

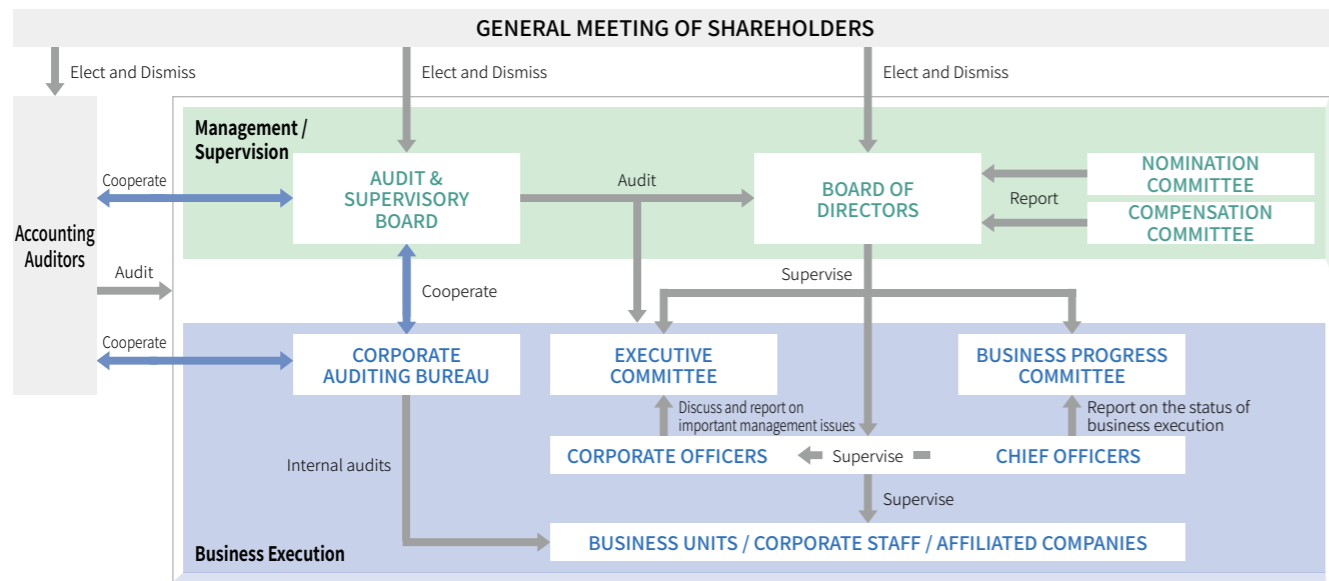
Corporate Governance

Reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value. Therefore, NEC Corporation (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.

Overview of Corporate Governance System

The Company has adopted the company with the Audit & Supervisory Board Members (KANSAYAKU) (“A&SBMs”) to provide a double-check process: the Board of Directors supervises business execution and the Audit & Supervisory Board (KANSAYAKU-KAI) (“A&SB”) audits the legality and validity of the Company’s activities. Furthermore, the Company has established a hybrid structure by utilizing a corporate officer system, a chief officer system, and two committees, the Nomination Committee and the Compensation Committee, which were established voluntarily and comprise a majority of Independent Outside Directors. In this way, the Company separates business execution from management supervision and has been working to ensure transparent and sound management, and timely decision-making.

In the future, the Company will focus its efforts on enhancements and improvements of this system in order to realize more effective corporate governance, responding to changes in the business environment.



Business Execution

	Purpose, Activities, and Number of Meetings	Members
Executive Committee	The Executive Committee 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. (Number of meetings in fiscal 2022: 14)	Approximately 20 corporate officers
Business Progress Committee	The Business Progress Committee deliberates and reports on matters related to the status of the NEC Group’s business execution, such as monitoring progress with respect to budgets adopted by the Board of Directors, with the aim of sharing management information and promoting business execution efficiency. (Number of meetings in fiscal 2022: 12)	Corporate officers, managing directors, and other members

Management and Supervision

	Purpose, Activities, and Number of Meetings	Members
Board of Directors	<p>The Board of Directors is responsible for making important decisions for the Company’s business execution, including decisions on its basic management policies, in addition to supervising overall business execution. It holds regular meetings basically once a month and extraordinary meetings as necessary.</p> <p>Main Matters Discussed in Fiscal 2022 (Number of meetings: 14)</p> <p>Items Related to Management Policies and Management Strategy</p> <ul style="list-style-type: none"> Progress report for the Mid-term Management Plan 2025 and discussion of strategies for achieving targets (global 5G, DX of Japan IT business, R&D × new business incubation, transformation of people and culture, etc.) Initiatives for cyber security Marketing strategy Initiatives to promote sustainability (materiality, the environment, human rights, etc.) <p>Items Related to Governance</p> <ul style="list-style-type: none"> Report on internal auditing Report on the progress of the establishment and implementation of the internal control system (including Priority Risks to be addressed) Evaluation of the effectiveness of the Board of Directors Determination of candidates for Directors and A&SBMs Sale of strategic shareholdings 	<p>10 Directors</p> <p>Chairperson of the Board (Chairman of the Board of Directors)</p> <p>6 non-executives</p> <p>4 corporate officers</p> <p>5 Independent Outside Directors</p> <p>5 Inside Directors</p> <p>Female</p>

The Company has established and operates a Nomination Committee and a Compensation Committee in place of the Nomination and Compensation Committee since June 2022.

Nomination Committee (Since June 2022)	<p>The Nomination Committee deliberates and makes resolutions on (i) nomination for Directors, Representative Directors, and A&SBMs and (ii) nomination of the Chairman of the Board and the President, including succession planning for the President from an objective, transparent, and fair perspective. The committee reports the results of its deliberations to the Board of Directors.</p> <p>Main Matters Discussed in Nomination Committee and Compensation Committee in Fiscal 2022 (Number of meetings: 8)</p> <p>Nomination-related</p> <ul style="list-style-type: none"> Change in maximum tenure for the Chairman and corporate officers Strengthening of the Board structure and selection of candidates Nomination of Directors, A&SBMs, and important corporate officers Succession planning for the President 	<p>4 Directors</p> <p>All non-executive</p> <p>3 Independent Outside Directors Kuniharu Nakamura (Chairperson) Masatoshi Ito Masashi Oka</p> <p>1 Inside Director Takashi Niino</p> <p>The majority of the committee members are Independent Outside Directors, and the chairperson is appointed from among the Independent Outside Directors.</p>
Compensation Committee (Since June 2022)	<p>The Compensation Committee (i) establishes and revises remuneration systems for Directors and corporate officers; (ii) determines remuneration payments for Directors; and (iii) conducts other important matters pertaining to the remuneration for Directors or corporate officers from an objective, transparent, and fair perspective. The committee reports the results of its deliberations to the Board of Directors.</p> <p>Compensation-related</p> <ul style="list-style-type: none"> Improvement of remuneration system for bonus Decision on bonus payment for Directors Monitoring of payment amounts to Directors based on remuneration system <p>Other</p> <ul style="list-style-type: none"> Change in structure of Nomination and Compensation Committee 	<p>4 Directors</p> <p>3 Independent Outside Directors Masashi Oka (Chairperson) Kuniharu Nakamura Christina Ahmadjian</p> <p>1 Inside Director Takayuki Morita</p> <p>The majority of the committee members are Independent Outside Directors, and the chairperson is appointed from among the Independent Outside Directors.</p> <p>Female</p>

Audit & Supervisory Board (KANSAYAKU-KAI) (“A&SB”)	<p>The Audit & Supervisory Board holds regular meetings basically once a month and extraordinary meetings as necessary, decides on audit policies, standards, the annual auditing plan and other matters, and receives status reports on audits and on other matters from each A&SBM.</p> <p>Main Activities in Fiscal 2022 (Number of meetings: 15)</p> <ul style="list-style-type: none"> Creation of audit policy and plan Discussion and drafting of audit report Matters related to the selection and dismissal of accounting auditor Confirmation of establishment and implementation of internal control system Exchange of opinions with the President regarding priority management issues Receipt of oral reports on audits from the accounting auditor and the Corporate Auditing Bureau Evaluation of the effectiveness of the A&SB 	<p>5 A&SBMs</p> <p>Outside A&SBMs (3, all Independent A&SBMs)</p> <p>2 Inside A&SBMs</p> <p>Female</p>
---	---	---

In appointing Directors and A&SBMs, when an appointee serves as a Director or A&SBM of other public companies, it is desirable that the number of concurrent positions does not exceed the numbers specified as follows:

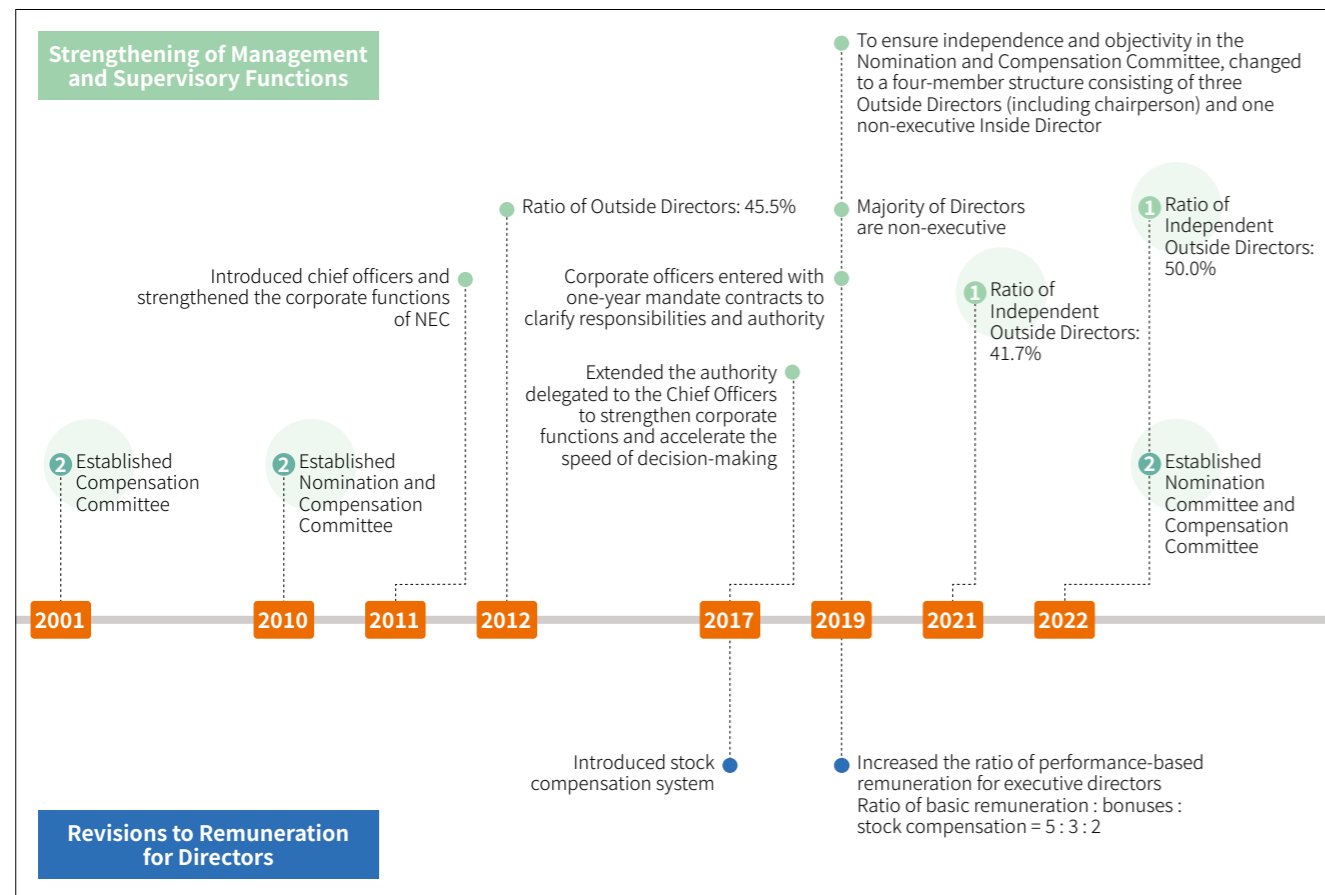
- When an appointee serves as an executive of the Company or another company: only one company in addition to the company where a candidate for Director or A&SBM serves as an executive
- In cases other than the above: up to four companies in addition to NEC Corporation

However, if a Director or A&SBM serves in multiple roles concurrently at group companies of the Company or another public-listed company, the concurrent roles within the group companies shall be deemed as roles in one company.

Management That Supports Corporate Value Creation

Corporate Governance

Main Initiatives for Strengthening Corporate Governance



Strengthening of Management and Supervisory Functions

1 Enhancing the Board of Directors System

In fiscal 2021, the Nomination and Compensation Committee engaged in heavy deliberations focusing on measures aimed at enhancing the structure and role of the Board of Directors in order to improve corporate value further. After defining the career skills of the Board of Directors needed as a whole and evaluating the Board's current composition, it became clear that it was necessary to strengthen corporate governance and deepen multifaceted discussions on Companywide strategies at Board meetings. In response, the Company added one Independent Outside Director in fiscal 2022. This increase in the number of Independent Outside Directors, who possess specialized experience and knowledge in risk management, sustainability, and global management, is aimed at increasing the diversity and the proportion of Independent Directors among the Board and at promoting deeper discussion during Board meetings. Furthermore, in fiscal 2023, the Company decreased the number of Directors from 12 to 10 in order to strengthen the corporate governance system by increasing the ratio of Independent Outside Directors and enable more flexible decision-making at Board meetings.

As a result, the Company achieved its goals with regard to increasing the proportion of Independent Directors, women, and non-Japanese on the Company's Board of Directors and raising its overall independence and diversity.

	2020	2021	2022
Independent	36.4% (4)	41.7% (5)	50.0% (5)
Non-executive	54.5% (6)	58.3% (7)	60.0% (6)
Female	9.1% (1)	16.7% (2)	20.0% (2)
Non-Japanese	0.0% (0)	8.3% (1)	10.0% (1)
Total number of Directors	11	12	10

(As of June 30 of each year)

Career Skill Matrix for Directors

The Company's Nomination and Compensation Committee (the Nomination Committee from June 2022) regularly confirms the sufficiency level as the Board of Directors for the career background and skills particularly expected of Directors based on the Career Skill Matrix and makes use of the results in deliberations for election of candidates for Directors in the future and other matters.

	Years served as Director*	Corporate management	Technology	Global business	Financial accounting/Investment	Risk management	Sustainability/ESG	Marketing
Chairman of the Board	Takashi Niino	11	●	○	○	●	●	●
President and CEO (Chief Executive Officer) (Representative Director)	Takayuki Morita	6	●	○	●	●	●	●
Executive Vice President, CHRO (Chief Human Resources Officer), CLCO (Chief Legal & Compliance Officer) and Member of the Board	Hajime Matsukura	5	○	○	○	●	●	○
Executive Vice President, CTO (Chief Technology Officer) and Member of the Board	Motoo Nishihara	3	○	●	●	○	○	○
Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)	Osamu Fujikawa	—	○	●	●	○	●	○
Member of the Board	Noriko Iki	4	●	○	○	●	●	○
Member of the Board	Masatoshi Ito	3	●	○	○	●	●	●
Member of the Board	Kuniharu Nakamura	3	●	○	○	●	●	●
Member of the Board	Christina Ahmadjian	1	○	○	○	●	●	○
Member of the Board	Masashi Oka	—	○	○	○	●	○	○

○ Areas in which Director has deep insight ● Areas in which Director has extensive experience in addition to deep insight

* As of June 30, 2022

Skills	Details
Corporate management	Practical knowledge on company management based on experience as chief executive officer of companies, etc.
Technology	Business experience or specialized knowledge on technology related mainly to ICT and digital transformation
Global business	Leadership experience in multinational firms or specialized knowledge on global markets
Financial accounting/Investment	Experience as chief financial officer of large-scale organizations, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.
Risk management	Risk management experience in accounting, legal affairs, technology, cyber security, etc., in large-scale organizations, or specialized knowledge on international and domestic legal affairs
Sustainability/ESG	Knowledge about diverse values on female, foreign nationality, people with disabilities, etc.; leadership experience in ESG activities or specialized knowledge on ESG management
Marketing	Leadership experience in the marketing or brand strategy department or the sales department, or specialized knowledge on business-to-business transactions and marketing

2 Nomination of Officers and Building a Remuneration System to Strengthen Our Governance

The Company established the Compensation Committee in 2001, and the Nomination and Compensation Committee in 2010, which had the added function of deliberating on the nomination of officers. Altogether, this committee deliberated on the nomination and compensation of officers from an outside perspective. For the purpose of enhancing deliberations and deepening discussions on matters related to nominations and compensation, the Company has established and operates a Nomination Committee and a Compensation Committee in place of the Nomination and Compensation Committee since June 2022.

The Nomination Committee also deliberates on succession planning for the President. The Company selects and trains suitable personnel as future candidates for President and executive positions, and the Nomination Committee also looks into policies that will help develop the next generation of human resources.

The Compensation Committee deliberates on matters that include revisions to the Company's remuneration system and the appropriateness of remuneration amounts.

The efforts of these committees will strengthen corporate governance over the medium to long term.

Management That Supports Corporate Value Creation

Corporate Governance

Revisions to Remuneration for Directors

Our Approach to Remuneration for Directors and A&SBMs

To maximize corporate value and strengthen 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. In order to ensure objectivity and appropriateness of the remuneration for Directors and A&SBMs, the level of remuneration is determined upon the results of a third party's investigation regarding the remuneration levels of other companies whose business operations and scale are similar to those of the Company.

In 2017, the Company introduced the stock compensation system, and in 2019, the Company increased the ratio of performance-based remuneration for executive directors. The ratio of bonuses and performance-based stock compensation is calculated based on a standard amount before reflecting the degree of achievement of the performance targets.

In addition, the Company has established "Guidelines on Ownership of Company Shares" for Directors (excluding Outside Directors) and corporate officers regarding the holding of more than a certain number of shares.

Type	Basic Remuneration	Bonuses			Stock Compensation		
	Fixed remuneration paid monthly	Short-term incentive Performance-based and payment rate from 0% to 200%			Medium- to long-term incentive Performance-based stock compensation Performance-based and payment rate from 0% to 100%	Fixed stock compensation	
Indicators	For some executive directors, basic remuneration increases or decreases based on performance (performance indicators include non-financial indicators such as practical implementation of the NEC Way and our "materiality"—priority management themes from an ESG perspective).	Group-wide performance-based component	Business-unit performance-based component		The NEC Group's • Consolidated revenue • Adjusted operating profit • Adjusted net profit attributable to owners of the parent	—	
		• Consolidated revenue • Adjusted consolidated operating profit • Free cash flows	Fiscal year budget portion	Mid-term plan portion			
			• Consolidated revenue • Adjusted operating profit • Free cash flows, etc. (for the business unit overseen by Director)	Set each fiscal year			
Ratio	Inside Directors (executive directors)	50%	30%			15%	5%
	President		100%	—	—		
	Executive Vice President		40%	30%	30%		
	Inside Directors (non-executive directors)	80%	—			15%	5%
	Outside Directors, and Inside and Outside A&SBMs	100%	—			—	—

Notes: 1. Shares from stock compensation are granted after three years from the beginning of the applicable period.
2. Under the stock compensation system, provisions have been included that allow the Company to take action in cases where compliance breaches or inappropriate accounting treatment have been confirmed. In such cases, the Company may withhold all or part of the rights to receive a grant of its shares prior to the granting of its shares; or after the granting of the Company's shares, the Company may demand the return of all or part of the granted shares of the Company.

For more details on remuneration for Directors and A&SBMs, please refer to NEC's *Corporate Governance Report*.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf

Amounts of Remuneration for Fiscal 2022

	Basic Remuneration		Bonuses		Performance-based Stock Compensation		Fixed Stock Compensation	
	Headcount	Total amount (in millions of yen)	Headcount	Total amount (in millions of yen)	Headcount	Cost posting relating to stock compensation (in millions of yen)	Headcount	Cost posting relating to stock compensation (in millions of yen)
Directors (of which Outside Directors)	12 (6)	456 (91)	5 —	131 —	6 —	100 —	6 —	34 —
A&SBMs (of which Outside A&SBMs)	6 (3)	107 (47)	— —	— —	— —	— —	— —	— —

The above headcount of remuneration includes one A&SBM (KANSAYAKU) who retired on June 22, 2021.
Among the above recipients, the following have a total remuneration amount of ¥100 million or higher.
Nobuhiro Endo: Total remuneration amount: ¥123 million (basic remuneration: ¥95 million; performance-based stock compensation: ¥28 million)
Takashi Niino: Total remuneration amount: ¥139 million (basic remuneration: ¥75 million; bonus: ¥36 million; performance-based stock compensation: ¥28 million)
Takayuki Morita: Total remuneration amount: ¥125 million (basic remuneration: ¥75 million; bonus: ¥36 million; performance-based stock compensation: ¥14 million)

Continuing to Increase and Improve Effectiveness

Evaluation of Effectiveness

As stated in the NEC Corporate Governance Guidelines, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors once a year and improves the function of the Board of Directors, and discloses a summary of the results of such analysis and evaluation. The Company also conducts evaluations of the effectiveness of the Nomination and Compensation Committee (the Nomination Committee and the Compensation Committee from June 2022), and the A&SB in the same manner.

For more details about evaluations of effectiveness, please refer to NEC's *Corporate Governance Report*.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf

Attendance Rate, the Number of Meetings Held and Attended by Each Director and A&SBM for Meetings of the Board of Directors, the Nomination and Compensation Committee, and the Audit & Supervisory Board (KANSAYAKU-KAI) in Fiscal 2022

Directors	Board of Directors	Nomination and Compensation Committee	A&SBMs	Board of Directors	Audit & Supervisory Board (KANSAYAKU-KAI)
Takashi Niino	100% (14/14)	—	Nobuhiro Odake* ¹	100% (11/11)	100% (11/11)
Takayuki Morita	100% (14/14)	—	Nobuo Nakata	92.9% (13/14)	100% (15/15)
Hajime Matsukura	100% (14/14)	—	Masami Nitta	92.9% (13/14)	100% (15/15)
Motoo Nishihara	100% (14/14)	—	Hajime Kinoshita* ³	100% (3/3)	100% (4/4)
Noriko Iki	100% (14/14)	—	Isamu Kawashima* ²	100% (14/14)	100% (15/15)
Masatoshi Ito	100% (14/14)	100% (8/8)	Taeko Ishii* ²	100% (14/14)	100% (15/15)
Kuniharu Nakamura	100% (14/14)	100% (8/8)			
Christina Ahmadjian* ¹	100% (11/11)	—			
Nobuhiro Endo* ²	92.9% (13/14)	100% (8/8)			
Norihiko Ishiguro* ²	100% (14/14)	—			
Kaoru Seto* ²	100% (14/14)	100% (8/8)			
Jun Ohta* ²	100% (14/14)	—			

*¹ Appointed June 2021
*² Retired June 2022
*³ Retired June 2021

Excepting special circumstances, each Director and A&SBM aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year, and each A&SBM aims to have at least 75% attendance at meetings of the A&SB in a single fiscal year.