

# Financial Results for the First 9 Months for the Fiscal Year ending March 2019 (For Press Conference)

January 30, 2019

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

# 9M FY2018/3 Summary

## Orders and sales grew driven by Enterprise NW and Carrier NW

- Orders received: Increased offsetting the impact of the mega-solar plant project (-165)  
\*Excluding the impact of the mega-solar plant project: +12%

## Operating income increased significantly

- Despite proactive spending for growth, earnings capabilities were strengthened further.

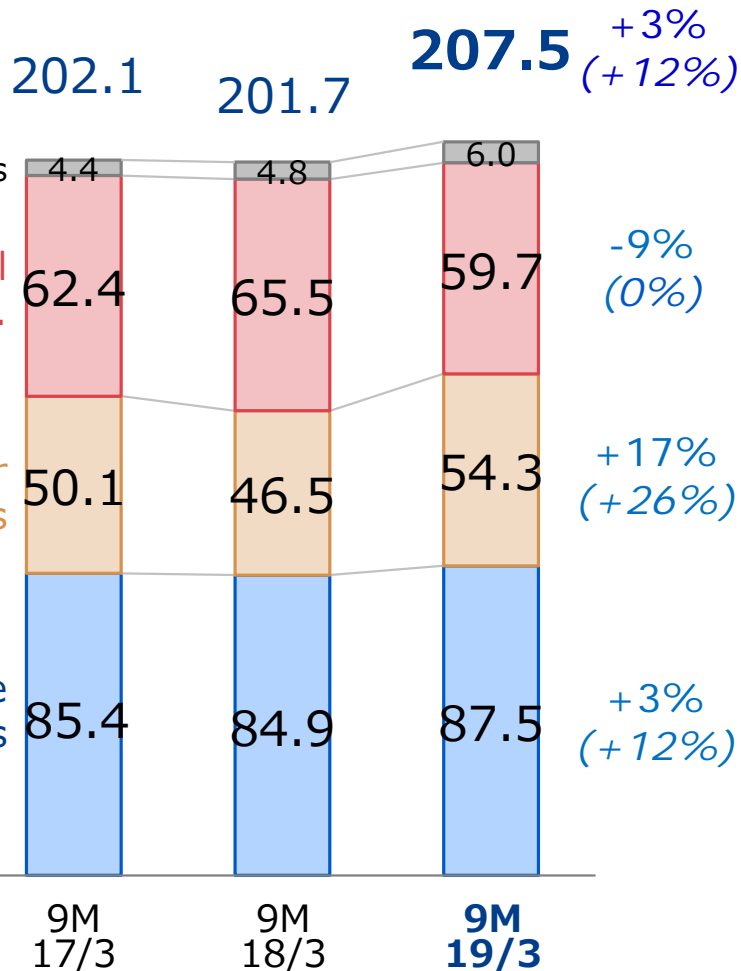
(¥ Bn.)

	9M			(ref.) 3Q		
	FY2018/3	FY2019/3	Change	FY2018/3	FY2019/3	Change
Orders received	201.7	207.5	+3%	73.0	60.7	-17%
Net sales	184.9	191.0	+3%	65.0	68.5	+5%
Gross margin	15.8%	16.6%	+0.8pt	15.6%	17.8%	+2.2pt
Operating income	4.4	6.3	+1.8	1.9	3.7	+1.7
(to sales)	(2.4%)	(3.3%)	+0.9pt	(3.0%)	(5.3%)	+2.3pt
Net income attributable to owners of the parent	3.0	4.3	+1.3	1.4	2.4	+1.0
(to sales)	(1.6%)	(2.2%)	+0.6pt	(2.1%)	(3.5%)	+1.4pt
Free cash flows	3.7	2.0	-1.7	-8.0	-9.5	-1.5

# 9M FY2019/3 Orders Received by Segment

(¥ Bn.)

( ) shows growth rate without solar PJ's orders



## Enterprise Networks

- Workstyle innovation-related business continued to expand.

- The number of office visitors increased 55% year on year.

- Projects for financial customers were concentrated in the current fiscal year.

## Carrier Networks

- Orders from telecom carriers, mainly for base stations, increased.

- Orders from non-carriers, particularly those from hotels, increased.

## Social Infrastructures

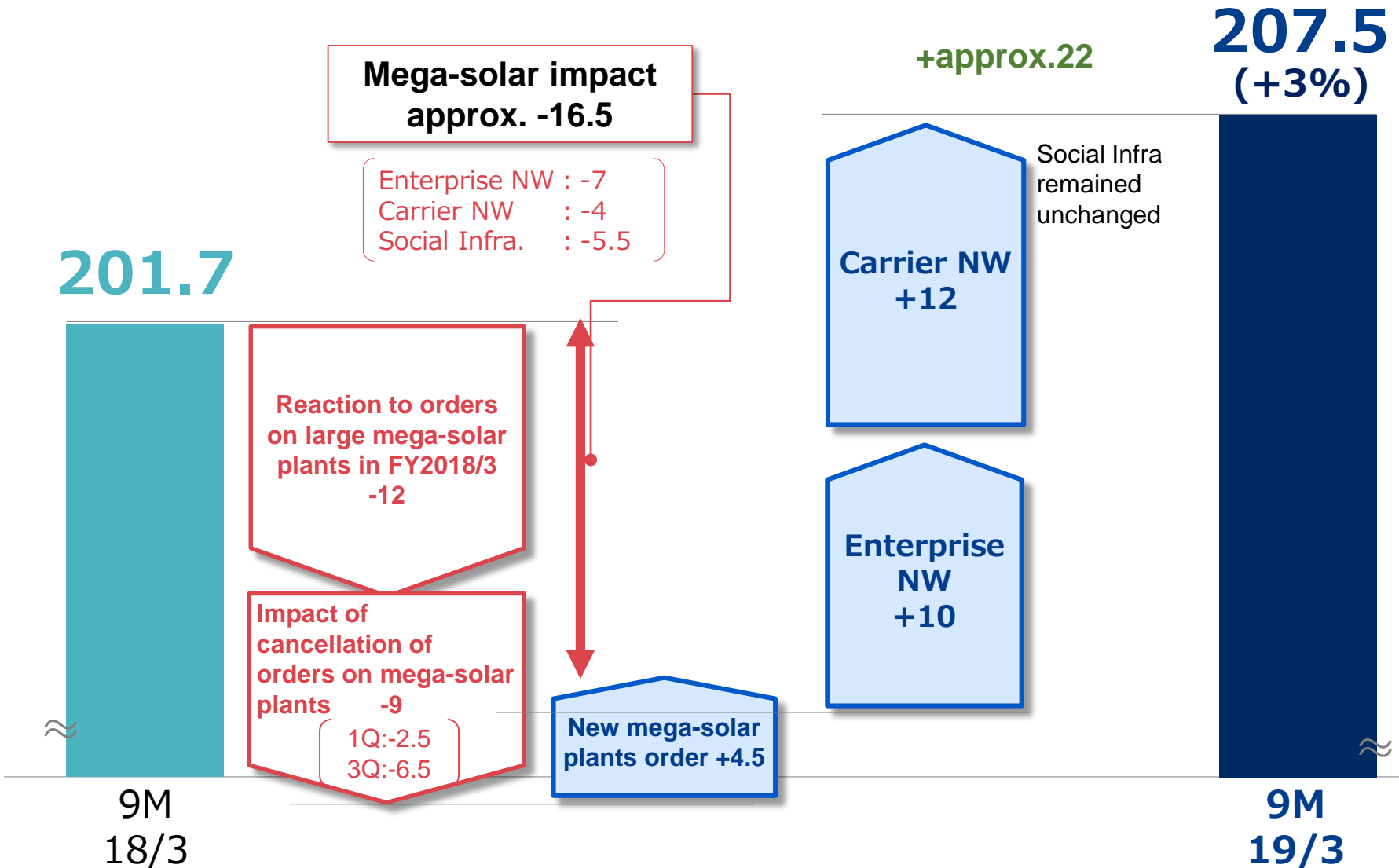
- Orders decreased due to the negative impact of the mega-solar business and a reaction to increased orders for domestic large-scale public projects in the previous fiscal year, despite orders for overseas large-scale projects in the first half.

- Almost unchanged, excluding the impact of the mega-solar business

# 9M FY2019/3 Factors of Orders Received Change

(¥ Bn.)

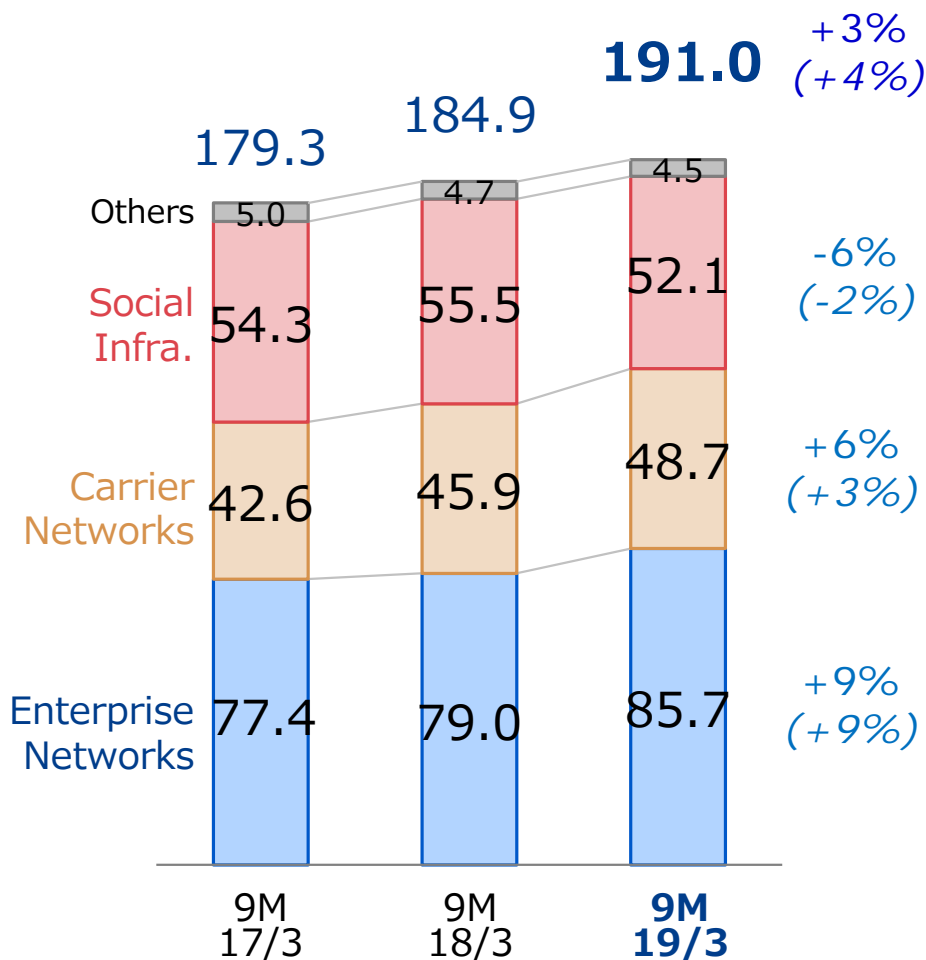
Excluding the mega-solar impact



# 9M FY2019/3 Net Sales by Segment

(¥ Bn.)

( ) shows growth rate without solar PJs sales



## Enterprise Networks

● Workstyle innovation-related business and sales of subsidiaries grew.

- Sales of Empowered Office: +7%

## Carrier Networks

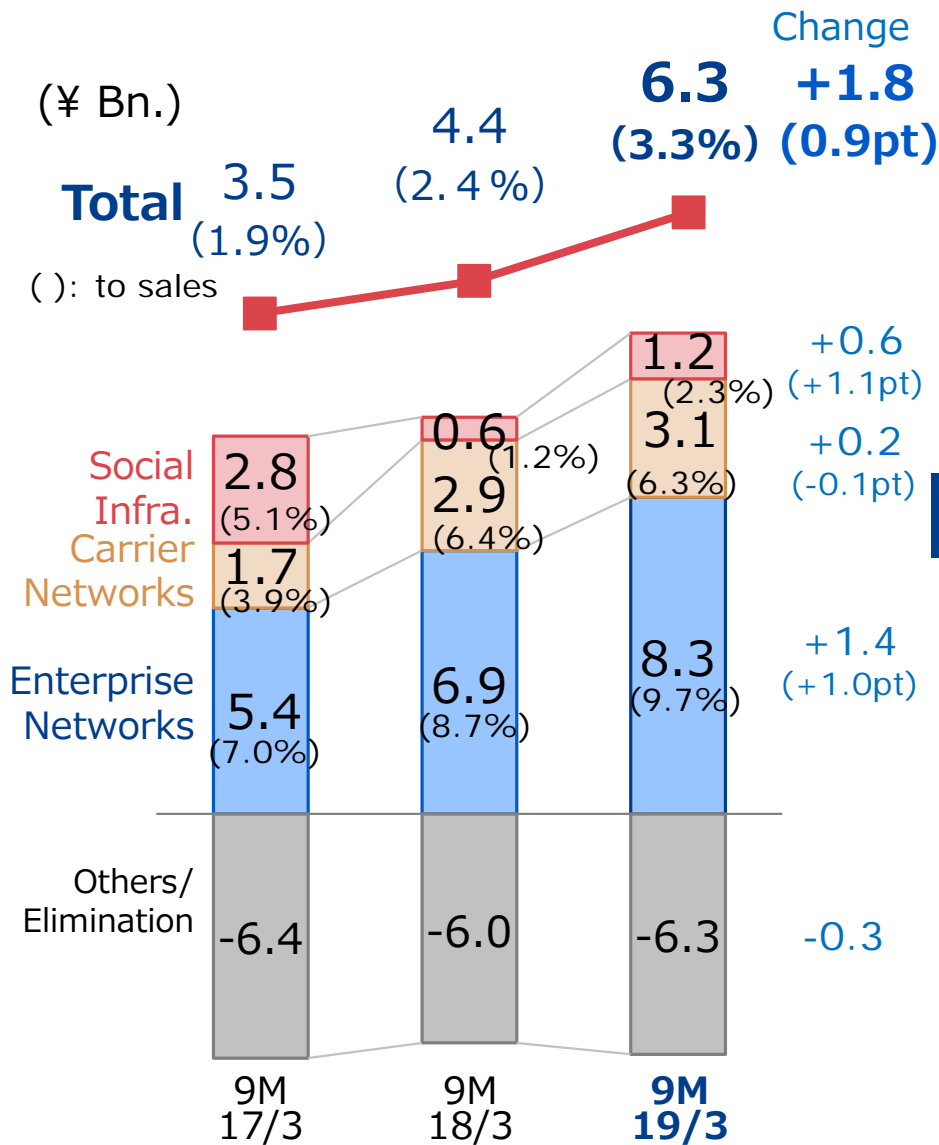
● Sales for both telecom carriers and non-carriers remained solid.

## Social Infrastructures

● Business related to mega-solar plants (civil engineering) and overseas sales declined

● Sales for broadcasting/cable TV businesses increased.

# 9M FY2019/3 Operating Income by Segment



## Enterprise Networks

- Operating income increased with higher sales, an improved sales-mix and cost cutting.
- Outlaying of expenses for growth is in line with the plan.

– DX technologies (Cloud, RPA and AI)

## Carrier Networks

- Operating income increased due to higher sales despite outlaying expenses for growth.

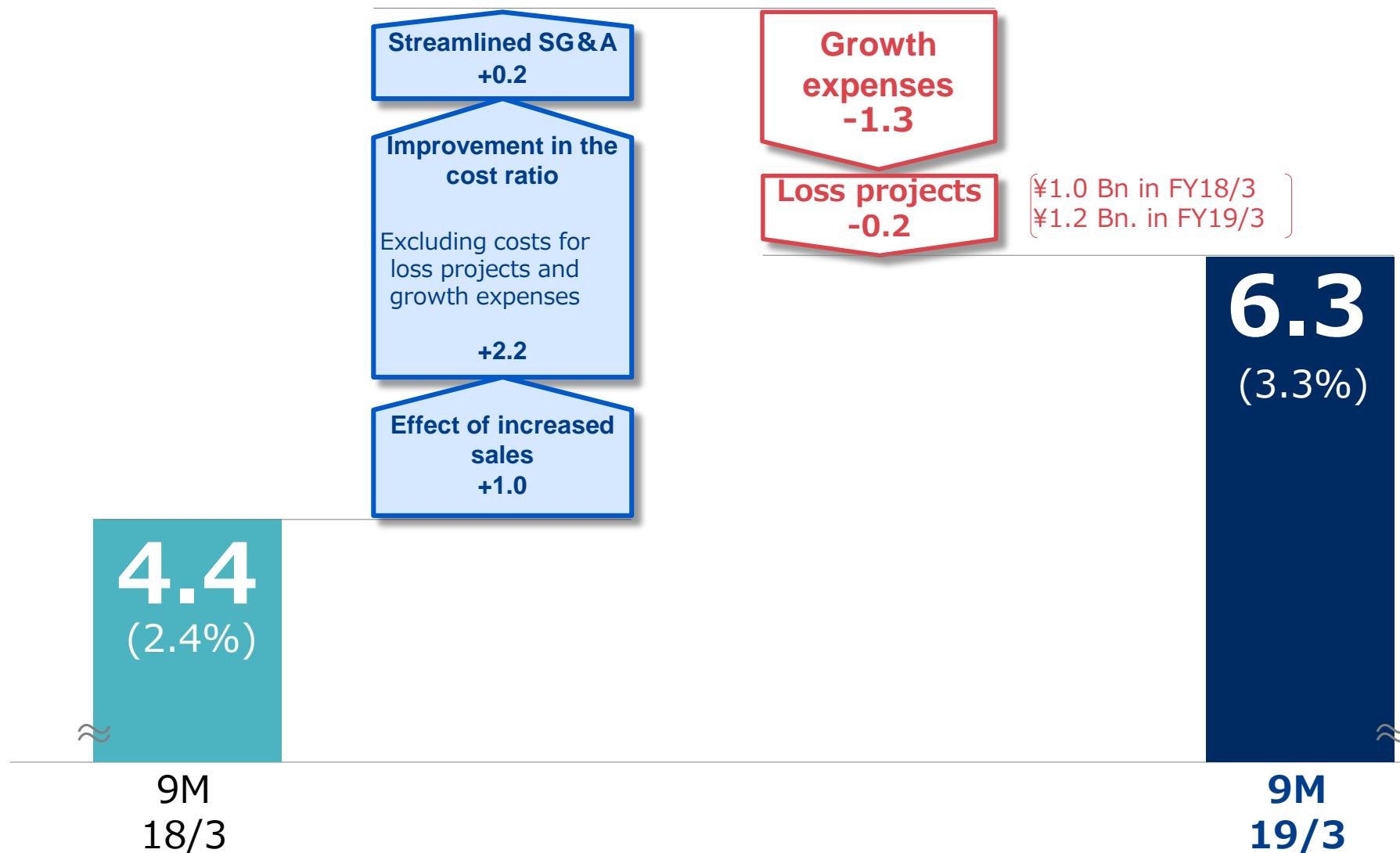
\*Launch of new businesses, establishment of new J/V for base stations, etc.

## Social Infrastructures

- Fixed cost reductions and improved efficiency led to an improvement in earnings.

# 9M FY2019/3 Factors of Operating Income Change

(¥ Bn.)



# FY2019/3 Forecasts

## Revised the operating income forecast in light of strong progress in Enterprise Networks

(¥ Bn.)

	FY18/3	FY19/3 (Forecasts)	Change	Previous forecasts (2018/10/30)	Difference
Orders Received	287.8	290	+1%	290	-
Net Sales	267.9	280	+5%	280	-
Operating Income	11.1	12.0	+0.9	11.5	+0.5
(to Sales)	(4.1%)	(4.3%)	+0.2pt	(4.1%)	+0.2pt
Net income attributable to owners of the parent	7.4	7.5	+0.1	7.5	-
(to Sales)	(2.7%)	(2.7%)	0.0pt	(2.7%)	-

\*Forecasts as at January 30, 2019



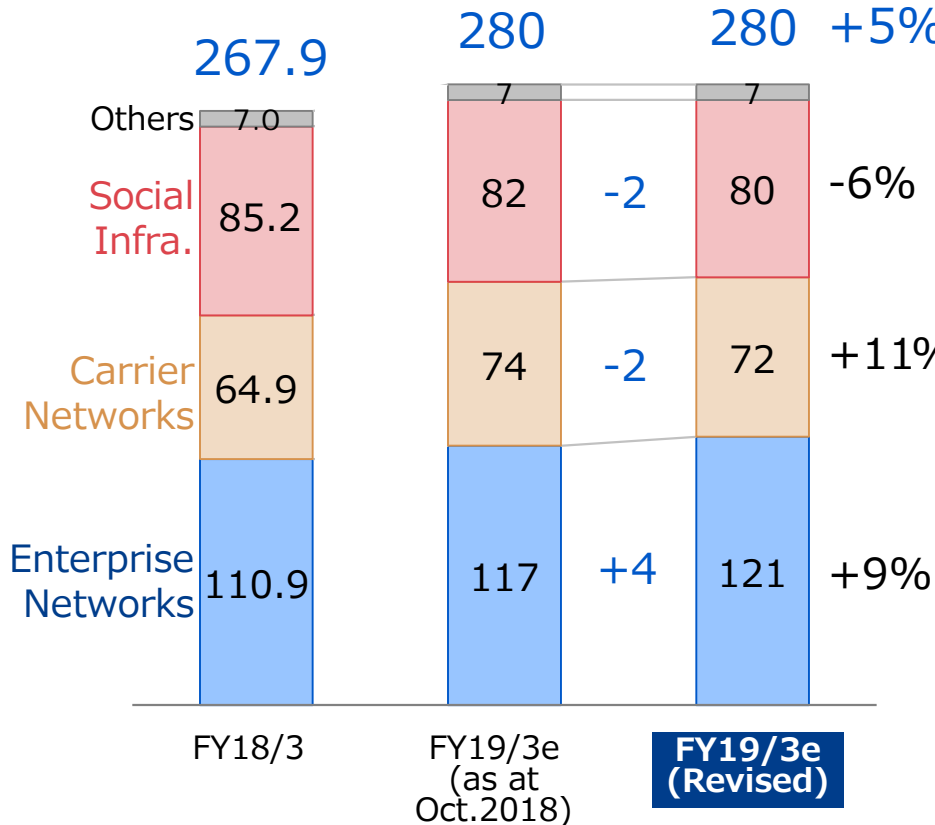
# FY2019/3 Forecasts by Segment (Sales & Operating Income)

**Revised sales and operating income by segment in light of the progress in 3Q**

(¥ Bn.)

## Net Sales

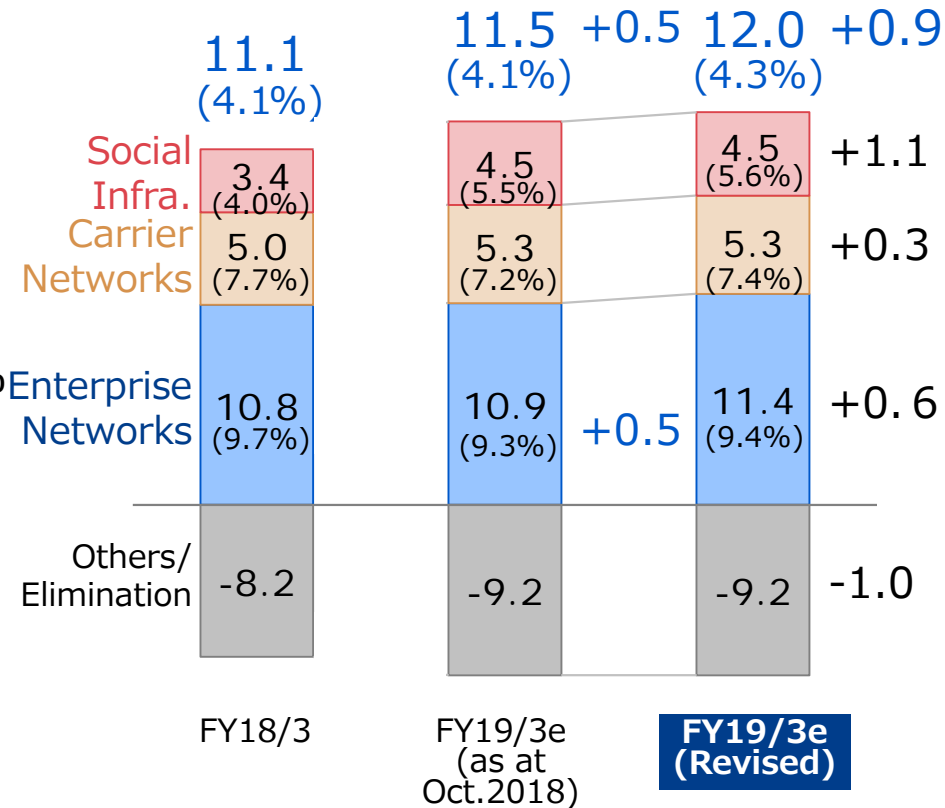
YoY  
Change



## Operating Income

( ): to sales

YoY  
Change



\*Forecasts as at January 30, 2019

# End of December 2018 Balance Sheet

(¥ Bn.)

	End of Mar. 18	End of Dec. 18	Diff.
Cash and cash equivalents	57.3	54.3	-3.0
Notes & accounts receivable	104.4	85.6	-18.8
Inventories	8.2	18.6	10.3
Others	5.3	6.4	1.1
Current Assets	175.2	164.8	-10.4
Noncurrent Assets	32.4	33.7	1.3
Assets	207.6	198.5	-9.1
Notes and accounts payable	40.3	34.1	-6.2
Loans	8.1	7.0	-1.1
Others	57.5	54.4	-3.1
Liabilities	105.9	95.5	-10.4
Shareholders' equity	103.9	104.4	0.6
Accumulated other comprehensive income	-4.4	-4.0	0.4
Non-controlling interests	2.3	2.6	0.4
Net Assets	101.7	103.0	1.3
Liabilities & Net Assets	207.6	198.5	-9.1
Owner's Equity Ratio	47.9%	50.6%	+2.7pt

# 9M FY2019/3 Cash Flows

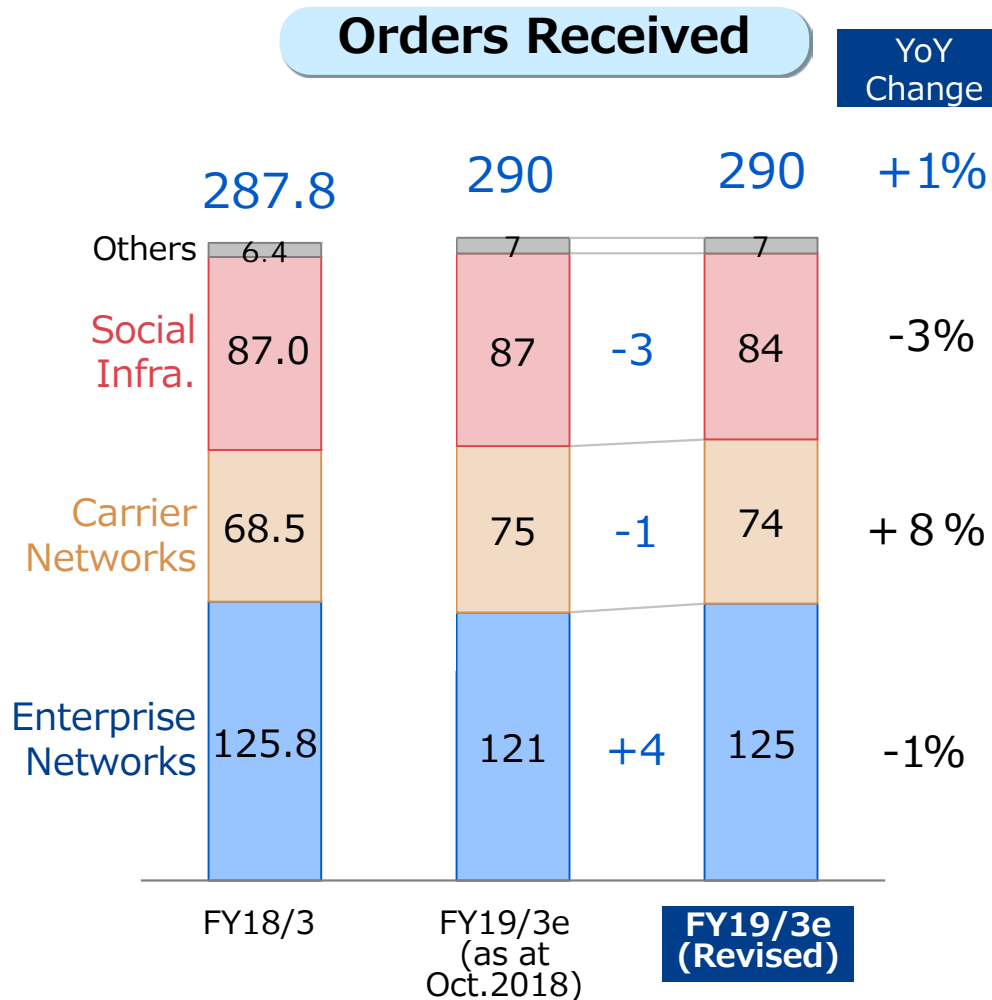
(¥ Bn.)

	9M FY18/3	9M FY19/3
Operating Cash Flow (A)	<b>5.7</b>	<b>6.4</b>
Investment Cash Flow(B)	<b>-2.0</b>	<b>-4.4</b>
Free Cash Flows (A) + (B)	<b>3.7</b>	<b>2.0</b>
Financial Cash Flow	<b>-4.2</b>	<b>-5.0</b>

# APPENDIX

# FY2019/3 Forecasts by Segment (Orders Receipts)

(¥ Bn.)



\*Forecasts as at January 30, 2019

# 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.



# 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 Networks & System Integration Corporation

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