

To our shareholders:

NEC Corporation

Proposals for the 168th Ordinary General Meeting of Shareholders

We have attached the “Reference Documents for the Meeting” to the Notice of the 168th ordinary general meeting of shareholders (the “Meeting”). In order to supplement the Reference Documents, we set forth below a summary explanation of some of our proposals. We would appreciate it if you would review our proposals and exercise your votes for our proposals at the Meeting.

Our proposals to our shareholders are as follows:

- No.1 Appropriation of retained earnings and payment of bonuses to directors
- No.2 Partial amendment to the Article of Incorporation
- No.3 Election of fifteen Directors
- No.4 Election of one Corporate Auditor
- No.5 Issuance of stock acquisition rights with Specially Favorable Conditions for the purpose of granting stock options
- No.6 Presentation of retirement allowances to retiring Directors and Corporate Auditor and payment of retirement allowances incidental to the abolishment of retirement allowance system for Directors and Corporate Auditors

Proposal No.2 Partial Amendments to the Article of Incorporation

● Organization to decide distribution of surplus and other matters

This amendment is to enable the Board of Directors to decide by its resolutions the distribution of surplus, purchase of its own shares and so on, in response to the enforcement of the Company Law of Japan effective from May 2006.

- Under the newly enforced Company Law of Japan (Law No. 86 of 2005), we may provide for in the Articles of Incorporation that the distribution of surplus and such other matters shall not be decided by resolutions of a meeting of shareholders. We, however, have decided not to exclude the rights of shareholders on these issues.
- (Purpose) To enable early payments of year-end distribution of surplus.
- In order to implement continuous structural reforms by adjusting to the drastically changing economic environment and other business circumstances, the Company has decided dividends on the basis of the profitability of respective business periods, estimated the business results of the subsequent business periods, the payout ratio, demand for internal reserves to be used for capital investments and other factors. As shown in the table below, we have

distributed surplus to shareholders on a stable basis for the last 3 years ended March 2006.

As the term of office of Directors has already been shortened to one year in the Article of Incorporation, we are proposing the amendments to the Article of Incorporation that will enable the Board of Directors to decide, among other things, the distribution of surplus. As to the structure of the Board of Directors, we are also proposing to increase the number of outside members by one in the proposal No.3. Accordingly, if the proposal No. 3 is approved, the number of outside members will be four out of fifteen numbers of the Board of Directors, and the ratio of outside members of our Board of Directors will be one of the highest among Japanese companies. Thus, in deciding the distribution of surplus, the view of outside members will be more reflected in the resolution of the Board of Directors.

Consolidated payout ratios are as follows:

Fiscal Year Ended	Dividend per Share	Payout Ratio
March 2006	¥6	99%
March 2005	¥6	22% *
March 2004	¥6	107%

*excluding the gain due to the adjustment of the carrying amount of investment in Elpida Memory related to stock issuances of the company, which completed a initial public offering.

● **Liabilities limitation contract with outside Corporate Auditors**

Under the Company Law we are authorized to enter into a contract with outside Corporate Auditors to limit their liabilities for damages in advance if we have provisions of the Articles of Incorporation to that effect. NEC proposes to add the provision to the Articles of Incorporation to limit the liabilities of outside Corporate Auditors to the greater of the amount to be decided which shall not be less than 20 million yen, or the amount stipulated by law.

- NEC has provided for in the Article of Corporation that NEC may enter into a contract with outside Directors in advance to limit their liabilities for damages to NEC pursuant to a resolution of the 164th ordinary general meeting of shareholders held in 2002.
- The liabilities will be limited under the contract only when an outside Director or Corporate Auditor acts in good faith and without gross negligence, and they are not entirely released from the liabilities.
- (Purpose) We believe it is useful to enter into a liabilities limitation contract in order to attract eligible people to NEC as outside Corporate Directors as in the case of outside Directors.

Proposal No.3 Election of Fifteen Directors

- NEC proposes to increase the number of outside Directors by one, and out of fifteen Directors, the number of outside members will be four including three outside Director as stipulated in the Company Law.

Candidates for outside members :

Mr. Toshio Morikawa (reappoint)	Advisor (Meiyo Komon) of the Sumitomo Mitsui Banking Corporation	*1
Mr. Akira Uehara (reappoint)	President, Taisho Pharmaceutical Co., Ltd.	*2
Mr. Yoshinari Hara (New)	Chairman of the Board, Daiwa Securities Group Inc.	*1
Ms. Sawako Nohara (New)	President of IPSe Marketing, Inc.	*1

*1 Outside director stipulated in item 15, Article 2 of the Company Law of Japan

*2 Mr. Uehara is not an outside director stipulated in the Company Law because he worked as an employee at NEC Corporation almost 29 years ago.

➤ The term of office of Directors has already been shortened to one year in the Article of Incorporation.

Proposal No.6 Presentation of retirement allowances to retiring Directors and Corporate Auditor and payment of retirement allowances incidental to the abolishment of retirement allowance system for Directors and Corporate Auditors

- Board of Directors resolved to abolish the retirement allowance system for Directors and Corporate Auditors effective at the close of the Meeting.
- Pursuant to the resolution, it is proposed that reasonable retirement allowances be paid to twelve Directors reelected and four Corporate Auditors in office, in recognition of their services to the Company during their terms of office as Directors or Corporate Auditors up to the close of the Meeting, and the payment of such retirement allowances be made at the time of the retirement of each Director or Corporate Auditors mentioned above.
- The total amount of the retirement allowances (excluding additional amounts to be determined based on the performance) is 292 million yen for 20 persons, which include the amount of retirement allowances incidental to the abolishment of retirement allowance system payable to Directors and Corporate Officers in office after the close of the Meeting. Out of 292 million yen, the amount to be paid to outside Directors stipulated in the Company Law and outside Corporate Auditors for five persons, including those who remain in office after the close of the Meeting, is 21 million yen.

The retirement allowances to outside Directors and Corporate Auditors is calculated by multiplying a fixed amount by the number of years for which he has been in the office, and there is no additional amounts to be paid based on his performance.