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Financial Results for the 1H for the FY ending March 2025

October 29, 2024

NEC Networks & System Integration Corporation

(TSE: 1973, NESIC)

1H FY2025/3 Summary

(¥ Bn.)

	1H FY23/3	1H FY24/3	Change
Orders received	191.2	208.4	+9%
Net sales	155.2	172.0	+11%
Gross proft	29.0	31.2	+2.2
(to sales)	18.7%	18.1%	-0.6pt
SG&A	22.7	23.4	-0.6
Operating income	6.2	7.8	+1.6
(to sales)	4.0%	4.6%	+0.6pt
Net income attributable to owners of the parent	3.6	3.8	+0.2
(to sales)	2.3%	2.2%	-0.1pt
Free cash flows	9.1	24.6	+15.5
Orders backlog	237.9	256.9	+8%

Record high orders, sales and operating income of 1H

Orders/ Sales

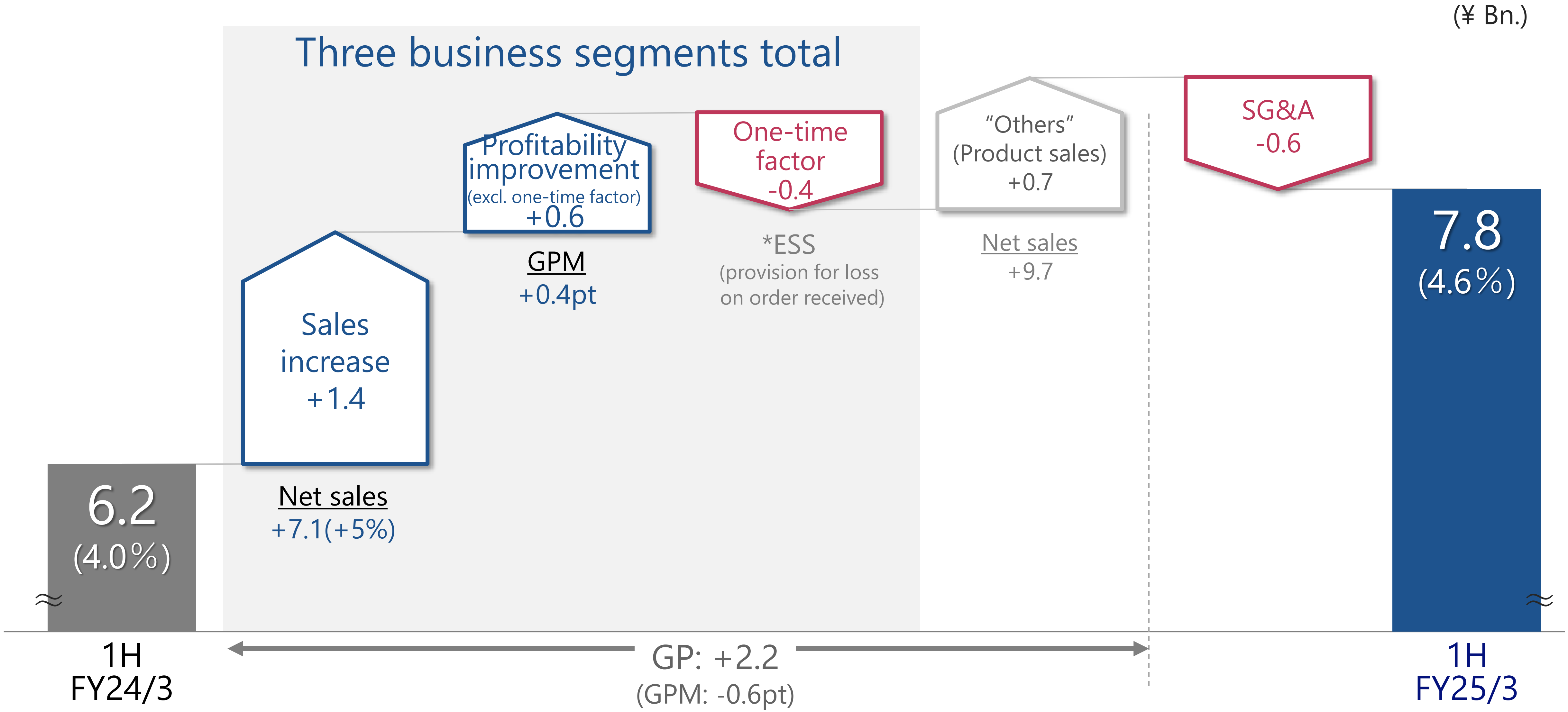
- Expanded business for governments (firefighting, disaster prevention, government DX) and for manufacturing and financial industries
- Product sales (in “others” segment) also increased

Operating income

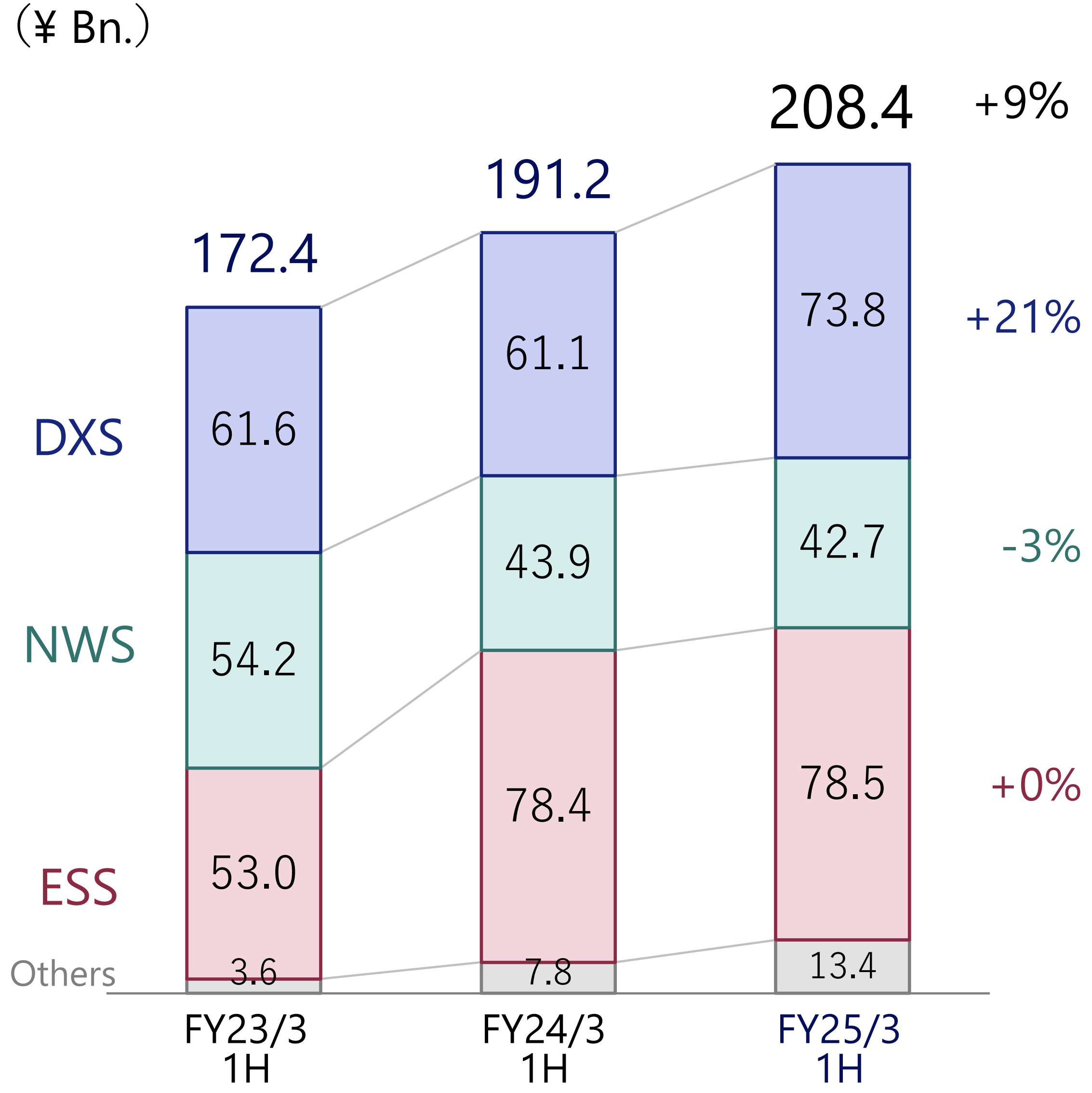
- Increased in all segments

There is an impact of worsened sales mix due to increased product sales in GPM

1Q FY2025/3 Operating Income Analysis



1H FY2025/3 Orders Received by Segment



DX Solutions (DXS)

- Both focus areas and existing areas increased
  Focus areas : Increased centering on government DX
  Existing areas : Strategic product projects and ICT equipment sales for schools increased

NW Solutions (NWS)

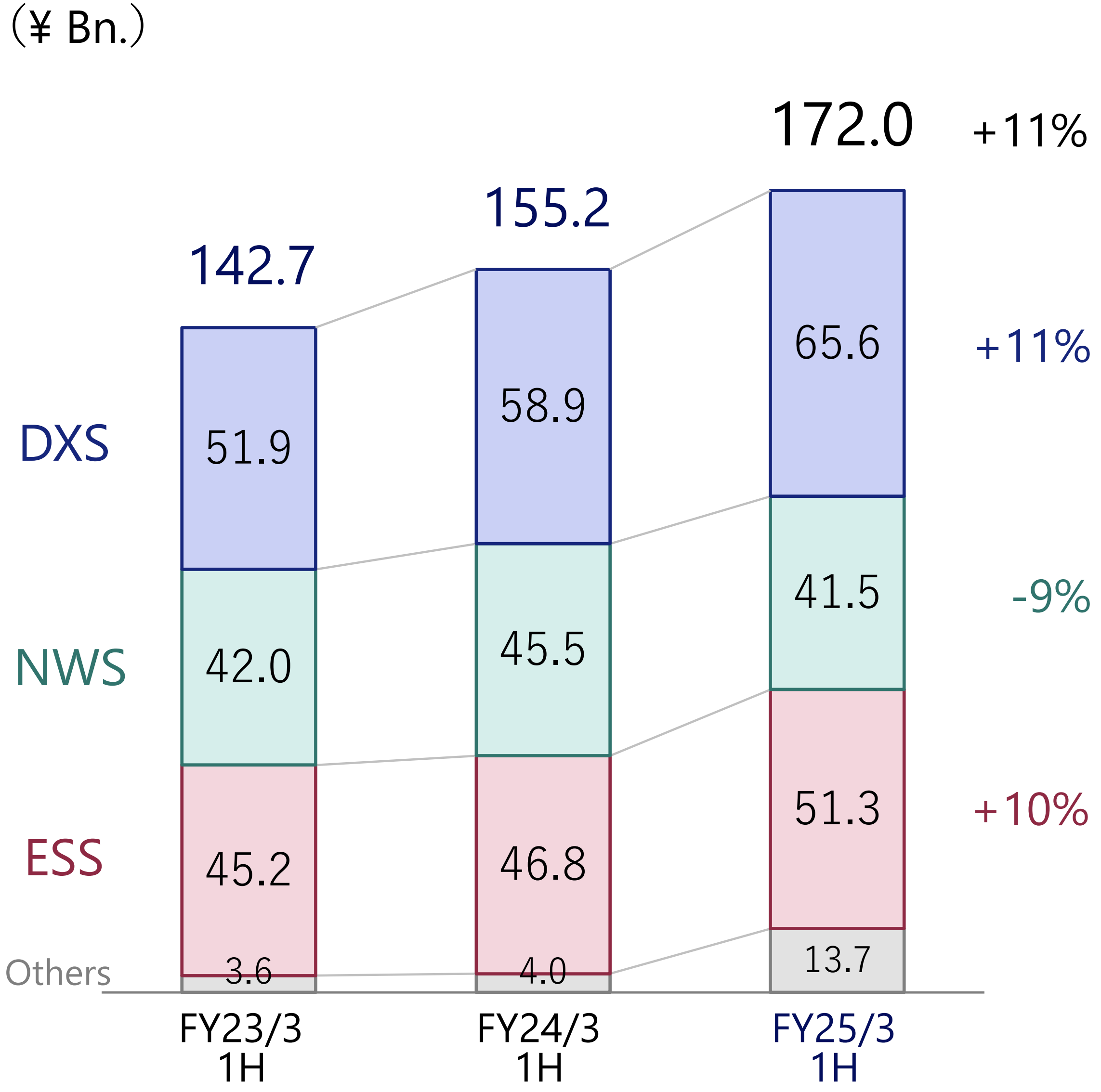
- Orders from telecom carriers and orders of a manufacturing subsidiary decreased while social infra. (space and national security) increased

Environmental & Social Solutions(ESS)

- ICT construction area such as fire-fighting and disaster prevention expanded with a reactional fall (-12) of large projects in the previous 1H

※Segment information of FY23/3 & FY24/3 has been reclassified numbers to reflect an inter-segment business transfer (between NWS & ESS) in April 2024.

1H FY2025/3 Net Sales by Segment



DX Solutions (DXS)

- Both focus areas and existing areas increased

NW Solutions (NWS)

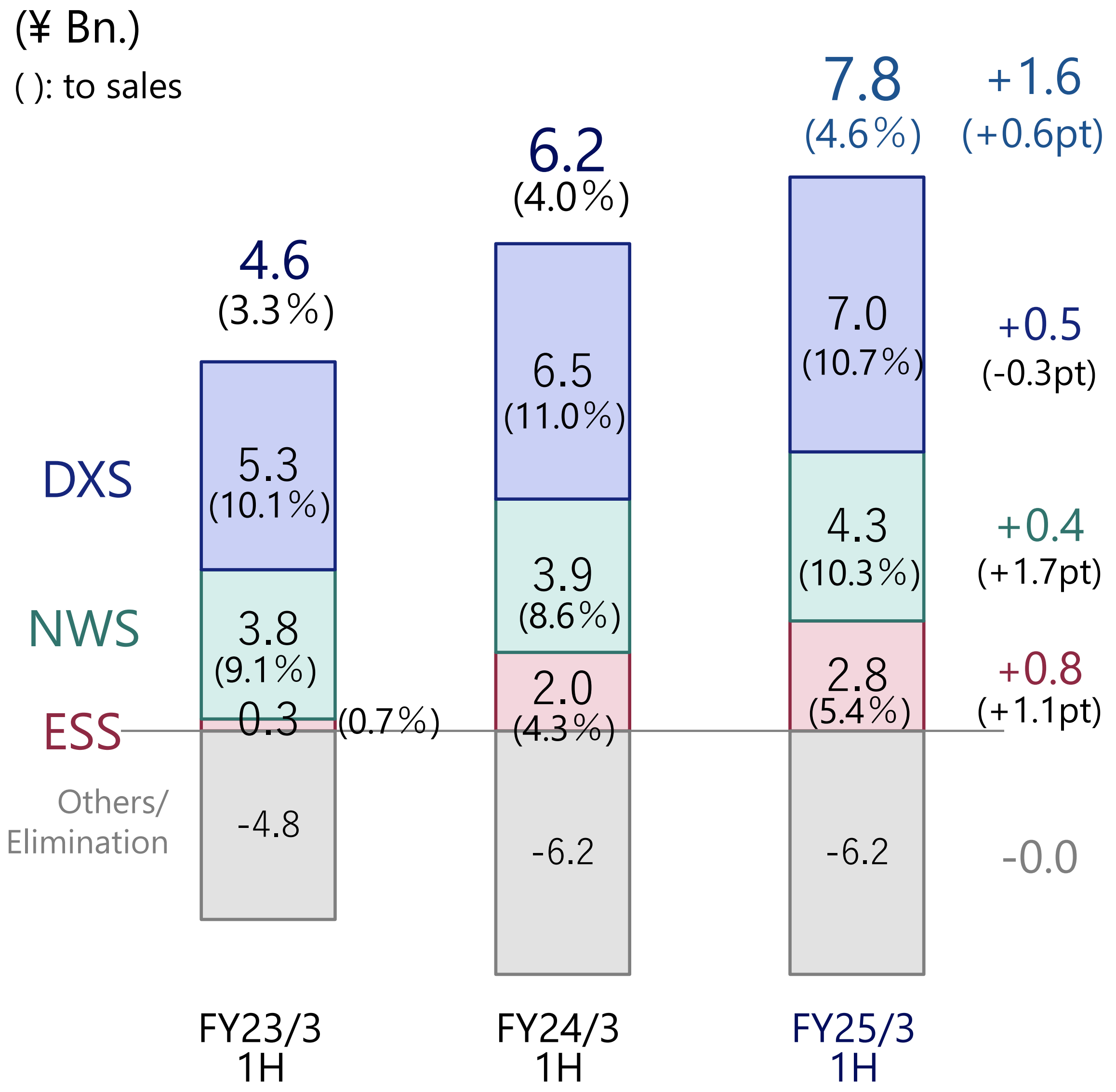
- Sales for telecom carriers decreased though social infra. and a manufacturing subsidiary increased

Environmental & Social Solutions(ESS)

- Mainly ICT construction area such as expressway ICT and disaster prevention increased

※Segment information of FY23/3 & FY24/3 has been reclassified numbers to reflect an inter-segment business transfer (between NWS & ESS) in April 2024.

1H FY2025/3 Operating Income by Segment



Operating income increased in all 3 segments

DX Solutions (DXS)

- Profit increased by sales growth with lower GPM

NW Solutions (NWS)

- Profit increased due to improved GPM despite decreased sales

Environmental & Social Solutions(ESS)

- Profit increased by both sales expansion and GPM improvement

※Segment information of FY23/3 & FY24/3 has been reclassified numbers to reflect an inter-segment business transfer (between NWS & ESS) in April 2024.

1H FY2025/3 Gross Margin by Segment

	1H FY24/3	1H FY25/3	Change	Key factors
DXS	22.0%	20.3%	-1.7pt	･Low margin projects including strategic products business and resource relocation (SG&A-> COS) temporarily impacted
NWS	18.4%	21.0%	+2.6pt	･Improved both telecom carrier business (by business reform) & social infra. business (improved sales mix)
ESS	15.9%	16.2%	+0.3pt ※（+1.1pt)	･Sales increase（lower fixed ratio) ･Desreased low margin projects and higher efficiency ･Loss making projests had negative impact
Sub-total: 3 segments	19.1%	19.2%	+0.1pt ※（+0.4pt)	
Company total	18.7%	18.1%	-0.6pt	

※Except for impact of loss-making projects（provision for loss on order received)

※Segment information of FY23/3 & FY24/3 has been reclassified numbers to reflect an inter-segment business transfer (between NWS & ESS) in April 2024.

*Forecasts as at October 29, 2024

FY2025/3 Forecasts

(¥ Bn.)

	FY24/3	FY25/3 Forecasts	Change
Orders received	377.2	380	+1%
Net sales	359.5	365	+2%
Operating income	25.1	29.0	+3.9
(to sales)	(7.0%)	(7.9%)	+0.9pt
Net income attributable to owners of the parent	15.3	18.0	+2.7
(to sales)	(4.3%)	(4.9%)	+0.6pt

No change from the initial forecasts

Reclassified quarterly data and other data

Please see our supplementary data sheet for

- Reclassified quarterly data for FY2023/3 & FY2024/3
- Sales by business type, sales by market etc.

https://www.nesic.co.jp/english/ir/library/2024.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 an inter-segment (between NWS and ESS) business transfer in April 2024. Segment information for the FY 2023/3 and FY 2024/3 have been recalculated to reflect this change.

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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