Other intangible assets are amortized from the date when the asset is available for use over the estimated useful lives, such as a contract period, using the method that reflects the pattern of consumption of the future economic benefits by the Company.

(3) Recognition criteria for provisions

Provisions are recognized when the NEC Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations.

(4) Revenue recognition criteria for revenue and obligation

In accordance with IFRS 15, the following five-step approach is applied to recognize revenue, except for interest and dividend income within the scope of IFRS 9 and lease payments within the scope of IFRS 16.

Step 1: Identify the contract with a customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation in the contract
Step 5: Recognize revenue when (or as) each performance obligation is satisfied

The NEC Group recognizes revenue when or as the NEC Group satisfies a performance obligation at a point in time or over time by transferring a promised good or service to a customer.

When revenue is recognized over time, the NEC Group measures the progress to depict the performance in transferring control of goods or services promised to a customer. Revenue is recognized for a performance obligation satisfied over time only if the progress towards complete satisfaction of the performance obligation can be reasonably measured.
When the progress cannot be measured reasonably, revenue is recognized only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

(5) Leases

At inception of a contract, the NEC Group assesses whether the contract is, or contains, a lease. The NEC Group determines a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In addition, the NEC Group elected not to recognize right-of-use assets and lease liabilities for either short-term leases with a lease term of 12 months or less or leases for which the underlying assets are of low value. The NEC Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over their lease term.

As a lessee

At the commencement date of a lease, the NEC Group recognizes right-of-use assets that represent the right to use an underlying asset and a lease liability that represents its obligation to make lease payments. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if it is readily determinable, or otherwise, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the NEC Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the NEC Group is reasonably certain not to terminate the lease early.

The lease liability is subsequently measured at amortized cost using the effective interest method, and is remeasured under certain circumstances, such as when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in the NEC Group's estimate of the amount expected to be payable under a residual value guarantee, or if the NEC Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use assets are initially measured at the initial measurement amount of the lease liabilities adjusted for any prepaid lease payments before the commencement date and certain other items, and are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The estimated useful lives of the underlying assets are determined on the same basis as those of property, plant and equipment. In addition, after the commencement date, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of the lease liability. The right-of-use assets are presented as part of property, plant, and equipment, net.

(6) Other significant principles for the preparation of consolidated financial statements

(a) Defined Benefit Plans

Actuarial gains and losses arising from the plans are recognized in other comprehensive income and not reclassified to retained earnings and others in subsequent periods.

(b) Accounting for consumption taxes

Consumption taxes are excluded from each transaction amount and accounted for separately.

(c) Application of consolidated corporate-tax return system

The Company files its tax return under the consolidated corporate-tax return system.

Ⅱ Notes to Changes in Accounting Policies

The NEC Group has adopted IFRS 16 effective from the fiscal year ended March 31, 2020. The comparative information has not been restated using the transition method under IFRS 16 and the cumulative effect of the adoption of IFRS 16 is recognized as of the date of initial application on April 1, 2019.

The details are listed in "I Notes to Significant Items for Presenting Consolidated Financial Statement- 4. Significant accounting policies- (5) Leases" and "IX Notes: Others- Impact of Changes in Accounting Policies".

Ⅲ Notes to Changes in Presentation Method

The NEC Group has revised its presentation method for the purpose of providing more useful information regarding the notes to the consolidated financial statements for the fiscal year ended March 31, 2020. As a result, disclosure of some insignificant information has been omitted.

IV Notes to Consolidated Statement of Financial Position

1. Assets measured at net of provision for impairment of trade and other receivables

The amount of provision for impairment recognized as a deduction from the gross carrying amount of trade and other receivables consisted of the following:

JPY (millions)

Items	Amount
Current assets	7,628
Non-current assets	2,889
Total	10,517

2. Accumulated depreciation of property, plant and equipment is as follows:

JPY (millions)

Items	Amount
Accumulated depreciation of property, plant and equipment	930,832

3. Contingent liabilities

Guarantees for bank loans and others consisted of the following:

JPY (millions)

Items	Amount
Employees	44
Affiliates/Others	530
Total	574

4. Disposal Group Held for Sale

On March 25, 2020, NEC determined to transfer 66% of shares of NEC Display Solutions, Ltd. (“NEC Display Solutions”), a subsidiary of NEC operating in the B to B Display business, to Sharp Corporation. On the same day, NEC also determined to transfer all holding shares of Showa Optronics Co., Ltd (“Showa Optronics”), a subsidiary of NEC operating in the optical components business, to Kyocera Corporation.
With these determinations to transfer shares, the assets and liabilities of NEC Display Solutions and Showa Optronics are classified into disposal groups held for sale. In addition, NEC Display Solutions belongs to the “Global” reportable segment. The disposal groups are measured by the carrying amount because the fair value is greater than that of the carrying amount. The disposal groups consist of the following assets and liabilities as of March 31, 2020:

JPY (millions)

Items	Amount
Cash and cash equivalents	4,161
Trade and other receivables	12,349
Inventories	16,498
Other assets	8,204
Total assets	41,210

JPY (millions)

Items	Amount
Trade and other payables	11,786
Other liabilities	18,347
Total liabilities	30,133

Regarding the assets and liabilities of NEC Lighting classified as a disposal group held for sale as of March 31, 2019, the business transfer was executed on April 1, 2019.
In addition, regarding the assets and liabilities of Nippon Avionics Co., Ltd, (“Nippon Avionics”) classified as a disposal group held for sale during the fiscal year ended March 31, 2020, NEC sold all of common stocks of Nippon Avionics through a cash tender offer. As a result, these assets and liabilities were excluded from the scope of consolidation on January 31, 2020.

V Notes to Consolidated Statement of Changes in Equity

1. Stocks, issued

Ordinary shares 260,473,263 shares

2. Dividends

(1) Payment of dividends

Resolution	Type of shares	Total dividends JPY (millions)	Dividends per share (yen)	Record date	Effective date
April 26, 2019 Board of Directors	Ordinary shares	10,393	40	March 31, 2019	June 3, 2019

Resolution	Type of shares	Total dividends JPY (millions)	Dividends per share (yen)	Record date	Effective date
October 29, 2019 Board of Directors	Ordinary shares	7,795	30	September 30, 2019	December 2, 2019

(2) Dividend for which the record date is in the fiscal year ended March 31, 2020, and the effective date is in the following fiscal year

The Company proposed and resolved the matter of payment of dividends for Ordinary shares at the ordinary Meeting of Board of Directors held on May 12, 2020.

(a) Resource of dividends Retained earnings
(b) Total dividends 10,393 million yen
(c) Dividends per share 40 yen
(d) Record date March 31, 2020
(e) Effective date June 1, 2020

VI Notes: Financial Instruments

1. Summary of financial instruments

(1) Capital management

The NEC Group focuses on the business operation for emphasizing capital efficiency, invests to growth sectors, and enhances capital base to create long-term corporate value of the NEC Group. The NEC Group manages net debt-equity ratio for enhancing capital base.

(2) Financial risk management

The NEC Group operates its business in various countries and jurisdictions, and as such, it has exposure to credit risk, liquidity risk, and market risk (mainly represented by interest rate risk and currency risk). The NEC Group conducts appropriate risk management activities to minimize the effect of these financial risks on its financial position and performance.

a. Credit risk

Credit risk is a risk of financial loss to the NEC Group if a customer or a counterparty to a financial instrument fails to meet its obligations and arises principally from the NEC Group’s receivables from customers and investments in debt securities.

The NEC Group is monitoring the financial position and past due balances of customers in order to minimize the risk of default resulting from deterioration of customers' financial position. Further, if necessary, preventative measures are taken by holding collateral or through other means.

Financial institutions with high credit capabilities are selected as counterparties while dealing in derivative transactions, deposit transactions, and the purchase of financial assets for short-term investments in order to reduce the counterparty risk.

The NEC Group guarantees its employees and its subcontractors’ borrowings from financial institutions. The total amounts of financial guarantee was 574 million JPY as of March 31, 2020.

The maximum exposure to credit risk, without taking into account of any collateral held at the end of the reporting period, is represented by the total amount of financial guarantee and carrying amount of the financial instruments which is exposed to credit risk in the consolidated statement of financial position.

Credit risk exposure relating to trade and other receivables and contract assets

The trade and other receivables are mainly from Japanese customers. An allowance for expected credit losses for trade and other receivables and contract assets is measured at an amount equal to the lifetime expected credit losses. The assets are grouped by each asset with similar characteristics of credit risks and expected credit losses are calculated based on historical default rates, concerning the current conditions and future economic environment. Expected credit losses for credit-impaired financial assets are calculated by each asset.

The NEC Group determines whether credit risk of financial assets has increased significantly since initial recognition by considering reasonable and supportable information. This information includes past information, external ratings, past due information, as well as forward-looking information.

The NEC Group determines that credit risk has increased significantly since initial recognition when, for example, a borrower falls under any of the following conditions:

- The external rating of the borrower is deemed ineligible for investment.
- The delinquency period exceeds 30 days.

The NEC Group defines that a default has occurred when a borrower falls under any of the following conditions:

- It is judged that there is almost no possibility that the borrower pays obligations to the NEC Group without executing the security interest.
- The delinquency period exceeds 90 days.

The NEC Group determines that a financial asset has been credit impaired when any of the following situations is confirmed:

- Significant financial difficulty of the issuer or borrower.
- A breach of contract, such as a default or past due event.
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.

b. Liquidity risk

Liquidity risk is the risk that the NEC Group encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The NEC Group’s approach of managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when they are due.
The NEC Group periodically updates forecasts of its future cash flows aiming to maintain the level of its cash and cash equivalents and the unused balance of commitment line of credit at an amount in excess of expected cash outflows on financial liabilities required for conducting its business.

c. Market risk

(i) Interest rate risk

Interest bearing debts with floating interest rates, including long-term borrowings, are exposed to interest rate risk. The NEC Group may use interest rate swaps as hedges of the variability in cash flows attributable to interest-rate risk.

(ii) Foreign currency risk

The NEC Group operates its business globally, and is exposed to the risk of fluctuation in foreign exchange rates. The NEC Group mitigates foreign currency risk exposures to an extent possible by offsetting trade receivables and payables denominated in the same foreign currencies and conducting hedge transactions mainly on the remaining net exposures using forward exchange contracts.

(iii) Equity price risk

The NEC Group holds listed equity instruments of parties with which the NEC Group has a business relationship, and therefore, is exposed to the risk of fluctuation in prices of equity instruments. The equity instruments are held for if the NEC Group determines that it will contribute to the increase of the mid- to long-term corporate value of the NEC Group after comprehensive consideration of its management strategy, the relationships with business partners and other circumstances.

(3) Fair value of financial assets and liabilities

JPY (millions)

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Bonds	199,596	200,425
Long-term borrowings	220,219	220,879

The financial instruments whose fair value is determined to be close or equal to the carrying amount are excluded from the chart above. The financial instruments regularly measured at fair value but equal to the carrying amount are also excluded from the chart above.

Basis of the fair value measurement for financial instruments
Cash and cash equivalents, trade and other receivables, trade and other payables, and accruals: The fair value is determined as equal or close to the carrying amount since they are to be settled in a short term.

The fair value of loans is measured by discounting estimated future cash flows to the present value based on an interest rate that takes into account the remaining period to the maturity date and credit risk.

Of equity instruments designated as measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, the fair value of listed equity instruments is determined using a quoted market price at an exchange. The fair value of equity securities with no active market is measured mainly by using the comparable company valuation method or other appropriate valuation methods. Price book-value ratio (PBR) of a comparable company is used as a significant unobservable input in the fair value measurement of the equity securities with no active market. The fair value increases (decreases) as the PBR of a comparable company rises (declines).

Among the fair value of derivative assets and liabilities, forward exchange contracts are determined using quoted forward exchange rates at the end of the fiscal year, while interest rate swaps are calculated as the present value of the estimated future cash flows based on the interest rate at the end of the reporting period.

The fair values of short-term borrowings and long-term borrowings (current portion) are determined as the carrying amount, as the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments. The fair value of long-term borrowings (excluding the current portion) is calculated as the present value of the estimated future cash flows, based on the expected interest rate at which a similar new borrowing was made.

The fair value of bonds is determined based on the quoted market price in a non-active market.

VII Notes: Per Share Data

Equity attributable to owners of the parent per share	3,508.16 JPY
Basic earnings per share	385.02 JPY
Diluted earnings per share	385.01 JPY

VIII Notes: Subsequent Event

Issuance of Unsecured Straight Bonds

The Company announced the terms for the issuance of its 56th, 57th and 58th series of Unsecured Straight Bonds on April 17, 2020 for the purpose of funding the scheduled redemption of the outstanding straight bonds. All series were issued at par on April 23, 2020, 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
56th	10,000	0.280%	April 21, 2023
57th	15,000	0.400%	April 23, 2025
58th	10,000	0.540%	April 23, 2030

IX Notes: Others

Business Combinations

Revision of the provisional amount

NEC has acquired KMD Holding ApS, the largest Danish IT company from Advent International, a private equity investor, making KMD a consolidated subsidiary of NEC. Through the acquisition, NEC acquires a business model that leverages platforms in the digital government domain as it aims to expand business from northern Europe to the whole of Europe and globally. While provisional fair values are provided during the year ended March 31, 2019, allocation of the acquisition price was completed during the second quarter of the year ended March 31, 2020. As a result, total assets increased by 48,309 million JPY and total liabilities increased by 13,419 million JPY.

Following is the fair value of assets acquired and liabilities assumed and goodwill at the acquisition date after completion of the purchase price allocation.

Fair value of assets acquired and liabilities assumed at the acquisition date

JPY (millions)

Item	Amount
Current assets	
Cash and cash equivalents	3,104
Trade receivables	9,604
Others	6,933
Non-current assets	
Property, plant and equipment	2,181
Intangible assets	73,769
Others	911
Total assets	96,502

JPY (millions)

Item	Amount
Current liabilities	
Trade payables	9,396
Others	22,535
Non-current liabilities	
Financial Liabilities	79,365
Others	24,655
Total liabilities	135,951
Equity	(39,449)

Goodwill arising on acquisition

JPY (millions)

Item	Amount
Consideration for the acquisition	48,377
Fair value of identifiable net liabilities acquired by the NEC Group	39,449
Goodwill arising on acquisition	87,826

Goodwill mainly reflects excess earnings power and synergies with existing businesses. Entire goodwill is not expected to be deductible for tax purposes.

Impact of Changes in Accounting Policies

Application of IFRS 16, ″Leases″

During the fiscal year ended March 31, 2020, the NEC Group has adopted IFRS 16. The comparative information has not been restated using the transition method under IFRS 16 and the cumulative effect of the adoption of IFRS 16 is recognized as of the date of initial application on April 1, 2019. In addition, the NEC Group elected to not to reassess whether a contract is, or contains, a lease at the date of initial application using a practical expedient of IFRS 16. Accordingly, the NEC Group grandfathers its previous assessment of whether a contract is, or contains, a lease based on IAS 17 and IFRIC 4, "Determining whether an Arrangement Contains a Lease." In addition, the adoption of IFRS 16 does not significantly affect the retained earnings at the beginning of fiscal year ended March 31, 2020.

Leases previously classified as operating leases applying IAS 17

In transitioning to IFRS 16, the NEC Group has elected to apply the following practical expedients for leases previously classified as operating leases applying IAS 17:

- As an alternative to performing an impairment review, the NEC Group relied on its assessment of whether leases were onerous by applying IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," immediately before the date of initial application.
- The NEC Group elected not to recognize right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the date of initial application.
- The NEC Group excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

In addition, at the date of initial application, the lease liabilities were measured at the present value of the remaining lease payments discounted using the NEC Group's incremental borrowing rate. The weighted average of the lessee's incremental borrowing rates was 1.3%.

Leases previously classified as finance leases applying IAS 17

For leases that the NEC Group as a lessee previously classified as finance leases applying IAS 17, the carrying amounts of the right-of-use assets and the lease liabilities at the date of initial application were the carrying amounts of the leased assets and the lease liabilities immediately before that date measured applying IAS 17.

The following is a reconciliation of non-cancellable operating lease commitments applying IAS 17 as of March 31, 2019, and the lease liabilities recognized at the date of initial application:

JPY (millions)

Non-cancellable operating lease commitments discounted using the incremental borrowing rate as of March 31, 2019	59,469
Finance lease liabilities as of March 31, 2019	5,713
Cancellable operating lease contracts, etc.	81,800
Extension options reasonably certain to be exercised	33,849
Lease liabilities as of April 1, 2019	180,831

Right-of-use assets additionally recognized at the date of initial application in the condensed consolidated statement of financial position were 175,716 million JPY.

BALANCE SHEET

(Non-consolidated: Japanese GAAP)

(As of March 31, 2020)

JPY (millions)

Account	Amount
Assets	
Current assets	**1,015,365**
Cash and deposits	26,487
Notes receivable-trade	4,444
Accounts receivable-trade	415,585
Contract assets	180,810
Lease investment assets	1,296
Short-term investment securities	141,000
Merchandise and finished goods	26,077
Work in process	37,020
Raw materials and supplies	9,223
Advance payments-trade	51,998
Prepaid expenses	20,243
Accounts receivable-other	80,939
Other	20,256
Allowance for doubtful accounts	(12)
Non-current assets	**1,084,809**
Property, plant and equipment	**235,080**
Buildings, net	132,257
Structures, net	3,248
Machinery and equipment, net	9,764
Vehicles, net	323
Tools, furniture and fixtures, net	42,812
Land	37,018
Construction in progress	9,657
Intangible assets	**50,465**
Patent right	956
Right of using facilities	128
Software	49,140
Other	241
Investments and other assets	**799,264**
Investment securities	129,451
Stocks of subsidiaries and affiliates	551,152
Investments in capital	198
Long-term loans receivable	66
Long-term loans receivable from subsidiaries and affiliates	2,368
Deferred tax assets	38,647
Prepaid pension cost	48,407
Other	38,145
Allowance for doubtful accounts	(9,170)
Total assets	**2,100,174**

JPY (millions)

Account	Amount
Liabilities	
Current liabilities	**954,738**
Accounts payable-trade	406,947
Current portion of long-term loans payable	1,000
Current portion of bonds payable	55,000
Lease obligations	448
Accounts payable-other	40,643
Accrued expenses	59,448
Income taxes payable	3,700
Contract liabilities	136,447
Deposits received	195,980
Provision for product warranties	8,561
Provision for directors' bonuses	217
Provision for loss on construction contracts and others	11,744
Provision for business structure improvement	418
Provision for contingent loss	20,708
Other	13,478
Non-current liabilities	**426,003**
Bonds payable	145,000
Long-term loans payable	214,500
Lease obligations	1,095
Provision for product warranties	2,944
Provision for loss on guarantees	38,770
Provision for business structure improvement	1,464
Provision for contingent loss	1,393
Asset retirement obligations	1,253
Other	19,583
Total liabilities	**1,380,741**
Net Assets	
Shareholders' equity	**694,757**
Capital stock	397,199
Capital surplus	106,010
Legal capital surplus	59,260
Other capital surplus	46,750
Retained earnings	**195,678**
Legal retained earnings	10,655
Other retained earnings	185,023
Retained earnings brought forward	185,023
Treasury stock	**(4,129)**
Valuation and translation adjustments	**24,676**
Valuation difference on available-for-sale securities	**24,852**
Deferred gains or losses on hedges	**(175)**
Total net assets	**719,433**
Total liabilities and net assets	**2,100,174**

STATEMENT OF OPERATIONS

(Non-consolidated: Japanese GAAP)

(For the fiscal year ended March 31, 2020)

JPY (millions)

Account	Amount
Net sales	1,789,661
Cost of sales	1,346,678
Gross profit	**442,983**
Selling, general and administrative expenses	386,168
Operating income	**56,815**
Non-operating income	**17,828**
Interest income	547
Dividends income	13,146
Other	4,134
Non-operating expenses	**10,135**
Interest expenses	3,516
Loss on disposal of non-current assets	2,223
Foreign exchange losses	657
Other	3,740
Ordinary income	**64,508**
Extraordinary income	**11,626**
Gain on sales of investment securities	5,636
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	1,921
Gain on sales of subsidiaries and affiliates’ stocks	1,746
Reversal of provision for loss on guarantees	1,352
Gain on sales of non-current assets	971
Extraordinary loss	**20,962**
Provision for loss on guarantees	13,261
Loss on valuation of stocks of subsidiaries and affiliates	2,912
Impairment loss	1,989
Loss on valuation of investment securities	1,698
Loss on sales of subsidiaries and affiliates’ stocks	528
Provision of allowance for doubtful accounts for subsidiaries and affiliates	298
Loss on sales of investment securities	276
Income before income taxes	**55,172**
Income taxes	**16,329**
Income taxes – current	(3,343)
Income taxes – deferred	19,672
Net income	**38,843**

STATEMENT OF CHANGES IN NET ASSETS

(Non-consolidated: Japanese GAAP)

(For the fiscal year ended March 31, 2020)

JPY (Millions)

	Shareholders' equity						
		Capital surplus			Retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	397,199	59,260	46,751	106,010	8,836	166,187	175,023
Changes of items during the period							
Dividends from surplus	-	-	-	-	-	(18,188)	(18,188)
Provision of legal retained earnings	-	-	-	-	1,819	(1,819)	-
Net income	-	-	-	-	-	38,843	38,843
Purchase of treasury stock	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	(0)	(0)	-	-	-
Total changes of items other than shareholders' equity	-	-	-	-	-	-	-
Total changes of items during the period	-	-	(0)	(0)	1,819	18,836	20,655
Balance at the end of current period	397,199	59,260	46,750	106,010	10,655	185,023	195,678

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current period	(3,516)	674,716	46,049	(190)	45,859	720,575
Changes of items during the period						
Dividends from surplus	-	(18,188)	-	-	-	(18,188)
Provision of legal retained earnings	-	-	-	-	-	-
Net income	-	38,843	-	-	-	38,843
Purchase of treasury stock	(674)	(674)	-	-	-	(674)
Disposal of treasury stock	60	60	-	-	-	60
Total changes of items other than shareholders' equity	-	-	(21,198)	15	(21,183)	(21,183)
Total changes of items during the period	(613)	20,041	(21,198)	15	(21,183)	(1,141)
Balance at the end of current period	(4,129)	694,757	24,852	(175)	24,676	719,433

Independent Auditor's Report

May 8, 2020

To the Board of Directors of NEC Corporation:

KPMG AZSA LLC
Tokyo Office, Japan

Tetsuzo Hamajima (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Kondo (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Hasegawa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Changes in Equity and the related notes of NEC Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the second sentence of Article 120-1 of the Ordinance on Companies Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(iii) We confirm that the contents of the resolution of the Board of Directors on the internal control system of the Company are fair and appropriate. Furthermore, we confirm that the establishment and operation of the internal control system, which are described as appropriate in the business report, are fair and appropriate.

(iv) We have found no matters that must be pointed out with regards to "Policy on the Control over the Company" stated in the business report.

(2) Audit results concerning consolidated financial statements

We confirm that the methods and results of the audit conducted by KMPG AZSA LLC, the Accounting Auditors, are fair and appropriate.

(3) Audit results concerning non-consolidated financial statements and supplementary schedules

We confirm that the methods and results of the audit conducted by KPMG AZSA LLC, the Accounting Auditors, are fair and appropriate.

May 12, 2020

Audit & Supervisory Board (KANSAYAKU-KAI)
NEC Corporation

Full-time Audit & Supervisory Board Member (KANSAYAKU)	Hajime Kinoshita (Seal)
Full-time Audit & Supervisory Board Member (KANSAYAKU)	Isamu Kawashima (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Kazuyasu Yamada (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Taeko Ishii (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Nobuo Nakata (Seal)