


Financial Results for the Fiscal Year Ended March 2015

May 8, 2015

Masao Wada, President

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



I.FY 2015/3 Financial Results

II.FY 2016/3 Forecasts

III.Progress of Medium-Term

Business Plan

IV.Strategies for Future Growth

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*We have reviewed its operational structure, aiming to enhance it by restructuring it in accordance with markets. In FY15/3, we have changed the contents of business segments, and construction work for carriers, including the construction of mobile communications base stations, has been transferred from Social Infrastructure segment to Carrier Networks segment, among other changes. Segment information for FY13/3 and FY14/3 have been changed to reflect the change in the content of business segments

Topline growth

- Enterprises Networks

- Accelerating growth in EO Business including regional expansion
- Expanding business using common business platforms such as SCM platform and contact center platform

- Carrier Networks

- Cultivating carrier market focusing on technical outsourcing buz
- Pursuing business synergy with NEC Magnus Communications

- Social Infrastructure

- Proactively capturing public investment business opportunities

Profitability enforcement

- Cost innovation

- Streamlining SG&A

Conduct business giving top priority to compliance

FY2015/3 Financial Summary

Achieved medium-range targets for net sales, operating income, and operating margin a year ahead of schedule and set new records.

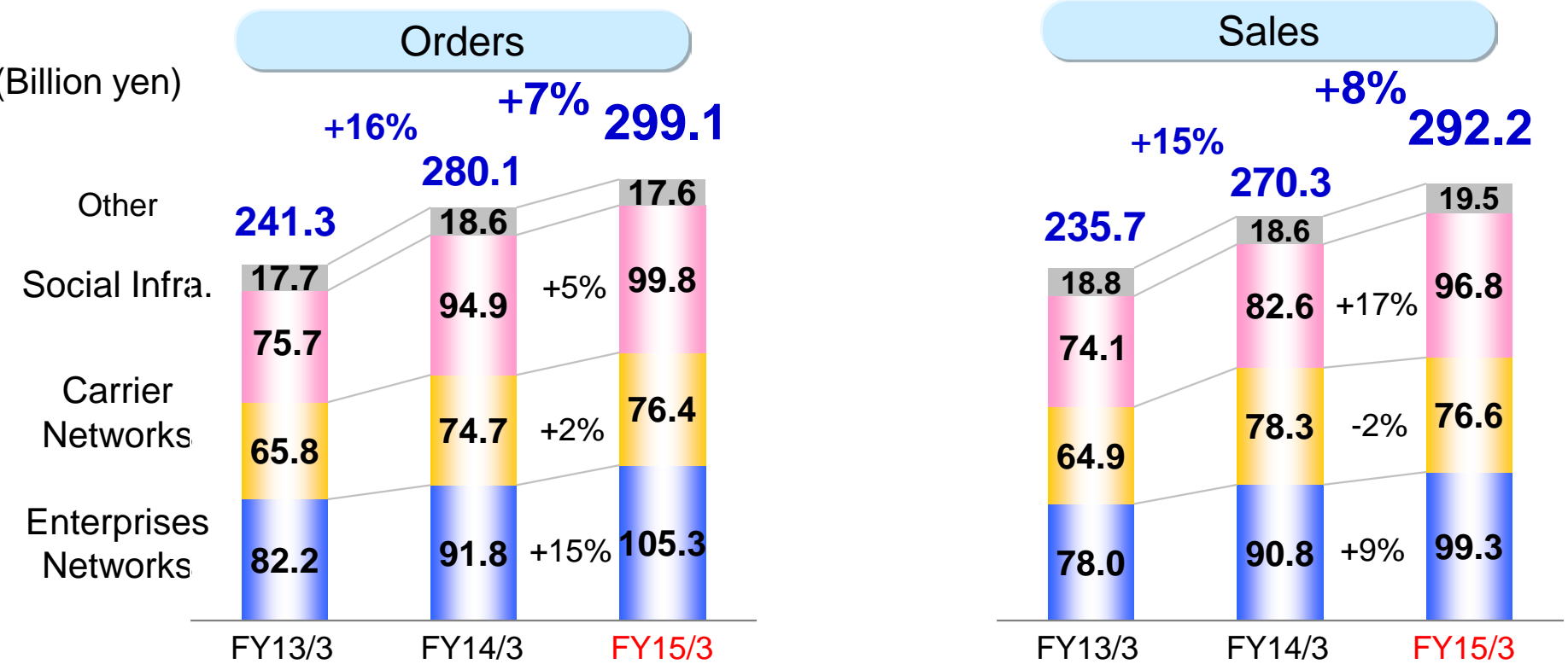
- Net income decreased year-on-year due to the reversal of deferred tax assets corresponding to amendments to the taxation system and extraordinary losses, such as expenses for office integration associated with the reorganization of subsidiaries.

	FY14.3	FY15.3	Change	(Billion Yen) Previous Forecasts
Orders Received	280.1	299.1	+7%	295
Net Sales	270.3	292.2	+8%	285
Operating Income	14.4	16.2	+1.7	15
(to Sales)	(5.3%)	(5.5%)	+0.2pt	(5.3%)
Net Income	8.3	7.8	-0.5	9.0
(to Sales)	(3.1%)	(2.7%)	-0.4pt	(3.2%)
ROE	9.6%	8.7%	-0.9pt	
Free Cash Flows	17.8	-1.5	-19.3	

FY2015/3 Orders Received/Sales by Segment

Both orders and sales increased due to robust Enterprises Network and Social Infra. businesses

- ICT investment recovery, FF&DP networks business expansion and the effect of M&A executed the previous fiscal year
- Decline in Carrier NW sales due to the curbing of investment by telecom carriers



FF: fire fighting, DP: disaster prevention

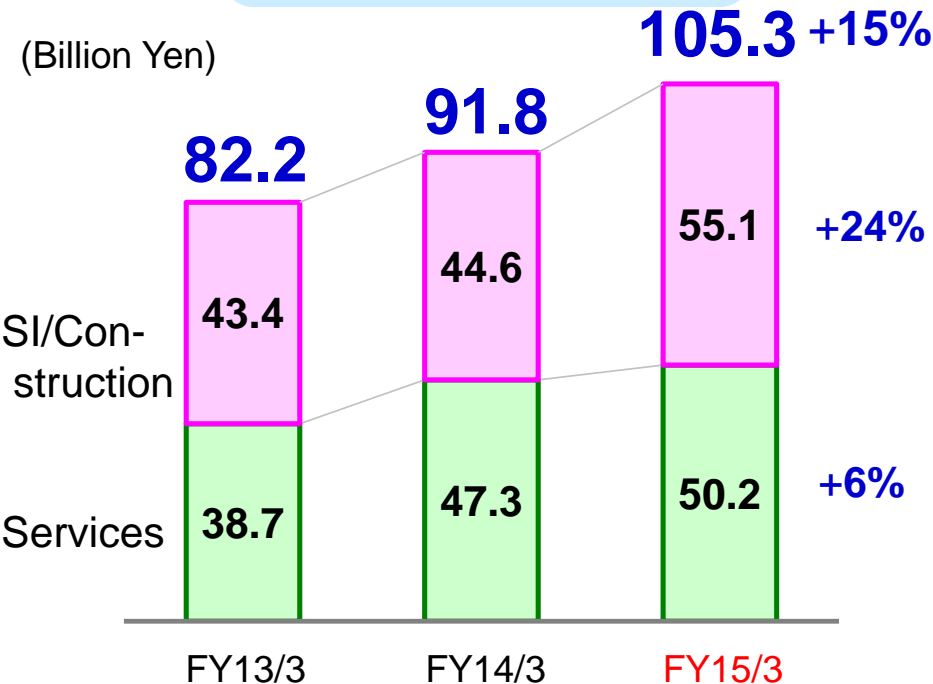
FY2015/3 Enterprise Networks Business

Orders and sales achieved substantial increases, capturing the ICT investment recovery opportunity

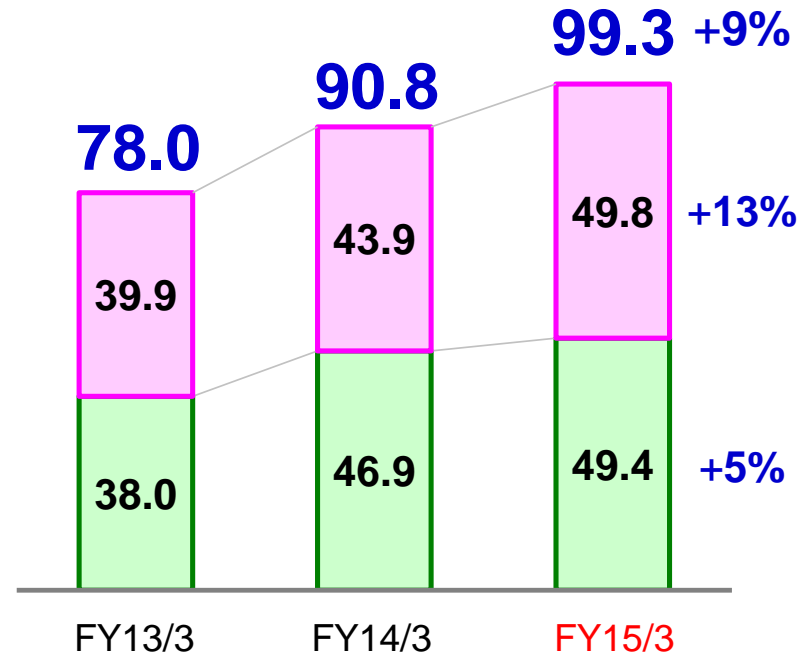
- EmpoweredOffice business remained strong (Sales +13%*) * Including QAC.
- Orders and sales increased for almost all industries

Orders Received

(Billion Yen)



Sales



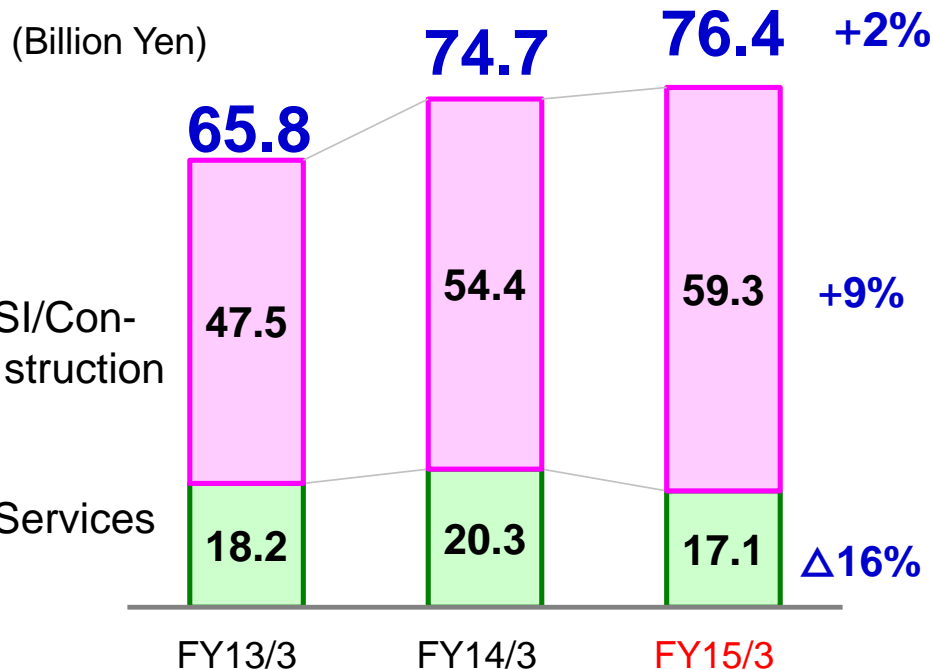
QAC: Q and A Corporation

FY2015/3 Carrier Networks Business

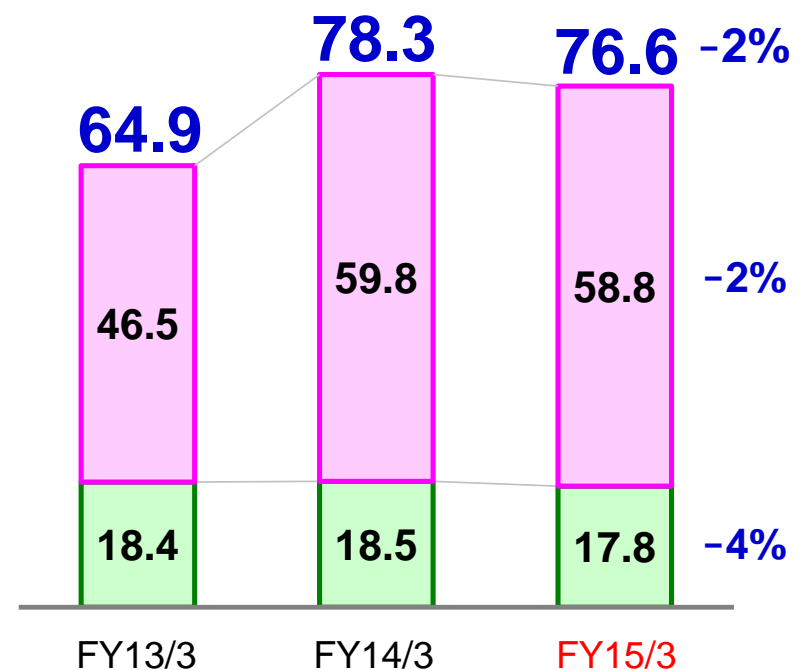
Decline in sales due to the impact of telecom carriers' decreased CAPEX

- Consolidation of NEC Magnus Communications (Orders/Sales + ¥10 Bn in 1H)
- The mobile BTS business decreased with the termination of platinum band (Sales -20%)
- Orders for Services declined sharply, mainly due to the block posting of long-term maintenance projects in the previous fiscal year

Orders Received



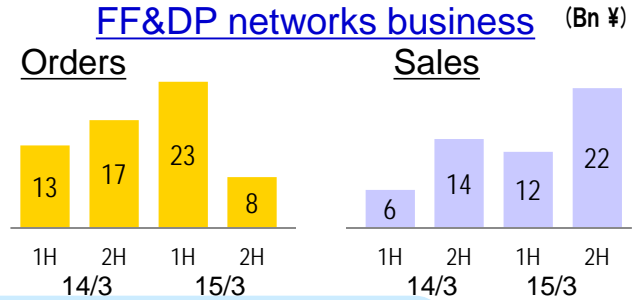
Sales



FY2015/3 Social Infrastructure Business

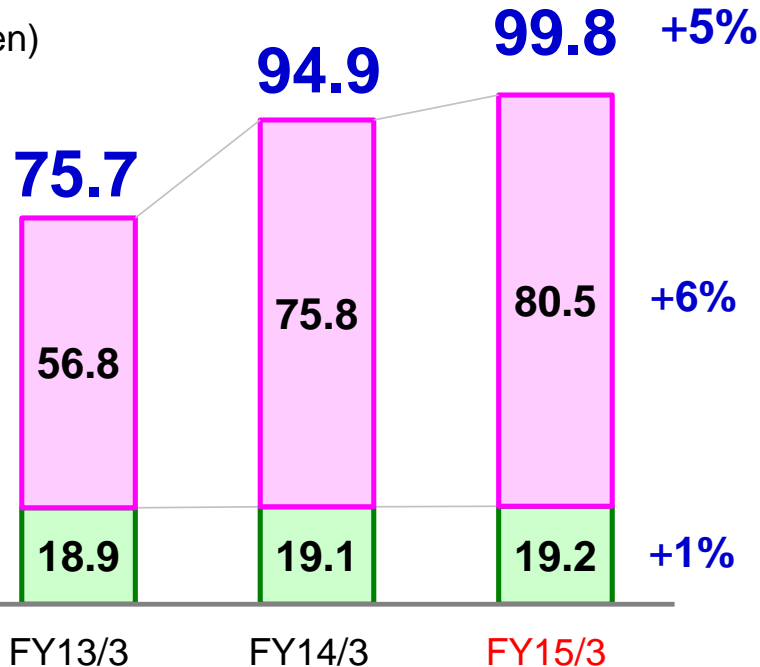
Orders and sales increased, backed by an increase in public investment

- Active digitalization PJ of FF radio network.
 - Orders started to decrease in 2H.
 - FF control station PJ will continue.
- Orders for overseas infrastructure installation increased(+¥ 4 billion).

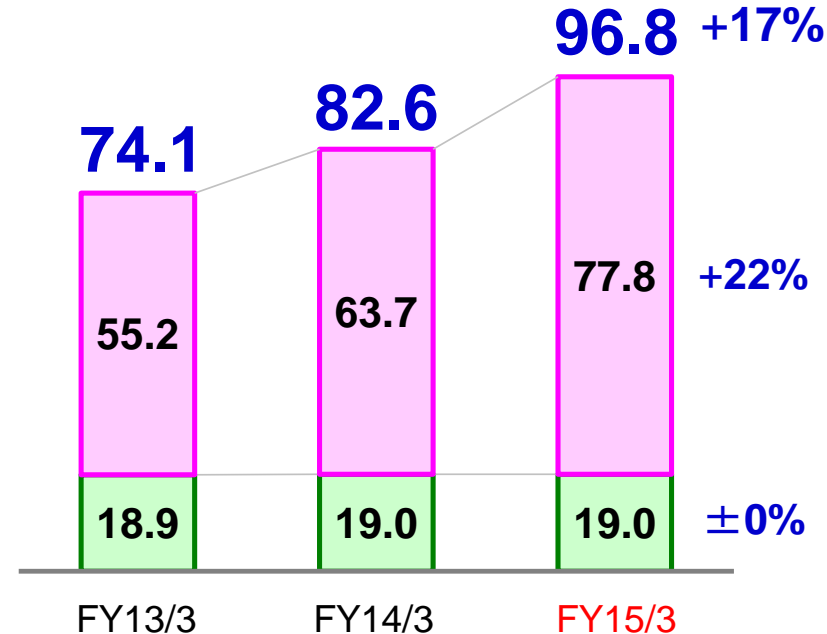


Orders Received

(Billion Yen)

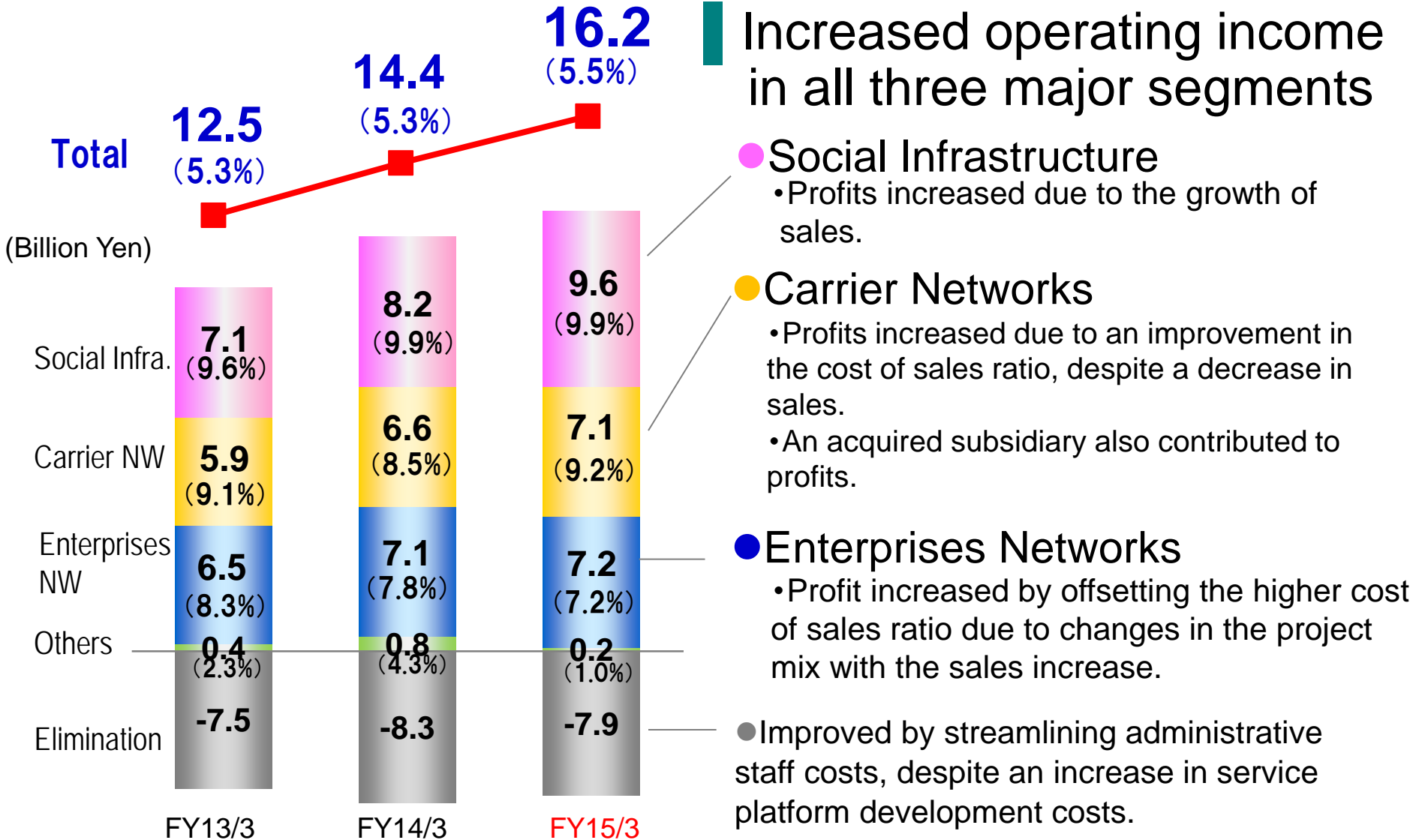


Sales



FF: fire fighting, DP: disaster prevention

FY2015/3 Operating Income/Loss by Segment



End of FY2015/3 (March 2015) Balance Sheet

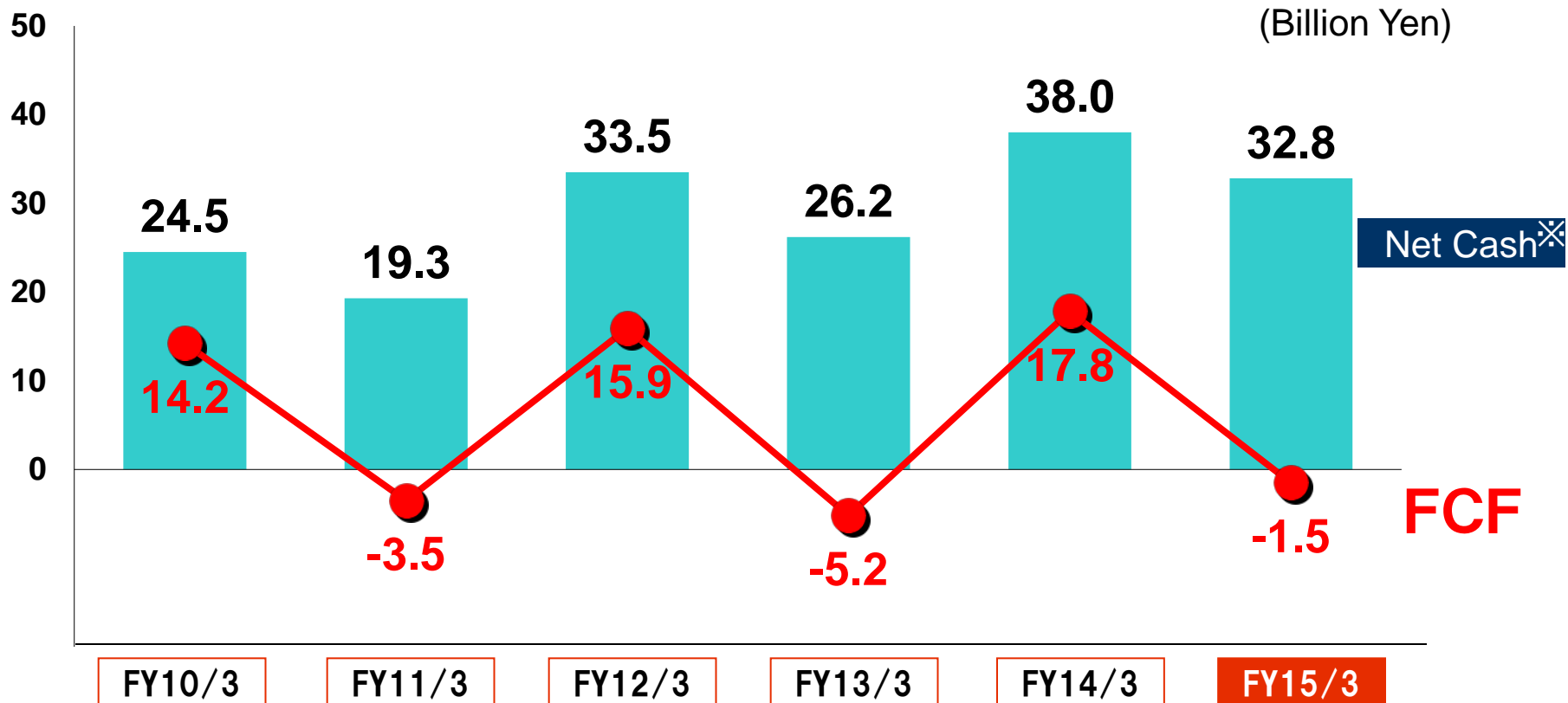
Owner's equity ratio decreased by half 0.5 points due to higher total assets resulting from expanded accounts receivable and inventories at term-end associated with an increase in large-scale projects.

(Billion Yen)

		End of 14/3	End of 15/3	Diff.
	Cash and cash equivalents	44.4	39.0	-5.5
	Notes and accounts receivable	96.0	113.9	17.9
	Inventories	8.2	10.1	2.0
	other	8.8	8.1	-0.7
	Current Assets	157.4	171.1	13.7
Noncurrent Assets		31.7	30.9	-0.8
Assets		189.1	202.0	12.9
	Notes and accounts payable	43.2	48.7	5.5
	Loans	6.4	6.2	-0.3
	Other	50.3	53.0	2.7
	Liabilities	99.9	107.8	7.9
	Shareholders' equity	91.2	94.4	3.3
	Valuation and translation adjustments	-3.7	-1.9	1.8
	Minority interests	1.7	1.6	0.0
Net Assets		89.2	94.2	5.0
Liabilities & Net Assets		189.1	202.0	12.9
Owner's Equity Ratio		46.3%	45.8%	-0.5pt

FY2015/3 Cash Flows

FCF decreased from the previous first nine months due to the timing of cash collection and the increase in Social Infrastructure projects with long work schedules.



※Net Cash = Cash & cash equivalent – interest bearing debt

Progress of Compliance Enforcement Measures

Executed group-wide compliance enforcement measures to prevent recurrent of fraud as planned

Measures	Execution
● Revision of accounting & financing process	-Concentrated financial function of subsidiaries on NESIC -Standardized financial process
● Group-wide personnel rotation	-Executed personnel rotation for staff members of NESIC group
● Enforcement of compliance education	-Provided periodic training for the directors and auditors of subsidiaries -Provided periodic compliance education for each layer of hierarchy
● Enforcement of in-house & outside audits	-Strengthened the internal auditing section and audit items -Conducted full-spec audit by auditing company to major subsidiaries
● Enforcement of group management	-Reorganized subsidiaries in Japan (Feb. & Apr., 2015) -Established a new division to control the group companies (Apr. 2014)

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FY2016/3 Business Environment

Though varying in strength from one business field to the next, the business environment is solid largely due to the recovery of business confidence following the slowdown brought on by the consumption tax hike.

●Enterprises Networks

- ICT investment in Japan remains on the trend towards recovery, backed by the economic recovery

●Carrier Networks

- There is a trend towards the curbing of telecom carriers' CAPEX, particularly in base stations
- New service fields such as MVMO and M2M have become active

●Social Infrastructure

- Public investment in safety and security, such as the strengthening of national infrastructure, is robust
- Activation of investment in infrastructure development in preparation for the 2020 Olympics is expected

FY2016/3 Forecasts

Seeking to achieve record high results that exceed the medium-term targets.

(Billion yen)

	FY15/3	FY16/3 Forecasts	Change	Medium term targets
Orders Receipts	299.1	300	+0%	-
Net Sales	292.2	295	+1%	290
Operating Income	16.2	16.5	+0.3	16
(to Sales)	(5.5%)	(5.6%)	+0.1pt	(5.5%)
Net Income	7.8	9.5	+1.7	-
(to Sales)	(2.7%)	(3.2%)	+0.5pt	-

*Forecasts as at April 28, 2015

Execution of operations, giving top priority to compliance

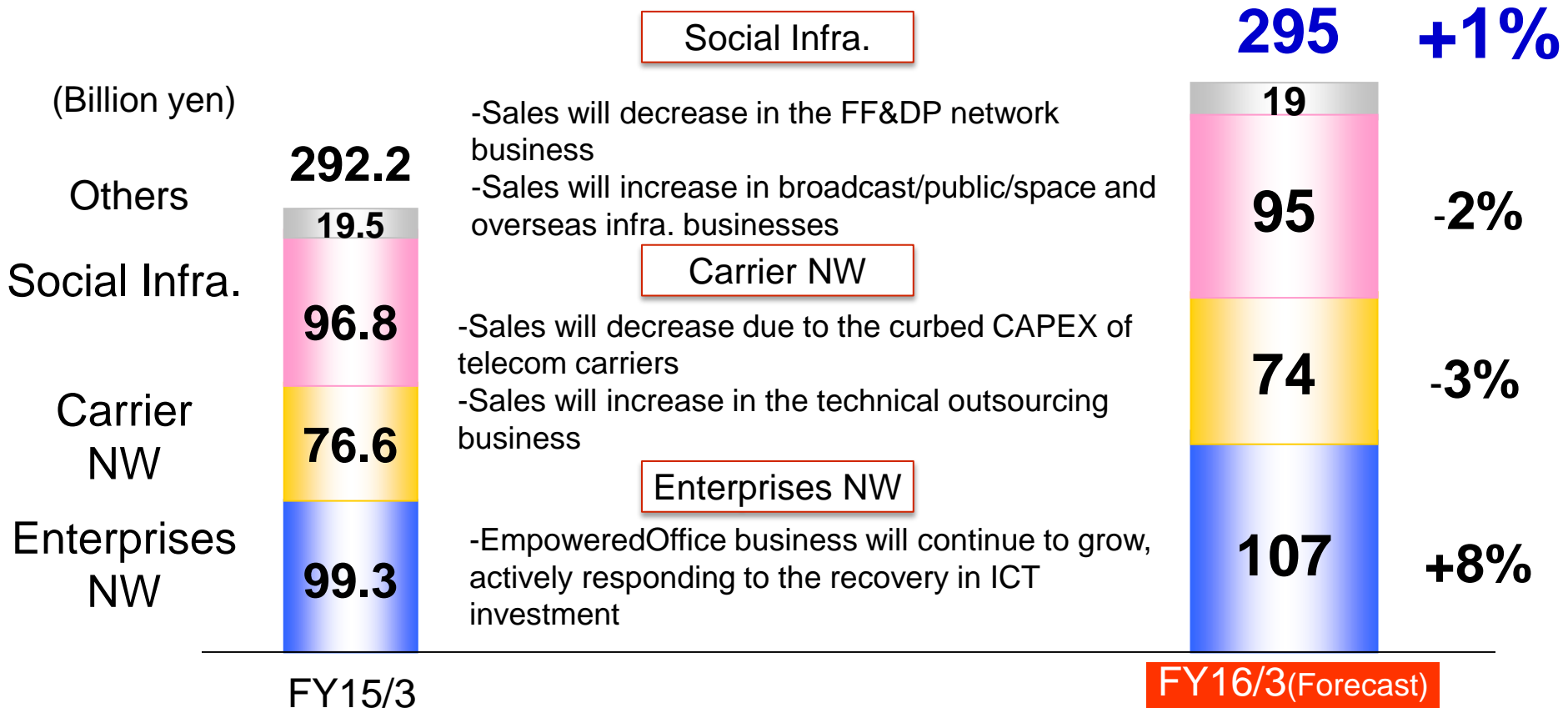
Completion of the medium-term business plan

- ◆ Achieve FY16/3 forecasts revised upward from medium-term goals by all means
- Topline growth
 - Expand enterprises business and reap the benefits of growth investments
- Higher profitability
 - Promote total cost innovation activities and the reduction of procurement/logistics costs through SCM innovation, etc.
 - Streamline SG&A

Strengthening of group management

FY2016/3 Sales Forecast by Segment

Even with the digitalization of FF radio network peaking out (-9), growth will be maintained by expanding Enterprise NW (+8), broadcast/public/space(+4), and overseas infrastructure(+2), etc.

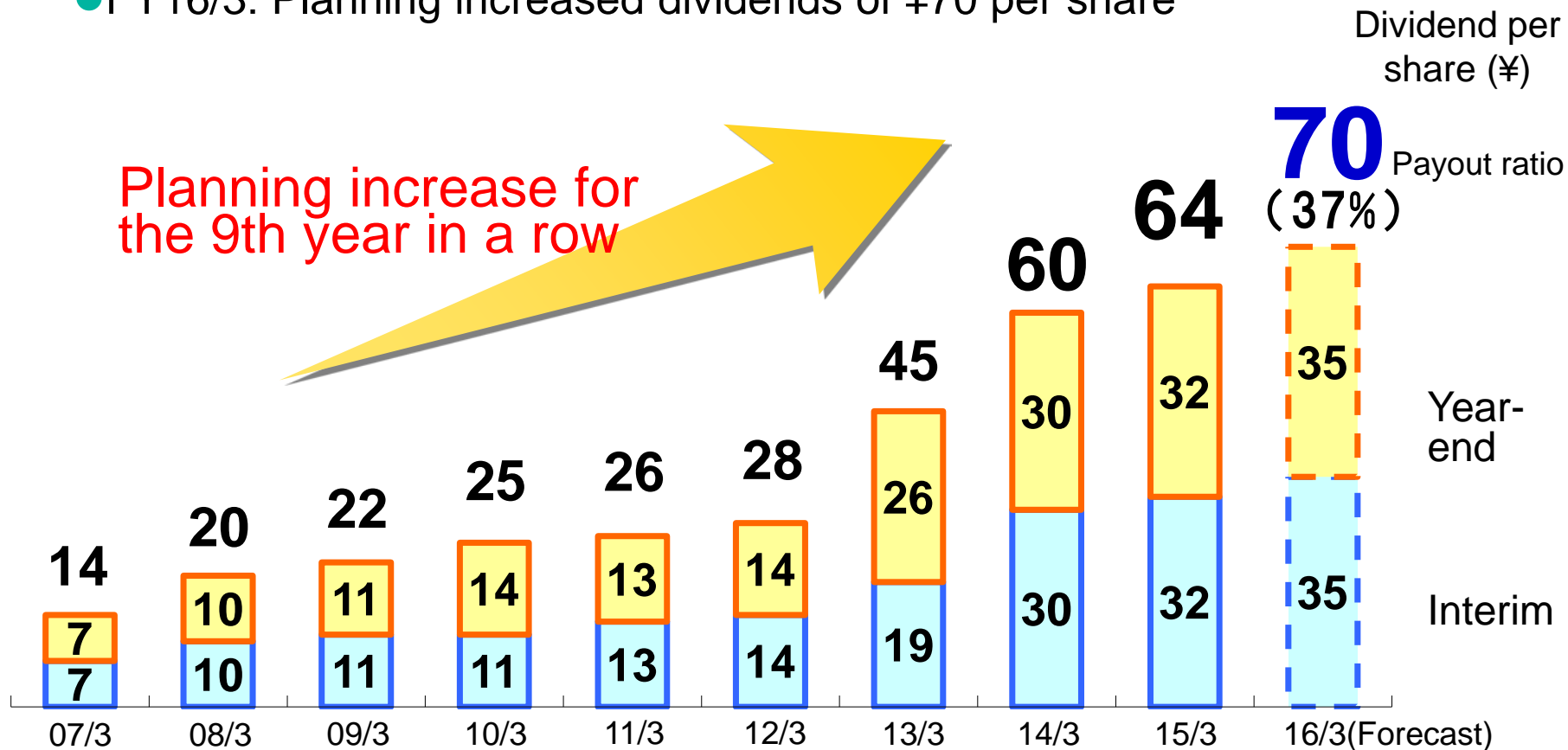


FF: fire fighting, DP: disaster prevention

(*Forecasts as at April 28, 2015)

Increasing dividends in step with improvements in profitability based on stable dividend policy

- FY15/3: Year-end dividends: ¥32 per share (Full year ¥64) as planned
- FY16/3: Planning increased dividends of ¥70 per share



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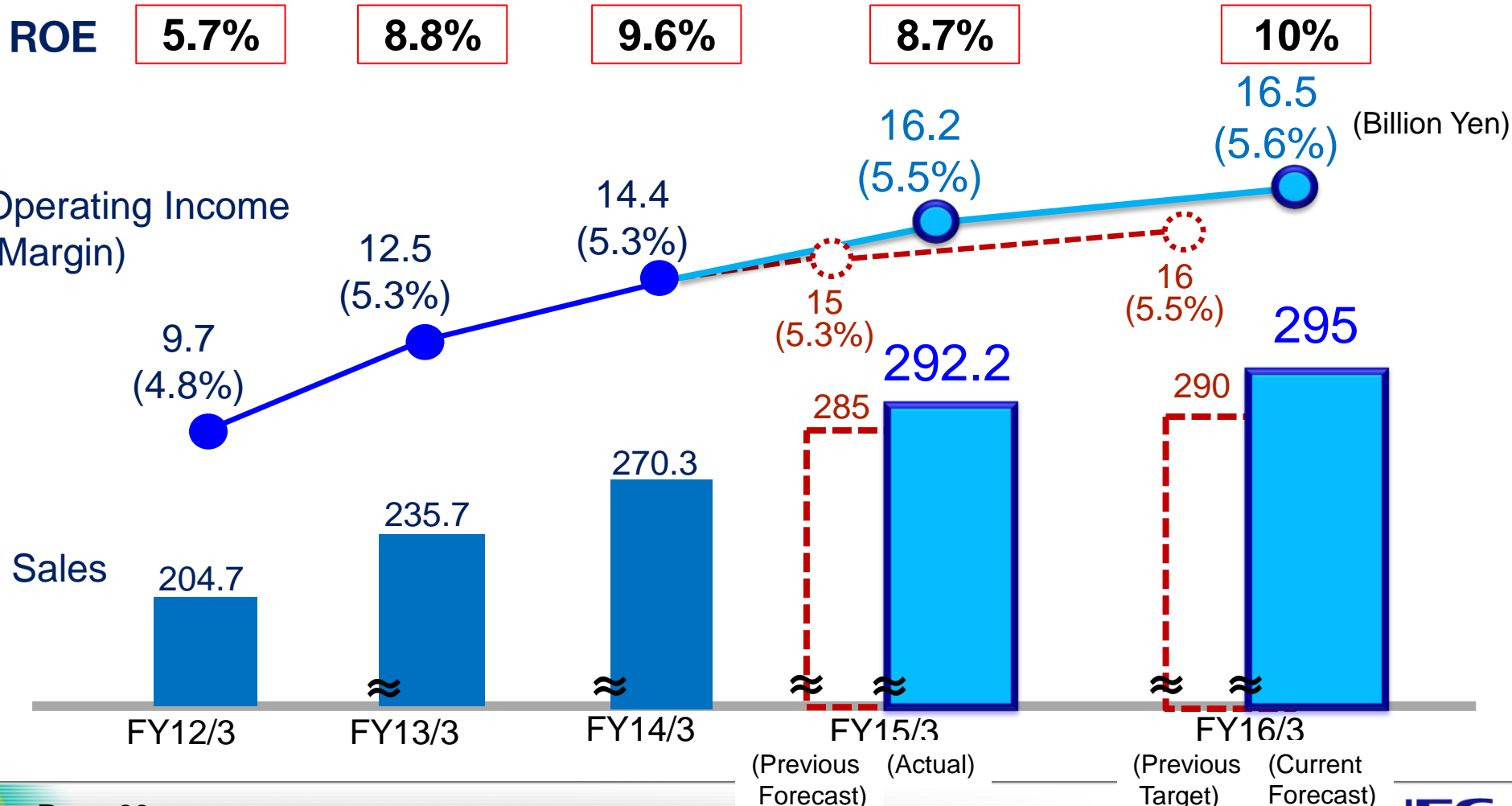
IV.Strategies for Future Growth

Progress of Medium-term Business Plan

(*Forecasts as at April 28, 2015)

Achieved the medium targets (sales and operating income & margin) a year ahead of schedule

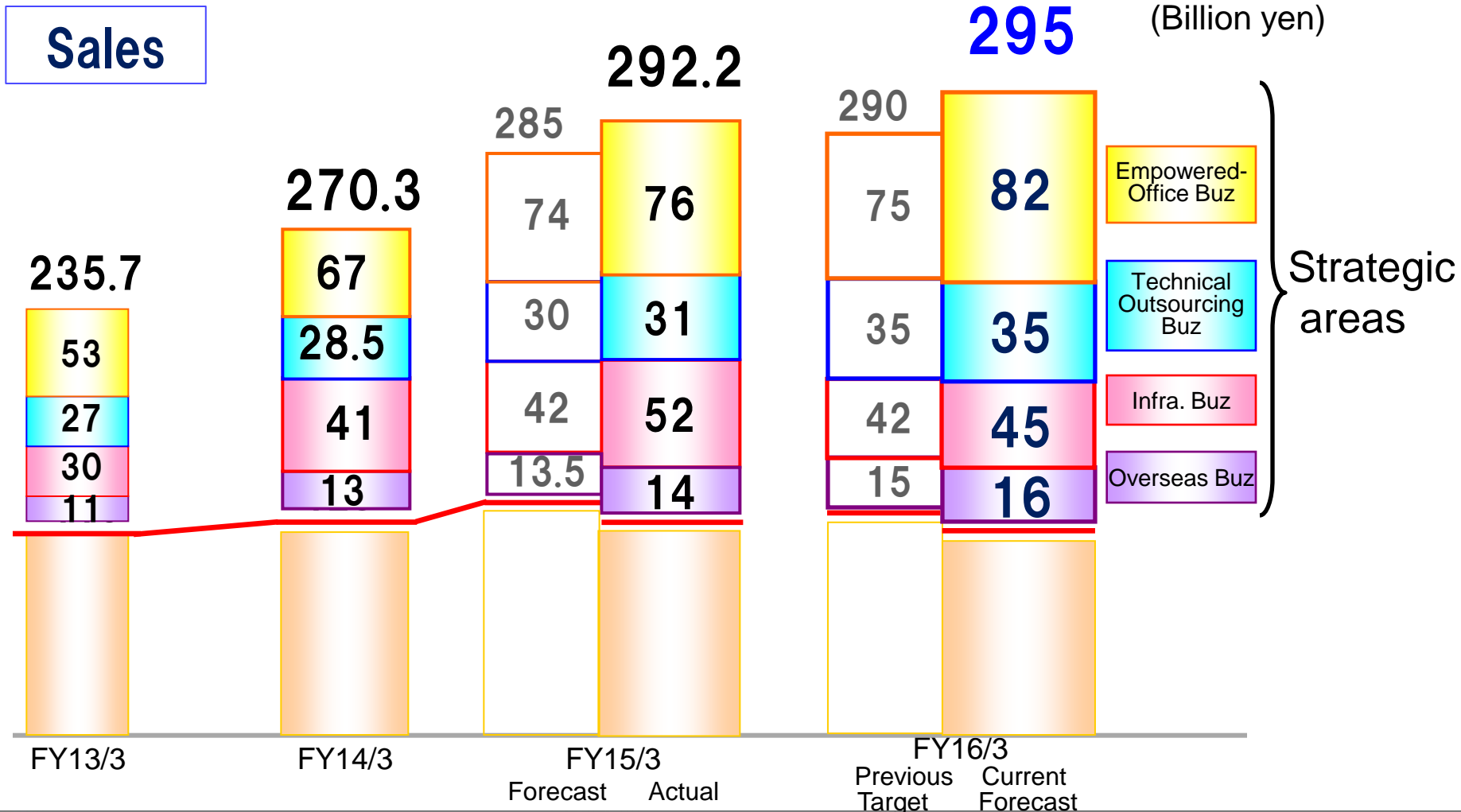
- Targeting ROE 10% in FY16/3



Medium-Term Target (Net Sales by Strategic Area)

(*Forecasts as at April 28, 2015)

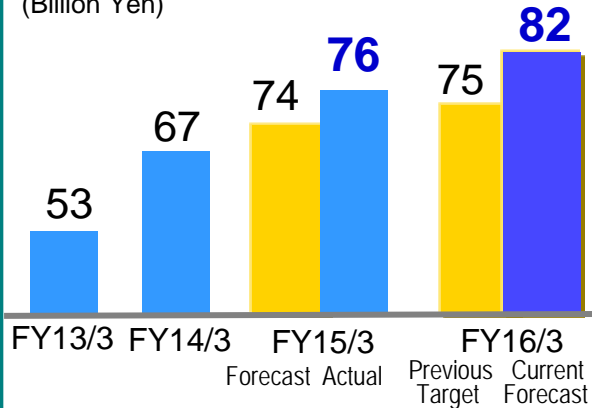
Strategic business areas are soundly growing



EmpoweredOffice Business

Sales

(Billion Yen)



Strategy

Market expansion

- Regional/public
- Further penetration into office market

Services business enforcement

- Total services combining common platforms
- DC and cloud business

Progress

- Development and launch of new solutions

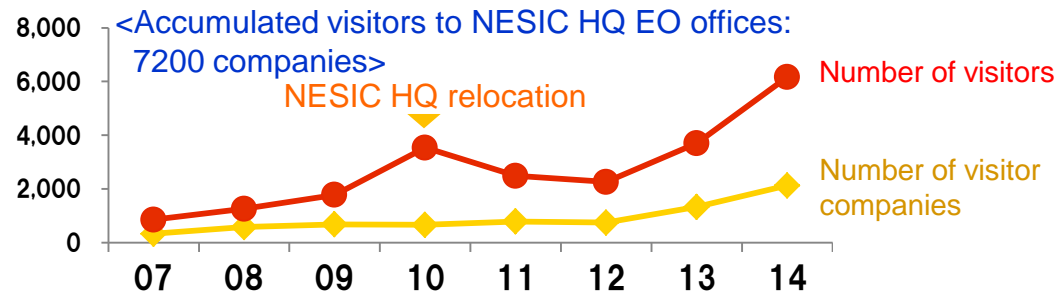
SmoothSpace



- Realize casual and active communication with distant office through the use of projection-mapping technology to make it feel like everyone is on the same floor

- Improved evaluation from outsiders

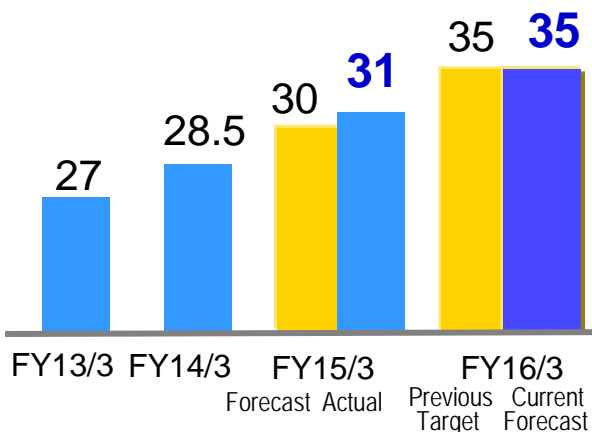
-Promoting business talks through the use of EO-offices.



Technical Outsourcing Business

Sales

(Billion Yen)



Strategy

- Full usage of common services platforms
- Further penetration into telecom carriers market
- Cultivation of enterprises market

Progress

- Technical service using sDOC* is doing well.

*Service Delivery Operation Center

- Receiving orders for technical BPO business from SI sales companies, lease companies, and global manufacturers



Approx.
¥5Bn (15.3)

- Enhanced multi-lingual service system

- Established a new company with multi-lingual contact center for seven languages

LanguageOne

- ➔ In addition to the FF market, targeting global Japanese companies, government offices, municipalities, and hotels, etc.

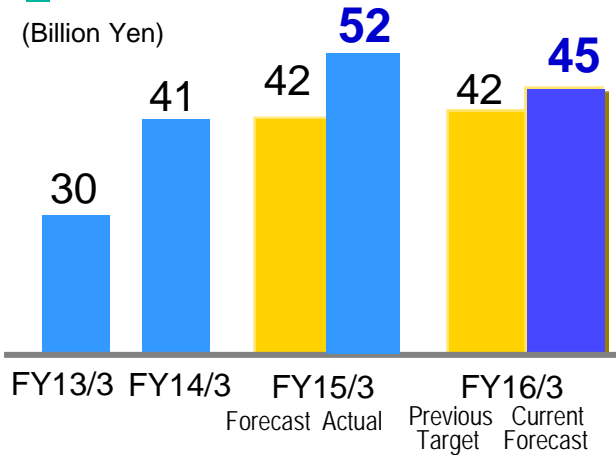
※English, Chinese, Korean, Spanish, Portuguese, Thai and Russian

※JV of QAC and Honyaku Center Inc. (TSE 2483)

Infrastructure Business

Sales

(Billion Yen)



Strategy

● Mobile BTS

- Regional expansion & share up

● FF&DP network

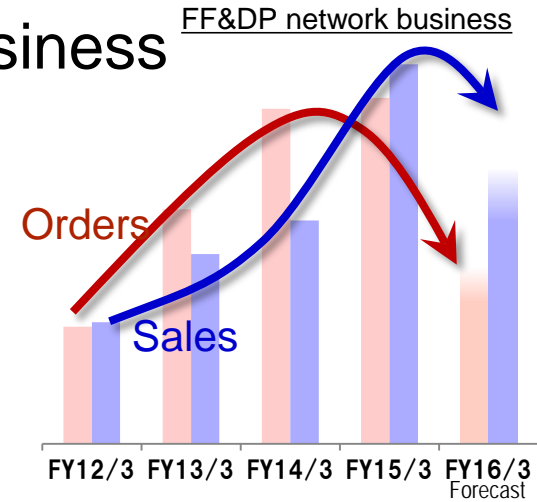
- Share-up in FF&DP system business

➔ Focusing on the expansion of FF control stations, DP, and environment/energy fields

Progress

● FF&DP network business

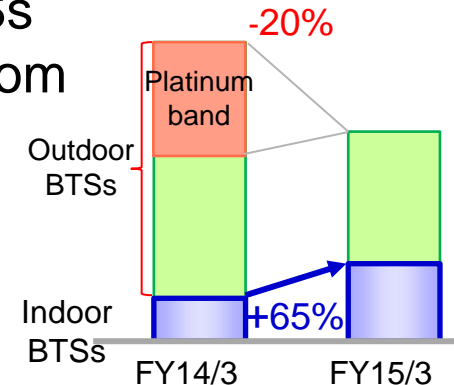
-Sales remains high, driven by a backlog of orders, even though orders have peaked out



● Mobile BTS business

-Installation of outdoor BTSs decreased along with telecom carriers' capex strategy

➔ Shifting resources to indoor BTSs area

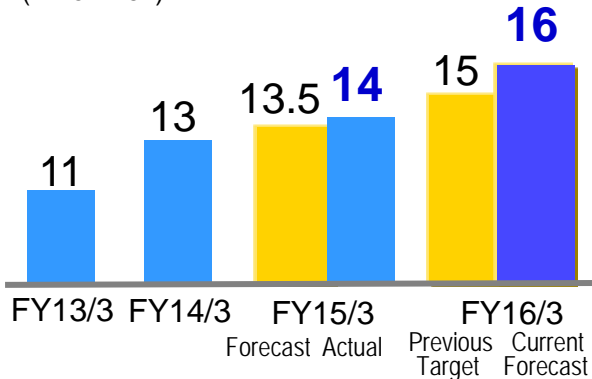


FF: fire fighting, DP: disaster prevention

Overseas Business

Sales

(Billion Yen)



Strategy

- Telecom infra. business expansion centered on Asia

<Key fields>

THA: 3G for telecom carrier

PHI, SIN, IDN:

Disaster prevention, telecom Network for railways

- JOC business centering on Asia

Progress

- Entered newly developing markets
 - Entered Myanmar, where investment in infrastructure is expected to expand
 - ⇒Yangon branch of NESIC Thailand (April 2015)

Target Markets

- Telecom infra. centering on mobile
- Public infra. such as railways, roads, airports, etc.
- Expanded telecom infra. business
 - by further developing existing customers
 - Saudi Arabia:
 - Received orders for a project in the eastern area in addition to the one in the western area
 - <Project outline>
 - Installation of measurement and control system for gas plant
 - Thailand:
 - 3G network construction PJ for AIS is underway

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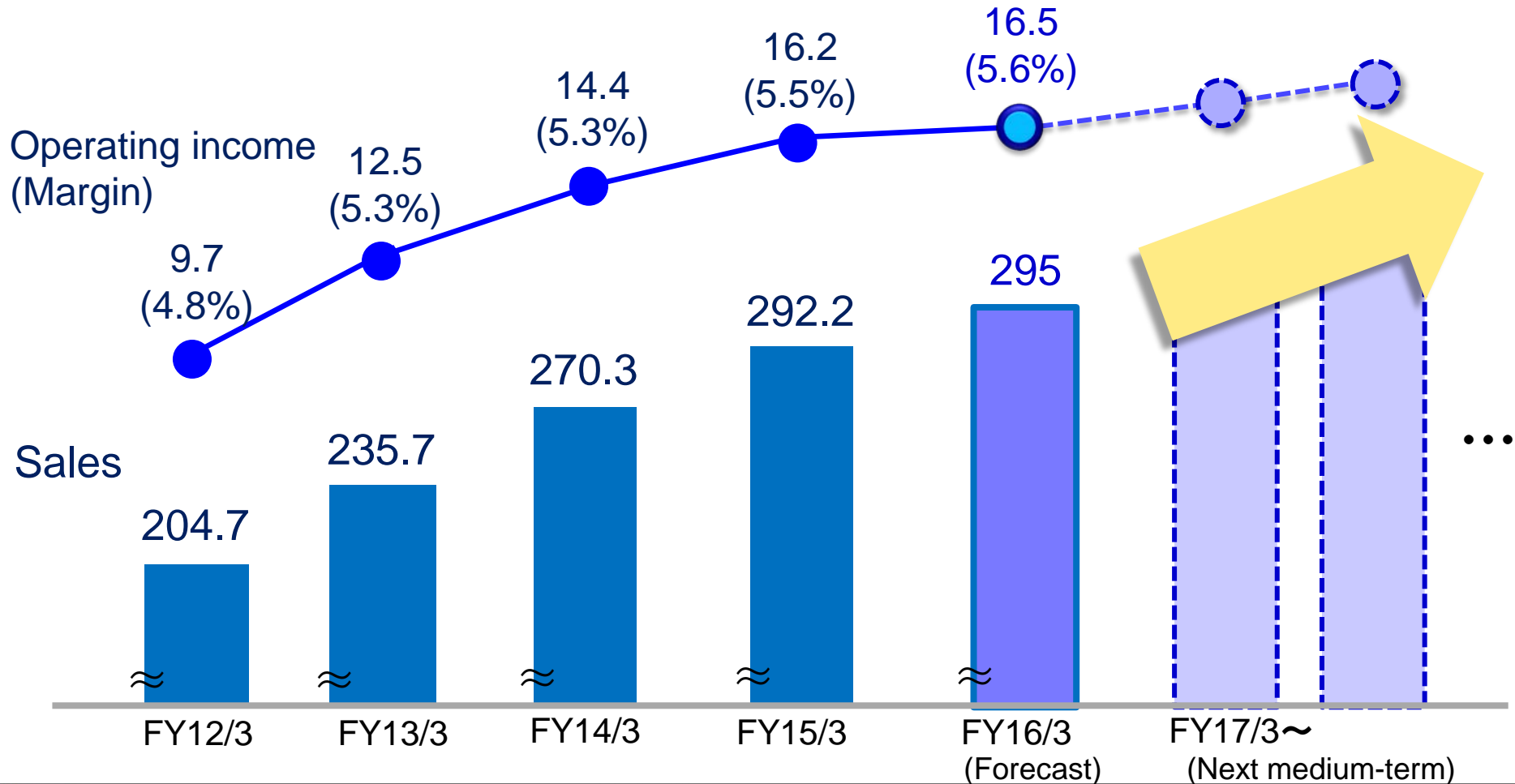
Business Plan

IV.Strategies for Future Growth

Strategies for Future Growth

Basic policy is continuous growth by focusing on growing fields

(Billion Yen)



■ Enforcing services business and expanding infrastructure business

- Total system integrator covering from consulting to installation and services -

- **Strategic investment**

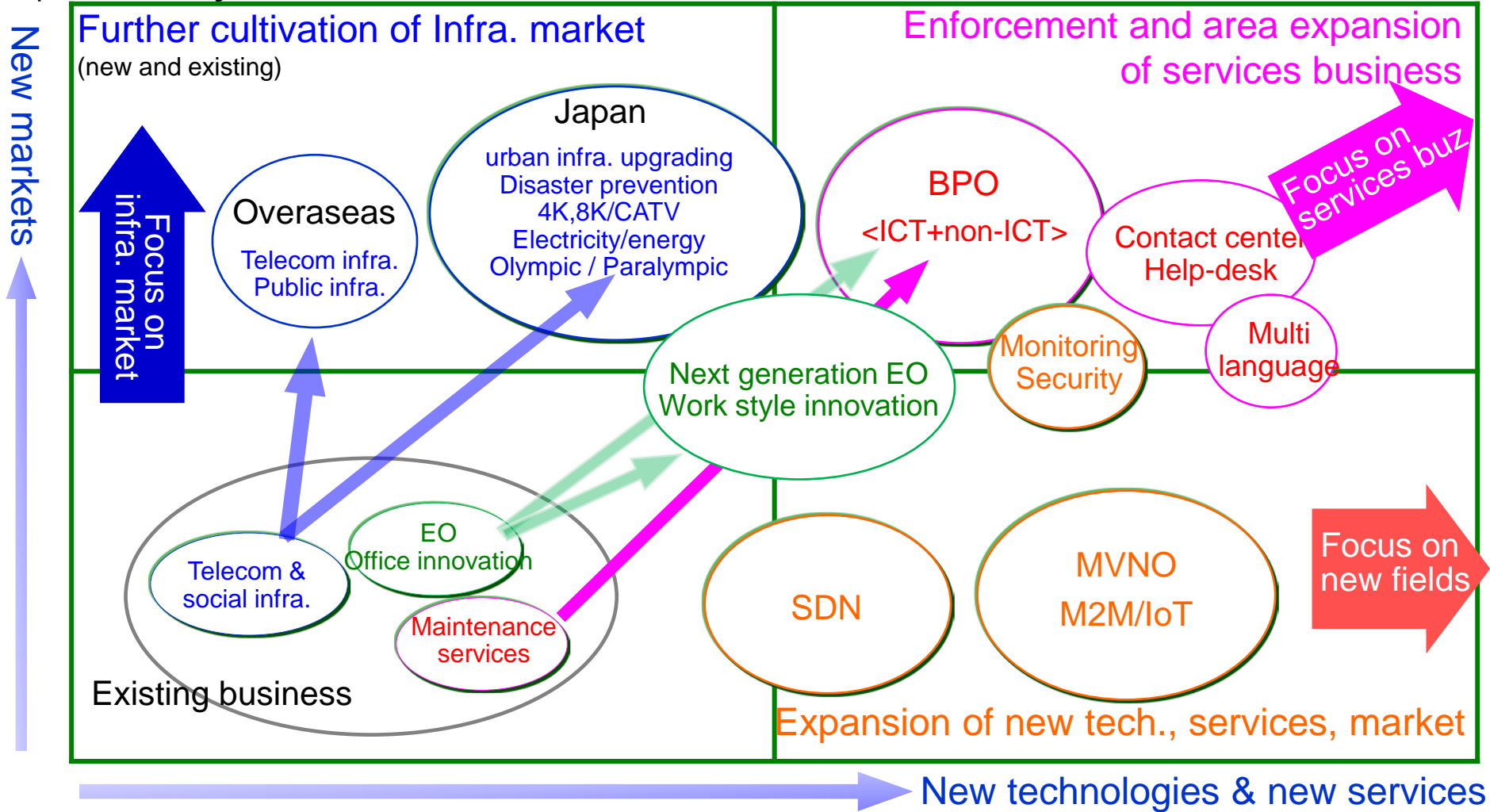
 - (Investment in growth fields and alliances)

- **Enforcement of common platforms**

 - (Platforms for installation, maintenance and services businesses)

Strategy Map

- Focus on new technology and new service areas with growth potential, such as MVNO and SDN
- Strengthen areas in the infra. field that will activate business in Japan and overseas business, predominantly in Asia



Completion of Medium-term Business Plan

Business Growth

Organizational Growth

Human Growth

Conduct business giving top priority to compliance

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

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

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