

News

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***** For immediate use January 30, 2023

Consolidated Financial Results
for the Nine-month Period Ended
December 31, 2022

Consolidated Financial Results for the Nine-month Period Ended December 31, 2022 [IFRS]

January 30, 2023

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 January 31, 2023 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, 2022 (April 1, 2022 – December 31, 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)	%
Nine-month period ended												
December 31, 2022	2,269,259	8.2	57,099	20.8	57,603	17.4	37,295	11.4	26,369	5.8	79,913	27.6
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)

	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
Nine-month period ended							
December 31, 2022	83,425	9.8	44,275	0.0	97.42	97.41	163.57
December 31, 2021	75,951	(21.7)	44,257	(30.5)	91.51	91.51	162.44

(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, 2022	3,889,196	1,798,867	1,518,462	39.0
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)	426.51

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

The effect of the repurchase of shares of its own common stock which was approved at the Board of Directors meeting held on August 29, 2022 is included in the calculation of "Adjusted basic earnings per share".

*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, 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

December 31, 2022	6,500,122 shares	March 31, 2022	393,971 shares
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3) Average number of shares during the period

December 31, 2022	270,672,983 shares	December 31, 2021	272,447,409 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 January 30, 2023, 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 December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	430,778	405,649
Trade and other receivables	722,334	573,495
Contract assets	285,890	426,053
Inventories	246,244	355,311
Other financial assets	17,554	16,405
Other current assets	133,890	160,974
Total current assets	1,836,690	1,937,887
Non-current assets		
Property, plant and equipment, net	540,257	541,990
Goodwill	335,978	351,630
Intangible assets, net	374,703	382,288
Investments accounted for using the equity method	76,470	81,334
Other financial assets	236,544	234,147
Deferred tax assets	153,313	153,661
Other non-current assets	207,778	206,259
Total non-current assets	1,925,043	1,951,309
Total assets	3,761,733	3,889,196

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2022	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	446,788	422,836
Contract liabilities	266,158	292,094
Bonds and borrowings	186,774	291,561
Accruals	232,257	191,376
Lease liabilities	49,462	46,161
Other financial liabilities	21,397	25,249
Accrued income taxes	17,403	9,460
Provisions	62,077	60,437
Other current liabilities	51,667	53,770
Total current liabilities	1,333,983	1,392,944
Non-current liabilities		
Bonds and borrowings	257,899	325,225
Lease liabilities	103,241	101,759
Other financial liabilities	26,937	19,968
Net defined benefit liabilities	179,599	176,205
Provisions	18,910	19,882
Other non-current liabilities	54,522	54,346
Total non-current liabilities	641,108	697,385
Total liabilities	1,975,091	2,090,329
Equity		
Share capital	427,831	427,831
Share premium	169,090	168,041
Retained earnings	678,653	676,473
Treasury shares	(1,906)	(31,582)
Other components of equity	239,835	277,699
Total equity attributable to owners of the parent	1,513,503	1,518,462
Non-controlling interests	273,139	280,405
Total equity	1,786,642	1,798,867
Total liabilities and equity	3,761,733	3,889,196

(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	2021	2022
Revenue	2,096,356	2,269,259
Cost of sales	1,502,302	1,647,618
Gross profit	594,054	621,641
Selling, general and administrative expenses	553,134	578,236
Other operating income (expenses)	6,342	13,694
Operating profit	47,262	57,099
Finance income	6,638	7,946
Finance costs	8,775	11,271
Share of profit of entities accounted for using the equity method	3,960	3,829
Profit before income taxes	49,085	57,603
Income taxes	15,616	20,308
Net profit	33,469	37,295
Net profit attributable to		
Owners of the parent	24,933	26,369
Non-controlling interests	8,536	10,926
Total	33,469	37,295
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY)	91.51	97.42
Diluted earnings per share (JPY)	91.51	97.41

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Nine-month period ended December 31	2021	2022
Net profit	33,469	37,295
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	3,351	4,229
Remeasurements of defined benefit plans	—	—
Share of other comprehensive income of entities accounted for using the equity method	(53)	22
Total items that will not be reclassified to profit or loss	3,298	4,251
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	25,699	37,983
Cash flow hedges	(383)	(634)
Share of other comprehensive income of entities accounted for using the equity method	557	1,018
Total items that may be reclassified subsequently to profit or loss	25,873	38,367
Total other comprehensive income, net of tax	29,171	42,618
Total comprehensive income	62,640	79,913
Total comprehensive income attributable to		
Owners of the parent	50,775	64,233
Non-controlling interests	11,865	15,680
Total	62,640	79,913

(3) Condensed Interim Consolidated Statements of Changes in Equity

(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

(Nine-month period ended December 31, 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	—	—	26,369	—	—	26,369	10,926	37,295
Other comprehensive income	—	—	—	—	37,864	37,864	4,754	42,618
Comprehensive income	—	—	26,369	—	37,864	64,233	15,680	79,913
Purchase of treasury shares	—	—	—	(30,540)	—	(30,540)	—	(30,540)
Disposal of treasury shares	—	1	—	865	—	866	—	866
Cash dividends	—	—	(28,549)	—	—	(28,549)	(8,741)	(37,290)
Changes in interests in subsidiaries	—	(1,050)	—	—	—	(1,050)	327	(723)
Total transactions with owners	—	(1,049)	(28,549)	(29,675)	—	(59,273)	(8,414)	(67,687)
As of December 31, 2022	427,831	168,041	676,473	(31,582)	277,699	1,518,462	280,405	1,798,867

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Nine-month period ended December 31	2021	2022
Cash flows from operating activities		
Profit before income taxes	49,085	57,603
Depreciation and amortization	136,196	138,193
Impairment loss	158	888
Increase (decrease) in provisions	428	(4,586)
Finance income	(6,638)	(7,946)
Finance costs	8,775	11,271
Share of profit of entities accounted for using the equity method	(3,960)	(3,829)
Decrease in trade and other receivables	240,572	147,005
Increase in inventories	(116,169)	(111,778)
Decrease in trade and other payables	(58,157)	(21,728)
Others, net	(209,256)	(231,973)
Subtotal	41,034	(26,880)
Interest and dividends received	4,546	5,290
Interest paid	(6,608)	(5,087)
Income taxes paid	(33,695)	(32,811)
Net cash provided by (used in) operating activities	5,277	(59,488)
Cash flows from investing activities		
Purchases of property, plant and equipment	(41,823)	(39,236)
Proceeds from sales of property, plant and equipment	12,478	9,667
Acquisitions of intangible assets	(8,972)	(13,317)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(183)	(1,493)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	10,332	12,939
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	(137)	(198)
Proceeds from sales of investments in associates or joint ventures	2,118	1,951
Others, net	(3,628)	(5,179)
Net cash used in investing activities	(32,710)	(32,122)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Nine-month period ended December 31	2021	2022
Cash flows from financing activities		
Increase in short-term borrowings, net	124,811	120,070
Proceeds from long-term borrowings	382	40,000
Repayments of long-term borrowings	(134,630)	(43,241)
Proceeds from issuance of bonds	—	110,000
Redemption of bonds	—	(55,000)
Payments of lease liabilities	(43,536)	(44,837)
Dividends paid	(27,170)	(28,429)
Dividends paid to non-controlling interests	(6,086)	(8,730)
Proceeds from disposal of treasury shares	242	865
Purchase of treasury shares	(561)	(30,540)
Others, net	(83)	(396)
Net cash (used in) provided by financing activities	<u>(86,631)</u>	<u>59,762</u>
Effect of exchange rate changes on cash and cash equivalents	4,585	6,719
Net decrease in cash and cash equivalents	<u>(109,479)</u>	<u>(25,129)</u>
Cash and cash equivalents, at the beginning of period	<u>523,345</u>	<u>430,778</u>
Decrease in cash and cash equivalents resulting from transfer to assets held for sale	(4)	—
Cash and cash equivalents, at the end of period	<u><u>413,862</u></u>	<u><u>405,649</u></u>

(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, 2021)

JPY (millions)

	Reportable Segments						Others	Reconciling Items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	290,364	414,370	413,785	350,088	354,506	1,823,113	273,243	—	2,096,356
Intersegment	8,752	2,288	25,535	7,186	224	43,985	4,287	(48,272)	—
Total	299,116	416,658	439,320	357,274	354,730	1,867,098	277,530	(48,272)	2,096,356
Segment profit (loss)	11,690	30,815	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

(Nine-month period ended December 31, 2022)

JPY (millions)

	Reportable Segments						Others	Reconciling Items (Note 2)	Consolidated Total
	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global	Total			
Revenue									
External customers	286,126	449,677	431,537	360,976	422,811	1,951,127	318,132	—	2,269,259
Intersegment	8,937	1,743	28,158	4,843	263	43,944	4,726	(48,670)	—
Total	295,063	451,420	459,695	365,819	423,074	1,995,071	322,858	(48,670)	2,269,259
Segment profit (loss)	12,543	38,117	42,087	(578)	21,496	113,665	7,082	(37,322)	83,425
Acquisition-related amortization of intangible assets									(25,327)
Expenses for M&A									(999)
Operating profit (loss)									57,099
Finance income									7,946
Finance costs									(11,271)
Share of profit of entities accounted for using the equity method									3,829
Profit (loss) before income taxes									57,603

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 34,241 million JPY and 40,707 million JPY for the nine-month period ended December 31, 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 nine months ended December 31, 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)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022
Japan	1,547,300	1,604,261
North America and Latin America	92,463	122,498
Europe, Middle East, and Africa	208,552	257,987
China, East Asia, and Asia Pacific	248,041	284,513
Total	2,096,356	2,269,259

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.
