

**This is a translation of the Corporate Governance Report of NEC Corporation, and is provided for your reference purpose only without any warranty as to its accuracy, completeness of the information, or otherwise. In the event of any discrepancy between the Japanese original and this translation, the original shall prevail.**

## Corporate Governance Report

Last Update: August 7, 2019

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](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]**

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 structure 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; 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 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 majority of the members of the Nomination and Compensation Committee are 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/181/report181\\_01.pdf](https://www.nec.com/en/global/ir/pdf/report/181/report181_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 4.9 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 Inside 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/181/report181\\_01.pdf](https://www.nec.com/en/global/ir/pdf/report/181/report181_01.pdf))

**(Supplementary Principle 4.11.3)**

With external advice on methods for evaluating the effectiveness 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, 2019, the Company made several changes 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 provided a separate opportunity outside of the Board of Directors meeting for Directors to discuss long-term management strategy. It also raised the pricing criteria of the standard for matters to be resolved at the Board of Directors, enhanced the information provided to Directors prior to meetings, and made further improvements to the format of materials for reports to the Board of Directors. These changes were intended to further enhance the discussion related to mid- to long-term management strategies in the Board of Directors. Furthermore, the Company continued its initiatives for reflecting the opinions and guidance received from Outside Directors in its business execution, and took steps such as providing opportunities for the Chairman of the Board, the President and the Outside Directors to exchange opinions freely on various themes.

The summary of the results of the analysis and evaluation for the fiscal year ended March 31, 2019 is as follows.

**(1) Procedure of the analysis and evaluation**

In the fiscal year ended March 31, 2019, the Company conducted a questionnaire of all of the Directors and A&SBMs. In addition, individual interviews were held based on the results of the questionnaire. In the questionnaire and interviews, participants were asked mainly for their opinions regarding the kind of governance structure that the Company should aim for (organizational design, director composition, etc.) and the roles, functions, and method of operation of the Board of Directors. Based on the analysis and evaluation of these opinions, the Board of Directors deliberated on a policy and improvement plan for strengthening governance going forward.

Improvements were also made to the questionnaire. In addition to the questions regarding the level of achievement of measures formulated based on the evaluation of effectiveness, evaluation items for confirming the degree of improvement from the previous fiscal year were added as part of improvements to the survey method.

**(2) Summary of evaluation result and initiatives going forward**

**(i) Summary of evaluation result**

A summary of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended

March 31, 2019 is as follows:

- In the Board of Directors, it can be evaluated that appropriate supervision of business execution has been conducted as lively discussion was held among the Directors regarding decision making on important business execution and other important matters of mid- to long-term management strategy;
- The current governance structure (organizational design, director composition, etc.) can generally be considered appropriate; however, operation of the Board of Directors has room for improvement, such as conducting discussions with an emphasis on broad, company-wide management strategies and governance; and
- The Company will continue working to enhance the information provided to Directors prior to meetings.

(ii) Initiatives going forward

Based on the above evaluation results, the Company will strengthen the Board of Directors' functions through the following initiatives:

- To further deepen discussions in the Board of Directors regarding broad, company-wide management strategies and governance, the Company will revise the setting of themes for the matters brought up for discussion by the Board of Directors and the annual discussion plan;
- For important and complex matters for discussion, the Company will aim to hold multiple meetings of the Board of Directors and to enhance prior explanation, etc.;
- For long-term management strategy and other such themes, the Company will combine use of the Board of Directors and other meetings to enable deeper discussion; and
- To enhance the provision of information to Outside Directors, the Company will hold worksite tours and provide guidance to newly appointed Directors, along with improving the Board of Directors materials in line with the new themes for discussion by the Board of Directors.

**【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 Investors Relations Office, the department within the Corporate Communications 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 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]**

Name / Company Name	Number of Shares Owned	Percentage (%)
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THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Account)	18,928,000	7.28
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account)	15,688,500	6.04
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)	7,080,200	2.72
STATE STREET BANK WEST CLIENT – TREATY 505234 (standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	6,391,274	2.46
SUMITOMO LIFE INSURANCE COMPANY	5,600,000	2.16
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account No.5)	5,075,300	1.95
NEC EMPLOYEE SHAREHOLDING ASSOCIATION	4,762,217	1.83
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 (standing proxy: MUFJ Bank, Ltd.)	4,470,610	1.72
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account No.7)	4,388,700	1.69

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

#### Supplementary Explanation

On December 6, 2018, BlackRock Japan Co., Ltd. and its joint holders filed the Change Report pertaining to Report of Possession of Large Volume, which is open to public, stating that BlackRock Japan Co., Ltd. held 5,344 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 2.05%), BlackRock Investment Management LLC held 281 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.11%), BlackRock Fund Managers Limited held 345 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.13%), BlackRock Life Limited held 410 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.16%), BlackRock Asset Management Ireland Limited held 1,582 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.61%), BlackRock Fund Advisors held 5,718 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 2.20%), BlackRock Institutional Trust Company, N.A. held 4,612 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 1.77%), and BlackRock Investment Management (UK) Limited held 1,191 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.46%) as of November 30, 2018.

On December 19, 2018, Eastspring Investments (Singapore) Limited and its joint holder filed the Change Report pertaining to Report of Possession of Large Volume, which is open to public, stating that Eastspring Investments (Singapore) Limited held 11,772 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 4.52%) and M&G Investment Management Limited held 921 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.35%) as of December 14, 2018.

On December 21, 2018, Sumitomo Mitsui Trust Bank, Limited and its joint holders filed the Change Report pertaining to Report of Possession of Large Volume, which is open to public, stating that Sumitomo Mitsui Trust Bank, Limited held 600 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.23%), Sumitomo Mitsui Trust Asset Management Co., Ltd. held 12,688 thousand

shares of the Company (Percentage of shares held to the total number of outstanding shares is 4.87%) and Nikko Asset Management Co., Ltd. held 3,591 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 1.38%) as of December 14, 2018.

On March 25, 2019, Mizuho Securities Co., Ltd. and its joint holder filed the Report of Possession of Large Volume, which is open to public, stating that Mizuho Securities Co., Ltd. held 637 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.24%) and Asset Management One Co., Ltd. held 12,393 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 4.76%) as of March 15, 2019.

However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held.

### 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											
Kaoru Seto	From another company											
Noriko Iki	Other											
Masatoshi Ito	From another company											
Kuniharu Nakamura	From another company											

\* 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

- Person executing the operations (the “Executing person”) of the Company or its subsidiaries
- Executing person or non-executive Director of the parent company of the Company
- Executing person of a company under common control with the Company
- A party whose major client or supplier is the Company or an Executing person thereof
- Major client or supplier of the Company or an Executing person thereof
- 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&SBM
- Major shareholder of the Company (or an Executing person of the said major shareholder if the shareholder is a legal entity)
- 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)
- Executing person of a company, between which and the Company Outside Directors/A&SBMs are mutually appointed (the Director himself/herself only)
- Executing person of a company or organization that receives a donation from the Company (the Director himself/herself only)
- Others

#### Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Takeshi Kunibe		Chairman of the Board, Sumitomo Mitsui Financial Group, Inc.	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.
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&amp;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 &amp; Diversity Management</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&amp;SBMs” below).</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>
Masatoshi Ito	○	<p>Chairman of the Board, Ajinomoto Co., Inc.</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&amp;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 relating to marketing and management strategies as management of a manufacturing 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>
Kuniharu Nakamura	○	<p>Chairman of the Board of Directors, Sumitomo Corporation</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</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 general trading company including the management of global businesses.</p>

		“Matters relating to Independent Directors/ A&SBMs” below).	He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.
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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	4	4
Full-time Members	-	-
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	-	-
Other	-	-
Chairperson	Outside Director	Outside Director

#### Supplementary Explanation **Updated**

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 4 members, 3 of whom are Outside Directors and 1 of whom is a non-executive Director. The Chairperson is appointed among such Outside Directors. Messrs. Takeshi Kunibe, Kaoru Seto and Kuniharu Nakamura, who are Outside Directors, and Mr. Nobuhiro Endo, were appointed as members of the committee. The Chairperson is Mr. Kaoru Seto. 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, 2019, the committee held meetings 5 times and mainly deliberated on ① amendment to the remuneration system for Directors, ② nomination for Directors and A&SBMs and ③ succession planning for the President.

#### [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
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#### 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. 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 A&SBMs, the internal auditing division and the Accounting Auditors.

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*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kazuyasu Yamada	From CPA													
Taeko Ishii	From Lawyer													
Nobuo Nakata	From Lawyer													

\* Categories for “Relationship with the Company”

“○” when the A&SBM presently falls or has recently fallen under the category;

“△” when the A&SBM fell under the category in the past

“●” when a close relative of the A&SBM presently falls or has recently fallen under the category;

“▲” when a close relative of the A&SBM fell under the category in the past

- Executing person of the Company or its subsidiary
- Executing person or non-executive Director of the Company or its subsidiaries
- Executing person of a company under common control with the Company
- A party whose major client or supplier is the Company or an Executing person thereof
- Major client or supplier of the Company or an Executing person thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an A&SBM
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executing person of a business partner of the Company (which does not correspond to any of d, e, or f) (the A&SBM himself/herself only)
- Executing person of a company, between which and the Company Outside Directors/A&SBMs are mutually appointed (the A&SBM 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
Kazuyasu Yamada	○	<p>Certified Public Accountant</p> <p>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 exercise of voting rights" (see the "Matters relating to Independent Directors/ A&amp;SBMs" below).</p>	<p>The Company has appointed him as an Outside A&amp;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 as a Certified Public Accountant and professional insight in finance and accounting.</p> <p>He is qualified as an Independent A&amp;SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>
Taeko Ishii	○	<p>Attorney at law</p> <p>She has not fallen under any category for "Relationship with the Company."</p>	<p>The Company has appointed her as an Outside A&amp;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.</p> <p>She is qualified as an Independent A&amp;SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>
Nobuo Nakata	○	<p>Attorney at law</p> <p>He has not fallen under any category for "Relationship with the Company."</p>	<p>The Company has appointed him as an Outside A&amp;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 professional insight as an attorney at law in the fields of corporate law including M&amp;A.</p> <p>He is qualified as an Independent A&amp;SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>

[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]Updated

### Incentive Policies for Directors

### Performance-linked Remuneration

#### Supplementary Explanation

#### (1) Performance-based remuneration

Performance-based remuneration consists of bonuses and a performance-based stock compensation (the “Performance-based Stock Compensation”).

#### (2) Policy for Determining the Ratio between Performance-based Remuneration and Other Remuneration

The ratio of performance-based remuneration and other remuneration for Executive Directors is set at 1:1, in order to serve as an incentive to improve performance.

#### (3) Indicators Used for Performance-based Remuneration, Reason for Selection thereof and Method for Determining the Amount of Performance-based Remuneration

##### (i) Bonuses

Bonuses have two components: a component linked to key performance indicators regarding the consolidated business results of the NEC Group during the fiscal year to which the bonus applies (“the Group-wide Performance-based Component”), and a component linked to the degree to which performance targets are achieved in the businesses overseen by each Director (“the Business-unit Performance-based Component”). The ratio between these two components is as follows for each job title:

Chairman of the Board (only when the Chairman of the Board is also an Executive Director) / President

- Group-wide Performance-based Component: 100%

- Business-unit Performance-based Component: 0%

Senior Executive Vice President and Member of the Board

- Group-wide Performance-based Component: 60%

- Business-unit Performance-based Component: 40%

(Fiscal year budget portion: 20%, Mid-term plan portion: 20%)

Executive Vice President and Member of the Board

- Group-wide Performance-based Component: 40%

- Business-unit Performance-based Component: 60%

(Fiscal year budget portion: 30%, Mid-term plan portion: 30%)

Senior Vice President and Member of the Board

- Group-wide Performance-based Component: 30%

- Business-unit Performance-based Component: 70%

(Fiscal year budget portion: 35%, Mid-term plan portion: 35%)

Indicators for the Group-wide Performance-based Component and the Business-unit Performance-based Component, reason for selection thereof and method for determining the amount of bonuses are as follows:

#### 1) Indicators for the Group-wide Performance-based Component and Reason for Selection

The performance indicators for this component are the NEC Group’s consolidated revenue, operating income and free cash flows in the applicable fiscal year. These indicators were selected taking account of their importance concerning the NEC Group’s management strategies and suitability in determining the achievement level of performance targets.

#### 2) Indicators for the Business-unit Performance-based Component and Reason for Selection

The performance indicators for this component are budget indicators and mid-term plan indicators. Budget indicators are consolidated revenue, operating income, free cash flows, etc. in the applicable fiscal year in the business units overseen by each Director. These indicators were selected because

they allow the appropriate evaluation of the achievement level of performance targets for each fiscal year in individual business units overseen by relevant Directors.

Mid-term plan indicators are used to evaluate activities for accomplishing the goals set in the Mid-term Management Plan. The indicators are fiscal year performance targets set for individual Directors based on a discussion between each Director and the President, and the President evaluates their achievement level by interviewing the Director. To ensure that evaluations are done properly, evaluation results are reported to the Nomination and Compensation Committee.

(Note) For Directors who oversee operations other than business units, indicators for the Business-unit Performance-based Component are the NEC Group's consolidated revenue, operating income, free cash flows, etc.

3) Method for Determining Bonus Amounts

The Nomination and Compensation Committee discusses reports concerning results of evaluations using indicators for the Group-wide Performance-based Component and the Business-unit Performance-based Component and the bonus amounts which are calculated using the following formula. Then, based on the results of these discussions, the Board of Directors determines an aggregate bonus payment for all Directors eligible to receive a bonus.

The amount of each bonus is set between 0% and 200% of the standard amount determined for each job title, based on the achievement level of performance targets.

<Calculation formula>

“Group-wide Performance-based Component (“Standard amount for job title” x “Group-wide performance-based component ratio<sup>(Note 1)</sup>” x “Group-wide performance-based payment rate<sup>(Note 2)</sup>”)” + “Business-unit Performance-based Component (“Standard amount for job title” x “Business-unit performance-based component ratio<sup>(Note 3)</sup>” x “Business-unit performance-based payment rate<sup>(Note 4)</sup>”)”

(Note 1) The ratio of the Group-wide Performance-based Component in the preceding section (i)

(Note 2) Calculated using the indicators for the Group-wide Performance-based Component in the preceding section 1)

(Note 3) The ratio of the Business-unit Performance-based Component in the preceding section (i)

(Note 4) Calculated using the indicators for the Business-unit Performance-based Component in the preceding section 2)

(ii) Performance-based Stock Compensation

Indicators for the Performance-based Stock Compensation, reason for selection thereof and method for determining the amount of the Performance-based Stock Compensation are as follows:

1) Indicators and Reason for Selection

Indicators for Performance-based Stock Compensation are the NEC Group's consolidated revenue, adjusted operating profit<sup>(Note 1)</sup> and adjusted net profit attributable to owners of the parent<sup>(Note 2)</sup> in the applicable fiscal year.

The indicators were selected by considering their importance concerning the NEC Group's mid- to long-term management strategies as well as for reinforcing the commitment and activities of Directors to contribute to maximizing corporate value from a mid- to long-term perspective and giving back to shareholders.

(Note1) Adjusted operating profit is an indicator for measuring the underlying profitability in order to clarify the contribution of acquired companies to NEC's overall earnings. It is calculated by deducting amortization of intangible assets recognized as a result of M&A and expenses for acquisition of companies (financial advisory fees, etc.) from operating profit (loss).

(Note2) Adjusted net profit attributable to owners of the parent is an indicator for measuring the underlying profitability attributable to owners of the parent. It is calculated by deducting adjustment items of operating profit (loss), and corresponding amount of tax and non-controlling interests from net profit (loss) attributable to owners of the parent.

2) Method for Determining Compensation Amount

Performance-based Stock Compensation is calculated by using the following formula.

The number of shares granted for the compensation is set between 0% and 100% of the standard number of shares determined for job title, based on the achievement level of performance targets.

<Calculation formula>

“Number of granting shares based on the applicable Directors’ job titles <sup>(Note 1)</sup>” x “Performance-based allotment rate <sup>(Note 2)</sup>”

(Note 1) “the standard amount of stock compensation on the applicable Directors’ job titles (\*1)” / “average value of closing price of the Company shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the applicable fiscal year”

(\*1) The basic remuneration of each Director is multiplied by the factor determined for each title. However, for some Executive Directors, the standard amount of basic remuneration of each Executive Director is multiplied by the factor determined for each title.

(Note 2) the level of the achievement of consolidated revenue in the applicable fiscal year x 30% + the level of the achievement of adjusted operating profit in the applicable fiscal year x 40% + the level of the achievement of adjusted net profit attributable to owners of the parent in the applicable fiscal year x 30%

Recipients of Stock Options	-
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Supplementary Explanation

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## [Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Selected Directors
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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 the Integrated Report, which is the Company’s annual report for stakeholders including shareholders. For the fiscal year ended March 31, 2019, total amount of the remuneration for the Directors whose remuneration was 100 million yen or more has been disclosed in the Annual Securities Reports. The Business Report, the Annual Securities Reports (Japanese text only) and the 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
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(1) Basic policy on the Remuneration for Directors and Methods on Determining the Level of Remuneration  
For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company’s basic policy on the remuneration for Directors is to set a level and structure 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. In order to ensure objectiveness and properness of the remuneration for Directors, 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.

(2) Policy on Determining Remuneration Amounts of Directors and Calculation Method  
Remuneration for Directors of the Company consists of basic remuneration, bonuses and stock compensation (the Performance-based Stock Compensation and the stock compensation in which stock equivalent to a pre-determined monetary amount is granted (the “Fixed Stock Compensation”).

### Basic remuneration

Basic remuneration is fixed-monthly payments that do not exceed the limit established by resolutions



of the General Meetings of Shareholders, and is determined separately for each job title and for Inside Directors and Outside Directors.

However, for some Executive Directors, basic remuneration increases or decreases depending on the performance of these individuals in each fiscal year. The Board of Directors determines for each job title the standard amount of basic remuneration and the range of fluctuations.

#### Bonuses

Bonuses serve as short-term incentives to achieve performance targets in each fiscal year for the sustained growth of the NEC Group. Executive Directors are eligible to receive these bonuses. The limit for total payments of these bonuses is determined by a resolution of the General Meetings of Shareholders. Individual bonus payments are determined by adjusting the standard bonus amount determined for each job title of Directors to reflect the achievement level of performance targets.

#### Stock compensation

Stock compensation is granted to Inside Directors and consists of the Performance-based Stock Compensation and the Fixed Stock Compensation.

- (a) The Performance-based Stock Compensation serves as a mid- to long-term incentive to further raise Directors' awareness for contribution to improvement in the Company's mid- and long-term performance and its corporate value, by clarifying the link between remuneration of Directors and the Company's performance as well as value of Company shares. The Performance-based Stock Compensation is linked to a single fiscal year. Following the end of each applicable fiscal year, the number of points granted to a Director is determined according to job title and the level of achievement of performance targets in the fiscal year. In principle, Directors receive a number of shares (however, part of which shall be an amount of cash equivalent to the Company shares as converted and disposed of) corresponding to the number of points after three years from the beginning of the applicable fiscal year.
- (b) The Fixed Stock Compensation further clarifies the link between remuneration for Directors and the value of Company shares by increasing the ratio of stock compensation in the remuneration for Directors, and encourage Directors to operate the business with a higher consciousness of the Company's share price by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices. The Fixed Stock Compensation applies to the period beginning on the day of each Ordinary General Meeting of Shareholders and ending on the day of the Ordinary General Meeting of Shareholders in the following year. Following the end of this period, Directors receive points corresponding to monetary amounts that do not exceed the limit established by resolutions of the General Meetings of Shareholders. In principle, Directors receive a number of shares (however, part of which shall be an amount of cash equivalent to the Company shares as converted and disposed of) corresponding to the number of points after three years from the beginning of the applicable period.

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

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	Date of Retirement	Term
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			Compensation, etc.)	from President etc.	
-	-	-	-	-	-

Number of retired presidents holding advisory positions (sodanyaku, komon, etc.)	0
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#### 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.

## 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. In the fiscal year ended March 31, 2019, aiming for timely decision making and effective performance of duties, the Company further promoted delegation of authority with a revision of the Rules on Internal Authorization and the Rules on Authorization for Daily Operation, which set out the exercise of authority by corporate officers and employees, as well as the Regulations of the Board. Additionally, in order to clarify the responsibilities and authority of management, the Company terminated the employment contracts of corporate officers at the end of March 2019, and entered into one-year mandate contracts.

### 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. Chairman of the Board assumes a

Chairperson of the Board. During the fiscal year ended March 31, 2019, the Board of Directors held meetings 13 times, and the average rate of Directors' attendance was 98.6%. 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 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 4 members, 3 of whom are Outside Directors and 1 of whom is a non-executive Inside Director. The Chairperson is appointed among such Outside Directors. Messrs. Takeshi Kunibe, Kaoru Seto and Kuniharu Nakamura, who are Outside Directors, and Mr. Nobuhiro Endo, were appointed as members of the committee. The Chairperson is Mr. Kaoru Seto. 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, 2019, the committee held meetings 5 times and mainly deliberated on ① amendment to the remuneration system for Directors, ② nomination for Directors and A&SBMs and ③ succession planning for the President.

#### **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.

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 are 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 A&SBMs, the internal auditing division and the Accounting Auditors.

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. 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. This Bureau consists of approximately 90 corporate staff members with expertise in internal auditing of the NEC Group, including staffs of NEC Management Partner, Ltd. who devotes themselves to internal auditing of the NEC Group. 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 reports the audit results to the Board of Directors. The Corporate Auditing Bureau is also 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 is taking steps to strengthen corporation with the internal control division. These steps include reporting the audit results to the internal control division and exchanging opinions with them regularly or as necessary, as well as reporting to them 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.

#### **Compliance Division (Internal Control Division)**

The Company has established the Compliance Division as an internal control division. Approximately 40 corporate staff members belong to the Compliance Division including members who are in charge of ensuring compliance, risk management and ensuring reliability of financial reporting.

The Compliance 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.

#### **Accounting Auditors**

In the fiscal year ended March 31, 2019, 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 33 certified public accountants, 25 assistants who passed the CPA examination and 40 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. ( <a href="https://www.nec.com/en/global/ir/pdf/report/181/report181_01.pdf">https://www.nec.com/en/global/ir/pdf/report/181/report181_01.pdf</a> )
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 181st Ordinary General Meeting of Shareholders was held on June 24, 2019.
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. ( <a href="https://www.nec.com/en/global/ir/pdf/report/181/report181_01.pdf">https://www.nec.com/en/global/ir/pdf/report/181/report181_01.pdf</a> )
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. ( <a href="https://www.nec.com/en/global/ir/events/stock/meeting.html">https://www.nec.com/en/global/ir/events/stock/meeting.html</a> )

#### 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. ( <a href="https://www.nec.com/en/global/ir/corporate/disclosure.html">https://www.nec.com/en/global/ir/corporate/disclosure.html</a> )	-
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. ( <a href="https://www.nec.com/en/global/ir/index.html">https://www.nec.com/en/global/ir/index.html</a> )	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. ( <a href="https://www.nec.com/en/global/ir/library/index.html">https://www.nec.com/en/global/ir/library/index.html</a> ) The Company also provides information which strengthen better understanding of the Company on its website. ( <a href="https://www.nec.com/en/global/ir/index.html">https://www.nec.com/en/global/ir/index.html</a> )	-
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investors Relations Office within the Corporate Communications 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.
Implementation of Environmental Protection, CSR Activities etc.	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). Based on above policies, the NEC Group identified "materiality" comprising of the priority management themes from an ESG perspective in July 2018. More specifically, the five themes, including governance and compliance, environmental action with a particular focus on climate change, and privacy policies and measures aligned with societal expectations, are each positioned as a key to achieve a sustainable growth to minimize risks in the NEC Group and society and maximize social value created by the NEC Group, while other themes such as dialogue and co-creation with stakeholders and innovation management are positioned as an engine for growth innovation. In view of ESG, the NEC Group places a priority on addressing the themes of "NEC Safer Cities*1" and "NEC Value Chain Innovation*2," which are identified as growing fields under the "Mid-term Management Plan 2020," and invests management resources intensively in these themes to maximize economic and social value as well as contribute to achievement of SDGs. The Company actively discloses information regarding the progress and achievement of such measures on the Company's website and Sustainability Report. ( <a href="https://www.nec.com/en/global/csr/report/index.html">https://www.nec.com/en/global/csr/report/index.html</a> )  Sustainability Report ( <a href="https://www.nec.com/en/global/csr/report/index.html">https://www.nec.com/en/global/csr/report/index.html</a> )

	<p>*1 “NEC Safer Cities” contributes to the realization of safe, secured, efficient and equal cities where people can use their own abilities to maximize performance, and more freely live an abundant life.</p> <p>*2 “NEC Value Chain Innovation” creates new value by connecting people, things and process across the boundaries of enterprises and industries, aiming to live together with the earth, support sustainable growth of enterprises and a society where people can experience an enriched life, and create the future.</p>
Development of Policies on Information Provision to Stakeholders	<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>
Other	<p>&lt;Promoting Inclusion and Diversity within the NEC Group&gt;</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 “Inclusion and Diversity.” 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. The Company actively discloses information regarding the progress and achievement of such measures on the Company’s website and Sustainability Report.</p> <p><a href="https://www.nec.com/en/global/csr/index.html">https://www.nec.com/en/global/csr/index.html</a></p> <p>Sustainability Report  <a href="https://www.nec.com/en/global/csr/report/index.html">https://www.nec.com/en/global/csr/report/index.html</a></p>

#### IV. Matters Related to the Internal Control System

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

###### <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, corporate officers 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 NEC Group’s 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, corporate officers 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) , corporate officers 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, 2019 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, 2019 are as follows.



With regard to compliance, the management of the Company is to provide messages to reinforce the importance of ethics in economic activities and to ensure compliance across the board on “NEC Compliance Day” (established as a day for reconfirming the importance of compliance for all NEC Group employees in the fiscal year ended March 31, 2018 as a result of having been recognized for having violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in 2016 and 2017). Although messages were given mainly in Japan in the fiscal year ended March 31, 2018, presidents of the Company’s consolidated subsidiaries abroad as well as in Japan provided messages in the fiscal year ended March 31, 2019. The Company also decided to hold the “NEC Business Ethics,” a corporate ethics forum, on the same day as “NEC Compliance Day” from the fiscal year ended March 31, 2019, which is held annually for the Company and its consolidated subsidiaries in Japan. At the forum, having lectures by the Company’s President and an external lawyer who is well-versed in corporate compliance, the Company also shared experiences from employees who responded to the investigation by the Japan Fair Trade Commission concerning the above violation against the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and situations at that time, and had a session to reconfirm the impact caused to the NEC Group to serve as a reminder of the lesson that the NEC Group learned and further raise awareness among employees of the compliance mindset. Web-based training programs related to compliance, which are held annually, were also conducted in the fiscal year ended March 31, 2019, in which all employees of the Company declared that they would ensure compliance and actions that should be taken to make compliance embedded in the culture of the NEC Group. Previously, the staff division considered and devised various measures for ensuring compliance that were implemented in business divisions. Starting from the fiscal year ended March 31, 2019, the Company established a new system where general managers of business divisions consider, devise, and implement appropriate measures based on the division’s risk characteristics, and also take further ownership of strict compliance. The number of reports to the internal reporting system, the “Compliance Hotline,” has reached 121 during the fiscal year ended March 31, 2019. The internal auditing division or other relevant divisions in the Company investigated these internal reports and took necessary measures in response, depending on the details.

With regard to risk management, the Risk Control and Compliance Committee and the Executive Committee deliberated on and selected four issues, namely protection of personal information, bribery, violation of competition laws, and inappropriate cost recognition, as priority risks to be addressed by the NEC Group (risks that require new measures including improvement of existing measures to be addressed across the NEC Group, from the perspective of the magnitude of the impact on corporate business and the need for additional measures). After formulating and implementing countermeasures, the results were reported to the Board of Directors. Although compliance violations were reported to the Board of Directors at a certain interval before, from the fiscal year ended March 31, 2019, the Company has decided to report on a monthly basis to the Board of Directors about the occurrence of compliance violations, and provide an outline of the violation (if any) to achieve more immediate reporting of compliance violations to the Board of Directors.

With regard to the efficiency of performance of duties, aiming for timely decision making and effective performance of duties, the Company further promoted delegation of authority with a revision of the Rules on Internal Authorization and the Rules on Authorization for Daily Operation, which set out the exercise of authority by corporate officers and employees, as well as the Regulations of the Board.

With regard to group management, the Company makes efforts to integrate a framework for the management of its subsidiaries and reinforce cross-group functions for total optimization of group companies, and maximized value of group companies based on the NEC Group Management Policy, which sets out the NEC Group’s group management. As part of this approach, chief officers in charge of key cross-group functions promoted establishment of a framework to manage the performance of duties at overseas subsidiaries within their authority during the fiscal year ended March 31, 2019 so that the NEC Group’s common policies, business processes, and infrastructure can be introduced immediately to the overseas subsidiaries.

With regard to audits by A&SBMs, A&SBMs receive reports on the status of the execution of duties from Directors, corporate officers 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,” an internal reporting system, and the internal reporting systems at subsidiaries, as well as the status of internal audits. Furthermore, A&SBMs periodically receive reports on financial audits 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 periodically holding meetings with them.

## 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

The 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 Human and Resources and 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 at law, the Centers for the Elimination of Boryokudan and Tokusyu Boryoku Boshi Taisaku Rengo-kai, 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 audit & supervisory board members (KANSAYAKU) 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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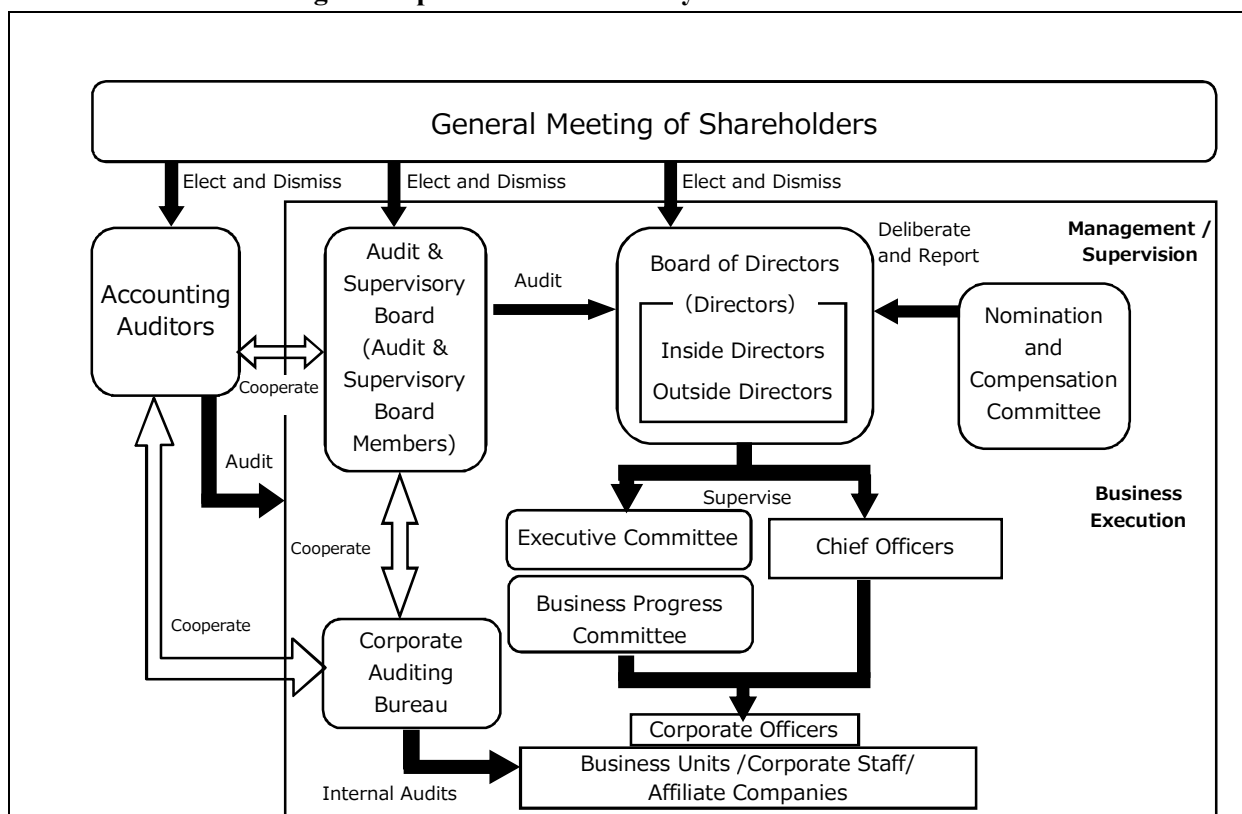
#### Supplementary Explanation

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



### < 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.

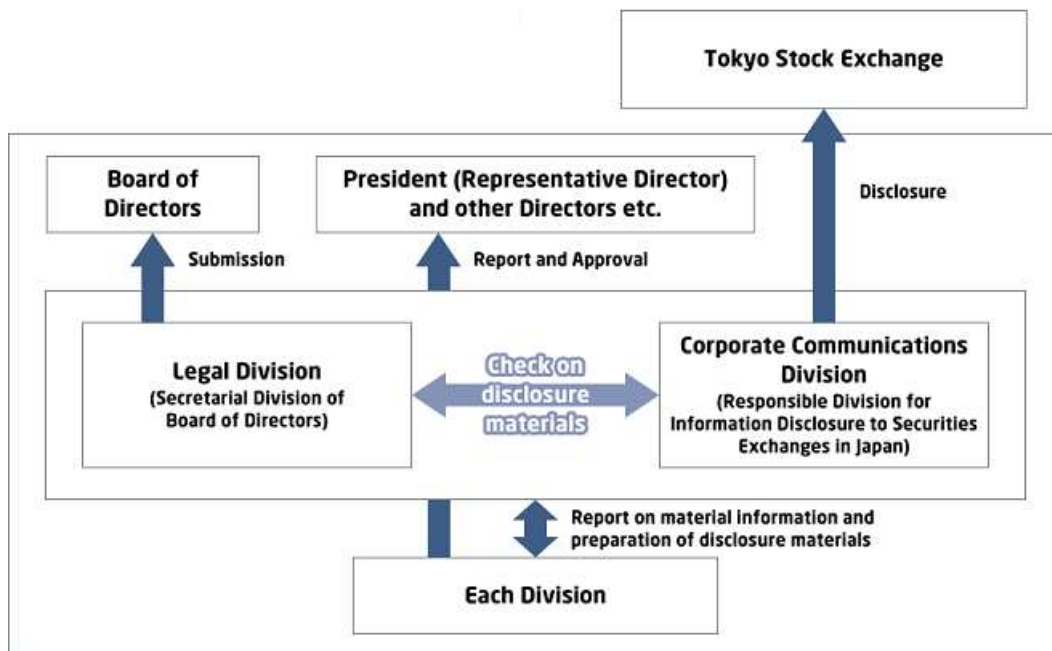
#### (2) Information Disclosure Structure

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

