



Financial Results for the 1H for the FY ending March 2024

October 30, 2023

Yushi Ushijima, President & CEO

NEC Networks & System Integration Corporation

(TSE: 1973, NESIC)

Agenda

I. Results for the 1H FY2024/3

II. Forecasts for the FY2024/3

I. Results for the 1H FY2024/3

1H FY2024/3 Summary

(¥ Bn.)

	1H FY23/3	1H FY24/3	Change
Orders received	172.4	191.2	+11%
Net sales	142.7	155.2	+9%
Gross profit	25.8	29.0	+3.1
(to sales)	18.1%	18.7%	+0.6pt
SG&A	21.2	22.7	-1.5
Operating income	4.6	6.2	+1.6
(to sales)	3.3%	4.0%	+0.7pt
Net income attributable to owners of the parent	2.7	3.6	+0.9
(to sales)	1.9%	2.3%	+0.4pt
Free cash flows	8.1	9.1	+1.0
Orders backlog	196.4	237.9	+21%

Accelerated sales growth led to profit increase

(Record high 1H results in orders, sales and GP)

Orders received :

- Two digits growth despite tough telecom carrier market
 - Manufacturing and public utility increased
 - Acquired large PJs (for governments and overseas)

Net sales :

- High growth with sales from orders backlog

Operating income :

- Income increased thanks to sales & GP growth (made up for SG&A* increase for the future)
 - Disappeared losses in overseas in 1H FY23/3

*mainly for ERP system and personnel costs

1Q & 2Q FY2024/3

Sales expansion led to profit increase in 2Q

	1Q FY23/3	1Q FY24/3	Change	2Q FY23/3	2Q FY24/3	Change	(¥ Bn.)
Orders received	80.8	96.5	+19%	91.6	94.7	+3%	
Net sales	67.6	71.7	+6%	75.1	83.5	+11%	
Gross profit	12.1	12.5	+0.4	13.7	16.4	+2.7	
(to sales)	(17.9%)	(17.5%)	△0.4pt	(18.3%)	(19.7%)	+1.4pt	
SG&A	10.6	11.4	-0.8	10.6	11.3	-0.7	
Operating income	1.5	1.1	-0.4	3.1	5.1	+2.0	● Impact of overseas Losses in 2Q FY23/3 +1.3
(to sales)	(2.2%)	(1.6%)	△0.6pt	(4.2%)	(6.1%)	+1.9pt	
Net income attributable to owners of the parent	0.5	0.2	-0.3	2.2	3.4	+1.2	
(to sales)	(0.7%)	(0.3%)	△0.4pt	(2.9%)	(4.1%)	+1.2pt	

Orders Received/Net Sales by Business Model

Orders: Service orders suffered from decreased Covid-19 special orders* and telecom carrier biz.

SI/Construction orders highly expanded (robust manufacturing and public sectors and large orders)

Sales: Full-swing contribution of backlog sales.

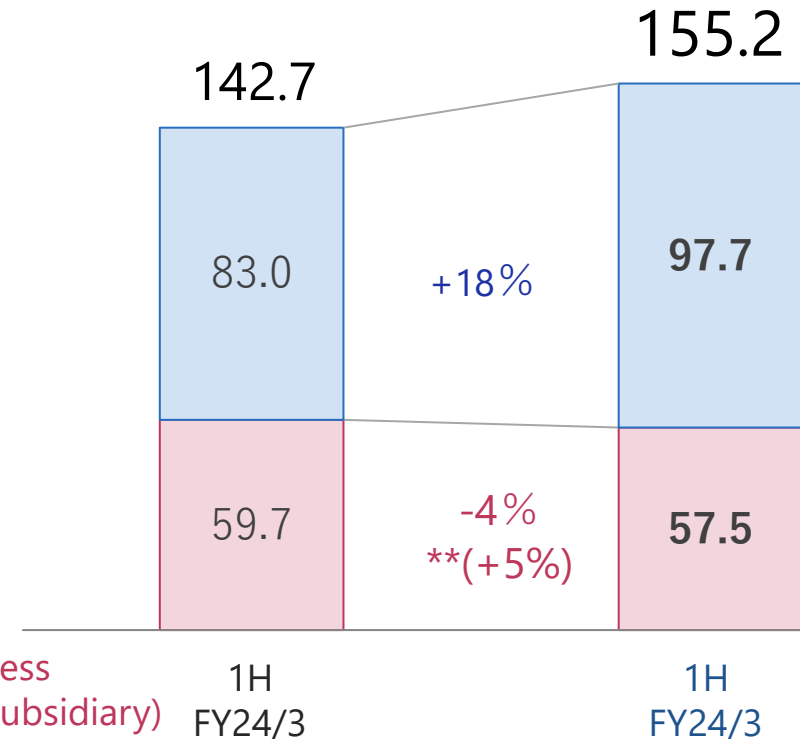
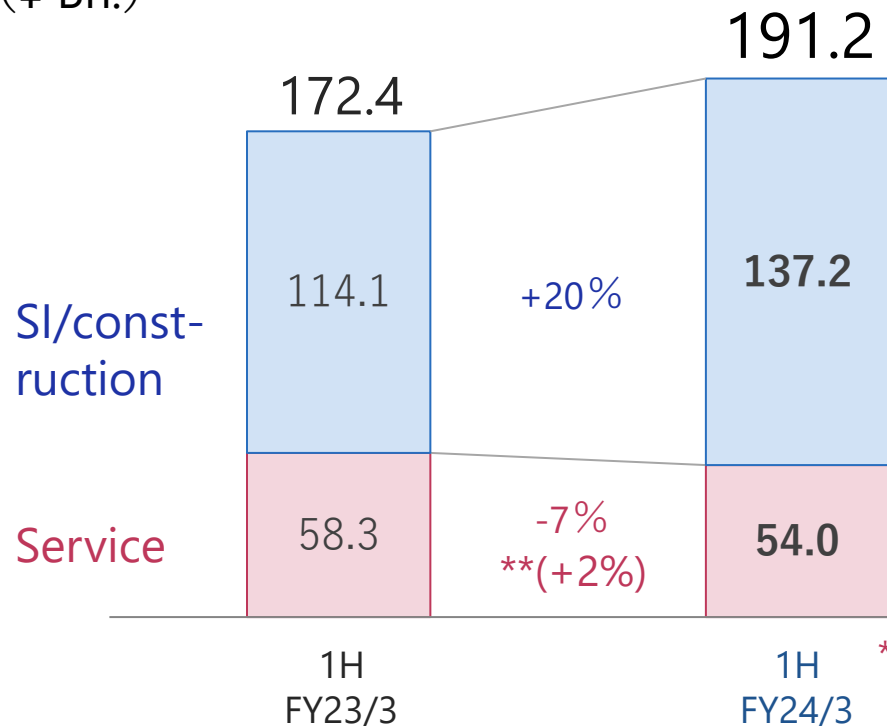
(*Contact center business of a subsidiary in DXS segment)

Service sales excluding above impacts (Covid 19 & telecom carriers) steadily increasing

Orders received

Net sales

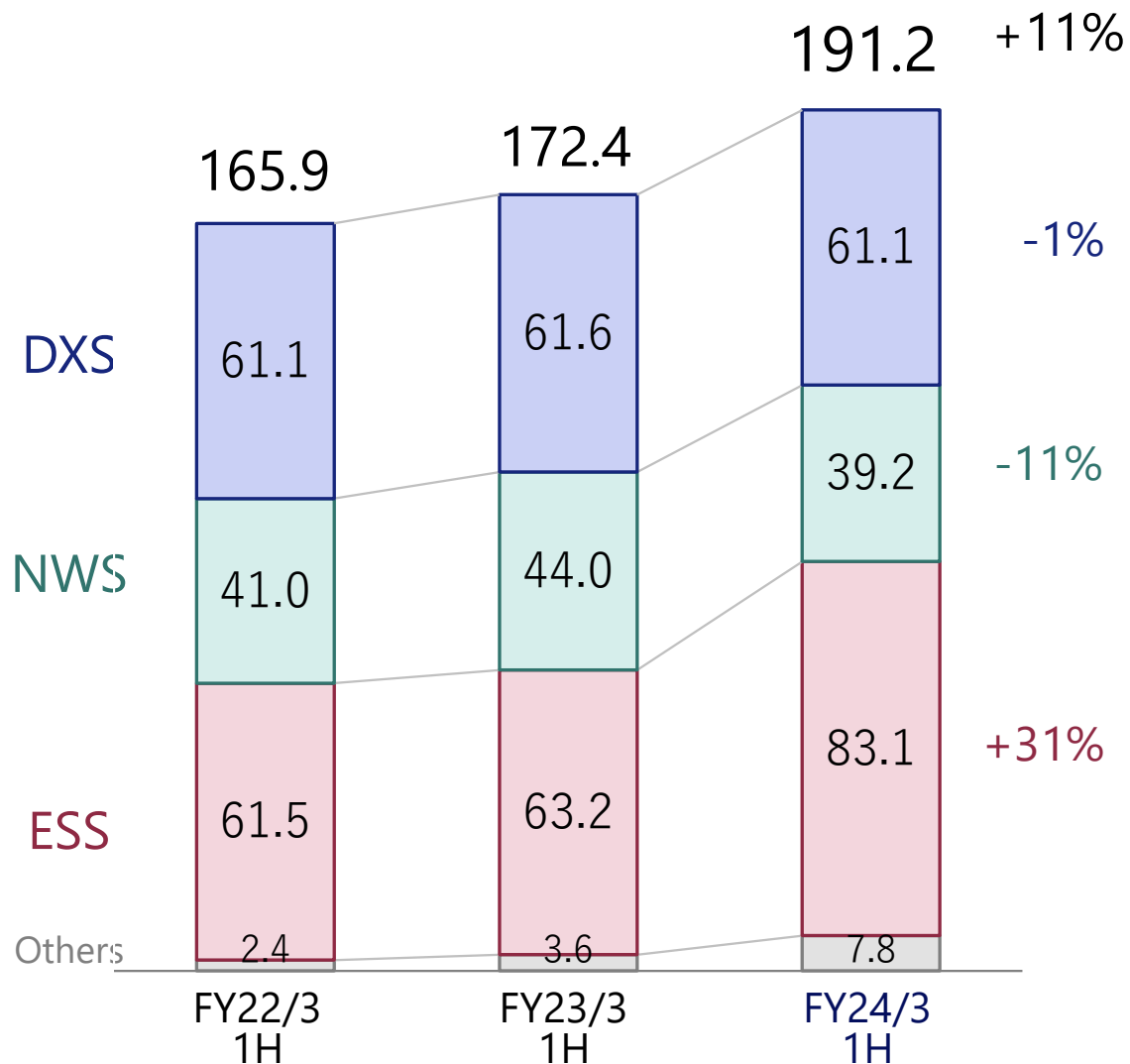
(¥ Bn.)



**Growth rate of service business excluding Q&A Corp. (DXS subsidiary) and telecom. carrier biz of NWS

1H FY2024/3 Orders Received by Segment

(¥ Bn.)



DX Solutions (DXS)

- Although strategic areas increased, there was impact of decreased Covid-19 special demand
 - Some PJs was moved to 2H (the market condition remains good)

Network Solutions (NWS)

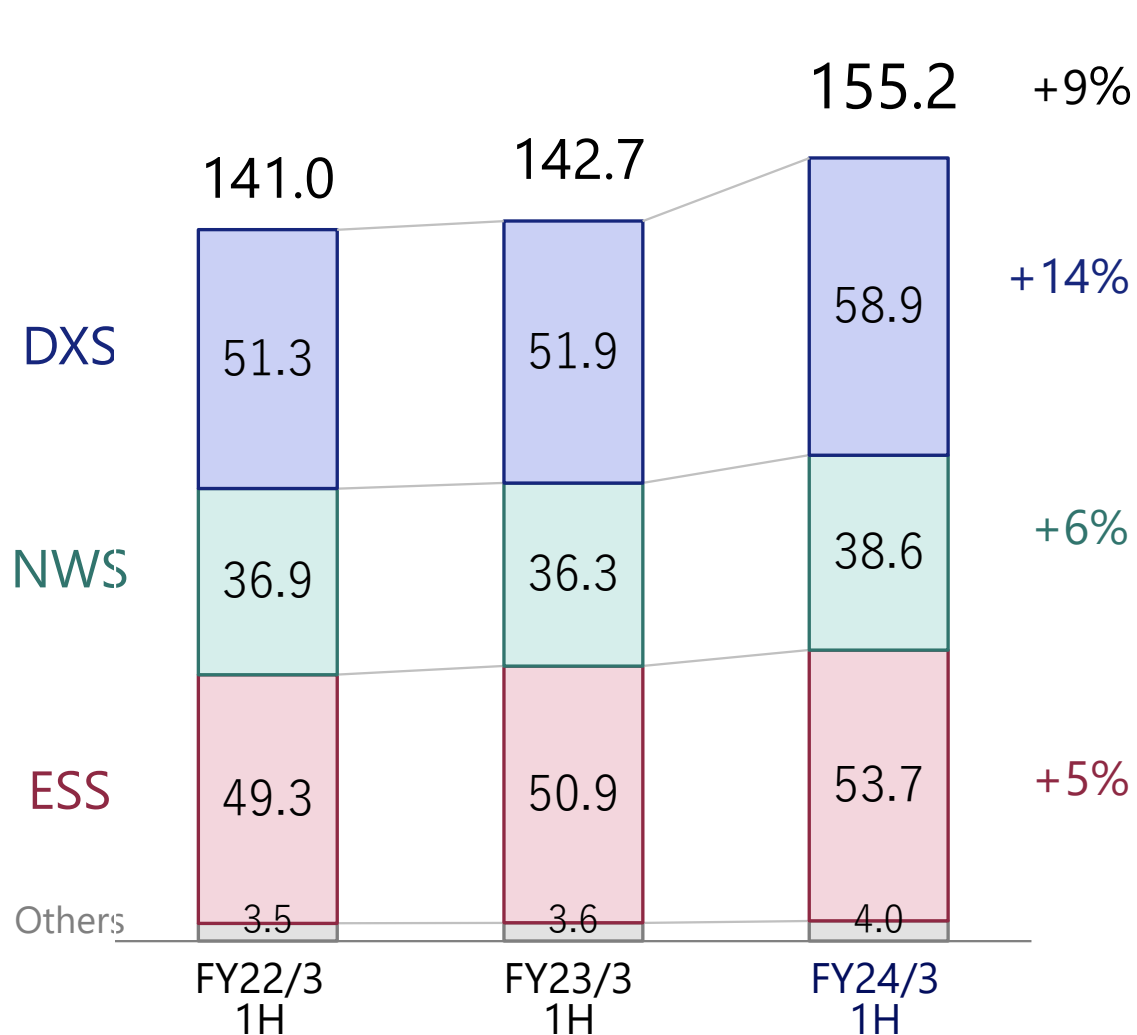
- Telecom carriers related biz decreased
 - Telecom carriers' severe capex control continued
 - Social infra. Increased (Full-swing expansion will be since the next year)

Environmental & Social Solutions (ESS)

- Construction business both in Japan & overseas increased
- Acquired large orders in 1Q

1H FY2024/3 Net Sales by Segment

(¥ Bn.)



DX Solutions (DXS)

- Both strategic and existing areas increased even with reactional reduction of Covid-19 demand

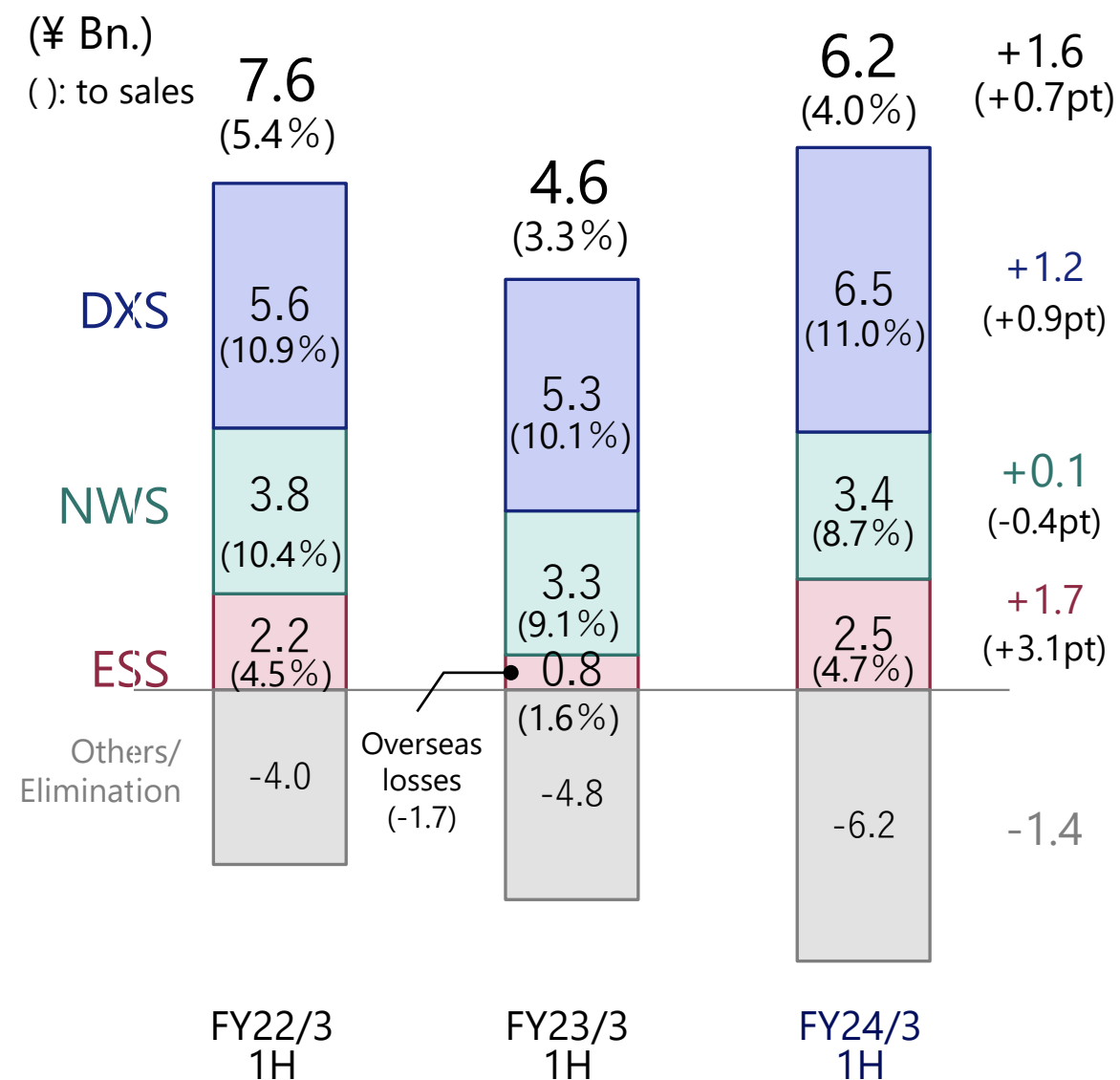
Network Solutions (NWS)

- Both social infra. and carrier related businesses increased thanks to the sales from orders backlog

Environmental & Social Solutions (ESS)

- The sales from backlog started to be full-swing (2Q sales +15% yoy)

1H FY2024/3 Operating Income by Segment



DX Solutions (DXS)

- Increased due to sales expansion and improved GPM
 - Strategic areas expansion contributed

Network Solutions (NWS)

- Almost flat yoy as a result of sales increase and lower GPM

Environmental & Social Solutions (ESS)

- Turned to profit increase in 2Q due to sales expansion.

Others/elimination

- ERP renewal and personnel costs increased

1H FY2024/3 Gross Margin by Segment

	1H FY23/3	1H FY24/3	Change	
DXS	21.3%	22.0%	+0.7pt	- Sales increase - Higher value creation (Strategic biz expansion)
NWS	22.4%	19.6%	-2.8pt	- Decrease of high-profitability biz due to capex control of telecom. carriers - Low profitable PJs in social infra. Biz (product area expanding in this FY in advance)
ESS	13.1%	15.5%	+2.4pt	- Disappeared overseas losses
Company total	18.1%	18.8%	+0.7pt	

Topics: Progress of the Spiral-Type Growth Model

Key Achievements

Main Initiatives and Issues During the First Half of the Medium-Term Management Plan

Consultation-type approach

- Growth rate in orders received: **4 times** YoY
Approx. 20% of non-consolidated orders

- Develop a dedicated consulting organization and cultivate consultants
- Develop an offering model
- ✓ Further strengthen consulting capacity

Expanding the customer base

(large recurring accounts in private sector)

- Number of accounts **+6%** YoY
Orders received per an account **+13%**

- Follow up with existing customers and improve proposals
- ✓ Customer co-creation and value creation leveraging ongoing business relationships

Expansion of high added value business

(DX strategic areas: workstyle DX, next-generation network security, etc.)

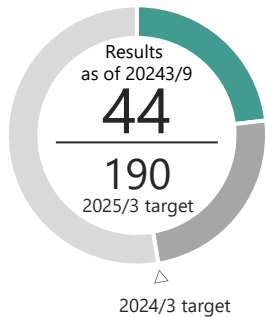
- Net sales growth rate approx. **+40%** YoY

- Expand the Symphonict service focusing on strengths in DX and beyond-5G next-generation networks
- ✓ Launch initiatives in growth areas to achieve further profitability gains

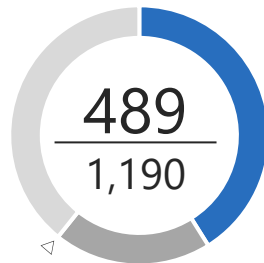
Topics: Initiatives to Enhance Human Capital-oriented Management

Development of high-level human resources

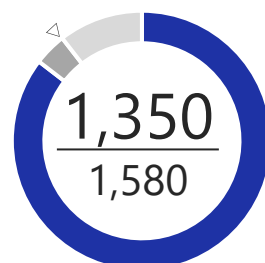
Consulting personnel



Advanced DX professionals



Beyond 5G professionals



- Consulting personnel: Candidate visualization and accelerated development
- Advanced DX professionals: Launch of a curriculum to gain DX knowledge and learn about AI development and data analysis in a practical format
- Beyond 5G professionals: Augment classroom instruction with a focus on local 5G

A corporate culture of continually taking on challenges and growing

Psychological Safety Award 2023



5th Platinum Career Award



1st WELLBEING AWARDS



Certified Health & Productivity Management Outstanding Organization 2023



- Creating an environment where employees can engage in self-directed learning and continue to take on challenges
- Continue to conduct new business pitch contests that accelerate co-creation and innovation
- Systems and initiatives enabling employees to continue working in good health and with peace of mind

II. Forecasts for the FY2024/3

FY2024/3 Forecasts

Robust DXS absorbing the worsened NWS Challenging further improvement

(¥ Bn.)

	FY23/3	FY24/3 forecasts			2H FY23/3	2H FY24/3 forecasts	
		YOY Change	From prev. forecasts			YOY Change	
Orders received	356.0	370	+4%	-	183.7	178.8	-3%
Net sales	320.8	350	+9%	+10.0	178.1	194.8	+9%
Operating income	22.8	24.0	+1.2	-	18.1	17.8	-0.3
(to sales)	7.1%	6.9%	-0.2pt		(10.2%)	(9.1%)	-1.0pt
Net income	13.8	14.0	+0.2	-	11.1	10.4	-0.7
attributable to owners of the (to sales)	4.3%	4.0%	-0.3pt		(6.2%)	(5.3%)	-0.9pt

*Net sales forecast was revised considering large PJ sales (equipment procurement)

Premise of 2H

Orders received

- DXS: Strategic areas such as work-style DX highly grow. Covid-19 special demand impact decreases
- NWS/ESS: Large PJs in previous 2H impacts

Net sales

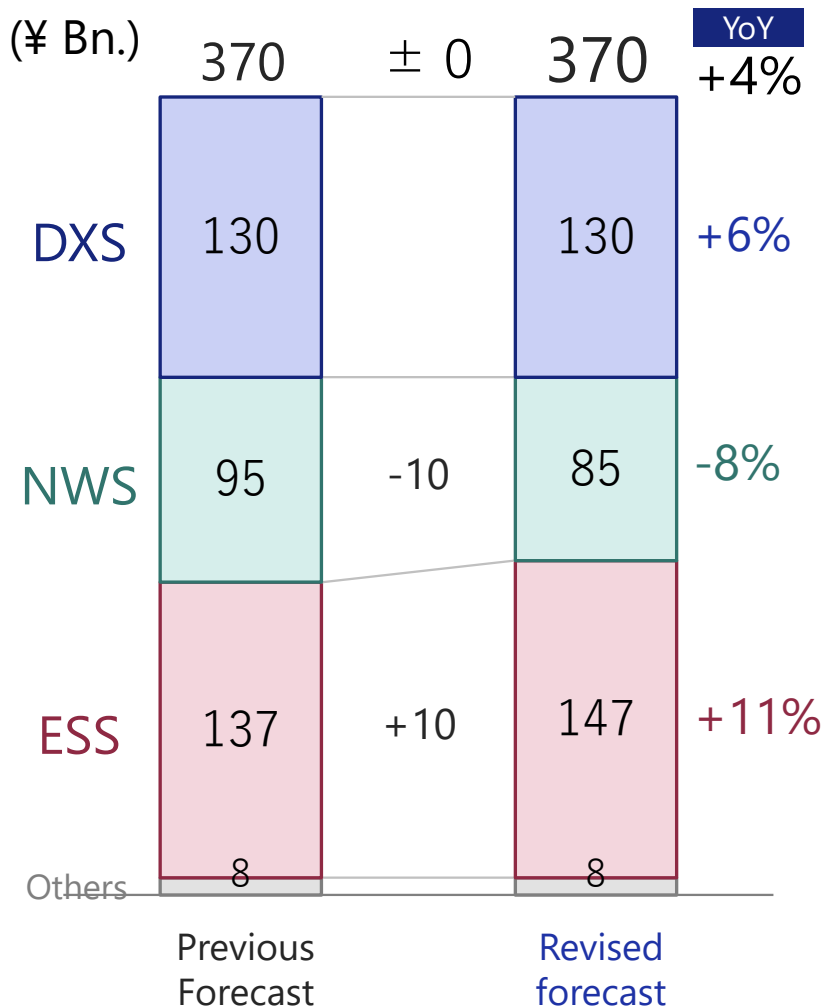
- Sales from orders backlog is expanding (23/9 end backlog: +21% yoy)

Operating income

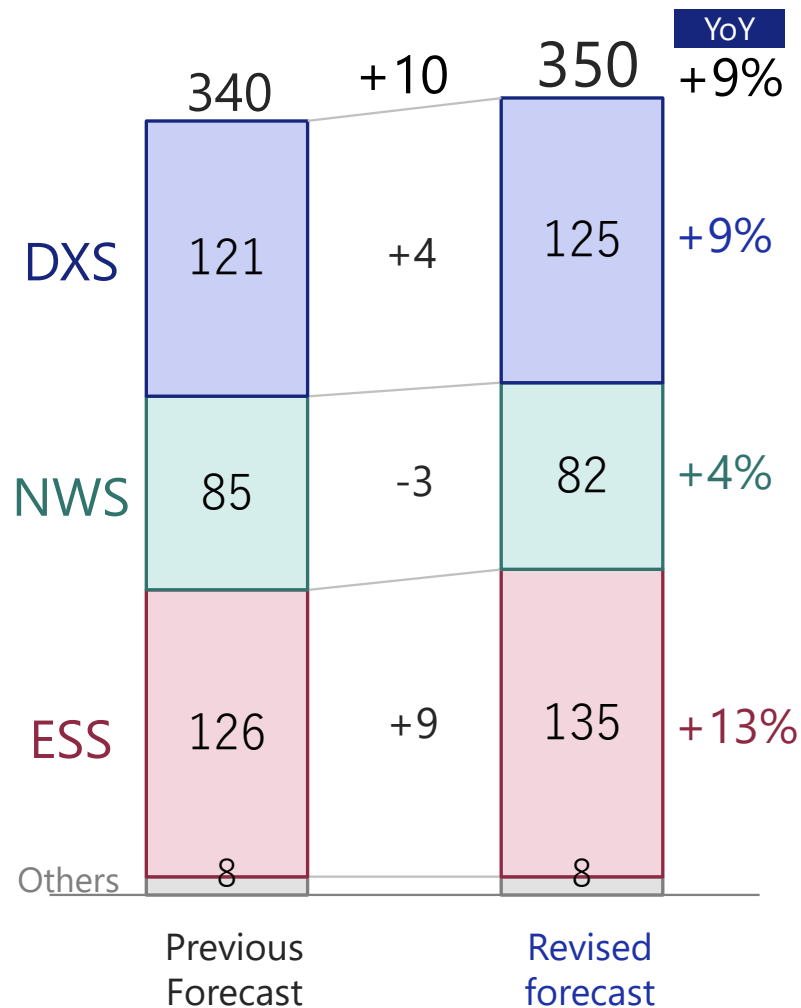
- GP increases due to sales growth (absorbing reactional impacts of reversal of allowances in previous 3Q)
- SG&A expansion continues for future growth

FY2024/3 Forecasts by Segment

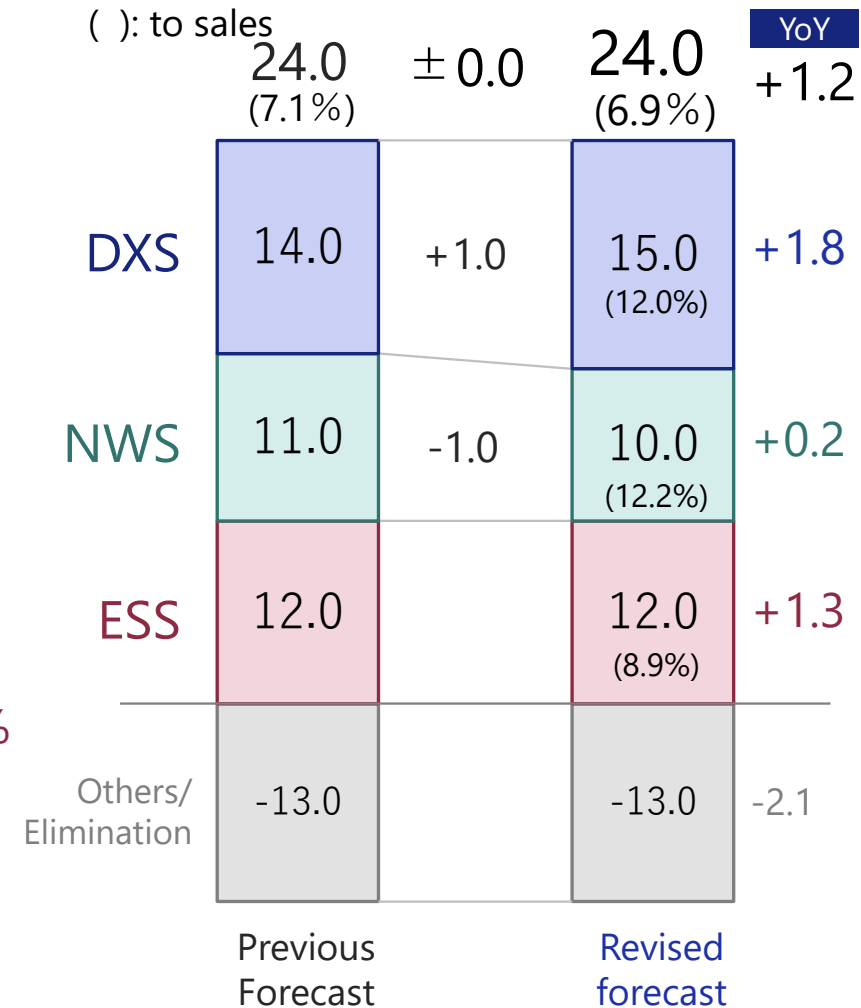
Orders received



Net sales



Operating income



1H FY2024/3 Orders Backlog by Segment

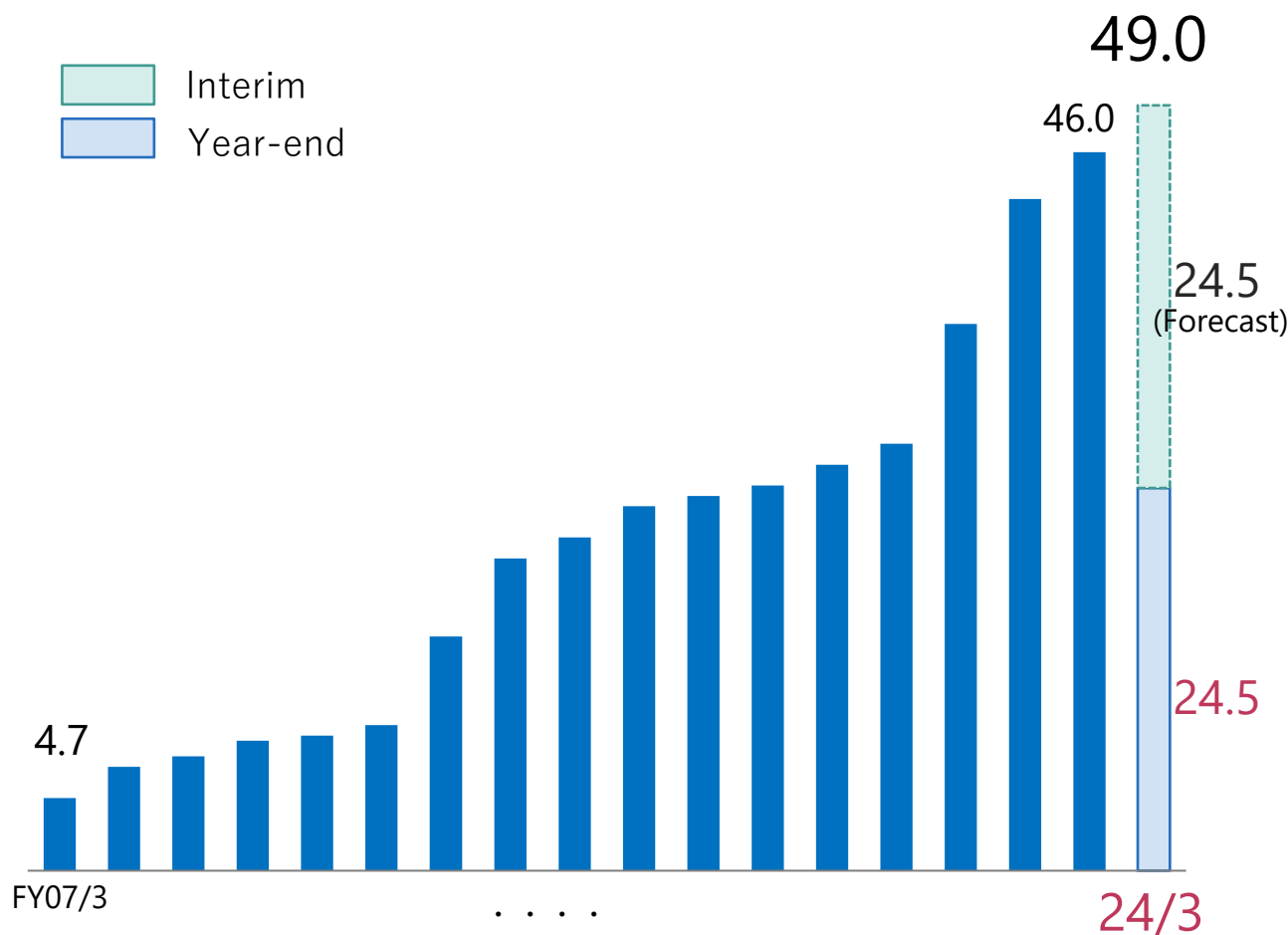
(¥ Bn.)

	End of Sep.2022	End of Sep.2023	Diff.	G/R
DXS	61.1	62.4	+ 1.3	2%
NWS	41.6	47.7	+ 6.1	15%
ESS	91.4	121.1	+ 29.7	32%
Company total	196.4	237.9	+ 41.5	21%

Dividend

Dividend/share
(¥)

Interim
Year-end



Increasing for the
17th year in a row
(No change in the dividend plan)

Interim : ¥24.5/share (+¥1.5)

Year-end : ¥24.5/share (+¥1.5)

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

About Supplementary Data

Please see our supplementary data sheet for

- Historical P/L, B/S, C/F
- Segment data (incl. old segment)
- Other data
(Orders backlog, by-business type and by-market data)

<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.

Some information for reference such as impact of special factors is calculated and shown in round numbers.

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



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