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**** For immediate use July 28, 2023

Consolidated Financial Results
for the Three-month Period Ended
June 30, 2023

Consolidated Financial Results for the Three-month Period Ended June 30, 2023 [IFRS]

July 28, 2023

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 28, 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 Three-month Period Ended June 30, 2023 (April 1, 2023 – June 30, 2023)

(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)	%
Three-month period ended June 30, 2023	706,542	7.1	(8,125)	—	(2,463)	—	(6,830)	—	(7,388)	—	66,423	51.6
June 30, 2022	659,669	1.2	(15,341)	—	(6,647)	—	(10,247)	—	(13,862)	—	43,818	394.0

	Adjusted operating profit		Non-GAAP operating profit		Non-GAAP profit attributable to owners of the parent		Basic earnings per share	Diluted earnings per share	Non-GAAP earnings per share
	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY	JPY	JPY
Three-month period ended June 30, 2023	454	—	565	—	(1,336)	—	(27.74)	(27.74)	(5.02)
June 30, 2022	(6,984)	—	(13,210)	—	(12,633)	—	(50.88)	(50.89)	(46.37)

(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)	%
June 30, 2023	4,016,079	1,960,643	1,666,750	41.5
March 31, 2023	3,984,050	1,912,724	1,623,817	40.8

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, 2023	—	55.00	—	55.00	110.00
March 31, 2024	—	—	—	—	—
March 31, 2024 (forecast)	—	60.00	—	60.00	120.00

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

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentage indicate year-on-year changes.)

	Revenue		Adjusted operating profit		Non-GAAP operating profit		Non-GAAP profit attributable to owners of the parent		Non-GAAP earnings per share
	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY
Year ending March 31, 2024	3,380,000	2.0	220,000	7.0	220,000	11.7	140,000	5.4	525.63

*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 : Yes

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, 2023	272,849,863 shares	March 31, 2023	272,849,863 shares
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2) Number of treasury stock at the end of period

June 30, 2023	6,504,172 shares	March 31, 2023	6,501,510 shares
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3) Average number of shares during the period

June 30, 2023	266,347,281 shares	June 30, 2022	272,430,834 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 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).

(Non-GAAP profit (loss))

"NON-GAAP profit (loss)" is an indicator for measuring underlying profitability. It is measured by deducting amortization of intangible assets recognized as a result of M&A, expenses for acquisition of companies (financial advisory fees and other fees), structural reform expenses, impairment losses, stock compensation and other one-time profits (losses) from operating profit (loss). Also, "Non-GAAP 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 profit (loss) before income taxes 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 15.

(How to obtain supplementary financial materials and information on the financial results briefing)

On July 28, 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, 2023	As of June 30, 2023
Assets		
Current Assets		
Cash and cash equivalents	419,462	477,665
Trade and other receivables	799,875	506,310
Contract assets	335,852	393,216
Inventories	267,576	323,301
Other financial assets	15,776	16,286
Other current assets	157,362	203,548
Subtotal	1,995,903	1,920,326
Assets held for sale	—	15,293
Total current assets	1,995,903	1,935,619
Non-current assets		
Property, plant and equipment, net	563,384	593,376
Goodwill	355,572	384,942
Intangible assets, net	378,250	397,508
Investments accounted for using the equity method	80,425	82,329
Other financial assets	207,731	214,076
Deferred tax assets	159,930	159,287
Other non-current assets	242,855	248,942
Total non-current assets	1,988,147	2,080,460
Total assets	3,984,050	4,016,079

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2023	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	497,625	451,349
Contract liabilities	287,859	347,007
Bonds and borrowings	130,867	152,480
Accruals	240,870	177,838
Lease liabilities	47,056	53,597
Other financial liabilities	21,950	23,677
Accrued income taxes	20,951	24,000
Provisions	57,574	54,376
Other current liabilities	60,757	58,205
Subtotal	1,365,509	1,342,529
Liabilities directly associated with assets held for sale	—	5,526
Total current liabilities	1,365,509	1,348,055
Non-current liabilities		
Bonds and borrowings	320,794	295,828
Lease liabilities	109,764	124,554
Other financial liabilities	20,428	30,955
Net defined benefit liabilities	179,106	177,877
Provisions	20,470	20,354
Other non-current liabilities	55,255	57,813
Total non-current liabilities	705,817	707,381
Total liabilities	2,071,326	2,055,436
Equity		
Share capital	427,831	427,831
Share premium	165,034	165,054
Retained earnings	764,604	742,551
Treasury shares	(31,588)	(31,605)
Other components of equity	297,936	362,919
Total equity attributable to owners of the parent	1,623,817	1,666,750
Non-controlling interests	288,907	293,893
Total equity	1,912,724	1,960,643
Total liabilities and equity	3,984,050	4,016,079

(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	2022	2023
Revenue	659,669	706,542
Cost of sales	491,491	519,187
Gross profit	168,178	187,355
Selling, general and administrative expenses	190,299	195,412
Other operating income (expenses)	6,780	(68)
Operating profit (loss)	(15,341)	(8,125)
Finance income	9,263	6,979
Finance costs	2,041	2,917
Share of profit of entities accounted for using the equity method	1,472	1,600
Profit (loss) before income taxes	(6,647)	(2,463)
Income taxes	3,600	4,367
Net profit (loss)	(10,247)	(6,830)
Net profit (loss) attributable to		
Owners of the parent	(13,862)	(7,388)
Non-controlling interests	3,615	558
Total	(10,247)	(6,830)
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY)	(50.88)	(27.74)
Diluted earnings per share (JPY)	(50.89)	(27.74)

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Three-month period ended June 30	2022	2023
Net profit (loss)	(10,247)	(6,830)
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	2,315	7,145
Remeasurements of defined benefit plans	—	—
Share of other comprehensive income of entities accounted for using the equity method	(18)	76
Total items that will not be reclassified to profit or loss	2,297	7,221
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	52,163	66,891
Cash flow hedges	(1,352)	(1,611)
Share of other comprehensive income of entities accounted for using the equity method	957	752
Total items that may be reclassified subsequently to profit or loss	51,768	66,032
Total other comprehensive income, net of tax	54,065	73,253
Total comprehensive income	43,818	66,423
Total comprehensive income attributable to		
Owners of the parent	34,059	57,595
Non-controlling interests	9,759	8,828
Total	43,818	66,423

(3) Condensed Interim Consolidated Statements of Changes in Equity

(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

(Three-month period ended June 30, 2023)

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, 2023	427,831	165,034	764,604	(31,588)	297,936	1,623,817	288,907	1,912,724
Net profit (loss)	—	—	(7,388)	—	—	(7,388)	558	(6,830)
Other comprehensive income	—	—	—	—	64,983	64,983	8,270	73,253
Comprehensive income	—	—	(7,388)	—	64,983	57,595	8,828	66,423
Purchase of treasury shares	—	—	—	(17)	—	(17)	—	(17)
Disposal of treasury shares	—	0	—	0	—	0	—	0
Cash dividends	—	—	(14,665)	—	—	(14,665)	(3,713)	(18,378)
Changes in interests in subsidiaries	—	20	—	—	—	20	(129)	(109)
Total transactions with owners	—	20	(14,665)	(17)	—	(14,662)	(3,842)	(18,504)
As of June 30, 2023	427,831	165,054	742,551	(31,605)	362,919	1,666,750	293,893	1,960,643

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Three-month period ended June 30	2022	2023
Cash flows from operating activities		
Profit (loss) before income taxes	(6,647)	(2,463)
Depreciation and amortization	44,203	46,055
Impairment loss	7	61
Increase (Decrease) in provisions	(778)	(3,414)
Finance income	(9,263)	(6,979)
Finance costs	2,041	2,917
Share of profit of entities accounted for using the equity method	(1,472)	(1,600)
Decrease in trade and other receivables	247,866	293,333
(Increase) in inventories	(59,466)	(58,482)
(Decrease) in trade and other payables	(45,066)	(47,011)
Others, net	(95,371)	(122,814)
Subtotal	76,054	99,603
Interest received	440	1,528
dividends received	2656	2,450
Interest paid	(1,544)	(2,324)
Income taxes paid	(12,231)	(14,872)
Net cash provided by operating activities	65,375	86,385
Cash flows from investing activities		
Purchases of property, plant and equipment	(14,582)	(15,284)
Proceeds from sales of property, plant and equipment	6,524	2,144
Acquisitions of intangible assets	(3,511)	(4,728)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(1)	(2)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	1,271	4,385
Purchase of shares of newly consolidated subsidiaries	(2,015)	—
Purchases of investments in associates or joint ventures	—	(80)
Proceeds from sales of investments in associates or joint ventures	—	100
Others, net	(3,821)	380
Net cash used in investing activities	(16,135)	(13,085)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Three-month period ended June 30	2022	2023
Cash flows from financing activities		
Increase in short-term borrowings, net	1,481	3,830
Repayments of long-term borrowings	(1,215)	(1,203)
Redemption of bonds	(35,000)	(10,000)
Payments of lease liabilities	(14,640)	(16,506)
Dividends paid	(13,410)	(14,431)
Dividends paid to non-controlling interests	(3,539)	(3,747)
Proceeds from issuance of preference shares with put/call options	—	15,797
Others, net	(903)	(184)
Net cash used in financing activities	<u>(67,226)</u>	<u>(26,444)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>13,099</u>	<u>11,347</u>
Net increase (Decrease) in cash and cash equivalents	<u>(4,887)</u>	<u>58,203</u>
Cash and cash equivalents, at the beginning of period	<u>430,778</u>	<u>419,462</u>
Cash and cash equivalents, at the end of period	<u><u>425,891</u></u>	<u><u>477,665</u></u>

(5) Notes to Condensed Interim Consolidated Financial Statements

1. Going Concern Assumptions

Not applicable.

2. Material accounting policies

Material accounting policies adopted for the first quarter of the fiscal year ending March 31, 2024 are consistent from those applied for the previous fiscal year, except for the following item.

Income taxes for the first quarter are calculated using reasonably estimated annual effective tax rate.

Amendments of IAS 12 "Income taxes".

The NEC Group applied amendments of IAS 12 "Income taxes", effective from the first quarter of the fiscal year ending March 31, 2024. This amendment requires recognition of deferred tax on transactions that incur taxable and deductible temporary difference in same amount such as Leases and Asset retirement obligations. As a result, both Deferred tax assets and Deferred tax liabilities have increased. However, Deferred tax assets and liabilities increased by this adoption are offset in the financial statement when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities are for those related to income taxes levied by the same taxation authority on the same taxable entity. As a result of amendments, there are no impact on retained earnings at the beginning of the fiscal year ended March 31, 2023 and the disclosure of the condensed interim consolidated financial statements.

3. Segment Information

(1) Information about revenue, profit or loss by reportable segment

(Three-month period ended June 30, 2022)

JPY (millions)

	Reportable Segments			Others	Reconciling Items (Note 2)	Consolidated Total
	IT Services	Social Infrastructure	Total			
Revenue						
External customers	355,332	197,370	552,702	106,967	—	659,669
Intersegment	9,893	1,244	11,137	1,511	(12,648)	—
Total	365,225	198,614	563,839	108,478	(12,648)	659,669
Segment profit (loss)	665	(5,218)	(4,553)	2,877	(5,308)	(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)

(Three-month period ended June 30, 2023)

JPY (millions)

	Reportable Segments			Others	Reconciling Items (Note 2)	Consolidated Total
	IT Services	Social Infrastructure	Total			
Revenue						
External customers	385,822	214,996	600,818	105,724	—	706,542
Intersegment	10,456	928	11,384	1,385	(12,769)	—
Total	396,278	215,924	612,202	107,109	(12,769)	706,542
Segment profit (loss)	17,797	(2,083)	15,714	316	(15,576)	454
Acquisition-related amortization of intangible assets						(8,450)
Expenses for M&A						(129)
Operating profit (loss)						(8,125)
Finance income						6,979
Finance costs						(2,917)
Share of profit of entities accounted for using the equity method						1,600
Profit (loss) before income taxes						(2,463)

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 8,332 million JPY and 15,857 million JPY for the three-month period ended June 30, 2022 and 2023, 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, 2024, the Company's descriptions of the reportable segments have been revised based on a new organization structure effective as of April 1, 2023. Under the former organization structure, The NEC Group had five reporting segments: Public Solutions business, Public Infrastructure business, Enterprise business, Network Services Business, and Global Business. In connection with this organizational reform, IT Services Business and Social Infrastructure Business have been newly established, which are operating segments. Segment information for the three months ended June 30, 2022 has been reclassified to conform to the presentation of the revised segments for the fiscal year ending March 31, 2024.

(3) Information about geographic areas

Revenue from external customers

JPY (millions)

	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023
Japan	465,251	508,993
North America and Latin America	30,668	32,909
Europe, Middle East, and Africa	79,802	79,336
China, East Asia, and Asia Pacific	83,948	85,304
Total	659,669	706,542

4. Subsequent Events

Issuance of Unsecured Straight Bonds (Sustainability-Linked Bonds)

The Company announced the issuance of 62th and 63th series of Unsecured Straight Bonds (Sustainability-Linked Bonds) on July 5, 2023 for the purpose of repayments of borrowings and redemption of the outstanding straight bonds. All series were issued with a due date of payment on July 11, 2023, 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
62th	20,000	0.355%	July 11, 2028
63th	20,000	0.840%	July 11, 2033

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;
- impact of the outbreak of the novel coronavirus (COVID-19) and other infections;
- 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.
