

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, 2022 to September 30, 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 (%)
6 months ended Sep 2022	142,686	1.2	4,643	-39.1	4,762	-39.6
6 months ended Sep 2021	140,961	-6.8	7,621	13.2	7,889	16.4

	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 2022	2,699	-42.6	18.12	-
6 months ended Sep 2021	4,703	18.6	31.58	-

c.f. Comprehensive income: 1H/FY Mar 2023: ¥3,690 million (-36.9 %); 1H/FY Mar 2022: ¥5,849 million (39.0 %)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
30/Sep/2022	245,905	138,156	54.9	906.13
31/Mar/2022	254,701	138,149	52.9	904.66

c.f. Owner's equity: 30/Sep/2022: ¥134,972 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 ※

※ Forecast

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)	(%)	(¥)
FY ending Mar. 2023	330,000	6.3	22,000	-5.1	22,000	-6.6	13,000	-13.5	87.28

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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of Sep 30, 2022
Assets		
Current assets		
Cash and cash equivalents	79,732	82,889
Notes and accounts receivable, and contract assets	111,539	91,314
Electronically recorded monetary claims	987	1,602
Purchased goods, materials and supplies	2,623	2,749
Work in process	8,155	11,694
Other	11,204	11,317
Allowance for doubtful accounts	(80)	(86)
Total current assets	<u>214,161</u>	<u>201,482</u>
Non-current assets		
Property and equipment	12,807	12,235
Intangible assets		
Goodwill	388	271
Other	3,901	3,703
Total intangible assets	<u>4,290</u>	<u>3,975</u>
Investments and other assets		
Deferred tax assets	13,639	13,654
Other	9,853	14,609
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	<u>23,442</u>	<u>28,213</u>
Total non-current assets	<u>40,540</u>	<u>44,423</u>
Total assets	<u>254,701</u>	<u>245,905</u>
Liabilities		
Current liabilities		
Notes and accounts payable	40,486	31,726
Electronically recorded obligations	1,217	1,225
Short-term bank loans	9,190	9,208
Current installments of long-term debt	264	231
Accrued income taxes	4,019	2,499
Accrued bonuses to directors and corporate auditors	145	46
Accrued warranty on products	114	137
Accrued losses on sales contracts	2,107	2,887
Provision for compensation for damage	4	4
Provision for office transfer cost	—	453
Other current liabilities	26,087	25,558
Total current liabilities	<u>83,636</u>	<u>73,978</u>
Non-current liabilities		
Long-term debt	3,202	3,086
Liabilities for retirement benefits	27,714	28,643
Other liabilities	1,998	2,041
Total non-current liabilities	<u>32,914</u>	<u>33,771</u>
Total liabilities	<u>116,551</u>	<u>107,749</u>
Net assets		
Shareholders' equity		
Common stock	13,122	13,122
Capital surplus	16,694	16,708
Retained earnings	105,673	104,798
Treasury stock, at cost	(259)	(251)
Total shareholders' equity	<u>135,230</u>	<u>134,378</u>
Accumulated other comprehensive income		
Net unrealized holding gain on available-for-sale securities	1,242	1,905
Foreign currency translation adjustments	(517)	(285)
Accumulated adjustments for retirement benefits	(1,213)	(1,026)
Total accumulated other comprehensive income	<u>(488)</u>	<u>594</u>
Non-controlling interests	<u>3,407</u>	<u>3,183</u>
Total net assets	<u>138,149</u>	<u>138,156</u>
Total liabilities and net assets	<u>254,701</u>	<u>245,905</u>

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

(Millions of yen)

	1H, FY March 2022 (6 months ended Sep 2021)	1H, FY March 2023 (6 months ended Sep 2022)
Net sales	140,961	142,686
Cost of sales	113,703	116,841
Gross profit	27,257	25,844
Selling, general and administrative expenses	19,636	21,201
Operating income (loss)	7,621	4,643
Non-operating income		
Interest income	5	9
Dividend income of insurance	156	164
Other	229	212
Total non-operating income	391	385
Non-operating expenses		
Interest expenses	47	79
Foreign exchange loss	—	77
Other	76	110
Total non-operating expenses	123	267
Ordinary income (loss)	7,889	4,762
Extraordinary income		
Gain on sale of investment in affiliates	141	—
Total extraordinary income	141	—
Extraordinary losses		
Expenses relating to move of the head office	—	519
Loss on liquidation of subsidiaries	—	147
Provision of allowance for compensation for damage	324	—
Total extraordinary losses	324	666
Income (loss) before income taxes	7,706	4,095
Income taxes	2,526	1,600
Net income (loss)	5,180	2,494
Net income (loss) attributable to non-controlling interests	476	(204)
Net income (loss) attributable to owners of the parent	4,703	2,699

(Millions of yen)

(Millions of yen)

	1H, FY March 2022 (6 months ended Sep 2021)	1H, FY March 2023 (6 months ended Sep 2022)
Net income (loss)	5,180	2,494
Other comprehensive income		
Net unrealized holding loss on other securities	564	663
Foreign currency translation adjustments	(96)	347
Adjustments for retirement benefit	202	187
Share of other comprehensive income of associates accounted for using equity method	(1)	(2)
Total other comprehensive income	669	1,195
Comprehensive income (loss)	5,849	3,690
Comprehensive income (loss) attributable to:		
Owners of the parent	5,445	3,782
Non-controlling interests	403	(91)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H, FY March 2022 (6 months ended Sep 2021)	1H, FY March 2023 (6 months ended Sep 2022)
Cash flows from operating activities		
Net income (loss) before income taxes	7,706	4,095
Depreciation and amortization	1,606	1,906
Amortization of goodwill	117	117
Expenses relating to move of the head office	—	519
Loss (gain) on liquidation of subsidiaries	—	147
Increase (decrease) in allowance for doubtful receivables	(5)	(0)
Increase (decrease) in asset for retirement benefit	10	(104)
Increase (decrease) in liability for retirement benefits	(228)	134
Increase (decrease) in accrued bonuses to directors and corporate auditors	(97)	(99)
Increase (decrease) in accrued warranty on products	4	23
Increase (decrease) in accrued losses on sales contracts	(92)	526
Increase (decrease) in provision for compensation for damage	(706)	—
Interest and dividend income	(42)	(37)
Interest expense	47	79
(Increase) decrease in notes and accounts receivable, and contract assets	30,098	21,252
(Increase) decrease in inventories	(50)	(3,662)
Increase (decrease) in notes and accounts payable	(13,605)	(8,896)
Increase (decrease) in accrued consumption taxes	(2,022)	(1,109)
Other, net	(1,067)	(1,052)
Subtotal	21,673	13,841
Interest and dividend income received	42	37
Interest paid	(47)	(79)
Income taxes paid	(5,422)	(3,299)
Net cash provided by (used in) operating activities	16,245	10,500
Cash flows from investing activities		
Purchase of property and equipment	(2,076)	(820)
Proceeds from sale of property and equipment	3	0
Purchase of intangibles	(363)	(494)
Purchase of investment securities	(143)	(273)
Payments for sale of shares of subsidiaries	189	—
Loans receivable made	(18)	(6)
Collection of loans receivable	0	1
Other, net	(223)	(783)
Net cash used in investing activities	(2,632)	(2,376)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	1,369	(1,334)
Repayments of long-term debt	(149)	(148)
Net (increase) decrease in treasury shares	21	22
Dividends paid to shareholders	(3,122)	(3,568)
Dividends paid to minority shareholders of subsidiaries	(29)	(25)
Other, net	(146)	(106)
Net cash provided by used in financing activities	(2,056)	(5,161)
Effect of exchange rate changes on cash and cash equivalents	(2)	195
Net increase (decrease) in cash and cash equivalents	11,553	3,157
Cash and cash equivalents at beginning of period	68,426	79,732
Cash and cash equivalents at end of period	79,979	82,889

(4) Segment Information

Business Segment Information

First half of fiscal March 2023 (6 months ended September 2022)

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	51,915	36,286	50,920	3,563	-	142,686
(2) Intersegment sales	-	-	-	-	-	-
Total	51,915	36,286	50,920	3,563	-	142,686
Operating income and loss	5,263	3,317	829	83	(4,851)	4,643

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

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	51,257	36,919	49,273	3,510	-	140,961
(2) Intersegment sales	-	-	-	-	-	-
Total	51,257	36,919	49,273	3,510	-	140,961
Operating income and loss	5,588	3,844	2,228	461	(4,502)	7,621