\Orchestrating a brighter world

NEC

CSR Report 2017

Table of Contents

NEC has signed the United Nations Global Compact.

Message from the President
Becoming a company that is essential to society

Since its foundation in 1899, NEC has contributed to customers with our motto "Better Products, Better Services" and has grown into providing products and services centered on IT and networks.

In recent years, a variety of social issues are being highlighted by global initiatives such as the "Sustainable Development Goals (SDGs)" adopted by 193 UN member states in 2015 and the "Paris Agreement" adopted by COP21. Companies now find it necessary to address these initiatives. Our customers' expectations have changed, and they are seeking to find "value" that leads to solutions to these issues in a more comprehensive manner, beyond just providing individual products or services.

Our aspiration to be a company that is essential to society has led us to formulate "Seven Themes for Social Value Creation" that we aim to address under the brand statement "Orchestrating a brighter world." The direction of these themes aligns with the SDGs and the Paris Agreement. I believe that sustainable management of NEC will continue to contribute to society through the realization of our goals through these themes.

The fundamentals of sustainable management tell us to address compliance first. NEC has signed the "United Nations Global Compact," an initiative that calls on companies worldwide to align their strategies and operations with universal principles of human rights, labor, the environment and anti-corruption. We recognize that compliance is one of the most critical issues of management. NEC has worked continuously to enforce the compliance initiative by implementing and operating an internal control system.

Last fiscal year, however, the Japan Fair Trade Commission recognized three incidents in which we were found to have been in violation of the Antimonopoly Act of Japan. It was truly regrettable that there were multiple incidents, and this led me, as a member of top management, to reflect deeply on the matter. In response, we immediately began a review of our fair trade education programs and reinforced an internal audit/monitoring system relating to fair trade. Instead of temporarily troubleshooting these issues, we are determined to make sure there is no repetition of this kind of problem by continuously reviewing our compliance system. NEC will continue to make resolute efforts to regain the trust of its customers.

Through interaction and co-creation with various stakeholders, including customers, NEC can learn what customers and society value and then maximize the value expeditiously. In this way, I will make NEC become a company that is essential to society.

July 2017

Takashi Niino
President and CEO

Sustainable Management

NEC has defined the brand statement "Orchestrating a brighter world" and provides solutions to worldwide social issues for the realization of a global society where everyone has the opportunity to lead positive and abundant lives.

In 2014, we announced this brand statement in order to confirm our vision to achieve "Social Value Creation." This statement is rooted in the NEC group corporate philosophy which was established in 1990 ("NEC strives through C&C - the integration of computers and communications - to help advance societies worldwide toward a deepened mutual understanding and the fulfillment of human potential").

For us at NEC, sustainable management (or what we also call "CSR management") means that every one of us, executives and employees, will seek to operationalize the brand statement and the corporate philosophy through our business activities while listening to the voices of society through dialogue with our stakeholders. In that perspective, our activities, which include both non-profit social contributions and our core business, will contribute to the creation of social value, impacting society and the environment positively.

We don't only focus on fulfilling our compliance responsibility, typified by legal compliance and corporate ethics. We also focus on mitigating corporate risks that may adversely affect society or the environment. NEC can only become a social value innovator if we all have gained the trust of our customers and society.

In line with our ambition to achieve sustainable management, we have established the "NEC Way." The NEC Way represents a frame of mind and commitment to work which is required for each person in the NEC Group. Secured firmly in the NEC Way as a policy underlying the development of human resources at NEC, we will continue to move forward to create further social value.

<The NEC Way>

"The NEC Way" is the collective activities of NEC Group management. It includes our Corporate Philosophy, Vision, Brand Statement, Core Values and Charter of Corporate Behavior. We put The NEC Way into practice to create social value.

▶ The NEC Way

Policy

Because NEC itself wants to be the entity that customers and society trust, NEC not only enforces compliance with all appropriate internal rules, laws and regulations, but also seeks to realize a sustainable society through initiatives that cover the three pillars of ESG: Environment, Social and Governance. We understand the importance of transparency and actively disclose the results and issues of these efforts to our stakeholders. We also use dialogue and communication to improve our own corporate activities.

We believe that sustainable management requires the pursuit of innovation through the launch of new businesses or the further development of existing business. For us, this means to proactively listen to our customers and understand the wider social issues through communication and dialogue. To this end, NEC has proposed the following three basic policies.

- Strengthen risk management and enforce compliance

NEC implements thorough risk management within all of its Group companies and business partners, in order to continually respond to the expectations and demands of its stakeholders and to secure its place in society. To this end, NEC is committed to avoiding and/or mitigating any negative impact or risk of negative impact on its stakeholders, society and the environment, such as the potential occurrences of violations of human rights and environmental damage. In addition, NEC practices compliance with a constant awareness of the need to prioritize it.

- Contribute to solving social issues through business activities

NEC has formulated seven social value creation themes under its corporate brand message, "Orchestrating a brighter world." NEC promotes and delivers solutions for society according to these seven themes in order to contribute to the realization of an abundant society and bright future, while exploring fundamental issues faced by society and collaborating with various stakeholders to create new values. NEC is also contributing to the solution of social issues through its activities for contributing to society in collaboration with local communities and NPOs and NGOs.

The Seven Themes for Social Value Creation

- Promote communication with stakeholders

NEC identifies the fundamental issues of customers and society and the values they seek by engaging in communication and dialogue with a wide range of stakeholders. NEC discloses the corporate initiatives taken to solve those issues, the results of these initiatives, and new challenges in CSR reports and other publications. Furthermore, by continuously implementing improvement measures through PDCA cycles that take into account the feedback from society, NEC will continue to build relationships of trust with its stakeholders and society, enhancing corporate value.

"Materiality" - Priority Theme for Sustainable Management

NEC has identified that the contribution to the sustainable development of society is a fundamental matter for its business.

Taking into account the concerns expressed by stakeholders and society, as well as the trend of critical issues impacting society, NEC established a two-layer materiality model in 2007: "How we aim to serve society" and "How we support and manage our business activities." Priority themes were set for each layer. In 2014, NEC defined seven themes for social value creation as being material for the upper layer of this model.

In 2016, NEC started to reassess its materiality model by reviewing the seven themes through the analysis and benchmarking of NEC's strengths or particular issues in line with the rising demands of society.

In response to the "Sustainable Development Goals (SDGs)" adopted by the United Nations in 2015 and to the increased demand for transparency of corporate ESG (Environment, Society, Governance) information for medium and long-term investment or pension investment, NEC's "materiality model" will now be reviewed through the following steps:

· Materiality will temporarily be set based on the social issues identified by, for example, the SDGs or employee voices.
· It will be assessed taking into account the opinions of experts with knowledge in terms of sustainable management, the voices of citizens and/or of medium and long-term investors.
· A final model will be defined and KPIs will be set by considering the social impact based on societal voices.
· The effectiveness of materiality will be reviewed regularly as part of continual improvement.

In parallel, the NEC Group has verified the soundness of its core business in terms of non-financial aspects and is implementing improvements.

Project to identify materiality

Temporarily setting materiality

NEC developed a list of potential priority themes for its business and compared them with the GRI Standard.
A survey was conducted in the form of an employee questionnaire to evaluate their perception of the criticality of such issues in a double perspective (the social influence by NEC and on NEC in a mid to long term period). For each priority theme, NEC then developed a temporary materiality matrix taking into account the perspective of SRIs and the SDG goals.

Dialoguing with experts with knowledge in terms of sustainable management, the voices of citizens and/or of medium and long-term investors.

In June 2017, NEC led a meeting to dialogue with experts, civil society and medium and long-term investors to understand their views. We will provide feedback to interested parties at NEC and we will use this information to refine our materiality perspective and, at the same time, improve and advance sustainable management.

▶ Dialog with Stakeholders Aimed at Identifying Materiality

Promotion Framework

The Corporate Communication Division's CSR Promotion and Social Contributions Office promotes NEC's sustainable management initiative in close coordination with the related divisions involved in business planning, investor relations, human resources, general affairs, legal affairs, internal controls, management systems, design, the environment, customer satisfaction, quality assurance, procurement, and more, as well as research laboratories, business divisions, and Group companies. Coordination is also conducted with the company's business partners.

We discuss important issues related to the promotion of sustainable management among executives and the CSO (Chief Strategy Officer) who is in charge of corporate management and who adopts those matters and reports at a Board of Directors meeting.

Board of Directors

The CSO regularly presents a "CSR Report" to the Board of Directors.

Sustainable Management Promotion System

Global Promotion Framework

NEC has appointed CSR Promoters in five regional headquarters, namely, North America, Latin America, EMEA (Europe, Middle East, and Africa), China/East Asia, and APAC (Asia Pacific). They work closely with the CSR Promotion and Social Contributions Office to promote sustainable management globally.

Global Sustainable Management Promotion framework

Business Activities for Value Creation

NEC leverages its years of experience and unique strengths to focus on seven themes of social value creation in order to solve the challenges faced by customers and society. These themes are based on six megatrends that were identified by analyzing trends in global economics, society, and technology.

In terms of addressing social issues, these seven themes are closely aligned and have many things in common with the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.

▶ The Seven Themes for Social Value Creation   United Nations Information Centres

▶ Business Highlights

Examples of initiatives aimed at realizing the SDGs

At Mobile World Congress (MWC), the world's leading exhibition for the telecommunications industry held in Barcelona, Spain in February 2017, President and CEO Takashi Niino presented examples of initiatives that NEC is taking towards achieving the Social Development Goals (SDGs).

🗗 Mobile World Live

Creating safe and secure cities

- We have reduced the car theft rate in the city of Tigre in Argentina by delivering image recognition solutions; this also has brought about an increase in revenue from tourism as a result.

🗗 Lowering the crime rate for urban development and citizen safety and protection: The challenge of the city of Tigre C&C User Forum & iEXPO2016 Seminar Report

Optimizing agricultural production

- Through collaboration with Kagome, NEC contributed effective crop production.
- We have also contributed towards realization of more sustainable food environment as a result of optimization of food processing value chain.

Improving agricultural productivity and eliminating poverty and hunger

- We have introduced e-voucher technology into the farmer support project that is being promoted by the Food and Agriculture Organization of the United Nations (FAO) in Mozambique.
- By allowing farmers to use subsidies more efficiently and enabling trade in agricultural materials to be visualized, the introduction of e-voucher technology has given the project extra momentum, assisting with activities aimed at boosting agricultural productivity and eliminating poverty and hunger.

Ensuring fair distribution of healthy food to children

- NEC introduced a biometric solution to a school meal program run by Chilean government organization. The solution enabled the organization to ensure that each student receives proper meal benefits, while improving the use of economic resources involved in food program at the same time.
- The rights and privacy of students were fully respected when introducing the system.

Stakeholder Communications

Through dialog and cooperation with the various stakeholders, NEC endeavors to understand the fundamental issues of customers and society as a whole, and will continue working with them to establish a solid trust relationship. With its stakeholders, NEC will create and offer new value in its effort to solve social issues.

CSR Report 2017 describes case examples of such dialog and cooperation as follows:

· Dialog with Stakeholders Aimed at Identifying Materiality

· Dialog and Co-Creation with our Diverse Stakeholders
  - Partnership with International Organizations to Combat Global Pandemics
    <United Nations/International Organizations>
  - Pro bono regional revitalization initiative <NPO/NGO>
  - Barrier-free survey at Mita Station – Coordination with Tokyo Metropolitan Government
    <Local Communities>
  - Conserving "copera tokyoensis" (an endangered species) <Local Communities>
  - Collaboration Project with the Waseda Playhouse <Local Communities>
  - Workshop to find social issues using SDGs <Employees>

· Cooperation with the Communities

Dialog with Stakeholders Aimed at Identifying Materiality

NEC has been pursuing initiatives to enhance sustainable management via dialog with stakeholders, as emphasized in the ISO 26000, a guidance on social responsibility.

Communication with stakeholders is very important also in the process of identifying materiality (priority themes towards sustainable development) while taking the expectations of society into consideration.

From fiscal 2017 to fiscal 2018, NEC communicates with various stakeholders in order to redefine NEC's material issues.

Dialog with experts in the field of sustainable management, civil society, and medium- to long-term investments

In June 2017, we held a dialog with experts on sustainable management, civil society, and medium- to long-term investments to solicit their opinions, as part of the process of identifying materiality at NEC. Representing NEC was our Chief Strategy Officer (CSO), who is in-charge of corporate strategy at NEC, along with the General Managers in-charge of, corporate planning, human resources, environment, and internal and external communications.

The following are the comments we received from the experts. The findings and the knowledge gained from the dialog will be passed on to relevant persons within the company and used as basis for reviewing the current material issues and identifying new ones.

Mr. Peter David Pedersen, Co-founder/Representative Director of NELIS

"Sustainable management requires all the Triple A elements, namely, "anchoring," "adaptiveness," and "alignment"; among which, "anchoring" serves as the base. Before thinking about materiality, NEC needs to strengthen its "anchoring" base. I believe it is essential to reaffirm whether the employees truly live by the company's corporate philosophy, or whether the philosophy resonates with the larger society."

"Identifying materiality means to decide where to invest your limited management resources. First, as a Social Value Innovator, I think NEC needs to identify its management innovation drivers and create simple mechanisms and frameworks to carry out those innovations, and explain them concisely to internal and external stakeholders."

"Also, creating a framework for many employees to come up with a variety of ideas would facilitate the process of identifying materiality. Establishing materiality themes that will persuade and compel each and every member of the company towards achieving those goals requires creating an atmosphere that will strongly incite their interest."

Mr. Masaru Arai, Chair of Japan Sustainable Investment Forum

"The concept of Environmental, Social and Governance (ESG) investments has continued to grow and become maintstream investments by pension funds and investment management companies. In Japan, the ESG investment market surged after the Government Pension Investment Fund (GPIF) became a signatory to the United Nations supported the Principles for Responsible Investment (PRI) in September 2015."

"ESG investment requires looking not only at financial information and tangible assets, which are the results of business activities, but also at non-financial information and intangible assets, which generate those results. And in recent years, non-financial information has become a more significant factor in the ESG investment decision making process."

"Many investors consider global climate change as a risk factor, while for the ICT industry it has more positive implications rather than negative ones. Another area of investors' interest is cyber security. NEC, therefore, is in a highly advantageous position for these business fields."

"Many Japanese companies continue to struggle with their conventional business practice and management frameworks established by their founders and predecessors which no longer fit the ongoing globalizing economy . Long-lived companies that have operated more than a hundred-years like NEC have overcome many critical moments and are therefore equipped with the capability for self-transformation. The top management needs to identifying material issues of the company and deliver clear messages on how they change the company."

Ms. Kaori Kuroda, Executive Director of CSO Network Japan

"Various initiatives are being pursued to address the 17 goals and 169 specific targets of the SDGs, and global indices for the SDGs are expected to be finalized during the United Nations Assembly in September this year. For example, regarding the target of halving the per capita global food waste, the European Commission has formulated the "Resource Efficiency Roadmap," which includes reduction of food waste, and France, for example, has already enacted a law prohibiting disposal of food at supermarkets."

"There are many areas by which ICT can provide solutions in achieving these SDG targets. There is a wide range of themes under which ICT companies can contribute other than the reduction of food waste losses, such as climate change, water, etc. On the other hand, because of the breadth of these themes, how to present the story on which area to apply ICT and through what kind of initiatives is also important. Presenting the story effectively not only facilitates understanding by the employees, but could also boost their motivation. This will also be beneficial in communicating to stakeholders outside the company. There is a need to come up with a good narrative on why particular initiatives are being pursued, while effectively leveraging the SDG story."

Hajime Matsukura, Executive Vice President and CSO of NEC

"I was reminded of the importance of "anchoring." I have gained a keen awareness of the need to focus more on activities aimed at sharing the thoughts of the management and the corporate philosophy with the employees, and to present the values that NEC can offer in a clear and concise manner to external stakeholders."

"Going forward, to address the issue of materiality, I will endeavor to create a good story for connecting the businesses that create the values with the basic iniatives that serve as the medium- to long-term frameworks underpinning those businesses. I would like to come up with a compelling story for our employees as well as for all other stakeholders, and to disseminate that story to a wide audience."

Dialog and Co-Creation with our Diverse Stakeholders

"Orchestrating a brighter world" is NEC's brand statement that demonstrates the company's resolve to finding solutions to worldwide social issues and realizing a global society where everyone has the opportunity to lead lives that are positive and enriching.

To that end, we think it very important to sense social trends through dialog and co-creation with a variety of stakeholders.

In 2016, we engaged in dialog and co-creation with those stakeholders.

Partnership with International Organizations to Combat Global Pandemics <United Nations/International Organizations>

Background

The West Africa Ebola outbreak in 2014 exposed issues such as inadequate logistic networks and warehouse capacity to distribute materials, lack of information related to demand and supply of materials, restricted access to affected areas due to closed borders, and duplication and inefficiencies in relief efforts from meager public/private collaboration.

As a result of learning from these challenges the importance of collaborative, multi-stakeholder response during an emergency, the Global Pandemic Supply Chain (PSC) Network was launched at the World Economic Forum in Davos in 2015. The founding members of the Network include international organizations such as the World Food Programme (WFP), the World Health Organization (WHO), and the World Bank, and from the private sector, Henry Schein, Inc., the world's largest distributor of medical supplies; Becton, Dickinson and Company, a global purveyor of reagents and diagnostic systems; and the UPS Foundation.

Becoming a member in 2015, NEC was the first company in Asia to join the PSC Network, and is continuing to collaborate as the only ICT company.

Initiatives in 2016

Participating organizations of the PSC Network bring their knowledge and expertise to discussions of how to address myriad issues that arise during a global pandemic.

NEC hosted the October 2016 PSC Network meeting and held the fifth Pandemic SCM Meeting at its headquarters in Minato Ward, Tokyo. Members of United Nations organizations including the WFP, the governments of Japan and the U.S., universities, private companies, and NPOs gathered to discuss the progress of problem-solving measures and to share information over the course of two days. In addition, they discussed simulations and food and medical supplies stockpiling plans in the event of a pandemic.

As a result of the PSC Network's appeal of the importance of building efficient supply chains to fight pandemics through such meetings, the government of Japan has provided US$1 million for the development of the Network. With this support, NEC and the WFP have begun developing a logistics information management platform. This platform provides integrated management of information related to supplies and distribution. Besides providing the foundation for resources to be

NEC CSR Report 2017

CSR Management   Governance   Society   Environment

03-06   Sustainable Management   07-08   Business Activities for Value Creation
09   Stakeholder Communications
10-11   Dialog with Stakeholders Aimed at Identifying Materiality
12-17   **Dialog and Co-Creation with our Diverse Stakeholders**
18-22   Cooperation with the Communities   23-25   External Ratings and Evaluation

efficiently supplied to areas needing assistance with appropriate timing, the system will promote continuous improvement of pandemic logistics.

▶ Innovative Supply Chain Information Platform Will Help Prepare for the Next Pandemic (Press Release)

Pro bono regional revitalization initiative <NPO/NGO>

As part of the employee framework concerning volunteer activities, NEC has defined employee pro bono work that applies to the professional skills that are used to find solutions to social problems. By leveraging employee skills, the "NEC Pro Bono Initiative," launched in 2010, supports a multitude of NPOs and social entrepreneurs who are working on social issues.

Overview

The NPO "aLku" is one of the organizations supported by the NEC Pro Bono Initiative. This group is focused on these themes: "Giving blessings and gratitude to newborns," "Enhancing support for child-rearing" and "Promoting more local industries and revitalizing communities."
In 2016, the NPO launched its "BabyBox Project" with the city of Nagai in Yamagata prefecture to support a child-rearing initiative and the vitalization of local industry. In September 2015, Nagai launched a "Comprehensive Strategy to Create Nagai – Town, People and Jobs" and defined the "Education and Child-rearing Initiative" as a core strategy.

Inspired by the BabyBox program, a welfare scheme for babies in Finland, the "BabyBox Project" was created by Nagai City. A "BabyBox" is given to families with newborns; the box contains the necessary information on such things as books on child rearing or a help desk to answer questions on parenting. In addition to the project's original purpose of supporting new families, there is also the intention of promoting local industries by developing a BabyBox with a local company in Nagai and by selecting goods made locally.

In 2016, NEC Group employees applied their marketing skills to support the dissemination of program information to the local community. In November of that year, NEC hosted a talk session led by Nagai mayor Shigeharu Uchiya focusing on "Regional Revitalization by Local Government X NPO X Companies" – at the "NEC C&C User Forum & iEXPO."

Mayor Uchiya had the following to say about the pro bono activities.

"The administrative issue is that we should not only be efficiently enforcing routine work or working within a framework but also taking on challenges for new initiatives or policies by looking beyond the existing framework. One of these projects developed and promoted by the NPO "aLku" is the BabyBox project.
In Japan, there are many cities and towns with tens of thousands of people. This time, NEC, an NPO and the city together started a project to solve such social issues as child-rearing. It is plausible to expand the use of this model nationwide. We want to work with NEC to find solutions not only for child-rearing but also for social and educational issues by using NEC's ICT technology."

Mr. Shigeharu Uchiya,
Mayor of Nagai City

After the pro bono activity

The "BabyBox" program was officially launched in April 2017 and immediately began providing the "BabyBox" to the citizens of Nagai.

▶ NEC Pro Bono Initiative

NEC CSR Report 2017 | CSR Management | Governance | Society | Environment

03-06   Sustainable Management   07-08   Business Activities for Value Creation
09   Stakeholder Communications
10-11   Dialog with Stakeholders Aimed at Identifying Materiality
12-17   **Dialog and Co-Creation with our Diverse Stakeholders**
18-22   Cooperation with the Communities   23-25   External Ratings and Evaluation

Barrier-free survey at Mita Station – Coordination with Tokyo Metropolitan Government <Local Communities>

In December 2014, NEC entered into the first joint initiative between the public and private sectors with the Help Mark Promotion Initiative promoted by the Tokyo Metropolitan Government. This induced NEC to cooperate with the Tokyo Metropolitan Government in the launch of a project to "Realize a Society of Helping Each Other".

In 2016, continued over from 2015, NEC and the Tokyo Metropolitan Government hosted "NEC IT Communication Support Course for People with Severe Disabilities" and "Tokyo Mimi (Ears) College" as well as events for children in local communities. These events have provided NEC employees and the disabled with the opportunity to share ideas and information.

Also in 2016, NEC entered into a mutual cooperation agreement with the Tokyo Metropolitan Government Bureau of Social Welfare and Public Health with the goal of deepening the understanding of disabilities and bolstering social participation of the disabled through these exchanges.

Overview

Based on the agreement, NEC conducted a survey relating to barrier-free issues at Mita station (Toei Mita Line) and the surrounding area. The survey was done five times in November 2016 by seven NEC engineers and seven disabled persons from the Association for the Visually Impaired in Tokyo.
At the completion of the survey, a meeting was held at the Tokyo Metropolitan Welfare Hall for Disabled People to exchange opinions. The survey determined that there were many problems that needed to be addressed. Mita station is in constant use without much thought given to the multitude of problems evident there. This survey motivated NEC to begin a review of issues and attempt to find solutions to these obvious problems.

Barrier-free survey

The future

NEC will share the data obtained from this survey – What are the needs of the disabled in specific situations? – with its internal divisions (i.e., research, etc.) and promote co-creation activities with the Tokyo Metropolitan Government under the theme "Creating a Barrier-free City" and work on developing solutions.

▶ Tokyo, Joint effort with NEC to promote the Help Mark (Japanese)
▶ NEC co-sponsored with the Tokyo Metropolitan Government "NEC IT Communication Support Course for People with Severe Disabilities" (Japanese Press Release)
  - Administration, NPO and Corporation cooperate to promote ICT Communication for People with Severe Disabilities -
▶ NEC co-sponsored with the Tokyo Metropolitan Government an event to promote Para Sports (Japanese Press Release)
▶ NEC co-sponsored with the Tokyo Metropolitan Government and Tokyo Metropolitan University "TOKYO Mimi (Ears) College." (Japanese Press Release)
  - Joint effort by Industry-Government-Academia to "Realize a Society of Helping Each Other"
▶ NEC strengthened the coordination efforthttp://jpn.nec.com/press/201609/20160920_01.html with Tokyo Metropolitan Government in the field of "Welfare" and "Sports" for disabled persons. (Japanese Press Release)

NEC CSR Report 2017

CSR Management | Governance | Society | Environment

03-06   Sustainable Management   07-08   Business Activities for Value Creation
09   Stakeholder Communications
10-11   Dialog with Stakeholders Aimed at Identifying Materiality
12-17   **Dialog and Co-Creation with our Diverse Stakeholders**
18-22   Cooperation with the Communities   23-25   External Ratings and Evaluation

Conserving "copera tokyoensis" (an endangered species) <Local Communities>

On February 28, 2017, "Stakeholder Communications" was held under the theme "Conserving copera tokyoensis (an endangered species)." Fourteen members from the Teganuma Aquatic Organism Research Association (a civil group), the city of Abiko (public administration), the Japanese Society for Odonatology (vice chair), the Chiba Biogeocoenosis Research Center (expert) and NEC (corporate) gathered for this meeting. This was the third "dialog" meeting. The first was held in March 2015.

On the grounds of NEC's Abiko Plant, there is a spring-fed pond called "Yotsu Ike," which is believed to come from the Tone River. The endangered copera tokyoensis dragonfly has been spotted near the pond. The copera tokyoensis dragonfly has a ruler-like design on its abdomen. It was designated an endangered species I on the Ministry of the Environment's Red List in April 2000.

In cooperation with Teganuma Aquatic Organism Research Association, NEC has established artificial dragonfly ponds (biotopes) and is working to eliminate non-native fish as part of efforts to protect the species.

Overview

The Teganuma Aquatic Organism Research Association presented a report on the status of their conservation work. The report indicated an increased number of copera tokyoensis due to tree trimming and maintenance done in 2016 that allowed increased sunlight and improved the waterweed (i.e., zizania latifolia) condition.

The 2017 plan was also discussed and the utilization of ICT to further improve the natural environment for copera tokyoensis.

Meeting participants made valuable comments: "This kind of dialog is very constructive in helping to make our conservation efforts more effective. I hope these meetings will be held regularly in the future."; "Since the natural environment surrounding the plant is precious and visitors are infrequent, it is very important that the environment be carefully maintained."

Meeting

In response to a suggestion from Abiko about conservative efforts with the community, NEC provided for the first time an opportunity for 27 people from the city to participate in observing copera tokyoensis on July 9, 2016.

The future

Based on these suggestions and the comments made by experts, our plan is to continuously upgrade the natural environment at the NEC Abiko plant.

In June 2010, NEC presented its "NEC Group Environment Management Action Plan 2017/2030." One core element was the "Contribution to Biodiversity Conservation." NEC employees have been participating in the company's conservation efforts, as in the case of the NEC Abiko Plant, and the company will continue to promote this kind of work so that there will be continuous efforts to understand biodiversity and environmental conservation.

▶ The NEC Abiko facility has been selected as one of the "100 locations of Kanto Water and Green Network" (Japanese Press release)
▶ Biodiversity conservation effort at the NEC Abiko facility (Video: 7:55) (YouTube)
▶ NEC Group Environmental Management Action Plan 2020/2030
▶ Principles for Conserving Biodiversity

NEC CSR Report 2017 | CSR Management | Governance | Society | Environment

03-06   Sustainable Management   07-08   Business Activities for Value Creation
09   Stakeholder Communications
10-11   Dialog with Stakeholders Aimed at Identifying Materiality
12-17   **Dialog and Co-Creation with our Diverse Stakeholders**
18-22   Cooperation with the Communities   23-25   External Ratings and Evaluation

Collaboration Project with the Waseda Playhouse <Local Communities>

NEC launched a collaboration project with the Waseda Playhouse "Dramakan," operated by Waseda University, as a starting point to promote the university's theater. NEC has investigated the theater's potential through the "Theater" x "IT" x "Diverse Audience and Performers" over a five month period that began in October 2016.

The project was launched because NEC agreed to its operation policy of "…inheriting and developing the tradition of the Waseda Playhouse, promoting its excellent theatrical culture and cultivating the many individuals from the theater who are leading the next generation through education." NEC has examined the feasibility of IT utilization to better understand and solve social issues and that allow a diversity of people – the disabled, the elderly, foreign nationals – to appreciate and participate in culture and fine arts.

Waseda Playhouse "Dramakan"

Interview with stakeholders - Overview

NEC (i.e., designers and planners) visited the Dramakan, checked its universal design and interviewed 12 individuals – including Waseda students, foreign students, students with disabilities and Playhouse staff.
NEC was interested in determining how the Dramakan is recognized or appreciated as well as learning more about behavioral trends in theatrical or cultural events.

Results:

Meeting with many stakeholders

· The users of the Dramakan were highly appreciative of the facilities' user-friendliness. Those who are not involved in the theater, however, did not express such high appreciation, losing the opportunity to use the playhouse or enjoy a performance.

· Stakeholders have recognized the importance of these operation policies which the Dramakan has set up, such as "the training of human resources who are globally aware," and have ideas about implementation. Currently, they have yet to enforce these policies adequately.

Interviewing a foreign student

Suggestions by NEC

NEC has proposed solutions based on the following three perspectives on the Dramakan that require further development.

1) Expand user groups and increase the frequency of Dramakan use to increase awareness and expand usage opportunities.
2) Implement a scheme to cultivate leadership resources for the theater.

3) Establish an attractive venue by coordinating with the "communities" that promotes culture and arts from the Dramakan.

NEC has proposed many ideas for Dramakan such as publishing multi-lingual pamphlets and websites, advertisements of plays through social media networks holding contests or awards for plays or launching a collaboration project in cooperation with local businesses (i.e., shopping mall). NEC has also proposed more NEC-specific solutions using its IT. TV conference system that enables the audience to watch a play being performed in the theater, advertisements for plays using digital signage.

## Workshop to find social issues using SDGs <Employees>

So that NEC can promote social solutions on the world stage, each of NEC employees must understand the world's social issues as identified by the SDGs (Sustainable Development Goals). In 2016, NEC held an "SDGs Seminar" to provide learning experience about SDGs. In February 2017, another workshop was held on "Finding social issues using SDGs."

Overview

In the workshop, we welcomed Minoru Matsuzaki, a CSR adviser in the "Caux Round Table Japan (CRT Japan)" (NPO), and about 60 participants, mainly those who are involved in overseas work or developing new business.

During the group sessions, members shared ideas about the Creation of Social Values, a subject that NEC needs to address in the future. (Participants had been asked to spend some time thinking about these concepts before the workshop.)

During the workshop, they selected one idea, considered the stakeholders position and discussed which SDGs goal should underlie the contribution made to each value-chain (positive impacts) and conversely, what is interfering with the ability to achieve the goal (negative impacts).
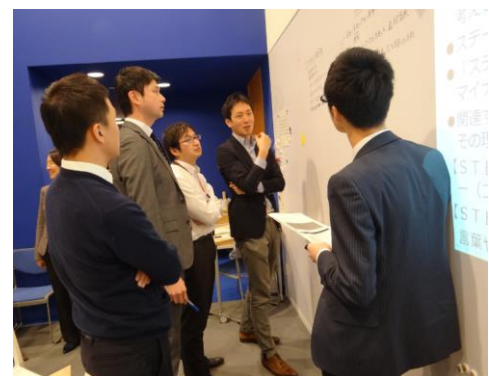
Group work

Comments from Participants

After the workshop, the participants had this to say:

- "I could see clearly what kind of value my work gave to the society and what kind of contribution I can make to a sustainable society."
- "I learned the importance of having a broader perspective in terms of how I can get a variety of stakeholders involved in my marketing activities. I want to look at social issues from a wider perspective."

The workshop provided participants with a venue where they could experience the social value creation process as envisioned by NEC – a process where they can identify fundamental issues of customers and society, develop a sense of camaraderie that crosses the departmental boundaries. Note that SDGs have been included in the orientation for new employees for "NEC Group Vision" from fiscal year 2017.

Other

Click here for details on the dialog and co-creation with business partners.
Click here for details on the dialog and co-creation with customers.
Click here for details on the dialog and co-creation with shareholders and investors

Cooperation with the Communities

The NEC Group Corporate Philosophy was established in 1990 in the belief that "NEC strives through "C&C" to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential." This philosophy lays down NEC's intention to contribute to society through C&C[*], in other words, through ICT—NEC's core line of business.

NEC will contribute to the realization of the United Nation's Sustainable Development Goals (SDGs) as well as the closely aligned "Seven Themes for Social Value Creation," through ICT, its core line of business. Likewise, with each and every member of NEC acting as a "good corporate citizen," NEC will promote social contribution activities aimed at providing medium- to long-term solutions to social issues. The NEC Group's activities for contributing to society through the "NEC Make-a-Difference Drive" are carried out under four themes, namely, "Education, Culture and Sports," "Welfare and Diversity," "Environment," and "Regional Contribution Activities."

[*] C&C: Concept for the integration of computers and communications

Policy

Cooperation with the communities is essential both in social contributions through NEC's core business, as well as in social contribution activities aimed at providing medium- to long-term solutions to social issues through volunteer activities by officers and members of NEC. This section introduces NEC's policies for cooperation particularly for medium- to long-term social contribution activities.

NEC carries out its medium- to long-term social contribution activities with the cooperation of the local communities, NPOs, NGOs, local governments, universities, etc. This is because we believe that the members of the local communities play the lead role in solving social issues, and NEC would like to provide support in solving the issues as your trusted partner.

Our activities revolve around the four universal themes of "Education, Culture and Sports," "Welfare and Diversity," "Environment," and "Regional Contribution Activities." To effectively carry out socially relevant and sustainable programs, NEC has established basic policies in the creation of social contribution programs and guidelines in collaborating with NPOs. In addition, we conduct yearly evaluation and refinement of the programs based on social circumstances, independence level of partners, and the directions of NEC's business strategies.

Moreover, believing that our social contribution activities through the "NEC Make-a-Difference Drive" are foundational in developing human resources with a high level of social sensitivity—a quality that is required of a member of a company that calls itself a "Social Value Innovator"—we encourage as many employees as possible to participate in the program. Through these social contribution activities, we aim to nurture the mindset for volunteerism and co-creation, and develop human resources that are sensitive to the fundamental issues faced by customers and society and are able to take the initiative towards solving social issues.

Basic Policy of Social Contribution Program Creation

1. Effective utilization of management resources

· Management resources: funds, products, human resources, facilities, information, and knowledge, etc.
· Relationship with businesses

2. Partnerships with NPOs and NGOs

· Promoting solutions of social problems based on win-win relationships
· Supporting the creation of social businesses
· Strengthening NPO foundation

NEC CSR Report 2017　　| CSR Management | Governance | Society | Environment |

03-06	Sustainable Management	07-08	Business Activities for Value Creation
09	Stakeholder Communications		
10-11	Dialog with Stakeholders Aimed at Identifying Materiality		
12-17	Dialog and Co-Creation with our Diverse Stakeholders		
18-22	**Cooperation with the Communities**	23-25	External Ratings and Evaluation

3. Participation of officers and employees, cooperation with domestic and overseas affiliate companies

・Promotion of volunteer activities by officers and employees
・Promotion of initiatives for cooperation with NEC domestic and overseas affiliate companies

4. Contributing to improving our corporate value

・Visible activities of NEC's presence
・Cutting-edge volunteer programs
・Promoting information delivery

Guidelines for Coordination with NPOs

1. Certified by NPO law (in principle)

2. Activity record

・Must have advanced and unique activities, and prior history.
・Must have specialized know-how, the ability to complete projects and the ability to output information

3. Financial details

・Making efforts to disclose the status of financial management, revenue and source of funds.
・Have diverse financial resources.

4. Organizational foundation

・Clear mission, vision, goals and personnel makeup.
・Clear division of labor between management, specialized staff, paid staff, volunteers, etc.

5. Leadership and management

・Clear leadership, enthusiasm, and high quality of responsible personnel.
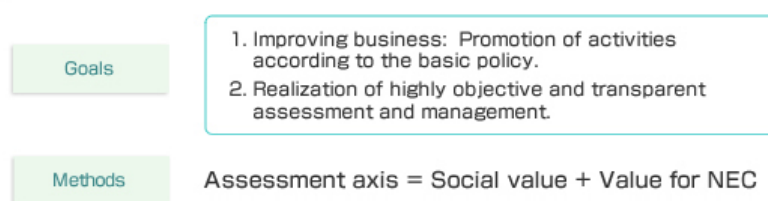・Considers governability, transparency, and accountability.

Promotion Framework

NEC's social contribution activities consist of three promotion frameworks; namely: social contribution programs planned and executed under the initiative of the NEC Corporate Communications Division CSR Promotion and Social Contributions Office 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, and various grants by foundations.

Social Contribution Program Assessment System

We assess all social contribution programs each year based on the social contribution program assessment system.

Social Contribution Program Assessment System

Goals	1. Improving business: Promotion of activities according to the basic policy. 2. Realization of highly objective and transparent assessment and management.
Methods	Assessment axis = Social value + Value for NEC

* Both "Social value" and "Value for NEC" are quantified and assessed for each item.

NEC CSR Report 2017 | CSR Management | Governance | Society | Environment |

03-06   Sustainable Management   07-08   Business Activities for Value Creation
09   Stakeholder Communications
10-11   Dialog with Stakeholders Aimed at Identifying Materiality
12-17   Dialog and Co-Creation with our Diverse Stakeholders
18-22   **Cooperation with the Communities**   23-25   External Ratings and Evaluation

Assessment criteria: Social value

Public Interest	1. Tracking the needs in the community and society
	2. Not limited to a few beneficiaries or participants, but contributes to a wide range of people
	3. Working together with NPOs, public administrations and universities
	4. Obtaining opinions (feedback) from program partners
Effectiveness	1. Specific goals are made for social issues and results are being achieved. ・Output (Result) ・Outcome (Effect) ・Impact (Spread)
	2. The approaches are being developed effectively. ・Contains ideas and mechanisms to spread its effect ・Contains global elements

Assessment criteria: Value for NEC

Strategy	1. Continuously improving programs based on PDCA management
	2. Utilizing resources (funds, products, human resources, facilities, information, and knowledge)
	3. Collaborating with NPOs ・A win-win relationship is established. ・Supporting a stronger NPO foundation ・Promoting communications with NPOs
Effectiveness	1. Contributing to businesses (business creation and sales contribution)
	2. Contributing to nurturing employee human resources
	3. Contributing to improving corporate reputation and building trust from the community and society ・Program participants are greatly satisfied. ・The amount of advertisement cost conversion for PR results exceeds investment cost. ・Programs are introduced in seminars, forums, symposiums, popular SNS, etc. as case studies. ・Awards given by external organizations or programs are evaluated by SRI, etc.

Social Contribution Expenses

In fiscal 2017 the total social contribution expenses for the NEC Group were approximately 670 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." Social contribution expenses included the following:
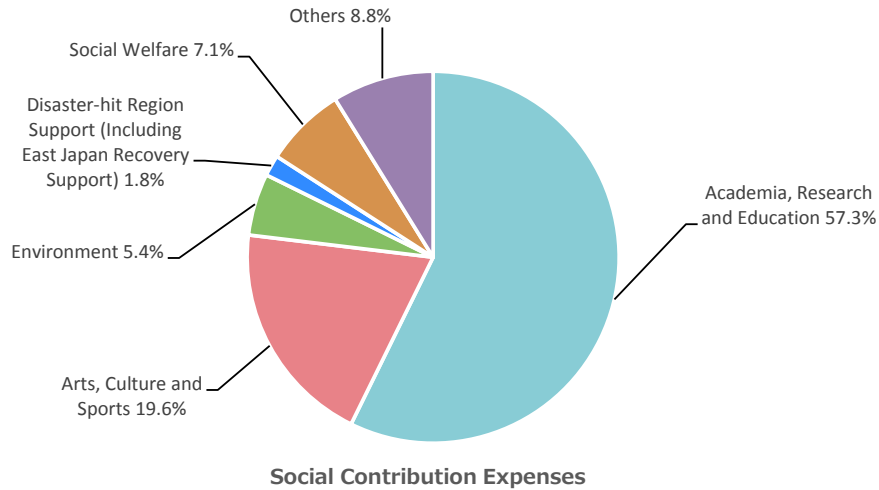
1) Financial assistance
2) Charitable donations of products (quoted on a unit price basis)
3) Public use of NEC facilities (converted into monetary amounts based on the unit price of using equivalent external facilities to quantify the cost of using NEC facilities for socially beneficial purposes)

Expense changes

Fiscal 2015	Fiscal 2016	Fiscal 2017
540 million yen	430 million yen	670 million yen

NEC CSR Report 2017 | CSR Management | Governance | Society | Environment

03-06   Sustainable Management   07-08   Business Activities for Value Creation
09   Stakeholder Communications
10-11   Dialog with Stakeholders Aimed at Identifying Materiality
12-17   Dialog and Co-Creation with our Diverse Stakeholders
18-22   **Cooperation with the Communities**   23-25   External Ratings and Evaluation

Fiscal 2017 Expenses breakdown

Others 8.8%
Social Welfare 7.1%
Disaster-hit Region Support (Including East Japan Recovery Support) 1.8%
Environment 5.4%
Arts, Culture and Sports 19.6%
Academia, Research and Education 57.3%

Social Contribution Expenses

Fiscal 2017 Activities

For details of the activities, refer to the following pages:

▶ Social Contribution Activities

▶ Dialog and Co-Creation with our Diverse Stakeholders

・Pro bono initiatives for regional revitalization
・Survey on barrier-free services at Mita Station in collaboration with the Tokyo Metropolitan Government
・Conserving *Copera tokyoensis*, an endangered dragonfly species
・Collaboration Project with the Waseda Playhouse

Objectives and Achievements

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

Promote programs that contribute to solving social issues based on the following themes:
1. Establishing a safe and secure society
2. Addressing climate change and environmental protection
3. Eliminating the digital divide
4. Nurturing diverse human resources

NEC CSR Report 2017 | CSR Management | Governance | Society | Environment |

03-06   Sustainable Management   07-08   Business Activities for Value Creation
09   Stakeholder Communications
10-11   Dialog with Stakeholders Aimed at Identifying Materiality
12-17   Dialog and Co-Creation with our Diverse Stakeholders
18-22   **Cooperation with the Communities**   23-25   External Ratings and Evaluation

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

Objective	Achievements and Progress	Degree of completion
1. Human resource nurturing with high social sensitivity and contribution to business creation that is social-issue-driven	・Collaborative activities by "NEC Social Entrepreneurship School" (social contribution program), "NEC Social Value Innovation School" (employee leadership training program), and "NEC Idea Contest" (new business creation contest) ・Pro bono initiatives have led to the start of creation of a regional revitalization model in Nagai City, Yamagata Prefecture.	Achieved
2. Establish an activity process and the "visualization" of the results	・Strengthened the dissemination of initiatives and achievements through the Web. ・Manuals for promoting activities and managing risks were created to promote activities more efficiently. ・Submission of entries for public awards by external organizations were proactively carried out. ・Awards, such as Tokyo Social Contribution Awards for Mutual Assistance Society Promotion were received.	Mostly achieved
3. Create the promotion platform	・Signed a partnership agreement with the Tokyo Metropolitan Government Bureau of Social Welfare and Public Health, and promoted collaborations with the Tokyo Metropolitan Welfare ・Hall for Disabled People needs assessment) based on the agreement. ・Began cooperation with the Tokyo Metropolitan Sports Association for the Disabled, conducted in-house lectures and sent NEC members as volunteers for sports events. ・Promoted the participation of overseas subsidiaries to "NEC World Children's Nature Club" (global social contribution program).	Achieved
4. Optimize the activities from the point of view of the total NEC Group	・Began the creation of model cases for optimization. ・To date, the "Paddy Making Project" has been conducted at separate locations for NEC and for the Group companies. ・Discussions towards integration to optimize the project globally across the entire NEC Group have been initiated.	Some progress

Fiscal 2018 Objectives

1. Embed social contribution activities to sales strategies	・Promote partnering (comprehensive partnership agreements) with local governments
2. Create opportunities for new business creation from social contribution activities	・Hold workshops with social entrepreneurs and create regional revitalization (CSV) models in collaboration with the Community-Reactivating Cooperator Squad, Ministry of Internal Affairs and Communications
3. Review social contribution activities from a strategic viewpoint	・"Select and concentrate" from the standpoint of creating core company-wide functions and Group-wide optimization. ・Expand scale of activities and enhance dissemination of information.

External Ratings and Evaluation

NEC received high marks in non-financial areas for its approaches to CSR or ESG (Environmental, Social, and Governance) issues and is included in world-renowned SRI (Socially Responsible Investment) indices.

Global 100

NEC has been selected as one of the "2017 Global 100 Most Sustainable Corporations in the World." Corporate Knights Inc. quantitatively assessed the sustainability of approximately 4,900 companies around the world using various indicators, and chose the 100 most sustainable companies worldwide. NEC has been included for the third time, after making it to the list in 2011 and 2013. Four companies including NEC were chosen from Japan.

🖵 2017 Global 100

RobecoSAM Sustainability Award

NEC has qualified for inclusion in "The Sustainability Yearbook 2017" published by RobecoSAM and received the "Bronze Class" distinction in the "Computers & Peripherals and Office Electronics" industry sector. RobecoSAM recognizes companies that have excellent sustainability based on their score in the annual RobecoSAM Corporate Sustainability Assessment (which is also used as basis for the construction of the Dow Jones Sustainability Indices). In 2016, 2,473 leading companies around the world from 60 industry sectors were assessed based on economic, environmental, and social.

🖵 The Sustainability Yearbook 2017

FTSE4Good Index Series

This index is created by FTSE Russell, part of the London Stock Exchange Group. Over 4,000 companies are evaluated and those that meet the ESG criteria are included in this index. NEC has been included since September 2002 (As of June 2017).

🖵 FTSE4Good Index Series

(NEC is a member of the FTSE4Good Index, an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards.)

MSCI Global Sustainability Indexes

Designed by MSCI, these indexes are the globally recognized SRI (Socially Responsible Investment) indexes. Companies that have received high evaluations based on ESG are included in these indexes. NEC has been included since 2015.

2017 Constituent
MSCI Global
Sustainability Indexes

🖵 MSCI ESG Indexes

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.

Euronext Vigeo World 120

This sustainability evaluation index was designed by NYSE Euronext, the world's largest stock exchange group, and Vigeo Eiris, an agency that has expertise in the assessment of companies and organizations based on their practices and performance related to ESG. This index includes the 120 most advanced companies in the European, North American, and Asia Pacific regions based on ESG. NEC has been included since 2012.

🖵 Indices Euronext Vigeo Eiris

Ethibel Pioneer & Excellence

Forum ETHIBEL, a non-profit organization that actively promotes Socially Responsible Investing (SRI) and Corporate Social Responsibility (CSR), includes companies identified as sector leaders in terms of CSR into the ETHIBEL Investment Registers. Forum ETHIBEL manages two universes, the ETHIBEL PIONEER label and the ETHIBEL EXCELLENCE label, which are regularly updated and monitored. NEC has been included in the ETHIBEL "EXCELLENCE" Register since 2009 and in the ETHIBEL "PIONEER" Register since 2013. In 2016, NEC continues to be included in both Registers.

🖵 Ethibel Pioneer & Excellence

STOXX Global ESG Leaders Index

This index is generated by STOXX Ltd., a group company of *Deutsche Börse*. It selects world leading companies based on a survey results related to ESG by Sustainalytics, an SRI research/analysis company. NEC has been included since 2014.

🖵 STOXX Global ESG Leaders Index

Morningstar Socially Responsible Investment Index (MS-SRI)

This is an SRI index created by Morningstar Japan K.K. Companies are evaluated on "governance," "environmental," "social contribution," and "employment" based on a survey that Toyo Keizai Inc. conducted on approximately 4,000 listed companies, to select 150 excellent companies. NEC has been included since 2003. (As of June 2017)

Morningstar Socially Responsible Investment Index（MS-SRI） (Japanese only)

Channel NewsAsia Sustainability Ranking

This is a ranking of the 100 most sustainable companies in Asia. The companies were selected by Channel NewsAsia, CSR Asia, and Sustainalytics based on ESG. Japanese companies have been included since 2015. In 2016, NEC ranked 10th (2nd among Japanese companies), making it to the ranking for the second straight year.

Channel NewsAsia Sustainability Ranking

EcoVadis

EcoVadis is a global collaborative platform that provides Sustainability Ratings for suppliers and uses a CSR assessment methodology that covers 150 purchasing categories, 110 countries, and 21 CSR indicators that include "Environment," "Labor Practices & Human Rights," "Fair Business Practices," and "Sustainable Procurement." NEC has been awarded a "Gold" CSR rating for the third consecutive time since 2014.

EcoVadis

Other External Evaluations

Click here for details on awards for social contribution.

Click here for details on recognition and awards on the environment.

Corporate Governance

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 Structure

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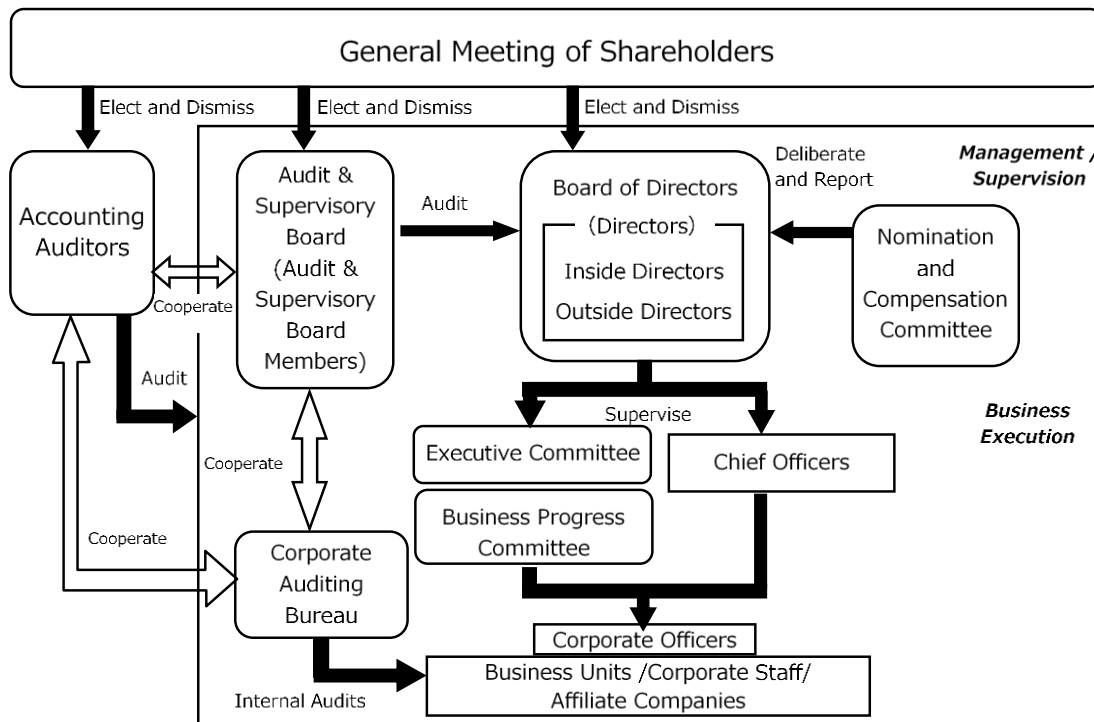
NEC Corporate Governance Guidelines

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 entered into force in June 2015 are described in the Corporate Governance Report and NEC Corporate Governance Guidelines.

Overview of NEC Corporate Governance Guidelines

Chapter 1	General Provisions	Purpose of these Guidelines
		Corporate Philosophy and Business Strategies
		Basic Views on Corporate Governance
Chapter 2	Corporate Governance System	Board of Directors
		Nomination and Compensation Committee
		Main Committees in Business Execution
		Audit & Supervisory Board (A&SB) (KANSAYAKU-KAI)
		Compliance Hotline, Supporting System for Directors and/or A&SBMs
Chapter 3	Relationship with Stakeholders	Relationship with Shareholders
		Relationship with Other Stakeholders
Chapter 4	Disclosure	Basic Policy
		Information Disclosure Structure

▶ Corporate Governance

▶ Corporate Governance Report

▶ NEC Corporate Governance Guidelines

Compliance and Risk Management

At NEC we consider "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 those for properly understanding risks, including compliance violations that have an impact on the company's business, and for taking preventive measures efficiently and effectively. NEC recognizes compliance and risk management as important issues that relate to the very existence of a company, and continues to promote company-wide efforts that include top management.

Policy

NEC believes that it is important for the company to continue by increasing its profitability through sound business activities and giving back to society. To this end, other than compliance with relevant laws, we recognize that it is important for us to fulfill our social responsibilities as a "corporate citizen," earn the trust of our stakeholders, and enhance our corporate value.

Guided by this belief, NEC is carrying out business activities that put a premium on compliance, in accordance with the Group Charter of Corporate Behavior and the Group Code of Conduct.

In line with the key concepts of "awareness" and "information sharing", the NEC Group's basic approach to implementing compliance is to foster awareness among every officer and employee so that irregularities are recognized as "being not in conformance". In addition, the Group encourages consultation with supervisors, related departments or the Compliance Hotline, sharing information, with a view to resolving and improving those issues collectively as an organization.

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 entire Group, based on our Rules for Basic Risk Management. Every year, we identify risks that require priority measures (priority risks) for management across the entire Group, 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.

▶ NEC Group Charter of Corporate Behavior
▶ NEC Group Code of Conduct

Promotion Framework

NEC enforces and effectively implements compliance that includes top management and conducts activities led by the Risk Control and Compliance Committee, the Internal Control Division and the Corporate Auditing Bureau.

1. Board of Directors
   Given its oversight role with respect to business execution, the Board of Directors receives reports related to material misconduct and reports on priority risks.

2. Executive Committee
   The Executive Committee deliberates important risks related to NEC's management strategies and policies, 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 Internal Control Division, or by receiving reports of status of operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (the Compliance Hotline).

4. Risk Control and Compliance Committee

   The committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies related preventive measures, and deliberates policies for risk management activities, for selection of the priority risks, and policies for addressing them.

   The committee executes a supervisory function in company-wide 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.

5. Internal Control Division

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

   For example, the Division enhances the risk control function for the whole NEC Group by continuously supporting risk control activities in each division including subsidiaries. This is accomplished by collecting external information, investigating through a risk management survey and exchanging information with subsidiaries worldwide.
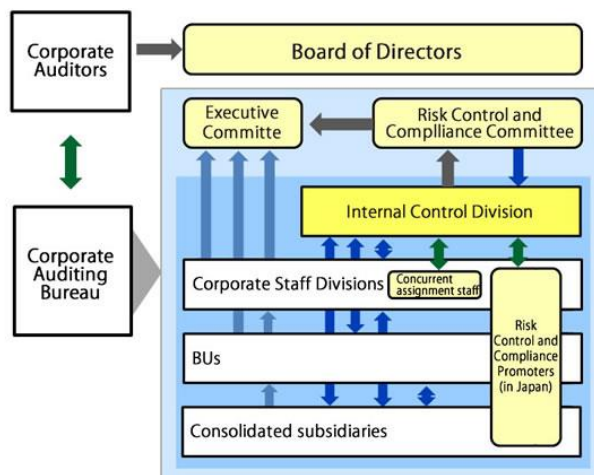
   Further, it regularly receives and discusses reports of audit results from the Corporate Auditing Bureau and receives status reports on the operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (the Compliance Hotline).

6. 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 audit. The Bureau carries out audit aimed at ensuring that NEC Group companies are operating lawfully, properly and efficiently, as well as in pointing out problems and giving proposals for improvement.

7. Framework for Promoting Compliance in Subsidiaries Worldwide

   In regard to domestic subsidiaries, compliance frameworks are being developed through activities of the Risk Control and Compliance Managers and Promoters set up in each company. In regard to overseas subsidiaries, the five regional headquarters, including the subsidiaries under them worldwide, further strengthen compliance. Also, NEC has established channels for reporting compliance-related issues from the domestic and overseas subsidiaries to headquarters in Japan, regularly and as the need arises.

Framework for internal control

Main Activities and Results for Fiscal 2017

Compliance

Education and Awareness-Raising Programs

NEC offers annual web-based compliance training programs to all officers and employees. Domestic subsidiaries also use this educational program. Almost all of our employees participated, with 98% completing the training in fiscal 2017. Also, once a year, the President speaks about compliance at the NEC Business Ethics Forum. For fiscal 2017, we confirmed the criticality of winning the trust of our stakeholders through actions that show integrity and by implementing thorough compliance under the theme "Integrity Is the Basis of Trust." In addition, NEC emphasizes the importance of action that complies with the NEC Group Code of Conduct, leveraging opportunities such as new employee training, education and position-specific training programs (including those for officers and general managers in subsidiaries).

The risk compliance portal on the NEC intranet (for Japan) and DASHBOARD Global (for subsidiaries outside Japan) are dedicated to sharing and disseminating information on the latest compliance issues within the NEC Group. The company issues a fortnightly Compliance News web-based magazine, which provides timely topics in accordance with the business environment. Every year, it also updates the NEC Group Code of Conduct Case Sheet, which currently presents more than 170 case studies. These materials are used for a wide range of purposes including distribution to new employees and for use as educational materials when managers are promoted.

Addressing Global Business Expansion

Enforcement of compliance in overseas business has become an ever more urgent priority. In response, starting from 2016, the compliance teaching materials designed for overseas subsidiaries have been made available in multiple languages (English, Spanish, Portuguese, and Chinese) and compliance training has been implemented at overseas subsidiaries. NEC continued to provide guidance to executives posted to overseas subsidiaries and ongoing training locally to executives in fiscal 2016 to reinforce compliance management, and also provided a compliance checklist.

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

The NEC Group believes that creating a positive working environment for all is important to enforcing compliance. Accordingly, we are thoroughly raising employee awareness so that they can consult about any concerns or issues related to compliance in the workplace with their superiors, colleagues, and others from related divisions. In addition, the Compliance Hotline has been established in the Corporate Auditing Bureau for consultations from employees encountering cases of violations or suspected violations of the NEC Group Code of Conduct. NEC has established an additional contact point for this hotline at a third-party institution 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 NEC employees, but also domestic subsidiaries and business partners in Japan.

Awareness of this whistle-blowing system (the Compliance Hotline) within NEC has remained above 90% for the past several years (95.8% in fiscal 2017). In fiscal 2017, the number of reports to the Compliance Hotline reached 101.
They include reports or consultations about violations of ethical conduct, violations of the NEC Group Code of Conduct and internal rules, and suggestions about possible illegal actions. NEC Group companies overseas have also set up in-house consultation and reporting systems and third-party systems, which are available to officers and employees of overseas subsidiaries. Information received by the Hotline is also shared by NEC.

Survey on Corporate Ethics Initiatives

NEC conducts online surveys as part of its web-based training programs for officers and employees to gauge ethical awareness among them and to evaluate the status of business ethics initiatives. The results are put to good use in developing and implementing measures related to business ethics improvements.

In a survey conducted in fiscal 2017, we received many comments "…reconfirmed to never breach compliance," "it is critical that all employees should view compliance as a top priority," etc. We also fed back some of the survey results to NEC Group officers and employees by posting results on the NEC intranet.

Compliance Self-assessment

In fiscal 2017 as well, NEC implemented compliance self-assessments for all general managers of NEC and domestic unlisted subsidiaries. The goal was to raise the awareness on compliance risks in each division, encourage swift identification of compliance weaknesses within those divisions and deploy countermeasures very quickly. NEC feeds back analysis results and best practices to respondents so they can leverage them for daily compliance activities within their divisions.

Risk Management

Selecting Priority Risks and Countermeasures

Every year, the Internal Control Division identifies "group-wide important risks", selected from the perspective of the need for additional countermeasures and the magnitude of the impact on corporate business and on society, on the basis of risk assessment for each organization. These are obtained through a questionnaire-based risk management survey, an internal audit done by the Corporate Auditing Bureau and the findings of the Corporate Auditor, accounting auditors, and other information. NEC Corporation selects priority risks following deliberations by the Risk Control and Compliance Committee and the Executive Committee on risks deemed to require new countermeasures, including improvement of existing countermeasures, and on risks that may significantly affect the NEC Group's continuity. The divisions nominated by the Risk Control and Compliance Committee devise, with other divisions, countermeasures for all Group companies.

In fiscal 2017, we selected the following priority risks – "Risks for violation of completion law, bribery and fraud" and "Risks for violation of the Construction Industry Act (in Japan)." For details on major countermeasures, see "Education and Awareness-Raising Programs" in the previous section and "Fair Trade."

Participation in Activities of External Organizations

Business Ethics Research Center (BERC)

NEC Corporation has been a member since BERC was established in 2000. BERC collects information relating to business ethics and also does research on ethics, offers consulting on business activities and educates businessmen 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 within the company.

🖵 Business Ethics Research Center

Objectives and Achievements

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

1. To continue and enforce activities based on the NEC Group Code of Conduct throughout the entire Group
2. To continue implementation of effective and efficient risk management activities
3. To continuously operate the Compliance Hotline and promote its use throughout the entire NEC Group

Fiscal 2017 Objectives, Achievements and Progress and Degree of Completion

Objective	Achievements and Progress	Degree of completion
1. To continue compliance training in Japan and overseas and gain employee acceptance of compliance awareness	· We conducted web-based compliance training for almost all NEC employees and domestic subsidiaries and achieved a 98% completion rate. · We held the NEC Business Ethics Forum at which the president spoke about the importance of compliance. · We implemented training for new employees and position-specific training programs (including those for new managers, new general managers, and new executives). · We implemented compliance training for all officers at domestic subsidiaries (including general managers at some subsidiaries). · We translated training programs on compliance into multiple languages for overseas subsidiaries and conducted training for those subsidiaries. · We provided guidance to executives posted to overseas subsidiaries and provided training locally to executives.	Achieved
2. To continue risk management activities, such as addressing the priority risks, to overcome issues facing the NEC Group	· We selected the priority risks for fiscal 2017 and executed a countermeasure to prevent manifestation of risks.	Achieved
3. To continue activities to popularize and inform about the Compliance Hotline, and promote early discovery and solution of problems and issues	· Internal awareness of the Compliance Hotline has remained above 90% for the past several years (it was 95.8% in fiscal 2017).	Achieved

Fiscal 2018 Objectives

1. To continue compliance training in Japan and overseas and gain employee acceptance of compliance awareness	· We will review the contents of web-based compliance training and promote further entrenchment of compliance awareness.
2. To continue risk management activities, such as addressing the priority risks, to overcome issues facing the NEC Group	· In particular, we will implement measures to the employee awareness of the importance of fraud prevention.
3. To continue activities to popularize and inform about the Compliance Hotline, and promote early discovery and solution of problems and issues	· We will maintain and improve the awareness level of the Compliance Hotline by talking about the Compliance Hotline in various training programs.

Basic Approach on 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. 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 discloses 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.

Fair Trade

NEC is actively involved in promoting fair trade by ensuring that it is in compliance with laws on competition and regulations relevant to anti-bribery by, for example, strengthening the system to comply with those laws and regulations. NEC always puts a premium on compliance and believes that doing so is of prime importance in this era of severe global competition. Preventing corruption such as bribery is one of the ten principles of the UN Global Compact and is an area of common concern worldwide. NEC is also actively involved in preventing corruption.

Policy

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

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

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

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

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

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

Competition Policy

Formulated in October 2011

(Contacting Competitors)

1.   Contact competitors only if it is absolutely necessary.

(Exchanging Information and Entering into Agreements with Competitors)

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

(Illicitly Obtaining Bid-Related Information)

3.   Do not obtain or request confidential information from national or local governments or other public entities that would facilitate bid-rigging among competitors or information about bidders to whom such government or public organizations are intending to award contracts before participating in a bid offered by such government or public organizations.

(Recording and Keeping Records of Contracts with Competitors)

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

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

5.   Do not unjustifiably restrict prices, quantities, sales territories, business partners, sales methods or other matters in transactions between our distributors or licensees and their customers.

(Unjustifiably Discriminating against Distributors or Other Business Partners)

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

(Dumping)

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

(Abusing Dominant Bargaining Position)

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

(False Labeling)

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

(Advance Consultation)

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

Promotion Framework

Competition Law Compliance

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

Bribery Prevention

NEC's Legal Division and Internal Control Division act as co-supervising divisions in NEC's efforts to enforce the Anti-bribery Policy and to provide related instruction, support, direction, and training for the internal divisions and all domestic NEC Group companies. Since checking daily operations is an important part of preventing corruption, guidelines have been established by the General Affairs Division (for entertainment, gifts, and donations), the planning divisions of each Business Unit (for operating expenses), and the Procurement Division (for procurement expenses); expenditures requested by the company's divisions are checked to ensure there are no problems.

Main Activities and Results for Fiscal 2017

Message from top management

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

Continuous training and raising awareness

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

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

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

Revision of In-house Systems

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

Initiatives to prevent competition law violations

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

Initiatives for anti-bribery

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

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

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

Objectives and Achievements

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

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

Fiscal 2017 Objectives, Achievements and Progress and Degree of Completion

Objective	Achievements and Progress	Degree of completion
1. To hold continuous training programs for preventing completion law violations and bribery and corruption	· NEC conducted web-based training for its officers and employees (including temporary employees) and its domestic subsidiaries. NEC also conducted comprehensive training that involved more practical content for sales personnel and SEs of NEC and some domestic subsidiaries. This training was conducted more than 200 times nationwide and included branch offices; there were more than 5,000 participants, including those from domestic subsidiaries. · To clean up cartels and bid-riggings, all officers and employees of NEC and domestic subsidiaries pledged to eliminate cartels and bid-rigging.	Mostly achieved*
2. To promote awareness of in-house rules, such as for prior consultation and approval, to prevent competition law violations and bribery and corruption	· NEC formulated a scheme to rotate employees who deal with the same customers at public offices for long periods. · NEC tried to implement the same system as that of NEC in domestic subsidiaries. · NEC has also developed a "Guideline for Provision of Gifts, Hospitality and Travel Expenses," which describes cautions and measures that overseas subsidiaries should follow when they provide gifts, hospitality and travel expenses.	Mostly achieved*

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

Fiscal 2018 Objectives

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

1. To hold continuous training programs to prevent competition law violations and bribery and corruption	· NEC will review the case in which the Japan Fair Trade Commission issued a cease and desist order and an order for a surcharge payment to NEC and will implement a training program that strictly prevents instances of bid-riggings.
2. To promote awareness of in-house rules, such as for prior consultation and approval, to prevent competitive law violations and bribery and corruption	· NEC will rotate personnel (including an alternative measure) to prevent competition law violations. · For other measures, NEC makes sure to operate in-house procedures in domestic and overseas subsidiaries.

Business Continuity

For many years NEC has been involved in the construction of social infrastructure through information and communications technologies. Social infrastructures, such as communication networks and core systems for traffic, defense, and financial services, should be restored quickly in the event of an emergency or disaster.

To enable prompt restoration of social infrastructures and core systems in the event of disasters, the NEC Group as a whole has formulated Business Continuity Plans (BCPs) and actively and systematically conducts Business Continuity Management (BCM) to maintain and improve BCPs.

Policies

NEC seriously takes its social responsibility to maintain the information and communication systems it has provided in the event of disasters and emergencies. Thus, we believe that it is necessary to restore information and communication systems serving as social infrastructures, and resume production as early as possible to keep the impact of disasters to a minimum. This also entails fulfilling the responsibility to ensure the safety of employees and maintain supply chains that include complex and technically advanced systems.

NEC has established the following three specific disaster response policies.

1. Ensure the safety of employees and visitors.
2. Fulfill NEC's social responsibilities (Maintenance and recovery of backbone systems for communications, public infrastructure, traffic, defense, finance, etc.).
3. Minimize management damage caused by operation disruption.

Promotion Framework

NEC maintains proactive and flexible business continuity through the following three functions.

(1) Headquarters for Business Continuity and Disaster Recovery
   Administer the BCP for management function to maintain top management decision-making and restore operations
(2) Business Unit BCP team
   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
   Administer the BCP for each workplace, secure the safety of workplaces, confirm the safety of employees, and support employees' life and, collaborate with communities
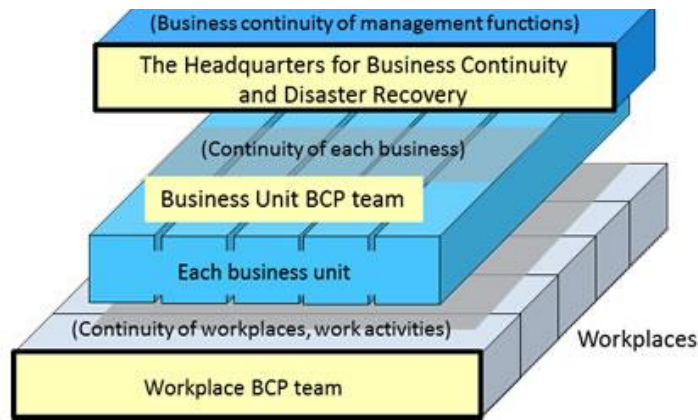
NEC's Framework for Disaster Response and Business Continuity

## Main Activities and Results for Fiscal 2017

Prompt response to frequently occurring disasters

There have been a rash of major disasters in fiscal 2017, beginning with the earthquake in Kumamoto on April 16; earthquake in Hakodate in June; flooding damage from Typhoons 9, 14, 16, and 17 in Tohoku and Hokkaido in September; major blackout in Tokyo and earthquake in Tottori in October; massive road cave-in in Fukuoka, major earthquake in New Zealand, and earthquake and tsunami off-shore Fukushima in November; and cyclone in Chennai, India and earthquake in Northern Ibaraki in December.

Owing to its having dealt with vulnerabilities identified through exercises and trainings and making advanced preparations to enable each and every member to act on their own, the NEC Group was able to take prompt action in the face of actual disasters.

Prompt response to the Kumamoto Earthquake

Within two hours after the main shock of the Kumamoto Earthquake on April 16, confirmation of safety and damage situation in the different NEC locations was completed, and relief procedures from Fukuoka, Hiroshima, Osaka, and Tokyo were decided and implemented. Also, backup personnel and rest areas were secured in consideration of the health and safety of employees, their families, and the local residents in conducting the relief operations.
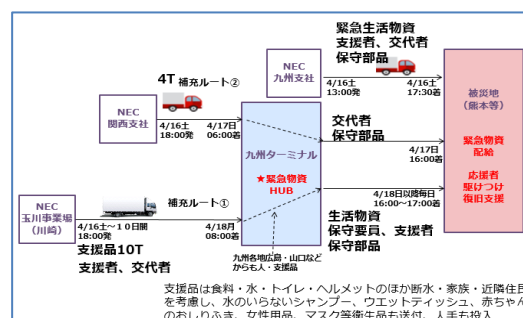
Kumamoto Earthquake Response Meeting   Arrival of relief goods and volunteers by the evening of the earthquake

NEC CSR Report 2017

CSR Management | Governance | Society | Environment

26-27　Corporate Governance　28-32　Compliance and Risk Management
33　Basic Approach on Tax Matters　34-37　Fair Trade
38-44　**Business Continuity**　45-51　Information Security
52-58　Personal Information Protection　59-64　Supply-Chain Management
65-74　Innovation Management

## Contribution to prompt recovery of social infrastructures and delivery systems

Immediately after the occurrence of the earthquake, the NEC Group carried out recovery of social infrastructure-related systems. Recovery of the communication and command system of the Kumamoto City Fire Services Bureau was completed immediately after the main shock, and that of Kosa Town's systems within the morning of the day of the earthquake. Also, the NEC Group constructed an emergency network in response to the establishment by the Kumamoto Prefectural Police of an earthquake response headquarters in Aso Town, lent 182 computers and 105 printers upon request of Kumamoto City, and also provided computers in Mashiki Town. In addition, for Uto City, NEC carried out checks of systems by other companies in their behalf, in response to urgent requests from the city government.

Immediate response to request for PCs by Kumamoto City

Expression of gratitude from Kumamoto City Mayor Onishi and Vice Mayor Uematsu to President Niino
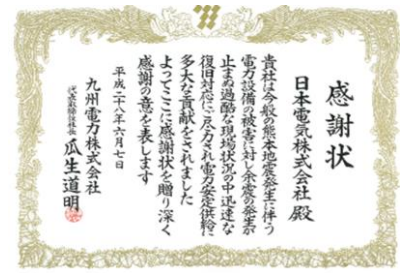
Letter of Appreciation from Kyushu Electric Power Co., Inc.

Training on disaster prevention and business continuity

To enable each and every member to think and act on their own, the NEC Group conducts disaster preparedness and business continuity exercises and trainings in September, November, January, and March every fiscal year.

Group-wide exercise for all members, business continuity plan walk-through (September and January)

Every year, the NEC Group holds business continuity exercises for participation by all members every September and January. One of those sessions is an unannounced exercise designed to confirm behavior patterns, whether employees are able to take the appropriate actions upon receiving disaster information.

The exercise conducted simultaneously throughout the entire Group in September 2016 was participated in by all the approximately 100,000 employees and visitors in their respective locations across 40 domestic affiliates. The exercise was conducted to enable participants to think and act on their own on how to ensure safety and contact their families and workplaces about their situation during a business trip or when outside the company premises. This was the first time that an exercise was conducted to simulate a situation wherein the participant has no one around to depend on, and it provided an opportunity for them to develop independent decision-making skills on what to do during a disaster.

Divisions and affiliated companies that were not able to participate in September participated in the announced exercise held in January, enabling confirmation of individual behavior patterns and means for sharing information with family members during disaster
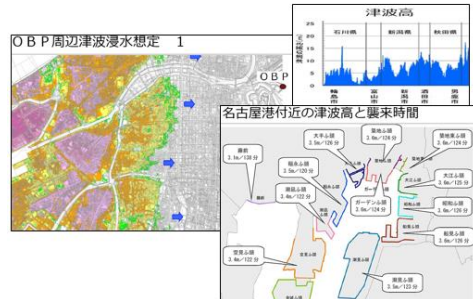
Tsunami Disaster Prevention Training during the World Tsunami Awareness Day (November 5)

Around November 5, 2016, the day designated as the World Tsunami Awareness Day, we held a drill at 10 NEC Group locations considered as tsunami-prone areas, including in Osaka and Nagoya. The drill was aimed at determining measures for confirming expected tsunami damage in the areas, and deciding what preparations and actions should be taken in worst-case scenarios, while incorporating customer and client perspectives. At the same time, a drill was also held on information-sharing with suppliers outside the NEC Group located in the tsunami-prone areas.

Training content and scene

Tsunami flooding map

| Business continuity training simulating a pandemic (February 2017 onwards)

NEC conducted an online training on dealing with infectious diseases based on signs of outbreaks of MARS, Ebola fever, and new influenza strains such as H5N1 and H7N9. Also, training was conducted on how to carry out business continuity during occurrence of a highly virulent infectious disease abroad, during the early stages of its occurrence within the country, and during its spread within the country. The training was participated in by approximately 110,000 members from NEC and 45 domestic and 80 overseas affiliates, and discussions and consideration of various countermeasures based on the different regional and business attributes were held.

Going forward, we will create a unified core platform for the NEC Group based on the results of the training and the discussions, and conduct trainings that are one step further ahead, in order to train employees to act independently also during pandemics.
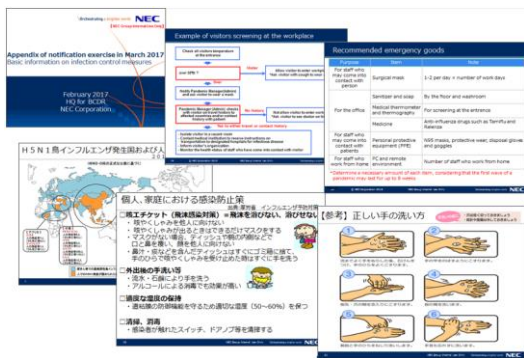
Online training on threats from and responses to
infectious diseases and new influenza strains

Explanation of threats from and responses to new
influenza strains to corporate officers by an industrial physician

Report of countermeasures discussed at the different
divisions within the company

President Niino giving instructions on future response policies

NEC CSR Report 2017

| CSR Management | **Governance** | Society | Environment |

Visualization of level and maturity for disaster preparedness and business continuity

The NEC Group implements initiatives to "visualize" the disaster preparedness and business continuity capability levels of each division and company through objective rankings. In fiscal 2017, under a prototype system, preparedness and capability levels were visualized using indices such as "organizational status," "leadership," "disaster prevention and continuity plans," "support status," "effective operations," and "evaluation and improvement." We will further improve the accuracy of the rankings, and refine the system to enable divisions and companies to incorporate disaster preparedness and business continuity in their organizational cultures and 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 the second year of its implementation in fiscal 2017, we confirmed the extent of improvements made on the basis of the previous year's results.
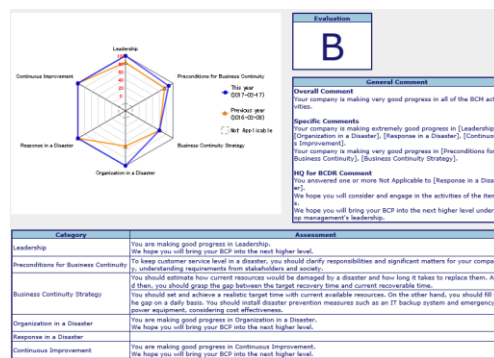
Initiatives Overseas

The NEC group 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 subsidiaries.

Moreover, we have a web 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 2012. We are prepared to quickly resume businesses by minimizing the damage in a disaster.

Acquisition of ISO22301 Certification for entire Value Chain

NEC, consistent with its being a provider of social infrastructures, has established Business Continuity Management Systems (BCMS) not only for the entire Group as a whole, but for each unit and for each business area, to enable each unit and company to proactively and organically carry out recovery activities in the event of disasters. To make these systems internationally acceptable and applicable, we acquired ISO22301 certification in 41 business areas, such as telecom carriers, systems, and datacenters — the highest number among companies in Japan.

The business-related fields for which certification has been obtained cover the entire value chain, from design and system construction to manufacturing and maintenance.

ISO 22301 Third-party certification

Objectives and Achievements

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

1. To "visualize" business continuity levels within each division.
2. To conduct various exercises and training activities mindful of the largest disaster risks and pandemic risks in each area, in order to further equip employees to enable them to act proactively during disasters.

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

Objective	Achievements and Progress	Degree of completion
1. Prepare action manuals and conduct training for tsunami-prone areas · Prepare an action manual for tsunami-prone areas other than the Nankai Trough regions.	· This is the second year of the 3-year plan. A training was held on preparing action manuals at 10 NEC Group locations including Osaka and Nagoya. · In reference to the regional action manual prepared in fiscal 2016, recovery manuals and action manuals based on regional attributes were prepared and promoted among employees.	Achieved
2. Implement "visualization" by applying maturity levels of Information Security Management System (ISMS) to BCMS · Implement a prototype of the system in each division and promote monitoring and auditing of current status.	· The system was implemented at approximately 400 divisions that prepared their own business continuity plans, enabling "visualization" of the maturity levels of the divisions' disaster preparedness and business continuity capability based on objective criteria. · Systematizing the internal audit, in which inspections and checks had been conducted separately for each division and Group company, enabled reducing required manpower by 20 to 25%. · Although we were able to raise awareness on the importance of "protecting the life of workers "in some business and research divisions that previously did not have a high business continuity awareness, there remains a need to further raise awareness and establish the necessary frameworks. · Certain areas for improvement were found in the prototype system.	Achieved

Fiscal 2018 Objectives

1. Prepare action manuals and conduct training for tsunami-prone areas · Prepare action manuals mainly for tsunami-prone areas along the Japan Sea coast announced in fiscal 2017	· For fiscal 2018, the third year of the 3-year plan, training will be conducted based on results of analysis of major tsunamis on the Japan Sea coast announced in fiscal 2017 in regions where the training could not be conducted in the first and second years.
2. Implement "visualization" by applying maturity levels of Information Security Management System (ISMS) to BCMS · Refine the system based on the merits and points for improvement determined during the implementation in fiscal 2017.	· For fiscal 2018, the third year of the 3-year plan, the prototype for fiscal 2017 will be improved based on the merits and points for improvement. · Refine each division's disaster preparedness and business continuity capability by comparing with and improving from the previous year's levels. · Other than for earthquakes, floods, and other natural disasters, business continuity capability during pandemics will be enhanced through a similar training conducted in February 2017.

Information Security

The NEC Group positions information security as an important management activity and pursues its activities so that everybody can use information and communications technologies with a sense of security, leading to the creation of a prosperous society.

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. Accordingly, we have codified this commitment in the NEC Information Security Statement.

Moreover, the NEC Group has established an information security promotion framework to fulfill our responsibilities to society as a trusted company. This framework enables us to realize a secure information society and provide value to our customers by protecting the information assets entrusted to us by our customers and business partners; by providing reliable products, systems, and services; and by properly reporting and disclosing information to our stakeholders.

To protect information assets, we combine the following four elements (information security management, information security platform, information security human resources, and information security governance) to comprehensively maintain and enhance information security on multiple levels.
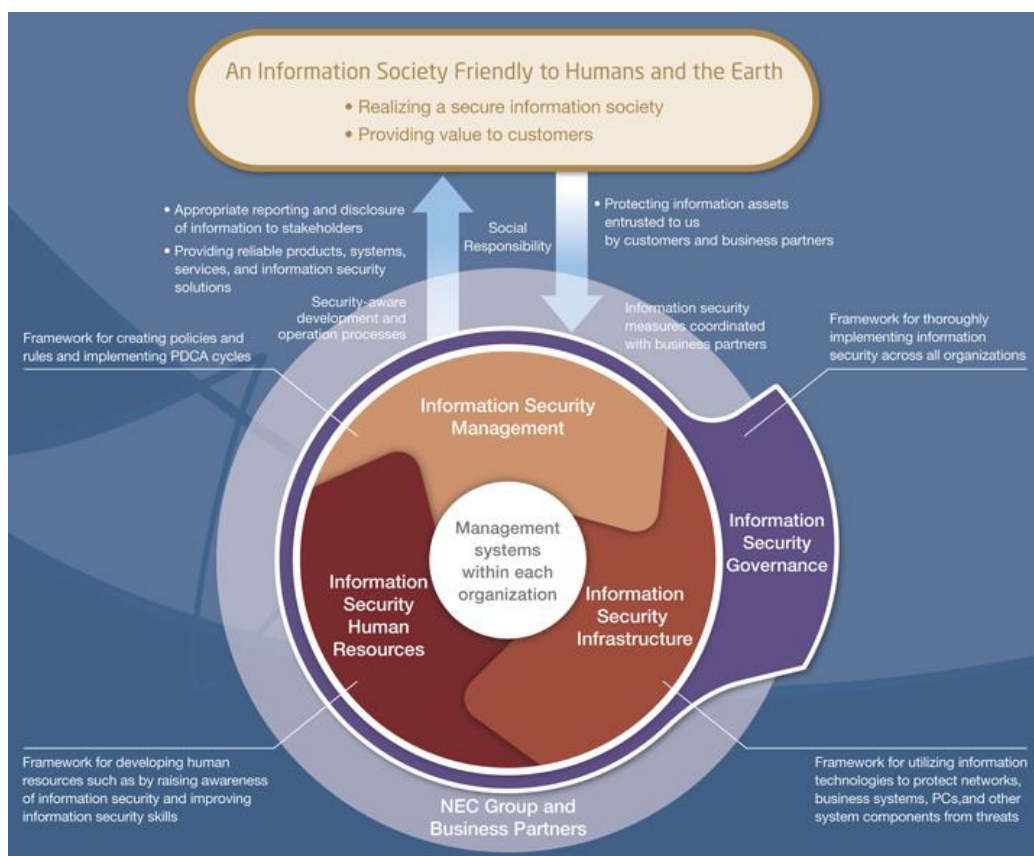
Information Security Promotion Framework

- NEC Information Security Statement
- Information Security Report

Promotion Framework

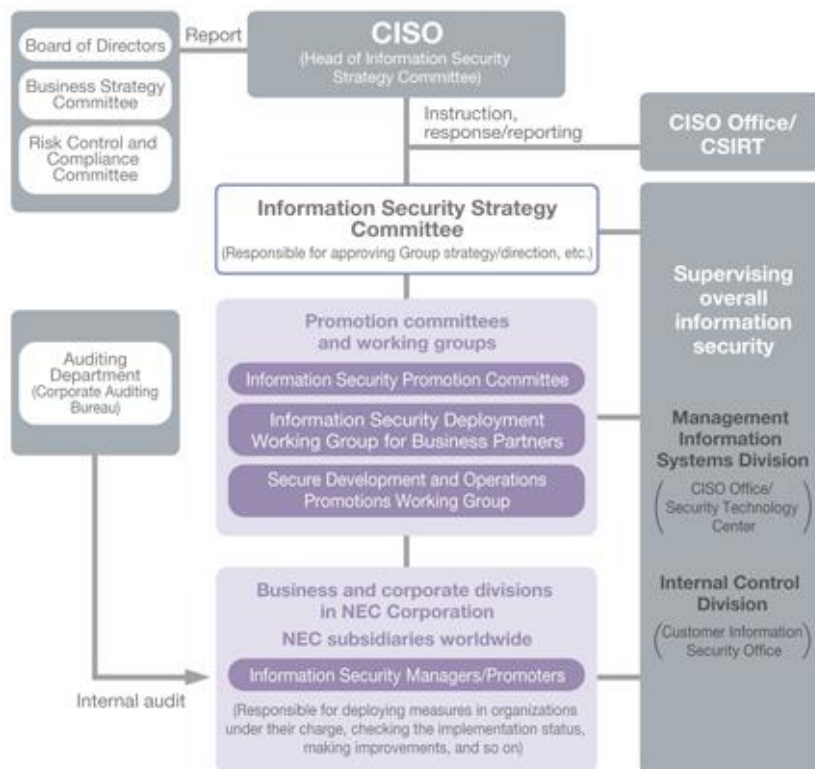The information security promotion organizational structure of the NEC Group consists of the Information Security Strategy Committee and its subordinate organs as well as the information security managers and promoters at each organization. The Information Security Strategy Committee, headed by the Chief Information Security Officer (CISO) 1) evaluates and discusses how to improve information security measures, 2) discusses the causes of major incidents and the direction of recurrence prevention measures, and 3) discusses how to apply the results to NEC's information security business to address information security risks, including risks related cyber security. The CISO also heads the CISO office, whose job is to receive direct instructions from the CISO and promote cyber security measures, and the Cyber Security Incident Response Team (CSIRT), whose job is to monitor for cyber attacks and when an attack is detected, immediately analyze it, identify the cause of the incident and implement measures to bring the situation to normal. Under the Information Security Strategy Committee, three subordinate organs (a sub-committee and two working groups) discuss and coordinate security plans and implementation measures, enforce instructions to achieve them, and manage the progress for group companies worldwide, for business partners, and for driving the Secure Development and Operations initiative, respectively.

The information security manager in each organization has primary responsibility for information security management including the group companies under their supervision.

They continuously enforce information security rules within their organizations, introduce and deploy measures to assess the implementation status, and implement further improvement measures to maintain and enhance information security.

Information Security Promotion Structure

Main Activities and Results for Fiscal 2017

Strengthening Measures against Cyber Attacks

Cyber attacks that occur in daily business operations include targeted attacks against specific companies or organizations, ransomware (a kind of malware that encrypts files and then demands a ransom in exchange for decryption), indiscriminate email attacks (attacks aimed at unspecified, large numbers of people) and are becoming more and more advanced and sophisticated. As a means to counter these attacks, we began the deployment of the Global Cyber Attack Protection System (GCAPS*1) within NEC and all its subsidiaries in Japan, in order to fix vulnerabilities of PCs and servers promptly and to respond to incidents efficiently.

GCAPS reinforces security of PCs and servers from the two standpoints: "Proactive Defense" performed on the basis of risk recognition, and "Incident Response" when an incident is detected. From fiscal 2018 onwards, we will gradually introduce GCAPS also to overseas subsidiaries.

*1 GCAPS: Global Cyber Attack Protection System. Sold under the Solution name: NEC Cyber Security Platform（NCSP)
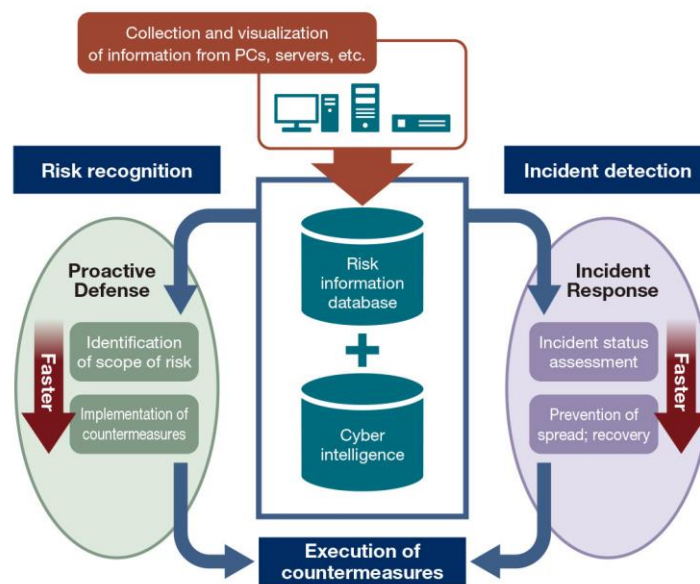
Concept of GCAPS

Also, as part of global deployment initiatives, we deployed measures against cyber attacks (detection of unknown attacks, integrated log analysis and intensified monitoring, CSIRT establishment) in the APAC region. We will continue to expand the coverage area for deployment in fiscal 2018.

Further, we conducted targeted attack drills to sharpen employees' awareness against suspicious emails and "Integrated Cyber Attack Drills" that enable people of each relevant organization including CSIRT to experience incident response and collaboration among divisions, as well as top management to experience press releases that will be required in case NEC becomes the victim of a cyber attack. We also conducted the "NEC Security Skill Challenge," an internal security contest CTF (Capture the Flag) aimed at improving technical skills of CSIRT personnel and expanding the breadth of our security human resources.

Strengthening Global Security Infrastructures

NEC has completed the deployment of the integrated management platform that enables the visualization*2 of the status of information security measures for PCs (e.g. installation of security patches, malware countermeasures, and PC encryption) at overseas subsidiaries. In regard to the introduction of file encryption tools for PCs, we began deploying InfoCage FileShell, which had already been implemented in Japanese group companies, in overseas subsidiaries in the second half of fiscal 2017. From fiscal 2018 onwards, we will accelerate its implementation and eventually make it a mandate.

*2 "Visualization" in this context refers to a system for quantitatively confirming the implementation status of information security measures in overseas subsidiaries. The system, for example, shows the security patch installation status and implementation rates for PC encryption measures. This enables Management Information Systems Division of NEC and regional administration companies as well as Information Security Managers of local group companies to confirm the implementation status of security measures and take concrete actions to further improve the information security within the NEC Group.
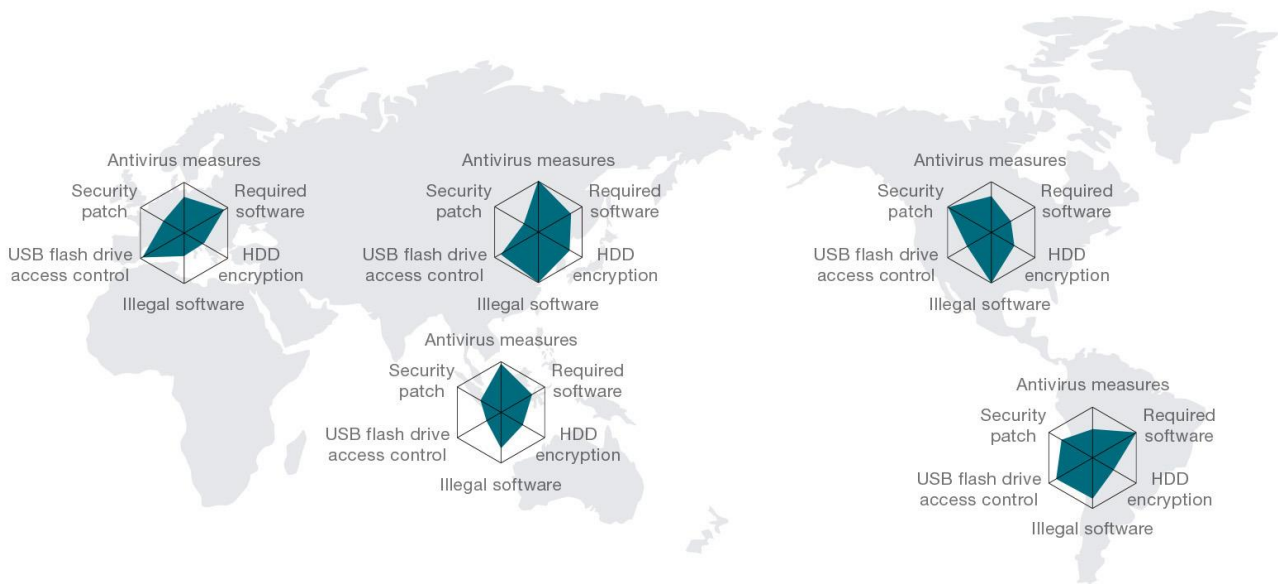
Visualization example: Overview of information security implementation by region
(The graph above shows only sample data and does not indicate any actual information.)

Promoting and Enforcing Secure Development and Operations

Aiming to reduce the burden of our system developers and operators, the NEC Group provides an internal service for evaluating how a patch aimed to fix a vulnerability behaves as well as its impact on customers' systems. Using the service at each business project ensures the implementation of measures for fixing vulnerabilities in customers' systems. Further, the implementation of anti-vulnerability measures is required by the quality protection rules of the NEC Group, which ensures that the service is used properly. Moreover, the implementation status is managed on an individual project basis, and if measures are not implemented, a warning is issued, thereby ensuring systematic and thorough vulnerability handling.

We also developed security implementation guidelines based on the Cybersecurity Management Guidelines formulated in 2015 by the Ministry of Economy, Trade and Industry (METI) and the Information-Technology Promotion Agency, Japan (IPA). These guidelines, along with other offerings, support our business project members in proposing a system with more value to their customers, contributing to the growth of our business. To provide our customers with more valuable proposals, in particular, we undertake security-related risk assessments on customers' systems to promptly make system risks visible and mitigate them to the extent possible conducting risk assessment aimed at "visualizing" security risks in customers' systems early on and minimizing those risks as much as possible. In response to the increasing risks of attacks on IoT

devices and control systems in recent years, we performs risk assessments not only for ICT systems but also for IoT devices and control systems, so that we can propose security measures that will assure our customers' business continuity.
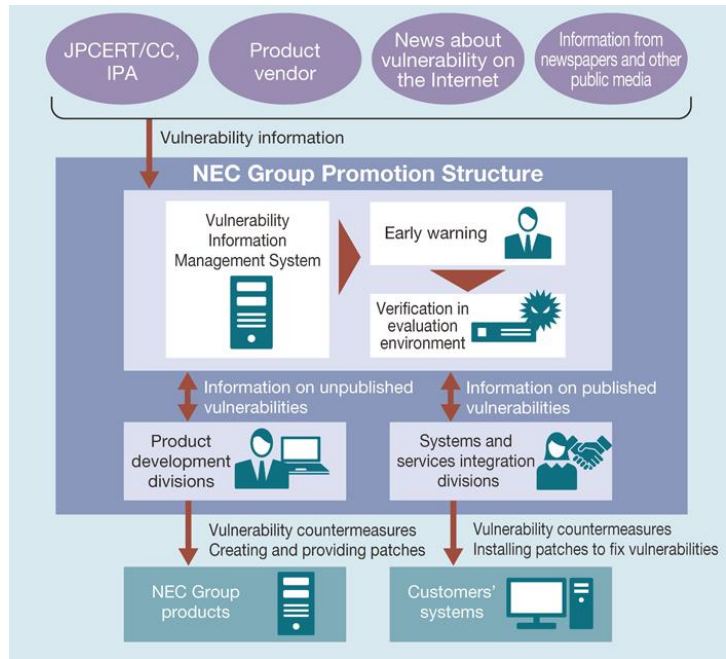
Vulnerability Response Promotion Structure

Monitoring and Improvement

Information Security Assessment Activities

The NEC Group continuously conducts information security assessments to check the implementation status of information security measures and to create and execute improvement plans.

In fiscal 2017, information security assessments were carried out at NEC and 60 subsidiaries in Japan. Assessments were conducted both by general employees as well as by managers of specific security measures to confirm the status of measure implementation based on their respective roles (personal assessment). We were able to improve effectiveness by accurately assessing the actual on-site security situation. Personal assessments were also conducted at 34 overseas subsidiaries, which enabled a detailed grasp of their security measures, and further raised awareness and recognition among them.

These ongoing activities ensure that information security measures for NEC and its subsidiaries in Japan are continually being implemented and improved. There remains, however, room for improvement for some of these measures, and we issued reminders for their thorough implementation to NEC and its subsidiaries in Japan. On the other hand, for overseas subsidiaries, since the level of implementation has not reached that of the Japanese group companies, the overseas subsidiaries were given instructions to implement measures based on the results of assessments, and the status of their implementation was regularly followed up.

Assessment of Business Partners

On the basis of the "Information Security Standards for NEC Group Business Partners", the "Basic Rules for Customer-Related Work for Business Partners," and other related guidelines, we conducted assessments and evaluations of the implementation status of information security measures in business partners (through on-site assessment and Web-based self-assessment by

business partners themselves). We provided business partners with feedback on evaluation results, and thoroughly implemented improvements.

In fiscal 2017, Web-based self-assessment was carried out in approximately 1,450 companies and on-site assessment in approximately 50 companies.

These ongoing activities ensure that information security measures for business partners are continually being implemented and improved. There remains, however, measures that have relatively low implementation rates compared to other measures, and we requested concerned business partners to conduct thorough implementation of such measures.

Assessment of Security Measures for Products, Systems, and Services Provided to Customers

By promoting the use of a system that visualizes the progress of security measures for customer projects within the NEC Group, we were able to identify projects for which measures for secure development, operation, and maintenance were inadequate, and continued to make the necessary improvements.

Objectives and Achievements

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

As a global company that provides ICT essential to social infrastructures, NEC will contribute to society by protecting information assets entrusted to it by customers and business partners and its own information assets, as well as by providing even more secure, reliable, and trusted products, services, and solutions. Also, NEC will accelerate the creation of mechanisms for defense against cyber attacks, which are foreseen to continually become more sophisticated and advanced, as well as the global deployment of programs to train information security personnel.

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

Objective	Achievements and Progress	Degree of completion
1. Strengthening measures against cyber attacks (Japan, overseas) · Deploy GCAPS within Japan and expand global deployment of cyber attack countermeasures, in order to strengthen measures against increasingly sophisticated and advanced cyber attacks.	· We began the introduction of GCAPS at NEC and subsidiaries in Japan. · We implemented cyber-attack countermeasures (detection of unknown attacks, integrated log analysis and monitoring, and CSIRT establishment) in the APAC region.	Mostly achieved
2. Establishing global security infrastructures · Increase the level of information security at overseas subsidiaries to the level in Japan.	· We began deploying InfoCage FileShell as our standard PC file encryption tool in overseas subsidiaries in the second half of this fiscal year. · We completed the preparations for introducing GCAPS to overseas subsidiaries.	Mostly achieved
3. Promoting and enforcing Secure Development and Operations · Implement the mechanisms for efficiently providing customers with secure products, systems, and services in our business projects, educate leaders to drive Secure Development and Operations initiatives in their project for further business growth.	· We incorporated the implementation of vulnerability countermeasures into the quality protection rules of the NEC Group, which ensures that our vulnerability information management system is used properly in all of our business projects. · We deployed documents based on the Cybersecurity Management Guidelines to support our business project members in proposing a system with more value to their customers. In particular, to promptly make system risks visible and mitigate them to the extent possible, we undertake security-related risk assessments on customers' systems including IoT devices and control systems using a list of security threats and countermeasures, and started the development and operations based on that list.	Mostly achieved

FY2018 Objectives

1. Strengthening measures against cyber attacks (Japan, overseas)	· Operate GCAPS in NEC and subsidiaries in Japan and deploy it in overseas subsidiaries. Further, expand the deployment scope of cyber-attack countermeasures (detection of unknown attacks, integrated log management and intensified monitoring, CSIRT establishment) in overseas subsidiaries.
2. Establishing global security infrastructures	· Increase the level of information security (both in terms of employees' awareness and IT frameworks) at overseas subsidiaries to the level in Japan.
3. Promoting and enforcing Secure Development and Operations	· Continue to provide our customers with safe and secure products, systems, and services efficiently and contribute to business growth by improving guides and manuals, reinforcing IT systems, and supporting Secure Development and Operations in our business projects.

Personal Information Protection

Personal information refers to personally identifiable information, which includes numbers and other simple identifiers. Recognizing that appropriately protecting personal numbers and other personal information is one of our social responsibilities. NEC has formulated its own NEC Privacy Policy, which it implements and continues to uphold. Other than protecting personal information as dictated by relevant laws and regulations, we also ensure protection of privacy-related information in conducting our business activities.

Policy

For NEC, appropriately protecting personal information received from customers, shareholders, investors, business partners, employees and others during the course of business constitutes one of its major responsibilities to society, and in July 2000, on the basis of this commitment, the company formulated the NEC Privacy Policy.

▶ NEC Privacy Policy

NEC built a system for promoting privacy protection and in 2004 a privacy protection management system in conformance with the "Act on the Protection of Personal Information" and "JIS Q 15001". We endeavor to gain our customer's trust, and are working toward solving various problems related to the handling of personal information.

We subsequently acquired Privacy Mark certification in October 2005, and renewed it in October, 2015. As of the end of March 2016, NEC and 29 NEC Group companies have obtained this certification.

NEC is continually working to improve its management system while protecting personal information in coordination with its Group companies.

PrivacyMark System Promotion Framework

Promotion Framework

At NEC, the head of the managing division for protecting personal information serves as the "Personal Information Protection Administrator," the person with ultimate responsibly for implementation and operation of the privacy protection management system. Further, to comply with "the Social Security and Tax Number System," we have added the role of protecting specific personal information to the duties of the Personal Information Protection Administrator. Promoting the protection of personal information within the NEC Group is carried out under the leadership of officers (Personal Information Protection Promotion Office Manager) appointed by the Personal Information Protection Administrator and under the supervision of the Internal Control Division's Customer Information Security Office.

In addition, NEC conducts regular audits of privacy protection in conformance with "JIS Q 15001," with the head of the Corporate Auditing Bureau serving as "Chief Personal Information Protection Auditor." Staff and managers are assigned under the supervision of divisional managers for each type of personal information handled, in order to raise awareness at sites and offices that handle personal information. Staffs in charge of promoting privacy protection are also appointed under management systems established in each corporate division.

Group-wide 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 Office Manager

(Appointed by the Personal Information Protection Administrator)

Personal Information Protection Office

(Composed of members from Human Resources Dev. Div., General Affairs Div., Legal Div., Customer Communication Center, Management Information Systems Div., Purchasing Div., Sales Planning Div., Internal Control Div., etc.)

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

Supervising Division = Internal Control Division

Establishes and maintains procedures for personal information protection

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, etc.

Heads of Business Divisions

Assumes overall responsibility for management of personal information protection in business divisions

Personal Information Manager

Assumes responsibility for managing personal information protection for particular operations (also acts as the Specific Personal Information Handler)

Specific Personal Information Manager

Conducts specific personal information clerical operations and provides instructions and conducts audit during subcontracting of such operations

Personal Information Handler

Handles management of personal information protection for particular operations

Specific Personal Information Handler

Conducts specific personal information clerical operations and handles specific personal information in information systems

Personal Information Protection Promoter

Assists the heads of business divisions, etc., and rigorously ensures the establishment of personal information management framework, its operation and improvements within the business divisions, etc.

Equivalent systems have been established at domestic Group companies 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 amendment of the Personal Information Protection Law in May 2017. Overseas Group companies also engage in personal information protection in accordance with the laws of their respective countries.

Emergency Response to Information Leaks

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

If an incident occurs related to personal information or an event takes place for which there is that risk, the employees involved in incidents contact their divisional supervisors and the Group contact point for information security incidents. That contact point then coordinates a response with the related staff divisions that make up the Personal Information Protection Office 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 2017

Recognizing the importance of protecting personal information, the NEC Group formulated the "NEC Privacy Policy" and privacy protection regulations based on the "NEC Group Charter of Corporate Behavior" and the "NEC Group Code of Conduct" as common Group-wide rules for running its personal information protection management system.

Each NEC Group company implements these rules and systems and executes PDCA cycles autonomously, contributing to the appropriate management of personal information.

Training for Personal Information Protection

NEC conducts the following trainings for employees at different levels in the organization.

1. Training for all employees (for NEC)
   Online training on information security is held once a year for executives and employees of NEC. Also, the online training includes training on personal information protection for NEC and its domestic affiliates. In fiscal 2017, there was 100% completion of training for all employees of NEC. Separately, online training related to "the Social Security and Tax Number System" was held for officers and employees of NEC and domestic affiliates.

2. Training for personal information protection promoters (for NEC and its domestic affiliates)
   Group training was held four times in fiscal 2017 for information security promoters involved in promoting personal information protection.

3. Training for new hires and transfers
   In fiscal 2017, a handbook on personal information protection was created for use as introductory training material. The handbook was distributed and used in training of new hires and transfers. Apart from these 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 Office, awareness training is conducted as appropriate at divisions or at the Group company level.

Management of Personal Information (Initiatives at NEC)

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

NEC CSR Report 2017

| CSR Management | **Governance** | Society | Environment |

26-27   Corporate Governance   28-32   Compliance and Risk Management
33   Basic Approach on Tax Matters   34-37   Fair Trade
38-44   Business Continuity   45-51   Information Security
52-58   **Personal Information Protection** 59-64 Supply-Chain Management
65-74   Innovation Management

Further, NEC has documented standard procedures, and operates a personal information protection management system. Also, as necessary, operational rules are created at the division level and by types of personal information and rigorously enforced.

In addition, 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 asked to submit electronic pledges every year.

As a result of these efforts, there were no incidents involving the loss, outflow or leak, etc., of personal information in fiscal 2017. There were also no complaints from the Ministry of Economy, Trade and Industry, which oversees this area, or from other third-party institutions about customer privacy violations or other issues.

Management of Personal Information (Initiatives for Customers and Business Partners)

NEC and its domestic subsidiaries request contractors handling personal information to conduct privacy management using systems equivalent to those of the NEC Group. Moreover, employees of suppliers engaged in work for NEC and its domestic subsidiaries must also submit a pledge on the Basic Rules for Customer-Related Work and take a regular online test to verify their knowledge. These steps help ensure rigorous management of personal information. As a result of these efforts, there were no incidents involving the loss, outflow or leak, etc., of personal information in fiscal 2017.

"The Social Security and Tax Number System" is designed to ensure that the burdens and benefits of social security and taxation are shared fairly. This setup makes it possible to undertake more efficient procedures and more transparent administrative services. For example, the system eliminates the need to submit supporting documentation to government bodies. However, since the system handles specific personal information, it must be managed carefully. We are therefore 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.
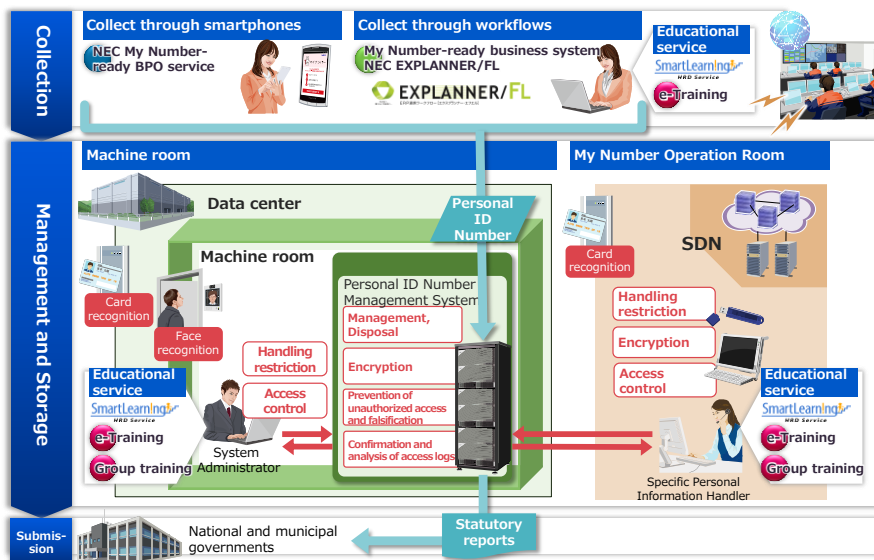
Overall image of the NEC Group's Support System for the "My Number System"

In addition, NEC and its domestic subsidiaries have leveraged existing solutions and component technologies to construct a system for totally implementing all the operation processes related to the My Number System; namely, collection, management, storage, and submission of national ID numbers. Further, we developed and conducted online employee trainings that are essential for adopting the My Number System. As a result, we have established a standardized and

NEC CSR Report 2017

| CSR Management | **Governance** | Society | Environment |

consolidated business process that is compatible with the My Number System, enabling us to offer solutions for customers considering to adopt the System.

Going forward, NEC and its domestic subsidiaries will leverage the knowhow gained from actual operations of the My Number System and aim to develop solutions of a higher quality.

Monitoring and Improvement

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

Also, NEC and its domestic subsidiaries conduct regular internal audits based on internal audit check items stipulated in JIS Q 15001. Further, for operations related to handling of National ID numbers, 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 National ID numbers.

1. Verification of the operation of information security measures
   At the NEC Group, implementation of information security measures by employees is verified once a year, and if there are cases of non-compliance, activities are conducted to execute improvement plans at the organization level.

2. Verification of status of personal information management
   At NEC Group, the status of management of the various types of personal information handled by each organization is reviewed at least once a year. Management slips registered in the Personal Identifiable Information Control System are reviewed in detail. Also, inspection of personal information with high management priority level (including National ID number) is carried out through the system regularly (once every six months).

3. Verification of operations during emergencies
   Operation of the above inspections is verified as the need arises, in the event of an incident involving the loss, outflow or leak, etc. of personal information.

Objectives and Achievements

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

1. Global implementation of personal information protection	・Comply with overseas laws and ordinances in collaboration with overseas subsidiaries ・Expand the submission of pledges on the Basic Rules to cover overseas subsidiaries and overseas business partners in Asia and nearby regions starting in fiscal 2017
2. Conformance to amendments to the Personal Information Protection Law (including National ID Number)	・Review in-house rules starting fiscal 2017 based on amendments to domestic and overseas laws, reconstruct and disseminate the rules in fiscal 2018, and carry out more thorough enforcement in fiscal 2019
3. Reconstruction of personal information protection management system	・Every year starting fiscal 2017, carry out monitoring of status of implementation of the My Number System, improvement of implementation sites, and provide directions

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

Objective	Achievements and Progress	Degree of completion
1. Expand the global deployment of personal information protection systems ・Conduct training and reinforce dissemination of information regarding the Amended Personal Information Protection Law ・Thoroughly enforce and provide support for the operation of personal information protection systems in each region	・We shared information and exchanged opinions regarding trends of personal information protection laws in each country with Legal Division Managers in the different regional subsidiaries. ・We disseminated information regarding "restrictions on the provision of domestic personal information to overseas business operators" among personal information protection promoters of NEC and its domestic subsidiaries via information security meetings, briefings, and bulletins. ・Through information security meetings and other venues, we explained the exceptions to restrictions in the transfer of personal data from overseas to Japan in relation to matters requiring attention in the General Data Protection Regulation (GPDR) of Europe.	Achieved
2. Ensure operational compatibility with the My Number System by revising NEC's personal information protection standards ・Revise manuals and rules in conjunction with amendments to the Personal Information Protection Law ・Thoroughly enforce and support operations at NEC and domestic subsidiaries	・Following the amendment to the Personal Information Protection Law, we conducted briefings to explain the amendments to executives, relevant personnel in each division, and legal officers of NEC and domestic subsidiaries. We partly revised as well as created new personal information protection manuals. ・To clarify the location of National ID numbers of customers and employees, we made improvements to the Personal Identifiable Information Control System to enable registering the unit storing the numbers and the persons-in-charge of managing them. ・We visited and conducted briefings among project managers and personal information protection promoters of each division regarding matters requiring attention in the handling of National ID numbers.	Achieved
3. Reconstruct the personal information protection management system in conjunction with the reorganization of domestic subsidiaries ・Review standard rules and revise implementation standards	・We revised the personal information protection manual following the combination and reorganization of domestic subsidiaries. ・We updated all contents pertaining to the amendments to the Personal Information Protection Law in the online training for all employees prior to the full enforcement of the said amendments. ・The "Camera Image Utilization Sub-WG" was established within the IoT Acceleration Consortium in cooperation with the Ministry of Economy, Trade and Industry, in order to expand business related to solutions utilizing camera image data. NEC participated as a member of the Committee from July to December and contributed to the publication of the guidebook on the utilization of camera images.	Achieved

Fiscal 2018 Objectives

1. Global implementation of personal information protection	・Review compliance to personal information transfer restrictions in countries where overseas subsidiaries are located. ・Expand the target countries for the signing of pledges among overseas business partners
2. Conformance to amendments to the Personal Information Protection Law	・Revise regulations, manuals, and the Personal Identifiable Information Control System in conjunction with the amendments to the Personal Information Protection Law.
3. Reconstruction of personal information protection management system	・Items necessary for managing subcontractors will be recorded and maintained as evidence in a designated system by relevant personnel from consignors and subcontractors, in order to prevent omissions in filling up personal information forms needed in managing subcontractors. ・Collaborate with government agencies and create in-house rules regarding the handling of personal information, the disclosure of information, and other matters that need to be considered by companies, in order to expand business related to solutions utilizing camera image data

Supply-Chain Management

As supply chains expand globally, corporations are required to give full attention not only to such things as quality, delivery deadlines and cost but also the environment, human rights, labor practices and so on throughout the supply-chain including the own company. To this end, it is imperative that they not only enforce total risk management and compliance but also continuously and responsibly act so as to be worthy of the trust given by society.

In response to these societal requests, NEC is determined to continue implementing a better supply chain by collaborating with its suppliers and learning together about the critical issues facing the world and the influence and impact that NEC may have.

Policy

Basic Policies and Initiatives

In accordance with ISO26000, a standard providing international guidance for social responsibility, NEC formulated a "Group Procurement Policy" based on CSR management. This policy deploys CSR in internal control and among suppliers. In terms of purchasing ethics and other forms of internal control, NEC has established "Basic Rules for Procurement" to ensure that all employees remain in compliance with the regulations. To strengthen this effort, NEC formulated "Supply-Chain CSR Guidelines" to promote CSR-related activities. We are continuing to make efforts to nurture partnerships from a long-term perspective so that steady progress can be made while deepening mutual understanding.

▶ NEC Group Procurement Policy
▶ Supply-Chain CSR Guidelines

Based on the above policies and guidelines, NEC has defined the priority risks to be: "human rights," "occupational health and safety," "fair trade," "environment," "information security" and "product quality and safety." NEC is promoting initiatives for CSR procurement at various stages including contract, dissemination, document review and onsite auditing in order to give full attention to these priority risks throughout the supply-chain.

➢ Basic Contract

NEC has presented the "NEC Group Procurement Policy" and the "Supply-Chain CSR Guidelines" to all suppliers. For those suppliers in Japan, NEC pledges to execute and comply with these initiatives by executing a basic contract with them and obtaining from them a declaration regarding the environment and safety and health management.
NEC has also obtained a declaration regarding the environment and safety and health management from suppliers in North America, Europe and Asia.

➢ Dissemination

NEC has presented its suppliers with the NEC Group Procurement Policy, Supply-Chain CSR Guidelines and various guidelines regarding conflict minerals and environmental protection and have obtained affirmation from them. In Japan, NEC held explanatory meetings on "CSR/Information Security Measures" and shared information with suppliers about the latest measures which we have to promote together.

➢ Document Review

NEC conducted a survey for its suppliers in Japan and abroad about conflict minerals. NEC also checked the documents specifically for information relating to security. In all areas except Europe, NEC suspended document checks in the SAQ (Self-Assessment Questionnaire) format covering all CSR-related items, but beginning this fiscal year, by prioritizing high risk regions and areas, the company will resume and proceed with the document check.

➢ Onsite review

NEC visits its suppliers and conduct onsite review to evaluate the implementation status of measures relating to information security, human rights and safety and health management. NEC shares the items that require improvement with its suppliers and support them in implementation and improvement.

Environmental Measures

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 Substance) Directive," and "European REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation," NEC continuously conducts chemical substance content surveys covering purchased items. Furthermore, since combating global warming has become an urgent priority, which must be responded by whole supply-chain, NEC, since 2012, has been monitoring the CO_2 emission related to the purchased items with the cooperation of major suppliers. We disclose the CO_2 emission amount data of the whole supply-chain including the purchased items after being validated by the third party, and are applying the data in the measures to reduce CO_2 emission.

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

Addressing the Issue of Mineral Resources

It is claimed that minerals mined in the Democratic Republic of the Congo and neighboring countries are financing armed groups, contributing to tribal conflict, human rights violations and environmental destruction. In fiscal 2012, the NEC Group clarified its policy of neither using nor procuring mineral products mined improperly in conflict areas and sought the understanding and cooperation of its suppliers by establishing the "Conflict Minerals Guidelines." NEC established a response structure drawing on a liaison between its internal sales and business units so it can swiftly respond to requests from customers based on the conflict minerals survey.

JEITA joint briefing

NEC continues to collaborate with industry as a member of the "Responsible Mineral Trade Working Group" of the Japan Electronics and Information Technology Industries Association (JEITA). In fiscal 2017, NEC joined the "Education and PR Team" and the "Smelter Support Team" under the Working Group. As part of the "Education and PR Team," NEC acted as a presenter in a briefing for its suppliers and worked to understand their particular mineral conflict problems. For the "Smelter Support Team," NEC directly encouraged overseas smelters that had not yet been certified as "Conflict Free" to get audited and certified.

▸ Conflict Minerals Guidelines

Recommendation by the CSR Review Forum (CRF)

Since 2012, NEC has continued its dialog with various civic organizations (NGOs, consumer organizations, etc.) and the CSR Review Forum (CRF), a private, non-profit organization established by individuals affiliated with those civic organizations, to solve frontline social issues and help bring about a sustainable society.

After receiving the recommendations listed below from the CRF, NEC is continuing its onsite review of human rights, safety and health, and is promoting a deeper understanding of CSR procurement for the procurement staff; it is also implementing an environment where it can keep working autonomously, while recognizing CSR, in the frontline of procurement.

・Enhance onsite reviews to be more effective in the areas of human rights, safety and health, and conduct more onsite reviews.
・Implement procurement staff training to raise their awareness of the CSR key aspects (i.e., human rights).
・Enhancement of dialog with stakeholders who are impacted by procurement operations, clarify the issues by executing due diligence and feedback those issues to the procurement front end.

🖵 CSR Review Forum - Japan

Promotion Framework

NEC's CSR Procurement System

Playing a central role under the direction of the Procurement Executive officer, the Purchasing Division promotes CSR procurement by coordinating with the related internal divisions. By engaging with international initiatives and stakeholders such as civic communities (NGO/NPO), NEC understands the latest status of social issues that are common worldwide and the initiatives promoted by other corporations, and is developing a plan to promote and improve those initiatives. NEC is also implementing a plan sequentially at its consolidated subsidiaries worldwide.

At its regional headquarters in EMEA, China, East Asia and APAC, NEC's overseas subsidiaries have assigned personnel to manage CSR procurement over the whole region to promote CSR procurement based on the basic policies described above.

・The NEC group companies in the region will comply in full with the environment regulations related to the companies (operations, products, etc.)
・Suppliers (including contractors and waste disposal companies) in the region have been encouraged to address human rights issues as well as those related to the environment and safety management and to comply with waste management laws and regulations (e.g., obtaining a declaration regarding the environment and safety and health management from suppliers, etc.)

Participation in Common SAQ Formulation in GCNJ

The working group on supply-chain in GCNJ (Global Compact Network Japan) formulated an SAQ format that can be used universally in the industry and formally published it in June of this year. NEC has been actively participating in this activity as a member of the working group, aiming to leverage this format for its CSR procurement.

Planned training

NEC is establishing a training plan relevant to the appropriate positions and roles of the procurement staff for CSR and the procurement laws and regulations so that all procurement staff not only comply with laws but also are able to execute highly sustainable procurement by fulfilling their social responsibility.

Main Activities and Results for Fiscal 2017

Contract: Collaboration with Overseas Subsidiaries and Suppliers for Environmental Health Services (EHS)

In fiscal 2016, the overseas NEC Group companies made a declaration regarding the environment, safety and health management from its suppliers. They pledged to comply with the laws and regulations relevant to environment and safety management by addressing environmental regulations strengthened by countries and regions, and secure the safety of workers at local construction sites.
In this declaration, the suppliers pledged to comply with the following three rules:

・Compliance with regulations on banned chemical substances for delivered items (products or purchased goods)

・Proper disposal of wastes output from construction of facilities, etc.
・Securing worker's safety at construction sites, etc.

Through this kind of collaboration with its suppliers, NEC will continue to implement a compliance organization in its overseas NEC Group companies and improve the compliance process.

Dissemination: In-House Training and Monitoring

NEC and its consolidated subsidiaries regularly implement, by checking the situation of those companies, various educational and training programs for procurement staff as part of their efforts to maintain proper business conduct. These initiatives continued in fiscal 2017 based on the annual plan. The content was closely related to purchasing tasks, including overall CSR, corporate ethics, and the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors (the Subcontract Act in Japan), and included courses needed to enhance operations skills.
NEC's compliance training related to procurement puts special emphasis on onsite contracting, dispatch staffing and the Subcontract Act.

In connection with accepting employees from suppliers in the form of onsite contracting or dispatch staffing, training is conducted so that employees learn the compliance requirements at their respective workplaces. Since fiscal 2008, all newly appointed management personnel are provided with annual Web training. Regarding the Subcontract Act, newly appointed management personnel are provided with annual Web training; about once every three years, mandatory Web training is provided and all personnel must take a refresher training.

In the course of enforcing compliance with purchasing-related laws and regulations and meticulously addressing such laws and regulations, NEC has appointed compliance promoters who are specialized in purchasing-related laws and regulations at NEC and its domestic major consolidated subsidiaries. These compliance promoters rigorously enforce legal compliance within the divisions and their companies. In particular, compliance promoters are also trained to enhance the level of compliance promotion regarding on-site contracting and dispatch staffing and the Subcontract Act. In fiscal 2017, NEC continued to conduct Web training for new managers and training for compliance promoters. Last year, Web training for "onsite contracting" was provided to the supervisors and staff.

NEC continued to conduct internal auditing in fiscal 2017 to further promote appropriate on-site contracting and dispatch staffing practice. In regards 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 and the NEC Group during fiscal 2017 revealed no major problems pertaining to on-site contracting and dispatch staffing practices.

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

▶ Compliance Hotline

Document Review: Strengthening Information Security

For NEC, a system integrator of information system that is a critical societal infrastructure, strengthening and committing to information security involving subcontractors is one of the most critical issues. The Procurement Division in particular is focusing on managing subcontractors and raising awareness on information security.

NEC is involved with the following every year:

・Briefings on CSR and information security for management and CSR managers for subcontractors.
  Held 14 times in 13 locations throughout Japan. About 2,000 attended from about 1,500 companies.
・Compliance education for subcontractor staff working on NEC Group operations.
  About 900 companies downloaded educational materials.

・Document checks to assess the information security implementation status of each subcontractor.
   Done for about 1,500 companies.
・On-site inspection of subcontractors.
   Done for about 50 companies.

NEC will continue to implement measures to improve the information security level in its subcontractors.

Onsite Auditing: Confirming CSR Practices among Suppliers

In fiscal 2013, NEC launched the CSR Process Management Review Assessment as an on-site diagnostic program (CSR-PMR[*] Assessment) that focuses on human rights and occupational safety and health to improve management weaknesses among suppliers. This program evaluates sites from an array of aspects, including through interviews with top management and employees and through plant visits. This program is based on NEC Group employees personally visiting suppliers and bases to engage in direct dialog based on direct observations. Both NEC and suppliers mutually understand each other's situations through an approach called "Co-Capacity Building," which aims to enhance the CSR capabilities of both parties.

NEC collaborated with local institutions with expertise in resolving regional issues and selected two production subcontractors in East China and South China that had a close business relationship with NEC and were recognized as needing an onsite diagnostics. NEC set up a program to confirm CSR practices among its suppliers. The program highlighted numerous excellent practices but also identified several issues relating to working conditions, overtime and occupational safety and health management, and recommended corrective measures and ways to confirm progress.

* PMR=Process Management Review

Plant diagnostics

Canteen inspection

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2017 - 2019)

Further promotion of autonomous CSR for suppliers

Fiscal 2017 Objectives, Achievements and Progress, and degree of Completion

Objective	Achievements and Progress	Degree of Completion
1．Formulate CSR policy to promote solutions procurement	・Conducted a current situation survey for solutions procurement to formulate a policy ・Conducted stakeholder engagement and gained knowledge from society. ・Solution procurement viewpoint of SAQ, audit policy and planning will be included in the future.	Some progress
2．Start CSR initiative survey of the suppliers by using the survey slip in APAC	・Added CSR-related items to the purchase order used when an APAC corporation places an order with a supplier. ・Confirmed the document check method done first in the EMEA region, and reviewed the feasibility to implement the survey in APAC.	Some progress
3．Continue expanding CSR Process Management Review Assessment (CSR-PMR) scheme in Greater China	・Conducted an assessment for two subcontractors in Greater China. ・Reviewed measure to increase the number of subcontractors in the future.	Some progress

Fiscal 2018 Objectives

1．Conduct (resume) SAQ that covers all CSR-related items.
2．Expand continuous CSR-PMR
3．Start a survey on CSR initiative of suppliers in APAC.

Innovation Management

NEC believes that innovation is the key to continuing to provide social value. Under the direction of its Chief Technology Officer (CTO), the company is formulating a technology strategy to ensure further growth.

The pillars of this strategy rest on a concentrated investment in those technology areas that are NEC's strengths as well as aggressive use of open innovation. In fiscal 2017, NEC made a concentrated investment in data science, an NEC strong point, and launched "NEC the WISE," NEC's first technology brand.

NEC is also creating innovation valuable to customers and society by moving forward with co-creation with customers by employing social value design. (Social value design is an approach that creates value from the social point of view).

What follows is an introduction to NEC's concepts and approaches that are designed to maximize the company's corporate value through managing innovation in technology development, research and development and co-creation.

Policy

The CTO is responsible for overall technology development, optimizing development investment company-wide, drawing up an open innovation strategy and proceeding with the process design.

For research and development, which is the source of this technology development, we address those solutions for social issues and incorporate the "No.1/Only 1" core technologies needed to realize those solutions within the basic policy by rigorously refining them in keeping with trends in technology. The following figure shows the process of our research and development.
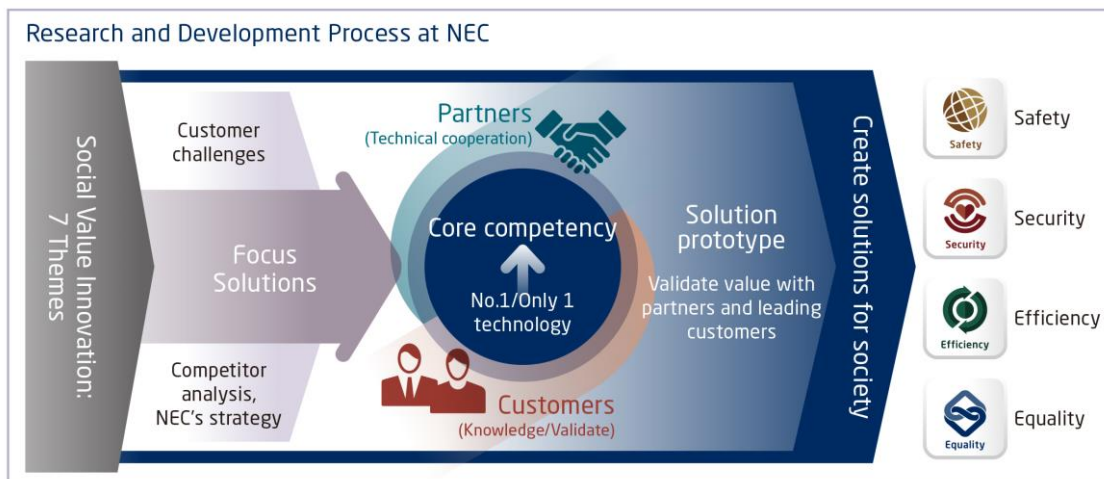
NEC's research and development process

To ensure that our investment in R&D (about 4-5% of sales) is used effectively and efficiently, we are investing intensively into focused areas and also investing in open innovation that will promote cooperation and collaboration with other research organizations on the technology needed for value amplification. In fiscal 2017, our R&D expenditure was 109.3 billion, which was 4.1% of sales revenues.

R&D investment

| FY	R&D expenditures (Billion)	To sales ratio
FY2013 (JA-GAAP)	152	4.9%
FY2014 (JA-GAAP)	143	4.6%
FY2015 (JA-GAAP)	134	4.6%
FY2016 (JA-GAAP)	124	4.4%
FY2017 (JA-GAAP)	109	4.1%
FY2018 (Expectation) IFRS	116	4.1%
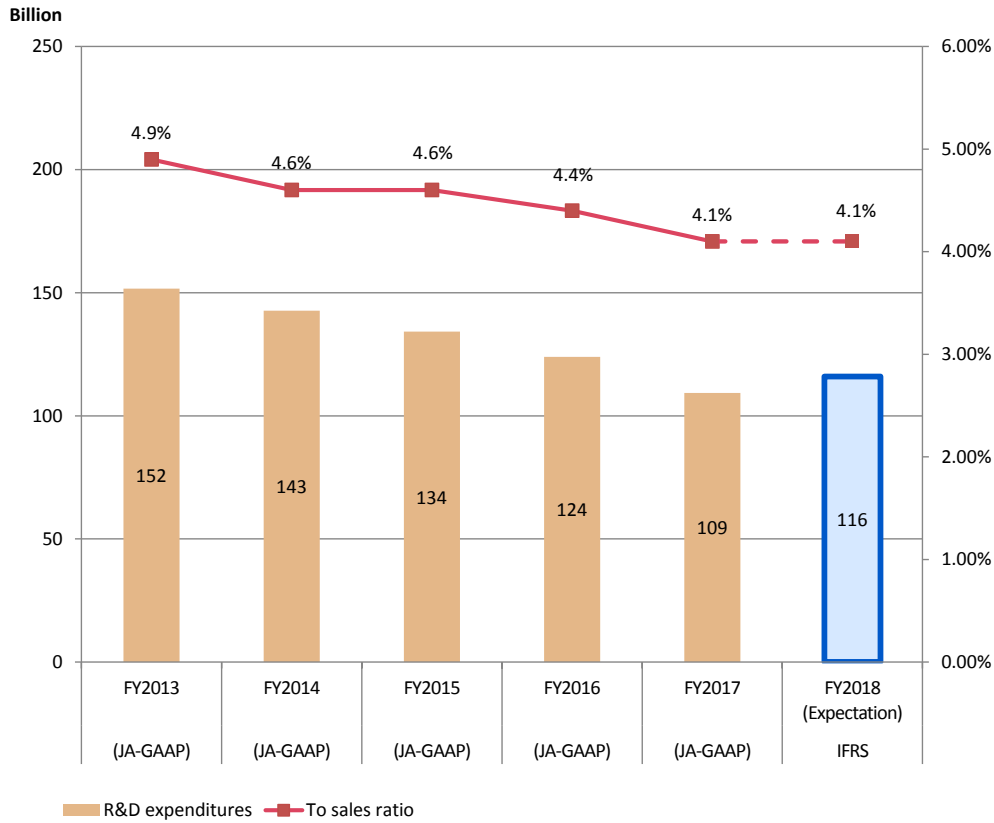
R&D investment

Concentrated investment in strong technology areas

We are concentrating investment in two areas of technology: (1) data science to create new value from big data using artificial intelligence (AI) for visualization, analysis and the like, and (2) ICT platforms that are needed to address large-scale and complex real-world issues. NEC 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.
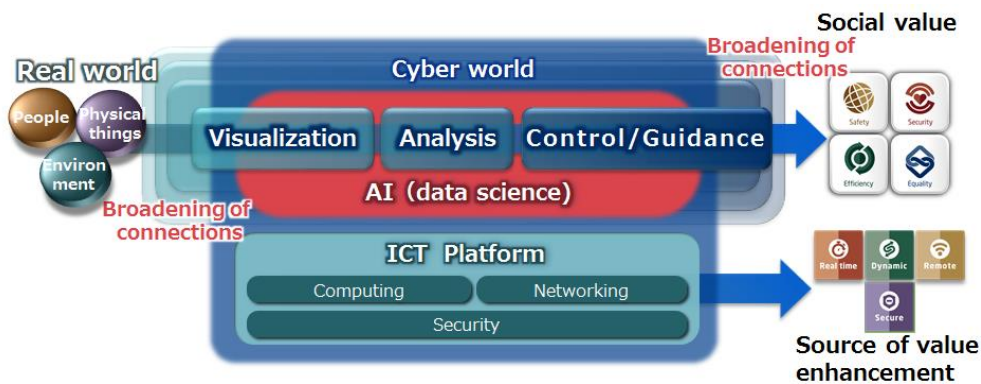
Contributing to the creation of solutions for society
in the areas of data science and platforms that are driven by AI technology

In data science, we are working on AI technologies that will create new value by visualizing, analyzing, prescribing the real world. In the area of ICT platforms, we are also working on computing network technologies that adapt dynamically and in real-time to changes in the real world, and security measures that allow social systems to operate securely and stably.

A part of the concentrated investment in these areas is the strength of our "NEC the WISE" launched in July 2016 as a leading-edge AI technologies brand. "The WISE" refers to "wise people." Social issues have become quite complex and they are in so many areas. It is not practical to address all these issues through one universal AI technology. "NEC the Wise" expresses our determination to address the foremost and complex social issues by combining the many AI technologies of which NEC is proud.
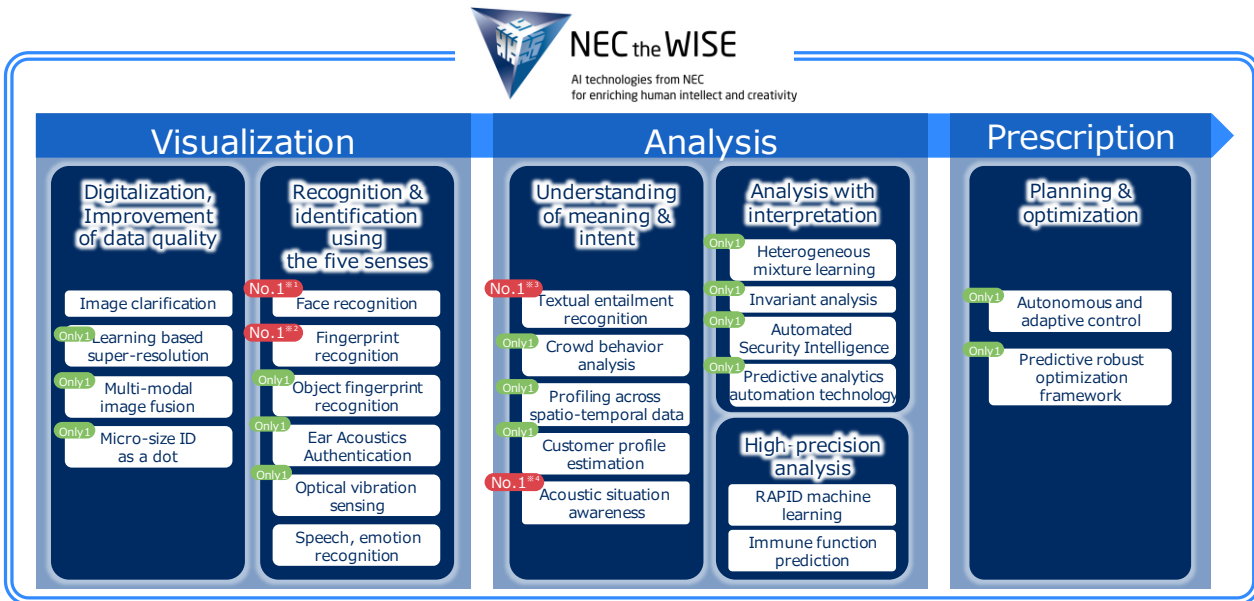
*1 : Ranked 1st four consecutive times in task assessment sponsored by NIST, *2 : Ranked 1st five times in task assessment sponsored by NIST, *3 : Ranked 1st in task assessment sponsored by NIST (2012) , *4 : Ranked 1st in task assessment sponsored by IEEE AASP Challenge DCASE2016

NEC's No. 1/Only 1 core technologies for social value creation

Promoting open innovation

Increasing the value provided to society requires a concentrated investment of limited resources in the areas of technology where our strength lie. It is also necessary to continuously perform open innovations to promote the development of technologies needed for value amplification in cooperation with other research organizations and the like.

Since fiscal 2017, we have been promoting solution creation initiatives to the tune of several hundred billion yen by incorporating cutting-edge technology from outside the company and refining our core technologies in the three areas of safety, retail and global carriers that will be coming into focus in the 2018 mid-term management plan.
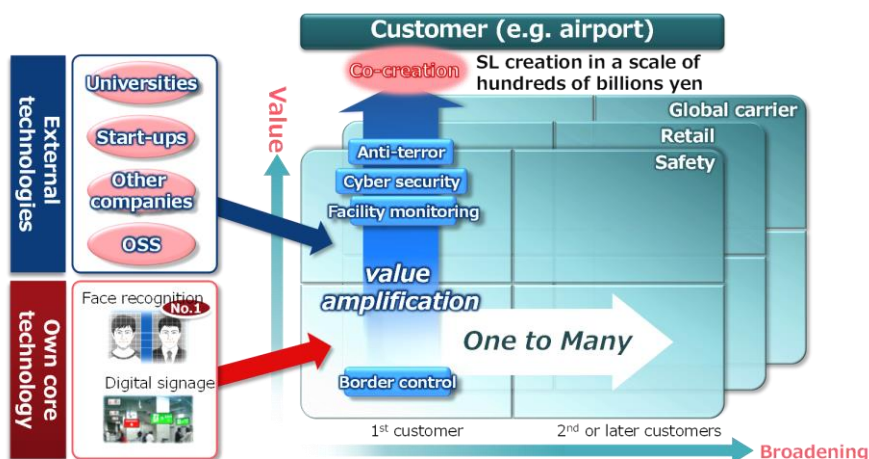
Promoting open innovations

Strengthening our IP portfolio and protecting our brand

At NEC, because intellectual property is regarded as an essential business resource supporting the group's competitiveness and stability we strive to strengthen and protect not only our patents and know-how but also the designs and trademarks that support our global brand.

As we focus on social solutions, it is critical to implement an intellectual property network throughout our businesses including customers and partners. We are now not only implementing an entry barrier by intellectual property rights and securing a competitive edge but are also creating, implementing and leveraging an intellectual property network to strengthen and protect cooperation with customers and partners.

And as we strengthen and protect our global brand, we are launching a technology brand and actively protecting intellectual property rights globally, for example, by securing the global trademarks when we launched "NEC the WISE," the leading-edge AI technology brand.

As of March 2017, NEC holds about 53,000 patents in total (approximately 23,000 in Japan).

Improving system services by social value design

To create new social value, we need to illustrate what society should be, 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. The NEC Group 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.

Social value design is NEC's design policy to create new value in society or for its customers by depicting the future from two points of view represented by user experience and social experience. User experience can be improved by employing human centered design or design that considers the "people's point of view." Social experience can be improved by employing human-centered design or design that looks at it from "society's point of view."

For example, for solutions that solve a variety of problems at airports, using social value design we strive to create social value for airports by employing social value design from a higher level than "What the airport should be originally." We have so far designed a flight information system that allows airport users to obtain accurate and easy-to-understand information and display installations and guidance signs that take into consideration user movements and thus allow the user to easily reach the destinations.

Promotion Framework

NEC has created a new CTO (Chief Technology Officer) position to establish a company-wide perspective in our effort to optimize our overall development investments, and link our corporate strategy with the planning of collaboration strategies with other companies. The CTO will also organize our technology roadmaps and portfolios towards focused investment in our technological strengths, and promote the timely introduction of technology through strategic collaboration with other organizations.

Technology strategy committee / CTO council

In the business of creating new value and the innovation of technology, the president, chief officers and business unit managers provide a corporate culture to stimulate open discussion throughout NEC in regular information-sharing channels and at events such as training camps. At the technology strategy committee chaired by the CTO, decisions are made regarding the planning and execution of technology strategies that contribute to NEC's management strategy and business strategy.

NEC CSR Report 2017

| CSR Management | **Governance** | Society | Environment |

26-27 Corporate Governance 28-32 Compliance and Risk Management
33 Basic Approach on Tax Matters 34-37 Fair Trade
38-44 Business Continuity 45-51 Information Security
52-58 Personal Information Protection 59-64 Supply-Chain Management
65-74 **Innovation Management**

As a subordinate organization, a CTO council chaired by the CTO convenes once a month to discuss technology strategy and implementation policies of NEC's focus areas. At the CTO council, each business unit's executive officer and the general managers of NEC's Central Research Laboratories and Intellectual Property Headquarters raise issues relating to the company-wide technology strategy, discuss how these issues can be addressed, and instigate plans for resolving these issues.

Value creation at our Central Research Laboratories

Value creation is the foremost objective of NEC's Central Research Laboratories. By driving innovation based on strategies developed by the Technology Strategy Committee, we are combining our strong technical ability with the creative potential of our customers to produce solution prototypes that contribute to social value creation, leading to growth of society.

We are not only focusing on R&D in NEC's strong areas, but we are also studying future focus areas by back casting from the technology requirements of the future, and we are promoting cooperative efforts with the world-leading research organizations and universities. We believe cooperation with them will only be possible if NEC has really strong technologies. So, we have been intensifying our focus on the R&D of NEC's core competence technologies where we are considered to be the "No.1" or "Only 1" expert.

For example, we are addressing the open innovation initiatives at the NEC Brain Inspired Computing Cooperative Research Center launched in 2016 with Osaka University and the AIST-NEC Artificial Intelligence Collaborative Research Laboratory to incorporate No.1 technologies from outside. We are also moving forward with future AI research to find solutions on social issues under the NEC/University of Tokyo Strategic Partnership Agreement for Future AI Research and Education, concluded with the University of Tokyo in 2016 to execute a comprehensive co-creation initiative that includes ethics, legal systems, development of human resources for advanced basic research and implementation of those initiatives in society.

NEC Brain Inspired Computing Cooperative Research Center

The NEC Brain Inspired Computing Cooperative Research Center was established in April 2016 at the Suita campus of Osaka University for use in interdisciplinary courses, and aims to promote platform research activities. In these courses, we are promoting joint research into "brain-inspired computing" — a new information processing technique that involves studying the brain's characteristics, including its superior environmental adaptability, cognitive ability, reasoning ability and highly efficient electrical power consumption.

We have also strengthened our ties with the Center for Information and Neural Networks and the RIKEN Quantitative Biology Center (QBiC) to provide a center for industrial innovation in the use of computational neuroscience to create a new telecommunications industry

▶ NEC and Osaka University Jointly Establish a Research Institute for the Development of Brain-Inspired Computing Technology (Press release)
- "NEC Brain-Inspired Computing Research Alliance Laboratories" established –

AIST- NEC Artificial Intelligence Collaborative Research Laboratory

In June 2016, the AIST – NEC Artificial Intelligence Collaborative Research Laboratory – was launched as an organization to research AI at the National Institute of Advanced Industrial Science and Technology (AIST).

Since this laboratory is having to plot a course through uncharted territory due to the lack of prior data on issues dealing with rare events such as disasters or abnormal situations, or the design of new products and new services, we are using simulations to compensate for the lack of information, and are developing technology to maximize the potential of AI by combining it with simulation. By combining the laboratory's simulation technologies with the world's top-class AI-related technology such as machine learning, prediction/notification and optimal planning/control that have been cultivated by NEC since the 1980s, we are targeting R&D and industrial applications of technology that facilitate decision-making even in situations where it is difficult to gather enough of the prior data needed for analysis.

NEC/University of Tokyo Strategic Partnership Agreement for Future AI Research and Education

The NEC/University of Tokyo Strategic Partnership Agreement for Future AI Research and Education was concluded in September 2016. It focuses on sharing a vision and issues relating to executing advanced basic research and applying research results to society under the interorganizational agreement, validation of social receptivity after the research has been applied, and promotion of comprehensive co-creation initiatives including the development of human resources who will be forging the future.

Specifically the agreement advocates the following:

1) Promotes research and development of "Brain Morphic AI Technology", which realizes an information processing system that simulates the brain and nervous systems, by assembling the world's top researchers under the leadership of Professor Kazuyuki Aihara of "the "Institute of Industrial Science, The University of Tokyo".
2) Expecting that solutions using AI will filter deep into society, promotes research on laws, guidelines, social consensus, ethics, etc., to coordinate social rules and human feelings in which solutions using AI can achieve that goal.
3) Promotes the new "NEC/University of Tokyo Future AI Scholarship" that is designed to foster students in doctoral programs who are researching AI at the University of Tokyo.

In 2016, starting with holding the "Brain Morphic AI" symposium, NEC worked on a variety of projects, focusing on a basic review of an information processing system simulating the brain and nervous systems.

▶ NEC and the University of Tokyo embark on industry-academia alliance for strengthening innovation (Press release)
- Joint research on artificial intelligence (AI), the investigation of ethics and legal systems and the promotion of human resource development -

Overseas research laboratories for global social value creation

For social value creation on a global scale, NEC is promoting R&D that exploits the local strengths of each area by placing R&D centers at five locations worldwide (in North America, Europe, China, Japan and Singapore). Each research center belongs to a partnering strategy with advanced customers and leading universities and research organizations. By promoting collaboration with the world's top universities and research organizations and competition with local customers, we have expanded our technology from the viewpoint of solutions, and established technology that is superior to that of other companies. The characteristics of each laboratory are described below:

NEC Laboratories America

At Princeton on the east coast and Cupertino in Silicon Valley on the west coast, we are creating many core technologies while strengthening our ties with local universities and research organizations. In particular, we are working on the R&D of autonomous system control and management, data management, energy control and management, integrated systems, machine learning, media analysis, mobile communication networks, optical networks and sensing technology.

NEC Laboratories Europe

NEC is actively participating in European national projects; in Heidelberg, Germany, we are working on the R&D of technologies including networks, security and smart transportation/energy. We are also involved in standardization efforts and R&D marketing centered on networks.

NEC Laboratories China

NEC's R&D is focused on creating new social solutions through the development and verification of technologies in the huge Asian market. In particular, we are working on R&D aimed at creating new social solutions businesses primarily aimed at the Chinese market. Working in close cooperation with other research laboratories, we will create solutions that address various social issues that have come about during the rapid development of the Chinese market.

NEC Laboratories Singapore

By building flexible joint research systems with local research organizations and customers and actively participating in verification trials, we are creating new solutions using NEC's own advanced technology. While constructing flexible joint research systems with governments, research organizations, universities and customers, we are actively participating in projects aimed at resolving urban issues, and are creating new solutions using NEC's advanced technology. We are particularly active in the fields of safety, big data, security and smart energy. Solutions created here are being developed on a global scale in ASEAN countries, South America, Africa and other emerging countries where there is a particularly strong need for an enhanced social infrastructure.
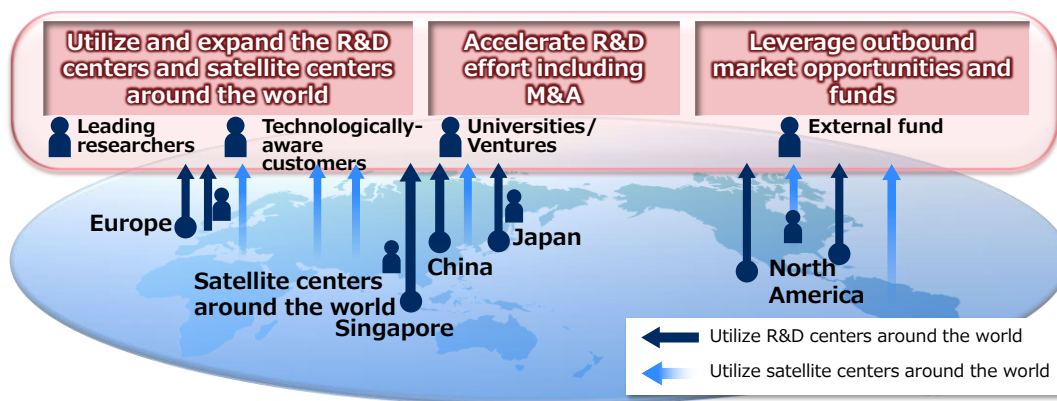
A global system of research laboratories

Driving business innovation: Business innovation integration unit

The business innovation integration unit proposes strategies relating to company-wide focus areas and promotes new reforms of business models that go beyond the framework of existing business.

For globally launching the social solutions business, we have placed a strategic headquarters under the business innovation integration unit. The aim is to formulate a business strategy using digital transformation by leveraging AI or IoT technologies and promoting new social value creation beyond existing organizations and business models

The business innovation integration unit maintains reform frameworks for existing businesses and the creation of new businesses by combining the functions of corporate marketing, technical innovation strategy and business innovation strategy.

Intellectual property headquarters responsible for strengthening our IP portfolio

In anticipation of our future global business expansion, we are focusing on the construction of a global intellectual property network at our intellectual property headquarters, actively providing intellectual property centers in North America, Europe and China and launching other global intellectual property activities. In particular, in terms of solutions for society, we are developing strategic patent projects across the entire NEC Group to acquire strong patents and patents that can be put to use. In strengthening and protecting our global brand, we have revamped and publicized our corporate brand statement.

▶ NEC's Brand Statement: "Orchestrating a brighter world"

A standardization promotion department that uses standardization to contribute to the creation and expansion of markets

At NEC, we are promoting strategic standardization activities to create business eco-systems and expand our business opportunities. To consolidate our business, we are actively promoting the strengthening and utilization of patents related to

NEC CSR Report 2017

CSR Management | **Governance** | Society | Environment

26-27	Corporate Governance	28-32	Compliance and Risk Management
33	Basic Approach on Tax Matters	34-37	Fair Trade
38-44	Business Continuity	45-51	Information Security
52-58	Personal Information Protection	59-64	Supply-Chain Management
65-74	**Innovation Management**		

standardization in order. We also expect our participation in standardization activities to contribute to the creation and expansion of markets and facilitate a stable supply of products and services, and we are actively participating in and promoting standardization efforts, including chairing standardization organizations.

Human resource development to support innovation

NEC is focusing on cultivating human resources to strengthen our core technologies for the creation of innovation in solutions for society, and cultivating and strengthening human resources in order to create social solutions. We are also promoting the fostering of business minds and the diversification of human resources.

Stronger diversity for human resource development

At NEC, we are working towards greater diversity and the employment of top researchers in targeted areas in order to strengthen our core technologies that work well in delivering social solutions. By increasing the number of researchers in targeted areas, we plan to double their number in data science, reaching 300 by fiscal 2019. In fiscal 2017, we increased the number to 220.

When hiring new employees, increasing the diversity of our human resources is also essential. At our research laboratories, in order to continue strengthening our "No. 1/Only 1" core technologies, we are actively employing the top local talent at each of our laboratories worldwide, increasing the employment of those with doctoral degrees from Japan, and stepping up our recruitment from top universities worldwide. Also in fiscal 2017, we are continuing with our policy of taking at least half of our new employees from applicants with doctoral degrees and are recruiting growing numbers from the Indian Institute of Technology. By establishing suboffices around the world, we can recruit top local talent from those areas. The result is that about 40% of our new recruits are so called "global human resources."

We are also changing our organization in order to 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 from domestic human resources to global human resources by using training programs operating inside and outside NEC, such as foreign study and work placement programs in emerging countries in cooperation with NPOs. To achieve greater diversity in specialist fields, we are strengthening our employment not only in information science but also in the physical sciences where it is necessary to handle data expertly. To resolve issues through cooperation between people and AI, we are also strengthening our employment in the humanities.

Cultivating and strengthening human resources for the creation of solutions for society

To provide solutions for society, we need to cultivate and strengthen researchers who not only have the required specialist core skills, but also have a business mind and far-reaching knowledge of diverse domains. To broaden our scope on the creation of new value, we are working on strengthening the cultivation of global human resources, enhancing the hiring of domain specialists, and developing people with a business mind who can drive business forwards.

For example, with the aim of strengthening our human resources to tackle advanced issues globally, we are planning that 70% of our researchers should have global business experience in fiscal 2019. In the creation of solutions for society, it is also necessary to have not only specialist knowledge of specific technologies, but also wide-ranging knowledge in the domain of social issues to provide value to society by bringing these technologies together. We will therefore recruit domain experts with this sort of knowledge. This means we are also strengthening mid-career recruitment.

In our in-house human resources, we also aim to quickly realize solutions for society by strengthening our promotion of commercialization through the exchange of personnel between the business sector and research sector. In particular, we will strengthen our promotion of business in our "No. 1/Only 1" AI technology and security technology by strengthening the development of human resources by top engineers, and cultivating project leaders and technology architects by exchanging personnel between the business divisions and research laboratories.

Main Activities and Results for Fiscal 2017

Main business achievements for No. 1/Only 1 technologies

In fiscal 2017, we are continuing to adapt our "No. 1/Only 1" technology to business that contributes to the realization of seven themes in social value creation. Our main business achievements are shown below:

Social value creation – 7 themes	Accomplishment	No.1/Only 1 technology
Sustainable Earth	• Marketed "Landslide Prediction System"	Technology to estimate the landslide risks
	• Marketed AI software that analyzes a video image from a surveillance camera and searches for a particular person quickly and with high-precision	High-speed Profiling Across Spatio-Temporal Data
Safer Cities & Public Services	• Provided the Australian government with a biometric system • Delivered a face recognition system for immigration checks at a major airport in the US	No.1 Face recognition
Lifeline Infrastructure	• Delivered an automatic determination system for babies and real faces	Liveness authentication
	• Started jointly an operation support service for thermal electric power generation	Only 1 Invariant analysis
Communication	• Started laying a Trans-South Atlantic undersea optical cable	World first 100-GB optical transmission
Industry Eco-System	• Collaborated with the security company to provide a new security system • Provided a cloud-type security camera service for the distribution company	No.1 Face recognition Light encryption
Work Style	• Renewed the Contact Center operations Marketed "Auto Response Solution"	No.1 Textual Entailment Recognition
Quality of Life	• More than 1 billion people registered with the Unique ID System in India	No.1 Fingerprint, Face recognition

Face recognition: Achieved first place four times in succession in evaluations by the United States National Institute of Standards and Technology (NIST)

Textual entailment recognition: Achieved first place in an evaluation (in 2012) by the United States National Institute of Standards and Technology (NIST)

Fingerprint: Achieved first place in the benchmark test of finger print authentication technology (2012)

Results and effects of the open innovation approach

The open innovation approach includes collaborations, acquisitions, spin-offs, the use of open-source solutions, and licensing. NEC's cooperation with others is widely varied, and includes links through national projects and links with local governments. Also, in the use of open-source solutions, we are already using standardized tools, and are also actively involved with standardization efforts centered on academic institutions. We are also performing licensing with the aim of achieving widespread use.

Entering the drug discovery business using leading-edge AI technology

NEC launched a drug discovery business as a part of its efforts to strengthen its healthcare business to find important drug candidate compounds by leveraging its proprietary advanced AI technologies and supporting commercialization of discovered drugs. To launch this business, NEC established a new company that will develop and commercialize a peptide vaccine for cancer treatment. The new company will develop investigational agents for a vaccine that contains a peptide as the active compound, perform non-clinical or clinical tests, review commercial viability with a pharmaceutical company and proceed to commercialize the vaccine as a new cancer drug.

NEC has its proprietary immune function prediction technology, which efficiently finds candidate peptides for vaccines by combining machine learning and tests in a short period of time and at low-cost. We will expand our base in social solutions by enhancing our health care business including drug discovery by leveraging our leading-edge ICT such as this immune function prediction technology and NEC's AI technology.

▶ NEC aims to discover new drugs harnessing advanced AI technology (Press release)
   - New company established to promote development and application of therapeutic cancer vaccines -

NEC joined FIWARE Foundation as a platinum member

NEC joined the FIWARE Foundation as a platinum member. The FIWARE Foundation is a private-sector-led non-profit organization that promotes FIWARE, the infrastructure software developed and implemented by the Future Internet Public-Private Partnership Programme (FI-PPP) in the EU. NEC is the first and only Japanese company that joined this organization. FIWARE is infrastructure software that has open API, developed and standardized as open source to promote data usage and service linking across organizations and companies providing public services. It is applied to many systems to realize a smart city in many cities and corporations mainly in Europe. Aiming to accelerate the businesses using the IoT such as "Smart City", NEC, joining the FIWARE Foundation as a platinum member, will lead efforts to expand and strengthen the FIWARE functions on a technical level.

▶ NEC joins FIWARE Foundation as a platinum member (Press release)
   - Accelerating smart city and IoT-related business -

Developed a customer profile estimation AI technology

NEC developed a customer profile estimation technology, which can automatically estimate a detailed profile on each customer such as hobbies or favorite foods without marketing experts getting involved. This technology, using NEC's proprietary relationship mining technology, precisely and automatically estimates a detailed profile for each customer from the basic profile and buying history. This enables users to address continuously changing lifestyles, quickly identify invisible personal needs and create an effective marketing plan. NEC will further proceed with its R&D, aiming to apply this technology to the retail and distribution industries such as department stores, supermarkets, convenience stores, EC sites, point card system operators, etc.

▶ NEC Develops AI-based Customer Profile Estimation Technology (Press release)

Developed a remote visual line estimation technology

NEC developed a remote visual line estimation technology, which allows the user to detect a person's visual line in real time from a remote location by using existing surveillance cameras installed on streets and in stores. This technology can detect the direction of a visual line precisely, with an error margin of less than 5 degrees top/bottom and right/left by using a regular camera. The technology uses facial features detection technology, a core technology of the facial recognition technology that is NEC's world No.1 technology, and precisely identifies a facial feature such as the corner of the eye, pupil, etc. to detect the visual line. NEC will apply this technology in the areas of safety and security where, by monitoring people's visual lines, you can set up evacuation/guidance signs at optimal locations or on streets or monitor suspicious individuals. It will also apply this technology to marketing where you can estimate popular products or contents by detecting the visual lines of, for example, customers who are shopping in a supermarket or looking at digital signage.

▶ NEC technology knows where you are looking (Press release)
   - Real-time detection of a person's line-of-sight -

Respecting Human Rights

By providing a wide range of products and services that support an information society, NEC aims to realize information societies that are more convenient, safer and secure to live in for all people around the world. NEC believes that innovative and advanced IT-network solutions and communications products can help solve some of the most challenging social and environmental issues facing global society.

However, if the evolution of technology can help social progress and the realization of the human rights of some, it may also potentially damage the environment and/or also hinder or infringe the human rights of others.

NEC is fully aware of this paradox and recognizes its corporate responsibility, as a global international company operating in a complex world environment*, to address any adverse human rights impacts which could potentially arise from its business activities and/or relationships.

* Reference: UN Guiding Principles on Business and Human Rights

Policy

As a global company, NEC strives to uphold international standards for the protection of all human rights such as the United Nations' (UN) International Bill of Human Rights[1], the ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work, and the 10 principles of the UN Global Compact[2]. The Company also seeks to improve its human rights initiatives by using benchmarks such as the "UN's Guiding Principles on Business and Human Rights" and the "European Commission's ICT Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights."

In addition, NEC reviews carefully and takes into consideration the impacts of non-legislative and legislative changes around the world on business practices. This includes for example, the Sustainable Development Goals, the UK Modern Slavery Act, and developments in the European Union for example on conflict minerals, data privacy or non-financial reporting. NEC considers regional frameworks such as the EU Trade Policy Strategy 2015 as well as new national initiatives such to prevent tax evasions.

NEC formally started the journey to embed the respect human rights deep down within its organization in 2004, by clarifying its commitment contained in the Group Charter of Corporate Behavior. In 2015, the Company announced its Group Human Rights Policy (below), as a strong commitment to all its stakeholders. In a nutshell, this policy states that NEC will engage with its stakeholders to develop and implement human rights due diligence and that the Company requires a similar level of respect for human rights from its business partners in the value chain and other associates as its own.

[1] Collectively refers to the Universal Declaration of Human Rights and international human rights treaties adopted by the UN General Assembly including the International Covenant on Economic, Social and Cultural Rights and International Covenant on Civil and Political Rights.

[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, eradicate forced labor and ban child labor.

NEC Group Human Rights Policy
April 2015
Policy statement
NEC Corporation and its consolidated subsidiaries ("NEC") aim to realize an information society in which people all over the world can live more safely and securely. All of NEC's actions are governed by a pledge to act responsibly on behalf of future generations to ensure social, environmental and economic progress. NEC is committed to comply with the strictest corporate ethics standards and respect all applicable international and national laws and human rights in the countries in which we operate. NEC recognizes that it has, as a global company, a responsibility in addressing the potential impacts that its products, business activities and relationships ("corporate activities") may have on the human rights of right holders. NEC supports the fundamental rights of individuals and workers in reference to guidelines set out by the United Nations Universal Declaration of Human Rights, the United Nations (UN) Guiding Principles on Business and Human Rights, the related European Commission's ICT Sector Guide, and the International Labor Organization (ILO).

NEC's commitments on human rights

Every officer and employee of NEC is required to respect all human rights in compliance with the fundamental principles of the NEC Charter of Corporate behavior, the NEC Code of Conduct and its management approach (The NEC Way):

(1)	In every aspect of all corporate activities, we will respect fundamental human rights and will not act in such a way that may offend the dignity of any individual or be prejudicial on the grounds of race, beliefs, age, social position, family origin, nationality, ethnicity, religion, gender and gender identity, sexual orientation, physical or mental handicap.
(2)	We will abide by the rules and regulations of each country or region for hiring and labor practices. However, we will never accept child labor or forced labor, under any and all circumstances.
(3)	We, as an ICT provider, will strive not to cause or contribute to human rights violations on data privacy and security through our business activities.

In addition, NEC expects its business partners and other parties in the value chain to apply the same level of respect human rights and to address any existing measures that would be recognized insufficient.

Engaging with stakeholders to respect human rights

NEC will engage with its stakeholders to address the following commitments in every aspect of its corporate activities:

| (1)	NEC will develop and implement human rights due diligence to address the actual or potential negative impact of its corporate activities on human rights. NEC will identify and assess actual or potential human rights risks and take measures to mitigate or prevent those risks in a consistent manner. In addition, NEC will develop processes to disclose findings externally as part of the company's wider efforts to strengthen transparency and accountability.
(2)	Where NEC's corporate activities result in negative human rights impacts caused either directly or indirectly, the company will endeavor to provide for or to cooperate to the remedy of those impacts and will take appropriate measures to prevent their recurrence.
(3)	Where national laws are in conflict with internationally recognized human rights, NEC will seek solutions that support the respect of the principles of international human rights.
(4)	NEC is committed to provide appropriate training, promote better awareness of human rights and implement other initiatives such as capacity-building, for all its officers and employees to ensure that this policy and human rights due diligence are implemented adequately.

Human Rights Due Diligence Processes

NEC is committed to solve human rights issues at global, regional and national levels, through the continual identification and monitoring of potential sources of adverse human rights impacts in all its locations worldwide.

NEC promotes an increased understanding of human rights issues through different types of engagement with its stakeholders.

Since fiscal 2015, NEC has developed a Human Rights Due Diligence Process which includes a phased approach as described in the diagram below. This process involves the recognition and understanding of human rights issues, the assessment of impacts and their evolution, the tracking of results, the transmission of these results to senior management, the evaluation of the level of integration of these findings within the organization and the related reporting.
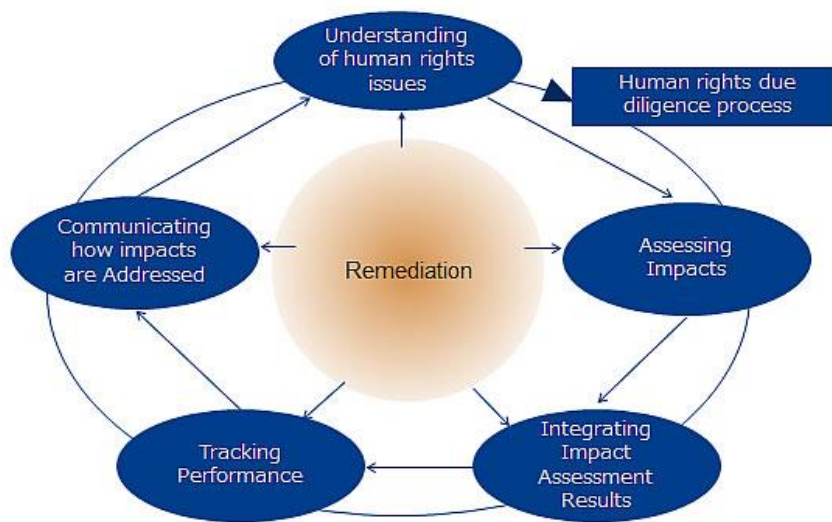
Salient Human Rights Issues

Since fiscal 2015, progress has been made in the following areas:
· Better understanding of human rights issues and of their relationships through national and regional level research, risk assessments and stakeholder engagements.
· Deeper insight on human rights issues in the value chain by partnering with NGOs to train human rights risks assessors and collaborating with them when performing CSR audits of suppliers in China.

As a result of this engagement, we were able to identify and/or confirm the current most salient human rights issues for our Company:
· Labor rights related to supply chain matters including health and safety, fair employment and the sides effects of conflict minerals
· Data protection and security rights
· Economic rights (NEC has a zero tolerance approach to bribery and corruption that can threaten the rule of law and the realization of economic rights)
· Environment rights (NEC's environmental strategy promotes the management of the impacts of our activities on the environment including CO_2 emissions, end of life)
· Customer rights (Product safety and quality assurance)

In early FY2017, NEC launched a materiality survey to evaluate the perception of material issues by staff. The results of this survey, undertaken with the purpose of further engaging with staff, will help review existing salient issues or identify emerging ones.

Human Rights Due Diligence Processes

Due Diligence Process in the Supply Chain

NEC's due diligence process in the supply chain is based on the Japanese Electronics and Information Technology Industries Association (JEITA)'s framework. JEITA published its "Supply-Chain CSR Deployment Guidebook (Tutorial of CSR Items)" back in 2006. This guidebook has been instrumental in helping us develop our own tools for suppliers (Supply Chain CSR Guidelines, Supply Chain CSR Checklist).

Assessing Impacts in the Supply Chain

An example of best Practice: EMEA

NEC EMEA Group is promoting a risk-based thinking approach which leverages on cooperation and dialogue with employees and business partners including on human rights issues. This comprises preventative initiatives, analysis of issues and of their sources of occurrence identified during the regular self-assessment exercise of the Group, as well as to implement actions to prevent recurrence.

Human right risks are recorded in local and group wide risk registers which have been amended in FY2016 to take into account impacts on stakeholder groups and external context. All social, governmental and environmental risks are reported periodically and as required for planning and decision making purposes, to the risk committee of NEC EMEA in addition to the directors of the appropriate corporate entities, and parent company, during quarterly board meetings.

New vendors are required to complete a questionnaire that puts human rights at an equal level with other criteria, such as quality, environment or ethical business practices. It is reviewed regularly in light of new trends and regulations where appropriate (for example, in the UK, the Modern Slavery Act). Vendors must commit to comply with NEC's principles for responsible business conduct or must provide evidence of compliance to equivalent requirements. Each self-assessment is duly reviewed and evaluated by a cross functional team and mandatory to be qualified for inclusion in the vendor database. Self-assessments are also used to identify needs for local site inspection of vendors and training.

The Modern Slavery Act 2015 is an important piece of legislation in the UK, with a global reach.
NEC's global commitment to human rights clarifies the company's position on recruitment and labor practices, as well as child and forced labor:
"We will abide by the rules and regulations of each country or region for hiring and labor practices. However, we will never accept child labor or forced labor under any and all circumstances."
In FY2016, NEC increased its understanding of the requirements of the Modern Slavery Act by participating in expert learning groups with some peers and seminars both in the UK and in Japan.
NEC also issued its first statement in reference to Section 54 of the Modern Slavery Act covering the organization and supply chain of NEC EMEA in September 2016.

▶ NEC EUROPE LTD Modern Slavery and Human Trafficking Statement

NEC EMEA has used the findings made through the analysis of the responses to its vendor questionnaire to map its supply chain, taking into account country risk ratings, and has reviewed which areas of its business may be exposed and to which extent, to such risks. Following this initiative, the company has updated the requirements of its "Vendor Charter of Responsible Business Conduct" in relation to trafficking and slavery issues.

Local best practices are shared with NEC entities worldwide through regular communications.

Integrating Impact Assessment Results

We require that our employees, business partners and other parties in the value chain fully respect all human rights. We contribute to develop their awareness of our human rights policy through dialogue, training, capacity building, contract clauses, and the promotion of membership of several industry associations.

Organizational Structure: Human Rights Awareness Committees

An NEC-wide Human rights Awareness Committee (chaired by the executive vice president) and a Business Unit Human rights Awareness Committee (chaired by the head of the corporate planning department of each business unit), were established in 1997 to supervise NEC's approach to human rights. The role of this Committee is to make sure that a human rights framework is created and adequately implemented, to take decisions and promote internal awareness on human rights. Similar frameworks have been established at the level of Group companies.

Human Rights Risk Management

NEC carries out a questionnaire-style risk management survey every year. Companywide risks are then prioritized based on the analysis of the results. Human rights salient for the company are identified as a result of this process, as well as the stakeholders that need to be engaged with for each specific issue.

In fiscal 2016, in order to further promote Human Rights Due Diligence, NEC engaged all business division general managers through a survey to better explain the following issues:
"Promotion of human rights policy," "Implementation of human rights policy [Business/Workplace]," "Escalation of procedures necessary to resolve human rights violation issues" and "Procedures to be implemented after a human rights violation."

Promoting Employee's Awareness on Human Rights

As NEC further expands its international business, it becomes increasingly important that its staff is appropriately educated about global human rights issues and that common shared practices are adopted by all entities.

In Japan, NEC has implemented a compulsory company-wide e-learning program for all its employees across every level, from recently recruited employees to long standing officers. This learning program incorporates an exposure to a variety of international regulations, case studies, and risks though our business in order to strengthen the understanding by management staff of what is required to respect human rights at global level. In addition, face-to-face training sessions are organized by Human Resources and senior management.

The NEC Web training program in fiscal 2016 was entitled "Human rights related to the Corporation," and covered several human rights issues such as social integrations, disabled, LGBT in Japan, related to global business, and harassment obstructed promotion of diversity.

The training session also focused on understanding the concept of "reasonable accommodation for disabled people in employment." This content was developed to take into account the raising awareness of the Japanese Act on the Elimination of Discrimination against Persons with Disabilities and an amendment to the Act on Employment Promotion of Persons with Disabilities that were enacted or amended in April 2016 and to take into account measures dealing with workplace harassment (i.e., maternity, paternity and childcare), maternity leave, childbirth leave, childcare leave and family-care leave as required by the Revised Equal Employment Opportunity Law enacted in January 2017.

In addition, specific e-learning sessions were carried out for all persons in charge of recruitment based on the "Recruitment Interviewer Manual" to maintain fair recruitment selection and provide equal employment opportunity. Several questions were introduced that displayed discriminatory attitudes or work discrimination at the time of selection, and enhanced the knowledge of prohibited questions.

Since the fiscal 2016, the Company has been promoting the accurate understanding of LGBT (Lesbians, gays, bisexuals and the transgendered) through training, and has implemented requirements to ensure that applicants are selected only on the basis of their abilities and appropriateness to the job offer.

Human rights are also promoted locally through a variety of communication tools, from the use of leaflets and human rights awareness slogans (diversity promotion slogans) suggested by some employees and their families, to the use of the Company intranet and posters.

Number of people that have attended a human rights awareness training session [Scope: NEC Corporation]

	Fiscal 2015	Fiscal 2016	Fiscal 2017
e-learning[*1]	23,538	22,063	20,296
lecture[*2]	2,932	2,030	1,731

[*1] The number of participants for e-learning for all employees and must be attended every year

[*2] Including training for interviewers

Promoting Human Rights in EMEA

Overseas, global human rights training was developed in EMEA (Europe, Middle East and Africa), North America, APAC (South East Asia, Oceania), Central and South America and China/East Asia from fiscal 2012 and completed in fiscal 2014. In the future, NEC plans to implement new initiatives for awareness raising and education based on the NEC Group's Human Rights Policy, create a new mechanism for human rights due diligence such as monitoring the impact on human rights and make further expansions. The following describes these initiatives in EMEA.

In EMEA, human rights are promoted through an online learning system that explains the principles of the NEC Group Chapter of Corporate Behavior and the NEC Group Code of Conduct. These training modules are made available to every new employee and contractor.

In FY2017, in line with previous years, the president of NEC Europe Ltd. required that all Group companies in EMEA engage in risk management activities. Priority risks were identified and assessed, then shared with the personnel of NEC companies in EMEA.

A report on progress containing recommendations on measures was made at the regular board meetings of each company. This initiative helped to support the awareness of employees on how regular business activities are connected to human rights.

Integration of Supply Chain Assessment Results into CSR Management
If any negative impact of human rights is found out, NEC requires the supplier to establish the action plan for risk improvement.
The HR, purchasing and CSR divisions share information as needed on human rights issues in the supply chain or for CSR promotion. NEC has a policy, guidelines and a check sheet for overall CSR and is checking the progress level of the CSR approach as executed by its business partners, in place.

On Site CSR Assessment Program (CSR-PMR: CSR Process Management Review)

During these management reviews, the NEC CSR PMR team identifies social and environmental issues that challenge suppliers, and uses them to prepare improvement plans. In fiscal 2016, NEC carried out an on-site CSR assessment for two Chinese OEMs in collaboration with an external institution that had expertise in solving local issues.

▶ Supply-Chain Management

Tracking Performance

Confirming Progress through Stakeholder Review with the CRF

On an annual basis, the Japanese CSR Review Forum-Japan reviews, analyses gaps and offer advices for improvement with regards to NEC's management approach and operations based on the seven core subjects of ISO 26000 annually – including human rights.

Personnel and Labor Management Audit

NEC tracks how human right issues are handled among employees; personal and labor management audits and other initiatives are regularly conducted throughout the group companies. This enables NEC to verify that its human rights awareness initiatives are being regularly deployed throughout the Group.

Tracking Performance in the Supply Chain

・On-site CSR Assessment Program (CSR-PMR: CSR Process Management Review)
 During dialogue sessions which are implemented as part of CSR-PMR, NEC confirms whether suppliers are implementing improvement plans.

・CSR Audits by Customers
 Our human rights performance interests our customers particularly labor rights. NEC works closely with its important customer for the improvement of business practices in its supply chain.

Communicating how Impacts are addressed

NEC will introduce the following initiatives in the annual CSR Report (Web version) as well and for other opportunities as they present themselves, such as lectures or seminars held outside the company.

Best Practices

Collaboration and exchange can be a tool for improvement. For example, NEC EMEA aims to enhance its knowledge and approach to corporate responsibility through its membership of several organizations. For example:
  ・ Exchanging best practices on CSR (including human rights) with other member of the Japanese Business Council in Europe (JBCE)
  ・ Participating to round tables, such as on gender diversity, involving participants from several companies, and representatives from DG Justice and the Japanese Government
  ・ Participating to seminars
  ・ Participating at events as speaker that promote the global agenda, as well as the EU-Japan business agenda of CSR involving the private sector, the European commission etc.
  ・ Participating to human rights workshops organized by leading experts
  ・ Participating to forums such as the UNCTAD World Investment Forum which was an opportunity to identify the key role of investment in the achievement of the Sustainable Development Goals
Sponsoring community events that build up on the social aspects of human rights and diversity, as well as youth education (school event during the NEC Wheelchair Tennis Masters)
  ・ Participating in COP peer reviews as a member of the UN Global Compact UK network
  ・ Participating in themed working groups on human rights (for example on the Modern Slavery Act, on the Sustainable Development goals, on conflict minerals), of which some members are part of the UN Global Compact UK network
  ・ Participating in conferences such as the annual United Nations Business and Human Rights Forum and other seminars conducted by law firms

NEC CSR Report 2017 CSR Management Governance **Society** Environment

75-84	**Respecting Human Rights**	85-93	Diversity and Inclusion
94-99	Creating a Diverse Work Style Environment		
100-105	Human Resources Development and Training		
106-111	Health and Safety	112-115	CS (Customer Satisfaction)
116-119	Ensuring Quality and Safety		

Participation to the Global Compact Network Japan (GC-NJ)

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. In this context, NEC has committed to plan and carry out programs that assist Japanese companies to understand and seek remedies for breaches of global human rights. NEC participates in various lectures and workshops, learning about the latest international developments related to human rights, including the UN Guiding Principles on Business and Human rights, and issues more specifically applicable to Japanese companies, which we can use to improve our own initiatives. Other NEC companies in the world participate to similar local networks, for example, in the UK.

Reporting

NEC reports about its various human rights initiatives and progress made on them on its Website, on an annual basis and/or as required.

Eliminating the Digital Divide

NEC recognizes that it can play a role in eliminating the digital divide and facilitating the right to access information, leveraging on its products and services, and with the aim to create a safe and secure society.

▶ Solutions for Society

Initiatives mitigating risks due to human rights violations inflicted by business operation

NEC has implemented various initiatives in each business unit. These initiatives, which highlight important themes in the ICT industry, cover areas such as privacy protection, environmental-friendliness, securing product safety and quality.

Protecting privacy is a very important human rights issue and relevant to personal data usage when promoting businesses. NEC has led an investigative project that is calling for cooperation from 35 companies and research institutes facing the same issues. The goal is to create rules that allow for the promotion of such businesses regarding visual data usage while protecting the privacy of the general public. A summary of the draft rules by project members included opinions from experts. A working group established by the relevant ministry and agencies also began reviewing how to treat visual images in terms of privacy protection. The draft was then proposed to a working group as a reference. This led to the publication of an official guidebook on the use of visual images and protection of privacy.

In April 2017, NEC launched the "Data Distribution Strategy Office" and has been working in active cooperation with external experts to promote such initiatives as strategy and solution planning for personal data usage focusing on privacy, policy proposals and communication to related stakeholders.

With a clear focus on human rights issues such as privacy protection, NEC aims to provide new solutions using AI or IoT and to expand its global business through these activities.

▶ "Handling Privacy in the Social Solutions Business and Rulemaking" – Stakeholder Review based on ISO26000

Developing Human Rights Awareness through Social Contribution Programs

Social contribution activities can be an appealing way to improve the awareness and understanding of staff about the human rights of the local communities. For example, NEC is taking part in several initiatives that aim to better include those with physical disabilities:
・NEC sponsors wheelchair tennis, and organizes events in which employees can participate as volunteers since 1991.

・NEC holds the NEC Internet Safety Classes for pupils in elementary schools to teach them how to use the Internet safely based on the Children's Rights and Business Principles developed by UNICEF, the UN Global Compact and Save the Children in 2012, since 1999.

・NEC has led an IT Communication Support Course that helps people with severe disabilities, to communicate using computers with minimal movement, since 2008.

▶ Activities for Contributing to Society

Operational Grievance Mechanism: Human Rights Hotline Desk

A variety of options are available to different types of NEC's stakeholders in order for them to report their concerns or engage in consultations about human rights, as part of a wider process to mitigate adverse impacts on human rights. The use of these options is supported by policies on grievance, whistleblowing and by enabling dialogue to empower people to raise their complaints or concerns.

For example, NEC has implemented a Human rights Hotline Desk, which is a consultation contact point for employees, including temporary employees, for the purpose of clarifying the nature of consultations and expediting responses. This hotline is led by the Personnel Affairs Division of NEC Corporation and staff appointed in each business unit, and offers consultation and advice. A system has been set in place to ensure that those seeking consultation are guaranteed protection of their privacy and are shielded from retaliation. This system is assessed to ensure the effectiveness of outcomes.

New staffs in charge of the hotline are trained on the responsibilities of their role, consulting methods and approach. Other practical initiatives are taking place, such as based on role-play. Outside Japan, specific compliance reporting systems, have been established and employee consultations procedures are in place.

In fiscal 2016, the Hotline Desk added another hotline function for its suppliers and various orientations have been held to support the function: "Study meeting for understanding the LGBT community" and "Briefing session on amendments to laws related to the disabled and reasonable accommodation." In fiscal 2017, a hotline function for the disabled and LGBT community were added in addition to the existing one on harassment and bullying.

About 30 requests for consultation were received, of which 90% concerned issues of harassment (sexual harassment and power harassment) in fiscal 2016. Suppliers have access to a Compliance Hotline. Residents of local communities can pass on their opinions through Customer Communications Centers.

Objectives and Achievements

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

Steadily implement human rights due diligence activities and prevent human rights violations in business and the workplace.

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

Objective	Achievements and Progress	Degree of completion
1. Promotion and adoption of human rights due diligence based on the NEC Group's human right policy	· Implementation of the Self-Check Sheet (self-check assessment) for Managers (on human rights items below) - Awareness raising for NEC Group Human Rights Policy - Human Rights Policy – Enforcement of NEC Group Human Rights Policy in business and the workplace - Escalation when there are human rights violations - Troubleshooting when there are human rights violations · Conduct dialogues with external experts to consider future activities related to human rights due diligence	Some progress

Fiscal 2017 Objectives

1. Promote and establish human rights due diligence activities	· Promotion of implementing related activities into the human rights management system
2. Strengthen initiatives to raise awareness of human rights across the whole NEC Group	· Analysis of the latest legal trends in human rights issues and holding study meetings · Confirmation of structures and help desks for human rights activities at each subsidiary in the Group; provide information and training materials related to human rights awareness · Strengthening of initiatives to prevent recurrences of human rights violations

Diversity and Inclusion

At NEC, we employ a broad diversity of people at each of our organizations and departments, and creating an environment that accepts diverse viewpoints and ideas is an essential part of our management strategy. Diversity involves recognizing and respecting one another's individual differences, and is based on the principle of valuing people precisely because of what sets them apart from others.

NEC will continue to contribute to the advancement of society by implementing a more proactive diversity and inclusion program by giving people the opportunity to show mutual respect for diverse individuals.

Policy

NEC has established "NEC Group Human Rights Policies" that aims to promote diversity not only in terms of race, belief, age, social status, family origin, nationality, ethnicity, religion, gender/gender identity, sexual orientation and disability, but also in terms of work style, career, point of view, and sense of values.

We consider respect for individuality to be at the core of diversity promotion, which is why it is listed as one of the maxims of the NEC Group's values.

We are promoting diversity and inclusion in the belief that achieving a healthy work-life balance, enabling many different types of people to work together in each organization and department, and incorporating diverse viewpoints and ideas lead to the creation of new values and the generation of innovations.
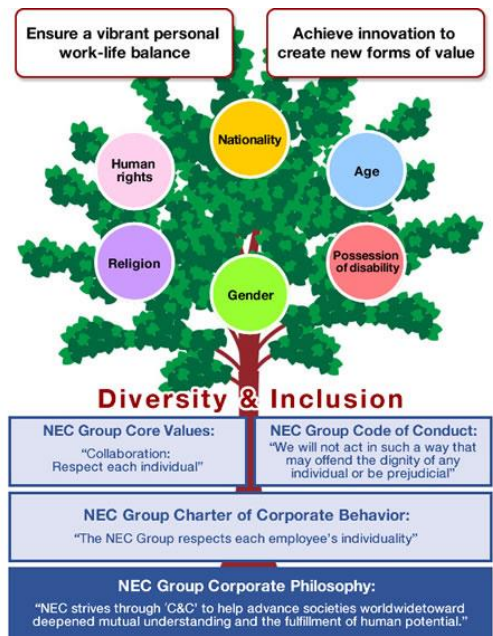
Promotion Framework

In July 2013, we established the Diversity Promotion Group in our human resources department as a specialist unit for the promotion of diversity at NEC. This group expands and strengthens various activities, including promoting women in the workplace and providing counseling and support for people with disabilities and sexual minorities (LGBT).
At NEC, our most important mission is to promote the individuality and uniqueness of diverse employees and to provide support for a corporate culture where everyone can work and participate at their full potential. The role of the Diversity Promotion Group is to implement policies and to build a framework for cooperation between related departments.
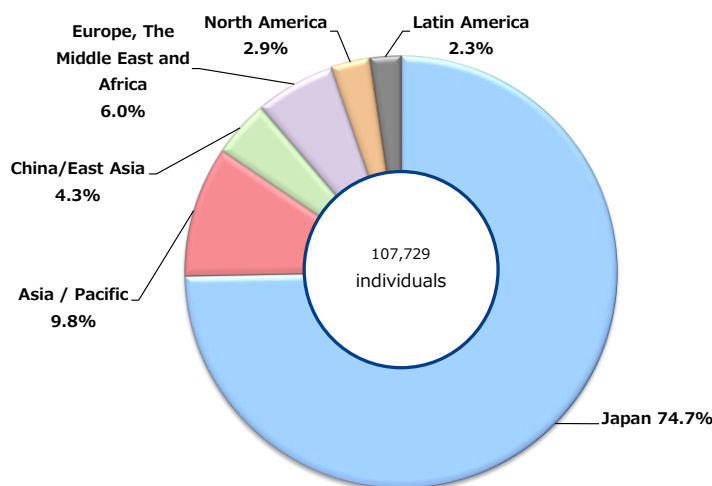
Measures and Systems

Promotion of Global Recruitment of Human Resources

NEC Corporation is working to recruit non-Japanese individuals who possess the skills and specialized knowledge needed by the Company in the areas of research, technology, sales, and corporate administration, with the view to achieving global business expansion. Through these efforts, NEC strives to increase the quality of its workforce and promote diversity in each area. NEC Corporation has proactively provided opportunities for employees of overseas subsidiaries to work at NEC Headquarters to facilitate interaction with these personnel and develop human resources.
For the cultivation of global human resources, please also refer to the page on human resources development.

▶ Human Resources Development

Ratio of Employees by Region as of March 31, 2017 [Scope: NEC Corporation and Consolidated Subsidiaries]

Europe, The Middle East and Africa 6.0%
North America 2.9%
Latin America 2.3%
China/East Asia 4.3%
Asia / Pacific 9.8%
Japan 74.7%
107,729 individuals

Promoting Women's Success in the Workplace

Before the 1985 Equal Employment Opportunity Act came into effect, NEC was already keen to hire and promote people regardless of their gender, and the proportion of female college graduates hired in recent years has ranged between 25% and 30% percent. The overall proportion of women among our management has already exceeded 5%, and there are 102 women occupying managerial positions at the level of organization leaders, department heads and above (as of April 1, 2017).

Compliance to the Promotion of Women's Career Activities Act

NEC 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.

1) We will make plans to appoint women to positions at or above the level of department head. By FY 2019, the proportion of women operating at this level will be at least 5%.
2) We will provide stronger career opportunities and management support to mid-career management staff (those who are just below managerial or directorial level).
3) We will use ICT to promote reforms of working patterns.

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 became the first company in April 2016 to receive the "3-star" mark, the highest level under the "L-boshi" Certification given in recognition of companies based on their compliance with the Act on Promotion of Women's Participation and Advancement in the Workplace. Since the Act covers companies with more

than 300 employees, NEC ensured the proper dissemination of the substance and purpose of the Act to all domestic affiliates covered by the Act, and requested those affiliates to formulate their respective action plans and numerical targets.
NEC provides support and holds career-formation and other events for Group company employees returning to work after taking maternity and childcare leave, as part of efforts to promote women's participation and advancement in the workplace throughout the entire NEC Group.
NEC's numerical data in regard to the Act on Promotion of Women's Participation and Advancement in the Workplace 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.")

▶ Data Collection
▢ Database of companies promoting women's participation and advancement in the workplace (Ministry of Health, Labour and Welfare website, Japanese)

| Workforce by gender [Scope: NEC Corporation employees only]

(People)
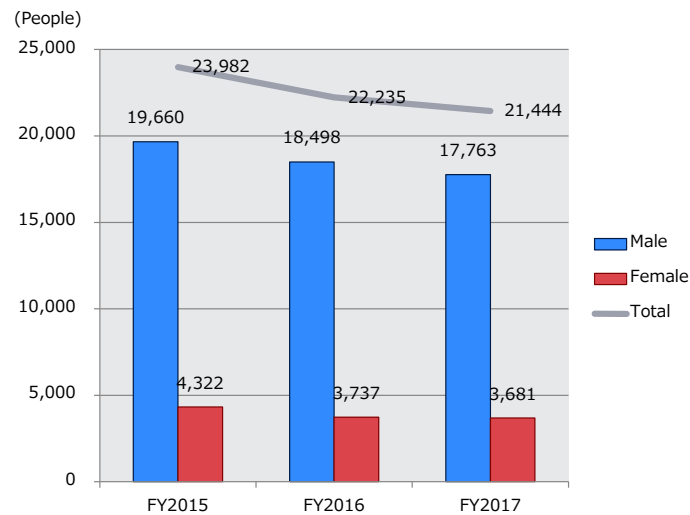
| Average length of employment (scope: full-time NEC employees only)

	End of March 2015	End of March 2016	End of March 2017
Male	18.6 years	18.7 years	18.9 years
Female	18.3 years	18.2 years	18.3 years

| Number of female managers and ratio of female managers to the total number of managers
[Scope: NEC Corporation employees only]

	April 2015	April 2016	April 2017
Number of female managers (Ratio of female managers)	386 (5.2%)	374 (5.4%)	368 (5.5%)
Department Head and above managers	96	97	102

Promoting Employment of Persons with Disabilities

Since 1979, NEC has been running a central committee chaired by the corporate officer in-charge of human resources to promote the employment of people with disability.

Guided by the principle of "doing what you can do on your own, and helping each other for things you cannot," there are currently more than 320 persons with disabilities employed in the company.

To promote a "barrier-free" selection process, we established an employment liaison service in the Human Resources Development Division and are actively participating in joint interviews for persons with disability held by employment services such as "Hello Work" (operated by the Japanese government). Other than arranging for sign language interpreters and conducting examinations in Braille, we provide support according to the nature of individual disabilities, such as confirming the availability of barrier-free facilities before they enter the company.

Likewise, after their joining the company, we also regularly ensure that the necessary work accommodations are being taken through career review interviews. Also, starting April 2016, we have expanded the support provided through the human rights hotline to include consultations regarding "reasonable accommodation."
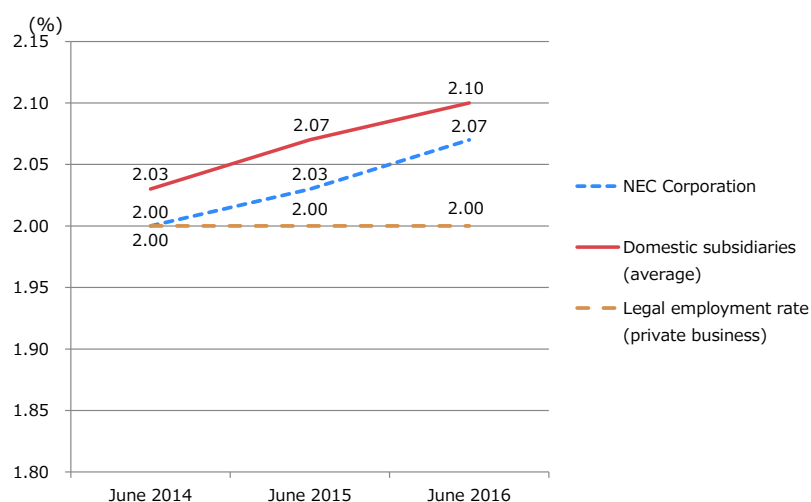
In addition, we have established a Group-wide committee for promoting the employment of persons with disability, which includes human resource officers of domestic affiliates as members. Also, in collaboration with experts in the field, NPOs and other organizations such as Hello Work, we are conducting 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, and are pursuing initiatives to diversify our work styles, such as by introducing new modes of employment, as well as to broaden the range of opportunities for people with disability.

Subsidiary Company for Employees with Special Needs: NEC Friendly Staff, Ltd.

In March 2003, NEC established NEC Friendly Staff, Ltd. as a subsidiary company for employing people with disabilities. This company actively employs people with intellectual and mental disabilities, and as of April 1, 2017 had hired 48 such individuals. At its offices located in the NEC Fuchu Plant, the company primarily provides administrative support, cleaning and afforestation services, as well as support for NEC's social contribution activities.

Since April 2014, we have also provided an office in NEC's headquarters district (Minato ward, Tokyo), where we have been expanding into new business centered on the conversion of business-related contract documents into PDFs. The office employs 15 people, including four supervisors. These activities contribute to strengthening management practices in terms of compliance, as well as promote business efficiency at NEC. Going forward, the company will aim to expand its business as a subsidiary company for employees with special needs by providing a wide range of business support services.

Changes in the employment rate of people with disabilities
(Scope: NEC Corporation and domestic consolidated subsidiaries)

NEC CSR Report 2017 CSR Management Governance **Society** Environment

75-84   Respecting Human Rights   85-93   **Diversity and Inclusion**
94-99   Creating a Diverse Work Style Environment
100-105 Human Resources Development and Training
106-111 Health and Safety   112-115 CS (Customer Satisfaction)
116-119 Ensuring Quality and Safety

Supporting Diverse Work Styles for Seniors

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

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 begun 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 desired, job description, employment terms and other conditions.

Main Activities and Results for Fiscal 2017

Promoting Global Recruitment of Human Resources

The company has set a target of having international students account for 10% of planned new hires and has conducted hiring activities on this basis. In fiscal 2014, the number climbed to 47 students, or 13% of hires. In addition to continuing to hire international students in Japan, the Company also began hiring directly from universities overseas, with 39 foreign students joining as new hires in fiscal 2017.

Japanese students graduate in March and generally start working for companies in April, but at NEC we provide a system where it is possible to join the company in October in order to accommodate people who fall outside this pattern, including foreigners and Japanese people returning from overseas studies or work experience. Also, in response to the increase in the number of employees of foreign nationalities, beginning with documents related to employment procedures, we have completed the preparation of English versions of 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.

Since fiscal 2015, we have been holding exchange meetings at the Sales Divisions for employees of foreign nationalities to interact with their seniors and with company executives, enabling them to form and expand their network of personal contacts, as well as broaden their perspectives on work styles and career paths.

Promoting Women's Success in the Workplace

For fiscal 2017, we implemented the following measures and events centered on the formation of career paths for female employees and raising awareness of the available options.

An Interactive Event for Young and Mid-career Female Employees hosted by Female Managers

The interactive events for female employees sponsored by female members of NEC's management (SELENE: Scarlet Elegance in NEC), which has been held since fiscal 2015, were held in fiscal 2017 in accordance with the specific workplace needs. A panel discussion themed "Enabling women to work actively for a long time" was held during the Business Division Kick-off held in October 2016.

In February 2017, a group discussion themed "Enabling women to more actively draw their career path" was held at the training for promoting women's participation and advancement in the workplace geared for female managers of domestic affiliates.

NEC CSR Report 2017   CSR Management   Governance   **Society**   Environment

75-84	Respecting Human Rights	85-93	**Diversity and Inclusion**
94-99	Creating a Diverse Work Style Environment		
100-105	Human Resources Development and Training		
106-111	Health and Safety	112-115	CS (Customer Satisfaction)
116-119	Ensuring Quality and Safety		

Seminar for Employees Returning from Childcare Leave

This seminar, which was started in fiscal 2016, was held for the third time in February 2017, with about 50 employees on childcare leave attending. The latest seminar was also attended by employees belonging to domestic affiliates. This seminar was held with the aim of enabling employees who are due to return to work soon to enrich their careers while balancing the demands of work and childcare. It provided information about company trends as well as policies and systems, including systems to support work-life balance, and used group work to help participants visualize how their life balance would turn out after returning to work.

In preparation for the seminar, a survey was held among senior employees who have returned to work and are currently balancing work and childcare regarding their life after returning to work and the ways by which they achieve balance. Responses from a total of about 150 female and male employees were received and summarized into a booklet on the realities of senior employees who have been through the same experience. The booklet was distributed to participants of the seminar, to the survey respondents, and to superiors of returners. As a result of these initiatives, NEC has achieved a record return rate of 97.7%.

Seminar to support employees returning to work from childcare leave (Scene during the group discussion)

Career Development Event Held for Women in Sales

Among sales personnel committees Company-wide, cross-Company development of female sales personnel and future leaders is considered as a very important issue. This is why, since fiscal 2014, NEC has held nationwide networking events and leadership training for women in sales positions. These events create opportunities for women to discuss their careers with executives, managers, and other senior employees, and are 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 the Company, further expanding the viewpoints and thinking.

Summer "Riko-Challe" 2016 for female junior and senior high school students

NEC actively hires talents in the fields of science and technology and believes in the prime importance of women pursuing science and technology careers in securing the future human resources. In this connection, we held an interactive event for female junior and senior high school students in August 2016 with the aim of enhancing their motivation to choose careers in science and engineering. Through a tour of the NEC Showroom and discussions with women employees working as researchers or engineers at NEC, the event provided the participants an opportunity to have a first-hand experience of ICT.

Promoting Employment of Persons with Disabilities

For fiscal 2017, we held the following activities aimed at creating employment for persons with disabilities. As of 1st June 2016, the ratio of disabled employees is 2.07% at NEC and 2.10% (on average) at our domestic consolidated subsidiaries.

NEC Group Job Fair for Persons 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 persons with disabilities. In fiscal 2017, the NEC Group held a job fair for persons with disabilities, targeting new graduates and midcareer recruits.

At NEC and its domestic affiliates, when there are hearing impaired persons present at recruitment events, during the selection process or during training events after people have been hired, we offer assistance by providing a sign language interpreter or displaying summarized captions on a PC. We are also working towards providing a barrier-free working environment by considering people who commute by car and making our facilities and equipment as accessible as possible.

Sharing of Knowhow on the Hiring of Persons with Disabilities

In September 2016, for the benefit of staff responsible for hiring persons with disabilities at domestic affiliates, we held a study session regarding reasonable accommodation and employment creation in view of future revision to the statutory employment rate. Exemplary job creation cases at NEC and the activities of NEC Friendly Staff, Ltd. were introduced, and measures to further increase each company's disabled employment rate were tackled though group discussions.

Assisting the Self-Empowerment of NEC Group Employees with Hearing Disability

Since fiscal 2016, we have been holding study sessions at NEC in order to deepen our knowledge of employees with hearing disabilities in the NEC Group. This grew from a comment we received at the annual C&C User Forum & iEXPO event, where a hearing impaired employee given the task of looking after customers who also had hearing disabilities 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 2017, five study sessions attended by a total of 250 persons were held on themes that are considered important for all employees of the NEC Group, such as introduction of products and solutions, critical risks and measures, and mental health.

In these study sessions, we are not only providing the contents of lectures via sign language, but 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 (which make it easier to hear through a hearing aid). Also, by holding meetings for discussions and announcements between hearing-disabled workers, 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.
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.

Commitment to LGBT (sexual minorities)

NEC believes in prioritizing a correct understanding of LGBT[*1] issues and increasing the number of allies[*2] in order to create a work environment where every individual can fully express oneself at the workplace without fear of discrimination. In fiscal 2017, we carried out the following initiatives.

Promoting Fair Employment

For the benefit of persons conducting job interviews, we added LGBT-related items to the employment interview manual and provided pointers in conducting appropriate interview sessions.

1) From a human rights viewpoint, there must be no discrimination or disrespect of individuals.
2) At no point should any interview turn to the subject of LGBT, even if the individual concerned has already come out.
3) Hiring decisions must be made solely on the basis of individual ability and business aptitude.

Online Training on Human Rights Awareness "Business and Human Rights"

We added LGBT-related items to the online training on human rights awareness "Business and Human Rights" held in December 2016. We also conducted activities aimed at deepening the understanding of LGBT issues and raising awareness to prevent harassment and outing of LGBT persons. From April 2016, we added the role of LGBT counselor to the human rights hotline and announced the initiative throughout the company.

Supporting Employment of LGBT Persons

NEC, led by members of the CSR Promotion and Social Contribution Office, participated in an event to support employment of LGBT persons sponsored by ReBit (an NPO established by the graduates (Batch 13) of the "NEC Social Entrepreneurship School" in fiscal 2015). Through the event, we provided support to LGBT persons by helping them overcome doubts and anxieties in relation to employment.

[*1] An abbreviation of Lesbian, Gay, Bisexual, and Transgender (a generic term for sexual minorities)
[*2] Ally (a supporter who understands the situation of LGBT individuals)

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

🖵 Realizing a diverse and inclusive society (Keidanren website, only in Japanese)

Objectives and Achievements

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

1. Promotion of women's activities	· Systematic promotion of different measures to achieve the numerical targets based on the Act on Promotion of Women's Participation and Advancement in the Workplace. · (Numerical target: Increase the ratio of female managers in Department Head or higher positions to 5% by fiscal 2019)
2. Employment of people with disabilities	· NEC: Achieved an disabled employment rate of 2.2% as of April 2018 (including subsidiary companies for employees with special needs) · Domestic consolidated subsidiaries: Achieved the statutory ratio of employees with disabilities at all consolidated subsidiaries

NEC CSR Report 2017   CSR Management   Governance   **Society**   Environment

75-84	Respecting Human Rights	85-93	**Diversity and Inclusion**
94-99	Creating a Diverse Work Style Environment		
100-105	Human Resources Development and Training		
106-111	Health and Safety	112-115	CS (Customer Satisfaction)
116-119	Ensuring Quality and Safety		

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

Promoting Diversity in the Workplace

Objective	Achievements and Progress	Degree of completion
1. Promotion of women's career activities ・Individual training of promising individuals and their planned deployment to external training programs [continuing] ・Raising awareness on career options for midcareer female employees sponsored by female managers [continuing] ・Holding of seminars to support employees returning to work from childcare leave [continuing] ・Implementing management support programs for Department Head-level staff to encourage participation and advancement of women [new] ・Promoting the reform of working patterns with an awareness of productivity through the use of ICT, etc. (Company-wide activity) [continuing]	・We made a list of promising individuals and provided individual training and promotion opportunities. ・We provided support to workplace events sponsored by female managers (SELENE) (Business Support Division, NEC Engineering, Ltd.) ・We held seminars to support returning from childcare leave (NEC and five Group companies) ・We added contents on maternity harassment to the materials used for the online training to support work-life balance for newly appointed managers. ・We expanded the experiments aimed at formulating conditions for telecommuting for the entire NEC Group, and relaxed the requirements for "bring your own device" (BYOD).	Mostly achieved
2. Deployment of people with disabilities ・Promoting compliance to the revision of the statutory employment rate for fiscal 2019 onwards (promoting new employment initiatives for other disabilities) ・Further expansion of new business areas (conversion of documents and contracts to PDF) centered on subsidiary companies for employees with special needs ・Domestic consolidated subsidiaries: Attained statutory employment rates in all consolidated subsidiaries	・We established and convened the NEC Group Committee for Promoting Employment of Persons with Disabilities. ・We held an NEC Group Job Fair for Persons with Disabilities. ・We conducted study sessions for staff responsible for hiring persons with disabilities at the NEC Group. ・We provided support to the regular study sessions for hearing impaired persons. We expanded the business areas of NEC Friendly Staff, Ltd. and increased the number of employees (Started consignment of operations at the Tamagawa area from April 2017).	Mostly achieved
3. Promoting the hiring of foreign nationals ・Planned hiring of employees of foreign nationalities among new graduate recruits ・Promoting measures aimed at facilitating the hiring of employees of foreign nationalities (holding of cross-cultural understanding and exchange meetings)	・We have continued to hire employees of foreign nationalities (39 persons). We regularly conducted cross-cultural exchange events.	Some progress

Fiscal 2018 Objectives

Promoting Diversity in the Workplace

1．Promoting women's activities	・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.
2．Employment of persons with disabilities	・Attain the revised statutory employment rate to be enforced in April 2018 (Expand duties and employment for persons with disabilities).
3．Support for LGBT persons	・Formulate measures in support of LGBT within the human resources and benefit and welfare systems.

Creating a Diverse Work Style Environment

NEC aims to provide a working environment that will bring value and achieve a successful work-life balance. To that end, 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.

Policy

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 labor union 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.

Promotion Framework

Human Resources Development Division and business unit are leaders in coordinating labor and management.

Measures and Systems

Personnel System and "Two-Way Communication"

Since 1990, NEC has been using the "Collaboration" based on the "Two-Way Communication" evaluation system. Goals were set for each employee by reviewing and correlating the organization's overall goals and each employee's desires and career expectations, feedback was given about the goal achievement level, and evaluation results were discussed through interviews to assist personal and career development.
NEC pays appropriate salaries and bonuses based on ability and performance and various laws and regulations, collective labor agreement and internal regulations. The average annual salary of NEC employees is 8,048,801 yen, and the average length of employment is 18.8 years (As of March 31, 2017).

Work Style Transformation

At NEC, labor and management cooperate to implement flexible working styles, prevent overwork, and promote time off from work.
The status of these efforts is confirmed by labor-management committees in each business unit and office to shorten work hours and ensure employee health while also promoting time off from work. In addition, to respond to changes in the business environment and the diversifying needs of employees, we have expanded the range of employees allowed to work from home and to "bring your own device" (BYOD). This has not only contributed to creating a better work-life balance for employees, it has also led to increases in worker productivity.

Interactive workshop on the theme of "Work Style Transformation" attended by executives and young employees

Main Activities and Results for Fiscal 2017

Two-way Management

We have continued and repeatedly held deliberations between labor and management in fiscal 2017 in regard to operations that will further enhance two-way communication and enable effective dialog. Based on the results of the "One NEC Survey" (Employee Opinion Survey), we reviewed the management improvement suggestions at each work place, employed them and at the same time held a training session for evaluators in management on a company-wide basis.

Promoting a Healthy Work-Life Balance (Work Style Transformation)

As a result of activating a series of measures created by labor and management, "shorter work hours" and "taking leave time" have become prevalent. Following labor and management deliberations, the coverage of employees required to fill in the Health Check Sheet* was expanded in fiscal 2017, in efforts to ensure the health of employees. In addition, the number of employees who are allowed to work from home or work with BYOD has been extended, improving CS (Customer Satisfaction) because of faster communication and improvement in labor productivity due to efficient use of time.

The rate of taking paid leave at NEC for fiscal 2017 was 69.3%, which was higher than the previous year (67.9%), while the average monthly overtime, 17.1 hours, was lower than the previous year (17.4 hours).

* The Health Check Sheet is a questionnaire in which employees who work long hours enter their health status. Those who have concerns can consult with an industrial physician.

Promoting a Healthy Work-Life Balance (Supporting balance between work and childcare/nursing care)

NEC Corporation 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 and since before such systems were mandated by law.

Child Support

In addition to its other initiatives intended to support a balance between work and childcare, since fiscal 2006 NEC has implemented a number of measures based on its 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 system to help with the payment of childcare fees at government-run nurseries (Subsidy for Family Support Service), and (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 fiscal 2008, fiscal 2013, and in fiscal 2016. We implemented a series of measures, even including measures that are not incorporated in the action plan: in 2014, we extended the duration of our system of reduced working hours for people looking after children, and from fiscal 2017 we further improved the work-life balance of our employees by adding "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, and by increasing the number of times employees responsible for childcare/nursing care can arrive late to work from eight times per month to ten times per month.

Nursing Care Support

Now that people are living longer and there are more people requiring care (either informally or from qualified caregivers), it is becoming harder for working people to care for their older family members. We have therefore been working at expanding our care support business with the aim of supporting workers who have to balance their care-giving and work responsibilities. More specifically, we have established the following systems:

1) A "Nursing Care Relocation Expense Subsidies" System, under which NEC will provide subsidies for relocation expenses incurred by employees who have their parents move in with them or move nearby so that they can provide nursing care
2) A "care environment maintenance funding" system whereby financial support is made available when an employee has to incur major expenditures, such as making structural modifications to the family home or moving to a long-term care facility, as a result of a care review of a parent with a high level of nursing requirements
3) NEC Corporation has launched a nursing care support website to help reduce any feelings of isolation or frustration experienced by nursing care providers.

We have also implemented Web-based training to promote these systems and to teach all employees how to use them.

Paid leave [Scope: NEC Corporation]
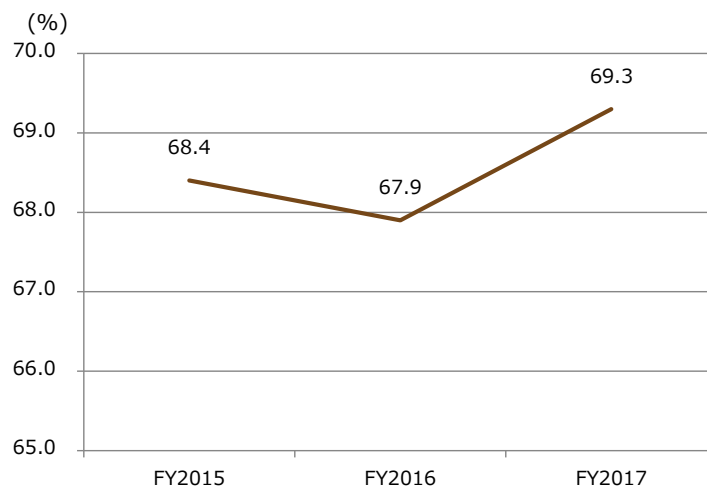
Number of people of utilizing childcare and nursing care leave [Scope: NEC Corporation]

(Number of persons)	FY2015	FY2016	FY2017
Childcare leave	388	395	376
Reduced working hours for childcare	814	850	893
Nursing care leave	16	19	18
Reduced working hours for nursing care	17	16	19

NEC CSR Report 2017 | CSR Management | Governance | **Society** | Environment

75-84	Respecting Human Rights	85-93	Diversity and Inclusion
94-99	**Creating a Diverse Work Style Environment**		
100-105	Human Resources Development and Training		
106-111	Health and Safety	112-115	CS (Customer Satisfaction)
116-119	Ensuring Quality and Safety		

History of the introduction of systems to support workers responsible for childcare/nursing

FY	Systems Introduced
2017	・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
2015	・Changed the number of times employees responsible for childcare/nursing care can arrive late to work from eight times per month to ten times per month
	・Enhanced Subsidy for Family Support Service (Private facilities under contract with or introduced by national or municipal governments added to subsidy eligibility).
2013	・Extended applicable period for telecommuting system －(Extend from the end of third grade to the end of sixth grade)
	・Extended applicable period for Subsidy for Family Support Service－(Extend from the end of third grade to the end of sixth grade)
	・Enhanced Childcare Support System－(Revised requirements for the application of the system to "day-care centers providing childcare until 20:00")
2011	・Introduced Nursing Care Leave－(Employees can obtain up to 5 days multiplied by the number of family members requiring nursing care)
	・Added reasons of sickness prevention for children before entering elementary school to the Family Friendly Leave System
	・Exempted employees raising children under the age of 3 from overtime work
	・Offered Subsidy for Relocation Expenses incurred to provide nursing care
	・Introduced a subsidy program for expenses (up to \200,000 a year) related to changes in nursing care methods, such as home renovations or relocation into a nursing home
	・Launched Intranet website on a nursing care support
2009	・Introduced Retiree re-entry system—a re-employment system for people who have left the Company for reasons such as spouse relocation, childcare and nursing care, provided certain requirements are met.
2008	・Introduced financial support system for fertility treatment (up to \200,000 a year)
2006	・Offered Subsidy for Relocation Expenses for childcare
2005	・Introduced Parent Fund: Payments to employee or dependent giving birth of \550,000 per child
2003	・Revised Family Friendly Leave System: Medical and nursing care leave system revised. In addition to existing reasons for medical care and nursing, added reasons of birth by spouse, sickness prevention for employees and family members, including immunization, nursing care of family members, family members' school events such as parents' days, and volunteer activities.
2001	・Introduced Telecommuting System
1999	・Introduced Childcare Coupon System: Provision of discount coupons of babysitter services by All Japan Childcare Service Association.
1998	・Introduced Nursing Care Coupon System: Provision of discount coupons for nursing care services provided by nursing assistants registered at nurse and housekeeper agencies nationwide.
1993	・Introduced reduced working hours for nursing care
	・Introduced reduced working hours for childcare
	・Introduced Medical and Nursing Care Leave: Leave system that are separated from the annual leave system; It enables employees to take leave for the purpose of treatment of sickness and injuries and medical care as well as to care for family members.
1991	・Introduced Childcare Leave System
	・Introduced Nursing Care Leave System

NEC CSR Report 2017 | CSR Management | Governance | **Society** | Environment

75-84   Respecting Human Rights   85-93   Diversity and Inclusion
94-99   **Creating a Diverse Work Style Environment**
100-105 Human Resources Development and Training
106-111 Health and Safety   112-115 CS (Customer Satisfaction)
116-119 Ensuring Quality and Safety

Objectives and Achievements

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

・Reduction in total work hours and the number of long-hour workers through improvements in productivity
・Establishment of a flexible work style where a wide range of people can successfully work
・Establishment of a childcare system and home care system that support those employees who continue to pursue their careers.

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

Objectives	Achievements and Progress	Degree of Completion
1．Reduction of total work hours ・The goal for the average overtime work hours is a reduction in hours from fiscal 2016. The goal for taking more paid leave and taking compensatory leave is an increased rate over fiscal 2016. ・A revision of the Health Check Sheet (fiscal 2017) (criteria to select overtime workers) and setting the criteria at 70 hours or more per month to reduce the number of overtime workers.	・Compared to the previous year, the average monthly overtime decreased (from 17.4 to 17.1 hours), and the annual rate of taking paid leave (from 67.9% to 69.3%), as well as the rate of taking compensatory day off (from 38.2% to 45.3%) increased. ・We endeavored to ensure the health of employees by moving the finishing time by which employees can avail of the "rest interval system"* to an hour earlier. * A system wherein employees can delay the time for starting work the next time day depending on the time for finishing work the previous day, in case they expect to work beyond 22:30, as a means to ensure the health of employees working overtime until late at night.	Achieved
2．Deployment of "Work Style Transformation" that should improve productivity ・Flexibly operate the "Work at Home" system or "Secure BYOD" and extend the number of users of those systems to promote a "work style" by which a wide range of employees can successfully work.	・We continued deliberations between labor and management to improve productivity, and decided to revise and expand the different internal work systems, such as the Telecommuting System, within fiscal 2018.	Some progress
3．Increase in the number of users of childcare and nursing care services. ・Increase the number of users of childcare and nursing care services (childcare coupon, taking leave for childcare or nursing care), support employees who wish to pursue their careers, and encourage employees to pursue a satisfactory work- life balance. (These services will be enhanced in fiscal 2017.)	・We enhanced the services to support a healthy work-life balance, such as leaves for childcare and nursing care, childcare coupons, etc.	Mostly achieved

Fiscal 2018 Objectives

|	
1．Reduction of total work hours	・Aim to achieve an average monthly overtime lower than in fiscal 2017. ・Aim to increase the annual rate for taking paid leave and rate for taking compensatory day off to higher than those in fiscal 2017. ・Aim to further reduce total work hours to lower than that in fiscal 2017.
2．Implementing "Work Style Transformation" that leads to improvement of productivity	・Enhance work styles to enable high productivity through expansion of telecommuting and use of Secure BYOD, and improve the work environment to enable diverse employees to participate and advance in the workplace.
3．Expansion of services supporting work-life balance	・Support continued employment and career formation by monitoring the actual status of achieving a healthy balance between work and childcare/nursing care and through enhancement of work-life balance programs.

Human Resources Development and Training

NEC is developing human resources who can contribute to its operations by utilizing the "NEC Way." This is based on a self-development approach in which employees take the initiative to develop their own skills and capabilities.

In April 2016, NEC established a "People Philosophy" to train employees to take the initiative from the customer's point of view and continue to create social value, to grow an organizational climate and culture.

Policy

At NEC, human resources development is rooted in the self-development approach and is focused on developing employees who contribute to business operations. This type of development is based on three core objectives: "strengthening capabilities," "cultivating professionals" and "developing management personnel."
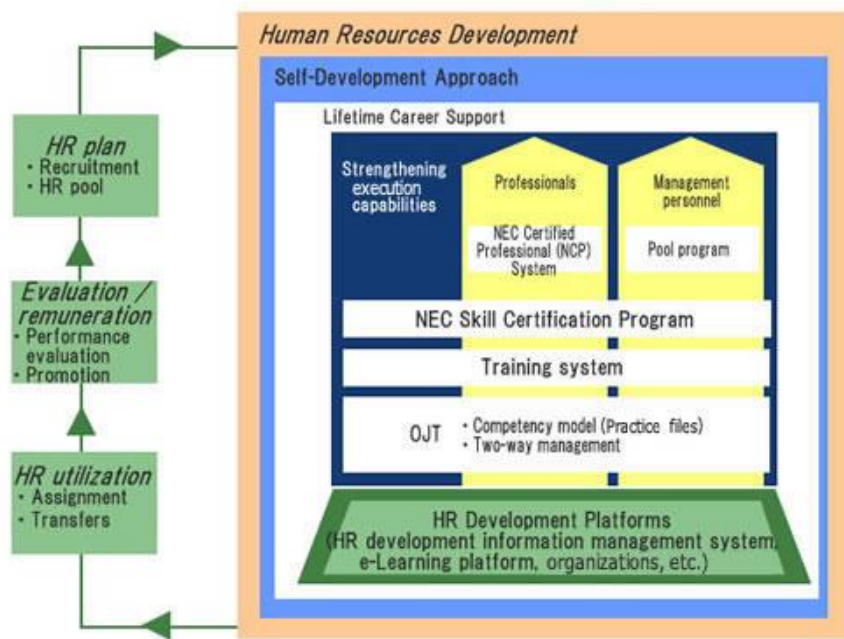
Management of Human Resources Development at NEC

Based on the following "People Philosophy," NEC will train employees who have high ethical standards, always act from the customer's point of view by understanding the customer's fundamental issues and the market and continue to create social value.

People Philosophy
As NEC Group builds our Social Solutions businesses,
we value employees
who are ethical,
who respect diversity,
who think long term with a broad perspective,
and who work in a boundaryless way to achieve results.
Furthermore, NEC values executives and leaders who create
organizations full of innovation and open communication.

Measures and Systems

Human Resources Development

Our training organization, which plays an important role in achieving the above objectives, is comprised of common training courses that all employees at NEC Corporation take and job-specific courses that are developed for each type of job category to hone job-specific professional skills.
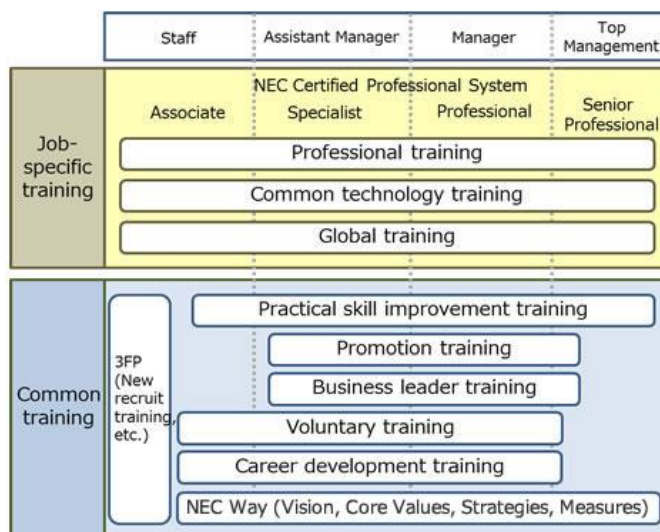
Training Program at NEC

NEC has a diverse menu of common training courses, ranging from those aimed at the personal growth and skill enhancement of individual employees to those taken when an employee is promoted or specifically selected to participate. Job-specific courses are also offered to provide employees seeking to become professionals in a specific field the opportunity to enhance and refine their expertise.

Global Training

As a company that does business all over the world, NEC carries out a variety of programs for global HR development. 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, normally in an emerging country.
A new select training program was established in fiscal 2014 for senior management candidates from overseas subsidiaries and NEC headquarters. This leadership training program is conducted entirely in English.
For employees working in overseas locations, we provide online training contents in English on topics that are common to the whole company, such as CS, human rights, and information security.

NEC Certified Professional (NCP) System

Recognizing that people are the most significant resources, NEC believes it is important to develop highly specialized professionals who can deliver true value to customers. The NEC Certified Professional (NCP) system was introduced for this purpose.
For each personnel category, such as SE or service personnel, the NCP system divides qualifications into four grades that define increasing degree of specialization corresponding to higher market value. Within each grade, separate personnel qualifications are defined for each category based on an analysis of which business processes are critical to a field. Qualifications specify in detail the levels of skills and performance required for certification at that grade. Approximately 10,300 individuals have been certified as career professionals under the NCP system as of April 2017.

Global Human Resources Information System – "SAKURA"

NEC, including domestic affiliates, use the "Global Human Resource Information System (SAKURA)" as the training platform to support human resources development activities. Currently, 23 companies have adopted the system.

HR Utilization Program

The recruitment system for the NEC Group supports the autonomous career development of individual employees, enhances diversity in personnel assignments, and promotes greater dynamism throughout the organization. Under the system, divisions requiring additional personnel post job descriptions and qualifications on the NEC intranet. Employees are then able to apply for the positions based on their own career aspirations without having to consult with a supervisor. After employees apply, submitted documents are reviewed and interviews are conducted by the recruiting division, and successful applicants are then transferred to that division.
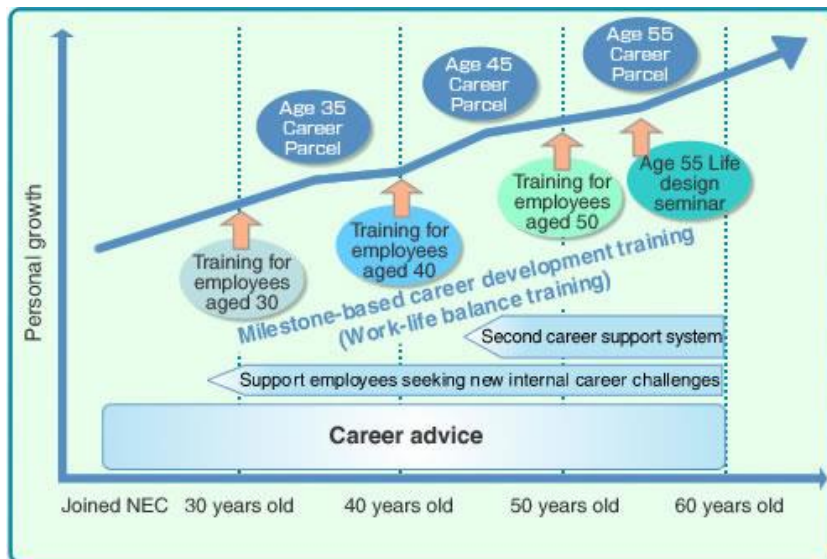
Selecting NEC Group Key Positions (GKPs) and Developing Executive-Level Personnel

To ensure that the best people are assigned to important positions throughout the NEC Group regardless of geographic location, key positions are identified, with promotions for those positions and the training of successors conducted in a systematic manner.

Career Development Support Programs - Lifetime Career Support

Self-development and autonomous growth at the level of individual employees requires a continual process of self-analysis, personal change, and skills development. 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 following are the principal programs.

Lifetime Career Support Flow

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 fiscal 2017.
2.	"NEC's Career Parcel®": This program provides employees at the key intermediate milestone ages of 35, 45 and 55 with the opportunity to assess their future careers and life plans using career-related and other information appropriate to each group. For employees in the age 55 group in particular, we offer the Life Design Seminar, which focuses on online training 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 and Life Balance" and making objective judgments on values and aptitudes. Four career advisors consult with around 700 employees each year.

* NEC's Career Parcel® is a trademark of NEC in Japan.

Main Activities and Results in Fiscal 2017

Upgrade and Expand the Pool of Global Leaders

Guided by its "People Philosophy," NEC launched NEC School for Social Value Creation, headed by the NEC Chairman, as a new program for training leaders in July 2016, the month NEC was founded. The Seminar, which ran from July 2016 to February 2017, provided an opportunity for NEC's management executives and business key persons to dialog among themselves, as well as with various lecturers and stakeholders from inside and outside the company. The dialogs are aimed at enabling the participants to renew their commitment to high ethical standards and viewpoints and reaffirm their personal mission and goals, as well as enhance their capabilities for conceiving and executing ideas for realizing social values, as the leaders of a company aiming to become a Social Value Innovator.

Also, the "Drive NEC" program, which was launched in fiscal 2014 and is intended for selected members from overseas subsidiaries who have the potential to become leaders to spearhead future global business, was held in Japan for about one week in May in fiscal 2016. This provided an opportunity for candidate leaders from various regions to gather in one place to discuss and refine their business strategies and business models, while spreading their human network globally.

Define an HR Ideal for "Solutions for Society"

NEC's Mid-term Management Plan 2015 set forth the goal of transforming itself into a Social Value Innovator, and to this end we reformed existing business models, launched "Solutions for Society," and defined specific job roles and career paths for highly talented business development personnel needed to further expand the business. In addition, on the basis of interviews with NEC members already involved in the field and with reference to other companies' initiatives and the conclusions of the Ministry of Economy, Trade and Industry's Frontier HR Research Committee, we defined the characteristics of the abilities of "super high-level human resources" and the skills needed in executing "super high-level processes." Going forward, we intend to utilize this model in creating specific development programs and schemes.

Enhance the Organizational Training of Young Employees

The 3 YEARS Fundamental Program (3FP) was started in fiscal 2013 with the goal of enabling all young employees to acquire sufficient basic skills, imbibe the NEC Group Vision and NEC Group Core Values, and become industry-ready by the end of their third year at the company.

The program has a variety of components, including milestone training in which employees review their experiences each year, practical onsite training sessions at production facilities and in the sales arena, as well as a program in which employees utilize what they have learned to solve problems at their own workplaces.

Also, to foster a culture for nurturing young employees throughout the workplace, we extended the on-the-job development (OJD) period from one year to three years and held seminars intended for supervisors.

Cultivate Key Global Personnel

Aiming to expand business to the global market, NEC is implementing various programs to reinforce global skills. In particular, we have 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. In addition, other than the different business skill enhancement programs, we also actively send employees abroad for job training and studies.

SAKURA Results

NEC utilizes the Global HR Information System (SAKURA), which manages the individual cultivation plan or result information and also serves as a platform for HR development activities, throughout the entire company. The number of training days per NEC employee and per NEC Group employee registered in the system in fiscal 2017 was 5.1 and 4.5 days respectively.

Monitoring and Improvement

The HR development programs in which the needs of each business division are also reflected are evaluated and improved. For example, from fiscal 2017 to fiscal 2018, we are planning and implementing training programs intended for all employees involved in the key business domains, namely, AI, IoT, and cyber security.

In addition, in cooperation with NEC Management Partner, Ltd., NEC seeks to evaluate and revise training courses periodically based on evaluations by course participants.

Objectives and Achievements

Objectives for the Midterm (From fiscal 2017 to fiscal 2019)

1. Upgrading and expanding the next generation of business managers
2. Upgrading and expanding the highly-skilled professionals who play a critical role in business growth
3. Maintaining the platform to strengthen human resources

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

Objective	Achievements and Progress	Degree of completion
1. Upgrading and expanding the next generation of business managers: Launch "NEC Social Value Creation Seminar" and upgrade and expand the training program to cultivate the next generation of business managers.	· Under NEC's "People Philosophy," we launched NEC School for Social Value Creation, headed by the NEC Chairman, as a new program for training leaders in July 2016, on the month NEC was founded, and held the Seminar from July 2016 to February 2017.	Mostly achieved
2. Upgrading and expanding the highly-skilled professionals: Upgrade and expand ways to cultivate highly skilled professionals.	· We established a community of NEC Certified Professional (NCP) System for Seniors, composed of advanced professional engineers, as a venue for discussing the creation of the process for training professional human resources and exchanging opinions towards new value creation, and started discussions within the community (2 teams per session)	Mostly achieved
3. Maintaining the platform to strengthen human resources: Implement the Global HR Information System (SAKURA).	· Through the Global HR Information System (SAKURA) introduced in April 2016, we collected, compiled, and searched data on multifaceted and promising human resources; these data can be used for various human resource development measures. Going forward, we plan to standardize job categories, grades, and skill levels, and further expand access permissions.	Mostly achieved

Fiscal 2018 Objectives

1. Enhance the training of next-generation managers, including overseas personnel	· Expand the NEC Social Value Innovation Seminar launched in fiscal 2017 to enhance the next-generation managers training program on a global scale, including overseas human resources.
2. Enhance the training of advanced professional human resources	· Accelerate discussions carried out through the "Community of NCP for Seniors" launched in fiscal 2017, and create the process for training professional human resources.
3. Reconstruct the training system based on NEC's People Philosophy	· Promote understanding of the People Philosophy throughout the entire NEC Group, and reconstruct the training system and review the training programs.

NEC CSR Report 2017   CSR Management   Governance   **Society**   Environment

75-84	Respecting Human Rights	85-93	Diversity and Inclusion
94-99	Creating a Diverse Work Style Environment		
100-105	Human Resources Development and Training		
106-111	**Health and Safety**	112-115	CS (Customer Satisfaction)
116-119	Ensuring Quality and Safety		

Health and Safety

NEC has established a basic philosophy believing that the company "should maintain and enhance a comfortable and supportive workplace to ensure the health and safety of all who work at its business sites."

In line with this philosophy, the General Affairs Division, charged with safety and health activities, the Health Care Centers, and the Safety and Health Management Organization in each business site offer various programs focusing on preventive health.

Policy

On the basis of its "Company-wide 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).

[Company-wide Occupational Health & Safety (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.
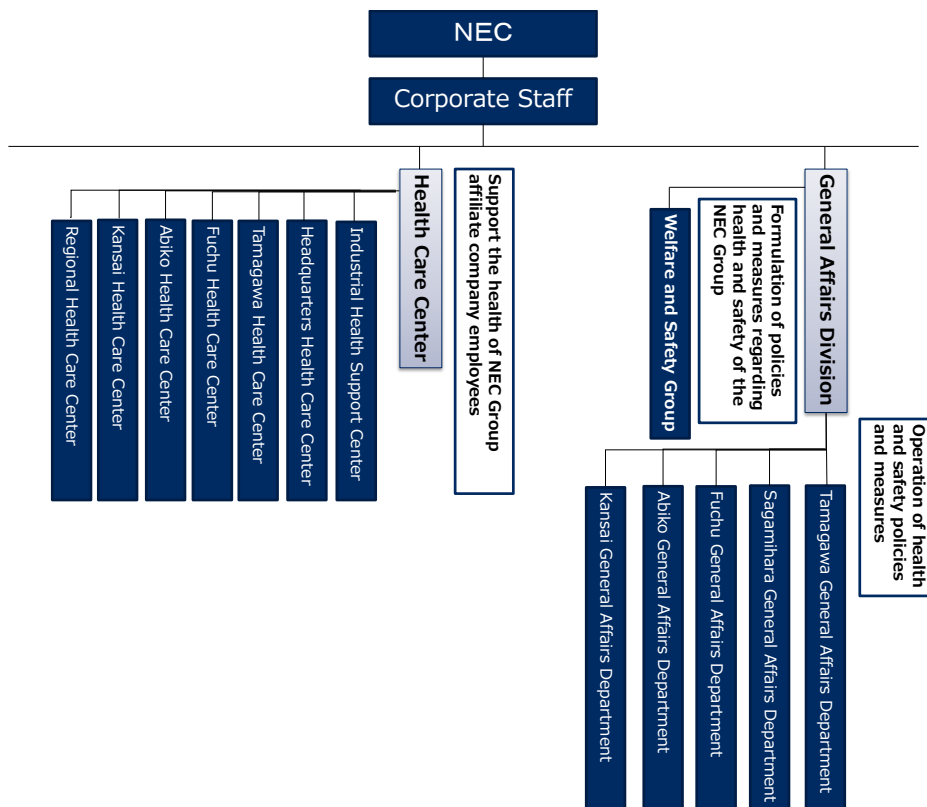
Promotion Framework

At NEC, the General Affairs Division formulates the NEC Group's policies and measures regarding health and safety for employees in Japan, and deploys measures for each region by cooperating with the safety and health manager in the regional support division and the Health Care Center (i.e., industrial doctors and health nurses). NEC also ensures health and safety in the workplace through a community health and safety committee participated in mainly by members selected by each division and by following up the implementation of health-related measures.

For everyday reportable items, the applicable general affairs division or an executive officer is responsible, but when something important arises, such as a major disaster or pandemic, the matter will be deliberated by the Business Strategy Committee attended by corporate management, such as the President or Directors.

Operational methods, however, are recommended at an information exchange meeting on health issues and labor accidents with the NEC Group's overseas subsidiaries. This is done to set up coordination with existing operations being carried out under the occupational health and safety management system.

NEC Group (domestic) Health, Safety, and Health Care Framework

Main Activities and Results for Fiscal 2017

Occupational Health and Safety (OH&S)

NEC Corporation conducts OH&S activities from two standpoints that address company-wide issues as well as specific issues reflecting unique conditions faced by individual group companies and business sites.

As a company-wide initiative, in fiscal 2011 NEC formulated a Company-wide Occupational Health and Safety (OH&S) Policy based on the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct, as a sign of its commitment to stakeholders. And, in fiscal 2013, NEC formulated the Occupational Health and Safety Management Regulations as part of efforts to enhance the quality of the NEC Group's OH&S activities.

As an initiative to address particular issues by taking into account the characteristics of each company and each workplace, NEC has been working to obtain the OHSAS 18001 standard for occupational health and safety since fiscal 2011. By fiscal 2017, certification has been obtained at the Keihin District Plant and 11 NEC Group affiliate companies envisaged as likely to have health and safety risks in their production lines.

In addition, in fiscal 2017, to comply with amendments to the Industrial Safety and Health Act, we started conducting risk assessment for chemical substances and is working to properly manage chemical substances that pose a certain level of toxicity hazard.

NEC CSR Report 2017 CSR Management Governance **Society** Environment

75-84	Respecting Human Rights	85-93	Diversity and Inclusion
94-99	Creating a Diverse Work Style Environment		
100-105	Human Resources Development and Training		
106-111	**Health and Safety**	112-115	CS (Customer Satisfaction)
116-119	Ensuring Quality and Safety		

OHSAS18001 Specification Certificate

Health Management

Prevention of Health Impairment Due to Overwork

NEC manages workplaces to make sure that workers (including dispatched workers) are not working too many hours based on agreements between labor and management. For example, NEC is in complete control of these management initiatives; such efforts include using a work management system to ascertain the number of hours employees are working on a daily basis at worksites and personnel affairs divisions, and automatically issuing a monthly alarm e-mail from the system around the middle of each month to workers who may be working long hours. For employees who have worked long hours, based on the Comprehensive Program for the Prevention of Health Impairment Due to overwork by the Ministry of Health, Labor and Welfare, we use a Web-based interview sheet (health check sheet) to ascertain accumulated fatigue. The Health Care Centers select employees for compulsory follow-up on the basis of working hours (long hours) and health check (regular checkup and metabolic syndrome examination) data, and has them consult with an industrial physician/health professional, and restricts work hours, among other measures.

Mental Health Care Initiatives

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

- In February 2005, NEC introduced the Mental Health Support Program. This program consists of three elements: 1) early stage support focused on early identification and treatment of mental disorders; 2) follow-up support for people receiving treatment for mental disorders; and 3) a return-to-work support program that helps people on leave make a smooth return to work.
- In fiscal 2011, NEC revised the return-to-work support program and clarified the process and standards for determining whether an employee on leave may return to work. As a result of initiatives to help employees on leave smoothly return to work, there has been increasing number of consultations from individual employees and their supervisors during the early stages of onset of mental illness, showing a stronger recognition of mental health care within NEC.

- Since fiscal 2012, NEC has been implementing primary care training for management-level employees as a prevention measure. This training program is designed to enable management-level employees themselves to consider how to provide care and manage their staff in order to prevent mental health impairment and disorders, including increasing communication, building even better human relationships, and developing worksite environment conducive to consultation. These considerations formed the basis for the participants to devise future action plans. NEC also set up consultation desks both in-house and outside the company and established a system where employees and their supervisors can consult with someone when they notice an irregularity. The in-house consultation desks are staffed by

NEC CSR Report 2017 CSR Management Governance **Society** Environment

75-84	Respecting Human Rights	85-93	Diversity and Inclusion
94-99	Creating a Diverse Work Style Environment		
100-105	Human Resources Development and Training		
106-111	**Health and Safety**	112-115	CS (Customer Satisfaction)
116-119	Ensuring Quality and Safety		

industrial physicians and health professionals using dedicated internal telephone lines called the "Mental Health Consultation Hotline" installed at the health care center of each business site. The external consultation desk is provided by a specialist external institution based on an agreement with the NEC Health Insurance Association. It provides a system for employees themselves as well as their families (dependents) to consult on mental health via the telephone and other means.

· Starting fiscal 2017, NEC conducted stress checks for all employees based on the Revised Industrial Safety and Health Act enforced in December 2015, and is working to further enhance the primary care initiative by following up on interviews and promoting early consultations with those employees.

NEC Health Innovation21 Activities

NEC has focused its attention on metabolic syndrome since 2004 and has provided lifestyle improvement advice to employees with high risk for cerebrovascular problems or heart disease.

· Since April 2008, in compliance with the Specified Health Examinations and Specified Health Guidance accompanying the amendment of laws, we have been enhancing NEC Health Innovation21 (NHI21), a program of activities designed to prevent metabolic syndrome. From fiscal 2009 to the end of fiscal 2016, there was a 32.3% reduction in cases of metabolic syndrome, significantly exceeding ahead of schedule the target (25% reduction compared to fiscal 2009 by the end of fiscal 2018) set by the Ministry of Health, Labour and Welfare.

· Since fiscal 2014, we have been implementing NHI21 Second Season, which includes a measure to set up physical and mental health promotion activities according to age, by adding measures for mental health, cancer prevention, and oral hygiene to NHI21. Under the NHI21 Second Season, we conduct activities aimed at getting families to work on measures to prevent lifestyle-related diseases. In particular, during the NEC Health Fair, a family participation event, we held activities to raise awareness on cancer screening and infectious diseases such as seasonal influenza, as well as about metabolic syndrome.

Implementing Physical and Mental Health Promotion Activities

Activities aimed at all employees

· Web-based mental health education
· Institution of the "NEC No Tobacco Day" in conjunction with the World Health Organization (WHO) "World No Tobacco Day," to promote smoking cessation
· Smoking cessation seminar for smokers or smokers who want to quit smoking at each business site

Activities for each age group

· 20s: Health checkup, done at the time of employment and "Fresher's Interviews" (interviews for all new employees by the health nurse)
· 30s: "Health College 30," an integrated self-care education for all employees who reach age 30.
· Seminar on lifestyle-related diseases for employees of specified age groups or anyone who wants to attend. For example, at the Fuchu plant, the health promotion programs (seminars, stretch exercises, measurements of physical fitness, etc.) are for employees age 25, 30 and 35.

### Activities for employees of a particular rank or attribute

· Mental health training for managers (for managers with subordinates who have mental health disorders)
· Mental health training for managers (primary care)

Labor Accidents and Disasters

[Scope: NEC Corporation]
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. Looking ahead, in order to raise awareness concerning occupational safety, the company intends to continue conducting OH&S Committee activities, daily workplace inspections and cross-checking, while aiming to reduce the number of labor accidents and disasters.
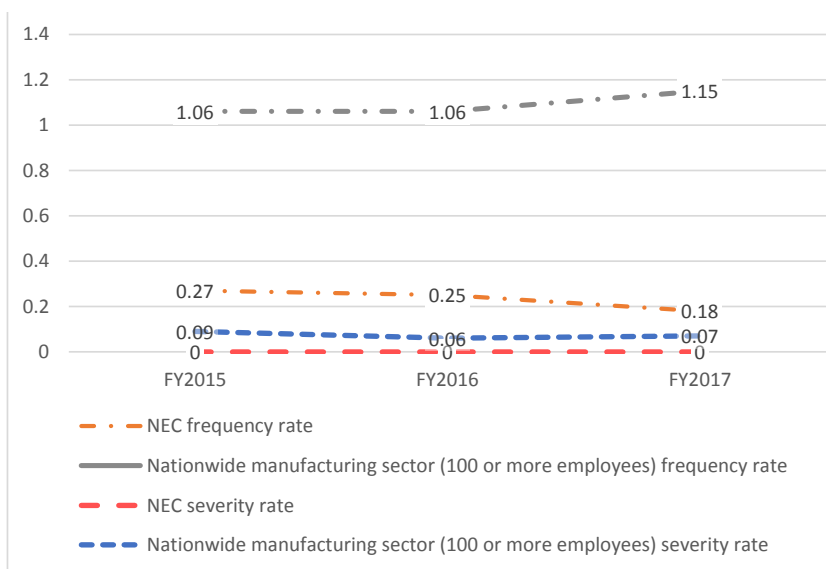
*1 Frequency rate: Number of deaths and injuries due to industrial accidents divided by total working hours multiplied by 1 million
*2 Severity rate: Number of lost working days divided by total working hours multiplied by 1,000

Labor Accidents and Disasters

Objectives and Achievements

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

1. OH&S: Carry out efficient operation and improvement of OH&S management systems within the NEC Group.
2. Health Management: Strive to enhance employees' mental and physical health by implementing mental and physical health measures based on the life stage of each age group across the entire NEC Group.

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

Objective	Achievements and Progress	Degree of completion
1. OH&S: Improve the OH&S management system at each NEC workplace, strive to strengthen and maintain the management system.	· An additional (1) domestic affiliate obtained the certification as a result of the maintenance and promotion of OH&S management system at NEC and domestic affiliates.	Achieved
2. Health management: Strengthen preventive measures for mental and physical health through collaboration between the Health Insurance Association and Health Care Center.	· Strengthened prevention measures by implementing mental health education and health education by ages for all employees and management-level employees.	Achieved

Fiscal 2018 Objectives

1. Occupational Health & Safety	· Improve the OH&S management system at NEC business sites according to particular needs and situations, maintain the management system, and strengthen health and safety management also in locations outside the business sites.
2. Health management	· Strengthen preventive measures for mental and physical health through collaboration with the Health Insurance Association and Health Care Center.

CS (Customer Satisfaction)

Since its founding in 1899, NEC has continued to develop a corporate culture based on "Better Products, Better Services." This means creating products and services that are more valuable to its customers. It also 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.

The word "Better," not "Best," in our statement of "Better Products, Better Services" embodies our desire to "continuously make improvements to achieve our very best in providing better products for customers."

"Customer Satisfaction" appears in the first paragraph of the NEC Group Charter of Corporate Behavior. We believe that improving CS (Customer Satisfaction) is critical to establishing a strong trust relationship with our customers.

Policy

NEC formulated its Customer Satisfaction Management (CSM) concept in 1992. The CSM concept consists of "Significance," which refers to the ideal state of NEC's CS management; "Activity System," which specifies how to address CS management; "Goal," the achievement of CS No. 1 in the industry; and "CS Action Plan," which outlines the direction of our activities in concrete terms.

[CS Action Plan]
Everyone at NEC will continuously strive to:
· Have the common goal of "providing customer satisfaction."
· Refine sensitivity to our customer's needs and wishes and quickly respond to those needs and wishes.
· 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.
· Enhance perceptions to precisely gauge customer needs and wants and provide new value for customers and visions of the future.
· Consider the customers of our customers, the society and environment of the customers, and solutions to issues.
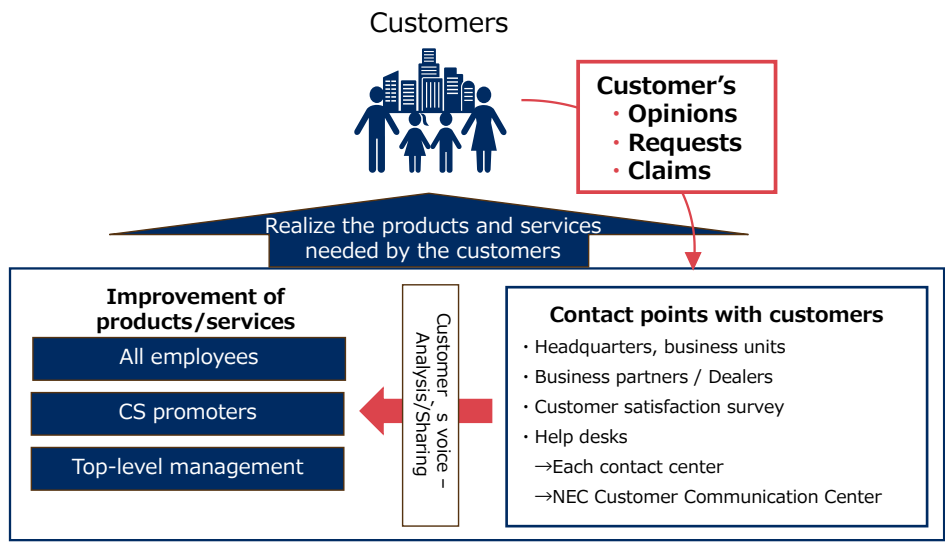
▶ CSM Concept

Promotion Framework

CS Improvement activities at NEC are carried out mainly by CS promoters selected from NEC's business units and group companies in Japan and overseas. 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.

▶ Entire Workforce in Pursuit of Higher Quality

The customer's voice reaches NEC not only through surveys but also through various organizations and activities. NEC offers specialized help desks for customer inquiries, comments or requests about NEC products and services. Each help desk responds to the customer's voice appropriately while gaining the expertise needed about NEC products and services.

▶ Contact Form

Customers

Main Activities and Results for Fiscal 2017

Continuing to be a company that is trusted and chosen by customers, 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 company-wide uniform initiative, NEC is promoting various and unique initiatives that match the characteristics of each business area.

CS Activities in Business Unit

In fiscal 2017, each business unit identified a focus area and issues to be improved according to its business area and worked on CS improvement. At that time, we tried to determine which customers were dissatisfied and implemented countermeasures after forming a hypothesis. We pushed through the PDCA Cycle to validate the effectiveness of the countermeasures and the activity results by obtaining customer opinions or by conducting a CS survey.

Each business unit is applying these opinions and CS survey results, obtained through everyday activities, to the investigation to determine the causes of those problems and work on strengthening or improving the products and services. At the same time, customer opinions and CS survey results are being used to find potential customer needs or problems and suggest solutions for customers.

Customer-Oriented Corporate Culture

People are the basis of developing and supplying products and services that deliver high customer satisfaction. Recognizing what employees expect from NEC, we offer various kinds of education and training by occupation and grade so that we can develop employees capable of taking notice of issues and making improvements.

- ・Group-wide training seminars to foster a customer-oriented mindset (customer-oriented business)
  - → Target: New employees, New chiefs, mid-career employees or transferred employees to NEC (Fiscal 2017: About 1,700 attended the seminar)
- ・New manager training program (CS Management)
  - → Target: All new managers (NEC)

NEC also implements ways to recognize CS improvement initiatives undertaken from the standpoint of the customer, as well as the "customer beyond the customer" (i.e., general public and consumer), with the aim of further motivating employees by spotlighting steady efforts to realize "Better Products and Better Services."

▶ Details on CS Education

Recognition – then action (Training seminars to foster a CS mindset)

To enable each NEC employee to understand and apply the customer perspective to everyday activities, in addition to the standard education and training by occupation and grade, individual comprehensive education is offered. A series of education programs are launched to link CS from recognition to action.

Those programs are "Awareness rising by fostering a CS mindset," "Learning of the approach to connect recognition to actual action," "Learning how to create customer value through case studies" and "Learning how to improve the CS," etc.

Objectives and Achievements

Fiscal 2018 Objectives

Continue to be a company that is trusted and chosen by customers

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

Objective	Achievements and Progress	Degree of completion

1. Perform improvement initiatives based on the opinions received from customers utilizing a suitable method for each business division not a universal method for the whole company.	· Each business unit in NEC identified the focus area, set individually the CS improvement goals and formulated a CS activity plan. It validated customer opinions and achievements (CS survey results) and applied them in the improvement effort.
	· Reviews by media
	  · NEC was ranked No. 1 in PC Server category in a 2016-2017 Nikkei Computer Customer Satisfaction Surveys
	  · NEC was ranked No. 1 in six categories in the 2017 Nikkei Computer Partner Satisfaction Survey.
	  [PC Server category, Enterprise Server category], [Tablet category], [Network Device category], [Thin Client System/Desktop Virtualization, Software category], [Integrated Operation Management Software (Server/Network Management System) category]
		Mostly achieved

2. Strive to foster a customer-oriented mindset among employees and share information on best practices with a view to ensuring that all Group activities are based on customer needs, in order to strengthen a customer-based corporate culture.	· NEC is fostering a CS mindset of employees through continuous messages about customer viewpoints or the importance of CS – from the president and top management – CS training, sharing good examples within and outside the company through the internal website, etc. · NEC strives to foster a customer-oriented mindset among employees and it awards internally those excellent activities which exemplify "Better Products, Better Services" for customers (one of NEC's values) and sharing those activities.	Achieved

Fiscal 2018 Objectives

1. Improvement activities based on customer's opinions are not implemented across the NEC Group, but according to the characteristics of each business.
2. To strengthen the Corporate Culture from the customer point of view, strive to foster a CS mind and share information on good examples of CS activities among NEC Group employees in Japan and overseas.

Ensuring Quality and Safety

Since its founding in 1899, NEC has continued to develop a corporate culture based on "Better Products, Better Services." This means creating products and services that meet the expectations of and are more valuable to our customers. It also 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.

The word "Better," not "Best," in our statement of "Better Products, Better Services" embodies our desire to "continuously make improvements to achieve our very best in providing better products for customers."

Based on these values, 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.

Policy

NEC's Quality and Safety Principles and Code of Conduct require strict adherence. They are defined as follows.

Quality and Safety Principles

NEC puts CS (Customer Satisfaction) first and continues to provide "Better Products, Better Services."

Code of Conduct

1. Quality management

1) Think about the new values of customers and society and act accordingly.
2) Maintain and develop the NEC brand.
3) Raise awareness in everyone about the importance of quality and the necessity of striving to make improvements.
4) Ensure the quality of products and services and comply with product-related laws and regulations.
5) Address issues related to product quality and services with integrity.

2. Safety management

1) Raise awareness in everyone about the importance of product safety.
2) Ensure the safety of products and services and comply with safety-related laws and regulations.
3) Address issues related to product safety and services with integrity.

Promotion Framework

Quality and Safety Risk Management System

One of the most important management issues is how to deal with quality and safety risks in products, systems and services. In October 2000, NEC reconfigured the company-wide quality and safety risk management systems to ensure a smooth and carefully monitored operation.

NEC is working specifically to clarify a range of actions for this system by defining company-wide rules and standards and ensuring that these are disseminated by appointing quality/safety management officers for each business division. In this way – improving the safety and reliability of our technology, standardizing key components and sharing know-how – we can prevent errors from occurring or recurring.

To deal with any large-scale social impact that could occur in the unlikely event of a major system outage or the failure of a major component, an urgent risk management report (immediate escalation to top management) is submitted and an

NEC CSR Report 2017   CSR Management   Governance   **Society**   Environment

emergency troubleshooting meeting is 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. This implementation is also used to construct and operate an auditing framework that meets the standards of NEC's auditing department.

As a way to strengthen the company's response to escalation of important quality issues, in October 2010, NEC revised the rules whereby major product failures and system issues facing customers can be escalated directly to top management from the relevant business sector; this has been operating as "One NEC."

Quality and Safety Risk Management System
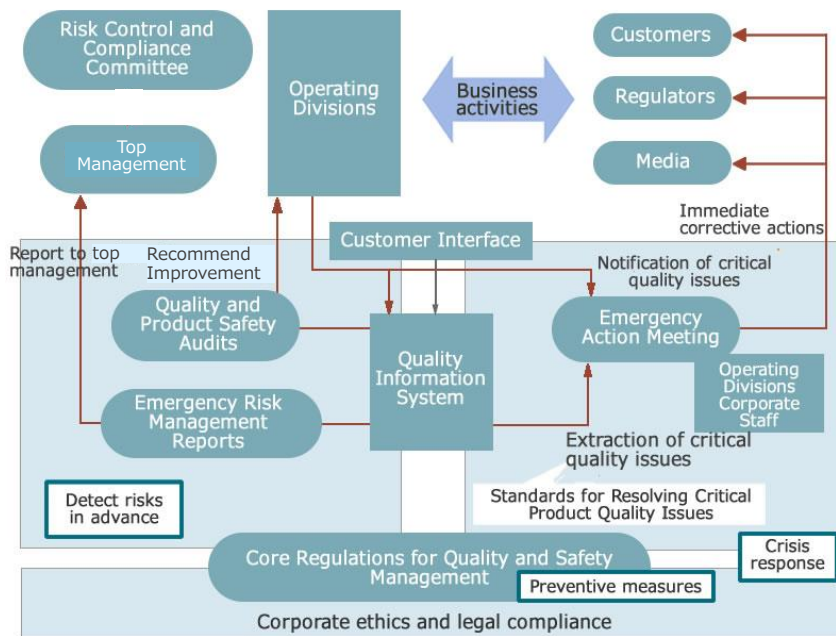
Education (Human Resources Development – Safety and Peace of Mind)

Improving product safety and quality requires a focus on improvements in employee training and skills. NEC offers 16 training classes that focus on job roles and field of specialization to improve practical skills in design and construction and provide basic and specialist knowledge related to quality and safety management standards and technical standards. In particular, NEC offers specialist education to all quality and safety management officers who are responsible for managing quality and safety risks.
NEC is also training more safety technology specialists by holding safety review workshops where safety technology is taught using actual equipment.

Testing the strength of a locked power cable
(Safety Review Workshop)

Measuring voltage
(Safety Review Workshop)

Ensuring Product Safety

Based on the concept of ensuring customer safety, the NEC Group has adopted a basic "global first" policy. This policy focuses on increasing a product's international value by conforming to international standards while designing products and services. NEC is working to ensure the safety of its hardware products by basing designs on IEC-60950-1, the widely recognized global standard for information technology equipment.
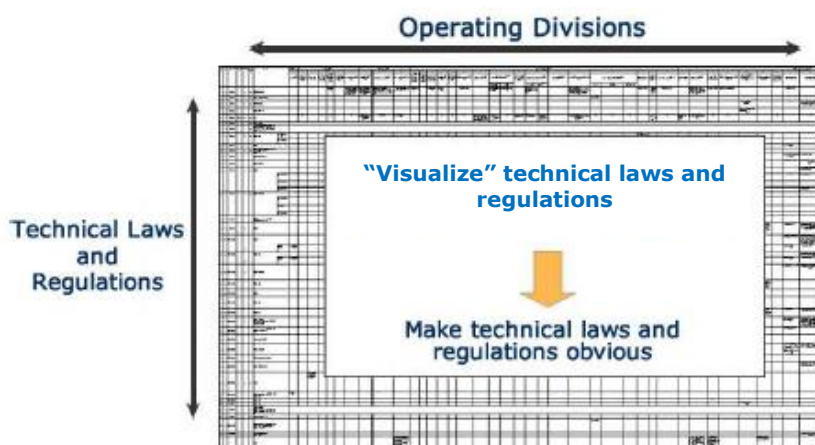
Reinforcing the IEC 60950-1 standard required NEC to establish a group safety standard that incorporates the company's own safety measures. To prevent product safety incidents, NEC's objective is to ensure product safety by establishing basic safety rules, performing risk assessments and specifying safety standards requirements across the entire NEC Group.

NEC's safe technology standards system

Compliance with Relevant Acts and Regulations

To "visualize" the technical laws and regulations with which those products of NEC Group companies must comply, NEC developed a map of technology laws and regulations (44 product-related regulations and 901 staff-related 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 the Electrical Appliance and Material Safety Act and various domestic laws and regulations, including Japan's Radio Act and Telecommunications Business Act and the laws and regulations of other countries.

Map of technology laws and regulations

NEC CSR Report 2017　　CSR Management　　Governance　　**Society**　　Environment

75-84	Respecting Human Rights	85-93	Diversity and Inclusion
94-99	Creating a Diverse Work Style Environment		
100-105	Human Resources Development and Training		
106-111	Health and Safety	112-115	CS (Customer Satisfaction)
116-119	**Ensuring Quality and Safety**		

Main Activities for Fiscal 2017

NEC Group Quality Promotion Meeting

NEC Group Quality Promotion Meeting is held twice a year. Meetings are held with the quality and safety management staff responsible for constructing and operating the NEC Group's systems and compliance frameworks with laws and regulations relating to product quality and safety.

The meeting's purpose is to share information among parties concerned and horizontally spread it within the organization through explanation of quality policy and cases. The meeting was held twice this year in June and November.

NEC operates while actively discussing the matter frequently based on the belief that quality must be built in upstream process – not be assured in downstream process.

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 a project team that tackled a difficult project and achieved a particularly outstanding result.

This award was designed to honor the achievements of teams that have demonstrated outstanding performance by:
(1) Taking on risky projects and overcoming whatever issues arose
(2) Managing to recover from a project that entailed a significant amount of risk
(3) Supporting a project by *genbaryoku* (capabilities to find and solve problems in the field)

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 penetration of award-winning cases will be useful in preventing risk in new projects through the horizontal spread of risk management practices throughout the NEC Group.

Environment

NEC has long been implementing measures to reduce the environmental impact of our business operations across the entire supply chain, and it is through these measures and the solutions that we provide our customers that we continue to create value for society from an environmental perspective.
For more information about our environmental activities, please read our Annual Environmental Report 2017.

Top Message

Since establishing a division dedicated to dealing with environmental problems in 1970, NEC has been actively working on various environmental issues, using the skills and know-how we have gained to create solutions for issues faced by customers and society, and promoting the integration of environmental management into our business activities.

In the previous fiscal year, we strengthened our climate change measures in terms of both mitigation and adaptation as part of our Environmental Management Action Plan 2020/2030, as climate change is an issue of particular importance for NEC's business. As described in this Annual Environmental Report, while we did not reach targets for some indicators in the previous fiscal year, we are largely on track to meet our 2020 targets.

▶ For more info

Corporate Profile/Scope of Report

See Corporate Profile and Scope of Report in Annual Environmental Report 2017.
▶ Corporate Profile
▶ Scope of Report

Highlights of NEC's Environmental Activities in FY 2017

▶ Status of progress on medium- and long-term environmental management targets in FY 2017
▶ Participation in SPEAR, a joint development project for a next-generation electricity network in Singapore
▶ Trial using flood and landslide simulation system in Thailand

FY 2017 Environmental Activity Results

▶ Policy, Plans, and Results
▶ Management
▶ Environmentally Friendly Products
▶ Collection and Recycling
▶ Reducing Environmental Impacts
▶ Preserving Biodiversity
▶ Environmental Communications
▶ Overseas Initiatives

GRI (Global Reporting Initiative)

The NEC CSR Report 2017 conforms to the core of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines.

GRI＝Global Reporting Initiative

Items	GRI indicator	Corresponding page on NEC website
Strategy and Analysis		
G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	▶ Message from the president
Organizational Profile		
G4-3	a. Report the name of the organization.	▶ Profile
G4-4	a. Report the primary brands, products, and services.	▶ Business Outline
G4-5	a. Report the location of the organization's headquarters.	▶ Profile
G4-6	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	▶ NEC Worldwide
G4-7	a. Report the nature of ownership and legal form.	Annual Securities Report (Japanese)
G4-8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Annual Securities Report (Japanese)
G4-9	a. Report the scale of the organization, including: ・Total number of employees ・Total number of operations ・Net sales (for private sector organizations) or net revenues (for public sector organizations) ・Total capitalization broken down in terms of debt and equity (for private sector organizations) ・Quantity of products or services provided	▶ Corporate Profile

Items	GRI indicator	Corresponding page on NEC website
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Diversity and Inclusion
G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.	Annual Securities Report (Japanese)
G4-12	a. Describe the organization's supply chain.	Supply-Chain Management
G4-13	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	Annual Securities Report (Japanese)
Commitments to External Initiatives		
G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organization.	Reducing Environmental Impacts Activities for Controlling Chemical Substances in Products

Items	GRI indicator	Corresponding page on NEC website
G4-15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	▶ Global Compact ⬛ JEITA Responsible Minerals Trade Working Group ⬛ BERC ▶ Design at NEC
G4-16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	▶ Global Compact ⬛ JEITA Responsible Minerals Trade Working Group ⬛ BERC ▶ Design at NEC
Identified Material Aspects and Boundaries		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	▶ Organizational Structure (Japanese) ▶ Profile
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	▶ CSR Management
G4-19	a. List all the material Aspects identified in the process for defining report content.	▶ CSR Information Disclosure Policy

Items	GRI indicator	Corresponding page on NEC website
G4-20	a. For each material Aspect, report the Aspect Boundary within the organization as follows: • Report whether the Aspect is material within the organization • If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the Aspect is not material or - The list of entities or groups of entities included in G4-17 for which the Aspects is material • Report any specific limitations on the Aspect Boundary within the organization	▶ CSR Information Disclosure Policy ▶ Scope of Environmental Report 🗎 Annual Securities Report (Japanese)
G4-21	For each material Aspect, report the Aspect Boundary outside the organization, as follows: • Report whether the Aspect is material outside of the organization • If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified • Report any specific limitation regarding the Aspect Boundary outside the organization	▶ Sustainable Management ▶ Scope of Environmental Report 🗎 Annual Securities Report (Japanese)
G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	No re-states of information
G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	▶ NEC Group Environmental Management Action Plan 2020/2030
Stakeholder Engagement		
G4-24	a. Provide a list of stakeholder groups engaged by the organization.	▶ Stakeholder Communications
G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.	▶ Stakeholder Communications ▶ Guidelines for Coordination with NPOs (Social Contributions)

Items	GRI indicator	Corresponding page on NEC website
G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	▶ Stakeholder Communications
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	▶ Independent review on Environment Report
Report Profile		
G4-28	a. Reporting period (e.g., fiscal/calendar year) for information provided.	▶ CSR Information Disclosure Policy
G4-29	a. Date of most recent previous report (if any).	▶ CSR Information Disclosure Policy
G4-30	a. Reporting cycle (such as annual, biennial).	▶ CSR Information Disclosure Policy
G4-31	a. Provide the contact point for questions regarding the report or its contents.	▶ Contact Us
GRI Content Index		
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance, but it is not a requirement to be 'in accordance' with the Guidelines.	GRI Content Index ▶ Third-party Assurance
Assurance		
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	▶ Third-party Assurance ▶ CSR Information Disclosure Policy ▶ Third-party Assurance on Environment Report
Governance		
G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	▶ Corporate Governance

Items	GRI indicator	Corresponding page on NEC website
Ethics and Integrity		
G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	▶ NEC Group Code of Conduct
Economic		
Economic Performance		
G4-EC1	Direct Economic Value Generated and Distributed	📄 Annual Securities Report (Japanese) 📄 Social Contribution Expenses ▶ Environmental Accounting
G4-EC2	Financial Implications and Other Risks and Opportunities for the Organization's Activities due to Climate Change	▶ Reducing Environmental Impacts
G4-EC3	Coverage of the Organization's Defined Benefit Plan Obligations	No Coverage
G4-EC4	Financial Assistance Received from Government	No Coverage
Market Presence		
G4-EC5	Ratios of Standard Entry Level Wage by Gender Compared to Local Minimum Wage at Significant Locations of Operation	No Coverage
G4-EC6	Proportion of Senior Management Hired from the Local Community at Significant Locations of Operation	No Coverage
Indirect Economic Impacts		
G4-EC7	Development and Impact of Infrastructure Investments and Services Supported	▶ Business Activities for Value Creation ▶ Activities for Contributing to Society
G4-EC8	Significant Indirect Economic Impacts, Including the Extent of Impacts	▶ Business Activities for Value Creation ▶ Activities for Contributing to Society
Procurement Practices		
G4-EC9	Proportion of Spending on Local Suppliers at Significant Locations of Operation	No Coverage
Environmental		
Refer to the following URL for the environmental performance. http://www.nec.com/en/global/eco/annual/index.html		

Items	GRI indicator	Corresponding page on NEC website
Social		
Labor Practices and Decent Work		
Employment		
G4-LA1	Total Number and Rates of New Employee Hires and Employee Turnover by Age Group, Gender and Region	No Coverage
G4-LA2	Benefits Provided to Full-Time Employees That are not Provided to Temporary or Part-Time Employees, by Significant Locations of Operation	No Coverage
G4-LA3	Return to Work and Retention Rates After Paternal Leave, By Gender	No Coverage
Labor/Management Relations		
G4-LA4	Minimum Notice Periods Regarding Operational Changes, Including Whether These are Specified in Collective Agreements	No Coverage
Occupational Health and Safety		
G4-LA5	Percentage of Total Workforce Represented in Formal Joint Management-Worker Health and Safety Committees That Help Monitor and Advise on Occupational Health and Safety Programs	No Coverage
G4-LA6	Type of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Total Number of Work-Related Fatalities, by Region and by Gender	🔴 Health and Safety
G4-LA7	Workers with High Incidence or High Risk of Diseases Related to Their Occupation	🔴 Health and Safety
G4-LA8	Health and Safety Topics Covered in Formal Agreements with Trade Unions	🔴 Health and Safety
Training and Education		
G4-LA9	Average Hours of Training per Year per Employee by Gender, and by Employee Category	🔴 Human Resources Development and Training
G4-LA10	Programs for Skills Management and Lifelong Learning That Support the Continued Employability of Employees and Assist Them in Managing Career Endings	🔴 Human Resources Development and Training
G4-LA11	Percentage of Employees Receiving Regular Performance and Career Development Reviews, by Gender and by Employee Category	🔴 Human Resources Development and Training
Diversity and Equal Opportunity		
G4-LA12	Composition of Governance Bodies and Breakdown of Employees per Employee Category According to Gender, Age Group, Minority Group Membership, and Other Indicators of Diversity	▶ Corporate Governance 🔴 Diversity and Inclusion
Equal Remuneration for Women and Men		
G4-LA13	Ratio of Basic Salary and Remuneration of Women to Men by Employee Category, by Significant Locations of Operation	No Coverage

Items	GRI indicator	Corresponding page on NEC website
Supplier Assessment for Labor Practices		
G4-LA14	Percentage of New Suppliers That Were Screened Using Labor Practices Criteria a. Report the percentage of new suppliers that were screened using labor practices criteria.	No Coverage
G4-LA15	Significant Actual and Potential Negative Impacts for Labor Practices in the Supply Chain and Actions Taken	Supply-Chain Management
Labor Practices Grievance Mechanisms		
G4-LA16	Number of Grievances About Labor Practices Filed, Addressed, and Resolved Through Formal Grievance Mechanisms	Compliance and Risk Management
Human Rights		
Investment		
G4-HR1	Total Number and Percentage of Significant Investment Agreements and Contracts That Include Human Rights Clauses or That Underwent Human Rights Screening	No Coverage
G4-HR2	Total Hours of Employee Training on Human Rights Policies or Procedures Concerning Aspects of Human Rights That are Relevant to Operations, Including the Percentage of Employees Trained	Respecting Human Rights
Non-discrimination		
G4-HR3	Total Number of Incidents of Discrimination and Corrective Actions Taken	No Coverage
Freedom of Association and Collective Bargaining		
G4-HR4	Freedom of Association and Collective Bargaining Operations and Suppliers Identified in Which the Right to Exercise Freedom of Association and Collective Bargaining may be Violated or at Significant Risk, and Measures Taken to Support These Rights	No Coverage
Child Labor		
G4-HR5	Operations and Suppliers Identified as Having Significant Risk for Incidents of Child Labor, and Measures Taken to Contribute to the Effective Abolition of Child Labor	Respecting Human Rights Supply-Chain Management
Forced or Compulsory Labor		
G4-HR6	Operations and Suppliers Identified as Having Significant Risk for Incidents of Forced or Compulsory Labor, and Measures to Contribute to the Elimination of All Forms of Forced or Compulsory Labor	Respecting Human Rights Supply-Chain Management

Items	GRI indicator	Corresponding page on NEC website
Security Practices		
G4-HR7	Percentage of Security Personnel Trained in the Organization's Human Rights Policies or Procedures That are Relevant to Operations	No Coverage
Indigenous Rights		
G4-HR8	Total Number of Incidents of Violations Involving Rights of Indigenous Peoples, and Actions Taken	No Coverage
Assessment		
G4-HR9	Total Number and Percentage of Operations That Have Been Subject to Human Rights Reviews or Impact Assessments	🔴 Respecting Human Rights 🔴 Supply-Chain Management
Supplier Human Rights Assessment		
G4-HR10	Percentage of New Suppliers That Were Screened Using Human Rights Criteria	No Coverage
G4-HR11	Significant Actual and Potential Negative Human Rights Impacts in the Supply Chain, and Actions Taken	🔴 Supply-Chain Management
Human Rights Grievance Mechanisms		
G4-HR12	Number of Grievances About Human Rights Impacts Filed, Addressed, and Resolved Through Formal Grievance Mechanisms	🔴 Respecting Human Rights
Society		
Local Communities		
G4-SO1	Percentage of Operations with Implemented Local Community Engagement, Impact Assessments, and Development Programs	▸ Business Activities for Value Creation ▸ Reducing Environmental Impacts ▸ Activities for Contributing to Society
G4-SO2	Operations with Significant Actual and Potential Negative Impacts on Local Communities	🔴 Respecting Human Rights
Anti-corruption		
G4-SO3	Total Number and Percentage of Operations Assessed for Risks Related to Corruption and the Significant Risks Identified	🔴 Fair Trade
G4-SO4	Communication and Training on Anti-Corruption Policies and Procedures	🔴 Fair Trade
G4-SO5	Confirmed Incidents of Corruption, and Actions Taken	🔴 Fair Trade

Items	GRI indicator	Corresponding page on NEC website
Public Policy		
G4-SO6	Total Value of Political Contributions by Country and Recipient/Beneficiary	No Coverage
Anti-competitive Behavior		
G4-SO7	Total Number of Legal Actions for Anti-Competitive Behavior, Anti-Trust, and Monopoly Practices and Their Outcomes	Fair Trade
Compliance		
G4-SO8	Monetary Value of Significant Fines and Total Number of Non-Monetary Sanctions for Non-Compliance with Laws and Regulations	No Coverage
Supplier Assessment for Impacts on Society		
G4-SO9	Percentage of New Suppliers That Were Screened Using Criteria for Impacts on Society	No Coverage
G4-SO10	Significant Actual and Potential Negative Impacts on Society in the Supply Chain and Actions Taken	No Coverage
Grievance Mechanisms for Impacts on Society		
G4-SO11	Number of Grievances About Impacts on Society Filed, Addressed, and Resolved Through Formal Grievance Mechanisms	Compliance and Risk Management
Product Responsibility		
Customer Health and Safety		
G4-PR1	Percentage of Significant Product and Service Categories for Which Health and Safety Impacts are Assessed for Improvement	▶ Design at NEC ▶ Environmentally Friendly Products
G4-PR2	Total Number of Incidents of Non-Compliance with Regulations and Voluntary Codes Concerning the Health and Safety Impacts of Products and Services During Their Life Cycle, by Type of Outcomes	▶ Important information from NEC (Japanese)
Product and Service Labeling		
G4-PR3	Type of Product and Service Information Required by the Organization's Procedures for Product and Service Information and Labeling, and Percentage of Significant Product and Service Categories Subject to Such Information Requirements	▶ Environmentally Friendly Products
G4-PR4	Total Number of Incidents of Non-Compliance with Regulations and Voluntary Codes Concerning Product and Service Information and Labeling, by Type of Outcomes	No Coverage
G4-PR5	Results of Surveys Measuring Customer Satisfaction	▶ Customer satisfaction survey (Japanese)

Items	GRI indicator	Corresponding page on NEC website
Marketing Communications		
G4-PR6	Sale of Banned or Disputed Products	No Coverage
G4-PR7	Total Number of Incidents of Non-Compliance with Regulations and Voluntary Codes Concerning Marketing Communications, Including Advertising, Promotion, and Sponsorship, by Type of Outcomes	No Coverage
Customer Privacy		
G4-PR8	Total Number of Substantiated Complaints Regarding Breaches of Customer Privacy and Losses of Customer Data	Personal Information Protection
Compliance		
G4-PR9	Monetary Value of Significant Fines for Non-Compliance With Laws and Regulations Concerning the Provision and Use of Products and Services	No Coverage

▶ Global Compact

▶ ISO 26000

Global Compact

This table compares NEC's CSR activities with the Ten Principles of the Global Compact advocated by the United Nations.

The Ten Principles		Corresponding Item
Human Rights	**Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights.	Respecting Human Rights Diversity and Inclusion Supply-Chain Management
	Principle 2 Businesses should make sure that they are not complicit in human rights abuses.	
Labour	**Principle 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Creating a Diverse Work Style Environment Diversity and Inclusion Respecting Human Rights Health and Safety Supply-Chain Management
	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	
	Principle 5 Businesses should uphold the effective abolition of child labour.	
	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	
The Environment	**Principle 7** Businesses should support a precautionary approach to environmental challenges.	Approaches to Environmental Issues
	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility.	
	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	
Anti-corruption	**Principle 10** Businesses should work against corruption in all its forms, including extortion and bribery.	Fair Trade Compliance and Risk Management

Global Reporting Initiative

ISO26000

ISO26000

This is the comparison table of seven core subjects and 36 issues of ISO26000 and CSR activities of NEC.

ISO26000 Core Subjects	Issues	Corresponding Page on NEC website
Organizational Governance	1. Organizational Governance	Corporate Governance Sustainable Management Compliance and Risk Management Business Continuity Information Security Personal Information Protection
Human Rights	1. Due diligence 2. Human rights risk situations 3. Avoidance of complicity 4. Resolving grievances 5. Discrimination and vulnerable groups 6. Civil and political rights 7. Economic, social and cultural rights 8. Fundamental principles and rights at work	Creating a Diverse Work Style Environment Compliance and Risk Management Supply-Chain Management
Labour Practices	1. Employment and employment relationships 2. Conditions of work and social protection 3. Social dialogue 4. Health and safety at work 5. Human development and training in the workplace	Creating a Diverse Work Style Environment Health and Safety Diversity and Inclusion Human Resources Development and Training
The Environment	1. Prevention of pollution 2. Sustainable resource use 3. Climate change mitigation and adaptation 4. Protection of the environment, biodiversity and restoration of natural habitats	Approaches to Environmental Issues
Fair Operating Practices	1. Anti-corruption 2. Responsible political involvement 3. Fair competition 4. Promoting social responsibility in the value chain 5. Respect for property rights	Fair Trade Compliance and Risk Management Supply-Chain Management
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) Ensuring Quality and Safety Personal Information Protection 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	▶ Business Activities for Value Creation Cooperation with the Communities ▶ Activities for Contributing to Society

▶ Global Reporting Initiative

▶ Global Compact

Third-party Assurance

NEC CSR Report 2017 has been assured by the third party for the items listed in the following assurance statement.

SGS

ASSURANCE STATEMENT

SGS Japan's Report on Sustainability Activities in the NEC Corporation CSR Report 2017.

NATURE AND SCOPE OF THE ASSURANCE

SGS Japan Inc. was commissioned by NEC Corporation (hereinafter referred to as "the Organization") to conduct an independent assurance of its CSR Report 2017. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included data on the number and ratio of female managers to the total number of managers (as of 1st April, 2017), ratio of employees with disabilities (as of 1st June, 2016), number of people of utilizing childcare and nursing care leave (in fiscal 2016*), average age of employees (as of 31st March, 2017, including gender-segregated data), average length of employment (as of 31st March, 2017, including gender-segregated data), NEC frequency and severity rate of labor accidents and disasters (in fiscal 2016*) and management systems supporting the reporting process. The boundary of these data is only NEC Corporation employees.

The information contained in the CSR Report 2017 and its presentation are the responsibility of the directors or governing body and the management of the organization. SGS Japan Inc. has not been involved in the preparation of any of the material included in the CSR Report 2017.

Our responsibility is to express an opinion on the text, data and statements within the scope of assurance with the intention to inform all the organization's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured at a moderate level of scrutiny using our protocols for:
- Evaluation of content veracity;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);

The assurance comprised a combination of pre-assurance research, interviews with the division of responsible for CSR and the person in charge of producing the report at the head office, onsite visits to the head office and Tamagawa Plant, verification and confirmation of vouchers, and review of related materials and records.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

*Fiscal 2016 is the period from April 1, 2016 to March 31, 2017

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; and environmental, social and sustainability report assurance. SGS Japan Inc. affirms our independence from the organization, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on the knowledge, experience and qualifications of the each of the team members for this assignment, and comprised auditors registered with lead auditors of quality management systems(QMS), environmental management systems(EMS), occupational health and safety assessment systems(OHSAS), social accountability 8000(SA8000) and lead verifiers of greenhouse gas emissions.

ASSURANCE OPINION

Within the scope of the assurance activities employing the methodologies described above, nothing has come to our attention that caused us to believe that the information and data contained within the CSR Report 2017 does not provide a fair and balanced description of the organization's sustainability activities from 1st April, 2016 to 31st March, 2017 (The number and ratio of female managers is as of 1st April, 2017).
The assurance team is of the opinion that the Report can be used by the Reporting Organization's Stakeholders. We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

The Organization identified the relationships between the business segments of the organization and social needs and various media such as GRI guidelines, ISO26000, SDGs, the United Nations Global Compact, and corporative surveys, and summarized social issues and social value creation in the "NEC Vision 2017 for Social Value Creation" as business organization issues. All relevant targets of stakeholders, such as customers, shareholders, investors, suppliers, the local community, employees and the global environment, are identified, and communications, such as external experts' reviews, surveys, and Labor-Management Consultations, are performed by the respective divisions in charge. Needs and expectations received from stakeholders have been input into the organization through the relevant activities, and the responses have been considered. CSR issues are integrated into the business issues, and are reflected as the business activities of the organization through the Business Strategy Committee.
The responses to the stakeholders are re-input into the stakeholder communication process, and the stakeholder engagement process is continually improved. The series of processes is available in the CSR Report.
SGS Japan Inc. confirmed the above processes through the assurance.

Materiality

The Organization determined the materiality of the extracted issues in consideration of the context of the Organization and the social needs, and took relevant actions to address the issues in the entire organization and the relevant divisions through the business activities. The Organization set the targets to be achieved in the relevant divisions where possible. The series of processes is available in the CSR Report.
 SGS Japan Inc. confirmed the above processes through the assurance.

Responsiveness

The Organization addresses the identified issues as the business activities of the relevant divisions. The Organization makes various efforts, so that the entire organization is consistently aware of activities with high ethical values. The Organization considers the items to be disclosed depending on the degree of interest of stakeholders and the requests for disclosures from the corporative surveys, and discloses them, through various media including the CSR report.
Direct dialogues with stakeholders are also conducted though the various communications.
SGS Japan Inc. confirmed the above processes through the assurance.

For and on behalf of SGS Japan Inc.
Senior Executive & Business Manager
Certification and Business Enhancement   Yuji Takeuchi
9th June, 2017
Signed:

AA1000
Licensed Assurance Provider
000-8

CSR Information Disclosure 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.

The CSR Report (web version) is an important tool for communication with our stakeholders, including customers, shareholders and investors, business partners, local communities and employees. It discloses the CSR initiatives and their results as viewed from ESG (Environment, Society, Governance). The NEC Annual Report also gives an outline of the CSR Report.

Scope of Report

The content solely relates to NEC Corporation in certain sections, but also includes subsidiary companies in other sections. For information covering a specific set of NEC and subsidiary companies, the scope of such information has been explicitly defined in each relevant section.
In disclosures of CSR-related information, "NEC" refers to NEC Corporation and its subsidiary companies, unless otherwise noted.

Disclosure Format

CSR Website

Harnessing various website features, NEC regularly discloses the latest information on its CSR activities via its CSR website, which is utilized as an interactive communication tool. Furthermore, it emphasizes detailed coverage of information to ensure conformance with international reporting initiatives such as GRI, while addressing the needs of CSR professionals such as SRI research institutes, the news media, universities and NPOs/NGOs.
For details of NEC's approaches to environmental issues, please refer to Annual Environmental Report 2017.

Annual Report

Annual Report explains NEC's management strategies from both financial and non-financial perspectives, with the view to promoting the sustainable growth of NEC and society as a whole. From fiscal 2014, NEC has published an annual report that integrates the traditional annual report format centered on financial reporting with non-financial information highlights (the former CSR Report Digest).

Reference Guidelines

With the aim of achieving conformance with international reporting initiatives, NEC reports on CSR activities with reference to the following guidelines:

・GRI's Sustainability Reporting Guidelines 4.0(*)
・United Nations Global Compact
・ISO 26000

* International guidelines for sustainability reports issued by the GRI (Global Reporting Initiative)

Update of CSR Activity Report for Each Fiscal Year Issued

September 2017 (Previous: September 2016)

Data Collection

Those data items without notes are for NEC itself.
The applicable period/date is the consolidated accounting period (ending March 31 of each 2015, 2016 and 2017), 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 apply to permanent employees.)

Governance

Corporate Governance

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Ratio of outside directors to all directors	45.5%	45.5%	45.5%

	2015	2016	2017
Number of female managers (As of April 1 of each year)	386	★374	★368
Ratio of female managers (As of April 1 of each year)	5.2%	★5.4%	★5.5%

📄 Corporate Governance
📄 Diversity and Inclusion

Risk/Compliance

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Web training about compliance participation rate (Including domestic NEC group company)	98%	98%	98%
Compliance hotline - Number of consultations	65	85	101

📄 Compliance and Risk Management

Information Security/Personal Information Protection

		Fiscal 2015	Fiscal 2016	Fiscal 2017
Training of privacy data protection participation rate (Including domestic NEC group company)		100%	100%	100%
Information security review (Including domestic and overseas NEC group company)	Domestic	76	62	60
	Overseas	39	40	34
CSR/Information Security Measures Number of companies and participants at the explanato meeting		About 1,700	About 1,600	About 1,500
		About 2,200	About 2,000	About 2,000
Information security measures in business partners - Inspection and Review	Visiting Inspections	Total 1,800	100	50
	Documents inspe		1,600	1,450

Information Security

Personal Information Protection

Supply-Chain Management

Society

Respecting Human Rights

		Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of people that have attended a human rights awareness training session	e-learning	23,538	22,063	20,296
	group study	2,932	2,030	1,731
Human rights hotline - Number of consultations		About 20	About 30	About 25

Respecting Human Rights

Promotion of Diversity/Labor Practices

		Fiscal 2015	Fiscal 2016	Fiscal 2017
Number and Ratio of employees by region (NEC Corporation and Consolidated Subsidiaries)	Japan	78,056	77,455	80,478
		78.9%	78.5%	74.7%
	APAC	6,926	7,678	10,557
		7.0%	7.8%	9.8%
	China / East Asia	4,882	4,058	4,631
		5.0%	4.1%	4.3%
	EMEA	4,540	4,948	6,463
		4.6%	5.0%	6.0%
	North America	2,502	2,495	3,123
		2.5%	2.5%	2.9%
	Central and South America	1,976	2,092	2,477
		2.0%	2.1%	2.3%

		Fiscal 2015	Fiscal 2016	Fiscal 2017
Workforce by gender	Male	19,660	18,498	17,763
	Female	4,322	3,737	3,681
Number of new employees - New graduates (foreign nationals)		64	66	39

		2014	2015	2016
Ratio of employees with disabilities (Based on figures collected as of June 1 of each year under the Act for Promotion of Employment of Persons with Disabilities)	NEC Corporation	2.00%	★2.03%	★2.07%
	Domestic Subsidiaries (average)	2.03%	2.06%	2.10%

		Fiscal 2015	Fiscal 2016	Fiscal 2017
Average age of employees	Male	43.1 Years old	★43.3 Years old	★43.6 Years old
	Female	41.0 Years old	★41.2 Years old	★41.4 Years old
	Total	42.7 Years old	★42.9 Years old	★43.1 Years old
Average length of employment	Male	18.6 Years	★18.7 Years	★18.9 Years
	Female	18.3 Years	★18.2 Years	★18.3 Years
	Total	18.5 Years	★18.6 Years	★18.8 Years

📄 Diversity and Inclusion
📄 Creating a Diverse Work Style Environment

Healthy Work-life Balance

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Ratio of taking paid leave	68.4%	67.9%	69.3%
Number of people utilizing childcare leave	388	★395	★376
Number of people utilizing nursing care leave	16	★19	★18
Average monthly overtime	17.4 hours	17.4 hours	17.1 hours

📄 Diversity and Inclusion
📄 Creating a Diverse Work Style Environment

Health and Safety

		Fiscal 2015	Fiscal 2016	Fiscal 2017
Labor accidents and disasters	Frequency rate	0.27	★0.25	★0.18
	Severity rate	0.00	★0.00	★0.00

📄 Health and Safety

Human Resources Development

		Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of training days per employee	NEC	4.6	4.9	5.1
	Domestic NEC group company	3.5	4.0	4.5
Response rate of employees' survey (As a general rule, the survey for employees a overseas subsidiaries is conducted every other year.)	Domestic	84%	83%	79%
	Overseas	77%	-	-
R&D expenses		134.2 billion yen	124.0 billion yen	109.3 billion yen

📄 Human Resources Development and Training
📄 Innovation Management

Social Contribution Activities

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Social contribution expenditure	0.54 billion yen	0.43 billion yen	0.67 billion yen

[PDF] Cooperation with the Communities

Environment

For progress and achievements related to environment activities, click here.