Corporate Governance

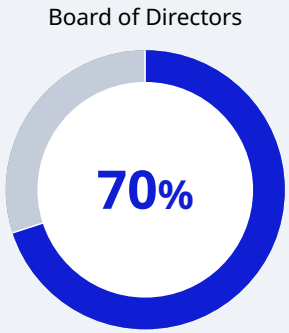
NEC regards corporate governance reform as one of the key foundations of its management transformation and is continuously working to strengthen and enhance it. By clearly separating oversight and execution, NEC promotes stronger governance from both perspectives based on the following basic policies: (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.

Key Features of the NEC's Corporate Governance

Feature 1

A board of directors with a high ratio of Independent Directors and significant delegation of authority to Executive Officers

The Board of Directors, composed of members with diverse backgrounds and expertise, determines management direction through thorough discussions aimed at enhancing corporate value while overseeing execution. Executive Officers are delegated significant authority by the Board of Directors and work to accelerate and enhance decision-making and business execution.

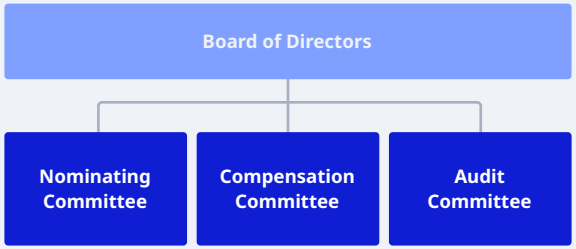


High ratio of Independent Directors

Feature 2

Governance through a three statutory committee structure that supports the enhancement of corporate value

The three statutory committees are composed primarily of Independent Directors, with an Independent Director serving as chair of each committee. The Nominating Committee is responsible for the selection of the most suitable directors and engages in CEO succession planning, the Compensation Committee establishes a competitive remuneration system linked to the enhancement of corporate value, and the Audit Committee conducts organizational auditing through collaboration among the three audit functions and other measures. Together, they support the effectiveness of the Board of Directors' oversight function.



All committee chairs are Independent Directors

Feature 3

Establishment of the Corporate Secretary function and the Corporate Governance Office to drive governance reform

The Corporate Secretary and the Corporate Governance Office serve to organically connect the Board of Directors and the three statutory committees, which perform the oversight function, with the execution side, fostering effective communication and relationships of trust. Secretariat functions for the Board of Directors, the three statutory committees, and the Executive Committee are consolidated within the Corporate Governance Office, enabling management and operations from an overall and integrated perspective.



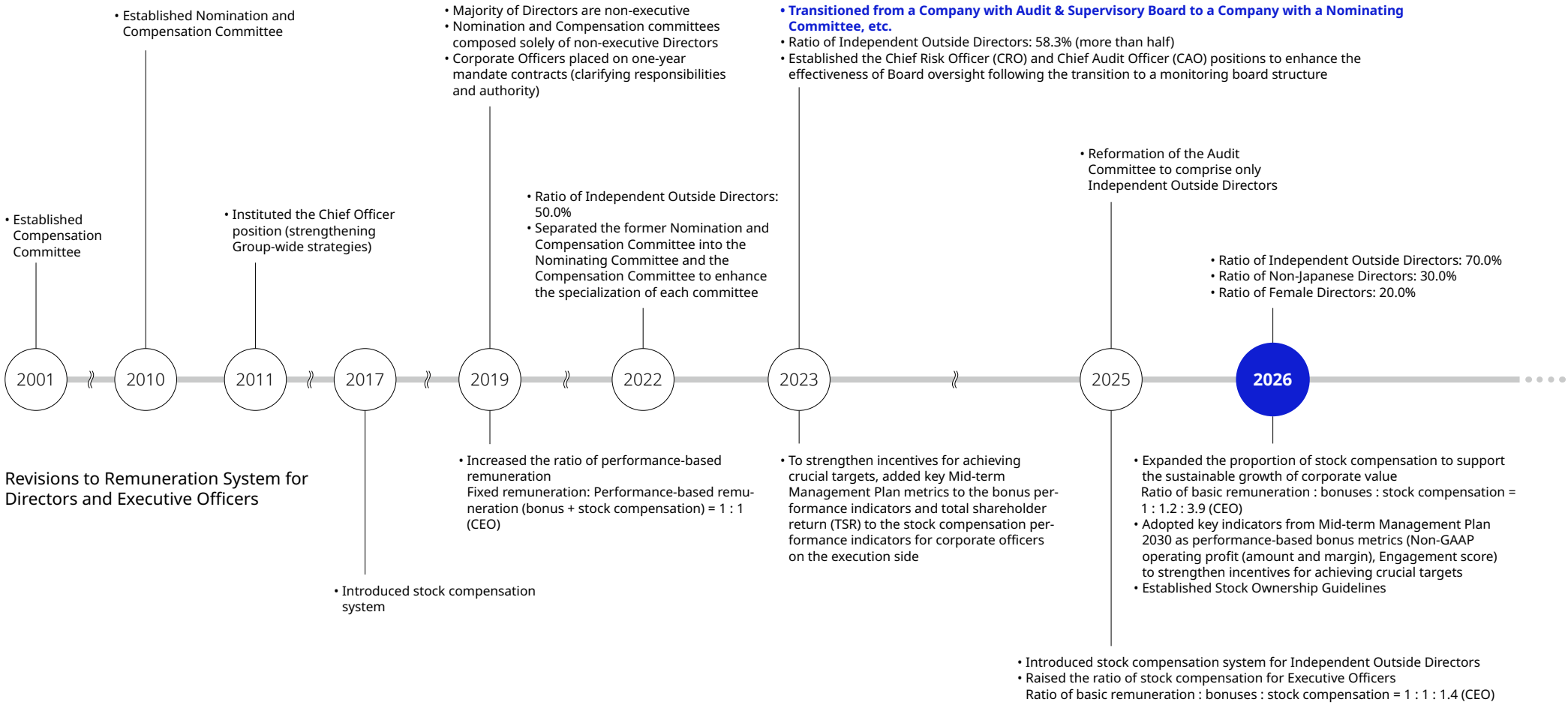
Serves as a hub connecting oversight and execution

Corporate Governance

Initiatives for Strengthening Corporate Governance

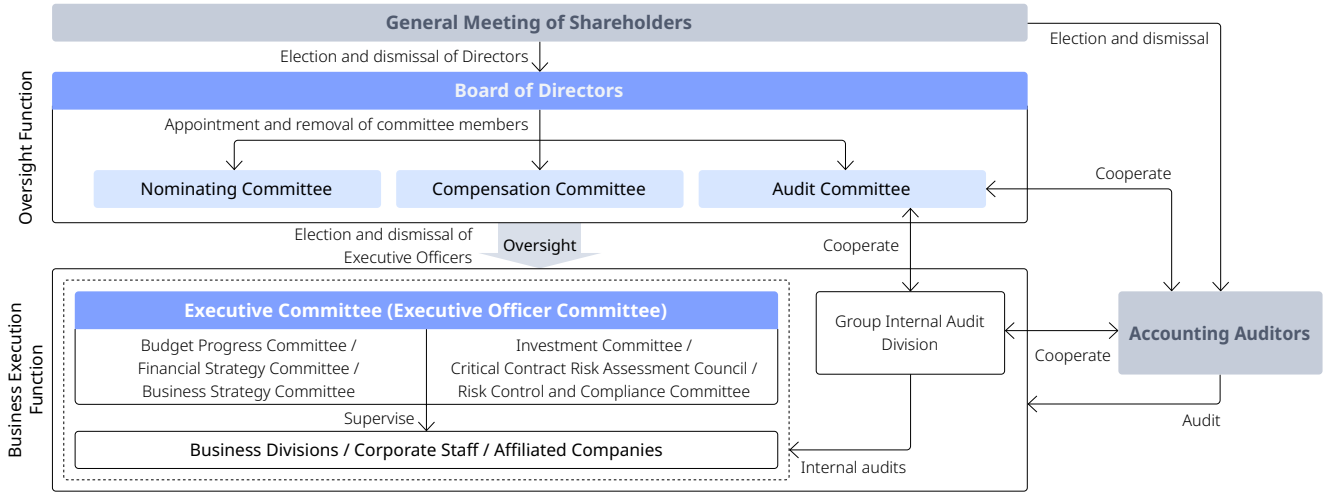
NEC has long been committed to strengthening corporate governance to ensure transparent and sound management and to accelerate decision-making and business execution. Reflecting the transition from a Company with an Audit & Supervisory Board to a Company with a Nominating Committee, etc. in 2023, the Company has clarified the separation of oversight and execution and is accelerating governance reform from both perspectives to maximize corporate value.

Strengthening of Governance



Overview of Corporate Governance System

NEC has adopted the structure of a Company with a Nominating Committee, etc. By clearly separating the oversight function from execution by management, the Company has strengthened the oversight function of the Board of Directors while accelerating timely decision-making and business execution through the substantial delegation of authority to Executive Officers. In parallel, the Company has strengthened governance on the execution side by enhancing its Group-wide risk management framework, improving the quality of decision-making by the executive team, and reinforcing its internal audit function.



Oversight Function

Board of Directors

The Board of Directors is responsible for determining the overall direction of management through deliberations on important matters related to the Company's basic management policies, while overseeing the execution of duties by Executive Officers and Directors.

Fiscal 2026 Main Agenda Items and Discussion Details

Eight meetings held (six scheduled meetings and two extraordinary meetings) with an attendance rate of 100%

Taking into account NEC's long-term vision and ideal future state, the Board of Directors deliberated on key management agenda items in formulating Mid-term Management Plan 2030.

The Board held multiple off-site meetings, some of which included overnight stays, and engaged in intensive discussions with the executive team on these important agenda items.

Main Agenda Items Discussed (Including at Off-site Meetings)

- Business portfolio policies
- Policy for Group governance
- Capital allocation
- Our talent portfolio in the AI era
- Policy for developing the next generation of management leaders
- Governance, internal controls, risk management, and internal audits

Nominating Committee

Three Independent Directors (including the committee chairperson)

One Inside Director

Deliberated proposals for the election and dismissal of Directors, executive appointments, and the CEO succession plan

Six meetings held with an attendance rate of 100%

Fiscal 2026 Main Agenda Items and Discussion Details

The Nominating Committee deliberated on matters related to the composition of the Board of Directors and CEO succession planning with a view to enhancing the effectiveness of the Board.

With respect to the composition of the Board of Directors, the committee focused on strengthening expertise in the area of technology and enhancing diversity, while advancing the development of a Board structure capable of responding flexibly to changes in the business environment, as well as the selection of Director candidates.

Regarding CEO succession planning, the committee conducted interviews with CEO candidates and, together with the CEO, exchanged views on candidate assessments and development policies.

In addition, the committee supported the development of next-generation management talent through initiatives such as executive training programs conducted by Outside Directors.

The committee also conducted a CEO performance review, confirmed the continuation of the CEO's appointment, and requested that the CEO further promote initiatives aimed at developing and strengthening the next generation of CEO candidates.

Compensation Committee

Three Independent Directors (including the committee chairperson)

One Inside Director

Deliberated matters relating to the remuneration of NEC officers

Seven meetings held with an attendance rate of 100%

Fiscal 2026 Main Agenda Items and Discussion Details

The Compensation Committee held extensive discussions on revisions to the remuneration system with the objectives of strengthening incentives for maximizing corporate value through the achievement of Mid-term Management Plan 2030 and attracting and retaining outstanding talent both within and outside the Company. Based on these discussions, the remuneration system was revised in conjunction with the commencement of Mid-term Management Plan 2030 in April 2026. The committee also determined the amount of remuneration payable to each Director and Executive Officer.

For details on NEC's executive remuneration system, please refer to "Remuneration for Directors and Executive Officers" on page 44.

Audit Committee

Four Independent Directors

(including one person with considerable knowledge of finance and accounting)

The Audit Committee audits the execution of duties by Executive Officers and Directors. The committee periodically reports the audit plan and audit results to the Board of Directors and makes recommendations based on the audit results to the President.

13 meetings held with an attendance rate of 100%

Fiscal 2026 Main Activities

The Audit Committee established the following basic policies for audits: Confirm the status of development and operation of the internal control system; strengthen cooperation with the Group Internal Audit Division; and ensure that the Audit Committee Aide takes over part of the activities of the former full-time Audit Committee Member and establishes an auditing system to assist the Audit Committee in the execution of its duties. The committee received reports from major Executive Officers and Chief Officers in charge of corporate functions on key issues and initiatives related to their areas of responsibility, in order to confirm the status of development and operation of the internal control system in particular in addition to statutory resolutions.

Evaluation of the Effectiveness of the Board of Directors

The Company conducts an evaluation and verification of the effectiveness of the Board of Directors and each committee every fiscal year, in order to improve the effectiveness of the Board of Directors.

In fiscal 2026, as a result of the effectiveness evaluation by a third-party evaluation organization, it was confirmed that the effectiveness of the Board of Directors of the Company is ensured at a high level. In fiscal 2027, the Company will focus on the following three areas to further improve effectiveness.

	Priority Initiatives for Fiscal 2026	Summary of Results
Further upgrade the operation of the Board of Directors	・Further enhance discussions on important issues related to the next mid-term management plan ・Deepen mutual understanding by expanding communication opportunities between Directors and Executive Officers, and thereby further enhancing the content of discussions in the Board of Directors meetings	In addition to the ordinary meetings of the Board of Directors held six times a year, in fiscal 2026 a two-day intensive off-site meeting was held for the first time, with the participation of key Executive Officers, to deepen discussions on important management agendas for the formulation of Mid-term Management Plan 2030. Through open discussions, mutual understanding between Directors and Executive Officers deepened, leading to more substantive and enhanced discussions at Board meetings. It was also confirmed that operations and secretariat support functions have been improved and strengthened, including the establishment of pre-briefings for Outside Directors (such as the information that forms the premise of discussions at Board of Directors meetings).
Enhancement of committee functions	・Further improve deliberation items and the deliberation process in accordance with the roles and policies of each committee ・Strengthen collaboration between the Board of Directors and each committee, including a review of the content and timing of reports by each committee to the Board of Directors	It was confirmed that the deliberation items and deliberation processes have been improved in line with the roles and policies of the committees. The Nominating Committee engaged in in-depth exchanges of opinions and deliberations on the ideal Director structure and personnel selection for driving the implementation of Mid-term Management Plan 2030. Its discussions also focused on CEO succession planning to support the development of the next CEO candidate. The Compensation Committee, in conjunction with the start of Mid-term Management Plan 2030, repeatedly discussed a revision to a new remuneration system, which would provide a strong incentive to maximize corporate value through the achievement of the mid-term management plan. The Audit Committee further strengthened the organizational audit framework under a structure in which all Audit Committee Members are Independent Outside Directors. This included enhancing coordination with the Group Internal Audit Division and establishing an audit framework under which the Audit Committee Aide assumes certain responsibilities previously carried out by the former full-time Audit Committee Member and supports the execution of the Audit Committee's duties. In addition, the strengthening of cooperation between the Board of Directors and the committees was confirmed by sharing the contents of the most recent committee deliberations at each Board of Directors meeting.
Fostering a board culture	・Foster a board culture by further enhancing opportunities for communication between Directors ・Deepen discussions and create a common understanding of the ideal corporate governance in the Company and the specific roles of the Board of Directors in it	The background of corporate governance reform in the Company and efforts made so far were shared among the Directors, and discussions were deepened on the future of corporate governance and the roles of the Board of Directors. The deepening of mutual understanding and shared awareness was confirmed through expanded opportunities for communication between Directors including off-site meetings and site visits and between Directors and Executive Officers.

Priority Initiatives for Fiscal 2027	
Consideration of the ideal Director composition	● Based on the vision of the NEC Group, the Company will expand considerations and discussions on the ideal Board of Directors, including matters such as Director composition and the design of the Career Skill Matrix in the medium to long term.
Deepening of discussions at Board meetings	● In addition to the annual Board agenda plan, the Board will establish the broad concepts behind agenda-setting during the period of Mid-term Management Plan 2030 so that it can engage in ongoing discussions from a long-term perspective. ● By utilizing the intensive off-site meetings and other opportunities, the Board will expand discussions on long-term themes, such as NEC's desired future state.
Oversight and support for the development of next-generation management leaders	● Because the CEO succession plan is one of the most important factors in the continuous and fair appointment of CEOs who will lead the sustainable growth of corporate value, the Board will strengthen its support for efforts by the executive side to develop the next generation of management leaders, centered on the Nominating Committee.

Execution Function

The Company promotes accelerated decision-making and business execution by delegating substantial authority to Executive Officers. The Company has introduced Chief Officers to implement Group-wide strategies. Under the direction of the President, each Chief Officer is working to establish and operate the optimal management infrastructure for NEC in the key Group-wide functional areas for which they are responsible.

The Company has established the Executive Committee, which is the highest-level deliberative body on the execution side, as well as other committees which work in tandem with the Executive Committee in order to ensure high-quality decision-making in terms of both opportunities and risks. The Executive Committee, consisting of Executive Officers, deliberates on important matters related to the management of the NEC Group, such as management policies and strategies, and examines important business execution matters. The committees working in tandem with the Executive Committee conduct deliberations, etc., on their respective responsibilities in accordance with their roles and authorities.

The Group Internal Audit Division conducts audits to ensure legal, appropriate, and efficient business execution, identifies problem areas, and makes recommendations for improvement by identifying issues.

Name of Deliberative Body	Summary of Respective Responsibilities
Budget Progress Committee	Progress management regarding the annual budget
Financial Strategy Committee	Multifaceted review of financial strategies
Business Strategy Committee	Discussion of business strategies and sharing of important matters
Investment Committee	Multifaceted review of investments and loans
Critical Contract Risk Assessment Council	Multifaceted review of important business contracts, etc., in order to reduce risk
Risk Control and Compliance Committee	Multifaceted review of Company-wide risk management and compliance

Risk Management

Overview of Risk Management System

NEC has a Company-wide cross-sectional risk management system centered on the Risk Control and Compliance Committee and the Chief Risk & Compliance Officer (CRCO), to accurately comprehend and to respond appropriately to both internal and external risks related to NEC's businesses.

In the Company, important matters related to Company-wide risk management, including a risk management policy and selection of and response policies to "Priority Risks" that require countermeasures across NEC, as well as measures to address risks that require Company-wide management in response to changes in risk environment during the fiscal year, are discussed at the Risk Control and Compliance Committee and then reported to the Business Strategy Committee and the Board of Directors on a regular basis.

The Company has the CRCO to monitor and address Company-wide risks centrally and cross-functionally and manage the risk of losses. The CRCO takes the lead in Company-wide risk management by detecting and analyzing risks that are diversifying and becoming more complex in a constantly changing social and business environment, and evaluating impacts, while prioritizing countermeasures and closely collaborating with other Chief Officers in charge of each risk.

Risk Management Policies

NEC refers to the Enterprise Risk Management–Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and ISO 31000, which is an international standard that provides principles and guidelines for risk management. On this basis, in order to pursue returns through appropriate risk management, NEC has categorized the risks associated with its businesses into a Risk Total Picture and has decided on responsible divisions and response policies for each risk. In the Risk Total Picture, integrity is recognized as the foundation of all risk management activities and risks are classified into three categories according to their nature. The Company has developed a response flow in case such risks should materialize, especially in the event of a crisis that threatens the existence of the Company.

Based on a comprehensive list of risks that NEC should be aware of, the CRCO engages in dialogue with other Chief Officers in charge of managing each risk and conducts risk assessments. The CRCO creates a risk map that visualizes risk priorities by evaluating the impact on five levels and urgency on three levels, taking into consideration changes in the external and internal environment and the status of each risk countermeasure. The CRCO updates the risk map through the review of the Risk Control and Compliance Committee on a quarterly basis, and regularly reports to the Business Strategy Committee and the Board of Directors.

Remuneration for Directors and Executive Officers

In accordance with the basic policy on the remuneration of Directors and Executive Officers, the Company has established a remuneration system that will lead to the sustainable growth of corporate value. In April 2026, NEC revised the system as outlined below with the aim of providing a strong incentive to maximize corporate value through the achievement of Mid-term Management Plan 2030, while also enhancing its ability to attract and retain outstanding talent both within and outside the Company. As a result of these revisions, the proportion of performance-based remuneration has increased. For the CEO, the target remuneration mix of basic remuneration, bonuses, and stock compensation has changed from 1 : 1 : 1.4 to 1 : 1.2 : 3.9.

(i) Enhancement of stock compensation

- Increased the proportion of stock compensation and raised the maximum payout rate for performance-based stock compensation to strengthen incentives for maximizing corporate value.
- Established Stock Ownership Guidelines to further align the interests of executives with those of shareholders and clarify their commitment to enhancing corporate value over the medium to long term.

(ii) Revision of performance-based bonus indicators

- Adopted KPIs under Mid-term Management Plan 2030 as performance-based bonus metrics to reinforce the achievement of the plan's targets.

(iii) Review of remuneration levels

- Established competitive levels of basic remuneration commensurate with the scope of each Executive Officer's role, authority, and responsibilities in order to maintain competitiveness in the talent market.

Basic Policy on the Remuneration of Directors and Executive Officers

1. The remuneration system is highly objective and transparent, with content which leads to sustainable growth with the aim of maximizing corporate value, and which allows shareholders to confirm that management is linked to shareholder value.
2. The remuneration system is linked to the mid-term management plan target indicators and provides incentives for Executive Officers to achieve the management targets indicated in the mid-term management plan.
3. As a technology company with global operations, the remuneration system is competitive in the human resources market in terms of both remuneration structure and level.

Compensation System for Executive Officers*

<table>
<tr><td rowspan="2">Remuneration type</td><td>Basic remuneration</td><td colspan="2">Short-term incentive (bonuses)</td><td colspan="2" rowspan="2">Medium- to long-term incentive (stock compensation)</td></tr>
<tr><td>Fixed remuneration</td><td>Group-wide performance-based component</td><td>Department performance-based component</td></tr>
<tr><td>Payment method</td><td>Monetary remuneration</td><td colspan="2">Monetary remuneration</td><td colspan="2">Stock</td></tr>
<tr><td>Evaluation period / Target period</td><td>—</td><td colspan="2">One year</td><td colspan="2">Three years</td></tr>
<tr><td rowspan="3">Calculation method and indicators for determining remuneration amounts, etc.</td><td rowspan="3">Amount is determined based on market competitiveness in accordance with the role, authority, and responsibility of each job title
For Executive Officers, basic remuneration increases or decreases based on performance, and the performance indicators include non-financial indicators such as practical implementation of the NEC Way and our materiality.</td><td>Linked to the degree of achieving targets of KPIs set in the mid-term management plan for each fiscal year
Under Mid-term Management Plan 2030
Indicators responsible for the "Strategy" aspect
Non-GAAP operating profit (amount)····· 50%
Non-GAAP operating profit (percentage to revenue) ····· 30%
ESG indicator responsible for the "Culture" aspect
Employee engagement score····· 20%</td><td>Linked to the degree of achieving targets of the departments for which each Executive Officer is responsible for each fiscal year
Budget indicators
Non-GAAP operating profit, ROIC, cash flow, and other metrics
Mid-term management plan indicators
Metrics established by each business unit to support the achievement of mid-term management plan targets</td><td colspan="2">The number of shares is calculated by dividing the standard amount of stock compensation by job title by the average value of the closing price of the Company share on the Tokyo Stock Exchange in the previous fiscal year.</td></tr>
<tr><td colspan="2">The amount is set between 0% and 200% of the standard amount for each job title, based on the achievement level of performance targets.
Amount of bonus = (Group-wide performance-based component: Group-wide standard amount × Group-wide evaluation) + (Department performance-based component: Department standard amount × Department evaluation)</td><td>The number of shares is determined in a range from 0% to 200% of the number of shares granted by job title, in accordance with the results of a comparison of the Company's TSR with indices such as the Tokyo Stock Price Index (TOPIX) and peer group companies.
Shares to be granted = Number of shares granted by job title × [TSR growth rate: Index comparison 50% + Peer group comparison 50%]</td><td>The determined number of shares is granted after the end of the performance period.</td></tr>
</table>

* The remuneration structure for Executive Officers also applies to Corporate EVPs, Corporate SVPs, etc.