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On July 29, 2021, NEC Networks & System Integration Corporation (NESIC) announced earnings results for Q1 FY03/22.

Cumulative (JPYmn)	FY03/19				FY03/20				FY03/21				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Revenue	55,455	122,506	190,986	277,949	60,537	136,270	214,032	303,616	67,369	151,205	233,469	339,109	101.8%	333,000
YoY	4.3%	2.1%	3.3%	3.7%	9.2%	11.2%	12.1%	9.2%	11.3%	11.0%	9.1%	11.7%		9.7%
Gross profit	8,037	19,526	31,729	47,681	8,736	22,512	36,002	54,374	10,343	25,171	41,572	63,929		
YoY	5.3%	2.7%	8.9%	7.7%	8.7%	15.3%	13.5%	14.0%	18.4%	11.8%	15.5%	17.6%		
Gross profit margin	14.5%	15.9%	16.6%	17.2%	14.4%	16.5%	16.8%	17.9%	15.4%	16.6%	17.8%	18.9%		
SG&A expenses	8,365	16,894	25,446	34,906	8,915	18,143	27,793	38,128	9,334	18,439	27,769	38,366		
YoY	0.6%	2.4%	3.0%	5.1%	6.6%	7.4%	9.2%	9.2%	4.7%	1.6%	-0.1%	0.6%		
SG&A ratio	15.1%	13.8%	13.3%	12.6%	14.7%	13.3%	13.0%	12.6%	13.9%	12.2%	11.9%	11.3%		
Operating profit	-328	2,632	6,283	12,774	-178	4,369	8,208	16,245	1,008	6,732	13,803	25,563	116.2%	22,000
YoY	-	4.7%	41.4%	15.5%	-	66.0%	30.6%	27.2%	-	54.1%	68.2%	57.4%		35.4%
Operating profit margin	-	2.1%	3.3%	4.6%	-	3.2%	3.8%	5.4%	1.5%	4.5%	5.9%	7.5%		6.6%
Recurring profit	-340	2,900	6,521	13,023	-251	4,335	8,196	15,938	941	6,778	13,856	25,493	115.9%	22,000
YoY	-	9.8%	45.9%	18.9%	-	49.5%	25.7%	22.4%	-	56.4%	69.1%	60.0%		38.0%
Recurring profit margin	-	2.4%	3.4%	4.7%	-	3.2%	3.8%	5.2%	1.4%	4.5%	5.9%	7.5%		6.6%
Net income attributable to owners of the parent	-205	1,911	4,296	8,885	21	2,902	4,296	9,422	326	3,967	8,358	15,745	116.6%	13,500
YoY	-	18.5%	43.2%	20.8%	-	51.9%	0.0%	6.0%	-	36.7%	94.6%	67.1%		43.3%
Net margin	-	1.6%	2.2%	3.2%	0.0%	2.1%	2.0%	3.1%	0.5%	2.6%	3.6%	4.6%		4.1%

  

Quarterly (JPYmn)	FY03/19				FY03/20				FY03/21				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	1H Est.
Revenue	55,455	67,051	68,480	86,963	60,537	75,733	77,762	89,584	67,369	83,836	82,264	105,640	106.5%	142,000
YoY	4.3%	0.4%	5.4%	4.8%	9.2%	12.9%	13.6%	3.0%	11.3%	10.7%	5.8%	17.9%		4.2%
Gross profit	8,037	11,489	12,203	15,952	8,736	13,776	13,490	18,372	10,343	14,828	16,401	22,357		
YoY	5.3%	0.9%	20.5%	5.5%	8.7%	19.9%	10.5%	15.2%	18.4%	7.6%	21.6%	21.7%		
Gross profit margin	14.5%	17.1%	17.8%	18.3%	14.4%	18.2%	17.3%	20.5%	15.4%	17.7%	19.9%	21.2%		
SG&A expenses	8,365	8,529	8,552	9,460	8,915	9,228	9,650	10,335	9,334	9,105	9,330	10,597		
YoY	0.6%	4.2%	4.3%	11.2%	6.6%	8.2%	12.8%	9.2%	4.7%	-1.3%	-3.3%	2.5%		
SG&A ratio	15.1%	12.7%	12.5%	10.9%	14.7%	12.2%	12.4%	11.5%	13.9%	10.9%	11.3%	10.0%		
Operating profit	-328	2,960	3,651	6,491	-178	4,547	3,839	8,037	1,008	5,724	7,071	11,760	149.6%	4,500
YoY	-	-7.6%	89.3%	-1.9%	-	53.6%	5.1%	23.8%	-	25.9%	84.2%	46.3%		3.0%
Operating profit margin	-	4.4%	5.3%	7.5%	-	6.0%	4.9%	9.0%	1.5%	6.8%	8.6%	11.1%		3.2%
Recurring profit	-340	3,240	3,621	6,502	-251	4,586	3,861	7,742	941	5,837	7,078	11,637	150.6%	4,500
YoY	-	-3.8%	97.8%	0.2%	-	41.5%	6.6%	19.1%	-	27.3%	83.3%	50.3%		3.8%
Recurring profit margin	-	4.8%	5.3%	7.5%	-	6.1%	5.0%	8.6%	1.4%	7.0%	8.6%	11.0%		3.2%
Net income attributable to owners of the parent	-205	2,116	2,385	4,589	21	2,881	1,394	5,126	326	3,641	4,391	7,387	132.2%	3,000
YoY	-	-5.5%	71.8%	5.3%	-	36.2%	-41.6%	11.7%	1452.4%	26.4%	215.0%	44.1%		3.4%
Net margin	-	3.2%	3.5%	5.3%	0.0%	3.8%	1.8%	5.7%	0.5%	4.3%	5.3%	7.0%		2.1%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

**Performance by segment**

By segment	FY03/19				FY03/20				FY03/21				FY03/21	
	Cumulative (JPYmm)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.
Orders	66,213	146,727	207,452	284,739	74,115	151,724	215,214	304,978	84,359	177,890	253,488	336,877	101.2%	333,000
YoY	3.0%	14.0%	2.9%	-1.1%	11.9%	3.4%	3.7%	7.1%	13.8%	17.2%	17.8%	10.5%		9.2%
Digital Solutions	25,098	53,486	78,854	106,618	26,501	55,399	82,856	115,180	34,036	71,260	97,112	128,301	99.5%	129,000
YoY	-	-	-	-	5.6%	3.6%	5.1%	8.0%	28.4%	28.6%	17.2%	11.4%		12.0%
Network Infrastructure	20,978	41,806	58,692	80,829	23,101	45,304	62,364	87,728	25,398	47,577	71,560	95,338	99.3%	96,000
YoY	-	-	-	-	10.1%	8.4%	6.3%	8.5%	9.9%	5.0%	14.7%	8.7%		9.4%
Engineering & Support Services	17,577	47,616	63,954	88,314	22,324	46,574	63,012	92,040	22,152	54,331	77,356	103,718	106.9%	97,000
YoY	-	-	-	-	27.0%	-2.2%	-1.5%	4.2%	-0.8%	16.7%	22.8%	12.7%		5.4%
Others	2,558	3,816	5,950	8,976	2,188	4,448	6,982	10,031	2,771	4,721	7,459	9,518	86.5%	11,000
YoY	-	-	-	-	-14.5%	16.6%	17.3%	11.8%	26.6%	6.1%	6.8%	-5.1%		9.7%
Revenue	55,455	122,506	190,986	277,949	60,537	136,270	214,032	303,616	67,369	151,205	233,469	339,109	101.8%	333,000
YoY	4.3%	2.1%	3.3%	3.7%	9.2%	11.2%	12.1%	9.2%	11.3%	11.0%	9.1%	11.7%		9.7%
Digital Solutions	21,210	47,612	71,268	102,073	24,107	53,210	80,727	112,758	26,819	56,712	83,776	125,960	103.2%	122,000
YoY	-	-	-	-	13.7%	11.8%	13.3%	10.5%	11.2%	6.6%	3.8%	11.7%		8.2%
Network Infrastructure	14,633	34,075	54,035	79,468	15,362	35,505	56,006	83,110	16,610	38,083	60,384	89,232	99.1%	90,000
YoY	-	-	-	-	5.0%	4.2%	3.6%	4.6%	8.1%	7.3%	7.8%	7.4%		8.3%
Engineering & Support Services	17,807	37,700	61,179	89,021	17,824	41,602	68,605	97,434	20,841	51,551	82,027	114,089	101.9%	112,000
YoY	-	-	-	-	0.1%	10.4%	12.1%	9.5%	16.9%	23.9%	19.6%	17.1%		14.9%
Others	1,803	3,116	4,502	7,383	3,243	5,954	8,694	10,314	3,098	4,858	7,279	9,827	109.2%	9,000
YoY	-	-	-	-	79.9%	91.1%	93.1%	39.7%	-4.5%	-18.4%	-16.3%	-4.7%		-12.7%
Operating profit	-328	2,632	6,283	12,774	-178	4,369	8,208	16,245	1,008	6,732	13,803	25,563	116.2%	22,000
YoY	-	4.7%	41.4%	15.5%	-	66.0%	30.6%	27.2%	-	54.1%	68.2%	57.4%		35.4%
Operating profit margin	-0.6%	2.1%	3.3%	4.6%	-0.3%	3.2%	3.8%	5.4%	1.5%	4.5%	5.9%	7.5%		6.6%
Digital Solutions	1,243	3,552	5,487	9,040	1,832	4,760	7,768	11,653	2,101	5,271	8,542	13,763	105.9%	13,000
YoY	-	-	-	-	47.4%	34.0%	41.6%	28.9%	14.7%	10.7%	10.0%	18.1%		11.6%
Operating profit margin	5.9%	7.5%	7.7%	8.9%	7.6%	8.9%	9.6%	10.3%	7.8%	9.3%	10.2%	10.9%		10.7%
Network Infrastructure	-176	1,001	2,374	5,111	160	1,839	4,045	8,129	208	2,213	4,659	9,291	109.3%	8,500
YoY	-	-	-	-	-	83.7%	70.4%	59.0%	30.0%	20.3%	15.2%	14.3%		4.6%
Operating profit margin	-	2.9%	4.4%	6.4%	1.0%	5.2%	7.2%	9.8%	1.3%	5.8%	7.7%	10.4%		9.4%
Engineering & Support Services	655	2,235	4,672	7,388	-124	2,196	3,481	6,715	726	3,464	7,020	11,813	112.5%	10,500
YoY	-	-	-	-	-	-1.7%	-25.5%	-9.1%	-	57.7%	101.7%	75.9%		56.4%
Operating profit margin	3.7%	5.9%	7.6%	8.3%	-	5.3%	5.1%	6.9%	3.5%	6.7%	8.6%	10.4%		9.4%
Others	52	157	256	311	120	250	405	511	145	363	598	794		
YoY	-	-	-	-	130.8%	59.2%	58.2%	64.3%	20.8%	45.2%	47.7%	55.4%		
Operating profit margin	2.9%	5.0%	5.7%	4.2%	3.7%	4.2%	4.7%	5.0%	4.7%	7.5%	8.2%	8.1%		
Company-wide, eliminations	-2,102	-4,313	-6,506	-9,076	-2,166	-4,676	-7,491	-10,763	-2,172	-4,579	-7,016	-10,098		-10,000

  

By segment	FY03/19				FY03/20				FY03/21				FY03/21	
	Quarterly (JPYmm)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.
Orders	66,213	80,514	60,725	77,287	74,115	77,609	63,490	89,764	84,359	93,531	75,598	83,389	114.0%	156,000
YoY	3.0%	25.1%	-16.8%	-10.3%	11.9%	-3.6%	4.6%	16.1%	13.8%	20.5%	19.1%	-7.1%		2.8%
Digital Solutions	25,098	28,388	25,368	27,764	26,501	28,898	27,457	32,324	34,036	37,224	25,852	31,189	122.9%	58,000
YoY	17.3%	29.6%	33.5%	4.4%	5.6%	1.8%	8.2%	16.4%	28.4%	28.8%	-5.8%	-3.5%		4.7%
Network Infrastructure	20,978	20,828	16,886	22,137	23,101	22,203	17,060	25,364	25,398	22,179	23,983	23,778	103.4%	46,000
YoY	11.0%	5.7%	-23.6%	2.5%	10.1%	6.6%	1.0%	14.6%	9.9%	-0.1%	40.6%	-6.3%		1.5%
Engineering & Support Services	17,577	30,039	16,338	24,360	22,324	24,250	16,438	29,028	22,152	32,179	23,025	26,362	115.6%	47,000
YoY	-22.9%	42.4%	-45.4%	-33.1%	27.0%	-19.3%	0.6%	19.2%	-0.8%	32.7%	40.1%	-9.2%		0.9%
Others	2,558	1,258	2,134	3,026	2,188	2,260	2,534	3,049	2,771	1,950	2,738	2,059	94.4%	5,000
YoY	113.2%	-21.4%	6.7%	89.1%	-14.5%	79.7%	18.7%	0.8%	26.6%	-13.7%	8.1%	-32.5%		12.4%
Revenue	55,455	67,051	68,840	86,963	60,537	75,733	77,762	89,584	67,369	83,836	82,264	105,640	106.5%	142,000
YoY	4.3%	0.4%	5.4%	4.8%	9.2%	12.9%	13.6%	3.0%	11.3%	10.7%	5.8%	17.9%		4.2%
Digital Solutions	21,210	26,402	23,656	30,805	24,107	29,103	27,517	32,031	26,819	29,893	27,064	42,184	103.1%	55,000
YoY	5.0%	12.3%	16.0%	26.8%	13.7%	10.2%	16.3%	4.0%	11.2%	2.7%	-1.6%	31.7%		3.4%
Network Infrastructure	14,633	19,442	19,960	25,433	15,362	20,143	20,501	27,104	16,610	21,473	22,301	28,848	102.9%	37,000
YoY	3.8%	3.4%	9.7%	2.1%	5.0%	3.6%	2.7%	6.6%	8.1%	6.6%	8.8%	6.4%		4.2%
Engineering & Support Services	17,807	19,893	23,479	27,842	17,824	23,778	27,003	28,829	20,841	30,710	30,476	32,062	114.6%	45,000
YoY	0.0%	-14.3%	-2.2%	-11.6%	0.1%	19.5%	15.0%	3.5%	16.9%	29.2%	12.9%	11.2%		8.2%
Others	1,803	1,313	1,386	2,881	3,243	2,711	2,740	1,620	3,098	1,760	2,421	2,548	97.2%	5,000
YoY	63.9%	9.4%	-42.3%	25.3%	79.9%	106.5%	97.7%	-43.8%	-4.5%	-35.1%	-11.6%	57.3%		-16.0%
Operating profit	-328	2,960	3,651	6,491	-178	4,547	3,839	8,037	1,008	5,724	7,071	11,760	149.6%	4,500
YoY	-	-7.6%	89.3%	-1.9%	-	53.6%	5.1%	23.8%	-	25.9%	84.2%	46.3%		3.0%
Operating profit margin	-0.6%	4.4%	5.3%	7.5%	-0.3%	6.0%	4.9%	9.0%	1.5%	6.8%	8.6%	11.1%		3.2%
Digital Solutions	1,243	2,309	1,935	3,553	1,832	2,928	3,008	3,885	2,101	3,170	3,271	5,221	107.6%	4,900
YoY	24.3%	10.0%	38.2%	54.5%	47.4%	26.8%	55.5%	9.3%	14.7%	8.3%	8.7%	34.4%		2.9%
Operating profit margin	5.9%	8.7%	8.2%	11.5%	7.6%	10.1%	10.9%	12.1%	7.8%	10.6%	12.1%	12.4%		8.9%
Network Infrastructure	-176	1,177	1,373	2,737	160	1,679	2,206	4,084	208	2,005	2,446	4,632	122.9%	1,800
YoY	-	-15.9%	24.8%	-5.6%	-	42.7%	60.7%	49.2%	30.0%	19.4%	10.9%	13.4%		-2.1%
Operating profit margin	-	6.1%	6.9%	10.8%	1.0%	8.3%	10.8%	15.1%	1.3%	9.3%	11.0%	16.1%		4.9%
Engineering & Support Services	655	1,580	2,437	2,716	-124	2,320	1,285	3,234	726	2,738	3,556	4,793	123.7%	2,800
YoY	118.3%	-12.2%	74.1%	-22.4%	-	46.8%	-47.3%	19.1%	-	18.0%	176.7%	48.2%		27.5%
Operating profit margin	3.7%	7.9%	10.4%	9.8%	-	9.8%	4.8%	11.2%	3.5%	8.9%	11.7%	14.9%		6.2%
Others	52	105	99	55	120	130	155	106	145	218	235	196		
YoY	-48.0%	5.0%	-1.0%	-45.0%	130.8%	23.8%	56.6%	92.7%	20.8%	67.7%	51.6%	84.9%		
Operating profit margin	2.9%	8.0%	7.1%	1.9%	3.7%	4.8%	5.7%	6.5%	4.7%	12.4%	9.7%	7.7%		
Company-wide, eliminations	-2,102	-2,211	-2,193	-2,570	-2,166	-2,510	-2,815	-3,272	-2,172	-2,407	-2,437	-3,082		-5,000

Source: Shared Research based on company data  
 Note: Figures may differ from company materials due to differences in rounding methods.

## Q1 FY03/22 results (out July 29, 2021)

### Overview

- ▷ Orders: JPY336.9bn (+10.5% YoY; 101.2% of the company's full-year forecast [released on January 29, 2021])
- ▷ Revenue: JPY339.1bn (+11.7% YoY; 101.8%)
- ▷ Operating profit: JPY25.6bn (+57.4% YoY; 116.2%)
- ▷ Recurring profit: JPY25.5bn (+60.0% YoY; 115.9%)
- ▷ Net income\*: JPY15.7bn (+67.1% YoY; 116.6%)

\* Net income refers to net income attributable to owners of the parent

### Key takeaways

Orders increased 10.5% YoY and exceeded the company's full-year forecast by 1.2%. This increase in orders consisted primarily of those associated with GIGA school projects (contribution of about JPY29.0bn), DX business (working-style innovation field; about JPY13.0bn), infrastructure for telecom carriers (construction of base stations for mobile communications), and a large project involving submarine seismometer systems. However, orders associated with ITC investment by private-sector companies decreased.

Revenue rose 11.7% YoY and exceeded the company's forecast by 1.8%. Revenue rose as a result of GIGA school projects, DX business, infrastructure for telecom carriers (such as construction of base stations for mobile communications), and mega-solar projects. However, revenue related to ICT investment by private-sector companies decreased, as did revenue related to fire-fighting and disaster-prevention systems.

Operating profit rose 57.4% YoY and exceeded the company's full-year forecast by 16.2%. The company's OPM reached 7.5%, up 2.1pp from 5.4% in FY03/20.

### Performance by segment

#### Digital Solutions

- ▷ Orders: JPY128.3bn (+11.4% YoY; 99.5% of the company's full-year forecast)
- ▷ Revenue: JPY126.0bn (+11.7% YoY; 103.2%)
- ▷ Operating profit: JPY13.8bn (+18.1% YoY; 105.9%)
- ▷ OPM: 10.9% (10.3% in FY03/20; company forecast was 10.7%)

#### Network Infrastructure

- ▷ Orders: JPY95.3bn (+8.7% YoY; 99.3% of the company's full-year forecast)
- ▷ Revenue: JPY89.2bn (+7.4% YoY; 99.1%)
- ▷ Operating profit: JPY9.3bn (+14.3% YoY; 109.3%)
- ▷ OPM: 10.4% (9.8% in FY03/20; company forecast of 9.4%)

#### Engineering & Support Services

- ▷ Orders: JPY103.7bn (+12.7% YoY; 106.9% of the company's full-year forecast)
- ▷ Revenue: JPY114.1bn (+17.1% YoY; 101.9%)
- ▷ Operating profit: JPY11.8bn (+75.9% YoY; 112.5%)
- ▷ OPM: 10.4% (6.9% in FY03/20; company forecast of 9.4%)

Segment operating profit grew due to the increase in segment revenue and the absence of unprofitable projects (caused primarily by additional man-hours incurred in connection with mega-solar construction) that were on the books in FY03/20.

## FY03/22 full-year company forecast (out April 27, 2021; 1H forecast revised July 29, 2021)

(JPYmn)	FY03/21			FY03/22			YoY		
	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
<b>Revenue</b>	<b>151,205</b>	<b>187,904</b>	<b>339,109</b>	<b>147,000</b>	<b>173,000</b>	<b>320,000</b>	-2.8%	-7.9%	-5.6%
Cost of revenue	126,033	149,146	275,179	-	-	-	-	-	-
<b>Gross profit</b>	<b>25,171</b>	<b>38,758</b>	<b>63,929</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gross profit margin	16.6%	20.6%	18.9%	-	-	-	-	-	-
SG&A expenses	18,439	19,927	38,366	-	-	-	-	-	-
SG&A ratio	12.2%	10.6%	11.3%	-	-	-	-	-	-
<b>Operating profit</b>	<b>6,732</b>	<b>18,831</b>	<b>25,563</b>	<b>8,700</b>	<b>17,300</b>	<b>26,000</b>	29.2%	-8.1%	1.7%
Operating profit margin	4.5%	10.0%	7.5%	5.9%	10.0%	8.1%	-	-	-
<b>Recurring profit</b>	<b>6,778</b>	<b>18,715</b>	<b>25,493</b>	<b>8,700</b>	<b>17,300</b>	<b>26,000</b>	28.4%	-7.6%	2.0%
Recurring profit margin	4.5%	10.0%	7.5%	5.9%	10.0%	8.1%	-	-	-
<b>Net income</b>	<b>3,967</b>	<b>11,778</b>	<b>15,745</b>	<b>5,500</b>	<b>10,500</b>	<b>16,000</b>	38.6%	-10.9%	1.6%
Net margin	2.6%	6.3%	4.6%	3.7%	6.1%	5.0%	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods. Shared Research has calculated 2H forecasts by subtracting 1H forecasts from corresponding full-year forecasts.

By segment (JPYmn)	FY03/21			FY03/22			YoY		
	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
<b>Orders</b>	<b>177,890</b>	<b>158,987</b>	<b>336,877</b>	<b>165,000</b>	<b>165,000</b>	<b>330,000</b>	-7.2%	3.8%	-2.0%
Digital Solutions	71,260	57,041	128,301	61,000	59,000	120,000	-14.4%	3.4%	-6.5%
Network Infrastructure	47,577	47,761	95,338	50,000	50,000	100,000	5.1%	4.7%	4.9%
Engineering & Support Services	54,331	49,387	103,718	50,000	50,000	100,000	-8.0%	1.2%	-3.6%
Others	4,721	4,797	9,518	4,000	6,000	10,000	-15.3%	25.1%	5.1%
<b>Revenue</b>	<b>151,205</b>	<b>187,904</b>	<b>339,109</b>	<b>147,000</b>	<b>173,000</b>	<b>320,000</b>	-2.8%	-7.9%	-5.6%
Digital Solutions	56,712	69,248	125,960	55,000	61,000	116,000	-3.0%	-11.9%	-7.9%
Network Infrastructure	38,083	51,149	89,232	43,000	53,000	96,000	12.9%	3.6%	7.6%
Engineering & Support Services	51,551	62,538	114,089	44,000	54,000	98,000	-14.6%	-13.7%	-14.1%
Others	4,858	4,969	9,827	5,000	5,000	10,000	2.9%	0.6%	1.8%
<b>Operating profit</b>	<b>6,732</b>	<b>18,831</b>	<b>25,563</b>	<b>8,700</b>	<b>17,300</b>	<b>26,000</b>	<b>29.2%</b>	<b>-8.1%</b>	<b>1.7%</b>
Digital Solutions	5,271	8,492	13,763	6,100	7,900	14,000	15.7%	-7.0%	1.7%
Operating profit margin	9.3%	12.3%	10.9%	11.1%	13.0%	12.1%	-	-	-
Network Infrastructure	2,213	7,078	9,291	3,200	6,800	10,000	44.6%	-3.9%	7.6%
Operating profit margin	5.8%	13.8%	10.4%	7.4%	12.8%	10.4%	-	-	-
Engineering & Support Services	3,464	8,349	11,813	4,000	8,000	12,000	15.5%	-4.2%	1.6%
Operating profit margin	6.7%	13.4%	10.4%	9.1%	14.8%	12.2%	-	-	-
Others	363	431	794	-	-	-	-	-	-
Operating profit margin	7.3%	2.3%	5.8%	-	-	-	-	-	-
Eliminations	-4,579	-5,882	-10,098	-4,600	-5,400	-10,000	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: 2H forecasts are calculated by Shared Research by subtracting the company's 1H forecast from its full-year forecast.

## Upward revisions to the company's 1H FY03/22 forecast

The company revised its 1H FY03/22 earnings forecast as follows.

- ▷ Revenue: JPY147.0bn (previously JPY145.0bn)
- ▷ Operating profit: JPY8.7bn (JPY7.0bn)
- ▷ Recurring profit: JPY8.7bn (JPY7.0bn)
- ▷ Net income\*: JPY5.5bn (JPY4.5bn)
- ▷ EPS: JPY36.93 (JPY30.22)

\*Net income attributable to owners of the parent

The company upwardly revised its orders forecast as follows.

Orders: JPY:165.0bn (previously: JPY160.0bn)

### Reasons for the revisions

The company lifted its revenue and profit forecasts to factor in favorable progress in earnings through Q1. It noted that profitability improved at a pace faster than expected in Q1 as highly profitable businesses offering strong added value expanded.

In its corporate business, the company looks to make further progress in shifting from a network-based system integration business model focused on hardware products to a business model centered on the provision of solutions that utilize DX technologies and focus on solving customer issues. In its business for telecom carriers, amid signs of favorable capital investment in 5G and the company cementing relationships of trust with its customers, NESIC has expanded the scope of business to which it can provide support while also acquiring new businesses.

The company made no change to its full-year FY03/22 forecast, citing uncertainties in the external environment, including in regard to potential ICT product supply issues due to semiconductor shortages, and the impact from the ongoing COVID-19 pandemic.

### Overview of segment forecast revisions

#### Digital Solutions

- ▷ Orders: JPY61.0bn (previously JPY58.0bn)
- ▷ Revenue: JPY55.0bn (JPY57.0bn)
- ▷ Operating profit: JPY6.1bn (JPY5.5bn)

#### Network Infrastructure

- ▷ Orders: JPY50.0bn (previously JPY48.0bn)
- ▷ Revenue: JPY43.0bn (JPY40.0bn)
- ▷ Operating profit: JPY3.2bn (JPY2.5bn)

#### Engineering & Support Services (for reference purposes; the company made no revisions in this segment)

- ▷ Orders: JPY50.0bn (previously JPY50.0bn)
- ▷ Revenue: JPY44.0bn (JPY44.0bn)
- ▷ Operating profit: JPY4.0bn (JPY4.0bn)

This note is the most recent addition to the [full report](#).

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