The following is an English translation of the Notice of the 179th Ordinary General Meeting of Shareholders of NEC Corporation (the “Company”) to be held on June 22, 2017 (including the Business Report, Consolidated Financial Statements, Notes to Consolidated Financial Statements and Non-consolidated Financial Statements with respect to the 179th Business Period from April 1, 2016 to March 31, 2017, and report on the results of the audit on the Consolidated Financial Statements conducted by Accounting Auditors and the Audit & Supervisory Board (KANSAYAKU-KAI)), EXCEPT for the translation of any instructions on voting rights and the access map for the place of the meeting in the Notice and the Notes to Non-consolidated Financial Statements. This translation includes the Notes to Consolidated Financial Statements, and the Japanese original thereof is provided only through the Company's website (http://jpn.nec.com/ir).
The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

NEC Corporation

Securities Code 6701

7-1, Shiba 5-chome,
Minato-ku, Tokyo

Nobuhiro Endo
Chairman of the Board
(Representative Director)

May 31, 2017

To Our Shareholders:

NOTICE OF THE 179TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

This is to inform you that the Hundred and Seventy-Ninth Ordinary General Meeting of Shareholders (the “Meeting”) of NEC Corporation (the “Company”) will be held as follows:

1. DATE: June 22, 2017 (Thursday) at 10:00 a.m. (Japan Standard Time)
(entry begins at 9:00 a.m. (Japan Standard Time))

2. PLACE: Convention Hall, Second Basement Floor, The Prince Park Tower Tokyo
at 8-1, Shiba Koen 4-chome, Minato-ku, Tokyo

3. AGENDA OF THE MEETING:

MATTERS TO BE REPORTED UPON:
Report on the Business Report, the Consolidated Financial Statements and Financial Statements of the 179th Business Period from April 1, 2016 to March 31, 2017, and report on the results of the audit on the Consolidated Financial Statements conducted by the Accounting Auditors and the Audit & Supervisory Board (KANSAYAKU-KAI).

MATTERS TO BE VOTED UPON:
Proposal No. 1: Share Consolidation
Proposal No. 2: Election of Eleven (11) Directors
Proposal No. 3: Election of One (1) Audit & Supervisory Board Member (KANSAYAKU)
Proposal No. 4: Introduction of Performance-based Stock Compensation Plan for Directors

- No souvenirs will be provided. We would appreciate your understanding.
- In the event that the Company finds any correction(s) that should be made in the reference documents for the Meeting, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements (including Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements), such correction(s) will be specified through the Company's website (http://jpn.nec.com/ir).

REFERENCE DOCUMENTS FOR THE MEETING

Proposed Matters for Voting and reference matters thereof:

Proposal No. 1: Share Consolidation

1. Reasons for proposal

Based on the "Action Plan for Consolidating Trading Units," the Japanese Stock Exchanges seek to standardize the trading units for common shares issued by all listed domestic corporations at 100 shares. As a corporation listed on Tokyo Stock Exchange, the Company respects the objective of this plan and decided at the meeting of its board of directors held on April 27, 2017, to change its number of shares per share unit in accordance with the provisions in paragraph 1 of Article 195 of the Companies Act.

In this connection, in order to maintain the price level of a trading unit and the number of voting rights of shareholders following the change in the number of shares per share unit from 1,000 shares to 100 shares, the Company intends to carry out a share consolidation of shares of the Company under which every 10 shares will be consolidated into 1 share as described below. In line with this, the Company will also reduce its total number of authorized shares from 7.5 billion shares to 750 million shares at the same ratio as that of the share consolidation.

The change in the number of shares per share unit from 1,000 shares to 100 shares will be effective as of October 1, 2017, subject to approval of this proposal as originally proposed.

2. Consolidation ratio

Every ten (10) shares will be consolidated into one (1) share.

If a fraction of less than one (1) share is created due to the share consolidation, all such fractional shares will be sold together in accordance with the Companies Act, and the proceeds will be distributed to shareholders who held the fractional shares in proportion to the number of fractional shares they held.

3. Effective date of share consolidation

October 1, 2017

4. Total number of authorized shares on the effective date

750,000,000 shares

By implementing the share consolidation, the Company's Articles of Incorporation will be deemed to be amended with respect to the total number of authorized shares on the effective date of the share consolidation, pursuant to paragraph 2 of Article 182 of the Companies Act.

<Reference>

The Company's Articles of Incorporation will be amended as follows on October 1, 2017, which is subject to the approval of this proposal as originally proposed.

(Underlines reflect the amendments)

Current Articles of Incorporation	After Amendments
Article 6. (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>seven billion and five hundred million (7,500,000,000)</u>.	Article 6. (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>seven hundred fifty million (750,000,000)</u>.
Article 7. (Number of Shares Constituting One Unit of Shares) The number of shares constituting one unit of shares of the Company shall be <u>one thousand (1,000)</u>.	Article 7. (Number of Shares Constituting One Unit of Shares) The number of shares constituting one unit of shares of the Company shall be <u>one hundred (100)</u>.

Proposal No. 2: Election of Eleven (11) Directors

Upon the close of the Meeting, the term of office as Director of all eleven (11) Directors will expire. It is proposed that eleven (11) Directors be elected.

The candidates are as follows:

<table>
<tr><th>Name
(Date of Birth)</th><th colspan="2">Brief Employment History</th><th>Number of the Company's Shares Held</th></tr>
<tr><td rowspan="4">1. Nobuhiro Endo
(November 8, 1953)</td><td>April 1981
July 2005

April 2006

April 2009
June 2009
April 2010
April 2016</td><td>Joined the Company
Senior General Manager, Mobile Network Operations Unit
Associate Senior Vice President, Executive General Manager, Mobile Network Operations Unit
Executive Vice President
Executive Vice President and Member of the Board
President (Representative Director)
Chairman of the Board (Representative Director) (to present)</td><td rowspan="4">300,000</td></tr>
<tr><td colspan="2">Important Concurrent Positions:
Outside Director, JAPAN POST INSURANCE Co., Ltd.</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
He has extensive experience and sufficient performance records, having had been engaged in the management of network business and NEC Group’s management strategies, and also, having been engaged in the management of the Company as President (Representative Director) since 2010 and as Chairman of the Board (Representative Director) since April 2016. The Company has nominated him as a candidate for Director considering that he is appropriate to manage external affairs as a representative of the Company, and to promote the reinforcement of NEC Group’s corporate governance by advancing Research and Development and building culture which will be the basis of sustainable growth for NEC Group.</td></tr>
<tr><td colspan="2">Attendance at meeting of the Board of Directors:
12 out of 12 meetings
Attendance rate: 100%</td></tr>
</table>

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
2. Takashi Niino (September 8, 1954)	April 1977 April 2004 April 2005 April 2006 April 2008 August 2008 April 2010 June 2011 July 2011 April 2012 April 2016	Joined the Company Executive General Manager, 2nd Solutions Sales Operations Unit Senior General Manager, 3rd Solutions Operations Unit Executive General Manager, Financial Solutions Operations Unit Associate Senior Vice President, Executive General Manager, Financial Solutions Operations Unit Senior Vice President Executive Vice President Executive Vice President and Member of the Board Executive Vice President, CSO (Chief Strategy Officer) and Member of the Board Senior Executive Vice President, CSO (Chief Strategy Officer) , CIO (Chief Information Officer) and Member of the Board (Representative Director) President (Representative Director) and CEO (Chief Executive Officer) (to present)	59,000
	Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of financial solutions business and NEC Group's management strategies as Senior Executive Vice President, CSO, CIO and Member of the Board (Representative Director), and afterwards, having been engaged in the management of the Company as President (Representative Director) and CEO. The Company has nominated him as a candidate for Director considering that he is appropriate to lead the Company's revenue growth by enhancing Social Solutions business and global business, and promoting NEC Group's operational reforms.		
	Attendance at meeting of the Board of Directors: 12 out of 12 meetings Attendance rate: 100%		
3. Isamu Kawashima (February 20, 1959)	April 1981 April 2009 July 2010 June 2011 July 2011 April 2015	Joined the Company General Manager, Corporate Controller Division General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division and Member of the Board Senior Vice President, CFO (Chief Financial Officer) and Member of the Board Executive Vice President, CFO (Chief Financial	52,000

<table>
<tr><th>Name
(Date of Birth)</th><th colspan="2">Brief Employment History</th><th>Number of the Company's Shares Held</th></tr>
<tr><td rowspan="3"></td><td>April 2017</td><td>Officer) and Member of the Board
Executive Vice President (Representative Director), CFO (Chief Financial Officer) and Member of the Board (to present)</td><td rowspan="3"></td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
He has extensive experience and sufficient performance records, having had been engaged in the management of accounting and financial affairs at the Company’s corporate departments, its business units and its overseas subsidiaries, and afterwards, having been in charge of NEC Group’s accounting and financial strategies as Executive Vice President (currently, Executive Vice President (Representative Director)) and CFO. The Company has nominated him as a candidate for Director considering that he is appropriate to implement the strategies for NEC Group’s business growth and business performance improvement mainly in the fields of accounting and financial affairs and to supervise the Company's business units.</td></tr>
<tr><td colspan="2">Attendance at meeting of the Board of Directors:
12 out of 12 meetings
Attendance rate: 100%</td></tr>
<tr><td rowspan="4">4. Takayuki Morita
(February 5, 1960)</td><td>April 1983
April 2002
April 2006

April 2008
July 2011
April 2016

June 2016</td><td>Joined the Company
General Manager, Business Development Division
Senior Vice President and
Executive General Manager, Corporate Business Development Unit
Senior Vice President
Executive Vice President
Executive Vice President and CGO (Chief Global Officer)
Executive Vice President, CGO (Chief Global Officer) and Member of the Board (to present)</td><td rowspan="4">16,000</td></tr>
<tr><td colspan="2">Important Concurrent Positions:
Outside Director, Hua Hong Semiconductor Limited</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
He has extensive experience and sufficient performance records, having had been engaged in the management of the Company’s M&A and NEC Group’s global business, and afterwards, having been in charge of global business strategies as Executive Vice President, CGO and Member of the Board. The Company has nominated him as a candidate for Director considering that he is appropriate to implement strategies for enhancing NEC Group’s global business and its revenue growth and to supervise the Company's business units.</td></tr>
<tr><td colspan="2">Attendance at meeting of the Board of Directors:
10 out of 10 meetings
Attendance rate: 100%</td></tr>
</table>

Name (Date of Birth)	Brief Employment History	Number of the Company's Shares Held
5. Katsumi Emura (December 20, 1957)	April 1982 Joined the Company April 2004 General Manager, Research Planning Division April 2007 Executive General Manager, Intellectual Asset Management Unit April 2010 Senior Vice President and Executive General Manager, Central Research Laboratories April 2013 Senior Vice President April 2016 Executive Vice President and CTO (Chief Technology Officer) June 2016 Executive Vice President, CTO (Chief Technology Officer) and Member of the Board (to present) Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of intellectual properties and Research and Development, and afterwards, having been in charge of NEC Group's technology strategies as Executive Vice President, CTO and Member of the Board. The Company has nominated him as a candidate for Director considering that he is appropriate to implement Research and Development and technology strategies for NEC Group's growth and to supervise the Company's business units. Attendance at meeting of the Board of Directors: 10 out of 10 meetings Attendance rate: 100%	24,000
6. Hajime Matsukura (December 12, 1961) *New candidate	April 1985 Joined the Company April 2005 General Manager, Marketing Planning Division April 2006 Assistant General Manager, Business Development Division April 2008 General Manager, Corporate Strategy Division April 2014 Senior Vice President and president (Representative Director) of NEC Management Partner, Ltd. April 2017 Executive Vice President and CSO (Chief Strategy Officer) (to present) Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of corporate strategies at the Company's corporate departments and in NEC Group's operational reform as President (Representative Director) of NEC Management Partner, Ltd. and afterwards, having been in charge of NEC Group's corporate strategies as Executive Vice President and CSO. The Company has nominated him as a candidate for Director considering that he is appropriate to implement the strategies for NEC Group's growth and to supervise the Company's business units.	0

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
7. Takeshi Kunibe (March 8, 1954) *Candidate for Outside Director	April 1976	Joined the Sumitomo Bank Limited (currently, Sumitomo Mitsui Banking Corporation "SMBC")	0
	June 2003	Executive Officer, SMBC	
	October 2006	Managing Executive Officer, SMBC	
	June 2007	Director, Sumitomo Mitsui Financial Group, Inc.("SMFG")	
	April 2009	Director and Senior Managing Executive Officer, SMBC	
	April 2011	President and Chief Executive Officer, SMBC	
	June 2011	Member of the Board of the Company (to present)	
	April 2017	President and Group Chief Executive Officer, SMFG (to president)	
	Important Concurrent Positions: President and Group Chief Executive Officer, SMFG		
	Reasons for Nomination of a Candidate: The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a bank.		
	Attendance at meeting of the Board of Directors: 11 out of 12 meetings Attendance rate: 92%		

<table>
<tr><th>Name
(Date of Birth)</th><th colspan="2">Brief Employment History</th><th>Number of the Company's Shares Held</th></tr>
<tr><td rowspan="4">8. Hitoshi Ogita
(January 1, 1942)

*Candidate for Outside Director</td><td>April 1965
March 1997
September 1997
March 2000
October 2000
March 2002
September 2002
March 2003
March 2006
March 2010
June 2012
March 2014</td><td>Joined Asahi Breweries, Ltd. (currently, Asahi Group Holdings, Ltd.)
Director and General Manager of Fukuoka Branch, Asahi Breweries, Ltd.
Director and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.
Managing Corporate Officer and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.
Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.
Senior Managing Corporate Officer and Senior General Manager of Kanto and Koshinetsu Regional Headquarters, Asahi Breweries, Ltd.
Corporate Officer and Vice President, Asahi Soft Drinks, Co., Ltd.
President and Representative Director, Asahi Soft Drinks, Co., Ltd.
President and Representative Director, Asahi Breweries, Ltd.
Chairman of the Board and Representative Director, Asahi Breweries, Ltd.
Member of the Board of the Company (to present)
Adviser to the Board, Asahi Group Holdings, Ltd. (to present)</td><td rowspan="4">10,000</td></tr>
<tr><td colspan="2">Important Concurrent Positions:
Adviser to the Board, Asahi Group Holdings, Ltd.
Outside Director, Japan Exchange Group, Inc.
Outside Director, Imperial Hotel, Ltd.</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company.</td></tr>
<tr><td colspan="2">Attendance at meeting of the Board of Directors:
11 out of 12 meetings
Attendance rate: 92%</td></tr>
</table>

<table>
<tr><th>Name
(Date of Birth)</th><th colspan="2">Brief Employment History</th><th>Number of the Company's Shares Held</th></tr>
<tr><td rowspan="4">9.Kaori Sasaki
(May 12, 1959)

*Candidate for Outside Director</td><td>July 1987

March 2000
June 2012</td><td>President and CEO, UNICUL International, Inc. (to present)
President and CEO, ewoman, Inc. (to present)
Member of the Board of the Company (to present)</td><td rowspan="4">0</td></tr>
<tr><td colspan="2">Important Concurrent Positions:
President and CEO, UNICUL International, Inc.
President and CEO, ewoman, Inc.
Outside Director, KOBAYASHI Pharmaceutical Co., Ltd.
Outside Director, AGP Corporation</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
The Company has nominated her as a candidate for Outside Director considering that she has superior character, discernment and high ethical standards. In addition, she would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and she has wide range of knowledge on marketing and perspective of consumers.</td></tr>
<tr><td colspan="2">Attendance at meeting of the Board of Directors:
12 out of 12 meetings
Attendance rate: 100%</td></tr>
<tr><td rowspan="4">10. Motoyuki Oka
(September 15, 1943)

*Candidate for Outside Director</td><td>April 1966
June 1994

April 1997

April 1998

April 2001
June 2001

June 2007

June 2012
June 2013</td><td>Joined Sumitomo Corporation
Director and General Manager of Iron & Steel Division No.3, Sumitomo Corporation
Director and General Manager of Planning & Coordination Division, Sumitomo Corporation
Managing Director and General Manager of Planning & Coordination Division, Sumitomo Corporation
Senior Managing Director, Sumitomo Corporation
President and Chief Executive Officer, Sumitomo Corporation
Chairman of the Board of Directors, Sumitomo Corporation
Senior Adviser, Sumitomo Corporation (to present)
Member of the Board of the Company (to present)</td><td rowspan="4">0</td></tr>
<tr><td colspan="2">Important Concurrent Positions:
Senior Adviser, Sumitomo Corporation
Outside Director, Japan Tobacco Inc.</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a general trading company including the management of overseas firms.</td></tr>
<tr><td colspan="2">Attendance at meeting of the Board of Directors:
12 out of 12 meetings
Attendance rate: 100%</td></tr>
</table>

<table>
<tr><th>Name
(Date of Birth)</th><th colspan="2">Brief Employment History</th><th>Number of the Company's Shares Held</th></tr>
<tr><td rowspan="4">11. Kunio Noji
(November 17, 1946)

*Candidate for Outside Director</td><td>April 1969
June 1997
June 2001

April 2003

April 2005
July 2006

June 2007
April 2013

June 2013
April 2016</td><td>Joined Komatsu Ltd.
Director, Komatsu Ltd.
Managing Director and President of Production Division and e-Komatsu Technical Center, Komatsu Ltd.
Director and Senior Executive Officer and President of Construction & Mining Equipment Marketing Division, Komatsu Ltd.
Director and Senior Executive Officer
Director and Senior Executive Officer and General Manager of KOMATSU Way Division, Komatsu Ltd.
President and CEO, Komatsu Ltd.
Chairman of the Board (Representative Director), Komatsu Ltd.
Member of the Board of the Company (to present)
Chairman of the Board, Komatsu Ltd. (to present)</td><td rowspan="4">0</td></tr>
<tr><td colspan="2">Important Concurrent Positions:
Chairman of the Board, Komatsu Ltd.
Outside Director, Ricoh Company, Ltd.</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company.</td></tr>
<tr><td colspan="2">Attendance at meeting of the Board of Directors:
9 out of 12 meetings
Attendance rate: 75%</td></tr>
</table>

Notes: 1. The Company has notified the Tokyo Stock Exchange on which the Company lists its shares, of each of Messrs. Hitoshi Ogita, Motoyuki Oka and Kunio Noji and Ms. Kaori Sasaki as an independent Director.

2. Mr. Takeshi Kunibe had been an Executing Person of SMBC, a major business partner of the Company, until April 1, 2017. The Company has business relationship with SMBC of which he was President and Chief Executive Officer, for sales of the Company's products, provision of services including system construction, operation and maintenance and borrowings from SMBC.

3. Mr. Takeshi Kunibe has served for 6 years, Mr. Hitoshi Ogita and Ms. Kaori Sasaki have served for 5 years, and Messrs. Motoyuki Oka and Kunio Noji have served for 4 years as Outside Directors of the Company.

4. The Company has entered into agreements with Messrs. Takeshi Kunibe, Hitoshi Ogita, Motoyuki Oka and Kunio Noji and Ms. Kaori Sasaki, respectively, to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Companies Act (the "Liabilities Limitation Agreements") pursuant to Article 24 of the Company's Articles of Incorporation. The outline of the Liabilities Limitation Agreements is to limit their liabilities as stipulated in Paragraph 1, Article 423 of the Companies Act to the higher amount of 20 million yen or the amount provided in the Companies Act and the Regulation for Enforcement of the Companies Act on the condition that they have performed their duties as Directors in good faith and without gross negligence.

5. The positions and responsibilities in the Company of each proposed Director who is an existing Director, are

described in “3.(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Audit & Supervisory Board Members (KANSAYAKU)” of the Business Report.

Proposal No. 3: Election of One (1) Audit & Supervisory Board Member (KANSAYAKU)

Upon the close of the Meeting, the term of office of Mr. Fujio Okada as Audit & Supervisory Board Member (KANSAYAKU) will expire. It is proposed that one Audit & Supervisory Board Member (KANSAYAKU) be elected. The consent of the Audit & Supervisory Board (KANSAYAKU-KAI) for this Proposal has been obtained.

The candidate is as follows:

<table>
<tr><th>Name
(Date of Birth)</th><th colspan="2">Brief Employment History</th><th>Number of the Company's Shares Held</th></tr>
<tr><td rowspan="2">Hajime Kinoshita
(August 2, 1957)

*New candidate</td><td>April 1982
April 2008
April 2013

April 2014
April 2016
April 2017</td><td>Joined the Company
General Manager, Legal Division
Senior Vice President and General Manager, Internal Control Division
Senior Vice President
Executive Vice President
Advisor (to present)</td><td rowspan="2">30,000</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
He has extensive experience and sufficient performance records, having had been engaged in the management of legal affairs at the Company’s corporate departments, and in the management of legal and internal control affairs as Executive Vice President. The Company has nominated him as a candidate for Audit & Supervisory Board Member (KANSAYAKU) considering that he is appropriate to audit and supervise the execution of Directors by his extensive experience and knowledge of legal and internal control affairs.</td></tr>
</table>

Proposal No. 4: Introduction of Performance-based Stock Compensation Plan for Directors

1. Reasons for Proposal and justifying such compensation

The remuneration for the Company's directors (excluding outside directors; the "Applicable Directors") consists of monthly remunerations and bonuses. In addition to the bonuses based on short-term performance, the Company intends to introduce a new performance-based stock compensation plan (the "Plan") for the Applicable Directors based on the mid- and long-term performance of them.

The purpose of the Plan is to encourage the Applicable Directors to contribute to an improvement in Company's mid- and long-term performance and its corporate value by clarifying the link between remuneration of the Applicable Directors and the Company's performance as well as the value of Company shares, and by sharing with the shareholders not only the benefits of rising stock prices but also the risks associated with falling stock prices, and therefore, the Company understands that the introduction of the Plan is justified.

The Company seeks the approval of this Proposal for additional remuneration, separately from the bonuses, and the maximum remuneration (65,000,000 yen/ per month) for directors which was resolved at the 153rd Ordinary General Meeting of Shareholders held on June 27, 1991.

If the Proposal No.2 "Election of Eleven (11) Directors" is approved as originally proposed, the number of the Applicable Directors eligible for receiving remunerations under the Plan will be six (6).

2. Amount and details, etc. of remuneration, etc. under the Plan

(1) Outline of the Plan

This Plan is a stock compensation scheme, under which the Company grants to the Applicable Directors the points which are determined based on their titles and the level of the achievement of specific performance targets set in line with the Mid-term Management Plan. Then, the Company shares equivalent to the number of points granted (however, part of which shall be an amount of cash equivalent to the Company shares as converted and disposed of (the "Company Shares, etc.")) shall be granted and paid out ("Grant, etc.") to the Applicable Directors. Under the Plan, a trust (the "Trust") shall be established with the monies contributed by the Company, and in accordance with the instructions of the trust administrator, the Trust shall acquire Company shares on the stock market or by subscribing to treasury shares to be disposed of by the Company and Grant, etc. the Company Shares, etc. to the Applicable Directors.

i) Eligible Persons for the Grant, etc. of the Company Shares, etc. under this Proposal

the Applicable Directors

ii) Target Period

Three (3) fiscal years under the Mid-term Management Plan

However, the first Target Period after the introduction of the Plan (the "Initial Target Period") shall be from the date of the start of the Plan to March 31, 2019.

iii) Influence of the Company Shares, etc. subject to this Proposal on the total number of issued Company shares

a. Maximum sum to be contributed by the Company to the Trust	200,000,000 yen for the Target Period of three (3) fiscal years
b. Maximum number of the Company Shares, etc. to be Granted, etc. from the Trust to the Applicable Directors	880,000 shares for the Target Period of three (3) fiscal years. (88,000 shares if the Proposal No. 1 “Share Consolidation” is resolved as originally proposed)
c. Ratio of the maximum number of the Company Shares, etc. to be Granted, etc. by the Trust against the total number of issued Company shares	Approximately 0.04% for the Target Period of three (3) fiscal years
d. Method of acquiring Company shares by the Trust	Company shares shall be acquired through transactions on the stock market or from the Company (disposal of Company treasury shares).

Note: The ratio mentioned in c. above shall be determined by calculating the ratio of the Company Shares, etc. to be granted by the Trust to the total number of issued Company shares (excluding treasury shares) as of March 31, 2017, and the ratio thus determined is shown after being rounded up to two (2) decimal place. This ratio will change accordingly as the total number of issued shares changes.

iv) Details of the linkage to performance under the Plan

a. Performance appraisal index: Consolidated operating income, consolidated ROE (Return On Equity), etc. for each Target Period
b. Range of fluctuations in performance-based allotment rate: The performance-based allotment rate will fluctuate within the range of 0% to 100% according to the performance appraisal indexes for each Target Period.

v) Timing of Grant, etc. of the Company Shares, etc. to the Applicable Directors

In principle, after the expiry of each Target Period

(2) Maximum sum to be contributed to the Trust

i) Operation A:

In the first fiscal year of the Initial Target Period, the Company shall contribute, for the Plan, monies for acquiring shares up to a total of 200,000,000 yen and establish the Trust for a period ending the last day of August 2019. The Company may extend the trust period of the Trust, every three (3) years, for the subsequent Target Period of three (3) fiscal years following the expiry of the Initial Target Period, subject to the resolutions of the Board of Directors (including the case where the trust period will be substantially extended by transferring the trust assets under the Trust to any other trust having the same purpose as the Trust; the same applies hereinafter). In the first fiscal year of each Target Period, the Company may make an additional contribution up to 200,000,000 yen. The same applies thereafter.

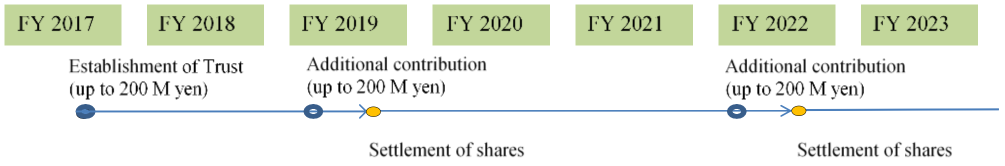
ii) Operation B:

In place of Operation A as described in i) above, the Company may extend the trust period, every year, for the Target Period that will start after April 1, 2018 and make an additional contribution up to 200,000,000 yen in the first fiscal year of each Target Period.

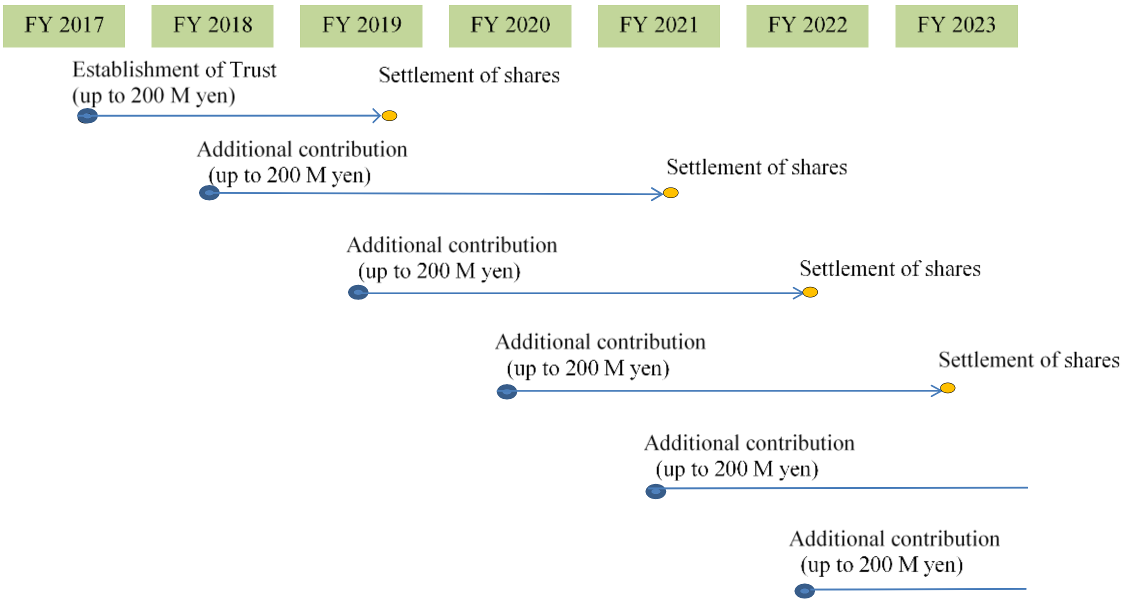
Note: The Company shall contribute to the Trust, in addition to monies for acquiring shares, the estimated amount of trust remuneration, remuneration for the trust administrator, and other necessary expenses.

For reference, the Plan is illustrated in the following diagram:

i) Operation A



ii) Operation B



(3) Calculation method and maximum of the number of Company Shares to be granted to the Applicable Directors

The number of the Company shares (including shares which will be converted and disposed of) to be granted to the Applicable Directors shall be calculated on the basis of the points granted to the Applicable Directors in accordance with their titles and the level of the achievement of performance targets set with the Mid-term Management Plan for the Target Period.

The Company shall grant to the Applicable Directors the number of points to be calculated using the following formula, in principle, after the expiry of each Target Period in accordance with the rules for granting Company shares (the "Rules") to be established by the Board of Directors (*1). However, the upper limit to the total number of points to be granted by the Company to the Applicable Directors shall be 880,000 points per Target Period (88,000 points if Proposal No. 1 "Share Consolidation" is resolved as originally proposed).

<Calculation formula>

("Number of granting shares based on the Applicable Directors' titles" (*2)) x ("Performance-based allotment rate" (*3))

*1: In the event of the resignation of the Applicable Director (excluding resignation due to his / her own convenience or resignation due to dismissal) during the Target Period, the points shall be granted as described in (4) below.

*2: "Number of granting shares based on the Applicable Directors' titles" means the number of shares to be determined in accordance with their titles. "Number of granting shares based on the Applicable Directors' titles" shall be calculated as follows:

"basic compensation" x "multiplying factors for titles of the Applicable Directors" /
"average value of closing price of Company shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the Target Period"

*3: "Performance-based allotment rate" shall be determined within the range of 0% to 100% in accordance with the performance appraisal indexes such as consolidated operating income and consolidated ROE (Return on Equity) for the Target Period.

As described in (4) below, upon expiry of each Target Period, the Trust shall grant Company shares (including shares which will be converted and disposed of) to each Applicable Director. The number of Company shares (including shares which will be converted and disposed of) to be granted to each Applicable Director shall be determined to be one (1) share for one (1) point granted to each Applicable Director for the Target Period. However, in the event that Company shares subject to a reasonable adjustment due to a share split, a share consolidation, etc., the Company may adjust with a reasonable method in accordance with such split rate, consolidation rate, etc.

(4) Method and timing of Granting, etc. the Company Shares, etc. to the Applicable Directors

The Applicable Directors may, by performing the prescribed beneficiary determination procedures, receive, in principle, after the expiry of Target Period, the Grant, etc. of the Company Shares, etc. However, as for a certain specific portion of Company shares to be specified in the Rules, such Company shares shall be sold on the stock market and converted within the Trust, and the cash shall be paid instead of Company shares. Furthermore, if Company shares within the Trust are converted into cash such as when a tender offer is accepted and settled with respect to such shares, the Company shall pay in money instead of the shares.

Further, in the event of the resignation of the Applicable Director (excluding resignation due to his / her own convenience or resignation due to dismissal) during the Target Period, the number of points prorated in accordance with the elapsed years, their titles and the level of the achievement of performance targets during the relevant Target Period shall be granted to such Applicable Directors at the time of resignation, and in turn the Company Shares, etc. that is equivalent to the number of points shall be Granted, etc. to the Applicable Directors. Furthermore, in the event of death of any of the Applicable Directors during the Target Period, the Company Shares, etc. that is equivalent to the number of points as prorated in accordance with the elapsed years, their titles and the level of the achievement of performance targets during the relevant Target Period shall be sold and converted, and the cash shall be paid to their bereaved families.

(5) Exercising voting rights related to Company shares in the Trust

Voting rights related to Company shares in the Trust will not be exercised during the trust period to ensure the neutrality to the management of the Company.

(6) Other contents of the Plan

Other contents of the Plan shall be determined by the resolution of the Board of Directors or in the Rules. Further, the establishment of the Trust and any additional contribution to the Trust and the amendment or abolition of the Rules shall be determined by the resolution of the Board of Directors to the extent that shall not be inconsistent with Company's Articles of Incorporation or resolution of any General Meeting of Shareholders.

(Reference: Structure of the Plan)

① Name: Share Settlement Trust

② Trustor: the Company

③ Trustee: Sumitomo Mitsui Trust Bank, Limited

④ Beneficiaries: The Applicable Directors fulfilling the beneficiary requirements

⑤ Trust administrator: A third party who does not have any interest in the Company will be appointed (planned).

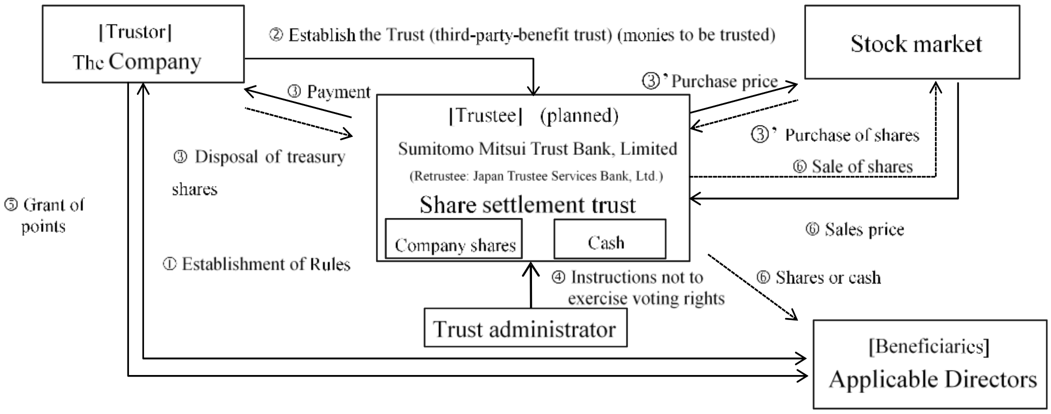
⑥ Type of trust: Trust of money other than money trust (third-party-benefit trust)

⑦ Effective date of trust agreement: August 2017 (planned)

⑧ Date at which monies will be trusted: August 2017 (planned)

⑨ Period of trust: August 2017 (planned) to August 2019 (planned)

<Structure of the Trust>



① The Company shall establish the Rules which will be applied to the Applicable Directors.

② The Company shall establish a share settlement trust (third-party-benefit trust) for the Applicable Directors. At this time, the Company shall entrust to the trustee the monies for acquiring shares (the amount of which shall be within the upper limit approved at the General Meeting of Shareholders.)

③ The Trustee shall collectively acquire Company shares equivalent to the number of shares that are expected to be settled in the future. (The Trustee shall acquire those shares through the stock market or by means of subscribing to the Company's treasury shares to be disposed of by the Company.)

④ The Company and the Trustee shall appoint a trust administrator (who is a person independent of the Company and its directors and officers) who shall protect the interests of the beneficiaries subject to the Rules and supervise the Trustee throughout the trust period.
With regards to Company shares deposited in the Trust, the trust administrator gives instructions to the Trustee not to exercise voting rights, and the Trustee will not exercise voting rights throughout the trust period in accordance with such instructions of the trust administrator.

⑤ The Company shall grant points to the Applicable Directors in accordance with the Rules.

⑥ Those Applicable Directors, meeting the requirements described in the Rules and the trust agreement, may receive, as beneficiaries under the Trust, Company shares which shall be equivalent to the number of points granted. Further, in any of the cases provided for in advance in the Rules or the trust agreement, a part of Company shares to be settled shall be sold on the stock market, and the cash proceeds shall be paid out instead.
It should be noted that Sumitomo Mitsui Trust Bank, Limited, which will be the Trustee will entrust (retrust) the management of the trust assets to Japan Trustee Services Bank, Ltd.

BUSINESS REPORT

(For the period from April 1, 2016 to March 31, 2017)

1. Review of Operations

(1) Development and Results of Operations of the NEC Group

Overview

The overall pace of growth for the worldwide economy slowed during the business period from April 1, 2016 to March 31, 2017 ("this Business Period") as the growth rate slowed to a certain degree in advanced countries, such as the United States and Europe, due to the expansion of political uncertainty, such as the United Kingdom's decision to withdraw from the European Union, and the growth of emerging countries leveled off due to the influence of cheaper resources.

As for the Japanese economy, although there was a decrease in public investment, an increase in both capital investment due to solid corporate performance and housing investment resulted in positive growth.

Under this business environment, the NEC Group worked on reforms based on the challenges from the previous business period and continuously focused on Solutions for Society, based on the two management policies of an "Earnings structure rebuilding plan" and "Returning to growth" outlined in the "Mid-term Management Plan 2018" announced in April 2016.

In terms of the "Earnings structure rebuilding plan," the Company took measures for (1) Responding to struggling businesses and unprofitable projects, (2) Acceleration of operational reform projects, and (3) Optimization of development and production functions.

Regarding the aim of the Responding to struggling businesses and unprofitable projects, the Company promoted a shift in the allocation of personnel in order to optimize resources for the underperforming Smart Energy business. Also, the Company integrated the Smart Energy business for domestic power electric companies into the business for electric power companies belonging to the Public Business to strengthen the sales structure. In terms of compact energy storage, the Company promoted review of its development structure for hardware. However, due to the restrained investment by electric power companies and intensified competition, the Company was unable to achieve the improvement plan formulated at the beginning of this Business Period for profit and loss from the Smart Energy business. In relation to restraining unprofitable projects, the Company strengthened its project risk management system. As a result, losses for both IT projects in the Public Business and international projects in the Telecom Carrier Business decreased, however, new losses arose from social infrastructure projects in the Public Business and international projects in the Others.

Regarding the Acceleration of operational reform projects, the Company improved staff efficiency and promoted efficiency in overhead and IT costs with NEC Management Partner, Ltd. playing a central role, and reduced costs by approximately 14 billion yen, almost as planned, in comparison to the previous business period.

In terms of the Optimization of development and production functions, on April 1, 2017 the Company reorganized and integrated its domestic hardware development and production subsidiaries, as well as its software development subsidiaries in Japan.

With regard to "Returning to growth," in order to promote the globalization of the Solutions for Society business, the Company worked to expand (1) Safety business (surveillance, cyber security), (2) Global carrier network business (TOMS (Telecom Operation & Management Solutions), SDN / NFV (Software-Defined Networking / Network Functions Virtualization)), and (3) IT Service business for retailers.

In the Safety business, the Company took measures to contribute to ensure safety and security by capitalizing on its strengths with authentication technologies and the understanding of events as they take place in real-time by utilizing the operational know-how from its Security Operations Center. Specifically, the Company provided a facial recognition system for immigration examinations to John F. Kennedy International Airport in New York, the United States. Also, the adoption of the Company's biometrics systems expanded in Australia throughout federal agencies, state police and other institutions. Furthermore, the 2017 benchmark test of video face recognition technologies carried out by the globally influential National Institute for Standards and Technology in the United States evaluated the Company's technologies as the world's most accurate, with a matching accuracy of 99.2%, far surpassing the accuracy of other companies. Including previous benchmark tests of still image face recognition technologies, this is the 4th consecutive time that the Company ranked number one. Moreover, NEC Latin America S.A., a subsidiary of the Company, acquired the Brazil-based IT Security company of Arcon Informatica S.A., who has major customers such as government agencies, in order to expand the IT Service business in Brazil, including the Safety business.

In terms of the Global carrier network business, the Company worked to enable telecommunications carriers to quickly implement advanced communications services by capitalizing on its strengths that include the provision ability and customer foundation of TOMS and commercial experience of SDN / NFV. Specifically, the Company started offering AVP (Agile Virtualization Platform and Practice), a solution that supports the introduction of SDN / NFV systems as well as their integration with existing systems, and acquired 10 SDN / NFV commercial projects for major telecommunications carriers, such as those in Europe, the Middle East and North America.

Regarding the IT Service business for retailers, the Company took measures for enabling safe, secure and efficient store management for 24 hours a day, 365 days a year as well as further improving consumers' convenience, by capitalizing on its strength and accomplishments in providing services for major convenience stores. Specifically, the Company made efforts to strengthen solutions for the reinforcement of lifecycle management for IT services, including system planning, development, installation and maintenance, in addition to strengthening solutions that provide new value, such as an omni-channel environment, where goods can be purchased, regardless of sales and distribution channels, efficient operations for the distribution and service industries and the management of facilities and equipment. Furthermore, the United States–based company of 7-Eleven, Inc. selected the Company as a vendor to provide point-of-sale (POS) systems and maintenance services for approximately 8,600 stores throughout the United States and Canada.

In addition to these, the Company established a new technology brand, "NEC the WISE," supporting the AI (Artificial Intelligence) and IoT (Internet of Things) domains which will be key differentiators for the Solutions for Society business of the Company, and promoted the development and utilization of related technologies. Also, the Company cooperated with institutions, including the National Institute of Advanced Industrial Science and Technology, Osaka University, the University of Tokyo and RIKEN, in the creation of value that capitalizes on AI for societies of the future. Moreover, the Company formed a comprehensive alliance in the IoT field with United States-based General Electric Company, and began cooperation with DENSO Corporation in the fields of advanced driving support, automatic driving and manufacturing that utilize AI and IoT. Also, in order to strengthen cooperation in growth areas, such as IoT and automatic driving, the Company implemented a tender offer for shares of common stock of Japan Aviation Electronics Industry, Limited, making it a consolidated subsidiary.

Despite these efforts, on January 30, 2017, the Company revised its forecasts downward for this Business Period. Based on these circumstances, the Company will promote reforms with the aim of further improvement of management speed in order to quickly respond to changes in the market environment and customer trends.

The NEC Group adopted International Financial Reporting Standards (IFRS) for its consolidated financial statements starting from this Business Period. Figures and comparison figures for the previous business period are also presented in accordance with IFRS.

The NEC Group recorded consolidated revenue of 2,665.0 billion yen for the year ended March 31, 2017, a decrease of 159.8 billion yen (-5.7%) year-on-year. This decrease was mainly due to decreased sales in the Telecom Carrier Business and the Public Business.

Regarding profitability, operating profit (loss) worsened by 49.6 billion yen year-on-year, to an operating profit of 41.8 billion yen, mainly due to a decrease in gross profit caused by a decrease in revenue, despite efforts to reduce selling, general and administrative expenses.

Income (loss) before income taxes was a profit of 68.1 billion yen, a year-on-year worsening of 18.5 billion yen. This was primarily due to the worsening of operating profit (loss) despite the increase of gain on sales of affiliates' stocks.

Net profit (loss) attributable to owners of the parent was a profit of 27.3 billion yen, worsening by 48.6 billion yen year-on-year. This was primarily due to the worsening of Income (loss) before income taxes and increased income taxes.

For the fiscal year ended March 31, 2017, the Company declared an annual dividend of 6 yen per share of common stock.

Review of Operations by Business Segments and Major Business

The NEC Group's primary business consists of four business segments: the Public, Enterprise, Telecom Carrier, and System Platform businesses. The followings are major services and products, and a review of the financial results for each business segment of the NEC Group for this Business Period.

Public Business

Major Services and Products
● Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment
Examples of Solutions by Business Sector / Industry
● Government: Social Security and Tax Systems, Fingerprint Identification Systems, Air Traffic Control Systems, Satellite Communications / Earth Observation, Field Communication Systems ● Public: Local Government Systems, School / Education Systems, Postal Tracking Systems, Firefighting Command Systems, Wireless Digital Firefighting and Emergency Equipment, Disaster Prevention Systems, Traffic Control Systems, Railroad Communication Systems, Infrastructure Surveillance / Energy Management ● Healthcare: Electric Medical Record Systems, Regional Healthcare Information Network ● Finance: Bank Settlement Systems, Business Branch Systems, Insurance and Securities Infrastructure Systems, Insurance and Securities Channel Systems ● Media: TV Program Production / News Production / Transmission Systems, Digital TV Transmitters

In the Public Business, revenue was 736.0 billion yen, a decrease of 35.6 billion yen (-4.6%) year-on-year, mainly due to decreased demand for the digitalization of fire and emergency radio in the public sector, despite Japan Aviation Electronics Industry, Limited becoming a consolidated subsidiary from the fourth quarter of this Business Period.

Operating profit (loss) worsened by 11.3 billion yen year-on-year, to an operating profit of 46.0 billion yen, mainly owing to decreased sales and decreased profitability of the space business.

Enterprise Business

Major Services and Products
● Systems Integration (Systems Implementation, Consulting), Maintenance and Support, and Outsourcing / Cloud Services
Examples of Solutions by Business Sector / Industry
● Manufacturing: Global SCM Systems, Product Lifecycle Management Systems, Production Management Systems, Sales Management Systems ● Retail and Services: Retail Systems for Stores and Head Offices, Logistics Management Systems

In the Enterprise Business, revenue was 306.3 billion yen, an increase of 5.9 billion yen (2.0%) year-on-year, mainly due to strong sales for manufacturing industries.

Operating profit (loss) is almost the same, year-on-year, for an operating profit of 23.9 billion yen.

Telecom Carrier Business

Major Services and Products
● Network Infrastructure for Telecom Carriers Core Network, Mobile Phone Base Stations, Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Optical Transmission Systems, Routers / Switches, Mobile Backhaul ("Pasolink") ● Services & Management for Telecom Carriers Telecom Operations and Management Solutions (TOMS), Services / Solutions

In the Telecom Carrier Business, revenue was 611.6 billion yen, a decrease of 85.9 billion yen (-12.3%) year-on-year, mainly due to sluggish capital investment by domestic and international telecommunications carriers and the influence of the strong yen.

Operating profit (loss) worsened by 27.1 billion yen year-on-year, to an operating profit of 19.5 billion yen, mainly due to decreased sales and the influence of the strong yen.

System Platform Business

Major Services and Products
● Hardware Servers, Mainframes, Supercomputers, Storage, Business PCs, Tablet Devices, POS, ATMs, Control Equipment, Wireless LAN Routers, Displays, Projectors ● Software Integrated Operation Management, Application Servers, Security , Database Software ● Enterprise Network Solutions IP Telephony Systems, WAN / Wireless Access Equipment, LAN Products ● Services Data Center Infrastructure, Maintenance and Support

In the System Platform Business, revenue was 719.8 billion yen, a decrease of 8.8 billion yen (-1.2%) year-on-year, mainly due to decreased sales in hardware and enterprise networks.

Operating profit (loss) decreased by 2.3 billion yen year-on-year, to an operating profit of 29.4 billion yen, mainly due to decreased sales.

Others

Major Services and Products
● Biometric Solutions (such as Face Recognition, Fingerprint Identification), Surveillance ● Smart Energy ● Lighting Equipment

In the Others, revenue was 291.3 billion yen, a decrease of 35.5 billion yen (-10.9%) year-on-year, mainly due to decreased sales in the Smart Energy business.

Operating profit (loss) improved by 4.0 billion yen year-on-year, to an operating loss of 14.2 billion yen, mainly owing to improved profitability in the Smart Energy business, despite worsened profitability in international business.

(2) Capital Expenditures of the NEC Group

The total capital expenditures of the NEC Group amounted to 31.5 billion yen during this Business Period. Major capital expenditures included investment in equipment related cloud services, equipment for development of software and networking products and equipment for development and production of defense system and satellite system.

(3) Research and Development of the NEC Group

The main achievements in research and development of the NEC Group for this Business Period are as follows:

(i) Development of AI technology that automatically estimates detailed customer profiles on individual customers, without the involvement of marketing experts

In the marketing field, in addition to mass marketing which targets all consumers, the focus is on "individualized" marketing which facilitates product development and sales strategy in line with customer interests, buying tendencies, and values, based on individual customer profiles. "Individualized" marketing requires detailed profile information that is difficult to obtain, including the customer's occupation, preferences, and income (detailed profile). Traditionally, detailed profiles were estimated from relatively easily obtained information such as age and gender (basic profile) and purchase histories, but there were issues in the accuracy and required time.

Through its unique relationship mining technologies, the Company developed an AI-based "Customer Profile Estimation Technology" that automatically estimates detailed profiles on individual customers based on customers' basic profile and purchase histories. As a result, the Company has confirmed that an analysis that would take marketing experts three months to complete can be carried out in three days, and to a degree of precision that surpasses those experts.

Moving forward, the Company will pursue research and development of the technology, aiming to provide it in the retail and distribution sectors, including department stores, supermarkets, convenience stores, e-commerce sites and point card systems.

(ii) Development of real-time, high-precision line-of-sight detection from remote locations

Recently, there has been a move in various fields to utilize technology which detects line-of-sight in real time. Conventional technologies can estimate an individual's line-of-sight only by using specialized devices equipped with infrared lights and advanced cameras, and detection is only possible from a short distance.

The Company has developed a "Remote Gaze Detection Technology" that enables real-time, high-precision detection of the direction multiple individuals are looking even from remote locations, using only common cameras installed in the street or in stores.

The Company is promoting the many uses of this technology, such as detecting the line-of-sight of pedestrians to help optimize the placement of evacuation signs on streets, contributing to the safety and security of communities as a tool for monitoring the behavior of suspicious individuals, and contributing to marketing research on popular products or contents by determining the move of the gaze direction of customers in stores or watching digital signage.

(4) Financing Activities of the NEC Group

There was no material fund procurement by means of issuance of shares nor bonds by the NEC Group during this Business Period.

(5) Material Reorganization, etc.

(i) In order to strengthen its IT services in Brazil, as of October 3, 2016, NEC Latin America S.A. acquired Arcon Informatica S.A., a Brazil-based IT security business company, and changed the name of such company to NEC Solucoes de Seguranca Cibernetica Brasil S.A.

(ii)In order to strengthen cooperation in growth fields such as IoT and automatic driving, the Company conducted a tender offer targeting the common stock of Japan Aviation Electronics Industry, Limited, an equity method affiliate of the Company. As a result, the percentage of the Company's voting rights reached 50.77% (including the number of voting rights represented by the shares attributable to the Company's employee retirement benefit trust for which the Company retains the authority to give instructions on the exercise of voting rights), and Japan Aviation Electronics Industry, Limited became a consolidated subsidiary as of January 23, 2017.

(6) Challenges to be Addressed by the NEC Group

The NEC Group aims to be "a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth."

In the "Mid-term Management Plan 2018" announced in April 2016, the NEC Group put forth a management policy consisting of (1) Earnings structure rebuilding plan, and (2) Returning to growth, and is pursuing the following initiatives.

(i) Earnings structure rebuilding plan

The NEC Group aims to establish an earnings structure for realizing a 5% operating income. Specifically, the NEC Group will restructure the Smart Energy business and reinforce project management strength as part of suppressing losses from unprofitable projects. Moreover, the NEC Group will promote the acceleration of operational reform projects and work to strengthen the management platform to globally support the competitiveness of the NEC Group.

(ii) Returning to growth

The NEC Group aims to drive the globalization of the Solutions for Society business. Specifically, in order to achieve business expansion, the NEC Group has defined (i) Safety business (surveillance, cyber security), (ii) Global carrier network business (TOMS, SDN / NFV) and (iii) IT Service business for retailers as its core business areas, and concentrates resources on these potentially growing areas.

This Business Period was the first year of the "Mid-term Management Plan 2018," however, the NEC Group downwardly revised its consolidated financial forecasts on January 30, 2017. Given this, the NEC Group will promote reforms with the aim of further improvement of management speed in order to quickly respond to changes in the market environment and customer trends.

Specifically, the NEC Group revises the creation process of both its Mid-term Management Plan and its annual budget, and is accelerating the process from strategy creation to implementation. Furthermore, in order to promote its business based on a company-wide, cross-sectional strategy, the NEC Group accelerates its decision-making process by advancing the delegation of authority to Chief Officers and expanding and clarifying their roles, authority, and responsibility.

In the domestic business, the NEC Group is implementing reforms of struggling businesses and building a strong domestic earnings platform by improving business profitability. Furthermore, in the overseas business, by continuing investments geared toward achieving global competitiveness, as well as expanding the scale of businesses and improving profitability utilizing M&A, the NEC Group will further promote its three (3) core businesses. Additionally, the NEC Group is formulating a new strategy to expand business in overseas growth fields utilizing the Company's core assets. In implementing these policies, the NEC Group will continuously review its business portfolio, selecting and concentrating on highly profitable businesses.

In July 2016, the Company was recognized by the Japan Fair Trade Commission for having violated Act on Prohibition of Private Monopolization and Maintenance of Fair Trade ("Antimonopoly Act") with respect to transactions with Tokyo Electric Power Co., Inc. (currently Tokyo Electric Power Company Holdings, Incorporated) on telecommunications equipment for electric power systems, and in February 2017, the Company received Cease and Desist Orders and Surcharge Payment Orders from the Japan Fair Trade Commission for activities in violation of the Antimonopoly Act with respect to transactions for wireless digital emergency firefighting equipment, and with respect to transactions for hybrid optical communication equipment and equipment for transmission lines for Chubu Electric Power Co., Inc.

The NEC Group regards compliance as one of the most important management issues, and the NEC Group makes every effort to observe compliance and to continuously establish and implement its internal control system. In light of the above events, in addition to repeated messages by top management on compliance, the NEC Group has reviewed the contents and methods of its fair trade education and its internal review and monitoring system for fair trade, working to reform employee awareness. Going forward, by constantly reviewing its compliance system, the NEC Group will increase its efforts to thoroughly prevent reoccurrence and to recover trust.

The NEC Group will devote its full attention to contributing to the safety, security, efficiency and equality of society and to accelerating its growth and transformation to a "Social Value Innovator."

(7) Changes in the Results of Operations and the Financial Position

(i) Changes in the Results of Operations and the Financial Position (Consolidated)

(IFRS) (In billions of yen except per share figures)

Indices / Fiscal Year	Fiscal Year ended March 31, 2016 (178th Business Period)	Fiscal Year ended March 31, 2017 (179th Business Period)
Revenue	2,824.8	2,665.0
Operating Profit (loss)	91.4	41.8
Income (loss) before income taxes	86.6	68.1
Net profit (loss) attributable to owners of the parent	75.9	27.3
Basic earnings per share (yen)	29.22	10.51
Total assets	2,528.9	2,684.0
Equity attributable to owners of the parent	769.8	854.3

(Japanese accounting standards) (In billions of yen except per share figures)

Indices / Fiscal Year	Fiscal Year ended March 31, 2014 (176th Business Period)	Fiscal Year ended March 31, 2015 (177th Business Period)	Fiscal Year ended March 31, 2016 (178th Business Period)
Net sales	3,043.1	2,935.5	2,821.2
Ordinary income (loss)	69.2	112.1	82.7
Profit (loss) attributable to owners of the parent	33.7	57.3	68.7
Net income (loss) per share (yen)	12.99	22.05	26.45
Total assets	2,505.3	2,620.7	2,493.4
Net assets	767.7	884.2	852.5

Note: 1. From 179th Business Period, the NEC Group adopted International Financial Reporting Standards (IFRS) for its consolidated financial statements pursuant to Article 120, Paragraph 1 of the Ordinance on Company Accounting. Figures and comparison figures for 178th Business Period are also presented in accordance with IFRS.

2. "Basic earnings per share" is adopted *International Accounting Standard (IAS) 33 regarding "Earnings per Share"* and calculated based on the weighted-average number of shares outstanding during each period.

3. "Net income (loss) per share" is adopted *"Accounting standard regarding the net income per share"* (Statement No.2 of Accounting Standards Board of Japan) and *"Implementation Guidance for the application of the accounting standard regarding the net income per share"* (Implementation Guideline No.4 of Accounting Standards Board of Japan) and calculated based on the weighted-average number of shares outstanding during each period.

(ii) Changes in the Results of Operations and the Financial Position (Non-Consolidated)

(In billions of yen except per share figures)

Indices \ Fiscal Year	Fiscal Year ended March 31, 2014 (176th Business Period)	Fiscal Year ended March 31, 2015 (177th Business Period)	Fiscal Year ended March 31, 2016 (178th Business Period)	Fiscal Year ended March 31, 2017 (179th Business Period)
Net sales	1,902.4	1,919.6	1,820.1	1,679.4
Ordinary income (loss)	46.7	56.0	28.6	0.7
Net income (loss)	67.6	55.6	42.1	9.5
Net income (loss) per share (yen)	26.02	21.39	16.18	3.65
Total assets	2,143.7	2,223.6	2,069.8	1,988.0
Net assets	617.9	671.3	692.6	702.2

Note: “Net income (loss) per share” is calculated based on the weighted-average number of shares outstanding during each period.

(8) Parent Company and Principal Subsidiaries

(i) Parent Company

The Company has no parent company.

(ii) Principal Subsidiaries

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
	(Millions of yen)	(%)	
NEC Platforms, Ltd.	10,332	100	Development, manufacture, sale and maintenance of information and communications systems equipment, etc. and provision of systems integration services etc.
NEC Fielding, Ltd.	9,670	100	Installation and maintenance of computers and network systems
NEC Solution Innovators, Ltd.	8,669	100	Provision of systems integration services, etc., and development of software
NEC Display Solutions, Ltd.	3,000	100 (0.04)	Development and manufacture of monitors and projectors, and provision of image display solutions
NEC Communication Systems, Ltd.	1,000	100	Development of network systems-related software and equipment
NEC Network Products, Ltd.	400	100	Development, manufacture and maintenance of communications equipment, etc.
NEC Networks & System Integration Corporation	13,122	38.4	Design, construction and maintenance of information and communications systems, installation of telecommunications systems, and sale of information and communications equipment, etc.
Japan Aviation Electronics Industry, Limited	10,690	35.2	Manufacture and sale of connectors and electronic devices for avionics and aerospace, etc.

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
Nippon Avionics Co., Ltd.	5,895	53.8	Development, manufacture and sale of information systems, electronic devices and electronic components
	(U.S. dollars)	(%)	
NEC Corporation of America (U.S.A.)	27	100	Regional representative and supervising operation in North America, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of Sterling pound)		
NEC Europe Ltd. (U.K.)	146,507	100	Regional representative and supervising operation in Europe, the Middle East and Africa, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of Singapore dollars)		
NEC Asia Pacific Pte. Ltd. (Singapore)	80,280	100	Regional representative and supervising operation in Asia Pacific, sale of computers-related equipment and communications equipment, and provision of systems integration services, etc.
	(Thousands of U.S. dollars)		
NEC (China) Co., Ltd. (People's Republic of China)	171,255	100	Regional representative and supervising operation in Greater China
	(Thousands of Brazilian real)		
NEC Latin America S.A. (Brazil)	328,282	100	Regional representative and supervising operation in Latin America, sale of communications equipment and provision of systems integration services, etc.

Notes: 1. Parenthetical figures indicate the percentage of shares held indirectly by the Company.

2. The figure for the Company’s shareholding ratio of NEC Networks & System Integration Corporation shown above does not account for 6,400,000 (12.9%) shares that were contributed by the Company as part of employee pension trust. The voting rights of such shares will be exercised at the instruction of the Company pursuant to the terms of the trusts indentures.

3. The figure for the Company’s shareholding ratio of Japan Aviation Electronics Industry, Limited shown above does not account for 13,800,000 (15.0%) shares that were contributed by the Company as part of employee pension trust. The voting rights of such shares will be exercised at the instruction of the

Company pursuant to the terms of the trusts indentures.

4. On April 1, 2017, NEC Platforms, Ltd. merged with NEC Network Products, Ltd., NEC Yamanashi, Ltd. and NEC Engineering, Ltd. and succeeded to development business of network infrastructure devices from NEC Communication Systems, Ltd. by the absorption-type company split.
5. NEC Solution Innovators, Ltd. merged with NEC Software Okinawa, Ltd. on April 1, 2016, and merged with NEC Informatec Systems, Ltd. on April 1, 2017.

(9) Principal Offices of the NEC Group, etc.

Head Office	Minato-ku, Tokyo
Branch Divisions	Hokkaido Branch Division (Sapporo) Tohoku Branch Division (Sendai) Kanto-Koshinetsu Branch Division (Saitama) Minami-Kanto Branch Division (Yokohama) Tokai Branch Division (Nagoya) Hokuriku Branch Division (Kanazawa) Kansai Branch Division (Osaka) Chugoku Branch Division (Hiroshima) Shikoku Branch Division (Takamatsu) Kyushu Branch Division (Fukuoka)
Plants	Tamagawa Plant (Kawasaki) Fuchu Plant (Fuchu, Tokyo) Sagamihara Plant (Sagamihara) Abiko Plant (Abiko)
Domestic Manufacturing Center	Japan Aviation Electronics Industry, Limited (Akishima, etc.) NEC Network and Sensor Systems, Ltd. (Hidaka, etc.) OCC Corporation (Kitakyushu, etc.) NEC Network Products, Ltd. (Fukushima, etc.) NEC Platforms, Ltd. (Kofu, etc.) NEC Energy Devices, Ltd. (Sagamihara)
Overseas Subsidiaries	NEC Corporation of America (U.S.A.) NEC Europe Ltd. (U.K.) NEC Asia Pacific Pte. Ltd. (Singapore) NEC (China) Co., Ltd. (People's Republic of China) NEC Latin America S.A. (Brasil)

(10) Employees

(i) Employees of the NEC Group

Segment	Number of Employees
Public Business	14,517
Enterprise Business	7,761
Telecom Carrier Business	23,748
System Platform Business	18,051
Others	43,652
Total	107,729

(ii) Employees of the Company

Number of Employees	Increase (Decrease) from March 31, 2016	Average Age	Average Years of Employment
21,444	(791)	43.1	18.8

(11) Major Borrowings

(In millions of yen)

Creditors	Balance of Borrowings
Sumitomo Mitsui Banking Corporation	92,512
Sumitomo Mitsui Trust Bank, Limited	57,835
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	38,829
Mizuho Bank, Ltd.	32,705

2. Shares and Shareholders of the Company

(1) Total Number of Authorized Shares 7,500,000,000 shares

(2) Total Number of Shares Issued 2,604,732,635 shares
(including treasury stock of 6,086,347 shares)

(3) Number of Shareholders 200,152

(4) Major Shareholders (Top 10) (In thousands of shares)

Name of Shareholders	Number of Shares Held	Shareholding Ratio
Japan Trustee Services Bank, Ltd. (Trust Account)	123,516	4.75%
The Master Trust Bank of Japan, Ltd. (Trust Account)	116,590	4.49%
Nomura International (Hong Kong) Limited – Unclaimed Client Account	78,141	3.01%
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	59,617	2.29%
Bnymsanv As Agent / Clients Lux Ucits Non Treaty 1	58,250	2.24%
NEC Employee Shareholding Association	52,439	2.02%
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	50,513	1.94%
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	42,833	1.65%
Nippon Life Insurance Company	41,977	1.62%
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	41,414	1.59%

Note: The shareholding ratio is calculated by excluding the number of treasury stock (6,086,347 shares).

(5) Classification of Shareholders

Classification of Shareholders	Shareholding Ratio
Japanese government and local government	0.00%
Financial Institutions	30.28%
Securities Companies	2.73%
Other Corporations	3.48%
Foreign Investors	32.36%
Japanese Individuals and Others	31.15%
Total	100%

3. Matters related to Directors and Audit & Supervisory Board Members (KANSAYAKU)

(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Audit & Supervisory Board Members (KANSAYAKU)

Name	Position at the Company	Responsibility and Important Concurrent Position
Nobuhiro Endo	Chairman of the Board (Representative Director)	Company’s Management Policy and important matters relating to building NEC Group’s culture and Research and Development Outside Director, JAPAN POST INSURANCE Co., Ltd.
Takashi Niino	President (Representative Director)	CEO (Chief Executive Officer) Management of the Company's business, Corporate Auditing and Export & Import Trade Control
Takayuki Morita	Executive Vice President and Member of the Board	CGO (Chief Global Officer) Important matters relating to Global Business Strategy and Global External Affairs Outside Director, Hua Hong Semiconductor Limited
Takaaki Shimizu	Executive Vice President and Member of the Board	CMO (Chief Marketing Officer) Business Innovation
Isamu Kawashima	Executive Vice President and Member of the Board	CFO (Chief Financial Officer) Corporate Controller and Corporate Finance
Katsumi Emura	Executive Vice President and Member of the Board	CTO (Chief Technology Officer) Intellectual Properties
Takeshi Kunibe	Member of the Board	President and Chief Executive Officer, SMBC Director, SMFG Chairman, Japanese Bankers Association
Hitoshi Ogita	Member of the Board	Adviser to the Board, Asahi Group Holdings, Ltd. Outside Director, Japan Exchange Group, Inc. Outside Director, Imperial Hotel, Ltd.
Kaori Sasaki	Member of the Board	President and CEO, UNICUL International, Inc. President and CEO, ewoman, Inc. Outside Director, KOBAYASHI Pharmaceutical Co., Ltd. Outside Director, AGP Corporation
Motoyuki Oka	Member of the Board	Senior Adviser, Sumitomo Corporation Outside Director, Japan Tobacco Inc.
Kunio Noji	Member of the Board	Chairman of the Board, Komatsu Ltd. Outside Director, Ricoh Company, Ltd.
Fujio Okada	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	-
Tetsuya Fujioka	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	-
Kyoko Okumiya	Audit & Supervisory Board Member (KANSAYAKU)	Attorney at Law Outside Director, Morinaga Milk Industry Co., Ltd.
Takeshi Kikuchi	Audit & Supervisory Board Member (KANSAYAKU)	Attorney at Law
Kazuyasu Yamada	Audit & Supervisory Board Member (KANSAYAKU)	Certified Public Accountant

Notes:

1. At the 178th Ordinary General Meeting of Shareholders held on June 22, 2016, Messrs. Takayuki Morita and Katsumi Emura were newly elected as Director of the Company.
2. At the 178th Ordinary General Meeting of Shareholders held on June 22, 2016, Mr. Kazuyasu Yamada was newly elected as Audit & Supervisory Board Members (KANSAYAKU) of the Company.
3. Messrs. Takeshi Kunibe, Hitoshi Ogita, Motoyuki Oka and Kunio Noji and Ms. Kaori Sasaki are Outside Directors.
4. Ms. Kyoko Okumiya and Messrs. Takeshi Kikuchi and Kazuyasu Yamada are Outside Audit & Supervisory Board Members (KANSAYAKU).
5. The Company has notified Tokyo Stock Exchange on which the Company lists its shares, of each of Messrs. Hitoshi Ogita, Motoyuki Oka, Kunio Noji, Takeshi Kikuchi and Kazuyasu Yamada and Mss. Kaori Sasaki and Kyoko Okumiya, as independent Directors / Audit & Supervisory Board Members (KANSAYAKU).
6. Messrs. Tetsuya Fujioka and Kazuyasu Yamada have considerable expertise in finance and accounting as follows:

Tetsuya Fujioka	Accounting experience for many years and experience as General Manager of Corporate Finance Division
Kazuyasu Yamada	Extensive auditing experience as a Certified Public Accountant for many years

7. The names of Directors and Audit & Supervisory Board Members (KANSAYAKU) who retired during this Business Period, their position at the time of the retirement and the date and reasons of their retirement are as follows:

Name	Position at the time of retirement	Date of retirement (reason)
Kaoru Yano	Member of the Board	June 22, 2016 (expiration)
Junji Yasui	Member of the Board	June 22, 2016 (expiration)
Satoshi Itoh	Audit & Supervisory Board Member (KANSAYAKU)	June 22, 2016 (expiration)

8. On April 1, 2017, the positions and responsibilities of Directors were changed as follows:

Name	Position after change	Responsibility after change
Isamu Kawashima	Executive Vice President and Member of the Board (Representative Director)	CFO (Chief Financial Officer) Corporate Controller and Corporate Finance
Takayuki Morita	Executive Vice President and Member of the Board	CGO (Chief Global Officer) Corporate Alliance and important matters relating to Global Business Strategy and Global External Affairs Outside Director, Hua Hong Semiconductor Limited
Takaaki Shimizu	Executive Vice President and Member of the Board	Special assignment by President
Takeshi Kunibe	Member of the Board	President and Group Chief Executive Officer, SMFG

9. The Company has business relationship with SMBC of which Mr. Takeshi Kunibe was President and Chief Executive Officer, for sales of the Company's products, provision of services including system construction, operation and maintenance and borrowing from SMBC.

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

(i) Company Policy on Remuneration

(a) Basic Policy

For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company's basic policy on the remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU) is to set the level and system appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group.

(b) Remuneration System

1) Remuneration for Directors

Remuneration for Directors consists of fixed monthly remunerations and bonuses linked to the business results.

The fixed monthly remunerations are determined according to the positions of Directors, and the distinction of Outside Director or not, to the extent of the maximum amount approved at the General Meeting of Shareholders.

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. No bonuses are paid to Outside Directors from the viewpoint of securing their independence from the Company because the Company expects that Outside Directors play a leading role in supervision over business execution.

2) Remuneration for Audit & Supervisory Board Members (KANSAYAKU)

Remunerations for Audit & Supervisory Board Members (KANSAYAKU) are only fixed monthly remunerations and do not include bonuses linked to the business results because the responsibility of Audit & Supervisory Board Members (KANSAYAKU) is to audit performance of Directors.

The fixed monthly remunerations are determined for a full-time Audit & Supervisory Board Member (KANSAYAKU) or not, respectively, to the extent of the maximum amount approved at the General Meeting of Shareholders.

(c) Process of Determination

1) Remuneration for Directors

Remuneration for Directors is determined by the resolution of the Board of Directors, based on the results of their 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).

2) Remuneration for Audit & Supervisory Board Members (KANSAYAKU)

Remuneration for Audit & Supervisory Board Members (KANSAYAKU) is determined through discussions between Audit & Supervisory Board Members (KANSAYAKU).

(d) Links between Remuneration and the Company's Performance

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

(e) Determination of the Level of Remuneration

In order to ensure objectiveness and properness of the Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU), 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 the Company.

(f) Others

1) The Company abolished its retirement allowance system for Directors and Audit & Supervisory Board Members (KANSAYAKU) at the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006.

2) In order to promote a management improving shareholder value, the Company recommends that Directors (except for Outside Directors) purchase the Company's shares through the Director and keep the shares through the term of office of Directors.

(ii) Amounts of Remuneration for this Business Period

	Remuneration	
	Headcount	Total Amount (In millions of yen)
Directors (of which Outside Directors)	13 (5)	337 (60)
Audit & Supervisory Board Members (KANSAYAKU) (of which Outside Audit & Supervisory Board Members (KANSAYAKU))	6 (4)	96 (36)

Notes: 1. The above headcount includes two Directors and one Audit & Supervisory Board Member (KANSAYAKU) who retired at the close of the 178th Ordinary General Meeting of Shareholders held on June 22, 2016.

2. 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).

3. The maximum monthly remuneration for Audit & Supervisory Board Members (KANSAYAKU) is 12,000,000 yen (approved at the 170th Ordinary General Meeting of Shareholders held on June 23, 2008).

(3) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members (KANSAYAKU)

Name	Major Activities
Takeshi Kunibe	He attended 11 meetings of the 12 meetings of the Board of Directors held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a bank.
Hitoshi Ogita	He attended 11 meetings of the 12 meetings of the Board of Directors held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Kaori Sasaki	She attended all of the 12 meetings of the Board of Directors held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on wide range of knowledge on marketing and perspective of consumers.
Motoyuki Oka	He attended all of the 12meetings of the Board of Directors held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Kunio Noji	He attended 9 meetings of the 12 meetings of the Board of Directors held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as management of a company.
Kyoko Okumiya	She attended all of the 12 meetings of the Board of Directors, and all of the 17 meetings of the Audit & Supervisory Board (KANSAYAKU-KAI), both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on a lot of experience and deep insight as a legal expert.
Takeshi Kikuchi	He attended all of the 12 meetings of the Board of Directors, and all of the 17 meetings of the Audit & Supervisory Board (KANSAYAKU-KAI), both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on a lot of experience and deep insight as a legal expert.
Kazuyasu Yamada	After the assumption of office as Audit & Supervisory Board Member (KANSAYAKU), he attended all of the 10 meetings of the Board of Directors, and all of the 13 meetings of the Audit & Supervisory Board (KANSAYAKU-KAI), both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on a lot of experience and deep insight as a financial and accounting expert.

(4) Outline of agreements entered into with Outside Directors and Outside Audit & Supervisory Board Members (KANSAYAKU) to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Companies Act

Pursuant to Articles 24 and 31 of the Articles of Incorporation of the Company, the Company entered into agreements with Messrs. Takeshi Kunibe, Hitoshi Ogita, Motoyuki Oka and Kunio Noji and Ms. Kaori Sasaki, who are Outside Directors, and Ms. Kyoko Okumiya and Messrs. Takeshi Kikuchi and Kazuyasu Yamada who are Outside Audit & Supervisory Board Members (KANSAYAKU), to limit their liabilities as stipulated in Paragraph 1, Article 427 of the Companies Act. The outline of such agreements is to limit their liabilities as stipulated in Paragraph 1, Article 423 of the Companies Act to the higher of 20 million yen or the amount provided in the Companies Act and the Regulation for Enforcement of the Companies Act on the condition that they perform their duties as Directors or Audit & Supervisory Board Members (KANSAYAKU) in good faith and without gross negligence.

4. Accounting Auditors

(1) Name of the Accounting Auditors KPMG AZSA LLC

(2) The Amount of Compensation to the Accounting Auditors

Classification	Amount（In millions of yen）
(i) The total fees paid to the Accounting Auditors by the Company as compensation for their duties under the Companies Act	582
(ii) Total amount of money and other property benefit paid to the Accounting Auditors by the Company and its subsidiaries	1,490

Notes: 1. The fees set forth in column (i) above include the fees for audit under the Financial Instruments and Exchange Law and other laws because there are no separate provisions in the audit contract with the Accounting Auditors between the fees for audit under the Companies Act and the fees for audit under the Financial Instruments and Exchange Law and other laws, and it is impracticable to distinguish between these two types of fees.

2. Audit & Supervisory Board (KANSAYAKU-KAI) has received necessary information and reports from the Directors, relevant divisions and the Accounting Auditors. In addition, the Audit & Supervisory Board (KANSAYAKU-KAI) has evaluated the adequacy of the audit plans, the calculation basis of the estimated fees for audit and other conditions including the audit result of the Accounting Auditors for the previous business period. As a result, the Audit & Supervisory Board (KANSAYAKU-KAI) has made the agreement stipulated in Paragraph 1, Article 399 of the Companies Act regarding the remuneration to the Accounting Auditors.

3. Of the Company’s subsidiaries listed in “1.(8)(ii) Principal Subsidiaries” above, those subject to audit by certified public accountants or audit firm other than the Accounting Auditors are as follows:

Name of Subsidiary	Certified Public Accountant
Japan Aviation Electronics Industry, Limited	Ernst & Young ShinNihon LLC
NEC Corporation of America	KPMG LLP
NEC Europe Ltd.	KPMG LLP
NEC Asia Pacific Pte. Ltd.	KPMG LLP
NEC (China) Co., Ltd.	KPMG Huazhen
NEC Latin America S.A.	KPMG Auditores Independentes

(3) Non-audit services rendered by the Accounting Auditors

In addition to the work stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law, during this Business Period, the Company engaged the Accounting Auditors for services in relation to the “Audit Procedures regarding Control Risk of Subcontracted Services” and other advisory services.

(4) Company Policy regarding dismissal or decision not to reappoint the Accounting Auditors

If the Accounting Auditors are found to correspond to any of the items stipulated in Paragraph 1, Article 340 of the Companies Act, Audit & Supervisory Board (KANSAYAKU-KAI) shall be entitled to dismiss the Accounting Auditors subject to the consent of all Audit & Supervisory Board Members (KANSAYAKU), in which case the Audit & Supervisory Board Member (KANSAYAKU) appointed by the Audit & Supervisory Board (KANSAYAKU-KAI) reports on the fact that said Accounting Auditors have been dismissed and the reason for dismissal, at the first shareholders meeting held after such dismissal. Audit & Supervisory Board (KANSAYAKU-KAI) will determine the contents of a proposal for a dismissal or disapproval of the reappointment of the Accounting Auditors to be submitted to the shareholders meeting when the situation arises where the Accounting Auditors are no longer able to execute their duties in a proper manner and Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to change the Accounting Auditors, or Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to change the Accounting Auditors in order to improve properness or efficiency of the audit by the Accounting Auditors.

5. System and Policy of the Company

(1) System to ensure the properness of operations and outline of the status of the implementation of such system

(System to ensure the properness of operations)

The Company has established and implemented its internal control system based on the basic policy for maintenance of the system of the Company to ensure the properness of operations as provided in Item 6, Paragraph 4 of Article 362 of the Companies Act adopted by resolution of the Board of Directors (the "Policy"). The Policy in English translation is provided through the Company's website (http://jpn.nec.com/profile/en/internalcontrol.html), and the summary of which is described below.

The Company shall endeavor to establish and implement its internal control system more effectively, through continuous evaluation of the implementation of its internal control system under the Policy as well as taking measures necessary for its improvement, and conducting consistent reviews of the Policy responding to changes in the business environment.

(i) In order to ensure the compliance with the laws, regulations and the Company's Articles of Incorporation in the performance of duties by Directors and employees, Directors and corporate officers shall take the lead in practicing NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct that were adopted to establish business ethics standards for the NEC Group and to ensure compliance with laws, regulations, the Articles of Incorporation and its internal rules, and promote thorough understanding on these charter and code within the NEC Group. If any material violation of laws, regulations, Articles of Incorporation or internal rules is found, the Company shall investigate the cause of such violation and formulate and implement preventative measures. In addition, the Company shall prompt the use of "Compliance Hotline".

(ii) The Company shall properly retain and manage information in accordance with applicable laws, regulations and the Company's internal rules.

(iii) The Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Company's internal rules. Business divisions shall properly conduct risk management related to their assignment and corporate staff divisions shall support such business divisions' activities. The Company shall deliberate fully on such matters of importance from a perspective of risk management, such as the strategy to control important management risk, and the matters of particular importance shall be reported to the Board of Directors. The internal auditing division shall, through cooperation with internal auditing section of the subsidiaries, conduct audits of NEC Group's enterprise risk management system and the status of implementation of risk management.

(iv) In order to ensure the efficient performance of duties by Directors, the Board of Directors shall delegate its authorities to corporate officers and promote timely decision-making and effective performance of duties. Corporate officers shall, under the direction of the Board of Directors, efficiently conduct businesses in accordance with midterm corporate management goals and budgets.

(v) In order to ensure the proper operation of the NEC Group, the Company shall, through NEC Group Management Policy, give instructions and assistance to the subsidiaries for the establishment of the systems ensuring compliance with laws, regulations and properness of the operation of business. In order to improve soundness and efficiency of management systems in the NEC Group, the Company shall dispatch directors and audit & supervisory board members (KANSAYAKU) where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall receive reports from such subsidiary regarding matters of importance on business operations, and give instructions and assistance to the subsidiary so that it shall properly conduct risk controls. The internal auditing division shall conduct audits of the subsidiaries through cooperation with their internal auditing sections to ensure their proper operations. Audit & Supervisory Board Members (KANSAYAKU) shall cooperate with audit & supervisory board members (KANSAYAKU) of the subsidiaries by exchanging their opinions on the audit and other measures.

(vi) From the perspective of proper and efficient operations of the NEC Group, the Company shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control by utilizing information systems.

(vii) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with applicable laws and regulations.

(viii) The Company shall assign full-time employees to assist Audit & Supervisory Board Members (KANSAYAKU) in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by Audit & Supervisory Board Members (KANSAYAKU).

(ix) Directors and employees shall report to Audit & Supervisory Board Members (KANSAYAKU) on the status of the performance of their duties. In addition, the Company shall give instructions to the directors, audit & supervisory board members (KANSAYAKU) and employees of the subsidiaries so that they shall report to Audit & Supervisory Board Members (KANSAYAKU) of the Company on the status of the performance of their duties.

(x) In order to ensure the effective audit, meetings of the Audit & Supervisory Board (KANSAYAKU-KAI) shall be held and Audit & Supervisory Board Members (KANSAYAKU) shall exchange information and consult with each other on the status of audits. Furthermore, Audit & Supervisory Board Members (KANSAYAKU) shall periodically receive reports on financial audit from the Accounting Auditors and exchange opinions with them.

(Outline of the status of the implementation of system to ensure the properness of operations)

The Company assessed the status of the implementation of its internal control system for this Business Period and confirmed that it has established and implemented its internal control system properly based on the Policy. Principal efforts made during this Business Period are described below.

With regard to the compliance, top management of the Company repeatedly conveyed messages about importance of ethics in economic activities and thorough compliance practices to make employees understand therewith. In addition, the Company conducted web-based compliance trainings for the NEC Group employees and face-to-face trainings according to employee's job categories and positions. Risk Control and Compliance Committee deliberates on investigating causes of, and formulating preventative measures on irregularities within the NEC Group, and oversees the implementation of the preventative measures by relevant divisions.

With regard to the risk management, Risk Control and Compliance Committee and Executive Committee deliberated on and selected certain risks to be addressed in the NEC Group-wide priority ("Priority Risk") from important risks for the NEC Group in consideration of impacts on the NEC Group business and necessity of new measures, and the status of the actions for such Priority Risk was reported to the Board of Directors.

With regard to the group management, based on the NEC Group Management Policy, the Company promotes the leveling of the systems of the subsidiaries' management and strengthens the group-wide function for total optimization of the NEC Group and maximization of the NEC Group's corporate value. The internal auditing division confirms issues of the subsidiaries and proposes improvement based on the results of audits which it directly performed to the subsidiaries or audit results which were obtained from internal auditing division of the subsidiaries. In addition, Audit & Supervisory Board Members (KANSAYAKU) cooperates with audit & supervisory board members (KANSAYAKU) of the subsidiaries by periodically holding information exchange meetings attended by audit & supervisory board members (KANSAYAKU) of the domestic subsidiaries and other measures.

With regard to the audit by Audit & Supervisory Board Members (KANSAYAKU), Audit & Supervisory Board Members (KANSAYAKU) receive reports on the status of the execution of their duties from Directors and employees of the Company and its subsidiaries. In addition, Audit & Supervisory Board Members (KANSAYAKU) periodically receive reports on financial audit from the Accounting Auditors, exchange opinions with them and hold periodically meetings among the Accounting Auditors and the internal auditing division, and cooperates with those parties.

(2) Policy on the Control over the Company

The Company believes that the ultimate decision as to the person who should control the financial and business policy of the Company shall be made by the shareholders of the Company. However, in the event that a person or entity (the "Proposer") proposes to purchase the substantial number of the shares of the Company with an intent to control the Company or proposes the takeover of the Company, the Company believes it is the responsibilities of the Board of Directors (i) to request the Proposer to provide appropriate information on the reasonableness of the consideration and other conditions of the proposal and the influence such action may have on the management policy and business plan of the Company, (ii) to evaluate the information provided and consider whether such proposal has merit in promoting the corporate value of the Company and the common interest of the shareholders, and (iii) to express the opinion of the Company for purposes of assisting the shareholders to make decisions whether or not to accept the proposal. In addition, the Company believes that, in particular the circumstances, it may be required to negotiate with the Proposer or to present alternative proposals to the shareholders.

Currently, the Company has not adopted a policy of defensive measures that will become effective when a proposal is made by a Proposer. It is the Company's intention, however, that if (i) the sufficient information is not provided by the Proposer, (ii) the shareholders are not afforded the time sufficient to consider the proposal or (iii) the Company decides that the proposal would have an adverse effect on the corporate value of the Company or the common interest of the shareholders, the Company will decide and implement reasonable countermeasures that are practicable at the time of the proposal and acceptable to the shareholders. Further, the Company may consider the introduction of defensive measures based on the business environment, the market trend, the trends of laws and regulations etc. if it is considered appropriate to do so for purposes of promoting the corporate value of the Company and the common interest of the shareholders.

(3) Policy on the determination of distribution of surplus

The Company's commitment to shareholder returns includes comprehensive consideration for the profit status of each period in addition to future capital requirements and the execution of business operations with an emphasis on capital efficiency, while regarding investment in growth areas and the enhancement of its financial base as being tied to the creation of long-term corporate value.

Although the amount of net profit attributable to owners of the parent for the fiscal year ended March 31, 2017 was less than its plan, such amount exceeded the total amount of dividends. As a result, the Company declared an annual dividend of 6 yen per share of common stock, the same value as announced at the beginning of the fiscal year.

In addition, the Company stipulates in its Articles of Incorporation that it may determine distribution of surplus flexibly through resolutions of the Board of Directors, and that record dates of distribution of surplus shall be March 31 and September 30 of each year.

Consolidated Statement of Financial Position

(As of March 31, 2017)

(Millions of yen)

Account	Amount
Assets	
Current Assets	
Cash and cash equivalents	239,970
Trade and other receivables	952,258
Inventories	205,855
Other financial assets	4,485
Other current assets	106,169
Total current assets	1,508,737
Non-current assets	
Property, plant and equipment, net	419,078
Goodwill	63,220
Intangible assets	142,139
Investments accounted for using the equity method	68,132
Other financial assets	262,284
Deferred tax assets	156,622
Other non-current assets	63,784
Total non-current assets	1,175,259
Total assets	2,683,996

(Millions of yen)

Account	Amount
Liabilities and equity	
Liabilities	
Current liabilities	
Trade and other payables	497,051
Bonds and borrowings	118,915
Accruals	155,161
Other financial liabilities	12,507
Accrued income taxes	21,014
Provisions	52,210
Other current liabilities	145,683
Total current liabilities	1,002,541
Non-current liabilities	
Bonds and borrowings	342,854
Other financial liabilities	8,285
Defined benefit liabilities	264,272
Provisions	13,736
Other non-current liabilities	36,242
Total non-current liabilities	665,389
Total liabilities	1,667,930
Equity	
Share capital	397,199
Share premium	147,879
Retained earnings	235,601
Treasury shares	(3,101)
Other components of equity	76,686
Total equity attributable to owners of the parent	854,264
Non-controlling interests	161,802
Total equity	1,016,066
Total liabilities and equity	2,683,996

Consolidated Statement of Profit or Loss

(For the Fiscal year ended March 31, 2017)

(Millions of yen)

Account	Amount
Revenue	2,665,035
Cost of sales	1,909,414
Gross profit	755,621
Selling, general and administrative expenses	698,413
Other operating loss	(15,370)
Operating Profit	41,838
Financial income	38,420
Financial costs	20,817
Share of profit of entities accounted for using the equity method	8,617
Income before income taxes	68,058
Income taxes	32,834
Net profit	35,224
Net profit attributable to	
Owners of the parent	27,310
Non-controlling interests	7,914
	35,224
Earnings per share attributable to owners of the parent	
Basic earnings per share (yen)	10.51
Diluted earnings per share (yen)	10.51

Consolidated Statement of Changes in Equity

(For the Fiscal year ended March 31, 2017)

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2016	397,199	147,755	223,883	(3,077)	4,067	769,827	67,393	837,220
Net profit	−	−	27,310	−	−	27,310	7,914	35,224
Other comprehensive income (loss)	−	−	−	−	72,619	72,619	(820)	71,799
Total Comprehensive income	−	−	27,310	−	72,619	99,929	7,094	107,023
Purchase of treasury shares	−	−	−	(26)	−	(26)	−	(26)
Disposal of treasury shares	−	(2)	−	3	−	1	−	1
Cash dividends	−	−	(15,592)	−	−	(15,592)	(2,386)	(17,978)
Subscription rights to shares	−	5	−	−	−	5	−	5
Changes in interests in subsidiaries	−	121	−	−	−	121	89,701	89,822
Total transactions with owners of the parent	−	124	(15,592)	(23)	−	(15,491)	87,315	71,824
As of March 31, 2017	397,199	147,879	235,601	(3,101)	76,686	854,264	161,802	1,016,066

<Reference>

Consolidated Statement of Other Comprehensive Income (Unaudited)

(For the Fiscal year ended March 31, 2017)

(Millions of yen)

Account	Amount
Net profit	35,224
Other comprehensive income, net of tax	
Items that will not be reclassified to profit or loss	
Remeasurements of defined benefit plan	56,276
Share of other comprehensive income of associates	534
Total items that will not be reclassified to profit or loss	56,810
Items that may be reclassified subsequently to profit or loss	
Exchange differences on translating foreign operations	(1,869)
Cash flow hedges	623
Available-for-sale financial assets	15,533
Share of other comprehensive income of associates	702
Total items that may be reclassified subsequently to profit or loss	14,989
Total other comprehensive income, net of tax	71,799
Total comprehensive income	107,023
Total comprehensive income attributable to	
Owners of the parent	99,929
Non-controlling interests	7,094
Total	107,023

<Reference>

Consolidated Statement of Cash Flows (Unaudited)

(For the Fiscal year ended March 31, 2017)

(Millions of yen)

Account	Amount
Cash flows from operating activities	
Income before income taxes	68,058
Depreciation and amortization	80,376
Impairment loss	2,571
Increase (decrease) in provisions	12,302
Financial income	(38,420)
Financial costs	20,817
Share of (profit) loss of entities accounted for using the equity method	(8,617)
Decrease (increase) in trade and other receivables	22,201
Decrease (increase) in inventories	22,659
Increase (decrease) in trade and other payables	(31,666)
Others, net	(43,141)
Subtotal	107,140
Interest and dividends received	5,866
Interest paid	(8,646)
Income taxes paid	(11,835)
Net cash provided by operating activities	92,525
Cash flows from investing activities	
Purchases of property, plant and equipment	(37,201)
Proceeds from sales of property, plant and equipment	2,676
Acquisitions of intangible assets	(7,888)
Purchases of investment securities	(4,117)
Proceeds from sales of investment securities	4,359
Purchases of shares of newly consolidated subsidiaries	(984)
Acquisitions of subsidiaries, net of cash acquired	11,220
Proceeds from sales of shares of subsidiaries	339
Purchases of investments in affiliated companies	(162)
Proceeds from sales of investments in affiliated companies	23,698
Proceeds from collection of loans receivable	12,958
Others, net	1,527
Net cash provided by investing activities	6,425

(Millions of yen)

Account	Amount
Cash flows from financing activities	
Increase (decrease) in short-term borrowings, net	15,228
Proceeds from long-term borrowings	204,082
Repayments of long-term borrowings	(240,127)
Redemption of bonds	(10,000)
Dividends paid	(15,592)
Dividends paid to non-controlling interests	(2,386)
Others, net	(86)
Net cash used in financing activities	(48,881)
Effect of exchange rate changes on cash and cash equivalents	(2,422)
Net increase (decrease) in cash and cash equivalents	47,647
Cash and cash equivalents, at beginning of period	192,323
Cash and cash equivalents, at end of period	239,970

Notes to Consolidated Financial Statements

I Notes to Significant Items for Presenting Consolidated Financial Statements

1. NEC Corporation ("The Company" hereafter) prepares its consolidated financial statements in accordance with the provisions of the second sentence of Article 120-1 of the Ordinance on Company Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards.

2. Scope of consolidation

Number of consolidated subsidiaries 238 companies

Major consolidated subsidiaries

NEC Corporation of America, NEC Europe Ltd., NEC Asia Pacific Pte. Ltd., NEC (China) Co., Ltd., NEC Latin America S.A., Japan Aviation Electronics Industry, Limited, Nippon Avionics Co., Ltd., ABeam Consulting Ltd., NEC Networks & System Integration Corporation, and NEC Platforms, Ltd..

Change in the scope of consolidation includes additions of 33 and exclusions of 12 subsidiaries. Significant changes were as follows:

Consolidated subsidiaries included in the consolidation scope as a result of acquisitions and incorporation: 33 subsidiaries

Consolidated subsidiaries excluded from the consolidation scope as a result of sales and liquidation: 9 subsidiaries

Subsidiaries excluded from the consolidation scope due to merger: 3 subsidiaries

3. Items related to application of equity method

(1) Number of companies accounted for using the equity method

There are no subsidiaries accounted for using the equity method instead of consolidation.

Number of affiliated companies accounted for using the equity method 55 companies

Major companies

Keyware Solutions Inc., ALAXALA Networks Corporation, Lenovo NEC Holdings, B.V.,NEC Capital Solutions Limited, Nittsu NEC Logistics, Ltd., NEC TOKIN Corporation, Automotive Energy Supply Corporation, HBA Corporation

6 affiliated companies were newly accounted for using the equity method.
3 affiliated companies were excluded from the affiliated companies accounted for using the equity method.

(2) There are no unconsolidated subsidiaries and affiliated companies, to which the equity method is not applied.

(3) Names of the companies that were not accounted for as affiliated companies while the Company holds between 20/100 and 50/100 of the voting rights.

Name of the company

JECC Corporation ("JECC" hereafter)

Reason for not being included in affiliated companies

The Company holds more than 20% of the total number of outstanding stocks of JECC. However, JECC was excluded from affiliated companies, because it is jointly owned and managed by 6 domestic electronic computer manufacturers to promote the data-processing industry.

4. Items related to the fiscal year of consolidated subsidiaries

Fiscal year of consolidated subsidiaries ends on March 31 except for 11 companies.

Fiscal year of these 11 subsidiaries mainly ends on December 31, and financial statements as of and for the year ended December 31 were included in the NEC Group's consolidation.

The Company made adjustments for those material transactions between the fiscal year of the subsidiaries and the fiscal year of the Company, when considered necessary.

5. Significant accounting policies

(1) Valuation standards and methods for assets

(a) Financial assets

(i) Non-derivative financial assets

Loans and receivables

They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. Impairment losses are recognized in profit or loss.

Available-for-sale Financial Assets

They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at fair value at the reporting date. The resulting gains and losses are recognized in other comprehensive income with the exception of impairment losses and foreign exchange differences on monetary financial assets. When a financial asset is derecognized or determined to be impaired, the gain or loss accumulated in other comprehensive income is reclassified to profit or loss.

(ii) Derivative Financial Instruments

Derivatives are initially and subsequently measured at fair value.

Derivatives to which Hedge Accounting is not Applied

When a derivative is not designated as a hedging instrument in accordance with the criteria for hedge accounting, any changes in the fair value of the derivative are recognized in profit or loss.

Derivatives to which Hedge Accounting is Applied

Cash Flow Hedges

The effective portion of changes in the fair value of a derivative is recognized in other comprehensive income and any ineffective portion of changes in the fair value is immediately recognized in profit or loss.

The amount accumulated in other comprehensive income is reclassified to profit or loss in the same period during which the cash flows of the hedged item affect profit or loss.

(b) Non-financial assets

(i) Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories of items that are interchangeable is measured by the first-in first-out method or the periodic average method, whereas the cost of inventories of items that are not interchangeable is measured by the specific identification of cost.

Cost of inventories comprises all costs of purchase, costs of production, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Costs of finished goods and goods in process include a proper allocation of production overheads that are based on the normal capacity of the production facilities.

(ii) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(iii) Intangible Assets

Goodwill

Goodwill arising from the acquisition of a subsidiary is recognized in intangible assets and is measured at cost less accumulated impairment losses.

Software and Other Intangible Assets

Software and other intangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

(iv) Impairment

Non-financial assets other than inventories and deferred tax assets are assessed for indications of impairment at the end of each reporting period. If there are any indications that an asset or cash generating unit (CGU) (or a group of CGUs) may be impaired, the recoverable amount of such asset is estimated. An asset or CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated at the same time each year for the level of CGU (a group of CGUs), and they are also tested for impairment whenever there is any indication of impairment.

(2) Depreciation method for assets

(a) Property, Plant and Equipment

Depreciation is recognized in profit or loss mainly on a straight-line basis over the estimated useful lives as described below.

Useful lives of major property, plant and equipment are as follows:

Buildings and structures	7-60 years
Machinery and equipment, and tools and fixtures	2-22 years

Leased assets are depreciated by the straight-line method over the shorter of the lease term or the economic useful life of the leased asset.

(b) Intangible Assets

Software held for sale is amortized based on the expected sales volume over the expected effective period. (mainly within two years)

If the amortization method does not reflect the pattern of consumption of the expected future benefits from the asset, it is amortized on a straight-line basis over the remaining useful life.

Software for internal use is amortized on a straight-line basis over the expected useful period (mainly three to five years)

Other intangible assets are amortized from the date when the asset is available for use over the estimated useful lives, such as a contract period, using the method which reflects the pattern in which the assets’ future economic benefits are expected to be consumed by the Company.

(3) Recognition criteria for provisions

A provision is recognized if the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and a reliable estimate can be made of the amount of the obligation.

(4) Revenue recognition criteria for construction contracts and customized software

For construction contracts and customized software, when the outcome of the construction contract can be reliably estimated, contract revenue is recognized based on the stage of completion. The stage of completion is primarily determined using the cost-to-cost method.

For construction contracts in which the outcome cannot be reliably estimated, contract revenue is recognized only to the extent of contract costs incurred that are probable to be recoverable, and contract costs are recognized as expenses in the period they are incurred.

(5) Other significant principles for the preparation of consolidated financial statements

(a) Defined Benefit Plans

Actuarial gains and losses arising from the plans are recognized in other comprehensive income and not reclassified to retained earnings and others in subsequent periods.

(b) Accounting for consumption taxes

Consumption taxes are excluded from each transaction amount and accounted for separately.

(c) Application of consolidated corporate-tax return system

The Company files its tax return under the consolidated corporate-tax return system.

II Notes to Consolidated Statement of Financial Position

1. Assets pledged as and debt secured by collateral

Balances - assets pledged as collateral consisted of the following:

(In millions of yen)

items	Amount
Buildings and structures, net	174
Land	3,417
Others	694
Total	4,285

Balances - debt secured by collateral consisted of the following:

(In millions of yen)

Items	Amount
Short-term loans payable	317
Others	52
Total	369

2. Assets measured net of provision for impairment of trade and other receivables.
The amount of provision for impairment recognized as a deduction from the gross carrying amount of trade and other receivables consists of the following:

(In millions of yen)

Items	Amount
Current assets	8,322
Non-current assets	4,057
Total	12,379

3. Net presentation of inventories and provision for loss on construction contracts and others
Inventories related to construction contracts and others which are expected to result in a loss are presented at net of provision for loss on construction contracts and others. The amounts of provision for loss on construction contracts and others which are presented at net amount of correspondent inventories are as follows:

(In millions of yen)

Items	Amount
Merchandise and finished goods	301
Work in process	15,893
Total	16,194

4. Accumulated depreciation of property, plant and equipment is as follows:

(In millions of yen)

Items	Amount
Accumulated depreciation of property, plant and equipment	903,206

5. Contingent liabilities
Guarantees for bank loans and others consisted of the following:

(In millions of yen)

Items	Amount
Employees	362
Affiliates/Others	1,397
Total	1,759

III Notes to Consolidated Statement of Changes in Equity

1. Stocks, issued

Ordinary shares 2,604,732,635 shares

2. Dividends

(1)Payment of dividends

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
April 28, 2016 Board of Directors	Ordinary shares	15,592	6	March 31, 2016	June 1, 2016

(2)Dividend for which the record date is in this fiscal year, and the effective date is in the following fiscal year

The Company proposed and resolved the matter of payment of dividends for Ordinary shares at the ordinary Meeting of Board of Directors held on April 27, 2017.

(a) Resource of dividends Retained earnings
(b) Total Dividends 15,592 million yen
(c) Dividends per share 6 yen
(d) Record date March 31, 2017
(e) Effective date June 1, 2017

IV Notes: Financial Instruments

1. Summary of financial instruments

(1) Capital management

The NEC Group (the "Group" hereafter) focuses on the business operation for emphasizing capital efficiency and The Group invests to growth sectors and enhance capital base so as to create long-term corporate value of the Group. The Group manages net D/E ratio for enhancing capital base.

(2) Financial risk management

The Group operates its business in various countries and jurisdictions, and as such, it has exposure to credit risk, liquidity risk, and market risk (mainly represented by interest rate risk and currency risk). The Group conducts risk management to minimize the effect of these financial risks on its financial position and performance.

a. Credit risk

Credit risk is a risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit exposure.

The Group is monitoring the financial position and past due balances of customers in order to minimize the risk of default resulting from deterioration of customers' financial position. Further, if necessary, preventative measures are taken by holding collateral or by other means. Financial institutions with higher credit capabilities are selected as counterparties while dealing in derivative transactions, deposit transactions, and the purchase of financial assets for short-term investments in order to reduce the counterparty risk.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due. The Group periodically updates forecasts of its future cash-flows aiming to maintain the level of its cash and cash equivalents and the unused balance of commitment line-of-credit at an amount in excess of expected cash outflows on financial liabilities required conducting its business.

c. Market risk

(i) Interest rate risk

Interest bearing debts with floating interest rates, including long-term borrowings, are exposed to interest rate risk. The Group may use interest rate swaps as hedges of the variability in cash flows attributable to interest-rate risk.

(ii) Foreign currency risk

The Group operates its business globally, and is exposed to the risk of fluctuation in foreign exchange rates. The Group mitigates foreign currency risk by offsetting trade receivables and payables denominated in foreign currencies and conducting hedge transactions using forward exchange contracts or foreign currency option contracts.

(iii) Equity price risk

The Group holds listed equity instruments of parties with which the Group has a business relationship, and therefore, is exposed to the risk of fluctuation in prices of equity instruments. The equity instruments are held for if the Group determines that it will contribute to the increase of the mid- to long-term corporate value of the Group after comprehensive consideration of its management strategy, the relationships with business partners and other circumstances. For equity instruments, the Group examines the rationale of the major cross-shareholdings, taking into consideration the returns from such cross-shareholdings.

(3) Fair value of financial assets and liabilities

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Current portion of bonds	39,991	40,000
Bonds	49,847	50,469
Long-term borrowings	293,007	295,183

The financial instruments those fair value is determined as the carrying amount as the two are effectively the same are excluded the chart on the above. The financial instruments measured at fair value regularly as the carrying amount as the two are the same, are also excluded the chart on the above.

Basis of the fair value measurement for financial instruments
(Cash and cash equivalents, trade and other receivables, trade and other payables, and accruals)
The fair value is determined as the carrying amount as the two are effectively the same since they are to be settled in a short term.

(Other financial assets and other financial liabilities)
The fair value of loans is calculated by discounting estimated future cash flows to the present value based on an interest rate that takes into account the remaining period to the maturity date and credit risk.

Available-for-sale financial assets are categorized as financial assets whose fair value is measured through other comprehensive income. The fair value of listed equity instruments is determined using a quoted market price at an exchange. The fair value of unquoted equity instruments is determined by using comparable company valuation multiples and other appropriate valuation techniques.

Of derivative assets and liabilities, the fair value of forward exchange contracts is determined using quoted forward exchange rates at the end of the fiscal year, while the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on the interest rate at the end of the reporting period.

The fair value of lease liabilities is calculated as the present value of the estimated future cash flows based on the expected interest rate of which a similar new lease agreement were entered into.

(Bonds and borrowings)
The fair value of short-term borrowings is determined as the carrying amount as the two are effectively the same since they are to be settled in a short term.

The fair value of long-term borrowings is calculated as the present value of the estimated future cash flows, based on the expected interest rate of which a similar new borrowing were made.
The fair value of the current portion of bonds is determined as the face value since they are to be settled in a short term. For the non-current portion of bonds, the fair value is determined as the quoted market price.

V Notes: Per Share Data

Equity attributable to owners of the parent per share	328.74 yen
Basic earnings per share	10.51 yen
Diluted earnings per share	10.51 yen

VI Notes: Subsequent Events

On April 19, 2017, the Company transferred all of its shares of common stock (265,396,066 shares) and preferred stock (270,812,311 shares) in NEC TOKIN Corporation (currently Tokin Corporation) to the United States-based KEMET Electronics Corporation. As a result, NEC TOKIN Corporation is no longer being an affiliated company of the Company. Due to this share transfer, approximately 14.0 billion yen of non-operating income is expected to be recorded in the consolidated financial statement for the fiscal year ending March 31, 2018.

VII Notes: Business Combinations

Business combination of a subsidiary

The Company commenced a tender offer for a share of Japan Aviation Electronics Industry, Limited. ("Japan Aviation Electronics") on November 29, 2016, based on the resolution at the meeting of the Board of Directors held on November 28, 2016. This tender offer was completed on January 17, 2017, and the Company made a cash purchase of 10,000,000 shares of Japan Aviation Electronics' common stock for ¥19,200 million. As a result, ownership of voting rights which the Company holds in Japan Aviation Electronics increased to 51.17%, and therefore, Japan Aviation Electronics became a subsidiary of the Company. A summary of this transaction is as follows:

Summary of the business combination

Name of the acquired company and its business

(i) Name:	Japan Aviation Electronics Industry, Limited
(ii) Type of Business:	(a) Manufacturing and marketing of connectors, user interface solution devices and electronics and electronic components for aviation and aerospace, and (b) purchase and sale of devices, components, etc., in connection therewith

Main reason for the business combination

To reinforce the company's business foundation by integrating its management resources with those of Japan Aviation Electronics.

Date of the business combination

January 23, 2017

Voting rights acquired

Before the Tender Offer:	40.12 %
Acquired by the Tender Offer:	11.05 %
After the Tender Offer:	51.17 %

Consideration for the acquisition

(Millions of yen)

Item	Amount
Cash and cash equivalents	19,200
Fair value of equity interests held immediately before the acquisition date	36,437
Total	55,637

Acquisition-related costs

Outsourcing service expenses and other expenses related to the share acquisition of 242 million yen were recorded in "Selling, general and administrative expenses" in the consolidated statements of profit or loss as the acquisition-related costs for the business combination.

Gain on step acquisitions

As a result of the remeasurement of the acquired company's equity interests held by the NEC Group immediately before the acquisition date at the fair value as of the acquisition date, the Company recorded a gain on step acquisitions of 9,944 million yen in "Financial income" in the consolidated statements of profit or loss.

Fair value of assets acquired and liabilities assumed at the acquisition date

(Millions of yen)

Item	Amount
Current assets	
Cash and cash equivalents	30,361
Inventories	19,168
Others	56,904
Non-current assets	
Property, plant and equipment	85,656
Intangible assets	31,514
Others	9,354
Total assets	232,957
Current liabilities	
Trade payables	41,027
Financial liabilities	12,206
Others	8,978
Non-current liabilities	
Financial liabilities	10,953
Others	20,937
Total liabilities	94,101
Equity	138,856

Some of the amounts above are provisional fair value calculated based on reasonable information available at the time of issuance of this annual report because the allocation of the acquisition costs has not been completed.

Goodwill arising on acquisition

(Millions of yen)

Item	Amount
Consideration for the acquisition	55,637
Non-controlling interests	88,901
Subscription rights to shares	121
Fair value of identifiable net assets acquired by the NEC Group	(138,856)
Goodwill arising on acquisition	5,803

Non-controlling interests are measured by the percentage of interests owned by non-controlling shareholders to the fair value of identifiable net assets of the acquired company. Goodwill mainly reflects excess earnings power and synergies with existing businesses. There is no goodwill recognized that is expected to be deductible for tax purposes.

Impact on the NEC Group’s performance

Revenue and net profit (loss) of the acquired company that was incurred after the acquisition date recorded in the consolidated statements of profit or loss were 47,537 million yen and 2,842 million yen, respectively.

Assuming that this business combination had taken place at the beginning of the fiscal year ended March 31, 2017, the NEC Group’s revenue and net profit (loss) in the consolidated statements of profit or loss would be 2,827,168 million yen and 39,046 million yen, respectively (non-audited information).

BALANCE SHEET

(Non-consolidated: Japanese GAAP)

(As of March 31, 2017)

(Millions of yen)

Account	Amount
Assets	
Current assets	**953,553**
Cash and deposits	33,328
Notes receivable-trade	5,908
Accounts receivable-trade	552,672
Lease investment assets	7,885
Short-term investment securities	38,000
Merchandise and finished goods	22,974
Work in process	47,756
Raw materials and supplies	11,875
Advance payments-trade	46,196
Prepaid expenses	18,082
Deferred tax assets	36,010
Accounts receivable-other	102,013
Other	30,922
Allowance for doubtful accounts	(68)
Non-current assets	**1,034,475**
Property, plant and equipment	**224,791**
Buildings, net	128,732
Structures, net	2,969
Machinery and equipment, net	8,747
Vehicles, net	269
Tools, furniture and fixtures, net	40,309
Land	37,844
Construction in progress	5,921
Intangible assets	**62,090**
Patent right	916
Right of using facilities	128
Software	60,963
Other	83
Investments and other assets	**747,594**
Investment securities	155,778
Stocks of subsidiaries and affiliates	416,936
Investments in capital	256
Long-term loans receivable	84
Long-term loans receivable from subsidiaries and affiliates	70,367
Deferred tax assets	23,277
Prepaid pension cost	57,838
Other	26,587
Allowance for doubtful accounts	(3,528)
Total assets	**1,988,028**

(Millions of yen)

Account	Amount
Liabilities	
Current liabilities	**899,913**
Notes payable-trade	162
Accounts payable-trade	423,890
Commercial paper	10,000
Current portion of long-term loans payable	12,863
Current portion of bonds payable	40,000
Lease obligations	339
Accounts payable-other	25,715
Accrued expenses	48,178
Income taxes payable	2,240
Advances received	88,854
Deposits received	200,600
Provision for product warranties	7,144
Provision for loss on construction contracts and others	11,644
Provision for business structure improvement	898
Provision for contingent loss	16,276
Other	11,110
Non-current liabilities	**385,944**
Bonds payable	50,000
Long-term loans payable	278,502
Lease obligations	921
Provision for retirement benefits	2,286
Provision for loss on repurchase of computers	3,921
Provision for loss on guarantees	40,126
Provision for business structure improvement	1,840
Provision for contingent loss	2,504
Asset retirement obligations	1,241
Other	4,604
Total liabilities	**1,285,857**
Net Assets	
Shareholders' equity	**652,069**
Capital stock	**397,199**
Capital surplus	**106,016**
Legal capital surplus	59,260
Other capital surplus	46,756
Retained earnings	**151,914**
Legal retained earnings	5,718
Other retained earnings	146,196
Retained earnings brought forward	146,196
Treasury stock	**(3,060)**
Valuation and translation adjustments	**50,101**
Valuation difference on available-for-sale securities	**50,136**
Deferred gains or losses on hedges	**(34)**
Total net assets	**702,171**
Total liabilities and net assets	**1,988,028**

STATEMENT OF OPERATIONS
(Non-consolidated: Japanese GAAP)
(For the fiscal year ended March 31, 2017)

(Millions of yen)

Account	Amount
Net sales	1,679,423
Cost of sales	1,316,103
Gross profit	**363,320**
Selling, general and administrative expenses	401,351
Operating income	**(38,031)**
Non-operating income	**71,981**
Interest income	1,473
Dividends income	66,770
Other	3,738
Non-operating expenses	**33,289**
Interest expenses	6,661
Commission fee	7,182
Provision for contingent loss	6,948
Settlement package and compensation for damage	4,221
Foreign exchange losses	2,394
Other	5,882
Ordinary income	**660**
Extraordinary income	**28,612**
Gain on sales of subsidiaries and affiliates' stocks	23,733
Gain on sales of investment securities	2,139
Reversal of provision of allowance for doubtful accounts for subsidiaries and affiliates	1,691
Reversal of provision for loss on guarantees	986
Gain on sales of non-current assets	63
Extraordinary loss	**26,737**
Loss on valuation of stocks of subsidiaries and affiliates	17,947
Provision for loss on guarantees	5,556
Provision of allowance for doubtful accounts for subsidiaries and affiliates	1,166
Loss on valuation of investment securities	916
Impairment loss	668
Loss on sales of non-current assets	416
Loss on sales of investment securities	68
Income before income taxes	**2,536**
Income taxes	**(6,956)**
Income taxes – current	(15,429)
Income taxes – deferred	8,473
Net income	**9,492**

STATEMENT OF CHANGES IN NET ASSETS

(Non-consolidated: Japanese GAAP)

(For the fiscal year ended March 31, 2017)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
						Other retained earnings	
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	397,199	59,260	46,758	106,018	4,159	153,856	158,014
Changes of items during the period							
Dividends from surplus	-	-	-	-	-	(15,592)	(15,592)
Provision of legal retained earnings	-	-	-	-	1,559	(1,559)	-
Net income	-	-	-	-	-	9,492	9,492
Purchase of treasury stock	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	(2)	(2)	-	-	-
Total changes of items other than shareholders' equity	-	-	-	-	-	-	-
Total changes of items during the period	-	-	(2)	(2)	1,559	(7,660)	(6,101)
Balance at the end of current period	397,199	59,260	46,756	106,016	5,718	146,196	151,914

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current period	(3,036)	658,195	35,098	(694)	34,404	692,600
Changes of items during the period						
Dividends from surplus	-	(15,592)	-	-	-	(15,592)
Provision of legal retained earnings	-	-	-	-	-	-
Net income	-	9,492	-	-	-	9,492
Purchase of treasury stock	(26)	(26)	-	-	-	(26)
Disposal of treasury stock	3	1	-	-	-	1
Total changes of items other than shareholders' equity	-	-	15,037	660	15,697	15,697
Total changes of items during the period	(23)	(6,126)	15,037	660	15,697	9,571
Balance at the end of current period	(3,060)	652,069	50,136	(34)	50,101	702,171

Independent Auditor's Report

April 25, 2017

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Eiji Mizutani (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Kondo (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Hasegawa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the CONSOLIDATED FINANCIAL POSITION, the CONSOLIDATED STATEMENT OF PROFIT OR LOSS, the CONSOLIDATED STATEMENT OF CHANGES IN EQUITY and the related notes of NEC Corporation (the "Company") as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the second sentence of Article 120-1 of the Ordinance on Companies Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared in accordance with the second sentence of Article 120-1 of the Ordinance on Companies Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

April 25, 2017

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Eiji Mizutani (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Kondo (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Hasegawa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the BALANCE SHEET, the STATEMENT OF OPERATIONS, the STATEMENT OF CHANGES IN NET ASSETS and the related notes, and the supplementary schedules of NEC Corporation (the "Company") as at March 31, 2016 and for the 179th year from April 1, 2016 to March 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

REPORT OF THE AUDIT & SUPERVISORY BOARD (KANSAYAKU-KAI)

With respect to the performance of duties by the Directors for the 179th business period from April 1, 2016 to March 31, 2017, the Audit & Supervisory Board (KANSAYAKU-KAI) has prepared this audit report through deliberation based on the audit reports prepared by the respective Audit & Supervisory Board Members (KANSAYAKU) and hereby reports, as follows:

1. Audit method by Audit & Supervisory Board Members (KANSAYAKU) and the Audit & Supervisory Board (KANSAYAKU-KAI) and details thereof

(1) The Audit & Supervisory Board (KANSAYAKU-KAI) has determined, among other things, the auditing policies and auditing plans, received reports regarding the status of conduct of audit and its results from each Audit & Supervisory Board Member (KANSAYAKU), received reports from Directors, other relevant employees and the Accounting Auditors concerning the performance of their duties, and, when necessary, requested them to provide explanations.

(2) Pursuant to the Code of *Kansayaku* Auditing Standards and in accordance with the auditing policies and auditing plans determined by the Audit & Supervisory Board (KANSAYAKU-KAI), each Audit & Supervisory Board Member (KANSAYAKU) has ensured to communicate effectively with Directors, employees including those in the internal auditing division and other relevant personnel, made efforts to collect necessary information and improve auditing environment, and performed audit in the way hereinafter prescribed:

(i) each Audit & Supervisory Board Member (KANSAYAKU) has attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees and other relevant personnel regarding the performance of their duties, requested them to provide explanations when necessary, examined important authorization documents and associated information, and investigated the operations and financial conditions at the headquarters and other principal offices. As for the subsidiaries, we have ensured to communicate with the directors and audit & supervisory board members (KANSAYAKU) and other personnel of the subsidiaries and to exchange information therewith, and, when necessary, received reports from the subsidiaries with regard to their business;

(ii) each Audit & Supervisory Board Member (KANSAYAKU) has monitored and verified the contents of resolutions of the Board of Directors regarding the enhancement of system required to be implemented to ensure the proper operations of corporate group consisting of the Company and its subsidiary corporations under Paragraphs 1 and 3, Article 100 of the Regulation for Enforcement of the Companies Act (internal control system) including a system to ensure that the performance of duties by Directors is in compliance with the laws, regulations and the Articles of Incorporation, and the status of the internal control system established and operated according to the said resolutions;

(iii) With regard to "Policy on the Control over the Company" stated in the business report, each Audit & Supervisory Board Member (KANSAYAKU) has examined the contents of the said policy; and

(iv) each Audit & Supervisory Board Member (KANSAYAKU) has monitored and verified whether the Accounting Auditors were maintaining their independence and properly performing audits, received reports from the Accounting Auditors on the performance of their duties, the methods and results of the audit, and, when necessary, requested them to provide explanations. We have also received from the Accounting Auditors a notice confirming that "the systems for ensuring proper performance of duties of the Accounting Auditors" was properly implemented pursuant to the laws and regulations, and standards released by Business Accounting Deliberation Council and others, and, when necessary, requested them to provide explanations.

Based on the aforementioned methods, we have examined the business report and the supplementary schedules, the consolidated financial statements (consolidated statement of financial position, consolidated statement of operations, consolidated statement of changes in equity and notes to consolidated financial statements) as well as non-consolidated financial statements (balance sheet, statement of operations, statement of changes in net assets and notes to non-consolidated financial statements) and supplementary schedules.

2. Results of audit

(1) Audit results concerning the business reports, etc.

(i) We confirm that the business report and the supplementary schedules fairly present the conditions of the Company in conformity with applicable laws, regulations and its Articles of Incorporation.

(ii) We have found no improper acts by Directors in the performance of their duties or any material facts in connection with the performance by Directors of their duties that constitute any violation of applicable laws, regulations or the Articles of Incorporation.

(iii) We confirm that the contents of the resolution of the Board of Directors on the internal control system of the

Company are fair and appropriate. Furthermore, we confirm that the establishment and operation of the internal control system, which are described as appropriate in the business report, are fair and appropriate. As prescribed in “Challenges to be Addressed by the NEC Group” in the business report, the Japan Fair Trade Commission carried out inspections on suspicions that the Company violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade with respect to three transactions, and in the current fiscal year, the Company received Cease and Desist Orders and Surcharge Payment Orders for activities in violation of the Act for two transactions. For another transaction, the Company did not receive any disposition from the Commission following the recognition of its petition to participate in the Commission’s surcharge reduction and exemption system. The Audit & Supervisory Board (KANSAYAKU-KAI) confirms the continuous effort being made by the Company to thoroughly promote enhancing compliance with laws, including antitrust law, and to prevent reoccurrence. The Audit & Supervisory Board (KANSAYAKU-KAI) will continuously monitor the actions taken by the Company in order to further enhance and improve compliance and to strengthen the establishment and operation of its internal control system.

(iv) We have found no matters that must be pointed out with regards to “Policy on the Control over the Company” stated in the business report.

(2) Audit results concerning consolidated financial statements

We confirm that the methods and results of the audit conducted by KMPG AZSA LLC the Accounting Auditors, are fair and appropriate.

(3) Audit results concerning non-consolidated financial statements and supplementary schedules

We confirm that the methods and results of the audit conducted by KPMG AZSA LLC the Accounting Auditors, are fair and appropriate.

April 27, 2017

Audit & Supervisory Board (KANSAYAKU-KAI)
NEC Corporation

Full-time Audit & Supervisory Board Member (KANSAYAKU) Fujio Okada (Seal)
Full-time Audit & Supervisory Board Member (KANSAYAKU) Tetsuya Fujioka (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU) Kyoko Okumiya (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU) Takeshi Kikuchi (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU) Kazuyasu Yamada (Seal)