

# Overview of Finance and Business Results as of the First Quarter of the Fiscal Year Ending March 31, 2005 (Consolidated)

July 28, 2004

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Listed Exchange: Tokyo Stock Exchange)  
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## 1. Changes in Preparation Method for Quarterly Finance and Business Results

- (a) Adoption of simplified method in accounting method: Yes  
(Description) The simplified method has been adopted for tax effect accounting.  
(b) Changes in accounting method since the last financial year-end: None  
(c) Changes in consolidation and equity method application scope: None

## 2. Overview of Finance and Business Results as of the First Quarter of the Fiscal Year Ending March 31, 2005 (April 1, 2004 through December 31, 2005)

### (1) Consolidated business results (Amounts were rounded down to omit fractions less than 1 million yen)

	Sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q FY2004	14,267	5.2	1,091	(1.9)	1,074	2.2	664	10.9
1Q FY2003	13,562	-	1,111	-	1,051	-	599	-
(For Reference)FY2003	83,394	-	8,985	-	8,622	-	5,598	-

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
1Q FY2004	27.14	-
1Q FY2003	28.56	-
(For Reference)FY2003	244.38	-

- (Notes)
- Percentages shown in sales and operating profits indicate changes from the same nine-month period in the previous fiscal year.
  - Since the first quarter falls in the first year that the company is preparing consolidated financial statements, there are no interim or full-year consolidated results for the previous fiscal year.
  - The company conducted a 20-for-1 stock split on June 12, 2003. Per share net profit for the first quarter of the previous year and the previous fiscal year reflect the effect of the stock split and have been retroactively adjusted.

### [Qualitative discussion of consolidated business results]

During the first quarter of the current fiscal year, the Japanese economy showed signs of recovery as corporate earnings improved and capital expenditures began to climb. According to METI (the Ministry of Economy, Trade and Industry)'s Monthly Survey on IT Services Market, amount of sales in the information services industry in both April and May surpassed those in the same period last year.

Consolidated results for the first quarter (April 1, 2004 through June 30, 2004) were: 14,267 million yen in sales (up 5.2% from the same period last year), 1,074 million yen in ordinary profit (up 2.2% from the same period last year), and 664 million yen in net profit (up 10.9% from the same period last year).

The IT Platform Software Business continued to show steady growth in Open Mission Critical Systems and platform software development for mobile phones as well as in infrastructure construction, technological support and consulting services for the backbone systems. Consolidated sales from this segment for the first quarter totaled 6,928 million yen, up 13.6% from the same period last year.

In the SI Services Business, system construction of Open Mission Critical Systems for telecommunications and manufacturers grew, though backbone system construction for financial services decreased. As a result, consolidated sales from this sector for the first quarter totaled 7,339 million yen, on par with the same period last year.

<Earnings trend in the third quarter>

In Japan, many companies adopt an accounting year starting in April and ending in March, and therefore receipt of software development and system implementation orders tends to fall in September and March. Since we post sales at the time of order receipt, our group earnings face seasonal fluctuations, with both sales and profits for the first and third quarters appearing smaller than they really are, while a greater portion is posted in the second and fourth quarters.

## (2) Changes in consolidated financial conditions

	Total Assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
1Q FY2004	53,850	36,405	67.6	1,487.28
1Q FY2003	34,615	18,651	53.9	889.12
(For Reference)FY2003	63,225	36,283	57.4	1,482.28

(Notes) Since the first quarter falls in the first year that the company is preparing consolidated financial statements, there are no interim or full-year consolidated results for the previous fiscal year.

## Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from Investing activities	Cash flow from financing activities	Cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
1Q FY2004	(1,104)	(217)	(550)	23,352
1Q FY2003	65	(135)	(900)	10,904
(For Reference)FY2003	2,925	(1,101)	11,611	25,206

### [Qualitative discussion of changes in consolidated financial conditions]

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the first quarter were 23,352 million yen, decrease of 1,854 million yen from the beginning of the period. Cash flow for the first quarter is as follows.

#### (Cash flow from operating activities)

The net decrease in funds used by operating activities was 1,104 million yen. Major components of the increase in funds were the first quarter net profit before adjustment for taxes of 1,082 million yen and a drop in accounts receivable of 12,752 million yen. Major components of the decrease in funds were the increase in inventories of 4,476 million yen, the decrease in purchase liabilities of 6,521 million yen, and the payment of taxes such as the corporate tax of 2,480 million yen.

#### (Cash flow from investing activities)

The net decrease in funds used by investing activities was 217 million yen. This is mainly due to the payment relating to the opening of the Oimachi office and the capitalization of software developed in-house as intangible fixed assets.

#### (Cash flow from financing activities)

The net decrease in funds used by financing activities was 550 million yen. This is attributed to dividend payments.

## 3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 2005 (April 1, 2004 through March 31, 2005)

	Sales	Ordinary profit	Net profit
	Millions of yen	Millions of yen	Millions of yen
Mid-term	41,400	4,240	2,470
Full year	90,000	9,200	5,340

(For Reference) Net profit per share (Full year) 218.16 yen

(Note) This forecast contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

### [Qualitative discussion of earnings forecasts]

Consolidated results of the first quarter of the fiscal year have been generally in line with the plans. There are no revisions to the mid-term and full-year consolidated forecasts that were announced when brief financial report for the FY2003, which ended March 2004, was released (April 28, 2004). (Non-consolidated mid-term and full-year forecasts remain unchanged as well.)

## (Appendix)

### 1. Consolidated Financial Statements of the First Quarter of the Fiscal Year Ending March 31, 2005

#### (1) The First Quarter Consolidated Balance Sheet

Account title	1Q FY2003 (As of June 30, 2003)		1Q FY2004 (As of June 30, 2004)		Year-on -year increase and decrease		(For Reference) FY2003	
	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)
<b>(ASSETS)</b>								
<b>I. Current assets</b>								
1. Cash and cash equivalents	8,518		6,928		(1,589)		10,993	
2. Deposits in affiliated companies	2,099		2,263		164		2,459	
3. Notes and accounts receivables	12,079		13,259		1,179		26,006	
4. Marketable securities	438		13,396		12,958		11,886	
5. Inventories	5,468		7,961		2,493		3,485	
6. Deferred tax assets	1,498		1,771		272		1,771	
7. Other assets	611		1,983		1,372		469	
Allowance for doubtful accounts	(7)		(4)		2		(12)	
Total current assets	30,708	88.7	47,561	88.3	16,852	54.9	57,060	90.2
<b>II. Fixed assets</b>								
1. Property, plant and equipment	564		513		(50)		491	
2. Intangible assets	363		485		122		479	
3. Investments and other assets								
(1)Deferred tax assets	2,027		1,961		(65)		1,961	
(2)Other assets	953		3,328		2,375		3,232	
Allowance for doubtful accounts	(0)		—		0		—	
Total	2,979		5,290		2,310		5,194	
Total fixed assets	3,907	11.3	6,289	11.7	2,382	61.0	6,165	9.8
Total assets	34,615	100.0	53,850	100.0	19,235	55.6	63,225	100.0

Account title	1Q FY2003 (As of June 30, 2003)		1Q FY2004 (As of June 30, 2004)		Year-on -year increase and decrease		(For Reference) FY2003	
	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)
<b>(LIABILITIES)</b>								
<b>I. Current liabilities</b>								
1. Notes and Trade accounts payable	4,509		4,417		(92)		10,937	
2. Accrued expenses	2,807		3,221		414		4,430	
3. Accrued corporate taxes	540		635		94		2,630	
4. Other liabilities	1,623		2,156		533		1,839	
Total current liabilities	9,480	27.4	10,430	19.4	949	10.0	19,837	31.4
<b>II. Long-term liabilities</b>								
1. Accrued retirement benefits for employees	5,629		5,270		(359)		5,146	
2. Accrued retirement benefits for directors and corporate auditors	17		10		(6)		10	
3. Accrued annuity upon shift to defined contribution pension plan	–		1,130		1,130		1,295	
4. Other liabilities	10		2		(8)		2	
Total current liabilities	5,657	16.3	6,414	11.9	757	13.4	6,456	10.2
<b>Long-term liabilities</b>	15,138	43.7	16,845	31.3	1,707	11.3	26,293	41.6
<b>(MINORITY INTERESTS)</b>								
Minority interests	824	2.4	599	1.1	(225)	(27.4)	648	1.0
<b>(SHAREHOLDERS' EQUITY)</b>								
<b>I. Capital stock</b>	1,588	4.6	6,796	12.6	5,208	328.0	6,796	10.8
<b>II. Additional paid-in capital</b>	1,088	3.1	9,110	16.9	8,022	737.3	9,110	14.4
<b>III. Retained earnings</b>	15,977	46.2	20,539	38.1	4,562	28.6	20,426	32.3
<b>IV. Net unrealized gains on securities</b>	0	0.0	(0)	(0.0)	(0)	(540.7 )	(0)	(0.0)
<b>V. Accumulated foreign currency translation adjustments</b>	(1)	(0.0)	(39)	(0.0)	(38)	2,522. 8	(48)	(0.1)
Total shareholders' equity	18,651	53.9	36,405	67.6	17,753	95.2	36,283	57.4
Total liabilities, minority, interests and Shareholders' equity	34,615	100.0	53,850	100.0	19,235	55.6	63,225	100.0

(ii) The First quarter Consolidated Statement of Income

Account title	1Q FY2003 (As of June 30, 2003)		1Q FY2004 (As of June 30, 2004)		Year-on -year increase and decrease		(For Reference) FY2003	
	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)	Amount (Millions of yen)	Percent- age (%)
<b>I. Net sales</b>	13,562	100.0	14,267	100.0	705	5.2	83,394	100.0
<b>II. Cost of goods and services sold</b>	10,797	79.6	11,419	80.0	622	5.8	67,589	81.0
Gross profit	2,765	20.4	2,847	20.0	82	3.0	15,805	19.0
<b>III. Selling, general and administrative expenses</b>	1,653	12.2	1,756	12.4	103	6.3	6,819	8.2
1. Sales promotion expenses	307		361		53		1,306	
2. Allowance for doubtful accounts	–		–		–		1	
3. Salaries expenses	451		443		(7)		1,737	
4. Employee bonus	129		143		14		498	
5. Allowance for employees' retirement benefit	22		20		(1)		89	
6. Payroll taxes expense	94		75		(18)		289	
7. Depreciation expenses	14		9		(5)		67	
8. Allowance for depreciation on consolidation adjustment account	48		–		(48)		48	
9. Others	584		702		118		2,779	
Operating income	1,111	8.2	1,091	7.6	(20)	(1.9)	8,985	10.8
<b>IV. Non-operating income</b>	10	0.0	11	0.1	1	10.4	41	0.0
1. Interest income	2		4		2		10	
2. Dividend income	0		0		0		3	
3. Charge for insurance agency	5		5		0		20	
4. Others	2		1		(1)		7	
<b>V. Non-operating expenses</b>	70	0.5	27	0.2	(42)	(60.8)	403	0.5
1. Interest expenses	–		0		0		0	
2. Differences from changes in accounting standards for retirement benefits	60		25		(35)		206	
3. Loss on disposal of fixed assets	9		0		(9)		28	
4. New stock issuing expenses	–		–		–		81	
5. Expenses related to stock listing	–		–		–		85	
6. Others	–		2		2		0	
Ordinary income	1,051	7.7	1,074	7.5	23	2.2	8,622	10.3
<b>VI. Extraordinary gains</b>	12	0.1	8	0.1	(4)	(33.5)	1,485	1.8
1. Gain from return of allowance for doubtful accounts	12		8		(4)		–	
2. Extraordinary gain in return of the employee pension fund	–		–		–		1,485	
<b>VII. Extraordinary losses</b>	–	–	–	–	–	–	265	0.3

1. Loss from the amendment of retirement benefits	-		-		-		265	
Net income before adjustment for deferred income taxes	1,063	7.8	1,082	7.6	19	1.8	9,842	11.8
Corporate, inhabitants' and enterprise taxes	479	3.5	485	3.4	5	1.2	4,550	5.5
Enterprise tax adjustment	-	-	-	-	-	-	(208)	(0.3)
Minority interest losses	14	0.1	66	0.5	(52)	357.3	98	0.1
The first quarter net income	599	4.4	664	4.7	65	10.9	5,598	6.7

**(iii) The First quarter Consolidated Statement of Cash Flows**

	1Q FY2003 (As of June 30, 2003)	1Q FY2004 (As of June 30, 2004)	(For Reference) FY2003
Account title	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
<b>I. Cash flow from operating activities</b>			
1. Income before taxes	1,063	1,082	9,842
2. Depreciation	102	112	519
3. Allowance for depreciation on consolidation adjustment account	48	–	48
4. Increase (decrease) in accrued retirement benefits for employees	202	60	(1,964)
5. Increase (decrease) annuity upon shift to defined contribution pension plans	–	(164)	1,295
6. Increase (decrease) in accrued retirement benefits for directors and corporate auditors	–	–	(6)
7. Increase (decrease) in allowance for doubtful accounts	(12)	(8)	(7)
8. Interest and dividend income	(3)	(5)	(13)
9. Interest expenses	–	0	0
10. Loss on disposal of property, plant and equipment	9	0	28
11. New stock issuing expenses	–	–	81
12. Expenses related to stock listing	–	–	85
13. (Increase) decrease in sales credit	10,684	12,752	(3,268)
14. (Increase) decrease in inventories	(2,813)	(4,476)	(830)
15. (Increase) decrease in other assets	208	(62)	345
16. Increase (decrease) in purchase liabilities	(5,149)	(6,521)	1,280
17. Increase (decrease) in other liabilities	(950)	(782)	228
18. Increase (decrease) in consumption taxes payable	(577)	(618)	(24)
Subtotal	2,813	1,370	7,643
19. Interest and dividends received	2	4	13
20. Interest paid	–	(0)	(0)
21. Corporate taxes paid	(2,750)	(2,480)	(4,731)
Cash flow from operating activities	65	(1,104)	2,925
<b>II. Cash flow from investing activities</b>			
1. Payments for acquisition of property, plant and equipment	(59)	(87)	(127)
2. Payments for acquisition of intangible assets	(85)	(68)	(449)
3. Income from the sale of intangible fixed assets	–	–	1
4. Payments for acquisition of investments in securities	–	–	(32)
5. Disbursements for long-term loans	(1)	(1)	(2)
6. Payments received on long-term loans	2	1	6
7. Payments for acquisition of long-term prepaid expenses	–	–	(605)
8. Payments received on long	(1)	(62)	(1)
9. Payments received on long	9	0	108
Cash flow from investing activities	(135)	(217)	(1,101)
<b>III. Cash flow from financing activities</b>			
1. Proceeds from stock offerings	–	–	13,148
2. Expenses related to stock listing	–	–	(85)
3. Dividends paid	(900)	(550)	(1,451)
Cash flow from financing activities	(900)	(550)	11,611

<b>IV.</b>	<b>Effect of exchange rate changes on cash and cash equivalents</b>	(4)	18	(107)
<b>V.</b>	<b>Increase (decrease) in cash and cash equivalents</b>	(975)	(1,854)	13,326
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	11,372	25,206	11,372
<b>VII.</b>	<b>Cash and cash equivalents of newly consolidated subsidiary at the beginning of the period</b>	507	–	507
<b>VIII.</b>	<b>Cash and cash equivalents at end of the period</b>	10,904	23,352	25,206

## 2. Orders and Sales

### (1) Orders (Consolidated)

	Amount of orders accepted			
	Same quarter last year (1Q FY2003)	Current quarter (1Q FY2004)	increase and decrease	(For Reference) FY2003
	millions of yen	millions of yen	millions of yen	millions of yen
IT Platform Software Business	7,848	9,429	1,581	35,787
SI Services Business	12,822	13,559	737	51,419
Total	20,670	22,989	2,318	87,206

(Note) The figures above do not include consumption tax.

### (2) Sales (Consolidated)

	Same quarter last year (1Q FY2003)	Current quarter (1Q FY2004)	increase and decrease	(For Reference) FY2003
	millions of yen	millions of yen	millions of yen	millions of yen
IT Platform Software Business	6,101	6,928	826	34,163
SI Services Business	7,461	7,339	(121)	49,231

- (Note)
1. Transactions between segments are balanced out.
  2. Sales by major customers and their proportions of the total sales for the current quarter and for the same quarter last year are as follows.

	Same quarter last year (1Q FY2003)		Current quarter (1Q FY2004)		increase and decrease	(For Reference) FY2003	
	millions of yen	%	millions of yen	%	millions of yen	millions of yen	%
NEC Corporation	11,064	81.6	12,041	84.4	976	69,407	83.2

3. The figures above do not include consumption tax.