Empowered by Innovation **NEC**

CSR REPORT 2007

NEC ELECTRONICS

07

The Role of Corporate Social Responsibility Report 2007

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.

We disclose information in three reports that address three aspects; environment, society, and economy.

CSR Report 2007 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.

Principle information disclosed in three reports

Report on social activities

CSR Report
- The role of the NEC Electronics Group in society
- Activities to fulfill our responsibilities to different stakeholders

Report on economic activities

Annual Report
- Management policies
- Business results
- Financial position

Report on environmental activities

Environmental Management Report
- Environmental management concepts
- Eco-products
- Eco-factories
- Eco-communication

Inclusion in SRI (Socially Responsible Investment) indexes
(current as of June 2007)

MS-SRI

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)

NEC Electronics Guiding Principles

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.
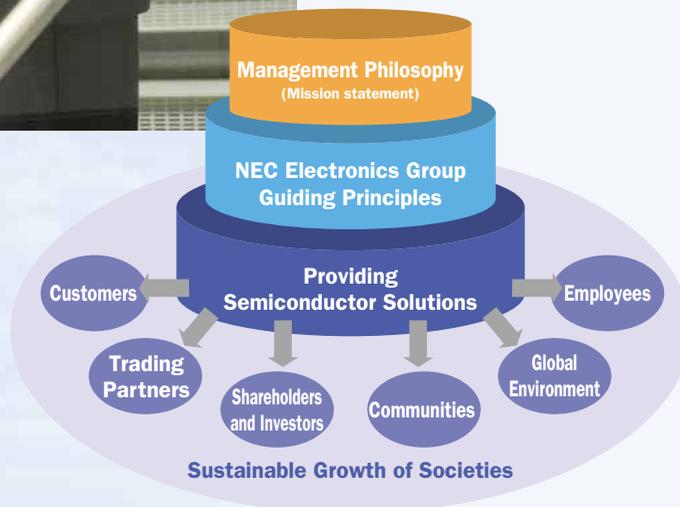
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Top Commitment

As a good corporate citizen, we provide semiconductor solutions that contribute to the sustainable growth of society.

Communication has been energized by the emergence of a ubiquitous society and the advancement of electronic devices that make our lives more comfortable and convenient. However, a number of serious social problems have been generated by this affluence, problems such as the depletion of natural resources due to mass production and consumption, increasing amounts of industrial and household waste, and global climate change. In full recognition of the virtues and vices produced by electronic devices, I believe that we, as a semiconductor manufacturer, must carefully consider our role in promoting the sound development of a society that is truly wealthy. Having determined the Corporate Social Responsibilities (CSR) of the NEC Electronics Group, we shall conduct business in a way that makes a meaningful contribution to the development of a sustainable society.

Our mission statement declares that "NEC Electronics aims to become the partner of choice by providing differentiated semiconductor solutions based on advanced technologies that give our customers a competitive advantage." This philosophy commits us not only to providing high-quality, low-cost products and

Management Philosophy
(Mission statement)

NEC Electronics Group
Guiding Principles

Providing
Semiconductor Solutions

Customers

Employees

Trading
Partners

Shareholders
and Investors

Communities

Global
Environment

Sustainable Growth of Societies

NEC Electronics Group CSR Concepts

services, but also to implementing conscientious and sound corporate management that values active communication with employees, trading partners, residents of the communities where we do business, and shareholders. In addition, as a global semiconductor manufacturer we are working to contribute to the desirable progress of society and to true wealth by developing advanced technologies, such as technologies enabling low power consumption, that we build into the semiconductor solutions we provide to customers in a wide variety of industries.

We recognize that the role of the NEC Electronics Group is to contribute to the growth and prosperity of society by providing semiconductor solutions underpinned by our technological expertise. To accomplish this goal, it is essential to build a solid relationship of trust with all of our stakeholders, a relationship premised on highly transparent corporate management practices.

To this end, we are strengthening our system of corporate governance. In June 2004, we established and implemented the NEC Electronics Group Guiding Principles for corporate social responsibility (CSR) management throughout the NEC Electronics Group. The goal of CSR management at NEC Electronics is to ensure that each and every employee is conscious of the Guiding Principles as common objectives in the execution of daily business. As part of this effort, in fiscal 2007 we focused on reinforcing group-wide corporate governance by reexamining our internal control system in order to upgrade and implement it in our overseas companies.

We conceive of three dimensions to our business: the social dimension of bringing a global perspective to our efforts to contribute to the international society and global community as we strive to create a corporate culture that values the individuality of our employees and at the same time is conducive to maximizing their potential; the environmental dimension of reducing the environmental impact of our products throughout every phase of the product lifecycle; and the economic dimension of creating semiconductors with new functions that make them eco-friendly, safe, and user-friendly to help our customers produce products with a competitive advantage. Our success in creating the best semiconductor products in the world will enable us to build a firm foundation for our business activities. Being a good corporate citizen will also earn us the trust of the international community. This is our vision for the CSR efforts that are integral to our business activities.

The NEC Electronics Group is committed to raising our 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 and guidance as we move forward in this endeavor.

Toshio Nakajima
President and CEO
NEC Electronics Corporation

The Role of Semiconductors in Society

Microcontrollers Enrich our Lives
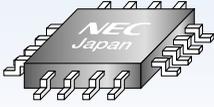
We live surrounded by electronic products. NEC Electronics' microcontroller technologies are helping to make these products more compact and functional.

Electronic devices and microcontrollers in everyday life

Mobile phones, TVs, personal computers, and digital cameras are just some of the many electronic devices we use in our daily lives. Take the digital camera, for instance. Every time a new model enters the market, it is smaller and has more functions such as image stabilization and automatic color correction that make it more convenient and easier to use than its predecessors. Did you know that NEC Electronics' microcontrollers play a big part in making electronic devices more compact and multifunctional?

Microcontrollers are built into electronic devices and function

Roles of Microcontrollers

Printers

- Auto color correction for the printing of brilliantly colored, beautiful images
- Printers that combine printing, scanning, and copying functions

Roles of Microcontrollers

Air conditioners

- Control air direction based on detection of the location of people in a room, automatic control of temperature and humidity
- Smooth control of compressor revolutions to save electricity and reduce noise

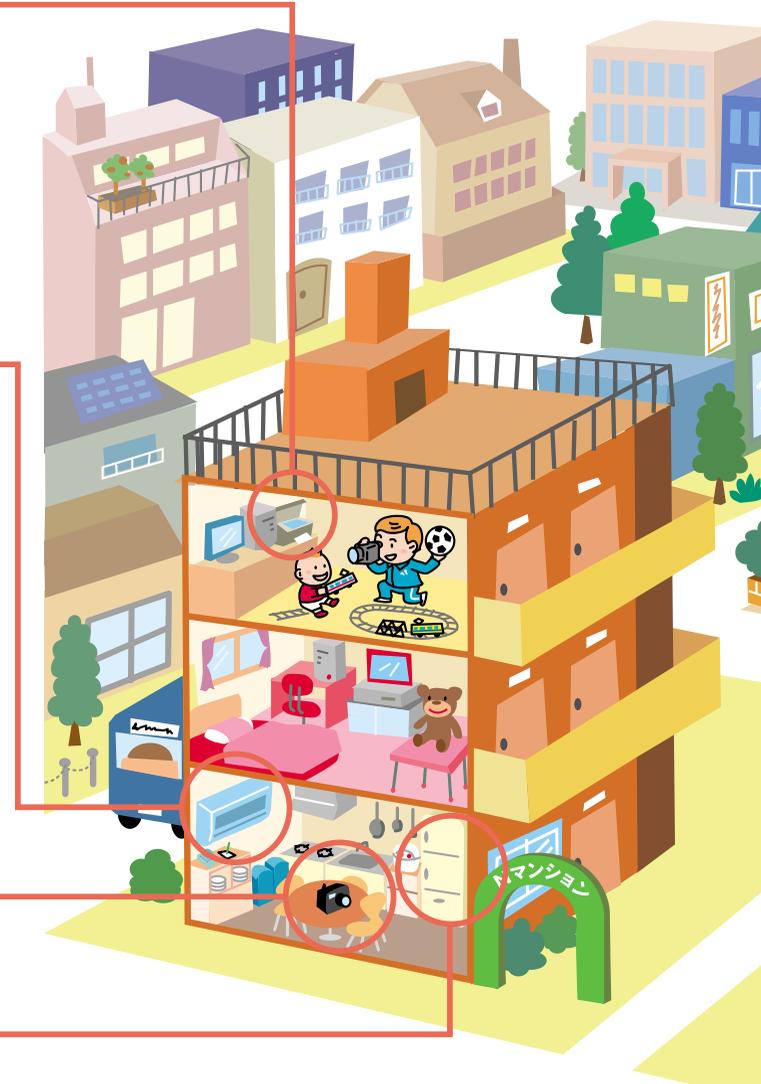**Roles of Microcontrollers**

Digital cameras

- Compensation for motion of the camera (shake) and automatic color correction to make it easy to take beautiful pictures
- Several mega-pixels to take large-size images and enable smooth storage processing

Roles of Microcontrollers

Refrigerators

- Automatic switching to a power-saving mode in response to temperature fluctuations inside the refrigerator in order to save electricity
- Consumes from one-quarter to one-third less electric power than the models of ten years ago
- Sensors to detect when a refrigerator door is open too long, and issue an audible signal to remind the user to close the door

as the device "commander," directing various device operations. The operations of a device become increasingly complicated as its functions are increased, requiring a greater chain of command. Because one microcontroller is able to make multiple commands, electronic devices can be made more compact and functional.

NEC Electronics is constantly involved in the research and development of smaller, energy-saving microcontrollers. Below are some of the electronic products that are familiar features of our daily lives and examples of the work performed by their microcontrollers. As a concerned corporate citizen, we at NEC Electronics believe that it is our mission to develop products that we use every day and that help make our lives more convenient and pleasant.

Roles of Microcontrollers

Automobiles

- Automatic control for safe, comfortable driving
- Improved engine efficiency for reduction of exhaust gases

Roles of Microcontrollers

Electric bicycles

▶ See p.10

Roles of Microcontrollers

CD component systems

- Complete user control of editing and storage of a large number of music tracks
- Fine-tuned control of processing for suppression of static noise; reproduction of a clear, "live" sound

Roles of Microcontrollers

LCD TVs

▶ See p.9

All Flash Microcontrollers Underpin Product Creation

We have already mentioned that our lives become more convenient and comfortable as electronic devices are equipped with new kinds of functions and made more compact. Here are some of the All Flash microcontrollers that NEC Electronics offers with the confidence that these products will enrich people's lives.

NEC Electronics' All Flash declaration: Shifting to All Flash microcontrollers in all products.

NEC Electronics is at work developing microcontroller technologies that make it possible for a large number of manufacturers to produce smaller, multi-functional electronic products that are user friendly. "Contributing to the development of society through the provision of semiconductor products." To achieve this goal, NEC Electronics announced the "All Flash declaration" in November 2004. This declaration involves embedding flash memory in the internal ROM of all newly developed microcontrollers and offering a full lineup consisting entirely of flash memory products. We can offer users a number of benefits by shifting from the formerly mainstream mask ROM to All Flash products. NEC Electronics believes that these benefits will ultimately lead to the creation of products that make consumers' lives more comfortable and convenient.

We're making the impossible possible in conjunction with excellent low power consumption and security.
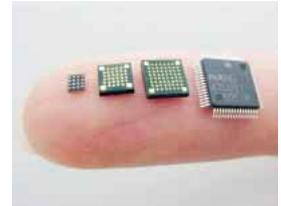
All Flash microcontrollers use flash memory instead of conventional mask ROM memory. A distinguishing feature of flash memory is that it is reprogrammable unlike mask ROM, which can only

What is a microcontroller?

The microcontroller is the "commander" in electronic products and performs four functions: (1) data computation by the CPU, (2) storage of CPU data computation by the ROM, (3) storage of CPU data computation results by the RAM, and (4) exchange of data with external devices through the I/O interface.
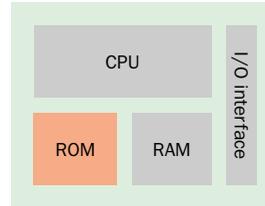
Microcontroller structure

Different types of microcontrollers

be programmed once.

The ROM in flash microcontrollers is flash memory, making it possible to change the software program in an electronic device up to the stage immediately preceding volume production. This considerably lessens development time in comparison with mask ROM products. Another advantage is ease of use in a variety of products developed for a variety of regions. However, there were technological challenges to overcome. One was high power consumption. Another was security; software is vulnerable because it can be reprogrammed. NEC Electronics has surmounted these

■Figure 1 Power consumption compared to mask ROM products

Condition: 5V supply voltage

Power consumption

Mask ROM product	External ceramic 10MHz	38mW
Flash product (78K0/Kx2, 78K0/Lx2, 78K0/Kx3)	External ceramic 10MHz	11.5mW
	Built-in oscillator 8MHz	7mW

Comparison with NEC Electronics products

■Figure 2 Software protection function

Flash memory programmer

Write — Write-prevention configurable

Delete — Delete-prevention configurable

Read — Read-prevention configurable
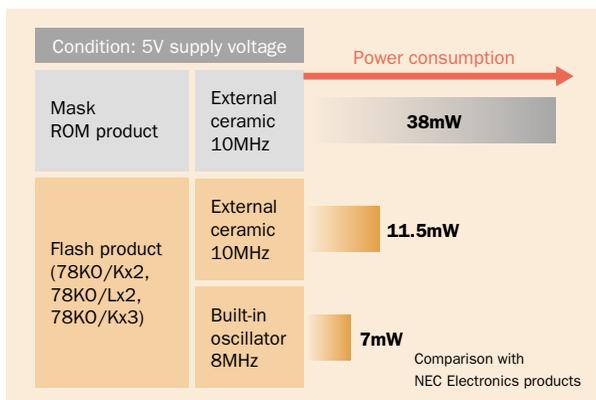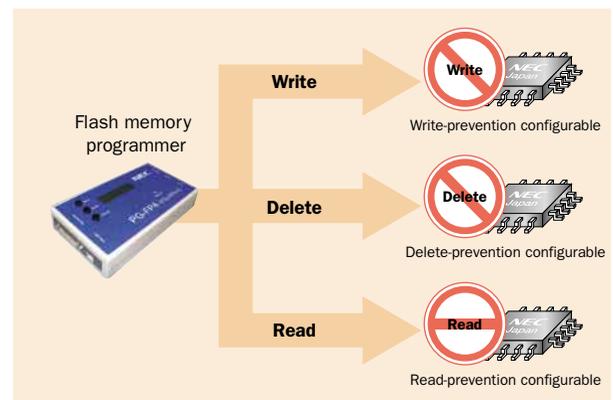
problems in its All Flash microcontrollers to support the creation of products that are increasingly convenient.

★**Ultra-low power consumption contributes to creating energy-saving systems** (Figure 1)

One problem with flash microcontrollers is that they traditionally consume much more power than equivalent mask ROM products.

By means such as the miniaturization of flash microcontroller interconnect processes, NEC Electronics has been successful in developing All Flash microcontrollers that consume about one-third less power than conventional mask ROM products.

For example, a mask ROM using a 5V supply voltage and operating at 10MHz consumes 38mW. An All Flash microcontroller under the same conditions consumes only 11.5mW. By reducing the power consumed by the microcontroller we are contributing to final products that save energy.

★**Reliable security** (Figure 2)

One of the advantages of flash microcontrollers is that they make it possible to reprogram software. However, this raises the concern of illegal copying of flash memory programs and market circulation of pirated products.

All Flash microcontrollers provide reliable security against malicious copying with built-in software read-prevention, write-prevention, and delete-prevention functions that help protect the intellectual property rights of companies.

With All Flash microcontrollers, we are contributing to our customers' supply chains with the aim to make life more convenient and comfortable.

NEC Electronics also wants to provide microcontroller products that are reliable and easy to incorporate in electronic devices that formerly did not make use of microcontrollers.

For example, the reduction of wasteful energy and resource use, functions that respond to market needs, and support for the creation of low-cost products with improved performance and quality have all become possible with All Flash microcontrollers, which offer advantages to people in a variety of positions. We will continue developing even better technologies with the goal of contributing to the entire supply chain, including our customers and users of the final product.

■ **All Flash microcontrollers contribute to customers' supply chains**

Development

Software design
● Software can be reprogrammed up to the stage immediately preceding volume production **(quality)**

Hardware design
● Development time can be shortened because there is no need for development and evaluation of the mask ROM products formerly used for mass production **(shorter development time)**

Purchase

Reprogramming for reuse in other product models in response to fluctuations in the demand for software programs and electronic devices makes it possible to reduce undesirable inventory **(resource savings)**

Production

Software can be rewritten when the microcontroller is onboard (mounted on the substrate), making small-lot multi-product production possible **(low cost)**

Sale

Sale of products that meet the needs of final consumers **(energy-saving, high quality)**

See p.9-10

Making life more convenient and comfortable

Example **1**

Slimmer LCD TVs with more beautiful picture quality

Recently, consumers are demanding higher-resolution LCD TVs in slimmer form factors. NEC Electronics' microcontrollers perform electrical power control in these flat-panel TVs.
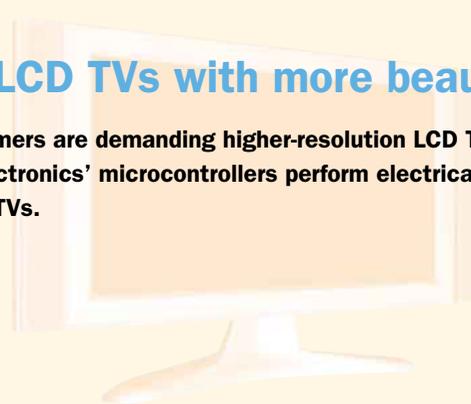
Yuji Tachihara
Multipurpose Microcomputer Systems Division

Producing flat-panel TVs with beautiful picture quality

Recently, flat-panel large-screen LCD and plasma TVs with high-resolution picture quality have become mainstream. The distinctive features of these TVs vary by manufacturer and are becoming more diversified. NEC Electronics' All Flash microcontrollers make a significant contribution to the high performance and high-functionality of these types of TVs. For example, delivery of high-resolution images requires sophisticated on-off control of the light source that produces the images. Also, extremely delicate electric power control is required in flat-panel TVs, which can break down easily if power voltage varies. This means a system to protect against power voltage variation is necessary. Formerly, power management was complicated and required assembling a number of electri-

cal components. Now, control by tiny microcontrollers has enabled production of multi-functional, slim TVs.

Maximum use of the advantages of All Flash microcontrollers

As TV manufacturers compete fiercely for earnings, new product introduction cycles are becoming shorter. All Flash microcontrollers hold many advantages for manufacturers faced with the major challenge of reducing the period from product development to commercialization.

For example, when new products come out quickly one after the other, sales of older products fall. It is not possible to rewrite the programs in older products containing mask ROM microcontrollers so these products end up as an inventory burden. NEC Electronics' All Flash microcontroller programs can be rewrit-

ten any number of times, so the programs of older products can be rewritten for new products. In addition, the programs can be easily modified if problems occur. This greatly reduces waste by eliminating the need for disposal as obsolete inventory those microcontrollers with programs that have been written once.

Microcontrollers expand the possibilities of electronic devices

It has only been in the past few years that microcontrollers have been used for power management in TVs. In the past, only simple functions were required of TVs and microcontrollers were not thought to be necessary. However, microcontrollers now make it possible to record TV programs, view program guides with detailed information while watching a program, and a variety of other functions that make TVs even more convenient and enjoyable. NEC Electronics' All Flash microcontrollers can be programmed easily and come with write tools we develop for them. We are building systems to support the development efforts of first-time customers so that they can use flash microcontrollers with confidence. NEC Electronics will continue to play a part in the development of new products that contribute to a creating more prosperous society.

Example 2

Manufacturing safe, convenient electric bicycles

In China, electric bicycles are rapidly growing in popularity. NEC Electronics' All Flash microcontrollers play a part in the development of safe electric bicycles that do not break down.

Osamu Yoshida
Corporate Marketing Division

The rapidly growing electric bicycle market

In China, electric bicycles that are similar to the motorized scooters we have in Japan are gaining in popularity. This rise in popularity stems from people's appreciation of the convenience of motor-driven mobility over pedaling. Another reason is that in many areas of China the government is actively encouraging people to buy electric bicycles rather than cars because electric bicycles do not emit exhaust gases that pollute the environment.

NEC Electronics entered the electric bicycle market in 2002. At the time, cheap electric bicycles were popular. Performance was of secondary importance, so most of these products were very simply constructed and did not make use of microcontrollers. Companies newly entering the market in China were expected to provide products that were "cheap," so at first we had a very difficult time getting the Chinese to appreciate the usefulness of microcontrollers and the high quality of our products.

Quality and security are distinctive advantages

For example, consider the operating temperature. If the guaranteed maximum operating temperature is 80°C, NEC Electronics tests for a temperature about several tens of degrees higher before issuing a guarantee. We have developed this quality management system based on the know-how acquired from doing business with customers in the automotive industry in Japan, whose expectations in regard to quality are strict due to the risk their products can potentially pose to human life.

In addition, there are a great number of pirated products circulating in the market in China. The security of our All Flash microcontrollers, which can be config-ured to prevent programs from being read and rewritten, was a big advantage. We simply persisted in our efforts to explain to the Chinese the advantages of using our All Flash microcontrollers. We were able to convince them and gain their trust, so customers gradually started using our microcontrollers.

Manufacture of safe, energy-saving electric bicycles

In All Flash microcontrollers, a variety of functions such as an oscillator circuit are embedded in a single chip. Individual devices that were formerly attached externally can now be combined into one device, making it difficult for individual devices to be affected by vibrations. This makes it possible to build electric bicycles that do not break down easily.

In terms of energy consumption, 90% of the power consumed by an electric bicycle is used to run the motor. The microcontroller itself has a minimal energy-saving effect, but by equipping the electric bicycle with energy-saving control it can make a big difference. This is accomplished by enabling fine adjustments of the amount of power the electric bicycle expends in response to riding conditions. In China now, reliable product quality and functionality are becoming a priority. In response, we want to provide customers with even higher-quality, higher-performance microcontrollers and contribute to development of superior electric bicycles that meet the changing needs of the Chinese market for energy savings, safety, and convenience.

Electric bicycles in China

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
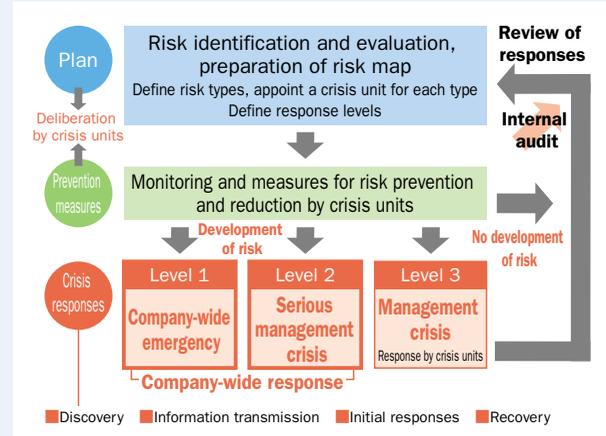
Corporate Governance System

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.

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. Good workplaces such as these also generate increased efficiency and productivity. All employees at NEC Electronics play a role in building a corporate culture we take pride in.

TALK about CSR

Don't keep it to yourself—talk to the helpline counselors.

Preventing sexual harassment will help to create a healthy workplace in which each employee can maximize their personal assets and abilities. Since the company was established, I've been working on the helpline. In conformance with the revised Equal Employment Opportunity Law (April 2007), we have to also deal with the problem of sexual harassment for male employees, so now there are three of us—men and women including myself—who are available for the helpline consultations.

Actions that constitute sexual harassment must not be allowed. But many people say that it takes courage to seek advice about such matters. "We will protect your privacy," "You won't be unfairly treated for consulting with us," "We will work with you to find a way to resolve the problem," "We are here to listen, no matter how small a matter may be" are watchwords for our efforts to do everything possible to make it easy for people to talk with us.

Yumi Hattori
HR & General Affairs Division

Respect for Human Rights, Equal Employment Opportunity

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

Awareness of Human Rights Issues

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

Awareness of human rights issues

NEC Electronics undertakes a number of activities to promote human rights awareness. A Human Rights Awareness Committee was established with the mandate to implement training programs for employees that promote awareness of human rights issues throughout the NEC Electronics Group. NEC Electronics maintains on the internal website a page on "Human Rights and Employment of Persons with Disabilities," and carries out activities to foster human rights awareness during Human Rights Week.

Human rights activities

(1) Inclusion of information on human rights issues on the internal website
 · Various human rights issues in and outside Japan.
 · Checklist for sexual harassment in the workplace (Self-check).
(2) Activities to promote awareness of human rights issues during Human Rights Week
 · Human rights slogan contest.
 · Circulation of an in-house leaflet on human rights.
 · Sexual harassment prevention training for managers.

Prevention of sexual harassment and promotion of equal employment

The NEC Electronics Group Code of Conduct clearly prohibits sexual harassment. We endeavor to prevent sexual harassment in the workplace by conducting educational and awareness-raising activities, providing relevant information, and responding appropriately to incidents of sexual harassment.

In the effort to create an environment conducive to consultation on sensitive issues, NEC Electronics has also established an internal service staffed partly by women for consulting on equal rights and other issues. Posters are displayed to let employees know about the service.

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 website. 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.

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.

Family-friendly measures

(1) Family-friendly leave
 Leave for multiple purposes including preventive medical care for the employee or a family member, childcare or eldercare, attendance at child's school events, volunteer work, or treatment for infertility.
(2) Family-friendly fund
 · Lump-sum allowance when a child is born.
(3) Financial aid for employees who work and have childcare or nursing care responsibilities
 · Provision of childcare and nursing care coupons (discounts on fees charged for recruiting and introducing home helpers and discounts on babysitter fees).
 · Charge subsidy for the use of municipal childcare support services (family support centers, etc.).
 · Financial aid applied toward moving fees when an employee or employee's parents change residence to be able to balance work and childcare responsibilities.

■ Development of family-friendly support system

fiscal year	Implementation	
	Childcare System	Nursing Care System
1991	Childcare leave	Nursing care leave
1993	Reduced working hours (childcare)	Reduced working hours (nursing care)
	Medical care leave	
1998		Nursing care coupon system
1999	Childcare coupon system	
2001	Extension of reduced working hours (childcare) (3 years old, end of March → entrance into elementary school)	Extension of reduced working hours (nursing care) (3 years → until nursing care is no longer necessary)
	Work-at-home system	
2003	Family-friendly leave (revision of medical care leave)	
2005	Extension of reduced working hours (to first grade, end of March in special circumstances)	
2006	·Period of childcare leave modified (until end of March after child reaches one year or until child reaches 18 months) ·Financial aid for use of family support centers ·Childcare financial support system (financial aid for change of residence for the purpose of childcare) ·Establishment of a Web site to support employees returning to work after a leave	Removal of restrictions on number of nursing care leaves (leave is permissible per each nursing care requirement)
2007	·Extension of reduced working hours (childcare) (to third grade, end of March in special circumstances) ·Extension of work-at-home hours and expansion of employees permitted to work at home ·Family friendly leave (medical fertility treatment added)	Expansion of employees permitted to work at home
2008	·Financial aid to support use of family support centers (municipal childcare support services added) ·Extension of period to receive financial aid for use of family support centers (first grade, end of March → third grade, end of March)	

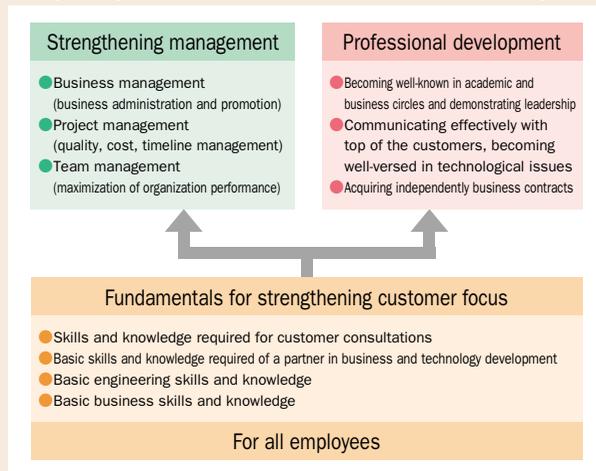# Human Resources Development and Career Support

NEC Electronics implements a mandatory training program designed to give all employees a sense of commitment and the job skills they need, and strives to create workplace environments that enable self-actualization.
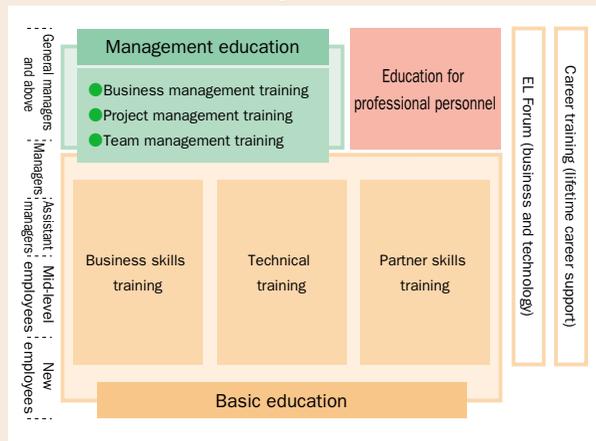
Human Resources Development

We have devised a three-part training curriculum to develop employees' skills.

NEC Electronics is building a curriculum for our training program that emphasizes three areas: fundamentals for strengthening customer focus, which underpins the program, 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.

■ **Triple-emphasis curriculum for human resources development**

Strengthening management
- Business management
  (business administration and promotion)
- Project management
  (quality, cost, timeline management)
- Team management
  (maximization of organization performance)

Professional development
- Becoming well-known in academic and business circles and demonstrating leadership
- Communicating effectively with top of the customers, becoming well-versed in technological issues
- Acquiring independently business contracts

Fundamentals for strengthening customer focus
- Skills and knowledge required for customer consultations
- Basic skills and knowledge required of a partner in business and technology development
- Basic engineering skills and knowledge
- Basic business skills and knowledge

For all employees

■ **Human resources development curriculum**

	General managers and above	Managers	Assistant managers	Mid-level employees	New employees

Management education
- Business management training
- Project management training
- Team management training

Education for professional personnel

EL Forum (business and technology)

Career training (lifetime career support)

Business skills training | Technical training | Partner skills training

Basic education

Lifetime Career Support

We support the efforts of individuals to achieve self-realization and develop their careers.
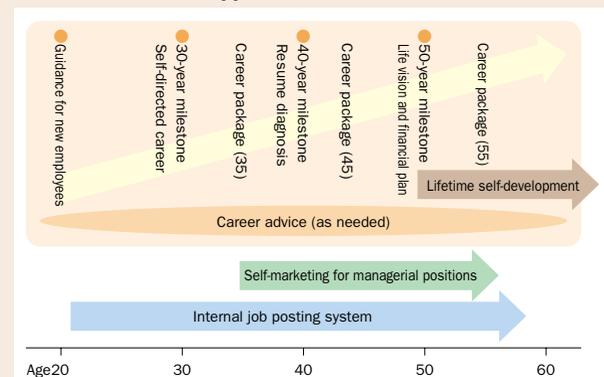
NEC Electronics is working to place the right persons in the right jobs with the double objective of encouraging ongoing personal growth and securing the best human resources for the organization. To achieve this, we are departing from the traditional lifetime employment and seniority system premised 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.

We encourage employees to be innovative and to keep developing their talents and abilities in the effort to support them in setting lofty goals.

Career Support

1. Career advice
   All employees can seek advice on career advancement.
2. Milestone training, sabbaticals
   Training courses are held for employees reaching the milestone ages of 30, 40, and 50, held in the fiscal year following their birthday, and they are entitled to take a one-week leave of absence.
   In addition, a career design support payment is paid to employees in the fiscal year following the year they turn 50.
3. Career packages
   A package of books and a list of training opportunities is mailed to employees' home addresses between the milestone ages when they reach 35, 45, and 55 years of age.
4. Internal job posting system
   All employees can apply for open positions in the company (not contingent on approval by the supervisor).
5. Self-marketing for managerial positions
   Employees in a managerial position can apply for any position that they believe fit better than the sitting (not contingent on approval by the supervisor).

■ **Lifetime career support**

- Guidance for new employees
- 30-year milestone / Self-directed career
- Career package (35)
- 40-year milestone / Resume diagnosis
- Career package (45)
- 50-year milestone / Life vision and financial plan
- Career package (55)
- Lifetime self-development

Career advice (as needed)

Self-marketing for managerial positions

Internal job posting system

Age20　30　40　50　60

Recruitment

NEC Electronics conducts open recruitment activities in the effort to secure a versatile workforce and ensure fair employment opportunities.

Recruitment activities

We accept applicants from a wide range of countries and educational institutions.

NEC Electronics strives for impartiality in recruitment practices and has eliminated the system of school recommendations, replacing it with a free application system for students desiring employment with NEC Electronics. We want job applicants to have a sufficient understanding of our business and the jobs available, so early in the recruitment process we provide information on our company through our website and other employment media and actively participate in joint company information fairs and job information seminars at universities. We also offer many worksite tours and get-togethers with company employees in the effort to give job applicants a taste of our corporate culture.

To ensure the highest quality employees, NEC Electronics focuses on the selection process, with a particular emphasis on individual interviews. We are also active in recruiting foreign job applicants and we are proud to have a rapidly growing workforce of international employees. This is also an advantage from the viewpoint of corporate internationalization.

■Recruitment events

October-December	January-March	April-May
Provision of industry- and company-related information	**Provision of company and job-related information**	**Applicant screening**
Internet ■NEC Electronics website ■Employment information site	**Company information sessions** (Sendai, Kanagawa, Nagoya, Osaka, Fukuoka) **Technology lectures** (Kanagawa, Osaka, Fukuoka) **Job information seminars** (Sendai, Kanagawa, Nagoya, Osaka, Fukuoka)	**Individual interviews** (Kanagawa, Osaka) **Interviews focus on the individual's personal character and are conducted with all applicants who desire an interview.**
Company information fairs ■Joint company information fairs (Sendai, Tokyo, Kanagawa, Osaka, Fukuoka)	**Get-togethers with company employees** (Kanagawa, Osaka) **Worksite tours** (Kanagawa) **University seminars** (Tokyo, Fukuoka)	

Recruitment website

Work Experience Internships

We support academic institutions by offering the work experience internship programs.

In response to requests from universities, we accept the interns for the work experience internship programs. Many universities have a high regard for work experience programs because they give students learning opportunities unavailable in the class-room. Since fiscal 2005, NEC Electronics has been meeting this need by accepting students in the work experience internship programs.

We will continue to organize these programs from our desire to contribute to university education and to make our business widely known to the public.

■Work experience activities in fiscal 2007

	Three-week work experience
Content	Engineering work at the worksite
Date	August 28-September 15
Number of participants	14

Occupational Health and Safety (OH&S)

NEC Electronics recognizes that health is an irreplaceable asset and places high priority on ensuring the safety and health of employees. This core principle underpins the preventive focus of safety and health measures implemented by the NEC Electronics Group.

Occupational Health and Safety (OH&S)

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 that constitutes 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's 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.

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 working with employees, their supervisors, and also in cooperation with industrial physicians and medical specialists to provide employees with dedicated mental health care support.

Specifically, this involves 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 website for employees called "News from the Nurses" that provides healthcare information with a focus on mental health care to facilitate self-care. Through measures such as these, 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**
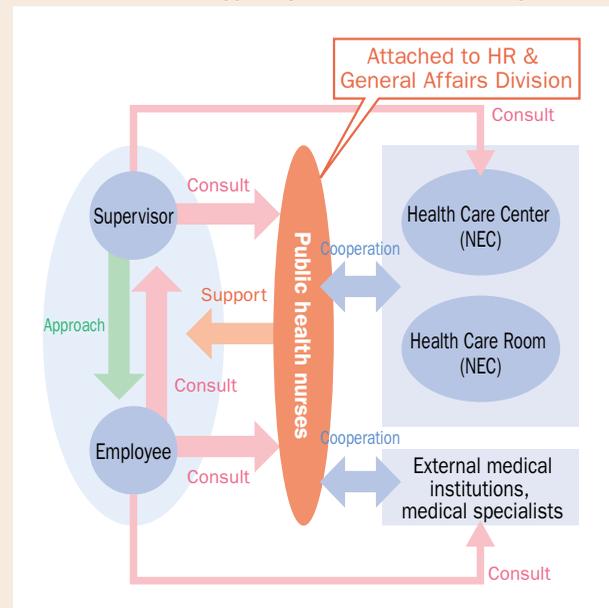
A Customer-focused Business

NEC Electronics' 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 an IDM (Integrated Device Manufacturer), we focus all of our efforts and expertise on offering optimized solutions that make us your partner of choice.

As an IDM, we focus all of our efforts and expertise on producing optimized product solutions 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 NEC Electronics, we are confident that our tireless efforts help to create value for our customers.

Talk about CSR

I promote CSR by energizing customer satisfaction activities.

In the Corporate Sales Planning Division, we make a constant effort to act from the customer's point of view. To respond to the opinions and requests we receive from customers, we work with all divisions—sales, development, and manufacturing—to promote implementation of needed measures and improvements. To ensure that these efforts are carried out faithfully and lead to improved customer satisfaction, we are working to energize in-house communication and support customer satisfaction activities in all divisions.

Toshio Hiroe
Corporate Marketing Division

As a green partner, we are proactive in providing environmentally related product information.

My job is to provide customers with information on the chemical substances contained in our products so that they can use products with confidence. I believe this is one of our very important corporate responsibilities. For us, control to prevent use of specified hazardous substances in products is synonymous with environmental quality assurance activities. We are now at work creating an internal control system. We are also proactive in making information available on the chemical substances contained in our products.

Hideichi Kubo
Corporate Quality Assurance Division

# Customer Satisfaction Improvement Policies and Activities

NEC Electronics is engaged in a variety of efforts to improve customer satisfaction that include 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.

■**Concepts for customer satisfaction management**
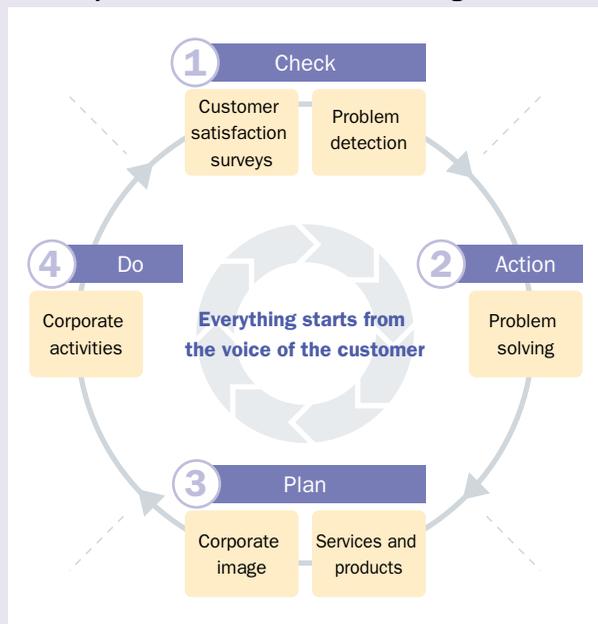
Customer Communication

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.

■**Everything begins from the voice of the customer**
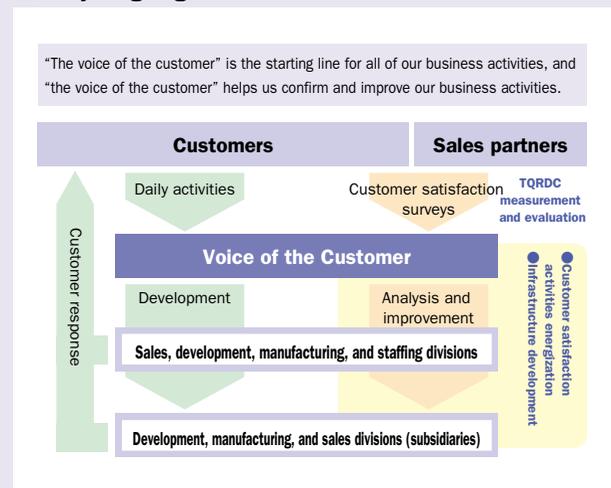
Employee Customer Satisfaction Awareness

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

NEC Electronic conducts a level-specific customer satisfaction education program 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.

Also, all employees perform an e-learning self-assessment once a year to check up on application of CS in their daily work.

A CS education session

■CS educational materials
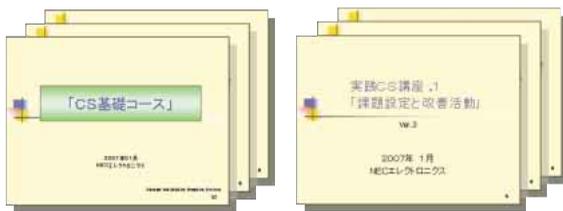
Level-specific educational materials

All employees do an e-learning check of application of CS in their daily work once a year.

e-learning materials

Semiconductor Hotline

We have set up a Semiconductor Hotline to respond to inquiries related to products and services.

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 2007, we received approximately 8,000 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 at least 99% 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 Q&A on our website answers commonly asked questions and questions about key matters are opened to facilitate information disclosure to customers.

We are also improving our FAQ to make it more comprehensive so that customers can get the answers to their questions without contacting us directly.

■Semiconductor Hotline reduction of required response time
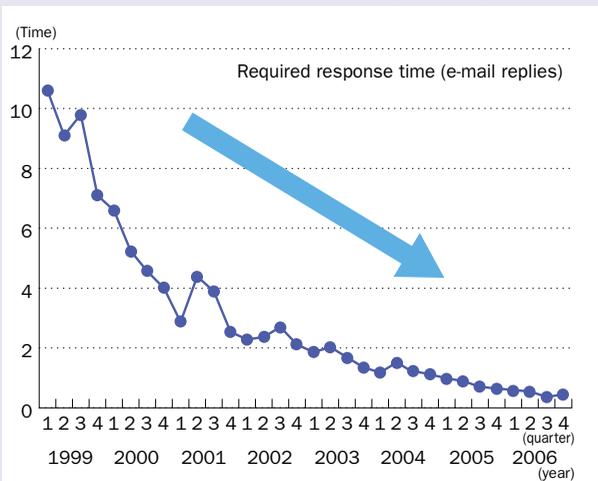
Note: For purposes of calculating required response time, one day is defined as the 12 hours from 8:00 a.m. to 8:00 p.m.

Quality Policies

As an IDM (Integrated Device Manufacturer) of semiconductors, NEC Electronics leverages advanced technologies to develop and provide high-quality, high-reliability products that satisfy customers as well as contribute to the development of societies.

Quality Policy

We have defined a quality policy for pursuit of product reliability and safety.

The entire NEC Electronics Group makes a concerted effort to improve quality by implementing strict quality control in line with the company's quality policy in all phases of business including sales, development, and manufacturing.

Every NEC Electronics organization sets goals for quality improvement in each half of the fiscal year in conformity with our quality policy, and develops and implements plans to achieve goals. In addition, the top of each organization is obligated to report the progress of quality improvement activities to the management in each half of the fiscal year.

We have defined scenario-specific procedures to minimize negative impacts on all concerned parties, in the event that quality problems should occur.

Quality Policy

We aim to be the partner of choice by providing differentiated semiconductor solutions based on high-quality products and services that satisfy customer requirements and provide a competitive advantage.

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 improve customer satisfaction.

As part of the effort to strengthen quality control, the NEC Electronics Group has acquired ISO 9001 certification, which is international standard for quality management systems. We also acquired ISO/TS 16949 certification, which is the automotive sector standard for quality management systems.

A quality management system is implemented by all NEC Electronics Group companies to ensure quality for the entire range of our sales, development, and manufacturing, in order to raise customer satisfaction and provide products and services of high quality and high reliability.

In view of the fact that we supply products to many companies associated with automotive production, the entire NEC Electronics Group is building mechanisms in conformance with ISO/TS 16949 in the effort to improve quality.

■Quality management process

ISO 9001 Certificate of Registration

ISO/TS 16949 Certificate of Registration

Quality Improvement

NEC Electronics implements comprehensive quality improvement by establishing quality control procedures in every phase of business including design, manufacturing, and support processes in order to continuously improve product quality toward the ultimate goal of zero defects.

Quality Assurance in the Design, Manufacturing, and Support Processes

We promote strict quality control in the design, manufacturing, and support processes.

Design process

NEC Electronics continuously works on developing advanced design methods and evaluation techniques appropriate for the latest product manufacturing processes related to product based on smaller feature transister 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.

In addition, we are promoting standardization of design methods in compliance with CMMI* and strengthen development project management in order to improve the quality of embedded software (S/W).

*CMMI (Capability Maturity Model Integration): S/W development process improvement guide

Manufacturing process

To ensure reliable manufacturing of products, we are tackling improvement of 4M (Man, Machine, Material, Method) management. We also are implementing scientific methods to manage manufacturing processes and activities to build quality into products in our entire companies. In addition, we implement strict control of product quality management through early detection of abnormalities and prompt corrective action to prevent shipping of defective products.

Support

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

■**Comprehensive quality improvement**

Customer

Support Quality
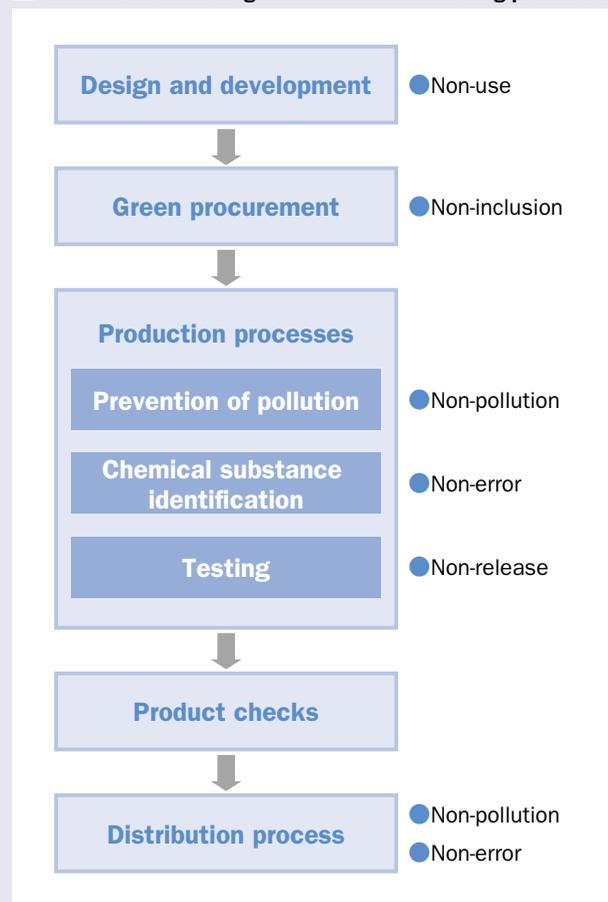Design Quality   Manufacturing Quality
Total Quality
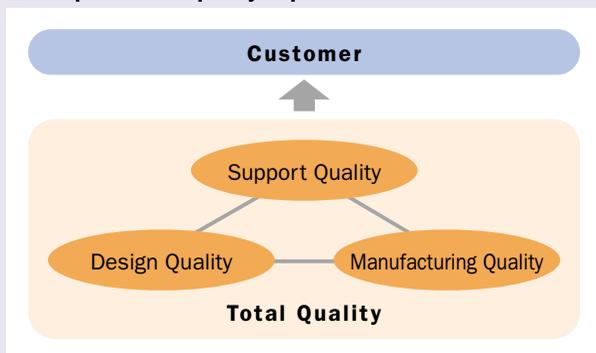
Strategies for Environmental Quality Assurance

NEC Electronics helps customers comply with laws and regulations by strictly controlling specified hazardous chemical substances.

Global efforts to protect the environment continue to move forward, manifested by enactment of the European Union's RoHS Directive in July 2006 and China's RoHS in March 2007.

The NEC Electronics Group is participating in this effort by devising and implementing a quality assurance system to regulate the use of chemical substances in all manufacturing processes. This involves promoting elimination of lead in products; chemical substance identification and activities to prevent pollution during product development, part procurement, and manufacturing processes; final product checks; and chemical substance identification and activities to prevent pollution during the physical distribution process that enable us to provide semiconductor products our customers can use with confidence.

■**Chemical substance regulation in all manufacturing processes**

Design and development — ●Non-use

Green procurement — ●Non-inclusion

Production processes
- Prevention of pollution — ●Non-pollution
- Chemical substance identification — ●Non-error
- Testing — ●Non-release

Product checks

Distribution process — ●Non-pollution ●Non-error

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

"Let us strive to be a company that is appreciated by the community in this beautiful region."

This is a line from the mission statement established at the time NEC Yamagata was founded in 1965. At NEC Yamagata, we honor the spirit of this mission statement in our ongoing efforts to contribute to the community.

Tsuruoka is such a beautiful area. Nothing would make us happier than to do whatever we can as a company and as individuals to make this a community where all of its citizens can live happily. I want to continue to promote volunteer activities that address immediate needs and contribute to the happiness of everyone in the community.

Yuji Kato
NEC Yamagata

We support social and community activities by all employees.

The primary aspect of CSR is aiming for changing business practises to preserve our environment to secure long term success. Here environment is not limited to nature, but must be considered in a much broader sense including community and all kinds of human relations. While it is easy for many companies to donate money, I appreciate and support our company's approach attempting to motivate and involve all employees according to the theme: You can Change!

NEC Electronics is fairly generous and prepared to support almost any activity proposed by employees as long as the activity is suited to change something for the better. I look forward hoping for many new ideas to become reality some time and encouraging even more colleagues in joining many kinds of social and community involvements.

Thomas Ballhausen
NEC Electronics Europe

Heartfelt Social Contribution Activities

As a semiconductor manufacturer, the NEC Electronics Group is fully concerned with issues of global environmental conservation. We will contribute to environmental conservation and to the local communities as our social contribution activities.

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.

Information on volunteer opportunities

NEC Electronics makes information on accessible opportunities for volunteer work that is easy to participate in available on the internal website.

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.

Dempa Shimbun article
(August 9, 2006)

Community-based activities

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

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.

Tamagawa River beautification cleanup

Iroha Hime workshop for elementary school children

Workshops were held for elementary school children in Kawasaki City. Employees instructed the children in how to use the Iroha Hime 8-bit microcontroller kit to make Halloween lanterns.

Employees help students write programs

Lanterns lit up in the dark

Collection campaigns

Foreign coins, used stamps, calendars, and other items are collected for donation to local communities, the United Nations, and NPOs.

Donating items to a senior citizen's home

Environmental Conservation Activities

We engage in forest conservation activities and hold a variety of seminars and workshops emphasizing the importance these efforts.

Forest Conservation Activities

The semiconductor industry consumes enormous volumes of water; NEC Electronics is doing its part to help conserve water resources by actively promoting forest conservation activities.

Semiconductor forest

Since July 2005, NEC Electronics has participated in the effort by Kanagawa Prefecture to protect Kanagawa's water resources by creating riverhead forests. One of these, the Yadoriki riverhead forest in the Yadoriki area of the town of Matsuda, is the location of our Semiconductor Forest, which we are working to protect and grow.

Yadoriki riverhead forest

Semiconductor Forest sign

Forest conservation lecture

Preceding project work, we invited a forestry instructor to speak to the employees on the importance of forests and forest preservation work.

Employees learn about the importance of forest preservation

Semiconductor Forest maintenance

In the Semiconductor Forest that NEC Electronics is working to protect and grow, wooden steps and benches were built and placed through the forest for the comfort and convenience of people who come to walk in the area to enjoy the forest.

A bench made from a tree cut down for thinning

It's a big job to bury each of the trees cut down in the soil

Forest thinning 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.

Before thinning, light doesn't penetrate to the forest floor

After thinning, light penetrates through the trees

Nature walks

In the spring and fall nature walks were held in the Semiconductor Forest attended by a large number of employees and their family members who enjoyed seeing a riverhead forest.

Discovering tadpoles in a pool of water

Woodcraft workshop

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

Cutting wood with a saw

Lots of nice completed objects

Christmas wreath workshop

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

Participants silently absorbed in the work, imagining how their wreaths will look

Posing with finished wreaths for a commemorative photo

Group Companies' Activities

The NEC Electronics Group cooperates in programs developed by the NEC Group and also undertakes its own community-based activities in the effort to make an extensive contribution to the welfare of communities.

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.

Fund-raising
Relief funds were sent to aid victims of major natural disasters including the earthquake that occurred in central Java on May 2006.

NEC Make a Difference Day 2006
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.

Planting rice seedlings as part of the rice field project

Community Involvement by Group Companies

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

NEC Electronics America
Twenty-two employees from the Santa Clara Plant 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.

Backpacks filled with school supplies are ready to be donated

NEC Electronics Europe
Sixty employees registered as donors to support the local bone marrow bank. The company paid for blood tests and registration fees.

An employee takes a blood test to register as a donor

NEC Semiconductors Indonesia
After the earthquake that occurred in central Java, employees went into the afflicted city of Yogyakarta to deliver emergency provisions to earthquake victims.

Employees who went into the disaster site

NEC Semiconductors Malaysia
Employees contributed money toward the purchase of 80 books that were donated to a local elementary school.

Children eagerly open the books that were donated

NEC Kansai
Every year, volunteers combine cleanup activity with a mountain climb to promote health. In fiscal 2007, twenty-nine employees climbed Mt. Kisokomagatake and cleaned up garbage left on the mountain.

Lots of repeaters participate in the cleanup and mountain climb project

NEC Yamaguchi
Since 1989, we have held baseball tournaments to contribute through sports to the healthy development of boys and girls in the community. In 2006, thirty-two teams in the prefecture participated in exciting games.

The players' representative energetically delivers the tournament declaration

NEC Semicon Package Solutions
The Fukuoka Plant carries out production activities in a region with many rivers. Every year, employees and family members combine walking with a cleanup of riversides and footpaths.

Employees and family members pick up garbage strewn along the riverside

Conserving the Global Environment

NEC Electronics 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.

Talk about CSR

Our environmental management systems implement large and small PDCA cycles.

To promote environmental activities, it is important for all group companies to set clear targets for mid-term and long-term environmental tasks, carry out plans to achieve the targets, evaluate activities, and implement improvements based on the results of these evaluations. It is also important for each employee to approach daily work with an awareness of its environmental implications and make whatever individual efforts are possible to help protect the environment. I want to do everything to ensure that group-wide PDCA and divisional and individual PDCA cycles run smoothly.

Tsuyoshi Suzuki
Environmental Management Department

28 Environmental Management System

Detailed information on our global environmental conservation efforts is available in a separate report, Environmental Management Report 2007.

Environmental Management System

NEC Electronics 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.

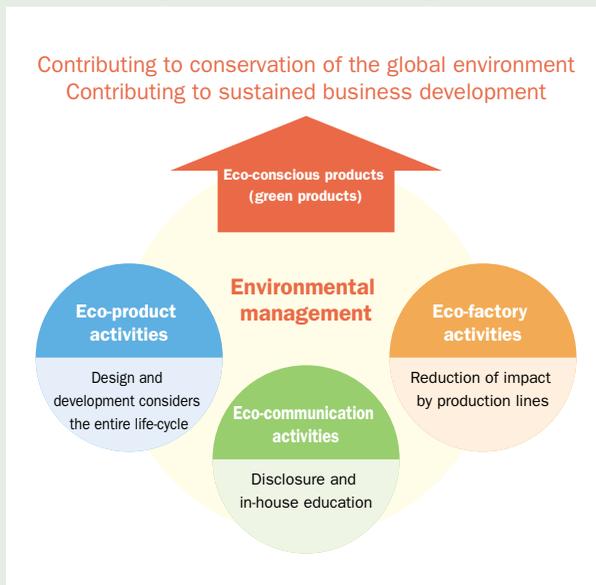## Eco-products, Eco-factories, Eco-communication

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) We promote 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.

■ **Schematic diagram of environmental management**

Contributing to conservation of the global environment
Contributing to sustained business development

Eco-conscious products (green products)

Environmental management

Eco-product activities
Design and development considers the entire life-cycle

Eco-communication activities
Disclosure and in-house education

Eco-factory activities
Reduction of impact by production lines

Eco-product Activities

At NEC Electronics, green product creation involves applying ecological considerations at every stage from product procurement to production, and, finally, use by customers.

The electrical and electronic devices we use in our daily lives 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 components 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 manufacturers of 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 CSR audits of our purchasing partners on a regular basis.

In terms of the product life cycle, particularly from the standpoint of environmental impact during use, we contribute to the production of final products that consume less power by utilizing advanced process technologies to create system LSIs that integrate multiple functions on a single chip and by 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.

Environmental Management System

Eco-factory Activities

Eco-factory is the name we give to our efforts to promote the reduction of the environmental impact of our factories.

Efficient Use of Energy

The NEC Electronics Group is currently working to reduce the amount of energy it consumes in Japan to 72% 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 CO_2 emissions divided by (output divided by the Bank of Japan's Domestic Corporate Goods Price Index figure for electrical machinery and equipment).
The amount of CO_2 emissions is the total of emissions from our business facilities and factories in Japan.

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 10,000 times that of CO_2.

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.

*A reaction chamber is a vessel into which process gases are introduced to deposit thin films on wafers. Cleaning gases are used to clean reaction chambers.

Chemical substances used in manufacturing

Until now, we have treated organic gas emissions containing volatile organic compounds (VOCs) to detoxify emissions released into the atmosphere by our factories.

In the future, in addition to this measure, we will continue to actively work on reducing VOC emissions by optimizing gas usage conditions in the manufacturing process for development in our high-volume production facilities.

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 website, 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.

Website information disclosure

We provide environmental information services on our website, 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 websites.

External presentation activities

In June 2006, ISESH (The International Semiconductor Environment, Safety, and Health) was held in the Republic of Malta. NEC Electronics, as a participant of JEITA (Japan Electronics and Information Technology Industries Association), attended and gave a presentation on the company's environmental activities.

In January 2007, NEC Kyushu was invited by Kyushu Electric Power Co., Ltd. to give a presentation entitled "NEC Kyushu's Environmental Management." The presentation by NEC Kyushu introduced the company's efforts to prevent global warming, conserve water, and manage chemical substances.

Also, NEC Semicon Package Solutions gave a presentation on examples of energy-saving improvements made by the company at a presentation meeting on efficient use of electric power held in Kyushu in February 2007.

A external presentation activities

Bioassessment in the plant environs

At NEC Yamaguchi, we are continuing to make bioassessments of the effect our production activities have on the environment around the plant. The subjects of these investigations are the organisms living at the bottom of the Ariho River near the plant, where factory water is released and there is abundant bird life. We have determined from the results of investigations that a favorable environment is being maintained in the plant environs.

An investigation at the river

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

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 mnner 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

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, 2007)

Consolidated sales 692.3 billion yen (for the year ended March 2007)

Major operations Research, development, manufacture, sale and servicing of semiconductors, primarily system LSIs.

Employees (consolidated basis) approximately 24,000 (as of March 31, 2007)

Business Results in Fiscal 2007(Fiscal year ended March 2007)

With regard to NEC Electronics' consolidated financial results for fiscal 2007, sales rose by 46.3 billion yen over the previous fiscal year to 692.3 billion yen, due primarily to significant sales increase of All Flash microcontrollers and semiconductors for automotive applications, in addition to launching shipment of semiconductors for new video game consoles.

However, we recorded a loss before income taxes of 35.4 billion yen and a net loss of 41.5 billion yen. This was a result of fierce competition accompanied by price declines for semiconductor products and an increased spending for research and development to promote future sales growth. In addition, there was one-time expense for structural reform including expenses related to consolidation of some development projects within the NEC Electronics Group for future improvements.

In February 2007, NEC Electronics announced a new management policy* to lead the NEC Electronics Group to recovery of earnings. Under this management policy we will build a strong and resilient business structure that is profitable even in periods of a downturn in the semiconductor market.

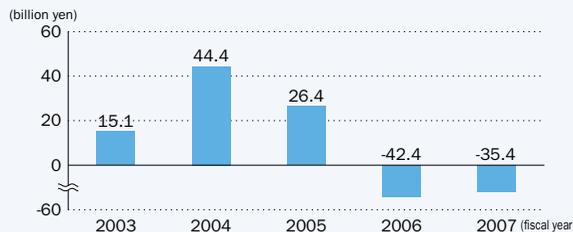*For detailed information refer to the Annual Report.

■ Trends in consolidated net sales

(billion yen)

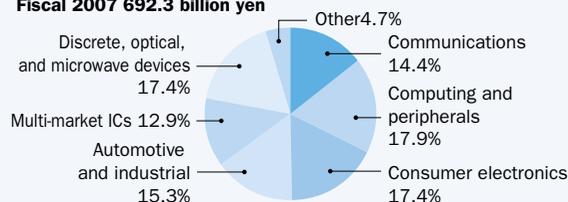|	2003	2004	2005	2006	2007 (fiscal year)
Total	725.1	712.0	708.0	646.0	692.3

Legend: Semiconductors / Other

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 semi-conductor company.

2003　Makes initial public offering on the Tokyo Stock Exchange (First Section).

■ Trends in consolidated income (loss) before income taxes

(billion yen)

2003	2004	2005	2006	2007 (fiscal year)
15.1	44.4	26.4	-42.4	-35.4

■ Sales by application

Fiscal 2007 692.3 billion yen

- Other 4.7%
- Communications 14.4%
- Computing and peripherals 17.9%
- Consumer electronics 17.4%
- Automotive and industrial 15.3%
- Multi-market ICs 12.9%
- Discrete, optical, and microwave devices 17.4%

■ Sales by geographical segment

Fiscal 2007 692.3 billion yen

- Japan 54.5%
- Asia 22.9%
- Europe 12.8%
- United States 9.8%
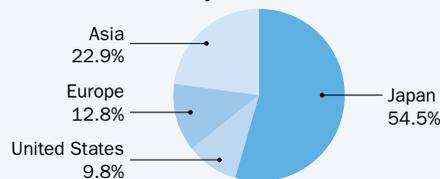
■ Distribution of ownership among shareholders

As of March 31, 2007

- Individuals, other 3.9%
- Securities companies 1.9%
- Other companies 65.2%
- Foreign companies 21.4%
- Domestic financial institutions 7.6%
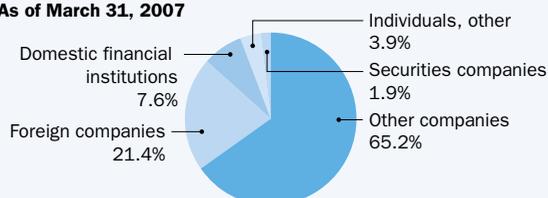
Major Subsidiaries and Affiliates (as of March 31, 2007)

Japan

● Manufacturing companies (----- front-end, —— back-end) ▲ Sales and design companies

NEC Kansai, Ltd.

NEC Yamaguchi, Ltd.

NEC Semicon Package Solutions, Ltd. (Yamaguchi plant)

NEC Semicon Package Solutions, Ltd. (Oita plant)

NEC Semicon Package Solutions, Ltd. (Fukuoka plant)

❶ NEC Kyushu, Ltd.

NEC Semicon Package Solutions, Ltd. (Kumamoto plant)

NEC Fukui, Ltd.

NEC Yamagata, Ltd.

NEC Fabserve, Ltd.

NEC Electronics Corporation ❷

NEC Micro Systems, Ltd.

■ Expanding the Business Globally

❶ Japan

Efforts to ensure thorough quality management

55 percent of the microcontrollers shipped by the NEC Electronics Group are used in automotive applications; many of these are manufactured at NEC Kyushu.
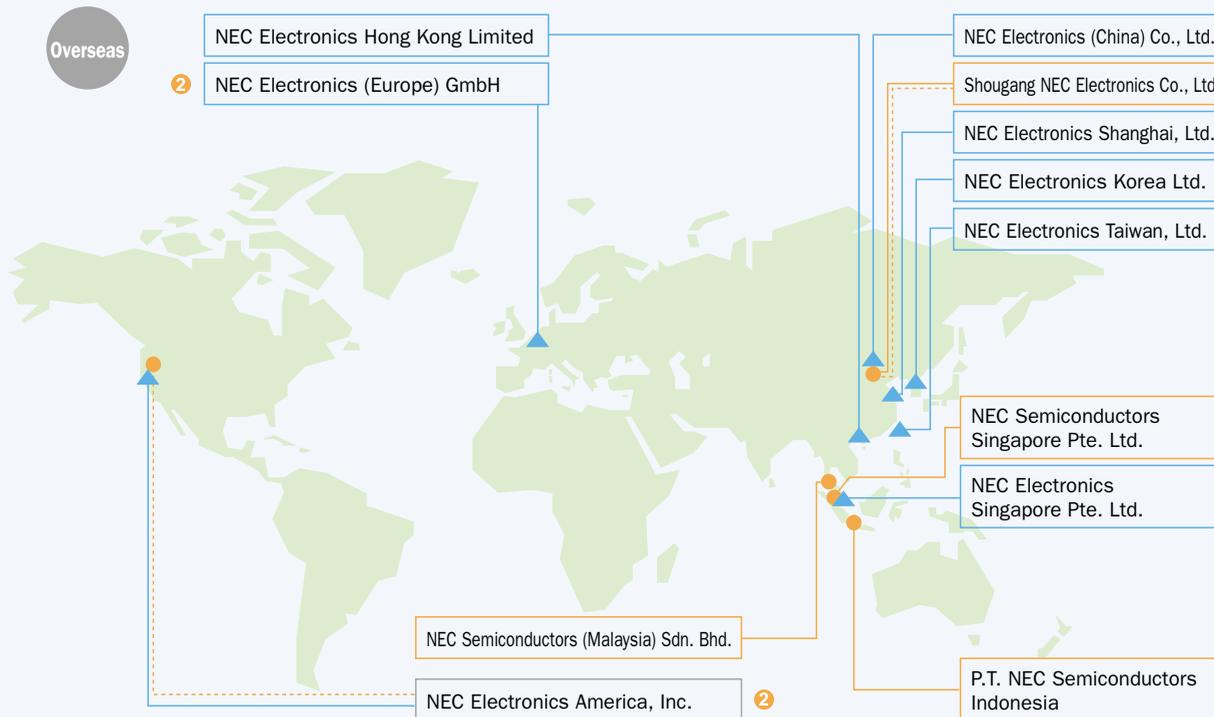
Malfunctions of microcontrollers in cars can potentially threaten lives of the drivers and many other people as well, so even one defective part is unacceptable. To ensure the high quality demanded of automotive microcontrollers, NEC Kyushu has developed a unique quality management activity called the Human Senses Activity, to achieve zero defects and maintain the highest quality by pairing proficient skills by hands—in other words, human proficiency—with the highly reliable digital technologies of semiconductor manufacturing equipment. This activity enabled NEC Kyushu to reduce defective products at factory shipment by 90 percent.

We are also reinforcing the manufacturing lines at the Roseville plant in the United States to implement global production of automotive microcontrollers. We are creating systems to develop the quality management practices at NEC Kyushu to our other manufacturing subsidiaries in the effort to provide automotive manufacturers with products of the highest quality.

Quality management at NEC Kyushu

Overseas

NEC Electronics Hong Kong Limited

❷ NEC Electronics (Europe) GmbH

NEC Electronics (China) Co., Ltd.

Shougang NEC Electronics Co., Ltd.

NEC Electronics Shanghai, Ltd.

NEC Electronics Korea Ltd.

NEC Electronics Taiwan, Ltd.

NEC Semiconductors Singapore Pte. Ltd.

NEC Electronics Singapore Pte. Ltd.

NEC Semiconductors (Malaysia) Sdn. Bhd.

NEC Electronics America, Inc. ❷

P.T. NEC Semiconductors Indonesia

❷ **Japan, Europe, and the United States**

A design system that meets customer needs

To meet the varying needs of automotive manufacturers around the world, it is important to work closely with the customers in developing and designing products.

To this end, NEC Electronics has established design centers in Europe and North America to advance product designing tailored to particular requirements of automotive manufacturers in every region of the world. The centers cooperate with our design teams at company headquarters in Japan in adopting the latest design methods to improve design quality.

At NEC Electronics, we are continuously working to improve product quality by establishing a group-wide system from design to manufacturing in our aim to capture the world's No. 1 share of the automotive microcontroller market.

A semiconductor design center in Europe

A semiconductor design center in North America

Business segments and applications

Communications

Applications

Mobile handsets

Broadband networking equipment
 · **Routers**
 · **Mobile phone base stations**

Computing and Peripherals

Applications

Computers	**Computing peripherals**
· **Servers**	· **Rewritable DVD drives**
· **Workstations**	· **Printers**
	· **LCDs for PCs**

Consumer Electronics

Applications

Digital consumer electronics
 · **Digital cameras**
 · **DVD recorders**
 · **Digital televisions**
Home appliances
Game consoles

Automotive and Industrial

Applications

Automobiles	**Industrial**
· **Engine**	· **Factory automation**
· **Body control**	
· **Airbags**	
· **Car audios**	

Multi-market ICs

Applications

Wide range of electronics equipment

Discrete, Optical and Microwave Devices

Applications

Wide range of electronics equipment

About the Report

Editing Policies

- NEC Electronics publishes three reports—the Environmental Management Report, the Corporate Social Responsibility Report, and the Annual Report—that address the environmental, social, and economic activities of the NEC Electronics Group.
- This report is intended for all of NEC Electronics' many stakeholders—employees, customers, local communities where our businesses are located, trading partners, shareholders, and investors—with the objectives of presenting the concepts we hold and specific efforts we undertake related to corporate social responsibility and promoting two-way communication with stakeholders.

Guidelines used for Reference

- The Ministry of the Environment's *Environmental Reporting Guidelines (Fiscal Year 2003 Version)*
- GRI's (Global Reporting Initiative) *Sustainability Reporting Guidelines 2002*

Scope of Content

The content of this report relates to the 11 companies in Japan, including NEC Electronics Corporation, and 12 companies overseas that comprise the NEC Electronics Group.

Reporting Period

Fiscal 2007 (the fiscal year from April 1, 2006 to March 31,2007). Some activities described in this report took place subsequent to the reporting period.

Publication Date

Auguest 2007 (the fiscal 2008 issue is scheduled for publication in Auguest 2008).

Detailed Information

In addition to the information contained in this report, detailed information on NEC Electronics' CSR efforts is available on our website at the URL shown below.

URL http://www.necel.com/csr/en/

Editor's postscript

Thank you for reading Corporate Social Responsibility Report 2007. This year's report begins with a special feature, Microcontrollers Enrich Our Lives, that presents the microcontroller as one example of the importance the NEC Electronics Group's semiconductor business plays in people's lives. 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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