



# Financial Results for the 1H ending March 2021

October 30, 2020

Yushi USHIJIMA, President

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

# Agenda

I. Results for 1H FY2021/3

II. Forecasts for FY2021/3

III. Progress of Measures

for “Beyond Borders 2021”

(Medium-Term Management Plan)

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## **I. Results for 1H FY2021/3**

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# 1H FY2021/3 Summary

(¥ Bn.)

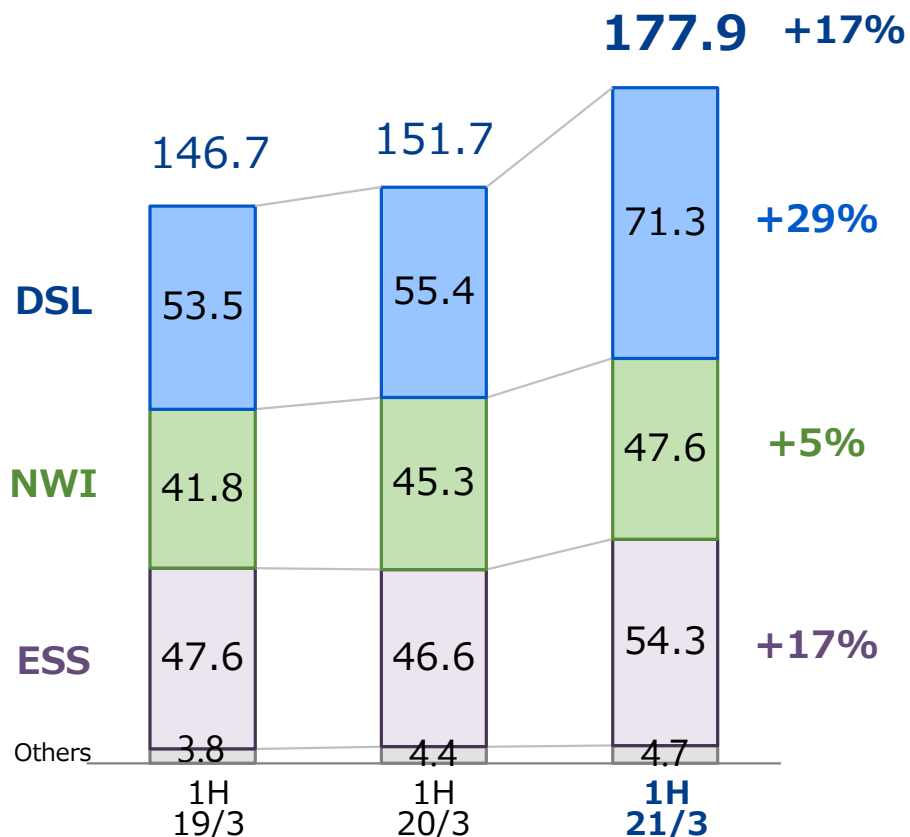
	1H FY2020/3	1H FY2021/3	Change	1H Forecasts as at Jul.30
Orders received	151.7	177.9	+17%	156
Net sales	136.3	151.2	+11%	142
(Gross margin)	16.5%	16.6%	+0.1pt	-
Operating income	4.4	6.7	+2.4	4.5
(to sales)	(3.2%)	(4.5%)	+1.3pt	(3.2%)
Extraordinary income and loss	-2.2	-0.5	+1.7	-
Net income <small>attributable to owners of the parent</small>	2.9	4.0	+1.1	3.0
(to sales)	(2.1%)	(2.6%)	+0.5pt	(2.1%)
Free cash flows	10.8	14.4	+3.6	

**Both sales and profit increased, significantly surpassing forecasts.**

- GIGA school-related projects led an increase in orders.
- Profit rose significantly, thanks to sales expansion based on strengthened business capability
  - These earnings not only offset an increase in growth expenses and the negative impact of COVID-19, but also further exceeded the forecasts.

# 1H/FY2021/3 Orders Received by Segment

(¥Bn.)



## Digital Solutions (DSL)

- Large GIGA school projects received by a subsidiary drove an increase in orders.
- DX-related: Progress surpassed expectations.  
\* Increased twice year on year
- A slowdown in corporate investments became apparent.

## Network Infra. (NWI)

- The telecommunication are expanded.
  - KNSI and a large submarine seismometers project acquired in 1Q

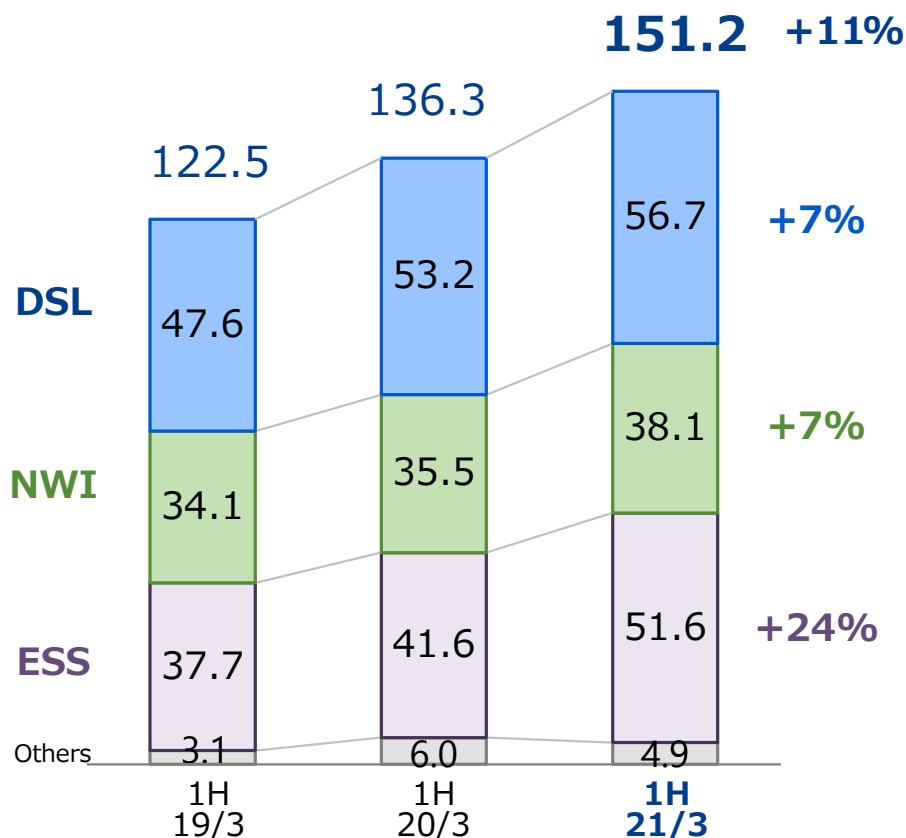
## Engineering & Support Services (ESS)

- Regional GIGA school projects led the growth.

※Segment information FY19/3 & FY20/3 has been reclassified to reflect the inter-segment business transfer in April 2020.

# 1H/FY2021/3 Net Sales by Segment

(¥Bn.)



## Digital Solutions (DSL)

- Workstyle innovation-related businesses continued to grow.
- GIGA school projects contributed to sales.

## Network Infra. (NWI)

- The telecommunication area expanded primarily due to KNSI orders.

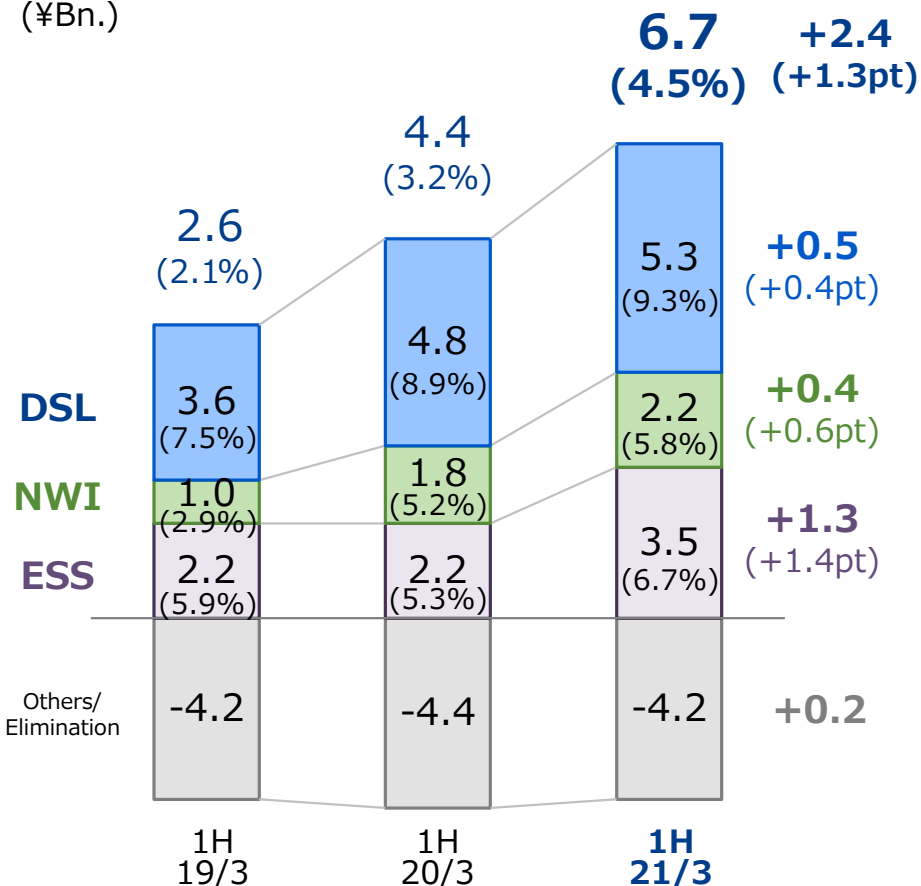
## Engineering & Support Services (ESS)

- Regional GIGA school orders and mega-solar projects contributed to sales.

※Segment information FY19/3 & FY20/3 has been reclassified to reflect the inter-segment business transfer in April 2020.

# 1H/FY2021/3 Operating Income by Segment

(¥Bn.)



## Digital Solutions (DSL)

- Profit increased due to higher sales.

## Network Infra. (NWI)

- Profit increased due to growth in sales and the effect of reorganization.

\*Resource efficiency improvement, enhanced PJ management, etc.

## Engineering & Support Services (ESS)

- Profit increased because of higher sales and a decrease in provision for loss for unprofitable projects

※Segment information FY19/3 & FY20/3 has been reclassified to reflect the inter-segment business transfer in April 2020.

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(¥ Bn.)

	FY20/3 Actual	FY21/3 Forecast	Change	July 30 forecast	Diff.
<b>Orders received</b>	305.0	320	+5%	310	+10
<b>Net sales</b>	303.6	327	+8%	312	+15
<b>Operating income</b>	16.2	19.0	+2.8	18.0	+1.0
<b>(to sales)</b>	(5.4%)	(5.8%)	+0.4pt	(5.8%)	0.0pt
<b>Net income</b> <small>attributable to owners of the parent</small>	9.4	11.3	+1.9	10.5	+0.8
<b>(to sales)</b>	(3.1%)	(3.5%)	+0.4pt	(3.4%)	+0.1pt

## The full-year forecasts have been revised upward.

- Efforts will be made to post sales for GIGA school orders received in the first half and expand sales to telecom carriers.
- There is concern over the growing impact of the prolonged COVID-19 pandemic.

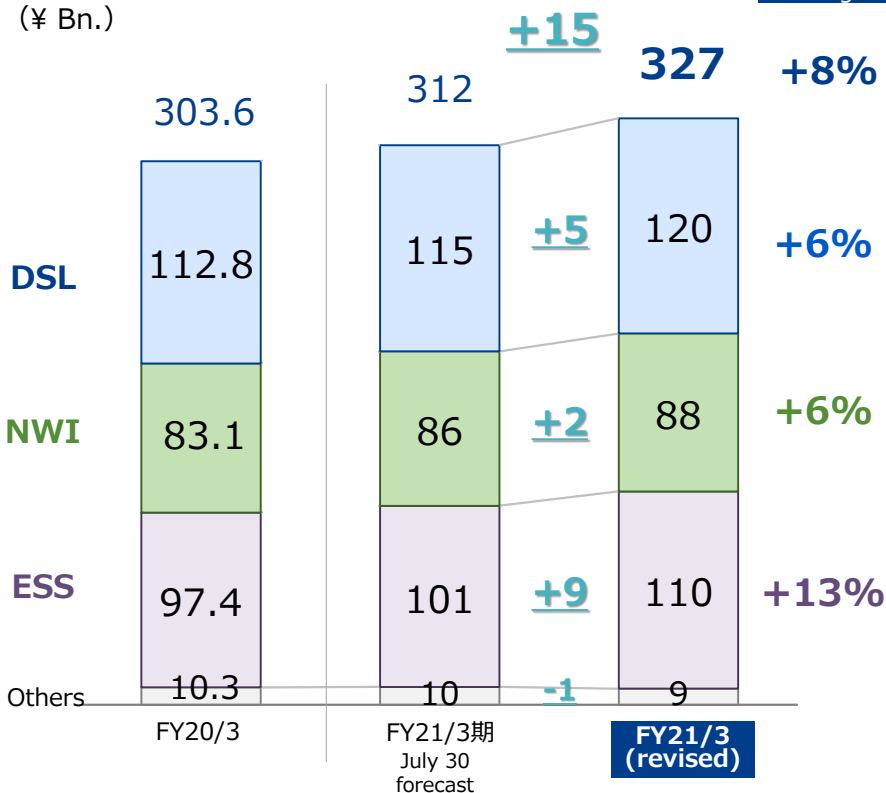
# FY2021/3 Forecasts by Segment

(Forecasts as at October 29, 2020)

## Net Sales

(¥ Bn.)

Change

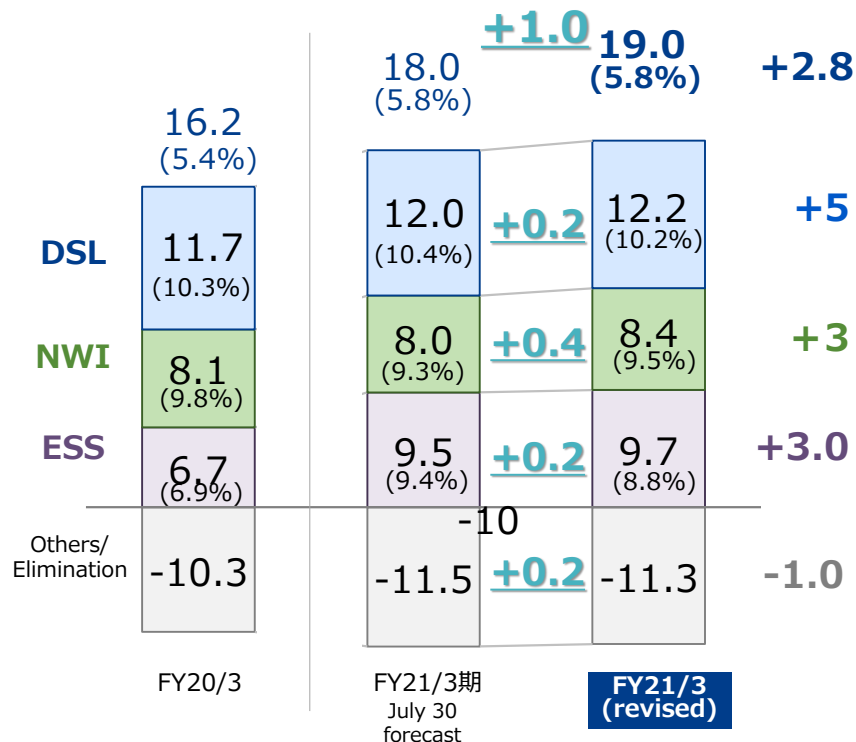


## Operating Income

(¥ Bn.)

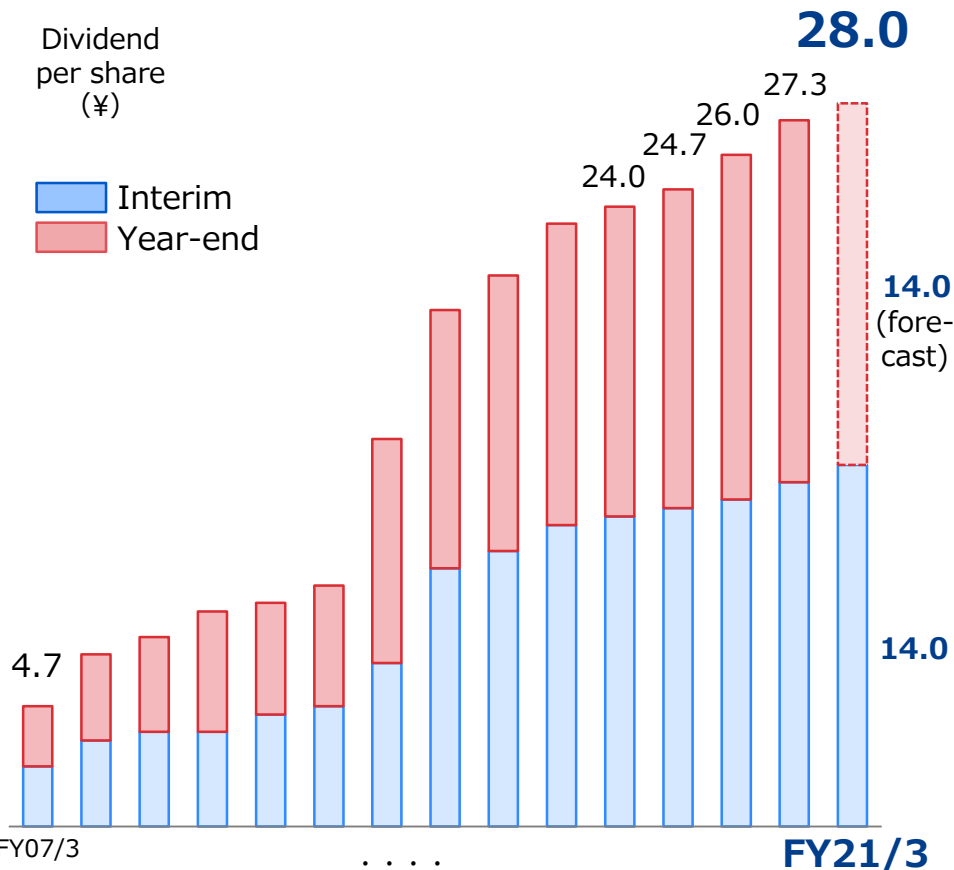
( ) : to sales

Change



Dividend  
per share  
(¥)

Interim  
Year-end



## Planning dividend increase for the 14<sup>th</sup> year un a row

- Interim:  
¥14 per share as planned
- Year-end:  
planning ¥14 per share as the initial plan

\* 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.

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# Social Value Creation Model of NESIC



Vision for society

**An inclusive and sustainable society  
created through communications**

Value to society

- Create environments in which everyone can work more vigorously
- Develop pleasant and plentiful communities with cutting-edge technologies
- Provide robust services that underpin safety and security in evolving society

Focusing areas

**Digital**

×

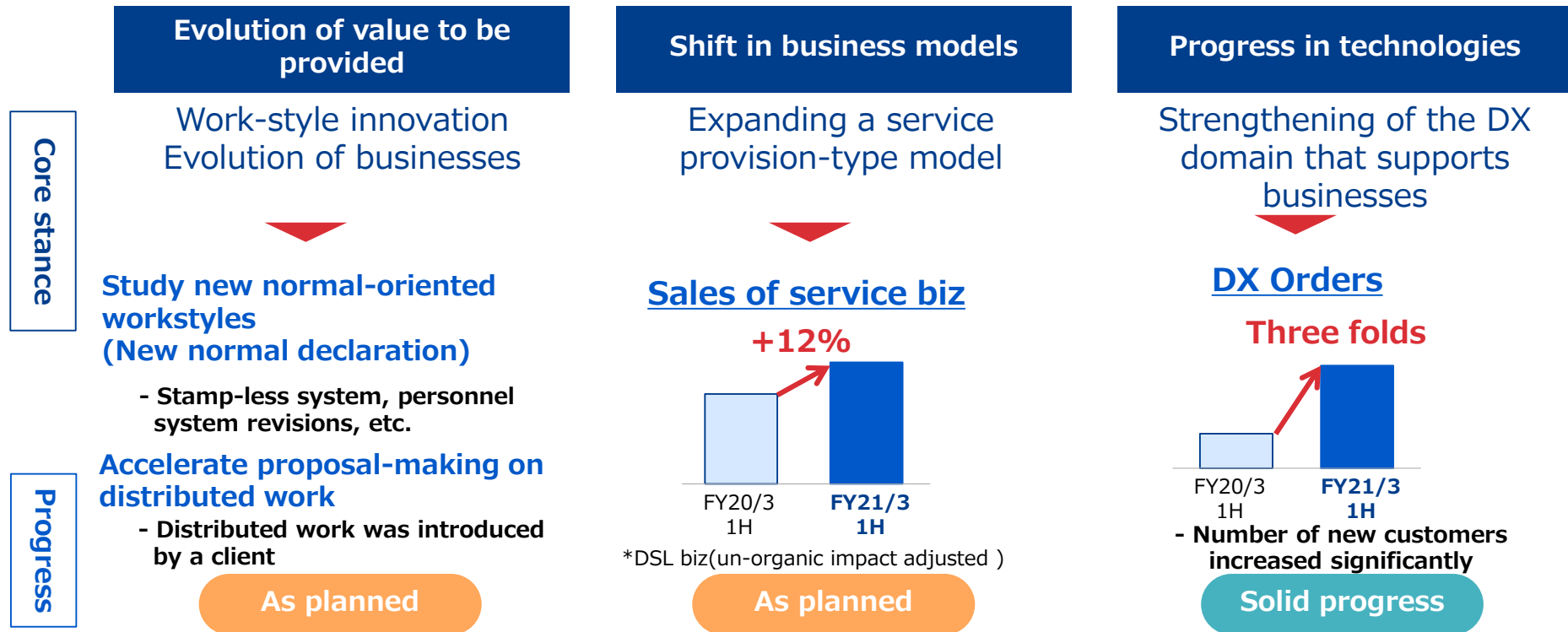
**5G**

Value creation  
model

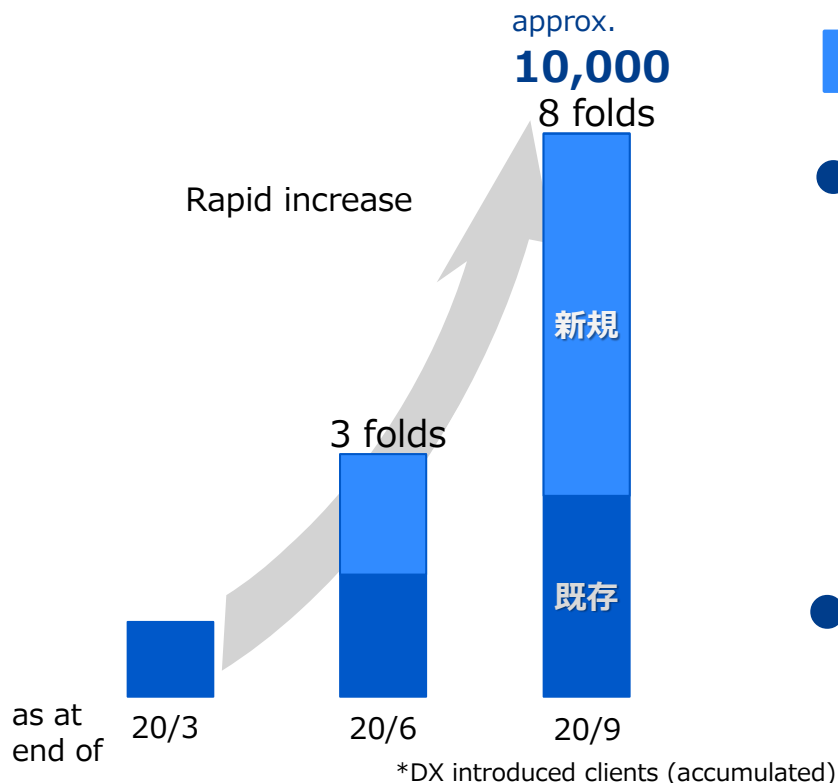
Self-implementation



## Implement & propose “New Normal” work-style



## Further cultivating DX clients



### Actions

#### ● Enterprise



##### • Multi-cloud services (DX work shift)

- Medium-large: DX consultation
- Small-medium: Inside sales

##### • COVID-19 countermeasure services

- Remote/Non-contact/full-automation...

#### ● Education/local gov't



##### • Digitalization services

- Online lecture/digital gov't offices/Stamp-less

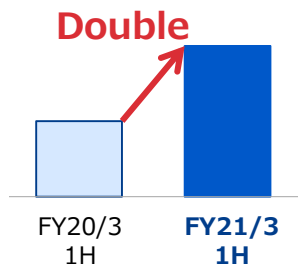
# Progress in Growth Strategy: 5G

## Business for telecom carriers steadily increased preparing for full-scale investments in 5G

### Deepen businesses with telecom carriers

Increase market share in the base station business

#### KNSI's sales



Steadily market share increase  
Business expansion to core-network area

As planned

### Local 5G

Enhance efforts because it is an area in which full-layer system integration capabilities are utilized.

#### Strengthened demonstration experiments and proposal-making initiatives

- Joint experiment with Mitsui Fudosan. Verifying the use of offices with an eye on the 5G era.
- Accelerating alliances mainly with cable operators to vitalize communities.

As planned

Core stance

Progress



## Accelerate measures for practical use of local 5G ~From base technology enforcement to “Digital x 5G” services

1st in Japan\*

### ● Inaugurate 5G Lab. (Nov. 6)

Open for experimental tests  
Speedy service development by co-creation



5G tech. training



“Shield-room”  
Validation environment  
open to the partners

### ● Office building demo test (From Dec. with Mitsui Fudosan)

Novel workstyle creation/smart-building  
(XR※-usage, PC-less office, next-generation building mgmt)

※Integrating tech. of real & virtual worlds such as VR, AR



Virtual work-place



AI、robotics usage

\*Demonstration test using S/A local 5G (4.7GHz) in a large office building

**A year of preparation to make a leap.**

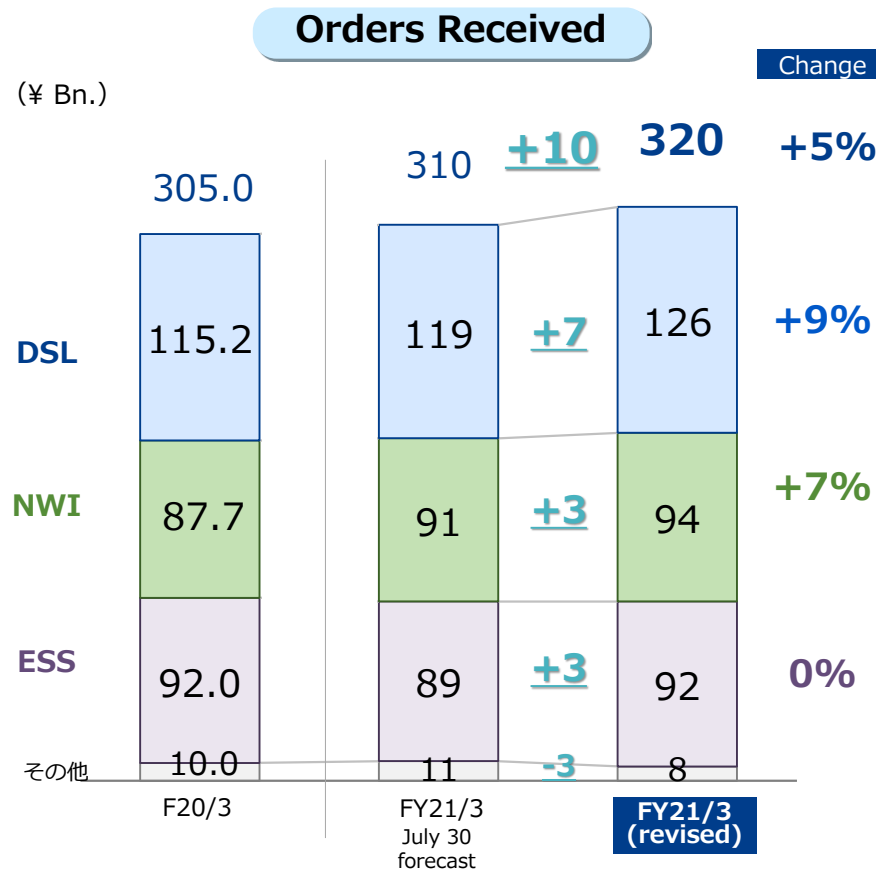
# **Ready to Jump**

**Building a foundation for further growth while  
prioritizing our contribution to social challenges.**

# APPENDIX

# FY2021/3 Forecasts by Segment

(Forecasts as at October 29, 2020)



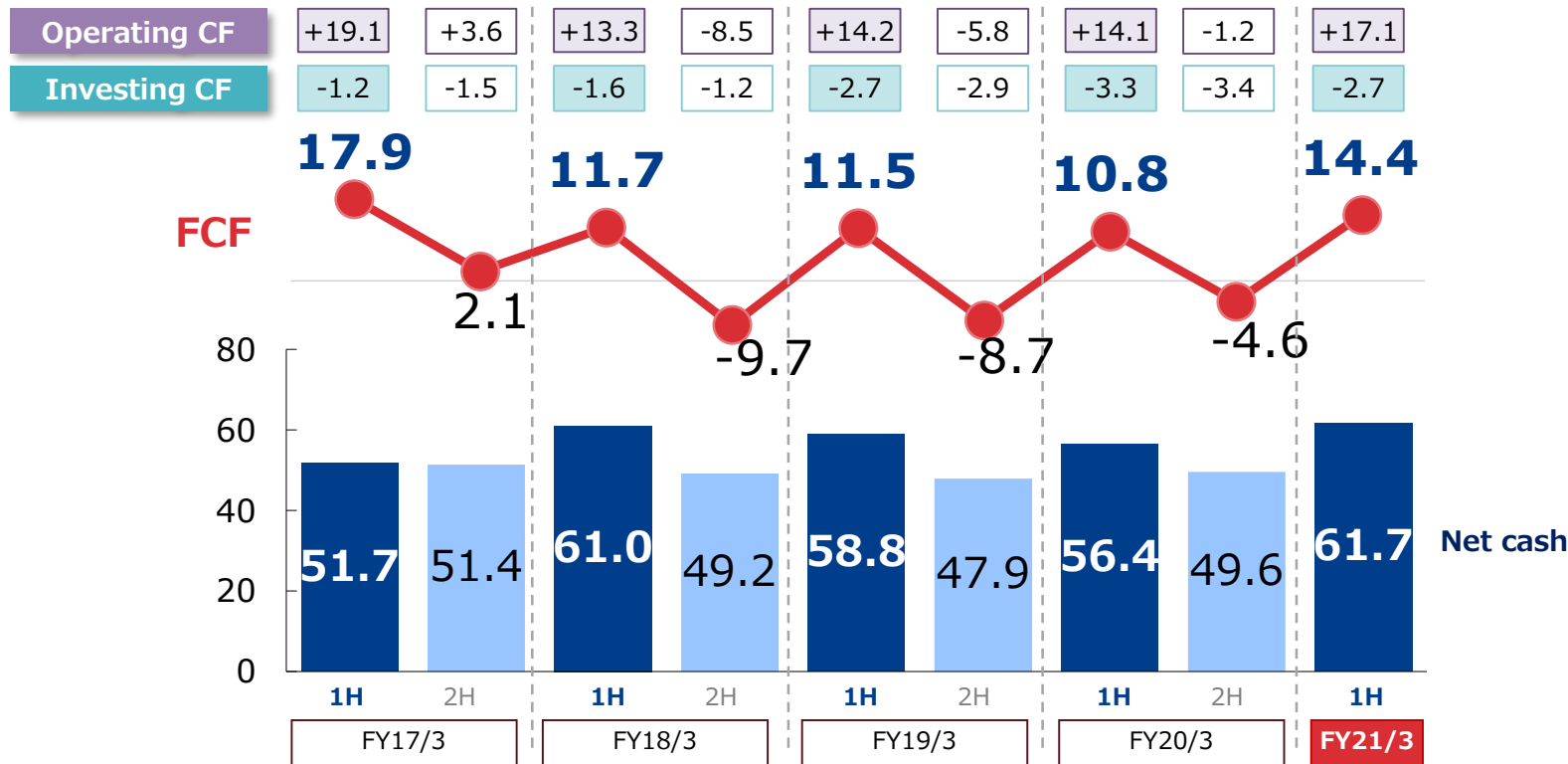
# 1H FY2021/3 (End of Sep. 2020) Balance Sheet

(¥ Bn.)

	End of 20/3	End of 20/9	Diff.
Cash and cash equivalents	58.3	70.7	12.4
Notes & accounts receivable	113.1	100.8	-12.3
Inventories	13.2	12.7	-0.4
Others	7.3	7.4	0.1
Current Assets	191.8	191.6	-0.3
Noncurrent Assets	38.4	39.3	0.9
Assets	230.2	230.8	0.6
Notes and accounts payable	43.1	43.9	0.8
Loans	8.7	9.0	0.3
Others	64.9	62.5	-2.4
Liabilities	116.7	115.4	-1.3
Shareholders' equity	114.5	116.4	1.9
Accumulated other comprehensive income	-4.1	-4.1	0.0
Non-controlling interests	3.1	3.1	-0.1
Net Assets	113.5	115.4	1.9
Liabilities & Net Assets	230.2	230.8	0.6
Owner's Equity Ratio	47.9%	48.7%	+0.8pt

# 1H FY2021/3 Dash Flows

(¥ Bn.)



# 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 were inter-segment transfer of some businesses and other changes in April 2020. Segment information for the FY 2019/3 and FY 2020/3 has been recalculated to reflect the change in the content of business segments. (FY2019/3 figures are un-audited)



# Re-designing your Communication

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





The logo consists of the letters "NEC" in a bold, blue, sans-serif font. The letters are closely spaced and have a slight shadow effect.

NEC Networks & System Integration Corporation

<https://www.nesic.co.jp/english/index.html>