

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 Half (April 1, 2023 to September 30, 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 (%)
6 months ended Sep 2023	155,195	8.8	6,224	34.1	6,161	29.4
6 months ended Sep 2022	142,686	1.2	4,643	(39.1)	4,762	(39.6)

	Net income attributable to owners of the parent (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
6 months ended Sep 2023	3,600	33.4	24.17	—
6 months ended Sep 2022	2,699	(42.6)	18.12	—

c.f. Comprehensive income: 1H/FY Mar 2024: ¥3,606 million <(2.3%)>; 1H/FY Mar 2023: ¥3,690 million <(36.9%)>

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/Sep/2023	255,687	145,894	55.2	947.90
31/Mar/2023	267,000	145,714	52.9	948.23

c.f. Owner's equity: 30/Sep/2023: ¥141,206 million; 31/Mar/2023 ¥141,242million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended Mar. 2023	—	23.00	—	23.00	46.00
FY ending Mar. 2024	—	24.50	—	24.50 ※	49.00 ※

※ Forecast

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

3. Financial Forecasts for Fiscal Year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(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. 2024	350,000	9.1	24,000	5.5	24,000	4.5	14,000	1.4	93.99

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

(Millions of yen)

	As of March 31, 2023	As of Sep 30, 2023
Assets		
Current assets		
Cash and cash equivalents	68,549	72,497
Notes, accounts receivable and contract assets	123,297	106,473
Electronically recorded obligations	1,165	2,312
Purchased goods, materials and supplies	3,151	2,717
Work in process	12,932	12,122
Other	11,724	14,919
Allowance for doubtful accounts	(85)	(35)
Total current assets	<u>220,735</u>	<u>211,008</u>
Non-current assets		
Property and equipment	14,343	14,039
Intangible assets		
Goodwill	153	119
Other	3,592	3,267
Total intangible assets	<u>3,745</u>	<u>3,386</u>
Investments and other assets		
Deferred tax assets	14,172	14,447
Other	14,100	12,913
Allowance for doubtful accounts	(97)	(107)
Total investments and other assets	<u>28,175</u>	<u>27,253</u>
Total non-current assets	<u>46,264</u>	<u>44,679</u>
Total assets	<u>267,000</u>	<u>255,687</u>
Liabilities		
Current liabilities		
Notes and accounts payable	44,571	34,213
Electronically recorded obligations	1,467	981
Short-term bank loans	8,653	7,628
Current installments of long-term debt	202	86
Accrued income taxes	4,493	3,085
Accrued bonuses to directors and corporate auditors	144	52
Accrued warranty on products	161	164
Accrued losses on sales contracts	515	324
Accrued compensation for damage	3	3
Accrued office transfer cost	394	72
Other current liabilities	26,282	29,366
Total current liabilities	<u>86,890</u>	<u>75,978</u>
Long-term liabilities		
Long-term debt	3,000	3,000
Liabilities for retirement benefits	28,424	27,964
Other liabilities	2,970	2,850
Total long-term liabilities	<u>34,395</u>	<u>33,815</u>
Total liabilities	<u>121,285</u>	<u>109,793</u>
Net assets		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,708	16,726
Retained earnings	112,486	112,661
Treasury stock, at cost	(252)	(244)
Total shareholders' equity	<u>142,065</u>	<u>142,265</u>
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	1,382	829
Deferred gains or losses on hedges	10	45
Foreign currency translation adjustments	(284)	(180)
Accumulated adjustments for retirement benefits	(1,930)	(1,753)
Total accumulated other comprehensive income	<u>(822)</u>	<u>(1,059)</u>
Non-controlling interests	4,471	4,687
Total net assets	<u>145,714</u>	<u>145,894</u>
Total liabilities and net assets	<u>267,000</u>	<u>255,687</u>

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

	1H, FY March 2023 (6 months ended Sep 2022)	1H, FY March 2024 (6 months ended Sep 2023)
Net sales	142,686	155,195
Cost of sales	116,841	126,231
Gross profit	25,844	28,964
Selling, general and administrative expenses	21,201	22,739
Operating income (loss)	4,643	6,224
Non-operating income		
Interest income	9	5
Dividend income of insurance	164	102
Dividend income of insurance	—	87
Other	212	227
Total non-operating income	385	422
Non-operating expenses		
Interest expenses	79	189
Other	187	296
Total non-operating expenses	267	485
Ordinary income (loss)	4,762	6,161
Extraordinary losses		
Expenses relating to move of the head office	519	—
Loss on liquidation of subsidiaries	147	—
Total extraordinary losses	666	—
Income (loss) before income taxes	4,095	6,161
Income taxes	1,600	2,394
Net income (loss)	2,494	3,767
Net income (loss) attributable to non-controlling interests	(204)	166
Net income (loss) attributable to owners of the parent	2,699	3,600

(Millions of yen)

	1H, FY March 2023 (6 months ended Sep 2022)	1H, FY March 2024 (6 months ended Sep 2023)
Net income (loss)	2,494	3,767
Other comprehensive income		
Net unrealized holding loss on other securities	663	(553)
Deferred gains or losses on hedges	—	35
Foreign currency translation adjustments	347	182
Adjustments for retirement benefit	187	176
Share of other comprehensive income of associates accounted for using equity method	(2)	(2)
Total other comprehensive income	1,195	(161)
Comprehensive income (loss)	3,690	3,606
Comprehensive income (loss) attributable to:		
Owners of the parent	3,782	3,364
Non-controlling interests	(91)	242

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H, FY March 2023 (6 months ended Sep 2022)	1H, FY March 2024 (6 months ended Sep 2023)
Cash flows from operating activities		
Net income (loss) before income taxes	4,095	6,161
Depreciation and amortization	1,906	1,992
Amortization of goodwill	117	34
Expenses relating to move of the head office	519	—
Loss (gain) on liquidation of subsidiaries	147	—
Increase (decrease) in allowance for doubtful receivables	0	(53)
Increase (decrease) in asset for retirement benefit	(104)	(101)
Increase (decrease) in liability for retirement benefits	134	(438)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(99)	(92)
Increase (decrease) in accrued warranty on products	23	2
Increase (decrease) in accrued losses on sales contracts	526	(209)
Interest and dividend income	(37)	(30)
Interest expense	79	189
(Increase) decrease in notes and accounts receivable, and contract assets	21,252	16,501
(Increase) decrease in inventories	(3,662)	1,258
Increase (decrease) in notes and accounts payable	(8,896)	(10,922)
Increase (decrease) in accrued consumption taxes	(1,109)	991
Other, net	(1,052)	784
Subtotal	13,841	16,068
Interest and dividend income received	37	30
Interest paid	(79)	(194)
Income taxes paid	(3,299)	(4,018)
Net cash provided by (used in) operating activities	10,500	11,885
Cash flows from investing activities		
Purchase of property and equipment	(820)	(2,135)
Proceeds from sale of property and equipment	0	1
Purchase of intangibles	(494)	(591)
Purchase of investment securities	(273)	(143)
Loans receivable made	(6)	(20)
Collection of loans receivable	1	1
Other, net	(783)	78
Net cash used in investing activities	(2,376)	(2,810)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(1,334)	(1,635)
Repayments of long-term debt	(148)	(115)
Net (increase) decrease in treasury shares	22	25
Dividends paid to shareholders	(3,568)	(3,421)
Dividends paid to minority shareholders of subsidiaries	(25)	(25)
Other, net	(106)	(89)
Net cash provided by used in financing activities	(5,161)	(5,263)
Effect of exchange rate changes on cash and cash equivalents	195	135
Net increase (decrease) in cash and cash equivalents	3,157	3,947
Cash and cash equivalents at beginning of period	79,732	68,549
Cash and cash equivalents at end of period	82,889	72,497

(4) Segment Information

Business Segment Information

First half of fiscal March 2024 (6 months ended September 2023)

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	58,939	38,627	53,672	3,956	-	155,195
(2) Intersegment sales	-	-	-	-	-	-
Total	58,939	38,627	53,672	3,956	-	155,195
Operating income and loss	6,511	3,369	2,535	57	(6,249)	6,224

First half of fiscal March 2023 (6 months ended September 2022)

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	51,915	36,286	50,920	3,563	-	142,686
(2) Intersegment sales	-	-	-	-	-	-
Total	51,915	36,286	50,920	3,563	-	142,686
Operating income and loss	5,263	3,317	829	83	(4,851)	4,643