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Corporate Governance Report

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NEC Corporation

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The corporate governance of NEC Corporation (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, the Company is committed to strengthening its corporate governance practices through (1) assurance of transparent and sound management, (2) realization of prompt decision making and business execution, (3) clarification of accountability and (4) timely, appropriate and fair disclosure of information.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company fully complies with the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

The followings are the details of the items required to be disclosed under the principles of the Corporate Governance Code.

【Principle 1.4 Cross-Shareholdings】

(Policy regarding Cross-Shareholdings)

The Company may hold shares of other companies if the Company determines that it will contribute to the increase of the mid- to long-term corporate value of the Company and its subsidiaries (the "NEC Group")' after comprehensive consideration of its management strategy, the relationships with business partners and other circumstances.

The Board of the Directors examines the rationale of the major cross-shareholdings, taking into consideration the returns from such cross-shareholdings.

(Standards regarding the exercise of voting rights associated with cross-shareholdings)

When exercising voting rights, the Company examines various factors, such as whether it will contribute to enhancement of the mid- to long-term corporate value of issuers, as well as whether it will be in the interest of the NEC Group. .

【Principle 1.7 Related Party Transactions】

In order to protect the interests of shareholders, the Company stipulates in the Rules of the Board of Directors that approval of the Board of Directors is required when the Company engages in transactions that may have conflict of interests with a member of its Board of Directors. The Board of Directors monitors such transactions in accordance with laws and regulations and the Rules of the Board of Directors.

【Principle 3.1 Full Disclosure】

- (1) Company objectives(e.g., business principles), business strategies and business plans
See the Company's "Management Policy and Strategy" published on the Company's website at <http://jpn.nec.com/ir/corporate/management.html>
- (2) Basic views and guidelines on corporate governance based on each of the principles of the Code
See "I.1.Basic Views" of this report.
- (3) Board policies and procedures in determining the remuneration of the senior management and directors
See "II.1. [Director Remuneration]" of this report.
- (4) Board policies and procedures in the appointment of the senior management and the nomination of directors and audit & supervisory board members candidates
(Policies)
The Candidates for Directors and Audit & Supervisory Board Members (KANSAYAKU) (the "A&SBMs") are determined with consideration given to the followings, in addition to satisfaction of the requirement of Director/A&SBM as specified by laws and regulations.
 - they have superior character, discernment and high ethical standards
 - they sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the PhilosophyIn addition to the above, in determining the candidates for Outside Directors and Outside A&SBMs the Company considers whether they have their experience of corporate management and/or deep insight in their areas of expertise. With respect to the independency of the outside candidates, Outside Director's independency is expected to be ensured through the Board of Directors' composition as a whole, while the independency of each Outside A&SBM is ensured at individual level. The Company judges their independency based on the standards defined by Tokyo Stock Exchange and the "Independence Criteria for Outside Directors and Outside A&SBMs" established by the Company.
(Procedures)
The Company has established the Nomination and Compensation Committee to enhance transparency of nomination of Directors and A&SBMs and remuneration of Directors and corporate officers. The committee consists of 5 members, including 3 outside Directors. The Chairperson is appointed among such outside Directors. This committee deliberates on (i) nomination for Directors, representative Directors and A&SBMs, the chairman of the Board, and the president, and (ii) the structure and the level of compensation for Directors, representative Directors and corporate officers from an objective perspective. The committee reports the results of its deliberations to the Board of Directors.
- (5) Explanations with respect to the individual appointments and nominations based on (4)
The reasons for the nomination of candidates for Directors and A&SBMs are presented in the reference documents attached to the Notice of General Meeting of Shareholders.

【Principle 4.1 Roles and Responsibilities of the Board (1)】

(Supplementary Principle 4.1.1)

The Board of Directors delegates certain authority for business execution to corporate officers, and establishes the criteria for matters to be discussed by the Board of Directors. Pursuant to the criteria, a resolution of the Board of Directors is required concerning matters that have to be determined solely by the Board of Directors under laws and regulations, as well as transactions considered to be important for the Company in the light of its asset size and others.

【Principle 4.9 Independence Standards and Qualification for Independence Directors】

See “II.1. **[Independent Directors/A&SBMs]**” of this report.

【Principle 4.11 Preconditions for Board and Audit & Supervisory Board Effectiveness】

(Supplementary Principle 4.11.1)

The Board of Directors is responsible for making important decisions for the Company’s business execution, including decision on its basic management policies. It also has responsibility of supervising overall business execution. To fulfill these responsibilities with various viewpoints based on broad knowledge, the Board of Directors is comprised with consideration given to diversity in such factors as career background, specialist field and gender. Further, the number of Directors is determined by the Board of Directors within the limits provided in its Articles of Incorporation (no more than 20), based on the results of discussions by the Nomination and Compensation Committee on such matter, as well as composition of outside Directors and outside A&SBMs and individual Directors candidate.

(Supplementary Principle 4.11.2)

The status of important concurrent positions held by the Company’s outside Directors and A&SBMs (including candidates for them) are provided in the disclosure documents such as the reference documents attached to the Notice of General Meeting of Shareholders and the Business Report.

(Supplementary Principle 4.11.3)

The Company conducts an analysis and evaluation on the effectiveness of the Board of Directors once a year to improve the function of the Board of Directors. The Company discloses a summary of the results of the analysis and evaluation.

(Summary of the results of the analysis and evaluation in the fiscal year of 2015)

In the fiscal year of 2015, the Company conducted an analysis and evaluation of the effectiveness of the Board of Directors, in which each Directors and A&SBMs answered a questionnaire and was interviewed about the role, composition and operation of the Board of Directors, and the Board of Directors discussed its effectiveness based on the results of such questionnaires and interviews.

As a result of the discussion above, it has been evaluated that in terms of the making-decision for the Company’s important business execution, and business strategies/business plans, the Board is structured and operated to facilitate active discussions among the Board of Directors, and the Board of Directors has been functioning appropriately as a whole. Meanwhile, it has been confirmed that the Board of Directors needs to narrow down the matters to be discussed at the Board and to clarify the key points that should be discussed at the Board, in order to further enhance deliberations at the Board and to more appropriately indicate business strategic direction of the Company. Based on the results of the analysis and evaluation on the effectiveness of the Board of Directors, the Company will continually make the deliberations at the Board more active.

【Principle 4.14 Director and Audit & supervisory board members Training】

(Supplementary Principle 4.14.2)

The Company provides training for Directors and A&SBMs so that they can acquire necessary expertise and information regarding the roles and responsibilities of Directors and A&SBMs (including legal liabilities), as well as support for Outside Directors and A&SBMs to deepen their understanding on the NEC Group’s business by organizing management discussion meetings, budget briefings and tours of business sites and exhibitions of the Company and its subsidiaries.

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】

Dialogues with shareholders (interviews) and identification of the Company’s shareholder ownership structure are primarily conducted by the Investor Relations Office (the “IR Office”), the department within the Corporate Strategy Division responsible for investor relations. The Company president and CFO also meet with key shareholders. However, before members of senior management meet with the shareholders, they talk with the IR Office, Corporate Communications Division, Accounting Division, Finance Division, Legal Division, and other relevant divisions. The reason for these prior meetings is to ensure a shared understanding of both the management strategies and the overall operating performance to disclose. This is an effective way of preventing the disclosure of what could be considered “insider information”. In addition, officer(s) from the IR office always sit in on meetings between shareholders and members of senior management, and later report on the details of the meeting to relevant Company’s managers. In principle, more than one IR Office officer will attend the meetings with the shareholders, thereby ensuring mutual checks to control the information disclosed. In addition to individual meetings,

members of senior management hold management briefings and quarterly financial-result briefings for the media, securities analysts, and institutional investors. Also, executives responsible for individual businesses have briefings on their businesses, including tours of facilities and briefings on research progress. Members of senior management also engage in dialog with shareholders through the General Meeting of Shareholders. Additionally, the IR Office holds briefings for individual investors several times a year at branches of securities companies. Shareholders' opinions and the ideas gained through these IR activities are regularly provided as feedback to senior management on a regular basis and reported to the Board of Directors.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	129,161,000	4.96
Japan Trustee Services Bank, Ltd. (Trust Account)	105,848,000	4.06
NEC Employee Shareholding Association	51,816,398	1.99
The Chase Manhattan Bank 385036	47,660,000	1.83
Nippon Life Insurance Company	41,977,675	1.61
Sumitomo Life Insurance Company	41,000,038	1.57
The Bank of New York Mellon SA/NV 10	36,570,258	1.40
Credit Suisse Securities (USA) LLC SPCL. For EXCL. BEN	32,679,700	1.25
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	32,476,000	1.25
State Street Bank West Client – Treaty 505234	32,078,823	1.23

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

Supplementary Explanation

The Company received from BlackRock Japan Co., Ltd. a copy of the report of possession of large volume (TAIRYO HOYU HOKOKUSYO) dated June 19, 2015 indicating that, as of June 15, 2015, BlackRock Japan Co., Ltd and its joint holder held 164,456,900 shares of the Company (holding ratio 6.31%). The Company has not been able to confirm the status of such shareholding.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the	More than JPY1 trillion

Previous Fiscal Year	
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Over 100 and less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

None

5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Company has two publicly listed subsidiaries. While the Company strives to increase NEC Group's corporate value in cooperation with them, these subsidiaries are operated independently from the Company.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with the A&SBMs
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Company Chairperson
Number of Directors	11
Number of Outside Directors	5
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takeshi Kunibe	From another company											
Hitoshi Ogita	From another company											
Kaori Sasaki	From another company											
Motoyuki Oka	From another company											
Kunio Noji	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Person executing the operations (the “Executing person”) of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executing person of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/A&SBMs
- g. Major shareholder of the Company (or an Executing person of the said major shareholder if the shareholder is a legal entity)
- h. Executing person of a business partner of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executing person of a company, between which and the Company outside directors/A&SBMs are mutually appointed (the Director himself/herself only)
- j. Executing person of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors’ Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Takeshi Kunibe		President and Chief Executive Officer, SMBC Director and Member of the Board of Directors, SMFG	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.
Hitoshi Ogita	○	Adviser to the Board, Asahi Group Holdings, Ltd. The description of categories h and j for “Relationship with the Company” is omitted pursuant to “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” (see the “Matters relating to Independent Directors/A&SBMs” below).	The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.
Kaori Sasaki	○	President and CEO, UNICUL International, Inc. President and CEO, ewoman, Inc. She has not fallen under any category for “Relationship with the	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

		Company”.	Corporate Philosophy and act with strong will to realize the Philosophy, and she has wide range of knowledge on marketing and perspective of consumers. She is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.
Motoyuki Oka	○	Senior Adviser, Sumitomo Corporation The description of categories h and j for “Relationship with the Company” is omitted pursuant to “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” (see the “Matters relating to Independent Directors/ A&SBMs” below).	The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a general trading company including the management of overseas firms. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.
Kunio Noji	○	Chairman of the Board, Komatsu Ltd. The description of categories h and j for “Relationship with the Company” is omitted pursuant to “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” (see the “Matters relating to Independent Directors/ A&SBMs” below).	The Company has nominated him as a candidate for Outside Director considering that he has superior character, discernment and high ethical standards. In addition, he would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy, and he has extensive experience and deep insight as management of a manufacturing company. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Yes
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Committee’s Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee’s Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	5	5

Full-time Members	-	-
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	-	-
Other	-	-
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Company has established the Nomination and Compensation Committee to enhance transparency of nomination of Directors and A&SBMs and remuneration of Directors and corporate officers. The committee consists of 5 members, including 3 outside Directors. The Chairperson is appointed among such outside Directors. This committee deliberates on (i) nomination for Directors, representative Directors and A&SBMs, the chairman of the Board, and the president, and (ii) the structure and the level of compensation for Directors, representative Directors and corporate officers from an objective perspective. The committee reports the results of its deliberations to the Board of Directors.

[Audit & Supervisory Board (KANSAYAKU-KAI)]

Establishment of Audit & Supervisory Board (KANSAYAKUKAI-KAI)	Yes
Maximum Number of Audit & Supervisory Board Members (KANSAYAKU) Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members (KANSAYAKU)	5

Cooperation among A&SBMs, Accounting Auditors and Internal Audit Departments

The A&SBMs are taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of the "Compliance Hotline", a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters. In addition, the A&SBMs cooperate with the outside Directors, mainly by exchanging opinions on audits. The A&SBMs are also stepping up cooperation with the Accounting Auditors, such as by receiving briefings on financial audits covering status reports on their audits and audit plans, as well as on audits of the internal control systems based on the Financial Instruments and Exchange Act, and exchanging opinions on their audits.

Appointment of Outside Audit & Supervisory Board Members (KANSAYAKU)	Yes
Number of Outside Audit & Supervisory Board Members (KANSAYAKU)	3
Number of Independent Audit & Supervisory Board Members (KANSAYAKU)	3

Outside A&SBMs' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Satoshi Ito	From CPA													
Kyoko Okumiya	From Lawyer													
Takeshi Kikuchi	From Lawyer													

* Categories for "Relationship with the Company"

- * "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- * "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive person of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. A&SBMs of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an A&SBMs
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive person of a business partner of the Company (which does not correspond to any of f, g, or h) (the A&SBMs himself/herself only)
- k. Executive person of a company, between which and the Company outside Directors/A&SBMs are mutually appointed (the A&SBMs himself/herself only)
- l. Executive person of a company or organization that receives a donation from the Company (the A&SBMs himself/herself only)
- m. Others

Outside A&SBMs' Relationship with the Company (2)

Name	Designation as Independent A&SBMs	Supplementary Explanation of the Relationship	Reasons of Appointment
Satoshi Ito	○	<p>Certified Public Accountant</p> <p>The description of categories j and l for "Relationship with the Company" is omitted pursuant to "Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights" (see the "Matters relating to Independent Directors/A&SBMs" below).</p>	<p>The Company has nominated him as a candidate for Outside A&SBM 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 auditing experience as a Certified Public Accountant and professional insight in finance and accounting.</p> <p>He is qualified as an Independent A&SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.</p>

Kyoko Okumiya	○	<p>Attorney at law</p> <p>She has not fallen under any category for “Relationship with the Company”.</p>	<p>The Company has nominated her as a candidate for Outside A&SBM 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 a lot of experience and professional insight as an attorney at law.</p> <p>She is qualified as an Independent Outside A&SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.</p>
Takeshi Kikuchi	○	<p>Attorney at law</p> <p>He has not fallen under any category for “Relationship with the Company”.</p>	<p>The Company has nominated him as a candidate for Outside A&SBM 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 IT and others.</p> <p>He is qualified as an Independent A&SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with general shareholders.</p>

[Independent Directors/A&SBMs]

Number of Independent Directors/ Audit & Supervisory Board Members (KANSAYAKU)
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Matters relating to Independent Directors/ A&SBMs

The Company has designated all Outside Directors/A&SBMs that qualify as Independent Outside Directors/A&SBMs based on the Company’s independency standards as Independent Directors/A&SBMs.

The Company judges their independency from the standard defined by Tokyo Stock Exchange and the "Independence Criteria for Outside Directors and Outside A&SBMs" established by the Company. With respect to categories h and j (Outside Directors) and categories j and l (Outside A&SBMs) for “Relationship with the Company”, in the event that “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” is satisfied, the description thereof is omitted.

“Independence Criteria for Outside Directors and Outside A&SBMs” and “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” established by the Company are as follows:

“Independence Criteria for Outside Directors and Outside A&SBMs”

The Company declares that an Outside Director and an Outside A&SBM 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 its subsidiary
- (2) Presently or at any time within the past three years, the person is or was 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*1 (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 JPY10 million or more (excluding remuneration for Directors or A&SBMs) 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 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 from which the Company's annual average outstanding borrowings exceeding 2% of total assets of the Company in any one of the past three fiscal years

*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 JPY 10 million, or 2% of the gross income of such organization, in any one of the past three fiscal years

“Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights”

With respect to categories h and j (Outside Directors) and categories j and l (Outside A&SBMs) for “Relationship with the Company”, the Company omits the description of “Relationship with the Company” in the event that an Outside Director or an Outside A&SBM is an Executive person that is fallen under the following categories.

- (1) Executing person of a business partner with the total amount of transactions with the Company (sales or procurements of products/services) not exceeding 1% of the sales of the Company nor the sales of such business partner in the previous fiscal years
- (2) Executing person of a business partner to which the average amount of the borrowings owed by the Company in the previous fiscal year not exceeding 1% of the total assets of the Company
- (3) Executing person of an organization that has received from the Company a donation not exceeding 1% of the gross income of such organization in the previous fiscal years

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

Directors' bonuses are linked to the business results of the NEC Group to serve as an incentive to improve performance of the NEC Group.

Recipients of Stock Options	None
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

Total amount of the remuneration of inside Directors and Outside Directors are separately disclosed in the Business Report, the annual Securities Reports and NEC Annual Report. The Business Report, the annual Securities Reports and NEC Annual Report are posted on the Company's website.
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Existence of Policy on Determining Remuneration Amounts and Calculation Methods	Yes
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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(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 A&SBMs is to set the level and system appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group.

(b) Remuneration System

1) Remuneration for Directors

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

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

The bonuses are calculated by, adding to the standard amount determined for each positions of Directors, evaluation, under certain rules, of the contribution by Director to the business results during previous fiscal year. No bonuses are paid to Outside Directors from the viewpoint of securing their independence from the Company because the Company expects that Outside Directors play a leading role in supervision over business execution.

2) Remuneration for A&SBMs

Remunerations for A&SBMs are only fixed monthly remunerations and do not include bonuses linked to the business results because the responsibility of A&SBMs is to audit performance of Directors.

The fixed monthly remunerations are determined for a full-time A&SBM or not, respectively, to the extent of the maximum amount approved at the General Meeting of Shareholders.

(c) Process of Determination

1) Remuneration for Directors

Remuneration for Directors is determined by the resolution of the Board of Directors, based on the results of their deliberation from an objective viewpoint by the Nomination and Compensation Committee, the majority of the members of which are the outside Directors (one of whom is the chairperson).

2) Remuneration for A&SBMs

Remuneration for A&SBMs is determined through discussions between A&SBMs.

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

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

(e) Determination of the Level of Remuneration

In order to ensure objectiveness and properness of the Remuneration for Directors and A&SBMs, the level of the remuneration is determined on the result of the third party's investigation regarding the remunerations of other companies whose business contents and scale are similar to those of the Company.

(f) Others

- 1) The Company abolished its retirement allowance system for Directors and A&SBMs at the close of the 168th Ordinary General Meeting of Shareholders held on June 22, 2006.
- 2) In order to promote a management improving shareholder value, the Company recommends that Directors (except for Outside Directors) purchase the Company's shares through the Director and A&SBM Shareholding Association and keep the shares through the term of office of Directors and A&SBMs.

[Supporting System for Outside Directors and/or A&SBMs]

Aiming to ensure that these roles and functions expected of outside Directors and outside A&SBMs are properly fulfilled, the Company has been working to enhance deliberations by the Board of Directors through such means as briefing outside Directors and outside A&SBMs in advance on particularly important proposals to be put forward to the meetings of the Board of Directors. The Company also provides support to outside Directors and outside A&SBMs in order to facilitate their understanding of the NEC Group, such as by organizing tours of business sites and exhibitions of the Company and its subsidiaries.

The Company has established the A&SBMs' Office with approximately 5 corporate staff members to assist with the A&SBMs' audit activities.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company has adopted the company with the A&SBMs.

The Company has introduced a corporate officer system to separate management supervision from business execution and expedite business execution based on prompt decision-making. This has involved delegating substantial authority for business execution from the Board of Directors to corporate officers. The total number of Directors was reduced from 13 to 11 at the Ordinary General Meeting of shareholders held on June 22, 2012. The Company has also been strengthening the supervisory functions of the Board of Directors by ensuring that 5 of the 11 Directors are outside Directors. Furthermore, the Company has been working to improve transparency of personnel matters of Directors and A&SBMs and remuneration of Directors and corporate officers by making decisions on such matters based on the results of discussions by the Nomination and Compensation Committee. The Company has also put in place personnel and systems to reinforce the functions of the A&SBMs' audit, while encouraging closer cooperation among the Company's A&SBMs, internal auditing division and accounting auditors.

The Company has formulated a Company-wide strategy for realizing the "NEC Group Vision". To this end, the Company introduced chief officers system in July 2011 to lead business unit operations and promote business development.

Board of Directors

The Company's Board of Directors consists of 11 members, 5 of whom are outside Directors. The Board of Directors holds regular meetings once a month, in principle, and extraordinary meetings as necessary to determine important matters related to business execution, including business realignment, funding plans and financing and investment, as well as matters concerning business plans. Furthermore, since June 2004 the term of Directors has been set at one year in order to clarify their responsibility for management every fiscal year.

Executive Committee and Business Progress Committee

The Executive Committee, which comprises around 20 corporate officers, discusses important NEC Group management issues such as policies and strategies. This committee extensively discusses matters of particular importance prior to putting them forward to the meetings of the Board of Directors for approval. In doing so, the committee enhances the deliberations and ensures appropriate decision making.

Meanwhile, the Business Progress Committee comprises corporate officers, general managers of business units and other members. This committee deliberates and reports on matters related to the status of the NEC Group's business execution, such as monitoring progress with respect to meeting budgets adopted by the Board of Directors, with the aim of sharing management information and promoting execution efficiency.

Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee to enhance transparency of nomination of Directors and A&SBMs and remuneration of Directors and corporate officers. The committee consists of 5 members, including 3 outside Directors. The Chairperson is appointed among such outside Directors. This committee deliberates on (i) nomination for Directors, representative Directors and A&SBMs, the chairman of the Board, and the president, and (ii) the structure and the level of compensation for Directors, representative Directors and corporate officers from an objective perspective. The committee reports the results of its deliberations to the Board of Directors.

Audit & Supervisory Board (KANSAYAKU-KAI) (Audit & Supervisory Board Members (KANSAYAKU))

The Company has appointed A&SBMs and established the Audit & Supervisory Board (KANSAYAKU-KAI) (the "A&SB") pursuant to the Companies Act of Japan. The Company has 5 A&SBMs, 3 of whom are outside A&SBMs.

Furthermore, the A&SB holds regular meetings once a month and extraordinary meetings as necessary, decides on audit policies, standards, and other matters, and receives status reports on audits and on other matters from each A&SBMs.

The Company appoints as A&SBMs the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the A&SBMs.

The A&SBMs strive to enhance quality of the audits of the entire NEC Group by cooperating with A&SBMs of NEC's subsidiaries.

The A&SBMs are taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of the "Compliance Hotline", a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters. In addition, the A&SBMs cooperate with the outside Directors, mainly by exchanging opinions on audits. The A&SBMs are also stepping up cooperation with the accounting auditors, such as by receiving briefings on financial audits covering status reports on their audits and audit plans, as well as on audits of the internal control systems based on the Financial Instruments and Exchange Act, and exchanging opinions on their audits.

The Company has established the A&SBMs' Office with approximately 5 corporate staff members to assist with the A&SBMs' audit activities.

Corporate Auditing Bureau (Internal Auditing Division)

The Company has established the Corporate Auditing Bureau as an internal auditing division reporting directly to the President of the Company. This Bureau consists of approximately 50 corporate staff members with expertise in internal auditing, including staffs of NEC Management Partner, Ltd. who devotes themselves to NEC internal auditing. The Corporate Auditing Bureau performs audits of the NEC Group in cooperation with the internal auditing sections of the Company's subsidiaries to ensure legal, appropriate and efficient execution of business activities, and identifies issues and proposes improvements.

The Corporate Auditing Bureau is taking steps to strengthen cooperation with the accounting auditors by reporting on audit results and exchanging opinions with them regularly. Furthermore, the Corporate Auditing Bureau reports the audit results to the Board of Directors.

Internal Control Division

The Company has established the Internal Control Division which is responsible for ensuring compliance, risk management and ensuring reliability of financial reporting.

Internal Control Division is taking steps to strengthen cooperation with the Board of Directors, A&SBMs and accounting auditors by reporting on the status of implementation of the internal control system and exchanging opinions with them regularly. Furthermore, Internal Control Division is taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of the "Compliance Hotline", a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters.

Accounting Auditors

In fiscal 2014, the independent audit of the Company was performed by three certified public accountants of KPMG AZSA LLC: Hiroyuki Sakai, Masafumi Tanabu and Eiji Mizutani. The independent audit was assisted by 35 certified public accountants, 28 assistants who passed the CPA examination and 24 other individuals.

3. Reasons for Adoption of Current Corporate Governance System

The Company appoints outside Directors for the purpose of (i) strengthening the supervisory functions over business execution; (ii) obtaining a broad range of advice on corporate management; and (iii) enhancing accountability for management. In appointing outside Directors, the Company considers that they have superior character, discernment and high ethical standards. In addition, they would sympathize with the NEC Group Corporate Philosophy and act with strong will to realize the Philosophy and they have their experience of corporate management and deep insight. Furthermore, Outside Director's independency is expected to be ensured through the Board of Directors' composition as a whole.

The Company believes that its corporate governance is functioning adequately under the current system described above. However, the Company is focusing its efforts on enhancements and improvements of this system in order to realize more effective corporate governance based on changes in the business environment.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sent out the convocation notice of the 177th Ordinary General Meeting of Shareholders on May 29, 2015, which is 23 days prior to the date of the meeting.
Scheduling General Shareholder Meeting Avoiding the Peak Day	The Company has been making its effort to avoid the peak day in scheduling the meeting. The 177th Ordinary General Meeting of shareholders was held on June 22, 2015.
Allowing Electronic Exercise of Voting Rights	The Company provides for voting via the Internet (including via mobile phones). In addition, the Company provides electronic voting platform operated by ICJ Co., Ltd. for institutional investors.
Participation in Electronic Voting Platform	The Company has participated in an electronic voting platform operated by ICJ Co., Ltd.
Providing Convocation Notice in English	The Company posts English translation of the convocation notice (including Business Report) on its website.
Other	Video streaming of the Business Report presentation given by president at the general meeting of shareholders and its reference materials are provided on the Company's website for about a month after the meeting. The Company also posts on its website the results of the exercise of voting rights at the general meeting of the shareholders (including the numbers of votes on each proposal) and English translation thereof.

2. IR Activities

	Supplementary Explanations	Presentation by Representative
Preparation and Publication of Disclosure Policy	The Company has established and published its "Disclosure Policy" on its website.	-
Regular Investor Briefings for Individual Investors	The Company holds regular briefings for individual investors in major cities throughout Japan to brief the Company's overview, business, overall operating	No

	performance etc. Further, efforts are focused to enhance disclosure of corporate information to individual investors and the Company has established a corporate web page targeted for individual investors which delivers corporate information such as the Company's overview, operating performance, business strategy etc. in a clear manner.	
Regular Investor Briefings for Securities Analysts and Institutional Investors	The Company holds management briefings, as well as quarterly financial-result briefings for securities analysts and institutional investors. In addition, the Company quarterly visits major institutional investors.	Yes
Regular Investor Briefings for Overseas Investors	The Company regularly visits major overseas institutional investors to brief its financial results and business strategy.	Yes
Posting of IR Materials on Website	IR Materials are provided both in Japanese and English on the Company's website upon releases of them.	-
Establishment of Department and/or Manager in Charge of IR	The Company has established the IR Office within the Corporate Strategy Division as a department responsible for investor relations.	-

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In its "NEC Group Charter of Corporate Behavior," NEC Group emphasizes the importance of enhancing its corporate value through building relationships of trust with stakeholders, such as customers, shareholders, investors, suppliers, local communities, and employees. NEC Group also promotes sustainable management based on ISO 26000 as one of its key principles. ISO 26000 is a standard that provides international guidance for social responsibility and advocates "respect for stakeholder interests."
Implementation of Environmental Activities, CSR Activities etc.	The Company proactively discloses NEC Group's CSR and environmental activities on its CSR website and in its "Annual Environmental Report." The Company also discloses NEC Group's CSR activities and achievements from two points of views: "business activities for value creation" and "business foundation to support value creation." In 2010, The Company established the "NEC Group Environmental Management Action Plan 2017/2030", which defines the NEC Group's mid-term and long-term environmental management targets to be low carbon emissions, ecosystem and biodiversity preservation, resource recycling and conservation. In addition, in 2014, the Company formulated new environmental management goals to address climate change going forward to 2020.
Development of Policies on Information Provision to Stakeholders	As stated in its "NEC Group Charter of Corporate Behavior," NEC Group's basic policy on corporate governance is to deliver accurate and sufficient corporate information in a timely, clear, and appropriate manner while enhancing the transparency of its corporate activities. Moreover, NEC Group promotes good communications with stakeholders as one of its basic policies on CSR management. By ensuring full accountability through the active disclosure of its CSR activities on an almost daily basis through CSR websites, by incorporating stakeholder feedback into business activities, and by using it to improve CSR-related initiatives, NEC Group is building relationships of trust with stakeholders.
Other	<Promoting Diversity within the NEC Group>

	<p>NEC Group is fostering an environment that promotes the success of a diverse array of human resources in various divisions and organizations who can incorporate multiple perspectives and ideas. NEC Group sees this as an important management strategy, as well as a crucial approach to creating a foundation for growth that will enable NEC Group to compete globally, as set forth in the “Mid-term Management Plan 2015”. In addition, NEC Group has defined “respect each individual” as a principle of action for promoting diversity within the “NEC Group Core Values.”</p> <p>In July 2013, the Company established the Diversity Promotion Group within the Human Resources Development Division as a unit dedicated to promoting diversity across NEC Group.</p> <p>This group aims to leverage the personalities and characteristics of the diverse human resources within the NEC Group and to create an atmosphere enabling the maximization of abilities and a system that supports doing so.</p> <p><Promoting Women’s Success in the Workplace></p> <p>The Company has been appointing and promoting personnel irrespective of gender even before the enactment of Japan’s Equal Employment Opportunity Law in 1985. The ratio of female managers to the total number of managers has been increasing every year. Many women have also been appointed to senior management positions and proven highly successful in these roles. Examples of such positions include division leader and branch manager.</p> <p>Moreover, our top management’s “Positive Action Declaration” was posted on Japan’s Ministry of Health, Labor and Welfare website in September 2013 to promote women’s career development. The declaration states that the active inclusion of diverse personnel, particularly women, in the workplace is essential to a company’s sustained growth.</p> <p>In April 2015, under its “Action Plan for Promotion of Women to Board of Director and Managerial Positions” (on the Keidanren website), the Company announced the following voluntary action plan.</p> <ol style="list-style-type: none"> 1. Increase the ratio of women holding a title of general manager or higher to 5% as of April 2018. 2. Support and strengthen career awareness training and network development for mid-career and younger employees, led by female managers, primarily in upper management levels. 3. Strengthen support for employees seeking to balance work and childcare (management training, return-to-work seminars, post-return career development planning, etc.). 4. Promote work-style innovation utilizing ICT, premised on increased diversity. <p>The number of entry-level female managers in the Company is now 386. This has raised the ratio of female managers to the total number of entry-level management staff to 5.2%. 96 women are working as department manager or higher, which represents approximately 3.8% of such managers. (The figures are as of April 2015.)</p>
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IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

<Basic Policy on Internal Control Systems>
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Company has stipulated its basic policy on internal control systems. 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.

Company assesses the status of the implementation of its internal control system every year and confirms that it has established and implemented its internal control system properly based on the Policy.

<Status of the implementation of Internal Control System >

The Status of the implementation of its internal control system based on the Policy is described below.

1. Systems for ensuring compliance with the laws and Company's Articles of Incorporation in the performance of duties by directors and employees

- (1) Directors and corporate officers shall, through NEC Group Management Policy that contains rules and concepts to be shared by NEC Group, take the lead in practicing NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct that were adopted to establish business ethics standards for NEC Group and to ensure compliance by directors and employees of the NEC Group with laws and regulations, the Articles of Incorporation and internal rules, and promote their thorough understanding by way of repeatedly transmitting information about importance of complying with them.
- (2) Internal Control Division shall prompt an understanding and implementation of NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct throughout the NEC Group, and the Corporate Auditing Bureau shall conduct internal audits on the NEC Group's compliance with laws and regulations, the Articles of Incorporation and internal rules and make reports on any deficiencies or non-compliance and proposals for improvements.
- (3) A Director shall report to A&SBMs on any material violation of laws and regulations or any material facts relevant to the violation of laws and internal rules immediately upon his or her finding, and shall also report to the Board of Directors without delay.
- (4) Company shall endeavor to uncover any violation of laws and regulations within the NEC Group or any violation or suspected violation of NEC Group Charter of Corporate Behavior or NEC Group Code of Conduct at an early stage by prompting the use of "Compliance Hotline", a compliance hotline, reporting to the Corporate Auditing Bureau and an independent third party organization.
- (5) Risk Control and Compliance Committee shall deliberate on investigating causes of, formulating preventative measures on, and disclosing the information of, irregularities within the NEC Group. Internal Control Division shall promote preventative measures formulated by the Risk Control and Compliance Committee.
- (6) Company shall interdict any and all relationship with antisocial factions and groups which threaten the order and safety of the civil society, and respond to them in corporate-wide and uncompromising manner in close association with outside professionals such as the police.

2. Matters regarding the retention and management of information relating to the performance of duties by directors

- (1) As for information security, Company shall clearly provide the responsibilities of relevant organizations regarding information security, and shall establish information security management systems designed to continuously implement measures to maintain and improve information security pursuant to the Basic Rules on Information Security. Furthermore, Company shall deliberate about concrete measures for information security at Information Security Strategy Committee, and promote such measures across the NEC Group.
- (2) Company shall properly create, store and control various types of documents and records relating to the duties of Directors and employees in accordance with applicable laws and the Basic Rules on Document Management.
- (3) Company shall store and manage documents necessary for the performance of duties by directors, including the minutes of general meetings of shareholders, the minutes of meetings of the Board of Directors, the minutes of Executive Committee, and authorization documents relating to the matters of importance on business operations, in an easily retrievable form for the review at any time by directors and the A&SBMs.
- (4) Company shall properly manage trade secrets pursuant to the Rules for Trade Secret Management in accordance with management rules corresponding to the degree of confidentiality.
- (5) Company shall strictly control personal information in accordance with laws, regulations and the Rules of

3. Rules and other systems for risk management

- (1) Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Basic Rules on Risk Management.
- (2) Business divisions shall endeavor to identify risks related to their assignment, select risks against which they should introduce control measures on a priority basis, decide on concrete risk control policies and measures, and properly conduct risk controls.
- (3) Corporate staff divisions shall endeavor to identify risks related to their assignment, select risks against which they should introduce control measures on a priority basis, decide on concrete risk control policies and measures, properly conduct risk controls, and furthermore give group-wide support to risk control activities conducted by business divisions and subsidiaries related to such assignment.
- (4) Business divisions and corporate staff divisions shall sort out risks which disturb the proper and effective operations of their own divisions, and properly conduct risk controls.
- (5) Internal Control Division shall provide necessary support, coordination and instructions so that risk management systems at business divisions and corporate staff divisions shall be systematically and effectively implemented.
- (6) Risk Control and Compliance Committee shall deliberate on important matters related to risk management, and oversee the implementation of NEC Group's enterprise risk management system.
- (7) Executive Committee shall deliberate fully on the 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.
- (8) Business divisions and corporate staff divisions shall, when they recognize presence of serious risks or any sign of emergence of serious risks related to NEC Group's business, promptly report the situation to the corporate staff divisions concerned and the Internal Control Division, and, if the risks are of particular seriousness, report them to directors and the A&SBMs.
- (9) The Corporate Auditing Bureau shall, through cooperation with internal auditing sections of subsidiaries, conduct audits of NEC Group's enterprise risk management system and the status of implementation of risk management.

4. Systems for ensuring the efficient performance of duties by directors

- (1) The Board of Directors shall delegate its authorities to corporate officers and promote timely decision-making and effective performance of duties.
- (2) The ordinary meetings of the Board of Directors shall be held once a month in principle and extraordinary meetings shall be held where necessary to make decisions in a timely manner.
- (3) The Board of Directors shall resolve on midterm corporate management goals of the NEC Group and annual budget, and shall monitor implementation of those goals and budget.
- (4) Corporate officers shall efficiently conduct business in accordance with midterm corporate management goals and budgets decided by the Board of Directors. The Business Progress Committee, which is comprised of corporate officers and executive general managers, shall review the performance as compared with the budgets, which shall be reported to the Board of Directors.
- (5) The performance of the duties by directors and corporate officers shall be properly report to the Board of Directors.
- (6) Corporate officers and other employees shall competently and efficiently perform their duties in accordance with the Rules on Internal Authorization and the Rules on Authorization for Daily Operation.

5. Systems for ensuring the proper operation of NEC Group

- (1) Company shall, through the NEC Group Management Policy, give instructions and assistance to subsidiaries for the establishment of the systems ensuring compliance with laws and regulations and fairness of the operation of business.
- (2) Company shall, in order to improve the soundness and efficiency of management systems in the NEC Group, dispatch directors and the A&SBMs where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall receive reports from, and consult with, such subsidiary regarding matters of importance on business operations.
- (3) When required for improving the soundness of management systems as well as ensuring proper operations of the NEC Group, matters of importance on business operations of subsidiaries shall require the approval by Company, and matters of particular importance shall be discussed at Company's Executive Committee

and submitted to the Board of Directors of Company for approval.

- (4) A division in charge of supervising the subsidiary shall give instructions and assistance to the subsidiary so that it shall sort out risks which disturb its proper and effective operations and properly conduct risk controls.
- (5) The Corporate Auditing Bureau shall conduct audits of subsidiaries through cooperation with their internal auditing sections to ensure their proper operations.
- (6) The A&SBMs of Company shall conduct audit of subsidiaries, which includes visits to subsidiaries. The A&SBMs of Company shall also cooperate with the A&SBMs of subsidiaries in order to ensure the proper operation of NEC Group, by exchanging their opinions on the audit and other measures.
- (7) From the perspective of proper and efficient operations of NEC Group, Company shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control utilizing information systems. Each division and subsidiary of Company shall perform such activities with the support of corporate staff divisions concerned.

6. Systems for ensuring reliability of financial reporting

- (1) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with Financial Products Exchange Law of Japan and other applicable laws and regulations, both domestic and overseas.
- (2) Each division and subsidiary of Company shall ensure the appropriate financial reporting in performing their own duties, through segregation of duties and daily monitoring.

7. Matters regarding employees assisting the A&SBMs and the independence of such employees from directors

Company shall establish the A&SBMs' Office with full-time employees to assist the A&SBMs in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by the A&SBMs.

8. Systems of reporting to the A&SBMs by directors and employees and other systems regarding reporting to the A&SBMs

- (1) Directors and employees shall report to the A&SBMs on the status of the performance of their duties, as required by the A&SBMs. Company shall give instructions to the subsidiaries so that directors, the A&SBMs and employees of the subsidiaries shall report to Company's A&SBMs on the status of the performance of their duties, as required by Company's A&SBMs.
- (2) Designated employees, including general managers of the Corporate Auditing Bureau, the Corporate Controller Division, the Internal Control Division and the Legal Division shall make monthly, quarterly or other periodical report to the A&SBMs.
- (3) General Manager of the Corporate Auditing Bureau shall review and periodically report to the A&SBMs on the status of operation of "Compliance Hotlines", hotlines for internal reporting within NEC Group. In the event he/she believes that there occurred any violation of NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct by any director of NEC Group or there arises an urgent matter, General Manager of the Corporate Auditing Bureau and/or the Internal Control Division shall immediately report the relevant facts to the A&SBMs.
- (4) Company shall not make detrimental treatment to directors and employees of the NEC Group on the ground of reporting through a hotline for internal reporting, and/or reporting to the A&SBMs on the status of the performance of duties of directors and employees.
- (5) Documents evidencing approval of important matters shall be submitted to the A&SBMs for their review.

9. Systems for ensuring the effective audit by A&SBMs

- (1) The A&SBMs shall attend at the meetings of the Board of Directors and such other important meetings as they deem necessary.
- (2) Full-time A&SBMs shall be provided with an office for his/her use.
- (3) The A&SBMs shall have access to the information stored in internal information systems such as accounting information system at any times.
- (4) Meetings of the A&SB shall be held once a month and extraordinary meetings shall be held where necessary and the A&SBMs shall exchange information and consult with each other on the status of audits. Furthermore, the A&SBMs shall periodically receive reports on financial audit from independent accounting auditors and exchange opinions with them.

(5) Company shall bear the reasonable expenses for the performance of duties by the A&SBMs, as required by the A&SBMs.
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2. Basic Views on Eliminating Anti-Social Forces and the Progress of Development

<Basic Views on Eliminating Anti-Social Forces>

The Company has stipulated in its “Basic Policy on Internal Control Systems” that it will interdict any and all relationship with antisocial factions and groups which threaten the order and safety of the civil society, and respond to them in corporate-wide and uncompromising manner in close association with outside professionals such as the police.

<The progress of development of the Company’s system for Eliminating Anti-Social Forces>

(1) Internal Rules

NEC Group has stipulated in the “NEC Group Code of Conduct” that all officers and employees of NEC Group will take determined action against anti-social influences and groups that threaten public order and safety, and all contact with such entities is strictly forbidden and will not involve themselves in any acts that would promote the activities of anti-social groups.

(2) Other systems

- (a) The Company’s General Affairs Division centrally collects and manage information related to anti-social forces. In addition, the Company has appointed person responsible for thwarting unreasonable demands to address issues related to Anti-Social Forces.
- (b) Company cooperates closely on an ongoing basis with third party experts, such as the police, attorneys, the Centers for the Elimination of Boryokudan and Tokusyu Boyoku Boshi Taisaku Rengo-kai, which is a public interest incorporated association within the Tokyo Metropolitan Police Department for preventing special violence.
- (c) Company has established guidelines on how to manage issues related to anti-social forces and updates them as necessary.
- (d) To address matters related to anti-social forces effectively, the Company shares related information with general managers of general affairs divisions of the Company’s subsidiaries which are responsible for dealing with such issues at those subsidiaries. In addition, Company provides training programs on anti-social forces for new Directors and A&SBMs of the NEC Group and general managers and other senior employees of the Company.

V. Other

1. Adoption of Anti-Takeover Measures

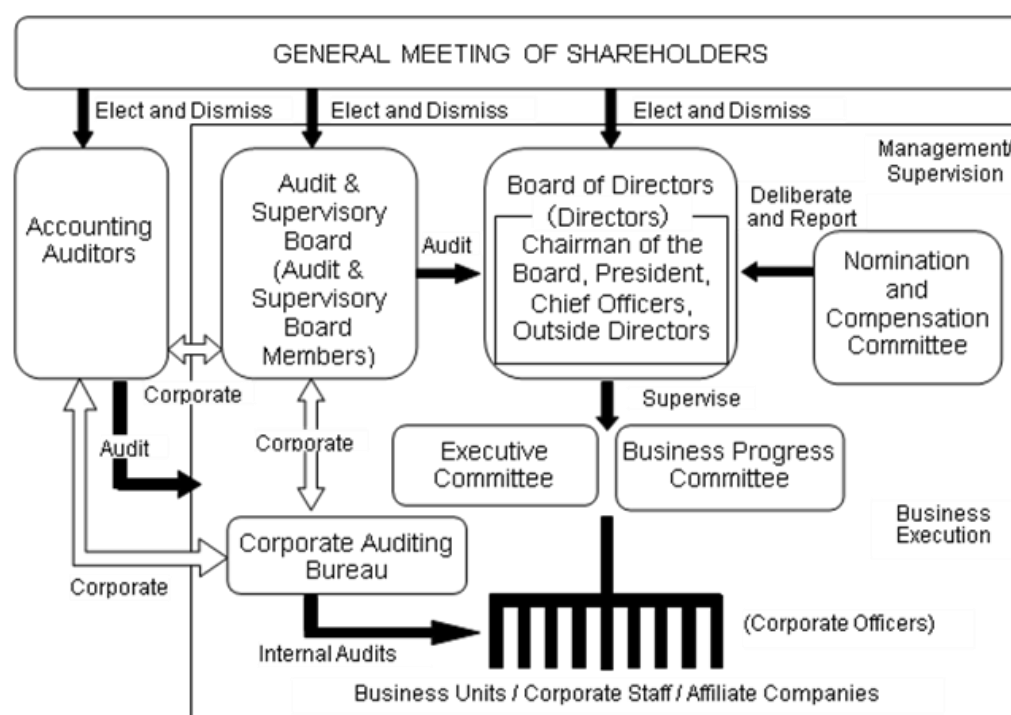
Adoption of Anti-Takeover Measures	No
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Supplementary Explanation

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

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

2. Other Matters Concerning to Corporate Governance System



< Summary of Information Disclosure Structure >

(1) Basic Policy

The Company recognizes the importance of providing timely, proper and fair disclosure to obtain a fair evaluation of its corporate value from the capital markets and stipulates "Disclosure Policy", which is provided through the Company's website.

(2) Information Disclosure Structure

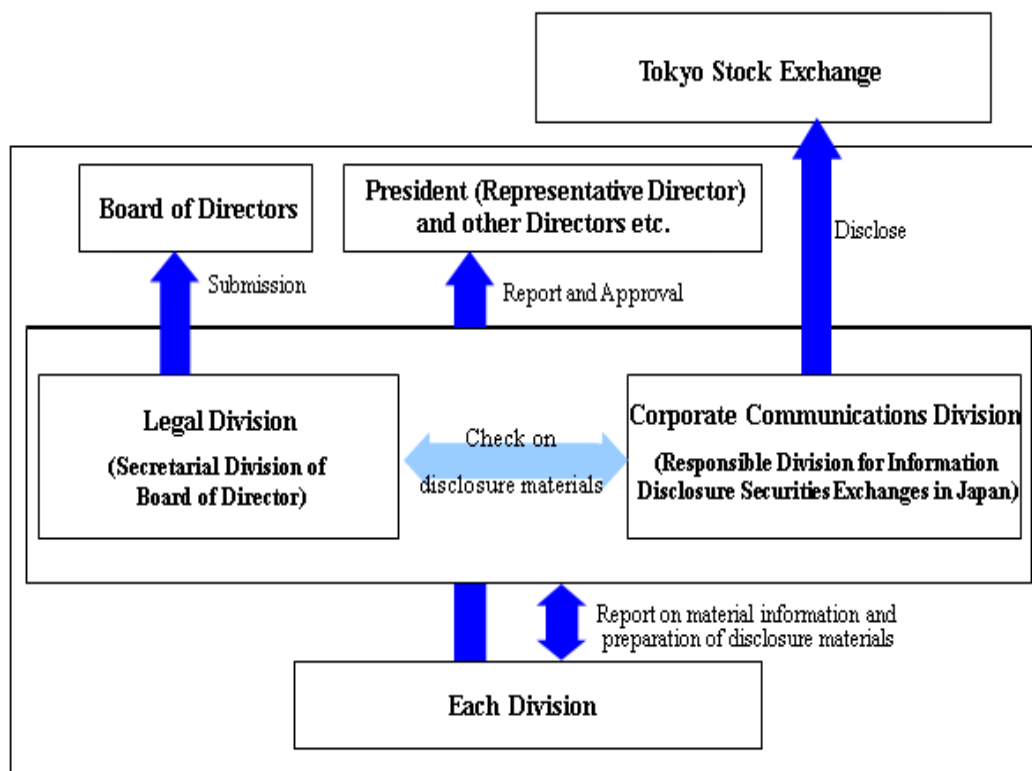
In order to ensure timely, proper and fair disclosure of corporate information, the Company strives to ensure that internal divisions and subsidiaries have a clear understanding of timely disclosure and other rules issued by Tokyo Stock Exchange, while establishing a framework for communication between relevant internal head office divisions and subsidiaries as detailed below.

Each division reports to Legal Division and Corporate Communications Division on material information related to its operation or the subsidiaries it supervises which the Company may be required to disclose under timely disclosure rules. Legal Division and Corporate Communications Division consider whether or not the Company is required to disclose such information. If timely disclosure is required, the Company promptly discloses the information in a proper manner. Further, the Company discloses the

information on its decisions and financial results immediately after necessary internal approval is obtained.

The framework for the Company's information disclosure structure is illustrated in the charts below:

1 . Information relating to a Decision or Occurrence of Material Facts



2 . Earnings Releases, Revision of Dividend/Financial Forecasts

