



# **FY07/3**

# **Business Results**

# **Presentation**

**May 10, 2007**

**NEC Fielding, Ltd.**

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## 1. FY07/3 Consolidated Business Results

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## 2. FY08/3 Forecasts

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# 1. FY07/3 Consolidated Business Results

# Major Management Indicators

Units: Billion yen

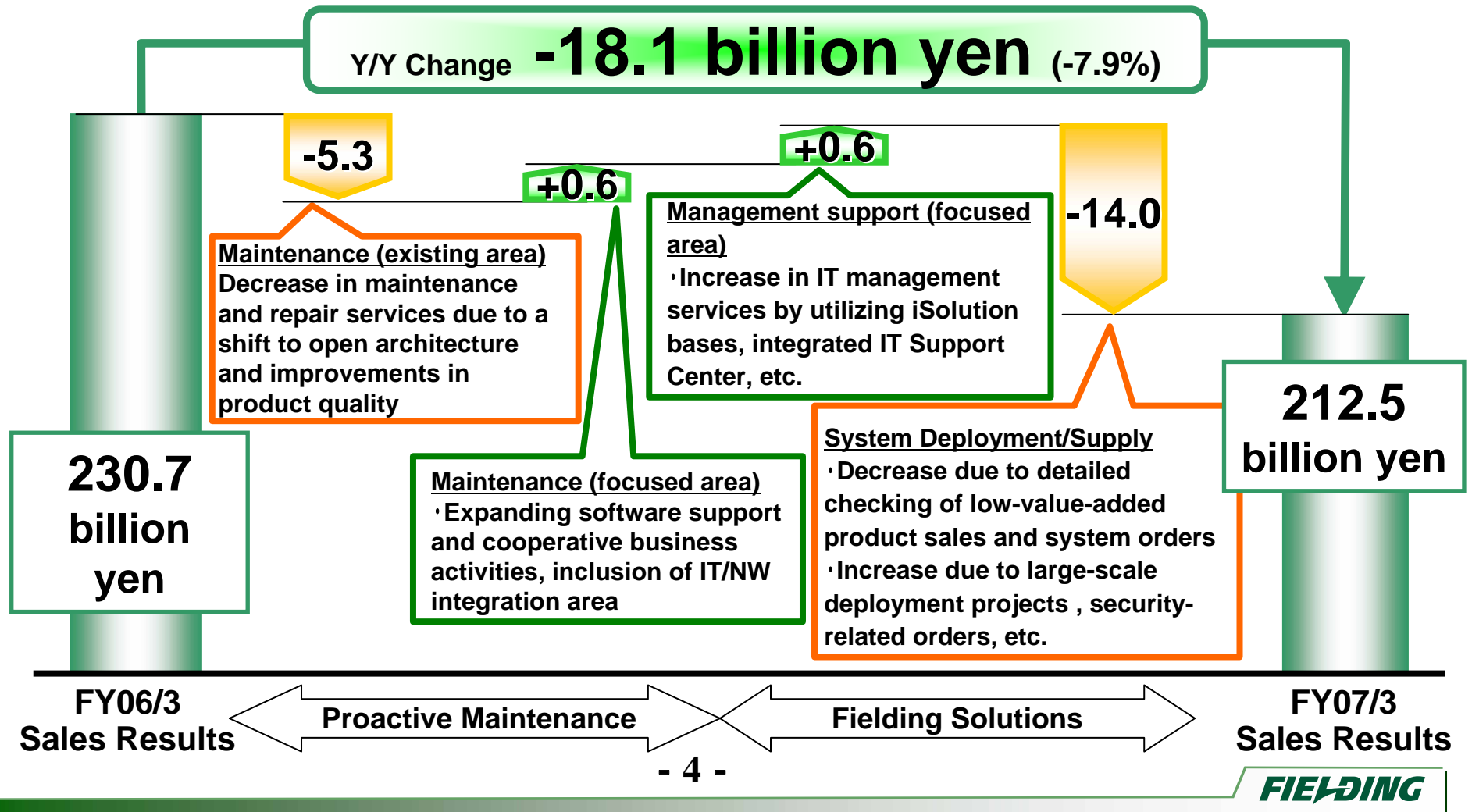
	FY07/3 Results		Compared* to Targets	Compared to FY06/3	
		% of Sales	Change	Change	Growth Rate
↘ Net Sales	<b>212.5</b>	-	<b>-12.5</b>	<b>-18.1</b>	<b>-7.9%</b>
↘ Proactive Maintenance	<b>93.8</b>	<b>44.1%</b>	<b>+0.8</b>	<b>-4.7</b>	<b>-4.8%</b>
↘ Fielding Solutions	<b>118.7</b>	<b>55.9%</b>	<b>-13.3</b>	<b>-13.4</b>	<b>-10.2%</b>
↘ Operating Income	<b>8.2</b>	<b>3.9%</b>	<b>+0.2</b>	<b>-1.7</b>	<b>-17.5%</b>
↘ Ordinary Income	<b>8.5</b>	<b>4.0%</b>	<b>+0.5</b>	<b>-1.7</b>	<b>-17.0%</b>
↘ Net Income	<b>4.4</b>	<b>2.1%</b>	<b>+0.4</b>	<b>-1.4</b>	<b>-25.0%</b>
↘ EPS (yen)	<b>81.50</b>	-	<b>+8.20</b>	<b>-26.84</b>	<b>-24.8%</b>
↘ Free Cash Flow	<b>+7.6</b>	-	<b>-</b>	<b>-2.7</b>	<b>-</b>
↘ ROE (Return on Equity) (%)	<b>7.1</b>	-	<b>-</b>	<b>-3.0</b>	<b>-</b>

\* Compared to targets: Target values at the announcement of first half results (October 26, 2006)

# Sales Fluctuation Factors (compared to FY06/3)

- Existing maintenance area continued to decline
- Sales in focused areas increased but service business and goods sales decreased

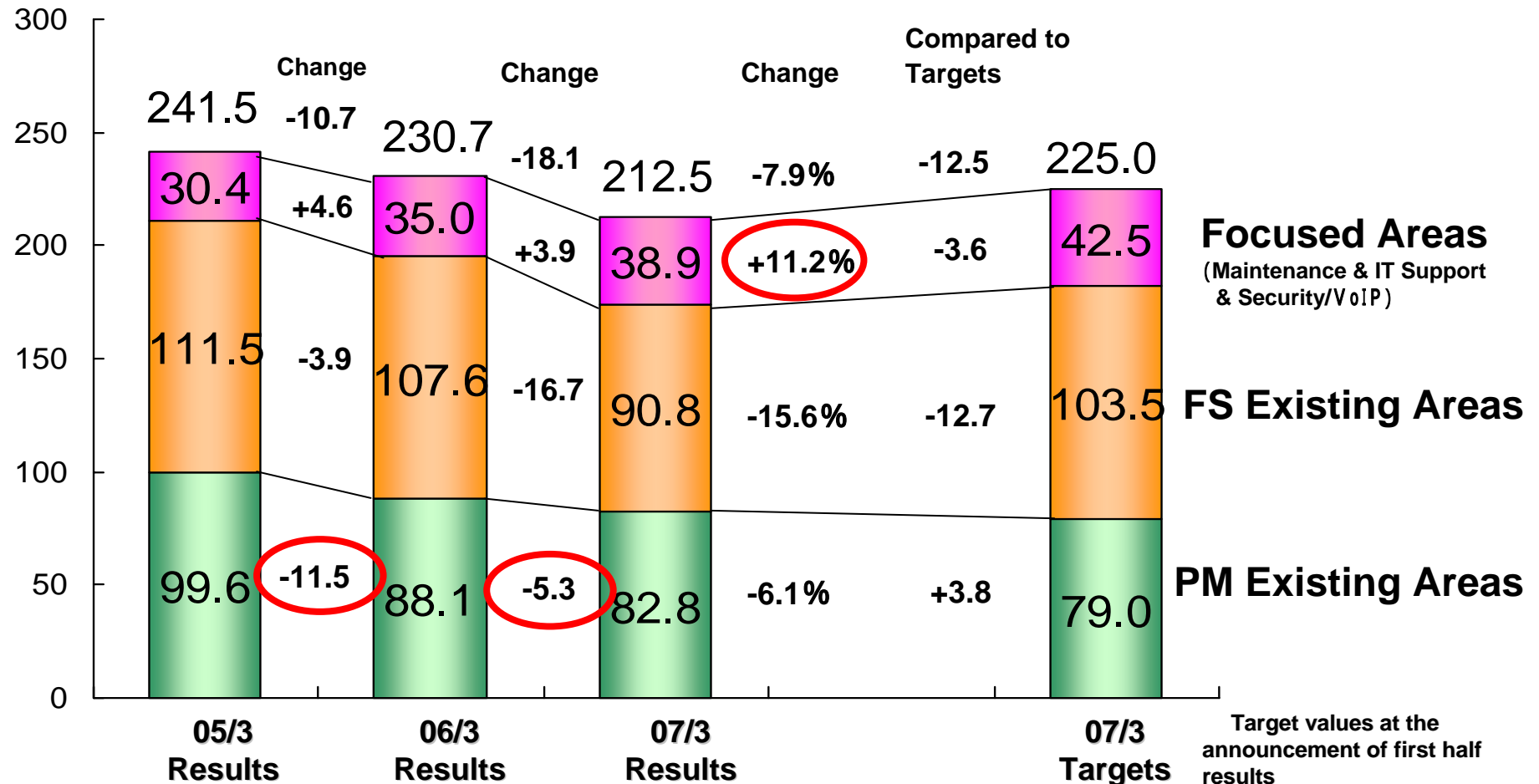
05/3 06/3 -11.5 billion yen  
06/3 07/3 -5.3 billion yen



# Sales Fluctuation Factors (compared to targets)

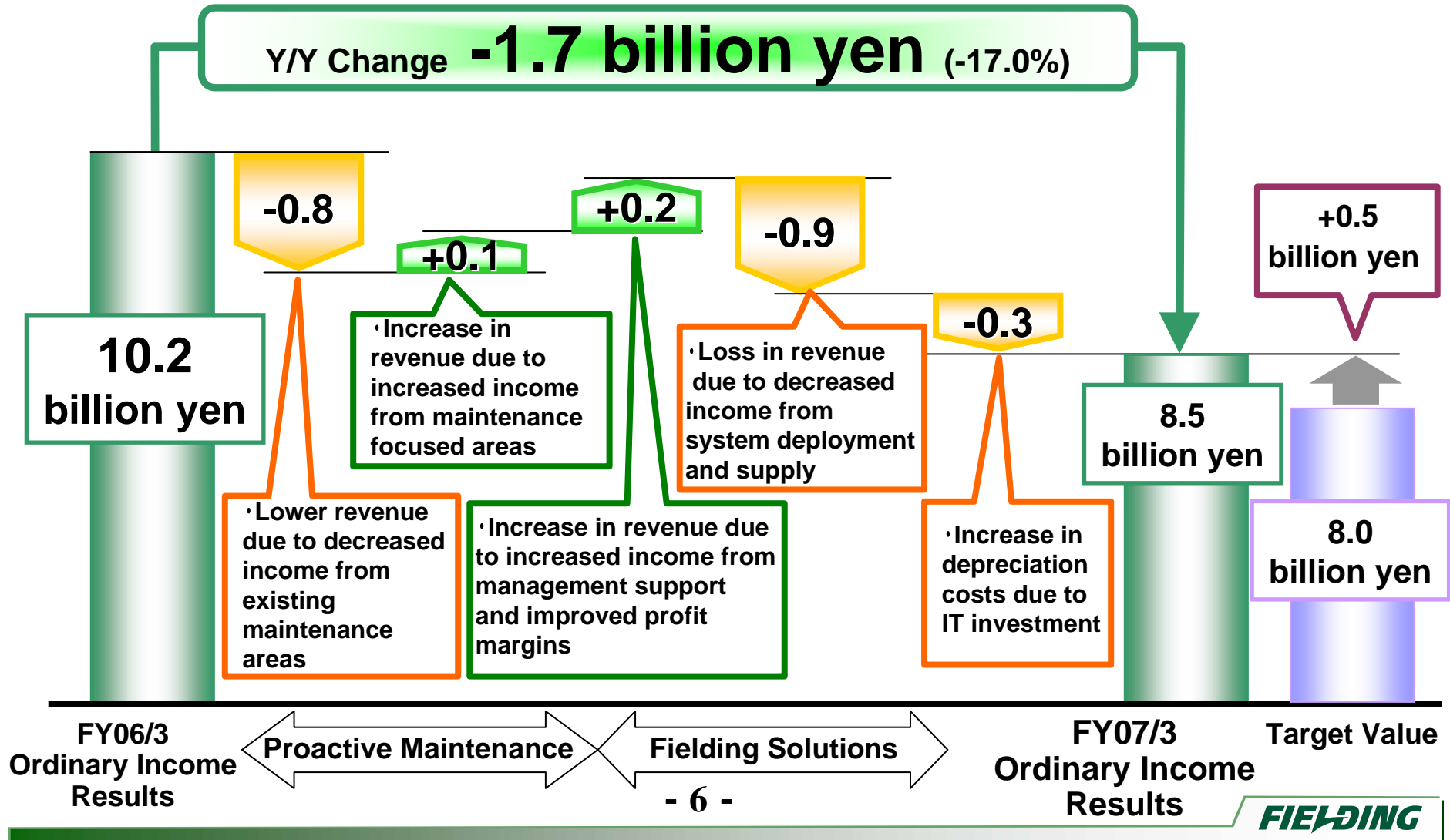
- Focused area increased 11% over FY06/3
- Existing Proactive Maintenance (PM) areas tended to stop falling in terms of revenue

Unit: Billion yen



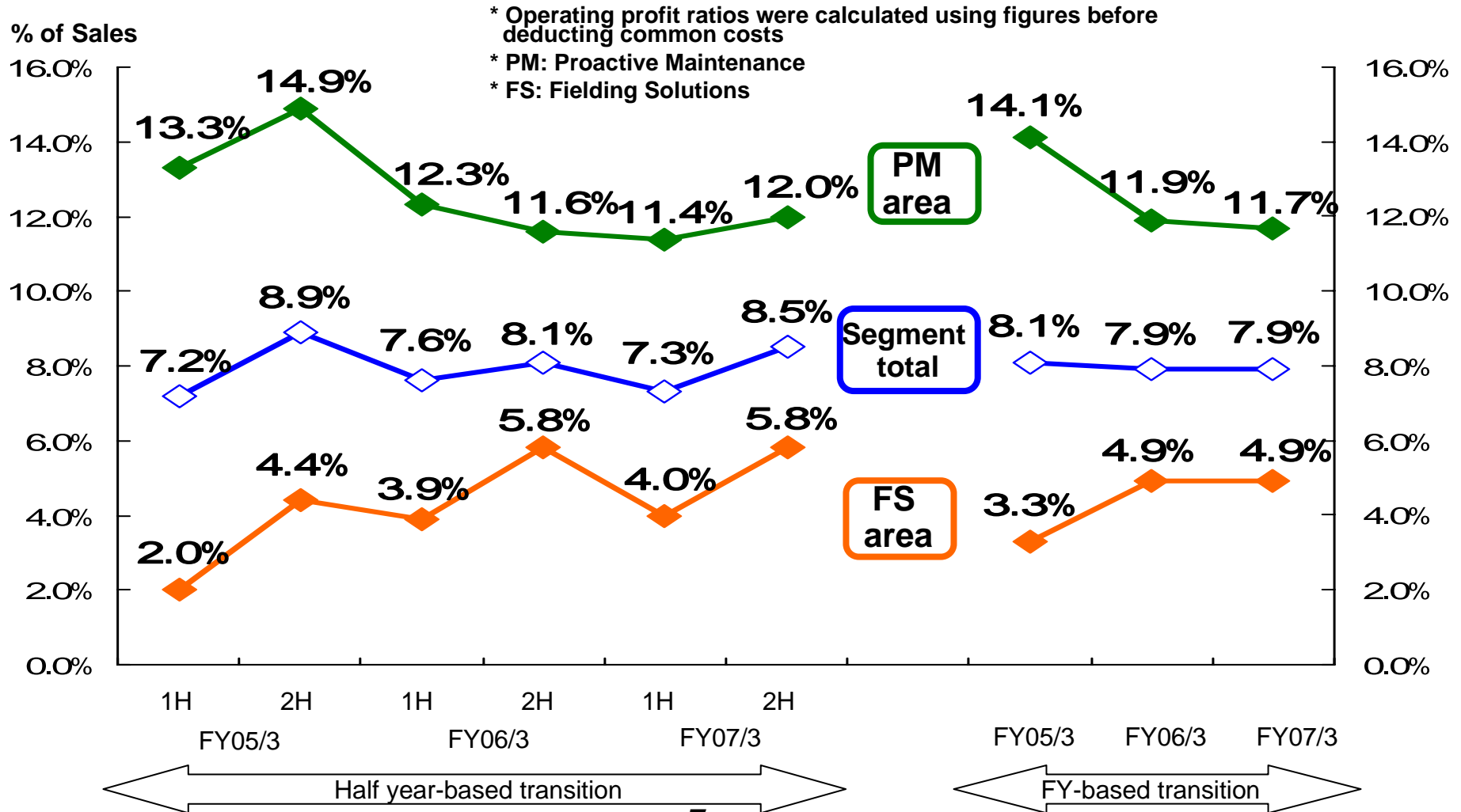
## Ordinary Income Fluctuation Factors (compared to FY06/3)

- Effects of cost reduction and increase in focused areas
- Decrease in income due to sales decline and increased investment costs



# Operating Profit Ratio by Segment

- Improvement in Proactive Maintenance (PM) profit ratio
- Profit ratios maintained in the overall income decline

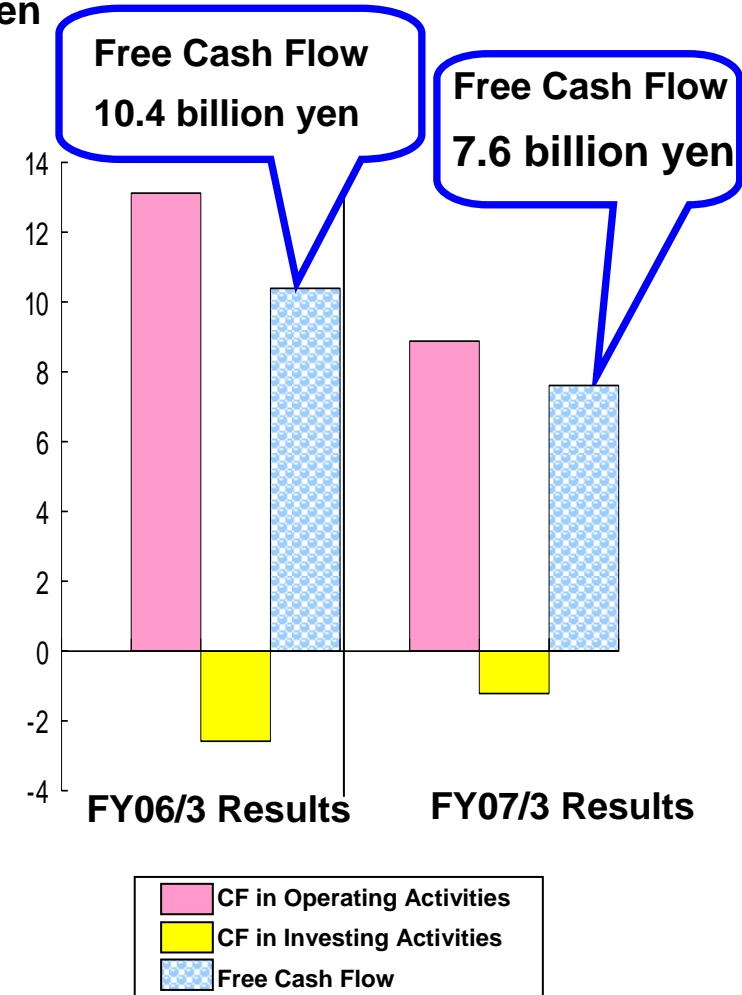


# Cash Flow

**Free Cash Flow: 7.6 billion yen (Y/Y -2.7 billion yen)**

Units: Billion yen

	FY07/3	Y/Y Change
↘CF in Operating Activities	<b>+8.9</b>	<b>-4.1</b>
↘Profit before tax	<b>+8.1</b>	<b>-1.1</b>
↘Corporate tax	<b>-3.6</b>	<b>-3.4</b>
↘Operating funds, etc.	<b>+1.9</b>	<b>-1.1</b>
↘Others	<b>+2.5</b>	<b>+1.5</b>
↘CF in Investing Activities	<b>-1.2</b>	<b>+1.4</b>
↘CF in Financing Activities	<b>-1.6</b>	<b>±0.0</b>
↘Cash & Cash Equivalents	<b>+17.7</b>	<b>+6.0</b>



# Balance Sheet

- Steady improvement of capital ratio (Y/Y +3.1pt)
- Improvement of asset liquidity ratio (Y/Y +16.9pt)

Units: Billion yen

2006/3 → 2007/3

## Assets

127.8  
→ **125.5**

- Cash & Cash Equivalents:  
+ 6.0 billion yen
- Trade Notes and Accounts Receivable:  
-6.9 billion yen
- Intangible Fixed Assets:  
-1.1 billion yen
- Prepaid Pension Cost:  
+ 2.1 billion yen
- Deferred Income Tax:  
-1.0 billion yen

## Liabilities

66.7  
→ **61.7**

· Trade Notes & Accounts Payable:  
-5.4 billion yen

## Net Assets

61.0  
→ **63.7**

### Capital Ratio

**50.8%**

(Y/Y Change:+3.1pt)

### Liquidity Ratio

**219.6%**

(Y/Y Change: +16.9pt)

· Retained Earnings:  
+2.7 billion yen

# Topics: First Half

## New Management

Toru Katayama assumed presidency (June)

## C S

Received “Excellence Award for “Best Contact Center of the Year, 2006” (August)

- Award for excellent IT user support for FY 2006, sponsored by the Japan Institute of Information Technology (JTIT)
- Our Call Center’s operational efforts for improving service quality were highly evaluated, including the accumulation and utilization of know-how using IT systems and the establishment of a troubleshooting process involving other vendors and carriers.

Acquired “HDI Support Center Certification” (September)

- Certified according to “Support Center Certification Standards Ver. 4,” the latest international certification standard (first in the Asia Pacific region and the fifth in the world)

# Topics: First Half

## Growth

### Released products in response to increasing security needs (July)

- Developed and commercialized “FIELDING Secu-R”: CD-R media that can encrypt and record data

### Provided solutions utilizing our Call Center’s know-how (July)

- Added “call center functions,” “maintenance technician management functions” and “maintenance parts inventory management functions” modeled after our maintenance systems to the NEC solutions for the after-sales service operations for manufacturers’

## CSR

### Social contributions/continued high appreciation from external institutions

- Supported the “World Heritage Theater” which deploys efforts to maintain and utilize world heritages (May)
- Cooperation in the “Short Shorts Film Festival,” the largest short film festival in Asia (May)
- Continuously selected for the “FTSE 4 Good Global Index” by FTSE International, Ltd. in the U.K. as FTSE highly appraise our efforts for environmental protection and constructive relationships with stakeholders (June)
- Selected as one of the “225 Companies with Excellent IR Websites” by Daiwa Investor Relations Co., Ltd. for four consecutive years, as Daiwa highly appraise our IR efforts made through the Internet (May)

# Topics: Second Half

## C S

### No. 1 rating achieved from customer satisfaction survey (October)

- Ranked No. 1 in maintenance and support for 5 consecutive years in Japan Solution Provider Satisfaction Study (J. D. Power Asia Pacific)
- Ranked No. 1 in the IT management service in the 11<sup>th</sup> Customer Satisfaction Survey conducted by the Nikkei Computer magazine

## Growth

### New service responding to increasing information security needs (November)

- Started the “ISMS” development support service, a consultation service to help enterprises and government offices establish comprehensive security management systems

### NEC Fielding Information Technology Services (Beijing) Co., Ltd. became a wholly-owned subsidiary to accelerate business deployment in China (December)

### Opened an online shop “e-lding” for corporate members (March)

- Initiated an online shop to strengthen services for individual customers and improve convenience, increasing the number of office items to about 17,000 including computer supply products

# Topics: Second Half

## CSR

### Continued high appreciation from external institutions (December)

- Selected by Nikko Investor Relations Co., Ltd. for the best corporate website in terms of understandability, user-friendliness and quality of information in the ALL Listed Company Website Survey

### Establishment of the “Sales Governance Division” to further strengthen internal control (March)

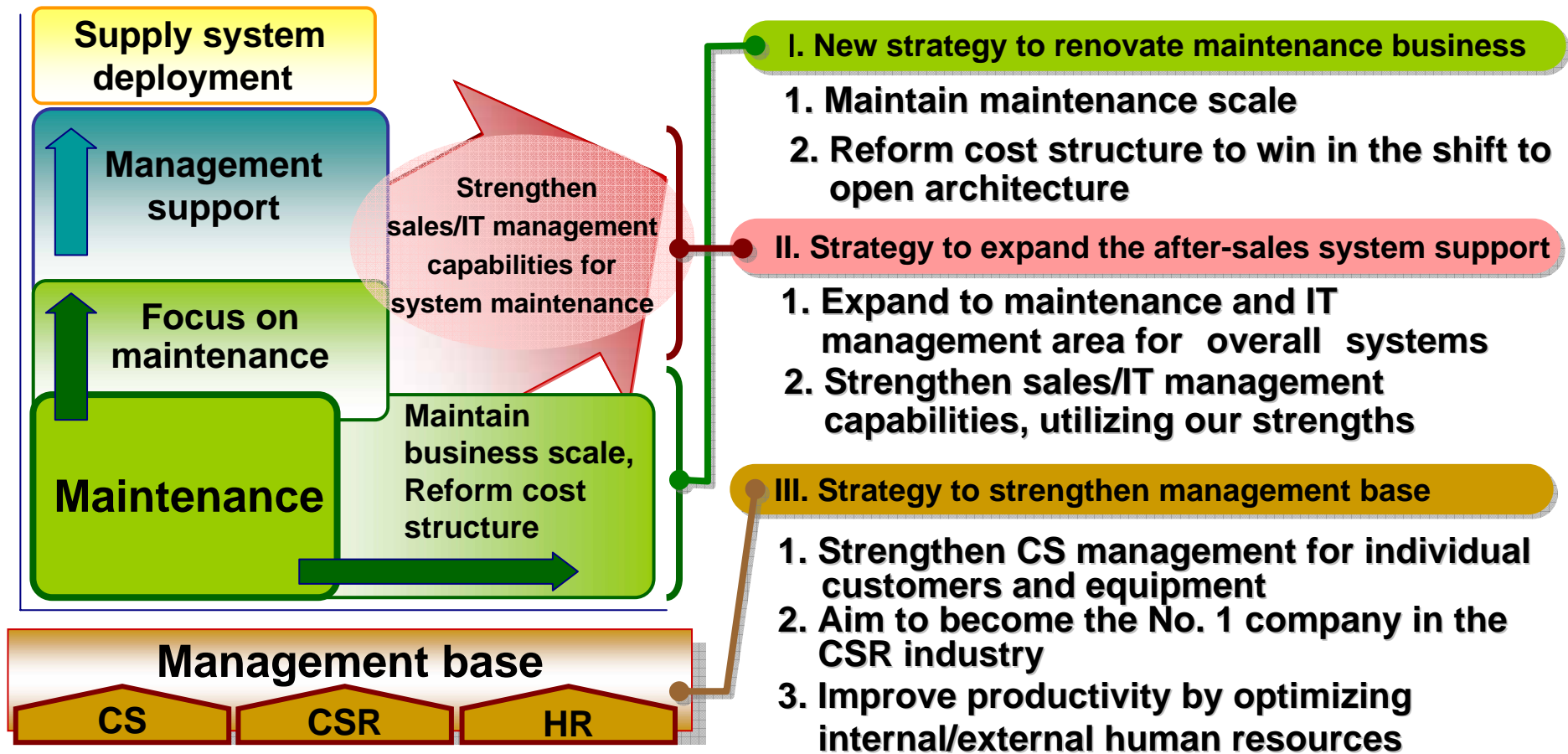
### Received an excellence award for “Environmental-Conscious Management” (March)

- Received the award from the Japan Environmental-Conscious Management Awards Committee, which recognized our stance aimed at the “establishment of a sustainable society” and our efforts for the development of environmental-conscious management and the creation of an environmental-conscious culture

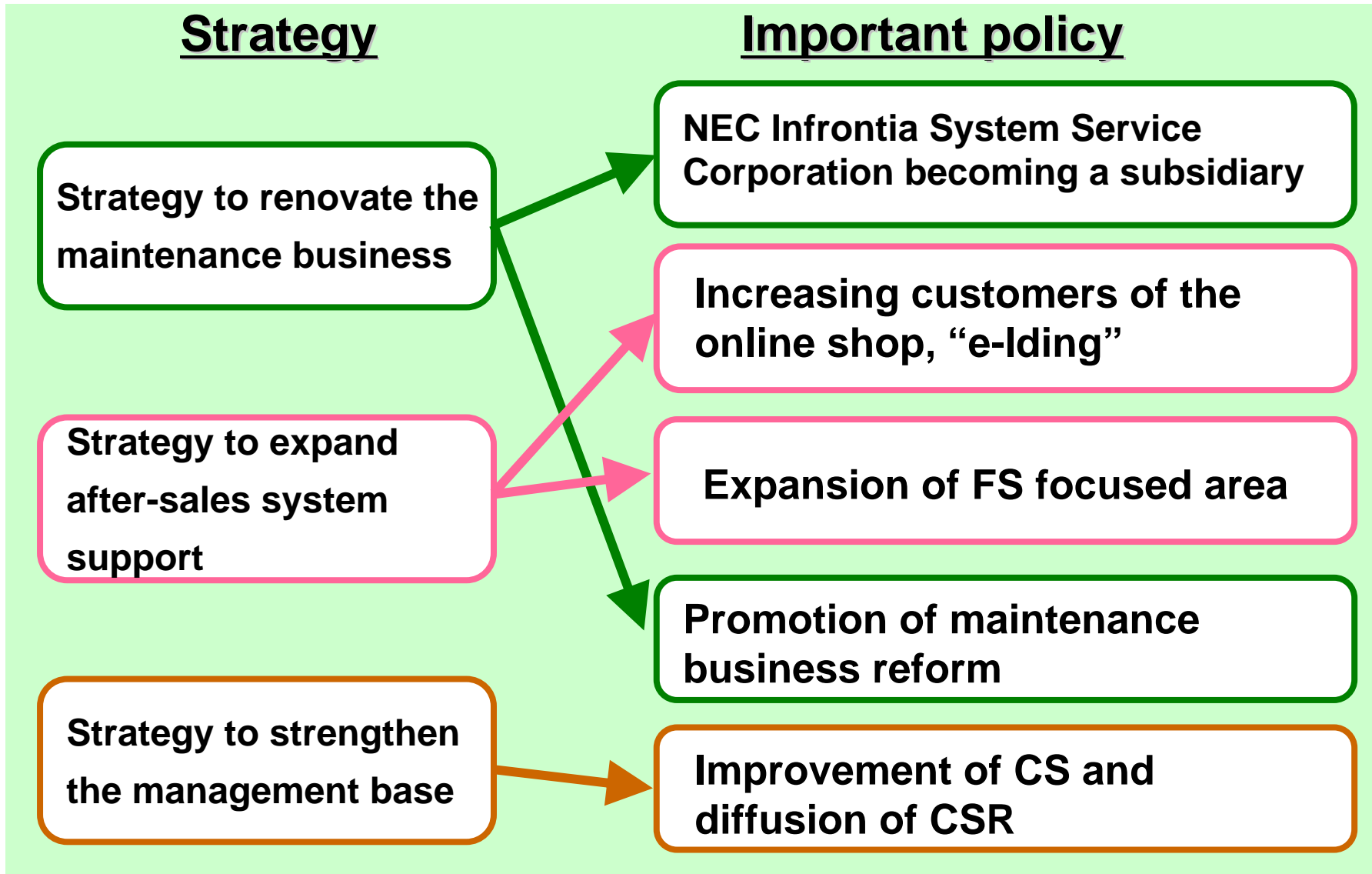
## 2. FY08/3 Forecasts

# FY08/3 Target

## Turning Around to Increase Income and Profit ~ for Steady Growth ~



# Important Policies



## NEC Infrontia System Service Corporation Becoming a Subsidiary

**Strengthen installation and maintenance service businesses for the distribution industry and in the field of IT/Network integration**

- 1. Purpose: Strengthen business systems related to the installation and maintenance of POS and network systems**
- 2. Merit: Improve field capabilities through mutually complementing strengths**
  - Improve competitiveness through the establishment of a maintenance business system for the distribution industry and the reduction of maintenance costs
  - Strengthen the one-stop support system in the field of IT/Network integration
- 3. Corporate stock: Obtain shares of the NEC Infrontia Corporation in a stepwise manner to promote joint reform of maintenance businesses**

First Step July 2007- (Shareholding ratio - NEC Infrontia: 33%, NEC Fielding: 67%)

Second Step April 2009- (Shareholding ratio - NEC Fielding: 100%)

# NEC Infrontia System Service Corporation Becoming a Subsidiary

## Outline of NEC Infrontia System Service Corporation

Company name	NEC Infrontia System Service Corporation		
Description of business	Sales, installation, maintenance, repair and technical services for POSs, key telephone systems (including Aspire) and disaster prevention systems; as well as the design and construction of LAN systems		
Date of foundation	March 12, 1984		
Head office	Takatsu-ku, Kawasaki-shi, Kanagawa		
Representative	President Kazuo Nishimura		
Capital	90 million yen		
Number of employees	368		
Number of offices	48 throughout Japan		
Business results	2005	Sales: 11.0 billion yen	Ordinary income: 300 million yen
	2006	Sales: 11.1 billion yen (approximate)	Ordinary income: 300 million yen (approximate)

\* Effects of business integration are to be announced in July.

# Increasing Customers of the Online Shop, “e-Iding”

## Securing/expanding contact points with customers and deployment to the solution business

### 1. Realize one-stop purchasing

- In addition to computer supply items, a wide range of general office items are offered.

Offer all items used at offices to improve convenience for customers

Number of items: 17,000

### 2. Strengthen benefits for customers

- Offer “My Page” to subscribers

“My Catalog” function, order history reference service, recommendation function, “My Campaign” prices, and a point system where customers can exchange their points with items or services

### 3. Troubleshooting by the Web Support Desk

- Open the “IT General Shop” and offer our support and services for customers to deal with IT-related problems



<http://shop.fielding.co.jp>

# Expansion of FS Focused Areas

## Management support area

### 1. Strengthen sale and support systems

- Integrate NEC industry-based sales contacts in the Higashi Nihon System Service Division
- Offer services for overall platform LCM \*

Establish the Platform Services Business Promotion Headquarters

\* LCM (Life Cycle Management): Services and management of entire systems offered by NEC Fielding throughout the lifecycle of computer systems, including design, configuration, introduction, operation, maintenance, improvements, and disposal

### 2. Establishment and expansion of new services

- Expand IT management services for thin client systems in cooperation with NEC
- Strengthen remote maintenance and IT management utilizing the Integrated IT Management Center

### 3. Development and reinforcement of personnel for IT management and system maintenance

- Human resources development utilizing the IT Platform Verification Laboratory

## Security/VoIP area

### 1. Expansion of security management business

- Establish the Security Consultation Department in the Network Security Business Promotion Headquarters to develop personnel capable of consultations and proposals as well as to strengthen sales capabilities

### 2. Expansion of NGN business area

- Develop personnel for NGN management and maintenance services in cooperation with NEC

# Promotion of Maintenance Business Reforms

## Maintaining the scale of business

1. **NEC Infrontia System Service Corporation becomes a subsidiary**
2. **Active promotion of cooperative business activities**
  - Increase business with foreign vendors and cooperative business activities utilizing service quality
3. **Promotion of activities to increase maintenance orders**
  - Increase maintenance orders by strengthening contract management for equipment we sell and by identifying targets
  - Offer packaged services combining maintenance contracts and equipment sales

## Reforming cost structure

1. **Activities to renovate production deployed by equipment groups**
  - Thorough improvement of efficiency in transportation, warehouse operation and repair processes
  - Inventory control and cost reduction by introducing Toyota Motor Corporation's manufacturing system
2. **Reform of maintenance formation by expanding the Distribution Industry Maintenance Center**
  - Improvement of productivity and skills through concentrated handling of same-type equipment, as well as improvement of management efficiency

# Improvement of CS and Diffusion of CSR

## CS: Strengthen CS management for individual customers/equipment

### 1. Continued promotion of CSMP<sup>\*</sup> activities

\*CSMP (Customer Service-level Management Program): CS improvement activity with a focus on customer/equipment-based satisfaction, such as offering our services based on an agreement on service quality between NEC Fielding and customers

### 2. Strengthen capability to respond to customers by establishing specialized centers

· Improve CS by establishing specialized centers for PCs, printers, etc. in addition to a specialized center for terminals used in the distribution industry

## CSR: Aiming to become the No. 1 company in the industry

### 1. Strengthen compliance/information security

- Strengthening of internal control by the Sales Management Department
- Strengthening the security of CE terminals

### 2. Establishment of environmental-conscious management

· Expand the introduction of environmental management systems not only to consolidated subsidiaries but also to business partners

### 3. Strengthen development and utilization of business continuity plans

· Strengthen disaster recovery functions of the Company's IT infrastructure

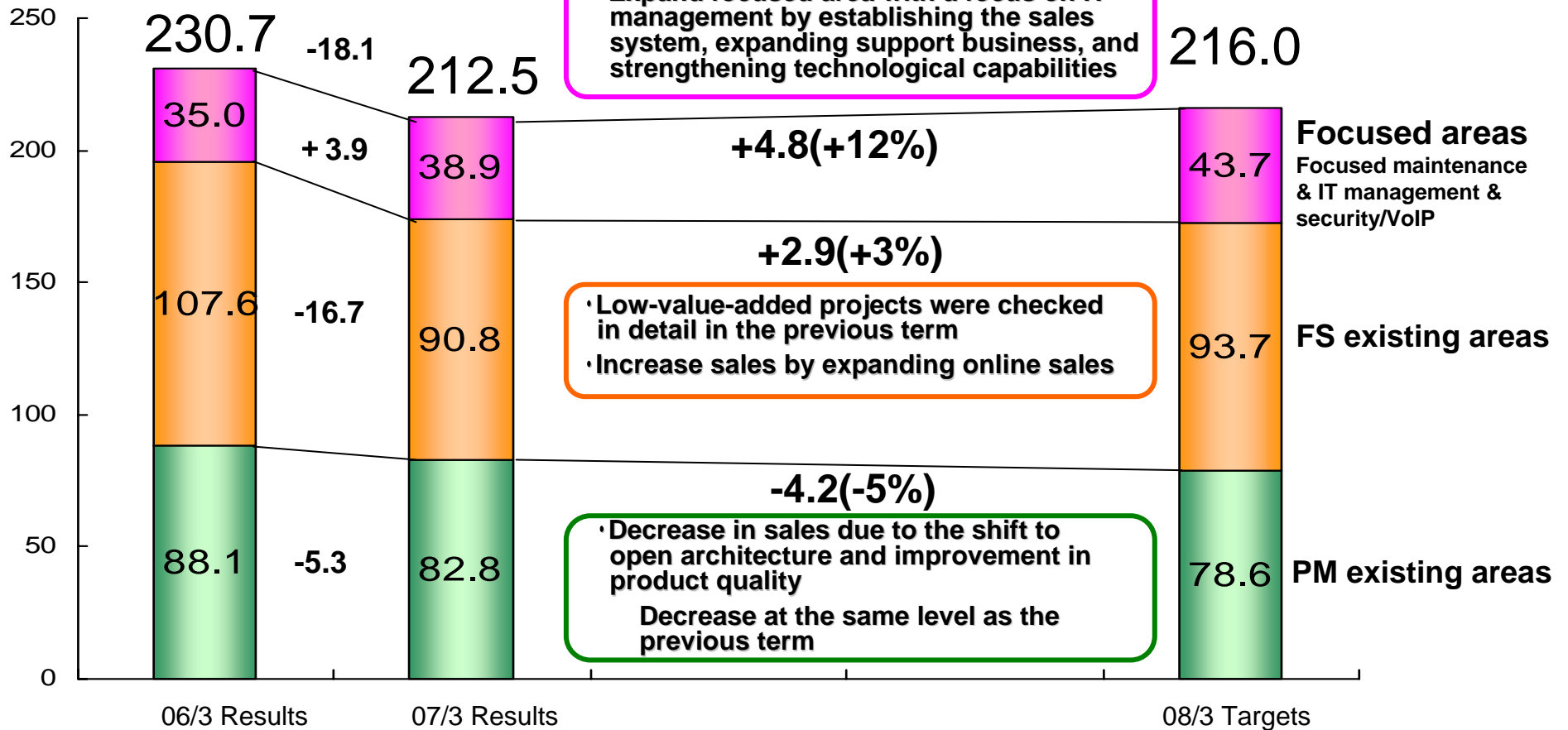
### 4. Establishment of a social contribution fund

# Sales Plan

**Increase revenue by complementing decreased income from PM existing area with income from focused area and new measures**

\* Excluding sales of the NEC Infrontia System Service

Units: Billion yen



# Ordinary Income Plan

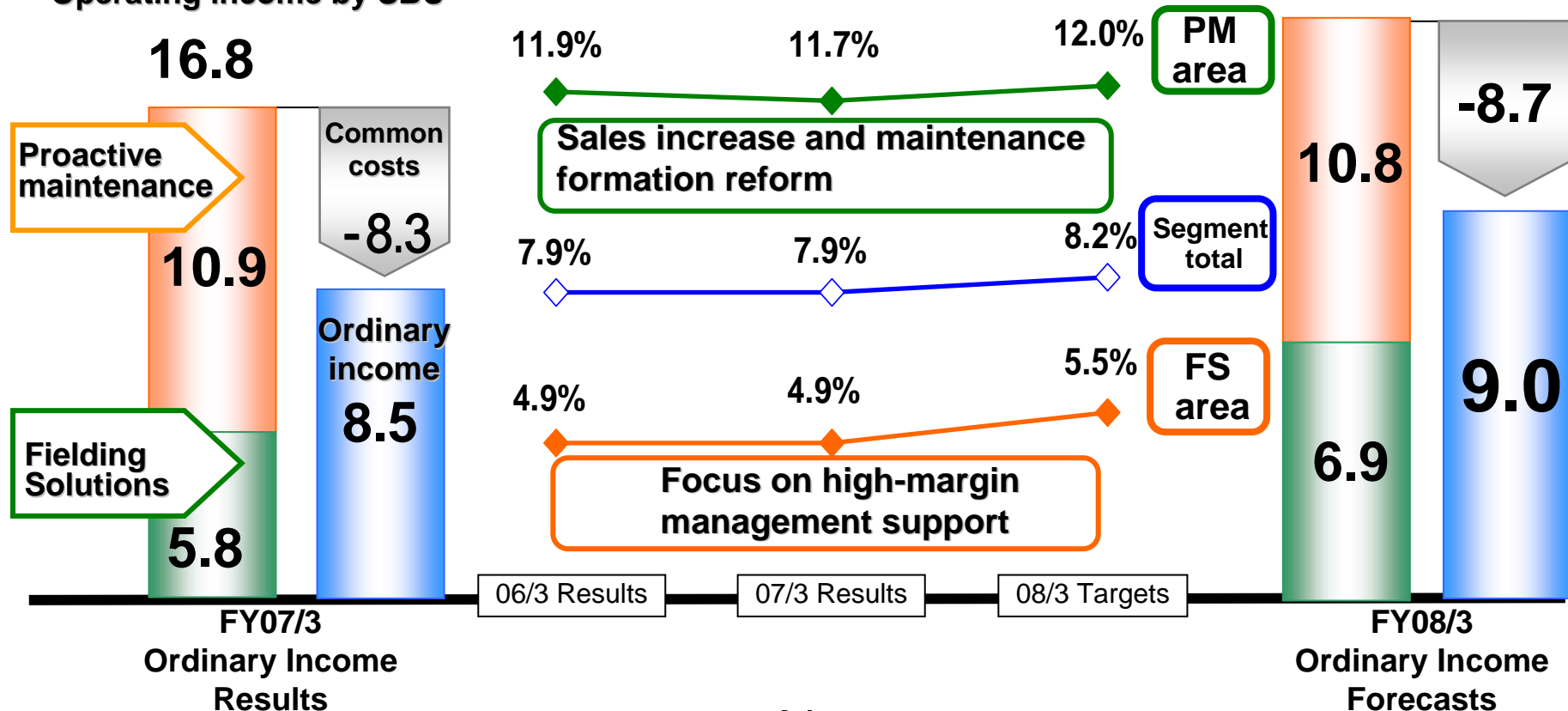
- 10% and above for the operating margin in Proactive Maintenance
- Increase in the sales and profit margin in Fielding Solutions to contribute to an increase in profits
- Strategic investment to continue

\* Excluding income of the NEC Infrontia System Service

\* Operating income by SBU before deducting common costs

Units: Billion yen

Operating income by SBU



# Major Management Indicators

Units: Billion yen

	FY07/3 Consolidated Business Results		FY08/3 Full Year Forecast		Compared to FY07/3	
		% of sales		% of sales	Change	Growth
↘ Net Sales	<b>212.5</b>	-	<b>216.0</b>	-	<b>+3.5</b>	<b>+1.6%</b>
↘ Proactive Maintenance	<b>93.8</b>	44.1%	<b>90.0</b>	41.7%	<b>-3.8</b>	<b>-4.1%</b>
↘ Fielding Solutions	<b>118.7</b>	55.9%	<b>126.0</b>	58.3%	<b>+7.3</b>	<b>+6.1%</b>
↘ Operating Income	<b>8.2</b>	3.9%	<b>9.0</b>	4.1%	<b>+0.8</b>	<b>+9.1%</b>
↘ Ordinary Income	<b>8.5</b>	4.0%	<b>9.0</b>	4.1%	<b>+0.5</b>	<b>+5.5%</b>
↘ Net Income	<b>4.4</b>	2.1%	<b>5.0</b>	2.0%	<b>+0.6</b>	<b>+12.5%</b>
↘ ROE (Return on Equity) (%)	<b>7.1</b>	-	<b>7.7</b>	-	<b>+0.6</b>	<b>-</b>

\* Excluding figures for the NEC Infrontia System Service

## Caution regarding forward-looking statements

Statements in this document with respect to NEC Fielding's strategies, plans, beliefs, and other statements related to future trends and performance are not historical facts, and as such involve risks and uncertainties.

Projections may differ materially from actual results due to a number of factors.

Key factors that could affect actual results include, but are not limited to, general economic conditions and social trends in NEC Fielding's markets as well as fluctuations in NEC Fielding's relative competitiveness due to changes in demand for the services provided by NEC Fielding.