

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, 2022**

(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/22</b>	<b>310,334</b>	<b>(8.5)</b>	<b>23,181</b>	<b>(9.3)</b>	<b>23,550</b>	<b>(7.6)</b>	<b>15,021</b>	<b>(4.6)</b>
FY ended March/21	339,109	11.7	25,563	57.4	25,493	60.0	15,745	67.1

(Note) Comprehensive income : FY Mar.2022 : ¥16,978 million/(5.6)% ; FY Mar.2021 : ¥17,983 million/82.0%

	Net income per share (¥)	Net income per share (diluted) (¥)	Return on equity (%)	Ordinary income/ Total assets (%)	Operating income/ Net sales (%)
<b>FY ended March/22</b>	<b>100.85</b>	—	<b>11.6%</b>	<b>9.3%</b>	<b>7.5%</b>
FY ended March/21	105.73	—	13.5%	10.6%	7.5%

(Reference) Equity in earnings (losses) of affiliates : FY Mar.2022 : ¥27million; FY Mar.2021 : ¥(49)million

\* 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 (¥)
<b>31-Mar-22</b>	<b>254,701</b>	<b>138,149</b>	<b>52.9</b>	<b>904.66</b>
31-Mar-21	250,338	127,117	49.4	830.47

c.f. Owner's equity: 31/3/2022 ¥134,742million ; 31/3/2021 ¥123,682million

**(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/22</b>	<b>22,674</b>	<b>(7,162)</b>	<b>(4,267)</b>	<b>79,732</b>
FY ended March/21	17,383	(4,289)	(2,388)	68,426

**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 3/2021	—	14.00	—	21.00	35.00	5,212	33.1	4.5
<b>FY ended 3/2022</b>	—	<b>19.00</b>	—	<b>24.00</b>	<b>43.00</b>	<b>6,404</b>	<b>42.6</b>	<b>5.0</b>
FY ending 3/2023 (Forecast)	—	23.00	—	23.00	46.00		44.8	

**3. Financial Forecasts for Fiscal Year ending March 31, 2023**

(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 9/2022	147,000	4.3	7,700	1.0	7,900	0.1	4,800	2.0	32.23
FY ending 3/2023	330,000	6.3	26,000	12.2	26,000	10.4	15,300	1.9	102.73

**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 March 31, 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	68,426	79,732
Notes and accounts receivable	123,313	-
Notes	-	319
Accounts receivable	-	82,554
Contract assets	-	28,665
Electronically recorded obligations	1,256	987
Purchased goods, materials and supplies	3,456	2,623
Work in process	8,052	8,155
Other	7,388	11,204
Allowance for doubtful accounts	(87)	(80)
Total current assets	<u>211,806</u>	<u>214,161</u>
Non-current assets		
Property and equipment		
Buildings and structures	10,881	10,988
Accumulated depreciation	(6,445)	(6,787)
Buildings and structures (net)	<u>4,435</u>	<u>4,201</u>
Machinery and vehicles	249	236
Accumulated depreciation	(165)	(168)
Machinery and vehicles (net)	<u>83</u>	<u>67</u>
Furniture and fixtures	15,900	16,634
Accumulated depreciation	(12,295)	(12,499)
Furniture and fixtures (net)	<u>3,605</u>	<u>4,134</u>
Land	1,507	1,507
Construction in progress	890	2,644
Other	671	677
Accumulated depreciation	(349)	(425)
Other (net)	<u>322</u>	<u>251</u>
Total property and equipment	<u>10,845</u>	<u>12,807</u>
Intangible assets		
Goodwill	623	388
Other	4,284	3,901
Total intangible assets	<u>4,908</u>	<u>4,290</u>
Investments and other assets		
Investment securities	1,973	4,180
Asset for retirement benefits	313	281
Deferred tax assets	15,198	13,639
Other	5,347	5,391
Allowance for doubtful accounts	(54)	(50)
Total investments and other assets	<u>22,777</u>	<u>23,442</u>
Total non-current assets	<u>38,531</u>	<u>40,540</u>
Total assets	<u>250,338</u>	<u>254,701</u>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	44,188	40,486
Electronically recorded obligations	2,649	1,217
Short-term bank loans	6,360	9,190
Current installments of long-term debt	3,298	264
Accrued income taxes	5,954	4,019
Accrued consumption taxes	3,500	2,150
Advanced received	7,708	-
Contract liabilities	-	8,229
Accrued bonuses to directors and corporate auditors	159	145
Accrued warranty on products	83	114
Accrued losses on sales contracts	512	2,107
Accrued compensation for damage	711	4
Accrued office transfer cost	6	-
Other current liabilities	16,341	15,707
Total current liabilities	<u>91,474</u>	<u>83,636</u>
Long-term liabilities		
Long-term debt	466	3,202
Liabilities for retirement benefits	29,233	27,714
Other liabilities	2,046	1,998
Total long-term liabilities	<u>31,745</u>	<u>32,914</u>
Total liabilities	<u>123,220</u>	<u>116,551</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,680	16,694
Retained earnings	96,589	105,673
Treasury stock, at cost	(266)	(259)
Total shareholders' equity	<u>126,125</u>	<u>135,230</u>
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	169	1,242
Foreign currency translation adjustments	(533)	(517)
Accumulated adjustments for retirement benefits	(2,080)	(1,213)
Total accumulated other comprehensive income	<u>(2,443)</u>	<u>(488)</u>
Non-controlling interests	3,435	3,407
Total net assets	<u>127,117</u>	<u>138,149</u>
Total liabilities and net assets	<u>250,338</u>	<u>254,701</u>

before  
correction  
\* 90,490  
\* 20,729

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

(Millions of yen)

	FY Mar/2021	FY Mar/2022
Net sales	339,109	310,334
Cost of sales	275,179	246,861
Gross profit	63,929	63,473
Selling, general and administrative expenses	38,366	40,292
Operating income	25,563	23,181
Non-operating income		
Interest income	22	14
Dividend income of insurance	142	156
Reward income	67	99
Mid cancellation income	34	90
Other	260	335
Total non-operating income	528	696
Non-operating expenses		
Interest expenses	97	101
Loss on disposal of property and equipment	191	120
Other	20	40
Other	288	64
Total non-operating expenses	598	327
Ordinary income	25,493	23,550
Extraordinary income		
Gain on sale of investment in affiliates	228	141
Total extraordinary income	228	141
Extraordinary losses		
Compensation for damage	976	324
Total extraordinary losses	976	324
Income before income taxes	24,745	23,367
Income taxes - current	7,894	7,572
Income taxes - deferred	465	737
Income taxes	8,360	8,310
Net income	16,385	15,057
Net income attributable to non-controlling interests	639	35
Net income attributable to owners of the parent	15,745	15,021

(Millions of yen)

(Millions of yen)

	FY Mar/2021	FY Mar/2022
Net income	16,385	15,057
Other comprehensive income		
Net unrealized holding loss on other securities	139	1,072
Deferred gains or losses on hedges	(25)	-
Foreign currency translation adjustments	(219)	(16)
Adjustments for retirement benefit	1,703	866
Share of other comprehensive income of associates accounted for using equity method	(0)	(0)
Total other comprehensive income	1,598	1,921
Comprehensive income	17,983	16,978
Comprehensive income attributable to:		
Owners of the parent	17,423	16,976
Non-controlling interests	560	2

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

(Millions of yen)

	FY Mar/2021	FY Mar/2022
Cash flows from operating activities		
Net income before income taxes	24,745	23,367
Depreciation and amortization	3,256	3,279
Amortization of goodwill	238	271
Increase (decrease) in allowance for doubtful receivables	10	(11)
(Increase) decrease in asset for retirement benefit	(102)	27
Increase (decrease) in liability for retirement benefits	454	(302)
Increase (decrease) in accrued bonuses to directors and corporate auditors	19	(13)
Increase (decrease) in accrued warranty on products	(21)	30
Increase (decrease) in accrued losses on sales contracts	(1,646)	1,599
Increase (decrease) in accrued compensation for damage	(615)	(707)
Interest and dividend income	(47)	(54)
Interest expense	97	101
(Increase) decrease in notes and accounts receivable	(12,908)	-
	-	12,513
(Increase) decrease in inventories	1,645	730
Increase (decrease) in notes and accounts payable	3,799	(5,179)
Increase (decrease) in accrued consumption taxes	899	(1,251)
Other, net	3,173	(1,419)
Subtotal	22,998	32,982
Interest and dividend income received	47	54
Interest paid	(97)	(101)
Income taxes paid	(5,565)	(10,259)
Net cash provided by (used in) operating activities	17,383	22,674
Cash flows from investing activities		
Purchase of property and equipment	(3,025)	(3,427)
Proceeds from sale of property and equipment	11	19
Purchase of intangibles	(663)	(962)
Proceeds from sale of intangibles	0	-
Purchase of investment securities	(450)	(849)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	330	189
Loans receivable made	(17)	(18)
Collection of loans receivable	1	0
Other, net	(477)	(2,114)
Net cash used in investing activities	(4,289)	(7,162)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	2,477	2,270
Repayments of long-term debt	(298)	(3,298)
Proceeds from long-term debt	-	3,000
Net (increase) decrease in treasury shares	(3)	20
Dividends paid to shareholders	(4,162)	(5,949)
Dividends paid to minority shareholders of subsidiaries	(23)	(30)
Other, net	(379)	(280)
Net cash provided by used in financing activities	(2,388)	(4,267)
Effect of exchange rate changes on cash and cash equivalents	(66)	61
Net increase (decrease) in cash and cash equivalents	10,638	11,305
Cash and cash equivalents at beginning of period	58,321	68,426
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries	(532)	-
Cash and cash equivalents at end of period	68,426	79,732
Cash and cash equivalents at end of period	58,321	68,426

**(4) Segment Information**

## Business Segment

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

\*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, 2022

(Millions of yen)

	Digital Solutions	Network Infrastructures	Engineering & Support Services	Others	Adjustments	Total
Orders received	121,729	100,889	109,927	4,213	---	336,759
Sales						
(1) Sales to third parties	110,344	96,426	98,116	5,446	---	310,334
(2) Intersegment sales	---	---	---	---	---	---
Total	110,344	96,426	98,116	5,446	---	310,334
Operating income (loss)	13,047	10,254	9,117	702	(9,940)	23,181