

# Financial Results for the First 9 Months for the Fiscal Year ending March 2020 (For Press Conference)

January 29, 2020

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

# 9M FY2020/3 Summary

## Orders, sales and operating income grew

- Orders: Increased offsetting a reactionary fall due to large overseas projects in the previous fiscal year (-¥10Bn.) \* Over 10% growth excluding impacts above
- Operating income: Increased due to profitability improvement and sales growth despite increased growth expenditure and loss-project cost.

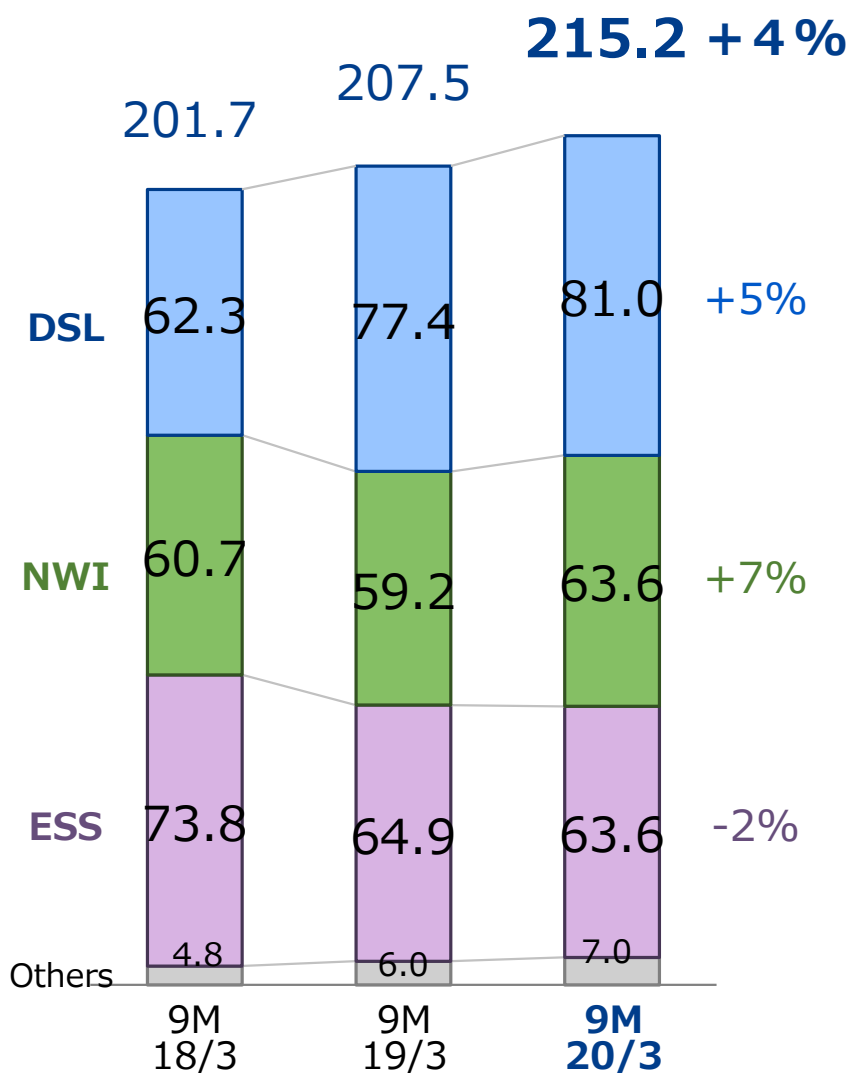
## Net income remained flat mainly due to extraordinary losses

(¥ Bn.)

	9M			(ref.) 3Q		
	FY2019/3	FY2020/3	Change	FY2019/3	FY2020/3	Change
<b>Orders received</b>	207.5	215.2	+4%	60.7	63.5	+5%
<b>Net sales</b>	191.0	214.0	+12%	68.5	77.8	+14%
<b>Gross margin</b>	16.6%	16.8%	+0.2pt	17.8%	17.3%	-0.5pt
<b>Operating income</b>	6.3	8.2	1.9	3.7	3.8	0.2
<b>(to sales)</b>	(3.3%)	(3.8%)	+0.5pt	(5.3%)	(4.9%)	-0.4pt
<b>Extraordinary losses</b>	0.0	3.4	-3.4	0.0	1.2	-1.2
<b>Net income</b>	4.3	4.3	0.0	2.4	1.4	-1.0
<b>attributable to owners of the parent</b>						
<b>(to sales)</b>	(2.2%)	(2.0%)	-0.2pt	(3.5%)	(1.8%)	-1.7pt
<b>Free cash flows</b>	2.0	1.9	-0.1	-9.5	-8.9	+0.6

# 9M FY2020/3 Orders Received by Segment

(¥ Bn.)



## Digital Solutions (DSL)

- Although orders from financial companies decreased due to PJ concentration in the previous FY, workstyle innovation orders increased

## Network Infra. (NWI)

- Social/public infra. orders\* increased
  - \*Networks for firefighting/disaster prevention and video/CATV
  - Business for telecom. carriers was picking up from sluggish pace in 1H

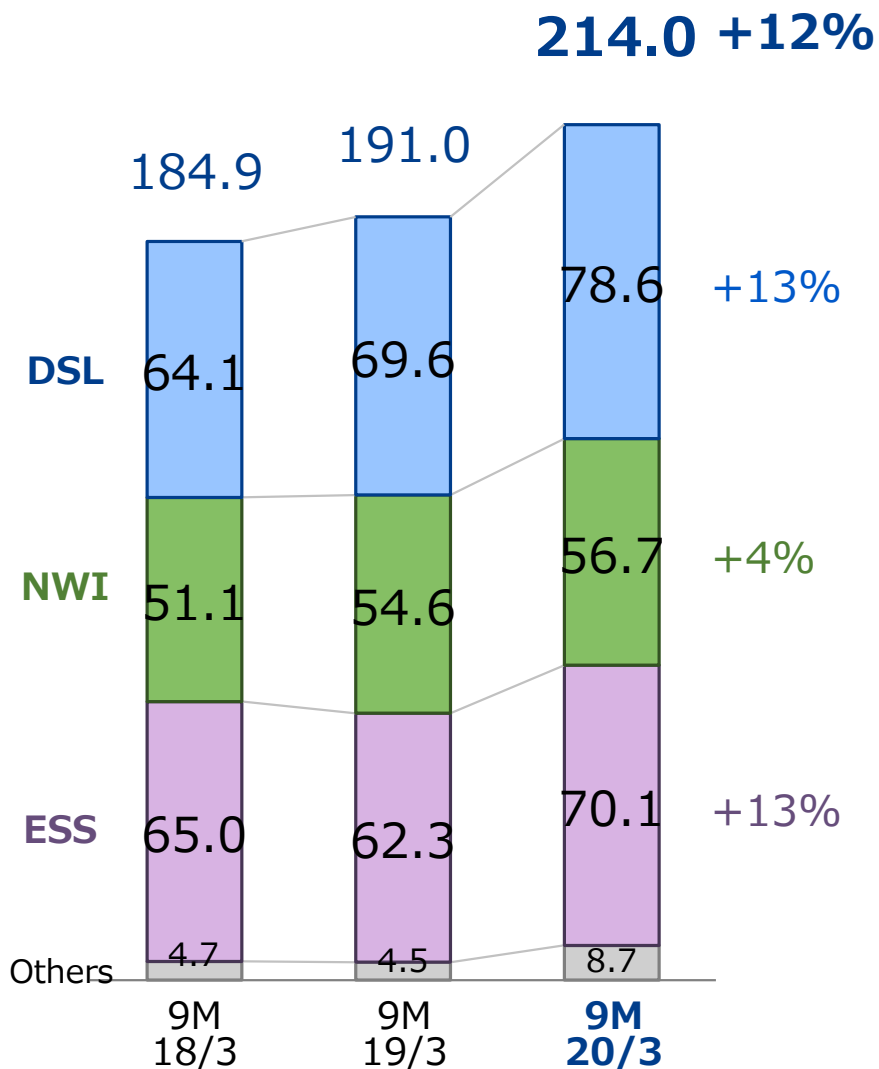
## Engineering & Support Services (ESS)

- Decreased slightly as a result of offsetting the reactionary drop in orders due to large overseas orders in the previous FY(-10) mainly by increased domestic construction biz.

\*Networks for firefighting, etc.

# 9M FY2020/3 Net Sales by Segment

(¥ Bn.)



## Digital Solutions (DSL)

- Workstyle innovation area and network for hotels increased

## Network Infra. (NWI)

- Sales for social/public infra.\* increased

\*Networks for traffic, space, firefighting/disaster prevention, etc.

## Engineering & Support Services (ESS)

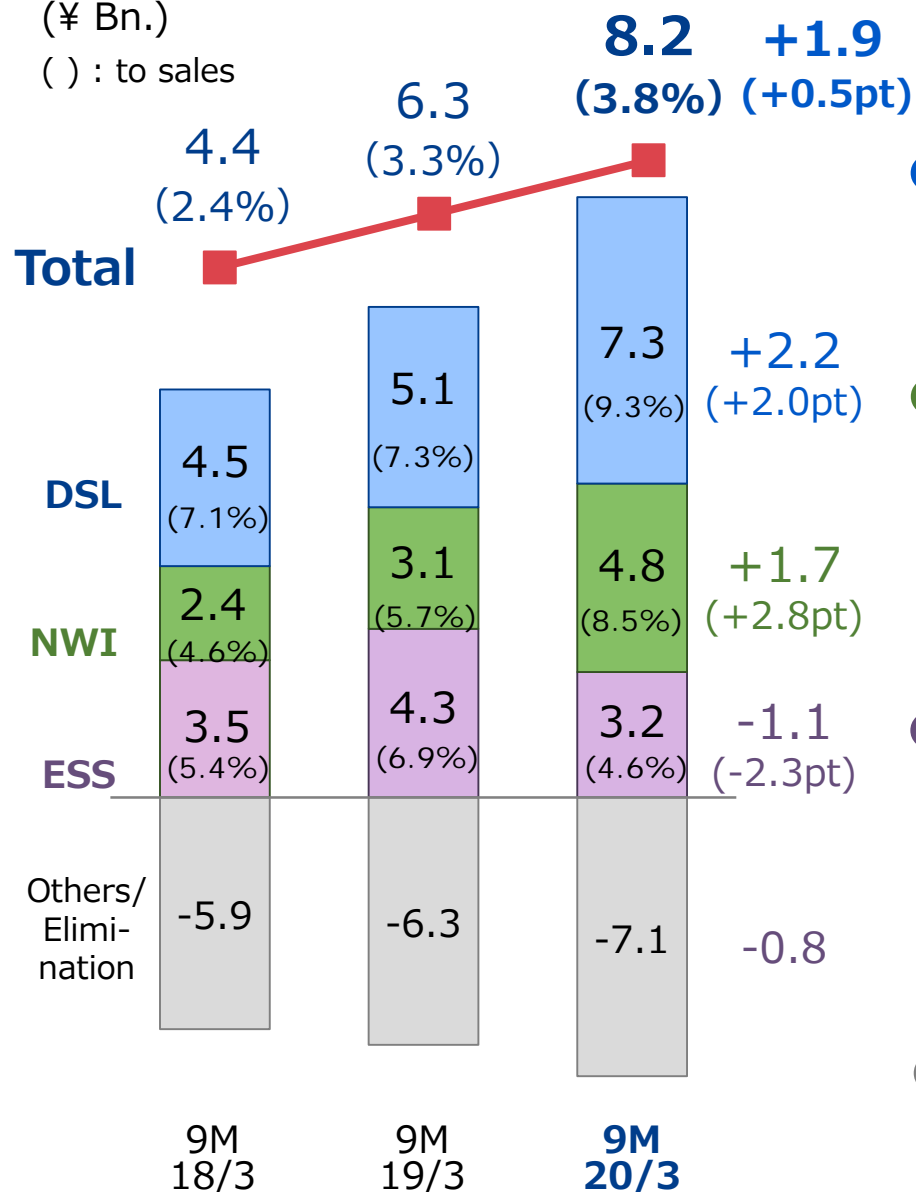
- Both of domestic construction\* and maintenance/operation businesses increased

\*Mega-solar and networks for firefighting, etc.

# 9M FY2020/3 Operating Income by Segment

(¥ Bn.)

( ) : to sales



## ● Digital Solutions (DSL)

- Profit increased due to improved fixed cost efficiency as a result of higher net sales

## ● Network Infra. (NWI)

- Profit increased due to dissolving loss projects in addition to higher net sales and the reorganization effect\*

\*Resource efficiency enhancement, enhanced PJ management etc.

## ● Engineering & Support Services (ESS)

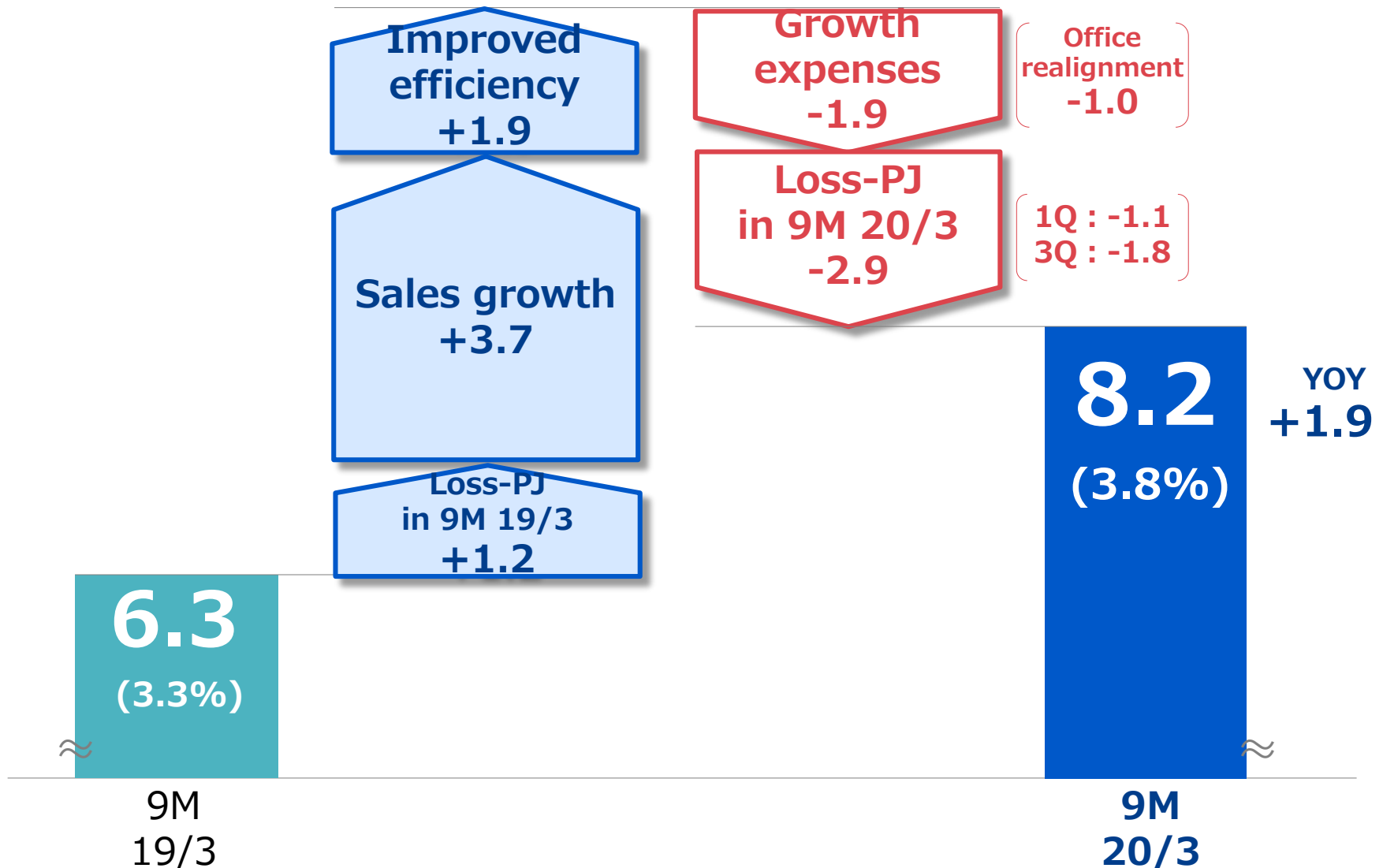
- Profit decreased due to increased loss-project cost
- Profitability improved excluding impacts above

## ● Others/Elimination

- Growth expenses increased  
(Office realignment, etc.)

# 9M FY2020/3 Factors of Operating Income Change

(¥ Bn.)



# Expansion of Loss in Mega Solar Construction Project

## **Factors for the expansion of project loss:**

Additional costs expected to arise from the implementation of environmental measures, such as the expansion of grit chambers aimed at preventing the diffusion of dirty water, and stronger safety measures attributable to heavy rainfall, and the resulting extension of the construction period into winter.

## **Order backlogs for mega solar projects:**

Three projects amounting to approx. ¥14 bn (as at December 31, 2019)

We are carefully implementing project management for two mega solar projects other than this loss-making project to avoid the occurrence of similar unprofitable situations.

## Upward revision of operating income forecast in view of strong progress

(¥ Bn.)

	FY19/3	FY20/3 (Forecasts)	Change	Previous forecasts (2019/10/29)	Difference
Orders Received	284.7	295	+4%	295	—
Net Sales	277.9	300	+8%	300	—
Operating Income (to Sales)	12.8 (4.6%)	15.0 (5.0%)	+2.2 +0.4pt	14.0 (4.7%)	+1.0 +0.3pt
Net income attributable to owners of the parent (to Sales)	8.9 (3.2%)	9.0 (3.0%)	+0.1 -0.2pt	9.0 (3.0%)	— —

(\*Forecasts as at January 29, 2020)



# FY2020/3 Forecasts by Segment

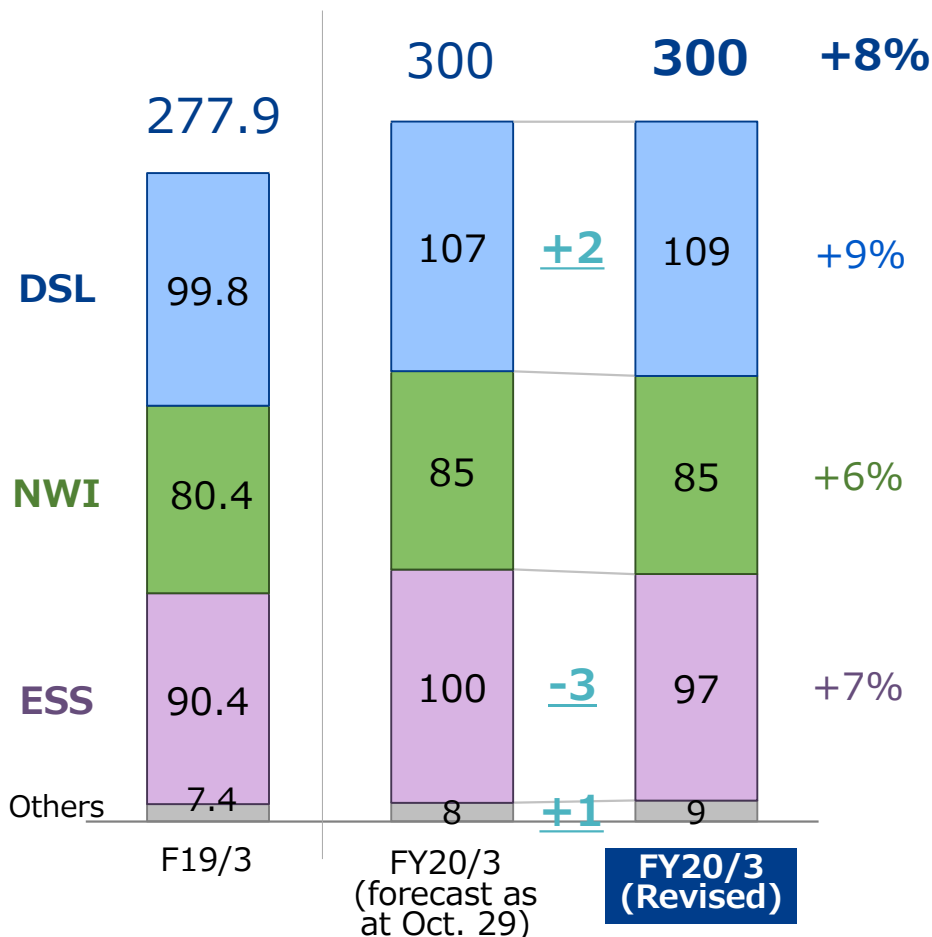
(\*Forecasts as at January 29, 2020)

## Upward revision mainly by DSL and NWI

### Net Sales

(¥ Bn.)

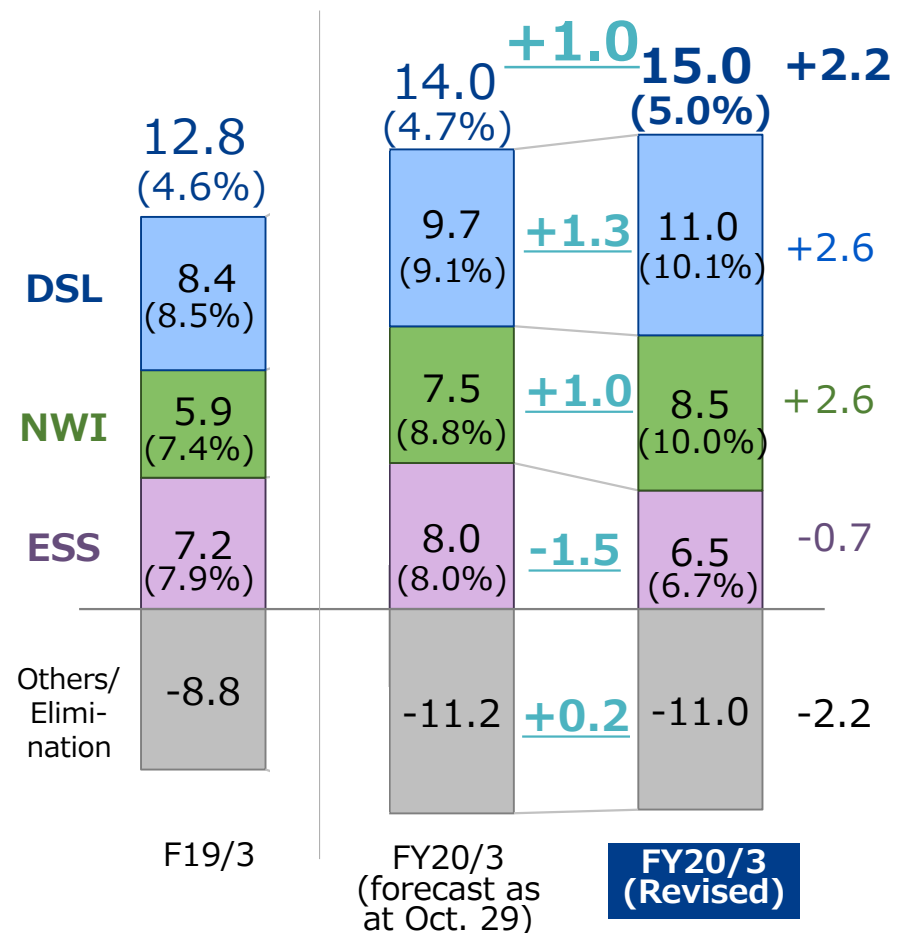
YoY



### Operating Income

( ) to sales

YoY



# December 2019 Balance Sheet

(¥ Bn.)

	End of Mar. 19	End of Dec. 19	Diff.
Cash and cash equivalents	54.4	53.5	-0.9
Notes & accounts receivable	107.2	97.8	-9.4
Inventories	13.2	15.0	1.8
Others	6.3	7.7	1.3
Current Assets	181.0	174.0	-7.1
Noncurrent Assets	35.1	36.5	1.3
Assets	216.2	210.4	-5.7
Notes and accounts payable	41.1	36.5	-4.5
Loans	6.4	8.1	1.6
Others	61.1	57.3	-3.8
Liabilities	108.6	101.9	-6.7
Shareholders' equity	109.0	109.4	0.3
Accumulated other comprehensive income	-4.1	-3.7	0.5
Non-controlling interests	2.7	2.9	0.2
Net Assets	107.6	108.6	1.0
Liabilities & Net Assets	216.2	210.4	-5.7
Owner's Equity Ratio	48.5%	50.2%	+1.7pt

# 9M FY2020/3 Cash Flows

(¥ Bn.)

	9M FY19/3	9M FY20/3
Operating Cash Flow (A)	<b>6.4</b>	<b>6.7</b>
Investment Cash Flow(B)	<b>-4.4</b>	<b>-4.8</b>
Free Cash Flows (A) + (B)	<b>2.0</b>	<b>1.9</b>
Financial Cash Flow	<b>-5.0</b>	<b>-2.7</b>

# APPENDIX

# (Ref.) Net Income Attributable to Owners of the Parent

(¥ Bn.)

	9M FY20/3	YoY
<b>Operating income</b>	<b>8.2</b>	<b>+1.9</b>
Other income/expense	<b>-0.0</b>	-0.3
<b>Ordinary income</b>	<b>8.2</b>	<b>+1.7</b>
Extraordinary losses	<b>3.4</b>	-3.4
<b>Income before income taxes</b>	<b>4.8</b>	<b>-1.7</b>
Income taxes	<b>0.3</b>	+ 1.7
Net income attributable to non-controlling interests	<b>0.2</b>	+0.0
<b>Net income attributable to owners of the parent</b>	<b>4.3</b>	<b>-0.0</b>

Office transfer cost(1Q) -0.4  
 Impairment loss for a  
 training center closure(1Q) -1.8  
 Compensation for damage  
 by a delayed PJ(3Q) -1.3

Impact of review of the  
 recoverability of DTA(1Q) +1.6

# 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.

NESIC has changed the reportable segments from the FY March 2020 according to the reorganization at April 2019. The segment figures for the FY March 2018 and FY March 2019 in these slides were reclassified for disclosure to reflect the changes in this event.



# Re-designing your Communication

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

