

Financial Results for the 1H FY2012 ending March 2012

October 28, 2011

NEC Networks & System Integration Corporation



Introduction

Change of industry classification under which the Company's shares are classified

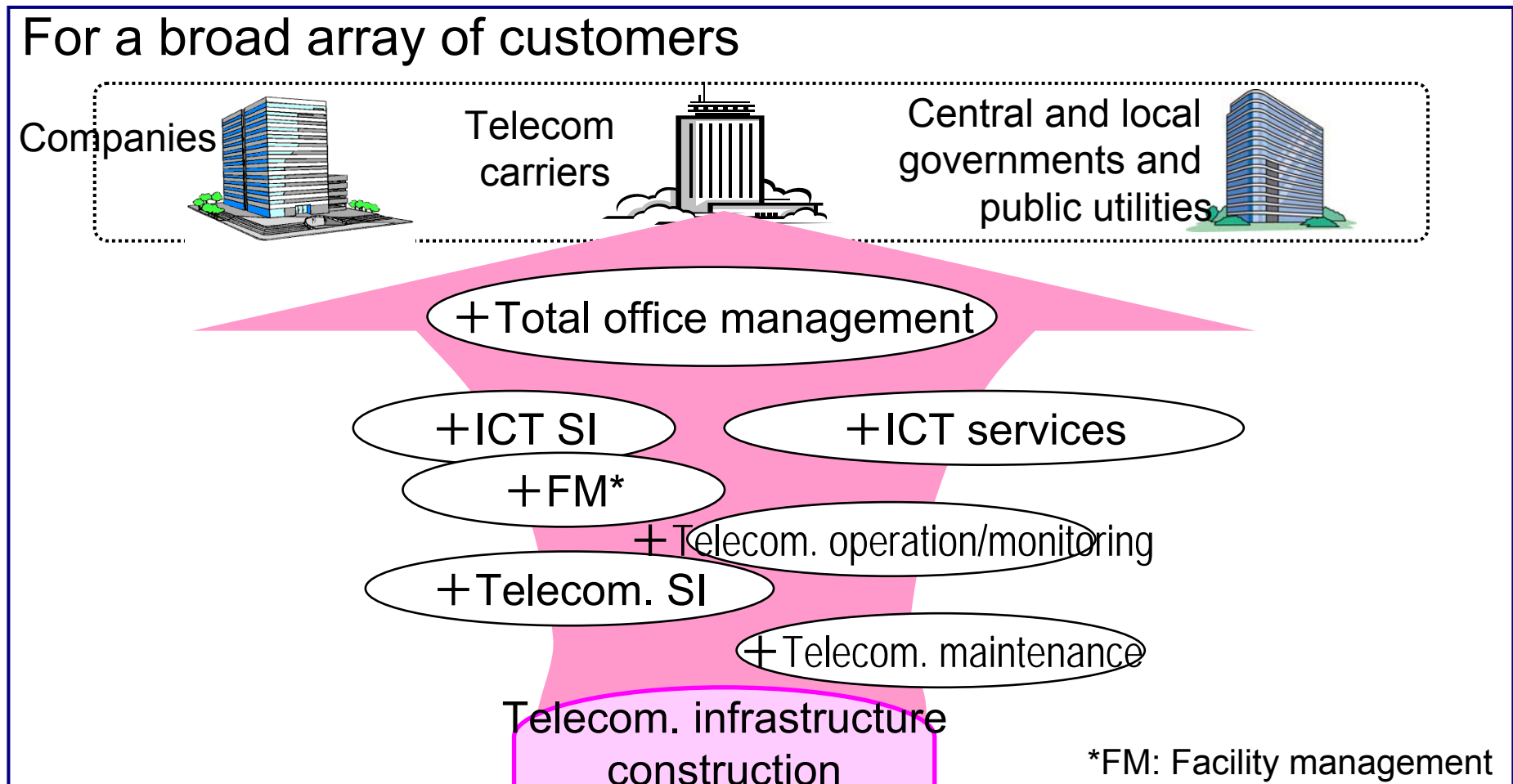
The industry classification has been changed from "Construction" to "Information & Communication" effective October 3 (Monday), 2011

	Former classification	New classification
Main classification	Construction	Transportation, Information & Communication
Sub classification	Construction	Information & Communication

We will strive to win the understanding of shareholders and investors more widely.

What is NEC Networks & System Integration?

- **Service integrator** capable of providing services from the customers perspective in all ICT areas



Strengths of NEC NW&SI

A broad Customer Base

- Operate nationwide with the Company's own sales network (52 offices nationwide)
- Hold the nationwide service system (335 stations nationwide) and infrastructure

Distinctive business operation

- ICT+ FM (facility management)
- Integrated services from consultation to installation and operation service
- Multi-vendor management in addition to NEC technical capabilities

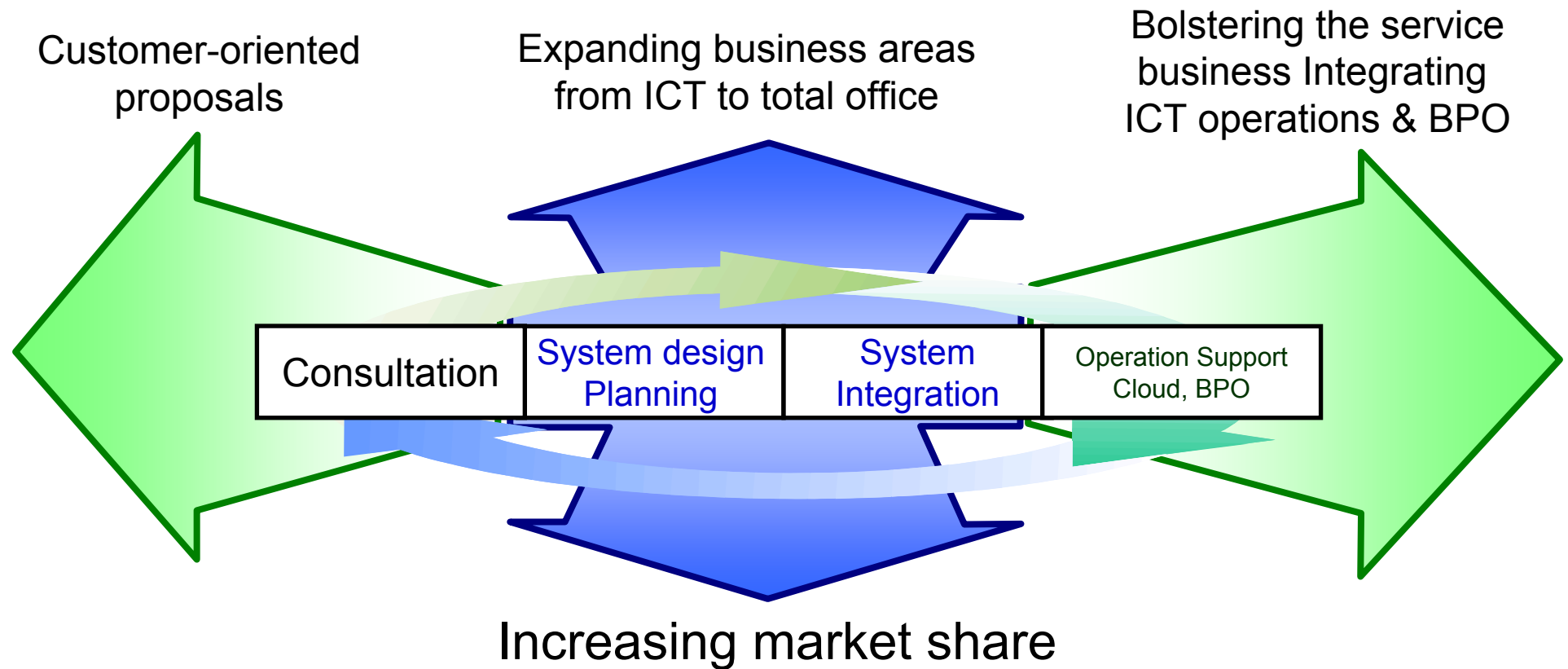


Strong financial position/leverage ability

(Acquiring resources through M&A)

Direction for Business Growth

- Accelerating expansion in high value-added areas such as consultation and cloud computing/operation services through M&A and other strategic investment

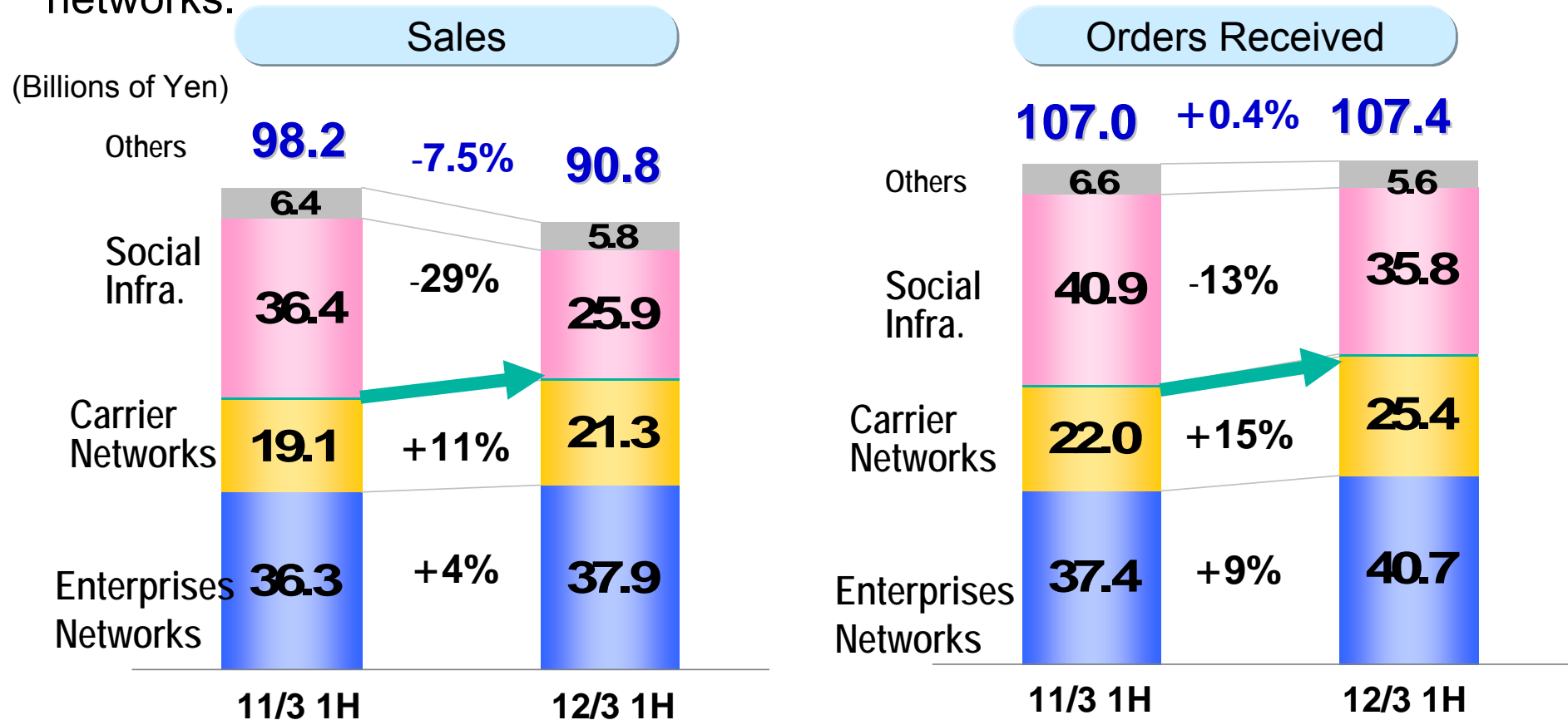


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1. Results for the 1H FY2012/3
 2. Forecasts for FY2012/3

1H FY2012/3 Sales/Orders Received

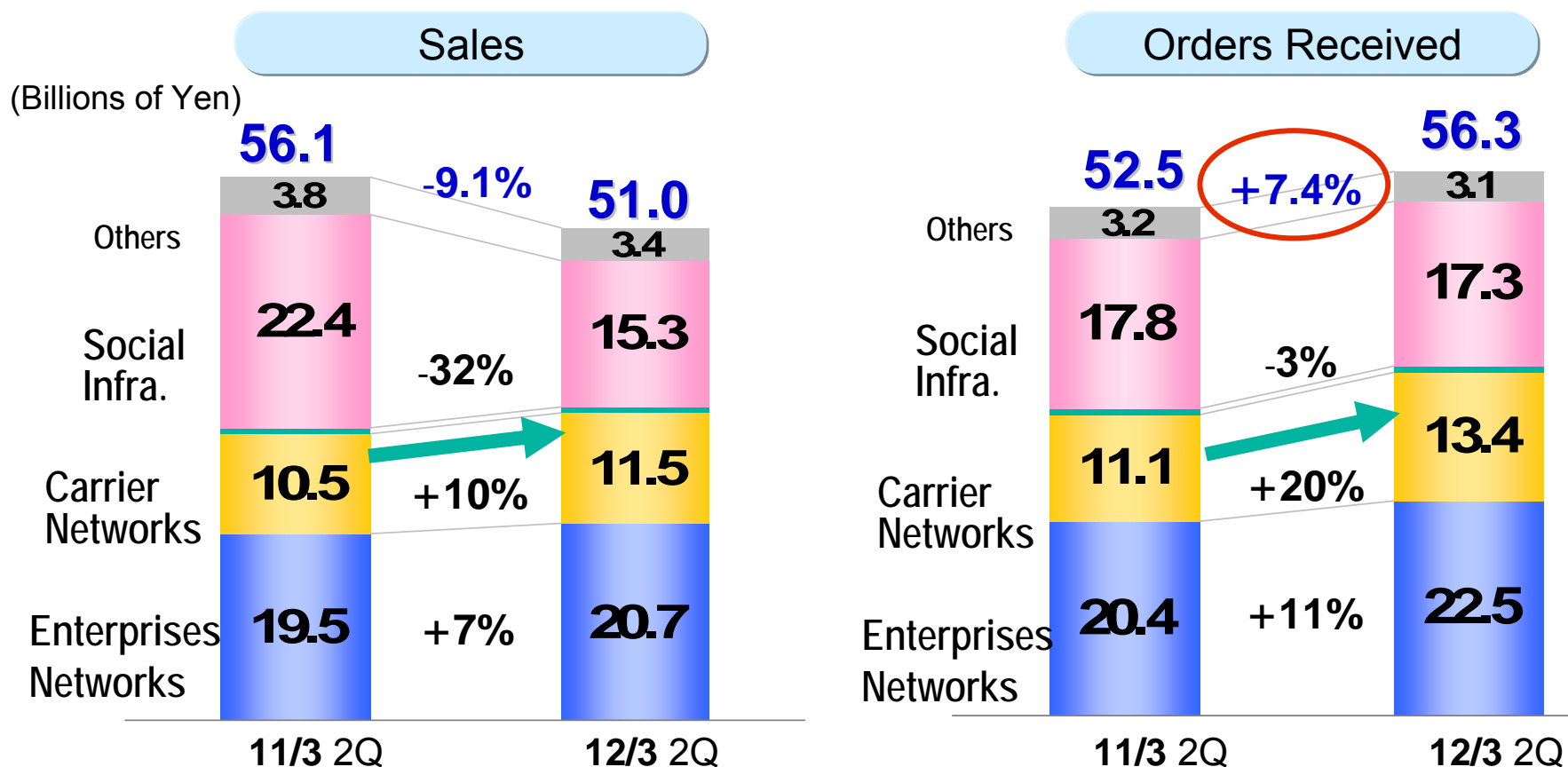
Orders and sales increased in the Enterprises Networks and Carrier Networks businesses.

Infrastructure construction declined in the Social Infrastructure business as it was off-season after the completion of investment in local information networks.



2Q FY2012/3 Sales/Orders Received

- The recovery strengthened in 2Q.
- Orders showed double-digit growth in Enterprises Networks and Carrier Networks.
- There are signs that orders were also bottoming out in Social Infrastructure.



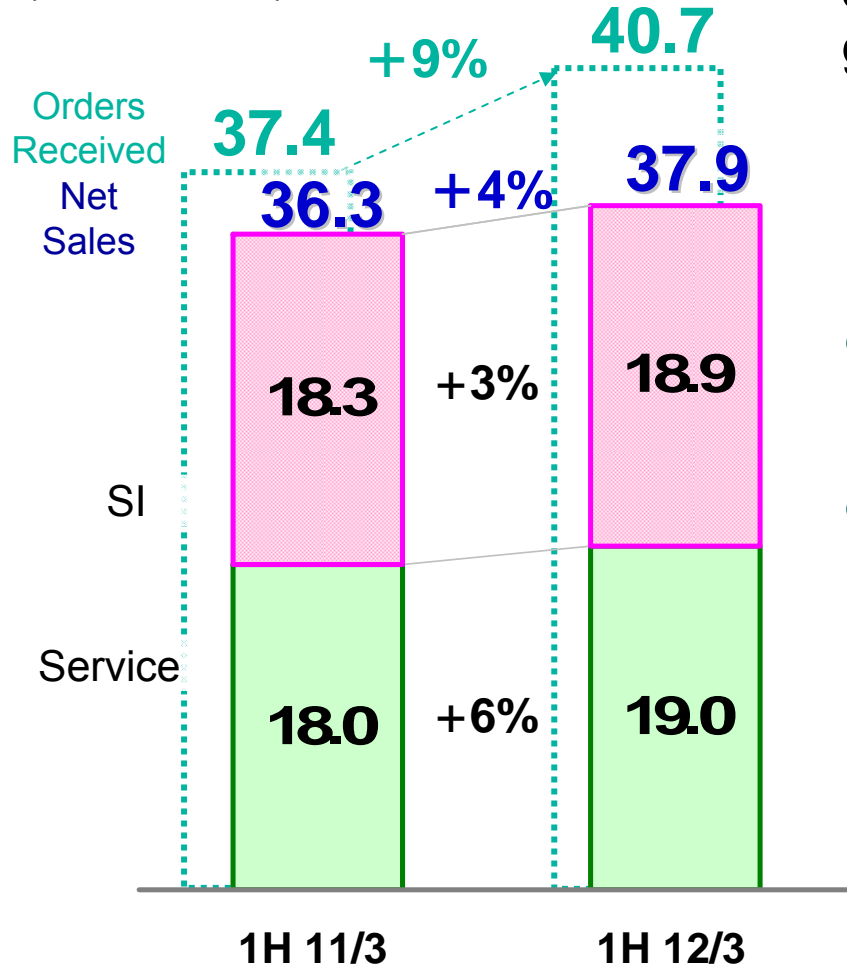
2Q/1H FY2012/3 Summary

(Billions of Yen)

	2Q			1H			
	11/3 result	12/3 result	YoY	11/3 result	12/3 result	YoY	Diff.from forecast
Order received	52.5	56.3	+7.4%	107.0	107.4	+0.4%	-
Net sales	56.1	51.0	-9.1%	98.2	90.8	-7.5%	-14.2
Operating income (to sales)	2.7 (4.9%)	2.2 (4.3%)	-0.5 -0.6pt	3.1 (3.1%)	2.4 (2.6%)	-0.7 -0.5pt	-0.7 -0.3pt
Extraordinary gain/loss	-1.4	0.0	+1.4	-1.9	0.0	+1.9	0
Net Profit (to sales)	0.7 (1.2%)	1.3 (2.6%)	+0.7 +1.4pt	0.5 (0.6%)	1.4 (1.6%)	+0.9 +1.0pt	-0.3 +0.0pt
Free cash flows	-1.5	10.5	+12.0	2.0	20.3	+18.3	

1H FY2012/3 Enterprises Networks Business

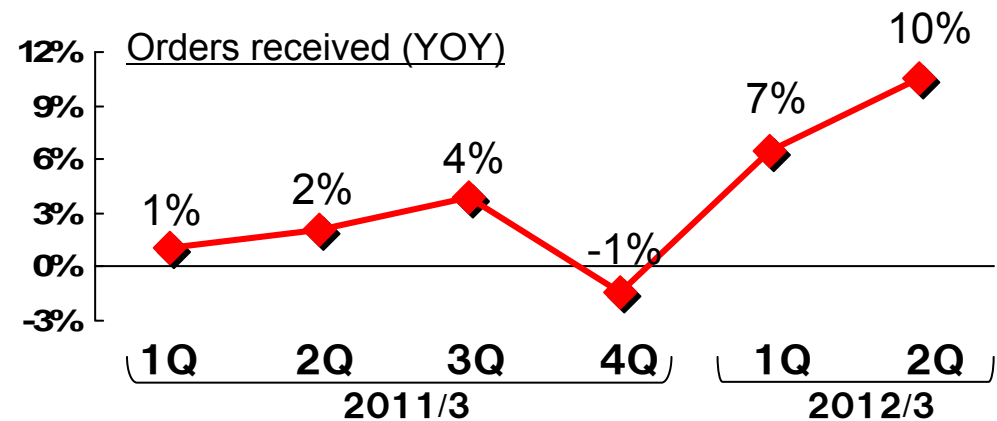
(Billions of Yen)



- In the SI area, the office innovation solution “EmpoweredOffice” continued to grow.

Branding with the winning of the Nikkei Best of New Offices Award for the second time (2009 and 2011)

- In the Services area prior investment produced results.
- Orders showed a recovery trend.



What is “EmpoweredOffice”?

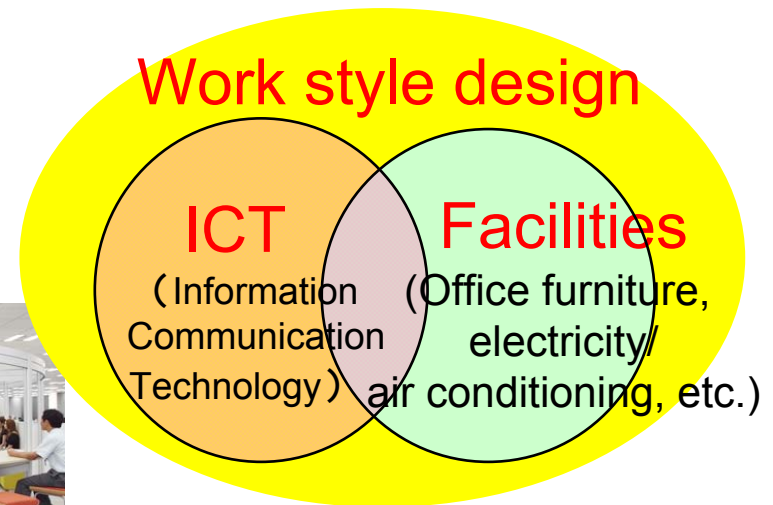
The Company’s own management innovation solution

- Work design + ICT & facility
 - Improves productivity, cost efficiency and environment responsiveness
- “Empower” “Economy” “Ecology”

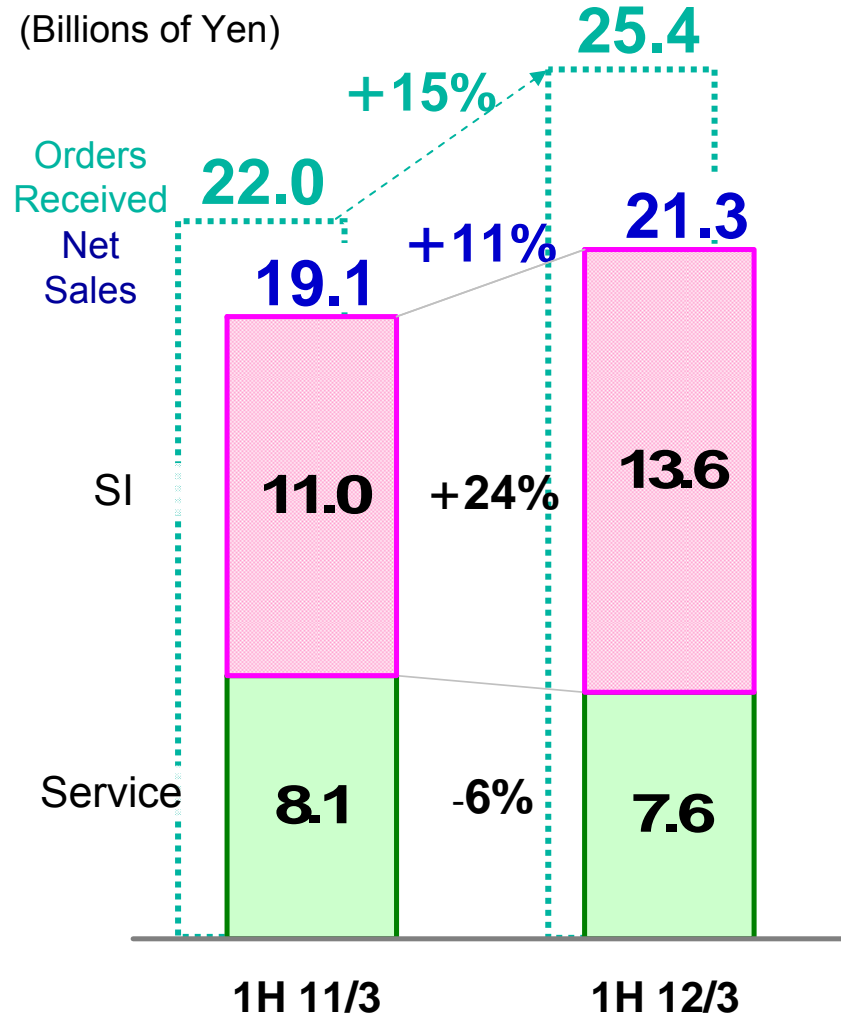
Based on the Company’s own practical experience

Reduction of floor space, etc.

- “No paper” work
- “No meeting room” work



1H FY2012/3 Carrier Networks Business



- Actively responded to needs for enhancing networks to meet increasing network traffic with the growth of smartphones, etc.

- Network design, integration and configuration, etc. increased.

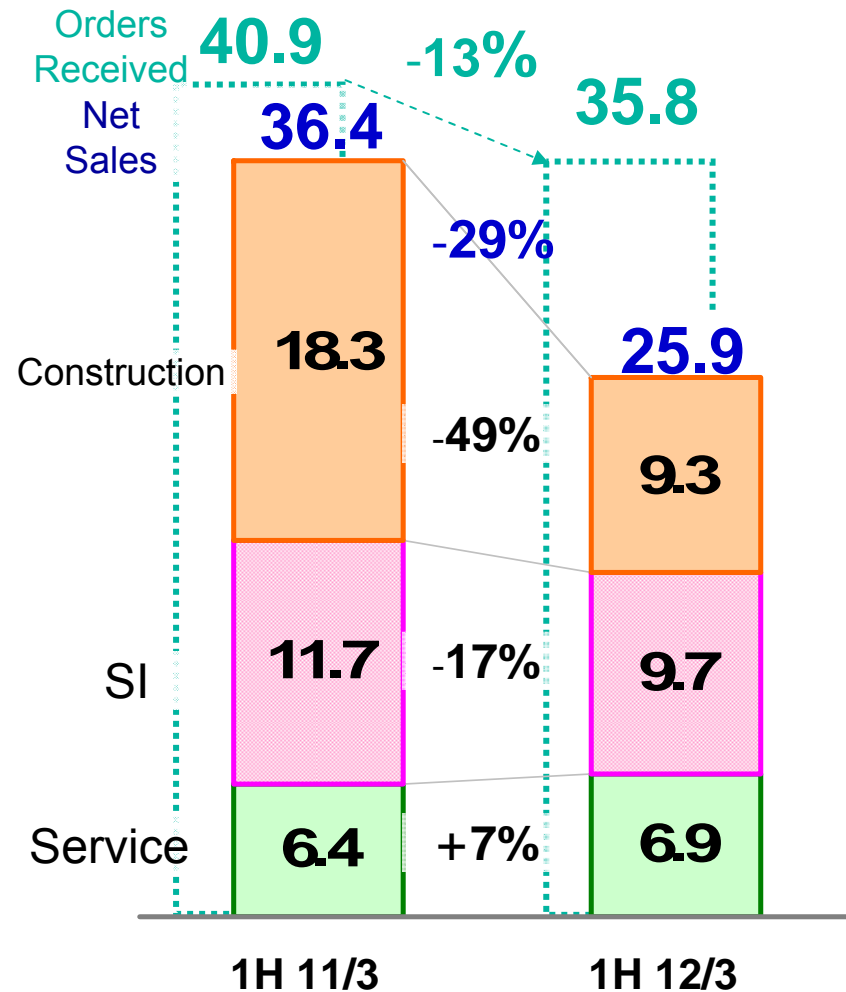
- Multi-vendor management related area increased.

- Holders of global standard qualifications increased as planned (up 10%).

- Service business declined slightly as maintenance for legacy systems decreased.

1H FY2012/3 Social Infrastructure Business

(Billions of Yen)



- Investment related to local information networks* ran its course.

* Local networks using CATV triggered by the shift to terrestrial digital broadcasting

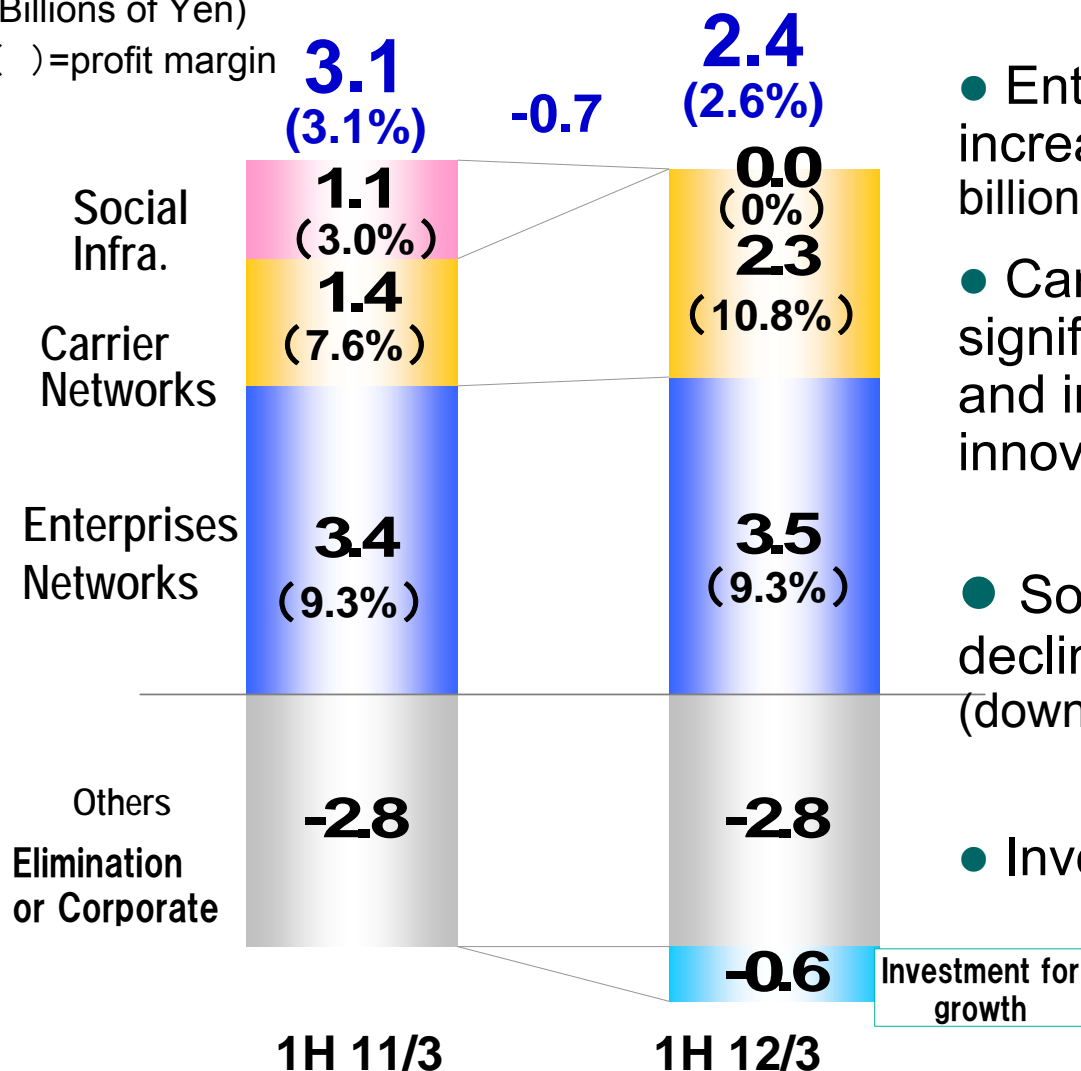
- Orders for fire-fighting and disaster prevention systems increased, but full-scale start-ups were slow.

- Orders related to earthquake disaster reconstruction did not rise.

1H FY2012/3 Operating Income

(Billions of Yen)

() = profit margin



- Enterprises Networks: Income increased due to higher sales (up ¥0.14 billion).
- Carrier Networks: Income increased significantly, thanks to higher sales and improved efficiency due to work innovation (up ¥0.84 billion).
- Social infrastructure: Income declined affected by smaller sales (down ¥1.13 billion).
- Investment for growth (¥0.6 billion).

1H FY2012/3 Consolidated Cash Flows

FCF substantially improved, thanks to the collection of cash from large projects concentrated at the end of the previous fiscal year and changes in the customer mix.

Financial strength was bolstered in preparation for growth investment, including M&A.

(Billions of Yen)

	1H 11/3	1H 12/3
Operating cash flow (a)	3.5	21.4
Investment cash flow (b)	-1.5	-1.1
Free cash flows (a)+(b)	2.0	20.3
Financial cash flow	-0.5	-1.6
Cash and cash equivalents at the end of the period	31.0	44.4

FY2012/3 (End of September) Consolidated Balance Sheet

Cash on hand for growth investment such as M&A increased with improved working capital.

(Billions of Yen)

		End of 10/9	End of 11/9	Diff.
	Cash and cash equivalents	31.0	44.4	13.4
	Notes and accounts receivable	69.7	53.1	-16.6
	Inventories	10.1	8.7	-1.5
	Other	7.1	7.7	0.6
	Current Assets	118.0	113.9	-4.1
	Noncurrent Assets	23.8	23.9	0.1
	Assets	141.8	137.8	-4.0
	Notes and accounts payable	31.7	23.2	-8.6
	Loans	5.3	5.5	0.2
	Other	30.8	30.8	0.0
	Liabilities	67.9	59.5	-8.4
	Shareholders' equity	73.9	78.2	4.4
	Accumulated other comprehensive income	-0.5	-0.5	0.0
	Minority interests	0.6	0.6	0.0
	Net Assets	73.9	78.3	4.4
	Liabilities & Net Assets	141.8	137.8	-4.0
	Owner's Equity Ratio	51.7%	56.4%	+4.7pt

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1. Results for the 1H FY2012/3
 - 2. Forecasts for FY2012/3**

2H FY2012/3 Business Environment

The direction is as planned at the beginning of the period, but underlying trends are changing.

- Enterprises Networks

- ⇒ Despite a sense of future uncertainty due to the stronger yen, etc., the recovery from the investment pull-back after the earthquake is accelerating. Overseas investments are expanding.

- Carrier Networks

- ⇒ Measures to increase traffic are accelerating due to the sharp increase in smartphones.

- Social Infrastructure

- ⇒ Although the timing and nature of investments are still uncertain, an increase in demand for the reconstruction of disaster-affected areas is expected.

FY2012/3 Full-Year Forecast

* Forecasts are as of October 27, 2011.

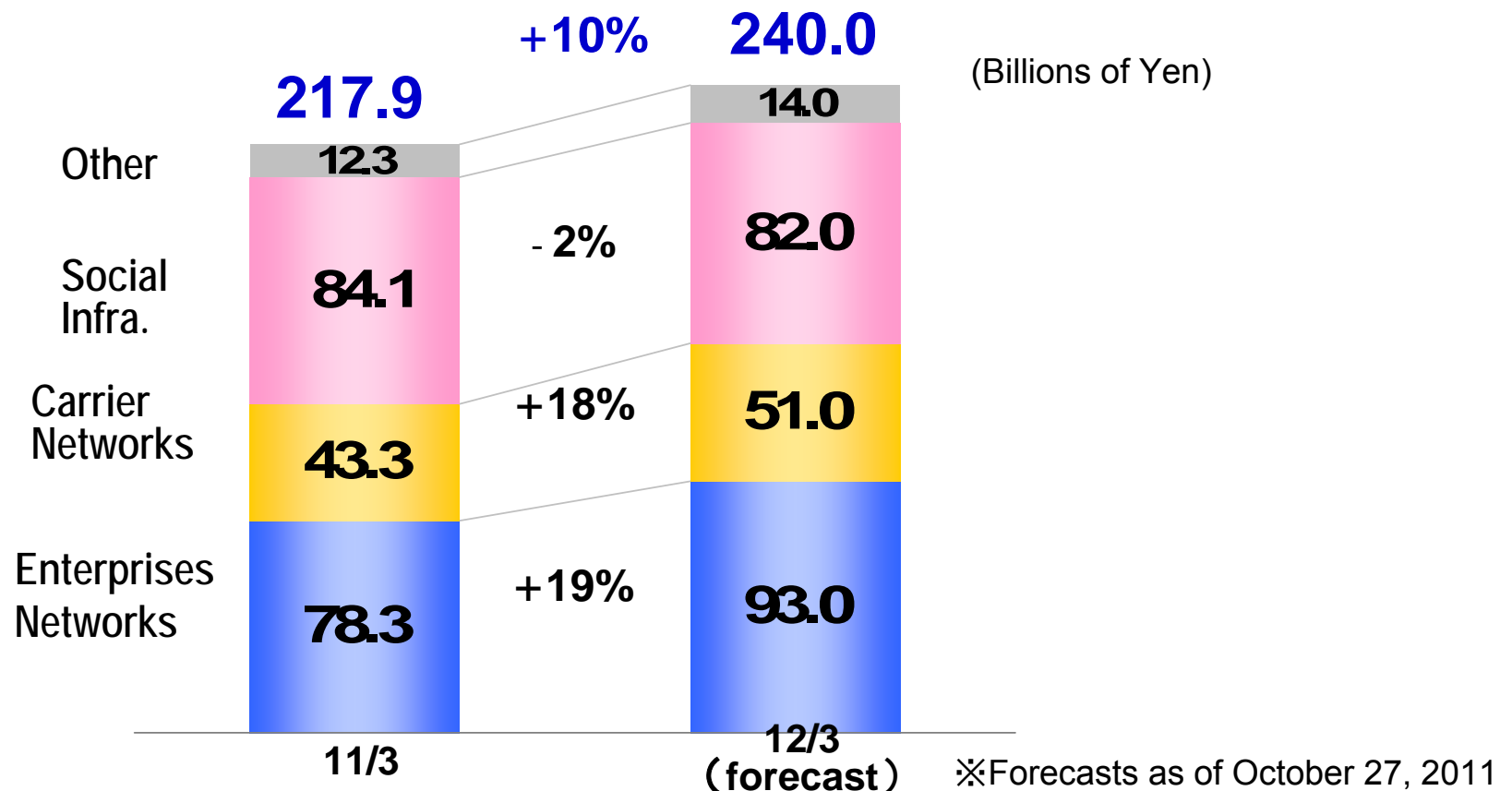
- Initial targets are maintained to achieve growth.
- Despite risks in sales, strive to further accelerate growth and promote work innovation.

(Billions of Yen)

	12/3 forecasts	11/3 Results	YoY
Sales	240.0	217.9	+10%
Operating income	11.0	10.8	+0.2
<i>(to sales)</i>	(4.6%)	(5.0%)	-0.4pt
Extraordinary gain(loss)	0.0	-2.6	2.6
Net income	6.2	4.7	1.5
<i>(to sales)</i>	(2.6%)	(2.2%)	+0.4pt

FY2012/3 Full-Year Sales Forecast by Segment

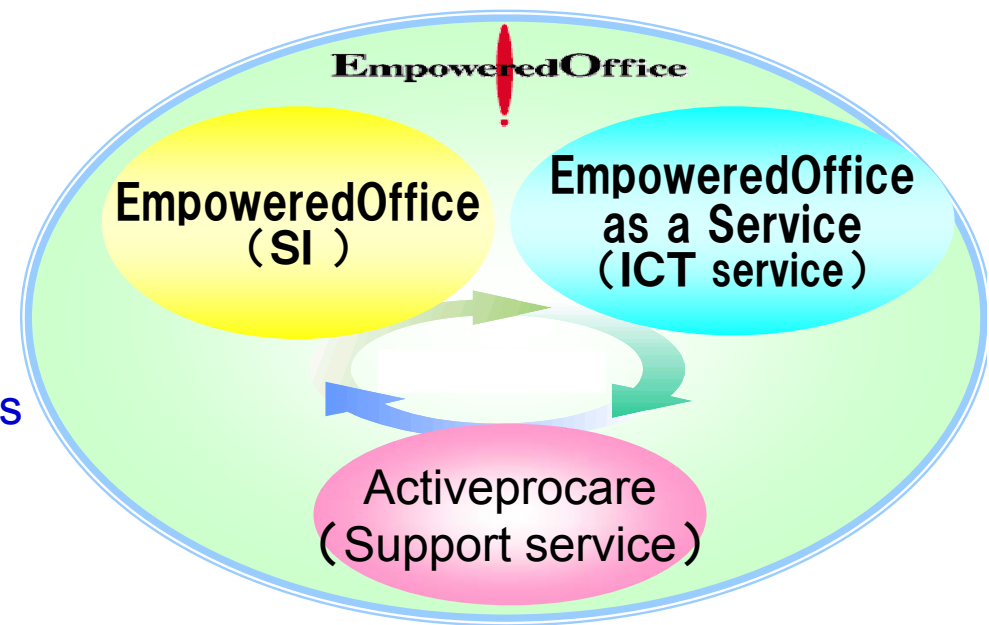
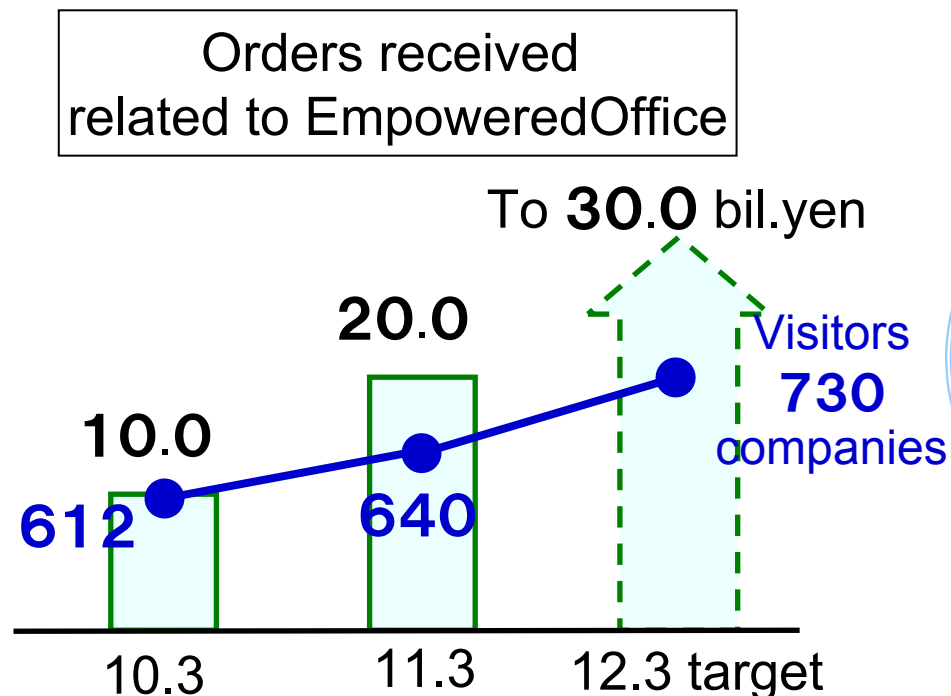
Despite a risk of ¥15 billion - ¥20 billion in the Social Infrastructure business, aim to achieve the initial projections by accelerating growth in the Carrier Networks and Enterprises Networks businesses, starting up volume business, and responding to earthquake reconstruction demand.



Key Area for Enterprises Networks(1)“EmpoweredOffice”

Leverage the winning of the Nikkei Best of New Offices Award (second time)!

- Accelerate branding.
- Strengthen approach and consulting capability to the management layer.
- Increase orders for blanket projects.



Key Area for Enterprises Networks(2) Service Business

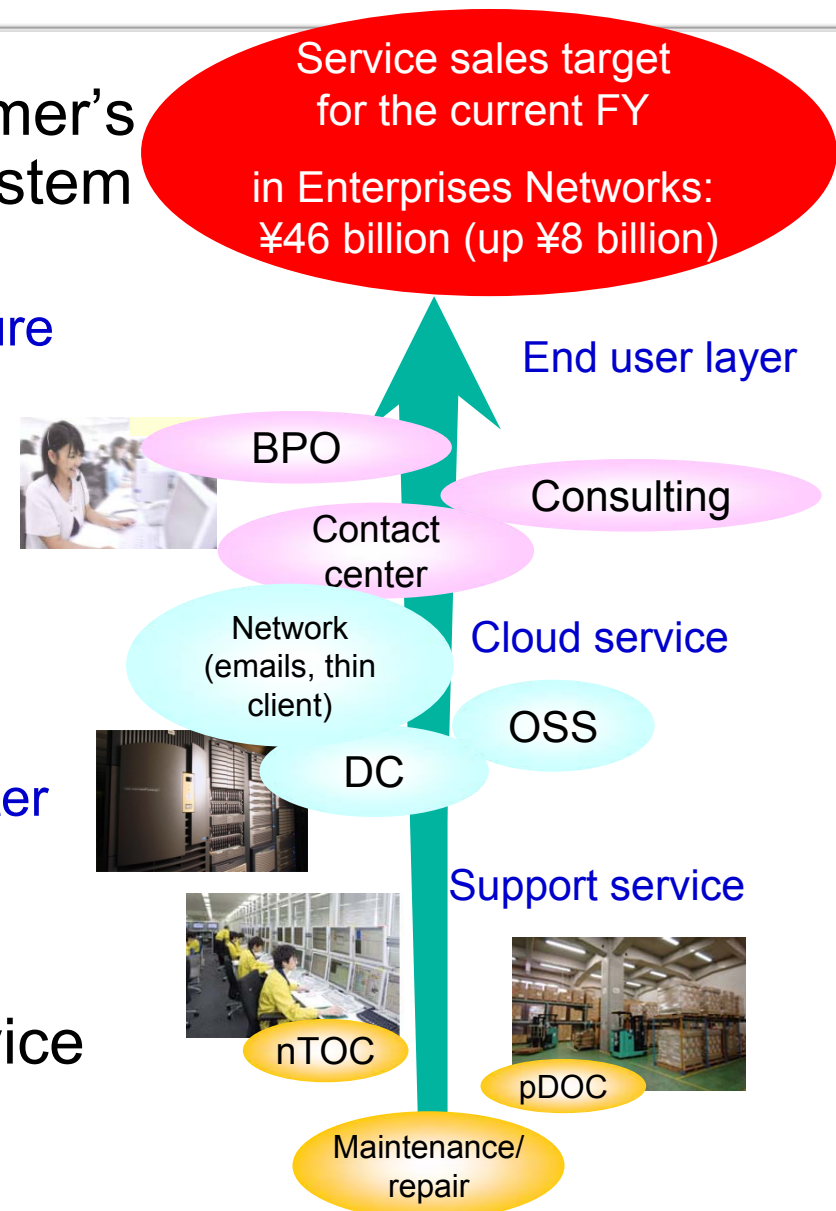
ICT service provided from a customer's perspective in combination with system integration

- Characterized by common infrastructure service, taking advantage of strength of networks + IT

Enhancement of DC
Considering on BCP and location

- Open the second DC near Tokyo.
- Enhance the West Japan service center (centering on custom-made type).

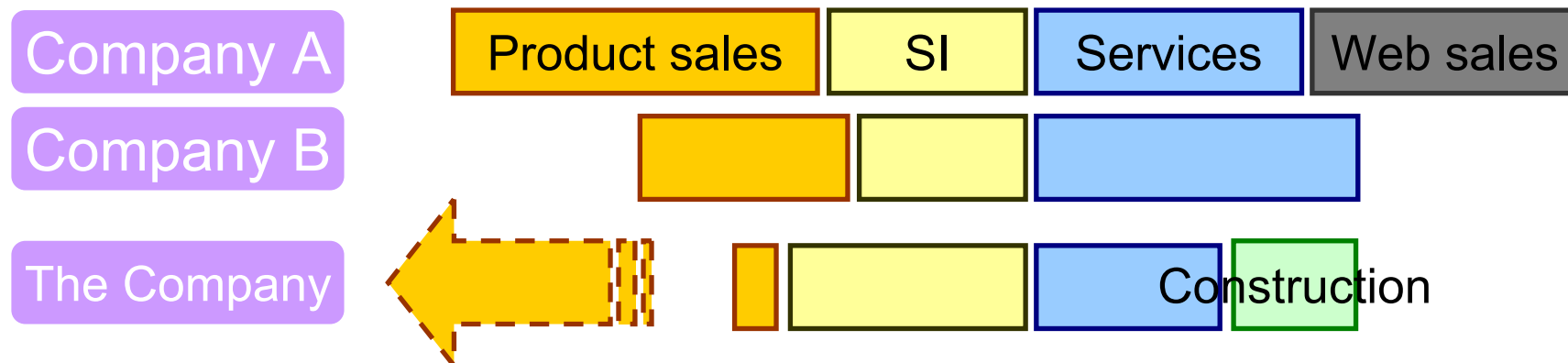
Comprehensive 24-7 support service with high reliability



Key Area for Enterprises Networks(3) Product Sales Business

- Newly focus on the product sales business to develop new customers.
 - Use the sales business as a first step to offer solutions.

Sales target for the current FY:
¥5 billion - ¥10 billion
(up ¥2 billion - ¥8 billion)



Focused Area in Carrier Networks

SI sales target
for the current FY
in Carrier Networks:
¥35 billion (up ¥8 billion)

Exploit the sharp increase in the number of smartphones!

- Respond to demand for improving networks following traffic growth.

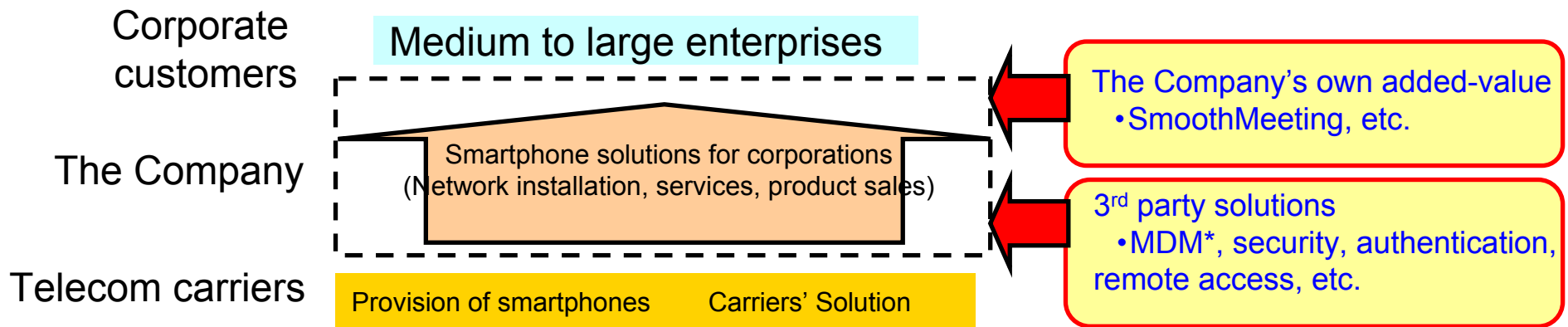
Focus on system integration corresponding to the expansion of networks and the change of covered area per base station, etc.

- Increase share dealing with multiple vendors.

Enhance the use of global vendors, in addition to NEC products.

- Launch corporate business support for telecommunications carriers.

Use the customer base and solution capabilities of the Company.



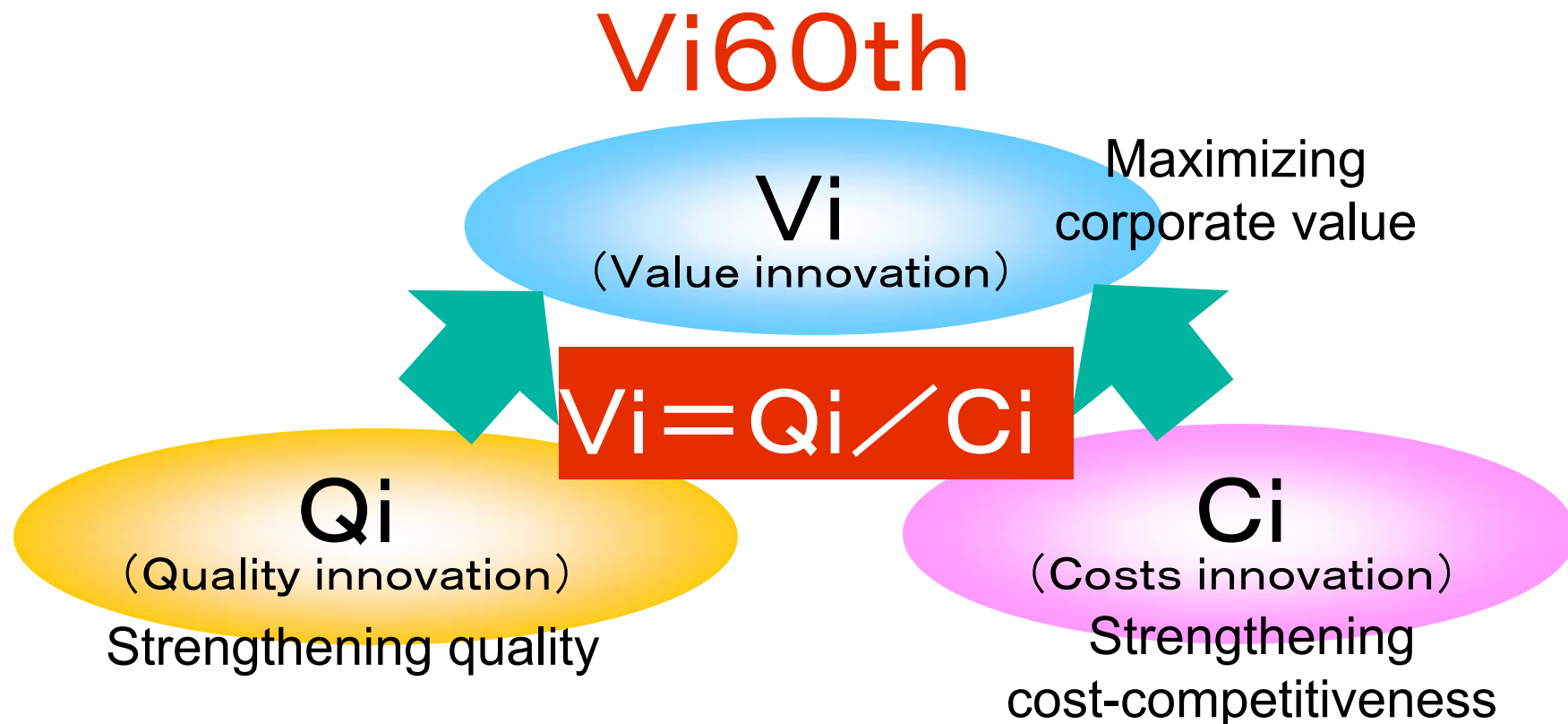
*MDM (Mobile Device Management)

Key Area in Social Infrastructure

- Fully committed to security and safety for the public!
 - Enhance proposals to quickly revive disaster-affected areas.
 - Make proposals from the user's perspective with the 3.11 as a lesson.
~ Strengthen the reconstruction business support team.
 - Enhance proposals to reconstruct and use a community wireless system.
 - Develop tsunami observation and warning systems.
(approx. ¥30 billion in the third supplementary budget + the budget request for the next fiscal year and beyond)
 - Bring instant, high-precision warning to fruition based on the track record of our marine earthquake measurement system.
 - Successfully win orders for fire-fighting systems.
 - Strengthen proposal activities for front-loaded demand for digitalization (to be completed in 2016).

Promotion of Vi60th Management Innovation

Aim to achieve growth and maximize our corporate value for our 60th anniversary (2013), with quality and cost performance.



Efforts in Quality Innovation (Qi): Enhancement of Sales Force

Improve quality of sales activities

- Speed up business talks by accelerating information sharing.
- Improve sales efficiency.
⇒ Increase time devoted to customers by 20%.

Enhanced sales resources

- Increased sales staff (up 10% from the end of the previous fiscal year).
- Established a sales force to support the volume business.

Renewed a sales floor

(Done in August as a place to strengthen sales)



Efforts in Costs Innovation (Ci)

Efforts to strengthen our earnings capability to protect our bottom line and increase price competitiveness

- Procurement innovation

- Commonalization/intensification, global procurement

- Integration process innovation

- Improvement of integration processes through concentrated configuration prior to launching each site and introducing automation tools

- Job site innovation

- Standardization of work flows and thorough waste-cutting

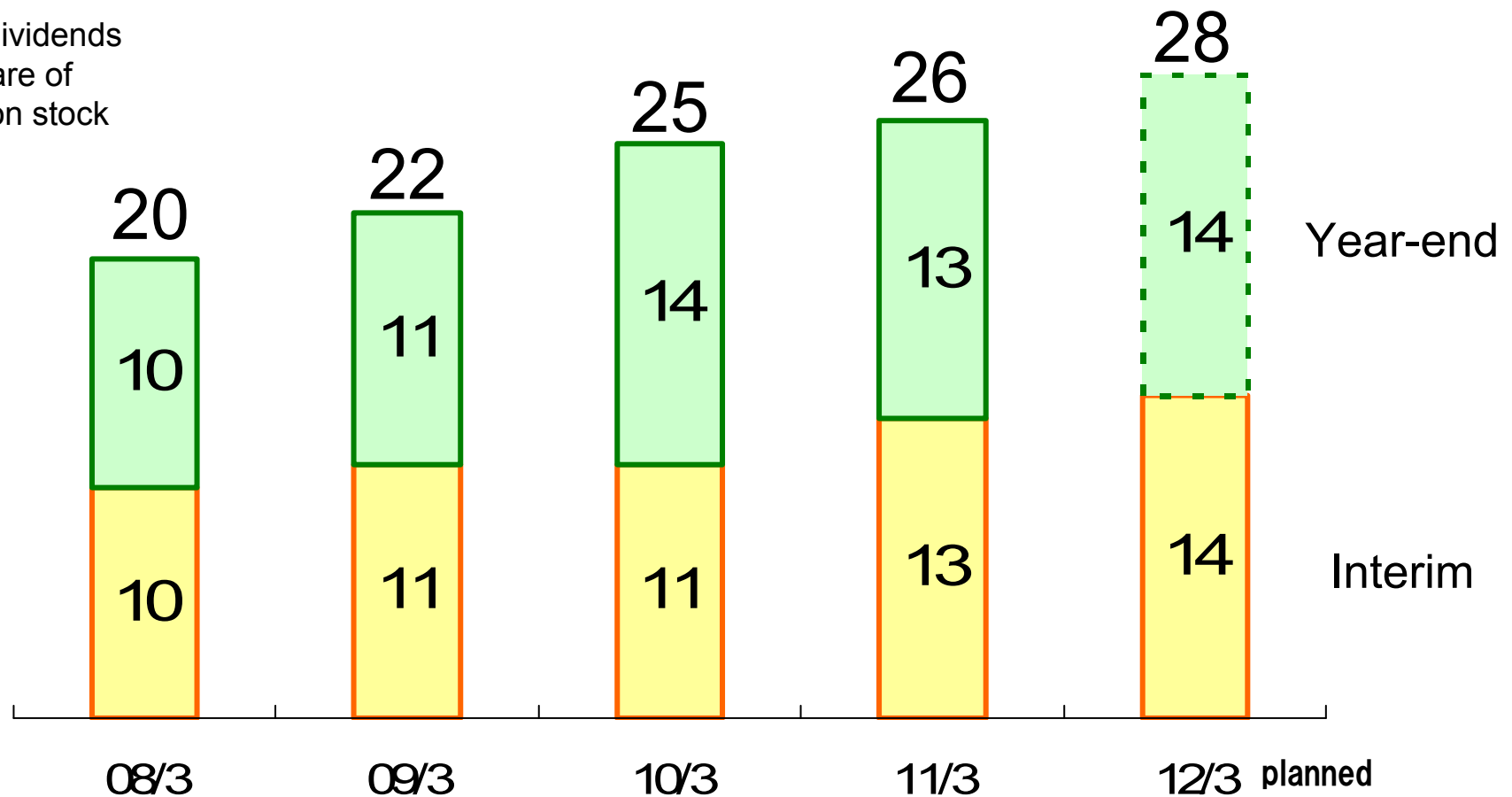
Learn from Toyota Production System by practicing *Genchi Genbutsu* (go and see for yourself to properly understand the situation)

Dividends

*Forecasts are as of October 27, 2011

- Increase direct return to shareholders, while focusing on boosting corporate value through growth investment.

Cash dividends per share of common stock (yen)



Conclusion

Using even the change of industry classification as an opportunity, we will accelerate our growth as a service integrator with construction and facility management capabilities and will focus on disclosure to achieve capital market understanding more precisely.

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/index.html>

Appendix

【Reference】1H FY2012/3 Sales/Order Received by Business Segment

Sales

Orders Received

(Billions of Yen)

