

These financial statements have been prepared in accordance with accounting principals generally accepted in Japan.

NEC Networks & System Integration Corporation

Stock exchange listing: Tokyo
Code number: 1973

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

1. Consolidated Results for the First Nine Months (April 1, 2022 to December 31, 2022) of Fiscal Year ending March 31, 2023

(Rounded down to the nearest million yen.)

(1) Net Sales and Income

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
9 months/FY Mar 2023	221,881	1.4	11,174	-8.2	11,206	-10.5
9 months/FY Mar 2022	218,824	-6.3	12,168	-11.8	12,516	-9.7

	Net income attributable to owners of the parent (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
9 months/FY Mar 2023	6,111	-20.5	41.03	-
9 months/FY Mar 2022	7,685	-8.0	51.60	-

c. f. Comprehensive income: 9 Months/FY Mar 2023: ¥8,026 million (-2.8%); 9 Months/FY Mar 2022: ¥8,255 million (-6.0%)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
31/Dec/2022	246,435	139,065	54.7	905.41
31/Mar/2022	254,701	138,149	52.9	904.66

c. f. Owner's equity: 31/Dec/2022: ¥134,864 million; 31/Mar/2022 ¥134,742million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ending Mar. 2023	-	23.00	-	23.00 ※	46.00 ※
FY ended Mar. 2022	-	19.00	-	24.00	43.00

Note: Revisions to projected dividends for the quarter under review: no

3. Financial Forecasts for Fiscal Year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentages represent change compared to the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
FY ending Mar. 2023	322,000	3.8	22,000	-5.1	22,000	-6.6	13,000	-13.5	87.28

Note: Revisions to projected results for the quarter under review: yes

Cautionary Statement

Forecasts 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2022	As of Dec 31, 2022
(Millions of yen)		
Assets		
Current assets		
Cash and cash equivalents	79,732	68,132
Notes and accounts receivable, and contract assets	111,539	102,767
Electronically recorded monetary claims	987	1,714
Purchased goods, materials and supplies	2,623	2,932
Work in process	8,155	13,713
Other	11,204	12,452
Allowance for doubtful accounts	(80)	(85)
Total current assets	<u>214,161</u>	<u>201,627</u>
Non-current assets		
Property and equipment	12,807	12,640
Intangible assets		
Goodwill	388	212
Other	3,901	3,681
Total intangible assets	<u>4,290</u>	<u>3,894</u>
Investments and other assets		
Deferred tax assets	13,639	13,318
Other	9,853	15,005
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	<u>23,442</u>	<u>28,273</u>
Total non-current assets	<u>40,540</u>	<u>44,807</u>
Total assets	<u>254,701</u>	<u>246,435</u>
Liabilities		
Current liabilities		
Notes and accounts payable	40,486	36,221
Electronically recorded obligations	1,217	1,572
Short-term bank loans	9,190	8,668
Current installments of long-term debt	264	231
Accrued income taxes	4,019	447
Accrued bonuses to directors and corporate auditors	145	35
Accrued warranty on products	114	138
Accrued losses on sales contracts	2,107	756
Provision for compensation for damage	4	3
Provision for office transfer cost	—	605
Other current liabilities	26,087	25,264
Total current liabilities	<u>83,636</u>	<u>73,946</u>
Non-current liabilities		
Long-term debt	3,202	3,028
Liabilities for retirement benefits	27,714	28,563
Other liabilities	1,998	1,831
Total non-current liabilities	<u>32,914</u>	<u>33,423</u>
Total liabilities	<u>116,551</u>	<u>107,369</u>
Net assets		
Shareholders' equity		
Common stock	13,122	13,122
Capital surplus	16,694	16,708
Retained earnings	105,673	104,785
Treasury stock, at cost	(259)	(251)
Total shareholders' equity	<u>135,230</u>	<u>134,364</u>
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	1,242	1,705
Deferred gains or losses on hedges	—	(41)
Foreign currency translation adjustments	(517)	(231)
Accumulated adjustments for retirement benefits	(1,213)	(932)
Total accumulated other comprehensive income	<u>(488)</u>	<u>499</u>
Non-controlling interests	3,407	4,201
Total net assets	<u>138,149</u>	<u>139,065</u>
Total liabilities and net assets	<u>254,701</u>	<u>246,435</u>

(2) Consolidated Statements of Income and Comprehensive Income**(Consolidated Statements of Income)**

(Millions of yen)

	1Q-3Q, FY March 2022 (9 months ended Dec 2021)	1Q-3Q, FY March 2023 (9 months ended Dec 2022)
Net sales	218,824	221,881
Cost of sales	176,827	178,341
Gross profit	41,996	43,539
Selling, general and administrative expenses	29,828	32,365
Operating income (loss)	12,168	11,174
Non-operating income		
Interest income	9	12
Dividend income of insurance	156	164
Other	349	310
Total non-operating income	516	487
Non-operating expenses		
Interest expenses	77	139
Foreign exchange loss	2	146
Other	87	168
Total non-operating expenses	168	455
Ordinary income (loss)	12,516	11,206
Extraordinary income		
Gain on sale of investment in affiliates	141	—
Total extraordinary income	141	—
Extraordinary losses		
Expenses relating to move of the head office	—	671
Loss on liquidation of subsidiaries	—	147
Loss on revision of retirement benefit plan	—	99
Provision of allowance for compensation for damage	324	—
Total extraordinary losses	324	917
Income (loss) before income taxes	12,333	10,288
Income taxes	4,912	3,383
Net income (loss)	7,421	6,905
Net income (loss) attributable to non-controlling interests	(263)	793
Net income (loss) attributable to owners of the parent	7,685	6,111

(Millions of yen)

	1Q-3Q, FY March 2022 (9 months ended Dec 2021)	1Q-3Q, FY March 2023 (9 months ended Dec 2022)
Net income (loss)	7,421	6,905
Other comprehensive income		
Net unrealized holding loss on other securities	621	463
Deferred gains or losses on hedges	—	(41)
Foreign currency translation adjustments	(91)	419
Adjustments for retirement benefit	303	281
Share of other comprehensive income of associates accounted for using equity method	0	(2)
Total other comprehensive income	834	1,121
Comprehensive income (loss)	8,255	8,026
Comprehensive income (loss) attributable to:		
Owners of the parent	8,590	7,100
Non-controlling interests	(335)	926

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1Q-3Q, FY March 2022 (9 months ended Dec 2021)	1Q-3Q, FY March 2023 (9 months ended Dec 2022)
Cash flows from operating activities		
Net income (loss) before income taxes	12,333	10,288
Depreciation and amortization	2,415	2,947
Amortization of goodwill	176	176
Expenses relating to move of the head office	—	671
Loss (gain) on liquidation of subsidiaries	—	147
Loss (gain) on revision of retirement benefit plan	—	99
Increase (decrease) in allowance for doubtful receivables	(4)	(1)
Increase (decrease) in asset for retirement benefit	15	(111)
Increase (decrease) in liability for retirement benefits	(134)	83
Increase (decrease) in accrued bonuses to directors and corporate auditors	(126)	(110)
Increase (decrease) in accrued warranty on products	17	24
Increase (decrease) in accrued losses on sales contracts	1,822	(1,503)
Increase (decrease) in provision for compensation for damage	(707)	0
Interest and dividend income	(47)	(42)
Interest expense	77	139
(Increase) decrease in notes and accounts receivable, and contract assets	23,569	9,855
(Increase) decrease in inventories	(930)	(5,875)
Increase (decrease) in notes and accounts payable	(11,736)	(4,061)
Increase (decrease) in accrued consumption taxes	(1,240)	(1,442)
Other, net	(2,572)	(2,333)
Subtotal	22,928	8,951
Interest and dividend income received	47	42
Interest paid	(74)	(137)
Income taxes paid	(9,778)	(7,339)
Net cash provided by (used in) operating activities	13,122	1,517
Cash flows from investing activities		
Purchase of property and equipment	(2,440)	(1,329)
Proceeds from sale of property and equipment	19	0
Purchase of intangibles	(602)	(810)
Purchase of investment securities	(683)	(754)
Payments for sale of shares of subsidiaries	189	—
Loans receivable made	(17)	(7)
Collection of loans receivable	0	1
Other, net	(367)	(964)
Net cash used in investing activities	(3,902)	(3,864)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	1,080	(2,101)
Repayments of long-term debt	(223)	(206)
Net (increase) decrease in treasury shares	21	22
Dividends paid to shareholders	(5,943)	(6,984)
Dividends paid to minority shareholders of subsidiaries	(29)	(25)
Other, net	(213)	(156)
Net cash provided by used in financing activities	(5,307)	(9,452)
Effect of exchange rate changes on cash and cash equivalents	(22)	199
Net increase (decrease) in cash and cash equivalents	3,889	(11,599)
Cash and cash equivalents at beginning of period	68,426	79,732
Cash and cash equivalents at end of period	72,316	68,132

(4) Segment Information

Business Segment Information

First nine months of fiscal March 2022 (9 months ended December 2021)

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	77,728	57,347	79,252	4,496	-	218,824
(2) Intersegment sales	-	-	-	-	-	-
Total	77,728	57,347	79,252	4,496	-	218,824
Operating income and loss	8,896	6,298	3,191	655	(6,872)	12,168

First nine months of fiscal March 2023 (9 months ended December 2022)

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	80,202	55,511	80,598	5,569	-	221,881
(2) Intersegment sales	-	-	-	-	-	-
Total	80,202	55,511	80,598	5,569	-	221,881
Operating income and loss	8,192	5,448	5,002	157	(7,627)	11,174

※Segment information for FY22/3 has been reclassified numbers to reflect the segment change in April 2022.