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***** For immediate use January 31, 2022

Consolidated Financial Results
for the Nine-month Period Ended
December 31, 2021

Consolidated Financial Results for the Nine-month Period Ended December 31, 2021 [IFRS]

January 31, 2022

Listing: Tokyo Stock Exchange

Company name NEC Corporation

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

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Scheduled date of quarterly report filing February 1, 2022 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 Nine-month Period Ended December 31, 2021 (April 1, 2021 – December 31, 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)	%
Nine-month period ended												
December 31, 2021	2,096,356	2.5	47,262	(42.6)	49,085	(42.8)	33,469	(44.7)	24,933	(54.3)	62,640	(40.1)
December 31, 2020	2,044,436	(6.0)	82,375	5.7	85,773	8.8	60,558	9.3	54,536	10.9	104,527	93.3

	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)	%			
Nine-month period ended							
December 31, 2021	75,951	(21.7)	44,257	(30.5)	91.51	91.51	162.44
December 31, 2020	97,009	7.0	63,686	11.9	204.02	204.02	238.25

(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)	%
December 31, 2021	3,528,718	1,590,947	1,331,248	37.7
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)	%	
Year ending March 31, 2022	3,000,000	0.2	125,000	(18.7)	70,000	(53.2)	JPY 256.89

	Adjusted operating profit		Adjusted net profit attributable to owners of the parent		Adjusted basic earnings per share
	JPY (millions)	%	JPY (millions)	%	
Year ending March 31, 2022	160,000	(10.2)	93,000	(43.8)	JPY 341.29

*Note-Revision in the consolidated financial results forecast from latest announcement: Yes

*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)	December 31, 2021	272,849,863 shares	March 31, 2021	272,849,863 shares
2) Number of treasury stock at the end of period	December 31, 2021	392,211 shares	March 31, 2021	356,713 shares
3) Average number of shares during the period	December 31, 2021	272,447,409 shares	December 31, 2020	267,306,903 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 January 31, 2022, 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 December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	523,345	413,862
Trade and other receivables	740,448	496,621
Contract assets	270,322	356,895
Inventories	185,548	301,926
Other financial assets	9,573	9,787
Other current assets	131,596	146,052
Subtotal	1,860,832	1,725,143
Assets held for sale	—	10,477
Total current assets	1,860,832	1,735,620
Non-current assets		
Property, plant and equipment, net	553,171	539,286
Goodwill	300,530	311,245
Intangible assets, net	368,858	361,792
Investments accounted for using the equity method	73,316	74,464
Other financial assets	210,427	208,327
Deferred tax assets	133,881	126,706
Other non-current assets	167,549	171,278
Total non-current assets	1,807,732	1,793,098
Total assets	3,668,564	3,528,718

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2021	As of December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	467,638	406,676
Contract liabilities	250,011	228,008
Bonds and borrowings	51,510	270,560
Accruals	215,965	176,092
Lease liabilities	47,480	49,468
Other financial liabilities	19,670	20,927
Accrued income taxes	28,147	11,689
Provisions	55,381	57,695
Other current liabilities	61,721	54,373
Subtotal	1,197,523	1,275,488
Liabilities directly associated with assets held for sale	—	2,678
Total current liabilities	1,197,523	1,278,166
Non-current liabilities		
Bonds and borrowings	488,739	261,156
Lease liabilities	115,127	107,714
Other financial liabilities	34,974	27,557
Net defined benefit liabilities	191,907	189,786
Provisions	20,421	18,092
Other non-current liabilities	58,047	55,300
Total non-current liabilities	909,215	659,605
Total liabilities	2,106,738	1,937,771
Equity		
Share capital	427,831	427,831
Share premium	168,965	168,890
Retained earnings	564,660	562,309
Treasury shares	(1,578)	(1,897)
Other components of equity	148,273	174,115
Total equity attributable to owners of the parent	1,308,151	1,331,248
Non-controlling interests	253,675	259,699
Total equity	1,561,826	1,590,947
Total liabilities and equity	3,668,564	3,528,718

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

Condensed Interim Consolidated Statements of Profit or Loss

JPY (millions)

Nine-month period ended December 31	2020	2021
Revenue	2,044,436	2,096,356
Cost of sales	1,473,264	1,502,302
Gross profit	571,172	594,054
Selling, general and administrative expenses	520,912	553,134
Other operating income (expenses)	32,115	6,342
Operating profit	82,375	47,262
Finance income	7,777	6,638
Finance costs	7,300	8,775
Share of profit of entities accounted for using the equity method	2,921	3,960
Profit before income taxes	85,773	49,085
Income taxes	25,215	15,616
Net profit	60,558	33,469
Net profit attributable to		
Owners of the parent	54,536	24,933
Non-controlling interests	6,022	8,536
Total	60,558	33,469
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY)	204.02	91.51
Diluted earnings per share (JPY)	204.02	91.51

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Nine-month period ended December 31	2020	2021
Net profit	60,558	33,469
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	32,284	3,351
Remeasurements of defined benefit plans	(2,122)	—
Share of other comprehensive income of entities accounted for using the equity method	90	(53)
Total items that will not be reclassified to profit or loss	30,252	3,298
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	12,080	25,699
Cash flow hedges	1,340	(383)
Share of other comprehensive income of entities accounted for using the equity method	297	557
Total items that may be reclassified subsequently to profit or loss	13,717	25,873
Total other comprehensive income, net of tax	43,969	29,171
Total comprehensive income	104,527	62,640
Total comprehensive income attributable to		
Owners of the parent	96,485	50,775
Non-controlling interests	8,042	11,865
Total	104,527	62,640

(3) Condensed Interim Consolidated Statements of Changes in Equity

(Nine-month period ended December 31, 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	—	—	54,536	—	—	54,536	6,022	60,558
Other comprehensive income	—	—	—	—	41,949	41,949	2,020	43,969
Comprehensive income	—	—	54,536	—	41,949	96,485	8,042	104,527
Issuance of common shares	30,632	30,374	—	—	—	61,006	—	61,006
Purchase of treasury shares	—	—	—	(623)	—	(623)	—	(623)
Disposal of treasury shares	—	20	—	3,218	—	3,238	—	3,238
Cash dividends	—	—	(21,307)	—	—	(21,307)	(5,399)	(26,706)
Changes in interests in subsidiaries	—	(25)	—	—	—	(25)	(281)	(306)
Total transactions with owners	30,632	30,369	(21,307)	2,595	—	42,289	(5,680)	36,609
As of December 31, 2020	427,831	170,104	469,590	(1,562)	(16,515)	1,049,448	206,211	1,255,659

(Nine-month period ended December 31, 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	—	—	24,933	—	—	24,933	8,536	33,469
Other comprehensive income	—	—	—	—	25,842	25,842	3,329	29,171
Comprehensive income	—	—	24,933	—	25,842	50,775	11,865	62,640
Purchase of treasury shares	—	—	—	(561)	—	(561)	—	(561)
Disposal of treasury shares	—	0	—	242	—	242	—	242
Cash dividends	—	—	(27,284)	—	—	(27,284)	(6,095)	(33,379)
Changes in interests in subsidiaries	—	(75)	—	—	—	(75)	254	179
Total transactions with owners	—	(75)	(27,284)	(319)	—	(27,678)	(5,841)	(33,519)
As of December 31, 2021	427,831	168,890	562,309	(1,897)	174,115	1,331,248	259,699	1,590,947

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Nine-month period ended December 31	2020	2021
Cash flows from operating activities		
Profit before income taxes	85,773	49,085
Depreciation and amortization	121,731	136,196
Impairment loss	337	158
(Decrease) increase in provisions	(14,304)	428
Finance income	(7,777)	(6,638)
Finance costs	7,300	8,775
Share of profit of entities accounted for using the equity method	(2,921)	(3,960)
Decrease in trade and other receivables	222,505	240,572
(Increase) in inventories	(47,680)	(116,169)
(Decrease) in trade and other payables	(48,697)	(58,157)
Others, net	(211,611)	(209,256)
Subtotal	104,656	41,034
Interest and dividends received	4,695	4,546
Interest paid	(6,136)	(6,608)
Income taxes paid	(16,605)	(33,695)
Net cash provided by operating activities	86,610	5,277
Cash flows from investing activities		
Purchases of property, plant and equipment	(44,391)	(41,823)
Proceeds from sales of property, plant and equipment	40,890	12,478
Acquisitions of intangible assets	(7,012)	(8,972)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(2,614)	(183)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	5,891	10,332
Purchase of shares of newly consolidated subsidiaries	(202,588)	(2,809)
Proceeds from sales of subsidiaries	8,444	6
Disbursements for sales of subsidiaries	(2,703)	(92)
Purchases of investments in associates or joint ventures	(210)	(137)
Proceeds from sales of investments in associates or joint ventures	8,177	2,118
Others, net	1,319	(3,628)
Net cash used in investing activities	(194,797)	(32,710)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Nine-month period ended December 31	2020	2021
Cash flows from financing activities		
Increase in short-term borrowings, net	83,990	124,811
Proceeds from long-term borrowings	97,100	382
Repayments of long-term borrowings	(42,066)	(134,630)
Proceeds from issuance of bonds	35,000	—
Redemption of bonds	(55,000)	—
Payments of lease liabilities	(42,541)	(43,536)
Proceeds from issuance of common shares	60,893	—
Dividends paid	(21,209)	(27,170)
Dividends paid to non-controlling interests	(5,388)	(6,086)
Proceeds from disposal of treasury shares	3,238	242
Others, net	(1,272)	(644)
Net cash provided by (used in) financing activities	112,745	(86,631)
Effect of exchange rate changes on cash and cash equivalents	(262)	4,585
Net increase (decrease) in cash and cash equivalents	4,296	(109,479)
Cash and cash equivalents, at the beginning of period	359,252	523,345
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	4,161	(4)
Cash and cash equivalents, at the end of period	367,709	413,862

(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

(Nine-month period ended December 31, 2020)

JPY (millions)

	Reportable Segments						Others	Reconciling items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	274,168	460,486	354,424	365,814	325,168	1,780,060	264,376	—	2,044,436
Intersegment	8,750	2,600	29,053	6,250	496	47,149	5,196	(52,345)	—
Total	282,918	463,086	383,477	372,064	325,664	1,827,209	269,572	(52,345)	2,044,436
Segment profit (loss)	11,433	35,314	26,175	19,919	8,071	100,912	9,565	(13,468)	97,009
Acquisition-related amortization of intangible assets									(13,744)
Expenses for M&A									(890)
Operating profit (loss)									82,375
Finance income									7,777
Finance costs									(7,300)
Share of profit of entities accounted for using the equity method									2,921
Profit (loss) before income taxes									85,773

(Nine-month period ended December 31, 2021)

JPY (millions)

	Reportable Segments						Others	Reconciling Items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	259,507	445,227	413,785	350,088	354,506	1,823,113	273,243	—	2,096,356
Intersegment	8,636	2,440	25,535	7,186	224	44,021	4,287	(48,308)	—
Total	268,143	447,667	439,320	357,274	354,730	1,867,134	277,530	(48,308)	2,096,356
Segment profit (loss)	7,633	34,872	34,392	15,820	18,095	110,812	1,412	(36,273)	75,951
Acquisition-related amortization of intangible assets									(28,304)
Expenses for M&A									(385)
Operating profit (loss)									47,262
Finance income									6,638
Finance costs									(8,775)
Share of profit of entities accounted for using the equity method									3,960
Profit (loss) before income taxes									49,085

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 14,108 million JPY and 34,241 million JPY for the nine-month period ended December 31, 2020 and 2021, respectively. Corporate expenses are mainly general and administrative expenses and research and development expenses incurred at the headquarters of NEC. Also, these reconciling items for the nine-month period ended December 31, 2020 include the gain on sales of the land of Sagamihara Plant recorded during the third quarter of the previous fiscal year.

(2) Information about geographic areas

Revenue from external customers

JPY (millions)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021
Japan	1,534,134	1,547,300
North America and Latin America	95,503	92,463
Europe, Middle East, and Africa	158,586	208,552
China, East Asia, and Asia Pacific	256,213	248,041
Total	2,044,436	2,096,356

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.
