

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 Half (April 1, 2021 to September 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 | Year-on-year change (%) | Ordinary income | Year-on-year change (%) |
|------------------------------------|--------------------------|----------------------------|---------------------|----------------------------|--------------------|----------------------------|
| 6 months ended Sep 2021 | 140,961 | -6.8 | 7,621 | 13.2 | 7,889 | 16.4 |
| 6 months ended Sep 2020 | 151,205 | 11.0 | 6,732 | 54.1 | 6,778 | 56.3 |

| | 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 2021 | 4,703 | 18.6 | 31.58 | — |
| 6 months ended Sep 2020 | 3,967 | 36.7 | 26.64 | — |

c.f. Comprehensive income: 1H/FY Mar 2022: ¥5,849 million (39.0 %); 1H/FY Mar 2021: ¥4,208 million (27.7 %)

* 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/2021 | 235,447 | 129,852 | 53.5 | 846.24 |
| 31/Mar/2021 | 250,338 | 127,117 | 49.4 | 830.47 |

c.f. Owner's equity: 30/Sep/2021: ¥126,042 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 ※ |

※ Forecast

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) | (%) | (¥) |
| FY ending Mar. 2022 | 32,000 | (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: No

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, 2021 | As of Sep 30, 2021 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 68,426 | 79,979 |
| Notes and accounts receivable | 123,313 | - |
| Notes and accounts receivable, and contract assets | - | 93,525 |
| Electronically recorded monetary claims | 1,256 | 1,167 |
| Purchased goods, materials and supplies | 3,456 | 3,081 |
| Work in process | 8,052 | 8,460 |
| Other | 7,388 | 9,270 |
| Allowance for doubtful accounts | (87) | (84) |
| Total current assets | 211,806 | 195,400 |
| Non-current assets | | |
| Property and equipment | 10,845 | 12,036 |
| Intangible assets | | |
| Goodwill | 623 | 506 |
| Other | 4,284 | 3,999 |
| Total intangible assets | 4,908 | 4,505 |
| Investments and other assets | | |
| Deferred tax assets | 15,198 | 14,933 |
| Other | 7,634 | 8,623 |
| Allowance for doubtful accounts | (54) | (52) |
| Total investments and other assets | 22,777 | 23,504 |
| Total non-current assets | 38,531 | 40,046 |
| Total assets | 250,338 | 235,447 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 44,188 | 32,083 |
| Electronically recorded obligations | 2,649 | 1,187 |
| Short-term bank loans | 6,360 | 8,085 |
| Current installments of long-term debt | 3,298 | 3,297 |
| Accrued income taxes | 5,954 | 3,183 |
| Accrued bonuses to directors and corporate auditors | 159 | 60 |
| Accrued warranty on products | 83 | 87 |
| Accrued losses on sales contracts | 512 | 418 |
| Provision for compensation for damage | 711 | 4 |
| Accrued office transfer cost | 6 | - |
| Other current liabilities | 27,550 | 25,985 |
| Total current liabilities | 91,474 | 74,394 |
| Long-term liabilities | | |
| Long-term debt | 466 | 317 |
| Liabilities for retirement benefits | 29,233 | 28,741 |
| Other liabilities | 2,046 | 2,141 |
| Total long-term liabilities | 31,745 | 31,200 |
| Total liabilities | 123,220 | 105,594 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 13,122 | 13,122 |
| Capital surplus | 16,680 | 16,694 |
| Retained earnings | 96,589 | 98,186 |
| Treasury stock, at cost | (266) | (258) |
| Total shareholders' equity | 126,125 | 127,743 |
| Accumulated other comprehensive income | | |
| Net unrealized holding gain on other securities | 169 | 733 |
| Foreign currency translation adjustments | (533) | (558) |
| Accumulated adjustments for retirement benefits | (2,080) | (1,877) |
| Total accumulated other comprehensive income | (2,443) | (1,701) |
| Non-controlling interests | 3,435 | 3,810 |
| Total net assets | 127,117 | 129,852 |
| Total liabilities and net assets | 250,338 | 235,447 |

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

(Millions of yen)

| | 1H, FY March 2021 (6 months ended Sep 2020) | 1H, FY March 2022 (6 months ended Sep 2021) |
|---|--|--|
| Net sales | 151,205 | 140,961 |
| Cost of sales | 126,033 | 113,703 |
| Gross profit | 25,171 | 27,257 |
| Selling, general and administrative expenses | 18,439 | 19,636 |
| Operating income (loss) | 6,732 | 7,621 |
| Non-operating income | | |
| Interest income | 15 | 5 |
| Dividend income of insurance | 142 | 156 |
| Other | 189 | 229 |
| Total non-operating income | 348 | 391 |
| Non-operating expenses | | |
| Interest expenses | 55 | 47 |
| Loss on disposal of property and equipment | 29 | 30 |
| Other | 216 | 45 |
| Total non-operating expenses | 301 | 123 |
| Ordinary income (loss) | 6,778 | 7,889 |
| Extraordinary income | | |
| Gain on sale of investment in affiliates | - | 141 |
| Total extraordinary income | - | 141 |
| Extraordinary losses | | |
| Provision of allowance for compensation for damage | 455 | 324 |
| Total extraordinary losses | 455 | 324 |
| Income (loss) before income taxes | 6,323 | 7,706 |
| Income taxes | 2,102 | 2,526 |
| Net income (loss) | 4,221 | 5,180 |
| Net income (loss) attributable to non-controlling interests | 254 | 476 |
| Net income (loss) attributable to owners of the parent | 3,967 | 4,703 |

(Millions of yen)

(Millions of yen)

| | 1H, FY March 2021 (6 months ended Sep 2020) | 1H, FY March 2022 (6 months ended Sep 2021) |
|---|--|--|
| Net income (loss) | 4,221 | 5,180 |
| Other comprehensive income | | |
| Net unrealized holding loss on other securities | (34) | 564 |
| Deferred gains or losses on hedges | (12) | - |
| Foreign currency translation adjustments | (165) | (96) |
| Adjustments for retirement benefit | 199 | 202 |
| Share of other comprehensive income of associates accounted for using equity method | 0 | (1) |
| Total other comprehensive income | (12) | 669 |
| Comprehensive income (loss) | 4,208 | 5,849 |
| Comprehensive income (loss) attributable to: | | |
| Owners of the parent | 4,010 | 5,445 |
| Non-controlling interests | 198 | 403 |

(3) Consolidated Statements of Cash Flows

(Millions of yen)

| | 1H, FY March 2021 (6 months ended Sep 2020) | 1H, FY March 2022 (6 months ended Sep 2021) |
|---|--|--|
| Cash flows from operating activities | | |
| Net income (loss) before income taxes | 6,323 | 7,706 |
| Depreciation and amortization | 1,563 | 1,606 |
| Amortization of goodwill | 120 | 117 |
| Increase (decrease) in allowance for doubtful receivables | (3) | (5) |
| Increase (decrease) in asset for retirement benefit | (28) | 10 |
| Increase (decrease) in liability for retirement benefits | 384 | (228) |
| Increase (decrease) in accrued bonuses to directors and corporate auditors | (90) | (97) |
| Increase (decrease) in accrued warranty on products | (13) | 4 |
| Increase (decrease) in accrued losses on sales contracts damage | (1,514) | (92) |
| Interest and dividend income | 498 | (706) |
| Interest expense | (36) | (42) |
| Interest expense | 55 | 47 |
| (Increase) decrease in notes and accounts receivable | 11,137 | - |
| (Increase) decrease in notes and accounts receivable, and contract assets | - | 30,098 |
| (Increase) decrease in inventories | 418 | (50) |
| Increase (decrease) in notes and accounts payable | 854 | (13,605) |
| Increase (decrease) in accrued consumption taxes | (784) | (2,022) |
| Other, net | 1,333 | (1,067) |
| Subtotal | 20,219 | 21,673 |
| Interest and dividend income received | 36 | 42 |
| Interest paid | (55) | (47) |
| Income taxes paid | (3,122) | (5,422) |
| Net cash provided by (used in) operating activities | 17,077 | 16,245 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (1,869) | (2,076) |
| Proceeds from sale of property and equipment | 1 | 3 |
| Purchase of intangibles | (224) | (363) |
| Purchase of investment securities | (238) | (143) |
| Payments for sale of shares of subsidiaries | 60 | 189 |
| Loans receivable made | - | (18) |
| Collection of loans receivable | 0 | 0 |
| Other, net | (407) | (223) |
| Net cash used in investing activities | (2,677) | (2,632) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term bank loans | 987 | 1,369 |
| Repayments of long-term debt | (149) | (149) |
| Net (increase) decrease in treasury shares | (1) | 21 |
| Dividends paid to shareholders | (2,081) | (3,122) |
| Dividends paid to minority shareholders of subsidiaries | (23) | (29) |
| Other, net | (204) | (146) |
| Net cash provided by used in financing activities | (1,471) | (2,056) |
| Effect of exchange rate changes on cash and cash equivalents | (44) | (2) |
| Net increase (decrease) in cash and cash equivalents | 12,883 | 11,553 |
| 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 | 70,671 | 79,979 |

(4) Segment Information

Business Segment Information

First half of fiscal March 2022 (6 months ended September 2021)

(Millions of yen)

| | Digital Solutions | Network Infrastructures | Engineering & Support Services | Others | Adjustments | Total |
|----------------------------|-------------------|-------------------------|--------------------------------|--------|-------------|---------|
| Sales | | | | | | |
| (1) Sales to third parties | 52,394 | 42,759 | 42,298 | 3,508 | - | 140,961 |
| (2) Intersegment sales | - | - | - | - | - | - |
| Total | 52,394 | 42,759 | 42,298 | 3,508 | - | 140,961 |
| Operating income and loss | 5,558 | 2,796 | 3,437 | 382 | (4,554) | 7,621 |

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 |