

Basic Approach to Tax Matters

Basic Approach

In its Group Code of Conduct, NEC promises that:

- We will comply with international rules, applicable laws and regulations, this Code of Conduct, and in-house policies and guidelines in every aspect of the Company's activities at all times, and also understand the cultures and customs of countries and regions, and act in good faith in accordance with a good social conscience based on high ethical standards; and
- We will keep all financial records, accounting records, and all other records accurately and fairly. We will not perform accounting processing in an improper manner or any other act that may cause any loss or damage to the Company.

Likewise, we follow the above basic approach also in relation to tax matters and are striving to optimize them from a medium- to long-term perspective.

In addition, on its intranet, NEC provides details about basic rules for corporate taxes and other matters as well as a summary of tax reforms and the "Outline of the Tax Reform."

● Tax Governance

With the aim of establishing a common framework for managing tax risks and tax policies, NEC has formulated the NEC Group Tax Governance Policy, which sets out the principles of tax governance to be followed.

The chief financial officer is responsible for the tax governance of the NEC Group.

 NEC Group Tax Governance Policy

● Transactions between Affiliated Companies

To ensure thorough management of taxation risks in relation to globalization, NEC carries out pricing decisions in transactions between affiliated companies based on the arm's length principle in accordance with the approach advocated by the OECD* Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. Having understood

the intent of the generally accepted rules and guidance regarding international taxes, such as the Action Plan on Base Erosion and Profit Shifting (BEPS), NEC pays taxes in a timely and appropriate manner based on tax rules and treaties for each country, by reflecting its business results, and does not carry out activities aimed at fraudulent avoidance of taxes.

* OECD: Organisation for Economic Co-operation and Development

● Relationship with Tax Authorities

NEC endeavors to reduce tax uncertainties by prior consultation with tax authorities and responding in good faith to related information-disclosure requests made by tax authorities.

● Transparency

NEC complies with the Financial Instruments and Exchange Act and all applicable laws, rules, and regulations, in preparing and disclosing its Annual Securities Report. Tax-related disclosures required by applicable laws are also included in the Annual Securities Report.

Starting from the fiscal year ended March 31, 2017, NEC has disclosed its consolidated financial results in accordance with International Financial Reporting Standards (IFRS). By adopting IFRS, NEC intends to disclose more internationally comparable financial information to capital markets and to further enhance transparency of its financial information.