

# Financial Results for the Fiscal Year ended March 2022 & Medium-Term Management Plan “Shift up 2024”

May 10, 2022

Yushi Ushijima, President

NEC Networks & System Integration Corporation

(TSE: 1973, NESIC)

# **Agenda**

**I. Results for the FY2022/3**

**II. New Medium-term  
Management Plan**

**I. Results for the FY2022/3**

**II. New Medium-term  
Management Plan**

# FY2022/3 Summery

(¥ Bn.)

	FY21/3	FY22/3	Change	FY22/3 forecast (Jan.2022)
Orders received	336.9	336.8	-0%	335
Net sales	339.1	310.3	-8%	313
Gross margin	18.9%	20.5%	+1.6pt	—
Operating income (to sales)	25.6 (7.5%)	23.2 (7.5%)	-2.4 ±0pt	22.5 (7.2%)
Net income attributable to owners of the parent (to sales)	15.7 (4.6%)	15.0 (4.8%)	-0.7 +0.2pt	14.5 (4.6%)
R O E	13.5%	11.6%	△1.9pt	
Free cash flows	13.1	15.5	+2.4	
Orders backlog	138.6	165.2	+19%	

The reactionary fall of big PJs and temporary factors such as SC/material shortage impacted on the results although business has progressed as intended

~Exceeded all medium-term targets~

Medium-term targets for FY22.3 as of May 2019

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

## ● Orders/sales:

Priority businesses (DX/Telecom)grew

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

Orders:+12%, Sales:+8%

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

## ● Profits:

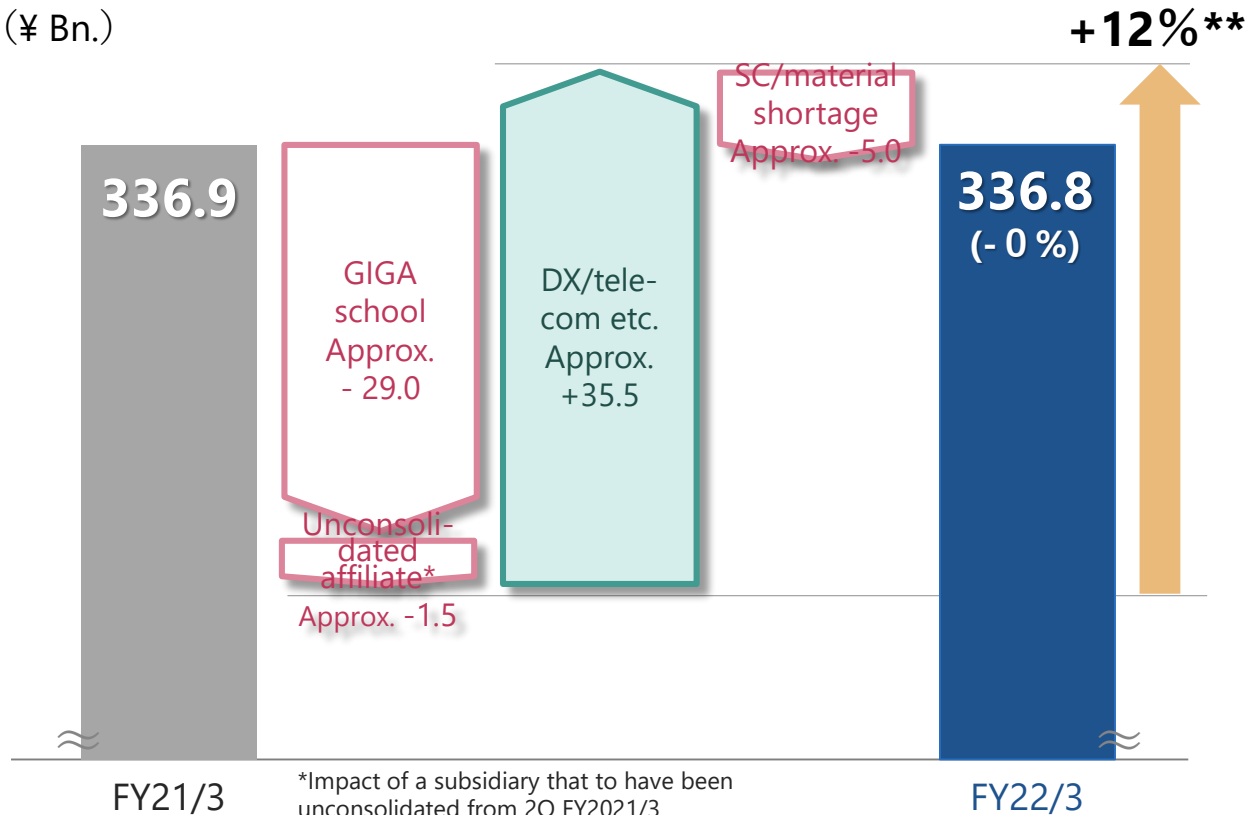
Profits decreased due to temporary factors although sales mix & efficiency improved

# FY2033/3 Factor Analysis of YoY Change (Orders/Sales)

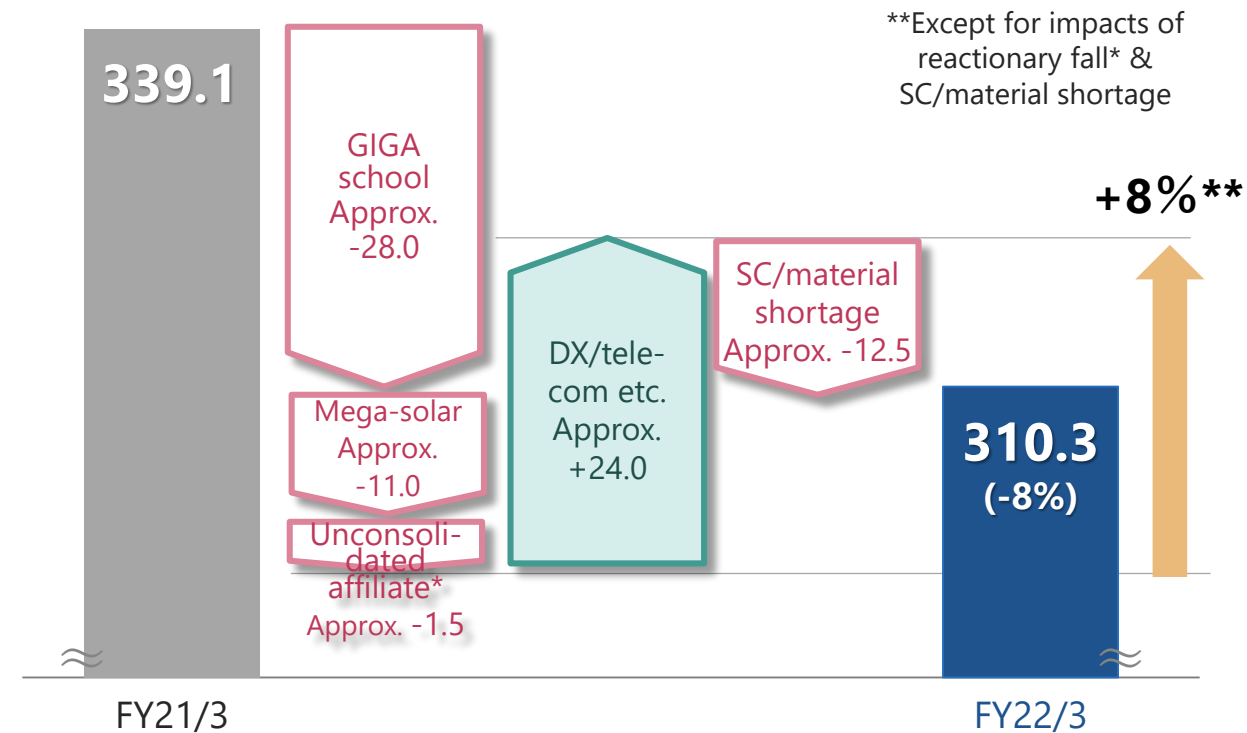
Strategic areas expectedly expanded while SC/material shortage in addition to the shift to service provision model temporarily impacted

## Orders received

(¥ Bn.)



## Net sales



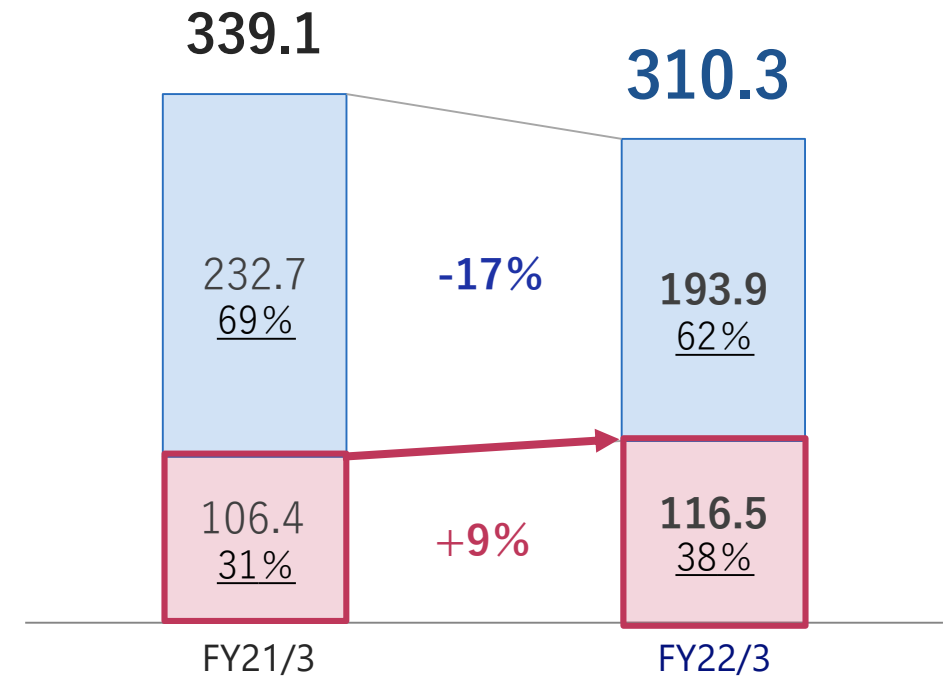
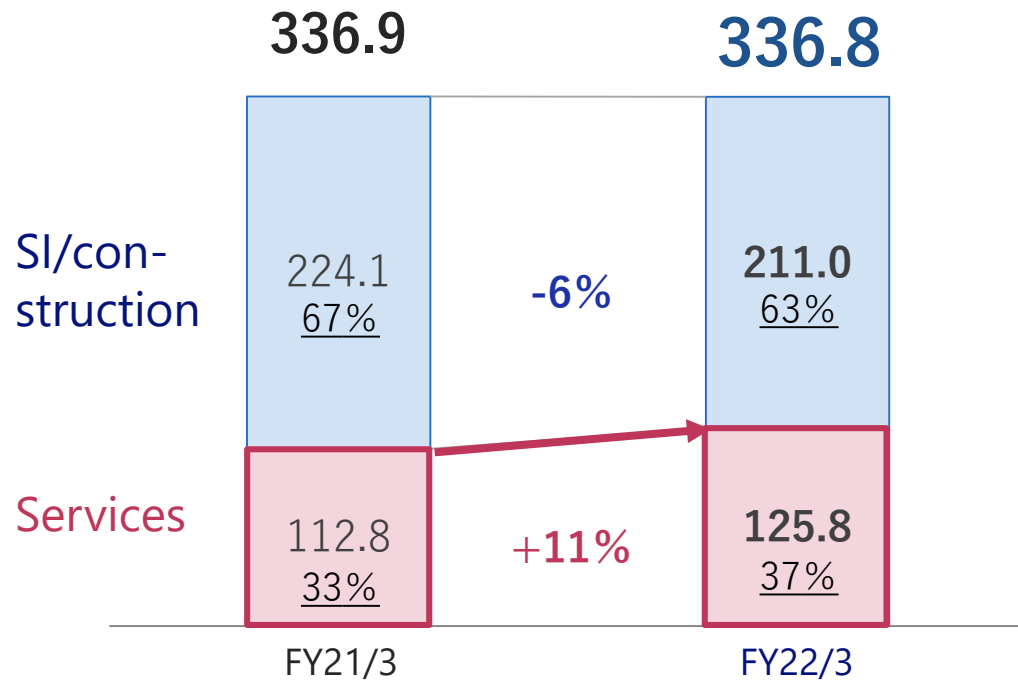
# FY2022/3 Orders Received/Net Sales by Business Model

## Business model is steadily changing

### Orders received

### Net sales

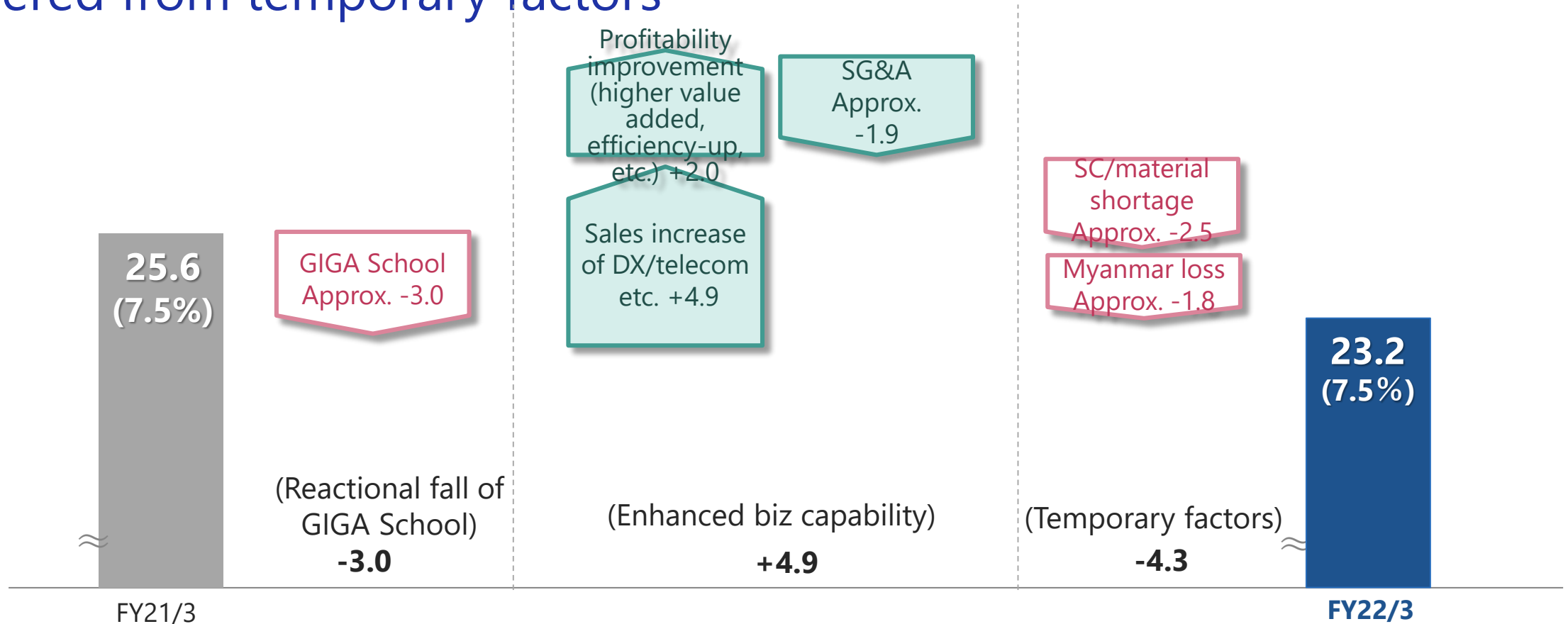
(¥ Bn.)



# FY2022/3 Factor Analysis of YoY Change (Operating Income)

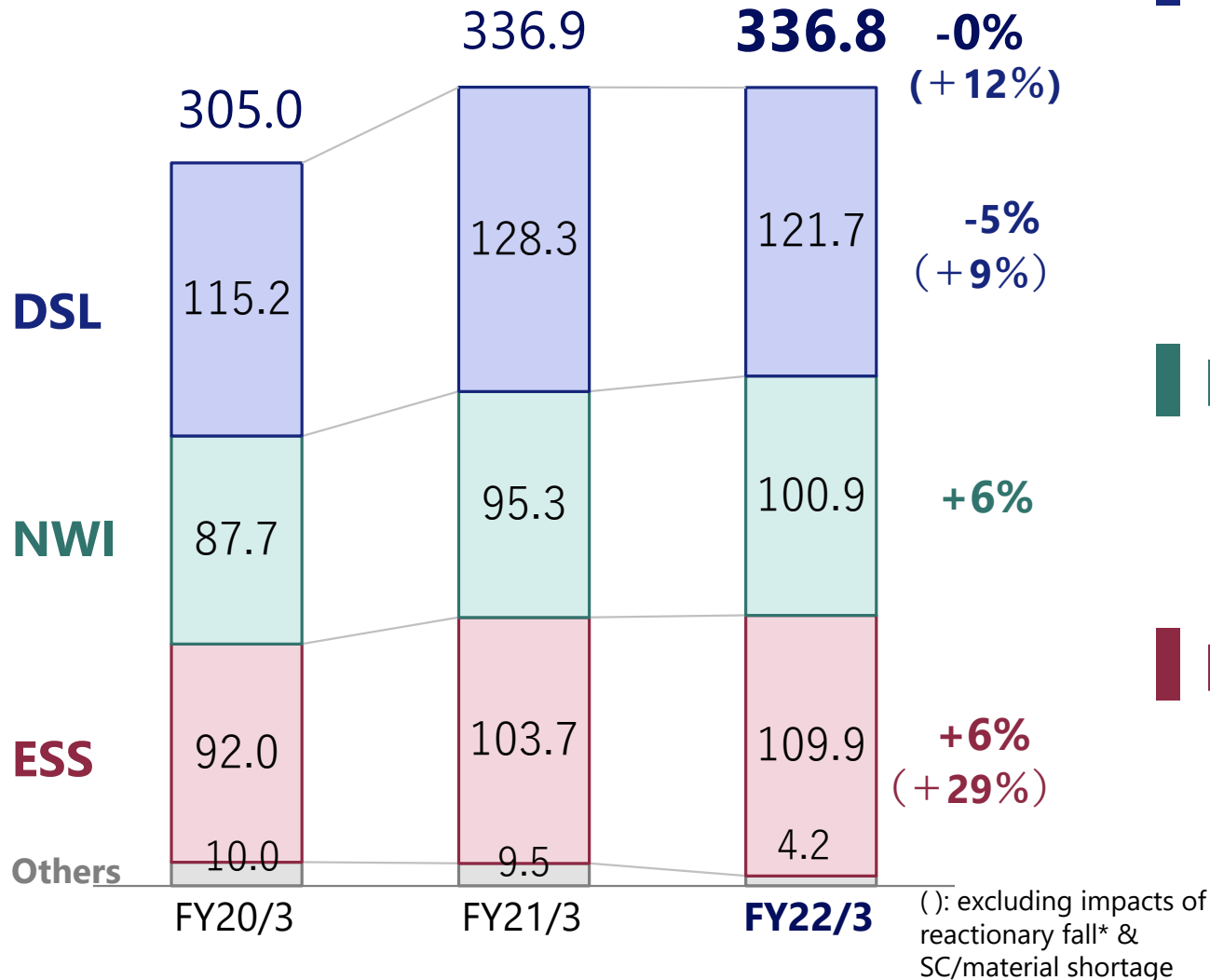
Business capability has been enhanced, although operating income suffered from temporary factors

(¥ Bn.)



# 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 continuously grew.
  - Expanded to governments/ municipalities

## Network Infrastructures (NWI)

- Business for telecom carriers expanded
  - Stronger relationship as a strategic partner (KDDI, Rakuten Mobile)

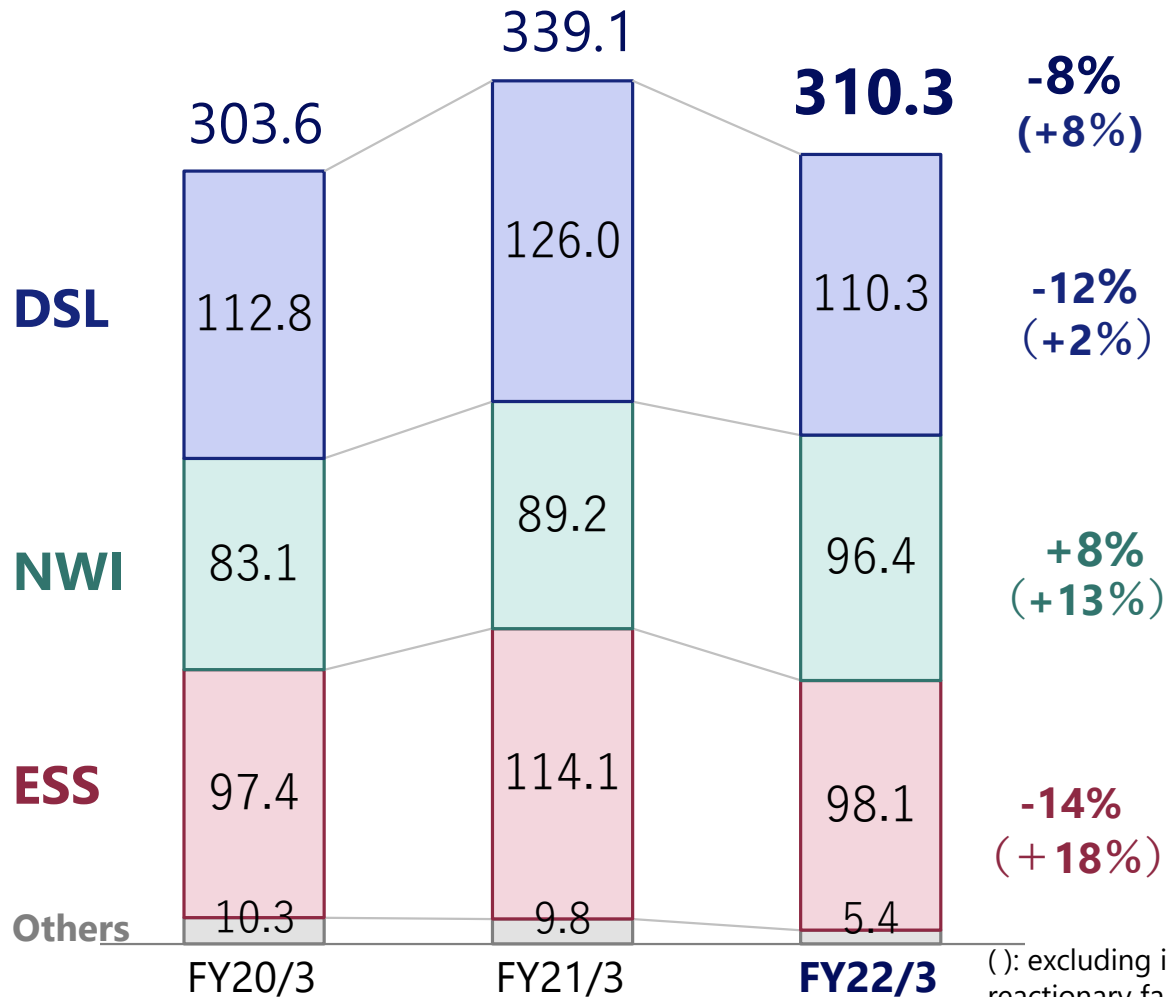
## Engineering & Support Services (ESS)

- Increased by strong construction business even with the reactionary fall of GIGA school (-14.5)
  - domestic transport/traffic
  - overseas: additional order for petro plant network in Saudi Arabia



# FY2022/3 Net Sales by Segment

(¥ Bn.)



( ): excluding impacts of reactionary fall\* & SC/material shortage

## Digital Solutions (DSL)

- Reactionary fall of GIGA school (-14.5) and un-consolidation of a subsidiary (-1.5) impacted
- Service-provision business expanded

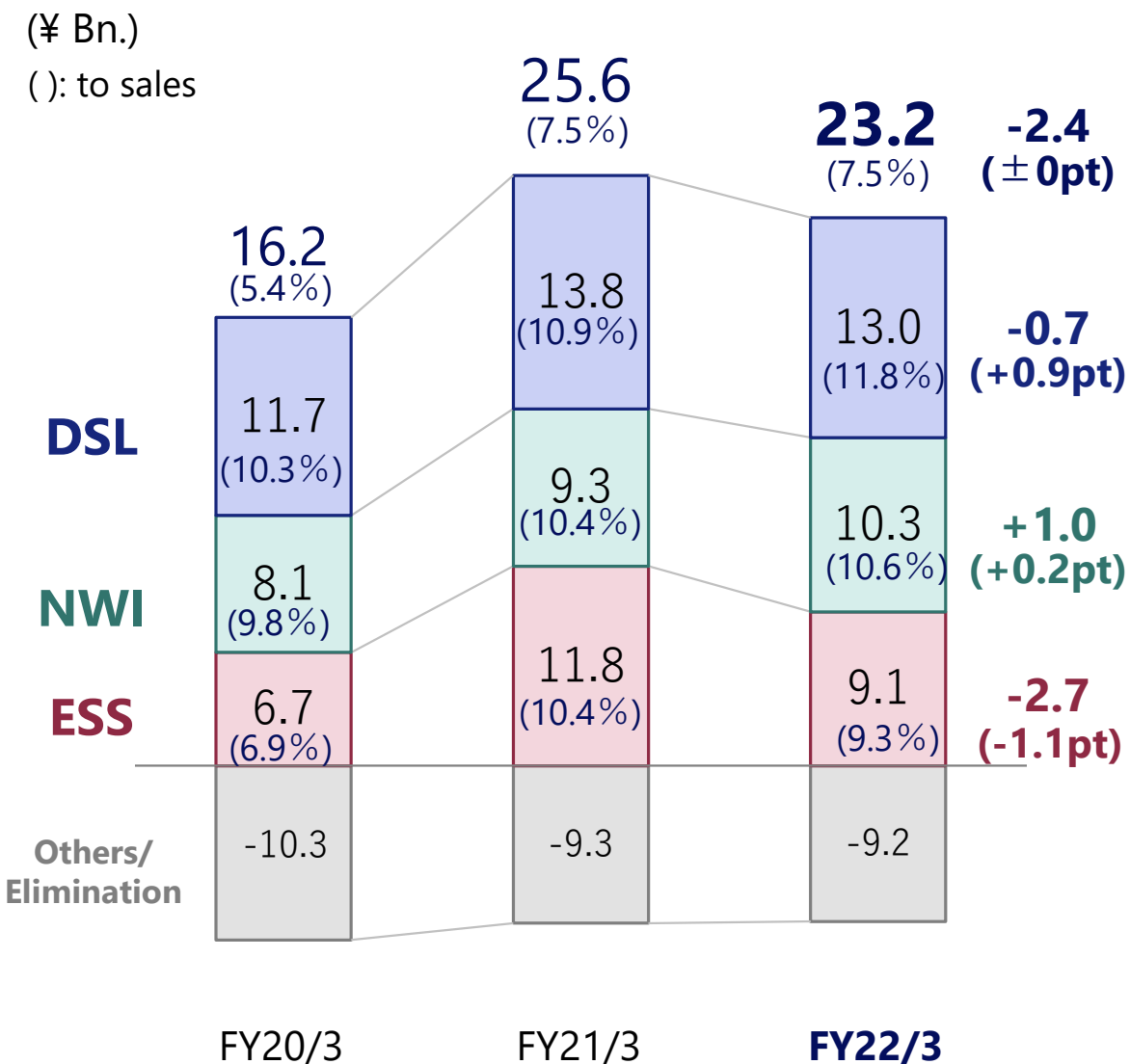
## Network Infrastructures (NWI)

- 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 (-13.5) and mega-solar projects (-11.0)
- Domestic construction increased

# FY2022/3 Operating Income by Segment



(Gross margin : 18.9%→20.5%)  
Business capability improved  
although operating income decreased  
due to temporary factors

## Digital Solutions (DSL)

- Profit decreased due to reactionary fall of GIGA school
- By progress of business model change, profitability improved (to Service+SI provision model)

## Network Infrastructures (NWI)

- Effect of sales increase 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 (-1.8)

# Gross Margin by Segment

	<b>FY21/3</b>	<b>FY22/3</b>	<b>Change</b>
<b>DSL</b>	19.4%	<b>22.4%</b>	+3.0pt
<b>NWI</b>	21.7%	<b>22.0%</b>	+0.3pt
<b>ESS</b>	17.6%	<b>18.2%</b>	+0.6pt
<b>Company total</b>	18.9%	<b>20.5%</b>	+1.6pt

I. Results for the FY2022/3

**II. New Medium-term  
Management Plan**

# **Review of “Beyond Borders2021”**

## **(The Previous Medium-term Management Plan)**

# Review of "Beyond Borders 2021"

The structural reforms with the goal of sustainable income growth in the DX/5G era have finished.

1

Strengthening of competitiveness and growth power for the Digital & 5G age



- DX business expanded with Symphonict.
- New businesses were created using the co-creation and self implementation business model.

2

Strengthening of the base, schemes and structure to create advanced technologies and new businesses



- Environment enabling new technology education and demonstration was enhanced. (Shin-Kawasaki Technical-Base/5G Lab)
- Incubation was accelerated using U.S. venture capital etc.

3

Acceleration of innovation through All-NESIC



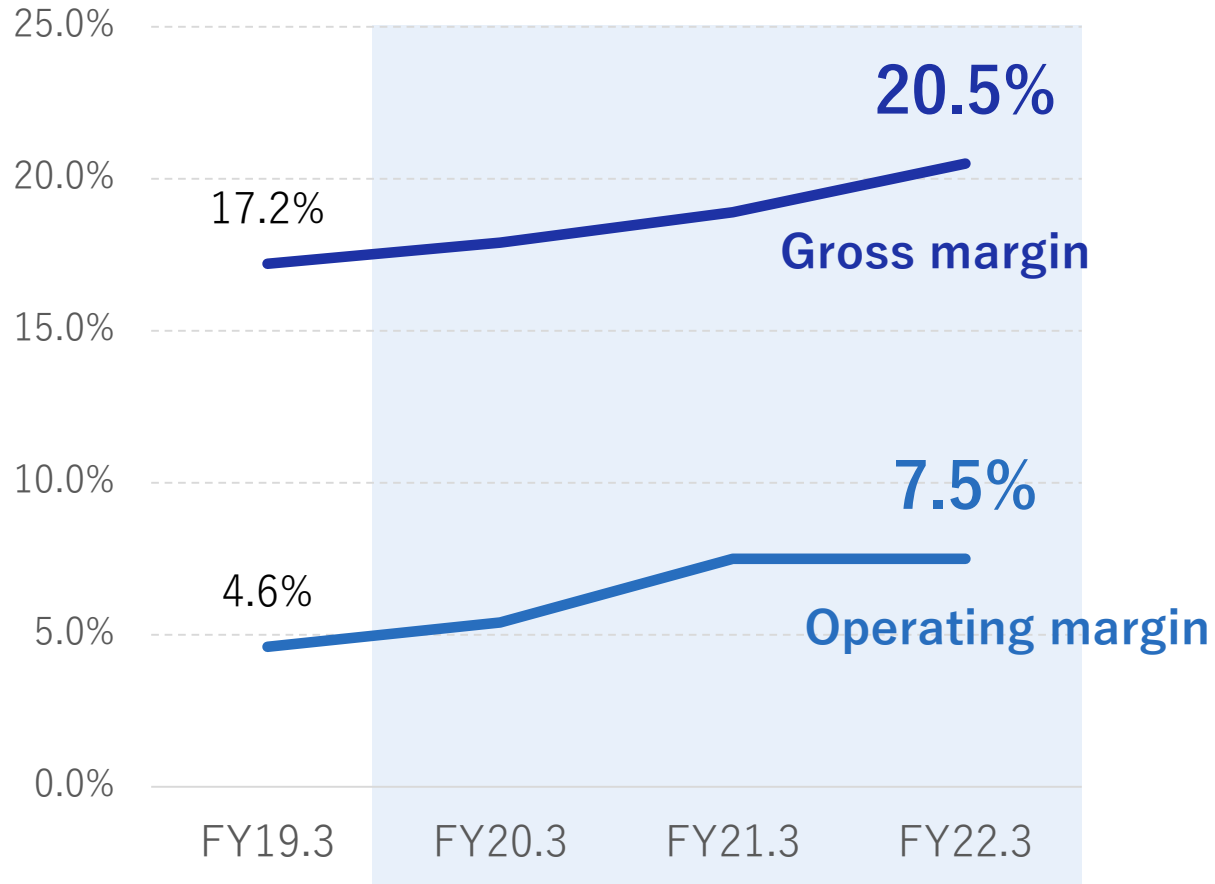
- "New normal" workstyles were implemented using the Nihonbashi Innovation-Base and at distributed offices.
- The companywide integrated DX proposal model has taken root.

# Financial Results of Beyond Borders 2021

(¥Bn.)	Target for FY22/3	Results FY22/3	Change from FY19/3	Record high
Net sales	310	310.3	+32.4	339.1 (FY21/3)
Operating income	20	23.2	+10.4	25.6 (FY21/3)
(to sales)	6.5%	7.5%	+2.9pt	7.5%
ROE	10%+	11.6%	+2.9pt	13.5% (FY21/3)

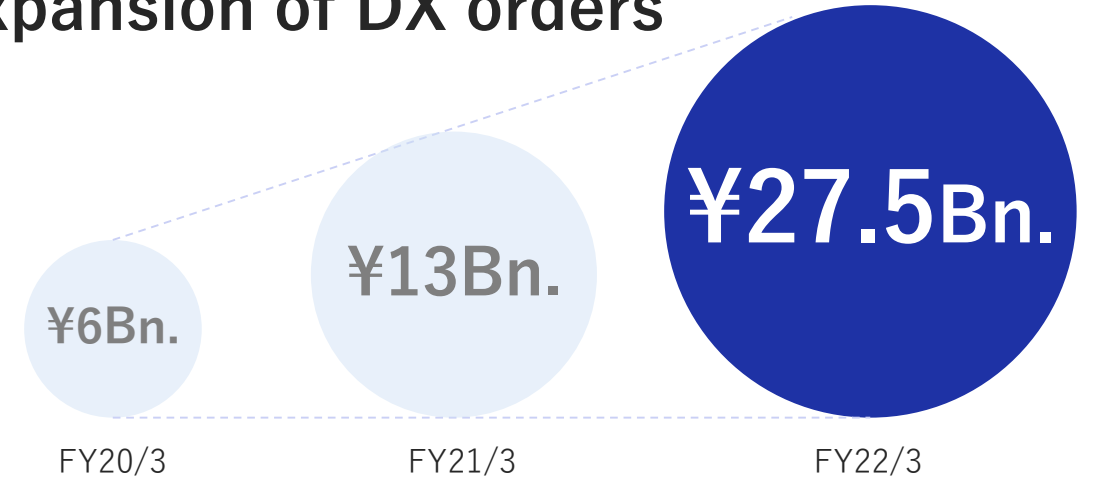
# Achievements of Beyond Borders 2021

## Profitability improvement



**Beyond Borders 2021**

## Expansion of DX orders



## Co-creation with partners

- Mitsui Fudosan, TEPCO Energy Partner, etc.  
(Smart building, new workstyle) (“JUREN” mobile battery rental service)
- Tokushima Prefecture, Joyo City (Kyoto Prefecture), etc.  
(Local 5G) (DX for local governments)
- The University of Tokyo, Rikkyo University, etc.  
(Local 5G) (Digital campus)



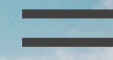
# **New Medium-term Management Plan**

# What We Seek to Achieve in 2030

**DX**



**Beyond 5G**  
(next-generation  
networks)



**Sustainable  
Symphonic  
Society**

(Realization of a sustainable  
society with prosperity  
that resonates for all)

**Provide services that anticipate  
future changes in society and technologies**

Decarbonization

Energetic  
communities

Smart industry

Work/lifestyles  
with greater freedom

Safety  
and security

Health  
Well-Being

# Sustainability of NESIC Group

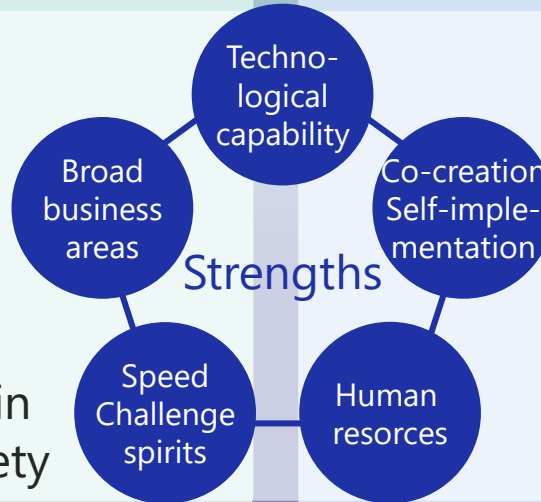
## Sustainable Symphonic Society

Realization of a sustainable society with prosperity that resonates for all

### Initiatives to Provide Value to Society through 2030

- 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

### Materiality



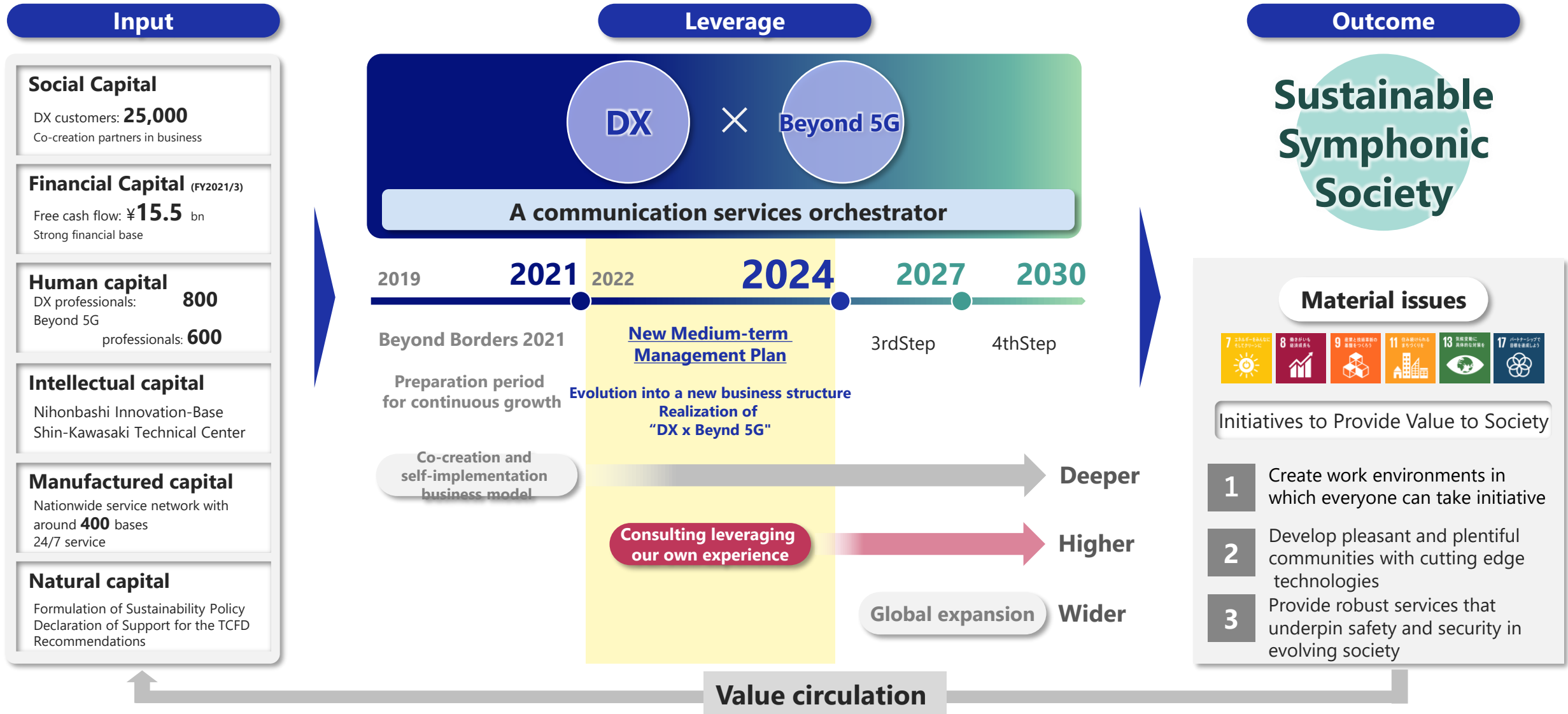
### Initiatives for growth at NESIC

- Sound and highly transparent management
- Strengthen innovation capabilities to create new value
- Create work environments where employees can work vigorously

Purpose: NEC Networks & System Integration Corporation Group Statement



# Positioning of the New Medium-term Management Plan



# Shift up 2024

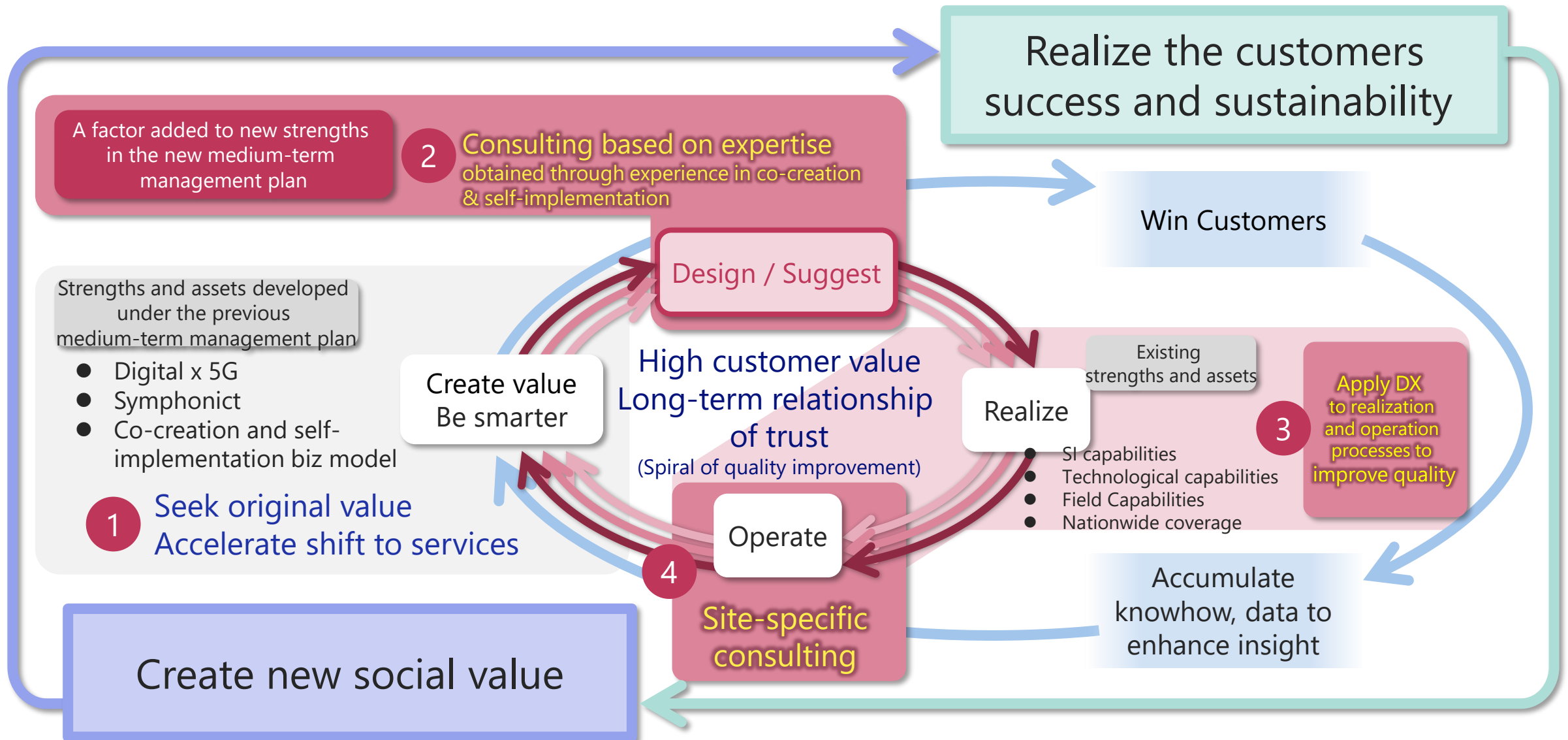
Elevating society

DX and Beyond 5G  
From *demonstration*  
to *realization*

Relationship  
with customers  
From *co-creation*  
to *creation in harmony*

Business model  
From *project-type*  
to *spiral-type*

# Spiral-Type Growth Model: A Recurring Model Based on Consulting



# Basic Strategies

**1**

Accelerating Original Value Creation

**2**

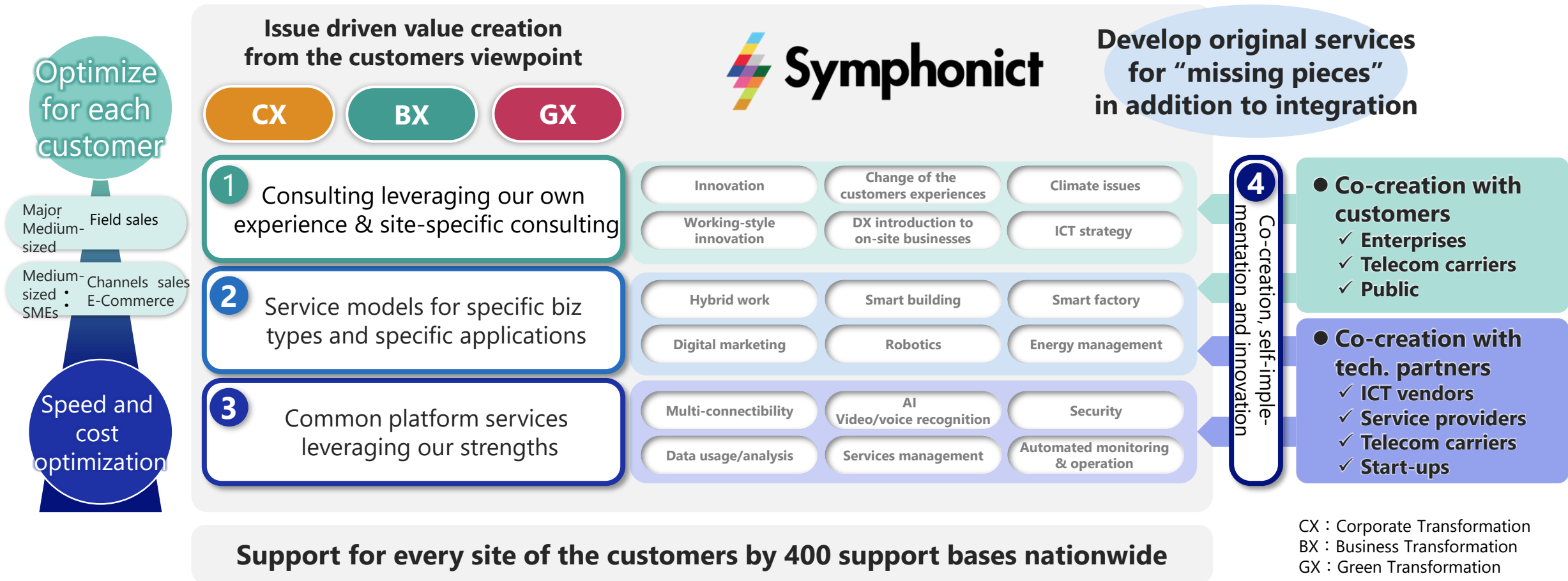
Advancing Solution Capabilities

**3**

Evolve into DX-Native Company

# 1: Accelerating Original Value Creation

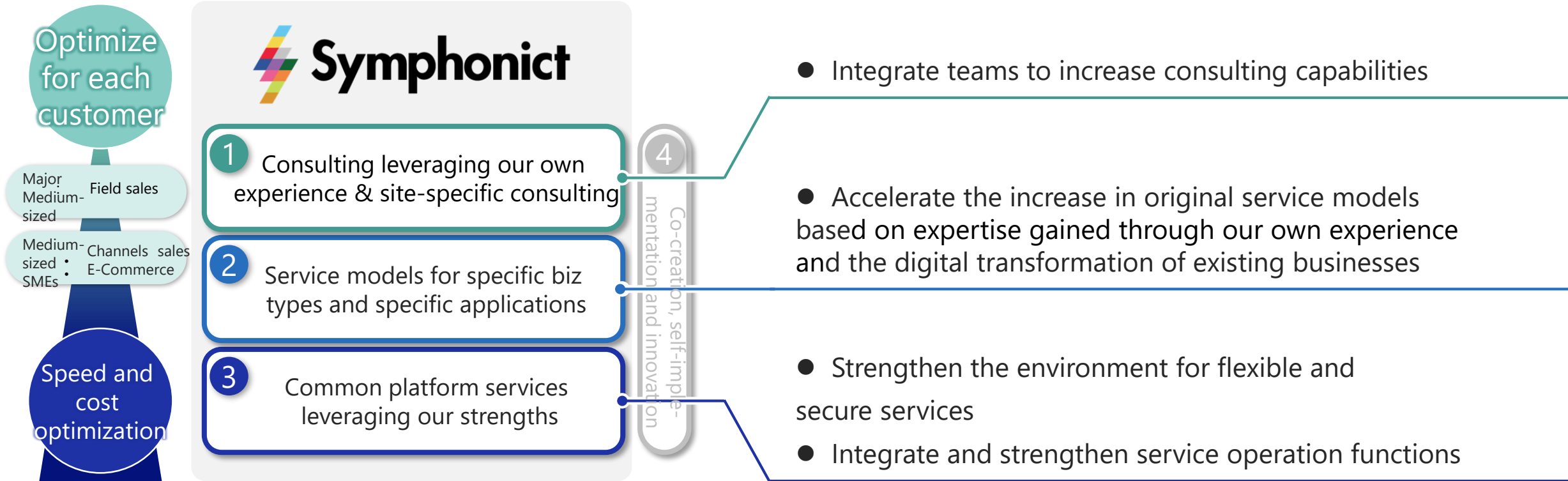
Provide “DX x Beyond 5G” optimum to customers  
with the value created through Symphonict





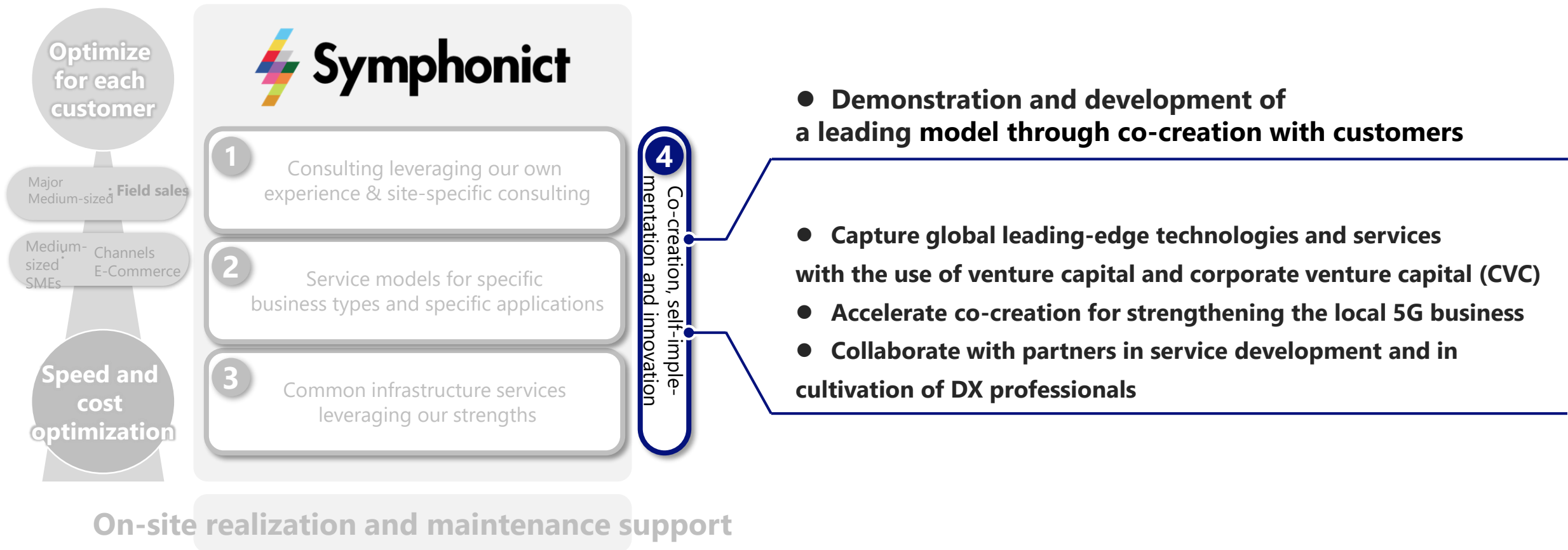
# 1: Accelerating Original Value Creation

Design optimal solutions through consulting leveraging our own experience and establish a lineup of services that realize these solutions



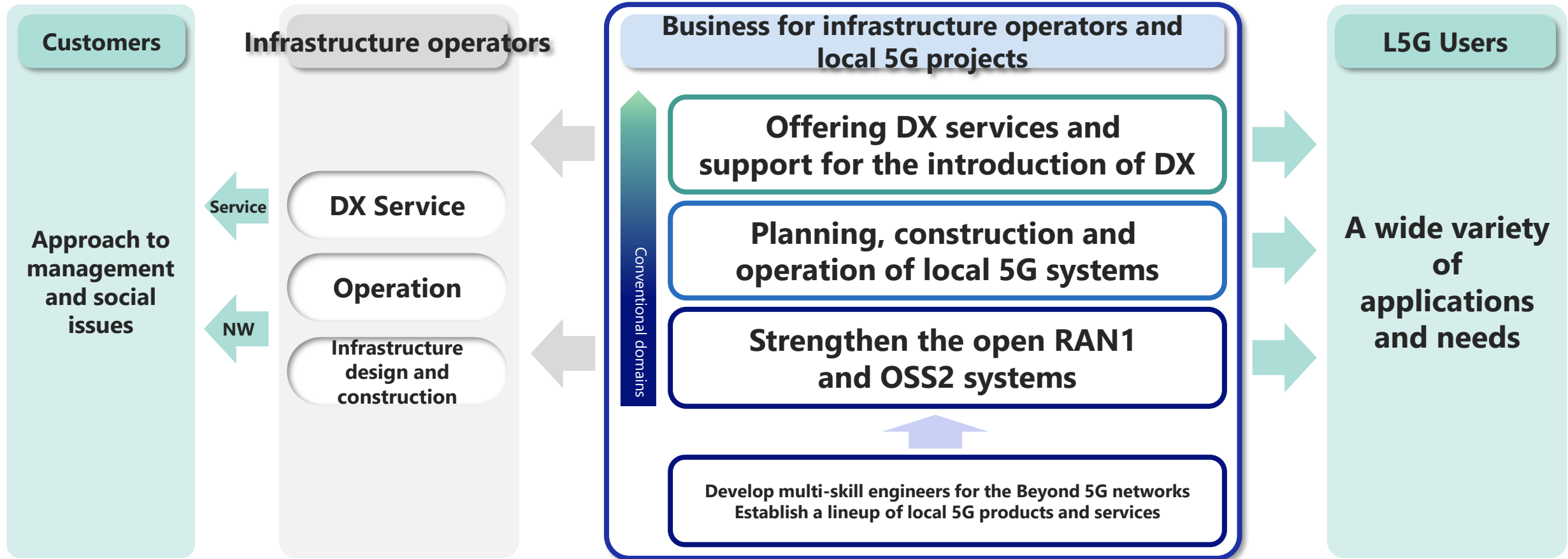
# 1: Accelerating Original Value Creation

Achieve innovation through co-creation and self-implementation  
with customers and partners in pursuit of original value



## 2: Advancing Solution Capabilities

Expand the communication infrastructure biz into operations & DX services and enhance local 5G project planning through DX services

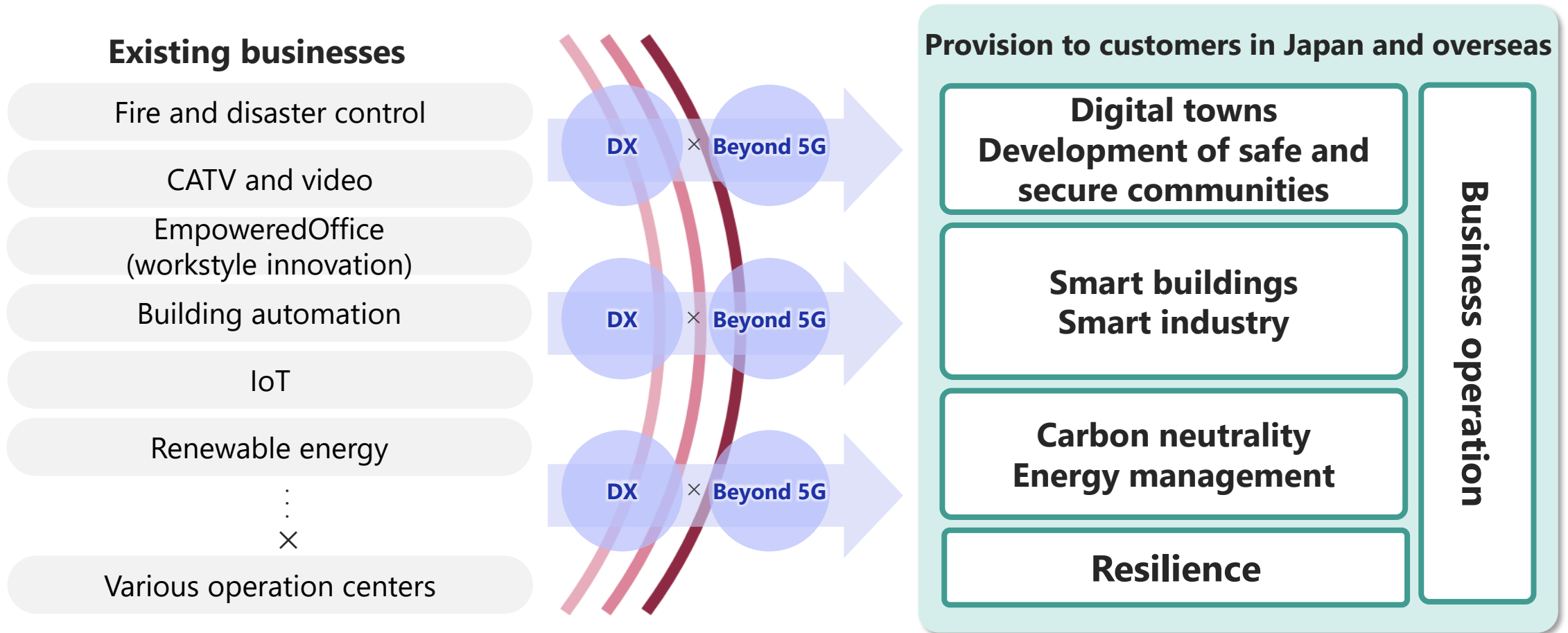


Communication infrastructure, CATV, electric power, broadcasting, etc.

※1 : Open Radio Access Network  
※2 : Open Source Software

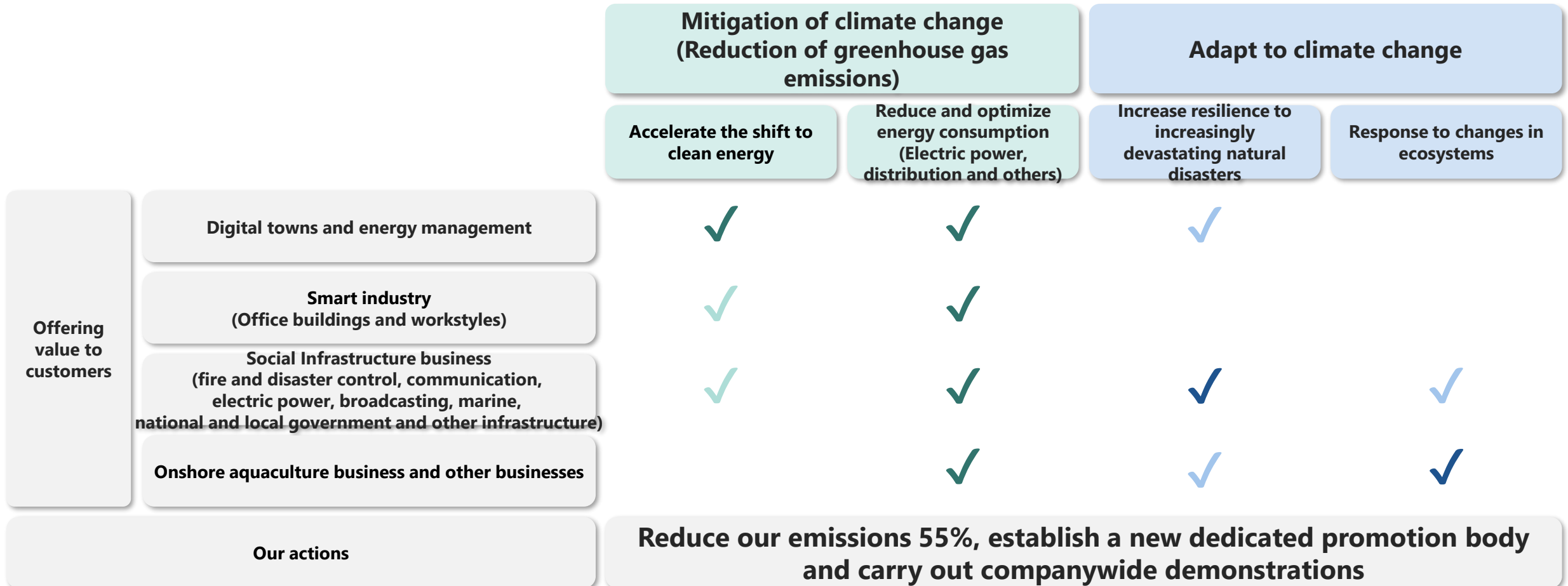
## 2: Advancing Solution Capabilities

Combine existing businesses and assets to create value for society and sustainable communities and achieve progress through DX and Beyond 5G



## 2: Advancing Solution Capabilities

Transform all businesses to ensure they address climate change



\*from the FY2019 level by 2030

# 3: Evolve into DX-Native Company

Leverage DX to improve quality, speed, productivity and profit,  
developing a reference model

## Construction

- Digitally transform the construction process (for quality enhancement and cost reduction)
- Transform infrastructure maintenance after construction into services and increase their added value

## Maintenance

- Improve maintenance and operation assets by DX
- Integrate maintenance information systems and use data in a more sophisticated way
- Create a new support service biz model

## Sales and marketing

- Strengthen the digital marketing system
- Diversify sales approaches matched with different customer attributes

**Develop a reference  
for DX x Beyond 5G  
through our own  
implementation**

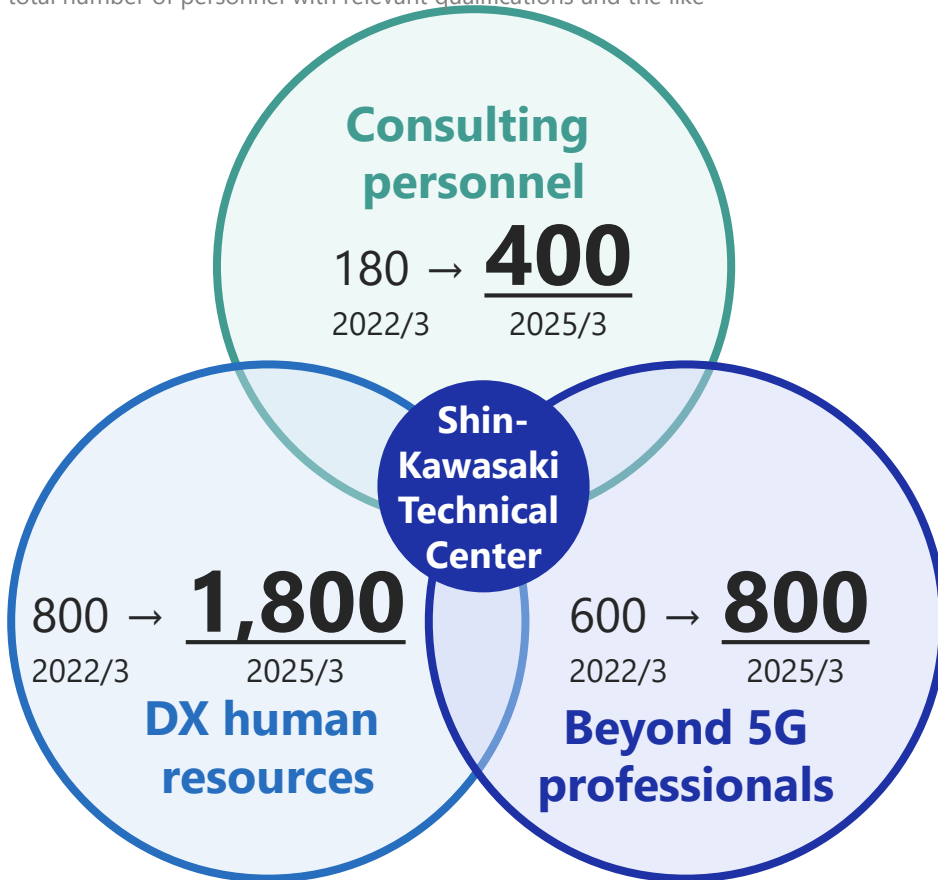
## Administration and companywide information infrastructure

- Implement DX across the whole group while simultaneously standardizing processes
- Strengthen the base for use of information and digital literacy
- Consulting activities inside and outside the company

# 3: Evolve into DX-Native Company

Recruit and develop advanced professionals as a source of customer value supporting our evolution into a DX-native company

Of the total number of personnel with relevant qualifications and the like



- Develop advanced professionals mainly at the Shin-Kawasaki Technical Center  
(Consulting professionals, DX professionals, beyond 5G network professionals)
- Increase all employees' digital literacy through DX education and enable implementation
- Sell the ability to develop DX professionals to outsiders to increase profitability  
(NESIC College plan)



- Improve engagement as a corporate culture helpful to employees' growth and spur inclusion and diversity

# Roadmap to Medium- and Long-Term Global Expansion

Prepare for full-scale growth  
during the next 2027 Medium-Term Management Plan

## Step 1

### Prepare for global re-expansion

- Enhance capabilities for cutting-edge technologies and service incubation in North America
- Development of global human resources
- Reinforce the foundations of overseas subsidiaries

## Step 2

### Carry out a global re-cultivation

- Expand the DX business and the multiple SaaS business
- Cultivate markets in North America and elsewhere

## Step 3

### Fully implement global expansion

- Ubiquitize solutions that combine private 5G, energy and other technologies with DX
- Accelerate and enlarge the globalization of the DX business



# Organization Strategy

Refine the organization with a view  
toward the realization of DX and Beyond 5G

## Point 1

Accelerate actions for the realization of "DX x Beyond 5G" and for shifting businesses to services provision model  
(Reorganize some of the functions of the business units)

## Point 2

Increase consultation and proposal capabilities  
(Integrate resources for sales promotion to build closer relationships with customers)

## Point 3

Increase functionality for the implementation of strategies for carbon neutrality and to address climate change

## Point 3

Carbon Neutral Promotion  
Division

## Marketing & Sales Operations Unit

## Point 2

Business Process Innovation  
Strategy Division

## Business Design Operations Unit

## Point 1

DX Solutions Business Unit

## Point 1

Network Solutions Business Unit

## Point 1

Environmental & Social Solutions  
Business Unit

Administration Staff

# New Business Segments

New business segments adjusted due to organizational change

Net sales  
OP

¥ Bn.

## DX Solutions Business

Accelerating  
DX business

FY22.3  
108.0  
13.1

FY25.3  
130  
19

## Network Solutions Business

Enhancing beyond 5G  
networks capability

FY22.3  
82.0  
10.5

FY25.3  
97  
14

## Environmental & Social Solutions Business

Enhancing provision  
capability of public DX &  
environment/energy related  
services

FY22.3  
114.9  
8.5

FY25.3  
140  
16

\*The new segment results shown here are numbers for reference by rough reclassification. Targets as at May 10

# Growth Expenses

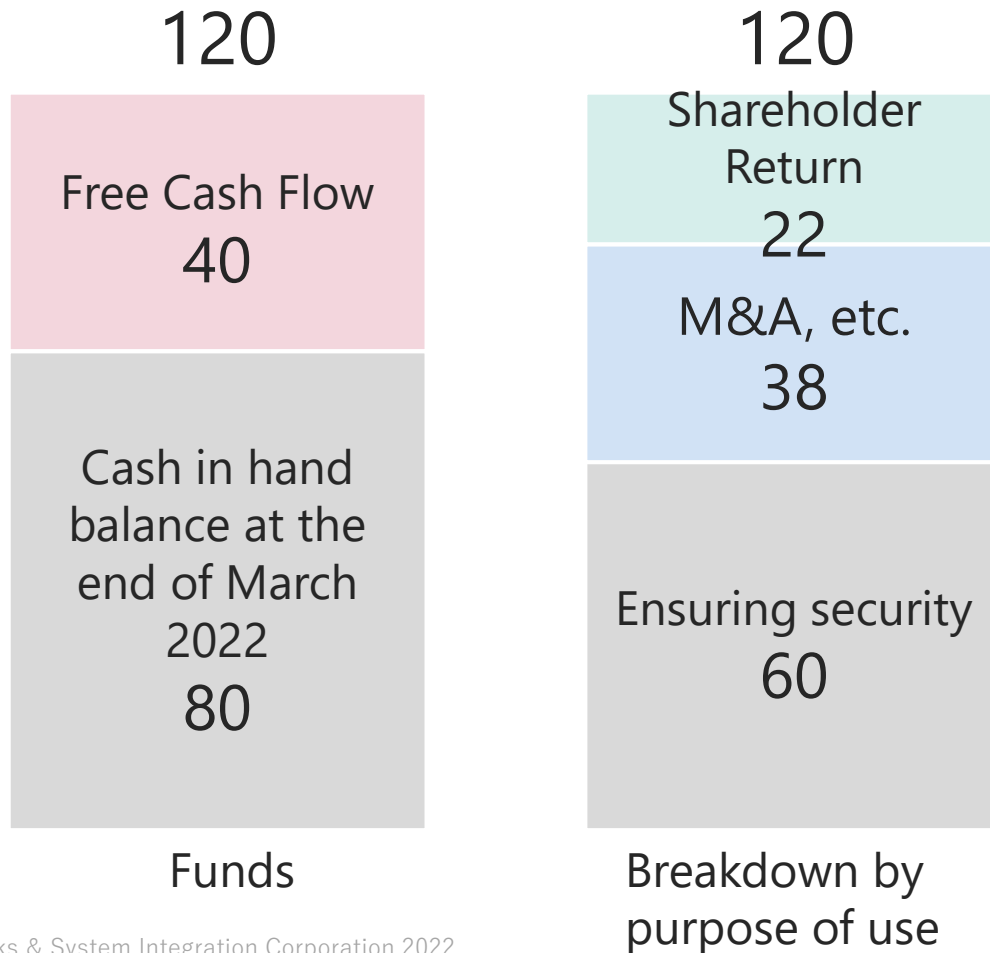


Business investment	<ul style="list-style-type: none"><li>● Enhancement of Symphonict</li><li>● Service-shift of existing biz</li><li>● Investment for climate-issue</li></ul>	¥17Bn.
Human investment	<ul style="list-style-type: none"><li>● Enhancement of consulting capability</li><li>● Development of DX resources</li></ul>	¥5Bn.
IT investment etc.	<ul style="list-style-type: none"><li>● DX shift of internal process</li><li>● Renewal of basic operations system</li><li>● Office investment</li></ul>	¥8Bn.
M&A	<ul style="list-style-type: none"><li>● Enforcement of provision value and competitiveness</li><li>● Enhancement of regional system &amp; global system</li></ul>	Separate from the above

# Financial Strategies and Capital Allocation

Maintain the stability of shareholder return and flexibly invest in growing areas

(¥ Bn.)



Continue dividend payments stably for a long period of time

- With a standard of a DOE of 5.0%

Set a quota for investment in continuous growth

- M&A and investment based on business strategies (to acquire technologies and expertise, secure personnel, etc.)

Setting aside funds for unexpected circumstances

- Secure an amount equivalent to two months of sales

# Medium-term Financial Targets

(¥ Bn.)	FY2022/3	FY2025/3 target	Record high
Net sales	310.3	370	339.1 (FY2021/3)
Operating income	23.2	34	25.6 (FY2021/3)
(to sales)	7.5%	9.2%	7.5%
ROE	11.6%	13%+	13.5% (FY2021/3)

\*Targets as at May 10

# Medium-term Non-financial Targets

		FY2022/3	Target	Target year
GHG emission (SCOPE 1+2)		8,423t-CO <sub>2</sub> (FY2020/3)	55% reduction	By FY2031/3 (from FY2020/3)
Human Resources	Consulting resource	180	400	2025/3
	DX resource	800	1,800	2025/3
	Beyond 5G resources	600	800	2025/3
Engagement score		33% <small>*Researched by Kincentric</small>	50%	FY2025/3
Woman manager ratio		5.9% (2022/4)	10.0%	2027/3

# FY2023/3 Forecasts

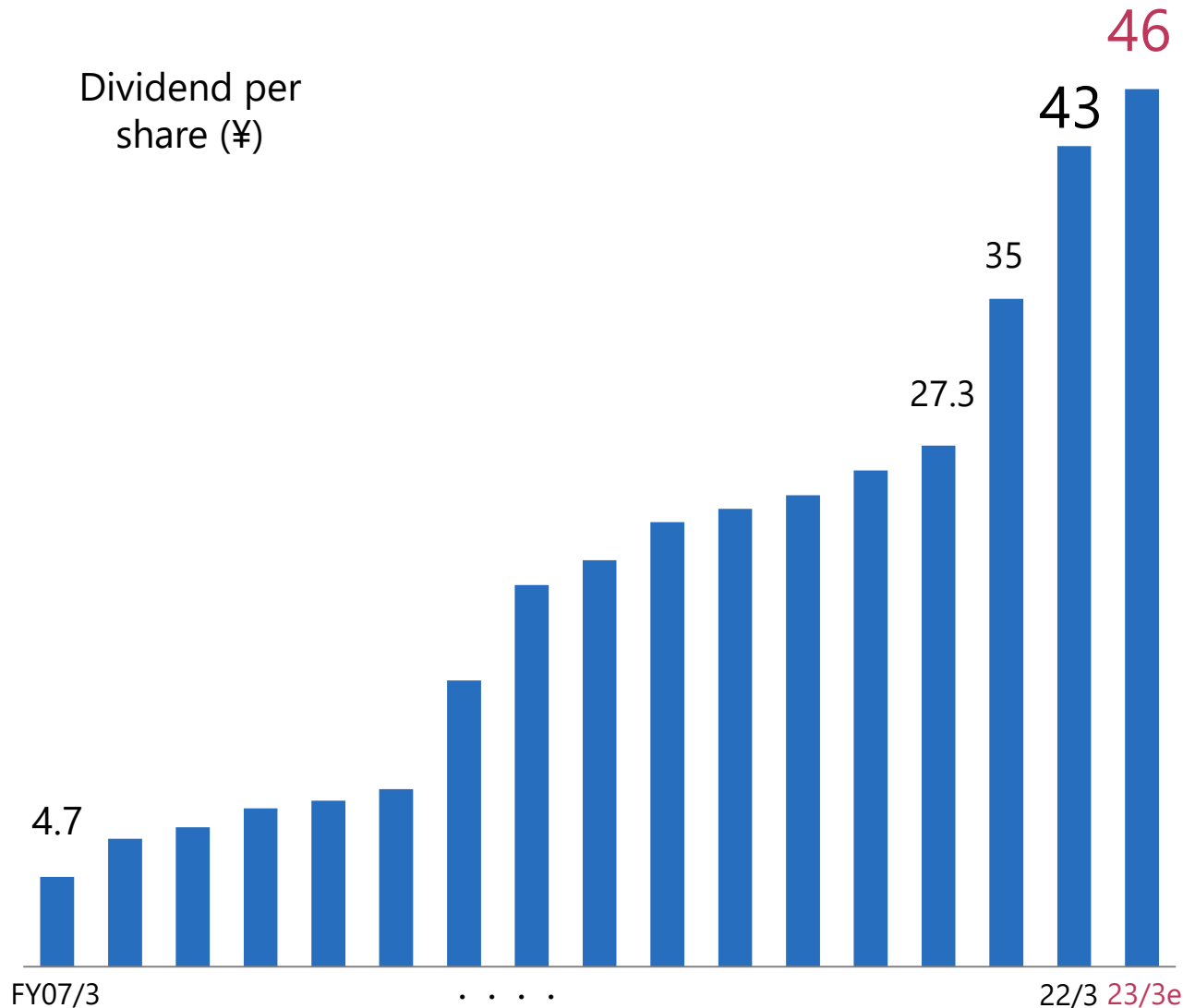
(¥ Bn.)

	FY22/3	FY23/3 Forecasts	Change
Orders received	336.8	350	+4%
Net sales	310.3	330	+6%
Operating income	23.2	26.0	+2.8
(to sales)	(7.5%)	(7.9%)	+0.4pt
Net income*	15.0	15.3	+0.3
attributable to owners of the parent			
(to sales)	(4.8%)	(4.6%)	-0.2pt

Aiming at profit growth by  
higher value-added businesses  
while increasing investment  
for the future growth  
~Targeting record high operating income~

# Dividend Plan

Dividend per  
share (¥)



## Raised dividend scale\* according to the enhanced business capability

\*considering DOE 5.0% as a general guide

- 22/3 : ¥5 increase from the plan  
Year-end dividend ¥24  
(Full-year ¥43)
- 23/3e : ¥46/share

increasing for the 16th  
year in a row

\* The results for the fiscal years ended March 2020 and prior thereto presented here reflect the three-for-one stock split conducted on June 1, 2020.



# Shift up 2024

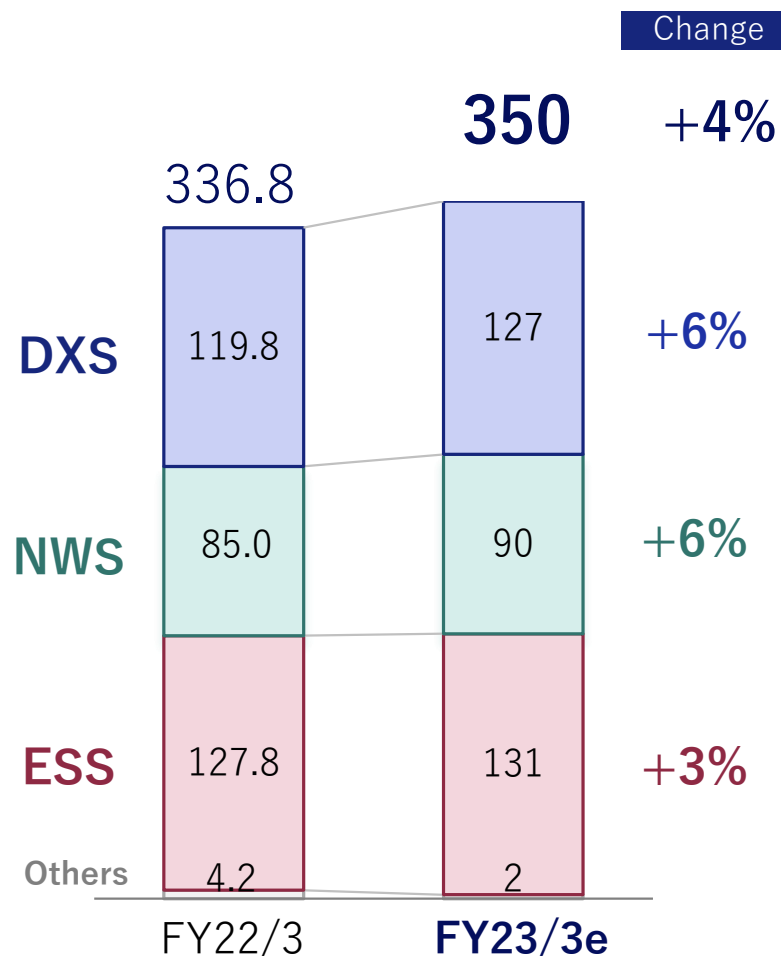
Elevating society

# APPENDIX

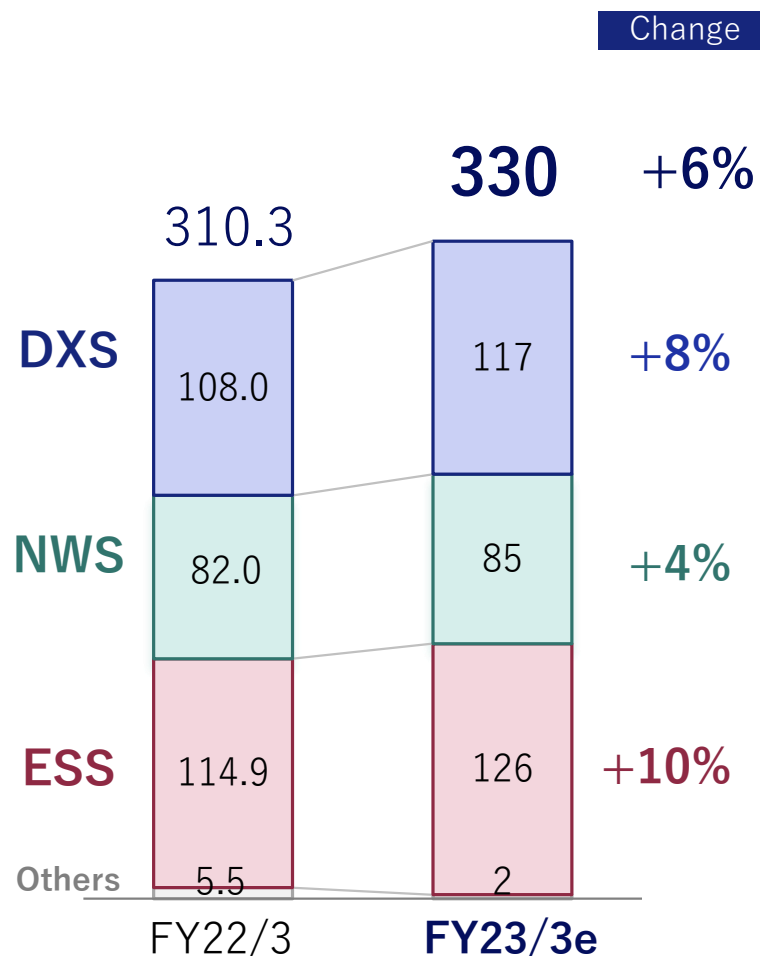
# FY2023/3 Forecasts by Segment (Full Year)

(¥ Bn.)

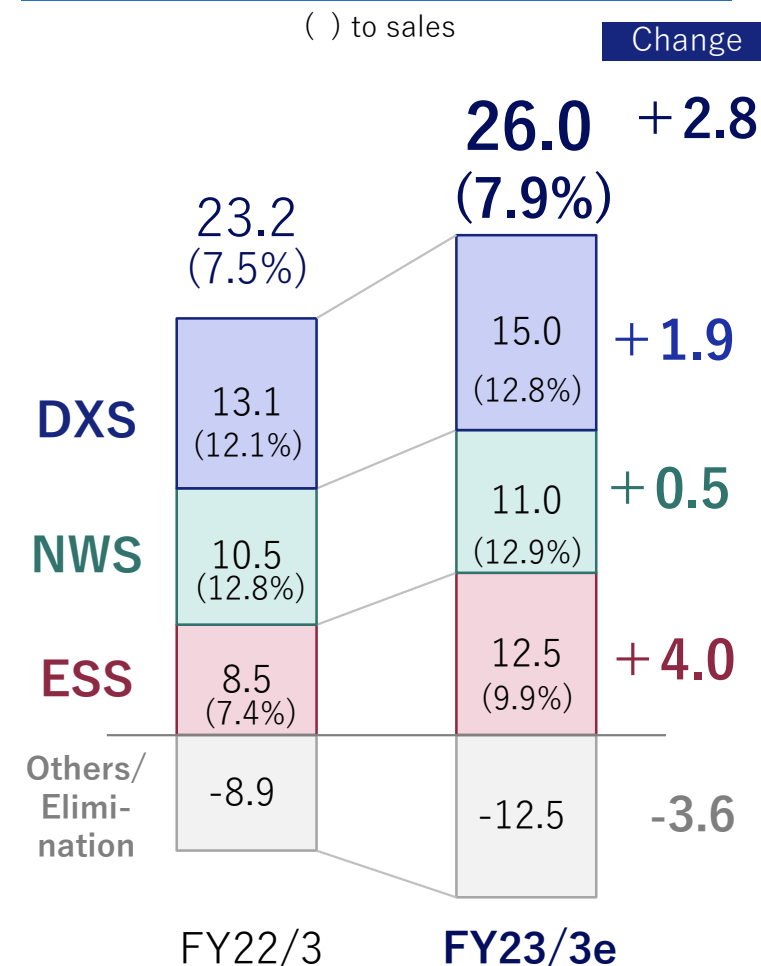
## Order received



## Net sales



## Operating income

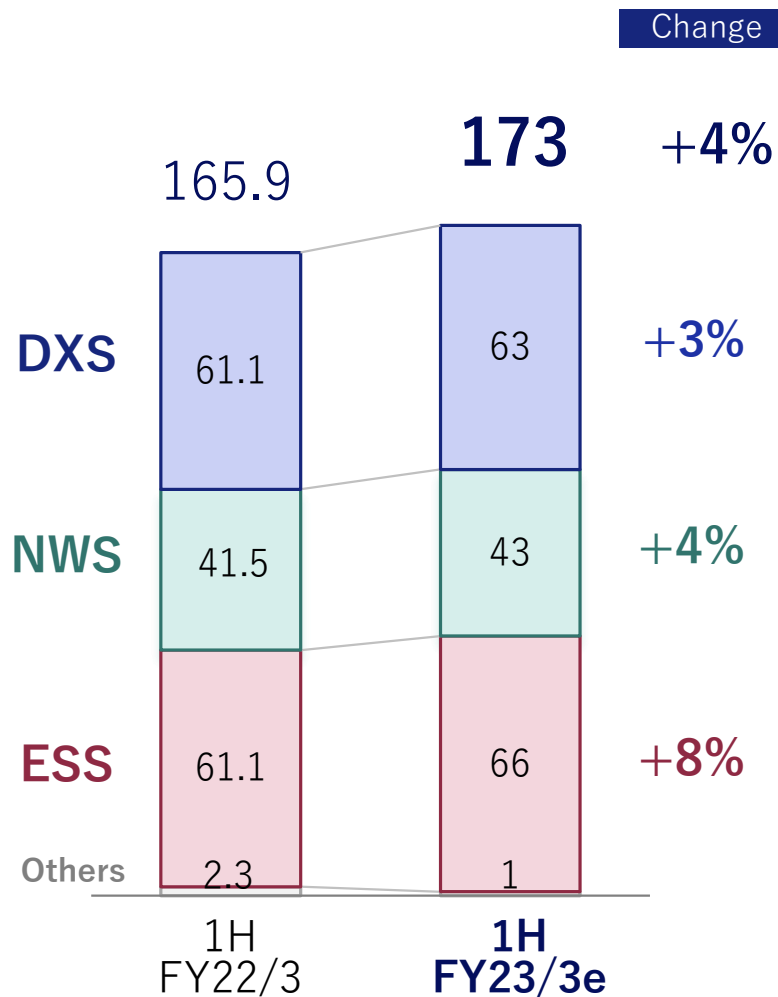


\*The new segment figures shown here are numbers for reference by rough reclassification. Segment forecasts as at May 10

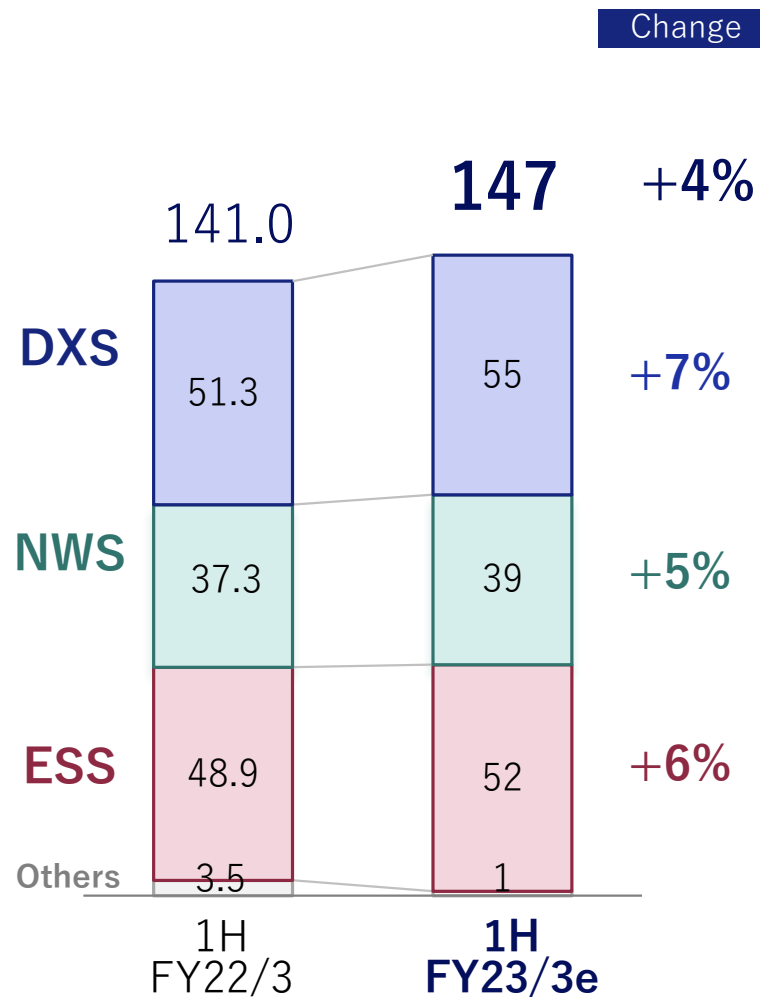
# FY2023/3 Forecasts by Segment (1H)

(¥ Bn.)

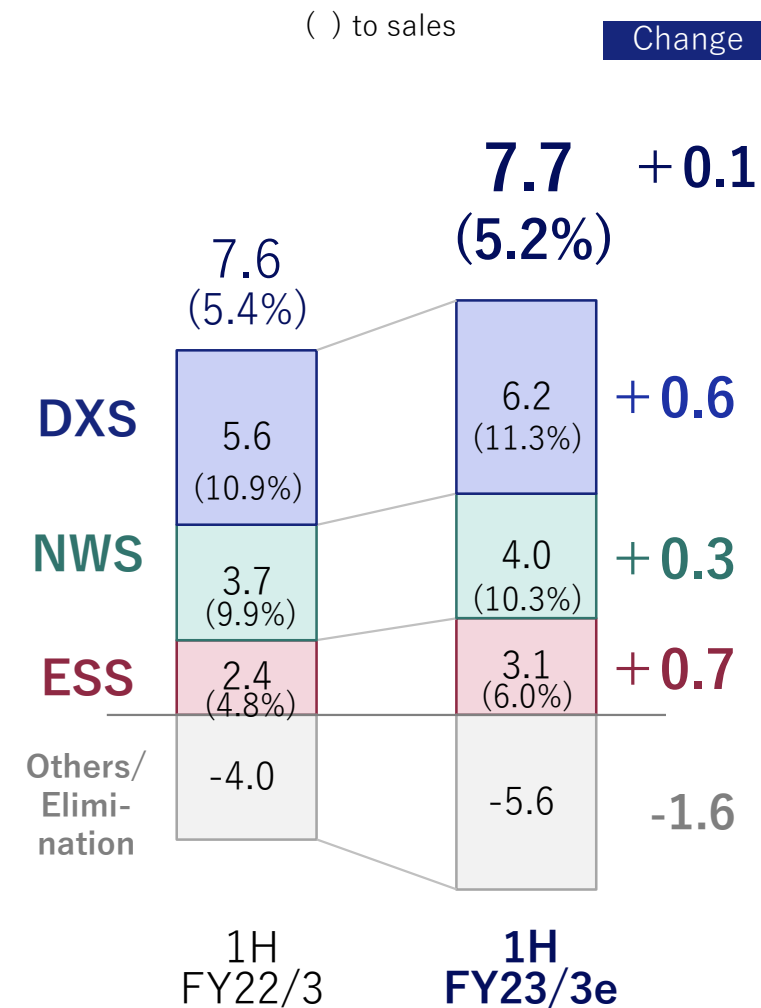
## Order received



## Net sales



## Operating income



# 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 will be some change in our business segment according to a refine in our organization in April 2022. The new segment figures shown in these slides are numbers for reference by rough reclassification.



# 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**

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