

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 Nine Months (April 1, 2020 to December 31, 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 (%)
9 months/FY Mar 2021	233,469	9.1	13,803	68.2	13,856	69.0
9 months/FY Mar 2020	214,032	12.1	8,208	30.6	8,196	25.7

	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 2021	8,358	94.5	56.12	—
9 months/FY Mar 2020	4,296	(0.0)	28.85	—

c.f. Comprehensive income: 9 Months/FY Mar 2021: ¥8,787 million (77.8%); 9 Months/FY Mar 2020: ¥4,942 million (2.5%)

\* 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 (¥)
31/Dec/2020	235,776	117,921	48.7	770.31
31/Mar/2020	230,244	113,510	47.9	741.12

c.f. Owner's equity: 30/Dec/2020: ¥114,722 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 (¥)					※ Forecasts
	1st quarter	Interim	3rd quarter	Year-end	Full year	
FY ending Mar. 2021	—	14.00	—	15.00 ※	29.00 ※	
FY ended Mar. 2020	—	13.33	—	14.00	27.33	

\* 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.

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

## 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	33,300	9.7	22,000	35.4	22,000	38.0	13,500	43.3	90.65

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.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of Dec 31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	58,321	67,874
Notes and accounts receivable	112,358	104,195
Electronically recorded monetary claims	728	1,485
Purchased goods, materials and supplies	4,898	3,419
Work in process	8,259	10,813
Exc Other	7,359	8,295
Allowance for doubtful accounts	(77)	(77)
Total current assets	<u>191,847</u>	<u>196,006</u>
Non-current assets		
Property and equipment	8,942	10,864
Intangible assets		
Goodwill	899	682
Other	4,948	4,293
Total intangible assets	<u>5,847</u>	<u>4,976</u>
Investments and other assets		
Deferred tax assets	16,520	16,487
Other	7,142	7,494
Allowance for doubtful accounts	(56)	(52)
Total investments and other assets	<u>23,606</u>	<u>23,929</u>
Total non-current assets	<u>38,397</u>	<u>39,770</u>
Total assets	<u>230,244</u>	<u>235,776</u>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	41,666	44,227
Electronically recorded obligations	1,441	2,546
Short-term bank loans	4,632	5,711
Current installments of long-term debt	298	298
Accrued income taxes	3,580	2,209
Accrued bonuses to directors and corporate auditors	139	31
Accrued warranty on products	105	92
Accrued losses on sales contracts	2,159	434
Accrued compensation for damage	1,326	635
Accrued office transfer cost	218	6
Other current liabilities	24,558	24,892
Total current liabilities	<u>80,128</u>	<u>81,086</u>
Long-term liabilities		
Long-term debt	3,764	3,541
Liabilities for retirement benefits	31,215	31,128
Other liabilities	1,625	2,098
Total long-term liabilities	<u>36,605</u>	<u>36,768</u>
Total liabilities	<u>116,734</u>	<u>117,854</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,664	16,680
Retained earnings	84,972	89,202
Treasury stock, at cost	(271)	(265)
Total shareholders' equity	<u>114,488</u>	<u>118,738</u>
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	30	32
Deferred gains or losses on hedges	25	-
Foreign currency translation adjustments	(392)	(563)
Accumulated adjustments for retirement benefits	(3,783)	(3,485)
Total accumulated other comprehensive income	<u>(4,121)</u>	<u>(4,016)</u>
Non-controlling interests	3,143	3,199
Total net assets	<u>113,510</u>	<u>117,921</u>
Total liabilities and net assets	<u>230,244</u>	<u>235,776</u>

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

(Millions of yen)

	1Q-3Q, FY March 2020 (9 months ended Dec 2019)	1Q-3Q, FY March 2021 (9 months ended Dec 2020)
Net sales	214,032	233,469
Cost of sales	178,030	191,896
Gross profit	36,002	41,572
Selling, general and administrative expenses	27,793	27,769
Operating income (loss)	8,208	13,803
Non-operating income		
Interest income	29	19
Dividends income of insurance	117	142
Other	244	228
Total non-operating income	391	390
Non-operating expenses		
Interest expenses	79	76
Other	323	261
Total non-operating expenses	403	338
Ordinary income (loss)	8,196	13,856
Extraordinary losses		
Compensation for damage	1,253	802
Impairment loss	1,788	-
Office transfer cost	372	-
Total extraordinary losses	3,415	802
Income (loss) before income taxes	4,781	13,053
Income taxes	326	4,262
Net income (loss)	4,454	8,790
Net income (loss) attributable to non-controlling interests	157	432
Net income (loss) attributable to owners of the parent	4,296	8,358

(Millions of yen)

(Millions of yen)

	1Q-3Q, FY March 2020 (9 months ended Dec 2019)	1Q-3Q, FY March 2021 (9 months ended Dec 2020)
Net income (loss)	4,454	8,790
Other comprehensive income		
Net unrealized holding loss on other securities	21	2
Deferred gains or losses on hedges	20	(25)
Foreign currency translation adjustments	34	(279)
Adjustments for retirement benefit	412	298
Share of other comprehensive income of associates		
accounted for using equity method	0	0
Total other comprehensive income	488	(3)
Comprehensive income (loss)	4,942	8,787
Comprehensive income (loss) attributable to:		
Owners of the parent	4,748	8,463
Non-controlling interests	194	323

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

(Millions of yen)

	1Q-3Q, FY March 2020 (9 months ended Dec 2019)	1Q-3Q, FY March 2021 (9 months ended Dec 2020)
<b>Cash flows from operating activities</b>		
Net income (loss) before income taxes	4,781	13,053
Depreciation and amortization	2,721	2,387
Amortization of goodwill	185	179
Impairment loss	1,788	-
Increase (decrease) in allowance for doubtful receivables	(3)	0
Increase (decrease) in asset for retirement benefit	126	(57)
Increase (decrease) in liability for retirement benefits	401	419
Increase (decrease) in accrued bonuses to directors and corporate auditors	(88)	(108)
Increase (decrease) in accrued warranty on products	(4)	(12)
Increase (decrease) in accrued losses on sales contracts	(259)	(1,724)
Increase (decrease) in accrued compensation for damage	1,253	(691)
Interest and dividend income	(49)	(41)
Interest expense	79	76
(Increase) decrease in notes and accounts receivable	9,434	5,959
(Increase) decrease in inventories	(1,843)	(1,078)
Increase (decrease) in notes and accounts payable	(4,534)	3,745
Increase (decrease) in accrued consumption taxes	(300)	135
Other, net	(2,034)	(119)
Subtotal	11,653	22,122
Interest and dividend income received	50	40
Interest paid	(77)	(72)
Income taxes paid	(4,976)	(5,512)
Net cash provided by (used in) operating activities	6,650	16,577
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(2,051)	(2,272)
Proceeds from sale of property and equipment	9	1
Purchase of intangibles	(638)	(375)
Proceeds from sale of intangibles	0	-
Purchase of investment securities	(772)	(425)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(68)	-
Collection of loans receivable	0	1
Other, net	(1,242)	(429)
Net cash used in investing activities	(4,761)	(3,499)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term bank loans	1,630	1,774
Repayments of long-term debt	(190)	(223)
Proceeds from long-term debt	200	-
Net (increase) decrease in treasury shares	(2)	(2)
Dividends paid to shareholders	(3,960)	(4,154)
Dividends paid to minority shareholders of subsidiaries	(23)	(23)
Proceeds from share issuance to non-controlling interest	3	-
Other, net	(382)	(295)
Net cash provided by used in financing activities	(2,725)	(2,924)
Effect of exchange rate changes on cash and cash equivalents	(21)	(67)
Net increase (decrease) in cash and cash equivalents	(857)	10,085
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	53,496	67,874

#### (4) Segment Information

##### Business Segment Information

First nine months of fiscal March 2021 (9 months ended December 2020)

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Sales						
(1) Sales to third parties	80,727	56,006	68,605	8,694	-	214,032
(2) Intersegment sales	-	-	-	-	-	-
Total	80,727	56,006	68,605	8,694	-	214,032
Operating income and loss	7,768	4,045	3,481	405	(7,492)	8,208

\*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 nine months of the previous fiscal year was reclassified for disclosure to reflect the changes in this event.

First nine months of fiscal March 2020 (9 months ended December 2021)

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Sales						
(1) Sales to third parties	83,776	60,384	82,027	7,279	-	233,469
(2) Intersegment sales	-	-	-	-	-	-
Total	83,776	60,384	82,027	7,279	-	233,469
Operating income and loss	8,542	4,659	7,020	598	(7,018)	13,803