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**NEC**

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\*\*\*\* For immediate use October 30, 2023

**Consolidated Financial Results**  
**for the Six-month Period Ended**  
**September 30, 2023**

## Consolidated Financial Results for the Six-month Period Ended September 30, 2023 [IFRS]

October 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 October 31, 2023 Scheduled date of dividend payments December 1, 2023

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, 2023 (April 1, 2023 – September 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)	%
Six-month period ended September 30, 2023	1,548,801	6.4	27,995	101.9	31,977	32.6	17,791	47.4	12,914	225.0	102,921	22.4
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

	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
Six-month period ended September 30, 2023	45,824	46.9	46,118	150.7	25,559	279.4	48.48	48.48	95.96
September 30, 2022	31,185	(26.0)	18,394	—	6,737	—	14.60	14.59	24.75

#### (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, 2023	4,078,113	1,995,923	1,696,830	41.6
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	—	60.00	—	—	—
March 31, 2024 (forecast)	—	—	—	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: No

\*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)	September 30, 2023	272,849,863 shares	March 31, 2023	272,849,863 shares
2) Number of treasury stock at the end of period	September 30, 2023	6,393,154 shares	March 31, 2023	6,501,510 shares
3) Average number of shares during the period	September 30, 2023	266,362,078 shares	September 30, 2022	272,169,648 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 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 October 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, 2023	As of September 30, 2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	419,462	403,097
Trade and other receivables	799,875	590,751
Contract assets	335,852	455,955
Inventories	267,576	329,397
Other financial assets	15,776	20,940
Other current assets	157,362	190,859
Subtotal	1,995,903	1,990,999
Assets held for sale	—	13,417
<b>Total current assets</b>	1,995,903	2,004,416
<b>Non-current assets</b>		
Property, plant and equipment, net	563,384	592,269
Goodwill	355,572	387,810
Intangible assets, net	378,250	393,682
Investments accounted for using the equity method	80,425	83,908
Other financial assets	207,731	206,486
Deferred tax assets	159,930	161,386
Other non-current assets	242,855	248,156
<b>Total non-current assets</b>	1,988,147	2,073,697
<b>Total assets</b>	3,984,050	4,078,113

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	497,625	458,290
Contract liabilities	287,859	332,494
Bonds and borrowings	130,867	133,394
Accruals	240,870	220,191
Lease liabilities	47,056	55,930
Other financial liabilities	21,950	25,785
Accrued income taxes	20,951	21,436
Provisions	57,574	49,828
Other current liabilities	60,757	41,583
Subtotal	1,365,509	1,338,931
Liabilities directly associated with assets held for sale	—	5,564
<b>Total current liabilities</b>	1,365,509	1,344,495
<b>Non-current liabilities</b>		
Bonds and borrowings	320,794	334,436
Lease liabilities	109,764	118,034
Other financial liabilities	20,428	32,778
Net defined benefit liabilities	179,106	177,061
Provisions	20,470	19,654
Other non-current liabilities	55,255	55,732
<b>Total non-current liabilities</b>	705,817	737,695
<b>Total liabilities</b>	2,071,326	2,082,190
<b>Equity</b>		
Share capital	427,831	427,831
Share premium	165,034	164,401
Retained earnings	764,604	762,853
Treasury shares	(31,588)	(31,352)
Other components of equity	297,936	373,097
<b>Total equity attributable to owners of the parent</b>	1,623,817	1,696,830
Non-controlling interests	288,907	299,093
<b>Total equity</b>	1,912,724	1,995,923
<b>Total liabilities and equity</b>	3,984,050	4,078,113

*(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	2022	2023
Revenue	1,455,371	1,548,801
Cost of sales	1,072,517	1,124,928
<b>Gross profit</b>	<b>382,854</b>	<b>423,873</b>
Selling, general and administrative expenses	383,023	395,925
Other operating income (expenses)	14,036	47
<b>Operating profit</b>	<b>13,867</b>	<b>27,995</b>
Finance income	11,348	7,715
Finance costs	4,115	6,095
Share of profit of entities accounted for using the equity method	3,011	2,362
<b>Profit before income taxes</b>	<b>24,111</b>	<b>31,977</b>
Income taxes	12,041	14,186
<b>Net profit</b>	<b>12,070</b>	<b>17,791</b>
<b>Net profit attributable to</b>		
Owners of the parent	3,973	12,914
Non-controlling interests	8,097	4,877
<b>Total</b>	<b>12,070</b>	<b>17,791</b>
<b>Earnings per share attributable to owners of the parent</b>		
Basic earnings per share (JPY)	14.60	48.48
Diluted earnings per share (JPY)	14.59	48.48

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Six-month period ended September 30	2022	2023
<b>Net profit</b>	12,070	17,791
<b>Other comprehensive income, net of tax</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Equity instruments designated as measured at fair value through other comprehensive income	3,456	8,241
Remeasurements of defined benefit plans	—	—
Share of other comprehensive income of entities accounted for using the equity method	(19)	114
Total items that will not be reclassified to profit or loss	3,437	8,355
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating foreign operations	70,417	78,540
Cash flow hedges	(3,304)	(3,296)
Share of other comprehensive income of entities accounted for using the equity method	1,467	1,531
Total items that may be reclassified subsequently to profit or loss	68,580	76,775
<b>Total other comprehensive income, net of tax</b>	72,017	85,130
<b>Total comprehensive income</b>	84,087	102,921
<b>Total comprehensive income attributable to</b>		
Owners of the parent	67,506	88,075
Non-controlling interests	16,581	14,846
<b>Total</b>	84,087	102,921



*(3) Condensed Interim Consolidated Statements of Changes in Equity*

(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		
<b>As of April 1, 2022</b>	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
<b>Comprehensive income</b>	—	—	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)
<b>Total transactions with owners</b>	—	(1,049)	(13,642)	(8,547)	—	(23,238)	(4,259)	(27,497)
<b>As of September 30, 2022</b>	427,831	168,041	668,984	(10,454)	303,368	1,557,770	285,461	1,843,231

(Six-month period ended September 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		
<b>As of April 1, 2023</b>	427,831	165,034	764,604	(31,588)	297,936	1,623,817	288,907	1,912,724
Net profit	—	—	12,914	—	—	12,914	4,877	17,791
Other comprehensive income	—	—	—	—	75,161	75,161	9,969	85,130
<b>Comprehensive income</b>	—	—	12,914	—	75,161	88,075	14,846	102,921
Purchase of treasury shares	—	—	—	(1,113)	—	(1,113)	—	(1,113)
Disposal of treasury shares	—	287	—	1,349	—	1,636	—	1,636
Cash dividends	—	—	(14,665)	—	—	(14,665)	(4,936)	(19,601)
Changes in interests in subsidiaries	—	(920)	—	—	—	(920)	276	(644)
<b>Total transactions with owners</b>	—	(633)	(14,665)	236	—	(15,062)	(4,660)	(19,722)
<b>As of September 30, 2023</b>	427,831	164,401	762,853	(31,352)	373,097	1,696,830	299,093	1,995,923

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Six-month period ended September 30	2022	2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	24,111	31,977
Depreciation and amortization	89,831	93,174
Impairment loss	66	112
Increase (Decrease) in provisions	387	(6,946)
Finance income	(11,348)	(7,715)
Finance costs	4,115	6,095
Share of profit of entities accounted for using the equity method	(3,011)	(2,362)
Decrease in trade and other receivables	169,959	211,314
(Increase) in inventories	(76,365)	(63,320)
(Decrease) in trade and other payables	(28,569)	(43,722)
Others, net	(164,143)	(163,205)
Subtotal	5,033	55,402
Interest received	962	3,120
Dividends received	2,787	2,701
Interest paid	(3,096)	(4,489)
Income taxes paid	(14,865)	(29,908)
<b>Net cash provided by (used in) operating activities</b>	<b>(9,179)</b>	<b>26,826</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(30,668)	(36,954)
Proceeds from sales of property, plant and equipment	7,762	3,169
Acquisitions of intangible assets	(8,248)	(11,169)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(10)	(11)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	7,063	11,876
Purchase of shares of newly consolidated subsidiaries	(6,935)	(811)
Proceeds from sales of subsidiaries	9,679	1,892
Purchases of investments in associates or joint ventures	(198)	(80)
Proceeds from sales of investments in associates or joint ventures	—	209
Others, net	(5,586)	(3,138)
<b>Net cash used in investing activities</b>	<b>(27,141)</b>	<b>(35,017)</b>

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Six-month period ended September 30	2022	2023
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings, net	65,307	51,851
Repayments of long-term borrowings	(39,040)	(39,119)
Proceeds from issuance of bonds	110,000	40,000
Redemption of bonds	(55,000)	(40,000)
Payments of lease liabilities	(29,848)	(32,887)
Dividends paid	(13,630)	(14,652)
Dividends paid to non-controlling interests	(4,625)	(3,934)
Proceeds from disposal of treasury shares	865	1,636
Purchase of treasury shares	(9,412)	(1,113)
Proceeds from issuance of preference shares with put/call options	—	15,797
Others, net	(396)	(270)
<b>Net cash provided by (used in) financing activities</b>	24,221	(22,691)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	18,046	14,517
<b>Net increase (Decrease) in cash and cash equivalents</b>	5,947	(16,365)
<b>Cash and cash equivalents, at the beginning of period</b>	430,778	419,462
<b>Cash and cash equivalents, at the end of period</b>	436,725	403,097

(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

(Six-month period ended September 30, 2022)

JPY (millions)

	Reportable Segments			Others	Reconciling Items (Note 2)	Consolidated Total
	IT Services	Social Infrastructure	Total			
Revenue						
External customers	774,549	442,928	1,217,477	237,894	—	1,455,371
Intersegment	19,892	2,605	22,497	3,084	(25,581)	—
Total	794,441	445,533	1,239,974	240,978	(25,581)	1,455,371
Segment profit (loss)	42,433	2,693	45,126	11,205	(25,146)	31,185
Acquisition-related amortization of intangible assets						(16,528)
Expenses for M&A						(790)
Operating profit						13,867
Finance income						11,348
Finance costs						(4,115)
Share of profit of entities accounted for using the equity method						3,011
Profit before income taxes						24,111

(Six-month period ended September 30, 2023)

JPY (millions)

	Reportable Segments			Others	Reconciling Items (Note 2)	Consolidated Total
	IT Services	Social Infrastructure	Total			
Revenue						
External customers	843,360	478,771	1,322,131	226,670	—	1,548,801
Intersegment	20,245	2,211	22,456	2,886	(25,342)	—
Total	863,605	480,982	1,344,587	229,556	(25,342)	1,548,801
Segment profit (loss)	59,349	15,837	75,186	8,114	(37,476)	45,824
Acquisition-related amortization of intangible assets						(17,536)
Expenses for M&A						(293)
Operating profit						27,995
Finance income						7,715
Finance costs						(6,095)
Share of profit of entities accounted for using the equity method						2,362
Profit before income taxes						31,977

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 26,838 million JPY and 34,708 million JPY for the six-month period ended September 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 six months ended September 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)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023
Japan	1,036,065	1,116,396
North America and Latin America	67,521	72,450
Europe, Middle East, and Africa	165,148	171,758
China, East Asia, and Asia Pacific	186,637	188,197
Total	1,455,371	1,548,801

#### 4. 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;
- 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.

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