

# NEC's Corporate Governance as Seen by an Outside Director

**Kaoru Seto**  
Outside Director

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## Outside Director

# Kaoru Seto

- April 1970 Joins Yamato Transport Co., Ltd. (current Yamato Holdings Co., Ltd.).
- June 1999 Appointed as Executive Director and Kansai Branch President of Yamato Transport Co., Ltd.
- June 2003 Appointed as Human Resources Director of the same company.
- June 2004 Appointed as Executive Director and Managing Executive Officer of the same company.
- Nov. 2005 Appointed as Managing Executive Officer of Yamato Holdings Co., Ltd.
- June 2006 Appointed as Representative Director, President and Executive Officer of the same company.
- April 2011 Appointed as Chairman and Representative Director of the same company.
- April 2015 Appointed as Director and Senior Advisor of the same company.
- June 2016 Appointed as Advisor of the same company.
- June 2018 Appointed as Director of NEC Corp.; still serving in the same position.
- June 2018 Appointed as Special Adviser of Yamato Holdings Co., Ltd.; still serving in the same position.
- July 2018 Appointed as a member of the Nomination and Compensation Committee of NEC Corp.
- July 2019 Appointed as Chairman of the Nomination and Compensation Committee of NEC Corp.



# Effectiveness of NEC's Governance as Seen by an Outside Director

# Board of Directors – Main Matters Discussed and Their Evaluations

FY 2020/3 : held 12 meetings\*

FY 2021/3 (to Dec. 2020): held 9 meetings\*

## Management policy

- Revision of the NEC Way
- Revision of the NEC Group Code of Conduct
- Report on sustainability promotion activities (materiality, environment, human rights initiatives, etc.)

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## Management strategy

- Report on status of progress on Mid-term Management Plan 2020
- Overseas business strategy
- Digital transformation strategy
- Cross-industry business execution plan

- Capital and business alliances
- Technology and intellectual property strategy for business expansion
- Acquisition-based business expansion strategy
- Global 5G strategy
- DX strategy for the New Normal
- Measures for cyber security
- Marketing strategy

## Governance

- Status of countermeasures for "Priority Risks" and supervision of these measures
- Revision of policy on cross-shareholdings
- Evaluation of the effectiveness of the board of directors

- Status of countermeasures for "Priority Risks" and supervision of these measures
- Sale of cross-shareholdings

## HR measures

- HR policy and measures
- Revision of remuneration systems for Directors, Audit & Supervisory Board Members auditors and corporate officers

- HR strategy and measures

\*Number of regular board meetings held

# Major Items Discussed by the Nomination and Compensation Committee

FY 2020/3: held 6 meetings

FY 2021/3 (to Dec. 2020): held 8 meetings

## Nomination

- Nomination for Directors, Audit & Supervisory Board Members and important corporate officers
- Succession planning for the President

- Nomination for Directors, Audit & Supervisory Board Members and important corporate officers
- Succession planning for the President
- **Strengthening of the board structure**

## Compensation

- Revision of the remuneration systems for Directors, Audit & Supervisory Board Members
- Decision on bonus payment for Directors
- Decision on additional trust and check on operations (payment status) in the stock compensation system

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## Focus discussion items

- Succession planning for the President:  
Selection according to the successor selection flow
- Strengthening of the board structure and succession planning for outside directors:  
Discussion about the strengthening of the board structure and role; creation of rules for succession planning for outside directors

# Grasp of Business and Human Resources by Outside Directors

## Grasp of business

**Gain deeper understanding about business operations and core technologies through reports and interviews of those involved in business, visits to plants and production sites and participation in various events.**

- Providing opportunities for prior explanations about important issues (board meeting resolutions) and holding Q&A sessions
- Conducting prior hearings and opinion exchanges when making budgets for a new fiscal year and the Mid-term Management Plan
- Visits to plants and production sites, NEC Visionary Week, participation in research and technology exhibitions, etc.

## Grasp of human resources

**Grasp human resources through HR-related discussions at the Nomination and Compensation Committee as well as interactions with personnel.**

- Considering succession planning and discussing pooled human resources in the Nomination and Compensation Committee
- Grasping human resources and teaching management mind-sets through (monthly) meetings with management executives and talented human resources

# Succession Planning in the Nomination and Compensation Committee

## Selection process of the next president

Since FY2018/3, the selection process has been based on discussions from the perspectives of "objectiveness," "fairness" and "properness."

The requirements for the next president and the selection flow have been defined, and the evaluation and development of candidates have been discussed every year repeatedly. The committee objectively and fairly selects **the person most suitable for achieving true global growth** - a requirement that must be met at the time of change of presidents and during the next mid-term plan period.

## Candidates for future presidents

The committee discusses the evaluation and development of human resources not only for candidates for the next president but also candidates for future presidents, implementing succession planning for the president continuously.



## Improvements in the Discussion Process and Structure to Strengthen the Board of Directors

### Discussion process

**The committee discusses the strengthening of the board structure and the selection of directors in an "objective," "transparent" and "proper" manner.**

For these discussions, "carrier skills" are defined to strengthen the role of the board. Measures are discussed based on the key points in strengthening the current structure of the board.

### Structural strengthening in FY 2022/3

**With the goal of strengthening corporate governance and enabling deeper multi-aspect discussions about company-wide strategy, such as mid- and long-term management strategy and NEC's future vision, the committee has decided to add one outside director to increase the ratio of independent directors and enhance\* diverse career skills.**

A list of potential candidates was prepared, taking into consideration the evaluations by external human resources consultants as well. Discussions were repeated to select the right person in an objective and fair manner. As a result, Ms. Christina Ahmadjian was selected as the final candidate.

(\*) "diversity" "global" and "technologies (ICT/DX)"

## Evaluations of Career Skills of Board Members in FY 2022/3

● : Professional experience + knowledge  
○ : Knowledge

| Position  | Name               | Attributes |             |               |        |                     | Required career skills |                   |        |                          |                 |                    |           |
|---|--------------------|------------|-------------|---------------|--------|---------------------|------------------------|-------------------|--------|--------------------------|-----------------|--------------------|-----------|
|   |                    | Outside    | Independent | Non-executive | Female | Foreign nationality | Management experience  | Technology ICT/DX | Global | Financial accounting M&A | Risk management | Sustainability ESG | Marketing |
| Chairman of the Board                                   | Nobuhiro Endo      |            |             | ●             |        |                     | ●                      | ●                 | ●      | ○                        | ●               | ●                  | ●         |
| Vice Chairman of the Board (Representative Director)    | Takashi Niino      |            |             |               |        |                     | ●                      | ●                 | ○      | ○                        | ●               | ●                  | ●         |
| President and CEO (Representative Director)             | Takayuki Morita    |            |             |               |        |                     | ●                      | ○                 | ●      | ●                        | ●               | ●                  | ●         |
| Senior Executive Vice President and Member of the Board | Norihiko Ishiguro  |            |             |               |        |                     |                        | ○                 | ●      | ○                        | ○               | ●                  | ○         |
| Executive Vice President, and member of the Board       | Hajime Matsukura   |            |             |               |        |                     | ○                      | ○                 | ○      | ●                        | ●               | ●                  | ○         |
| Executive Vice President, and member of the Board       | Motoo Nishihara    |            |             |               |        |                     |                        | ●                 | ●      | ○                        | ○               | ○                  | ○         |
| Member of the Board                                     | Kaoru Seto         | ●          | ●           | ●             |        |                     | ●                      |                   | ○      | ○                        | ●               | ●                  | ●         |
| Member of the Board                                     | Noriko Iki         | ●          | ●           | ●             | ●      |                     | ●                      |                   | ●      |                          | ●               | ●                  |           |
| Member of the Board                                     | Masatoshi Ito      | ●          | ●           | ●             |        |                     | ●                      |                   | ●      | ○                        | ●               | ●                  | ●         |
| Member of the Board                                     | Kuniharu Nakamura  | ●          | ●           | ●             |        |                     | ●                      |                   | ●      | ○                        | ●               | ●                  | ●         |
| Member of the Board                                     | Jun Ohta           | ●          |             | ●             |        |                     | ●                      | ●                 | ●      | ●                        | ●               | ●                  | ●         |
| Member of the Board                                     | Christina Ahmadian | ●          | ●           | ●             | ●      | ●                   | ○                      |                   | ●      | ○                        | ●               | ●                  | ○         |

# Challenges and Expectations of NEC's Governance

# Challenges and Expectations of NEC's Governance

01. Change and evaluation of NEC during this mid-term plan period
02. Adoption and utilization of external viewpoints to make NEC stronger
03. What is expected of NEC during the COVID-19 pandemic

 **Orchestrating** a brighter world

**NEC**