

# Ethical Business Practices

**NEC Electronics 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.**

NEC Electronics 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.**

NEC Electronics 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 working with all of our purchasing partners in implementing CSR.**

In addition to promoting green procurement which is one of our important priorities, I undergo instruction in laws and regulations relevant to business to get a more thorough understanding of CSR so that I can accurately practice compliance with laws and regulations and conduct transparent and fair business transactions.

In the course of business transactions with purchasing partners, we also exchange information on information security and disaster response.

**Nobuyuki Okamoto**

Purchasing Division



**I keenly feel how important it is for us to work together with our distributors.**

I work with our distributors, who are our sales partners, in the aim to build the best sales force possible—one that our customers can trust. To achieve this aim, it is essential that we form a scrimmage that shares the same objectives and strategies at the management level in the effort to provide customers with optimized solutions.

I am busy working out ways to strengthen our partnership with our distributors.

**Kosuke Izumi**

Corporate Marketing Division



**I promote conscientious and transparent corporate business activities through active communication.**

It is important to disclose information timely and equally, and to establish a two-way communication with our shareholders and investors as a part of IR activities. To this end, I strive to provide information in a clear and sincere manner to our individual investors and to disclose information in English and Japanese with no time lag. At the same time, I share our investors' opinions within the company, with the aim that their views be reflected in management.

**Nanako Hayashi**

Corporate Communications Department



- 31 Working Together with Purchasing Partners
- 32 Working Together with Sales Partners
- 33 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 implementing CSR procurement, in which we make more comprehensive evaluations of purchasing partners from the viewpoint of compliance, risk management, human rights protection and so on, in addition to consideration to our environmental conservation. We have added requests to our purchasing partners on our website to pursue further improvements 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.

**URL** <http://www.necel.com/procurement/en/>  
Website for purchasing partners

## Practice of CSR Procurement

**Performing procurement activities with consideration to CSR.**

### Disclosure of CSR Guidelines

Implementing CSR procurement, we seek to strengthen cooperative relationships with purchasing partners who supply us with the materials we use to manufacture products, so that we can provide products which customers and consumers need. We have formulated "CSR for Purchasing Partners" and disclosed it on our public website to present our requests to purchasing partners concretely.

### Major activities in fiscal 2007

Corporate social responsibility encompasses a broad range of activities. In fiscal 2007, we asked our purchasing partners to thoroughly implement green procurement, risk management, compliance, and information security management, as we did in the previous year.

In the area of risk management, we request that purchasing partners inform us 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 persons around the world, even on weekends or holidays.

### 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 evaluations of many activities undertaken by our purchasing partners, such as those related to product cost, quality, delivery time and technology. In fiscal 2006, we added CSR efforts to the items we evaluate. Based on the results of evaluations, we held a commendation ceremony in June to recognize purchasing partners that demonstrated excellence in these areas in fiscal 2007.



The commendation ceremony



Trophies

# Working Together with Sales Partners

NEC Electronics 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 about 160 training courses designed to raise technical skills and sales skills of our distributors' personnel. A total of approximately 1,000 people attend these training courses each year.

### Design-Win Grand Prix

The Design-Win Grand Prix was conceived to honor those 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 fiscal 2007, approximately 55 candidates participated in the Design-Win Grand Prix.



The Design-Win Grand Prix



Trophies

## 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 local sales distributors. NEC Electronics holds sales conferences in the beginning of each fiscal year and regular quarterly meetings with executives from our sales subsidiaries to exchange opinions and discuss various ways in which we can strengthen our business partnerships.

### Partnerships in Asia

Our sales subsidiaries in Asia maintain close relationships with distributors in the region. To provide adequate support for local and multinational customers in Asia, NEC Electronics is making an effort to enrich sales tools and sales infrastructure for our distributors that correspond to a variety of local needs, through close cooperation with our distributors.

# Ongoing Approach to Transparent Management

NEC Electronics 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, 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 website to facilitate fair disclosure of information to all of our individual and institutional shareholders and investors in and outside Japan. Materials of financial results and corporate strategy meetings hosted by the president for institutional investors and financial analysts, including audio files are promptly placed on our IR website in both English and Japanese languages. We also established a Web page dedicated to individual investors to promote better understanding of the company by providing comprehensive information. In September 2006, we undertook a complete renewal of our IR site by changing it to a brighter, friendlier design, and making information on the site easier to access. In addition, our IR website contains quarterly financial results, IR-related reports such as annual reports, stock prices, a calendar of IR events, and other information. The NEC Electronics IR site was awarded an Excellent Corporate website evaluation from Nikko Investor Relations in its fiscal 2007 survey on the websites of all listed companies in Japan, and selected by Gomez Consulting as one of the excellent companies in its March 2007 Gomez IR Site Ranking.



Financial results meeting



The excellent Corporate website mark from Nikko Investor Relations



**URL** <http://www.necel.com/ir/en/>  
IR Website

## 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.



The venue for shareholder's meetings



An exhibit introducing products and the applications they are used in