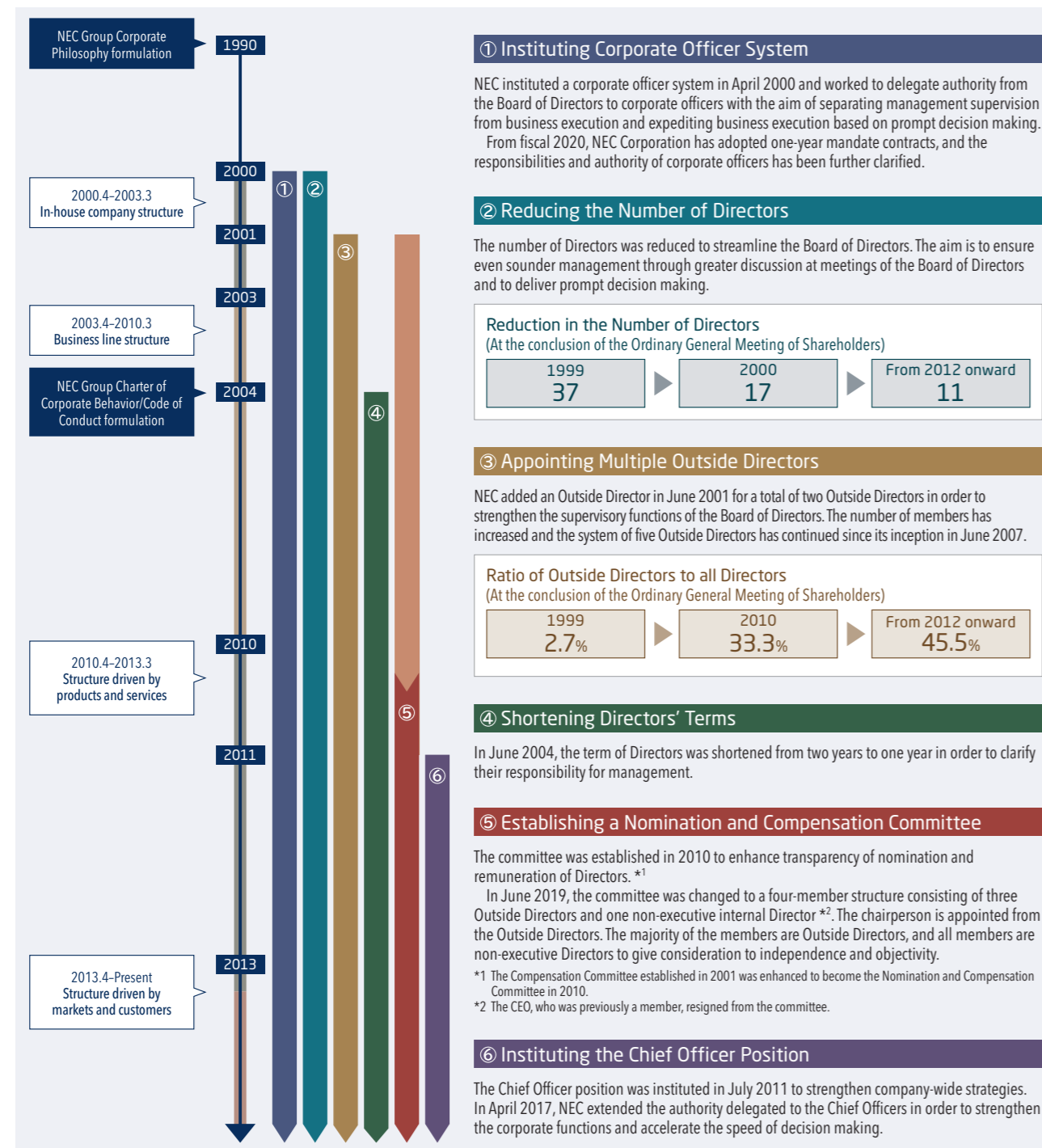


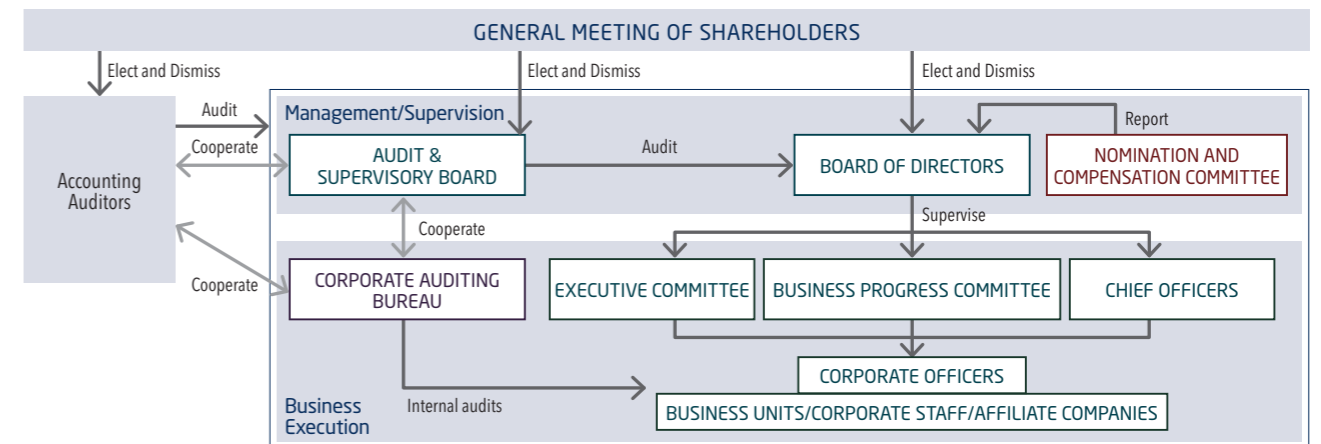
Corporate Governance

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 2019
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 2019 <ol style="list-style-type: none"> 1. Activity reports from Chief Officers 2. Management plans and progress reports for each business segment 3. Implemented special measures to support career changes 4. Acquisition of KMD Holding ApS 5. Formulated the "NEC Group AI and Human Rights Principles" 6. Revised remuneration system for Directors, Audit & Supervisory Board Members (A&SBMs), and corporate officers 	11 Directors 6 Inside Directors 5 Outside Directors (of which 4 are Independent Directors)	13 times Attendance rate of Outside Directors: 96.9% Attendance rate of Outside A&SBMs: 97.4%
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	11 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.	12 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 results 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 2019 <ol style="list-style-type: none"> 1. Revision of remuneration system for Directors 2. Nomination for Directors and A&SBMs 3. Succession planning for the President 	4 Directors Outside Directors Takeshi Kunibe Kaoru Seto (Chair) Kuniharu Nakamura Inside Directors Nobuhiro Endo	5 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: 97.9%

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

Procedure of the analysis and evaluation

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

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

Summary of the evaluation result

A summary of the evaluation of the effectiveness of the Board of Directors for fiscal 2019 is as follows:

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

Future challenges

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

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

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 a level and structure 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. 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.

Remuneration System

	Monthly remuneration	Bonuses (short-term incentive)	Stock compensation (mid-and long-term incentive)
Inside Directors	○ (57%)*	○ (34%)*	○ (9%)*
Outside Directors	○	—	—
A&SBMs	○	—	—

* Composition of remuneration of Inside Directors in fiscal 2019 (total amount)

Remuneration for Directors

		Performance-linked remuneration (50%)		Non-performance linked remuneration (50%)
		Short-term incentive (30%)*	Mid-and long-term incentive (30%)*	
1 Monthly remuneration	All Directors			○
2 Bonuses	Executive Directors	○		
3 Stock compensation	Inside Directors		○ (a)	○ (b)

* The ratio of performance-linked remuneration and non-performance linked remuneration for Executive Directors. The ratio of bonuses and the Performance-based Stock Compensation is calculated based on a standard amount before reflecting the degree of achievement of the performance targets.

1 Basic remuneration

Basic remuneration is fixed-monthly payments that do not exceed the limit* established by resolutions of the General Meetings of Shareholders, and is determined separately for each job title and for Inside Directors and Outside Directors.

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

* The maximum annual remuneration is 580,000,000 yen (approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019)

2 Bonuses

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

* The maximum annual remuneration is 800,000,000 yen (approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019)

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

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

3 Stock compensation

(a) The Performance-based Stock Compensation serves as a medium- to long-term incentive to further raise Directors' awareness for contribution to improvement in NEC's medium- and long-term performance and its corporate value, by clarifying the link between remuneration of Directors and NEC's performance as well as value of NEC shares.

(b) The Fixed Stock Compensation further clarifies the link between remuneration for Directors and the value of NEC shares by increasing the ratio of stock compensation in the remuneration for Directors, and encourages Directors to operate the business with a higher consciousness of NEC's share price by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices.

In these stock compensation systems, the shares are granted after three years from the beginning of the applicable period.

Note: The ratio of bonuses and the Performance-based Stock Compensation is calculated based on a standard amount before reflecting the degree of achievement of the performance targets.

Remuneration for A&SBMs

Remuneration for A&SBMs is only basic remuneration and does not include bonuses linked to the business results because the responsibility of A&SBMs is to audit execution of Directors' duties. Basic remuneration is a fixed monthly payment determined based on whether the recipient is a full-time A&SBM or not, to the extent of the maximum amount approved at the General Meeting of Shareholders.

* The annual remuneration is 144,000,000 yen (approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019)

[Amounts of Remuneration for Fiscal 2019]

	Total amount by type			Total amount	Headcount
	Monthly remuneration	Bonuses	Stock compensation		
Inside Directors	285	168	44	497	7
Inside A&SBMs	60	—	—	60	3
Outside Directors and A&SBMs	96	—	—	96	11

Among the above recipients, the following have a total remuneration amount of 100 million yen or higher.

Nobuhiro Endo: Total remuneration amount: 117 million yen (basic remuneration: 69 million yen, bonus 48 million yen)
Takashi Niino: Total remuneration amount: 120 million yen (basic remuneration: 71 million yen, bonus 48 million yen)

Notes: 1. The number of Directors (excluding Outside Directors) includes one Director who retired at the close of the 180th Ordinary General Meeting of Shareholders held on June 25, 2018. Moreover, six of the above number were eligible for stock-based compensation.
2. The number of A&SBMs (excluding Outside A&SBMs) includes one A&SBM who retired at the close of the 180th Ordinary General Meeting of Shareholders held on June 25, 2018.
3. The numbers of Outside Directors and Outside A&SBMs include two Outside Directors and one Outside A&SBM who retired at the close of the 180th Ordinary General Meeting of Shareholders held on June 25, 2018.