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## Fair Trade

NEC is actively involved in promoting fair trade by ensuring that it is in compliance with laws on competition and regulations relevant to anti-bribery by, for example, strengthening the system to comply with those laws and regulations. NEC always puts a premium on compliance and believes that doing so is of prime importance in this era of severe global competition. Preventing 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 preventing corruption.

### Policy

In recent years, the enforcement of competition law and regulations regarding bribery prevention has been strengthened globally. Since 2008, NEC has encouraged its Group companies around the world to formulate competition policies (a compilation of competition law compliance issues that serve as a basis for conducting global business). In Japan, NEC has for some time had a compliance manual to accommodate the Antimonopoly Act. In October 2011 the company formulated a Competition Policy emphasizing compliance with overseas competition laws.

The Competition Policy is comprised of a main section itemizing basic considerations on compliance with domestic and overseas competition laws and a commentary section explaining each of the items. The policy was formulated to raise the compliance awareness of NEC corporate officers and employees and affiliate companies in Japan, as well as reducing the risk of violations of competition law. In its efforts to further make the policy more clear, NEC has distributed an easy-to-carry business-card sized "Competition Policy Card" to all officers and employees of NEC and Group companies in Japan.

NEC and some domestic 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 and its global subsidiaries have also established an Anti-bribery Policy, with the intention of instituting a system to prevent bribery and corruption at NEC 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 or abroad in connection with the business activities of the NEC Group.

Despite these measures, however, in November 2014 the Japan Fair Trade Commission conducted an on-site inspection based on suspicion that NEC was in violation of the antitrust law with respect to transactions with digital firefighting emergency radio systems. In February 2016, there were additional inspections with respect to transactions with the Chubu Electric Power Company on telecommunications equipment for electric power systems. In February 2017 NEC received a cease and desist order and an order for payment of surcharges from the Commission regarding the above transactions. It should be noted that in regard to transactions with Tokyo Electric Power Holdings Inc. on telecommunications equipment for electric power systems, NEC had applied for a reduction of surcharges so had not yet received a cease and desist order or an order for payment of surcharges from the Commission.

NEC takes these incidents very seriously and views this as an opportunity to reacknowledge the importance of prioritizing compliance. Specifically, the company is proactively working to encourage fair trade, such as bolstering the framework for compliance related to anti-bribery, competition and other laws.

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Competition Policy

Formulated in October 2011

(Contacting Competitors)

1. Contact competitors only if it is absolutely necessary.

(Exchanging Information and Entering into Agreements with Competitors)

2. Do not exchange information or agree with competitors on matters important for competition such as price, quantity, sales territory, allocation of customers and intention to (or not to) deal with specific customers (including eagerness for orders or bids).

(Illicitly Obtaining Bid-Related Information)

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.

(Recording and Keeping Records of Contracts with Competitors)

4. Appropriately record the sequence of events and interaction when contacting a competitor and keep copies of those records.

(Interfering with Transactions between Distributors or Licensees and Their Business Partners)

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.

(Unjustifiably Discriminating against Distributors or Other Business Partners)

6. Do not unjustifiably discriminate among distributors or other business partners regarding transaction conditions such as price, quantities, payment conditions and rebates, conditions for participating in sales promotion campaigns and others.

(Dumping)

7. Do not sell products and services at an unjustifiably low price ignoring profitability.

(Abusing Dominant Bargaining Position)

8. Do not push unjustifiable conditions onto materials suppliers, subcontractors, distributors and other business partners using your dominant bargaining position.

(False Labeling)

9. Do not attach labels or make statements that are not based on fact or are exaggerated or unsubstantiated in sales activities and advertisements.

(Advance Consultation)

10. If you have doubts or cannot make a judgment regarding competition law, immediately consult with the Company's fair trade promotion department.

## Promotion Framework

### Competition Law Compliance

It takes effort on various fronts to comply with competition law, including sales, technology transactions, and materials procurements. NEC promotes compliance with the competitive law in the NEC Group 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.

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## | Bribery Prevention

NEC's Legal Division and Internal Control Division 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 and all domestic NEC Group companies. 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 2017

### | Message from top management

In order to promote fair trade, it is important to clarify the stance of management executives on this issue. The NEC Business Ethics Forum is held annually where the President speaks about compliance and top management executives often send a message to all employees of the NEC Group about ensuring compliance, including fair trade issues.

### | Continuous training and raising awareness

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

In fiscal 2017, NEC conducted web-based training for NEC and its domestic subsidiaries officers and employees (including temporary employees). NEC also conducted comprehensive training that involved more practical content for sales personnel and SEs of NEC and some domestic subsidiaries. This training was conducted more than 200 times nationwide and included branch offices; there were more than 5,000 participants, including those from domestic subsidiaries.

In addition to cleaning up cartels and bid-rigging, all officers and employees of NEC and domestic subsidiaries pledged to eliminate cartels and bid-rigging.

### | Revision of In-house Systems

In fiscal 2017, we revised our internal systems for prevention of competition law violations and bribery.

#### | Initiatives to prevent competition law violations

In fiscal 2017, NEC formulated a scheme to rotate employees who deal with the same customers at public offices for long periods and in April of the same year issued the first order to shuffle personnel. If there is difficulty in rotating personnel, NEC will implement an alternative measure such as a training program.

#### | Initiatives for anti-bribery

In regard to bribery prevention, NEC and its domestic subsidiaries have formulated an Anti-Bribery Policy, which define a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. NEC has also created an Anti-bribery Manual that stipulates the roles of general managers and specific methods for preventing bribery. These roles include bribery risk assessment regarding the division's business and operations and due diligence regarding third parties employed in the company's business activities. However, because some parts of the system were not implemented domestically and at overseas subsidiaries, in fiscal 2017 NEC tried to implement the same system as that of NEC in those subsidiaries.

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 subsidiaries should follow when they provide gifts, hospitality and travel expenses.

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As a result of the implementation of these systems and initiatives, there have been no major incidents within the NEC Group related to bribery that have warranted a public announcement in fiscal 2017.

## Objectives and Achievements

### Objectives for the Medium Term (From fiscal 2017 to 2019)

To eliminate competition law infractions, bribery, corruption, and other fair trade violations within NEC and its subsidiaries worldwide

### Fiscal 2017 Objectives, Achievements and Progress and Degree of Completion

Objective	Achievements and Progress	Degree of completion
1. To hold continuous training programs for preventing competition law violations and bribery and corruption	<ul style="list-style-type: none"> <li>• NEC conducted web-based training for its officers and employees (including temporary employees) and its domestic subsidiaries. NEC also conducted comprehensive training that involved more practical content for sales personnel and SEs of NEC and some domestic subsidiaries. This training was conducted more than 200 times nationwide and included branch offices; there were more than 5,000 participants, including those from domestic subsidiaries.</li> <li>• To clean up cartels and bid-riggings, all officers and employees of NEC and domestic subsidiaries pledged to eliminate cartels and bid-rigging.</li> </ul>	Mostly achieved*
2. To promote awareness of in-house rules, such as for prior consultation and approval, to prevent competition law violations and bribery and corruption	<ul style="list-style-type: none"> <li>• NEC formulated a scheme to rotate employees who deal with the same customers at public offices for long periods.</li> <li>• NEC tried to implement the same system as that of NEC in domestic subsidiaries.</li> <li>• NEC has also developed a "Guideline for Provision of Gifts, Hospitality and Travel Expenses," which describes cautions and measures that overseas subsidiaries should follow when they provide gifts, hospitality and travel expenses.</li> </ul>	Mostly achieved*

\* We achieved the goals set forth in the beginning of the fiscal year, but received a cease and desist order or an order for payment of surcharges from the Japan Fair Trade Commission, which should be paid within the year. Because of that, we lowered the degree of achievement so that we can innovate the organization not to violate the competition law such as bid-rigging and further raise the awareness and enhance the measures to raise the awareness.

### Fiscal 2018 Objectives

• Continued from the previous year, NEC will work to achieve the following two objects.

1. To hold continuous training programs to prevent competition law violations and bribery and corruption	<ul style="list-style-type: none"> <li>• NEC will review the case in which the Japan Fair Trade Commission issued a cease and desist order and an order for a surcharge payment to NEC and will implement a training program that strictly prevents instances of bid-riggings.</li> </ul>
2. To promote awareness of in-house rules, such as for prior consultation and approval, to prevent competitive law violations and bribery and corruption	<ul style="list-style-type: none"> <li>• NEC will rotate personnel (including an alternative measure) to prevent competition law violations.</li> <li>• For other measures, NEC makes sure to operate in-house procedures in domestic and overseas subsidiaries.</li> </ul>