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***** For immediate use July 28, 2022

Consolidated Financial Results
for the Three-month Period Ended
June 30, 2022

Consolidated Financial Results for the Three-month Period Ended June 30, 2022 [IFRS]

July 28, 2022

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 29, 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 Three-month Period Ended June 30, 2022 (April 1, 2022 – June 30, 2022)

(1) Consolidated Operating Results (Percentage indicate year-on-year changes.)

Three-month period ended	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)	%
June 30, 2022	659,669	1.2	(15,341)	—	(6,647)	—	(10,247)	—	(13,862)	—	43,818	394.0
June 30, 2021	651,941	10.9	1,133	—	2,944	—	1,437	—	226	—	8,870	(26.9)

Three-month period ended	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
June 30, 2022	(6,984)	—	(8,205)	—	(50.88)	(50.89)	(30.12)
June 30, 2021	10,457	—	6,484	—	0.83	0.83	23.80

(2) Consolidated Financial Position

As of	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)	%
June 30, 2022	3,694,294	1,811,952	1,532,346	41.5
March 31, 2022	3,761,733	1,786,642	1,513,503	40.2

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, 2022	—	50.00	—	50.00	100.00
March 31, 2023	—	—	—	—	—
March 31, 2023 (forecast)	—	55.00	—	55.00	110.00

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

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentage indicate year-on-year changes.)

Year ending	Revenue		Adjusted Operating profit		Adjusted net profit attributable to owners of the parent		Adjusted basic earnings per share
	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY
March 31, 2023	3,130,000	3.8	185,000	8.2	115,000	(31.2)	422.09

*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, 2022	272,849,863 shares	March 31, 2022	272,849,863 shares
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2) Number of treasury stock at the end of period

June 30, 2022	493,251 shares	March 31, 2022	393,971 shares
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3) Average number of shares during the period

June 30, 2022	272,430,834 shares	June 30, 2021	272,466,711 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 28, 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, 2022	As of June 30, 2022
Assets		
Current Assets		
Cash and cash equivalents	430,778	425,891
Trade and other receivables	722,334	481,773
Contract assets	285,890	315,532
Inventories	246,244	308,919
Other financial assets	17,554	18,929
Other current assets	133,890	171,266
Total current assets	1,836,690	1,722,310
Non-current assets		
Property, plant and equipment, net	540,257	540,803
Goodwill	335,978	354,963
Intangible assets, net	374,703	387,139
Investments accounted for using the equity method	76,470	80,176
Other financial assets	236,544	248,480
Deferred tax assets	153,313	151,466
Other non-current assets	207,778	208,957
Total non-current assets	1,925,043	1,971,984
Total assets	3,761,733	3,694,294

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2022	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	446,788	404,151
Contract liabilities	266,158	293,242
Bonds and borrowings	186,774	164,801
Accruals	232,257	179,716
Lease liabilities	49,462	49,918
Other financial liabilities	21,397	26,849
Accrued income taxes	17,403	17,808
Provisions	62,077	62,713
Other current liabilities	51,667	57,358
Total current liabilities	1,333,983	1,256,556
Non-current liabilities		
Bonds and borrowings	257,899	246,757
Lease liabilities	103,241	103,117
Other financial liabilities	26,937	21,452
Net defined benefit liabilities	179,599	179,333
Provisions	18,910	18,757
Other non-current liabilities	54,522	56,370
Total non-current liabilities	641,108	625,786
Total liabilities	1,975,091	1,882,342
Equity		
Share capital	427,831	427,831
Share premium	169,090	168,041
Retained earnings	678,653	651,149
Treasury shares	(1,906)	(2,431)
Other components of equity	239,835	287,756
Total equity attributable to owners of the parent	1,513,503	1,532,346
Non-controlling interests	273,139	279,606
Total equity	1,786,642	1,811,952
Total liabilities and equity	3,761,733	3,694,294

(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	2021	2022
Revenue	651,941	659,669
Cost of sales	478,719	491,491
Gross profit	173,222	168,178
Selling, general and administrative expenses	180,667	190,299
Other operating income (expenses)	8,578	6,780
Operating profit (loss)	1,133	(15,341)
Finance income	3,008	9,263
Finance costs	2,968	2,041
Share of profit of entities accounted for using the equity method	1,771	1,472
Profit (loss) before income taxes	2,944	(6,647)
Income taxes	1,507	3,600
Net profit (loss)	1,437	(10,247)
Net profit (loss) attributable to		
Owners of the parent	226	(13,862)
Non-controlling interests	1,211	3,615
Total	1,437	(10,247)
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY)	0.83	(50.88)
Diluted earnings per share (JPY)	0.83	(50.89)

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Three-month period ended June 30	2021	2022
Net profit (loss)	1,437	(10,247)
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	(497)	2,315
Remeasurements of defined benefit plans	—	—
Share of other comprehensive income of entities accounted for using the equity method	1	(18)
Total items that will not be reclassified to profit or loss	(496)	2,297
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	7,415	52,163
Cash flow hedges	415	(1,352)
Share of other comprehensive income of entities accounted for using the equity method	99	957
Total items that may be reclassified subsequently to profit or loss	7,929	51,768
Total other comprehensive income, net of tax	7,433	54,065
Total comprehensive income	8,870	43,818
Total comprehensive income attributable to		
Owners of the parent	6,014	34,059
Non-controlling interests	2,856	9,759
Total	8,870	43,818

(3) Condensed Interim Consolidated Statements of Changes in Equity

(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

(Three-month period ended June 30, 2022)

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, 2022	427,831	169,090	678,653	(1,906)	239,835	1,513,503	273,139	1,786,642
Net profit (loss)	—	—	(13,862)	—	—	(13,862)	3,615	(10,247)
Other comprehensive income	—	—	—	—	47,921	47,921	6,144	54,065
Comprehensive income	—	—	(13,862)	—	47,921	34,059	9,759	43,818
Purchase of treasury shares	—	—	—	(525)	—	(525)	—	(525)
Cash dividends	—	—	(13,642)	—	—	(13,642)	(3,564)	(17,206)
Changes in interests in subsidiaries	—	(1,049)	—	—	—	(1,049)	272	(777)
Total transactions with owners	—	(1,049)	(13,642)	(525)	—	(15,216)	(3,292)	(18,508)
As of June 30, 2022	427,831	168,041	651,149	(2,431)	287,756	1,532,346	279,606	1,811,952

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Three-month period ended June 30	2021	2022
Cash flows from operating activities		
Profit (loss) before income taxes	2,944	(6,647)
Depreciation and amortization	45,477	44,203
Impairment loss	87	7
Increase (Decrease) in provisions	734	(778)
Finance income	(3,008)	(9,263)
Finance costs	2,968	2,041
Share of profit of entities accounted for using the equity method	(1,771)	(1,472)
Decrease in trade and other receivables	274,572	247,866
(Increase) in inventories	(48,669)	(59,466)
(Decrease) in trade and other payables	(68,222)	(45,066)
Others, net	(108,388)	(95,371)
Subtotal	96,724	76,054
Interest and dividends received	2,781	3,096
Interest paid	(2,368)	(1,544)
Income taxes paid	(24,358)	(12,231)
Net cash provided by operating activities	72,779	65,375
Cash flows from investing activities		
Purchases of property, plant and equipment	(12,498)	(14,582)
Proceeds from sales of property, plant and equipment	11,119	6,524
Acquisitions of intangible assets	(2,476)	(3,511)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(62)	(1)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	1,402	1,271
Purchase of shares of newly consolidated subsidiaries	(2,809)	(2,015)
Proceeds from sales of subsidiaries	6	—
Purchases of investments in associates or joint ventures	(35)	—
Proceeds from sales of investments in associates or joint ventures	947	—
Others, net	(3,419)	(3,821)
Net cash used in investing activities	(7,825)	(16,135)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Three-month period ended June 30	2021	2022
Cash flows from financing activities		
Increase in short-term borrowings, net	5,240	1,481
Proceeds from long-term borrowings	382	—
Repayments of long-term borrowings	(95)	(1,215)
Redemption of bonds	—	(35,000)
Payments of lease liabilities	(14,600)	(14,640)
Dividends paid	(13,413)	(13,410)
Dividends paid to non-controlling interests	(2,958)	(3,539)
Others, net	(340)	(903)
Net cash used in financing activities	(25,784)	(67,226)
Effect of exchange rate changes on cash and cash equivalents	430	13,099
Net increase (Decrease) in cash and cash equivalents	39,600	(4,887)
Cash and cash equivalents, at the beginning of period	523,345	430,778
Cash and cash equivalents, at the end of period	562,945	425,891

(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, 2021)

JPY (millions)

	Reportable Segments						Others	Reconciling Items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	89,635	124,090	136,855	104,305	113,809	568,694	83,247	—	651,941
Intersegment	2,331	567	9,200	2,034	80	14,212	1,424	(15,636)	—
Total	91,966	124,657	146,055	106,339	113,889	582,906	84,671	(15,636)	651,941
Segment profit (loss)	23	5,920	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

(Three-month period ended June 30, 2022)

JPY (millions)

	Reportable Segments						Others	Reconciling Items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	76,539	127,026	140,346	100,081	124,920	568,912	90,757	—	659,669
Intersegment	2,338	552	9,745	1,497	84	14,216	1,494	(15,710)	—
Total	78,877	127,578	150,091	101,578	125,004	583,128	92,251	(15,710)	659,669
Segment profit (loss)	(4,077)	5,351	8,753	(8,488)	3,437	4,976	(6,775)	(5,185)	(6,984)
Acquisition-related amortization of intangible assets									(8,075)
Expenses for M&A									(282)
Operating profit (loss)									(15,341)
Finance income									9,263
Finance costs									(2,041)
Share of profit of entities accounted for using the equity method									1,472
Profit (loss) before income taxes									(6,647)

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 2,509 million JPY and 8,332 million JPY for the three-month period ended June 30, 2021 and 2022, respectively. Corporate expenses are mainly general and administrative expenses and research and development expenses incurred at the headquarters of NEC.

(2) Information about revising segments

From the first quarter of the fiscal year ending March 31, 2023, the Company's descriptions of the reportable segments have been revised based on a new organization structure effective as of April 1, 2022. A major revision is the transfer of Media Solution Business from "Public Infrastructure" segment to "Public Solutions" segment. In connection with this revision, segment information for the three months ended June 30, 2021 has been reclassified to conform to the presentation of the revised segments for the fiscal year ending March 31, 2023.

(3) Information about geographic areas

Revenue from external customers

JPY (millions)

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2022
Japan	478,525	465,251
North America and Latin America	31,100	30,668
Europe, Middle East, and Africa	67,192	79,802
China, East Asia, and Asia Pacific	75,124	83,948
Total	651,941	659,669

3. Subsequent Events

Issuance of Unsecured Straight Bonds (Sustainability-Linked Bonds)

The Company announced the issuance of 59th, 60th and 61th series of Unsecured Straight Bonds (Sustainability-Linked Bonds) on July 6, 2022 for the purpose of repayments of borrowings, redemption of the outstanding straight bonds and commercial papers, and use as working capital. All series were issued with a due date of payment on July 12, 2022, and have, as a financial covenant, a negative pledge clause (with an inter-bond pari passu clause). The information about the aggregate notional amount, coupon rate and maturity date is as follows.

Series	Aggregate notional amount (million JPY)	Coupon rate (per annum)	Maturity date
59th	60,000	0.460%	July 12, 2027
60th	20,000	0.584%	July 12, 2029
61th	30,000	0.749%	July 12, 2032

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, 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.
