

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, 2021 to June 30, 2021)

of Fiscal Year ending March 31, 2022

(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 (%)
3 months ended June 2021	67,662	0.4	2,950	192.5	3,045	223.4
3 months ended June 2020	67,369	11.3	1,008	—	941	—

	Net income attributable to owners of the parent (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
3 months ended June 2021	1,653	405.8	11.10	—
3 months ended June 2020	326	—	2.20	—

c.f. Comprehensive income: 1Q/FY Mar 2022: ¥2,374million (813.5%); 1Q/FY Mar 2021: ¥259 million (37.9 %)

* 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/Jun/2021	227,181	126,359	54.0	823.80
31/Mar/2021	250,338	127,117	49.4	830.47

c.f. Owner's equity: 30/Jun/2021: ¥122,688 million; 31/Mar/2021: ¥123,682 million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended Mar. 2021	—	14.00	—	21.00	35.00
FY ending Mar. 2022(Forecast)	—	19.00	—	19.00	38.00

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

3. Financial Forecasts for Fiscal Year ending March 31, 2022 (April 1, 2021 to 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 per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
6 months ending Sep. 2021	147,000	-2.8	8,700	29.2	8,700	28.3	5,500	38.6	36.93
FY ending Mar. 2022	320,000	-5.6	26,000	1.7	26,000	2.0	16,000	1.6	107.43

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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2021	June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	68,426	87,542
Notes and accounts receivable	123,313	-
Notes and accounts receivable, and contract assets	-	79,625
Electronically recorded monetary claims	1,256	1,609
Purchased goods, materials and supplies	3,456	3,286
Work in process	8,052	6,813
Other	7,388	9,101
Allowance for doubtful accounts	(87)	(85)
Total current assets	<u>211,806</u>	<u>187,894</u>
Non-current assets		
Property and equipment	10,845	11,469
Intangible assets		
Goodwill	623	565
Other	4,284	4,159
Total intangible assets	<u>4,908</u>	<u>4,724</u>
Investments and other assets		
Deferred tax assets	15,198	15,082
Other	7,634	8,063
Allowance for doubtful accounts	(54)	(53)
Total investments and other assets	<u>22,777</u>	<u>23,092</u>
Total non-current assets	<u>38,531</u>	<u>39,287</u>
Total assets	<u>250,338</u>	<u>227,181</u>
Liabilities		
Current liabilities		
Notes and accounts payable	44,188	28,481
Electronically recorded obligations	2,649	1,523
Short-term bank loans	6,360	7,191
Current installments of long-term debt	3,298	3,298
Accrued income taxes	5,954	1,336
Accrued bonuses to directors and corporate auditors	159	31
Accrued warranty on products	83	87
Accrued losses on sales contracts	512	461
Accrued compensation for damage	711	1,036
Accrued office transfer cost	6	6
Other current liabilities	27,550	26,005
Total current liabilities	<u>91,474</u>	<u>69,460</u>
Long-term liabilities		
Long-term debt	466	392
Liabilities for retirement benefits	29,233	28,841
Other liabilities	2,046	2,128
Total long-term liabilities	<u>31,745</u>	<u>31,362</u>
Total liabilities	<u>123,220</u>	<u>100,822</u>
Net assets		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,680	16,680
Retained earnings	96,589	95,136
Treasury stock, at cost	(266)	(266)
Total shareholders' equity	<u>126,125</u>	<u>124,672</u>
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	169	489
Foreign currency translation adjustments	(533)	(494)
Accumulated adjustments for retirement benefits	(2,080)	(1,978)
Total accumulated other comprehensive income	<u>(2,443)</u>	<u>(1,983)</u>
Non-controlling interests	3,435	3,670
Total net assets	<u>127,117</u>	<u>126,359</u>
Total liabilities and net assets	<u>250,338</u>	<u>227,181</u>

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

(Millions of yen)

	1Q, FY March 2021 (3 months ended June 2020)	1Q, FY March 2022 (3 months ended June 2021)
Net sales	67,369	67,662
Cost of sales	57,026	55,029
Gross profit	10,343	12,633
Selling, general and administrative expenses	9,334	9,682
Operating income	1,008	2,950
Non-operating income		
Interest income	7	2
Dividend income	19	35
Foreign exchange gains	-	33
Other	82	84
Total non-operating income	110	156
Non-operating expenses		
Interest expenses	30	22
Loss on disposal of property and equipment	11	23
Other	135	16
Total non-operating expenses	177	61
Ordinary income	941	3,045
Extraordinary income		
Gain on sale of investment in affiliates	-	141
Total extraordinary income	-	141
Extraordinary losses		
Compensation for damage	262	324
Total extraordinary losses	262	324
Income before income taxes	678	2,862
Income taxes	251	948
Net income	426	1,914
Net income attributable to non-controlling interests	100	260
Net income attributable to owners of the parent	326	1,653

(Millions of yen)

(Millions of yen)

	1Q, FY March 2021 (3 months ended June 2020)	1Q, FY March 2022 (3 months ended June 2021)
Net income (loss)	426	1,914
Other comprehensive income		
Net unrealized holding loss on other securities	-8	319
Deferred gains or losses on hedges	-1	-
Foreign currency translation adjustments	(256)	40
Adjustments for retirement benefit	99	101
Share of other comprehensive income of associates		
accounted for using equity method	0	(1)
Total other comprehensive income	(167)	460
Comprehensive income (loss)	259	2,374
Comprehensive income (loss) attributable to:		
Owners of the parent	266	2,113
Non-controlling interests	(6)	260

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1Q, FY March 2021 (3 months ended June 2020)	1Q, FY March 2022 (3 months ended June 2021)
Cash flows from operating activities		
Net income before income taxes	678	2,862
Depreciation and amortization	782	801
Amortization of goodwill	98	58
Increase (decrease) in allowance for doubtful receivables	(3)	(5)
Increase (decrease) in asset for retirement benefit	(15)	5
Increase (decrease) in liability for retirement benefits	103	(262)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(105)	(127)
Increase (decrease) in accrued warranty on products	(6)	4
Increase (decrease) in accrued losses on sales contracts	(1,189)	(50)
Increase (decrease) in accrued compensation for damage	263	324
Interest and dividend income	(27)	(38)
Interest expense	30	22
(Increase) decrease in notes and accounts receivable	29,078	-
(Increase) decrease in notes and accounts receivable, and contract assets	-	43,703
(Increase) decrease in inventories	1,297	1,402
Increase (decrease) in notes and accounts payable	(8,630)	(16,857)
Increase (decrease) in accrued consumption taxes	(602)	(1,214)
Other, net	(1,148)	(2,112)
Subtotal	20,605	28,519
Interest and dividend income received	27	38
Interest paid	(27)	(19)
Income taxes paid	(3,127)	(5,410)
Net cash provided by (used in) operating activities	17,478	23,127
Cash flows from investing activities		
Purchase of property and equipment	(445)	(1,033)
Proceeds from sale of property and equipment	1	0
Purchase of intangibles	(146)	(228)
Purchase of investment securities	(189)	(8)
Proceeds from sale of affiliates' securities	59	189
Payments of loans receivable	-	(1)
Collection of loans receivable	0	1
Other, net	(273)	(123)
Net cash used in investing activities	(992)	(1,206)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	435	443
Repayments of long-term debt	(74)	(74)
Net (increase) decrease in treasury shares	(0)	(0)
Dividends paid to shareholders	(2,071)	(3,102)
Dividends paid to minority shareholders of subsidiaries	(19)	(21)
Other, net	(123)	(74)
Net cash provided by used in financing activities	(1,854)	(2,830)
Effect of exchange rate changes on cash and cash equivalents		
	(60)	24
Net increase (decrease) in cash and cash equivalents	14,570	19,116
Cash and cash equivalents at beginning of period	58,321	68,426
(Decrease) in cash and cash equivalents resulting from exclusion of a subsidiary from consolidation	(532)	-
Cash and cash equivalents at end of period	72,358	87,542

(4) Segment Information

Business Segment Information

First quarter of fiscal March 2022 (3 months ended June 2021)

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Sales						
(1) Sales to third parties	25,317	19,851	19,860	2,633	-	67,662
(2) Intersegment sales	-	-	-	-	-	-
Total	25,317	19,851	19,860	2,633	-	67,662
Operating income and loss	2,864	787	1,230	207	(2,139)	2,950

First quarter of fiscal March 2021 (3 months ended June 2020)

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Sales						
(1) Sales to third parties	26,819	16,610	20,841	3,098	-	67,369
(2) Intersegment sales	-	-	-	-	-	-
Total	26,819	16,610	20,841	3,098	-	67,369
Operating income and loss	2,101	208	726	145	(2,173)	1,008