

# Financial Results for the 1Q for the FY ending March 2024

July 28, 2023

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

# 1Q FY2024/3 Summary

(¥ Bn.)

	1Q FY23/3	1Q FY24/3	Change
Orders received	80.8	96.5	+19%
Net sales	67.6	71.7	+6%
Gross profit	12.1	12.5	+0.4
(to sales)	17.9%	17.5%	-0.4pt
SG&A	10.6	11.4	-0.8
Operating income	1.5	1.1	-0.4
(to sales)	2.2%	1.6%	-0.6pt
Net income	0.5	0.2	-0.3
attributable to owners of the parent			
(to sales)	0.7%	0.3%	-0.4pt
Free cash flows	14.6	18.5	+3.8
Orders backlog	179.2	225.7	+26%

Progress was made in line with expectations  
Profit decreased due to higher SG&A expenses

## Topline:

- Both orders received and net sales expanded
  - The strong performance continued, mainly in areas related to workstyle DX and social infrastructure
  - Orders highly jumped gaining large projects on top of the good situation above

## Operating income:

- Despite higher net sales, rising SG&A expenses\* had an impact
  - \* Development expenses for new mission-critical systems, etc.

# 1Q FY2024/3 Orders Received/Net Sales by Business Model

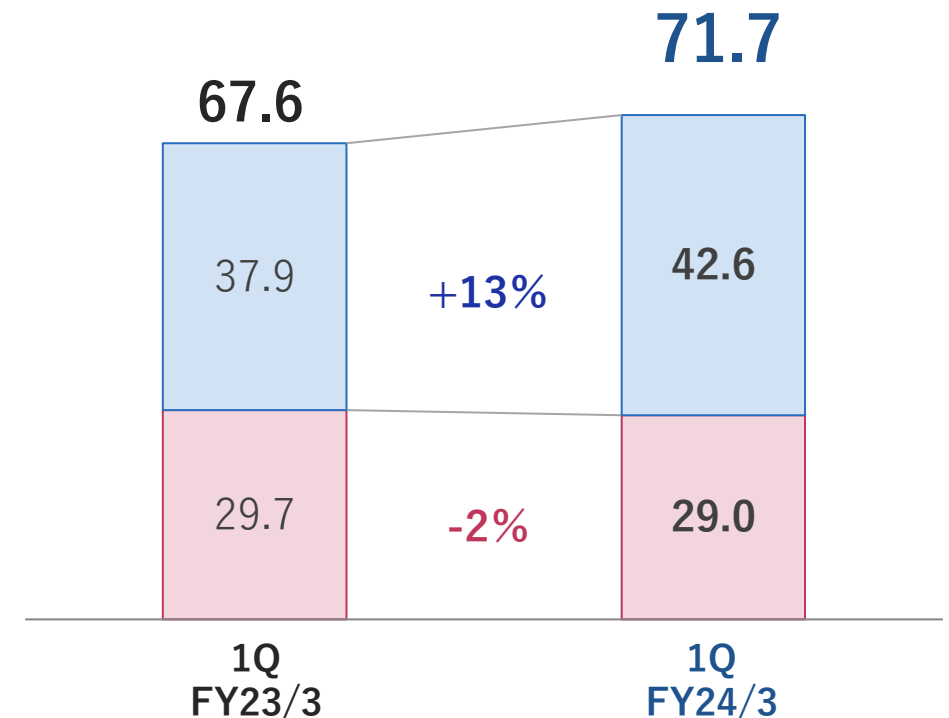
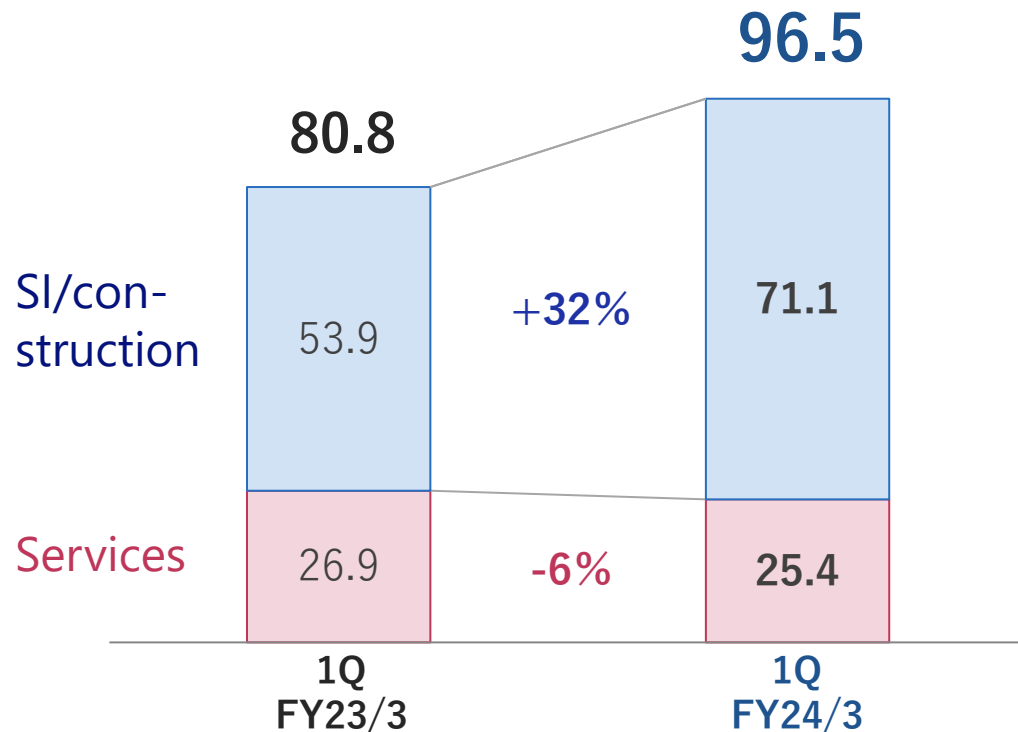
SI / Construction: Strong growth in order in part due to large projects earned

Services: Mainly impacted by a fall in COVID-related demand at subsidiaries

## Orders received

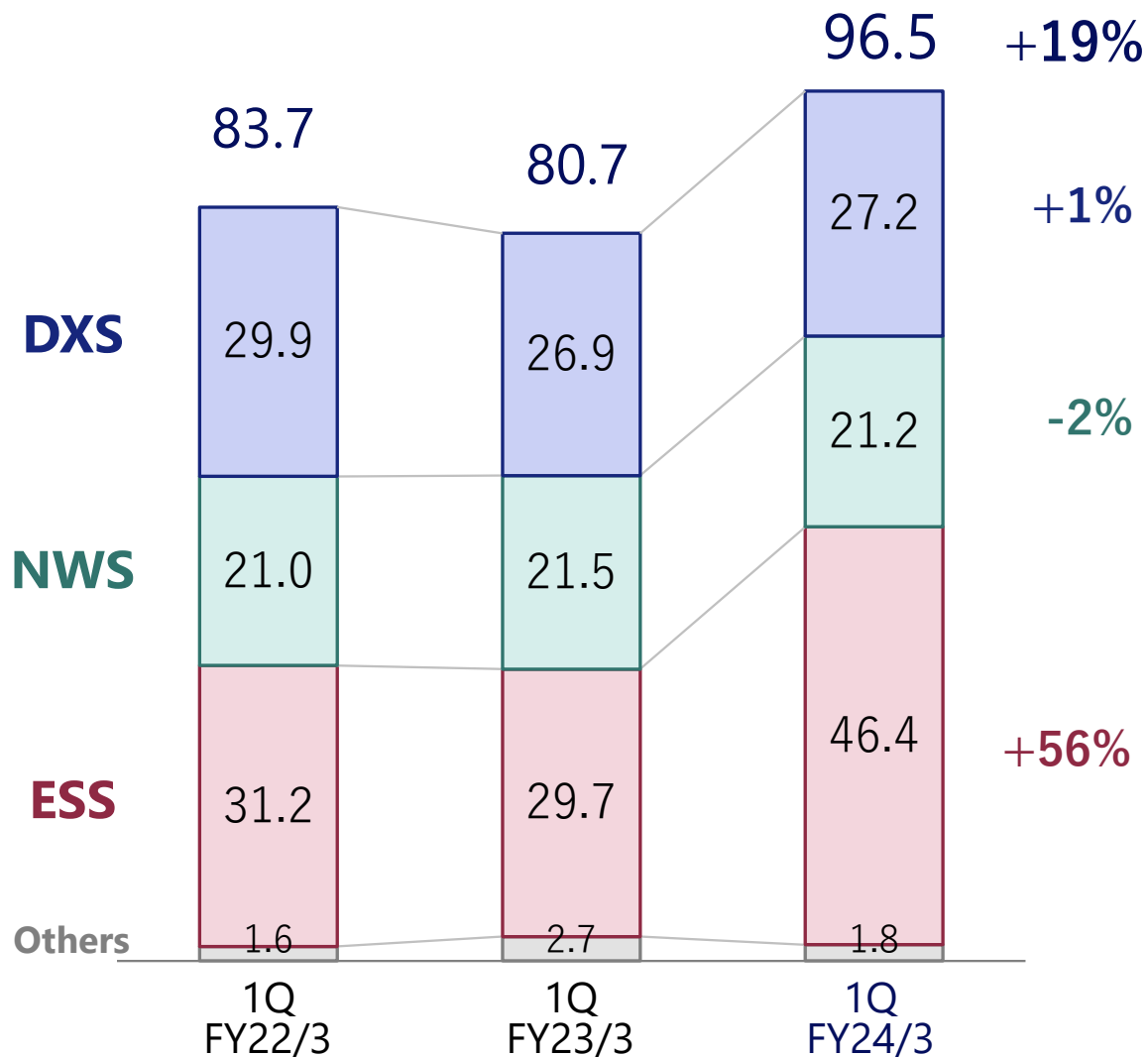
## Net sales

(¥ Bn.)



# 1Q FY2024/3 Orders Received by Segment

(¥ Bn.)



## DX Solutions (DXS)

- Expansion in strategic areas including workstyle DX
  - Orders received by a subsidiary fell (-1.0) due to decreased COVID-related demand

## Network Solutions (NWS)

- Growth in orders from social infrastructure fields<sup>\*1</sup> despite decline in telecom carrier-related businesses that was in part a reactionary decline from a large project<sup>\*2</sup> in the previous 1Q.

<sup>\*1</sup>: Space, broadcasting, marine, etc.

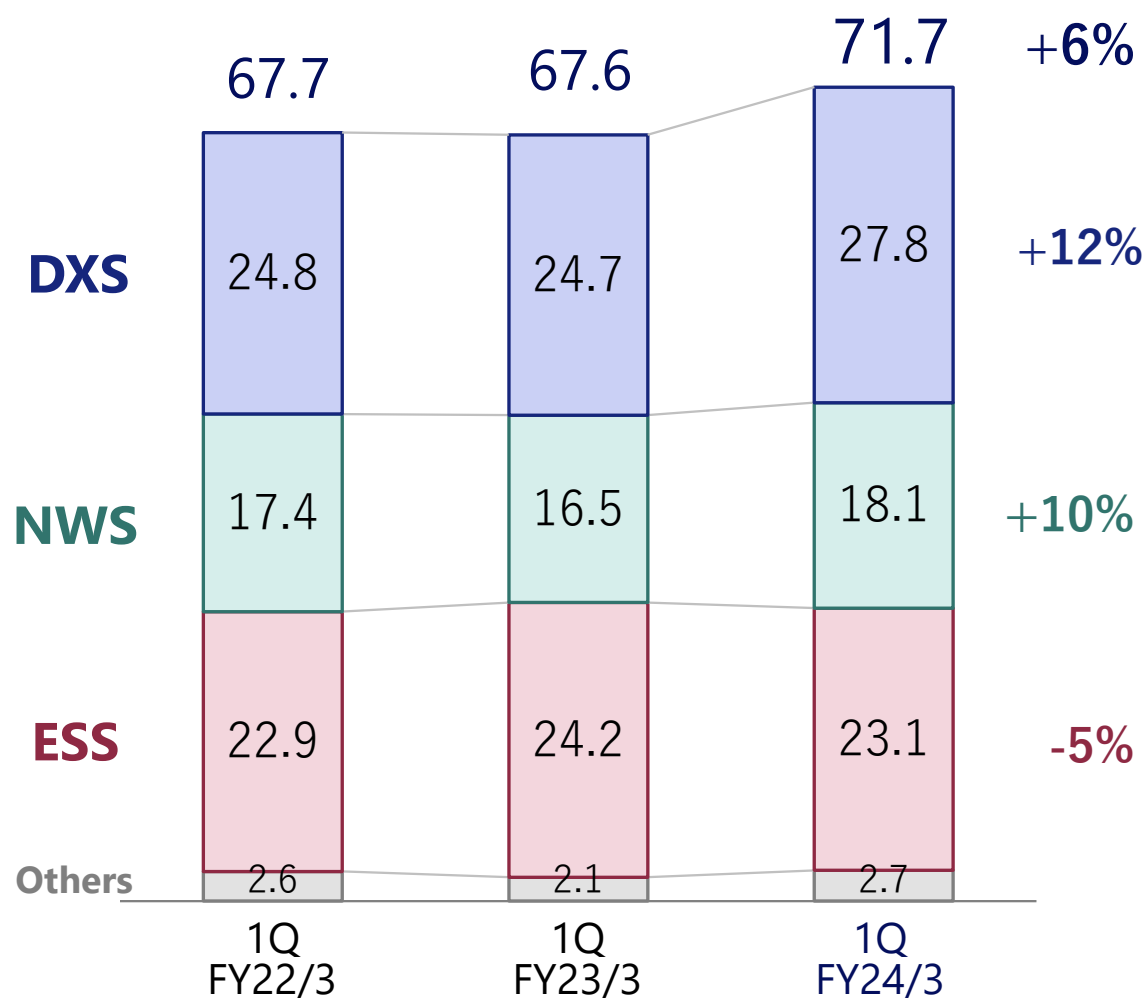
<sup>\*2</sup>: Local 5G-related

## Environmental & Social Solutions(ESS)

- Growth in orders in part due to large projects<sup>\*</sup>
  - <sup>\*</sup> Equipment procurement, overseas construction-related

# 1Q FY2024/3 Net Sales by Segment

(¥ Bn.)



## DX Solutions (DXS)

- Sales expanded in both strategic and existing areas, in part due to sales from order backlogs

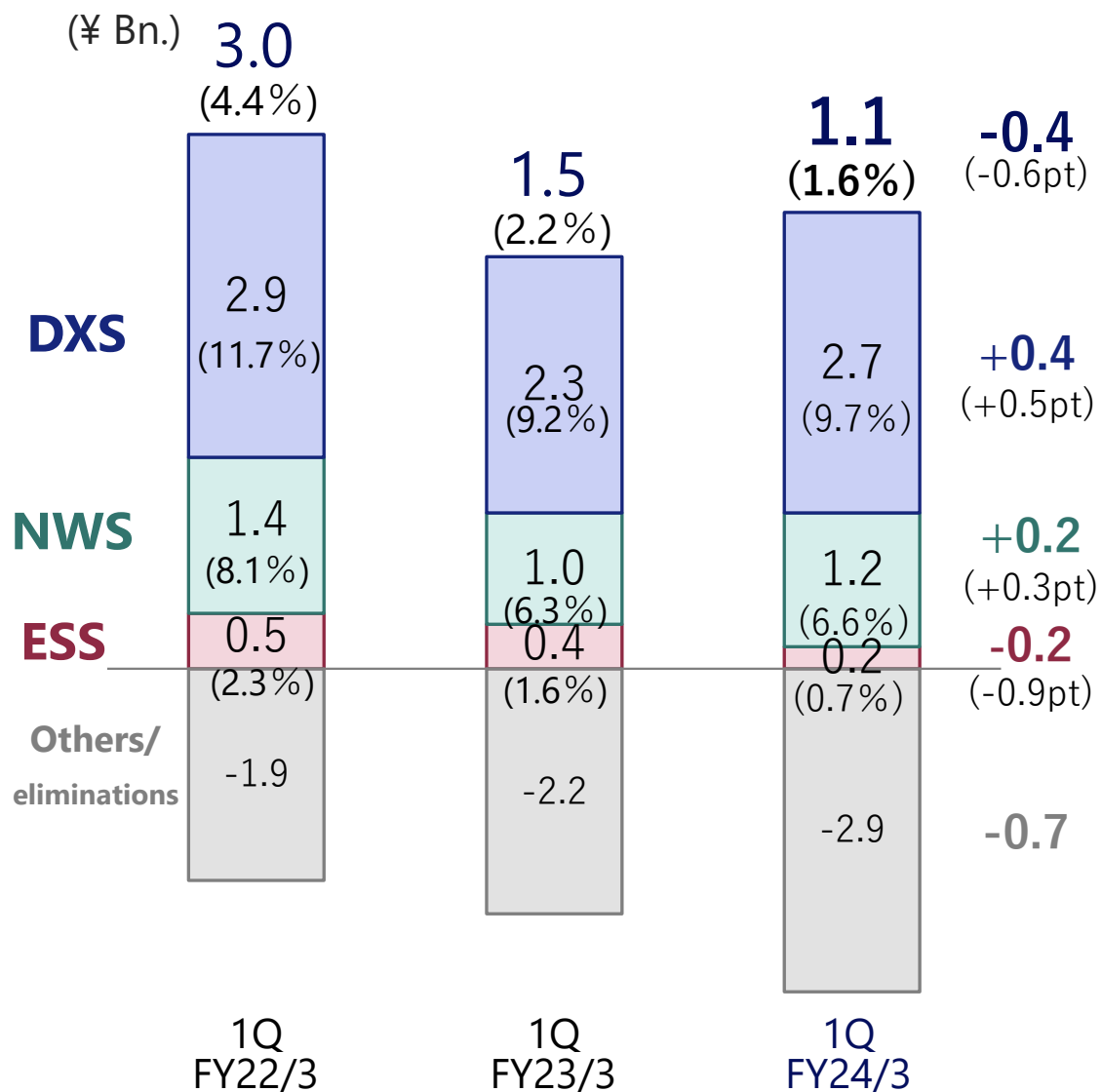
## Network Solutions (NWS)

- Sales increased mainly in the social infrastructure field

## Environmental & Social Solutions(ESS)

- Impact of timing for the recording of sales from orders backlog being weighted toward 2Q and beyond

# 1Q FY2024/3 Operating Income by Segment



## DX Solutions (DXS)

- Off to a good start with improved GP margin
  - Driven by strategic areas such as workstyle DX

## Network Solutions (NWS)

- Improvement thanks to streamlining of SG&A expenses despite a lower GP margin\*

\* Impact of decreased telecom carrier business and concentration of lower-margin social infra. projects in 1Q

## Environmental & Social Solutions(ESS)

- Impacted by decline in sales and lower GP margin\*

\* Impacts from lower sales and a reaction to the profitable projects in the previous 1Q

## Others/elimination

- Mainly development expenses for new mission-critical systems increased

# 1Q FY2024/3 GP Margin by Segment

	1Q FY23/3	1Q FY24/3	Change	Key factors
DXS	21.0%	21.6%	+0.6pt	Progress in the development of greater added value (expansion in strategic areas including workstyle DX)
NWS	21.4%	18.6%	-2.8pt	Impact of decreased telecom carrier businesses and concentrated lower-margin projects of social infra. in 1Q
ESS	13.9%	13.4%	-0.5pt	Impact of decline in sales and reactional impact from profitable projects in the previous 1Q
Company total	17.9%	17.5%	-0.4pt	

# FY2024/3 Forecasts

(¥ Bn.)

	FY23/3	FY24/3 Forecasts	Change
Orders received	356.0	370	+4%
Net sales	320.8	340	+6%
Operating income	22.8	24.0	+1.2
(to sales)	(7.1%)	(7.1%)	±0.0pt
Net income	13.8	14.0	+0.2
attributable to owners of the parent			
(to sales)	(4.3%)	(4.1%)	-0.2pt

## 1Q progress in line with expectations No change from initial forecasts

Sense of direction from 2Q onwards

### ■ Orders received / net sales

- Expansion of workstyle DX and social infrastructure-related fields
- In ESS sales from the orders backlog will enter full swing and cause a turnaround to increased sales

### ■ Operating income

- Effects of increased sales, improved mix (Profitability of orders received in 1Q improved)
- Effects of resources optimization at telecom carrier businesses will manifest
- Costs for aggressive strategy will expand as planned



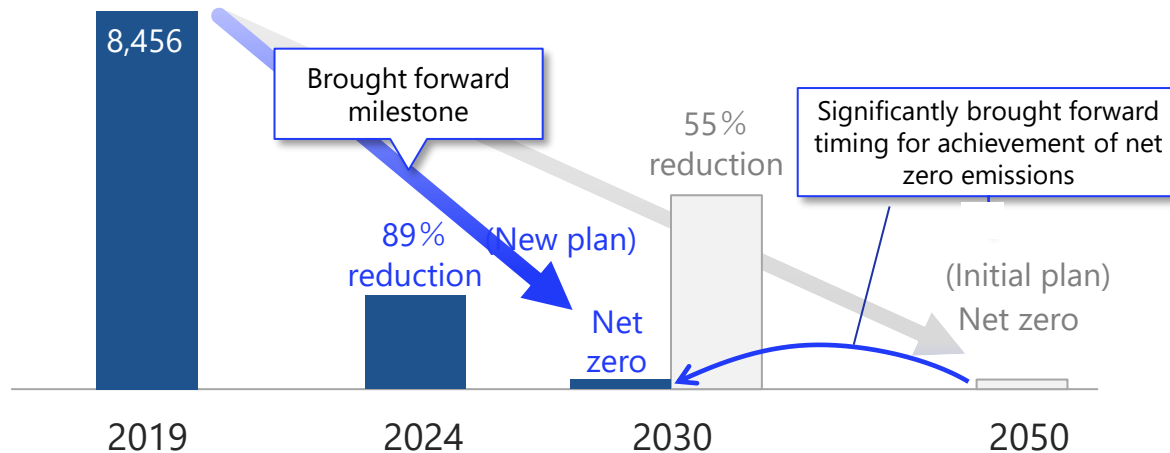
# Topics: Incorporating Non-financial Strategy

## Environment

Adjusted Scope 1 and Scope 2 reduction targets ahead of schedule to accelerate action on climate change

### GHG Reduction Targets (Scope 1 and 2)

(Unit: t-CO<sub>2</sub>)



## Human resources

Earned strong external recognition for human capital management initiatives

### Platinum Career Award Top Prize

Recognized for reskilling and self-directed career development having taken root as corporate culture



### WELLBEING AWARDS Gold Idea Award in Organization/Team Category

Recognized for serious innovative efforts with original ideas to roll out and instill wellbeing initiatives as a company



### Psychological Safety Award 2023 Silver Ring Award

Recognized for efforts to improve psychological safety that forms the foundation of good organizational development

心理的  
安全性  
AWARD  
2023

SILVER RING

# Reclassified quarterly data and other data

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Please see our supplementary data sheet for

- Reclassified quarterly data for FY2021/3 & FY2022/3
- Sales by business type, sales by market etc.

<https://www.nesic.co.jp/english/ir/library/2023.html>

# 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.

Some information for reference such as impact of special factors is calculated and shown in round numbers.

There was segment change in April 2022. Segment information for the FY 2022/3 have 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.

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