

Financial Results for 1Q for the FY2011 ending March 2012

July 28, 2011

NEC Networks & System Integration Corporation



1Q FY2012/3 Summary

Key areas achieved solid results, laying the foundations for future growth

Expanded both orders and sales in the Enterprises Networks and Carrier Networks businesses

- Enterprises NW : Expanded the EmpoweredOffice and service business → Orders in particular recovered well
- Carrier NW : Actively responded to carriers' increased investment

Accelerated the initiatives for growth

- Increase the sales force and systems engineers (SEs) for carriers, established a team focusing on volume business, etc.
- Continued investing in the expansion of cloud infrastructure

Both orders and sales declined in the Social Infrastructure business

- Local information network projects have run their course.
- Expanded orders for fire-fighting & disaster prevention systems business ahead of the stage of full-scale investment.

Enterprises NW

Orders	+7%
Sales	+2%

Carrier NW

Orders	+10%
Sales	+13% (YoY)

Sales persons/carrier SEs

Increase, shift, and integration of resources Approx. 200

Orders for fire-fighting related business

+ ¥1.3 bill. YoY

Summary

(Billions of Yen)

	1Q FY11/3 (Apr-Jun)	1Q FY12/3 (Apr-Jun)	YoY
Net Sales	42.1	39.8	-5.3%
Operating Income <i>(to Sales)</i>	0.33 <i>(0.8%)</i>	0.15 <i>(0.4%)</i>	-0.18 <i>-0.4pt</i>
Extraordinary Gain/Loss	* -0.54	0.00	+0.54
Net Income/Loss <i>(to Sales)</i>	-0.13 -	0.10 <i>(0.3%)</i>	+0.24 -
Free cash flows	3.5	9.8	+6.3

* Due to head office relocation

Balance Sheet (End of June, 2011)

(Billions of Yen)

		End of 10/6	End of 11/6	Diff.
	Cash and cash equivalents	30.3	33.9	3.6
	Notes and accounts receivable	60.3	56.6	-3.7
	Inventories	9.3	8.6	-0.7
	Other	7.9	7.8	-0.1
	Current Assets	107.8	106.9	-0.9
	Noncurrent Assets	23.5	23.7	0.2
	Assets	131.2	130.6	-0.6
	Notes and accounts payable	24.8	18.9	-5.9
	Loans	3.0	5.5	2.5
	Other	30.0	29.2	-0.8
	Liabilities	57.8	53.6	-4.2
	Shareholders' equity	73.2	76.9	3.7
	Accumulated other comprehensive income	-0.4	-0.5	-0.1
	Minority interests	0.6	0.6	-0.1
	Net Assets	73.4	77.0	3.5
	Liabilities & Net Assets	131.2	130.6	-0.6
	Owner's Equity Ratio	55.5%	58.5%	+3.0pt

1Q FY2012/3 Cash Flows

- Significantly improved FCF by recouping cash from large projects concentrated at the end of last fiscal year

(Billions of Yen)

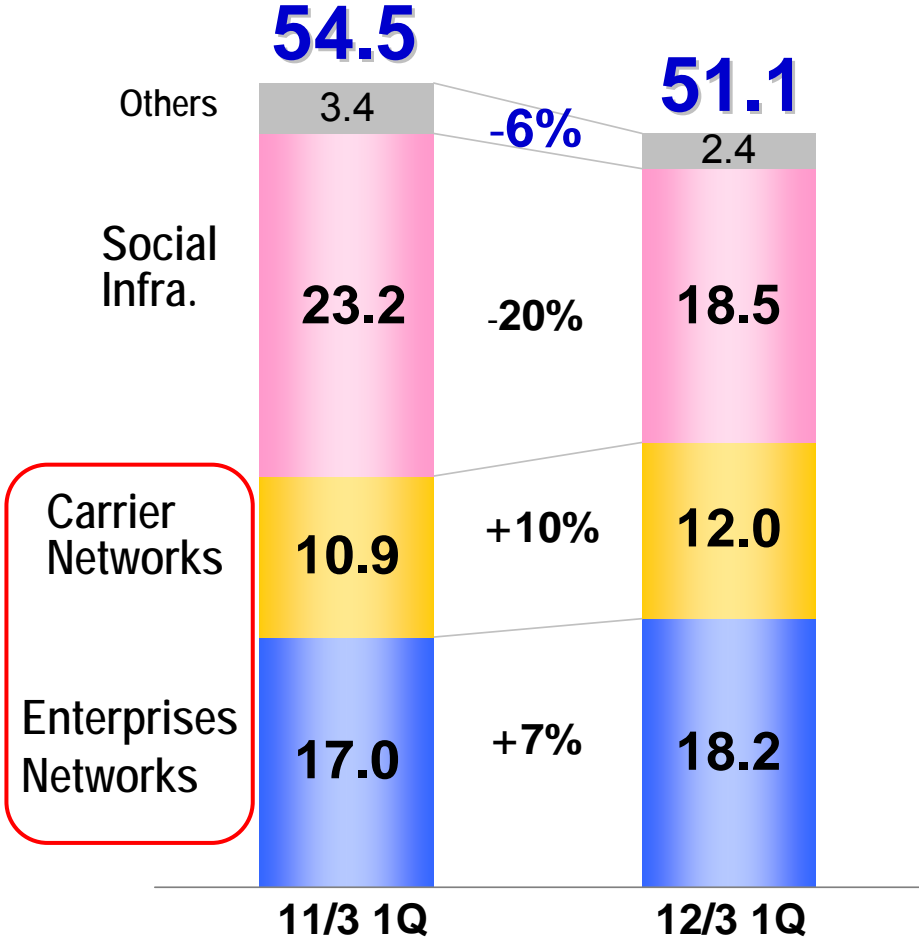
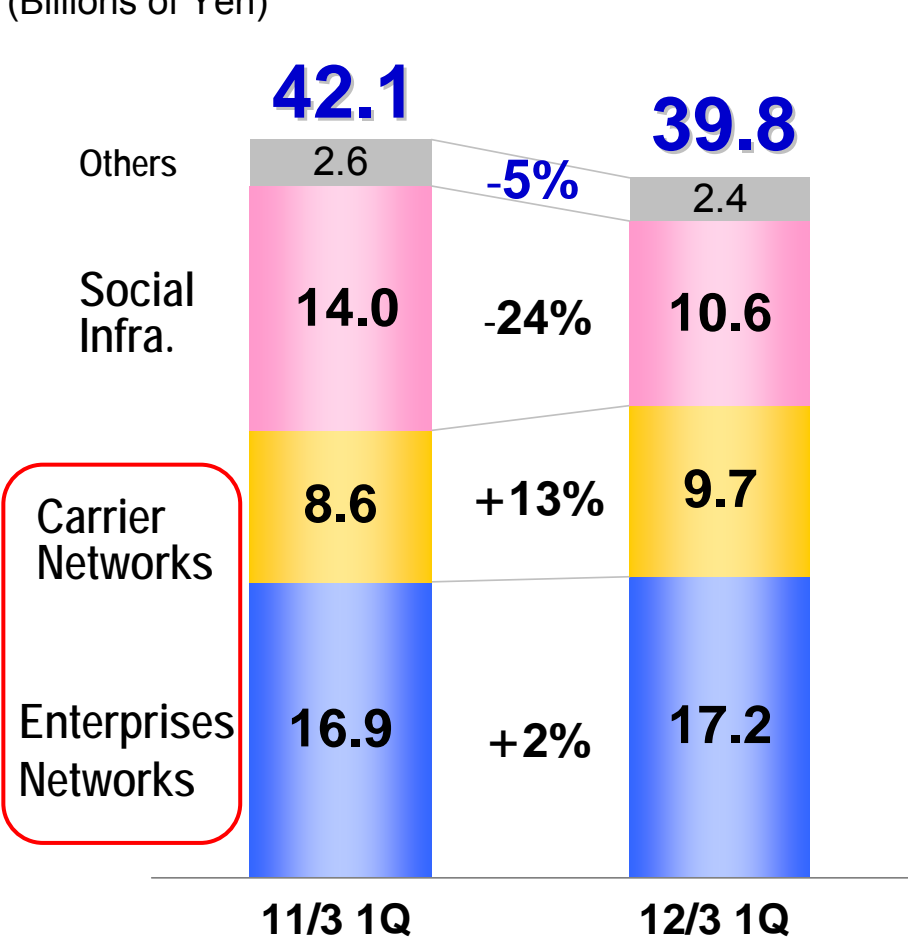
	1Q 11/3	1Q 12/3
Operating cash flow (a)	3.8	10.3
Investment cash flow (b)	-0.3	-0.5
Free cash flows (a)+(b)	3.5	9.8
Financial cash flow	-2.7	-1.5
Cash and cash equivalents at the end of the period	30.3	33.9

Sales by Segment (1Q FY2012/3)

Sales

[Ref] Order Received

(Billions of Yen)



Activities for Growth: Enterprises Networks

Office innovation solution “EmpoweredOffice”

* EmpoweredOffice won a Nikkei New Office Award (a Japanese prestigious award for an innovative office) 2011 for the second time since 2009.

- 2H FY2011/3 Introduced EmpoweredOffice companywide as a showroom at the new head office and practiced office innovation ourselves
- Halved office space, halved paper use
25% less power consumption (excl. additional efforts after the earthquake)

Stepped up marketing, making the most of the new head office innovation

*Result of 1Q FY2012/3

- The number of customer visits has greatly increased.
- The rate of visits by executives has been consistently increasing. Over 20% of all visitors were executive-level customers
- Enhanced appeal focusing on energy saving and BCP

Related orders

Approx. ¥2.1 bill.
(YoY +25%)

Number of EmpoweredOffice visitors

147 companies
(YoY +50%)

Activities for Growth: Enterprises Networks

Expansion of Service Business

2H FY2011/3 Established a cloud infrastructure (service center) for West Japan
Expanded the Tokyo data center
Acquired Daiichi Ad System (contact center)
as a subsidiary

Expansion of the cloud/outsourcing service business


- The number of data center users increased.
- The West Japan service center reached full capacity within nine months of opening.

Number of racks in operation

+40% YoY

Number of corporate clients

Approx. 300
(+6% YoY)

 Continuing investment in expanding cloud infrastructure

Establishing a second data center
Expanding the floor of the West Japan service center
(quadrupling capacity)

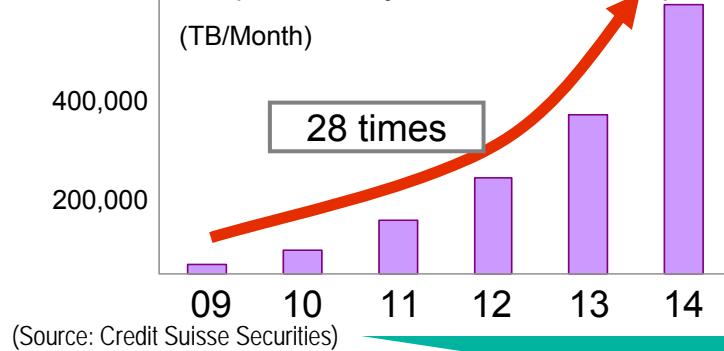
*Both will open in October 2011

Activities for Growth: Carrier Networks

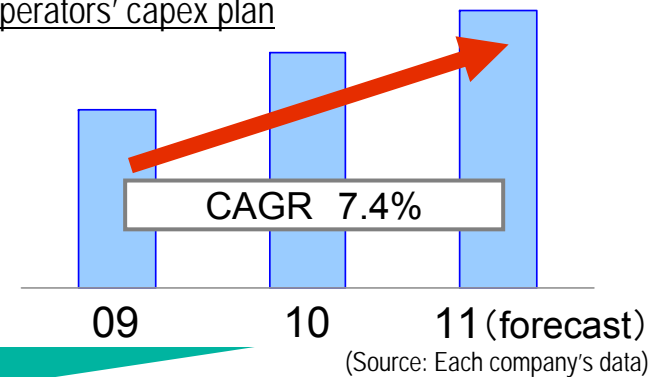
Expansion of SI/service business for telecom carriers

Investment by telecom carriers is increasing with expansion of network traffic along with the smartphone boom.

Network traffic forecast of Japanese major mobile network operators



Major Japanese mobile network operators' capex plan



Increased orders and sales by exploiting opportunities

- Strengthened capabilities with global vendors
- Shifted resources to increase the number of SEs

Shift of carrier SE resources
Approx. 100

- ➔ Expanding share by bolstering resources in terms of both quality/quantity
- Increasing the number of SEs with global standard qualifications

Mid-term target of acquiring related qualifications
2.5 times

Activities for Growth

Strength of sales force for top-line expansion

Sales resource enforcement

- Increased sales staff, integrated sales functions
- Established a team focusing on volume business

Increase, shift and integration
of sales resources

Approx. 100

Improved sales efficiency

(devoting more time to customers)

- Promoted work process innovation
- Changed company systems to a stronger growth orientation
- Redesigned the EmpoweredOffice floor for the sales force
to further improve sales efficiency (planned in August, 2011)

FY2012/3 Forecasts

Despite the delays in the Social Infrastructure business, we aim to achieve our original target, accelerating the growth of the Carrier Networks & Enterprises Networks businesses through aggressive management.

(Billions of Yen)

	12/3			12/3		
	2H forecasts	11/3 Results	YoY	Full year forecasts	11/3 Results	YoY
Sales	105.0	98.2	+6.9%	240.0	217.9	+10%
Operating income <i>(to sales)</i>	3.1 <i>(3.0%)</i>	3.1 <i>(3.1%)</i>	+0.0 <i>-0.1pt</i>	11.0 <i>(4.6%)</i>	10.8 <i>(5.0%)</i>	+0.2 <i>-0.4pt</i>
Extraordinary gain(loss)	0.0	-1.9	+1.9	0.0	-2.6	+2.6
Net income <i>(to sales)</i>	1.7 <i>(1.6%)</i>	0.5 <i>(0.6%)</i>	+1.2 <i>+ 1.0pt</i>	6.2 <i>(2.6%)</i>	4.7 <i>(2.2%)</i>	+1.5 <i>+ 0.4pt</i>

*Forecasts as of July 28, 2011

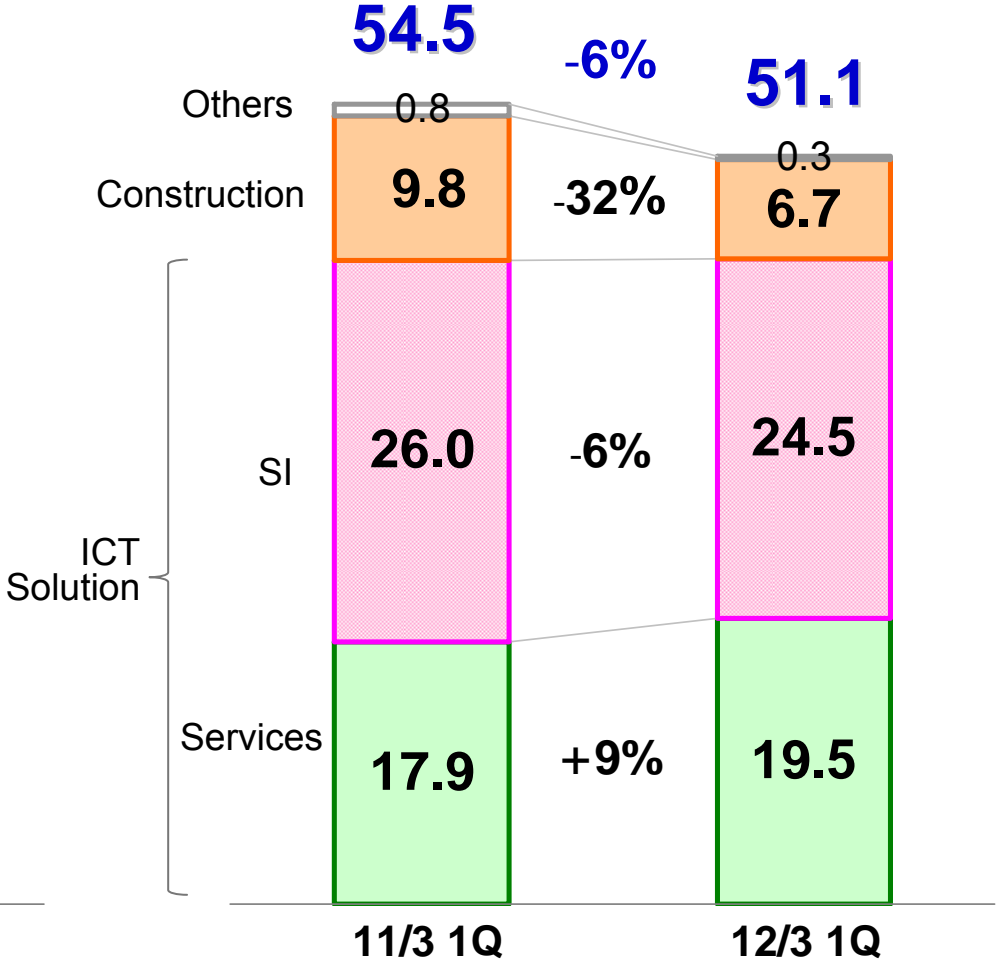
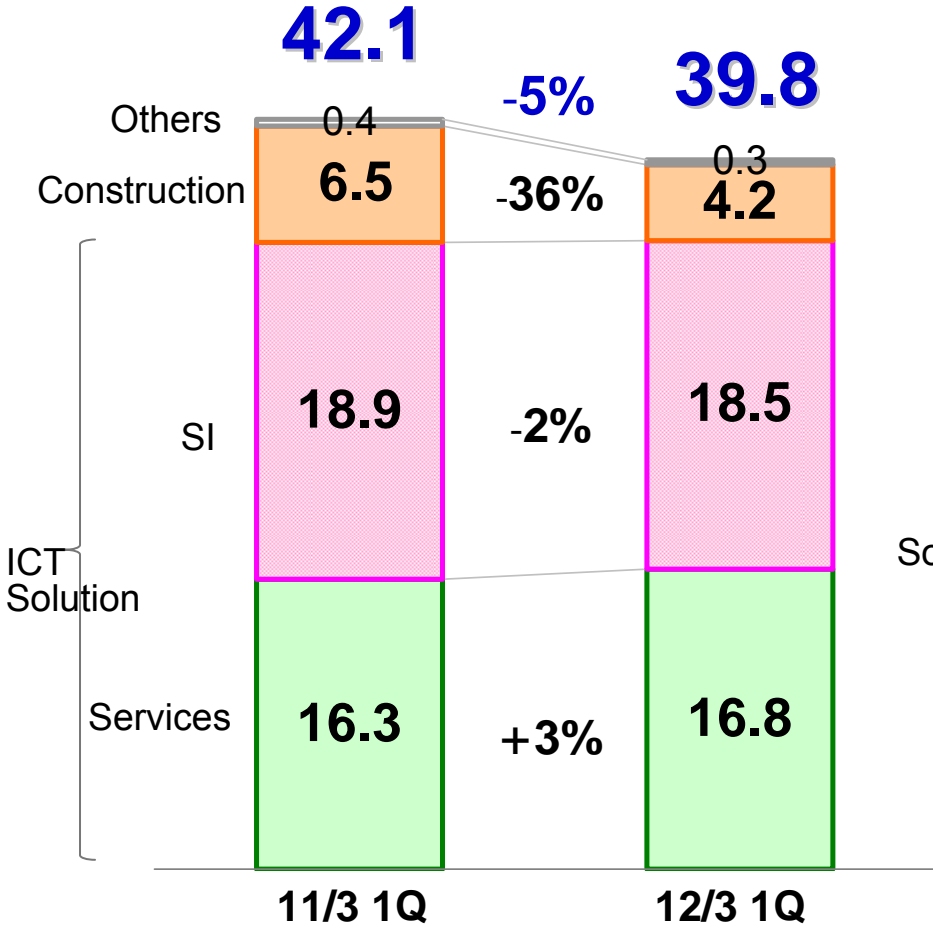
Appendix

[Ref] Sales by Business Type (1Q FY2012/3)

Sales

[Ref] Order Received

(Billions of Yen)



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

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