

# Financial Results for Fiscal Year Ended March 2012

April 27, 2012

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NEC Networks & System Integration Corporation



I. Results for FY2012/3

II. Business Policy and Forecasts  
for FY2013/3

III. Growth Initiatives

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# I. Results for FY2012/3

## ■ Growth business areas (Enterprises Networks & Carrier Networks) increased.

Net sales and operating income decreased as Social Infrastructure unexpectedly declined.

## ■ Towards a turnaround

- Executed investments in growth
- Reform of Social Infrastructures business

# FY2012/3 Summary

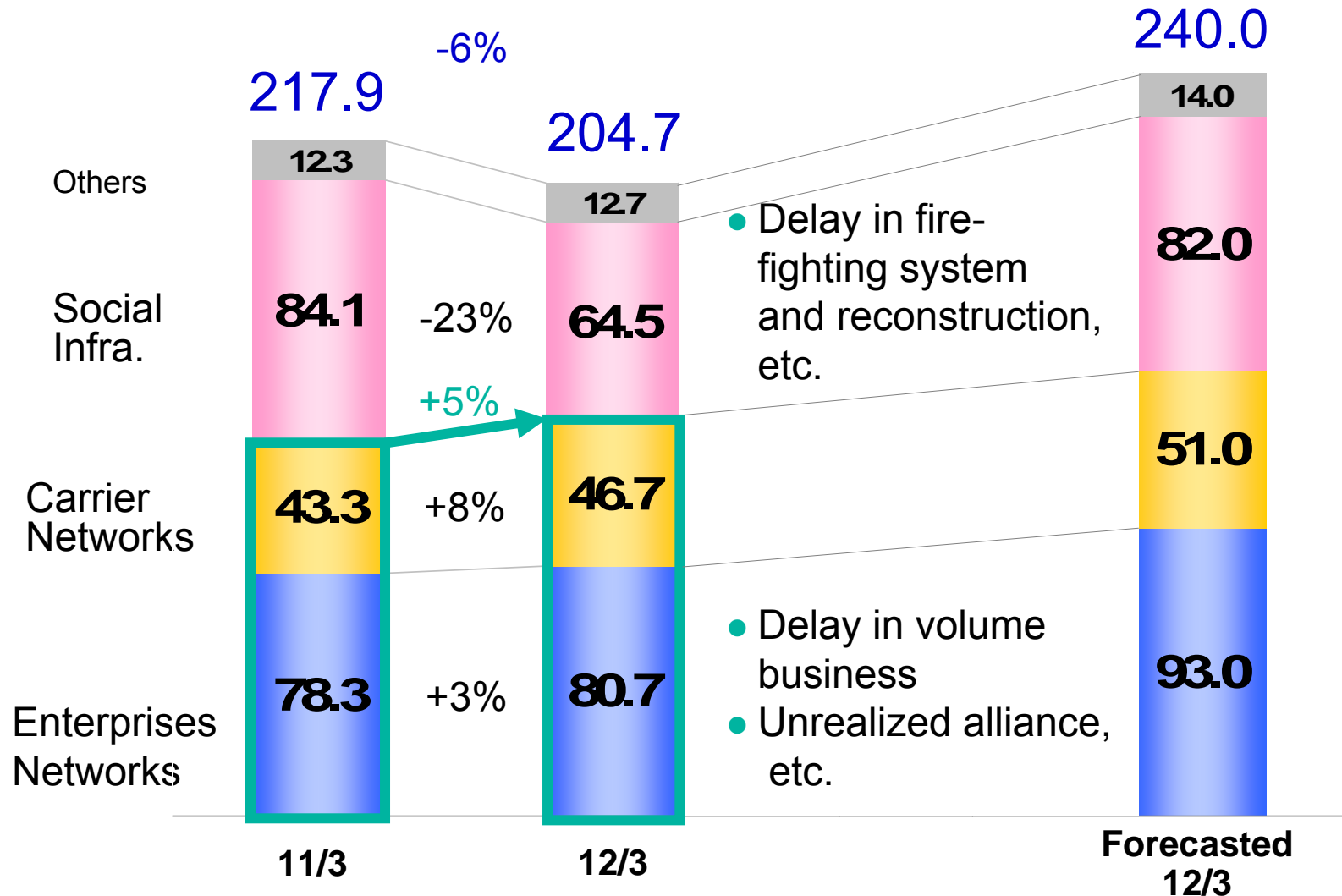
(Billions of yen)

	FY2011/3 Results	FY2012/3 Results	YoY	Diff. from forecast (Jan.26)
Orders received	212.3	215.4	1.5%	-
Sales	217.9	204.7	-6.1%	-35.3
Operating income	10.8	97.0	-1.1	-1.3
(to sales)	(5.0%)	(4.8%)	-0.2pt	+0.2pt
Extraordinary gain(loss) *1	-2.6	0.0	+2.6	-
Net income	4.7	5.7	+0.9	-
(except for DTA reversal due to tax (to sales)	(2.2%)	(2.8%)	+0.6pt	
DTA reversal due to tax reform	-	1.1	-1.1	-
Net income	4.7	4.6	-0.2	-0.5
(to sales)	(2.2%)	(2.2%)	±0.0pt	+0.1pt
ROE	6.3%	5.9%	-0.4pt	
Free Cash Flows	-3.5	16.1	19.6	

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

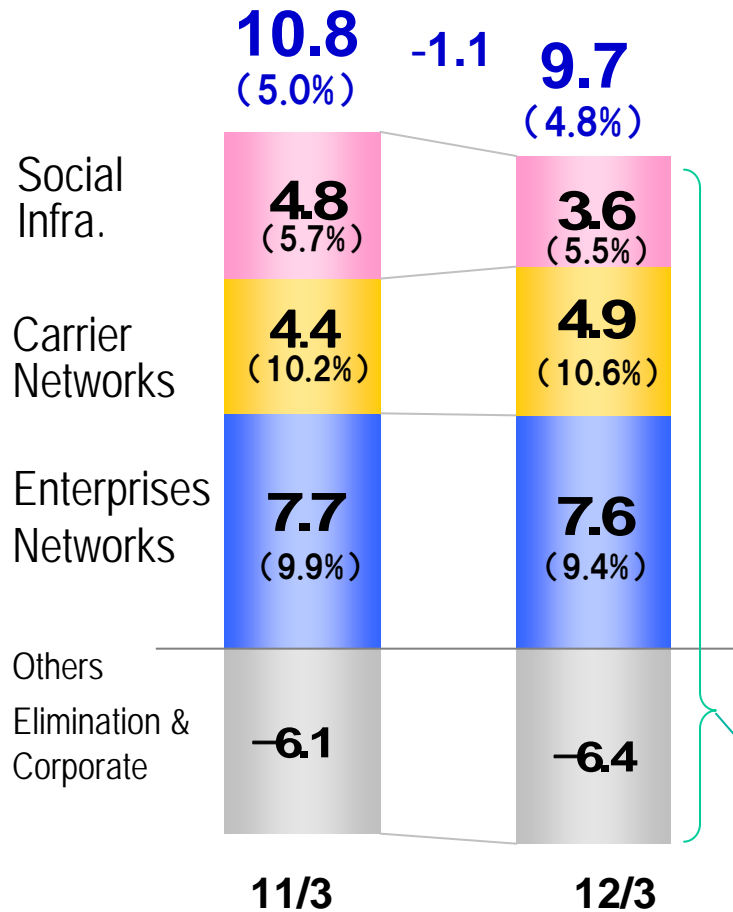
# FY2012/3 Sales by Segment

(Billions of yen)



# FY2012/3 Operating Income

(Billions of yen)  
( )=operating margin



Operating income decreased due to decline in Social Infrastructure sales

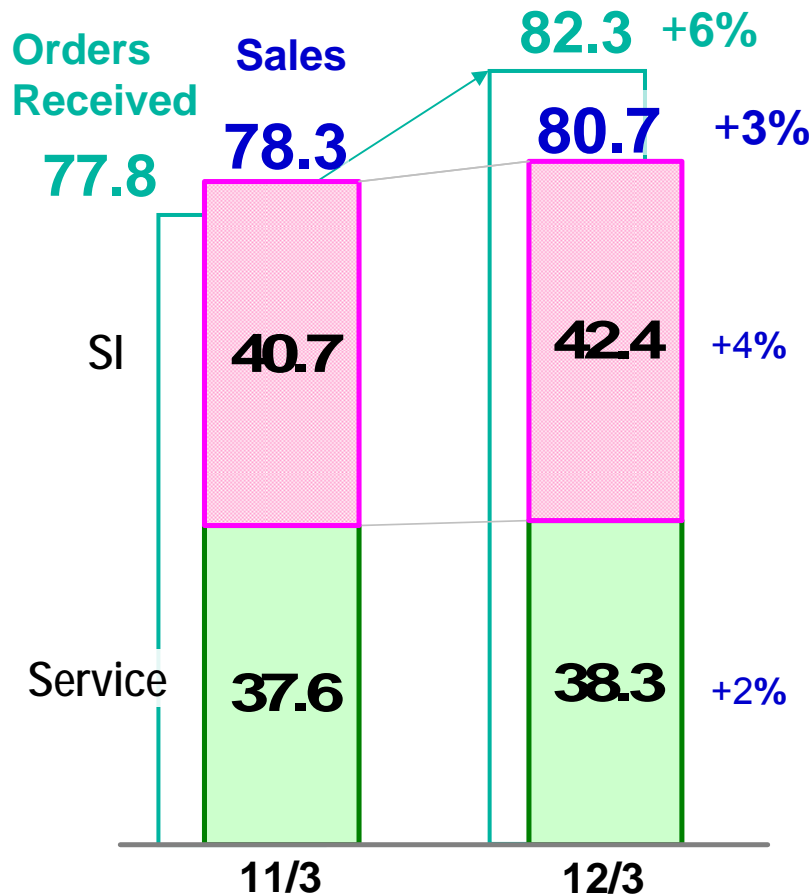
- Enterprises NW:  
Operating income was flat from previous FY including ¥0.8 bn. growth in investment
- Carrier NW:  
Operating income increased thanks to sales increase and streamlined work processes
- Social Infrastructures:  
Operating income decreased given a major sales decline. Business reforms returned operating income to the level of the previous FY in 2H, although sales still decreased.

Investment in growth (¥1.3 billion)

- Sales resources increase
- Data center expansion
- Alliance-related costs, etc.

# FY2012/3 Enterprises Networks Business

(Billions of yen)



Steadily captured customer demand for ICT for management innovation

- EmpoweredOffice\* increased
  - Related orders: ¥29 billion
  - Orders from the consulting stage increased
    - Received orders from major companies in manufacturing, financial sector, etc.
- Services business is growing with the contribution of DAIICHI AD SYSTEM\*\*

Cultivated local enterprises outside Tokyo

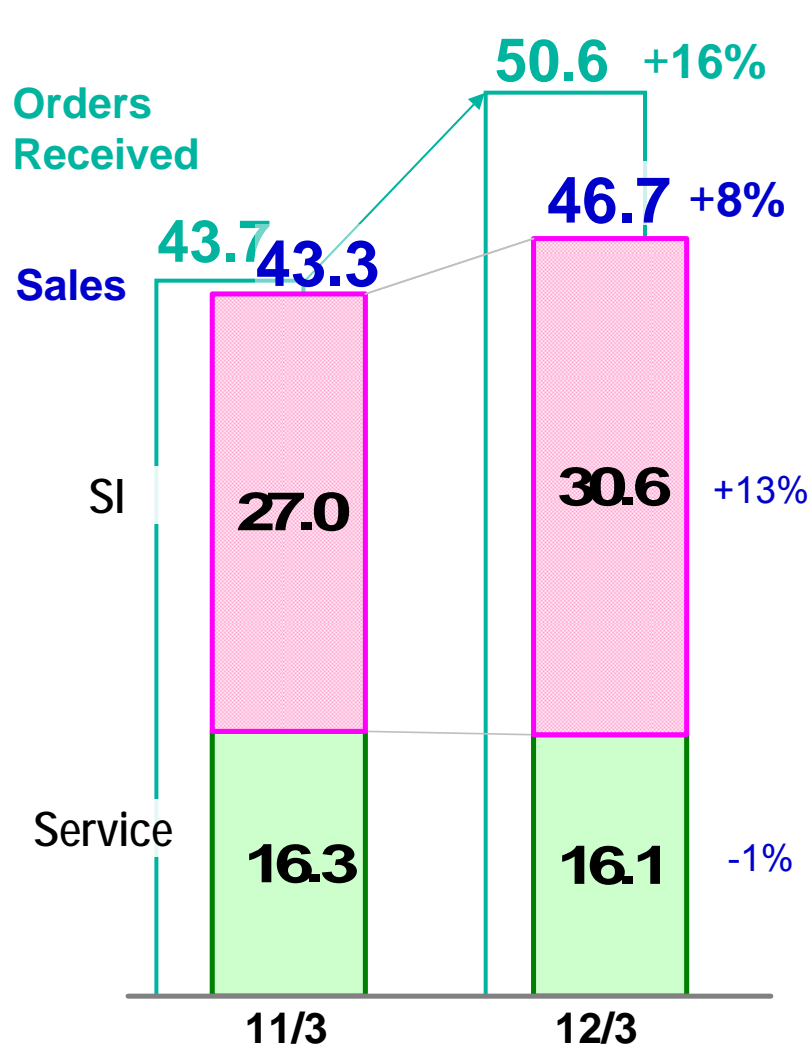
\*EmpoweredOffice: Office innovation solution using ICT with total facility management

\*\*DAIICHI AD SYSTEM: A contact center operation subsidiary with strength in mail-order industries



# FY2012/3 Carrier Networks Business

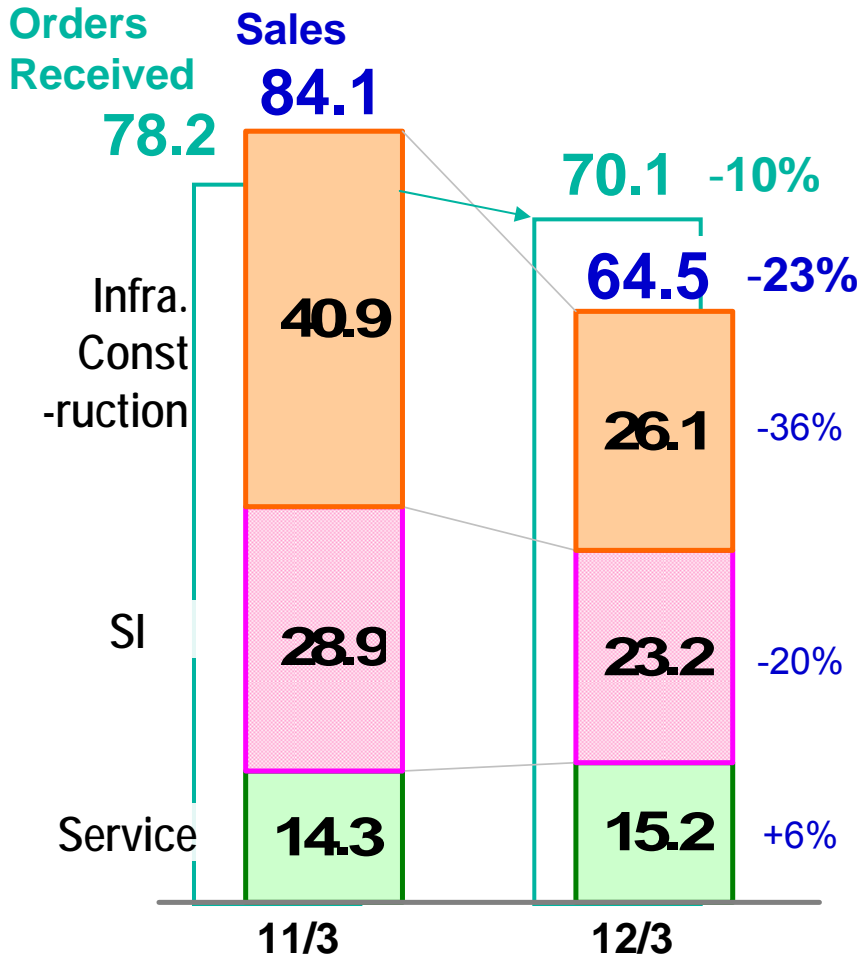
(Billions of yen)



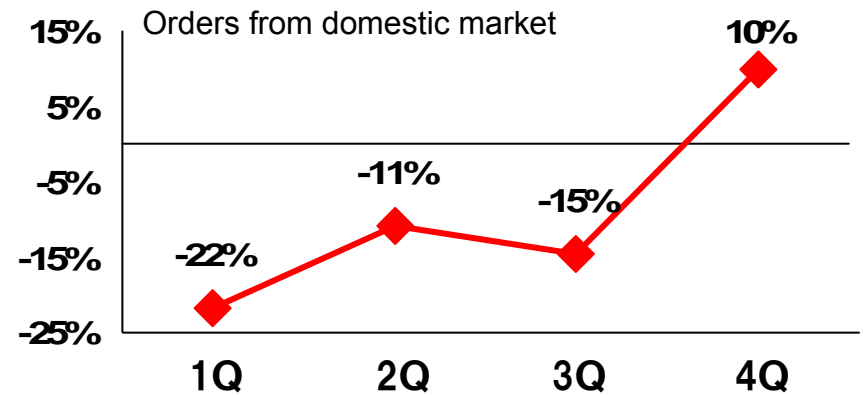
- Sales increased, capturing market opportunities with the smartphone boom
  - Multi-vendor management business steadily increased
  - Started new services in collaboration with telecom carriers
    - e.g. Local community info. services using smart devices
- Customer cultivation offset a decrease in hardware maintenance service

# FY2012/3 Social Infrastructures Business

(Billions of yen)



Sales decreased but there was a sign of a recovery in orders



- Fire-fighting systems increased (Sales: +55%)
- Services increased due to maintenance of broadcasting systems

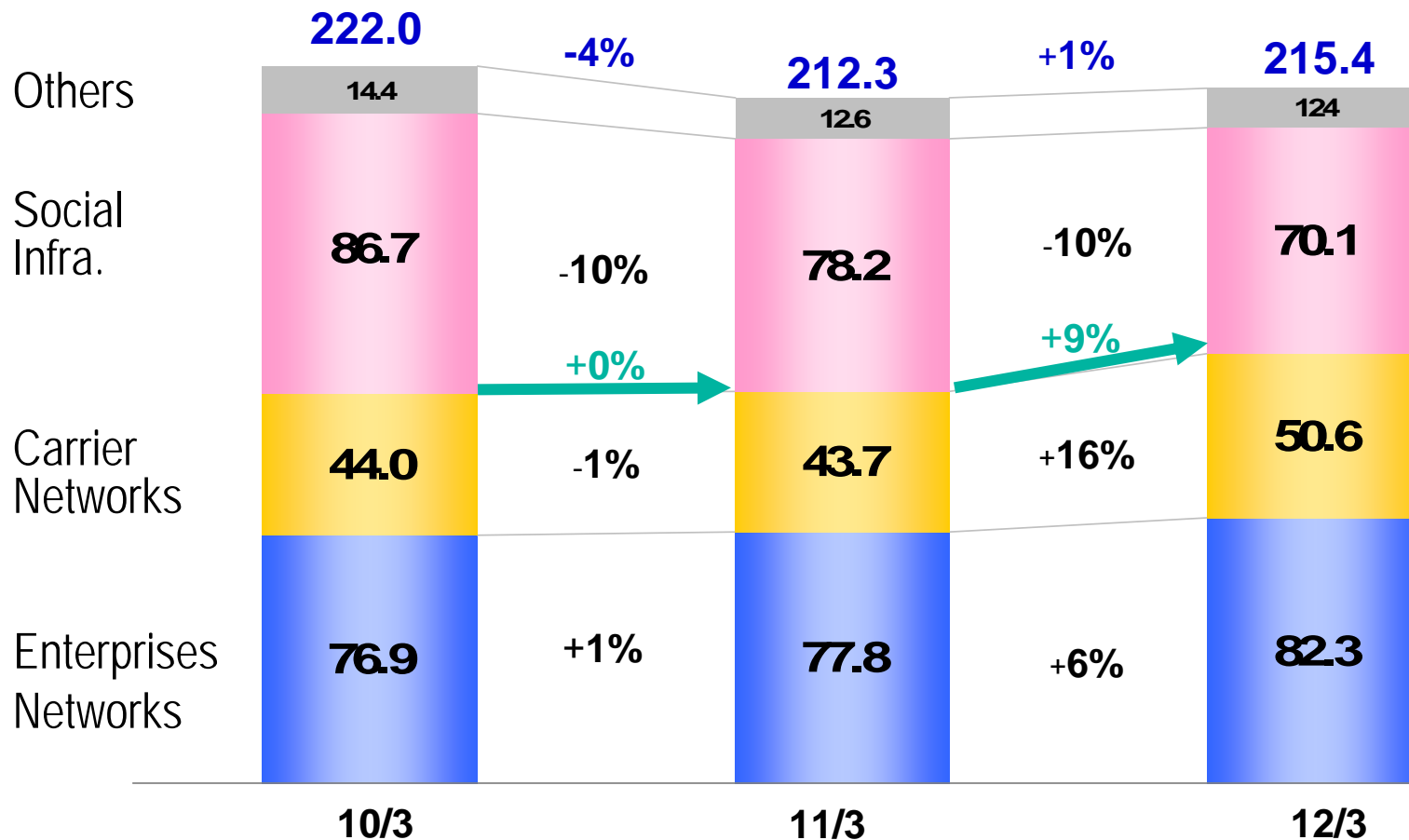
# FY2012/3 Balance Sheet

(Billions of yen)

	End of 11/3	End of 12/3	Diff.
Cash and cash equivalents	25.6	37.6	12.0
Notes and accounts receivable	86.3	73.2	-13.1
Inventories	7.1	8.0	0.9
Other	7.3	6.4	-0.9
<b>Current Assets</b>	<b>126.4</b>	<b>125.2</b>	<b>-1.1</b>
<b>Noncurrent Assets</b>	<b>23.6</b>	<b>24.5</b>	<b>0.9</b>
<b>Assets</b>	<b>149.9</b>	<b>149.7</b>	<b>-0.2</b>
Notes and accounts payable	31.4	30.3	-1.0
Loans	6.3	4.0	-2.3
Other	34.8	34.7	-0.1
<b>Liabilities</b>	<b>72.5</b>	<b>69.1</b>	<b>-3.4</b>
Shareholders' equity	77.4	80.7	3.2
Valuation and translation adjustments	-0.5	-0.6	-0.1
Minority interests	0.6	0.6	0.0
<b>Net Assets</b>	<b>77.5</b>	<b>80.7</b>	<b>3.2</b>
<b>Liabilities &amp; Net Assets</b>	<b>149.9</b>	<b>149.7</b>	<b>-0.2</b>
<b>Owner's Equity Ratio</b>	<b>51.3%</b>	<b>53.5%</b>	<b>+2.2pt</b>

# FY2012/3 Orders Received

(Billions of yen)



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# II. Business Policy and Forecasts for FY2013/3

# Market/Customer Demand Trends

## Growth business area

- Enterprises Networks
  - Signs of a pick up in investment  
High demand for ICT use directly linked to management innovation
- Carrier Networks
  - Continued investment in network expansion due to smartphone penetration

## Stable business area

- Social Infrastructures
  - Full-scale investment in digital fire-fighting systems
  - Gradual start of earthquake reconstruction projects

## ■ Turnaround to re-growth

- Returning to the sales level of FY2011/3  
and beyond
- Expanding aggressive investment in growth
  - To double from FY2012/3

# FY2013/3 Full-Year Forecasts

(Billions of yen)

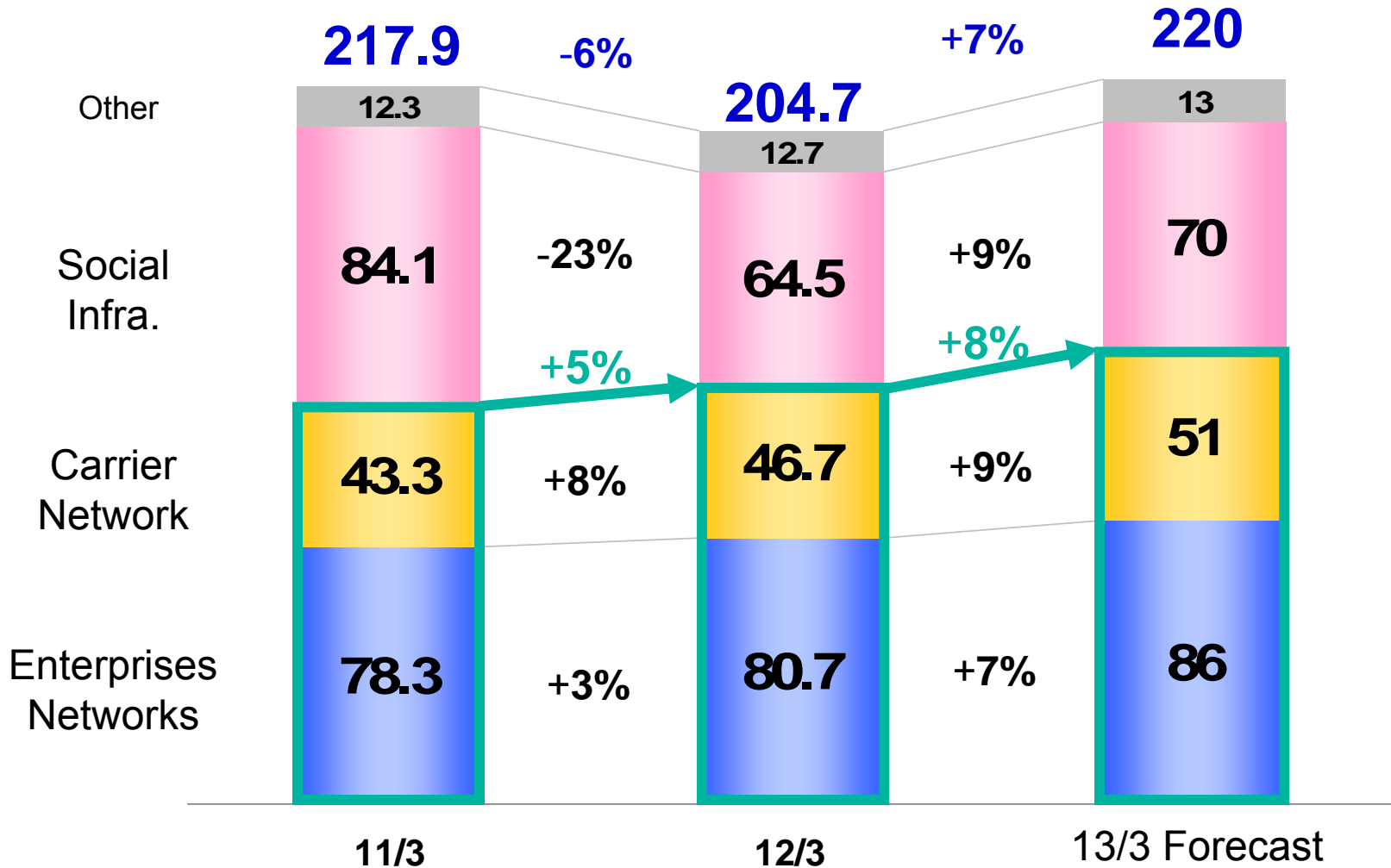
	13/3 Forecasts	12/3 Results	YoY	【Reference】 11/3 Results
Sales	220.0	204.7	+7.5%	217.9
Operating income <i>(to sales)</i>	10.5 <i>(4.8%)</i>	9.7 <i>(4.8%)</i>	+0.8 <i>±0.0pt</i>	10.8 <i>(5.0%)</i>
Net income <i>(to sales)</i>	6.2 <i>(2.8%)</i>	4.6 <i>(2.2%)</i>	+1.6 <i>+0.6pt</i>	4.7 <i>(2.2%)</i>

\*Forecasts as of April 27, 2012



# FY2013/3 Sales Forecast by Segment

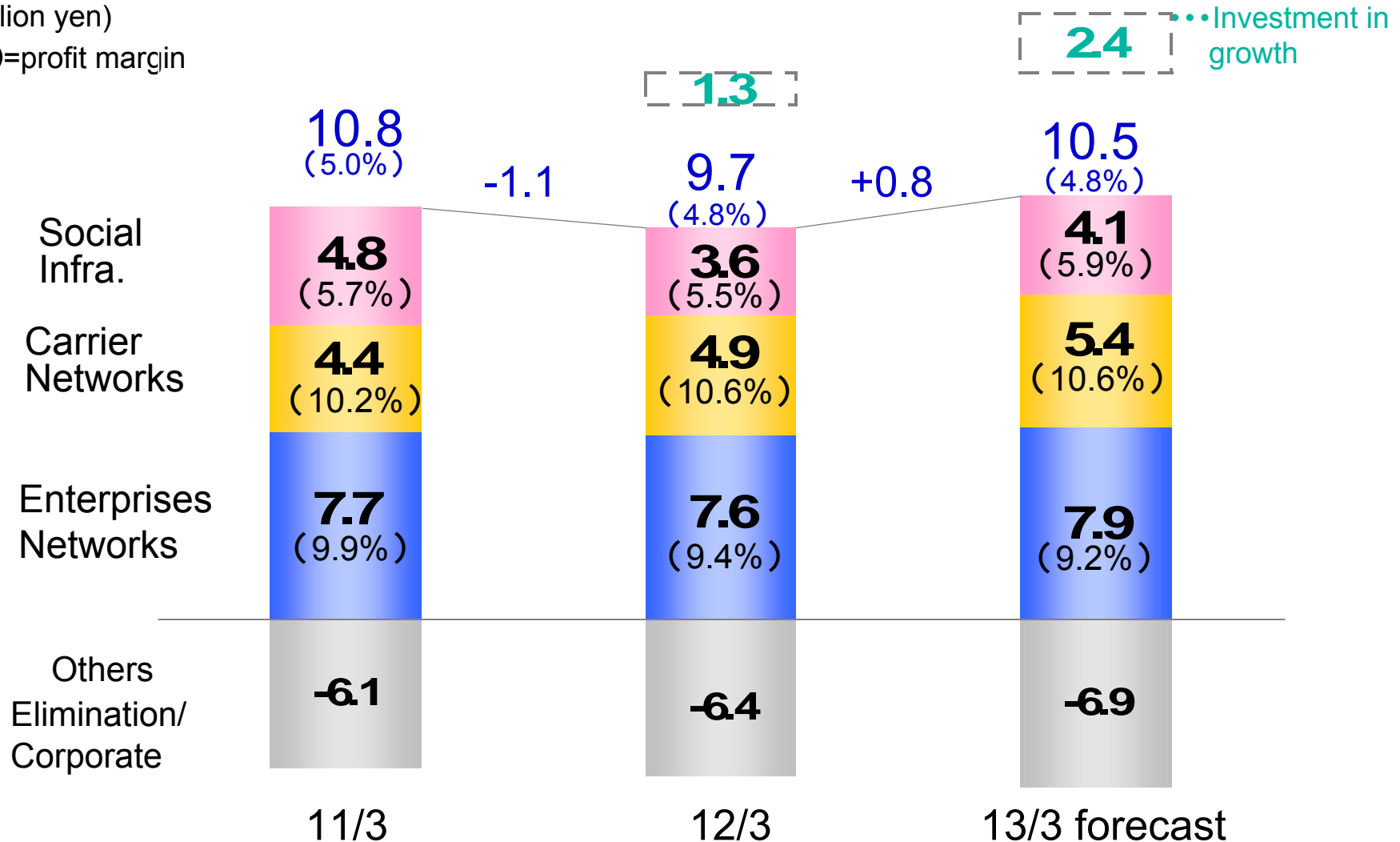
(Billions of yen)



\*Forecasts as of April 27, 2012

# FY2013/3 Operating Income Forecast

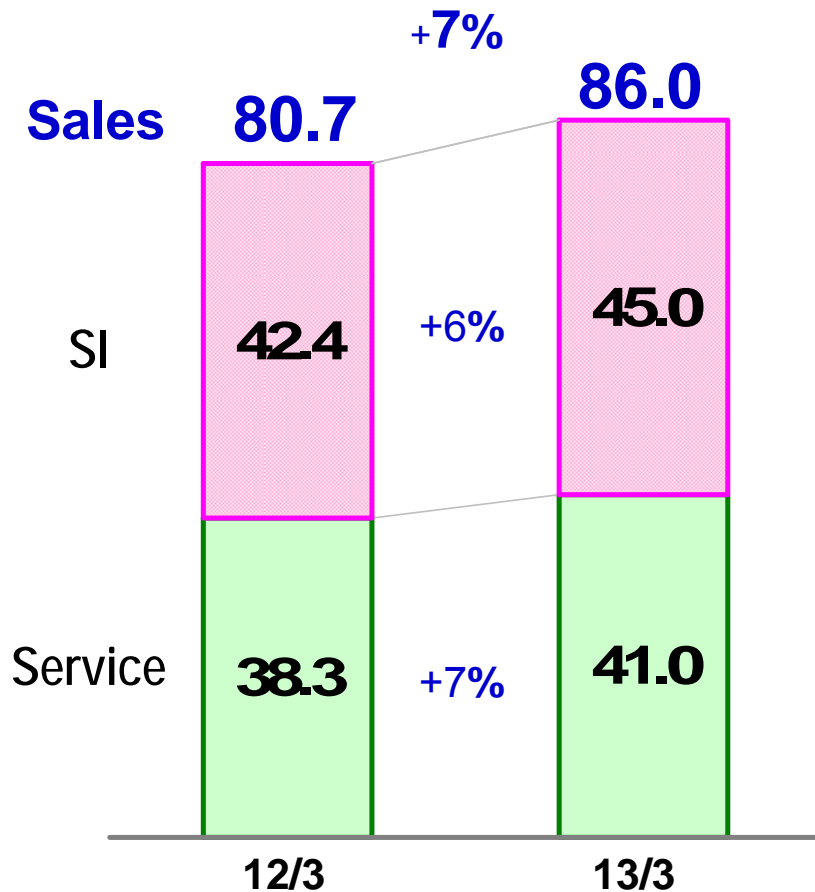
(Billion yen)  
( )=profit margin



\*Forecasts as of April 27, 2012

# FY2013/3 Sales Forecast: Enterprises Networks

(Billions of yen)



Enforcing services provision capability for customer demand for management innovation

- BPO Service
  - Partnership with MHL\*
- EmpoweredOffice
  - Strengthen consulting ability
  - From ICT use to total office coordination

Continuing to seek new customers

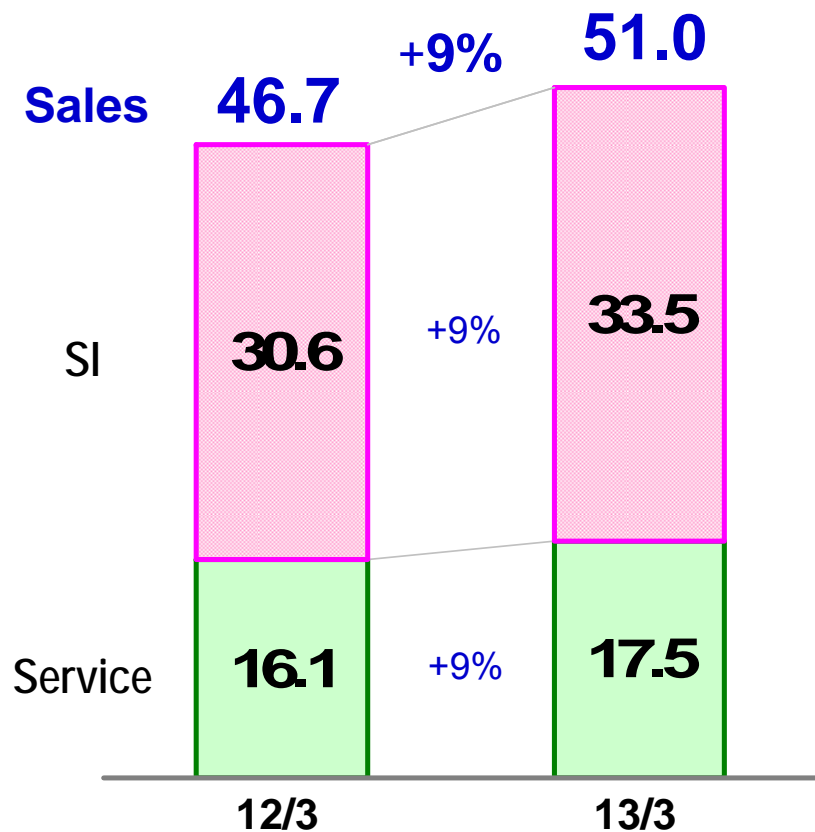
- Midsize companies
- Core companies in the Kansai and Chubu areas

\*Forecasts as of April 27, 2012

\*MHL: MOSHI MOSHI HOTLINE, a Japanese leading BPO service provider

# FY2013/3 Sales Forecast: Carrier Networks

(Billions of yen)

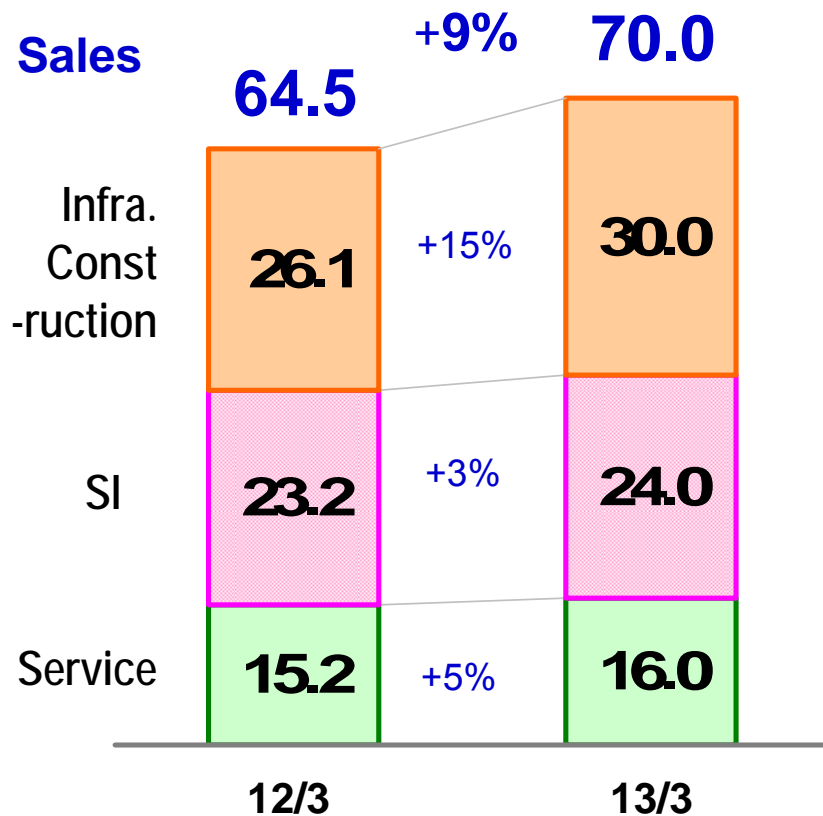


- Proactive approach to continuing demand for network expansion
- Expanding service business by cultivating new customers and new fields
- Steadily acquiring individual business opportunity
  - Submarine earthquake observation and warning systems business

\*Forecasts as of April 27, 2012

# FY2013/3 Sales Forecast: Social Infrastructures

(Billions of yen)



Steadily acquiring each expanding business opportunity

- Digitalization of fire-fighting system
- Increase of mobile base station construction

Gradual crystallization of reconstruction projects

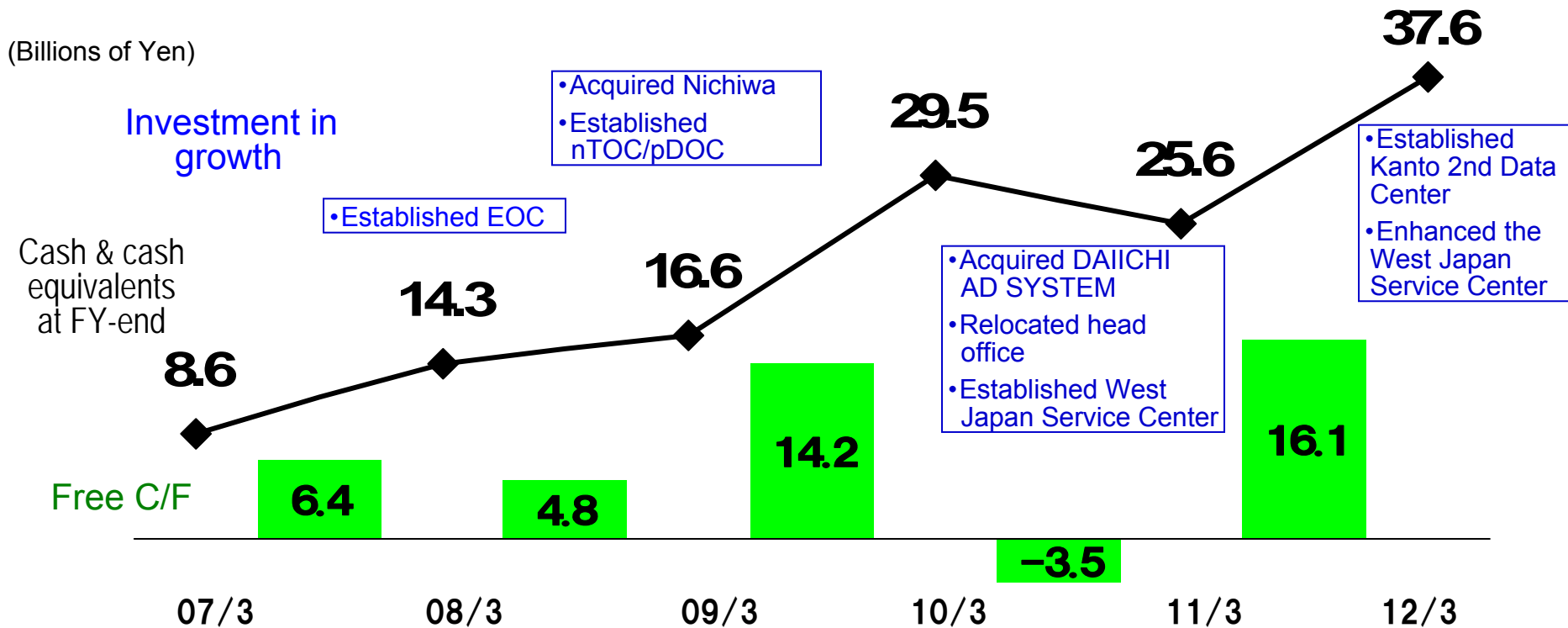
- Infrastructure for community wireless systems and CATV networks

\*Forecasts as of April 27, 2012

# FY2012/3 Cash Flows

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

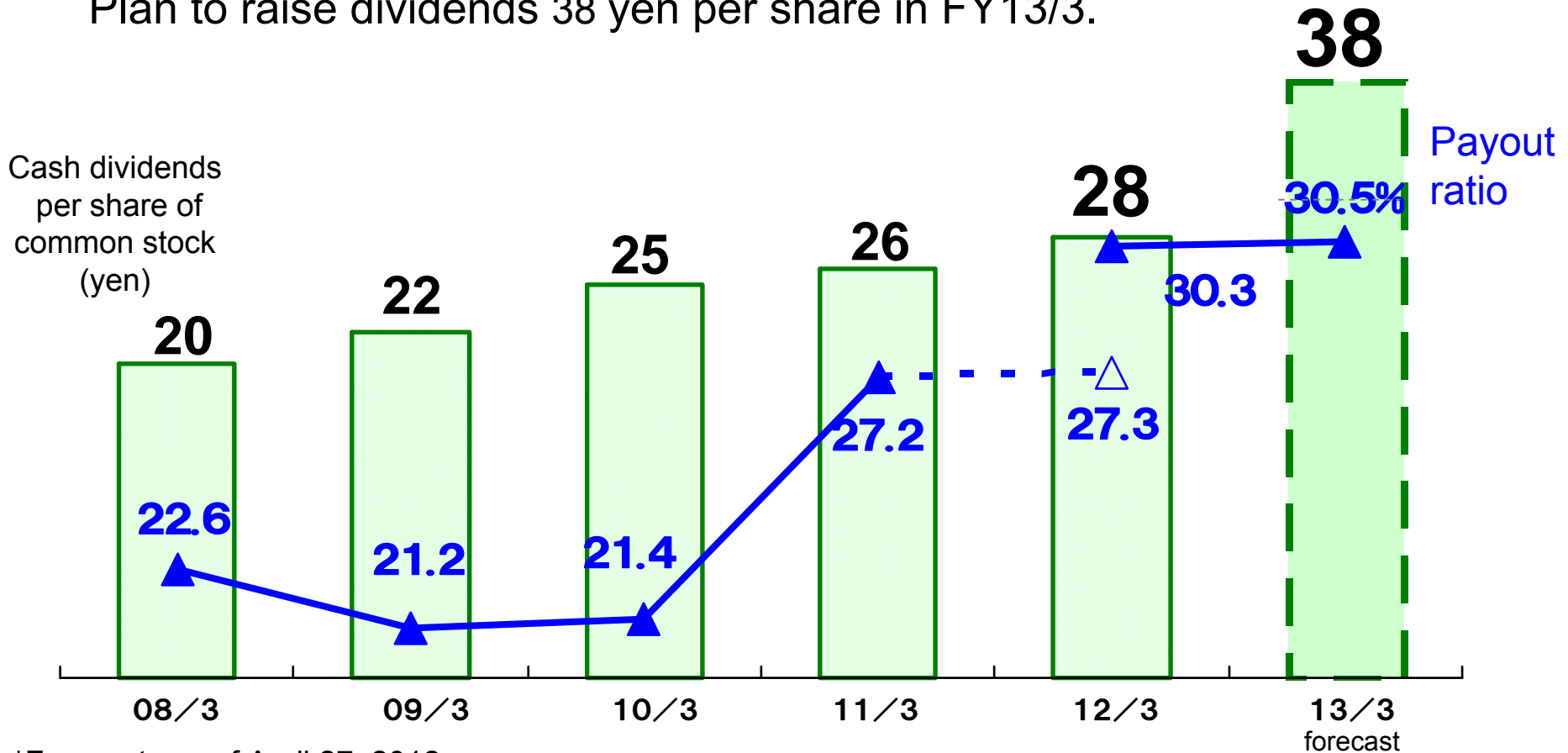
⇒ Using cash for investment in growth and higher dividends



# Dividend Plan

The basic policy is to use earnings for growth and for increasing the return to shareholders.

⇒ Keep FY12/3 dividend plan, despite net profit underperforming the forecast  
Plan to raise dividends 38 yen per share in FY13/3.



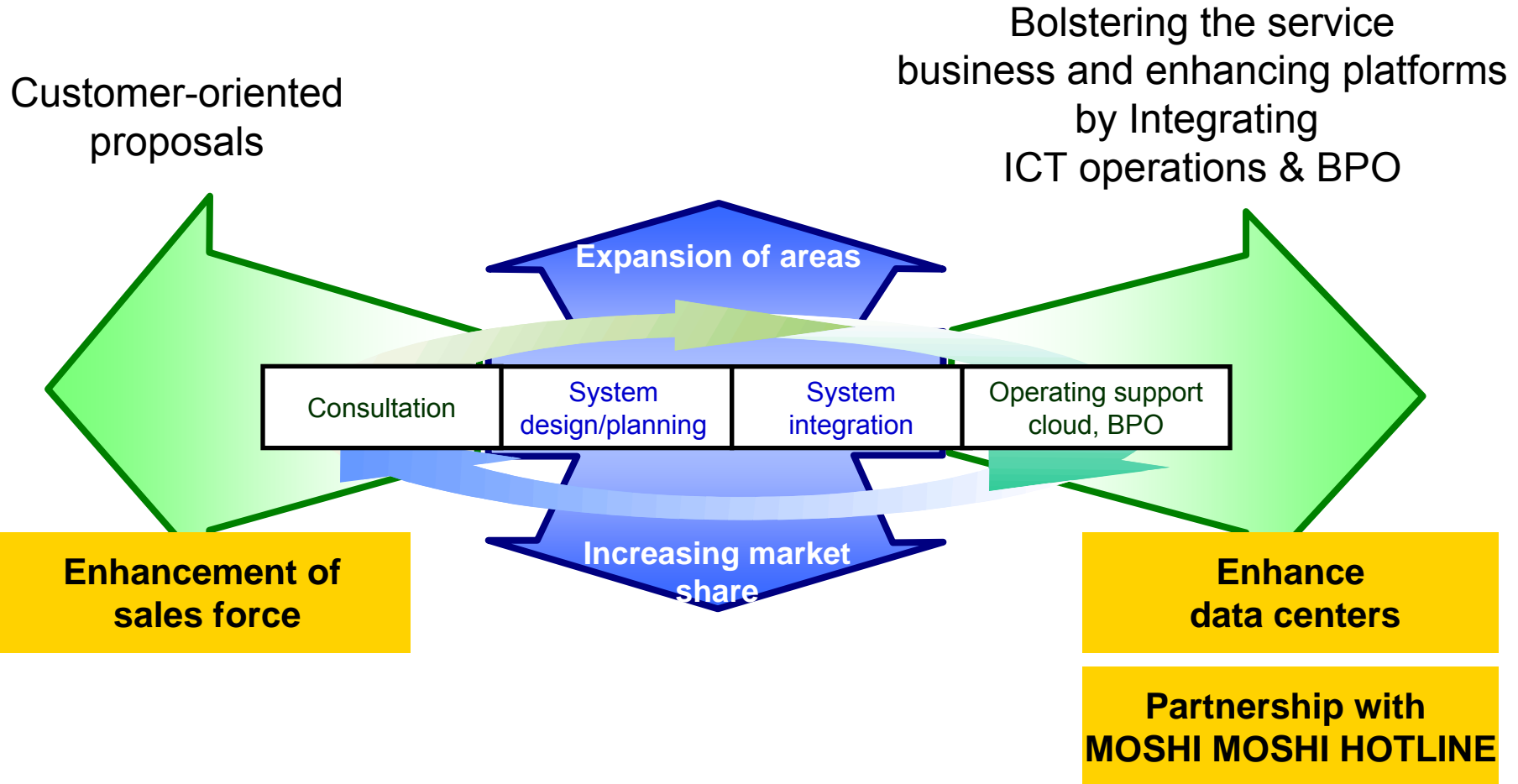
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# III. Growth Initiatives



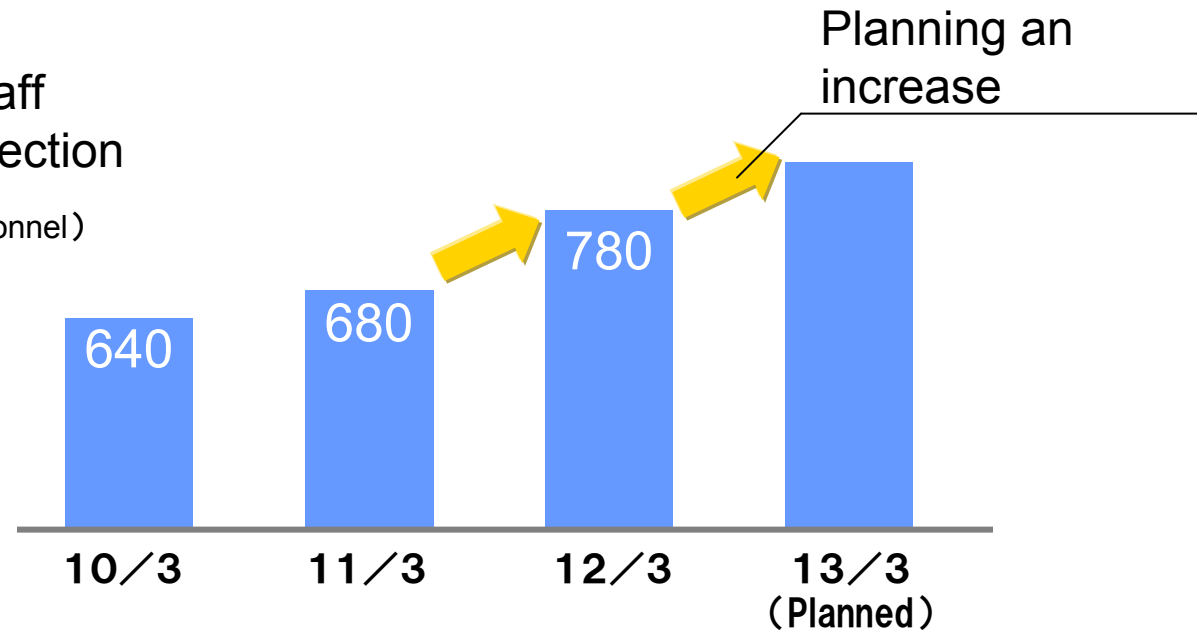
# Direction of Business Growth (Bolstering the Service Business)



# Initiative 1: Enhancing Sales Force for Top-Line Expansion

## Further increasing the sales force

Number of staff  
in the sales section  
(Personnel)



## Improving sales force efficiency



20% increase in time  
staff spend with customers

- Accelerating business negotiation processes by facilitating internal information sharing
  - Using an ICT-based sales support system
- Shifting resources to growth areas

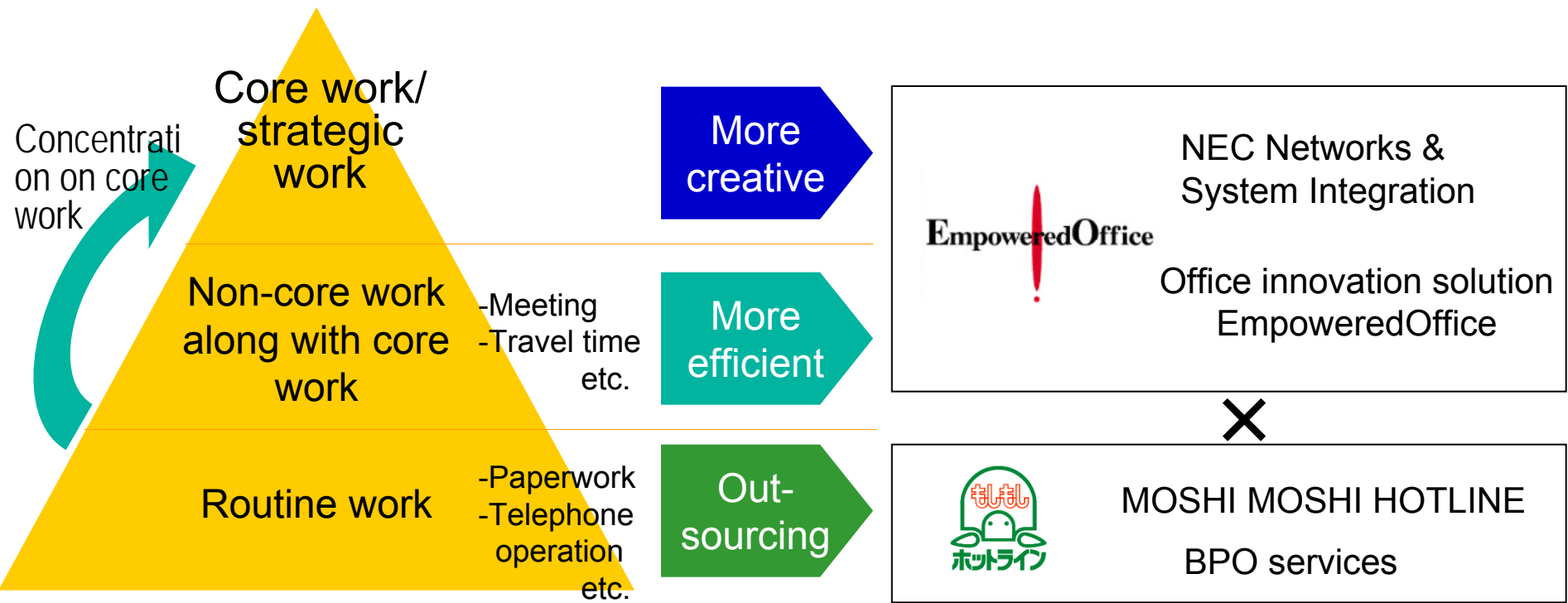
■ Creating new services that meet customer needs for management innovation

- Promoting alliances for the integration of ICT and BPO
  - Partnership with MOSHI MOSHI HOTLINE

■ Shifting the service platform to the cloud

# Alliance with MOSHI MOSHI HOTLINE

Supporting customers' management innovation demand by ICT + BPO



# Strengthening of End-Users Services Business

## Customers

End-user services

Expansion of end-users services by partnership & price competitiveness

Acquisition of DAIICHI AD SYSTEM

+

Alliance with MOSHI MOSHI HOT LINE

Call center

BPO

Bolstering the service business

Cloud service

West Japan Service Center (Osaka)

Tokyo Data Center (Kanto)

Support service

nTOC, pDOC

Maintenance

Service base (over 330 bases in Japan)

Shift of end-users services based on the network to a cloud platform

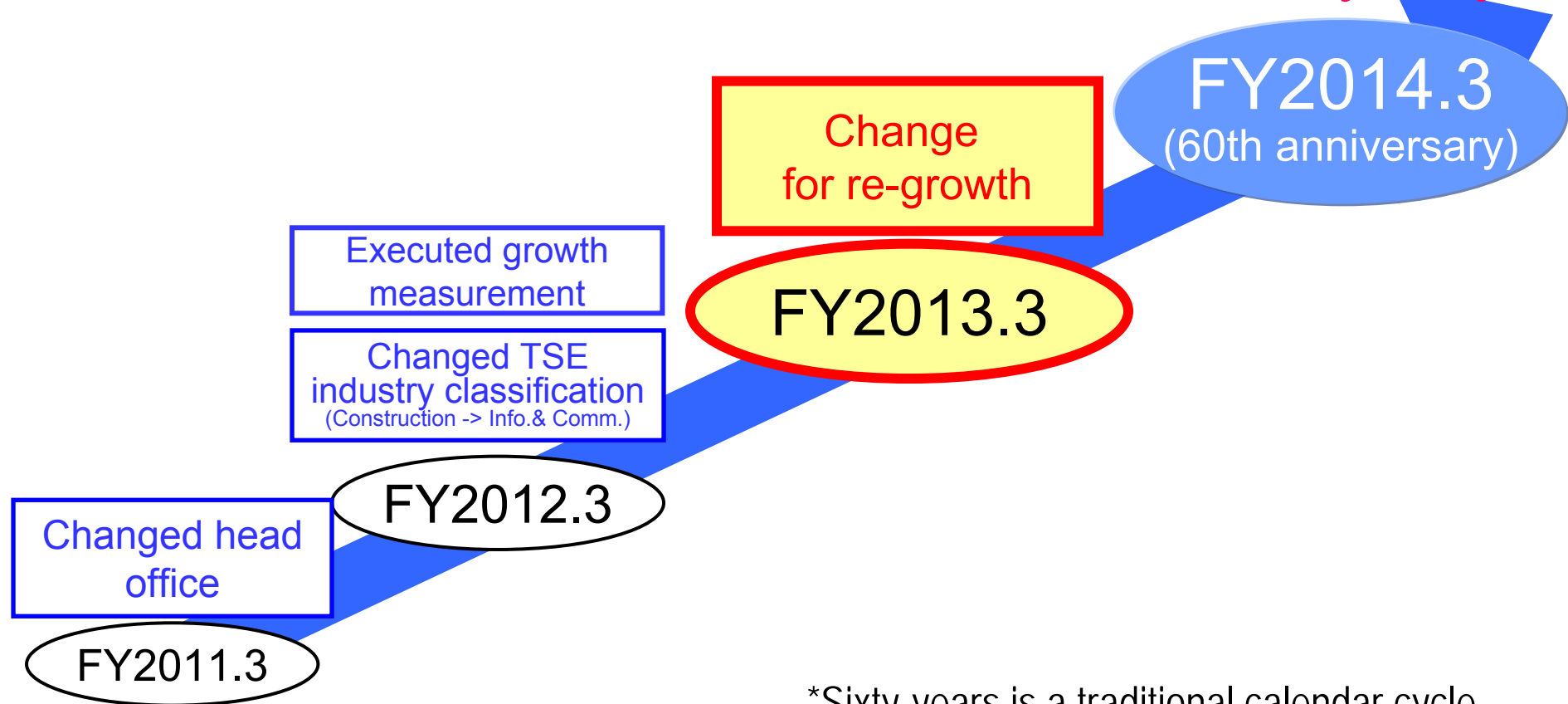
Expanding business through investment

Continuously enhancing the platform

# At the End

FY2013/3 is an important year to create the foundations for the start of the second sexagenary cycle.

Start of new 60-year\* cycle



\*Sixty-years is a traditional calendar cycle

# Disclaimer

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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 materially 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 those mentioned above.

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# NEC

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