

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





Corporate Governance Reform

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

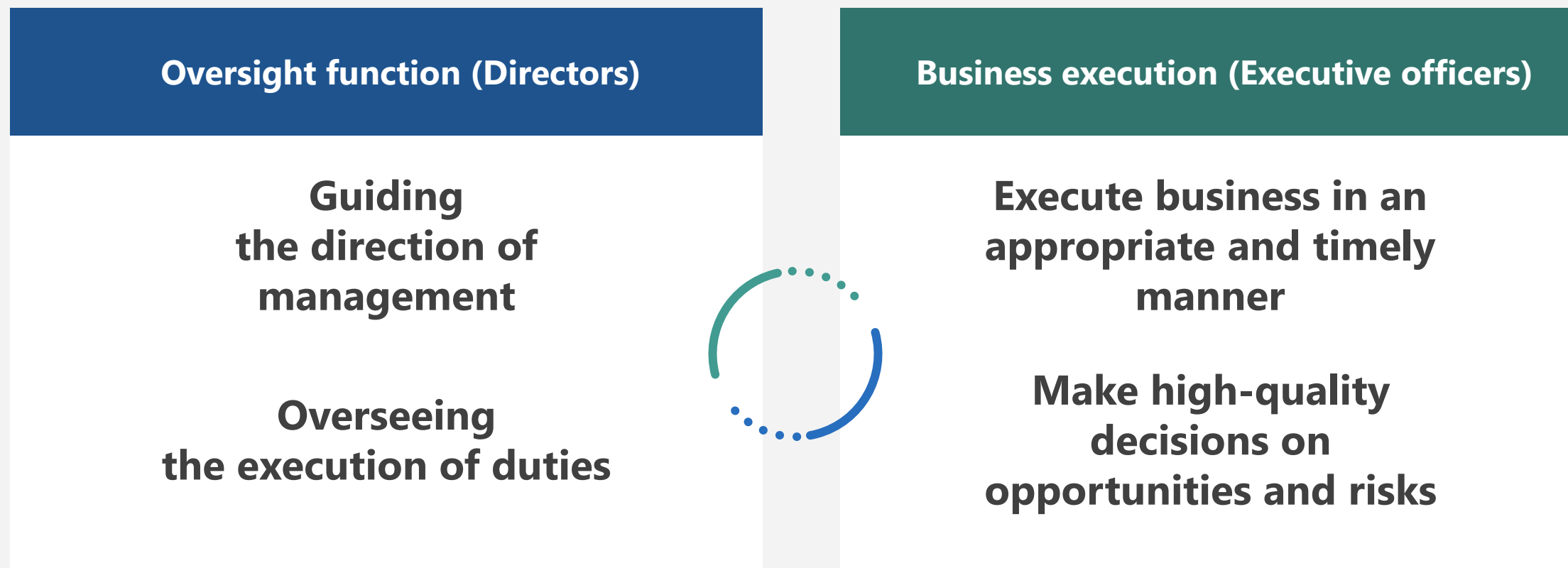
Improve the quality and speed of management decisions

**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



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

Title as of February 28, 2023

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

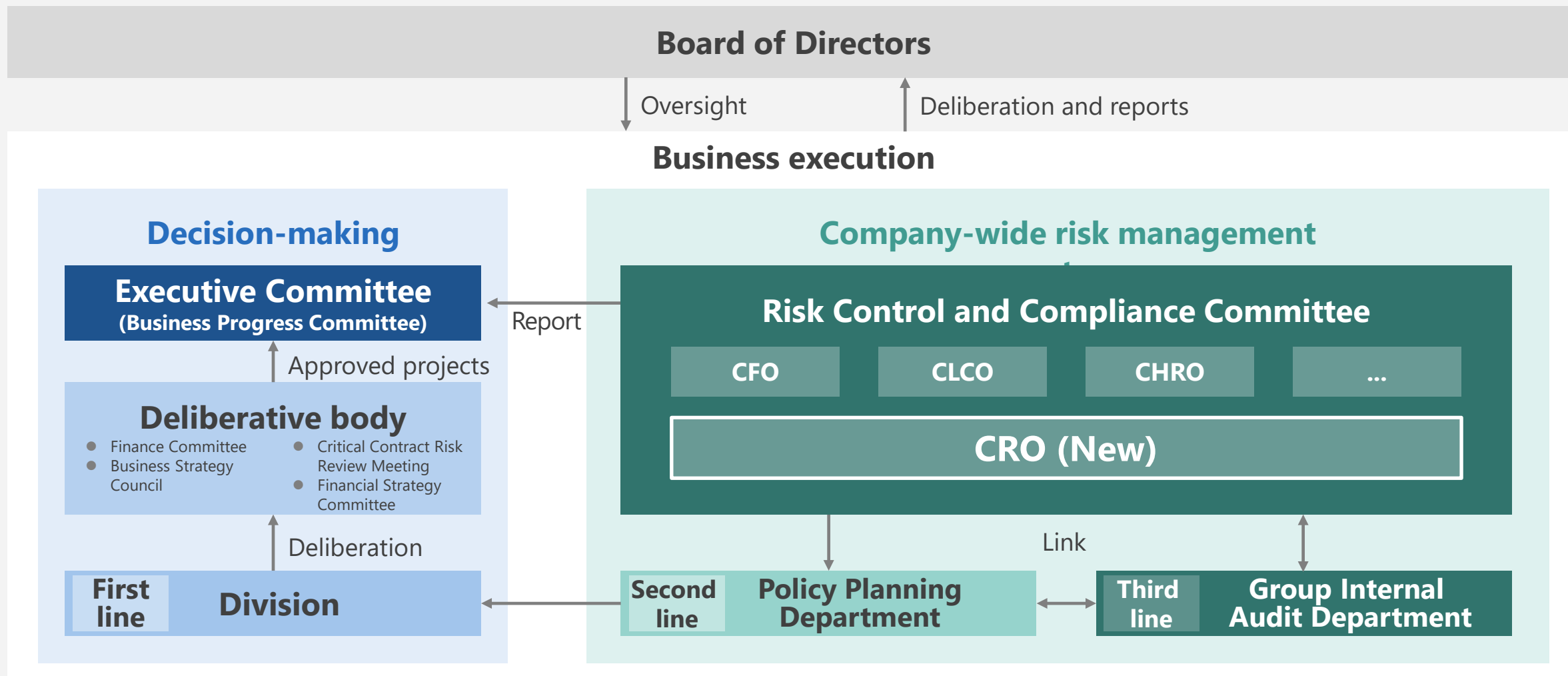
		Corporate Management	Global Business	Technology Innovation	Marketing	Finance or Accounting Investment	Audit or Legal Risk Management	Corporate Governance	Sustainability ESG
NEC Directors	Takashi Niino	●						●	●
	Takayuki Morita	●	●		●	●		●	
	Osamu Fujikawa			●	●	●			●
	Hajime Matsukura					●	●	●	●
	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

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● 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.● 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

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

Bonus

Evaluation
period
1 YEAR

Incentive program linked to mid-term goals

Distribution
ratio

50%

**EBITDA
(Amount)**

Profitability/Growth

Finance

30%

**EBITDA
(Sales
revenue %)**

Profitability

20%

**Engagement
score**

ESG

**Non-
financial**

Stock-based compensation

Evaluation
period
3 YEARS

Highly objective and transparent compensation system linked to shareholders' value

Distribution
ratio

100%

TSR

Shareholders' value

Breakdown

50%

Index ratio

50%

**Peer group (Competitors)
ratio**

Fixed remuneration

Compensation structure and level competitive with the labor market

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 plaza. The ground is paved with light-colored tiles in a geometric pattern. Numerous people are walking in various directions, some in small groups and others alone. Their shadows are cast long and dark on the pavement, indicating a low sun position. The overall scene is a representation of human movement and activity.

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

2024 milestone

Current progress

25%

36%

40%

50%

2021

2022

2023

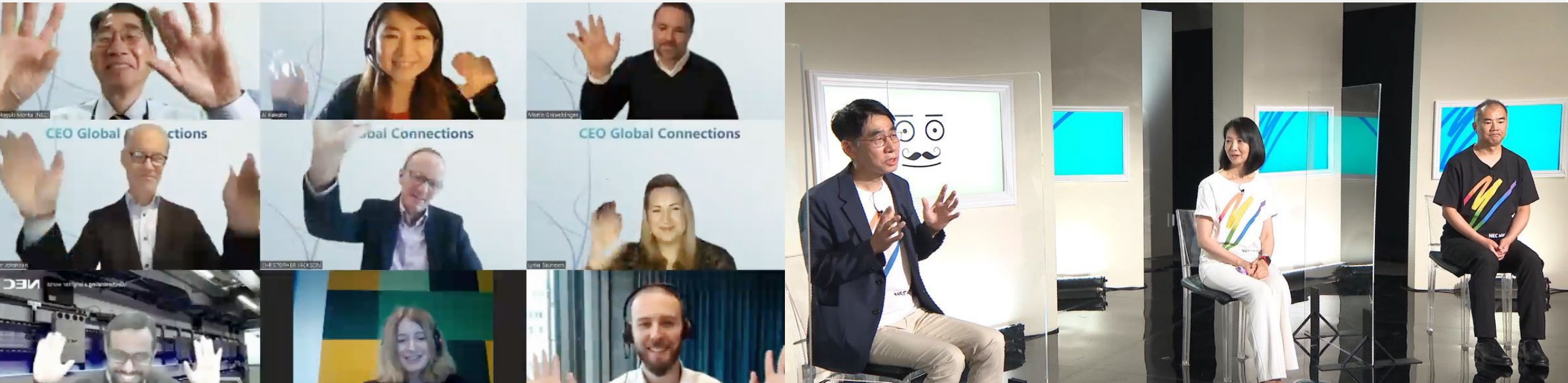
2024

2025

2026

(FY)

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

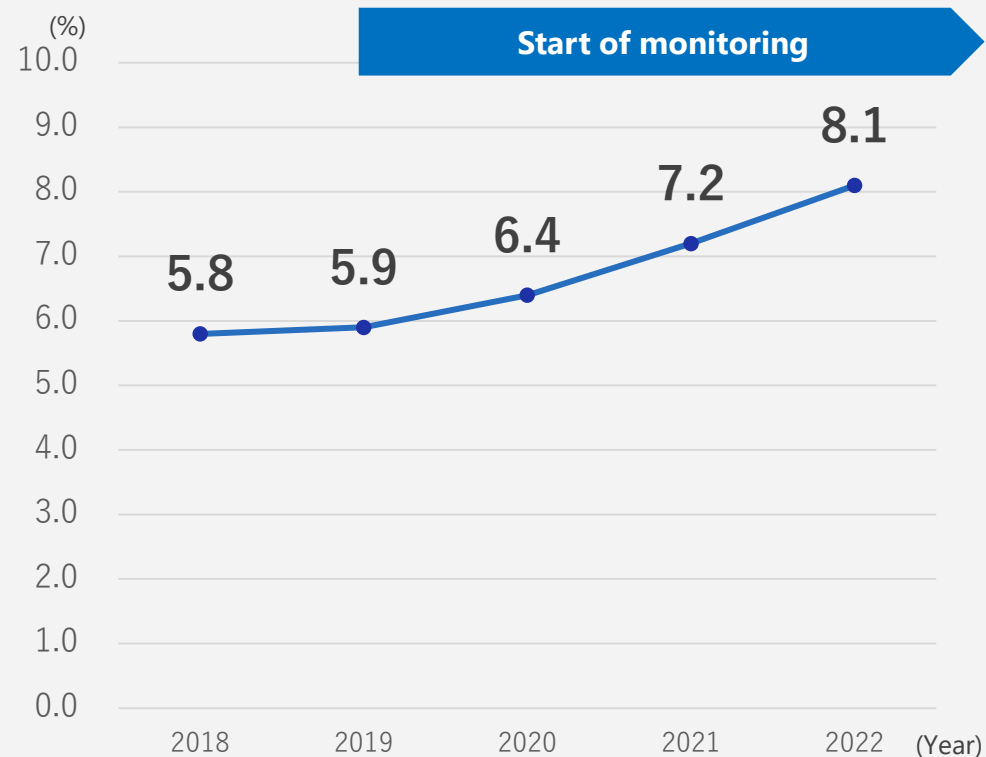
Late 50s

- 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

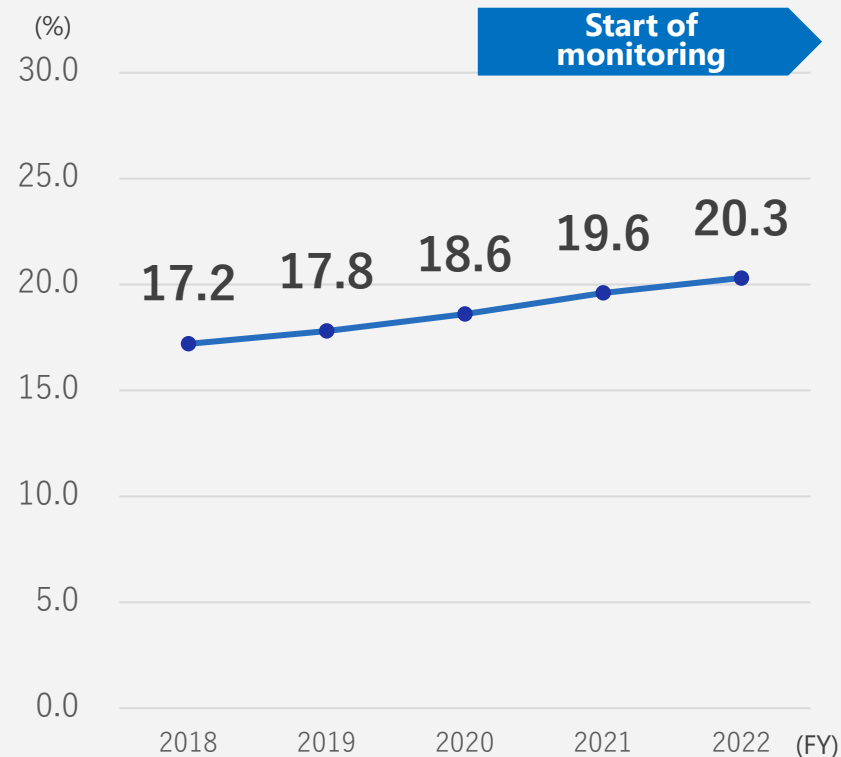
Diversity—accelerate the increase of women in management, staff, and board positions through monitoring

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



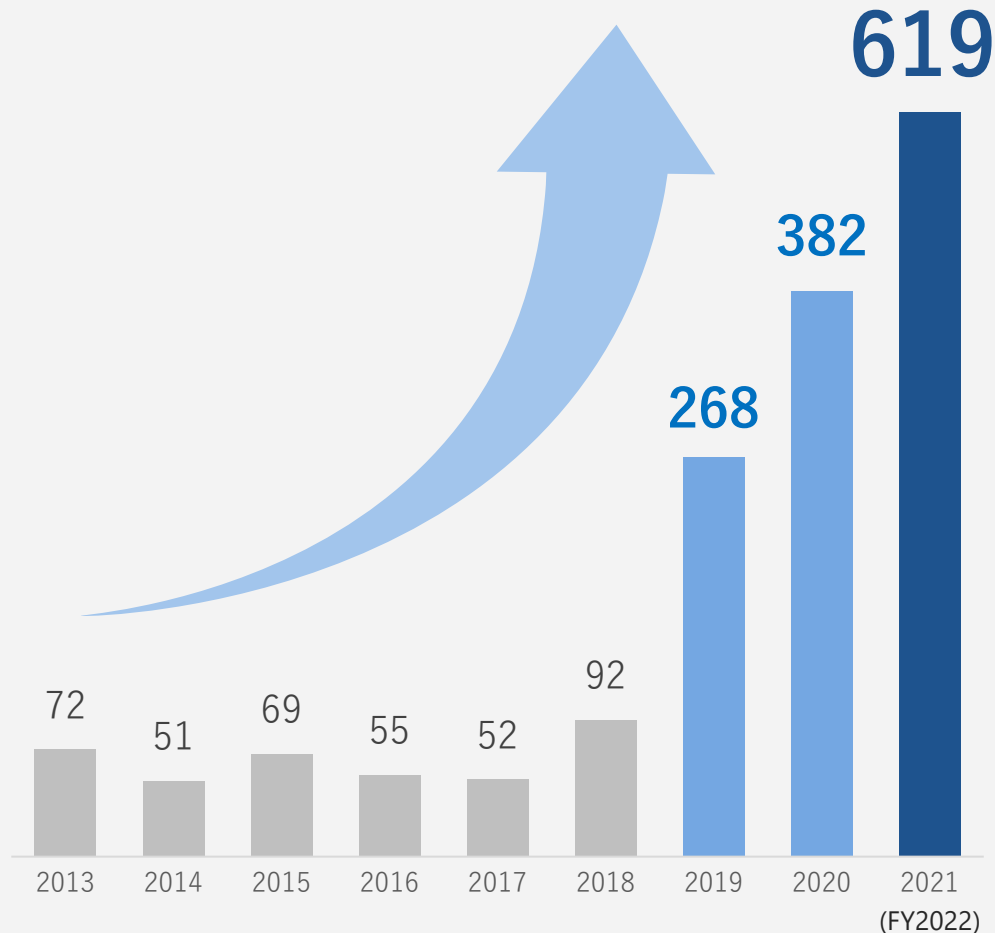
Percentage of female executives as of June 30 of each fiscal year

FY2022
3.6%

↓

FY2023
9.4%

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



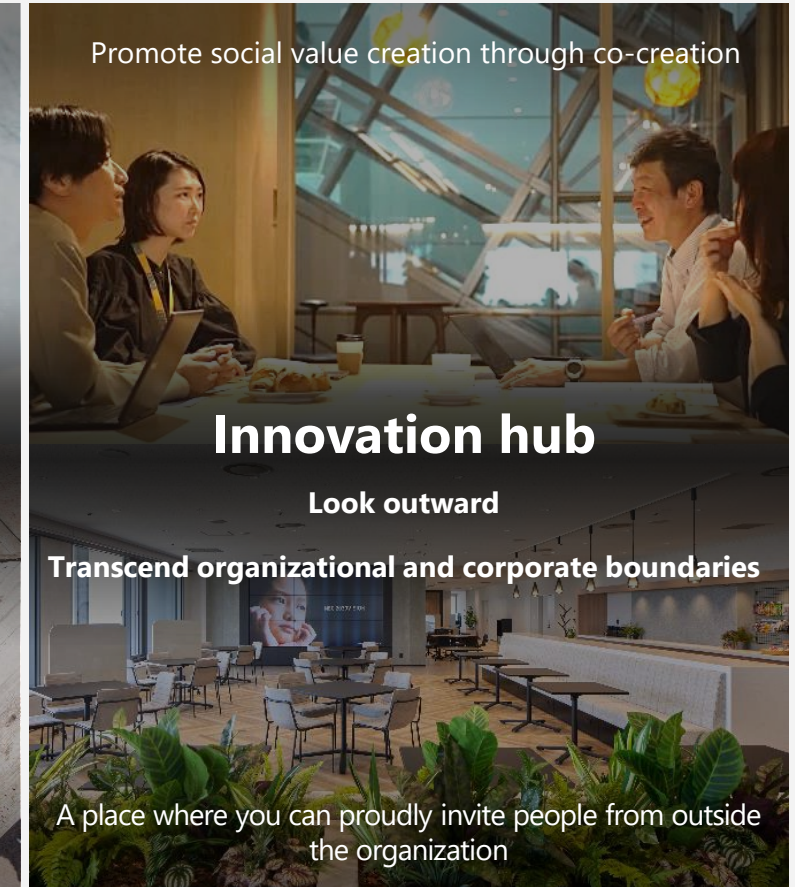
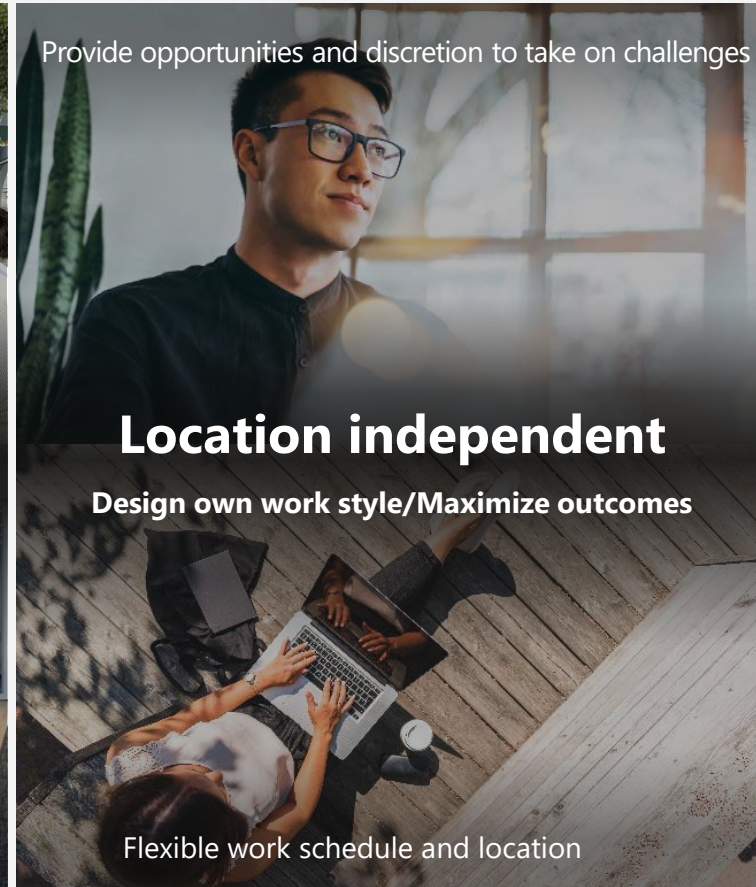
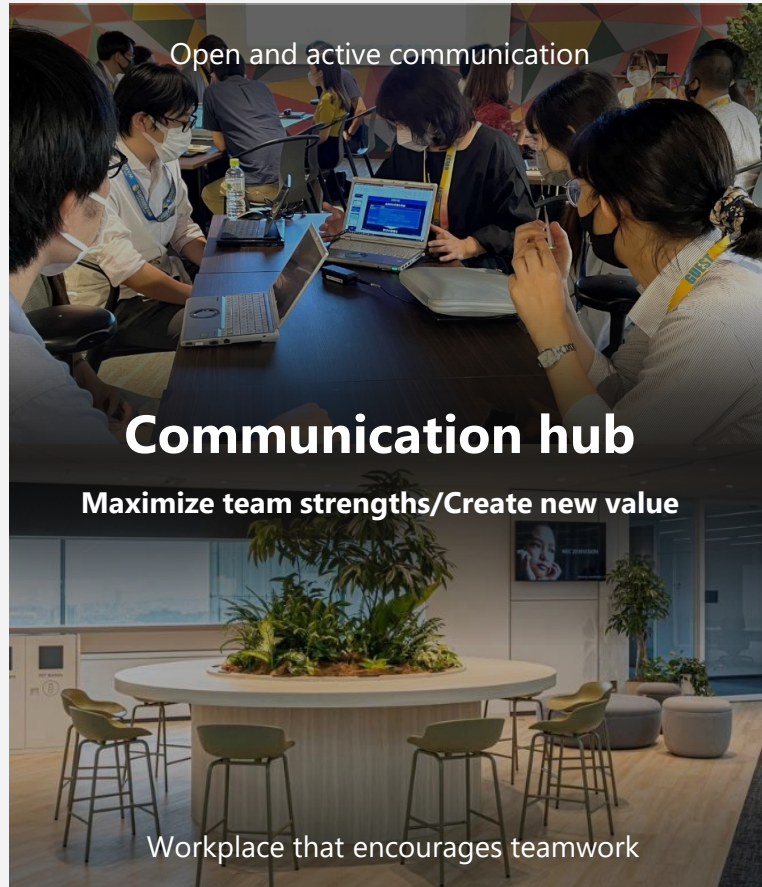
*Expected to be approximately 600 in FY2023

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)

What human capital management initiatives entail

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

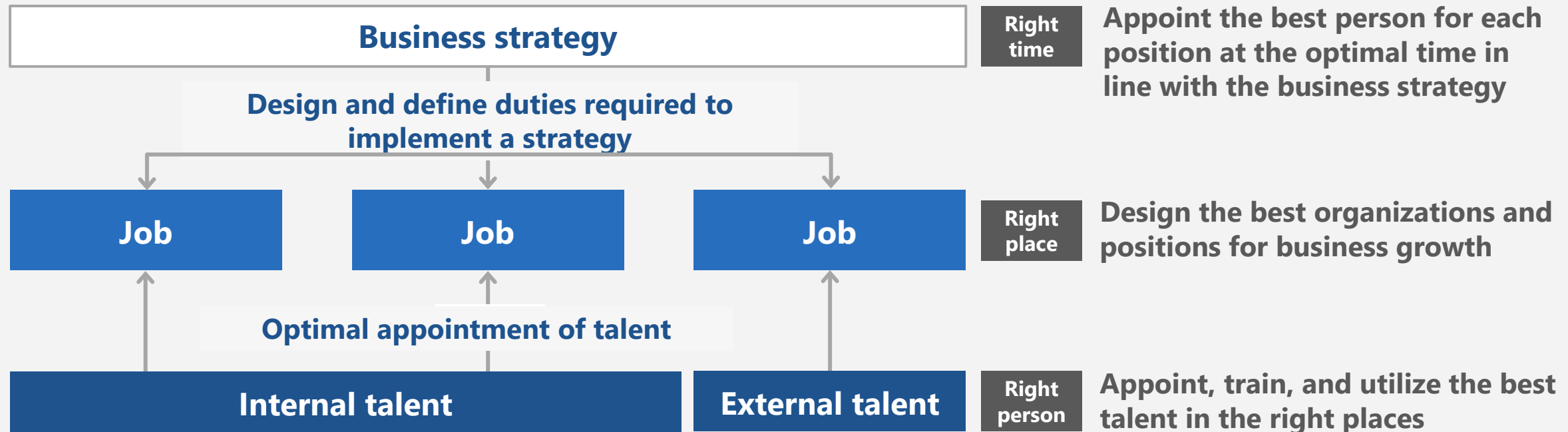


Digital technology

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

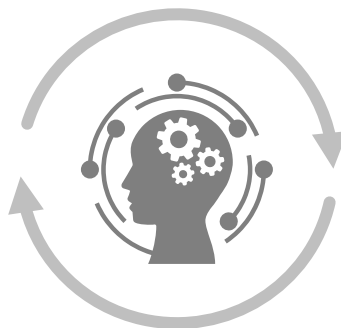


Open positions

Approx. **1,300** registered positions

Cumulative total from April 2022 to March 2023

Offer



AI analysis

Individuals



Professional history

Approx. **3,400** registered resumes

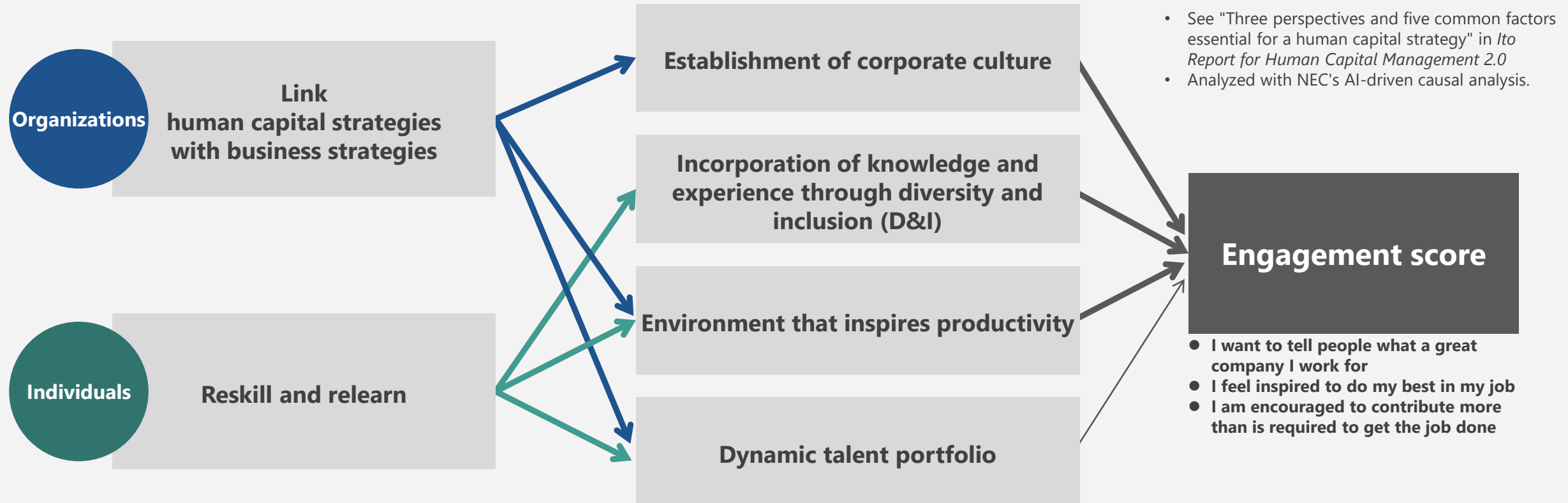
as of March 2023

Apply

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

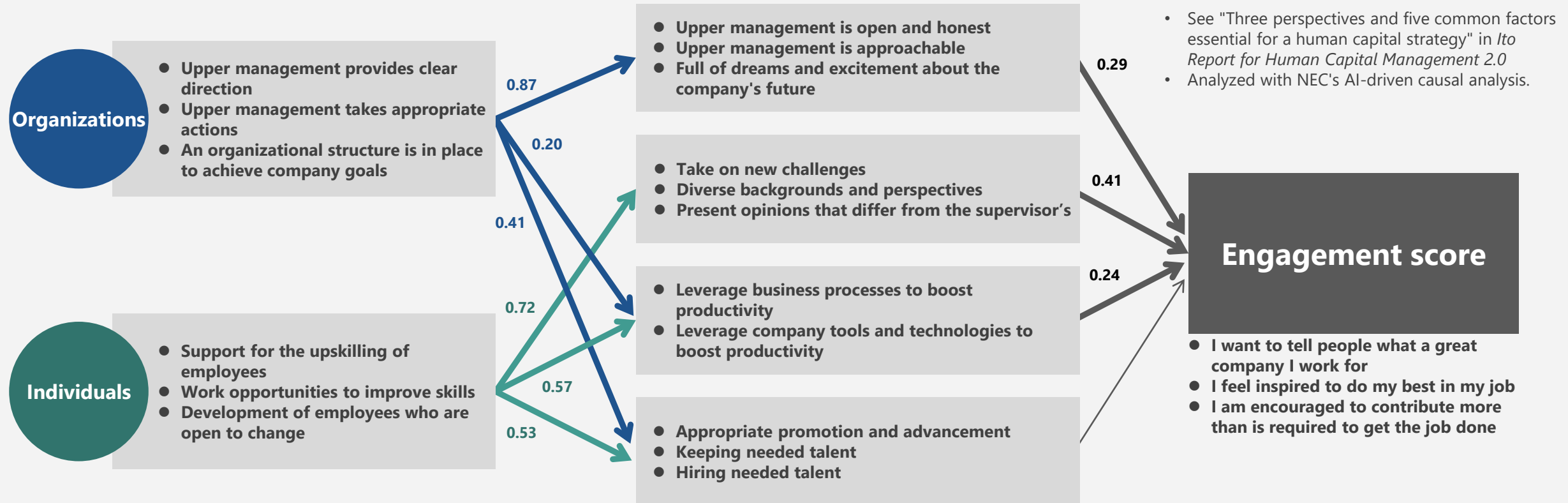


Causal analysis of NEC's human capital management initiatives and engagement scores



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