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***** For immediate use October 29, 2021

Consolidated Financial Results
for the Six-month Period Ended
September 30, 2021

Consolidated Financial Results for the Six-month Period Ended September 30, 2021 [IFRS]

October 29, 2021

Listing: Tokyo Stock Exchange

Company name NEC Corporation

Securities code 6701 URL <https://www.nec.com/>

Representative Takayuki Morita, President and CEO

Contact Kazushi Okabe, General Manager of the Corporate Communications Division TEL +81-3-3798-6511

Scheduled date of quarterly report filing October 29, 2021 Scheduled date of dividend payments December 1, 2021

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 Six-month Period Ended September 30, 2021 (April 1, 2021 – September 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)	%
Six-month period ended September 30, 2021	1,382,805	5.2	23,205	16.2	25,758	33.0	18,504	39.0	13,342	21.2	26,646	(19.4)
September 30, 2020	1,315,030	(9.2)	19,973	(57.4)	19,363	(58.0)	13,314	(59.4)	11,008	(62.3)	33,073	203.1

	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
Six-month period ended September 30, 2021	42,114	45.0	26,058	57.1	48.97	48.97	95.65
September 30, 2020	29,036	(47.6)	16,589	(51.6)	41.53	41.53	62.58

(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
As of	JPY (millions)	JPY (millions)	JPY (millions)	%
September 30, 2021	3,515,669	1,571,108	1,314,177	37.4
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	—	50.00	—	—	—
March 31, 2022 (forecast)	—	—	—	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)	September 30, 2021	272,849,863 shares	March 31, 2021	272,849,863 shares
2) Number of treasury stock at the end of period	September 30, 2021	391,840 shares	March 31, 2021	356,713 shares
3) Average number of shares during the period	September 30, 2021	272,443,043 shares	September 30, 2020	265,082,491 shares

*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 October 29, 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 September 30, 2021
Assets		
Current Assets		
Cash and cash equivalents	523,345	483,418
Trade and other receivables	740,448	505,243
Contract assets	270,322	322,702
Inventories	185,548	255,677
Other financial assets	9,573	8,926
Other current assets	131,596	143,944
Subtotal	1,860,832	1,719,910
Assets held for sale	—	12,248
Total current assets	1,860,832	1,732,158
Non-current assets		
Property, plant and equipment, net	553,171	542,050
Goodwill	300,530	304,901
Intangible assets, net	368,858	357,328
Investments accounted for using the equity method	73,316	74,485
Other financial assets	210,427	205,066
Deferred tax assets	133,881	130,477
Other non-current assets	167,549	169,204
Total non-current assets	1,807,732	1,783,511
Total assets	3,668,564	3,515,669

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2021	As of September 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	467,638	393,942
Contract liabilities	250,011	231,169
Bonds and borrowings	51,510	279,690
Accruals	215,965	207,451
Lease liabilities	47,480	48,192
Other financial liabilities	19,670	17,669
Accrued income taxes	28,147	10,934
Provisions	55,381	54,416
Other current liabilities	61,721	33,900
Subtotal	1,197,523	1,277,363
Liabilities directly associated with assets held for sale	—	3,052
Total current liabilities	1,197,523	1,280,415
Non-current liabilities		
Bonds and borrowings	488,739	265,304
Lease liabilities	115,127	108,388
Other financial liabilities	34,974	26,690
Net defined benefit liabilities	191,907	189,808
Provisions	20,421	18,734
Other non-current liabilities	58,047	55,222
Total non-current liabilities	909,215	664,146
Total liabilities	2,106,738	1,944,561
Equity		
Share capital	427,831	427,831
Share premium	168,965	168,965
Retained earnings	564,660	564,360
Treasury shares	(1,578)	(1,892)
Other components of equity	148,273	154,913
Total equity attributable to owners of the parent	1,308,151	1,314,177
Non-controlling interests	253,675	256,931
Total equity	1,561,826	1,571,108
Total liabilities and equity	3,668,564	3,515,669

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

Condensed Interim Consolidated Statements of Profit or Loss

JPY (millions)

Six-month period ended September 30	2020	2021
Revenue	1,315,030	1,382,805
Cost of sales	960,314	997,779
Gross profit	354,716	385,026
Selling, general and administrative expenses	346,252	368,943
Other operating income (expenses)	11,509	7,122
Operating profit	19,973	23,205
Finance income	3,057	5,499
Finance costs	5,182	6,258
Share of profit of entities accounted for using the equity method	1,515	3,312
Profit before income taxes	19,363	25,758
Income taxes	6,049	7,254
Net profit	13,314	18,504
Net profit attributable to		
Owners of the parent	11,008	13,342
Non-controlling interests	2,306	5,162
Total	13,314	18,504
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY)	41.53	48.97
Diluted earnings per share (JPY)	41.53	48.97

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Six-month period ended September 30	2020	2021
Net profit	13,314	18,504
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	16,255	2,374
Remeasurements of defined benefit plans	(2,122)	—
Share of other comprehensive income of entities accounted for using the equity method	186	(7)
Total items that will not be reclassified to profit or loss	14,319	2,367
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	4,984	5,337
Cash flow hedges	417	231
Share of other comprehensive income of entities accounted for using the equity method	39	207
Total items that may be reclassified subsequently to profit or loss	5,440	5,775
Total other comprehensive income, net of tax	19,759	8,142
Total comprehensive income	33,073	26,646
Total comprehensive income attributable to		
Owners of the parent	29,302	19,982
Non-controlling interests	3,771	6,664
Total	33,073	26,646

(3) Condensed Interim Consolidated Statements of Changes in Equity

(Six-month period ended September 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	—	—	11,008	—	—	11,008	2,306	13,314
Other comprehensive income	—	—	—	—	18,294	18,294	1,465	19,759
Comprehensive income	—	—	11,008	—	18,294	29,302	3,771	33,073
Issuance of common shares	30,632	30,374	—	—	—	61,006	—	61,006
Purchase of treasury shares	—	—	—	(610)	—	(610)	—	(610)
Disposal of treasury shares	—	20	—	3,205	—	3,225	—	3,225
Cash dividends	—	—	(10,393)	—	—	(10,393)	(3,532)	(13,925)
Changes in interests in subsidiaries	—	(9)	—	—	—	(9)	(398)	(407)
Total transactions with owners	30,632	30,385	(10,393)	2,595	—	53,219	(3,930)	49,289
As of September 30, 2020	427,831	170,119	436,976	(1,562)	(40,170)	993,194	203,690	1,196,884

(Six-month period ended September 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	—	—	13,342	—	—	13,342	5,162	18,504
Other comprehensive income	—	—	—	—	6,640	6,640	1,502	8,142
Comprehensive income	—	—	13,342	—	6,640	19,982	6,664	26,646
Purchase of treasury shares	—	—	—	(551)	—	(551)	—	(551)
Disposal of treasury shares	—	0	—	237	—	237	—	237
Cash dividends	—	—	(13,642)	—	—	(13,642)	(3,476)	(17,118)
Changes in interests in subsidiaries	—	0	—	—	—	0	68	68
Total transactions with owners	—	0	(13,642)	(314)	—	(13,956)	(3,408)	(17,364)
As of September 30, 2021	427,831	168,965	564,360	(1,892)	154,913	1,314,177	256,931	1,571,108

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Six-month period ended September 30	2020	2021
Cash flows from operating activities		
Profit before income taxes	19,363	25,758
Depreciation and amortization	80,946	90,435
Impairment loss	265	143
(Decrease) in provisions	(9,907)	(2,403)
Finance income	(3,057)	(5,499)
Finance costs	5,182	6,258
Share of profit of entities accounted for using the equity method	(1,515)	(3,312)
Decrease in trade and other receivables	241,763	230,483
(Increase) in inventories	(38,413)	(70,691)
(Decrease) in trade and other payables	(84,231)	(68,555)
Others, net	(136,089)	(156,014)
Subtotal	74,307	46,603
Interest and dividends received	3,394	3,570
Interest paid	(3,827)	(3,773)
Income taxes paid	(9,944)	(25,751)
Net cash provided by operating activities	63,930	20,649
Cash flows from investing activities		
Purchases of property, plant and equipment	(33,903)	(31,418)
Proceeds from sales of property, plant and equipment	4,610	11,708
Acquisitions of intangible assets	(4,692)	(5,815)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(1,867)	(181)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	879	10,374
Purchase of shares of newly consolidated subsidiaries	(4,594)	(2,809)
Proceeds from sales of subsidiaries	6,111	6
Disbursements for sales of subsidiaries	—	(92)
Purchases of investments in associates or joint ventures	(210)	(35)
Proceeds from sales of investments in associates or joint ventures	328	2,118
Others, net	(857)	(3,401)
Net cash used in investing activities	(34,195)	(19,545)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Six-month period ended September 30	2020	2021
Cash flows from financing activities		
(Decrease) increase in short-term borrowings, net	(34,064)	7,859
Proceeds from long-term borrowings	20,100	382
Repayments of long-term borrowings	(1,017)	(3,417)
Proceeds from issuance of bonds	35,000	—
Redemption of bonds	(55,000)	—
Payments of lease liabilities	(28,239)	(29,032)
Proceeds from issuance of common shares	60,893	—
Dividends paid	(10,400)	(13,645)
Dividends paid to non-controlling interests	(3,530)	(3,473)
Proceeds from disposal of treasury shares	3,225	237
Others, net	(1,259)	(704)
Net cash used in financing activities	(14,291)	(41,793)
Effect of exchange rate changes on cash and cash equivalents	(351)	762
Net increase (decrease) in cash and cash equivalents	15,093	(39,927)
Cash and cash equivalents, at the beginning of period	359,252	523,345
(Decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(2,936)	—
Cash and cash equivalents, at the end of period	371,409	483,418

(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

(Six-month period ended September 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	177,104	281,622	238,109	225,488	219,280	1,141,603	173,427	—	1,315,030
Intersegment	5,347	1,623	20,712	4,226	273	32,181	3,909	(36,090)	—
Total	182,451	283,245	258,821	229,714	219,553	1,173,784	177,336	(36,090)	1,315,030
Segment profit (loss)	4,633	16,595	17,965	6,200	(3,348)	42,045	7,153	(20,162)	29,036
Acquisition-related amortization of intangible assets									(9,062)
Expenses for M&A									(1)
Operating profit (loss)									19,973
Finance income									3,057
Finance costs									(5,182)
Share of profit of entities accounted for using the equity method									1,515
Profit (loss) before income taxes									19,363

(Six-month period ended September 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	171,839	290,796	282,184	225,529	235,194	1,205,542	177,263	—	1,382,805
Intersegment	5,408	1,417	17,334	4,738	169	29,066	2,917	(31,983)	—
Total	177,247	292,213	299,518	230,267	235,363	1,234,608	180,180	(31,983)	1,382,805
Segment profit (loss)	3,950	20,392	22,205	8,398	12,408	67,353	(2,313)	(22,926)	42,114
Acquisition-related amortization of intangible assets									(18,767)
Expenses for M&A									(142)
Operating profit (loss)									23,205
Finance income									5,499
Finance costs									(6,258)
Share of profit of entities accounted for using the equity method									3,312
Profit (loss) before income taxes									25,758

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 19,852 million JPY and 19,798 million JPY for the six-month period ended September 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)

	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Japan	977,515	1,018,276
North America and Latin America	63,093	62,563
Europe, Middle East, and Africa	106,368	140,223
China, East Asia, and Asia Pacific	168,054	161,743
Total	1,315,030	1,382,805

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.
