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**** For immediate use October 28, 2022

Consolidated Financial Results
for the Six-month Period Ended
September 30, 2022

Consolidated Financial Results for the Six-month Period Ended September 30, 2022 [IFRS]

October 28, 2022

Listing: Tokyo Stock Exchange

Company name NEC Corporation

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

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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, 2022 (April 1, 2022 – September 30, 2022)

(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, 2022	1,455,371	5.2	13,867	(40.2)	24,111	(6.4)	12,070	(34.8)	3,973	(70.2)	84,087	215.6
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)

	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, 2022	31,185	(26.0)	15,741	(39.6)	14.60	14.59	57.84
September 30, 2021	42,114	45.0	26,058	57.1	48.97	48.97	95.65

(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 September 30, 2022	3,858,015	1,843,231	1,557,770	40.4
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	—	55.00	—	—	—
March 31, 2023 (forecast)	—	—	—	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.)

	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
Year ending 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)	September 30, 2022	272,849,863 shares	March 31, 2022	272,849,863 shares
2) Number of treasury stock at the end of period	September 30, 2022	2,097,217 shares	March 31, 2022	393,971 shares
3) Average number of shares during the period	September 30, 2022	272,169,648 shares	September 30, 2021	272,443,043 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 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 September 30, 2022
Assets		
Current Assets		
Cash and cash equivalents	430,778	436,725
Trade and other receivables	722,334	557,991
Contract assets	285,890	382,021
Inventories	246,244	323,121
Other financial assets	17,554	18,991
Other current assets	133,890	161,160
Total current assets	1,836,690	1,880,009
Non-current assets		
Property, plant and equipment, net	540,257	534,045
Goodwill	335,978	360,244
Intangible assets, net	374,703	393,442
Investments accounted for using the equity method	76,470	82,363
Other financial assets	236,544	246,910
Deferred tax assets	153,313	152,036
Other non-current assets	207,778	208,966
Total non-current assets	1,925,043	1,978,006
Total assets	3,761,733	3,858,015

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2022	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	446,788	415,475
Contract liabilities	266,158	287,196
Bonds and borrowings	186,774	238,957
Accruals	232,257	224,804
Lease liabilities	49,462	46,072
Other financial liabilities	21,397	28,787
Accrued income taxes	17,403	13,634
Provisions	62,077	64,116
Other current liabilities	51,667	33,861
Total current liabilities	1,333,983	1,352,902
Non-current liabilities		
Bonds and borrowings	257,899	288,435
Lease liabilities	103,241	95,912
Other financial liabilities	26,937	22,777
Net defined benefit liabilities	179,599	177,153
Provisions	18,910	20,907
Other non-current liabilities	54,522	56,698
Total non-current liabilities	641,108	661,882
Total liabilities	1,975,091	2,014,784
Equity		
Share capital	427,831	427,831
Share premium	169,090	168,041
Retained earnings	678,653	668,984
Treasury shares	(1,906)	(10,454)
Other components of equity	239,835	303,368
Total equity attributable to owners of the parent	1,513,503	1,557,770
Non-controlling interests	273,139	285,461
Total equity	1,786,642	1,843,231
Total liabilities and equity	3,761,733	3,858,015

(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	2021	2022
Revenue	1,382,805	1,455,371
Cost of sales	997,779	1,072,517
Gross profit	385,026	382,854
Selling, general and administrative expenses	368,943	383,023
Other operating income (expenses)	7,122	14,036
Operating profit	23,205	13,867
Finance income	5,499	11,348
Finance costs	6,258	4,115
Share of profit of entities accounted for using the equity method	3,312	3,011
Profit before income taxes	25,758	24,111
Income taxes	7,254	12,041
Net profit	18,504	12,070
Net profit attributable to		
Owners of the parent	13,342	3,973
Non-controlling interests	5,162	8,097
Total	18,504	12,070
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY)	48.97	14.60
Diluted earnings per share (JPY)	48.97	14.59

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Six-month period ended September 30	2021	2022
Net profit	18,504	12,070
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	2,374	3,456
Remeasurements of defined benefit plans	—	—
Share of other comprehensive income of entities accounted for using the equity method	(7)	(19)
Total items that will not be reclassified to profit or loss	2,367	3,437
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	5,337	70,417
Cash flow hedges	231	(3,304)
Share of other comprehensive income of entities accounted for using the equity method	207	1,467
Total items that may be reclassified subsequently to profit or loss	5,775	68,580
Total other comprehensive income, net of tax	8,142	72,017
Total comprehensive income	26,646	84,087
Total comprehensive income attributable to		
Owners of the parent	19,982	67,506
Non-controlling interests	6,664	16,581
Total	26,646	84,087

(3) Condensed Interim Consolidated Statements of Changes in Equity

(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

(Six-month period ended September 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	—	—	3,973	—	—	3,973	8,097	12,070
Other comprehensive income	—	—	—	—	63,533	63,533	8,484	72,017
Comprehensive income	—	—	3,973	—	63,533	67,506	16,581	84,087
Purchase of treasury shares	—	—	—	(9,412)	—	(9,412)	—	(9,412)
Disposal of treasury shares	—	1	—	865	—	866	—	866
Cash dividends	—	—	(13,642)	—	—	(13,642)	(4,628)	(18,270)
Changes in interests in subsidiaries	—	(1,050)	—	—	—	(1,050)	369	(681)
Total transactions with owners	—	(1,049)	(13,642)	(8,547)	—	(23,238)	(4,259)	(27,497)
As of September 30, 2022	427,831	168,041	668,984	(10,454)	303,368	1,557,770	285,461	1,843,231

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Six-month period ended September 30	2021	2022
Cash flows from operating activities		
Profit before income taxes	25,758	24,111
Depreciation and amortization	90,435	89,831
Impairment loss	143	66
(Decrease) in provisions	(2,403)	387
Finance income	(5,499)	(11,348)
Finance costs	6,258	4,115
Share of profit of entities accounted for using the equity method	(3,312)	(3,011)
Decrease in trade and other receivables	230,483	169,959
(Increase) in inventories	(70,691)	(76,365)
(Decrease) in trade and other payables	(68,555)	(28,569)
Others, net	(156,014)	(164,143)
Subtotal	46,603	5,033
Interest and dividends received	3,570	3,749
Interest paid	(3,773)	(3,096)
Income taxes paid	(25,751)	(14,865)
Net cash provided by (used in) operating activities	20,649	(9,179)
Cash flows from investing activities		
Purchases of property, plant and equipment	(31,418)	(30,668)
Proceeds from sales of property, plant and equipment	11,708	7,762
Acquisitions of intangible assets	(5,815)	(8,248)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(181)	(10)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	10,374	7,063
Purchase of shares of newly consolidated subsidiaries	(2,809)	(6,935)
Proceeds from sales of subsidiaries	6	9,679
Disbursements for sales of subsidiaries	(92)	—
Purchases of investments in associates or joint ventures	(35)	(198)
Proceeds from sales of investments in associates or joint ventures	2,118	—
Others, net	(3,401)	(5,586)
Net cash provided by (used in) investing activities	(19,545)	(27,141)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Six-month period ended September 30	2021	2022
Cash flows from financing activities		
Increase in short-term borrowings, net	7,859	65,307
Proceeds from long-term borrowings	382	—
Repayments of long-term borrowings	(3,417)	(39,040)
Proceeds from issuance of bonds	—	110,000
Redemption of bonds	—	(55,000)
Payments of lease liabilities	(29,032)	(29,848)
Dividends paid	(13,645)	(13,630)
Dividends paid to non-controlling interests	(3,473)	(4,625)
Proceeds from disposal of treasury shares	237	865
Purchase of treasury shares	(551)	(9,412)
Others, net	(153)	(396)
Net cash provided by (used in) financing activities	(41,793)	24,221
Effect of exchange rate changes on cash and cash equivalents	762	18,046
Net (Decrease) in cash and cash equivalents	(39,927)	5,947
Cash and cash equivalents, at the beginning of period	523,345	430,778
Cash and cash equivalents, at the end of period	483,418	436,725

(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, 2021)

JPY (millions)

	Reportable Segments						Others	Reconciling Items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	193,344	269,291	282,184	225,529	235,194	1,205,542	177,263	—	1,382,805
Intersegment	5,504	1,286	17,334	4,738	169	29,031	2,917	(31,948)	—
Total	198,848	270,577	299,518	230,267	235,363	1,234,573	180,180	(31,948)	1,382,805
Segment profit (loss)	7,208	17,134	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

(Six-month period ended September 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	183,828	288,887	288,847	219,622	268,156	1,249,340	206,031	—	1,455,371
Intersegment	5,686	1,265	18,118	3,317	164	28,550	3,032	(31,582)	—
Total	189,514	290,152	306,965	222,939	268,320	1,277,890	209,063	(31,582)	1,455,371
Segment profit (loss)	5,928	22,049	26,296	(13,266)	11,747	52,754	3,249	(24,818)	31,185
Acquisition-related amortization of intangible assets									(16,528)
Expenses for M&A									(790)
Operating profit (loss)									13,867
Finance income									11,348
Finance costs									(4,115)
Share of profit of entities accounted for using the equity method									3,011
Profit (loss) before income taxes									24,111

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 19,798 million JPY and 26,838 million JPY for the six-month period ended September 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 six months ended September 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)

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Japan	1,018,276	1,036,065
North America and Latin America	62,563	67,521
Europe, Middle East, and Africa	140,223	165,148
China, East Asia, and Asia Pacific	161,743	186,637
Total	1,382,805	1,455,371

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, 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.
