This is a translation of the Notice of the 181st Ordinary General Meeting of Shareholders of NEC Corporation, and is provided for reference purposes only without any warranty as to its accuracy, completeness of the information, or otherwise. Please note that this translation does not include the translation of the information on exercising voting rights, Notes to Non-consolidated Financial Statements and some other information contained in the Japanese original. In the event of any discrepancy between the Japanese original and this translation, the original shall prevail.

NEC Corporation

Securities Code 6701

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

Nobuhiro Endo
Chairman of the Board
(Representative Director)

May 31, 2019

To Our Shareholders:

NOTICE OF THE 181ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

This is to inform you that the 181st Ordinary General Meeting of Shareholders (the "Meeting") of NEC Corporation (the "Company") will be held as follows:

1. DATE: June 24, 2019 (Monday) 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 the Non-consolidated Financial Statements of the 181st business period from April 1, 2018 to March 31, 2019 ("Business Period"), 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: Partial Amendment to the Articles of Incorporation
Proposal No. 2: Election of Eleven (11) Directors
Proposal No. 3: Election of One (1) Audit & Supervisory Board Member (KANSAYAKU)
Proposal No. 4: Amendment to Amount of Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU)
Proposal No. 5: Introduction of Stock Compensation Plan for Directors
Proposal No. 6: Amendment to Performance-based Stock Compensation Plan for Directors

- No souvenirs will be provided. Your understanding would be appreciated.
- 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.

REFERENCE DOCUMENTS FOR THE MEETING

Proposed Matters for Voting and reference matters thereof:

Proposal No. 1: Partial Amendment to the Articles of Incorporation

The Articles of Incorporation of the Company are proposed to be amended, in part, as follows:

1. Reasons for the amendments

(1) In order to promote business related to drug discovery as well as the medical systems business utilizing the latest technologies and expand its Solutions for Society in the healthcare business domain, which will become a growth field, the provisions of Article 2, item 5 are proposed to be newly established.

(2) In order to ensure the flexibility in the management of the General Meeting of Shareholders, the provisions of Articles 12 and 15 are proposed to be amended.

2. Proposed Amendment

Contents of the amendment are as follows:

(Underlined are the amended parts)

Current Text	Proposed Amendment
Article 2. (Object) The object of the Company is to carry on the following businesses: (1) (Omitted) to (4) (Omitted) *[New Article]* (5) To provide mail order, money collection, travel agency, non-life insurance agency, life insurance agency, broadcasting, and security services by means of the Internet and other networks; (6) To contract for construction work; (7) To engage in any and all activities requisite to the promotion, handling, and carrying out of the businesses mentioned in any of the preceding items; and (8) To invest in businesses mentioned in any of the preceding items which businesses are under the administration of others.	Article 2. (Object) The object of the Company is to carry on the following businesses: (1) (Unchanged) to (4) (Unchanged) (5) To manufacture, sell or otherwise dispose of, medicines, quasi-medicines, reagents, and other chemical products, and to provide medical support services and medical testing services (6) To provide mail order, money collection, travel agency, non-life insurance agency, life insurance agency, broadcasting, and security services by means of the Internet and other networks; (7) To contract for construction work; (8) To engage in any and all activities requisite to the promotion, handling, and carrying out of the businesses mentioned in any of the preceding items; and (9) To invest in businesses mentioned in any of the preceding items which businesses are under the administration of others.
Article 12. (Convocation) 1. An ordinary general meeting of shareholders shall be convened in June of each year, and an extraordinary general meeting of shareholders shall be convened whenever necessary. 2. A general meeting of shareholders shall be convened by a Representative Director who is appointed by the Board of Directors pursuant to a resolution of the Board of Directors unless otherwise provided by the relevant	Article 12. (Convocation) 1. An ordinary general meeting of shareholders shall be convened in June of each year, and an extraordinary general meeting of shareholders shall be convened whenever necessary. 2. A general meeting of shareholders shall be convened by a Director who is appointed by the Board of Directors pursuant to a resolution of the Board of Directors unless otherwise provided by the relevant laws and regulations,

Current Text	Proposed Amendment
laws and regulations, and, in cases where he/she is unable to act, the meeting shall be convened by another Representative Director in accordance with an order previously determined by the Board of Directors.	and, in cases where he/she is unable to act, the meeting shall be convened by another Director in accordance with an order previously determined by the Board of Directors.
Article 15. (Chairman) The chairmanship of the general meeting of shareholders shall be assumed by a Representative Director who is appointed by the Board of Directors, and, in cases where he/she is unable to act, it shall be assumed by another Representative Director in accordance with an order previously determined by the Board of Directors.	Article 15. (Chairman) The chairmanship of the general meeting of shareholders shall be assumed by a Director who is appointed by the Board of Directors, and, in cases where he/she is unable to act, it shall be assumed by another Director in accordance with an order previously determined by the Board of Directors.

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 were deliberated by the Nomination and Compensation Committee, which chaired by an Outside Director and majority of the Committee members are Outside Directors, and approved by the Board of Directors.

The candidates are as follows:

(As of May 31, 2019)

No.	Name	Position and Responsibility at the Company	Attendance at Meeting of the Board of Directors	Year served as a Director (Upon the close of the Meeting)
1	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 Member of the Nomination and Compensation Committee	13 out of 13 meetings	10 years
2	Takashi Niino	President (Representative Director) CEO (Chief Executive Officer) Management of the Company's business, corporate auditing and export & import trade control Member of the Nomination and Compensation Committee	13 out of 13 meetings	8 years
3	Takayuki Morita	Senior Executive Vice President and Member of the Board (Representative Director) CFO (Chief Financial Officer) Corporate alliance, corporate controller and corporate Finance / Important matters relating to process reforms of revenue recognitions in operational reforms, affiliated company and business revitalization	13 out of 13 meetings	3 years
4	Norihiko Ishiguro	Senior Executive Vice President and Member of the Board Global business strategy/ Important matters relating to external relations	11 out of 11 meetings	1 year
5	Hajime Matsukura	Executive Vice President and Member of the Board CHRO (Chief Human Resources Officer) NEC Group culture transformation, corporate communications, external relations, people and organization development, human resources and general affairs, operational reforms and work-site innovations	13 out of 13 meetings	2 years
6	Motoo Nishihara *New candidate	Executive Vice President CTO (Chief Technology Officer) Central Research Laboratories, Intellectual Properties and technology innovation strategy	-	-
7	Takeshi Kunibe *Candidate for Outside Director	Member of the Board Member of the Nomination and Compensation Committee	12 out of 13 meetings	8 years

No.	Name	Position and Responsibility at the Company	Attendance at Meeting of the Board of Directors	Year served as a Director (Upon the close of the Meeting)
8	Kaoru Seto *Candidate for Outside Director	Member of the Board Member of the Nomination and Compensation Committee	11 out of 11 meetings	1 year
9	Noriko Iki *Candidate for Outside Director	Member of the Board	11 out of 11 meetings	1 year
10	Masatoshi Ito *New candidate *Candidate for Outside Director		-	-
11	Kuniharu Nakamura *New candidate *Candidate for Outside Director		-	-

Note: Members of the Nomination and Compensation Committee are above four (4) members, Messrs. Nobuhiro Endo, Takashi Niino, Takeshi Kunibe and Kaoru Seto, and Mr. Motoyuki Oka, who is an Outside Director and the chairman of the committee. Mr. Motoyuki Oka will retire upon the close of the Meeting.

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
1. Nobuhiro Endo (November 8, 1953) *Member of the Nomination and Compensation Committee *Male	April 1981	Joined the Company	35,800
	July 2005	Senior General Manager, Mobile Network Operations Unit	
	April 2006	Senior Vice President and Executive General Manager, Mobile Network Operations Unit	
	April 2009	Executive Vice President	
	June 2009	Executive Vice President and Member of the Board	
	April 2010	President (Representative Director)	
	April 2016	Chairman of the Board (Representative Director) (to present)	
	Important Concurrent Positions: Outside Director, Japan Exchange Group, Inc. Outside Director, SEIKO HOLDINGS CORPORATION		

<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"></td><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><td rowspan="2"></td></tr>
<tr><td colspan="2">Attendance at Meeting of the Board of Directors:
13 out of 13 meetings
Attendance rate: 100%</td></tr>
<tr><td rowspan="2">2. Takashi Niino
(September 8, 1954)

*Member of the Nomination and Compensation Committee
*Male</td><td>April 1977
April 2004

April 2005

April 2006

April 2008

August 2008
April 2010
June 2011
July 2011

April 2012

April 2016</td><td>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
Senior Vice President and
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)</td><td rowspan="2">6,500</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 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 transformation into a social value innovator and the Company's sustainable growth.</td></tr>
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<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></td><td colspan="2">Attendance at Meeting of the Board of Directors:
13 out of 13 meetings
Attendance rate: 100%</td><td></td></tr>
<tr><td rowspan="4">3. Takayuki Morita
(February 5, 1960)

*Male</td><td>April 1983
April 2002
April 2006

April 2008
July 2011
April 2016

June 2016

April 2018

June 2018</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
Senior Executive Vice President and Member of the Board (Representative Director)
Senior Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director) (to present)</td><td rowspan="4">1,700</td></tr>
<tr><td colspan="2">Important Concurrent Positions:
Director, Japan Aviation Electronics Industry, Limited
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 also, having had been in charge of global business strategies as Executive Vice President, CGO and Member of the Board, and afterword having been in charge of NEC Group’s accounting and financial strategies and M&A as Senior Executive Vice President, CFO and Member of the Board (Representative Director) . The Company has nominated him as a candidate for Director considering that he is appropriate to implement strategies for enhancing NEC Group’s 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:
13 out of 13 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="3">4. Norihiko Ishiguro
(May 3, 1957)

*Male</td><td>April 1980
July 2009

August 2011

June 2013

July 2015

November 2015

August 2016
October 2016
June 2018</td><td>Joined Ministry of International Trade and Industry
Director-General, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry
Director-General, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry
Vice Minister for International Affairs, Ministry of Economy, Trade and Industry
Retired from Ministry of Economy, Trade and Industry
Adviser, Tokio Marine & Nichido Fire Insurance Co., Ltd. (until July 2016)
Advisor, the Company
Senior Executive Vice President
Senior Executive Vice President and Member of the Board (to present)</td><td rowspan="3">2,700</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
He has extensive experience and sufficient performance records relating to an industrial policy and a trade policy through working at Ministry of Economy, Trade and Industry, and afterwards, he has been in charge of global business strategies and external relations as Senior Executive Vice President since October 2016. The Company has nominated him as a candidate for Director considering that he is appropriate to make use of his wide-ranging knowledge acquired by his business and administrative experience for expanding Social Solutions business worldwide and to supervise the Company's business units.</td></tr>
<tr><td colspan="2">Attendance at Meeting of the Board of Directors:
11 out of 11 meetings
Attendance rate: 100%</td></tr>
<tr><td>5.Hajime Matsukura
(December 12, 1961)

*Male</td><td>April 1985
April 2005
April 2006

April 2008
April 2014

April 2017

June 2017

April 2018

April 2019</td><td>Joined the Company
General Manager, Marketing Planning Division
Assistant Executive General Manager, Business Development Unit
General Manager, Corporate Strategy Division
Senior Vice President and President (Representative Director) of NEC Management Partner, Ltd.
Executive Vice President and CSO (Chief Strategy Officer)
Executive Vice President , CSO (Chief Strategy Officer) and Member of the Board
Executive Vice President, CSO (Chief Strategy Officer), CHRO (Chief Human Resources Officer) and Member of the Board
Executive Vice President, CHRO (Chief Human Resources Officer) and Member of the Board (to present)</td><td>1,800</td></tr>
</table>

Name (Date of Birth)		Brief Employment History	Number of the Company's Shares Held
		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 culture transformation and human resources strategies as Executive Vice President, CHRO and Member of the Board. The Company has nominated him as a candidate for Director considering that he is appropriate to implement building culture and developing human resources for NEC Group's growth, and to supervise the Company's business units.	
		Attendance at Meeting of the Board of Directors: 13 out of 13 meetings Attendance rate: 100%	
6. Motoo Nishihara (January 23, 1962) *New candidate *Male	April 1985	Joined the Company	0
	July 2011	General Manager, System Platform Research Laboratories	
	April 2012	General Manager, Cloud System Research Laboratories	
	April 2016	Senior Vice president	
	April 2019	Executive Vice President and CTO (Chief Technology 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 Research and Development as Senior Vice president, and afterwards, having been in charge of NEC Group's Research and Development and technology strategies as Executive Vice President and CTO. 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.	
7. Takeshi Kunibe (March 8, 1954) *Candidate for Outside Director *Member of the Nomination and Compensation Committee *Male	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 (until April 2017)	
	June 2011	Member of the Board of the Company (to present)	
	April 2017	President and Group Chief Executive Officer, SMFG	
	June 2017	Director President and Group Chief Executive Officer, SMFG	
	April 2019	Chairman of the Board, SMFG (to present)	

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Important Concurrent Positions: Chairman of the Board, 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.		
	Notice relating to Independence of Candidate for Outside Director: ・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.		
	Attendance at Meeting of the Board of Directors: 12 out of 13 meetings Attendance rate: 92%		
8. Kaoru Seto (November 16, 1947) *Candidate for Outside Director *Member of the Nomination and Compensation Committee *Male	April 1970	Joined Yamato Transport Co., Ltd. (currently, Yamato Holdings, Co., Ltd.)	0
	June 1999	Director of the Board and Regional President of Kansai Region, Yamato Transport Co., Ltd.	
	June 2003	Director of the Board and General Manager of HR Department at Headquarters, Yamato Transport Co., Ltd.	
	June 2004	Member of the Board and Managing Executive Officer, Yamato Transport Co., Ltd.	
	November 2005	Managing Executive Officer, Yamato Holdings, Co., Ltd.	
	June 2006	Representative Director, President and Executive Officer, Yamato Holdings, Co., Ltd.	
	April 2011	Representative Director and Chairman, Yamato Holdings, Co., Ltd.	
	April 2015	Director Adviser, Yamato Holdings, Co., Ltd.	
	June 2016	Adviser, Yamato Holdings, Co., Ltd.	
	June 2018	Member of the Board of the Company (to present)	
	June 2018	Special Adviser, Yamato Holdings, Co., Ltd. (to present)	
	Important Concurrent Positions: Special Adviser, Yamato Holdings, Co., Ltd. Outside Director, RICOH LEASING COMPANY, LTD.		

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	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 logistics service company.		
	Notice relating to Independence of Candidate for Outside Director: ・The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director. ・The total amount of transactions between Yamato Holdings, Co., Ltd., where he serves as Special Adviser, and the Company is less than 1% compared with the Net Sales of either party for the past 3 fiscal years.		
	Attendance at Meeting of the Board of Directors: 11 out of 11 meetings Attendance rate: 100%		
9. Noriko Iki (March 21, 1956) *Candidate for Outside Director *Female	April 1979	Joined the Ministry of Labour	0
	July 2009	Director-General, Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare	
	July 2010	Research Director, Japan Institute for Labour Policy and Training	
	April 2011	Senior Research Director, Japan Institute for Labour Policy and Training	
	September 2012	Director-General, Tokyo Labour Bureau, Ministry of Health, Labour and Welfare	
	April 2014	Ambassador Extraordinary and Plenipotentiary to Brunei Darussalam, Ministry of Foreign Affairs	
	July 2017	Retired from Ministry of Foreign Affairs	
	March 2018	Director, Japan Institute for Women's Empowerment & Diversity Management	
	June 2018	President, Japan Institute for Women's Empowerment & Diversity Management (to present)	
	June 2018	Member of the Board of the Company (to present)	
	Important Concurrent Positions: President, Japan Institute for Women's Empowerment & Diversity Management Outside Director, NIPPON STEEL CORPORATION		
	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 extensive experience and deep insight relating to administrative and diplomatic area. Although she has never been involved in management of companies, the Company has judged that she can perform the duties as Outside Director for the reasons described above.		

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Notice relating to Independence of Candidate for Outside Director: ・The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of her as an independent Director. ・The total amount of transactions between Japan Institute for Women's Empowerment & Diversity Management, where she serves as President, and the Company is less than 1% compared with the Net Sales or ordinary revenue of either party for the past 3 fiscal years.		
	Attendance at Meeting of the Board of Directors: 11 out of 11 meetings Attendance rate: 100%		
10. Masatoshi Ito (September 12, 1947) *New candidate *Candidate for Outside Director *Male	April 1971 June 1999 April 2003 August 2006 June 2009 June 2015	Joined Ajinomoto Co., Inc. Member of the Board, Ajinomoto Co., Inc. Representative Director, President, Ajinomoto Frozen Foods Co., Inc. (until March,2005) Representative Director, Corporate Senior Vice President and President, Food Products Company, Ajinomoto Co., Inc. Representative Director, President and Chief Executive Officer, Ajinomoto Co., Inc. Representative Director and Chairman of the Board, Ajinomoto Co., Inc. (to present)	0
	Important Concurrent Positions: Representative Director and Chairman of the Board, Ajinomoto Co., Inc. Outside Director，Japan Airlines Co., Ltd. Outside Director，YAMAHA CORPORATION		
	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 relating to marketing and management strategies as management of a manufacturing company.		
	Notice relating to Independence of Candidate for Outside Director: ・The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director. ・The total amount of transactions between Ajinomoto Co., Inc., where he serves as Representative Director and Chairman of the Board, and the Company is less than 1% compared with the Net Sales of either party for the past 3 fiscal years.		

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
11.Kuniharu Nakamura (August 28, 1950) *New candidate *Candidate for Outside Director *Male	April 1974	Joined Sumitomo Corporation	0
	June 2009	Representative Director, Senior Managing Executive Officer and General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit, Sumitomo Corporation	
	April 2012	Representative Director, Executive Vice President and General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit, Sumitomo Corporation	
	June 2012	Representative Director, President and Chief Executive Officer, Sumitomo Corporation	
	April 2018	Representative Director, Chairman of the Board of Directors, Sumitomo Corporation	
	June 2018	Chairman of the Board of Directors, Sumitomo Corporation (to present)	
	Important Concurrent Positions: Chairman of the Board of Directors, Sumitomo Corporation		
	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 global businesses.		
	Notice relating to Independence of Candidate for Outside Director: ・The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director. ・The total amount of transactions between Sumitomo Corporation, where he serves as Chairman of the Board of Directors, and the Company is less than 1% compared with the Net Sales of either party for the past 3 fiscal years.		

Notes:

1. "Number of the Company's share Held" indicates the number of shares held as of March 31, 2019.
2. The Company has entered into agreements with Messrs. Takeshi Kunibe and Kaoru Seto and Ms. Noriko Iki to limit their liabilities as stipulated in 427 (1) of the Company Law (the "Liabilities Limitation Agreements") pursuant to Article 24 of the Company's Articles of Incorporation. When Messrs. Masatoshi Ito and Kuniharu Nakamura are elected as Directors of the Company, the Company will enter into the Liabilities Limitation Agreements with them. The outline of the Liabilities Limitation Agreements is to limit their liabilities as stipulated in Article 423 (1) of the Company Law to the higher amount of 20 million yen or the amount provided in the Company Law and the Regulation for Enforcement of the Company Law on the condition that they perform their duties as Directors in good faith and without gross negligence.
3. Japan Airlines Co., Ltd. ("JAL"), where Mr. Masatoshi Ito serves as Outside Director, received a business improvement order concerning assurance of safety in air transportation by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) due to safety concerns raised by an alcohol-related incident by a flight crew and the change of the number of assigned flight crew on December 21, 2018. In addition, JAL received a business improvement advisory concerning assurance of safety in air transportation by MLIT against an alcohol-related incident by a cabin attendant on January 11, 2019. Although Mr.

Masatoshi Ito had no knowledge of the aforementioned problems until they were brought to light, he had been providing suggestions based on his perspective of legal compliance at JAL's meetings of the Board of Directors and other venues. Moreover, after becoming aware of the aforementioned incidents, he has been fulfilling his duties such as by calling for a thorough investigation of the relevant facts and for the formulation of measures to prevent recurrence.

Proposal No. 3: <u>Election of one (1) Audit & Supervisory Board Member (KANSAYAKU)</u>

Upon the close of the Meeting, the term of office of Mr. Takeshi Kikuchi 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="4">Nobuo Nakata
(July 29, 1957)

*New candidate
*Candidate for Outside Audit & Supervisory Board Member (KANSAYAKU)
*Male</td><td>April 1985
April 1985
April 1987
January 1991

January 1992

February 2004

January 2007

January 2012</td><td>Registered as an Attorney at Law (to present)
Joined Ishiguro Law Office. (until March 1987)
Joined Masuda & Ejiri (currently Nishimura & Asahi)
Registered as an Attorney at Law (New York Bar) (to present)
Partner of Masuda & Ejiri (currently Nishimura & Asahi) (until January 2004)
Joined Freshfields Bruckhaus Deringer as a Partner (until December 2006)
Joined Allen & Overy as a Partner (until December 2011)
Established Hibiya-Nakata.
Representative Partner of Hibiya-Nakata (to present)</td><td rowspan="4">0</td></tr>
<tr><td colspan="2">Important Concurrent Positions:
Attorney at Law
Outside Audit & Supervisory Board Member (KANSAYAKU) of Kirin Holdings Company, Limited</td></tr>
<tr><td colspan="2">Reasons for Nomination of a Candidate:
The Company has nominated him as a candidate for Outside Audit & Supervisory Board Member (KANSAYAKU) 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 a lot of experience and professional insight as an attorney at law in the fields of corporate law including M&A. Although he has never been involved in management of companies, the Company has judged that he can perform the duties as Outside Audit & Supervisory Board Member (KANSAYAKU) for the reasons described above.</td></tr>
<tr><td colspan="2">Notice relating to Independence of Candidate for Outside Audit & Supervisory Board Member (KANSAYAKU) :
・The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Audit & Supervisory Board Member (KANSAYAKU).
・There is no contractual relationship concerning advisory services or other legal services between Hibiya-Nakata , where Mr. Nobuo Nakata has belonged as Representative Partner, and the Company for past 3 fiscal years.</td></tr>
</table>

Notes: 1. “Number of the Company’s share Held” indicates the number of shares held as of March 31, 2019.

2. When Mr. Nobuo Nakata is elected as an Audit & Supervisory Board Member (KANSAYAKU) of the Company, the Company will enter into agreement with him to limit his liabilities as stipulated in Article

427(1) of the Companies Act (the “Liabilities Limitation Agreement”) pursuant to Article 31 of the Company’s Articles of Incorporation. The outline of the Liabilities Limitation Agreement is to limit his liabilities as stipulated in Article 423(1) 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 he has performed his duty as Audit & Supervisory Board Member (KANSAYAKU) in good faith and without gross negligence.

(Reference: "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members (KANSAYAKU)"):

The Company declares that an Outside Director and an Outside Audit & Supervisory Board Member who is not fallen under any of the following description is independent of the Company.

1. Presently or at any time within the past three years, any of his or her relative within the second degree of relationship holds or held a position equal to or higher than a general manager at the Company or the Company’s Group subsidiary.
2. Presently or at any time within the past three years, the person is or was a person executing the operations ("executing person") of a major business partner*1, or any of his or her relative within the second degree of relationship is or was an executing person at a major business partner (if such a person holds or held a position equal to or higher than a position equivalent of a general manager at the Company).
3. In any one of the past three fiscal years, the person or any of his or her relative within the second degree of relationship has received financial compensation of 10 million yen or more (excluding remuneration for Directors or Audit & Supervisory Board Members (KANSAYAKU)) from the Company.
4. Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has belonged to the Accounting Auditors of the Company.
5. Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has been an executing person of an organization that has received a significant amount of donation from the Company.*2

*1 Major business partner:

1. A business partner with the total amount of transactions with the Company (consideration for offering products/services and procurements) exceeding 2% of sales of the Company or such business partner; or,
2. A business partner to whom the Company owes the average annual amount exceeding 2% of total assets of the Company.

*2 Organization that has received a significant amount of donation from the Company:

An organization that has received from the Company a significant amount of donation exceeding the greater of 10 million yen, or 2% of the gross income of such organization, in any one of the past three fiscal years.

Explanation for amendment to remuneration systems for Directors and Audit & Supervisory Board Members (KANSAYAKU) under Proposal No. 4 through Proposal No. 6

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 a 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. The Nomination and Compensation Committee, with the majority comprising Outside Directors and chaired by an Outside Director, deliberated, based on this policy, whether the existing level and system of remuneration should be revised or not, taking the results of benchmarks of other companies into account. The deliberations concluded that revision would be appropriate. Proposal No. 4 through Proposal No. 6 are proposed to make necessary amendments to remuneration systems for implementation of a new level and system of remuneration determined by the Board of Directors after deliberations by the Nomination and Compensation Committee.

The remuneration for Directors of the Company consists of (i) monthly remuneration (a fixed amount of remuneration according to their titles; the "Basic Remuneration"), (ii) performance-based bonuses as short term incentive, and (iii) performance-based stock compensation as a mid- and long-term incentive.

With this amendment to remuneration systems, the amount of remuneration will be increased to a competitive level against benchmark companies, and the amount of the Basic Remuneration for Directors (excluding Outside Directors) will increase or decrease according to achievements instead of a fixed amount according to their title. As an overall remuneration system, the ratio of remuneration such as bonuses and stock compensation that vary depending on performance will be increased. As a result, the ratio of fixed remuneration and performance-based remuneration shall become approximately 5:5 from the existing approximately 6:4. Both Proposal No. 5 "Introduction of Stock Compensation Plan for Directors" and Proposal No. 6 "Amendment to Performance-based Stock Compensation Plan for Directors" are proposals for stock compensation, but the stock compensation under Proposal No. 5 "Introduction of Stock Compensation Plan for Directors" provides for the granting of shares equivalent to a fixed amount every year, while the stock compensation under Proposal No. 6 "Amendment to Performance-based Stock Compensation Plan for Directors" provides for the granting of shares based on performance (no shares may be granted in the case of deteriorated performance), which is the underlying difference between the two proposals.

The Company will further reinforce management's commitment to results by amendments to remuneration systems.

Note that in Proposal No. 4 "Amendment to Amount of Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU)," together with revising the remuneration limit of Basic Remuneration paid to Directors of the Company from a monthly limit to an annual limit, it is also proposed to revise the limit of remuneration paid to Audit & Supervisory Board Members (KANSAYAKU) from a monthly limit to an annual limit.

Proposal No. 4: Amendment to Amount of Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU)

The amount of Basic Remuneration for Directors of the Company was approved to be within 65,000,000 yen per month (excluding the employee salary portion for Directors concurrently serving as employees) at the 153rd Ordinary General Meeting of Shareholders held on June 27, 1991, and the Company has paid Basic Remuneration for Directors within this remuneration limit, and separately sought approval on the specific amount of the bonuses (if any) at the Ordinary General Meeting of Shareholders.

As part of revisions to the level and system of remuneration for Directors described in “Explanation for amendment to remuneration systems for Directors and Audit & Supervisory Board Members (KANSAYAKU) under Proposal No. 4 through Proposal No. 6,” the Company seeks the approval of this Proposal to change the Director remuneration limit from a monthly limit to an annual limit, revise the annual limit to 1,380,000,000 yen (of which 580,000,000 yen for Basic Remuneration and 800,000,000 yen for bonuses), and pay bonuses in addition to Basic Remuneration for Directors within this remuneration limit. The amount of the remuneration limit for Directors after the revision includes the employee salary portion for Directors concurrently serving as employees (there will be no Directors concurrently serving in positions as employees at the conclusion of this Ordinary General Meeting of Shareholders) and the Senior Vice President remuneration for Directors concurrently serving as Senior Vice Presidents. The Company intends to apply the framework to pay bonuses within this remuneration limit from the bonuses for this fiscal year (the 181st term).

In the same way as before, the Company shall not pay bonuses, which are performance-based remunerations, to Outside Directors, who are independent from business execution. With regard to Basic Remuneration for them, the Company shall pay a fixed amount within the remuneration limit approved in this Proposal.

At present there are eleven (11) Directors (including five (5) Outside Directors), and if the Proposal No. 2 “Election of Eleven (11) Directors” is adopted as originally proposed, the number will remain eleven (11) (including five (5) Outside Directors).

The amount of remuneration for Audit & Supervisory Board Members (KANSAYAKU) of the Company was approved to be within 12,000,000 yen per month at the 170th Ordinary General Meeting of Shareholders held on June 23, 2008, and the Company seeks approval to change the remuneration limit from a monthly limit to an annual limit alongside changes in the Director remuneration limit to an annual limit, and revise the amount of the remuneration limit to be within 144,000,000 yen per annum.

In the same way as before, the Company shall not pay bonuses, which are performance-based remunerations, to Audit & Supervisory Board Members (KANSAYAKU).

At present there are five (5) Audit & Supervisory Board Members (KANSAYAKU) (including three (3) Outside Audit & Supervisory Board Members (KANSAYAKU)), and if the Proposal No. 3 “Election of One (1) Audit & Supervisory Board Member (KANSAYAKU)” is adopted as originally proposed, the number will remain five (5) (including three (3) Outside Audit & Supervisory Board Members (KANSAYAKU)).

The amounts for the Basic Remuneration plan for Directors and for the bonuses for Directors are determined at the Board of Directors based on deliberations by the Nomination and Compensation Committee, with the majority comprising Outside Directors and chaired by an Outside Director. The remuneration for Audit & Supervisory Board Members (KANSAYAKU) is determined through discussions between Audit & Supervisory Board Members (KANSAYAKU).

This Proposal was determined by the Board of Directors upon deliberations by the Nomination and Compensation Committee.

Proposal No. 5: Introduction of Stock Compensation Plan for Directors

1. Reasons for Proposal and justifying such compensation

With regard to stock compensation for the Company's Directors (excluding Outside Directors; in this Proposal, the "Applicable Directors"), the Company intends to introduce a new stock compensation plan (in this Proposal, the "Plan"), in addition to the performance-based stock compensation plan approved at the 179th Ordinary General Meeting of Shareholders held on June 22, 2017.

The purpose of the Plan is to further clarify the link between remuneration for Applicable Directors and the value of Company shares by increasing the ratio of stock compensation in the remuneration for Directors, and encourage Applicable Directors to operate the business with a higher consciousness of the Company's share price by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices, and therefore, the Company understands that the introduction of the Plan is justified.

In this Proposal, the Company seeks the approval of remuneration apart from the Directors' remuneration limit that the Company seeks approval for in Proposal No. 4 "Amendment to Amount of Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU)" (within 1,380,000,000 yen per annum (of which 580,000,000 yen for Basic Remuneration and 800,000,000 yen for bonuses).

If the Proposal No. 2 "Election of Eleven (11) Directors" is adopted as originally proposed, the number of Applicable Directors for whom remuneration is provided under the Plan will be six (6).

This Proposal was determined by the Board of Directors upon deliberations by the Nomination and Compensation Committee, with the majority comprising Outside Directors and chaired by an Outside Director.

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 Applicable Directors the points which are determined within the maximum sum as specified in (iii) a. below. Subsequently, 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 (in this Proposal, the "Company Shares, etc." together with the Company shares)) shall be granted and paid out (in this Proposal, "Grant, etc.") to Applicable Directors. Under the Plan, a trust (in this Proposal, 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 the Plan

Applicable Directors

(ii) Target Period

From the date of the Ordinary General Meeting of Shareholders to the date of the following Ordinary General Meeting of Shareholders

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

a. Maximum sum to be contributed by the Company to the Trust under the Plan	60,000,000 yen per Target Period
b. Maximum number of the Company Shares, etc., to be Granted, etc., from the Trust to the Applicable Directors under the Plan	20,000 shares per Target Period
c. Ratio of the maximum number of the Company Shares, etc., to be Granted, etc., by the Trust under the Plan against the total number of issued Company shares	Approximately 0.008% per Target Period
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, 2019, and the ratio thus determined is shown after being rounded up to the third decimal place. This ratio will change accordingly as the total number of issued shares changes.

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

In principle, after three years from the beginning of the Target Period

(2) Maximum sum to be contributed to the Trust

The Company may extend the trust period of the Trust every year subject to resolutions of the Board of Directors, and make a contribution of monies for acquiring shares of up to 60,000,000 yen after beginning of the 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.

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

The number of Company shares (including shares which will be disposed of) to be granted to Applicable Directors shall be calculated on the basis of the points equivalent to a fixed amount for all Applicable Directors within the maximum sum as specified in the above (1) (iii) a.

The Company shall grant to the Applicable Directors the points of the number of granting shares for Directors (*1), in principle, after the expiry of the Target Period in accordance with the rules for granting Company shares (the "Rules") to be established by the Board of Directors (*2).

However, the upper limit to the total number of points to be granted by the Company to the Applicable Directors shall be 20,000 points per Target Period.

*1: The number of granting shares for Directors shall be calculated as follows:

"The fixed amount allocated for all Applicable Directors within the maximum sum as specified in above (1) (iii) a." / "Average value of closing price of Company shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the Target Period"

*2: In the event of resignation of an Applicable Director during the Target Period, the points shall be granted upon resignation as described in (4) below.

The number of Company shares (including shares which will be disposed of) to be granted to each Applicable Director from the Trust after three years from the beginning of each Target Period shall be determined to be one share for one point granted to each Applicable Director upon expiry of the Target Period.

However, in the event that Company shares are 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.

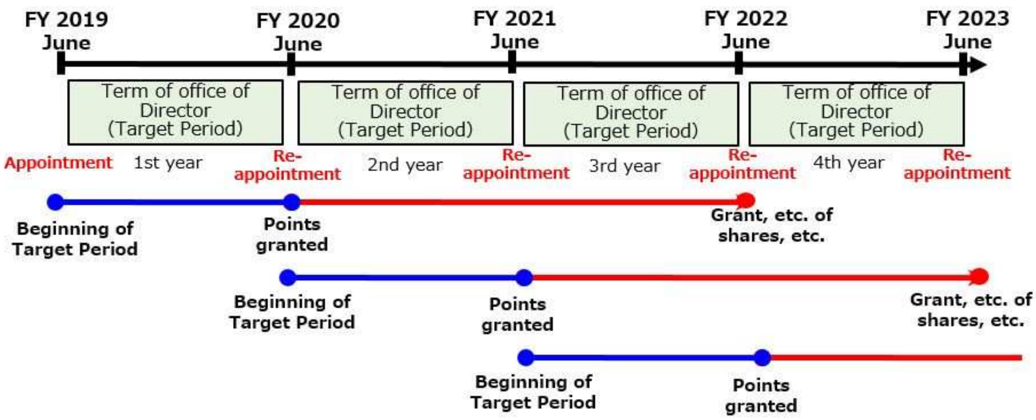
(4) Method and timing of Granting, etc., the Company Shares, etc., to Applicable Directors

The Applicable Directors may, by performing the prescribed beneficiary determination procedures, receive, in principle, after three years from the beginning of each Target Period, the Grant, etc., of the Company Shares, etc., from the Trust. 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 the cash shall be paid instead of Company shares. Furthermore, if Company shares within the Trust are converted into cash by applying to a tender offer or other reason, the Company shall pay in money instead of the shares.

Furthermore, in the event of resignation of the Applicable Director during the Target Period, a number of points prorated in accordance with the elapsed months during the relevant Target Period shall be granted to said Applicable Director at the time of resignation, and in turn the Company Shares, etc., equivalent to the number of points shall be Granted, etc., to the Applicable Directors. In the event that a reappointed Applicable Director resigns before the date when the Company Shares, etc., are Granted, etc., the Company Shares, etc., equivalent to the number of points already given shall together be Granted, etc., to the Applicable Director upon resignation.

Additionally, 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 months during the relevant Target Period shall be sold, and the cash shall be paid to their bereaved families. In the event that any of the reappointed Applicable Directors dies before the date when the Company Shares, etc., are Granted, etc., the Company Shares, etc., equivalent to the number of points already given shall be sold on the stock market, and the cash shall be also paid to the bereaved family.

For your reference, an illustration of the Plan is provided below.



* The Company Shares, etc., shall be Granted, etc., after three years from the beginning of the respective Target Period (after two years from grant of points).

(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 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 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.

Proposal No. 6: Amendment to Performance-based Stock Compensation Plan for Directors

1. Reasons for Proposal and justifying amendment

The Company introduced a performance-based stock compensation plan (in this Proposal, the "Plan") for its Directors (excluding Outside Directors; in this Proposal, the "Applicable Directors") subsequent to approval at the 179th Ordinary General Meeting of Shareholders held on June 22, 2017. However, the Company intends to make a partial amendment to the Plan as part of revisions to the level and system of remuneration for Directors described in "Explanation for amendment to remuneration systems for Directors and Audit & Supervisory Board Members (KANSAYAKU) under Proposal No. 4 through Proposal No. 6."

The purpose of the Plan is to further raise Directors' awareness for contribution to improvement in Company's mid- and long-term performance and its corporate value by clarifying the link between remuneration of Applicable Directors and the Company's performance as well as value of Company shares.

Up until now, the performance-based stock compensation plan was a remuneration plan that was linked to performance for the three fiscal years that made up the period of the Mid-term Management Plan; however, the Company intends to change the Plan so that it is linked to performance for each fiscal year in order to be able to respond to the rapid changes in the business environment, and therefore, the Company understands that the amendments of the Plan are justified.

If the Proposal No. 2 "Election of Eleven (11) Directors" is adopted as originally proposed, the number of Applicable Directors for whom remuneration is provided under the Plan will be six (6).

This Proposal was determined by the Board of Directors upon deliberations by the Nomination and Compensation Committee, with the majority comprising Outside Directors and chaired by an Outside Director.

2. Amount and details, etc., of remuneration, etc., after amendment of the Plan

(1) Outline of the Plan

This Plan is a stock compensation scheme under which the Company shall grant and pay out (in this Proposal, "Grant, etc.") to Applicable Directors Company shares of a number equivalent to the number of points determined as having been granted according to job title and the level of achievement of performance targets in each fiscal year (however, part of which shall be an amount of cash equivalent to the Company shares as converted and disposed of (in this Proposal, the "Company Shares, etc." together with the Company shares)). Under the Plan, a trust (in this Proposal, the "Trust") shall be established 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 the Plan

Applicable Directors

(ii) Target Period

Every fiscal year starting on or after April 1, 2019

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

a. Maximum sum to be contributed by the Company to the Trust under the Plan	200,000,000 yen for one Target Period
b. Maximum number of the Company Shares, etc., to be Granted, etc., from the Trust to the Applicable Directors under the Plan	88,000 shares for one Target Period
c. Ratio of the maximum number of the Company Shares, etc., to be Granted, etc., by the Trust under the Plan against the total number of issued Company shares	Approximately 0.04% for one Target Period
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, 2019, and the ratio thus determined is shown after being rounded up to the second decimal place. This ratio will change accordingly as the total number of issued shares changes.

(iv) Details of linkage to performance under the Plan

a. Performance appraisal index: Consolidated operating income, 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 levels of achievement of each performance appraisal index in every Target Period.

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

In principle, after three years from the beginning of each Target Period

(2) Maximum sum to be contributed to the Trust

The Company may extend the trust period of the Trust every year subject to resolutions of the Board of Directors, and make a contribution of monies for acquiring shares of up to 200,000,000 yen after beginning of the 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.

(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 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 for the Target Period.

The Company shall calculate and determine the number of points to be granted to the Applicable Directors 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 88,000 points per Target Period.

<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 during the Target Period, the points shall not be granted.

*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: The "Performance-based allotment rate" shall be determined within the range of 0% to 100% in accordance with performance appraisal indexes such as consolidated operating income, etc. for the Target Period.

The number of Company shares (including shares which will be disposed of) to be granted to each

Applicable Director by the Trust after three years from the start of each Target Period shall be determined to be one share for each point determined to have been granted to the respective Applicable Director. However, in the event that Company shares are subject to reasonable adjustment due to a share split, a share consolidation, etc., the Company may make adjustments with a reasonable method in accordance with said split ratio, consolidation ratio, etc.

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

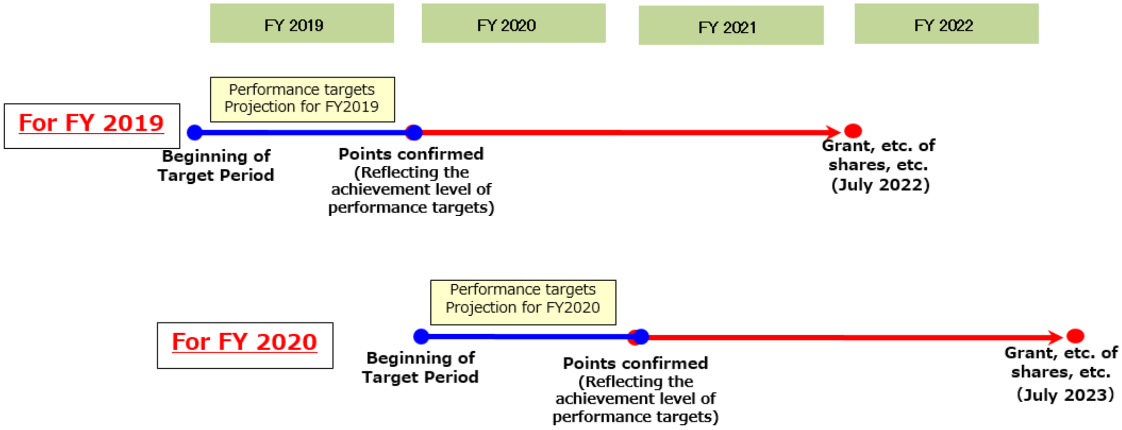
The Applicable Directors may, by performing the prescribed beneficiary determination procedures, receive, in principle, after three years from the beginning of each Target Period, the Grant, etc., of the Company Shares, etc., from the Trust. However, as for a certain specific portion of Company shares to be specified in the Rules, such Company shares shall be sold on the stock market, and the cash shall be paid instead of Company shares. Furthermore, if Company shares within the Trust are converted into cash by applying to a tender offer or other reason, the Company shall pay in money instead of the shares.

Note that in the event of the resignation or death of an Applicable Director during a Target Period, points shall not be granted.

Furthermore, in the event of resignation of the Applicable Director (excluding resignation due to his/her own convenience or resignation due to dismissal) after the expiry of the Target Period but before three years after the beginning of the Target Period, the Company shall Grant, etc. the Company Shares, etc. corresponding to the number of points already determined to be granted to said Applicable Director at the time of resignation. Provided, however, that if said Applicable Director had a job title of Senior Vice President after said resignation, the Company shall Grant, etc. the Company Shares etc. three years after the beginning of the Target Period or the time said Senior Vice President resigned, whichever is earlier.

If an Applicable Director resigns for his/her own convenience or is dismissed before the passing of three years from the beginning of the Target Period after the expiry of the Target Period, the Company Shares, etc. shall not be granted, etc. In the event of death of any of the Applicable Directors before the passing of three years from the beginning of the Target Period after the expiry of the Target Period, the Company Shares, etc., equivalent to the number of points determined to have been already granted to said Applicable Director shall be sold on the stock market, and the cash shall be paid to the bereaved family.

For your reference, an illustration of the Plan is provided below.



* The Company Shares, etc., shall be Granted, etc., after three years from the beginning of the respective target period (after two years from the determination of points)

(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 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 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

Structure of the Plan concerning Proposal No. 5 "Introduction of Stock Compensation Plan for Directors" and Proposal No. 6 "Amendment to Performance-based Stock Compensation Plan for Directors" is as follows.

1) Name: Share Settlement Trust

2) Trustor: The Company

3) Trustee: Sumitomo Mitsui Trust Bank, Limited

4) Beneficiaries: Applicable Directors for Proposal No. 5 and Proposal No. 6 fulfilling beneficiary requirements

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

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

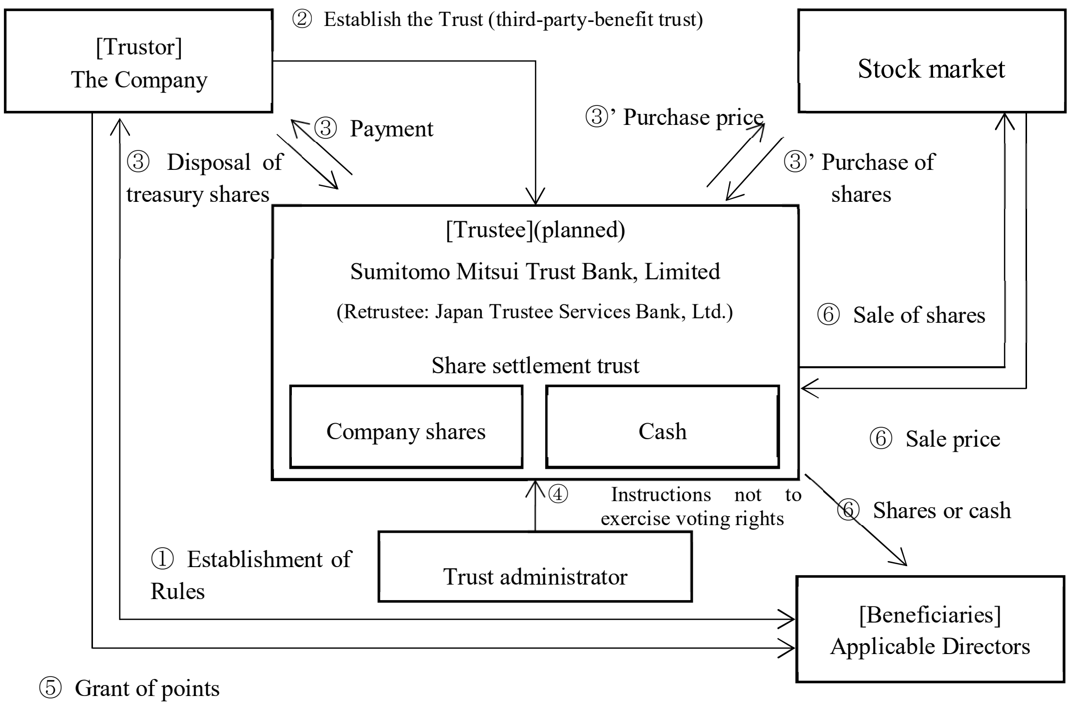
7) Effective date of trust agreement: December 7, 2017

8) Date at which monies will be additionally entrusted: August 2019 (planned)

9) Period of trust: December 7, 2017 to August 2022 (planned)

Structure of the Trust

The structure of the stock compensation plan concerning Proposal No. 5 “Introduction of Stock Compensation Plan for Directors” and Proposal No. 6 “Amendment to Performance-based Stock Compensation Plan for Directors” is as follows.



① The Company shall establish the Rules which will be applied to the Directors to which the plans under Proposal No. 5 and Proposal No. 6 apply (hereinafter, the “Applicable Directors”)

② The Company shall extend the trust period of the share settlement trust (third-party benefit trust) established on December 7, 2017, and entrust to the trustee 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 these 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 (a party independent of the

Company and its Directors and officers) that will 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 shall instruct the Trustee not to exercise voting rights, and the Trustee shall not exercise voting rights throughout the trust period in accordance with said instructions of the trust administrator.

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

⑥ These 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. Furthermore, in any of the cases provided for in advance in the Rules or the trust agreement, a portion 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, 2018 to March 31, 2019)

1. Review of Operations

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

Overview

The worldwide economy during the fiscal year ended March 31, 2019 showed a moderate deceleration in growth overall compared to that of the previous fiscal year, due to slow growth in China and Europe, despite steady growth in the U.S.

As for the Japanese economy, the growth was moderate compared to that of the previous fiscal year, due to a series of natural disasters and slow growth in the global economy, despite solid capital investment in an environment marked by a shortage of equipment and labor.

Under these business conditions, the NEC Group implemented a variety of innovative changes that included a "Reform of profit structure," an "Achievement of growth" and a "Restructuring of execution capabilities" as outlined in the "Mid-term Management Plan 2020" announced in January 2018.

During this first year of the "Mid-term Management Plan 2020," the NEC Group implemented drastic profit structure reforms, including a reduction of fixed costs, in order to make the necessary investments to get back on a track to growth in line with the "Reform of profit structure." Specifically, the NEC Group streamlined its workforce by approximately 3,000 personnel by implementing the following measures: voluntary early retirement for employees belonging to back-office departments and particular departments under the hardware business segment, temporary and permanent transfers to companies outside the NEC Group and the transfer of the NEC Group's lighting business. In addition, profitability improvement measures have been taken in relation to the fiscal year ending March 31, 2020, including the promotion of reduced personnel expenses and other expenditures, such as the optimization of expenses on real estate, the end of operation of Tsukuba Research Laboratories, and the reorganization of production bases belonging to NEC Platforms, Ltd.

As for the "Achievement of growth," the NEC Group promoted businesses engaged in biometrics authentication and artificial intelligence (AI) technologies. In particular, the NEC Group's facial recognition systems have been adopted throughout a wide range of fields, including international sports events and the new "One ID" check-in to boarding process introduced by Narita International Airport. Measures utilizing AI include a collaboration with KNI, Kitahara Neurosurgical Institute, to verify changes in the condition of patients in an effort to realize a digital hospital, as well as providing the "Demand and Supply Optimization Platform," which aims to contribute to the resolution of social issues concerning food waste and disposal by optimizing the entire food value chain.

In addition, the NEC Group expanded its business in public safety and digital government. In Europe, the implementation of digital government measures is being promoted in many countries, including Denmark and the UK, which are considered as role models for the implementation of these measures. In February 2019, NEC obtained a business model that leverages platforms in the digital government domain through the acquisition of KMD Holding ApS, the holding company of KMD A/S (KMD), Denmark's largest IT company. Going forward, NEC aims to create synergies between UK-based Northgate Public Services Ltd., acquired in January 2018, KMD and the NEC Group in order to expand business from northern Europe to the whole of Europe and globally.

Regarding the "Restructuring of execution capabilities," the NEC Group reinforced business development capabilities and introduced an organization that operates with improved execution strength. In terms of reinforcing business development capabilities, the NEC Group established dotData, Inc. in the U.S. in order to utilize external funding to achieve prompt commercialization of new technologies and accelerate the monetization of the NEC Group's competitive technologies. The NEC Group also established NEC X, Inc. in the U.S. as an incubator to accelerate commercialization of its core technologies globally. Regarding improved execution strength, the NEC Group Culture Transformation Division was established and a company-wide project was launched in order to thoroughly reform corporate culture. Through this project, the NEC Group formulated a "Code of Values" to promote changes toward realization of goals, introduced a new evaluation system for executives and employees, and accelerated the delegation of authority by reviewing operations and processes. Additionally, in order to clarify the responsibilities and authority of management, the NEC Group terminated the employment contracts of executive officers at the end of March 2019, and entered into one-year mandate contracts. These measures were taken to maximize the potential of each and every executive and employee.

The NEC Group recorded consolidated revenue of 2,913.4 billion yen for the fiscal year ended March 31, 2019, an increase of 69.0 billion yen (2.4%) year-on-year. This increase was mainly due to increased sales in the Enterprise Business and the Network Services Business.

Regarding profitability, operating profit (loss) worsened by 5.4 billion yen year-on-year, to an operating profit of 58.5 billion yen. This was mainly due to business structure improvement expenses recorded for the implementation of voluntary early retirement, despite increased revenue.

Income (loss) before income taxes was an income of 78.0 billion yen, a year-on-year worsening of 8.9 billion yen, mainly due to the gain on sales of available-for-sale financial assets that was recorded in the previous fiscal year, as well as worsened operating profit (loss).

Net profit (loss) attributable to owners of the parent for the fiscal year ended March 31, 2019 was a profit of 40.2 billion yen, a worsening of 5.7 billion yen year-on-year, primarily due to worsened income (loss) before income taxes.

For this Business Period, the Company declared an annual dividend of 40 yen per share of common stock.

Review of Operations by Operating Segments and Major Business

The NEC Group's primary business consists of five operating segments: the Public, Enterprise, Network Services, System Platform and Global Businesses. The followings are major services and products, and a review of the financial results for each operating segment of the NEC Group for this Business Period.
*In line with the shift to a new organization structure effective as of April 1, 2018, the Company has revised its operating segments from the first quarter of this Business Period. Especially, the Global Business has been newly established and Telecom Carrier Business has been renamed to Network Services Business. Figures for the previous fiscal year have been restated to conform with the new segments.

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
● Public: Firefighting and Disaster Prevention Systems, Traffic Control Systems, Railroad Communication Systems, Local Government Systems ● Healthcare: Electric Medical Record Systems, Regional Healthcare Information Network ● Government: Social Security and Tax Systems, Fingerprint Identification Systems, Air Traffic Control Systems, Satellite Communications / Earth Observation, Field Communication Systems, School / Education Systems, Postal Tracking Systems, Infrastructure Surveillance / Energy Management ● Media: TV Program Production / News Production / Transmission Systems, Digital TV Transmitters

In the Public Business, revenue was 949.6 billion yen, an increase of 16.5 billion yen (+1.8%) year-on-year, mainly due to increased sales in the aerospace and defense sector as well as firefighting and disaster prevention systems.

Operating profit (loss) worsened by 0.9 billion yen year-on-year, to an operating profit of 52.2 billion yen, mainly owing to the recording of business structure improvement expenses despite increased sales.

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 ● Finance: Bank Settlement Systems, Bank Business Branch Systems, Insurance and Securities Infrastructure Systems, Insurance and Securities Channel Systems

In the Enterprise Business, revenue was 435.0 billion yen, an increase of 26.3 billion yen (+6.4%) year-on-year, mainly due to increased sales in sectors that include manufacturing, retail/services and financial services.

Operating profit (loss) worsened by 0.7 billion yen year-on-year, to an operating profit of 35.1 billion yen, mainly due to increased investment in the AI and IoT (Internet of Things) areas as well as the recording of business structure improvement expenses, despite increased profit in system implementation services.

Network Services Business

Major Services and Products
● Network Infrastructure Core Network, Mobile Phone Base Stations, Optical Transmission Systems, Routers / Switches ● Systems Integration (Systems Implementation, Consulting) ● Services & Management OSS (Operation Support System / BSS (Business Support System), Services / Solutions

In the Network Services Business, revenue was 394.8 billion yen, an increase of 17.3 billion yen (+4.6%) year-on-year, mainly due to increased sales in network infrastructure.

Operating profit (loss) worsened by 4.1 billion yen year-on-year, to an operating profit of 13.1 billion yen, mainly due to a loss from particular projects in IT services and the recording of business structure improvement expenses, despite the improved profitability in network infrastructure.

System Platform Business

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

In the System Platform Business, revenue was 546.7 billion yen, an increase of 15.0 billion yen (+2.8%) year-on-year, mainly due to increased sales in hardware, primarily business PCs.

Operating profit (loss) worsened by 7.7 billion yen year-on-year, to an operating profit of 22.3 billion yen, mainly due to the recording of business structure improvement expenses, despite increased sales.

Global Business

Major Services and Products
● Safety Biometric Solutions (such as Face Recognition, Fingerprint Identification), Surveillance ● Software Services for Service Providers OSS / BSS, SDN (Software-Defined Networking) / NFV (Network Functions Virtualization) ● Network Infrastructure Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Mobile Backhaul ● System Devices Displays, Projectors ● Energy Storage Solutions

In the Global Business, revenue was 440.7 billion yen, a decrease of 13.0 billion yen (-2.9%) year-on-year, mainly due to decreased sales in the display and service provider businesses, despite increased sales in the safety business.

Operating profit (loss) worsened by 1.4 billion yen year-on-year, to an operating loss of 29.4 billion yen, mainly owing to worsening display business as well as the recording of business structure improvement expenses and the impairment of fixed assets and goodwill, despite improved profitability in the mobile backhaul, service provider and safety businesses.

(2) Capital Expenditures of the NEC Group

The total capital expenditures of the NEC Group amounted to 62.7 billion yen during this Business Period. Major capital expenditures include investment in equipment for development and production of defense system and satellite system, equipment related to cloud services and equipment for development of software and networking products.

(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 "Person Re-identification Technology" that enables highly accurate identification of people with bodies and faces partially hidden from cameras

The Company's face recognition technology received a first place evaluation in the evaluation testing performed by the U.S. National Institute of Standards and Technology (NIST) for the fourth consecutive time, demonstrating high precision performance in recognizing not only still images but also video images that are more difficult for matching. However, when a target person's face is not in the camera picture, matching is impossible. Therefore, usually, when matching people with faces not visible to the camera due to angles from the side or back, multiple cameras are used to match the full figure of such people, although matching is still difficult in case that the target person is partially obscured from the camera view in crowds or behind objects.

The Company developed "Person Re-identification Technology" that matches people from their full-figure images even when their faces or bodies are partially not visible to the cameras, by using image analysis and deep learning technologies that the Company has cultivated through its face recognition technology. With this technology, people captured by the cameras can be identified as the same person based on analysis of their clothes and body shapes and comparing with their full-figure images, and the Company succeeded in matching individuals with an accuracy around 90% in in-house experiments using public databases. Applying this technology, operators can easily find the same person from images captured on multiple cameras in a facility in real time, and other services are available such as security support in large-scale facilities with many people and objects, as well as assistance to search for lost children through combination with face recognition technology.

The Company will start to provide solutions applying this technology from the fiscal year ending March 31, 2020 onward.

(ii) Development of status recognition technology through AI-driven time-series data analysis

The Company has developed AI-based time-series data model free analysis technology that recognizes the status of systems and equipment in a rapid and highly accurate way by using time-series data collected and accumulated from sensors installed in the systems and equipment, enabling anomaly detection, failure diagnosis, and problem prediction. In most conventional ways, models needed to be created by using mathematical formulas for data obtained from the systems and equipment under monitoring to check whether such systems and equipment were operating according to the model. However, this method takes time and effort for the construction, verification, and assessment (tuning) of the model. The Company's technology enables identification of similarities between past and present time-series data obtained from the systems and equipment under monitoring, requires no modeling, and can be easily introduced at low cost and in a short time. Furthermore, this technology enables to monitor the operation of systems and equipment from an early stage where there is only a small amount of data accumulated, and accuracy can be improved through monitoring of the operation.

The Company aims to implement this technology to monitor the operation of systems and equipment in a thermal power plant in the fiscal year ending March 31, 2020, and to expand its application to other social infrastructure including roads, bridges, railroads and vehicles through extensive demonstrations and verification.

(4) Financing Activities of the NEC Group

In September 2018, the Company issued unsecured bonds of 50.0 billion yen in Japan in order to raise funds for repayment of the interest-bearing debt of the fiscal year ended March 31, 2019 and the fiscal year ending March 31, 2020.

(5) Material Reorganization, etc.

(i) In order to accelerate the expansion of its international safety business, on February 21, 2019, the Company acquired KMD Holding ApS, the holding company of KMD A/S, the largest Danish IT company. As a result of the acquisition, KMD Holding ApS and KMD A/S became consolidated subsidiaries of the Company.

(ii) In order to focus on its social solutions business, on March 29, 2019, the Company sold all shares of NEC Energy Devices, Ltd. owned by the Company to the Envision Group.

(6) Challenges to be Addressed by the NEC Group

The NEC Group established the "Mid-term Management Plan 2020" in January 2018 consisting of (i) Reform of profit structure, (ii) Achievement of growth, and (iii) Restructuring of execution capabilities, and executives and employees are striving as one to realize the plan.

(i) Reform of profit structure

The NEC Group realized a substantial reduction of fixed costs by implementing a voluntary early retirement program and reorganization of production bases during this Business Period, and will promote further reduction of fixed costs through business reforms such as process optimization. In addition, the NEC Group continues to work on reform of business structure and will implement measures that lead to improved profits.

(ii) Achievement of growth

The NEC Group will aim to grow by promoting "NEC Safer Cities" and "NEC Value Chain Innovation" by leveraging its biometric authentication and AI technologies. "NEC Safer Cities" contributes to the realization of safe, secured, efficient and equal cities where people can use their own abilities to maximize performance, and more freely live an abundant life. "NEC Value Chain Innovation" creates new value by connecting people, things and process across the boundaries of enterprises and industries, aiming to live together with the earth, support sustainable growth of enterprises and a society where people can experience an enriched life, and create the future.

With the rapid global dissemination of digital technologies, a movement is underway corresponding to a paradigm shift caused by digitalization, and the structure of industries such as partnerships among enterprises or between the public and private sector is changing in a dynamic way. The NEC Group considers a society embedded with digital technologies a "digital inclusion society." Through visualizing, analyzing, and addressing the real world with the advantage of strength in its biometric authentication and AI technologies, the NEC Group will aim to make all things in society become sophisticated in terms of total optimization. This "digital inclusion society" has the same worldview as Society 5.0, the future society, led by the Japanese government, and the NEC Group proactively promotes new business development through public-private sector partnership and cooperation among various industries with placing the cross-industry field at the core, such as Smart City, Mobility, Fast Travel, and Public Safety Networks, to achieve economic growth and solve social issues.

At the same time, upon implementing AI in society and utilizing data such as bio-data, further respect to human rights including privacy and further correspondence to application of principles and laws in consideration of ethics and social acceptance will be required. Given this, the NEC Group places top priority on considerations for privacy and respect for human rights according to the "NEC Group AI and Human Rights Principles" established in April 2019 to promote business activities.

(iii) Restructuring of execution capabilities

The NEC Group continuously works on challenges for creation of customer value leveraging advanced technology and reforms to maximize the abilities of employees in order to restructure execution capabilities. First, concerning challenges for creation of customer value leveraging advanced technology, the NEC Group utilizes external funds for earlier realization of businesses applying new technology, such as the case of dotData, Inc., and accelerates business creation through NEC X, Inc. The NEC Group sees the field of health care business as having increasing applications of AI technology as a growing field, and works on new value creation through promoted incubation of drug discovery businesses in addition to medical system businesses utilizing the latest technologies. Next, the NEC Group takes steps for system reform and establishment of an environment to accelerate shifts in working styles including smart work and office innovation so that the abilities of employees will be maximized. The NEC Group also introduces a personnel system to strike a balance between employee initiatives and personnel needs of the organization for further enhancement of the flexibility of personnel within the NEC Group.

Through these measures, the NEC Group aims to achieve revenue of 3,000 billion yen, an operating profit ratio of 5%, net profit of 90 billion yen, free cash flows of 100 billion yen, and ROE (Return On Equity) of 10% for the fiscal year ending March 31, 2021.

The NEC Group identified “materiality” comprising of the priority management themes from an ESG (environment, society and governance) perspective in July 2018. More specifically, the five themes, including governance and compliance, environmental action with a particular focus on climate change, and privacy policies and measures aligned with societal expectations, are each positioned as a key to achieve a sustainable growth to minimize risks in the NEC Group and society and maximize social value created by the NEC Group, while other themes such as dialogue and co-creation with stakeholders and innovation management are positioned as an engine for growth innovation. In view of ESG, the NEC Group places a priority on addressing the themes of “NEC Safer Cities” and “NEC Value Chain Innovation,” which are identified as growing fields under the “Mid-term Management Plan 2020,” and invests management resources intensively in these themes to maximize economic and social value as well as contribute to achievement of the United Nations’ Sustainable Development Goals (SDGs).

Moreover, the NEC Group recognizes that ensuring compliance in all of its operations is essential to continuing to exist as a good corporate citizen in society. The NEC Group will continue working to promote compliance.

(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)	Fiscal Year ended March 31, 2018 (180th Business Period)	Fiscal Year ended March 31, 2019 (181st Business Period)
Revenue	2,824.8	2,665.0	2,844.4	2,913.4
Operating Profit (loss)	91.4	41.8	63.9	58.5
Income (loss) before income taxes	86.6	68.1	86.9	78.0
Net profit (loss) attributable to owners of the parent	75.9	27.3	45.9	40.2
Basic earnings per share (yen)	29.22	10.51	176.54	154.75
Total assets	2,528.9	2,684.0	2,821.4	2,950.6
Equity attributable to owners of the parent	769.8	854.3	880.8	859.6

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

Indices \ Fiscal Year	Fiscal Year ended March 31, 2016 (178th Business Period)
Net sales	2,821.2
Ordinary income (loss)	82.7
Profit (loss) attributable to owners of the parent	68.7
Net income (loss) per share (yen)	26.45
Total assets	2,493.4
Net assets	852.5

Notes: 1. From the 179th business period, the NEC Group adopted International Financial Reporting Standards (IFRS) for its consolidated financial statements pursuant to Article 120(1) of the Ordinance on Company Accounting. Figures for the 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.

4. The Company implemented share consolidation with a ratio of 10 shares of common share to 1 share as of October 1, 2017. The above Basic earnings per share is calculated assuming that the share

consolidation was carried out at the beginning of the 180th business period.

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

(In billions of yen except per share figures)

Fiscal Year / Indices	Fiscal Year ended March 31, 2016 (178th Business Period)	Fiscal Year ended March 31, 2017 (179th Business Period)	Fiscal Year ended March 31, 2018 (180th Business Period)	Fiscal Year ended March 31, 2019 (181st Business Period)
Net sales	1,820.1	1,679.4	1,574.4	1,654.2
Ordinary income (loss)	28.6	0.7	13.3	35.6
Net income (loss)	42.1	9.5	34.0	21.6
Net income (loss) per share (yen)	16.18	3.65	130.71	83.17
Total assets	2,069.8	1,988.0	2,057.1	2,129.9
Net assets	692.6	702.2	718.9	720.6

Notes: 1. "Net income (loss) per share" is calculated based on the weighted-average number of shares outstanding during each period.

2. The Company implemented share consolidation with a ratio of 10 shares of common share to 1 share as of October 1, 2017. The above Net income (loss) per share is calculated assuming that the share consolidation was carried out at the beginning of the 180th business 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
	(In 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 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

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
Nippon Avionics Co., Ltd.	5,895	72.4	Development, manufacture and sale of information systems, electronic devices and electronic components
	(In 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.
	(In 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.
	(In thousands of Danish krone)		
KMD A/S (Denmark)	240,000	85.2	Development of software and provision of IT services
	(In 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.
	(In thousands of U.S. dollars)		
NEC (China) Co., Ltd. (People's Republic of China)	178,000	100	Regional representative and supervising operation in Greater China
	(In 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. The figure for the Company's shareholding ratio of NEC Networks & System Integration Corporation shown above does not include 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.
2. The figure for the Company's shareholding ratio of Japan Aviation Electronics Industry, Limited shown above does not include 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.
3. The figure for the Company's shareholding ratio of Nippon Avionics Co., Ltd. shown above includes the

number of non-voting preferred stock held by the Company, and the Company's voting rights ratio to Nippon Avionics Co., Ltd. is 50.3 %.

4. The figure for the Company's shareholding ratio of KMD A/S is the Company's shareholding ratio of the special purpose company which the Company established for acquisition of KMD A/S. 14.8% out of total number of the shares issued by the special purpose company held by a shareholder except the Company is non-voting preferred stock, and the Company's voting ratio to the special purpose company is 100%.

(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.) NEC Platforms, Ltd. (Kofu, etc.) OCC Corporation (Kitakyushu, etc.)
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	26,278
Enterprise Business	10,309
Network Services Business	10,026
System Platform Business	17,642
Global Business	21,373
Others	24,967
Total	110,595

(ii) Employees of the Company

Number of Employees	Increase (Decrease) from March 31, 2018	Average Age	Average Years of Employment
20,252	(758)	43.4	19.0

(11) Major Borrowings (In millions of yen)

Creditors	Balance of Borrowings
Sumitomo Mitsui Banking Corporation	98,595
Sumitomo Mitsui Trust Bank, Limited	58,004
MUFG Bank, Ltd.	47,328
Mizuho Bank, Ltd.	33,602

2. Matters related to the Company's stock

(1) Total Number of Authorized Shares 750,000,000 shares

(2) Total Number of Shares Issued 260,473,263 shares
(including treasury stock of 638,482 shares)

(3) Number of Shareholders 158,865

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

Name of Shareholders	Number of Shares Held	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,928	7.28
Japan Trustee Services Bank, Ltd. (Trust Account)	15,688	6.04
NIHK A/C CLIENT (OWNED BY KKR FUNDS)	8,972	3.45
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	7,080	2.72
STATE STREET BANK WEST CLIENT – TREATY 505234	6,391	2.46
Sumitomo Life Insurance Company	5,600	2.16
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	5,075	1.95
NEC Employee Shareholding Association	4,762	1.83
BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY 1	4,470	1.72
Japan Trustee Services Bank, Ltd. (Trust Account No.7)	4,388	1.69

Note: The shareholding ratio is calculated by excluding the number of treasury stock (638,482 shares).

(5) Classification of Shareholders

Classification of Shareholders	Shareholding Ratio (%)
Japanese government and local governments	0.00
Financial Institutions	32.48
Securities Companies	2.26
Other Companies	2.78
Foreign Investors	38.56
Japanese Individuals and Others	23.92
Total	100

(6) Other important matters related to the Company's stock

(i) The Company has introduced a performance-based stock compensation plan for Directors (excluding Outside Directors) in accordance with a resolution of the Board of Directors meeting held on April 27, 2017 and a resolution of the 179th Ordinary General Meeting of Shareholders held on June 22, 2017.

As of March 31, 2019, a total of 33,600 of the Company shares are held in a trust account related to a share settlement trust whose beneficiaries are eligible Directors under the plan.

(ii) The Company has introduced a performance-based stock compensation plan for corporate officers of the Company in accordance with a resolution of the Board of Directors meeting held on April 27, 2017.

As of March 31, 2019, a total of 86,600 of the Company shares are held in a trust account related to a share settlement trust whose beneficiaries are eligible corporate officers under the plan.

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 Exchange Group, Inc. Outside Director, SEIKO HOLDINGS CORPORATION
Takashi Niino	President (Representative Director)	CEO (Chief Executive Officer) Management of the Company's business, corporate auditing and export & import trade control
Takayuki Morita	Senior Executive Vice President and Member of the Board (Representative Director)	CFO (Chief Financial Officer) Corporate alliance, corporate controller and corporate finance Director, Japan Aviation Electronics Industry, Limited Outside Director, Hua Hong Semiconductor Limited
Norihiko Ishiguro	Senior Executive Vice President and Member of the Board	Global business strategy/ Important matters relating to external relations
Katsumi Emura	Executive Vice President and Member of the Board	CTO (Chief Technology Officer) Intellectual properties / Important matters relating to technology innovation strategy
Hajime Matsukura	Executive Vice President and Member of the Board	CSO (Chief Strategy Officer) and CHRO (Chief Human Resources Officer) Corporate strategy, corporate communications, human resources development, general affairs and external relations / Important matters relating to NEC Group culture transformation and digital trust business strategy
Takeshi Kunibe	Member of the Board	Director President and Group Chief Executive Officer, SMFG
Motoyuki Oka	Member of the Board	Honorary Adviser , Sumitomo Corporation
Kunio Noji	Member of the Board	Chairman of the Board, Komatsu Ltd.
Kaoru Seto	Member of the Board	Special Adviser, Yamato Holdings, Co., Ltd. Outside Director, RICOH LEASING COMPANY, LTD.
Noriko Iki	Member of the Board	President, Japan Institute for Women's Empowerment & Diversity Management Outside Director, Nippon Steel & Sumitomo Metal Corporation (currently, NIPPON STEEL CORPORATION)

Name	Position at the Company	Responsibility and Important Concurrent Position
Hajime Kinoshita	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	-
Isamu Kawashima	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	-
Takeshi Kikuchi	Audit & Supervisory Board Member (KANSAYAKU)	Attorney at Law
Kazuyasu Yamada	Audit & Supervisory Board Member (KANSAYAKU)	Certified Public Accountant
Taeko Ishii	Audit & Supervisory Board Member (KANSAYAKU)	Attorney at Law Outside Audit & Supervisory Board Member (KANSAYAKU), DTS CORPORATION Outside Director, Sumitomo Metal Mining Co., Ltd.

Notes: 1. At the 180th Ordinary General Meeting of Shareholders held on June 25, 2018, Messrs. Norihiko Ishiguro and Kaoru Seto and Ms. Noriko Iki were newly elected as Director of the Company.

2. At the 180th Ordinary General Meeting of Shareholders held on June 25, 2018, Mr. Isamu Kawashima and Ms. Taeko Ishii were newly elected as Audit & Supervisory Board Member (KANSAYAKU) of the Company.
3. Messrs. Takeshi Kunibe, Motoyuki Oka, Kunio Noji and Kaoru Seto and Ms. Noriko Iki are Outside Directors.
4. Messrs. Takeshi Kikuchi and Kazuyasu Yamada and Ms. Taeko Ishii 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. Motoyuki Oka, Kunio Noji, Kaoru Seto, Takeshi Kikuchi and Kazuyasu Yamada and Mss. Noriko Iki and Taeko Ishii, as independent Directors / Audit & Supervisory Board Members (KANSAYAKU).
6. Messrs. Isamu Kawashima and Kazuyasu Yamada have considerable expertise in finance and accounting as follows:

Isamu Kawashima	Experience as General Manager of Corporate Controller Division, General Manager of Internal Control over Finance Reporting Division, Director responsible for Corporate Controller and Corporate Finance and CFO (Chief Financial Officer)
Kazuyasu Yamada	Extensive auditing experience as a Certified Public Accountant for many years

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

Name	Position at the time of retirement	Date of retirement (reason)
Isamu Kawashima	Executive Vice President and Member of the Board (Representative Director)	June 25, 2018 (expiration)
Hitoshi Ogita	Member of the Board	June 25, 2018 (expiration)
Kaori Sasaki	Member of the Board	June 25, 2018 (expiration)
Tetsuya Fujioka	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	June 25, 2018 (expiration)
Kyoko Okumiya	Audit & Supervisory Board Member (KANSAYAKU)	June 25, 2018 (expiration)

8. On April 1, 2019, the positions and responsibilities of Directors were changed as follows:

Name	Position after change	Responsibility after change
Takayuki Morita	Senior Executive Vice President and Member of the Board (Representative Director)	CFO (Chief Financial Officer) Corporate alliance, corporate controller and corporate finance / Important matters relating to process reforms of revenue recognitions in operational reforms, affiliated company and business revitalization Director, Japan Aviation Electronics Industry, Limited Outside Director, Hua Hong Semiconductor Limited
Katsumi Emura	NEC Fellow and Member of the Board	Assisting President regarding technology strategies
Hajime Matsukura	Executive Vice President and Member of the Board	CHRO (Chief Human Resources Officer) NEC Group culture transformation, corporate communications, external relations, people and organization development, human resources and general affairs, operational reforms and work-site innovations
Takeshi Kunibe	Member of the Board	Chairman of the Board, SMFG
Kunio Noji	Member of the Board	Member of the Board, Komatsu Ltd.

(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 performance-linked bonuses as short term incentive and performance-based stock compensation as mid- and long-term incentive.

<u>The fixed monthly remunerations</u>

The fixed monthly remunerations are determined according to the positions of Directors and the distinction between Inside Director and Outside Director, to the extent of the maximum amount approved at the General Meeting of Shareholders.

The bonuses

The bonuses are calculated by, adding to the standard amount determined for each position 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.

The stock compensation

The Company shares will be granted after the expiry of period of Mid-term Management Plan in accordance with the Directors' titles and the level of the achievement of Mid-term Management Plan.

(*) 1 No Company shares are granted 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 A certain specific portion of the Company shares will be sold on the stock market and cash instead of the shares will be paid in consideration of tax payment at the time of granting shares.

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

Remuneration for Audit & Supervisory Board Members (KANSAYAKU) is 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 execution of Directors' duty.

The fixed monthly remunerations are determined depending on whether he or she is a full-time Audit & Supervisory Board Member or not, 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 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

The bonuses

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

The stock compensation

The stock compensation is calculated using the following formula.

<Calculation formula>

"Number of granting shares based on the applicable Directors' titles" (*1) x "Performance-based allotment rate" (*2)

*1: "basic compensation" x "multiplying factors for titles of the applicable Directors (#1)" / "average value of closing price of the Company shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the evaluation period"

(#1) multiplying factors for titles of the applicable Directors

Chairman of the Board, President, Senior Executive Vice President and Member of the Board 25%

Executive Vice President and Member of the Board 20%

Senior Vice President and Member of the Board 15%

*2: the level of the achievement of consolidated revenue in the period of Mid-term Management Plan at the time of granting shares x 35% + the level of the achievement of consolidated operating profit in the period of Mid-term Management Plan at the time of granting shares x 35% + the level of the achievement of consolidated ROE in the final fiscal year of Mid-term Management Plan at the time of granting shares x 30%

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

2) The stock compensation is performance-linked remuneration described in Article 34 (1) of Corporation Tax Act, and "the defined amount" described in item (iii) (a) 1 of Article 34 (1) of Corporation Tax Act is up to a total of 200,000,000 yen for the three fiscal years. However, the initial evaluation period for evaluation is from the date of the start of the stock compensation plan to March 31, 2019.

3) 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.

(ii) Amounts of Remuneration for this Business Period

	Remuneration		Bonus		Stock Compensation	
	Headcount	Total Amount (In millions of yen)	Headcount	Total Amount (In millions of yen)	Headcount	Cost posting relating to the Stock Compensation
Directors (of which Outside Directors)	14 (7)	345 (60)	6 (-)	168 (-)	6 (-)	44 (-)
Audit & Supervisory Board Members (KANSAYAKU) (of which Outside Audit & Supervisory Board Members (KANSAYAKU))	7 (4)	96 (36)	- (-)	- (-)	- (-)	- (-)

Notes: 1. The above headcount of remuneration includes three Directors and two Audit & Supervisory Board Members (KANSAYAKU) who retired at the close of the 180th Ordinary General Meeting of Shareholders held on June 25, 2018.

2. The above total amount of bonus is to be paid out, subject to approval of Proposal No. 4 "Amendment to Amount of Remuneration for Directors and Audit & Supervisory Board Members" as originally proposed.

3. The above cost posting relating to the stock compensation is the value posted during this Business Period.

4. 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).

5. 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 12 meetings of the 13 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.
Motoyuki Oka	He attended all of the 13 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.
Kunio Noji	He attended 12 meetings of the 13 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.
Kaoru Seto	After the assumption of office as Director of the Company, he attended all of the 11 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.
Noriko Iki	After the assumption of office as Director of the Company, she attended all of the 11 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 relating to administrative and diplomatic area.
Takeshi Kikuchi	He attended 12 meetings of the 13 meetings of the Board of Directors, and 15 meeting of the 16 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	He attended all of the 13 meetings of the Board of Directors, and all of the 16 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.
Taeko Ishii	After the assumption of office as Audit & Supervisory Board Member (KANSAYAKU), she attended all of the 11 meetings of the Board of Directors, and all of the 12 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 deep insight as a legal expert.

(4) Outline of agreements entered into with Outside Directors and Outside Audit & Supervisory Board Members (KANSAYAKU) to limit their liabilities as stipulated in Article 427(1) 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, Motoyuki Oka, Kunio Noji and Kaoru Seto and Ms. Noriko Iki, who are Outside Directors, Messrs. Takeshi Kikuchi and Kazuyasu Yamada and Ms. Taeko Ishii who are Outside Audit & Supervisory Board Members (KANSAYAKU), to limit their liabilities as stipulated in Article 427(1) of the Companies Act. The outline of such agreements is to limit their liabilities as stipulated in Article 423 (1) 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	583
(ii) Total amount of money and other property benefit paid to the Accounting Auditors by the Company and its subsidiaries	1,339

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. The 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 fiscal year. As a result, the Audit & Supervisory Board (KANSAYAKU-KAI) has made the agreement stipulated in Article 399(1) 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	Audit Firm
Japan Aviation Electronics Industry, Limited	Ernst & Young ShinNihon LLC
NEC Corporation of America	KPMG LLP
NEC Europe Ltd.	KPMG LLP
KMD A/S	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
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 Article 2(1) 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 of Article 340(1) of the Companies Act, the 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. The 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 the Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to change the Accounting Auditors, or the 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(vi) of Article 362(4) of the Companies Act adopted by resolution of the Board of Directors (the "Policy"). English translation of the Policy is provided through the Company's website (https://jpn.nec.com/profile/en/internal control.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, the 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 the Company's internal reporting system, the "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 conduct audits of the NEC Group's risk management systems and the status of implementation of risk management, directly or through cooperation with internal auditing sections of subsidiaries if they have such sections.

(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 NEC Group's proper operations, directly or through cooperation with internal auditing sections of subsidiaries if they have such sections. The Audit & Supervisory Board Members (KANSAYAKU) of the Company 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 the fiscal year ended March 31, 2019 (this Business Period) and confirmed that it has established and implemented its internal control system properly based on the Policy. In the process of doing so, the Company has exchanged opinions with Audit & Supervisory Board Members (KANSAYAKU) regarding the status of establishment and implementation of the internal control system. The main initiatives conducted in this Business Period are as follows.

With regard to compliance, the management of the Company is to provide messages to reinforce the importance of ethics in economic activities and to ensure compliance across the board on "NEC Compliance Day" (established as a day for reconfirming the importance of compliance for all NEC Group employees in the previous Business Period as a result of having been recognized for having violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in 2016 and 2017). Although messages were given mainly in Japan in the previous fiscal year, Presidents of the Company's consolidated subsidiaries abroad as well as in Japan provided messages in this Business Period. The Company also decided to hold the "NEC Business Ethics," a corporate ethics forum, on the same day as "NEC Compliance Day" from this Business Period, which is held annually for the Company and its consolidated subsidiaries in Japan. At the forum, having lectures by the Company's President and an external lawyer who is well-versed in corporate compliance, the Company also shared experiences from employees who responded to the investigation by the Japan Fair

Trade Commission concerning the above violation against the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and situations at that time, and had a session to reconfirm the impact caused to the NEC Group to serve as a reminder of the lesson that the NEC Group learned and further raise awareness among employees of the compliance mindset. Web-based training programs related to compliance, which are held annually, were also conducted in this Business Period, in which all employees of the Company declared that they would ensure compliance and actions that should be taken to make compliance embedded in the culture of the NEC Group. Previously, the staff division considered and devised various measures for ensuring compliance that were implemented in business divisions. Starting from this Business Period, the Company established a new system where general managers of business divisions consider, devise, and implement appropriate measures based on the division's risk characteristics, and also take further ownership of strict compliance. The number of reports to the internal reporting system, the "Compliance Hotline," has reached 121 during this Business Period. The internal auditing division or other relevant divisions in the Company investigated these internal reports and took necessary measures in response, depending on the details.

With regard to risk management, the Risk Control and Compliance Committee and the Executive Committee deliberated on and selected four issues, namely protection of personal information, bribery, violation of competition laws, and inappropriate cost recognition, as priority risks to be addressed by the NEC Group (risks that require new measures including improvement of existing measures to be addressed across the NEC Group, from the perspective of the magnitude of the impact on corporate business and the need for additional measures). After formulating and implementing countermeasures, the results were reported to the Board of Directors. Although compliance violations were reported to the Board of Directors at a certain interval before, from this Business Period, the Company has decided to report on a monthly basis to the Board of Directors about the occurrence of compliance violations, and provide an outline of the violation (if any) to achieve more immediate reporting of compliance violations to the Board of Directors.

With regard to the efficiency of performance of duties, aiming for timely decision-making and effective performance of duties, the Company further promoted delegation of authority with a revision of the Rules on Internal Authorization and the Rules on Authorization for Daily Operation, which set out the exercise of authority by corporate officers and other employees, as well as the regulations of the Board.

With regard to group management, the Company makes efforts to integrate a framework for the management of its subsidiaries and reinforce cross-group functions for total optimization of group companies and maximized value of group companies based on the NEC Group Management Policy, which sets out the NEC Group's group management. As part of this approach, chief officers in charge of key cross-group functions promoted establishment of a framework to manage the performance of duties at overseas subsidiaries within their authority during this Business Period so that the NEC Group's common policies, business processes, and infrastructure can be introduced immediately to the overseas subsidiaries.

With regard to audits by Audit & Supervisory Board Members (KANSAYAKU), Audit & Supervisory Board Members (KANSAYAKU) receive reports on the status of the execution of duties from Directors and employees of the Company and its subsidiaries. In addition, Audit & Supervisory Board Members (KANSAYAKU) also periodically receive reports from the internal auditing division regarding the status of operation of the "Compliance Hotline," an internal reporting system, and the internal reporting systems at subsidiaries, as well as the status of internal audits. Furthermore, Audit & Supervisory Board Members (KANSAYAKU) periodically receive reports on financial audits from the Accounting Auditors and exchange opinions with them. They also strive to maintain close links with the Accounting Auditors and the internal auditing division by periodically holding meetings with them.

(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 the particular 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.

(3) Policy on the determination of distribution of surplus dividends

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 profit attributable to owners of the parent for the fiscal year ended March 31, 2019 was more than NEC's plan, considering that the operating profit went almost in line with the plan, NEC declared an annual dividend of 40 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 dividends flexibly through resolutions of the Board of Directors, and that record dates of distribution of surplus dividends shall be March 31 and September 30 of each year.

Consolidated Statement of Financial Position

(As of March 31, 2019)

(Millions of yen)

Account	Amount
Assets	
Current Assets	
Cash and cash equivalents	278,314
Trade and other receivables	734,431
Contract assets	265,725
Inventories	234,621
Other financial assets	5,875
Other current assets	110,199
Subtotal	1,629,165
Assets held for sale	9,071
Total current assets	**1,638,236**
Non-current assets	
Property, plant and equipment, net	408,821
Goodwill	222,721
Intangible assets	171,460
Investments accounted for using the equity method	72,421
Other financial assets	250,409
Deferred tax assets	150,511
Other non-current assets	36,060
Total non-current assets	**1,312,403**
Total assets	**2,950,639**

(Millions of yen)

Account	Amount
Liabilities and equity	
Liabilities	
Current liabilities	
Trade and other payables	482,596
Contract liabilities	184,059
Bonds and borrowings	158,678
Accruals	178,911
Other financial liabilities	16,169
Accrued income taxes	8,296
Provisions	58,330
Other current liabilities	61,142
Subtotal	1,148,181
Liabilities directly associated with assets held for sale	9,071
Total current liabilities	**1,157,252**
Non-current liabilities	
Bonds and borrowings	388,128
Other financial liabilities	47,417
Defined benefit liabilities	241,759
Provisions	23,168
Other non-current liabilities	32,590
Total non-current liabilities	733,062
Total liabilities	**1,890,314**
Equity	
Share capital	397,199
Share premium	138,824
Retained earnings	355,102
Treasury shares	(3,547)
Other components of equity	(27,995)
Total equity attributable to owners of the parent	859,583
Non-controlling interests	200,742
Total equity	**1,060,325**
Total liabilities and equity	**2,950,639**

Notes:

The Company applied International Financial Reporting Standards (hereafter "IFRS") 9, *"Financial Instruments* (2014)" (hereafter "IFRS 9") and IFRS 15, *"Revenue from Contracts with Customers*" (hereafter "IFRS 15") from the fiscal year ended March 31, 2019. The cumulative effect of a change in accounting policies was recognized at the date of initial application.

Consolidated Statement of Profit or Loss

(For the fiscal year ended March 31, 2019)

(Millions of yen)

Account	Amount
Revenue	2,913,446
Cost of sales	2,083,517
Gross profit	**829,929**
Selling, general and administrative expenses	742,336
Other operating loss	(29,128)
Operating Profit	**58,465**
Financial income	21,989
Financial costs	8,377
Share of profit of entities accounted for using the equity method	5,916
Income before income taxes	**77,993**
Income taxes	25,543
Net profit	**52,450**
Net profit attributable to	
Owners of the parent	40,195
Non-controlling interests	12,255
	52,450
Earnings per share attributable to owners of the parent	
Basic earnings per share (yen)	154.75
Diluted earnings per share (yen)	154.75

Notes:

The Company applied IFRS 9 and IFRS 15 from the fiscal year ended March 31, 2019. The cumulative effect of a change in accounting policies was recognized at the date of initial application.

In addition, other operating loss for the fiscal year ended March 31, 2019 includes business structure improvement expenses of 20,059 million yen, incurred in the implementation of voluntary early retirement.

<u>**Consolidated Statement of Changes in Equity**</u>

(For the fiscal year ended March 31, 2019)

(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, 2018	**397,199**	**138,704**	**265,879**	**(3,364)**	**82,415**	**880,833**	**173,452**	**1,054,285**
Impact of changes in accounting policies	-	-	64,619	-	(65,904)	(1,285)	-	(1,285)
Recalculated beginning balance	397,199	138,704	330,498	(3,364)	16,511	879,548	173,452	1,053,000
Net profit	-	-	40,195	-	-	40,195	12,255	52,450
Other comprehensive income (loss)	-	-	-	-	(44,506)	(44,506)	106	(44,400)
Total Comprehensive income	-	-	40,195	-	(44,506)	(4,311)	12,361	8,050
Purchase of treasury shares	-	-	-	(215)	-	(215)	-	(215)
Disposal of treasury shares	-	2	-	32	-	34	-	34
Cash dividends	-	-	(15,591)	-	-	(15,591)	(4,302)	(19,893)
Put option, written over shares held by a non-controlling interest shareholder	-	836	-	-	-	836	-	836
Changes in interests in subsidiaries	-	(718)	-	-	-	(718)	19,231	18,513
Total transactions with owners of the parent	-	120	(15,591)	(183)	-	(15,654)	14,929	(725)
As of March 31, 2019	**397,199**	**138,824**	**355,102**	**(3,547)**	**(27,995)**	**859,583**	**200,742**	**1,060,325**

Notes:

The Company applied IFRS 9 and IFRS 15 from the fiscal year ended March 31, 2019. The cumulative effect of a change in accounting policies was recognized at the date of initial application.

<Reference>

Consolidated Statement of Other Comprehensive Income (Unaudited)

(For the fiscal year ended March 31, 2019)

(Millions of yen)

Account	Amount
Net profit	**52,450**
Other comprehensive income, net of tax	
Items that will not be reclassified to profit or loss	
Equity instruments measured at fair value through other comprehensive income	(3,035)
Remeasurements of defined benefit plan	(40,348)
Share of other comprehensive income of associates	(371)
Total items that will not be reclassified to profit or loss	(43,754)
Items that may be reclassified subsequently to profit or loss	
Exchange differences on translating foreign operations	(611)
Cash flow hedges	(61)
Share of other comprehensive income of associates	26
Total items that may be reclassified subsequently to profit or loss	(646)
Total other comprehensive income, net of tax	(44,400)
Total comprehensive income	**8,050**
Total comprehensive income attributable to	
Owners of the parent	(4,311)
Non-controlling interests	12,361
Total	**8,050**

Notes:

The Company applied IFRS 9 and IFRS 15 from the fiscal year ended March 31, 2019. The cumulative effect of a change in accounting policies was recognized at the date of initial application.

<Reference>

Consolidated Statement of Cash Flows (Unaudited)

(For the fiscal year ended March 31, 2019)

(Millions of yen)

Account	Amount
Cash flows from operating activities	
Income before income taxes	77,993
Depreciation and amortization	99,082
Impairment loss	12,607
Increase (decrease) in provisions	15,101
Financial income	(21,989)
Financial costs	8,377
Share of (profit) loss of entities accounted for using the equity method	(5,916)
Decrease (increase) in trade and other receivables	(41,470)
Decrease (increase) in contract assets	(16,951)
Decrease (increase) in inventories	(16,716)
Increase (decrease) in trade and other payables	4,415
Increase (decrease) in contract liabilities	21,500
Others, net	(48,566)
Subtotal	87,467
Interest and dividends received	7,580
Interest paid	(6,350)
Income taxes paid	(24,462)
Net cash provided by operating activities	**64,235**
Cash flows from investing activities	
Purchases of property, plant and equipment	(48,929)
Proceeds from sales of property, plant and equipment	4,283
Acquisitions of intangible assets	(11,764)
Purchase of equity instruments measured at fair value through other comprehensive income	(7,375)
Proceeds from sales of equity instruments measured at fair value through other comprehensive income	2,293
Purchases of shares of newly consolidated subsidiaries	(47,930)
Acquisitions of subsidiaries, net of cash acquired	17
Proceeds from sales of shares of subsidiaries	20,230
Purchases of investments in affiliated companies	(1,148)
Proceeds from sales of investments in affiliated companies	13,816
Proceeds from collection of loans receivable	94
Others, net	(262)
Net cash used in investing activities	**(76,675)**

(Millions of yen)

Account	Amount
Cash flows from financing activities	
Increase (decrease) in short-term borrowings, net	48,234
Proceeds from long-term borrowings	9,681
Repayments of long-term borrowings	(157,778)
Proceeds from issuance of bonds	50,011
Proceeds from sales of interests in subsidiaries to non-controlling interests	18,810
Dividends paid	(15,586)
Dividends paid to non-controlling interests	(4,261)
Others, net	386
Net cash used in financing activities	**(50,503)**
Effect of exchange rate changes on cash and cash equivalents	**(1,275)**
Net increase (decrease) in cash and cash equivalents	**(64,218)**
Cash and cash equivalents, at beginning of period	**346,025**
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	**(3,493)**
Cash and cash equivalents, at end of period	**278,314**

Notes:

The Company applied IFRS 9 and IFRS 15 from the fiscal year ended March 31, 2019. The cumulative effect of a change in accounting policies was recognized at the date of initial application.

Notes to Consolidated Financial Statements

I Notes to Significant Items for Presenting Consolidated Financial Statements

1. NEC Corporation (“the Company” or “NEC” 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 327 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., KMD A/S, 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 35 and exclusions of 11 subsidiaries. Significant changes were as follows:

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

Consolidated subsidiaries excluded from the consolidation scope as a result of sales and liquidation:
8 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

Lenovo NEC Holdings, B.V., NEC Capital Solutions Limited

2 affiliated companies were newly accounted for using the equity method.

1 affiliated companies were excluded from the affiliated companies accounted for using the equity method.

(2) 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 owns more than 20% of the total number of issued shares in JECC Corporation. However, JECC Corporation is excluded from affiliated companies as it is a special company managed under the joint investment of six Japanese computer manufacturing companies for the purpose of promoting the information processing industry.

4. Items related to the fiscal year of consolidated subsidiaries

Fiscal year of consolidated subsidiaries ends on March 31 except for 10 companies.

Fiscal year of these 10 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 occurred between December 31 and March 31 when considered necessary.

5. Significant accounting policies

(1) Valuation standards and methods for assets

(a) Financial assets

The NEC Group has applied IFRS 9, "*Financial Instruments*", with the date of initial application as of April 1, 2018.

Classification of financial assets

IFRS 9 classifies non-derivative financial assets into three major categories: those measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

Financial assets are classified into the categories above on the basis of the business model for managing financial assets and the contractual cash flow characteristics of financial assets, in principle.

(i) Non-derivative financial assets

Financial assets measured at amortized cost

Financial assets held by the NEC Group are measured at amortized cost if both of the following conditions are met:

- The financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value plus any directly attributable transaction costs. Also, trade receivables that do not contain a significant financing component are measured at their transaction price.

After initial recognition, the carrying amounts of financial assets measured at amortized cost are recognized using the effective interest method less impairment loss, if any. Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period.

Equity instruments measured at fair value through other comprehensive income

The Company, except for equity instruments in the form of venture capital investment, has made an irrevocable election to present subsequent changes in fair value of certain equity instruments in other comprehensive income, and classifies them into equity instruments measured at fair value through other comprehensive income.
These financial instruments are initially measured at fair value plus any directly attributable transaction costs.
These financial instruments are measured at fair value after initial recognition, and changes in fair value are included in other comprehensive income. Dividends from equity instruments measured at fair value through other comprehensive income are recognized as financial income in profit or loss.

Financial assets measured at fair value through profit or loss

Financial assets that are not classified as financial assets measured at amortized cost or equity instruments measured at fair value through other comprehensive income are classified as financial instruments measured at fair value through profit or loss.
These financial assets are measured at fair value after initial recognition, and changes in their fair value are recognized in profit or loss. Gains and losses on financial instruments measured at fair value through profit or loss are recognized in 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.
In addition, the NEC Group continues to apply the hedge accounting requirements in IAS 39, instead of those in IFRS 9.

Impairment of financial assets

An allowance for doubtful accounts is recognized for expected credit losses on financial assets measured at amortized cost.
At the end of each reporting period, the NEC Group evaluates whether there has been a significant increase in credit risk of a financial asset to be measured since initial recognition. Specifically, if the credit risk of a financial asset has not significantly increased since initial recognition, an allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit losses. If the credit risk has significantly increased since initial recognition, it is measured at an amount equal to the lifetime expected credit losses.
Despite the general approach stated above, an allowance for doubtful accounts for trade receivables or contract assets is always measured at an amount equal to the lifetime expected credit losses.

Whether the credit risk has significantly increased or not depends on changes in default risk. The following factors are considered to determine if there has been a change in default risk:

- Serious financial difficulties of customers;
- Contractual breach, including default or delinquencies; and
- The increase in the possibility of bankruptcy or other financial restructuring of customers.

Changes in an allowance for doubtful accounts are recognized in 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 revenue and obligation

The NEC Group has applied IFRS 15, "*Revenue from Contacts with Customers*", with the date of initial application as of April 1, 2018.
Accordingly, the following five-step approach is applied to recognize revenue (except for interest and dividend income within the scope of IFRS 9 and lease payments within the scope of IAS 17, "*Leases*").

Step 1: Identify the contract with a customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation in the contract
Step 5: Recognize revenue when (or as) each performance obligation is satisfied

The NEC Group recognizes revenue when or as the NEC Group satisfies a performance obligation at a point in time or over time by transferring a promised good or service to a customer.

When revenue is recognized over time, the NEC Group measures the progress to depict the performance in transferring control of goods or services promised to a customer. Revenue is recognized for a performance obligation satisfied over time only if the progress towards complete satisfaction of the performance obligation can be reasonably measured.

When the progress cannot be measured reasonably, revenue is recognized only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

(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:

(Millions of yen)

Items	Amount
Land	3,417
Others	828
Total	4,245

Balances - debt secured by collateral consisted of the following:

(Millions of yen)

Items	Amount
Short-term loans payable	681
Others	42
Total	723

2. Assets measured at 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 consisted of the following:

(Millions of yen)

Items	Amount
Current assets	8,655
Non-current assets	3,467
Total	12,122

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:

(Millions of yen)

Items	Amount
Merchandise and finished goods	1,057
Work in process	3,354
Total	4,411

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

(Millions of yen)

Items	Amount
Accumulated depreciation of property, plant and equipment	885,325

5. Contingent liabilities

Guarantees for bank loans and others consisted of the following:

(Millions of yen)

Items	Amount
Employees	104
Affiliates/Others	541
Total	645

6. Disposal Group Held for Sale

On November 29, 2018, NEC determined to transfer all businesses of NEC Lighting, Ltd., ("NEC Lighting"), through a company split to a newly formed company under the investment fund that receives advice from Nippon Mirai Capital Co.,Ltd. With this determination to transfer shares, the assets and liabilities of NEC Lighting are classified into a disposal group held for sale. This disposal group is measured by the carrying amount because the fair value is greater than the carrying amount. The disposal group consists of the following assets and liabilities as of March 31, 2019.

(Millions of yen)

Items	Amount
Cash and cash equivalents	3,502
Trade and other receivables	2,686
Inventories	2,568
Other assets	315
Total assets	9,071

(Millions of yen)

Items	Amount
Trade and other payables	3,637
Other liabilities	5,434
Total liabilities	9,071

Regarding the assets and liabilities of NEC Energy Devices, Ltd. ("NEC Energy Devices") and Automotive Energy Supply Corporation (“AESC”) classified into a disposal group held for sale in the previous fiscal year, the transactions of transfer shares were scheduled to be executed on June 29, 2018 as all conditions precedent were fulfilled. However, those transactions were not executed as a purchaser of NEC Energy Devices failed to fulfill the purchaser's payment obligations under those transactions.

Later, on August 3, 2018, NEC has determined to transfer (i) all shares of NEC Energy Devices owned by NEC to Envision Electrodes Corporation Ltd. ("Envision"), and (ii) all shares of AESC owned by NEC and NEC Energy Devices to Nissan Motor Co., Ltd. ("Nissan"). Those transactions were executed on March 29, 2019.

Upon execution of transfer, 9,077 million yen in gain on sales of subsidiaries' stocks and 10,000 million yen in gain on sales of affiliates' stocks are recorded in the consolidated financial statement for the fiscal year ended March 31, 2019.

III Notes to Consolidated Statement of Changes in Equity

1. Stocks, issued

Ordinary shares 260,473,263 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 27, 2018 Board of Directors	Ordinary shares	15,591	60	March 31, 2018	June 1, 2018

(2) Dividend for which the record date is within this fiscal year, but 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 26, 2019.

(a) Resource of dividends Retained earnings
(b) Total dividends 10,393 million yen
(c) Dividends per share 40 yen
(d) Record date March 31, 2019
(e) Effective date June 3, 2019

IV Notes: Financial Instruments

1. Summary of financial instruments

(1) Capital management

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

(2) Financial risk management

The NEC 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 NEC Group conducts risk management to minimize the effect of these financial risks on its financial position and performance.

a. Credit risk

The NEC 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.

An allowance for doubtful account for trade receivables and contract assets is always measured at an amount equal to the lifetime expected credit losses.

The assets are grouped by each asset with similar characteristics of credit risks, and expected credit losses are calculated based on historical default rates, concerning the current conditions and future economic environment. Expected credit losses for credit-impaired financial assets are calculated by each asset. Whether an asset falls under the category of credit-impaired financial asset, objective evidence of debtor are considered such as significant financial difficulty, past due in payment and bankruptcy. In determining whether the financial assets are impaired, the NEC Group uses reasonable and substantiated information which is available without undue cost or effort. The NEC Group considers that the financial assets are not impaired if the information provides counter-evidence. Expected credit losses from contract assets are not significant.

b. Liquidity risk

The NEC 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 NEC Group may use interest rate swaps as hedges of the variability in cash flows attributable to interest-rate risk.

(ii) Foreign currency risk

The NEC Group operates its business globally, and is exposed to the risk of fluctuation in foreign exchange rates. The NEC 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 NEC Group holds listed equity instruments of parties with which the NEC 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 NEC Group determines that it will contribute to the increase of the mid- to long-term corporate value of the NEC Group after comprehensive consideration of its management strategy, the relationships with business partners and other circumstances. For equity instruments, the NEC 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

(Millions of yen)

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Current portion of bonds	-	-
Bonds	199,441	201,107
Long-term borrowings	188,687	189,637

The financial instruments whose fair value is determined to be close or equal to the carrying amount are excluded from the chart above. The financial instruments regularly measured at fair value but equal to the carrying amount are also excluded from the chart 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 equal or close to the carrying amount 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.

Among the equity instruments measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, 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.

Among the fair value of derivative assets and liabilities, forward exchange contracts is determined using quoted forward exchange rates at the end of the fiscal year, while 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 obligation 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	3,309.78 yen
Basic earnings per share	154.75 yen
Diluted earnings per share	154.75 yen

VI Notes: Subsequent Event

The transfer of business

On April 1, 2019, NEC has transferred all businesses of NEC Lighting, Ltd., through a company split to a newly formed company, HotaluX, Ltd. under the investment fund that receives advice from Nippon Mirai Capital Co.,Ltd.

The impact of the business transfer on consolidated financial statements for the fiscal year ending March 31, 2020 is expected to be insignificant.

VII Notes: Others

Business Combinations

Revision of the provisional amount

On January 31, 2018, NEC has acquired UK-based IT services company, Northgate Public Services Limited ("NPS"), from Cinven, a private equity firm, for making NPS a consolidated subsidiary of NEC and accelerating the expansion of its international safety business. In the previous fiscal year, the Company applied provisional accounting treatment based on the allocation of acquisition cost, using fair value temporary estimated. In the current fiscal year, the allocation of the acquisition costs has been completed.

The impact of the allocation is not significant.

The amount has been determined for fair value of assets acquired and liabilities assumed at the acquisition date as follows:

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

(Millions of yen)

Item	Amount
Current assets	
Cash and cash equivalents	1,047
Trade receivables	4,899
Others	76
Non-current assets	
Property, plant and equipment	729
Intangible assets	27,732
Others	3,119
Total assets	37,602
Current liabilities	
Trade payables	1,408
Others	6,603
Non-current liabilities	
Financial Liabilities	41,848
Others	8,860
Total liabilities	58,719
Equity	(21,117)

Goodwill arising on acquisition

(Millions of yen)

Item	Amount
Consideration for the acquisition	27,563
Non-controlling interests	(5,598)
Fair value of identifiable net assets acquired by the NEC Group	21,117
Goodwill arising on acquisition	43,082

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. Entire goodwill is not expected to be deductible for tax purposes.

Business combination of a subsidiary

NEC has acquired KMD Holding ApS, the largest Danish IT company from Advent International, a private equity investor, making KMD a consolidated subsidiary of NEC.

Through the acquisition, NEC acquires a business model that leverages platforms in the digital government domain as it aims to expand business from northern Europe to the whole of Europe and globally. A summary of this transaction is as follows:

Summary of the business combination

Name of the acquired company and its business

(i) Name: KMD Holding ApS

(ii) Type of Business: Development and sales of software

Main reason for the business combination

To accelerate the expansion of NEC group's international safety business

Date of the business combination

February 21, 2019

Voting rights acquired

On the acquisition date: 100.00 %

Consideration for the acquisition

(Millions of yen)

Item	Amount
Cash and cash equivalents	48,377
Total	48,377

Acquisition-related costs

Outsourcing service expenses and other expenses related to the share acquisition of 1,128 million yen were recorded in "Selling, general and administrative expenses" in the consolidated statement of profit or loss as the acquisition-related costs for the business combination.

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

(Millions of yen)

Item	Amount
Current assets	
Cash and cash equivalents	3,014
Trade receivables	9,604
Others	6,933
Non-current assets	
Property, plant and equipment	2,181
Intangible assets	25,460
Others	911
Total assets	48,193
Current liabilities	
Trade payables	9,396
Others	21,573
Non-current liabilities	
Financial Liabilities	79,365
Others	12,198
Total liabilities	122,532
Equity	(74,339)

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

Goodwill arising on acquisition

(Millions of yen)

Item	Amount
Consideration for the acquisition	48,377
Fair value of identifiable net assets acquired by the NEC Group	74,339
Goodwill arising on acquisition	122,716

Goodwill mainly reflects excess earnings power and synergies with existing businesses. Entire goodwill is not 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 statement of profit or loss were 6,617 million yen of revenue and 120 million yen of net profit.

Assuming that this business combination had taken place at the beginning of the fiscal year ended March 31, 2019, the NEC Group’s revenue and net profit (loss) in the consolidated statement of profit or loss would be 2,995,268 million yen and 40,429 million yen, respectively (non-audited information).

Impact of Changes in Accounting Policies

(1)Application of IFRS 9, "*Financial Instruments*"

The NEC Group has applied IFRS 9, "*Financial Instruments*", effective from the fiscal year ended March 31, 2019, with the date of initial application as of April 1, 2018.
IFRS 9 introduces new requirements on 1) classification and measurement of financial assets and financial liabilities and 2) impairment of financial assets. Details of these new requirements and the effects on the NEC Group's consolidated financial statements are presented below.
The NEC Group has applied IFRS 9 according to the transition provisions stipulated in IFRS 9.

In accordance with the application of IFRS 9, the NEC Group adopted the adjustments associated with the application of IFRS 9 provided in IAS 1, "*Presentation of Financial Statements*".
The NEC Group also adopted the adjustments associated with the application of IFRS 9 provided in IFRS 7, "*Financial Instruments: Disclosures*". These adjustments have been reflected to the disclosure for the fiscal year ended March 31, 2019.

The classification and measurement of financial assets, and treatment for related gains and losses applied by the NEC Group based on IFRS 9 are presented in Note (1)(a) Financial assets of 5 “Significant accounting policies” in 1 "Notes to the Consolidated Financial Statements".

1) Classification of financial assets and financial liabilities

Financial assets

IFRS 9 classifies financial assets into three major categories: those measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.
Financial assets are classified into the categories above on the basis of the business model for managing financial assets and the contractual cash flow characteristics of financial assets, in principle. The previous categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets under IAS 39, "*Financial Instruments: Recognition and Measurement*" have been superseded.

Financial liabilities

There is no significant effect of the application of IFRS 9 on the NEC Group's accounting policies for financial liabilities.

2) Impairment of financial instruments

The "incurred loss model" under IAS 39 has been changed to the "expected credit loss model" under IFRS 9. The "expected credit loss model" is applied to financial assets measured at amortized cost and contract assets, but not to investments in equity instruments.

3) Transition

Changes in accounting policies due to the application of IFRS 9 are applied retrospectively with the following exceptions:

(a) Differences in carrying amounts of financial assets and liabilities arising from the application of IFRS 9 are recognized in other components of equity and retained earnings as of April 1, 2018, the date of initial application.

(b) The following assessments are made on the basis of the facts and circumstances at the date of initial application of IFRS 9:

- To determine a business model in which financial assets are held;
- To designate investments in equity instruments not held for trading (except those in the form of venture capital investment) as financial assets measured at fair value through other comprehensive income.

(c) The NEC Group regards that the credit risk on an investment in debt securities has not increased significantly since initial recognition if the asset has low credit risk as of the date of initial application of IFRS 9.

(d) The NEC Group continues to apply the hedge accounting requirements in IAS 39, instead of those in IFRS 9.

The impact of changes in accounting policies is as follows:

The effects (net of tax) of the transition to IFRS 9 on other components of equity and retained earnings as of the date of initial application are as follows:

	Effects of the application of IFRS 9 as of April 1, 2018
	Millions of yen
Other components of equity	
Balance as of April 1, 2018, under IAS 39	82,415
Cumulative changes in the fair value of equity instruments measured at fair value through other comprehensive income	(65,904)
Balance as of April 1, 2018, under IFRS 9	16,511
Retained earnings	
Balance as of April 1, 2018, under IAS 39	265,879
Cumulative changes in the fair value of equity instruments measured at fair value through other comprehensive income	65,963
Balance as of April 1, 2018, under IFRS 9	331,842

Classification of financial assets and financial liabilities at the date of initial application of IFRS 9

The NEC Group's financial assets and financial liabilities at the date of initial application are classified in accordance with IAS 39 and IFRS 9 as follows:

	IAS 39		IFRS 9	
	Classification	Carrying amount	Classification	Carrying amount
		Millions of yen		Millions of yen
Financial assets				
Current assets				
Cash and cash equivalents	Loans and receivables	346,025	Measured at amortized cost	346,025
Trade and other receivable	Loans and receivables	691,102	Measured at amortized cost	691,102
Other financial assets	Measured at fair value through profit or loss	1,026	Measured at fair value through profit or loss	1,026
	Loans and receivables	5,324	Measured at amortized cost	5,324
Non-current assets				
Other financial assets	Available-for-sale financial assets	208,282	Measured at fair value through other comprehensive income	204,348
			Measured at fair value through profit or loss	3,934
	Measured at fair value through profit or loss	6	Measured at fair value through profit or loss	6
	Loans and receivables	37,564	Measured at amortized cost	37,564
		1,289,329		1,289,329
Financial liabilities				
Current liabilities				
Trade and other payables	Measured at amortized cost	463,686	Measured at amortized cost	463,686
Bonds and borrowings	Measured at amortized cost	139,687	Measured at amortized cost	139,687
Accruals	Measured at amortized cost	50,902	Measured at amortized cost	50,902
Other financial liabilities	Measured at amortized cost	7,805	Measured at amortized cost	7,805
	Measured at fair value through profit or loss	2,030	Measured at fair value through profit or loss	2,030
Non-current liabilities				
Bonds and borrowings	Measured at amortized cost	376,383	Measured at amortized cost	376,383
Other financial liabilities	Measured at amortized cost	8,402	Measured at amortized cost	8,402
	Measured at fair value through profit or loss	716	Measured at fair value through profit or loss	716
		1,049,611		1,049,611

There are no financial assets or liabilities that were previously designated as those measured at fair value through profit or loss under IAS 39 but were subject to the change of the measurement category; or for which the NEC Group selected the change of the measurement category at the date of initial application of IFRS 9. There are no financial liabilities designated as those measured at fair value through profit or loss by the NEC Group at the date of initial application of IFRS 9.

(2)Application of IFRS 15, "*Revenue from Contracts with Customers*"

The NEC Group has applied IFRS 15, "*Revenue from Contracts with Customers*", effective from the fiscal year ended March 31, 2019, with the date of initial application as of April 1, 2018.
IFRS 15 supersedes current revenue recognition requirements including IAS 18, "*Revenue* "and IAS 11, "*Construction Contracts*", providing a single comprehensive model of accounting for revenue.
The NEC Group recognized the cumulative effect at the date of initial application according to the transition provision stipulated in IFRS 15. Accordingly retained earnings at the beginning of the fiscal year ended March 31, 2019 decreased by 1.3 billion yen.

Impact of changes is as follows, in applying IFRS 15 to the consolidated financial statements for the fiscal year ended March 31, 2019.

Details of major adjustments

Consolidated Statements of Financial Position

In applying IFRS 15, the amount of 235.2 billion yen formerly recorded as "receivables from contractees for construction work" in "trade and other receivables" is reclassified to contract assets. "Trade and other receivables" in accordance with the previous accounting standards, is 969.7 billion yen.

Also, the amount of 33.3 billion yen formerly recorded as "payables to contractees for construction work in "trade and other payables" as well as that of 111.4 billion yen formerly recorded as "advances received" in "other current liabilities" are reclassified to contract liabilities. "Trade and other payables" and "other current liabilities" in accordance with the previous accounting standards, is 515.9 billion yen and 172.5 billion yen respectively.

In addition, identifying performance obligations and allocating the transaction price by the five-step approach resulted in retained earnings to decrease by 2.1 billion yen for the fiscal year ended March 31, 2019.

Consolidated Statements of Profit or Loss

The impact of applying IFRS 15 on the consolidated statements of profit or loss is not significant.

Consolidated Statements of Cash Flows

The impact of applying IFRS 15 on the consolidated statements of cash flows is not significant.

BALANCE SHEET

(Non-consolidated: Japanese GAAP)

(As of March 31, 2019)

(Millions of yen)

Account	Amount
Assets	
Current assets	**950,228**
Cash and deposits	22,204
Notes receivable-trade	4,452
Accounts receivable-trade	389,063
Contract assets	202,792
Lease investment assets	3,601
Short-term investment securities	60,000
Merchandise and finished goods	32,251
Work in process	42,998
Raw materials and supplies	9,634
Advance payments-trade	45,316
Prepaid expenses	18,797
Accounts receivable-other	97,229
Other	21,914
Allowance for doubtful accounts	(23)
Non-current assets	**1,179,647**
Property, plant and equipment	**229,489**
Buildings, net	119,997
Structures, net	2,851
Machinery and equipment, net	10,655
Vehicles, net	262
Tools, furniture and fixtures, net	41,160
Land	36,133
Construction in progress	18,431
Intangible assets	**51,435**
Patent right	790
Right of using facilities	128
Software	50,402
Other	116
Investments and other assets	**898,723**
Investment securities	159,720
Stocks of subsidiaries and affiliates	553,791
Investments in capital	256
Long-term loans receivable	72
Long-term loans receivable from subsidiaries and affiliates	40,237
Deferred tax assets	51,569
Prepaid pension cost	67,015
Other	37,530
Allowance for doubtful accounts	(11,468)
Total assets	**2,129,875**

(Millions of yen)

Account	Amount
Liabilities	
Current liabilities	**935,687**
Notes payable-trade	52
Accounts payable-trade	393,755
Commercial Paper	30,000
Current portion of long-term loans payable	44,003
Lease obligations	400
Accounts payable-other	50,864
Accrued expenses	53,945
Income taxes payable	2,702
Contract liabilities	122,804
Deposits received	189,046
Provision for product warranties	9,737
Provision for directors' bonuses	168
Provision for loss on construction contracts and others	12,148
Provision for business structure improvement	477
Provision for contingent loss	16,869
Other	8,717
Non-current liabilities	**473,614**
Bonds payable	200,000
Long-term loans payable	178,500
Lease obligations	1,113
Provision for product warranties	3,424
Provision for loss on guarantees	61,932
Provision for business structure improvement	1,914
Provision for contingent loss	2,204
Asset retirement obligations	1,251
Other	23,276
Total liabilities	**1,409,300**
Net Assets	
Shareholders' equity	**674,716**
Capital stock	397,199
Capital surplus	106,010
Legal capital surplus	59,260
Other capital surplus	46,751
Retained earnings	**175,023**
Legal retained earnings	8,836
Other retained earnings	166,187
Retained earnings brought forward	166,187
Treasury stock	**(3,516)**
Valuation and translation adjustments	**45,859**
Valuation difference on available-for-sale securities	**46,049**
Deferred gains or losses on hedges	**(190)**
Total net assets	**720,575**
Total liabilities and net assets	**2,129,875**

STATEMENT OF OPERATIONS

(Non-consolidated: Japanese GAAP)

(For the fiscal year ended March 31, 2019)

(Millions of yen)

Account	Amount
Net sales	1,654,242
Cost of sales	1,259,628
Gross profit	**394,615**
Selling, general and administrative expenses	391,360
Operating income	**3,255**
Non-operating income	**41,868**
Interest income	1,162
Dividends income	37,405
Foreign exchange gains	169
Other	3,132
Non-operating expenses	**9,479**
Interest expenses	3,744
Loss on disposal of non-current assets	2,270
Other	3,465
Ordinary income	**35,644**
Extraordinary income	**25,538**
Gain on sales of subsidiaries and affiliates' stocks	22,449
Gain on sales of investment securities	1,669
Gain on abolishment of retirement benefit plan	752
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	311
Gain on sales of non-current assets	265
Reversal of provision for loss on guarantees	92
Extraordinary loss	**45,536**
Provision for loss on guarantees	17,286
Business structure improvement expenses	10,347
Loss on valuation of stocks of subsidiaries and affiliates	8,949
Impairment loss	5,497
Provision of allowance for doubtful accounts for subsidiaries and affiliates	3,023
Loss on sales of non-current assets	215
Loss on valuation of investment securities	177
Loss on sales of subsidiaries and affiliates' stocks	33
Loss on sales of investment securities	9
Income before income taxes	**15,647**
Income taxes	**(5,956)**
Income taxes – current	(5,202)
Income taxes – deferred	(754)
Net income	**21,603**

STATEMENT OF CHANGES IN NET ASSETS

(Non-consolidated: Japanese GAAP)

(For the fiscal year ended March 31, 2019)

(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	46,752	106,011	7,277	163,007	170,284
Impact of changes in accounting policies	-	-	-	-	-	(1,274)	(1,274)
Recalculated beginning balance	397,199	59,260	46,752	106,011	7,277	161,734	169,011
Changes of items during the period							
Dividends from surplus	-	-	-	-	-	(15,591)	(15,591)
Provision of legal retained earnings	-	-	-	-	1,559	(1,559)	-
Net income	-	-	-	-	-	21,603	21,603
Purchase of treasury stock	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	(1)	(1)	-	-	-
Total changes of items other than shareholders' equity	-	-	-	-	-	-	-
Total changes of items during the period	-	-	(1)	(1)	1,559	4,453	6,012
Balance at the end of current period	397,199	59,260	46,751	106,010	8,836	166,187	175,023

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(3,323)	670,172	48,835	(96)	48,739	718,911
Impact of changes in accounting policies	-	(1,274)	-	-	-	(1,274)
Recalculate beginning balance	(3,323)	668,898	48,835	(96)	48,739	717,637
Changes of items during the period						
Dividends from surplus	-	(15,591)	-	-	-	(15,591)
Provision of legal retained earnings	-	-	-	-	-	-
Net income	-	21,603	-	-	-	21,603
Purchase of treasury stock	(215)	(215)	-	-	-	(215)
Disposal of treasury stock	22	20	-	-	-	20
Total changes of items other than shareholders' equity	-	-	(2.786)	(94)	(2,880)	(2,880)
Total changes of items during the period	(193)	5,818	(2,786)	(94)	(2,880)	2,937
Balance at the end of current period	(3,516)	674,716	46,049	(190)	45,859	720,575

Independent Auditor's Report

April 24, 2019

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Tetsuzo Hamajima (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, 2019 and for the year from April 1, 2018 to March 31, 2019 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 of 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 to express 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 Act 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 24, 2019

The Board of Directors
NEC Corporation

KPMG AZSA LLC

Tetsuzo Hamajima (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, 2019 and for the 181th year from April 1, 2018 to March 31, 2019 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 to express 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 Act 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 181st business period from April 1, 2018 to March 31, 2019, 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 Article 100(1) and (3) 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 statement 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 its supplementary schedules, the consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) as well as the non-consolidated financial statements (balance sheet, statement of operations, statement of changes in net assets and notes to non-consolidated financial statements) and its 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.

(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 26, 2019

Audit & Supervisory Board (KANSAYAKU-KAI)
NEC Corporation

Full-time Audit & Supervisory Board Member (KANSAYAKU)	Hajime Kinoshita (Seal)
Full-time Audit & Supervisory Board Member (KANSAYAKU)	Isamu Kawashima (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Takeshi Kikuchi (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Kazuyasu Yamada (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Taeko Ishii (Seal)