



# Financial Results for the 1H ending March 2014

October 31, 2013

Masao Wada, President

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

# Agenda

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I. Results for 1H FY2014/3

II. Forecasts for FY2014/3

III. Progress of Mid-Term Business Plan

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I. Results for 1H FY2014/3

II. Forecasts for FY2014/3

III. Progress of Mid-Term Business Plan

# 1H FY2014/3 Summary

Achieved a sustained increase in sales & profits beyond initial forecasts

(Billions of Yen)

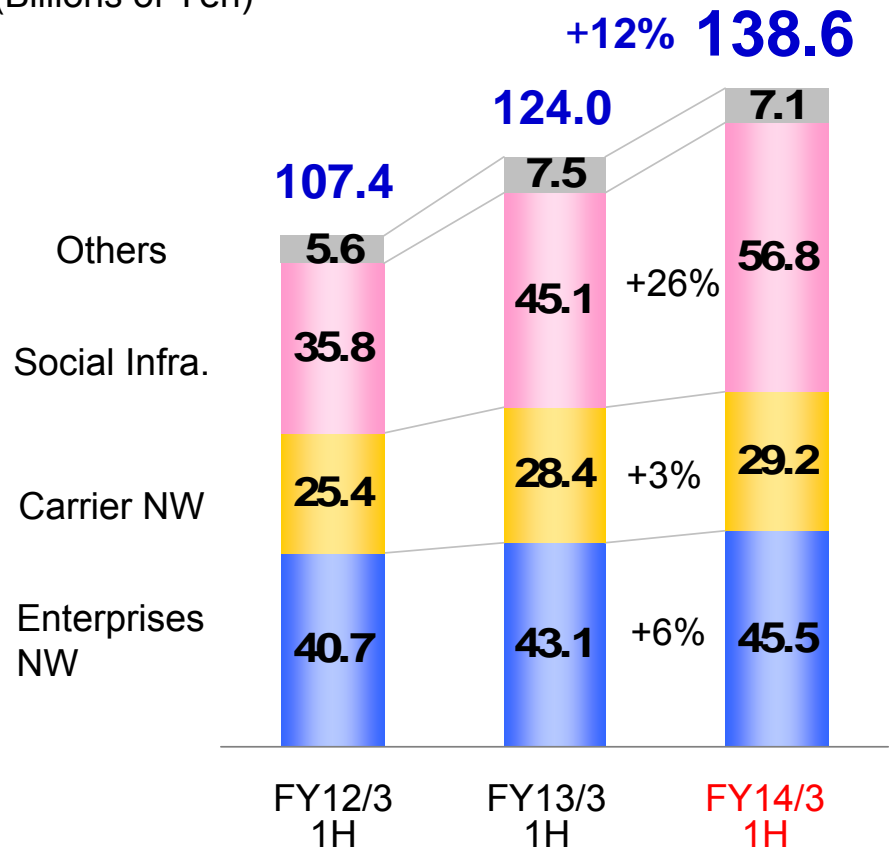
	1H FY12/3	1H FY13/3	1H FY14/3	YoY	Diff. from forecasts
Orders received	107.4	124.0	138.6	+12%	—
Sales	90.8	104.5	115.2	+10%	+7.2
Operating income (to sales)	2.4 (2.6%)	3.5 (3.3%)	4.2 (3.6%)	+0.7 +0.3pt	+0.5 +0.2pt
Net Income/Loss (to sales)	1.4 (1.6%)	2.2 (2.1%)	2.8 (2.4%)	+0.6 +0.3pt	+0.6 +0.3pt
Free Cash Flows	20.3	4.4	14.6	+10.2	

# 1H FY2014/3 Sales/Orders Received by Segment

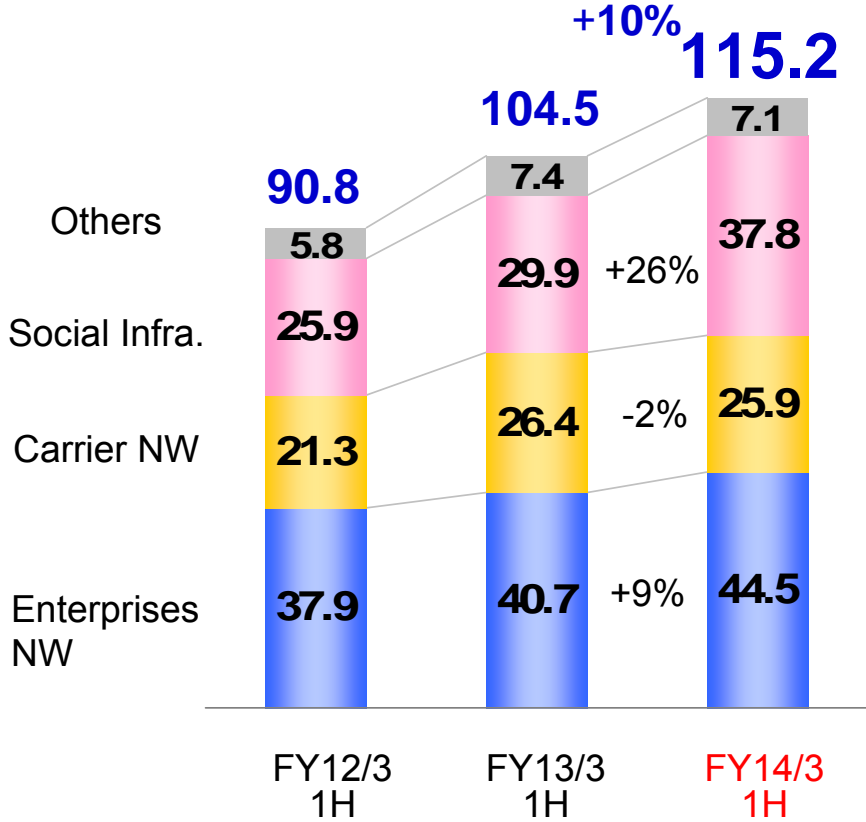
Achieved a double-digit increase in orders & sales due to expansion of priority areas such as fire-fighting networks, mobile BTSs, contact center businesses, etc.

## Orders received

(Billions of Yen)

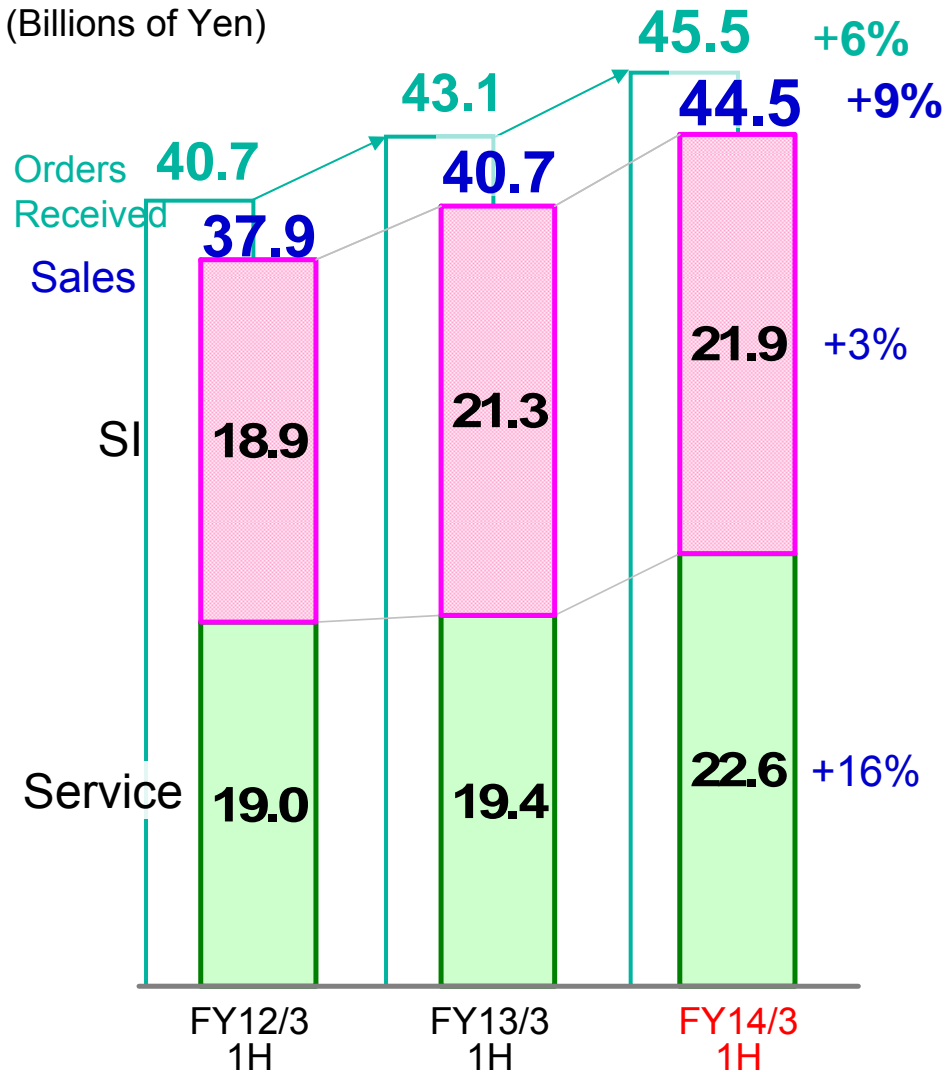


## Sales



# 1H FY2014/3 Enterprises Networks Business

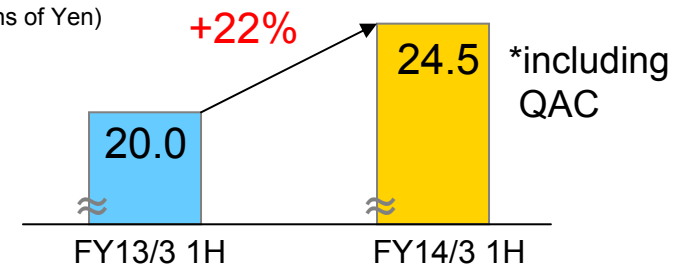
(Billions of Yen)



Continued growth, particularly in the EmpoweredOffice Business, as a result of investment

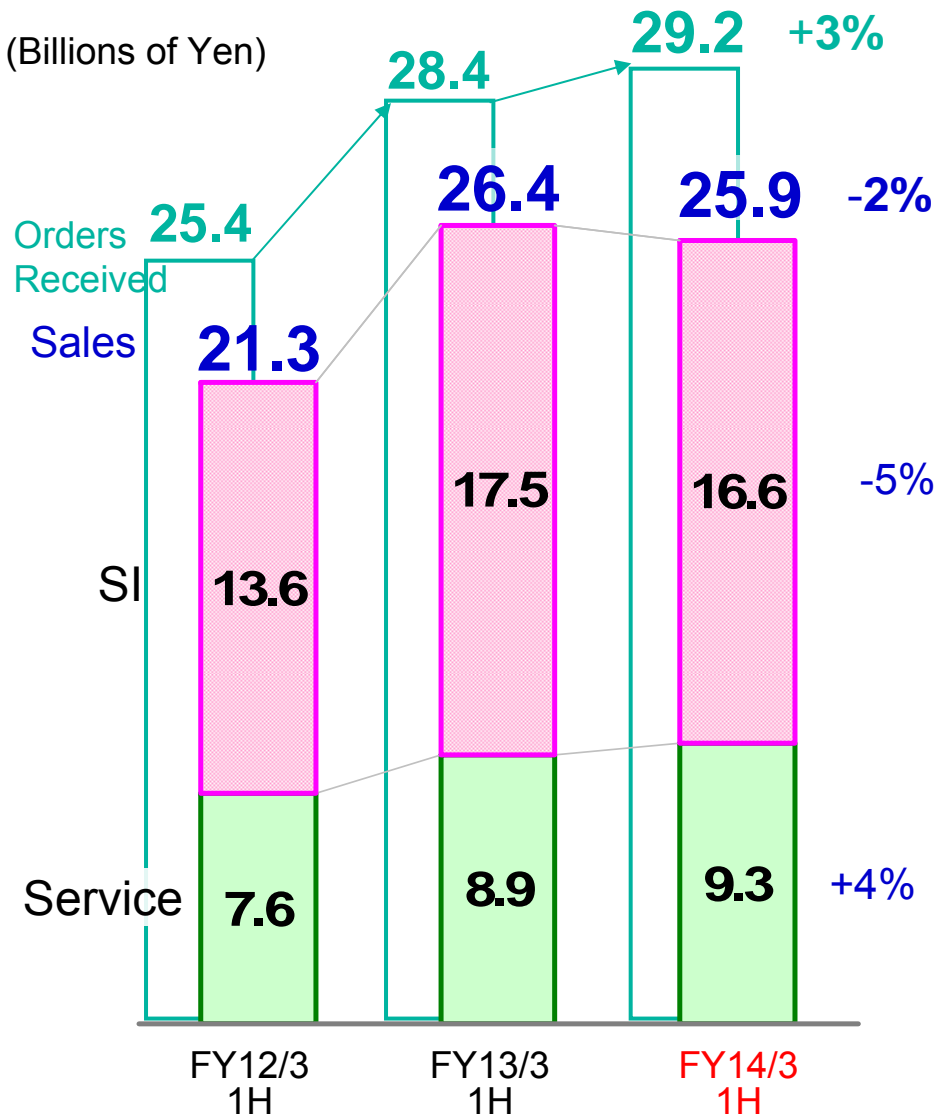
Sales of EmpoweredOffice Business

(Billions of Yen)



- Captured continued office relocation demand
  - Expanded service business fields by consolidation of QAC (Q&A Corp.)
    - Marketing consulting utilizing contact center communication
    - Technical support for consumers
- \*¥3 bill. impact on sales

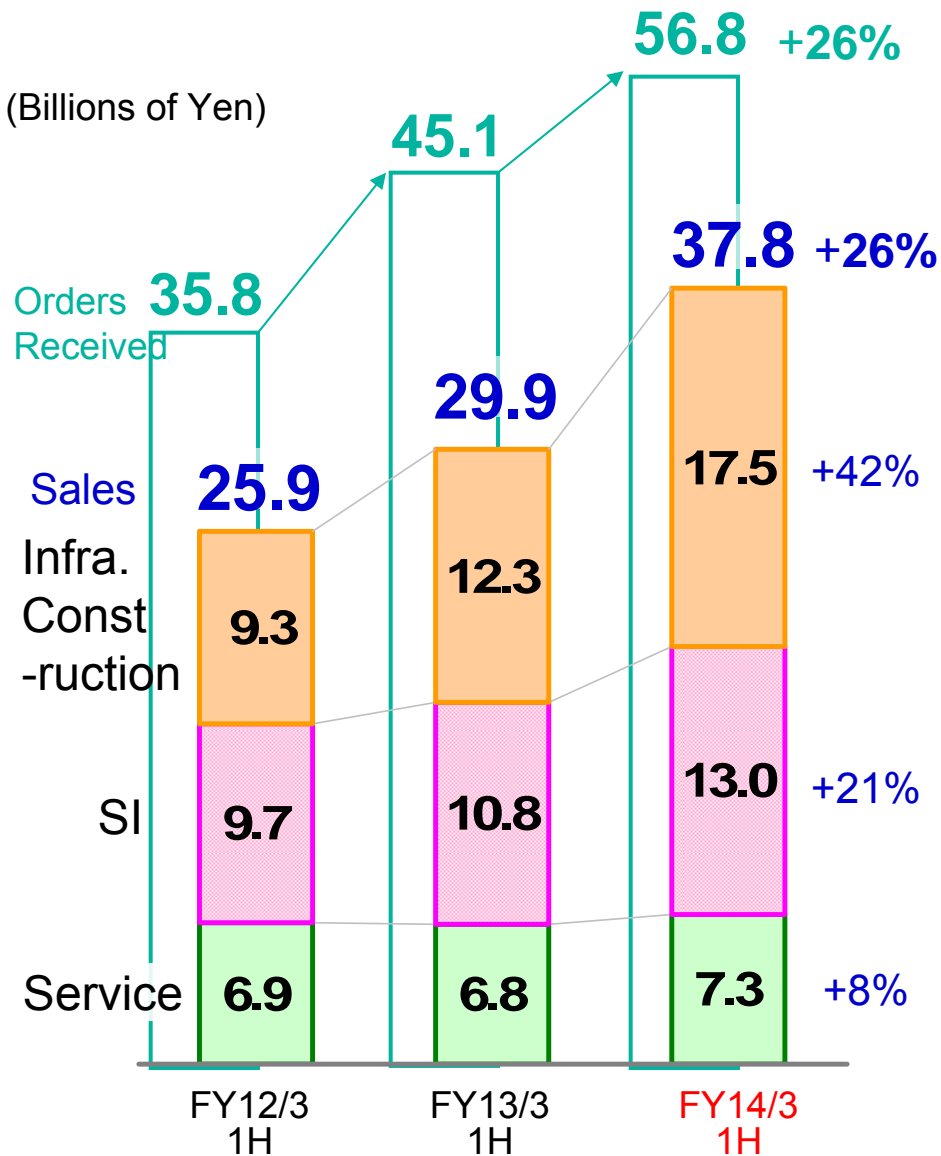
# 1H FY2014/3 Carrier Networks Business



Orders increased despite the negative impact of large projects in previous 1H. Sales decreased slightly.

- Technical outsourcing business remained steady
- Service fields gradually expanded
  - Upstream service area for a telecom carrier
  - QC area for an overseas vendor
- Maintenance business orders from a telecom. carrier increased
- M&A of mobile BTS SI & services business from ex-NEC Mobiling contributed
  - \*¥3 bill. impact on sales
  - Construction business for BTS is included in Social Infrastructures Business

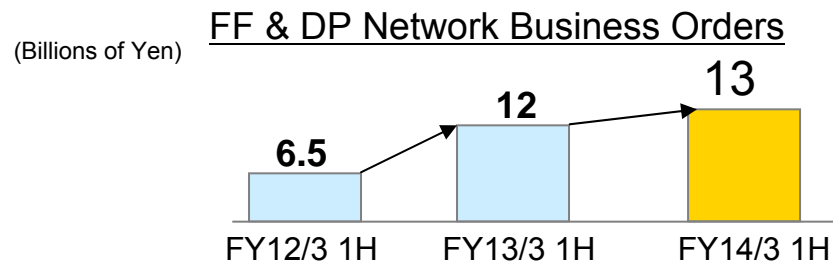
# 1H FY2014/3 Social Infrastructures Business



## Orders & sales jumped

- Sales of platinum band BTS construction increased
  - Peak in previous 2H & this 1H
- Responded proactively to accelerating public investment (Projects for safety & security)
  - FF & DP network business

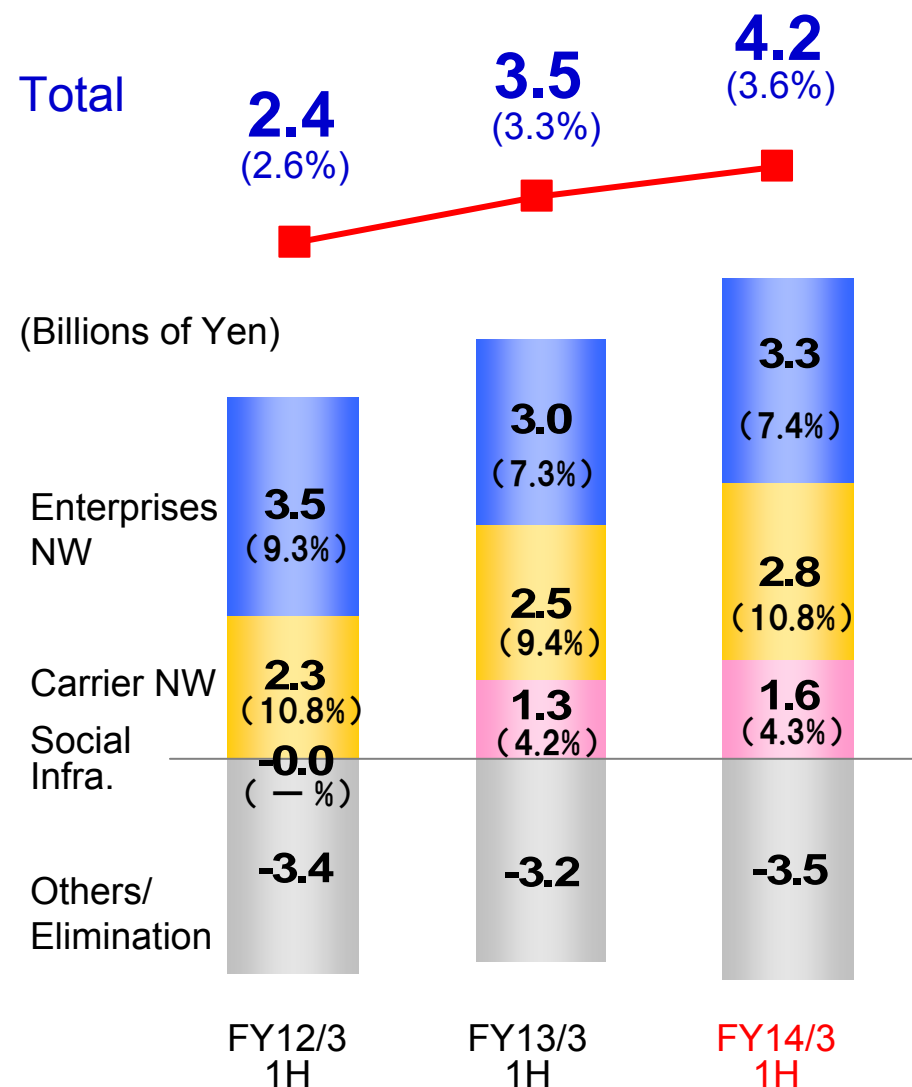
\*FF: fire fighting, DP: disaster prevention



- Satellite communication network available at the time of disaster
- Results in overseas infrastructure business
  - Received orders for 3G network construction in Thailand



# 1H FY2014/3 Operating Income/Loss by Segment



Increased operating income of all 3 segments

● Enterprises NW:

- Increased operating income due to sales increase and promotion of efficiency etc.

● Carrier NW:

- Increased operating income due to BTS SI & service business acquisition and progress of internal production

● Social Infrastructure:

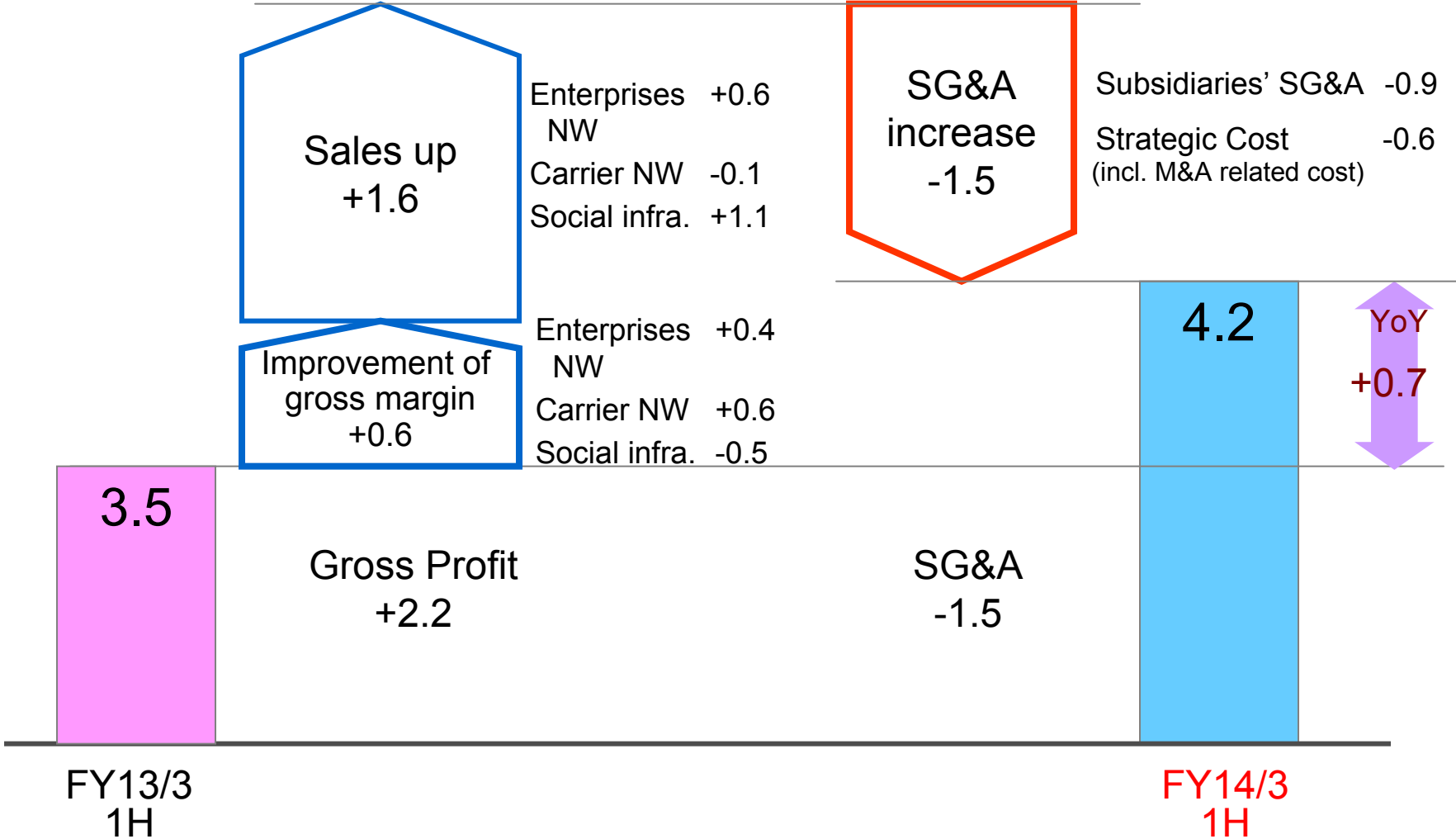
- Increased operating income due to sales increase

● Others/Elimination:

- Increased cost for promotion of M&A and company-wide office innovation advancement

# 1H FY2014/3 Operating Income Analysis

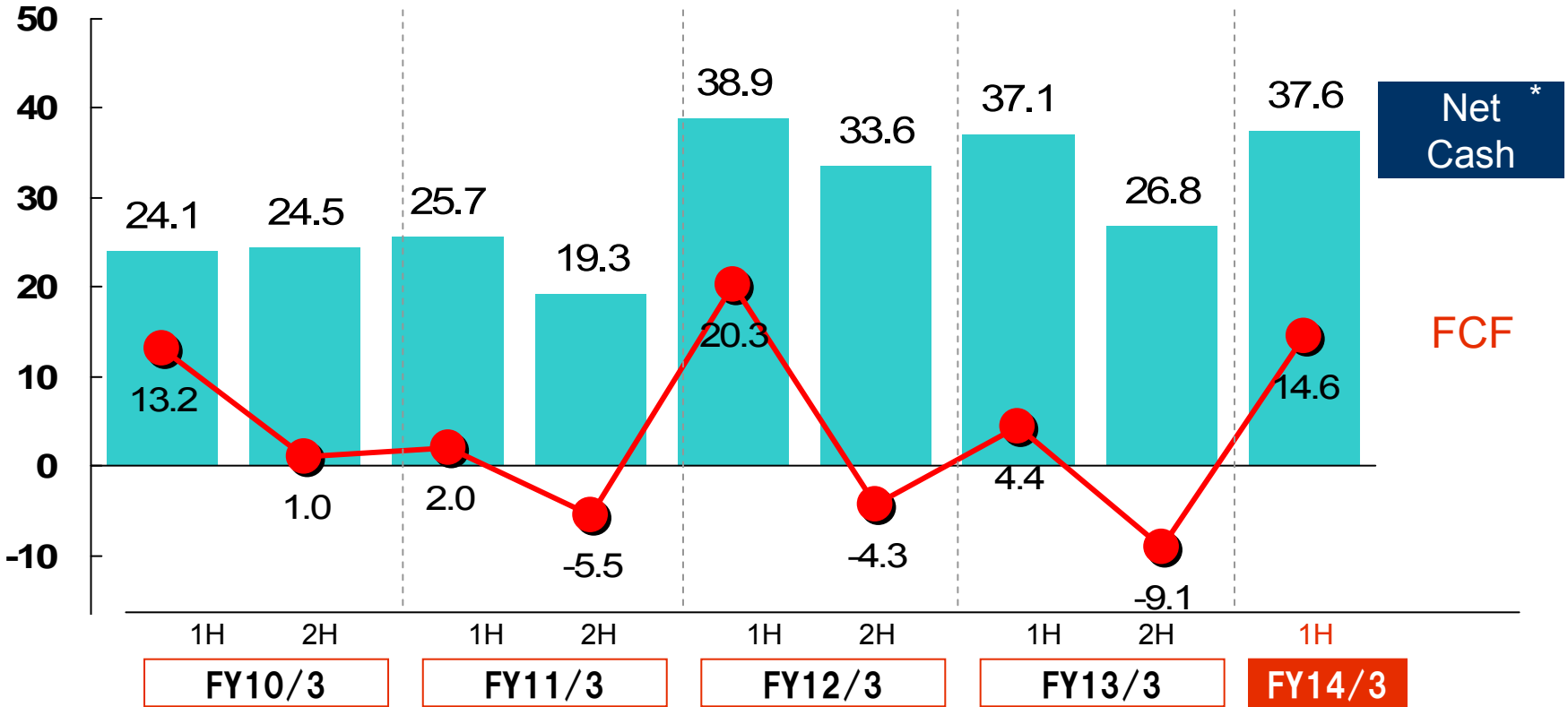
(Billions of Yen)



# 1H FY2014/3 Cash Flows

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

(Billions of Yen)



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

# 1H FY2014/3 Balance Sheet (End of Sep. 2013)

(Billions of Yen)

		End of Sep. 2013	End of Mar. 2013	Diff.
	Cash and cash equivalents	44.5	30.9	13.5
	Notes and accounts receivable	71.5	93.0	-21.5
	Inventories	11.0	10.4	0.6
	Other	8.3	8.2	0.2
<b>Current Assets</b>		<b>135.3</b>	<b>142.5</b>	<b>-7.2</b>
<b>Noncurrent Assets</b>		<b>30.1</b>	<b>25.8</b>	<b>4.3</b>
<b>Assets</b>		<b>165.4</b>	<b>168.3</b>	<b>-2.9</b>

	Notes and accounts payable	28.9	36.4	-7.5
	Loans	6.8	4.1	2.7
	Other	40.4	41.0	-0.6
<b>Liabilities</b>		<b>76.1</b>	<b>81.5</b>	<b>-5.4</b>
	Shareholders' equity	88.0	86.5	1.5
	Valuation and translation adjustments	-0.3	-0.5	0.2
	Minority interests	1.5	0.7	0.8
<b>Net Assets</b>		<b>89.3</b>	<b>86.8</b>	<b>2.5</b>
<b>Liabilities &amp; Net Assets</b>		<b>165.4</b>	<b>168.3</b>	<b>-2.9</b>

<b>Owner's Equity Ratio</b>	<b>53.1%</b>	<b>51.2%</b>	<b>+1.9pt</b>
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I. Results for 1H FY2014/3

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# 2H FY2014/3 Business Environments

The business environment is generally recovering due to credit relaxation and economic measures.

## ●Enterprises Networks

-Although the economy has begun to improve, ICT investment of enterprises has yet to achieve a full-scale recovery.

## ●Carrier Networks

-Telecom carriers' capex remains high, albeit with an uncertain future. Demand for cost cutting using overseas vendors is expected to expand.

## ●Social Infrastructures

-Infrastructure improvement on “safety & security” is accelerating due to expansion of public investment.  
-Platinum band BTS installation is off-peak.

# FY2014/3 Full-Year Forecasts

Revised upwards full-year forecasts considering changes in the operating environment and the impact of the NEC Magnus Communications consolidation, etc.

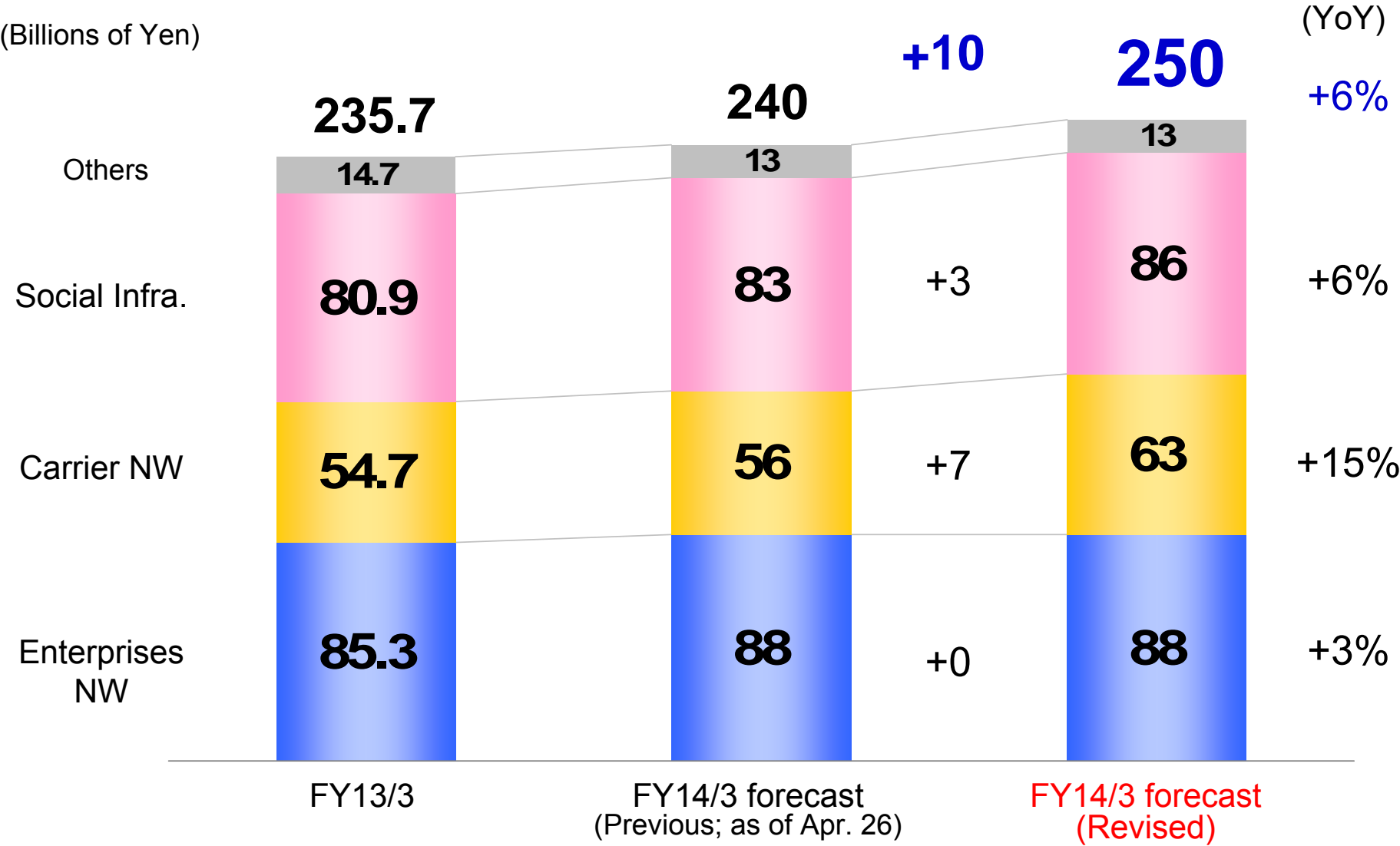
(Billions of Yen)

	FY13/3 Actual	FY14/3 Forecasts	YoY
Net sales	235.7	250	+6%
Operating income	12.5	13.5	+1.0
(to sales)	(5.3%)	(5.4%)	+0.1pt
Net income	7.5	8.2	+0.7
(to sales)	(3.2%)	(3.3%)	+0.1pt

Previous Forecasts (as of April 26, 2013)	Diff.
240	+10
1.3	+0.5
(5.4%)	+0.0pt
7.8	+0.4
(3.3%)	+0.0pt

※Forecasts as of October 30, 2013

# FY2014/3 Full-Year Sales Forecasts by Segment



\*Forecasts as of October 30, 2013

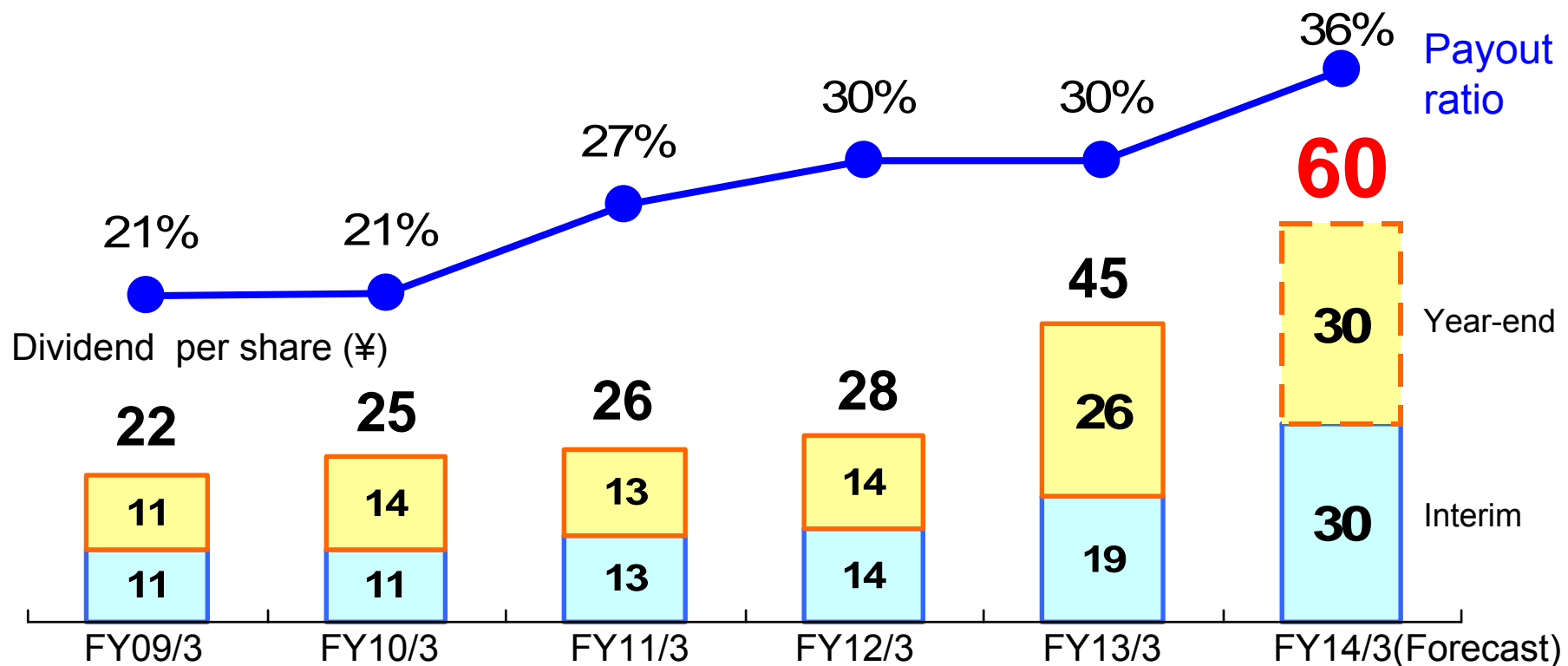


# Dividends Plan

(\*Forecasts as of October 30, 2013)

Payment of interim dividend of ¥30 as planned at the beginning of the fiscal year

● No change in year-end dividend planned



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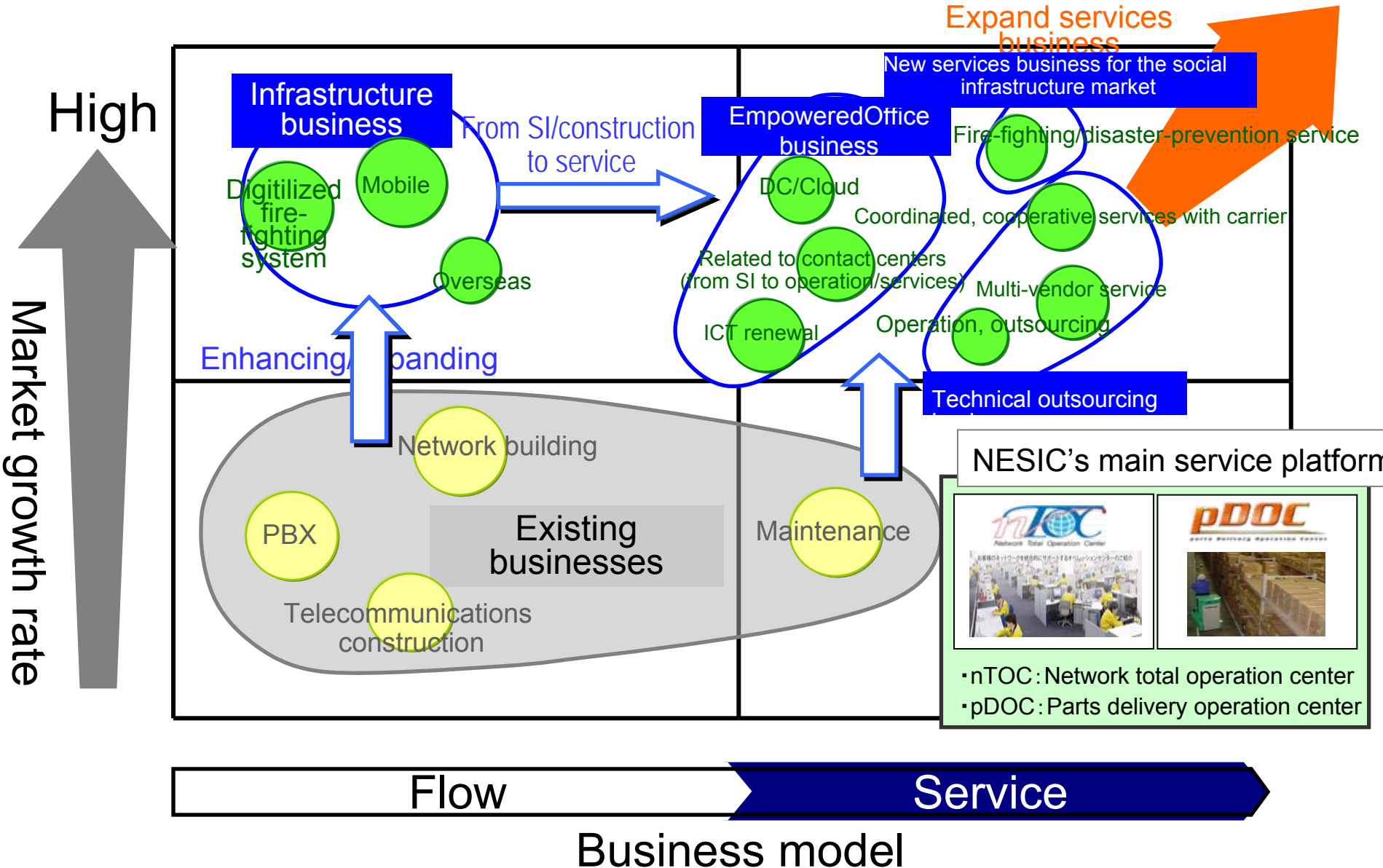
■ Improve both of top-line and bottom-line while making a structural change to the services business

- Sales over ¥260 billion
- Operating margin over 6%
- ROE over 10%



Improve shareholder value as a listed company

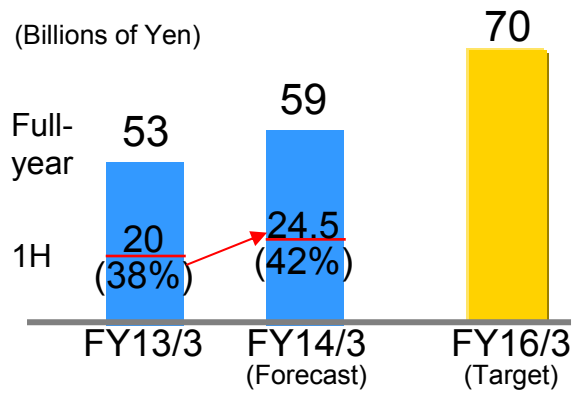
# Focus Business Domains (Strategic Map)



# EmpoweredOffice (EO) Business

## Sales target

(Billions of Yen)



Figures in parentheses show progress rate to the full-year forecast.

## Strategy

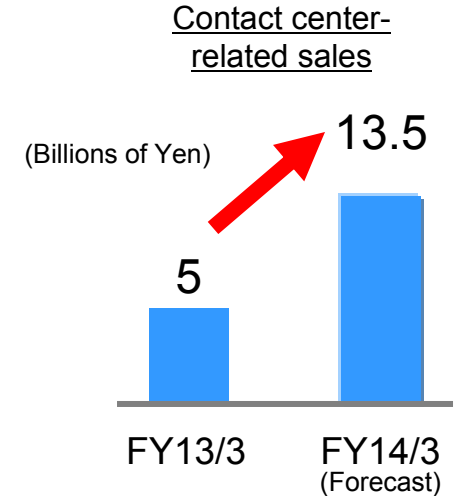
- Market expansion
  - Regional/public/overseas
  - New markets with developers, etc.
- Services business
  - Coordination of buz PFs
  - Value-added services with QAC, etc.

## 1H Progress

### ● Action to expand services business

-Consolidated Q&A Corp.\* to strengthen the contact center business

\*Sales in FY2013/3: ¥10 bill.



### ● Promoting EO to local & public markets

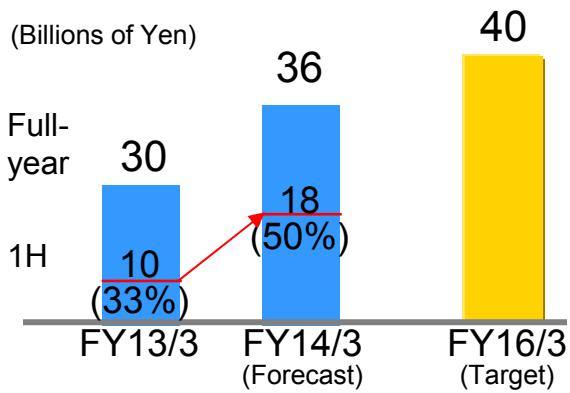
-Regional offices in Hiroshima & Nagoya won the Nikkei New Office Award, a prestigious Japanese award for innovative offices.

\*For the third time following HQ (previous & current offices) in 09 & 11



# Infrastructure Business

## Sales target



Figures in parentheses show progress rate to the full-year forecast.

## Strategy

### <Mobile BTS>

- Business area & share expansion
- Cost reform amid declining unit prices

### <FF&DP network>

- Share expansion

## 1H Progress

### ● FF&DP network business

\*FF: fire fighting, DP: disaster prevention

-Soundly executing projects with enforced management capability, despite tight resource

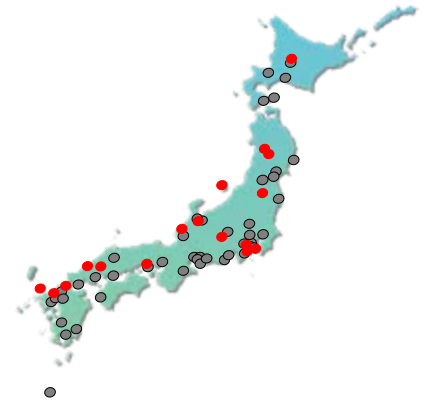
-Promoting multi language telephone translation service for emergency calls (119) as a new service for social infrastructure

### ● Synergy of integration of BTS business taken over from ex NEC Mobiling

-Proposal using the strength of a full lineup of services to customers, from consulting, installation to maintenance services

➡ Received some orders

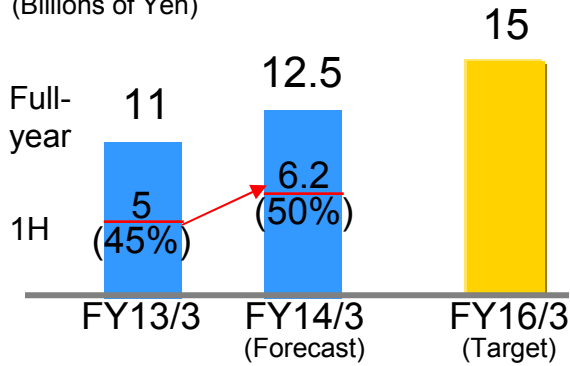
Major orders



# Overseas Business

## Sales target

(Billions of Yen)



Figures in parentheses show progress rate to the full-year forecast.

## Strategy

- Infrastructure business centered on Saudi Arabia, Thailand
- JOC business centered on China, Thailand and the Philippines

## 1H Progress

### ● Expanding infrastructure business

- Acquired 3G network projects for AIS, a major Thai carrier

-Optical cable installation for 3G  
\*Total length: 26,000km (including future plan)

-Orders in 1H: ¥2.5 billion



Targeting growth in orders by penetrating areas where competitors have a presence

### ● Actively acquiring ODA projects

-Acquired airport/aviation security infrastructure in Myanmar with other Japanese companies



# Aquisition of NEC Magnus Communications

Main Business: Planning, development, sales and system integration of telecommunication equipment and construction of cable television networks

## NEC Magnus

- Development capability of products with high share
- Unique network & security technologies
- Rich CATV business records

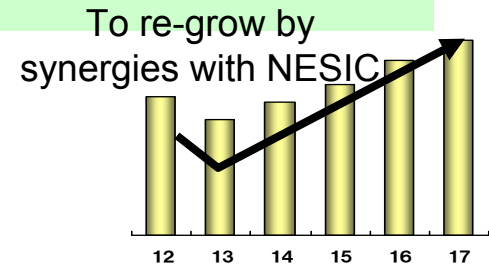
## NESIC

- Broad customer base & services infrastructure
- ICT technologies and maintenance support capability
- Solution power for customers including work-style innovation



- Creation & expansion of services for social infrastructure market
- New services utilising product development technologies of NEC Magnus
- Economies of scale

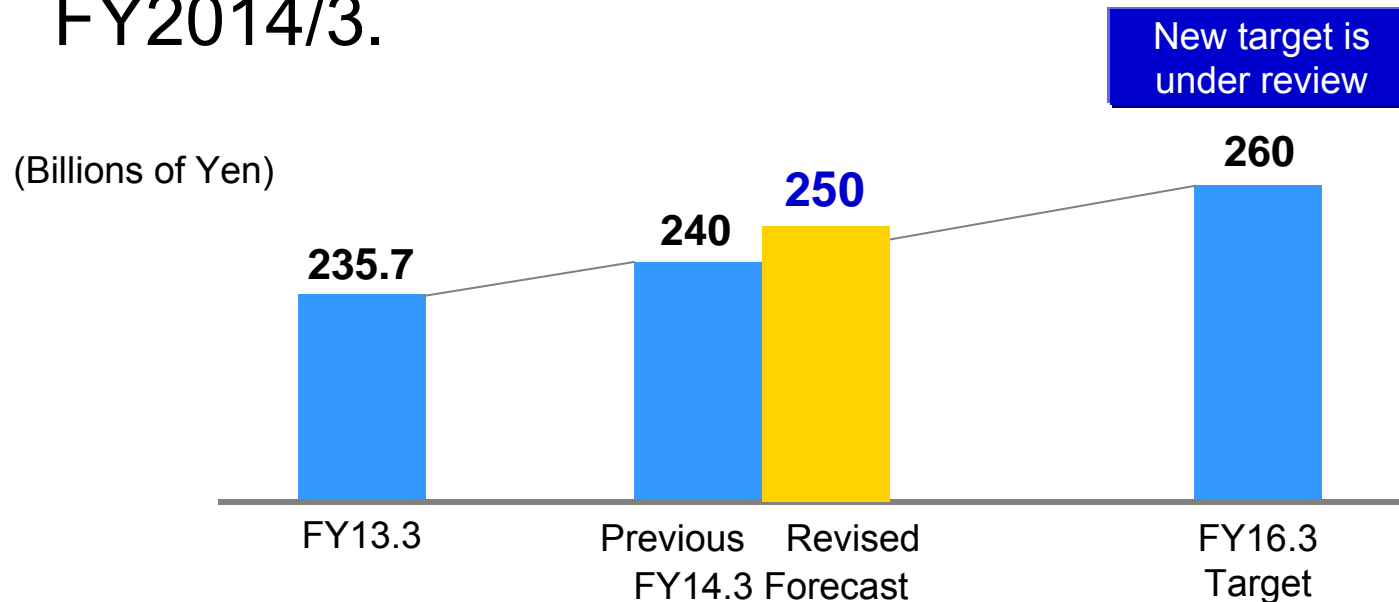
Pursuing further synergies for topline growth and corporate value increase





# Mid-Term Business target

- We are re-examining our mid-term business target in light of the acquisition of NEC Magnus Communications and other factors.
- We will announce our new target figures to coincide with the analyst briefing for the financial results for FY2014/3.



Accelerate mid-term growth  
achieving revised FY2014/3  
forecasts in the 60th anniversary  
year 2013


Business  
Growth

Organizational  
Growth

Human  
Growth



Enhance  
shareholders value



# Re-designing your Communication

NEC Networks & System Integration Corporation is committed to increasing customer value by redesigning future communications from the user's perspective.



# 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

[www.nesic.co.jp](http://www.nesic.co.jp)

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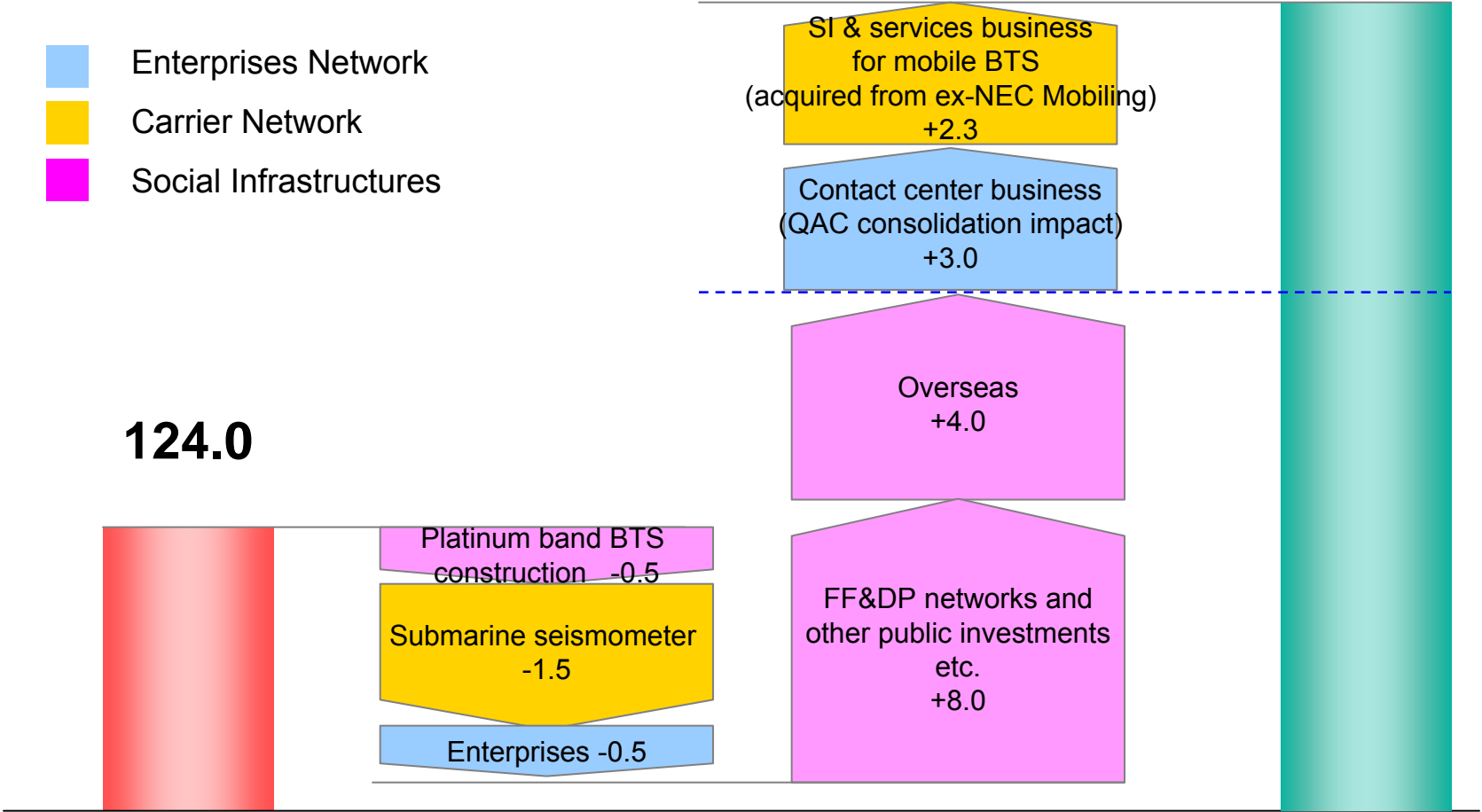
(APENDIX)

# 1H FY2014/3 Order Receipts Analysis

(Billions of Yen)

**138.6**

- Enterprises Network
- Carrier Network
- Social Infrastructures



FY13/3  
1H

-2.5

+17.3

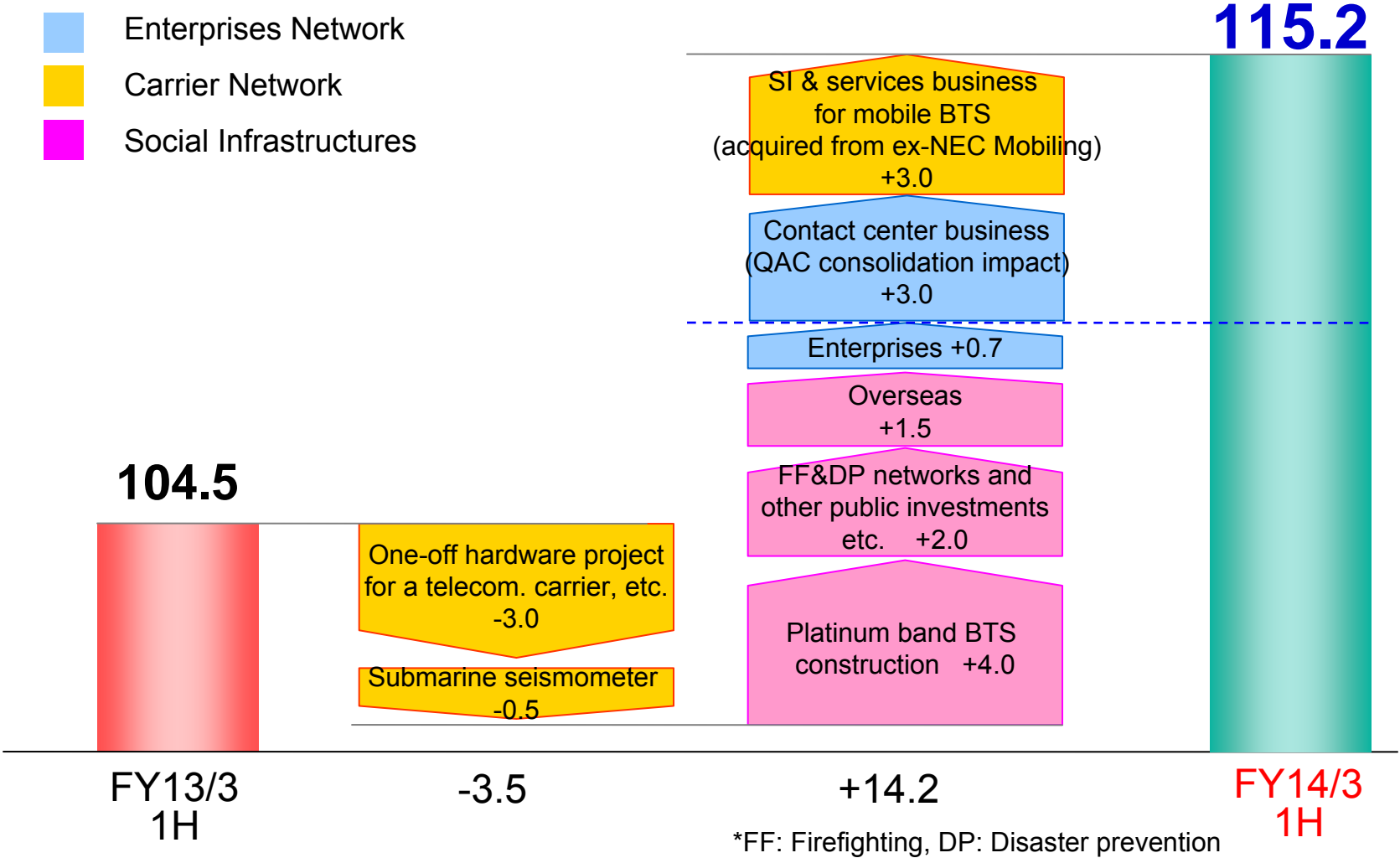
FY14/3  
1H

\*FF: Firefighting, DP: Disaster prevention

# 1H FY2014/3 Sales Analysis

(Billions of Yen)

- Enterprises Network
- Carrier Network
- Social Infrastructures



\*FF: Firefighting, DP: Disaster prevention