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

<table>
<thead>
<tr>
<th>Strengthening of Oversight and Execution Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>In June 2023, the Company transitioned from a Company with Audit &amp; 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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revisions to Remuneration System for Directors and Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

Main Initiatives for Strengthening Corporate Governance

<table>
<thead>
<tr>
<th>Strengthening of Oversight and Execution Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Established the chief officer position and strengthened Group-wide strategies</td>
</tr>
<tr>
<td>• Instituted the chief officer position and strengthened Group-wide strategies</td>
</tr>
<tr>
<td>• Established Nomination and Compensation Committee</td>
</tr>
<tr>
<td>• Ratio of Independent Outside Directors: 45.5%</td>
</tr>
<tr>
<td>• Increased the ratio of performance-based remuneration for executive directors. Ratio of basic remuneration : bonuses : stock compensation = 5 : 3 : 2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revisions to Remuneration System for Directors and Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To ensure independence and objectivity in the Nomination and Compensation Committee, changed to a four-member structure consisting of three Outside Directors (including chairperson) and one non-executive Inside Director</td>
</tr>
<tr>
<td>• Majority of Directors are non-executive</td>
</tr>
<tr>
<td>• Corporate Officers entered with one-year mandate contracts to clarify responsibilities and authority</td>
</tr>
<tr>
<td>• Ratio of Independent Outside Directors: 50.0%</td>
</tr>
<tr>
<td>• Separated the former Nomination and Compensation Committee into the Nominating Committee and the Compensation Committee</td>
</tr>
<tr>
<td>• Ratio of Independent Outside Directors: 41.7%</td>
</tr>
<tr>
<td>• Transitioned from a Company with Audit &amp; Supervisory Board to a Company with a Nominating Committee, etc.</td>
</tr>
<tr>
<td>• Ratio of Independent Outside Directors: 58.3%</td>
</tr>
<tr>
<td>• Established the Nominating, Compensation, and Audit committees to each include three Independent Outside Directors (including chairperson) and one Inside Director</td>
</tr>
<tr>
<td>• Set the achievement of EBITDA and engagement score, which are Mid-term Management Plan indicators, as the formula for calculating bonuses for corporate officers on the execution side, and TSR comparisons as the formula for calculating stock compensation</td>
</tr>
<tr>
<td>• Increased the ratio of performance-based compensation to total compensation</td>
</tr>
</tbody>
</table>
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.
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.

Career Skill Matrix

<table>
<thead>
<tr>
<th>Director</th>
<th>Board of Directors</th>
<th>Outside Directors</th>
<th>Corporate Governance</th>
<th>Finance / Accounting</th>
<th>Audit / Legal / Risk Management</th>
<th>Sustainability / ESG</th>
<th>Marketing</th>
<th>Technology / Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>Takashi Niino</td>
<td>–</td>
<td>–</td>
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</tr>
<tr>
<td>President and CEO</td>
<td>Takayuki Morita</td>
<td>–</td>
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</tr>
<tr>
<td>Corporate Executive Vice</td>
<td>Osamu Fujikawa</td>
<td>–</td>
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<td>–</td>
</tr>
<tr>
<td>President / Representative</td>
<td>Hajime Matsuoka</td>
<td>–</td>
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<td>–</td>
</tr>
<tr>
<td>Member of the Board</td>
<td>Shinobu Obata</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>–</td>
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</tr>
<tr>
<td>Outside Directors</td>
<td>Kuniharu Nakamura</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td></td>
<td>Christina Ahmadjian</td>
<td>–</td>
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<tr>
<td></td>
<td>Masashi Oka</td>
<td>–</td>
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<tr>
<td></td>
<td>Kyoko Okada</td>
<td>–</td>
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<tr>
<td></td>
<td>Harufumi Mochizuki</td>
<td>–</td>
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<tr>
<td></td>
<td>Joji Okada</td>
<td>–</td>
<td>–</td>
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<td>–</td>
</tr>
<tr>
<td></td>
<td>Yoshihito Yamada</td>
<td>–</td>
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</tr>
</tbody>
</table>

Career background and skills particularly expected of Directors:

- **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

<table>
<thead>
<tr>
<th>Years served</th>
<th>Corporate management</th>
<th>Global business</th>
<th>Technology / Innovation</th>
<th>Sustainability / ESG</th>
<th>Marketing</th>
<th>Financial accounting / Investment</th>
<th>Audit / Legal / Risk management</th>
<th>Corporate governance</th>
<th>Nominating Committee</th>
<th>Compensation Committee</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>12</td>
<td>7</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>President and CEO</td>
<td>7</td>
<td>6</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Corporate Executive Vice President</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Corporate Secretary (Executive Officer)</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<td>1</td>
</tr>
<tr>
<td>Member of the Board</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<td>1</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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</tbody>
</table>

As of June 30 of each year
Status of Board Deliberations

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

<table>
<thead>
<tr>
<th>Clarification of Key Agenda Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medium-/long-term strategies / Mid-term management plan</th>
<th>• Formulation of next mid-term management plan and the NEC 2030VISION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance structure / Development of policies on decision-making process</td>
<td>• Significant changes in organizational structure to achieve management strategies, etc.</td>
</tr>
<tr>
<td>Capital policies / Balance sheet</td>
<td>• Policies and approaches regarding the balance between investment in growth and shareholder returns</td>
</tr>
<tr>
<td>Development of policies on business portfolio</td>
<td>• Policies and approaches for selecting which businesses to focus on and which to exit</td>
</tr>
<tr>
<td>Large-scale M&amp;As / Major investments</td>
<td>• Specific use of mergers and acquisitions (M&amp;As) based on business portfolio policies</td>
</tr>
<tr>
<td>Measures to increase corporate value by practicing the NEC Way</td>
<td>• Selection of materiality that incorporates an ESG perspective</td>
</tr>
</tbody>
</table>

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. Excluding 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 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
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.
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 conducive 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).

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 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.

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.

<table>
<thead>
<tr>
<th>Basic remuneration</th>
<th>Variable remuneration (performance-linked)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>Short-term incentive (Bonuses)</td>
</tr>
<tr>
<td></td>
<td>Linked to Mid-term Management Plan indicators</td>
</tr>
<tr>
<td></td>
<td>Payment rate: from 0% to 150% of the number of shares granted</td>
</tr>
</tbody>
</table>

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.

Bonuses

<table>
<thead>
<tr>
<th>Distribution ratio</th>
<th>EBITDA (Amount)</th>
<th>EBITDA ( % to revenue)</th>
<th>Engagement score</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td></td>
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</tr>
<tr>
<td>30%</td>
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<td></td>
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<tr>
<td>20%</td>
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</tr>
</tbody>
</table>

Stock compensation

<table>
<thead>
<tr>
<th>Distribution ratio</th>
<th>TSR Shareholder value</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>Breakdown 50%</td>
</tr>
</tbody>
</table>