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## Ensuring Compliance

For a company like NEC, which develops solutions for society, obtaining and maintaining the trust of society and its customers is of the utmost importance. To that end, compliance and ethical management are fundamentals at NEC, and we consider compliance to include not only legal compliance, but also compliance with the expectations and demands of society, such as social norms and common sense. Also, from the perspective of risk management, we have worked to minimize our compliance risks, such as competition law compliance, or risks stemming from bribery and fraud. However, in fiscal 2017, we received notification of three violations of Antimonopoly Act from the Japan Fair Trade Commission. We accept these facts solemnly and sincerely, and along with a renewed commitment to make compliance a top priority, we are strengthening our internal systems, education and awareness in order to prevent recurrences and restore trust. Each one of our officers and employees will act fairly and with integrity, working to conduct business activities with compliance as our top priority.

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### Strengthening Internal Systems and Awareness to Prevent Competition Law Violations and Bribery

Based on our Competition Policy established in October 2011, NEC is striving to reduce the risk of being suspected of or becoming involved in a cartel or bid rigging, it has prepared rules for the prevention of cartels and bid rigging, and outlined regulations to restrict unnecessary contact with competitors.

In addition, NEC and its subsidiaries around the world have established anti-bribery system and rules, working to prevent bribery in relation to our business activities through efforts such as bribery risk

evaluations for businesses or work under our purview, and due diligence of appointed contractors. We have clarified our guidelines and procedures, as well as what to pay attention to when providing gifts, hospitality and travel expenses.

Furthermore, each year we conduct group training with practical content on competition law violations and bribery prevention for sales representatives and SEs at NEC and some of its domestic subsidiaries. This training is held at our branches and offices across Japan.

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### Fostering a Corporate Culture that Makes Compliance a Top Priority

In addition to strengthening the above systems, NEC is working to foster a corporate culture where compliance is a top priority through education and awareness activities. Top-level executives, starting with the CEO, periodically release statements in their own words about the importance of compliance, and every year we hold the NEC Business Ethics Forum to raise awareness of compliance through lectures given by the CEO and external experts. Also, once every year we hold a Workplace Roundtable meeting at each workplace where employees are encouraged to think of

compliance as their own problem, and we are also providing information on compliance through our company intranet.

Propagating the importance of acting in accordance with the NEC Group Code of Conduct through training of new employees and promoted persons, we also carry out web training sessions on compliance once per year for all officers and employees. These are also conducted for all domestic subsidiaries, along with compliance training for our overseas subsidiaries.

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### Aiming as an Organization to Never Again Violate the Antimonopoly Act

Even while undertaking these initiatives, we received certified notification of our violations of the Antimonopoly Act from the Japan Fair Trade Commission. Even now we are further strengthening our mechanisms to promote thorough awareness so that we may become an organization that never again violates competition law through actions such as bid rigging.

In fiscal 2017, we submitted a pledge to eliminate bid rigging, with all officers and employees of NEC and its domestic subsidiaries declaring to do away with bid rigging practices.

Further more, in hopes of preventing competition law violations, we have decided to promote personnel changes by moving employees who have dealt with the same customer for long periods to other areas, begin April 2017.

In addition to that, from April 2017 to June 2017, we directly communicated over 100 times with our officers and employees in regard to the three certified violations of the Antimonopoly Act, detailing what happened within the Company, how the case was handled by human resources, and what should be learned from the incident. By having the Company directly communicate the facts, we have increased employees' acceptance of the events and awareness of compliance.

Effective April 1, 2017, NEC established the position of Chief Compliance Officer (CCO). Moving forward, the CCO will take the initiative to ensure that the lessons from these three violations are not forgotten within the Company, while promoting additional efforts to make compliance a fundamental part of our corporate culture.