



# Financial Results for the First 9 Months ending March 2022

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Hiroyuki Sekizawa, Senior Vice President  
NEC Networks & System Integration Corporation  
(TSE: 1973, NESIC)

# 9M FY2022/3 Summery

(¥ Bn.)

	9M FY2021/3	9M FY2022/3	Change
Orders received	253.5	243.5	-4%
Net sales	233.5	218.8	-6%
Gross margin	17.8%	19.2%	+1.4pt
Operating income	13.8	12.2	-1.6
(to sales)	(5.9%)	(5.6%)	-0.3pt
Net income	8.4	7.7	-0.7
attributable to owners of the parent (to sales)	(3.6%)	(3.5%)	-0.1pt
Free cash flows	13.1	9.2	-3.9
Backlog	160.8	162.9	+1%

\*Backlog increased by 15% yoy except for reactionary fall impacts

The reactionary fall of big PJs and temporary factors such as SC/material shortage impacted on the results although strategic businesses grew

## ● Orders/sales

Strategic businesses (DX/telecom) grew with an impact of SC/material shortage

Except for impacts of reactionary fall\* &  
SC/material shortage

Orders: **+11%**, Sales: **+8%**

\* Reactionary fall: GIGIA school & mega-solar of the previous year and the impact of a subsidiary to have been unconsolidated

## ● Profits

Profits decreased due to temporary factors although sales mix & efficiency improved

(Temporary factors)

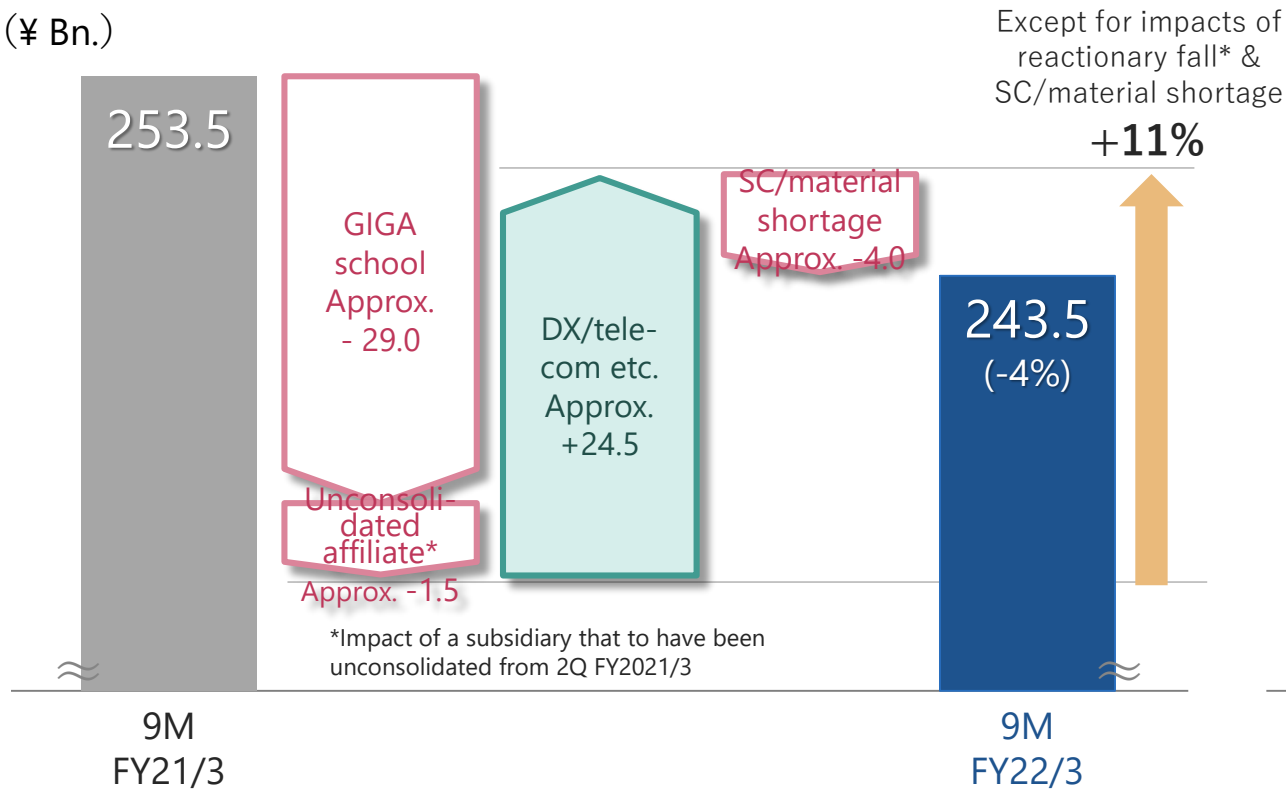
- Myanmar loss: ¥-1.8Bn.
- SC/material shortage impact: ¥-1.7Bn.

# Factor Analysis of YoY Change (Orders/Sales)

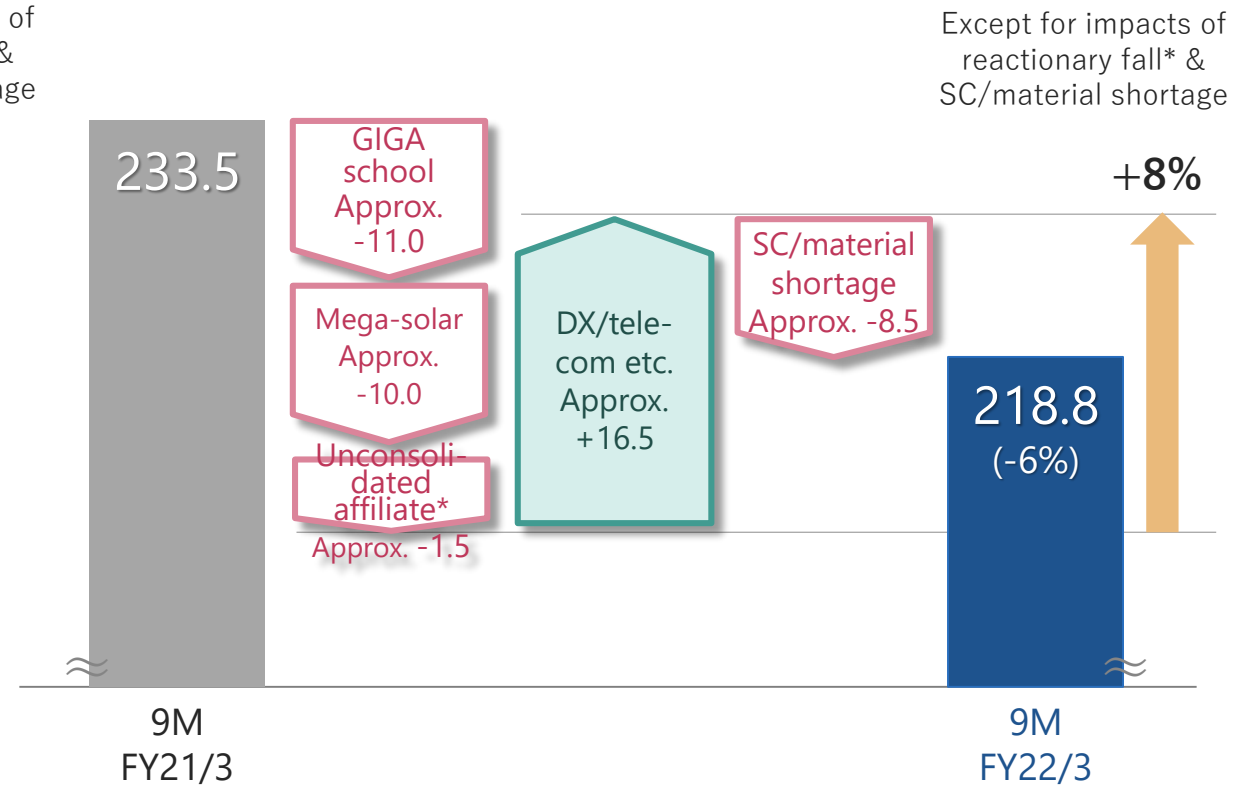
SC/material shortage in addition to the shift to service provision model temporarily impacted although strategic areas expectedly expanded

## Orders received

(¥ Bn.)



## Net sales



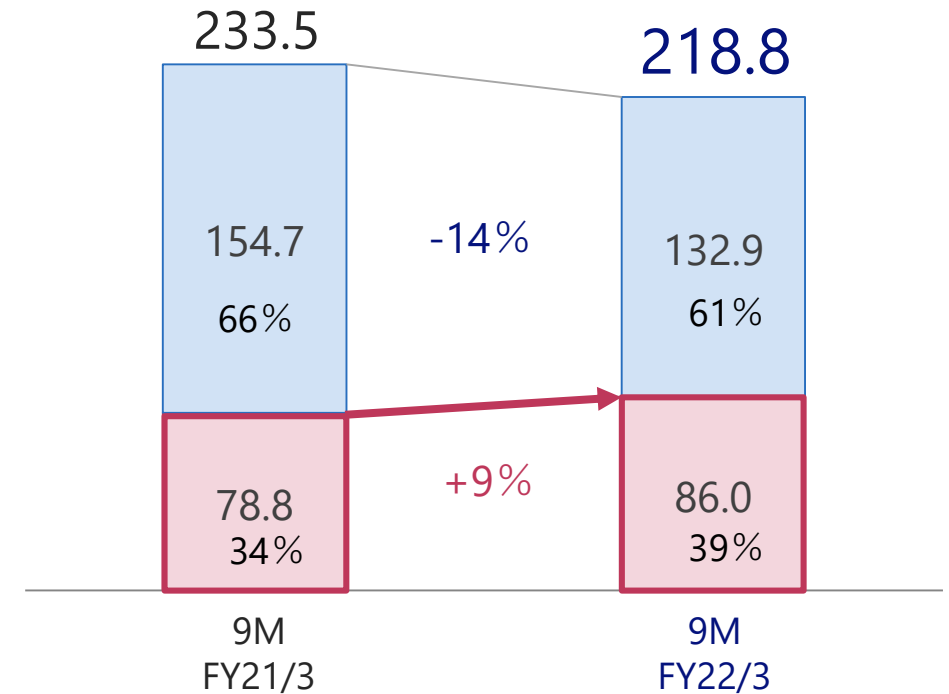
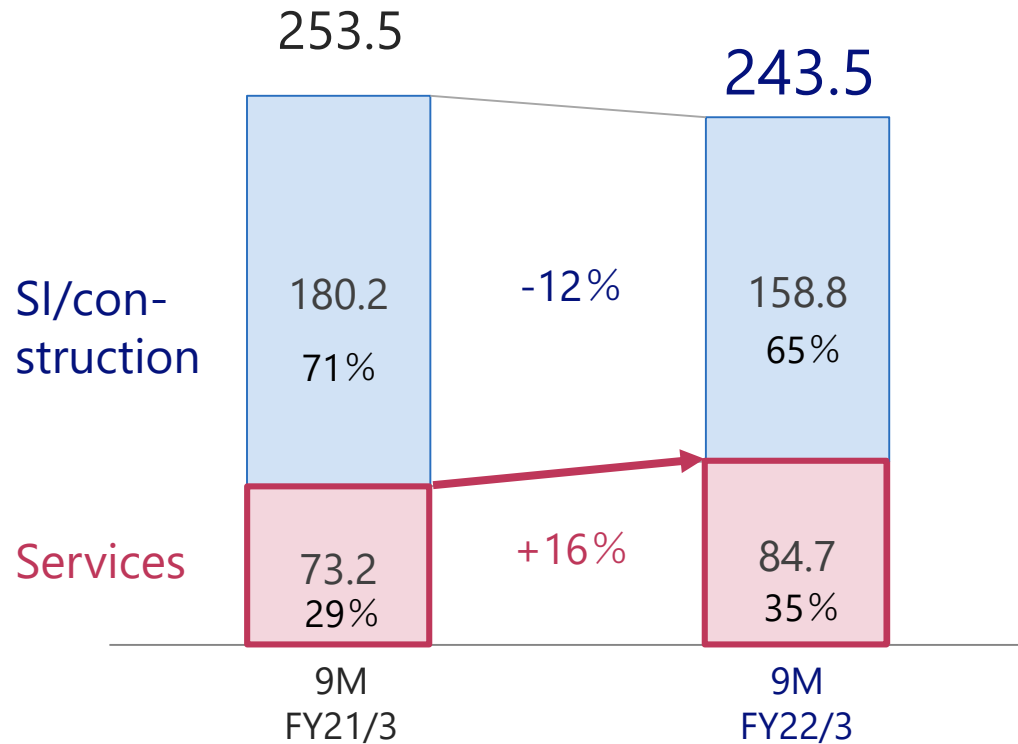
# 9M FY2022/3 Orders Received/Net Sales by Business Model

## Business model is steadily changing

### Orders received

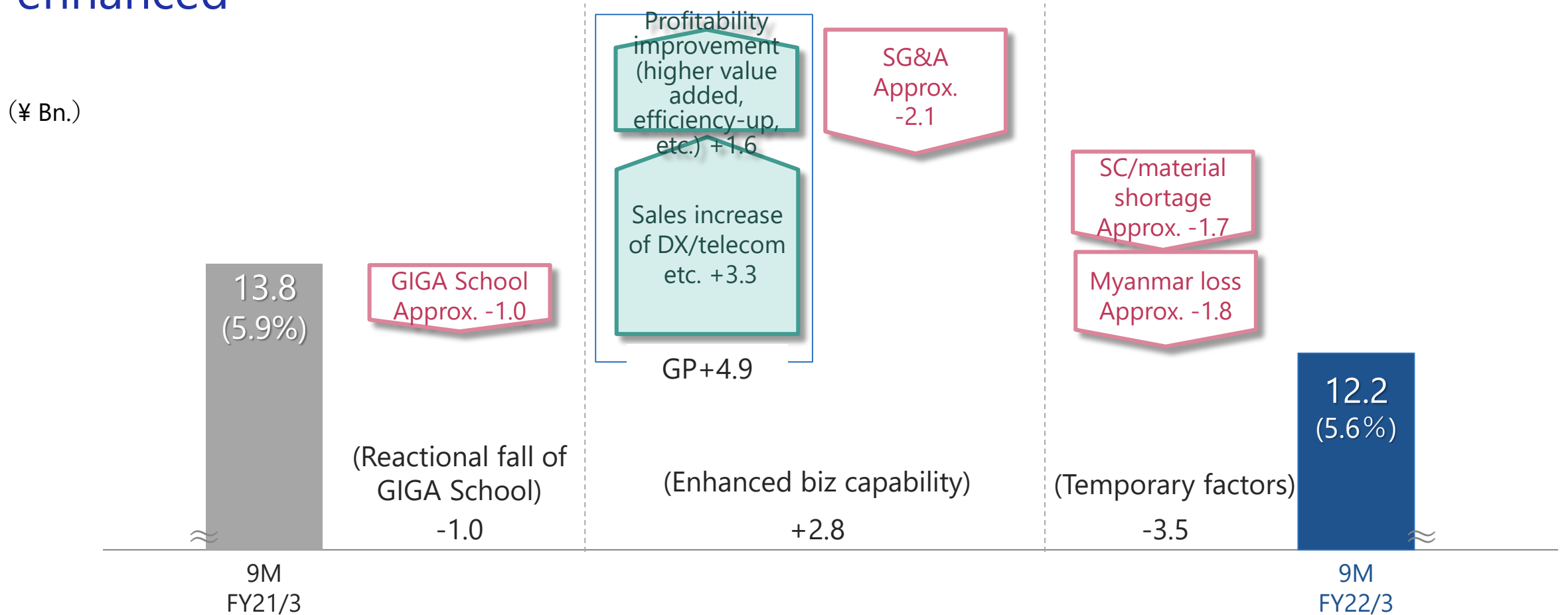
### Net sales

(¥ Bn.)



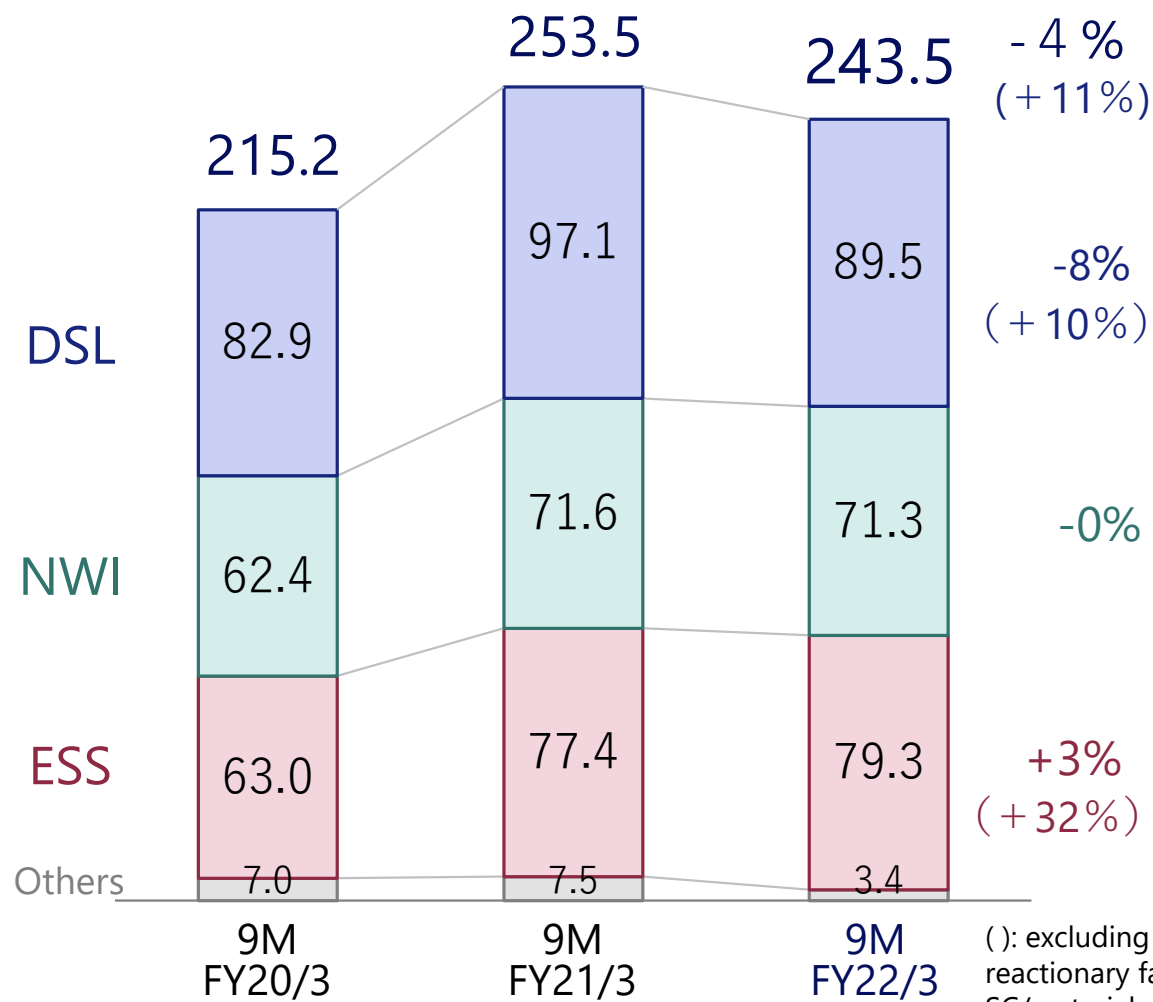
# Factor Analysis of YoY Change (Operating Income)

Income decreased due to temporary factors although business capability enhanced



# 9M FY2022/3 Orders Received by Segment

(¥ Bn.)



## Digital Solutions (DSL)

- Decreased due to the impacts of GIGA school (-14.5) and un-consolidation of a subsidiary (-1.5)
- DX/workstyle innovation-related businesses is strong. DX for governments/ municipalities expanded

## Network Infrastructures (NWI)

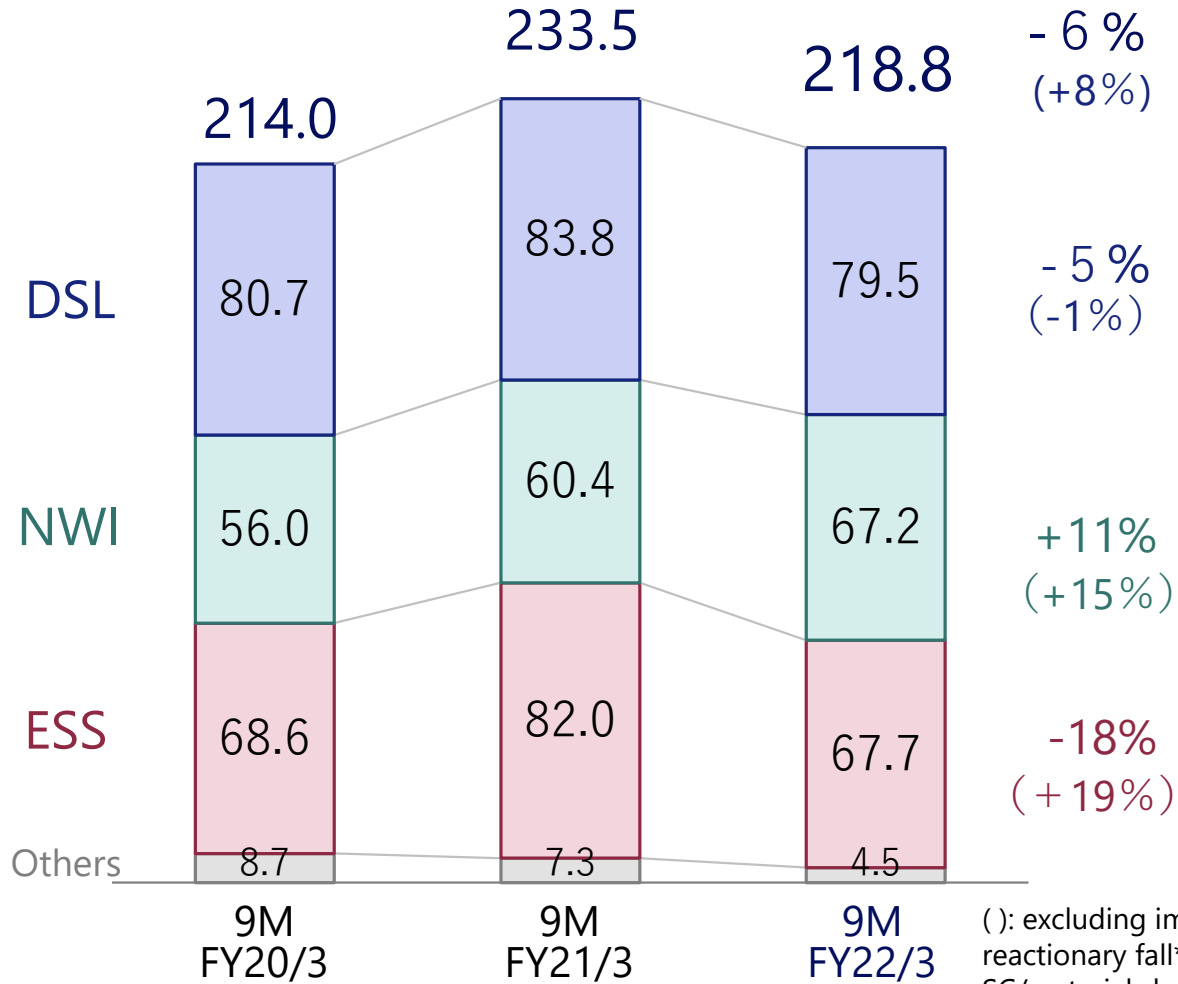
- Business for telecom carriers expanded  
Despite of large submarine seismometer order in previous fiscal year(-3), orders kept same level

## Engineering & Support Services (ESS)

- Construction biz (domestic & overseas) fully made up for the reactionary fall of GIGA school (-14.5)
  - domestic transport/traffic
  - overseas: additional order for petro plant network in Saudi Arabia

# 9M FY2022/3 Net Sales by Segment

(¥ Bn.)



## Digital Solutions (DSL)

- Reactionary fall of GIGA school (-1.5) 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 with an impact of SC/material shortage

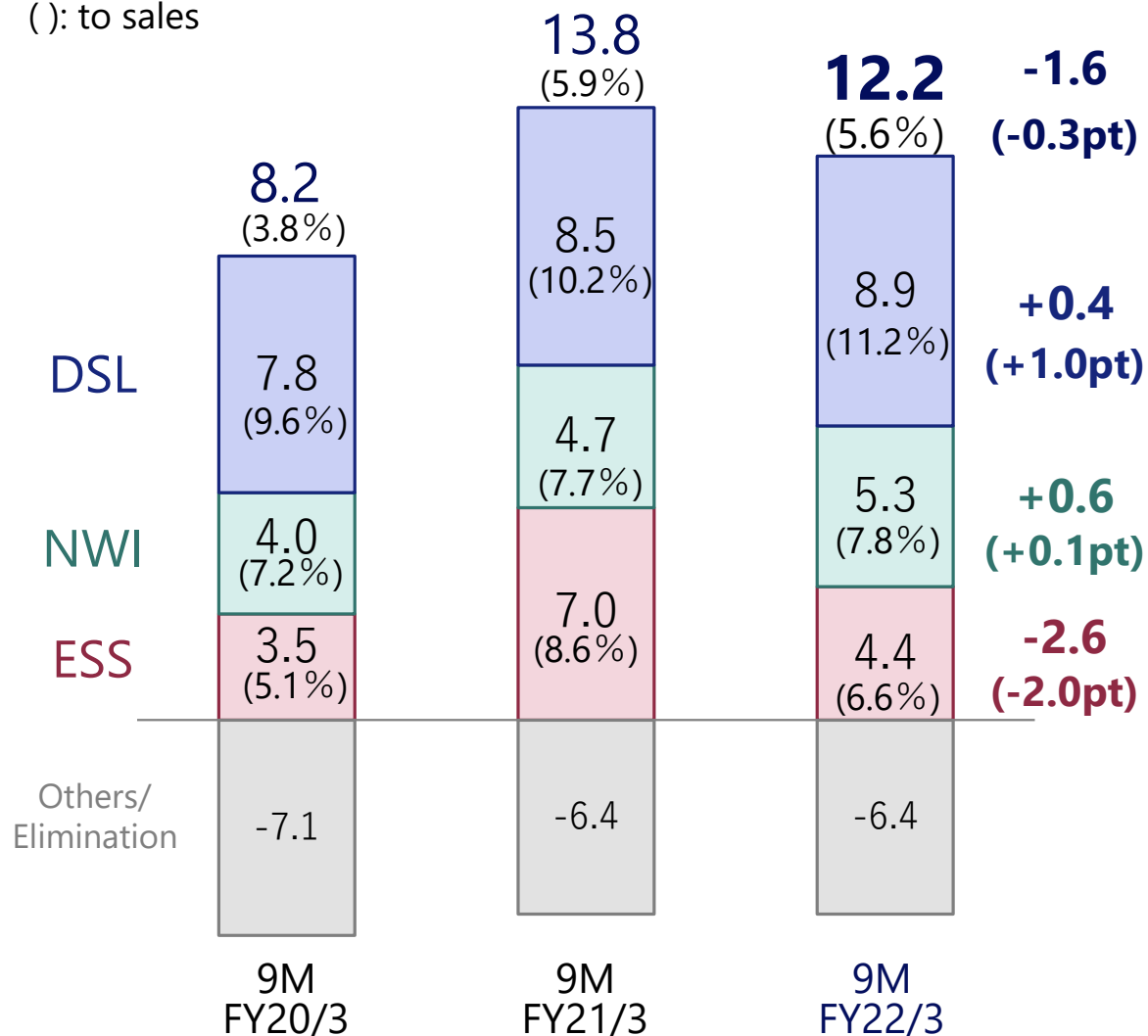
## Engineering & Support Services (ESS)

- Decreased due to the SC/material shortage impact in addition to reactionary fall of GIGA school (-10.0) and mega-solar projects (-11.0)
- Domestic construction increased

# 9M FY2022/3 Operating Income by Segment

(¥ Bn.)

( ): to sales



## 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 despite of SC/material shortage impact

## Engineering & Support Services (ESS)

- There was an impact of SC/material shortage in addition to loss of a Myanmar project



# About Temporary Impacts

## Myanmar impact

P&L: Approx. ¥-1.8Bn.

In Myanmar, due to the political instability, costs for the execution of a telecommunication infrastructure construction project are estimated to soar and we made an allowance

## SC/material shortage impact

9M ... Sales: Approx.-8.5 Bn. P&L: Approx.-1.7 Bn.  
Full year forecast ... Sales: Approx.-14.5 Bn. P&L: Approx.-3.0 Bn.

countermeasure

Proposal/preparation of alternative products, change of project execution process, and promotion of the shift to service provision model from hardware SI model

# 9M FY2022/3 Full Year Forecasts

(¥ Bn.)

	FY21/3 Actual	FY22/3 Forecast	Change	Oct 29 forecast	Diff.
<b>Orders received</b>	336.9	335	-1% *(+11%)	330	+5
<b>Net sales</b>	339.1	313	-8% *(+10%)	320	-7
<b>Operating income</b>	25.6	22.5	-3.1	26.0	-3.5
<b>(to sales)</b>	(7.5%)	(7.2%)	-0.3pt	(8.1%)	-0.9pt
<b>Net income</b> attributable to owners of the parent	15.7	14.5	-1.2	16.0	-1.5
<b>(to sales)</b>	(4.6%)	(4.6%)	0.0pt	(5.0%)	-0.4pt

\* Growth rate excepting for impacts of reactionary fall & SC/material shortage

## ● Orders

Upward revision considering robust market condition and good progress in 9 months

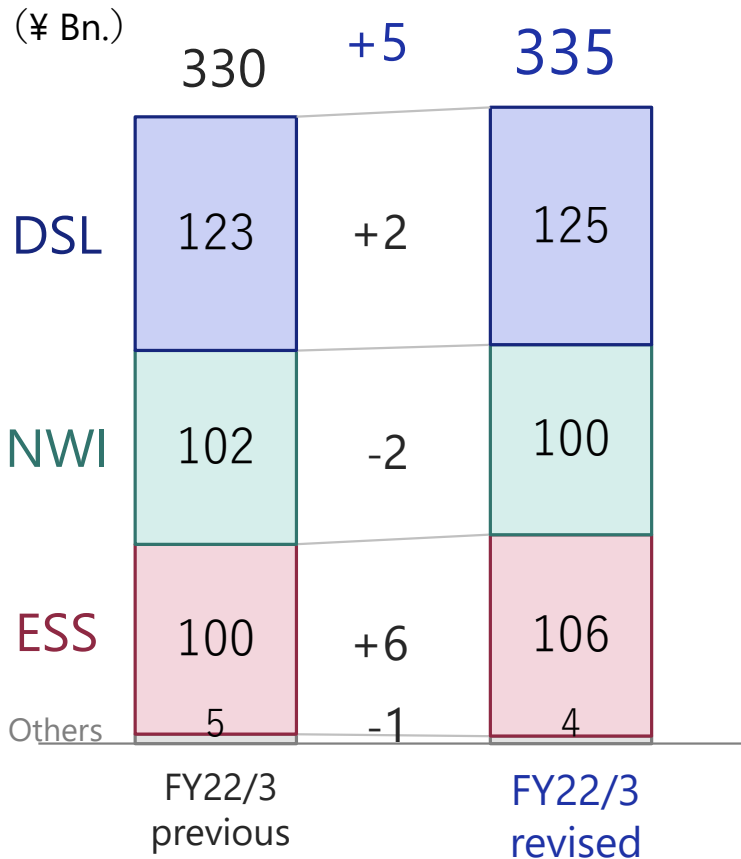
## ● Sales/profits

Downward revision considering SC/material shortage impacts and Myanmar loss in 3Q

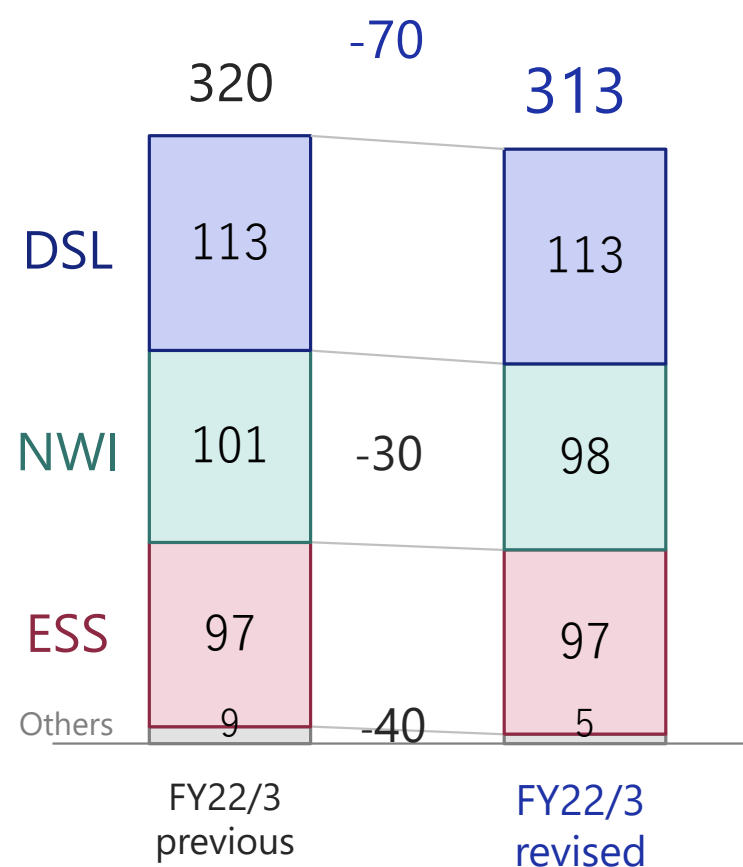
# 9M FY2022/3 Full Year Forecasts by Segment

Revised segment forecasts considering 9 months progress  
and SC/material shortage impact

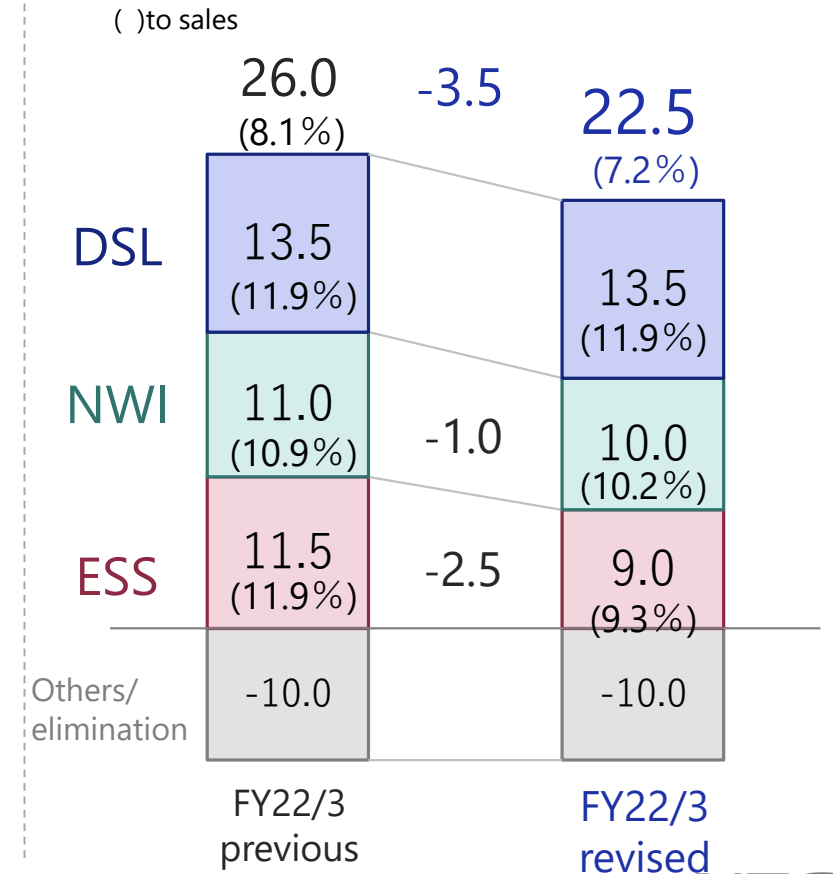
## Orders received



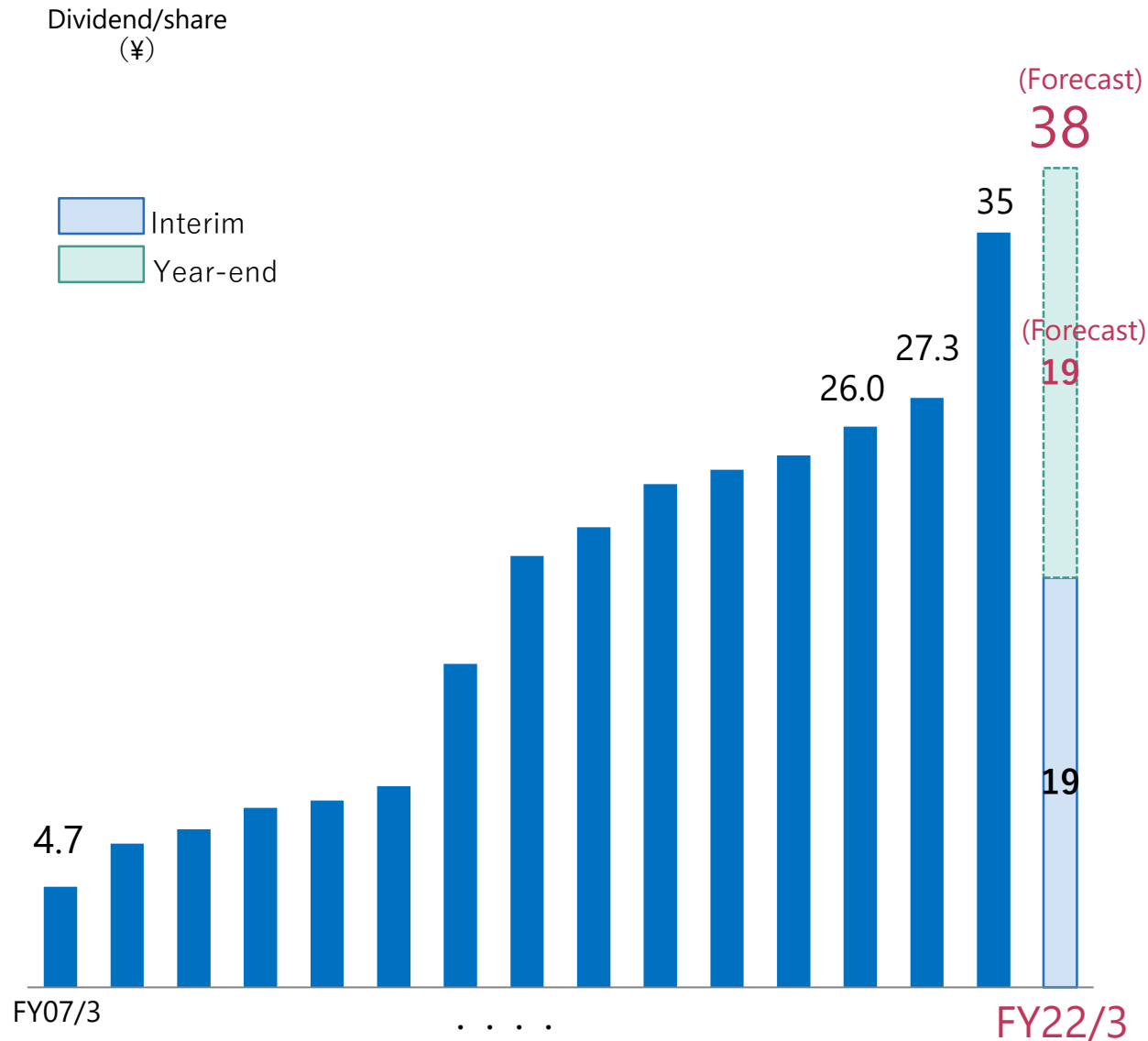
## Net sale



## Operating income



# Dividend



## No change in dividend plan

Considering on DOE  
Stable shareholder return unsusceptible to  
temporary downturn

Planning dividend increase for the  
15<sup>th</sup> year in a row with ¥19/share for  
year-end dividend

\* 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.

# Topics: Support to TCFD Recommendation



Enhancing the information disclosure based on the TCFD framework targeting by July 2022

Strengthening the organization to promote the sustainability activities and accelerate initiatives to realize “an inclusive and sustainable society created through communications.”

## Other information

Please see the following materials for further information

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

- Consolidated Financial Statements for the 3Q FY 2022/3
    - ✓ C/F, P/L, C/F
  - Supplemental Material [902KB]
    - ✓ Gross margin by segment
    - ✓ Net sales by business model x segment
    - ✓ Orders received & net sales by market
    - ✓ Backlog by segment
- etc.

# 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 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.

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