

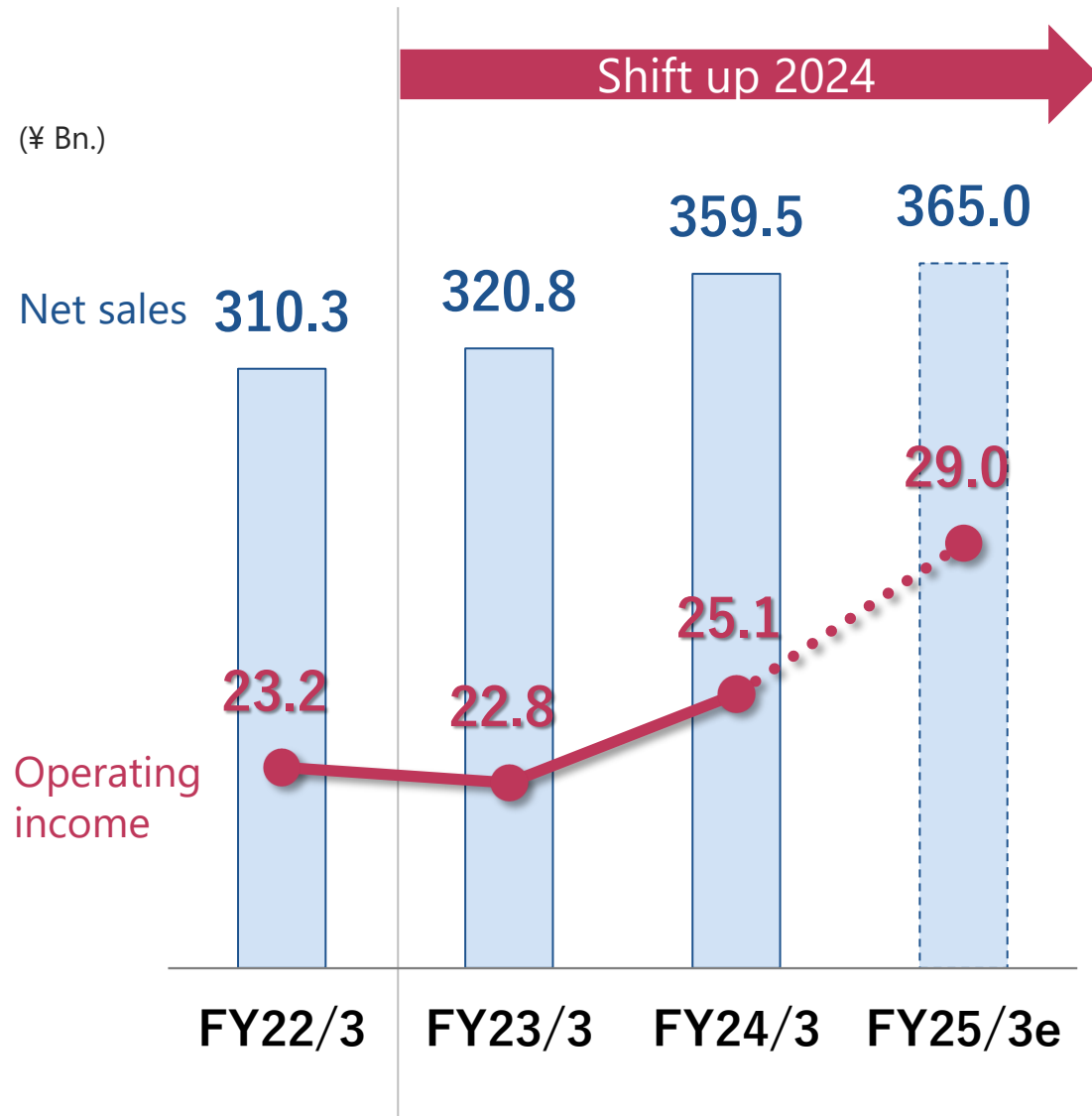
Management Based on Awareness of Capital Cost and Share Price

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Senior Vice President & CFO

Hiroyuki Sekizawa

Progress of "Shift up 2024" Business Plan



Summary

Profit growth speed returned to the plan, though the figures are a year behind the target

Strategy started working with severe capex control by telecom carriers and wage hike
(Appeared results in DXS leading other areas)

Initiatives for the Sustainable Enhancement of Corporate Value and Shareholder Value

Advancing activities in line with basic strategies formulated in 2019
(first disclosed in Annual Report 2019)



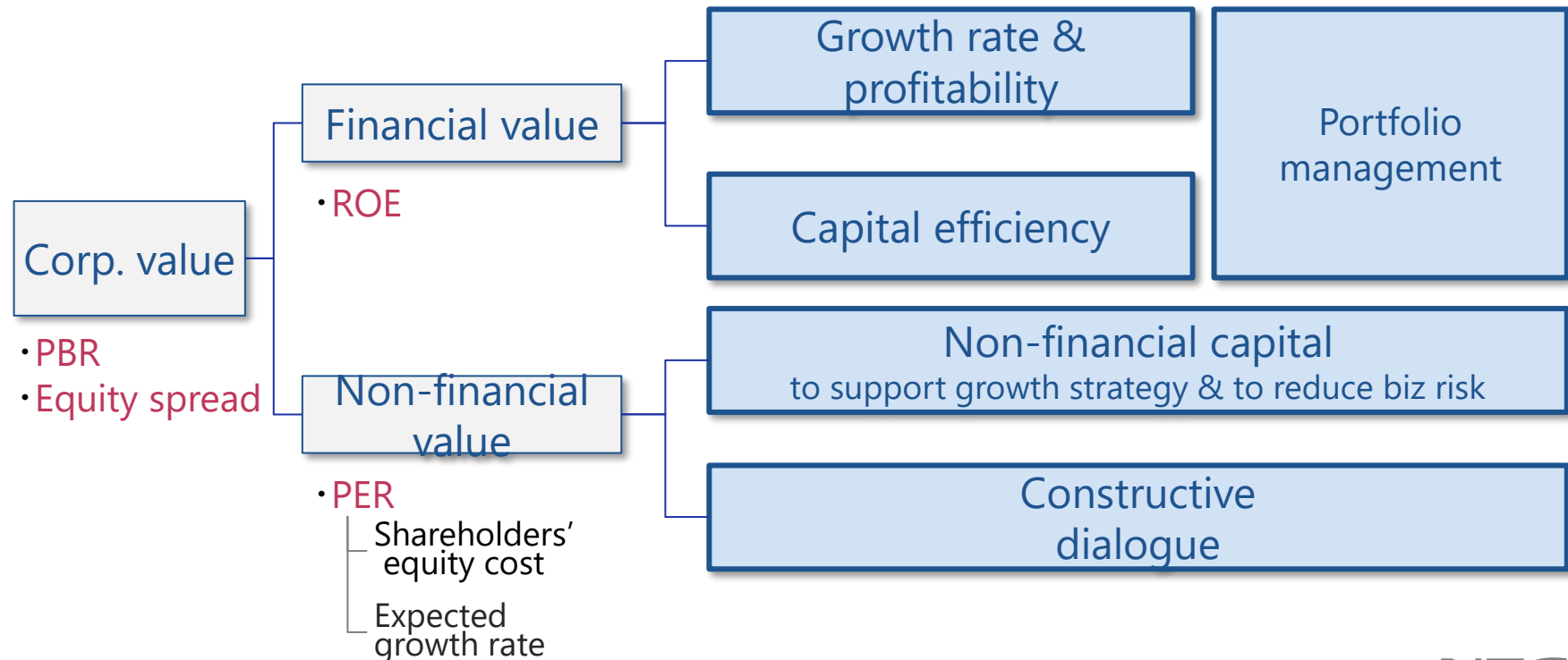
Basic Approach

(1) Improving financial value based on ROE

(2) Enhancing non-financial value with a focus on human capital

Enhancing corporate value and shareholder value through the above virtuous circle

Strategic tree



Current Situation (Changes from the Past)

Return on capital and the evaluation by the market were improved significantly by focusing on the basic strategies.

PBR (Times)

Significant improvement from 1 time to 2 times

2.0



1.2

=

ROE (%)

Steady improvement in return on capital and expanded equity spread

* Cost of shareholders' equity

Estimate based on CAPM, etc.
(around 6%)
Value expected by investors
(around 8%)

10.4



8.7

×

PER (Times)

Improved evaluation by the market as a systems integrator(Sler)

20.2



14.3

Current Situation (Comparison with Other Companies)

PBR improvement is still on the way.

Aim for a further improvement in return on capital and evaluation by the market.

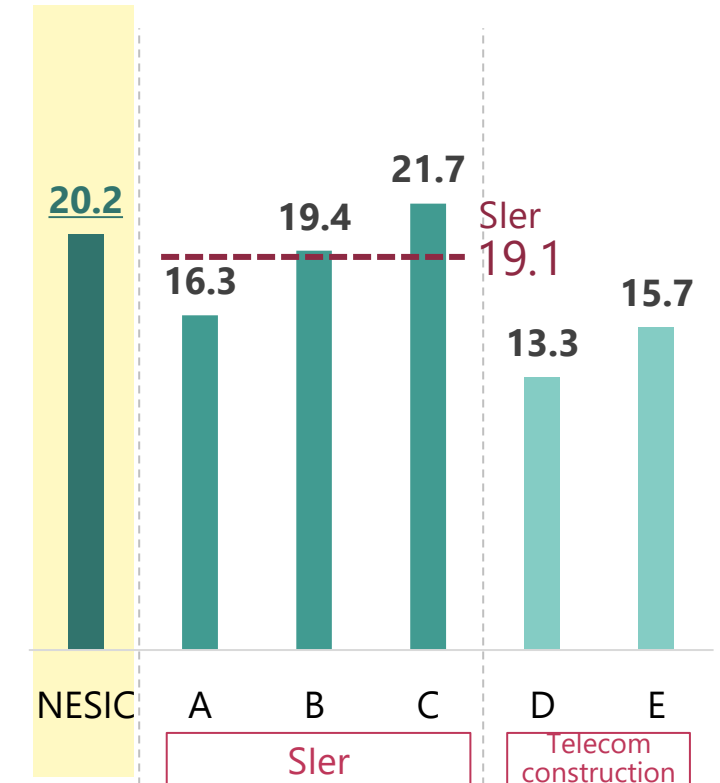
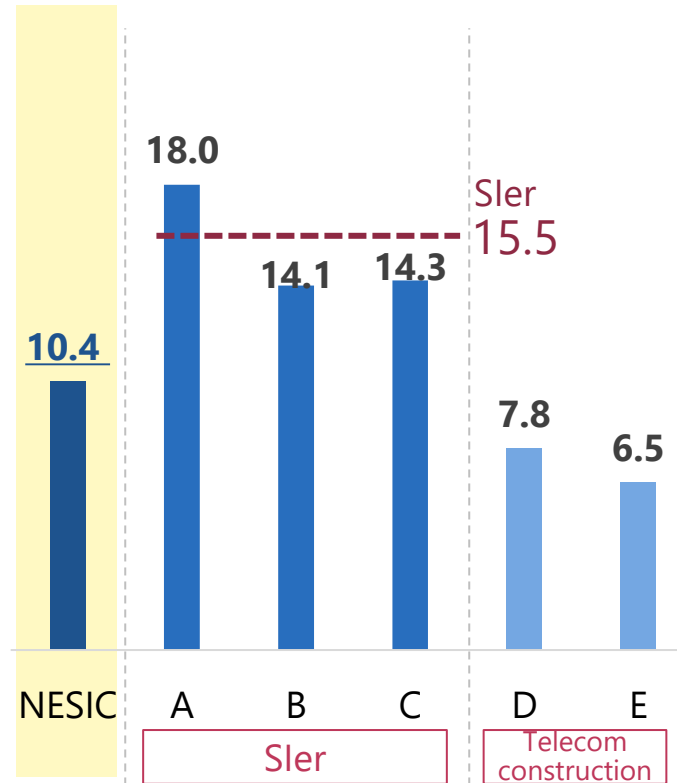
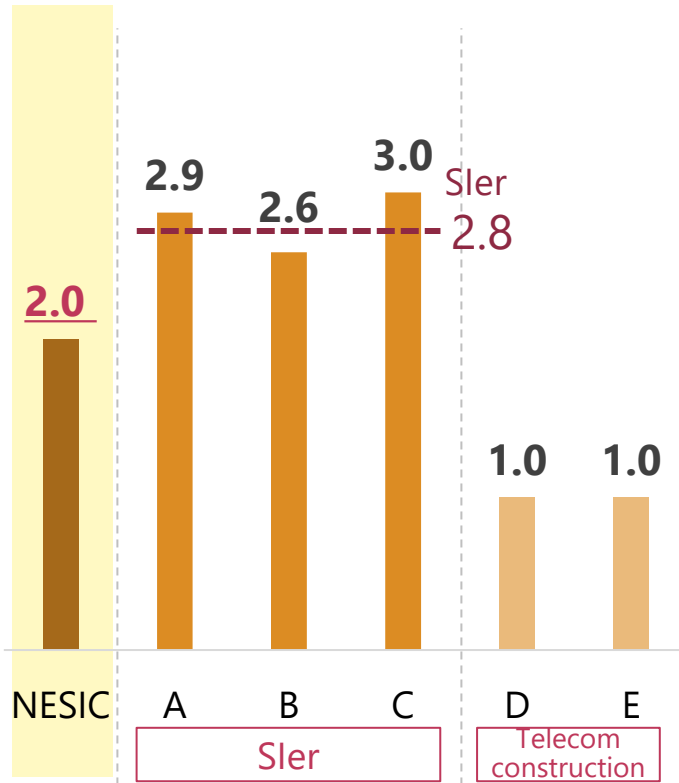
PBR (Times)

=

ROE (%)

×

PER (Times)



Toward an Improvement in ROE

Aiming to achieve ROE exceeding the level of a Sler by improving profitability and asset efficiency

ROE

=

Net margin

×

Total asset turnover

×

The Equity Multiplier

		Operating margin			
FY24/3	10.4%	4.3%	(7.0%)	1.3	1.9
FY25/3e	approx. 12%	4.9%	(7.9%)	1.3	1.9
<u>Tentative target</u> ^{*1}	approx. 16%	6%	(10%)	1.4 (=Sler)	1.9

Average for Sler ^{*2} (Company A to Company C)	15.5%	6.7%	1.4	1.8
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*1 Assumption base

*2 The average values for a systems integrator are simple averages for the respective indicators. Accordingly, ROE is not consistent with the value obtained with the above mathematical expression.

(1) Improvement of Profit Margin on Sales (1)

Accelerating initiatives for enhancing profit growth capability

DXS

A hybrid business combining existing businesses with DX
Center-based offsite BPO (use of Symphonict and AI)

NWS

Focusing efforts on the next growth

-- Social infrastructure (including space/national security), next-generation NW areas
(including O-RAN and local 5G)

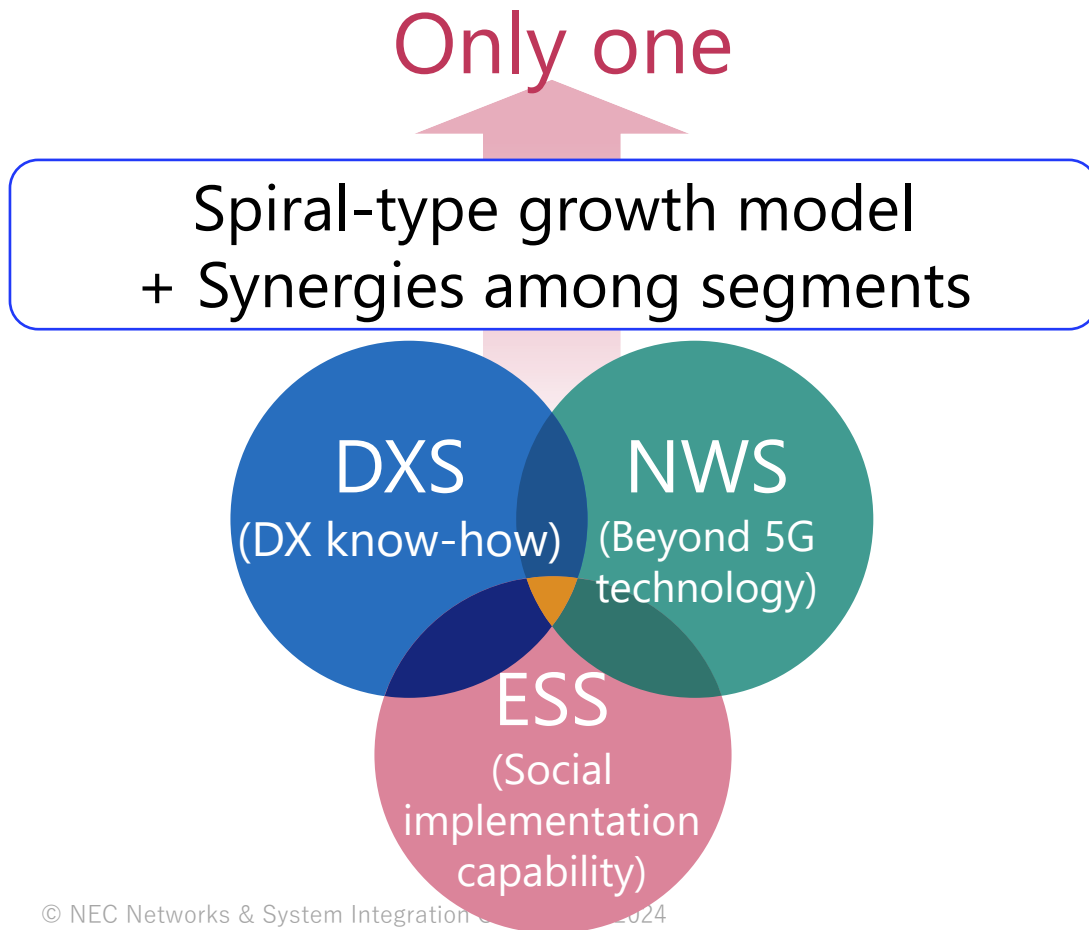
ESS

Resource optimization (including fire-fighting network and road ICT)
Sophistication and enhancement of added value

(workstyle innovation and DX at work sites in the public sector,
initiatives for green society (to be practiced by the company))

(1) Improvement of Profit Margin on Sales (2)

Aiming for an exclusive position, which is neither one of system integrators nor one of a communication facility construction company, with synergy between DX x next-generation network and social implementation capability



Synergy examples

(DX × ESS)

DX in public areas, such as using Digital Twin to visualize flows of people at a station/airport

(NWS × ESS)

Smart security services for electric companies using local 5G technologies

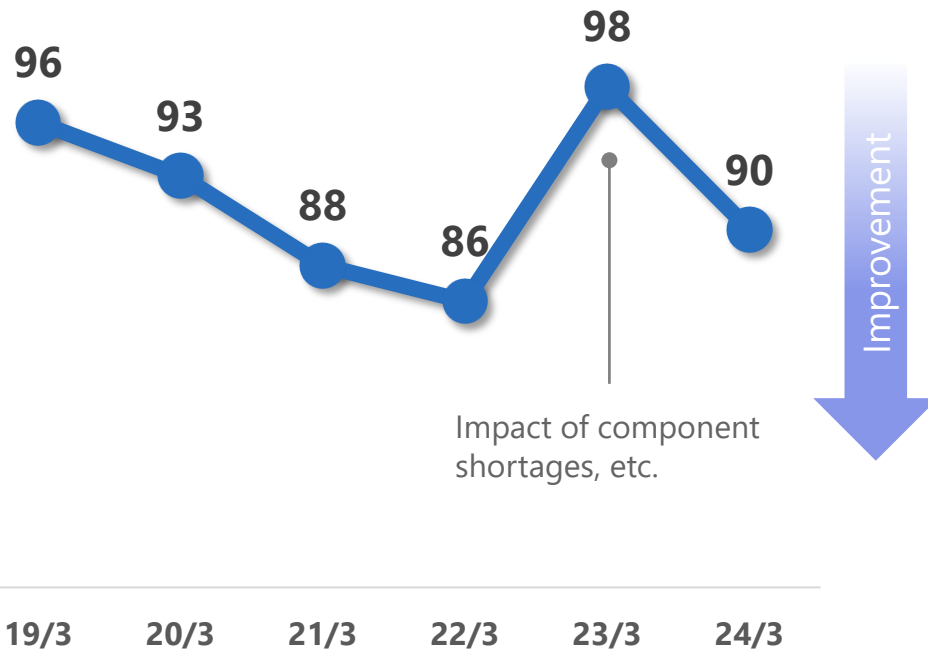
(DXS × NWS × ESS)

:Advanced high-resolution monitoring services for key facilities (visual AI x high-speed communication x construction)

(2) Improvement in Asset Efficiency (Asset Turnover Ratio)

Improvement activities made steady progress despite the impact of component shortages and long-term, large-scale projects. The efficiency of accounts receivable and inventories was improved in response to deterioration of asset efficiency due to an increase in long-term, large-scale projects.

Changes in CCC (Days)



Improvement in asset efficiency

- Strengthening accounts receivable management
 - Receiving advances and intermediate payments, and others
- Strengthening inventory management
 - Promoting just-in-time delivery and shortening waiting time

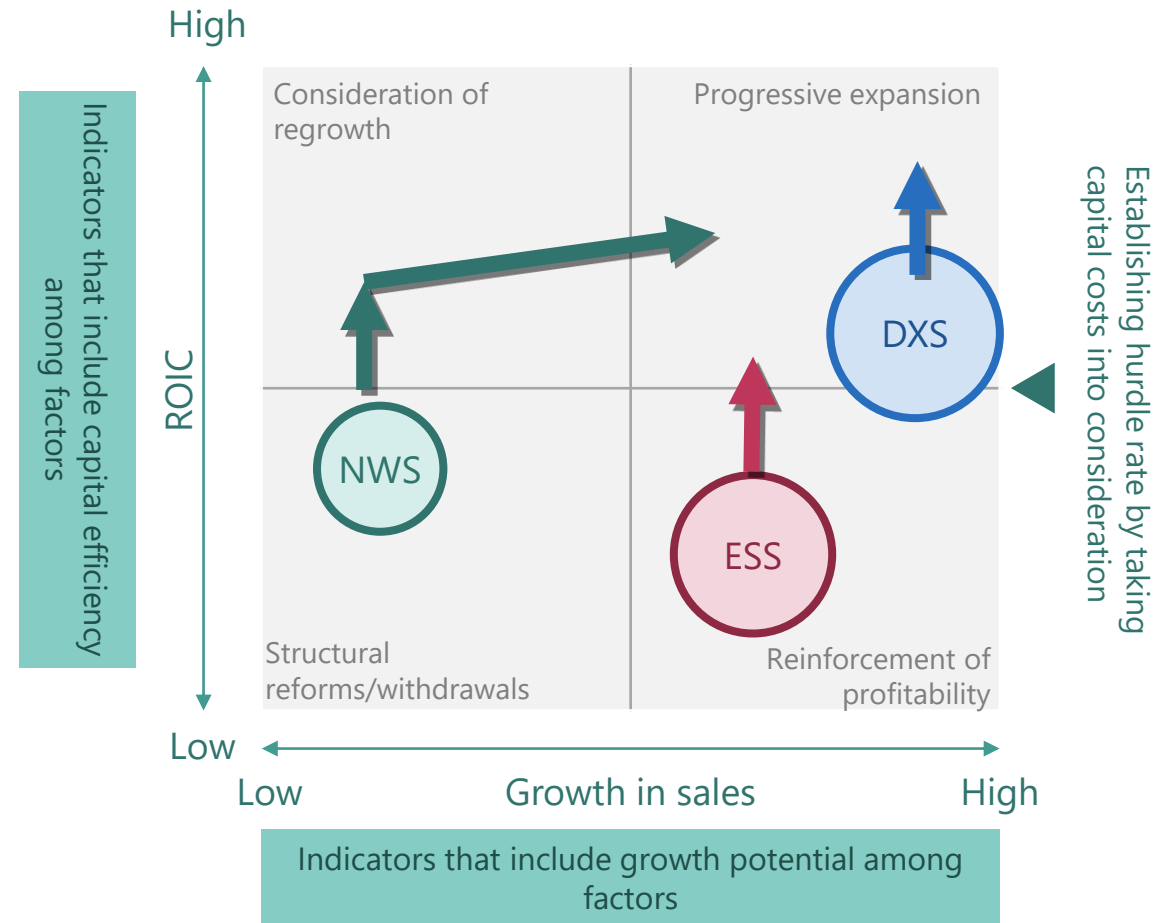
Awareness reform

- Inclusion in internal performance evaluation
- Considering measures by holding workshops
- Enhancing training, raising awareness by using comic strips, etc.



(3) Portfolio Management

Optimizing the portfolio by screening businesses based on ROIC x future growth potential



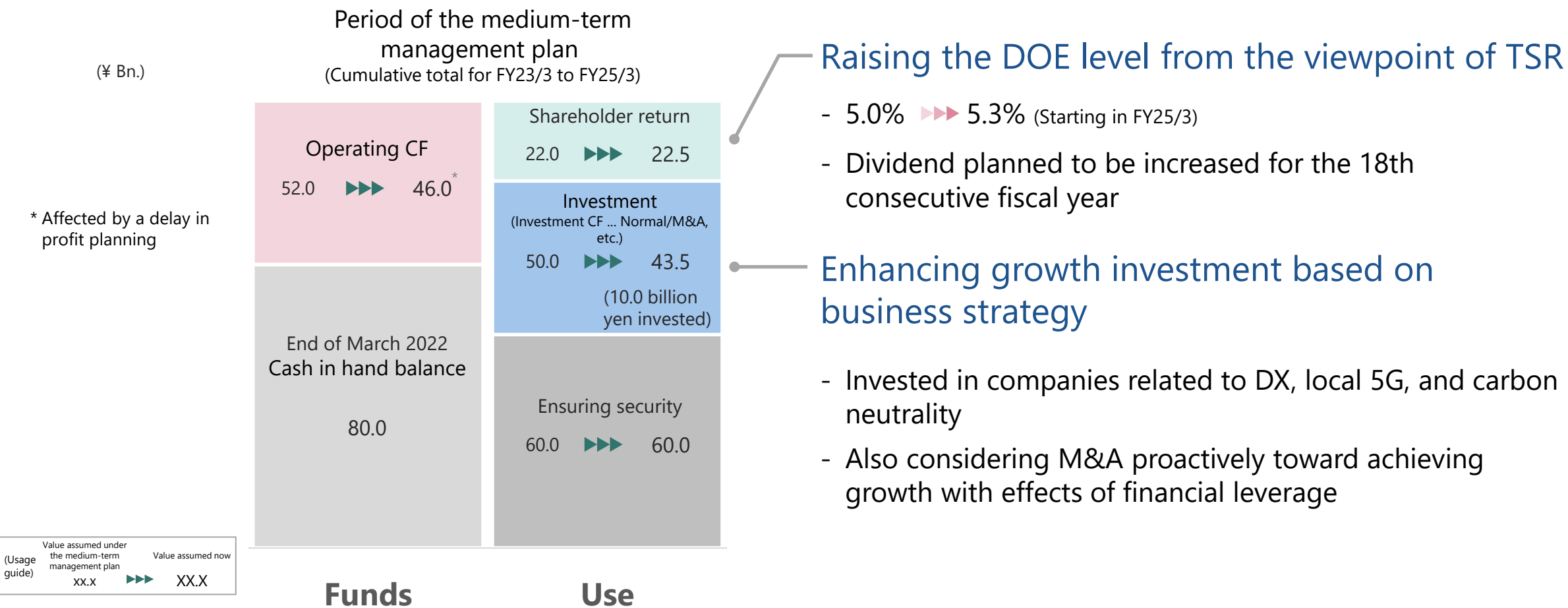
Screening by business divisions, SBUs, and affiliates constituting the segment



Optimizing and improving the portfolio

(4) Cash Allocation/Financial Leverage

Planning to provide shareholder returns exceeding the planned level. Proactively considering investment in growth.



(5) Expanding Non-financial Capital and Enhancing Constructive Dialogue

Strengthening activities for improving PER by reducing the cost of shareholders' equity and increasing the anticipated growth rate

Expanding non-financial capital

(Implementation of sustainability management)

- Issues
 - Development of highly skilled professionals
 - ⇒ Creating opportunities to gain practical experience (consulting/DX)
 - Improvement of engagement
 - ⇒ Activation of communication, dispersion of load, transfer of authorities, fair evaluation
 - Enhancing the capability of implementing non-financial strategies
 - ⇒ Introducing non-financial indicators to compensation for directors

Strengthening constructive dialogue

- Enhancing information disclosure that contributes to investment decisions
(e.g. orders backlog by segment and gross margin to sales)
 - Reflecting discussions with analysts and institutional investors
 - Driving visualization with data management in the future
- Holding briefings, etc. that will lead to understanding of our businesses



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