

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, 2022 to June 30, 2022)

of Fiscal Year ending March 31, 2023

(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 2022	67,628	(0.1)	1,499	(49.2)	1,526	(49.9)
3 months ended June 2021	67,662	0.4	2,950	192.5	3,045	223.4

	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 2022	496	(70.0)	3.33	—
3 months ended June 2021	1,653	405.8	11.10	—

c.f. Comprehensive income: 1Q/FY Mar 2022: ¥1,074million <(54.7%)>; 1Q/FY Mar 2022: ¥2,374million <813.5%>

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/Jun/2022	241,799	135,620	54.6	886.85
31/Mar/2022	254,701	138,149	52.9	904.66

c.f. Owner's equity: 30/Jun/2022: ¥132,089 million; 31/Mar/2022 ¥134,742million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ended Mar. 2022	—	19.00	—	24.00	43.00
FY ending Mar. 2023(Forecast)	—	23.00	—	23.00	46.00

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

3. Financial Forecasts for Fiscal Year ending March 31, 2023 (April 1, 2022 to 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 per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
6 months ending Sep. 2022	147,000	4.3	7,700	1.0	7,900	0.1	4,800	2.0	32.23
FY ending Mar. 2023	330,000	6.3	26,000	12.2	26,000	10.4	15,300	1.9	102.72

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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	79,732	91,163
Notes and accounts receivable, and contract assets	111,539	81,744
Electronically recorded monetary claims	987	2,190
Purchased goods, materials and supplies	2,623	2,519
Work in process	8,155	9,034
Other	11,204	11,311
Allowance for doubtful accounts	(80)	(82)
Total current assets	<u>214,161</u>	<u>197,881</u>
Non-current assets		
Property and equipment	12,807	12,407
Intangible assets		
Goodwill	388	329
Other	3,901	3,761
Total intangible assets	<u>4,290</u>	<u>4,091</u>
Investments and other assets		
Deferred tax assets	13,639	13,602
Other	9,853	13,867
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	<u>23,442</u>	<u>27,419</u>
Total non-current assets	<u>40,540</u>	<u>43,918</u>
Total assets	<u>254,701</u>	<u>241,799</u>
Liabilities		
Current liabilities		
Notes and accounts payable	40,486	30,247
Electronically recorded obligations	1,217	1,643
Short-term bank loans	9,190	10,295
Current installments of long-term debt	264	247
Accrued income taxes	4,019	705
Accrued bonuses to directors and corporate auditors	145	39
Accrued warranty on products	114	125
Accrued losses on sales contracts	2,107	2,491
Provision for compensation for damage	4	4
Provision for office transfer cost	-	453
Other current liabilities	26,087	26,134
Total current liabilities	<u>83,636</u>	<u>72,387</u>
Non-current liabilities		
Long-term debt	3,202	3,144
Liabilities for retirement benefits	27,714	28,630
Other liabilities	1,998	2,016
Total non-current liabilities	<u>32,914</u>	<u>33,791</u>
Total liabilities	<u>116,551</u>	<u>106,179</u>
Net assets		
Shareholders' equity		
Common stock	13,122	13,122
Capital surplus	16,694	16,694
Retained earnings	105,673	102,595
Treasury stock, at cost	(259)	(259)
Total shareholders' equity	<u>135,230</u>	<u>132,152</u>
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	1,242	1,495
Foreign currency translation adjustments	(517)	(438)
Accumulated adjustments for retirement benefits	(1,213)	(1,119)
Total accumulated other comprehensive income	<u>(488)</u>	<u>(62)</u>
Non-controlling interests	3,407	3,531
Total net assets	<u>138,149</u>	<u>135,620</u>
Total liabilities and net assets	<u>254,701</u>	<u>241,799</u>

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

(Millions of yen)

	1Q, FY March 2022 (3 months ended June 2021)	1Q, FY March 2023 (3 months ended June 2022)
Net sales	67,662	67,628
Cost of sales	55,029	55,528
Gross profit	12,633	12,099
Selling, general and administrative expenses	9,682	10,600
Operating income	2,950	1,499
Non-operating income		
Interest income	2	4
Dividend income	35	28
Foreign exchange gains	33	-
Other	84	95
Total non-operating income	156	127
Non-operating expenses		
Interest expenses	22	32
Compensation for damages	2	30
Other	37	38
Total non-operating expenses	61	101
Ordinary income	3,045	1,526
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	141	-
Total extraordinary income	141	-
Extraordinary losses		
Expenses relating to move of the head office	-	519
Compensation for damage	324	-
Total extraordinary losses	324	519
Income before income taxes	2,862	1,006
Income taxes	948	397
Net income	1,914	608
Net income attributable to non-controlling interests	260	112
Net income attributable to owners of the parent	1,653	496

(Millions of yen)

(Millions of yen)

	1Q, FY March 2022 (3 months ended June 2021)	1Q, FY March 2023 (3 months ended June 2022)
Net income (loss)	1,914	608
Other comprehensive income		
Net unrealized holding loss on other securities	319	253
Foreign currency translation adjustments	40	119
Adjustments for retirement benefit	101	93
Share of other comprehensive income of associates accounted for using equity method	(1)	(1)
Total other comprehensive income	460	465
Comprehensive income (loss)	2,374	1,074
Comprehensive income (loss) attributable to:		
Owners of the parent	2,113	922
Non-controlling interests	260	152

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1Q, FY March 2022 (3 months ended June 2021)	1Q, FY March 2023 (3 months ended June 2022)
Cash flows from operating activities		
Net income before income taxes	2,862	1,006
Depreciation and amortization	801	947
Amortization of goodwill	58	58
Increase (decrease) in allowance for doubtful receivables	(5)	(2)
Increase (decrease) in asset for retirement benefit	5	(52)
Increase (decrease) in liability for retirement benefits	(262)	121
Increase (decrease) in accrued bonuses to directors and corporate auditors	(127)	(105)
Increase (decrease) in accrued warranty on products	4	10
Increase (decrease) in accrued losses on sales contracts	(50)	237
Increase (decrease) in accrued compensation for damage	324	-
Interest and dividend income	(38)	(32)
Interest expense	22	32
(Increase) decrease in notes and accounts receivable, and contract assets	43,703	29,491
(Increase) decrease in inventories	1,402	(765)
Increase (decrease) in notes and accounts payable	(16,857)	(9,873)
Increase (decrease) in accrued consumption taxes	(1,214)	92
Other, net	(2,112)	(1,514)
Subtotal	28,519	19,653
Interest and dividend income received	38	32
Interest paid	(19)	(29)
Income taxes paid	(5,410)	(3,385)
Net cash provided by (used in) operating activities	23,127	16,270
Cash flows from investing activities		
Purchase of property and equipment	(1,033)	(426)
Proceeds from sale of property and equipment	0	0
Purchase of intangibles	(228)	(198)
Purchase of investment securities	(8)	(264)
Proceeds from sale of affiliates' securities	189	-
Payments of loans receivable	(1)	(6)
Collection of loans receivable	1	0
Other, net	(123)	(767)
Net cash used in investing activities	(1,206)	(1,662)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	443	454
Repayments of long-term debt	(74)	(74)
Net (increase) decrease in treasury shares	0	0
Dividends paid to shareholders	(3,102)	(3,549)
Dividends paid to minority shareholders of subsidiaries	(21)	(25)
Other, net	(74)	(53)
Net cash provided by used in financing activities	(2,830)	(3,249)
Effect of exchange rate changes on cash and cash equivalents	24	72
Net increase (decrease) in cash and cash equivalents	19,116	11,431
Cash and cash equivalents at beginning of period	68,426	79,732
Cash and cash equivalents at end of period	87,542	91,163

(4) Segment Information

Business Segment Information

First quarter of fiscal March 2023 (3 months ended June 2022)

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	24,736	16,547	24,232	2,110	-	67,628
(2) Intersegment sales	-	-	-	-	-	-
Total	24,736	16,547	24,232	2,110	-	67,628
Operating income and loss	2,282	1,039	386	47	(2,256)	1,499

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

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	24,751	17,420	22,857	2,633	-	67,662
(2) Intersegment sales	-	-	-	-	-	-
Total	24,751	17,420	22,857	2,633	-	67,662
Operating income and loss	2,894	1,414	517	247	(2,122)	2,950

※Segment information for FY22/3 has been reclassified numbers to reflect the segment change in April 2022.