



# Financial Results for 3Q for the Fiscal Year ending March 2013

January 31, 2013

NEC Networks & System Integration Corporation  
(TSE 1973, NESIC)

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# 1. Outline of the Results for 3Q/9M FY2013/3

# FY2013/3 3Q & 9M Summary

Sales and income rose sharply, maintaining the strong business momentum from the first half.

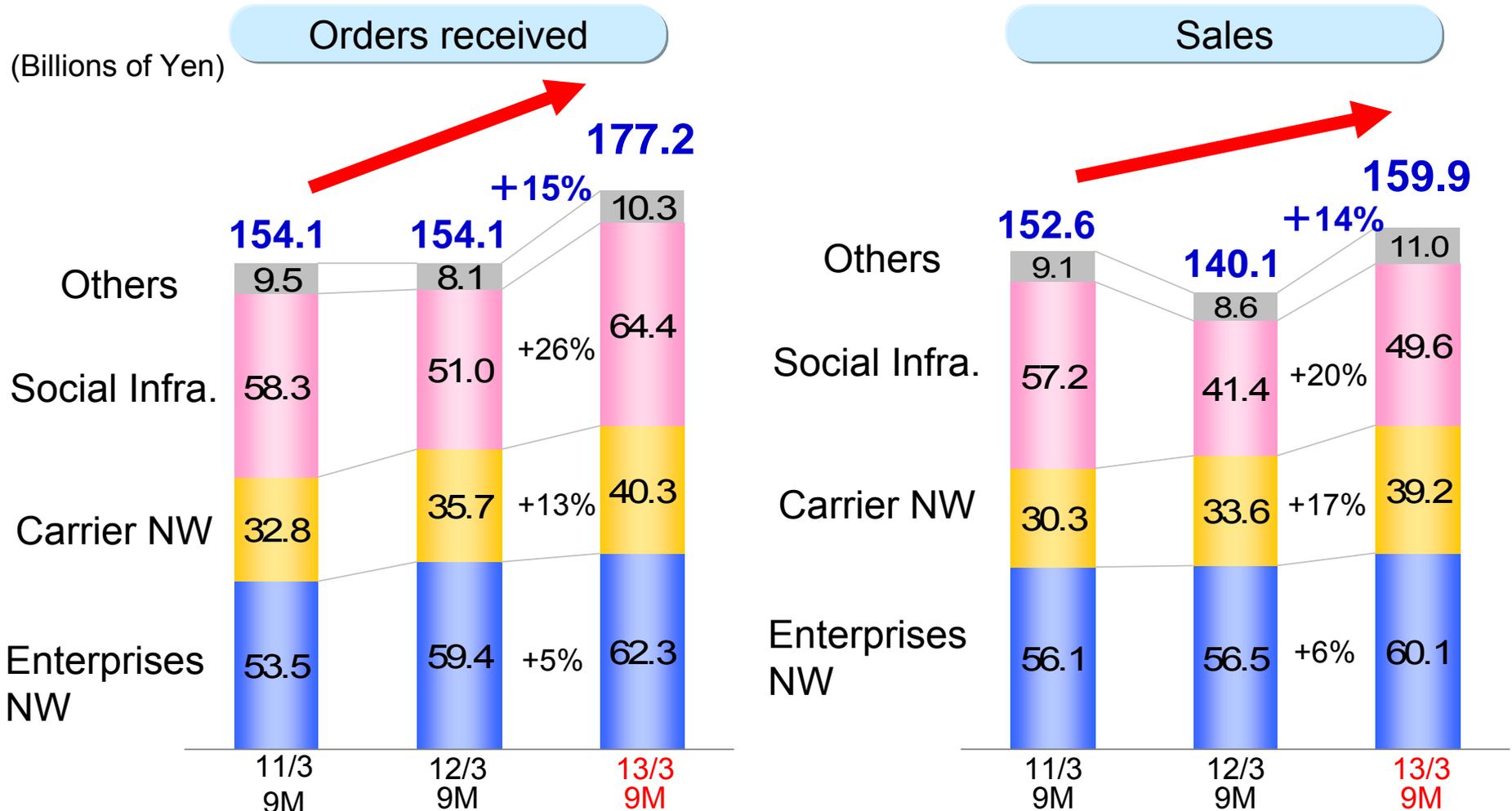
Further advanced towards the full-year target “FY2011/3 and beyond”

	3Q FY12/3	3Q FY13/3	YoY	9M FY12/3	9M FY13/3	YoY	c.f. 9M FY11/3
Orders Received	46.7	53.2	+14%	154.1	177.2	+15%	154.1
Net Sales	49.3	55.4	+12%	140.1	159.9	+14%	152.6
Operating Income	1.5	3.1	+1.6	3.9	6.6	+2.7	5.8
(to Sales)	(3.1%)	(5.6%)	+2.5pt	(2.8%)	(4.1%)	+1.3pt	(3.8%)
Net Income and Loss	-0.2	1.8	+2.0	1.3	4.0	+2.7	2.2
(to Sales)	—	(3.3%)	—	(0.9%)	(2.5%)	+1.6pt	(1.4%)
Free Cash Flows	-5.8	-6.6	-0.8	14.5	-2.2	-16.7	

\* Including the ¥1.1 billion impact from the reversal of DTA corresponding to amendments to the taxation system

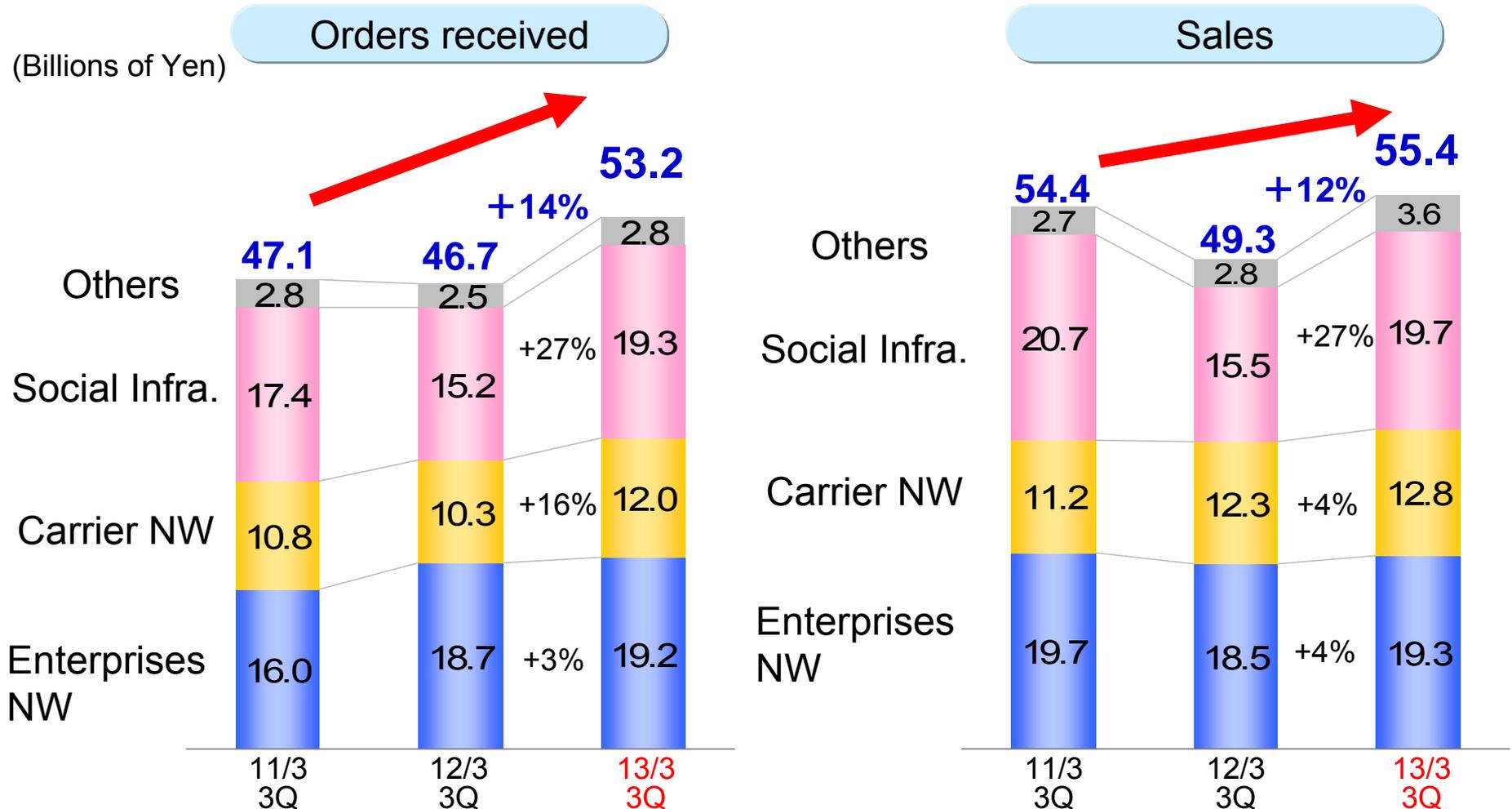
# FY2013/3 9M Sales/Orders Received by Segment

Both sales and orders increased in all segments.



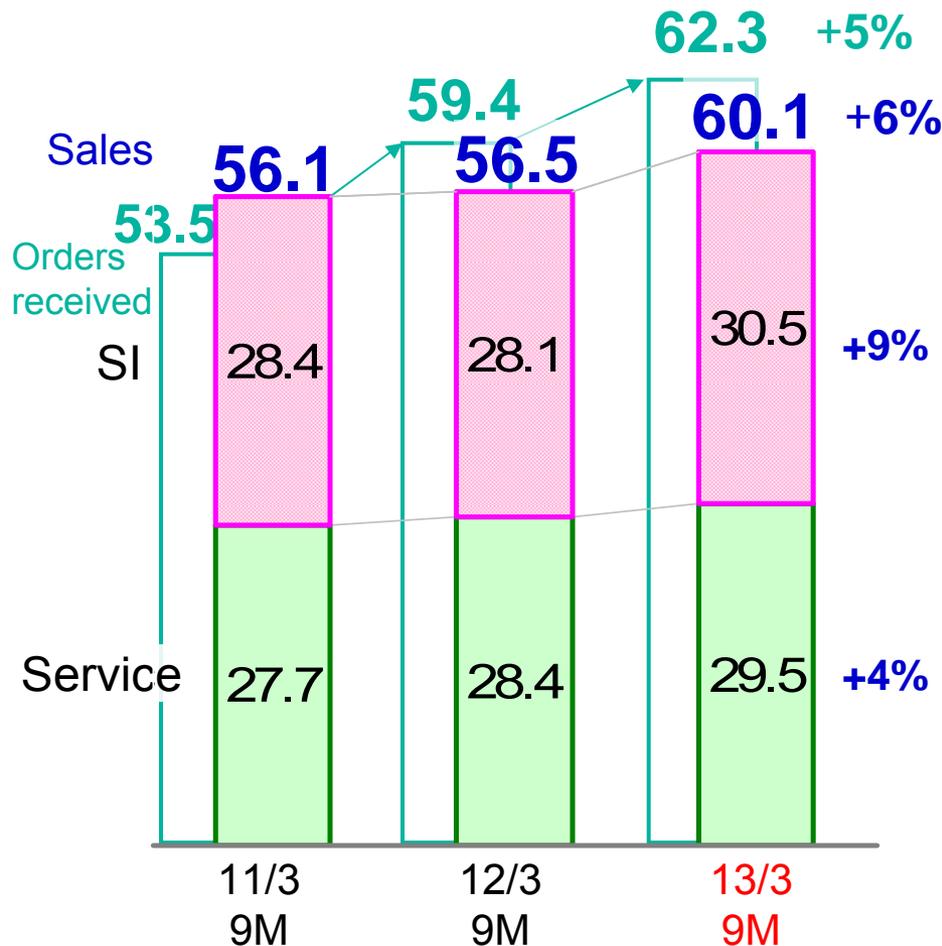
# [Reference] FY2013/3 3Q Sales/Orders Received by Segment

Results for 3Q (October - December) were also solid, maintaining the strong momentum from the first half.



# FY2013/3 9M Enterprise Networks Business

(Billions of Yen)

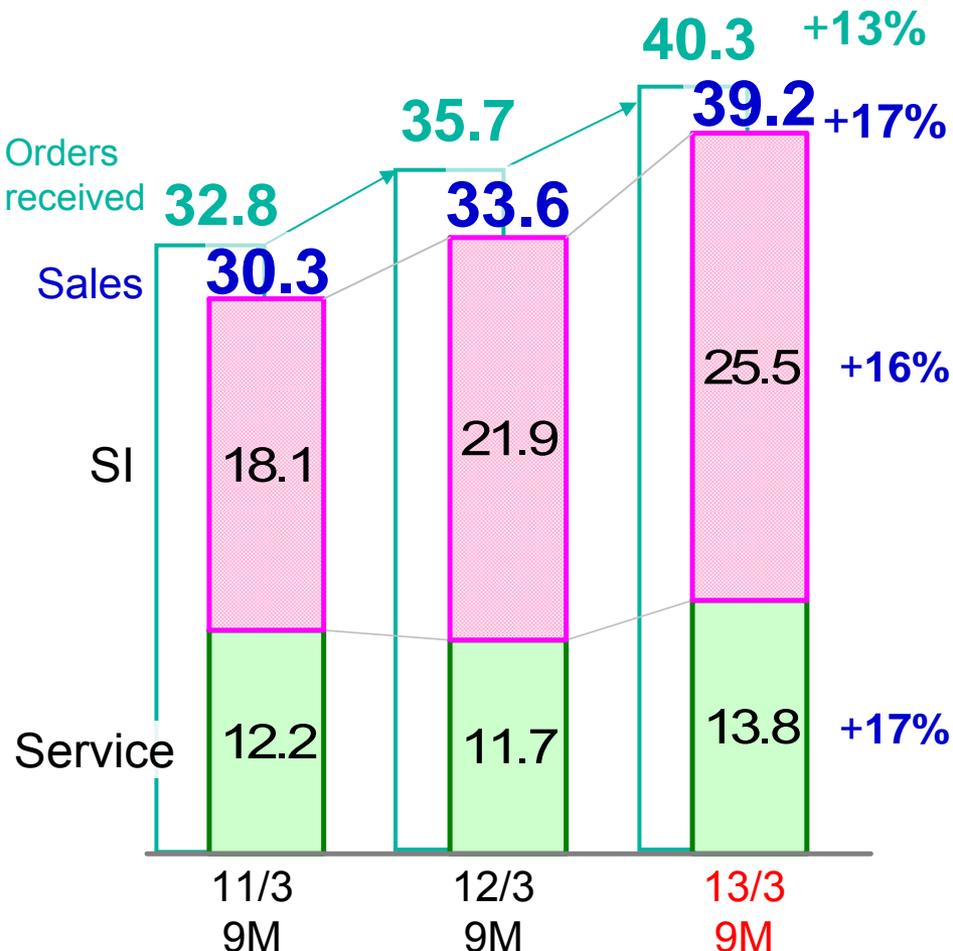


■ Sustained growth by strengthening appeal to the top management

- The cumulative number of visitors to our EmpoweredOffice showroom exceeded 10,000.
  - (Related orders --- ¥17.2 billion: Up 2% YoY)
  - Bolstering initiatives aimed at organizations other than enterprises.
    - (such as public offices, hospitals and local enterprises)
- The service business also grew steadily.
  - Operation and maintenance services related to SI projects
  - Data center service
    - (Number of users: Up 10% year on year)
  - Positive impact from collaboration with partners

# FY2013/3 9M Carriers Networks Business

(Billions of Yen)



■ Sales rose significantly, reflecting the successful response to an increase in network traffic as a result of the growing popularity of smartphones.

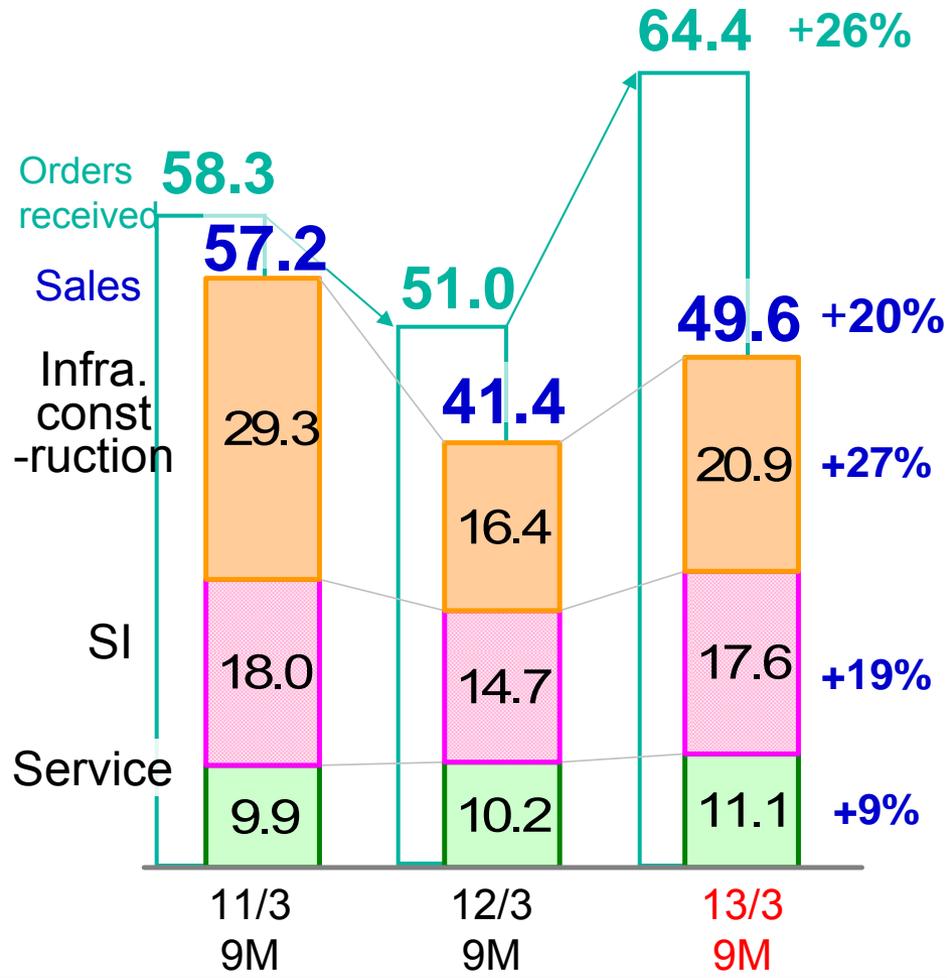
- Continuous expansion of multi vendor SI (technical outsourcing) (Up 23% year on year)
- Steady expansion of a new service using smart devices  
=> Initiatives to enter new applied areas

■ The steady performance of the submarine seismometer system business (Sales: Up ¥2.2 billion)

■ Expansion of maintenance customers and service areas

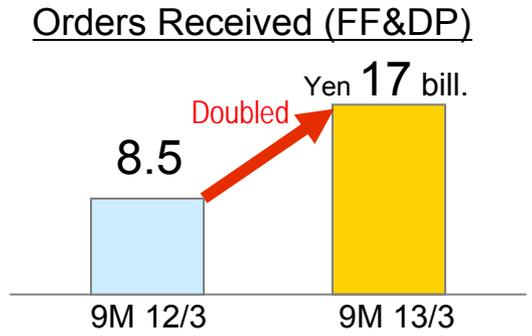
# FY2013/3 9M Social Infrastructure Business

(Billions of Yen)



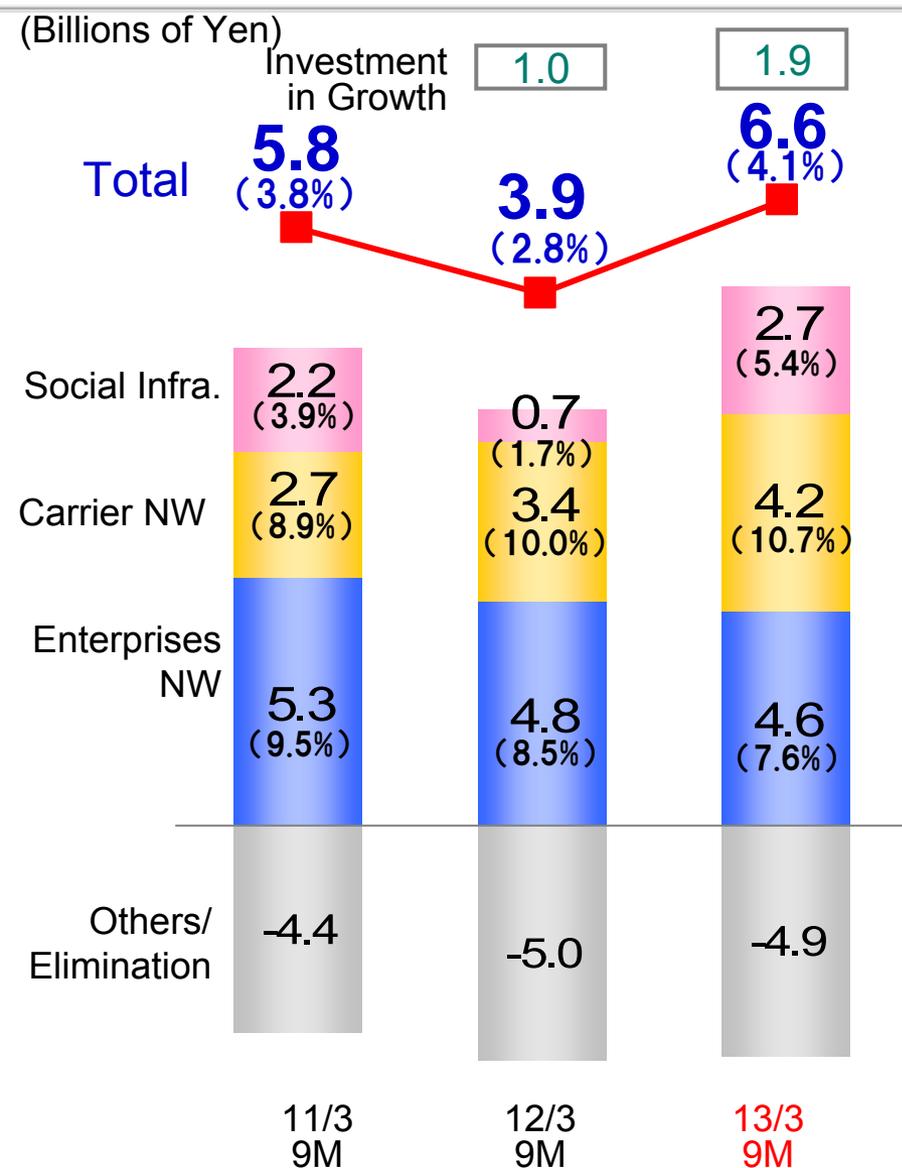
Stronger-than-expected growth in fire-fighting and disaster prevention systems and mobile BTS

- <Fire-fighting and disaster prevention>
- Projects whose orders were received in 1H contributed to sales.
  - Acquired new orders during 3Q for the sales in the next fiscal year



- <Mobile BTS>
- Significant growth on the back of demand related to new frequencies
  - Orders from telecom carriers: Up 50%
  - Sales: Up 25% year on year

# FY2013/3 9M Operating Income/Loss by Segment



Increased operating income attributable to efficiency initiatives and higher sales, reflecting the effects of investments in growth

## ● Social Infrastructure

- A significant rise in income, given higher sales and the effects of reforms undertaken since last FY

## ● Carrier Networks

- Increased operating income due to sales growth and the progress of internal production

## ● Enterprises Networks

- Slightly lower operating income, reflecting an increase in expenses for investment in growth (¥0.6 billion), offsetting higher sales, a factor for higher income

### <Investment in Growth>

- Expenses for sales staff/SE and the data center
- Business process reform for growth, and costs for alliances

# FY2013/3 End of 3Q (December 2012) Balance Sheet

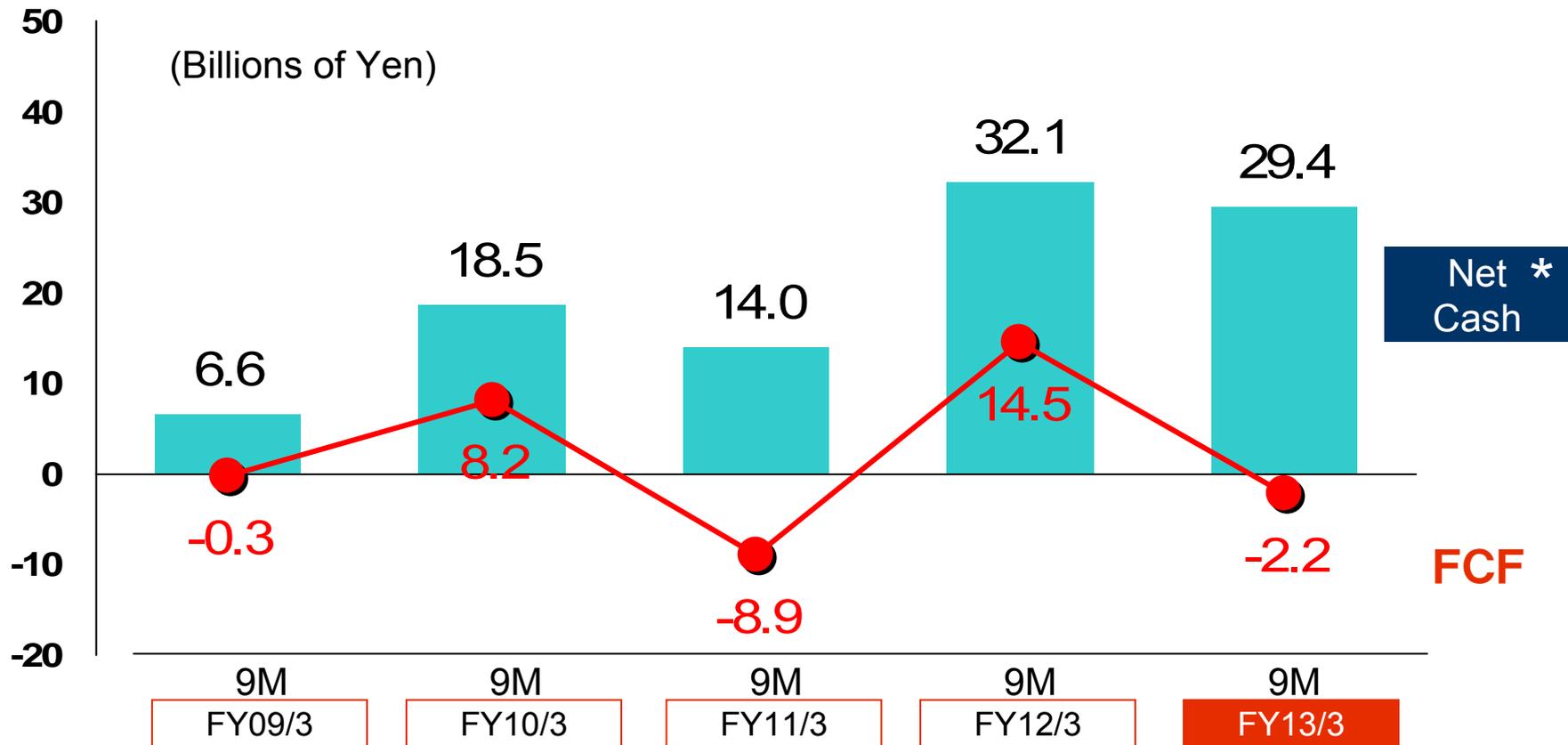
(Billions of yen)

	End of Dec 12	End of Mar 12	Diff.
Cash and cash equivalents	30.6	37.6	-7.0
Notes and accounts receivable	68.7	73.2	-4.4
Inventories	14.6	8.0	6.6
Other	7.6	6.4	1.2
<b>Current Assets</b>	<b>121.5</b>	<b>125.2</b>	<b>-3.7</b>
<b>Noncurrent Assets</b>	<b>26.0</b>	<b>24.5</b>	<b>1.5</b>
<b>Assets</b>	<b>147.6</b>	<b>149.7</b>	<b>-2.1</b>

Notes and accounts payable	28.8	30.3	-1.5
Loans	1.2	4.0	-2.8
Other	34.5	34.7	-0.2
<b>Liabilities</b>	<b>64.5</b>	<b>69.1</b>	<b>-4.5</b>
Shareholders' equity	83.0	80.7	2.3
Valuation and translation adjustments	-0.6	-0.6	0.0
Minority interests	0.6	0.6	0.0
<b>Net Assets</b>	<b>83.0</b>	<b>80.7</b>	<b>2.4</b>
<b>Liabilities &amp; Net Assets</b>	<b>147.6</b>	<b>149.7</b>	<b>-2.1</b>
<b>Owner's Equity Ratio</b>	<b>55.8%</b>	<b>53.5%</b>	<b>+2.3pt</b>

# FY2013/3 9M Cash Flows

We have steadily bolstered the financial strength we need for growth, although cash flows fluctuate depending on the timing of payments from large projects and other factors.



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

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## 2. Forecasts for FY2013/3

# FY2013/3 Full-Year Forecasts

■ Sales: Higher sales to the telecom carriers and fire-fighting and disaster prevention systems businesses (up ¥10 billion)

■ Income: Higher operating income (up ¥1.0 billion), reflecting an increase in sales.

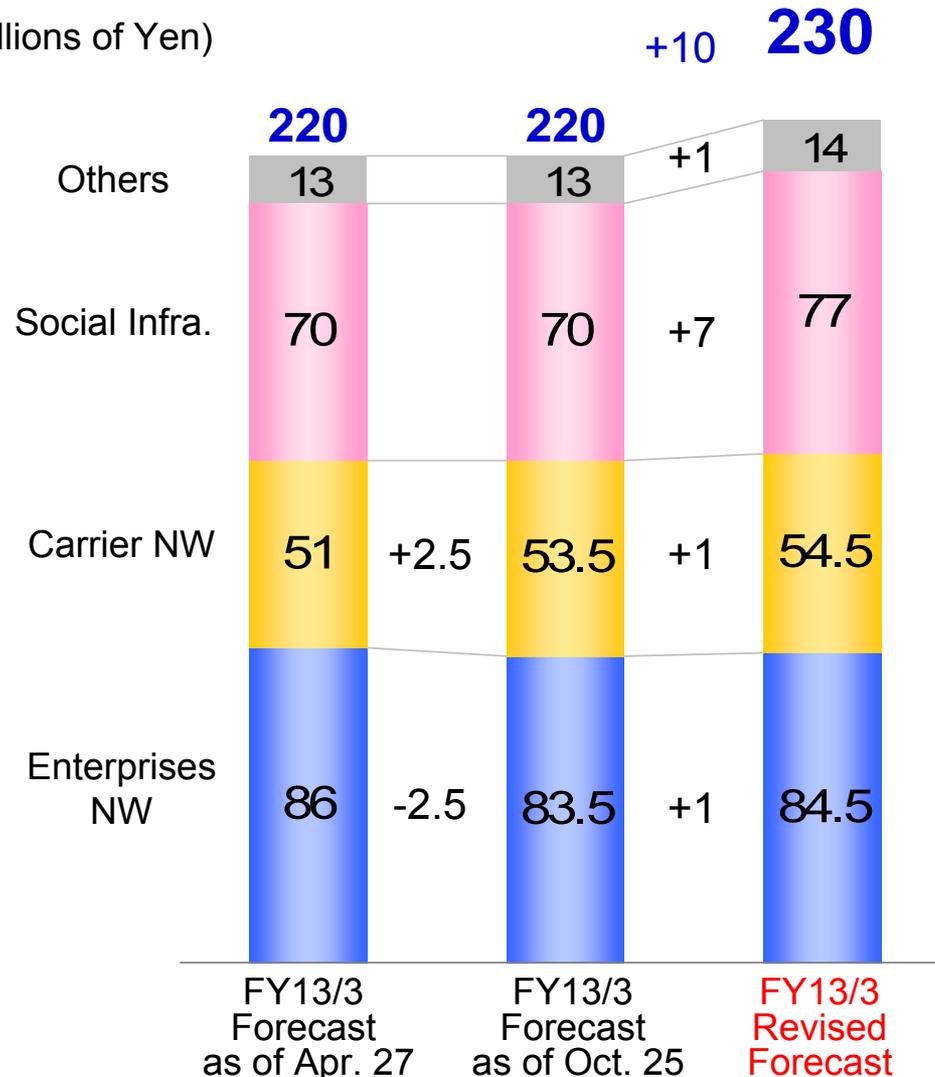
Investments in future growth will accelerated (rising ¥0.4 billion)

	FY13/3 Forecast	FY12/3 Actual	YoY	Previous Forecast	Difference	c.f. FY11/3
Net Sales	230	204.7	+12%	220	+10.0	217.9
Operating Income	11.5	9.7	+1.8	10.5	+1.0	10.8
(to Sales)	(5.0%)	(4.8%)	+0.2pt	(4.8%)	+0.2pt	(5.0%)
Net Income	6.8	4.6	+2.2	6.2	+0.6	4.7
(to Sales)	(3.0%)	(2.2%)	+0.8pt	(2.8%)	+0.2pt	(2.2%)

\*Forecasts as of January 31, 2013

# FY2013/3 Full-Year Forecasts (Sales by Segment)

(Billions of Yen)



## ● Social Infrastructure

- Stronger-than-anticipated acceleration of installation of fire-fighting and disaster prevention systems and mobile BTS related to new frequency bands

## ● Carrier Networks

- Stronger-than-anticipated capital spending by telecom carriers
- Progress in submarine seismometer systems ahead of schedule

## ● Enterprises Networks

- Despite the lingering risks of an economic slowdown, the impact of investments in growth, including the strengthening of our sales capabilities, will emerge at an early stage.

\* Forecasts as of January 31, 2013

# Topics: Activities for our 60th anniversary

Strengthen our power to appeal to customers  
and reactivate internal activities.

- Expand Customer's fairs

- Holding fairs in major cities, in addition to Tokyo, to improve our presence nationwide

- Create and promote the corporate message

“Re-designing your Communication”

- \* The message will be used from February 22 in time with the customer fair

- Update EmpoweredOffice

- Strengthen communications with customers and accelerate nationwide operations

- Hold the CS Technologies Contest

- Develop and train professional staff

who have industry-leading technical skills

February 22, 2013

Tokyo International Forum

Empowered by Innovation **NEC**

60<sup>th</sup> Anniversary

**Intelligence Connect**  
知的融合がイノベーションを加速する

個々の“知”がボーダレスにつながる時、ワークスタイルはアクティブに進化する。  
人と人のつながりを“知”として、私たちがNECにはじめてのInnovationをデザインし、お客様と共に歩みを進めています。  
そして、最先端技術を生かして、お客様と共に“知”を“Intelligence Connect”で、それは知のつなぐ“知”のプラットフォームです。  
スローダウンして、NECのInnovationを加速する。このInnovationを加速する。NECのInnovationを加速する。NECのInnovationを加速する。  
このInnovationを加速する。NECのInnovationを加速する。NECのInnovationを加速する。NECのInnovationを加速する。

60年の歴史をこめて、  
**NEC ネットエスアイ**  
**Customer's Fair 2013**  
2013年2月22日 10:00-17:00 東京国際フォーラム ホールB7  
事前登録制：無料 [www.nec-seminar.com/nesc/](http://www.nec-seminar.com/nesc/)  
NESIC

# Topics:

Strengthening the customer communication area



Multi-vision meeting room

Introducing EmpoweredOffice to regional bases



Introducing EmpoweredOffice to the Tohoku Office

Himawari House was used as the venue for a lecture from the NHK program, *Tohoku Hatsu-Miraijuku*.



# 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>