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Corporate Governance Report

Last Update: December 14, 2018

NEC Corporation

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The corporate governance of NEC Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, the Company is committed to strengthening its corporate governance practices through (1) assurance of transparent and sound management, (2) realization of prompt decision making and business execution, (3) clarification of accountability and (4) timely, appropriate and fair disclosure of information.

The Company has established the “NEC Corporate Governance Guidelines” (the “Guidelines”) which set out the basic framework and policy of the corporate governance system of the Company. Please refer to the Company’s website. (https://www.nec.com/en/global/about/pdf/nec_governance_guidelines.pdf)

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company fully complies with the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

Updated

The followings are the details of the items required to be disclosed under the principles of the Corporate Governance Code.

【Principle 1.4 Cross-Shareholdings】

The Company may hold shares of other companies if the Company 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.

The Board of the Directors of the Company examines the rationale of each individual cross-shareholding from a comprehensive perspective, taking into consideration the returns from such cross-shareholding based on the Company’s cost of capital. The Company intends to reduce the cross-shareholdings by selling such individual cross-shareholding which the rationality to hold is not confirmed as the result of the examination.

When exercising voting rights, the Company examines various factors, such as whether it will contribute to enhancement of the mid- to long-term corporate value of issuers, as well as whether it will be in the

interest of the NEC Group. (Article 11 (4) of the Guidelines)

【Principle 1.7 Related Party Transactions】

In order to protect the interests of shareholders, the Company stipulates in the Rules of the Board of Directors that approval of the Board of Directors is required when a member of the Board of Directors engages in transactions that may have conflict of interests with the Company. The Board of Directors monitors such transactions in accordance with laws and regulations. (Article 11 (5) of the Guidelines)

【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】

The Company manages corporate pension funds through NEC Corporate Pension Fund (“Fund”) in which the Company’s finance division and accounting division properly deploy its personnel. The Committee of Representatives of the Fund decides all important matters on the Fund. The Company appropriately manages conflicts of interest which could arise between the beneficiary and the Company through the Committee of Representatives which consists of equal number of members elected by the Company and elected from among the pension subscribers. (Article 12 (4) of the Guidelines)

【Principle 3.1 Full Disclosure】

(1) Company objectives(e.g., business principles), business strategies and business plans

Based on the NEC Group Corporate Philosophy, “NEC strives through ‘C&C’ to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential,” the Company aims to be a global company by contributing to the development of an information society through “C&C,” the integration of Computers (Information Technology) and Communications (Telecommunication Technology).

The NEC Group aims to expand business and improve profitability by transitioning to a “social value innovator” and establishing a globally competitive growth base based on its middle and long term management strategy, such as its “Mid-term Management Plan.” (Article 2 of the Guidelines)

For the details, please refer to the Company’s “Management Strategy and Policy” published on the Company’s website at <https://www.nec.com/en/global/ir/corporate/management.html>.

(2) Basic views and guidelines on corporate governance based on each of the principles of the Code
Please refer to “I.1.Basic Views” of this report.

(3) Board policies and procedures in determining the remuneration of the senior management and Directors

For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company’s basic policy on the remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU) (“A&SBMs”) is to set the level and system appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group. (Article 6 (3) of the Guidelines)

For the details, please refer to “II.1. [Director Remuneration]” of this report.

(4) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of Directors and A&SBMs candidates

(Policies)

(i) Composition and Role of Board of Directors

The Company's Board of Directors consists of 11 members, 5 of whom are Outside Directors. To fulfill its responsibilities with various viewpoints based on broad knowledge, the Board of Directors is comprised with consideration given to diversity in such factors as career background, specialist field and gender. Outside Director’s independency is expected to be ensured through the Board of Directors’ composition as a whole. The Company judges their independency based on the standards defined by Tokyo Stock Exchange and the “Independence Criteria for Outside Directors and Outside A&SBMs” set forth in “II.1. [Independent Director/A&SBMs]” of this report.

The Board of Directors is responsible for making important decisions for the Company’s business execution, including decision on its basic management policies, as well as supervising overall business execution. (Article 5 (1) of the Guidelines)

(ii) Term and Appointment of Directors etc.

The term of office for Directors is set at one year in order to clarify their management responsibilities for management every fiscal year. The candidates for Directors are determined with consideration given to the followings, in addition to satisfaction of the requirement of a Director as specified by laws and regulations.

- they have superior character, discernment and high ethical standards

- they sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy

In addition to the above, in determining the candidates for Outside Directors, the Company considers whether they have their experience of corporate management and/or deep insight in their areas of expertise.

The Board of Directors appoints the senior management officer who has superior character and discernment and fulfills its job responsibilities. The senior management officer will be dismissed by a decision of the Board of Directors if it is found to be in violation of laws or in lack of qualifications to be the officer or not to perform its duties appropriately. The Board of Directors determines appointment and dismissal of the Chairman of the Board and the President taking into consideration the results of the deliberations by the Nomination and Compensation Committee. (Article 5 (2) of the Guidelines)

(iii) Composition and Role of the Audit & Supervisory Board (KANSAYAKU-KAI)

The Company has 5 A&SBMs, 3 of whom are Outside A&SBMs. The Company appoints as A&SBMs the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the A&SBMs. Independency of each Outside A&SBM is ensured at individual level. The Company judges their independency based on the standards defined by Tokyo Stock Exchange and the “Independence Criteria for Outside Directors and Outside A&SBMs” set forth in “II.1. [Independent Directors/A&SBMs]” of this report.

The Audit & Supervisory Board (KANSAYAKU-KAI) (“A&SB”) conducts audits of legality, as well as certain level of audits of validity (including internal control auditing) and provides advice to the President and others based on the results of the auditing. Moreover, the A&SB reports to the Board of Directors on its auditing plan and the results of the audit on a regular basis. (Article 8 (1) of the Guidelines)

(iv) Term and Appointment of A&SBMs

The term of the A&SBMs is four years. The candidates for the A&SBMs are determined with consideration given to the followings, in addition to satisfaction of the requirement of A&SBM as specified by laws and regulations:

- they have superior character, discernment and high ethical standards; and
- they sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy.

In addition to the above, in determining the candidates for Outside A&SBMs the Company considers whether they have deep insight in their areas of expertise. (Article 8 (2) of the Guidelines)

(Procedures)

The Nomination and Compensation Committee consists of 5 members, including 3 Outside Directors. The chairperson is appointed among such Outside Directors. This Committee deliberates on nomination for Directors, Representative Directors, and A&SBMs, the Chairman of the Board, and the President from an objective perspective. The Committee reports the results of its deliberations to the Board of Directors. (Article 6 (1) of the Guidelines)

(5) Explanations with respect to appointment and dismissal of senior management and the individual appointments and nominations of Directors and A&SBMs

Please refer to the reference documents attached to the Notice of General Meeting of Shareholders. (https://www.nec.com/en/global/ir/pdf/report/180/report180_01.pdf)

【Principle 4.1 Roles and Responsibilities of the Board (1)】

(Supplementary Principle 4.1.1)

The Board of Directors delegates certain authority for business execution to corporate officers, and establishes the criteria for matters to be discussed by the Board of Directors. Pursuant to the criteria, a resolution of the Board of Directors is required concerning matters that have to be determined by the Board of Directors under laws and regulations, as well as transactions considered to be important for the Company in the light of its asset size and others.

【Principle 4.8 Effective Use of Independent Directors】

Please refer to “(Policies) (i) Composition and Role of Board of Directors” of “I.1. 【Principle 3.1 Full Disclosure】 (4) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of Directors and A&SBMs candidates” of this report.
Regarding Independent Outside Directors, please refer to “II.1. [Independent Directors/A&SBMs]” of this report.

【Principle 4.9 Independence Standards and Qualification for Independence Directors】

Please refer to “(Policies) (i) Composition and Role of Board of Directors” of “I.1. 【Principle 3.1 Full Disclosure】 (4) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of Directors and A&SBMs candidates” of this report.
Regarding Independent Outside Directors, please refer to “II.1. [Independent Directors/A&SBMs]” of this report.

【Principle 4.11 Preconditions for Board and A&SB Effectiveness】

(Supplementary Principle 4.11.1)

Please refer to “(Policies) (i) Composition and Role of Board of Directors” of “I.1. 【Principle 3.1 Full Disclosure】 (4) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of Directors and A&SBMs candidates” of this report.

(Supplementary Principle 4.11.2)

When an Outside Director assumes office as a director or auditor of other companies, Board of Directors discuss and approve it from the perspective of the influence on business execution as the Director of the Company. As for the important concurrent positions of Directors and A&SBMs, please refer to the Company’s “Executives” published on the Company’s website at <https://www.nec.com/en/global/about/executives/directors.html> and the reference documents attached to the Notice of General Meeting of Shareholders. (https://www.nec.com/en/global/ir/pdf/report/180/report180_01.pdf)

(Supplementary Principle 4.11.3)

With external advices on a method of effectiveness evaluation of the Board of Directors, the Company has conducted an analysis and evaluation on the effectiveness of the Board of Directors once a year to improve the function of the Board of Directors since the fiscal year ended March 31, 2016.

In the fiscal year ended March 31, 2018, based on the result of the analysis and evaluation on the effectiveness of the Board of Directors conducted in the previous fiscal year, the Company improved the contents to be reported in the Board of Directors and the format of the meeting materials in order to narrow down the agenda to be discussed and clarify the point of discussion at the Board of Directors. Furthermore, the Company introduced a new mechanism in order to reflect opinions and advices of Outside Directors in the operation of business. Under this mechanism, the Company notified those opinions and advices to the relevant parties in the Company, and reported the progress to the Board of Directors.

The summary of the results of such analysis and evaluation for the fiscal year ended March 31, 2018 is as follows.

(1) Procedure of the analysis and evaluation

(i) Questionnaire

In the fiscal year ended March 31, 2018, the Company sent a questionnaire regarding the role, composition and operation of the Board of Directors to all Directors and A&SBMs, and all of them answered the questionnaire. Before sending the questionnaire, the Company improved the questionnaire by adding questions for free descriptive answers and questions for evaluation of achievement of the measure introduced in the previous fiscal year based on the result of the analysis and evaluation conducted in the previous fiscal year so that evaluation and opinions of Directors and A&SBMs could be reflected more adequately on their answers to the questionnaire.

(ii) Discussion based on the result of the analysis and evaluation

After analyzing the effectiveness of the Board of Directors based on the result of the questionnaire, the Company reported such result to the Board of Directors in March 2018. In the said Board of Directors, all Directors and A&SBMs discussed the improvement for the Board of Directors from the

viewpoint of the reinforcement of the function and governance system of the Board of Directors, the best practice to discuss the management strategy and a method for decision making and the clarification of management policy looking ahead to the future vision of the Company.

(2) Summary of the results of such analysis and evaluation for the fiscal year ended March 31, 2018

In conclusion, it has been evaluated that in terms of the decision making for the Company's important business execution and a method for discussion for management strategies and management plan, the Board of Directors is structured and operated to facilitate active discussion among the Directors, and the Board of Directors has been appropriately supervising the business execution. Meanwhile, it has been confirmed that the Board of Directors needs to improve a method for the discussion for future vision of the Company and strategies to improve corporate value of the Company for medium and long term, and a method for distributing information to Directors in order to enrich constructive discussion in the Board of Directors.

(3) Future challenges

Based on the results above, by conducting the following countermeasure, the Company will continuously enhance and strengthen the Board of Directors function in order to deepen the Directors' and A&SBMs' understanding of the President's vision for the future of the Company, and deliberation on the mid- and long-term management strategy.

- To arrange opportunities for sufficient discussion of a long term management strategy;
- To improve the contents of information distributed to Directors in advance for discussion in the Board of Directors;
- To arrange an opportunities for exchanging opinions among the Chairman of the Board, the President and the Outside Directors;
- In each Board of Directors, to report the recent important matters and topics by the President to other Directors; and
- To improve the format of the meeting materials.

【Principle 4.14 Director and A&SBMs Training】

(Supplementary Principle 4.14.2)

The Company regularly provides training for Directors and A&SBMs so that they can acquire necessary expertise and information regarding the roles and responsibilities of Directors and A&SBMs (including legal liabilities), as well as support for Outside Directors and Outside A&SBMs to deepen their understanding on the NEC Group's business by organizing management discussion meetings, budget briefings and tours of business sites and exhibitions of the Company and its subsidiaries. (Article 10 (2) of the Guidelines)

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】

Dialogues with shareholders (interviews) and identification of the Company's shareholder ownership structure are primarily conducted by the Investor Relations Office, the department within the Corporate Strategy Division. The President and the CFO also meet with key shareholders. Before members of senior management meet with the shareholders, they coordinate with the relevant divisions in accordance with the Company's "Disclosure Policy" to prevent the disclosure of what could be considered material information including insider information.

In addition to individual meetings, the President and the CFO hold management briefings and quarterly financial-result briefings for the media, securities analysts, and institutional investors (including shareholders). Also, executives responsible for individual businesses have briefings on their businesses, including tours of facilities and briefings on research progress. Shareholders' opinions and the ideas gained through these IR activities are regularly provided as feedback to senior management on a regular basis and reported to the Board of Directors. (Article 11 (2) of the Guidelines)

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Account)	13,943,700	5.37
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account)	13,037,500	5.02
NIHK A/C CLIENT (OWNED BY KKR FUNDS) (standing proxy: Nomura Securities Co., Ltd.)	8,972,200	3.45
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account No.9)	7,239,400	2.79
BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY 1 (standing proxy: MUFG Bank, Ltd.)	6,518,110	2.51
SUMITOMO LIFE INSURANCE COMPANY	5,600,000	2.16
NEC EMPLOYEE SHAREHOLDING ASSOCIATION	5,142,024	1.98
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account No.5)	5,043,900	1.94
STATE STREET BANK WEST CLIENT – TREATY 505234 (standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	4,664,700	1.79
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account No.7)	4,122,600	1.59

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

Supplementary Explanation Updated
None

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Revenues (consolidated) as of the End of the Previous Fiscal Year	More than JPY1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	300 or more

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Company has three publicly listed subsidiaries. While the Company strives to increase NEC Group's corporate value in cooperation with them, these subsidiaries are operated independently from the Company.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with the A&SBMs
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board (Excluding individual holding concurrent position as president)
Number of Directors	11
Appointment of Outside Directors	Yes
Number of Outside Directors	5
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takeshi Kunibe	From another company											
Motoyuki Oka	From another company											
Kunio Noji	From another company											
Kaoru Seto	From another company											
Noriko Iki	Other											

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Person executing the operations (the "Executing person") of the Company or its subsidiaries

b. Executing person or non-executive Director of the parent company of the Company

c. Executing person of a company under common control with the Company

- d. A party whose major client or supplier is the Company or an Executing person thereof
- e. Major client or supplier of the Company or an Executing person thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/A&SBMs
- g. Major shareholder of the Company (or an Executing person of the said major shareholder if the shareholder is a legal entity)
- h. Executing person of a business partner of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executing person of a company, between which and the Company Outside Directors/A&SBMs are mutually appointed (the Director himself/herself only)
- j. Executing person of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Takeshi Kunibe		Director President and Group Chief Executive Officer, SMFG	The Company has appointed him as an Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a bank.
Motoyuki Oka	○	Honorary Adviser, Sumitomo Corporation The description for "Relationship with the Company" is omitted pursuant to "Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights" (see the "Matters relating to Independent Directors/ A&SBMs" below).	The Company has appointed him as an Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a general trading company including the management of overseas firms. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.
Kunio Noji	○	Chairman of the Board, Komatsu Ltd. The description for "Relationship with the Company" is omitted pursuant to "Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights" (see the "Matters relating to Independent Directors/ A&SBMs" below).	The Company has appointed him as an Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company. He is qualified as an Independent Director as required by the Tokyo Stock

			Exchange that is unlikely to have conflicts of interest with shareholders.
Kaoru Seto	○	<p>Special Adviser, Yamato Holdings, Co., Ltd.</p> <p>The description for “Relationship with the Company” is omitted pursuant to “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” (see the “Matters relating to Independent Directors/ A&SBMs” below).</p>	<p>The Company has appointed him as an Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a logistics service company.</p> <p>He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>
Noriko Iki	○	<p>President, Japan Institute for Women's Empowerment & Diversity Management</p> <p>She has not fallen under any category for “Relationship with the Company.”</p>	<p>The Company has appointed her as an Outside Director considering that she has superior character, discernment and high ethical standards. In addition, she would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and she has extensive experience and deep insight relating to administrative and diplomatic area.</p> <p>She is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Yes
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Committee’s Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee’s Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	5	5
Full-time Members	-	-
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	-	-
Other	-	-
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Company has established the Nomination and Compensation Committee to enhance transparency of nomination of Directors and A&SBMs and remuneration of Directors and corporate officers. The committee consists of 5 members, including 3 Outside Directors. The Chairperson is appointed among such Outside Directors. This committee deliberates on (i) nomination for Directors, representative Directors and A&SBMs, the Chairman of the Board, and the President, and (ii) the structure and the level of compensation for Directors, representative Directors and corporate officers from an objective perspective. The committee reports the results of its deliberations to the Board of Directors. During the fiscal year ended March 31, 2018, the committee held meetings six times and mainly deliberated on ①nomination for Directors and A&SBMs, ② succession planning for the President and ③stock compensation plan for Directors.

[Audit & Supervisory Board (KANSAYAKU-KAI)]

Establishment of Audit & Supervisory Board (KANSAYAKUKAI-KAI)	Yes
Maximum Number of Audit & Supervisory Board Members (KANSAYAKU) Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members (KANSAYAKU)	5

Cooperation among A&SBMs, Accounting Auditors and Internal Audit Departments

The A&SBMs are taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of operation of the “Compliance Hotline” (including the status of operation of compliance hotlines of the Company’s subsidiaries), a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters. In addition, the A&SBMs cooperate with the Outside Directors, mainly by exchanging opinions on audits. The A&SBMs are also stepping up cooperation with the Accounting Auditors, such as by receiving briefings on financial audits covering status reports on their audits and audit plans, as well as on audits of the internal control systems based on the Financial Instruments and Exchange Act, and exchanging opinions on their audits. Moreover, the Company arranges regular meetings among the Accounting Auditors, A&SBMs and the internal auditing division.

Appointment of Outside Audit & Supervisory Board Members (KANSAYAKU)	Yes
Number of Outside Audit & Supervisory Board Members (KANSAYAKU)	3
Number of Independent Audit & Supervisory Board Members (KANSAYAKU)	3

Outside A&SBMs’ Relationship with the Company (1)

Name	Attribute	Relationship with the Company*
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		a	b	c	d	e	f	g	h	i	j	k	l	m
Takeshi Kikuchi	From Lawyer													
Kazuyasu Yamada	From CPA													
Taeko Ishii	From Lawyer													

* Categories for “Relationship with the Company”

* “○” when the Director presently falls or has recently fallen under the category;

“△” when the Director fell under the category in the past

* “●” when a close relative of the Director presently falls or has recently fallen under the category;

“▲” when a close relative of the Director fell under the category in the past

a. Executing person of the Company or its subsidiary

b. Executing person or non-executive Director of the Company or its subsidiaries

c. Executing person of a company under common control with the Company

d. A party whose major client or supplier is the Company or an Executing person thereof

e. Major client or supplier of the Company or an Executing person thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an A&SBMs

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executing person of a business partner of the Company (which does not correspond to any of d, e, or f) (the A&SBMs himself/herself only)

i. Executing person of a company, between which and the Company Outside Directors/A&SBMs are mutually appointed (the A&SBMs himself/herself only)

j. Executing person of a company or organization that receives a donation from the Company (the A&SBMs himself/herself only)

k. Others

Outside A&SBMs' Relationship with the Company (2)

Name	Designation as Independent A&SBMs	Supplementary Explanation of the Relationship	Reasons of Appointment
Takeshi Kikuchi	○	Attorney at law He has not fallen under any category for “Relationship with the Company.”	The Company has appointed him as an Outside A&SBM considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has a lot of experience and deep insight as an attorney at law in the fields of IT and others. He is qualified as an Independent A&SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.
Kazuyasu Yamada	○	Certified Public Accountant The description for “Relationship with the Company” is omitted pursuant to “Immaterial Criteria for the judgment that the Relationship with the Company is unlikely to affect shareholders' decision concerning the	The Company has appointed him as an Outside A&SBM considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has a lot of auditing experience

		exercise of voting rights” (see the “Matters relating to Independent Directors/ A&SBMs” below).	as a Certified Public Accountant and professional insight in finance and accounting. He is qualified as an Independent A&SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.
Taeko Ishii	○	Attorney at law She has not fallen under any category for “Relationship with the Company.”	The Company has appointed her as an Outside A&SBM considering that she has superior character, discernment and high ethical standards. In addition, she would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and she has a lot of experience and deep insight as an attorney at law in the fields of personnel affairs, labor and others. She is qualified as an Independent A&SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.

[Independent Directors/A&SBMs]

Number of Independent Directors/ Audit & Supervisory Board Members (KANSAYAKU)	7
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Matters relating to Independent Directors/ A&SBMs

The Company has designated all Outside Directors/A&SBMs that qualify as Independent Outside Directors/A&SBMs based on the Company’s independency standards as Independent Directors/A&SBMs.

The Company judges their independency from the standard defined by Tokyo Stock Exchange and the "Independence Criteria for Outside Directors and Outside A&SBMs" established by the Company. With respect to categories h and j for “Relationship with the Company,” in the event that “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” is satisfied, the description thereof is omitted.

“Independence Criteria for Outside Directors and Outside A&SBMs” and “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” established by the Company are as follows:

“Independence Criteria for Outside Directors and Outside A&SBMs”

The Company declares that an Outside Director and an Outside A&SBM who is not fallen under any of the following description is independent of the Company.

- (1) Presently or at any time within the past three years, any of his or her relative within the second degree of relationship holds or held a position equal to or higher than a general manager at the Company or its subsidiary
- (2) Presently or at any time within the past three years, the person is or was Executing person of a major business partner*1, or any of his or her relative within the second degree of relationship is or was an Executing person at a major business partner (if such a person holds or held a position equal to or higher than a position equivalent of a general manager at the Company)
- (3) In any one of the past three fiscal years, the person or any of his or her relative within the second degree of relationship has received financial compensation of 10 million yen or more (excluding remuneration for Directors or A&SBMs) from the Company

- (4) Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has belonged to the Accounting Auditors of the Company
- (5) Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has been an Executing person of an organization that has received a significant amount of donation from the Company*2

*1 Major business partner:

- (1) A business partner with the total amount of transactions with the Company (consideration for offering products/services and procurements) exceeding 2% of sales of the Company or such business partner; or,
- (2) A business partner to whom the Company owes the average annual amount exceeding 2% of total assets of the Company

*2 Organization that has received a significant amount of donation from the Company:

An organization that has received from the Company a significant amount of donation exceeding the greater of 10 million yen, or 2% of the gross income of such organization, in any one of the past three fiscal years

“Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights”

With respect to categories h and j for “Relationship with the Company,” the Company omits the description of “Relationship with the Company” in the event that an Outside Director or an Outside A&SBM is an Executing person that is fallen under the following categories.

- (1) Executing person of a business partner with the total amount of transactions with the Company (sales or procurements of products/services) not exceeding 1% of the sales of the Company nor the sales of such business partner in the previous fiscal year
- (2) Executing person of a business partner to whom the Company owes the average annual amount of the previous fiscal year not exceeding 1% of the total assets of the Company
- (3) Executing person of an organization that has received from the Company a donation not exceeding 1% of the gross income of such organization in the previous fiscal year

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

The Company introduces bonuses as short term incentive which is linked to single-year achievement, and stock compensation as mid- and long-term incentive which is linked to achievement of Mid-term Management Plan.

The Company introduced the stock compensation plan for the Directors (excluding Outside Directors) in the fiscal year ended March 31, 2018. The purpose of the stock compensation plan is to encourage the applicable Directors to contribute to an improvement in Company’s mid- and long-term performance and its corporate value by clarifying the links between remuneration of the applicable Directors and the Company’s performance as well as the value of Company shares, and by sharing with the shareholders not only the benefits of rising stock prices but also the risks associated with falling stock prices.

This stock compensation plan is a stock compensation scheme under which a trust, established with the monies contributed by the Company, acquires the Company shares, and grants and pays out the Company shares which are equivalent to the number of points determined based on the titles of the applicable Directors and the level of the achievement of specific performance targets set in line with the Mid-term Management Plan (however, part of which shall be an amount of cash equivalent to the Company shares as converted and disposed of) to the applicable Directors in accordance with the rules for granting Company shares established by the Board of Directors.

In the first fiscal year of each three (3) fiscal years under the Mid-term Management Plan (however, the first target period after the introduction of the stock compensation plan shall be from the date of the start of the plan to March 31, 2019, and the target period shall be three (3) fiscal years starting on or after April 1, 2018 if the trust period is extended upon the resolution of the Board of Directors), the Company shall contribute,

for the stock compensation plan, monies for acquiring shares up to a total of 200 million yen. Calculation formula of the stock compensation is as described in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, Director Remuneration, Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods, (d) Links between Remuneration and the Company’s Performance, The stock compensation.”

Recipients of Stock Options

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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors’ Remuneration

No Individual Disclosure

Supplementary Explanation

Total amount of the remuneration of Inside Directors and Outside Directors are separately disclosed in the Business Report, the annual Securities Reports and Integrated Report. The Business Report, the annual Securities Reports and Integrated Report are posted on the Company’s website.
(<https://www.nec.com/en/global/ir/>)

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(a) Basic Policy

For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company’s basic policy on the remuneration for Directors and A&SBMs is to set the level and system appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group.

(b) Remuneration System

1) Remuneration for Directors

Remuneration for Directors consists of fixed monthly remunerations and performance-linked bonuses as short term incentive, and performance-linked stock compensation as mid- and long-term incentive.

The fixed monthly remunerations

The fixed monthly remunerations are determined according to the positions of Directors and the distinction of Inside Director and Outside Director, to the extent of the maximum amount approved at the General Meeting of Shareholders.

The bonuses

The bonuses are calculated by, adding to the standard amount determined for each positions of Directors, evaluation, under certain rules, of the contribution by Director to the business results during previous fiscal year. No bonuses are paid to Outside Directors from the viewpoint of securing their independence from the Company because the Company expects that Outside Directors play a leading role in supervision over business execution.

The stock compensation

The Company shares will be granted after the expiry of period of Mid-term Management Plan in accordance with the Directors' titles and the level of the achievement of Mid-term Management Plan.

- (*) 1 No Company shares are granted to Outside Directors from the viewpoint of securing their independence from the Company because the Company expects that Outside Directors play a leading role in supervision over business execution.
- 2 As for a certain specific portion of the Company shares, the Company will sell the shares on the stock market and pay cash instead of the shares in consideration of tax payment at the time of granting shares.

2) Remuneration for A&SBMs

Remunerations for A&SBMs are only fixed monthly remunerations and do not include bonuses linked to the business results because the responsibility of A&SBMs is to audit execution of Directors' duty.

The fixed monthly remunerations are determined depending on whether he or she is a full-time A&SBM or not, to the extent of the maximum amount approved at the General Meeting of Shareholders.

(c) Process of Determination

1) Remuneration for Directors

Remuneration for Directors is determined by the resolution of the Board of Directors, based on the results of the deliberation from an objective viewpoint by the Nomination and Compensation Committee, the majority of the members of which are the Outside Directors (one of whom is the chairperson).

2) Remuneration for A&SBMs

Remuneration for A&SBMs is determined through discussions between A&SBMs.

(d) Links between Remuneration and the Company's Performance

The bonuses

Directors' bonuses are calculated according to the certain indexes (Revenue, Operating profit and others) that the Company considers are important regarding the consolidated business results of the NEC Group during previous fiscal year.

The stock compensation

The stock compensation is calculated using the following formula.

<Calculation formula>

“Number of granting shares based on the applicable Directors' titles” (*1) x “Performance-based allotment rate” (*2)

*1: “basic compensation” x “multiplying factors for titles of the applicable Directors (#1)” /

“average value of closing price of the Company shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the evaluation period”

(#1) multiplying factors for titles of the applicable Directors

Chairman of the Board, President, Senior Executive Vice President and Member of the Board 25%

Executive Vice President and Member of the Board 20%

Senior Vice President and Member of the Board 15%

*2: the level of the achievement of consolidated revenue in the period of Mid-term Management Plan at the time of granting shares x 35% + the level of the achievement of consolidated operating profit in the period of Mid-term Management Plan at the time of granting shares x 35% + the level of the achievement of consolidated ROE in the final fiscal year of Mid-term Management Plan at the time of granting shares x 30%

(e) Determination of the Level of Remuneration

In order to ensure objectiveness and properness of the Remuneration for Directors and A&SBMs, the level of the remuneration is determined on the result of the third party's investigation regarding the remunerations of other companies whose business contents and scale are similar to those of the Company.

(f) Others

- 1) In order to promote a management improving shareholder value, the Company recommends that Directors (except for Outside Directors) purchase the Company's shares.
- 2) The stock compensation is performance-linked remuneration described in Article 34 (1) of Corporation Tax Act, and "the defined amount" described in Article 34 (1) (iii) (a) 1 of Corporation Tax Act is up to a total of 200 million yen for the three fiscal years. However, the initial evaluation period for evaluation is from the date of the start of the stock compensation plan to March 31, 2019.
- 3) The Company abolished its retirement allowance system for Directors and A&SBMs at the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006.

[Supporting System for Outside Directors and/or A&SBMs] **Updated**

Aiming to ensure that these roles and functions expected of Outside Directors and Outside A&SBMs are properly fulfilled, the Company has been working to enhance deliberations by the Board of Directors through such means as briefing Outside Directors and Outside A&SBMs in advance on particularly important proposals to be put forward to the meetings of the Board of Directors. The Company also provides support to Outside Directors and Outside A&SBMs in order to facilitate their understanding of the NEC Group, such as by organizing tours of business sites and exhibitions of the Company and its subsidiaries. The Company has established the Audit and Supervisory Board Members' Office with 6 corporate staff members to assist with the A&SBMs' audit activities.

[Retired presidents holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents holding advisory positions (sodanyaku, komon, etc.)

Name	Job Title/ Positon	Responsibilities	Employment terms (Full/Part-time, with/without Compensation, etc.)	Date of Retirement from President etc.	Term
Kaoru Yano	Executive Advisor	Business support relating to external affairs, including external association's activities, etc. (non- participation in management)	Full-time With Compensation	March 31, 2012	Until June 30, 2019

Number of retired presidents holding advisory positions (sodanyaku, komon, etc.)

1

Other information

The Company abolished a counselor (sodanyaku) system in June 2003. Former Chairman of the Board, President, and Senior Executive Vice President and Member of the Board may be appointed as Executive Advisors and engage sales support activities, including activities to reinforce the relationship with important customers of the NEC Group, and support activities relating to external affairs, including activities as a member of an outside organization. An Executive Advisor works on a full-time basis, except the Executive Advisor who was the Senior Executive Vice President and Member of the Board who works on a full-time or part-time basis. The term of an Executive Advisor is approximately 3 years. Former Chairman of the Board and President may be appointed as an Honorary Advisor after retiring from the Executive Advisor. An Honorary Advisor works on part-time basis and may continue to serve through the age of 75.

The Company pays compensation to Executive Advisors and Honorary Advisors according to their duties such as outward-facing roles which are important for the NEC Group.

Executive Advisors and Honorary Advisors have no involvement in the Company's management decision making and they do not receive any reports, whether periodically or not, from the management of the Company regarding the operations of the Company. Considering the above situations, the Company considers that its appointment of advisors (komon) have no adverse effect on the Company's governance.

The "Date of Retirement from President etc." in the above table is the date of retirement from the Chairman of the Board.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **Updated**

The Company has adopted the company with the A&SBMs.

The Company has introduced a corporate officer system to separate business execution from management supervision and expedite business execution based on prompt decision-making. This has involved delegating substantial authority for business execution from the Board of Directors to corporate officers. The Company has also been strengthening the supervisory functions of the Board of Directors by ensuring that 5 of the 11 Directors are Outside Directors. Furthermore, the Company has been working to improve transparency of nomination of Directors and A&SBMs and remuneration of Directors and corporate officers by making decisions on such matters based on the results of discussions by the Nomination and Compensation Committee. The Company has also put in place personnel and systems to reinforce the functions of the A&SBMs' audit, while encouraging closer cooperation among the Company's A&SBMs, internal auditing division and Accounting Auditors.

In July 2011, the Company introduced chief officers to strengthen a Company-wide strategy for realizing the "NEC Group Vision." In April 2017, the Company extended the authority delegated to the chief officers in order to strengthen the corporate functions and accelerate the speed of decision making.

Board of Directors

The Company's Board of Directors consists of 11 members, 5 of whom are Outside Directors. The Board of Directors holds regular meetings basically once a month and extraordinary meetings as necessary to determine important matters related to business execution, including business realignment, funding plans and financing and investment, as well as matters concerning business plans. Furthermore, since June 2004 the term of office for Directors has been set at one year in order to clarify their responsibility for management every fiscal year.

Executive Committee and Business Progress Committee

The Executive Committee, which comprises around 20 corporate officers, discusses important NEC Group management issues such as policies and strategies. This committee extensively discusses matters of particular importance prior to putting them forward to the meetings of the Board of Directors for approval. In doing so, the committee enhances the deliberations and ensures appropriate decision making.

Meanwhile, the Business Progress Committee comprises corporate officers, general managers of business units and other members. This committee deliberates and reports on matters related to the status of the NEC Group's business execution, such as monitoring progress with respect to meeting budgets adopted by the Board of Directors, with the aim of sharing management information and promoting business execution efficiency.

Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee to enhance transparency of nomination of Directors and A&SBMs and remuneration of Directors and corporate officers. The committee consists of 5 members, including 3 Outside Directors. The Chairperson is appointed among such Outside Directors. This committee deliberates on (i) nomination for Directors, representative Directors and A&SBMs, the Chairman of the Board and the President, and (ii) the structure and the level of compensation for Directors, representative Directors and corporate officers with taking the business result of the Company and other conditions into account and from an objective perspective. The committee reports the results of its deliberations to the Board of Directors. During the fiscal year ended March 31, 2018, the committee held meetings six times and mainly deliberated on ① nomination for Directors and A&SBMs, ② succession planning for the President and ③ stock compensation plan for Directors.

Audit & Supervisory Board (KANSAYAKU-KAI) (Audit & Supervisory Board Members (KANSAYAKU))

The Company has appointed A&SBMs and established the A&SB pursuant to the Companies Act. The Company has 5 A&SBMs, 3 of whom are Outside A&SBMs.

Furthermore, the A&SB holds regular meetings basically once a month and extraordinary meetings as necessary, decides on audit policies, standards, annual auditing plan and other matters, and receives status reports on audits and on other matters from each A&SBMs.

The Company appoints as A&SBMs the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the A&SBMs.

The A&SBMs strive to enhance quality of the audits of the entire NEC Group by cooperating with A&SBMs of NEC's subsidiaries.

The A&SBMs are taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of operation of the "Compliance Hotline" (including the status of operation of compliance hotlines of the Company's subsidiaries), a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters. In addition, the A&SBMs cooperate with the Outside Directors, mainly by exchanging opinions on audits. The A&SBMs are also stepping up cooperation with the Accounting Auditors, such as by receiving briefings on financial audits covering status reports on their audits and audit plans, as well as on audits of the internal control systems based on the Financial Instruments and Exchange Act, and exchanging opinions on their audits. The Company arranges regular meetings among the Accounting Auditors, A&SBMs and the internal auditing division.

The Company has established the Audit and Supervisory Board Members' Office with 6 corporate staff members to assist with the A&SBMs' audit activities.

Corporate Auditing Bureau (Internal Auditing Division)

The Company has established the Corporate Auditing Bureau as an internal auditing division reporting directly to the President of the Company. This Bureau consists of approximately 90 corporate staff members with expertise in internal auditing, including staffs of NEC Management Partner, Ltd. who devotes themselves to NEC internal auditing. The Corporate Auditing Bureau performs audits of the NEC Group to ensure legal, appropriate and efficient execution of business activities, and identifies issues and proposes improvements. Regarding the audits of the Company's subsidiaries which have their own internal auditing sections, the Corporate Auditing Bureau performs the audits in cooperation with such internal auditing sections.

The Corporate Auditing Bureau is taking steps to strengthen cooperation with the Accounting Auditors by reporting on audit results and exchanging opinions with them regularly. Furthermore, the Corporate Auditing Bureau reports the audit results to the Board of Directors.

Internal Control Division

The Company has established the Internal Control Division which is responsible for ensuring compliance, risk management and ensuring reliability of financial reporting.

Internal Control Division is taking steps to strengthen corporation with the Board of Directors, A&SBMs and Accounting Auditors by reporting on the status of implementation of the internal control system and exchanging opinions with them regularly. Furthermore, Internal Control Division is taking steps to strengthen corporation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of the "Compliance Hotline," a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters.

Accounting Auditors

In fiscal year ended March 31, 2018, the independent audit of the Company was performed by three certified public accountants of KPMG AZSA LLC: Tetsuzo Hamajima, Takashi Kondo and Yoshiaki Hasegawa. The independent audit was assisted by 38 certified public accountants, 24 assistants who passed the CPA examination and 42 other individuals.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the company with the A&SBMs.

The Company considers that the A&SBMs' audit works properly and determination by the Board of the Directors with advices by Outside Directors of the material business execution is effective for the management of the company. The Company works on the followings to establish optimum corporate governance system under the system of the company with the A&SBMs.

- (1) In order to ensure objectiveness and transparency of governance, the Company has 5 Outside Directors out of 11 Directors, and 3 Outside A&SBMs out of 5 A&SBMs.
- (2) In order to enhance transparency of decision-making by the Board of Directors, the Nomination and Compensation Committee, established voluntarily and the majority of which are Outside Directors, deliberates on nomination for Directors and A&SBMs and compensation for Directors and corporate officers.
- (3) In order to separate business execution from management supervision and promote timely decision-making, the Company has introduced a corporate officer system and the Board of Directors has delegated its substantial authority for business execution to corporate officers.
- (4) In order to promote timely decision-making, the Company has introduced chief officers to strengthen a Company-wide strategy and the President has delegated some of its authority to chief officers.

The Company believes that its corporate governance is functioning adequately under the current system described above. However, the Company is focusing its efforts on enhancements and improvements of this system in order to realize more effective corporate governance responding to changes in the business environment.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends out its convocation notice for the General Meeting of Shareholders approximately three weeks prior to the meeting. In addition, this information is posted on the Company's website before it is sent out. (https://www.nec.com/en/global/ir/pdf/report/180/report180_01.pdf)
Scheduling General Shareholder Meeting Avoiding the Peak Day	The Company has been making its effort to avoid the peak day in scheduling the meeting. The 180th Ordinary General Meeting of Shareholders was held on June 25, 2018.
Allowing Electronic Exercise of Voting Rights	The Company provides for voting via the Internet (including via smartphones or mobile phones). In addition, the Company provides electronic voting platform operated by ICJ Co., Ltd. for institutional investors.
Participation in Electronic Voting Platform	The Company has participated in an electronic voting platform operated by ICJ Co., Ltd.
Providing Convocation Notice in English	The Company posts English translation of the convocation notice (including Business Report) on its website. (https://www.nec.com/en/global/ir/pdf/report/180/report180_01.pdf)
Other	Video streaming of the Business Report presentation given by the President at the General Meeting of Shareholders and its reference materials are provided on the Company's website for about a month after the meeting. The Company also posts on its website the results of the exercise of voting rights at the General Meeting of the Shareholders (including the numbers of votes on each proposal) and English translation thereof. (https://www.nec.com/en/global/ir/events/stock/meeting.html)

2. IR Activities

	Supplementary Explanations	Presentation by Representative
Preparation and Publication of Disclosure Policy	The Company has established and published its “Disclosure Policy” on its website. The Company has stipulated in the “Disclosure Policy” that the Company manages and discloses its information, such as information regarding business management and operation, in accordance with applicable laws and regulations, including the listing regulations of Tokyo Stock Exchange and fair disclosure rules under Financial Instruments and Exchange Act, and the Company ensures the accuracy of the information to be disclosed and make sure that the disclosures are made in a timely, appropriate and fair manner. (https://www.nec.com/en/global/ir/corporate/disclosure.html)	-
Regular Investor Briefings for Individual Investors	The Company holds regular briefings for individual investors in major cities throughout Japan to brief the Company’s overview, business, overall operating performance, etc. Further, efforts are focused to enhance disclosure of corporate information to individual investors and the Company has established a corporate web page targeted for individual investors which delivers corporate information such as the Company’s overview, operating performance, business strategy, etc. in a clear manner. (https://www.nec.com/en/global/ir/index.html)	No
Regular Investor Briefings for Securities Analysts and Institutional Investors	The Company holds management briefings, as well as quarterly financial-result briefings for securities analysts and institutional investors. In addition, the Company quarterly visits major institutional investors.	Yes
Regular Investor Briefings for Overseas Investors	The Company regularly visits major overseas institutional investors to brief its financial results and business strategy.	Yes
Posting of IR Materials on Website	IR Materials are provided both in Japanese and English on the Company’s website upon releases of them. (https://www.nec.com/en/global/ir/library/index.html) The Company also provides information which strengthen better understanding of the Company on its website. (https://www.nec.com/en/global/ir/index.html)	-
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investor Relations Office within the Corporate Strategy Division as a department responsible for investor relations.	-

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In its “NEC Group Charter of Corporate Behavior” which is the base of all business activities, the Company emphasizes the importance of enhancing its corporate value through building relationships of trust with stakeholders, such as customers, shareholders, investors, suppliers, local communities and employees. Besides, as the Company endeavors to transform itself into a “Social Value Innovator,” the Company is also working to improve its sustainable management based on stakeholder engagement, which is emphasized in the ISO 26000 international standard for social responsibility.

<p>Implementation of Environmental Protection, CSR Activities etc.</p>	<p>The Company seeks to realize a sustainable society (including contribution to the achievement of the United Nations' Sustainable Development Goals (SDGs)). The Company has proposed three basic policies, "strengthening risk management and enforcing compliance," "contributing to solving social issues through business activities" and "promoting communications with stakeholders," and promotes the measures for sustainability from the point of view of ESG (Environment, Social and Governance). In addition, to formulate the "Mid-term Management Plan 2020" announced in January 2018, the Company has identified "materiality" as new priority theme for sustainable management from ESG perspectives which the Company has practiced since its inception, taking consideration of SDGs etc. in order to connect its non-financial initiatives, such as ESG, more closely with its business strategies for growth of itself and society. The Company actively discloses information regarding the results and challenges of such measures on the Company's website.</p> <p>Sustainability Report (https://www.nec.com/en/global/csr/report/index.html)</p> <p>For the environmental protection, the Company reduces the environmental impact of its own business activities and promotes "environmental management" that contributes to reducing the environmental impact on all society through provision of its products and services. The Company reports the goals and progress of such environmental management on the Company's website. In addition, the Company holds annual ESG IR meeting on the environment for analysts of asset management companies since 2016.</p> <p>Annual Environmental Report (https://www.nec.com/en/global/eco/annual/index.html)</p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>The Company emphasizes "timely, appropriate, and fair disclosure of information" in its basic policies for corporate governance. The Company also declares that "the NEC Group delivers accurate and sufficient corporate information in a timely, clear, and appropriate manner while enhancing the transparency of its corporate activities" in the "NEC Group Charter of Corporate Behavior." Moreover, the Company emphasizes "promoting communications with stakeholders" as part of its measures for sustainability basic policy. Under such policies, the Company endeavors to build relationships of trust with stakeholders and enhance its corporate value by ensuring full accountability through the active disclosure of information on the results and challenges of its sustainability activities through the Sustainability Report etc.</p>
<p>Other</p>	<p><Promoting Diversity within the NEC Group></p> <p>The Company considers that creating the workplace environment where (i) a diverse range of people could work in various organizations and departments and (ii) various viewpoints and ideas would be taken to meet the demands of society produces new value and innovation, and promotes "Diversity and Inclusion." As part of measures to create such environment, the Company is working to promote women's success in the workplace, the global recruitment of human resources, and the employment of people with disabilities, among others.</p> <p><Promoting Women's Success in the Workplace></p> <p>In accordance with the Act to Advance Women's Success in Their Working Life (the "AAWS") effective in April 2016, the Company submitted the following action plans and numerical targets to the relevant government and has been implementing various related measures.</p> <p>1. Making plans to appoint women to posts of department manager or higher and increasing the ratio of women in the posts of department manager or</p>

	<p>higher to 5% as of the fiscal year ending March 31, 2019 (4.1% as of April 1, 2018).</p> <p>2. Supporting and strengthening career awareness and management training for mid-career employees (candidates for manager and assistant manager).</p> <p>3. Promoting work-style innovation through ICT.</p> <p>In April 2016, the Company was awarded class 3 (the highest level) of an “Eruboshi Mark” (certification based on the AASW) from the government as a company demonstrating excellent performance in promoting the active participation of women, etc. In addition, the NEC Group is working to promote women’s success in the workplace by providing supports to the employees returning to work after taking maternity and childcare leave and holding the events regarding women’s career-formation etc. for all employees of the NEC Group.</p> <p><Promoting Global Recruitment of Human Resources ></p> <p>The Company has created a system that allows foreign nationals, and Japanese students who studied at a university overseas etc. to join the Company in October.</p> <p>With more foreign nationals being hired, the Company has been striving to establish a better workplace that allows for more diverse human resources. These efforts include making English versions of procedural documents used when employees are hired, major company rules and other in-house documents. Also, the Company holds new employee training for its employees of foreign nationals in English. 37 employees of foreign nationals were newly hired in the fiscal year ended March 31, 2018.</p> <p><Promoting Employment of People with Disabilities ></p> <p>To promote a “barrier-free” selection process, the Company appointed the staff for recruitment of people with disabilities and is actively participating in joint hiring interviews for people with disabilities organized by employment services such as “Hello Work” (operated by the Japanese government). The Company provides supports to its employees with disabilities according to the nature of their disabilities, such as conducting recruitment examinations using sign language or in Braille and confirming the availability of barrier-free work environment before they join the Company. The ratio of the employees with disabilities of the Company, NEC Friendly Staff, Ltd. and NEC Management Partner, Ltd. as of June 1, 2018 is 2.24%.</p> <p>After each employee with a disability joins the Company, the Company confirms regularly necessary arrangements for him/her to work for the Company through career review interviews and take the necessary measures in response.</p> <p>In addition, the Company expands the system of “Human Rights Hotline Desk”* to appropriately respond to inquiries regarding reasonable arrangements from employees with disabilities in April 2016.</p> <p>*The Human Rights Hotline Desk is a consultation contact point for employees.</p>
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IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development Updated

<Status of the establishment of Internal Control System>

The Company has established and implemented its internal control system based on the basic policy for maintenance of the system of the Company to ensure the properness of operations as provided in item (vi) of

Article 362(4) of the Companies Act adopted by resolution of the Board of Directors (the “Policy”). English translation of the Policy is provided through the Company’s website (<https://jpn.nec.com/profile/en/internalcontrol.html>), and the summary of which is described below.

The Company shall endeavor to establish and implement its internal control system more effectively, through continuous evaluation of the implementation of its internal control system under the Policy as well as taking measures necessary for its improvement, and conducting consistent reviews of the Policy responding to changes in the business environment.

- (1) In order to ensure the compliance with the laws, regulations and the Company's Articles of Incorporation in the performance of duties by Directors and employees, Directors and corporate officers shall take the lead in practicing “NEC Group Charter of Corporate Behavior” and “NEC Group Code of Conduct” that were adopted to establish business ethics standards for the NEC Group and to ensure compliance with laws, regulations, the Articles of Incorporation and its internal rules, and promote thorough understanding on these charter and code within the NEC Group. If any material violation of laws, regulations, the Articles of Incorporation or internal rules is found, the Company shall investigate the cause of such violation and formulate and implement preventative measures. In addition, the Company shall prompt the use of the Company’s internal reporting system, the “Compliance Hotline.”
- (2) The Company shall properly retain and manage information in accordance with applicable laws, regulations and the Company's internal rules.
- (3) The Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Company's internal rules. Business divisions shall properly conduct risk management related to their assignment and corporate staff divisions shall support such business divisions' activities. The Company shall deliberate fully on such matters of importance from a perspective of risk management, such as the strategy to control important management risk, and the matters of particular importance shall be reported to the Board of Directors. The internal auditing division shall conduct audits of NEC Group’s enterprise risk management system and the status of implementation of risk management, directly or through cooperation with internal auditing sections of subsidiaries if they have such sections.
- (4) In order to ensure the efficient performance of duties by Directors, the Board of Directors shall delegate its authorities to corporate officers and promote timely decision-making and effective performance of duties. Corporate officers shall, under the direction of the Board of Directors, efficiently conduct businesses in accordance with midterm corporate management goals and budgets.
- (5) In order to ensure the proper operation of the NEC Group, the Company shall, through “NEC Group Management Policy,” give instructions and assistance to the subsidiaries for the establishment of the systems ensuring compliance with laws, regulations and properness of the operation of business. In order to improve soundness and efficiency of management systems in the NEC Group, the Company shall dispatch directors and audit & supervisory board members (KANSAYAKU) where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall receive reports from such subsidiary regarding matters of importance on business operations, and give instructions and assistance to the subsidiary so that it shall properly conduct risk controls. The internal auditing division shall conduct audits of the subsidiaries to ensure their proper operations, directly or through cooperation with internal auditing sections of subsidiaries if they have such sections. The A&SBMs of the Company shall cooperate with audit & supervisory board members (KANSAYAKU) of the subsidiaries by exchanging their opinions on the audit and other measures.
- (6) From the perspective of proper and efficient operations of the NEC Group, the Company shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control by utilizing information systems.
- (7) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with applicable laws and regulations.
- (8) The Company shall assign full-time employees to assist A&SBMs in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by A&SBMs.
- (9) Directors and employees shall report to A&SBMs on the status of the performance of their duties. In addition, the Company shall give instructions to the directors, audit & supervisory board members (KANSAYAKU) and employees of the subsidiaries so that they shall report to A&SBMs of the Company on the status of the performance of their duties.

- (10) In order to ensure the effective audit, meetings of the A&SB shall be held and A&SBMs shall exchange information and consult with each other on the status of audits. Furthermore, A&SBMs shall periodically receive reports on financial audit from the Accounting Auditors and exchange opinions with them.

<Status of the implementation of Internal Control System>

The Company assessed the status of the implementation of its internal control system for the fiscal year ended March 31, 2018 and confirmed that it has established and implemented its internal control system properly based on the Policy. In the process of doing so, the Company has exchanged opinions with A&SBMs regarding the status of establishment and implementation of the internal control system. The main initiatives conducted in the fiscal year ended March 31, 2018 are as follows.

With regard to the compliance, having been recognized for having violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in 2016 and 2017, the Company established “NEC Compliance Day” as a day for reconfirming the importance of compliance for all NEC Group employees. In conjunction with “NEC Compliance Day,” the Company’s President, CCO (Chief Compliance Officer), general managers in charge of every business unit, and Presidents of the Company’s consolidated subsidiaries in Japan all provided messages to reinforce the importance of ethics in economic activities and to ensure compliance across the board. Of these, the Company surveyed the penetration of the messages provided by the general managers of the Company’s business unit among their team members and provided feedback to the general managers based on the survey results in an effort to improve compliance awareness between both supervisors and team members. Along with “NEC Compliance Day,” the Company held workplace meetings on the theme of “fraudulent accounting” to foster an awareness of compliance at every workplace. In compliance education, the Company held face-to-face training on the details of the actions that were recognized as violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the lessons learned through this experience (held approximately 140 times in the NEC Group) in addition to web-based training the Company runs in every year. In its internal audits, the Company conducted special audits relating to fraudulent accounting and violations of competition laws in addition to the audits in each organization that have been conducted to date. The Company’s internal reporting system, the “Compliance Hotline,” has now reached an internal recognition rate of 96.9% and was used for 118 matters during the fiscal year ended March 31, 2018 by virtue of continuous efforts to promote the system. The internal auditing division or other relevant divisions in the Company investigated such internal reports and took the necessary measures in response, depending on the details.

With regard to the risk management, the Risk Control and Compliance Committee and the Executive Committee deliberated on and selected fraudulent accounting, violation of competition laws, and violation of the Construction Business Act as priority risks to be addressed by the NEC Group (certain risks to be addressed in the NEC Group-wide priority in consideration of the impacts on the NEC Group business and the necessity of new measures). After formulating and implementing countermeasures, the results were reported to the Board of Directors.

With regard to the efficiency of performance of duties, the Company took steps to accelerate its decision-making process by delegating some of the authority of the President to chief officers and others, as well as expanding and clarifying their roles, authority and responsibility.

With regard to the group management, the Company revised the “NEC Group Management Policy,” which sets out the NEC Group’s group management, and the “NEC Way” (the NEC Group’s shared philosophy), which was revised in April 2017, was reflected in it. For internal audits of overseas subsidiaries, the NEC Group established an internal audit system using external experts and started audits under this new system in July 2017.

With regard to the audit by A&SB, A&SBMs receive reports on the status of the execution of their duties from Directors and employees of the Company and its subsidiaries. In addition, A&SBMs also periodically receive reports from the internal auditing division regarding the status of operation of the “Compliance Hotline” internal reporting system and the internal reporting systems at subsidiaries. Furthermore, A&SBMs periodically receive reports on financial audit from the Accounting Auditors and exchange opinions with them. They also strive to maintain close links with the Accounting Auditors and the internal auditing division by holding periodically meetings with them.

In the fiscal year ending March 31, 2019, the followings have been conducted with regard to the compliance. In conjunction with “NEC Compliance Day” for this fiscal year, the scope of the issuer of the messages as to the importance of ethics in economic activities and thorough practice of compliance which

the Company started to issue from last fiscal year was expanded to the Presidents of the Company's overseas consolidated subsidiaries. The Company has held the corporate ethics forum named "NEC Business Ethics" for the Company and its consolidated subsidiaries in Japan every year, and has decided to hold the forum along with "NEC Compliance Day" from the fiscal year ending March 31, 2019. In the forum held in November, 2018, the Company had a session to reaffirm the impacts on the NEC Group of the said violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in 2016 and 2017 by sharing the experience of the employees who responded to the investigation by the Japan Fair Trade Commission on the said violation and the situation at that time, in addition to the speech given by the Company's President and the lecture given by an external lawyer who is familiar with corporate compliance, in order to remember the lessons learned through the experience and to further improve the employees' awareness of compliance. With respect to compliance education for this fiscal year, the Company has continued the web-based training which the Company has run in every year, and in that training, each employee of the Company has declared he/she would ensure the compliance and actions he/she would work on to make compliance the organizational culture of the NEC Group.

2. Basic Views on Eliminating Anti-Social Forces and the Progress of Development

<Basic Views on Eliminating Anti-Social Forces>

The Company has stipulated in the Policy (Basic Policy on Internal Control Systems) that it will interdict any and all relationship with Anti-Social Forces which threaten the order and safety of the civil society, and respond to them in corporate-wide and uncompromising manner in close association with outside professionals such as the police.

<The progress of development of the Company's system for Eliminating Anti-Social Forces>

(1) Internal Rules

NEC Group has stipulated in the "NEC Group Code of Conduct" that all officers and employees of NEC Group will take determined action against Anti-Social Forces that threaten public order and safety, and all contact with such entities is strictly forbidden and will not involve themselves in any acts that would promote the activities of Anti-Social Forces.

(2) Other systems

- (a) The Company's General Affairs Division centrally collects and manages information related to Anti-Social Forces. In addition, the Company has appointed person responsible for thwarting unreasonable demands to address issues related to Anti-Social Forces.
- (b) The Company cooperates closely on an ongoing basis with third party experts, such as the police, attorneys, the Centers for the Elimination of Boryokudan and Tokusyu Boryoku Boshi Taisaku Rengokai, which is a public interest incorporated association within the Tokyo Metropolitan Police Department for preventing special violence.
- (c) The Company has established guidelines on how to manage issues related to Anti-Social Forces and updates them as necessary.
- (d) To address matters related to Anti-Social Forces effectively, the Company shares related information with general managers of general affairs divisions of the Company's subsidiaries which are responsible for dealing with such issues at those subsidiaries. In addition, the Company provides training programs on Anti-Social Forces for new Directors and A&SBMs of the NEC Group and general managers and other senior employees of the Company.

V. Other

1. Adoption of Anti-Takeover Measures

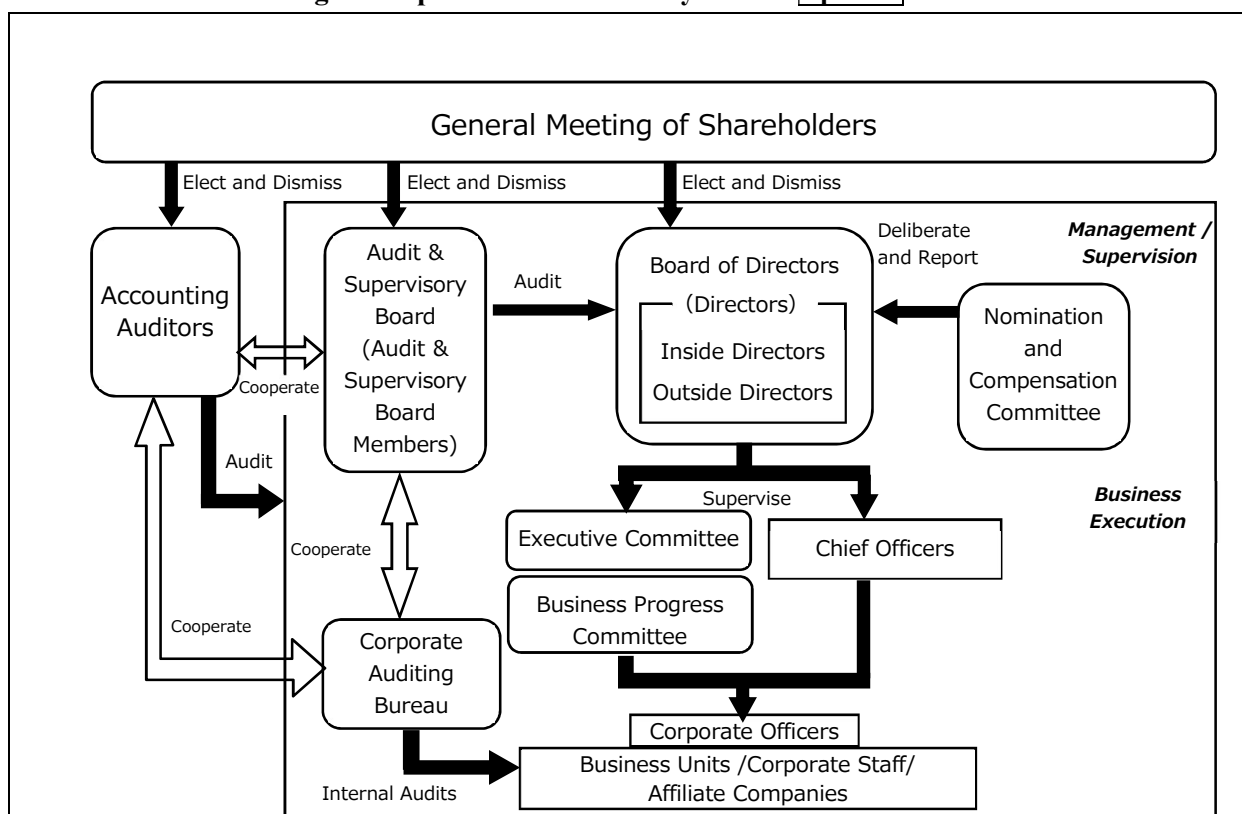
Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

The Company believes that the ultimate decision as to the person who should control the financial and business policy of the Company shall be made by the shareholders of the Company. However, in the event that a person or entity (the “Proposer”) proposes to purchase the substantial number of the shares of the Company with an intent to control the Company or proposes the takeover of the Company, the Company believes it is the responsibilities of the Board of Directors (i) to request the Proposer to provide appropriate information on the reasonableness of the consideration and other conditions of the proposal and the influence such action may have on the management policy and business plan of the Company, (ii) to evaluate the information provided and consider whether such proposal has merit in promoting the corporate value of the Company and the common interest of the shareholders, and (iii) to express the opinion of the Company for purposes of assisting the shareholders to make decisions whether or not to accept the proposal. In addition, the Company believes that, in the particular circumstances, it may be required to negotiate with the Proposer or to present alternative proposals to the shareholders.

Currently, the Company has not adopted a policy of defensive measures that will become effective when a proposal is made by a Proposer. It is the Company’s intention, however, that if (i) the sufficient information is not provided by the Proposer, (ii) the shareholders are not afforded the time sufficient to consider the proposal or (iii) the Company decides that the proposal would have an adverse effect on the corporate value of the Company or the common interest of the shareholders, the Company will decide and implement reasonable countermeasures that are practicable at the time of the proposal and acceptable to the shareholders.

2. Other Matters Concerning to Corporate Governance System Updated



< Summary of Information Disclosure Structure >

(1) Basic Policy

The Company recognizes the importance of providing timely, appropriate and fair disclosure to obtain a fair evaluation of its corporate value from the capital markets and stipulates "Disclosure Policy," which is provided through the Company's website. (<https://www.nec.com/en/global/ir/corporate/disclosure.html>)

The Company manages and discloses its information, such as information regarding business management and operation, in accordance with applicable laws and regulations, including the listing regulations of Tokyo Stock Exchange and fair disclosure rules under Financial Instruments and Exchange Act. The Company ensures the accuracy of the information to be disclosed and make sure that the disclosures are made in a timely, appropriate and fair manner.

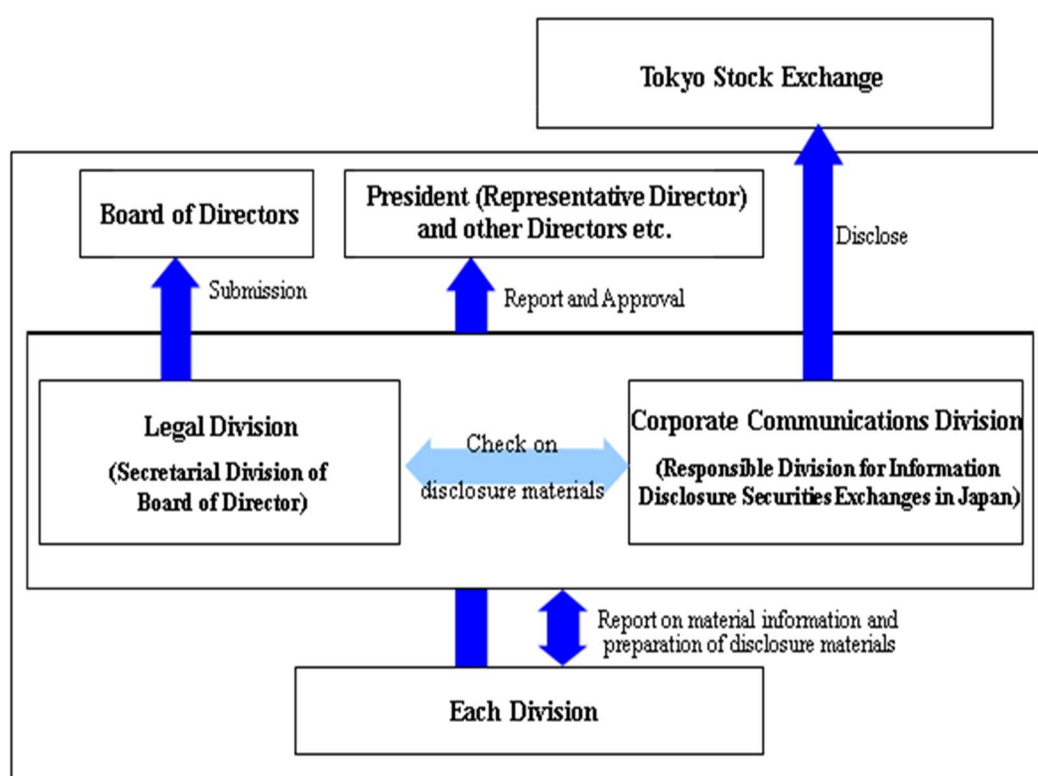
(2) Information Disclosure Structure

In order to ensure timely, appropriate and fair disclosure of corporate information, the Company has established a framework for communication between relevant divisions and subsidiaries as detailed below.

Each relevant division reports to Legal Division and Corporate Communications Division on material information related to the Company or the subsidiaries which the Company may be required to disclose under timely disclosure rules. Legal Division and Corporate Communications Division consider whether or not the Company is required to disclose such information. If timely disclosure is required, the Company promptly discloses the information in a proper manner. Further, the Company discloses the information on its decisions and financial results immediately after necessary internal approval is obtained.

The framework for the Company's information disclosure structure is illustrated in the charts below:

1 . Information relating to a Decision or Occurrence of Material Facts



2 . Earnings Releases, Revision of Dividend/Financial Forecasts

