

Financial Results for the Fiscal Year Ended March 2016

May 10, 2016

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


Agenda

I . FY 2016/3 Financial Results

II . FY 2017/3 Forecasts

III . Midterm Business Plan

(~FY 2019/3)

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FY2016/3 Financial Summary

Net sales & incomes decreased year on year due to the worsened environment for business with telecom carriers

(¥bn.)

	FY15/3	FY16/3	Change	Forecasts as at Apr.28.2015
Orders Received	299.1	274.9	-8%	300.0
Net Sales	292.2	280.0	-4%	295.0
Operating Income	16.2	14.1	-2.0	16.5
(to Sales)	(5.5%)	(5.0%)	-0.5pt	(5.6%)
Profit attributable to owners of parent	7.8	6.0	-1.8	9.5
(to Sales)	(2.7%)	(2.1%)	-0.6pt	(3.2%)
R O E	8.7%	6.5%	-2.2%	
Free Cash Flows	-1.5	6.6	+8.1	

FY2016/3 Orders Received/Sales by Segment

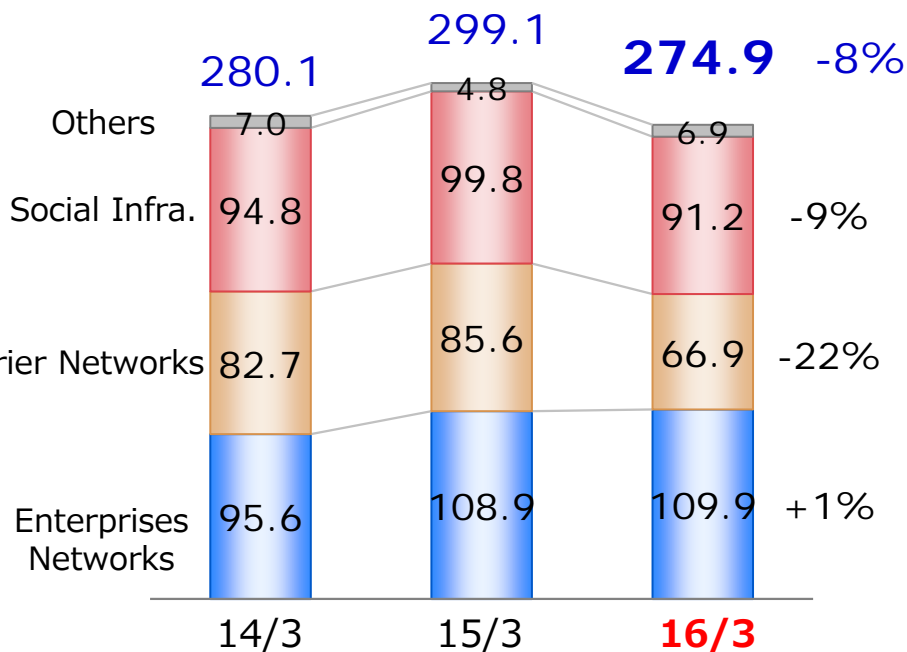
Orders declined, mainly reflecting a decrease in orders for the FF & DP networks business (-¥11 bn.) & the impact of investment cuts by telecom carriers (-20).

Sales decreased year on year due to the impact of investment cuts by telecom carriers (-18), although the sales of Enterprises NW business steadily increased.

FF: fire fighting, DP: disaster prevention

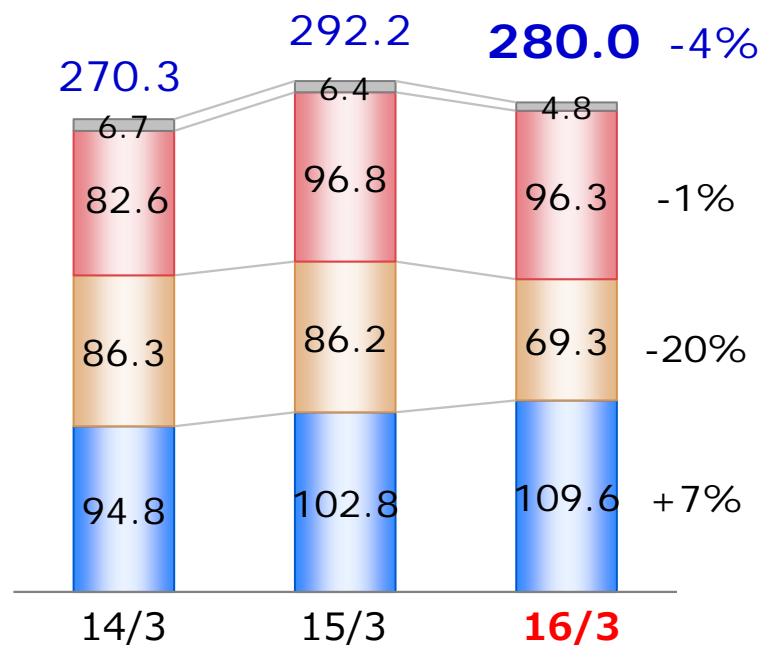
Orders

(¥bn.)



Sales

(¥bn.)



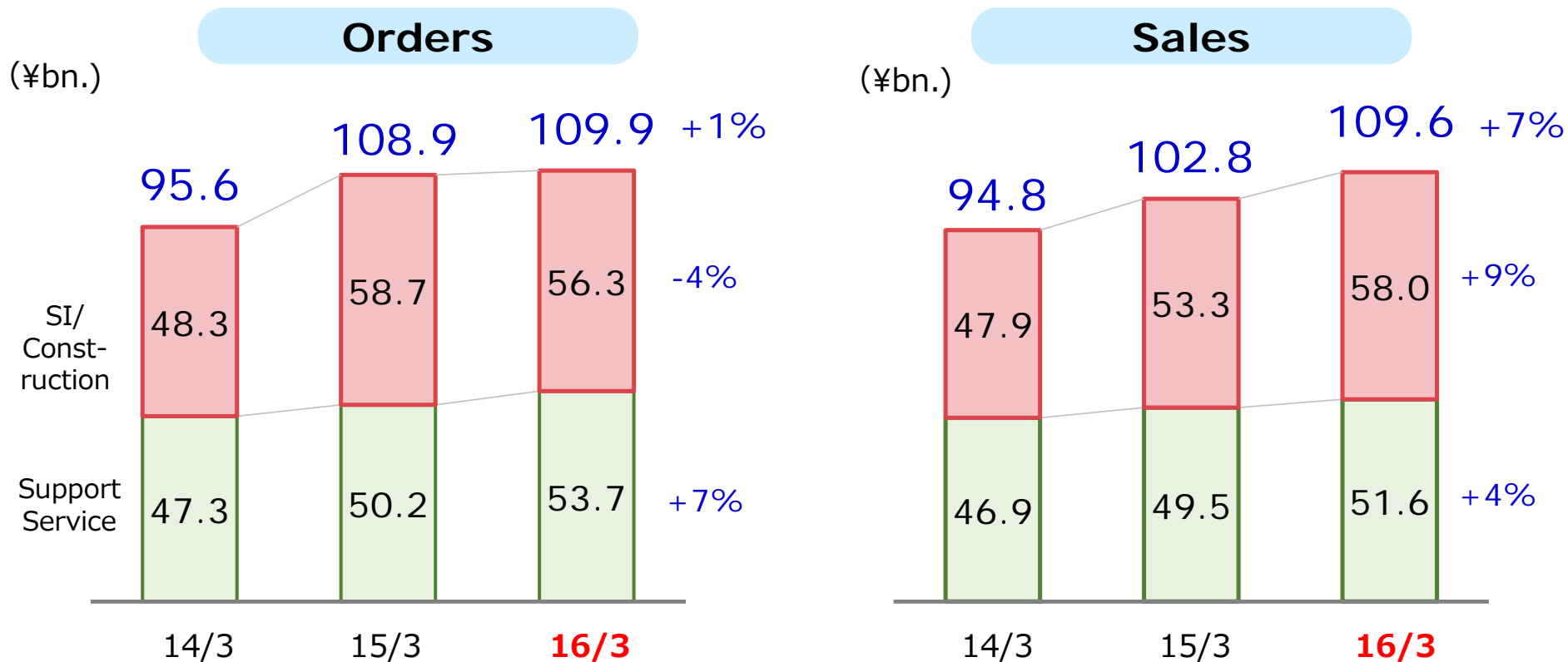
FY2016/3 Enterprises Networks Business

Orders continued to increase despite the absence of the effect of large projects in the previous fiscal year.

- 1Q: -7% 2Q: +4% 3Q: +3% 4Q: +4% (year on year)

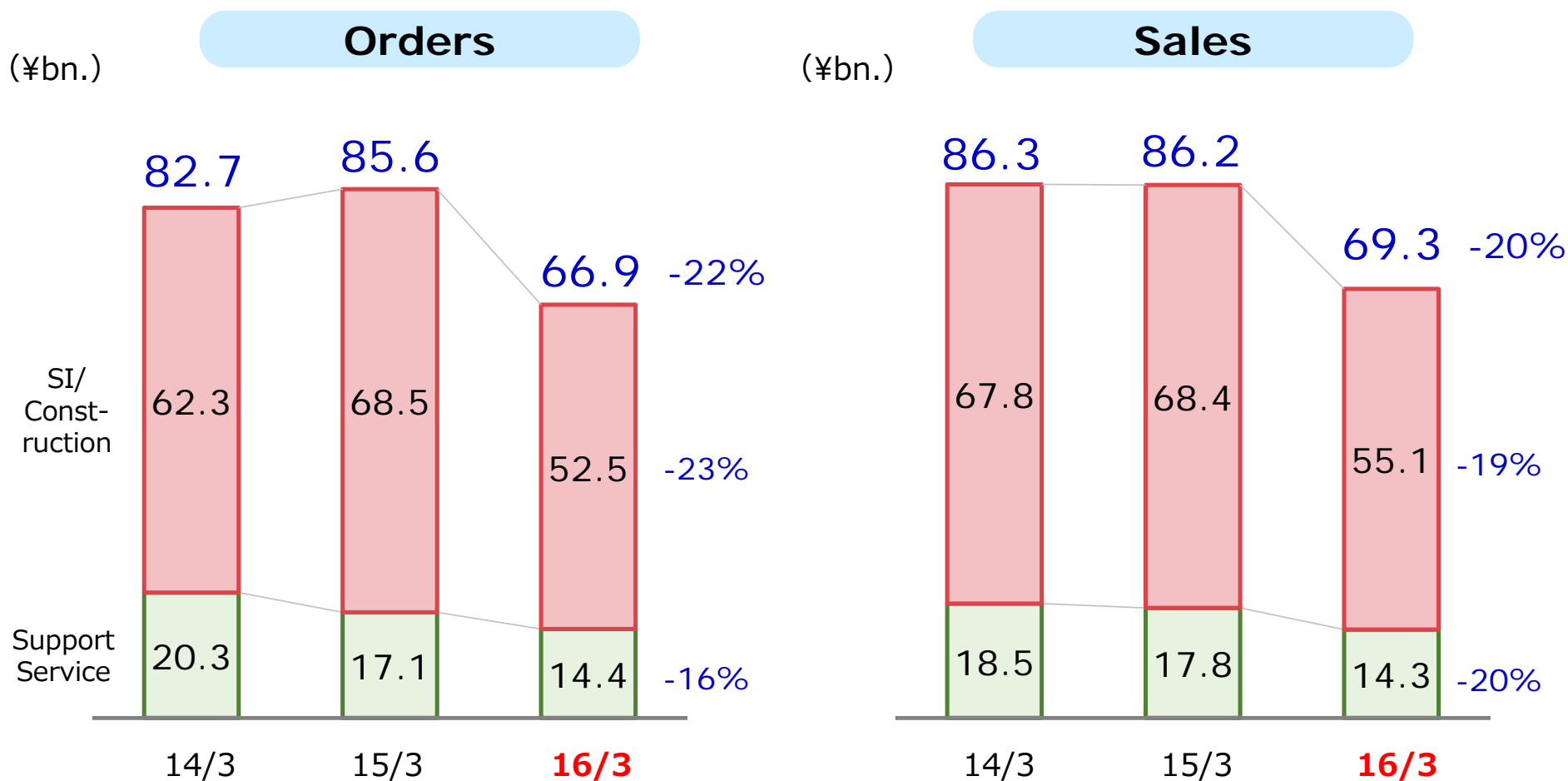
Sales increased year on year, driven by the EmpoweredOffice business.

- Order activities triggered by PBX replacement demand also made a contribution.



FY2016/3 Carrier Networks Business

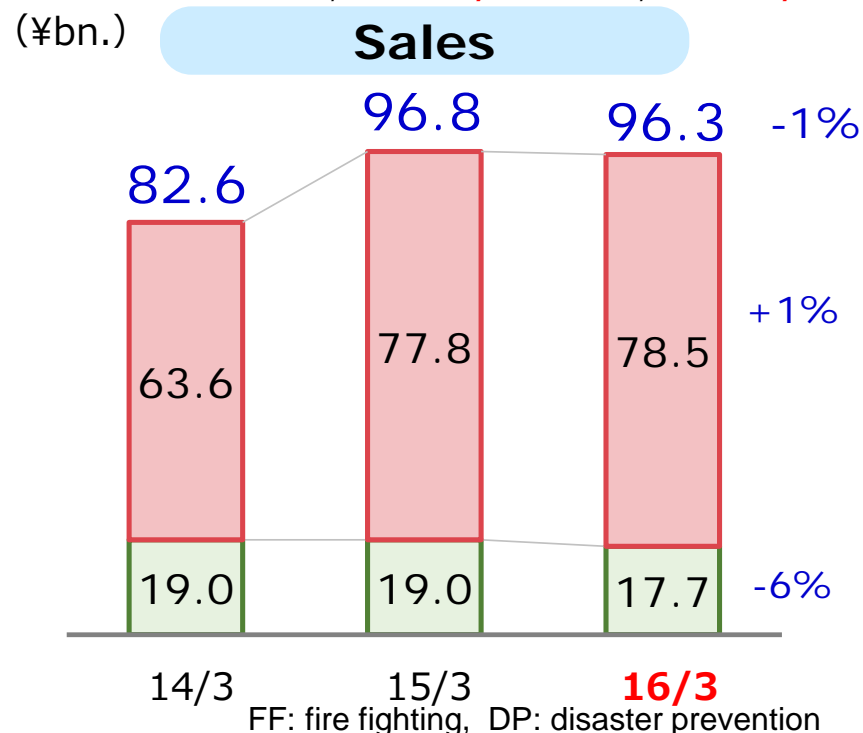
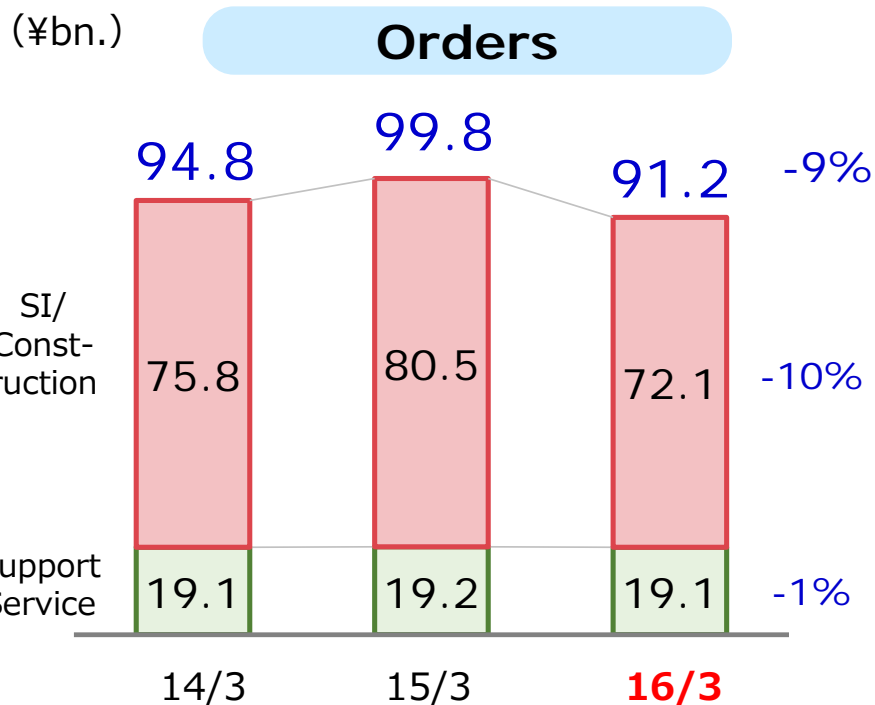
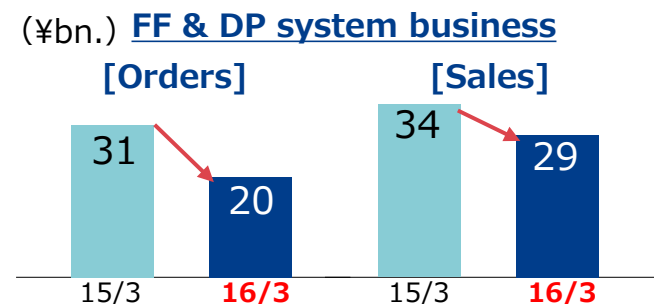
Both orders and sales decreased because of the impact of investment cut by telecom carriers.



FY2016/3 Social Infrastructure Business

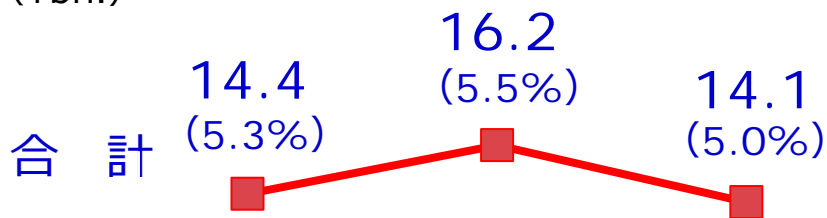
Sales remained flat, reflecting increased sales to government offices and in the overseas business, despite lower sales of FF & DP systems.

- The FF & DP system business peaked out toward the migration deadline to digital FF radio in May 2016.
 - Orders declined significantly (-¥11 bn.).
 - The peaking out of sales came to the surface in 4Q (-5).



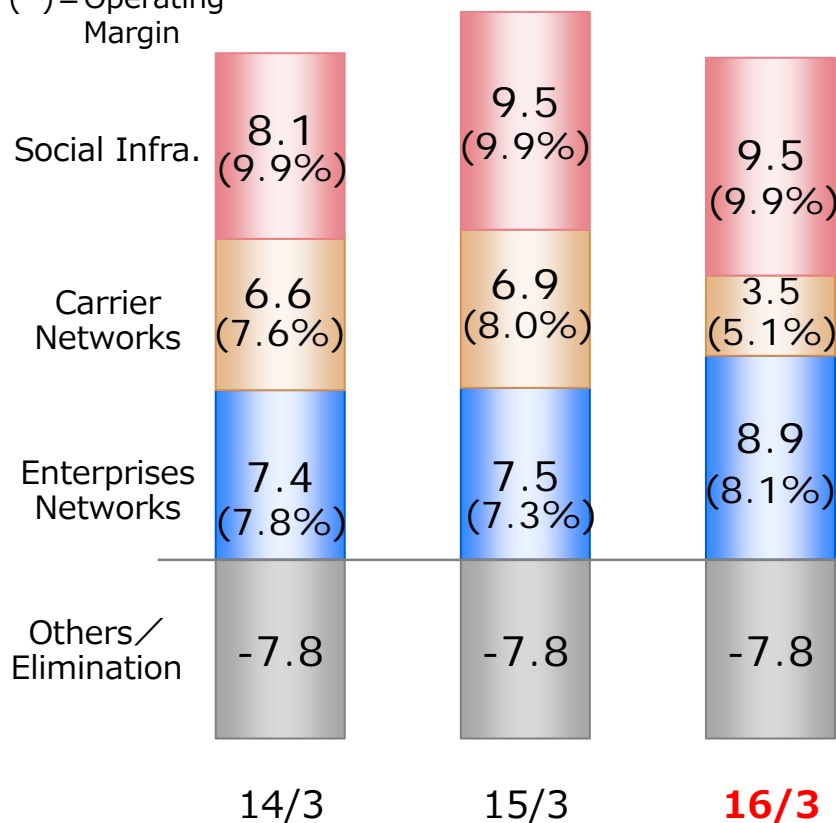
FY2016/3 Operating Income by Segment

(¥bn.)



Operating income declined due to the halving of income in the Carrier Networks business. Income improved significantly in the Enterprises Networks business.

() = Operating Margin



Social Infrastructure


- Income remained flat from the previous year.

Carrier Networks

- Income declined due to a delay in taking measures against rapid changes in the business environment.
- The effect of cost structural reforms came to the surface in 4Q.

Enterprises Networks

- Income increased due to higher sales and cost cutting.

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- I . FY 2016/3 Financial Results
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(~FY 2019/3)

FY2017/3 Forecasts

- Orders are expected to increase due to growth in the enterprises area.
- Sales is expected to decrease due to restrained investment by telecom carriers and the peaking out of the FF radio systems business.
- Although operating income is expected to decline due a fall in sales, the ratio of operating income to sales will be maintained mainly due to the effect of structural reforms in the Carrier Networks business.

	FY16/3	FY17/3 Forecasts	Change	(¥bn.)
Orders Receipts	274.9	280.0	+2%	
Net Sales	280.0	270.0	-4%	
Operating Income	14.1	13.5	-0.6	
(to Sales)	(5.0%)	(5.0%)	0.0pt	
Profit attributable to owners of parent	6.0	8.0	+2.0	
(to Sales)	(2.1%)	(3.0%)	+0.9pt	

FF: fire fighting

Year for laying the foundation for regrowth

Enterprises Networks

- Expanding the service business with the EmpoweredOffice business as the core.
- Taking in PBX replacement demand.

Carrier Networks

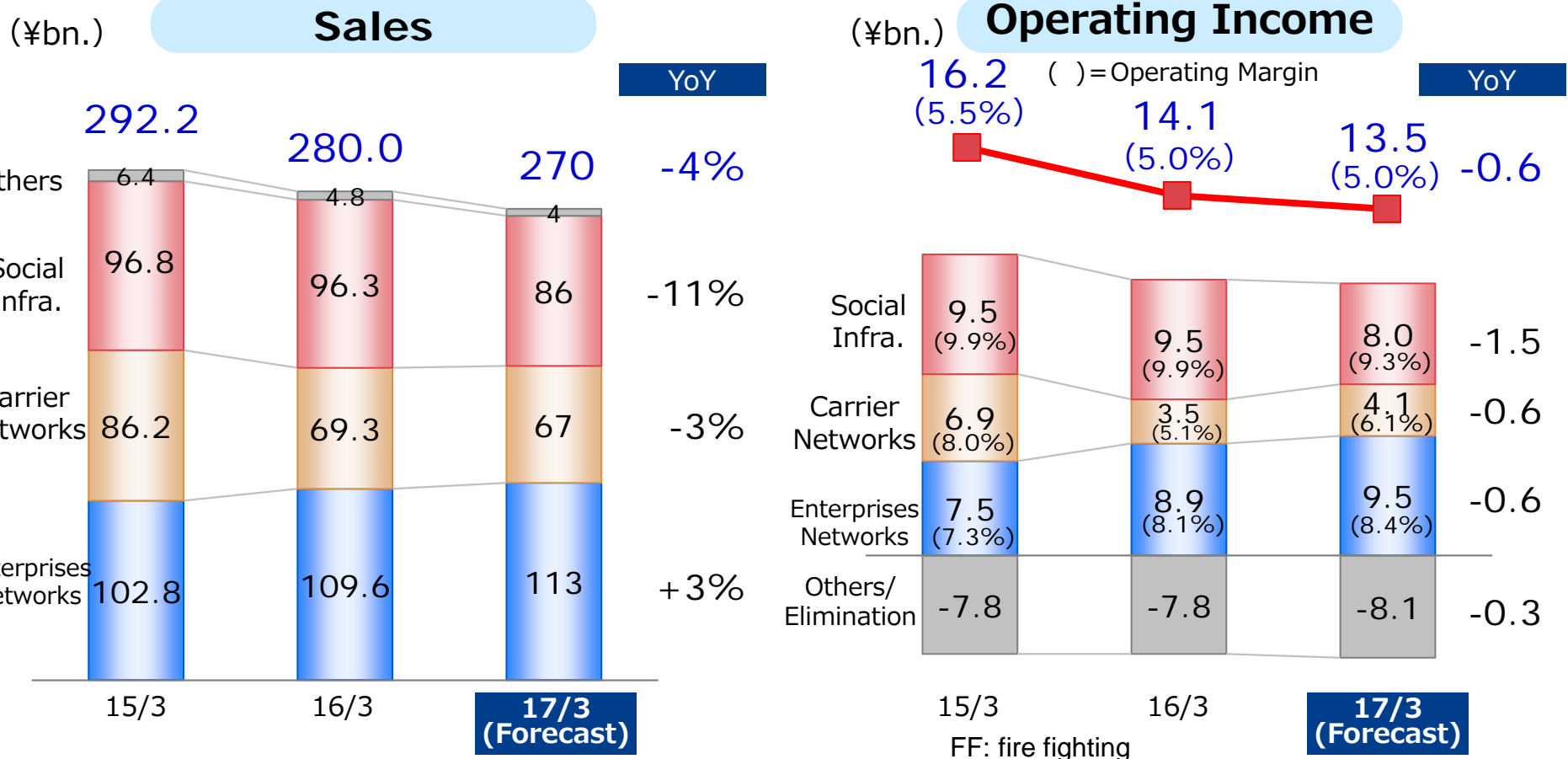
- Developing business using assets for telecom carriers.
 - Strengthening efforts in public areas (education, medical and local governments).
- Reaping the benefits of cost structural reforms.

Social Infrastructure

- Focusing on growth areas such as disaster prevention, roads and CATV.
- Strengthening cost competitiveness through improved productivity for increasing orders.

FY2017/3 Sales Forecast by Segment

- Enterprises Networks: Higher sales and income continue to be sought.
- Carrier Networks: Higher income is expected due to the effect of cost structural reforms, despite restrained investment by telecom carriers.
- Social Infrastructure: Lower sales and income are anticipated due to the peaking out of the FF radio systems business.

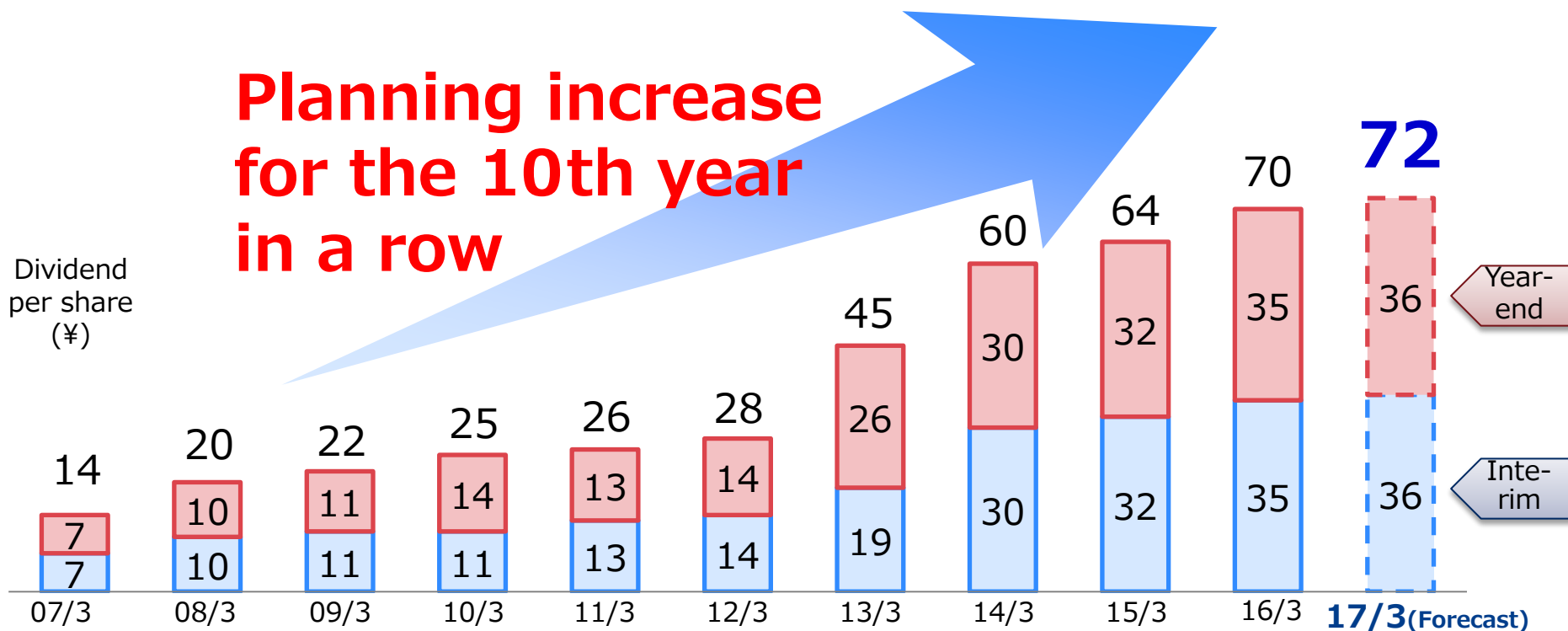


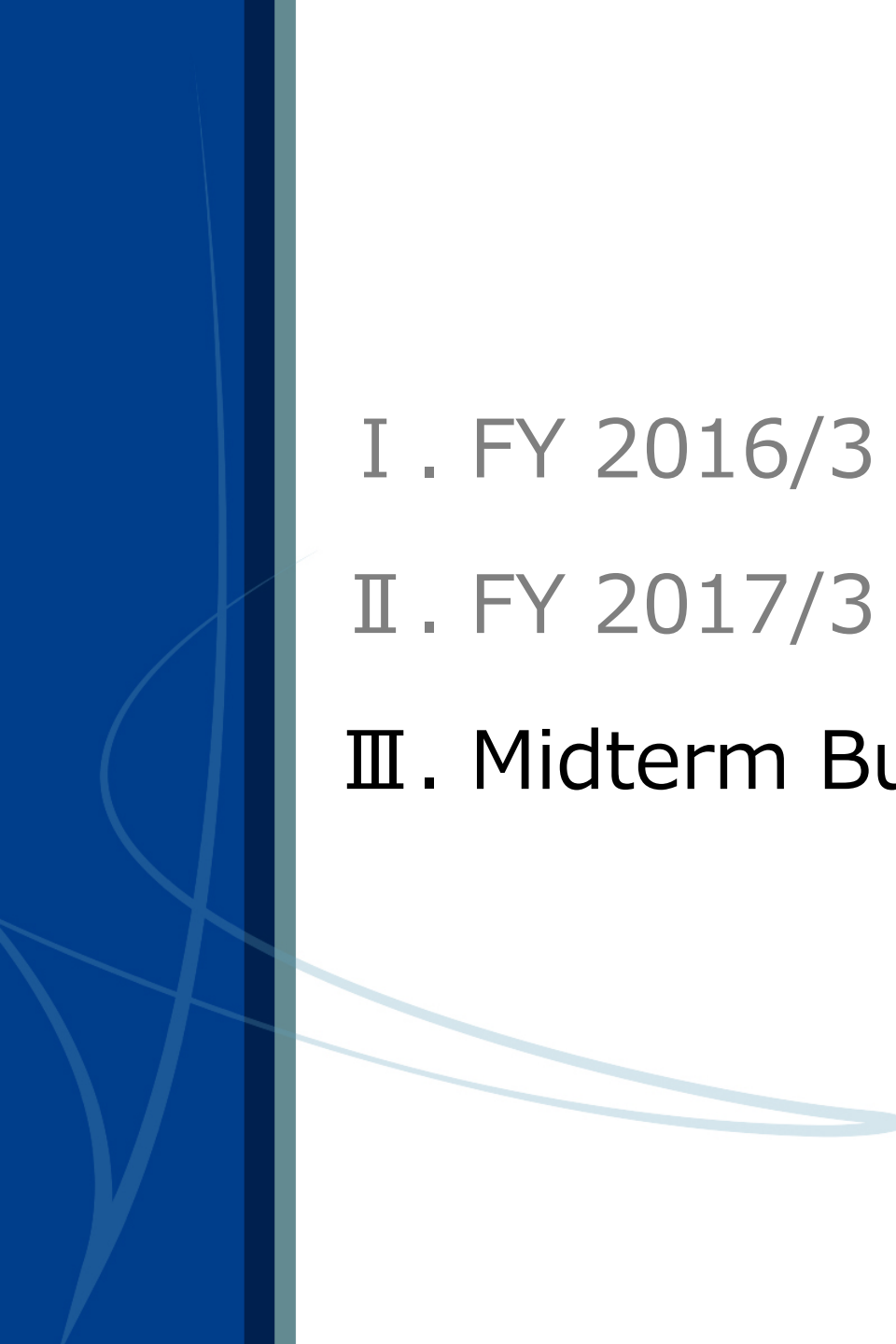
Dividend Plan

Increasing the corporate value through growth investment and continuing to increase shareholder return based on stable dividends at the same time.

- Taking DOE (dividend on equity ratio) into account.
- FY16/3: Year-end dividends: ¥35 per share (Full year ¥70)
- FY17/3: Planning increased dividends of ¥72 per share

**Planning increase
for the 10th year
in a row**



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(1) Review of the Previous Midterm Plan

Basic Idea of the Previous Midterm Plan

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



Enhancing company value

Towards renewal foundation

Intensified profit structure

Listed in 1983

2013
60th anniversary of founding
30th anniversary of listing

Founded in 1953

Sales

1953

1983

2013

*Sixty-years is a traditional calendar cycle

Policy and Target of the Previous Midterm Plan

Basic policy

- Expansion of service business
~Becoming a system integrator providing total solution from consulting and various services

Basic strategy (Strategic areas)

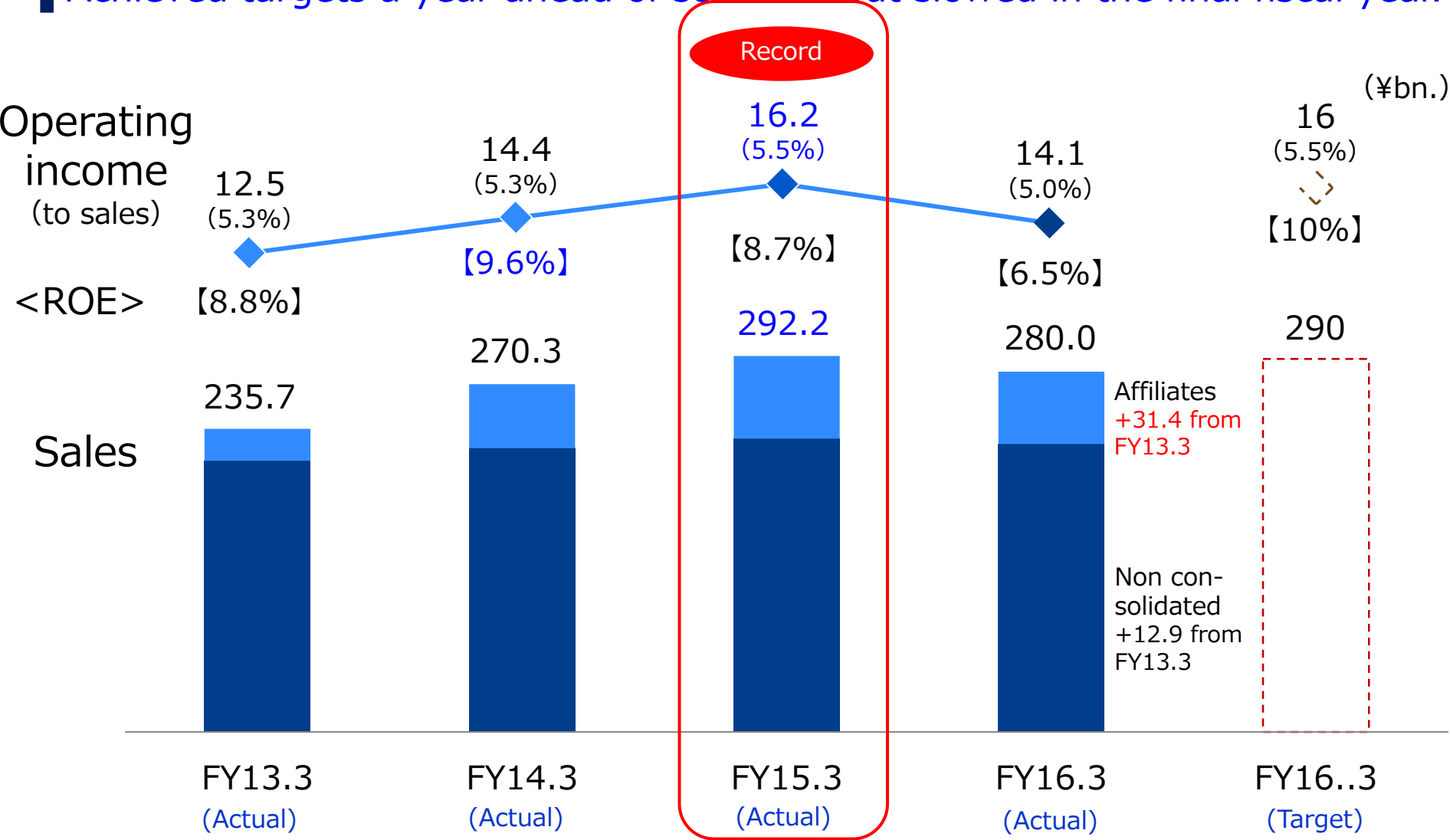
- EmpoweredOffice business
- Technical outsourcing business
- Infrastructure business
- Overseas business

Midterm target *revised at May 2014 considering M&As

- Sales ¥290 Bn.
- Operating income ¥16 Bn.
- Operating margin 5.5%
- ROE 10%

Summary of the Previous Midterm Plan

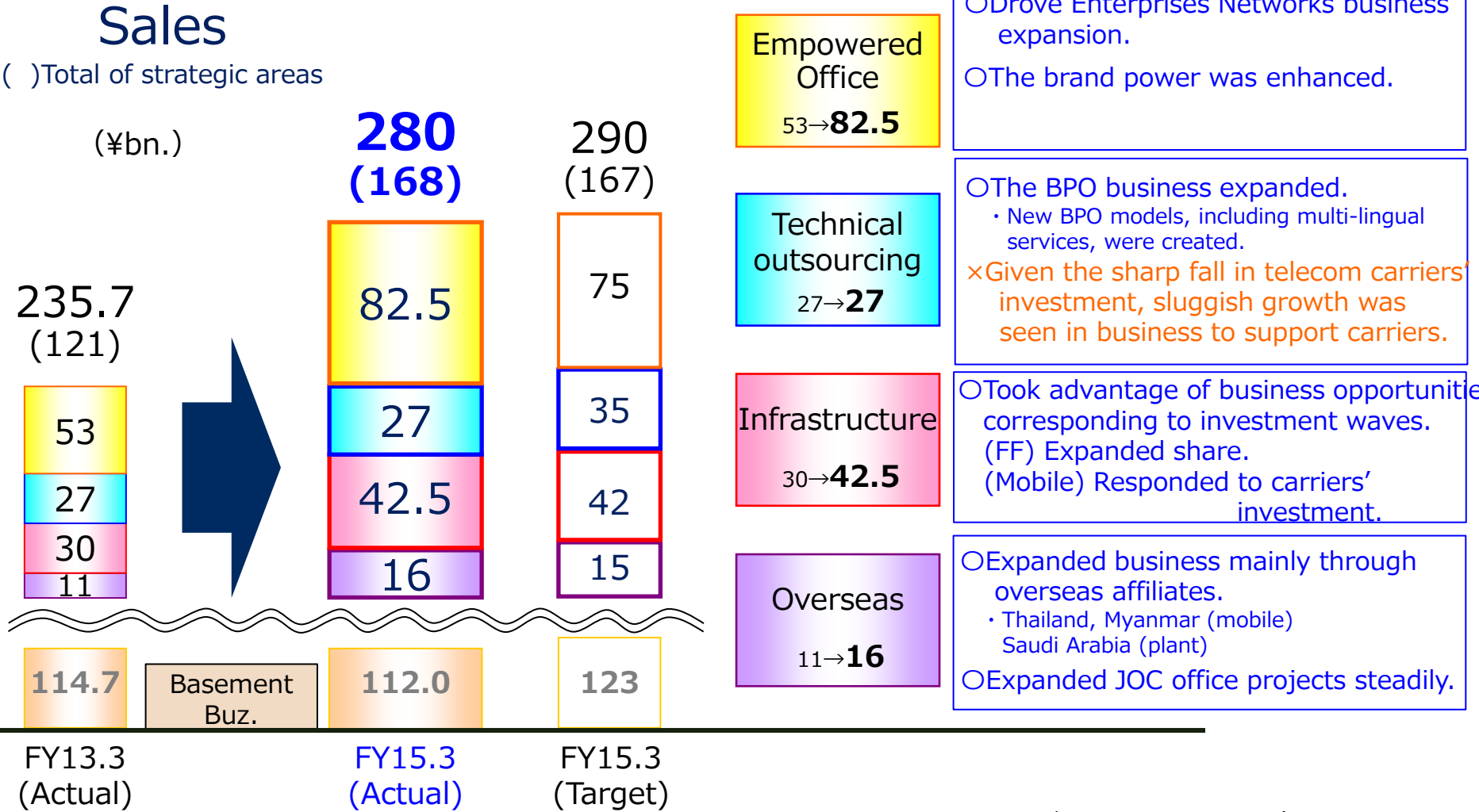
Achieved targets a year ahead of schedule but slowed in the final fiscal year.



*Target announced at May 2014

Progress in Strategic Areas in the Previous Midterm Plan

The strategic business areas made progress largely as planned.



*Target announced at May 2014

(2) Basic Policy & Targets of the New Midterm Plan

Midterm Business Environments

NESIC's business opportunities are expanding in areas other than the domestic carrier market.

<p>Market environment</p>	<ul style="list-style-type: none"> ● The ICT market is growing moderately. The focus is shifting from SI and maintenance to the provision of service. (There is concern over a slowdown due to economic uncertainty.) ● Work styles and employment are diversifying (employment of women and senior citizens). ● Investment in social infrastructure is strong. (national resilience, regional revitalization...) ● Both outbound and inbound markets are being revitalized. <p>*Outbound: ICT markets overseas Inbound: The domestic ICT market, which is being revitalized because of the increase in inbound tourists.</p>
<p>Promising Areas</p>	<p><Market></p> <p>Work-style innovation Telework</p> <p>National resilience regional revitalization</p> <p>Tokyo 2020</p> <p>Inbound</p> <p>Outbound (ASEAN)</p> <p><Technologies></p> <p>Scurity</p> <p>SDN/NFV</p> <p>IoT MVNO</p> <p>Cloud</p> <p>4K/8K</p> <p>BigData</p>

Aim to achieve sales of ¥300 billion and to post record-high results.

		(Ref. Past records)
• Sales	¥300 bn.	¥292.2 bn. (FY15.3)
• Operating income	¥16.5 bn.	¥16.2 bn. (FY15.3)
• Operating margin	5.5%	5.5% (FY15.3)
• ROE	10%	9.6% (FY14.3)

*Target as at May 10, 2016

Basic Policy of Midterm Plan

Will achieve further growth in response to changes in the environment, building upon the achievements of the previous midterm plan

Will first gain a foothold, aiming to post record-high results for the final year

<Top line expansion>

- Further growth through the enhancement of services, infrastructure, and global business

<Strengthening business capabilities>

- Strengthening the business base that will support growth
(Improving the structure in strategic areas; expanding investment in human resources and business)
- Improving business efficiency
(Cutting costs; strengthening SCM)

Basic Policy

Aim for further advance and expansion based on the basic strategy of
“strengthening and further developing our service, infrastructure and
global businesses”

taking advantage of achievements in the previous midterm plan.

Previous midterm plan (~FY16.3)

EmpoweredOffice business

Technical outsourcing business

Infrastructure business

Overseas business

Advance
Expansion

New midterm plan (~FY19.3)

◆ Service business (B2B)

- Expanding focusing services
 - EmpoweredOffice business
 - Cyber security business
 - IoT/MVNO business

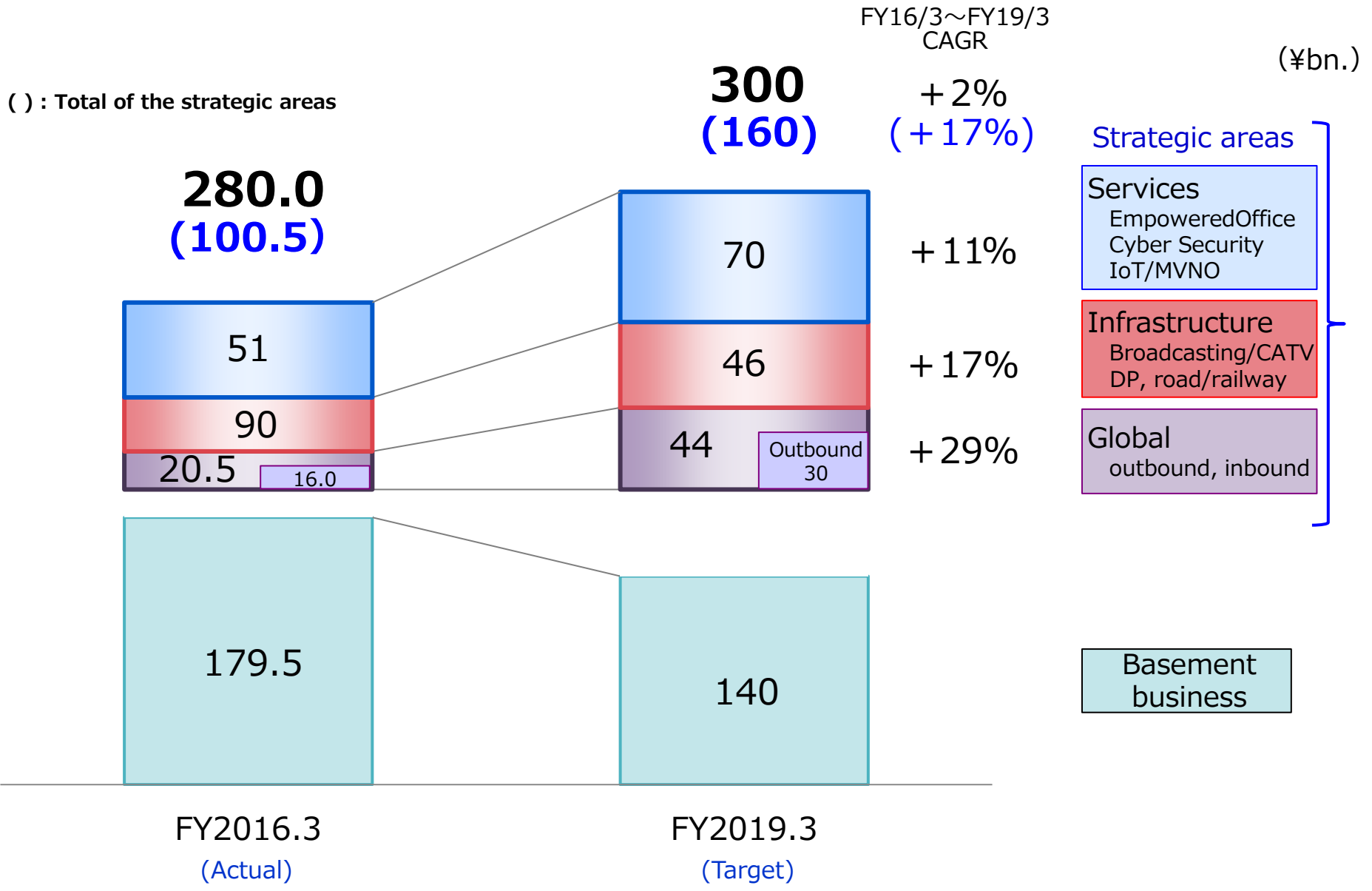
◆ Infrastructure business

- Focusing on active markets
(Broadcasting/CATC, DP, road/railways)

◆ Global business

- Outbound business
centering on ASEAN
- Inbound business expanding
along with visitors to Japan
(Hotel, airport, tourism, multi-lingual service)

Sales Target of the Strategic Areas



(3) Strategic Areas

(3) – ①. Service business

- EmpoweredOffice business
- Cyber security business
- IoT/MVNO business

EmpoweredOffice Business

Business opportunities

- Expansion of the office replacement market
 - ◆ Number of new buildings planned to be built in Tokyo's 23 wards from FY17.3: Appropriately 90
- Expansion of business needs associated with work-style changes (working women, senior citizens; improvements in business efficiency and productivity)

◆ Telemarketing market 2018: Approx ¥80bn

◆ Government's targets (2020 telemarketing KPIs)

- Telemarketers (over 10% of the labor force)
- Introduction of telemarketing at home (over 30% of all companies)

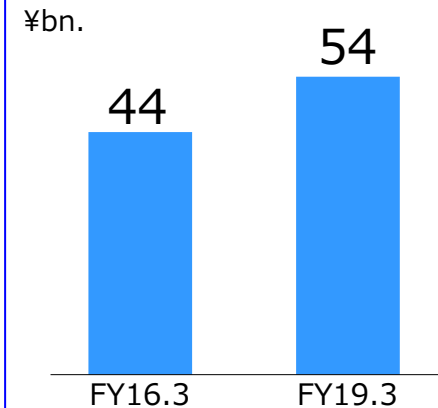
Our strength

- Ability to make proposals, using expertise developed through internal practices and "live offices" nationwide
 - Personnel systems, approaches to improving them, etc.
 - Office operation, space design
- Providing unique ICT systems and office facilities in an integrated fashion
- Foundations for providing services that support a variety of ways of working

Strategy

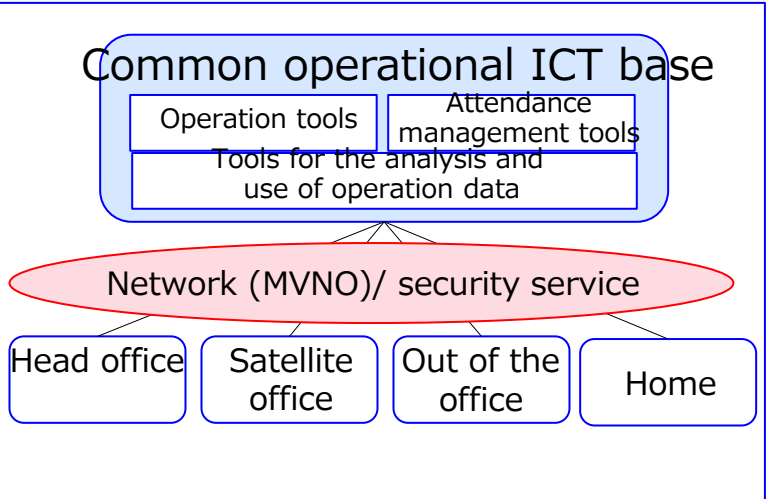
- ◆ Strengthening the ability to develop advanced services and make proposals by stepping up efforts to adopt the same services and proposals internally first.
- ◆ Strengthening the office relocation business and the office facilities business in collaboration with developers and construction consultants

Sales target



Work-Style Reform Consulting and Service

Developing initiatives internally and using them in consultation, proposals, and the enhancement of services
→ Reviewing in-house systems and developing services



Reform of work styles at multiple locations
Preparation of ICT environments;
development of services

Introduction of in-house systems
for variety of work styles and uses of human resources

Launching new services;
encouraging consultations
and proposals

Examples of major orders received

- Work-style reform, consultation
 - Consultation on work-style reform associated with the renewal of the head office, proposals for new styles of in-house education, helping to formulate next-generation office plans
- Collaboration among multiple bases
 - Introduction of SmoothSpace for product development, education, and collaboration at remote locations

Cyber Security Business

Business opportunities

● High security threat

◆ Number of reported security threats in 2015:
Approximately **2.6 times as many as** in 2011

● Expansion of demand for security processes

◆ Projection for the information security service market
2018: ¥350bn (1.4 times as much as in 2014)

◆ Expansion of the security market
for local governments
Supplementary budgets, subsidies in 2015: **¥25.5bn**

Our strength

- A wealth of experience in NW and security operation
- Foundations for cyber security operation and monitoring in tandem with NW

SOC

NOC

DOC

Operating and monitoring 100K* ICT facilities

Linking NW operation and security operation;
handling multi-vendor systems

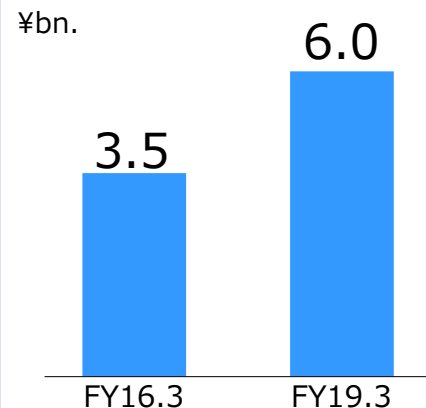
*Based on IP addresses

Strategy

- ◆ Strengthening security operation service and consultation, making the most of our strengths, such as combining NW operation and security operation with monitoring
 - High value-added services, including monitoring using multi-faceted information analysis, immediate response to aberrations, and proposals for countermeasures
- ◆ Strengthening the integrated managed security service business

NW : network

Sales target



Our Platform for the Cyber Security Business

Set up an SOC function within nTOC(Network Total Operation Center), which provides an integrated form of support for the customer's network.

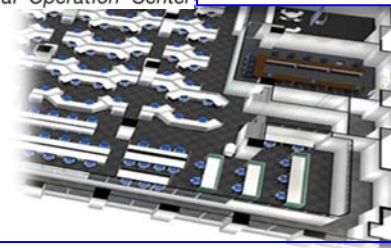
Create value-added services by combining them with NW and data-center operation functions.

nTOC(Network Total Operation Center)

- Security Operation Center(SOC)
- Network Operation Center(NOC)
- Data-center Operation Center(DOC)
- Contact Center(CC)
- Multi Language Operation Center(MLOC)



160 seats
300 staff

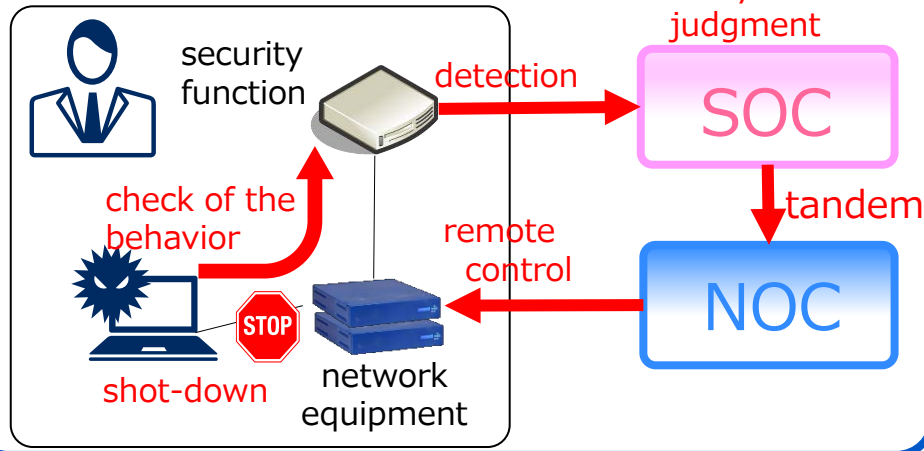


Strengths of network & security operation platform of NESIC

- ◆ Multi-vendors capability
- ◆ Integrated service from consulting to operation & support
- ◆ Total security operation combined with network operation

Leading service quality among Japanese SI-ers

Noc-Soc tandem service example



Business opportunities

● Expansion of the IoT market

Projection of the domestic IoT market
(network, service infrastructure)

2014: ¥500bn → 2018 : **¥1.5tn**

● Expansion of businesses stemming from the IoT

→ Device/sensor SI, data analysis, security

● Expansion of services to companies

Our strength

● Providing both SI and network operation service

● L2 connection (Flexible rates, high-level security of closed networks)

● Existing M2M customer base (around 0.4 mill lines)

● A variety of partners (approx. 150 companies, including the NEC Group) for service development and sales

Strategy

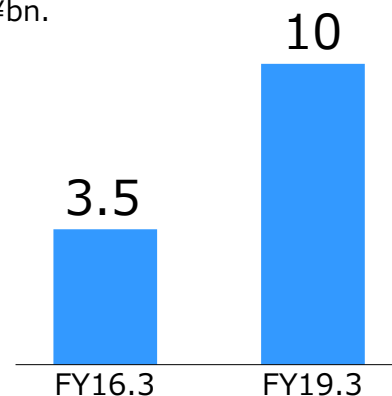
◆ Strengthening service development in collaboration with partners

◆ Promoting provision of services to the Group's customer base and expanding the business domain

◆ Strengthening business capabilities in the field of value-added services, including security and the use of data Using external assets through partnership

Sales target

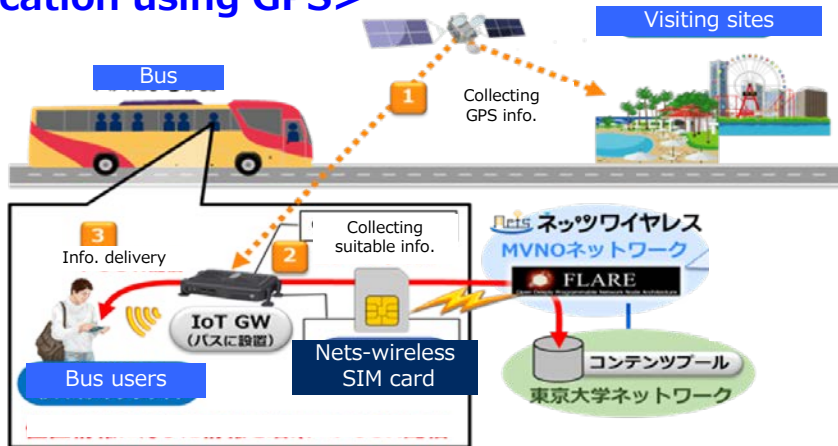
¥bn.



IoT/MVNO Project Examples

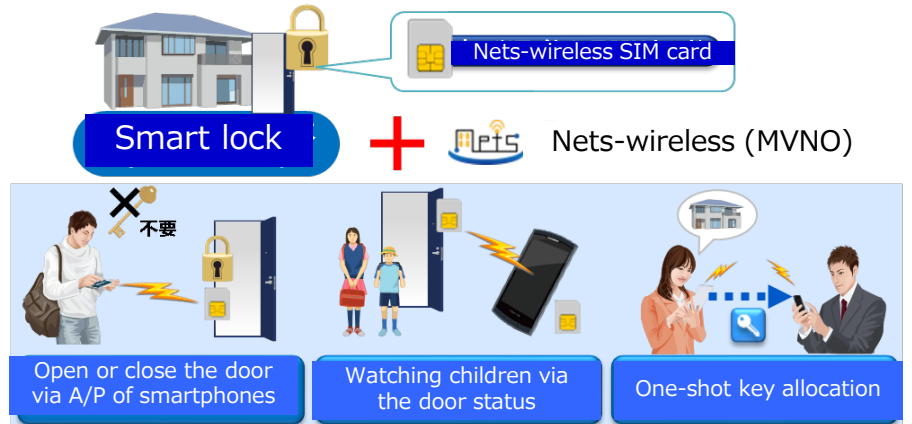
① Info. delivery (Network + SI + Cloud)

<Delivering info. appropriate to the location using GPS>



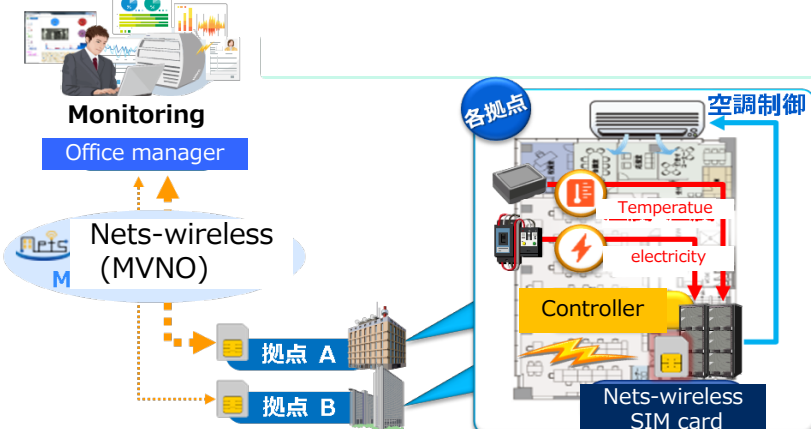
② Smart lock (Network + SI)

<Remote control on door status etc. >



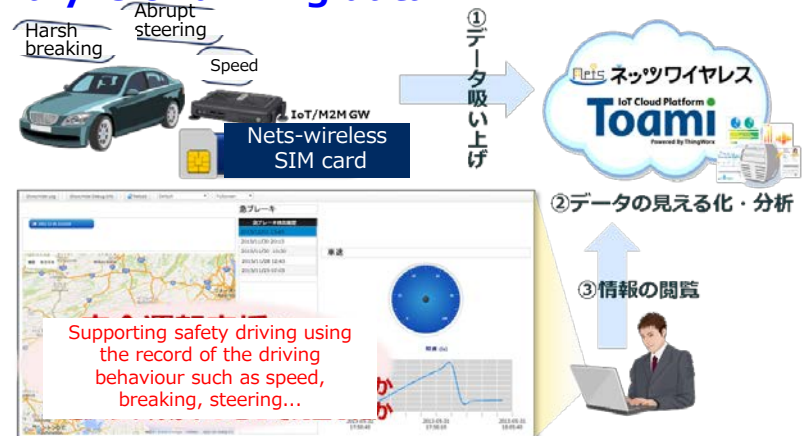
③ Office monitoring (Network + SI + Cloud)

<Total office control by visualization of electricity consumption, temperature, etc.>



④ Vehicle management (回線+SI+クラウドサービス)

<Supporting safety driving by collection & analyze of driving data>



(3) – ②. Infrastructure business

Infrastructure Business

Business opportunities

- Expansion of motives that stimulate investment in social infrastructure (National resilience, regional revitalization, 4K, 8K, etc.)

◆ ICT market projections (from FY17.3 to FY19.3)

◆ Investment in broadcaster facilities	¥150bn
◆ Investment in CATV infrastructure	¥100bn
◆ Disaster prevention	¥180bn
◆ Roads	¥250bn
◆ Railways	¥100bn

(Estimates based on data compiled by Yano Research Institute and the Company)

- Expansion of the ICT area (Expansion of business opportunities in aging monitoring, management, and maintenance)
- Markets using private finance that involve PPPs and PFIs have emerged.

Our strength

- Collaboration in fields where NEC has a large share (including broadcasting and disaster prevention systems)
- Comprehensive strength, including a nationwide system for construction and maintenance

Broadcasters	Transmission equipment, image application
CATV	FTTH, broadcasting equipment, monitoring, and broadcasts
Disaster prevention	Emergency radio communication systems, dispatching systems, and satellite stations
Roads	Transmission network, systems for monitoring, broadcasting, data distribution, and ETC
Railways	Transmission network, systems for station service, monitoring, and train location info.

- Carrier-grade business assets
 - IoT, MVNO service base (Aging monitoring, maintenance)
 - Capabilities for network and server SI including SDN technologies

Infrastructure Business (Strategy)

● Broadcasting, CATV

- ◆ Collaboration with NEC, which has a large market share
- ◆ Developing 4K/8K CATV products; promoting FTTH proposals
- ◆ Expanding the domain to include businesses that use image applications and CATV networks
(Monitoring, sightseeing, and collaboration for disaster prevention)

● Disaster prevention

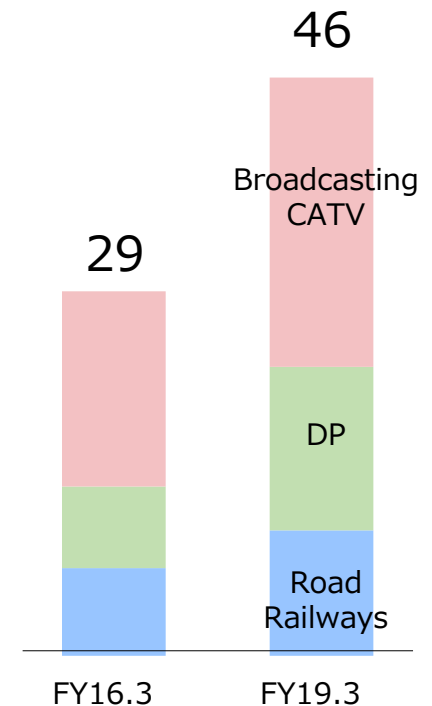
- ◆ Involved in the renewal of the prefectural disaster prevention systems in cooperation with NEC
- ◆ Planning digitization; making proposals to local governments where disaster prevention systems have yet to be equipped
- ◆ Strengthening the ICT business (such as by making disaster prevention systems more sophisticated)
(Collecting, analyzing, sharing, and delivering disaster prevention information)

● Roads, railways

- ◆ Responding to expanding markets (such as by making systems and SDN more sophisticated)
- ◆ Expanding new business fields, including the monitoring of the aging of infrastructure

Sales target

¥bn.



(3) – ③. Global business

- Outbound business
- Inbound business

Outbound Business

Business opportunities

- Brisk ASEAN markets

Projection of investment in communications infrastructure in ASEAN countries (related to the construction of communications infrastructure)
¥600bn per year

- Expansion of ICT and office projects as a result of the globalization of Japanese companies

Our strength

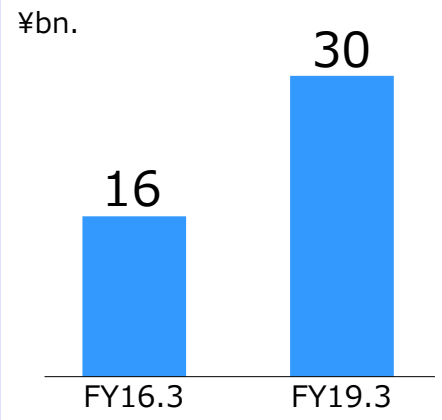
- Track record in ASEAN business
 - Local operations by overseas affiliates
- Use of experience and technologies in Japan
 - SI of core networks, construction of access networks
 - SI and construction for public infrastructure
 - Expertise and SI capabilities in the EmpoweredOffice

business

Strategy

- ◆ Strengthening the carrier business, mainly in Thailand and Myanmar
 - Strengthening the ability to execute projects in anticipation of replacement demand and new demand, including demand for high-speed mobile networks (such as LTE networks)
- ◆ Expanding involvement in social infrastructure projects, such as railway and airport projects, that are emerging in ASEAN countries
 - Strengthening through collaboration capabilities to receive orders and execute projects
- ◆ Strengthening projects at the overseas bases of domestic accounts

Sales target



Carrier Business In Myanmar

Since Yangon branch open in April 2015, executing a number of projects, including base station projects, power source renovations, the building of optical transport networks, and the training of engineers at local carriers

Education of engineers
at carriers

Base station projects

Construction of base stations and satellite stations

Installation of solar panels at base stations

Projects inside stations

Building optical transport networks

Power source renovation at stations

Technical education

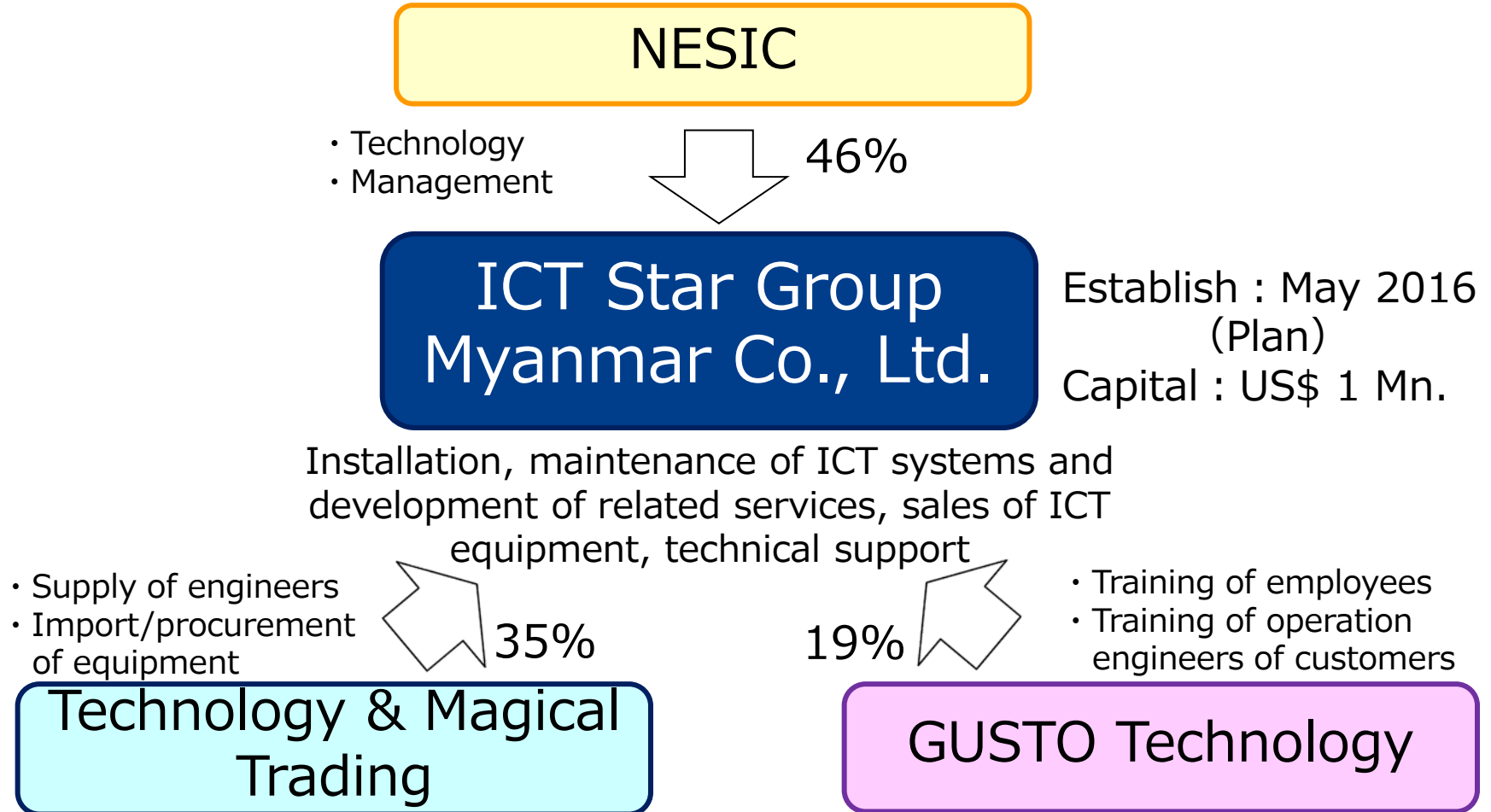


A local SI joint venture is to be established (planned in May 2016) to expand business and strengthen the local SI structure.

- Strengthening localization by strengthening and increasing high-quality, low-cost SEs
- Using resources in projects in other areas and in Japan

Joint Venture in Myanmar

Strengthening local SI business through a J/V with local partners



Inbound Business

Business opportunities

- Increase in investment related to inbound tourists
 - ◆ Inbound tourists
 - 2015: **19.74 million**
 - Government target for 2020: **40 million**
 - ◆ Expansion of the hotel market
 - New rooms planned: **43,000**
 - ◆ Expansion of airports
 - Airports to be privatized: **10**

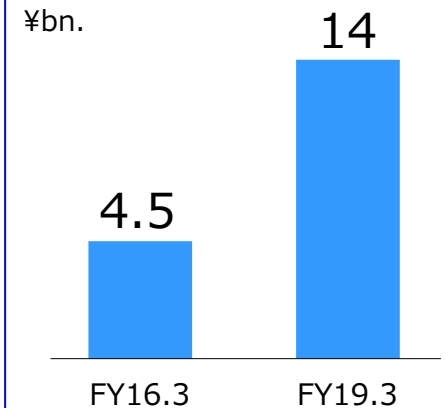
Our strength

- Track record, expertise, products (Hotel) PBX, RMS, cloud WiFi (Airport) VDGS, air traffic control systems, flight information (Sightseeing) Service for smartphones, multilingual services, distribution of sightseeing information
- Services for foreigners
 - Multilingual base (LanguageOne), multiple settlement terminals, etc.

Strategy

- ◆ Strengthening services related to hotels and sightseeing
 - Expanding the domain for existing customers
 - Services for specific business types, services in collaboration with MVNOs
- ◆ Developing services in the airport market; expanding ICT solutions
 - Airport infrastructure business
 - + ICT fields such as solutions using tablets or security service
- ◆ Strengthening multilingual services
 - Services for local governments, public facilities, financial institutions, and the service industry
 - Multiple settlement terminals for the retail and food-service industries

Sales target



Inbound Business Opportunities

NESIC can enjoy business opportunities at various scenes of inbound tourists

Arrival/Departure



- | | |
|---|---|
| Airport systems | Airport services |
| <input checked="" type="checkbox"/> VDGS(100% share) | <input checked="" type="checkbox"/> Signage |
| <input checked="" type="checkbox"/> Control systems | <input checked="" type="checkbox"/> Terminals for airport staff |
| <input checked="" type="checkbox"/> Network systems | <input checked="" type="checkbox"/> Info. distribution etc. |
| <input checked="" type="checkbox"/> Flight info. systems etc. | |

Transportation (Train)



- Signage
- Staff terminal
- Area WiFi etc.

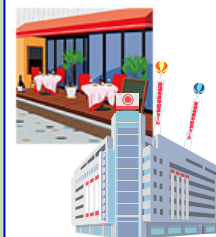
Common service platform

Multi-lingual service



MVNO service

Shopping and dining



- Area WiFi
- Signage
- Delivery of coupon
- Multi terminals for payment etc.

Staying (hotel)



- | | |
|--|---|
| Hotel system | Guest services |
| <input checked="" type="checkbox"/> PBX | <input checked="" type="checkbox"/> Signage |
| <input checked="" type="checkbox"/> WiFi | <input checked="" type="checkbox"/> Tablet for staff |
| <input checked="" type="checkbox"/> Room management system | <input checked="" type="checkbox"/> Delivery of area info. etc. |

Transportation (bus)



- Bus location info. service
- Delivery of tourism info.

Sightseeing (visiting spots)



- WiFi
- Delivery of site info.
- A/P for tourists
- Signage etc.

(4) Strengthening of Business Capability



Growth Investment

¥20bn.
(in 3 years)

Investment in human
resources that shore up
growth

- Enhancing skills in services
- Strengthening global human resources
- Strengthening diversity management
 - Organizing systems and the environment



Investment in business to
accelerate growth

- Increasing investment in growth and priority fields
 - Developing advanced EmpoweredOffice services
→ Investing in internal practices
 - Strengthening the IoT/MVNO foundation
- Improving business efficiency and speed in management
 - Renewing mission-critical systems
- Actively investing in the development of new businesses and M&A



Cost & Business Process Innovation

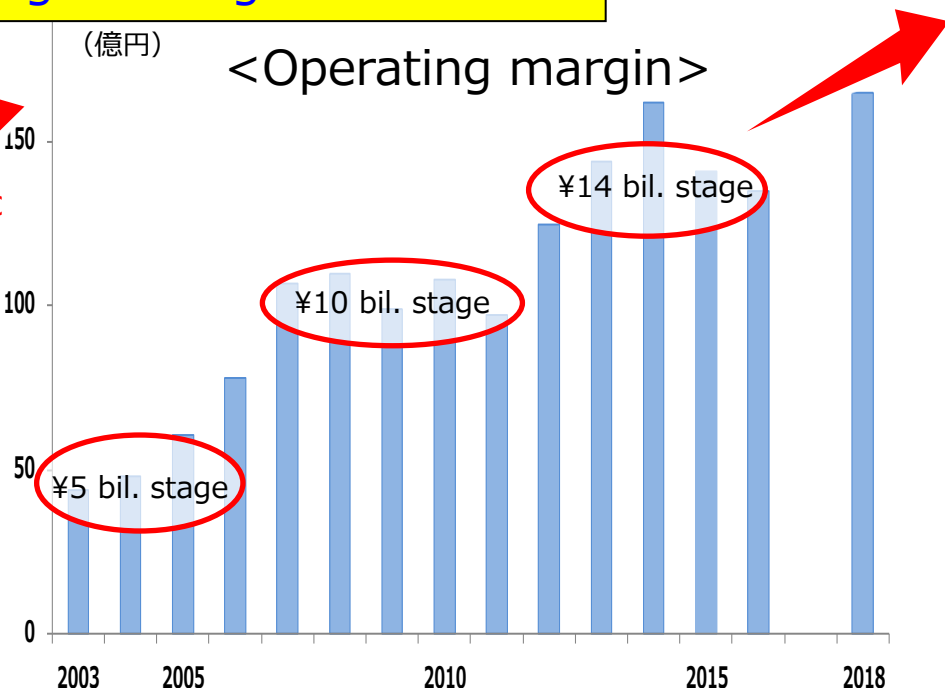
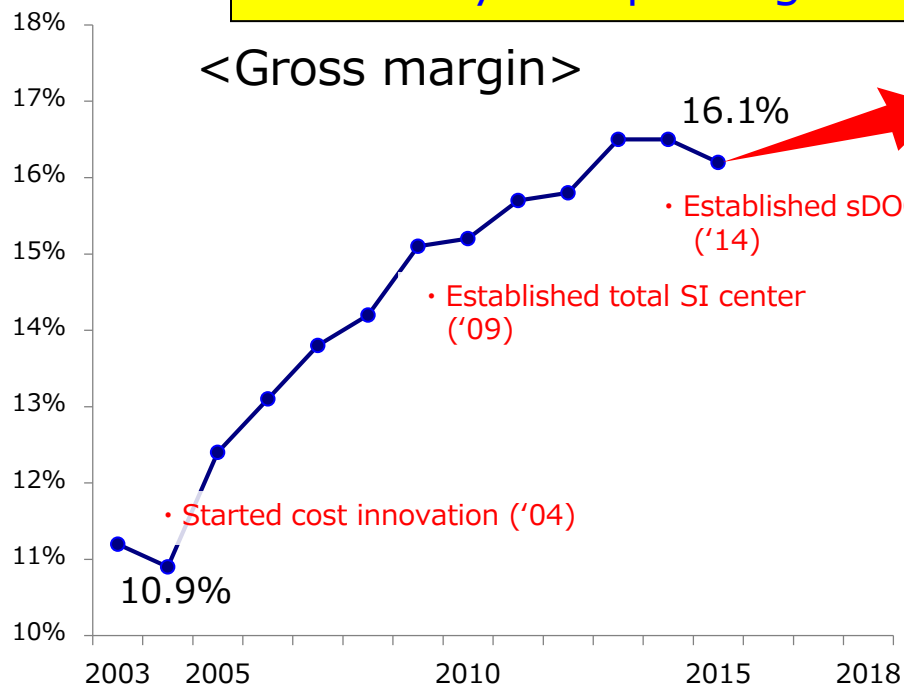
Cost reform

- Cutting outsourcing costs
- Cutting equipment and raw materials costs through standardization and integration

Business process reform

- Strengthening management to promote standardization and eliminate costs caused by regression

Profitability is improving through management reform.



Setting our sights on the next stage, we will implement the Midterm Plan and achieve the targets for the next fiscal year without fail.

Business
growth

Organizational
growth

Human
growth

Conduct business giving top priority to compliance

Enhance shareholder value

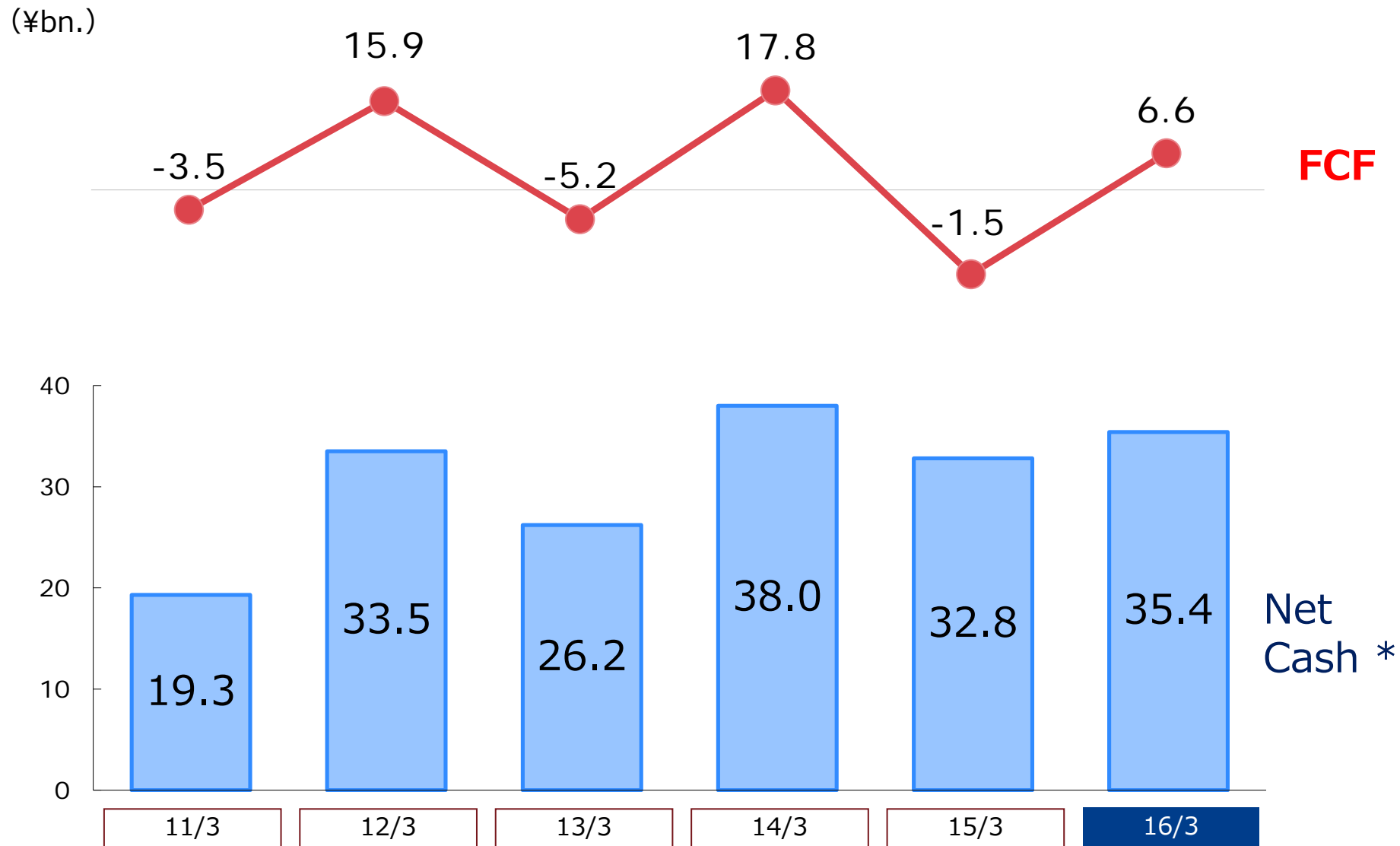
Appendix

(ref.) End of FY2016/3 (Mar. 16) Balance Sheet

(¥bn.)

		End of 15/3	End of 16/3	Diff.
	Cash and cash equivalents	39.0	43.9	4.9
	Notes & accounts receivable	113.9	104.8	-9.1
	Inventories	10.1	9.2	-0.9
	Others	8.1	9.7	1.7
	Current Assets	171.1	167.6	-3.4
	Noncurrent Assets	30.9	28.9	-2.0
	Assets	202.0	196.6	-5.4
	Notes and accounts payable	48.7	39.2	-9.5
	Loans	6.2	8.5	2.4
	Others	53.0	54.5	1.5
	Liabilities	107.8	102.2	-5.6
	Shareholders' equity	94.4	97.1	2.7
	Accumulated other comprehensive income	-1.9	-4.4	-2.5
	Non-controlling interests	1.6	1.7	0.0
	Net Assets	94.2	94.4	0.2
	Liabilities & Net Assets	202.0	196.6	-5.4
	Owner's Equity Ratio	45.8%	47.2%	+ 1.4pt

(ref.) FY2016/3 Cash Flows



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

Cautionary Statement

Forecasts and targets 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.

The Group implemented the realignment of domestic subsidiaries to facilitate the efficient management of group companies, such as the integration (absorption-type merger) of Toyo Networks & System Integration Co., Ltd by NEC Magnus Communications, Ltd. As a result, changes were made to the consolidated financial results from the first quarter under review, such as the inclusion of Toyo Networks & System Integration Co., Ltd, which had been included in the "others" segment previously, in the "Carrier Networks" segment, which includes NEC Magnus Communications, Ltd.

Segment information for the fiscal years ended March 2014 and 2015 has been changed to reflect the change in the content of business segments.

Re-designing your Communication

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



NEC

NEC Networks & System Integration Corporation

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