

Financial Results for the Fiscal Year ended March 2021

May 7, 2021

Yushi Ushijima, President

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

Agenda

I. Results for the FY2021/3

II. Forecasts for the FY2022/3

**III. Progress of Measures for
“Beyond Borders 2021 (BB21)”
(Medium-Term Management Plan)**

I. Results for the FY2021/3

FY2021/3 Summary

(¥ Bn.)	FY20/3	FY21/3	Change	FY21/3 forecast (Jan.2021)
Orders received	305.0	336.9	+10%	333
Net sales	303.6	339.1	+12%	333
Gross margin	17.9%	18.9%	+1.0pt	—
Operating income	16.2	25.6	+9.3	22
(to sales)	(5.4%)	(7.5%)	+2.1pt	(6.6%)
Extraordinary income/loss	-3.4	-0.7	+2.7	—
Net income	9.4	15.7	+6.3	13.5
attributable to owners of the parent				
(to sales)	(3.1%)	(4.6%)	+1.5pt	(4.1%)
R O E	8.8%	13.5%	+4.7pt	
Free cash flows	6.2	13.1	+6.9	

Big jump to
new record performance
~Frontloaded achievement of
medium term target

<Medium-term target (FY22.3)>

- Net sales: ¥310 Bn.
- Operating income: ¥20 Bn. (6.5% to sales)
- ROE: 10%

● Two-digits growth in orders/sales

- Acquired GIGA School demand
- Strategic areas grew

*DX/workstyle innovation, telecom

● Profitability

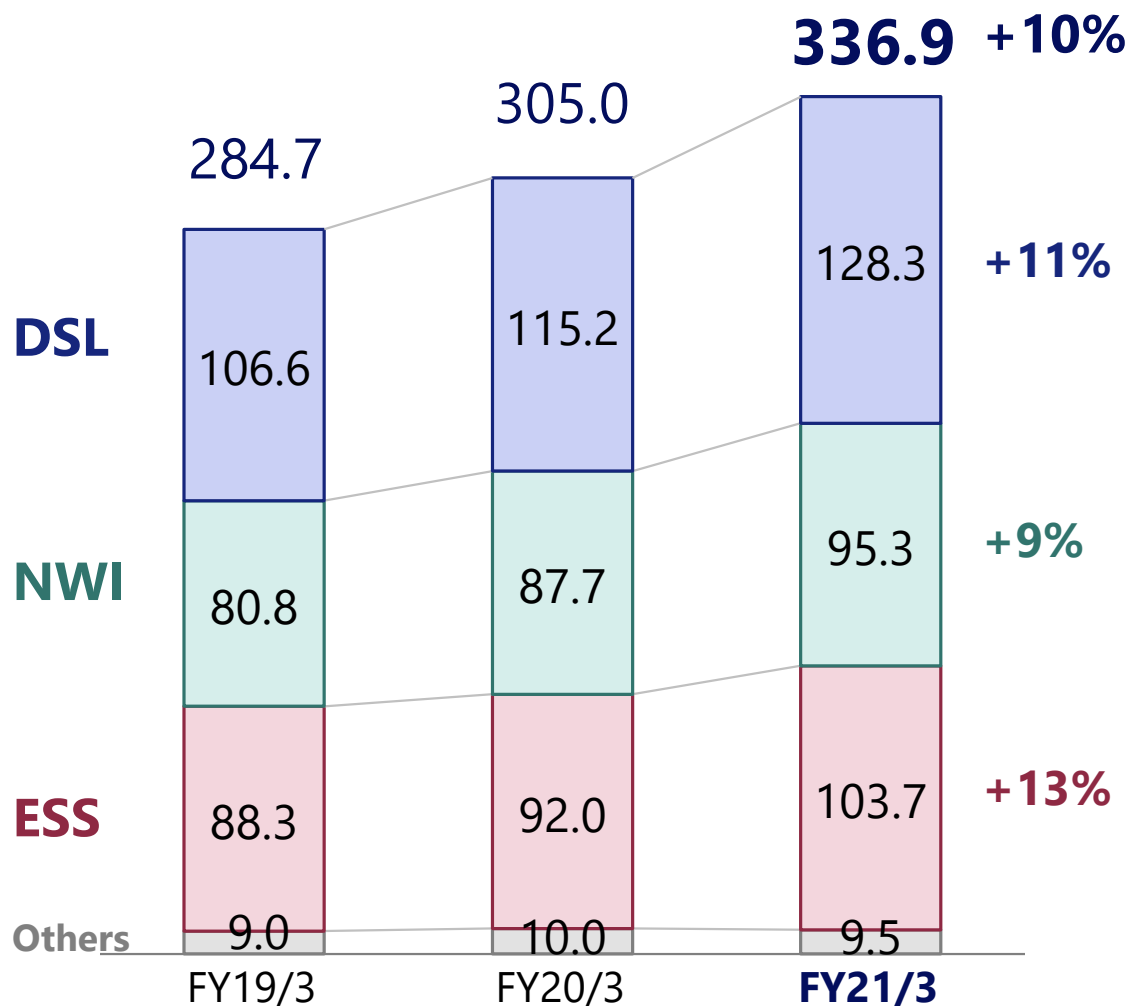
moved up to the next level

Operating income: ¥25.6 Bn.

(7.5% to sales)

FY2021/3 Orders Received by Segment

(¥ Bn.)



Digital Solutions (DSL)

- GIGA school received by a subsidiary drove an increase in orders.
- DX/Workstyle innovation-related businesses expanded though non-urgent ICT investment slowed down

*Negative ¥4 bn. impact of a group company (changed from a consolidated subsidiary to an equity method affiliate from 2Q) is included

Network Infrastructures (NWI)

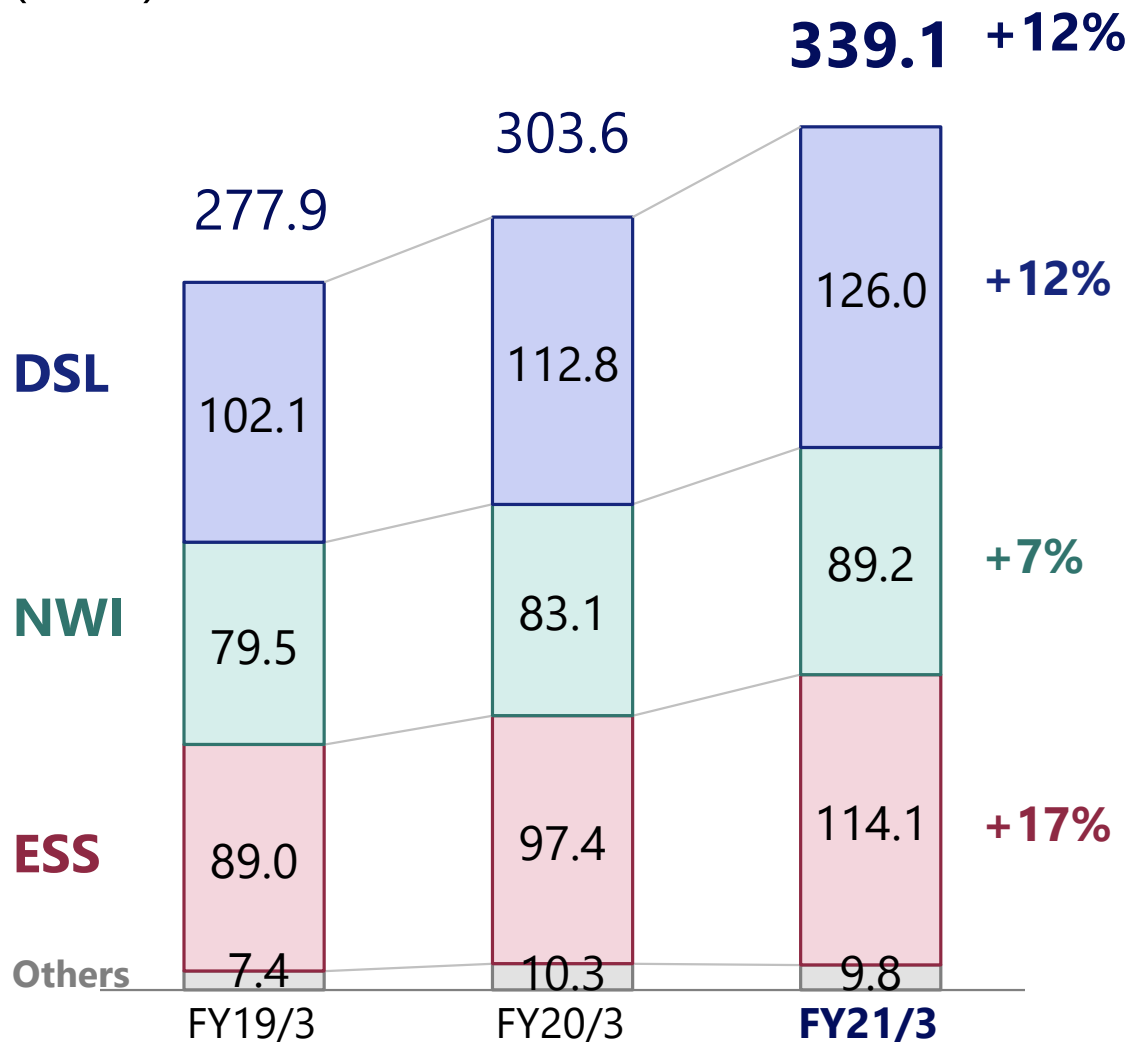
- Telecom area expanded
 - Orders from telecom carriers increased
 - Acquired large PJ of submarine seismometer in 1Q

Engineering & Support Services (ESS)

- Regional GIGA school projects led the growth.

FY2021/3 Net Sales by Segment

(¥ Bn.)



Digital Solutions (DSL)

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Network Infrastructures (NWI)

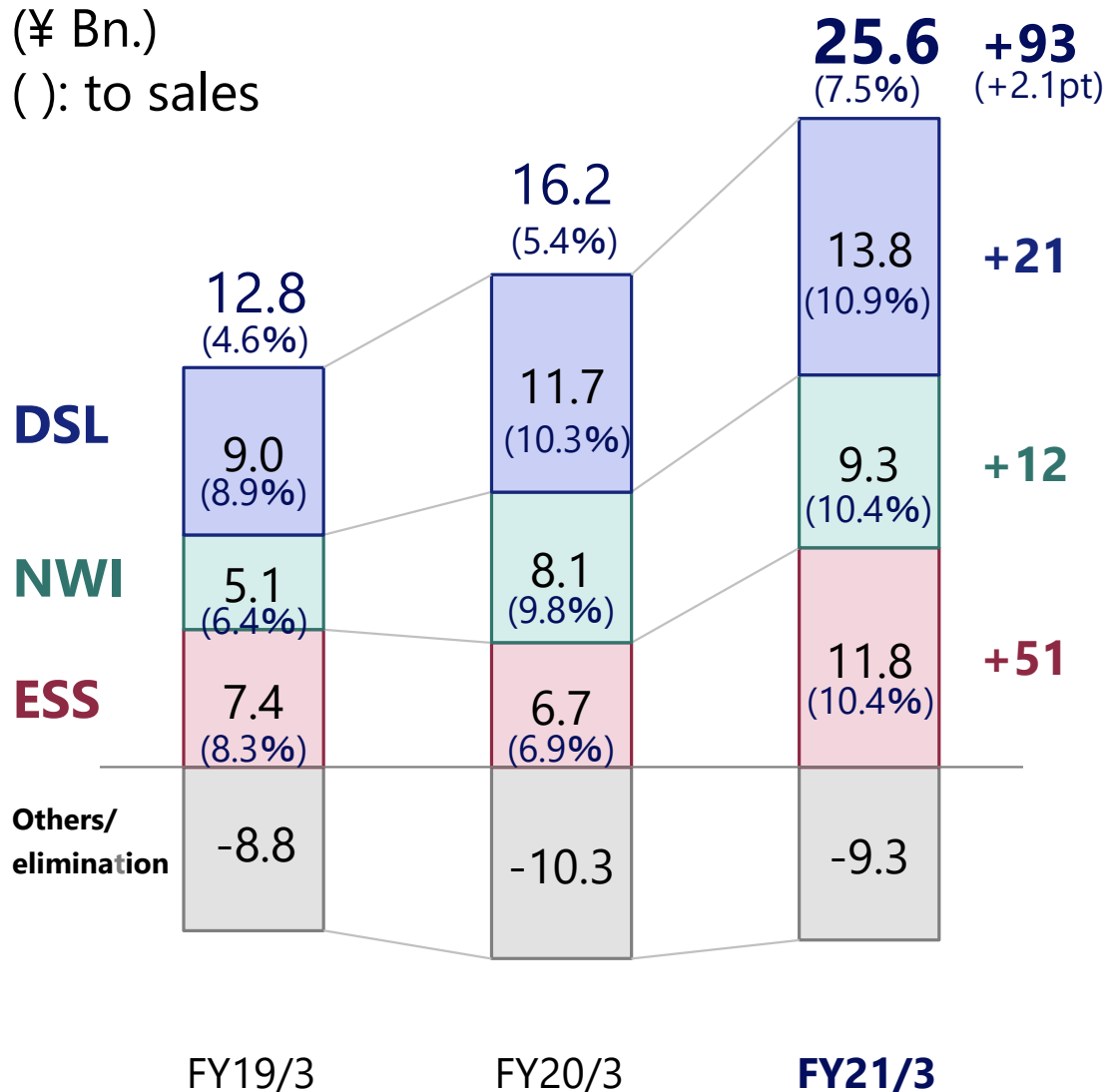
- Telecom area expanded
 - Telecom carriers business increased

Engineering & Support Services (ESS)

- Regional GIGA school and mega-solar projects led the growth.

FY2021/3 Operating Income by Segment

(¥ Bn.)
(): to sales



Digital Solutions (DSL)

- GIGA school projects contributed to the profit
- Margin improved thanks to services(DX) business

Network Infrastructures (NWI)

- Profit increased thanks to sales growth (on the stronger base by reorganization at Apr. 2019)

Engineering & Support Services (ESS)

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

Others/elimination

- Administration costs improved and office realign costs decreased

II. Forecasts for the FY2022/3

FY2022/3 Business Environments

Steady environments as a whole

Enterprises

Accelerating the change of ICT investments
due to Covid19

⊕ DX/workstyle (Value creation) ← System renewal (cost) ⊖
Shifting

Telecom
carriers

Expanding 5G investment

Governments

GIGA school investment peaked out but investment
in social infrastructure toward Society5.0 is robust
Disaster prevention/mitigation, CATV, etc.

FY2022/3 Forecasts

(¥ Bn.)

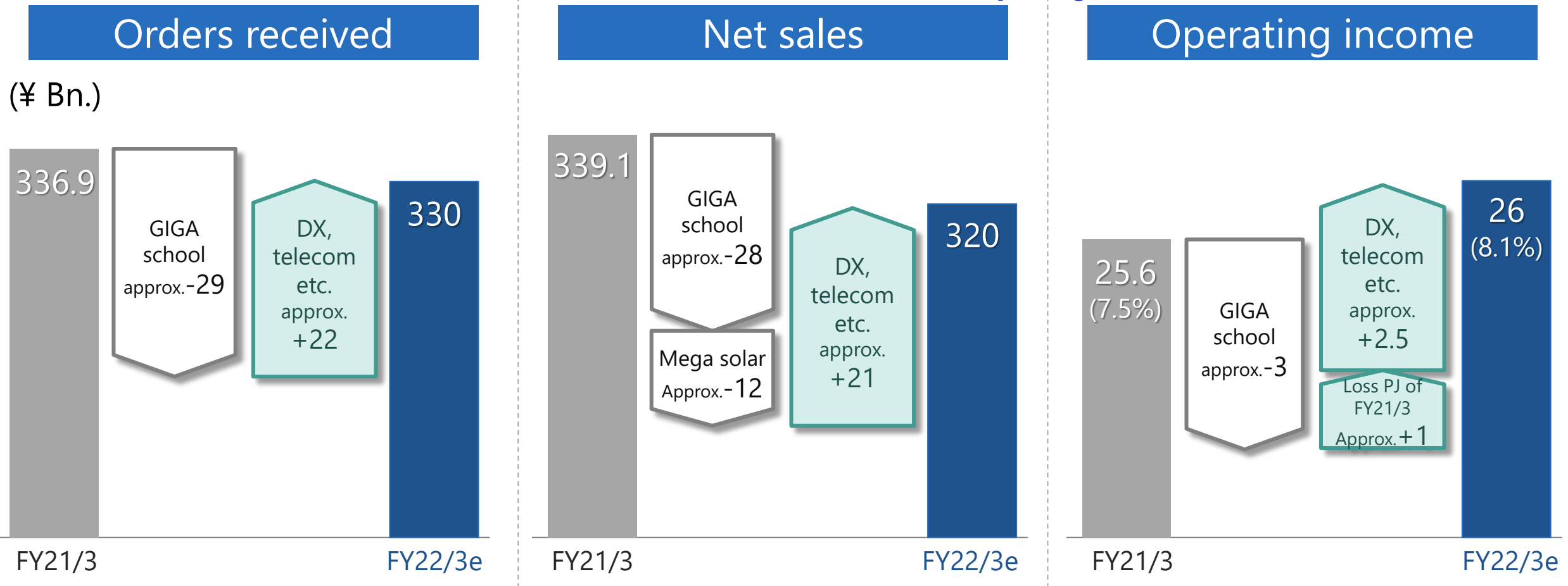
	FY21/3	FY22/3 Forecasts	Change
Orders received	336.9	330	-2%
Net sales	339.1	320	-6%
Operating income	25.6	26.0	+0.4
(to sales)	(7.5%)	(8.1%)	+0.6pt
Net income attributable to owners of the parent	15.7	16.0	+0.3
(to sales)	(4.6%)	(5.0%)	+0.4pt

Final year of “Beyond Borders 2012” plan to establish a base for new business toward 2030

- Accelerate growth of strategic areas
 - DX/workstyle innovation
 - 5G/telecommunication
- Aiming at sustainable profit growth through improvement of sales mix ~targeting **over 8% operating margin**
 - Absorbing recoil reduction impact of GIGA School projects

FY2022/3 Forecasts

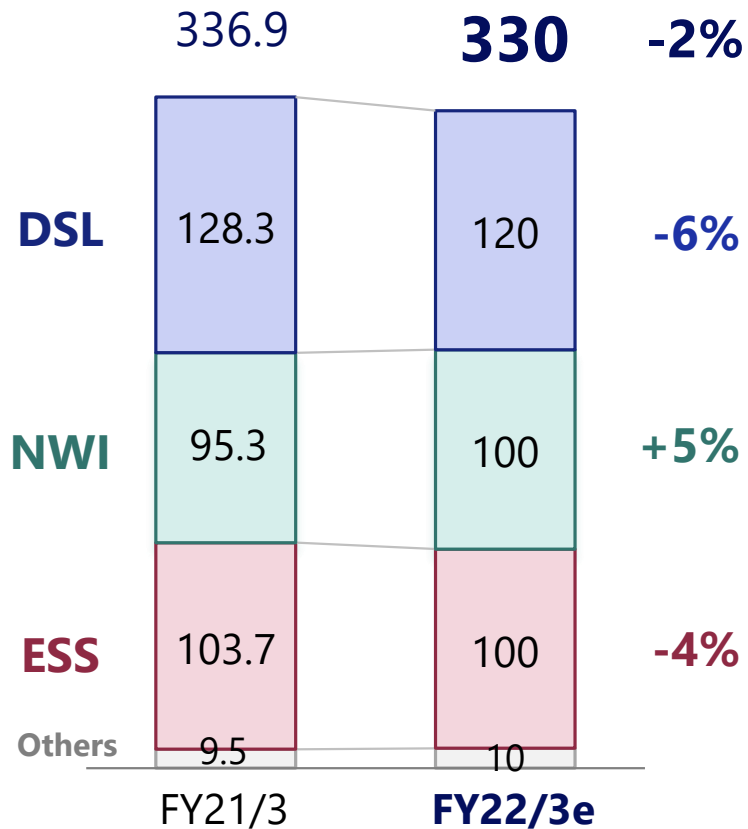
Aiming at profit increase by growth of strategic businesses
with a rebound of GIGA school projects



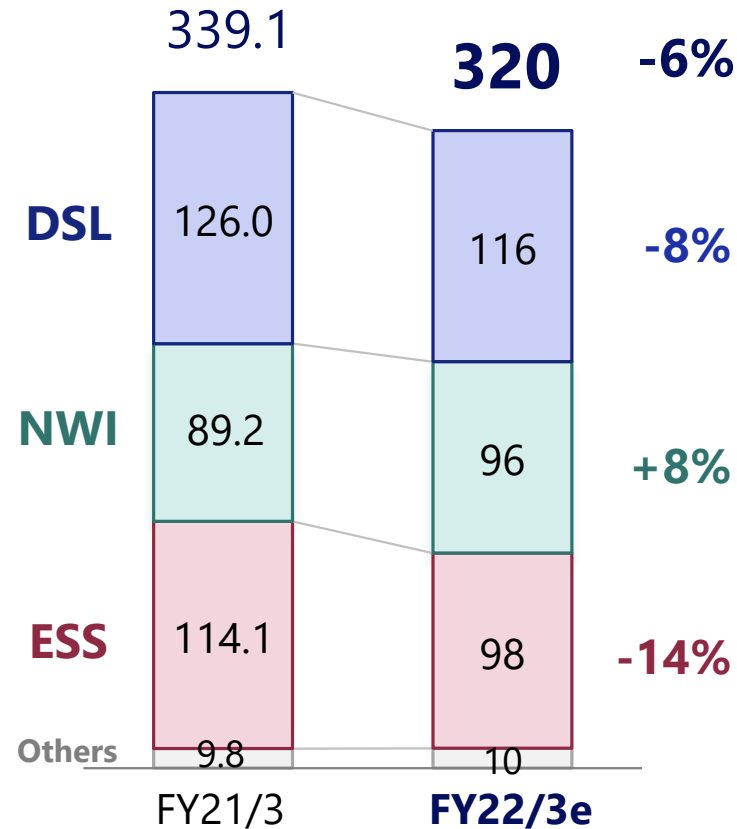
FY2022/3 Forecasts by Segment

Orders received

(¥ Bn.)

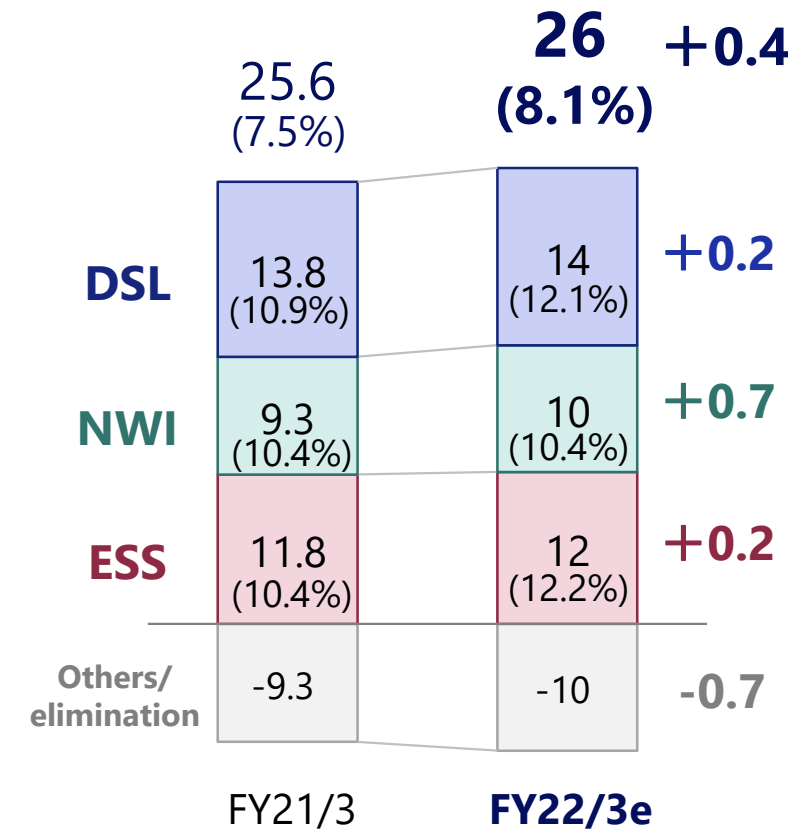


Net sales



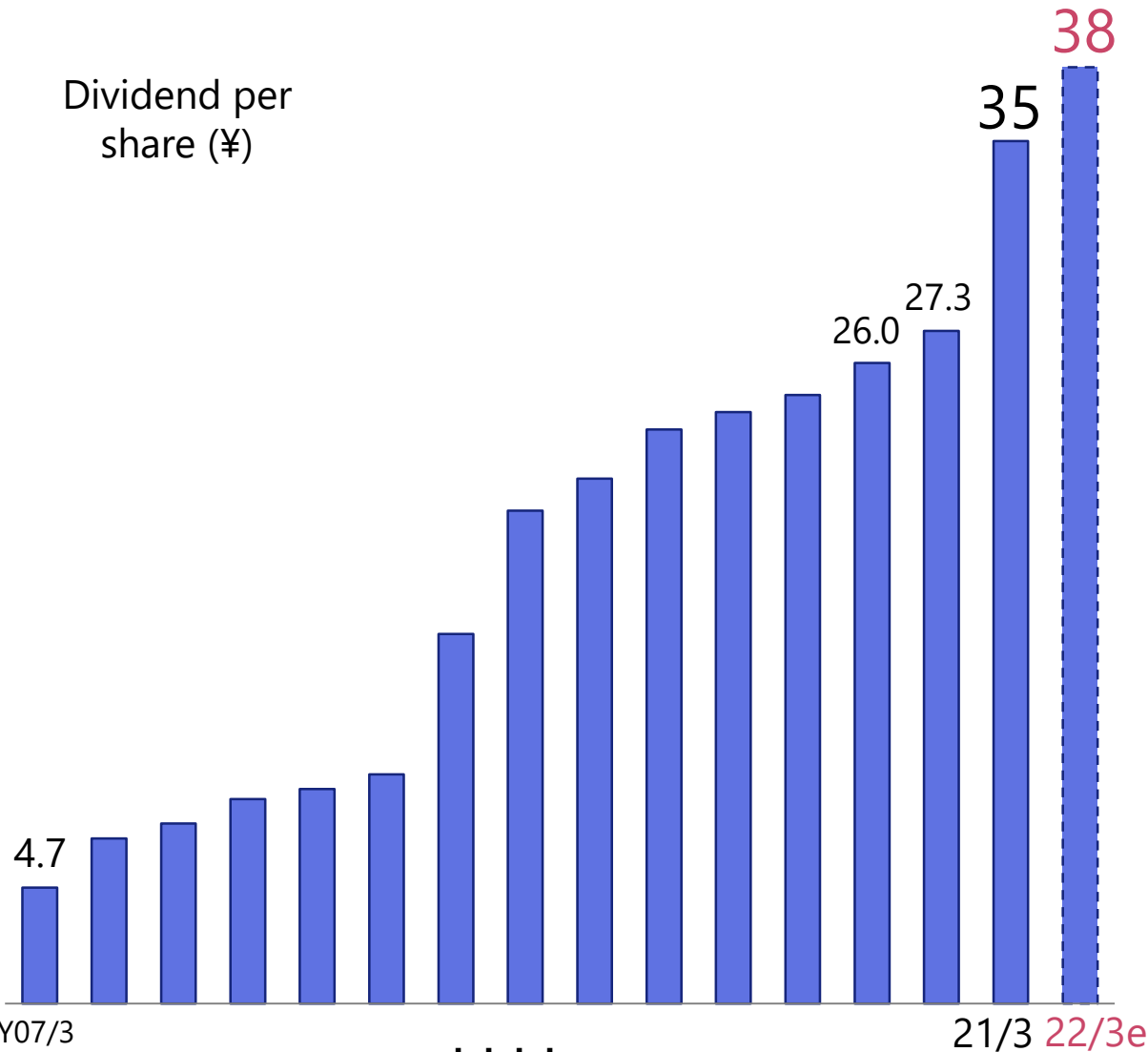
Operating income

(): to sales



Dividend Plan

Dividend per
share (¥)



Raised dividend scale* according to the improved profitability

*considering DOE

- 21/3 : ¥6 increase from the plan
Year-end dividend ¥21
(Full-year ¥35)
- 22/3 : ¥38/share

increasing for the 15th
year in a row

* 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.

III. Progress of Measures for “Beyond Borders 2021 (BB21)” (Medium-Term Management Plan)

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

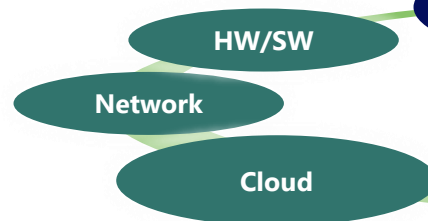
Digital

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5G

Value creation model

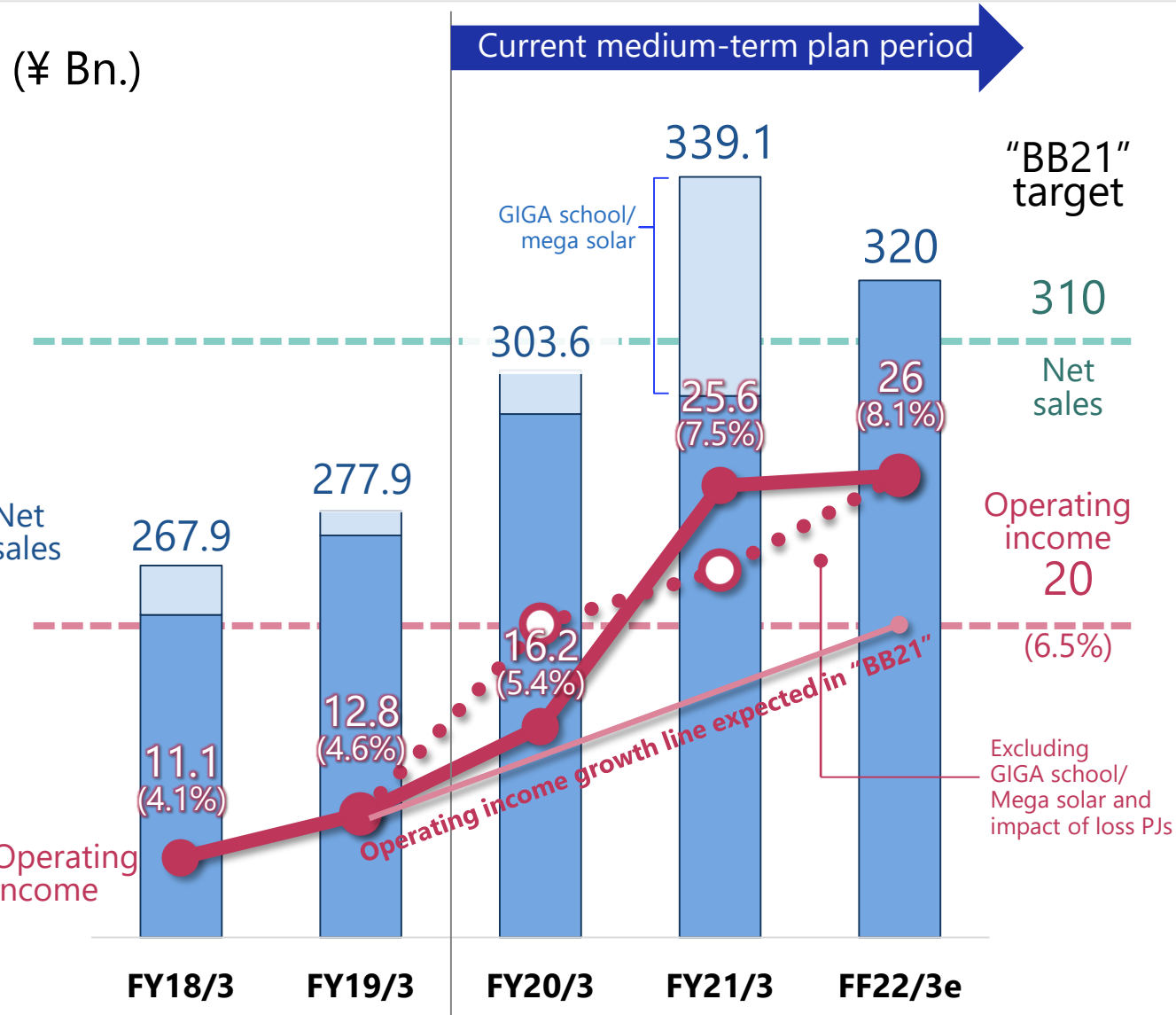
Self-implementation



Co-creation with partners



Progress of Measures for BB21



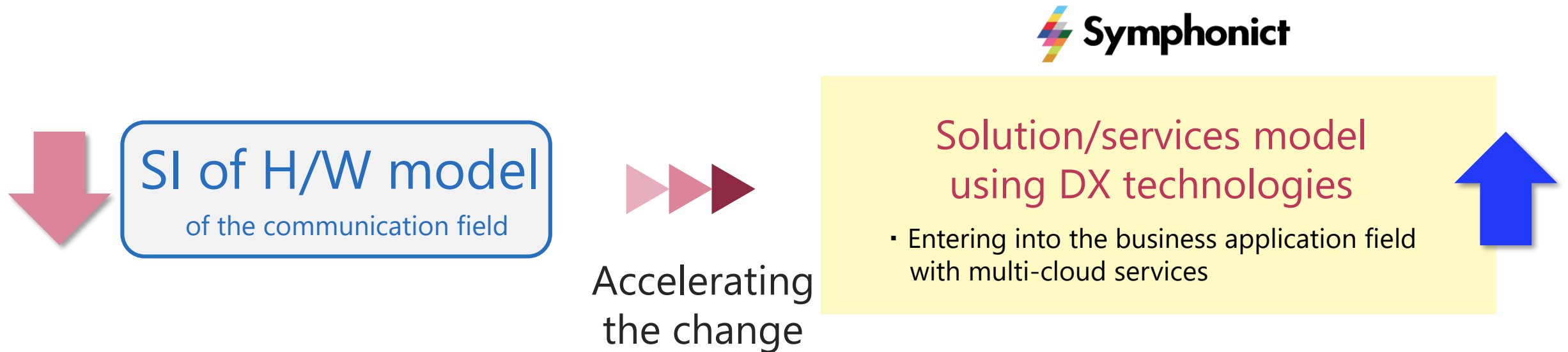
Achieved the targets set in the medium-term plan ahead of schedule with the contribution of GIGA school.

- Expanding **strategic areas** such as DX
- An **improvement in earning capacity** that far exceeded expectations

Accelerate growth strategy (Digital x 5G) for the final year of BB21 with an eye on the next medium-term plan

Progress of Measures for BB21: Digital

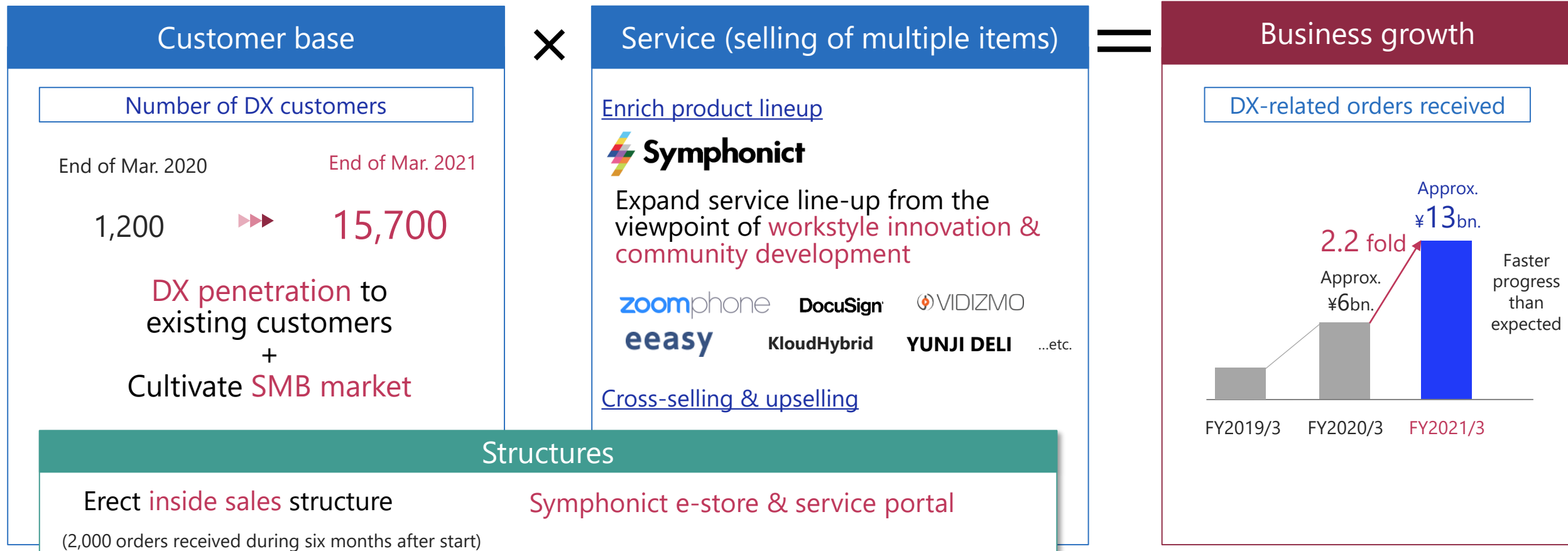
Accelerate growth strategy leveraging environmental change by COVID-19



Progress of Measures for BB21: Digital

Capture rapidly-growing DX demand according to “new normal”

~Implementation with partners makes proposal to customers effective



Progress of Measures for BB21: 5G

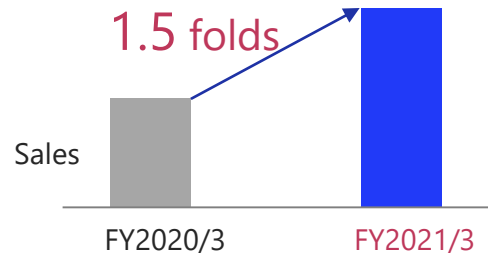
Preparing for full-scale investment in 5G as planned

Carriers' infrastructure

Build closer ties with carriers
(as strategic partner)

- Cultivate new customers (such as Rakuten) with the use of existing assets
- Rising KNSI's position

*K&N System Integrations Corporation (KNSI) is a joint venture with KDDI Corporation.



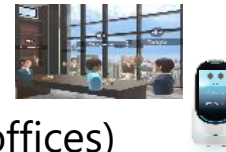
Local 5G

Create services for solving social issues
through POCs

- Accelerating POCs for commercial services in the workstyle and community areas

<Workstyle innovation>

- Tokyo Metropolis
- Mitsui Fudosan
(Smart buildings/offices)



<Community development>

- CATV TOKUSHIMA
- Layers Consulting and other partners
(oyster farming)



etc.

etc.

Strengthening of business foundations

Set up a base for developing
5G personnel and for
technological verification



(5G Lab in Shin-Kawasaki
Technical Base)

- 5G Lab made open as a place of demonstration, evaluation and verification
- Personnel development

Personnel
with 5G
skills

Increased 2.8 folds
from the previous
year's level
(from 100 to 278*)

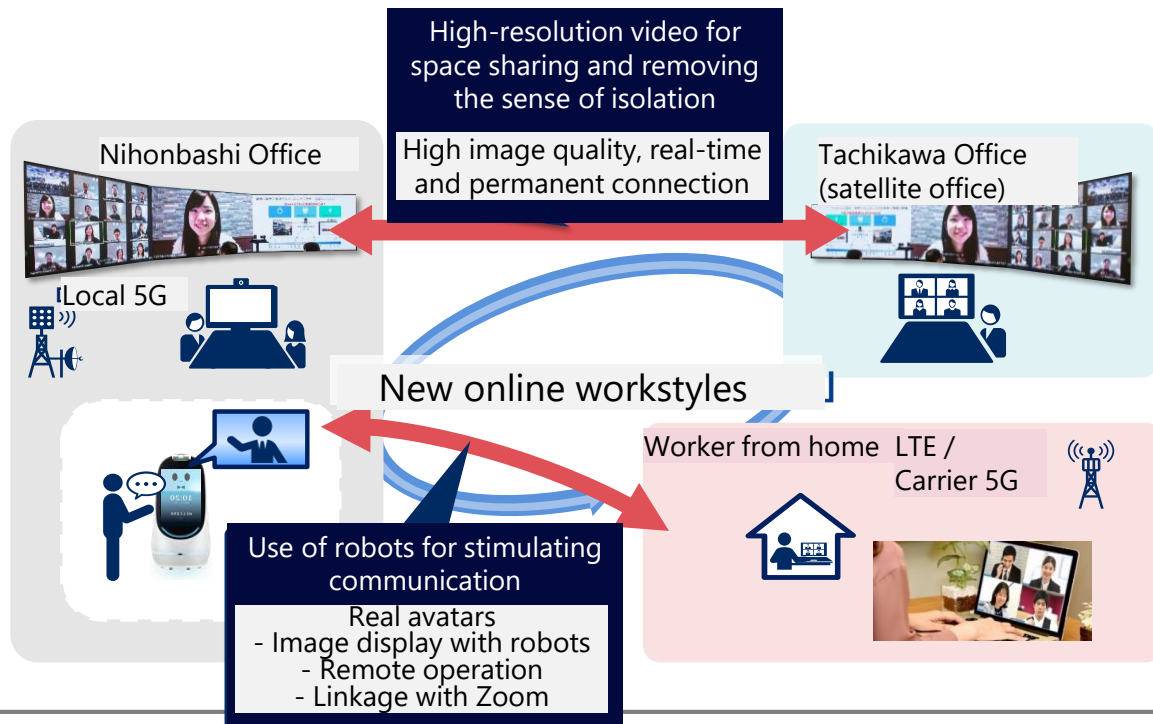
* Including those from business partners

Aiming to increase them four folds within the medium-term plan

Progress of Measures for BB21: 5G

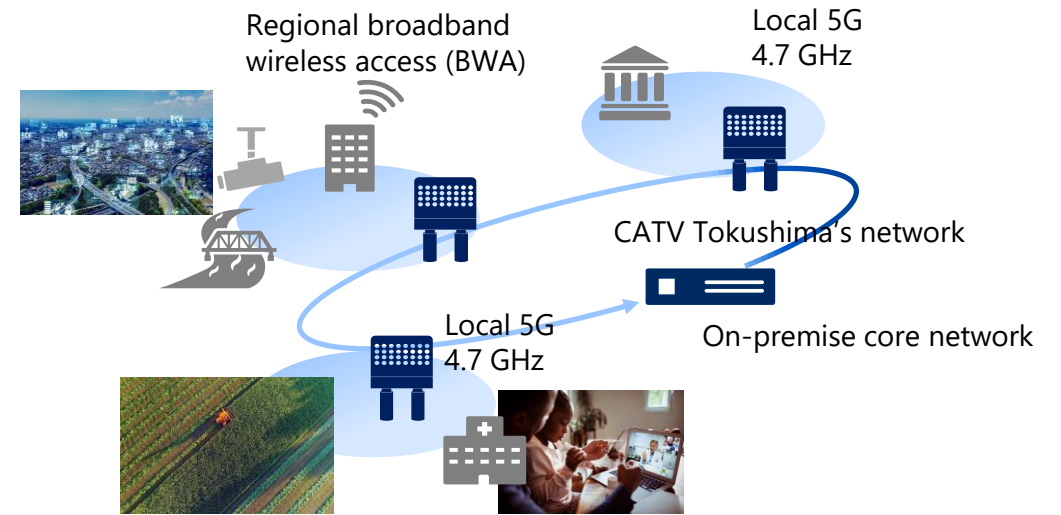
Expand value offered in workstyle and community development via co-creation and implementation with partners

Adopted as a 5G-based new workstyle model demonstration project by Tokyo Metropolitan Gov't
Accelerating proposals on New Normal workstyles



Japan's first operation of facilities for Local 5G Sub 6 band commenced

Use for business in the prefectural government office and for medical care, disaster prevention and agriculture



(The local 5G system, regional BWA and low power wide area (LPWA) networks are fully utilized.)

Progress of Measures for BB21: Earning Capacity Improvement

Good results were produced both in cost efficiency and improvements in added value

Streamlining & cost control

- Maximize effect of reorganization
 - Regroup by technology & function to **eliminate overlap and sectionalism**
- Implement workstyle innovation
 - Increase productivity with the active use of **DX**

Improve resources (fixed cost) efficiency
Improve project quality

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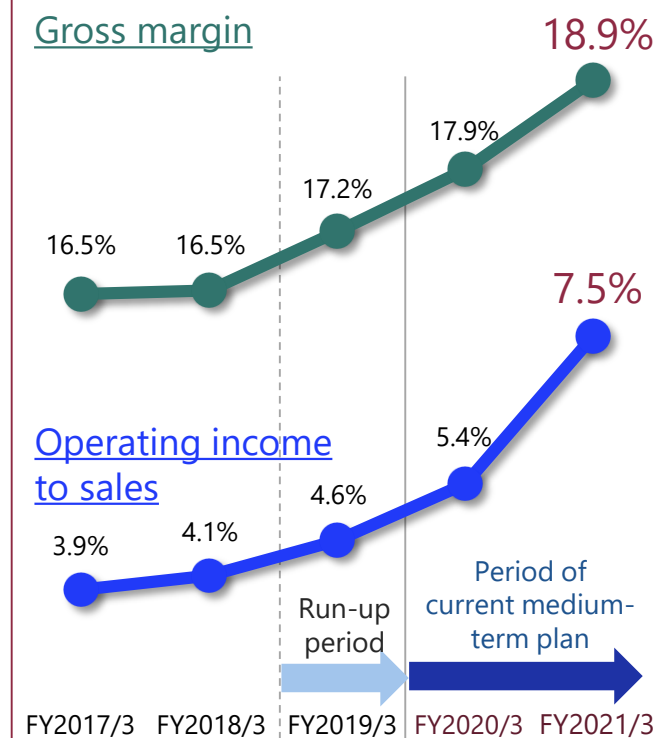
Increase extra value

- Introduce competitive services
 - **Co-creation and implementation** with customers and partners
 - **Collaborate** with cloud vendors and build **friendly relationships** with start-ups
- Build up consulting capacity
(Using staff knowhow of self-implementation for consulting)

Improved profitability at the time of receiving orders

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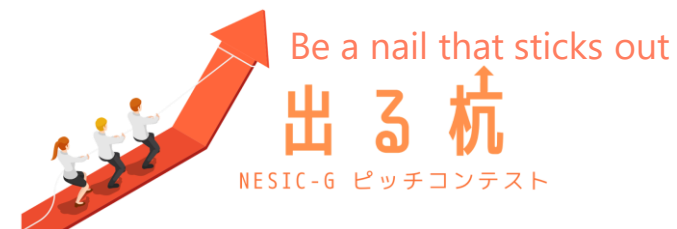
Increase in earning capacity



Increase Business Capacity (Corporate Culture Development)

Forge a corporate culture for making continued attempts without fear of change or failure

Improve internal communication as well as systems and structure



...etc.

Special organization

Corporate Culture Design Office
Well-Being Promotion Office

Towards Next Medium-Term Plan



2030

A communication services orchestrator

Next
medium-term plan
2022-2024

Giving shape to the *Digital x 5G* strategy
Continuous improvements in earning capacity

Current
medium-term plan
2019-2021

Period of preparation for 2030

Positive results in the digital area

Steady progress in preparations for 5G

Improvement in earning capacity exceeding expectations

Ultimately



Action!

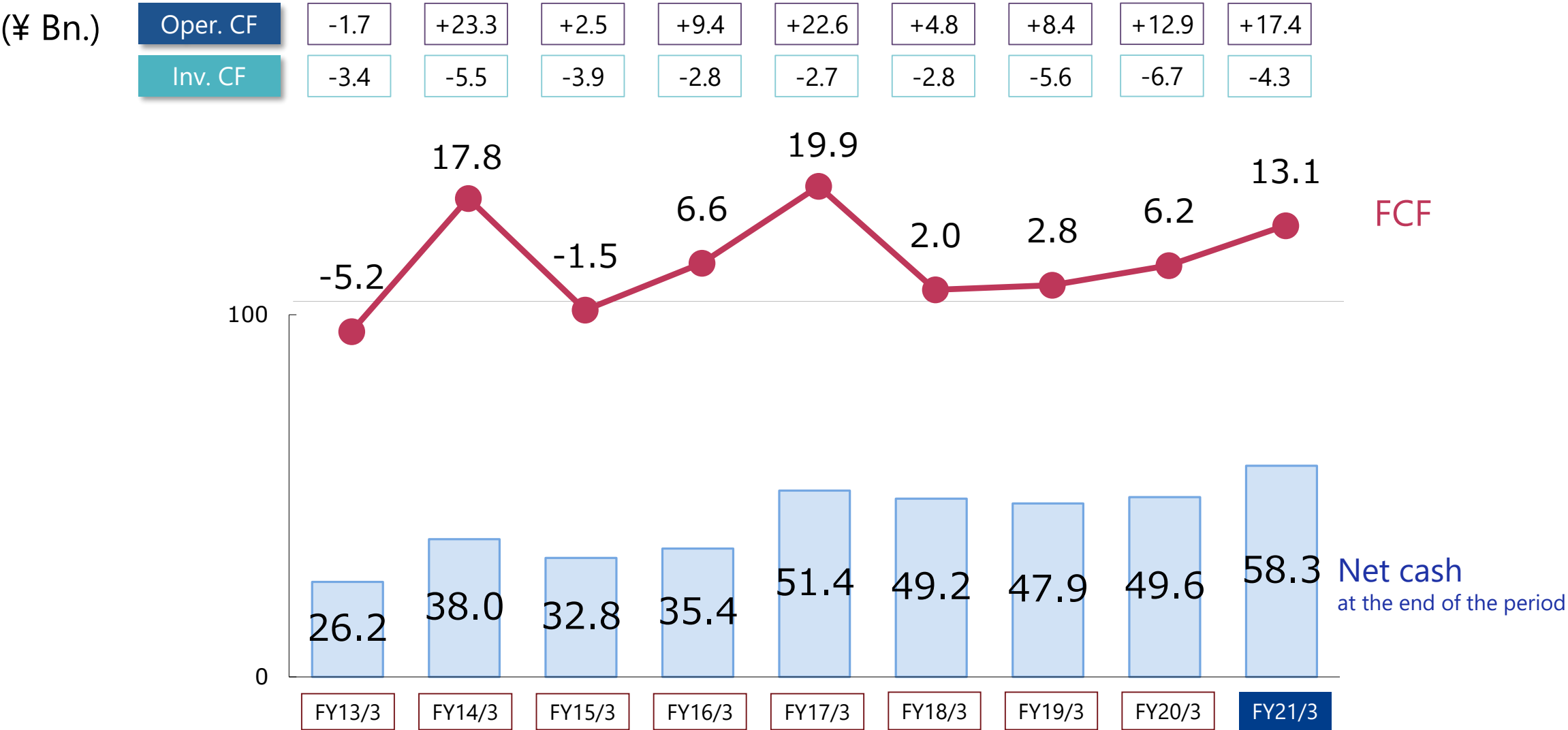
We will actively seek innovation without fearing change or failure with a view to realizing an inclusive and sustainable society based on communication.

APPENDIX

FY2021/3 Balance Sheet (End of March 31, 2021)

	End of Mar/20	End of Mar/21	Diff.	(¥ Bn.)
Cash and cash equivalents	58.3	68.4	10.1	
Notes & accounts receivable	113.1	124.6	11.5	
Inventories	13.2	11.5	-1.6	
Others	7.3	7.3	0.0	
Current Assets	191.8	211.8	20.0	
Noncurrent Assets	38.4	38.5	0.1	
Assets	230.2	250.3	20.1	
Notes and accounts payable	43.1	46.8	3.7	
Loans	8.7	10.1	1.4	
Others	64.9	66.3	1.3	
Liabilities	116.7	123.2	6.5	
Shareholders' equity	114.5	126.1	11.6	
Accumulated other comprehensive income	-4.1	-2.4	1.7	
Non-controlling interests	3.1	3.4	0.3	
Net Assets	113.5	127.1	13.6	
Liabilities & Net Assets	230.2	250.3	20.1	
Owner's Equity Ratio	47.9%	49.4%	+1.5pt	

FY2021/3 Cash Flows



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 will be committed to increasing customer value by redesigning future communications from the user's perspective.

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