

Promoting Fair Commercial Transactions

Policy

NEC is actively involved in “promoting fair commercial transactions,” such as structure reinforcement to comply with the laws and regulations regarding competition and bribery, as our important activities so that NEC ensures the compliance which is one of its “materiality,” the priority management theme from an ESG perspective. In addition, NEC believes that it is important to have conscious mind of always “placing the highest priority on compliance” and to pursue it in this era of severe global competition. Anti-corruption such as bribery is one of the ten principles of the UN Global Compact and is an area of common concern worldwide. NEC is also actively involved in addressing this issue.

In recent years, the enforcement of the laws and regulations regarding competition and bribery has been strengthened globally. NEC has established the “Competition Policy”, formulating basic considerations on compliance with domestic and overseas competition laws, to reduce the risk of violations of them. Furthermore, NEC had distributed a portable and business-card sized “Competition Policy Card” to all of corporate officers and employees of NEC Corporation and its domestic consolidated subsidiaries in Japan to make further well known.

NEC Corporation and some of its domestic consolidated subsidiaries have also established “Rules for the Prevention of Cartels and Bid-rigging”, which are intended to restrict unnecessary contact with competitors in order to reduce the risk of being suspected of or becoming involved in a cartel or bid-rigging.

NEC has also established an “Anti-bribery Policy”, with the intention of instituting a system to prevent bribery and corruption and to stipulate basic rules for compliance by corporate officers and employees. Compliance with the rules will ensure that bribes are neither offered nor received in Japan and abroad in connection with the business activities of NEC.

NEC Corporation received notification of violations of the Antimonopoly Act from the Japan Fair Trade Commission in July 2016 regarding the deal of telecommunications equipment for electrical power security system with Tokyo Electric Power Co., Inc. (current Tokyo Electric Power Company Holdings, Inc.), and in February 2017 regarding the transactions for wireless digital emergency firefighting equipment, and telecommunications equipment for electrical power security system with Chubu Electric Power Co., Inc. In order to keep these events fresh in mind and serve as a foundation for reflections, we established NEC Compliance Day and set it on November 18 on which we received an on-site inspection in regard to transactions for wireless digital emergency firefighting equipment so that everyone at NEC reconfirms the importance of compliance every year. In the first half year of fiscal 2018, NEC conveyed the details of these three bid-rigging incidents to each and every employee at NEC through face-to-face education programs and promoted changes in their consciousness of the business operations. NEC will keep those incidents and facts in mind and actively promotes fair commercial transactions.

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Competition Policy	
Formulated in October 2011	
(Contacting Competitors)	(Unjustifiably Discriminating against Distributors or Other Business Partners)
1. Contact competitors only if it is absolutely necessary.	6. Do not unjustifiably discriminate among distributors or other business partners regarding transaction conditions such as prices, quantities, payment conditions and rebates, conditions for participating in sales promotion campaigns and others.
(Exchanging Information and Entering into Agreements with Competitors)	(Dumping)
2. Do not exchange information or agree with competitors on matters important for competition such as prices, quantities, sales territories, allocation of customers and intention to (or not to) deal with specific customers (including eagerness for orders or bids).	7. Do not sell products and services at an unjustifiably low price ignoring profitability.
(Illicitly Obtaining Bid-Related Information)	(Abusing Dominant Bargaining Position)
3. Do not obtain or request confidential information from national or local governments or other public entities that would facilitate bid-rigging among competitors or information about bidders to whom such government or public organizations are intending to award contracts before participating in a bid offered by such government or public organizations.	8. Do not push unjustifiable conditions onto materials suppliers, subcontractors, distributors and other business partners using your dominant bargaining position.
(Recording and Keeping Records of Contacts with Competitors)	(False Labeling)
4. Appropriately record the sequence of events and interaction when contacting a competitor and keep copies of those records.	9. Do not attach labels or make statements that are not based on fact or are exaggerated or unsubstantiated in sales activities and advertisements.
(Interfering with Transactions between Distributors or Licensees and Their Business Partners)	(Advance Consultation)
5. Do not unjustifiably restrict prices, quantities, sales territories, business partners, sales methods or other matters in transactions between our distributors or licensees and their customers.	10. If you have doubts or cannot make a judgment regarding competition law, immediately consult with the Company's fair commercial transaction promotion department.

Promotion Framework

Competition Law Compliance

It takes effort to comply with competition laws on various fronts, including sales, technology transactions, and materials procurements. NEC Corporation promotes compliance with competitive laws in NEC through cooperation and coordination among the multiple divisions involved in each of these areas, as the Legal Division and the Internal Control Division serving as co-supervising divisions.

Bribery Prevention

Legal Division and Internal Control Division of NEC Corporation act as co-supervising divisions in NEC's efforts to enforce the Anti-bribery Policy and to provide related instruction, support, direction, and training for the internal divisions of NEC Corporation and its domestic consolidated subsidiaries. Since checking daily operations is an important part of preventing corruption, guidelines have been established by the General Affairs Division for

entertainment, gifts, and donations, the planning divisions of each Business Unit for operating expenses, and the Procurement Division for procurement expenses; expenditures requested by the company's divisions are checked to ensure there are no problems.

Main Activities and Results for Fiscal 2018

Message from Top Management

In order to promote fair commercial transactions, it is important to clarify the stance of management executives on this issue.

As described in the "Compliance and Risk Management" section, management executives send messages to all employees about ensuring compliance, including fair commercial transactions issues through activities related to NEC Compliance Day or at the NEC Business Ethics.

Continuous Training and Raising Awareness

Raising awareness through continuous training programs is crucial to increasing employees' awareness of fair commercial transactions.

NEC Corporation annually conducts fair commercial transactions training, including various case studies for employees at divisions that mainly handle public projects in addition to web-based training for the compliance described in "Compliance and Risk Management" section.

In fiscal 2018, NEC also worked to ensure compliance with the competition law by, in addition to the above education, conducting 140 face-to-face education programs for employees of NEC Corporation and its domestic consolidated subsidiaries to communicate the facts to them, including the background on why the three bid-rigging incidents occurred. Furthermore, we also conducted dialogue-based education for upper management personnel at sales divisions throughout Japan, mainly regional headquarters and branches. In this education, they took a long time to discuss how they could further enforce compliance with competition laws, including how to manage subordinates' compliance.

Other Initiatives

Initiatives to Prevent Competition Law Violations

In fiscal 2018, NEC transferred and changed the employees who had had long-term responsibility for the same governmental agency-related customers to prevent competition law violations. For those employees who had not been able to be applied for their assignment, the Internal Control Division specially conducted face-to-face seminars to make them understand the points to be observed from a perspective of competition laws. NEC is also trying to identify nascent infringements of competition law early on through audits performed by the Corporate Auditing Bureau and e-mails monitoring performed by the Internal Control Division. As a result of the implementation of these activities, there have been no major incidents in violation of competition laws that have warranted a public announcement in fiscal 2018.

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Initiatives for Anti-bribery

In regard to bribery prevention, NEC has formulated an “Anti-bribery Policy”, which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. NEC Corporation has also created an “Anti-bribery Manual” that stipulates the roles of general managers and specific methods for preventing bribery. These roles and methods include bribery risk assessment regarding the division’s business and operations and due diligence regarding third parties employed in the company’s business activities.

Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.

In addition, as the world’s nations work on strengthening their anti-bribery laws, NEC has also developed a “Guideline for Provision of Gifts, Hospitality and Travel Expenses,” which describes cautions and measures that overseas consolidated subsidiaries should follow when they provide gifts, hospitality and travel expenses.

As a result of the implementation of these systems and initiatives, there have been no major incidents within NEC related to bribery that have warranted a public announcement in fiscal 2018.