\Orchestrating a brighter world

NEC

CSR Report 2016

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NEC has signed the United Nations Global Compact.

Message

Self-help to create a dependable self

At NEC, our greatest strengths include our superior Information and Communication Technology (ICT) assets, cultivated over a history spanning 117 years, and our ability to integrate and combine these and deliver them to our customers. Making the best use of these strengths, we endeavor to provide social value for our customers, as well as for people in countries and regions across the world, in order to establish abundant societies and lifestyles, and bright futures full of hope. In 2014, we sought to embody this mission through our corporate brand statement "Orchestrating a brighter world," devoting our energies to delivering "Solutions for Society" and addressing seven themes on the creation of social value, thus clarifying the future direction for NEC.

As a Social Value Innovator, and to continue creating value for our customers into the future, each of us at NEC needs to demonstrate the spirit of self-help, displaying the appropriate initiative, thought, and behavior to meet the expectations of society and customers. In this process, we will continue to engage in dialogue with a variety of stakeholders and build relationships of trust. With these principles established as part of our corporate culture, constructing a business model that allows us to continue to create value is essential.

Based on my strong belief that in managing the NEC group we should practice "Self-help to create a dependable self," I hope we can establish an NEC that continues to create value for the next 100 years and beyond.

July 2016

Takashi Niino
President and CEO

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CSR Management Policy: Management Approach to Sustainable Development

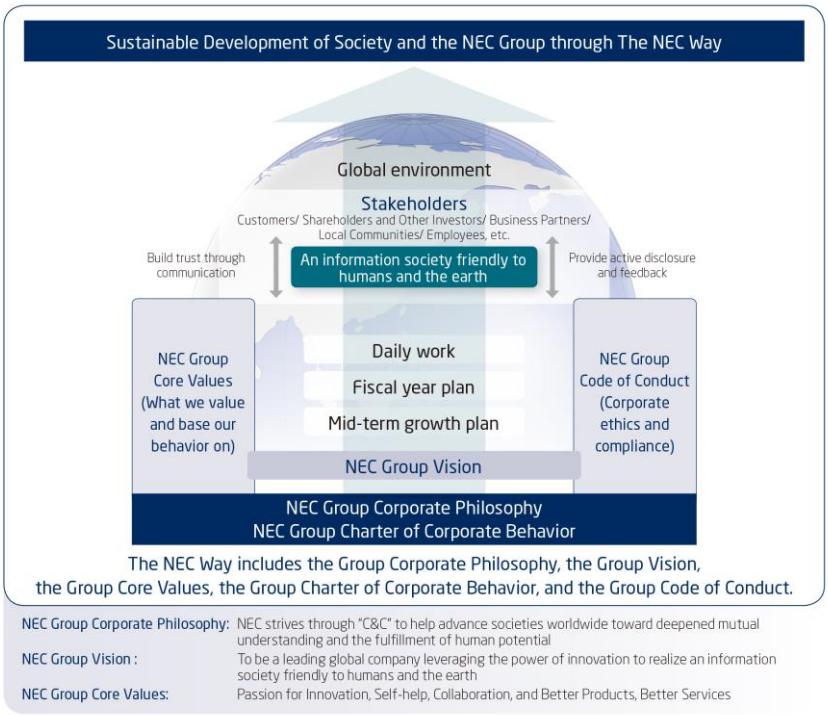
At NEC, we consider CSR initiatives to be inseparable from corporate activities. We aim to ensure the sustainable development of society and the NEC Group by implementing The NEC Way.

We fully recognize that a company's existence is conditioned by society. Each and every member of the NEC Group rigorously adheres to compliance standards and strives to practice the NEC Group Core Values in the course of our daily operations and aim to realize an "information society friendly to humans and the earth," as set forth in the NEC Group Vision based on the Corporate Philosophy. We believe it is our social responsibility to do so and contribute to solving issues faced by customers and society.

We ensure we will actively and responsibly disclose information on the results of our CSR initiatives and related issues to all our stakeholders. In addition, we also endeavor to improve our corporate activities through communication with our stakeholders, in order to continue to become a company that is trusted and chosen by our customers and society.

Moreover, we believe that it is crucial to find insights about essential value for society and our customers in the conversation with stakeholders. We will be able to create innovations that lead to the launch of new businesses and evolution of existing ones with them. This is how NEC aims to provide even greater value to customers and society.

Creating common value between the corporate and society through communication with all stakeholders, NEC Group continues to be an essential partner to society. Management based on the foregoing approach is what NEC considers as CSR-driven sustainable management.



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Policy

NEC carries out its CSR Management Approach in accordance with the following three basic policies.

- Strengthen risk management and enforce compliance

NEC carries out thorough risk management and compliance, inclusive of its Group companies and business partners, in order to continue to exist in society and be able to respond to the expectations and demands of its stakeholders. To this end, NEC strives to avoid and mitigate any negative impacts or risks on its stakeholders, society, and the environment, such as potential occurrences of violations of human rights and environmental damage. Also, 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 all 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.

The Seven Themes for Social Value Creation

- Promote communication with stakeholders

Through communication and collaboration with its various stakeholders, NEC identifies the fundamental issues of customers and society and the values they seek, as part of building relationships of trust with them. NEC also actively discloses its initiatives to solve those issues, the results of those initiatives, and about new challenges through our reports and other publications. Furthermore, by continuously implementing improvement measures through PDCA cycles originating from feedback from society, NEC will continue to build relationships of trust with stakeholders and society, to enhance its corporate value.

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Promotion Framework

The Corporate Communications Division's CSR Promotion and Social Contribution Office promotes initiatives in close coordination with 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, purchasing, and more, as well as with research laboratories, business divisions, and Group companies. Coordination is also further conducted with business partners.

We discuss and report important issues related to CSR management in our business strategy committee, as well as in the Board of Directors Meeting.

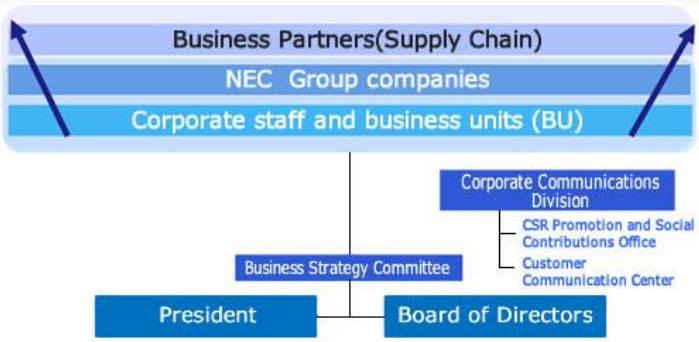
Business Strategy Committee

The committee promotes company-wide activities and policies through discuss and information-sharing by senior management to realize the objectives of the company's mid-term management plan. Its principal members are the President, corporate officers in charge of business units, corporate officers in charge of units, and executives in charge of the Corporate Strategy Division.

Individual themes related to CSR management are taken up by a number of committees: the Risk Control and Compliance Committee, the Information Security Strategy Committee, the Human Rights Awareness Committee, the Environmental Management Promotion Committee, and the Customer Satisfaction Promotion Committee.

Board of Directors

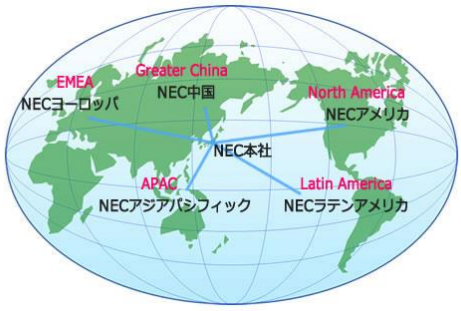
The Senior Vice President who is in charge of CSR, ensures the regular inclusion of CSR-related topics for discussion by the Board of Directors.



CSR Promotion Framework

Global CSR Promotion Framework

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



Global CSR Management Promotion framework

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

1. Improve corporate value led by stakeholder communications.
2. Improve CSR management quality based on global standards.
3. Upgrade and expand CSR governance Group-wide and globally.

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: Achieved ◎/ Mostly achieved○/ Some progress △/ No progress ×)

Objectives	Achievements and Progress	Degree of Completion
1. . Advancement of stakeholder engagement pertaining to the United Nations' "Transforming our world: the 2030 Agenda for Sustainable Development"	. On the basis of its social value creation themes, NEC conducted dialogues with NPOs regarding contributions to Sustainable Development Goals (SDGs).	◎
. Improvement of integrated reports by promoting integrated thinking	. We introduced NEC's narrative for medium and long term social value creation in this fiscal year's Annual Report. We also introduced case studies on the solution of social issues carried out in the Mid-term Plan 2015 from the perspectives of four values; safety, security, efficiency, and equality.	
. Continued inclusion in SRI indexes	. We continued to be included in the following SRI indices: －FTSE4 Good World Index －STOXX Global ESG Leaders Index －Global Compact 100 Index －Euronext Vigeo World 120 Index, etc. . We were included anew in the following index: －MSCI Global Sustainability Indexes . We have also received the Silver Class distinction and named an Industry Mover in the RobecoSAM Sustainability Award 2016	
2. . Promotion of sustainable operations in line with codes of corporate governance	. We have included CSR Reporting as a regular part of the Board of Directors Meeting, and created a scheme for Directors to discuss and approve sustainability themes.	○
. Promotion of human rights due diligence through participation in the United Nations Global Compact framework	. We gathered information on global trends from UN Global Compact Network Japan's (GCNJ) working groups, and initiated the formulation of concrete procedures in relevant divisions.	

Objectives	Achievements and Progress	Degree of Completion
3. . Encouragement of global cooperation on conflict metals surveys and CSR sourcing	. In addition to EMEA and Greater China, we have newly established CSR sourcing functions in APAC to promote regional collaborations and reinforce global CSR initiatives.	○
. Promotion of Group company cooperation centered on activities such as participation in the Global Compact Network Japan's working groups	. Group companies participated in working groups to get involved in themes related to their company, collected information, and formulated measures for improvement.	

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

1. Reinforce the NEC Group's global CSR Management Promotion Platform
2. Expand business originating from the solution of social issues
3. Improve corporate value by strengthening communication with stakeholders

Fiscal 2017 Objectives

1. Reinforce the NEC Group's global CSR Management Promotion Platform	. Nurture corporate culture aimed at formulation of non-financial KPI including dialogue with NGOs, etc. - Reinforce collaborations on CSR themes and initiatives with Group Companies and RHQs
2. Expand business originating from the solution of social issues	. Reinforce capability to solve social issues through collaborations between business and social contribution activities - Promoting social contribution activities that lead to sustainable initiatives through business
3. Improve corporate value by strengthening communication with stakeholders	. Further improve CSR Report and Annual Report based on integrated thinking -Continuously included in major SRI indices -Understanding of management issues and improvement of initiatives rooted on the communication with stakeholders

Business Activities for Value Creation

NEC utilizes 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.

The Seven Themes for Social Value Creation

Business Highlights

These seven themes of social value creation were established based on six megatrends identified by analyzing trends in global economics, society, and technology, and they directly relate to the 17 Sustainable Development Goals (SDGs) adopted by the 193 member states at the UN Sustainable Development Summit.

For example, the "Sustainable Earth" theme of social value creation relates to "Goal 7: Affordable and Clean Energy" and "Goal 13: Clean Action" indicated in the SDGs. The themes of "Safer Cities & Public Services," "Lifeline Infrastructure," and "Communication" also relate to "Goal 9: Industry, Innovation and Infrastructure" and "Goal 11: Sustainable Cities and Communities." Furthermore, the theme of "Industry Eco-System" relates to "Goal 8: Decent Work and Economic Growth," in addition to Goal 9. Finally, the themes of "Work Style" and "Quality of Life" relate to Goal 8 and "Goal 16: Peace, Justice and Strong Institutions."

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Overview of SDGs

The SDGs include a total of 17 goals and 169 targets.

NEC promotes corporate activities that respect ten principles regarding human rights, labour, the environment, and anti-corruption, based on the UN Global Compact signed in 2005.

As a company that provides social value on a global scale, NEC promotes business activities that recognize the 17 goals and 169 targets of the SDGs

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Stakeholder Communications

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

CSR Report 2016 describes case examples of such dialog and cooperation as follows:

- Stakeholder Review based on ISO26000

- Dialog with a variety of stakeholders
  - Conserving "*Copera tokyoensis".*
    ("*Copera tokyoensis" - A dragonfly designated as an endangered species)*
  - Workshop to find issues through coordination with the Tokyo Metropolitan Government
  - NEC Global HR Meeting Held
  - Career seminar at NEC Europe

- Cooperation with local communities

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Stakeholder Review Based on ISO 26000 Standards

NEC is working to improve its CSR activities based on stakeholder engagement, as emphasized in the ISO 26000 international standard for social responsibility. The CSR Review Forum (CRF), with which NEC has held discussions every year since 2011, is one of the approaches followed to improve NEC's CSR activities. CRF and various individual NEC divisions have had talks to review NEC's activities based on ISO 26000.

From May to June 2016, NEC held discussions with the CRF. Because the discussions focused on highly technical themes, this time participants also included NPOs and other professionals that do not belong to the CRF.

CSR Review Forum

Overview of Discussion

Senior Vice President Naoki Kato, in charge of NEC's CSR since April 2016, led the discussions by reviewing the 2015 Medium Term Business Plan and explaining the 2018 Medium Term Business Plan. Discussion continued with participants covering topics such as specific social issues, where NEC's social solutions business is trying to find solutions, or the status of human resource cultivation and who will be able to play a critical role in new business creation. In addition, there was a focus on the following three themes, which were identified as the most critical issues facing NEC.

Partnering to Deploy Social Solution Business

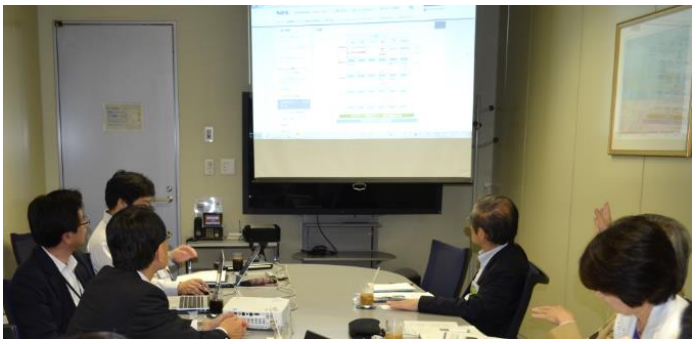
Last year it was pointed out that the "...social issues facing the world now cannot be solved by just one private company because the magnitude of the issues and the period of time needed to solve them is too great and so it becomes crucial to find solutions through networking among several companies." To this end and as a goal of solving global social issues, this year we began discussions on the significance of collaboration with other companies and discussions on global social issues while presenting various activities, such as new business promotion by the Business Innovation Planning Division or partnering with ARISE (the UNISDR Private Sector Alliance for Disaster Resilient Societies).

Privacy Handling and Rules in the Social Solution Business

One of the most critical issues facing the social solutions business is the simultaneous utilization of data and privacy protection. Under the theme of monitoring solutions using face recognition data, the talks focused on the need to be careful about legal issues, rules and guidelines. To become better informed about data utilization and privacy protection, two experts representing academia and human rights shared their informed opinions: Professor Harumichi Yuasa, Institute of Information Security and Mr. Hidenori Matsuoka, Asia-Pacific Human Rights Information Center (HURIGHTS OSAKA). In addition to the recommendation from CRF, Professor Yuasa also made the following recommendation.
→Recommendation by Professor Yuasa

CSR Procurement

As last year, discussions continued on due diligence and finding solutions in human rights and labor issues with suppliers, also one of the topics during last year's discussions. Suppliers are required globally to comply with human rights and labor issues and it is quite important for NEC to be actively involved.



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Review Panel

CSR Review Forum Participants

The CSR Review Forum-Japan (CRF) is a private, non-profit organization established through an alliance of civic organizations (NGOs, consumer organizations, etc.) and individuals affiliated with those groups working to solve frontline social issues and help bring about a sustainable society. CRF provides the CSR Review Program for independent reviews of corporate activities based on ISO 26000, the international standard for social responsibility.

Chief Reviewer
Tomohiko YAMAGUCHI
CSR Review Forum-Japan

Reviewer
Kaori KURODA
CSO Network Japan

Reviewer
Yukiko FURUYA
Consumer Conference for Sustainability

Reviewer
Kenichi KUMAGAI
The Japan Association for Advancement of ILO

Reviewer
Li Yanyan
JPN-CHN Civil Society Network

Guest Reviewers

Reviewer
Hidenori MATSUOKA
Asia-Pacific Human Rights Information Center (HURIGHTS OSAKA)

Reviewer
Harumichi YUASA
Institute of Information Security

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NEC Stakeholder Review 2016

Review Framework

In the sixth year of the review, the panel discussed and reviewed the social issues solutions business, human rights and CSR procurement, the three main subjects for NEC. This year in particular, the panel took a close look at the NEC approach to the recommendations made by the CSR Review Forum.

The three issues were selected after the following deliberations when both NEC and the CSR Review Forum proposed the themes.

1) Both parties agreed that the social issues solutions business is the most significant entity through which NEC can influence society.

2) Regarding human rights, NEC specifically requested the discussions about "the use of privacy information" which shows how IT universally exerts influence on society from the standpoint of human rights. Consequently, the CSR Review Forum recognized this issue as the most important for human rights and adopted it as a theme.

3) Review of CSR Procurement was also considered as a critical CSR issue to validate how the implementation of the management system is progressing.

The forum was held four times as shown in the schedule below. Following NEC's report on what it has done on each issue, the participants held discussions and took part in a review.

Session 1, May 18: Review commercialization of social solutions in the Mid-term Management Plan2015 and the Mid-term Management Plan2018 and future policies.

Session 2, June 1: Review of human rights framework and discussion focused on "Business and human rights issue - Privacy Information Protection".

Session 3, June 6: Progress in CSR Procurement

Session 4, June 14: Progress and prospects for commercialization of social solutions.

The discussions resulted in the following proposals.

Specific Proposals

1. Mid-term Management Plan

1-1. Mid-term Management Plan 2018

Beginning in April 2016, the new Mid-term Management Plan stated that "To realize a society that is safe, secure, efficient, and fair, the NEC Group, as a social value innovator, will focus on 'Solutions for Society', which leverages Information and Communications Technologies (ICT) in order to advance social infrastructure."

The panel deeply respects NEC's commitment to becoming a "Solution for Society" company (a company that provides solutions for social issues) by taking this commitment as a core part of the Mid-term Management Plan.

Through this review, we ascertained that NEC is searching for the ideal business structure for its management plan and has attempted to build a business that truly understands social and environmental issues. We know that NEC's approach takes a long time and our hope is that NEC continues to strive for many years to come.

We do, however, have some concerns about the Mid-term Management Plan. The Plan assumes that the social solution business will lead to economic growth for NEC. As many companies' histories show, social issue solutions and profits do not necessarily go hand in hand. If increased profits are the goal, the business becomes just ordinary, far from being able to solve social issues. If the focus is on solving social issues, the business usually cannot achieve satisfactory profits over the short-term.

When announcing a management policy such as a mid-term management plan, management must show its awareness that solving social issues and gaining profit at the same time are essentially difficult. After that, management should communicate its commitment to achieving both goals, especially to both their employees and their shareholders. After gaining support and confidence from those groups, management can more boldly do what needs to be done.

The above opinion was presented in a discussion with Senior Vice president, Mr. Kato.

1-2. Creating Internal Awareness and Systems for Solving Social Issues

In this review, Mr. Nakashima, from Business Model Innovation Center, Business Innovation Unit, gave a detailed explanation of the system they are implementing.

Business Innovation Unit consists of a coordinator and designers who use "inspiration" to think things through and implement various processes to start new businesses by supporting those divisions that want to initiate the necessary changes. In the phase in which they search for social issues, they talk to stakeholders outside the company and implement a process for further discussions. After understanding this, we realized that NEC has moved significantly forward from the time when its attitude was to start a business internally and alone. We look forward to NEC's future development.

However, the "Solutions for Society" business will face a dilemma between solving social issues and profit. As a whole, NEC needs to establish "NEC's Work Style" (NEC's fundamental work principles) by transforming the process or style of starting a business that creates social value even though profit is not created over the short term. We believe this will be a major challenge for NEC.

Business Innovation Unit is currently focused on launching a new business. Its purpose is to formulate a business model for a new business that can be profitable and fulfill its social responsibilities at the same time by sharing, realizing, testing and validating various ideas put out by internal or external stakeholders. Expectations are high for NEC to contribute to creation of a new business model instead of just being the keeper of NEC's values and principles.

NEC needs to state that it will solve social issues and become profitable at the same time, even if this is difficult. Accordingly, each division involved in solving social issues, including Business Headquarters, should implement a system to seriously tackle social issues without worrying about realizing short term profit. If NEC shows a serious commitment, society will be supportive.

There is also a need for an index that objectively measures the results of this effort. It should measure business performance not only by profit but also by the extent of contributions to the social issues that NEC solves. This can be a numerical value or qualitative index. We know that NEC is reviewing the establishment of such an index. NEC should first create a prototype and evaluate the results.

Following the above discussion, NEC presented details on its disaster prevention business.

Disaster prevention is a major social issue. NEC has defined disaster prevention as the core of its social solutions businesses. As a policy, NEC aims to apply the most current disaster prevention measures and knowledge under development in Japan to its disaster prevention efforts in other nations. In particular, NEC is cooperating closely with other companies and international institutions so that it can present a comprehensive disaster prevention plan to all those nations, one that is relevant to their geographic, environmental and cultural concerns.

We finished our discussions with the following recognition: When NEC undertakes a disaster prevention business, contracted by a government, NEC should first listen to those living in dangerous areas and reflect those voices in the plan.

Public work projects such as those for disaster prevention or communication infrastructure implementation are areas where NEC can work on social issues and realize profits at the same time. However, NEC should have a roadmap if its future policies, in which the company starts a social solutions business for a public works project and then extends into the private sector.

Conclusion:

1) Business coordinator

If NEC wants to be a social solutions company it is a crucial that each division train a coordinator who will play a critical role in many business areas. The coordinator should lead not only in achieving the ultimate profit goal but also identify business value and generate profit from that value.

The coordinator should be a gate keeper of the company's values and principles, should be capable finding stakeholders, should be a mediator between various stakeholders internally and externally, should be an interpreter of different languages and different concepts, should identify problems and should show the value that NEC is capable of achieving. The Business Model Innovation Center is training these coordinators. They should be assigned to various business units and then should be able to train the next generation of coordinators.

2) Due diligence in human rights and environment in all businesses
Any business, including the social issue solutions business, can have a positive or negative impact.

NEC should implement due diligence in respect to human rights and the environment in a company-wide system by listening to the stakeholders who are in disadvantageous situations and reflect their voices in the system.

2. CSR Procurement

2-1 CSR procurement

(Evaluation over the past 6 years)

・Progress:

NEC has been setting up the CSR Procurement system over the past several years and has presented its policies on its website. It has also established a PDCA scheme for partner networking and surveys that have been conducted with external specialists. This year, NEC has continued with the surveys and improved the procurement system under this PDCA scheme. NEC has put a great deal of effort into improving its quality control issues.

・Points needing improvement:

Human rights are one of the most critical issues in CSR Procurement currently under discussion. However, NEC's awareness and its solutions for human rights issues are still a bit tenuous. NEC should earnestly implement a forceful solution to this problem. Japan faces a big problem in labor management with subcontractors in both the IT and service industry sectors and the Japanese government has come up with several solutions to deal with the problem.

The Ministry of Economy, Trade and Industry listed seven CSR issues requiring attention from Japanese corporations (2014 May). Human rights issue in the overseas supply chains of Japanese corporations was the first issue on the list. Our discussions led us to believe that NEC's priority in terms of supplier labor issues is still low. This means that not just the procurement division but all divisions must work to coordinate to improve the situation. If NEC neglects this problem, there will be more risks. These kinds of problems are common place in human rights violation issues in supply chains.

(Comments for the future)

NEC is shifting its focus from procurement of things to procurement of services. For the CSR procurement issue, the focus will be on the working environment of subcontracted engineers. NEC needs to define the human rights issues in the procurement of services as a critical element in due diligence. This will help it understand the human rights situation in general if the procurement division works together with the HR division or CSR division to promote human rights protection. This will allow NEC to initiate effective ways to deal with the human rights issue.

3. Respecting Human Rights

3-1.Human rights due diligence

3-1-1. Human rights due diligence

Over the last five years, NEC has been establishing human rights due diligence worldwide.

For the future, NEC should further analyze the situation and execute detailed plans that can be set up for each specific human rights violation situation.

Specific proposals for human rights due diligence:

1) NEC surveyed its employees in October 2015. The awareness level of the problem and the response to the result, however, were not enough. An urgent improvement solution must be found and implemented to avoid human rights violation risks in the supply chain. NEC needs to implement a process that involves external stakeholders and determine a way to review how the survey results are analyzed and how individual solutions are realized.

2) Identifying and disclosing the areas or regions with increased human rights risks

NEC should be ready now to identify the regions or areas where human rights risks are high and disclose that information.We hope NEC will explain how the survey was conducted and disclose that information.

3-2. Business and Human Rights

A service provider company can analyze a person's purchasing behavior, Internet searches or e-mail behavior. Information the company obtains from that analysis can be a valuable resource for the company's business. However, although the information generated from that analysis may be very beneficial to its customers, it may violate personal privacy if the business is not conducted properly.

Through this review, we discussed how an information company should use privacy information. If one analyzes an individual's activities on the Web, it can know people's likes, and even thoughts, and so on. If companies who have all this information also share it, it is inevitable that a situation will occur in which individual human rights will be violated. In this regard, all panel participants agreed that there must be a rule. NEC proposed a rule in which individuals, not the company, should determine if they will allow the company to use private information and proposed a plausible way of enforcement.

NEC's proposal is based on democratic society fundamentals and defined as a representation of individual freedom and dignity. We strongly agreed with this concept. Realizing the process for this concept does, however, involve some issues to be considered.

We propose the following for "Rule Making".

1) NEC must take the following into consideration: Innovation by IT experts can make a big impact on everyone and many in the world who receive no benefits from IT are negatively affected because their privacy may be violated.

2) We support NEC's belief that individuals should decide how their private information should be used. However, NEC must take into consideration that there are people who cannot easily decide what to do because a "digital divide" is spreading as everything is becoming IT. This means that NEC needs to recognize that technology alone cannot solve everything and the company should consider working together with local communities, government sectors, NPOs, etc.

3) NEC needs to involve various stakeholders in the rule-making process so that the rules reflect a variety of stakeholder voices.

Recommendations by Professor Yuasa on "Privacy Issues in the Social Solution Business"

Relationship between the ICT business and privacy - Current situation

The environment in which there is a relationship between the ICT business and privacy is rapidly changing. More and more corporations are not just selling computers or communication devices but also collecting personal information such as purchasing behavior, relocation history, websites viewed, etc., and utilizing this information to their businesses. A real IoT era is fast approaching and massive amounts of personal information will be collected through IoT.

Contrary to such personalization phenomenon of ICT, there is a movement to control a whole city through ICT by utilizing the information collected from many sensors and cameras to provide the electricity or other energy, to comprehensively control traffic and improve safety in the streets. Currently, the ICT is moving forward in two directions: personalization and smart technology.

There have been instances where certain types of information that had not previously been recognized as private are now considered to be private. One example would be the home address. If one can find someone's address on the Internet, then it is also possible to find where the person lives. Future scenarios may envision the information being distributed live where everyone would be able to see if that individual is at home.

It is true that users and consumers have become more concerned about violations of privacy and they have a growing sense of mistrust of businesses. Even those businesses that comply with the Act on the Protection of Personal Information in Japan may be criticized for violations of privacy. There are many examples where companies have been forced to terminate or suspend their business or services after being publicly criticized for the way private information or individual privacy was handled.

Privacy and the ICT business - Concept

It is not sufficient to discuss only issues of compliance related to the Act on the Protection of Personal Information. I applaud NEC for considering the issue of customer privacy as a human right after distinguishing private information from privacy itself; the company has established a policy that respects privacy when it develops its business.

The scope and definition of personal information are relatively explicit because they are defined by the Act on the Protection of Personal Information and other laws and regulations. Privacy, however, is generally regarded as personal secrets, has characteristics of personality rights and can be viewed rather subjectively when trying to reach a clear definition. One must be careful because the sense of privacy differs by region and nation when disclosing or using some types of information; this can be interpreted as not personal by some and a violation by others.

I have found several examples where the concepts of privacy differ by region and nation. Recently, in some regions, more families are refusing to disclose the names and addresses of family members in newspaper obituaries while in other regions it is still customary for a prominent newspaper obituary to list the name and address of the individual in charge of the funeral. In Japan, as above mentioned, privacy is regarded as a personal secret. In the US, according to the US Supreme Court decision, the right of abortion is considered to be part of the privacy In Japan, it is very common to put a nameplate on the door of a house, showing the family name and even first names. Not many people feel this to be a matter of privacy. But for homes in North America and Europe only house or room numbers are attached. This is not because the law prohibits showing family names but because it is not customary to disclose who is living in those societies.

The concept of privacy differs by region, nation and individual. This implies that it is mandatory when one develop a business to gather sufficient knowledge about the concept of privacy in those regions and nations. If a company launches its products and ignores those particular social norms, it will surely be criticized for violations of privacy. Since companies usually do market research before the launch of a new product or service, privacy issues must be included in the market research.

From a human rights perspective, one should be careful about minorities' privacy. There are certain things on which a majority of users can agree but minorities do not. I recommend that NEC always recognize those users and respect them.

Technology development and expectations of leadership

To deal with a variety of privacy violation risks, NEC should continue to move forward in its privacy protection efforts by developing new technologies.

To develop new products and services in the future, NEC must adopt the concept of "Privacy by Design" in which NEC takes privacy into consideration for all processes from design to marketing. The G7 Ise-Shima Summit adopted the G7 Principles and Actions on Cyber - "We welcome proactive approaches such as "Privacy By Design" which take privacy and protecting personal data into account throughout the engineering process".

If NEC can develop the technology to use personal data effectively while protecting individual privacy, correctly apply the technology to products and services and promote those products and services, then privacy protection should not be a cost issue but rather a big advantage in promoting business.

For an automotive or industrial product, quality, including after-sales support in addition to functionality or performance, is very attractive to consumers at the time they make a decision to buy. Similarly, privacy protection will become a critical factor for consumers deciding to purchase a particular product if they know that their privacy will be protected through the use of leading-edge technology. It is expected that NEC will continue with its technology-based R&D, which includes protection of privacy as well as usage of an individual's personal information. NEC can lead the market by implementing the results of its R&D in its products and services.

NEC should also become further involved in making rules as related to personal information and privacy handling. Today, personal or private information is used not only in domestic situations, but also when crossing borders. The laws of only one nation cannot properly protect personal or private information. The importance of technology standards or management system standards that should prevail globally is heightened and there are many instances where interested companies get involved in venues where standards and rules have been established. NEC should actively participate in those venues, and create an environment where it can exercise creative independently. NEC should recommend to the Japanese government to establish new laws or to revise existing ones related to privacy issues by leveraging its leading market position as a leader in leading-edge technology development and its experience and knowledge obtained through the creation of those standards and rules.

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Dialog with a Variety of Stakeholders

Through dialog and cooperation with the various stakeholders, NEC, as a "Social Value Innovator", shares a clear understanding of the fundamental issues of its customers and society and the values that NEC pursues.

The following describes the dialog and cooperation that were part of NEC's fiscal 2016.

Conserving "*Copera tokyoensis*" (an endangered species)

On February 25, 2016, "Stakeholder Communications" was held under the theme "Conserving *Copera tokyoensis* (an endangered species)". Fifteen members from the Teganuma Aquatic Organism Research Association (civil group), Abiko City (public administration), The Japanese Society for Odonatology (vice chairman), the Chiba Biogeocoenosis Research Center (expert) and NEC (corporate) gathered for this meeting. This was the second "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. 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 measures to eliminate non-native fish as part of efforts to protect the Copera tokyoensis.

Overview

At the first session, the Teganuma Aquatic Organism Research Association presented a report on the status of their conservation work. At the second session, the participants discussed whether the ICT asset owned by NEC could be leveraged to protect *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"; "Even though we've been steadily working in this particular area of conservation, the numbers of these dragonflies have continued to fall dramatically at the NEC Abiko plant. There is an urgent need to upgrade the natural environment at the plant."

Abiko City has suggested a program that will strengthen the ties of our conservation efforts with the community so that all Abiko citizens will have the chance to participate and contribute (Currently, only NEC Group employees and their families are allowed to participate.).

The future

Based on these suggestions and the comments made by experts, our plan is to upgrade the natural environment at the NEC Abiko plant. In July 2016, we set up our first project that will encourage any Abiko citizen to join us in our conservation efforts.

It was in June 2010 that 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 a continuous efforts made to understanding biodiversity and environmental conservation.

- NEC Group Environmental Management Action Plan 2017/2030
- Principles for Conserving Biodiversity

Workshop to find issues through coordination with the Tokyo Metropolitan Government

NEC began participating in the Help Mark promotional activities in December 2014. This was the first joint initiative by the public and civilian sectors. NEC began promoting working together with the Tokyo Metropolitan Government through "Realizing a society where everyone helps each other".

The following events were held with NEC and the Tokyo Metropolitan Government in fiscal 2016:

- "NEC IT Communication Support Course for the Severely Disabled"
- Para-Sports event or science class for children in the community
- "Tokyo Sign Language College"

These events helped NEC employees and the disabled come together in a social setting.

Overview

On October 22, 2015, NEC held a public meeting at the Tokyo Disability Welfare Center as part of its cooperation efforts. Participants included 12 researchers and engineers from NEC and four disabled individuals from the Tokyo Federation of the Organization for the Disabled. NEC presented the next-generation technology currently being researched and developed for the purpose of contributing to the creation of a barrier-free town. After the presentation, the participants experienced the technology and made comments. This was very valuable feedback for NEC.

We began to have a better understanding of the disabled and the many needs they have in certain locations and in particular situations – more than we ever expected, and so we began to evaluate potential development opportunities to help meet those needs. This workshop also gave us the opportunity to present this next-generation technology through NEC's "publicly-offered program for new business creation".

The future

The "wheelchair" was the theme this time. In the future, NEC, in cooperation with the Tokyo Metropolitan Government, will promote co-creation activities under the theme "creating a barrier-free town". This might include, for example, holding themed workshops for the visually or hearing impaired.

NEC Global HR Meeting Held

Overview

In 2008, the headquarters Human Resources division and the Human Resources divisions of the overseas subsidiaries (e.g., Regional Headquarters (RHQ)) began to meet regularly at NEC headquarters. Discussions were held and a review of solutions considered addressing the issues relating to the global human resources of the NEC Group.

In the beginning, the topics discussed were related to communications, requests from headquarters to overseas subsidiaries and information sharing among them. With repetition, these meetings evolved into a venue where participants were able to form a consensus through discussions. In particular, there were various issues relating to Global HR, such as developing global leaders, improving the motivation of employees, standardizing the HR policies and processes and optimizing HR operations. As a result, the discussion is continuing with the objective of implementing best practices by studying actual practices within the overseas subsidiaries.

At the meeting held in June 2015 in addition to regular information sharing and discussion, a workshop featuring outside experts was held focusing on four themes: "Talent Development", "Employees' Engagement", "Global HR Data Leveraging" and "Compensation Initiatives".

The future

While getting help from the relevant departments at headquarters, NEC will be selecting additional meeting topics for focus points in Global HR, such as "NEC Corporate Culture Infiltration" and "Branding", in addition to the past topics such as "Talent Development", "the HR Platforms" and "HR Operations".

Career Seminar at NEC Europe

Overview

On March 1, 2016, NEC Europe held the "11th Career Seminar" at its London office for students from the Sophia University Faculty of Economics.

Using discussions with management, this seminar was designed by NEC to help Japanese students gain an understanding of the significance of working overseas.

It has also been NEC's intention to support students who want to develop their careers in an international environment.

Opinions from students

At the conclusion of the seminar, the students made the following comments:

"I was quite intrigued knowing that the ultimate goal of NEC is to realize a safe, efficient and fair society through the use of ICT. I also gained a good understanding about the process needed to start a business using agriculture ICT. I learned a lot at this seminar about commonalities and differences in work-life balance in Japan and England."

"I learned a lot today not only about NEC's business but also about the working environment of women and the child care environment overseas. I was glad to hear how NEC's business has grown and how it plans to expand in the future.

"Until I participated in this seminar, I thought NEC was just an IT company. I was impressed learning that NEC is actually trying to use the ICT tool to create a safe society. They presented specific examples and I understood much better how a new business could be implemented."

"It is crucial to understand that each person's time priorities and abilities are scrutinized overseas. I felt it would be wonderful to work abroad. This seminar was fun and beneficial from beginning to end.

"I enjoyed hearing directly from the NEC staff explaining NEC's policies and business in detail. This seminar clarified my direction in moving forward in my future career."

"It was very interesting to follow the process of the launch of the agriculture ICT business. I could understand the importance of persuading business partners and making systematic plans. I also learned that careful preparation is one key for a successful business when entering a totally new area. Understanding the benefits and disadvantages of working in England has expanded my career options. It was very useful to have open discussions with the NEC staff about work and more privately when having lunch together."

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Cooperation with the Communities

In 1990, NEC established its "NEC Group Corporate Philosophy" in the belief that "NEC strives through "C&C" to help advance societies worldwide toward a deepened mutual understanding and the fulfillment of human potential". To realize this corporate philosophy, we at NEC strive to promote social contribution activities that consider the benefits and development of all stakeholders, beginning with the local communities, and fulfill our social responsibilities as a "good corporate citizen".

Policy

Working closely together with business, NEC's social contribution activities help to solving the social problems found in these three themes: "Welfare and Diversity", "Environment" and "Education, Culture and Sports". Through community investment and the development of human resources, NEC's objective is to improve brand value and create a business platform that will find not only solutions to social problems with the community but foster community trust as well.
NEC has a further objective to contribute to developing a new business model that is social-problem-driven through joint efforts with its partners (NPOs, NGOs, local governments, universities, etc.) in social contribution activities.

NEC has established basic policies that underlie the creation of our social contribution program so that we can carry out sustainable programs that contribute to society. We have also established the following five criteria to form a relationship with NPOs and NGOs. We will be evaluating the program based on the Social Contribution Program Evaluation System that complies with these criteria.

Basic Policy of Social Contribution Program Creation

1. Effective utilization of management resources

・Management resources: funds, products, human resources, facilities, information/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

3. Connections between group companies and employee participation

・Energizing NEC Make-a-Difference Drive (MDD)
・Promoting employee volunteer activities

4. Contributing to improving our corporate value

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

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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 the following three promotion frameworks:

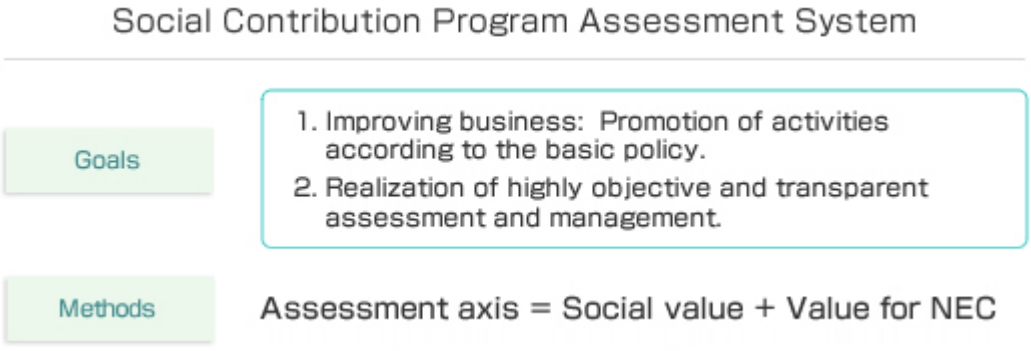
- Social contribution program: Mainly NEC Corporate Communications Division CSR Promotion and Social Contributions Office & Social Contribution Promotion Departments of NEC Group Companies plan and execute the program.

- "NEC Make-a-Difference Drive (MDD) " - NEC Group employees in the world actively plan and participate.

- 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.



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

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 (human resources, products, funds, facilities, and information). 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

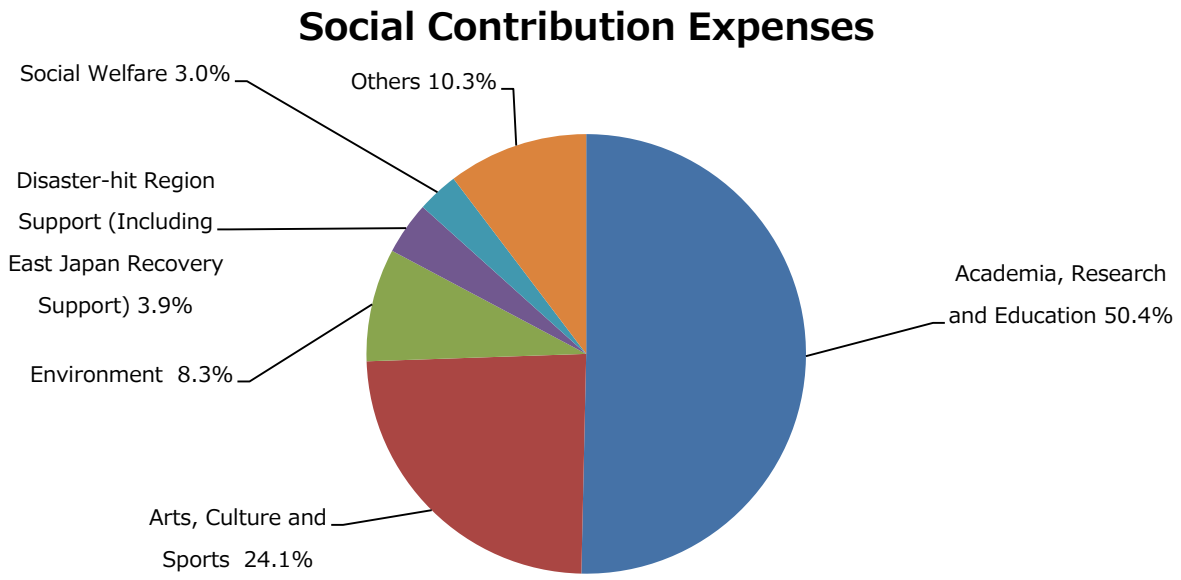
In fiscal 2016 the total social contribution expenses for the NEC Group were approximately 430 million yen. We were involved in various regions around the world following three main themes in five areas, including "Academia, Research and Education" and "Arts, Culture and Sports". Social contribution 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 2014	Fiscal 2015	Fiscal 2016
440 million yen	540 million yen	430 million yen

Fiscal 2016 Expenses breakdown



Fiscal 2016 Activity Details

For activity details, see the "Social Contribution Activities" page.

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

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

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: Achieved ◎/ Mostly achieved○/ Some progress △/ No progress ×)

Objective	Achievements and Progress	Degree of completion
1. Engage in business activities and help improve brand value throughout the social contribution program ・Strengthen collaboration with projects focusing on Tohoku reconstruction and building barrier-free cities ・Strengthen collaboration between businesses and between projects by stepping up cooperation with NPOs and NGOs. ・Conduct in-house lobbying and promote the understanding of such promotion.	1. Strengthened business platform by collaboration between public and civilian sectors. (1) Minamisanriku town, Miyagi Prefecture ・A reconstruction cooperation agreement was concluded between NEC and Minamisanriku town. (2) Tokyo Metropolitan Government ・The "TOKYO Sign Language College" (An awareness campaign to understand the disabled - Collaborative project with Tokyo Metropolitan Government and Tokyo Metropolitan University) was held for the first time. ・The workshop was held for the first time to identify issues by coordinating with the Welfare Service for the Disabled of the Tokyo Metropolitan Government. 2. Strengthened cooperation with internal divisions (contributing to create a business, embedding programs in in-house training) ・Implemented in-house LGBT training with "ReBIT" (NPO established by the graduates of the "NEC Social Entrepreneurship School") by coordinating with the HR department. 3. Embedded a "dialog" with program partners of the "NEC Social Entrepreneurship School" and its graduates (social entrepreneurs, NPOs) in the ”New business creation publicly-offered program" to brush up on new business. 4. Performed a trial "CSV Model Creation" that was combined with business and social contribution activities by collaborating with the sales department. 5. Improved the brand through awards by external organizations ・The NEC Para-sports Support Project was certified as "Model Corporation Promoting Sports in Tokyo". ・NEC's pro bono initiative received the "Make a CHANGE Day Grand Award". ・NEC's Paddy Making Project was certified as the collaborative activities with "United Nations Decade on Biodiversity - Japan Committee (UNDB-J)".	◎

Objective	Achievements and Progress	Degree of completion
2. Foster a culture of volunteerism within the NEC Group ・Bolster "NEC Make-a-Difference Drive (MDD)" in Parasports (sports for persons with a disability), Tohoku reconstruction, biodiversity, and the unpaid volunteer initiatives. ・Create a volunteer network encompassing current and former employees ・Extensively leverage the intranet	・The number of employees who participated in biodiversity conservation was 9,931, exceeding the goal of 9,700. ・No. of participants in NEC Pro bono Initiative was 29, exceeding the target number in the past. ・No. of MDD promoters increased because the MDD's participation range was extended. ＊No. of MDD promoters was 428 (any individuals or groups can participate regardless of organization (department, company, etc.) ・MDD performance remained at the same level even though new initiatives (e.g., workshop, etc.) were implemented. No. of participants: 32,444 / Participation hours: 60,403 ・Held a meeting to collect information from group companies and other companies to network the volunteers of current and former employees. ・Updated the Intranet for more practical usage to improve the PR of volunteer activities. ・Started trial usage of the Intranet so group companies can recruit participants for volunteer activities. ・A project to create a scheme to collect and share information globally is still ongoing.	△
3. Expand Group and global development ・Optimally position and deploy social contribution programs as part of the One NEC commitment ・Deploy and globalize existing programs, centered in Asia	・Some departments responsible for some social contribution programs have been changed to optimally position the NEC Group's social contribution programs. ・A social contribution pamphlet was published describing activities relating to the whole NEC Group including overseas subsidiaries. ・"NEC World Children's Nature Club" was set up in other regions. It was set up in Indonesia for the first time. ・The scale of overseas MDD was expanded. No. of participants: 4,437 / Participation hours: 4,330 No. of MDD promoters: 93	○

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

Establish social contribution activities that create a synergy effect (brand improvement, nurturing human resources) with business activities:

1. Human resource nurturing with high social sensitivity and contribution to business creation that is social-issue driven.
2. Establish an activity process and the "visualization" of results.
3. Create a promotion platform.
4. Optimize activities from the whole NEC Group point of view.

Fiscal 2017 Objectives

1. Human resource nurturing with high social sensitivity and contribution to business creation that is social-issue-driven.	· Collaboration with the system of "New business creation publicly-offered program and creation of a model by collaborating with NPOs. · Establishing a volunteer culture with the Para-sports Support Project with pro bono as the core.
2. Establish an activity process and the "visualization" of the results.	· Enhance PR on the Web for activity results. · Awareness campaign to improve planning ability, execution power and installation of guidelines.
3. Create the promotion platform.	· Establish a promotion system within the NEC Group and the network with public administration, local governments, corporations, universities. · Global social contribution program trial in Asia
4. Optimize the activities from the point of view of the total NEC Group.	· Review the social contribution activities (including foundation activities) of the NEC Group and prioritize the issues. · Review the approaches to the solution of issues.

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External Ratings and Evaluation for NEC's CSR Approach

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 index.

RobecoSAM Sustainability Award

NEC has qualified for inclusion in the RobecoSAM Sustainability Yearbook 2016 and has received the "Silver Class" distinction and "Industry Mover" in its industry "Computers & Peripherals and Office Electronics" at the RobecoSAM Sustainability Award 2016 for its excellent sustainability performance. Every year, RobecoSAM recognizes the world's most sustainable companies in each industry as determined by their score in the RobecoSAM annual Corporate Sustainability Assessment. (Its results serve as the basis for the construction of the prestigious Dow Jones Sustainability Indices.) In 2016, more than 3,000 companies from 59 industries were assessed on their performance in material extra-financial factors (ESG). Those companies that are within the top 15% of their industry and have a score within a range of 1% to 5% from the score of the Industry Leader, receive the RobecoSAM Silver Class distinction. Those companies that are within the top 15% of their industry and have achieved the largest proportional improvement in their sustainability performance compared to the previous year, are named a RobecoSAM Industry Mover.

ROBECOSAM Sustainability Award Silver Class 2016

ROBECOSAM Sustainability Award Industry Mover 2016

RobecoSAM Sustainability Yearbook 2016

FTSE4Good Global Index

This index is created by FTSE Russell, part of the London Stock Exchange Group. Over 2,000 companies are evaluated and those that meet the ESG criteria are included in this index. NEC has been included since 2002.

FTSE4Good Global Index

(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.)

FTSE4Good

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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.

MSCI 2016 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 HERIN, 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, an agency that has expertise in the assessment of companies and organizations relevant to their practices and performance on ESG issues. This index includes the 120 most advanced companies in the European, North American and Asia Pacific regions from the perspective of ESG. NEC has been included since 2012.

EURONEXT vigeo eiris INDICES World 120

Euronext Vigeo – World 120

Ethibel Pioneer & Excellence

The non-profit organization Forum ETHIBEL actively promotes Socially Responsible Investing (SRI) and Corporate Social Responsibility (CSR) by offering its services on sustainable financial products. The regularly updated "ETHIBEL Investment Registers" include only companies identified as sector leaders in terms of corporate social responsibility (CSR). Forum ETHIBEL manages two labels, the ETHIBEL PIONEER label and the ETHIBEL EXCELLENCE label. Financial products with the ETHIBEL PIONEER or EXCELLENCE labels guarantee that only shares and bonds from the Investment Registers will be invested in. 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.

member of the INVESTMENT REGISTER
ETHIBEL PIONEER & EXCELLENCE

Ethibel Pioneer & Excellence

STOXX Global ESG Leaders Index

This index is generated by STOXX Ltd., a group company of *Deutsche Börse*. It selects world leaders from the ESG perspective based on a survey results by Sustainalytics, a sustainability research/analysis company. NEC has been included since 2014.

Member 2015/2016 STOXX ESG LEADERS INDICES

STOXX Global ESG Leaders Index

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Morningstar Socially Responsible Investment Index (MS-SRI)

This is an SRI index created by Morningstar Japan K.K. Companies are reviewed on "governance", "environment", "social contribution" and "employment" based on a survey that Toyo Keizai Inc. conducted on about 4,000 listed companies, 150 of which achieved "excellence". NEC has been included since 2003.

(As of July 2016)

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. In 2015, Japanese companies were included and NEC was ranked 14th (1st among Japanese companies).

Channel NewsAsia Sustainability Ranking

EcoVadis

EcoVadis is the first collaborative platform that provides Supplier Sustainability Ratings for global supply chains and uses a CSR assessment methodology that covers 150 purchasing categories, 110 countries, and 21 CSR indicators. In 2015, NEC has been rated "Gold Recognition Level" due to its CSR performance by EcoVadis for the second straight year.

EcoVadis

Click here for the Certificate

Other External Evaluations

Awards for social contribution → For details, click

Recognition and awards on the environment → For details, click

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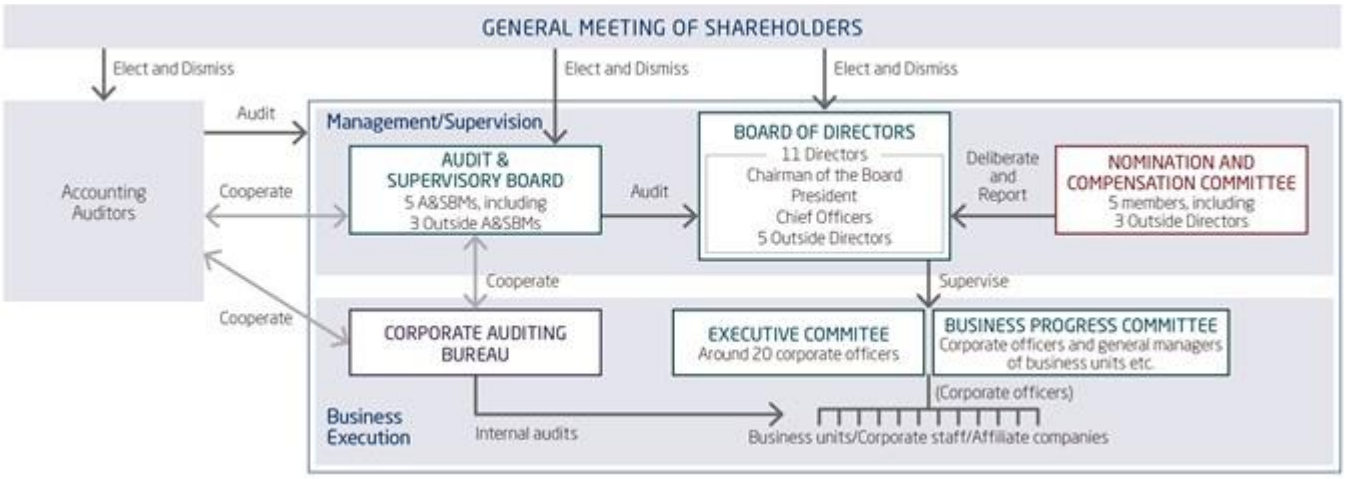
Corporate Governance

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.

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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

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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 "weird". In addition, the Group encourages officers and employees to consult with supervisors, related departments or the Compliance Hotline with a view to resolving and improving those issues collectively as an organization.

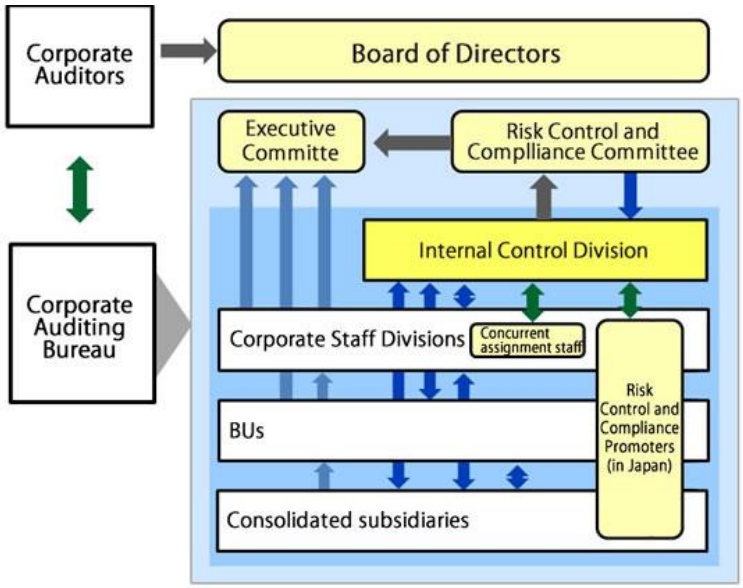
Moreover, as part of our risk management activities, we have established an efficient and integrated risk management framework to avoid oversights and overlap of measures, under a common policy for the entire Group, based on our Rules for Basic Risk Management. Every year, we identify risks that require 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.

Promotion Framework

NEC enforces and effectively implements compliance including the 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 the priority risks.
2. Executive Committee
   The Executive Committee deliberates important risks related to NEC's management strategies and policies, including the 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 (Compliance Hotline).
4. Risk Control and Compliance Committee
   The committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies related to preventive measures, and deliberates policies for risk management activities, for selection of the priority risks, and policies for addressing them.

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.
   Further, it regularly receives and discusses reports of audit results from the Corporate Auditing Bureau, and receives reports of status of operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (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 works with the Internal Audit Divisions of subsidiaries in carrying 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
   NEC is proactively developing compliance frameworks at its five regional headquarters around the world to further strengthen compliance in step with global business expansion. For example, NEC has delegated internal audit, compliance and legal affairs functions to the regional headquarters after clarifying the job descriptions for these three functions.
   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. Also, NEC has established the channels for reporting compliance-related issues from the domestic and overseas subsidiaries to the Headquarters in Japan, regularly and as the need arises.



Framework for internal control

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Main Activities and Results for Fiscal 2016

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 in the training, with 98% completing it in fiscal 2016. Also, once a year, the President speaks about compliance at the NEC Business Ethics Forum. For fiscal 2016, the Forum tackled important themes primarily related to the Competition Law that all members, including management-level officers, should keep in mind. NEC also uses educational opportunities for new graduate recruit programs and other rank-specific programs to instill the importance of complying with the NEC Group Code of Conduct.

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 the fortnightly Compliance News email 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 160 case studies. These materials are used for a wide range of purposes, such as for distribution to new employees and use as educational materials during promotion of managers.

Addressing Global Business Expansion

Enforcement of compliance at overseas business sites has become an ever more urgent priority. In response, starting from 2015, Web-based training programs related to compliance designed for NEC and domestic subsidiaries have been made available in multiple languages (English, Spanish, Portuguese, and Chinese) and used also for overseas subsidiaries. NEC also provides guidance to executives posted to overseas subsidiaries and ongoing training locally to executives to reinforce compliance management functions, and shares information with compliance officers around the world.

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 any concerns or issues related to compliance in the workplace with their superiors, colleagues, and people 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 NEC Group companies and suppliers in Japan.

Awareness of this system within the Group has remained above 90%. In fiscal 2016, the number of consultations to the Compliance Hotline contact points reached 85. 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.

Survey on Corporate Ethics Initiatives

NEC Corporation conducts online surveys as part of 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 the survey conducted in fiscal 2016, we received many comments that the survey served as an opportunity to reevaluate oneself and that it reminded them of the importance of compliance. We also fed back some of the survey results to share information to NEC Group officers and employees by posting results on the NEC intranet.

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 countermeasures and magnitude of impact on corporate management and on society, on the basis of risk assessments for each organization. These are obtained through a questionnaire-based risk management survey and interviews, the risk management effectiveness evaluation by the Corporate Auditing Bureau, findings of audit & supervisory board members (Kansayaku) and 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 devises, with other divisions, countermeasures for all Group companies.

Risk Management Activities

The Risk Control and Compliance Committee regularly receives reports on the status of examining the above specific priority risk countermeasures and progress of implementation from each division in charge. Through these reports, the committee supervises the Group-wide implementation of risk management by verifying results and issues from activities, activity plans, and other matters. It issues instructions as necessary on the directions for improvement and reinforcement measures.

The Internal Control Division gathers external information, conducts risk management surveys, and interviews subsidiaries around the world. It shares know-how accumulated from these processes as part of ongoing support for the risk management activities of divisions, including their subsidiaries, to reinforce the overall risk management capabilities of the NEC Group.

Addressing Inherent Fraud Risks

In fiscal 2016, as with fiscal 2015, NEC instituted compliance self-assessments for all general managers and executives of domestic unlisted subsidiaries. The goal was to encourage swift identification of compliance weaknesses within business units and the deployment of fast countermeasures. NEC feeds back analysis results and best practices information to respondents, so they can leverage them for the daily compliance activities within their departments.

Participation in Activities of External Organizations

Business Ethics Research Center (BERC)

NEC Corporation has been a member since the center was established in 2000. We have utilized information on examples of initiatives in other companies obtained through the Center in the planning of measures to promote corporate social responsibility within the company.

Business Ethics Research Center

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

1. NEC aims to achieve a uniform level of internal control across the NEC Group by working to increase efficiency while raising employee awareness by enhancing internal control systems and their operation globally.
2. To continuously develop and operate internal control systems
3. To continuously implement compliance promotion measures and improve the Group-wide implementation level
4. To continuously operate the Compliance Hotline and improve awareness Group-wide
5. To continuously implement risk management activities

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: achieved ◎/mostly achieved ○/some progress △/no progress ×)

Objectives	Achievements and Progress	Degree of Completion
1. To review the internal control system based on the revised Companies Act and strengthen internal control functions through restructuring of the system.	・ We reinforced our internal control system primarily by enhancing Group control through the reporting of important matters from subsidiaries and the creation of guidance and support mechanisms based on those reports.	◎
2. To continue risk management activities, such as addressing the priority risks, to overcome issues facing the NEC Group	・ We selected the priority risks based on the Rules of Basic Risk Management and ensured execution of countermeasures by managing the progress status of countermeasures.	◎
3. To continue compliance training in Japan and overseas and gain employee acceptance of compliance awareness.	・ We conducted web-based compliance training for almost all employees of NEC and domestic subsidiaries, with 98% completing it. ・ We held the NEC Business Ethics Forum, at which the president spoke about the importance of compliance. ・ We implemented training for new recruits and rank-specific training programs (including those for new managers, new general managers, and new executives). ・ We translated web-based training programs on compliance into multiple languages and conducted the training also for overseas subsidiaries. ・ We provided guidance to executives posted to overseas subsidiaries, and provided training locally to executives.	◎
4. 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 remained at above 90% for three consecutive years (it was 91.5% in fiscal 2016).	◎

Objectives for the New 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

1. To continue compliance training in Japan and overseas and gain employee acceptance of compliance awareness
2. To continue risk management activities, such as addressing the priority risks, to overcome issues facing the NEC Group
3. To continue activities to popularize and inform about the Compliance Hotline, and promote early discovery and solution of problems and issues

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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.

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Fair Trading

NEC is actively involved in promoting fair trade by reinforcing its systems for compliance with competition law and regulations for preventing bribery as an important activity for ensuring compliance. NEC always puts a premium on compliance and believes that practicing compliance is of prime importance amidst fierce competition in the different countries around the world. Moreover, anti-corruption through prevention of bribery and other fraudulent activities is one of the principles of the UN Global Compact and is a common matter of concern around the world. NEC therefore is also actively involved in preventing corruption.

Policy

Countries around the world have reinforced execution of competition laws and anti-bribery regulations in recent years. Since 2008, NEC has encouraged Group companies around the world to formulate competition policies (compilation of competition law compliance matters to serve as the basis for conducting global business). Also, in Japan, NEC has for some time had a compliance manual to accommodate the Antimonopoly Act. In October 2011 it formulated a Competition Policy emphasizing compliance with overseas competition laws.

The Competition Policy is comprised of a main section that itemizes basic considerations on compliance with domestic and overseas competition laws and a commentary section explaining each of the items. The policy was formulated for the purpose of raising the compliance awareness of corporate officers and employees of NEC and affiliate companies in Japan, as well as reducing the risk of competition law infractions.

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

NEC and its subsidiaries around the world have also established the Anti-bribery Policy, which are intended to institute a system for preventing 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 rules, however, in November 2014, the Fair Trade Commission conducted on-site inspections on suspicion of NEC's violation of the Antimonopoly Act of Japan in connection with transactions concerning radio systems for firefighting. Moreover, in May 2015 and February 2016, there were more such inspections in connection with transactions concerning telecommunications equipment for electric power systems. Taking these incidents very seriously, the NEC Group is cooperating fully with the commission's investigations. And at the same time, we take these incidents as an opportunity to re-acknowledge the importance of prioritizing compliance. Specifically, we are proactively working to encourage fair trading, such as by bolstering frameworks for compliance with anti-bribery, competition, and other laws.

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Competition Policy

Formulated in October 2011

(Contacting Competitors)

1. Contact competitors only if it is absolutely necessary.

(Exchanging Information and Entering into Agreements with Competitors)

2. Do not exchange information or agree with competitors on matters important for competition such as prices, quantities, sales territories, allocation of customers and intention to (or not to) deal with a specific customer (including eagerness for an order or bid).

(Illicitly Obtaining Bid-Related Information)

3. Do not obtain or request confidential information from the national or local government or other public entity that would facilitate bid-rigging among the competitors or information about a bidder to whom such government or public organization is intending to award a contract before participating in a bid offered by such government or public organization.

(Recording and Keeping Records of Contact 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 prices, 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 the 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.

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Promotion Framework

Competition Law Compliance

It takes effort on various fronts to comply with competition law, including sales, technology transactions, and materials procurement. NEC promotes compliance with the law through cooperation and coordination among multiple divisions involved in each of these areas. Specifically, the Legal Division and the Internal Control Division serve as the co-supervising divisions, in cooperation with the Procurement Division (for materials procurement) and other divisions to promote compliance with competition law throughout NEC and the NEC Group.

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 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), and expenditures requested by the company's divisions are checked to ensure there are no problems.

Main Activities and Results for Fiscal 2016

Messages from top management

In order to promote fair trading, it is important to clarify the stance of the management executives on this issue. NEC holds annually an NEC Business Ethics Forum where the president gives a lecture on ensuring compliance, including fair trade issues, addressed to all employees of the NEC Group. Also, Corporate Officers and General Managers continuously issue messages regarding fair trading.

Continuous web-based training

Awareness-raising through continuous training programs is imperative in increasing employees' awareness on fair trading. In fiscal 2016, NEC conducted web-based training on fair trade, including compliance to competition law and bribery prevention, for all officers and employees of NEC and its subsidiaries worldwide. In addition, we also actively held group training sessions on fair trading mainly for managers and sales personnel of NEC and some domestic subsidiaries.

Revision of In-house Systems

In fiscal 2016, we revised our internal systems for prevention of competition law infractions and prevention of bribery.

Initiatives in preventing competition law infractions

To prevent competition law infraction, NEC established the Rules for Contacts with Competitors in 2011 in order to restrict unnecessary contact with competitors. Despite having these rules, however, we have been subjected to on-site inspections by the Fair Trade Commission in fiscal 2015 and fiscal 2016, thus we reinforced and further clarified our internal systems. Specifically, we added and reorganized stipulations on prior consultation related to contact with competitors, and added stipulations aimed at reducing risks of becoming involved in collusive bidding at the initiative of government agencies. In this connection, the name of the rules was changed to "Rules for the Prevention of Cartels and Bid-riggings." Also, in relation to these rules, we created a Manual for the Prevention of Cartels and Bid-riggings, which describes details of matters requiring prior consultation, methods for dealing with invitations to participate in cartel-related and collusive activities, and considerations for avoiding involvement in collusive bidding at the initiative of government agencies.

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This system has also been adopted by major domestic subsidiaries conducting sales activities for clients outside the Group. Also, to further promote awareness of the abovementioned Competition Policy, we distributed easy-to-carry, business-card-sized "Competition Policy Cards" to all officers and employees of NEC and NEC Group companies in Japan.

Initiatives in anti-bribery

In regard to bribery prevention, NEC and its domestic and overseas subsidiaries have formulated the Anti-bribery Policy, which define the system for preventing bribery and corruption at NEC and stipulate basic rules for compliance by corporate officers and employees. Moreover, NEC created the Anti-bribery Manual based on the Anti-bribery Policy. The manual stipulates the roles of division managers and specific methods for preventing bribery, which include bribery risk assessment at the business and process levels, and due diligence on third parties employed in the company's business operations. The Policy and the Manual have been revised to strengthen the anti-bribery system based on the latest government guidelines.

As a result of these initiatives, there have been no major incidents related to bribery that warrant public announcement for fiscal 2016 within the NEC Group.

Objectives and Achievements

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

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

Fiscal 2017 Objectives

1. To hold continuous training programs for preventing competition law infractions and preventing bribery and corruption
2. To promote awareness of in-house rules, such as for prior consultation and approval, to prevent competition law infractions and prevent bribery and corruption

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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.

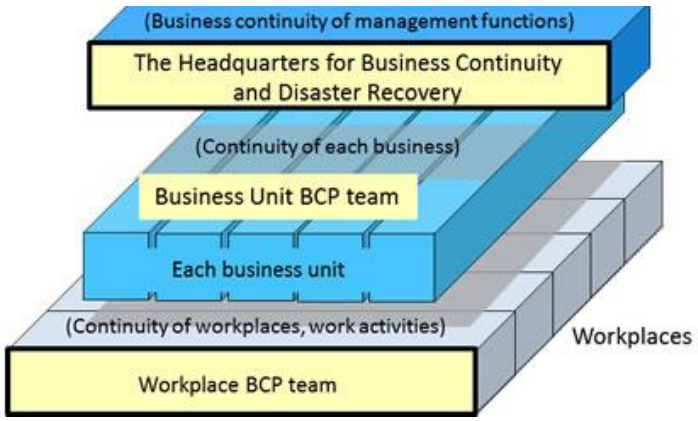
Policies

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 provide prompt on-site intervention services 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's Framework for Disaster Response and Business Continuity

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

The Business Unit BCP Team promotes business continuity under the BCP Overall Manager, through the BCP Creator, who operates the Business Continuity Management System (BCMS), and the BC Team Members (including the BCP Team Manager (the BCP Overall Manager) and the Secretariat), who function during training and disaster occurrence.

Main Activities and Results for Fiscal 2016

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 training conducted simultaneously throughout the entire Group in September 2015 was participated in by approximately 70,000 employees from 41 Group companies.

The number of participants was lower at only 80% of previous years, which was due to the occurrence on the same day of the flooding at Joso city, Ibaraki Prefecture. This means, however, that we were in fact able to conduct exercises while dealing with actual disaster prevention. This was the first time that this happened, and it provided an opportunity for each division and company to proactively decide whether to conduct training or to switch to disaster-response activities, and act accordingly on their own.

Divisions and affiliate companies that were not able to participate in September participated in the announced training 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, 2015, the day designated as the World Tsunami Awareness Day, we held an exercise at thirteen NEC Group locations in three regions considered as tsunami-prone areas. The exercise 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, an exercise was also held on information-sharing with suppliers located in the tsunami-prone areas.

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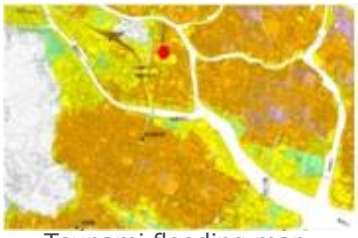
Training content and scene


Tsunami flooding map

Forum to Tell the Story of the Great East Japan Earthquake for Posterity (March 16, 2016)

On the occasion of the 50th training session held continuously since the Great Hanshin Earthquake and the 5th anniversary of the Great East Japan Earthquake, we held a Forum to Tell the Story of the Great East Japan Earthquake for Posterity.

Corporate officers, BU presidents, planning division managers, general managers, and NEC Group Company presidents attended the forum to reaffirm their understanding of NEC business continuity rules and ensure the incorporation of disaster prevention and business continuity measures in the performance of daily business activities. Representatives from sales and manufacturing who actually survived the disaster, municipal officers from disaster areas, and managers from other companies gave lectures under the theme "Exhibiting Leadership During Disaster and Emergencies." Activities conducted by NEC Group employees in the disaster areas after the Great East Japan Earthquake were also introduced.

Ms. Noriko Abe, proprietress of Minami Sanriku Hotel Kanyo

Web-based disaster training that also takes family members into consideration

NEC's first priority during disasters and emergencies is the safety of employees and their families. To this end, we hold web-based training on disaster prevention to provide skills to enable employees and their families to survive disasters and emergencies.

In fiscal 2016, we conducted online training to simulate behavior for safely escaping when an earthquake with intensity of upper 6 on the Japanese scale of 7 occurs while sleeping at home, and to enable participants to think of the necessary preparations to minimize damage. To enable family members to participate, the training was made accessible from home network environment.

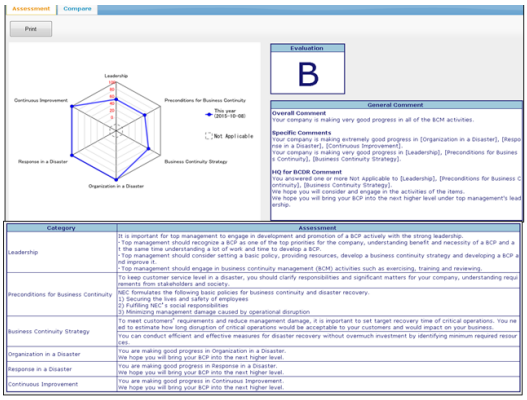
Simulation of behavior during disaster occurring while sleeping at home

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 notification exercises for all overseas subsidiaries twice a year since 2012. We are prepared to quickly resume businesses by minimizing their damage in a disaster.

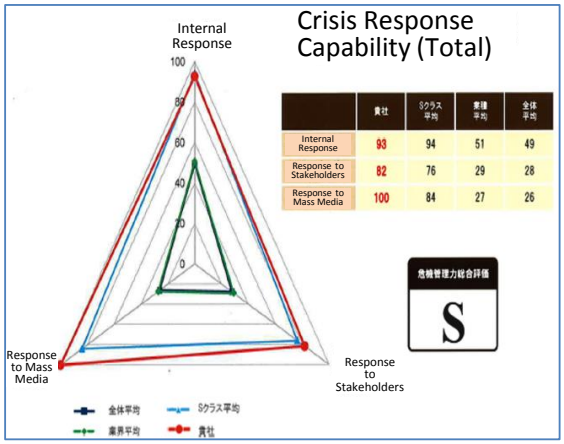
Starting 2015, we have adopted a system for conducting self-checks on disaster preparedness and business continuity in each company, and "visualized" their effectiveness and levels of business continuity plans.



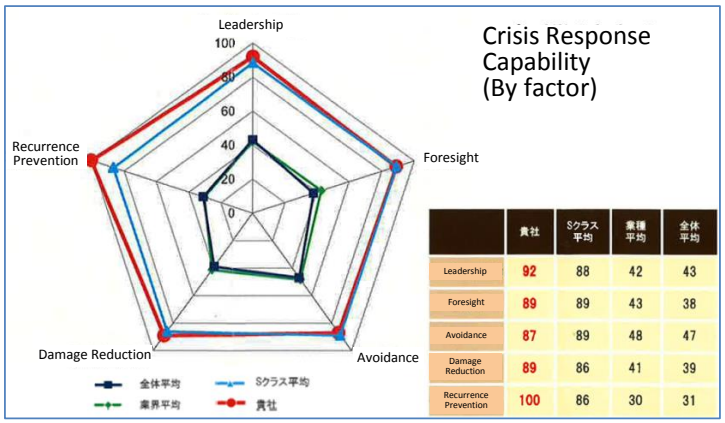
Acquisition of S Rank in Crisis Management Ability

NEC received the S Rank in the 2015 Survey on Corporate Crisis Management Ability held jointly by the Center for Integrated Disaster Information Research Interfaculty Initiative in Information Studies, The University of Tokyo

and the Corporate Communication Strategic Studies Institute. The survey assesses a company's crisis response capability on three aspects, namely, internal response, response to stakeholders, and response to mass media. It also analyzes a company's abilities in terms of leadership, foresight, avoidance, damage reduction, and recurrence prevention.



	貴社	Sクラス平均	業種平均	全体平均
Internal Response	93	94	51	49
Response to Stakeholders	82	76	29	28
Response to Mass Media	100	84	27	26



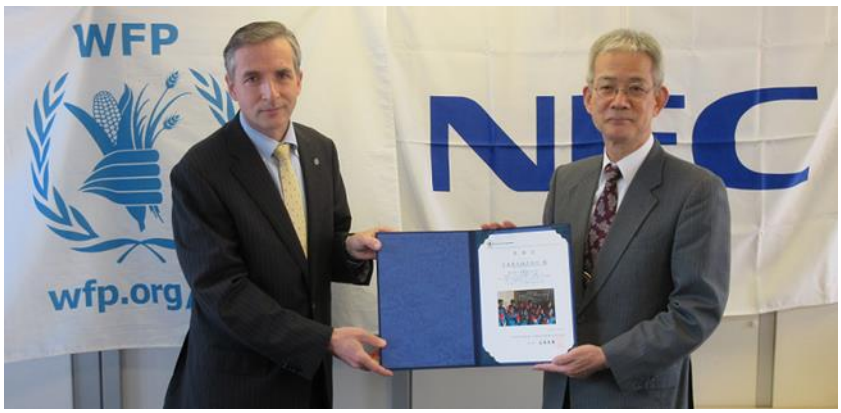
	貴社	Sクラス平均	業種平均	全体平均
Leadership	92	88	42	43
Foresight	89	89	43	38
Avoidance	87	89	48	47
Damage Reduction	89	86	41	39
Recurrence Prevention	100	86	30	31

Plaque of Appreciation from the UN World Food Programme

As a way to address costs incurred in the disposal of expired relief goods, since 2010, NEC has been promoting a unique programme for providing food that was originally stockpiled for response to disaster needs at the company's cafeterias and shops, then using the proceeds to help the WFP fight hunger and poverty through its school feeding programmes. This programme is part of NEC's Make a Difference Drive, an initiative in regional community contribution activities participated in by NEC Group members. The food, which was originally stockpiled for relief purposes in the event of a disaster, still has six months remaining on its best-before date. (Donations were not made in fiscal 2013 and fiscal 2014 since the food was donated for relief operations for the Great East Japan Earthquake.)

In recognition of this forward-thinking initiative that is environmentally sound and enables making social contributions while reducing costs, NEC has received a Plaque of Appreciation from the UN World Food Programme in February 2016.

▶ Press Release "United Nations World Food Programme recognizes NEC contributions - NEC continues support of the WFP's school feeding programmes "



(Left) Mr. Stephen Anderson, Director, Japan Relations Office, The United Nations World Food Programme, (Right) Mr. Susumu Makihara, then senior vice president, NEC

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 42 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 a wide-ranging value chain, from design and system construction to manufacturing and maintenance, pointing to our comprehensive acquisition of ISO certification.

bsi.
Certificate of Registration
...making excellence a habit.

ISO 22301 Third-party certification

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

Obtain ISO certification on business continuity for the entire NEC Group, while entrenching effective BCM activities based on the ISO approaches.

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: achieved ◎ /mostly achieved ○ /some progress △ /no progress ×)

Objectives	Achievements and progress	Degree of completion
1. Further upgrade BCM by utilizing the PDCA cycle	・We created action plans and recovery plans mindful of management resources available in the event of disasters	○
2. Check BCM levels of achievement at companies and divisions, including overseas NEC Group companies	・We conducted these checks at all overseas companies. ・We will aim to further increase BCM levels by continually conducting these tests from fiscal 2017 onwards	◎

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Objectives for the New 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

1 . To prepare action manuals and conduct training for tsunami-prone areas	To prepare action manuals for tsunami-prone areas other than those along the Nankai Trough
2 . To implement "visualization" by applying maturity levels of Information Security Management System (ISMS) to BCMS	To implement the prototype to each unit and promote monitoring and audit of current situation

Information Security

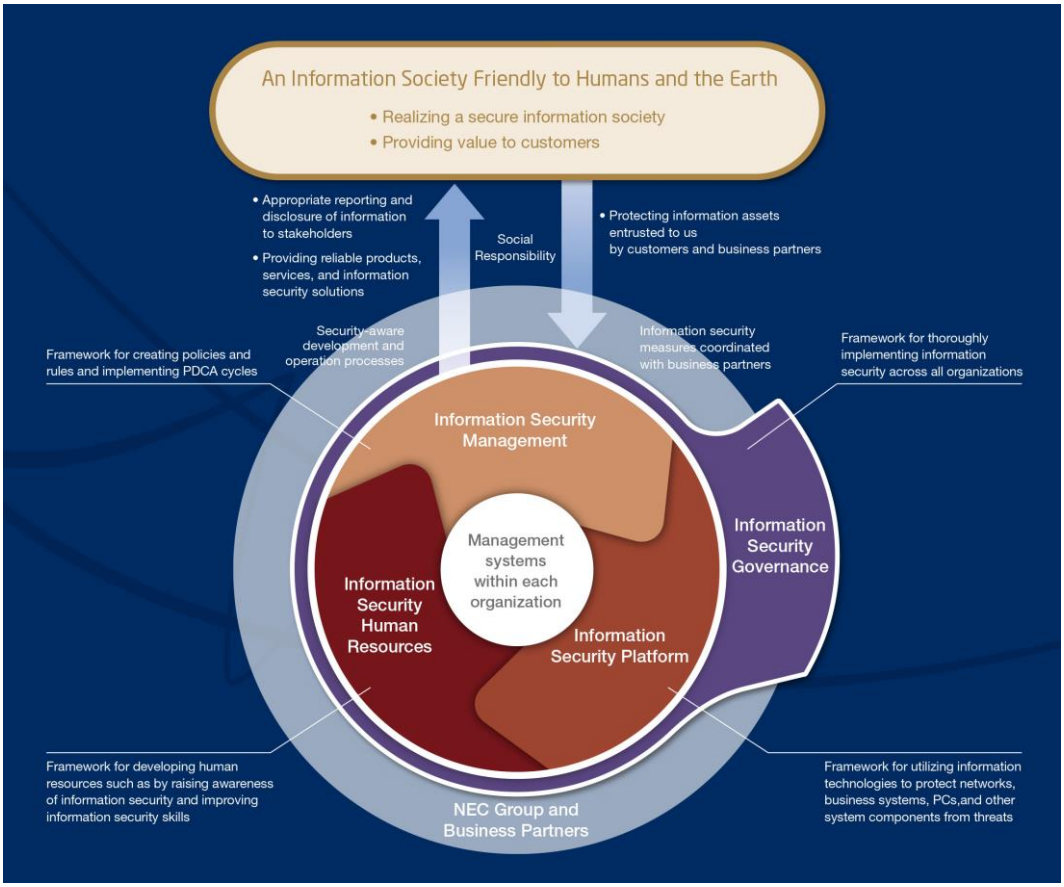
NEC recognizes that it is our duty to protect the information assets entrusted to us by our customers and business partners as well as our own information assets in order to provide better products and services and contribute to the development of society. Accordingly, we have codified this commitment in the NEC Information Security Statement.

NEC Information Security Statement

Policy

The NEC Group has established an "Information Security Promotion Framework" by which we endeavor to realize a secure information society and offer value to our customers through the protection of the information assets entrusted to us by our customers and business partners; the provision of reliable products, services, and information security solutions; and the proper reporting and disclosure of information to our stakeholders.

As part of our information security initiatives to protect information assets, we combined the four elements of "Information Security Management," "Information Security Platform," "Information Security Staff," and "Information Security Governance" to comprehensively maintain and enhance information security on multiple levels. (For details, please refer to the Information Security Report 2016 "Information Security Promotion Framework.")



Information Security Promotion Framework

Information Security Report

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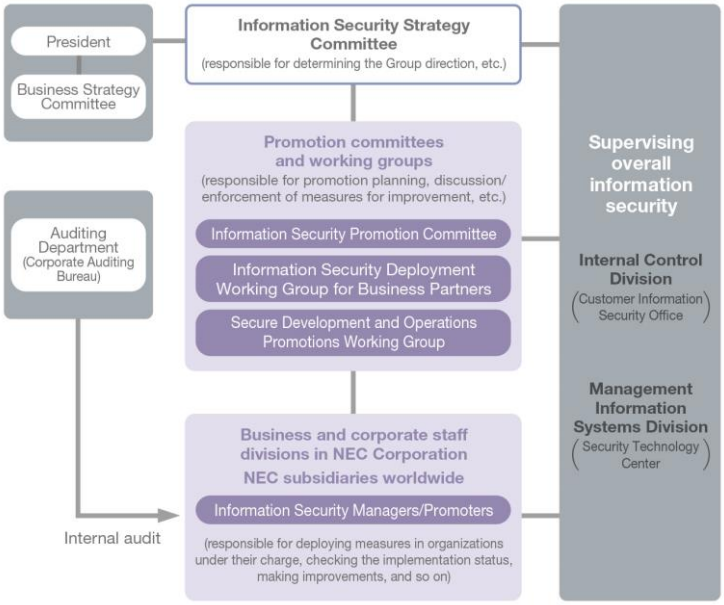
Promotion Framework

NEC's information security promotion organizational structure consists of the Information Security Strategy Committee and its subordinate organs, as well as the promotion structure at each organization. To handle information security risks, which include cyber security risks, the Information Security Strategy Committee, chaired by the Chief Information Security Officer (CISO), deliberates important issues such as the decision, assessment, and improvement of information security reinforcement measures, the clarification of the causes of severe incidents and decision on measures to prevent reoccurrence, and the reflection of achieved results into NEC's own information security business. The three subordinate organs (a sub-committee and two working groups) under the Information Security Strategy Committee perform various tasks that include discussion and coordination of implementation plans and measures to be executed, as well as enforcement of directives and monitoring of progress of various measures for Group companies worldwide, for business partners, and for driving the Secure Development and Operations initiatives.

Information security managers of each organization have the primary responsibility for managing information security for their organization, including the Group companies under their supervision. They are tasked with maintenance and improvement of security by continually ensuring the dissemination of rules within the organization, implementing security measures, inspecting and reviewing implementation status, and improving measures as necessary.



Information Security Promotion Structure

Main Activities and Results for Fiscal 2016

Strengthening Global Information Security Infrastructures

NEC has completed the global deployment of the integrated management platform that enables the visualization[*1] of the status of information security measures for PCs (e.g. installation of security patches, malware countermeasures, and PC encryption) at overseas subsidiaries.

We have initiated preparations towards the adoption of the Global Cyber Attack Protection System (GCAPS), which is aimed at reinforcing measures against PC and server vulnerabilities and optimizing responses to security incidents, in some subsidiaries in the APAC region and subsidiaries in the Latin American region.

"Visualization" [*1] in this context refers to systems for quantitatively confirming the status of information security measures at overseas subsidiaries, which includes, for example, security patch installation and implementation rates for PC encryption measures. Information Security Managers at the Management Information Systems Division, at regional headquarters, and at local subsidiaries confirm the status of their measures and take specific actions to further improve their information security.

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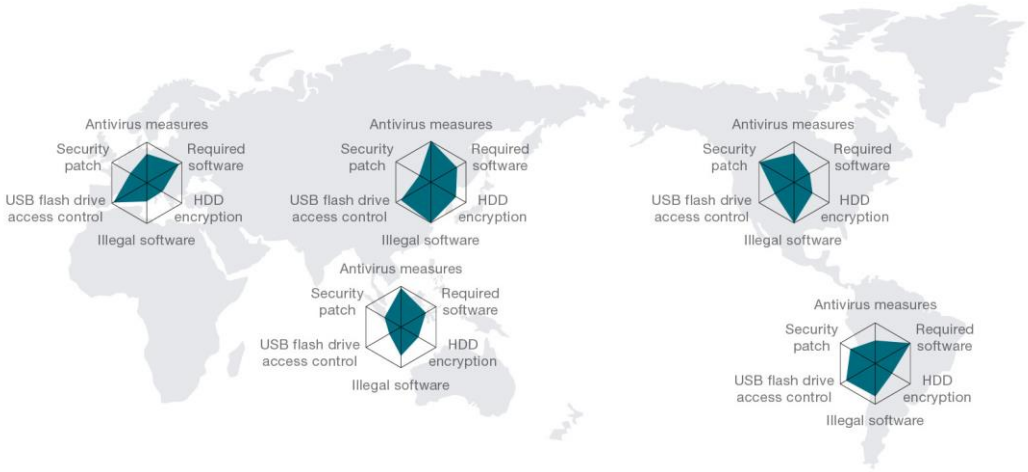
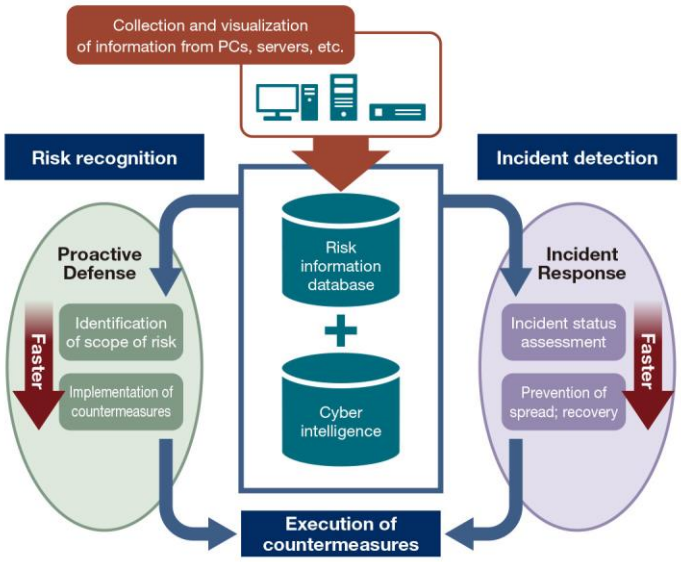


Visualization example (summary of information security implementation by region)
The graph used here is a dummy and has no association with actual conditions.

Strengthening Measures against Cyber Attacks

Targeted attacks, which are a form of cyberattack targeted at a specific company or organization, are increasingly becoming more advanced and sophisticated each year. To counter this threat, we developed the Global Cyber Attack Protection System (GCAPS), which provides a mechanism for proactively identifying vulnerable areas within our Intranet in advance (proactive measures), as well as a rapid incident response framework for promptly assessing the status of an intranet attack, for blocking the spread of intrusion, and for restoring affected systems (rapid Computer Security Incident Response Team [CSIRT] action). For fiscal 2017, we plan to deploy GCAPS within NEC Group companies in Japan.



Concept of GCAPS

Also, to improve technical skills of incident response personnel (CSIRT), NEC conducted exercises, drills, and in-house security contests (Capture the Flag [CTF]). As with the previous year, we also conducted targeted attack drills to sharpen employees' awareness against suspicious emails.

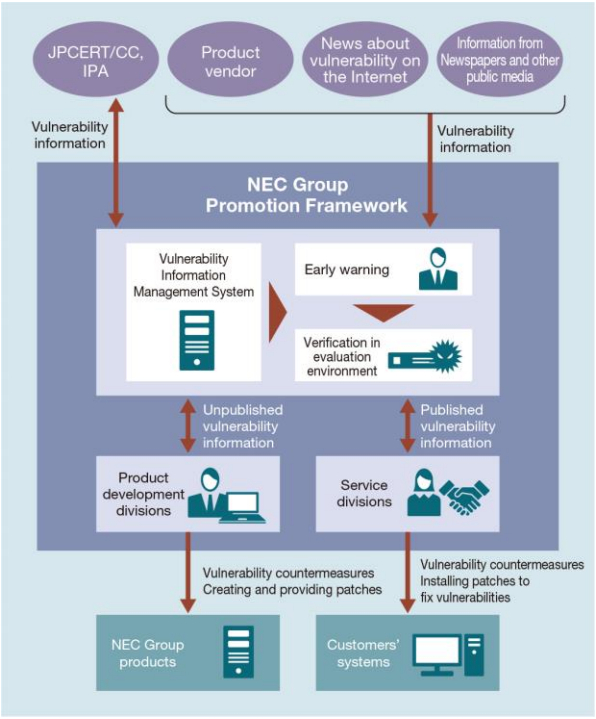
We also started the global deployment of measures against cyber attacks (detection of unknown malware, log/packet analysis, CSIRT establishment) first for the APAC region and for overseas research laboratories. Going forward, we will expand the coverage area for deployment and establish CSIRTs in other overseas subsidiaries.

Promoting and Enforcing Secure Development and Operations

Aiming to reduce the burden for dealing with vulnerability threats in development project sites, we started operating a service for verifying operation and effects to systems of patches aimed at fixing vulnerabilities related to customers' systems. Currently, we are making sure that measures for fixing vulnerabilities are being implemented in each project by sharing results of vulnerability tests within the NEC Group.

Also, in accordance with the Cybersecurity Management Guidelines formulated in 2015 by the Ministry of Economy, Trade and Industry (METI) and the Information-Technology Promotion Agency, Japan (IPA), we issued documents that support the preparation of customer system proposals (includes implementation guidelines for compliance with the said Cybersecurity Management Guidelines). Going forward, we will aim to expand business by adopting these documents in on-site projects.

Further, in order to reinforce and promote global implementation of our Secure Development and Operations initiatives, we prepared mechanisms for confirming, through pre-order acceptance screening for overseas projects, that security requirements were surely presented to the customer, and for lending tools and providing services for vulnerability assessment. Going forward, we will deploy these mechanisms horizontally beginning at the APAC region, eventually expand to other regions, and enhance capabilities of assessment team members.



Vulnerability Measures Promotion Framework

Monitoring and Improvement

Information Security Assessment Activities

Every year, NEC confirms the status of implementation of security measures through information security assessments and conducts activities to propose and execute improvement plans.

In fiscal 2016, information security assessments were conducted at 62 NEC Group companies 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.

These ongoing activities ensure that information security measures for the entire NEC Group 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 within the NEC Group.

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Personal assessments were also conducted at 40 overseas subsidiaries, which enabled a detailed grasp of their security measures, and further raised awareness and recognition among them.

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 2016, Web-based self-assessment was carried out in approximately 1,600 companies and on-site assessment in approximately 100 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 and Systems Provided to Customers

By promoting 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 2014 to fiscal 2016)

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 and services, and information security solutions.

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: achieved ◎ /mostly achieved ○ /some progress △ /no progress ×)

Objectives	Achievements and Progress	Degree of completion
1. Strengthening global information security infrastructures ・ Increase the level of information security at overseas subsidiaries to the level in Japan	・ In addition to revision and implementation of information security rules for overseas subsidiaries, we identified the actual situation (device regulation and use of smart devices) of information security measures in each subsidiary, and gave instructions for improvement. ・ We initiated preparations for the introduction of the Global Cyber Attack Protection System (GCAPS) in some subsidiaries in APAC and Latin America.	○
2. Strengthening measures against cyber attacks ・ Build and deploy a next-generation security management platform capable of countering the latest cyber attacks, which are becoming more advanced and sophisticated ・ Formally begin operations to increase the sophistication and efficiency of CSIRT through network visualization ・ Strengthen global measures against cyber attacks (in particular, provide advanced functions to the APAC region and increase related staff at overseas subsidiaries)	・ We developed the platform for deploying GCAPS, which is capable of countering the latest cyber attacks, in NEC Group companies in Japan. ・ We implemented various activities (drills, exercises, in-house CTF contests, etc.) aimed at improving skills of CSIRT personnel. ・ We initiated the global deployment of cyber attack countermeasures (unknown malware detection, log/packet analysis, CSIRT establishment) beginning with APAC and overseas research laboratories.	◎
3. Promoting and enforcing Secure Development and Operations ・ Reduce the burden at onsite projects through security assessment and vulnerability diagnostic services ・ Expand business through proposals to customers based on Secure Development ・ Further promote global expansion	・ We started operating a service for verifying security patches for customer systems, and ensured the leveraging of results in local projects and thorough implementation of measures against vulnerabilities. ・ We issued documents based on the "Cybersecurity Management Guidelines" to support the preparation of customer system proposals. ・ We prepared mechanisms for confirming, through pre-order acceptance screening for overseas projects, that security requirements were surely presented to the customer, and for lending tools and providing services for vulnerability assessment.	◎

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Objectives for the New 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 and services, and information security solutions.
Also, NEC will fast-track the global implementation of human resource development and construction of mechanisms to counter cyber attacks that are expected to increasingly become more advanced and sophisticated.

Fiscal 2017 Objectives

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
2 Strengthening global security infrastructures ・Increase the level of information security at overseas subsidiaries to the level in Japan
3 Promoting and enforcing Secure Development and Operations ・Implement the mechanisms for efficiently providing customers with secure products, systems, and services to local projects, train leaders to enable them to drive Secure Development and Operations initiatives in the field, and expand business growth

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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 responsibility, NEC has formulated its own NEC Privacy Policy, which it implements and continuous 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 Personal Information Protection Law 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, 29 NEC Group companies have obtained this certification.

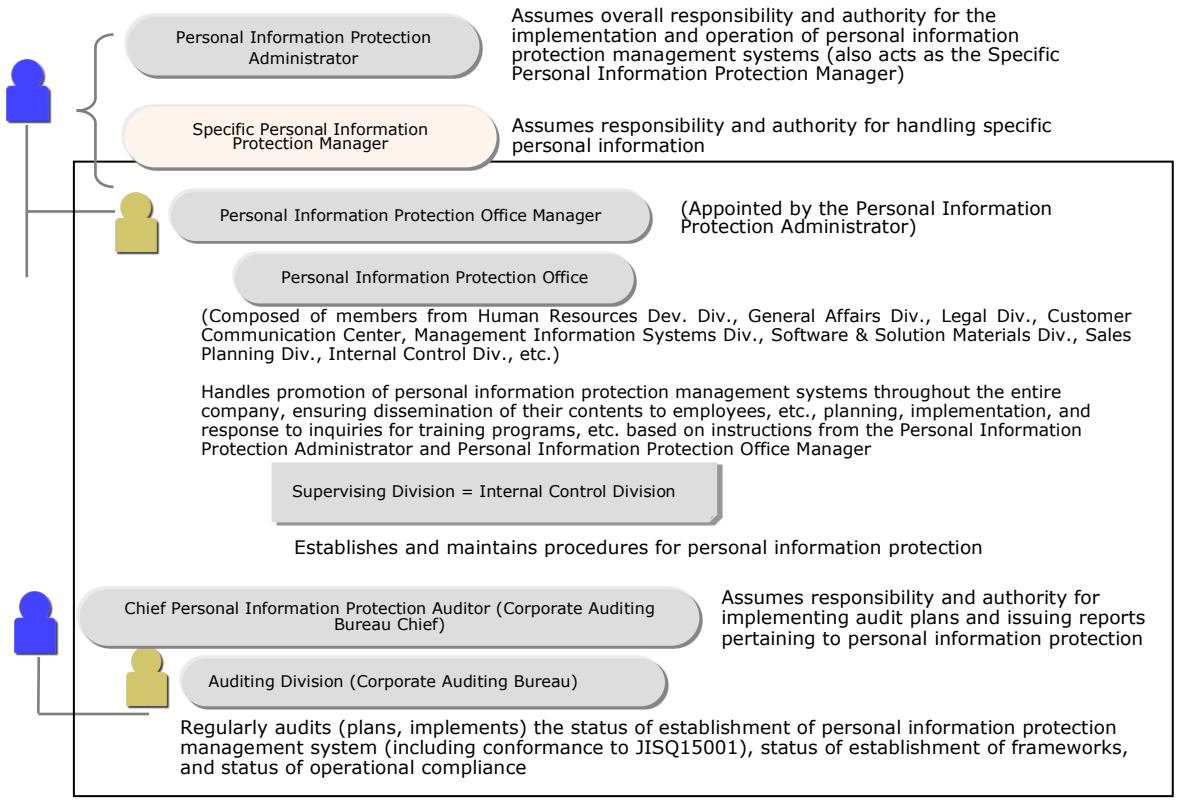
NEC has since worked to continually improve its management system while protecting personal information in coordination with its Group companies.

PrivacyMark System Promotion Framework

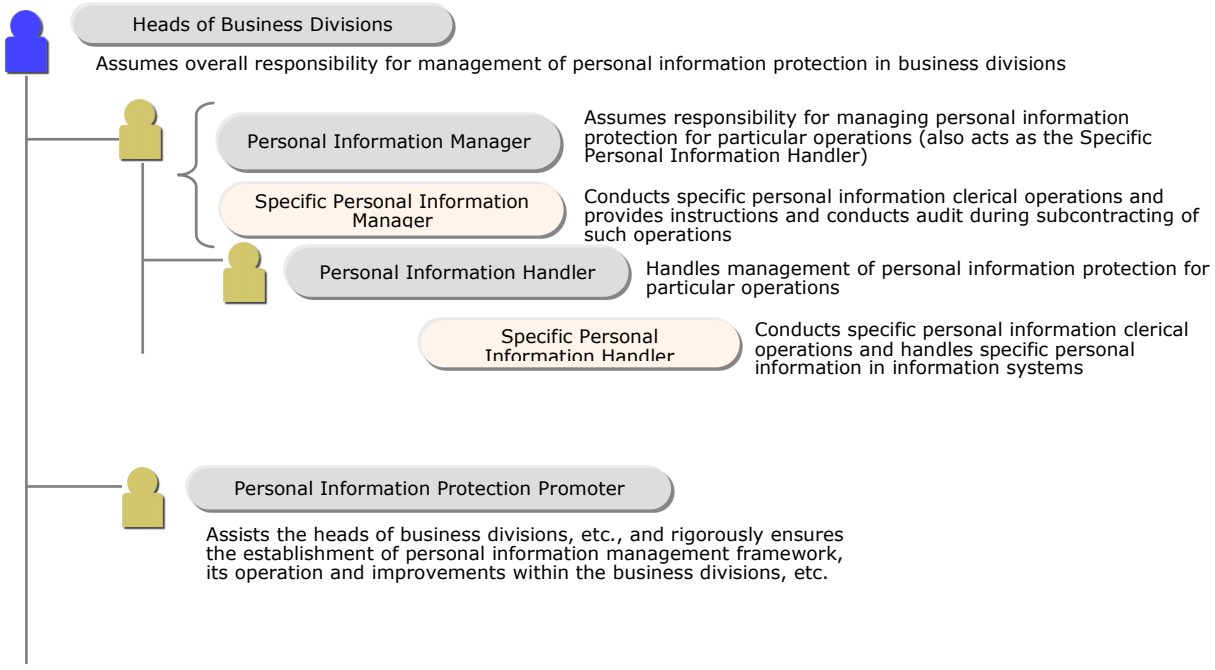
At NEC, the head of the managing division for protecting personal information serves as the Personal Information Protection Administrator, the person with ultimate responsibly for implementation and operation of the privacy protection management system. Further, to comply with the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedures (Number Use Law), which is stricter than the Act on the Protection of Personal Information, and to comply with the new National ID Number System ("My 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 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



Management Framework at 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 Personal Information Protection Law in April 2005 and the Number Use Law in October 2015. 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 at domestic and overseas Group companies for responding quickly if an incident occurs involving the loss, outflow or leak, etc. of personal information, and for disclosing appropriate information about it. If an incident should occur, the response is coordinated based on standardized procedures. If an incident occurs that is related to personal information or an event takes place for which there is that risk, the employees involved or making the discovery 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 potential for infringing on the rights and interests of the persons involved.

Main Activities and Results for Fiscal 2016

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 executes PDCA cycles autonomously, contributing to the appropriate management of personal information.

Training for Personal Information Protection

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

1 . Training for all employees (for domestic NEC Group companies)
Training on personal information protection is held once a year using NEC's online training system in conjunction with information security training for all executives and employees of NEC Group companies in Japan. In fiscal 2016, there was 100% completion of training for all employees.
Separately, online training related to the National ID Number System ("My Number System") was held for officers and employees of domestic Group companies.

2 . Training for personal information protection promoters (for domestic NEC Group companies)

Group training was held four times in fiscal 2016 for information security promoters involved in promoting personal information protection.

3 . Training for new hires and transfers

In fiscal 2016, a handbook on personal information protection has been created and distributed to new hires and transfers. This handbook was used as initial training material.

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 for the NEC Group)

NEC has developed the Personal Identifiable Information Control System, which is managed and operated to conduct ledger-based management of various types of personal information and make its management more transparent.

Company-wide standard procedures have been documented, and a personal information protection management system is operated by the NEC Group as a whole. Furthermore, as necessary, operational rules are created at the division level and by types of personal information and rigorously enforced.

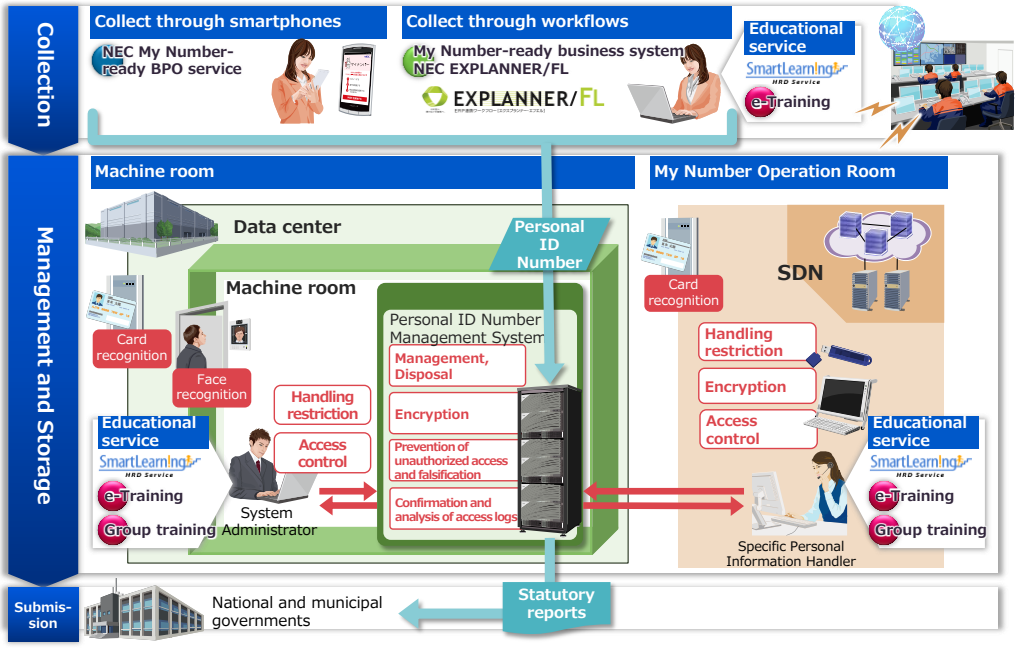
In addition, to raise awareness on information security overall, which includes personal information protection, the Basic Rules for Handling Customer-Related Work and Trade Secrets have been established, and all NEC Group employees are asked to submit electronic pledges every year.

As a result of these efforts, there were no incidents involving the loss, outflow or leak, etc., of personal information in fiscal 2016. 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 Business Partners)

The NEC Group requests contractors handling personal information to conduct privacy management using systems equivalent to those of the Group. Moreover, employees of suppliers engaged in work for the NEC Group 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 2016.

The National ID Number System (“My 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. While procedure become simple, on the other hand, the system handles specific personal information, however, it must be managed carefully. We are therefore carrying out initiatives to deploy technical measures to ensure secure operations by controlling access, block unauthorized external access, and prevent 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 has 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 online employee trainings that are essential for adopting the My Number System, and held the trainings to include Group companies. As a result, we are ready to offer a standardized and consolidated business process and its corresponding support systems for providing compatibility and enabling smooth adoption of the My Number System.

We have established a framework for providing the tangible and intangible knowhow we have accumulated through repeated trial and error as solutions to customers considering to adopt the My Number System.

Going forward, NEC will endeavor to consistently overcome the various issues that would come about during the actual operations of the My Number System, and apply, as needed, the knowhow gained from overcoming such issues in order to further enhance the solutions we offer to our customers.

Monitoring and Improvement

The NEC Group appropriately manages personal information by executing PDCA cycles on an autonomous basis through various inspection activities. Also, regular internal audits are conducted based on internal audit items stipulated in JIS Q 15001. Further, for operations related to handling of National ID numbers, we use security control measures 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 devise and execute improvement plans at the organization level.
2. Verification of personal information management
   At the NEC Group, 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.

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Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

Contribute to society by protecting personal information received from customers and business partners and information related to NEC employees, administering personal information protection measures, and providing trusted, safer, and more secure products, services, and solutions.

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: Achieved ◎/Mostly achieved ○/Some progress △/No progress ×)

Objectives	Achievements and Progress	Degree of completion
1. Rebuild the personal information protection management system to take into account the integration and dissolution of domestic Group companies ・ Review standard rules and revise implementation standards ・ Fully operate systems at applicable group companies	・ We revised personal information protection manuals following the integration and dissolution of Group companies. ・ We added items to accommodate protection of National ID numbers in all personal information protection manuals.	◎
2. Ensure operational compatibility with the National ID Number System by revising NEC's personal information protection standards ・ Review rules in conjunction with changes in the Personal Information Protection Law and related ministry and agency guidelines ・ Step up operations and support within the NEC Group	・ We revised and created new personal information protection manuals and guidelines following the adoption of the National ID Number System ("My Number System"). ・ We provided training and support, held consultations, provided samples of regulations, and enforced standard operation processes for all Group companies.	◎
3. Globally develop and enhance privacy protection ・ Conduct training related to personal information protection and strengthen related communications ・ Support full operation of personal information protection in each region	・ We added contents related to personal information protection to the online training programs. ・ We shared information regarding trends of personal information protection laws in each country with Legal Division Managers in the different regions.	◎

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Objectives for the New Medium Term (from fiscal 2017 to fiscal 2019) (Including fiscal 2017 Objectives)

Contribute to society by protecting personal information received from customers and business partners and information related to NEC employees, administering personal information protection measures, and providing trusted, safer, and more secure products, services, and solutions. For fiscal 2017 to fiscal 2019, we will mainly carry out the following three objectives.

1. Global implementation of personal information protection	・ Starting fiscal 2017, in collaboration with local subsidiaries, reinforce pledges for compliance to overseas laws and regulations by overseas business partners and relevant overseas subsidiaries in Asia and nearby regions
2. Conformance to amendments to the Personal Information Protection Law (including National ID Number)	・ Starting fiscal 2017, review in-house rules to accommodate amendments to domestic and overseas laws; make further revisions and disseminate rules in fiscal 2018; and carry out more thorough dissemination 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

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Supply-Chain Management

"Purchase Responsibility Unified with Supplier" is recognized as a universal issue and was referred to as " Responsible Supply Chains" in the Leaders' Declaration of the G7 Elmau Summit. To put CSR management into practice, there must be not only complete internal risk management and complete compliance control but also a continuation of those activities that are trusted by society. It is also imperative to implement collaborative relationships with suppliers who make up the supply chain.

NEC communicates various policies and guidelines to its business partners and will continue to deepen partnerships for sustainable development.

Policies

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 controls and among business partners. 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 procurement-related internal controls, we have established specific regulations for the purchasing process and are striving to make purchasing staff fully aware of these regulations by holding regular training sessions. Together with its suppliers, 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. Based on the above policies and guidelines, and pivoting on the six priority risk categories, initiatives are being promoted at the stages of awareness raising, document review and onsite auditing.

Site review

·Human rights, Labor, Occupational safety and health, Environment, Information security

Document

·Conflict Minerals Reporting Template (CMRT)
·Information security measure

Awareness

·Orientation for strategic partners (Once a year)
·Briefing at 12 locations in Japan

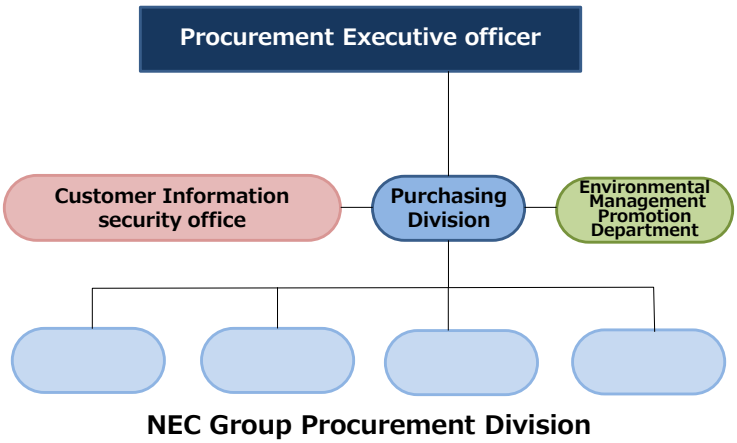
Basic Contracts

·Master agreement, MOU
·Obtaining a declaration regarding the environment and safety

Approach based on "Six focal risks"

Promotion Framework

The Procurement Executive officer, coordinating with the divisions related to Purchasing Division, promotes supply-chain management.



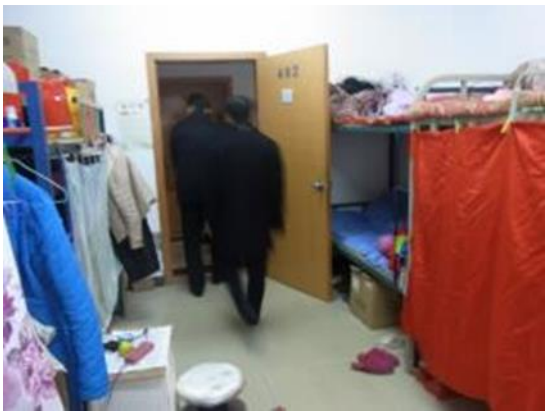
Main Activities and Results for Fiscal 2016

Confirming CSR Practices among Suppliers

In fiscal 2013, NEC launched the CSR Process Management Review Assessment as an on-site diagnostic program 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 dialogue 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.
In fiscal 2016, NEC collaborated with local institutions with expertise in resolving regional issues and selected four production subcontractors in East China that had a close business relationship with NEC and were recognized as needing a site review. NEC set up a program to confirm CSR practices among its suppliers. The program highlighted numerous excellent practices but it 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


Inspecting the supplier's employee dormitory.

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.

Combating global warming has become an urgent priority, so in fiscal 2013 NEC began working on ways to reduce the environmental impact of upstream suppliers under the Scope 3 framework.

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

Strengthening Information Security

For NEC, a system integrator of information systems, which 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 13 times in 12 locations throughout Japan. About 2,000 persons from about 1,600 companies attended.
- Compliance education for management and CSR managers of subcontractors.
  About 1,000 companies downloaded educational materials.

- Document checks to assess the information security implementation status of each subcontractor.
  Done for about 1,600 companies.
- On-site inspection of subcontractors.
  Done for about 100 companies.

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

Addressing the Issue of Mineral Resources that Fuel Conflict

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 could respond to all requests from customers on conflict minerals surveys in fiscal 2015.

NEC continues to collaborate with industry as a member of the Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA). In fiscal 2016, 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 business partners, 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.

JEITA Joint Briefing (June 4, 2015)

Conflict Minerals Guideline

Collaboration with Business Partners for Environmental Health Services (EHS)

In fiscal 2016, all overseas NEC Group companies were obtaining the EHS Declaration from business partners. They pledged to comply with laws and regulations from the environment and safety management to addressing environmental regulations strengthened by countries and regions, and secure the safety of workers at local construction sites. In this Declaration, business partners 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 business partners, NEC will continue to implement a compliance organization in its overseas NEC Group companies and improve the compliance process.

Enhancing the CSR Procurement System in the APAC Region

In recent years, especially in the APAC region, the awareness of respect for human rights in the supply-chain and environmental protection has been rising quickly. To address these trends promptly and further enhance CSR procurement in the region, NEC implemented the CSR Procurement System in APAC in fiscal 2016 in addition to the current EMEA and Greater China. Specifically, NEC assigned personnel to manage CSR procurement in the whole region and implemented the following approaches:

- The NEC group companies in the region will completely comply with the environment regulations related to the companies (operations, products, etc.)

- Business partners (including contractors and waste disposal companies) in the region have been encouraged to address human rights issues as well as the environment and safety management and to comply with waste management laws and regulations (e.g., obtaining an EHS Declarations from business partners, etc.)

NEC will enhance global governance to solve many issues relating to human rights, the environment and others in the supply-chain in areas where NEC conducts its business.

In-House Training and Monitoring

The NEC Group regularly implements various educational and training programs for purchasing staff as part of its efforts to maintain proper business conduct. NEC continued those initiatives in fiscal 2016 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 operational 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 2007, all newly appointed management personnel are provided with annual Web training. They must also take a Web training course based on the Subcontract Act.

In the course of enforcing compliance with purchasing-related laws and regulations by NEC Group companies and meticulously addressing such laws and regulations, NEC has appointed Compliance Promoters who are specialized in purchasing-related laws and regulations at NEC and the NEC Group. These Compliance Promoters rigorously enforce legal compliance within the divisions of 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 2016, NEC continued to conduct Web training for new managers and training for Compliance Promoters.

NEC continued to conduct internal auditing activities in fiscal 2016 to further promote appropriate on-site contracting and dispatch staffing practices. In regard to ensuring appropriate dispatch staffing practices, NEC worked closely with 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 2016 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 made easily accessible from NEC's website.

Compliance Hotline

Participating in Draft Consultation for ISO 20400

The ISO 20400 Evaluation Working Group of the Japan Business Federation was established under the auspices of the Subcommittee on Socially Responsible Management. This move was against the backdrop of efforts to formulate ISO 20400 as a new international standard for sustainable procurement. In April 2015, the subcommittee gathered industry views on the standard and submitted its opinion of the draft. NEC participated extensively in this initiative as a member of the work group.

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Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

Build systems for autonomously promoting CSR at suppliers

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: ◎ Achieved / ○ Mostly achieved / △ Some progress / X No progress)

Objective	Achievements and Progress	Degree of completion
1. Formulate CSR policy to promote solutions procurement	・ Exchanged opinions with procurement staff in overseas procurement key locations and obtained clear understanding of problems.	△
2. Continue expanding CSR Process Management Review Assessment (CSR-PMR) scheme in China	・ Selected four companies in East China region and created a scheme for them. (in fiscal 2015: Three companies)	○

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

Further promotion of autonomous CSR for suppliers

Fiscal 2017 Objectives

1.	Formulate CSR policy to promote solutions procurement (continued)
2.	Start CSR initiative survey of the suppliers used by the survey slip in APAC
3.	Continue expanding CSR Process Management Review Assessment (CSR-PMR) scheme in Greater China.

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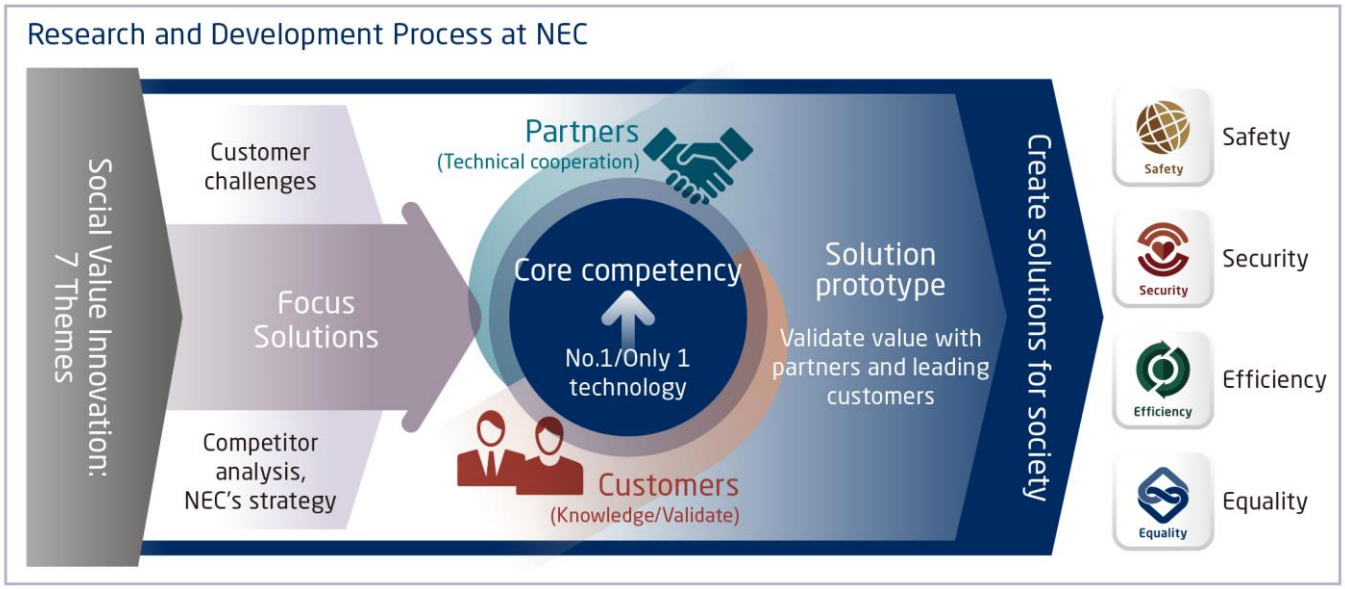
Innovation Management

To solve global social issues, NEC focuses its investments on the technologies and fields that are sources generating new customer value. In addition, NEC promotes open innovations to strengthen core technologies and cultivate future technologies and cooperates with external research institutes that have leading technologies. Moreover, a chief technology officer (CTO) position was established in April 2016 to link these technology strategies with business strategies and implement them on a company-wide level. The CTO optimizes NEC's overall development investments, conducts planning and process design for open-innovation strategies with external entities, and carries out technology development that is more strategic.

Policy

Our basic policies for research and development are to focus on solutions that NEC should tackle with respect to social issues, identify the "No. 1/Only 1" core technologies needed to implement these solutions, and thoroughly refine these technologies based on technology trends. This sort of research and development process is illustrated in the figure below.



NEC's research and development process

In the course of our research and development work, in order to ensure that our investment in R&D (about 4–5% of sales) is used effectively and efficiently, we are putting intensive investment into focused areas, even in the new mid-term management planning period, and we are also investing effectively in open innovations to promote cooperation and collaboration with other research organizations on the technology needed for value amplification. In fiscal 2016, our R&D expenditure was ¥124 billion, which was 4.4% of sales revenue.

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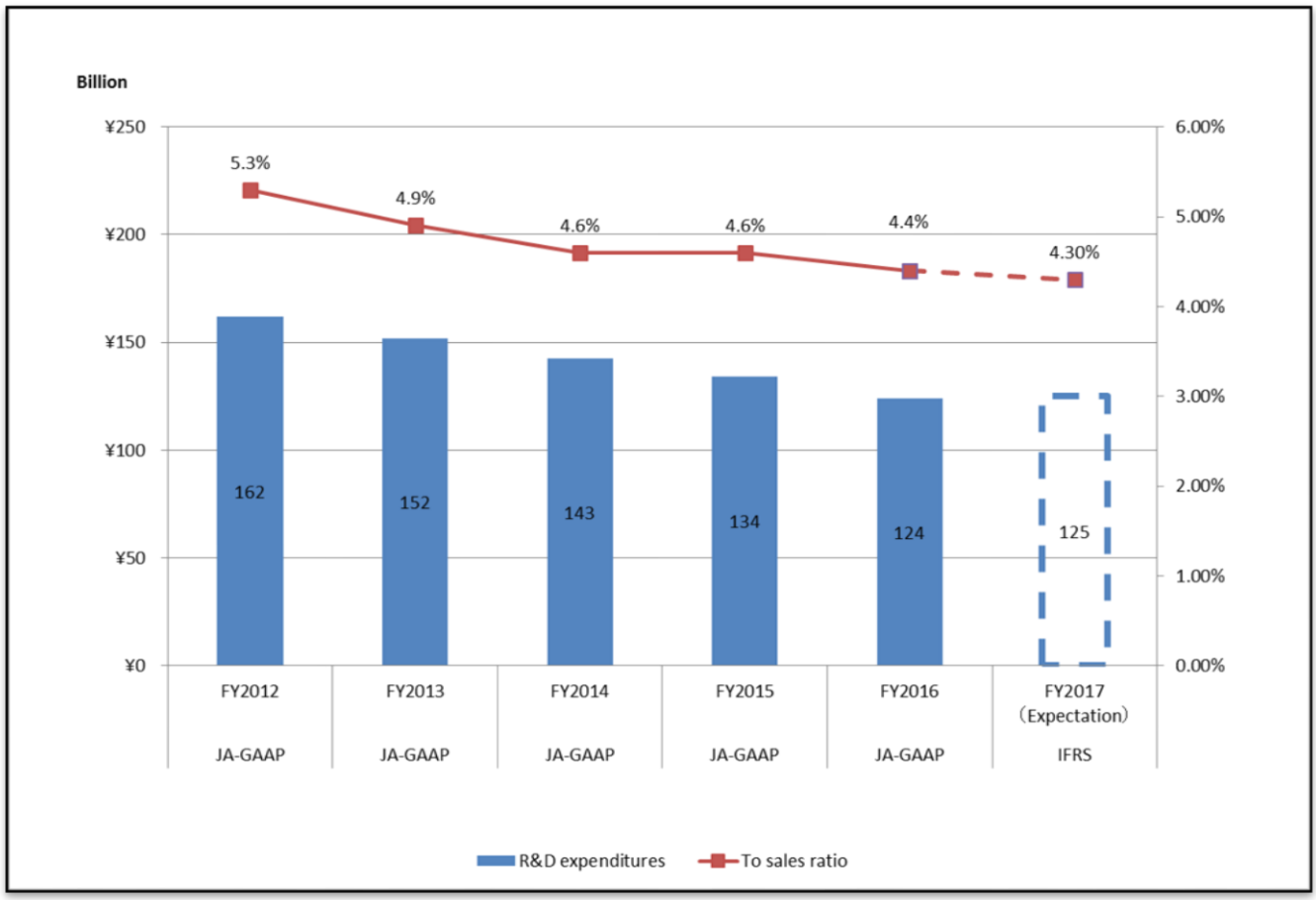
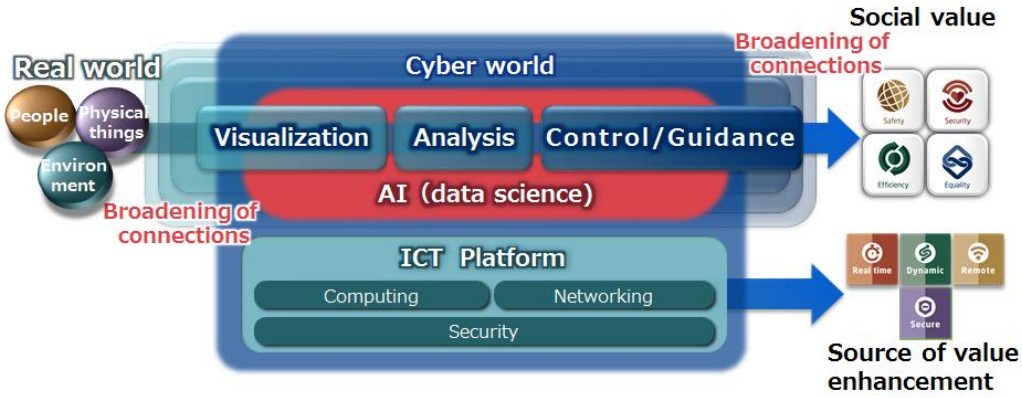


R&D investment

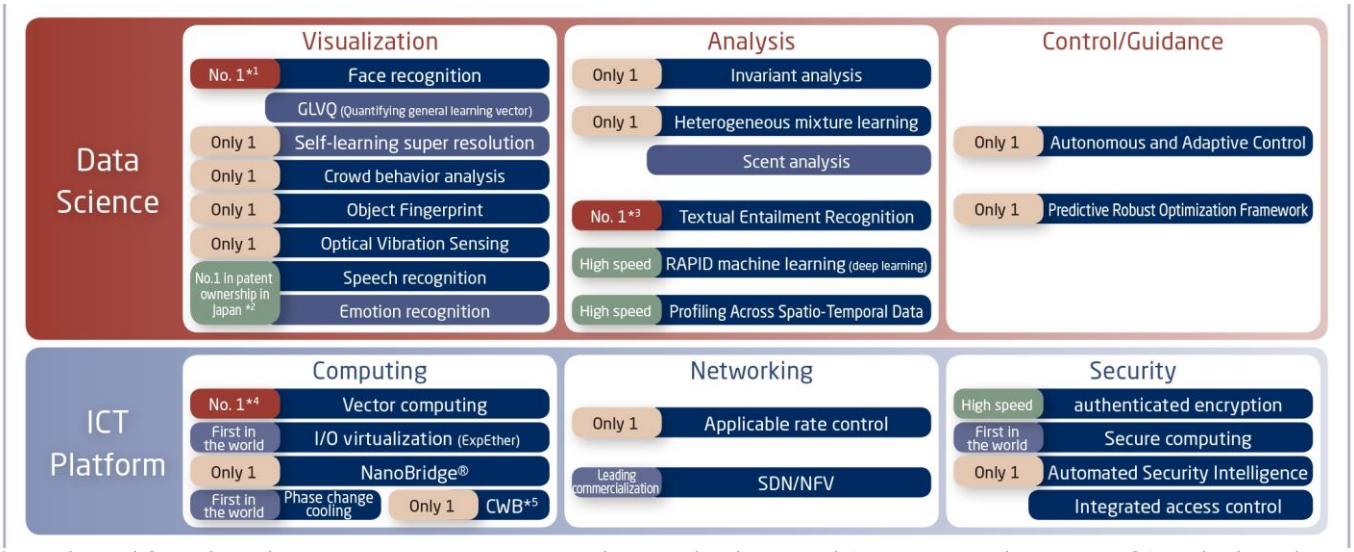
Concentrated investment in strong technology areas

We are concentrating investment on two areas of technology — data science to create new value from big data using artificial intelligence (AI) for visualization, analysis and the like, and ICT platforms that are needed in order 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 the data science area, we are working on AI technologies with the aim of creating new value by visualiizing, analyzing, controlling and guiding the real world. In the area of ICT platforms, we are also working on computing network technologies that can adapt dynamically and in real time to changes in the real world, and security measures that allow social systems to operate securely and stably.



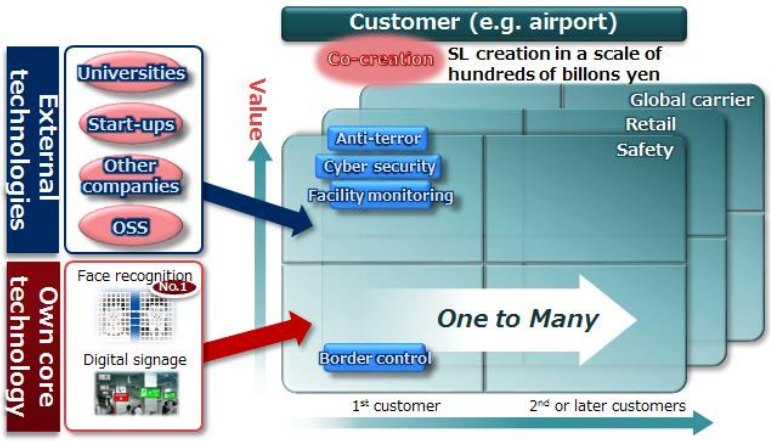
*1: Achieved first place three times in succession in evaluations by the United States National Institute of Standards and Technology (NIST)
*2: As of November 2015, based on a study by NEC
*3: Achieved first place in an evaluation (in 2012) by the United States National Institute of Standards and Technology (NIST)
*4: As of November 2013, based on a study by NEC
*5: CyberWorkBench

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

Promoting open innovation in NEC's No. 1/Only 1 core technologies to achieve social value creation

Increasing the value provided to society requires a concentrated investment of limited resources in the areas of technology where our strengths 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 come under focus in the 2018 mid-term management plan as business areas in which we are able to provide high value.



Promoting open innovations

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Promotion Framework

NEC has created a new CTO (Chief Technology Officer) position to establish a company-wide perspective in our efforts 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 discussions 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.

As a subordinate organization, a CTO council chaired by the CTO convenes once a month to discuss the 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, the resources of our Central Research Laboratories are concentrated on data science and ICT platforms, we have doubled the number of researchers working on data science and AI technology, and 70% of our researchers are concentrating on research in focus areas. Also, in order to incorporate No. 1 technologies from outside, we launched the NEC Brain Inspired Computing Cooperative Research Center in April 2016, and we launched the AIST-NEC Artificial Intelligence Collaborative Research Laboratory in June of the same year.

NEC Brain Inspired Computing Cooperative Research Center

The NEC Brain Inspired Computing Cooperative Research Center was established 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 – "NEC Brain-Inspired Computing Research Alliance Laboratories" established – (press release)

AIST - NEC Artificial Intelligence Collaborative Research Laboratory

The AIST - NEC Artificial Intelligence Collaborative Research Laboratory is a part of the National Institute of Advanced Industrial Science and Technology (AIST) that researches AI. It was set up with about fifteen researchers in a joint initiative involving not only AIST but also Osaka University. This laboratory is also the first application of the collaborative research laboratory system started by AIST in April.

Since this laboratory is having to plot a course through uncharted territory due to the lack of prior data on issues such as 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 we are developing technology in a public-private partnership to maximize the potential of AI by combining it with simulation. By using 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 facilitates decision-making even in situations where it is difficult to gather enough of the prior data needed for analysis.

Overseas research laboratories for social value creation on a global scale

For social value creation on a global scale, we are promoting R&D that exploits the local strengths of each area by placing R&D centers in five locations around the world (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-leading 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 as follows:

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

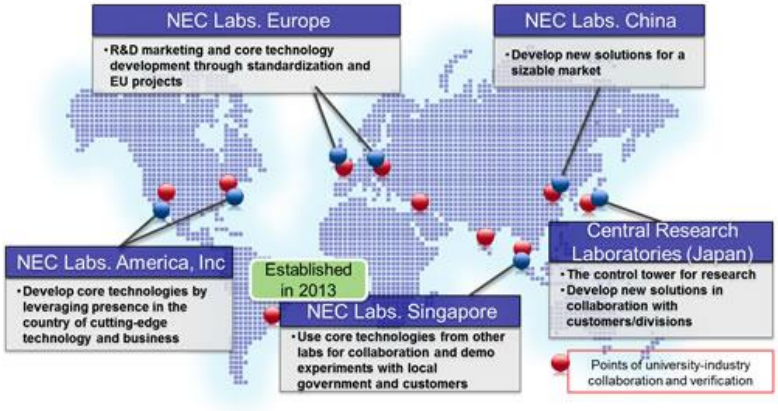
We are actively participating in European national projects, and in the city of Heidelberg in Germany, we are working on the R&D of technologies including networks, security and smart transportation/energy. We are also involved in standardization efforts and R&D marketing centered on the networks field.

NEC Laboratories China

We are conducting R&D in order to create 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. While working in close cooperation with other research laboratories, we will create solutions that address various social issues that have come about during the extraordinary 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 we 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

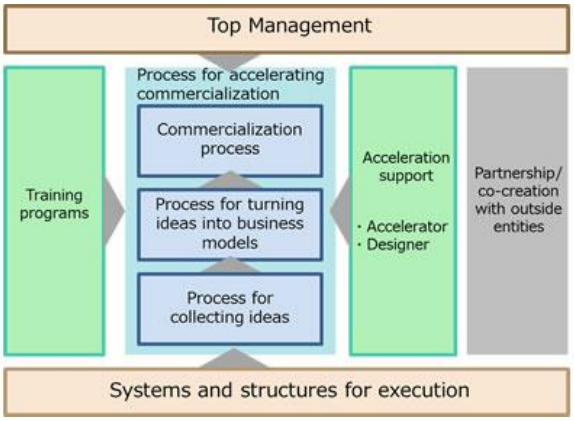
The business innovation integration unit proposes strategies relating to company-wide focus areas, and promotes new reforms of business models that go beyond the framework of existing business.

In addition to the two areas of big data and cyber security, which NEC is focusing on in order to develop a global business in Solutions for Society, we are also promoting new value creation in society beyond existing organizations and business models by gearing our strategic headquarters towards the mission of strengthening new business opportunities based on the business innovation integration unit in the IoT area.

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

For example, with regard to business innovation functions, we are working on a mechanism for accelerating commercialization and the creation of business models by looking for ideas for social value creation from within the company. The strategic investment system and new business recruitment system "Business Incubation Challenge", which support our search for value. In addition, we are promoting initiatives such as developing educational programs, placing and cultivating accelerators, designers for an in-house support system, establishing links with other organizations, and promoting dialogue with other organizations by using co-creation workshop spaces and the like.

This provides a business development eco-system that stimulates interaction, whereby the operations of the entire NEC group can be continuously linked to maintaining and strengthening the frameworks that create business integration.



A business development eco-system to drive business innovation

Intellectual property headquarters responsible for strengthening our IP portfolio

As of March 2016, NEC holds about 53,000 patents in total (approximately 21,000 in Japan). At NEC, intellectual property is regarded as an essential business resource supporting the group's competitiveness and stability, and we strive to protect our brand and strengthen our intellectual property capabilities. Also, in anticipation of future expansion of global business, we are focusing on the construction of a global patent network at our intellectual property headquarters, and we are actively providing intellectual property centers in North America, Europe and China. In particular, regarding the area 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 brand, we have revamped and publicized our corporate brand message.

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, and we are actively promoting the strengthening and utilization of patents related to standardization in order to consolidate our business. 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. Following on from fiscal 2015, 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 are effective for delivering social solutions.

By increasing the number of researchers in targeted areas, we plan to double the number of researchers in the data science area, reaching 300 people by fiscal 2019.

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 around the world, we are increasing the employment of people with doctoral degrees from Japan, and we are also stepping up our recruitment from the world-leading universities. In particular, we are continuing with our policy of taking at least half of our new employees from applicants with doctoral degrees, and we are recruiting a growing number of people from engineering universities in India and the like.

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 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 towards the creation of new value, we are working on strengthening the cultivation of global human resources, strengthening 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 with advanced issues on a global scale, we are planning for 70% of our researchers to have global business experience in fiscal 2019. Also, in the creation of solutions for society, it is 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. In particular, we are strengthening the mid-career recruitment of people experienced in the operation of social infrastructure.

Also, in our in-house human resources, we 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.

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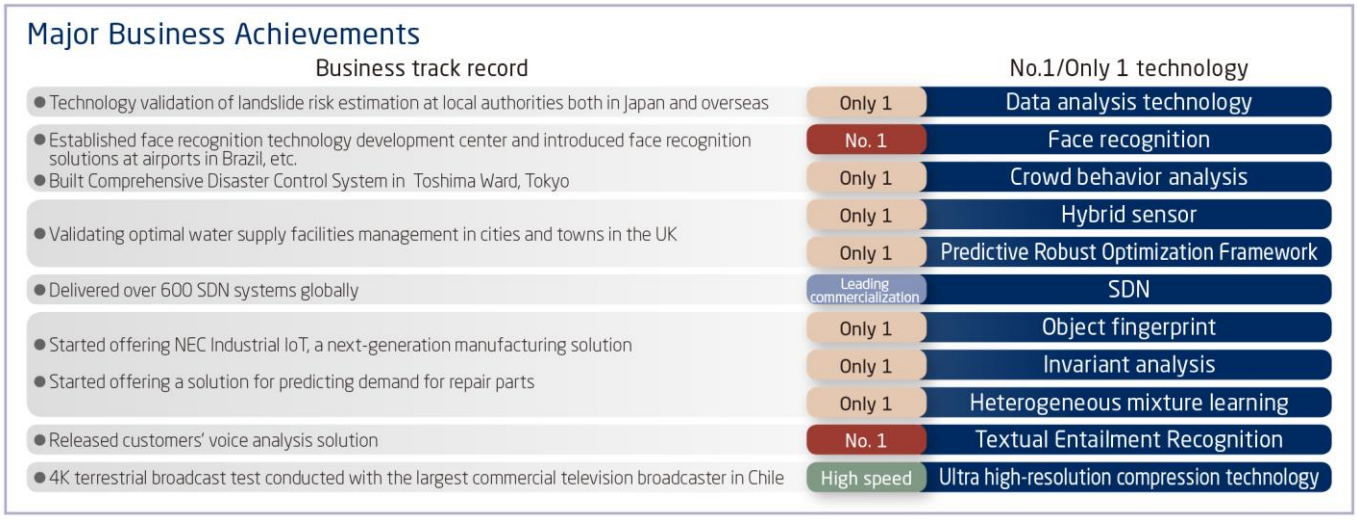
Main Activities and Results for Fiscal 2016

Main business achievements for No. 1/Only 1 technologies

In fiscal 2016, 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 as follows:



Results and efficacy 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. On the other hand, we are also performing licensing with the aim of achieving widespread use.

Smart water project with Imperial College London

To solve existing water supply issues such as increased global demand and contamination of infrastructure, we are researching and conducting verification trials of a smart water system in partnership with Imperial College London. In this joint study, we dispatched NEC researchers to Imperial College and we added Imperial College's sensing and modeling technology to NEC's AI technology and ICT technology by establishing connections with local stakeholders at Imperial College in order to continue with demonstrations in business areas.

In fiscal 2016, we performed verification trials of water supply optimization and leak detection together with a local water supply company. As a result, we confirmed that it is possible to achieve a 20% reduction in the power consumed in purifying and distributing water by using a water distribution plan based on water demand predicted using real data. At NEC, through these collaborations, we plan to develop our business not only in the UK and Europe but all over the world.

NEC develops Artificial Intelligence technology that makes decisions and plans based on predictions using Big Data (press release)

SDN-related open source projects "ONOS" and "ODENOS"

SDN (Software-Defined Networking) is the concept of controlling a network with software, and has attracted international attention as a way of implementing optimal ICT systems that can adapt promptly and flexibly to changes in the social or business environment. At NEC, as a technology that supports solutions for society, we have pioneered the use of world-leading technologies including commoditization and commercialization based on OpenFlow technology to implement a SDN. To build an SDN that can communicate stably, it is necessary to construct an eco-system in cooperation with various companies and organizations.

Therefore, at NEC, we have participated in projects to develop and deploy key functions as open-source software together with companies operating in various layers from network carriers to service providers. The main projects are the O3 Project, which aims to reduce the operating loads, and the ONOS Project, which aims to develop basic software for carrier-grade SDN-related equipment.

In fiscal 2015, we published open-source software that implements the main functions in these projects. In the O3 Project, we published the O3 Orchestrator Suite (ODENOS), which is a common control framework for networks operated by multiple vendors, and in the ONOS Project, we published the Open Network Operating System (ONOS), which is a highly extensible OS that can handle large-scale carrier-class network operations. Using this open-source software, it is possible for diverse vendors and network operators to construct solutions using SDNs without incurring large equipment investment or operating costs. At NEC, we will contribute to the construction of network environments that use these results to provide more advanced social solutions.

- ONOS site
- O3 Project site
- NEC develops software technology capable of integrating different networks in support of using SDN- Promoting development with companies and research institutions through OSS - (press release)
- O3 Project launched for achieving the world's first wide area SDN - Reducing time to construct wide area networks by about 90% - (press release)

Diversification of social contribution outlets by contributing to technical licensing of flame-retardant bio-plastics

At NEC, we have been conducting pioneering work on the development of bio-plastics since 2000 in order to help protect the global environment. Using our own technology, we are contributing to environmental conservation such as reducing CO_2 emissions by producing PC enclosures and the like that simultaneously achieve high functionality of electronic equipment and a high ratio of plant components. Furthermore, we have been working on the development of a bio-plastic that can be applied to solutions for society in diverse environments requiring properties such as flame-retardancy/heat dissipation properties, durability against chemicals/light, or antimicrobial activity. In view of the environmental impact, we have also been developing a bio-plastic using non-edible cellulose that does not affect the world’s food supply.

Our bio-plastic not only contributes to a sustainable earth, which embodies two of NEC’s social value creation themes, but is also aligned with policies such as “Life on Land”, which is the 15th aim of the UN’s Sustainable Development Goals (SDGs). Since it is expected to be used widely, and not just in NEC products, we have been licensing this technology since 2015.

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, the company also realizes, that, just as the evolution of technology can help social progress and the realization of the human rights of some, that progress may not only damage the environment, but also hinder or infringe the human rights of others. NEC is fully aware of this paradox and recognizes that it has the responsibility – as an international company with global operations – to manage the potential impacts of its business activities on the human rights of its stakeholders.

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 on conflict minerals or data privacy, the EU Trade Policy Strategy 2015 etc.

In 2004, NEC clarified its respect for human rights in its Group Charter of Corporate Behavior. In 2015, the Company disclosed publically its Group Human Rights Policy (below), as a 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.

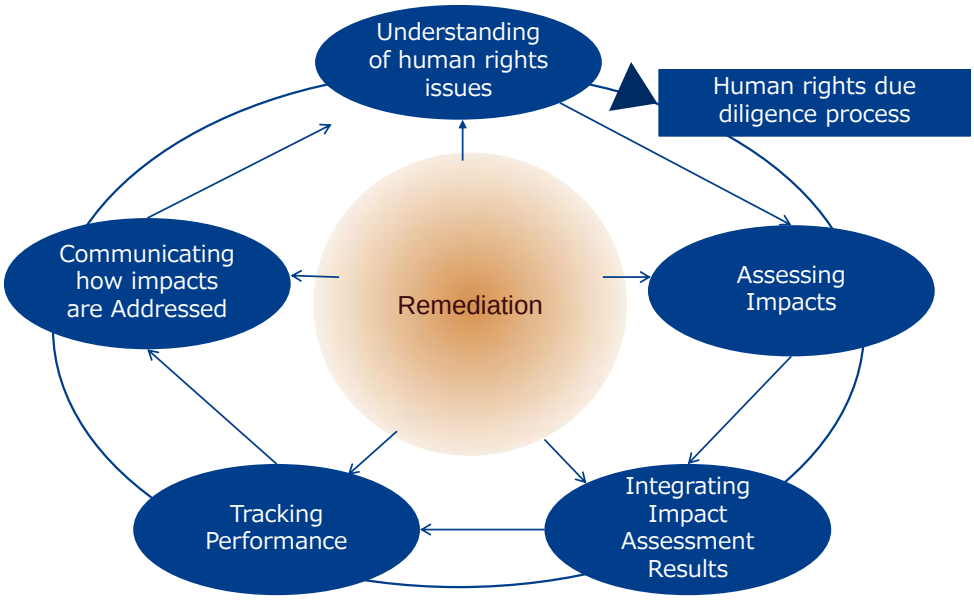
*2 NEC has been a member since 2005. The 10 principles of the UN Global Compact are based on global agreements such as the Universal Declaration of Human Rights and ILO's Declaration on Fundamental Principles and Rights at Work and include items such as support for the protection, maintenance and respect 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 an 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, etc.
(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 has been working to solve global human rights issues by surveying human rights in countries worldwide as well as at the national and regional level. NEC aims to promote an increased understanding of human rights issues through a variety of interchanges with its stakeholders. Since fiscal 2015, NEC has been incorporating this undertaking in phases by following the Human Rights Due Diligence Process. This process involves recognition of the issues, evaluation of the impact on those issues, incorporation of the evaluation results in the management, evaluation of incorporation status and reports on the undertaking.



Salient Human Rights Issues

NEC recognizes that the company is on a journey with regards to human rights due diligence. However, in 2015, progress was made in several areas:

- We have gained a better understanding of human rights issues through country and region level research, risk assessment and stakeholder engagement.
- We have also gained more insight on human rights issues in the value chain by working with NGOs to train 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 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 CO2 emissions, end of life etc.)
- Customer rights (Product safety and quality assurance)

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Human Rights Due Diligence Processes

Stakeholder Engagement and Review with CSR Review Forum-Japan

NEC's approach to human rights has been informed by the findings of the CSR Review Forum-Japan (CRF) since 2013. This review is based on the ISO 26000 international standard. NEC is also collecting feedback from various stakeholders, such as mutual evaluations by corporations which are signatories to the Global Compact Network in various countries.

Due Diligence Process in the Supply Chain

NEC has established its due diligence process in the supply chain in accordance with the Japanese Electronics and Information Technology Industries Association (JEITA). 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 etc.)

Assessing Impacts in the Supply Chain

An example of best Practice: EMEA

NEC EMEA Group's "Risks and impacts management approach" is based on the promotion of transparency and dialogue with employees and business partners including on human rights issues. For example, any issue identified during the regular self-assessment exercise of the Group is entered in the relevant risk register by business units or corporate functions, and reported on a quarterly basis to the directors of the appropriate corporate entity during board meetings. This enables Senior Management to take appropriate corrective and remediation actions.

New vendors are required to complete a questionnaire that integrates the human rights dimension. 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.

・Trafficking and slavery

The Modern Slavery Act 2015 is an important piece of legislation in the UK.
NEC is aware of this new global-leading legislation and has sought to increase its understanding by participating in expert learning groups with some peers and seminars both in the UK and in Japan.
As a reminder, the paragraph of NEC's global commitment to human rights clarifies the company's position on hiring 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 EMEA, NEC 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 started a process to review which areas of its business may be exposed and to which extent, to such risks. In addition, 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, active membership of several industry associations etc.

Organizational Structure: Human Rights Awareness Committees

A company-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 were identified this way, as well as the stakeholders to engage with for each specific issue.
In fiscal 2016, in order to promote Human Rights Due Diligence, NEC has reviewed those questions by verifying with all business division general managers so that the questions would reflect 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 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, under the title "Promotion of Diversity in the Corporation", examined several human rights issues: "Understanding sexual minorities" and "Implementing a workplace free of harassment".
The training session also focused on understanding the concept of "reasonable accommodation" for the disabled. This was in regard with raising awareness to the Act on the Elimination of Discrimination against Persons with Disabilities and an amendment to the Act on Employment Promotion etc. of Persons with Disabilities. Both laws were enacted or amended in April 2016.

In addition, specific e-learning sessions was carried out for all recruitment interviewers based on the "Recruitment Interviewer Manual" to maintain fair recruitment selection and provide equal employment opportunity. This training introduced examples of questions that displayed discriminatory attitudes or work discrimination at the time of selection, and promoted dissemination of awareness of prohibited questions.

From fiscal 2017, the Company is promoting accurate understanding of lesbians, gays, bisexuals and the transgendered (LGBT) in its training, and ensures that job applicants are selected based on their abilities and appropriateness only.
Human rights are also promoted locally through a variety of initiatives, including the use of leaflets and the promotion of human rights awareness slogans (diversity promotion slogans) suggested by some employees and their families, and through the Company intranet and posters.

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

	Fiscal 2014	Fiscal 2015	Fiscal 2016
e-learning (*)	24,000	23,538	22,063
lecture	4,000	2,932	2,030

* the number of participants for e-learning for all employees and must be attended every second year

Best practices worldwide
Subsidiaries of NEC across the world are encouraged to promote human rights as fit in their country environment. These are a few examples:

- 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 Latin America and Greater China, training is given face to face and provides more details on freedom from discrimination, freedom from child labor and freedom from forced and compulsory labor.

・Risk Assessors Training in EMEA

Priority risks were shared with the personnel of NEC companies in EMEA following an assessment and training performed in FY2014. The president of NEC Europe Ltd. required that all Group companies in EMEA engage in risk management activities. 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 established 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.

・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 four 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. Doing 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. In fiscal 2014, a Japanese factory belonging to the NEC Group was audited by one of the major customers of NEC with regards to labor rights. NEC was able to provide its customer with a solution plan on the issues identified. NEC is now working closely with this important customer for the improvement of business practices in its supply chain.

Communicating how Impacts are addressed

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 at events that promote the European and global agenda of CSR. For example:

1. At the European Parliament
2. UNCTAD World Investment Forum which was an opportunity to identify the key role of investment in the achievement of the Sustainable Development Goals
3. European Commission's Forum on CSR

・Participating in COP peer reviews as a member of the UN Global Compact UK network
・Participating in an informal learning group on human rights, 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

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.

Reporting

NEC reports about its various human rights initiatives and progress made on them on its Website, on an annual basis 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

Developing Human Rights Awareness through Social Contribution Programs

Social contribution activities can be a 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 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 etc. 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, in addition to the hotline function on harassment and bullying, a hotline function for the disabled and LGBT community were added.
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 2014 to fiscal 2016)

・Monitor human rights risks in corporate activities worldwide and gain an understanding of issues.
・Apply employee's "voice" to energize business activities and organization.

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: achieved ◎/mostly achieved ○/some progress △/no progress ×)

Objective	Achievements and Progress	Degree of Completion
Formulate a human rights policy as part of the NEC Group's human rights due diligence	Completion of the NEC Group Human Rights Policy and a declaration of its listing in the "NEC Group Management Policy" was made in April 2015.	◎

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

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

Fiscal 2017 Objective

Promotion and adoption of human rights due diligence based on the NEC Group's human right policy.

Diversity and Inclusion

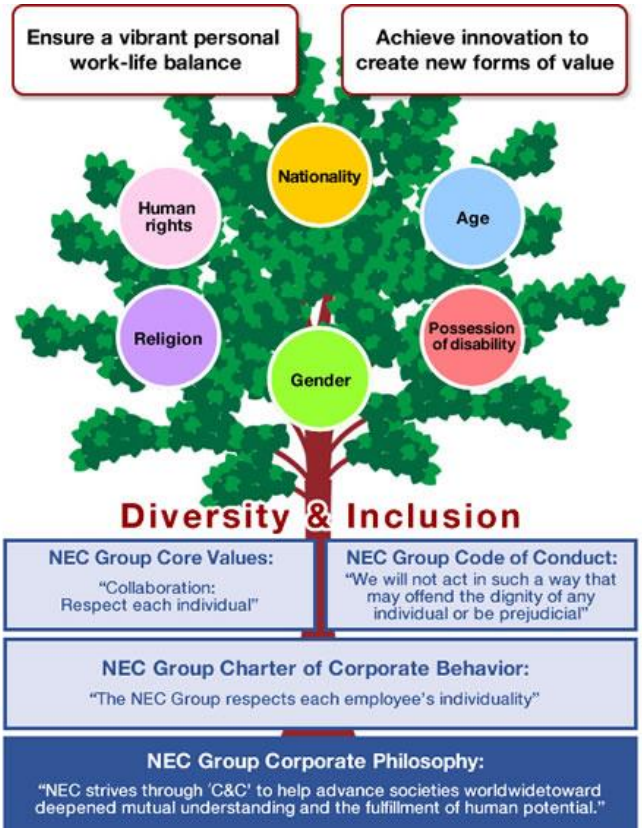
At NEC, we employ a broad diversity of people at each of our organizations and departments, and creating an environment that accepts diverse viewpoints and ideas is an essential part of our management strategy. Diversity involves recognizing and respecting one another's individual differences, and is 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.

Recognizing that providing an environment where people can achieve a healthy work/life balance enables many different types of people to work together in an organization and each department therein and to benefit from diverse viewpoints and ideas, we are promoting diversity and inclusion.



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.

Policies and Systems

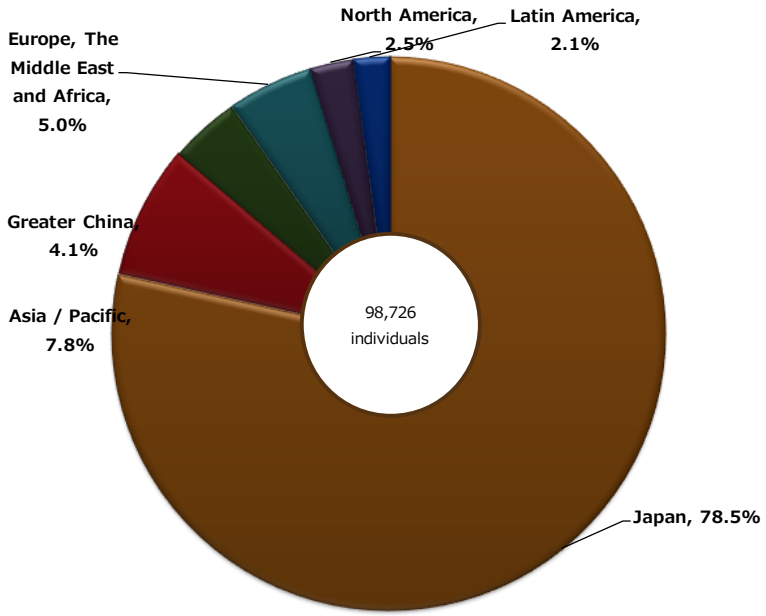
Promotion of Global Recruitment of Human Resources

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, 2016 [Scope: NEC Corporation and Consolidated Subsidiaries]



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 even 97 women (about 3.8%) occupying managerial positions at the level of organization leaders, department heads and above. Based on the Promotion of Women's Career Activities (PWCA) Act which came into effect in April 2016, we delivered the following action plan and numerical targets to the Tokyo Labor Bureau of the Ministry of Health, Labor and Welfare. Since this law affects companies with over 300 employees, its principles are followed accurately by all the NEC Group companies throughout Japan, and by explaining our action plan and numerical targets, we have formulated numerical targets for our action plan based on an analysis of the issues faced by each NEC Group company, and we have asked them to put this plan into action.

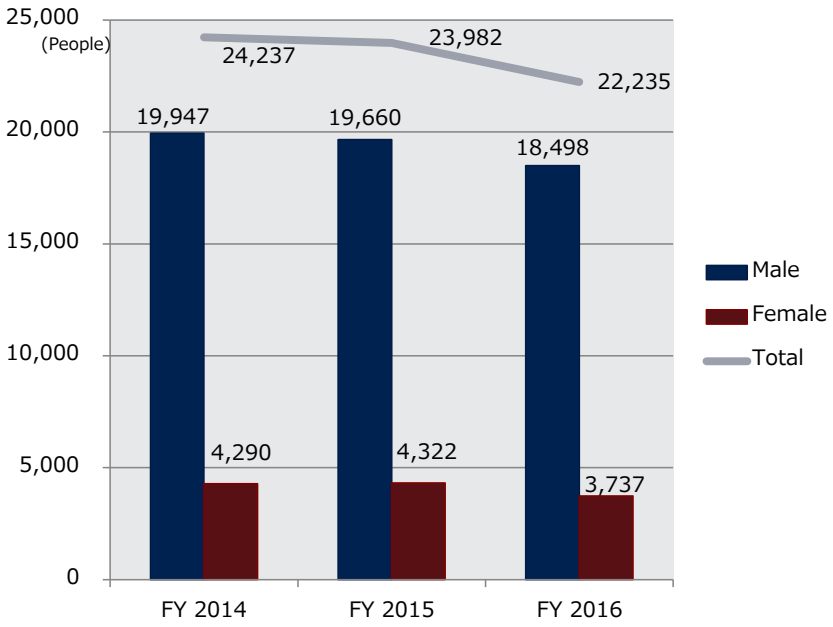
Japan Business Federation: Voluntary action plan for the employment and managerial promotion of women

(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.

It should be noted that, with regard to the numerical figures relating to the promotion of women's career activities, we have published all the relevant data in the women's activity promotion database in the Ministry of Health, Labor and Welfare Web site. (For more information, refer to "Data collection").

Also, with regard to our application for certification as a leading enterprise in relation to the PWCA Act, we have been recognized as meeting the certification standards in respect of all five categories — employment, job progression, work conditions (hours, etc.), management ratios and diversity of career paths — and in April 2016 we were among the first batch of companies to be awarded three-star status.

Workforce by gender [Scope: NEC Corporation employees only]



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

	End of March 2014	End of March 2015	End of March 2016
Male	18.3 years	18.6 years	18.7 years
Female	17.9 years	18.3 years	18.2 years

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

	April 2014	April 2015	April 2016
Number of female Managers (Ratio of female managers)	390 people (5.1%)	386 people (5.2%)	374 people (5.4%)
Department head and above	105 people (3.9%)	96 people (3.5%)	97 people (3.8%)

Promoting Employment of People with Disabilities

NEC has set up a central committee to promote the employment of people with disability, with a human resources officer and the head of human resources as the chair and vice-chair respectively, and we established a system to measure our performance regarding the employment of people with disability, including basic discussions and policy-making, and the

promotion of employment. During the hiring process, an employment liaison service is provided for people with disabilities to offer support during the selection and hiring process such as dispatching sign language interpreters or PCs with summarized transcriptions so that company meetings can be structured around the disabled person's abilities. We are also actively participating in joint interviews for people with disability held by employment services such as "Hello Work" (operated by the Japanese government) to provide a wide variety of people with employment opportunities.

The strengthening of employment throughout Japan, including at our sales offices, has been continuously pursued since fiscal 2014. NEC has also been working to develop worksites where people with disabilities can succeed as a driving force behind operations through proactive efforts to expand occupational fields as part of business expansion.

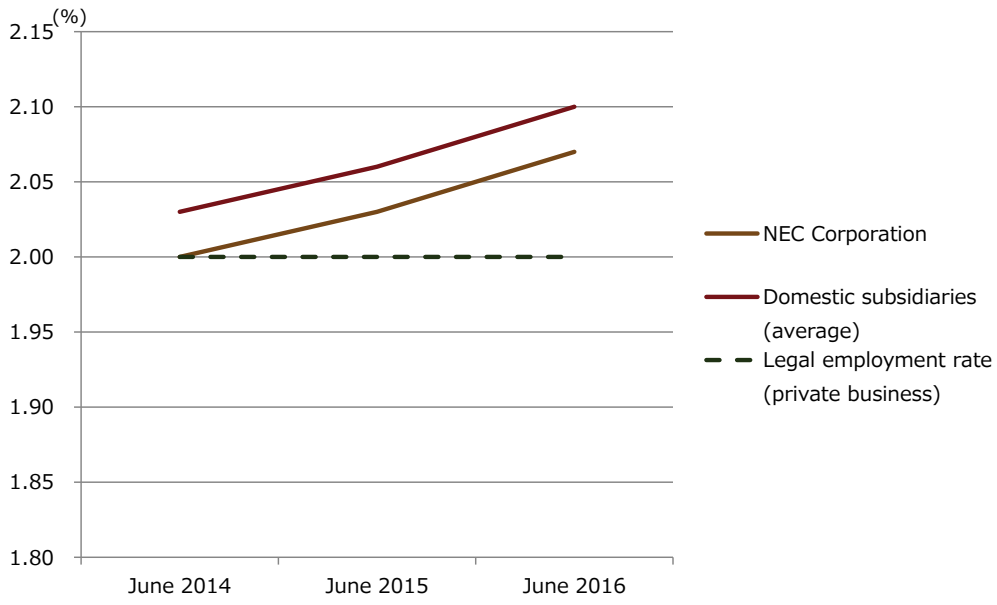
In addition, we are conducting periodic study sessions to deepen our understanding of issues such as the characteristics and business aptitude of people with disabilities throughout the NEC Group while cooperating with experts in the field, NPOs and other organizations such as Hello Work, and we are working to diversify our working styles by, for example, introducing new modes of employment and broadening the range of opportunities for people with disability.

Specialized Company: NEC Friendly Staff, Ltd.

In March 2003, NEC established NEC Friendly Staff, Ltd. as a specialized company for employing people with disabilities. This company actively employs people with intellectual and mental disabilities, and as of April 2016 had hired 40 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 Company-wide 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 in to new business centered on the conversion of business-related contract documents into PDFs. The office employs nine people, including two supervisors. This company is not only promoting business efficiency, but is also working to strengthen its management practice in terms of compliance

In the future, we aim to expand the business of special subsidiary companies to include not only converting documents to PDFs but also as a way of cutting out a variety of business support services.

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



Supporting Diverse Work Styles for Seniors

NEC Corporation has implemented systems that enable employees to individually choose their career support programs. These systems are designed to meet the diverse needs of employees seeking to start a new career outside the Company or those approaching retirement age. For employees choosing to plan and prepare for new careers outside the Company, NEC provides programs that support these kinds of proactive life planning initiatives by providing assistance with the associated financial and time requirements. Since 1998, NEC has offered three systems 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.

Promoting a Healthy Work-life Balance

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 2005 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 2005, we introduced (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.

In conjunction with the introduction of the systems, we implemented initiatives such as management training related to achieving a healthy work-life balance, and a study of how to improve our practices regarding employees taking parenting leave. In FY 2008, FY 2013 and FY 2016, we were awarded the "Next Generation Certification Mark" (nicknamed "Kurumin"). 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 FY 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.

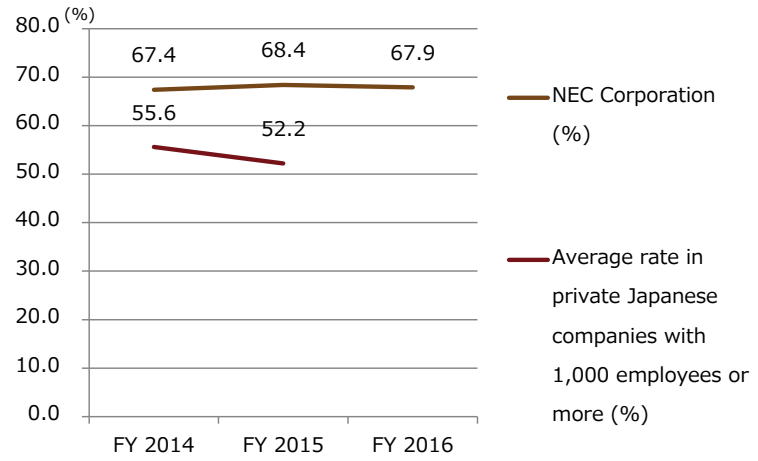
Nursing Care Support

Now that people are living longer and there are more people requiring care (either informally or from qualified caregivers), it is becoming harder for people in work to care for their older generations. 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 a care review of an employee's parent with a high level of nursing requirements results in major expenditure, such as making structural modifications to the family home or moving to a long-term care facility.

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]



* As of July 2016, there is not yet any public information on the average rate in private Japanese companies with 1,000 employees or more during FY 2015.

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

	FY 2014	FY 2015	FY 2016
Childcare leave	382 people	388 people	395 people
Reduced working hours for childcare	753 people	814 people	850 people
Nursing care leave	25 people	16 people	19 people
Reduced working hours for nursing care	22 people	17 people	16 people

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 • 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
2015	• Extended applicable period for reduced working hours for childcare (Extended from the completion of the third grade to that of the sixth grade of elementary school). • Enhanced Subsidy for Family Support Service Service (Private facilities under contract with or introduced by national or municipal governments added to subsidy eligibility). • Enhanced Subsidy for Relocation Expenses incurred to provide nursing care ("Employee's child" added to those receiving care and eligible for subsidy payments). • Enhanced subsidy for Nursing Care Setting Development Assistance Payment ("Employee's child" added to those receiving care and eligible for subsidy payments).

FY	Systems Introduced
2013	• Added reasons of special days off due to substitute holidays of schools and temporary class closures to the Family Friendly Leave system • 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 • Increased the number of times Childcare Leave can be obtained - up to twice per child • 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. • Eliminated eligibility requirements for childcare reduced working hours and Childcare Leave System——enabled employees to utilize these systems even if they have a spouse or parents who are able to devote themselves to childcare • Child Nursing Leave can be obtained according to the number of children
2008	• Expanded services subject to fee subsidies payable to employees using local public childcare support services and extended subsidy period——to end of third grade • Introduced financial support system for fertility treatment (up to \200,000 a year)
2007	• Extended period of reduced working hours——to third grades, in special circumstances • Extended applicable period for Telecommuting System to end of third grade • Extended Family Friendly Leave to employees with morning sickness or undergoing fertility treatment • Extended Leave for Employees in Fertility Treatment
2006	• Launched Intranet website on support systems available • Fee subsidies • payable to employees using local public childcare support services; Called for retired NEC employees to join voluntary childcare programs • Offered Subsidy for Relocation Expenses for childcare
2005	• Introduced Parent Fund: Payments to employee or dependent giving birth of \550,000 per child • Extended applicable period of reduced working hours for childcare—to 1 grade • Calculated reduced working hours at intervals of 30-minute.

FY	Systems Introduced
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	• Extended reduced working hours for nursing care: From three years until nursing care is no longer needed. • Extended reduced working hours for childcare: From age three, end of March, to the start of elementary school. • 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

Main Activities and Results for Fiscal 2016

Promoting Global Recruitment of Human Resources

Between fiscal 2007 and fiscal 2013, NEC hired around 15 international students each year on average. Since then 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, in fiscal 2015 the Company also began hiring directly from universities overseas, with 64 graduates hired that year and another 67 foreign students joining as new hires in fiscal 2016.

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.
In the Sales division, through exchange meetings with executives and elder employees of foreign nationalities, since FY2015, international employees have had a chance to broaden the scope of their working styles and career paths and to measure the formation and expansion of human networks.

Promoting Women's Success in the Workplace

For FY 2016, we implemented the following measures and events centered on the formation of career paths for female employees and raising awareness of the available options.

Participation in the World Assembly for Women in Tokyo (WAW! 2015)

In August 2015, we took part in the World Assembly for Women in Tokyo (WAW! 2015), a symposium (theme: "A Society where Women Shine"). At the high-level round table discussions, NEC's Nobuhiro Endo attended as the (then) president of ICT companies actively engaged in diversity activity, and held discussions on the theme of work/life management.
He explained that in order to make our work something of value, we must create frameworks where women and other people with diverse backgrounds can choose their own style of working, and that NEC should implement a diversity framework that allows people to work reduced hours and simplify their work processes, and promotes the sharing of information to support job-sharing.
Also as a result of those discussions, a proposal called Designing New and Flexible Working Styles Utilizing Information and Communications Technology (ICT) was included in the WAW! 2015 report. It was also registered as a United Nations document.

Mr. Endo (then president) explaining NEC's efforts

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

Following on from fiscal 2016, discussion events for female employees were held by female members of NEC's management (SELENE: Scarlet Elegance in NEC) on three occasions in Fiscal 2016 (May, July and November), and were attended by a total of about 200 people.

At the May and July events, panel discussions among SELENE members were held on the theme of balancing work and childcare.
The same members also talked about their own experiences, such as career development while raising children, how to balance work and childcare, how to keep oneself motivated, and the support systems available within the workplace and family. The event's participants responded very favorably. Some commented that for the first time they could see how it was possible to enjoy both working and raising children, and others found that there are some aspects of raising children that come in useful in the workplace.

At the November event, there was a panel discussion with the SELENE members and group discussions with other participants on the subject of career development (a topic that was frequently requested in the preliminary questionnaire). The members of SELENE are employed at a wide variety of positions including sales staff, system engineers, researchers and consultants. After hearing about their experiences, the participants expressed their relief at finding role models and leaders that match their own plans, and commented that their courage and motivation increased as a result of encountering many other people who have been in the same situation. Group discussions were also held with SELENE members as facilitators, where employees from the same generation shared their private concerns and career plans with one another, resulting in a new level of "awareness".

Comments from Event Participants

- Everyone was very switched-on, and I heard how it's possible to enjoy both raising children and having a job. People get a bit defensive when talking about parenting as something that has to be balanced against employment, but now I'm seeing it in a more positive light and can enjoy it without thinking about it too much.
- Everyone spoke candidly about their work, which was fun and stimulating (although perhaps quite difficult at times). Children are only young once. It's OK to wait until they get older before you commit yourself to climbing the career ladder again.
- It was really interesting to hear how everyone managed to get by when they were young. I don't know if I'll be able to get over my hurdles in the same way, but I intend to carry on without fear, and without losing my sense of purpose I still have a lot of concerns, but I'm going do my best.
- It's really important for people to talk about their own experiences. It's much easier to get what people are saying when they're speaking from personal experience.
- I often noticed in the group discussions that people were gaining a lot of awareness and courage in the same way as in the panel discussions. I felt very worried and uneasy about being a leader, but then I realized that the discussions were for everyone's benefit and only needed to proceed at my pace.
- I really appreciated having the opportunity to consider my career away from my everyday work.

Seminar for Employees Returning from Childcare Leave

This seminar, which was started in fiscal 2016 and followed by a second seminar in February 2016, was attended by about 50 employees on child care leave. The latest seminar was also attended by male child cares for the first time. This seminar was held with the aim of enabling employees on childcare leave who are due to return to work soon to enrich their careers while balancing the requirements of work and childcare. It included information about recent company trends and the latest policies and systems, including systems to support child cares in the workplace, and used group work to help people visualize how their life balance would turn out after returning to work. In the group work, people attending the seminar who were off work were asked to meet up at a place close to where they live, such as a government childcare support service in order to obtain mutually beneficial information.

The seminar held in February 2016 was also an effective forum for reporting the latest social trends and business activities, and included a description of NEC's brand message ("Orchestrating a brighter world") and the details of the modifications made to the personnel system in April 2016.

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.

Promoting Employment of People with Disabilities

Since fiscal 2013, NEC has been offering shared employment support services using NEC Management Partner, Ltd. as a point of contact, with the goal of strengthening cooperation among NEC Group companies with regard to hiring people with disabilities. In fiscal 2016 the NEC Group held joint interviews for people with disabilities, targeting new graduates and mid-career recruits.

At NEC and its domestic affiliate companies, when there are hearing impaired people present at recruitment events, during the selection process or during training events after people have been hired, we can offer assistance such as 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.

In July 2015 and January 2016, we held an employment promotion study session on the theme of "Non-discrimination and reasonable accommodation" aimed at the staff responsible for hiring people with disability at NEC's domestic affiliate companies. Also, before the amended Act on Employment Promotion of Persons with Disabilities came into force, we held a briefing session so that the concerns of employees with disabilities could be properly addressed via the human rights hotline. We also sometimes provide support to individual domestic affiliate companies, such as offering recruitment advice. As of 1st June 2016, the ratio of disabled employees is 2.07% at NEC and 2.10% (on average) at our domestic subsidiaries.

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

Since fiscal 2016, we have been holding study sessions at NEC every other month 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.

This financial year, we are selecting key themes based on deepening people's understanding throughout the NEC Group, including our barrier-free efforts, our brand strategy, how to read management indicators, and the introduction of products/solutions. A total of over 200 people have attended the last four times.

In these study sessions, we are not only providing the contents of lectures via sign language, but we are also using ICT to protect information, such as projecting a summary of the content on a screen or installing an 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)

To create new innovation, it is essential to make the most of the differences in our diverse human resources and create a corporate culture that values everyone's ideas and opinions. We started our corporate action by engaging in dialog with Mika Yakushi, representative director of the NPO ReBit. Their aim is to implement an education support project to help LGBT(*note 1) children realize their true identity as adults. (This project was selected for the 13th class of NEC's FY2015 Social Entrepreneurship program.) Subsequently, we added "gender identity" and "sexual orientation" to the April 2015 edition of

the NEC Group's human rights policy, and we stipulated that transferring this information inside or outside the company must not give rise to situations that could harm the dignity of individuals. In fiscal 2015, prior to the enforcement of this policy, we ran a web seminar for all employees to promote the understanding of LGBT issues. In fiscal 2016, the Human Resources Department took over this responsibility and promoted the visualization of allies (*note 2) as a way of strengthening the understanding and support of LGBT employees.

(1) We also added LGBT-related items to the employment interview manual:
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
(2) We ran LGBT study sessions (a basic understanding course and discussions with individuals concerned) for about 120 people split into three sessions. At these sessions, we welcomed instructors such as job-hunting students and related individuals working at ReBit and external companies, and the other participants included people from human rights hotline consultation staff, health management staff, and NEC's personnel and general affairs divisions.

From April 2016, we started adding the role of LGBT counselor to the human rights hotline set up at each NEC Group company. Following on from NEC's efforts in 2015, we also held an LGBT employment seminar in FY 2016 in conjunction with ReBit. Many students and business workers took part in this seminar, and received advice such as job-hunting tips.

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

Human Resources Development holding a study session about LGBT

Explanation of LGBT by ReBit representative Mr. Yakushi

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

1. Promoting women's activities
   - Increased cultivation and planned appointment of female managerial staff at the level of department head or above with a view to creating executive-level managers
2. Employment of people with disabilities
   - NEC: Achieved an employment rate of 2.2% in fiscal 2015 (ending April 2016) (including special subsidiary company)
   - Domestic consolidated subsidiaries: Achieved the statutory ratio of employees with disabilities at all consolidated subsidiaries

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: Achieved ◎/ Mostly achieved ○/ Some progress △/ No progress ×)

The Promotion of Diversity in the Workplace

	Objective	Achievement and progress	Level of achievement
1. Promotion of women's career activities	・ Cultivation and planned appointment to positions at or above the level of head of department ・ Networking and raising awareness of career options for mid-career and young people through meetings of female managers centered on head of department level ・ Stronger support for employees aiming to balance work and childcare (Training for managers, return to work support seminars, measures to support career development after returning to work, etc.) ・ Promoting the reform of working patterns with an awareness of productivity through the use of ICT, etc.	・ Mid-career women in managerial positions (SELENE) interactive seminars with employees (May, July, November 2015; over 200 participants in total). ・ Seminar to support returning from childcare leave (February 2016; over 50 participants in total). ・ Company-wide notification regarding reform of working styles, and promotion of these reforms (June 2015). ・ Relax the conditions (e.g., IT environments) for working from home, and expand the scope of users allowed limited use of their own products to include all employees.	○
2. Employment of people with disabilities	・ Continued strengthening of employment procedures, including at sales offices ・ Expanded the employment and creation of new business fields centered on special subsidiary companies ・ Domestic subsidiaries: Attained statutory employment rates in all subsidiary companies	・ Expanded the sales support duties (PDF creation) of NEC Friendly Staff, Ltd. and hired more staff (seven new hires in fiscal 2016). ・ Held a group study session to consider reasonable accommodation people with disabilities, assuming the April 2016 revisions come into force. ・ Conducted joint group interview sessions in order to expand our recruitment.	○
3 Promoting the hiring of people from overseas	・ When hiring new graduates, aim for a target of 15% of the expected number of hires.	・ Adopted a policy of actively hiring from overseas (67 people in f 2016). ・ Held an exchange event targeting foreign employees working in the Sales division.	○

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

1. Promoting women's activities
   - Planned promotion of measures for achieving target scores based on the Promotion of Women's Career Activities (PWCA) Act
     (Numerical target: Increase the proportion of women managers at the level of department head and above to 5% by FY 2019
2. Employment of people with disabilities
   - NEC: Achieve a proportion of 2.2% during FY 2017 (by April 2017) (including special subsidiary company)
   - Domestic affiliated companies: Attain statutory employment rate in all subsidiary companies

Fiscal 2017 Objectives

The promotion of diversity in the workplace

1. Promotion of women's career activities	・ Implement personal development measures and planned dispatch to external training for promising employees (ongoing) ・ Career awareness-raising events for mid-career female employees run by women in managerial positions ・ Continue to hold seminars to support returning from childcare leave ・ Implement management support measures for female managers at the level of department heads (new) ・ Promoting the reform of working patterns with an awareness of productivity through the use of ICT, etc. (company-wide activities) (ongoing)
2. Employment of people with disabilities	・ Promotion of statutory improvements to employment rates from FY 2019 (promote new specific employment initiatives for people with disability) ・ Expand the further expansion of new business fields centered on special subsidiary company (converting documents and contracts to PDFs) ・ Domestic subsidiaries: Attained statutory employment rates in all subsidiary companies
3. Promoting the recruitment and employment of people from overseas	・ Planned recruitment of foreign employees among new graduates ・ Promotion of measures aimed at encouraging the hiring of foreign nationals (cross-cultural understanding, implementing foreign exchange measures)

84-91 Respecting Human Rights
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105-107 **Labor Practices**
108-113 Human Resources Development and Training
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Labor Practices

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 "2-Way Communication"

Since 1990, NEC has been using the "Collaboration" based on the "2-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 8,337,185 yen and the average length employment is 18.6 years (As of March 31, 2016).

Work Style Reformation

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.

Main Activities and Results for Fiscal 2016

2-way Management

We have made "2-way Communications" complete and conducted a series of deliberations to determine how to effectively hold employee interviews. 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.

Realizing a Work-Life Balance

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, Health-Sheet Survey Criteria has been in use since 2016 to ensure employee health. (The Health-Sheet Survey Criteria is a questionnaire in which employees who work long hours enter their health status. Those who have concerns can consult with an industrial physician.) In addition, the number of employees who want to work at 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 Corporation for fiscal 2016 was 67.9%, which was slightly less than the previous year (68.4%). The average monthly overtime remained the same as last year at 17.4 hours.

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

Promoting the work- life balance concept

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: achieved ◎/mostly achieved ○/some progress △/no progress ×)

Objective	Achievements and Progress	Degree of Completion
Further promotion of "Work Style Reformation"	・ Enhanced approach for measures (i.e., employees taking more paid leave time) initiated in fiscal 2014. ・ Slight reduction in the number of long-hour workers and average overtime hours. ・ Promoted the usage of "GISP (Lync conference, etc.)" and "Secure BYOD".	△

Objectives for the New 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 child-care system and home care system that support those employees who continue to pursue their careers.

Fiscal 2017 Objectives

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.
2. Deploy "Work Style Reformation" 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.
3. Increase the number of users of childcare and nursing care services. Increase the number of users of childcare and nursing care services (child-care coupon, taking leave for child-care 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 enhancing in fiscal 2017.)

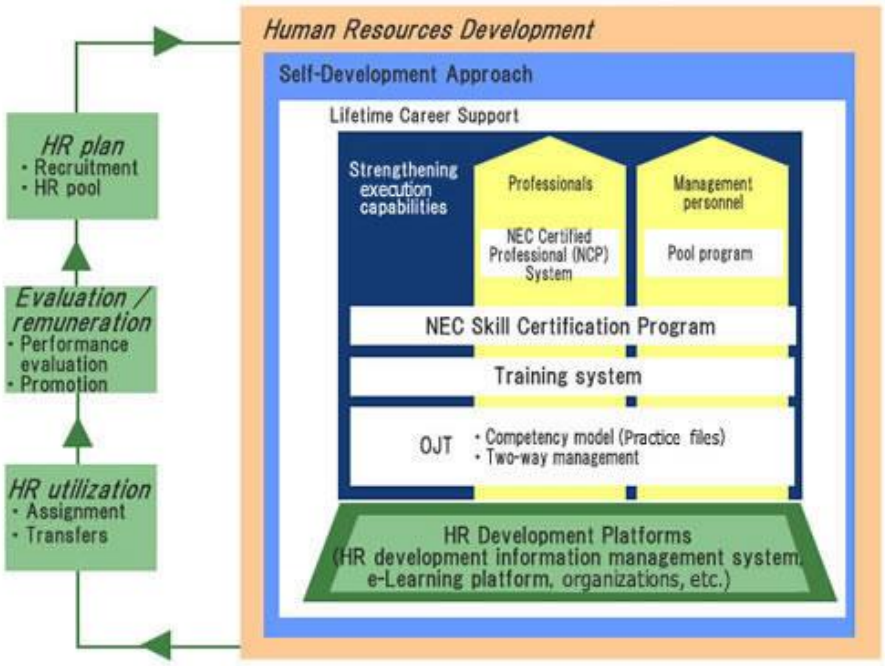
Human Resources Development and Training

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 "human resources 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

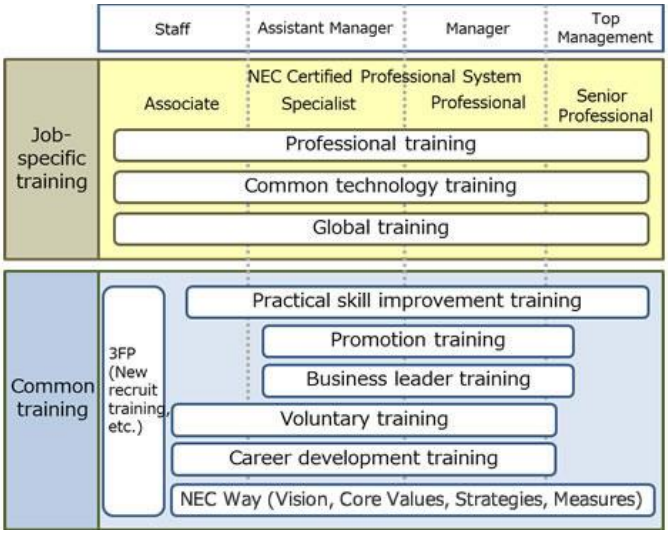
Based on the following "human resources philosophy", NEC will train employees who have high ethical standards, always act from the customer's point of view by understanding the customer's fundamental issues and the market and continue to create social value.

To realize the social solution business, NEC cares about persons who
have high ethical standards,
respect diversity,
self-reflect from a heightened and broad perspective,
successfully challenge boundaries,
and achieve goals.
NEC values executive officers and managers who
think outside the box,
and create an organizational climate where they feel free to speak their minds.

Policies and Programs

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 system at NEC

NEC has common training courses that are highly diverse, ranging from programs intended for all employees to courses taken when an employee is promoted or specially selected. 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. The following are some of our key programs.

Global Training

As a company that does business all over the world, NEC carries out a variety of programs for global HR enhancement. One of its programs is an English-language program designed to stimulate employees' interest in other countries while also providing basic skills for doing business overseas. Going beyond the conventional language course, the program focuses on multicultural communication and business skills in a comprehensive manner, and also includes a practical component in which participants work onsite 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. It is conducted entirely in English.

For employees working in key overseas locations, we provide Web training contents in English that are common to the whole company, which are regarding 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.
Approximately 11,000 individuals have been certified as career professionals under the NCP system as of March 2016.

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.

Global Human Resources Information System - "SAKURA"

NEC as well as group companies in Japan use "Global Human Resource Information System (SAKURA)" as the platform to support human resources development. Currently, 23 companies have adopted the system.

HR Utilization Program

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.

In addition, 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 applications are then transferred to that division.

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 principle 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 2016.
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 Web 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 the trademark of NEC in Japan.

Main Activities and Results in Fiscal 2016

Upgrade and Expand the Pool of Global Leaders

The 27th NEC Management Academy, a key part of the Company's efforts to upgrade HR development programs for GKP candidates, was held from October 2015 to February 2016 for future division manager candidates. The program is designed to help participants acquire management knowledge and a managerial mindset from the standpoint of strategy, people, products and money and promote their evolution from function to management professionals. It begins with having participants think about the meaning to themselves of The NEC Way, NEC Group Vision 2017 and NEC Group Core Values. They then individually propose growth strategies for their own divisions and make recommendations about cross-organizational initiatives for realization of the Mid-term Management Plan 2016 for each group. In addition they completed a "360-degree multi-facet evaluation" and gave feedback, identifying strengths and issues as a global leader.

In fiscal 2013, NEC also launched follow-up sessions to ensure that the participants had retained valuable personal connections, information, ideas and relationship acquired through the NEC Management Academy after completing the training program. In conjunction with devising a strategy for one's own division, starting in fiscal 2015 the focus of training for new divisional managers shifted from strategic planning to "practice in the field".

Launched in fiscal 2014, Drive NEC, the overseas version of the NEC Management Academy, was held in Japan for about one week in May 2015. This was for members of overseas subsidiaries who were expected to be the leaders providing the impetus for the global business going forward. This provided an opportunity for candidate leaders from various regions to meet in the same place at the same time and discuss or brush up thoughts about 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 "Becoming a 'social value innovator', and to this end we reformed existing business models, launched "Solutions for Society", and considered and defined specific job roles and career paths for business development personnel needed to further expand the business. In addition, based on interviews with NEC members already involved in the field, we formulated the aspects of the abilities of "super high level human resources" and a specific job role model with reference to other companies' benchmarks and the conclusions of the Ministry of Economy, Trade and Industry's Frontier HR Research Committee.
We intend to utilize this model in creating specific development, programs and systems going forward.

Enhance the Systematic Training of Young Employees

The 3 YEARS Fundamental Program (3FP) was started in fiscal 2014 with the goal of enabling all young employees to embody the NEC Group Vision 2017 and NEC Group Core Values, in which employees with sufficient basic skills can immediately be effective players or workers by the end of their third year at the company. The program seeks to shore up fundamentals of young employees and get them ready to more fully contribute.

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.

In addition, to foster a culture of young employee development throughout the organization, we have extended the on-the-job development (OJD) period to three years, held seminars for supervisors, and issued an email newsletter with helpful information on training and development.

"Visualization" and Development of Global Professionals

NEC has been creating systems since fiscal 2011 for the development of professional personnel from the standpoint of global optimization to provide HR support for the NEC Group's global business development. One such system is a Web-based SaaS-style human resources and skill management tool created on the basis of our global standard human resources and skill framework, which is intended to provide a common global metric for assessing human resources. This tool, which can be utilized to create a global, Web-based visualization of the skills of professional personnel at overseas subsidiaries, was instituted at NEC Telecom Software Philippine.

Skill surveys were also conducted in fiscal 2016 at overseas subsidiaries that had not yet introduced the tool, which has made it possible for us to visualize the skill of approximately 80% of our service personnel, system engineers and software developers both domestically and overseas.

Cultivate Key Global Personnel

Since fiscal 2009, NEC has conducted the Global Track to Innovator (GTI) program to foster globally viable innovators by assigning new employees overseas for a period of one to two years. Over 100 employees have been sent overseas.

The program selects new employees with the potential to become a key part of future global operations and conducts global business skills training in English for around 20 days in Japan. After about one year at NEC, participants are sent to overseas affiliates and other companies to conduct overseas work for one to two years in a specialized field alongside local employees.

SAKURA Results

NEC utilizes the Global HR Information System (SAKURA), which manages the individual cultivation plan or result information also serves as a platform for HR development activities. The number of training days per NEC employee and per NEC Group employee registered in the system in fiscal 2016 was 4.9 and 4.0 days respectively.

Monitoring and Improvement

The HR development programs in which the needs of each business division are also reflected are evaluated and improved.

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 Medium Term (From fiscal 2014 to fiscal 2016)

- Upgrade and expand the pool of global leaders
- Strengthen professionals
- Strengthen training of young employees who can act autonomously with enshusiasm
- Develop a global human resources development platform

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: ◎ Achieved / ○ Mostly achieved / △ Some progress / X No progress)

Objective	Achievements and Progress	Degree of completion
1. Further expand and globalize the training program for executive officer	・Held NEC Management Academy from October 2015 to February 2016 and continuously produced executive officer . ・Through discussions with executive candidates from other companies, extended "Opportunity for an Exchange Opinions with Other Companies" that extends the vision and personal connection as a management leader. ・Promoted a project to implement a personal network beyond generations of senior-level management candidates and held a "Management Session (Session J)", where division managers in particular can communicate with other managers crossing divisions and raise their awareness and motivation. ・Held a coaching session with an internal coach for mainly new division managers.	○
2. Accelerate training for personnel who will lead "Solutions for Society"	・Held basic training sessions (Web training sessions) such as "Business model review", "Lean start-up", etc., in which all employees must participate. (About 22,000 participated in the training sessions.) ・Furthermore, held a workshop to practice the above sessions. (Web training sessions: About 650 participants / Workshops: About 3,500 participants.)	○

Objective	Achievements and Progress	Degree of completion
3. Strengthen training to enable young employees to experience NEC Group Vision 2017 & Core Values	・At the NEC Group common training for new employees, the Vision and Value Workshop (1 day) was conducted where employees could learn NEC history and how "Vision Value" was born. ・New NEC Group employees (about 1,200) assembled under one roof and the ONE NEC Program (1 day) was conducted. Understanding was deepened with respect to the "Vision Value" through group work and a talk by the president. ・Milestone training was conducted for early development of human resources, specifically employees in their first, second and third years at the company, so that they come to embody the NEC Values.	◎
4. Maintain a globally unified personnel training platform	・Released the Global HR Information System (SAKURA) under the following purposes: - Contribute to each employee's growth and the organization's growth, - Improve the ease by which employees can take the training by centrally managing the qualification/training information or personnel information, - Streamline and standardize the HR system and business processes of the whole NEC Group.	○

Objectives for the New Medium Term (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

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.
2.	Upgrading and expanding the highly-skilled professionals: Upgrade and expand ways to cultivate highly skilled professionals.
3.	Maintaining the platform to strengthen human resources: Implement the Global HR Information System (SAKURA).

84-91 Respecting Human Rights
92-104 Diversity and Inclusion
105-107 Labor Practices
108-113 Human Resources Development and Training
114-118 **Health and Safety**
119-122 CS (Customer Satisfaction)
123-126 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

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.

【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 the 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 ensures workplace safety by operating a regional safety and health committee and deploying 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.

Main Activities and Results for Fiscal 2016

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 the NEC Group made a commitment to stakeholders based on the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct. A company-wide Occupational Health & Safety (OH&S) Policy was formulated, which in fiscal 2013 was the NEC Group Occupational Health and Safety Management Regulations, part of an effort to enhance the quality of the NEC Group's OH&S activities.

OHSAS18001
Specification Certificate

As an initiative taking into account the particular characteristics of each company and each workplace, the NEC Group has been working to obtain the OHSAS 18001 standard for occupational health and safety since fiscal 2011. By fiscal 2016, certification had been obtained at a further 10 NEC Group-related companies envisaged as likely to have health and safety risks, including NEC Kansai Building (Marketing base) and production lines that are business key locations.

Beginning in fiscal 2016 as a task for the NEC Group supply chain, we will move ahead with OHSAS certification or implementation of a similar program for the NEC Group-related companies working at sites.

Health Management

Prevention of Health Impairment Due to Overwork

NEC manages workplaces to make sure that 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 worked to enhance initiatives to help employees on leave smoothly return to work. This was achieved by clarifying the process and standards for determining whether an employee on leave may return to work through revision of the return-to-work support program. As a result of making these sorts of programs known, early stage consultations from individual employees and their worksite supervisors have increased, instilling 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 has also put a system in place where employees and their supervisors can promptly consult with someone when they notice an irregularity, comprising consultation desks both in-house and outside the company. The in-house consultation desks are staffed by 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.

- In fiscal 2017, NEC conducted stress checks for all employees by responding to the Revised Industrial Safety and Health Act, enforced in December 2015, and will 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. For employees with many risk factors for cerebrovascular problems or heart disease, we have provided lifestyle improvement advice.

- Since April 2008, partly in response to 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 2015, there was a 27.2% reduction in cases of metabolic syndrome, significantly exceeding the target value set by the Health, Labor and Welfare Ministry.

- Since fiscal 2014, we have been implementing NHI21 Second season, which includes a measure to set up physical and mental health promotion activities by ages by adding measures for mental health, cancer prevention and oral hygiene to NHI21. Under the NHI Second season we hold the NEC Health Fair, a family participation event aimed at getting families to work on measures to prevent lifestyle-related diseases; a program has been implemented to raise awareness of 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

- Education of OH&S Committee members (held at individual business sites) (About 500 people took part.)

- Web-based mental health education (*)

- Mental health training for managers (for managers with subordinates who have mental health disorders)

- Mental health training for managers (primary care)
- Smoking cessation seminar for smokers or smokers who want to stop smoking at each business site

  * Implemented as group courses in all cases except web-based mental health education.

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.
- Lifestyle-related disease seminar 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
- Smoking cessation seminars for smokers or smokers who want to stop smoking at each business site

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.

Labor Accidents and Disasters

	FY2014	FY2015	FY2016	FY2017 (Target)
NEC frequency rate (*1)	Results : 0.19	Results : 0.27	Results : 0.25	0.40
Nationwide manufacturing sector (100 or more employees) frequency rate	0.94	1.06	1.06	
NEC severity rate (*2)	Results : 0.00	Results : 0.00	Results : 0.00	0.00
Nationwide manufacturing sector (100 or more employees) severity rate	0.10	0.09	0.06	

*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

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

1. OH&S: Introduce and operate OH&S management systems within the NEC Group including overseas subsidiaries.
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 2016 Objectives, Achievements and Progress, and Degree of Completion

Objective	Achievements and Progress	Degree of completion
1. OH&S: From the viewpoint of strengthening OH&S management systems throughout the supply chain, comprehensively operate OH&S management systems at each NEC workplace.	Extended the scope of application for the HH&S management system in NEC and group companies at business sites.	◎
2. Health management: Strengthen preventive measures for mental and physical health through collaboration between the Health Insurance Association and Health Care Center.	Strengthened preventive measures by implementing mental health education and health education by ages for all employees and management-level employees.	◎

Objectives for the New Medium Term (Fiscal 2017 to fiscal 2019)

1. OH&S: Effectively operate and improve the OH&S management system in the NEC Group.
2. Health management: Implement mental and physical health measures based on the life stage of each age group across the entire NEC Group.

Fiscal 2017 Objectives

1.	OH&S: Improve the OH&S management system at each NEC workplace, strive to strengthen and maintain the management system.
2.	Health management: Strengthen preventive measures for mental and physical health through collaboration between 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 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 the 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", which 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

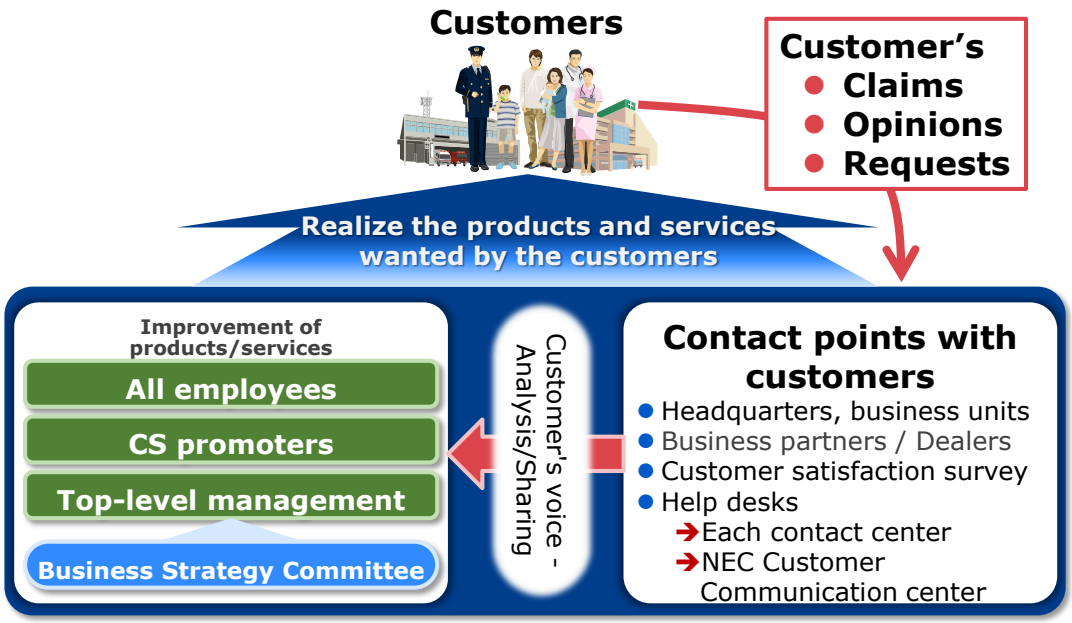
Promotion Framework

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. (There were about 300 CS promoters at the end of March 2016). The basic responsibility of a CS promotor is to continuously promote improvement activities by closely examining the activities in the company from the customer's point of view and striving for higher value business activities. Particularly critical matters are reviewed at Business Strategy Committee at which the president and top-level management participate.

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



Main Activities and Results for Fiscal 2016

As an activity to improve customer satisfaction, NEC analyzes problems and finds their causes based on the "voices" heard in customer satisfaction surveys or sent to our help desks. This has led to improvements in products and services. We find a potential need by analyzing the customer's "voice" and offering a new business.

CS Activities in Business Units

Each business unit sets a theme and goal for those items that must be improved and then designs appropriate CS activities. We think and act by first considering the kinds of things that NEC should do to enhance customer trust to become a corporation selected by customers. For example, activities may be those that enhance internal collaboration or improve customer communication.

Case Studies and Group-wide Applications

Some employees indicated a desire to learn from more concrete cases of success and failure, so examples of practices at the division, project, team and individual levels were publicized internally on the CS No. 1 Activities portal site.

This site introduces various CS No. 1 activities, including examples of quick responses and Workplace Roundtable initiatives, as well as activities for individuals, teams and divisions. Employees commented on how the problems and solutions from other projects are valuable as a reference and how the effect of other divisions has been instructive for their own division's initiatives.

Instituting a Customer-Oriented Corporate Culture

People are the basis of developing and supplying products and services that deliver high customer satisfaction. We visualize the image of NEC employees that customers envisage and implement and enhance various human resource cultivation initiatives so that we can improve the value we offer to our customers.

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. Moreover, NEC 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.

Details on CS Education

CS Education and Training for All NEC Group Employees

Group-wide training seminars to foster a customer-oriented mindset (customer-oriented business)

In 2015, NEC deployed "Customer-oriented Business" (Educational program for NEC Group employees (mainly for new employees)) in Japanese and English.

This training focused on helping employees learn "what is value?" or "what is it that needs to be done?" through studying various initiatives and programs such as "Better Products, Better Services" (NEC's commitment since its founding), "Universal CS Mind" (Five points to offer value to customers), and various case studies.

Among the thoughts expressed by those who have undergone the training were, "I reaffirmed my understanding that each activity we do connects directly with the customer", "I learned that one simple split second mistake can destroy the trust relationship we have built with our customers". In 2016, we want to incorporate these opinions and continue this kind of training for all employees.

Training seminars to foster a CS mindset (CS Mind Seminar - Introduction/Practice)

At NEC, responding to those requests of wanting to "... learn more about CS" or "...have a better understand more concretely this practice method...", the "CS Mind Seminar - Introduction/Practice" as an individual comprehensive education was held eight times over a year, in addition to the education for all employees. Since 2009, about 1,600 persons have participated in the Introduction and Practice seminars.

In the Introduction seminar, participants learn about CS as something immediate not a special thing and can take the initiative from something they can be tackled immediately. In the Practice session, participants can think logically about "CS Improvement", learn what kind of capability is needed so that customers will continue to select NEC products and services and perform the self-development program they build by themselves.

Participants commented "I learned that feelings about caring about your loved one is closest to the CS mind"; "I was excited to know that changing myself changes the results"; "By acting first, I want to promote CS initiatives to those around me", etc.

Objectives and Achievements

Objectives for the Medium Term (From fiscal 2014 to fiscal 2016)

All employees become more conscious of its customers and aim to transform NEC as the first corporation selected by customers through the "CS No. 1 Initiative" where NEC as a whole makes a higher level contribution.

Fiscal 2016 Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: ◎ Achieved / ○ Mostly achieved / △ Some progress / X No progress)

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.	We formulated improvement plans suitable for each business division for a particular issue, and performed PDCA by implementing the plans as solutions. ・NEC was ranked No. 1 in three categories in the 2015-2016 Nikkei Computer Customer Satisfaction Surveys. [Laptop PC category, Network Device category, Integrated Operation Management Software (Server/Network Management System) category] ・NEC was ranked No. 1 in six categories in the 2016 Nikkei Computer Partner Satisfaction Survey. [PC Server category, Enterprise Server category, Tablet category, Storage category, Network Device category, Integrated Operation Management Software (Server/Network Management System) category]	○
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.	Every member of the NEC Group engaged in discussions about CS through the President's message to employees, CS training, informal gatherings of new employees and the President, "The NEC Group Values Day" (July 17,NEC's foundation day). NEC is working to establish a CS corporate culture in several ways, such as sharing good examples within and outside the company through the in-house magazine and an internal website.	◎

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

Obtain solid trust from customers and continue to be "a Selected Corporation".

Fiscal 2017 Objectives

1.	Improvement activities based on customers' opinions are not implemented across the NEC Group, but according to the characteristics of each respective 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 standards 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

Continue to provide safe, high-quality products based on our belief in providing "better products, better services –customer satisfaction always first".

Code of Conduct

1. Quality management

1) Think and act from the customer's viewpoint.

2) Maintain and develop the NEC brand.

3) Everyone must strive to improve quality.

4) Comply with product-related laws and regulations.

2. Safety management

1) Recognize the importance of product safety.

2) Strive to ensure the safety of our products.

3) Respond in good faith to product issues related to safety.

Promotion Framework

Quality and Safety Risk Management System

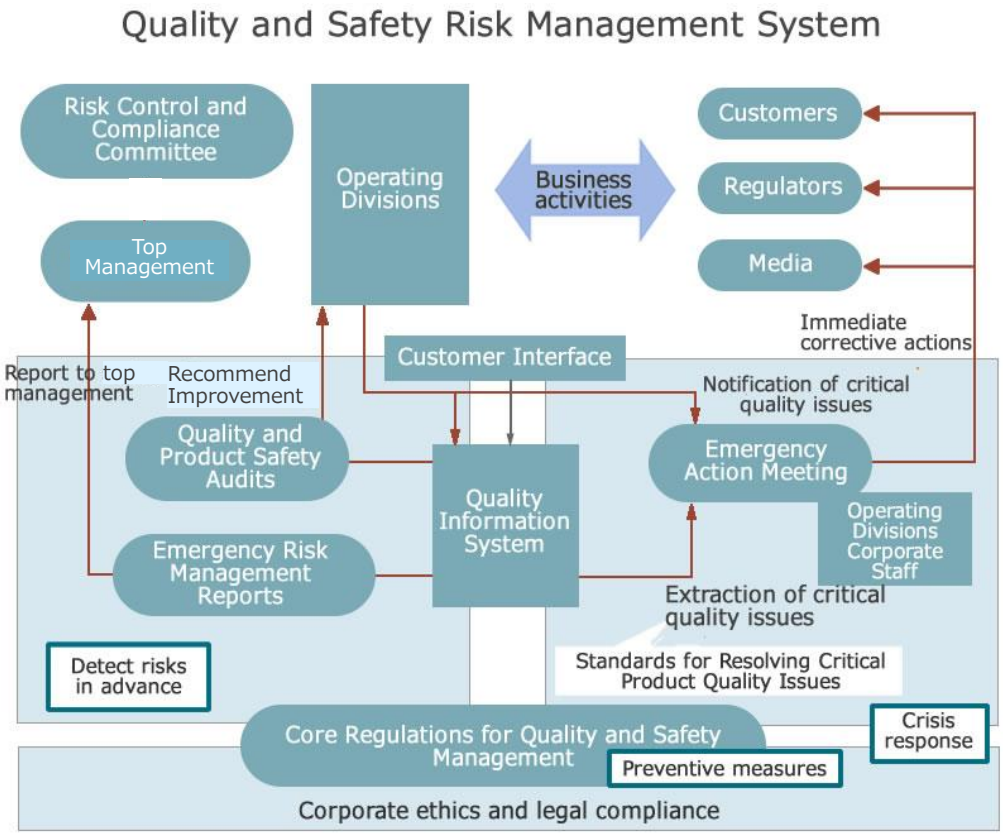
One of the most important management issues is how to deal with quality and safety risks in products, systems and services. In October 2000, NEC reconfigured the company-wide quality and safety risk management systems to ensure a smooth and carefully monitored operation.

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. Mechanisms and systems for compliance will also be established with rules specifically relating to product quality and safety.

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 the large-scale social impact that could occur in the unlikely event of a major system outage or failure of a major component, an urgent risk management report (immediate escalation to management) is submitted. This is followed by a visit from the rapid response task force, not only to the business division in question but also the specialist staff division. This provides a method to study how customers are treated, the response of those in authority and whatever publicity measures are 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.

In October 2010, as a way to strengthen the company's response to escalation of important quality issues, 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, and we have been operating it as "One NEC".



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

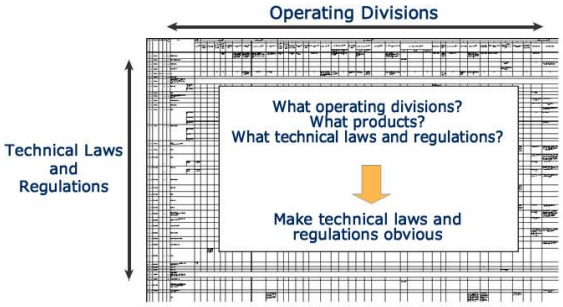
Based on the concept of ensuring customer safety, the NEC Group has adopted a basic "global first" policy. This policy focuses on increasing a product's international value by conforming to international standards while designing products and services. NEC is working to ensure the safety of its hardware products by basing designs on IEC 60950-1 that is 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 Laws and Regulations

In terms of compliance with technical laws and regulations that apply to our products, and to conform with the Electrical Appliance and Material Safety Law and various domestic laws and regulations, including Japan's Radio Law and Telecommunications Business Act and the laws and regulations of other countries, the NEC Group is working to comply with these technical laws and regulations by producing a map of technology laws and regulations (44 product-related regulations and 901 staff-related regulations) with the aim of visualizing those technical laws and regulations that apply to each product.



Map of technology laws and regulations

Main Activities for Fiscal 2016

NEC Group Quality Promotion Meeting

The NEC Group Quality Promotion Meeting is an event where those responsible for product quality have the opportunity to meet together. 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. Quality policies are explained and information is shared through presentations on quality-related cases.

The event was held twice this year in June and November and on both occasions involved lively discussions concerning specific cases. NEC believes that quality must be built in and promoted early in the product life cycle, not something promised at a later date.

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 coming up with innovative measures while out in the field

In this way, NEC has a strong belief in the need 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 presentation of award-winning cases will be useful in preventing risk in new projects through the horizontal spread of risk management best 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 2016.

- Annual Environmental Report 2016

Top Message

Last year saw the adoption of two global initiatives related to the environment. The first one was the United Nations' sustainable development goals (SDGs), and the second was the Paris Agreement at COP21. The ratification of these agreements setting ambitious goals for 2030 by the governments of numerous countries—despite high hurdles—underlines the common awareness that we are facing a global crisis and that we cannot afford to ignore the issues we are facing. Outside Japan, financial institutions and investors are already assessing the risk of climate change on corporate value, and the move to reflect such risk on investment activities is gaining momentum, greatly affecting capital flows. In Japan, the Government Pension Investment Fund (GPIF) signed the United Nations' Principles for Responsible Investment (PRI) in September 2015, and interest among institutional investors toward the so-called ESG factors (environmental, social and governance) is growing rapidly. Thus, in the short period from last year to this year, a significant increase in global awareness about the long-term impact of climate change issues on corporate management has occurred.

- For more info

Corporate Profile/Scope of Report

See Corporate Profile and Scope of Report in Annual Environmental Report 2016.

- Corporate Profile
- Scope of Report

Highlights of NEC's Environmental Activities in FY 2016

- Progress on mid-to-long-term environmental management targets and enhancement of efforts to address climate change
- NEC Kobe Data Center—one of the most power efficient data centers in Western Japan with a PUE of 1.18

FY 2016 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 2016 conforms with 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.	Top Message
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.	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 Ashttp://jpn.nec.com/eco/ja/annual2015/company/index.htmlpect 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	CSR Information Disclosure Policy 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 Engagement
G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement 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 Engagement
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.	NEC Stakeholder Review 2016 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 NEC Stakeholder Review 2016 Independent review 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	Supply-Chain Management
Environmental		
Refer to the following URL for the environmental performance. http://www.nec.com/en/global/eco/annual2016/guideline/gri.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	No Coverage
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	Supply-Chain Management
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 Trading
G4-SO4	Communication and Training on Anti-Corruption Policies and Procedures	Fair Trading
G4-SO5	Confirmed Incidents of Corruption, and Actions Taken	Fair Trading

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 Trading
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 cases (Japanese) 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

ISO26000

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.	Labor Practices 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 Trading Compliance and Risk Management

Global Reporting Initiative

ISO26000

ISO 26000

This is the comparison table of seven core subjects and 36 issues of ISO 26000 and CSR activities of NEC.

ISO 26000 Core Subjects	Issues	Corresponding Page on NEC website
Organizational Governance	1. Organizational Governance	Corporate Governance CSR 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	Respecting Human Rights 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	Labor Practices 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 Trading 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 Information Security

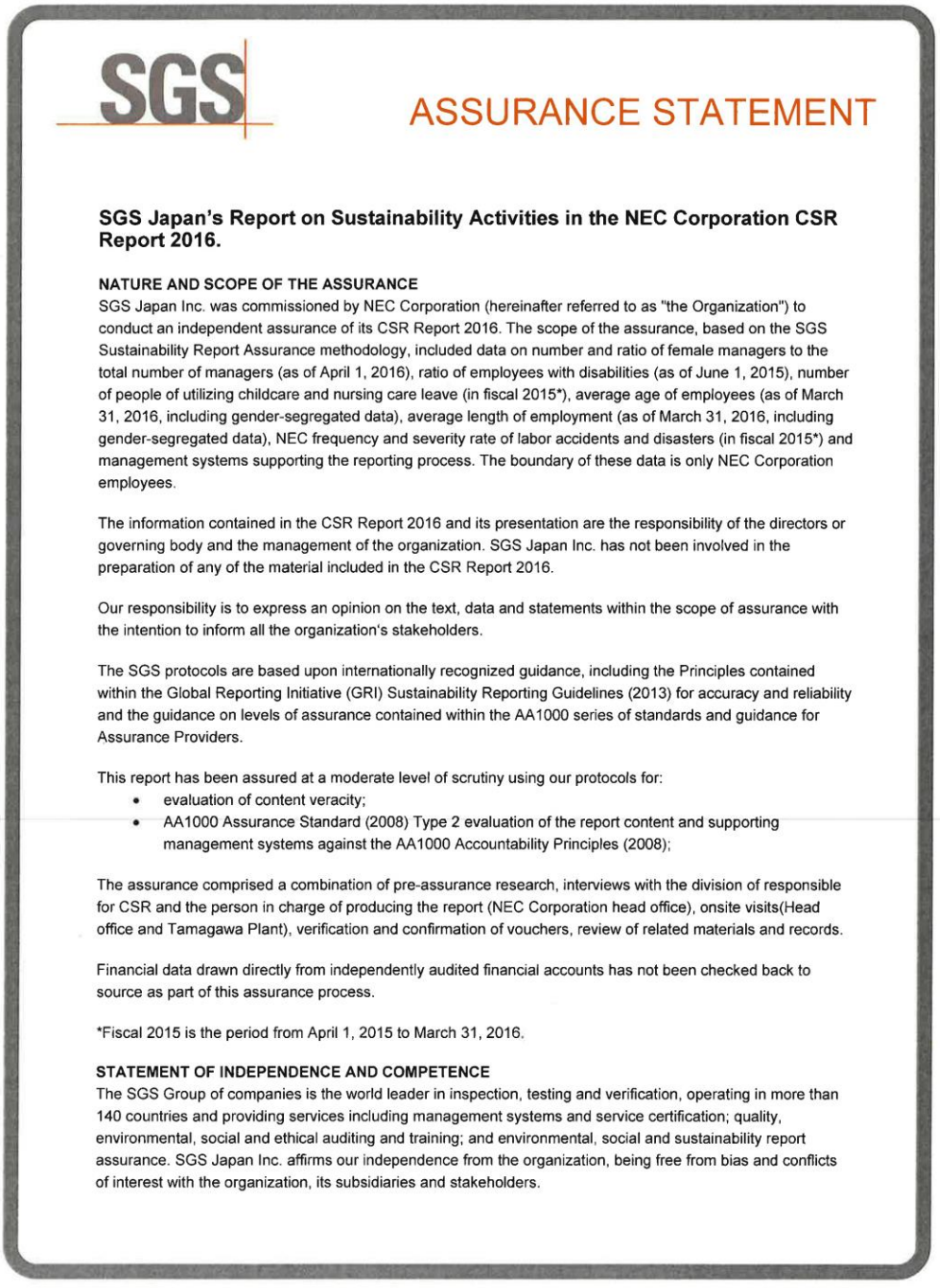
Community Involvement and Development	1. Community involvement 2. Education and culture 3. Employment creation and skills development 4. Technology development and access 5. Wealth and income creation 6. Health 7. Social investment	Ensuring Quality and Safety Cooperation with the Communities Activities for Contributing to Society

Global Reporting Initiative

Global Compact

Third-party Assurance

NEC CSR Report 2016 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 2016.

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 2016. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included data on number and ratio of female managers to the total number of managers (as of April 1, 2016), ratio of employees with disabilities (as of June 1, 2015), number of people of utilizing childcare and nursing care leave (in fiscal 2015*), average age of employees (as of March 31, 2016, including gender-segregated data), average length of employment (as of March 31, 2016, including gender-segregated data), NEC frequency and severity rate of labor accidents and disasters (in fiscal 2015*) and management systems supporting the reporting process. The boundary of these data is only NEC Corporation employees.

The information contained in the CSR Report 2016 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 2016.

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 (2013) 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 (NEC Corporation head office), onsite visits(Head office and Tamagawa Plant), verification and confirmation of vouchers, 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 2015 is the period from April 1, 2015 to March 31, 2016.

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 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 CSR Report 2016 does not provide a fair and balanced description of the organization's sustainability activities from April 1, 2015 to March 31, 2016 (The data on ratio of employees with disabilities is at June 1, 2015, and The data on number and ratio of female managers to the total number of managers is at April 1, 2016).

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

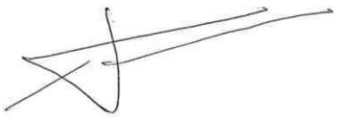
The Organization identified the relationships between the business segment of the organization and social needs and various media such as GRI guidelines, ISO26000, SDG's, the United Nations Global Compact, and corporative surveys, and summarizad social issues and social value creation in the "NEC Vision for Social Value Creation 2015-2016" as the business organization issues. All relevant targets of stakeholders, such as customers, shareholders, investors, suppliers, the local community at large, its employees, and the global environment, are identified, and communications, such as external experts' reviews, surveys, and Labor-Management Councils, 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. The CSR issues are integrated with the business issues, and are reflected as the business activities of the organization through the Business Strategy Committee.

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.

Responsiveness

The Organization addresses the identified issues as the business activities of the relevant divisions. The Organization made 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 disclosed them, through various media, including the CSR report and website.
Direct dialogues with stakeholders are also conducted thought the various communications.



For and on behalf of SGS Japan Inc.
Senior Executive & Business Manager
Certification and Business Enhancement
Yuji Takeuchi
7th July, 2016

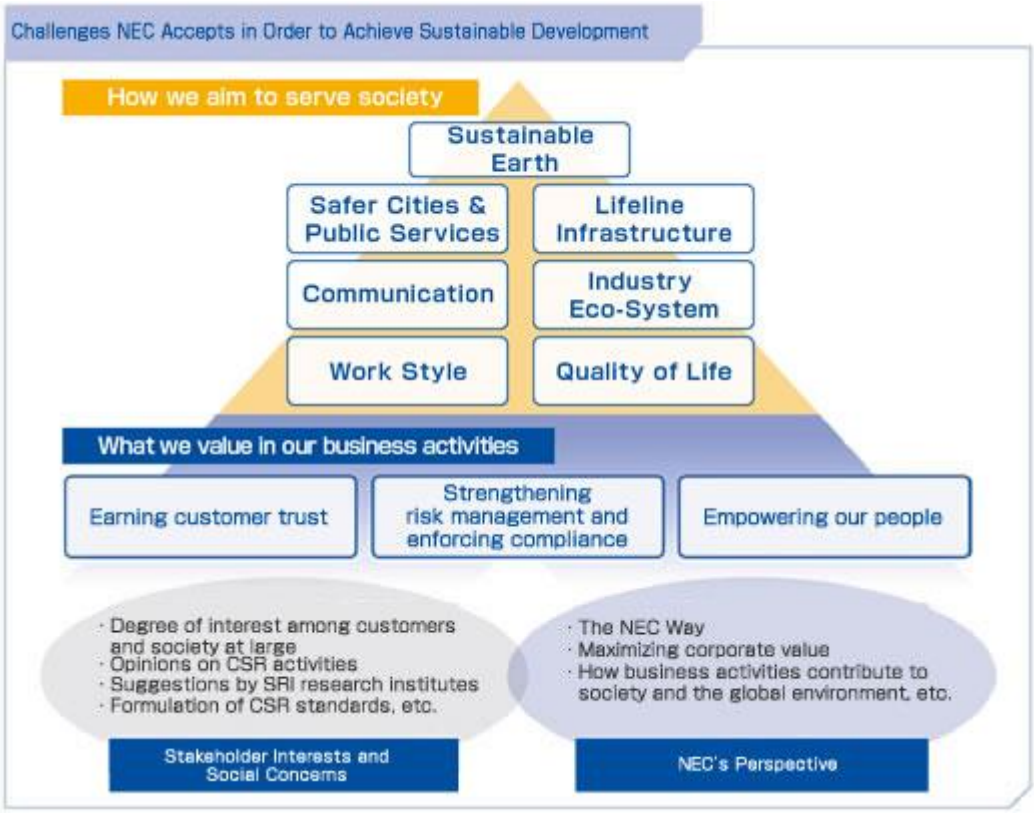
AA1000
Licensed Assurance Provider
000-8

CSR Information Disclosure Policy

NEC aims to transform itself into a "Social Value Innovator" that uses ICT to support the infrastructure necessary for people to lead enriched lives. Accordingly, NEC considers communication with stakeholders, which provides the starting point for this transformation, to be a crucial responsibility.

NEC strongly believes that the disclosure of the CSR information is a critical tool to communicate with stakeholders — shareholders/investors, business partners, local communities and employees. NEC therefore discloses its CSR activities and achievements by coordinating its efforts with the challenges NEC accepts in order to achieve sustainable development.

The priority initiatives have been selected with emphasis on the results of stakeholder engagement from both standpoints of "Stakeholder Interests and Social Concerns" and "NEC's Perspective.



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.

・Reporting Period

April 1, 2015 to March 31, 2016 ("fiscal 2016". Any other fiscal years would be referred similarly.)

This report also includes information obtained after this reporting period.

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.
Furthermore, NEC includes details of CSR activity achievements every fiscal year in its CSR Activity Report. Please use this as the traditional CSR Annual report.

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

*GRI: International guidelines for sustainability reports issued by the Global Reporting Initiative

Please follow this link for information on conformance with International Reporting Initiatives.

Update of CSR Activity Report for Each Fiscal Year Issued

September 2016 (previous: September 2015)

Other CSR-Related Reports

- NEC Annual Environmental Report 2016
- NEC Information Security Report

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 2014, 2015 and 2016), or as of March 31 of each year.
The data marked with a star (★)has been verified by a third-party.

Governance

Corporate Governance

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Ratio of outside directors to all directors	45.5%	45.5%	45.5%

	2014	2015	2016
Number of female managers (As of April 1 of each year)	390	386	★374
Ratio of female managers (As of April 1 of each year)	5.1%	5.2%	★5.4%

Corporate Governance
Diversity and Inclusion

Risk/Compliance

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Web training about compliance participation rate (Including domestic NEC group company)	98%	98%	98%
Compliance hotline - No. of consultations	54	65	85

Compliance and Risk Management

Information Security/ Personal Information Protection

		Fiscal 2014	Fiscal 2015	Fiscal 2016
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	89	76	62
	Overseas	46	39	40

		Fiscal 2014	Fiscal 2015	Fiscal 2016
CSR/Information Security Measures No. of companies and participants at the explanatory meeting		About 1,700	About 1,700	About 1,600
		About 2,200	About 2,200	About 2,000
Information security measures in business partners - Inspection and Review	Visiting Inspections	Total 1,800	Total 1,800	100
	Documents inspected			1,600

Information Security
Personal Information Protection
Supply-Chain Management

Society

Respecting Human Rights

		Fiscal 2014	Fiscal 2015	Fiscal 2016
Number of people that have attended a human rights awareness training session	e-learning	24,000	23,538	22,063
	group study	4,000	2,932	2,030
Human rights hotline - No. of consultations		-	About 20	About 30

Respecting Human Rights

Promotion of Diversity/Labor Practices

		Fiscal 2014	Fiscal 2015	Fiscal 2016
Number and Ratio of employees by region (NEC Corporation and Consolidated Subsidiaries)	Japan	79,504	78,056	77,455
		78.8%	78.9%	78.5%
	APAC	7,025	6,926	7,678
		7.0%	7.0%	7.8%
	Greater China	5,706	4,882	4,058
		5.7%	5.0%	4.1%
	EMEA	3,507	4,540	4,948
		3.5%	4.6%	5.0%
	North America	3,144	2,502	2,495
		3.1%	2.5%	2.5%
	Central South Ameri	2,028	1,976	2,092
		2.0%	2.0%	2.1%

		Fiscal 2014	Fiscal 2015	Fiscal 2016
Workforce by gender	Male	19,947	19,660	18,498
	Female	4,290	4,322	3,737
Number of new employees - New graduates (foreign nationals)		47	64	67

		2014	2015	2016
Ratio of employees with disabilities (As of June 1 of each year)	NEC Corporation	2.00%	★2.03%	2.07%
	Domestic subsidiaries (average)	2.03%	2.06%	2.10%

		Fiscal 2014	Fiscal 2015	Fiscal 2016
Average age of employees	Male	42.7 Years old	43.1 Years old	★43.3 Years old
	Female	40.5 Years old	41.0 Years old	★41.2 Years old
	Total	42.3 Years old	42.7 Years old	★42.9 Years old
Average length of employment	Male	18.3 Years	18.6 Years	★18.7 Years
	Female	17.9 Years	18.3 Years	★18.2 Years
	Total	18.2 Years	18.5 Years	★18.6 Years

Diversity and Inclusion
Labor Practices

Healthy Work-life Balance

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Ratio of taking paid leave	67.4%	68.4%	67.9%
Number of people of utilizing childcare leave	382	388	★395
Number of people of utilizing nursing care leave	25	16	★19
Average monthly overtime	17.2 hours	17.4 hours	17.4 hours

Diversity and Inclusion
Labor Practices

Health and Safety

		Fiscal 2014	Fiscal 2015	Fiscal 2016
Labor accidents and disasters	Frequency rate	0.19	0.27	★0.25
	Severity rate	0.00	0.00	★0.00

Health and Safety

Human Resources Development

		Fiscal 2014	Fiscal 2015	Fiscal 2016
Number of training days per employee	NEC	3.8	4.6	4.9
	Domestic NEC group company	3.5	3.5	4.0
Response rate of employees' survey (The survey for employees at overseas subsidiaries is conducted every other year.)	Domestic	82%	84%	83%
	Overseas	-	77%	-
R&D expenses		142.7 billion yen	134.2 billion yen	124.0 billion yen

Human Resources Development and Training
Innovation Management

Social Contribution Activities

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Social contribution expenditure	0.44 billion yen	0.54 billion yen	0.43 billion yen

Cooperation with the Communities

Environment

For progress and achievements related to environment activities, click here.

CSR Promotion and Social Contributions Office
Corporate Communications Division
NEC Corporation

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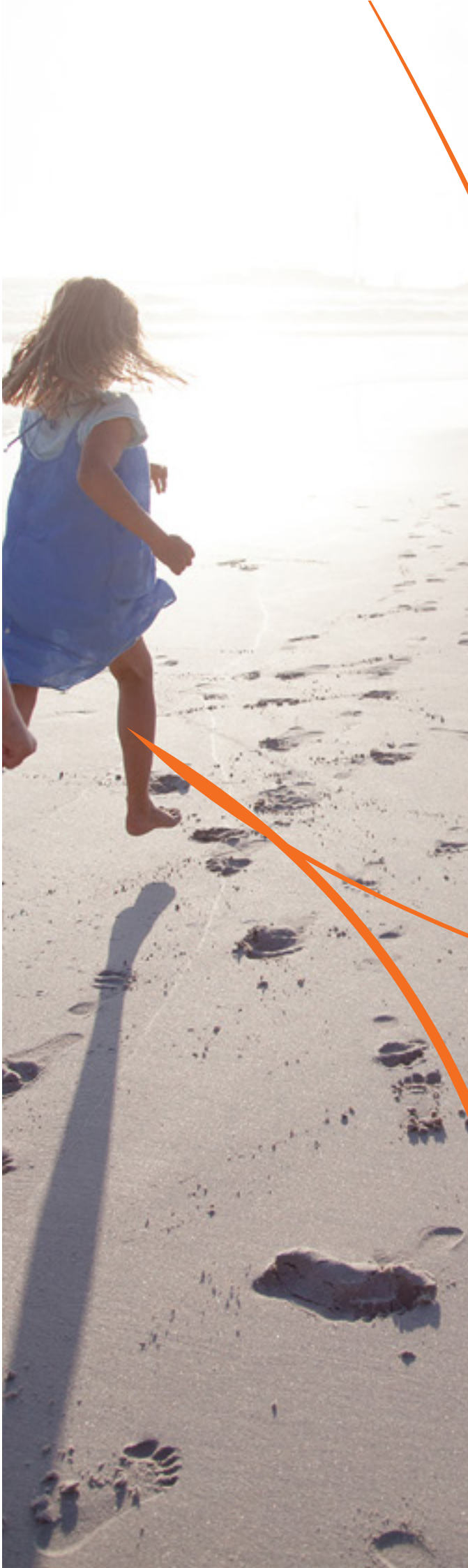

Issued in September 2016