

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 Fiscal Year ended March 31, 2023

(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 (%)
<b>FY ended March/23</b>	<b>320,802</b>	<b>3.4</b>	<b>22,751</b>	<b>(1.9)</b>	<b>22,970</b>	<b>(2.5)</b>	<b>13,813</b>	<b>(8.0)</b>
FY ended March/22	310,334	(8.5)	23,181	(9.3)	23,550	(7.6)	15,021	(4.6)

(Note) Comprehensive income : FY Mar. 2023 : ¥14,676 million/(13.6)% ; FY Mar. 2022 : ¥16,978 million/(5.6)%

	Net income per share (¥)	Net income per share (diluted) (¥)	Return on equity (%)	Ordinary income/ Total assets (%)	Operating income/ Net sales (%)
<b>FY ended March/23</b>	<b>92.74</b>		<b>10.0%</b>	<b>8.8%</b>	<b>7.1%</b>
FY ended March/22	100.85	—	11.6%	9.3%	7.5%

(Reference) Equity in earnings of affiliates : FY Mar. 2023 : ¥71 million; FY Mar. 2022 : ¥27 million

## (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
<b>31-Mar-23</b>	<b>267,000</b>	<b>145,714</b>	<b>52.9</b>	<b>948.23</b>
31-Mar-22	254,701	138,149	52.9	904.66

c.f. Owner's equity: 31/3/2023 ¥141,242 million ; 31/3/2022 ¥134,742 million

## (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)
<b>FY ended March/23</b>	<b>2,816</b>	<b>(4,934)</b>	<b>(9,243)</b>	<b>68,549</b>
FY ended March/22	22,674	(7,162)	(4,267)	79,732

## 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 3/2022	—	19.00	—	24.00	43.00	6,404	42.6	5.0
FY ended 3/2023	—	23.00	—	23.00	46.00	6,851	49.6	5.0
FY ending 3/2024 (Forecast)	—	24.50	—	24.50	49.00		52.1	

## 3. Financial Forecasts for Fiscal Year ending March 31, 2024

(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)	(%)	
FY ending 3/2024	340,000	6.0	24,000	5.5	24,000	4.5	14,000	1.4	93.99

## 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. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and cash equivalents	79,732	68,549
Notes	319	585
Electronically recorded obligations	987	1,165
Accounts receivable	82,554	88,338
Contract assets	28,665	34,372
Purchased goods, materials and supplies	2,623	3,151
Work in process	8,155	12,932
Other	11,204	11,724
Allowance for doubtful accounts	(80)	(85)
Total current assets	<u>214,161</u>	<u>220,735</u>
Non-current assets		
Property and equipment		
Buildings and structures	10,988	14,888
Accumulated depreciation	(6,787)	(7,897)
Buildings and structures (net)	<u>4,201</u>	<u>6,991</u>
Machinery and vehicles	236	662
Accumulated depreciation	(168)	(190)
Machinery and vehicles (net)	<u>67</u>	<u>472</u>
Furniture and fixtures	16,634	17,677
Accumulated depreciation	(12,499)	(13,310)
Furniture and fixtures (net)	<u>4,134</u>	<u>4,366</u>
Land	1,507	1,546
Construction in progress	2,644	695
Other	677	705
Accumulated depreciation	(425)	(434)
Other (net)	251	271
Total property and equipment	<u>12,807</u>	<u>14,343</u>
Intangible assets		
Goodwill	388	153
Other	3,901	3,592
Total intangible assets	<u>4,290</u>	<u>3,745</u>
Investments and other assets		
Investment securities	4,180	7,427
Asset for retirement benefits	281	293
Deferred tax assets	13,639	14,172
Other	5,391	6,379
Allowance for doubtful accounts	(50)	(97)
Total investments and other assets	<u>23,442</u>	<u>28,175</u>
Total non-current assets	<u>40,540</u>	<u>46,264</u>
Total assets	<u>254,701</u>	<u>267,000</u>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	40,486	44,571
Electronically recorded obligations	1,217	1,467
Short-term bank loans	9,190	8,653
Current installments of long-term debt	264	202
Accrued income taxes	4,019	4,493
Accrued consumption taxes	2,150	1,251
Contract liabilities	8,229	7,968
Accrued bonuses to directors and corporate auditors	145	144
Accrued warranty on products	114	161
Accrued losses on sales contracts	2,107	515
Accrued compensation for damage	4	3
Accrued office transfer cost	—	394
Other current liabilities	15,707	17,063
Total current liabilities	<u>83,636</u>	<u>86,890</u>
Long-term liabilities		
Long-term debt	3,202	3,000
Liabilities for retirement benefits	27,714	28,424
Other liabilities	1,998	2,970
Total long-term liabilities	<u>32,914</u>	<u>34,395</u>
Total liabilities	<u>116,551</u>	<u>121,285</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,694	16,708
Retained earnings	105,673	112,486
Treasury stock, at cost	(259)	(252)
Total shareholders' equity	<u>135,230</u>	<u>142,065</u>
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	1,242	1,382
Deferred gains or losses on hedges	—	10
Foreign currency translation adjustments	(517)	(284)
Accumulated adjustments for retirement benefits	(1,213)	(1,930)
Total accumulated other comprehensive income	<u>(488)</u>	<u>(822)</u>
Non-controlling interests	3,407	4,471
Total net assets	<u>138,149</u>	<u>145,714</u>
Total liabilities and net assets	<u>254,701</u>	<u>267,000</u>

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

	(Millions of yen)	
	FY Mar/2022	FY Mar/2023
Net sales	310,334	320,802
Cost of sales	246,861	254,257
Gross profit	63,473	66,545
Selling, general and administrative expenses	40,292	43,794
Operating income	23,181	22,751
Non-operating income		
Interest income	14	16
Dividend income of insurance	156	164
Reward income	99	77
Insurance income	44	72
Share of profit of entities accounted for using equity	27	71
Other	353	256
Total non-operating income	696	657
Non-operating expenses		
Interest expenses	101	219
Other	225	218
Total non-operating expenses	327	438
Ordinary income	23,550	22,970
Extraordinary income		
Gain on sale of investment in affiliates	141	—
Total extraordinary income	141	—
Extraordinary losses		
Expenses relating to move of the head office	—	571
Loss on liquidation of subsidiaries	—	147
Loss on revision of retirement benefit plan	—	106
Compensation for damage	324	—
Total extraordinary losses	324	825
Income before income taxes	23,367	22,145
Income taxes – current	7,572	7,536
Income taxes – deferred	737	(272)
Income taxes	8,310	7,264
Net income	15,057	14,880
Net income attributable to non-controlling interests	35	1,067
Net income attributable to owners of the parent	15,021	13,813
		(Millions of yen)
	FY Mar/2022	FY Mar/2023
Net income	15,057	14,880
Other comprehensive income		
Net unrealized holding loss on other securities	1,072	140
Deferred gains or losses on hedges	—	10
Foreign currency translation adjustments	(16)	362
Adjustments for retirement benefit	866	(716)
Share of other comprehensive income of associates accounted for using equity method	0	(1)
Total other comprehensive income	1,921	(204)
Comprehensive income	16,978	14,676
Comprehensive income attributable to:		
Owners of the parent	16,976	13,479
Non-controlling interests	2	1,196

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

(Millions of yen)

	FY Mar/2022	FY Mar/2023
Cash flows from operating activities		
Net income before income taxes	23,367	22,145
Depreciation and amortization	3,279	4,170
Amortization of goodwill	271	235
Expenses relating to move of the head office	—	571
Loss (gain) on liquidation of subsidiaries	—	147
Loss (gain) on revision of retirement benefit plan	—	106
Increase (decrease) in allowance for doubtful receivables	(11)	47
(Increase) decrease in asset for retirement benefit	27	(189)
Increase (decrease) in liability for retirement benefits	(302)	(208)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(13)	(1)
Increase (decrease) in accrued warranty on products	30	46
Increase (decrease) in accrued losses on sales contracts	1,599	(1,756)
Increase (decrease) in accrued compensation for damage	(707)	0
Interest and dividend income	(54)	(47)
Interest expense	101	219
(Increase) decrease in notes and accounts receivable, and contract assets	12,513	(10,486)
(Increase) decrease in inventories	730	(5,309)
Increase (decrease) in notes and accounts payable	(5,179)	4,187
Increase (decrease) in accrued consumption taxes	(1,251)	(1,192)
Other, net	(1,419)	(2,315)
Subtotal	32,982	10,371
Interest and dividend income received	54	47
Interest paid	(101)	(214)
Income taxes paid	(10,259)	(7,386)
Net cash provided by (used in) operating activities	22,674	2,816
Cash flows from investing activities		
Purchase of property and equipment	(3,427)	(1,309)
Proceeds from sale of property and equipment	19	0
Purchase of intangibles	(962)	(1,144)
Purchase of investment securities	(849)	(1,381)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	189	—
Loans receivable made	(18)	(7)
Collection of loans receivable	0	19
Other, net	(2,114)	(1,111)
Net cash used in investing activities	(7,162)	(4,934)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	2,270	(1,782)
Repayments of long-term debt	(3,298)	(264)
Proceeds from long-term debt	3,000	—
Net (increase) decrease in treasury shares	20	22
Dividends paid to shareholders	(5,949)	(6,990)
Dividends paid to minority shareholders of subsidiaries	(30)	(25)
Other, net	(280)	(202)
Net cash provided by used in financing activities	(4,267)	(9,243)
Effect of exchange rate changes on cash and cash equivalents	61	178
Net increase (decrease) in cash and cash equivalents	11,305	(11,182)
Cash and cash equivalents at beginning of period	68,426	79,732
Cash and cash equivalents at end of period	79,732	68,549

**(4) Segment Information**

## Business Segment

Year ended March 31, 2022

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Orders received	119,454	84,339	128,682	4,282	---	336,759
Sales						
(1) Sales to third parties	107,971	81,874	115,033	5,455	---	310,334
(2) Intersegment sales	---	---	---	---	---	---
Total	107,971	81,874	115,033	5,455	---	310,334
Operating income (loss)	13,027	10,831	8,177	869	(9,724)	23,181

\*Our business segments were reorganized in April 2022 in line with corporate strategy. Segment information related to the fiscal year ended March 2022 was reclassified for disclosure to reflect the changes in this event.

Year ended March 31, 2023

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Orders received	122,651	92,107	132,653	8,630	---	356,043
Sales						
(1) Sales to third parties	114,244	79,217	119,241	8,099	---	320,802
(2) Intersegment sales	---	---	---	---	---	---
Total	114,244	79,217	119,241	8,099	---	320,802
Operating income (loss)	13,210	9,756	10,683	302	(11,202)	22,751