

Dialogue with Outside Directors

As business conditions become increasingly unclear, corporate governance is becoming increasingly important. Amid these trends, Outside Directors Kuniharu Nakamura and Christina Ahmadjian sat down for a candid exchange of opinions on NEC's corporate governance and cultural transformation.

Assessing the Board of Directors

Nakamura

I have served as an outside director for NEC for three years, and I do believe that the Company's corporate governance has improved over that time. Discussions on the composition of the Board of Directors are based on a matrix of members' career experience and skills. I think that this increases the effectiveness of the Board because it ensures that the Board is made up of people from a range of backgrounds, such as people with experience in corporate management and those with knowledge of administration and foreign diplomacy. This means that the Board can discuss matters from several very different perspectives. More than anything, I feel like I can speak my mind, and that sort of environment is such an important thing to have. Adding to this, there have been some recent efforts to make these conversations more lively. In the past, a lot of time was spent on explanations, but now we can attend preliminary briefings for these explanations, which allows us to focus on discussing essential topics. In addition, in order to get a deeper understanding of important items on the agenda, we hold off-site meetings separate from Board meetings, which provide us with opportunities to exchange opinions with executives, making it easier for us outside directors to convey our thoughts.

Ahmadjian

I agree. I think NEC's Board of Directors is highly effective as well. But, when you look at the Board in terms of diversity, I feel that there are slight issues with respect to the age range and the global business perspective of the Board. Surely the Board would benefit from inviting, for example, someone young with management skills, or someone with management experience at global companies, or a person with experience engaging with global investors. The presence of such people would help steer the Board toward even better results. I think the good thing about a diverse Board is that active and more constructive



Kuniharu Nakamura

Outside Director

Christina Ahmadjian

Outside Director

discussions can be had among members with different sensibilities. I should also add that I do not believe that a Western-style form of governance is ideal either. The Board should focus on improving corporate value over the long term, not just based on short-term results, and should continue to make the diversity of its members a point of discussion.

On NEC's Cultural Transformation and Employee Engagement

Nakamura

I have heard from people both inside and outside of NEC that the Company has changed quite a bit. I believe that this is the result of many efforts, such as instilling the NEC Way and improving workstyles and other systems, starting to bear fruit. I believe that the town hall meetings, where President Morita himself talks directly with employees, have had a particularly strong effect on improving employee engagement. Most employees do not get many chances to actually meet the senior management of their company in their regular workday, so I think this initiative

is a very good way to bridge the gap and is something that I hope will continue in the future.

Ahmadjian

NEC improved its employee engagement score by 10 points in one year, a remarkable achievement, and I hope it will continue to rise even higher in the future. NEC needs to keep a close eye on engagement among its young employees since they will be the ones responsible for NEC in the future. Communication with senior management is, of course, important, but I believe that direct supervisors have the greatest impact on employee motivation. This suggests that NEC should check and see how engaged these young employees are with their superiors.

Nakamura

That's right. I would also like to visit NEC offices and talk directly with employees in the field and see to what extent the ideas of the Company and the president reach them. I believe it is important that employees understand a company's ideas and the role they play within these ideas. In addition, a company needs to engage in dialogues, discussions, and other forms of two-way communication

with its employees to ensure the employees fully connect with these ideas. This is key to improving employee engagement further.

Ahmadjian

Non-Japanese employees also need to be engaged in order to improve NEC's competitiveness as a global company. If employees leave a company feeling unengaged, people around them will avoid that company as a potential place of employment, which could prevent the company from acquiring the best and brightest. With that in mind, I want to see NEC be extra cognizant of the engagement levels of young and foreign employees and remain mindful of the abilities of these employees' supervisors.

Expectations for NEC Going Forward

Nakamura

First and foremost, NEC needs to accomplish the goals of the Mid-term Management Plan 2025. Time and time again, NEC has fallen short of the goals put forth in these plans, costing it the trust of its investors and other stakeholders. Trust is the cornerstone of corporate management, and employees should know that winning this trust back will take a great deal of time and effort. I would also like NEC to build trust by making steady progress business-wise, implementing its cultural transformation reforms and delivering on its promises. It is also important for NEC to provide a clearer image of what it is as a company. There are likely some stakeholders who see NEC for its abundance of superior technology but feel left in the dark about its specific business and its vision for the future. In order to quell this feeling, I would like to see NEC increase its social value by providing specific details as to how it will use its technology to contribute to society and do so in an easy-to-understand manner.

Ahmadjian

I would also like to see NEC demonstrate its excellence, and put its unique capabilities on display, both in Japan and abroad as well. NEC not only has unique and best-in-class technological capabilities but also an open and flat corporate culture, with strong leadership from its management team. I hope that by highlighting these points in a clear, understandable way the Company will acquire their most important resources, human resources.

Dialogue