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Financial Results for the First 9 Months ending March 2023

January 30, 2023

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

9M FY2023/3 Summery

(¥ Bn.)	9M FY2022/3	9M FY2023/3	Change
Orders received	243.5	250.0	+3%
Net sales	218.8	221.9	+1%
Gross profit	42.0	43.5	+1.5
(to sales)	19.2%	19.6%	+0.4pt
SG&A	29.8	32.4	-2.5
Operating income	12.2	11.2	-1.0
(to sales)	(5.6%)	(5.0%)	-0.6pt
Net income attributable to owners of the parent	7.7	6.1	-1.6
(to sales)	(3.5%)	(2.8%)	-0.7pt
Free cash flows	9.2	-2.3	-11.6
Orders backlog	162.9	195.0	+20%

OP & NP decreased due to SG&A increase and FX impact, although orders backlog expanded

Orders:

- Led by DX, orders remained firm as a whole, with partial delay to 4Q

  Enterprises ↗ Telecom. carriers ↘

Sales:

- SI/construction sales were flat due to longer lead time of PJs

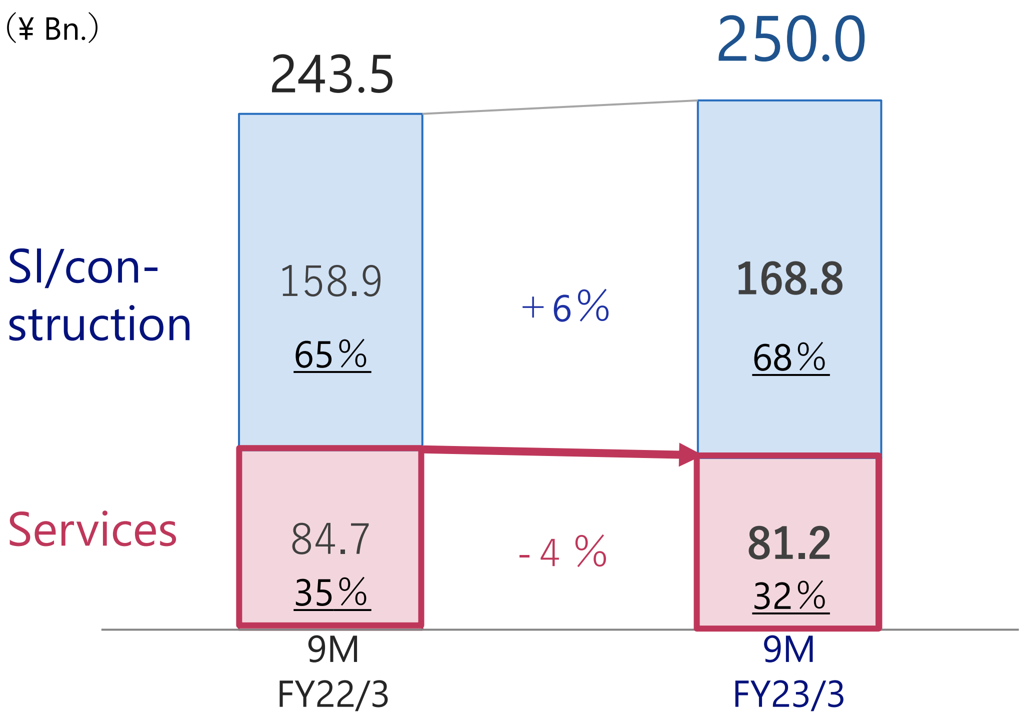
Profits:

- In addition to delayed sales, active SG&A increase (-2.5) and yen depreciation (-1.2) impacted
- Special factors (overseas) had positive impacts (+2.1)
  - Loss in Thai PJ (-1.1: 2Q)
  - Myanmar PJ (+3.2) *see P.3

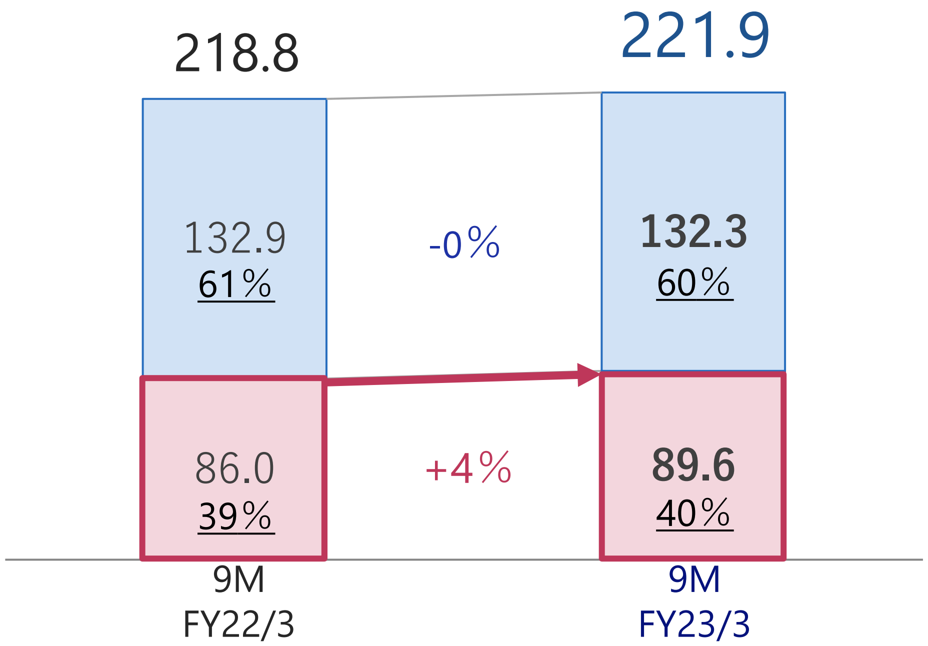
9M FY2023/3 Orders Received/Net Sales by Business Model

SI/construction: Orders increased with sales shift to 2H
Service: Although orders fluctuate due to the timing of large contracts, sales is steadily expanding (*Large contracts of government PJs in 1H, FY22/3)

Orders received

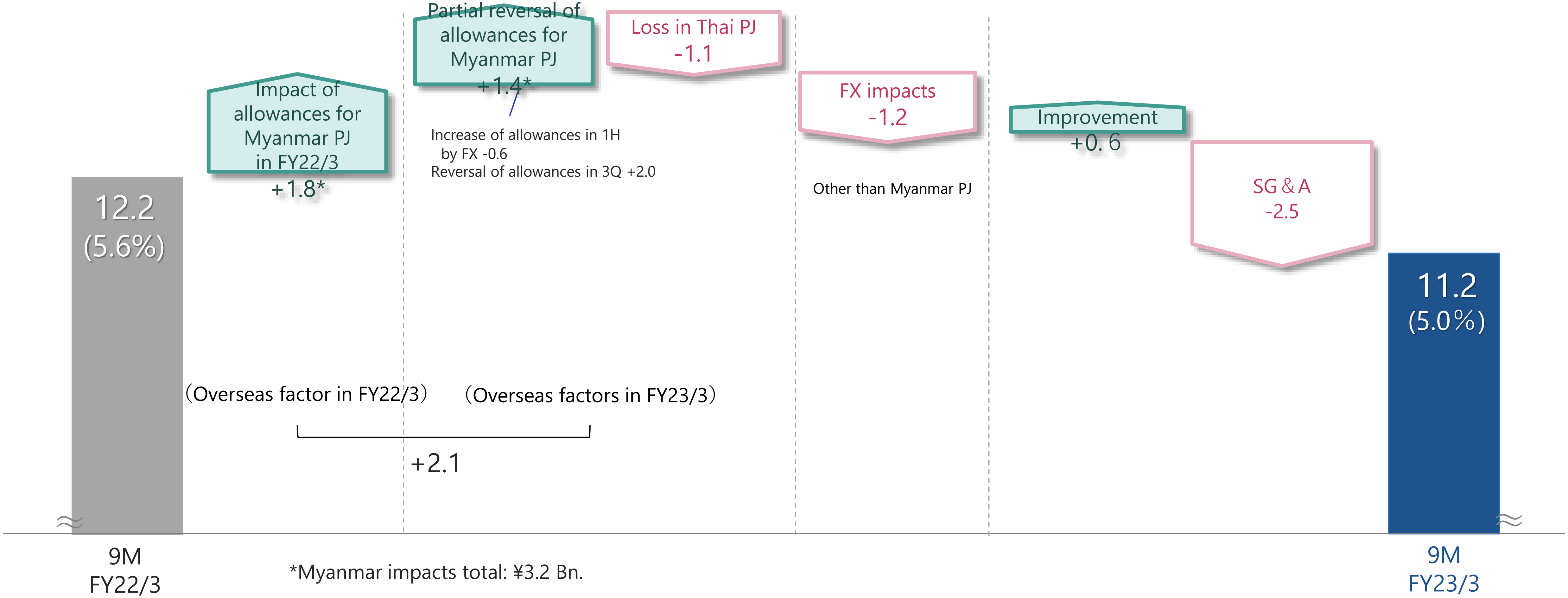


Net sales



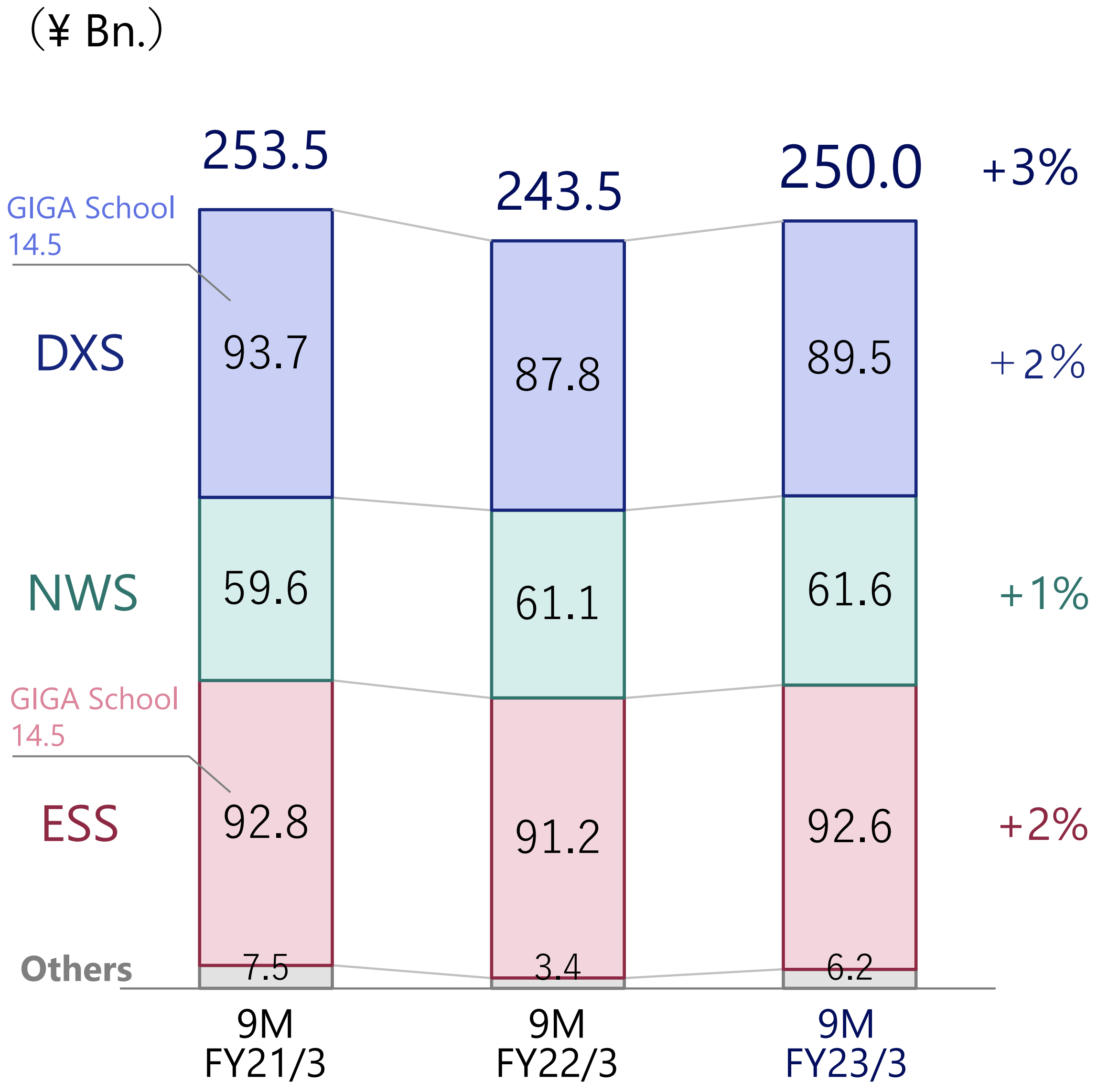
Operating Income Analysis

（¥ Bn.）



*Myanmar impacts total: ¥3.2 Bn.

9M FY2023/3 Orders Received by Segment



DX Solutions (DXS)

- Increased SI/construction area such as product biz for financial companies (+2.9)
- DX/workstyle field was strong despite of absence of large PJs in FY22/3 (+10%)

Network Solutions (NWS)

- Local 5G & marine biz increased
- Telecom carrier biz decreased

  -Value-added biz such as support of efficient operation using DX increased

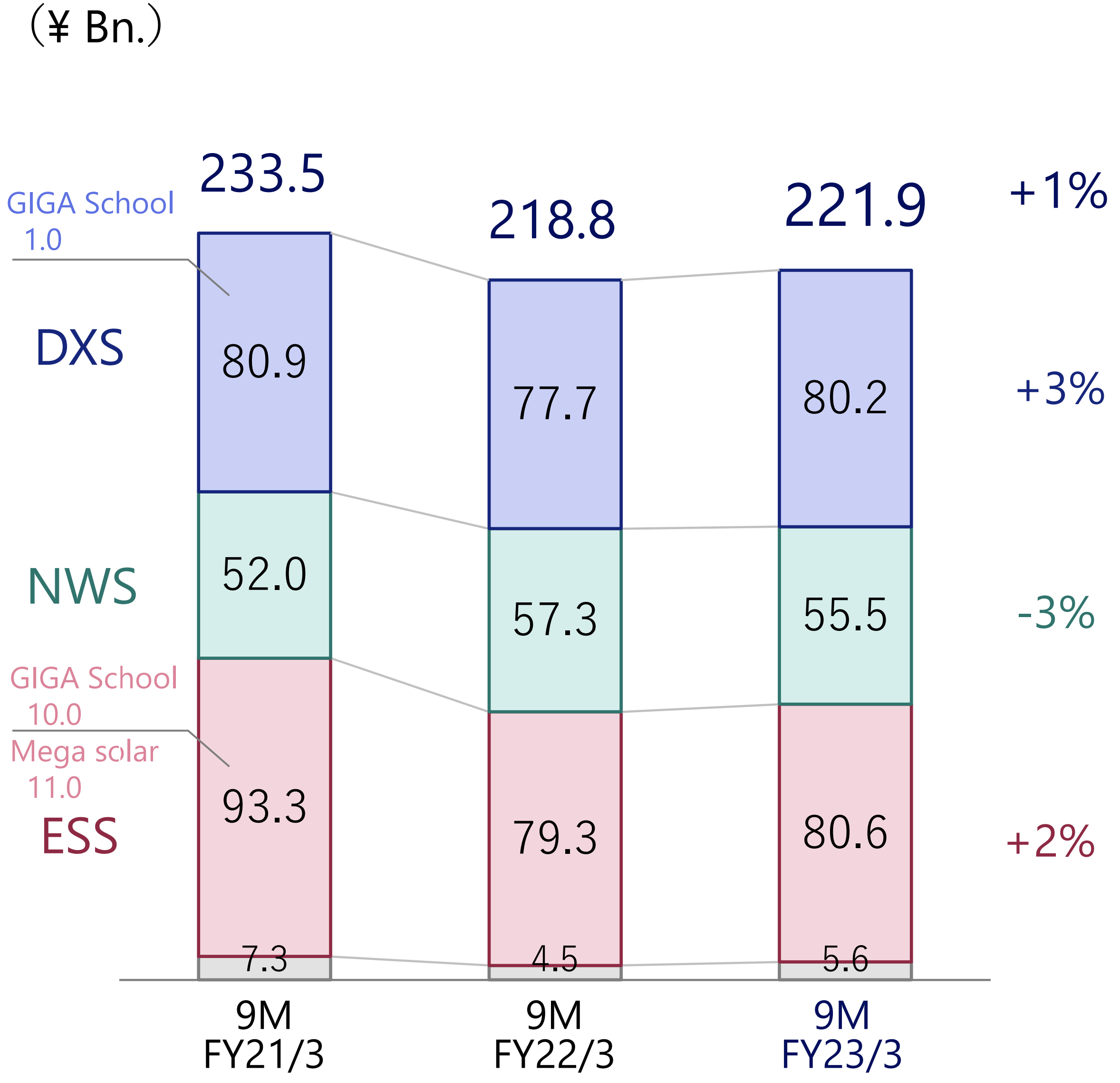
Environmental & Social Solutions (ESS)

- Domestic SI/construction area such as a large disaster prevention PJ made up for a large overseas PJ* in FY22/3

*A plant network PJ in Saudi Arabia

※Segment information for FY21/3 & FY22/3 has been reclassified numbers to reflect the segment change in April 2022.

9M FY2023/3 Net Sales by Segment



DX Solutions (DXS)

- Service area increased (+9%)
- SI/construction area decreased due to longer lead time of PJs

Network Solutions (NWS)

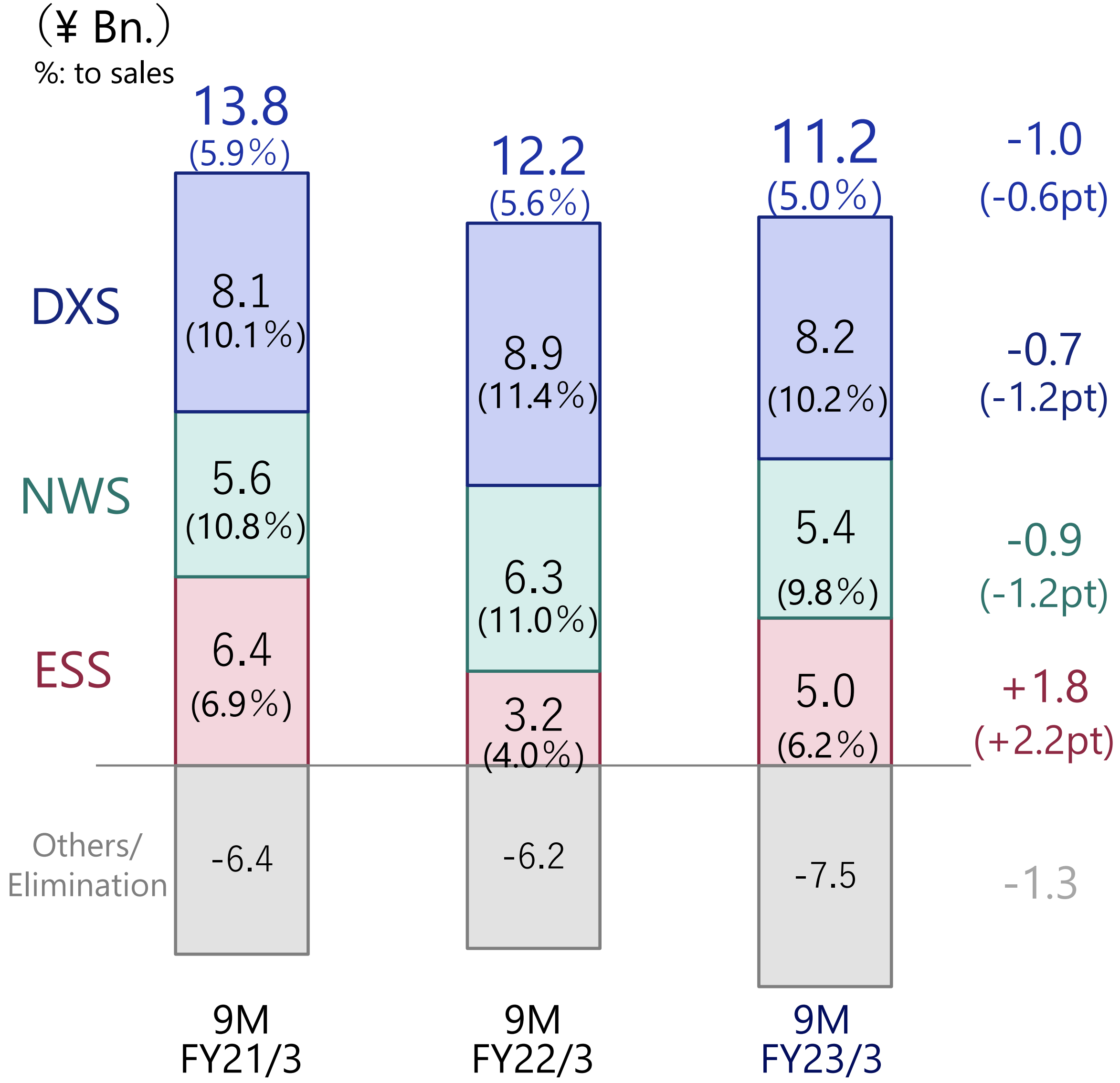
- Telecom carrier biz decreased though submarine network biz increased

Environmental & Social Solutions (ESS)

- SI/construction area increased such as kitting Pjs and overseas construction PJs

※Segment information for FY21/3 & FY22/3 has been reclassified numbers to reflect the segment change in April 2022.

9M FY2023/3 Operating Income by Segment



DX Solutions (DXS)

- OP decreased due to yen depreciation and actively increased SG&A
- Worsened sales mix in the transitional period to DX service biz model
  -PBX related biz dropped & product biz increased

Network Solutions (NWS)

- OP decreased due to sales decrease and aggressive increase of SG&A

Environmental & Social Solutions (ESS)

- OP increased by overseas special factors
  -Loss in Thai PJ (-1.1)
  -Impacts of Myanmar PJ (+3.2, see p.3)

Others/Elimination

- Costs for HQ relocation & new mission critical system development increased

※Segment information for FY21/3 & FY22/3 has been reclassified numbers to reflect the segment change in April 2022.

9M FY2023/3 Gross Margin by Segment

	9M FY2022/3	9M FY2023/3	Change
DX Solutions	22.4%	21.1%	-1.3pt
Network Solutions	22.2%	22.8%	+0.6pt
Environmental & Social Solutions	15.2%	17.3%	+2.1pt
Total	19.2%	19.6%	+0.4pt

*FX impact, worsened sales mix

*improved due to special overseas factors

※Segment information for FY22/3 has been reclassified numbers to reflect the segment change in April 2022.

FY2023/3 Forecasts

(¥ Bn.)

	FY22/3 actual	FY23/3 forecasts	Change	Previous forecasts	Change
Orders received	336.8	350	+4%	350	-
Net sales	310.3	322	+4%	330	-8
Operating income	23.2	22.0	-1.2	22.0	-
(to sales)	7.5%	6.8%	-0.7pt	6.7%	+0.1pt
Net income attributable to owners of the parent	15.0	13.0	-2.0	13.0	-
(to sales)	4.8%	4.0%	-0.8pt	3.9%	+0.1pt

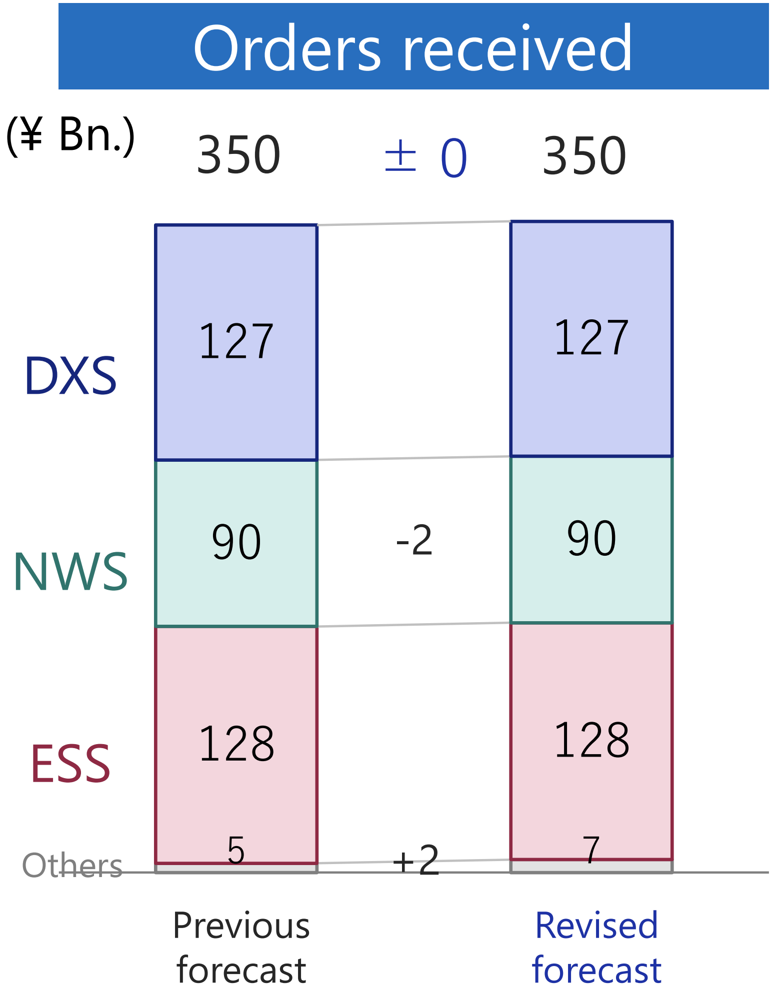
Orders backlog	165.2	195	+18%

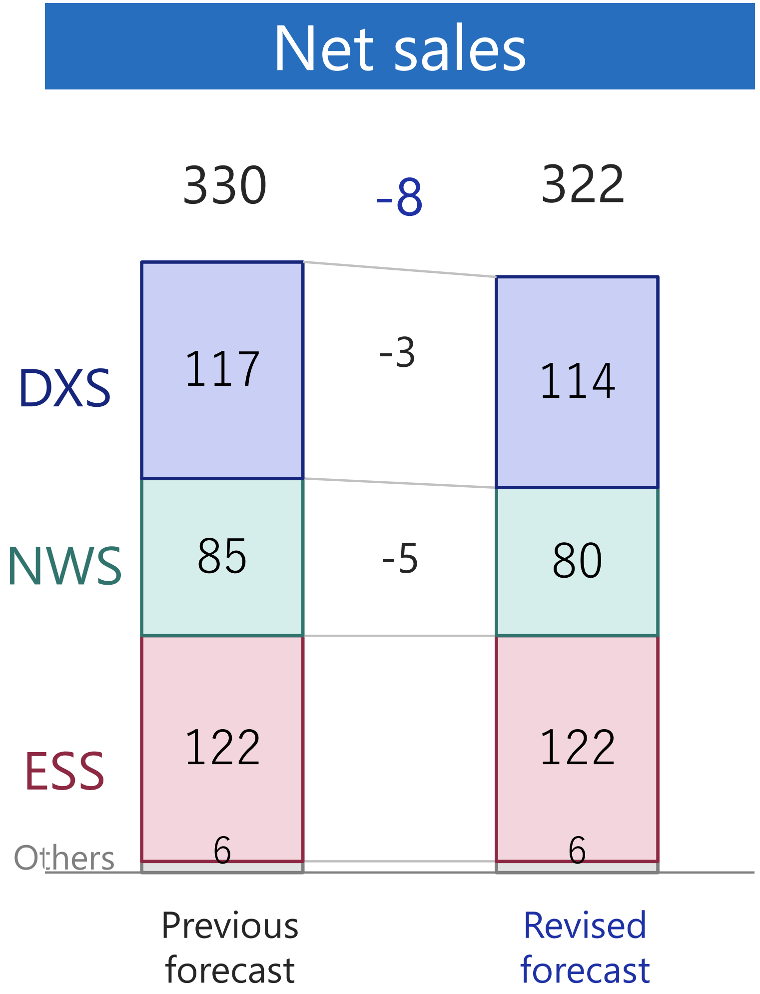
Downward revision in net sales forecast considering 9 months progress

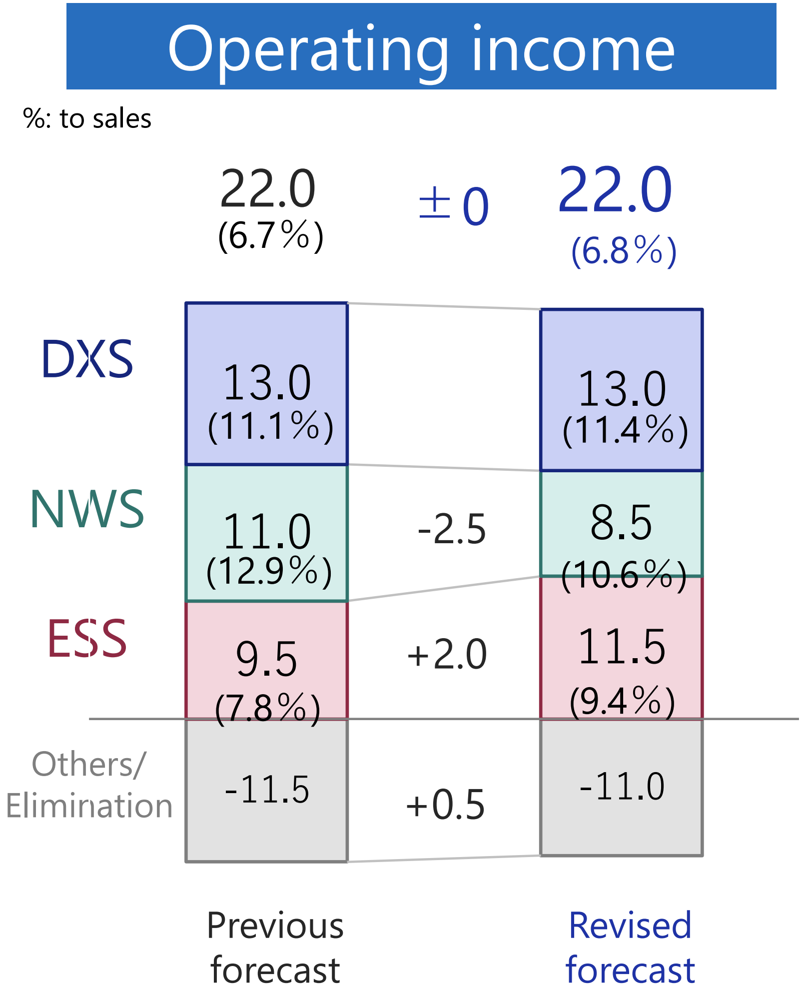
- Orders
  -No change. Targeting record-high orders
- Sales
  -Revised. Considering delay in sales following the delay of the contract timing and decrease of telecom carrier biz
- Operating income
  -No change. Offsetting overseas special factors against the sales shortage impacts above

*Forecasts as at January 30, 2023

FY2023/3 Forecasts by Segment







Reclassified quarterly data and other data

Please see our supplementary data sheet for

- Reclassified quarterly data for FY2021/3 & FY2022/3
- Sales by business type, sales by market etc.

https://www.nesic.co.jp/english/ir/library/2023.html

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.

There was segment change in April 2022. Segment information for the FY 2021/3 and FY 2022/3 have been recalculated to reflect the change in the content of business segments.

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