

# Financial Results for the 1Q for the FY ending March 2022

July 29, 2021

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

# 1Q FY2022/3 Summary

(¥ Bn.)	1Q FY21/3	1Q FY22/3	Change
Orders received	84.4	83.7	-1%
Net sales	67.4	67.7	+ 0%
GP margin	15.4%	18.7%	+ 3.3pt
Operating income	1.0	3.0	+ 1.9
(to sales)	(1.5%)	(4.4%)	+ 2.9pt
Net income	0.3	1.7	+ 1.3
attributable to owners of the company			
(to sales)	(0.5%)	(2.4%)	+ 1.9pt
Free cash flows	16.5	21.9	+ 5.4

## Record high profits as 1Q

Progress in sales mix improvement

### ● Orders/sales

Strategic areas\* grew and made up for the special impacts of an unconsolidated affiliate and absence of big projects of last year

(\* DX/workstyle innovation, telecom carrier business)

Except for special impacts

Orders: +10%, Sales: +9%

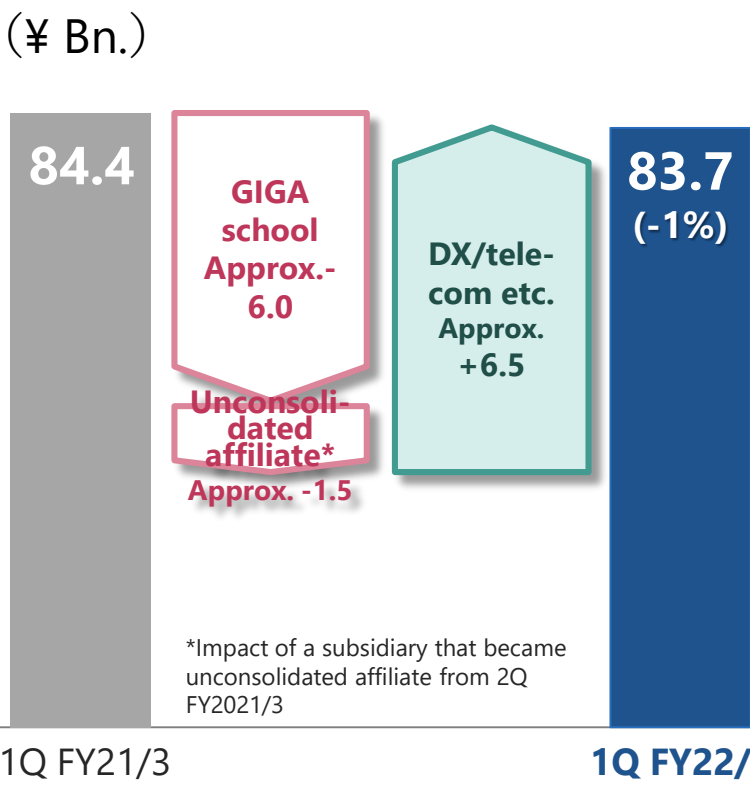
### ● Profits

Profitability improved due to sales mix and efficiency improvements

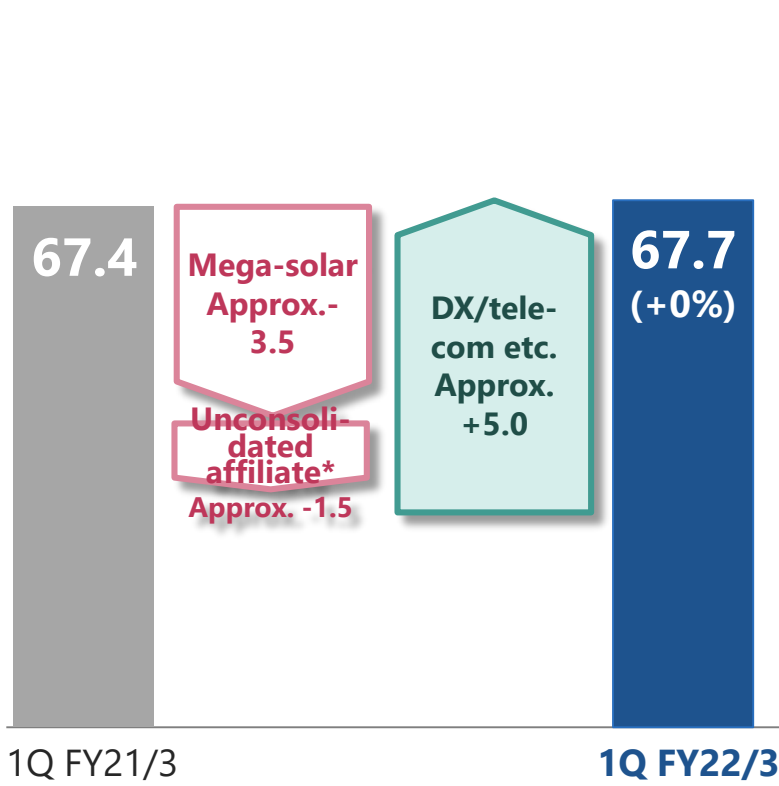
# Factor Analysis of YoY Change

Strategic areas expansion makes up for the absence of big projects in the previous year and better sales mix and improved efficiency led to big income growth

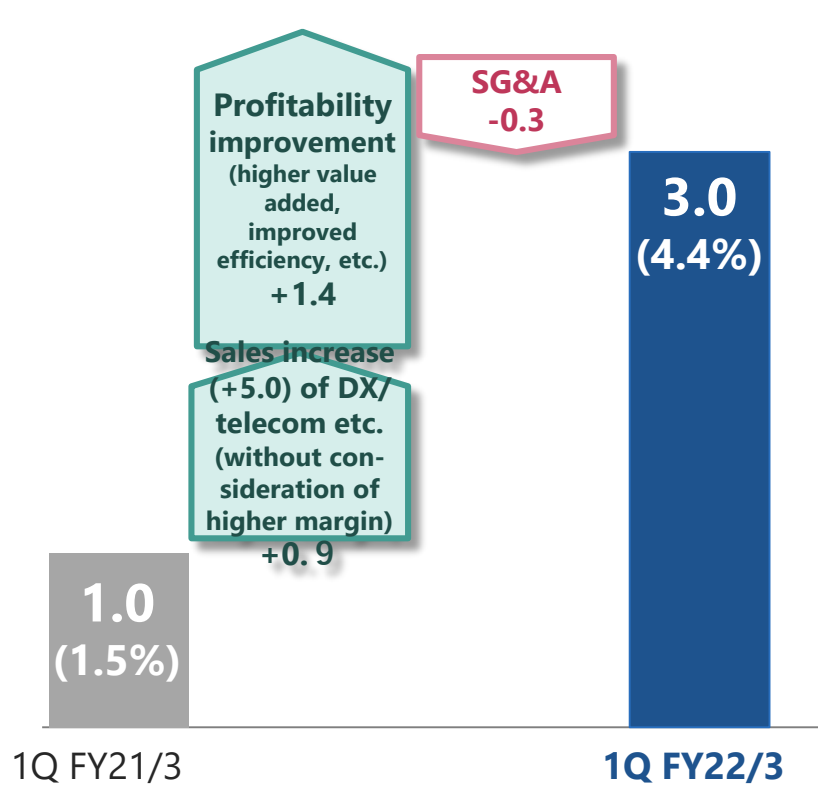
## Orders received



## Net sales

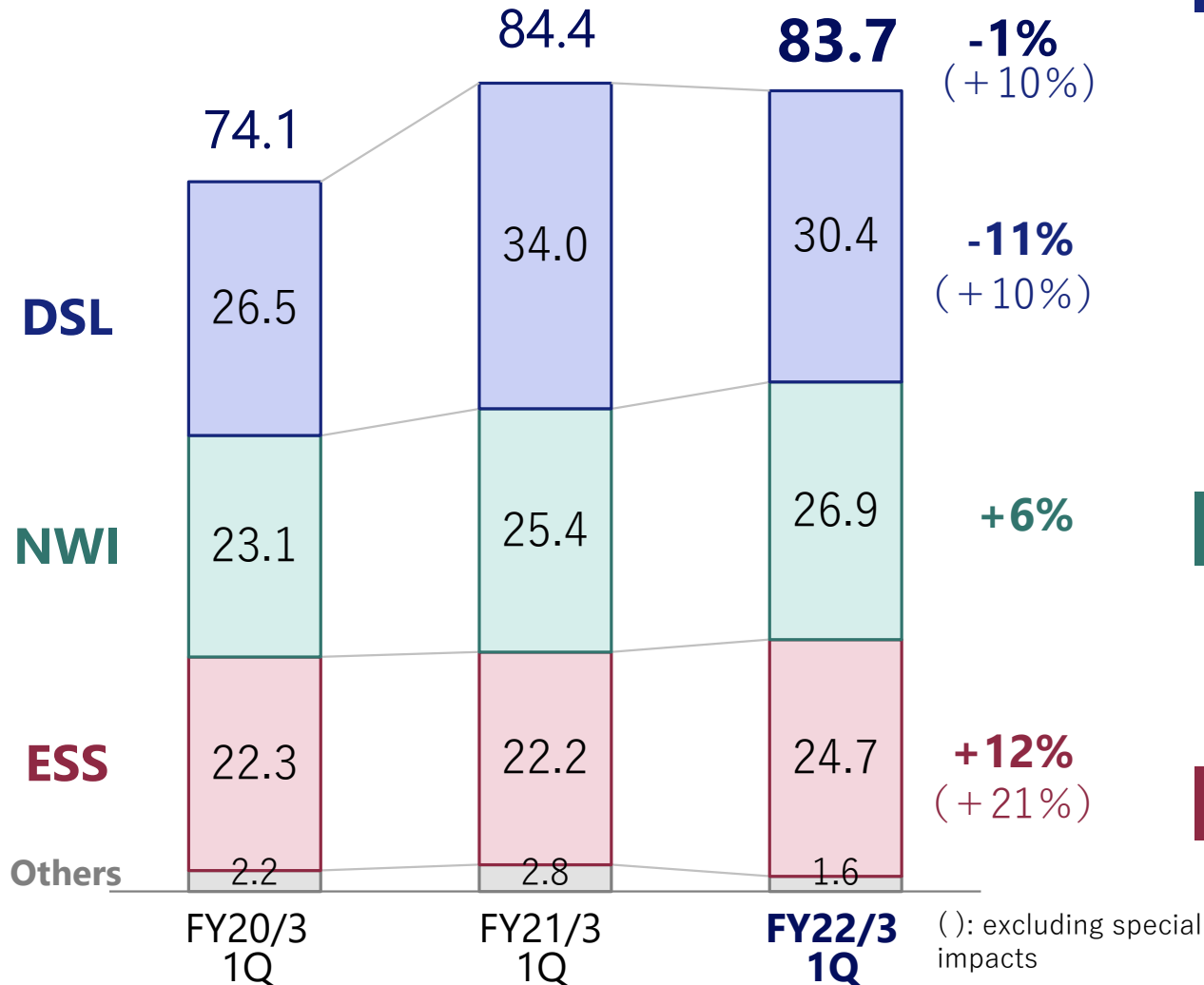


## Operating income



# 1Q FY2022/3 Orders Received by Segment

(¥ Bn.)



## Digital Solutions (DSL)

- Impacts of giga-school projects of last 1Q (-4.5) and an unconsolidated affiliate (-1.5)
- DX/workstyle innovation-related businesses continuously grew and expanded to municipality
- Network renewal investment showed recovery except for certain industries

## Network Infrastructures (NWI)

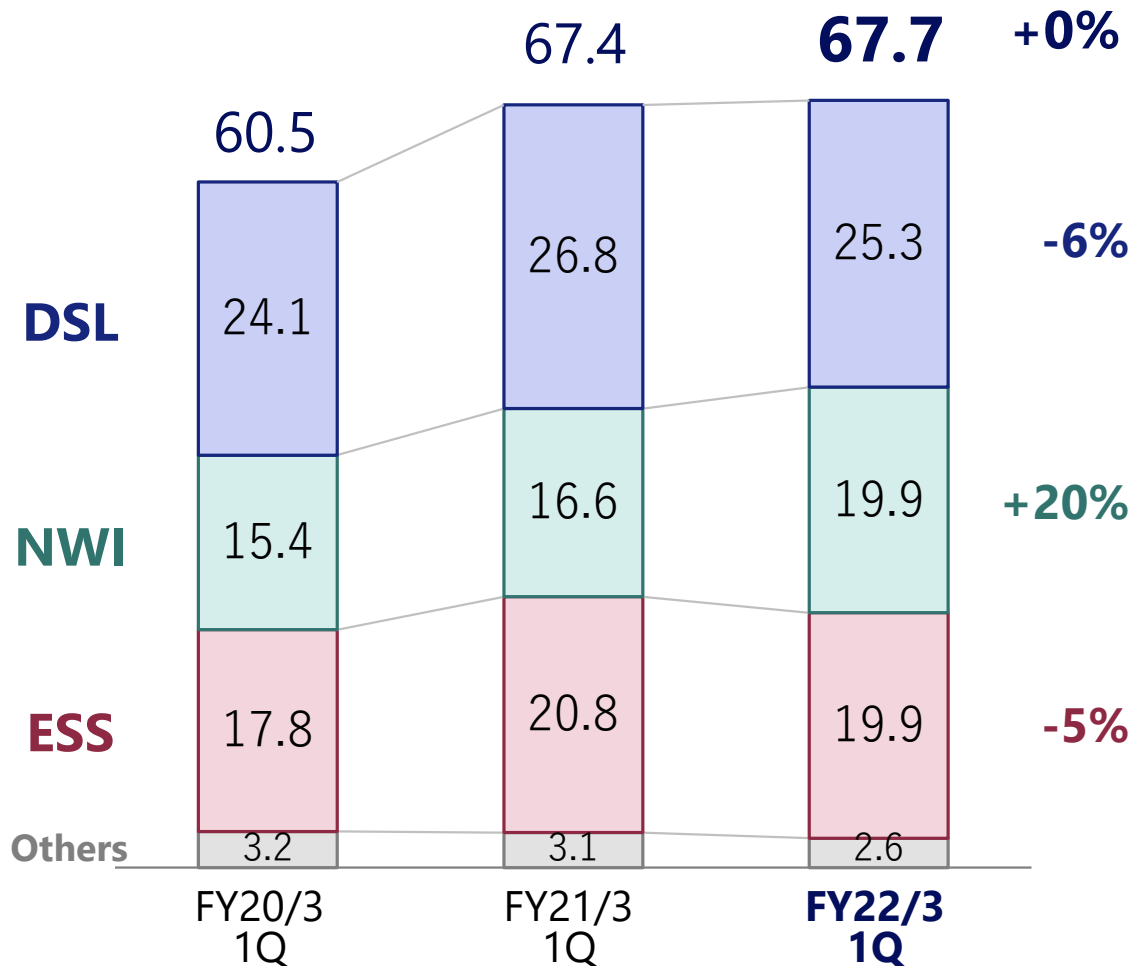
- Telecom carrier business drove the growth
  - Social/public infrastructures also increased

## Engineering & Support Services (ESS)

- Domestic construction business grew

# 1Q FY2022/3 Net Sales by Segment

(¥ Bn.)



## Digital Solutions (DSL)

- Impacts of an unconsolidated affiliate (-1.5)
- DX/workstyle innovation-related businesses grew although sales of network renewal decreased

## Network Infrastructures (NWI)

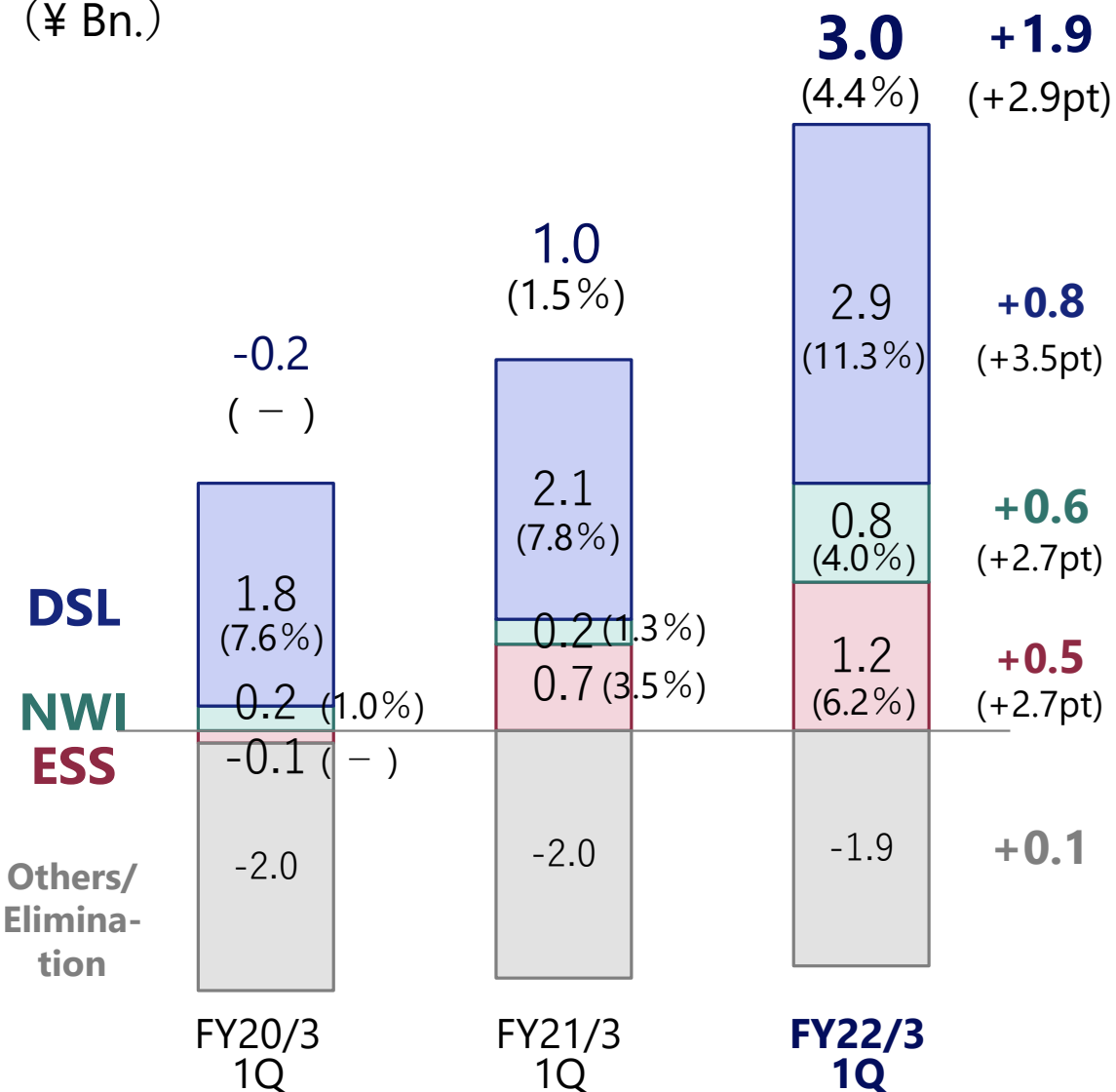
- Telecom carrier business drove the growth
  - Social/public infrastructures also increased

## Engineering & Support Services (ESS)

- Sales of mega-solar projects decreased (-3.5)  
\*except mega-solar sales increased by 15%

# 1Q FY2022/3 Operating Income by Segment

(¥ Bn.)



## Digital Solutions (DSL)

- Due to progress of business model change\*, profitability improved  
(\*Service+SI provision model)

## Network Infrastructures (NWI)

- Effect of sales increase and improved sales mix led to profit growth

## Engineering & Support Services (ESS)

- Profit increased because of a decrease in provision for loss for mega-solar PJ and sales mix improvement\*  
(\*mega-solar -> regular SI/service projects)

# 1Q FY2022/3 Cash Flows

(¥ Bn.)

	1Q FY21.3	1Q FY22.3	Change
Operating Cash Flow (A)	17.5	23.1	5.6
Investment Cash Flow(B)	-1.0	-1.2	-0.2
<b>Free Cash Flows (A)+(B)</b>	<b>16.5</b>	<b>21.9</b>	<b>5.4</b>
Financial Cash Flow	-1.9	-2.8	-1.0
Cash & cash equivalent	72.4	87.5	15.2

Operating cash flow increased due to receipt of big projects in the previous fiscal year

- Enhancing activities to improve CCC\* for stringer cash flows

\*Cash conversion cycle

# 1H FY2022/3 Revised Forecasts

(¥ Bn.)	1H FY21/3	1H FY22/3 Forecast	Change	Previous forecast	Diff.
Orders received	177.9	165	-7%	160	+5
Net sales	151.2	147	-3%	145	+2
Operating income	6.7	8.7	+2.0	7.0	+1.7
(to sales)	(4.5%)	(5.9%)	+1.4pt	(5.6%)	+ 1.1pt
Net income attributable to owners of the company	4.0	5.5	+1.5	4.5	+1.0
(to sales)	(2.6%)	(3.7%)	+pt	(3.2%)	+ 0.6pt

Upward revision of 1H forecasts  
considering the progress of sales  
mix improvement

- Sales mix improved according to growth of strategic areas

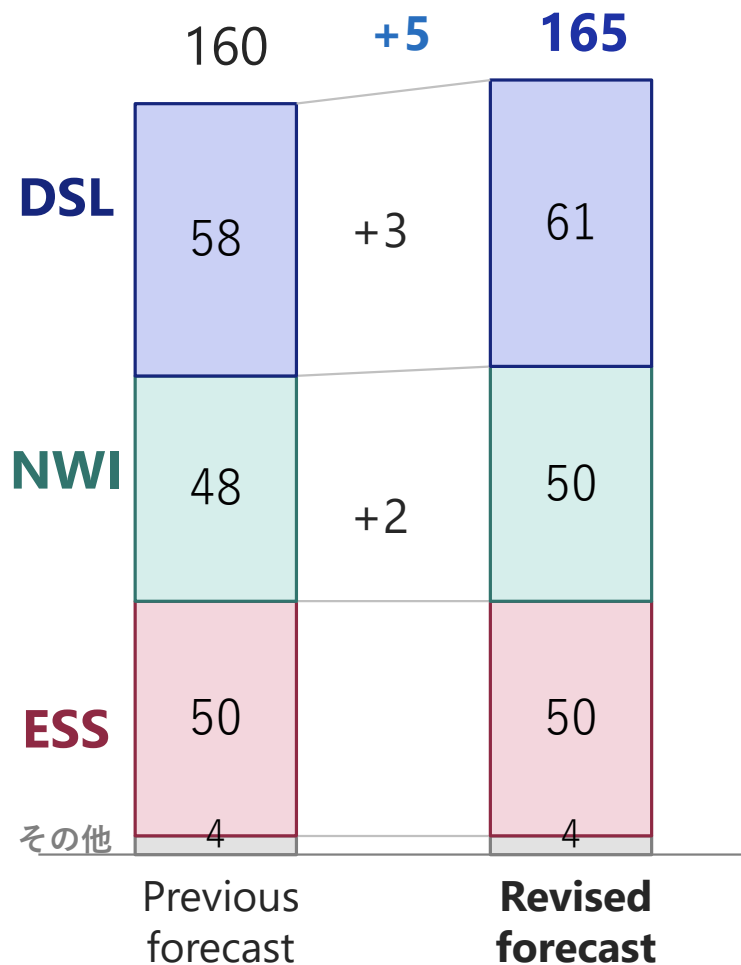
\*Full year forecasts were unchanged as unclear elements in business environments remain



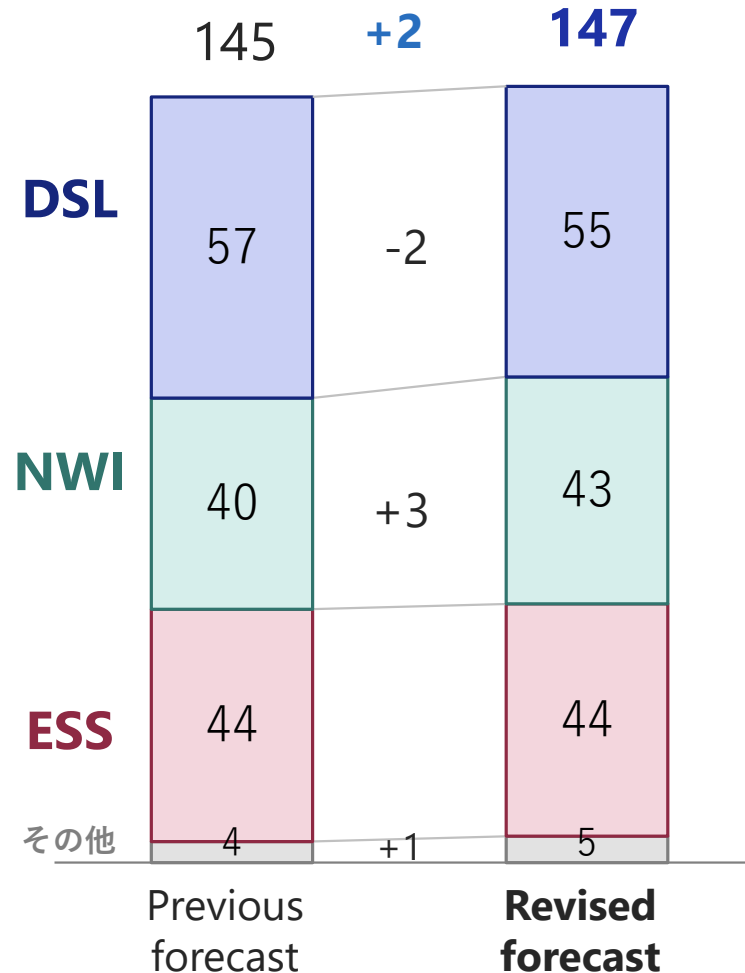
# 1H FY2022/3 Revised Forecasts by Segment

(¥ Bn.)

## Orders received

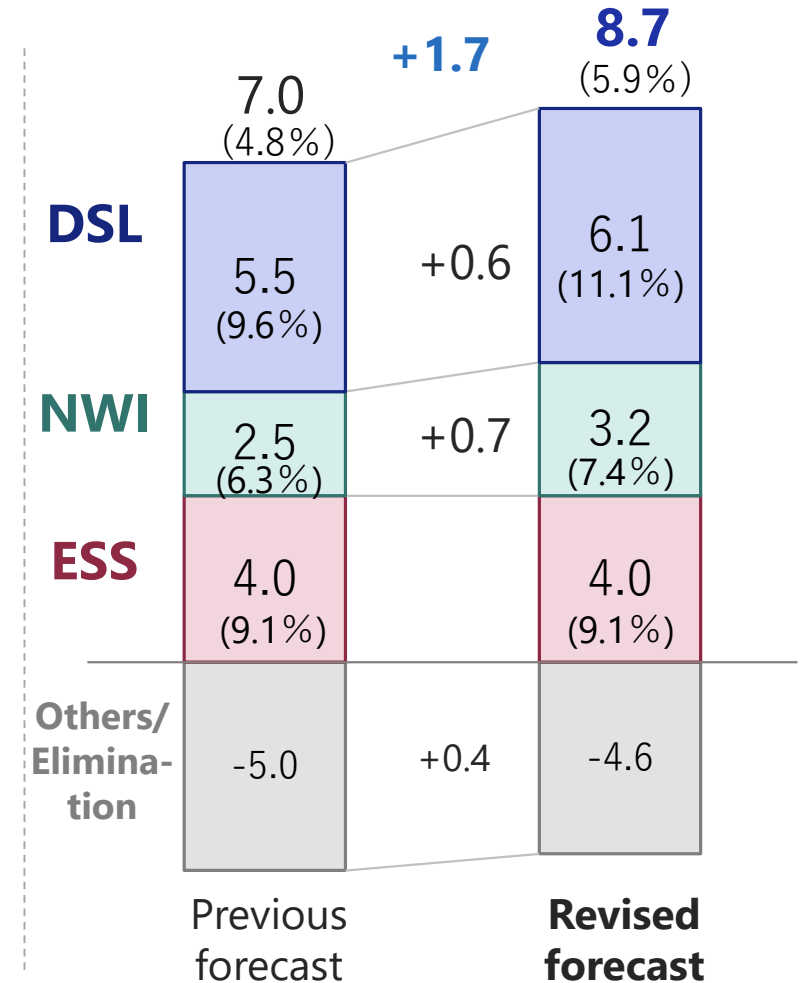


## Net sales



## Operating income

( ) to sales

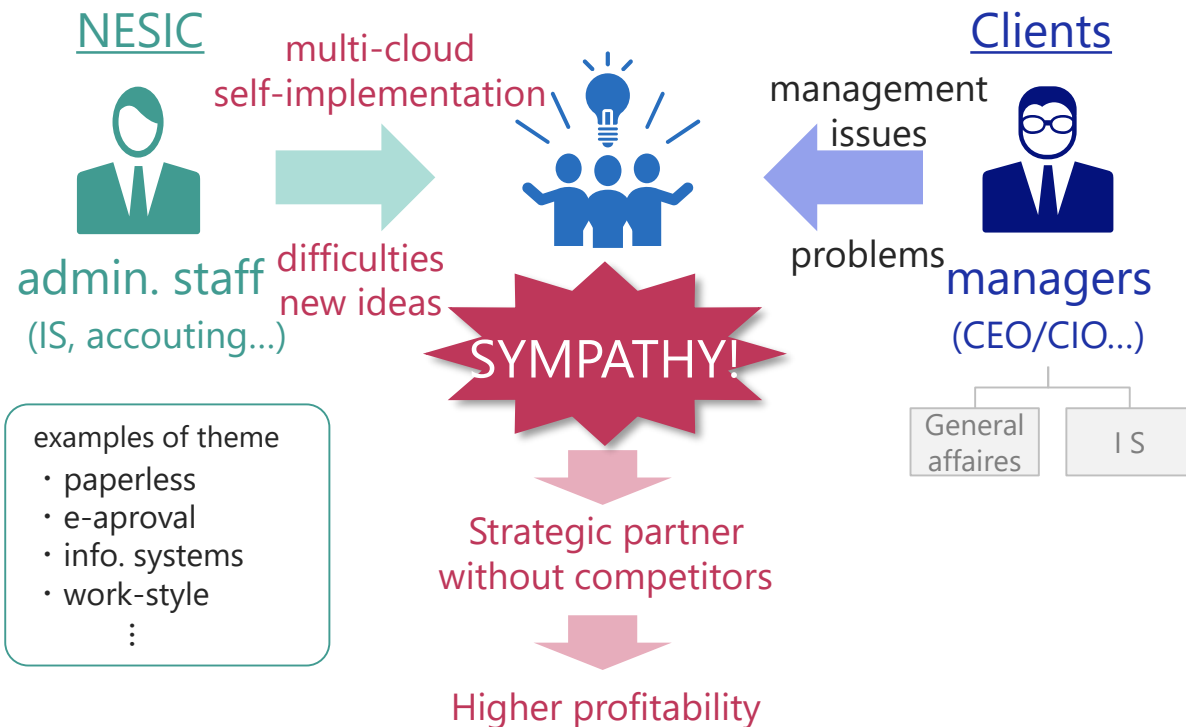


# Topics: Advancement of Self-implementation Business Model

(e.g. consulting by administrative staff)      (multi-cloud + conventional SI)  
Consulting with self-implementation + quality SI => strategic partner of customers

➡ Recurring relationship & higher profitability

## Appeal to managers of clients

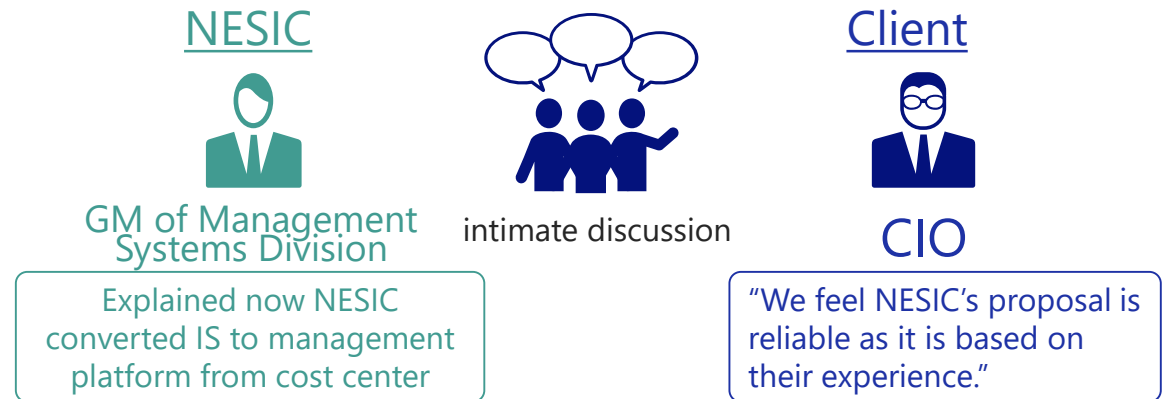


## A case for a manufacturing company

Highly-rated proposal based on self-implementation

Acquired business      PC-LCM( continued) + security operation, box (new)

Under discussion for ICT renewal & operation



# APPENDIX

# 1Q FY2022/3 Balance Sheet (June 2021)

(¥ Bn.)

	End of Mar/21	End of Jun/21	Diff.
Cash and cash equivalents	68.4	87.5	19.1
Notes and accounts receivable, and contract assets	124.6	81.2	-43.3
Inventories	11.5	10.1	-1.4
Others	7.3	9.0	1.7
Current Assets	211.8	187.9	-23.9
Noncurrent Assets	38.5	39.3	0.8
Assets	250.3	227.2	-23.2
Notes and accounts payable	46.8	30.0	-16.8
Loans	10.1	10.9	0.8
Others	66.3	59.9	-6.3
Liabilities	123.2	100.8	-22.4
Shareholders' equity	126.1	124.7	-1.5
Accumulated other comprehensive income	-2.4	-2.0	0.5
Non-controlling interests	3.4	3.7	0.2
Net Assets	127.1	126.4	-0.8
Liabilities & Net Assets	250.3	227.2	-23.2
Owner's Equity Ratio	49.4%	54.0%	+4.6pt

# 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.

The figures related to special impacts (mega-solar, GIGA school and an unconsolidated affiliate) are shown in round numbers.

There were inter-segment transfer of some businesses and other changes in April 2020. Segment information for the FY 2020/3 has been recalculated to reflect the change in the content of business segments.



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