

Financial Results for the Fiscal Year ended March 2023

April 28, 2023

Yushi Ushijima, President & CEO

NEC Networks & System Integration Corporation

(TSE: 1973, NESIC)

Agenda

- I. Results for the FY2023/3
- II. Forecasts for the FY2024/3
- III. Progress of Medium-term
Management Plan “Shift up 2024”

I. Results for the FY2023/3

FY2023/3 Summary

(¥ Bn.)	FY22/3	FY23/3	Change	FY23/3 forecast (Jan.2023)
Orders received	336.8	356.0	+6%	350
Net sales	310.3	320.8	+3%	322
Gross margin	20.5%	20.7%	+0.2pt	—
SG&A	40.3	43.8	-3.5	—
Operating income	23.2	22.8	-0.4	22.0
(to sales)	(7.5%)	(7.1%)	-0.4pt	(6.8%)
Net income	15.0	13.8	-1.2*	13.0
attributable to owners of the parent				
(to sales)	(4.8%)	(4.3%)	-0.5pt	(4.0%)
R O E	11.6%	10.0%	-1.6pt	
Free cash flows	15.5	-2.1	-17.6	
Orders backlog	165.2	201.2	+22%	

*There was extraordinary losses for HQ move

Recorded historically high orders
Sales/profits are on recovery trend in 4Q

Orders:

- All segments grew centered on enterprises and governments

Sales:

- Delayed due to S/C and materials shortage
 - Recovery trend in 4Q

Operating income:

- SG&A for growth increased(-3.5), weak yen (-1.5) and delayed sales timing impacted
- Overseas special factors positively impacted (+2.1)

*c.f. P5

FY2023/3 Orders Received/Net Sales by Business Model

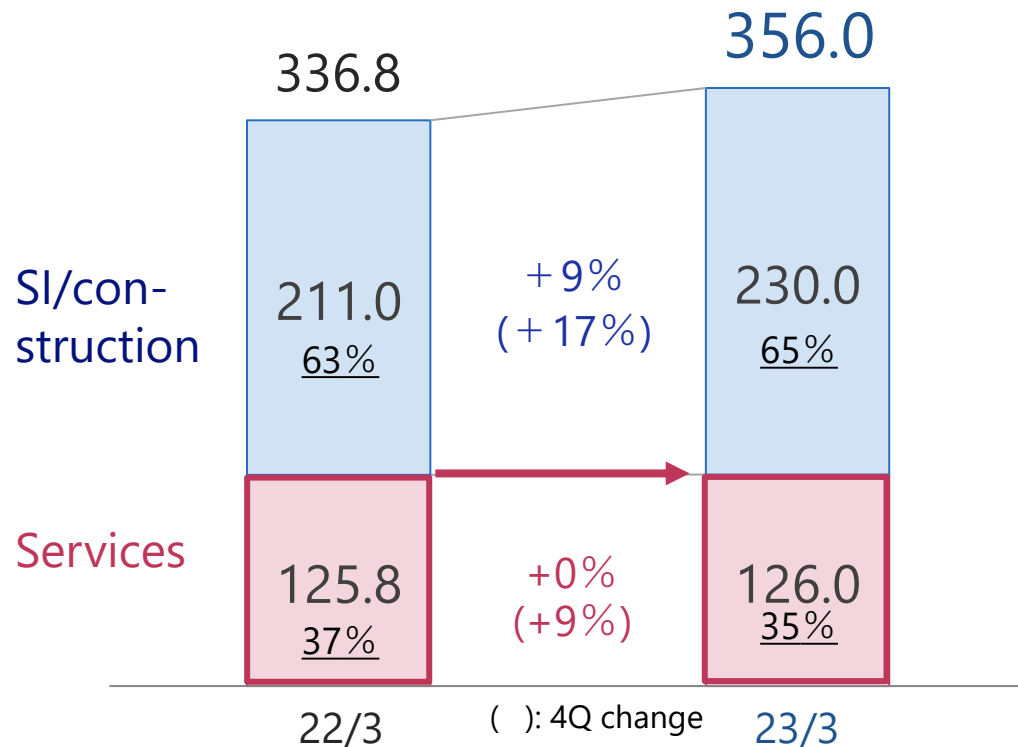
SI/construction: Sales turned to increase due to eased S/C & materials shortage in 4Q

Services: Orders remained flat even with reactional fall of large PJs* in FY22/3

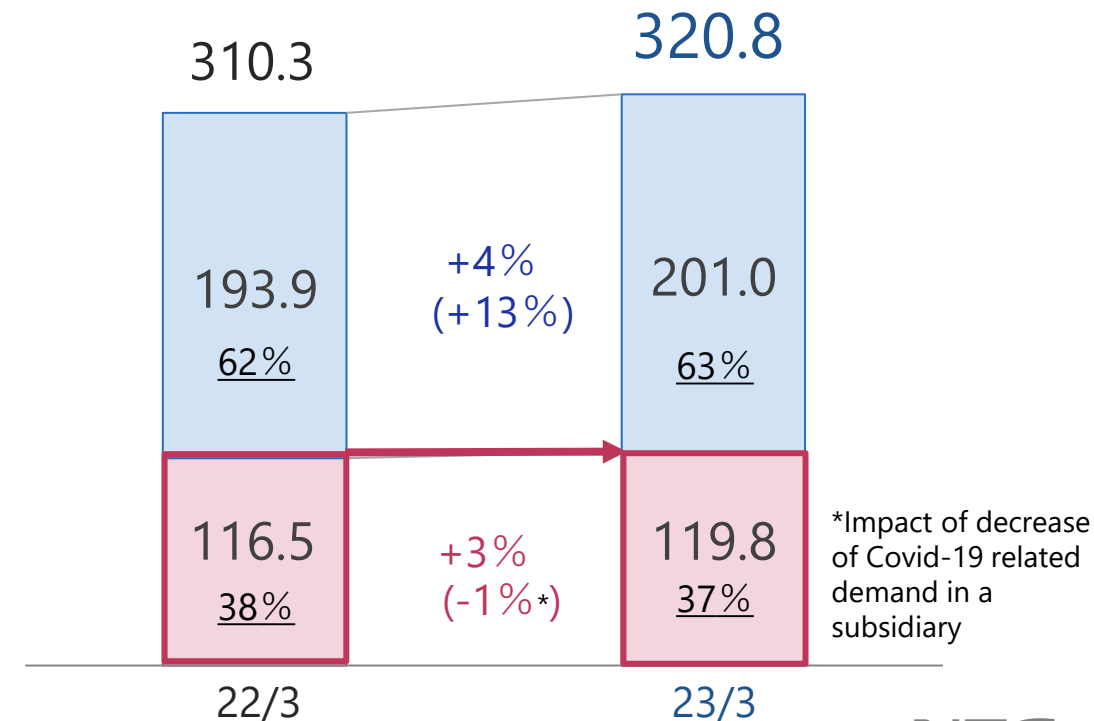
*for governments

(¥ Bn.)

Orders received



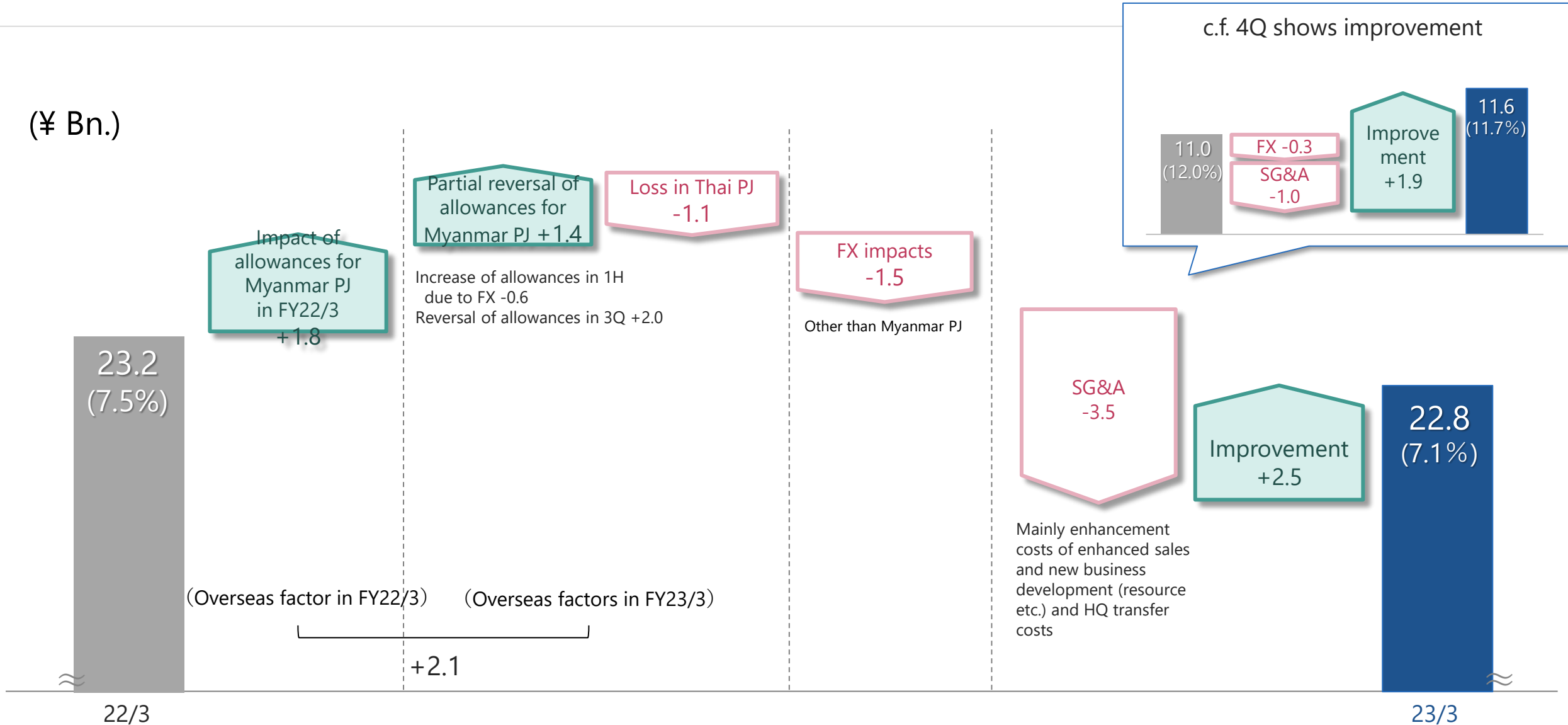
Net sales



*Impact of decrease of Covid-19 related demand in a subsidiary

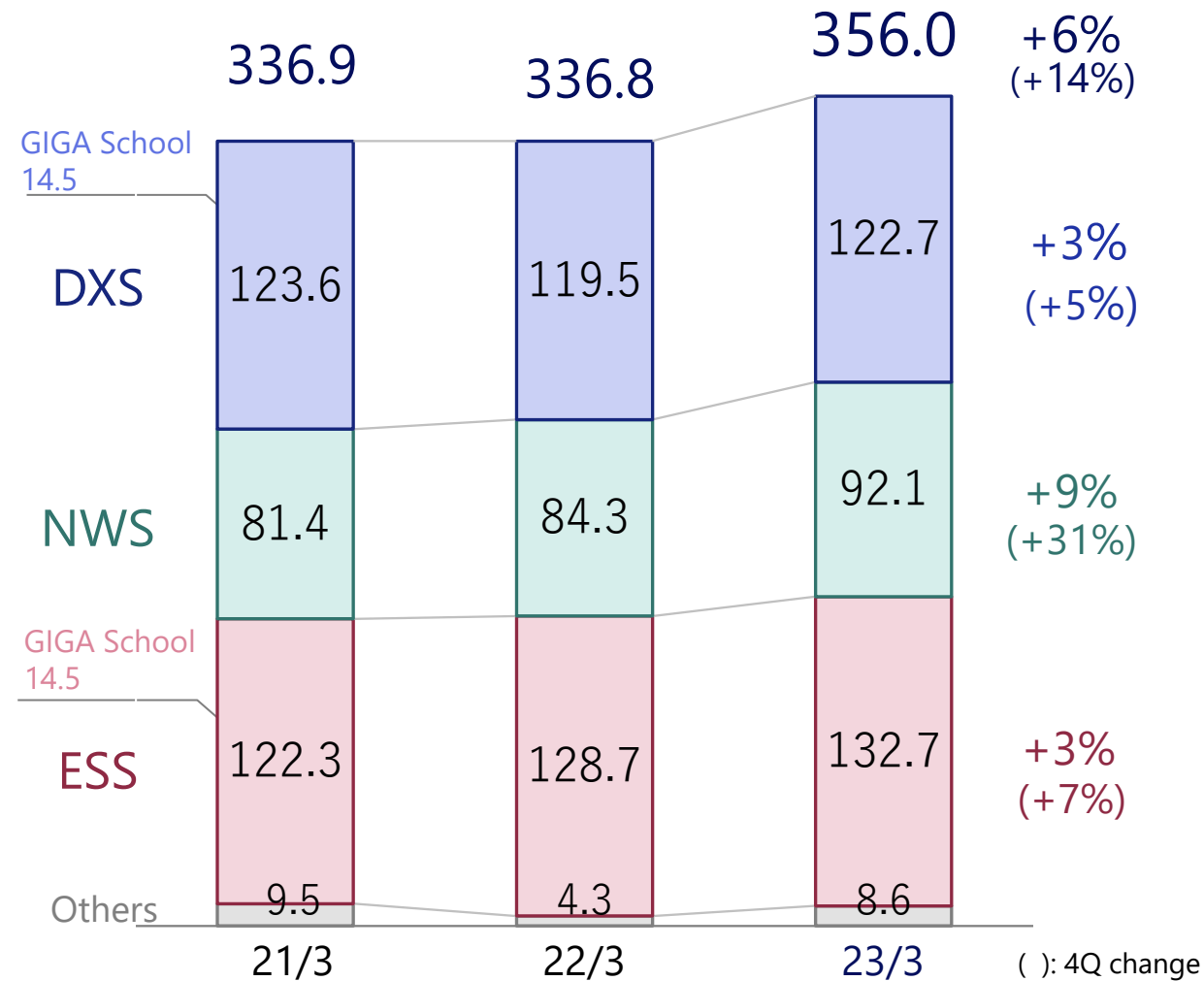
FY2023/3 Operating Income Factor Analysis of YoY Change

(¥ Bn.)



FY2023/3 Orders Received by Segment

(¥ Bn.)



DX Solutions (DXS)

- SI/construction field such as product biz for financial market increased (+7%)
- DX/workstyle area expanded even with reactional fall of large PJs in FY22.3

Network Solutions (NWS) *Submarine, space related

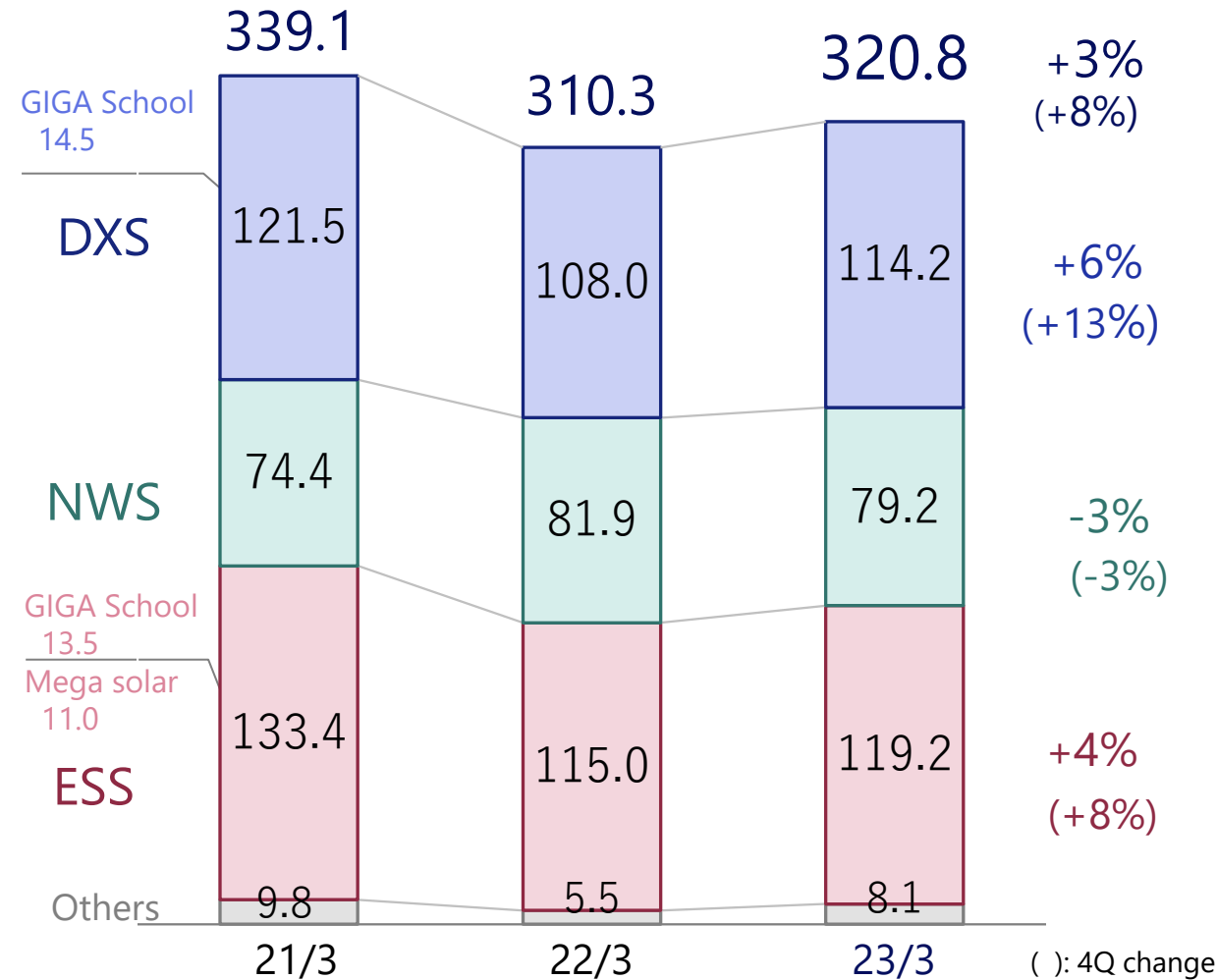
- L5G and social infra.* biz increased
- Biz for telecom carriers decreased
- Despite of a large order in 4Q, capex remained weak

Environmental & Social Solutions (ESS)

- SI/construction field in Japan such as a big disaster-prevention PJ made up for reactional fall of a large order of Saudi Arabian plant network in FY22.3

FY2023/3 Net Sales by Segment

(¥ Bn.)



DX Solutions (DXS)

- Service field stably expanded (+6%)
- SI/construction increased (+6%) with improved situation of S/C & materials shortage in 4Q

Network Solutions (NWS)

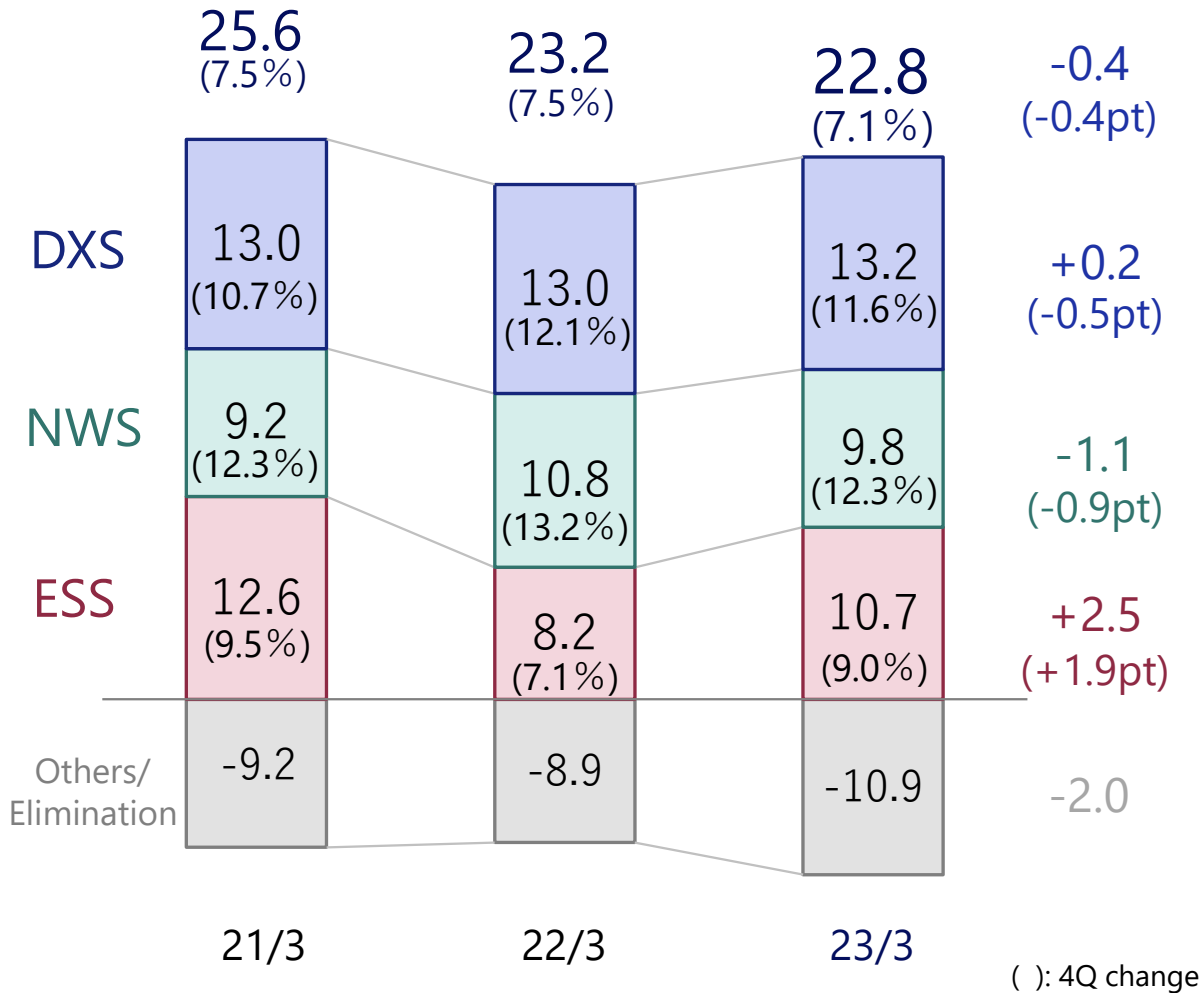
- Biz for telecom carrier decreased while marine related biz increased

Environmental & Social Solutions (ESS)

- SI/construction field increased such as kitting PJs and overseas construction PJs

FY2023/3 Operating Income by Segment

(¥ Bn.)
%: to sales



DX Solutions (DXS)

- Income increased accompanied with sales growth even with FX impact and SG&A increase
- Worse sales mix due to transition period to DX service business model

Network Solutions (NWS)

- Income decreased due to sales drop and SG&A increase

Environmental & Social Solutions (ESS)

- Overseas special factors positively impacted (+2.1) *c.f. P5

Others/Elimination

- Cost increased such as HQ relocation and ERP system development

FY2023/3 Gross Margin by Segment

	Full year			cf. 4Q		
	22.3	23.3	Change	22.3	23.3	Change
DXS	22.5%	21.6%	-0.9pt	22.8%	22.9%	+0.1pt
NWS	23.8%	24.3%	+0.5pt	27.7%	27.8%	+0.1pt
ESS	17.4%	19.0%	+1.6pt	22.2%	22.5%	+0.3pt
Company total	20.5%	20.7%	+0.2pt	23.5%	23.3%	-0.2pt

*GPM decreased due to "other" segment (products sales)

II. Forecasts for the FY2024/3

FY2024/3 Forecasts

(¥ Bn.)

	FY23/3	FY24/3 Forecasts	Change
Orders received	356.0	370	+4%
Net sales	320.8	340	+6%
Operating income	22.8	24.0	+1.2
(to sales)	(7.1%)	(7.1%)	±0.0pt
Net income attributable to owners of the parent	13.8	14.0	+0.2
(to sales)	(4.3%)	(4.1%)	-0.2pt

Orders/Sales:

- Targeting new records
Increasing DX/working-style field and social infra. biz., although macro environments and telecom carrier biz have uncertainty
+
Accelerating sales from orders backlog

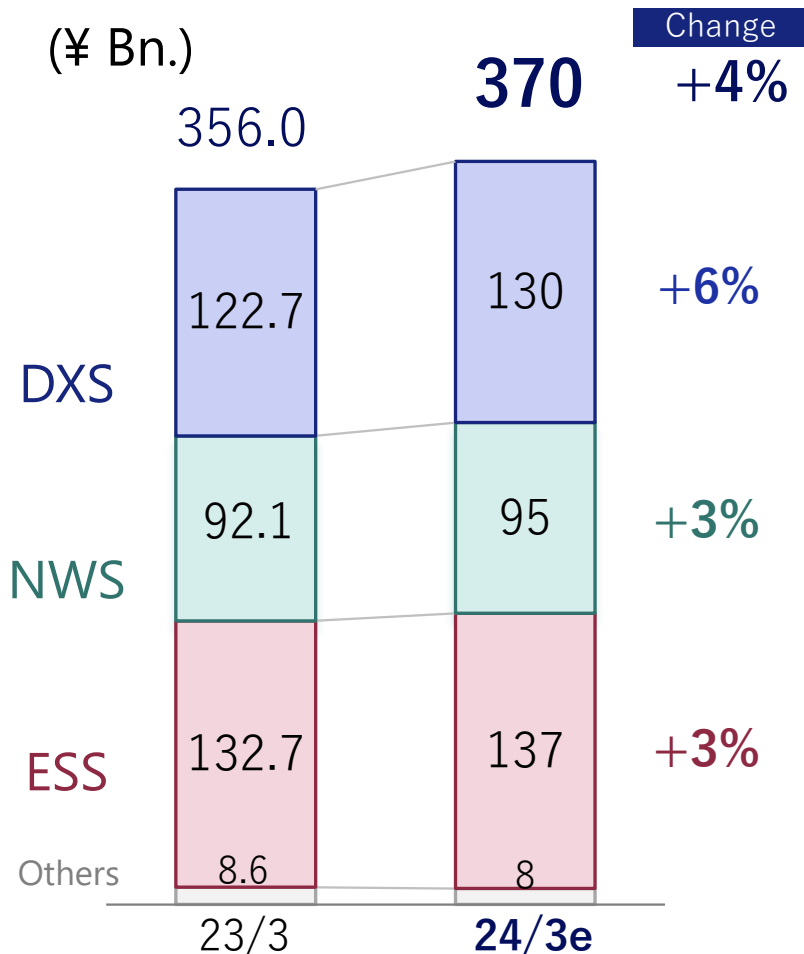
Operating Income:

- Increasing income through sales growth and high value-added service expansion accelerating investment for growth

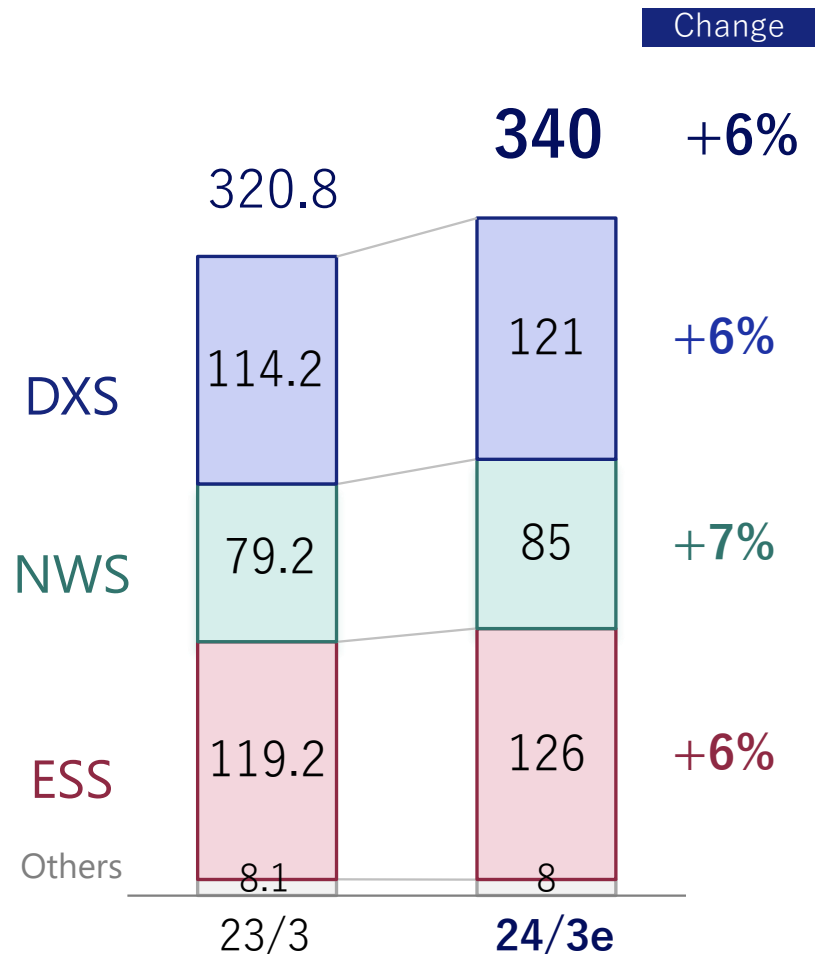
Challenging further improvement

FY2024/3 Forecasts by Segment

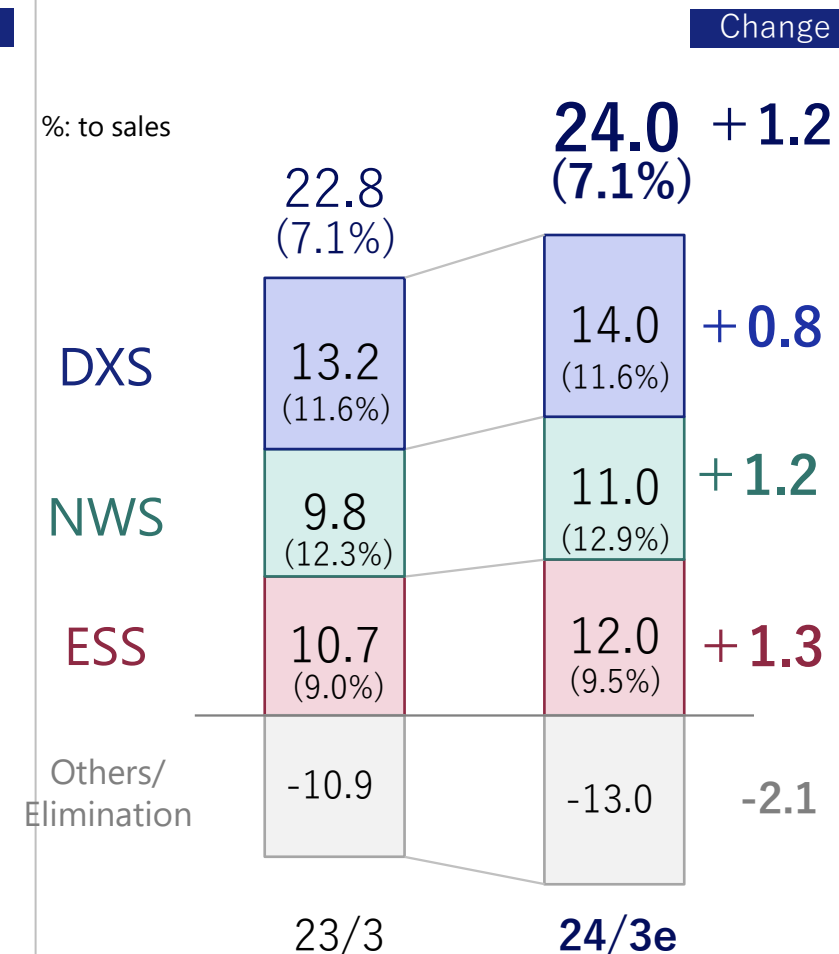
Orders received



Net sales

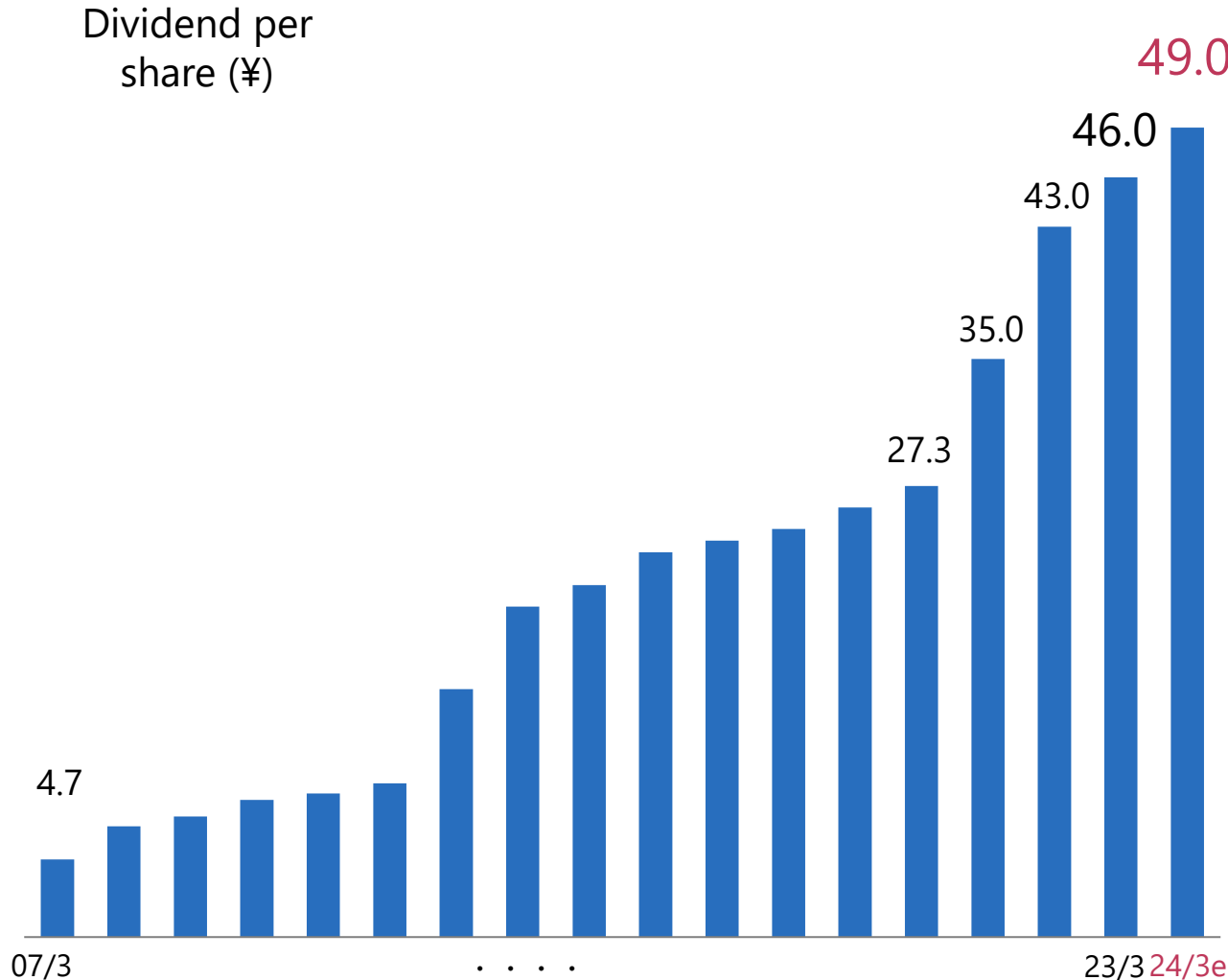


Operating income



Dividend Plan

Dividend per share (¥)



Increase shareholders return based on stable dividend while expanding corporate value via investment in growth

*considering DOE 5.0% as a general guide

- 23/3 : Year-end dividend ¥23 (Full-year ¥46)
- 24/3e : ¥49/share

increasing for the 17th year in a row

* The results for the fiscal years ended March 2020 and prior thereto presented here reflect the three-for-one stock split conducted on June 1, 2020.

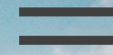
III. Progress of Medium-term Management Plan “Shift up 2024”

What We Seek to Achieve in 2030

DX



Beyond 5G
(next-generation
networks)



**Sustainable
Symphonic
Society**

Realization of a sustainable
society with prosperity
that resonates for all

**Provide services that anticipate
future changes in society and technologies**

Decarbonization

Energetic
communities

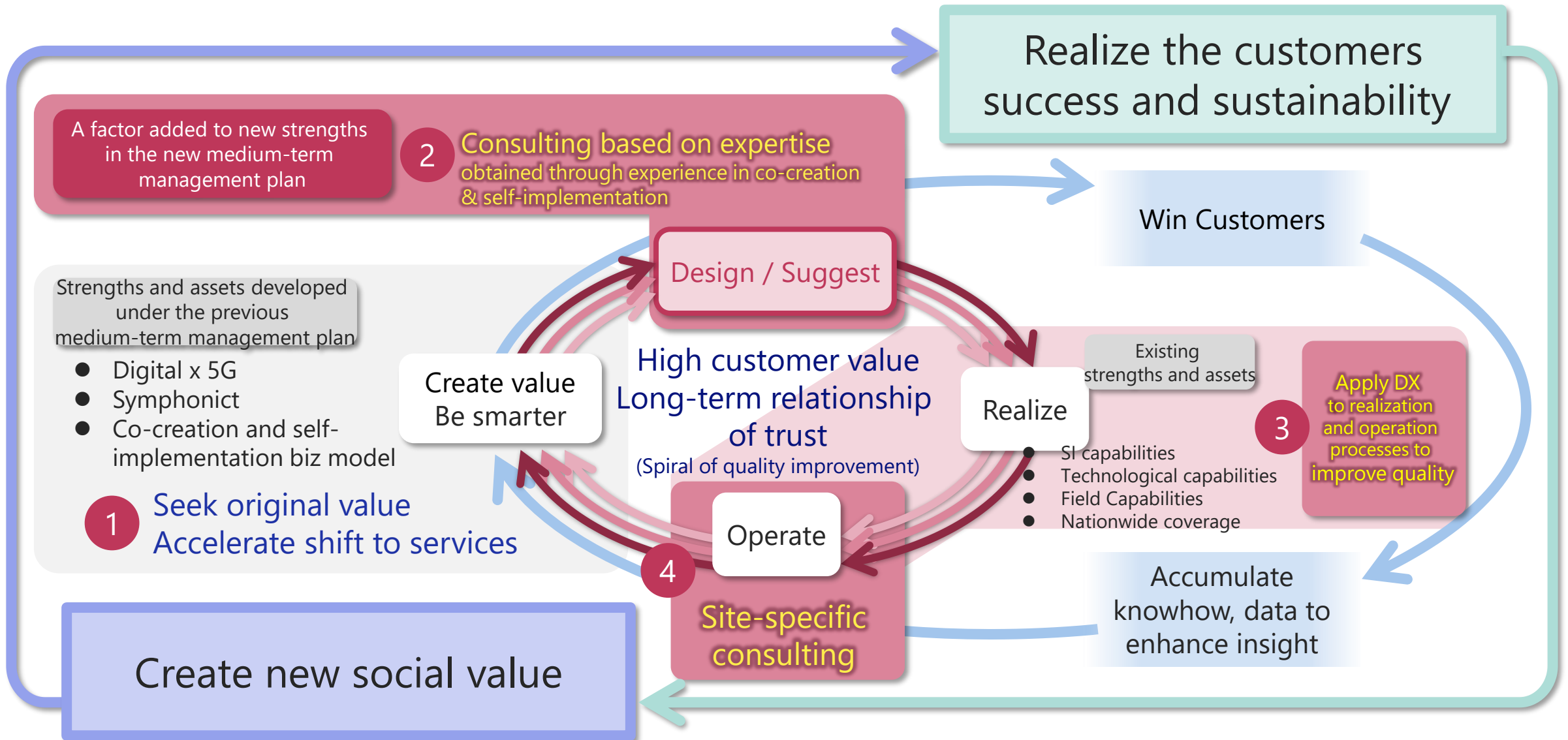
Smart industry

Work/lifestyles
with greater freedom

Safety
and security

Health
Well-Being

Spiral-Type Growth Model: A Recurring Model Based on Consulting



Progress of the Spiral-Type Growth Model

Despite achievements in building trust with customers,
progress on profitability improvements remain an issue

Expanding Orders and Net Sales

Build long-term relationships of trust with customers
(Recurring relationship)

×

Improving Profitability

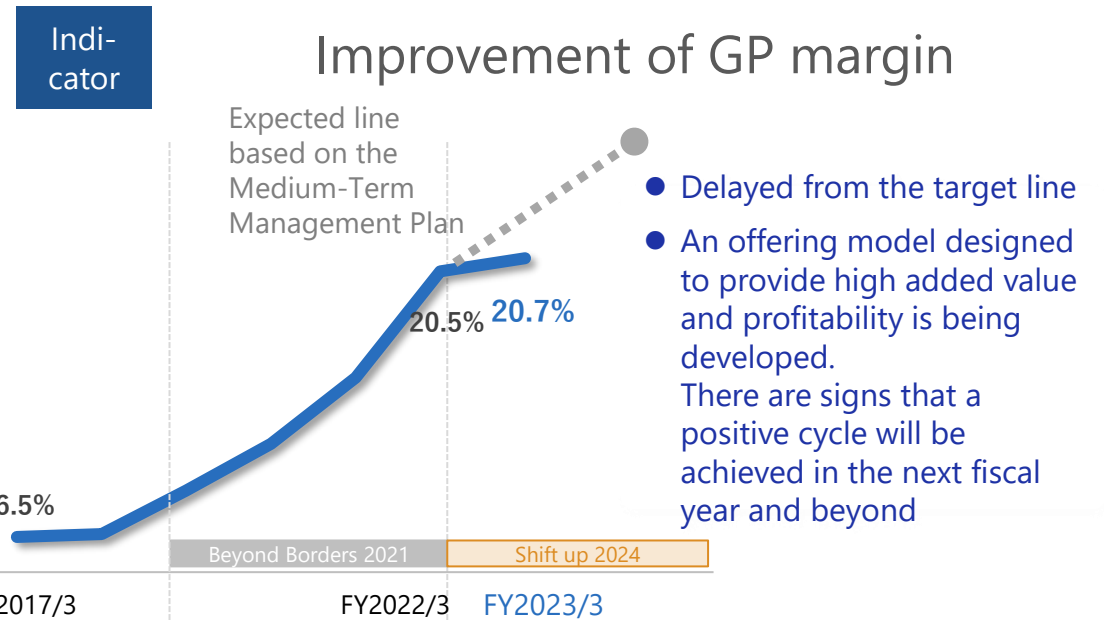
Provide high customer value

Indicator Expansion of large recurring accounts* / increase in transaction volume

Number of large recurring accounts
+5%

- Steadily deepen trust with customers that will lead to recurring business
- Drive top-line expansion

* large recurring accounts:
Customers continuously doing business with NESIC for over three years, and average sales are above a certain monetary amount
<c.f.> Coverage : slightly 5% of NESIC (un-consolidated) customers



Development of an Offering Model Utilizing NESIC's Strengths

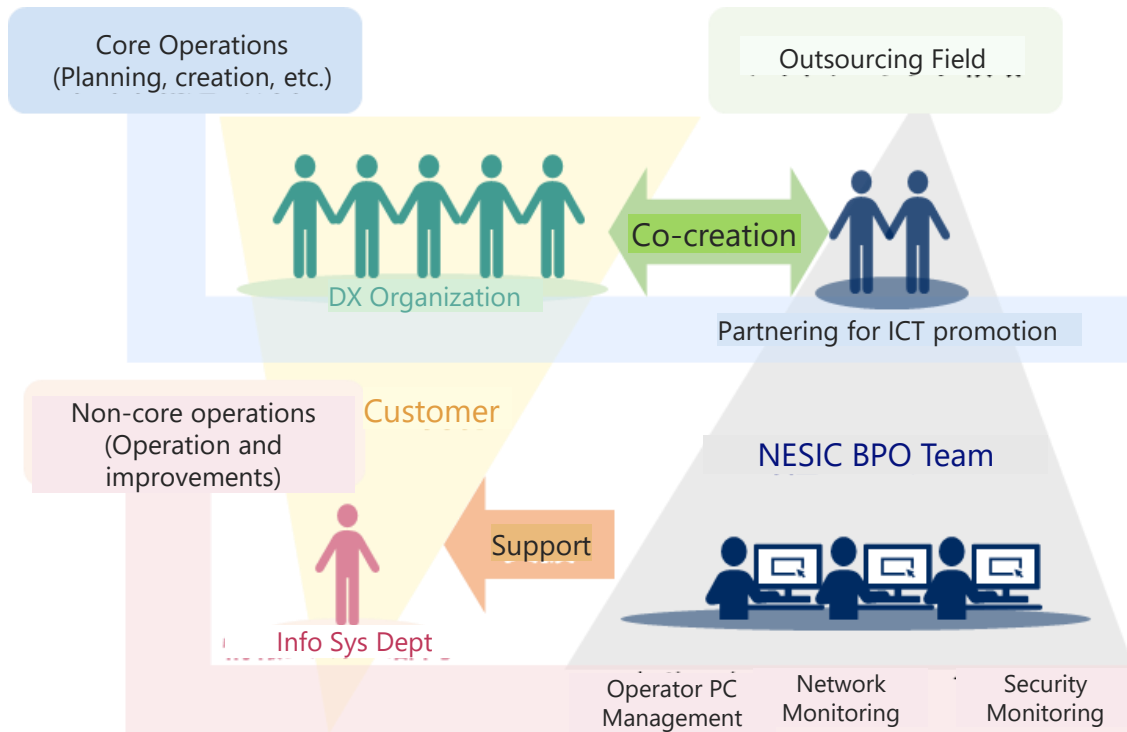


Examples of offering model themes

- Innovating corporate culture & workstyles, and BPO of non-core business operations (transformation of employee awareness, hybrid work and business processes)
- Next-generation disaster and risk management (safety and security of local resident, corporate risk management and BCP)
- DX and network environments to develop smart factories
- Infrastructure services for local governments based on Digital Garden City Nation Concept:
- Design and construction of offshore wind and solar power generation aimed at carbon neutrality

Example: Corporate Culture and Workstyle Innovation and the BPO of Non-core Business Operations

- ✓ Co-creation with partner-type consultation for innovation and transformation of customers
- ✓ Support of customers' shift to core operation via BPO of non-core operation



Main themes with a proven track record

Hybrid Work

Secure and safe next-generation standardized plant network
Improved document/info. management (Elec. Contacts, etc.)

Main themes with a proven track record

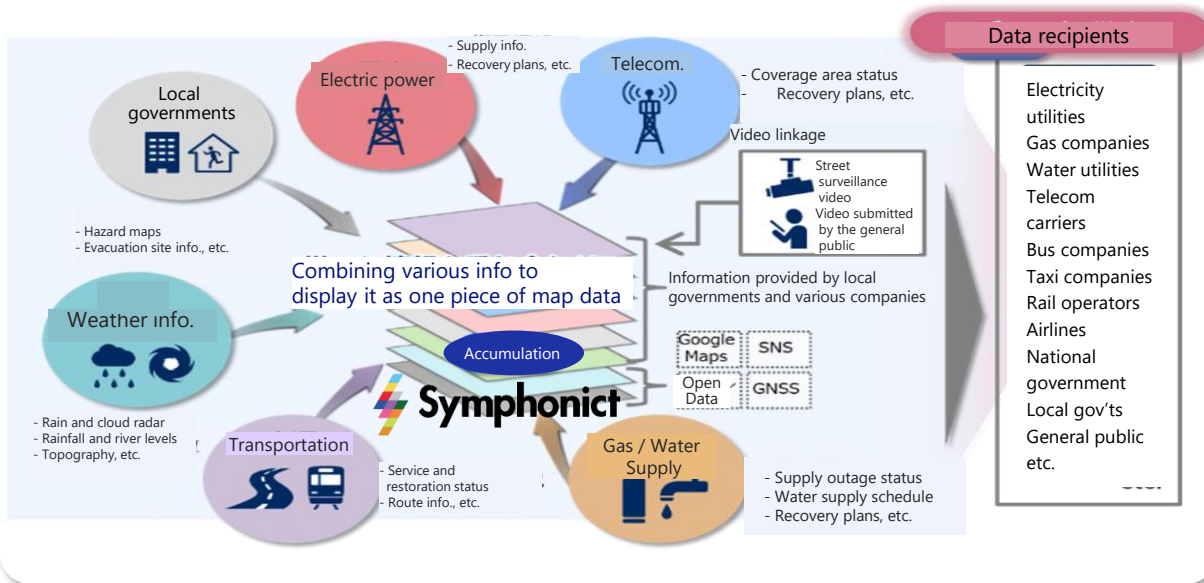
Full outsourcing of company-wide PC-LCM

Outsourcing of operation under multi-cloud environments

Example: Next-Generation Disaster and Risk Management

Safety and security of local residents

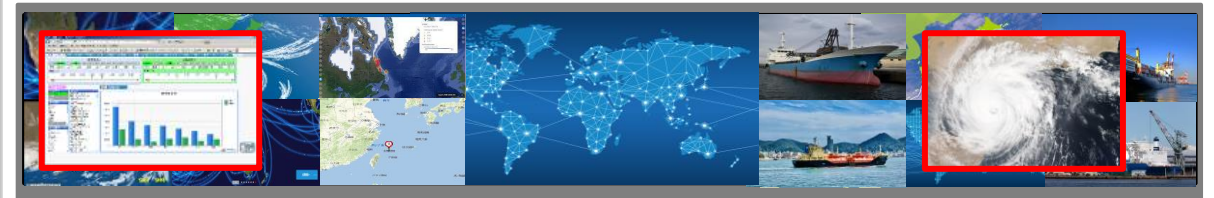
- ✓ Quickly restoring disaster-affected infrastructure within a region through the centralized sharing of disaster information across sectors
- ✓ Helping to ensure the safety and security of residents such as securing fuel, restoring logistics and offering medical services



Corporate risk management and BCP

- ✓ Displaying multiple pieces of information in real-time
- ✓ Drastically improving the speed from ascertaining a situation to making decisions

Next-generation disaster management centers, large-screen displays



Footage from PCs brought in Footage displayed continuously Television footage

* Example of displayed footage

Promoting utilizing the Showcase at co-creation base at Nihonbashi
(Demonstrations at NESIC's new head office also planned)

Accelerating Co-creation:

Combining Strengths to Tailor Unique Services

DX

SaaS optimization service

Cloudbrink (USA)

AI-based real-time alert service

Dataminr (USA)

DX services to change workstyles

Sansan

Beyond 5G next-generation networks

Automated network operation utilizing AI

Tupl (USA)

Development of cutting-edge local 5G models

The University of Tokyo (FLARE SYSTEMS)

Strengthening and expansion of the local 5G business

HFR (South Korea)

Sustainable

Energy business based on storage batteries

CONNEX SYSTEMS

Sustainable liquid-immersion data center

KDDI, Mitsubishi Heavy Industries

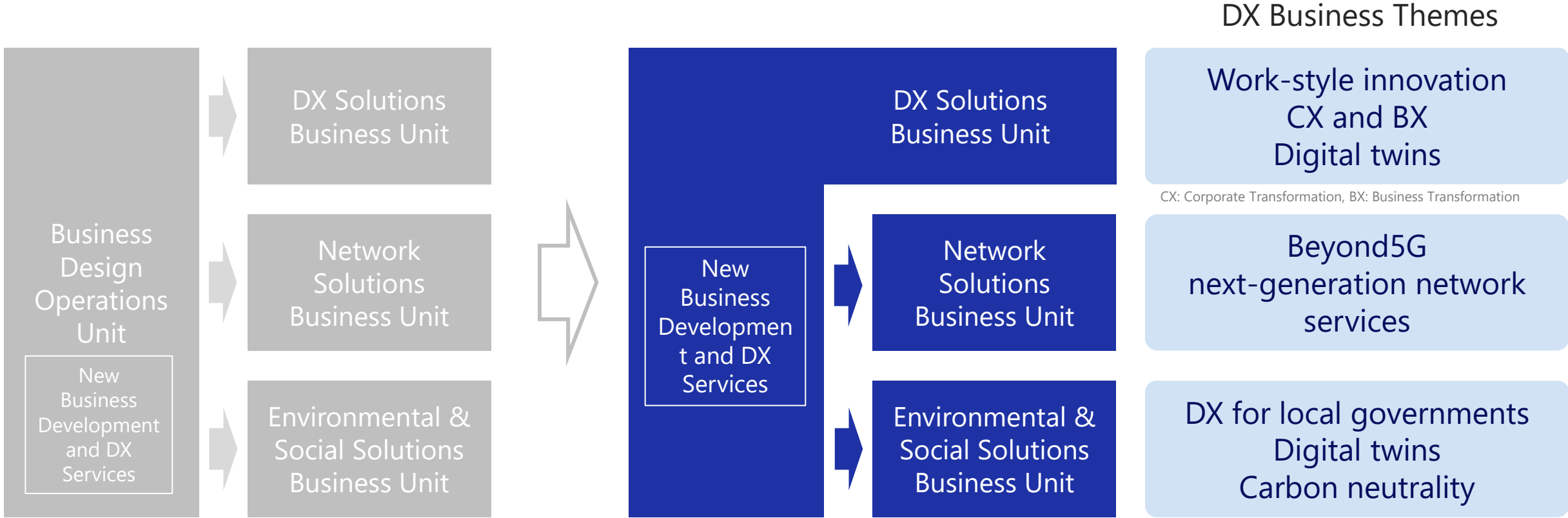
Circulation-type onshore fish plant business

RKB Mainichi Holdings

* The company and product names listed here are the trademarks or registered trademarks of the respective companies.

Action to Accelerate Business Expansion

Integrate new business development and DX service development functions in the DX Solutions Business Unit and accelerate the expansion of business in the DX domain



(Reference) Management Targets (Non-financial Indicators)

Greenhouse gas emissions (SCOPE 1 + 2)

Target: 55% reduction
(compared with FY2020/3)
(by FY2031/3)

FY2022/3: 8,321 t-c02
(1.6% YoY reduction)

FY2020/3: 8,456 t-c02

(Scope 3 targets are set for FY2024/3 onward)

Engagement score*

Target: 50%*
(FY2025/3)

FY2023/3: 32%
(-1% YoY)

FY2022/3: 33%

- Researched by Kincentric
- This score generally corresponds to the world's top 25%, and accordingly the Tier 1 level

Percentage of female managers

Target: 10.0%
(FY2027/3)

End of March 2023: 5.9%
(+0.9% YoY)

End of March 2022: 5.0%

*Information about progress on high-level human resources is currently being compiled.

Reclassified quarterly data and other data

Please see our supplementary data sheet for

- Orders backlog by segment
 - 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.



Re-designing your Communication

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

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