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***** For immediate use January 30, 2024

Consolidated Financial Results
for the Nine-month Period Ended
December 31, 2023

Consolidated Financial Results for the Nine-month Period Ended December 31, 2023 [IFRS]

January 30, 2024

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, 2024 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, 2023 (April 1, 2023 – December 31, 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)	%
Nine-month period ended December 31, 2023	2,393,276	5.5	69,815	22.3	68,154	18.3	42,742	14.6	34,040	29.1	123,476	54.5
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

	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
Nine-month period ended December 31, 2023	97,014	16.3	99,392	39.6	54,655	55.8	127.78	127.77	205.17
December 31, 2022	83,425	9.8	71,205	—	35,083	—	97.42	97.41	129.58

(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 December 31, 2023	4,090,910	1,996,785	1,698,582	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	—	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)

December 31, 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

December 31, 2023	6,392,569 shares	March 31, 2023	6,501,510 shares
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3) Average number of shares during the period

December 31, 2023	266,390,331 shares	December 31, 2022	270,672,983 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 January 30, 2024, 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.

Table of Contents of Attachment

1. Condensed Interim Consolidated Financial Statements and Notes to Condensed Interim Consolidated Financial Statements	4
(1) Condensed Interim Consolidated Statements of Financial Position	4
(2) Condensed Interim Consolidated Statements of Profit or Loss and Comprehensive Income	6
(3) Condensed Interim Consolidated Statements of Changes in Equity	8
(4) Condensed Interim Consolidated Statements of Cash Flows	9
(5) Notes to Condensed Interim Consolidated Financial Statements	11
2. Cautionary Statement with Respect to Forward-Looking Statements	15

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 December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	419,462	382,972
Trade and other receivables	799,875	560,548
Contract assets	335,852	507,835
Inventories	267,576	367,129
Other financial assets	15,776	18,375
Other current assets	157,362	184,569
Total current assets	1,995,903	2,021,428
Non-current assets		
Property, plant and equipment, net	563,384	595,085
Goodwill	355,572	389,745
Intangible assets, net	378,250	389,071
Investments accounted for using the equity method	80,425	84,509
Other financial assets	207,731	203,850
Deferred tax assets	159,930	159,603
Other non-current assets	242,855	247,619
Total non-current assets	1,988,147	2,069,482
Total assets	3,984,050	4,090,910

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	As of March 31, 2023	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	497,625	467,089
Contract liabilities	287,859	329,973
Bonds and borrowings	130,867	194,942
Accruals	240,870	199,907
Lease liabilities	47,056	54,404
Other financial liabilities	21,950	26,002
Accrued income taxes	20,951	16,510
Provisions	57,574	48,928
Other current liabilities	60,757	56,481
Total current liabilities	1,365,509	1,394,236
Non-current liabilities		
Bonds and borrowings	320,794	304,483
Lease liabilities	109,764	114,423
Other financial liabilities	20,428	30,944
Net defined benefit liabilities	179,106	175,659
Provisions	20,470	19,735
Other non-current liabilities	55,255	54,645
Total non-current liabilities	705,817	699,889
Total liabilities	2,071,326	2,094,125
Equity		
Share capital	427,831	427,831
Share premium	165,034	164,402
Retained earnings	764,604	767,971
Treasury shares	(31,588)	(31,359)
Other components of equity	297,936	369,737
Total equity attributable to owners of the parent	1,623,817	1,698,582
Non-controlling interests	288,907	298,203
Total equity	1,912,724	1,996,785
Total liabilities and equity	3,984,050	4,090,910

(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	2022	2023
Revenue	2,269,259	2,393,276
Cost of sales	1,647,618	1,722,423
Gross profit	621,641	670,853
Selling, general and administrative expenses	578,236	597,502
Other operating income (expenses)	13,694	(3,536)
Operating profit	57,099	69,815
Finance income	7,946	6,834
Finance costs	11,271	12,674
Share of profit of entities accounted for using the equity method	3,829	4,179
Profit before income taxes	57,603	68,154
Income taxes	20,308	25,412
Net profit	37,295	42,742
Net profit attributable to		
Owners of the parent	26,369	34,040
Non-controlling interests	10,926	8,702
Total	37,295	42,742
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY)	97.42	127.78
Diluted earnings per share (JPY)	97.41	127.77

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Nine-month period ended December 31	2022	2023
Net profit	37,295	42,742
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	4,229	7,548
Remeasurements of defined benefit plans	—	—
Share of other comprehensive income of entities accounted for using the equity method	22	92
Total items that will not be reclassified to profit or loss	4,251	7,640
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	37,983	73,519
Cash flow hedges	(634)	(1,289)
Share of other comprehensive income of entities accounted for using the equity method	1,018	864
Total items that may be reclassified subsequently to profit or loss	38,367	73,094
Total other comprehensive income, net of tax	42,618	80,734
Total comprehensive income	79,913	123,476
Total comprehensive income attributable to		
Owners of the parent	64,233	105,841
Non-controlling interests	15,680	17,635
Total	79,913	123,476

(3) Condensed Interim Consolidated Statements of Changes in Equity

(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

(Nine-month period ended December 31, 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	—	—	34,040	—	—	34,040	8,702	42,742
Other comprehensive income	—	—	—	—	71,801	71,801	8,933	80,734
Comprehensive income	—	—	34,040	—	71,801	105,841	17,635	123,476
Purchase of treasury shares	—	—	—	(1,128)	—	(1,128)	—	(1,128)
Disposal of treasury shares	—	288	—	1,357	—	1,645	—	1,645
Cash dividends	—	—	(30,673)	—	—	(30,673)	(8,647)	(39,320)
Changes in interests in subsidiaries	—	(920)	—	—	—	(920)	308	(612)
Total transactions with owners	—	(632)	(30,673)	229	—	(31,076)	(8,339)	(39,415)
As of December 31, 2023	427,831	164,402	767,971	(31,359)	369,737	1,698,582	298,203	1,996,785

(4) Condensed Interim Consolidated Statements of Cash Flows

JPY (millions)

Nine-month period ended December 31	2022	2023
Cash flows from operating activities		
Profit before income taxes	57,603	68,154
Depreciation and amortization	138,193	141,381
Impairment loss	888	1,329
Increase (decrease) in provisions	(4,586)	(7,727)
Finance income	(7,946)	(6,834)
Finance costs	11,271	12,674
Share of profit of entities accounted for using the equity method	(3,829)	(4,179)
(Increase) decrease in trade and other receivables	147,005	244,001
(Increase) decrease in inventories	(111,778)	(103,599)
Increase (decrease) in trade and other payables	(21,728)	(42,469)
Others, net	(231,973)	(227,513)
Subtotal	(26,880)	75,218
Interest received	1,788	4,516
Dividends received	3,502	3,178
Interest paid	(5,087)	(6,803)
Income taxes paid	(32,811)	(48,325)
Net cash provided by (used in) operating activities	(59,488)	27,784
Cash flows from investing activities		
Purchases of property, plant and equipment	(39,236)	(51,478)
Proceeds from sales of property, plant and equipment	9,667	5,465
Acquisitions of intangible assets	(13,317)	(16,070)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(1,493)	(333)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	12,939	14,466
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	1,951	209
Others, net	(5,179)	(73)
Net cash provided by (used in) investing activities	(32,122)	(46,813)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

JPY (millions)

Nine-month period ended December 31	2022	2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	120,070	86,503
Proceeds from long-term borrowings	40,000	—
Repayments of long-term borrowings	(43,241)	(42,226)
Proceeds from issuance of bonds	110,000	40,000
Redemption of bonds	(55,000)	(40,000)
Payments of lease liabilities	(44,837)	(47,823)
Dividends paid	(28,429)	(30,563)
Dividends paid to non-controlling interests	(8,730)	(8,692)
Proceeds from disposal of treasury shares	865	1,645
Purchase of treasury shares	(30,540)	(1,128)
Proceeds from issuance of preference shares with put/call options	—	15,797
Others, net	(396)	(770)
Net cash provided by (used in) financing activities	59,762	(27,257)
Effect of exchange rate changes on cash and cash equivalents	6,719	9,796
Net increase (decrease) in cash and cash equivalents	(25,129)	(36,490)
Cash and cash equivalents, at the beginning of period	430,778	419,462
Cash and cash equivalents, at the end of period	405,649	382,972

(5) Notes to Condensed Interim Consolidated Financial Statements

1. Going Concern Assumptions

Not applicable.

2. Material accounting policies

Material accounting policies adopted for the nine-month period ended December 31, 2023 are consistent from those applied for the previous fiscal year, except for the following item.

Income taxes for the nine-month period ended December 31, 2023 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

(Nine-month period ended December 31, 2022)

JPY (millions)

	Reportable Segments			Others	Reconciling Items (Note 2)	Consolidated Total
	IT Services	Social Infrastructure	Total			
Revenue						
External customers	1,185,163	717,928	1,903,091	366,168	—	2,269,259
Intersegment	31,707	3,865	35,572	4,730	(40,302)	—
Total	1,216,870	721,793	1,938,663	370,898	(40,302)	2,269,259
Segment profit (loss)	77,845	26,889	104,734	16,171	(37,480)	83,425
Acquisition-related amortization of intangible assets						(25,327)
Expenses for M&A						(999)
Operating profit						57,099
Finance income						7,946
Finance costs						(11,271)
Share of profit of entities accounted for using the equity method						3,829
Profit before income taxes						57,603

(Nine-month period ended December 31, 2023)

JPY (millions)

	Reportable Segments			Others	Reconciling Items (Note 2)	Consolidated Total
	IT Services	Social Infrastructure	Total			
Revenue						
External customers	1,314,533	735,618	2,050,151	343,125	—	2,393,276
Intersegment	30,720	3,916	34,636	4,511	(39,147)	—
Total	1,345,253	739,534	2,084,787	347,636	(39,147)	2,393,276
Segment profit (loss)	106,129	31,268	137,397	16,257	(56,640)	97,014
Acquisition-related amortization of intangible assets						(26,852)
Expenses for M&A						(347)
Operating profit						69,815
Finance income						6,834
Finance costs						(12,674)
Share of profit of entities accounted for using the equity method						4,179
Profit before income taxes						68,154

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 40,707 million JPY and 52,796 million JPY for the nine-month period ended December 31, 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 nine months ended December 31, 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)

	Nine-month period ended December 31, 2022	Nine-month period ended December 31, 2023
Japan	1,604,261	1,734,936
North America and Latin America	122,498	107,591
Europe, Middle East, and Africa	257,987	259,507
China, East Asia, and Asia Pacific	284,513	291,242
Total	2,269,259	2,393,276

4. Subsequent Events

(Tendering the Shares of Japan Aviation Electronics Industry, Ltd. in the Issuer Tender Offer)

Japan Aviation Electronics Industry, Ltd. ("JAE"), a consolidated subsidiary of NEC, resolved at its Board of Directors meeting held on January 29, 2024, to repurchase its common shares by way of an issuer tender offer (the "Tender Offer").

NEC has entered into a "Tender Offer Application Agreement" as of January 29, 2024 with JAE, under which NEC has agreed to tender 23,843,402 common shares of JAE held by NEC.

As the maximum number of shares to be placed on the Tender Offer is set at 25,799,906 shares, the number of shares to be sold by NEC to JAE depends on the number of shares tendered by other shareholders in the Tender Offer, and it is possible that not all of the 23,843,402 shares agreed to be tendered by NEC will be purchased by JAE.

Additionally, it is possible that JAE will be excluded from a consolidated subsidiary and included in an associate, depending on the number of shares to be purchased by JAE.

Therefore, the impact on the financial results for the fiscal year ending March 31, 2024 and thereafter has not been determined.

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.
