

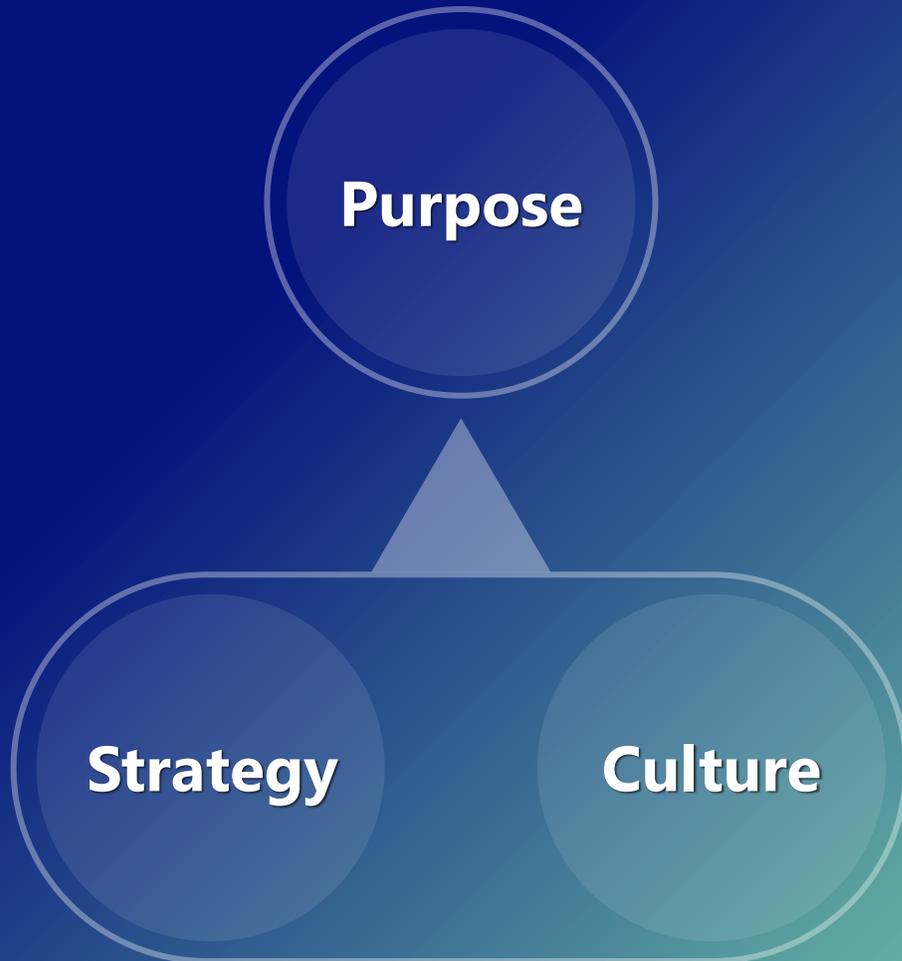
# NEC's Corporate Governance Reform and Human Capital Management Initiatives

March 29, 2023

**Hajime Matsukura**

Executive Vice President, CLCO, CHRO and  
Member of the Board, NEC Corporation

# To accelerate our work to combine strategy and culture to achieve our Purpose



An aerial, high-angle photograph of a busy pedestrian crossing. The ground is paved with light-colored tiles, and a large white 'X' is painted on it. Numerous people of various ages and ethnicities are walking across the crossing in different directions. Their shadows are cast on the pavement, indicating a bright, sunny day. The overall scene is one of a bustling, active public space.

# Corporate Governance Reform

The reason why corporate governance reform matter

In today's complex and rapidly changing management environment, the need for higher quality and prompt decision making is becoming even more important

Corporate governance reform

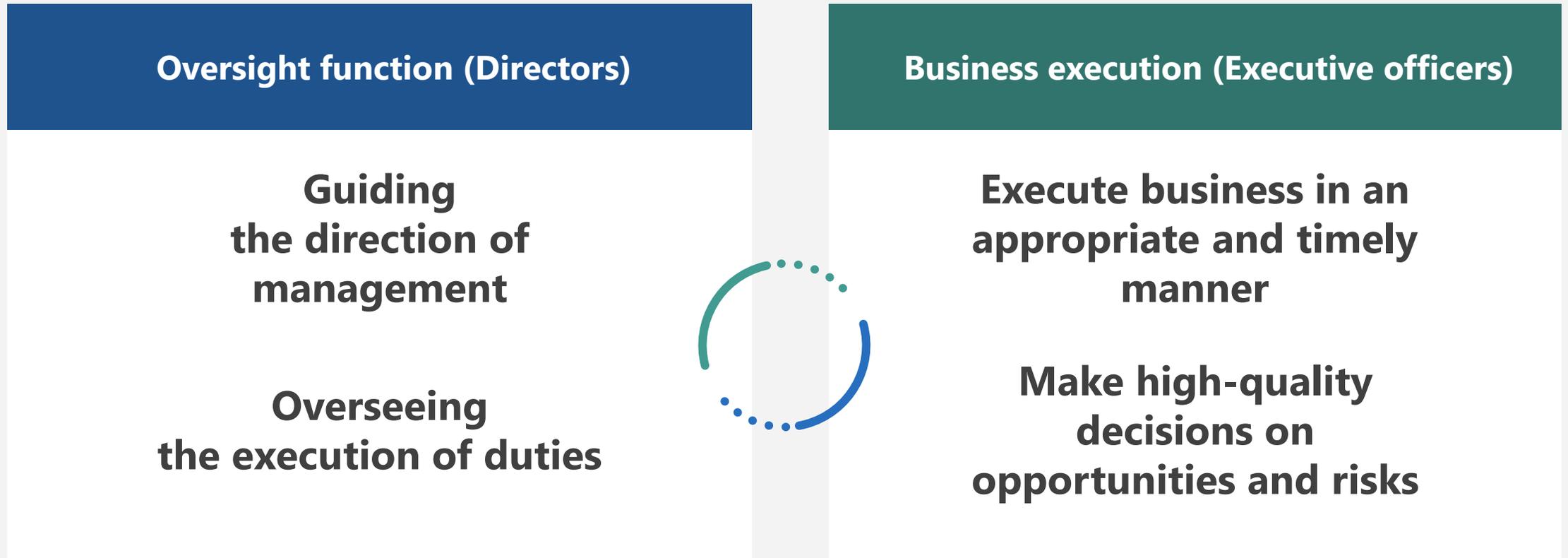
Improve the quality and speed of management decisions

Execute  
strategy



Develop  
culture

# By transitioning to a company with a nominating committee, etc. with the aim of clearly separating the oversight functions from execution by management



## What corporate governance reform entail

# Strengthening oversight function—diversity of Board members with a variety of attributes and skills

Title as of February 28, 2023

NEC Directors	<b>Takashi Niino</b>		Chairman of the Board	
	<b>Takayuki Morita</b>		President & CEO (Representative Executive Officer), Member of the Board	
	<b>Osamu Fujikawa</b>		Corporate Executive Vice President & CFO (Representative Executive Officer), Member of the Board	
	<b>Hajime Matsukura</b>		Corporate Secretary, Member of the Board	
	<b>Shinobu Obata</b>	New appointment	Member of the Board	Audit and Supervisory Board Member (KANSAYAKU)
Outside Directors	<b>Kuniharu Nakamura</b>		Member of the Board (Outside Director)	Chairman of the Board of Directors, SUMITOMO CORPORATION
	<b>Christina Ahmadjian</b>		Member of the Board (Outside Director)	Specially Appointed Professor, College of Business Department of Global Business, Rikkyo University
	<b>Masashi Oka</b>		Member of the Board (Outside Director)	President & CEO, Representative Director, Sony Financial Group Inc.
	<b>Kyoko Okada</b>	New appointment	Member of the Board (Outside Director)	Outside Audit & Supervisory Board Member (KANSAYAKU)
	<b>Harufumi Mochizuki</b>	New appointment	Member of the Board (Outside Director)	President & CEO, Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd.
	<b>Joji Okada</b>	New appointment	Member of the Board (Outside Director)	Former Chairperson of The Japan Audit & Supervisory Board Members Association
	<b>Yoshihito Yamada</b>	New appointment	Member of the Board (Outside Director)	Representative Director, President and CEO, OMRON Corporation

# Strengthening oversight function—diversity of Board members with a variety of attributes and skills

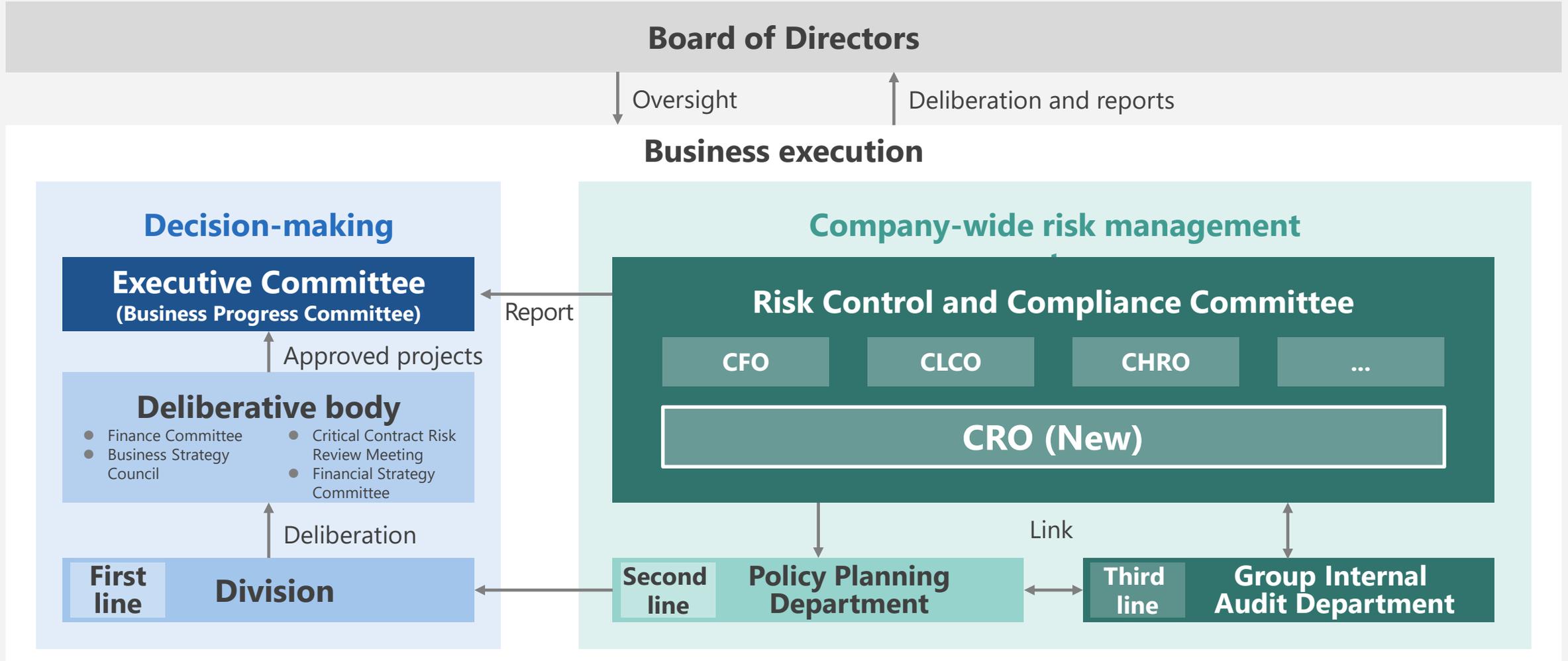
	Corporate Management	Global Business	Technology Innovation	Marketing	Finance or Accounting Investment	Audit or Legal Risk Management	Corporate Governance	Sustainability ESG
NEC Directors	Takashi Niino	●					●	●
	Takayuki Morita	●	●		●		●	
	Osamu Fujikawa			●	●			●
	Hajime Matsukura				●	●	●	●
	Shinobu Obata					●	●	
Outside Directors	Kuniharu Nakamura	●	●	●			●	●
	Christina Ahmadjian		●				●	●
	Masashi Oka	●	●			●	●	
	Kyoko Okada					●		●
	Harufumi Mochizuki		●			●	●	
	Joji Okada		●			●	●	
	Yoshihito Yamada	●	●	●	●		●	

# Strengthening oversight function—clarifies important matters requiring deliberation by the Board of Directors

## Important matters requiring deliberation

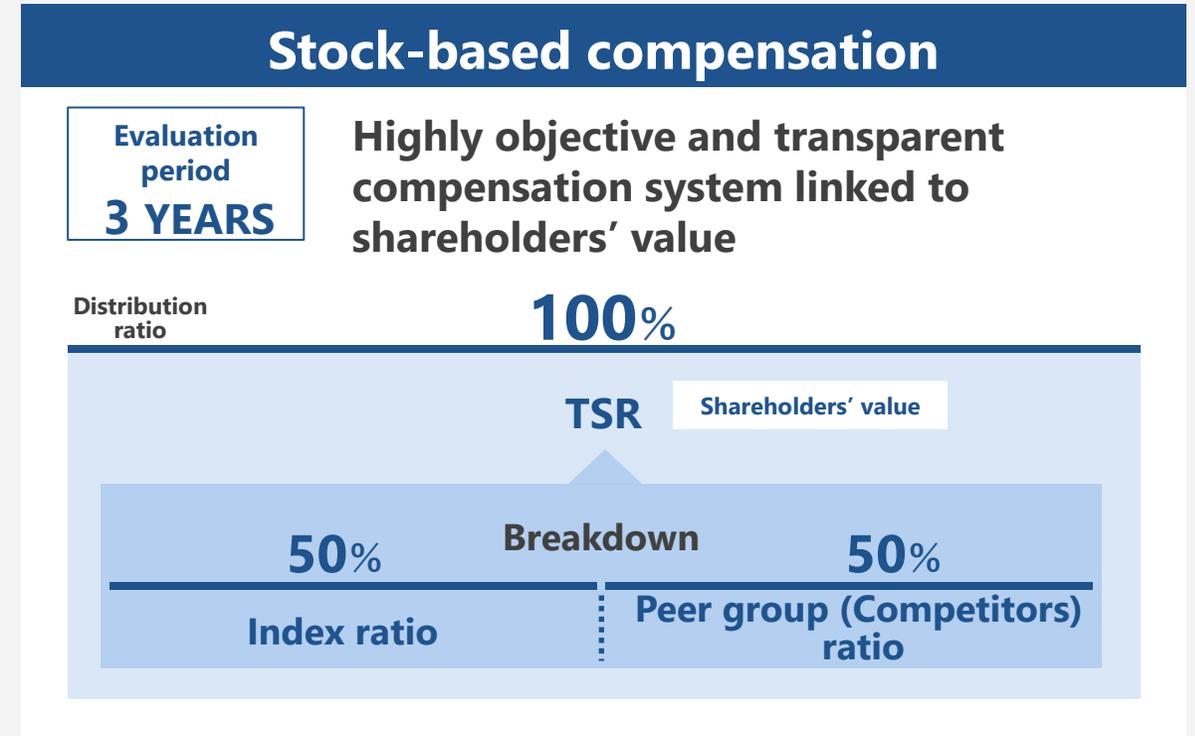
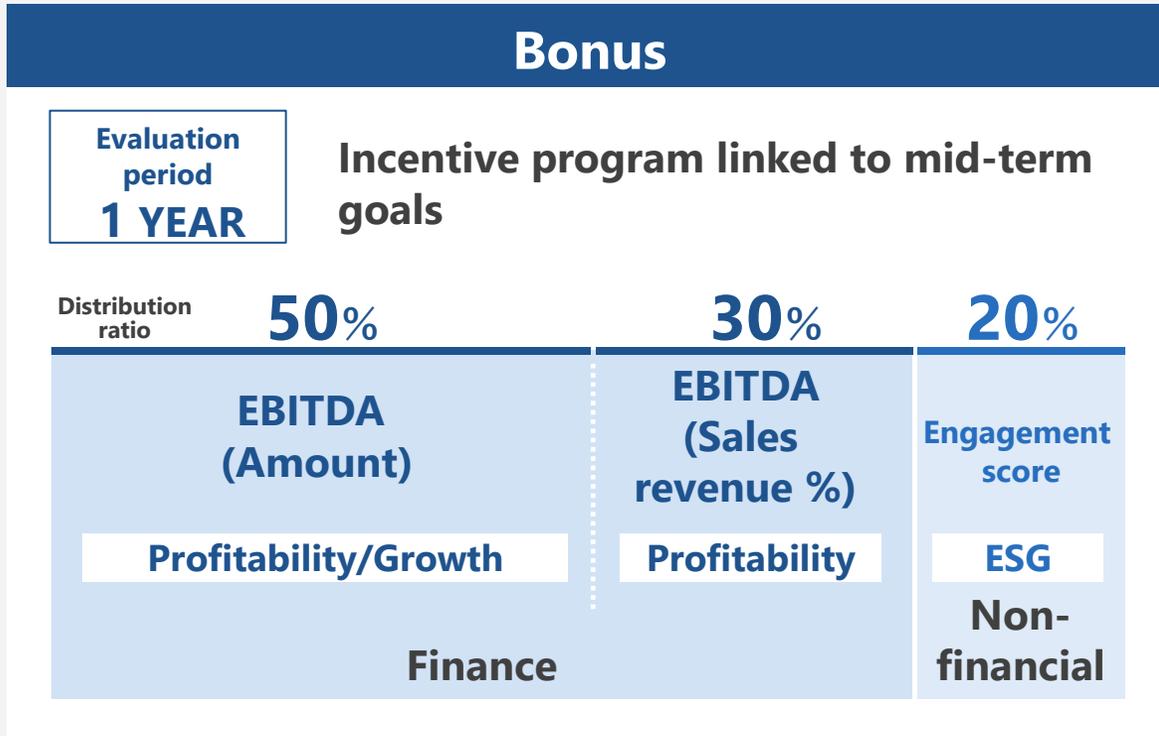
<b>Medium- to long-term strategies/Mid-term management plan</b>	<ul style="list-style-type: none"><li>● Formulation of next mid-term management plan</li><li>● Policies to implement the NEC Way (including Purpose) and the NEC 2030VISION</li><li>● Management objectives (including KPIs) set forth in management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

# Strengthening business execution function—improves the decision-making process and company-wide risk management system



# Revised executive compensation system in line with the stronger oversight and business execution

\*Target: Internal directors and executive officers



## Actions to realize the Mid-term Management Plan 2025

- Simultaneously execute separation of the oversight functions from execution and revise the executive compensation system
- Improve the quality and speed of management decisions

**Realize a new corporate governance system**

An aerial, high-angle photograph of a busy pedestrian crossing. The scene is captured from a high vantage point, showing a large number of people walking across a paved area marked with white diagonal lines. The people are scattered throughout the frame, some walking in groups, some alone, and some looking towards the camera. The lighting is bright, casting distinct shadows of the pedestrians onto the pavement. The overall atmosphere is one of a busy, active public space.

# Human Capital Management Initiatives

The reason why we should undertake human capital management initiatives

# Investing in people is becoming increasingly important to the sustainable growth of a Purpose-driven company

Human capital management initiatives

## Investing in people enables us to

**Execute  
strategies**



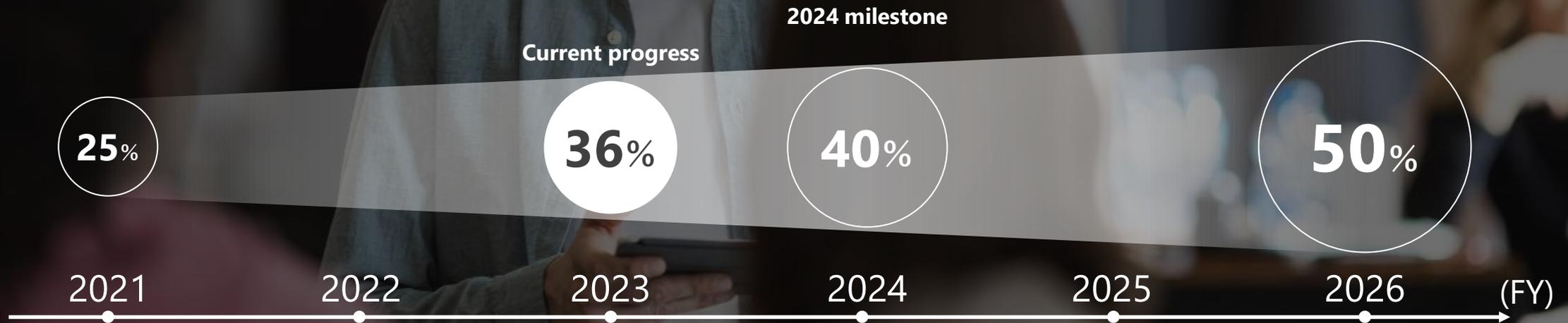
**Develop  
culture**

# Continuously implement and improve a wide range of measures using the engagement score as the key goal indicator (KGI)

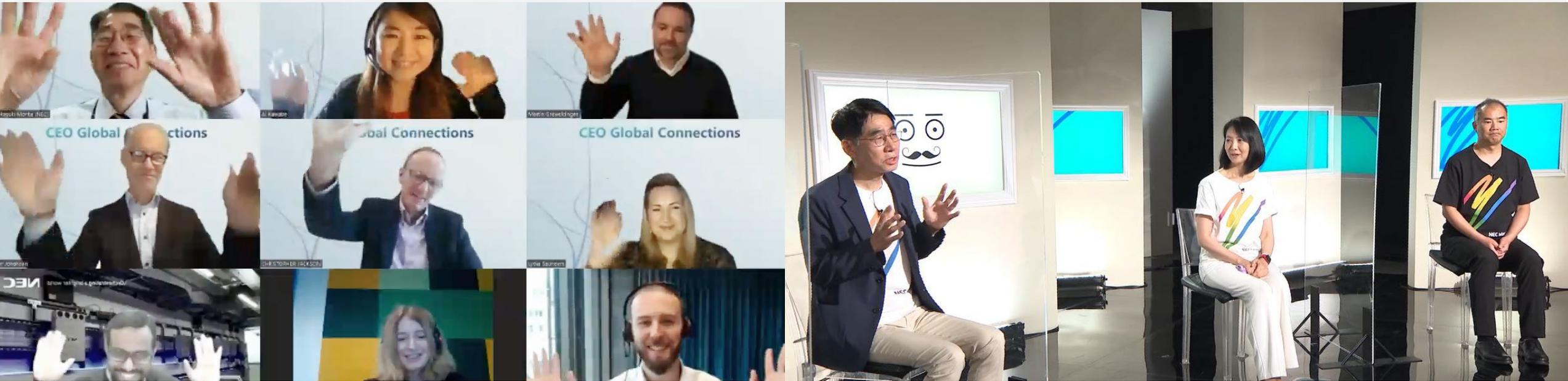
Employer of choice

FY2026 KGI  
Engagement score  
**50%**

\*Generally in the top 25% worldwide



# Top management communication—interactive events between management and the frontline staff



## Town Hall Meetings

Dialogue session between President Morita and employees

- **Japan:** Monthly; held 10 times in FY2021 with a total of 118,500 participants
- **Overseas:** Semi-annually in each region; held 26 times in FY2022 with a cumulative total of 22,000 participants
- **Level of satisfaction:** More than 95% responded favorably

## NEC Way Day

Event for all NEC Group employees to celebrate the anniversary of the company's foundation

- **Global integration:** Broadcast to 15 sites in Japan and overseas
- **Participants:** 52,000 employees worldwide
- **Level of satisfaction:** 93% responded favorably

# Career ownership—support individual career development through workshops

## Career Design Cycle



## Career Design Workshop

### 30s and younger

- Discover self-understanding/self-efficacy
- Job crafting (reframing work tasks)

### Early 40s

- Strengthen self-understanding/self-efficacy
- Clarify direction of career

### Late 40s

- Expand own potential
- Expand horizons in all aspects of life and establish mid- to long-term career goals

### Early 50s

- Reveal own potential (assets) cultivated through experience
- Expand possibilities in the second half of career and life

### Late 50s

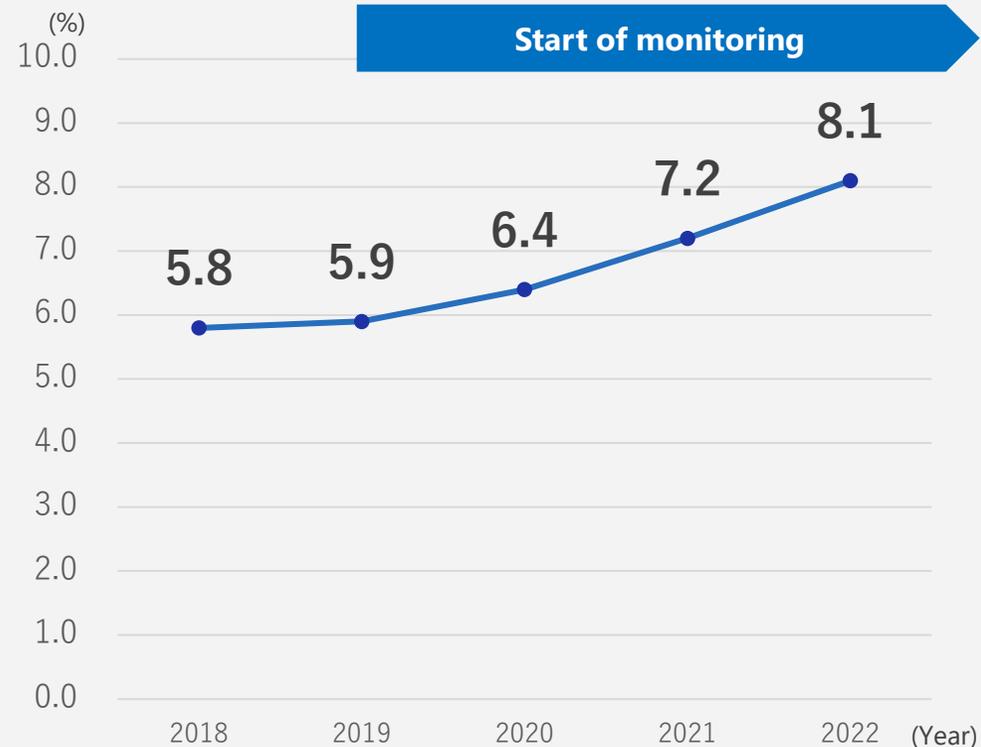
- Go back to one's roots and re-confirm personal core values
- Define goals and create an action plan for life and career after age 60

## What human capital management initiatives entail

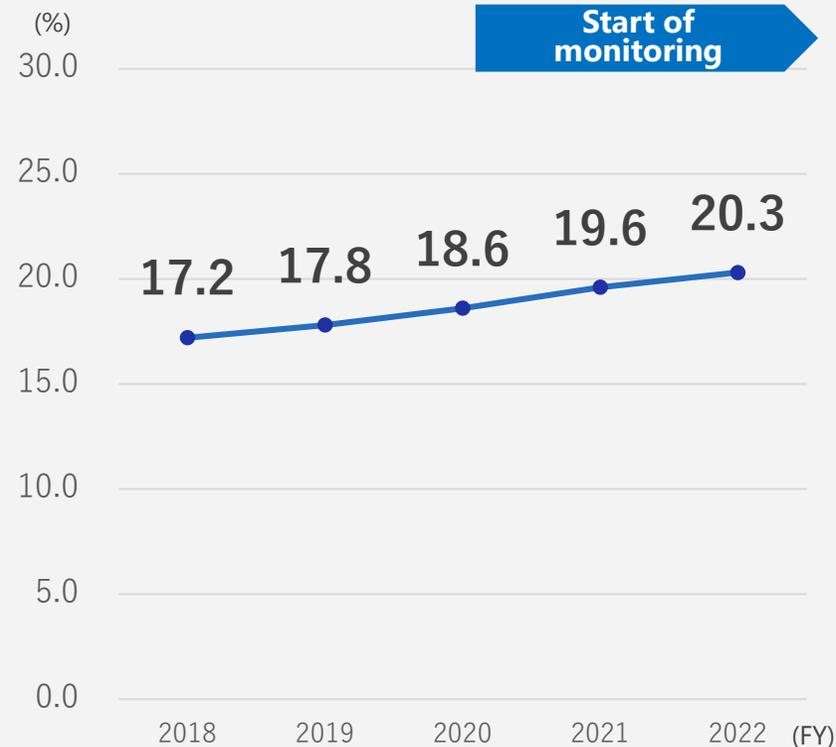
# Diversity—accelerate the increase of women in management, staff, and board positions through monitoring

Note: For NEC Corporation on a standalone basis

Percentage of female managers as of April 1 of each year



Percentage of female staff as of March 31 of each fiscal year



Percentage of female executives as of June 30 of each fiscal year

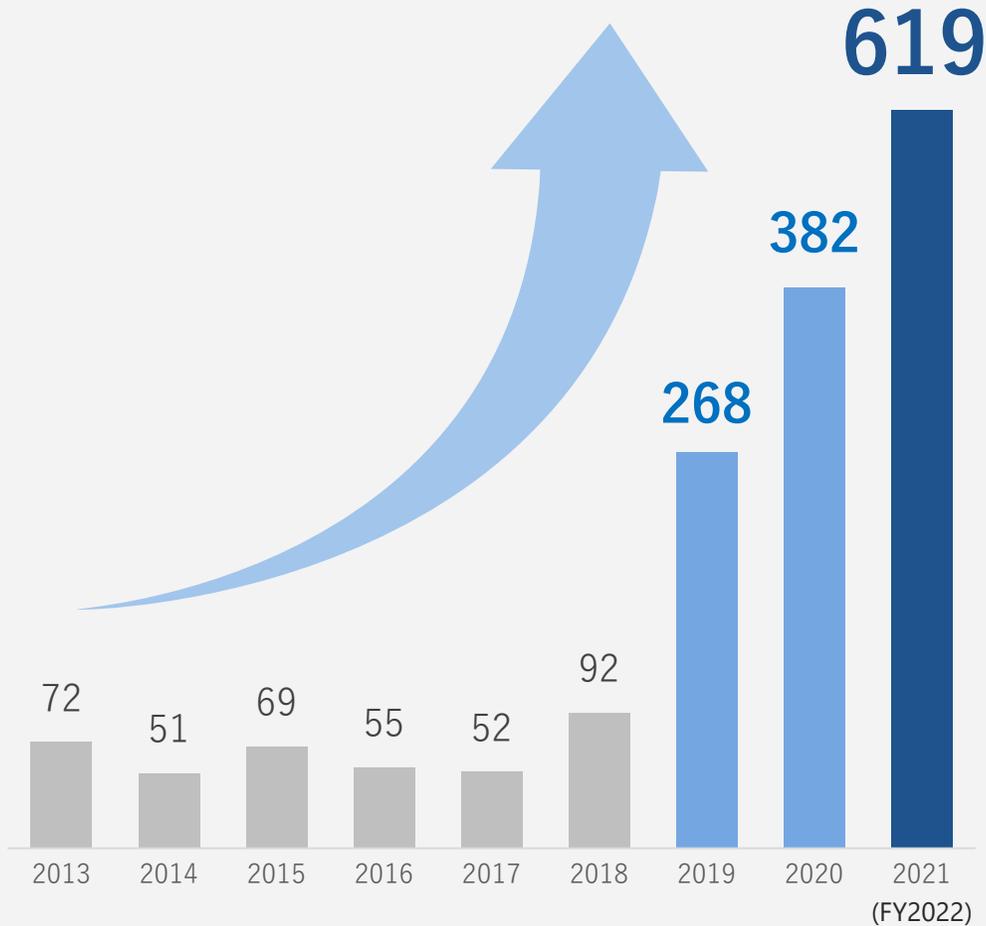
FY2022  
**3.6%**

↓

FY2023  
**9.4%**

## What human capital management initiatives entail

**Diversity—actively recruit mid-career hires through the establishment of a department dedicated to career recruitment**



In FY2022 **163/619** hired through  
**Direct sourcing**  
(Direct scouting, referral, direct applicants, etc.)

**Ratio of new graduates  
to mid-career hires**  
**50%:50%** (approx. 600 each)

\*Expected to be approximately 600 in FY2023

## What human capital management initiatives entail

# Smart work—leverage tools, systems, and space to transition from working efficiently to a rewarding work environment

Open and active communication



**Communication hub**

Maximize team strengths/Create new value



Workplace that encourages teamwork

Provide opportunities and discretion to take on challenges



**Location independent**

Design own work style/Maximize outcomes



Flexible work schedule and location

Promote social value creation through co-creation



**Innovation hub**

Look outward

Transcend organizational and corporate boundaries



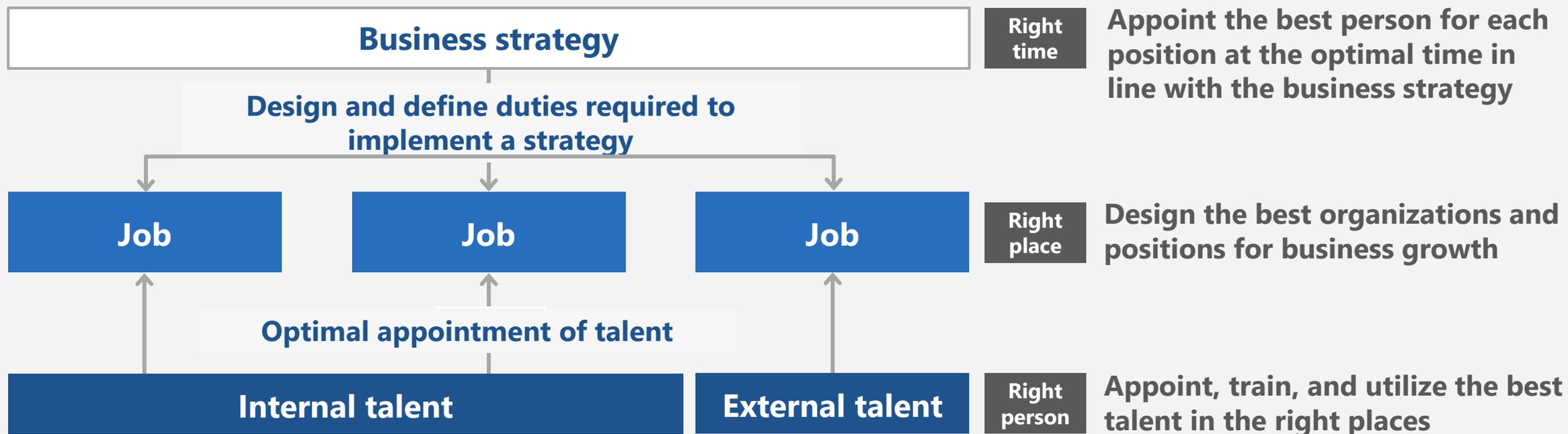
A place where you can proudly invite people from outside the organization

## Digital technology

# Job-based talent management: new compensation system for general managers and above in FY2024 and for all employees in FY2025

## Completion of the new HR system ecosystem that we have been working on since FY2019

Market-rate salaries/Pay for job  
Performance-based salaries/Pay for performance



**Job mobility—expand the internal talent recruitment system and encourage an equal relationship among peers who select and are selected by each another**

## NEC Growth Careers

### Organization

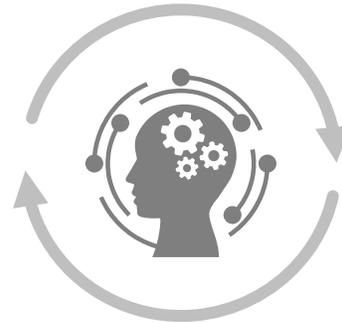


#### Open positions

Approx. **1,300** registered positions

Cumulative total from April 2022 to March 2023

**Offer**



**AI analysis**

### Individuals



#### Professional history

Approx. **3,400** registered resumes

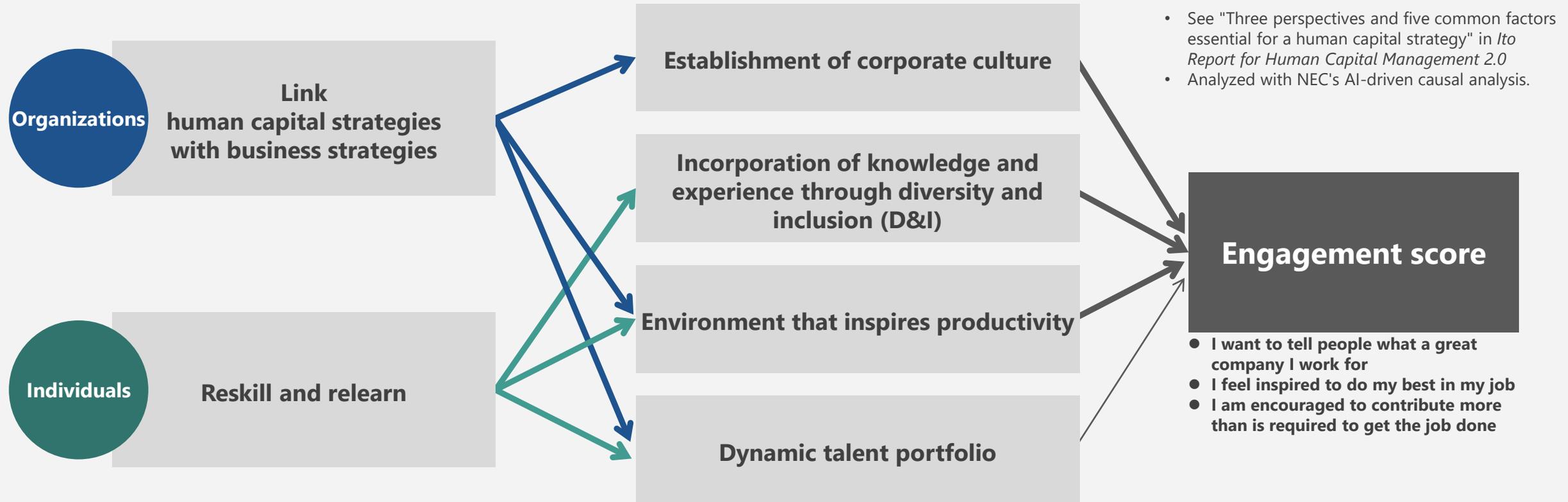
as of March 2023

**Apply**

# Talent management—invest in top talent to develop next-generation leaders

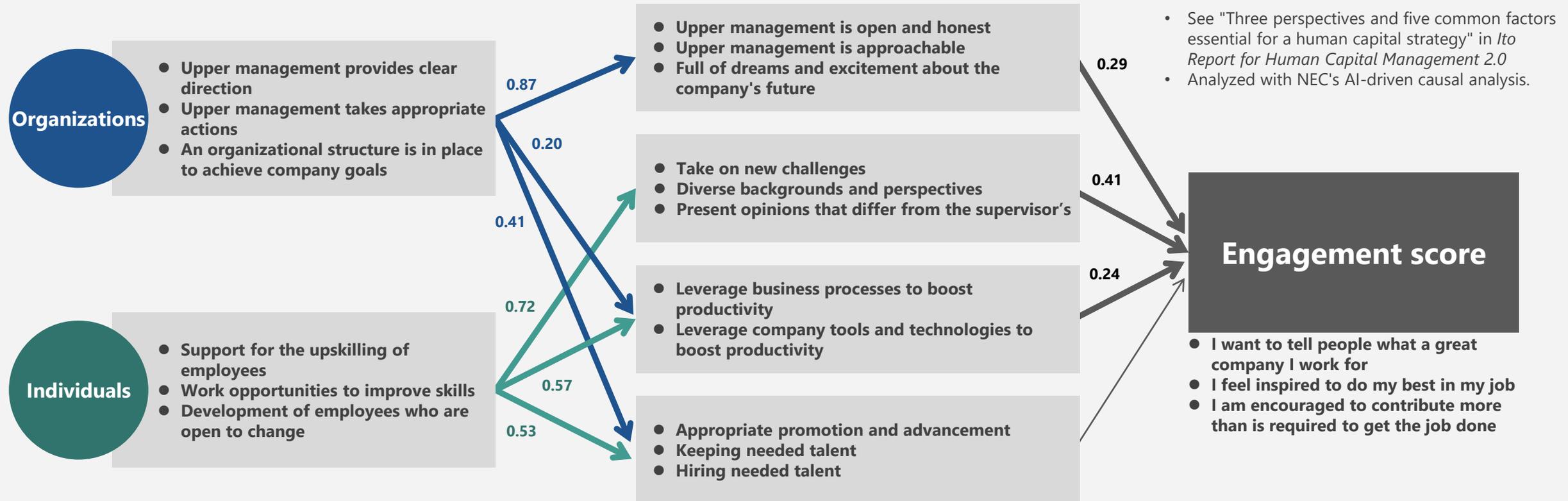


# Causal analysis of NEC's human capital management initiatives and engagement scores



**Organizational initiatives to “link human capital strategies to business strategies” and individual initiatives to “reskill and relearn” lead to higher engagement scores**

# Causal analysis of NEC's human capital management initiatives and engagement scores



**Organizational initiatives to “link human capital strategies to business strategies” and individual initiatives to “reskill and relearn” lead to higher engagement scores**

## Actions to realize the Mid-term Management Plan 2025

- Continue to strengthen communication from top management to the frontline staff and focus on promoting the transformation of people and culture
- Accelerate the development of a dynamic talent portfolio through measures such as job-based human capital management

**Strive to improve employee engagement to actualize human capital management**

\Orchestrating a brighter world

**NEC**