

Ensuring Compliance

Since its establishment in 1899, NEC has built its business based on the trust of society, including our customers. Under a sound, highly transparent governance system, every member of NEC, from executives to employees, puts compliance first, not just complying with laws and regulations, but conducting their daily business in accordance with social norms and common sense. Governance and compliance are part of NEC's materiality, a selection of priority management themes from an ESG perspective, and we will incorporate compliance into NEC's corporate culture.

Heads of Each Group Organization Take Ownership of Promoting Compliance

Previously at NEC Corporation, the corporate divisions led the implementation of compliance measures in each division.

From fiscal 2019, we aim to encourage executives and employees to make a strong sense of compliance their own responsibility and to foster a corporate culture that encourages people to practice conduct in accordance with the NEC Group Code of Conduct. Moreover, to strengthen each division's measures to address its different risks, we have adopted a policy of having the division general managers take

leadership and responsibility for discussing and carrying out the optimal measures for their divisions.

As part of risk management activities, every year we identify "Priority Risks" based on the results of a risk management survey and internal audits. In fiscal 2019, we selected "risks regarding personal information protection," "risks regarding bribery," "risks regarding violation of competition laws," and "risks regarding inappropriate cost accounting," and implemented countermeasures.

Responsible Procurement

NEC has formulated the NEC Group Procurement Policy and Supply-Chain CSR Guidelines based on the ISO 26000 international social responsibility guidance and the ISO 20400 international standard. As we learn together with our suppliers about critical social issues and the impact of business on society, we will continually engage in initiatives toward building a better supply chain.

To ensure sustainable procurement giving adequate consideration to the entire supply chain, we communicate our

requirements to suppliers based on the above policy and guidelines, confirming the status of their compliance and initiatives, and following up to ensure that appropriate remedial measures are taken as necessary. As part of this effort, in fiscal 2019, we started Supplier Visit Records (SVR), which involves the Procurement Division making an inspection of sustainable procurement requirements during its ordinary visits to suppliers and keeping records of the inspection.

A Continuous Culture of Quality since Our Founding

Maintaining and improving quality is also part of governance and compliance.

The Company introduced quality control in 1946, and has made company-wide efforts to increase quality, such as the ZD (Zero Defects)*¹ activities in 1965, the Company-wide quality-operation strategy to increase the "7 Qs"*² in 1972, and SWQC*³ in 1981. Today, we are actively working on human resource development to realize safety and security. These efforts include practical education

for improving product safety and quality, and establishing a system of awards for teams which demonstrate the significance of accomplishment and recovery in projects that have a high level of risk.

* 1 Activities designed to stimulate individual employees' autonomy and passion to eliminate defects from their work through creative thinking, reducing costs and improving quality and service.

* 2 The 7 Qs apply to management, products and services, human behavior, workplace environment, relationships with the local community, business results, and corporate image.

* 3 Software Quality Control. This refers to general quality management activities for software.

 For further information, please refer to Sustainability Report 2019 "Compliance and Risk Management," "Promoting Fair Commercial Transactions," "Supply Chain Management," and "Ensuring Quality and Safety."