

Financial Results for the 1H for the FY ending March 2022

November 1, 2021

Yushi Ushijima, President

NEC Networks & System Integration Corporation

(TSE: 1973, NESIC)

Agenda

I. Results for the 1H FY2022/3

II. Forecasts for the FY2022/3

III. Update of Strategic Areas

I. Results for the 1H FY2022/3

1H FY2022/3 Summary

(¥ Bn.)

	1H FY2021/3	1H FY2022/3	Change	Forecasts as at Jul.29
Orders received	177.9	165.9	-7%	165
Net sales	151.2	141.0	-7%	147
(Gross margin)	16.6%	19.3%	+2.7pt	-
SG&A	18.4	19.6	-1.2	-
Operating income	6.7	7.6	+0.9	8.7
(to sales)	(4.5%)	(5.4%)	+0.9pt	(5.9%)
Net income	4.0	4.7	+0.7	5.5
attributable to owners of the parent				
(to sales)	(2.6%)	(3.3%)	+0.7pt	(3.7%)
Free cash flows	14.4	13.6	-0.8	

Record high profits as 1H

● Orders/sales

Decreased due to special impacts*
but **the strategic areas**** grew as expected

Except for special impacts
Orders: **+11%**, Sales: **+3%**
Backlog: **+15%**

* reactionary fall of big projects (GIGIA school & mega-solar) of the previous year and the impact of a subsidiary to have been unconsolidated

** DX/workstyle innovation, telecom carrier business

● Profits

Profitability improved due to sales mix and efficiency improvements while increasing SG&A***

*** resource enhancement for new business development

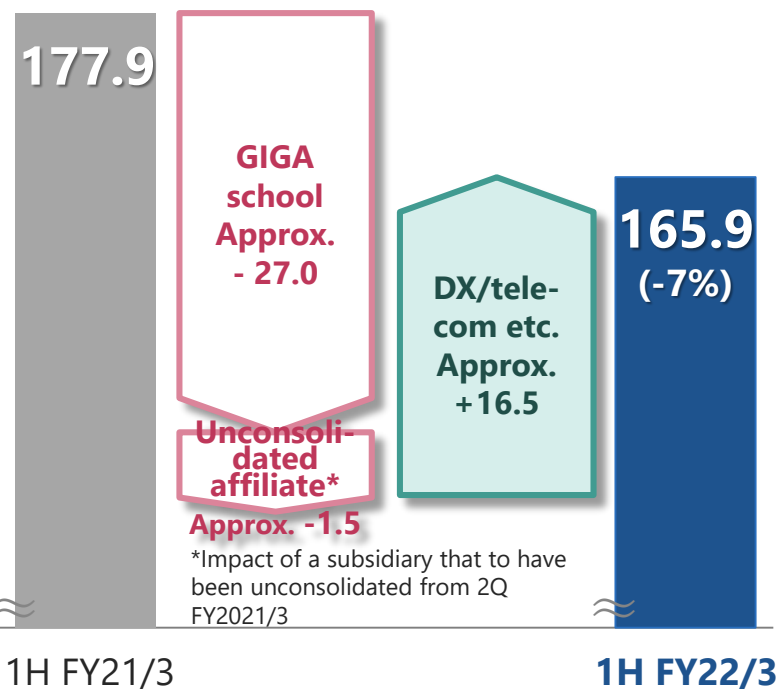
Factor Analysis of YoY Change

While growth strategy went well as plan, net sales was temporarily affected by semiconductor shortage and the shift to service provision model.

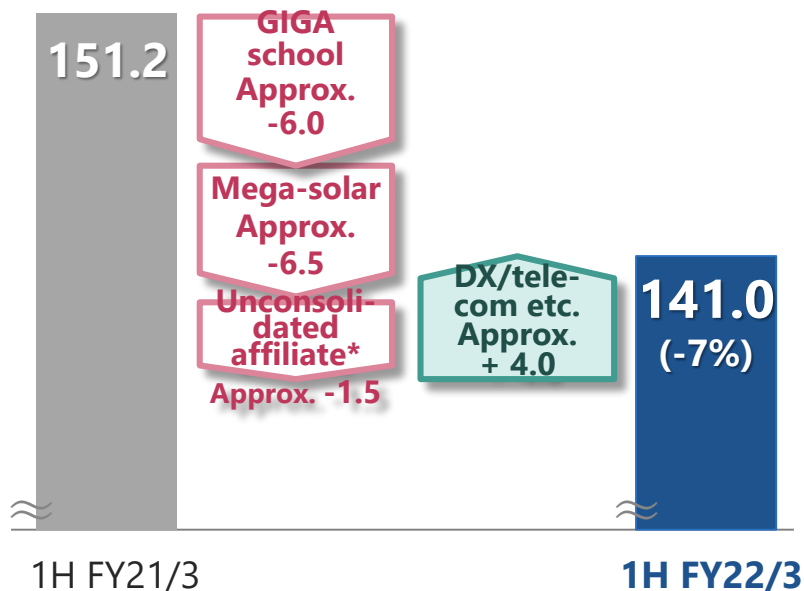
Profit grew thanks to improved sales-mix and efficiency with SG&A increase

Orders received

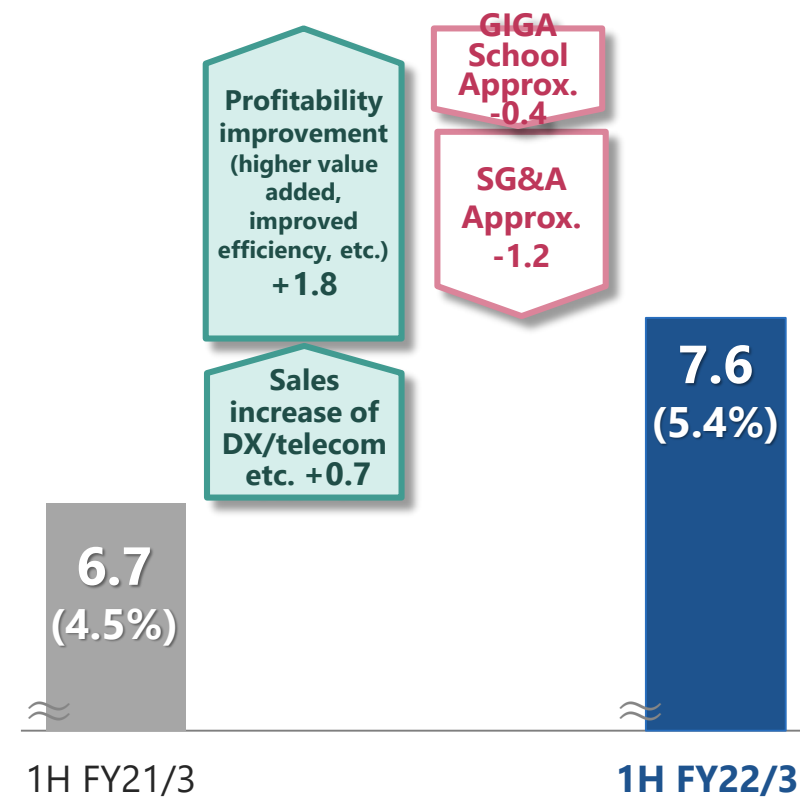
(¥ Bn.)



Net sales



Operating income

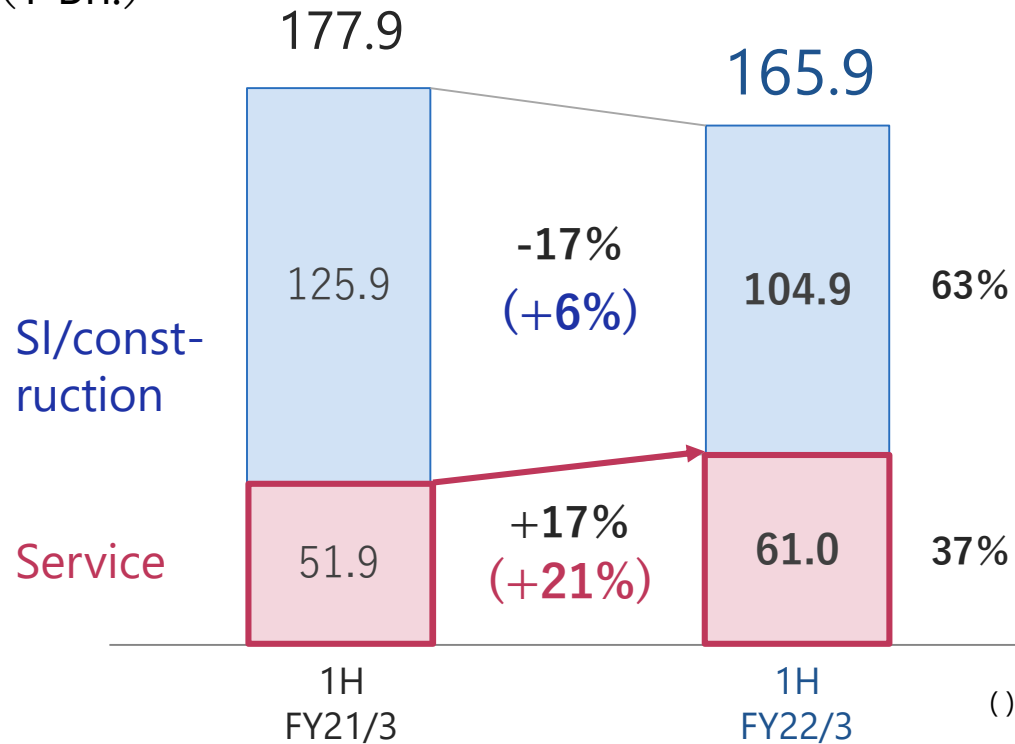


Orders Received/Net Sales by Business Model

Expanded service provision model

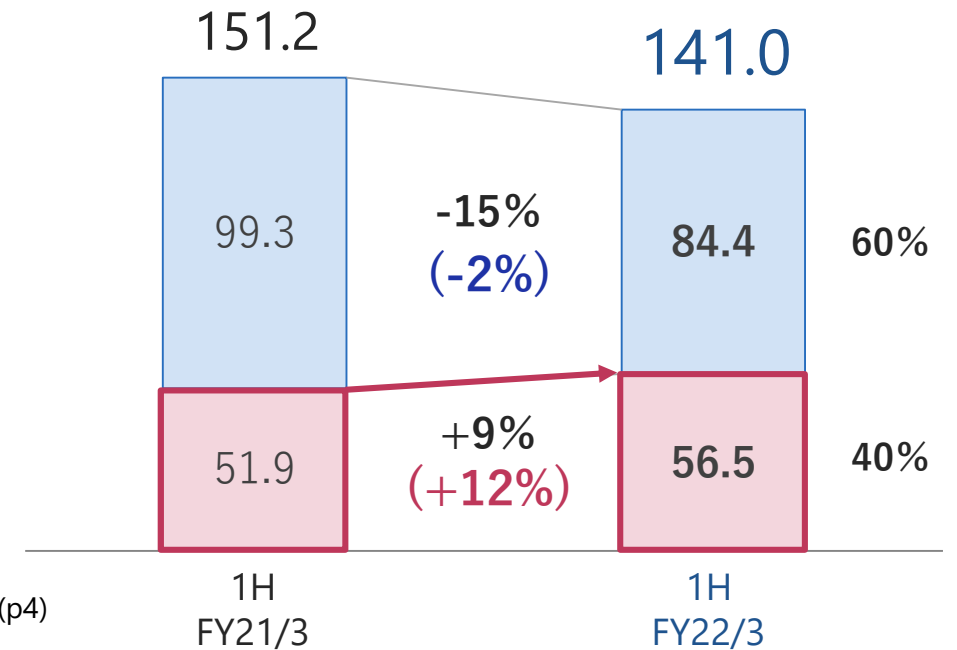
Orders received

(¥ Bn.)



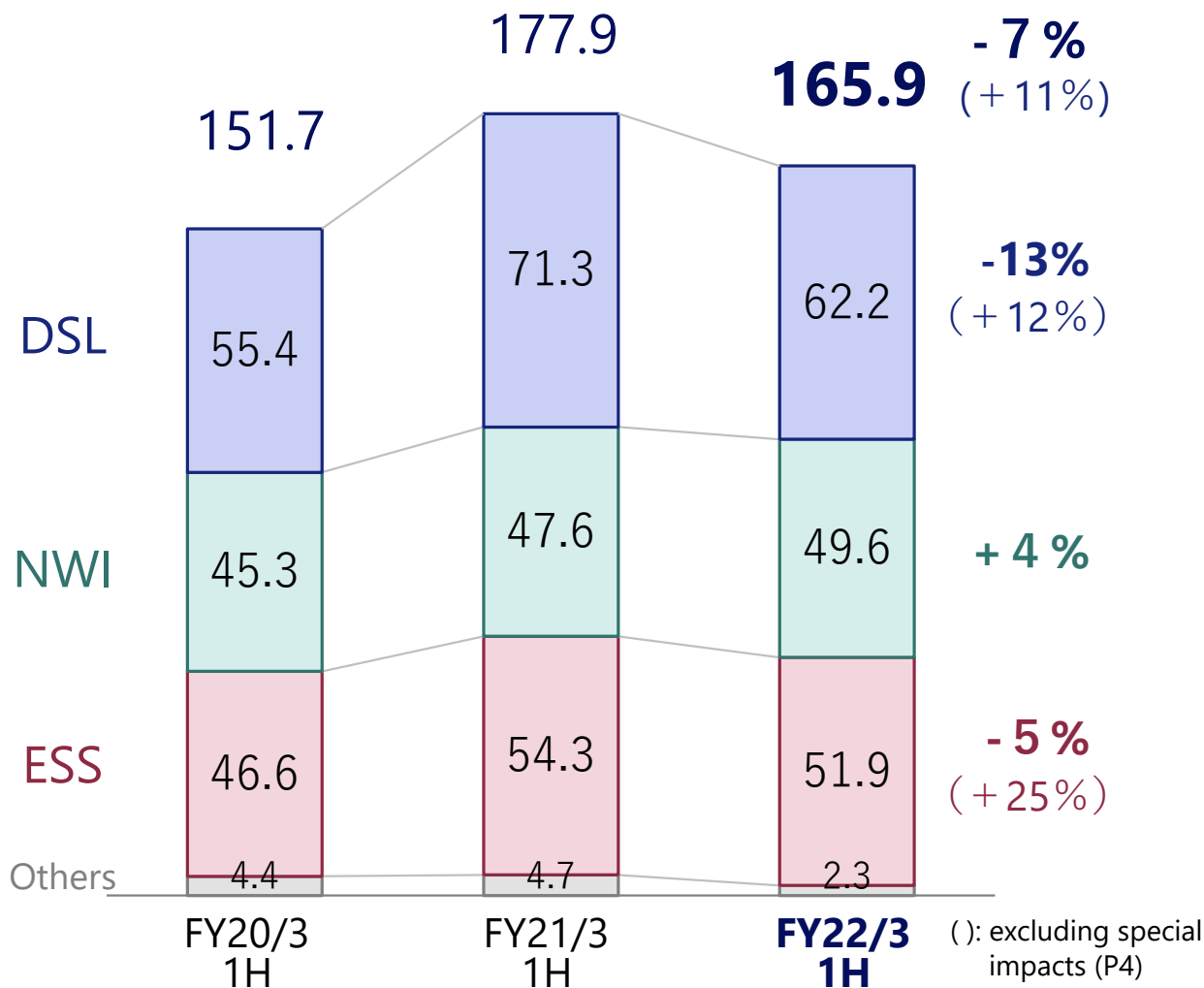
(): excluding special impacts (p4)

Net sales



1H FY2022/3 Orders Received by Segment

(¥ Bn.)



Digital Solutions (DSL)

- Decreased due to the impacts of GIGA school (-14) and un-consolidation of a subsidiary (-1.5)
- DX/workstyle innovation-related businesses continuously grew (DX for governments/municipalities expanded)

Network Infrastructures (NWI)

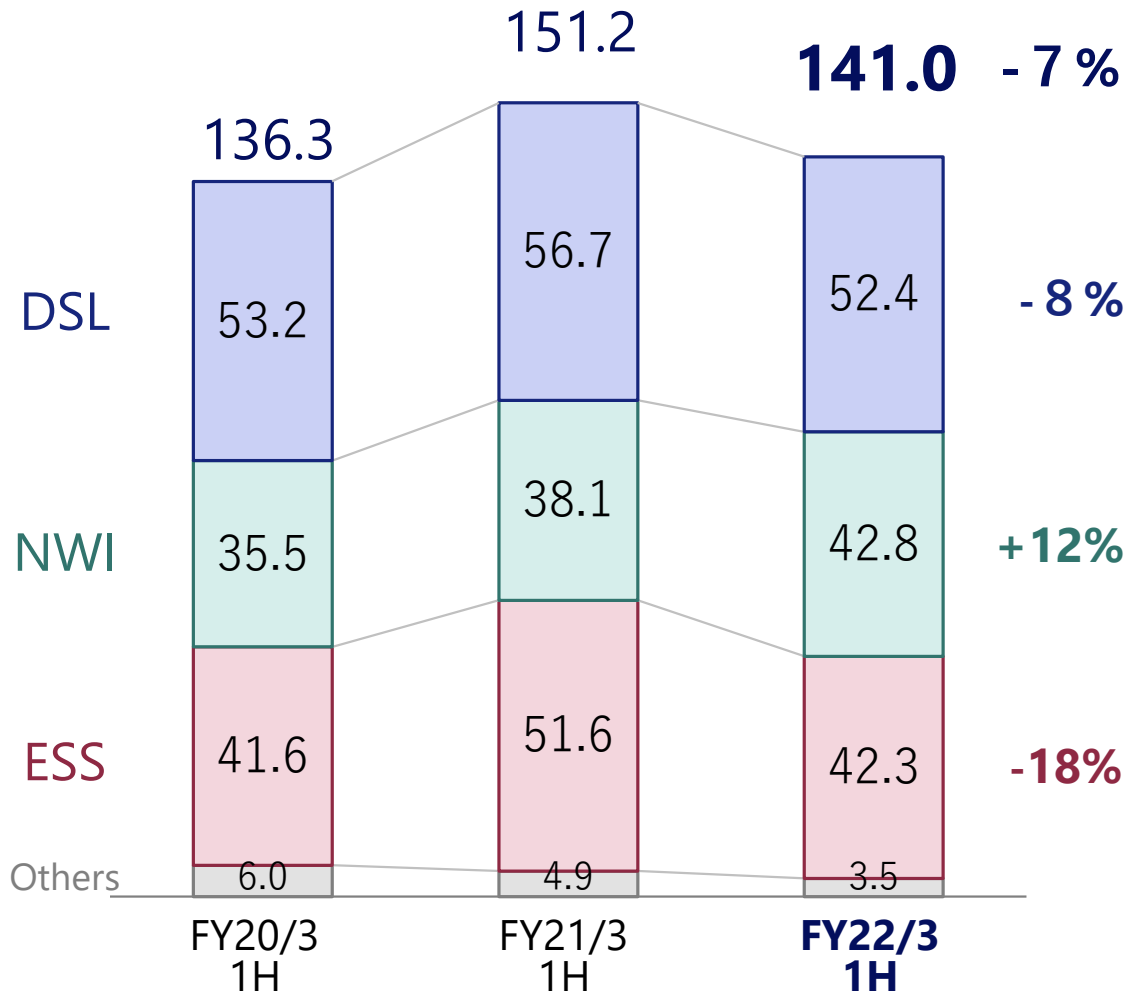
- Business for telecom carriers drove the growth
- Penetration as a partner progressed

Engineering & Support Services (ESS)

- Decreased by reactionary fall of GIGA school (-13)
- Increased construction business in Japan (transport/traffic etc.)

1H FY2022/3 Net Sales by Segment

(¥ Bn.)



Digital Solutions (DSL)

- Reactionary fall of GIGA school (-1.0) and un-consolidation of a subsidiary (-1.5) impacted
- Lead-time has been longer according to shift to service-provision model

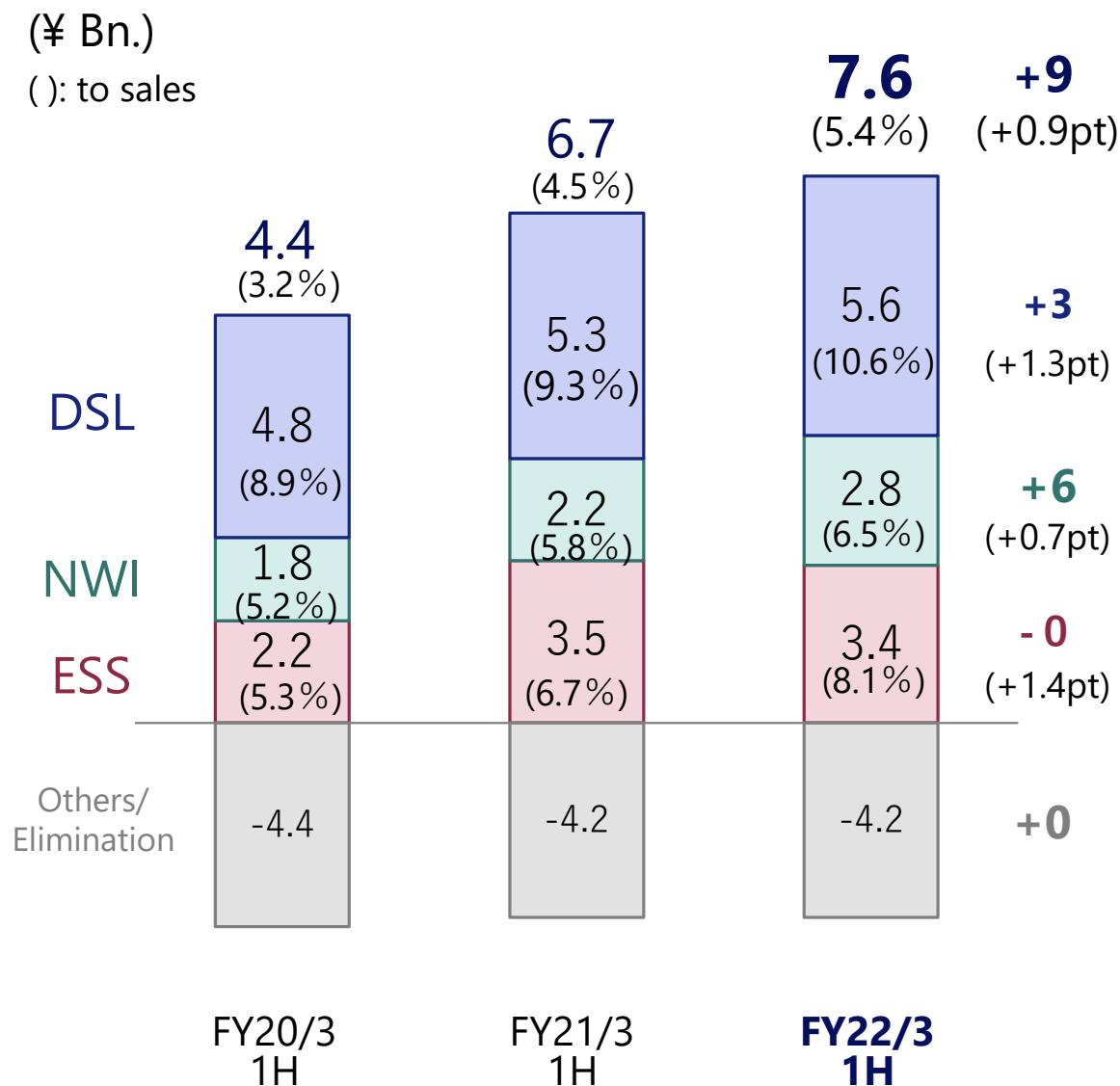
Network Infrastructures (NWI)

- Business for telecom carriers drove the growth
- Social/public infrastructures also increased

Engineering & Support Services (ESS)

- Decreased due to the impacts of GIGA school (-5.0) and mega-solar projects (-6.5)
*increased by 7% except these impacts
- Semiconductor shortage started to appear

1H FY2022/3 Operating Income by Segment



Digital Solutions (DSL)

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

Network Infrastructures (NWI)

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

Engineering & Support Services (ESS)

- Almost flat from the previous 1H recovering sales decrease by decrease in provision for loss for mega-solar PJ

II. Forecasts for the FY2022/3

FY2022/3 Forecasts

(¥ Bn.)

	FY21/3 Actual	FY22/3 Forecast	Change
Orders received	336.9	330	-2% (+8%*)
Net sales	339.1	320	-6% (+7%*)
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

No change from the initial forecasts

Aiming at sustainable growth by the improvement of sales mix

- Although the continuous impact of semiconductor shortage is a concern, we will accelerate strong NWI business
- Continuing investment in new business development such as resource enhancement

* growth rate excluding special impacts (p4)

FY2022/3 Forecasts by Segment

Modified segment forecasts considering on the 1H results

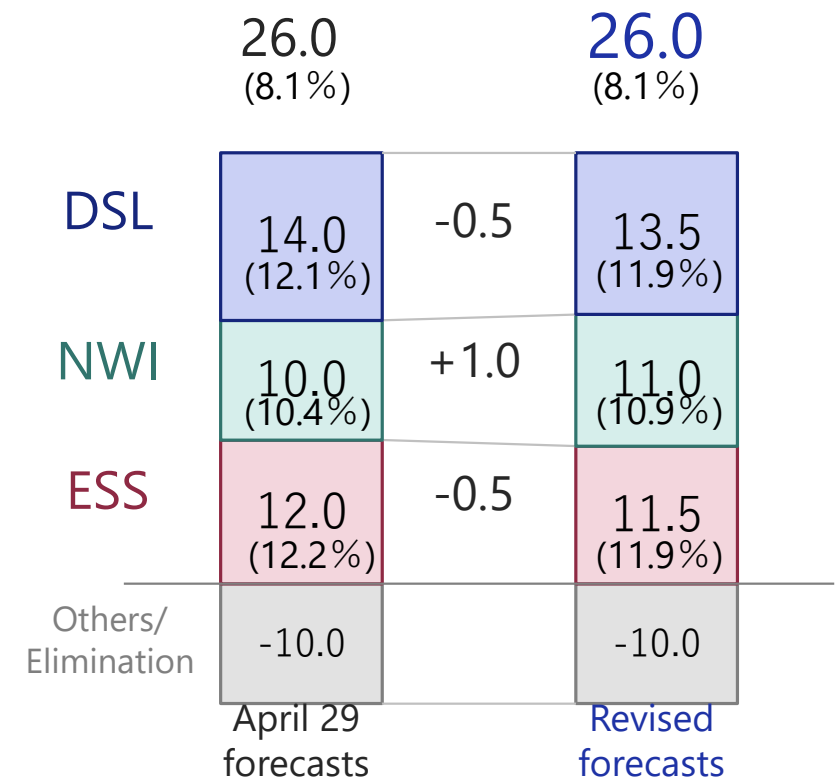
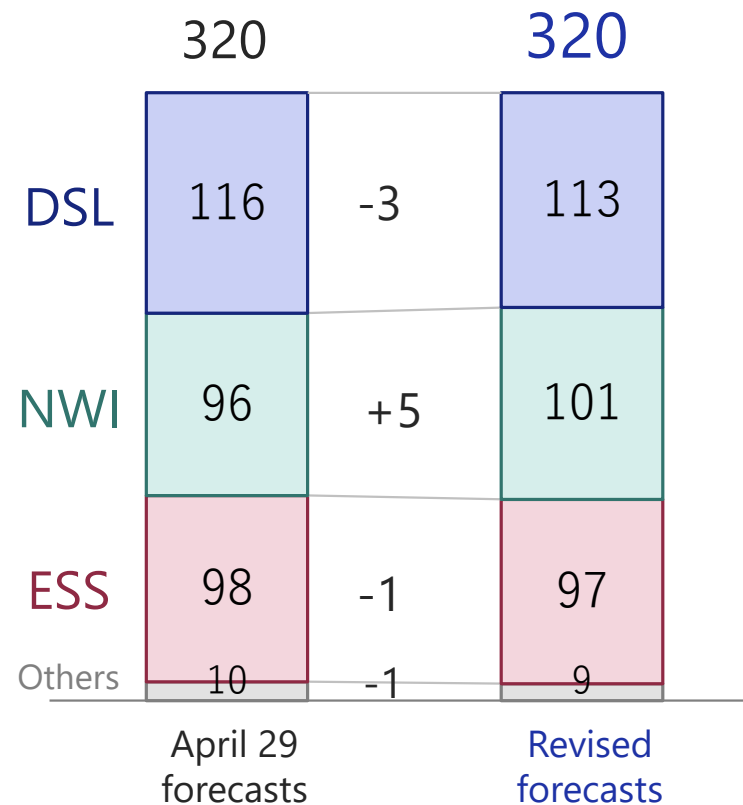
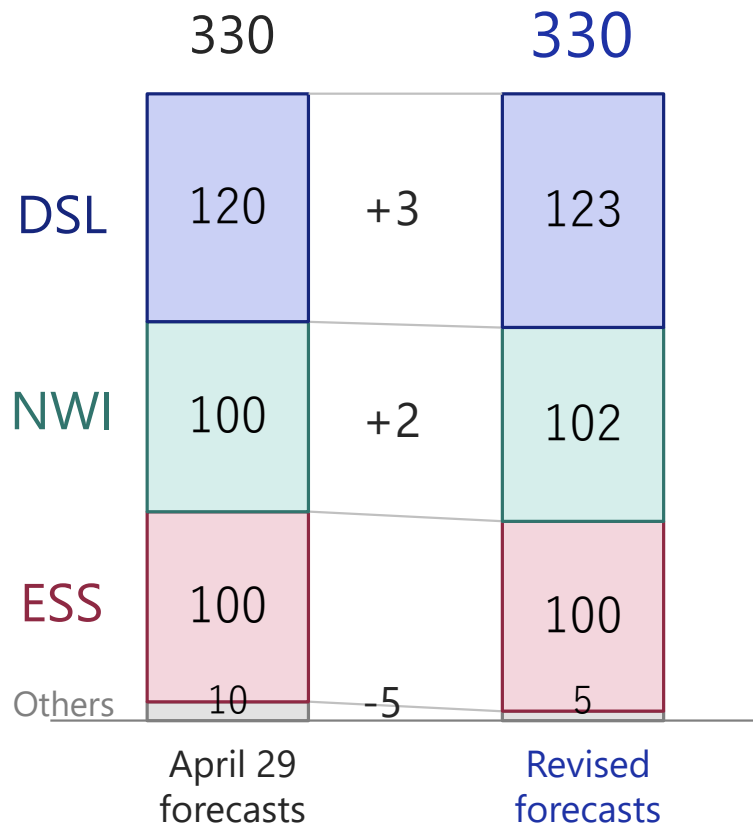
Orders received

Net sales

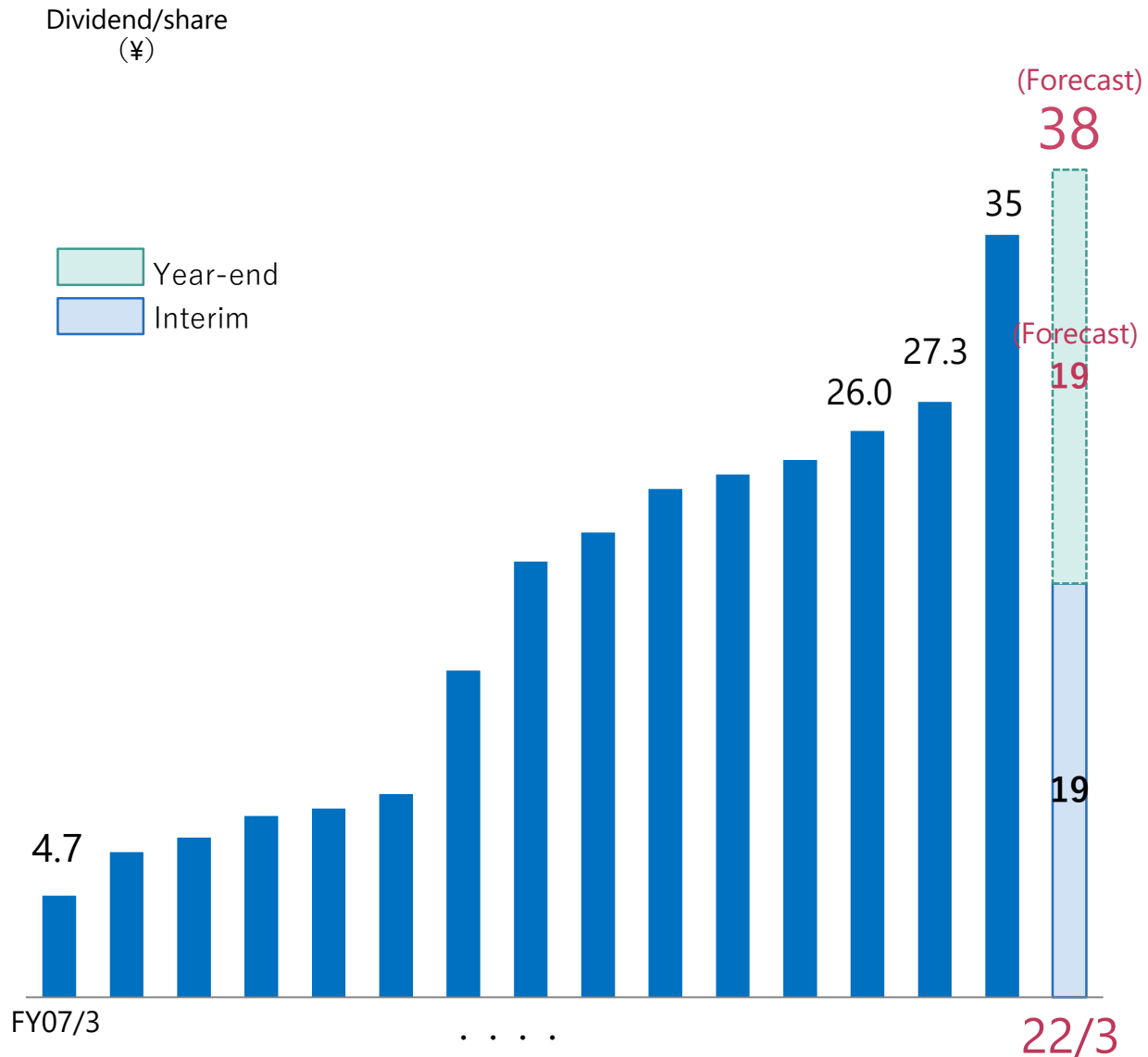
Operating income

(¥ Bn.)

(): to sales



Dividend



Planning dividend increase
for the 15th year un a row

Interim: ¥19 per share as planned

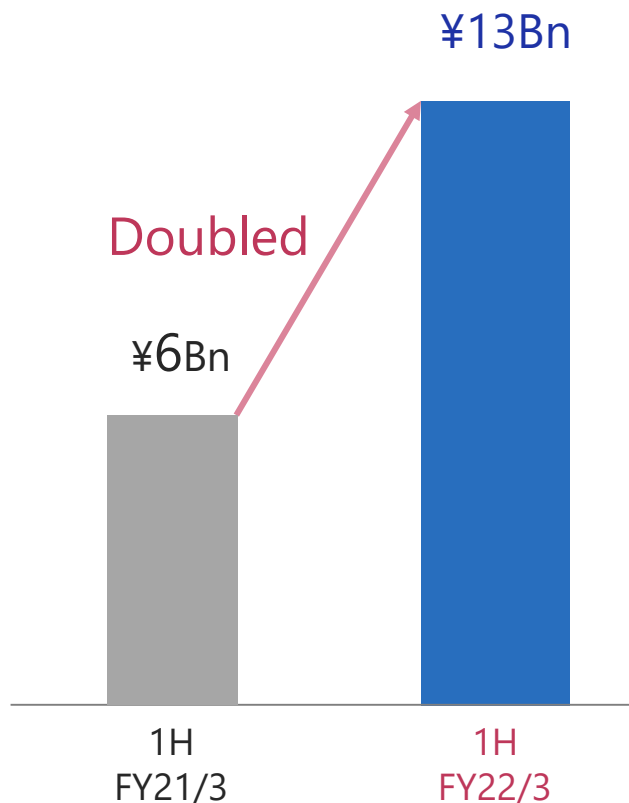
Year-end: planning ¥19 per share
as the initial plan

* 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

III. Update of Strategic Areas

Digital Area

DX Orders Received



Customer base expanded to governments

Leveraging our strength such as DX/work-style innovation know-how through self-implementation, telework environment development

1H results

Saitama Prefecture, Toyama Prefecture, National Tax Agency, etc.
(Telework environment, cloud services)

To expand

Expansion to other prefectures/agencies & creation of solution model to smaller governments such as cities, towns and villages
Approach to local-government-network resilience demand
(LGWAN-ASP services, telework environments)

Digital Area (Case for Local Government)



Client

Saitama Prefecture

Outline

Introduction of digitalization tools

Development of multi-cloud environment for telework, paperless-work and active intra/inter-office communication and related licenses

- Web communication tool
- Software for paper-less-work
- File-management system
- Authentication service (IDaaS)

etc..

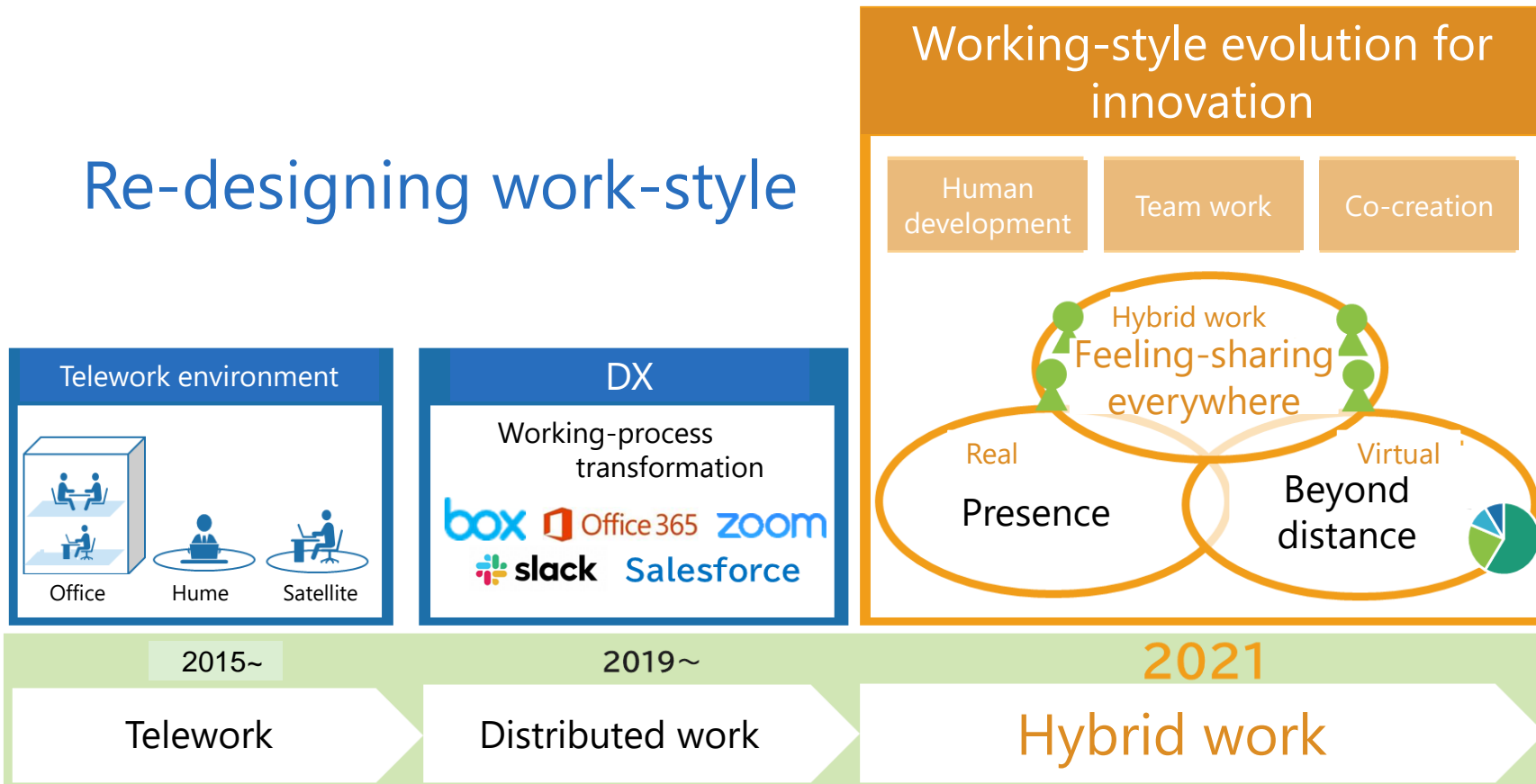
Key Point

NESIC's DX know-how through self-implementation and operation-easy proposal

Digital Area (Future Work-Style)

Hybrid work amalgamating "real" & "virtual"

Re-designing work-style



Enhancing tools for hybrid work

e.g. One Globe Office



As if every global member were working at the same place

5G Area

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
Business with higher value increased

YoY

Net sales : **35% up**

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

Local 5G

Create services for solving social issues
through POCs

- Progress in the community building field
 - Selected 3 projects for MIC's "POCs to Solve Social Issues" (3 out of 26 are our PJs)
- Acquired 5G license



Strengthening of business foundations

5G resource development

- Use of Basic Tech. Center / 5G Lab.

5G
resource

Beyond 300
(Target : approx. 400
by Mar. 2022)



Accelerating the service creation to solve social issues in the community building field~ 3 projects selected for MIC's POCs



Subjects

Productivity improvement of primary industry

Tourism/disaster prevention

Public events

Outline of POC

Productivity & safety for forestry works in mountain area

- Efficient work by remote operation
- Safety management using AI & high-resolution visual systems

Tourism safety information system (Mt. Fuji)

- Safety monitoring
- Alert service
- Visitor-flow analysis etc.

Execution of events at large sites with safety & security

- Experiment for post-Covid 19 events at Yokohama

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.

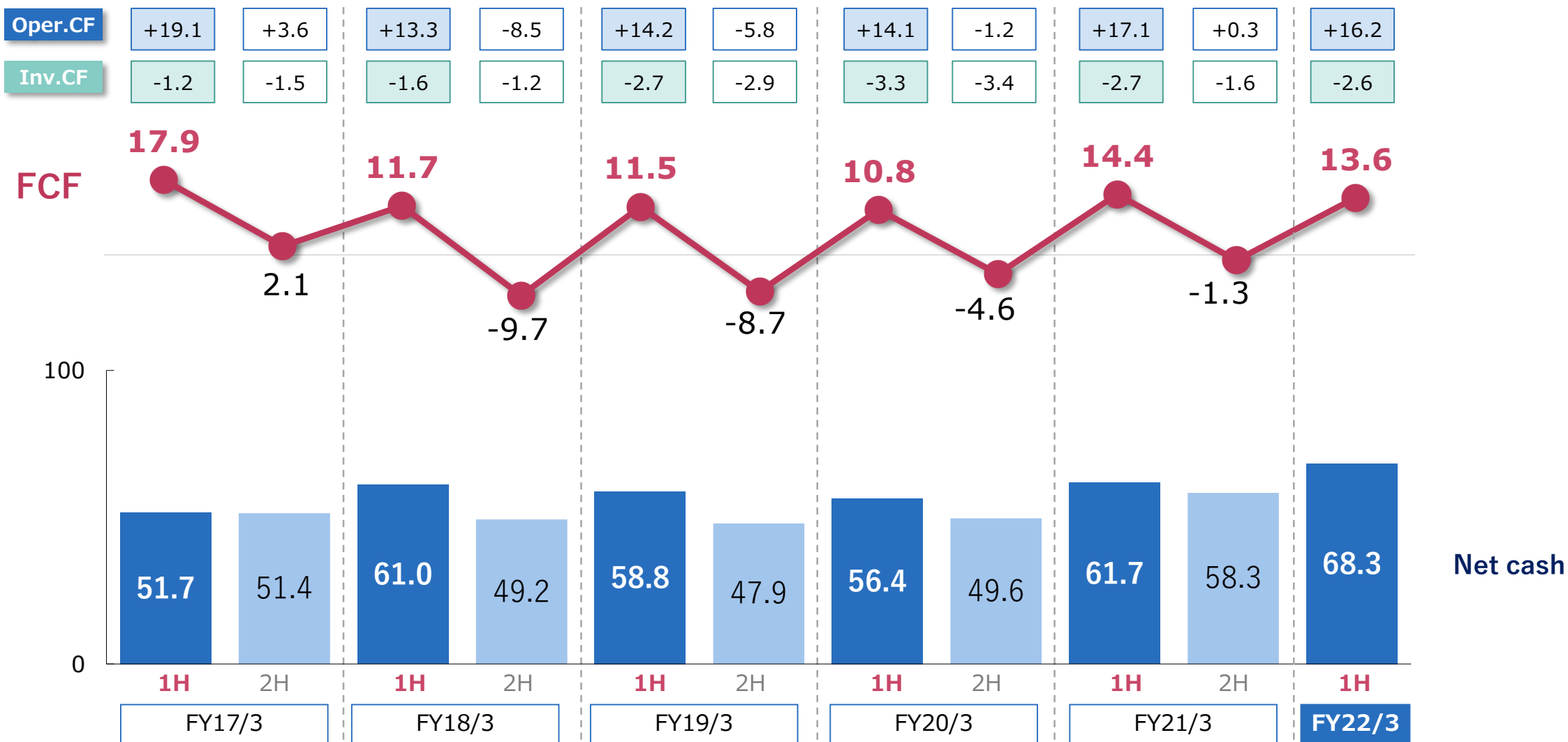
APPENDIX

1H FY2022/3 Balance Sheet (September 2021)

		(¥ Bn.)		
		End of Mar/21	End of Sep/21	Diff.
	Cash and cash equivalents	68.4	80.0	11.6
	Notes and accounts receivable, and contract assets	124.6	94.7	-29.9
	Inventories	11.5	11.5	0.0
	Others	7.3	9.2	1.9
	Current Assets	211.8	195.4	-16.4
	Noncurrent Assets	38.5	40.0	1.5
	Assets	250.3	235.4	-14.9
	Notes and accounts payable	46.8	33.3	-13.6
	Loans	10.1	11.7	1.6
	Others	66.3	60.6	-5.6
	Liabilities	123.2	105.6	-17.6
	Shareholders' equity	126.1	127.7	1.6
	Accumulated other comprehensive income	-2.4	-1.7	0.7
	Non-controlling interests	3.4	3.8	0.4
	Net Assets	127.1	129.9	2.7
	Liabilities & Net Assets	250.3	235.4	-14.9
	Owner's Equity Ratio	49.4%	53.5%	+4.1pt

1H FY2022/3 Cash 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.

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.



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.

nesic

Search



NEC Networks & System Integration Corporation

<https://www.nesic.co.jp/english/ir/>