

**NEC Introduces a New Performance-based Stock Compensation Plan for
Directors and Corporate Officers**

Tokyo, April 27, 2017 - In the Board of Directors meeting held on April 27, 2017, NEC Corporation (NEC) passed a resolution to introduce a new performance-based stock compensation plan (“Plan”) using a trust for its Directors (excluding outside directors; the same shall apply hereinafter) and Corporate officers (“Beneficiaries”) and has decided to submit a proposal concerning the introduction of the Plan, as detailed below, to the 179th Ordinary General Meeting of Shareholders scheduled on June 22, 2017 (“General Shareholders Meeting”).

1. Purpose of the introduction of the Plan

The purpose of the Plan is to clarify the link between the value of the shares based on NEC’s performance and remuneration of Beneficiaries. Under the Plan, the Beneficiaries share with the shareholders not only the benefits deriving from future appreciation of share prices, but also the risks associated with a fall in the same. This is intended ultimately to enhance the awareness of the Beneficiaries with respect to making a contribution to an improvement in NEC’s mid and long-term performance and its corporate value.

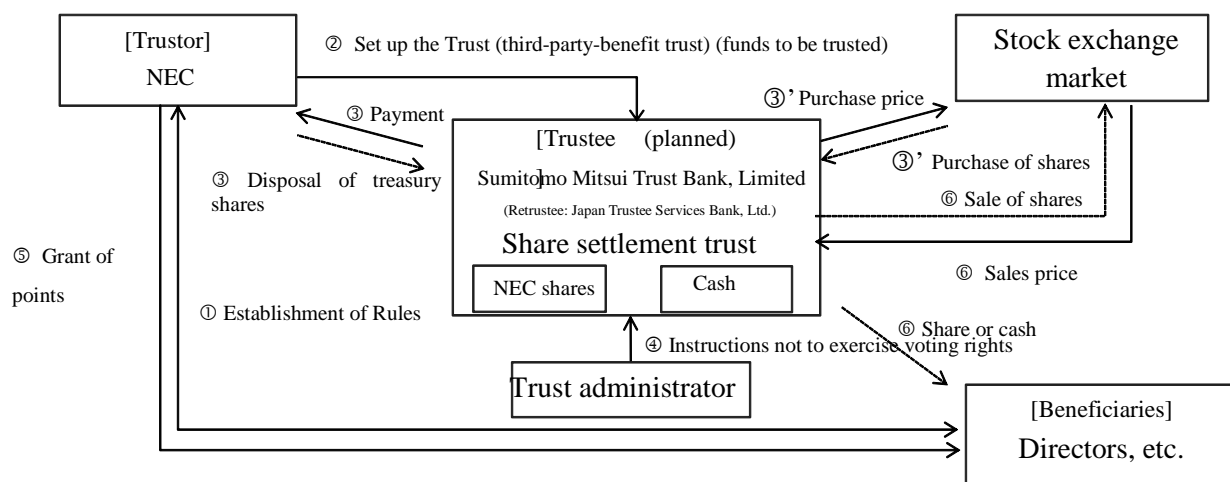
Further, the aforementioned resolution was passed at the Board of Directors meeting on the basis of the deliberations made at the Nomination and Compensation Committee, an arbitrary committee, and the introduction of the Plan is subject to approval at the General Shareholders Meeting.

2. Outline of the Plan

(1) Outline of the Plan

This Plan is a stock compensation scheme. Under the Plan, a trust (“Trust”) that will be established with the funds contributed by NEC will acquire NEC shares. In accordance with the Share Payment Rules (“Rules”) to be established by NEC’s Board of Directors, the Trust will grant the Beneficiaries the number of points determined based on their titles and the level of achievement of specific performance targets set in line with the Mid-term Management Plan. The Trust will then pay out the number of NEC shares equal to that of points granted (however, part of which will be an amount of cash equivalent to the NEC shares as liquidated and disposed of) (“NEC shares, etc.”) in accordance with the aforementioned Rules. The outline of this Plan is as shown below.

<Outline of the Plan>



- ① NEC will establish the Rules related to the Beneficiaries.
- ② NEC will establish a share settlement trust (third-party-benefit trust) for the Beneficiaries. At this time, NEC will entrust to the trustee the funds for acquiring shares (the amount of which shall be within the upper limit approved at the General Shareholders Meeting.)
- ③ The Trustee will collectively acquire the number of shares equal to that of shares that are expected to be settled in the future. (The Trustee will acquire those shares through the stock exchange market or by means of subscribing to NEC's treasury shares to be disposed of by NEC.)
- ④ NEC and the Trustee will appoint a trust administrator (who shall be a person independent of NEC and its directors and officers) who will protect the interests of the beneficiaries subject to the Rules and supervise the Trustee throughout the period of the Trust.
With regards to the NEC shares deposited in the trust, the trust administrator shall give instructions to the Trustee not to exercise voting rights, and the Trustee shall not exercise voting rights throughout the trust period in accordance with such instructions of the trust administrator.
- ⑤ NEC will grant points to the Beneficiaries in accordance with the Rules.
- ⑥ Those Beneficiaries meeting the requirements of the Rules and the Trust agreement will receive as beneficiaries under the Trust the number of NEC shares which equals to the number of points granted. Further, in any of the cases provided for in advance in the Rules or the Trust agreement, part of the NEC shares to be settled will be sold on the stock exchange market, and the cash proceeds will be paid out instead.
It should be noted that Sumitomo Mitsui Trust Bank, Limited, which will be the Trustee under this Plan for the Beneficiaries will entrust (retrust) the management of the trust assets to Japan Trustee Services Bank, Ltd.

(2) Target Period of the Plan

Target period of the Plan ("Target Period") shall be three business years which is the period for the Mid-term Management Plan. However, the first Target Period following the introduction of the Plan ("Initial Target Period") shall be from the start date of the Plan up to March 31, 2019.

(3) Maximum amount of funds to be contributed to the Trust

1. Operation A:

In the first year of the Initial Target Period, NEC will establish the Trust for a period up to the end of August 2019 by contributing funds which will not exceed 400 million yen (or 200 million yen

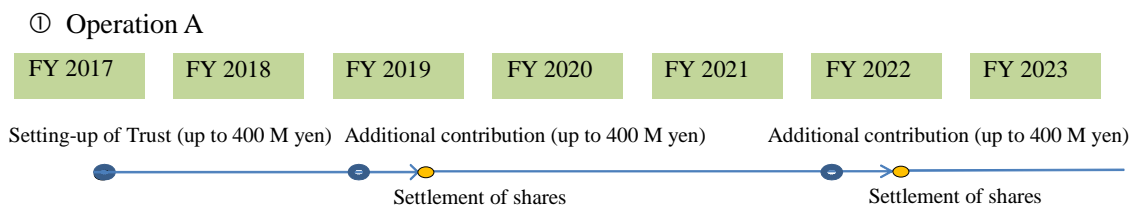
specifically for acquiring shares to be paid out to the Directors) for the Plan. NEC will extend the trust period of the Trust every three years for the subsequent Target Periods of three business years following the completion of the Initial Target Period, subject to the decision of the Board of Directors (including the case where the trust period will be substantially extended by transferring the trust assets under the Trust to any other trust having the same purpose as the purpose of the Trust to be set up by NEC; the same shall apply hereinafter). In the first year of each Target Period, NEC will make an additional contribution of funds not exceeding 400 million yen (or 200 million yen specifically for acquiring shares to be paid out to the Directors). The same shall apply thereafter.

2. Operation B:

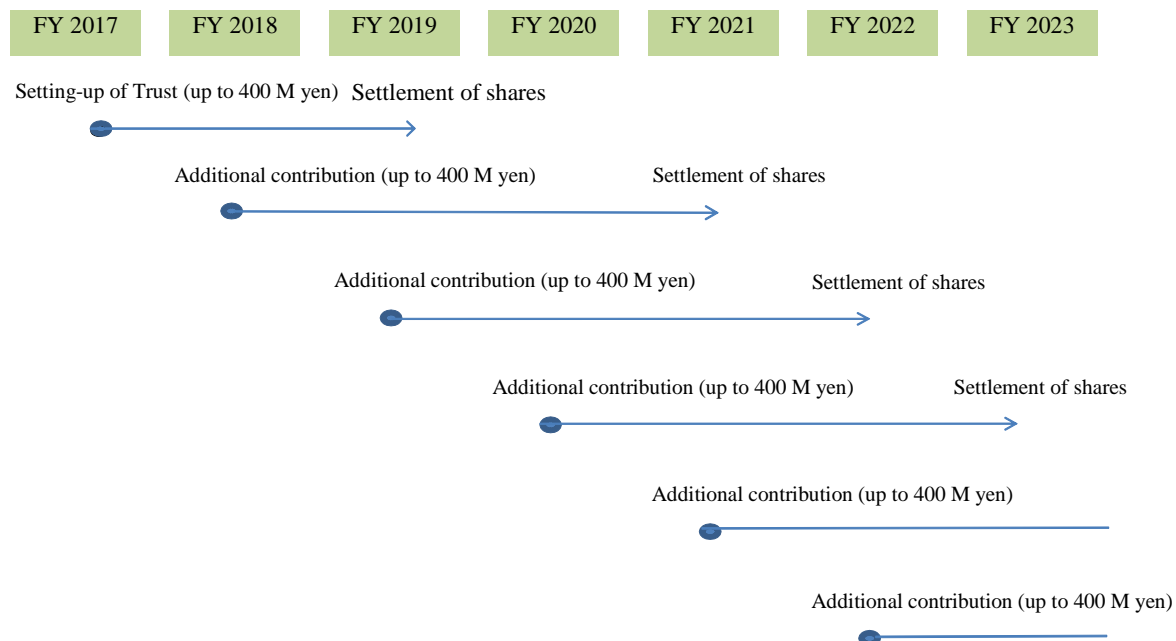
In place of Operation A as described in 1. above, NEC may extend the period of the Trust every year for the Target Periods that will start after April 1, 2018 and make an additional contribution of funds not exceeding 400 million yen (or 200 million yen specifically for acquiring shares to be paid out to the Directors) in the first year of each Target Period.

Note: The amount of funds to be deposited in the Trust will include the estimated amount of trust remuneration, remuneration for the trust administrator, and other necessary expenses in addition to the aforementioned funds for acquiring shares.

For reference, the above concept is described in the following diagram:



② Operation B



(4) Acquisition of NEC shares through the Trust

Currently, the intended method for acquiring NEC shares initially at the Trust is either by acquiring the shares on the stock exchange market or by subscribing for those NEC treasury shares that may be disposed of by it within the upper limit to the funds for acquiring shares as described in (3) above. However, the details of the method for acquiring NEC shares will be decided and disclosed following the resolution of the General Shareholders Meeting and of the Board of Directors.

(5) Method of calculating the points to be granted to Beneficiaries

The number of the NEC shares to be paid out to the Beneficiaries will be calculated on the basis of the points granted to the Beneficiaries in accordance with their titles and the level of achievement of performance targets set with respect to the Mid-term Management Plan for the Target Period. NEC will in principle grant to the Beneficiaries the number of points to be calculated using the following formula after the completion of each Target Period in accordance with the Rules (*1). However, the upper limit to the total number of points to be granted by NEC to any one of the Beneficiaries shall be 1,760,000 points (or 880,000 points for Directors) per Target Period.

<Calculation formula>

(Number of shares granted in accordance with the Beneficiaries' titles (*2)) x (performance-based payment rate (*3))

*1: As an exception, in the case of resignation of any Beneficiaries (except in the cases where the resignation is due to own decision or dismissal), the procedure for granting points will be as described in (6) below.

*2: The number of shares granted according to titles shall mean the number of shares to be determined for titles of the Beneficiaries. The number of shares granted for the titles will be calculated by dividing the amount obtained by multiplying the basic salary as of the start date of

the Target Period with the rate reflecting the title of the respective Beneficiaries by the average closing price of the NEC shares on the Tokyo Stock Exchange in the business year immediately preceding the Target Period.

- *3: The performance-based payment rate is determined within the range of 0% to 100% according to the performance appraisal indexes such as consolidated operating profit and consolidated ROE (Return On Equity) for the Target Period.

(6) Payout of NEC Shares to Beneficiaries

Upon completion of each Target Period, each of the Beneficiaries will receive NEC shares from the Trust. The number of NEC shares to be paid out to any Beneficiaries will be determined according to the points granted to such Beneficiaries for the Target Period, with one point to be converted into one share. However, in such an event as a share split and a share consolidation with regard to NEC shares in which it is acknowledged that it is reasonable to make an adjustment to the number of NEC shares to be paid out, a reasonable adjustment shall be made according to such split rate, consolidation rate, etc.

Such Payment will be made by the Trust to each of the Beneficiaries who has completed the required procedures to be designated as beneficiaries. However, as for the number of NEC shares as specified in the Rules, such NEC shares will be sold and liquidated within the Trust, and the cash proceeds will be paid out in place of NEC shares. Furthermore, in any case where any NEC shares within the Trust are liquidated, including a case where a settlement is made for NEC shares within the Trust by subscribing to a tender offer, the cash proceeds may be paid out in place of delivering NEC shares.

Further, in the case of resignation of any Beneficiaries in any Target Period (except in the cases where the resignation is due to own decision or dismissal), at the time of resignation, the number of points prorated according to the number of years elapsed and according to their titles and the level of achievement of performance targets during the relevant Target Period will be granted to such Beneficiaries, and in turn such number of NEC shares, etc. that will be equal to the number of points will be paid out. Furthermore, in the event of death of any of the Beneficiaries during any Target Period, the number of NEC shares, etc. that will be equivalent to the number of points as prorated according to the number of years elapsed, and according to the titles and the level of achievement of performance targets during the relevant Target Period will be sold and liquidated, and the cash proceeds will be paid out to their bereaved families.

(7) Exercising voting rights related to NEC shares in the Trust

The voting rights attached to the NEC shares held at the Trust shall not be exercised during the trust period for the purpose of maintaining neutrality of the management of NEC.

(8) Dividends

Any dividends on the NEC shares held at the Trust shall be received by the Trust and used for the acquisition of the NEC shares and payment of trust remuneration to the trustee in relation to the Trust, etc.

(9) Termination of the Trust

Out of the residual assets of the Trust remaining at the time of termination of the Trust, NEC currently intends to acquire all of the shares without payment and retire them by the resolution of the Board of Directors. NEC is also planning to donate a specified amount of cash out of the residual assets of the Trust remaining at the time of termination of the Trust to specified public-sector service promotion entities which do not share any interest with the Beneficiaries in accordance with the Rules and Trust agreement.

(Reference: Outline of the Trust)

- ① Name: Share Settlement Trust for Officers
- ② Trustor: NEC
- ③ Trustee: Sumitomo Mitsui Trust Bank, Limited
- ④ Beneficiaries: Beneficiaries who meet the beneficiary requirements
- ⑤ Trust administrator: A third party not having any interest in NEC will be appointed (planned)
- ⑥ Type of trust: Trust of funds other than money trust (third-party-benefit trust)
- ⑦ Effective Date of Trust agreement: August 2017 (planned)
- ⑧ Date at which cash will be trusted: August 2017 (planned)
- ⑨ Period of trust: August 2017 (planned) – August 2019 (planned)

Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to NEC and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- Effects of economic conditions, volatility in the markets generally, and fluctuations in foreign currency exchange and interest rate

- Trends and factors beyond the NEC Group's control and fluctuations in financial conditions and profits of the NEC Group that are caused by external factors

- Risks arising from acquisitions, business combinations and reorganizations, including the possibility that the expected benefits cannot be realized or that the transactions may result in unanticipated adverse consequences

- Developments in the NEC Group's alliances with strategic partners

- Effects of expanding the NEC Group's global business

- Risk that the NEC Group may fail to keep pace with rapid technological developments and changes in customer preferences

- Risk that the NEC Group may lose sales due to problems with the production process or due to its failure to adapt to demand fluctuations

- Defects in products and services

- Shortcomings in material procurement and increases in delivery cost

- Acquisition and protection of intellectual property rights necessary for the operation of business

- Risk that intellectual property licenses owned by third parties cannot be obtained and/or are discontinued

- Risk that the NEC Group may be exposed to an unfavorable pricing environment due to intensified competition

- Risk that a major customer changes investment targets, reduces capital investment and/or reduces the value of transactions with the NEC Group

- Risk that the NEC Group may be unable to provide or facilitate payment arrangements (such as vendor financing) to its customers on terms acceptable to them or at all, or risk that the NEC Group's customers are unable to make payments on time, due to the customers' financial difficulties or otherwise

- Risk that the NEC Group may experience a substantial loss of, or an inability to attract, talented personnel

- Risk that the NEC Group's ability to access the commercial paper market or other debt markets are adversely affected due to a downgrade in its credit rating

- Risk that the NEC Group may incur large costs and/or liabilities in relation to internal control, legal proceedings, laws and governmental policies, environmental laws and Rules, tax practice, information management, and human rights and working environment

- Consequences of natural and fire disasters

- Changes in methods, estimates and judgments that the NEC Group uses in applying its accounting policies

- Risk that the NEC Group may incur liabilities and losses in relation to its retirement benefit obligations

The forward-looking statements contained in this material are based on information that NEC possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect the NEC Group. NEC does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
