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## Corporate Governance Report

Last Update: July 8, 2022

NEC Corporation

Takayuki Morita, President and CEO

Contact: Legal Department

TEL: +81-3-3454-1111

Securities Code: 6701

<https://www.nec.com/>

The corporate governance of NEC Corporation (the “Company”) is described below.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, the Company is committed to strengthening its corporate governance practices through (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.

The Company has established the “NEC Corporate Governance Guidelines” (the “Guidelines”) which set out the basic framework and policy of the corporate governance system of the Company. Please refer to the Company’s website. ([https://www.nec.com/en/global/about/pdf/nec\\_governance\\_guidelines.pdf](https://www.nec.com/en/global/about/pdf/nec_governance_guidelines.pdf))

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company fully complies with the principles of the Corporate Governance Code. All the principles are provided based on the Corporate Governance Code amended in June 2021 (including the principles for the Prime Market).

#### **[Disclosure Based on the Principles of the Corporate Governance Code] Updated**

The followings are the details of the items required to be disclosed under the principles of the Corporate Governance Code.

##### **【Principle 1.4 Strategic Shareholdings】**

The Company does not hold shares of other listed companies for the purpose of strategic -shareholdings in principle. But the Company exceptionally holds shares of other company as strategic shareholding if the Company judges that it is necessary for business cooperation with other company and business relationship with investee.

The Board of the Directors of the Company assesses the rationale of each individual strategic shareholding from a comprehensive perspective every year, taking into consideration the necessity to hold shares and the returns from such strategic shareholdings based on the Company’s cost of capital, and the Company sells such individual strategic shareholding which the rationality to hold is not confirmed as the result of the assessment.

When exercising voting rights, the Company examines various factors, such as whether it will contribute to enhancement of the mid- to long-term corporate value of issuers, as well as whether it will be in the interest of the NEC Group. (Article 11 (4) of the Guidelines)

During the fiscal year ended March 31, 2022, the Company assessed the rationality of the above strategic shareholdings at the Board of Directors meeting held in December 2021.

**【Principle 1.7 Related Party Transactions】**

In order to protect the interests of shareholders, the Company stipulates in the Rules of the Board of Directors that approval of the Board of Directors is required when a member of the Board of Directors engages in transactions that may have conflict of interests with the Company. The Board of Directors monitors such transactions in accordance with laws and regulations. (Article 11 (5) of the Guidelines)

**【Principle 2.4 Ensuring Diversity, Including Active Participation of Female】**

(Supplementary Principle 2.4.1)

(1) Basic policy

The NEC Group considers that it is necessary for creation of innovation and is an important management strategy to foster an environment that promotes the success of a diverse array of human resources who can incorporate multiple perspectives and ideas. As part of measures to achieve this, the NEC Group is working to promote global recruitment of human resources, female participation and career advancement in the workplace, active appointment of mid-career workers, employment of people with disabilities, and provision of support and encouragement of understanding for sexual minorities. In addition, such inclusion and diversity initiatives are positioned as practice of “Respect for Human Rights” called for in the Principles. (Article 12 (3) of the Guidelines)

(2) Views on ensuring diversity

To achieve the Purpose of “NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential” set forth in the NEC Way, the NEC Group will accelerate diversity, which is a source of innovation, through active appointment and systematic development of diverse human resources, including female and non-Japanese employees.

(3) Voluntary and measurable goals for ensuring diversity

In the “Mid-term Management Plan 2025” and the plan of action for general employer under the Act on Promotion of Female Participation and Career Advancement in the Workplace, the following figures are specified as goals to be pursued by the Company by the end of the fiscal year ended March 31, 2026 (including the case where transfers as of April 1, 2026 are determined within the fiscal year ended March 31, 2026).

- Ratio of female or non-Japanese to Directors, Audit & Supervisory Board Members (KANSAYAKU) (“A&SBMs”) and corporate officers 20%
- Ratio of female to all managers 20%
- Ratio of female to all employees 30%

For ensuring diversity, the Company stipulates that the pool of candidates for manager and above level positions is comprised by a certain percentage of females, non-Japanese, or mid-career hires. The Company continues to increase the number of mid-career hires by proactively hiring mid-career employees, in addition to females and non-Japanese.

(4) Status of ensuring diversity

The Company’s figures as of April 1, 2022 are as follows:

- Ratio of female or non-Japanese to Directors, A&SBMs and corporate officers 9.1%
- Ratio of female to all managers 8.1%
- Ratio of female to all employees 20.3%

2 of the 43 corporate officers appointed in April 2022 are females. Furthermore, 2 out of 12 individuals appointed to the officer class professional position called corporate executives who have high levels of expert knowledge in certain fields and are treated in the same way as corporate officers are females.

In addition, as a result of the resolution of the Ordinary General Meeting of Shareholders dated June 22 2022, 2 of the 10 Directors are female or non-Japanese, 1 of the 5 A&SBMs is female, and the ratio of female or non-Japanese to Directors, A&SBMs and corporate officers has become 9.4%.

Of the total number of employees recruited by the Company in the fiscal year ended March 31, 2022, approximately 50% is mid-career employees, and the ratio of female to these mid-career employees is 21.6%. In addition, the ratio of female to mid-career employees in managerial positions is also 16.8%. As for recruitment of non-Japanese employees, the Company focuses on employment of non-Japanese students from overseas who are new graduates, and makes a direct approach to students in university or graduate school abroad to hire them for research positions.

- (5) Policy for human resource development and policy for internal environment improvement to ensure diversity, and implementation status thereof

The Company strives to create opportunities for female employees to consider career development. In addition to existing training programs, the following programs (i) and (ii) for eligible female employees, and program (iii) for the supervisors of such employees started in the fiscal year ended March 31, 2022. The purpose of these programs is to train the next generation of female leaders.

(i) Women's Leader Program: Program to train management leader for females

(ii) Women's Career Forum: Career development forum for females

(iii) Women's Manager Workshop: Workshop for managers who have female subordinates

Supervisors of female candidates for the next generation of leaders provide appropriate motivation and feedback for the candidates at the start of training, and communication is encouraged to ensure that expectations and acknowledgement from others are clearly communicated.

For mid-career hires, the Company provides support so that they find their feet and begin contributing soon after joining the Company, including distribution of manuals to departments to which mid-career hires are assigned and support for building a network of employees who joined the Company at the same time as well as provision of orientations at the time of joining the Company. In addition, to corporate officers, managing directors and senior directors, training aimed to strengthen the management ability with regard to diverse human resources has been provided since the fiscal year ended March 31, 2020.

#### 【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】

The Company manages corporate pension funds through NEC Corporate Pension Fund ("Fund") in which the Company's finance division and accounting division properly deploy its personnel. The Committee of Representatives of the Fund decides all important matters on the Fund. The Company appropriately manages conflicts of interest which could arise between the beneficiary and the Company through the Committee of Representatives which consists of equal number of members elected by the Company and elected from among the pension subscribers. (Article 12 (4) of the Guidelines)

#### 【Principle 3.1 Full Disclosure】

- (1) Company objectives (e.g., business principles), business strategies and business plans

The NEC Group has defined the NEC Way as a common set of values that form the basis for how the entire NEC Group conducts itself. Within the NEC Way, the "Purpose" and "Principles" represents why and how as a company we conduct business, whilst the "Code of Values" and "Code of Conduct" embodies the values and behaviors that all members of the NEC Group must demonstrate. To fulfill the Company's Purpose, "NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential", the NEC Group aims to create social values continuously and to maximize its corporate values by implementing its middle and long term management strategy including its "Mid-term Management Plan" based on the Company's Principles ((i) The Founding Spirit of "Better Products, Better Services", (ii) Uncompromising Integrity and Respect for Human Rights, (iii) Relentless Pursuit of Innovation). (Article 2 of the Guidelines)

For the details, please refer to the Company's "Management Strategy and Policy" published on the Company's website at <https://www.nec.com/en/global/ir/corporate/management.html>.

- (2) Basic views and guidelines on corporate governance based on each of the principles of the Code

Please refer to "I.1. Basic Views" of this report.

- (3) Board policies and procedures in determining the remuneration of the senior management and Directors

For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company's basic policy on the remuneration for Directors and A&SBMs is to set the level and structure appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group. (Article 6 (3) of the Guidelines)

For the details, please refer to "II.1. [Director Remuneration]" of this report.

- (4) Board policies and procedures in the appointment and dismissal of the senior management and the

nomination of Directors and A&SBMs candidates

(Policies)

(i) Composition and Role of Board of Directors

The Company's Board of Directors consists of 10 members, 5 of whom are Outside Directors. To effectively fulfill their roles and responsibilities, the Board of Directors is comprised with consideration given to the balance between diversity, in such factors as career background, specialist field, internationality and gender, and appropriate size. Outside Director's independency is expected to be ensured through the Board of Directors' composition as a whole. The Company judges their independency based on the standards defined by Tokyo Stock Exchange and the "Independence Criteria for Outside Directors and Outside A&SBMs" set forth in "II.1. [Independent Directors/A&SBMs]" of this report.

The Board of Directors is responsible for making important decisions for the Company's business execution, including decision on its basic management policies, as well as supervising overall business execution. (Article 5 (1) of the Guidelines)

(ii) Term and Appointment of Directors etc.

The term of office for Directors is set at one year in order to clarify their management responsibilities for management every fiscal year. The candidates for Directors are determined with consideration given to the followings, in addition to satisfaction of the requirement of a Director as specified by laws and regulations:

- they have superior character, insight and high ethical standards; and
- they sympathize with the NEC Way and act with strong will to realize the Philosophy

In addition to the above, the Company considers whether candidates have extensive experience and/or deep insight related to the career background and skills presented in "(Career background and skills particularly expected of Directors)" in **【Principle 4.11 Preconditions for Board and A&SB Effectiveness】** (Supplementary Principle 4.11.1) below.

The Board of Directors appoints the senior management officer who has superior character and insight and fulfills its job responsibilities. The senior management officer will be dismissed by a decision of the Board of Directors if it is found to be in violation of laws or in lack of qualifications to be the officer or not to perform its duties appropriately. The Board of Directors determines appointment and dismissal of the Chairman of the Board and the President taking into consideration the results of the deliberations by the Nomination Committee.

(iii) Composition and Role of the Audit & Supervisory Board (KANSAYAKU-KAI)

The Company has 5 A&SBMs, 3 of whom are Outside A&SBMs. The Company appoints as A&SBMs the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the A&SBMs. Independency of each Outside A&SBM is ensured at individual level. The Company judges their independency based on the standards defined by Tokyo Stock Exchange and the "Independence Criteria for Outside Directors and Outside A&SBMs" set forth in "II.1. [Independent Directors/A&SBMs]" of this report.

The Audit & Supervisory Board (KANSAYAKU-KAI) ("A&SB") conducts audits of legality, as well as certain level of audits of validity (including internal control auditing) and provides advice to the President and others based on the results of the auditing. Moreover, the A&SB reports to the Board of Directors on its auditing plan and the results of the audit on a regular basis. (Article 8 (1) of the Guidelines)

(iv) Term and Appointment of A&SBMs

The term of the A&SBMs is 4 years. The candidates for the A&SBMs are determined with consideration given to the followings, in addition to satisfaction of the requirement of A&SBM as specified by laws and regulations:

- they have superior character, insight and high ethical standards; and
- they sympathize with the NEC Way and act with strong will to realize the Philosophy.

In addition to the above, in determining the candidates for Outside A&SBMs the Company considers whether they have deep insight in their areas of expertise. (Article 8 (2) of the Guidelines)

(Procedures)

The majority of the members of the Nomination Committee are Independent Outside Directors. The Company ensures independence by appointing the chairperson from among such Independent Outside Directors. This Committee deliberates on nomination for Directors, Representative Directors, and A&SBMs, the Chairman of the Board and the President, including succession

planning for the President from an objective perspective. The Committee reports the results of its deliberations to the Board of Directors. (Article 6 (1) of the Guidelines)

(5) Explanations with respect to appointment and dismissal of senior management and the individual appointments and nominations of Directors and A&SBMs

Please refer to the reference documents attached to the Notice of General Meeting of Shareholders. ([https://www.nec.com/en/global/ir/pdf/report/184/report184\\_01.pdf](https://www.nec.com/en/global/ir/pdf/report/184/report184_01.pdf))

(Supplementary Principle 3.1.3)

<Sustainability activities>

The NEC Group seeks to realize a sustainable world and has been promoting the measures for sustainability. The NEC Group identified “materiality” comprising of the priority management themes from an ESG (Environment, Social and Governance) perspective in 2018 and furthermore, once again identified priority management themes to be addressed in an effort to strengthen foundations for sustainability-oriented management in formulating the “Mid-term Management Plan 2025”. The Company actively discloses information regarding the progress and achievement of such measures on the Company’s website, the Integrated Report and the Sustainability Report.

In addition, the Company has endorsed the TCFD’s recommendations, and discloses results of analysis of effects of risks and profit-earning opportunities related to climate change on the NEC Group’s business activities, revenue and others in the Sustainability Report. For details, please refer to “Implementation of Environmental Protection, CSR Activities, etc.” of “III. 3. Measures to Ensure Due Respect for Stakeholders” below.

Integrated Report

(<https://www.nec.com/en/global/ir/library/annual/index.html>)

Sustainability Report

(<https://www.nec.com/en/global/csr/report/index.html>)

<Investment in human capital, and others>

Viewing people as its greatest management resource, the NEC Group has been investing in them by transforming systems and improving environments in ways that maximize the capabilities of its personnel and organization.

As measures for heightening employees’ engagement, and improving productivity and generating innovation, the NEC Group actively appoints diverse human resources. In addition, in order to allow diverse talent to further achieve high productivity and demonstrate creativity, the NEC Group conducts systematic development measures for its employees, such as human resource discovery of next-generation leaders, development and implementation of training programs to train next-generation leaders, development and implementation of training programs to train personnel conversant with digital technologies needed for Digital Transformation (DX), and human rights promotion training.

As the expenses for these measures, approximately 8 billion yen was posted for the NEC Group for the fiscal year ended March 31, 2022. The NEC Group will continue active investment in human capital.

The details are disclosed in the Integrated Report and the Sustainability Report.

Integrated Report

(<https://www.nec.com/en/global/ir/library/annual/index.html>)

Sustainability Report

(<https://www.nec.com/en/global/csr/report/index.html>)

<Investment in intellectual property, etc., and others>

The NEC Group will support its sustainable development by production of technologies that foster existing businesses functioning as a hub for creation of social value and advanced technologies for future businesses that can provide new value to the society and accelerating commercialization of these technologies. The NEC Group continuously allocates approximately 4% of its revenue to R&D, and promotes R&D focusing on “data science” technology area, which creates new value by analyzing diverse data using AI (artificial intelligence) technologies, etc., and “ICT platform” technology area to support the said technology area efficiently and securely.

In addition, as for patents, the NEC Group is concentrating its patent resources on technology areas such

as data science and ICT platforms, which drive growth businesses in the “Mid-term Management Plan 2025” such as Global 5G, Core DX (\*), Digital Government/Digital Finance. As a result, the NEC Group increases the percentage of applications and holdings that support growth businesses to continuously strengthen its patent portfolio. Intellectual property including enhanced patent portfolio is actively utilized to solidify the execution of growth businesses and to promote collaboration with various stakeholders. The details are disclosed in the Integrated Report, the Sustainability Report and the Annual Securities Reports.

(\*) The DX area where the NEC Group can leverage its strengths.

Integrated Report

(<https://www.nec.com/en/global/ir/library/annual/index.html>)

Sustainability Report

(<https://www.nec.com/en/global/csr/report/index.html>)

Annual Securities Reports

(<https://jpn.nec.com/ir/library/securities.html>)

#### **【Principle 4.1 Roles and Responsibilities of the Board (1)】**

(Supplementary Principle 4.1.1)

The Board of Directors delegates certain authority for business execution to corporate officers, and establishes the criteria for matters to be discussed by the Board of Directors. Pursuant to the criteria, a resolution of the Board of Directors is required concerning matters that have to be determined by the Board of Directors under laws and regulations, as well as transactions considered to be important for the Company in the light of its asset size and others.

#### **【Principle 4.9 Independence Standards and Qualification for Independence Directors】**

Please refer to “(Policies) (i) Composition and Role of Board of Directors” of “I.1. **【Principle 3.1 Full Disclosure】** (4) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of Directors and A&SBMs candidates” of this report.

Regarding Independent Outside Directors, please refer to “II.1. **【Independent Directors/A&SBMs】**” of this report.

#### **【Principle 4.10 Use of Optional Approach】**

(Supplementary Principle 4.10.1)

Please refer to “Supplementary Explanation” of “II. 1. **【Directors】** Committee’s Name, Composition, and Attributes of Chairperson” below.

#### **【Principle 4.11 Preconditions for Board and A&SB Effectiveness】**

(Supplementary Principle 4.11.1)

Please refer to “(Policies) (i) Composition and Role of Board of Directors” of “I.1. **【Principle 3.1 Full Disclosure】** (4) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of Directors and A&SBMs candidates” of this report.

In order to further enhance the effectiveness of the Board of Directors, the Company is working to improve its structure so that more in-depth discussion can be ensured on matters related to “broad, company-wide management strategies” and “corporate governance”. From the perspective of obtaining a broad range of knowledge on the relevant matters, the attributes of directors expected by the Company and particular areas of extensive experience and/or deep insight that the Company expects the directors to have (“Career background and skills particularly expected of Directors” below) were considered and formulated by the Nomination Committee.

The Company has defined its Purpose as the creation of social values and the realization of a sustainable society where everyone has the chance to reach their full potential. Pursuing innovation and aiming to enhance people’s mutual understanding, the Company has been working to achieve the Purpose while living harmoniously with the earth.

In considering and formulating the career background and skills particularly expected of Directors, the Company takes into account not only roles that are deemed necessary at the moment but also roles reflecting deepening and broadening of future needs from a long-term perspective by keeping in mind

medium- to long-term management strategy including the realization of “NEC 2030VISION” developed by the NEC Group, which is what the NEC Group wants to achieve by 2030, and Purpose, and the Mid-term Management Plan.

Furthermore, the Company’s Independent Outside Directors include those who have managerial experience at other companies.

Career background and skills particularly expected of Directors are as follows.

In addition, for details on the list showing particular areas that the Company expects for Directors, and a combination of insight and experience that each Director possesses (the “Career Skill Matrix”), please refer to reference documents for the “Notice of the Ordinary General Meeting of Shareholders.”

([https://www.nec.com/en/global/ir/pdf/report/184/report184\\_01.pdf](https://www.nec.com/en/global/ir/pdf/report/184/report184_01.pdf) )

(Career background and skills particularly expected of Directors)

(1) Corporate management

Practical knowledge on company management based on experience as chief executive officer of companies, etc.

(2) Technology

Business experience or specialized knowledge on technology related mainly to ICT and digital transformation

(3) Global business

Leadership experience in multinational firms or specialized knowledge on global markets

(4) Financial accounting/Investment

Experience as chief financial officer of large-scale organizations, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.

(5) Risk management

Risk management experience in accounting, legal affairs, technology, cyber security, etc. in large-scale organizations, or specialized knowledge on international and domestic legal affairs

(6) Sustainability/ESG

Knowledge about diverse values on female, foreign nationality, disabilities, etc., leadership experience in ESG activities or specialized knowledge on ESG management

(7) Marketing

Leadership experience in the marketing or brand strategy department or the sales department, or specialized knowledge on business-to-business transactions and marketing

The Company’s Nomination Committee regularly confirms the sufficiency level as the Board of Directors for the career background and skills particularly expected of Directors based on the Career Skill Matrix and makes use of the results in deliberations for election of candidates for Directors in the future and others.

#### **【Principle 4.11 Preconditions for Board and A&SB Effectiveness】**

(Supplementary Principle 4.11.2)

When an Inside Director assumes office as a director or auditor of other companies, Board of Directors discuss and approve it from the perspective of the influence on business execution as the Director of the Company.

In appointing Directors and A&SBMs, when an appointee serves as a Director or A&SBM of other public companies, it is desirable that the number of concurrent positions does not exceed the numbers specified as follows:

- When an appointee serves as an executive of the Company or another company: only one company in addition to the company where a candidate for Director or A&SBM serves as an executive.
- In cases other than the above: up to 4 companies in addition to the Company.

However, if a candidate for Director or A&SBM serves in multiple roles concurrently at group companies of the Company or another public-listed company, the concurrent roles within the group companies shall be deemed as roles in one company.

As for the important concurrent positions of Directors and A&SBMs, please refer to the Company’s “Executives” published on the Company’s website below and the reference documents attached to the Notice of General Meeting of Shareholders.

Company's "Executive"

(<https://www.nec.com/en/global/about/executives/directors.html>)

Notice of General Meeting of Shareholders

([https://www.nec.com/en/global/ir/pdf/report/184/report184\\_01.pdf](https://www.nec.com/en/global/ir/pdf/report/184/report184_01.pdf))

(Supplementary Principle 4.11.3)

The Company conducts an evaluation and verification of the effectiveness of the Board of Directors for the fiscal year under review once a year, in order to improve the effectiveness of the Board of Directors.

The summary of the results of the analysis and evaluation for the fiscal year ended March 31, 2022 and initiatives to be implemented for the fiscal year ending March 31, 2023 in light of these results are as follows.

(1) Procedure of the analysis and evaluation

In the fiscal year ended March 31, 2022, the Company conducted a questionnaire of all Directors and A&SBMs on the following items, and also conducted individual interviews based on the results. At the ordinary Board of Directors' meeting held in March 2022, analytical results were reported and proposals for initiatives for the fiscal year ending March 31, 2023 were discussed.

- Matters defined by the Company as "the core function of the Board of Directors" (decision-making on important matters, deliberations regarding broad, company-wide management strategies and corporate governance, etc.)
- Board of Director Operations (content of material, frequency of meetings, appropriateness of deliberation time, deliberation environment, etc.)
- Other (off-site meetings, evaluation of improvement measures implemented in the fiscal year ended March 2022, etc.)

(2) Summary of evaluation result

A summary of the evaluation of the effectiveness of the Board of Directors for fiscal year ended March 31, 2022 is as follows.

The Board of Directors can be evaluated as appropriately fulfilling its core functions in general, including the decision-making process for important matters, company-wide management strategies, and deliberations on corporate governance. The operations of the Board of Directors can be evaluated as appropriate overall, including the enhancement of information provided to Outside Directors, which was newly started.

Ongoing focus on the selection of themes for deliberation based on changes in the external environment and their impact and risks, as well as strengthening management with an awareness of active discussions and the use of Outside Directors' insight, are also desirable.

(3) Initiatives for the fiscal year ending March 31, 2023

The Company will investigate and implement the following two initiatives based on the results from the evaluation of the effectiveness of the Board of Directors conducted in fiscal year ended March 31, 2022.

- Appropriate selection of themes for deliberation based on supervision of steady execution of the "Mid-term Management Plan 2025", promotion of initiatives related to sustainability issues, and increased adherence to the Corporate Governance Code.
- Strengthening operations for further activation of discussions and more effective use of Outside Directors' insight (addition of pre-distribution targets for materials for Board of Directors' meetings and more opportunities (off-site meetings) to exchange opinions with Outside Directors)

Evaluation of the effectiveness of the Nomination and Compensation Committee

In the questionnaire and individual interviews pertaining to the effectiveness of the Board of Directors, the Company asked for opinions from Directors and A&SBMs to clarify challenges and improvements for the Nomination and Compensation Committee.

In summary, the results showed that the composition and operation of the Nomination and Compensation Committee can be evaluated as appropriate overall. This is because the Nomination and Compensation Committee was deemed to handle topics such as the President's succession plan,



change of composition of the Board of Directors for strengthening the supervisory functions of the Board of Directors and the NEC Group's corporate governance in an objective, fair, and appropriate manner. For the purpose of enhancing deliberations and deepening discussions on matters related to nominations and compensation, the Company has established and operated a Nomination Committee and a Compensation Committee in place of the Nomination and Compensation Committee since June 22, 2022. The Company will continue to consider measures to further strengthen the corporate governance system to ensure diversity in each committee going forward.

#### Evaluation of the effectiveness of the A&SB

The Company conducts an evaluation and verification of the effectiveness of the A&SB and A&SBMs with a view to improving the effectiveness of A&SBMs' audits every fiscal year. In fiscal year ended March 31, 2022, A&SBMs each conducted a self-evaluation and analysis of their audit activities and the operation of the A&SB and had individual interviews based on the results, after which all A&SBMs held a discussion based on the results of the questionnaire.

A summary of evaluation of the effectiveness of the A&SB and A&SBM for the fiscal year ended March 31, 2022, and the direction of initiatives for the fiscal year ending March 31, 2023 are as follows.

##### (1) Summary of evaluation result

For the fiscal year ended March 31, 2022, each A&SBM operated in line with the three pillars of (i) further improving the quality of audit work, (ii) audits focusing on fraud prevention, and (iii) re-examining NEC Group governance. The A&SB can be evaluated as appropriately fulfilling its functions in general by resolving and discussing statutory matters in addition to sharing information through reports on the status of audits by each A&SBM, hearing reports from the Accounting Auditor, Internal Auditing Division, and the internal control division, and exchanging opinions with the President regarding management issues.

More specifically, (i) measures were implemented in order to further improve the quality of audit work by encouraging the sharing of audit activities and audit issues with Outside Directors as well as the exchange of opinions with A&SBMs of domestic subsidiaries and accounting auditors in charge of accounting audits of overseas subsidiaries within A&SB audits, keeping in mind the priority themes based on internal and external environments, and (ii) exchanges of opinion were carried out with leaders of organizations on issues within the organization based on self-evaluation reports by the leaders themselves from the viewpoint of business operation and internal control as a means of auditing focused on fraud prevention and (iii) audits were conducted (including audits emphasizing quality control activities and systems) with particular focus on confirming the effectiveness of second line functions within the Three Lines Model (internationally recognized framework for risk management and control activities) within A&SB audits from the perspective of re-examining NEC Group governance.

##### (2) Initiatives for the fiscal year ending March 31, 2023

- Mindful of auditing that contributes to the realization of "NEC 2030VISION," A&SBMs continue its efforts to improve the quality of auditing work centered on the basic perspective of auditing based on the fundamental policy of the Company management and business operations and internal and external environmental changes.
- From the perspective of fraud prevention and enhancement of NEC Group governance, A&SBMs will continue to carry out audit activities that promote autonomous improvement by combining self-evaluation by leaders of organizations with feedback from A&SBMs. A&SBMs will also continue monitoring with the entire Three Lines Model. Using auditing functions of the second line in particular, A&SBMs will continue to confirm the effectiveness of the NEC Group's governance system, and continue to further enhance three-way audit cooperation with the Accounting Auditor and internal auditing division and to strengthen the audit system for A&SBMs in the NEC Group.

#### **【Principle 4.14 Director and A&SBMs Training】**

##### **(Supplementary Principle 4.14.2)**

The Company regularly provides training for Directors and A&SBMs so that they can acquire necessary expertise and information regarding the roles and responsibilities of Directors and A&SBMs (including

legal liabilities), as well as support for Outside Directors and Outside A&SBMs to deepen their understanding on the NEC Group's business by organizing management discussion meetings, budget briefings and tours of business sites and exhibitions of the Company and its subsidiaries. (Article 10 (2) of the Guidelines)

**【Principle 5.1 Policy for Constructive Dialogue with Shareholders】**

Dialogues with shareholders (interviews) and identification of the Company's shareholder ownership structure are primarily conducted by Stakeholder Relations Department. The President and the CFO also meet with key shareholders. In addition, when it is deemed necessary, Directors including Outside Directors and A&SBMs also meet with shareholders. Before members of senior management meet with the shareholders, they coordinate with the relevant divisions in accordance with the Company's "Disclosure Policy" to prevent the disclosure of what could be considered material information including insider information.

In addition to individual meetings, the President and the CFO hold management briefings and quarterly financial-result briefings for the media, securities analysts, and institutional investors (including shareholders). Also, executives responsible for individual businesses have briefings on their businesses, including tours of facilities and briefings on research progress, Mid-term Management Plan and business strategy. Shareholders' opinions and the ideas gained through these IR activities are provided as feedback to senior management on a regular basis and reported to the Board of Directors. (Article 11 (2) of the Guidelines)

**2. Capital Structure**

Foreign Shareholding Ratio	More than 30%
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**[Status of Major Shareholders] Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Account)	44,841,300	16.44
Custody Bank of Japan, Ltd. (Trust Account)	17,894,000	6.56
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	13,023,600	4.77
SUMITOMO LIFE INSURANCE COMPANY	5,600,000	2.05
STATE STREET BANK WEST CLIENT – TREATY 505234 (standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	4,979,074	1.82
NEC EMPLOYEE SHAREHOLDING ASSOCIATION	4,092,991	1.50
STATE STREET BANK AND TRUST COMPANY 505001 (standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	3,794,239	1.39
Custody Bank of Japan, Ltd. (Trust Account No.4)	3,625,500	1.33
GOVERNMENT OF NORWAY (standing proxy: Direct Custody Clearing Operations of Citibank, N.A., Tokyo Branch)	3,567,038	1.31
JP MORGAN CHASE BANK 385781 (standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	3,411,601	1.25

**Supplementary Explanation** **Updated**

On February 7, 2022, Mizuho Securities Co., Ltd. and its joint holders filed the Change Report pertaining to Report of Possession of Large Volume, which is open to public, stating that Asset Management One Co., Ltd. held 9,970 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 3.65 %), and Mizuho Securities Co., Ltd. held 527 thousand shares of the Company (Percentage of shares held to the total number of outstanding shares is 0.19 %), as of January 31, 2022.

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

**3. Corporate Attributes** **Updated**

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Revenues (consolidated) as of the End of the Previous Fiscal Year	More than JPY1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more and fewer than 300

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance****【Views and Policy on Group Management】**

Based on the NEC Group Management Policy, which forms the basis for group management, the Company strives to maintain a uniform framework for the management of its subsidiaries while working to reinforce intergroup functions in order to optimize overall the management of the NEC Group and maximize the value of the NEC Group.

**【Significance of Owning Publicly Listed Subsidiaries and Measures for Ensuring the Effectiveness of the Governance Systems of Those Subsidiaries】**

NEC Networks & System Integration Corporation (NESIC) and Japan Aviation Electronics Industry, Limited (JAE) (collectively, the “Publicly Listed Subsidiaries”), both subsidiaries of the NEC Group, are listed on the Tokyo Stock Exchange. Under the precondition that the strategies of the NEC Group are shared with the Publicly Listed Subsidiaries, the division of functions between the Publicly Listed Subsidiaries and the Company is clarified (to eliminate overlapping businesses), and the business foundation of the NEC Group can be strengthened through mutual utilization of management resources, the Company has determined that allowing freedom in the management of the Publicly Listed Subsidiaries and maintaining their stock market listings will contribute to maximizing the corporate value of the NEC Group.

The significance of owning Publicly Listed Companies is as follows.

- NESIC

NESIC is a core NEC Group company that is primarily involved in ICT system design and construction, as well as providing support services such as operating, monitoring and outsourcing for these systems, with customers in Japan and overseas that include government offices and telecommunications carriers.

NESIC's relationship with the Company involves providing ICT systems for customers that utilize the Company's information and communication technology assets. Moreover, the Company's business regarding the business segment of Network Services Business, work in cooperation with NESIC's support services. However, for NESIC to expand its business—through investing management resources in developing new solutions and finding new customers—and to increase synergies with the Company, the Company believes it is desirable that NESIC has independent decision-making and financing measures. The Company believes that there is sufficient rationale for maintaining NESIC as a publicly listed subsidiary after a comprehensive review of factors that include the potential of a public listing to help maintain or increase employee motivation and to secure excellent human resources.

- JAE

The main businesses for JAE are connectors, user interface-related devices, aviation electronics, and the manufacture and sales of electronic parts.

JAE's relationship with the Company involves efforts to commercialize new technology by integrating the Company's technology-related assets with JAE's mass production technologies. Moreover, this relationship also involves cooperating with the Company's business regarding the business segment of Public Infrastructure Business, which includes supplying products to the Company. However, maintaining autonomy and independence, and keeping the ability to secure funds from the capital market are preferable for JAE in terms of its business structure. The Company believes that there is sufficient rationale for maintaining JAE as a publicly listed subsidiary after a comprehensive review of factors that include maintaining a public listing as a means to maintain JAE's global customer base, and the potential of a public listing to help maintain or increase employee motivation and to secure excellent human resources.

To ensure the effectiveness of the governance of the Publicly Listed Subsidiaries, the Company dispatches the appropriate personnel to the Publicly Listed Subsidiaries, regularly exchanges information, and oversees the compliance system, among other measures. The Company also takes the following measures to maintain the independence of the Public Listed Subsidiaries while remaining mindful of minority shareholders.

- The management of each subsidiary determines the candidates for Director.
- Publicly Listed Subsidiaries appoint a certain number of Independent Outside Directors and Independent Outside A&SBMs, and ensure the transparency of the management of the Publicly Listed Subsidiaries.
- The decision-making of the Publicly Listed Subsidiaries is based on the independent management decisions of each subsidiary's Board of Directors.
- If a conflict of interest arises between the Company and minority shareholders, the necessary measures are taken to ensure the independent decision-making of the Publicly Listed Subsidiaries.

In addition, for business transactions between the Company and the Publicly Listed Subsidiaries, the Company maintains sound relationships with the Publicly Listed Subsidiaries such as by determining the transaction terms based on market prices through negotiations as needed.

Together with the tender offer conducted in January 2017 for shares in JAE, the Company concluded a memorandum of understanding regarding the involvement in JAE's management after it became a consolidated subsidiary. An overview of the memorandum is as follows:

- (i) The Company's voting rights in the subsidiary will be 51% or less;
- (ii) The Company will maintain the stock market listing of JAE's shares, and the subsidiary will carry out autonomous management as a listed company; and
- (iii) The Company will give sufficient consideration to the exercising of rights by minority shareholders of JAE.

The Company will continuously evaluate the policy of holding shares in the Publicly Listed Subsidiaries, and the Company will keep holding the shares of the Publicly Listed Subsidiaries as long as they meet the above preconditions and it can be determined that they contribute to maximizing the corporate value of the NEC Group. At this time, the Company does not plan to newly list the shares of other subsidiaries on stock markets.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with the A&SBMs
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#### [Directors] Updated

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board (Excluding individual holding concurrent position as president)
Number of Directors	10
Appointment of Outside Directors	Yes
Number of Outside Directors	5
Number of Independent Directors	5

#### Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Noriko Iki	Other												
Masatoshi Ito	From another company												
Kuniharu Nakamura	From another company												
Christina Ahmadjian	Academic												
Masashi Oka	From another company								△				

\* Categories for "Relationship with the Company"

“○” when the Director presently falls or has recently fallen under the category;

“△” when the Director fell under the category in the past

“●” when a close relative of the Director presently falls or has recently fallen under the category;

“▲” when a close relative of the Director fell under the category in the past

a. Person executing the operations (the "Executing person") of the Company or its subsidiaries

b. Executing person or non-executive Director of the parent company of the Company

c. Executing person of a company under common control with the Company

- d. A party whose major client or supplier is the Company or an Executing person thereof
- e. Major client or supplier of the Company or an Executing person thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/A&SBM
- g. Major shareholder of the Company (or an Executing person of the said major shareholder if the shareholder is a legal entity)
- h. Executing person of a business partner of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executing person of a company, between which and the Company Outside Directors/A&SBMs are mutually appointed (the Director himself/herself only)
- j. Executing person of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) **Updated**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Noriko Iki	○	<p>President, Japan Institute for Women's Empowerment &amp; Diversity Management</p> <p>The description for "Relationship with the Company" is omitted pursuant to "Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights" (see the "Matters relating to Independent Directors/ A&amp;SBMs" below).</p>	<p>The Company has appointed her as an Outside Director considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight relating to administrative and diplomatic area.</p> <p>She is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>
Masatoshi Ito	○	<p>Senior Corporate Advisors, Ajinomoto Co., Inc.</p> <p>The description for "Relationship with the Company" is omitted pursuant to "Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders' decision concerning the exercise of voting rights" (see the "Matters relating to Independent Directors/ A&amp;SBMs" below).</p>	<p>The Company has appointed him as an Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight relating to marketing and management strategies as management of a manufacturing company.</p> <p>He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>
Kuniharu Nakamura	○	<p>Chairman of the Board of Directors, Sumitomo Corporation</p> <p>The description for "Relationship with the Company" is omitted pursuant to "Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to</p>	<p>The Company has appointed him as an Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight as management of a general trading</p>

		affect shareholders' decision concerning the exercise of voting rights" (see the "Matters relating to Independent Directors/ A&SBMs" below).	company including the management of global businesses. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.
Christina Ahmadjian	○	Specially Appointed Professor, College of Business Department of Global Business, Rikkyo University  She has not fallen under any category for "Relationship with the Company."	The Company has appointed her as an Outside Director considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight relating to global corporate strategies, corporate governance and diversity. She is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.
Masashi Oka	○	President & CEO, Representative Director, Sony Financial Group Inc.  The Company has business relationship with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG Bank, Ltd.) of which he was executing person until June 2014, such as sales of the Company's products and provision of services including system construction, operation and maintenance. In addition, the Company has borrowings from MUFG Bank, Ltd. However, both companies are not mutually major business partners.	The Company has appointed him as an Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has directorial experience at banks and in the manufacturing industry in addition to extensive experience and deep insight as management in the finance business. He is qualified as an Independent Director as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Yes
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Committee's Name, Composition, and Attributes of Chairperson **Updated**

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Compensation Committee
All Committee Members	4	4
Full-time Members	-	-
Inside Directors	1	1

Outside Directors	3	3
Outside Experts	-	-
Other	-	-
Chairperson	Outside Director	Outside Director

Supplementary Explanation **Updated**

**Nomination Committee**

The Company has established the Nomination Committee to enhance objectivity, fairness and transparency of nomination of Directors and A&SBMs. The Nomination Committee shall be composed of three or more members selected from among the Directors by resolution of the Board of Directors. The majority of the members of the Nomination Committee are Independent Outside Directors. The Company ensures independence by appointing the chairperson from among such Independent Outside Directors. Messrs. Masatoshi Ito, Kuniharu Nakamura and Masashi Oka, who are Outside Directors, and Mr. Takashi Niino, who is Inside Director, were appointed as members of the committee. The Chairperson is Mr. Kuniharu Nakamura. This committee deliberates and makes resolutions on (i) nomination for Directors, representative Directors and A&SBMs, (ii) nomination of the Chairman of the Board and the President, including succession planning for the President. The committee reports the results of its deliberations to the Board of Directors.

**Compensation Committee**

The Company has established the Compensation Committee to enhance objectivity, fairness and transparency of remuneration of Directors and corporate officers. The majority of the members of the Compensation Committee are Independent Outside Directors. The Company ensures independence by appointing the chairperson from among such Independent Outside Directors. Messrs. Kuniharu Nakamura and Masashi Oka and Ms. Christina Ahmadjian, who are Outside Directors, and Mr. Takayuki Morita, who is Inside Director, were appointed as members of the committee. The Chairperson is Mr. Masashi Oka. The Compensation Committee (i) establishes and revises remuneration systems for Directors and corporate officers, and (ii) determines remuneration payments for Directors (including monitoring related to remuneration system operations), and (iii) conducts other important matters pertaining to the remuneration for Directors or corporate officers. The committee reports the results of its deliberations to the Board of Directors.

**[Audit & Supervisory Board (KANSAYAKU-KAI)]**

Establishment of Audit & Supervisory Board (KANSAYAKUKAI-KAI)	Yes
Maximum Number of Audit & Supervisory Board Members (KANSAYAKU) Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members (KANSAYAKU)	5

Cooperation among A&SBMs, Accounting Auditors and Internal Audit Departments

The A&SBMs are taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of operation of the "Compliance Hotline" (including the status of operation of compliance hotlines of the Company's subsidiaries), a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters. The A&SBMs are also stepping up



cooperation with the Accounting Auditors, such as by receiving audit plans and briefings on financial audits covering status reports on their audits, as well as on audits of the internal control systems based on the Financial Instruments and Exchange Act, and exchanging opinions on their audits. Moreover, the Company arranges regular meetings among A&SBMs, the internal auditing division and the Accounting Auditors.

Appointment of Outside Audit & Supervisory Board Members (KANSAYAKU)	Yes
Number of Outside Audit & Supervisory Board Members (KANSAYAKU)	3
Number of Independent Audit & Supervisory Board Members (KANSAYAKU)	3

Outside A&SBMs' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Nobuo Nakata	From Lawyer													
Masami Nitta	From CPA													
Kyoko Okada	From another company													

\* Categories for "Relationship with the Company"

“○” when the A&SBM presently falls or has recently fallen under the category;

“△” when the A&SBM fell under the category in the past

“●” when a close relative of the A&SBM presently falls or has recently fallen under the category;

“▲” when a close relative of the A&SBM fell under the category in the past

- a. Executing person of the Company or its subsidiary
- b. Non-executive Director or accounting advisor of the Company or its subsidiary
- c. Executing person or non-executive Director of a parent of the Company
- d. A&SBM of a parent of the Company
- e. Executing person of a company under common control with the Company
- f. A party whose major client or supplier is the Company or an Executing person thereof
- g. Major client or supplier of the Company or an Executing person thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an A&SBM
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executing person of a business partner of the Company (which does not correspond to any of f, g, or h) (the A&SBM himself/herself only)
- k. Executing person of a company, between which and the Company Outside Directors/A&SBMs are mutually appointed (the A&SBM himself/herself only)
- l. Executing person of a company or organization that receives a donation from the Company (the A&SBMs himself/herself only)
- m. Others

Outside A&SBMs' Relationship with the Company (2) **Updated**

Name	Designation as Independent A&SBMs	Supplementary Explanation of the Relationship	Reasons of Appointment

Nobuo Nakata	○	<p>Attorney at law</p> <p>He has not fallen under any category for “Relationship with the Company.”</p>	<p>The Company has appointed him as an Outside A&amp;SBM considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has a lot of experience and professional insight as an attorney at law in the fields of corporate law including M&amp;A.</p> <p>He is qualified as an Independent A&amp;SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>
Masami Nitta	○	<p>Certified Public Accountant</p> <p>The description for “Relationship with the Company” is omitted pursuant to “Immaterial Criteria for the judgment that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” (see the “Matters relating to Independent Directors/ A&amp;SBMs” below).</p>	<p>The Company has appointed him as an Outside A&amp;SBM considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has experience in corporate management as President and Representative Director (CEO) of Deloitte Tohmatsu Financial Advisory Service LTD (currently, Deloitte Tohmatsu Financial Advisory LLC), as well as a lot of experience and professional insight as a Certified Public Accountant gained through conducting audits of many companies.</p> <p>He is qualified as an Independent A&amp;SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>
Kyoko Okada	○	<p>The description for “Relationship with the Company” is omitted pursuant to “Immaterial Criteria for the judgment that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” (see the “Matters relating to Independent Directors/ A&amp;SBMs” below).</p>	<p>The Company has appointed her as an Outside A&amp;SBM considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight, being an auditor and director at numerous companies.</p> <p>She is qualified as an Independent A&amp;SBM as required by the Tokyo Stock Exchange that is unlikely to have conflicts of interest with shareholders.</p>

**[Independent Directors/A&SBMs]**

Number of Independent Directors/ Audit & Supervisory Board Members (KANSAYAKU)	8
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Matters relating to Independent Directors/ A&SBMs **Updated**

The Company has designated all Outside Directors/A&SBMs that qualify as Independent Outside Directors/A&SBMs based on the Company’s independency standards as Independent Directors/A&SBMs.

The Company judges their independency from the standard defined by Tokyo Stock Exchange and the “Independence Criteria for Outside Directors and Outside A&SBMs” established by the Company. With respect to categories h and j for “Relationship with the Company,” in the event that “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” is satisfied, the description thereof is omitted.

“Independence Criteria for Outside Directors and Outside A&SBMs” and “Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights” established by the Company are as follows:

“Independence Criteria for Outside Directors and Outside A&SBMs”

The Company declares that an Outside Director and an Outside A&SBM who is not fallen under any of the following description is independent of the Company.

- (1) Presently or at any time within the past 3 years, any of his or her relative within the second degree of relationship was an important executing person at the Company or its subsidiary
- (2) Presently or at any time within the past 3 years, the person is or was Executing person of a major business partner\*1, or any of his or her relative within the second degree of relationship is or was an Executing person at a major business partner (if such a person holds or held a position equal to an important executing person at the Company)
- (3) In any one of the past 3 fiscal years, the person or any of his or her relative within the second degree of relationship has received financial compensation of 10 million yen or more (excluding remuneration for Directors or A&SBMs) from the Company
- (4) Presently or at any time within the past 3 years, the person or any of his or her relative within the second degree of relationship has belonged to the Accounting Auditors of the Company
- (5) Presently or at any time within the past 3 years, the person or any of his or her relative within the second degree of relationship has been an Executing person of an organization that has received a significant amount of donation from the Company\*2

\*1 Major business partner:

- (1) A business partner with the total amount of transactions with the Company (consideration for offering products/services and procurements) exceeding 2% of sales of the Company or such business partner; or,
- (2) A business partner to whom the Company owes the average annual amount exceeding 2% of total assets of the Company

\*2 Organization that has received a significant amount of donation from the Company:

An organization that has received from the Company a significant amount of donation exceeding the greater of 10 million yen, or 2% of the gross income of such organization, in any one of the past 3 fiscal years

“Immaterial Criteria for the judgement that the Relationship with the Company is unlikely to affect shareholders’ decision concerning the exercise of voting rights”

With respect to categories h and j for “Relationship with the Company,” the Company omits the description of “Relationship with the Company” in the event that an Outside Director or an Outside A&SBM is an Executing person that is fallen under the following categories.

- (1) Executing person of a business partner with the total amount of transactions with the Company (sales or procurements of products/services) not exceeding 1% of the sales of the Company nor the sales of such business partner in the previous fiscal year
- (2) Executing person of a business partner to whom the Company owes the average annual amount of the previous fiscal year not exceeding 1% of the total assets of the Company
- (3) Executing person of an organization that has received from the Company a donation not exceeding 1% of the gross income of such organization in the previous fiscal year

The Company has 5 Outside Directors (5 of whom are Independent Directors) out of 10 Directors, and 3 Outside A&SBMs (3 of whom are Independent A&SBMs) out of 5 A&SBMs.

While the Company believes that the Company sufficiently ensures objectiveness and transparency of governance with the composition of Outside Directors and A&SBMs in its Directors and A&SBMs, the

Company will make continuous efforts to secure a sufficient number of Outside Directors including a raise in the ratio of Independent Outside Directors, comprehensively taking into account changes in the business environment and others.

**[Incentives] Updated**

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

- (1) Performance-based remuneration  
Performance-based remuneration consists of bonuses and a performance-based stock compensation (the “Performance-based Stock Compensation”).
- (2) Policy on Ratio to Remuneration Amounts of Individual Directors  
The following table shows the approximate ratio of each type of remuneration to the amounts of remuneration for individual Directors.
- Inside Directors(Executive Directors)
- Basic remuneration:50%
  - Bonus:30%
  - Performance-based Stock Compensation:15%
  - the stock compensation in which stock equivalent to a pre-determined monetary amount is granted (the “Fixed Stock Compensation”):5%
- Inside Directors(Non-executive Directors)
- Basic remuneration:80%
  - Bonus:0%
  - Performance-based Stock Compensation:15%
  - Fixed Stock Compensation:5%
- Outside Directors
- Basic remuneration:100%
  - Bonus:0%
  - Performance-based Stock Compensation:0%
  - Fixed Stock Compensation:0%
- (3) Indicators Used for Performance-based Remuneration, Reason for Selection thereof and Method for Determining the Amount of Performance-based Remuneration
- (i) Bonuses  
Bonuses have 2 components: a component linked to key performance indicators regarding the consolidated business results of the NEC Group during the fiscal year to which the bonus applies (“the Group-wide Performance-based Component”), and a component linked to the degree to which performance targets are achieved in the businesses overseen by each Director (“the Business-unit Performance-based Component”). The ratio between these 2 components is as follows for each job title:
- President
- Group-wide Performance-based Component: 100%
  - Business-unit Performance-based Component: 0%
- Senior Executive Vice President and Member of the Board
- Group-wide Performance-based Component: 60%
  - Business-unit Performance-based Component: 40%
  - (Fiscal year budget portion: 20%, Mid-term plan portion: 20%)
- Executive Vice President and Member of the Board
- Group-wide Performance-based Component: 40%
  - Business-unit Performance-based Component: 60%
  - (Fiscal year budget portion: 30%, Mid-term plan portion: 30%)
- Senior Vice President and Member of the Board
- Group-wide Performance-based Component: 30%

- Business-unit Performance-based Component: 70%  
(Fiscal year budget portion: 35%, Mid-term plan portion: 35%)

Indicators for the Group-wide Performance-based Component and the Business-unit Performance-based Component, reason for selection thereof and method for determining the amount of bonuses are as follows:

- 1) Indicators for the Group-wide Performance-based Component and Reason for Selection  
The performance indicators for this component are the NEC Group's consolidated revenue, adjusted operating profit and free cash flows in the applicable fiscal year. These indicators were selected taking account of their importance concerning the NEC Group's management strategies and suitability in determining the achievement level of performance targets.
- 2) Indicators for the Business-unit Performance-based Component and Reason for Selection  
The performance indicators for this component are budget indicators and mid-term plan indicators. Budget indicators are consolidated revenue, adjusted operating profit and free cash flows, etc. in the applicable fiscal year in the business units overseen by each Director. These indicators were selected because they allow the appropriate evaluation of the achievement level of performance targets for each fiscal year in individual business units overseen by relevant Directors. Mid-term plan indicators are used to evaluate activities for accomplishing the goals set in the Mid-term Management Plan. The indicators are fiscal year performance targets set for individual Directors based on a discussion between each Director and the President, and the President evaluates their achievement level by interviewing the Director. To ensure that evaluations are done properly, evaluation results are reported to the Compensation Committee.  
(\* For Directors who oversee operations other than business units, indicators for the Business-unit Performance-based Component are the NEC Group's consolidated revenue, adjusted operating profit, free cash flows, etc.

- 3) Determination Method of Bonus Amounts  
The Compensation Committee discusses reports concerning results of evaluations using indicators for the Group-wide Performance-based Component and the Business-unit Performance-based Component and the bonus amounts which are calculated using the following formula. Then, based on the results of these discussions, the Board of Directors determines an aggregate bonus payment for all Directors eligible to receive a bonus.

The amount of each bonus is set between 0% and 200% of the standard amount determined for each job title, based on the achievement level of performance targets.

<Calculation formula>

“Group-wide Performance-based Component (“Standard amount for job title” x “Group-wide performance-based component ratio <sup>(Note 1)</sup>” x “Group-wide performance-based payment rate <sup>(Note 2)</sup>”)” + “Business-unit Performance-based Component (“Standard amount for job title” x “Business-unit performance-based component ratio <sup>(Note 3)</sup>” x “Business-unit performance-based payment rate <sup>(Note 4)</sup>”)”

(Note 1) The ratio of the Group-wide Performance-based Component in the preceding section (i)

(Note 2) Calculated using the indicators for the Group-wide Performance-based Component in the preceding section 1)

(Note 3) The ratio of the Business-unit Performance-based Component in the preceding section (i)

(Note 4) Calculated using the indicators for the Business-unit Performance-based Component in the preceding section 2)

(ii) Performance-based Stock Compensation

Indicators for the Performance-based Stock Compensation, reason for selection thereof and method for determining the amount of the Performance-based Stock Compensation are as follows:

- 1) Indicators and Reason for Selection  
The Performance-based Stock Compensation is linked to a single fiscal year. Indicators for Performance-based Stock Compensation are the NEC Group's consolidated revenue, adjusted operating profit and adjusted net profit attributable to owners of the parent in the applicable fiscal year.  
The indicators were selected by considering their importance concerning the NEC Group's mid- to long-term management strategies as well as for reinforcing the commitment and activities of Directors to contribute to maximizing corporate value from a mid- to long-term perspective and giving back to shareholders.

- 2) Determination Method of Compensation Amount  
 Performance-based Stock Compensation is calculated by using the following formula.  
 The number of shares granted for the compensation is set between 0% and 100% of the standard number of shares determined for job title, based on the achievement level of performance targets.

<Calculation formula>

“Number of granting shares based on the applicable Directors’ job titles (Note 1)” x

“Performance-based allotment rate (Note 2)”

(Note 1) “the standard amount of stock compensation on the applicable Directors’ job titles (\*)” / “average value of closing price of the Company shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the applicable fiscal year”

(\*) The basic remuneration of each Director is multiplied by the factor determined for each title. However, for some Executive Directors, the standard amount of basic remuneration of each Executive Director is multiplied by the factor determined for each title.

(Note 2) the level of the achievement of consolidated revenue in the applicable fiscal year x 30% + the level of the achievement of adjusted operating profit in the applicable fiscal year x 40% + the level of the achievement of adjusted net profit attributable to owners of the parent in the applicable fiscal year x 30%

Recipients of Stock Options	-
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Supplementary Explanation

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#### [Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Selected Directors
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Supplementary Explanation **Updated**

Total amount of the remuneration of Inside Directors and Outside Directors are separately disclosed in the Business Report, the Annual Securities Reports and the Integrated Report, which is the Company’s annual report for stakeholders including shareholders.

The total amount of the remuneration exceeding 100 million yen in the fiscal year ended March 31, 2021, has been disclosed in the Annual Securities Reports in accordance with the “Cabinet Office Order on Disclosure of Corporate Affairs as follows;

- Total amount of the remuneration of Nobuhiro Endo, Chairman of the Board (Director) was 123 million yen (basic remuneration of 95 million yen, and Performance-based Stock Compensation of 28 million yen)
- Total amount of the remuneration of Takashi Niino, Vice Chairman of the Board (Director) was 139 million yen (basic remuneration of 75 million yen, bonuses of 36 million yen and Performance-based Stock Compensation of 28 million yen)
- Total amount of the remuneration of Takayuki Morita, President (Director) was 125 million yen (basic remuneration of 75 million yen, bonuses of 36 million yen and Performance-based Stock Compensation of 14 million yen)

The Business Report, the Annual Securities Reports (Japanese text only) and the Integrated Report are posted on the Company’s website. (<https://www.nec.com/en/global/ir/>)

(Note) The total amount indicates the sum of basic remuneration, bonuses and Performance-based Stock Compensation rounded to the nearest million yen. In addition, the amounts of basic remuneration, bonuses and Performance-based Stock Compensation are each rounded to the nearest million yen.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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(1) Basic policy on the Remuneration for Directors and Methods on Determining the Level of Remuneration  
 For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company's basic policy on the remuneration for Directors is to set a level and structure appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group. In order to ensure objectiveness and properness of the remuneration for Directors, the level of the remuneration is determined on the result of the third party's investigation regarding the remunerations of other companies whose business contents and scale are similar to those of the Company.

(2) Policy on Determining Remuneration Amounts of Directors and Calculation Method  
 Remuneration for Directors of the Company consists of basic remuneration, bonuses and stock compensation (the Performance-based Stock Compensation and the Fixed Stock Compensation). The policy on the remuneration for Directors and remuneration plan for Directors based on such policy are determined by the resolution of the Board of Directors, based on the results of their deliberation from an objective viewpoint by the Compensation Committee, the majority of the members of which are Independent Outside Directors (one of whom is the chairperson).

Basic remuneration

Basic remuneration is fixed-monthly payments that do not exceed the limit established by resolutions of the General Meetings of Shareholders, and is determined separately for each job title and for Inside Directors and Outside Directors.

However, for some Executive Directors, basic remuneration increases or decreases depending on the performance of these individuals in each fiscal year. The Board of Directors determines for each job title the standard amount of basic remuneration and the range of fluctuations. Performance indicators include non-financial indicators such as practical implementation of our "materiality"—priority management themes from an ESG perspective.

Bonuses

Bonuses serve as short-term incentives to achieve performance targets in each fiscal year for the sustained growth of the NEC Group. Executive Directors are eligible to receive these bonuses at a certain time every year. The limit for total payments of these bonuses is determined by a resolution of the General Meetings of Shareholders. Individual bonus payments are determined by adjusting the standard bonus amount determined for each job title of Directors to reflect the achievement level of performance targets.

Stock compensation

Stock compensation is granted to Inside Directors and consists of the Performance-based Stock Compensation and the Fixed Stock Compensation.

(a) Performance-based Stock Compensation

The Performance-based Stock Compensation serves as a mid- to long-term incentive to further raise Directors' awareness for contribution to improvement in the Company's mid- and long-term performance and its corporate value, by clarifying the link between remuneration of Directors and the Company's performance as well as value of Company shares. The Performance-based Stock Compensation is linked to a single fiscal year. Following the end of each applicable fiscal year, the number of points granted to a Director is determined according to job title and the level of achievement of performance targets in the fiscal year. In principle, Directors receive a number of shares (however, part of which shall be an amount of cash equivalent to the Company shares as converted and disposed of) corresponding to the number of points after 3 years from the beginning of the applicable fiscal year.

(b) Fixed Stock Compensation

The Fixed Stock Compensation further clarifies the link between remuneration for Directors and the value of Company shares by increasing the ratio of stock compensation in the remuneration for Directors, and encourage Directors to operate the business with a higher consciousness of the Company's share price by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices. The Fixed Stock Compensation applies to the period beginning on the day of each Ordinary General Meeting of Shareholders and ending on the day of the Ordinary General Meeting of Shareholders in the following year. Following the end of

this period, Directors receive points corresponding to monetary amounts that do not exceed the limit established by resolutions of the General Meetings of Shareholders. In principle, Directors receive a number of shares (however, part of which shall be an amount of cash equivalent to the Company shares as converted and disposed of) corresponding to the number of points after 3 years from the beginning of the applicable period.

(c) Certain Restrictions of Stock Compensation Plan

Under the stock compensation plan, there are certain restriction provisions. These enable the Company to take action in cases where compliance breaches or inappropriate accounting treatment (including the submission of amended reports and amendment of past financial statements) have been confirmed. In such cases, after deliberation by the Compensation Committee and a resolution by the Board of Directors, the Company may withhold all or part of the rights to receive a grant of the Company's shares prior to the grant of the Company's shares; or after the grant of the Company's shares, the Company may demand the return of all or part of the granted shares of the Company (including an amount of cash equivalent to the Company's shares as liquidated and disposed of paid instead of the Company's shares).

**[Supporting System for Outside Directors and/or A&SBMs]**

Aiming to ensure that these roles and functions expected of Outside Directors and Outside A&SBMs are properly fulfilled, the Company has been working to enhance deliberations by the Board of Directors through such means as briefing Outside Directors and Outside A&SBMs in advance on important agenda to be put forward to the meetings of the Board of Directors. The Company also provides support to Outside Directors and Outside A&SBMs in order to facilitate their understanding of the NEC Group, such as by organizing tours of business sites and exhibitions of the Company and its subsidiaries. The Company has established the Audit and Supervisory Board Members' Office with 6 full-time corporate staff members to assist with the A&SBMs' audit activities.

**[Retired presidents holding advisory positions (sodanyaku, komon, etc.)] Updated**

Information on retired presidents holding advisory positions (sodanyaku, komon, etc.)

Name	Job Title/ Positon	Responsibilities	Employment terms (Full/Part-time, with/without Compensation, etc.)	Date of Retirement from President etc.	Term
Nobuhiro Endo	Executive Advisor	Business support relating to external affairs, including external association's activities, etc. (non participation in management)	Full time With Compensation	June 22, 2022	Determined

Number of retired presidents holding advisory positions (sodanyaku, komon, etc.)	1
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Other information

The Company abolished a counselor (sodanyaku) system in June 2003 and its honorary advisor system in May 2021. Individuals who formerly served as Chairman of the Board, President, etc. may be appointed as Executive Advisors and engage sales support activities, including activities to reinforce the relationship with important customers of the NEC Group, and support activities relating to external affairs, including activities as a member of an outside organization.

The Company pays remuneration to Executive Advisors according to their duties such as outward-facing roles



which are important for the NEC Group.

Executive Advisors have no involvement in the Company's management-related decision making and do not receive regular reports or similar information from the management of the Company. Considering the above situations, the Company considers that its appointment of Executive Advisors have no adverse effect on the Company's governance.

The "Date of Retirement from President etc." in the above table is the date of retirement from the Chairman of the Board.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

The Company has adopted the company with an Audit & Supervisory Board.

The Board of Directors is responsible for making important decisions for the Company's business execution, including decisions related to its basic management policies, in addition to supervising overall business execution. In order to further enhance the effectiveness of the Board of Directors, the Company is working on improvements so that more in-depth discussion can be ensured on matters related to broad, company-wide management strategies and corporate governance. The Company decided to decrease the number of Directors from 12 to 10 at the General Meeting of Shareholders held on June 22, 2022 in order to strengthen the corporate governance system by increasing the ratio of Independent Outside Directors and enable more flexible decision-making. In addition, one half of the Board of Directors comprises Outside Directors.

For the purpose of enhancing deliberations and deepening discussions on each matter related to nomination of Directors and A&SBMs and remuneration of Directors and corporate officers to strengthen medium- to long-term corporate governance, the Company established a Nomination Committee and a Compensation Committee in place of the Nomination and Compensation Committee on June 22, 2022. The Company has been working to improve transparency of nomination of Directors and A&SBMs by making decisions on such matters based on the results of discussions by the Nomination Committee and transparency of remuneration of Directors and corporate officers by making decisions on such matters based on the results of discussions by the Compensation Committee.

In addition, to separate business execution from management supervision and to promote timely decision-making, the Company has also introduced a corporate officer system, and the Board of Directors has delegated substantial authority to corporate officers. The Company has also introduced a chief officer system to strengthen its company-wide strategies. The President has delegated considerable authority to chief officers in order to strengthen the corporate functions of the NEC Group in an effort to build and operate an appropriate management base for the Group. Under these systems, the corporate officers and chief officers supervise business units, corporate staff, and subsidiaries, respectively, from both business and functional perspectives, allowing for proper supervision over business execution of the entire NEC Group. In order to clarify the responsibilities and authority of the corporate officers and chief officers and to reinforce the obligatory nature of the roles, corporate officers and chief officers enter one year mandate contracts for their position.

### **Board of Directors**

The Company's Board of Directors consists of 10 members, 5 of whom are Outside Directors. The Board of Directors holds regular meetings basically once a month and extraordinary meetings as necessary to determine important matters related to business execution, including business realignment, funding plans and financing and investment, as well as matters concerning business plans. As of the date of submission of this report, Mr. Takashi Niino, Chairperson of the Board, is the chairman of the Board of Directors. Excepting special circumstances, each Director and each A&SBM aims to have at least 75% attendance at the Board of Directors meetings in a fiscal year. During the fiscal year ended March 31, 2022, the average rate of Directors and A&SBMs' attendance was 98.7%, and no Director and A&SBM had the attendance rate of less than 75%. The Board of Directors held meetings 14 times during the fiscal year ended March 31, 2022. Furthermore, since June 2004 the term of office for Directors has been set at one year in order to clarify their responsibility for management every fiscal year.

### **Executive Committee and Business Progress Committee**

The Executive Committee, which comprises around 20 corporate officers, discusses important NEC Group

management issues such as policies and strategies. This committee extensively discusses matters of particular importance prior to putting them forward to the meetings of the Board of Directors for approval. In doing so, the committee enhances the deliberations and ensures appropriate decision making. (Article 7 (1) of the Guidelines)

Meanwhile, the Business Progress Committee comprises corporate officers, managing directors and other members. This committee deliberates and reports on matters related to the status of the NEC Group's business execution, such as monitoring progress with respect to budgets adopted by the Board of Directors, with the aim of sharing management information and promoting business execution efficiency. (Article 7 (2) of the Guidelines)

#### **Nomination Committee**

The Company has established the Nomination Committee to enhance objectivity, fairness and transparency of nomination of Directors and A&SBMs. The Nomination Committee shall be composed of three or more members selected from among the Directors by resolution of the Board of Directors. The majority of the members of the Nomination Committee are Independent Outside Directors. The Company ensures independence by appointing the chairperson from among such Independent Outside Directors. Messrs. Masatoshi Ito, Kuniharu Nakamura and Masashi Oka, who are Outside Directors, and Mr. Takashi Niino, who is Inside Director, were appointed as members of the committee. The Chairperson is Mr. Kuniharu Nakamura. This committee deliberates and makes resolutions on (i) nomination for Directors, representative Directors and A&SBMs, (ii) nomination of the Chairman of the Board and the President, including succession planning for the President. The committee reports the results of its deliberations to the Board of Directors.

#### **Compensation Committee**

The Company has established the Compensation Committee to enhance objectivity, fairness and transparency of remuneration of Directors and corporate officers. The majority of the members of the Compensation Committee are Independent Outside Directors. The Company ensures independence by appointing the chairperson from among such Independent Outside Directors. Messrs. Kuniharu Nakamura and Masashi Oka and Ms. Christina Ahmadjian, who are Outside Directors, and Mr. Takayuki Morita, who is Inside Director, were appointed as members of the committee. The Chairperson is Mr. Masashi Oka. The Compensation Committee (i) establishes and revises remuneration systems for Directors and corporate officers, and (ii) determines remuneration payments for Directors (including monitoring related to remuneration system operations), and (iii) conducts other important matters pertaining to the remuneration for Directors or corporate officers. The committee reports the results of its deliberations to the Board of Directors.

#### **Audit & Supervisory Board (KANSAYAKU-KAI) (Audit & Supervisory Board Members (KANSAYAKU))**

The Company has appointed A&SBMs and established the A&SB pursuant to the Companies Act. The Company has 5 A&SBMs, 3 of whom are Outside A&SBMs.

The A&SB holds regular meetings basically once a month and extraordinary meetings as necessary, decides on audit policies, standards, annual auditing plan and other matters, and receives status reports on audits and on other matters from each A&SBMs. Excepting special circumstances, each A&SBM aims to have at least 75% attendance at the A&SB in a fiscal year. During the fiscal year ended March 31, 2022, the average rate of A&SBMs' attendance was 100%, and no A&SBM had the attendance rate of less than 75%. The A&SB held meetings 15 times during the fiscal year ended March 31, 2022.

The Company appoints as A&SBMs the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the A&SBMs.

The A&SBMs strive to enhance quality of the audits of the entire NEC Group by cooperating with A&SBMs of the Company's subsidiaries.

The A&SBMs are taking steps to strengthen cooperation with the internal auditing division. These steps include receiving reports and exchanging opinions with the internal auditing division on audit results regularly or as necessary, as well as receiving reports from the same division on the status of operation of the "Compliance Hotline" (including the status of operation of compliance hotlines of the Company's subsidiaries), a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters. Furthermore, the A&SBMs are taking steps to strengthen cooperation with Outside Directors, such as by exchanging opinions. In addition, the

A&SBMs are stepping up cooperation with the Accounting Auditors, such as by receiving briefings on financial audits covering audit plans and status reports on their audits, as well as on audits of the internal control systems based on the Financial Instruments and Exchange Act, and exchanging opinions on their audits. The Company arranges regular meetings among A&SBMs, the internal auditing division and the Accounting Auditors.

The Company has established the Audit and Supervisory Board Members' Office with 6 full-time corporate staff members to assist with the A&SBMs' audit activities.

#### **Corporate Auditing Bureau (Internal Auditing Division)**

The Company has established the Corporate Auditing Bureau as an internal auditing division of the Company. The Corporate Auditing Bureau performs audits of the NEC Group to ensure legal, appropriate and efficient execution of business activities, and identifies issues and proposes improvements. This Bureau consists of approximately 90 corporate staff members with expertise in internal auditing of the NEC Group. Regarding the audits of the Company's subsidiaries which have their own internal auditing sections, the Corporate Auditing Bureau cooperates with such internal auditing sections.

The Corporate Auditing Bureau reports the audit results to the Board of Directors. The Corporate Auditing Bureau is also taking steps to strengthen cooperation with the Accounting Auditors by reporting on audit results and exchanging opinions with them regularly or as necessary. Furthermore, the Corporate Auditing Bureau is taking steps to strengthen cooperation with the internal control division. These steps include reporting the audit results to the internal control division and exchanging opinions with them regularly or as necessary, as well as reporting to them on the status of the "Compliance Hotline," a compliance hotline for employees and contractors to report issues concerning possible breaches of corporate ethics, compliance and other similar matters.

#### **Compliance Department (Internal Control Division)**

The Company has established Compliance Department as an internal control division. Approximately 40 corporate staff members belong to the Compliance Department including members who are in charge of ensuring compliance, risk management and ensuring reliability of financial reporting.

Compliance Department is taking steps to strengthen cooperation with the Board of Directors, A&SBMs and Accounting Auditors by reporting on the status of implementation of the internal control system and exchanging opinions with them regularly.

#### **Accounting Auditors**

In the fiscal year ended March 31, 2022, the independent audit of the Company was performed by 3 certified public accountants of KPMG AZSA LLC: Hideaki Koyama, Tsutomu Ogawa and Yoshiaki Hasegawa. The independent audit was assisted by 50 certified public accountants, 18 assistants who passed the CPA examination and 30 other individuals.

### **3. Reasons for Adoption of Current Corporate Governance System Updated**

The Company has adopted the company with the A&SBMs.

The Company considers that the audit by A&SBMs and advices from Outside Directors in making decisions of the material business executions are effective for the sound management of the Company. The Company works on the followings to establish optimum corporate governance system under the system of the company with the A&SBMs.

- (1) In order to ensure objectiveness and transparency of governance, the Company has 5 Outside Directors out of 10 Directors, and 3 Outside A&SBMs out of 5 A&SBMs.
- (2) In order to enhance transparency of decision making by the Board of Directors, the Nomination Committee, the majority of which are Independent Outside Directors, deliberates on nomination for Directors and A&SBMs, and the Compensation Committee, the majority of which are Independent Outside Directors, deliberates on the compensation for Directors and corporate officers.
- (3) In order to separate business execution from management supervision and promote timely decision making, the Company has introduced a corporate officer system and the Board of Directors has delegated its substantial authority for business execution to corporate officers.
- (4) In order to strengthen the corporate functions of the NEC Group, the Company has introduced chief officers and the President has delegated considerable authority to chief officers.

The Company believes that its corporate governance is functioning adequately under the current system described above. However, the Company is focusing its efforts on enhancements and improvements of this system in order to realize more effective corporate governance responding to changes in the business environment.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

**Updated**

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends out its convocation notice for the General Meeting of Shareholders approximately 3 weeks prior to the meeting. In addition, this information is posted on the Company's website before it is sent out. ( <a href="https://www.nec.com/en/global/ir/pdf/report/184/report184_01.pdf">https://www.nec.com/en/global/ir/pdf/report/184/report184_01.pdf</a> )
Scheduling General Shareholder Meeting Avoiding the Peak Day	The Company has been making its effort to avoid the peak day in scheduling the meeting. The 184th Ordinary General Meeting of Shareholders was held on June 22, 2022.
Allowing Electronic Exercise of Voting Rights	The Company provides for voting via the Internet (including via smartphones or mobile phones). In addition, the Company provides electronic voting platform operated by ICJ Co., Ltd. for institutional investors.
Participation in Electronic Voting Platform	The Company has participated in an electronic voting platform operated by ICJ Co., Ltd.
Providing Convocation Notice in English	The Company posts English translation of the convocation notice (including Business Report) on its website. ( <a href="https://www.nec.com/en/global/ir/pdf/report/184/report184_01.pdf">https://www.nec.com/en/global/ir/pdf/report/184/report184_01.pdf</a> )
Other	<p>The Company broadcasts the Ordinary General Meeting of Shareholders live to shareholders. The Company provides following information related to the 184th Ordinary General Meeting of Shareholders on the Company's website until October 22, 2022.</p> <ul style="list-style-type: none"> <li>- Video streaming of the Business Report presentation given by the President at the General Meeting of Shareholders and its reference materials.</li> <li>- Answers to the main questions regarding the matters reported at the 184th Ordinary General Meeting of Shareholders from shareholders who watched the broadcast live. (The answers will be posted after preparation completion.)</li> </ul> <p>The Company also posts on its website the results of the exercise of voting rights at the General Meeting of the Shareholders (including the numbers of votes on each proposal) and English translation thereof. (<a href="https://www.nec.com/en/global/ir/events/stock/meeting.html">https://www.nec.com/en/global/ir/events/stock/meeting.html</a>)</p>

#### 2. IR Activities **Updated**

	Supplementary Explanations	Presentation by Representative
Preparation and Publication of Disclosure Policy	The Company has established and published its "Disclosure Policy" on its website. The Company has stipulated in the "Disclosure Policy" that the Company manages and discloses its information, such as information regarding business management and operation, in accordance with applicable laws and regulations, including the listing regulations of Tokyo Stock Exchange and fair disclosure rules under Financial	-

	Instruments and Exchange Act, and the Company ensures the accuracy of the information to be disclosed and make sure that the disclosures are made in a timely, appropriate and fair manner. ( <a href="https://www.nec.com/en/global/ir/corporate/disclosure.html">https://www.nec.com/en/global/ir/corporate/disclosure.html</a> )	
Regular Investor Briefings for Individual Investors	The Company holds regular briefings for individual investors to brief the Company's overview, business, overall operating performance, etc. Further, efforts are focused to enhance disclosure of corporate information to individual investors and the Company has established a corporate web page targeted for individual investors which delivers corporate information such as the Company's overview, operating performance, business strategy, etc. in a clear manner. ( <a href="https://www.nec.com/en/global/ir/index.html">https://www.nec.com/en/global/ir/index.html</a> )	No
Regular Investor Briefings for Securities Analysts and Institutional Investors	The Company holds briefings on ESG and management briefings, including Mid-term Management Plan and business strategy, as well as quarterly financial-result briefings for securities analysts and institutional investors. In addition, the Company quarterly conducts individual interviews with major institutional investors.	Yes
Regular Investor Briefings for Overseas Investors	The Company regularly conducts individual interviews with major overseas institutional investors to brief its financial results and business strategy.	Yes
Posting of IR Materials on Website	IR materials are provided both in Japanese and English on the Company's website upon releases of them. ( <a href="https://www.nec.com/en/global/ir/library/index.html">https://www.nec.com/en/global/ir/library/index.html</a> ) The Company also provides information which strengthen better understanding of the Company on its website. ( <a href="https://www.nec.com/en/global/ir/index.html">https://www.nec.com/en/global/ir/index.html</a> )	-
Establishment of Department and/or Manager in Charge of IR	The Company has established Stakeholder Relations Department as a department responsible for investor relations.	-

### 3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Since dialogue and co-creation with stakeholders, such as customers, shareholders, investors, suppliers, local communities and employees, is an essential process for understanding the fundamental issues faced by customers and society, and their expectations for the NEC Group, and building relationships of trust with various stakeholders, the Company has set "Promotion of Stakeholder Communication" as one of its basic principles for sustainability. The NEC Group Code of Conduct defines "Fair relationship with stakeholders" as one of the basic position that NEC Group officers and employees should comply with.
Implementation of Environmental Protection, CSR Activities etc.	Based on the NEC Way, the NEC Group seeks to realize a sustainable world (including contribution to the achievement of the United Nations' Sustainable Development Goals (SDGs)). It promotes the measures for sustainability from the point of view of ESG with the basic policy for sustainability management of "contribute to solving social issues through our business activities," "strengthen risk management and enforce compliance" and "promote communication with stakeholders."

	<p>The NEC Group's basic policy for sustainability management is to "contribute to solving social issues through our business activities," "strengthen risk management and enforce compliance," and "promote communication with stakeholders." The NEC Group believes that issues related to sustainability, including consideration of global environmental issues such as climate change, respect for human rights, consideration of the health and working environment of employees, fair and appropriate treatment of employees, fair and appropriate dealings with suppliers, and crisis management in response to natural disasters and other disasters, are not only risks to the sustainable development and improvement of the corporate values of the NEC Group, but also important factors which can lead to creation of business opportunities. Based on above policies, the NEC Group identified “materiality” comprising of the priority management themes from an ESG perspective in July 2018. In April 2020, within the NEC Way a common set of values that form the basis for how the entire NEC Group conducts itself, the Company clarified the Purpose and Principles representing why and how as a company, the NEC Group conducts its business. The Company has been working to put “materiality” into practice based on this thinking.</p> <p>In addition, in formulating the “Mid-term Management Plan 2025” the NEC Group once again identified priority management themes to be addressed in an effort to strengthen foundations for sustainability-oriented management. The NEC Group invests management resources intensively in these themes to maximize economic and social value as well as contribute to achievement of SDGs. The Board of Directors receives reports on these issues and initiatives faced by the NEC Group, oversees the status of risk management, and deepens discussions about dealing with issues related to sustainability including the perspective of creating business opportunities.</p> <p>The Company actively discloses information regarding the progress and achievement of such measures on the Company’s website and Sustainability Report. In addition, the Company has endorsed the TCFD’s recommendations, which are recommendations on ways of disclosure of climate-related financial information, regularly analyzes effects of risks and profit-earning opportunities related to climate change on the NEC Group’s business activities, revenue and others from short-, medium-, and long-term perspectives by reference to multiple scenarios such as Shared Socioeconomic Pathways (SSP), and discloses the results in the Sustainability Report.</p> <p>Integrated Report  <a href="https://www.nec.com/en/global/ir/library/annual/index.html">https://www.nec.com/en/global/ir/library/annual/index.html</a></p> <p>Sustainability Report  <a href="https://www.nec.com/en/global/csr/report/index.html">https://www.nec.com/en/global/csr/report/index.html</a></p>
Development of Policies on Information Provision to Stakeholders	<p>The Company emphasizes “timely, appropriate, and fair disclosure of information” in its basic policies for corporate governance. The NEC Group Code of Conduct defines “Information disclosure to, communication and joint creation with stakeholders” as one of the business activities with integrity that NEC Group officers and employees should comply with. Moreover, the Company emphasizes “promoting communications with stakeholders” as part of its measures for sustainability basic policy. Under such policies, the Company endeavors to build relationships of trust with stakeholders and enhance its corporate value by ensuring full accountability through the active disclosure of information on the results and challenges of its sustainability activities through the Sustainability Report etc.</p>
Other	<Promoting Inclusion and Diversity within the NEC Group>

	<p>As stated in 【Ensuring Diversity, Including Active Participation of Female】 (Supplementary Principle 2.4.1) above, the Company considers it an important management strategy to foster an environment that promotes the success of a diverse array of human resources who can incorporate multiple perspectives and ideas, and has various measures for inclusion and diversity. The Company actively discloses information regarding the progress and achievement of such measures on the Company’s website and Sustainability Report.  <a href="https://www.nec.com/en/global/csr/index.html">https://www.nec.com/en/global/csr/index.html</a></p> <p>Sustainability Report  <a href="https://www.nec.com/en/global/csr/report/index.html">https://www.nec.com/en/global/csr/report/index.html</a></p>
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#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development

<p>&lt;Status of the establishment of Internal Control System&gt;</p> <p>The Company has established and implemented its internal control system based on the basic policy for maintenance of the system of the Company to ensure the properness of operations as provided in item (vi) of Article 362(4) of the Companies Act adopted by resolution of the Board of Directors (the “Policy”). English translation of the Policy is provided through the Company’s website (<a href="https://www.nec.com/en/global/about/internalcontrol.html">https://www.nec.com/en/global/about/internalcontrol.html</a>), and the summary of which is described below.</p> <p>The Company shall endeavor to establish and implement its internal control system more effectively, through continuous evaluation of the status of the establishment implementation of its internal control system under the Policy as well as taking measures necessary for its improvement, and conducting consistent reviews of the Policy responding to changes in the business environment.</p> <ol style="list-style-type: none"> <li>(1) In order to ensure the compliance with the laws, regulations and the Company's Articles of Incorporation in the performance of duties by Directors, corporate officers and employees, Directors and corporate officers shall take the lead in practicing “NEC Group Code of Conduct” that was adopted to establish business ethics standards for the NEC Group and to ensure compliance with laws, regulations, the Articles of Incorporation and its internal rules, and promote thorough understanding on these charter and code within the NEC Group. If any material violation of laws, regulations, the Articles of Incorporation or internal rules is found, the Company shall investigate the cause of such violation and formulate and implement preventative measures. In addition, the Company shall prompt the use of the Company’s internal reporting system, the “Compliance Hotline.”</li> <li>(2) The Company shall properly retain and manage information in accordance with applicable laws, regulations and the Company's internal rules.</li> <li>(3) The Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Company's internal rules. Business divisions shall properly conduct risk management related to their assignment and corporate staff divisions shall support such business divisions' activities. The Company shall deliberate fully on such matters of importance from a perspective of risk management, such as the strategy to control important management risk, and the matters of particular importance shall be reported to the Board of Directors.</li> <li>(4) In order to ensure the efficient performance of duties by Directors, the Board of Directors shall delegate its significant authorities to corporate officers and promote timely decision making and effective performance of duties. Corporate officers shall, under the direction of the Board of Directors, efficiently conduct businesses in accordance with midterm corporate management goals and budgets.</li> <li>(5) In order to ensure the proper operation of the NEC Group, the Company shall, through “NEC Group Management Policy,” give instructions and assistance to the subsidiaries for the establishment of the systems ensuring compliance with laws, regulations and properness of the operation of business. In order to improve soundness and efficiency of management systems in the NEC Group, the Company shall dispatch directors and A&amp;SBMs where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall receive reports from such subsidiary regarding matters of importance on business operations, and give instructions and assistance to the subsidiary so that</li> </ol>
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it shall properly conduct risk controls. The internal auditing division shall conduct audits of the NEC Group's proper operations, directly or through cooperation with internal auditing sections of subsidiaries if they have such sections. The A&SBMs of the Company shall cooperate with A&SBMs of the subsidiaries by exchanging their opinions on the audit and other measures.

- (6) From the perspective of proper and efficient operations of the NEC Group, the Company shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control by utilizing information systems.
- (7) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with applicable laws and regulations.
- (8) The Company shall assign full-time employees to assist A&SBMs in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by A&SBMs.
- (9) Directors, corporate officers and employees shall report to A&SBMs on the status of the performance of their duties. In addition, the Company shall give instructions to the directors, A&SBMs, corporate officers and employees of the subsidiaries so that they shall report to A&SBMs of the Company on the status of the performance of their duties.
- (10) In order to ensure the effective audit, meetings of the A&SB shall be held and A&SBMs shall exchange information and consult with each other on the status of audits. Furthermore, A&SBMs shall periodically receive reports on financial audit from the Accounting Auditors and exchange opinions with them.

<Status of the implementation of Internal Control System>

The Company assessed the status of the establishment and implementation of its internal control system for the fiscal year ended March 31, 2022 and confirmed that it has established and implemented its internal control system properly based on the Policy. In the process of doing so, the Company has exchanged opinions with A&SBMs regarding the status of establishment and implementation of the internal control system. The main initiatives conducted in the fiscal year ended March 31, 2022 are as follows:

With regard to compliance, on "NEC Compliance Day" (established as a day for reconfirming the importance of compliance for all NEC Group employees in 2017 as a result of having been recognized for having violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in Japan in fiscal year ended March 31, 2017), the management of the Company, general managers of business divisions and Presidents of the Company's consolidated subsidiaries in Japan and abroad provided messages to reinforce the importance of ethics in economic activities and to ensure compliance across the board. In addition to this, a video was distributed to pass down the remembrance of the impact caused to the NEC Group to serve as a reminder of the lesson that the NEC Group learned from the violation and further raise awareness among employees of the compliance mindset. The Company also distributed a video introducing the "Compliance Hotline," with the objective of further encouraging early detection and resolution of misconduct through the "Compliance Hotline" internal reporting system and hold compliance study groups on topics including competition law, bribery, accounting fraud, and dishonest calculation of labor hours. NEC Group reconfirmed the importance of compliance through these measures on NEC Compliance Day. On that day, having lectures by the Company's President and an outside attorney who is well-versed in corporate compliance, the Company also awarded business divisions and overseas consolidated subsidiaries that had made remarkable efforts to promote compliance. Compliance Promotion Sessions were regularly held to strengthen compliance promotion activities at the NEC Group. At the Sessions, information was shared with principal consolidated subsidiaries in Japan on matters such as the status of the Company's compliance activities and the Priority Risks to be Addressed (risks that require new measures including improvement of existing measures to be addressed across the NEC Group, from the perspective of the magnitude of the impact on corporate business and the need for additional measures) in the fiscal year ended March 31, 2023. In addition, opinions were exchanged to strengthen compliance activities by the NEC Group as a whole. Web-based training programs related to compliance, which are held annually, were also conducted in the fiscal year ended March 31, 2022, in which all employees of the Company declared that they would ensure compliance and actions that should be taken to make compliance embedded in the culture of the NEC Group. In addition, in the fiscal year ended March 31, 2022, the Company trained new employees regarding the "Purpose" and "Principles" demonstrating conduct as a NEC Group company and the "Code of Values" and "Code of Conduct" demonstrating the values and conduct of each NEC Director, corporate officer and employee in order to deepen understanding of the



NEC Way, a common set of values that form the basis for how the entire NEC Group conducts itself, and enable them to be aware of ensuring compliance. The Company formulated “the Compliance Hotline Rules” to enable early detection and resolving of misconducts through promoting consulting and reporting (internal reporting) to the “Compliance Hotline,” an internal reporting system. The Rules help enhance the system to protect those who made reports or cooperated with investigations. The number of reports to the “Compliance Hotline” reached 62 during the fiscal year ended March 31, 2022. The internal auditing division or other relevant divisions in the Company investigated these internal reports and took necessary measures in response, depending on the details of reports. The Company also encouraged employees of overseas consolidated subsidiaries to use an internal reporting system if they knew of any misconduct in which their company’s management participated. The “Global Hotline” was established in April 2021 as a reporting service independent of the management of overseas consolidated subsidiaries to enable early detection and resolving of misconduct by such management, and the Company is working to expand the scope of companies eligible to use the service.

With regard to risk management, the Risk Control and Compliance Committee and the Executive Committee deliberated on and selected two issues, namely, “risk management systems in response to changes in risks” and “risks in obeying the law regarding new technology and new fields,” as the Priority Risks to be Addressed in the fiscal year ended March 31, 2022. After formulating and implementing countermeasures, the results were reported to the Board of Directors. As part of the initiative on “risk management systems in response to changes in risks,” the Company used existing meetings and systems in the fiscal year ended March 31, 2022 to raise awareness of risk control across the Company as well as contribute to maximizing revenue opportunities and minimizing potential loss. In addition, the Company adjusted the system that comprehensively manages risks to create an exhaustively compiled list of risks of which the NEC Group should be aware, assessed the risks from the perspective of urgency and their impact on the NEC Group, and prepared a risk map visualizing the priority of each risk. Based on the risk map, and as a result of deliberation by the Risk Control and Compliance Committee and the Executive Committee, the NEC Group selected “risks of human rights violation in the value chain” as the Priority Risks to be Addressed in the fiscal year ended March 31, 2023 and reported this to the Board of Directors. As an initiative on “risks in obeying the law regarding new technology and new fields,” in addition to visualizing risks related to new technology and new fields in the fiscal year ended March 31, 2022, the NEC Group listed laws that would potentially be applicable and available consultation opportunities, and disseminated this information within the Company. In addition, the Company has in place a system where compliance violations are reported to the Risk Control and Compliance Committee upon occurrence. The outline of compliance violations is reported to the Board of Directors meeting held in the same month, and thereby information is quickly shared with the Board of Directors. The Company has in place a system where general managers of business divisions take ownership and devise and implement appropriate measures according to the division’s compliance risk characteristics. Compliance Division periodically confirms compliance risks selected by general managers of business divisions, annual improvement plans as well as the progress and results thereof, and provides support to their efforts as necessary.

With regard to group management, the Company makes efforts to integrate a framework for the management of its subsidiaries for total optimization of group companies and maximization of the value of group companies based on the NEC Group Management Policy, which sets out the NEC Group’s group management. As part of this approach, chief officers in charge of key cross-group functions promote the establishment of a framework to manage the performance of duties at overseas subsidiaries within their authority so that the NEC Group’s common policies, business processes, and infrastructure can be introduced immediately to overseas subsidiaries.

With regard to audits by A&SBMs, A&SBMs receive reports on the status of the execution of duties from Directors, corporate officers and employees of the Company and its subsidiaries. In addition, A&SBMs also periodically receive reports from the internal auditing division regarding the status of operation of the “Compliance Hotline,” and the internal reporting systems at subsidiaries, as well as the status of internal audits. Furthermore, A&SBMs periodically receive reports on financial audits from the Accounting Auditors and exchange opinions with them. They also strive to maintain close links with the Accounting Auditors and the internal auditing division by periodically holding meetings with them. Furthermore, in order to enhance the internal reporting system, a KANSAYAKU hotline independent of the Directors of the Company was established and began operation in January 2022 as a service that enables direct reporting of misconduct relating to the Company’s Directors to the A&SBMs.

## 2. Basic Views on Eliminating Anti-Social Forces and the Progress of Development

### <Basic Views on Eliminating Anti-Social Forces>

The Company has stipulated in the Policy (Basic Policy on Internal Control Systems) that it will interdict any and all relationship with Anti-Social Forces which threaten the order and safety of the civil society, and respond to them in corporate-wide and uncompromising manner in close association with outside professionals such as the police.

### <The progress of development of the Company's system for Eliminating Anti-Social Forces>

#### (1) Internal Rules

The NEC Group has stipulated in the "NEC Group Code of Conduct" that all officers and employees of NEC Group will take determined action against Anti-Social Forces that threaten public order and safety, and all contact with such entities is strictly forbidden and will not involve themselves in any acts that would promote the activities of Anti-Social Forces.

#### (2) Other systems

- (a) The Company's Human and Resources and General Affairs Department centrally collects and manages information related to Anti-Social Forces. In addition, the Company has appointed person responsible for thwarting unreasonable demands to address issues related to Anti-Social Forces.
- (b) The Company cooperates closely on an ongoing basis with third party experts, such as the police, attorneys at law, the Centers for the Elimination of Boryokudan and Tokusyu Boryoku Boshi Taisaku Rengo-kai, which is a public interest incorporated association within the Tokyo Metropolitan Police Department for preventing special violence.
- (c) The Company has established guidelines on how to manage issues related to Anti-Social Forces and updates them as necessary.
- (d) To address matters related to Anti-Social Forces effectively, the Company shares related information with general managers of general affairs divisions of the Company's subsidiaries which are responsible for dealing with such issues at those subsidiaries. In addition, the Company provides training programs on Anti-Social Forces for new directors and A&SBMs of the NEC Group and managing directors and other senior employees of the Company.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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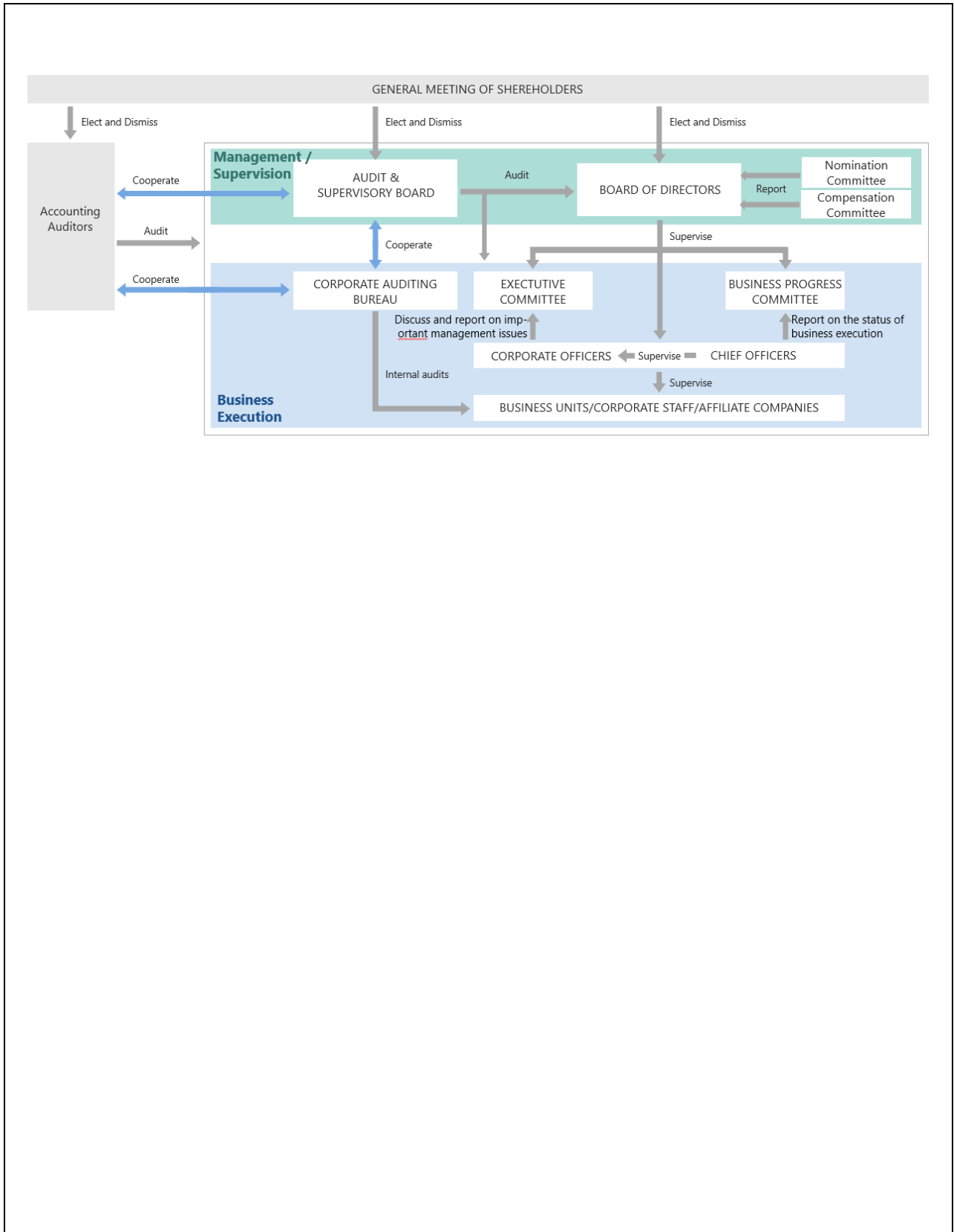
#### Supplementary Explanation

The Company believes that the ultimate decision as to the person who should control the financial and business policy of the Company shall be made by the shareholders of the Company. However, in the event that a person or entity (the "Proposer") proposes to purchase the substantial number of the shares of the Company with an intent to control the Company or proposes the takeover of the Company, the Company believes it is the responsibilities of the Board of Directors (i) to request the Proposer to provide appropriate information on the reasonableness of the consideration and other conditions of the proposal and the influence such action may have on the management policy and business plan of the Company, (ii) to evaluate the information provided and consider whether such proposal has merit in promoting the corporate value of the Company and the common interest of the shareholders, and (iii) to express the opinion of the Company for purposes of assisting the shareholders to make decisions whether or not to accept the proposal. In addition, the Company believes that, in the particular circumstances, it may be required to negotiate with the Proposer or to present alternative proposals to the shareholders.

Currently, the Company has not adopted a policy of defensive measures that will become effective when a proposal is made by a Proposer. It is the Company's intention, however, that if (i) the sufficient information is not provided by the Proposer, (ii) the shareholders are not afforded the time sufficient to consider the proposal or (iii) the Company decides that the proposal would have an adverse effect on the corporate value of the Company or the common interest of the shareholders, the Company will decide and implement

reasonable countermeasures that are practicable at the time of the proposal and acceptable to the shareholders.

## 2. Other Matters Concerning to Corporate Governance System



< Summary of Information Disclosure Structure >

(1) Basic Policy

The Company recognizes the importance of providing timely, appropriate and fair disclosure to obtain a fair evaluation of its corporate value from the capital markets and stipulates “Disclosure Policy,” which is provided through the Company’s website. (<https://www.nec.com/en/global/ir/corporate/disclosure.html>) The Company manages and discloses its information, such as information regarding business management and operation, in accordance with applicable laws and regulations, including the listing regulations of Tokyo Stock Exchange and fair disclosure rules under Financial Instruments and Exchange Act. The Company ensures the accuracy of the information to be disclosed and make sure that the disclosures are made in a timely, appropriate and fair manner.

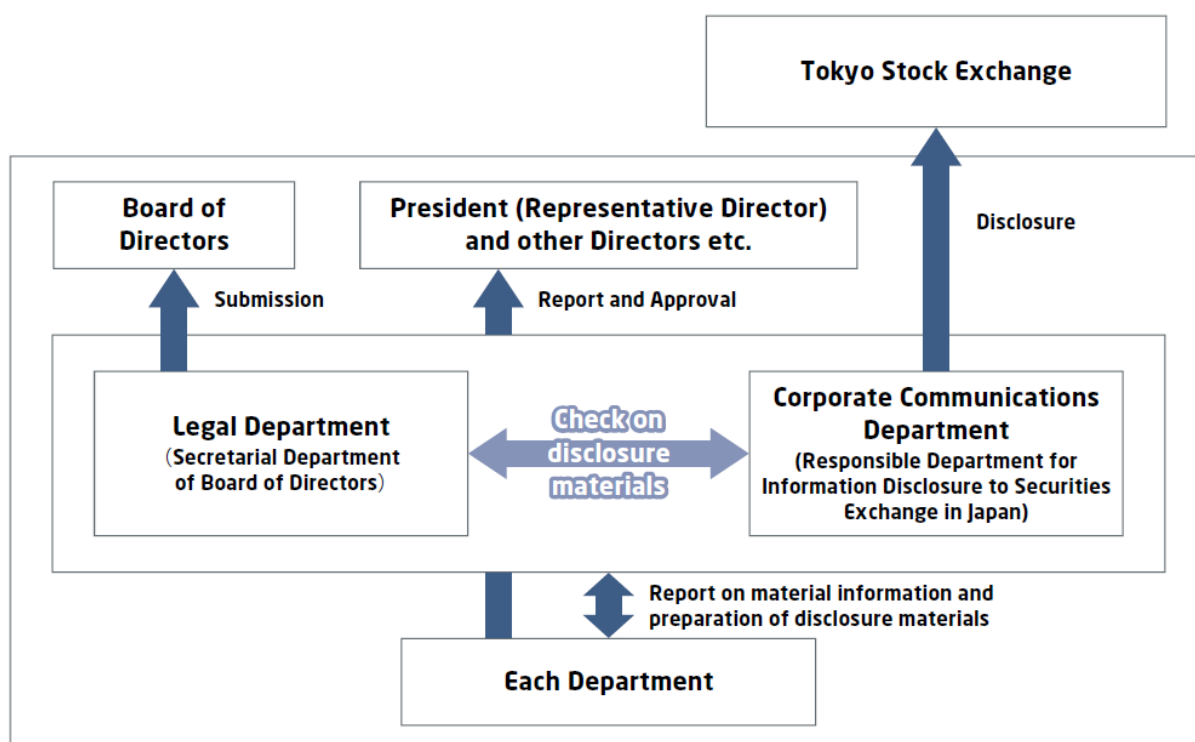
(2) Information Disclosure Structure

In order to ensure timely, appropriate and fair disclosure of corporate information, the Company has established a framework for communication between relevant divisions and subsidiaries as detailed below.

Each relevant division reports to Legal Department and Corporate Communications Department on material information related to the Company or the subsidiaries which the Company may be required to disclose under timely disclosure rules. Legal Department and Corporate Communications Department consider whether or not the Company is required to disclose such information. If timely disclosure is required, the Company promptly discloses the information in a proper manner. Further, the Company discloses the information on its decisions and financial results immediately after necessary internal approval is obtained.

The framework for the Company’s information disclosure structure is illustrated in the charts below:

1 . Information relating to a Decision or Occurrence of Material Facts



2. Earnings Releases, Revision of Dividend/Financial Forecasts

