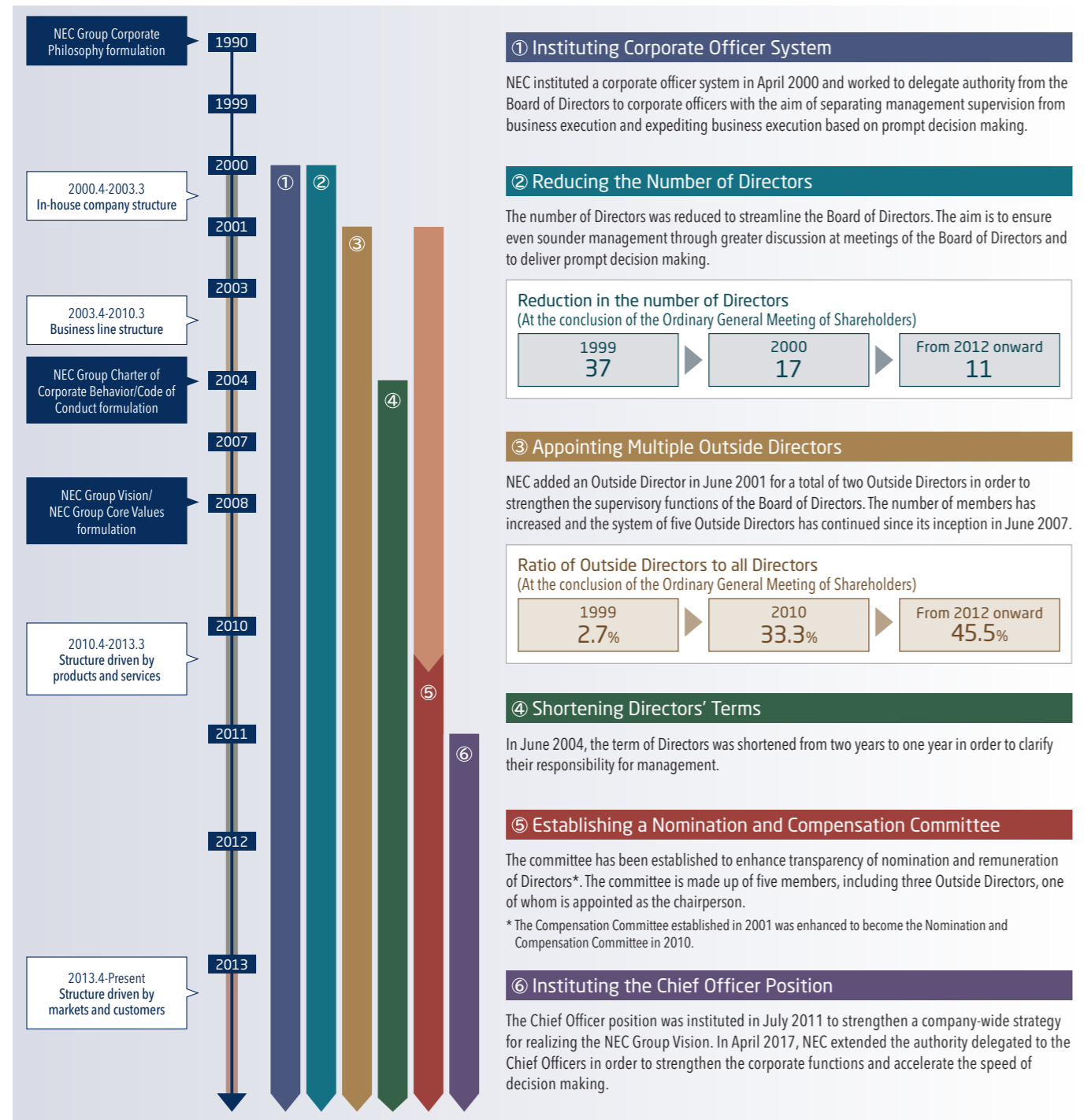


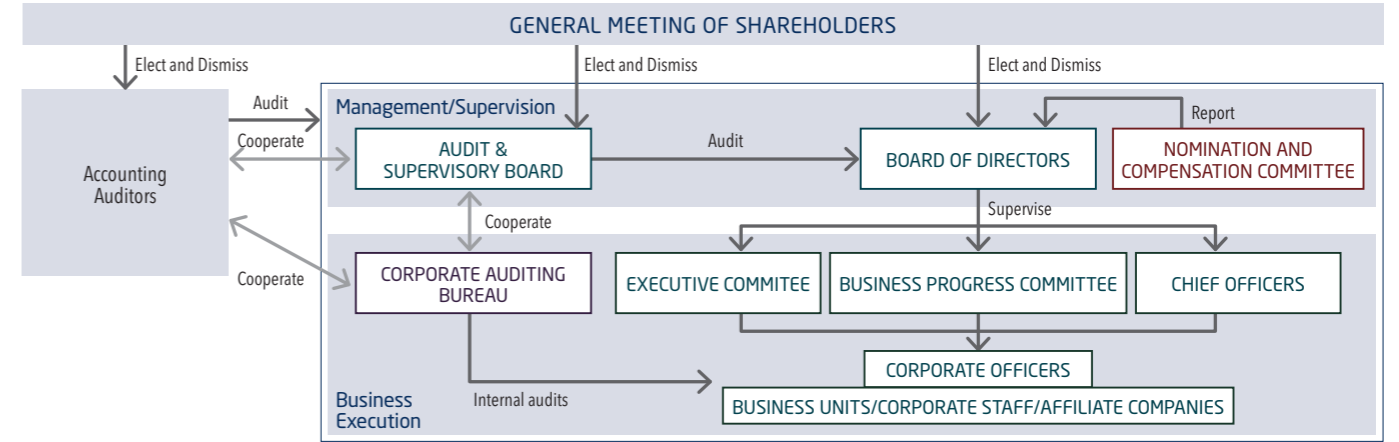
Corporate Governance

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



	Purpose and Activities	Members	Number of Meetings in Fiscal 2018
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. Main Matters Discussed in Fiscal 2018 1. Mid-term Management Plan 2020 2. Activity reports from Chief Officers 3. Management plans and progress reports for each business segment 4. Introduction of a performance-linked stock compensation plan 5. Sale of the electrode business 6. Acquisition of U.K.-based company Northgate Public Services Limited	11 Directors 6 Inside Directors 5 Outside Directors (of which 4 are independent Directors)	13 times Attendance rate of Outside Directors: 95.4% Attendance rate of Outside A&SBMs: 100%
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.	Around 20 corporate officers	18 times
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 business execution efficiency.	Corporate officers and general managers of business units etc.	11 times
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. Main Matters Discussed in Fiscal 2018 1. Nomination for Directors and A&SBMs 2. Succession planning for the President 3. Stock compensation plan for Directors	5 Directors Outside Directors Takeshi Kunibe Motoyuki Oka (Chair) Kaoru Seto Inside Directors Nobuhiro Endo Takashi Niino	6 times
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&SBM.	5 A&SBMs 2 Inside A&SBMs 3 Outside A&SBMs (All are independent A&SBMs)	16 times Attendance rate of Outside A&SBMs: 100%

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

With external advices on a method of effectiveness evaluation of the Board of Directors, NEC has conducted an analysis and evaluation on the effectiveness of the Board of Directors once a year to improve the function of the Board of Directors since Fiscal 2016.

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

■ Procedure of the analysis and evaluation

(1) Questionnaire

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

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

After analyzing the effectiveness of the Board of Directors based on the result of the questionnaire, NEC reported such result to the Board of Directors in March 2018. In the said Board of Directors, all Directors and A&SBMs discussed the improvement for the Board of Directors from the viewpoint of the reinforcement of the function and governance system of the Board of Directors, the best practice to discuss the management strategy and a method for decision making

and the clarification of management policy looking ahead to the future vision of NEC.

■ Summary of the results of the analysis and evaluation for Fiscal 2018

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

■ Future challenges

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

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

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

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 System

	Monthly remunerations	Bonuses (short term incentive)	Stock compensation (mid-and long-term incentive)
Inside Directors	○	○	○
Outside Directors	○	—	—
A&SBMs	○	—	—

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.

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.

■ 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 *1 approved at the General Meeting of Shareholders.

*1 The maximum monthly remuneration for Directors is 65,000,000 yen (approved at the 153rd Ordinary General Meeting of Shareholders held on June, 27 1991).

■ 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.

$$\text{Standard amount for each Director position} \times \text{Evaluation of performance of duties (calculated by revenue, operating profit and others)} = \text{Bonus}$$

■ The stock compensation

NEC 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.

$$\text{Number of granting shares based on the applicable Directors' titles} \times \text{Performance-based allotment rate} = \text{Stock compensation}$$

$$\text{Revenue Achievement Level} \times 35\% + \text{Operating Profit Achievement Level} \times 35\% + \text{ROE Achievement Level} \times 30\%$$

Remuneration for Audit & Supervisory Board Members

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

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 *2 approved at the General Meeting of Shareholders.

*2 The maximum monthly remuneration for A&SBMs is 12,000,000 yen (approved at the 170th Ordinary General Meeting of Shareholders held on June 23, 2008).

[Process of Determination]

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

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

[Determination of the Level of Remuneration]

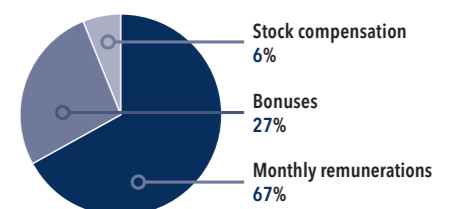
In order to ensure objectiveness and properness of the remuneration for Directors and A&SBMs, the level of the remuneration is determined on the result of the third party's investigation regarding the remunerations of other companies whose business contents and scale are similar to those of NEC.

[Amounts of Remuneration for Fiscal 2018]

	Total amount by type			Total amount	Headcount
	Monthly remunerations	Bonuses	Stock compensation		
Inside Directors	281	113	26	420	7
Inside A&SBMs	60	—	—	60	3
Outside Directors and A&SBMs	96	—	—	96	8

- Notes: 1. NEC does not disclose remuneration per individual.
 2. The total amount of the stock compensation is the value posted during Fiscal 2018.
 3. The headcount of Inside Directors includes one Director who retired at the close of the 179th Ordinary General Meeting of Shareholders held on June 22, 2017. Of these, six Directors are eligible to receive stock compensation.
 4. The headcount of Inside A&SBMs includes one A&SBM who retired at the close of the 179th Ordinary General Meeting of Shareholders held on June 22, 2017.
 5. NEC 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.

■ Composition of Remuneration for Inside Directors in Total (Fiscal 2018)



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

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