

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

NEC Networks &amp; 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, 2019 to September 30, 2019)**  
**of Fiscal Year ending March 31, 2020**

(Rounded down to the nearest million yen.)

**(1) Net Sales and Income**

	Net sales (¥ million)	Year-on-year change (%)	Operating income	Year-on-year change (%)	Ordinary income	Year-on-year change (%)
<b>6 months ended Sep 2019</b>	<b>136,270</b>	<b>11.2</b>	<b>4,369</b>	<b>66.0</b>	<b>4,335</b>	<b>49.5</b>
6 months ended Sep 2018	122,506	2.1	2,632	4.7	2,900	9.9

	Net income attributable to owners of the parent (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
<b>6 months ended Sep 2019</b>	<b>2,902</b>	<b>51.8</b>	<b>58.47</b>	—
6 months ended Sep 2018	1,911	18.4	38.51	—

c.f. Comprehensive income: 1H/FY Mar 2020: ¥3,296 million (56.0%); 1H/FY Mar 2019: ¥2,113 million (5.4%)

**(2) Financial Position**

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
<b>30/Sep/2019</b>	<b>209,493</b>	<b>108,915</b>	<b>50.7</b>	<b>2,137.76</b>
31/Mar/2019	216,171	107,608	48.5	2,113.19

c.f. Owner's equity: 30/Sep/2019: ¥106,119 million; 31/Mar/2019: ¥104,888 million

**2. Dividends**

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended Mar. 2019	—	38.00	—	40.00	78.00
<b>FY ending Mar. 2020</b>	—	<b>40.00</b>	— ※	<b>40.00</b> ※	<b>80.00</b> ※

※ Forecasts

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

**3. Financial Forecasts for Fiscal Year ending March 31, 2020 (April 1, 2019 to March 31, 2020)**

(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. 2020	300,000	7.9	14,000	9.6	14,000	7.5	9,000	1.3	181.31

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. Business Results

### (1) Business Results for the 1H for the Fiscal Year Ending March 31, 2020

During the first half of the fiscal year ending March 31, 2020 (the period from April 1, 2019, to September 30, 2019), the Japanese economy continued its moderate recovery amid improvement in the employment and income conditions. However, there were worrying trends in areas such as trade and associated fluctuations in the financial and capital markets, and weakness in some aspects of exports and production have also been evident recently.

In the enterprises market, companies maintained a high level of investment in management improvements, such as work-style innovation and strengthening their competitiveness, and stepped up capital expenditure in response to rising inbound tourism centered on hotels. In addition, interest in cutting-edge technologies has remained at a high level, including DX(※2) such as the cloud, artificial intelligence (AI), the Internet of Things (IOT) and Robotic Process Automation (RPA). Furthermore, system investment in sophisticated urban infrastructures by the central and local governments and public interest-related companies such as the firefighting and disaster prevention areas and the broadcasting and CATV fields and capital investment for enhancing telecommunication quality in the telecom carrier business all continued.

In this market environment, the Company and its consolidated subsidiaries (hereinafter “the Group”) actively stepped up investments in the work-style innovation area, the enhancement of communications infrastructures associated with the new construction or reconstruction of hotels, and new projects in the fields of firefighting and disaster prevention systems and broadcasting and CATV.

Moreover, in May 2019 the Company announced “Beyond Borders 2021,” its Medium-Term Management Plan, with a view to changes in the environment over the next 10 years. We aim to be a “communication services orchestrator” that produces new social value in co-creation with our partners, utilizing the strengths of the Group. We also plan to accelerate a shift to a new business model and new business creation based on digital and 5G, regarding the resolution of social issues and a wave of technological innovation as an opportunity for business expansion.

Under this concept, our business units were reorganized in line with business areas of focus in April 2019 with the aim of demonstrating technical expertise or competitiveness. At the same time, our organizational capability for future growth was reinforced by consolidating advanced technologies and business creation functions under newly established Business Design Operations Unit. In addition, we emphasized the development of new services combining the work-style innovation solution “EmpoweredOffice(※3)” and DX technologies and the proactive self-practice . We also accelerated open innovation initiatives to discover

cutting-edge solution services such as investment in a US venture fund and the facilitation of partnerships with global venture capitals/accelerators(※4). Moreover, the Group has entered into the onshore fish farming business using ICT/digital technologies to expand the area of the Company's value chain from the existing ICT area to value-added areas through co-creation with our partners.

As a result, the Group posted the following consolidated results for the first half for the fiscal year under review:

Net sales	¥136,270 million	11.2%	increase year on year
Operating income	¥4,369 million	66.0%	increase year on year
Ordinary income	¥4,335 million	49.5%	increase year on year
Net income attributable to owners of the parent	¥2,902 million	51.8%	increase year on year
<Reference>			
Orders received	¥151,724 million	3.4%	increase year on year

Net sales increased 11.2% year on year, to ¥136,270 million. This result reflected growth in SI and services for general corporations centered on business related to work-style innovation and hotels, and social public infrastructures such as firefighting systems. In line with net sales, orders received also increased 3.4% year on year, to ¥151,724 million. This result reflected the expansion of the work-style innovation-related business despite a reactionary drop in orders due to the impact of large overseas projects in the same period last year, and steady expansion despite frontloaded orders in social public infrastructures such as firefighting and disaster prevention systems and traffic networks.

Looking at profits, operating income improved 66.0% year on year, to ¥4,369 million, and ordinary income improved 49.5%, to ¥4,335 million. Net income attributable to owners of the parent improved 51.8% year on year, to ¥2,902 million. These results reflected the fact that net sales increased both in SI and services, resource efficiency improved, profit improvement effects due to the reinforcement of project management progressed and growth expenditure partially carried over into the third quarter and thereafter.

Operating results by business segment were as follows:

**Net sales by business segment**

(Million yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Other	Total
<b>1H Fiscal 2020.3</b>	51,671	35,638	43,007	5,953	136,270
1H Fiscal 2019.3	46,640	34,416	38,332	3,116	122,506
Increase or (decrease)	5,030	1,222	4,675	2,836	13,764
Ratio of increase/(decrease) (%)	10.8	3.6	12.2	91.0	11.2

**Reference: Orders received by business segment**

(Million yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Other	Total
<b>1H Fiscal 2020.3</b>	53,913	46,149	47,213	4,448	151,724
1H Fiscal 2019.3	52,323	42,202	48,384	3,816	146,727
Increase or (decrease)	1,589	3,947	(1,171)	631	4,996
Ratio of increase/(decrease) (%)	3.0	9.4	(2.4)	16.5	3.4

1. Digital Solutions business

Sales for SI and services centered on the work-style innovation related field and the development of networks for hotels expanded. As a result, net sales increased 10.8% year on year, to ¥51,671 million.

2. Network Infrastructures business

Sales for telecom carriers were carried over to the second half, but sales increased due to the expansion of social public infrastructures, including the firefighting system. As a result, net sales for the business increased 3.6% year on year, to ¥35,638 million..

3. Engineering & Support Services business

Net sales for the business increased 12.2% year on year, to ¥43,007 million, as the domestic construction business and maintenance/operation business both expanded.

\*EmpoweredOffice:

EmpoweredOffice is our office innovation solution. It combines our strengths in ICT and facility installation to enable more intellectual and creative styles of work through process reforms. It also proposes new methods and places of work that enable customers to fulfill their social responsibilities, such as the strengthening of security and environmental responsiveness.

<Outline of Business Segments>

Business Segment	Descriptions of Main Businesses
Digital Solutions	System integration related to ICT platform and outsourcing/cloud services for business of enterprises and other customers and provision of solutions/services that are helpful for customers' business transformation by using cutting-edge/digital technologies , and contact center services
Network Infrastructures business	Provision of system integration/services related to network infrastructures of a public nature with the required high reliability, and the development/manufacture and sales of network equipment, and provide system integration for telecom carriers, central and local governments and social infrastructures service providers.
Engineering & Support Services business	Construction business in Japan and abroad, provision of support services such as maintenance and operations/monitoring related to ICT systems/services provided by the Company and operations of company-wide service infrastructures, in addition to technical support using these.
Others	Sales of purchased equipment

(2) Outlook for the Fiscal Year Ending March 31, 2020

The Japanese economy is expected to continue a modest recovery, due mainly to the effect of government stimulus measures and improvements in the employment and income conditions. However, there are concerns such as trade issues and the downward trend of overseas economies, and a risk that could result in a downturn of the Japanese economy remains.

In this business environment, despite worries about the uncertain macroeconomic environment from the third quarter onward, the impact of partially front-loaded net sales into the first six months under review, and the carrying-over of growth expenditure into the third quarter onward, the full-year forecasts of consolidated financial results for the fiscal year ending March 2020 have been revised upward as stated below in view of steady progress in the first six months under review:

Net sales	¥300 billion	7.9% increase year on year
Operating income	¥14.0 billion	9.6% increase year on year
Ordinary income	¥14.0 billion	7.5% increase year on year
Net income attributable to owners of the parent	¥9.0 billion	1.3% increase year on year

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	54,354	63,987
Notes and accounts receivable	106,553	87,060
Electronically recorded monetary claims	606	487
Purchased goods, materials and supplies	6,354	6,193
Work in process	6,827	8,495
Exc Other	6,423	6,991
Allowance for doubtful accounts	(82)	(84)
Total current assets	181,036	173,131
Non-current assets		
Property and equipment	10,217	8,527
Intangible assets		
Goodwill	1,146	1,022
Other	5,088	4,990
Total intangible assets	6,234	6,013
Investments and other assets		
Deferred tax assets	13,600	15,171
Other	5,144	6,709
Allowance for doubtful accounts	(62)	(60)
Total investments and other assets	18,682	21,820
Total non-current assets	35,134	36,362
Total assets	216,171	209,493
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	40,274	35,423
Electronically recorded obligations	807	865
Short-term bank loans	2,284	3,326
Current installments of long-term debt	231	298
Accrued income taxes	3,175	1,336
Accrued bonuses to directors and corporate auditors	117	52
Accrued warranty on products	113	112
Accrued losses on sales contracts	1,980	1,636
Accrued office transfer cost	-	405
Other current liabilities	23,344	21,165
Total current liabilities	72,328	64,622
Long-term liabilities		
Long-term debt	3,896	3,913
Liabilities for retirement benefits	30,609	30,465
Other liabilities	1,729	1,576
Total long-term liabilities	36,234	35,956
Total liabilities	108,562	100,578
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,659	16,664
Retained earnings	79,520	80,437
Treasury stock, at cost	(279)	(269)
Total shareholders' equity	109,022	109,955
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	31	39
Deferred gains or losses on hedges	-	5
Foreign currency translation adjustments	(471)	(462)
Accumulated adjustments for retirement benefits	(3,694)	(3,418)
Total accumulated other comprehensive income	(4,134)	(3,836)
Non-controlling interests	2,719	2,796
Total net assets	107,608	108,915
Total liabilities and net assets	216,171	209,493

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

(Millions of yen)

	1H, FY March 2019 (6 months ended Sep 2018)	1H, FY March 2020 (6 months ended Sep 2019)
Net sales	122,506	136,270
Cost of sales	102,979	113,758
Gross profit	19,526	22,512
Selling, general and administrative expenses	16,894	18,143
Operating income (loss)	2,632	4,369
Non-operating income		
Interest income	20	19
Dividends income of insurance	193	117
Other	175	168
Total non-operating income	389	305
Non-operating expenses		
Interest expenses	53	48
Impairment loss on investment securities	2	94
Compensation for damage	0	68
Other	63	127
Total non-operating expenses	120	339
Ordinary income (loss)	2,900	4,335
Extraordinary losses		
Impairment loss	-	1,788
Office transfer cost	-	405
Total extraordinary losses	-	2,194
Income (loss) before income taxes	2,900	2,141
Income taxes	889	(827)
Net income (loss)	2,011	2,968
Net income (loss) attributable to non-controlling interests	99	66
Net income (loss) attributable to owners of the parent	1,911	2,902

(Millions of yen)

(Millions of yen)

	1H, FY March 2019 (6 months ended Sep 2018)	1H, FY March 2020 (6 months ended Sep 2019)
Net income (loss)	2,011	2,968
Other comprehensive income		
Net unrealized holding loss on other securities	(14)	8
Deferred gains or losses on hedges	-	5
Foreign currency translation adjustments	(187)	39
Adjustments for retirement benefit	307	275
Share of other comprehensive income of associates	(2)	(0)
Total other comprehensive income	102	327
Comprehensive income (loss)	2,113	3,296
Comprehensive income (loss) attributable to:		
Owners of the parent	2,084	3,200
Non-controlling interests	28	96

**(3) Consolidated Statements of Cash Flows**

(Millions of yen)

	1H, FY March 2019 (6 months ended Sep 2018)	1H, FY March 2020 (6 months ended Sep 2019)
<b>Cash flows from operating activities</b>		
Net income (loss) before income taxes	2,900	2,141
Depreciation and amortization	1,242	1,815
Amortization of goodwill	123	123
Impairment loss	-	1,788
Increase (decrease) in allowance for doubtful	(5)	(1)
Increase (decrease) in asset for retirement benefit	134	75
Increase (decrease) in liability for retirement benefits	269	204
Increase (decrease) in accrued bonuses to directors and	(57)	(65)
Increase (decrease) in accrued warranty on products	(4)	(0)
Increase (decrease) in accrued losses on sales contracts	472	(343)
Interest and dividend income	(34)	(39)
Interest expense	53	48
(Increase) decrease in notes and accounts receivable	21,219	19,645
(Increase) decrease in inventories	(4,404)	(1,507)
Increase (decrease) in notes and accounts payable	(7,720)	(4,791)
Increase (decrease) in accrued consumption taxes	(868)	(1,217)
Other, net	4,179	(1,000)
Subtotal	17,499	16,874
Interest and dividend income received	34	39
Interest paid	(54)	(48)
Income taxes paid	(3,254)	(2,763)
Net cash provided by (used in) operating activities	14,225	14,101
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,080)	(1,105)
Proceeds from sale of property and equipment	0	7
Purchase of intangibles	(1,153)	(455)
Proceeds from sale of intangibles	-	0
Purchase of investment securities	(115)	(620)
Collection of loans receivable	0	0
Other, net	(386)	(1,152)
Net cash used in investing activities	(2,734)	(3,325)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term bank loans	(290)	1,044
Repayments of long-term debt	(85)	(115)
Proceeds from long-term debt	-	200
Net (increase) decrease in treasury shares	-1	(1)
Dividends paid to shareholders	(1,834)	(1,982)
Dividends paid to minority shareholders of subsidiaries	(27)	(23)
Proceeds from share issuance to non-controlling	245	3
Other, net	(229)	(256)
Net cash provided by used in financing activities	(2,223)	(1,132)
Effect of exchange rate changes on cash and cash equivalents	(132)	(10)
Net increase (decrease) in cash and cash equivalents	9,134	9,633
Cash and cash equivalents at beginning of period	57,281	54,354
Cash and cash equivalents at end of period	66,416	63,987



#### (4) Segment Information

##### Business Segment Information

First half of fiscal March 2019 (6 months ended September 2018)

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
<b>Sales</b>						
(1) Sales to third parties	46,640	34,416	38,332	3,116	-	122,506
(2) Intersegment sales	-	-	-	-	-	-
<b>Total</b>	<b>46,640</b>	<b>34,416</b>	<b>38,332</b>	<b>3,116</b>	<b>-</b>	<b>122,506</b>
<b>Operating income and loss</b>	<b>3,316</b>	<b>1,502</b>	<b>1,971</b>	<b>157</b>	<b>(4,315)</b>	<b>2,632</b>

First half of fiscal March 2020 (6 months ended September 2019)

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
<b>Sales</b>						
(1) Sales to third parties	51,671	35,638	43,007	5,953	-	136,270
(2) Intersegment sales	-	-	-	-	-	-
<b>Total</b>	<b>51,671</b>	<b>35,638</b>	<b>43,007</b>	<b>5,953</b>	<b>-</b>	<b>136,270</b>
<b>Operating income and loss</b>	<b>4,364</b>	<b>2,334</b>	<b>2,097</b>	<b>250</b>	<b>(4,676)</b>	<b>4,369</b>