

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.

The Corporate Social Responsibility Committee defines the NEC Electronics Group approach to CSR activities by deliberating important tasks for CSR promotion.

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

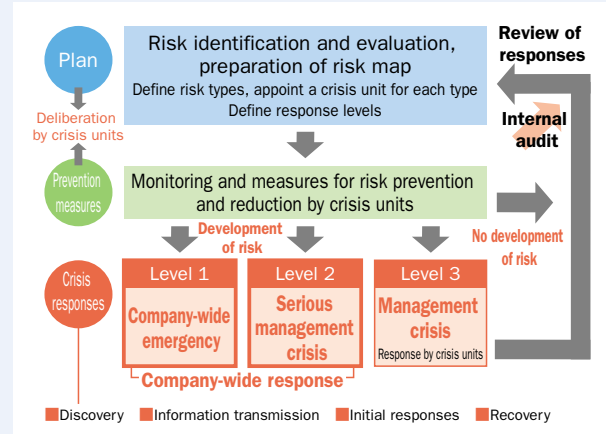
Risk Management System

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. In July 2006, we formulated Basic Rules for Risk Management. We have built a system for uniform company-wide implementation of risk management activities that play a central role in internal control.

NEC Electronics has created a comprehensive risk management system that encompasses daily risk management and enables uniform response in the event of crisis. 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.

Risk management process



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.

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 modified its decision-making system in June 2006 to exercise more control over domestic subsidiaries. Specifically, we have increased items for deliberation at general meetings of shareholders and NEC Electronics participates directly in the decision-making process at the shareholder meetings of each of our subsidiaries to fortify corporate governance from a Group perspective.

We have also placed staff dedicated to internal control in each of our Japanese subsidiaries. In the past, subsidiaries each had their own individual internal control system, 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 implemented throughout the entire group.

Overseas subsidiaries are following suit by expanding standards for deliberation by boards of directors and also formulating uniform rules to simplify processes for authorization by the board of directors to achieve effective and easily comprehensible systems for corporate governance.

We are now overseas in the process of examining mechanisms for bringing the individual internal auditing practices of group companies in line with those of the Internal Auditing Division at NEC Electronics.

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.

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 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 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, assistant managers, and managers, and also provides compliance education for executives and employees once a year.

We also provide e-learning programs that address compliance risks. In fiscal 2007, we conducted training courses in information security, subcontracting and worker dispatch, 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 website.

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.