

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 Fiscal Year ended March 31, 2021**

(Rounded down to the nearest million yen.)

(1) Net Sales and Incomes

(Percentages represent change compared with the same period of the previous fiscal year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)	Net income attributable to owners of the parent (¥ million)	Year-on-year change (%)
FY ended March/21	339,109	11.7	25,563	57.4	25,493	60.0	15,745	67.1
FY ended March/20	303,616	9.2	16,245	27.2	15,938	22.4	9,422	6.0

(Note) Comprehensive income : FY Mar.2021 : ¥17,983 million (82.0%) ; FY Mar.2020 : ¥9,879 million (5.3%)

	Net income per share (¥)	Net income per share (diluted) (¥)	Return on equity (%)	Ordinary income/ Total assets (%)	Operating income/ Net sales (%)
FY ended March/21	105.73	—	13.5%	10.6%	7.5%
FY ended March/20	63.28	—	8.8%	7.1%	5.4%

(Reference) Equity in earnings (losses) of affiliates : FY Mar.2021 : ¥(49million); FY Mar.2020 : ¥(18million)

* 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-Mar-21	250,338	127,117	49.4	830.47
31-Mar-20	230,244	113,510	47.9	741.12

c.f. Owner's equity: 31/3/2021 ¥123,682million ; 31/3/2020 ¥110,366million

* 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.

(3) Cash Flows

	Net cash provided by (used in) operating activities (¥ million)	Net cash provided by (used in) investing activities (¥ million)	Net cash provided by (used in) financing activities (¥ million)	Cash and cash equivalents at end of year (¥ million)
FY ended March/21	17,383	(4,289)	(2,388)	68,426
FY ended March/20	12,935	(6,726)	(2,300)	58,321

2. Dividends

	Dividends per share (¥)					Total dividends paid (full year, ¥million)	Payout ratio (consolidated) (%)	Dividends/ Net assets (consolidated)
	1st quarter	Interim	3rd quarter	Year-end	Full year			
FY ended 3/2020	—	13.33	—	14.00	27.33	4,070	43.2	3.8
FY ended 3/2021	—	14.00	—	21.00	35.00	5,212	33.1	4.5
FY ending 3/2022 (Forecast)	—	19.00	—	19.00	38.00		35.4	

* 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, 2022

(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 attributable to owners of the parent per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
6 Months ending 9/2021	145,000	(4.1)	7,000	4.0	7,000	3.3	4,500	13.4	30.22
FY ending 3/2022	320,000	(5.6)	26,000	1.7	26,000	2.0	16,000	1.6	107.43

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 March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	58,321	68,426
Notes and accounts receivable	112,358	123,313
Electronically recorded obligations	728	1,256
Purchased goods, materials and supplies	4,898	3,456
Work in process	8,259	8,052
Other	7,359	7,388
Allowance for doubtful accounts	(77)	(87)
Total current assets	<u>191,847</u>	<u>211,806</u>
Non-current assets		
Property and equipment		
Buildings and structures	9,930	10,881
Accumulated depreciation	(6,648)	(6,445)
Buildings and structures (net)	<u>3,281</u>	<u>4,435</u>
Machinery and vehicles	161	249
Accumulated depreciation	(135)	(165)
Machinery and vehicles (net)	<u>26</u>	<u>83</u>
Furniture and fixtures	15,400	15,900
Accumulated depreciation	(12,016)	(12,295)
Furniture and fixtures (net)	<u>3,383</u>	<u>3,605</u>
Land	1,429	1,507
Construction in progress	482	890
Other	605	671
Accumulated depreciation	(266)	(349)
Other (net)	<u>339</u>	<u>322</u>
Total property and equipment	<u>8,942</u>	<u>10,845</u>
Intangible assets		
Goodwill	899	623
Other	4,948	4,284
Total intangible assets	<u>5,847</u>	<u>4,908</u>
Investments and other assets		
Investment securities	1,454	1,973
Asset for retirement benefits	168	313
Deferred tax assets	16,520	15,198
Other	5,519	5,347
Allowance for doubtful accounts	(56)	(54)
Total investments and other assets	<u>23,606</u>	<u>22,777</u>
Total non-current assets	<u>38,397</u>	<u>38,531</u>
Total assets	<u>230,244</u>	<u>250,338</u>
Liabilities		
Current liabilities		
Notes and accounts payable	41,666	44,188
Electronically recorded obligations	1,441	2,649
Short-term bank loans	4,632	6,360
Current installments of long-term debt	298	3,298
Accrued income taxes	3,580	5,954
Accrued consumption taxes	2,625	3,500
Advanced received	6,181	7,708
Accrued bonuses to directors and corporate auditors	139	159
Accrued warranty on products	105	83
Accrued losses on sales contracts	2,159	512
Accrued compensation for damage	1,326	711
Accrued office transfer cost	218	6
Other current liabilities	15,751	16,341
Total current liabilities	<u>80,128</u>	<u>91,474</u>
Long-term liabilities		
Long-term debt	3,764	466
Liabilities for retirement benefits	31,215	29,233
Other liabilities	1,625	2,046
Total long-term liabilities	<u>36,605</u>	<u>31,745</u>
Total liabilities	<u>116,734</u>	<u>123,220</u>
Net assets		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,664	16,680
Retained earnings	84,972	96,589
Treasury stock, at cost	(271)	(266)
Total shareholders' equity	<u>114,488</u>	<u>126,125</u>
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	30	169
Deferred gains or losses on hedges	25	-
Foreign currency translation adjustments	(392)	(533)
Accumulated adjustments for retirement benefits	(3,783)	(2,080)
Total accumulated other comprehensive income	<u>(4,121)</u>	<u>(2,443)</u>
Non-controlling interests	3,143	3,435
Total net assets	<u>113,510</u>	<u>127,117</u>
Total liabilities and net assets	<u>230,244</u>	<u>250,338</u>

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

(Millions of yen)

	FY Mar/2020	FY Mar/2021
Net sales	303,616	339,109
Cost of sales	249,242	275,179
Gross profit	54,374	63,929
Selling, general and administrative expenses	38,128	38,366
Operating income	16,245	25,563
Non-operating income		
Interest income	38	22
Dividend income of insurance	117	142
Reward income	52	67
Mid cancellation income	-	97
Other	261	197
Total non-operating income	469	528
Non-operating expenses		
Interest expenses	112	97
Loss on disposal of property and equipment	184	191
Other	479	309
Total non-operating expenses	776	598
Ordinary income	15,938	25,493
Extraordinary income		
Gain on sale of investment in affiliates	-	228
Total extraordinary income	-	228
Extraordinary losses		
Compensation for damage	1,253	976
Impairment loss	1,788	-
Office transfer cost	372	-
Total extraordinary losses	3,415	976
Income before income taxes	12,522	24,745
Income taxes - current	5,657	7,894
Income taxes - deferred	(2,894)	465
Income taxes	2,763	8,360
Net income	9,759	16,385
Net income attributable to non-controlling interests	336	639
Net income attributable to owners of the parent	9,422	15,745

(Millions of yen)

(Millions of yen)

	FY Mar/2020	FY Mar/2021
Net income	9,759	16,385
Other comprehensive income		
Net unrealized holding loss on other securities	(1)	139
Deferred gains or losses on hedges	25	(25)
Foreign currency translation adjustments	185	(219)
Adjustments for retirement benefit	(89)	1,703
Share of other comprehensive income of associates accounted for using equity method	0	(0)
Total other comprehensive income	120	1,598
Comprehensive income	9,879	17,983
Comprehensive income attributable to:		
Owners of the parent	9,436	17,423
Non-controlling interests	443	560

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY Mar/2020	FY Mar/2021
Cash flows from operating activities		
Net income before income taxes	12,522	24,745
Depreciation and amortization	3,572	3,256
Amortization of goodwill	247	238
Impairment loss	1,788	-
Increase (decrease) in allowance for doubtful receivables	(13)	10
(Increase) decrease in asset for retirement benefit	208	(102)
Increase (decrease) in liability for retirement benefits	450	454
Increase (decrease) in accrued bonuses to directors and corporate auditors	21	19
Increase (decrease) in accrued warranty on products	(8)	(21)
Increase (decrease) in accrued losses on sales contracts	178	(1,646)
Increase (decrease) in accrued compensation for damage	1,326	(615)
Interest and dividend income	(62)	(47)
Interest expense	112	97
(Increase) decrease in notes and accounts receivable	(5,719)	(12,908)
(Increase) decrease in inventories	29	1,645
Increase (decrease) in notes and accounts payable	2,010	3,799
Increase (decrease) in accrued consumption taxes	407	899
Other, net	1,093	3,173
Subtotal	18,167	22,998
Interest and dividend income received	62	47
Interest paid	(112)	(97)
Income taxes paid	(5,182)	(5,565)
Net cash provided by (used in) operating activities	12,935	17,383
Cash flows from investing activities		
Purchase of property and equipment	(3,004)	(3,025)
Proceeds from sale of property and equipment	19	11
Purchase of intangibles	(995)	(663)
Proceeds from sale of intangibles	0	0
Purchase of investment securities	(936)	(450)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(68)	-
Loans receivable made	(2)	(17)
Collection of loans receivable	1	1
Other, net	(1,741)	(146)
Net cash used in investing activities	(6,726)	(4,289)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	2,268	2,477
Repayments of long-term debt	(264)	(298)
Proceeds from long-term debt	200	-
Net (increase) decrease in treasury shares	(4)	(3)
Dividends paid to shareholders	(3,965)	(4,162)
Dividends paid to minority shareholders of subsidiaries	(23)	(23)
Proceeds from share issuance to non-controlling shareholders	3	-
Other, net	(514)	(379)
Net cash provided by used in financing activities	(2,300)	(2,388)
Effect of exchange rate changes on cash and cash equivalents	58	(66)
Net increase (decrease) in cash and cash equivalents	3,967	10,638
Cash and cash equivalents at beginning of period	54,354	58,321
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(532)
Cash and cash equivalents at end of period	58,321	68,426

(4) Segment InformationBusiness Segment
Information

Year ended March 31, 2020

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Orders received	115,179	87,727	92,039	10,031	---	304,978
Sales						
(1) Sales to third parties	112,758	83,109	97,434	10,314	---	303,616
(2) Intersegment sales	---	---	---	---	---	---
Total	112,758	83,109	97,434	10,314	---	303,616
Operating income (loss)	11,653	8,129	6,715	511	(10,763)	16,245

*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.

Year ended March 31, 2021

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Orders received	128,301	95,338	103,718	9,518	---	336,877
Sales						
(1) Sales to third parties	125,960	89,232	114,089	9,827	---	339,109
(2) Intersegment sales	---	---	---	---	---	---
Total	125,960	89,232	114,089	9,827	---	339,109
Operating income (loss)	13,763	9,291	11,813	794	(10,098)	25,563