

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 Nine Months (April 1, 2023 to December 31, 2023) of Fiscal Year ending March 31, 2024

(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 (%)
9 months/FY Mar 2024	249,439	12.4	12,450	11.4	12,190	8.8
9 months/FY Mar 2023	221,881	1.4	11,174	(8.2)	11,206	(10.5)

	Net income attributable to owners of the parent (¥ million)	Year-on-year change (%)	Net income per share (¥)	Net income per share (diluted) (¥)
9 months/FY Mar 2024	7,698	26.0	51.68	—
9 months/FY Mar 2023	6,111	(20.5)	41.03	—

c. f. Comprehensive income: 9 Months/FY Mar 2024: ¥7,421 million <(7.5%)>; 9 Months/FY Mar 2023: ¥8,026 million <(2.8%)>

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Owner's equity ratio (%)	Net assets per share (¥)
31/Dec/2023	254,661	146,059	55.5	948.63
31/Mar/2023	267,000	145,714	52.9	948.23

c. f. Owner's equity: 31/Dec/2023: ¥141,314 million; 31/Mar/2023 ¥141,242million

2. Dividends

	Dividends per share (¥)				
	1st quarter	Interim	3rd quarter	Year-end	Full year
FY ending Mar. 2024	—	24.50	—	24.50 ※	49.00 ※
FY ended Mar. 2023	—	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, 2024 (April 1, 2023 to 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 per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
FY ending Mar. 2024	350,000	9.1	24,000	5.5	24,000	4.5	14,000	1.4	93.99

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, 2023	As of Dec 31, 2023
Assets		
Current assets		
Cash and cash equivalents	68,549	57,757
Notes, accounts receivable and contract assets	123,297	119,991
Electronically recorded obligations	1,165	1,660
Purchased goods, materials and supplies	3,151	2,557
Work in process	12,932	12,233
Other	11,724	15,959
Allowance for doubtful accounts	(85)	(36)
Total current assets	<u>220,735</u>	<u>210,125</u>
Non-current assets		
Property and equipment	14,343	13,804
Intangible assets		
Goodwill	153	102
Other	3,592	3,217
Total intangible assets	<u>3,745</u>	<u>3,319</u>
Investments and other assets		
Deferred tax assets	14,172	14,697
Other	14,100	12,819
Allowance for doubtful accounts	(97)	(107)
Total investments and other assets	<u>28,175</u>	<u>27,410</u>
Total non-current assets	<u>46,264</u>	<u>44,535</u>
Total assets	<u>267,000</u>	<u>254,661</u>
Liabilities		
Current liabilities		
Notes and accounts payable	44,571	35,734
Electronically recorded obligations	1,467	1,311
Short-term bank loans	8,653	6,511
Current installments of long-term debt	202	28
Accrued income taxes	4,493	1,271
Accrued bonuses to directors and corporate auditors	144	38
Accrued warranty on products	161	184
Accrued losses on sales contracts	515	148
Accrued compensation for damage	3	3
Accrued office transfer cost	394	43
Other current liabilities	26,282	29,684
Total current liabilities	<u>86,890</u>	<u>74,961</u>
Long-term liabilities		
Long-term debt	3,000	3,000
Liabilities for retirement benefits	28,424	27,775
Other liabilities	2,970	2,864
Total long-term liabilities	<u>34,395</u>	<u>33,640</u>
Total liabilities	<u>121,285</u>	<u>108,601</u>
Net assets		
Shareholders' equity		
Capital stock	13,122	13,122
Capital surplus	16,708	16,726
Retained earnings	112,486	113,108
Treasury stock, at cost	(252)	(244)
Total shareholders' equity	<u>142,065</u>	<u>142,712</u>
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	1,382	436
Deferred gains or losses on hedges	10	(2)
Foreign currency translation adjustments	(284)	(166)
Accumulated adjustments for retirement benefits	(1,930)	(1,665)
Total accumulated other comprehensive income	<u>(822)</u>	<u>(1,398)</u>
Non-controlling interests	4,471	4,745
Total net assets	<u>145,714</u>	<u>146,059</u>
Total liabilities and net assets	<u>267,000</u>	<u>254,661</u>

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

	1Q-3Q, FY March 2023 (9 months ended Dec 2022)	1Q-3Q, FY March 2024 (9 months ended Dec 2023)
Net sales	221,881	249,439
Cost of sales	178,341	202,784
Gross profit	43,539	46,654
Selling, general and administrative expenses	32,365	34,203
Operating income (loss)	11,174	12,450
Non-operating income		
Interest income	12	12
Dividend income of insurance	164	102
Other	310	396
Total non-operating income	487	511
Non-operating expenses		
Interest expenses	139	281
Other	168	489
Total non-operating expenses	455	771
Ordinary income (loss)	11,206	12,190
Extraordinary losses		
Expenses relating to move of the head office	671	—
Loss on liquidation of subsidiaries	147	—
Loss on revision of retirement benefit plan	99	—
Total extraordinary losses	917	—
Income (loss) before income taxes	10,288	12,190
Income taxes	3,383	4,258
Net income (loss)	6,905	7,931
Net income (loss) attributable to non-controlling interests	793	233
Net income (loss) attributable to owners of the parent	6,111	7,698

(Millions of yen)

	1Q-3Q, FY March 2023 (9 months ended Dec 2022)	1Q-3Q, FY March 2024 (9 months ended Dec 2023)
Net income (loss)	6,905	7,931
Other comprehensive income		
Net unrealized holding loss on other securities	463	(946)
Deferred gains or losses on hedges	(41)	(13)
Foreign currency translation adjustments	419	186
Adjustments for retirement benefit	281	265
Share of other comprehensive income of associates accounted for using equity method	(2)	(2)
Total other comprehensive income	1,121	(509)
Comprehensive income (loss)	8,026	7,421
Comprehensive income (loss) attributable to:		
Owners of the parent	7,100	7,121
Non-controlling interests	926	299

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1Q-3Q, FY March 2023 (9 months ended Dec 2022)	1Q-3Q, FY March 2024 (9 months ended Dec 2023)
Cash flows from operating activities		
Net income (loss) before income taxes	10,288	12,190
Depreciation and amortization	2,947	2,912
Amortization of goodwill	176	51
Expenses relating to move of the head office	671	—
Loss (gain) on liquidation of subsidiaries	147	—
Loss (gain) on revision of retirement benefit plan	99	—
Increase (decrease) in allowance for doubtful receivables	(1)	(53)
Increase (decrease) in asset for retirement benefit	(111)	(147)
Increase (decrease) in liability for retirement benefits	83	(609)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(110)	(105)
Increase (decrease) in accrued warranty on products	24	23
Increase (decrease) in accrued losses on sales contracts	(1,503)	(383)
Increase (decrease) in provision for compensation for damage	0	—
Interest and dividend income	(42)	(38)
Interest expense	139	281
(Increase) decrease in notes and accounts receivable, and contract assets	9,855	3,770
(Increase) decrease in inventories	(5,875)	1,307
Increase (decrease) in notes and accounts payable	(4,061)	(9,068)
Increase (decrease) in accrued consumption taxes	(1,442)	1,189
Other, net	(2,333)	374
Subtotal	8,951	11,693
Interest and dividend income received	42	36
Interest paid	(137)	(284)
Income taxes paid	(7,339)	(8,027)
Net cash provided by (used in) operating activities	1,517	3,419
Cash flows from investing activities		
Purchase of property and equipment	(1,329)	(2,557)
Proceeds from sale of property and equipment	0	16
Purchase of intangibles	(810)	(1,023)
Purchase of investment securities	(754)	(395)
Loans receivable made	(7)	(20)
Collection of loans receivable	1	2
Other, net	(964)	(170)
Net cash used in investing activities	(3,864)	(4,150)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(2,101)	(2,815)
Repayments of long-term debt	(206)	(173)
Net (increase) decrease in treasury shares	22	24
Dividends paid to shareholders	(6,984)	(7,058)
Dividends paid to minority shareholders of subsidiaries	(25)	(25)
Other, net	(156)	(128)
Net cash provided by used in financing activities	(9,452)	(10,176)
Effect of exchange rate changes on cash and cash equivalents	199	115
Net increase (decrease) in cash and cash equivalents	(11,599)	(10,791)
Cash and cash equivalents at beginning of period	79,732	68,549
Cash and cash equivalents at end of period	68,132	57,757

(4) Segment Information

Business Segment Information

First nine months of fiscal March 2023 (9 months ended December 2022)

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	80,202	55,511	80,598	5,569	-	221,881
(2) Intersegment sales	-	-	-	-	-	-
Total	80,202	55,511	80,598	5,569	-	221,881
Operating income and loss	8,192	5,448	5,002	157	(7,627)	11,174

First nine months of fiscal March 2024 (9 months ended December 2023)

(Millions of yen)

	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Adjustments	Total
Sales						
(1) Sales to third parties	89,294	59,475	94,463	6,205	-	249,439
(2) Intersegment sales	-	-	-	-	-	-
Total	89,294	59,475	94,463	6,205	-	249,439
Operating income and loss	9,971	5,587	6,133	82	(9,324)	12,450