

# Financial Results for the 1H FY2012 ending March 2013

October 30, 2012

NEC Networks & System Integration Corporation



# Agenda

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I. Results for 1H FY2013/3

II. Forecasts for FY2013/3

III. Basic concept for Growth



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# I. Results for 1H FY2013/3



# 1H FY2013/3 Summary

Good sales continue as in 1Q FY2013/3  
Advanced towards the full-year target “FY2011/3 and beyond”

- Exceeded the results for 1H of the previous fiscal year and FY2011/3 and the initial forecasts in all indicators

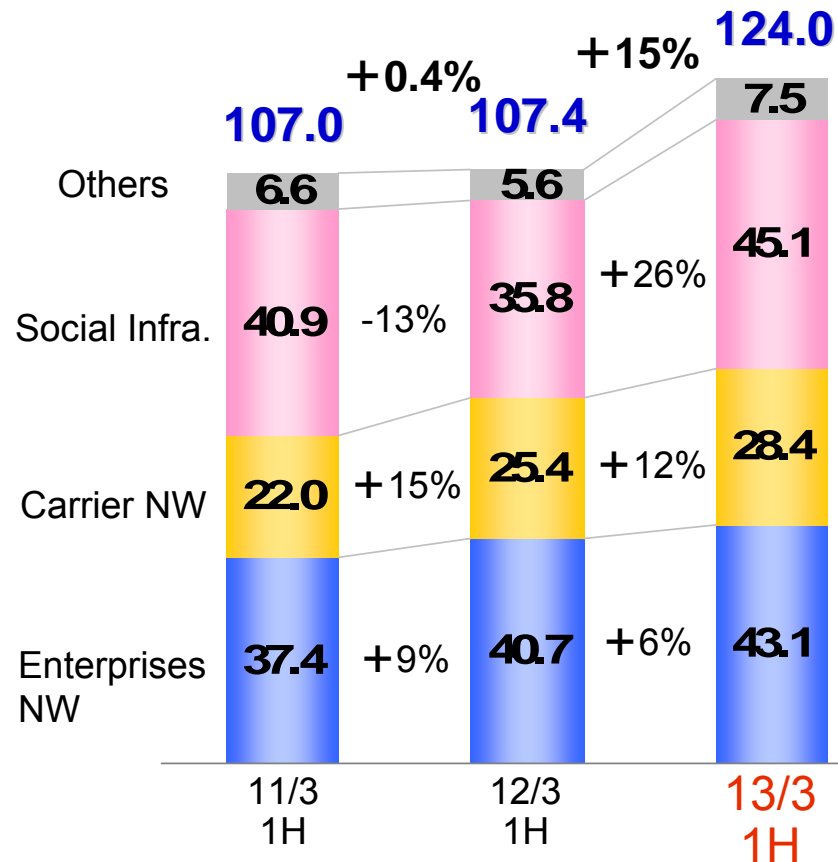
	1H FY2012/3 Results	1H FY2013/3 Results	YoY	Diff.from forecast	[Reference] 1H FY2011/3
Orders received	107.4	124.0	+15%	—	107.0
Sales	90.8	104.5	+15%	+10.5	98.2
Operating income	2.4	3.5	+1.1	+1.0	3.1
(to sales)	(2.6%)	(3.3%)	+0.7pt	+0.6pt	(3.1%)
Net Income	1.4	2.2	+0.7	+0.7	0.5
(to sales)	(1.6%)	(2.1%)	+0.5pt	+0.5pt	(0.6%)
Free Cash Flows	20.3	4.4	-15.9		

# 1H FY2013/3 Sales/Orders Received by Segment

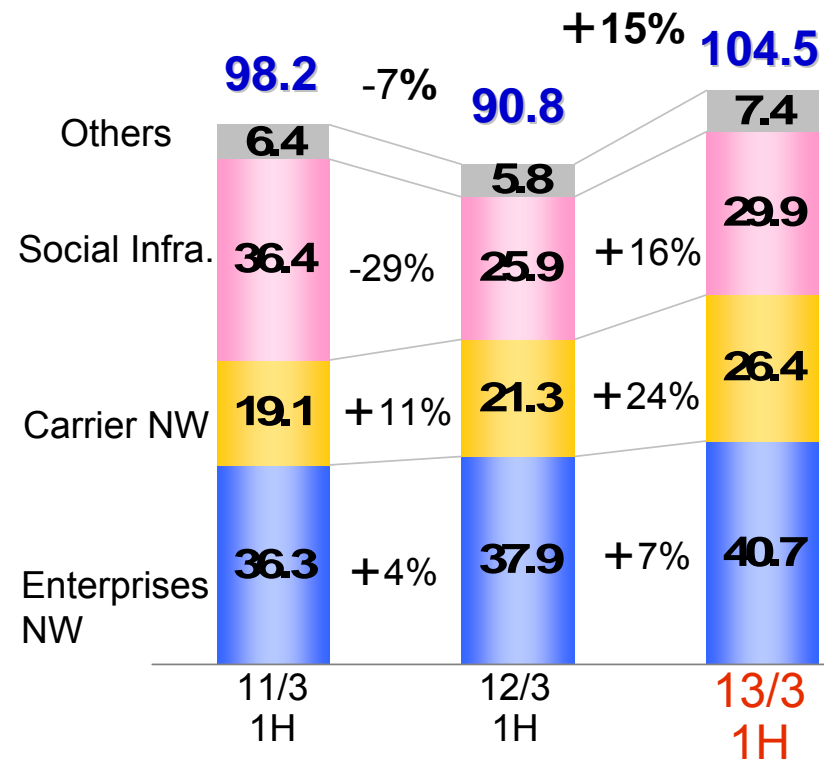
Exceeded the levels for 1H FY2012/3 in all segments

(Billions of Yen)

## Orders received

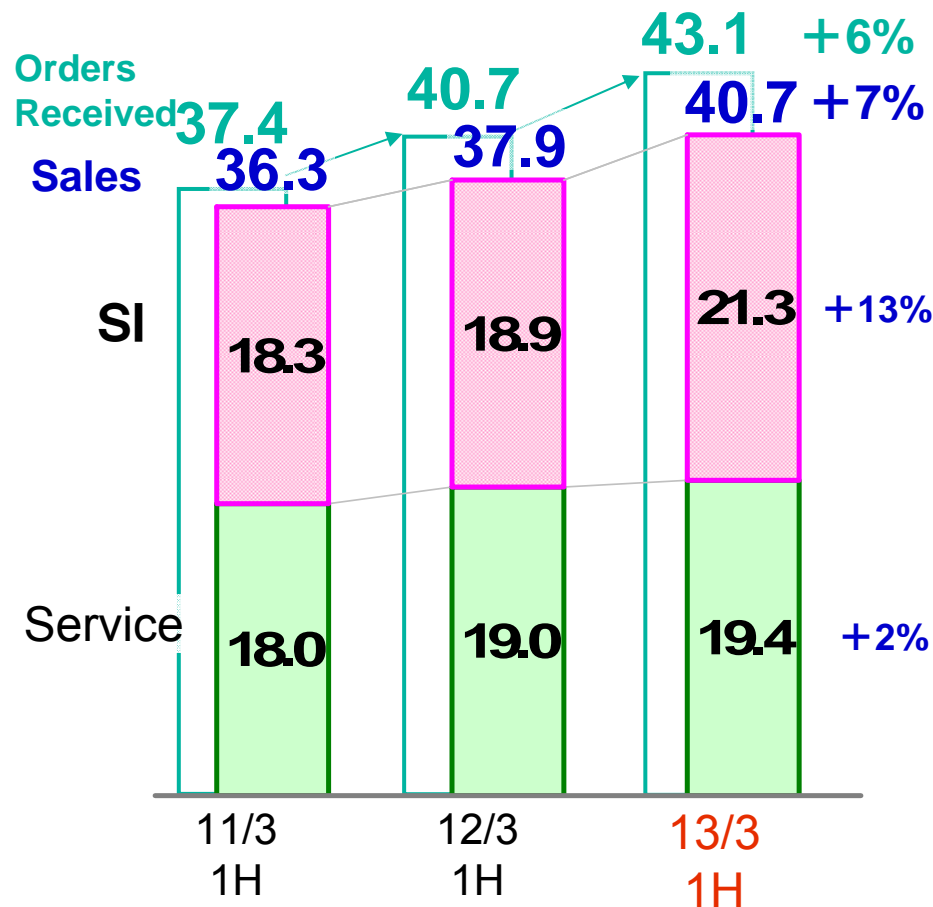


## Sales



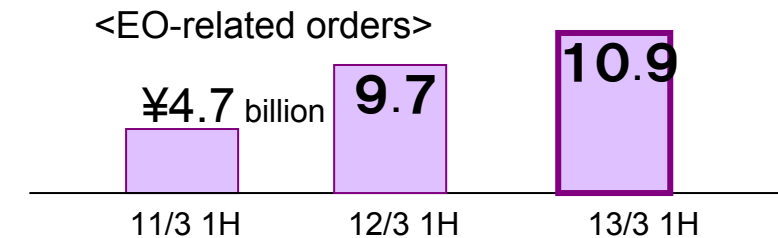
# 1H FY2013/3 Enterprises Networks Business

(Billions of Yen)



Continued growth by meeting customer demands for ICT for management innovation and through the effects of investment in growth

EmpoweredOffice (EO) increased



The number of data center users increased (+18% YoY)

Prompted partnerships to bolster the service business

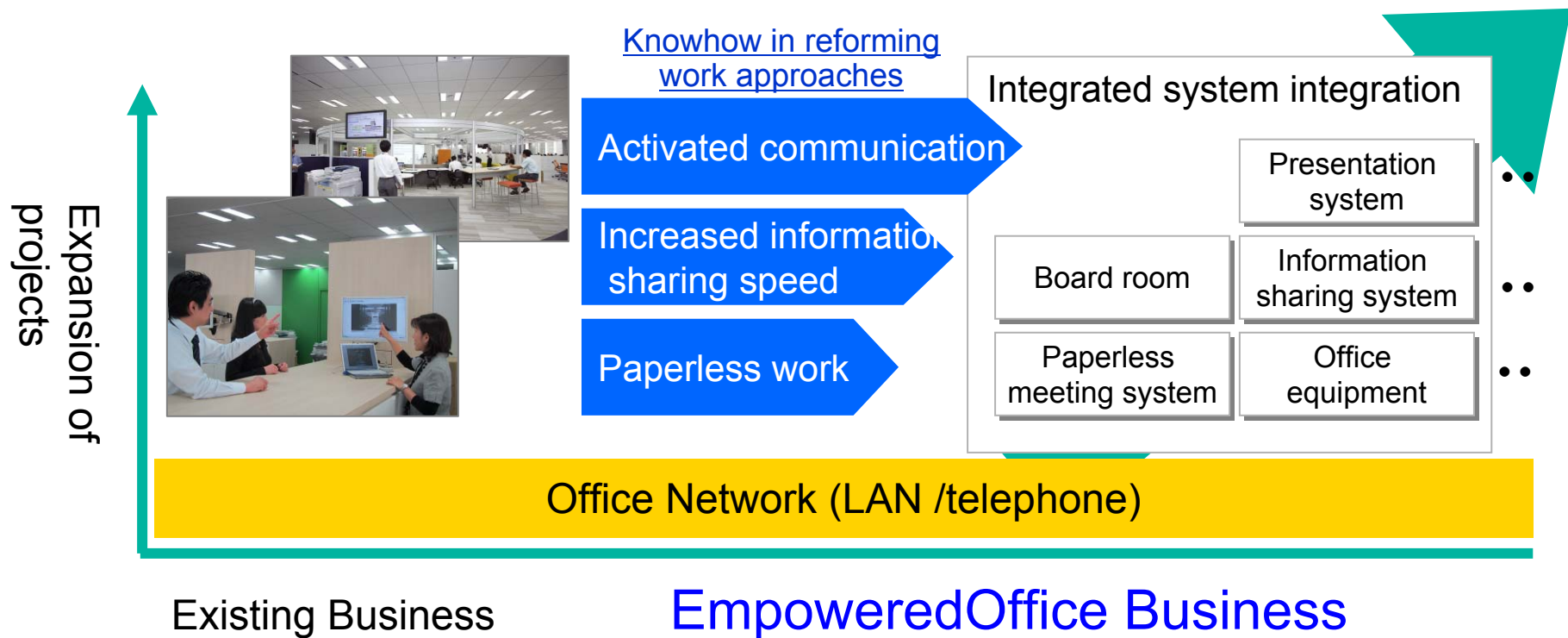
Sought collaboration in a dedicated organization with members sent from partners  
⇒ Gradual progress

# Topics: Enterprises Networks Business

Increased EmpoweredOffice projects involving from the consulting stage

<Examples of projects for major manufacturing companies>

- Discussion/shared understanding of management needs after several tours of EmpoweredOffice ⇒ a trigger to expansion of orders



# Topics: Enterprise Networks Business

Outcomes from partnerships leveraging the capabilities of our ICT provision

- **DAIICHI AD SYSTEM CO.,LTD.**

(Contract center provider for mainly mail order: acquired as subsidiary in December 2010)

- Expansion of projects with synergies supported by contact center operational capabilities
  - Mail order cosmetics company, etc.

- **MOSHI MOSHI HOTLINE, INC. (MHL)**

(Alliance in the BPO service area in April 2012)



- Network operations for group company on commission as the first project

- **Q&A Corporation**

(Technical contact center provider: capital alliance in June 2012)



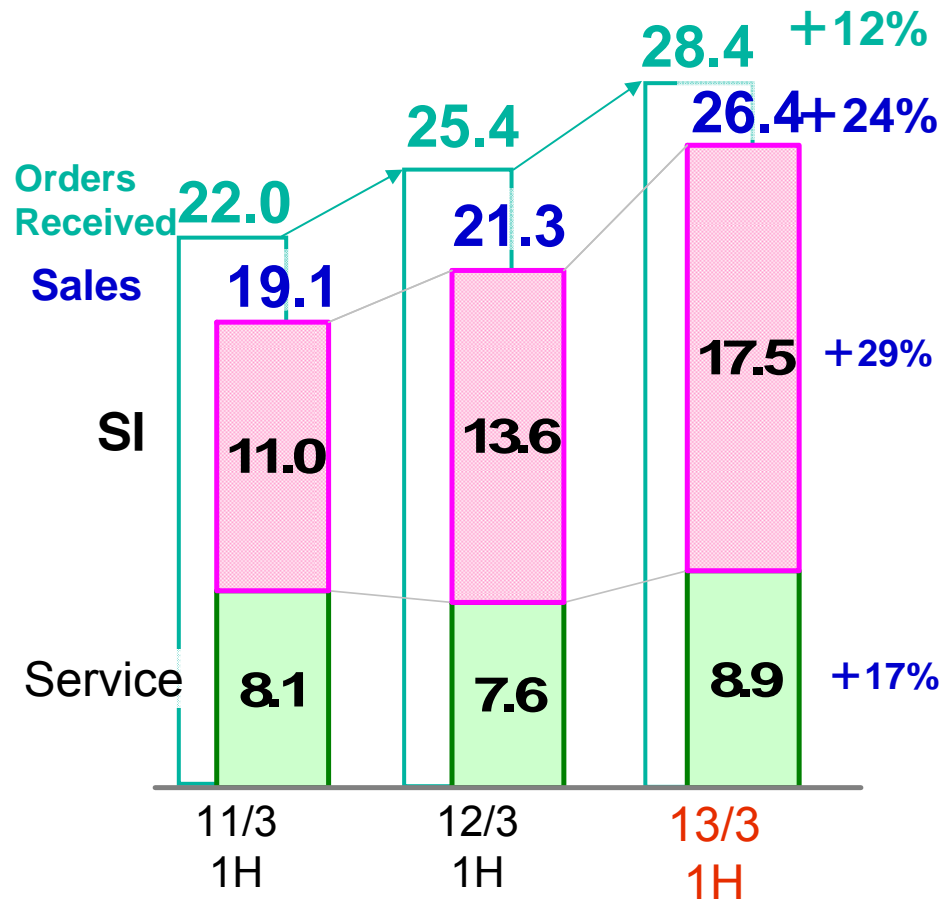
- Pending proposition of ICT platform incorporation

Establishment of a dedicated organization. Expanding synergies through use of the resources of both companies



# 1H FY2013/3 Carrier Networks Business

(Billions of Yen)



Achieved robust sales growth from an active response to investment responding to rising network traffic from smartphone penetration

- Continuous expansion of multi vendor system integration
- Steady expansion of new service using smart devices in cooperation with telecom carriers

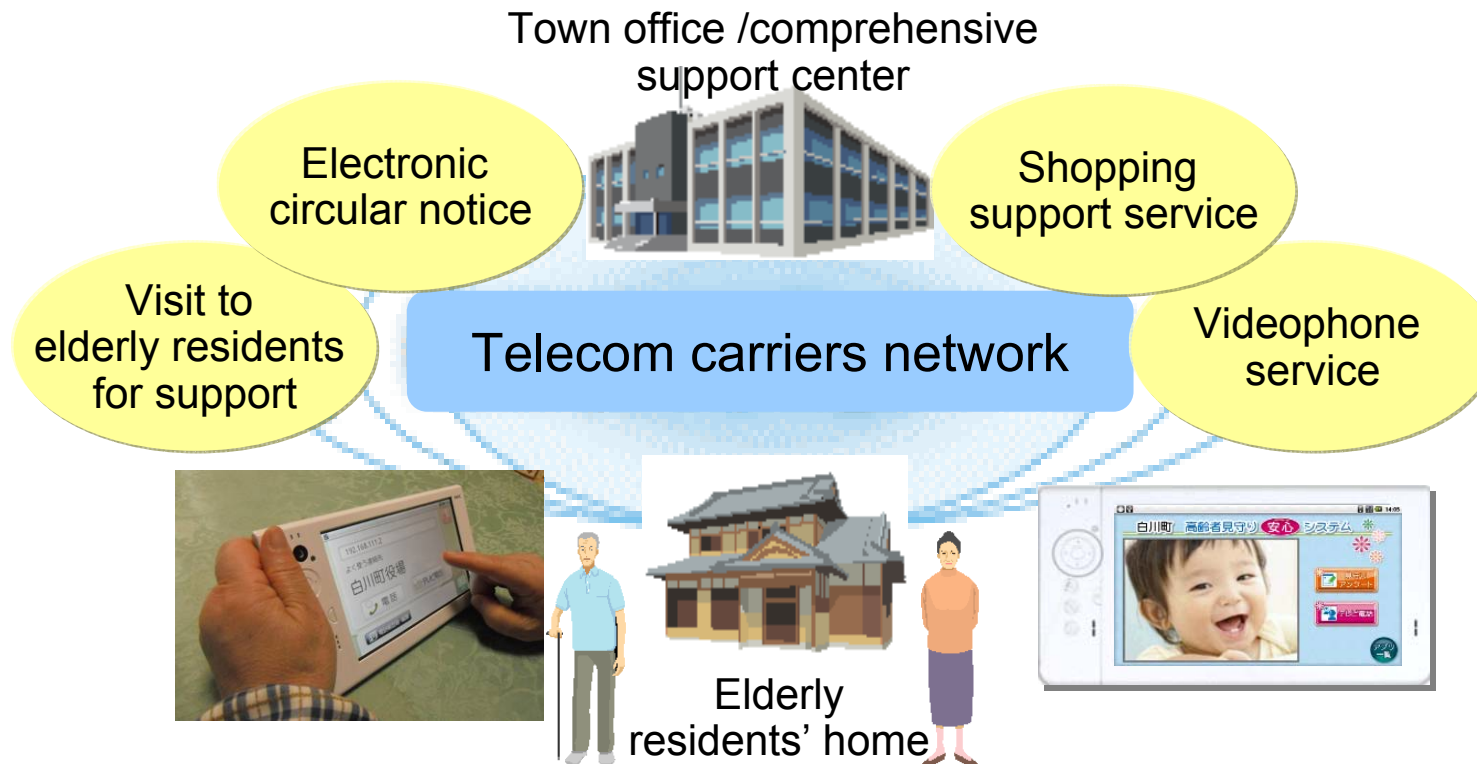
Submarine seismometer system business contributed to sales (sales: ¥1.2 billion)

Increased revenue in the service business with the expansion of maintenance customers and service area

# Topics: Carrier Networks Business

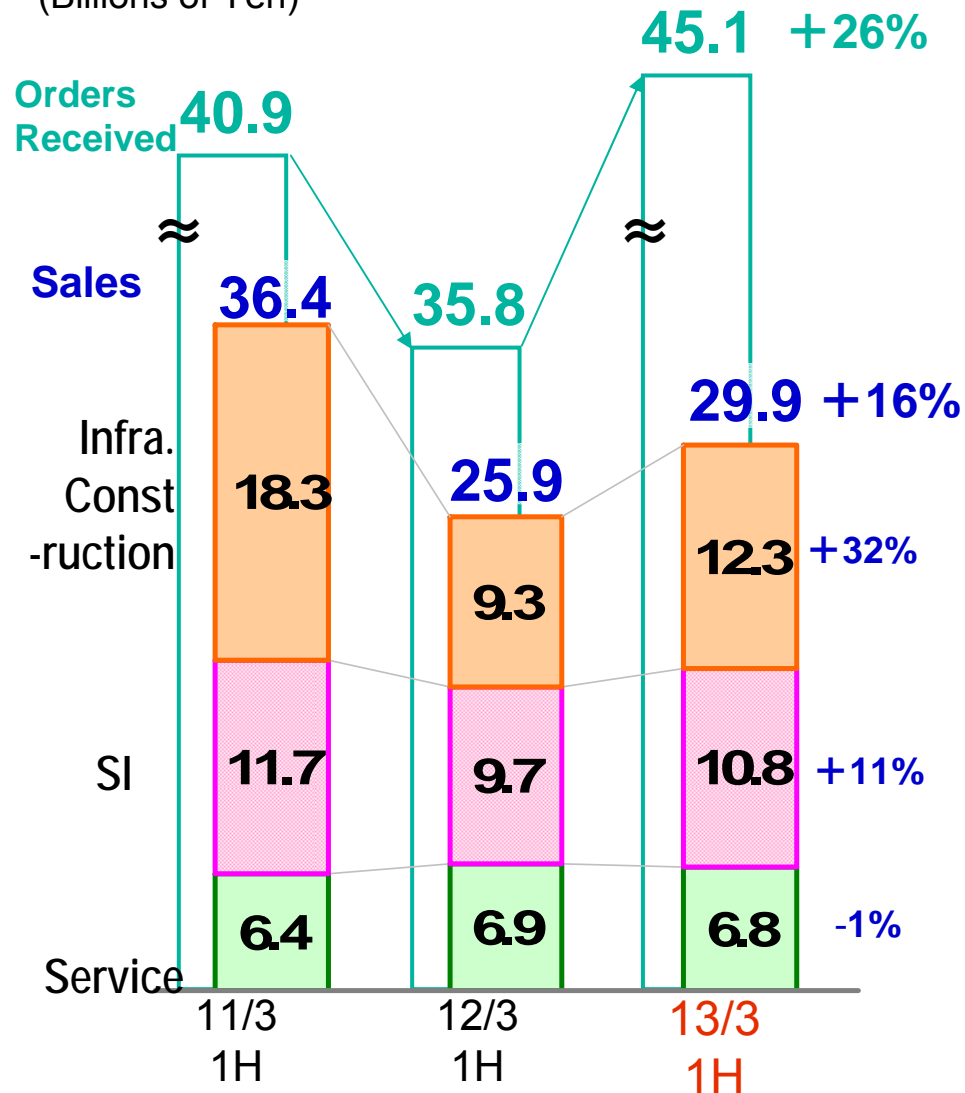
## Activities for new services in cooperation with telecom carriers

- Local community services using smart devices
  - Expanded businesses with three local governments since the beginning of the year
- ⇒ Further expansion through use of the service platform and expansion of applied areas



# 1H FY2013/3 Social Infrastructure Business

(Billions of Yen)



Higher sales/orders received in fire-fighting & disaster prevention systems

- Accelerated thanks to supplemental budgets

Acquired large projects such as the reconstruction of CATV or mobile BTS installation

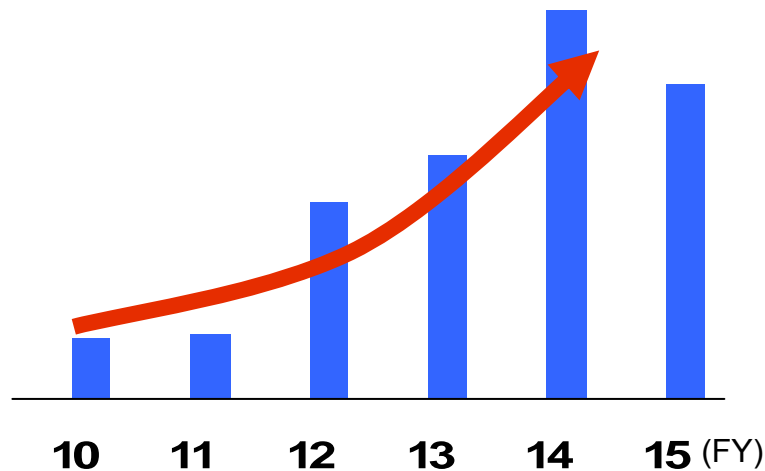
# Topics: Social Infrastructure Business

## Full fledged firefighting network digitalization investment

- Accelerating investment ahead of the termination of analog system in 2016 ⇒ Continuous expansion of orders

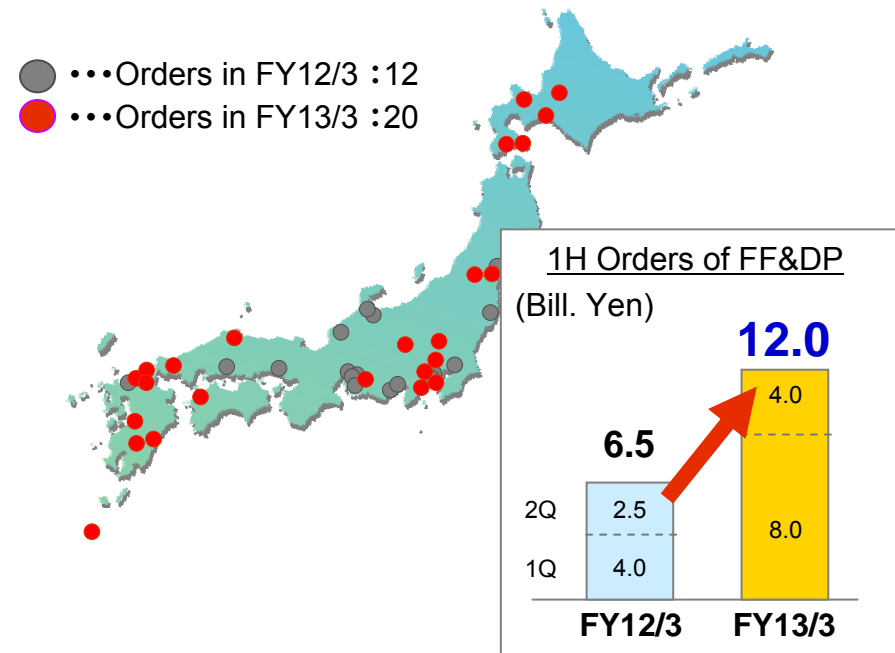
### Investment scale (fire-fighting systems)

<Total size: ¥350 billion>  
(cf. Previous estimates: ¥300 billion)



\*Company estimated (based on delivery timing)

### Major order record



# Topics: Strengthening the Sales Force

## Expansion of sales resources

- Reinforced mainly in the Greater Tokyo, Nagoya and Osaka (up 20% since last FY)

⇒ Steady orders received

## Expansion of sales investment

- Improve sales efficiency

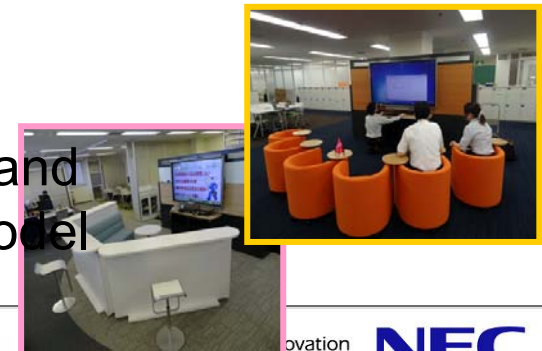
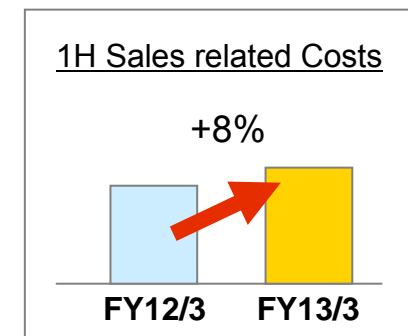
(1) IT-equipped sales persons

- Number of visits: +20% from 1H 12/3
- Response time: +10% from 1H 12/3

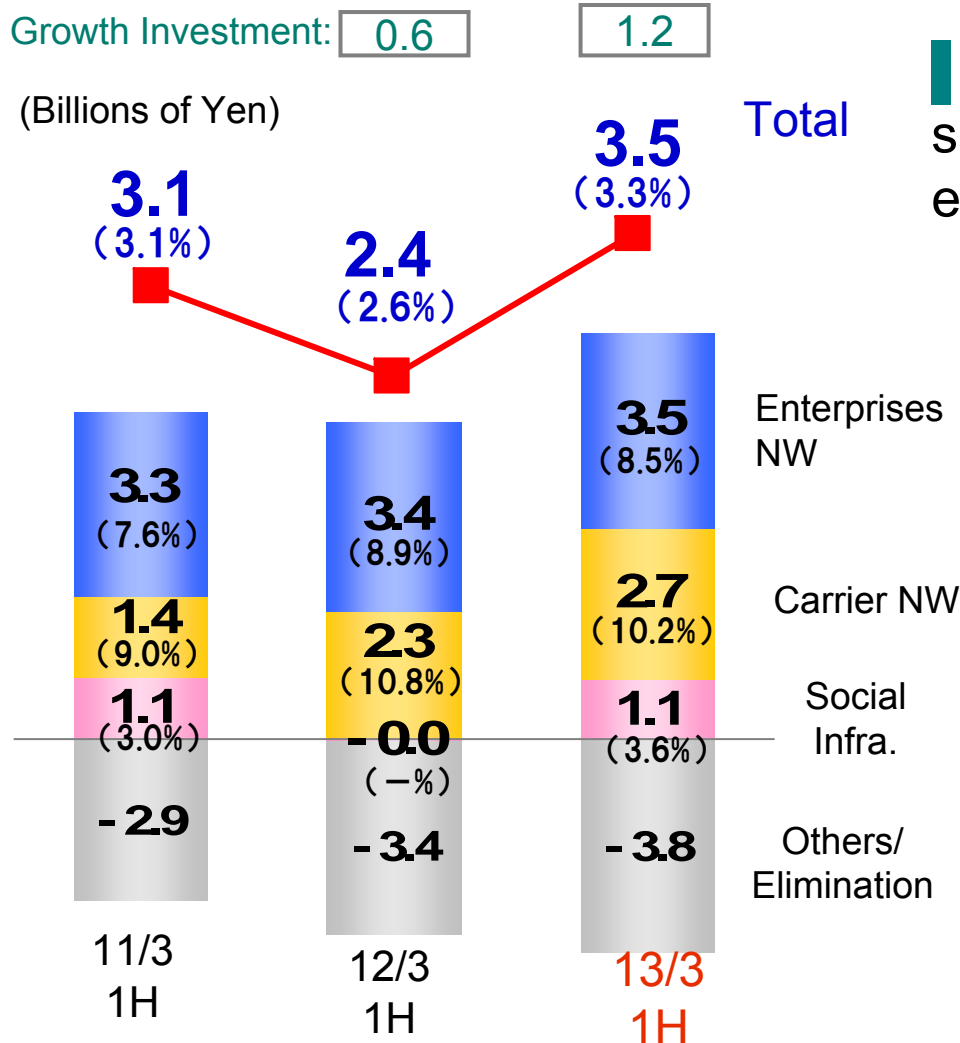
(2) Improve the sales back office

- Reinforce local expansion of the EmpoweredOffice business

- Introduce EmpoweredOffice into the Tohoku and Sin'etsu branches, which are operated as a model of a local office



# 1H FY2013/3 Operating Income/Loss



Increased operating income due to sales growth affected by investment effects and efficiency initiatives

● Enterprises NW:

- Increased operating income due to sales growth affected by investment effects

<Investment in Growth>

- Investment for business growth; Sales staff/SE expansion, data centers, etc.
- Business reform for growth, alliances, etc.

● Carrier NW:

- Increased operating income due to sales growth and internal production effects
- Profit margins down temporarily with some low-margin projects

● Social Infrastructure:

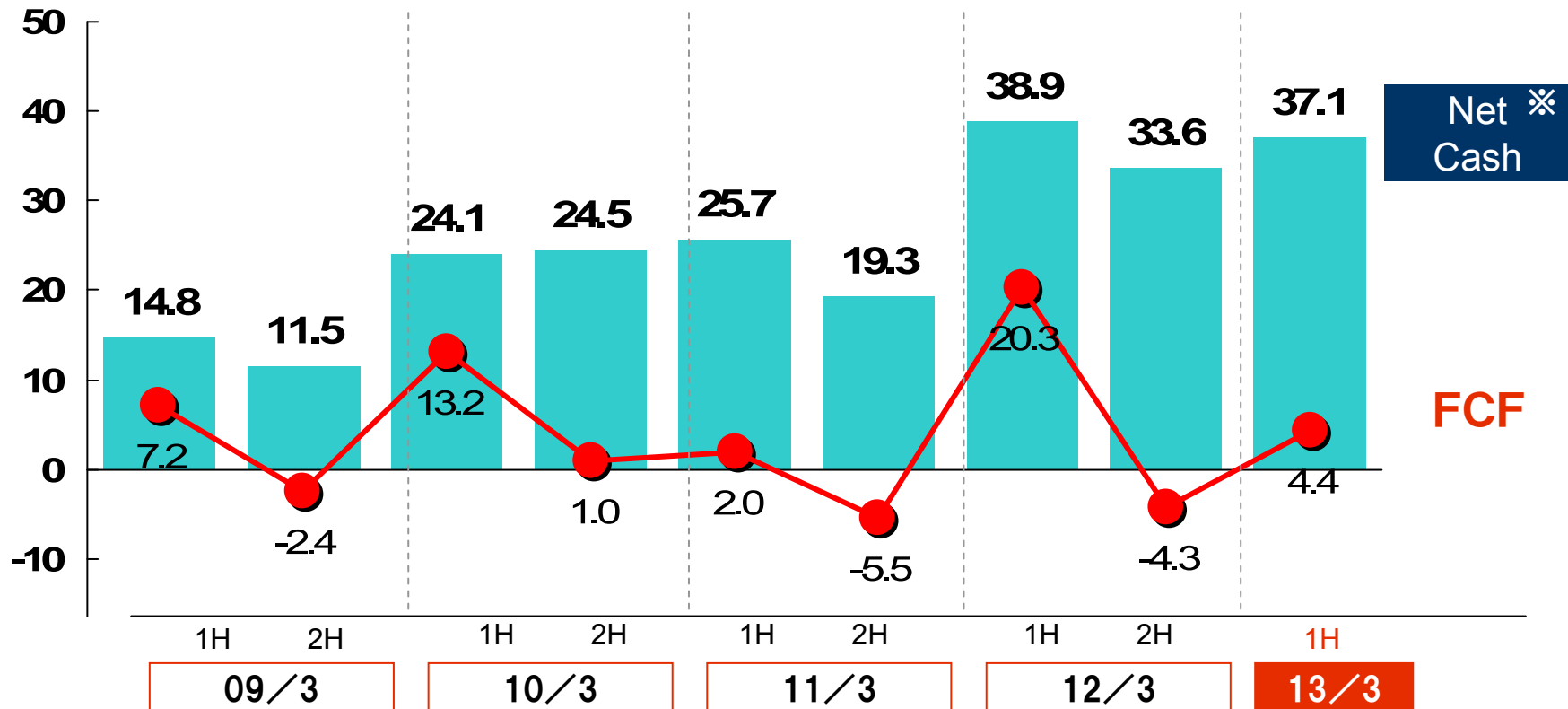
- Returned to profit with sales increase and reform undertaken last FY

\*Segment P/L are reclassified. Strategic investment at the discretion of head office is counted in Others/Elimination.

# 1H FY2013/3 Cash Flows

We have steadily bolstered our financial strength for growth, although cash flows fluctuate depending on the timing of large project paying-in and other factors.

(Billions of Yen)



\*Net cash means an amount obtained by deducting loans payable from cash and cash equivalents

# 1H FY2013/3 Balance Sheet

Further strengthened our financial position for growth

	End of 12/9	End of 12/3	Diff.
Cash and cash equivalents	38.1	37.6	0.5
Notes and accounts receivable	64.2	73.2	-9.0
Inventories	12.9	8.0	4.9
Other	7.2	6.4	0.7
<b>Current Assets</b>	<b>122.4</b>	<b>125.2</b>	<b>-2.9</b>
<b>Noncurrent Assets</b>	<b>25.8</b>	<b>24.5</b>	<b>1.3</b>
<b>Assets</b>	<b>148.2</b>	<b>149.7</b>	<b>-1.5</b>

Notes and accounts payable	29.4	30.3	-0.9
Loans	1.0	4.0	-3.0
Other	35.7	34.7	0.9
<b>Liabilities</b>	<b>66.1</b>	<b>69.1</b>	<b>-3.0</b>
Shareholders' equity	82.1	80.7	1.5
Valuation and translation adjustments	-0.6	-0.6	-0.0
Minority interests	0.6	0.6	0.0
<b>Net Assets</b>	<b>82.1</b>	<b>80.7</b>	<b>1.5</b>
<b>Liabilities &amp; Net Assets</b>	<b>148.2</b>	<b>149.7</b>	<b>-1.5</b>
<b>Owner's Equity Ratio</b>	<b>55.0%</b>	<b>53.5%</b>	<b>+1.5pt</b>



# 1H FY2013/3 Topics: Support for Great East Japan Earthquake Disaster Areas



“Himawari (Sunflower) House” established (in Rikuzentakata City)

Provided place for communication and thinking about the future of regions/  
reconstruction of disaster areas. Understood actual demands from disaster  
areas.(Provision of knowhow for activated communication using ICT)

Volunteer activities by new employees

Removed debris in Minamisanriku-cho (in Miyagi  
Prefecture).



Regional food in-house market

Products from Miyagi and Fukushima  
Prefectures were sold at the head office  
building.



Participation in a gathering for  
victims and refugees held by NPO

Public performance by company hula  
dance club



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## II. Forecasts for FY2013/3



## 2H FY2013/3 Business Environment

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Business environments such as carriers/social infrastructure are expected to remain favorable, while uncertainty in the macro environment increases.

- **Enterprises Networks**

- Strong IT investment is anticipated, but economic uncertainty is rising.

- **Carrier Networks**

- Strong investment in measures for traffic increases due to the spread of smartphones

- **Social Infrastructure**

- Continued investment in fire-fighting & disaster prevention systems
- Business environment expected to improve with increase in supplemental budgets and public works expenditures



# FY2013/3 Full-Year Forecasts

Accomplish the full-year targets and thereby establish a basis for new growth to coincide with our 60<sup>th</sup> anniversary.

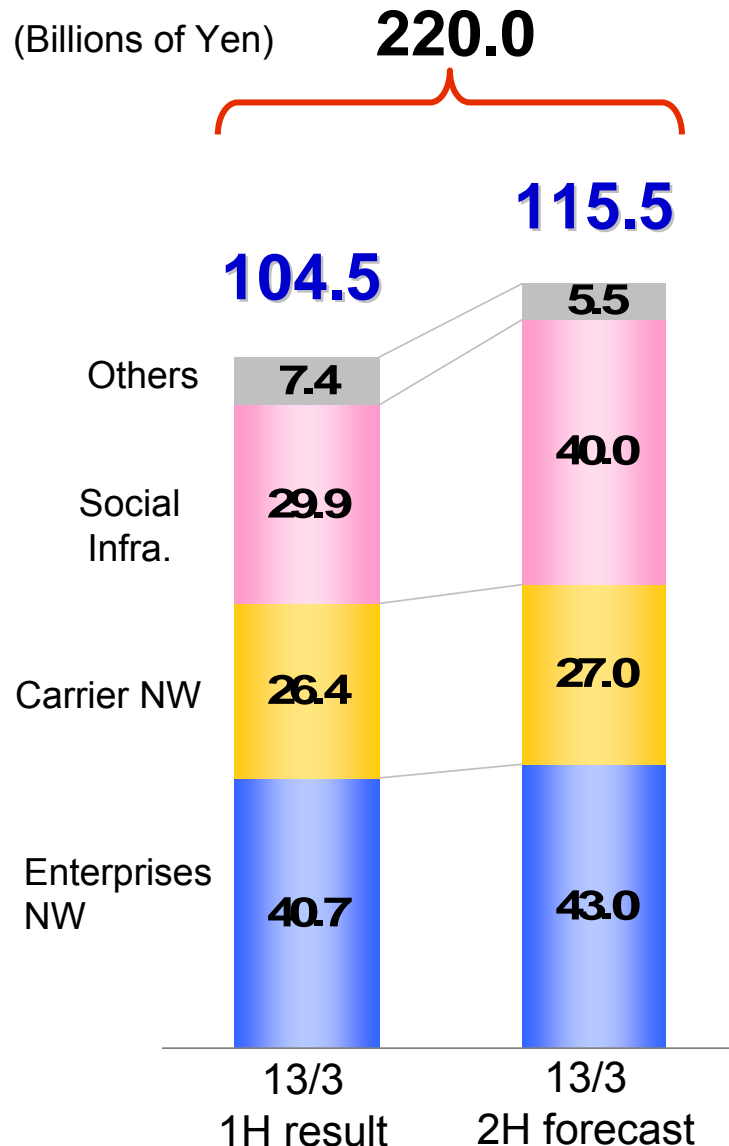
(Billions of Yen)

	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 (4.8%)	9.7 (4.8%)	+0.8 ±0.0pt	10.8 (5.0%)
Net income <i>(to sales)</i>	6.2 (2.8%)	4.6 (2.2%)	+1.6 +0.6pt	4.7 (2.2%)

\*Forecasts as of October 25, 2012, same as previous forecasts



# 2H FY2013/3 Priority Measures



## Top-line expansion

### ● Social Infrastructure

- Steady execution of projects through intensified project management  
(Fire-fighting & disaster prevention systems, mobile BTS installation, etc.)

### ● Carrier Networks

- Active response to telecom carriers' investment in measures for network traffic
- Steady sales of the submarine seismometer system business

### ● Enterprises Networks

- Expansion of the EmpoweredOffice business
- Acceleration of collaborations through partnership

\*Forecasts as of October 25, 2012

# 2H FY2013/3 Priority Measures

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## Further gains in profitability

- Intensified management of large projects such as fire-fighting & disaster prevention systems and mobile BTS installation, and comprehensive cost management

## Activities for our 60<sup>th</sup> anniversary

- Intensify the power to appeal to customers.
  - Expand customer fairs (in Tokyo + other major cities).
  - Continue to update EmpoweredOffice.



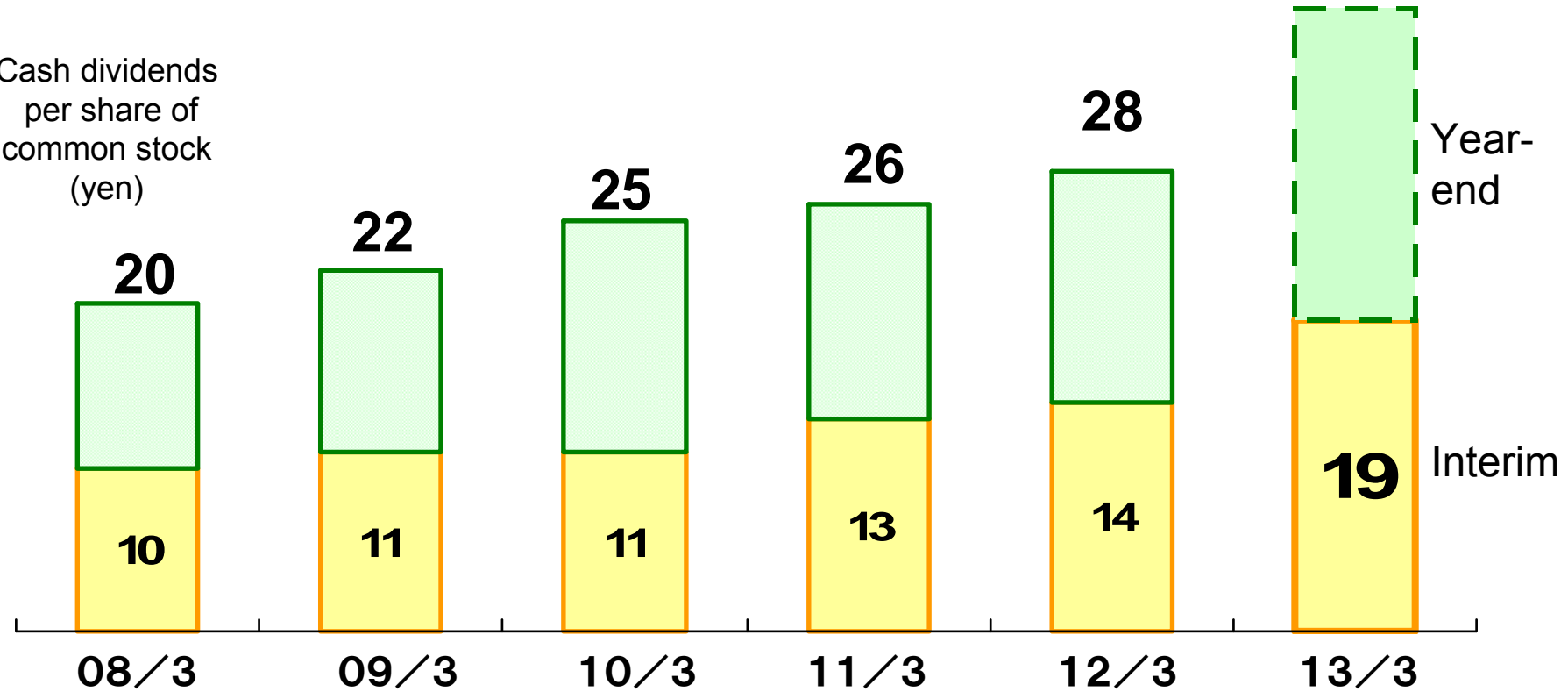
# Dividends Planned

Payment of interim dividend of ¥19 as planned at the beginning of the fiscal year

No change in year-end dividend planned

**38**

Cash dividends per share of common stock (yen)



(\*Forecasts as of October 25, 2012. Same as previous forecasts)

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## III. Basic Concept for Growth





# Toward the Start of New 60-year Cycle

Achieving new growth based on a stronger profit structure to coincide with our 60<sup>th</sup> anniversary; and Become a system integrator with brand strength.



Enhancing company value

Towards renewal foundation

Intensified profit structure

Listed in 1983

2013  
60<sup>th</sup> anniversary of founding  
30<sup>th</sup> anniversary of listing

Founded in 1953

Sales

1953

1983

2013

\*Sixty-years is a traditional calendar cycle

## Expansion of Service Business

Becoming a system integrator providing total solution from consulting and various services

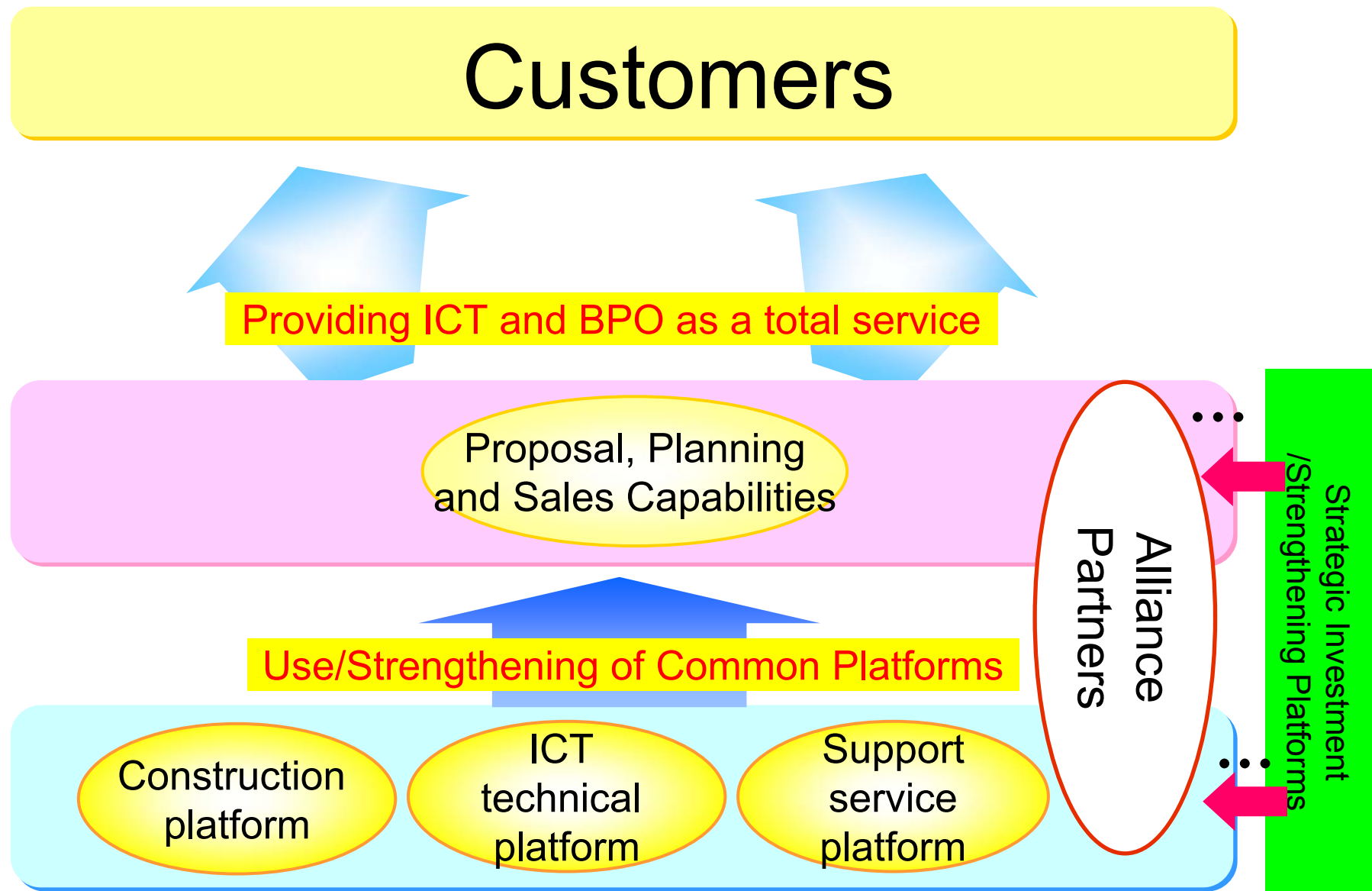
- Strategic Investment

(Priority investment in growth areas and pursuit of alliances)

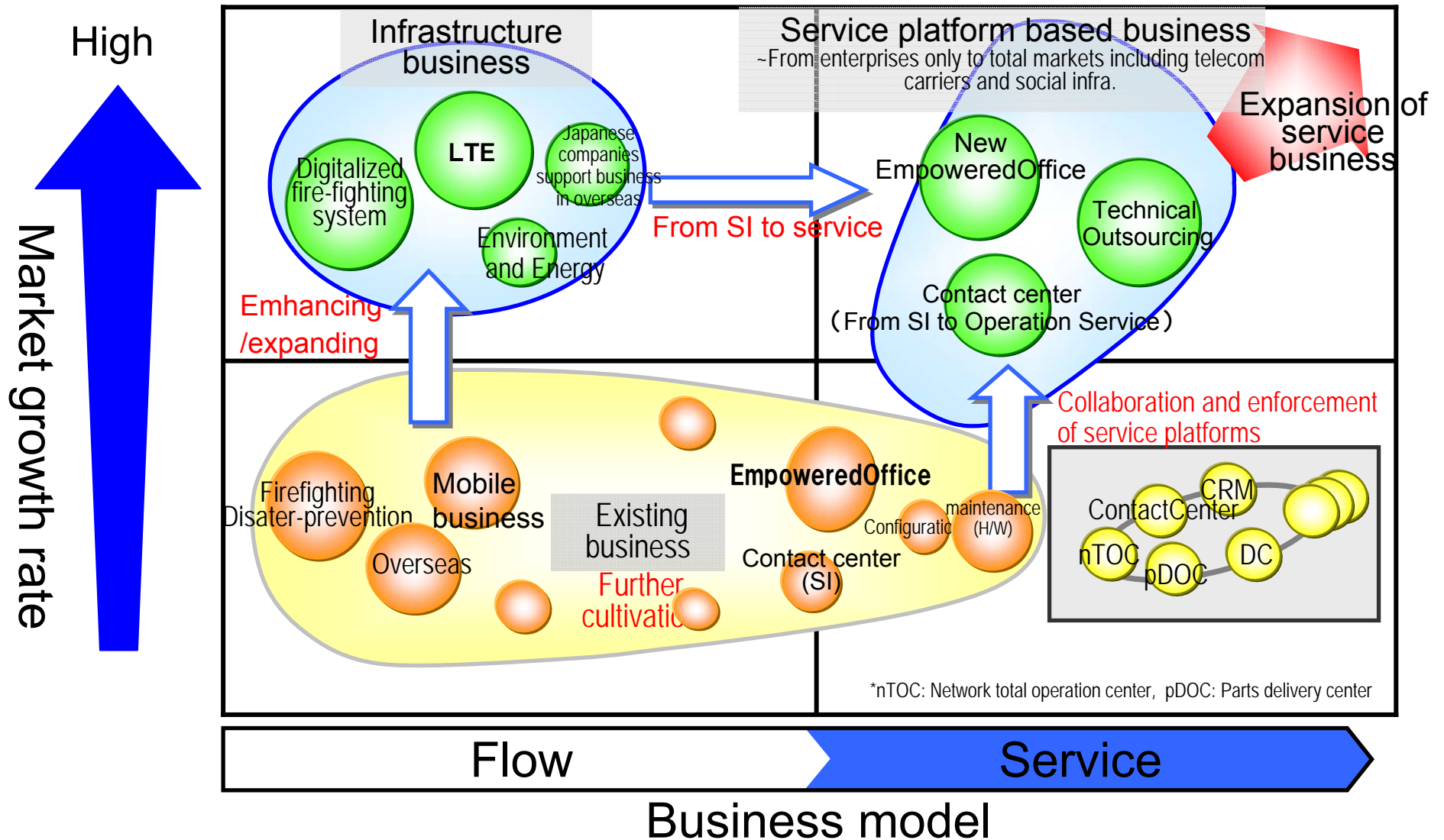
- Reinforcement of Common Platforms



# Basic Concept for Growth



# Direction for Business Towards Growth



# Achieve New Growth to Coincide with Our 60<sup>th</sup> Anniversary

Business  
Growth

Organizational  
Growth

Human  
Growth



Enhance  
Corporate Value

# 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

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