

# Financial Results for 3Q for the FY2011 ending March 2012

January 26, 2012

NEC Networks & System Integration Corporation



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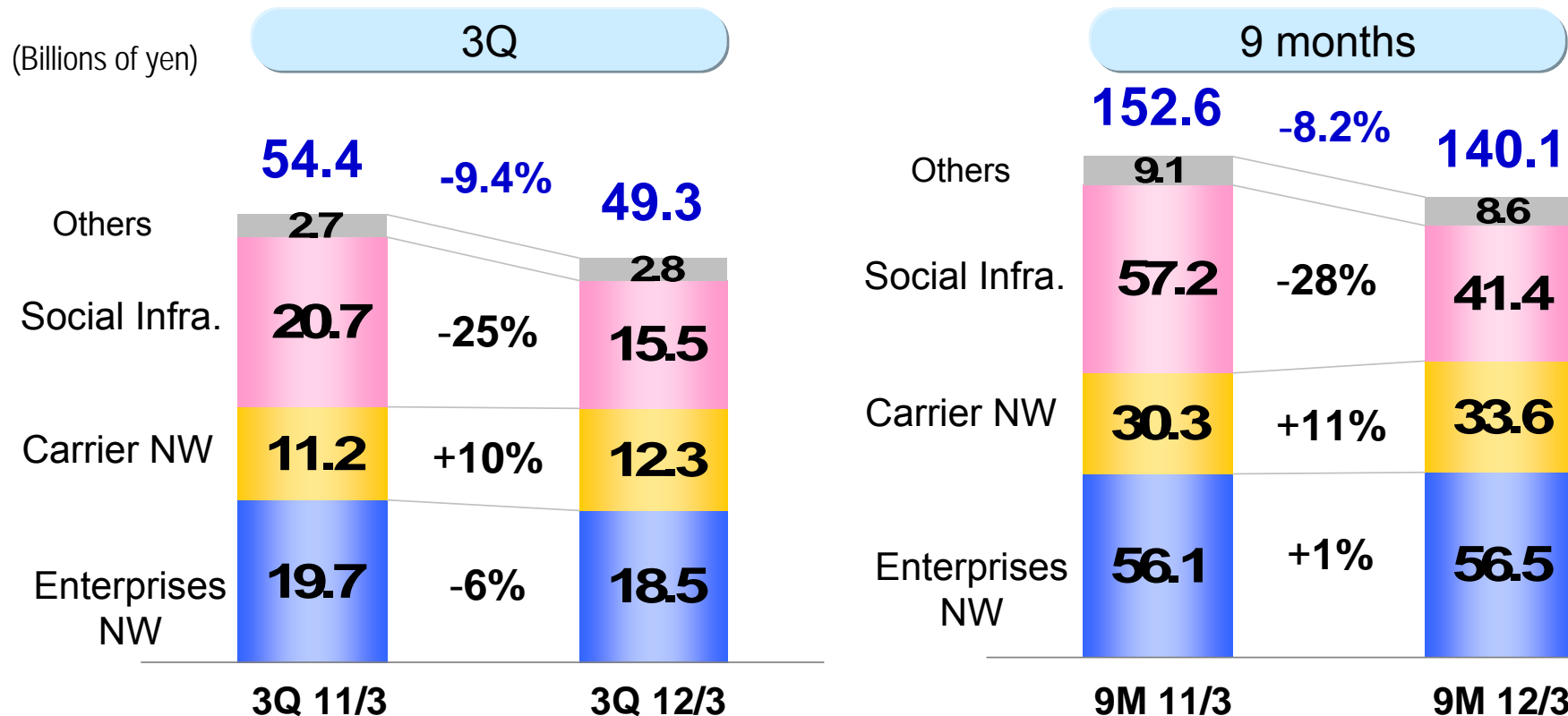
# 1. Summary

## 3Q/9M(1-3Q) FY2012/3

# FY2012/3 3Q & 9M Sales

The solid performance of Enterprises NW and Carrier NW could not offset the decline in Social Infrastructure.

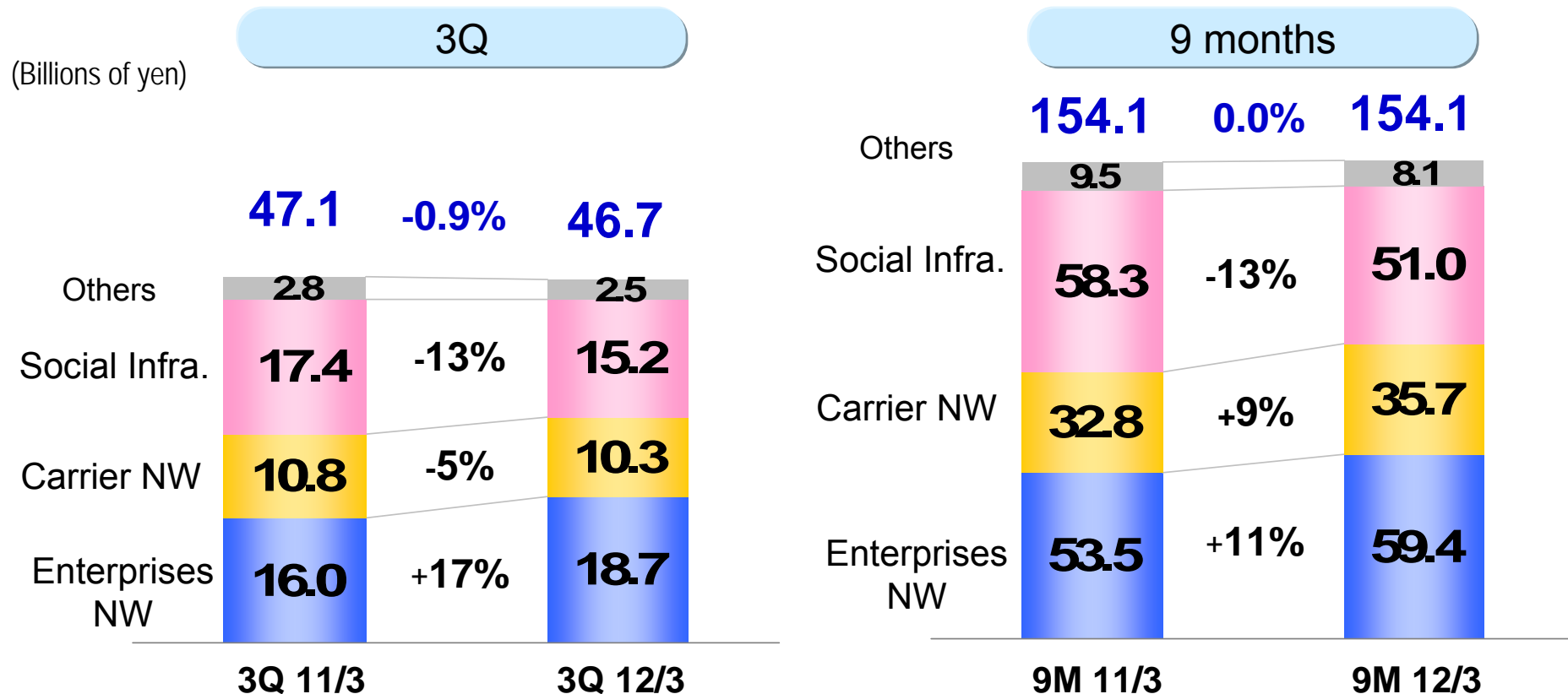
- Enterprises NW: There was a delay in sales. (Orders were strong)
- Carriers NW: Double-digit growth continued, as we responded to demand from telecom carriers for network enhancement.
- Social Infrastructure: Decreased as it went off-season following the completion of investment in local information networks.



# FY2012/3 3Q & 9M Orders Received

## Strong Enterprises NW and Carrier NW offset decreases in Social Infrastructure

- Enterprises NW: Accelerated double-digit growth \* Year-on-year 1Q: +7%, 2Q: +11%
- Carriers NW: The growth trend continued with quarterly fluctuations
- Social Infrastructure: Decreased as it went off-season following the completion of investment in local information networks.



# FY2012/3 3Q & 9M Summary

(Billions of yen)

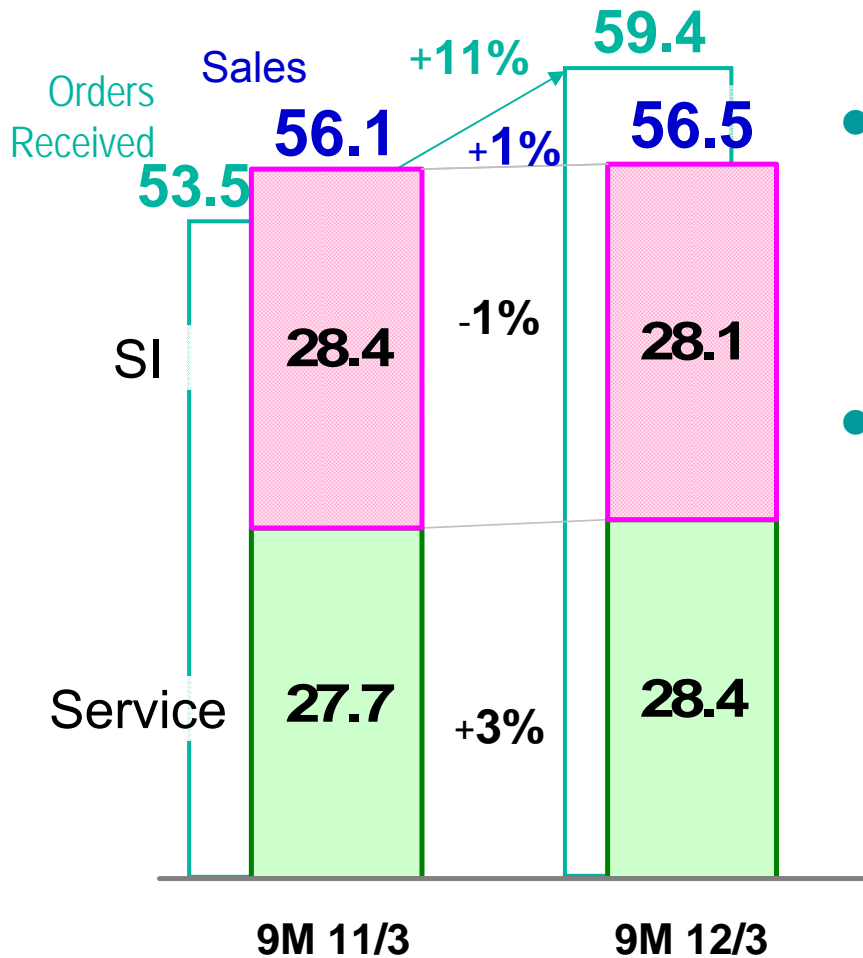
	3Q (Oct-Dec)			1-3Q (Apr-Dec)		
	3Q FY11/3	3Q FY12/3	YoY	1-3Q FY11/3	1-3Q FY12/3	YoY
Orders Received	47.1	46.7	-0.9%	154.1	154.1	0.0%
Net Sales	54.4	49.3	-9.4%	152.6	140.1	-8.2%
Operating Income	2.7	1.5	-1.2	5.8	3.9	-1.9
<i>(to sales)</i>	<i>(5.1%)</i>	<i>(3.1%)</i>	<i>-2.0pt</i>	<i>(3.8%)</i>	<i>(2.8%)</i>	<i>-1.0pt</i>
Extraordinary P/L	0.0	0.0	0.0	<sup>*1</sup> -1.9	0.0	+1.9
Income before income taxes and minority interests	2.8	1.6	-1.2	-3.8	4.1	+0.3
Income taxes /minority interests	1.1	<sup>*2</sup> 1.8	-0.7	-1.7	<sup>*2</sup> 2.8	-1.2
Net Income	1.6	-0.2	-1.8	2.2	1.3	-0.9
<i>(to sales)</i>	<i>(3.0%)</i>	-	-	<i>(1.4%)</i>	<i>(0.9%)</i>	<i>-0.5pt</i>
Free Cash Flow	-10.9	-5.8	+5.1	-8.9	14.5	+23.4

\*1: Extraordinary loss due to relocation of head office

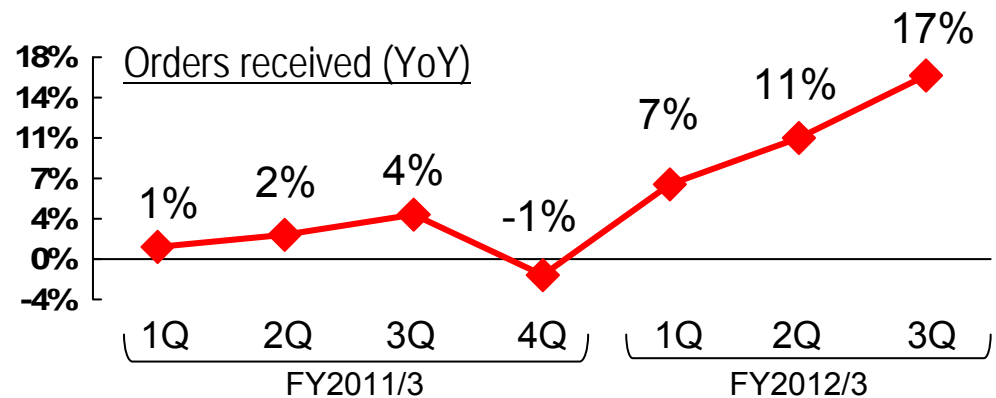
\*2: ¥1.1 billion impact due to one-time reversal of DTA corresponding to tax system revision

# FY2012/3 9M: Enterprise Network Business

(Billions of yen)

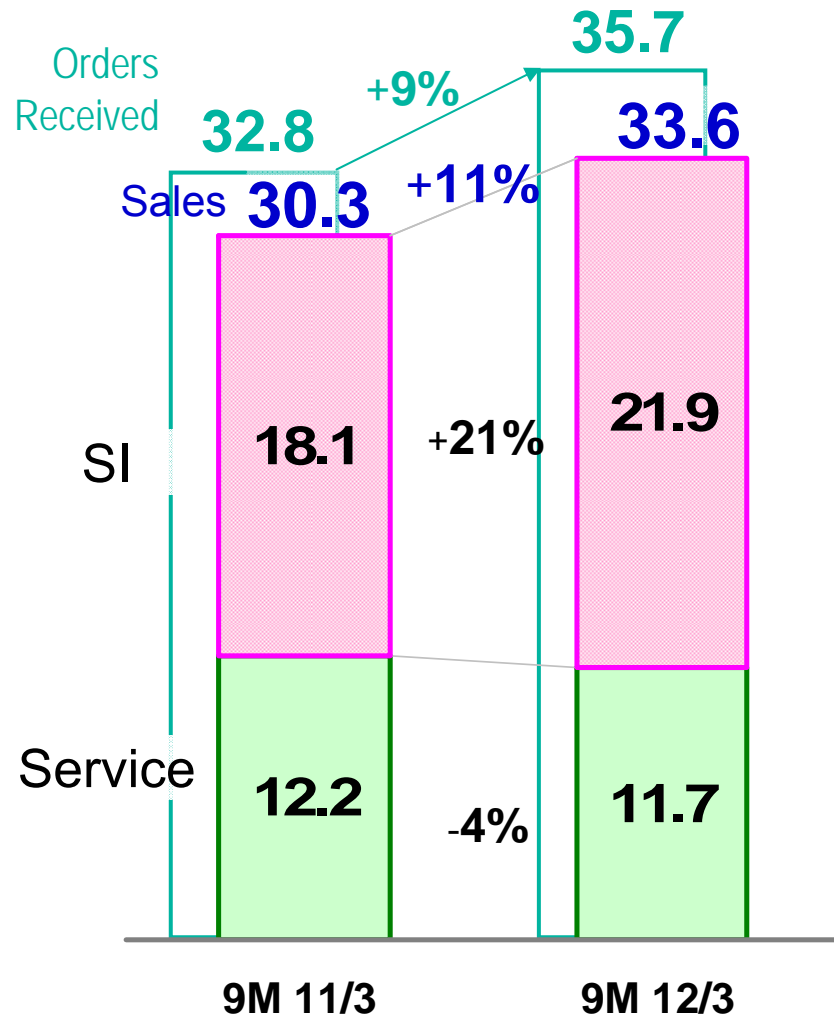


- Visitors to our “EmpoweredOffice” head office exceeded 1,000 companies after the relocation in Oct. 2011.  
=> Related orders: ¥17 bn. (+40% YoY)
- Service business increased due to prior investment.  
=> Operation/outsourcing related orders increased in 3Q through DC expansion (+20% YoY)
- Recovery in orders accelerated in spite of delays in sales



# FY2012/3 9M: Carriers Network Business

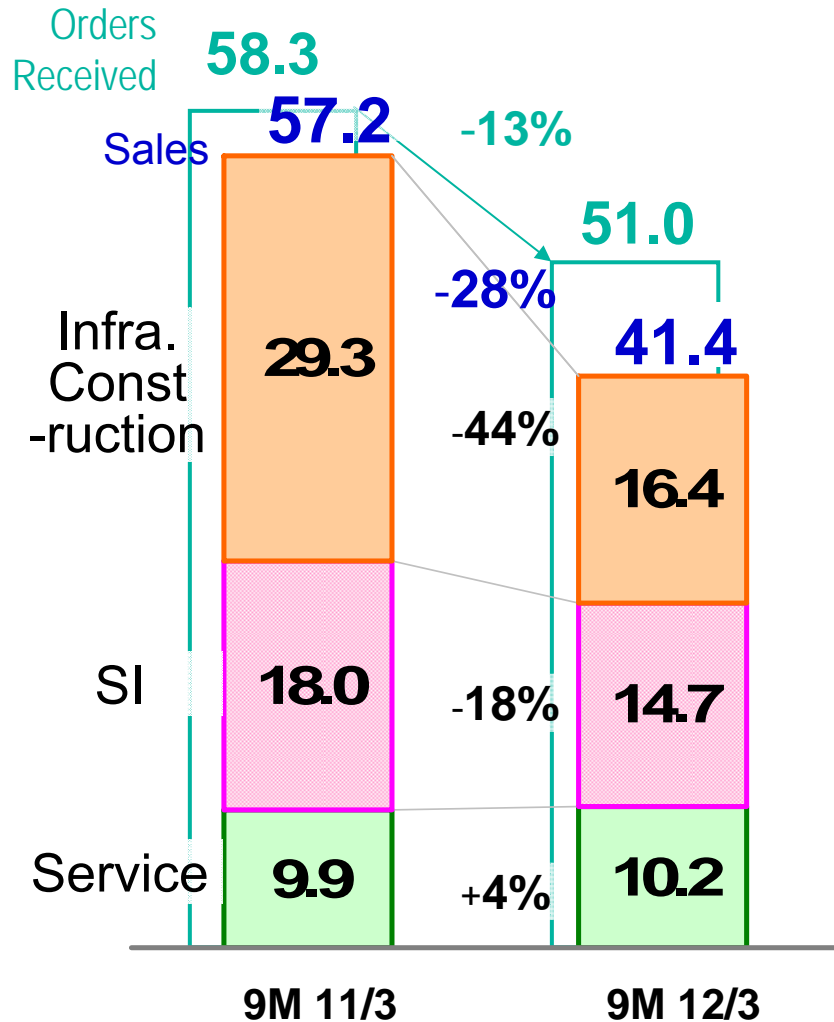
(Billions of yen)



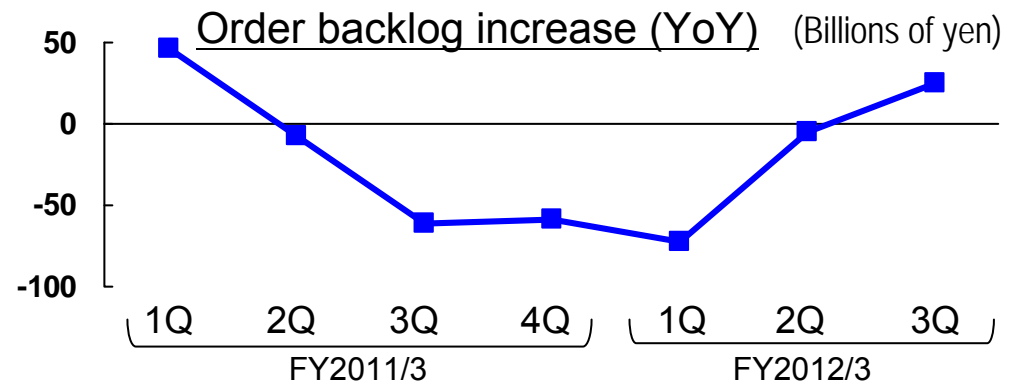
- Demand for enhancing networks to meet rising network traffic with the growth of smartphones, etc. continued from 1H. ~Network design, integration and configuration, etc. increased.
- Multi-vendor management work increased. ~Holders of global standard qualifications increased as planned (up 15%).
- The service business declined slightly as maintenance of legacy systems decreased.

# FY2012/3 9M: Social Infrastructure Business

(Billions of yen)



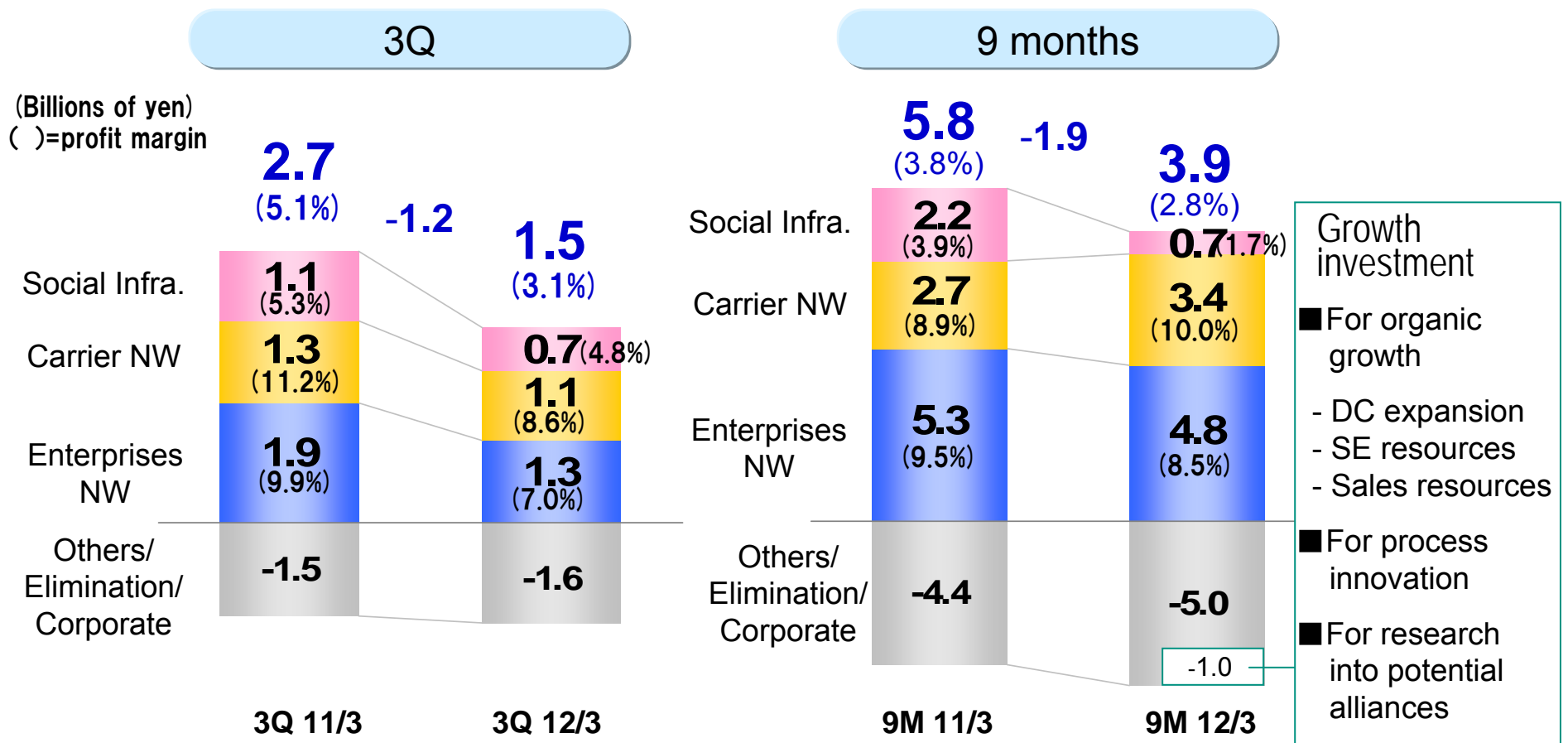
- Gradually increasing fire-fighting and disaster prevention systems could not offset the completion of local information network-related investment.
- Actions for reconstruction of disaster-affected areas
  - Orders related to reconstruction of infrastructure are expected to pick up from 4Q
  - Preparation for comprehensive proposal to create secure, safe & convenient new cities from the reconstruction business support team
- Signs of a recovery in order backlog (+ ¥2.5 bn. YoY)





# FY2012/3 3Q & 9M Operating Income

3Q Operating income decreased with aggressive project-taking and accelerated growth investment targeting expansion of services business



# FY2012/3 9M Cash Flows

- FCF improved substantially, 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)

	1-3Q 11/3	1-3Q 12/3
Operating cash flow (a)	-5.7	16.2
Investment cash flow (b)	-3.2	-1.7
Free cash flow (a+b)	-8.9	14.5
Financial cash flow	-1.2	-3.3
Cash and cash equivalents at the end of the period	19.4	36.6

# FY2012/3 (End of December 2011) Consolidated Balance Sheet

(Billions of yen)

		End of Dec.10	End of Dec.11	Diff.
	Cash and cash equivalents	19.4	36.6	17.3
	Notes and account receivable	77.0	59.2	-17.7
	Inventories	10.6	10.7	0.1
	Other	7.4	8.1	0.7
<b>Current Assets</b>		<b>114.3</b>	<b>114.7</b>	<b>0.4</b>
<b>Noncurrent Assets</b>		<b>25.2</b>	<b>23.5</b>	<b>-1.8</b>
<b>Assets</b>		<b>139.6</b>	<b>138.2</b>	<b>-1.4</b>
	Notes and accounts payable	28.2	25.1	-3.0
	Loans	5.3	4.5	-0.8
	Other	31.0	31.2	0.2
<b>Liabilities</b>		<b>64.5</b>	<b>60.9</b>	<b>-3.6</b>
	Shareholders' equity	74.9	77.4	2.5
	Accumulated other comprehensive income	-0.5	-0.7	-0.2
	Minority interests	0.7	0.5	-0.2
<b>Net assets</b>		<b>75.1</b>	<b>77.2</b>	<b>2.2</b>
<b>Liabilities and net assets</b>		<b>139.6</b>	<b>138.2</b>	<b>-1.4</b>
<b>Owners' equity ratio</b>		<b>53.3%</b>	<b>55.5%</b>	<b>+2.2pt</b>

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## 2. Forecasts for FY2012/3

# FY2012/3 Full-Year Forecasts

\*Forecasts as of January 26, 2012

- Revised net income forecast due to reversal of DTA corresponding to tax system revision
- Although sales risk (about ¥20 bn.) is growing, we aim to achieve the initial target by accelerating growth in the Carrier Networks and Enterprises Networks businesses and launching volume business.

	12/3 Full year forecast	11/3 Results	YoY	Initial forecast	Diff. from forecasts	(Billions of yen)
Sales	240.0	217.9	+10%	240.0	-	
Operating Income	11.0	10.8	+0.2	11.0	-	
<i>(to sales)</i>	<i>(4.6%)</i>	<i>(5.0%)</i>	<i>-0.4pt</i>	<i>(4.6%)</i>	-	
Extraordinary P/L	0.0	-2.6	+2.6	0.0	-	
Income before income taxes and minority interests	11.0	8.3	+2.7	11.0	-	
Income taxes /minority interests	5.9	3.6	-2.3	4.8	-1.1	
Net Income	5.1	4.7	+0.4	6.2	-1.1	
<i>(to sales)</i>	<i>(2.1%)</i>	<i>(2.2%)</i>	<i>-0.1pt</i>	<i>(2.6%)</i>	<i>-0.5pt</i>	

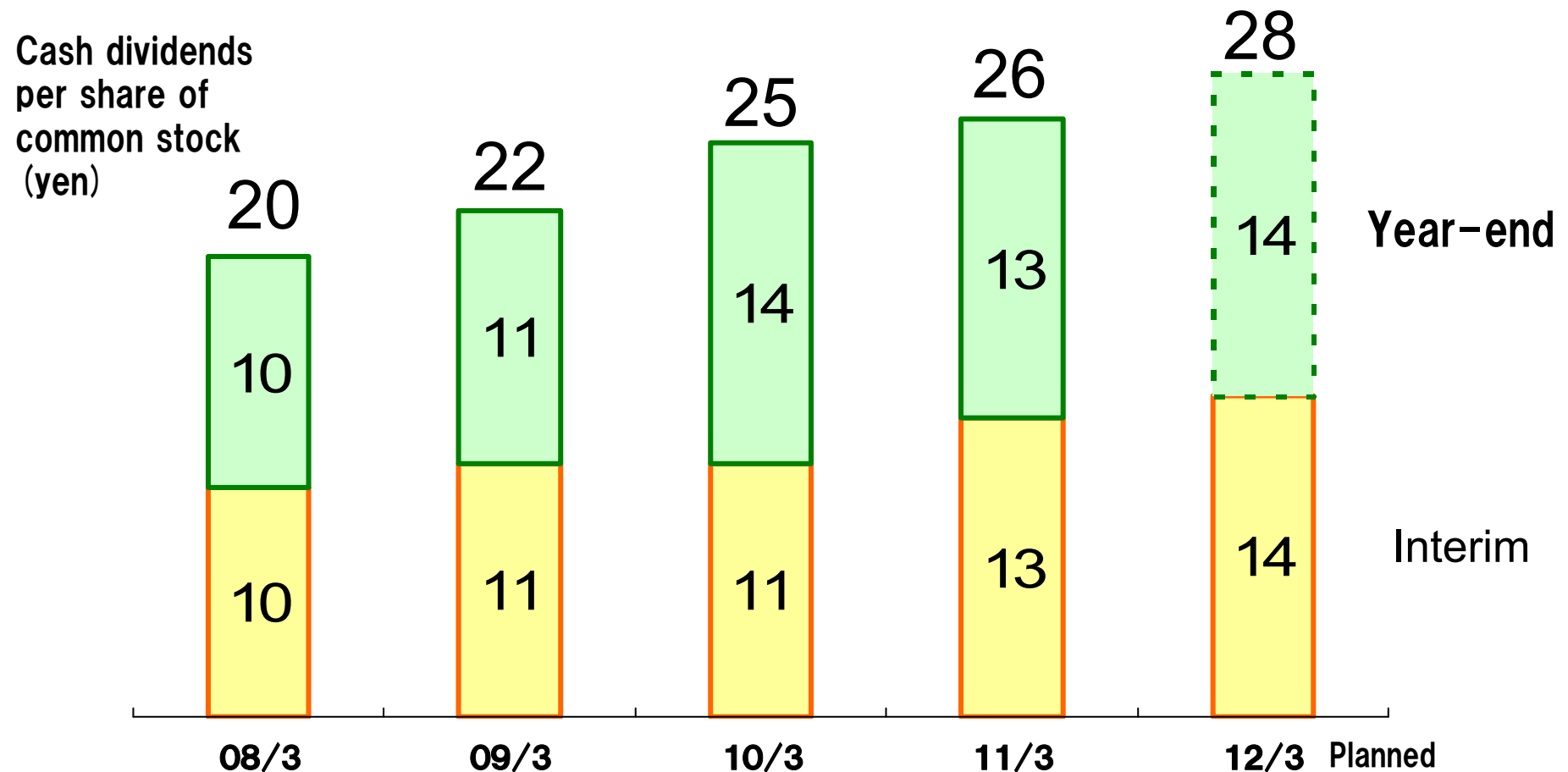
Impact of  
tax system  
revision

# FY2012/3 Dividend Plan

\*Forecast as of January 26, 2012

No change from the initial forecast

No change in dividend plan as revision of net income is due to one-time impact of DTA



# Cautionary Statement

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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.

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# NEC

NEC Networks & System Integration Corporation

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