

NEC Corporate Governance Guidelines

(English Translation for Reference Purposes Only)

Chapter 1 (General Provisions)

Article 1 (Purpose of these Guidelines)

These guidelines set out the basic framework and policy of the corporate governance system of NEC Corporation (the “**Company**”) to help strengthen relationship with its stakeholders, thereby contributing to its sustainable growth and the increase of its corporate values. The Company will continuously examine the effectiveness of these guidelines and make amendments as necessary in order to realize more effective corporate governance.

Article 2 (Basic Management Policy and Management Strategies)

The NEC Group has defined the NEC Way as a common set of values that form the basis for how the entire NEC Group conducts itself. Within the NEC Way, the “Purpose” and “Principles” represents why and how as a company we conduct business, whilst the “Code of Values” and “Code of Conduct” embodies the values and behaviors that all members of the NEC Group must demonstrate. To fulfill the Company’s Purpose, “NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential,” the NEC Group aims to create social values continuously and to maximize its corporate values by implementing its middle and long term management strategy including its "Mid-term Management Plan" based on the Company’s Principles ((i) The Founding Spirit of “Better Products, Better Services,” (ii) Uncompromising Integrity and Respect for Human Rights, (iii) Relentless Pursuit of Innovation).

Article 3 (Basic Views on the Corporate Governance)

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social values and the maximization of corporate values, the Company is committed to strengthening its corporate governance practices through:

- (i) Assurance of transparent and sound management;
- (ii) Realization of prompt decision making and business execution;
- (iii) Clarification of accountability; and
- (iv) Timely, appropriate and fair disclosure of information.

Chapter 2 Corporate Governance System

Article 4 (Overview)

An overview of the Company's corporate governance system is as follows:

- (i) The Company has adopted the company with the Audit & Supervisory Board Members (KANSAYAKU) (the "A&SBMs"). The Company considers that the audit by A&SBMs and advices from Outside Directors in making decisions of the material business executions are effective for the sound management of the Company.
- (ii) The Company has introduced a corporate officer system to expedite business execution based on prompt decision making and separate management supervision from business execution. This has involved delegating substantial authority for business execution from the Board of Directors to corporate officers.
- (iii) In order to strengthen a company-wide strategy, the Company has introduced Chief Officers to delegate substantial authority from the President to Chief Officers, aiming to strengthen the corporate functions of the NEC Group.
- (iv) The Company has established the Nomination Committee and the Compensation Committee to enhance objectivity, fairness and transparency of nomination of Directors, representative Directors, the A&SBMs, Chairman of the Board and the President including succession planning for the President, and remuneration of Directors and corporate officers.

Article 5 (Board of Directors)

(1) Composition and Role of Board of Directors

The Company's Board of Directors consists of 10 members, 5 of whom are Outside Directors. To effectively fulfill their roles and responsibilities, the Board of Directors is comprised with consideration given to the balance between diversity, in such factors as career background, specialist field, internationality and gender, and appropriate size. Outside Director's independency is expected to be ensured through the Board of Directors' composition as a whole. 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 (see the attachment for the criteria).

The Board of Directors is responsible for making important decisions for the Company's business execution, including decision on its basic management policies, as well as supervising overall business execution.

(2) Term and Appointment of Directors etc.

The term of office for Directors is set at one year in order to clarify their management responsibilities for management every fiscal year. The candidates for Directors are determined with consideration given to the followings, in addition to satisfaction of the requirement of a Director as specified by laws and regulations:

-they have superior character, insight and high ethical standards;

-they sympathize with the NEC Way and act with strong will to realize the Philosophy; and
-they have extensive experience and deep insight related to the career background and skills the Company especially expects of Directors

Additionally, in order to ensure that the time and effort required to properly fulfill the roles and responsibilities of Directors are allocated to their duties as Directors, the Company has established guidelines for Directors holding concurrent positions.

The Board of Directors appoints the senior management officer who has superior character and insight and fulfills its job responsibilities. The senior management officer will be dismissed by a decision of the Board of Directors if it is found to be in violation of laws or in lack of qualifications to be the officer or not to perform its duties appropriately. The Board of Directors determines appointment and dismissal of the Chairman of the Board and the President taking into consideration the results of the deliberations by the Nomination Committee.

(3) Operation of Board of Directors

The Board of Directors holds regular meetings once a month, in principle, and extraordinary meetings as necessary. The Company coordinates with its Directors and A&SBMs and sets the schedule of the regular Board meetings well in advance. In addition, the Company operates the meetings of the Board of Directors in accordance with the annual plan for the anticipated agenda items, including reports by the Chief Officers and corporate officers in charge of the business units of the Company. Excepting special circumstances, each Director and A&SBM aims to have certain percentage attendance at the Board of Directors meetings in a fiscal year.

(4) Active Board Deliberations

To make the Board deliberations more active, the Company takes the following measures:

- (i) Materials for Board meetings are distributed to the Directors and A&SBMs three business days prior to the meetings as a general rule;
- (ii) Briefings are provided to Outside Directors and Outside A&SBMs on important agenda to be discussed at the meetings of the Board of Directors;
- (iii) Sufficient time for deliberations on each agenda items to be discussed by the Board of Directors is secured;
- (iv) Management discussion meetings consisting mainly of Outside Directors are held so that Outside Directors can exchange information and develop a shared awareness among themselves; and
- (v) Sessions for an exchange of opinions of Outside Directors and A&SBMs are arranged to strengthen cooperation among them.

(5) Board Evaluation

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

Article 6 (Voluntarily Established Committees)

(1) Composition and Role of Nomination Committee

The Company has established the Nomination Committee to enhance objectivity, fairness and transparency of nomination of Directors and A&SBMs. The Nomination Committee shall be composed of three or more members selected from among the Directors by resolution of the Board of Directors. The majority of the members of the Nomination Committee are Independent Outside Directors. The Company ensures independence by appointing the chairperson from among such Independent Outside Directors. This committee deliberates and makes resolutions on (i) nomination for Directors, representative Directors and A&SBMs, (ii) nomination of the Chairman of the Board and the President, including succession planning for the President. The committee reports the results of its deliberations to the Board of Directors.

(2) Composition and Role of Compensation Committee

The Company has established the Compensation Committee to enhance objectivity, fairness and transparency of remuneration of Directors and corporate officers. The majority of the members of the Compensation Committee are Independent Outside Directors. The Company ensures independence by appointing the chairperson from among such Independent Outside Directors. The Chairperson is Mr. Masashi Oka. The Compensation Committee (i) establishes and revises remuneration systems for Directors and corporate officers, and (ii) determines remuneration payments for Directors (including monitoring related to remuneration system operations), and (iii) conducts other important matters pertaining to the remuneration for Directors or corporate officers. The committee reports the results of its deliberations to the Board of Directors.

(3) Basic Policy on Remuneration for Directors

For the purpose of continuously improving corporate values and strengthening its competitiveness, the Company's basic policy on the remuneration for Directors and A&SBMs is to set the level and structure 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.

Article 7 (Main Committees in Business Execution)

(1) Executive 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 submitting them to the meetings of the Board of Directors for approval. In doing so, the Committee enhances the deliberations and ensures appropriate decision making.

(2) Business Progress Committee

The Business Progress Committee comprises corporate officers, Managing Directors and other members. This Committee reports and deliberate 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.

Article 8 (Audit & Supervisory Board (KANSAYAKU-KAI))

(1) Composition and Role of the A&SB

The Company has 5 A&SBMs, 3 of whom are Outside 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. 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 (see the attachment for the criteria).

The A&SB conducts audits of legality, as well as certain level of audits of validity (including internal control auditing) and provides advice to the President based on the results of the auditing. Moreover, the A&SB reports to the Board of Directors on its auditing plan and the results of the audit on a regular basis.

(2) Term and Appointment of A&SBMs

The term of the A&SBMs is four years. The candidates for the A&SBMs are determined with consideration given to the followings, in addition to satisfaction of the requirement of A&SBM as specified by laws and regulations:

- they have superior character, insight and high ethical standards; and
- they sympathize with the NEC Way and act with strong will to realize the Philosophy.

In addition to the above, in determining the candidates for A&SBMs the Company considers whether they have deep insight in their areas of expertise. Additionally, in order to ensure that the time and effort required to properly fulfill the roles and responsibilities of A&SBMs are allocated to their duties as A&SBMs, the Company has established guidelines for A&SBMs holding concurrent positions.

(3) Operation of A&SB

The A&SB holds regular meetings once a month and extraordinary meetings as necessary, decides on audit policies, standards, annual auditing plan and other matters, and receives status reports on audits and on other matters from each A&SBMs. The Company coordinates with A&SBMs and determines the schedule for the regular meetings of the A&SB well in advance. Excepting special circumstances, each A&SBM aims to have certain percentage attendance at the A&SB in a fiscal year.

(4) Relationship with Accounting Auditors and Internal Auditing Division

The A&SBMs receive reports and exchanges opinions with the internal auditing division on audit

results regularly or as necessary.

In addition, 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.

Moreover, the Company arranges regular meetings among the A&SBMs, the internal auditing division accounting auditors and at least once in quarter.

Article 9 (Compliance Hotline)

The Company has established a “Compliance Hotline”, a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters and stipulated rules to secure the confidentiality of the information provider and has cooperated in an investigation, and prohibit any disadvantageous treatment. The Compliance Hotline is operated by the internal auditing division. The internal auditing division reports regularly to the Board of Directors and A&SBMs on the status of establishing the framework and operation of the Company’s Compliance Hotline, as well as the status of operation of compliance hotlines of the Company’s subsidiaries.

Article 10 (Supporting System for Directors and/or A&SBMs)

(1) Supporting System for Directors and/or A&SBMs

The Company has established a supporting system for Directors and A&SBMs to provide necessary information to them in a timely manner. In particular, the Human Resources and General Affairs Department and the directors’ office within the Legal Department are in charge of liaison and coordination with Outside Directors, while the A&SBMs’ Office is in charge of liaison and coordination with Outside A&SBMs.

(2) Training

The Company regularly 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 Outside 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.

Chapter 3 Relationship with Stakeholders

Article 11 (Relationship with Shareholders)

(1) General Shareholder Meeting

The Company takes appropriate measures to ensure the exercise of shareholder rights at the general shareholder meetings as follows:

- (i) The Company determines the date of the general shareholder meeting avoiding the peak day.
- (ii) The Company strives to send out the notice of the general shareholder meetings approximately three weeks prior to the date of the meeting and discloses on its website the information included in the notice in advance of sending the notice.
- (iii) The Company provides electronic voting platform and English translation of the notice of the general shareholder meetings, taking into consideration the number of institutional and non-Japanese shareholders.
- (iv) The Company provides or discloses information to shareholders as necessary to facilitate their appropriate decision making at the general shareholder meetings through disclosure under timely disclosure rules, filing of statutory disclosure documents, taking questions at the general shareholder meetings and its IR activities.
- (v) When a considerable number of votes have been cast against a proposal by the Company at the general shareholder meetings, the Company analyzes the reasons and causes for the dissenting votes and takes necessary steps based on the result of the analysis.

(2) Policy for Constructive Dialogue with Shareholders

Dialogues with shareholders (interviews) and identification of the Company's shareholder ownership structure are primarily conducted by the Stakeholder Relations Department. The President and the CFO also meet with key shareholders. In addition, when it is deemed necessary, Directors including Outside Directors and A&SBMs also meet with shareholders. Before members of senior management meet with the shareholders, they coordinate with the relevant divisions in accordance with the Company's "Disclosure Policy" (see Chapter 4) to prevent the disclosure of what could be considered material information, including insider information.

In addition to individual meetings, the President and the CFO hold management briefings and quarterly financial-result briefings for the media, securities analysts, and institutional investors (including shareholders). Also, executives responsible for individual businesses have briefings on their businesses, including tours of facilities and briefings on research progress, Mid-term Management Plan and business strategy. Shareholders' opinions and the ideas gained through these IR activities are provided as feedback to senior management on a regular basis and reported to the Board of Directors.

(3) Capital Policy and Fundamental Policy on Shareholder Return

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

(4) Policy regarding Strategic Shareholdings

The Company does not hold shares of other listed companies for the purpose of strategic

shareholdings in principle. But the Company exceptionally holds shares of other company as strategic shareholding if the Company judges that it is necessary for business cooperation with other company and business relationship with investee.

The Board of the Directors of the Company assesses the rationale of each individual strategic shareholding from a comprehensive perspective every year, taking into consideration the necessity to hold shares and the returns from such strategic shareholdings based on the Company's cost of capital, and the Company sells such individual strategic shareholding which the rationality to hold is not confirmed as the result of the assessment.

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

(5) 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 a member of the Board of Directors engages in transactions that may have conflict of interests with the Company. The Board of Directors monitors such transactions in accordance with laws and regulations.

Article 12 (Relationship with other stakeholders)

(1) Code of Conduct

The Company has adopted the "NEC Group Code of Conduct" as the Principles shared by the NEC Group in the NEC Way, and implemented it. In addition, the Company has established the internal rules embodying the NEC Group Code of Conduct and ensures compliance of those rules by its employees, as well as monitoring the status of operation of those rules on an annual basis as part of its internal control. The Company's subsidiaries have adopted and implement the "NEC Group Code of Conducts" as well.

(2) Sustainability

The NEC Group's basic policy for sustainability management is to "contribute to solving social issues through our business activities," "strengthen risk management and enforce compliance," and "promote communication with stakeholders." Based on the NEC Way and the relevant basic policy, the NEC Group believes that issues related to sustainability, including consideration of global environmental issues such as climate change, respect for human rights, consideration of the health and working environment of employees, fair and appropriate treatment of employees, fair and appropriate dealings with suppliers, and crisis management in response to natural disasters and other disasters, are not only risks to the sustainable development and improvement of the corporate values of the NEC Group, but also important factors which can lead to creation of business opportunities. The NEC Group has identified the priority management themes from an ESG (Environment, Social, and Governance) perspective, referred to as "materiality", and engages in such themes. The Board of Directors receives reports on these issues and initiatives faced by the

NEC Group, oversees the status of risk management, and deepens discussions about dealing with issues related to sustainability including the perspective of creating business opportunities.

(3) Inclusion and Diversity

The NEC Group considers that it is necessary for creation of innovation and is an important management strategy to foster an environment that promotes the success of a diverse array of human resources who can incorporate multiple perspectives and ideas. As part of measures to achieve this, the NEC Group is working to promote global recruitment of human resources, female participation and career advancement in the workplace, active appointment of mid-career workers, employment of people with disabilities, and provision of support and encouragement of understanding for sexual minorities. In addition, such inclusion and diversity initiatives are positioned as practice of “Respect for Human Rights” called for in the Principles.

(4) Corporate Pension Funds

The Company manages corporate pension funds through NEC Corporate Pension Fund (“Fund”) in which the Company’s finance division and accounting division properly deploy its personnel. The Committee of Representatives of the Fund decides all important matters on the Fund. The Company appropriately manages conflicts of interest which could arise between the beneficiary and the Company through the Committee of Representatives which consists of equal number of members elected by the Company and elected from among the pension subscribers.

Chapter 4 Disclosure

Article 13 (Basic Policy)

The Company recognizes the importance of providing timely, proper and fair disclosure to obtain a fair evaluation of its corporate values from the capital markets and stipulates “Disclosure Policy”. The Company manages and discloses its information, such as information regarding business management and operation, in accordance with applicable laws and regulations, including the listing regulations of Tokyo Stock Exchange and fair disclosure rules under Financial Instruments and Exchange Act. The Company ensures the accuracy of the information to be disclosed and make sure that the disclosures are made in a timely, appropriate and fair manner.

Article 14 (Information Disclosure Structure)

In order to ensure timely, appropriate and fair disclosure, the Company has established a communication structure for reporting material information among relevant divisions and subsidiaries.

In addition to establishing the Company’s website targeted for individual investors and holding briefings for individual investors regularly, the Company makes efforts to enhance disclosure of corporate information on financial information, such as financial standing and operating results,

and non-financial information, such as business strategies and business issues, risk, and governance on the Company's website, posting specific and clear corporate information on the Company's website (such as presentation materials used at briefings both in Japanese and English and video streaming) and strengthening global IR activities (including interviews with major overseas investors).

Chapter 5 (Miscellaneous)

Article 15 (Amendments)

Amendments or abolishment of these guidelines (except for minor revisions of these guidelines) will require a resolution of the Board of Directors.

- End -

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 was an important executing person 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 an important executing person 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