Corporate Governance

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, NEC 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.

Main Initiatives for Strengthening Corporate Governance

1. Instituting Corporate Officer System
   NEC instituted a corporate officer system in April 2000 and worked to delegate authority from the Board of Directors to corporate officers with the aim of separating management supervision from business execution and expediting business execution based on prompt decision making.

2. Reducing the Number of Directors
   The number of Directors was reduced to streamline the Board of Directors. The aim is to ensure even more effective management through greater discussion at meetings of the Board of Directors and to deliver prompt decision making.

3. Appointing Multiple Outside Directors
   NEC added an Outside Director in June 2001 for a total of two Outside Directors in order to strengthen the supervisory functions of the Board of Directors. The number of members has increased and the system of five Outside Directors has continued since its inception in June 2007.

4. Shortening Directors’ Terms
   In June 2004, the term of Directors was shortened from two years to one year in order to clarify their responsibility for management.

5. Establishing a Nomination and Compensation Committee
   The committee has been established to enhance transparency of nomination and remuneration of Directors*. The committee is made up of five members, including three Outside Directors, one of whom is appointed as the chairperson.

6. Instituting the Chief Officer Position
   The Chief Officer position was instituted in July 2011 to strengthen a company-wide strategy for realizing the NEC Group Vision. In April 2017, NEC extended the authority delegated to the Chief Officers in order to strengthen the corporate functions and accelerate the speed of decision making.

Overview of the Corporate Governance Structure
Evaluation of the Effectiveness of the Board of Directors

Continued Strengthening and Improvement of the System

NEC adopts the Company with Audit & Supervisory Board Members (KANSAYAKU) corporate structure to provide a double-check process: the Board of Directors supervises business execution and the A&SB audits the legitimacy and appropriateness of NEC's decision making or activities. We have established a hybrid structure by utilizing the combination of a corporate officer system, multiple Outside Directors, and the Nomination and Compensation Committee, which we established voluntarily and is comprised of a majority of Outside Directors. In this way, we separate management supervision from business execution while striving to ensure management transparency and soundness.

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

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

NEC’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 NEC to secure excellent human resources and serves as an incentive to improve performance of the NEC Group.

Remuneration System

- Remuneration for Directors consists of fixed monthly remunerations and performance-linked stock compensation.
- Remuneration for A&SBMs is determined through discussions between the Compensation Committee, which we established voluntarily and is comprised of a majority of Outside Directors, and the Board of Directors.
- Neither bonuses nor stock compensation are paid to Outside Directors.
- The bonuses are calculated by adding the standard amount determined for each position of Director, evaluation, under certain rules, of the contribution by Director to the business results during previous fiscal year.

For further details on the corporate governance of NEC Corporation, please visit the following URL:
https://www.nec.com/en/global/about/governance.html

(1) Remuneration for Directors

- Remuneration for Directors is determined by the resolution of the General Meeting of Shareholders.

(2) Remuneration for A&SBMs

- Remuneration for A&SBMs is determined through discussions between the Compensation Committee, which we established voluntarily and is comprised of a majority of Outside Directors, and the Board of Directors.