Information Disclosure Policy

Basic Policy
Aiming to be a "Social Value Innovator", NEC considers communication with stakeholders to be a critical initiative because communication provides an opportunity for us not only to recognize our obligation to carry out our social responsibility but also to understand the fundamental issues of our customers and society. As such, we have positioned communication as a key component of our priority management themes from an environmental, social, and governance (ESG) perspective.

We use our sustainability website and sustainability reports (PDF) as tools to enable this communication, disclosing the sustainability initiatives and their results as viewed from ESG. NEC’s integrated report also presents the essence of the sustainability reports, mainly with a focus on “materiality,” as well as the essence of our securities report, which discloses our financial activities.

Scope of Report
In principle, the content relates to NEC Corporation in certain sections, but also includes subsidiary companies and affiliates in other sections. “NEC” refers to NEC Corporation and its subsidiary companies, unless otherwise noted.

Medium-term objectives presented in “ESG-related Objectives, Achievements and Progress, and Degree of Completion” related to ESG are for fiscal 2019 fiscal 2021.

Reporting Period
April 1, 2018 to March 31, 2019 (hereinafter referred to as "Fiscal 2019.” Any other fiscal years would be referred to similarly.)

Disclosure Format
Sustainability Website and Sustainability Report (PDF)s
NEC regularly discloses the latest information on its sustainability activities via its sustainability website. Furthermore, it emphasizes detailed coverage of information to ensure conformance with international reporting initiatives such as GRI, while addressing the needs of sustainability professionals such as ESG research institutes, the news media, universities, and NPOs/NGOs.

The sustainability report (English) posted on the sustainability website is published each September in PDF format. The previous sustainability report in Japanese was published in September 2018.

NEC Integrated Report
NEC Integrated Report explains our management strategies, which are aimed at promoting the sustainable growth of NEC and society as a whole, from both financial and non-financial perspectives. NEC has published integrated annual reports containing both financial and non-financial information since fiscal 2014. In July 2018, NEC changed the name of the report to the "Integrated Report," having defined its materiality.

Reference Guidelines
With the aim of achieving conformance with international reporting initiatives, NEC reports on its sustainability activities with reference to the following guidelines:
- GRI’s Sustainability Reporting Guidelines Standard
- United Nations Global Compact
- ISO26000

NEC is a signatory to the United Nations Global Compact.

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Message from the President

Initiating desirable change for society and the environment in our 120th year by offering products and services that promote safety, security, efficiency, and equality

Since its establishment in 1899, NEC has contributed to customers and society by consistently providing products and services centered on IT and networks under the motto of "Better Products, Better Services." In 2014, we created the Brand Statement "Orchestrating a brighter world" and have since then promoted business activities that originate from our desire to address important social issues through the utilization of our ICT assets and co-creation with our stakeholders.

In 2019, under the Mid-term Management Plan 2020, NEC identified its priority management themes from an environmental, social, and governance (ESG) perspective, or "Materiality," and pursued the following activities, aiming to become a company that will continue to contribute to society for the next 100 years.

- **Environmental Perspective**
  To integrate environmental initiatives related to climate change and other issues into our management decisions, NEC expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) in July 2018. Aiming for zero CO₂ emissions from our own business activities in fiscal 2050, NEC's environmental promotion and business divisions have united to analyze risks and opportunities resulting from climate change and are reflecting the results of these analyses in our business plans.

- **Social Perspective**
  NEC is conducting its business activities by placing utmost priority on privacy considerations and other human rights in relation to the application and utilization of AI and biometrics data across all businesses. This approach not only reduces and avoids risks but also improves the reliability of solutions and services offered by the NEC Group. To clearly communicate this principle both internally and externally, NEC released the "NEC Group AI and Human Rights Principles" in April 2019. NEC also actively trains personnel with a high level of social sensitivity to be able to create value that remains socially acceptable amidst the rapidly changing business environment. NEC is endeavoring to transform its corporate culture by not only enhancing the execution capabilities of each and every employee at their respective workplaces but also implementing reforms in its human resource systems, promoting value-added work styles, and setting specific targets for the proportion of female employees and persons in managerial positions as part of initiatives to promote inclusion and diversity.

- **Governance Perspective**
  In addition to enforcing thorough compliance, NEC is working towards reforming its business execution system, clarifying the decision-making process and role of its Board of Directors, and enhancing the sophistication of processes for nomination and compensation of Directors and Board Members.

All of these activities are based on the Ten Principles in the four areas of human rights, labor, environment, and anti-corruption of the United Nations Global Compact, a global initiative aimed at facilitating the sustainable growth of society and corporations to which NEC became a signatory in 2005. NEC is also committed to contributing to the achievement of the Sustainable Development Goals (SDGs) by engaging in dialogue with customers and various other stakeholders while working together with them to promote these activities.

This year marks NEC's 120th anniversary. Looking back over the past 120 years, I am once again reminded that society has experienced extremely intense changes over the past 20 years. Even bigger changes may lie ahead in the next 10 years. To survive in these rapidly changing times, each and every one of us must think independently, act with speed, and endeavor to exhibit change from within ourselves. Likewise, we need to thoroughly consider how we can create systems that enable humans to live more comfortable and fulfilling lives. As a company in Japan — a pioneer in taking on challenges — NEC is in a unique position to create safe, secure, efficient, and equitable products and services. My vision is for NEC to become a company that initiates desirable change for society and the environment by offering products and services that promote safety, security, efficiency, and equality.

Takashi Niino
President and CEO
July 2019
ESG Highlights (April 2018 onwards)

Social Perspective
- Guidelines for promoting business activities that prioritize privacy considerations and respect for human rights
- Announced the “NEC Group AI and Human Rights Principles” (April 2019)
- Executing changes in the corporate culture to promote development of sustainably and socially literate human resources
  - Expanded education programs about social issues
  - Promoted personnel system reforms and smart work
  - Set targets for female employee and manager ratios as part of efforts to create an environment for promoting diversity and inclusion.

Governance Perspective
- Zero cases of involvement with serious cartels and/or bid-rigging in FY2019
- Revised execution structure, improved the position of the Board of Directors, and increased the sophistication of the nomination and remuneration process
- Minimized the effects of major security incidents

Environment Perspective
- Promoted initiatives for reducing the Company’s CO₂ emissions to “effectively zero” by 2050
  - Announced agreement with the Task Force on Climate-related Financial Disclosures (TCFD) (July 2019)
  - Acquired SBT certification (October 2019)
- “Reduce greenhouse gas emissions by 33% by FY2031” (Compared to FY2018, Scope 1+2)

ICT has the potential for responding to a variety of issues, and we believe that we can contribute in various ways to all the goals of the SDGs by engaging in discussions and co-creation with customers and diverse stakeholders.
Sustainable Management

05-07

Priority Management Themes from an ESG Perspective — “Materiality”

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Dialogue Sessions on “Materiality” with Experts

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ESG-Related Objectives, Achievements and Progress, and Degree of Completion

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Dialogue with Our Diverse Stakeholders — Case Examples

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CS (Customer Satisfaction) Initiative

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Cooperation with the Local Communities

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Innovation Management

25-31
Sustainable Management

Our Journey in Sustainable Management

NEC’s story starts in 1899, when the Company was born as Japan’s first joint venture with a foreign company. Founder Kunihiro Iwadare created the motto, “Better Products, Better Service,” to express his goal of creating a company that provides customers with world-class products and take responsibility for them through after-sales service. He aspired to contribute to solving social issues by providing telecommunications equipment such as telephones and switching systems.

Later, in the 1950s, the Company began working on the development of computers. In 1977 at the INTELCOM 77 international communications expo held in Atlanta, United States, then-chairman of NEC Koji Kobayashi presented a new concept, “C&C,” referring to the integration of computer and communications technologies.

At the time, Chairman Kobayashi articulated the vision of C&C as follows.

This vision has been technologically realized today in our age of widespread computers, mobile phones, and the internet. The ambition to enable people around the world to be able to connect anytime, anywhere, and with anyone aligns with the aspiration of the Sustainable Development Goals (SDGs) adopted by 193 United Nations member countries to “leave no one behind.” The issue is now being addressed throughout the world.

NEC has incorporated this C&C concept into the NEC Group Corporate Philosophy, formulated in 1990: “NEC strives through ‘C&C’ to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential,” and continues to be inspired by this spirit today.

As the value expected by customers and society changed from our tangible technologies and products to the intangible creation of value, in 2013 we responded under Mid-term Management Plan 2015 by declaring our intention to transform into a Social Value Innovator creating “Better Products, Better Services” inspired by value to society and social issues. The following year, in 2014, we announced our brand statement, “Orchestrating a brighter world,” and established seven themes for creating social value that NEC should engage with to realize its statement.

The seven themes have a strong affinity with the SDGs that were announced the following year in 2015. We are making active use of these indicators to create business opportunities inspired by social issues and to mitigate risks.

Initiatives by NEC for Contribution to Achieving the SDGs

The Seven Themes for Social Value Creation

Contribution to Achieving the SDGs

NEC brings together and integrates technology and expertise to create the ICT-enabled society of tomorrow.

We collaborate closely with partners and customers around the world, orchestrating each project to ensure all its parts are fine-tuned to local needs.

Every day, our innovative solutions for society contribute to greater safety, security, efficiency and equality, and enable people to live brighter lives.
Basic Policy

For us at NEC, sustainable management means that every one of us, executives and employees, will seek to contribute to solutions for social issues and exert a positive influence on society and the environment through our business activities and corporate citizenship activities, such as community contributions, while listening to the voices of society through dialogue with our stakeholders.

We don’t only focus on fulfilling our compliance responsibility, such as ensuring legal compliance and corporate ethics; we also focus on mitigating corporate risks that may adversely affect society or the environment.

NEC is therefore promoting sustainable management in line with the following basic principles.

**NEC’s Basic Principles of Sustainable Management**

1. Strengthen risk management and enforce compliance
2. Contribute to solving social issues through our business activities
3. Promote communication with stakeholders

**Strengthen Risk Management and Enforce Compliance**

Predicated on the concept of “contributing to solving social issues through our business activities,” NEC places top priority on “strengthening risk management and enforcing compliance,” considering not only itself, but also the impact on its customers and society.

In 2005, NEC signed the United Nations Global Compact, which calls for corporate activities that adhere to 10 principles in the four areas of “Human rights,” “Labor,” “Environment” and “Anti-corruption,” and we periodically undertake self-evaluations of the activities as part of our participation.

**Contribute to Solving Social Issues through Our Business Activities**

As a Social Value Innovator, we confirm the social issues that we should address in promoting our business and foster a culture of considering the impacts of our products and services on society. We make use of the SDGs when considering these social issues and impacts.

For example, in the “Demand and Supply Optimization Platform,” which is an initiative in the growth field of “NEC Value Chain Innovation,” we are working to provide solutions for SDGs Goal 12, Target 12.3 “By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses,” as well as other social issues (Targets 7.3, 8.2, 9.1, etc.) that arise from the social issue of food loss. Details of these initiatives are shown in the figure below.

**Promote Communication with Stakeholders**

We believe that continuously operating a PDCA cycle in our business activities increases not only corporate value, but social value as well. Such PDCA cycles rapidly incorporate feedback from society and use this as a starting point to improve our initiatives.

“Dialogues and co-creation with our stakeholders” is an essential process for understanding the real issues faced by customers and society, and their expectations of us, and for building relationships of trust with various stakeholders. For this reason, we have positioned it among our “materiality,” identified as priority management themes from an ESG perspective.
Promotion of “Materiality” — Priority Management Themes from an ESG Perspective

NEC Corporation has connected the social and environmental initiatives that it has implemented since its foundation even more closely to its business strategies. To link the growth of society to our own, in 2018 with the formulation of Mid-term Management Plan 2020, we defined our “materiality” as priority management themes from an ESG perspective. In defining these themes, we referred to ISO 26000, the GRI Standard, the UN Global Compact, and the SDGs, among others, along with holding multiple dialogues with external experts in various fields and representative stakeholders. We organized these themes as follows, according to the characteristics of each item.

Each materiality has a person responsible who confirms progress through the PDCA cycle of the mid-term management plan and uses this for management self-evaluation from an ESG perspective, as well as for motivating officers and employees and fostering their pride in the Company. It is also used to improve societies’ evaluation of our initiatives.

For more information about the materiality selection process, please refer to Sustainable Management in Sustainability Report 2018

Priority Management Themes from an ESG Perspective — “Materiality”

Measuring Progress on “Materiality”

We have established a vision and indicators for measuring materiality. The indicators are quantitative as a rule, but where a quantitative indicator is difficult to establish, progress is confirmed by showing the background for the target setting and the process for the activities.

For example, we measure expansion in market share and other indicators for the two themes under the “2020 Growth Focus to Create Social Value,” because we believe that growing a business with a strong emphasis on providing social value will bring us closer to realizing our vision.

Sustainable Management Promotion Framework

NEC’s sustainable management is promoted by the Sustainability Promotion Office within the Corporate Communication Division, coordinating with the IR Office of the same division and working closely with relevant divisions such as Corporate Strategy, Human Resources and General Affairs, Human Resource Organization Development, Compliance, Management Information Systems, Environment, Customer Service, Quality Assurance, and Procurement, and Laboratories, Business Divisions, and Group Companies. We also undertake initiatives in coordination with business partners.

Board of Directors

Key matters for promoting sustainable management are discussed periodically by corporate officers, and matters approved by the officer responsible for sustainability promotion are reported and discussed within the Board of Directors.

Global Structure

In EMEA (Europe, Middle East and Africa) and APAC (Asia and the Pacific), we have established promoters for driving sustainability initiatives in each region. The Sustainability Promotion Office, Environmental Management Promotion Department, and Purchasing Division coordinate with the promoter in each region and work to contribute to the solution of global sustainability issues by sharing information related to sustainability with local overseas subsidiaries and promoting efforts to address human rights issues.
Nine Themes for Creating Value and Reducing Risk

NEC has identified a total of nine priority management themes from an ESG (Environment, Social and Governance) perspective, referred to as “materiality,” which are divided into three layers, with a view to expanding economic value simultaneously with social and environmental value.

1. 2020 Growth Focus to Create Social Value (2 themes)
   Growth areas under Mid-term Management Plan 2020, organized from an ESG perspective

2. Engines of Change (2 themes)
   Themes that will serve as engines for minimizing risks to society, maximizing economic and social value

3. Sustainable Growth Enablers (5 themes)
   In addition to carrying out Mid-term Management Plan 2020, themes that management should engage with over the long term as a foundation for a Social Value Innovator

Initiatives for Achieving the SDGs

Since ICT has the potential for responding to a variety of issues, we believe that we can contribute to all the goals outlined in the SDGs, through engaging in discussions and co-creation with customers and stakeholders. We have not specified particular SDGs for the entire company to address.

In utilizing the SDGs, we not only associate the SDGs with our business activities, but also break down the social issues behind our business activities by the SDG target numbers (target numbers provided for each SDG, such as 1.1, 2.3 and so forth). In this way, we are verifying our progress towards resolving the target issues through our businesses.

2020 Growth Focus to Create Social Value

In Mid-term Management Plan 2020, we define “NEC Safer Cities,” “Formation of a sustainable, smart supply chain,” and “Safe and comfortable connected cars” as growing businesses. From an ESG perspective, these are organized into “NEC Safer Cities” and “NEC Value Chain Innovation.”

We believe that the social value we provide is increased when NEC products and services are widely used by customers. We therefore use the financial indicators specified in the Mid-term Management Plan 2020 to measure our progress. On the other hand, we are also working to quantitatively show what kind of value our products and services provide for society.

NEC Safer Cities

As populations rapidly concentrate in urban areas, new values are created through economic growth and the diversification of life and culture; at the same time, cities also face a wide range of social challenges, such as increasing levels of crime and terrorism. NEC will contribute to realizing safe, secure, efficient and equal cities where individuals can exhibit their potential to the full and live better lives, by utilizing cutting-edge technology such as biometric authentication, AI (artificial intelligence) and the IoT (internet of things).
NEC Value Chain Innovation

Our society faces various kinds of social issues, such as food waste, labor shortages, changes in the consumption environment, and diversifying threats.

NEC will develop cutting-edge technologies and promote co-creation with customers in order to connect people, goods, and processes, reaching across the boundaries between enterprises and industries to create new value. In addition, NEC will support a more sustainable planet, sustainable growth for companies, a society where people can live in abundance, and a brighter world for the future.

Non-financial indicators for measuring progress and initiatives in fiscal 2019

NEC aims to amplify the social value it provides by developing and supplying larger numbers of services. For example, we will contribute to reducing food waste from manufacturing and supply chains, which is defined in SDGs Goal 12, Target 12.3 by promoting NEC Value Chain Innovation which aims to optimize the demand-and-supply balance.

For fiscal 2021, we have set out a goal of expanding our domestic sales to 85 billion yen in growth fields including NEC Value Chain Innovation.

We will conduct model case analysis for NEC Value Chain Innovation in the same way as for NEC Safer Cities.

Engines of Change

Dialogue and Co-creation with Our Stakeholders

Values are constantly changing for our customers and society. To supply products and services that deliver real value to them, NEC incorporates processes for dialogue and co-creation with stakeholders into its corporate activities.

Innovation Management

Since NEC was founded, it has cultivated its technologies based on NEC’s motto of “Better Products, Better Services.” In a society that is constantly changing, the technologies in demand keep changing as well; by implementing appropriate innovation management, we can continue to generate social value in the form of the technologies, products and services that society demands.

NEC is investing approximately 4% of our sales revenues into R&D in order to realize innovation sustainably. However, for this theme, we have not set a non-financial indicator to measure how much value is generated by innovation management. This is because NEC believes that the outcomes of innovation management in terms of social value creation are, by their nature, things that can only be measured for the first time when our technologies successfully deliver value to society in the form of products and services.

Innovation Management
Non-financial indicators for measuring progress and initiatives in fiscal 2019

To eliminate violations of compliance, we implement in-house training courses to ensure that all our members from executives to employees prioritize compliance in the actions they take at any time. In fiscal 2019, we accomplished the following results by conducting more thorough internal awareness-raising and education, such as establishing "Compliance Day."

- Indicator: Number of cases of involvement with serious cartels and/or bid-rigging
- Target for fiscal 2019: 0 (zero)
- Result for fiscal 2019: 0 (zero)

Meanwhile, with regard to our governance structure, we revised our execution structure and conducted a review of our nomination and compensation process. However, in response to calls for further improvement from external parties such as investors, we aim to make our management more transparent through dialogues with all manner of stakeholders, including external experts.

Environmental Action with a Particular Focus on Climate Change

The negative effects that are brought about by climate change cover a range of different circumstances, such as an increasing number of natural disasters caused by abnormal weather conditions, depletion of water resources, effects on the supply of and demand for food, etc.

NEC has set out a goal of reducing the Company's CO2 emissions to zero by 2050, and reducing CO2 emissions from the whole supply chain by cooperating with suppliers and partners. Based on these efforts, NEC is contributing to reductions in greenhouse gases on a global scale.

By offering energy-saving products and services, solutions aimed at preparing for the risks of natural disasters such as floods and landslides, and products and services to cope with environmental issues caused by climate change, NEC will contribute to the efforts our customers and society are making to address climate change.
NEC uses the following indicators to confirm whether we are succeeding in developing human resources who possess a higher level of social sensitivity and in outputting the social value created by our personnel, and whether we are succeeding in creating an organization that has a sense of speed embedded in its culture.

- Indicator: Ratio of employees who have a strong sense that speed is embedded in its culture.

- Target for fiscal 2019:
  To review the questions in the opinion survey among NEC Group employees and set a specific target number for fiscal 2021.

- Result for fiscal 2019:
  The survey was conducted once a year for employees of NEC and its domestic and overseas subsidiaries. A target was set to increase the ratio of respondents who believed “Strongly agree” or “Agree” to having a real sense of change by 7 points from 23% in fiscal 2019 to 30% in fiscal 2020.

In fiscal 2020, in addition to the NEC School for Social Value Creation that we have been running for people at division manager class and above, we established a new Social Issue Experience Program for people at or below manager class to provide opportunities to learn about social issues for a wider band of employees. We will continue to create an environment where employees can really sense change by promoting personnel system reforms, smart work, and dialogue with employees, as well as inclusion and diversity.

- Human Resources Development and Training
- Inclusion and Diversity
- Creating a Diverse Work Style Environment

Non-financial indicators for measuring progress and initiatives in fiscal 2019

NEC has set out the following indicators to promote provision of products and services that are sensitive to privacy concerns, based on adherence to the laws and so forth, and cooperation with our customers and sales partners.

- Indicators:
  (1) To have discussions with multi-stakeholders regarding sensitive topics from human rights or privacy perspectives.
  (2) Number of cases incorporated in areas such as R&D, product development and proposals for services, which are based on the "Human Rights by Design" concept, incorporating the approach of respect for human rights, privacy, fairness, etc., into each process in the value chain

- Targets for fiscal 2019:
  (1) Carry out once per quarter
  (2) Set the specific target number for fiscal 2021

- Result for fiscal 2019:
  (1) Conducted dialogues with external experts (university professors and lawyers, etc.) and consumers on the themes of AI, data usage, privacy, and human rights (five times). Moreover, in the process of formulating the NEC Group AI and Human Rights Principles (the Companywide "Principles and Strategies") conducted dialogues with external experts (NPOs, research institutions, university professors, lawyers, etc.).
  (2) Undertook and carried out data protection-related projects and data traffic-related verification projects based on Human Rights by Design.

In fiscal 2019, we established the Digital Trust Business Strategy Division as an organization to lead our efforts on this materiality, and in April 2019, the NEC Group announced the above-mentioned Companywide Principles to be mindful of always prioritizing respect for human rights when promoting business related to data utilization, such as social implementation and biometric data, and to reflect this in its products.

Looking ahead, we have set the following indicator and in fiscal 2020 we will continue dialogues with multiple stakeholders and confirm initiatives based on the Company-wide principles, incorporating them into the relevant business framework.

- Indicator: Promotion of the NEC Group AI and Human Rights Principles and incorporation into business activities (including dialogues with multiple stakeholders)

Moreover, in addition to promoting the Companywide Principles, we will make use of initiatives with academia centered on research laboratories to strengthen NEC’s proprietary technological capabilities such as secure computation technologies, anonymization technologies, and facial recognition technologies that are considered of fairness.

- Personal Information Protection and Privacy
- Innovation Management

Security to Maximize ICT Possibilities

Security, as well as privacy, is also a theme that NEC needs to take up across the whole value chain including our customers and clients, in order to provide values such as safety, security and equality to society through our business activities.

NEC is making efforts to minimize risks in the fields of "Information Security" and "Cyber Security" in particular, ensuring that our customers are able to securely experience the benefits offered by ICT.

Non-financial indicators for measuring progress and initiatives in fiscal 2019

The following two indicators are used to measure the progress we make in terms of minimizing risks while maximizing value, with the aim of realizing a secure information society.

In fiscal 2019, we continued initiatives led by the CIO and CISO to minimize risk and promote provision of products, systems, and services that contribute to information security and cyber security countermeasures.

- Indicators:
  (1) Minimize the effects of major security incidents by ensuring that we enhance cyber security measures while also strengthening information security measures in order to prevent leakage of information
  (2) Promote products and services that incorporate security measures and case studies taken from NEC Group’s own information security practices as a reference

- Information Security and Cyber Security
**Dialogue Sessions on “Materiality” with Experts**

To explore how NEC can incorporate non-financial (ESG) initiatives and management, and how its business impacts society, we invited outside experts in their respective fields to participate in a dialogue on the following themes. We invited Peter David Pedersen, Co-Founder, Next Leaders’ Initiative for Sustainability (NELIS) to participate in all of the dialogues to provide a general overview of “materiality.”

### Indexing Social Value and Creating a Long-term Vision

| Peter David Pedersen | Masaru Arai | Kaori Kuroda |

#### Peter David Pedersen

Born 1967 in Denmark, graduated from the Institute of Cultural Anthropology, Copenhagen University. Representative Director, NELIS. Co-founder, E-Square Inc. In 2000, Peter David co-founded E-Square Inc., one of Japan’s first sustainability consultancies and worked on CSR/sustainability numerous projects with leading Japanese corporations. Co-founded NELIS (Next Leaders’ Initiative for Sustainability in 2015).

#### Masaru Arai

Masaru Arai is chair of the Japan Sustainable Investment Forum (ESIF) and a senior engagement consultant at Hermes EOS and focuses on engagements in Japan, Masaru lectures on ESG investing and CSR at Waseda Graduate School of Business and Finance. He has 12 years of experience in responsible investment, 19 years in the brokerage and underwriting business. He has been a member of the FTSE Russell ESG advisory committee since 2009. He also served as a member of the Sustainable Financial System Advisory Group of the PRI and in 2015 acted as a PRI board member.

#### Kaori Kuroda

Kaori Kuroda is the Executive Director of CSO Network Japan. She also serves at the Japan Director of the Asia Foundation. Prior to the current position, Ms. Kuroda worked at a private company in Tokyo, the Center on Japanese Economy and Business at Business School Columbia University in New York City and The Asia Foundation, Japan. Ms. Kuroda was a Japanese NGO Expert for developing ISO 26000 (ISO Standard for Social Responsibility) from 2007 to 2010. She currently serves as a member of the Working Group on Sustainable Procurement Code for the Tokyo 2020 Olympic and Paralympic Games. She is a member of the Roundtable for Promoting Sustainable Development Goals (SDGs) established by the SDGs Promotion Headquarters at the Prime Minister's office. She also serves as the President of Japan Civil Society Network on SDGs, a Board member of the Japan Society for International Development.

### Social Value Created by NEC Safer Cities

| Peter David Pedersen | Asako Nagai | Hiroyuki Horii |

#### Asako Nagai

Asako holds dual master's degrees in Business Administration and Science from the Ross School of Business and School of Natural Resources and Environment at the University of Michigan. Prior to joining NAM, Asako has more than 10 years of experience leading global sustainability strategies. She also played a key role in shaping the industry framework for the Responsible Business Alliance (RBA, formerly Electronic Industry Citizenship Coalition) in 2013. Asako (joins NAM, a global organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world.

#### Hiroyuki Horii

Sumitomo Mitsui Trust Asset Management Co., Ltd. Executive Officer, Chief Stewardship Officer. He worked for Yamaichi Securities before moved to Sumitomo Mitsui Trust Bank in 1998. He has been in the present position since Oct 2018. He has been focusing on systematization and sophistication of assessment for non-financial information including ESG by utilizing analyst and research management experience in security company and asset manager for 30 years.

### Environmental Action with a Particular Focus on Climate Change

| Peter David Pedersen | Toshiyuki Imamura | Mariko Kawaguchi |

#### Toshiyuki Imamura

Managing Director, Head of Responsible Investment Nomura Asset Management (NAM). Head of Responsible Investment Department of NAM. Over 25 years of investment experience, with appointments prior to the current position in 2016 including Head of the Investment Planning Department (2013), and London office head for Nomura’s investment fund research and consulting arm (2008). Spent 12 years in global equity portfolio management after joining NAM in 1994, including three years at NAM’s New York office from 2003.

#### Mariko Kawaguchi

Chief Researcher, Daiwa Institute of Research. Graduated with a Masters Degree in environmental economics from Hitotsubashi University. After joining Daiwa Securities, transferred to Daiwa Institute of Research in 1994. From December 2018, she was appointed senior principal of Raisakasu, Research Division, Daiwa Institute of Research Group. Fields including sustainability in general, including CSR, ESG investment, and ethical consumption. Member of the Examination Board of the Securities Analysts Association of Japan, Director of Global Compact Network Japan, Chair Representative Director of Japan Sustainable Investment Forum, Extraordinary Member of the Central Environment Council of the Ministry of Environment, (from 2016), Member of the Tokyo Capi & Trade Board. Author of Yoshikazu Fainaru Kyokasho (“Social Finance Textbook”) and Seisansei Shuppan, etc.
NEC should demonstrate its progress on achieving its vision even without quantifying it

With regard to the growth area theme “NEC Safer Cities” under Mid-term Management Plan 2020, NEC is targeting international sales of 200 billion yen for fiscal 2021, while working to demonstrate the value it can provide to society.

Kuroda The social return on investment (SROI) framework, as an example of an indicator for measuring social value. However, the social environment that would lend objectivity to the SROI has yet to develop, for example there is a lack of publicly available data to support methods of estimating social impact. Rather than focus exclusively on the SROI value, it is important to understand the significance of having diverse stakeholders participating in a series of evaluation processes.

Arai From an investor’s perspective, some disclosure on the degree of achievement is preferable, even if it isn’t necessarily quantitative. I would like to see the Company clarify its own strengths and show a story about how it takes advantage of using them to drive growth towards its vision with a long-term strategy.

Pedersen The indicators that are put in place should be discussed carefully by top management, and it is of key importance that they provide intelligence to inform management decision-making. Since NEC aims to be a Social Value Innovator, it might consider creating its own proprietary “social value indicator” instead of expressing its results in terms of financial and non-financial.

Commitment from top management, discussion involving sales and business divisions, and sharing management direction are needed for formulating a long-term vision

At NEC we are discussing the future vision for the Company and the social issues that we should address with our sights on the world from 2030 onward.

Pedersen To bridge the generation gap I recommend starting an “Innovation Journey,” where the young employees that will become the next generation of leaders will be involved in the discussion of the long-term vision.

The important thing in formulating a long-term vision is to have a maturing process. I believe it is necessary to have a forum for discussing sustainability with participation from the sales and business divisions, and for the people in charge of businesses to understand the overall concepts, act autonomously, and work to share their direction with the entire company. If people are confident that their activities will ultimately increase corporate and social value, then the company will begin to change.

Arai Some companies are working to increase understanding and awareness of their policy and targets for sustainability not only among investors, but also among their employees. At the end of the day, if the employees do not understand them, then the company could not change. Based on this assumption, it is essential for the management team to show their commitment.

At the same time, from an investor perspective, it is preferable to show specific targets for each business. They want to know how committed the company is.

Shimizu At our recent dialogue on climate change, the invited expert pointed out that although we have many good examples of contributing to the mitigation of and adaptation to climate change, our policy on environmental activities is not part of our social vision.

From a risk mitigation perspective, we had maintained close coordination with the environmental officers for the business divisions, but going forward we will also provide opportunities for dialogue with general managers of business units and incorporate a perspective on opportunities in climate change countermeasures, such as identifying best practices.

Ashida NEC has been aspiring to be a Social Value Innovator for more than five years now. I can really sense that an increasing number of mainly younger employees empathize with this direction. When I talk with them, all kinds of ideas actually emerge, and have the strongest sense of their ability to take action. I want to channel this energy into business creation.

Matsukura Regarding setting non-financial indicators, I would like us first to demonstrate social value creation based on example cases in our growth areas. Then at the same time, we should aim to have the entire business contribute to society.

For our long-term vision, after top management has expressed its commitment, I want it to share its ideas and vision for the future with employees and promote sustainable management aiming for continuous development of society and the Company.
Social Value Created by NEC Safer Cities

We asked a group of experts to talk about what social value is created by NEC Safer Cities, one of the growth areas outlined in Mid-term Management Plan 2020, and how that value should be measured. The experts commented that other cultures incorporated through acquisitions help to foster understanding of diversity and social tolerance, which will become strengths for NEC. They also noted that the social value created by NEC would be of an even higher level if incorporated the human rights concepts of keeping people safer while ensuring humaneness and livability. In addition, they said that while it was best to quantify nonfinancial indicators where possible, the first priority should be to present a story explaining what the Company will invest in over the medium and long term, in which assets will be invested, and how they will be allocated. We will refer to these comments when we examine the social value in our business activities and how we demonstrate it.

Creating a society that enables the realization of human potential begins with understanding diverse cultures and social tolerance

NEC Corporation aims to become a global category leader in the security sector. To this end, we acquired Northgate Public Services Limited of NEC Corporation aims to become a global category leader in the security and social tolerance

Environment

Sustainable Management Environment Governance Social

05-07 Sustainable Management 16-19 ESG-Related Objectives, Achievements and Progress, and Degree of Completion 23-24 Cooperation with the Local Communities

08-11 Priority Management Themes from an ESG Perspective - “Materiality”

20-21 Dialogue with Our Diverse Stakeholders - Case Examples

25-31 Innovation Management

Peter David Pedersen

Co-Founder, Next Leaders’ Initiative for Sustainability (NEILLS)

In April 2019, NEC announced the “NEC Group AI and Human Rights Principles.” These principles guide our employees to recognize respect for privacy and human rights as the highest priority in each and every stage of our business operations in relation to social implementation of AI and utilization of biometrics and other data. The development of laws and other social rules in the areas of privacy and human rights has not kept pace with the evolution of technologies such as AI. We have formulated these principles with the intention of proactively using new technologies to provide solutions for social issues and to increase our corporate value. For example, biometric technology is a core strength for NEC, and promoting its acceptability to society will require consideration of privacy and human rights when using it. We were strongly aware of this issue when discussing the principles.

Pedersen The key to success here is what kind of values you will provide to a company with a different culture to align your directions. The relationship between happiness and safety is an important perspective. Japan has technologies, but I feel they aren’t being used to contribute to human lifestyles and happiness.

Nagai I had a strong impression that NEC is striving to become a global company. I think there is also a lot to learn from a company that has a base in the UK, where there is vigorous debate about AI, human rights, and privacy. Having an understanding of diverse cultures and social tolerance is also a strategic strength.

Business that prioritizes “life, liberty, and human safety”

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Hirokazu Yamashina

Executive Vice President, NEC Corporation

NEC can be lauded for making this acquisition of Northgate Public Services Limited strategically important. As a long-term investor, the story of how assets are being allocated to which fields in achieving the targets is more important than five year profit targets themselves. Also, since investors compare a company objectively with its competitors, they should be well aware of NEC’s strengths and challenges. Through multiple discussions with investors, the path to solve issues may become clearer.

Pedersen Rather than asking “what kind of business do we do?” we need to be asking “what kind of society do we want?” When it is clear that NEC is thinking seriously about humaneness and livability, this can raise the Company to a new level and increase its brand value.

Nagai The direction of change in the world will depend on how society changes through the Company’s business. If one takes an outside perspective, social tolerance is also connected to sustainable business. However, this is far from current thinking and a change of mindset is needed. In terms of cost, the Company would prioritize its risks and focus particularly on those that are strategically important.

Peter David Pedersen

Co-Founder, Next Leaders’ Initiative for Sustainability (NEILLS)

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Hirokazu Horii

Chief Stewardship Officer

This aspiration is also found in SDGs Goal 16 “Peace justice, and strong institutions,” and Goal 11 “Sustainable cities and communities.” However, having an understanding of diverse cultures and social tolerance is also a strategic strength.

Horii I am impressed with current estimates that almost half of the future urban population will live in slums, it is necessary to make life safer while retaining humaneness and not overusing surveillance in society, while also ensuring livability and sustainability amid increasing disaster risks due to urban population growth and climate change.

Enomoto Non-financial indicators make a noticeable contribution to social security and safety. So, they should also be used to assess branding.

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Environmental Action with a Particular Focus on Climate Change

NEC conducted a dialogue with experts to find out what is needed to make environmental action with a particular focus on climate change one of the Company’s sustainable growth enablers. The themes that emerged from the dialogue as challenges to be addressed going forward included “Treating environmental issues as management priorities.” “The need for governance to enable top management leadership and transmission to the next generation,” “Proper communication and sharing of information,” and “Promoting human resource development from an ESG perspective.”

The environment is management itself and represents a rare opportunity.

To start the dialogue, facilitator Peter David Pedersen presented an introduction of the latest trends in the global environment, including climate change, and the three panelists talked about the direction that companies should be seeking to take. Pedersen. ESG ties directly into sound business growth, and it is important to think of the environment as something to trade on for achieving business results. NEC should aim to be a leader in using climate change countermeasures such as CDP and TCFD to drive innovation.

Imamura. The challenge is how to go beyond treating corporate value as the present value of future cash flows and ESG as nothing more than initiatives, and find the way to parlay a set of non-financial activities into financial information. Non-financial information should be incorporated into future financial information under a solid recognition of its relevance. In this context, the main focus area for investors is governance. A company’s ability to properly engage in environment and social activities in the future depends on how well built its governance system is.

Kawaguchi. Although there is a strong focus on climate change, it is necessary to bring other trends into consideration as well, such as circular economies. For example, without disposable plastics, the entire system from the approach to packaging through to logistics may be forced to undergo a major transformation. What kind of impact would this have? Furthermore, when considering energy countermeasures, it is unrealistic to do so without considering restrictions on metal resources used for the conversion to electricity.

Commit to demonstrating policy on countering climate change

NEC’s environmental management initiatives were explained by the corporate officer in charge of the environment, Senior Vice President and Chief Supply Chain Officer Shimizu. Then, Global Business Unit Managing Director Murooka presented some specific examples of NEC’s environmental contributions around the world, before the panel discussed the theme of issues to be addressed going forward.

Imamura. From the perspective of institutional investors, NEC is undertaking ample activities. However, the picture of its activity guidelines for 2050 appears passive. NEC should show enthusiasm in the form of business goals. It should make a commitment as a company regarding how it will allocate resources following this guideline. The key thing is for the current management to use back-casting to make a commitment to the future, and then create a structure to pass on to the next generation of management.

Kawaguchi. Your activities seem to cover all the major issues, but everything looks too nicely organized and lacks a confrontational element. I think you should also show aspects that are rough and unrefined. The activity examples have great content, and these should be communicated more. If you communicate them in-house, they will motivate employees. Also, environmental challenges should be a topic right at the heart of management and would also be suitable for the Company’s vision. It is important for to describe a bold vision aimed at countering climate change and commit to it as a company.

Developing human resources who can talk about business in terms of ESG

Imamura. Investor relations (IR) is poised to become a powerful tool for increasing corporate value. Most Japanese companies are organized vertically, and lack people who can talk about the entire company. The ability to make investors recognize future value in addition to short-term business performance will be a key differentiating factor. Such an ability will attract investment. So there is a need for people who are able to strategically communicate the importance of ESG.

Kawaguchi. It would be good to create a team for thinking about new climate change businesses from the bottom up. This kind of initiative is very motivating and leads to constant awareness of climate change within existing operations as well.

Pedersen. It is important to present a vision that shows your mindset and intended direction in treating climate change countermeasures themselves as a corporate strategy. First, it’s a good idea to start by mapping existing businesses from a climate change perspective and sharing this.

Morita. Although all of our organizational environment, sustainability, IR, PR, marketing, and so forth, have been making their own efforts to work in a more harmonized manner, their activities aren’t necessarily coordinated well enough to form a unified corporate action at present. Today’s discussion gave us a lot of suggestions as to how to improve it through commitment to an overall direction and vision, leadership from top management, and then governance and human resource development to follow. We will continue to work on how to incorporate all of our course of action for parlaying climate change countermeasures into NEC’s business growth.
# ESG-Related Objectives, Achievements and Progress, and Degree of Completion

* Listed in accordance with the contents page of the report.

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<td>0-07 Sustainability Management</td>
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<td>16-19 ESG-Related Objectives, Achievements, and Progress, and Degree of Completion</td>
<td>16-19</td>
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## For each of the nine themes, NEC has established a vision for the Company and non-financial indicators for measuring progress.

### Dialogue and Co-creation with Our Stakeholders

**CS (Customer Satisfaction) Initiative**

- **P. 22**

  - Continue to be a company that is trusted and chosen by customers. Lorem ipsum dolor sit amet, consectetur adipiscing elit.
  - Promote private-public partnerships where business and co-creation/social contribution activity are integrated. Lorem ipsum dolor sit amet, consectetur adipiscing elit.
  - Conclude projects with local governments, such as Kakegawa City, Shizuoka Prefecture.

*Continue continuing to foster a CS mind and share information on good examples of CS activities among NEC Group employees throughout the world.*

**Cooperation with the Local Communities**

- **P. 23-24**

  - Create opportunities for new business creation from social contribution activities.
  - Encourage employees to participate in “NEC Social Entrepreneurship School,” “NEC Pro Bono Initiative,” etc.
  - Hold “Social Innovation Dialogue (With NGOs)” with 58 participants to provide a forum for identifying and learning about social issues, and picking up ideas for new business creation.
  - HotaluX, Ltd. (formerly NEC Lighting, Ltd.) and NEC Social Entrepreneurship School graduate, R65, collaborated to develop a new service for watching over seniors living alone.

*Continue encouraging employees to participate in “NEC Social Entrepreneurship School,” “NEC Pro Bono Initiative,” etc.*

### Environment Objectives for the Mid-term

<table>
<thead>
<tr>
<th>Environment Objectives for the Mid-term</th>
<th>FY2019 Objectives</th>
<th>FY2019 Achievements and Progress</th>
<th>Degree of Completion</th>
<th>FY2020 Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Response to Risks and Opportunities Posed by Climate Change</strong></td>
<td>Contribute to worldwide reduction in greenhouse gas emissions and the efforts our customers and society are making to address climate change.</td>
<td>Rate of contribution to CO2 emission reductions across the whole supply chain: 14</td>
<td>Five times (<em>FY2021 target</em>)</td>
<td>Six times</td>
</tr>
<tr>
<td><strong>Examples of Providing Environmental Value Through Business</strong></td>
<td>IT solutions for reducing CO2 emissions</td>
<td>Amount of CO2 reduced through IT solutions</td>
<td>17.70 megatons</td>
<td>19.79 megatons</td>
</tr>
<tr>
<td><strong>Development of Environmentally Friendly Products</strong></td>
<td>Improvement in energy efficiency of products</td>
<td>Reduction of total CO2 emission when products are used (%Compared to FY2014 products)</td>
<td>20%</td>
<td>74%</td>
</tr>
<tr>
<td><strong>Environmental Impact Associated with Business Activities</strong></td>
<td>Reduce CO2 emissions from (Scope 1, 2) business activities</td>
<td>Reduction rate of the generation of energy derived CO2 (Compared to FY2018)</td>
<td>-1.9%</td>
<td>-2.6%</td>
</tr>
<tr>
<td></td>
<td>Amount of electric power used from renewable energy</td>
<td></td>
<td>520 MWh</td>
<td>1,761 MWh</td>
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<th>Objectives for the Mid-term</th>
<th>FY2019 Objectives</th>
<th>FY2019 Achievements and Progress</th>
<th>Degree of Completion</th>
<th>FY2020 Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance and Risk Management</td>
<td>Ensure compliance</td>
<td>• Number of cases of involvement with serious cartels and/or bid-rigging: 0 ○</td>
<td>• Number of cases of involvement with serious cartels and/or bid-rigging: 0 ○</td>
<td>○</td>
<td>• Number of cases of involvement with serious cartels and/or bid-rigging: 0 ○</td>
</tr>
<tr>
<td></td>
<td>Carry out appropriate risk management</td>
<td>• Establish and implement effective measures for Priority Risks</td>
<td>• At overseas consolidated subsidiaries, internal audits regarding bribery were conducted and online training on fair transactions was given to all employees. Internal regulations related to the Antimonopoly Act were revised with regard to relationships with public-sector customers and their consultants.</td>
<td>○</td>
<td>Establish and implement effective measures for Priority Risks</td>
</tr>
<tr>
<td>Business Continuity</td>
<td>Through drills and training, increase the number of employees able to act autonomously if a risk event occurs</td>
<td>• Continue drills and training for diversifying risk</td>
<td>• Conducted safety confirmation registration drill and return home simulation training (online training) for an earthquake directly below the building.</td>
<td>○</td>
<td>Continue drills and training for diversifying disaster risks and increase disaster response capabilities</td>
</tr>
<tr>
<td></td>
<td>Enhance completeness and efficiency of BCP activities</td>
<td>• Reduce work hours required for verification of internal audit</td>
<td>• Linked systems and revised internal audit flow to enhance internal audit efficiency</td>
<td>○</td>
<td>Enhance completeness of BCPs, and revise and streamline flow of BCP formulation</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Formulate supply chain CSR in procurement of software and solutions</td>
<td>• Identify issues through supplier surveys</td>
<td>• Conducted supplier surveys. No new issues.</td>
<td>△</td>
<td>Currently revising targets</td>
</tr>
<tr>
<td></td>
<td>Promotion of use of Supplier Visit Record (SVR)</td>
<td>• Prepare a user’s manual for SVR, and conduct training for procurement personnel</td>
<td>• Prepared a user’s manual for SVR</td>
<td>○</td>
<td>Expand application of SVR and study measures using acquired data</td>
</tr>
<tr>
<td></td>
<td>Globally implement the incorporation of CSR provisions in individual order documents</td>
<td>• Complete incorporation of CSR provisions in individual order documents for APC and EMIEA (including country affiliates)</td>
<td>• Completed incorporation of CSR provisions in individual order documents for APC and EMIEA (including country affiliates)</td>
<td>○</td>
<td>No targets for FY2020 since the objectives have been achieved</td>
</tr>
<tr>
<td>Information Security and Cyber Security</td>
<td>Strengthen measures against cyber attacks</td>
<td>• Minimize the effects of serious security incidents and promote our own information security practices as a reference</td>
<td>• In Singapore, started implementation of globally centralized SOC monitoring and CSIR.</td>
<td>○</td>
<td>Minimize the effects of serious security incidents and promote our own information security practices as a reference</td>
</tr>
<tr>
<td></td>
<td>Strengthen the improvement of secure products, systems and services</td>
<td>• Check and understand the security status of business partners in real time</td>
<td>• Provided real-time feedback regarding business partners’ security status</td>
<td>○</td>
<td>Promote knowledge of practical guidelines for secure development and implementation among business partners, and improve and enhance them</td>
</tr>
<tr>
<td></td>
<td>Improve security in cooperation with business partners</td>
<td>• Ensure supply chain security by deploying awareness-raising activities to business partners</td>
<td></td>
<td></td>
<td>Promote improvement to secure development and implementation by conducting inspections to understand the status of business partners’ working environments and outsourcing management</td>
</tr>
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Respecting Human Rights

P. 58-61

- Promote understanding of officers and employees on global human rights issues
- Formulate Companywide framework pertaining to the implementation of human rights due diligence
- Formulate common Companywide process for assessment of risk and identification of issues via a task force
- Cooperate with personal information managers at overseas subsidiaries regarding measures appropriate to the situation in each area
- Build a system for reliably reporting to external organizations within the time frame stipulated by laws and regulations if a personal information infringement incident occurs
- Conform to amendments to the Personal Information Protection Law
- Conducted reexamination to ensure that My Individual Number information is managed in accordance with the Social Security and Tax Number System
- Conducted reexamination to ensure that My Individual Number information is managed in accordance with the Social Security and Tax Number System
- Prepare a manual setting out procedures for use of anonymized information and built a system for using it effectively
- Conduct periodic management reviews to revise risks in business divisions, etc. and check countermeasures
- Strengthen implementation of risk management to reliably carry out measures to prevent loss, damage, or leakage of personal information
- Continue dialogues with multiple stakeholders and confirm initiatives based on the Companywide principles. Update the principles themselves if necessary.
- Incorporate the Companywide principles into the relevant business framework

Personnel Information Protection and Privacy

P. 62-64

- Conform to amendments to the Personal Information Protection Law
- Reconstruct personal information protection management system
- Clarification of the concept “respecting human rights,” such as privacy protection in NEC’s business activities

Development of sustainability and socially literate human resources

P. 65-68

- Review programs for practicing People Philosophy
- For trainings, especially of management levels, enhance feedback skill for thorough implementation of 9 Blocks personnel evaluation system
- Carry out regular checks and follow-ups to maintain/expand/upgrade capabilties after appointment
- Employees are evaluated according to two axes: “Recent achievements” and “Conduct according to NEC Group Core Values,” and each axis is further divided into three levels.

Human Resources Development and Training

- Human Resources Development and Training
- Enhance the training of next generation business leaders, including overseas personnel
- Expand training programs including the selected members who advance NEC’s business at overseas locations
- Improve talent management process including the strengthening of follow-up after training

- Enhance the training of advanced professional human resources
- Prepare framework to assign and acquire advanced professional human resources in a planned manner
- Examine rebuilding the system to train professional human resources and improving its efficiency of the process
- Prepared an outline of a system for producing and appointing new advanced professional human resources
- Visualized the quality and amount of professional skills of NEC Group human resources and created a common qualification and training system for job categories

- By carrying out the following measures, achieve a 30% rate of “Strongly agree” or “Agree” responses to having a real sense of change in the annual survey of employees at domestic and overseas subsidiaries
- Enhance the content of training for newly appointed general managers
- Review specialized education programs (for general managers and department managers) in line with the 9 Blocks and Performance Management
- Conduct evaluator training associated with development of evaluation reforms at affiliates (15 companies)
- Conduct detailed design for the process from definition to appointment of advanced professional positions
- Construct professional skills development framework and foundation. Review skill assessment and design development process.

Social Objectives for the Mid-term FY2019

FY2019 Objectives

- For officers: Hold dialogue or lecture by experts
- For employees: Conduct an online education program “Companies and Human Rights,” NEC Corporation attendance rate: 97.0%
- Conform with regulations regarding personal information management
- Conducted reexamination to ensure that My Individual Number information is managed in accordance with the Social Security and Tax Number System
- Prepare an outline of a system for providing and appointing new, advanced professional human resources
- Conducted follow-up coaching for participants after the NEC School for Social Value Creation
- Expanded training programs for developing the next generation of management personnel (including selected members from overseas offices)
- Expand training for management team

FY2019 Achievements and Progress

- For officers: Hold dialogue or lecture by experts
- For employees: Conduct an online education program on diversity. Target attendance rate: 90.0%
- Authorize Companywide common framework
- Identify priority human rights issues based on the result of the human rights impact assessment and study schemes for addressing them
- Prepare the NEC Group European Personal Information Handling Manual
- Conform with regulation of regulations regarding transfer of personal information outside of each country and region
- Ensure understanding of escalation rules for personal information infringement incidents at overseas subsidiaries
- Take steps to ensure thorough compliance with final rules regarding personal information transferred from Europe to Japan based on sufficiency confirmation
- Continue dialogues with multiple stakeholders and confirm initiatives based on the Companywide principles. Update the principles themselves if necessary.
- Incorporate the Companywide principles into the relevant business framework

Degree of Completion

- Yes: Major non-financial indicators related to “materiality”
- ○: Achieved ○: Achievement rate of 80% or more ○: Achievement rate of 50% or more △: No progress —: Not evaluated in the fiscal year under review

FY2020 Objectives

- For officers: Hold dialogue or lecture by experts
- For employees: Conduct an online education program on diversity. Target attendance rate: 90.0%
- Authorize Companywide common framework
- Identify priority human rights issues based on the result of the human rights impact assessment and study schemes for addressing them
- Prepare the NEC Group European Personal Information Handling Manual
- Conform with regulation of regulations regarding transfer of personal information outside of each country and region
- Ensure understanding of escalation rules for personal information infringement incidents at overseas subsidiaries
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For details please see pages 8-11.
<table>
<thead>
<tr>
<th>Social</th>
<th>Objectives for the Midterm</th>
<th>FY2019 Objectives</th>
<th>FY2019 Achievements and Progress</th>
<th>Degree of Completion</th>
<th>FY2020 Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusion and Diversity</td>
<td>Promotion of women’s active participation</td>
<td>Continue to ensure the implementation and achievement of action plans and numerical targets based on the Act on Promotion of Women’s Participation and Advancement in the Workplace</td>
<td>Ratio of female managers in department manager of higher positions: 4.8% (As of April 1, 2019)</td>
<td>×</td>
<td>Continue to ensure the implementation and achievement of action plans and numerical targets based on the Act on Promotion of Women’s Participation and Advancement in the Workplace</td>
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<tr>
<td></td>
<td>Employment of people with disabilities (Ratio of people with disabilities employed: 2.3% by April 2021)</td>
<td>Study and carry out various measures to achieve ratio of employee with disabilities of 2.3%</td>
<td>Compared to 2.2% in FY2018, achieved 2.24% (As of April 1, 2019; employment ratio after including NEC Corporation, NEC Management Partner, Ltd., and NEC Friendly Staff, Ltd.)</td>
<td>△</td>
<td>Study and carry out various measures to achieve ratio of employee with disabilities of 2.3%</td>
</tr>
<tr>
<td></td>
<td>Support for sexual minorities (LGBT)</td>
<td>Formulate measures in support of LGBT within the benefits and welfare system</td>
<td>Conducted discussions towards reforming the benefits and welfare system</td>
<td>×</td>
<td>Study revision of the employment regulations and benefits and welfare system</td>
</tr>
<tr>
<td>Creating a Diverse Work Style Environment</td>
<td>Reduction of total work hours</td>
<td>Improve average overtime hours, annual rate of taking paid leave and compensatory leave, and total work hours compared to FY2018 results</td>
<td>The average monthly overtime decreased (from 16.3 to 16.2 hours). The annual rate of taking paid leave decreased (from 69.3% to 67.4%), as well as the rate of taking compensatory leave (from 50.3% to 47.3%). Compared to FY2017, total work hours decreased (from 1,906.64 to 1,903.94 hours)</td>
<td>○</td>
<td>Improve average overtime hours, annual rate of taking paid leave, and total work hours compared to FY2019 results.</td>
</tr>
<tr>
<td></td>
<td>Deployment of &quot;Work Style Reform&quot; that should improve productivity</td>
<td>Further enhance telework and Secure BYOD, shorten total work hours to FY2018 level or shorter</td>
<td>Expanded satellite offices inside and outside the Company, promoted Secure BYOD use, and took other steps to enhance the telework environment. On telework days during 2018, approximately 26,000 employees engaged in telework.</td>
<td>○</td>
<td>Set up an environment for autonomously designing working time and location (abolish core time within the flextime system and promote further use of telework)</td>
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<td></td>
<td>Expansion of work-life balance support measures</td>
<td>Grasp actual status and enhance work-life balance programs to enable employees to balance both work and childcare, nursing care, and sick leave</td>
<td>Established &quot;Guideline for Balancing Treatment and Work,&quot; introduced short-term working hours system for nursing care, and took other steps to expand for work-life balance support measures</td>
<td>○</td>
<td>Introduce and promote use of systems that enable more flexible decisions on working time and location</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Complete enforcement of occupational health and safety (OH&amp;S) management appropriate to diverse work environments</td>
<td>Maintain operations of the OH&amp;S management system at each NEC workplace and improve it according to the situation</td>
<td>Continued certification by receiving triennial OH&amp;S renewal inspection. Based on occupational health and safety guidelines in workplaces, formulated systems and rules for inside business divisions</td>
<td>○</td>
<td>Maintain operations of the OH&amp;S management system at each NEC workplace and formulate plan for transition to ISO 45001</td>
</tr>
<tr>
<td></td>
<td>Improve the physical condition and lifestyle habits of NEC Group employees</td>
<td>Disseminate and promote &quot;NH21 Third Season&quot; Promote &quot;Health Point&quot; activities Maintain &quot;health and Productivity Management Organization (White 500)&quot; certification</td>
<td>Studied NEC health and productivity management to further develop &quot;Health Point&quot; activities from 7,800 to 23,000 (24% of target group) Achieved &quot;Health and Productivity Management Organization (White 500)&quot; certification for 2019</td>
<td>○</td>
<td>Establish an environment that raises employees awareness of health using ICT</td>
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</tbody>
</table>

* : Major non-financial indicators related to "materiality" For details please see pages 8-11.

○: Achieved ◯: Achievement rate of 80% or more △: Achievement rate of 50% or more ×: No progress —: Not evaluated in the fiscal year under review
Dialogue with Our Diverse Stakeholders – Case Examples

**Dialogue Case Examples in Fiscal 2019**

In fiscal 2019, we had a variety of dialogues on “materiality” with experts and various stakeholders. NEC believes that these types of dialogues are part of a process that should always be incorporated into its business activities. This report introduces some case examples below.

**Dialogue with the United Nations and International Organizations**

- Event co-sponsored by the Ministry of Foreign Affairs and the FAO Liaison Office in Japan, “FAO’s Contribution to Achieving SDGs and Japan’s Role”

NEC aims to participate actively in international community networks and solve social issues. On March 12, 2019, Yasuhiro Imanaka of NEC Corporation’s Global Relations Division represented private-sector companies as a panelist in a public event co-sponsored by the Ministry of Foreign Affairs and the FAO’s Liaison Office in Japan, “FAO’s Contribution to Achieving SDGs and Japan’s Role.”

In the event, Mr. Imanaka presented an example of public-private partnership in Agriculture Organization (FAO) in Mozambique. He explained how NEC is helping to support the social independence of African farmers and explained that even larger scale public-private partnership is needed going forward. He also exchanged opinions with other participants at the event regarding how private companies can participate towards achieving the UN Sustainable Development Goals (SDGs).

**Dialogue with Local Communities**

- **(Students)**

NEC Group stakeholders

- Dialogue with the United Nations and international organizations
  - Event held by the Ministry of Foreign Affairs and the United Nations Food and Agricultural Organization’s (FAO’s) Liaison Office in Japan “FAO’s Contribution to Achieving SDGs and Japan’s Role”
- Dialogue with students
  - Dialogue with the next generation
    - Sharing the values of Safety, Security, Efficiency, and Equality
- Dialogue with employees
  - Dialogue with the President
  - Town-hall meeting of KMD Holding ApS
  - Dialogue with NGOs and NGOs

NEC aims to provide four values to society through its business activities, including its materiality theme, “NEC Safer Cities”: Safety, Security, Efficiency, and Equality. An opportunity to communicate these ideas to the next generation of young people who will strive to achieve the SDGs and inspire them to consider future design arose in November 2018. The chief of the Global Business Promotion division at the time, Masahiro Yoshikawa, was invited to give a special lecture for the “Meji Haruka Lectures” program of the Keio Futsu School.

The “Meji Haruka Lectures” are special lectures in which alumni of the school working on the front lines of various fields are invited to give lectures, providing students to feel the intensity of the front line while learning directly from the experience of their seniors. This time, Mr. Yoshikawa was asked by the school to give a lecture as an alumnus, and he gave a talk to the third-year class.

In the Middle East and Africa region, where Mr. Yoshikawa was assigned for around 15 years, NEC provided a citizen ID system that uses fingerprint authentication technology and an infrared thermographic camera system that helps to identify the Ebola virus as part of its NEC Safer Cities initiative.
During his lecture, Mr. Yoshikawa talked about his own experience, saying that "A very important attitude to take for global business and for protecting oneself is to understand the country's history and culture, and based on the social situation, to have a strong will to decide things ultimately for yourself, based on your accumulated knowledge and on your own responsibility."

He is also an experienced rugby and American football player and is passionate about promoting these sports. In talking about what he has learned from sport, he said, "Working out a strategy, then working together with a team while keeping within the rules to obtain an objective works the same way in sports like you to give your very best effort in both study and business as well," encouraging the students by saying, "I'd like you to give your very best effort in both study and sports."

After hearing Mr. Yoshikawa’s lecture the students gave the following feedback.
- From his story about doing business in the Middle East during a war, I learned about the difficulty and deep involvement of business in a culture and environment that is completely different from Japan.
- The talk made me feel that I’d like to help people who have to live in war zones where there is no safety or security.
- I was impressed by his message that accumulating knowledge by learning at school can improve the accuracy of our judgement in the future.
- I learned about the importance of taking on all kinds of challenges.

**Dialogue with Employees**

**Dialogue Session with the President**

The market environment is changing rapidly and the level of uncertainty is increasing. To grow in this situation, the NEC Group needs to completely reform its management, strategies, organization, employee values, and conduct. In 2018, the NEC Group started the Project RISE as a transformation initiative intended to implement major reforms in its 119th year since NEC’s foundation.

President and CEO Niino started by creating opportunities for direct dialogue (dialogue sessions) with employees at major offices throughout the world. At these events, he emphasized the importance of changing as an organization and as individuals, touching on themes such as “breaking free from big corporation disease,” “eliminating bureaucracies,” and “throwing out accepted norms of the past.” At the same time, he listened to employees through the dialogue to see what issues they were aware of and their ideas for change. Across the Group, over 10,000 employees participated in dozens of sessions held in 2018.

The Project RISE transformation plan was designed based on the opinions and suggestions provided by employees at these sessions. We have established a structure for reflecting employees’ opinions into management action. Looking ahead, we will continue to listen not only to employees, but to various stakeholders including customer and society, as we seek to promote better corporate management.

* Project RISE is a general name for the NEC Group’s internal transformation project.

**Town-Hall Meeting of KMD Holding ApS**

In February 2019, a town-hall meeting was held at the head office of KMD Holding ApS, attended by Executive Vice President Yamashina, who was appointed as KMD’s chairman.

NEC Corporation announced the acquisition of all of KMD’s stock on December 27, 2018, the largest Danish IT company. Denmark is the most advanced country in the field of digital government, a focus area under NEC Corporation’s growth domain, NEC Safer Cities. KMD is supporting the transition to digital government in Denmark.

At the town-hall meeting, over 1,000 people attended, including online. The meeting covered NEC’s technology and business direction, cultural differences between Europe and Asia, and communication for learning about NEC’s technology. A large variety of opinions and questions were heard on these themes.

NEC Corporation and KMD have different national and corporate cultures, however, through this dialogue, KMD employees showed an extremely positive and passionate excitement about becoming NEC Group employees. It was an excellent start for them as members of the NEC Group.

We will continue to interact with KMD in a variety of ways while promoting the businesses as one by both companies.

- NEC acquires the largest Danish IT company, KMD
“Customer Satisfaction” appears in the first paragraph of the NEC Group Charter of Corporate Behavior. The customer is central to every action taken by Group employees. All of our employees are working to develop a corporate culture of creating products and services that are more valuable to our customers. This means that every one of us at NEC understands, considers and quickly responds to what our customers expect in order to make NEC a company that is trusted and chosen by customers.

This attitude is also reflected in the use of the word “Better,” not “Best,” in our founding motto, “Better Products, Better Services.” It embodies our desire to “continuously make improvements to achieve our very best in providing better products for customers.”

Based on this way of thinking, in 1992 NEC formulated its “Customer Satisfaction Management (CSM) concept.” The CSM concept consists of “Significance,” “Activity System,” “Goal,” and “CS Action Plan.”

[CS Action Plan]
Everyone at NEC will continuously strive to:

- Have the common goal of providing customer satisfaction.
- Enhance perceptions to precisely gauge customer needs and wants and provide new value for customers and visions of the future.
- Give top priority to customer convenience and ease-of-use and provide products and services that customers can use with confidence and peace-of-mind.
- Refine sensitivity to customers’ needs and wishes and provide them with new value and future prospects.
- Consider the customers of our customers, the society and environment of the customers, and solutions to issues.

CSM Concept

Promotion Framework

CS improvement activities are carried out mainly by CS promoters appointed at each business unit and subsidiary. The basic responsibility of a CS promoter is to continuously promote improvement by closely examining the activities in the Company from the customer’s point of view and striving for higher value business activities. The status of CS improvement activities progress is reviewed at a meeting attended by the president and top-level management, pushing through the PDCA cycle to apply the review results to the next year’s activities.

To facilitate communication with customers, various types of contact desk have been provided for individual and corporate customers and for each type of product. Through these, we consult with customers and listen to their feedback and requests. Moreover, the NEC Customer Communication Center (CCC) has been established as a general contact desk in Japan to provide consultation on NEC products, systems, and services.

CS Improvement Activities

Contact Desk

Activities and Results for Fiscal 2019

CS Activities in Business Unit

NEC has defined its CS activities as a part of its business to offer value to its customers. To this end, instead of implementing a Companywide uniform initiative, NEC is promoting various and unique initiatives that match the characteristics of each business area.

In fiscal 2019, we took steps to enhance customer feedback to business divisions by transferring the CS Promotion Division from the Quality Division to the Marketing Division.

Education for Cultivating a CS Mindset and Transferring It into Action

NEC is promoting the codification of a corporate culture that considers the customer’s perspective on issues through CS education programs, promoting improvement activities in each work place, and giving award for excellent initiatives. Furthermore, NEC is fostering a CS mindset to train its employees to take notice of issues and address them to make improvements spontaneously.

In fiscal 2019, NEC conducted the following stratified CS education.

- Companywide training seminars to foster a customer-oriented mindset titled Customer-oriented Business Defined the CS basics and fostered the CS mindset for new employees, new chiefs and mid-career employees of NEC Corporation, or transferred employees to NEC Corporation
- New manager training program of CS management

In addition, we provided separate group education through programs to learn about methods for applying the customer-oriented point of view to specific action or to learn key points for creating customer value and improving CS through case examples.

In addition to strengthening CSR training for sales roles, we also held the training for branches and Group companies to strengthen training that is deeply connected with the front line and to pivot from individual learning to organizational learning and promote the consolidation of a corporate culture and style.

Promoting Improvement Initiatives at the Front Line

NEC is actively promoting CS improvement activities at the front line. We believe we can offer higher customer value when the employees at the front line themselves have an awareness of problems and are willing to make improvements and raise their work capabilities while continuing the CS improvement initiative through a feeling of satisfaction and accomplishment.

NEC continues to conduct activities for recognizing excellent initiatives that promote “Better Products, Better Services.” By spotlighting steady efforts for CS improvement, employees are being inspired to put them into practice even more.
Cooperation with the Local Communities

**Policy**

The NEC Group Corporate Philosophy established in 1990 is "NEC strives through C&C*1 to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential." Guided by this philosophy, NEC is promoting social engagement by listening to feedback from society and advancing dialogue. As part of this, individual employees are working on the "NEC Make-a-Difference Drive," a corporate citizenship activity in which individual employees contribute as good corporate citizens to solving social issues over the medium to long term.

Through the "NEC Make-a-Difference Drive, we work with the cooperation of local communities, NPOs and NGOs, local governments, universities, etc. to promote four universal themes: "Education, Culture and Sports," "Welfare and Diversity," "Environment," and "Regional Contribution Activities." NEC recognizes that the main actors in solving social issues are the members of the community, and as a trusted company, we want to support them in achieving the solutions.

Furthermore, by getting involved in these activities, NEC employees also find opportunities for dialogue and co-creation with various stakeholders, such as local communities and the social sector. They not only gain direct experience of social problems that merit NEC's attention as a Social Value Innovator, but also develop their own volunteer spirit and co-creation mindset.

NEC considers the "NEC Make-a-Difference Drive" to be a platform for advancing the themes of "Sustainably and socially literate human resources," and "Dialogue and co-creation with our stakeholders," which are specified in our "materiality," the priority management theme from an ESG perspective.

As a business creator inspired by social issues, NEC will develop human resources who are highly socially literate and have a volunteer spirit and a co-creation mindset. In this way, we aim to quickly grasp the true nature of issues facing customers and society.

*1C&C: The integration of computer and communications technologies

The social contribution programs and collaborating NPOs under the "NEC Make-a-Difference Drive" are selected based on the following policies and guidelines.

- **Basic Policy of Social Contribution Program Creation**
- **Guidelines for Coordination with NPOs**
- **Social Contribution Program Assessment System**

Furthermore, we have established an evaluation system for social contribution programs, and we regularly confirm their social impact and promote program improvements and revisions.

**Promotion Framework**

NEC's corporate citizen activities are undertaken under three main promotion frameworks:
- Social contribution programs planned and executed under the initiative of the Corporate & Social Engagement Promotion Office of the NEC Corporate Communications Division and the Social Contribution Promotion Departments of NEC Group Companies.
- Activities for contributing to local communities planned and participated by NEC Group employees around the world acting as promoters.
- Various grants by foundations

**Corporate Citizenship Activities**

In fiscal 2019, the total corporate citizenship activity expenses for the NEC Group were approximately 610 million yen. We were involved in various regions around the world following three main themes in five areas, including "Academia, Research and Education" and "Arts, Culture and Sports."

Corporate citizenship activity expenses included the following:

1) Financial assistance, 2) Charitable donations of products quoted on a unit price basis, and 3) Public use of NEC facilities (converted into monetary amounts based on the unit price of using equivalent external facilities to quantify the cost of using NEC facilities for socially beneficial purposes)

<table>
<thead>
<tr>
<th>Activity Expenses</th>
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<tr>
<td>FY2017</td>
</tr>
<tr>
<td>670 million yen</td>
</tr>
</tbody>
</table>

**Fiscal 2019 Activity Expenses Breakdown**

- **Social Welfare, 3.3%**
- **Others, 9.3%**
- **Environment, 4.0%**
- **Academia, Research and Education, 51.3%**
- **Disaster-hit Region Support (Including East Japan Recovery Support), 4.0%**
- **Arts, Culture and Sports, 28.2%**

*Data on areas of activity expenses was extracted from the Survey of Social Contribution Activities (Japan Business Federation)
Main Activities and Results for Fiscal 2019

Social Innovation Dialogues (Dialogues with NGOs)

A new initiative undertaken in fiscal 2019 was Social Innovation Dialogues (Dialogues with NGOs). These events were attended by 58 participants and provided an opportunity for individual employees to notice social issues and learn about them through dialogue with stakeholders. In this way, the dialogues served to inspire ideas for new business creation.

The three NGOs explained about global social issues before discussing the potential for using ICT to resolve them. We continued examining the use of ICT after the dialogues.

Themes of Dialogues with Participating NGOs
- First Dialogue: Japan Platform
  "Disaster assistance"
- Second Dialogue: Japan Committee for UNICEF
  "Support for growth and independence of children"
- Third Dialogue: National Federation of UNESCO Associations in Japan
  "Supporting the education, science, and culture of all people"

NEC Pro Bono Initiative

NEC promotes pro bono activities in which employees use their professional skills to help solve social issues being addressed by NPOs, social entrepreneurs, and others. The program was launched in 2010 in collaboration with the NPO Service Grant as the first pro bono program to be undertaken by a company in Japan.

In fiscal 2019, NEC conducted projects in collaboration with four local governments. In particular, in a community creation project undertaken with Kakegawa City (Shizuoka Prefecture), we worked on strategic measures to expand the use of a traditional textile called kappu in order to preserve local traditional industries and pass them on to the next generation.

In this project, we set a goal of increasing human resources who are fond of kappu and will take action to expand its use in the local area. To achieve it, we held two workshops in Kakegawa City, with over 150 participants including local residents, city hall staff, and others.

The workshops produced 14 new projects for expanding the use of kappu.
Innovation Management

Policy

NEC believes that innovation is the key to continuing to provide social value. We are therefore promoting innovation management centered on strengthening our technological capabilities and accelerating commercialization.

Under the direction of our Chief Technology Officer (CTO), we have formulated a technology strategy for the next stage of growth in social value innovation. We will continuously allocate approximately 4% of our revenue to R&D and make concentrated investments in NEC’s proprietary No.1/Only 1 core technologies.

In addition, we will actively promote commercialization of technologies across our conventional business framework and global open innovation, working to accelerate monetization of competitive technologies.

Strategy

The following are the strategies for NEC’s initiatives in technology development and business development, including intellectual property, aimed at further growth.

Technology Development Strategy

At NEC Corporation, the CTO is responsible for overall technology development, Companywide optimization of development investment, and formulation of open innovation strategies and process design.

R&D is a source of technological development. NEC’s basic approach to R&D is to deliver value to society as quickly as possible by identifying the best solutions we should create for the social issues presented in NEC’s “Seven Themes for Social Value Creation,” SDGs and other guidelines, then efficiently and rapidly aligning the necessary technology assets to realize them. These technology assets include NEC’s No.1/Only 1 core technologies that have been refined to a high level based on technology trends, as well as technologies produced through open innovation.

We have set our investment in R&D at around 4% of revenues. To ensure that these investments are used effectively and efficiently, we are investing also in collaborations with external research organizations, in addition to concentrated investments in the key business areas. In fiscal 2019, R&D expenses were 3.7% of revenues.

Concentrated Investment in Strong Technology Areas

We are concentrating investment in two areas of technology: data science and ICT platforms. NEC Corporation has many unique and competitive technology assets in these two areas, and we believe that continuously building strength in these areas will improve our competitive edge in delivering solutions for society.

In the areas of data science, we are developing AI technologies that contribute to the creation of new values by carrying out visualization, analysis, and prescription for the real world. In the area of ICT platforms, we are developing computing and network technologies that can adapt dynamically and in real-time to changes in the real world, and security technologies that allow social systems to operate securely and stably.

Moreover, as part of our concentrated investment in strong technology areas, we will continue to strengthen “NEC the WISE” as a cutting-edge AI technology brand.

“Bio-IDiom” is our comprehensive brand for biometric authentication products and services using six biometric authentication technologies for face, iris, fingerprint and palmprint, finger vein, voice, and ear acoustic. One of NEC’s strengths is in multimodal authentication, which combines multiple biometric authentication technologies to achieve higher accuracy.

We take pride in our ability to provide completely new social values and user experiences by combining these AI, video analytic technologies and biometric authentication technologies. NEC will continue to invest intensively in world-leading biometric authentication and AI technologies.

NEC’s Biometric Authentication Solutions
### Standardization Strategy

We are carrying out strategic standardization activities, such as building business ecosystems, expanding business opportunities, and utilizing standardization-related patents needed for strengthening business.

### Intellectual Property Strategy

At NEC Corporation, because intellectual property is regarded as an essential business resource supporting our Group’s competitiveness and stability, as well as for contributing to co-creation with our customers, we strive to strengthen and protect not only our patents and knowhow but also the designs and trademarks that support our global brand.

To create and develop social value, we are not only building IP-based barriers to entry and securing competitive advantage, but also building and using our IP portfolio to strengthen and protect collaborations with customers and partners.

NEC owns some 49,000 patents worldwide (including approximately 22,000 Japanese patents) as of March 2019.

### Business Development Strategy

We are promoting a transition into new business models that transcend existing business frameworks and the development of business from NEC’s core technologies.

We are also formulating business hypotheses based on NEC’s core technologies, on social issues, and on market opportunities, and carrying out business exploration for verifying values via open innovation and ecosystems, as well as business development that follows business hypothesis testing. In addition, we conduct business implementation, which aims at materialization of new business models and sustaining business growth.

Among these activities, we not only establish business within NEC, but also promote business incubation through various schemes that include spin-outs and carve-outs.

### Business Exploration

We collaborate with stakeholders in and outside the Company to promote a “Generate” phase of formulating business visions and strategies and an “Ideate” phase of customer development and business model verification.

We are using exploration of social issues and technologies held by our Central Research Laboratories to create business models that will underpin the Company’s next growth stage.

### NEC X

NEC possesses a large number of global No.1/Only 1 core technologies and researchers. To accelerate the commercialization of such technologies, in June 2018 we announced the establishment of a new company, NEC X, Inc., in Silicon Valley, U.S.A. to create new businesses and promote their growth.

NEC X aims to create an ecosystem centered on the advanced technologies of NEC’s talent and research laboratories and to promote co-creation of solutions involving Silicon Valley entrepreneurs and venture capital firms. It is responsible for accelerating new business development and has started the NEC Accelerator Program, which will start up new businesses in as little as one year.

NEC establishes “NEC X” in Silicon Valley - Accelerating new business development with cutting-edge technologies - (Press release)

### Business Development

We will drive a business development approach that is not bound by conventional in-house norms, and rapidly create businesses that provide high social value and will become future core businesses.

New businesses are established through a “Develop” phase involving product development and business plan verification and a “Launch” phase for preparing of market launch.

In April 2018, we announced the establishment of dotData, Inc., based in Silicon Valley, to develop and sell software that automates data science processes using AI. In fiscal 2019, the Company started commercial development and established dotData Japan.

### Social Value Design

To create new social value, we need to illustrate what society should be in the future, for example, by creating a city vision from the corporate, government, and community points of view. To address these needs, it is imperative to find ways to increase the value of systems and services from a societal perspective in addition to individual points of view. NEC has embedded this way of thinking based on “Social Value Design” into the planning and development of new products and services and is thereby creating innovation.
Promotion Framework

NEC has created a CTO position to establish a Companywide perspective in our effort to optimize development investment companywide, and link our corporate strategy with the planning of collaboration strategies with others. The CTO has overseen the establishment of a technology development promotion framework for examining and promoting technology development strategies in cooperation with business units and the Central Research Laboratory.

We have also established the Corporate Technology Division, which promotes technology innovation strategies in the corporate divisions. Centered on the CTO, the Division organizes our technology roadmaps and portfolios towards focused investment in our technological strengths, and promotes the timely introduction of technology through open innovation. Also under the supervision of the CTO, the Intellectual Property Management Division has been established to strengthen intellectual property Companywide.

In addition, the Business Innovation Unit has been established to engage in innovation from a business development perspective. The Division works to accelerate commercialization of NEC’s core technologies.

Corporate Technology Division: Promoting the Innovation of Technologies

The Corporate Technology Division leads the innovation of technologies forward and promotes growth across the different business units. It will continue to work with the CTO in collaboration with the Senior Vice Presidents in charge of the business units and the General Managers of the Central Research Laboratories and the Intellectual Property Management Division to formulate NEC Corporation’s technology strategies and implementation plans, including strategies for open innovation, standardization, and regulation.

Intellectual Property Management Division: Strengthening NEC’s Intellectual Property Capability

In anticipation of future global business expansion, we are focusing on the construction of an IP portfolio that is at par with global leaders. We have established intellectual property centers in North America, Europe, and China to carry out global intellectual property activities. Moreover, for our social solution business, we are implementing strategic patent projects across the entire NEC Group to acquire strong patents and patents that can be leveraged to our advantage, while promoting the establishment of a comprehensive IP portfolio centered on those patents to encompass all our businesses. In terms of strengthening and protecting our global brand, we are ensuring the proper communication of our corporate brand statement and the protection of rights.

Corporate Incubation Division: Creating Business Models to Underpin the Next Growth Stage

The Corporate Incubation Division works under the Business Innovation Unit, and is responsible for business exploration and development that utilizes design capabilities. The Division’s mission is exploration of social issues and technologies held by the Central Research Laboratories to create business models that will underpin the Company’s next growth stage.

Corporate Business Development Division: Rapidly Creating the Next Core Businesses Using New Approaches

The Corporate Business Development Division works under the Business Innovation Unit. The Division's mission is to drive new business development approaches to rapidly create NEC's future core businesses, and accelerate NEC's value maximization.
Research Laboratory System Aimed at Creating Global Social Value

NEC’s research laboratory system includes R&D bases established in Japan, North America, Europe, China, Singapore, India, and Israel. The system aims to create No.1/Only 1 core technologies using its global advantage and to create social solutions for markets in both advanced and emerging countries.
At NEC, we are working towards enhancing diversity and concentrating our human resources in our key business areas in order to strengthen the core technologies that contribute to solutions for society, as well as to sustain these technologies and solutions into the future.

To reinforce our researchers in the key areas, we have been working to increase the number of data science researchers at the Central Research Laboratories to double the number in fiscal 2016. Our overseas research laboratories are actively recruiting top local talent while our research labs in Japan are stepping up recruitment of doctoral degree holders. In fiscal 2020, we are continuing with our policy of hiring researchers and engineers with PhDs at around 50% of new hires, and will be recruiting more graduates from overseas graduate schools such as the Indian Institute of Technology and other notable institutions. As a result of these policies, 30–40% of our new recruits are now classified as “global human resources.” We are also strengthening organizational reforms that will facilitate major innovations by engaging in multi-faceted and mutually respectful discussions with specialists in a wide range of fields, regardless of their gender or nationality.

For example, for Japanese researchers, we are promoting a shift to global human resources by using training programs inside and outside NEC, such as assignment to US graduate schools to undertake research and work-study programs and overseas training in emerging countries in cooperation with NPOs. To promote diversity in specialist fields, we are strengthening recruitment not only in information science but also in the physical sciences, which provide excellent training for new businesses that were difficult for NEC to develop alone. We are also collaborating with world-leading research organizations and universities to study technologies that have potential to become key business areas in the next generation by building on technologies envisioned for the future.

In fiscal 2018, we established the role of “business designer” to create new businesses and support their acceleration. We also formulated measures for rotation and expert specialist qualifications. By implementing and improving these measures, NEC Corporation will develop human resources who will bolster its business development capabilities.

To strengthen R&D in cutting-edge technology fields based on quantum physics, such as quantum annealing, in March 2019 NEC and the National Institute of Advanced Industrial Science and Technology (AIST), a leading Japanese research institute, merged their R&D capabilities to establish the NEC-AIST Cooperative Research Laboratory.

In 1999, NEC became the first in the world to succeed in demonstrating the operation of a qubit using small superconductors. Since then, we have continued researching devices and circuits for controlling qubits and quantum states. Currently, we are working on R&D for a quantum annealing machine capable of calculating combination optimization problems at greater speeds than existing technologies.

In October 2018, the project was adopted by the New Energy and Industrial Technology Development Organization (NEDO), and a framework was established for promoting joint research by a wide range of institutions, including AIST. The establishment of the NEC-AIST Cooperative Research Laboratory has further accelerated this project.
Since fiscal 2017, NEC Corporation, the National Institute of Advanced Industrial Science and Technology, and RIKEN have started joint research to address social challenges with the Indian Institute of Technology Bombay, India’s top academic center for science and technology.

NEC established NEC Laboratories India (“NLI”) in June 2018 in Mumbai to promote the agile development and commercialization of solutions for India and other emerging countries. NLI and the Indian Institute of Technology Bombay will conduct joint research in the fields of big data analytics, Internet of Things (IoT), and Artificial Intelligence (AI), to help realize India’s goal of developing smart cities. The joint research will begin with the field of big data analytics to optimize the movement of logistics containers across the country, which can result in shorter times for the delivery of goods and lower logistics cost.

- NEC and the Indian Institute of Technology Bombay start joint research on realizing smart cities—contributing to solutions for social challenges in India (Press release)

Examples of Open Innovation

Collaboration with the National Institute of Advanced Industrial Science and Technology and RIKEN on AI Research

Since fiscal 2017, NEC Corporation, the National Institute of Advanced Industrial Science and Technology, and RIKEN have been working on cutting edge research themes in AI at a jointly established research lab. From fiscal 2019, the three partners will pursue research together from platform technologies through to commercialization.

The fruits of these collaborations include 1) the development of a technology that efficiently discovers rare critical events that are difficult to discover at the product design stage due to the extremely low probability of their occurrence by repeating simulations while AI learns the simulation results, 2) the development of multiple machine learning technologies that can be used under conditions where the large amount of data considered necessary for machine learning cannot be obtained, and 3) the development of an AI technology, “Logical Thinking AI,” that supports the stable operation of important social infrastructure, such as plant facilities.

- NEC and AIST develop efficient technology for discovery of rare critical events by merging AI and simulation technologies—New technology reduces the risk of undiscovered critical events and significantly shortens validation time (Press release)
- NEC develops machine learning technology that can be used with small amounts of data—collection of highly efficient data for learning improves estimation accuracy (Press release)
- NEC develops AI Technology to support stable operation of social infrastructure (Press release)

Joint Development with The University of Tokyo in High-Speed-Camera Object Recognition

NEC and The University of Tokyo jointly developed high-speed-camera object recognition. This technology instantaneously selects the images that are most appropriate for recognition from large numbers of images captured by high-speed cameras operating at speeds of 1,000 frames per second, then quickly and accurately determines the success or failure of an inspection. Applying this technology to a production line eliminates the need to manipulate the line in order to inspect products, enabling smooth introduction and more efficient production. This technology is expected to be applied to the visual inspection of bottles and cans that move at high speed on production lines, as well as the detection of foreign materials on pills and food products.

- NEC and AIST develop efficient technology for discovery of rare critical events by merging AI and simulation technologies—New technology reduces the risk of undiscovered critical events and significantly shortens validation time (Press release)
- NEC develops machine learning technology that can be used with small amounts of data—collection of highly efficient data for learning improves estimation accuracy (Press release)
- NEC develops high-speed-camera object recognition—AI contributing to the speed and quality of production lines (Press release)

Development of One of the World’s Smallest High Performance Antennas Using Meta Material

NEC and Japan Aviation Electronics Industry develop one of the world’s smallest high performance antennas, capable of being mounted on a wide range of radio communication equipment. The ultra-compact antenna can be mounted directly on the substrate surface inside a wireless communication device.

In addition to high transmission and reception performance, the antenna can be easily mounted in a wide range of locations, and can be used for a wide range of communication formats, including Wi-Fi, Bluetooth, V2X, and LPWA.

The antenna is expected to be used in increasingly compact and diversified wireless communication devices such as mobile devices, automotive onboard devices, and networked home appliances.

- NEC and Japan Aviation Electronics Industry develop one of the world’s smallest high performance antennas using meta material (Press release)

Collaboration with Macromill

NEC and Macromill, Inc. began their collaboration in consumer data utilization in April 2018. The companies will roll out AI analysis services from January 2019 that realize more sophisticated marketing activities by combining Macromill’s diverse consumer originated data with NEC’s cutting-edge AI technologies such as “NEC the WISE” and dotData. They also plan to start providing consumer insight marketing services utilizing biometric information in July 2019.

The companies aim to contribute to society and customers by working together through co-creation, from constructing business hypotheses to thoroughly exploring customer needs and receiving feedback from the market while enhancing the throughput of business development.

- NEC and Macromill jointly develop advanced marketing solutions using AI (Press release)
- NEC and Macromill start AI analysis service for realizing increased sophistication of marketing activities—supporting companies with AI and consumer data (Press release)
- NEC and Macromill launch consumer insight marketing business using AI—discovering consumer insight with AI, data and biometric information (Press release)
Main Activities and Results for Fiscal 2019

Major Research Achievements for No. 1/Only 1 Core Technologies

Status Recognition Technology through AI-Driven Time-Series Data Analysis

NEC developed an AI-based "time-series data model free analysis technology" that recognizes the status of a rapid, highly accurate system by analyzing time-series data collected from sensors and allowing for searching. The technology extracts a temporal change in data and the relationship between data as features without modeling data obtained from a target (model free), and assesses the current status by making a comparison of them. Application of this technology for monitoring operations will enable the detection of abnormalities, fault diagnosis, and the prediction of breakdowns for important social infrastructure, including plants, roads, bridges, railroads, and vehicles.

- NEC develops status recognition technology through AI-driven time-series data analysis, aiming for application in the operational monitoring of social infrastructure (Press release)

Hi Precision "Human Re-identification Technology" For Matching Exterior Images with High Precision

NEC has developed a "human re-identification technology" that is capable of matching images of people whose figures are partially hidden from cameras, even if the image is taken from behind or from the side. This technology analyzes the entire appearance of a person's photo image, such as their clothes and body shape, to determine whether they match with other images of people. Using the image analysis and deep learning technologies that NEC has cultivated through Facial Recognition Technology and other technologies, NEC was able to establish this high-precision technology that does not rely solely on facial images.

- NEC technology recognizes people based on partial images (Press release)

Results of Intellectual Property Activities

NEC participates in various patent pools and is building a system to provide its patents to industries in a form that is easier to use.

For details of the results of NEC's intellectual property activities, please refer to the following URL:

- NEC ranked 5th in the world by the World Intellectual Property Organization (WIPO) for the cumulative number of AI-related patent applications. (WIPO website)
- NEC ranked unrivalled No. 1 in Japan in a comprehensive evaluation of the quality and quantity of patents related to facial recognition by patent research company Patent Result Co., Ltd. (Patent Result website)
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Environmental Management Initiatives

Policy and Long-Term Guidelines for Environmental Initiatives

As part of its Corporate Social Responsibility activities, NEC seeks to reduce environmental impacts in its own business activities. At the same time, it is carrying out "environmental management" that contributes to reducing the environmental impacts of society as a whole through providing products and services. Also, to promote environmental management in NEC, it has established the "Environmental Policy" to express its environmental philosophy and action guidelines. Conduct that complies with the charter is expected of all NEC employees including executive officers.

Environmental Policy

NEC views the operation of business in harmony with the environment as one of our top priority issues and is committed to reducing the environmental impact of the entire global supply chain and contributing to a sustainable society.

1. We will create social value focused on delivering ICT solutions and services leveraging advanced technologies to contribute to the adaptation, and we will contribute to the reduction of the environmental burden on customers and the global environment and to the mitigation of the impacts of climate change.
2. We will assess the environmental impact throughout the entire life cycle of ICT solutions and service development with considerations for reducing environmental burden.
3. We will comply with environmental laws and regulations associated with our business activities, honor agreements with stakeholders, and strive to conserve energy, save resources, and prevent environmental pollution caused by chemical substances and waste along the entire supply chain.
4. We will prioritize the procurement of environmentally friendly hardwar, software, and services.
5. We will disclose environmental information regarding our business activities, ICT solutions and services to our stakeholders.
6. We will raise the environmental awareness of each and every one of our employees worldwide and contribute to the conservation of the global environment through the promotion of climate change action, resource circulation, and biodiversity.
7. We will strive to improve an environmental management system with environmental targets and conduct periodic reviews to realize continual improvement.

Course of Action for Climate Change Towards 2050

In July 2017, NEC formulated guidelines on climate change measures from a long-term perspective up to 2050, strengthening its efforts towards realizing a sustainable management foundation and demonstrating how NEC collaborates with stakeholders in co-creating a sustainable society. Based on these guidelines, we aim to reduce CO₂ emissions linked to our business operations (Scope 1, Scope 2) to effectively mitigate climate change.

NEC Group Environmental Management Action Plan 2020/2030

We have set targets for 2020 and 2030 as milestones toward 2050.

<table>
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<th>Year</th>
<th>FY2021</th>
<th>FY2031</th>
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<tr>
<td>1. Contribution to &quot;mitigation&quot;</td>
<td>Reduction in overall CO₂ emissions of society through provision of IT solutions</td>
<td>33 megatons</td>
</tr>
<tr>
<td></td>
<td>Improvement in product energy efficiency (compared to products in FY2013)</td>
<td>30% improvement</td>
</tr>
<tr>
<td>2. Contribution of &quot;adaptation&quot;</td>
<td>Preparing for the impacts of climate change through the provision of Solutions for Society</td>
<td>30% improvement</td>
</tr>
<tr>
<td></td>
<td>Strengthen competitive power of solutions for social issues and expand contribution through business activities</td>
<td>30% improvement</td>
</tr>
<tr>
<td>3. Reduction of emissions from business activities</td>
<td>Improvement in CO₂ emission intensity through efficiency of energy use (compared to FY2013)</td>
<td>18% improvement</td>
</tr>
<tr>
<td></td>
<td>Conversion to renewable energy (compared to FY2012)</td>
<td>30% improvement</td>
</tr>
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SBT Accredited “33% Reduction from FY2018 by 2030”

In December 2017, NEC committed to making science-based targets (SBTs) for its greenhouse gas emission reduction targets, aiming to achieve the so-called 2°C target (maintain temperature rise well below 2°C, and strive to keep it below 1.5°C) of the Paris Agreement. Subsequently, the following targets were designated as Science Based Targets by SBT Initiatives on October 31, 2018.

The NEC Group’s SBTs

- Scope 1 + 2*: Reduce greenhouse gas emissions by 33% compared to FY2018 by FY2031
- Scope 3*: Reduce greenhouse gas emissions from products sold by 34% compared to FY2018 by FY2031

*1 Total of Scope 1 (direct greenhouse gas emissions from sources that are owned or controlled by the company) and Scope 2 (indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam)

*2 Scope 3 (indirect emissions of all companies not included in Scope 1 + Scope 2 (the supply chain))

We have already been formulating our mid-term plan targets for environmental management in line with SBTs since FY2019. Also, we have revised our target for renewable energy usage to expand it by 75 times compared to FY2018 by FY2021 and have started taking steps to achieve this.

Mid-term Environmental Plan, the NEC Eco Action Plan

To achieve these long and mid-term targets, we have incorporated them into three-year mid-term environmental plan, the NEC Eco Action Plan, and implemented the plan for each business unit ("BU") and Group company so that the entire Group is promoting initiatives as one NEC.
Environmental Management Initiatives

Environmental Management System

Environmental Management Promotion System

The Company’s environmental strategies and policy and long-term environmental activity plans are drafted after discussion at Business Strategy Council meetings (chaired by President and CEO of NEC), with final approval being made by the President. When we recognize the potential for our business to have a significant environmental impact, the Business Strategy Council discusses our response, and measures are executed after being approved by the Board of Directors.

The BUs have a system that translates this into specific measures that are discussed and approved by the environmental management committees, and carried out by their divisions, affiliates, and subsidiaries of NEC throughout the world. By forming action plans based on the environmental strategy, consistent environmental management can be implemented throughout the NEC Group.

Furthermore, committees are individually formed to engage in cross-organizational initiatives such as compliance with environmental regulations for products, development of environmentally friendly products and solutions, and raising awareness in employees.

We have also established environmental departments at our business and R&D sites to maintain and promote environmental management regionally as well as organizationally.

Environmental Audit and ISO 14001 Inspection

Each NEC Group company conducts internal audits of its business divisions and assesses its performance. For the environmental management audits conducted by the Environmental Management Promotion Department of NEC Corporation, NEC’s environment auditors including certified ISO 14001 auditors evaluate our comprehensive environmental activities. The audits focus in particular on the relationship between each division’s operations and the environmental strategy, progress of environmentally considerate product development, environmental impact reduction, risk management, and ISO 14001 conformance, including examination of the effectiveness of the internal environmental audits. The results of these audits are verified in a review of ISO 14001 undertaken by an external certification body using NetAudit (See the following diagram) and alternative audit methods.

In addition, we carry out environmental legal compliance audits that specialize in observance of laws and regulations related to the environment and health and safety to ensure compliance.

* Alternative audit: An alternative system that is a recognized part of the ISO inspection system for auditing the internal environment. This internal environment auditing system consists of high-quality auditors, auditing systems, and evaluation tools. It is implemented in combination with observation and evaluation of environmental management audits (witness audits) and direct audits by inspection agencies (verification audits).

ISO 14001 Certification Acquisition

In order to gain public trust of our internal audits, the NEC Group acquired ISO 14001 certification since FY1996. Then, the scope of certification comprising the entire NEC organization (business locations, research centers, and sales offices, etc.) and domestic subsidiaries (including software and service companies) was integrated in FY2013, completing unification of the certification acquisition.

In FY2017, we started operating an environmental management system corresponding to ISO 14001:2015, and in FY2018, we received a conformity assessment for shifting to ISO 14001:2015 from an external certification body and have maintained our certification of ISO 14001:2015.

Moreover, we have also acquired certification at our overseas subsidiaries:
- NEC Platforms Thai Company Ltd.
- NEC Australia Pty. Ltd.
- NEC Energy Solutions, Inc.
- PT. NEC Indonesia, etc.
Environmental Risk Countermeasures

In order to prevent risks to the environment, we carry out assessments and daily inspections. We have also prepared risk maps for use in emergencies and conduct periodic reviews of our emergency contact system. Environmental risk governance has been further strengthened through establishment of the “Environmental Escalation Manual for Emergency.”

Prevention Activities: Disseminating Information on Near-Misses

Since the latent causes of environmental accidents are present in minor accidents at the small incident level, (=near-misses), we are also emphasizing the appropriate handling of small incidents as well as implementing emergency action and contact procedures in case of serious environmental accidents. This information is then passed on to every company within the NEC Group and the corrective action followed up to promote accident prevention.

Legal Violations, Accidents, and Complaints

Since FY1999, we have announced any fines or penalties levied on NEC concerning environmental matters on our website. In FY2019, we continued to receive no fines or penalties related to the environment. We had no accidents that affected the areas beyond our site perimeters, three environmental accidents that were contained within our site, and no complaints from neighborhood residents.

Response to Risks and Opportunities Posed by Climate Change

Climate change will have an increasing impact on companies going forward. In FY2018, NEC started evaluating the impact of climate change in terms of both risks and opportunities, making reference to the Task Force on Climate-related Financial Disclosures (TCFD). In FY2019, we positioned “Environmental action with a particular focus on climate change” as one of its “materiality,” and we have been expanding efforts coordinated with our business divisions to promote future business growth.

Climate Change-related Risks

The TCFD recommends evaluating items related to risks and opportunities, taking into consideration transition risks such as changes in policies and markets and physical risk due to disasters. NEC has past experiences with having to stop operations of plants in Thailand due to flooding and has therefore established a business continuity plan (BCP) for physical risks, including earthquake countermeasures. We are also evaluating the impact of carbon pricing, which various countries are looking at introducing.

Climate Change-related Opportunities

ICT has a vital role to play in climate change countermeasures. NEC will promote the development of products, software and services that provide value in terms of both climate change mitigation and adaptation. We believe that NEC will be able to contribute to an even wider range of areas going forward as climate change countermeasures advance globally. For example, we are developing solutions that use sensors, AI, and other technologies to simulate and identify predictive signs of natural disasters that are likely to increase due to climate change, such as landslides, floods, water shortages, and forest fires. We are also assessing how much our contribution can be expected to increase as climate change countermeasures advance globally.

Extended its Support to the TCFD Recommendations

NEC has held ESG and IR Small Meetings with a special focus on the environment, and has actively disclosed its environmental activities, including climate change risks and opportunities, through participation in the Ministry of Environment’s environmental information disclosure foundation project. The TCFD recommendations systematically present the required activities and systems for corporate climate change countermeasures. By extending our support to the TCFD recommendations, we believe that we are able to appropriately manage the response to risks and opportunities posed to companies by climate change and also expect to accelerate our own activities and advance climate change countermeasures for society overall.
Examples of Providing Environmental Value through Business

Indonesia’s Forest Fire Monitoring and Management System

Indonesia experiences forest fires each year. These have become a significant social issue due to their numerous environmental, social, and economic impacts, such as impact on agriculture, loss of forest area, and on health, transportation, and sightseeing. Moreover, forest fires increase CO₂ emissions. NEC has been collaborating with the Private Sector for Disseminating Japanese Technologies by the Japan International Cooperation Agency (JICA). We are working with the University of Palangka Raya and the Central Kalimantan Regional Disaster Management Agency to promote “The Collaboration Program with the Private Sector for Disseminating Japanese Technologies for Forest Fire Monitoring and Management System.” The evaluation of the system introduction has enabled the people who will use the system to confirm its effectiveness and utility.

The system monitors a wide area and rapidly detects the outbreak of fires and displays dispatch orders on the tablets of firefighting teams to enable emergency action. In addition, by sharing the status of the fire, the progress of firefighting activities, and other information through the tablets, the system supports effective and efficient firefighting activities. To evaluate the system, a mock fire was started and the users confirmed that they were able to use the system to detect the fire outbreak, to dispatch firefighting teams, and to grasp the progress of firefighting. This enabled the local firefighting team to understand the effectiveness and utility of the system. Based on the results, we will improve the system and its operation, with a view to full-scale introduction and expansion in FY2020.

Optimizing Supply and Demand Optimization Platform to Resolve Food Loss and Waste

By 2050, the global population is expected to increase by 30% from its current 7 billion to 9 billion. In conjunction with this, demand for food is set to increase by 70%. Meanwhile, 1/3 of global food production, some 1.3 billion tons, is disposed of without being eaten. Japan wastes 6.43 million tons of food annually, of which around 55% is due to overproduction or unsold items in the distribution process (manufacturing, wholesale and logistics, and retail.) NEC provides the “Supply and Demand Optimization Platform,” a system for optimizing the supply chain by using ICT, especially artificial intelligence (AI) to reduce food loss and waste. Compared with the conventional demand prediction which was conducted separately by the food manufacturing and retail businesses, the supply and demand optimization platform not only optimizes individual processes, but also collects data over the entire value chain and uses AI to increase the accuracy of demand prediction, enabling production, inventory and orders to be optimized across the value chain.

Collaborating with the Japan Weather Association from February 2018 and the INTAGE Inc. from June 2018, NEC has started developing a business for optimizing supply and demand across the entire value chain of manufacturing, wholesale and logistics, and sales in diverse industries and sectors.

Looking ahead, we will make efficiency gains across the entire value chain by using the chain and demand optimization platform.

NEC Energy Solutions’ Energy Storage Battery System

Recently renewable energy power generation is growing and spreading as part of efforts to protect the environment and realize a low-carbon society. Since power generated from renewable energy sources fluctuates significantly depending on weather conditions, there has been an issue with making energy use efficient and stabilizing the electricity grid. NEC is meeting this challenge by introducing an energy storage battery system manufactured by its energy-related US subsidiary, NEC Energy Solutions, Inc. The system adjusts the demand and supply balance of electric power and maintains electricity quality such as frequency and voltage across the grid.

**[Main installations in FY2019]**

- We installed a 9 MW energy storage battery system at the Port of Tilbury, a major port in London. The installation is integrated with an existing renewable generation system to help increase the efficiency of electricity usage by the Port of Tilbury, which is the sole consumer.

- NEC Energy Solutions supplied a medium-size energy storage system to Brazil’s largest energy distributor, Neoenergia S.A. The system was installed on the island of Fernando de Noronha, a world heritage site located in Brazil. It has enabled stable and highly efficient supply of energy generated by solar power, which generates a fluctuating supply according to weather conditions. As the system replaces existing diesel powered generation, it will contribute to environmental preservation.

In FY2020, NEC released a medium-size energy storage battery system for self-contained installations. The system aims to optimize the demand and supply balance in factories and industrial facilities and provide value in “adaptation” countermeasures against earthquakes, flooding, and other natural disasters, which have been increasing in recent years.

Looking ahead, we will continue to contribute to reducing CO₂ emissions through the energy storage system business, and promote initiatives to deal with climate change.
Development of Environmentally Friendly Products

NEC focuses on activities to reduce environmental impacts of products over their entire life cycles from procurement to use and disposal of products by customers. The perspectives of “Ecology” including “Global warming prevention”, “Resource recycling”, and “Environmental consciousness” and “Compliance” are added to “Quality,” “Cost,” and “Delivery” in these activities.

Eco Symbol System

Products that meet NEC’s environmental standards are certified and registered as Eco Symbol products and services. The Eco Symbol is a self-declaration claim of ISO (International Standards Organization) Type II environmental label. This means that the business operator has set original standards for its own products and assigned the label to products that satisfy the standards. Products that meet NEC’s Eco Symbol standard have the Eco Symbol mark affixed in product catalogs and websites to indicate that they are environmentally friendly.

Eco Symbol Star

The Eco Symbol Star is assigned to Eco Symbol products, software and services that are regarded as environmental top-runner products, for example conforming to stringent standards such as reducing CO2 emissions by 50% compared with conventional products. In FY2019, 15 items, comprising 11 hardware products and 4 software and services were certified as Eco Symbol Star products.

[Major Examples of Eco Symbol Star Registrations in FY2019]

- SX-Aurora TSUBASA (VE Card/Water-cooled)
  With state-of-the-art LSI technology and original technologies that enable efficient cooling using cooling water of up to 40˚C using a proprietary cold plate, the SX-Aurora TSUBASA offers a smaller form factor and reduced power consumption compared with its predecessor, the SX-ACE, performing the same calculations with about 1/10 of the installation area and consuming only 1/5 of the electricity.

- Zoom co-workspace
  Zoom is a cloud service that enables co-work through high quality visual communications. Zoom enables users to participate in meetings remotely or carry out telework, reducing travel time and expenses. Zoom can reduce CO2 emissions by around 53%.

Initiatives for Preserving Biodiversity

Biodiversity Conservation Effort at NEC Abiko Plant

NEC Abiko Plant has a spring area onsite known as Yotsuike, thought to derive from the Tone River. The area around the periphery of the pond, has been confirmed as a habitat for an endangered species IB class (EN) of dragonfly designated by the Ministry of the Environment, known as the Oomonosashi Tombo (Coptera tokyoensis). Since 2009, NEC has cooperated with Teganuma Aquatic Organism Research Association to promote conservation activities in the area. In FY2019, we drained two of the four ponds to remove invasive largemouth bass and bluegill species that threaten the larvae of the dragonfly.

For 10 years since 2009, we have been conducting conservation activities in collaboration with NEC. In 2018, we were relieved to see that the Oomonosashi Tombo dragonfly had been sighted again. We have been devising measures for their protection each year while observing the results. We hope to continue our activities, having fun, experiencing nature, and enjoying learning.

Toshiaki Suzuki, Representative, Teganuma Aquatic Organism Research Association

In addition to the Teganuma Aquatic Organism Research Association, NEC’s Abiko business site’s biodiversity preservation activities include holding annual dialogues with participation by expert teachers, representatives of Abiko City, and the Chiba Biodiversity Center. We also confirm the results of activities and discuss further initiatives.
Environmental Burden from Business Activities

NEC is constantly working at all of its business locations to reduce the environmental burden arising from its business activities.

We use ICT to measure the environmental burden at each location regularly, and publish this as a material balance.

Material Balance

The inputs of energy and raw materials for business activities and the outputs of environmental burden substances arising from these activities are managed as a material balance. We aim to reduce the environmental burden across the entire supply chain by managing the material balance not only for the company itself, but also for the lifecycle of the product.

Reducing CO₂ Emissions across the Entire Supply Chain

CO₂ emission data is collected for Scope 1, 2, and 3 emissions based on the Scope 3 Standard of the Greenhouse Gas Protocol initiative that went into effect in October 2011. In addition, we collect data for emissions on each of the 15 categories for Scope 3.

Scope 3 emissions account for 94% of NEC’s CO₂ emissions volume across the entire supply chain. Most of these are emitted due to the specifications of products sold under category 11. Reducing CO₂ emissions for society overall will require improvements in product energy efficiency.

The transparency and reliability of our material balance performance and Scope 3 data are independently verified by the Japan Quality Assurance Organization (JQA).
Governance

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Corporate Governance

**Policy**

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, NEC 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.

**Corporate Governance System**

NEC has adopted the company with the Audit & Supervisory Board Members (KANSAYAKU), as illustrated in the chart below.

**NEC Corporate Governance Guidelines**

In June 2016, NEC adopted the NEC Corporate Governance Guidelines, which set out the basic framework and policy of NEC's corporate governance system to help strengthen the relationship with stakeholders, thereby contributing to sustainable growth and the increase in corporate value.

NEC's activities regarding Japan's "Corporate Governance Code" that was adopted in June 2015 are described in the Corporate Governance Report and NEC Corporate Governance Guidelines.

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**Corporate Governance Structure**

- General Meeting of Shareholders
  - Elect and Dismiss
- Board of Directors
  - Directors
  - Inside Directors
  - Outside Directors
- Nomination and Compensation Committee
- Executive Committee
- Business Progress Committee
- Chief Officers
- Corporate Auditors
  - Audit
  - Cooperate
- Corporate Auditing Bureau
  - Internal Audits
  - Business Units /Corporate Staff/ Affiliate Companies
  - Corporate Officers
- Management / Supervision
  - Deliberate and Report
  - Supervise
Policy

As a company engaged in the social solution business, NEC believes that to earn and sustain the trust of customers and society are the most important things. NEC considers compliance to not only mean compliance with the law, but also in the wide sense to include compliance with socially accepted norms and common sense. Likewise, our risk management activities include properly understanding risks that have an impact on the Company’s business, and taking preventive measures efficiently and effectively, including against compliance violations.

NEC positions compliance at the foundation of management, and recognizes compliance as one of the themes in its materiality, which are essential themes for corporate governance. We will continue to promote Companywide efforts including the top management. The "NEC Group Charter of Corporate Behavior" and "NEC Group Code of Conduct" are translated into multiple languages (English, Spanish, Portuguese, and Chinese), and we provide these at our overseas consolidated subsidiaries to make compliance a priority in our business domestically and internationally.

NEC Corporation received notification of a violation of the Antimonopoly Act from the Japan Fair Trade Commission in July 2016 regarding a deal concerning telecommunications equipment for electrical power security systems with Tokyo Electric Power Co., Inc. (current Tokyo Electric Power Company Holdings, Inc.) A further notification relating to a violation of the same act was received in February 2017 regarding (i) transactions for wireless digital emergency telecommunications equipment for electrical power security systems with Chubu Electric Power Co., Inc.

In order to keep these events fresh in mind and use them as a basis for reflection, we established NEC Compliance Day on November 18, being the date on which we received an on-site inspection by the Japan Fair Trade Commission, as an annual event for reconfirming the importance of compliance.

In line with the key concepts of "awareness" and "information sharing," our basic approach to implementing compliance is to foster awareness so that irregularities are recognized as "being not in conformance." In addition, NEC encourages consultation with managers, related departments, or the "Compliance Hotline" and sharing information with a view to resolving those issues and improving our practices systematically as an organization.

Furthermore, NEC aims to establish compliance within its corporate culture by ensuring that each executive and employee treats compliance as their own responsibility and practices conduct in accordance with the "NEC Group Code of Conduct." To this end, we have changed our policy. Previously, the corporate divisions had led each division in carrying out compliance measures. But from fiscal 2019, the division general managers have taken leadership and responsibility for discussing and carrying out the optimal measures for their divisions.

Moreover, as part of our risk management activities, we have established an efficient and integrated risk management framework to avoid oversights and overlap of measures, under a common policy for the whole of NEC, based on our "Rules of Basic Risk Management." Every year, we identify risks that require priority measures as "Priority Risks" for management across the whole of NEC, and formulate, implement, and assess measures to address those risks. In addition, each of our business units and subsidiaries are also conducting specific activities to manage particular risks in their unit or company.

Promotion Framework

NEC Corporation effectively enforces and implements compliance with top management and conducts activities led by the Risk Control and Compliance Committee, the Compliance Division, and the Corporate Auditing Bureau. The meeting bodies and management structure are as follows.

1. Board of Directors

The Board of Directors receives reports related to material misconduct and reports on the activities taken for the Priority Risks.

2. Executive Committee

The Executive Committee discusses important NEC management issues such as policies and strategies, including Priority Risks and other important risks related to management and strategies.

3. Audit & Supervisory Board Members (KANSAYAKU)

The Audit & Supervisory Board Members audit the performance of duties within the Company by regularly receiving and discussing reports of audit results from the Corporate Auditing Bureau, or by receiving reports on the status of operations of the Compliance Hotline, the internal reporting system pertaining to business ethics and violations of laws and regulations.

4. Chief Legal & Compliance Officer (CLCO)

The Chief Legal & Compliance Officer (CLCO) chairs the Risk Control and Compliance Committee and oversees Companywide compliance promotion activities.

Consulting Services

NEC provides consulting services in the areas of corporate compliance, corporate social responsibility, and sustainability. For more information, please visit the following websites:

- [NEC Sustainability Report 2019](#)
- [Compliance and Risk Management](#)
5. Risk Control and Compliance Committee
The Risk Control and Compliance Committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies related prevention of recurrence and preventive measures, and deliberates policies for risk management activities and policies for selection and countermeasures of the Priority Risks. The committee executes a supervisory function in Companywide risk control by, for example, regularly receiving reports from the divisions in charge of deliberations and progress status related to specific Priority Risk measures, validating the activity results and issues and future activity plans and providing direction to improving and enhancing measures as needed.

6. Compliance Division
The Compliance Division formulates and implements various initiatives designed to enforce compliance, including instilling knowledge of the NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct. In addition, the division provides the necessary support, coordination and guidance to ensure that risk management in the business and corporate staff divisions is implemented systematically and effectively.

For example, the division enhances the risk control function for the entire NEC Group by continuously supporting risk control activities in each division including subsidiaries. This is accomplished by collecting external information, investigating using a risk management survey and exchanging information with subsidiaries worldwide.

In addition, the division regularly receives and discusses reports on audit results from the Corporate Auditing Bureau and receives status reports on the operations of the Compliance Hotline, the internal reporting system pertaining to business ethics and violations of laws and regulations.

7. Corporate Auditing Bureau
The Corporate Auditing Bureau functions as an internal auditing department directly under the supervision of the President and is composed of members who are experts in internal audits. The bureau carries out audits aimed at ensuring that NEC is operating lawfully, properly and efficiently, as well as in pointing out problems and making proposals for improvement.

8. Compliance Promotion at Consolidated Subsidiaries
The Presidents of our domestic consolidated subsidiaries take ownership of proposing and implementing compliance measures with guidance and support from the Compliance Division, corporate divisions, units and business units responsible for each subsidiary.

In regard to overseas consolidated subsidiaries, the five regional headquarters, including the subsidiaries under them worldwide, further strengthen compliance.

NEC has also established channels for reporting compliance-related issues regularly, and as the need arises, from the domestic and overseas consolidated subsidiaries to headquarters in Japan.

Main Activities and Results for Fiscal 2019

Compliance
Conducting various initiatives for NEC Compliance Day
To establish compliance as part of NEC’s corporate culture, we conducted various activities to spread information and raise awareness for NEC Compliance Day in fiscal 2019.

First, executives including the President and the Chief Compliance Officer (COO, from April 1, 2019 the title changed to Chief Legal & Compliance Officer (CLCO)) and all department managers (approximately 130 people), and the Presidents of domestic and overseas consolidated subsidiaries communicated messages to underscore the importance of compliance to all employees. In addition, each employee of NEC Corporation made a “Compliance Action Declaration” to show their own initiatives to make compliance part of the corporate culture.

The NEC Business Ethics annual corporate ethics forum for NEC Corporation and its domestic consolidated subsidiaries has been held on NEC Compliance Day since fiscal 2019. The forum included lectures by NEC’s President and an external lawyer with expertise in compliance, in addition to which, employees who responded to three incidents of Antimonopoly Act violations caused by NEC Corporation related the internal situation for the Company at the time and the lessons they drew from their practical experience in an effort to prevent the memory of these incidents from fading.

Furthermore, posters were created to display the impact on NEC of the three Antimonopoly Act violations and some of the Compliance Action Declarations made by NEC Corporation’s employees, and these were hung inside the Company. A new portal website for NEC Compliance Day was set up on the Company intranet to enable employees to browse activities and information related to the event at any time.
For NEC Corporation’s internal reporting system, the NEC Corporation and its domestic subsidiaries conduct a web-based training program regarding compliance for all executives and employees once a year (completion rates in fiscal 2019 were NEC Corporation: 98.4%; domestic consolidated subsidiaries: 98.6%). Also, the compliance training program for our overseas consolidated subsidiaries is translated into multiple languages (English, Spanish, Portuguese, and Chinese). We collected employee pledges to comply with the NEC Group Code of Conduct and other internal policies. Furthermore, NEC Corporation emphasizes the importance of conduct that complies with the NEC Group Code of Conduct using the opportunities of training and education for new employees, and stratified education programs for new corporate officers and new department managers.

Moreover, from fiscal 2019, general managers for each division at NEC Corporation engaged in compliance measures with a higher level of ownership. For example, one business division’s independent activities included creating and distributing booklets summarizing conduct points to ensure compliance and holding seminars for sales representatives to ensure their understanding of the content.

Compliance Hotline (Whistle-blowing system for employees and business partners)

For NEC Corporation’s internal reporting system, the Compliance Hotline, we have established an additional contact point at a third-party agency in order to enhance convenience and to address a broader range of risks at an early stage. This contact point fields consultations and reports from not only employees of NEC Corporation but also its domestic subsidiaries and business partners. The identity of whistleblowers who contact the hotline and the nature of their reports and consultations are guaranteed to be confidential by the personnel in charge. Whistleblowers will never suffer retaliation because of consulting or reporting facts. This is made known to employees through the intranet web portal, and education and training programs.

As a result, in fiscal 2019, the number of consulting/reporting cases was 121, up by 3 from the previous year. The topics of consulted/reported cases were ethical behavior violations, violations against or fraud regarding the NEC Group Code of Conduct or company rules, and possible violations. These cases have been appropriately handled.

NEC’s overseas consolidated subsidiaries also set up whistle-blowing systems operated by third-parties in each region, which are available for local executives and employees to use. The consulted/reported cases and their handling by overseas consolidated subsidiaries are shared with NEC Corporation.

Survey on Compliance Promotion Initiatives

We conducted a survey of all executives and employees in conjunction with web-based training regarding compliance in order to evaluate the status of their initiatives on compliance promotion and their awareness of compliance. Furthermore, in a survey conducted after NEC Compliance Day, we asked division employees to evaluate the messages delivered by their division’s department managers. The results of the surveys were posted as feedback on the intranet portal website, and will be useful for proposing and implementing measures to further enforce compliance going forward.

Selecting “Priority Risks” and Countermeasures

The Compliance Division annually identifies “important risks,” selected from the perspectives of the need for additional countermeasures and the magnitude of the impact on corporate business and society. These are based on the result of risk assessment for each division, which was obtained through a questionnaire-based “risk management survey,” and findings in the internal audit by the Corporate Auditing Bureau, etc. Important risks that are evaluated as having particularly large impact are selected as Priority Risks and countermeasures are put in place for them.

In fiscal 2019, we selected the following Priority Risks – “risks regarding personal information protection,” “risks regarding bribery,” “risks regarding violation of competition laws,” and “risks regarding inappropriate cost accounting.” For details on their major countermeasures, see the sections on “Promoting Fair Commercial Transactions” and “Personal Information Protection and Privacy.”

Risk Management

Business Ethics Research Center (BERC) NEC Corporation has been a BERC member since its establishment in 1998. BERC collects worldwide information relating to business ethics, does research on ethics, offers consulting on business activities and educates business people, while promoting ethics. We have utilized information on examples of initiatives in other companies obtained through BERC in the enforcement and planning of measures to promote compliance.
Basic Approach to Tax Matters

**Basic Approach**

NEC stipulates in its Group Code of Conduct that:

- We will comply with all applicable laws, rules, regulations, and in-house regulations, including this Code, in every aspect of our corporate activities at all times. We will strive to ensure that all corporate activities are in compliance with normal business practices and social ethics.

- We will accurately and fairly maintain all accounting and other records in accordance with applicable laws, rules, regulations, and in-house regulations, and properly execute our duties. We will not carry out any unlawful accounting transactions or actions that may cause losses to the NEC Group.

Likewise, we follow the above basic approach also in relation to tax matters and are striving to optimize them from a medium- to long-term perspective.

**Transactions between Affiliate Companies**

NEC carries out pricing decisions in transactions between affiliate companies based on the arm's length principle in accordance with the approach advocated by the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. Having understood the intent of the generally accepted rules and guidance regarding international taxes, such as the Action Plan on Base Erosion and Profit Shifting (BEPS), NEC pays taxes in a timely and appropriate manner based on tax rules and treaties for each country, by reflecting our business results, and does not carry out activities aimed at fraudulent avoidance of taxes.

**Relationship with Tax Authorities**

NEC endeavors to reduce tax uncertainties by prior consultation with tax authorities and responding in good faith to related information-disclosure requests made by tax authorities.

**Transparency**

NEC complies with the Financial Instruments and Exchange Act and all applicable laws, rules, and regulations, in preparing and disclosing its Annual Securities Report. Tax related disclosures required by applicable laws are also included in the Annual Securities Report.

Starting from fiscal 2017, NEC has disclosed its consolidated financial results in accordance with the International Financial Reporting Standards (IFRS). By adopting IFRS, NEC intends to disclose more internationally comparable financial information to capital markets and to further enhance transparency of its financial information.
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### Promoting Fair Commercial Transactions

#### Policy

NEC is actively involved in promoting fair commercial transactions, such as structural reinforcement to comply with laws and regulations regarding competition and bribery. This is an important activity for ensuring compliance, as one of the themes in its “materiality” the priority management theme from an ESG perspective. In addition, NEC believes that it is important to constantly place 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 a common concern worldwide. NEC is actively involved in addressing this issue.

In recent years, the enforcement of 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. Furthermore, NEC has distributed a portable and business-card sized “Competition Policy Card” to all corporate officers and employees of NEC Corporation and its domestic consolidated subsidiaries in Japan to make the policy further well known.

In fiscal 2017, NEC Corporation received notifications of three violations of the Antimonopoly Act from the Japan Fair Trade Commission. In order to keep these events fresh in mind and use them as a basis for reflection, we established NEC Compliance Day on November 18, being the date on which we received an on-site inspection by the Japan Fair Trade Commission, as an annual event for reconfirming the importance of compliance.

NEC Corporation was also subject to an onsite inspection from the World Bank, on suspicion of violating the World Bank’s procurement guidelines in relation to a planned financing of a tender project in Hanoi, Vietnam, and ultimately reached a settlement agreement with the World Bank in July, 2018. In response, we revised our “Rules for the Prevention of Cartels and Bid-rigging,” aiming to clarify prohibited conduct under competition laws with regard to customers such as governmental agencies and so forth, and their vertically related consultants, sales agencies, and lease companies. The name of the revised rules was changed to “Rules for Prevention of Cartels, Bid-rigging, and Bid Obstruction,” and NEC Corporation is working to further reduce the risk of being suspected or implicated in cartels, bid-rigging, and bid obstruction.

With regard to anti-bribery, NEC has also established an “Anti-bribery Policy,” with the intention of instituting a system to prevent bribery and corruption and of stipulating 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 will keep past incidents and events in mind and actively promote fair commercial transactions.

- NEC Group Competition Policy

#### Promotion Framework

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

The Legal Division and Compliance 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. Checking on routine operations is an important part of preventing corruption, and therefore guidelines have been established by the General Affairs Division for hospitality, gifts, and donations, such as political 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 2019

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.

Continuous Training and Raising Awareness
Raising awareness through continuous training programs is crucial to increasing employees’ awareness of fair commercial transactions. In addition to NEC Corporation’s annual web-based and stratified education programs on compliance, we also used NEC Compliance Day for fiscal 2019 as an opportunity to remind employees about the impact of the three incidents of Antimonopoly Act violations caused by NEC Corporation, and will strive to prevent the memory of these incidents from fading.

Moreover, in response to the bidding incident regarding Hanoi City in Vietnam, described above in “Policy,” NEC Corporation took steps to prevent a recurrence, such as holding group training programs, mainly for sales divisions targeting overseas markets, to reinforce key points that they should remember. We also provided an online education program on anti-bribery and public procurement compliance training using an e-learning service provided by an external legal office for all employees of overseas consolidated subsidiaries. At a compliance seminar for consolidated subsidiaries in the APAC region, we visited NEC Vietnam Co., Ltd. to hold a discussion on preventing recurrence. Important points were also shared with general counsels of our main overseas consolidated subsidiaries at the Global Legal & Compliance Meeting.

Other Initiatives
In initiatives to prevent violations of competition laws, as noted above in “Policy,” we revised our previous “Rules for the Prevention of Cartels and Bid-rigging” to clarify prohibited conduct under competition laws with regard to customers such as governmental agencies and so forth, and their vertically related consultants, sales agencies, and lease companies, and changed the name of the revised rules to “Rules for Prevention of Cartels, Bid-rigging, and Bid Obstruction.” We have also implemented email monitoring utilizing AI for early detection of signs of violations of competition laws.

In our anti-bribery initiatives, in fiscal 2019 we conducted internal audits regarding bribery for 15 overseas consolidated subsidiaries operating in areas that have a high bribery risk. 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 to be employed in the Company’s business activities. Furthermore, 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. In addition, with regard to the Rugby World Cup 2019, for which NEC Corporation is an official sponsor, we have formulated guidelines laying out procedures for inviting private sector customers from outside Japan to reduce the risk of bribery.

As a result of the implementation of these systems and initiatives, there have been no major incidents within NEC related to either violations of competition laws or bribery that have warranted a public announcement in fiscal 2019.
**Business Continuity**

**Policy**

NEC promotes business continuity management (BCM) in order to fulfill its social responsibility to maintain the operation of various backbone systems, database, various communication devices and systems provided by NEC Corporation when a disaster occurs. BCM also makes it possible for us to fully carry out our supply-chain responsibility and to attend quickly to our customers to be involved in the recovery of social infrastructure as soon as possible when risk occurs.

Through BCM, each NEC affiliate takes into account the risk at normal times and implements disaster reduction measures to reduce damage in each division. In addition, affiliates provide a variety of exercises and education enabling their employees to consider the risk as personal matters to act proactively with the knowledge of the common rules at the time of disaster. NEC also sets up a Business Continuity Plan (BCP) as deliverable of these initiatives and improves its contents every year.

NEC has established the following basic disaster response policies.

1. Ensure the safety of employees and visitors.
2. Rapidly recover and establish a business environment that enables NEC to fulfill its social responsibilities, including the maintenance and recovery of backbone systems for communications, public infrastructure, traffic, defense and finance.
3. Minimize management damage caused by operation disruption.

**Promotion Framework**

NEC maintains proactive and flexible business continuity through the three functions as shown in the figure at right.

(1) Headquarters for Business Continuity and Disaster Recovery. Comprised of the officers in charge of corporate staff divisions, the human resources and general affairs divisions and related divisions, with the President serving as Headquarters Chief and the Chairman and Vice President serving as Deputy Chiefs. Administers the BCP for management function to maintain top management decision-making and restore operations.

(2) Business Unit BCP team. Under the person with responsibility for overall supervision of the BCP, the person who drafted the BCP for operating the Business Continuity Management System (BCMS), the chief of the BCP Team undertaking exercises or activities in the event of a disaster (in principle, the person with responsibility for overall supervision of the BCPs), the Secretariat, and the team responsible for business continuity coordinate to oversee the continuity of each business and administer the BCP for each business to recover specific businesses, such as collecting information on damage to customers and operations, securing the personnel needed, and securing materials supply and distribution routes.

(3) Workplace BCP team. Oversees the continuity of workplace functions and working life, secures the safety of workplaces, confirms the safety of employees, works toward quick recovery of worksite infrastructure, supports employees’ lives, assists those who wish to return home, and collaborates with communities.

**Main Activities and Results for Fiscal 2019**

**Promptly Responding to Disasters and Risk**

In July 2018, we constructed a system in which the Company’s internal disaster information sharing system automatically receives disaster information from the Japan Meteorological Agency and displays the range of impact on a map. This allows us to understand at a glance information regarding the Company’s sites, customers, and suppliers located in that range.

Fiscal 2019 saw a large number of natural disasters, including the 2018 Osaka Earthquake, the torrential rain of July 2018, Typhoon Jebi, and the 2018 Hokkaido Eastern Iburi Earthquake. The system enabled us to gather information efficiently and deploy our initial response quickly, providing immediate assistance for customers’ recovery efforts.

**Requests for Case Studies from Inside and Outside of Japan**

In February 2017, the government of Japan released its “Disaster Management 4.0” as a national policy. Disaster Management 4.0 requires every citizen and employee to become more aware of disaster prevention based on the following objectives:

- Each person considers disaster prevention as a personal matter.
- Each person acts proactively.

Since 2004, NEC has been consistently nurturing its employees under the objective of “proactively thinking and acting when disaster occurs.” An environment has been created in which employees can act proactively. These measures have drawn attention from government agencies, local governments, and corporations in Japan and abroad, who have requested the provision of disaster countermeasures case studies. In fiscal 2019, 69 such requests were received.
Exercises and Education on Disaster Prevention and Business Continuity

In order for each employee to think about disaster and business continuity as a personal matter and to act proactively when risks occur, NEC conducts Groupwide exercises twice a year based on various scenarios. In September, we held a training event envisaging a major earthquake centered directly below our locations throughout Japan, in which all employees trained in registering their safety status using a smartphone app. We also held online simulation exercises for returning home during a major disaster, and other programs.

In February 2019, we held a training event for all employees envisaging the outbreak of a new influenza strain, in which employees trained in fever management and registration in an information sharing system, as well as online exercises on basic knowledge and action plans for an influenza pandemic. The management team was trained in analyzing the impact on each business of a national pandemic, as well as identification of issues and decision-making. NEC has been conducting exercises on new influenza strains continuously since 2017, alongside its existing training for major disasters.

Enhancing the Degree of Completion of BCPs

Since fiscal 2016, NEC has been promoting visualization of the degree of completion of BCPs by objectively ranking each organization based on the degree to which it has incorporated its disaster prevention measures and business continuation initiatives into the organizational culture.

The figure at right shows how NEC visualized the business continuity status for each company and division by using indices such as “organizational state in regular time and at the time of disaster,” “leadership,” “disaster prevention and business continuity plan,” “support status,” “effective operation,” and “evaluation and improvement.” We will further improve the accuracy of the rankings and refine the system to cement a business continuity mindset as part of our organizational culture and make improvements across the entire NEC Group to enable members to think and act independently during occurrence of disasters.

For overseas, starting fiscal 2016, we have adopted a system for conducting self-checks on disaster preparedness and business continuity in each company and visualized the effectiveness and levels of business continuity plans prepared by each company.

In fiscal 2019, we confirmed the extent of annual improvements based on past results. At the same time, we reviewed how to proceed with the business continuity initiative and are creating an action plan.

Visualization of business continuity status for each organization

Initiatives Overseas

NEC addresses all NEC Group companies of the notification rules in a disaster and assigns the persons in charge in each company. We have constructed a system to understand and share information on the damage status of overseas subsidiaries under the five regional headquarters. We have prepared BCPs to cover country and regional risks for main overseas consolidated subsidiaries.

Moreover, we have established a system to collect and analyze information during initial-response phases at the Business Continuity and Disaster Recovery Headquarters in Japan. To verify effectiveness, we have conducted escalation exercises for all overseas subsidiaries twice a year since fiscal 2013. We are prepared to quickly resume businesses by minimizing the damage in a disaster.

Social Contribution Using Emergency Food Supplies

NEC has provided and sold emergency food supplies that have come within 6 months of their expiry date at its in-house cafeterias and stores. Part of the proceeds from these sales is used to support employee participation in community contribution activities in the event of disasters. To make these systems internationally acceptable and applicable, we acquired international ISO 22301 certification in various business areas, such as system maintenance divisions, and datacenter operation divisions.

This activity has been operating since 2010, raising a cumulated donation of 10,245,585 yen by fiscal 2019. This activity is designed to value food and to contribute to society by reducing the negative environmental impact of food disposal. NEC will continue this activity going forward.
Supply Chain Management

Basic Policy Concerning Sustainable Procurement

As supply chains continually become globalized, corporations are required to responsibly conduct procurement activities that strongly emphasize sustainability throughout the entire supply chain.

NEC endeavors to work not only within itself, but also in cooperation with suppliers to conduct business while giving full attention to its impacts on the environment and the society as a whole. We believe this will make us worthy of the trust given by society and enable us to contribute to sustainable social value creation. As we learn together about critical social issues and the impact of business on society, we will continually engage in initiatives toward building a better supply chain.

Policy

NEC formulated the "NEC Group Procurement Policy" based on its concepts of sustainable management and on the ISO 26000 and ISO 20400 international guidance standards for social responsibility and sustainable procurement. We are developing the policy in internal control pertaining to Sustainable Procurement (Supply-Chain CSR) and among suppliers. The policy also addresses the significant recent social issue of modern slavery, and explicitly rejects slavery and human trafficking.

NEC has established "Basic Rules for Procurement," and ensures that all employees remain in compliance with these regulations. To strengthen this effort, NEC also devised concrete operational rules for its procurement processes, and ensures that the rules are disseminated among procurement-related personnel by conducting regular training.

In terms of implementation among suppliers, NEC devised the "Supply-Chain CSR Guidelines" to deepen mutual understanding with suppliers. Based on these guidelines, NEC will promote procurement activities in close collaboration with suppliers while evaluating them comprehensively in terms of QCD* and sustainability, and continue in efforts to nurture partnerships from a long-term perspective.

*QCD: Quality, Cost, and Delivery

- NEC Group Procurement Policy
- Supply Chain CSR Guidelines

Based on the above policies and guidelines, NEC has identified the following six Priority Risks: human rights, occupational health and safety, fair trade, environment, information security, and product quality and safety. To ensure sustainable procurement giving full attention to the entire supply chain, NEC is promoting initiatives that comprehensively include these risks at various stages, including basic contracts, dissemination, document review, and onsite assessment.

- Basic Contract
  NEC ensures implementation and compliance to these initiatives by suppliers in Japan by entering into basic contracts and obtaining declarations that demonstrate their commitment to the environment and safety and health management. NEC also obtains a declaration regarding the environment and safety and health management from suppliers in North America, Europe and Asia.

- Dissemination
  NEC presents the NEC Group Procurement Policy, Supply-Chain CSR Guidelines, and various other guidelines to its suppliers. We also hold exchange meetings with strategic supply chain partners and "CSR/Information Security Measures" where we explain our policies and guidelines directly to suppliers and ensure dissemination of the latest measures.

- Document Review
  NEC conducts web-based self-assessments each year in order to assess the status of supplier compliance with requirements and initiatives relating to information security and human rights.

- On-site Assessment
  In fiscal 2019, we started Supplier Visit Record (SVR) as a new initiative to address the issues of human rights, occupational health and safety, and the environment. This involved the Procurement Division making an inspection of sustainable procurement requirements during its ordinary visits to suppliers and keeping records of the inspection. With regard to information security, NEC visits its suppliers annually to conduct an on-site assessment to evaluate the implementation status of relevant measures. For both kinds of on-site assessment, NEC shares the items that require improvement with its suppliers and supports them in implementing improvement measures.

The graph below represents the amount of procurement by region. Japan accounts for 90% of the total procurement amount. Among the following four regions, Asia accounts for the highest amount at 6% of the total. EMEA (Europe, Middle East, Africa) accounts for 2% and North America and Central and South America account for 1% each. Suppliers who account for a large procurement amount, suppliers of rare products, and suppliers who cannot be easily replaced are designated as critical suppliers. NEC engages in the above sustainable procurement measures in Japan and Asia, where there are a large number of critical suppliers.
Sustainable Procurement (Supply-Chain CSR) activities of the entire NEC Group are under the responsibility of the Chief Supply Chain Officer (CSCO). Decisions related to sustainable procurement are discussed at the Procurement Steering Committee chaired by the General Manager of Purchasing Division. Measures are devised and implemented after dissemination of information and deliberations at the Sustainable Procurement Sectional Committee convened every quarter by the Purchasing Division.

NEC endeavors to gain a deeper understanding of global social issues, the latest initiative examples and so forth by conducting stakeholder engagement with international initiatives, as civic communities (NGO/NPO) and academia, to serve as basis in drawing up sustainable procurement promotion plans, as well as plans for effective implementation and improvement of individual measures.

In the course of ensuring compliance with purchasing related laws and regulations, NEC has appointed compliance promoters who specialize in purchasing-related laws and regulations at NEC Corporation and its major consolidated subsidiaries in Japan. These compliance promoters rigorously enforce legal compliance within their divisions and their companies. Compliance promoter conferences are held twice a year, during which they share recent trends in reinforcement of control by competent authorities, and information on training programs for procurement personnel, online training materials, and other information needed in promoting compliance.

Overseas subsidiaries conduct activities under Global SCM Leaders Session, which meets annually, as the decision-making body. Regional Headquarters in EMEA, China and East Asia, and APAC have assigned personnel to manage sustainable procurement over their entire respective regions to effectively promote it in accordance with the culture and business practices of each country, as well as with the basic policies mandated by the Headquarters in Japan.

In cross-Company activities, we participate in the Supply Chain Working Group of Global Compact Network Japan’s continuing discussions regarding the goals of sustainable procurement with various members coming from companies in different industries, NGOs, and so forth. We also conduct activities aimed at generating output that will contribute to improvement of CSR practices in corporations.

### Measures and Results for Fiscal 2019

#### Strategic Supply Chain Partners Meeting
NEC holds exchange meetings with strategic supply chain partners each year for its main strategically important suppliers. We require these suppliers to understand and cooperate with the NEC Group’s sustainable procurement (Supply Chain CSR) activities. At the meeting held at the start of 2019, we invited 442 members of the management at 191 suppliers from throughout the world.

We reported on the results of an environmental documentation inspection that was carried out at the invited companies and presented awards to suppliers that had contributed to NEC Corporation’s business from an environmental perspective based on exchange of opinions with the suppliers.

#### Joining the CDP Supply Chain Program
In fiscal 2020, NEC Corporation participated in the CDP Supply Chain Program run by the environmental NGO CDP, and requested investigation of 26 companies, primarily hardware suppliers. Through the program, we will consolidate our engagement with the suppliers and further promote climate change countermeasures through the entire supply chain.

#### Green Procurement Initiatives
NEC has been promoting green procurement of parts and materials and has operated a green certification system based on the Green Procurement Guidelines that cover the procurement of not only hardware, but also software and services. We have maintained a green procurement rate of 100% for product-related materials, excluding some supplies for internal use. Also, to comply with chemical substances regulations around the world, notably the “European RoHS (Restriction on Hazardous Substances) Directive,” and “European REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation,” NEC conducts periodic chemical content surveys covering purchased items. Furthermore, in measures against climate change, from fiscal 2013 we have been monitoring CO₂ emissions related to purchased items. We disclose CO₂ emissions data for the entire supply chain, including purchased items, after third-party validation, and are making use of the data in developing measures to reduce CO₂ emissions.

- Standards Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products
- Scope 3

#### Addressing the Issue of Conflict Minerals
In fiscal 2012, the NEC Group formulated the “Conflict Minerals Guidelines.” We sought the understanding and cooperation of our suppliers on the issue of conflict minerals and conducted conflict mineral surveys from supplier to smelter. We also established a response structure drawing on a liaison between our internal sales and business units so we can swiftly respond to requests from customers based on the conflict minerals survey.

- Conflict Minerals Guidelines

NEC continues to collaborate with industry as a member of the “Responsible Mineral Trade Working Group” led by the Japan Electronics and Information Technology Industries Association (JEITA).

NEC participates in the Working Group’s “Education and PR Team.” In this capacity, we acted as a presenter in a joint briefing for suppliers and worked to promote their understanding of conflict-mineral issues.
Monitoring

Document Check
NEC formulated its guidelines on climate change measures from a long-term perspective up to 2050 in July 2017. One of the components of the guidelines is to reduce supply chain CO2 emissions toward zero. To this end, in July 2018 we conducted document checks on suppliers invited to the strategic supply chain partners exchange meeting to confirm their current status and initiatives on the environment, including climate change measures, in addition human rights.

In fiscal 2019, NEC also conducted document checks on 1,423 companies regarding information security, which is a priority issue for us as a system integrator of information systems that serve as critical social infrastructures.

On-site Assessment
NEC Corporation conducts routine supplier visits to ensure QCD and appropriate performance of contracts. At the time, we create inspection records of the sustainable procurement (Supply-Chain CSR) requirements, and accumulate these to enable confirmation of common issues, study and implementation of improvement measures. We have started implementing this process, which we call Supplier Visit Record (SVR). In fiscal 2019, we conducted SVR mainly for critical suppliers in high risk areas for the issues of human rights and occupational health and safety. We collected data on 77 suppliers and confirmed that there were no issues.

For information security, it is important to disseminate instructions and requirements even to employees of suppliers. This is because incidents may occur if these are not followed by workers on the front line.

Every year, NEC issues “Information Security Standards for NEC Group Business Partners” as part of the framework for implementing information security management among suppliers. During onsite assessment, NEC representatives visit supplier operation sites to conduct interviews, check supporting documents, and carry out inspections to verify conformance with the standards stipulated in standards manuals. Suppliers are selected for onsite assessment based on comprehensive criteria that include not only the scale of transactions, but also the criticality of handled information, the level of confidentiality, and results of online self-assessment.

In fiscal 2019, we visited 37 suppliers and issued requests for improvement in cases where improvements were needed.

Compliance Hotline
A Compliance Hotline, a point of contact for compliance consultation and reporting, has been made available also to suppliers since 2003. This provides an independent channel for transaction-related complaints and consultation by suppliers. The Compliance Hotline is easily accessible from NEC's website.

As part of efforts to eliminate compliance violations by NEC employees, starting fiscal 2018, a “Request for Cooperation towards Thorough Compliance” has been issued to solicit cooperation of suppliers in handling complaints of violations. This initiative will be continued to further enhance the effectiveness of the Compliance Hotline.

Internal Training and Awareness Raising
NEC Corporation and its consolidated subsidiaries regularly implement various educational and training programs for procurement personnel in accordance with the situation of each company, as part of efforts to maintain proper business conduct.

These initiatives continued in fiscal 2019 with content that was closely related to procurement tasks, including overall aspects of CSR, corporate ethics, and the “Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors.” Procurement personnel are required to undergo training on “onsite contracting and dispatch staffing” and on the “Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors” repeatedly for a total of three times over a period of several years, since these are considered particularly important.

When accepting employees from suppliers through onsite contracting or dispatch staffing, training on the compliance requirements for each workplace is conducted. Since fiscal 2008, all newly appointed management personnel undergo annual online education. Again this year, all employees also had mandatory online education regarding the “Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors” as a refresher course, in addition to when they become promoted into management positions.

NEC continued to conduct internal auditing in fiscal 2019 to further promote appropriate onsite contracting and dispatch staffing practices. In regard to ensuring appropriate dispatch staffing practices, NEC worked closely with the personnel divisions to revise the audit details based on the amended Worker Dispatching Act. Internal audits conducted at NEC during fiscal 2019 revealed no major problems pertaining to onsite contracting and dispatch staffing practices.
Ensuring Quality and Safety

Policy

Since its founding in 1899, NEC has promised its customers to provide world-class products and to provide responsible after-sales services, based on “Better Products, Better Services.” This motto captures the spirit of NEC at a time when it had yet to earn society’s trust. We were committed to gaining the trust of customers by having our employees understand and practice “Better Products, Better Services,” in order to build a strong foundation for the Company within society.

To realize this aspiration, the Company introduced quality control in 1946, and has made Companywide efforts to increase quality, such as the ZD*1 (Zero Defects) activities in 1965, the quality operation strategy to increase the 7 Qs*2 in 1972, and SWQC*3 in 1981.

We hope that all our employees will be confident in NEC’s quality policy by raising the quality of their own work, the products they create, and the services they provide. Also we hope to see “NEC Quality” become the preferred and trusted choice of our customers.

NEC defines “maintaining and improving quality” as a critical initiative to promote “Governance and compliance” as one of the themes in its “materiality,” the priority management theme from an ESG perspective, and defines “Quality and Safety Principles” and “Code of Conduct” as follows to enforce the initiative.

1. Quality management
   1) Think and act from the standpoint of new value for customers and society.
   2) Maintain and enhance the NEC brand.
   3) Ensure that each member of NEC recognizes the importance of quality and strives to deliver better quality.
   4) Strive to ensure product and service quality, and comply with related laws and regulations.
   5) Make sincere efforts to address product and service quality problems.

2. Safety management
   1) Ensure that each member of NEC recognizes the importance of product and service safety.
   2) Strive to ensure product and service safety, and comply with related laws and regulations.
   3) Make sincere efforts to address product and service safety problems.

Promotion Framework

Quality and Safety Promotion Framework and Quality and Safety Risk Management Framework

One of the most important management issues is how to ensure quality and safety and deal with related risks in products, systems and services.

NEC is working to clarify a range of actions for this system by defining Companywide rules and standards, and to improve quality and safety. This effort is headed by the Head Office Environment and Total Quality Management Division and the Environmental Management Division, the Environment and Total Quality Management Divisions set up in business units (“BUs”) and consolidated subsidiaries, and the quality/safety management officers appointed in each of the business divisions and consolidated subsidiaries under the BUs.

Specifically, we have set up the “Quality and Safety Action Policy,” and we are conducting activities such as complying with quality and safety laws and regulations, improving safe, reliable technologies, standardizing key components, sharing expertise, and taking steps to prevent defects and recurrences.

In regard to risk management related to quality and safety, we have built a Companywide framework and ensure that it is implemented completely. If a customer’s system or critical social system were to experience serious trouble, or a major product incident or infringement of technology laws and regulations were to occur, the matter would be rapidly escalated to management and an emergency troubleshooting meeting would be held.

The business division in charge and the specialist staff division confer and reach a quick decision on how customers are to be treated, the response of those in authority and whatever other publicity measures might be appropriate. The consultations are rapid and decisions are made concerning the most appropriate overall policy.
Ensuring Product Safety

NEC provides safe, secure products to customers by ensuring that its designs for ICT and multimedia equipment comply with the international standards IEC-60950-1 (JIS C 6950-1) / IEC62368-1 (JIS C 62368-1), as a matter of course. In addition, we have established our own “Group safety standard” to reinforce these standards and we also perform risk assessments to ensure product safety.

Compliance with Relevant Acts and Regulations

To visualize the technical laws and regulations with which NEC products must comply, NEC developed a “map of technology laws and regulations” to make it easier to identify what kind of laws and regulations are applied to which divisions’ products. By using this map, we strive to comply with those technical laws and regulations by precisely conforming with various countries’ domestic laws and regulations, including Japan’s Electrical Appliance and Material Safety Act, Radio Act and Telecommunications Business Act and the laws and regulations of other countries.

NEC is enforcing compliance with relevant acts and internal rules for indications and labels for quality and safety of products and services. If violations are found or suspected, NEC will properly address the problem by following the direction of the relevant ministries and agencies.

NEC Ethical Review Committee for the Life Sciences

NEC Corporation is carrying out R&D for commercialization in the life science field. When acquiring people or information and data related to people for trial experiments and research, we follow the guidelines set out by the Ministry of Education, Culture, Sports, Science and Technology, and hold deliberations in NEC Ethical Review Committee for the Life Sciences, made up of external experts, regarding various countries’ domestic laws and regulations, including Japan’s Electrical Appliance and Material Safety Act, Radio Act and Telecommunications Business Act and the laws and regulations of other countries.

NEC is enforcing compliance with relevant acts and internal rules for indications and labels for quality and safety of products and services. If violations are found or suspected, NEC will properly address the problem by following the direction of the relevant ministries and agencies.

Strategies and Main Activities and Results for Fiscal 2019

NEC Group Quality Management Promotion Meeting

“NEC Group Quality Management Promotion Meeting” is held twice a year with the quality and safety management staff and quality officers of NEC Corporation to have cross-company discussions throughout the NEC regarding its product quality and safety, and its systems and compliance frameworks with laws and regulations relating to it.

The meeting’s purpose is to share policies and information among the parties concerned and deepen understanding within the organization through explanations of quality policy and cases and group discussions. In fiscal 2019, the meeting was held in July and November.

NEC operates while actively having frequent discussions based on the concepts of “Customer Oriented,” “Full Participation” and “Continuous Improvement.”

Fostering a Quality Culture

To continue the quality culture that NEC has carefully nurtured since its foundation, in fiscal 2019 we again held lectures from top management, dialogues with employees, quality activity exhibitions, and reviews of problems and projects to raise individual awareness of quality.

Project Management Award

NEC holds an annual presentation of outstanding cases and presents a project management award to the organization or group that demonstrated the best project support, or project team that tackled a difficult project and achieved a particularly outstanding result.

The intent of this award is to raise awareness of the importance of project management among all NEC Group employees and to demonstrate the significance of accomplishment and recovery in those projects that have a high level of risk. NEC also recognizes that the increasing awareness of award-winning cases throughout the Group will be useful in preventing risks from materializing in new projects through the horizontal spread of risk management practices.
Information Security and Cyber Security

Policy

NEC recognizes that it is our duty to protect the information assets entrusted to us by our customers and business partners as well as our own information assets in order to provide better products and services and contribute to the development of society. Based on this concept, NEC has identified "security" as one of the themes of its “materiality,” the priority management theme from an ESG perspective, and has established an “Information Security Statement,” as the basis for promoting efforts to ensure both information and cyber security.

Based on the “Information Security Promotion Framework” (figure at right), NEC is trying its best to realize a secure information society and provide value to its customers.

To protect information assets, NEC is implementing cyber attack measures, providing secure products, systems and services, and promoting information security in collaboration with business partners. At the same time, we have positioned information security management, information security infrastructure, and information security personnel as the three pillars of the information security governance framework within the NEC Group, thereby maintaining and improving our comprehensive and multi-layered information security.

- NEC Information Security Statement
- Information Security Report
- Priority Management Themes from an ESG Perspective - “Materiality”

Promotion Framework

The information security promotion organizational structure of the NEC Group consists of the Information Security Strategy Committee, its subordinate organs, and the promotion structure at each organization level. Under the directions of the Chief Information Security Officer (CISO), each company in the NEC Group works together to promote information security measures.

Information Security Promotion Framework

![Information Security Promotion Framework Diagram](image_url)
Strategies, Major Activities and Results for Fiscal 2019

Measures against Cyber Attacks and Information Leaks

As cyber attacks grow increasingly complex and sophisticated, NEC focuses on protection of information assets entrusted by customers and business partners as well as its own. To this end, we have implemented total cyber security management by conducting uniform and advanced measures worldwide based on cyber security analysis, and established an incident response framework with our CSIRT*1.

Every year, NEC develops a plan for measures based on cyber security analysis, and implements the measures with approval from the CISO. In particular, as NEC is offering social solutions worldwide, a comprehensive global cyber security risk response is essential for its business continuity.

We are strengthening our global measures against increasingly sophisticated cyber attacks based on a multi-layered defense approach. Specifically, we are developing measures based on five broad focus points: 1) Detection of unknown attacks, 2) Integrated log management, 3) Endpoint detection and response (EDR), 4) Establishment of a global CSIRT system, and 5) Use of threat intelligence.

(1) Detection of unknown attacks

We have built an unknown malware detection system for monitoring incoming and outgoing emails and Web traffic. Based on the malware information obtained through monitoring, we take immediate actions to deal with PCs and servers suspected to have been infected, and continuously improve our filtering system to block illegal traffic more efficiently.

(2) Integrated log management

Together with other security information, various log records of 180,000 PCs and servers used across the NEC Group are integrated for centralized management and used to realize more efficient and advanced analysis. In addition, correlation analysis of multiple logs enables us to identify potential risks and prevent possible information leaks.

(3) Endpoint detection and response (EDR)

NEC is undertaking Groupwide deployment of EDR*2 to enable early detection of threats that broke into the NEC intranet and establish more efficient incident response. In addition, we have deployed GCAPS*3 for fixing vulnerabilities of PCs/servers in a timely manner.

NCSP*4, a vulnerability management solution developed based on expertise obtained from our in-house system GCAPS, visualizes vulnerabilities of PCs and servers, leading to rapid and appropriate security measures.

Information
- Centralized management of vulnerabilities in over 2,000 servers
- Implementation of security measures that are not dependent on human skills

(4) Establishment of a global CSIRT system

At NEC, a CSIRT has been established under the CISO. The CSIRT monitors cyber attacks, analyzes the characteristics of attacks and malware, and shares information with relevant organizations. In fiscal 2019, we established a system in Singapore for monitoring cyber attacks 24/7. This system, together with the CSIRT in Japan, creates a global framework for sharing information on threat intelligence such as detection status and sources of unauthorized communications.

(5) Use of threat intelligence

We are using threat intelligence to grasp threats against NEC including their signals in the early stage, thus enabling us to mitigate risks, minimize damage and shorten response time, even if sophisticated threats break into our environment by passing through existing measures.

*1 CSIRT: Computer Security Incident Response Team
*2 EDR: Endpoint Detection and Response
*3 GCAPS: Global Cyber Attack Protection System
*4 NCSP: NEC Cyber Security Platform
The NEC Group’s promotion structure for Secure Development and Operations

Secure Development and Operations Promotion Working Group

- Discussion and determination of the Group’s approach by business division representatives and quality and development promotion and security division representatives

- Secure Development and Operations Promotion Liaison Committees

- Shares information related to the NEC Group’s promotion policy and audits and inquiry plans for each organization

Development and operations processes

- Proposal
- Requirements definition
- Design
- Implementation
- Testing
- Shipment
- Operation and maintenance

Security-related tasks

- Risk assessment
- Secure design
- Secure coding
- Vulnerability diagnosis
- Security of development and operations environment

Information Security in Collaboration with Business Partners

NEC’s business activities are undertaken in collaboration with business partners. In these collaborations, we believe it is important to ensure that the technology capabilities and information security level of the business partners meet our required standards. To this end, NEC categorizes its business partners by information security level based on the implementation status of their information security measures. In selecting business partners for a project appropriately, we check the information security level to outsource tasks, thus reducing risks of information security incidents occurring at business partners.

NEC requires its business partners to take appropriate information security measures in the following seven critical areas: (1) Contract management, (2) Subcontracting management, (3) Management of workers, (4) Information management, (5) Deployment of technological measures, (6) Secure development and operations, and (7) Conducting inspections. In fiscal 2019, we held information security briefings for business partners and provided information about risks and measures against new threats, to minimize risks.

To protect customers’ information, NEC works together with its business partners to increase their information security levels by ensuring that information security measures are implemented throughout their organizations and that inspections and corrective actions are carried out.
Title: Everybody’s Smile
Artist: Izuru Amaike

This work was awarded the Award for Excellence “Diversity Award” in an art contest for artists with disabilities held in February 2018 on the theme of “Let’s Get Together.”
Respecting Human Rights

Policy

As a company that operates its business globally, NEC believes that it is imperative to mitigate and prevent any negative impacts our corporate activities may have on the human rights of our stakeholders. We make it clear that we endeavor to respect human rights under all circumstances in the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct, which are the foundations of our corporate activities.

NEC upholds the United Nations' (UN) International Bill of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the 10 principles of the UN Global Compact. It also seeks to improve its initiatives across all Group companies on respecting human rights by taking into account trends in international standards and laws, such as the UN's Guiding Principles on Business and Human Rights and Sustainable Development Goals (SDGs), the UK Modern Slavery Act, and the EU General Data Protection Regulation (GDPR).

In 2015, NEC formulated the “NEC Group Human Rights Policy,” which states that NEC will promote initiatives on respecting human rights across its entire value chain through dialogue and consultation with its stakeholders and by implementing human rights due diligence.

Furthermore, in April 2019, we announced the newly formulated “NEC Group AI and Human Rights Principles.” These principles will guide our employees to recognize respect for human rights as the highest priority in each and every stage of our business operations in relation to social implementation of AI and utilization of biometrics and other data (hereinafter referred to as “AI utilization”) and enable them to take action accordingly.

Promotion Framework

Human Rights Promotion Committee

NEC has established a Corporate Human Rights Promotion Committee and a Business Unit Human Rights Promotion Committee in 1997. The committees discuss, establish, and implement basic activities and promote in-house training for human rights awareness, such as elimination of discrimination and prevention of harassment. These activities are also being promoted throughout the NEC Group by establishing similar frameworks mainly at domestic consolidated subsidiaries.

As the scope of the Company’s potential negative impact on human rights has expanded to the supply chain and, furthermore, to the entire value chain, the divisions, which have begun to conduct initiatives more proactively for respecting human rights in each area of the value chain, are increasing.

*1 It refers collectively to the Universal Declaration of Human Rights, and the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights which were adopted by the UN General Assembly.

*2 NEC has been a member since 2005. The 10 principles of the UN Global Compact are based on global agreements such as the Universal Declaration of Human Rights and ILO’s Declaration on Fundamental Principles and Rights at Work and include items such as support for the protection, maintenance, and respect for human rights, the eradication of forced labor and the prohibition of child labor.

*3 Human Rights Due Diligence refers to the process that includes the assessment of risk and identification of issues which are caused by the Company’s business operation and have negative impacts on human rights, the response to the identified issues (the integration into management), the monitoring of the results, and the reporting of a series of initiatives.
NEC recognizes the following as human rights issues that require particular attention. Divisions related to these issues are taking steps to mitigate and prevent negative impacts on the human rights of stakeholders.

- Human rights issues of NEC:
  - Prevention of human rights issues such as privacy violations in the development and provision of ICT solutions (products and services)
  - In October 2018, NEC established the Digital Trust Business Strategy Division as an organization to create and promote strategies based on respect for human rights, such as fairness, as well as consideration for privacy in business operations in relation to AI utilization. In April 2019, we announced the newly formulated “NEC Group AI and Human Rights Principles,” which will guide our employees to recognize respect for human rights as the highest priority in each and every stage of our business operations in relation to social implementation of AI and utilization of biometrics and other data (hereinafter referred to as “AI utilization”) and enable them to take action accordingly.

- Personal information protection and privacy
  - Consideration for privacy in business activities
  - Promotion of inclusion and diversity including elimination of discrimination and prevention of harassment

- Human rights issues across its supply chain:
  - Promotion of respect for human rights in labor practices such as prevention of modern slavery

NEC has started work on human rights due diligence with a view to enhancing the effectiveness of its initiatives on human rights issues. In fiscal 2019, a task force comprised of the Human Resources Division and the Sustainability Promotion Division formulated a common Companywide framework for implementing human rights due diligence. Based on this framework, we comply with the UN’s Guiding Principles on Business and Human Rights and have started work on evaluating the human rights impacts of our main businesses, and those of our consolidated subsidiaries. Looking ahead, we will identify key human rights issues based on the results of the human rights impact evaluation and examine schemes for addressing them, among other measures, as we continue to implement human rights due diligence.

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<tr>
<th>Measures for Human Rights Issues Addressed by NEC</th>
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<th>Awareness Raising</th>
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<tr>
<td>NEC provides awareness raising activities including training events and other activities with all officers and employees responsible to ensure respect for human rights, in order to deepen their awareness on respect for human rights and promote their understanding of global trends on human rights issues. The following are the activities in fiscal 2019. NEC is one of the main corporate members of the Working Group on Human Rights Due Diligence run by the United Nations Global Compact Network Japan. NEC endeavors to improve and enhance its own global initiatives based on the latest information regarding trends and cases on human rights obtained through participation to the Working Group.</td>
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<tr>
<th>Awareness Raising Activities at NEC Corporation</th>
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| - For corporate management and global business unit management
  We invited Keiichi Ushijima of Ernst & Young ShinNihon LLC as an external expert to give a lecture on trends in global society around business and human rights, and the responses required of companies. |
| - For all officers and employees
  We held online education courses regarding business and human rights, and diversity. |
| - For new recruits
  We held training on the theme of companies and human rights. The training was attended by 441 new recruits at NEC Corporation. |
| - For newly appointed department managers
  We held training on ways to deal with incidences of bullying and harassment in the workplace. |

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<th>Awareness Raising Activities at NEC Group Companies</th>
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<td>- We held training on companies and human rights for newly appointed corporate officers of NEC Corporation and domestic affiliates, with 97 people attending.</td>
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<tr>
<td>- At the Working Group on Human Rights Due Diligence, a subcommittee of the NEC Group Diversity Promotion Meeting composed of officers in charge of the personnel divisions of NEC Corporation and its main domestic consolidated subsidiaries, members shared information on trends in global society and each member company conducted a trial human rights impact evaluation with regard to its own business.</td>
</tr>
<tr>
<td>- To promote employee awareness and understanding of consideration for privacy and respect for human rights in business operations in relation to AI utilization, we conducted online education and seminars (which consisted of lectures, panel discussions, Q&amp;A session, etc.).</td>
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<tr>
<th>Personal Information Protection and Privacy Consideration for Privacy in Business Activities</th>
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| - For recruitment interviewers
  We ensured that everyone had a clear understanding of points to be observed when introducing example cases and answering questions in order to maintain fair hiring decisions and equal opportunity in the workplace. Around 550 people attended the course. |

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<tr>
<th>Number of people that have attended human rights awareness training (Scope: NEC Corporation)</th>
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<tr>
<td>FY2017</td>
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<tr>
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<tr>
<td>Web-based training</td>
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<tr>
<td>Lectures</td>
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*1 E-learning for all employees ("Human rights and Business" and "Diversity in the Corporation") is held every year (attendance required). In fiscal 2019, the training held for management-level was held for all employees.

*2 From fiscal 2018, as some lectures were excluded from certain management levels as a consequence of reviewing their contents, the number of participants decreased.
Compliance with the Modern Slavery Act

Section 54 of the UK Modern Slavery Act requires UK corporations as well as foreign commercial organizations that meet certain criteria to publish a statement on measures to prevent modern slavery within the organization and across its supply chain.

With the approval of the Board of Directors, NEC Corporation has issued a public declaration as the representative of the NEC Group in 2017 and again in 2018.

NEC has prepared this Modern Slavery Statement (Declaration) to explain the various measures implemented to prevent modern slavery within the NEC Group organization and across its supply chain.

Additionally, NEC continually ensures the prevention of modern slavery within the NEC Group organization and across its supply chain. The following are the activities conducted in fiscal 2019.

- Initiatives within the NEC Group organization:
  - Lectures were held by external experts for executives and global business management, and online training conducted for all corporate officers and employees. Into these, we incorporated the background and objectives of the UK Modern Slavery Act and NEC Corporation’s response, and took steps to strengthen understanding of the act within the Company.
  - Members of a task force for responding to the UK Modern Slavery Act, comprised of NEC Corporation’s Legal Division, Procurement Division, Human Resources Division, and Sustainability Promotion Division, shared global social trends related to modern slavery and discussed ways to strengthen the Company’s response to the issue.

- Initiatives across the NEC Group’s supply chain
  - At CSR/Information Security Measures briefings for suppliers (held 12 times in total at 11 venues throughout Japan), we explained the objectives and content of the UK Modern Slavery Act, as well as revisions made to the NEC Group Procurement Policy and CSR Procurement Guidelines based on the act and the Company’s response, and we requested prevention of modern slavery.
  - With cooperation from around 200 major suppliers, we conducted a human rights survey for confirming the status of initiatives on respecting human rights in relation to labor, including prevention of forced labor.
  - We incorporated inspection points relating to the presence of forced labor for conducting Supplier Visit Records (SVR), which involve onsite inspection of the status of compliance with CSR procurement requirements at suppliers.
  - In the APAC area, NEC’s subsidiaries including NEC Asia Pacific Pte. Ltd., and NEC Australia Pty Ltd. have implemented their general terms and conditions for the purchase of goods and services that require the prevention of modern slavery and human trafficking in supply chains.

Operational Grievance Mechanism: Human Rights Hotline

To mitigate and prevent negative impacts on human rights caused by its corporate activities, and to reinforce initiatives to promote respecting human rights, NEC has set up contact points to receive inquiries and consultations on human rights from stakeholders.

- Human Rights Hotline
  - The Human Rights Hotline has been set up at the Human Resources Division in each area and within each business unit, to provide consultations about human rights from employees including temporary employees through telephone and/or email. A system has been set in place to protect the privacy and avoid any disadvantageous treatment of employees who use the hotline. Outside Japan, the Compliance Hotline as the contact point receives consultations on human rights.

Promoting Human Rights in Europe, the Middle East and Africa (EMEA)

Approach

NEC Europe sets out the standards for sustainability policies and initiatives for all business activities in the EMEA region, to ensure compliance with laws and regulations, as well as international standards. Moreover, the basic principles for CSR policy clearly state that we will strive to respect and promote the spread of human rights.

Awareness Raising

NEC is also making an effort to raise awareness of human rights issues within the Company, and conducts online education to familiarize all employees with the NEC Group Code of Conduct. The contents of this course are periodically reviewed to incorporate the latest information regarding the global trends and laws and regulations in human rights issues, such as the UK Modern Slavery Act and GDPR, as well as the impacts on our business.

We also distribute good examples of human rights-related initiatives, expertise, and other information through internal newsletters and the intranet.

Internal Reporting System

NEC Europe is also focusing attention to the potential negative impact of violations and negligence.
All subsidiaries in the EMEA region have a process in which their boards of directors perform quarterly reviews of the status of progress on worker's human rights, health, and safety, including in the supply chain, and of whether there have been any infringements. Based on these reviews, the executives at each company can make business decisions giving consideration to human rights.

In addition, the status of human rights-related initiatives and compliance processes at subsidiaries in the EMEA region is reported to the Board of Directors of NEC Europe once a year.

### Promotion of Procurement Activities Compliant with Each Law and Guideline

NEC Europe conducts evaluations to check that its suppliers are considering the human rights of their workers in accordance with laws and regulations.

Moreover, in contracts entered into in the EMEA region, parties are required to observe policies related to the UK Modern Slavery Act.

- **New suppliers**
  
  NEC Europe and all of its subsidiaries have implemented a due diligence process to determine whether the transaction with a new supplier will be allowed. The process assesses the degree of risk for corruption, information security, labor conditions, human rights, the environment, and health and safety, based on the types of products and services supplied, business activities, and geographical factors. NEC does not enter into contracts with suppliers who are deemed to be high risk as a result of this evaluation.

- **New suppliers in high-risk areas**
  
  New suppliers conducting business in regions where there is a high risk of modern slavery are surveyed with a more detailed questionnaire. We also confirm the status of compliance with regional and country-specific requirements, such as the Broad-Based Black Economic Empowerment (BEE) policy in the Republic of South Africa.

### Implementing Corrective Action

NEC Europe participates in the working group on modern slavery for the UN Global Compact. The information we obtain from this group is used not only to resolve our own issues, but to strengthen initiatives across the entire industry through mutual review with other companies.

### Operational Grievance Mechanism

In EMEA, as in Japan, we operate an operational grievance mechanism for all regional subsidiaries to file grievances both internally and externally. We monitor the content and number of inquiries and reports.

Suppliers' inquiries are received by procurement desk personnel or the online desk as well as by direct email to the Legal Division of NEC Europe. By providing multiple routes for accepting suppliers' inquiries, NEC Europe ensures that they can easily contact NEC Europe for their questions and issues pertaining to business transactions.
Personal Information Protection and Privacy

Due to the rapid progress of ICT and the continuing and rapid spread of the Internet and smartphones, the need to protect personal information and privacy is a growing concern. Especially in Europe, the Charter of Fundamental Rights of the European Union stipulated protection of personal information as a fundamental right requiring protection. The EU’s General Data Protection Regulation (GDPR), which became effective in May 2018, is the regulation which stipulates methods of protection and management of personal information to protect and establish personal information and privacy rights.

Failure to consider these issues would be a serious risk for NEC as a provider of safe, secure, efficient, and equal services and solutions. On the other hand, by providing services and solutions that consider these issues we can provide highly reliable value to society, including our customers.

NEC has therefore positioned these personal information protection initiatives and “Privacy policies and measures aligned with societal expectations” as themes of its “materiality,” the priority management theme from an ESG perspective. Moreover, we have studied the trend related to this framework of new laws and regulations and are addressing these problems regarding personal information protection or privacy by following the policies described below.

<Personal Information Protection>
Personal information refers to personally identifiable information, which includes numbers and other simple identifiers. We recognize that appropriately protecting personal information, including Individual Number, of our shareholders, investors, business partners, employees and others is one of our social responsibilities. We therefore formulated our own “NEC Privacy Policy” in 2000, and keep it implemented and continue to uphold it. Also, other than protecting personal information as dictated by relevant laws and regulations, we ensure protection of privacy-related information in conducting our business activities as well.

In cooperation with its consolidated subsidiaries throughout the world, NEC Corporation built a system for promoting privacy protection and, in 2004, a “personal information protection management system” in conformance with the “Act on the Protection of Personal Information” and “JIS Q 15001 (Personal information protection management systems – requirements).” We endeavor to gain our customers’ trust and are working toward solving various problems related to the handling of personal information.

<Privacy>
NEC Corporation acquired “Privacy Mark” certification in October 2005 and subsequently renewed it in October, 2017. As of the end of March 2019, NEC Corporation and its 29 affiliated companies have obtained this certification. In principle, we forbid acquiring sensitive information such as medical records or biometric data (highly private information) without the person’s consent so that the principal will not be caused harm such as social discrimination by information leak.

As seen in the examples of GDPR, privacy laws are being created as a global trend and the roles and responsibilities required of companies have been increasing. NEC wants to maximize social value as well as to minimize the negative impact on society, through developing and providing products and services that consider privacy issues which can be perceived differently depending on country, region or culture, and human rights issues such as discrimination problems that may be aggravated by leveraging AI.

To clarify our stance, in April 2019, we announced the newly formulated “NEC Group AI and Human Rights Principles” (hereinafter referred to as the "Companywide principles"). The Companywide principles will guide our employees to recognize respect for human rights as the highest priority in each and every stage of our business operations in relation to social implementation of AI and utilization of biometrics and other data (hereinafter referred to as "AI utilization") and enable them to take action accordingly.

NEC Group AI and Human Rights Principles
NEC Sustainability Report 2019

Groupwide Management Framework

- **Personal Information Protection Administrator**: Assumes overall responsibility and authority for the implementation and operation of personal information protection management systems.
  - (*Also acts as the Specific Personal Information Protection Manager*).
- **Specific Personal Information Protection Manager**: Assumes responsibility and authority for handling specific personal information.

**Personal Information Protection Promotion Office**

- **Appointed / selected by Personal Information Protection Administrator**:

**Personal Information Protection Promotion Office**


Handles promotion of personal information protection management systems throughout the entire Company, ensuring dissemination of their contents to employees, etc., planning, implementation, and response to inquiries for training programs, etc., based on instructions from the Personal Information Protection Administrator and Personal Information Protection Office Manager.

**Establishes and maintains procedures (1)” for personal information protection**

**Supervising Division = Internal Control Division**

- **Chief Personal Information Protection Auditor (Corporate Auditing Bureau Chief)**: Assumes responsibility and authority for implementing audit plans and issuing reports pertaining to personal information protection.

- **Auditing Division (Corporate Auditing Bureau)**: Regularly audits (plans, implements) the status of establishment of personal information protection management system (including conformance to JISQ15001), status of establishment of frameworks, and status of operational compliance.

Management Framework at Business Divisions

Equivalent systems have been established at our domestic consolidated subsidiaries to ensure personal information is protected at each company in conjunction with full enforcement of the Social Security and Tax Number System in October 2015 and the "Act on the Protection of Personal Information" amended in May 2017. Our overseas consolidated subsidiaries also engage in personal information protection in accordance with the relevant laws and regulations of the respective countries.

Response to Emergencies such as Personal Information Leaks

NEC maintains systems for responding swiftly if an incident occurs involving the loss, outflow or leak, etc. of personal information. If an incident should occur, the response is coordinated quickly and systematically based on standardized procedures.

The person of that contact window then coordinates a response with the related divisions that make up the Personal Information Protection Bureau and relevant divisions in accordance with applicable laws, ordinances, ministry guidelines, and other regulations; and upon considering the risk for infringing on the rights and interests of the persons involved.

Main Activities and Results for Fiscal 2019

Training for Personal Information Protection

NEC Corporation conducts the following training for each management level in the organization.

1. **Training for all employees for NEC Corporation**
   - Online training on information security and training on personal information protection is held online once a year for executives and employees of NEC Corporation. In fiscal 2019, there was 100% completion of training for all employees of NEC Corporation.

2. **Training for personal information protection promoters for NEC Corporation and its domestic subsidiaries**
   - Classroom training was held four times in fiscal 2019 for information security promoters involved in promoting personal information protection.

3. **Training for newly hired employees and transferred employees for NEC Corporation and its domestic consolidated subsidiaries**
   - In fiscal 2019, we created a textbook on personal information protection as introductory training material and used it in training of newly hired employees and transferred employees. Apart from this training, when there is a request from a division where an incident has taken place, or when it is otherwise judged necessary by the Personal Information Protection Bureau, awareness training is conducted as appropriate at divisions or domestic consolidated subsidiaries.
Management of Personal Information

1. Initiatives at NEC

NEC runs the "Personal Identifiable Information Control System," a ledger-based system to manage personal information and make its management more transparent.

Furthermore, we have documented standard procedures, and operate a personal information protection management system. Also, as necessary, operational rules are created at the division level and by type of personal information and rigorously enforced.

In addition, in order to raise awareness on information security overall, which includes personal information protection, the "Basic Rules for Handling Customer-Related Work and Trade Secrets" have been established, and all NEC employees are encouraged to submit "electronic pledges."

As a result of these efforts, there were no incidents involving the loss, outflow or leak, etc., of personal information at NEC in fiscal 2019. There were also no complaints from the Ministry of Economy, Trade and Industry, which oversees the industrial area where NEC belongs, the Personal Information Protection Commission, or from any other third-party institutions about customer privacy breach or other issues.

2. Initiatives for Customers and Business Partners

NEC Corporation and its domestic consolidated subsidiaries request their contractors handling personal information to conduct privacy management equivalent to that of the NEC Group. Moreover, we request the contractors engaged in work for NEC Corporation or its domestic consolidated subsidiaries to submit a pledge on the "Basic Rules for Customer-Related Work and Trade Secrets and Industry, which oversees the industrial area where NEC belongs,

The Personal Information Protection Commission, or from any other third-party institutions about customer privacy breach or other issues.

Moreover, "Individual Number," is a Specific Personal Information that must be handled carefully, and we are doing so with security ensured. We are carrying out initiatives to deploy technical measures to ensure secure operations by controlling access, blocking unauthorized external access, and preventing information leaks, etc., while maintaining sufficient privacy protection levels in each system.

3. Personal Information Management Initiatives Overseas

Recently, countries around the world, such as in Europe, are making rigorous laws and regulations regarding personal information. In this situation, NEC is ensuring proper information management globally as it pursues worldwide development of personal information-related businesses, such as AI, big data, IoT, and facial authentication. We appoint personal information management officers at our overseas consolidated subsidiaries to create a global management framework. At the same time, we are creating personal information management officers at every company and ensuring that everyone understands the procedures for managing them and the common information security rules that need to be observed. With regard to GDPR, our consolidated subsidiaries in Europe have formulated personal information management rules based on GDPR and have concluded transfer agreements throughout the entire Group to ensure that cross-border transfer of personal information is conducted legally.

Monitoring and Improvement

NEC appropriately manages personal information by executing PDCA cycles on an autonomous basis through various inspection activities.

Also, NEC Corporation and its domestic consolidated subsidiaries conduct regular internal audits based on internal audit check items stipulated in JIS Q15001. Further, for operations related to handling of Individual Number, we use security control measure check sheets prepared based on Japan’s security control regulations and self-check sheets during re-entrustment in order to monitor divisions and subcontractors handling Individual Number.

1. Verification of the operation of information security measures

At NEC Corporation, the management slips registered in the Personal Identifiable Information Control System are reviewed at least once a year to validate the status of management of the various types of personal information handled by each organization.

2. Verification of status of personal information management

At NEC Corporation, the management slips registered in the Personal Identifiable Information Control System are reviewed at least once a year to validate the status of management of the various types of personal information handled by each organization.

3. Verification of operations during emergencies

Operational or the above information security measures is thoroughly reviewed and readjusted as the need arises, in the event of an incident involving the loss, outflow or leak, etc. of personal information.

Consideration for Privacy in Business Operations

In business operations in relation to AI utilization, our main initiatives in fiscal 2019 for raising awareness and understanding about consideration for privacy and respect for human rights were as follows.

1. Strengthening the organization and formulating the Companywide principles

- In October 2018, we established the Digital Trust Business Strategy Division as an organization to create and promote strategies based on respect for human rights, and in April 2019 we formulated the Companywide principles.

2. Internal awareness raising

We conducted the following education for our employees.

- Online education: We introduced specific examples and countermeasures regarding human rights and ethics in the AI society, as well as the required consideration for privacy, to the employees of NEC Corporation and its affiliated companies.

- Seminars: We invited external experts (specialists such as university professors and lawyers) to give lectures on themes of AI and data usage, and privacy and human rights, to hold dialogues through panel discussions and question and answer sessions.

In addition, we provided individual advice and support to each business division so that their individual proposal activities and promotion activities are highly acceptable to society.

3. External cooperation and collaboration

- In business operations related to AI utilization based on respect for human rights, we held dialogues with external experts (such as university professors and lawyers) on the themes of AI and data usage, and privacy and human rights, to incorporate perspectives and opinions from third parties as well as from internal stakeholders.

In formulating the Companywide principles, we held dialogues with external experts (including NPOs, industry groups, university professors, and lawyers), to obtain their advice.

- As we did last fiscal year, we participated in various industry groups regarding data trading with other companies with the same issues, to make policy proposals for consideration for privacy and to take part in rulemaking.
Human Resources Development and Training

Policy

Recognizing that people are the most significant resource, NEC believes it is important to develop highly specialized professionals who can deliver true value to customers. Based on the “NEC Group Core Values,” NEC is aiming to develop human resources and an organizational culture that are able to continuously create value for society, constantly acting from a customer-oriented perspective with a high sense of ethical value and a deep understanding of the essential issues faced by customers and society.

As long as the times continue to change, we must renew our values, concepts, and manner of conduct.

In October 2018, we established our Code of Values to clarify this concept and ensure we remain a corporate group of distinguished businesspeople that embraces the speed of change in our times. The code is a standard for conduct that should be embodied by corporate officers and all employees. Employees that practice this conduct in their daily activities, or assist in its implementation are highly evaluated.

NEC considers “Sustainably and socially literate human resources” as part of its “materiality,” a selection of priority management themes from an ESG perspective. From fiscal 2019, we have asked NEC Group employees whether they have a strong sense that NEC is changing to create social value by accepting a diverse range of values, and analyzed the changes in their responses.

Moreover, NEC’s human resource development and training strategy is to promote the basic approach of “self-development,” in which employees consciously develop their own skills based on the three core objectives of “strengthening execution capabilities,” “cultivating professionals,” and “developing business leaders.”

Promotion Framework

NEC has established a promotion framework for human resource development based on job category and organization.

Theme-based task forces study challenges across job categories and organizations, coordinating with the NEC Group Culture Transformation Division, which is responsible for driving the development of NEC’s organizational culture. The task forces hold Companywide business strategy meetings as necessary to discuss issues and make decisions, and advance initiatives.

NEC’s human resource development programs reflect the needs of each business division through organization and job category-based human resource development and so forth. These measures are continually evaluated and improved for each job category.

In addition, NEC seeks to evaluate and revise training programs periodically based on evaluations by course participants and workplace behavior surveys.

Look Outward. See the Future.
Be curious, take initiative, make a difference. Envision world-changing possibilities for ourselves and our customers.

Think Simply. Display Clear Strategy.
Identify and clearly communicate critical goals and success factors. Leverage NEC’s strengths.

Be Passionate. Follow through to the End.
Take ownership of your work. Drive relentlessly towards the end goal, resolving challenges as they arise with passion and determination.

Be comfortable making decisions and taking actions – even when there is ambiguity.
Be agile. Keep moving forward. Embrace the risk, even if it means failure.

Encourage Openness. Stimulate the Growth of All.
Cross boundaries and hierarchies; inspire and be inspired. Challenge yourself and others to learn more, do more and become more.

Always with a Constant Spirit of Integrity
NEC Corporation’s training system is broadly divided into “Companywide common training,” which is for all employees, or for selected or designated employees, “BU training,” held by each business unit (BU), and “other training,” which is self-training or training held by each staff division. The “Companywide common training” comprises required training, selective training, and elective training categories. The elective trainings include “job-specific training,” “common skills training,” and “global training.” In addition, there is “individual BU training” that is planned and run by each business unit.

“Companywide common training” comprises the following three training categories.

■ Required training for each management level
This training for people being promoted is designed to recognize the roles required of each rank with a view to strengthening management. It also includes education for fresh graduates to acquire basic knowledge and milestone training held each year, and so forth.

■ Selective Training
Selective training is training for nominated participants to provide for early development of future management candidates. It focuses on themes such as required basic knowledge for each level of management, business strategies, and business management.

■ Elective Training
Elective training is comprised of the following three categories.

- Job category training
To develop specialized professionals in each field, we have created common NEC Groupwide definitions for the necessary skills, qualifications, and training system for each job. These training programs aim to help people to advance their careers and enhance their skills in their job category or position.

- Common Skill Training
This group of training programs provides a diverse training menu that systemizes common skills by job category and management level, aiming to help individual employees to grow and upskill, with a particular focus on management and business skills.

- Global Training
In order to strengthen employees’ global skills, we have particularly increased the number of personnel sent to practical training programs where participants gain actual experience in the overseas market and learn to formulate business ideas and plans. These include programs that focus on building comprehensive skills in language, multicultural communication and business, as well as practical programs in which participants engage in onsite field work overseas, usually in an emerging country.
Selecting NEC Group Key Positions and Selective Training for Leaders with High Social Sensitivity

To ensure that the right talent is assigned to important positions throughout the NEC Group regardless of geographic location, key positions (NEC Group Key Positions: GKPs) are identified. Promotions for GKPs and the training of successors are conducted in a systematic manner. As part of a set of processes for this goal, the following selective training programs are held for leaders with high social sensitivity.

- NEC School for Social Value Creation
  The NEC School for Social Value Creation was established in fiscal 2017. Headed by the Chairman of NEC Corporation, the school is a training program for nurturing the next generation of leaders. This executive-level program provides opportunities for the participants to engage in dialogue with various lecturers and stakeholders from outside and inside NEC and gain experience in the domestic and international fields which contain social issues. Through the dialogues and experiences, the participants reaffirm their personal mission and goals with high ethical standards and broad perspectives, as well as think thoroughly about NEC’s future vision and business models for realizing social values.

In fiscal 2019, the program was increased to two times, with 39 participants.

- Drive NEC
  In selective training at overseas affiliates, NEC launched the “Drive NEC” training program in fiscal 2014 in order to enable participants to refine their leadership capabilities and expand global human networks. Employees from overseas affiliates and NEC participate together in this program, which is carried out completely in English.

Career Development Support Programs - Lifetime Career Support

Self-development and autonomous growth at the level of individual employees require a continual process of self-analysis, personal change, and skills redevelopment. NEC Corporation has introduced the “lifetime career support” system (career design support) since 2002 with the aim of helping individual employees to take spontaneous actions to promote career-long personal growth.

The typical programs are shown in the diagram below.

1. Work and Life Balance Training: Participants who reach the milestone ages of 30, 40 or 50, review their own career paths and establish additional goals for skill development. Approximately 1,000 employees participated in this training in FY2019.

2. NEC’s Career Parcel®: This program provides employees at the key intermediate milestone ages of 35, 45 and 55 with career-related and other information appropriate to each age group. Participants in this program have the opportunity to assess their future careers and life plans. For employees in the age 55 group in particular, we offer the “Life Design Seminar,” online training focusing on retirement benefits and pension plans.

3. Career Advice: Through this program established in 2002, NEC provides employees with career advice to support self-guided career development. Professional career advisors, from their specialized perspective, consult with employees on career development, including on the issue of work-life balance and making objective judgments on values and aptitudes. Four career advisors counsel around 600 employees each year.

* NEC’s Career Parcel® is a trademark of NEC Corporation in Japan.
Global Human Resources Information System – "SAKURA"

NEC uses the "Global Human Resources Information System (SAKURA)" as the training platform to support human resources development activities. The system imports and utilizes personnel information from NEC's 24 consolidated subsidiaries in Japan, and 57 overseas affiliates (as of March 2019).

In fiscal 2019, diverse training programs were registered on SAKURA, covering human rights, compliance, information security, and the environment, among others. On a per-employee basis, 5.7 days were spent on training at NEC Corporation, and 4.9 at its domestic consolidated subsidiaries.

Strategic Investments in Training

At NEC, we are developing human resources in our key business areas, in order to strengthen the core technologies that contribute to solutions for society, as well as to sustain these technologies and solutions into the future.

Human Resource Development Aimed at Strengthening Core Technologies and Enhancing Diversity

To reinforce our researchers in key areas, we are working on a policy to double the number of data science and biometrics researchers at the Central Research Labs compared to the number in fiscal 2016. Our overseas research laboratories are actively recruiting top local talent while our research labs in Japan are stepping up recruitment of doctorate degree holders. We are continuing with our policy of hiring applicants with PhDs at around 50% of new hires in fiscal 2020, and will be recruiting more overseas graduates, such as from the Indian Institute of Technology and other notable institutions. As a result of these policies, 30-40% of our new recruits are now classified as “global human resources.” We are also instituting organizational reforms that will facilitate major innovations by engaging in multi-faceted and mutually respectful discussions with specialists in a wide range of fields, regardless of their gender or nationality.

For example, for Japanese researchers, we are promoting a shift to global human resources by using training programs inside and outside NEC, such as sending them to graduate schools in the U.S. as researchers and work-study programs and overseas training events in emerging countries in cooperation with NPOs. To promote diversity in specialist fields, we are strengthening hiring not only in information science but also in the physical sciences, which provide excellent training in the proper handling of data. Likewise, we are also strengthening hiring of diverse talent in the humanities, law, and other fields to realize solutions to issues based on the cooperation between humans and AI.

Innovation Management “Human Resource Development and Training”

Developing Information Security Personnel

In systems and service integration, we are promoting "security by design," by including security among the considerations when defining system requirements and making efforts to develop security personnel.

We provide online education to give employees basic security knowledge needed for sales and system engineering, raising the level of security skills across the entire NEC Group. Moreover, we held the NEC Security Skill Challenge as an internal security contest, with 1,300 participants in fiscal 2019. These efforts are helping to broaden the base of security personnel.

From fiscal 2019, we established the NEC Cyber Security Training Ground as a permanent practice area for system engineers, and provided courses on making robust systems to strengthen their practical skills.

We are also taking steps to develop top level talent. In our NEC CISO Aide Training Program (NCAT), we have systemized a wide range of high-level training covering analysis through to incident handling. The program incorporates formal lessons as well as on-the-job training at specialist security organizations to help develop top-level talent in the field of security.

Moreover, we strongly encourage employees to acquire official security qualifications. These efforts have seen an increasing number of personnel who hold qualification such as Japan’s national level Certified Information Systems Security Professional (CISSP) and Registered Information Security Specialist.

Through these initiatives, our professionals with high-level security skills, operational experience, and qualifications are leading our efforts to provide customers with optimal solutions, helping to realize a safe, secure, and abundant society.

| 1 | Basic security education for sales and system engineers | Increase the overall level of security skill level for the NEC Group |
| 2 | Security contest open to all Group employees | Visualization of NEC Group security skills |
| 3 | NEC cyber security training area | Increase security design and implementation capabilities |
| 4 | NCAT (Security technician development program) | Development of NEC's top security technicians |
| 5 | Advanced security technician qualification holders (CISSP, Information Processing Safety Assurance Supporter) | Top security personnel |

Development of security professionals
Inclusion and Diversity

Policy

Under the NEC Group Human Rights Policy, the NEC Group is promoting Inclusion & Diversity (I&D). This means we will value each person’s individuality and will not act in such a way that may offend the dignity of any individual nor act with prejudice on the grounds of race, beliefs, age, social position, family origin, nationality, ethnicity, religion, gender and gender identity, sexual orientation, physical or mental disability. In addition, we will work to build up each person’s capabilities and experience value, not only through business activities, but also through Company systems and training programs, creating a culture in which people can help one another to grow, with a view to facilitating business growth.

In our I&D initiative, we will promote initiatives from the following perspectives.
- Promote the development of “socially literate human resources” is one of NEC’s “materiality,” the priority management themes from an ESG perspective. Develop human resources who can understand and accept different values and cultures and create social value.
- Eradicate unconscious bias and promote the encouragement of openness and stimulation of growth under the Code of Values, which was formulated as a standard for conduct that every NEC Group employee should embody.
- Establish a foundation for achieving work-life balance as part of work style reform. Promote smart work and internal communication.
- Priority Management Themes from an ESG Perspective — “Materiality”

Promotion Framework

Up to fiscal 2019, diversity promotion at NEC was overseen by the Diversity Promotion Group, a dedicated organization established within the Human Resources Development Division in 2013. However, to further promote inclusion, which was conventionally a part of promoting diversity, in April 2019 the Diversity & Inclusion Team was set up within the People and Organization Development Division. The team’s mission is to carry out various measures such as providing support and promoting understanding for women’s active participation, employment of people with disabilities, and sexual minorities (LGBT) while building cooperation with related departments. In this way, the team aims to make full use of the individuality and uniqueness of diverse employees and to create a corporate culture where everyone can work and participate at their full potential. Moreover, at the NEC Group Diversity Promotion Meeting, which comprises officers in charge of the personnel divisions at each company, information is shared and measures carried out for each Group company.

Strategies and Main Activities and Results for Fiscal 2019

Promotion of Global Recruitment of Human Resources

To achieve global business expansion, NEC is working to recruit non-Japanese individuals in our research, technology, sales, and corporate administration departments. Through these efforts, we strive to increase the quality of our workforce and promote diversity in each department. We are also working proactively to recruit employees of overseas subsidiaries to work at NEC Headquarters and to facilitate interactions with these personnel and develop human resources. We are also devoting energy to recruiting international students who newly graduated in Japan. In addition, we also began hiring directly from overseas universities, with 31 international students joining as new hires in fiscal 2019.

NEC Corporation has established a system that enables international students, Japanese students enrolled in overseas universities, and other students studying abroad to join the Company in October instead of April. Also, in response to the increase in the number of international employees, we have completed the preparation of English versions of not only documents related to employment procedures but also the main internal rules and regulations and other internal documents. English language support is also provided in the training of new employees in efforts to create an environment for hiring diverse human resources.

Promoting Women’s Active Participation in the Workplace

Before the enactment of the 1985 Equal Employment Opportunity Act, NEC Corporation was already keen to hire and promote people regardless of their gender, and the proportion of female employees has been around 30%. The proportion of female employees of all managers has already exceeded 5%, and there are 109 women occupying managerial positions at the level of organization leaders, department heads and above (as of April 1, 2019).

NEC’s numerical data in regard to the promotion of women’s active participation are published in the “Database of companies promoting women’s participation and advancement in the workplace” in the website of the Ministry of Health, Labour and Welfare. (For details, refer to “Data Collection.”)

Compliance with the Act on Promotion of Women’s Participation and Advancement in the Workplace

NEC Corporation has formulated and is pursuing the following action plans and numerical targets based on the “Act on Promotion of Women’s Participation and Advancement in the Workplace,” which came into effect in April 2016.

On the target of having women make up at least 5% of personnel at or above the level of department manager by the end of fiscal 2019, we have achieved a ratio of 4.8% (as of April 1, 2019). We will continue and enhance the following measures with the goal of achieving the targets below.

[Measures]
(1) Enhance management capabilities for diverse human resources.
(2) Increase career awareness of women through role models.
(3) Create systems for identifying and developing female employees with potential.
Each NEC Group company has formed a female managers network, and a gathering of female managers was held in March 2019 to support them in finding suitable role models and mapping out further career steps. 37 managers attended from seven NEC Group companies, and took part in a group discussion covering themes such as finding fulfillment in careers while balancing the demands of work and childcare.

In fiscal 2019, NEC held nationwide networking events and leadership training for women in sales positions in other industries. These events create opportunities for women to discuss their careers with executives, managers, and other senior employees, as part of an effort to expand the participants’ networks and their view of working potential to a nationwide level. By holding networking events with sales personnel in other industries, NEC also supports networking with individuals outside of the Company, expanding viewpoints and thinking.

Guided by the principle of “do what you can do on your own, and help each other for things you cannot,” there are currently 372 people with disabilities employed in NEC (as of June 1, 2019, total of NEC Corporation, NEC Friendly Staff, Ltd. and NEC Management Partner, Ltd.). To promote a “barrier-free” recruitment process, we established an employment liaison service and are actively participating in joint interviews for people with disabilities held by the Japanese government’s Public Employment Security Office “Hello Work” and others. In addition to arranging for sign language interpreters and conducting examinations and interviews, we provide support according to the needs of individual disabilities, such as confirming the availability of barrier-free facilities before they enter the Company.

Likewise, after a person with disability joins the Company, we also regularly make sure that the necessary work accommodations are being taken through career review interviews. In addition, since April 2016, our human rights hotline has included consultations regarding “reasonable accommodation.”

In addition, we hold meetings of the NEC Group Diversity Promotion Committee, which includes human resource officers of NEC’s affiliated companies in Japan as members. Also, in collaboration with experts in the field, organizations such as Hello Work, and social welfare corporations, we are conducting regular study sessions to deepen our understanding of the nature of disabilities and the business aptitude of persons with disabilities throughout the entire NEC Group.

* Measures to improve conditions that are barriers for a worker with disability to exercise his or her abilities effectively.

** NEC Group Job Fair for People with Disabilities

Since fiscal 2013, NEC has been offering shared employment support services using NEC Management Partner, Ltd. as a point of contact, with the goal of strengthening cooperation among NEC Group companies with regard to hiring people with disabilities. In fiscal 2019, five Group companies cooperated to participate in a job fair.

** Special Subsidiary Company: NEC Friendly Staff, Ltd.

In March 2003, NEC Corporation established NEC Friendly Staff, Ltd. as a special subsidiary company for employing people with disabilities including mentally handicapped people. Its head office is located in the NEC Fuchu Plant, and employees work in offices in Tamachi, Abiko, and Tamagawa. As of April 1, 2019, it employs 110 people with disabilities.
Employees are primarily engaged in administrative support, cleaning and afforestation services, and the service of converting business-related contract documents into electronic format. They also provide support for the “NEC Make-a-Difference Drive,” corporate citizenship activity, among other activities.

Their work contributes to strengthening management practices in terms of compliance, as well as improving business efficiency at NEC. The Company will continue to expand its business as a special subsidiary company by providing a wide range of business support services.

Assisting the Self-Empowerment of NEC Group
Employees with Hearing Difficulties
Since fiscal 2016, we have been holding study sessions in order to deepen the knowledge of NEC for employees with hearing difficulties in the NEC Group. This started from a comment we received at the annual event of NEC, C&C User Forum & iEXPO, where an employee with hearing difficulties tasked with looking after customers who also had hearing difficulties expressed a wish to learn more about the Company’s business on a regular basis rather than just before an event, but commented that there were not enough learning opportunities of this sort.

In fiscal 2019, four study sessions attended by a total of 200 people were held on themes that are considered important for all employees of the NEC Group, such as introduction of business trends including introduction of products and solutions, a seminar for customer satisfaction, innovations for information security, and measures to prevent human errors.

Also, by holding meetings for discussions and presentations among workers with hearing difficulties, we are contributing not only to deepening business knowledge and know-how but also to the construction of cross-department networks that transcend organizational boundaries.

In these study sessions, in addition to providing the contents of lectures via sign language, we are also using ICT to guarantee access to information, such as projecting a summary of the content on a screen or installing audio induction loop devices that make it easier to hear through a hearing aid.

NEC will continue to use ICT to supplement communication and bridge the digital divide in order to provide a workplace where employees can operate effectively.

Supporting Diverse Work Styles for Seniors
NEC Corporation has implemented systems that enable employees to choose their career support programs themselves in order to meet the diverse needs of employees seeking to start a new career outside of the Company or those approaching retirement age. These programs are designed to support proactive life planning initiatives by providing financial and time benefits to employees choosing to plan and prepare for new careers outside of the Company. NEC has been implementing these programs since 1998, and is currently offering four programs to employees aged 45 and over that provide support by granting periods of leave for skills training and development, provide financial assistance for postretirement career support, subsidize the costs of related skills training, and provide reemployment support services.

In addition, NEC provides a system that enables employees who wish to work beyond the age of 60 to extend their employment to a maximum age of 65. This system is offered with the intent of giving highly motivated and skilled personnel the opportunity to continue being active in the workplace. Since fiscal 2016, NEC has also operated a personnel recruiting system for those extending their employment that works to match the needs of individuals and hiring organizations, based on type of work, job description, employment terms and other conditions.

Commitment to LGBT
NEC believes in prioritizing a correct understanding of LGBT issues and increasing the number of allies in order to create a workplace environment where every individual can fully express themselves without fear of discrimination. In fiscal 2019, we carried out the following initiatives.

- 1 LGBT stands for lesbian, gay, bisexual and transgender, and is a collective term for sexual minorities.
- 2 A supporter who understands the situation of LGBT individuals.

Promoting Fair Employment
We added the items about LGBT issues in interview manuals, and are promoting awareness so recruiters can carry out appropriate interviews. We also abolished the field for stating gender on the entry form.

1) Absolutely do not conduct interviews that discriminate or violate human dignity from the perspective of human rights.

2) Even if a person comes out as an LGBT, for example during an interview, do not ask questions only concerning LGBT.

3) Judge a candidate only by the person’s capabilities and suitability for the job.

Online Education
To help promote understanding of LGBT issues, in December 2018, we included LGBT as a human rights issue among diverse people working together in the “Companies and Human Rights” unit of our online education program for all employees.

A list of NEC’s particular initiatives related to LGBT issues can be found at the Japan Business Federation (Keidanren) website.

Initiatives in the Local Community
NEC is also actively promoting awareness and understanding on inclusion and diversity within the local community by conducting the following social contribution activities.

- NEC has supported wheelchair tennis for more than 28 years, and NEC employees have participated in volunteer activities, such as by serving as linepersons in national competitions since 1991.

- Since 2008, NEC has supported "ICT Communication Support Course for people with severe disabilities" to spread and promote awareness on using IT to support communication of people with severe disabilities, such as amyotrophic lateral sclerosis (ALS) and muscular dystrophy.

- Since 1999, NEC has supported NEC Network Safety Classes that teach students in elementary and junior high schools to enjoy and learn how to use the Internet safely. Based on the Children’s Rights and Business Principles developed by Save the Children (NGO), UN Global Compact and UNICEF.
Creating a Diverse Work Style Environment

Policy
To realize "the growth of society" and "personal growth and happiness" our human resources, who play such an active and important role in our growth, are trained and fairly evaluated to help us realize the ideal work environment.

As a corporation that contributes to society through its business, NEC has established a system that fairly evaluates employees based on their contribution. We are bringing about a friendly work environment through discussions and by working with the workers union and management on issues covering the personnel system, benefit programs, the realization of work-life balance, and a work style by which all employees have the opportunity to reach their full potential.

In particular, we have childcare and nursing care systems that exceed statutory minimums and led other companies in the introduction of a telecommuting system in 2000. Through these and other initiatives, we have worked to create an environment where diverse human resources can play a part.

Promotion Framework
Human Resources Development Division and business unit are leaders in coordinating the workers union and management.

Strategies and Main Activities and Results for Fiscal 2019

NEC Group Transformation Initiative "Project RISE"
In 2018, the NEC Group launched Project RISE*, an initiative for radically transforming the Group’s management, strategy, and organization, as well as employees values and conduct. The project is intended to be a major reform for the 119th year since NEC’s foundation.

Under Project RISE, operational efficiency gains are realized by the leaders of business divisions identifying work that can be reduced and taking steps to eliminate waste. In addition, a system for fair personnel evaluations has been set in place, among other measures.

Furthermore, in addition to an existing annual employee survey, a survey focused on transformation is carried out with high frequency, once every three months, to enable employees' actual perception of each transformation measure to be reflected in revisions of the measures and so forth, in an ongoing effort to reflect employee feedback in management.

Two-Way Dialogue between Managers and Team Members
NEC has previously introduced a system for personnel evaluation and development based on two-way dialogue between managers and their team members. By having a conversation, the manager and team member set goals that align the organization targets with the subjective ideas and career of each individual, then provide feedback on the degree of achievement and evaluation results to enable individual growth and career formation.

In addition, since fiscal 2019, the Group has adopted the Code of Values, a new shared standard of conduct for the Group, and strengthened feedback and coaching focused not only on results, but also on conduct. To facilitate this, we reiterated the importance of conduct evaluation to management and conducted training to strengthen coaching and feedback.

NEC pays appropriate salaries and bonuses based on ability and performance and various laws and regulations, collective labor agreement and internal regulations. The average salary of employees is 7,589,274 yen, and the average length of employment is 19.0 years (As of March 31, 2019).

Work-Life Balance
At NEC, the workers union and management cooperate to implement flexible working styles, prevent overwork, and promote time off from work, while observing the relevant legal systems in each country. In addition, following workers union and management deliberations, the coverage of employees required to fill in the Health Check Sheet*1 was expanded from fiscal 2017, in efforts to ensure the health of employees. The status of these efforts is confirmed by workers union-management committees in each business unit and office to shorten work hours through work style reforms and ensure employee health while also promoting time off from work.

In particular, NEC has implemented:
(1) A fund to help with the payment of childcare fees at government-run nurseries, and a family support fund
(2) A system to provide employment support, childcare support system, when relocating in order to raise children. To increase the number of employees who make use of these systems, NEC relaxed certain conditions for their use in 2012 and again in 2014.

NEC strives to enhance the programs which provide support to employees achieving a balance between work, childcare and nursing care. It has offered childcare and nursing care leave systems ahead of other companies since before such systems were mandated by law.

Chilcare Support
To support a balance between work and childcare, since fiscal 2006 we have implemented a number of measures based on our own action plan in line with the Act on Advancement of Measures to Support Raising Next-Generation Children.

In particular, NEC has implemented:
(1) A fund to help with the payment of childcare fees at government-run nurseries, and a family support fund
(2) A system to provide employment support, childcare support system, when relocating in order to raise children. To increase the number of employees who make use of these systems, NEC relaxed certain conditions for their use in 2012 and again in 2014.
Along with the introduction of these systems, we conducted management training on supporting work-life balance and skills improvement training for employees on childcare leave, enabling us to acquire the "Kurumin" Next-generation Support Certification Mark in 2007, 2012, and 2015. We implemented a series of measures, even including measures that are not incorporated in the action plan, and further improved the work-life balance of our employees. Through these measures, NEC acquired the "Platinum Kurumin" certification in 2018.

### History of the Introduction of Systems to Support Workers Responsible for Childcare/Nursing

<table>
<thead>
<tr>
<th>FY</th>
<th>Systems Introduced</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>- Revised Telecommuting System – Eligible personnel expanded to “all employees.” The number of times employees can telecommute is changed to “no restrictions.” “Parents’ home” is added as a place of work.</td>
</tr>
<tr>
<td>2018</td>
<td>- Expanded the coverage of children’s age for whom care of children leave system applies – Children for whose days of care leave can be taken are expanded from “pre-elementary school age children” to “children in the 6th grade or younger”</td>
</tr>
<tr>
<td>2017</td>
<td>- Revised the Child Leave System – Childcare leave can be taken until the child is 2 years of age. Restrictions in the number of times the scheduled end of childcare leave can be changed are abolished.</td>
</tr>
<tr>
<td>2016</td>
<td>- Added “looking after one’s children or grandchildren before they go to elementary school” as one of the reasons for which employees can use the Family Friendly Leave System</td>
</tr>
<tr>
<td>2015</td>
<td>- Extended applicable period for reduced working hours for child care – (The applicable period is extended to the end of 6th grade; currently it is at the end of 3rd grade.)</td>
</tr>
<tr>
<td>2014</td>
<td>- Enhanced Subsidy for Family Support Service (Private facilities under contract with or introduced by national or municipal governments added to subsidy eligibility).</td>
</tr>
<tr>
<td>2013</td>
<td>- Extended applicable period for telecommuting system – (Extend from the end of third grade to the end of sixth grade)</td>
</tr>
<tr>
<td>2012</td>
<td>- Extended applicable period for Subsidy for Family Support Service – (Extend from the end of third grade to the end of sixth grade)</td>
</tr>
<tr>
<td>2011</td>
<td>- Enhanced Childcare Support System – (Revised requirements for the application of the system to “day-care centers providing childcare until 8 pm”)</td>
</tr>
</tbody>
</table>

### Number of People Utilizing Childcare and Nursing Care Leave [Scope: NEC Corporation]

<table>
<thead>
<tr>
<th>FY</th>
<th>Childcare leave</th>
<th>Reduced working hours for childcare</th>
<th>Nursing care leave</th>
<th>Reduced working hours for nursing care</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>381</td>
<td>845</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>2018</td>
<td>358</td>
<td>882</td>
<td>32</td>
<td>25</td>
</tr>
<tr>
<td>2017</td>
<td>376</td>
<td>893</td>
<td>18</td>
<td>19</td>
</tr>
</tbody>
</table>
Health and Safety

Policy

NEC has established a basic philosophy as part of its "Companywide Occupational Health & Safety (OH&S) Policy" stating that "NEC should maintain and enhance a comfortable and supportive workplace to ensure the health and safety of all who work at its business sites." We offer various programs for safety and health focusing on preventive management.

<Safety>

On the basis of its "Companywide Occupational Health & Safety (OH&S) Policy" NEC has established the following action guidelines to maintain and enhance a comfortable and supportive workplace and to ensure the health and safety of its employees including dispatched workers.

[(OH&S) Policy Action Guidelines]
1. Improve occupational health and safety management systems by continuously and efficiently implementing occupational health and safety activities.
2. Promote the identification of sources of danger, as well as risk assessment and risk management, with the aim of reducing labor accidents to zero.
3. Comply with laws and regulations, and other rules and decisions regarding occupational health and safety.
4. Strive to make the occupational health and safety obligations known to ensure understanding and fulfillment of these obligations.
5. Actively provide disclosure of information regarding occupational health and safety activities.
6. Endeavor to enhance the mental and physical health of workers and develop a comfortable workplace.
7. Ensure the appropriateness and effectiveness of these policies and the occupational health and safety management systems through regular reviews.

<Health>

The NEC Group has been implementing various programs under the "NEC Health Innovation 21" initiative for all employees to prevent lifestyle-related diseases since fiscal 2009. These programs are measures for metabolic syndrome, stress and cancer prevention. These efforts have been acknowledged and NEC was again certified last year as a Health and Productivity Management Organization (White 500). In fiscal 2020, NEC announced the "NEC Group Health Declaration," and will further develop health promotion activities centered on NEC Health Innovation 21 initiatives currently underway, while continuing to promote maintaining and promoting physical and mental health to serve as the foundation for employees’ continuous growth.

[NEC Group Health Declaration]

Better Condition, Better Life
-Better Individual Lives Make a Richer Society-

We will create an environment in which employees can work with enthusiasm towards their dreams, and a culture in which employees and their family members can look after their own physical condition and take care of their health. Harnessing the health and vitality of all our employees, we will contribute to the realization of a richer society.

July 3, 2019

Takashi Niino
President and CEO (Representative Director)
NEC Corporation

Certified Health and Productivity Management Organization Recognition Program ("White 500")
Promotion Framework

With participation from health and safety commissioners and labor union members selected by each division, the health and safety committees meet every month to discuss prevention of labor accidents, countermeasures for long working hours, and health-related measures to ensure safe, healthy working places and promote comfortable working environments. When new risks arise in relation to health or disasters, we quickly gather information and discuss it in the committees. These routine matters are handled by the human resources and general affairs divisions and the executive officers.

Meanwhile, important matters such as a major disaster or pandemic are handled by the Business Strategy Committee attended by corporate management, such as the President or Directors. The Committee decides on important themes each year, reviews the flow for countermeasures, and conducts exercises.

Furthermore, we provide a channel for exchanging information with overseas subsidiaries to share safety confirmation information during disasters and take steps to ensure workplace safety.
Strategies and Main Activities and Results for Fiscal 2019

Occupational Health and Safety (OH&S)

NEC Corporation conducts OH&S activities from two standpoints that address "Companywide issues" as well as "specific issues reflecting unique conditions faced by individual Group companies and business sites."

Our Companywide initiatives are based on the "Companywide OH&S Policy" formulated in fiscal 2011. And, in fiscal 2013, NEC formulated the "Occupational Health and Safety Management Regulations" as part of efforts to enhance the quality of its OH&S activities.

As an initiative to address specific issues reflecting unique conditions faced by individual Group companies and business sites, NEC has been working to obtain "OHSAS 18001" certification standard for occupational health and safety. In fiscal 2019, as in the previous fiscal year, 7 NEC Group affiliate companies out of 14 companies at the business sites in Keihin District obtained "OHSAS 18001."

Health Promotion

Prevention of Health Impairment Due to Overwork

NEC Corporation managers at specific workplaces and the personnel affairs divisions manage employee’s working conditions every day and use a work management system to make sure that the workers (including dispatched workers) are not working too many hours based on agreements between labor and management.

For employees who have worked long hours, we use an online interview sheet (health check sheet) to ascertain accumulated fatigue. Furthermore, the Health Care Centers identify employees who require follow-up based on their working hours and health check data (regular checkup and metabolic syndrome examination) and take measures such as having them consult with an industrial physician/health professional to ensure the mental health of its employees.

NEC is promoting "NEC Health Innovation 21 (NHI21)" activities to promote employee health. Caring for employee health not only saves on medical expenses, but also results in more active employees. Under NHI21, we have therefore launched various measures identified as priority measures based on potential risks, including those for metabolic syndrome, mental health care, promotion of smoking cessation, cancer prevention, and programs for each age group.

As a general measure to promote self-medication by raising health awareness, the NEC Health Insurance Association has created a health portal website called "HAPPY LTH," (a health points program), to encourage health promotion activities, also for employees’ families. We also held an event, the Health Fair, aimed at fostering good health among employees and their families. The event was held at the Head Office building and at the Tamagawa Office, with a total of 2,750 employees and family members participating. The Health Fair included various measurement events, challenges for kids, exercise seminars, and healthy lunches, as well as NEC Corporation health-related solution experience sessions, and other events to provide a space for employees and their families to learn about being healthy while having fun.

- Measures for Metabolic Syndrome

As part of its NHI21 activities, the NEC Group started strengthening and enhancing its measures against metabolic syndrome in fiscal 2009. As a result, the ratio of NEC Group employees with metabolic conditions and potentially metabolic conditions was reduced from 33.1% in fiscal 2009 to 24.4% by the end of fiscal 2018 (reduction rate: 26.3%).

- Mental Health Care Initiatives

NEC Corporation positions mental health care as a key healthcare priority. Accordingly, NEC conducts measures focused on prevention and is creating a healthy workplace by maintaining the mental health of its employees.

- Mental Health Education (Online)

  *Completion rate: 96.2% (Target: NEC Corporation and 14 domestic consolidated subsidiaries)

- Mental Health Support Program

- Return-to-work support program

- Mental health education and primary care education for managers

- Consultation desks (In-house/Outside the Company)

- Stress checks

- Smoking Cessation

NEC has instituted an "NEC No Tobacco Day" in conjunction with the World Health Organization (WHO) "World No Tobacco Day," to promote smoking cessation. Moreover, it provides consultation on smoking cessation by pharmacists at the health management center of each business site, distributes nicotine gum or patches ("No Smoking for Only a Half Day" program), and other activities. The smoking rate at the NEC Group was lowered from 31.1% in fiscal 2006 to 21.3% by the end of fiscal 2018 (Reduction rate: 31.5%).

- Measures for Preventing Lifestyle-Related Diseases, Cancer Prevention and Infectious Diseases

NEC has been implementing measures to prevent lifestyle-related diseases for its employees (including dispatched workers) and their families (dependents). The "NEC Health Fair," an event at which employee families can participate, offers programs such as prevention of metabolic syndrome, cancer screening, and measures for infectious diseases (i.e., seasonal influenza). The health management center delivers "Health News" every month featuring topics related to health such as cancer screening, dental health, smoking, infectious diseases, etc., to promote the health awareness. When employees travel overseas, we take the necessary measures before traveling, including submitting notification of infectious diseases such as tuberculosis and malaria required in accordance with the Act on the Prevention of Infectious Diseases, and paying careful attention to health management after traveling.

- Activities for Each Age Group

NEC Corporation has been prioritizing improving the awareness of self-care by targeting the younger age group and has also been enhancing the health support activities for its younger employees.

- Fresher’s Interview

- Interviews for all 27-year-old employees

- Health College 30

- Seminars on lifestyle-related diseases for employees of specified age groups or anyone who wants to attend...
## Labor Accidents and Disasters

Labor accidents at NEC Corporation are mostly minor, such as tripping on stairs at train stations or falling on the street during business trips or sales calls. There have been no major disasters.

When a labor accident has occurred, the person responsible for labor accidents checks on the status of people affected by the accident, determines the causes, and implements measures to prevent a recurrence as needed. Even for minor labor accidents such as tripping or falling, the details and countermeasures are shared throughout the Company via the OH&S Committee, the intranet, and so forth. We strive to prevent labor accidents that could be caused by natural disasters, for example calling on employees to remain at home or to return home early if a typhoon or heavy snowfall is forecast.

Looking ahead, in order to raise awareness concerning occupational safety, we intend to continue conducting OH&S Committee activities, daily workplace inspections and cross-checking, while aiming to reduce the number of labor accidents and disasters.

As shown in the graph on the right, the “frequency rate” in fiscal 2019 remained low at 0.1904 compared to the nationwide manufacturing sector average rate of 1.20.

The “severity rate” has remained low at 0.0071, where the average rate for manufacturing sector nationwide is 0.10.
## Appendices and Data Collection

<table>
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<tr>
<th>Topic</th>
<th>Page Range</th>
</tr>
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<td>Data Collection</td>
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<td>External Ratings and Evaluation</td>
<td>85-86</td>
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<tr>
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<td>87-89</td>
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<tr>
<td>Global Compact Index</td>
<td>90</td>
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<tr>
<td>ISO 26000 Index</td>
<td>91-92</td>
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</table>
データ集  
Data Collection

注記のないものは、日本電気株式会社単体を対象としています。
対象期間は、2017年、2018年、および2019年3月31日に終了した連結会計年度または各年3月31日現在です。
★のついたデータは、第三者保証を受けた数値です。（女性管理職数・比率、従業員平均年齢・勤続年数、育児・介護休職取得者数は、執行役員、嘱託等、顧問等、出向受入者を除きます。）

Those data items without notes are for NEC Corporation itself. The applicable period/date is the consolidated accounting period (ending March 31, 2017, 2018 and 2019, respectively), or as of March 31 of each year.
The data marked with a star (★) has been verified by a third-party. (The following figures for female managers, the average age of employees, the average length of employment, the number of people utilizing childcare leave and nursing care leave do not include corporate officers, advisors, and non-permanent employees.)

ガバナンス  
Governance

<table>
<thead>
<tr>
<th>コーポレート・ガバナンス</th>
<th>Corporate Governance</th>
</tr>
</thead>
</table>
| 取締役数  
Number of directors | 2016年度  
FY2017 | 2017年度  
FY2018 | 2018年度  
FY2019 |
| 合計  
Total | 11 | 11 | 11 |
| 男性  
Male | 10 | 10 | 10 |
| 女性  
Female | 1 | 1 | 1 |
| 社外取締役比率  
Ratio of outside directors to all directors | 45.5% | 45.5% | 45.5% |
| 外国籍取締役数  
Number of directors with non-Japanese citizenship | 0 | 0 | 0 |

リスク・コンプライアンス  
Risk/Compliance

| コンプライアンスに関するWeb研修受講率  
Web-based compliance training completion rate | 2016年度  
FY2017 | 2017年度  
FY2018 | 2018年度  
FY2019 |
| 日本電気（株）NEC Corporation | 98.0% | 98.3% | 98.4% |
| 国内連結子会社  
Domestic consolidated subsidiaries | 98.0% | 98.0% | 98.6% |
| コンプライアンス・ホットライン相談件数  
Compliance hotline – number of consultations | 101 | 118 | 121 |

情報セキュリティ・個人情報保護  
Information Security/Personal Information Protection

| 個人情報保護教育受講率  
Training of Personal Information protection completion rate participation rate | 2016年度  
FY2017 | 2017年度  
FY2018 | 2018年度  
FY2019 |
| 国内  
Domestic | 100% | 100% | 100% |
| 海外  
Overseas | 60 | 54 | 46 |
| CSR・情報セキュリティ情報提供会  
Number of Suppliers and participants at the CSR and information security measures briefing* | 34 | 34 | 31 |
| 価格変動の情報セキュリティ対策の点検社数*  
Number of business partner companies subject to inspection and review of information security measures | 1,445 | 1,361 | 1,320 |
| 参加者数  
Number of participants | 1,997 | 1,813 | 1,758 |
| 費用点検  
On-site assessment | 50 | 54 | 37 |
| 情報セキュリティ対策の点検社数*  
Web-based self-assessment | 1,367 | 1,467 | 1,423 |

* 集計方法の変更に伴い、昨年のレポートで開示した数値とは異なっています。
* Due to a change in the calculation method, figures for the current year differ from those in the previous year's report.

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情報セキュリティとサイバーセキュリティ  Information Security
個人情報保護、プライバシー  Personal Information Protection and Privacy
サプライチェーン・マネジメント  Supply-Chain Management

社会  Society

人権尊重  Respecting Human Rights

<table>
<thead>
<tr>
<th>情報</th>
<th>2016年度 FY2017</th>
<th>2017年度 FY2018</th>
<th>2018年度 FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>人権啓発集合研修受講者数</td>
<td>20,296</td>
<td>8,026</td>
<td>20,936</td>
</tr>
<tr>
<td>集合研修 group study</td>
<td>1,031</td>
<td>566</td>
<td>441</td>
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<tr>
<td>人権ホットライン相談窓口相談件数</td>
<td>25</td>
<td>49</td>
<td>48</td>
</tr>
</tbody>
</table>

ダイバーシティの推進・労働慣行  Promotion of Diversity/Labor Practices

<table>
<thead>
<tr>
<th>地域</th>
<th>2016年度 FY2017</th>
<th>2017年度 FY2018</th>
<th>2018年度 FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>日本</td>
<td>80,478</td>
<td>79,642</td>
<td>76,799</td>
</tr>
<tr>
<td>アジア太平洋地域</td>
<td>9,347</td>
<td>10,985</td>
<td>11,772</td>
</tr>
<tr>
<td>アジア太平洋地域</td>
<td>8.7%</td>
<td>10.0%</td>
<td>10.6%</td>
</tr>
<tr>
<td>中国・東アジア</td>
<td>5,329</td>
<td>4,739</td>
<td>4,614</td>
</tr>
<tr>
<td>中国・東アジア</td>
<td>5.0%</td>
<td>4.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>欧州・中東・アフリカ</td>
<td>5,406</td>
<td>6,636</td>
<td>9,797</td>
</tr>
<tr>
<td>欧州・中東・アフリカ</td>
<td>5.0%</td>
<td>6.1%</td>
<td>8.9%</td>
</tr>
<tr>
<td>北米</td>
<td>2,819</td>
<td>2,710</td>
<td>2,769</td>
</tr>
<tr>
<td>北米</td>
<td>2.6%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>中南米</td>
<td>4,350</td>
<td>4,678</td>
<td>4,844</td>
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<tr>
<td>中南米</td>
<td>4.0%</td>
<td>4.3%</td>
<td>4.4%</td>
</tr>
<tr>
<td>合計 total</td>
<td>107,729</td>
<td>109,390</td>
<td>110,595</td>
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</table>
### 雇用形態別従業員数

<table>
<thead>
<tr>
<th></th>
<th>2016年度</th>
<th>2017年度</th>
<th>2018年度</th>
</tr>
</thead>
<tbody>
<tr>
<td>正規</td>
<td>21,444</td>
<td>21,010</td>
<td>20,252</td>
</tr>
<tr>
<td>非正規</td>
<td>35</td>
<td>42</td>
<td>50</td>
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</table>

### 採用人数（中途含む）

<table>
<thead>
<tr>
<th></th>
<th>2016年度</th>
<th>2017年度</th>
<th>2018年度</th>
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</thead>
<tbody>
<tr>
<td>合計</td>
<td>-</td>
<td>505</td>
<td>449</td>
</tr>
<tr>
<td>男性</td>
<td>-</td>
<td>364</td>
<td>317</td>
</tr>
<tr>
<td>女性</td>
<td>-</td>
<td>141</td>
<td>132</td>
</tr>
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</table>

### 女性採用比率

<table>
<thead>
<tr>
<th></th>
<th>2016年度</th>
<th>2017年度</th>
<th>2018年度</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27.9%</td>
<td>29.4%</td>
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</table>

### 外国人新卒採用人数

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<thead>
<tr>
<th></th>
<th>2016年度</th>
<th>2017年度</th>
<th>2018年度</th>
</tr>
</thead>
<tbody>
<tr>
<td>合計</td>
<td>39</td>
<td>37</td>
<td>31</td>
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</tbody>
</table>

### 雇用形態別の従業員数

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<th>2016年度</th>
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<th>2018年度</th>
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</thead>
<tbody>
<tr>
<td>合計</td>
<td>21,444</td>
<td>21,010</td>
<td>20,252</td>
</tr>
<tr>
<td>男性</td>
<td>21,010</td>
<td>20,252</td>
<td>20,252</td>
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<tr>
<td>女性</td>
<td>434</td>
<td>758</td>
<td>200</td>
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### 年次有給休暇取得率

<table>
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<th>2016年度</th>
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<th>2018年度</th>
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<tbody>
<tr>
<td>合計</td>
<td>69.30%</td>
<td>69.30%</td>
<td>67.46%</td>
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<tr>
<td>男性</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>女性</td>
<td></td>
<td></td>
<td></td>
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</tbody>
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### 育児休職取得者数

<table>
<thead>
<tr>
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<th>2018年度</th>
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<tr>
<td>合計</td>
<td>376</td>
<td>358</td>
<td>381</td>
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<td>男性</td>
<td>317</td>
<td>317</td>
<td>317</td>
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<tr>
<td>女性</td>
<td>59</td>
<td>41</td>
<td>64</td>
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### 介護休職取得者数

<table>
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<th>2018年度</th>
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<tbody>
<tr>
<td>合計</td>
<td>18</td>
<td>32</td>
<td>24</td>
</tr>
<tr>
<td>男性</td>
<td>0</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>女性</td>
<td>18</td>
<td>13</td>
<td>13</td>
</tr>
</tbody>
</table>

### 従業員平均残業時間

<table>
<thead>
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<th>2017年度</th>
<th>2018年度</th>
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</thead>
<tbody>
<tr>
<td>合計</td>
<td>17.1 hours</td>
<td>16.3 hours</td>
<td>16.2 hours</td>
</tr>
<tr>
<td>男性</td>
<td>18.9 hours</td>
<td>19.2 hours</td>
<td>19.2 hours</td>
</tr>
<tr>
<td>女性</td>
<td>18.3 hours</td>
<td>18.3 hours</td>
<td>18.1 hours</td>
</tr>
</tbody>
</table>

### 安全・健康

<table>
<thead>
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<th>2017年度</th>
<th>2018年度</th>
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</thead>
<tbody>
<tr>
<td>合計</td>
<td>0.18</td>
<td>0.37</td>
<td>0.19</td>
</tr>
<tr>
<td>男性</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>女性</td>
<td>0.18</td>
<td>0.37</td>
<td>0.19</td>
</tr>
</tbody>
</table>

---

**注意：** これらの数値は年次報告書に基づいており、年次報告書の最新版の詳細を確認することを推奨します。
### 人材育成  Human Resources Development

|-------------|------------------|------------------|------------------|
| 従業員一人当たり研修受講日数  
Number of training days per employee | 日本電気(株) NEC Corporation | 5.1 days | 5.7 days | 5.7 days |
|             | 日本電気(株)および連結子会社  
NEC Corporation and consolidated subsidiaries | 4.5 days | 4.9 days | 4.9 days |
| 従業員サーベイ回答率  
Response rate of employees' survey (As a general rule, the surveys for employees at overseas subsidiaries are conducted once every two years) | 日本電気(株)および連結子会社  
NEC Corporation and domestic consolidated subsidiaries | 79% | 81% | 84%*
|             | 海外連結子会社  
Overseas consolidated subsidiaries | – | – | 72%*
| 会社が社会価値を創造する方向に変革していると実感している従業員の割合  
Ratio of employees who feel that the Company’s direction has changed toward creating social value | – | – | 23%*

*: 対象: 23社  
**: 対象: 48社

### イノベーション・マネジメント Innovation Management

#### 研究開発費用  
R&D expenses  
(NEC Corporation and its consolidated subsidiaries)  
(十億円 Billion yen)

|-------------|------------------|------------------|------------------|
| 研究開発費用  
R&D expenses | 109.3 | 108.1 | 108.1 |

#### 社会貢献活動 Social Contribution Activities

|-------------|------------------|------------------|------------------|
| 合計  
Total | 669 | 523 | 613 |
| 社会貢献支出額  
Social contribution expenditure  
(百万円 Million yen) | 629 | 472 | 588 |
| 金銭支出 (政治寄付含む)  
Cash contributions including political donations | 38 | 28 | 13 |
| 金銭支出 (政治寄付含む)  
Cash contributions including political donations | 2 | 23 | 12 |

### 地域社会との連携 Cooperation with the Local Communities

|-------------|------------------|------------------|------------------|------------------|
| 政治寄付  
Political donations | 15 | 15 | 15 | 15 |
環境  Environment

(※日本電気株式会社およびNECグループ会社42社(国内・海外を含む)を対象としています。)
(NEC Corporation and 42 NEC Group Companies (Domestic and Overseas))

<table>
<thead>
<tr>
<th>内容</th>
<th>2016年度 FY2017</th>
<th>2017年度 FY2018</th>
<th>2018年度 FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITソリューション提供によるCO₂排出削減貢献量 (単年)</td>
<td>2,630 t</td>
<td>4,220 t</td>
<td>5,300 t</td>
</tr>
<tr>
<td>廃棄物のエネルギー効率改善 (2013年度製品比)</td>
<td>17%</td>
<td>35%</td>
<td>74%</td>
</tr>
<tr>
<td>地球温暖化ガスの排出量 (単年)</td>
<td>合計17,760 t</td>
<td>6,156 t</td>
<td>5,134 t</td>
</tr>
<tr>
<td>Scope 1 (千 / Thousand tons)</td>
<td>54 t</td>
<td>56 t</td>
<td>52 t</td>
</tr>
<tr>
<td>Scope 2 (千 / Thousand tons)</td>
<td>296 t</td>
<td>282 t</td>
<td>277 t</td>
</tr>
<tr>
<td>Scope 3 (千 / Thousand tons)</td>
<td>7,410 t</td>
<td>5,630 t</td>
<td>5,185 t</td>
</tr>
<tr>
<td>エネルギー使用量 (水)</td>
<td>合計6,777 TWh</td>
<td>6,789 TWh</td>
<td>6,746 TWh</td>
</tr>
<tr>
<td>電気</td>
<td>5,708 TWh</td>
<td>5,665 TWh</td>
<td>5,712 TWh</td>
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<tr>
<td>ガス</td>
<td>757,818 GWh</td>
<td>573,033 GWh</td>
<td>576,337 GWh</td>
</tr>
<tr>
<td>燃料 (石油・天然ガス)</td>
<td>938 TWh</td>
<td>984 TWh</td>
<td>931 TWh</td>
</tr>
<tr>
<td>熱 (蒸気・温水・冷水)</td>
<td>27,178 MWh</td>
<td>27,819 MWh</td>
<td>25,829 MWh</td>
</tr>
<tr>
<td>水使用量</td>
<td>2,240 TWh</td>
<td>2,314 TWh</td>
<td>2,193 TWh</td>
</tr>
<tr>
<td>廃棄物排出 (一般廃棄物 + 産業廃棄物)</td>
<td>合計26 t</td>
<td>42.6 t</td>
<td>38.3 t</td>
</tr>
</tbody>
</table>

※1: 温室効果ガスとは、CO₂ (二酸化炭素), CH₄ (methane), N₂O (nitrous oxide), HFCs (hydrofluorocarbons), PFCs (perfluorocarbons), SF₆ (sulfur hexafluoride), NF₃ (nitrogen trifluoride)を指します。以下のGHGプロトコルの分類に従って算出しています。

Scope 1: Direct GHG emissions from sources that are owned or controlled by the Company.
Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam.
Scope 3: Other indirect emissions covering corporate upstream and downstream processes not included in Scope 2.

※2: The data has been verified by the thirdparty. The scope of verification includes NEC Corporation and its consolidated subsidiaries subject to environmental governance.

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Third-party Assurance

NEC Sustainability Report 2019 has been assured by the third-party for the items listed in the following assurance statement.

ASSURANCE STATEMENT

SGS Japan’s Report on Sustainability Activities in the NEC Corporation
Sustainability Report 2019

NATURE AND SCOPE OF THE ASSURANCE

SGS, report on, was commissioned by NEC Corporation (hereinafter referred to as the “Organisation”) to conduct an independent assurance of the NEC Sustainability Report 2019 (hereinafter referred to as the “Report”).

The scope of the assurance, based on the SGS Sustainability Report Assurance Methodology, includes the sustainability management process, data on the material and data of various strategies in the key systems of management of NEC (as of April 1, 2019), and the activities and performance of the assurance process from April 1, 2019 to March 31, 2019.

The assurance covers the assurance entities and criteria as follows:

• Organisations covered: NEC Corporation, its wholly owned subsidiaries, and related companies.
• Criteria for assurance: The assurance covers the assurance criteria formadec by the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for organisational and industry-related standards.

The assurance is conducted in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for organisational and industry-related standards.

The Report has been assessed at a moderate level of assurance using our protocols for:

• Evaluation of content validity.
• Assurance of the report content and supporting management systems against the A001 – Accountability, principles (GRI).

The assurance covered a collection of internal research, interviews with the division responsible for CSR and the person in charge of producing the Report at the head office, visits to the head office and subsidiary offices, and review of related materials and records.

The data used is reliable, and the assurance is conducted on the basis of the assurance criteria.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is a leader in verifying, testing and certifying, operating in more than 180 countries and providing services including management systems and service certification, quality, environmental, social and ethical auditing and training, and risk management, social and sustainability report assurance. This assurance offers its independence from the organization, being free from bias and conflicts of interest with the organization, its subsidiaries and shareholders.

The assurance is based on known knowledge, experiences and qualifications of the assurance teams for this assessment, and compliance with internal quality management systems and global good governance practices.

ASSURANCE OPINION

The assurance team has carried out the methodology described above, thereby being able to ensure to the extent that is practicable that the information and data contained within the Report does not contain any material misstatements.
### External Ratings and Evaluation (As of June 2019)

NEC is included in world-renowned Environmental, Social, and Governance (ESG) indexes.

#### FTSE4Good Index Series
- NEC has been included in this index continuously since 2002.

#### MSCI ESG Leaders Indexes
- NEC has been included in this index continuously since 2015. (The name of the indexes was changed from MSCI Global Sustainability Indexes in 2017.)
- NEC has been included in this index continuously since 2014. (The name of the index was changed from MSCI Global Sustainability Indexes in 2017.)

#### CDP (Climate Change and Water Security)
- NEC’s score was A- in Climate Change and B in Water Security in CDP 2018.

#### ISS ESG Corporate Rating
- NEC was rated “Prime” in March 2018 in the “Electronics Devices & Appliances” industry sector. (The name of the index was changed from the “oekom Corporate Rating”)

#### Euronext Vigeo World 120
- NEC has been included in this index continuously since 2012.
- NEC has been included in this index continuously since 2012.

#### Ethibel Pioneer & Excellence
- NEC was selected for the ETHIBEL “EXCELLENCE” Register in 2009, receiving ETHIBEL “PIONEER” Register, the higher evaluation, in 2013. NEC has been selected for PIONEER & EXCELLENCE continuously from 2013 to 2019.

#### STOXX Global ESG Leaders Index
- NEC has been included in this index continuously since 2014.

#### EcoVadis
- NEC has been awarded “Gold” CSR rating, the highest rating, continuously since 2012.

#### Other External Evaluations
- Awards for social contribution
- Recognition and awards for environmental activities
- External rating and evaluation of our working environment

---

THE INCLUSION OF NEC CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NEC CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.
## External Ratings and Evaluation regarding Our Working Environment

### “L-boshi” Certification

Certification recognizing companies for outstanding compliance with the Act of Promotion of Women's Participation and Advancement in the Workplace. By meeting all the five criteria for certification, namely recruitment, continued employment, working hours, percentage of women in managerial positions, and diversity of career courses, NEC Corporation became the first company in April 2016 to receive the “3-star” mark, the highest level under the “L-boshi” certification program.

### Next-generation Support Certification Mark “Platinum Kurumin”

NEC received the “Kurumin” certification, given by the Minister of Health, Labour and Welfare, in recognition as a child-rearing support company, in 2007, 2012, and 2015. In 2018, NEC Corporation received the “Platinum Kurumin” certification for carrying out higher levels of effort in introducing and using considerable measures in child-rearing support. To receive the “Platinum Kurumin”, “Kurumin” certification is needed.

### Certified Health and Productivity Management Organization Recognition Program (“White 500”)

The program recognizes companies and organizations for outstanding health and productivity management. Certified organizations are divided into large enterprises and small and medium-sized enterprises. In 2018 and 2019 NEC Corporation was certified as a health and productivity management “White 500” company.
### GRI (Global Reporting Initiative) Index

This report was prepared in accordance with the Global Reporting Initiative (GRI) Standard: Core option

#### General Disclosures

<table>
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<tr>
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<tr>
<td>102-1</td>
<td>Name of the organization</td>
<td>Profile</td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>Business Outline</td>
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<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td></td>
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<tr>
<td>102-4</td>
<td>Location of operations</td>
<td>NEC Worldwide</td>
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<td>102-5</td>
<td>Ownership and legal form</td>
<td>Annual Securities Report (Japanese)</td>
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<td>102-6</td>
<td>Markets served</td>
<td>Annual Securities Report (Japanese)</td>
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<td>102-7</td>
<td>Scale of the organization</td>
<td>Corporate Profile</td>
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<td>102-8</td>
<td>Information on employees and other workers</td>
<td>P. 68-71, P. 81</td>
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<tr>
<td>102-9</td>
<td>Significant changes to the organization and its supply chain</td>
<td>P. 49-51</td>
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<tr>
<td>102-10</td>
<td>Precautionary principle or approach</td>
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<td>102-11</td>
<td>Reduce environmental impacts</td>
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<td>102-12</td>
<td>External initiatives</td>
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#### Strategy

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<td>Statement from senior decision-maker</td>
<td>P. 2</td>
</tr>
<tr>
<td>102-15</td>
<td>Key impacts, risks, and opportunities</td>
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#### Ethics and integrity

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<td>Values, principles, standards, and norms of behavior</td>
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<td>102-17</td>
<td>Mechanisms for advice and concerns about ethics</td>
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#### Governance

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<td>Governance structure</td>
<td>Corporate Governance</td>
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<td>102-19</td>
<td>Delegating authority</td>
<td>P. 8-11</td>
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<tr>
<td>102-20</td>
<td>Executive-level responsibility for economic, environmental, and social topics</td>
<td>P. 5-7</td>
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<tr>
<td>102-21</td>
<td>Consulting stakeholders on economic, environmental, and social topics</td>
<td>P. 5-7</td>
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<tr>
<td>102-22</td>
<td>Composition of the highest governance body and its committees</td>
<td>Corporate Governance</td>
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<tr>
<td>102-23</td>
<td>Chair of the highest governance body</td>
<td>Corporate Governance Report</td>
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#### 5. Stakeholder engagement

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<td>102-32</td>
<td>Identifying and selecting stakeholders</td>
<td>P. 20-24</td>
</tr>
<tr>
<td>102-33</td>
<td>Key topics and concerns raised</td>
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#### 6. Reporting practice

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<td>102-45</td>
<td>List of stakeholder groups</td>
<td>P. 20-24</td>
</tr>
<tr>
<td>102-46</td>
<td>Identifying and selecting stakeholders</td>
<td>P. 20-24</td>
</tr>
<tr>
<td>102-47</td>
<td>Approach to stakeholder engagement</td>
<td>P. 20-24</td>
</tr>
</tbody>
</table>

#### 6. Reporting practice

- Nominating and selecting the highest governance body
- Role of the highest governance body in setting purpose, values, and strategy
- Collective knowledge of the highest governance body
- Evaluating the highest governance body's performance
- Identifying and managing economic, environmental, and social impacts
- Effectiveness of risk management processes
- Review of economic, environmental, and social topics
- Highest governance body's role in sustainability reporting
- Communicating critical concerns
- Nature and total number of critical concerns
- Remuneration policies
- Process for determining remuneration
- Stakeholders' involvement in remuneration
- Annual total compensation ratio
- Percentage increase in annual total compensation ratio
103: Management Approach

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<td>Explanation of the material topic and its boundary</td>
<td>P. 8-11</td>
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<tr>
<td>103-2</td>
<td>The management approach and its components</td>
<td>P. 8-11</td>
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<tr>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>P. 8-11, P. 12-15</td>
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Specific Standards: 200: Economic, 300: Environmental, 400: Social

200: Economic

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<td>Direct economic value generated and distributed</td>
<td>P. 15, P. 33-38</td>
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<td>201-2</td>
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204: Procurement Practices

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300: Environment

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<td>NEC Group Statement for UK Modern Slavery Act 2015</td>
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<tr>
<td>400-1</td>
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### 300: Social

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<td>402</td>
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### 400: Social

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<td>412</td>
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**NEC Sustainability Report 2019**

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*GRI=Global Reporting Initiative

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Global Compact

ISO 26000
## Global Compact Index

This table compares NEC's sustainability activities with the Ten Principles of the Global Compact advocated by the United Nations.

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<td>Principle 2</td>
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<td>Principle 3</td>
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<td>Inclusion and Diversity</td>
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<td>Principle 4</td>
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<td>Principle 5</td>
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<td>Principle 6</td>
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<td><strong>Environment</strong></td>
<td>Principle 7</td>
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<tr>
<td></td>
<td>Businesses should support a</td>
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<tr>
<td></td>
<td>precautionary approach to</td>
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<td>environmental challenges.</td>
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<td><strong>Anti-Corruption</strong></td>
<td>Principle 10</td>
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<td></td>
<td>Businesses should work against</td>
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<td>corruption in all its forms,</td>
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<td></td>
<td>including extortion and</td>
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<td></td>
<td>bribery.</td>
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<td><strong>ISO26000 Index</strong></td>
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## ISO 26000 Index

This table shows a comparison of seven core subjects and 36 issues of ISO 26000 and sustainability activities of NEC.

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<td>Organizational Governance</td>
<td>1. Organizational Governance</td>
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<tr>
<td>Environment</td>
<td>1. Prevention of pollution&lt;br&gt;2. Sustainable resource use&lt;br&gt;3. Climate change mitigation and adaptation&lt;br&gt;4. Protection of the environment, biodiversity and restoration of natural habitats</td>
<td>- Environmental Management Initiatives</td>
</tr>
<tr>
<td>ISO 26000 Core Subjects</td>
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</tbody>
</table>
| Consumer Issues       | 1. Fair marketing, factual and unbiased information and fair contractual practices  
                        2. Protecting consumers' health and safety  
                        3. Sustainable consumption  
                        4. Consumer service, support, and complaint and dispute resolution  
                        5. Consumer data protection and privacy  
                        6. Access to essential services  
                        7. Education and awareness |
                        | CS (Customer Satisfaction) Initiative  
                        | Ensuring Quality and Safety  
                        | Personal Information Protection and Privacy  
                        | Respecting Human Rights |
| Community Involvement and Development | 1. Community involvement  
                        2. Education and culture  
                        3. Employment creation and skills development  
                        4. Technology development and access  
                        5. Wealth and income creation  
                        6. Health  
                        7. Social investment |
                        | Sustainable Management  
                        | Innovation Management  
                        | Cooperation with the Local Communities  
                        | Activities for Contributing to Society |