The Role of Corporate Social Responsibility Report 2008

The NEC Electronics Group aims to contribute to the sustainable growth of societies by undertaking business activities such as improving customer satisfaction, attaining a high degree of corporate transparency, protecting the environment, contributing to communities, and respecting human rights, in addition to expanding earnings as a company.

The NEC Electronics Group discloses information in three reports that address three aspects: environment, society, and economy.

CSR Report 2008 has been prepared for all the stakeholders including customers, shareholders and investors, trading partners, employees, and residents of local communities where our businesses are located—to describe our business activities from the standpoint of corporate social responsibility in accordance with the NEC Electronics Guiding Principles by the entire NEC Electronics Group, along with the role of our semiconductor business in society.

Inclusion in SRI (Socially Responsible Investment) indexes (current as of June 2008)
We are among 150 companies selected for inclusion in the Morningstar Japan K.K. SRI stock price index, Morningstar Socially Responsible Investment Index (MS-SRI). (September 2004)

Participant in the United Nations Global Compact
Since March 2008, we have been a participant in the United Nations Global Compact.
At NEC Electronics, we are dedicated to cultivating trust with every individual and organization, including customers, shareholders, investors, trading partners, and employees. We pledge to conduct our business with integrity, beyond legal compliance, by acting responsibly as concerned corporate citizens, while providing superior semiconductor solutions based on advanced technologies.

NEC Electronics is committed to the following Guiding Principles.

Customer Focus
To provide optimized solutions and comprehensive support that exceed the highest expectations of our customers and earn their unwavering loyalty.

Ethical Business Practices
To promote free and fair market competition through transparent and ethical business practices, which are conveyed to the public through our actions and communications.

Community Involvement
To implement activities that contribute to both local and international communities, while respecting the history, culture, and human rights of each region.

Environmental Protection
To promote sustainable development by minimizing the environmental impact of our products throughout their entire life cycles.

Corporate Culture
To foster a corporate culture that respects individuality and encourages innovation, where all employees are proud to be part of the NEC Electronics team.
Top Commitment

We aim to be the leading semiconductor company committed to the trust our customers and society place in us.

Since NEC Electronics was established in 2002, we have been a leading semiconductor company that leverages the most advanced technologies to create high-performance, high-quality products, and have worked unceasingly to improve the many services—including stable product supply and development support—that add value to our products in the aim to meet customer needs and be a company that continues to be worthy of the trust placed in us by our customers.

The accelerating evolution of societies is accompanied by the demand for more sophisticated semiconductors with diversified functions. In this business environment, The NEC Electronics Group is focusing on development of technologies for building low power consumption and high reliability into our products in order to meet the high expectations of societies that are becoming increasingly aware of issues concerning the global environment and product safety. In addition, new electronic products that contain semiconductors are being developed faster each year as demand
becomes stronger than ever before for companies to reduce new products for time-to-market.

To be able to respond to these needs, the close coordination of the development and manufacturing processes is vital. This involves utilizing materials technologies at the manufacturing stage to pursue low power consumption, making quality improvements by instantly reflecting manufacturing expertise in modifications at the development stage, and utilizing development and design methods that enable us to shorten manufacturing processes. Toward this objective, NEC Electronics carried out major structural reorganization of our business in fiscal 2008 that essentially facilitates reinforcement of coordination of the semiconductor development and manufacturing processes.

First, the formerly separate development and manufacturing organizations were combined and reorganized into three business units; SoC, Microcomputer, and Discrete and IC. Also, the six production companies in Japan were combined into three according to their respective business units. This reorganization will enable close collaboration between development and manufacturing in each business unit.

While I am committed to making the utmost effort to reduce PFC emissions and all other burdens the company’s production operations put on the environment, I believe this effort will also lead to the creation of increasingly reliable and energy-friendly products that contribute to safer and more pleasant societies.

NEC Electronics has a history of over 50 years in the semiconductor business made possible by the unswerving support of all of our many stakeholders. Stable supply of high-quality products to earn “the trust of customers,” achievement of steady profits that lead to higher corporate value to earn “the trust of shareholders and investors,” securing our position as a fair and sincere business partner to earn “the trust of materials procurement partners,” and unceasing effort to contribute to safe and pleasant societies to earn “the trust of the public.” Our company owes its very existence to the trust of our stakeholders.

To provide attractive high-quality, high-performance semiconductor solutions, and furthermore, become a “reliable company” that meets the expectations of all of our stakeholders—this is our continuing corporate vision.

The NEC Electronics Group is committed to raising corporate value as we endeavor to solidify relationships with our stakeholders in our effort to become a company that makes meaningful contributions to the development of a sustainable society.

We ask for your continued support as we move forward in this endeavor.

Toshio Nakajima
President and CEO
NEC Electronics Corporation
Mobile phones, TVs, and digital cameras are just a few of the many electronic devices that make our lives more convenient and pleasant. The evolution of electronic devices is truly amazing—they are becoming more multi-functional and user-friendly, and at the same time are smaller, lighter, and consume less energy. Technological innovations for electronic devices will contribute to the growth of more prosperous societies.

NEC Electronics Group develops next-generation technologies and utilizes a wealth of experience and know-how to create semiconductors that contribute to the evolution of these electronic devices. High-performance, high-quality semiconductors produced by NEC Electronics Group have an important role in a variety of products we all depend on in our daily lives. We would like to introduce you to some of our advanced technologies and how we are developing the human resources to underpin these technologies.
Recently, as mobile phones that integrate video and camera functions and digital TV viewing function become mainstream, consumer demand for displays with more beautiful picture quality is escalating. But pursuit of higher image quality means more energy consumption and shorter viewing time. To solve the problem, NEC Electronics developed Mobile AGCPS*, LCD backlight control technology that reduces the power consumption of LCD modules by up to 50%. The technology enables fine adjustment of backlight brightness in response to the image data to maintain beautiful images and reduced power consumption that contributes to longer battery operation. In the future, we want to adopt this technology to other applications.

*Mobile AGCPS: Mobile Auto Gamma Control and Power Saving
As environmental awareness increases, the automotive industry is making the transition from gasoline to electricity as development of hybrid cars and other low-emission vehicles progresses at a frenzied pace in the aim to produce energy-saving automobiles. High current capability is required to run cars on electricity. This is where NEC Electronics’ power MOSFETs are making a big contribution. Compared with switch devices (transistors, etc.), power MOSFETs have low ON-resistance that makes them ideal for high current output. NEC Electronics’ power MOSFETs are capable of operating 180A current—the highest class output capacity in the industry, so they are also perfect for motor control applications such as electronic power steering. With regard to the environment, a great deal of attention is now being given to development of energy-saving technologies for semiconductors. We will continue to meet quality and environmental needs with products that utilize the latest technologies.

In the information age we live, mobile phone and wireless LANs are indispensable for high-speed communication of large amount of information. RF switch ICs serve as transmit-receive switch and as multiple antennas switch of high-frequency signal.

NEC Electronics utilizes the latest compound semiconductor technology to manufacture IC switches. Now, the gallium-arsenide IC switches installed into the latest 3G mobile phones and wireless LANs are the smallest in the industry—so small that they can’t be seen by the naked eyes. IC switches manufactured by NEC Electronics deliver high-quality images and sound.

As all the information gate, we will continue to work on development of IC switches that enable people to send and receive information rapidly, reliably and efficiently.

With the company’s latest compound semiconductor technology and production know-how, we are manufacturing key devices for the next generation of rapid wireless transmission.

Yasuo Saito
Gallium-arsenide IC switch development supervisor

As environmental awareness increases, the automotive industry is making the transition from gasoline to electricity as development of hybrid cars and other low-emission vehicles progresses at a frenzied pace in the aim to produce energy-saving automobiles. High current capability is required to run cars on electricity. This is where NEC Electronics’ power MOSFETs are making a big contribution. Compared with switch devices (transistors, etc.), power MOSFETs have low ON-resistance that makes them ideal for high current output. NEC Electronics’ power MOSFETs are capable of operating 180A current—the highest class output capacity in the industry, so they are also perfect for motor control applications such as electronic power steering. With regard to the environment, a great deal of attention is now being given to development of energy-saving technologies for semiconductors. We will continue to meet quality and environmental needs with products that utilize the latest technologies.

The development team pulled together and, through repeated trial and error, was able to develop an automotive electrical package with the top performance in the industry.

Toshinori Kiyohara
Package development supervisor

We’re helping to produce the environment-responsive cars of the future.
Even one defective component in an automobile is unacceptable, because even a slight defect can put many human lives in danger. In recent years, systems are being developed not only to provide quality by guaranteeing safety, but also increased functionality that makes driving safer and more comfortable for the driver—for example, monitors that let drivers check blind spots. To achieve this, ICs are an indispensable component for which demand continues to escalate.

NEC Electronics Europe has established European Technology Centre for covering the complete lifecycle of a design: from specification to design implementation, to product qualification and to sophisticated failure analysis. With this competence, we precisely meet the demands of automobile manufacturers around the world and at the same time maintain the high quality of its microcomputers. The center collaborates closely with design centers in Japan and North America to provide total design solutions.

The basic functions of an air conditioner are heating and cooling. Air conditioners constantly check and finely adjust the temperature to maintain an optimal room temperature. Inverter control is what achieves this fine adjustment, and the microcomputer is the key device that enables inverter control.

Inverter control microcomputers constantly maintain a certain temperature by speeding up or slowing down the number of motor revolutions to effectively save energy. Air conditioners with inverter control manufactured in fiscal 2008 can save about 13,800 yen per year in electricity charges compared with 1996 models*. This makes inverter control attractive for use also in refrigerators, washing machines, and many other temperature-related home appliances. NEC Electronics’ All Flash microcomputers are used in many product systems including inverter air conditioner systems that support pleasant, eco-friendly lifestyles.

*Presentation: The Energy Conservation Center, Japan

Achieving a safer and more comfortable driving experience.

By listening to our customers, we will provide comprehensive solutions, based on best-in-class methodologies.

Matthias Voigt
NEC Electronics Europe
General Manager of Engineering Group

We are promoting not only energy-saving consumer products but also energy-saving microcomputers. Our earth-friendly microcomputers are making an ecological contribution.

Toshiaki Torihata
Inverter microcomputer planning leader

Inverter control contributes to pleasant, eco-friendly living environments.

Comfortable and eco-friendly

Achieving a safer and more comfortable driving experience.

Safety and comfort
Consistent high quality is demanded of semiconductors. But digital checks of manufacturing equipment are limited in their effectiveness. That’s why NEC Semiconductors Malaysia is implementing a unique quality management activity called “People Sensors.”

The activity brings into play people’s five senses, which employees hone to a fine degree so that they can quickly detect abnormalities in order to prevent defective products from leaving the factory. People sensors are superior because they can quickly detect slight changes in things such as color, smell, sound, and texture, which cannot be discovered with machines.

All employees have a starring role in the “People Sensors” activity—as all employees become more quality conscious, they are able to continually refine the sensitivity needed to alert them to problems. We will continue to implement the “People Sensors” activity to provide products of high quality.

Creation of high-quality products requires highly skilled employees to ensure stable operation of production equipment. In Japan, there are many people with highly developed skills and know-how acquired from long years of experience. From the desire to bring Japanese skills and know-how to our factories overseas, NEC Electronics established Semiconductor Manufacturing Promotion Center in October 2007.

Facilities installed in the center’s training rooms gives trainees from all over the world practice in assembling, disassembling, and adjusting various kinds of equipment. Trainees are taught by highly skilled instructors and then go through internship in Japan to develop their skills on actual production lines.

After returning home, the trainees take on a new position of responsibility to teach newer employees the skills and knowledge they have acquired.

“People Sensors” activity enables thorough quality management.

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In order to make good products, it is important to create good workplaces in order that individual workers can act to the best of their abilities. NEC Semiconductors Kyushu Yamaguchi, by emphasizing two-way communication as a management policy, works on arranging better conditions under which every worker can make maximum use of his/her talent and skills. The basic part of the effort is the communication activation program in which every worker participates.

For the purpose of promoting vertical and horizontal mutual communication, this program includes directors’ get-gathers, round-table conferences in sections, everyday greetings campaign, and workplace tours between different sections. Moreover, in order to promote and support everyone’s work challenge, we provide training courses to improve communication skills as well as work skills. Through these activities, everyone’s self-initiative effort and ideas give an impetus to creation of good workplaces.

Our keywords are “understanding each other, helping each other, giving our best.”

A corporate culture that respects and values each individual worker leads to the creation of rewarding workplaces and the personal growth of employees.

Akiko Misumi
NEC Semiconductors Kyushu Yamaguchi
Company-wide activation promotion supervisor

We’re raising employee awareness that planting forests is one way to protect the environment.

Global-scale environmental problems are getting worse. It is important for companies not only to make environment-responsive products but also to make an effort to raise their employees’ awareness of environmental protection. At NEC Electronics China, we actively participate in forest-planting projects to give employees an understanding of the present state of the natural environment and the importance of environmental protection. We have engaged in this activity every year since the year after the company was established. Since 2005, as one of the social contribution activities undertaken jointly by NEC Group companies, we have focused on planting the NEC forest, which is located about 75 kilometers outside Beijing. By 2007, we planted 3,000 trees in three years in the NEC forest with the goal of turning a barren mountain into a green forest. Every year more than 70 employees participate in the activity and are raising their awareness of environmental protection.

To plant one tree is to plant a seed of hope for blue skies in the future. I’m proud that I can contribute to improving the environment.

Yao Ling
NEC Electronics China
Marketing manager
NEC Electronics Group CSR Management System

The Corporate Social Responsibility Promotion Committee is central to development of the CSR promotion system at NEC Electronics. In addition, we are strengthening corporate governance to maximize corporate value. For us, this means ensuring transparency and integrity of management and practicing compliance in accordance with our Code of Conduct.

**CSR Promotion System**

We promote CSR with strong teamwork throughout NEC Electronics divisions and its subsidiaries.

In June 2004, we established the NEC Electronics Guiding Principles to clarify policies for group-wide CSR promotion activities, and also set up a Corporate Social Responsibility Promotion Committee, chaired by the president of NEC Electronics to promote CSR activities throughout the NEC Electronics Group.

<table>
<thead>
<tr>
<th>CSR tasks</th>
<th>CSR tasks</th>
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<tbody>
<tr>
<td><strong>Category</strong></td>
<td><strong>CSR tasks</strong></td>
</tr>
<tr>
<td>Mutual tasks</td>
<td>Compliance (business ethics/compliance with laws and regulations), risk management, information security</td>
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<tr>
<td>Customer focus</td>
<td>Customer satisfaction improvement, quality improvement, product accident response</td>
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<tr>
<td>Ethical business practices</td>
<td>Fair trade (compliance with antitrust regulations, etc.), relations with purchasing partners, security export control (compliance with laws and regulations governing exports), donations to political and other organizations, information disclosure and communication</td>
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<tr>
<td>Community involvement</td>
<td>Communication with local communities, community involvement activities</td>
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<tr>
<td>Environmental protection</td>
<td>Environmental management</td>
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<tr>
<td>Corporate culture</td>
<td>Occupational health and safety, employment for physically challenged people, equal employment opportunity, human rights/discrimination prevention, education and training programs</td>
</tr>
</tbody>
</table>

**Corporate Governance System**

We have developed a framework for business execution and management oversight, and improved the internal control system.

NEC Electronics is strengthening the corporate governance system from the standpoint of Group governance. In the wake of the new Japanese Company Law which went into force in May 2006, NEC Electronics began working on standardization of items for deliberation at general meetings of shareholders and meetings of boards of directors of each of our subsidiaries in Japan and overseas, and also simplification of the decision-making process in order to build an effective and easily comprehensible system for group governance.


Detailed information can be accessed at this URL.

**Risk Management System**

NEC Electronics has established Basic Rules for Risk Management and is also formulating business continuity plans to strengthen the risk management system.

Formerly, NEC Electronics implemented a system of risk management that divided responsibilities among its divisions. In July 2006, we formulated Basic Rules for Risk Management and have built a system for uniform company-wide implementation of risk management activities.

**Risk management process**

- Risk identification and evaluation, preparation of risk map
- Define risk types, appoint a crisis unit for each type
- Define response levels
- Monitoring and measures for risk prevention and reduction by crisis units
- Risk response
  - Company-wide response
  - Level 1 Company-wide emergency
  - Level 2 Serious management crisis
  - Level 3 Management crisis
- Recovery
- Review of responses
- Internal audit
- No development of risk
- Development of risk
- Deliberation by crisis units
- Information transmission
- Initial responses
- Discovery

**Business Continuity Plans**

NEC Electronics is formulating and strengthening business continuity plans (BCPs) as part of the effort to reinforce the risk management system. In the wake of the series of terrorist attacks on the United States on September 11, 2001, and the occurrence of large hurricanes, major earthquakes, and other large-scale natural disasters, companies are obliged to formulate BCPs for rapid recovery and continuity of business in preparation for damage arising from unforeseen circumstances. And NEC Electronics has also started to make out BCP. Specifically, while utilizing existing plan for disaster prevention and systematic evacuation, we’ve newly built a system for quick recovery and continuation of business activities.

The NEC Electronics Group also places emphasis on the risk of earthquake damage to our headquarters and factories in Japan. In fiscal 2008, we progressed on devising a BCP in the event of a major earthquake in Japan. We will continue to work on the improvement of BCP that focuses on risk from earthquakes in Japan. At the same time, we are expanding the risks covered by BCPs—for example, the growing concern over the possibility of large-scale spread of new varieties of flu viruses and other contagious diseases—as well as devising more comprehensive countermeasures to be able to address a wide variety of risks.
The NEC Electronics Group Code of Conduct establishes rules for the conduct of executives and employees in Japan.

In June 2003, NEC Electronics established the NEC Electronics Code of Conduct to promote compliance by prescribing compliance matters to be observed by the company’s executives and employees in the conduct of their daily business activities. Also, the NEC Electronics Group Code of Conduct was revised in July 2006 and its application extended to all group companies in order to promote more integrated compliance activities by the entire NEC Electronics Group.

Compliance promotion system

The Legal Division at NEC Electronics is the primary unit responsible for promoting compliance. It does this by creating a compliance system and supporting its implementation in domestic Group companies, and also by organizing education programs and awareness-raising activities related to compliance in general.

Compliance officers are installed in NEC Electronics divisions and subsidiaries to assist the general managers and presidents of domestic Group companies to promote compliance.

Compliance promotion activities

To ensure thorough compliance, NEC Electronics also has internal units to help address compliance risks; units are responsible for developing rules and manuals, raising employees’ awareness of compliance issues through education and information provision, and monitoring compliance. These efforts are noted on the compliance risk pages on the internal Web site along with information that shows at a glance which unit to contact and which company rules to refer to should a compliance-related problem be encountered. In this way, we hope to prevent problems from arising and at the same time when they do arise, to solve problems immediately.

Each compliance risk unit makes plans for promoting compliance over the course of the fiscal year; based on these, NEC Electronics divisions and domestic Group companies prepare and carry out their own yearly plans. In this way, we are building a system to implement the PDCA (plan, do, check, action) management cycle in regard to compliance.

Compliance education programs and information transmission

NEC Electronics conducts compliance education programs for new employees, newly assigned assistant managers, and managers, and also provides compliance education for all executives and employees once a year.

We also provide e-learning programs that address compliance risks. In fiscal 2008, we conducted training courses in information security, and issues concerning the environment, sexual harassment, and power harassment.

Through our company intranet and monthly mail magazine for employees, we are working to provide substantial information on compliance. The mail magazine contains a section called “The NEC Electronics Group Code of Conduct Case Sheet” that presents case studies of compliance-related issues employees are likely to encounter and easy quizzes on compliance. These are particularly effective in helping employees become more familiar with compliance issues.

Helpline for Consultation and Reporting

We established the NEC Electronics Group Helpline in Japan for more effective compliance management.

To detect and readily resolve issues involving compliance violations, we set up a company helpline in June 2003 for NEC Electronics employees to consult on and report problems that for various reasons they are unable to take to a supervisor or relevant department.

In July 2006, we named the helpline the NEC Electronics Group Helpline. The helpline is available not only to employees at NEC Electronics but also to employees in our domestic group companies, purchasing partners, and distributors as well. We have also set up helplines in third-party facilities so that people who want to consult on or report problems but have their names withheld can be guaranteed anonymity.

We have established rules prohibiting actions or treatment of a penalizing nature that have been designed to enable employees to report their concerns confidently without fear of retribution or negative consequences. The rules are available on the internal Web site.

We also have a system in place for reporting the content of helpline reports as necessary to a committee chaired by the president so that top management can share information on compliance risks.
Creating a Corporate Culture We Take Pride In

The NEC Electronics Group and its employees are making a concerted effort to build and foster a corporate culture that enables all employees to fully develop their individuality and demonstrate their capabilities.

Our Corporate Culture

We will create a corporate culture that enables all employees to fully demonstrate their capabilities.

It is only in safe, healthy workplace environments free of discrimination and harassment that employees are able to fully develop their individuality and demonstrate their capabilities. Such good workplaces also generate increased efficiency and productivity. All employees at the NEC Electronics Group play a role in building a corporate culture we take pride in.

TALK about CSR

Health support for employees is the first step of CSR.

In order for employees to make maximum use of their talents and abilities, physical and mental health is of primary importance. In our capacity as public health nurses, we work with the occupational safety and health staff to provide individual health consultations, stress self-checks, and mental health seminars, and transmit information on health to raise employees’ health awareness and also for prevention and early detection of physical and mental health problems. We also provide support for employees on leave for health reasons and after they return to work. In these ways we are doing our part to create healthy, vital workplaces.

Nahoko Takamatsu (left)
Eri Inukai (right)
HR & General Affairs Division

14 Respect for Human Rights, Equal Opportunity Practices
15 Human Resources Development and Communication
16 Occupational Health and Safety (OH&S)
Respect for Human Rights, Equal Opportunity Practices

Through good communication with employees, NEC Electronics will develop a workplace environment that promotes mutual trust and enables individuals to fully demonstrate their capabilities.

Respect for Human Rights

We are working to maintain workplaces free of discrimination and harassment, where employees can fully demonstrate their capabilities.

NEC Electronics, as a participant in the United Nations Global Compact, has declared its commitment to respect basic human rights, refrain from all discriminatory practices, and not to engage in forced labor or child labor.

Also, NEC Electronics has established the NEC Electronics Group Code of Conduct which provides for respect for human rights and equal treatment of employees in matters of hiring, human resource development, worker treatment, and all other aspects of employment. The Code of Conduct prohibits discrimination on the basis of race, beliefs, gender, age, social position, family origin, nationality, ethnic group, religion, or the presence of physical or mental disabilities, and also prohibits sexual harassment. We make sure that all of our group companies are familiar with these Code of Conduct provisions. Of course, all group companies comply with the labor laws and regulations of their respective countries and provide education on human rights issues and consciousness-raising activities.

Specifically, the Human Rights Awareness Committee, which operates group-wide, is central to the implementation of stratified and objective-specific training activities, posting on an internal Web site articles on human rights issues and implementation of efforts to fully demonstrate their capabilities. NEC Electronics implements many family-friendly workplace program that seeks to enhance work and family life.

In addition to supporting employees’ efforts to fully demonstrate their capabilities, NEC Electronics implements many family-friendly measures (described below) that help employees balance work and family responsibilities so that they can experience satisfaction both at work and at home.

Balancing Work and Family Life

We are implementing a progressive, family-friendly workplace program that seeks to enhance work and family life.

In addition to supporting employees’ efforts to fully demonstrate their capabilities, NEC Electronics implements many family-friendly measures (described below) that help employees balance work and family responsibilities so that they can experience satisfaction both at work and at home.

Development of family-friendly support system

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Implementation</th>
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<tbody>
<tr>
<td></td>
<td>Childcare System</td>
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<tr>
<td>1991</td>
<td>Childcare leave</td>
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<tr>
<td>1993</td>
<td>Reduced working hours (childcare)</td>
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<tr>
<td></td>
<td>Medical care leave</td>
</tr>
<tr>
<td>1998</td>
<td>Childcare coupon system</td>
</tr>
<tr>
<td>2001</td>
<td>Extension of reduced working hours (childcare) (3 years old, end of March)</td>
</tr>
<tr>
<td></td>
<td>(entrance into elementary school)</td>
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<tr>
<td>2003</td>
<td>Family-friendly leave (revision of medical care leave)</td>
</tr>
<tr>
<td>2005</td>
<td>Extension of reduced working hours (to first grade, end of March in special circumstances)</td>
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<tr>
<td>2006</td>
<td>Period of childcare leave modified (until end of March after child reaches one year or until child reaches 18 months)</td>
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<tr>
<td></td>
<td>-Financial aid for use of family support centers</td>
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<tr>
<td></td>
<td>-Childcare financial support system (financial aid for change of residence for the purpose of childcare)</td>
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<tr>
<td></td>
<td>-Establishment of a Web site to support employees returning to work after a leave</td>
</tr>
<tr>
<td></td>
<td>(to third grade, end of March in special circumstances)</td>
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<tr>
<td></td>
<td>-Extension of work-at-home hours and expansion of employees permitted to work at home</td>
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<tr>
<td></td>
<td>-Family friendly leave (medical fertility treatment added)</td>
</tr>
<tr>
<td>2007</td>
<td>Extension of reduced working hours (childcare) (to third grade, end of March in special circumstances)</td>
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<tr>
<td></td>
<td>-Extension of work-at-home hours and expansion of employees permitted to work at home</td>
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<tr>
<td></td>
<td>-Family friendly leave (medical fertility treatment added)</td>
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<tr>
<td>2008</td>
<td>Financial aid to support use of family support centers (municipal childcare support services added)</td>
</tr>
<tr>
<td></td>
<td>-Extension of period to receive financial aid for use of family support centers (first grade, end of March)</td>
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<td>(financ</td>
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<tr>
<td>2009</td>
<td>Introduction of re-employment system for employees who leave work for reasons of childcare, nursing care, or spouse’s job transfer</td>
</tr>
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</table>

Employment for Physically Challenged People

We are developing barrier-free workplaces for the physically challenged.

NEC Electronics is making every effort to develop workplace environments considerate of employees who are physically challenged. Employees with hearing disabilities are now able to receive signing translations of the audio portion of meetings transmitted over the internal Web site. We also introduced contactless cards for security gate entrance and renovated lavatory facilities in the effort to create workplace environments that are considerate to persons with upper or lower limb disabilities.
Human Resources Development and Communication

NEC Electronics strives to create environments that give all employees a sense of commitment and the job skills they need and facilitate self-actualization, and also improve workplace environments through a variety of communication activities.

**Human Resources Development**

We offer a training program and career support to help employees achieve self-actualization.

NEC Electronics is building a curriculum for our training program that emphasizes three areas: fundamentals for strengthening customer focus, which underpins the program of strengthening management and professional development. Our training program is designed to raise employees’ performance levels and to help employees acquire the knowledge and know-how needed to carry out their job duties and responsibilities. We support employees’ voluntary efforts toward self-development and self-actualization.

We are departing from the traditional lifetime employment and seniority system premised on mutual dependence of the company and its employees, to build a revolutionary new company-employee relationship in which the company supports the individual’s ongoing professional growth over the long term. To achieve this, we encourage employees to be innovative and to keep developing their talents and abilities in the effort to support them in achieving lofty goals.

**Human resources development curriculum**

<table>
<thead>
<tr>
<th>General Managers and above</th>
<th>Managers</th>
<th>Mid-level employees</th>
<th>New employees</th>
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<tbody>
<tr>
<td>Management education</td>
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<tr>
<td>- Business management</td>
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<td>- Project management</td>
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<td>- Team management training</td>
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<td>Business skills training</td>
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<td>Technical training</td>
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<tr>
<td>Partner skills training</td>
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<tr>
<td>Education for professional personnel</td>
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<tr>
<td>Basic education</td>
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<tr>
<td>Career Training (lifetime career support)</td>
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**Communication**

We utilize communication with employees and labor unions to improve workplace environments.

**Communication with employees**

To ascertain management conditions and employee morale, we conduct a “Management and Employee Morale Survey” once a year in all group companies in Japan. The broad survey content includes work duties performed by supervisors and employees at worksites. Workplace improvements and new measures are implemented based on survey results. The surveys promote understanding of the conditions in all group companies and enable us to horizontally implement cases of successful improvements.

**Communication with labor unions**

NEC Electronics holds labor-management meetings twice a year with the NEC Electronics Labor Union to which our employees belong, to exchange frank opinions on management policies and business conditions. In addition, the Labor Affairs Committee and the Work and Life Balance Committee, whose members are representatives of both labor and management, conduct diverse activities in regard to prevention of long working hours, improvement of working conditions, and support caring for employees’ children. These activities help to build stable labor-management relations.

Similar efforts are being undertaken by company management and labor unions in all group companies in Japan. In group companies overseas, company management exchanges opinions on working conditions with labor union representatives and employee representatives based on the laws and regulations in their respective countries.
We are shifting from a conventional focus on safety to a focus on health.

In recent years, the majority of our employees are office and engineering personnel. For this reason, we have made a major policy change from a conventional safety focus to a health focus for our health and safety activities. A variety of activities are carried out based on three key objectives: fostering mental health, safeguarding against overwork, and maintaining and improving health.

Specifically, to foster mental health we provide mental health care education in the form of seminars on self-care, awareness-raising seminars for supervisors, and a variety of training courses. We are expanding this education program to make it more comprehensive. In regard to safeguards against overwork, we cooperate with the labor union utilizing the Labor Affairs Committee; if an employee is working an excessive amount of overtime, we talk in depth with both the employee and the employee’s supervisor. To promote health maintenance and improvement, we closely follow up on the regular medical checkups provided by the company.

We comply with a government policy begun in April 2008 that requires all employees over the age of 40 to undergo a wide-range medical examinations once a year and receive mandatory guidance in accordance with their diagnostic outcomes. We also offer specified medical examinations and guidance for employees 30 and 35 years of age in order to take early measures against metabolic syndrome.

Mental Health Management

NEC Electronics provides the preventive mental health care services.

We have a few public health nurses attached to the HR & General Affairs Division in cooperation with NEC Corporation’s Health Care Center. The nurses have been providing dedicated mental health consultation services to employees and their supervisors in cooperation with industrial physicians and medical specialists. The nurses care for employees who take leave of absence from work due to mental health reasons, and look them after when they return to work.

The services include regular professional instruction in mental health for all managers to heighten their awareness of mental health issues and of their responsibility as the most likely person to spot potential problems in employees under their supervision and approach the individuals concerned. In addition, the nurses have also started up a special Web site for employees called “News from the Nurses” that provides healthcare information with a focus on mental health care to facilitate self-care. Through such measures, we are engaged in promoting mental health care.

We will continue to develop even more closely focused measures that enable early detection and treatment of mental health problems and also promote preventive activities.

Consultation and support system for mental health problems
A Customer-focused Business

The NEC Electronics Group’s customer satisfaction efforts begin with the voice of the customer. By continually improving our sales, development, manufacturing, and support functions, we are able to provide products and services that further satisfy our customers.

Our approach to customer satisfaction

As a vendor of total semiconductor solutions and services, we focus all of our efforts and expertise on offering products and services of high quality and reliability that make us your partner of choice.

As a vendor of total semiconductor solutions and services, we focus all of our efforts and expertise on offering products and services of high quality and reliability by constantly seeking to discover:
1. what kind of products customers want,
2. what elements will raise product value, and
3. how to incorporate those elements in products.

At the NEC Electronics Group, we are confident that our tireless efforts help to create value for our customers.

TALK about CSR

Through CS improvement activities we are contributing to value improvement for our customers.

I think the most fundamental activity we can carry out to improve customer satisfaction is for all employees, in their respective capacities, to discover what the customer expects and then act based on those expectations. Primarily, we promote development of ideas and make improvements on a company-wide basis that reflect the opinions and wishes of customers that we learn from CS surveys and other means, and also conduct consciousness-raising activities for all employees to improve CS awareness.

We believe that these ongoing activities enable provision of products and services of high quality that help to improve value for the customer.

Yoshifumi Takeuchi
Corporate Marketing Division

We win customer’s confidence and reliance on our products through Factory Tours.

I conduct customers on Audit tours of our Factories and answer their questions and concerns on the spot. After each Audit, the customer’s requests at the Factory are breakdown into our standards and distributed companywide. Repeated internal line Audit and cross Benchmark between Factories also lead to further improvements.

Shigeji Tonishi
Corporate Quality Assurance Division

18 Customer Satisfaction Improvement Policies and Activities
20 Quality Improvement Tactics
21 Quality Improvement and Product Safety
Customer Satisfaction Improvement Policies and Activities

NEC Electronics is engaged in a variety of efforts to improve customer satisfaction through direct communication with customers in the aim to reflect the voice of the customer in our products and services and in our business activities.

**Basic Policies for Customer Satisfaction Promotion**

We are working to increase our customers’ satisfaction in our products and confidence in our company, as well as doing our part to improve the quality of life.

At NEC Electronics, our basic policies for promoting customer satisfaction are speedy provision of high-performance, high-quality semiconductor products and provision of solutions that create added value for the customer. Based on these policies, each employee in our sales, development, manufacturing, and staffing divisions keeps the customer uppermost in mind in the performance of work duties.

**Customer Communication**

We are pursuing customer satisfaction through surveys that measure satisfaction levels.

At NEC Electronics, we receive information on customer needs and related matters on a daily basis from our customers and sales partners. In addition, we regularly conduct surveys to measure the satisfaction levels of each of our customers and sales partners.

The results of surveys are grouped into five categories by satisfaction constituent (TQRDC)—Technology, Quality, Responsiveness, Delivery, and Cost—analyzed, and findings are utilized to improve products, services, and business activities.

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**Concepts for customer satisfaction management**

1. **Check**
   - Customer satisfaction surveys
   - Problem detection

2. **Action**
   - Problem solving

3. **Plan**
   - Corporate image
   - Services and products

4. **Do**
   - Corporate activities

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**Everything begins from the voice of the customer**

"The voice of the customer" is the starting line for all of our business activities, and "the voice of the customer" helps us confirm and improve our business activities.

**Voice of the Customer**

- Development
- Analysis and improvement
- Sales, development, manufacturing, and staffing divisions

**Customers**

- Daily activities
- Customer satisfaction surveys

**Sales partners**

- Customer satisfaction surveys

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**Nodes**

- Development, manufacturing, and sales divisions (subsidiaries)
We conduct a customer satisfaction education program to raise employees’ awareness of customer satisfaction issues.

NEC Electronics conducts a level-specific education program that includes customer satisfaction education and utilizes e-learning to instruct all employees in matters related to customer satisfaction improvement in the aim to raise each employee’s awareness of customer satisfaction issues.

We conduct a customer satisfaction education program to raise employees’ awareness of customer satisfaction issues.

NEC Electronics has set up a Semiconductor Hotline to provide a variety of technical information on products in order to help customers use our products and services safely, correctly, and effectively.

In fiscal 2008, we received approximately 6,000 inquiries by phone and e-mail from customers in and outside Japan. The Semiconductor Hotline endeavors to respond to inquiries as quickly and accurately as possible. We reply to almost 100% of e-mail inquiries within four business hours after receiving them.

Feedback on customer inquiries is relayed to all NEC Electronics divisions so that they can reflect the customer’s voice in improvements made to products and services. In addition, the FAQ (Q&A collection) on our Web site answers commonly asked questions and questions about key matters are opened to facilitate information disclosure to customers.

We also regularly review the FAQ to make it more comprehensive.

For purposes of calculating required response time, one day is defined as the 12 hours from 8:00 a.m. to 8:00 p.m.
Quality Improvement Tactics

As a vendor of total semiconductor solutions and services, the NEC Electronics Group leverages advanced technologies to develop and provide high-quality and highly reliable products, and pursues customer satisfaction through organized activities by the entire NEC Electronics Group to ensure total quality improvements that focus on overall optimization.

Quality Policy Implementation

We have defined a quality policy for continuous improvement of total quality so that customers can use our products with confidence.

The NEC Electronics Group determines quality objectives for each fiscal year in line with quality policy that gives concrete form to the top management commitment, and implements activities to achieve these objectives in all stages of business including sales, development, and manufacturing to continuously improve total quality.

Based on the quality objectives, business lines set priority tasks for quality improvement in each half of the fiscal year, and formulate and implement plans to achieve their goals. This activity is operated utilizing a fiscal half-year cycle of progress verification, re-examination, and improvement of quality improvement tasks.

The NEC Electronics Group Quality Policy

We aim to provide high-quality and highly reliable products and services that satisfy customer requirements and trust.

We abide by the following principles in all stages of our business activities—including sales, development and manufacturing—in accordance with our corporate quality management system:

- Comply with all applicable laws and regulations
- Prevent product safety problems
- Strive to continually improve quality

Quality Management System

NEC Electronics Group is developing and implementing a quality management system in conformance with ISO 9001 and ISO/TS 16949 standards in the effort to enhance customer satisfaction.

The NEC Electronics Group implements a quality management system group-wide that encompasses every process from development to manufacturing and product delivery, and provides high-quality and highly reliable products and services for further customer satisfaction.

In view of the fact that we supply products to many companies associated with automotive production, we are building mechanisms in conformance with automotive sector standard to make quality improvements that meet customers' specific requirements.

In the past, group companies separately acquired certification in ISO 9001, which is an international standard for quality management systems, and ISO/TS 16949, which is the automotive sector standard for quality management systems. However, we established a unitary management system in all group companies and acquired the corporate certification in April 2008. The system makes it easy for all group companies to achieve the same quality.

Quality Policy Implementation Process

- Top management commitment
- Quality policy
- Quality objectives
- Company-wide policy implementation
- Business lines
- Activities for continuous total quality improvement
Quality Improvement and Product Safety

We put management indexes in all phases of business including sales, development, and manufacturing processes in order to continuously improve total quality. The process of quality improvement includes product safety risk inspections and compliance with various business and environmental laws and regulations to promote the development of safe, reliable products.

Total Quality Improvement and Product Safety

We are thorough in building quality into products and promoting product safety in the development, manufacturing, and support processes.

Development process
NEC Electronics continuously works on developing advanced design methods and evaluation techniques appropriate for the latest product design rules related to products based on smaller feature transistor dimensions and large-scale circuitry.

In the effort to build quality into products, we also utilize the DR method (Design Review Based on Failure Modes) for design reviews (DR) conducted at each key stage of the design process that focus on design changes and modifications.

Manufacturing process
To ensure reliable manufacturing of products, we are undertaking improvement of 4M (Man, Machine, Material, Method) management. We also are implementing scientific methods to manage manufacturing processes in combination with activities that place importance on human sensitivity to abnormalities on production lines in order to build quality into products in all of our group companies.

Support process
We provide product information and solutions to support our customers at every stage from customer’s product development to logistics and maintenance, and also have a response system in place to answer customer’s inquiries so that our customers can use our products with confidence.

Product safety
To promote safe use of our products by customers, we undertake various activities including appropriate product specification and provision of product documents with accurate product information and information pertaining to environmental regulations.

Environmental Quality Assurance for Products

NEC Electronics promotes regulation of hazardous substances used in products throughout the entire supply chain.

In light of strict regulation of specified hazardous substances in products, NEC Electronics has developed and is implementing a system for regulating hazardous substances in all processes that encompasses selection of components and materials at the design and development stage and prevention of pollution in production processes. Because regulation of hazardous substances must be implemented throughout the entire supply chain, we ask purchasing partners to provide us with written guarantees that supplied products do not contain banned substances and with documented data on the chemical composition of supplied products and execute suppliers environmental management audits to confirm the efficacy of their environmental management systems. And we direct our sales partners to regulate hazardous substances used in packaging materials.

We also provide customers with written guarantees that products do not contain banned substances and documented data on the chemical composition of products, so that they can use our semiconductor products with confidence. Also, in order to be approved as a green partner by customers, we have them confirm the mechanisms we have in place and the progress of activities being undertaken to regulate hazardous substances.

NEC Electronics promotes regulation of hazardous substances throughout the entire supply chain to be able to guarantee the environmental quality of our products.
Community Involvement

The NEC Electronics Group desires to work together with employees to make heartfelt contributions to society. Thus far, we have focused on developing work environments that make it easy for employees to participate in activities that contribute to communities. Moving forward, we will actively contribute to society as a good corporate citizen.

Basic Policies for Social Contribution Activities

We will promote social contribution activities by encouraging employees to be aware of community issues and by supporting their efforts to be of service to communities.

1. As a semiconductor manufacturer, NEC Electronics is deeply involved in issues of global environmental conservation. We will contribute to society as a good corporate citizen by doing our part to aid in environmental efforts and other issues of importance to local communities where we do business.
2. The NEC Electronics Group will engage in activities that contribute to improving and projecting a corporate image that is appropriate for a global enterprise.
3. We will participate in activities promoted by the NEC Group to contribute to NEC’s brand value.

TALK about CSR

Through volunteer work, you will make a difference.

Getting people involved in Corporate Social Responsibility activities will be easier if we focus our minds, hearts, and hands on volunteer work and give our continuous support to planned activities. Conducting various activities in partnership with governmental and non-governmental organizations in the societies we live in, rewards us with an amazing feeling of satisfaction from seeing the sincere and happy faces of the recipients.

Volunteer activities such as making donations to welfare organizations and the needy are not as difficult as fostering the spirit of "volunteerism" to contribute materials, time, and physical presence. It is imperative for leaders in organizations to continuously motivate their respective teams to participate in volunteer activities by setting the example and praising the efforts of volunteer teams. This is also the secret of continuous volunteer activity.

Let’s make a big difference together where we work and live by joining in meaningful volunteer work.

Khong Soon Fatt
NEC Semiconductors Malaysia

For delicious water in Kumamoto.

Tap water in Kumamoto is delicious. Kumamoto is one of the few cities in the world in which all the tap water is supplied by plentiful pure groundwater. In recent years, however, the groundwater level has been diminishing.

To replenish the groundwater and facilitate CO₂ absorption, NEC Semiconductors Kyushu Yamaguchi participates in a tree-planting project in Ozu-machi at the foot of Mt. Aso, where the middle reaches of the Shirakawa River feed the plentiful groundwater in Kumamoto City and where water is able to penetrate deep into the ground. The area where the trees are being planted is called the NEC Forest. Our employees and other volunteers have planted 9,000 so far and plan to plant another 3,000 in fiscal 2009. We want to continue environmental activities that are rooted in the community and make even greater contributions in the future.

Takahiro Ito
NEC Semiconductors Kyushu Yamaguchi
The employees of NEC Electronics and group companies concentrate on contribution activities that contribute to local communities and activities to protect the global environmental that are directly related to the production activities of the semiconductor devices. Group companies also independently develop community-based activities and participate in NEC Group efforts to promote activities that contribute to society.

**Volunteer Activity Support System**

NEC Electronics is developing a system that facilitates employees participation in volunteer work, and makes information available on volunteer activities.

**Family-friendly leave**

NEC Electronics implements a family-friendly leave system that enables employees to have fulfilling work and private lives. Employees can use the system to participate in volunteer work. Many reports have been received from employees about a variety of volunteer activities—for example, instructing a science class for children and working on the staff in charge of running a sports meet—that they were able to participate in through this system.

**Volunteers association**

Employees who work at NEC Electronics headquarters and the company facility in Sagamihara plant have formed a Volunteers Association. Members meet twice a year to exchange information about the volunteer activities they are involved in. Also, the association e-mails a variety of information related to volunteer work to members.

**Public Relations**

NEC Electronics actively publicizes community support efforts we undertake. As a result, many of our activities are written up in trade papers.

**NEC Electronics’ community-based activities**

As a good corporate citizen, NEC Electronics develops activities that contribute to local communities.

**Visits to an orphans’ home**

Employees and their families visited a home for orphans in Kawasaki City. They entertained the children with pencil balloon art and magic tricks.

**Collection campaigns**

Foreign coins, used stamps, calendars, and other items are collected for donation to local senior citizens’ homes, Unicef, and NPOs.

**Cleanups**

Employees and their families actively participate in river beautification cleanups of the Tamagawa River near our headquarters and the Sagamigawa River near the Sagamihara Plant, and also cleanups of streets employees use to commute to work, all of which are conducted on a regular basis.
Since July 2005, NEC Electronics has participated in the effort by Kanagawa Prefecture to protect Kanagawa’s water resources by creating riverhead forests. The Yadoriki riverhead forest in the Yadoriki area of the town of Matsuda, the location of our Semiconductor Forest, which we are working to protect and nurture, is one of a variety of activities we are engaged in. The semiconductor manufacturers consume enormous volumes of water; NEC Electronics is doing its part to help conserve water resources by actively promoting forest conservation activities.

Community Involvement by Group Companies

We are developing community-based activities in local communities in and outside Japan.

**NEC Electronics America**

Seventeen employees and their family members participated in the “Back to School Backpack Drive” to donate backpacks filled with school supplies to elementary schools in the community for use by underprivileged children.

**NEC Semiconductors Yamagata**

Every year, employees visit a special nursing home for the elderly at regularly scheduled times during the year to perform volunteer work such as washing windows, cleaning wheelchairs, and folding laundry.

**Partnership with NEC Corporation**

As a member of the NEC Group, NEC Electronics actively cooperates in activities developed by NEC Corporation to contribute to communities.

**NEC Makes a Difference Drive 2007**

NEC Group employees around the world cooperate with this program, which began inspired by the slogan “Start small by doing what you can.” The program gives employees opportunities to enrich both their communities and themselves. Also, ongoing participation in volunteer work helps to raise employees’ awareness of their responsibility as corporate citizens to contribute to the needs of society.

**Rice field project**

NEC Electronics employees participated in a project to revitalize lowland rice fields that was launched by NEC Corporation in conjunction with the NPO Asaza Fund project to revitalize nature in the vicinity of Kasumigaura.

**Woodcraft workshop**

Participants made coasters, pen stands, bird calls, and other objects from the wood of trees cut down in forest thinning operations.

**Christmas wreath workshop**

Participants made Christmas wreaths from plants found in the Semiconductor Forest.

**Forest thinning and pruning operations**

Employees and their family members tried their hand at forest thinning operations, which are of primary importance to forest preservation. All the participants got a taste of the hard work involved in protecting forests.

**Employees and family members worked to fill backpacks with school supplies**
The NEC Electronics Group is committed to the development and production of leading-edge semiconductor products from the perspective of global sustainability, and to fulfilling our responsibilities as a green partner by responding to environmental needs.

NEC Electronics Environmental Policy

We will contribute to conservation of the global environment in the course of our activities within the semiconductor industry.

Action Guideline

1. We will incorporate environmental considerations into all stages of our product life cycle, including development, procurement, production, sale, use and disposal.
2. We will strive to prevent pollution as well as minimize impacts on the environment caused by chemical substances.
3. Our environmental management efforts will involve compliance with all environmental laws and regulations and other demands to which we have given our consent as well as establishment of own voluntary environmental standards.
4. We will educate all employees in environmental management and foster awareness of environment, safety and health.
5. We will regularly review our environmental management system and continually improve environmental activities.

Conserving the Global Environment

By promoting compliance with environmental laws and regulations, we are promoting activities that enable co-existence with local communities.

As global environmental conditions change, many environmental laws and regulations are being revised and put into force. We are building a system of thorough compliance with these changing laws and regulations to be able to make appropriate corporate responses by employing specialists in environmental laws and regulations and distributing the latest information on these matters to all group companies. We also utilize environmental education and our internal Web site to raise employee consciousness of compliance in the effort to promote co-existence with local communities.

Yoshihiro Otaki
NEC Semiconductors Yamagata

I enjoy participating in our tree and flower planting project.

At the Fukui Plant, we participate actively in environmental protection activities with the objective of harmonious coexistence with the environment and the community. Part of this effort is a project that employees and their families participate in to plant trees and flowers. I supervise the project and have a lot of fun, even though I haven’t had much practice in planting things. We want to continue the project and get more employees involved in order to get them interested in environmental protection.

Eriko Tsuji
NEC Semiconductors Kansai

I’m working to make environmental activities “visual.”

I’m involved in preparing the Environmental Report issued each year, the Environmental Diary issued in alternate months, and the environmental pages on our internal Web site. I do my best to provide information on environmental activities and undertakings at each of our plants and information concerning global environmental trends that is easy to understand, in the hope that it will catch the eye of as many employees as possible. I’ll continue to make a variety of environmental information available in the aim to inspire all employees to continuously improve environmental activities they undertake as part of their daily work.

Akiko Ogata
NEC Semiconductors Kyushu Yamaguchi

Detailed information on our global environmental conservation efforts is available in a separate report, Environmental Management Report 2008.
Environmental Management System

The NEC Electronics Group is creating and implementing an environmental management system focused on three activities—eco-products, eco-factories, and eco-communication—in the effort to reduce our environmental impact and contribute to conservation of the global environment in the course of our activities in the semiconductor industry.

**Eco-products, Eco-factories and Eco-communication**

Promotion of environmental management revolves around three activities involving all our employees.

The NEC Electronics Group recognizes that global environmental issues are directly linked to continued development of its business. It is our intention to contribute to conservation of the global environment in all of our semiconductor manufacturing activities.

1. We produce eco-products by incorporating environmental considerations and hazardous substance management into the entire product life cycle right from the design and development stage.
2. In our eco-factories we are working to reduce the impact of production processes on the environment by reducing greenhouse gas emissions that contribute to global warming and by phasing out hazardous chemical substances used for manufacturing.
3. The NEC Group promotes eco-communication by offering environmental education programs that raise employees’ awareness of environmental issues, and by making information on our eco activities widely available to the public.

We have built an environmental management system to serve as the infrastructure for promotion of these three pillars of environmental activities undertaken in all business areas with the full participation of all our employees.

**Eco-product Activities**

At NEC Electronics, we create green products by applying ecological considerations at every stage from product procurement to production, use by customers, and, finally, disposal.

Electrical and electronic devices used by consumers consist of a variety of materials and parts. To ensure that these electrical and electronic devices are safe and have minimal impact on the environment, it is essential that ecological considerations are applied from the raw material and part procurement stage. As a components manufacturer, we have gradually made a shift from conventional to environment responsive business activities. Our environmental consciousness continues to grow; now we view the environment responsiveness of the products we manufacture to be an element of product quality and make it a primary management objective at NEC Electronics.

Specifically, we strictly comply with the green procurement requirements of our customers who are manufacture electrical and electronic devices. At the same time, we ensure that banned substances are not contained in the materials and parts we purchase by requesting that our purchasing partners follow the green procurement guidelines we have formulated to govern our own voluntary efforts. We also conduct audits of our purchasing partners on a regular basis.

In terms of the product life cycle, particularly from the standpoint of environmental impact reduction during use, we contribute to the production of final products that consume less power by means such as utilization of advanced process technologies to create system LSIs that integrate multiple functions on a single chip and designing for low power consumption. We are also committed to disclosing information on the chemical substances contained in our products to ensure that consumers and equipment manufacturers can use our semiconductor devices with confidence.
Efficient Use of Energy
The NEC Electronics Group is currently working to reduce the amount of energy it consumes in Japan to 65% or less of the fiscal 1991 level in terms of real production units* by fiscal 2011. Thus far, we have actively participated in efforts by the semiconductor industry to use energy efficiently by working to eliminate wasteful use of energy, and reexamining our manufacturing processes. We also work closely with production facility and incidental facility industries to promote energy conservation activities.

Also, in recent years we have been promoting energy-saving measures from the standpoint of improved productivity.

*One real production unit equals the amount of CO2 emissions divided by (output divided by the Bank of Japan’s Domestic Corporate Goods Price Index figure for electrical machinery and equipment).

Greenhouse gas emission reduction
Greenhouse gases used by the NEC Electronics Group consist primarily of perfluorocarbon (PFC) gases used for cleaning reaction chambers used in the semiconductor manufacturing process. Reducing PFC emissions is an urgent issue because of its long atmospheric life and high global warming potential some 6,000 to 12,000 times that of CO2.

In light of this urgency, NEC Electronics is at work developing technologies that will enable reduction of PFC gas emissions to no more than 90% of the 1995 level by 2010.

Chemical substances used in manufacturing
NEC Electronics conducts a variety of assessments on the basis of our chemical substances database of information related to green procurement and laws and regulations. We keep track of the total amount of chemical substances used in production, control the content of hazardous chemical substances contained in products, and undertake research and development that enables us to practice green procurement and create eco-factories. Since 1998, we have participated in a pilot PRTR scheme under which we provide information required by law (reporting of chemical emissions of 5 tons or more per year until March 2003 and 1 ton or more per year beginning in April 2003). Also, to facilitate risk management, we don’t round off the figures for input and output of chemical substances.

Eco-communication Activities
We make environmental information available to the public in the effort to promote extensive information transmission.

We publish an environmental management report, disclose environmental information on our Web site, and participate in symposiums and exhibitions to facilitate global disclosure of information on our environmental efforts. We also actively interact with the community and participate in environmental conservation activities.

Web site information disclosure
We provide environmental information services on our Web site, as one of the important tools we use for eco-communication. Our environmental policies, the content of our environmental efforts, and environmental reports are available to the public at the site. NEC Electronics Group companies also release environmental information on their own Web sites.

Awards from external organizations
At the 4th PRTR Awards 2007 of the Center for Environmental Information Science held in February 2008, NEC Semiconductors Kyushu Yamaguchi’s Kumamoto Kawashiri Plant received the PRTR Award for Excellence (the second most prestigious award after the Grand Prize) and the Judges’ Special Award. The PRTR awards are given to recognize corporate activities by business operators that take the lead in regulating chemical substances and engage in proactive communication with local citizens to obtain public understanding for the importance and implications of this effort.

Shoreline cleanup
NEC Semiconductors Kyushu Yamaguchi’s Oita Plant participates in an activity organized by an NPO called the Mizube ni Asobu Kai (association for waterside enjoyment) to clean up the Oshinden beach. Cleanups are held four times a year. The garbage removed from the beach includes tires, bicycles, TV sets, and pieces of glass. We will continue to participate in community beautification activities.
Ethical Business Practices

The NEC Electronics Group makes every effort to practice ethical, highly transparent management. We place primary importance on cooperating with our trading partners, and maintaining the confidence of our shareholders and investors over the long term by practicing timely and fair disclosure of appropriate corporate information.

Our approach to cooperation with trading partners

We aim to be a partner that can raise corporate value for both ourselves and our trading partners.

The NEC Electronics Group is committed to conducting a fair and ethical business. We seek to provide trading partners and distributors with a good understanding of our business and CSR activities and, through multilateral cooperation, raise corporate value for both ourselves and our partners.

Strengthening relationships of trust with our shareholders and investors

Building conscientious and transparent management.

The NEC Electronics Group constantly works to strengthen our competitive edge, improve profitability, and maintain sound operations. Moreover, we pursue sincere and transparent management, and implement good internal controls to become a company worthy of the confidence of all our stakeholders over the long term.

The NEC Electronics Group makes a concerted effort to practice the NEC Electronics Group Guiding Principles in our commitment to maximize the corporate value of the entire group.

TALK about CSR

We are implementing CSR by working together with all of our purchasing partners.

Our CSR activities include working together in cooperation with our purchasing partners for green procurement, immediate notice in case of disasters occurrence, comprehensive information security and personal information management and so on. We are implementing CSR activities by utilizing the PDCA cycle of discovering improper cases, correcting, and following up such as making rules for procurement transactions, raising awareness through case studies, conducting surveys in and outside the company, so that we can ensure compliance with laws and regulations and fair business transactions.

Sunao Tajiri
NEC Semiconductors Kyushu Yamaguchi

Winning the hearts and minds of our valued distribution partners in Europe.

In Europe we have a highly successful and active program to continue to strengthen the relationships with our valued distribution partners. Maintaining a strong and healthy relationship with distributors and their organizations is the key to winning their loyalty to NEC Electronics.

I believe that on-going efforts to touch the hearts and minds of our valued distributors create a positive business environment that gives distributors an image of NEC Electronics as a company that is not only technologically advanced but also socially responsible.

Tony Champaneri
NEC Electronics Europe

Our IR activities are premised on accountability to our shareholders and investors.

NEC Electronics, as a company listed on the stock exchange, works hard to earn and maintain the confidence of our shareholders and investors by timely and fair disclosure of corporate information and by fulfilling our responsibility to adequately explain all aspects of our business. As IR staff, I am conscious, at all times, of the importance of Investor Relations activities and I try my best to ensure our accountability to shareholders and investors I come in contact with. In this way, I do my best to contribute to improving corporate value for NEC Electronics.

Masatoshi Kakuchi
Corporate Communications Department

29 Working Together with Purchasing Partners
30 Working Together with Sales Partners
31 Ongoing Approach to Transparent Management
Working Together with Purchasing Partners

We procure high quality materials and services at reasonable prices within appropriate delivery times from global markets, and work to raise corporate value of our customers, our purchasing partners, and the NEC Electronics Group.

Procurement Policies

We provide opportunities for fair competition, and engage in fair, impartial, and open business dealings.

Since its establishment, the NEC Electronics Group has given priority to green procurement, purchasing materials and equipment with minimum impact to the environment, from purchasing partners who care for the environment.

In fiscal 2005, we began to evaluate purchasing partners more comprehensively from the viewpoint of compliance, risk management, human rights protection, and other relevant CSR matters in addition to environmental protection considerations. We have put requests for Procurement Policies on our website to pursue further improvements of CSR activities in the supply chain.

Procurement Policies

1. Provision of equal, competitive opportunities
   Information on procurement is provided in an appropriate and timely manner so as to provide equal, competitive opportunities to all companies, both domestic and overseas, who express an interest in working with us.

2. Evaluation and selection of partners in a fair manner
   We employ a comprehensive partner evaluation and selection process that considers the reliability of the potential partner’s management, as well as the prices, qualities, delivery dates, and advanced technologies of the products to be procured, and the partner’s CSR policies.

3. Development of mutual trust
   We value communications with our partners and always strive to form relationships of mutual trust which can expand in the years to come.

4. Management and protection of information
   We recognize the value of the information that we obtain through our purchase transactions and manage it appropriately.

Major activities in fiscal 2008

Corporate social responsibility encompasses a broad range of activities. In fiscal 2008, we asked our purchasing partners to thoroughly implement green procurement, information security management, and construction of foundation to support stable procurement including disaster response, BCPs* fair trade and so on.

As for disaster response, we request that purchasing partners provide us with information immediately in the event that they meet with natural disasters, industrial accidents, or other catastrophes. We have developed a system for immediately relaying such information to all relevant staffs around the world, even on weekends or holidays.

*BCP: Business Continuity Plan

Promotion of green procurement

We achieved our goals of 100% green procurement for direct materials and packing materials in March 2004, and 100% green procurement of indirect materials consumed in-house and manufacturing equipment, fixtures, and tools in March 2006. With the understanding and cooperation of our purchasing partners we are promoting compliance with the RoHS Directive and other relevant laws and regulations.

CSR audits

NEC Electronics regularly conducts audits to assess how each of our purchasing partners meets environmental, quality, and occupational health and safety requirements. In fiscal 2005, we added requirements concerning compliance with laws and regulations and information security to audits.

Commendation of purchasing partners

We make annual recognitions of purchasing partners for compliance with CSR in addition to many activities related to price, quality, delivery time, technology and so on. We held a commendation ceremony in June to recognize purchasing partners that demonstrated excellence in these areas in fiscal 2008.

Requests Related to CSR

We incorporate CSR in our procurement activities.

Disclosure of CSR Guidelines

We seek to strengthen cooperative relationships with purchasing partners throughout the supply chain furthermore, so that we can provide products desired by customers and consumers from CSR point of view. We have, therefore, formulated “CSR Guidelines for Purchasing Partners” and put it on our public website for the purpose of presenting concretely issues which we would like our purchasing partners to solve.
Working Together with Sales Partners

The NEC Electronics Group will make ongoing, proactive efforts to strengthen partnerships with sales partners, whose close cooperation is indispensable to providing products and services to the market, and to strengthening trustworthy relationships with customers.

Strengthening Partnerships with Distributors in Japan

We are gaining a competitive advantage through teamwork with distributors.

Executive meetings
NEC Electronics holds regular meetings each half of the fiscal year with the executive teams of our distributors to strengthen partnerships at the management level, exchange information on trends in the electronics and semiconductor markets, and determine mutual tasks we need to undertake.

Support for sales training
NEC Electronics offers a variety of training courses and product information courses to help our distributors’ sales persons and sales engineers acquire the knowledge and skills they need to sell our products.

During the course of a year, we offer more than 100 training courses designed to raise technical skills and sales skills of our distributors’ personnel. More than 1,000 people attend these training courses each year.

Design-Win Grand Prix
The Design-Win Grand Prix was conceived to honor sales persons and sales engineers whose outstanding achievements in sales and technical support contribute to improved customer satisfaction. Design-Win Grand Prix awards are given to top achievers based on evaluations of essays and presentations by candidates that introduce sales success stories.

In this year’s Design-Win Grand Prix 2008, 31 outstanding activities were nominated to be judged for awards.

Strengthening Partnerships with Overseas Sales Partners

We are working with sales partners to promote community-based sales activities.

Partnerships in Europe and the United States
Each of our sales subsidiaries in Europe and the United States carries out direct sales, and also engages in sales activities together with all of the managers and sales personnel at our local sales distributors. Management-level distributor meetings twice a year and regular quarterly meetings are held to confirm management policy and determine solutions to problems. Also, we hold regular meetings with sales personnel and implement activities to address business tasks. Through discussions and exchange of diverse opinions, we are strengthening our partnerships.

Partnerships in Asia
Our sales subsidiaries in Asia carry out sales activities in close cooperation with Japanese-affiliated local distributors moving into every part of Asia and with local companies. Japanese, European, and American subsidiaries locate their procurement and production sites here in “the world’s production base.” And recently, local companies are achieving rapid growth and activating their businesses, including development activities. NEC Electronics is strengthening its partnerships with these sales partners to be able to provide adequate support.
Ongoing Approach to Transparent Management

The NEC Electronics Group is an innovative company that proactively practices transparent management through timely and fair disclosure of appropriate corporate information and other activities that promote sincere and honest communication.

Investor Relations

We are strengthening relationships of trust with shareholders and investors in creating a more favorable financing environment for the future.

NEC Electronics makes a sincere effort to practice timely, fair, and appropriate disclosure of information concerning important matters, which may affect investment decisions such as corporate management strategies and earnings. By doing so, we hope to build strong relationships of trust with our shareholders and investors, and continually improve management transparency.

In addition to creating a favorable financing environment and raising corporate value for the future, we believe that another important objective of investor relations activities involves improving the quality of management. We regularly report opinions and assessments of capital markets to the management team for further improvement.

Summary of investor relations activities

We are expanding our IR Web site to facilitate fair disclosure of information to all of our individual and institutional shareholders and investors in and outside Japan. Our IR Web site makes available a variety of IR-related reports including quarterly financial reports and annual reports, stock quotes, and information on IR events. Materials of financial results meetings and corporate strategy meetings hosted by the president for institutional investors and financial analysts are promptly placed on our IR Web site in both English and Japanese languages along with audio files. We also established a Web page dedicated to individual investors to promote better understanding of the company by providing comprehensive information.

The NEC Electronics IR site was awarded the Best Corporate Web site evaluation for the second consecutive year from Nikko Investor Relations in its fiscal 2008 survey on the Web sites of all listed companies in Japan, and selected by Gomez Consulting as one of the excellent companies in its March 2008 Gomez IR Site Ranking for the second consecutive year.

Open Shareholders’ Meetings

Our general meetings of shareholders are open for direct dialogue with shareholders.

NEC Electronics believes shareholders’ meetings are an important occasion for direct dialogue with shareholders and makes every effort to organize meetings to fulfill that function. This includes sufficient notice of shareholder’s meetings by sending invitations to shareholders three weeks in advance and displaying exhibits in the meeting venue that introduce our products and technologies with the aim of promoting a deeper understanding of our business.
Corporate Profile

Company Profile

Company Name: NEC Electronics Corporation
Headquarters: 1753 Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa 211-8668, Japan
Established: November 1, 2002
Capital Stock: 86 billion yen (as of March 31, 2008)
Consolidated sales: 687.7 billion yen (for the year ended March 2008)
Major operations: Research, development, manufacture, sale and servicing of semiconductors, primarily system LSIs.
Employees (consolidated basis): approximately 23,000 (as of March 31, 2008)

History

1899: Nippon Electric Company, Ltd. (now NEC Corporation) is established.
1960: Begins integrated circuit R&D.
1985: Captures largest share of the global semiconductor market.
2002: NEC Electronics separated from parent company NEC Corporation and established as an independent semiconductor company.
2003: Makes initial public offering on the Tokyo Stock Exchange (First Section).

Business Results in Fiscal 2008 (Fiscal year ended March 2008)

With regard to NEC Electronics’ consolidated financial results for fiscal 2008, sales fell by 4.5 billion yen over the previous fiscal year to 687.7 billion yen due primarily to a drop in sales of semiconductors for mobile handsets, although sales increased particularly in the consumer electronics category due to a significant increase in sales of semiconductors for game consoles.

However, loss before income taxes of 3.3 billion yen showed an improvement of 32.1 billion yen over the previous year, and net loss of 16 billion yen was 25.5 billion yen less than the previous year. This was a result of improvements in cost to sales ratio as well as fixed cost reduction achieved by measures such as slashing of research and development.

The NEC Electronics Group implemented a number of measures under a new management policy formulated in February 2007. Under this management policy we are working to build a strong and resilient business structure that is profitable even in periods of a downturn in the semiconductor market.

*For detailed information refer to the Annual Report
Business segments and applications

**Communications**

Applications
- Mobile handsets
- Broadband networking equipment
  - Routers
  - Mobile phone base stations

**Computing and Peripherals**

Applications
- Computers
  - Servers
  - Workstations
- Computing peripherals
  - Rewritable DVD drives
  - Printers
  - LCDs for PCs

**Consumer Electronics**

Applications
- Digital consumer electronics
  - Digital cameras
  - DVD recorders
  - Digital televisions
- Home appliances
- Game consoles

**Automotive and Industrial**

Applications
- Automobilies
  - Engine
  - Body control
  - Airbags
  - Car audios
- Industrial
  - Factory automation

**Multi-market ICs**

Applications
- Wide range of electronics equipment

**Discrete, Optical and Microwave Devices**

Applications
- Wide range of electronics equipment
Editor’s postscript

Thank you for reading Corporate Social Responsibility Report 2008. This year’s report begins with a special feature “The NEC Electronics Group Creates Products that Contribute to Prosperous Societies” that introduces some of the latest technologies developed by the NEC Electronic Group and how we develop human resources to underpin our technological expertise. We hope the article gives readers a better understanding of our business. We will continue to issue reports such as this one and disclose various other information that helps to earn the confidence and trust of everyone with a stake in our company. Please use the questionnaire form to let us know any questions you may have in regard to this report and your opinions and questions concerning corporate social responsibility activities undertaken by the NEC Electronics Group.

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