

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

- Gear for Growth -

February 26, 2013

Hiroshi (Hank) Sato, Chief Financial Officer
NEC Networks & System Integration Corporation

**My name is Hank Sato, CFO of NEC Networks & System Integration Corporation, we call NESIC.
Thank you for joining us today for this briefing.**

Agenda

I. What's NESIC ?

II. Gear for Growth !



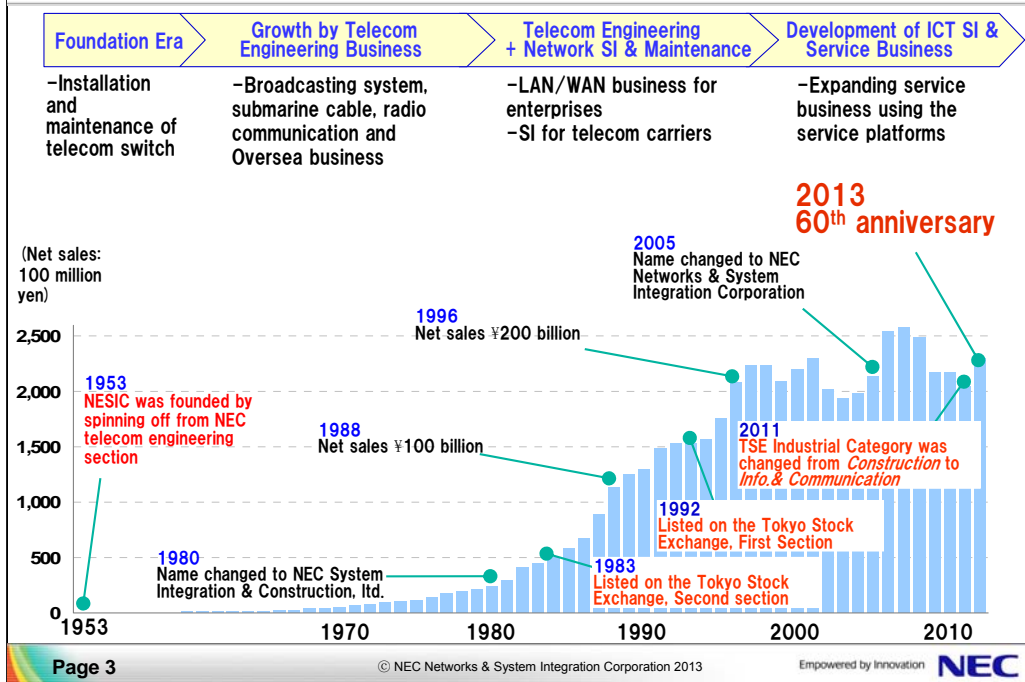
Here is our agenda, today.

I will provide a summary of our company first , then describe the gear for growth.

I. What's NESIC ?

What's NESIC?

Corporate History

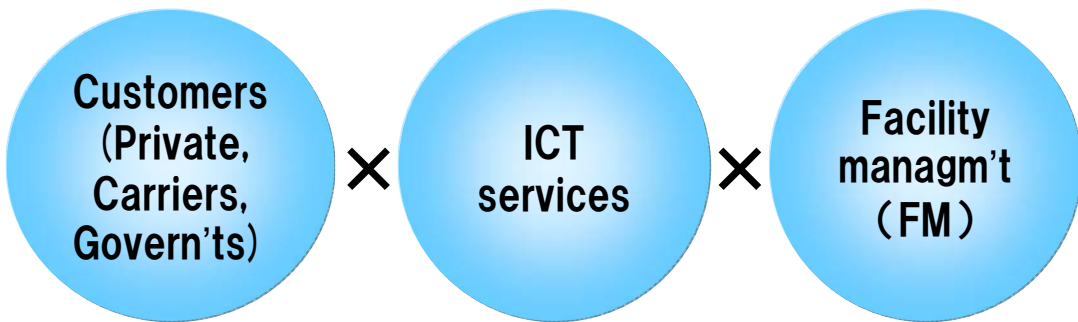


This chart shows our history.

NESIC was born as a telecom engineering company 60 years ago.

According to technologies, our business have been gradually expanded into systems integration and related services such as system operation and outsourcing services.

NESIC Business Model



60 years experience, primarily in the network field



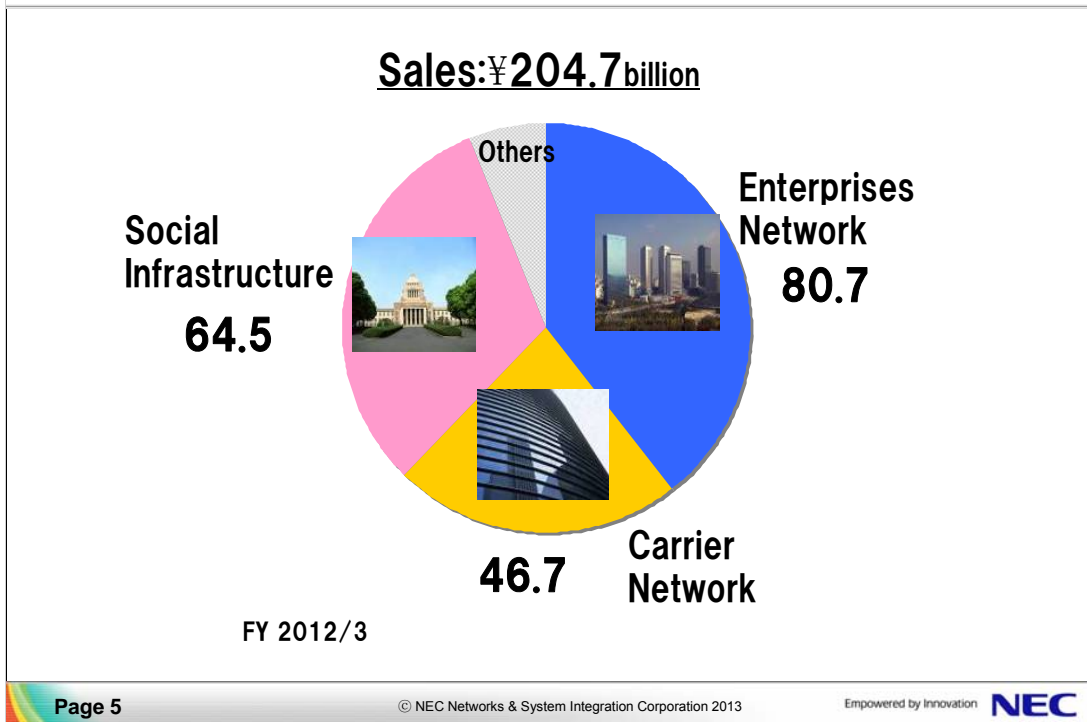
A *leading player* in the network field in Japan

Our business model has 3 points:

- (1) We do business for various customers, private companies, telecom carriers and governments.**
- (2) We can provide them a lot of services related to ICT, such as consultation, system integrations, maintenance operation, and outsourcing services.**
- (3) We also have comprehensive facility management knowhow through telecom construction experience, including office facilities and design.**

We are proud of leading position in the Japanese network market through the trust, earned through our experience and know-how accumulated for sixty years.

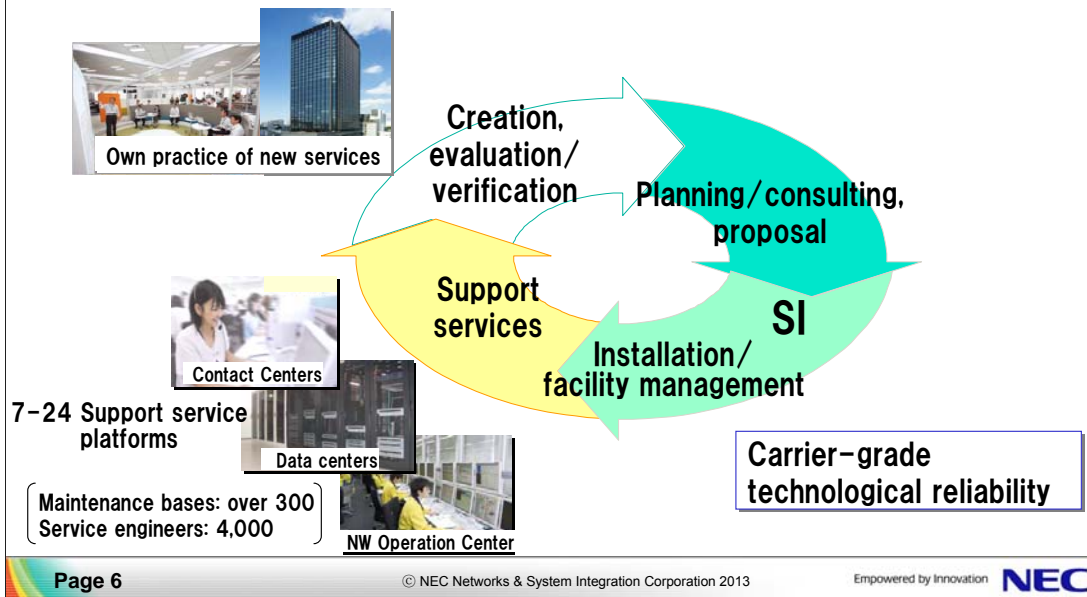
A Wide Range of Customers



Our sales are well balanced by these 3 segments.

Another view of our business model

Management cycle & ICT services



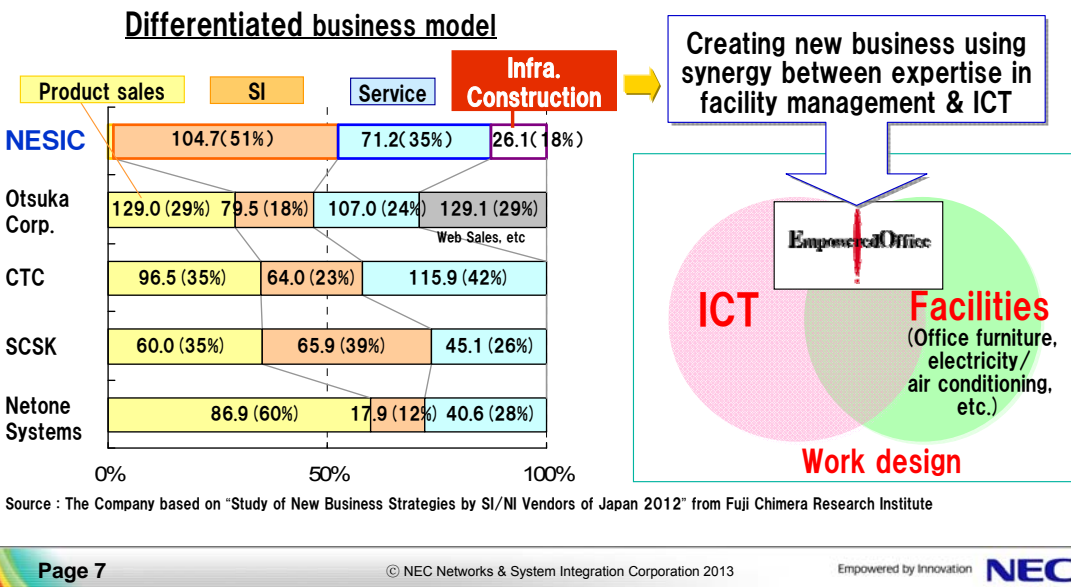
We are able to provide ICT services as a management cycle, from consultation, integration, maintenance services and outsourcing support.

In addition, we also have implementation, verification and proposition of new solutions, from the customers viewpoints.

To support our business model, we have more than 300 service and support bases and 4000 engineers working nation-wide.

Differentiated Business Model

Facility management(FM) + ICT capabilities

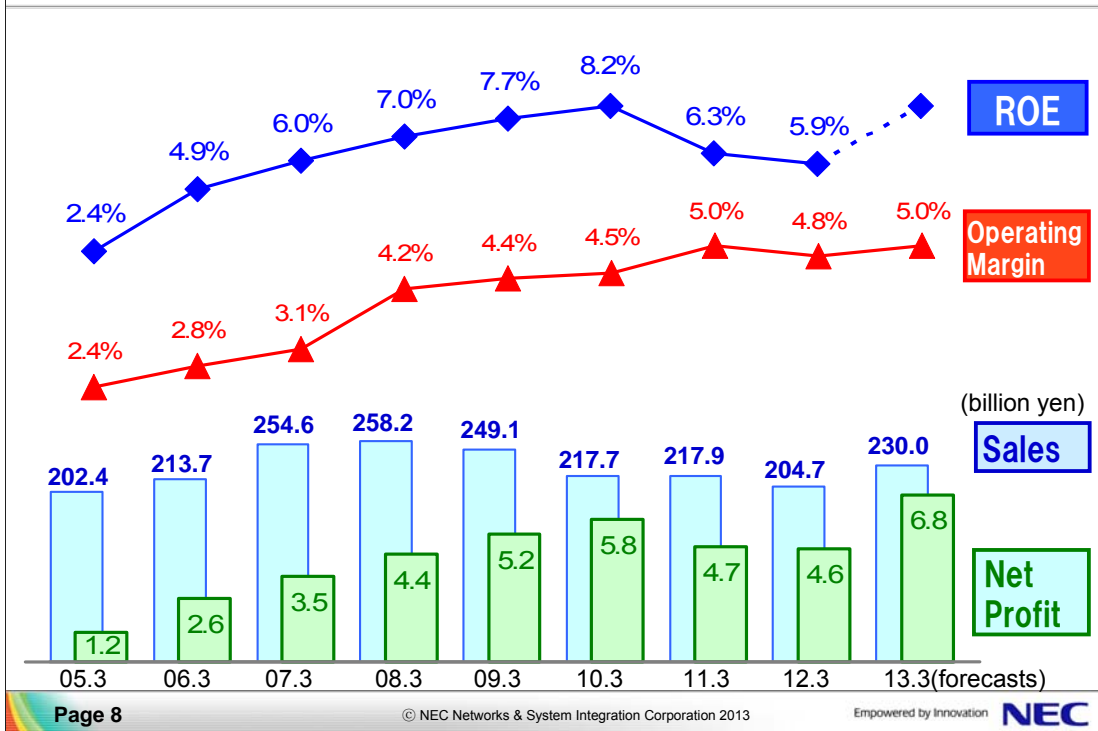


The clear differentiation compared to competitors, lies in our know-how and installation capabilities for office, electrical and other facilities.

These skills have been built through our infrastructure construction business, leading to the creation of new business.

One of such examples is our solution named EmpoweredOffice, which improves total office productivity by combining ICT with office design, supplies and other facilities. I will explain this in detail shortly.

Improving Profitability & Challenging Growth



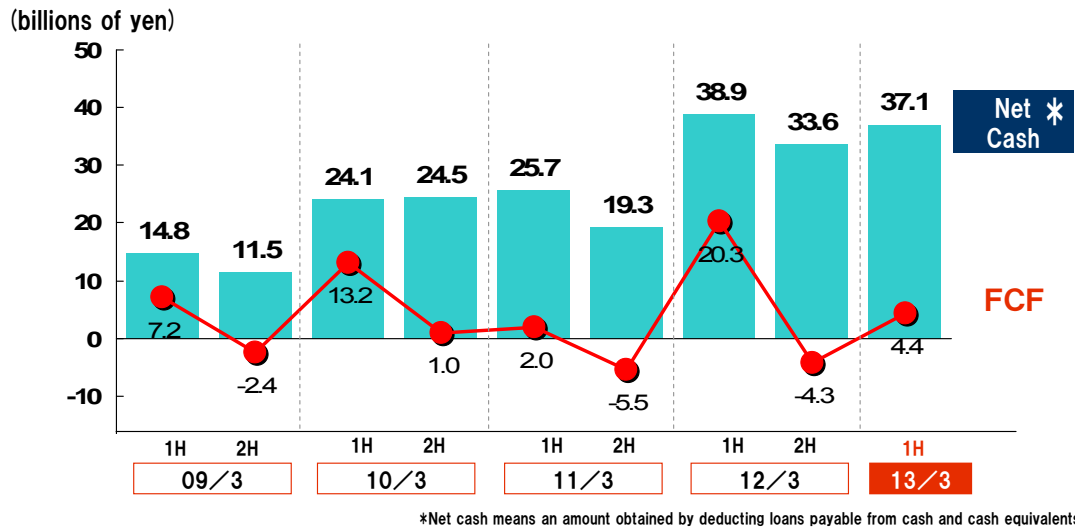
Next, I explain our financial performance.

For past 10 years, we have been improved our profitability.

The challenge is sales growth !

Strong Financial Position

Financial strength for growth!



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We have built solid financial strength through increased profitability.

Now it is the time to invest a gear for growth.

II. Gear for Growth !

(1) Current Actions

Next, I will explain how we gear for growth.

Business Opportunities summary

Enterprises

- **Matured domestic market & Globalization**
→Needs to further efficiency & office innovation by ICT+ α.

Telecom Carriers

- **Network traffic jam by “smart-phones” penetration**
→Investment to enforce Network
→Procuring from global vendors.

Governments

- **Needs for the disaster prevention (DP) after “3.11”**

First, our business opportunities,

Enterprise segment is matured in domestic market and in the middle of globalization.

They need pursue further efficiency and cost cuts by office innovation by ICT +@.

In telecom carriers segment has headache of traffic jam by smart-phone. They are requested to enforce network and costs efficiency.

Last, regarding central and local governments need for the disaster prevention.

Gear for Growth: Enterprises NW

Labor Productivity of Japan

- Demand for management innovation and office productivity improvement increases



<Productivity comparison among G-7 industrialized counties>
(Index of U.S.A. as 1)

Source: Company based on "2011 International Comparison of Labor Productivity" of Japan Productivity Center

For enterprises market, this chart shows current labor productivity in Japan.

It is the lowest among the seven leading advanced nations.

Although Japan has high productivity in manufacturing, thanks to production innovation, the inferior productivity of white-collar workers and offices drives down total productivity.

Management members have recognized the needs to improve office productivity as a way to strengthen competitiveness.

Gear for Growth: Enterprises NW

Office Innovation “EmpoweredOffice”

- Proposal of innovated Working-style
 - ICT + Facility management(FM) + Consultation
 - To improve productivity, cost-efficiency, environmental responsiveness

“Empower”

“Economy”

“Ecology”

- From SI to providing services
 - Cloud and BPO services



photo : Tomoyuki Kawabata

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From senior management down, we have focused on this demand and have been working on the office innovation solution “EmpoweredOffice” as a critical field for enterprises.

To enhance office productivity, we combine the strength of ICT and our facilities managements, and provide the following 3E solutions to enhance the corporate value of our customers: Empowering creativity of each worker, and realizing an Economical and Ecological work style.

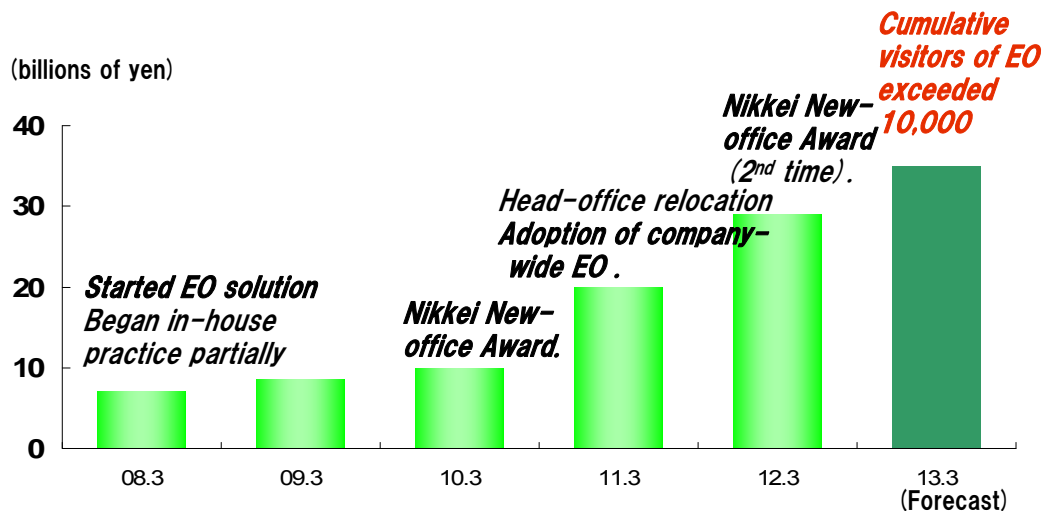
We have implemented the solution for ourselves, which was effective in reducing floor space by 40% and the power consumption by half, as well as in speeding up management and facilitating information sharing, among other benefits.

We have invited customers, especially senior management, to discover the effectiveness for themselves by watching around our offices. As a result, the EmpoweredOffice brand has gradually been penetrating to our customers.

Gear for Growth: Enterprises NW

Expanding customers acceptance of "EmpoweredOffice"

EmpoweredOffice (EO) related orders received



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This chart shows the trend in EmpoweredOffice-related orders received.

Since the launch of the EmpoweredOffice six years ago, related orders have increased markedly every year.

As a background, we got the Nikkei New-office Award, twice in 2009 & 2011.

The Award recognizes cutting-edge offices and is one of the most prestigious prizes in Japan, supported by the Ministry of Economy, Trade and Industry.

Visitors to our office have exceeded 10 thousands centering on management, and this and other facts make us feel that our concept is becoming established among customers.

Gear for Growth: Carrier NW

Technical outsourcing for telecom carriers

- Providing comprehensive services for the products of global vendors
 - Acceptance inspections, adjustments, support services...
 - Using existing strengths as a NEC group company

- World-class technologies
- Nation-wide service basis



Improving efficiency in Telecom carriers' operations
+ Expanding the Company's business domain

Next, gear for growth of Carrier Network business.

We have accumulated world-class technologies as a member of the NEC Group. In other words, through the experience for years, we have already established a quality service system and service infrastructure to meet telecom carriers' demand.

By using these platform, We are focusing our efforts on providing comprehensive services for global vendors. These services include product acceptance inspections, equipment adjustments/customization, and support service after installation, which help carriers to achieve efficient total cost of ownership (TCO) ..

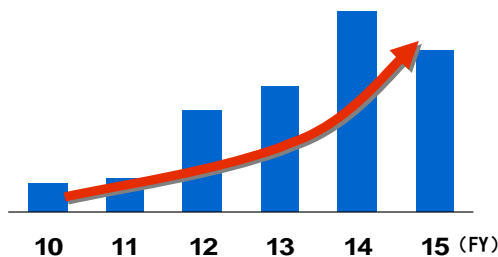
Gear for Growth: Social Infrastructure

Fire-fighting (FF) network ... digitalization

- A directives/communications system to quickly deploy appropriate resources corresponding to fire/emergency call.
- Investments are increasing sharply with the end of analogue fire and emergency radio in 2016.

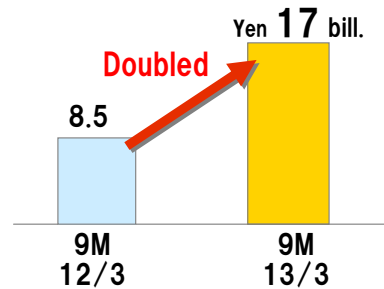
Investment scale (FF systems)

<Total size: ¥350 billion>



*Company estimated (based on delivery timing)

Orders Received (FF and DP community wireless)



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Next, I will explain the Social Infrastructure business.

I would like to talk about the fire-fighting network digitalization business, a particularly active market and we are strong in this market.

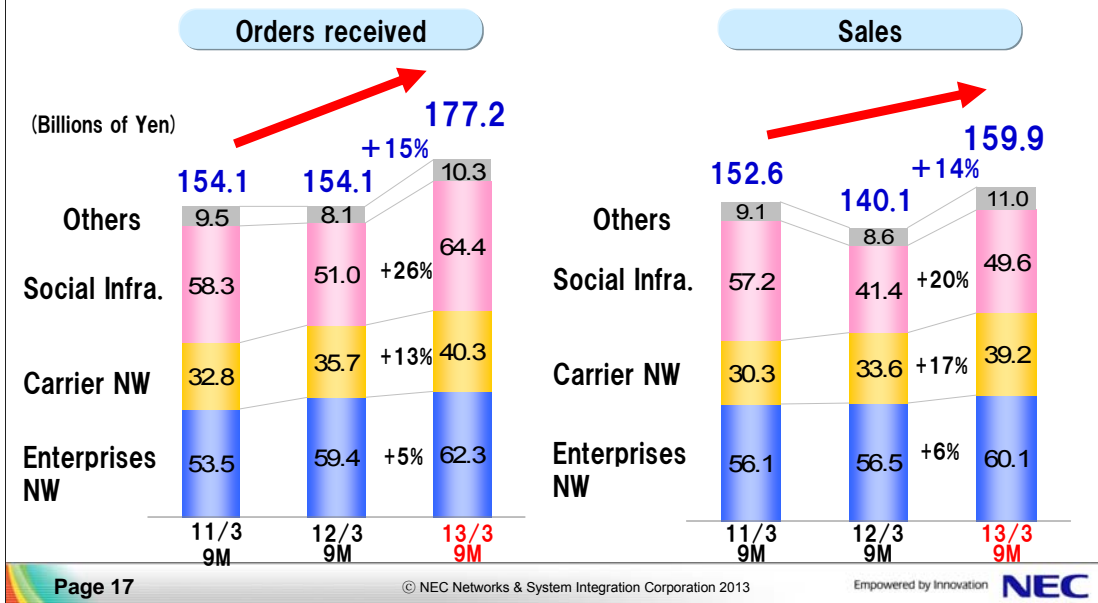
A fire-fighting system is a network system to rapidly provide services from responding to fire/first-aid emergency calls and issuing a mobilization order to vehicles for disaster relief activities, to support operations at a disaster site.

Investment in the digitization has accelerated because of the end of analogue waves in radio networks in 2016 as part of the national government policy on radio waves. Also demand to integrate fire headquarters to expand the service area preparing wide-area disaster is another driver.

The figure on the left shows the market size according to the timing of delivery. The total market scale is expected to be 350 billion yen and will expand towards 2015. Actual fire-fighting system related orders received for the current year have doubled from the previous year as a result of the active market. We will seize this market opportunity without fail.

Results of Current FY (9 Months) for Growth

Both sales and orders increased in all segments.



The charts show results for the first three quarters of the past three years.

For the current fiscal year, the results exceeded the year-ago levels in all segments thanks to the initiatives explained, which underscores our steady progress towards re-growth.

II. Gear for Growth !

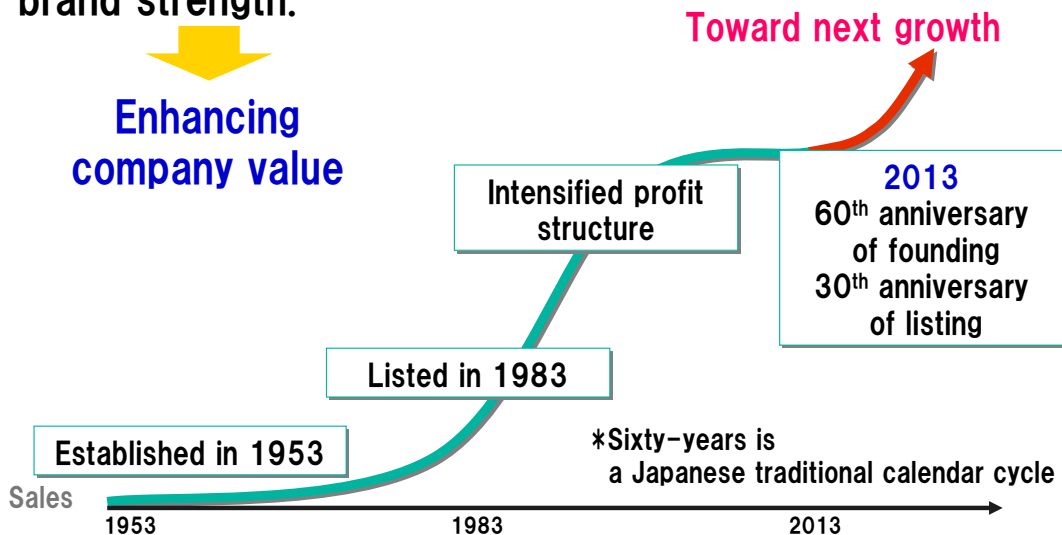
(2) Direction for Business Growth

Next, I would like to explain the direction for our future business growth.

At the Start of New 60-year Cycle

Next growth based on a stronger profit structure to coincide with our 60th anniversary toward an SI'er with brand strength.

Enhancing
company value



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This year marks the 60th anniversary of our foundation and the 30th anniversary of our listing.

In Japan, 60years means a cycle of life and we will be reborn to start second life.

To coincide with these anniversaries, we will gear for next growth and enhance our own brand and corporate value.

Basic Policies for Growth

Expansion of Service Business

Becoming a system integrator providing total solution (ICT+BPO)

- **Strategic Investment**

(Priority investment in growth areas and M&A)

- **Reinforcement of Business Platforms**

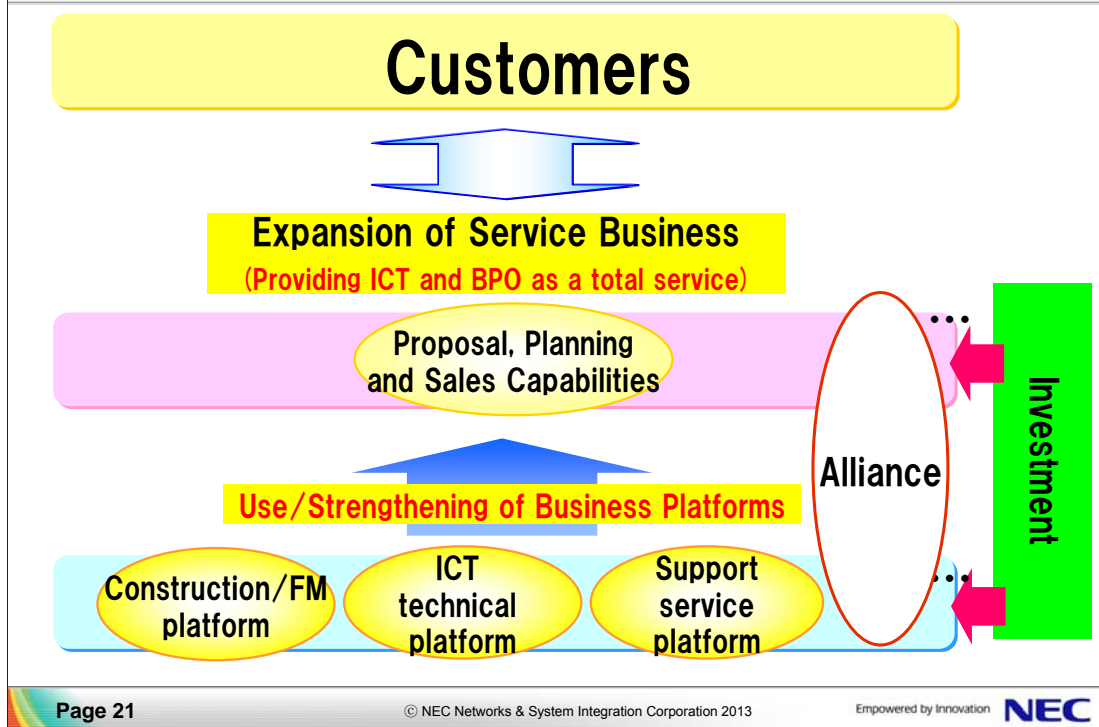
(ICT technical, Support service & Construction/FM platform)

Our basic policy for next growth is to expand service business.

We will seek to differentiate our company from its competitors by positioning ourselves as a total systems integrator offering a wide range of services, combining ICT and BPO.

To do that, we will make strategic investment into growth area and seek M&A. And also bolster our business platforms for service provision.

Basic Concept for Growth

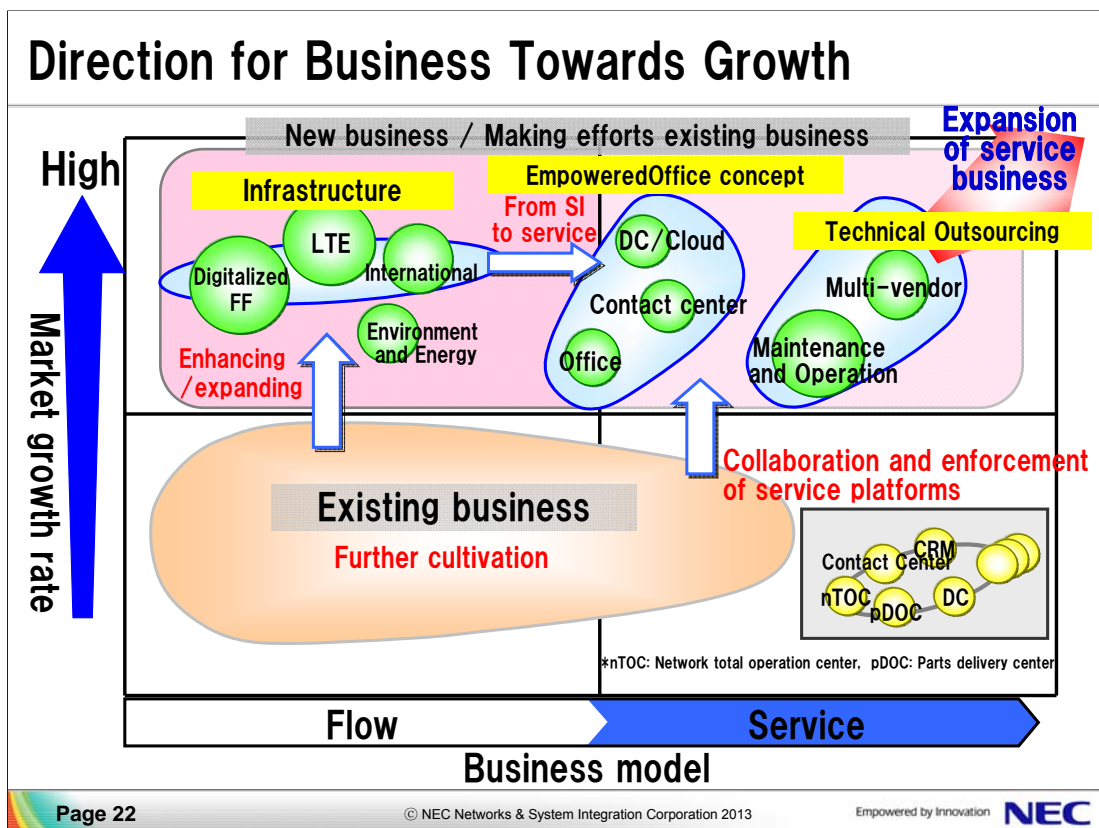


This chart shows our basic concept for growth.

As I have explained, we are the company to have a wide range of platforms.

These platforms include the construction or facility platform , first of all, and the ICT platform, and then a range of service platforms such as the support service platform and the cloud computing service platform.

We will strengthen these platforms through aggressive investment and alliances with partners, thereby providing customers with a comprehensive new service of ICT and BPO.



This chart shows key growth areas.

First, for the infrastructure business, we will focus on areas with medium-term growth potential, such as the digitalization of fire-fighting systems and LTE. In addition, we believe that we must expand new service businesses with an eye to the future.

By bolstering our service platforms such as the data centers, parts delivery center and network total operation center, and also strengthening collaboration among them, we gear for growth.

We will expand the new ICT and BPO services, including the contact center service and technical outsourcing, not only for companies but also for telecom carriers and governments.

* Base transceiver station (BTS)

Recent Measure: Acquisition of BTS Business

Seamless services for telecom carriers.

- Acquired BTS business (mainly are design, maintenance) from NEC Mobiling
1. Complete BTS business chain
 2. Optimal proposal capability for overall infrastructure (core NW and access NW) of telecom carriers

	Access NW (Base station)			Core NW
	NESIC (post integration)	NESIC	NEC Mobiling	NESIC
Design	○	△	○	○
Construction	○	○	△	○
Testing	○	○	○	○
Maintenance services	○	△	○	○

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This chart shows recent measure. We acquired BTS business platform from NEC mobiling to achieve seamless service for telecom carriers, such as area surveys/optimization, and maintenance services, which is a growth area in the infrastructure business domain.

Traditionally, we have enjoyed a particular edge in construction in the mobile base stations business. The acquisition has enabled us to reinforce the value chain for business related to base stations. We will also become the only company that can provide seamless services for all networks from the base stations and backbone networks.

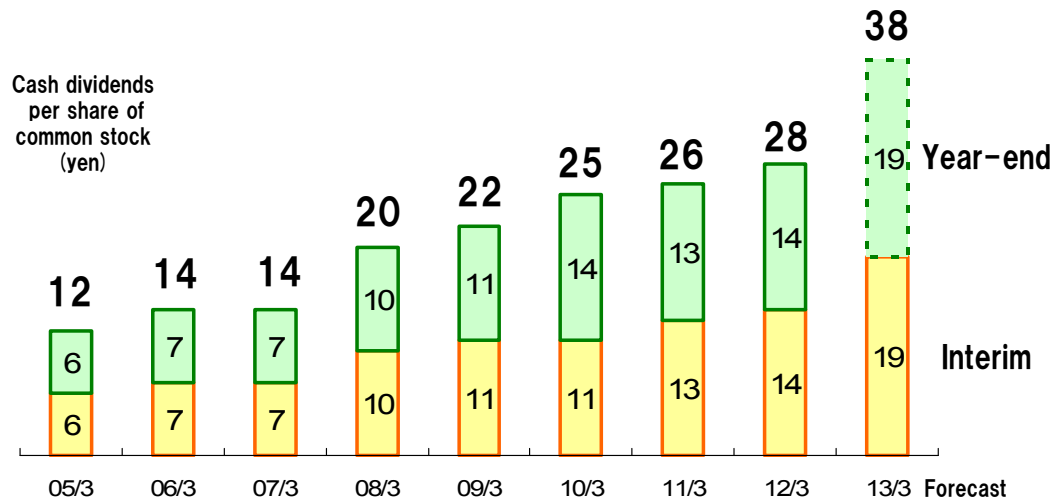
Expanding Shareholder Value

Finally, I will explain our basic idea to expand shareholders value.

Dividends

*Forecasts as of January 31, 2013

Continuing to increase direct return to shareholders, while focusing on boosting corporate value through growth investment



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We have gradually increased dividends in step with our improved profitability, while focusing on stable dividends. We planned a significant dividend increase because the cash position for the current fiscal year has improved considerably.

We understand the need to increase returns to shareholders. However, we are currently focused on boosting corporate value through investment in growth. By balancing returns to shareholders with investment, we aim to generate an overall return that satisfies all shareholders.

At the End

We pursue further growth & profitability

(Bill. Yen)	Information & Communication					
	NESIC	Otsuka Corp.	NRI	CTC	SCSK	Netone
Sales	230	516	355	315	280	160
<i>YoY</i>	12.4%	7.9%	5.8%	5.8%	39.8%	1.8%
Operating Income	11.5	28.3	45.0	27.0	20.0	11.3
<i>to Sales</i>	5.0%	5.5%	12.7%	8.6%	7.1%	7.0%
Net Income	6.8	16.3	28.0	16.0	15.0	6.9
<i>to Sales</i>	3.0%	3.2%	7.9%	5.1%	5.4%	4.3%
ROE	8.3%	13.3%	10.3%	10.3%	15.0%	11.4%
PER (times)	12.8	16.4	16.7	15.2	11.9	12.1
PBR (times)	1.1	2.1	1.7	1.6	1.7	1.4

*Source: FY12.3 forecasts and B/S at the end of the third quarter (except for Otsuka: FY12.12).
PER, PBR based on the price at the end of February 8, 2013

Ultimately, the table shows a performance and stock valuation comparison with other system integrators.

Our PBR is 1.1, and PER is 12.8 which are comparatively low among systems integrators.

However we will gear for sales growth and aim to further improve profits.

We hope that you will continue to follow our progress.

Thank you very much for your attentions.

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.

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<http://www.nesic.co.jp/english/ir>