

# Financial Results for 3Q for the FY2010 ending March 2011

January 27, 2011

NEC Networks & System Integration Corporation



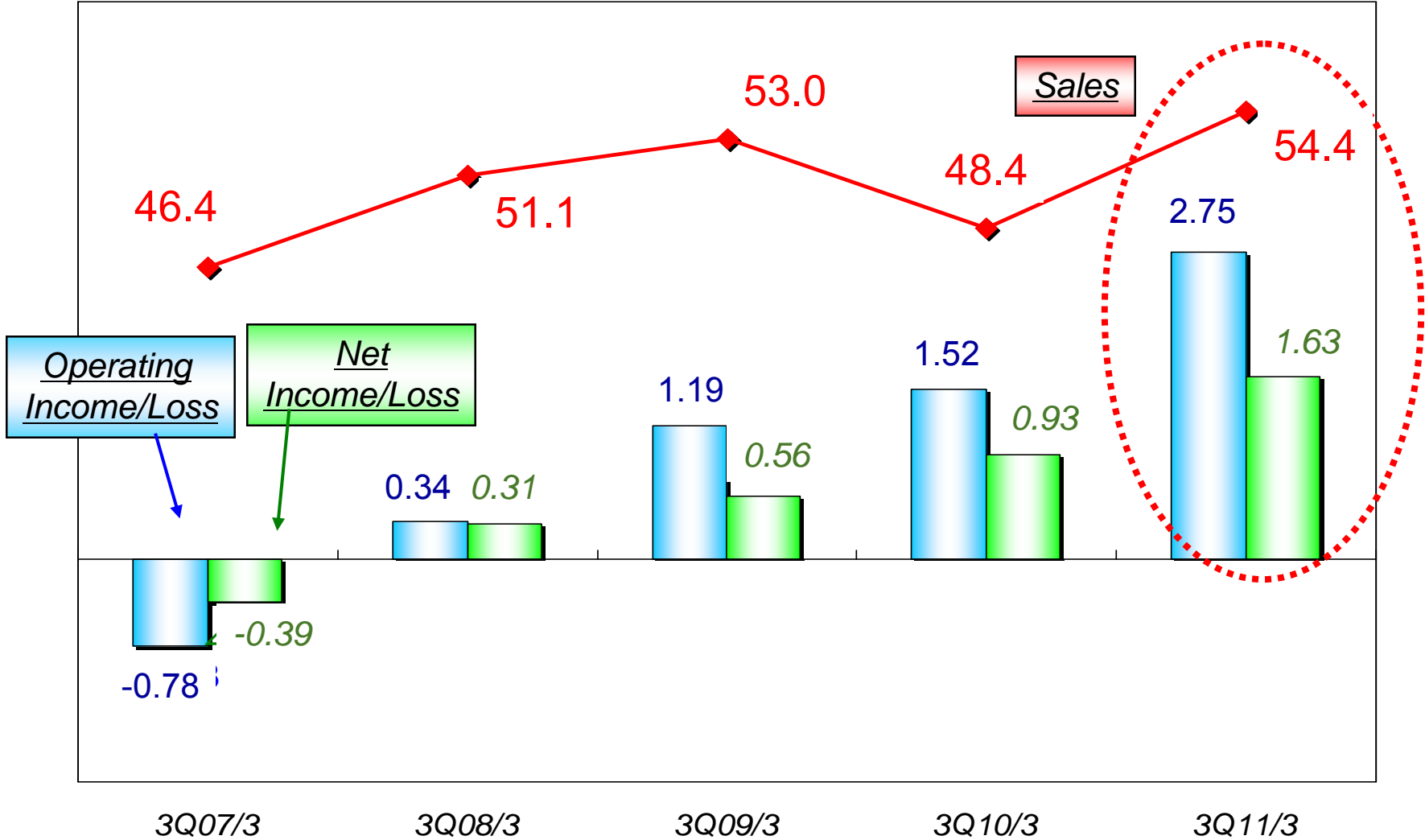
# Summary(1-3Q FY2011/3)

- Both net sales and operating income increased year on year (3Q, the first nine months)
- Net income in the first nine months reflected the temporary impact of extraordinary losses related to relocation posted in the first half.

(Billions of Yen)	3Q FY10/3 (Oct-Dec)	3Q FY11/3 (Oct-Dec)	YoY	1-3Q FY10/3 (Apr-Dec)	1-3Q FY11/3 (Apr-Dec)	YoY
Net Sales	48.4	54.4	+12.4%	147.6	152.6	+3.4%
Gross Profit <i>(to Sales)</i>	7.0 <i>(14.5%)</i>	8.3 <i>(15.3%)</i>	+1.3 <i>+0.8pt</i>	21.7 <i>(14.7%)</i>	22.3 <i>(14.6%)</i>	+0.5 <i>-0.1pt</i>
Operating Income <i>(to Sales)</i>	1.52 <i>(3.1%)</i>	2.75 <i>(5.1%)</i>	+1.22 <i>+2.0pt</i>	4.76 <i>(3.2%)</i>	5.82 <i>(3.8%)</i>	+1.05 <i>+0.6pt</i>
Ordinary Income	1.65	2.77	+1.12	4.98	5.77	+0.79
Extraordinary Loss	0.0	0.0	±0.0	0	-1.95	-1.95
Net Income <i>(to Sales)</i>	0.93 <i>(1.9%)</i>	1.63 <i>(3.0%)</i>	+0.7 <i>+1.1pt</i>	2.86 <i>(1.9%)</i>	2.18 <i>(1.4%)</i>	-0.68 <i>-0.5pt</i>

# Sales & P/L Record (3Q FY2011/3)

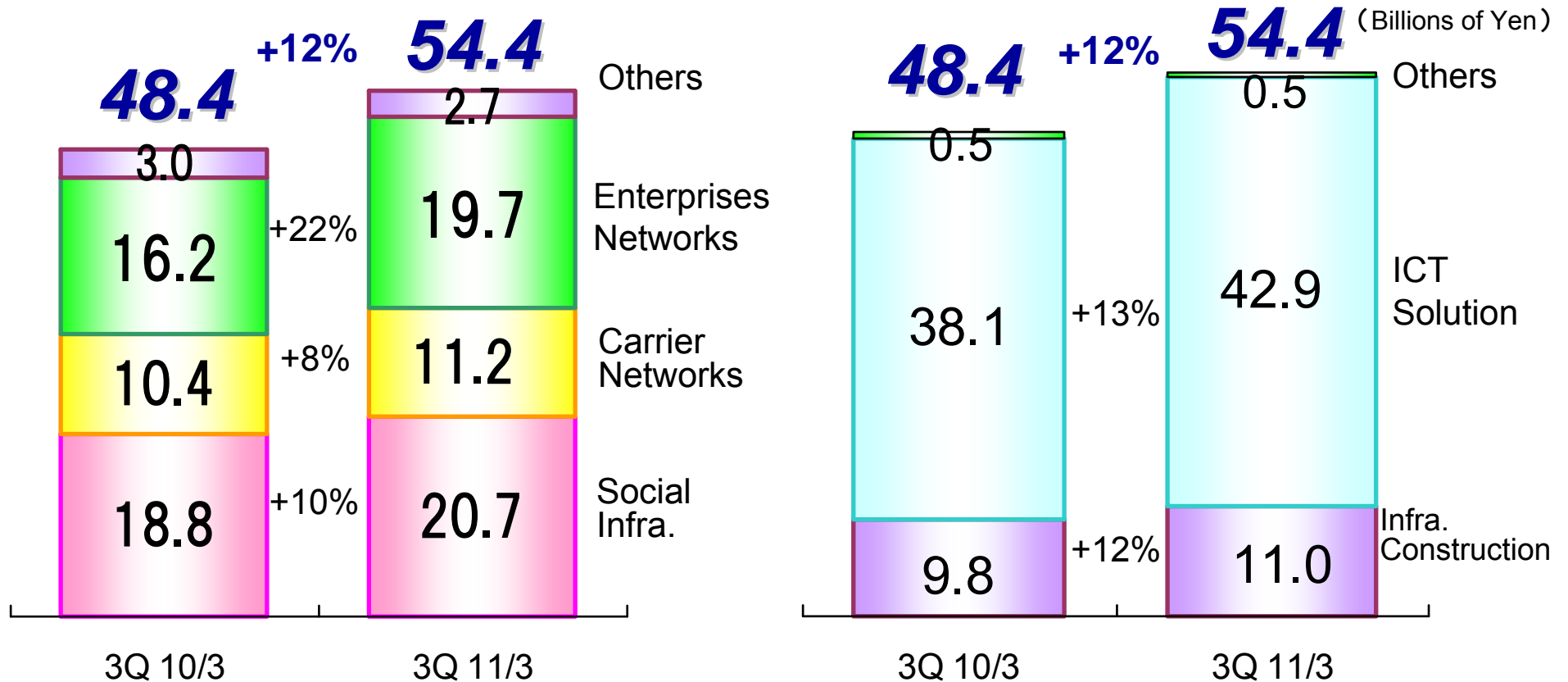
(Billions of Yen)



# Sales by Segment & Business Type (3Q FY2011/3)

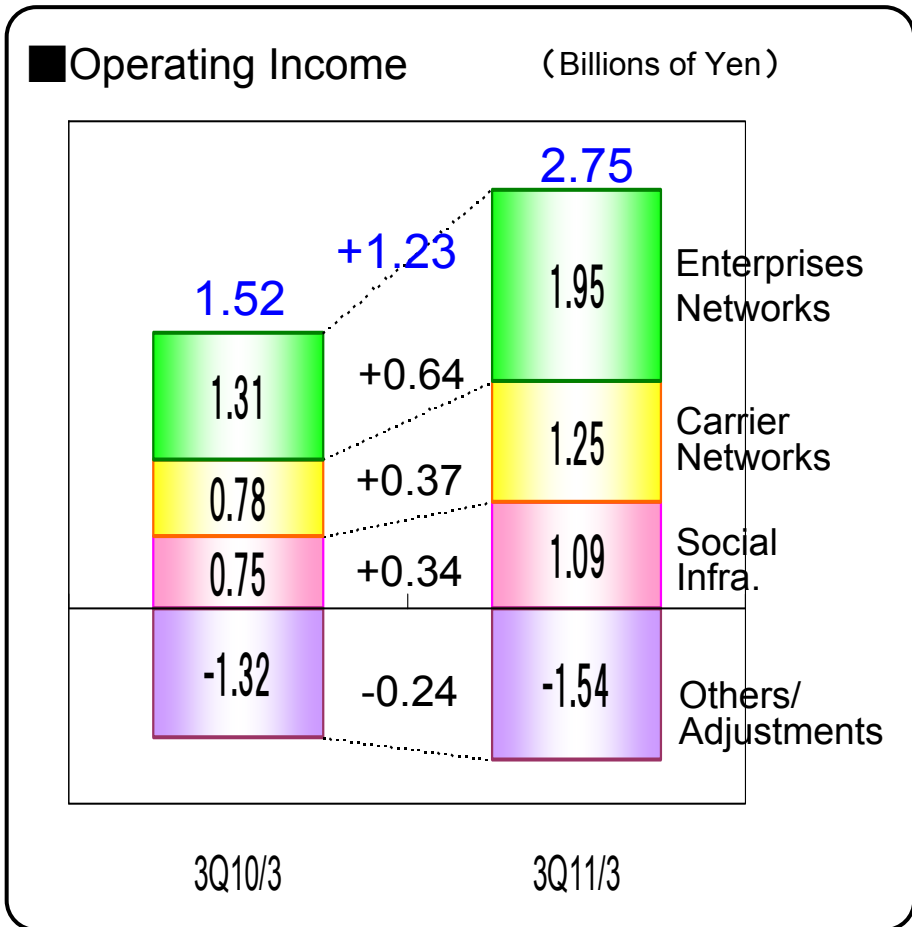
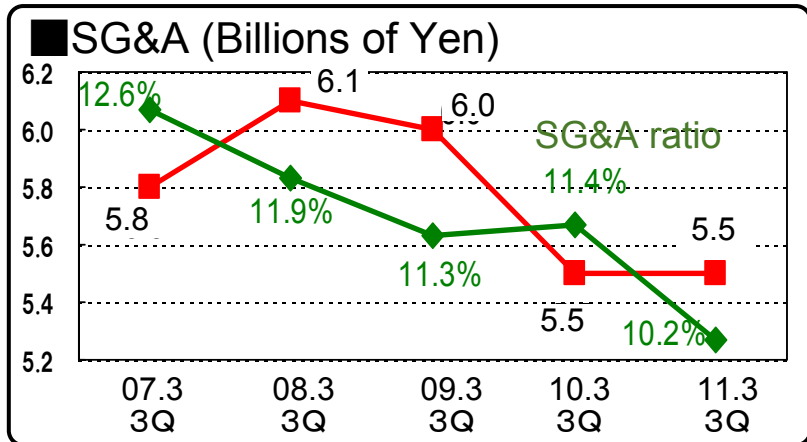
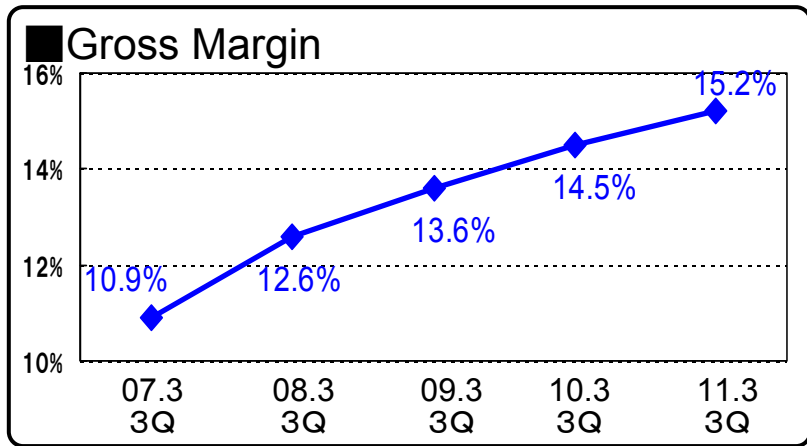
- Net sales increased in all three major businesses
- Enterprises NW: Sales to the financial and manufacturing sectors increased, thanks to relocation and integration-related projects and system updating.
  - Carrier NW: Sales for projects related to the speeding up of mobile networks increased.
  - Social Infrastructure: Local information network-related projects contributed to sales.

- ICT-SL: Sales increased in Enterprises NW and Carrier NW.
- Infrastructure Construction: Governments-related work increased.



# Operating Income (3Q FY2011/3)

- The gross margin improved by accelerating management innovations.
- The ratio of SG&A to sales improved due to accelerated reform of working style through the relocation to the new head office.



# Balance Sheet (End of December, 2010)

(Billions of Yen)

		End of 10/3	End of 10/12	Diff.
	Cash and cash equivalents	29.5	19.4	-10.1
	Notes and account receivable	80.0	77.0	-3.0
	Inventories	7.3	10.6	3.3
	Other	7.1	7.4	0.3
	<b>Current Assets</b>	<b>123.9</b>	<b>114.3</b>	<b>-9.6</b>
	<b>Noncurrent Assets</b>	<b>23.0</b>	<b>25.2</b>	<b>2.2</b>
<b>Assets</b>		<b>146.9</b>	<b>139.6</b>	<b>-7.4</b>
	Notes and account payable	35.0	28.2	-6.8
	Loans	5.0	5.3	0.3
	Other	32.7	31.0	-1.7
<b>Liabilities</b>		<b>72.7</b>	<b>64.5</b>	<b>-8.2</b>
	Shareholders' equity	74.0	74.9	0.9
	Valuation and translation adjustments	-0.5	-0.5	-0.0
	Minority interests	0.6	0.7	0.1
<b>Net assets</b>		<b>74.2</b>	<b>75.1</b>	<b>0.8</b>
<b>Liabilities and net assets</b>		<b>146.9</b>	<b>139.6</b>	<b>-7.4</b>
<b>Owners' equity ratio</b>		<b>50.1%</b>	<b>53.3%</b>	<b>+3.2pt</b>

# Cash Flows (3Q FY2011/3)

Although cash flows became negative due to a temporary time lag in large projects with a long cash collection period, we will step up the collection of receivables in 4Q.

(Billions of Yen)

	3Q 10/3	3Q 11/3
Operating cash flow (a)	-4.6	-9.2
Investment cash flow (b)	-0.3	-1.7
Financial cash flow	-0.7	-0.7
Cash and cash equivalents at the end of the period	23.5	19.4
Free cash flows (a)+(b)	-5.0	-10.9

# Topics (3Q FY2011/3)

## Strengthened the system to expand service businesses

- Made Daiichi Ad System a subsidiary
  - Bolstered contact center-related businesses
- Strengthened the service infrastructure for the western Japan region
  - Consolidated dispersed service functions into one place



## Expanded businesses for enterprises

- ◇ Strengthened office solution promotion using the new head office
  - Number of visitor companies increased (exceeded 300 companies in total)
  - Half of them turned to business talk
- ◇ Sales in the Enterprises NW increased 22%

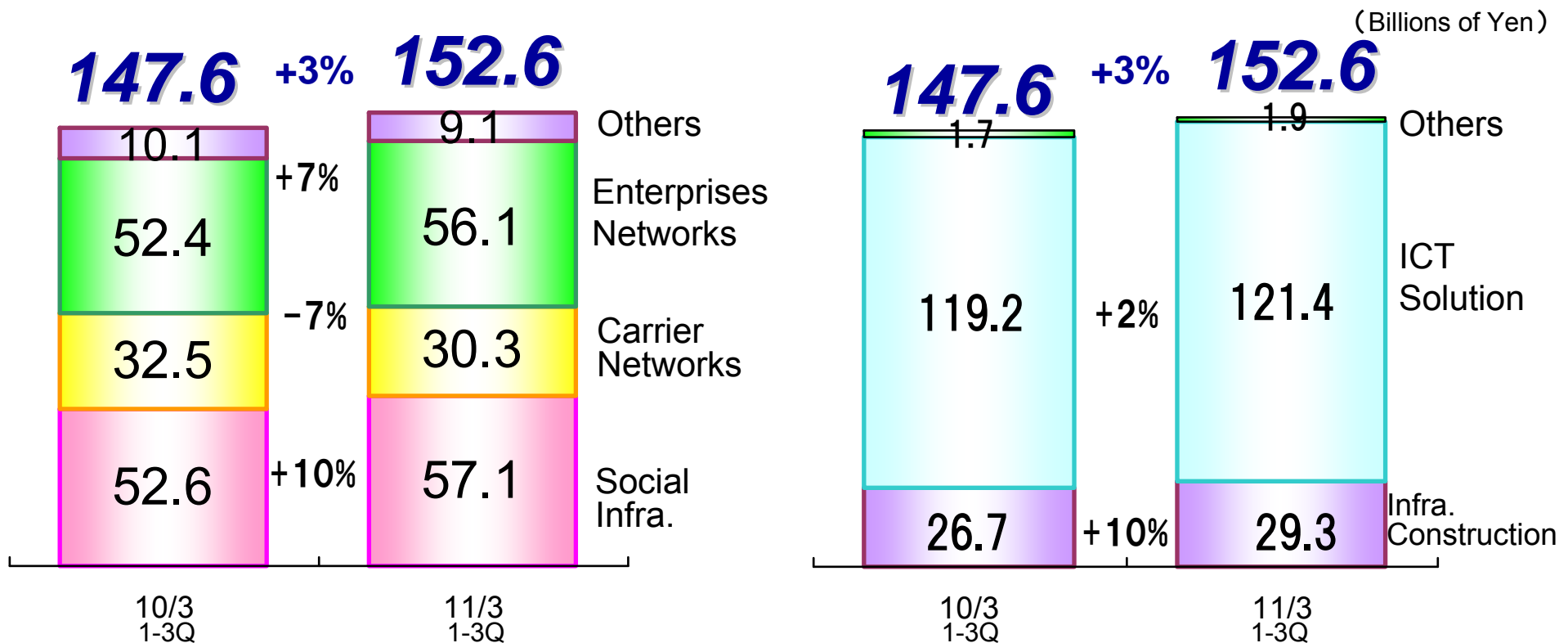




# Sales by Segment & Business Type (1-3Q FY2011/3)

- Enterprises NW: Sales to the financial and manufacturing sectors increased, thanks to relocation and integration-related projects and system updating.
- Carrier NW: Sales declined as the NGN investment cycle completed, although sales for projects related to the speeding up of mobile networks increased.
- Social Infrastructure: Local information network-related projects contributed to sales.

- ICT-SL: Sales increased in Enterprises NW and Social Infrastructure (local information network-related projects and system construction). Sales decreased in Carrier NW as the NGN investment cycle completed.
- Infrastructure Construction: Work for local governments increased.



# Full Year Results Forecast for FY2011/3

- The Social Infrastructure business may be delayed as it is in an off-peak season before the expansion of fire-fighting and disaster-prevention systems.
- We will work to add to sales in the Enterprises NW and the Carrier NW.

(Billions of Yen)	10/3 results		11/3 forecast		YoY	
	1-3Q	Full year	1-3Q results	Full year	1-3Q	Full year
Net sales	147.6	217.7	152.6	240.0	+3%	+10%
Operating income <i>(to sales)</i>	4.8 <i>(3.2%)</i>	9.9 <i>(4.5%)</i>	5.8 <i>(3.8%)</i>	10.0 <i>(4.2%)</i>	+1.1 <i>+0.6pt</i>	+0.1 <i>-0.3pt</i>
Extraordinary loss	0.0	0.0	-1.9	-1.9	-1.9	-1.9
Net income <i>(to sales)</i>	2.9 <i>(1.9%)</i>	5.8 <i>(2.7%)</i>	2.2 <i>(1.4%)</i>	4.7 <i>(2.0%)</i>	-0.7 <i>-0.5pt</i>	-1.1 <i>-0.7pt</i>

\*Forecast as of January 27, 2011

# Dividends Plan

## ■ Dividends plan for FY2011/3

	Cash dividends per share of common stock		
		Interim	Year-end (planned)
11/3	26.00 yen	13.00 yen	13.00 yen

\*No change from previous plan.

## [Ref.] Dividends for FY2010/3

	Cash dividends per share of common stock		
		Interim	Year-end (planned)
10/3	*25.00 yen	11.00 yen	*14.00 yen

\*Including a special dividends of ¥3.00 per share

\*Forecast as of January 27, 2011

# Appendix

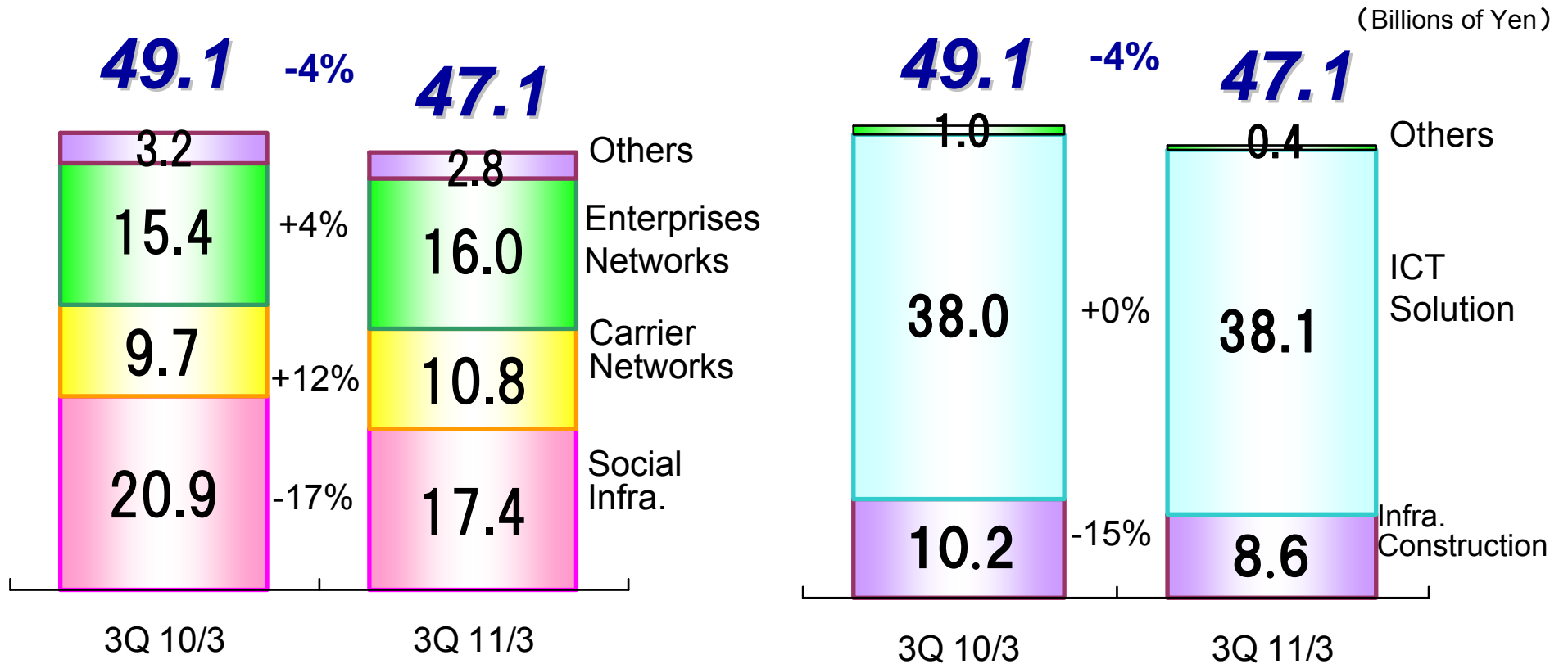
# Appendix: Orders Received by Segment & Business Type (3Q FY2011/3)

Although orders declined in Social Infrastructure given that it was in an off-peak season before the expansion of fire-fighting systems and that local information networks have run their course, orders steadily increased in other businesses.

- Enterprises NW: Orders for projects related to relocation and integration and system updating increased in the financial and manufacturing sectors.
- Carrier NW: Orders increased for projects to speed up mobile networks.

ICT-SL: Although orders were firm in Enterprises NW and Carrier NW, orders declined in Social Infrastructure (for the establishment of local information network systems).

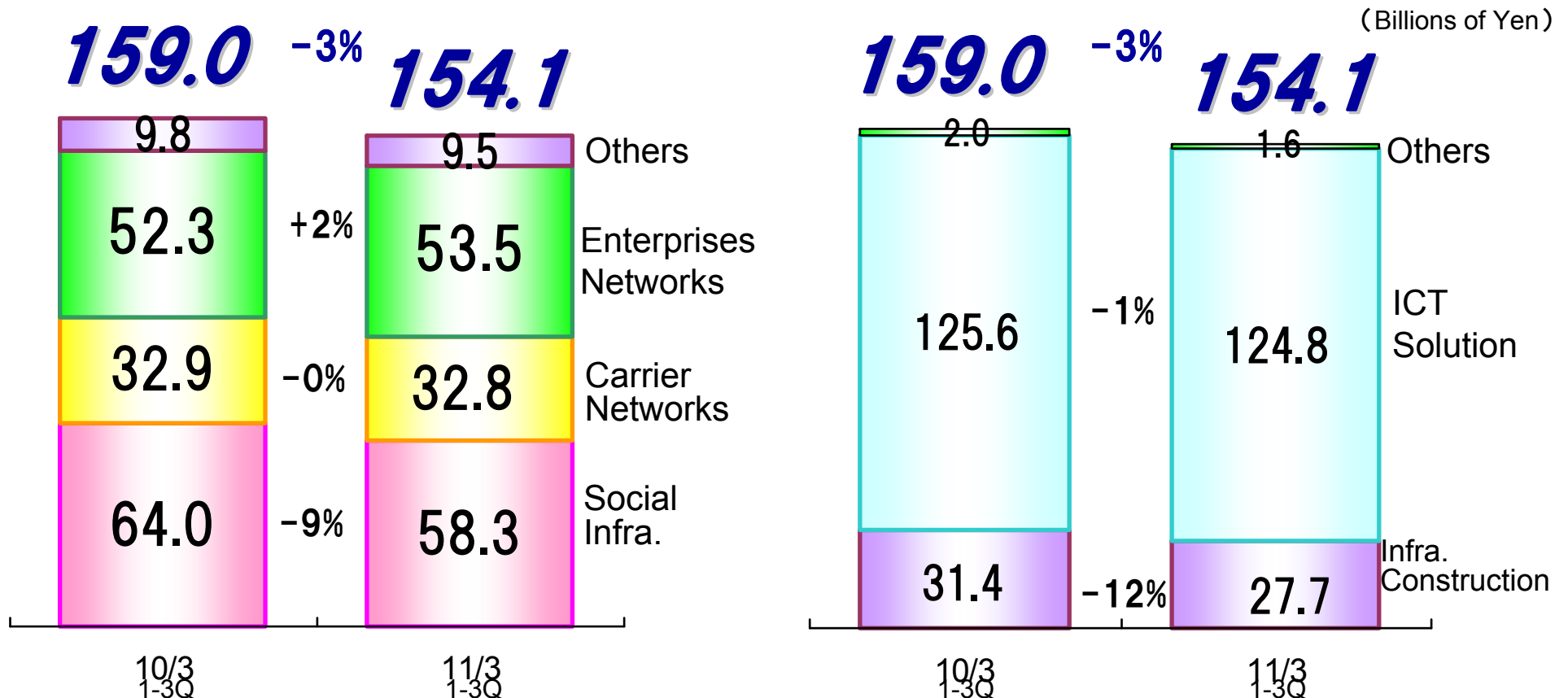
Infrastructure construction: Work related to governments declined.



# Appendix: Orders Received by Segment & Business Type (1-3Q FY2011/3)

- Enterprises NW: Orders increased in the financial and manufacturing sectors thanks to relocation and integration-related projects and system updating.
- Carrier NW: Orders for projects related to the speeding up of mobile networks increased. NGN-related orders have run their course.
- Social Infrastructure: Carrier work declined. Orders for local information networks were solid in the first half but ran their course in the second half.

- ICT-SL: Orders were firm in Enterprises NW but declined in Carrier NW.
- Infrastructure construction: Overseas work declined. Work for local governments ran its course in the second half.



## 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/>