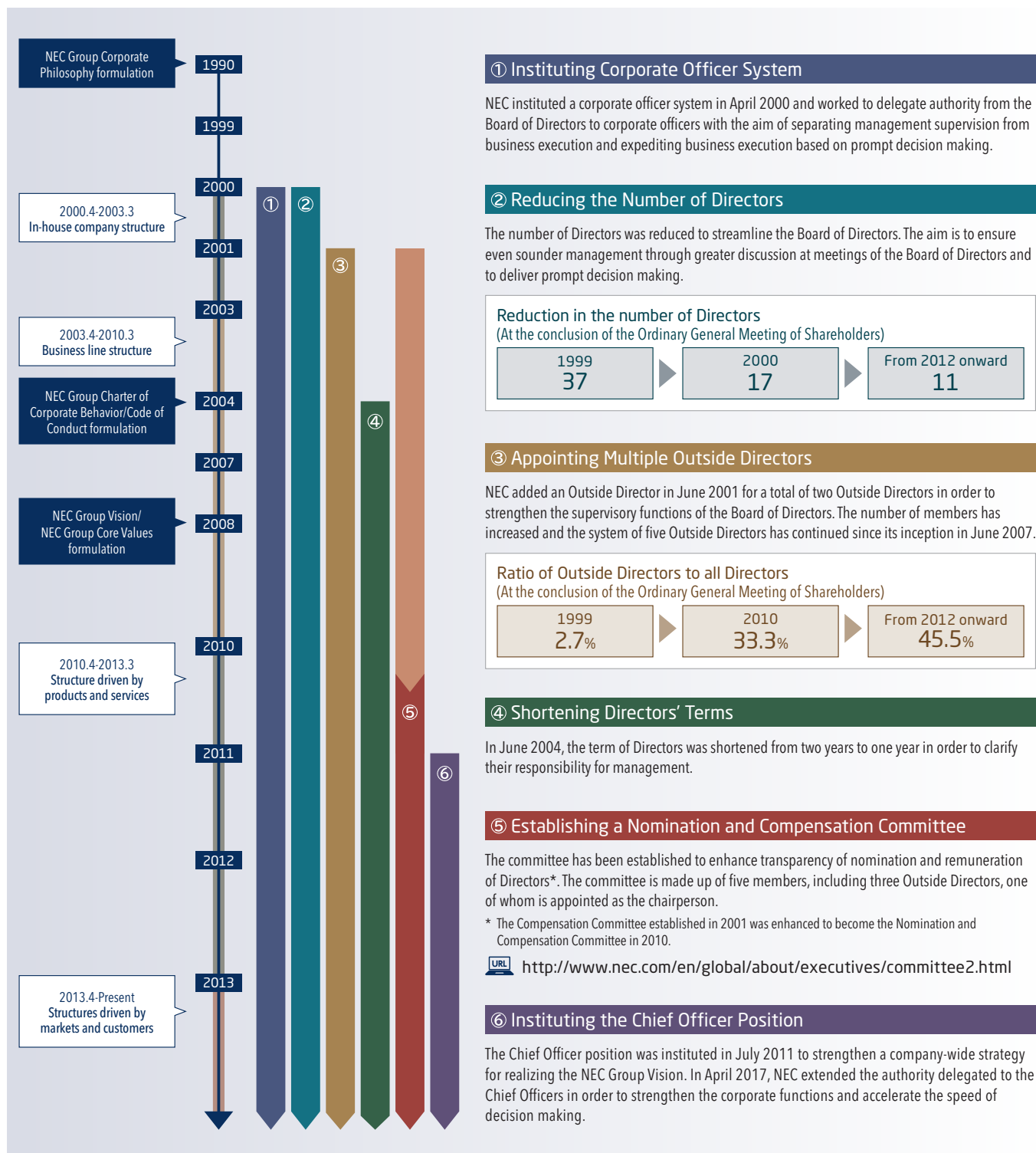


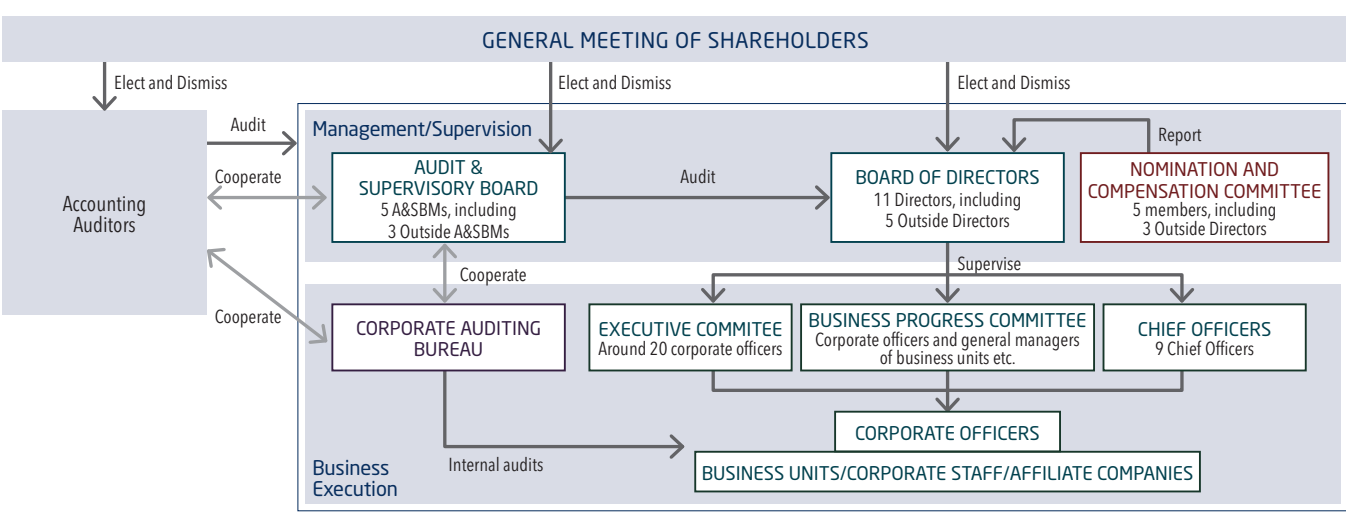
Corporate Governance

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, NEC 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.

Main Initiatives for Strengthening Corporate Governance



Overview of the Corporate Governance Structure



Board of 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.

Fiscal 2017 Status

In addition to receiving Chief Officers' activity reports and management plans and progress reports for each business segment, the Board of Directors actively discussed matters such as optimization of development and manufacturing functions, as well as reform of underperforming businesses. In particular, a broad range of advice was given by Outside Directors, based on their own extensive experience in such roles as corporate management and their deep insight.

Executive Committee

The Executive Committee 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.

Business Progress Committee

The Business Progress 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 Nomination and Compensation Committee deliberates on (i) nomination for Directors, Representative Directors and Audit & Supervisory Board Members (KANSAYAKU) ("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 NEC 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) ("A&SB")

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.

Organization Form		Company with the Audit & Supervisory Board Members (KANSAYAKU)	
Chair of the Board of Directors		Chairman of the Board	
Directors	No. of Directors	11 (of which Outside Directors: 5)	
	Term	1 year	
Audit & Supervisory Board Members (KANSAYAKU) ("A&SBMs")	No. of A&SBMs	5 (of which Outside A&SBMs: 3)	
	Term	4 years	
Independent Directors/Independent A&SBMs		No. of Independent Directors: 4, No. of Independent A&SBMs: 3	
Incentive Policies for Directors		Performance-linked remuneration* ¹	
Remuneration* ² (For Fiscal 2017)	Directors	Total amount of remuneration:	¥337 million for a headcount of 13 (of which, Outside Directors: 5, Total remuneration: ¥60 million)* ³
		Total amount of bonus:	¥0 for a headcount of 6
	A&SBMs	Total amount of remuneration:	¥96 million for a headcount of 6 (of which, Outside A&SBMs: 4, Total remuneration: ¥36 million)* ³

*1 NEC 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 (no incentives are granted to Outside Directors).

*2 NEC does not disclose remuneration per individual. NEC's basic remuneration policies and systems are also disclosed in the Business Report, the annual Securities Report and Corporate Governance Report.

*3 The above headcount includes 2 Directors and 1 A&SBM who retired at the close of the 178th Ordinary General Meeting of Shareholders held on June 22, 2016.

Continued Strengthening and Improvement of the System

NEC adopts the Company with Audit & Supervisory Board Members (KANSAYAKU) corporate structure to provide a double-check process: the Board of Directors supervises business execution and the A&SB audits the legitimacy and appropriateness of NEC's decision making or activities. We have established a hybrid structure by utilizing the combination of a corporate officer system, multiple Outside Directors, and the Nomination and Compensation Committee, which we established voluntarily and is comprised of a majority of Outside

Directors. In this way, we separate management supervision from business execution while striving to ensure management transparency and soundness.

NEC believes that its corporate governance is functioning adequately under the current system described above. However, NEC 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.

Evaluation of the Effectiveness of the Board of Directors

Since the fiscal year ended March 31, 2016, NEC 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, NEC 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 the fiscal year ended March 31, 2017.

Evaluation Method

NEC 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.

Evaluation Results and Issues Going Forward

It has been evaluated that in terms of the decision-making for NEC'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 NEC. Based on the results above, NEC will continually make the deliberations at the Board more active.

Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU)

Introduction of a New Performance-linked Stock Compensation Plan

Based on the resolution at the 179th Ordinary General Meeting of Shareholders held on June 22, 2017, NEC introduced a new performance-linked stock compensation plan using a trust for its Directors (excluding Outside Directors) and corporate officers ("Beneficiaries"). The purpose of this plan is to clarify the link between the value of the shares based on NEC's performance and remuneration of Beneficiaries. Under this plan, the Beneficiaries share with the shareholders not only the benefits deriving from future appreciation of share prices, but also the risks associated with a fall in the same. This is intended ultimately to enhance the awareness of the Beneficiaries with respect to making a contribution to an improvement in NEC's mid and long-term performance and its corporate value.

Remuneration System

For the purpose of continuously improving corporate value and strengthening its competitiveness, NEC'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 NEC to secure excellent human resources and serves as an incentive to improve performance of the NEC Group.

Remuneration for Directors

Remuneration for Directors consists of fixed monthly remunerations and performance-linked bonuses as short term incentives, and performance-linked stock compensation as mid- and long-term incentive. Neither bonuses nor stock compensation are paid to Outside Directors, from the viewpoint of securing their independence from NEC because NEC expects that Outside Directors play a leading role in supervision over business execution.

[Links between Remuneration and NEC's Performance]

The Bonuses

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

The Stock Compensation

The number of NEC shares, which is calculated using the following formula, 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.

Number of granting shares based on the applicable Directors' titles ^{(*)1}
× Performance-based allotment rate ^{(*)2}

*1: Basic compensation x multiplying factors for titles of the applicable Directors / Average value of closing price of NEC shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the evaluation period

*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%

Consolidated Revenue Achievement Level ×35% + Consolidated Operating Profit Achievement Level ×35% + Consolidated ROE Achievement Level ×30%

Remuneration for Audit & Supervisory Board Members

Remuneration 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.

For further details on the corporate governance of NEC Corporation, please visit the following URL:

<http://www.nec.com/en/global/about/governance.html>