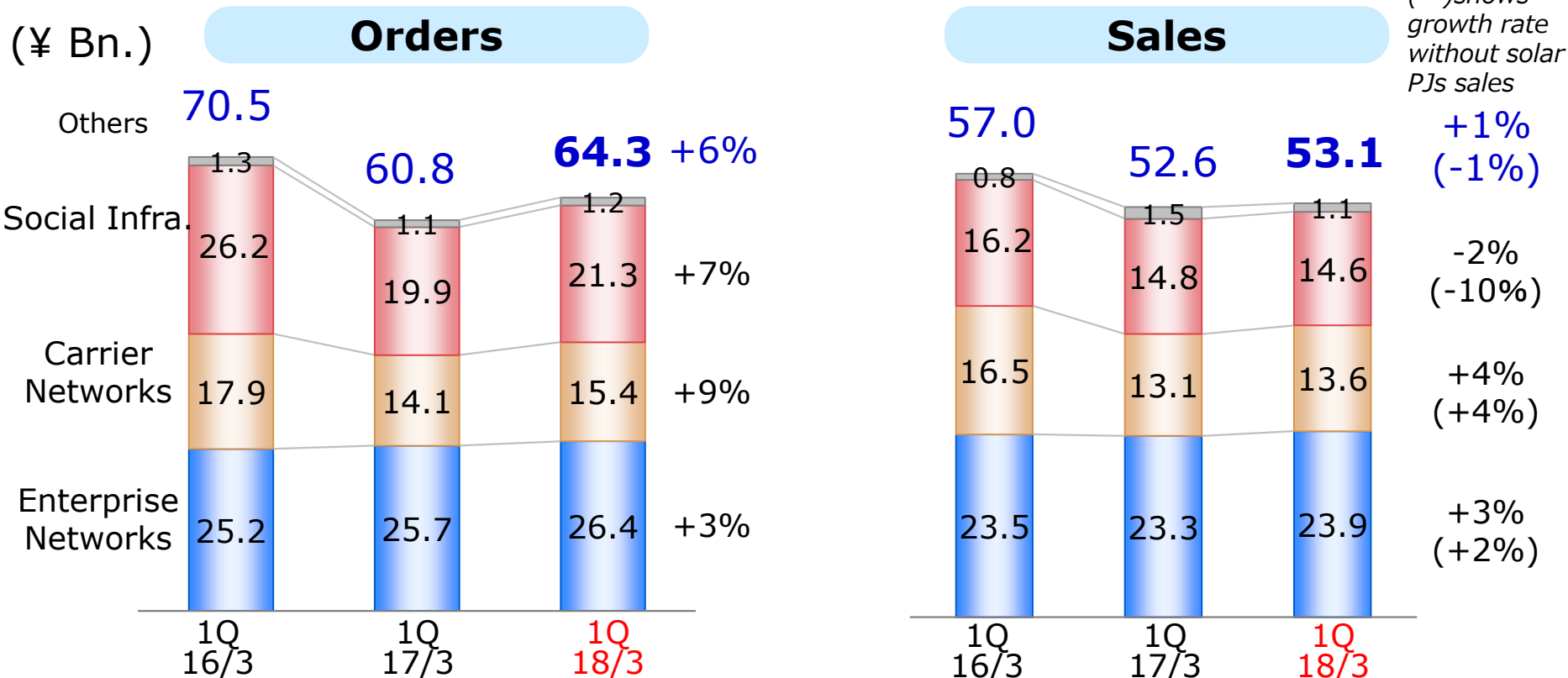
	1Q FY17/3	1Q FY18/3	Change
Orders Received	60.8	64.3	+6%
Net Sales	52.6	53.1	+1%
Operating Income(Loss)	(0.5)	(0.7)	-0.2
(to Sales)	-	-	-
Net Income(Loss) attributable to owners of the parent	(0.5)	(0.6)	-0.1
(to Sales)	-	-	-
Free Cash Flows	18.0	17.3	-0.6

# 1Q FY2018/3 Orders Received/Sales by Segment

**Orders** : Increased year on year in all segments.

**Sales** : Sales increased on a company-wide basis due to expanded Enterprise Networks and Carrier Networks, although Social Infrastructures posted a decrease year on year.

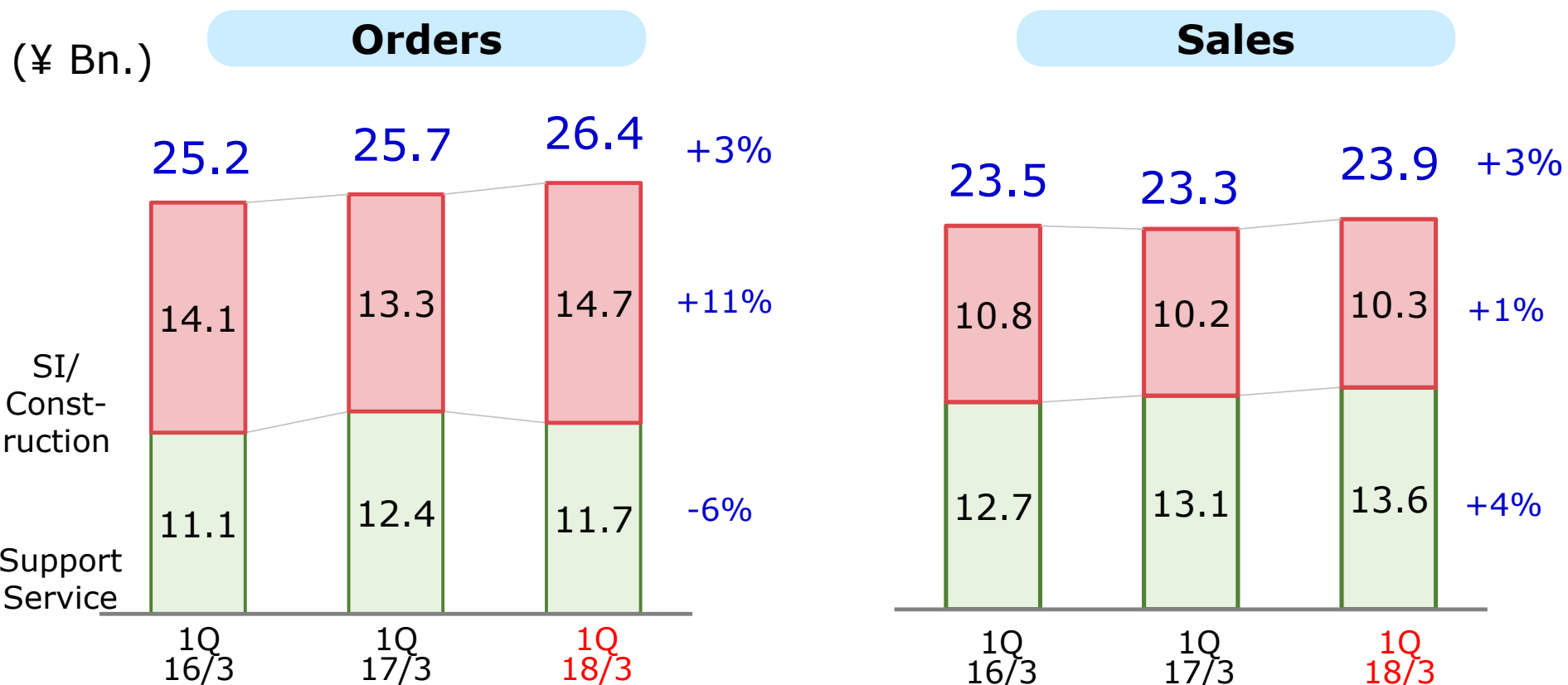
- The large solar power generation plants projects, for which an order was received in the previous fiscal year, has made steady progress centered on the civil engineering phase (sales: approx. ¥1 bn.).



# 1Q FY2018/3 Enterprise Networks Business

Areas relating to work style innovation expanded steadily, with both orders and sales increasing year on year.

- Sales of EmpoweredOffice (Work style innovation solution): +8%

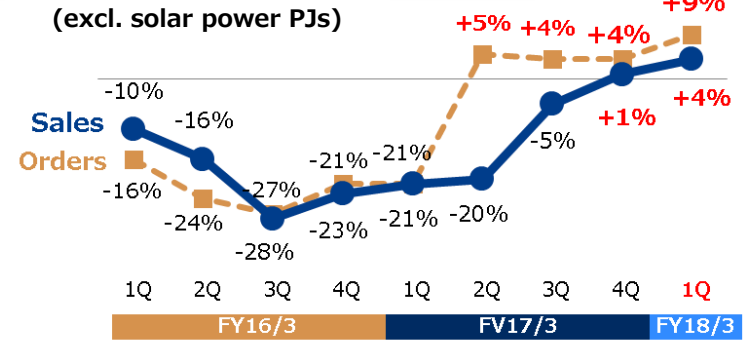


# 1Q FY2018/3 Carrier Networks Business

Businesses for telecom carriers increased, with both orders and sales increasing year on year.

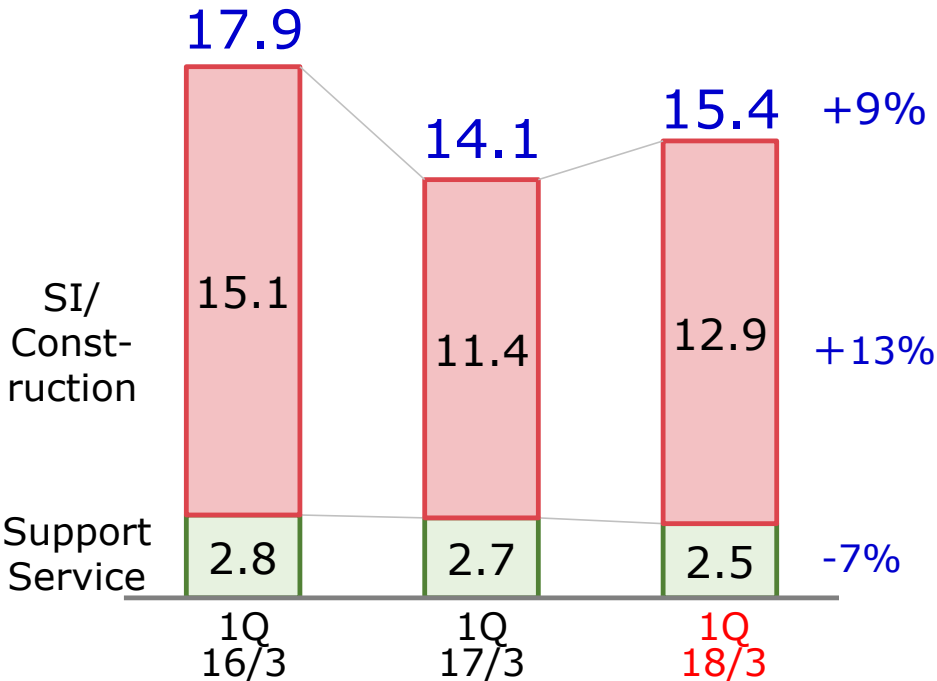
- Investments by telecom carriers bottomed out.

## YOY Changes of Orders/Sales

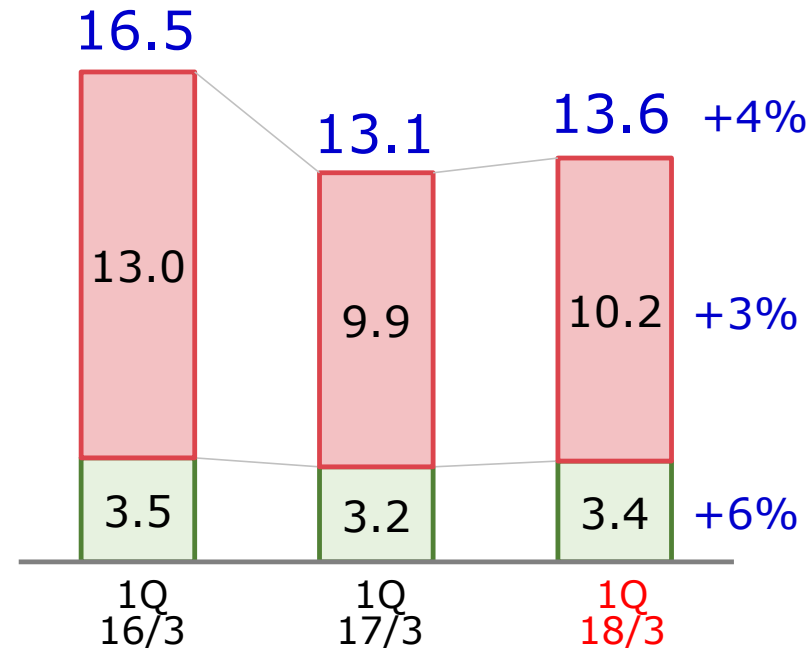


(¥ Bn.)

## Orders



## Sales



# 1Q FY2018/3 Social Infrastructures Business

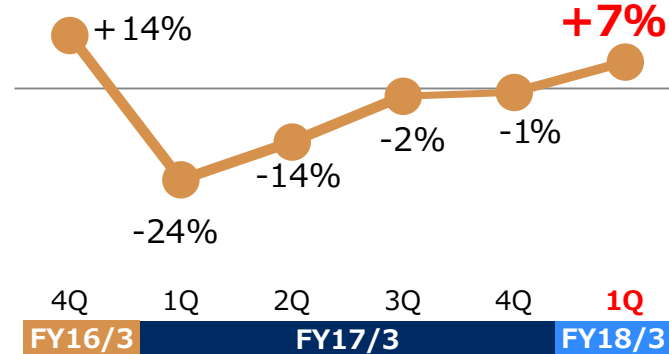
Sales were almost flat from the previous year.

- Large solar power projects ordered in the previous fiscal year contributed to sales, although those for governmental agencies declined.

Orders increased year on year for the first time in these five quarters.

## YOY Changes of Orders

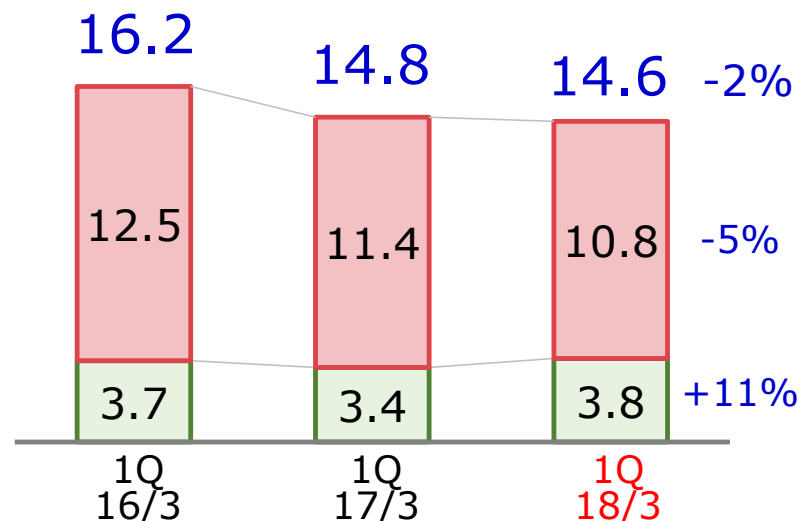
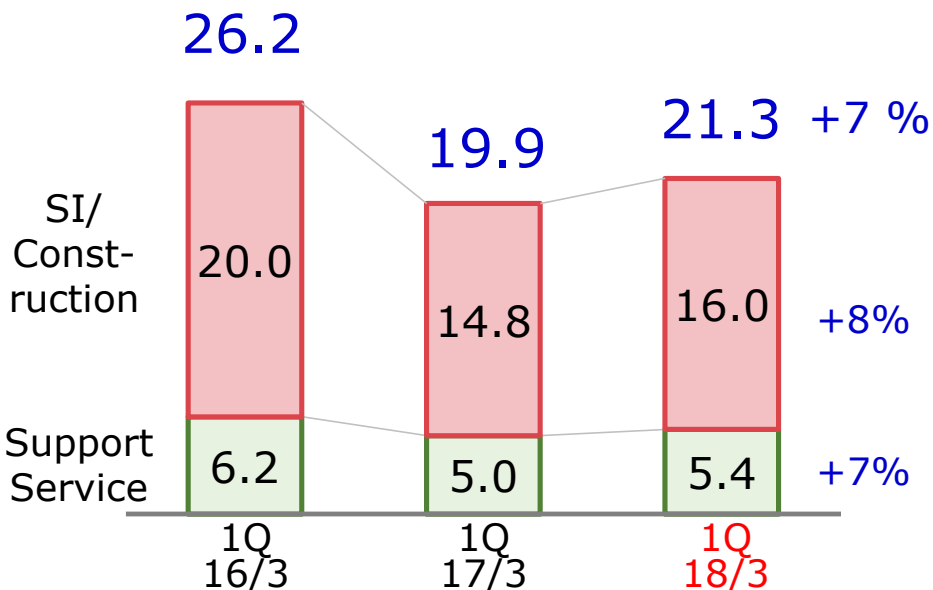
(excl. solar power PJs)



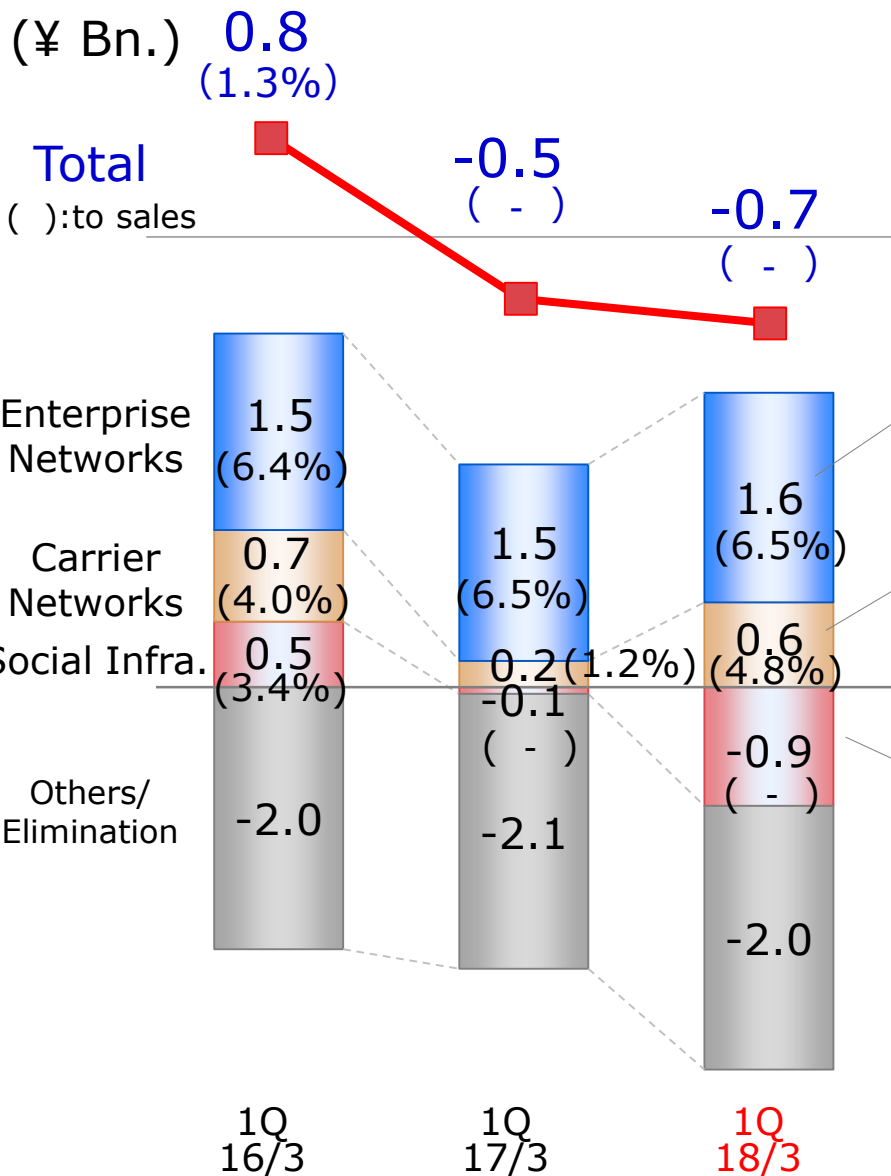
(¥ Bn.)

## Orders

## Sales



# 1Q FY2018/3 Operating Income/Loss by Segment



Operating income declined by decreased income of the Social Infrastructures business, although the Carrier Networks businesses posted higher income.

## ● Enterprise Networks

- Income rose due to increased sales.

## ● Carrier Networks

- Operating income increased due to the impact of cost structure reforms and increased sales.

## ● Social Infrastructures

- Operating income declined due primarily to the influence of unprofitable projects (overseas railroad projects) and increased expenses for growth.
- The profitability trend of the large solar power projects were just as assumed in advance.

# FY2018/3 Forecasts

Targeting the initial forecasts by making up for the delay in Social Infrastructures, mainly with Carrier Networks.

(¥ Bn.)

	1H 17/3	1H 18/3 forecast	Change	17/3	18/3 forecast	Change
Orders receipts	144.4	140.0	-3%	279.2	280	0%
Net sales	118.8	120.0	+1%	257.9	270	+5%
Operating income	1.7	2.0	+0.3	10.0	10.5	+0.5
(to sales)	(1.5%)	(1.7%)	+0.2pt	(3.9%)	(3.9%)	0.0pt
Net income	1.0	1.1	+0.1	6.5	6.7	+0.2
attributable to owners of the parent						
(to sales)	(0.9%)	(0.9%)	0.0pt	(2.5%)	(2.5%)	0.0pt

(Forecast as at July 31, 2017)



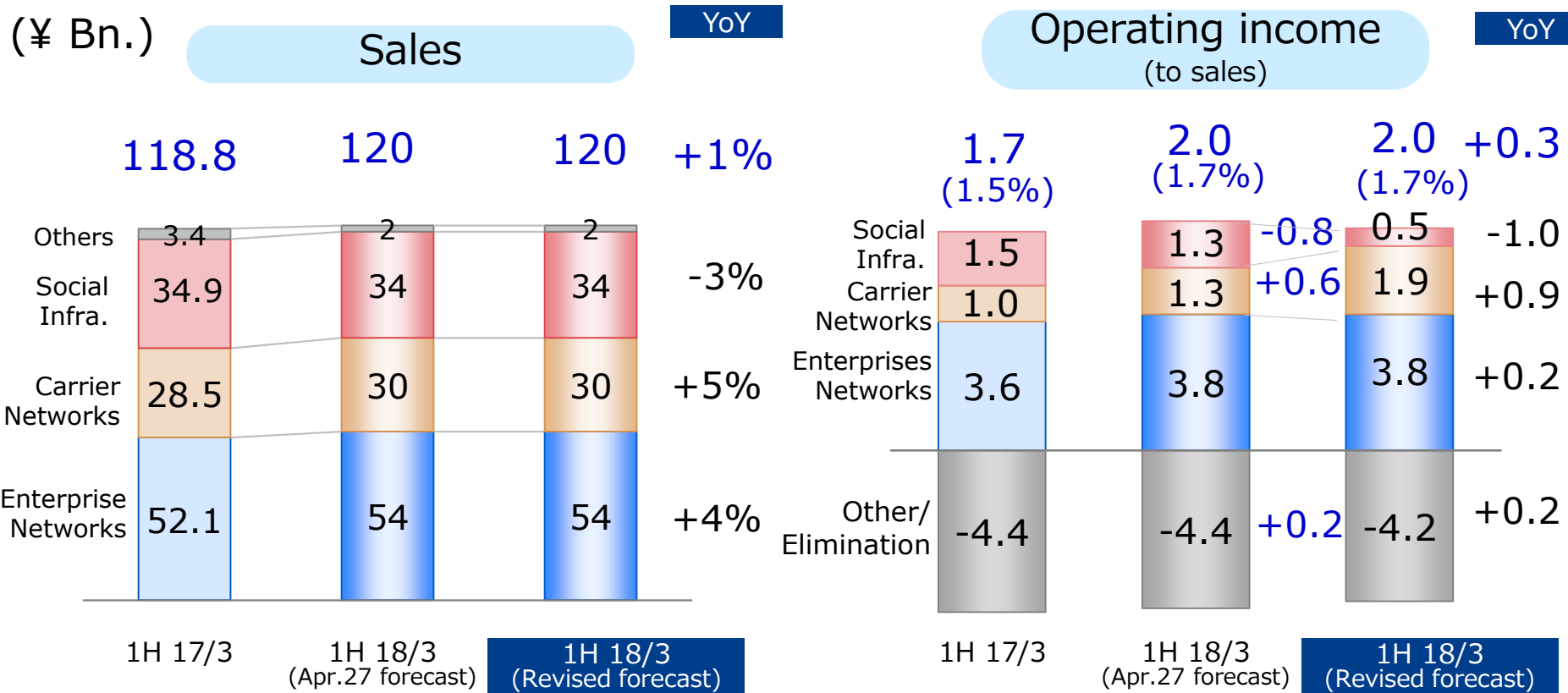
# 1H FY2018/3 Forecasts by Segment (Sales & Operating Income)

(Forecast as at July 31, 2017)

Sales progressed as forecast, so no change is made.

In terms of operating income, considering the progress in 1Q, the amount for Social Infrastructures has been reduced and the amounts for Carrier Networks and eliminations have been increased.

\* Forecasts by segment for the full year are to be reviewed based on the results of 1H.



# (Ref.) 1Q FY2018/3 Balance Sheet (End of June, 2017)

	End of Mar.17	End of Jun.17	Diff.	(¥ Bn.)
Cash and cash equivalents	59.6	74.5	14.8	
Notes & accounts receivable	91.2	59.9	-31.3	
Inventories	8.5	9.5	1.0	
Others	9.7	10.2	0.5	
<b>Current Assets</b>	<b>169.0</b>	<b>154.0</b>	<b>-15.0</b>	
Noncurrent Assets	28.5	28.2	-0.2	
<b>Assets</b>	<b>197.5</b>	<b>182.3</b>	<b>-15.2</b>	
Notes and accounts payable	36.5	26.2	-10.2	
Loans/debt	8.3	7.7	-0.6	
Others	56.1	54.0	-2.1	
<b>Liabilities</b>	<b>100.8</b>	<b>87.9</b>	<b>-12.9</b>	
Shareholders' equity	100.1	97.7	-2.4	
Accumulated other comprehensive income	-5.5	-5.4	0.1	
Non-controlling interests	2.1	2.1	0.1	
<b>Net Assets</b>	<b>96.7</b>	<b>94.4</b>	<b>-2.3</b>	
<b>Liabilities &amp; Net Assets</b>	<b>197.5</b>	<b>182.3</b>	<b>-15.2</b>	
<b>Owner's Equity Ratio</b>	<b>47.9%</b>	<b>50.6%</b>	<b>+2.7pt</b>	

# (Ref.) 1Q FY2018/3 Cash Flows


(¥ Bn.)

	1Q FY17.3	1Q FY18.3
Operating Cash Flow (A)	18.5	18.3
Investment Cash Flow(B)	-0.6	-0.9
<b>Free Cash Flows (A)+(B)</b>	<b>18.0</b>	<b>17.3</b>
Financial Cash Flow	-1.5	-2.5
Cash & cash equivalent	60.3	74.5

# 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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