

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 Quarter (April 1, 2020 to September 30, 2020)
of Fiscal Year ending March 31, 2021**

(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 (%)
6 months ended Sep 2020	151,205	11.0	6,732	54.1	6,778	56.3
6 months ended Sep 2019	136,270	11.2	4,369	66.0	4,335	49.5

	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 2020	3,967	36.7	26.64	—
6 months ended Sep 2019	2,902	51.8	19.49	—

c.f. Comprehensive income: 1H/FY Mar 2021: ¥4,208 million (27.7 %); 1H/FY Mar 2020: ¥3,296 million (56.0 %)

* The company conducted a three-for-one stock split for its common stock on June 1, 2020. The amount of "Net income per share" is calculated on the assumption that the stock split had been carried out at the beginning of the previous consolidated fiscal year.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/Sep/2020	230,823	115,429	48.7	754.42
31/Mar/2019	230,244	113,510	47.9	741.12

c.f. Owner's equity: 30/Sep/2020: ¥112,356 million; 31/Mar/2020: ¥110,366 million

* The company conducted a three-for-one stock split for its common stock on June 1, 2020. The amount of "Net assets per share" is calculated on the assumption that the stock split had been carried out at the beginning of the previous consolidated fiscal year.

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended Mar. 2020	—	13.33	—	14.00	27.33
FY ending Mar. 2021	—	14.00	—	14.00 ※	28.00 ※

※ Forecast

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

* The company conducted a three-for-one stock split for its common stock on June 1, 2020. The dividends per share in the FY ended March 2020 is calculated on the assumption that the stock split had been carried out.

3. Financial Forecasts for Fiscal Year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(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. 2021	327,000	7.7	19,000	17.0	19,000	19.2	11,300	19.9	75.88

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

* The company conducted a three-for-one stock split for its common stock on June 1, 2020. The amount of "Net income attributable to owners of the parent" is calculated considering on this stock split.

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, 2021

During the first half under review (the period from April 1, 2020, to September 30, 2020), the Japanese economy was faced with an inevitable, sharp decline due to the impact of the COVID-19 pandemic, which led to the government's declaration of a state of emergency in April. Although a gradual recovery trend is recognized after the lifting of the state of emergency at the end of May, the Japanese economy remains severe, and we need to monitor the pandemic situation in Japan and overseas going forward.

Under these economic conditions, the COVID-19 pandemic affected some areas of the information and communication technology (ICT) market, the business domain where NEC Networks & System Integration Corporation (hereinafter "NESIC") operates, although a robust trend continued from the previous year.

In the enterprise market, companies maintained a high level of investment in workstyle innovation, such as the introduction of teleworking as part of the response to the COVID-19 pandemic. Interest in cutting-edge technologies also remained high, including digital transformation (DX) such as cloud computing, artificial intelligence (AI), Internet of Things (IoT) and robotic process automation (RPA). Meanwhile, the trend of postponing investment due to a fall in financial performance and other concerns has become more apparent in some industries such as commerce and services. Meanwhile, capital investment by telecom carriers remained robust for migration to 5G and enhancements on the quality of telecommunications. Central and local governments and public interest-related organizations continued their system investment in sophisticated urban infrastructure such as firefighting and disaster prevention and broadcasting, video transmission and CATV although there were some impact such as project delay. The ICT investment needs for the educational market such as GIGA school initiative and remote (online) classes also rapidly increased.

In this market environment, the NESIC Group actively engaged in projects that emerged in the workstyle innovation business, ICT investment for the educational market and infrastructure development investment for telecom carriers.

Under the Medium-Term Management Plan, "Beyond Borders 2021," announced in May 2019, we aim to be a "communication services orchestrator" that produces new social value using our strengths and in collaboration with our partners. We consider solving social issues and a wave of technological innovation as an opportunity for business expansion and are focusing on a shift to a new business model and business creation based on digital and 5G communication.

Based on this concept, we have been practicing distributed operation since October 2019 in our workstyle innovation-related business, in which we have been engaged since 2007. The head office space has been reduced and head office staff members are separately assigned to satellite offices in the suburban areas of Tokyo that are within 30 minutes from their homes. The purpose is for our staff to experience workstyles that help create innovation for the future and provide our customers with a variety of solutions for workstyle innovation through the outcomes of the initiatives by using DX technology. During the first half under review, we carried out business using telecommuting following the state of emergency by using this system and technology. As measures to prevent COVID-19, which has recently become a social issue, we shared our workstyle expertise with our customers and promptly responded to the introduction of distributed operations and building platforms for teleworking, remote and online classes, and other settings. In addition, we used the DX technology to implement a variety of initiatives and accelerate solution development corresponding to new workstyle (workstyle in the New Normal era) created jointly with our partners such as increasing the efficiency of operation and communication, and digitizing approval procedures. Moreover, in the local 5G area where NESIC's strength from infrastructure such as base station and core network to services for enterprises can be utilized and there is a market potential, we are proceeding with trial experiments and proposition activities in areas including CATV, disaster prevention and disaster mitigation.

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

Net sales	¥151,205 million	11.0%	increase year on year
Operating income	¥6,732 million	54.1%	increase year on year
Ordinary income	¥6,778 million	56.3%	increase year on year
Net income attributable to owners of the parent	¥3,967 million	36.7%	increase year on year
< Reference >			
Orders received	¥177,890 million	17.2%	increase year on year

Net sales increased 11.0% year on year, to ¥151,205 million. This result reflected increased sales in all segments, with the expansion of ICT services related to workstyle innovation, infrastructure development for telecom carriers, GIGA school projects' contribution to sales and the domestic construction business particularly for the mega-solar projects. Orders received increased 17.2% year on year, to ¥177,890 million. This result reflected GIGA school projects' significant contribution to orders received, expansion of demand for teleworking in the businesses related to workstyle innovation, and services for telecom

carriers.

Profit increased thanks to a decrease in the provision for loss for unprofitable projects in the Engineering & Support Services business in addition to an increase in net sales and progress in profitability improvement through resource efficiency and project management. This more than offset the investment in growth, such as new service development and human resource development. Accordingly, operating income rose 54.1% year on year, to ¥6,732 million, and ordinary income improved by 56.3%, to ¥6,778 million. Net income attributable to owners of the parent increased by 36.7%, to ¥3,967 million.

Operating results by business segment were as follows:

Net sales by business segment

(Million yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Other	Total
1H Fiscal 2021.3	56,712	38,083	51,551	4,858	151,205
1H Fiscal 2020.3	53,209	35,505	41,602	5,953	136,270
Increase or (decrease)	3,502	2,578	9,949	(1,095)	14,934
Ratio of increase/(decrease) (%)	6.6	7.3	23.9	(18.4)	11.0

Reference: Orders received by business segment

(Million yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Other	Total
1H Fiscal 2021.3	71,260	47,577	54,331	4,721	177,890
1H Fiscal 2020.3	55,398	45,303	46,573	4,448	151,724
Increase	15,861	2,274	7,757	273	26,166
Ratio of increase (%)	28.6	5.0	16.7	6.1	17.2

1. Digital Solutions business

Net sales increased 6.6% year on year, to ¥56,712 million, reflecting expansion of ICT services related to workstyle innovation and GIGA school projects at a subsidiary.

2. Network Infrastructures business

Net sales rose 7.3% year on year, to ¥38,083 million, reflecting expansion of services for telecom carriers.

3. Engineering & Support Services business

Net sales rose 23.9% year on year, to ¥51,551 million, reflecting expansion of local GIGA school projects and mega-solar projects.

<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, 2021

As for COVID-19, the state of emergency was lifted and economic activities are gradually recovering. Nevertheless, it is uncertain when the pandemic will be contained. Accordingly, it is unknown how the pandemic will affect the economy. We must continue to closely monitor the economic situation. While it is expected that demand for teleworking in the businesses related to workstyle innovation will expand in the enterprises' area, the business domain where NESIC operates, a decline in ICT investments by client companies are becoming obvious, lagging behind economic trends. In the services for telecom carriers, migration to 5G communication systems is starting and we expect that the volume of capital investment will remain steady. In addition, bidding on platform-building for GIGA school projects was concentrated in the first half under review, and we expect now to move to the stage of actual platform-building.

Under the conditions described thus far, we revised our forecasts upward for the full-year consolidated results for the fiscal year ending March 31, 2021, in view of the progress up to the first half under review, as mentioned below. Although there is a concern that ICT investments will be increasingly limited by the prolonged COVID-19 pandemic in the second half of the fiscal year, we are determined to focus on the proposal of a new workstyle in the new normal era, business expansion for telecom carriers, and GIGA school projects won during the period under review.

Net sales	¥327 billion	7.7% increase year on year
Operating income	¥19.0 billion	17.0% increase year on year
Ordinary income	¥19.0 billion	19.2% increase year on year
Net income attributable to owners of the parent	¥11.3 billion	19.9% increase year on year

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2020	Sep 30, 2020
Assets		
Current assets		
Cash and cash equivalents	58,321	70,671
Notes and accounts receivable	112,358	99,784
Electronically recorded monetary claims	728	985
Purchased goods, materials and supplies	4,898	3,548
Work in process	8,259	9,184
Exc Other	7,359	7,457
Allowance for doubtful accounts	(77)	(74)
Total current assets	191,847	191,557
Non-current assets		
Property and equipment	8,942	10,254
Intangible assets		
Goodwill	899	741
Other	4,948	4,476
Total intangible assets	5,847	5,218
Investments and other assets		
Deferred tax assets	16,520	16,466
Other	7,142	7,379
Allowance for doubtful accounts	(56)	(53)
Total investments and other assets	23,606	23,792
Total non-current assets	38,397	39,265
Total assets	230,244	230,823
Liabilities		
Current liabilities		
Notes and accounts payable	41,666	42,602
Electronically recorded obligations	1,441	1,301
Short-term bank loans	4,632	5,077
Current installments of long-term debt	298	298
Accrued income taxes	3,580	2,617
Accrued bonuses to directors and corporate auditors	139	48
Accrued warranty on products	105	91
Accrued losses on sales contracts	2,159	644
Provision for compensation for damage	1,326	1,824
Accrued office transfer cost	218	24
Other current liabilities	24,558	24,222
Total current liabilities	80,128	78,753
Long-term liabilities		
Long-term debt	3,764	3,615
Liabilities for retirement benefits	31,215	31,261
Other liabilities	1,625	1,762
Total long-term liabilities	36,605	36,639
Total liabilities	116,734	115,393
Net assets		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,664	16,680
Retained earnings	84,972	86,896
Treasury stock, at cost	(271)	(264)
Total shareholders' equity	114,488	116,434
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	30	(4)
Deferred gains or losses on hedges	25	12
Foreign currency translation adjustments	(392)	(501)
Accumulated adjustments for retirement benefits	(3,783)	(3,584)
Total accumulated other comprehensive income	(4,121)	(4,078)
Non-controlling interests	3,143	3,073
Total net assets	113,510	115,429
Total liabilities and net assets	230,244	230,823

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

(Millions of yen)

	1H, FY March 2020 (6 months ended Sep 2019)	1H, FY March 2021 (6 months ended Sep 2020)
Net sales	136,270	151,205
Cost of sales	113,758	126,033
Gross profit	22,512	25,171
Selling, general and administrative expenses	18,143	18,439
Operating income (loss)	4,369	6,732
Non-operating income		
Interest income	19	15
Other	117	142
Total non-operating income	168	189
Non-operating expenses	305	348
Interest expenses	48	55
Other	290	246
Total non-operating expenses	339	301
Ordinary income (loss)	4,335	6,778
Extraordinary losses		
Provision of allowance for compensation for damage	-	455
Impairment loss	1,788	-
Office transfer cost	405	-
Total extraordinary losses	2,194	455
Income (loss) before income taxes	2,141	6,323
Income taxes	(827)	2,102
Net income (loss)	2,968	4,221
Net income (loss) attributable to non-controlling interests	66	254
Net income (loss) attributable to owners of the parent	2,902	3,967

(Millions of yen)

(Millions of yen)

	1H, FY March 2020 (6 months ended Sep 2019)	1H, FY March 2021 (6 months ended Sep 2020)
Net income (loss)	2,968	4,221
Other comprehensive income		
Net unrealized holding loss on other securities	8	(34)
Deferred gains or losses on hedges	5	(12)
Foreign currency translation adjustments	39	(165)
Adjustments for retirement benefit	275	199
Share of other comprehensive income of associates accounted for using equity method	(0)	0
Total other comprehensive income	327	(12)
Comprehensive income (loss)	3,296	4,208
Comprehensive income (loss) attributable to:		
Owners of the parent	3,200	4,010
Non-controlling interests	96	198

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H, FY March 2020 (6 months ended Sep 2019)	1H, FY March 2021 (6 months ended Sep 2020)
Cash flows from operating activities		
Net income (loss) before income taxes	2,141	6,323
Depreciation and amortization	1,815	1,563
Amortization of goodwill	123	120
Impairment loss	1,788	-
Increase (decrease) in allowance for doubtful receivables	(1)	(3)
Increase (decrease) in asset for retirement benefit	75	(28)
Increase (decrease) in liability for retirement benefits	204	384
Increase (decrease) in accrued bonuses to directors and corporate auditors	(65)	(90)
Increase (decrease) in accrued warranty on products	0	(13)
Increase (decrease) in accrued losses on sales contracts damage	(343)	(1,514)
Interest and dividend income	-	498
Interest expense	(39)	(36)
(Increase) decrease in notes and accounts receivable	48	55
(Increase) decrease in inventories	19,645	11,137
Increase (decrease) in notes and accounts payable	(1,507)	418
Increase (decrease) in accrued consumption taxes	(4,791)	854
Other, net	(1,217)	(784)
Subtotal	(1,000)	1,333
Interest and dividend income received	16,874	20,219
Interest paid	39	36
Income taxes paid	(48)	(55)
Net cash provided by (used in) operating activities	(2,763)	(3,122)
Cash flows from investing activities	14,101	17,077
Purchase of property and equipment	(1,105)	(1,869)
Proceeds from sale of property and equipment	7	1
Purchase of intangibles	(455)	(224)
Proceeds from sale of intangibles	0	-
Purchase of investment securities	(620)	(238)
Collection of loans receivable	0	0
Other, net	(1,152)	(347)
Net cash used in investing activities	(3,325)	(2,677)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	1,044	987
Repayments of long-term debt	(115)	(149)
Proceeds from long-term debt	200	-
Net (increase) decrease in treasury shares	(1)	(1)
Dividends paid to shareholders	(1,982)	(2,081)
Dividends paid to minority shareholders of subsidiaries	(23)	(23)
Proceeds from share issuance to non-controlling interest	3	-
Other, net	(256)	(204)
Net cash provided by used in financing activities	(1,132)	(1,471)
Effect of exchange rate changes on cash and cash equivalents	(10)	(44)
Net increase (decrease) in cash and cash equivalents	9,633	12,883
Cash and cash equivalents at beginning of period	54,354	58,321
(Decrease) in cash and cash equivalents resulting from exclusion of a subsidiary from consolidation	-	(532)
Cash and cash equivalents at end of period	63,987	70,671

(4) Segment Information

Business Segment Information

First half of fiscal March 2021 (6 months ended September 2020)

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Sales						
(1) Sales to third parties	56,712	38,083	51,551	4,858	-	151,205
(2) Intersegment sales	-	-	-	-	-	-
Total	56,712	38,083	51,551	4,858	-	151,205
Operating income and loss	5,271	2,213	3,464	363	(4,579)	6,732

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

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Sales						
(1) Sales to third parties	53,209	35,505	41,602	5,953	-	136,270
(2) Intersegment sales	-	-	-	-	-	-
Total	53,209	35,505	41,602	5,953	-	136,270
Operating income and loss	4,760	1,839	2,196	250	(4,676)	4,369

**Our business segments were reorganized in line with our corporate management due to the replacement of some businesses and a revision in the distribution of management resources implemented in April 2020 to optimize business efficiency. Segment information related to the first six months of the previous fiscal year was reclassified for disclosure to reflect the changes in this event.*