

# 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 through strong teamwork between NEC Electronics divisions and 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. The committee defines the NEC Electronics Group approach to CSR activities by deliberating important tasks for CSR promotion, which are grouped into six categories.

Formerly, each of our management divisions worked independently on promoting CSR activities. Now all of these activities are systematically implemented group-wide under the leadership of the president.

### CSR tasks

Category	CSR tasks
Mutual tasks	Compliance (business ethics/compliance with laws and regulations), risk management, information security
Customer focus	Customer satisfaction improvement, quality improvement, product accident response
Ethical business practices	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
Community involvement	Communication with local communities, community involvement activities
Environmental protection	Environmental management
Corporate culture	Occupational health and safety, employment for physically challenged people, equal employment opportunity, human rights/discrimination prevention, education and training programs

## Risk Management System

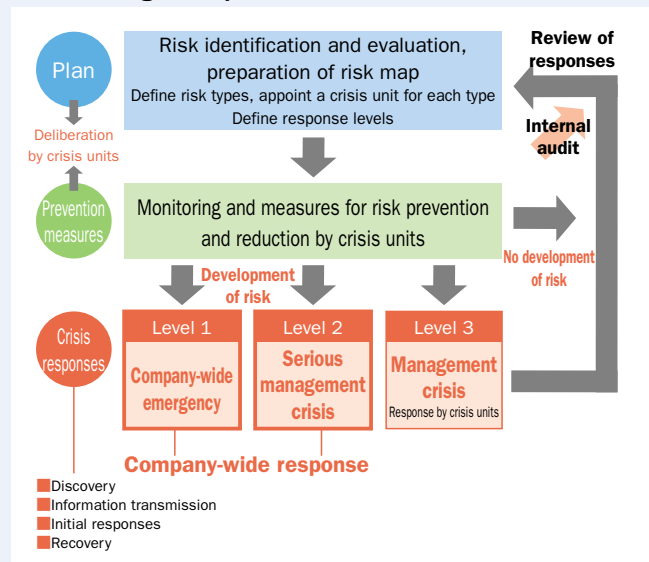
NEC Electronics established Basic Rules for Risk Management that clarifies policies governing risk management and responses in the event of a management crisis.

Formerly, NEC Electronics implemented a system of risk management that divided responsibilities among its divisions. We formulated Basic Rules for Risk Management, which plays a central role in internal control by prescribing a set of activities that are uniformly implemented company-wide.

NEC Electronics has created a comprehensive risk management system that encompasses daily risk management and potential crisis response. A variety of management crises are categorized by frequency of occurrence and degree of severity and a crisis unit is set up for each category to perform the work of daily risk management related to the category. The crisis units are also responsible for predetermining response mechanisms should a management crisis occur.

NEC Electronics will introduce the same risk management system in all group companies to enable a group-wide response in the event of management crises that threaten our group business activities.

### Risk management process



## Corporate Governance System

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

NEC Electronics is strengthening the corporate governance system from the standpoint of Group governance.

The new Japanese Company Law, which became effective in May 2006, gives companies more flexibility in structuring their organizations. In the wake of the new law, NEC Electronics has modified its decision-making system to exercise more control over domestic subsidiaries, eliminating the boards of directors of these companies. If a Japanese subsidiary must make major decisions, they are now voted on at their shareholder meeting. We will utilize this new system to fortify corporate governance from a Group perspective.

In addition, we have placed staff dedicated to internal control in each of our Japanese subsidiaries. In the past, the subsidiaries each had their own individual internal control systems, but now the Internal Control staff handle such activities with the support of the Internal Auditing Division at NEC Electronics to reinforce consistency in activities throughout the entire Group.

In regard to our overseas subsidiaries, we are currently examining similar measures that will reinforce Group governance, while also considering the particular local practices.

## NEC Electronics Group Code of Conduct

### **The NEC Electronics Group Code of Conduct establishes rules for the conduct of executives and employees in Japan.**

#### **The NEC Electronics Group Code of Conduct**

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. All of our subsidiaries are developing their own codes of conduct modeled on the NEC Electronics Code of Conduct, which is partially modified as necessary to meet the requirements of relevant laws, regulations, and social codes of the country where each is located. With the establishment in 2006 of the Company Law in Japan, the company decided to extend its code of conduct to all domestic subsidiaries. The new NEC Electronics Group Code of Conduct was created in July 2006, and all Group companies in Japan must now follow this code.

Also in July 2006, we established the NEC Electronics Group Compliance Program, which sets forth basic policies, systems, procedures, and other matters related to compliance by subsidiaries in Japan.

#### **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. 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 website 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 the course of work. In this way, we hope to prevent problems from arising.

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 their own yearly plans to actively promote compliance at each worksite.

The PDCA (plan, do, check, action) management cycle is implemented by the entire group to enhance the effectiveness of compliance promotion activities.

#### **Compliance education programs and information transmission**

NEC Electronics conducts compliance education programs for new employees, assistant managers, and managers, and also provides compliance education for executives and employees once a year. When we revised the Code of Conduct in July 2006, we utilized e-learning as a tool to help employees understand the intent of the revisions.

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 with case studies of compliance-related issues, that is particularly effective in helping employees become more familiar with compliance issues by presenting examples of problems from the standpoint of compliance that they are likely to encounter.

## Helpline for Consultation and Reporting

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

However, we recognize that problems may go unreported for any number of reasons. To encourage early detection and speedy resolution of problems, a company helpline was set up in June 2003 for NEC Electronics employees to direct their concerns and report problems.

In July 2006, the helpline was opened to employees in our domestic Group companies, purchasing partners, and exclusive sales distributors as well, to encourage greater communication and facilitate even earlier detection of problems. 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 new rules, available on the internal website, concerning reporting procedures and how the contents of reports are handled. Also, the rules have been designed to enable employees to report their concerns confidently without fear of retribution or negative consequences.