

Corporate Governance Reforms of NEC

October 7, 2024

Corporate Secretary (Executive Officer), Member of the Board

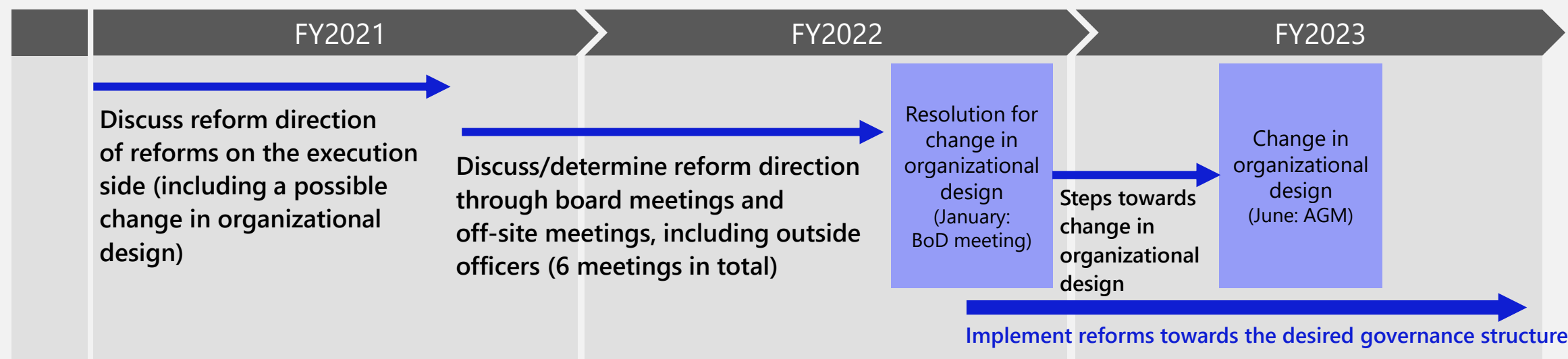
Hajime Matsukura

Commenced Discussions on Governance Reforms based on the Dialogue with US/European Investors and Evaluation of Effectiveness of the Board of Directors (FY2021)

Challenges at the Time

- **Lack of discussions** within the BoD **regarding the mid-to-long-term and sustainable corporate value enhancement**
- **Highly sophisticated and swift management decisions are required** amid a dynamically changing operating environment
- **Winning trust from investors** in toward the management's stance on corporate governance

Roadmap for Corporate Governance Reforms



Transition to a Company with a Nominating Committee, etc.

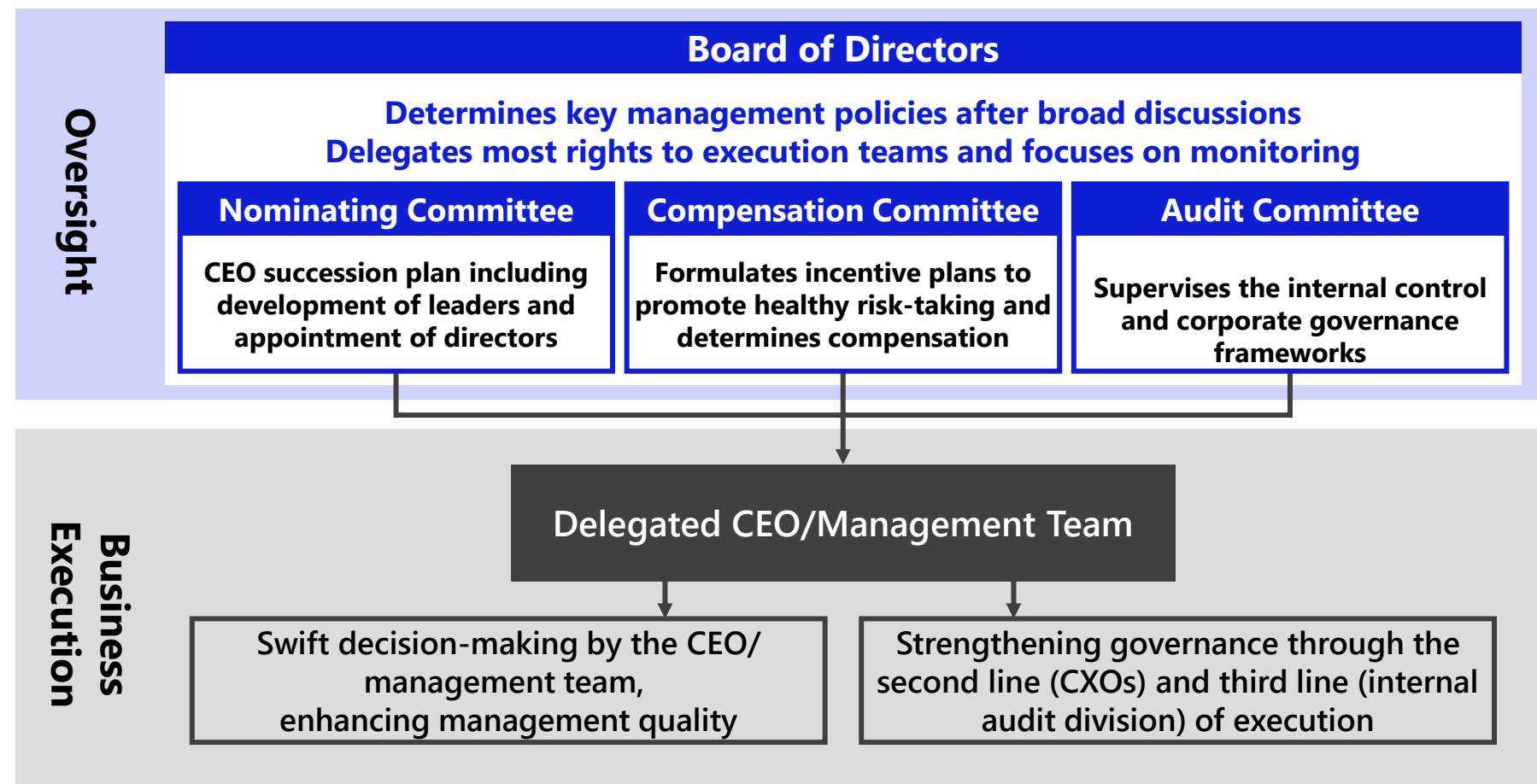
Clear separation of oversight and execution functions suitable for global management to pursue corporate value creation

Ability to engage in discussions to enhance corporate value

Establish a governance framework and monitor it appropriately

Swift implementation of initiatives to enhance corporate value

Achieve management quality that enables delegation to reliable personnel



Board of Directors

Outside		Christina Ahmadjian Member of the Board Former Professor, Graduate School of Business Administration, Hitotsubashi University		Kyoko Okada Member of the Board Former Audit & Supervisory Board Member, (Full-time) Shiseido Company, Limited		Joji Okada Member of the Board Former Representative Director, Executive Vice President and CFO, Mitsui & Co., Ltd,		Shinjiro Sato Member of the Board Former Representative Director, President and CEO, Terumo Corporation
		Masashi Oka Member of the Board Former President & CEO, Representative Director, Sony Financial Holdings Inc. (currently, Sony Financial Group Inc.)		Harufumi Mochizuki Member of the Board Former Vice-Minister of Economy, Trade and Industry of Japan		Yoshihito Yamada Member of the Board Chairman of the Board, OMRON Corporation		Shiori Nagata Member of the Board Former Director, Yanmar Holdings Co., Ltd.
Full-time		Takashi Niino Chairman of the Board		Takayuki Morita President and CEO (Representative Executive Officer), Member of the Board		Osamu Fujikawa Corporate Executive Vice President and CFO (Representative Executive Officer), Member of the Board		Hajime Matsukura Corporate Secretary (Executive Officer), Member of the Board
				Shinobu Obata Member of the Board				

Breakdown of the 13 Board Members



Strengthening the Oversight Function: Diversity of Director Attributes and Skills

		Corporate Management	Global Business	Technology Innovation	Marketing	Finance/Accounting/Investing	Audit/Legal/Risk Management	Corporate Governance	Sustainability ESG
Outside	Christina Ahmadjian		●				●	●	●
	Masashi Oka	●	●			●	●	●	
	Kyoko Okada						●		●
	Harufumi Mochizuki	●	●				●	●	
	Joji Okada		●			●	●	●	
	Yoshihito Yamada	●	●	●	●			●	
	Shinjiro Sato	●	●	●		●		●	
	Shiori Nagata		●		●	●			●
Full-time	Takashi Niino	●						●	●
	Takayuki Morita	●	●		●	●		●	
	Osamu Fujikawa			●	●	●			●
	Hajime Matsukura					●	●	●	●
	Shinobu Obata						●	●	

Board of Directors and Committee Activities in FY2023

Board of Directors

Chairman
Niino

Members
Outside : 8
Full-time : 5

- Supervises of business execution of directors and executive officers
- Determines the operational direction
- Enhanced discussion of key issues relating to basic management strategy (off-site meetings)

Held 9 times* 100% attendance
***6 regular meetings planned for 2024**
6 off-site meetings (including 1 focused discussion)

Nominating Committee

Chairperson
Mochizuki

Members
Outside :
Oka/Yamada
Full-time : Niino

- Determines the content of agenda items relating to director appointment and dismissal
- Discusses the ideal board composition and selects director candidates accordingly
- Discusses CEO succession plan, including development of next-generation leaders
- Held 6 icebreakers with next-generation leaders

Held 5 times* 100% attendance

Compensation Committee

Chairperson
Oka

Members
Outside :
Yamada/Sato
Full-time : Morita

- Determines compensation systems of directors and executive officers and the compensation of each
- Discusses the level and composition of compensation under the existing system through benchmarks, etc.

Held 4 times* 100% attendance

Audit Committee

Chairperson
J. Okada

Members
Outside: K. Okada/
Mochizuki/Sato/
Nagata
Full-time : Obata

- Contributes to enhancing management quality and maximizing corporate value from an auditing perspective
- Audits business execution of directors and executive officers to promote the 3-party audit system and strengthens coordination with the internal audit division

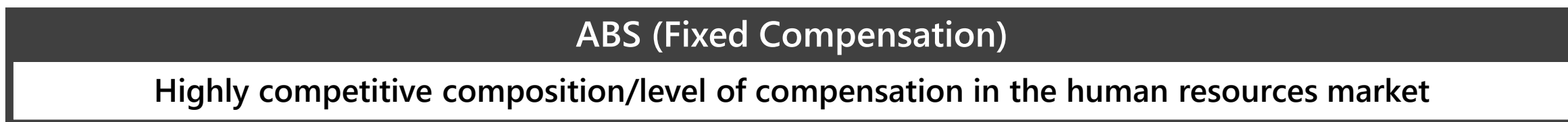
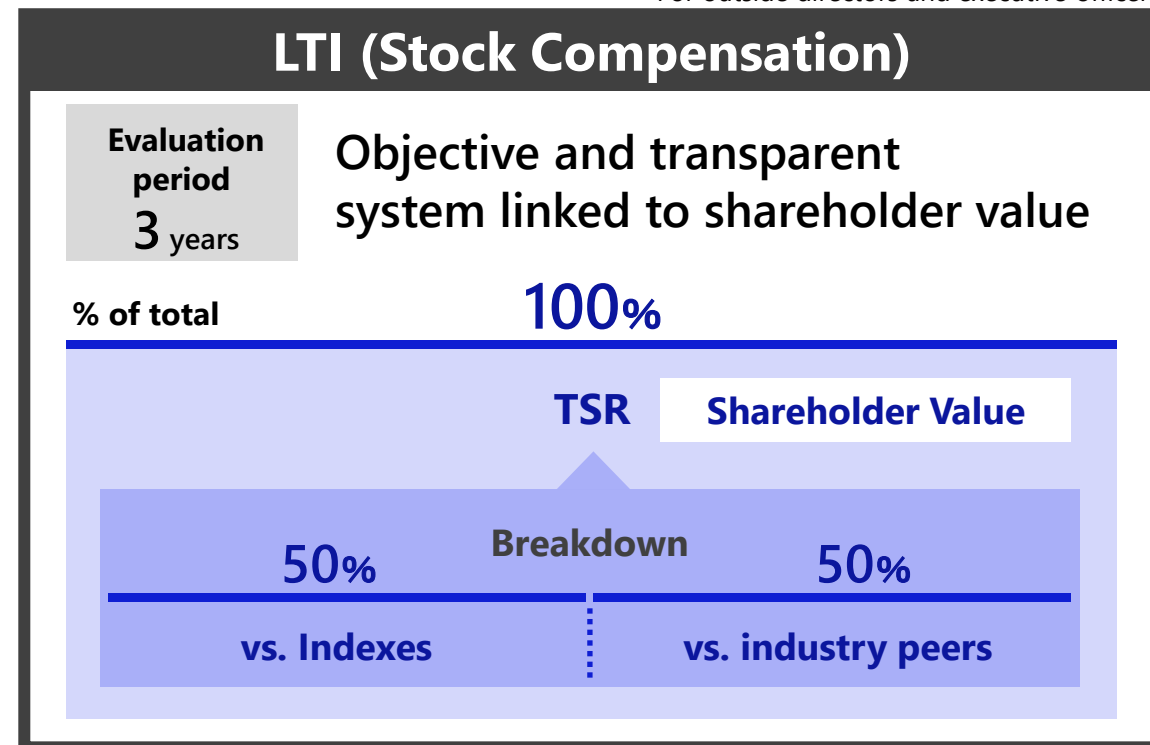
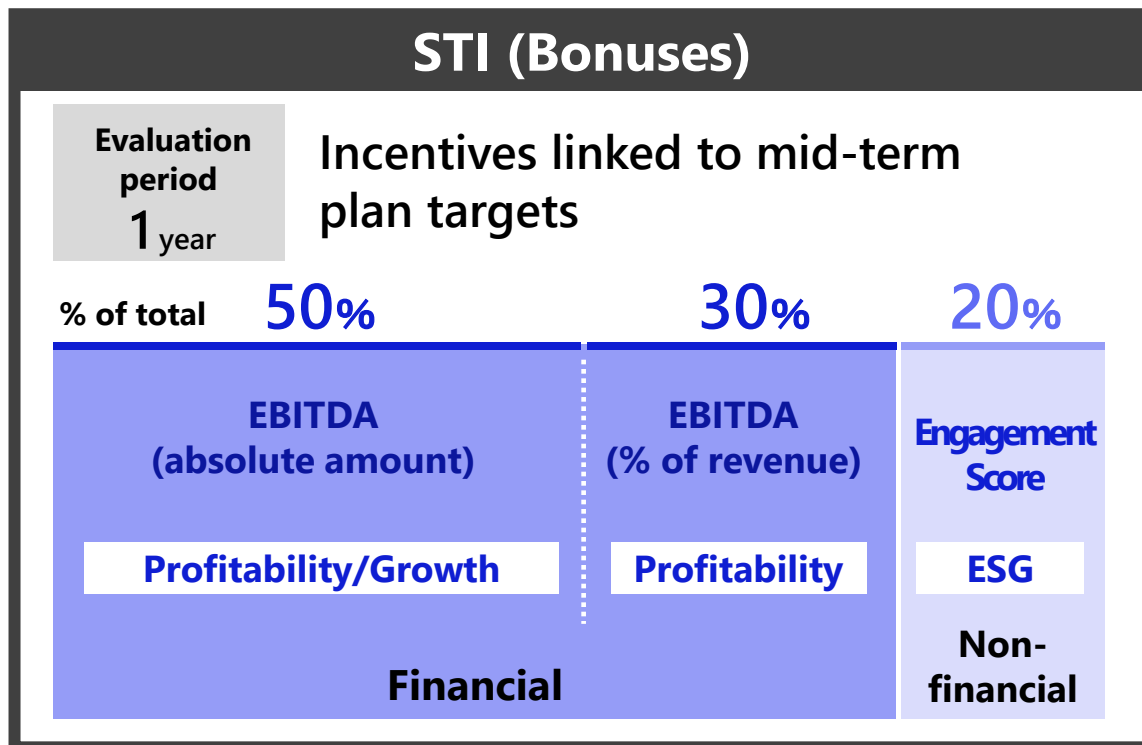
Held 11 times* 100% attendance

*Since the transition to the Company with a Nominating Committee, etc. in June 2023

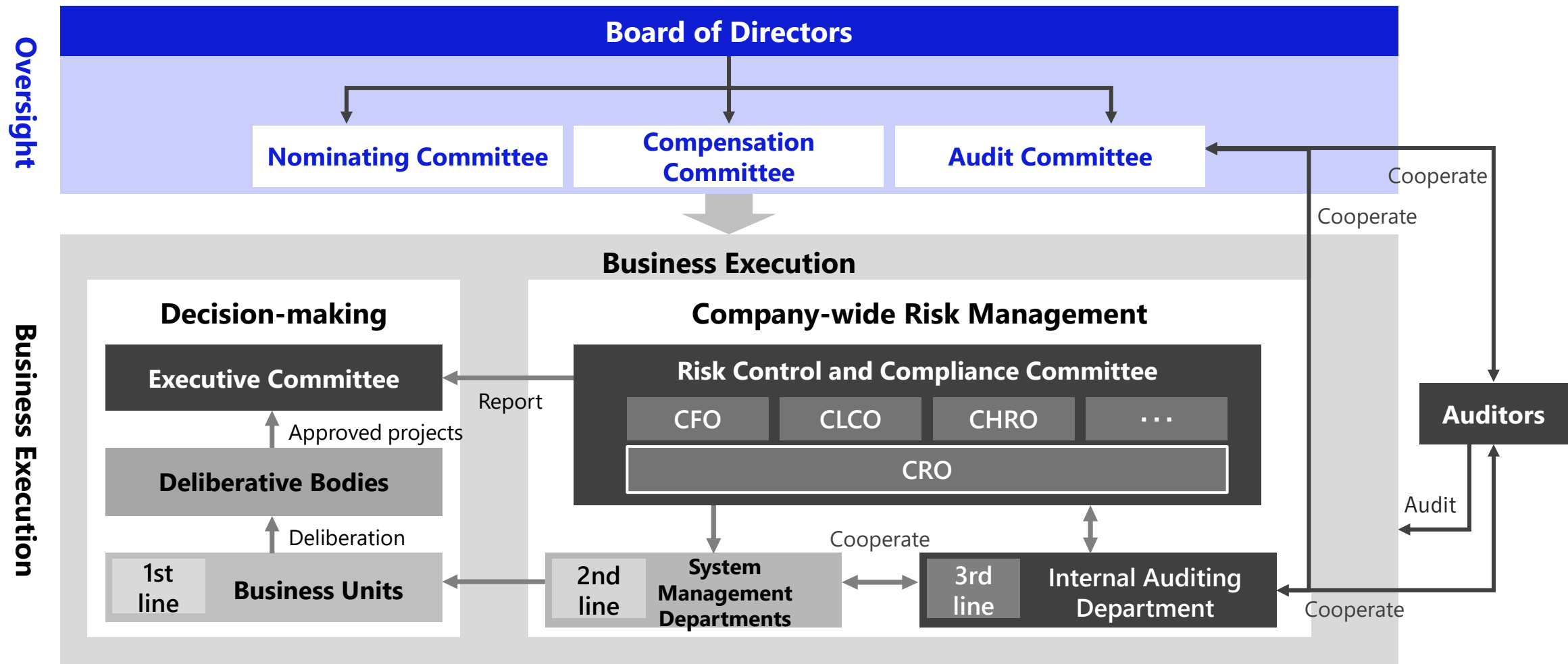
Revised compensation system to strengthen supervision and execution capabilities

(Variable compensation accounting for >50% of total; simple KPIs to improve corporate value)

* For outside directors and executive officers



Strengthen Company-wide Risk Management by Oversight and Business Execution

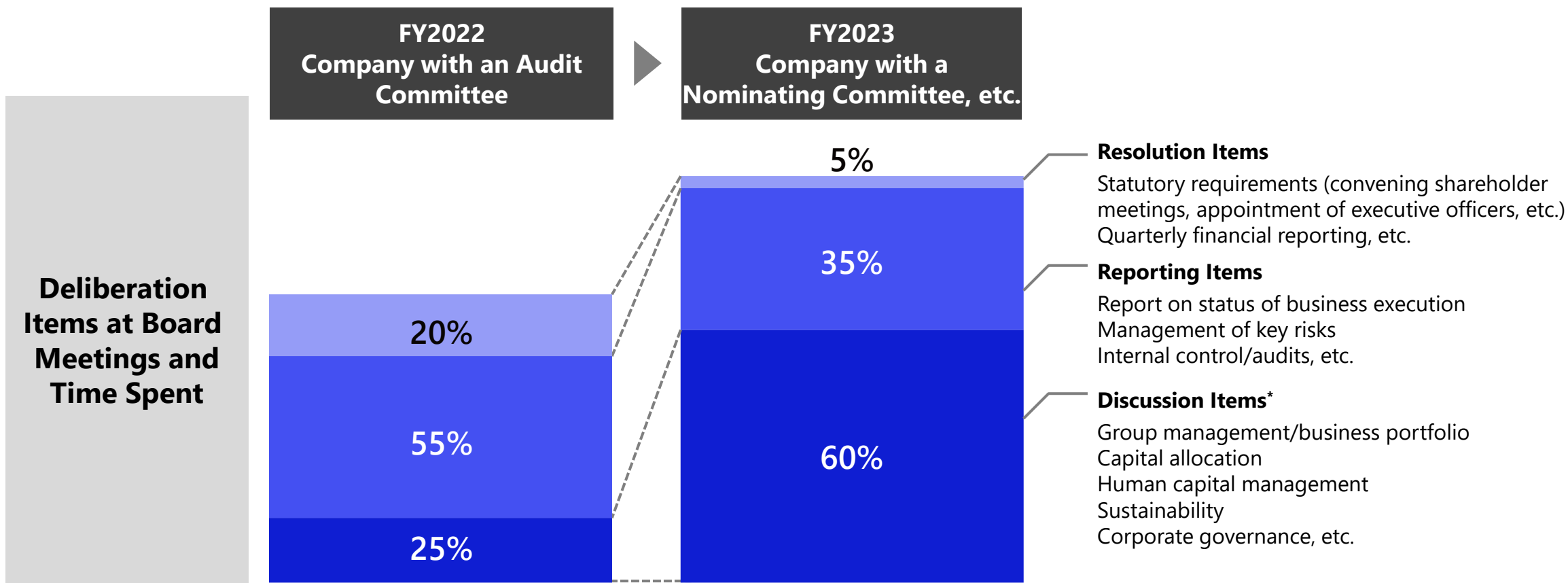


FY2023 Evaluation of Board Effectiveness (Outsourced to a third-party institution)

	FY2022 Challenges	FY2023 (June) Transition to a Company with a Nominating Committee, etc.	FY2023 Results of the Evaluation
Agenda Setting	<ul style="list-style-type: none"> • Too many resolution items to discuss important themes sufficiently 	<ul style="list-style-type: none"> • Significant delegation of rights to the execution teams • Off-site discussions to share CEO's management policies 	<ul style="list-style-type: none"> • Important agenda to be discussed at board meetings are becoming clearer
Monitoring Process	<ul style="list-style-type: none"> • Unclear monitoring process for progress on the mid-term plan and single FY performance targets 	<ul style="list-style-type: none"> • Clarified budget execution with the responsible executive • Established a process for reporting to the board of directors 	<ul style="list-style-type: none"> • Agenda established for reporting of progress on achieving budgets, execution, etc. • Reporting methods are in the process of being improved
Strengthening Communication	<ul style="list-style-type: none"> • Insufficient mutual understanding/communication among directors and between directors and execution teams 	<ul style="list-style-type: none"> • Opinion exchange meetings for outside directors only • Regular meeting among chairman/CEO and 3 committee chairs • Icebreakers with executive officers • Strengthen on-boarding • On-site visits, etc. 	<ul style="list-style-type: none"> • Better mutual understanding among directors via communication • Better on-boarding; increase in opportunities to deepen understanding of the business through on-site visits, etc.

Improved Deliberations at Board Meetings

Change in Deliberation Time at Board Meetings (On an annual basis)



* Includes time spent at off-site meetings

Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to the Company and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- adverse economic conditions in Japan or internationally;
- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- impact from the outbreak of infections;
- potential inability to achieve the goals in the NEC Group's medium-term management plan;
- fluctuations in the NEC Group's revenue and profitability from period to period;
- difficulty achieving the benefits expected from acquisitions, business combinations, reorganizations and business withdrawals;
- potential deterioration in the NEC Group's relationships with strategic partners or problems relating to their products or services;
- difficulty achieving the NEC Group's growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group's industry and to commercialize new technologies;
- intense competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group's concentrated customer base;
- difficulties with respect to new businesses;
- potential failures in the products and services the NEC Group provides;
- potential failure to procure components, equipment or other supplies;
- difficulties protecting the NEC Group's intellectual property rights;
- potential inability to obtain certain intellectual property licenses;
- the NEC Group's customers may encounter financial difficulties;
- difficulty attracting, hiring and retaining skilled personnel;
- difficulty obtaining additional financing to meet the NEC Group's funding needs;
- potential failure of internal controls;
- potentially costly and time-consuming legal proceedings;
- risks related to regulatory change and uncertainty;
- risks related to environmental laws and regulations;
- information security and data protection concerns and restrictions;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- risks related to corporate governance and social responsibility requirements;
- risks related to natural disasters, public health issues, armed hostilities and terrorism;
- risks related to the NEC Group's pension assets and defined benefit obligations; and
- risks related to impairment losses with regard to goodwill.

The forward-looking statements contained in this material are based on information that the Company possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for the Company to predict these events or how they may affect the NEC Group. The Company does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise..

Note: In this presentation, the accounting periods of the fiscal years for March 31,2023, 2024, and 2025 were referred as FY23/3, FY24/3, and FY25/3, respectively. Any other fiscal years would be referred similarly.

NEC

\Orchestrating a brighter world