

The following is an English translation of the Corporate Governance Report of NEC Corporation, and the Japanese original thereof is provided through the NEC Corporation's website (<http://jpn.nec.com/ir>) and Tokyo Stock Exchange's website (<http://www.jpx.co.jp/>). NEC Corporation provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

## Corporate Governance Report

Last Update: June 23, 2017

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. ([http://jpn.nec.com/profile/en/pdf/nec\\_governance\\_20160601.pdf](http://jpn.nec.com/profile/en/pdf/nec_governance_20160601.pdf))

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

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

#### [Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

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

##### 【Principle 1.4 Cross-Shareholdings】

The Company may hold shares of other companies if the Company determines that it will contribute to the increase of the mid- to long-term corporate value of the NEC Group after comprehensive consideration of its management strategy, the relationships with business partners and other circumstances.

The Board of the Directors of the Company examines the rationale of the major cross-shareholdings, taking into consideration the returns from such cross-shareholdings.

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 the Company engages in transactions that may have conflict of interests with a member of its Board of Directors. The Board of Directors monitors such transactions in accordance with laws and regulations and the Rules of the Board of Directors. (Article 11 (5) 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 Policy and Strategy” published on the Company’s website at <http://www.nec.com/en/global/ir/corporate/management.html>
- (2) Basic views and guidelines on corporate governance based on each of the principles of the Code  
Please refer to “I.1.Basic Views” of this report.
- (3) Board policies and procedures in determining the remuneration of the senior management and Directors  
For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company’s basic policy on the remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU) (“A&SBMs”) is to set the level and system appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group. (Article 6 (3) of the Guidelines)  
For the details, please refer to “II.1. [Director Remuneration]” of this report.
- (4) Board policies and procedures in the appointment of the senior management and the nomination of Directors and audit & supervisory board member 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  
The term of office for Directors is set at one year in order to clarify their management responsibilities for management every fiscal year. The candidates for Directors are determined with consideration given to the followings, in addition to satisfaction of the requirement of a Director as specified by laws and regulations.  
-they have superior character, discernment and high ethical standards  
-they sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy  
In addition to the above, in determining the candidates for Outside Directors the Company considers whether they have their experience of corporate management and/or deep insight in their areas of expertise. (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.

(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 A&SBMs the Company considers whether they have deep insight in their areas of expertise. (Article 8 (2) of the Guidelines)

(Procedures)

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

(5) Explanations with respect to the individual appointments and nominations

Please refer to the reference documents attached to the Notice of General Meeting of Shareholders.

**【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 of the senior management and the nomination of Directors and audit & supervisory board member 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 Audit & Supervisory Board 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 of the senior management and the nomination of Directors and audit & supervisory board member candidates” of this report.

(Supplementary Principle 4.11.2)

Please refer to the reference documents attached to the Notice of General Meeting of Shareholders.

(Supplementary Principle 4.11.3)

The Company conducts an analysis and evaluation on the effectiveness of the Board of Directors once a year to improve the function of the Board of Directors. (Article 5 (5) of the Guidelines )

The summary of the results of such analysis and evaluation for the fiscal year ended March 31, 2017 is as

follows.

(Summary of the results of the analysis and evaluation in the fiscal year ended March 31, 2017)

Since the fiscal year ended March 31, 2016, the Company conducted an analysis and evaluation of the effectiveness of the Board of Directors in order to strengthen the Board of Directors functions. Based on the conclusion of such analysis and evaluation, the Company updated the contents to be reported to the Board, improved the format of the meeting materials, made material distribution earlier and revised the plan of annual agenda during this fiscal year. The Company conducted the analysis and evaluation, in which each Directors and A&SBMs answered a questionnaire about the role, composition and operation of the Board of Directors, and the Board of Directors discussed its functional advancement based on the results of such questionnaires. In conclusion, it has been evaluated that in terms of the decision-making for the Company's important business execution, and business strategies/business plans, the Board is structured and operated to facilitate active discussions among the Directors, and the Board of Directors has been appropriately supervising the business execution. Meanwhile, it has been confirmed that the Board of Directors needs to further narrow down the matters to be discussed, to clarify the key points that should be discussed and to establish the system to reflect advices of Outside Directors on the business execution, in order to more appropriately indicate business strategic direction of the Company. Based on the results above, the Company will continually make the deliberations at the Board more active.

**【Principle 4.14 Director and Audit & supervisory board members 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 A&SBMs to deepen their understanding on the NEC Group's business by organizing management discussion meetings, budget briefings and tours of business sites and exhibitions of the Company and its subsidiaries. (Article 10 (2) of the Guidelines)

**【Principle 5.1 Policy for Constructive Dialogue with Shareholders】**

Dialogues with shareholders (interviews) and identification of the Company's shareholder ownership structure are primarily conducted by the Investor Relations Office, the department within the Corporate Strategy Division. The Company President and 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 insider information.

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

## 2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	123,516,000	4.74
The Master Trust Bank of Japan, Ltd. (Trust Account)	116,590,000	4.48

Nomura International (Hong Kong) Limited – Unclaimed Client Account (standing proxy: Nomura Securities Co.,Ltd.)	78,141,000	3.00
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	59,617,000	2.29
Bnynsanv As Agent/Clients Lux Ucits Non Treaty 1 (standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd .)	58,250,100	2.24
NEC Employee Shareholding Association	52,439,011	2.01
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	50,513,000	1.94
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	42,833,938	1.64
Nippon Life Insurance Company	41,977,675	1.61
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	41,414,000	1.59

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

Supplementary Explanation

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### 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	Over 100 and less than 300

### 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 Updated

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												
Hitoshi Ogita	From another company												
Kaori Sasaki	From another company												
Motoyuki Oka	From another company												
Kunio Noji	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

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

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

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

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

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

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

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

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

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

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

k. Others

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Takeshi Kunibe		President and Group Chief Executive Officer, 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.
Hitoshi Ogita	○	Adviser to the Board, Asahi Group Holdings, Ltd.  The description for "Relationship with the Company" is omitted pursuant to "Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights" (see the "Matters relating to Independent Directors/ A&SBMs" below).	The Company has appointed him as an Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.
Kaori Sasaki	○	President and CEO, UNICUL International, Inc. President and CEO, ewoman, Inc.  She has not fallen under any category for "Relationship with the Company".	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 wide range of knowledge on marketing and perspective of consumers. She is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.
Motoyuki Oka	○	Senior Adviser, Sumitomo Corporation  The description for "Relationship with the Company" is omitted pursuant to "Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights" (see the	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

		“Matters relating to Independent Directors/ A&SBMs” below).	general trading company including the management of overseas firms. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.
Kunio Noji	○	Chairman of the Board, Komatsu Ltd. The description for “Relationship with the Company” is omitted pursuant to “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” (see the “Matters relating to Independent Directors/ A&SBMs” below).	The Company has appointed him as an Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.

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

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

#### Supplementary Explanation

The Company has established the Nomination and Compensation Committee to enhance transparency of nomination of Directors and A&SBMs and remuneration of Directors and corporate officers. The committee consists of 5 members, including 3 Outside Directors. The Chairperson is appointed among such Outside Directors. This committee deliberates on (i) nomination for Directors, representative Directors and A&SBMs, the Chairman of the Board, and the President, and (ii) the structure and the level of compensation for Directors, representative Directors and corporate officers from an objective perspective. The committee reports the results of its deliberations to the Board of Directors.



**[Audit & Supervisory Board (KANSAYAKU-KAI)]**

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

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

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

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

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

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

- \* Categories for "Relationship with the Company"
- \* "○" when the Director presently falls or has recently fallen under the category;
- "△" when the Director fell under the category in the past
- \* "●" when a close relative of the Director presently falls or has recently fallen under the category;
- "▲" when a close relative of the Director fell under the category in the past

- a. Executing person of the Company or its subsidiary
- b. Executing person or non-executive Director of the Company or its subsidiaries
- c. Executing person of a company under common control with the Company
- d. A party whose major client or supplier is the Company or an Executing person thereof

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

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

Name	Designation as Independent A&SBMs	Supplementary Explanation of the Relationship	Reasons of Appointment
Kyoko Okumiya	○	<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 professional insight as an attorney at law.</p> <p>She is qualified as an Independent Outside A&amp;SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.</p>
Takeshi Kikuchi	○	<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 IT and others.</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 general shareholders.</p>
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</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</p>

		with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights" (see the "Matters relating to Independent Directors/ A&SBMs" below).	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. He is qualified as an Independent A&SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.
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**[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\*1 (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 10,000,000 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 in any one of the past three fiscal years

\*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 JPY 10 million, or 2% of the gross income of such organization, in any one of the past three fiscal years

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

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

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

#### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation **Updated**

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

Recipients of Stock Options	-
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Supplementary Explanation

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#### [Director Remuneration]

Disclosure of Individual Directors’ Remuneration	No Individual Disclosure
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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 NEC Annual Report. The Business Report, the annual Securities Reports and NEC Annual Report are posted on the Company’s website. (<http://www.nec.com/en/global/ir/>)

Existence of Policy on Determining Remuneration Amounts and Calculation Methods	Yes
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(a) Basic Policy

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

(b) Remuneration System

1) Remuneration for Directors

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

The fixed monthly remunerations

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

The bonuses

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

The stock compensation

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

(\*1) No Company shares are granted to Outside Directors from the viewpoint of securing their independence from the Company because the Company expects that Outside Directors play a leading role in supervision over business execution.

2 As for a certain specific portion of Company shares, the Company will sell the shares on the stock market and pay cash instead of the shares in consideration of tax payment at the time of granting shares.

2) Remuneration for A&SBMs

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

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

(c) Process of Determination

1) Remuneration for Directors

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

2) Remuneration for A&SBMs

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

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

The bonuses

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

The stock compensation

The stock compensation is calculated using the following formula.

<Calculation formula>

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

\*1: “basic compensation” x “multiplying factors for titles of the applicable Directors (#1)” /  
“average value of closing price of Company shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the evaluation period”

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

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

Executive Vice President and Member of the Board 20%

Senior Vice President and Member of the Board 15%

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

(e) Determination of the Level of Remuneration

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

(f) Others

- 1) In order to promote a management improving shareholder value, the Company recommends that Directors (except for Outside Directors) purchase the Company’s shares through the Director and A&SBM Shareholding Association and keep the shares through the term of office of Directors and A&SBMs.
- 2) The stock compensation is performance-linked remuneration described in Article 34 (1) of Corporation Tax Act, and “the defined amount” described in Article 34 (1) (iii) (a) 1 of Corporation Tax Act is up to a total of 200,000,000 yen for the three fiscal years. However, the initial evaluation period for evaluation is from the date of the start of the stock compensation plan to March 31, 2019.
- 3) The Company abolished its retirement allowance system for Directors and A&SBMs at the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006.

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

Aiming to ensure that these roles and functions expected of Outside Directors and Outside A&SBMs are properly fulfilled, the Company has been working to enhance deliberations by the Board of Directors through such means as briefing Outside Directors and Outside A&SBMs in advance on particularly important proposals to be put forward to the meetings of the Board of Directors. The Company also provides support to Outside Directors and Outside A&SBMs in order to facilitate their understanding of the NEC Group, such as by organizing tours of business sites and exhibitions of the Company and its subsidiaries. The Company has established the Audit and Supervisory Board Members’ Office with 5 corporate staff members to assist with the A&SBMs’ audit activities.

**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 management supervision from business execution 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 personnel matters of Directors and A&SBMs and remuneration of Directors and corporate officers by making decisions on such matters based on the results of discussions by the Nomination and Compensation Committee. The Company has also put in place personnel and systems to reinforce the functions of the

A&SBMs' audit, while encouraging closer cooperation among the Company's A&SBMs, internal auditing division and Accounting Auditors.

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

#### **Board of Directors**

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

#### **Executive Committee and Business Progress Committee**

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

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

#### **Nomination and Compensation Committee**

The Company has established the Nomination and Compensation Committee to enhance transparency of nomination of Directors and A&SBMs and remuneration of Directors and corporate officers. The committee consists of 5 members, including 3 Outside Directors. The Chairperson is appointed among such Outside Directors. This committee deliberates on (i) nomination for Directors, representative Directors and A&SBMs, the Chairman of the Board and the President, and (ii) the structure and the level of compensation for Directors, representative Directors and corporate officers with taking the business result of the Company and other conditions into account and from an objective perspective. The committee reports the results of its deliberations to the Board of Directors.

#### **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 of Japan. The Company has 5 A&SBMs, 3 of whom are Outside A&SBMs.

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

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

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

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

The Company has established the Audit and Supervisory Board Members' Office with 5 corporate staff members to assist with the A&SBMs' audit activities.

#### **Corporate Auditing Bureau (Internal Auditing Division)**

The Company has established the Corporate Auditing Bureau as an internal auditing division reporting directly to the President of the Company. This Bureau consists of approximately 90 corporate staff members with expertise in internal auditing, including staffs of NEC Management Partner, Ltd. who devotes themselves to NEC internal auditing. The Corporate Auditing Bureau performs audits of the NEC Group to ensure legal, appropriate and efficient execution of business activities, and identifies issues and proposes improvements. Regarding the audits of the Company's subsidiaries which have their own internal auditing sections, the Corporate Auditing Bureau performs the audits in cooperation with such internal auditing sections. The Corporate Auditing Bureau is taking steps to strengthen cooperation with the Accounting Auditors by reporting on audit results and exchanging opinions with them regularly. Furthermore, the Corporate Auditing Bureau reports the audit results to the Board of Directors.

#### **Internal Control Division**

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

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

#### **Accounting Auditors**

In fiscal year ended March 31, 2017, the independent audit of the Company was performed by three certified public accountants of KPMG AZSA LLC: Eiji Mizutani, Takashi Kondo and Yoshiaki Hasegawa. The independent audit was assisted by 41 certified public accountants, 27 assistants who passed the CPA examination and 36 other individuals.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company appoints Outside Directors for the purpose of (i) strengthening the supervisory functions over business execution; (ii) obtaining a broad range of advice on corporate management; and (iii) enhancing accountability for management. In appointing Outside Directors, the Company considers that they have superior character, discernment and high ethical standards. In addition, they would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy and they have their experience of corporate management and deep insight. Furthermore, Outside Director's independency is expected to be ensured through the Board of Directors' composition as a whole.

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

**Updated**

	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.
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 179th Ordinary General Meeting of shareholders was held on June 22, 2017.
Allowing Electronic Exercise of Voting Rights	The Company provides for voting via the Internet (including via 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.
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.

#### 2. IR Activities **Updated**

	Supplementary Explanations	Presentation by Representative
Preparation and Publication of Disclosure Policy	The Company has established and published its "Disclosure Policy" on its website.	-
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.	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. The Company also provides information which strengthen better understanding of the Company on its website.	-
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investor Relations Office within the Corporate Strategy Division as a department responsible for investor relations.	-

### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>In its “NEC Group Charter of Corporate Behavior,” NEC Group 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.</p> <p>Besides, as the Company endeavors to transform itself into a “Social Value Innovator,” the Company is also working to improve and strengthen its management to ensure the sustainable development of society and the NEC Group based on stakeholder engagement, which is emphasized in the ISO 26000 international standard for social responsibility.</p>
Implementation of Environmental Protection, CSR Activities etc.	<p>The Company proactively implements NEC Group’s environmental protection and CSR activities and discloses them on its website.</p> <p>For the environmental protection, the Company promotes environmental management that contributes to reducing its environmental impact on all of society. This is achieved by reducing the environmental impact of its own business activities as well as by reducing the environmental impact of the whole society through provision of its products and services. The Company reports the goals and the progress of its environmental management in its website’s “Annual Environmental Report” and at other places on the website.</p> <p>As for the CSR activities, the Company implements activities to create common value between the NEC Group and society (that is, corporate value and social value). The Company does this based on its basic policies which are “strengthening risk management and enforcing compliance,” “contributing to solving social issues through business activities,” and “promoting communications with stakeholders.” NEC reports these topics in its website’s “CSR Report” as well as at other places on the website.</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 “CSR Management—Basic Policies.” 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 of its CSR activities and related matters through the CSR Report, etc.</p>
Other	<p>&lt;Promoting Diversity within the NEC Group&gt;</p> <p>The NEC Group considers it as a part of an important management strategy to create 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 and to create a platform for growth that allows NEC Group to compete globally. As part of measures to create such environment, NEC Group is working to promote women's success in the workplace, the global recruitment of human resources, and the employment of people with disabilities, among others.</p> <p>&lt;Promoting Women’s Success in the Workplace&gt;</p> <p>In Japan, the “Act to Advance Women’s Success in Their Working Life” (the “AAWS”) went into effect in April 2016. As a result, the Company submitted the following action plans and numerical targets to the government and has been implementing various related measures.</p> <p>1. Increasing the ratio of women in the posts of general manager or higher to 5% as of the fiscal year ending March 31, 2019 (3.9% for the fiscal year ended March 31, 2017).</p>

	<p>2. Supporting and strengthening career awareness and management training for mid-career employees (candidates for manager and assistant manager).</p> <p>3. Promoting work-style innovation through ICT</p> <p>The Company also applied for an “Eruboshi Mark” (certification based on the AASW) from the government and obtained “Grade 3” (the highest level) in April 2016. The Company asked every NEC Group company in Japan to make action plans and carry out measures based on their own situations.</p> <p>&lt;Promoting Global Recruitment of Human Resources &gt;</p> <p>In Japan, it is common that students graduate school in March and join the company in April. However, the Company has created a system that allows foreign nationals, and Japanese students who studied at a university overseas etc. to join the Company in October.</p> <p>With more foreign nationals being hired, the Company has been striving to establish a better workplace that allows for more diverse human resources. These efforts include making English versions of procedural documents used when employees are hired and various other documents. Also, the Company now conducts a portion of its new employee training in English. Moreover, from fiscal year ended March 31, 2015, the Company has begun implementing, in its sales divisions, measures for the foreign national employees such as holding meetings with top executives and senior foreign nationals. This enables those employees to widen their viewpoints of work styles and career development as well as to develop and expand their networks.</p> <p>&lt;Promoting Employment of People with Disabilities &gt;</p> <p>An amendment to the “Act for Promotion of Employment of Persons with Disabilities” went into effect in April 2016, and the Company held an “Employment Promotion Study Session” on the subject of non-discrimination and reasonable accommodation for employees, including those who were responsible for hiring persons with disabilities at NEC Group companies in Japan. In addition, the Company expands the system of “Human Rights Hotline Desk”* to appropriately respond to inquiries regarding harassment and reasonable accommodation from employees with disabilities.</p> <p>Moreover, the Company sets up “NEC Group Promotion of Employment of Persons with Disabilities Meeting“ and holds a study session regularly over NEC Group in cooperation with experts, organization such as public employment security office and NPO for fostering a better understanding of characteristic and suitability for jobs of disabilities, etc. By doing so, the Company employs more persons with disabilities and works on diversification of employment system and work style.</p> <p>*The Human Rights Hotline Desk is a consultation contact point for employees.</p>
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**IV. Matters Related to the Internal Control System**

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

<p>&lt;Basic Policy on Internal Control Systems&gt;</p> <p>Company has stipulated its Basic Policy on Internal Control Systems. 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.</p> <p>Company assesses the status of the implementation of its internal control system every year and confirms that it has established and implemented its internal control system properly based on the Policy.</p>
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<Status of the implementation of Internal Control System >

The status of the implementation of its internal control system based on the Policy is described below.

**1. Systems for ensuring compliance with the laws and Company's Articles of Incorporation in the performance of duties by Directors and employees**

- (1) Directors and corporate officers shall, through NEC Group Management Policy that contains rules and concepts to be shared by NEC Group, take the lead in practicing NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct that were adopted to establish business ethics standards for NEC Group and to ensure compliance by Directors and employees of the NEC Group with laws and regulations, the Articles of Incorporation and internal rules, and promote their thorough understanding by way of repeatedly transmitting information about importance of complying with them.
- (2) Internal Control Division shall prompt an understanding and implementation of NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct throughout the NEC Group, and the Corporate Auditing Bureau shall conduct internal audits on the NEC Group's compliance with laws and regulations, the Articles of Incorporation and internal rules and make reports on any deficiencies or non-compliance and proposals for improvements.
- (3) A Director shall report to A&SBMs on any material violation of laws and regulations or any material facts relevant to the violation of laws and internal rules immediately upon his or her finding, and shall also report to the Board of Directors without delay.
- (4) Company shall endeavor to uncover any violation of laws and regulations within the NEC Group or any violation or suspected violation of NEC Group Charter of Corporate Behavior or NEC Group Code of Conduct at an early stage by prompting the use of "Compliance Hotline", a compliance hotline, reporting to the Corporate Auditing Bureau and an independent third party organization.
- (5) Risk Control and Compliance Committee shall deliberate on investigating causes of, formulating preventative measures on, and disclosing the information of, irregularities within the NEC Group. Internal Control Division shall promote preventative measures formulated by the Risk Control and Compliance Committee.
- (6) Company shall interdict any and all relationship with antisocial factions and groups 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.

**2. Matters regarding the retention and management of information relating to the performance of duties by Directors**

- (1) As for information security, Company shall clearly provide the responsibilities of relevant organizations regarding information security, and shall establish information security management systems designed to continuously implement measures to maintain and improve information security pursuant to the Basic Rules on Information Security. Furthermore, Company shall deliberate about concrete measures for information security at Information Security Strategy Committee, and promote such measures across the NEC Group.
- (2) Company shall properly create, store and control various types of documents and records relating to the duties of Directors and employees in accordance with applicable laws and the Basic Rules on Document Management.
- (3) Company shall store and manage documents necessary for the performance of duties by Directors, including the minutes of General Meetings of Shareholders, the minutes of meetings of the Board of Directors, the minutes of Executive Committee, and authorization documents relating to the matters of importance on business operations, in an easily retrievable form for the review at any time by Directors and the A&SBMs.
- (4) Company shall properly manage trade secrets pursuant to the Rules for Trade Secret Management in accordance with management rules corresponding to the degree of confidentiality.
- (5) Company shall strictly control personal information in accordance with laws, regulations and the Rules of Protection of Personal Information.

**3. Rules and other systems for risk management**

- (1) Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Basic Rules on Risk Management.

- (2) Business divisions shall endeavor to identify risks related to their assignment, select risks against which they should introduce control measures on a priority basis, decide on concrete risk control policies and measures, and properly conduct risk controls.
- (3) Corporate staff divisions shall endeavor to identify risks related to their assignment, select risks against which they should introduce control measures on a priority basis, decide on concrete risk control policies and measures, properly conduct risk controls, and furthermore give group-wide support to risk control activities conducted by business divisions and subsidiaries related to such assignment.
- (4) Business divisions and corporate staff divisions shall sort out risks which disturb the proper and effective operations of their own divisions, and properly conduct risk controls.
- (5) Internal Control Division shall provide necessary support, coordination and instructions so that risk management systems at business divisions and corporate staff divisions shall be systematically and effectively implemented.
- (6) Risk Control and Compliance Committee shall deliberate on important matters related to risk management, and oversee the implementation of NEC Group's enterprise risk management system.
- (7) Executive Committee shall deliberate fully on the 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.
- (8) Business divisions and corporate staff divisions shall, when they recognize presence of serious risks or any sign of emergence of serious risks related to NEC Group's business, promptly report the situation to the corporate staff divisions concerned and the Internal Control Division, and, if the risks are of particular seriousness, report them to Directors and the A&SBMs.
- (9) The Corporate Auditing Bureau shall conduct audits of NEC Group's enterprise risk management system and the status of implementation of risk management. 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.

#### **4. Systems for ensuring the efficient performance of duties by directors**

- (1) The Board of Directors shall delegate its authorities to corporate officers and promote timely decision-making and effective performance of duties.
- (2) The ordinary meetings of the Board of Directors shall be held once a month in principle and extraordinary meetings shall be held where necessary to make decisions in a timely manner.
- (3) The Board of Directors shall resolve on midterm corporate management goals of the NEC Group and annual budget, and shall monitor implementation of those goals and budget.
- (4) Corporate officers shall efficiently conduct business in accordance with midterm corporate management goals and budgets decided by the Board of Directors. The Business Progress Committee, which is comprised of corporate officers and general managers, shall review the performance as compared with the budgets, which shall be reported to the Board of Directors.
- (5) The performance of the duties by Directors and corporate officers shall be properly report to the Board of Directors.
- (6) Corporate officers and other employees shall competently and efficiently perform their duties in accordance with the Rules on Internal Authorization and the Rules on Authorization for Daily Operation.

#### **5. Systems for ensuring the proper operation of NEC Group**

- (1) Company shall, through the NEC Group Management Policy, give instructions and assistance to subsidiaries for the establishment of the systems ensuring compliance with laws and regulations and fairness of the operation of business.
- (2) Company shall, in order to improve the soundness and efficiency of management systems in the NEC Group, dispatch Directors and the A&SBMs where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall receive reports from, and consult with, such subsidiary regarding matters of importance on business operations.
- (3) When required for improving the soundness of management systems as well as ensuring proper operations of the NEC Group, matters of importance on business operations of subsidiaries shall require the approval by Company, and matters of particular importance shall be discussed at Company's Executive Committee and submitted to the Board of Directors of the Company for approval.
- (4) A division in charge of supervising the subsidiary shall give instructions and assistance to the subsidiary so that it shall sort out risks which disturb its proper and effective operations and properly conduct risk controls.

- (5) The Corporate Auditing Bureau shall conduct audits of the NEC Group to ensure their proper operations. 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.
- (6) The A&SBMs of Company shall conduct audit of subsidiaries, which includes visits to subsidiaries. The A&SBMs of Company shall also cooperate with the A&SBMs of subsidiaries in order to ensure the proper operation of NEC Group, by exchanging their opinions on the audit and other measures.
- (7) From the perspective of proper and efficient operations of NEC Group, Company shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control utilizing information systems. Each division and subsidiary of Company shall perform such activities with the support of corporate staff divisions concerned.

#### **6. Systems for ensuring reliability of financial reporting**

- (1) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with Financial Products Exchange Law of Japan and other applicable laws and regulations, both domestic and overseas.
- (2) Each division and subsidiary of Company shall ensure the appropriate financial reporting in performing their own duties, through segregation of duties and daily monitoring.

#### **7. Matters regarding employees assisting the A&SBMs and the independence of such employees from Directors**

Company shall establish the Audit and Supervisory Board Members' Office with full-time employees to assist the A&SBMs in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by the A&SBMs.

#### **8. Systems of reporting to the A&SBMs by Directors and employees and other systems regarding reporting to the A&SBMs**

- (1) Directors and employees shall report to the A&SBMs on the status of the performance of their duties, as required by the A&SBMs. Company shall give instructions to the subsidiaries so that Directors, the A&SBMs and employees of the subsidiaries shall report to Company's A&SBMs on the status of the performance of their duties, as required by Company's A&SBMs.
- (2) Designated employees, including general managers of the Corporate Auditing Bureau, the Corporate Controller Division, the Internal Control Division and the Legal Division shall make monthly, quarterly or other periodical report to the A&SBMs.
- (3) General Manager of the Corporate Auditing Bureau shall review and periodically report to the A&SBMs on the status of operation of "Compliance Hotlines", hotlines for internal reporting within NEC Group. In the event he/she believes that there occurred any violation of NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct by any Director of NEC Group or there arises an urgent matter, General Manager of the Corporate Auditing Bureau and/or the Internal Control Division shall immediately report the relevant facts to the A&SBMs.
- (4) Company shall not make detrimental treatment to Directors and employees of the NEC Group on the ground of reporting through a hotline for internal reporting, and/or reporting to the A&SBMs on the status of the performance of duties of Directors and employees.
- (5) Documents evidencing approval of important matters shall be submitted to the A&SBMs for their review.

#### **9. Systems for ensuring the effective audit by A&SBMs**

- (1) The A&SBMs shall attend at the meetings of the Board of Directors and such other important meetings as they deem necessary.
- (2) Full-time A&SBMs shall be provided with an office for his/her use.
- (3) The A&SBMs shall have access to the information stored in internal information systems such as accounting information system at any times.
- (4) Meetings of the A&SB shall be held once a month and extraordinary meetings shall be held where necessary and the A&SBMs shall exchange information and consult with each other on the status of audits. Furthermore, the A&SBMs shall periodically receive reports on financial audit from independent Accounting Auditors and exchange opinions with them.
- (5) Company shall bear the reasonable expenses for the performance of duties by the A&SBMs, as required by the A&SBMs.

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

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

#### (1) Internal Rules

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

#### (2) Other systems

(a) The Company’s General Affairs Division centrally collects and manages information related to Anti-Social Forces. In addition, the Company has appointed person responsible for thwarting unreasonable demands to address issues related to Anti-Social Forces.

(b) Company cooperates closely on an ongoing basis with third party experts, such as the police, attorneys, the Centers for the Elimination of Boryokudan and Tokusyu Boryoku Boshi Taisaku Rengo-kai, which is a public interest incorporated association within the Tokyo Metropolitan Police Department for preventing special violence.

(c) 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, Company provides training programs on Anti-Social Forces for new Directors and A&SBMs of the NEC Group and general managers and other senior employees of the Company.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	No
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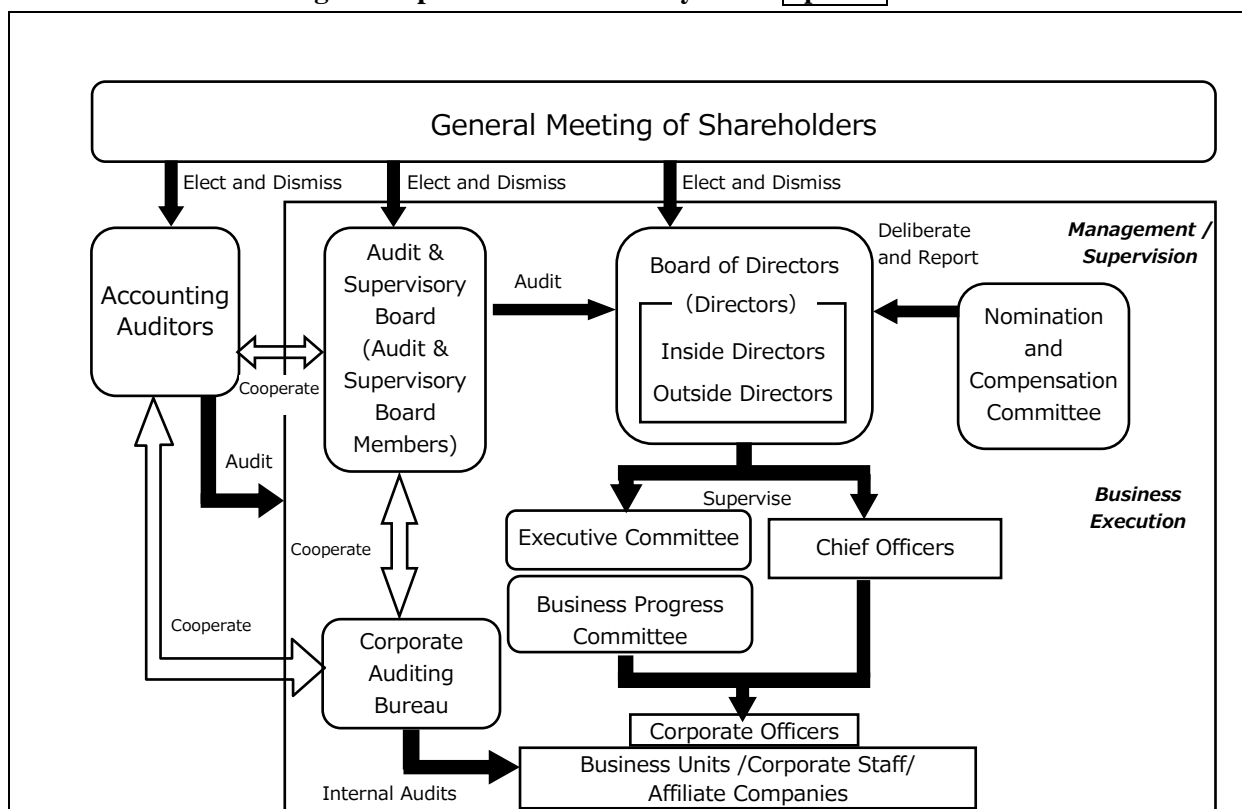
#### Supplementary Explanation

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 particular the 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. Further, the Company may consider the introduction of defensive measures based on the business environment, the market trend, the trends of laws and regulations etc. if it is considered appropriate to do so for purposes of promoting the corporate value of the Company and the common interest of the shareholders.

## 2. Other Matters Concerning to Corporate Governance System Updated



### < Summary of Information Disclosure Structure >

#### (1) Basic Policy

The Company recognizes the importance of providing timely, proper 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.

#### (2) Information Disclosure Structure

In order to ensure timely, proper and fair disclosure of corporate information, the Company strives to ensure that internal divisions and subsidiaries have a clear understanding of timely disclosure and other rules issued by Tokyo Stock Exchange, while establishing a framework for communication between relevant internal head office divisions and subsidiaries as detailed below.

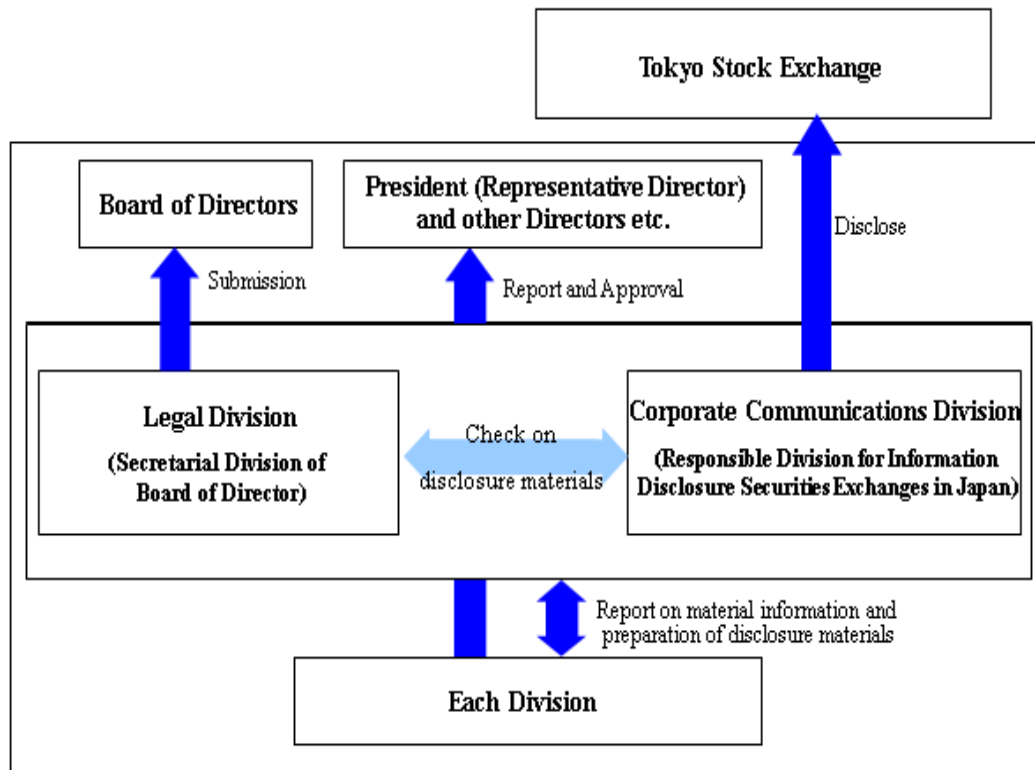
Each division reports to Legal Division and Corporate Communications Division on material information related to its operation or the subsidiaries it supervises which the Company may be required to disclose under timely disclosure rules. Legal Division and Corporate Communications Division consider whether 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

