

Corporate Governance

For the continuous creation of social value and the maximization of corporate value, NEC Corporation (the “Company”) is strengthening its corporate governance practices in terms of both oversight and execution through the following basic policies: 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.

Key Points of NEC’s Corporate Governance Reforms

Strengthening of Oversight and Execution Functions

In June 2023, the Company transitioned from a Company with Audit & Supervisory Board to a Company with a Nominating Committee, etc. The Company takes the opportunity of this transition to clearly separate the oversight function from execution by management, aiming to strengthen the oversight function of the Board of Directors by having Independent Outside Directors make up its majority. By delegating substantial authority from the Board of Directors to Executive Officers with respect to business execution, the Company

accelerates timely decision-making and implementation. In addition, the Company also promotes the strengthening of governance on the execution side by establishing a company-wide risk management system and enhancing the quality of decision-making in meetings on the execution side, centering on the Executive Committee. The newly established Corporate Secretary is responsible for driving and ensuring the implementation of corporate governance reforms for the proper operation and advancement of the Board

of Directors and the Executive Committee by forging a link between the Board of Directors and

Executive Officers and facilitating effective communication, thereby fostering a relationship of trust.

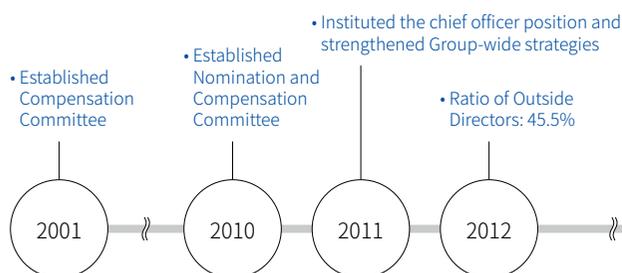
Revisions to Remuneration System for Directors and Executive Officers

In conjunction with the corporate governance reforms triggered by the transition to a Company with a Nominating Committee, etc., the Company has revised its remuneration system for Directors and Executive Officers to make it more conducive to the sustainable growth of corporate value and the realization of shareholder value management. With a view to

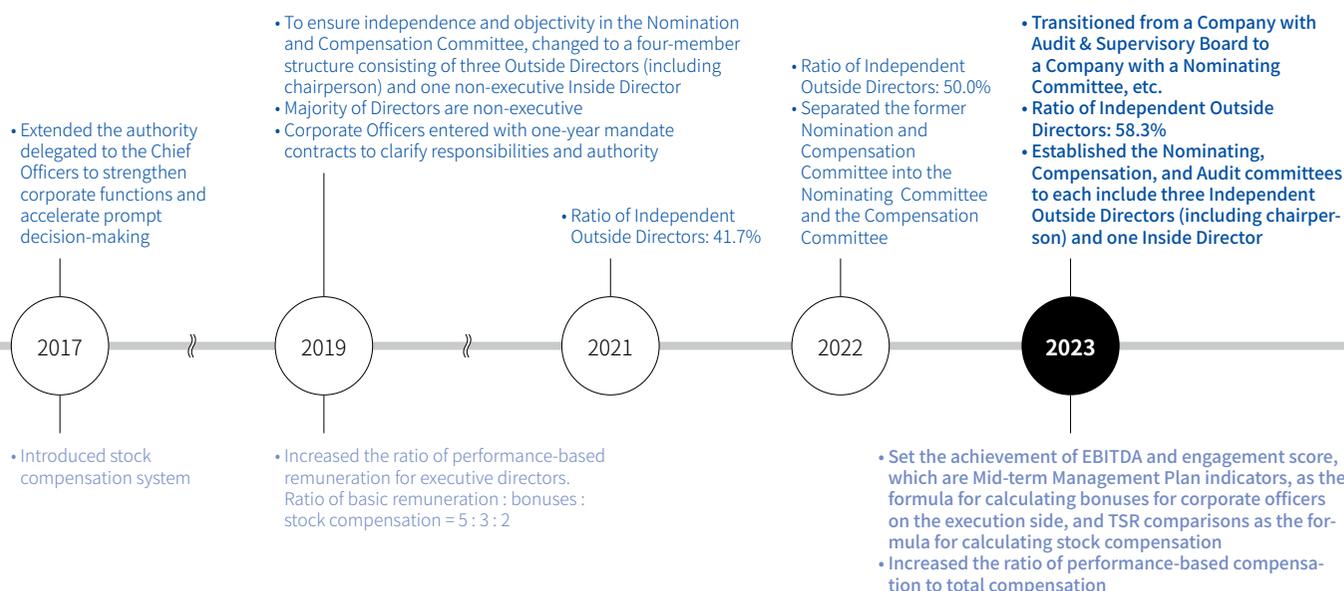
realizing the Mid-term Management Plan 2025, the Company has established an evaluation system whereby bonuses reflect the degree of achievement of EBITDA and engagement score, key indicators of the plan, and stock compensation reflects the Company’s Total Shareholder Return (TSR) relative to indices and competitors.

Main Initiatives for Strengthening Corporate Governance

Strengthening of Oversight and Execution Functions



Revisions to Remuneration System for Directors and Executive Officers



Corporate Governance

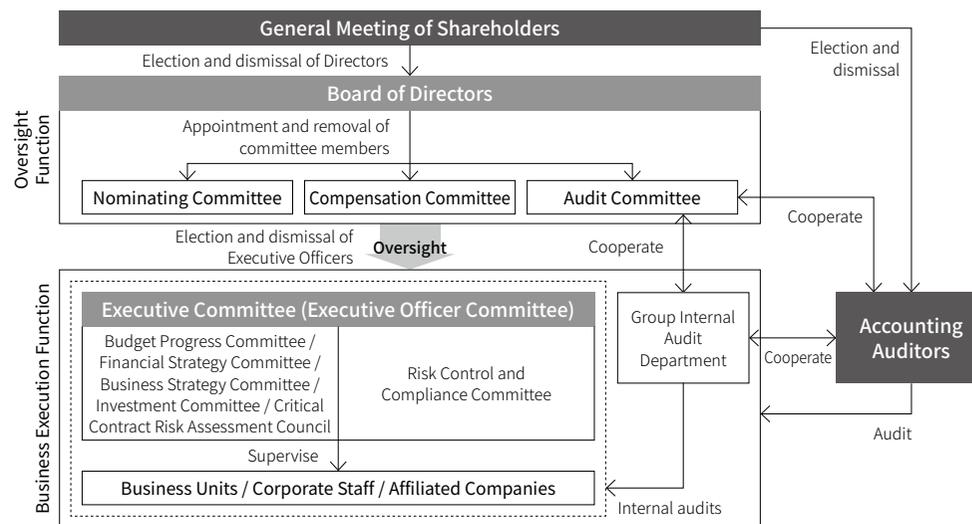
Overview of Corporate Governance System

The Board of Directors is responsible for overseeing the execution of duties by Directors and Executive Officers as well as guiding the direction of management through deliberation of important matters related to the Company's basic management policy. From the perspective of ensuring independence, the majority of the Board of Directors comprises Independent Outside Directors, and the Nominating, Compensation, and Audit committees are each chaired by an Independent Outside Director. The primary role of the Chairman of the Board, along with chairing Board meetings, is to oversee the management of the Company. The Chairman does not serve concurrently as an Executive Officer and is not involved in the day-to-day execution of the Company's business operations.

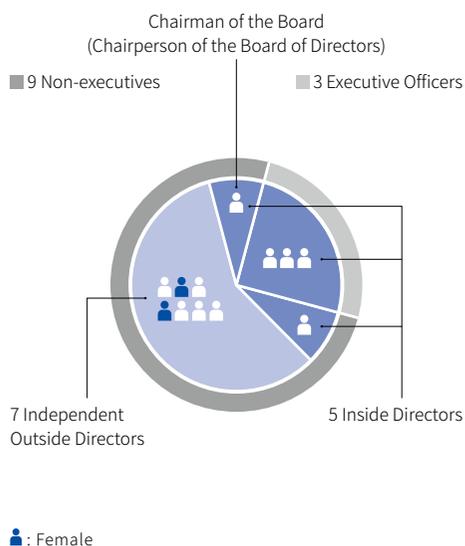
Executive Officers are responsible for the execution of the Company's business operations as delegated by the Board of Directors. Substantial authority is delegated to Executive Officers to accelerate business execution and business execution-related decision-making. In line with this, the Company is working to strengthen corporate governance on the execution side through such measures as reinforcing the company-wide risk management system overseen by the Chief Risk Officer (CRO), improving the quality of decision-making by reorganizing the executive meeting bodies centered on the Executive Committee, and enhancing the internal audit function led by the Chief Audit Officer (CAO).

Note: The CRO and CAO were newly established in fiscal 2024.

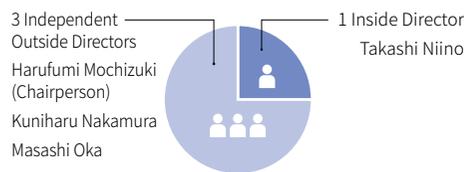
For information on NEC's organizational structure and the main topics of discussion and deliberations at the Board of Directors and committee meetings, please refer to NEC's *Corporate Governance Report*.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf



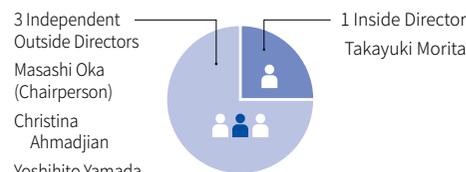
Board of Directors (12 Directors)



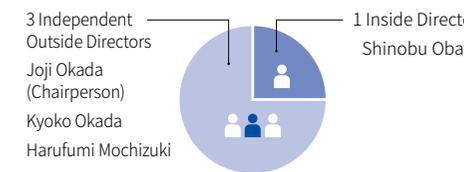
Nominating Committee (4 members) — It deliberates, from the perspective of objectivity, fairness, and transparency, on matters concerning nomination of the Company's officers (including the succession plan for the President), as well as on the contents of proposals to be submitted to the General Meeting of Shareholders concerning the election or dismissal of Directors.



Compensation Committee (4 members) — It deliberates, from the perspective of objectivity, fairness, and transparency, on matters concerning the remuneration of the Company's Directors and Executive Officers, including the formulation of policies on remuneration, etc., for Directors and Executive Officers and the determination of the details of remuneration, etc., for each individual Director and Executive Officer.



Audit Committee (4 members) — It audits the execution of duties by Executive Officers and Directors. The Audit Committee periodically reports the audit plan and audit results to the Board of Directors and makes recommendations based on the audit results to the President. An "Audit Committee Hotline" has been established within the Audit Committee, which is operated independently from the Company's officers, and which allows the reporting of misconduct, etc., related to said officers.



Corporate Governance

Strengthening of Oversight Function

Enhancing the Board of Directors System

The Company's Nominating Committee deliberates on measures aimed at enhancing the structure and role of the Board of Directors to help to ensure the sustainable growth of corporate value. In fiscal 2021, the Company formulated the career skill matrix, defining the career background and skills required of the Board and identifying key points to be strengthened. Based on these key points, the composition of the Board of Directors was reviewed in fiscal 2022 to strengthen corporate governance and deepen multifaceted discussions on company-wide strategies at Board meetings. As a result, the ratio of Independent Outside Directors, female Directors, and

non-Japanese Directors was increased, leading to a more independent and diverse composition. Furthermore, in fiscal 2023, in view of the changing role to be played by the Board of Directors following the transition to a Company with a Nominating Committee, etc., the Nominating Committee reviewed the career background and skills expected of Directors from the ground up. As a result, eight career background and skill categories were defined and Directors with expertise in the categories of "corporate governance" and "global business" were appointed, which were identified as key points to be strengthened. Independent Outside Directors comprise a majority

of the Board of Directors, with the percentage of Independent Outside Directors increasing to 58.3% in fiscal 2024.

The Company will regularly confirm the sufficiency level of the Board of Directors as a whole

for the career background and skills particularly expected of Directors based on the career skill matrix and will select candidates by taking into consideration which career backgrounds and skills are lacking, as well as the diversity of the Directors.

	2021	2022	2023
Independent	41.7% (5)	50.0% (5)	58.3% (7)
Non-executive	58.3% (7)	60.0% (6)	75.0% (9)
Female	16.7% (2)	20.0% (2)	16.7% (2)
Non-Japanese	8.3% (1)	10.0% (1)	8.3% (1)
Total number of Directors	12	10	12

As of June 30 of each year

Career Skill Matrix

● indicates that the respective Director has extensive experience and deep insight

	Years served (as of June 30, 2023)	Eight newly reviewed career background and skill categories											
		Corporate management	Global business	Technology / Innovation	Sustainability / ESG	Marketing	Financial accounting / Investment	Audit / Legal / Risk management	Corporate governance	Nominating Committee	Compensation Committee	Audit Committee	
Chairman of the Board	Takashi Niino	12	●			●				●	●		
President and CEO (Representative Executive Officer), Member of the Board	Takayuki Morita	7	●	●				●		●		●	
Corporate Executive Vice President and CFO (Representative Executive Officer), Member of the Board	Osamu Fujikawa	1			●	●	●	●					
Corporate Secretary (Executive Officer), Member of the Board	Hajime Matsukura	6				●		●	●	●			
Member of the Board	Shinobu Obata	1							●	●			●
Outside Directors	Kuniharu Nakamura	4	●	●					●	●	●		
	Christina Ahmadjian	2		●					●	●		●	
	Masashi Oka	1	●	●					●	●	●	Chairperson	
	Kyoko Okada	1				●			●				●
	Harufumi Mochizuki	-	●	●					●	●	●	Chairperson	●
	Joji Okada	-		●					●	●	●		Chairperson
	Yoshihito Yamada	-	●	●	●			●		●		●	

Career background and skills particularly expected of Directors	Details
Corporate management	Practical knowledge on company management based on experience as chief executive officer of operating companies
Global business	Experience as chief executive officer or department head in multinational companies or specialized knowledge on global markets
Technology / Innovation	Business experience or specialized knowledge on technology related mainly to ICT and digital transformation, or experience or specialized knowledge on new business creation and market innovation
Sustainability / ESG	Knowledge about diverse values on female, foreign nationality, disabilities, etc., leadership experience in ESG activities or specialized knowledge on ESG management
Marketing	Experience as head in the marketing or brand strategy department or the sales department in operating companies, or specialized knowledge on business-to-business transactions and marketing
Financial accounting / Investment	Experience as chief financial officer of operating companies, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.
Audit / Legal / Risk management	Risk management experience in accounting, legal affairs, technology, cybersecurity, etc., in operating companies, or experience as an audit committee member, audit & supervisory board member, or department head of auditing division, or specialized knowledge on international and domestic legal affairs or geopolitics
Corporate governance	Specialized knowledge on recent global corporate governance practices, or experience and practical knowledge of implementing governance reforms at operating companies

Corporate Governance

Status of Board Deliberations

The Board of Directors held 14 meetings in fiscal 2023. The main agenda items discussed were as follows.

- Progress report for the Mid-term Management Plan 2025 and discussion of strategies for achieving targets
- Discussions related to the Company's corporate governance system (transition to a Company with a Nominating Committee, etc.)
- Repurchase of shares of common stock
- Initiatives to promote sustainability (materiality, the environment, human rights, inclusion and diversity, etc.)
- Report on auditing activities
- Report on the progress of the establishment and implementation of the internal control system (including Priority Risks)
- Cybersecurity initiatives
- Evaluation of the effectiveness of the Board of Directors

Clarification of Key Agenda Items

The Board of Directors is responsible for overseeing the execution of duties by Directors and Executive Officers as well as guiding the direction

of management. To this end, the Company has clarified the key agenda items to be deliberated at the Board of Directors meetings and will focus

its discussions on the following six important topics.

Medium- to long-term strategies / Mid-term management plan	<ul style="list-style-type: none"> • Formulation of next mid-term management plan • Policies to implement the NEC Way (including Purpose) and the NEC 2030VISION 	<ul style="list-style-type: none"> • Management objectives (including KPIs) set forth in management strategies, etc. • Global strategies
Governance structure / Development of policies on decision-making process	<ul style="list-style-type: none"> • Significant changes in organizational structure to achieve management strategies, etc. 	<ul style="list-style-type: none"> • Policies for strengthening Group governance • Affiliate policies
Capital policies / Balance sheet	<ul style="list-style-type: none"> • Policies and approaches regarding the balance between investment in growth and shareholder returns 	
Development of policies on business portfolio	<ul style="list-style-type: none"> • Policies and approaches for selecting which businesses to focus on and which to exit 	
Large-scale M&As / Major investments	<ul style="list-style-type: none"> • Specific use of mergers and acquisitions (M&As) based on business portfolio policies 	
Measures to increase corporate value by practicing the NEC Way	<ul style="list-style-type: none"> • Selection of materiality that incorporates an ESG perspective 	

Enhancement of Effectiveness

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. In fiscal 2023, a third-party organization was appointed to evaluate the effectiveness of the Board of Directors. The effectiveness of the Nominating Committee and the Compensation Committee (the Nomination and Compensation

Committee until June 2022) was also evaluated and verified through the same process.

Excepting special circumstances, each Director aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year. In fiscal 2023, the Company was a Company with Audit & Supervisory Board, and Audit & Supervisory Board Members (KANSAYAKU) similarly aimed to have at least 75% attendance at meetings of the Board of

Directors and the Audit & Supervisory Board in a single fiscal year. In fiscal 2023, the attendance rate of Directors and Audit & Supervisory Board Members (KANSAYAKU) at meetings of the Board of Directors, the Nominating Committee, the Compensation Committee (the Nomination and Compensation Committee until June 2022), and the Audit & Supervisory Board was 100%.

🌐 For the results of the effectiveness evaluation for fiscal 2023 and the attendance of each Director and Audit & Supervisory Board Member at the Board of Directors and other meetings, please refer to NEC's *Corporate Governance Report*.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf

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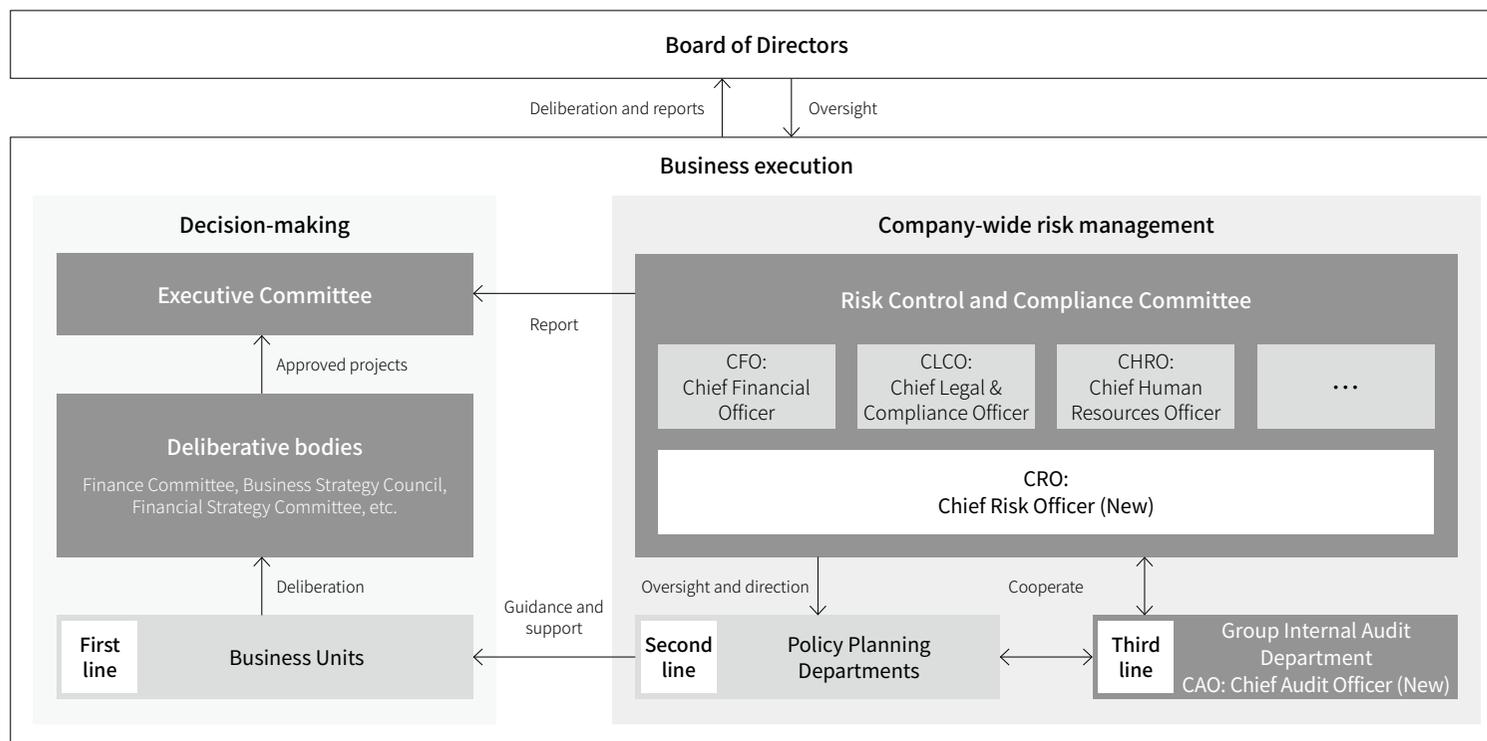
Governance Structure on the Execution Side

The Company has established the Executive Committee, that is the highest-level deliberative body on the execution side, as well as other committees which work in tandem with the Executive Committee in order to ensure high-quality decision-making in terms of both opportunities and risks. The Executive Committee, consisting of Executive Officers, deliberates on important matters related to the management of NEC, such as management policies and strategies, and examines important business execution matters. The Budget Progress Committee, Financial Strategy Committee, Business Strategy Committee, Investment Committee, and Critical Contract Risk Assessment Council conduct

deliberations in advance on their respective responsibilities in accordance with their roles and authorities and work in tandem with the Executive Committee in order to ensure that appropriate decisions can be made.

Additionally, the Company has established the company-wide risk management system centered on the Risk Control and Compliance Committee, in order to accurately recognize and respond to internal and external risks related to NEC's businesses. The Risk Control and Compliance Committee deliberates fully on such matters of importance from a perspective of risk management, such as the strategy to control significant management risk, and matters of

particular importance are reported to the Executive Committee and the Board of Directors. In addition, the risk map developed by the Risk Control and Compliance Committee is used for internal audits, and the results of such audits are shared with the Risk Control and Compliance Committee secretariat and policy planning departments to ensure mutual collaboration. Furthermore, the Risk Control and Compliance Committee shares the most up-to-date knowledge of risks with the policy planning departments so that they can provide appropriate guidance and support to business divisions, and provides direction for improving and strengthening measures as necessary.



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Revisions to Remuneration for Directors and Executive Officers

In conjunction with the corporate governance reforms triggered by the transition to a Company with a Nominating Committee, etc., the Company has reviewed its remuneration system for Directors and Executive Officers based on the Basic Policy on the Remuneration of Directors and Executive Officers to make it more

conductive to the sustainable growth of corporate value and the realization of shareholder value management. The remuneration plan applies to Directors, Executive Officers, and Corporate SEVPs, Corporate EVPs, and Corporate SVPs, who are corporate officers, respectively, on the execution side.

Summary of Remuneration System for Directors and Executive Officers

The ratio of basic remuneration, bonuses, and stock compensation are determined individually for each position, and the ratio is set at one-third of each for the President.

Basic remuneration

Basic remuneration is fixed remuneration with the amount paid determined based on market competitiveness in accordance with the role, authority, and responsibility of each job title. For Executive Officers and corporate officers on the execution side, 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).

achievement level of performance targets. Three indicators were established for the Group-wide performance-based component, including the engagement score, a non-financial indicator that is a key indicator in the Mid-term Management Plan 2025. The three indicators and related percentages are shown on the right.

Stock compensation

The number of shares to be granted will be determined in a range from 0% to 150% of the number of shares granted, in accordance with the results of a comparison of the Company's TSR (total shareholder return) with indices such as the Tokyo Stock Price Index (TOPIX) and others in order to further clarify the linkage with sustainable growth of corporate value and increase in shareholder value. Stock compensation covers a period of three fiscal years, and the delivery of shares will be made after three years from the beginning of the three fiscal years covered by the stock compensation. TSR comparisons and percentages are shown on the right.

Bonuses

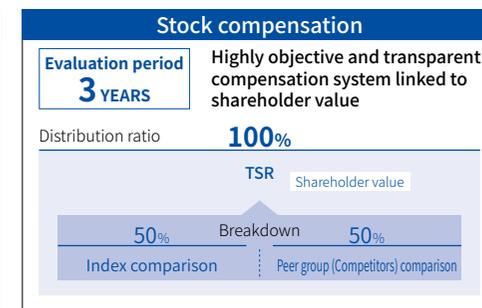
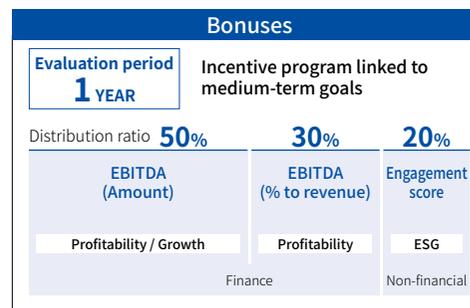
Bonuses have two components: a component linked to the degree of achieving targets of key performance indicators in the Mid-term Management Plan of the NEC Group for each fiscal year (the Group-wide performance-based component), and a component linked to the degree of achieving targets of the responsible departments for each fiscal year (the department performance-based component). The amount of each bonus is set between 0% and 200% of the standard amount determined based on the

Basic Policy on the Remuneration of Directors and Executive Officers

- 1) The remuneration system is highly objective and transparent, with content which leads to sustainable growth with the aim of maximizing corporate value, and which allows shareholders to confirm that management is linked to shareholder value.
- 2) The remuneration system is linked to the Mid-term Management Plan target indicators and provides incentives for Executive Officers to achieve the management targets indicated in the Mid-term Management Plan.
- 3) As a technology company with global operations, the remuneration system is competitive in the human resources market in terms of both remuneration structure and level.

Fixed remuneration	Variable remuneration (performance-linked)	
	Short-term incentive (Bonuses)	Medium- to long-term incentive (Stock compensation)
Basic remuneration	Linked to Mid-term Management Plan indicators; Payment rate: between 0% and 200% of the standard amount	TSR comparison; Payment rate: from 0% to 150% of the number of shares granted

Note: Remuneration for non-executive Directors shall, in principle, be basic remuneration. However, from the viewpoint of increasing shareholder value, inside Directors will be paid a medium- to long-term incentive (stock compensation) up to a maximum of approximately 30% of their total remuneration.



Fixed remuneration

Compensation structure and level competitive in the human resources market

The Company has established certain restrictions that allow for forfeiture (malus) or return (claw-back) of beneficial interests in remuneration in the event of the discovery of compliance violations or improper accounting treatment by officers, or damage to the value of the Company due to retroactive restatement of financial

statements. Such restrictions are set for bonuses and stock compensation, which are performance-based remuneration. In order to promote management that creates shareholder value, Inside Directors and Executive Officers are encouraged to own shares of the Company.

For the amounts of remuneration for fiscal 2023, please refer to NEC's Corporate Governance Report. https://www.nec.com/en/global/about/pdf/nec_governance.pdf