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***** For immediate use July 30, 2021

Consolidated Financial Results
for the Three-month Period Ended
June 30, 2021

Consolidated Financial Results for the Three-month Period Ended June 30, 2021 [IFRS]

July 30, 2021

Company name NEC Corporation Listing: Tokyo Stock Exchange
 Securities code 6701 URL <https://www.nec.com/>
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 Scheduled date of quarterly report filing July 30, 2021 Scheduled date of dividend payments –
 Supplementary materials for financial results Yes
 Financial results briefing Yes (for institutional investors and analysts)

(Million JPY, rounded to the nearest million JPY)

1. Consolidated Financial Results for the Three-month Period Ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(1) Consolidated Operating Results

(Percentage indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent		Total comprehensive income	
	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%
Three-month period ended												
June 30, 2021	651,941	10.9	1,133	–	2,944	–	1,437	–	226	–	8,870	(26.9)
June 30, 2020	587,729	(10.1)	(10,274)	–	(9,616)	–	(6,380)	–	(5,002)	–	12,140	–

	Adjusted operating profit		Adjusted net profit attributable to owners of the parent		Basic earnings per share	Diluted earnings per share	Adjusted basic earnings per share
	JPY (millions)	%	JPY (millions)	%	JPY	JPY	JPY
Three-month period ended							
June 30, 2021	10,457	–	6,484	–	0.83	0.83	23.80
June 30, 2020	(5,802)	–	(2,253)	–	(19.27)	(19.27)	(8.68)

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	JPY (millions)	JPY (millions)	JPY (millions)	%
As of				
June 30, 2021	3,518,882	1,553,799	1,299,942	36.9
March 31, 2021	3,668,564	1,561,826	1,308,151	35.7

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Years ended	JPY	JPY	JPY	JPY	JPY
March 31, 2021	–	40.00	–	50.00	90.00
March 31, 2022	–				
March 31, 2022 (forecast)		50.00	–	50.00	100.00

*Note-Revision in the dividends forecast from latest announcement: None

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentage indicate year-on-year changes.)

	Revenue		Operating profit		Net profit attributable to owners of the parent		Basic earnings per share
	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY
Year ending March 31, 2022	3,000,000	0.2	120,000	(22.0)	67,000	(55.2)	245.88

	Adjusted operating profit		Adjusted net profit attributable to owners of the parent		Adjusted basic earnings per share
	JPY (millions)	%	JPY (millions)	%	JPY
Year ending March 31, 2022	155,000	(13.0)	90,000	(45.6)	330.28

*Note-Revision in the consolidated financial results forecast from latest announcement: None

*Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries resulting in the change in consolidation scope): None

Newly included : None

Excluded : None

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS : None

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury stock)

June 30, 2021	272,849,863 shares	March 31, 2021	272,849,863 shares
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2) Number of treasury stock at the end of period

June 30, 2021	460,507 shares	March 31, 2021	356,713 shares
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3) Average number of shares during the period

June 30, 2021	272,466,711 shares	June 30, 2020	259,527,577 shares
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*This consolidated financial results falls outside the scope of quarterly review procedures to be performed by certified public accountants or an audit firm.

*Explanation concerning the appropriate use of the financial results forecast and other special matters

(Adjusted profit (loss))

"Adjusted operating profit (loss)" is an indicator for measuring underlying profitability in order to clarify the contribution of acquired companies to the NEC Group's overall earnings. It is measured by deducting amortization of intangible assets recognized as a result of M&A and expenses for acquisition of companies (financial advisory fees and other fees) from operating profit (loss). Also, "Adjusted net profit (loss) attributable to owners of the parent" is an indicator for measuring underlying profitability attributable to owners of the parent. It is measured by deducting adjustment items of operating profit (loss) and corresponding amounts of tax and non-controlling interests from net profit (loss) attributable to owners of the parent.

(Cautionary statement with respect to forward-looking statements)

The forward-looking statements such as operating results forecast contained in this statements summary are based on the information currently available to NEC Corporation ("the Company") and certain assumptions considered reasonable. Actual operating results may differ significantly from these forecasts due to various factors. For details, please refer to "2. Cautionary Statement with Respect to Forward-Looking Statements" on page 14.

(How to obtain supplementary financial materials and information on the financial results briefing)

On July 30, 2021, the Company will hold a financial results briefing for the institutional investors and analysts. Presentation materials will be posted on the company website after the release of financial results, and the presentation video and Q&A summary will be also posted on the company website promptly after the financial results briefing.

In addition to the above, the Company periodically holds briefings on business and operating results for the individual investors. Presentation materials and Q&A summary will be posted on the company website promptly after the briefing. For the schedule and details, please check the company website.

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1. Condensed Interim Consolidated Financial Statements and Notes to Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position

JPY (millions)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current Assets		
Cash and cash equivalents	523,345	562,945
Trade and other receivables	740,448	465,737
Contract assets	270,322	291,535
Inventories	185,548	234,321
Other financial assets	9,573	9,590
Other current assets	131,596	153,519
Total current assets	1,860,832	1,717,647
Non-current assets		
Property, plant and equipment, net	553,171	544,731
Goodwill	300,530	306,907
Intangible assets, net	368,858	364,684
Investments accounted for using the equity method	73,316	73,618
Other financial assets	210,427	208,938
Deferred tax assets	133,881	134,770
Other non-current assets	167,549	167,587
Total non-current assets	1,807,732	1,801,235
Total assets	3,668,564	3,518,882

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2021	As of June 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	467,638	398,556
Contract liabilities	250,011	260,224
Bonds and borrowings	51,510	93,885
Accruals	215,965	167,958
Lease liabilities	47,480	49,149
Other financial liabilities	19,670	18,770
Accrued income taxes	28,147	9,449
Provisions	55,381	57,009
Other current liabilities	61,721	53,160
Total current liabilities	<u>1,197,523</u>	<u>1,108,160</u>
Non-current liabilities		
Bonds and borrowings	488,739	452,973
Lease liabilities	115,127	110,876
Other financial liabilities	34,974	27,119
Net defined benefit liabilities	191,907	189,384
Provisions	20,421	19,452
Other non-current liabilities	58,047	57,119
Total non-current liabilities	<u>909,215</u>	<u>856,923</u>
Total liabilities	<u>2,106,738</u>	<u>1,965,083</u>
Equity		
Share capital	427,831	427,831
Share premium	168,965	168,920
Retained earnings	564,660	551,244
Treasury shares	(1,578)	(2,114)
Other components of equity	148,273	154,061
Total equity attributable to owners of the parent	<u>1,308,151</u>	<u>1,299,942</u>
Non-controlling interests	253,675	253,857
Total equity	<u>1,561,826</u>	<u>1,553,799</u>
Total liabilities and equity	<u><u>3,668,564</u></u>	<u><u>3,518,882</u></u>

(2) Condensed Interim Consolidated Statements of Profit or Loss and Comprehensive Income

Condensed Interim Consolidated Statements of Profit or Loss

JPY (millions)

Three-month period ended June 30	2020	2021
Revenue	587,729	651,941
Cost of sales	437,811	478,719
Gross profit	149,918	173,222
Selling, general and administrative expenses	169,790	180,667
Other operating income (expenses)	9,598	8,578
Operating profit (loss)	(10,274)	1,133
Finance income	2,872	3,008
Finance costs	2,666	2,968
Share of profit of entities accounted for using the equity method	452	1,771
Profit (loss) before income taxes	(9,616)	2,944
Income taxes	(3,236)	1,507
Net profit (loss)	(6,380)	1,437
Net profit (loss) attributable to		
Owners of the parent	(5,002)	226
Non-controlling interests	(1,378)	1,211
Total	(6,380)	1,437
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY)	(19.27)	0.83
Diluted earnings per share (JPY)	(19.27)	0.83

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Three-month period ended June 30	2020	2021
Net profit (loss)	(6,380)	1,437
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Equity instruments designated as measured at fair value through other comprehensive income	15,326	(497)
Remeasurements of defined benefit plans	—	—
Share of other comprehensive income of entities accounted for using the equity method	306	1
Total items that will not be reclassified to profit or loss	15,632	(496)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	2,884	7,415
Cash flow hedges	(33)	415
Share of other comprehensive income of entities accounted for using the equity method	37	99
Total items that may be reclassified subsequently to profit or loss	2,888	7,929
Total other comprehensive income, net of tax	18,520	7,433
Total comprehensive income	12,140	8,870
Total comprehensive income attributable to		
Owners of the parent	12,657	6,014
Non-controlling interests	(517)	2,856
Total	12,140	8,870

(3) Condensed Interim Consolidated Statements of Changes in Equity

(Three-month period ended June 30, 2020)

JPY (millions)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2020	397,199	139,735	436,361	(4,157)	(58,464)	910,674	203,849	1,114,523
Net profit (loss)	—	—	(5,002)	—	—	(5,002)	(1,378)	(6,380)
Other comprehensive income	—	—	—	—	17,659	17,659	861	18,520
Comprehensive income	—	—	(5,002)	—	17,659	12,657	(517)	12,140
Purchase of treasury shares	—	—	—	(594)	—	(594)	—	(594)
Disposal of treasury shares	—	(0)	—	0	—	0	—	0
Cash dividends	—	—	(10,393)	—	—	(10,393)	(3,069)	(13,462)
Changes in interests in subsidiaries	—	—	—	—	—	—	(401)	(401)
Total transactions with owners	—	(0)	(10,393)	(593)	—	(10,986)	(3,470)	(14,456)
As of June 30, 2020	397,199	139,734	420,966	(4,751)	(40,805)	912,343	199,862	1,112,205

(Three-month period ended June 30, 2021)

JPY (millions)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2021	427,831	168,965	564,660	(1,578)	148,273	1,308,151	253,675	1,561,826
Net profit (loss)	—	—	226	—	—	226	1,211	1,437
Other comprehensive income	—	—	—	—	5,788	5,788	1,645	7,433
Comprehensive income	—	—	226	—	5,788	6,014	2,856	8,870
Purchase of treasury shares	—	—	—	(536)	—	(536)	—	(536)
Disposal of treasury shares	—	0	—	0	—	0	—	0
Cash dividends	—	—	(13,642)	—	—	(13,642)	(2,982)	(16,624)
Changes in interests in subsidiaries	—	(45)	—	—	—	(45)	308	263
Total transactions with owners	—	(45)	(13,642)	(536)	—	(14,223)	(2,674)	(16,897)
As of June 30, 2021	427,831	168,920	551,244	(2,114)	154,061	1,299,942	253,857	1,553,799

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Three-month period ended June 30	2020	2021
Cash flows from operating activities		
Profit (loss) before income taxes	(9,616)	2,944
Depreciation and amortization	40,263	45,477
Impairment loss	99	87
(Decrease) increase in provisions	(5,195)	734
Finance income	(2,872)	(3,008)
Finance costs	2,666	2,968
Share of profit of entities accounted for using the equity method	(452)	(1,771)
Decrease in trade and other receivables	300,835	274,572
(Increase) in inventories	(44,720)	(48,669)
(Decrease) in trade and other payables	(85,303)	(68,222)
Others, net	(90,089)	(108,388)
Subtotal	105,616	96,724
Interest and dividends received	3,222	2,781
Interest paid	(2,386)	(2,368)
Income taxes paid	(7,551)	(24,358)
Net cash provided by operating activities	98,901	72,779
Cash flows from investing activities		
Purchases of property, plant and equipment	(17,177)	(12,498)
Proceeds from sales of property, plant and equipment	1,215	11,119
Acquisitions of intangible assets	(3,157)	(2,476)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(1,311)	(62)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	499	1,402
Purchase of shares of newly consolidated subsidiaries	—	(2,809)
Proceeds from sales of subsidiaries	6,153	6
Purchases of investments in associates or joint ventures	(0)	(35)
Proceeds from sales of investments in associates or joint ventures	60	947
Others, net	(1,030)	(3,419)
Net cash used in investing activities	(14,748)	(7,825)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Three-month period ended June 30	2020	2021
Cash flows from financing activities		
(Decrease) increase in short-term borrowings, net	(31,638)	5,240
Proceeds from long-term borrowings	10,000	382
Repayments of long-term borrowings	(79)	(95)
Proceeds from issuance of bonds	35,000	—
Redemption of bonds	(25,000)	—
Payments of lease liabilities	(14,107)	(14,600)
Dividends paid	(10,181)	(13,413)
Dividends paid to non-controlling interests	(3,059)	(2,958)
Others, net	(588)	(340)
Net cash used in financing activities	(39,652)	(25,784)
Effect of exchange rate changes on cash and cash equivalents	181	430
Net increase in cash and cash equivalents	44,682	39,600
Cash and cash equivalents, at the beginning of period	359,252	523,345
Increase in cash and cash equivalents resulting from transfer to assets held for sale	1,618	—
Cash and cash equivalents, at the end of period	405,552	562,945

(5) Notes to Condensed Interim Consolidated Financial Statements

1. Going Concern Assumptions

Not applicable.

2. Segment Information

(1) Information about revenue, profit or loss by reportable segment

(Three-month period ended June 30, 2020)

JPY (millions)

	Reportable Segments						Others	Reconciling Items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	74,818	122,733	114,986	99,041	97,009	508,587	79,142	—	587,729
Intersegment	2,004	510	10,431	2,083	142	15,170	1,967	(17,137)	—
Total	76,822	123,243	125,417	101,124	97,151	523,757	81,109	(17,137)	587,729
Segment profit (loss)	(3,266)	1,825	2,651	(2,068)	(3,046)	(3,904)	4,322	(6,220)	(5,802)
Acquisition-related amortization of intangible assets									(4,472)
Expenses for M&A									—
Operating profit (loss)									(10,274)
Finance income									2,872
Finance costs									(2,666)
Share of profit of entities accounted for using the equity method									452
Profit (loss) before income taxes									(9,616)

(Three-month period ended June 30, 2021)

JPY (millions)

	Reportable Segments						Others	Reconciling Items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	78,535	135,190	136,855	104,305	113,809	568,694	83,247	—	651,941
Intersegment	2,272	660	9,200	2,034	80	14,246	1,424	(15,670)	—
Total	80,807	135,850	146,055	106,339	113,889	582,940	84,671	(15,670)	651,941
Segment profit (loss)	(1,770)	7,713	5,907	(81)	4,915	16,684	(3,011)	(3,216)	10,457
Acquisition-related amortization of intangible assets									(9,311)
Expenses for M&A									(13)
Operating profit (loss)									1,133
Finance income									3,008
Finance costs									(2,968)
Share of profit of entities accounted for using the equity method									1,771
Profit (loss) before income taxes									2,944

Notes:

1. Segment profit (loss) is measured by deducting amortization of intangible assets recognized as a result of M&A and expenses for acquisition of companies (financial advisory fees and other fees) from operating profit (loss).
2. "Reconciling Items" in segment profit (loss) includes amounts not allocated to each reportable segment that consist principally of corporate expenses of 7,498 million JPY and 2,509 million JPY for the three-month period ended June 30, 2020 and 2021, respectively. Corporate expenses are mainly general and administrative expenses and research and development expenses incurred at the headquarters of NEC.

(2) Information about geographic areas

Revenue from external customers

JPY (millions)

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021
Japan	438,553	478,525
North America and Latin America	27,503	31,100
Europe, Middle East, and Africa	49,655	67,192
China, East Asia, and Asia Pacific	72,018	75,124
Total	587,729	651,941

3. Subsequent Events

There are no significant subsequent events.

2. Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to the Company and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- adverse economic conditions in Japan or internationally;
- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- the recent outbreak of the novel coronavirus;
- potential inability to achieve the goals in the NEC Group's medium-term management plan;
- fluctuations in the NEC Group's revenue and profitability from period to period;
- difficulty achieving the benefits expected from acquisitions, business combinations and reorganizations and business withdrawals;
- potential deterioration in the NEC Group's relationships with strategic partners or problems relating to their products or services;
- difficulty achieving the NEC Group's growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group's industry and to commercialize new technologies;
- intense competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group's concentrated customer base;
- difficulties with respect to new businesses;
- potential failures in the products and services the NEC Group provides;
- potential failure to procure components, equipment or other supplies;
- difficulties protecting the NEC Group's intellectual property rights;
- potential inability to obtain certain intellectual property licenses;
- the NEC Group's customers may encounter financial difficulties;
- difficulty attracting, hiring and retaining skilled personnel;
- difficulty obtaining additional financing to meet the NEC Group's funding needs;
- potential failure of internal controls;
- potentially costly and time-consuming legal proceedings;
- risks related to regulatory change and uncertainty;
- risks related to environmental laws and regulations;
- information security and data protection concerns and restrictions;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- risks related to corporate governance and social responsibility requirements;
- risks related to natural disasters, public health issues, armed hostilities and terrorism;
- risks related to the NEC Group's pension assets and defined benefit obligations; and
- risks related to impairment losses with regard to goodwill.

The forward-looking statements contained in this material are based on information that the Company possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for the Company to predict these events or how they may affect the NEC Group. The Company does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
