

Empowered by Innovation



# NEC CORPORATION Annual CSR Report 2005

Year ended March 31, 2005

Setting Innovation  
in Motion...



# To Do Our Part

## A Steady Step Forward

### Biometrics—An Example of Innovative Technologies for Solving Social Issues

The ubiquitous networking society is set to make information networks such as the Internet accessible anytime, anywhere. While enhancing convenience, this development will give rise to security issues such as privacy protection. NEC is harnessing innovation in the form of biometrics technology to contribute to a safer and more secure society. Presented here are two prime examples of biometrics technologies at NEC—fingerprint authentication and face recognition technologies.

## Fingerprint Authentication Technology

### Contributing to the National Security of More Than 20 Countries Around the World

In modern society, information security has become a crucial issue, including priorities such as the prevention of information leakages and circumvention of related risks. NEC's own fingerprint authentication technology is helping to meet these requirements of society.

NEC fingerprint authentication systems have been introduced in the fields of justice and law enforcement in over 20 countries, centered on North America, and more than 110 systems have been deployed. In the Republic of South Africa, a fingerprint authentication function has been added to the National ID System to identify individuals, and is helping to prevent duplicate issuances of pensions and driver licenses. NEC's authentication technologies are also being used in access control systems at companies and in a diverse array of other settings. Examples include restricted areas where companies handle sensitive information, storage rooms for potentially dangerous drugs, university laboratories where several people require the same key, neonatal care centers in hospitals (to prevent kidnappings) and nursing care centers (to prevent residents from wandering into certain areas). Other applications include PCs that will only start up after recognizing pre-registered fingerprints. In these and other ways, NEC's fingerprint authentication technologies, which can be easily operated to identify individuals with certainty, are helping to realize a safer society.



A wall-mounted unit with an access control terminal/seating monitor using fingerprint authentication technology in Chile.

NEC's development of fingerprint authentication technologies began more than 30 years ago. Through expertise gained in many successful projects undertaken so far, NEC has developed one of the world's most accurate fingerprint authentication algorithms\* with a false acceptance rate (rate at which unregistered individuals are falsely recognized) of one in 10 million or less. Another success was the development of a groundbreaking fingerprint sensor that can read fingerprints irrespective of the condition or size of fingers. In 2004, NEC was ranked No. 1 based on the results of the Fingerprint Vendor Technology Evaluation 2003 in the U.S., in recognition of its highly advanced technological capabilities, and has a world-leading market share in this field.

\*A precise rule used by a computer to perform a calculation, or in a more general sense, instructions for accomplishing a task.



"I'm involved in the process of improving personal authentication technologies using fingerprints on a daily basis. My current focus is on upgrading the world-class authentication algorithms developed by NEC, while improving authentication accuracy in order to respond to a more diverse range of fingerprints. In these ways, I'd like to do my part to make society more secure."

#### Seiichi Hiratsuka

Manager, Systems Engineering  
Government Solution Promotion Department  
1st Solutions Operations Unit  
NEC Corporation



## Face Recognition Technologies

### Realizing a More Secure Ubiquitous Networking Society Through New Technologies

What physical features do you focus on when identifying someone?

Most likely, you look at the person's face. In the field of biometrics, which seeks to identify people by their physical features alone, NEC is concentrating on the development of face recognition technologies. One benefit these technologies can achieve is to realize a more secure society. Amid growing social concern over terrorism and other security issues, face recognition technology can be applied to immigration control to help prevent the entry of terrorists into the country. This is because the identity of an individual can be determined with greater accuracy using machines that recognize facial characteristics absolutely unique to the individual, even though the name, age, and other information in the individual's passport may be false. This capability is now attracting considerable attention. In Hong Kong, NEC's face recognition technology has already been adopted for use in immigration control systems. Other applications include security systems combining face recognition technology with surveillance cameras. In addition, some 40 corporate clients are now participating in trials of an application for preventing the unauthorized use of computer terminals using face recognition technology that permits only logged-in individuals to use computers. Looking ahead, NEC will expand applications of face recognition technology in a diverse array of domains in order to play its part in making the ubiquitous networking society more secure.



Face recognition system used for immigration control in Hong Kong.

"Human faces are curved in three dimensions and are subject to localized changes, brought on by changes in expressions and other features. For this reason, it is difficult to predict these changes. Meanwhile, face recognition technology harbors the potential for creating new businesses that make the most of recognizable facial features and for helping to make society safer and more secure. By bearing part of the responsibility for the development of this technology, I hope to contribute to society at large."

#### Atsushi Sato

Principal Researcher  
Media and Information Research Laboratories  
Central Research Laboratories  
NEC Corporation

**NEC has succeeded in the development of a 3D face recognition algorithm that has attracted considerable public attention for being only minimally affected by various facial postures, changes in expression and other factors. The new algorithm realizes the world's most accurate personal identification matching rate of 96.5% even under demanding conditions involving sharp changes in facial pose and illumination. Tests were conducted using a database with pre-registered 3D facial images of 1,000 individuals.**



1. A supercomputer used to perform analyses such as weather forecasting, climate change studies, and environmental simulations.
2. The iCamEasy audio guidance system for the visually impaired.
3. A quiet PC featuring water-cooling technologies to enhance living environments.
4. A power-efficient wireless sensor terminal useful for environmental data collection in the community at large.
5. Tamabee, a barrier-free information terminal designed for use in public spaces.

**In addition to the above, NEC is using a diverse array of innovative technologies to play a part in solving the issues faced by society.**

# NEC's Vision for the Sustainable Development of Society and the Company

NEC aspires to play a part in enriching society by delivering innovation through its business activities. We are deeply aware that our business activities are premised on relationships with many stakeholders, including customers, shareholders and other investors, business partners, the community at large and employees.

Corporate social responsibility (CSR) at NEC means achieving sustainable growth together with society by earning the trust of all stakeholders as we create and provide value through a diverse array of business activities.

**URL** This report can also be accessed at NEC's website.  
<http://www.nec.co.jp/csr/en/>

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## Editing Policy

NEC views this report as an important communication tool essential to earning the trust of all stakeholders supporting NEC's business activities. The report provides references to the NEC website, indicated by a **URL** mark as necessary, where more details or relevant information are available.

The period covered by the report is fiscal 2005 (April 1, 2004 to March 31, 2005). However, certain sections also outline activities before and after fiscal 2005. The content solely relates to NEC Corporation in certain sections but also includes group companies in other sections. For information covering a specific set of NEC and group companies the scope of such information has been explicitly defined in each relevant section. This report was prepared with reference to GRI's (Global Reporting Initiative) *Sustainability Reporting Guidelines 2002*, the Ministry of Environment's *Environmental Reporting Guidelines 2003* and other publications.

Please direct inquiries about this report, or your opinions or questions regarding NEC's CSR activities, to the address below.

### CSR Promotion Unit NEC Corporation

7-1, Shiba 5-chome, Minato-ku,  
Tokyo 108-8001, Japan  
Telephone: +81-3-3798-9837  
Facsimile: +81-3-3798-6030  
E-mail: [csr@csr.jp.nec.com](mailto:csr@csr.jp.nec.com)  
CSR home page: <http://www.nec.co.jp/csr/en/>

Statements in this report other than historical or current facts are forward-looking statements based on NEC's assumptions and beliefs in light of information currently available to it. Accordingly, we caution you that these forward-looking statements are subject to changes in business conditions and other factors.

# NEC at a Glance

## Corporate Facts

Company name	NEC Corporation
Address	7-1, Shiba 5-chome, Minato-ku, Tokyo, Japan
Established	July 17, 1899
Chairman of the Board	Hajime Sasaki
President	Akinobu Kanasugi
Capital	¥337.8 billion (As of March 31, 2005)
Consolidated net sales	¥4,855.1 billion (Year ended March 31, 2005)
Number of employees	NEC Corporation and consolidated subsidiaries 147,753 (As of March 31, 2005)

## Businesses

### IT Solutions Business

The IT Solutions business provides systems integration that includes software and hardware such as computers, mainly to government agencies and enterprises.



### Network Solutions Business

The Network Solutions business provides network integration relating to the broadband and mobile communications field, mainly to enterprises and communications services providers.



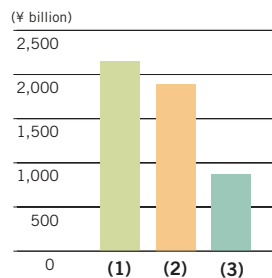
### Electron Devices Business

The Electron Devices business provides semiconductors, color LCDs, electronic components, etc., mainly to electronic manufacturers.



### Composition of Sales by Business

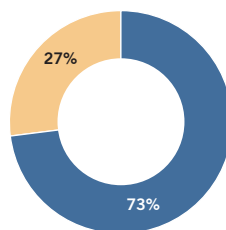
\* Including inter-segment sales (FY2005)



- (1) IT Solutions business
- (2) Network Solutions business
- (3) Electron Devices business

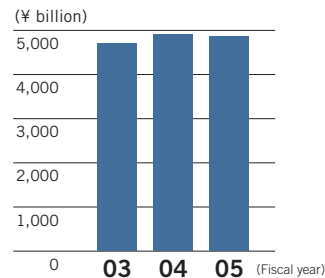
### Composition of Sales by Region

(FY2005)



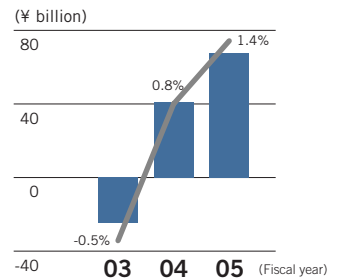
- Japan: 73%
- Overseas: 27%

### Net Sales



- Consolidated net sales

### Net Income (Loss)



- Net income (loss)
- As a percentage of net sales

# To Our Stakeholders



NEC's approach to corporate social responsibility (CSR) is to contribute to a prosperous society by delivering innovation through sound business activities. This process is also essential to fulfilling our responsibilities to numerous stakeholders, including customers, shareholders and other investors, business partners, the community at large and employees. Fiscal 2005 has seen NEC undertake more systematic and strategic initiatives under a newly assembled CSR promotion framework in order to reinforce CSR activities. In this report, CSR activities implemented over the past year are presented to all stakeholders.

In May 2005, NEC joined the United Nations Global Compact. The Global Compact's ten principles in the areas of human rights, labor, the environment, and anti-corruption have been included in the NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct, which serve as our platform for promoting CSR activities. In the years ahead, we will continue to conduct business activities fully in accordance with these principles, while approaching and contributing to the solution of various issues facing society and the environment from a larger, global perspective.

## Focus Efforts on Tightening CSR Risk Management

In fiscal 2005, CSR activities were reinforced based on three fundamental policies: (1) strengthen CSR-related risk management (2) promote activities aimed at creating value for society, and (3) deepen CSR-related communication. Recognizing that one of the most important priorities for NEC is to avoid having a detrimental impact on society and the global environment, NEC has identified six priority risks (quality and safety, the environment, information security, fair trade, occupational health & safety and human rights) in the area of CSR-related risk management, and has been making efforts to reduce these risks.

## Surmount Issues and Enhance CSR Activities

Fiscal 2006 will see us further tighten CSR risk management, and extend this priority across our organization. One concrete measure will be to hold repeated educational programs designed to instill a deeper awareness of CSR in the minds of all NEC group officers and employees worldwide. Another measure will be to ensure that not just group companies, but also our business partners cooperate with our CSR risk management activities. Going further, NEC will incorporate the concept of CSR into its business activities, and build up an impressive track record of projects where we proactively contribute to building a safe and secure ubiquitous networking society and solving global environmental issues using NEC's hallmark of innovation. In parallel, we will be deepening communication with stakeholders. Through these and other steps to improve and reinforce CSR activities, we will earn the trust of all stakeholders and further increase corporate value.

August 2005

A handwritten signature in black ink that reads "Akinobu Kanasugi". The signature is written in a cursive, flowing style.

Akinobu Kanasugi  
President

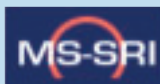
# Fiscal 2005 CSR Highlights

- April 2004**
  - Formulated the NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct and established the CSR Promotion Committee and CSR Promotion Unit to enhance the CSR promotion framework.
  - Formulated NEC Information Security Statement.
- May 2004**
  - Developed the world's first recyclable bioplastics that hold their shapes.
- June 2004**
  - Issued NEC Annual Environmental Report 2004.
  - Ranked No. 4 overall in the Nikkei Business Daily's survey of the best Japanese firms from the perspective of workers.
- July 2004**
  - Began Family Friendly Fund payments to employees upon the birth of a child.
  - Ranked No. 4 overall in the Nikkei Business Daily's survey of corporate quality management.
  - Ranked No. 1 for systems construction- and system operations-related services in the information service category of the Nikkei Computer's Fiscal 2005 Computer Customer Satisfaction Survey.
  - Ranked No. 1 overall in the telephone support and repair support categories in Nikkei Personal Computing's Fiscal 2005 PC Manufacturer Support Ranking.
- September 2004**
  - Issued NEC's first CSR report.
- December 2004**
  - Ranked No. 3 overall in the Nikkei Business Daily's 8<sup>th</sup> Environmental Management Survey.
- January 2005**
  - Ranked No. 4 overall in the CSR survey by the Nikkei Business Daily (No. 1 in consumer and business partner fields).
- March 2005**
  - NEC Make a Difference Day 2004, an annual community-oriented volunteer program, saw some 110,000 NEC group officers and employees participate worldwide during 2004.
- April 2005**
  - Selected as a company with an outstanding Internet IR program by Daiwa Investor Relations Co., Ltd. for the fifth consecutive year.
- May 2005**
  - Joined the United Nations Global Compact and declared to the international community that NEC will abide by the Compact's 10 principles in the areas of human rights, labor, the environment, and anti-corruption.



## Ratings and Awards from External Organizations

NEC has been highly rated by external organizations for its CSR promotion activities. We have been included in the following Socially Responsible Investment (SRI) indexes and SRI funds.



### Major Stock Indexes

FTSE4Good Global Index (UK)  
Morningstar Socially Responsible Investment Index (MS-SRI; Japan)

### Inclusion in Major SRI Funds in Japan

Mitsubishi SRI Fund	"Family Friendly"	(as of January 2005)
Sumitomo SRI Japan Open	"Good Company"	(as of March 2005)
Asahi Life SRI Social Contribution Fund	"Asu no Hane (Wings of Tomorrow)"	(as of June 2005)

# CSR Vision

## Fundamental Approach to CSR: Being a Good Corporate Citizen From a CSR Standpoint

The NEC group's business activities are based on relationships with many stakeholders, including customers, shareholders and other investors, business partners, the community at large and employees. NEC believes that earning the trust of these stakeholders through fulfillment of its responsibilities as a good corporate citizen is a key element of enhancing management quality and corporate value.

**Corporate Philosophy**

NEC strives through "C&C"\* to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential.

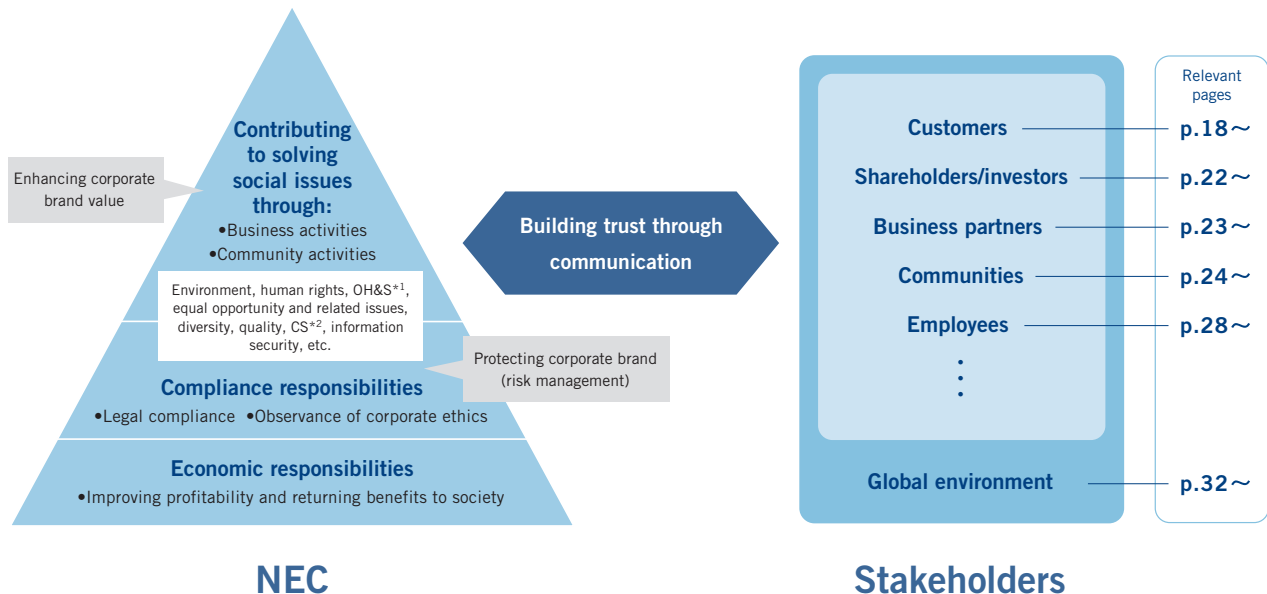
(Formulated in 1990)

\*C&C stands for computers and communications.

NEC's Corporate Philosophy sets forth fundamental principles for conducting business activities as a member of society. The objective of NEC's business activities is to realize the NEC Corporate Philosophy through sound business activities that raise profitability while promoting dynamic development in order to return benefits to society. Ultimately, this will enable NEC to contribute to the development of a sustainable society.

CSR activities and the drive to improve management quality are one and the same. While ensuring compliance with laws and upholding corporate ethics, fulfilling our economic responsibilities through sound businesses is a fundamental tenet of management. However, we cannot fulfill our social responsibilities through economic success alone. In terms of engaging in more socially beneficial activities, NEC must remain involved in various issues faced by society, such as global warming, human rights and consumer protection issues, digital inclusion, and providing the best workplaces from the perspective of workers. It is also crucial that NEC contribute to the solution of these issues through its business operations and community and environmental support activities.

Furthermore, NEC will proactively disclose information on CSR activities and accomplishments to stakeholders in order to fulfill its obligation to explain its actions to them. At the same time, through an open dialogue, NEC will reflect the views of stakeholders in business processes to drive further innovation. As a result, management will be able to satisfy the expectations of stakeholders, while also taking steps that lead to stronger operating results. This is the CSR-driven management that NEC aims to put in place.



\*<sup>1</sup> Occupational health & safety

\*<sup>2</sup> Customer satisfaction

# Platform for Promoting CSR-driven Management

**The CSR promotion platform at NEC comprises its Corporate Philosophy, the NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct. One key theme for CSR-driven management at NEC is for all organizational units, all directors, and each and every employee to understand these policies and implement them in the course of daily business activities.**

In April 2004, NEC made revisions to its Charter of Corporate Behavior (adopted in 1997) and Code of Conduct (adopted in 1999) from a CSR perspective. Extending their applicability to NEC group companies, NEC renamed them the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct. The NEC Group Charter of Corporate Behavior is composed of ten principles that provide a guide to the corporate activities required of members of the NEC group from the perspective of fulfilling NEC's social responsibilities. The NEC

Group Code of Conduct specifies the behavior expected of each and every officer and employee in the course of daily business activities, mainly from the perspectives of compliance and corporate ethics.

Daily efforts are being made to ensure that the NEC group strictly observes corporate ethics, the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct, in order to remain a company worthy of the trust of all stakeholders.

## NEC Group Charter of Corporate Behavior

The NEC Group works to improve profitability through sound business activities and to achieve dynamic development so as to benefit society. To this end, the Group is aware of the need to enhance its corporate value not only by observing all relevant laws and regulations, but also by fulfilling its social responsibilities as a good corporate citizen. At the same time, the Group must win the trust of customers, shareholders, investors, suppliers, the community at large, its employees, and all other stakeholders.

### Attaining Customer Satisfaction

The NEC Group earns customer satisfaction and confidence by developing and offering beneficial and reliable products and services and by paying careful attention to safety.

### Developing New Technologies

The NEC Group strives to develop creative technologies and break ground in new areas of business that will contribute to the future prosperity of society.

### Conducting Fair Corporate Activities

The NEC Group promotes fair, transparent, and free competition between corporations and ensures that its relationships and dealings with government agencies and political bodies are of a normal and proper nature.

### Disclosing Information

The NEC Group delivers accurate and sufficient corporate information in a timely, clear, and appropriate manner while enhancing the transparency of its corporate activities.

### Preserving the Global Environment

The NEC Group reduces the impact on the global environment and contributes to building a sustainable society.

### Maintaining Good Relations with the Community

The NEC Group respects the customs and cultures of all regions and countries and manages its activities in a way that contributes to community development.

### Conducting Thoughtful Corporate Citizenship Activities

The NEC Group fully recognizes that it is a key member of society and actively engages in philanthropy and other activities of social benefit as a good corporate citizen.

### Protecting Human Rights

The NEC Group respects human rights in all its corporate activities, never accepting any discriminatory practices or child or forced labor.

### Valuing Employees

The NEC Group respects each employee's individuality and creates work environments where all its employees can fully demonstrate their abilities and carry out their jobs with enthusiasm.

### Protecting Intellectual Property and Personal Information

The NEC Group recognizes the value of intellectual property and personal information and properly manages them.

(Formulated April 2004)

# Setting Innovation in Motion

## CSR Activities and Progress in Fiscal 2005 and Issues Ahead

NEC has reinforced its CSR activities since April 2004. In fiscal 2005, NEC focused on solidifying the basics through a number of measures, including clarifying CSR Promotion Policies and establishing systems, and promoting CSR-related risk management based on self-checklists. In fiscal 2006, NEC plans to deepen CSR risk management and extend it to the supply chain and further incorporate CSR-oriented thinking into business activities to reinforce competitiveness. NEC will also work to improve CSR activities through multi-stakeholder communication and implement other measures.

### Activities in Fiscal 2005

#### Developed CSR Promotion Systems, Formulated Basic Policies, Constructed Management Infrastructure

##### Developed CSR Promotion Systems

On April 1, 2004, NEC established the CSR Promotion Unit and the CSR Promotion Committee, and has appointed a senior executive with responsibility for CSR as part of a group-wide system for promoting CSR. NEC also appointed CSR Promoters in each Business Unit (BU) and affiliated company. These

measures were implemented to foster a deeper awareness of CSR-driven management throughout the company.

##### Formulated Basic Policies

NEC has formulated Basic CSR Promotion Policies fundamental to the conduct of actual business activities, based on its CSR promotion platform.

**(1) Strengthen CSR-related risk management:** The core aim is to prevent the occurrence of any illegal act or serious problem that adversely affects NEC's stakeholders where the cause is attributable to a product or service supplied by NEC or to the behavior of

### Three Key Activities in Fiscal 2005

- Develop CSR promotion systems, formulate basic policies, construct management infrastructure
- Implement measures in line with basic policies
- Formulate medium-term CSR strategies

### Basic CSR Promotion Policies

NEC Group CSR Promotion Platform:  
**Corporate Philosophy, NEC Group Charter of Corporate Behavior, NEC Group Code of Conduct**

#### Strengthen CSR-related risk management

- Secure competitive advantage minimizing CSR risks

#### Promote activities aimed at creating value for society

- Improve brand value through business, environmental, community and other activities

#### Deepen CSR-related communication

- Promote further disclosure, accountability on CSR practices, and leverage stakeholder engagement to improve CSR practices

# 2004: Setting Innovation in Motion

## Activities in Fiscal 2005

NEC group employees. Such CSR violations may involve a range of issues, including quality, safety, the environment, information security and fair commercial transactions. In the unlikely event that such an issue occurs, NEC must respond rapidly and in a transparent manner to resolve the issue and to prevent any reoccurrence.

**(2) Promote activities aimed at creating value for society:** Leveraging innovation, NEC aims to actively contribute to solving social issues through business operations and corporate citizenship activities.

**(3) Deepen CSR-related communication:** NEC will disclose the results of daily business operations related to (1) and (2) above to stakeholders through Annual CSR Reports and other channels. By working to reflect feedback from stakeholders in business processes in order to create innovative products and services, NEC hopes to fulfill the expectations of stakeholders.

### Constructed Management Infrastructure

NEC has formulated CSR Promotion Guidelines to construct infrastructure for promoting CSR-driven management. This manual covers group-wide management systems and methodologies for promoting CSR, and other topics.

## Formed Risk-reduction Management Strategy and Prepared for Extension to Supply Chain

### Identified Major CSR-related Risk Characteristics and Key Performance Indicators (KPIs)

From a CSR promotion standpoint, NEC has identified six priority risk categories: product quality and safety, the environment, information security, fair trade, occupational health and safety (OH&S) and human rights. Risk management is based on monthly assessments of KPIs for each risk category. NEC seeks to assess the status of group-wide CSR-related risks to prevent any serious issues from arising.

### Identified Issues Through Self-diagnosis Using CSR Self-checklists

NEC has formulated self-checklists for the above six priority CSR-related risk categories (see chart below) to aid in a self-diagnostic exercise for identifying CSR issues conducted in September–December 2004. These checklists were completed by personnel across the NEC group, including corporate staff,

## Major CSR-related Achievements in Fiscal 2005

### 1. Formulated CSR Promotion Policies and Established Systems

- Formulated CSR promotion platform (NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct) [Apr.]
- Established CSR promotion systems (creation of CSR Promotion Unit and CSR Promotion Committee; appointment of CSR Promoters) [Apr.–Jun.]
- Formulated Basic CSR Promotion Policies [May]
- Appointed CSR promotion managers at affiliated companies (Japan/overseas) [Oct. 2004–Mar. 2005]

### 2. Formed Risk-reduction Management Strategy and Prepared for Extension to Supply Chain

- Identified major CSR-related risk characteristics and KPIs [Jun.]
- Created CSR management framework (PDCA cycle-based)
  - Compiled CSR Promotion Guidelines and self-checklists [Sep.–Nov.]
  - Completed CSR self-checklists (for corporate staff, BUs, affiliates) [Sep.–Nov.]
- Prepared for extension to supply chain (compilation of guidelines, surveys of other companies, etc.) [Nov. 2004–Mar. 2005]

### 3. Promoted Activities Aimed at Creating Value for Society

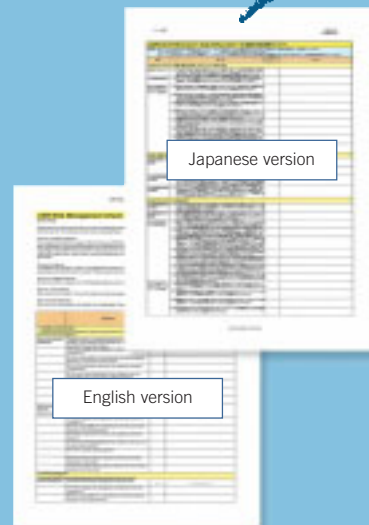
- Continued and upgraded existing programs in each relevant division (CS, environment, social contribution, human resources, universal design, etc.)

### 4. Deepened Proactive Disclosure and Stakeholder Communication

- Annual CSR Report 2004 published [Sep.]; Annual Environmental Report posted on NEC Website [Jun.]
- Renewed internal and external CSR websites [Dec.]

### 5. Reviewed Medium-Term CSR Strategies

- Formulated medium-term CSR-related strategic measures and goals [Feb. 2005]



CSR self-checklist

business units and affiliates, both in Japan and overseas.

### Preparing to Extend CSR-related Risk Management to the Supply Chain

NEC undertook preparations in fiscal 2005 for the extension of CSR-related risk management practices to its supply chain, including compilation of guidelines and self-checklists. While benchmarking similar initiatives by other companies in Japan and overseas markets, NEC will work to extend CSR-related risk management to its supply chain in fiscal 2006.

### Educational and Awareness-raising Programs

NEC views raising levels of CSR-related education and awareness among its employees as an important part of CSR promotion and risk management. NEC has begun training all employees in Japan on specific CSR-related subjects (such as business ethics, environmental issues and information security) using Web-based training programs. Training programs targeting CSR Promoters at NEC group affiliates and other initiatives have also been implemented. Overseas, NEC is concentrating efforts on providing

training to local CSR Promoters via a workshop format. During fiscal 2005, CSR workshops were held in Singapore and China. Another training course was held in Malaysia for directors at NEC group companies in Southeast Asia. Meanwhile, CSR-related information is available to employees via the NEC intranet.

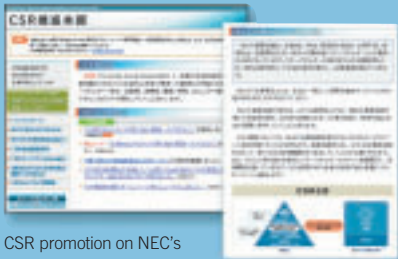
In fiscal 2006, NEC plans to build systematic Web-based training programs on specific CSR-related subjects for employees in Japan and to provide specialized training courses for CSR Promoters in domestic affiliates and BUs. Overseas, NEC plans to develop a system for promoting education on CSR-related issues, organized around four geographic regions, including North America and Europe.

### Promoted Activities Aimed at Creating Value for Society

NEC is engaged in a variety of activities aimed at creating value for society. Examples include activities to increase customer satisfaction (CS promotion); measures to control global warming



This training workshop took place in Hong Kong in March 2005. A total of 34 people from NEC group firms in China took part in this event and another one in Shanghai.



CSR promotion on NEC's Intranet (in Japanese)

### Activities Aimed at Creating Value for Society



NEC forestation operations in Australia help reduce CO<sub>2</sub> emissions.



IT skills training workshops for mothers raising small children to promote digital inclusion.



NEC purchases back and reconditions used PCs to conserve resources.



NEC in Brazil donated used PCs to this local school.

# 2004: Setting Innovation in Motion

## Activities in Fiscal 2005

and other environmental preservation activities (such as forestation programs); human resources policies aimed at creating a fair, non-discriminatory working environment, especially for women (such as the creation of the Family Friendly Leave/Fund); and social contribution programs in collaboration with NPOs aimed at promoting digital inclusion (such as NEC IT Training for Mothers Raising Small Children and donations of PCs).

Through business operations designed to lower environmental impact, such as the repurchase and reconditioning of used PCs, NEC hopes to create value for society and conduct a range of other activities that help to increase its corporate value and brand stature.

### Deepened Proactive Disclosure and Stakeholder Communication

#### Publication of Annual CSR Reports and Renewal of Websites

After several years of publishing an environmental report (which since 2004 has only been distributed via NEC's Website), in September 2004, NEC published its first Annual CSR Report to

promote CSR-related communication. NEC also renewed its internal and external CSR Websites to improve readability. Going forward, NEC aims to raise the quality of such reports while seeking to pay greater attention to the views of stakeholders. One key priority for NEC is to deepen two-way communication with stakeholders in order to incorporate more of their views on CSR-related issues into business operations.

### Reviewed Lessons Learned from CSR Activities in Fiscal 2005

Fiscal 2005 marked significant progress by NEC on various CSR-related fronts. The results were highly rated by external organizations (see p.5). But a number of sources also provided suggestions for improvement. The list of CSR-related lessons shown below is derived from an analysis of internal self-checklists, surveys conducted by external organizations (such as firms that manage socially responsible investment indexes), and from CSR-related customer requests.



Annual CSR Report 2004

Annual Environmental Report 2004

CSR Website

### Lessons Learned From CSR Activities in Fiscal 2005

- (1) Tighten risk management for quality/safety and information security-related risks; reinforce early detection and responses to CSR-related risks.
- (2) Expand CSR management globally (including supply chain).
- (3) Ensure sufficient CSR awareness at individual employee level.
- (4) Promote CSR-driven core business activities (CSR in business settings).
- (5) Increase dialogue with multiple stakeholder groups.

## CSR-related Activities from Fiscal 2006 Onward

### Formulation of Medium-term CSR Measures and Goals

NEC has formulated medium-term strategic measures and goals (see chart below) based on an overall analysis of CSR-related trends and actions by other firms, in addition to lessons learned from its own activities in fiscal 2005.

In fiscal 2006, NEC will conduct CSR activities targeting corporate staff, BUs, affiliates and its supply chain in line with this plan.

### Revisions to CSR Promotion Framework

To realize medium-term CSR-related measures and goals, NEC made various revisions to its CSR promotion framework in April 2005.

- **CSR Promotion Committee:** Chaired by the executive that leads the CSR Promotion Unit, this committee includes the CSR promotion managers of all BUs. Meeting every quarter, it is a forum for discussions on important CSR promotion policies and critical issues. Any important CSR-related operational matters are discussed in the BU Strategy Committee, which meets every month under the chairmanship of the president.

- **CSR Promotion Unit:** This unit oversees and coordinates CSR-related activities group-wide. In cooperation with relevant corporate staff divisions, BUs and affiliates, the CSR Promotion Unit is working on the three themes addressed by NEC's Basic CSR Promotion Policies.

- **CSR/Ethics Promotion Staff Steering Committee:** The members of this committee are responsible for CSR, ethical and compliance issues in each corporate staff division (Corporate Ethics Concurrent Staff). Meeting every month, the committee provides a forum for discussions on improvements to the

## Medium-term CSR Measures and Goals

### Goal 1. Deepen CSR Risk Management and Extend to Supply Chain

- Measures
- Strengthen monitoring of CSR risk management and establish PDCA cycles:
    - (1) Monitor via CSR self-checklists (prevention); and,
    - (2) Monitor via management of priority CSR-related risk indicators (prevent recurrences).
  - Expand scope of CSR risk management (from overseas affiliates to business partners).
  - Promote CSR-related education and awareness programs for all officers and employees.

### Goal 2. Incorporate CSR-oriented Thinking into Business Activities to Reinforce Competitiveness

- Measures
- Construct business processes that take into account CSR-related risks.
  - Expand CSR-related core business activities (helping to boost corporate image by developing innovative products and services).
  - Combine business activities with social contribution programs.

### Goal 3. Improve CSR Activities Through Multi-stakeholder Communication

- Measures
- Deepen stakeholder communications using annual CSR reports and reflect CSR-related feedback in activities.
  - Promote stakeholder dialogue (greater communication with stakeholders on specific topics).

# 2005 ~ Deeper Engagement , More

Activities From Fiscal 2006 Onward

management of CSR promotion activities across NEC.

- **CSR Promoters:** Managers responsible for CSR promotion are in place at all BUs and NEC affiliates. At each organization, CSR promotion managers play a central role in developing and managing CSR-related systems and mechanisms.

### Turning CSR into a Competitive Edge

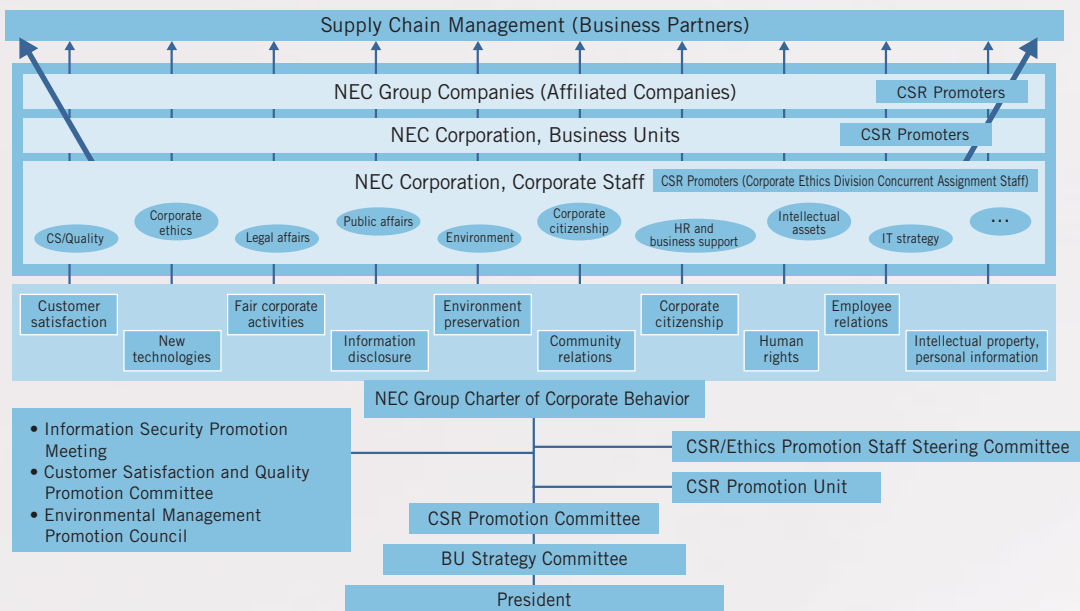
Based on its revised CSR promotion framework, NEC aims to generate a solid performance in terms of the “triple bottom line” (economic, environmental and social aspects of business) and thereby earn the respect of society. NEC believes that such an approach will enable employees to work in a more healthy and vibrant manner and help create a more exciting, motivating corporate culture.

Based on this theme, NEC is placing top priority on CSR-related risk management. Over the medium term, NEC aims to

reflect CSR-oriented thinking in daily business operations so that these operations can become a vehicle to solve social issues and create value for society. In this manner, NEC is looking to turn CSR into a competitive edge. Through ample disclosure of these CSR activities, NEC will incorporate feedback from stakeholders into business activities to increase corporate value, while contributing to the realization of a sustainable society.

The following sections of the report provide information on concrete CSR-related activities in a range of specific fields, including corporate governance, business ethics, privacy protection and information security. Other fields include CS and quality promotion, investor relations (IR), purchasing, local community programs, employee-related measures and environmental preservation activities.

### CSR Organizational Structure (From Fiscal 2006)



# Innovation

# Strengthening Corporate Governance

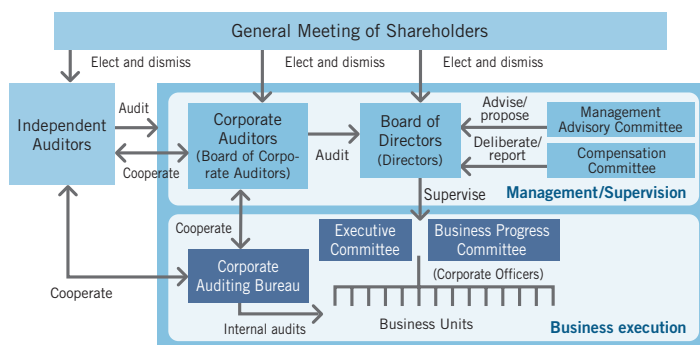
**In recognition of the fact that reliable corporate governance is essential to the maximization of corporate value, NEC is committed to strengthening its corporate governance practices through the following four fundamental policies: (1) ensure transparent and sound management; (2) expedite decision-making and business execution; (3) clarify accountability and (4) offer timely, appropriate and fair disclosure.**

NEC has adopted the corporate auditor model of corporate governance, and has a corporate governance structure centered on the Board of Directors and corporate auditors. Having introduced the Corporate Officer system in April 2000, which reduced the number of directors and transferred substantial authority for business execution from the Board of Directors to corporate officers, NEC has clarified management responsibilities and facilitated prompt decision-making and business execution. NEC has also strived to improve the transparency and soundness of its management by increasing the number of outside directors, establishing the Management Advisory Committee and the Compensation Committee, and engendering closer cooperation among NEC's corporate internal audit division, the Board of Corporate Auditors and independent auditors.

## Reinforced Supervisory Functions of the Board of Directors

As of June 22, 2005, the Board of Directors consisted of 15 members, and had three outside members, two of whom were outside directors. Aiming to further reinforce the supervisory functions of the Board of Directors, NEC's policy is to increase the number of outside directors to around one-third of the Board's total membership. The Board of Directors holds an ordinary meeting once a month and extraordinary meetings as necessary. At these meetings, directors deliberate and approve corporate management plans, business realignment and other important business execution matters. Effective from June 2004, the terms of directors were set at one year in order to clarify their responsibility for management each fiscal year.

## Corporate Governance Structure



## Ensuring Transparency and Soundness Through the Management Advisory Committee and Compensation Committee

NEC has established the Management Advisory Committee, consisting of members that include outside experts in relevant fields, to discuss management issues based on a wide range of external views. NEC has also established the Compensation Committee, consisting of five members that include two outside members (of which one is the chairperson), to deliberate on the remuneration system and level of compensation for directors and corporate officers from an objective perspective. The Compensation Committee reports the results of its deliberations to the Board of Directors.

## Cooperation Among the Board of Corporate Auditors, Corporate Auditing Bureau and Independent Auditors

As of June 22, 2005, five corporate auditors, including a majority of three outside corporate auditors, audited the actions of NEC's directors and received reports on audits from independent auditors as required.

NEC has also established the Corporate Auditing Bureau as an internal audit division. In order to promote mutual cooperation with corporate auditors and independent auditors, the bureau reports the results of internal audits not only to the president and other responsible directors and officers, but also to corporate auditors, and also periodically discusses the manner of internal audits with independent auditors.

Under this audit system, in order to improve the soundness of its accounting procedures and the credibility of financial reporting, NEC endeavors to enhance and strengthen its internal control systems over financial reporting through internal accounting audits, documentation of the internal control systems, and clarification of procedures to disclose financial information.

## Promoting Timely, Appropriate and Fair Disclosure

In addition to efforts to strengthen its global investor relations ("IR") activities led by the president and other members of senior management, NEC has been establishing a framework to ensure proper information disclosure in cooperation with relevant divisions.

# Promotion of Corporate Ethics and Compliance

**NEC views the fulfillment of its responsibilities as a corporate citizen as key to earning the trust of all stakeholders, including customers, shareholders and other investors, business partners, the community at large and employees. NEC views the strict adherence to ethical standards of behavior by individuals as the basis of CSR fulfillment. To this end, NEC undertakes a variety of measures.**

## NEC Group Code of Conduct: A Reliable Guide to Behavior for All Officers and Employees

To earn the trust of all stakeholders from both a legal and ethical perspective, the NEC Group Code of Conduct sets forth specific rules for all officers and employees in the NEC group to follow in their day-to-day activities.

**NEC Group Code of Conduct**

<p><b>I. General Provisions</b></p> <p><b>II. Relations with Society</b></p> <ol style="list-style-type: none"> <li>1. Preservation of the Environment</li> <li>2. Contributions</li> <li>3. Political Funds</li> <li>4. Prohibitions on Involvement in Anti-Social Activities</li> </ol> <p><b>III. Relations with Customers, Business Partners, and Competitors</b></p> <ol style="list-style-type: none"> <li>1. Product and Service Safety</li> <li>2. Free Competition and Fair Commercial Transactions</li> <li>3. Policies on Transactions with Suppliers of Materials and Services</li> <li>4. Policies on Transactions with Distributors</li> <li>5. Policies on Entertainment and Gifts</li> <li>6. Policies on Import-Export Transactions</li> <li>7. Policies on Publicity and Advertising</li> </ol>	<p><b>IV. Relations with Shareholders and Investors</b></p> <ol style="list-style-type: none"> <li>1. Disclosure of Corporate Information</li> <li>2. Prohibition of Insider Trading</li> </ol> <p><b>V. Management of Company's Assets and Information</b></p> <ol style="list-style-type: none"> <li>1. Management and Proper Use of Company's Assets</li> <li>2. Handling of Confidential Information</li> <li>3. The Protection and Utilization of Intellectual Property Rights</li> </ol> <p><b>VI. Implementation System</b></p> <ol style="list-style-type: none"> <li>1. Implementation System</li> <li>2. Inquiries</li> </ol>
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(Formulated April 2004)

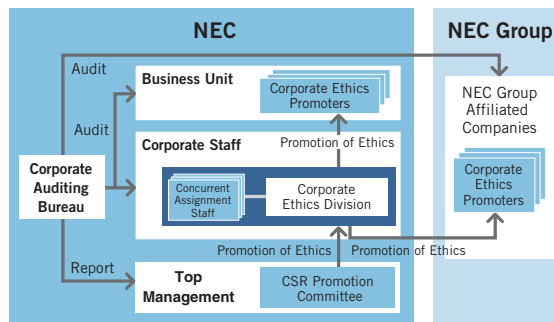
## Ethical Compliance Structure

The following organizations work closely together to ensure thorough, effective and efficient enforcement of the ethical standards of behavior detailed in the NEC Group Code of Conduct:

- The CSR Promotion Committee deliberates and decides important policies related to the enforcement of proper corporate behavior, based on established business ethics and a spirit of legal compliance (see p.12).
- The Corporate Ethics Division focuses exclusively on enforcement of business ethics throughout the NEC group. NEC has specifically assigned a total of 18 employees to serve as concurrent

assignment staff in conjunction with the Corporate Ethics Division to implement various measures to promote awareness of and compliance with the NEC Group Code of Conduct. Monthly meetings between the Corporate Ethics Division and these concurrent assignment staff provide a forum to exchange opinions and reflect ethics-related issues in corporate planning.

- Corporate Ethics Promoters collectively form a network throughout the company to ensure employees act in compliance with NEC standards of business ethics. Corporate Ethics Promoters assigned to each business division and affiliated company work closely with the Corporate Ethics Division to raise internal awareness of corporate ethics and compliance issues.
- The Corporate Auditing Bureau performs internal audits to check that NEC business operations are in compliance with applicable laws and regulations.



## NEC Help Line for Employees, Business Partners and Other Parties to Report or Consult on Compliance Issues

The Corporate Auditing Bureau set up the NEC Help Line in 1999. Since November 2003, the service has been operated in conjunction with an independent third-party organization to boost convenience and to enable effective pre-emptive action for a wider range of compliance risks. Besides NEC Corporation officers and employees, the service is available to employees of NEC group affiliates and materials suppliers in Japan.

The NEC Help Line allows any individual in NEC to consult and report on issues in situations where a violation of the NEC Group Code of Conduct has been reported or is suspected. No individual will face negative consequences as a result of reporting or consulting on these issues.

## Corporate Ethics and Compliance Based on “Awareness” and “Information Sharing”

“Awareness” and “Information Sharing” are the keywords of business ethics at NEC. In practice, this means fostering a sharp sense of awareness among officers and employees so that inappropriate behavior is recognized at once. Furthermore, such recognition needs to lead to the improvement of existing systems and procedures without allowing the matter to become lost.

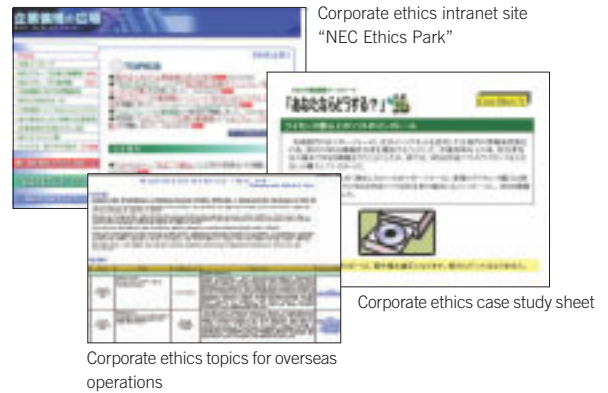
### Educational and Awareness-raising Programs

Web-based training programs, face-to-face training modules and other programs for new recruits and different management levels are aimed to promote business ethics within NEC by emphasizing the importance of the standards of behavior detailed in the NEC Group Code of Conduct. In addition, from fiscal 2005, annual Web-based training programs targeted at all officers and employees have been implemented. The annual NEC CSR Business Ethics Forum, which is attended by officers and employees, provides an opportunity for the president of NEC Corporation to emphasize the importance of ethical matters.

In fiscal 2005, NEC boosted its efforts to promote ethical compliance in overseas operations. Workshops (approx. 60 participants) were held in Singapore, Malaysia and China for representatives of local NEC companies and CSR Promoters (see p.13). Further workshops are planned in North America and Europe in fiscal 2006.

NEC is also striving to improve internal communications. A section of the NEC intranet is dedicated to business ethics issues. An e-mail newsletter distributed twice a month provides the latest information on related topics. In May 2001, to foster greater

awareness of ethics, NEC began compiling realistic case studies of possible incidents entitled “What Would You Do If You Were Involved?” (only in Japanese) to familiarize employees with ethical and legal issues related to the NEC Group Code of Conduct that could arise in everyday work. The number of such case studies had risen to 100 by December 2004. NEC also distributes topical releases on business ethics to overseas operations every month in Japanese and English.

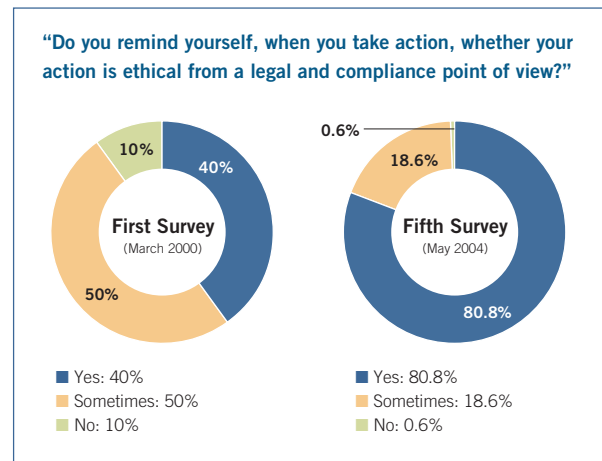


### Annual Surveys: Evaluating Ethics and Generating Feedback

NEC conducts online surveys on an annual basis to gauge ethical awareness among officers and employees and to evaluate the status of information sharing on this important subject. This feedback supports discussion and implementation of proposed new measures and policies. The case studies mentioned above and other initiatives reflect the views of employees obtained from questionnaires.



The NEC CSR Business Ethics Forum on November 10, 2004 focused on CSR and corporate ethics issues. This presentation by NEC President Akinobu Kanasugi (top right) was on the importance of CSR and risk management.



# Protecting Personal Information and Upgrading Information Security

**In a ubiquitous networking society where information can be exchanged at any time and any place, the protection of personal information and security of information assets are essential. NEC strives to ensure that this information is handled properly throughout its organization.**

The NEC Privacy Policy was formulated in July 2000 and updated in April 2005. NEC information security systems are fully compliant with JISQ 15001 requirements for compliance programs for the protection of personal information, a Japan Industrial Standard, and Japan's Personal Information Protection Law, which came into force in Japan in April 2005. These rules are enforced throughout NEC. In addition, the NEC Information Security Statement was instituted in April 2004 to ensure the appropriate protection of all information assets.

- **NEC Privacy Policy**

This policy outlines principles for the appropriate handling of personal information on customers to ensure that privacy is protected.

- **NEC Information Security Statement**

This policy outlines principles behind NEC's approach to information security, particularly with respect to the appropriate handling of valuable information entrusted to NEC by business partners and customers, and NEC's own information assets.

## Measures to Protect Personal Information

Based on the NEC Privacy Policy, NEC has put in place detailed rules and regulations stipulating proper handling procedures for personal information. During fiscal 2005, all NEC officers, employees and temporary employees received online training in personal information protection. This training course has since been extended to include employees of NEC contractors. In June 2004, NEC constructed a new ledger-based "Personal Identifiable Information Control System" for internal management of personal information. In March 2005, information security systems were further upgraded to enable disclosure of personal information in accordance with the Personal Information Protection Law. The Corporate Auditing Bureau regularly conducts internal audits to check standards of privacy protection.

As of July 2005, two NEC divisions (the BIGLOBE Operations Unit and the Systems Services Operations Unit) and 15

NEC affiliates had received certification of privacy procedures under the Privacy Mark validation scheme for private-sector firms operated jointly by the Japan Information Processing Development Corporation (JIPDEC) and the Japan Information Technology Services Industry Association.

## Information Security Measures

Information security risks have grown rapidly in recent years, rising to unprecedented levels. To illustrate, hackers and other online criminals exploit weaknesses in software or security patches to gain unauthorized access to networks. Attacks by worms and viruses infect computers, and data theft from laptops and hard drives leads to loss or leakage of information. Sensitive data can be disseminated over the Internet.

At NEC, the Information Systems Division has coordinated efforts with the Customer Information Security Office (in the Corporate Ethics Division) to develop and implement an information security system for the entire NEC group, and to organize training and awareness programs.

Efforts have focused on preventing information loss due to security breaches by enforcing strict controls on usage of networks, equipment and software, along with the installation of encryption software on all laptop PCs. JIPDEC has independently certified that NEC rules and procedures in this area conform to various accepted ISMS (Information Security Management System) standards. NEC is also working to boost information security and identify any related issues by setting clear compliance standards for responding to customers in areas such as sales, systems development, systems operation and maintenance.

At the NEC group level, online training programs conducted annually cover topics such as information security and proper use of electronic media. By organization and business process, NEC is also working to develop, check and upgrade self inspection systems for the information security of individual systems development and operational support projects.

**URL** NEC Privacy Policy  
<http://www.nec.co.jp/site/en/privacy.html>

**URL** NEC Information Security Statement  
<http://www.nec.co.jp/csr/en/management/security.html>



“Customers citing NEC’s quality of service as the reason for choosing NEC PCs have nearly doubled over the past three years. We are committed to achieving two priorities: providing required support plus a level of service that exceeds customer expectations. Our goal is to run a customer satisfaction-oriented business.”

**Junko Musumi**

Manager  
Customer Services Division, Service Strategy Planning Group  
NEC Personal Products, Ltd.

Above: The 121 (one-two-one) Contact Center, Tokyo, responding to technical inquiries from customers on NEC PCs & other products.

## For Stakeholders in Our Markets

### Securing Customer Trust through Innovation

In fiscal 2005, NEC posted consolidated net sales of ¥4,855.1 billion and net income of ¥67.9 billion. These results demonstrate the trust placed by customers in NEC products and services. To continue earning this trust, NEC has established a customer satisfaction (CS) promotion framework while strengthening quality and safety management systems. NEC cooperates actively with business partners (suppliers) to promote innovative management from a CSR standpoint. At the same time, NEC believes that earning the trust of shareholders and other investors in the course of pursuing ongoing business operations is another essential theme for management. Besides returning profits to shareholders, NEC recognizes the importance of maintaining high standards of transparency and fulfilling its obligation to explain its activities to all stakeholders.

# CS and Quality Promotion Activities

CS activities have been the cornerstone of NEC's business ever since its establishment. "Better Products, Better Service" was the first NEC corporate slogan, showing how management focused on putting customers first. By listening to customer feedback, NEC aims to supply products and services that exceed expectations. Systems are in place to identify any quality defects and related safety issues so that customers can use NEC products with complete confidence.

NEC believes that improving the quality of products and services is vital to ensuring high levels of customer satisfaction. Group-wide promotion activities aim to raise both CS and quality.

Quality Promoters at various organizational levels play a central role in these activities by promoting improvements at workplaces. Furthermore, Quality Promotion Managers have been assigned to each business unit (BU) to study and implement improvements. Quality Promotion Managers also take part in the CS and Quality Promotion Committee to discuss cross-functional quality issues and determine group-wide promotion activities for implementation at the BU level. The CSR Promotion Committee and the BU Strategy Committee also discuss important matters. The framework involves the entire company, from senior management to

the frontline, in repeated group-wide improvement cycles aimed at making NEC No. 1 in CS.

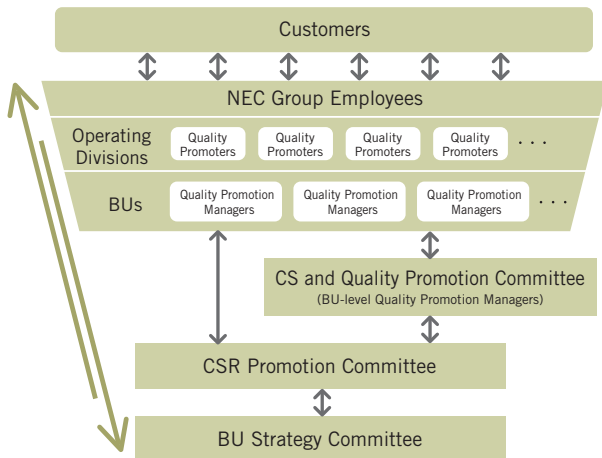
## Quality Promoter Activities (Frontline initiatives to promote CS and raise quality)

Around 900 Quality Promoters work in all parts of the NEC group to identify CS and quality issues in each workplace and to promote solutions based on a PDCA (Plan-Do-Check-Act) improvement cycle.

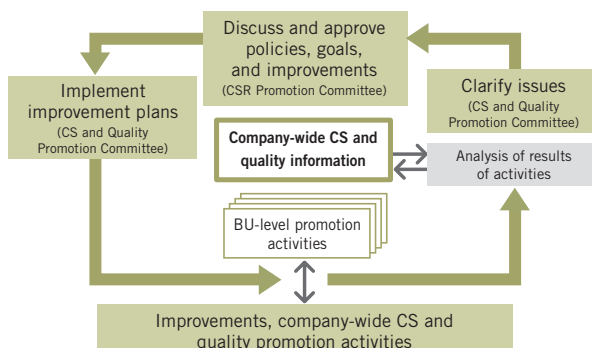
Reinforcing the efforts of Quality Promoters, NEC publishes case studies of successful CS and quality improvements. The president presents awards to employees to recognize exceptional achievements and praise received from customers. Other NEC initiatives to support higher quality include the CS Small-group Activity Program. Placing emphasis on group communications and workplace incentives, this approach creates small teams to focus on specific CS and quality improvements. Through this program, NEC is working to improve employee satisfaction (ES) and provide training on quality-related issues.

One issue that has recently come to light is the need for greater cooperation across the NEC organization to assist in the solution of certain issues that cannot be solved by a single BU alone. In fiscal 2006, NEC commenced a new cross-functional initiative involving Quality Promoters to address this problem.

## CS and Quality Promotion Framework



## Group-wide CS and Quality Improvement Cycle



## CS Performance Evaluation System (Reflecting CS and quality promotion activities in divisional performance)

NEC has a group-wide performance evaluation system for the assessment of the results of its CS and quality promotion activities, including CS surveys. The assessment results are reflected in the evaluation of divisional business performance. In fiscal 2006, the system was altered to evaluate CS in comparative terms against rival companies. This change aims to help NEC employees focus on realizing the goal of becoming No. 1 in CS.

## Managing Direct Contacts with Customers

### NEC Customer Contact Center

NEC provides a toll-free customer inquiry service to enable customers to direct general inquiries about NEC products, systems and services to the NEC Customer Contact Center in Japan.

In fiscal 2005, the NEC Customer Contact Center received approximately 110,000 inquiries, split roughly into 60,000 inquiries by phone and 50,000 by e-mail. Of this total, about 60% represented inquiries about products, services and sales channels, with customer consultations and the registration of views and requests representing 7% each. In the latter category, the most common request concerned difficulty in reaching customer representatives over the telephone. NEC has been working on this problem to improve the telephone response rate. To respond rapidly and properly to customer inquiries, NEC has also established a collaborative framework so that call centers can answer inquiries about several different products at once.

### 121 Contact Center

NEC has put in place the 121 Contact Center in Japan to receive PC-related inquiries from customers. The ease with which customers can reach the center by telephone ranks among the best call centers in the industry, reflecting NEC's aim to create an advanced contact center that delivers high levels of customer satisfaction.

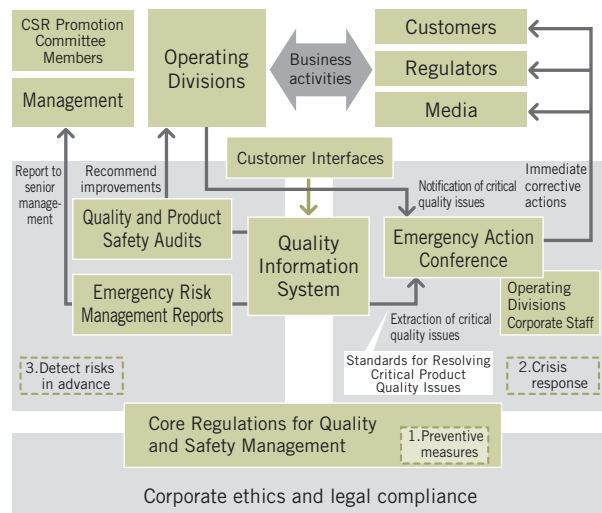
In July 2004, NEC initiated a new remote support service that allows the technical staff at the 121 Contact Center to connect to a customer's PC over the Internet. This remote link enables support personnel to see the actual PC screen and highlight specific portions of it while talking to the customer. The service makes it easier for support staff to teach customers specific operations or to solve problems.

In March 2005, NEC upgraded the remote support service to enable staff at the 121 Contact Center to assume operation of the customer's PC when demonstrating particular points. This facility will enable staff to help customers more effectively in addressing a wide range of PC-related issues. The remote support service has prompted many users to rate the services provided by the 121 Contact Center extremely highly in NEC surveys.

## Operation of Quality Risk Management System

Serious product safety problems and corporate incidents arising from compliance violations have been on the rise in Japan in recent years. These incidents represent major breaches of corporate social responsibility, and can result in customers and society imposing severe sanctions on offending firms. Safety, quality and compliance issues are thus risk management issues as well. NEC has always viewed quality risk management as a top priority. The quality risk management system has undergone a major review since October 2000.

### NEC's Quality Risk Management System



### (1) Compliance with Core Regulations and Technical Laws (Preventive measures)

To prevent quality problems from occurring, NEC defines core regulations for quality and safety management. These aim to raise product and service quality and to prevent defects by means of compliance with clear rules and the allocation of responsibilities for promoting product quality and safety in every business. Amid a tendency to relax preventive technical laws and regulations in favor of adopting stricter after-the-fact laws and regulations, NEC has developed a quality risk management system to ensure that each operating division complies strictly with all technical laws and regulations governing the safety of products (Japan's Electrical Appliance and Material Safety Law, Radio Law, Telecommunications Business Law, etc.) by setting internal standards, raising awareness of legal compliance and monitoring regulatory developments. Personnel responsible for legal compliance at each operating division coordinate the development and operation of

compliance structures. Internal quality audits periodically monitor and check compliance against the ISO 9001 standard, prompting any necessary corrections or improvements.

## **(2) Implementation of Standards for Resolving Critical Product Quality Issues (Crisis response)**

Formulation and implementation of these standards provide a crisis management function within NEC's quality risk management system. The standards specify the emergency response procedures required in the event (or the possibility) of a serious product quality problem that could damage customer trust. The standards also facilitate a rapid group-wide response to resolve the issue. When a serious quality problem arises, personnel at the relevant operating division collaborate with NEC corporate staff to set up an Emergency Action Conference to review and approve responses to all related issues, including communications with customers, regulators and the media. This group also reports directly to the president and relevant executive officers to ensure an integrated response and rapid solution.

### **(3)-1 Emergency Risk Management Reports (Detect risks in advance)**

Any quality problem with serious social ramifications (such as the failure of a public institution's services or a major accident involving an NEC product) triggers the creation of an Emergency Risk Management Report. The report informs the Chairman, President and other top managers of the nature of the problem, and also provides related operating divisions with the necessary risk-related data. The system aims to promote group-wide sharing of information on risks while boosting response capabilities and helping to prevent problems from reoccurring.

### **(3)-2 Quality and Product Safety Audits (Detect risks in advance)**

The purpose of Quality and Product Safety Audits is to ensure that systems and organizational structures can handle quality and product safety risks. Audits assess NEC operating divisions regularly in terms of awareness of quality risks and management status and the operational status of legal compliance systems and structures. The Corporate Auditing Bureau is primarily responsible for conducting these audits.

### **Minimization of Effects of System Failure (Detect risks in advance)**

Operation of NEC's quality risk management system has demonstrated the need for NEC to develop additional response capabilities in the event of any major system failure with severe social consequences. In response, in fiscal 2005, NEC conducted

trials aimed at identifying systemic failure-related risks and devising appropriate response plans for each specific contingency. By identifying assumed causes for each risk and developing preventive countermeasures as well as action plans in the event of a system failure, NEC was able to reduce the chances of any failure occurring and limit the possible effects. NEC plans to develop this initiative further internally in fiscal 2006.

## **Assessment of CS and Quality Promotion Activities (Measuring customer satisfaction)**

Knowing the views of customers is essential to supplying products and services that satisfy customers and exceed expectations. NEC conducts regular customer satisfaction surveys as part of ongoing efforts to improve products and services.

In the case of IT/Network Solutions business for corporate clients, NEC conducts customer satisfaction surveys targeting approximately 1,700 public sector and corporate customers. Survey populations for new consumer products such as PCs are typically around 5,000 users per product. Such surveys provide a lot of specific feedback from customers. NEC continually incorporates customer feedback into development programs to improve products and services and raise CS.

Surveys conducted in the IT/Network Solutions business have identified the speed and appropriateness of responses to customers as an issue when problems arise. NEC is addressing such feedback by trying to strengthen the links between salespeople, SEs, product developers and operational and support staff. Further measures are in planning for fiscal 2006 to improve the speed and quality of such responses.

## **Results of CS and Quality Promotion Activities**

NEC was ranked No. 1 in systems construction- and system operations-related services in the information service category of the Nikkei Computer's Fiscal 2005 Computer Customer Satisfaction Survey. NEC was also No. 1 in the overall telephone support and repair support categories in Nikkei Personal Computing's Fiscal 2005 PC Manufacturer Support Ranking. NEC ranked fourth overall in the Japanese corporate quality management rankings published by the Nikkei Business Daily for the same year. In these and other ways, NEC has been highly rated for its CS-related activities, which are focused on each and every customer.

# Earning the Trust of Shareholders and Other Investors

**Shareholders and other investors constitute one of NEC's most important stakeholder groups. By raising the transparency of management and fulfilling its obligation to explain its actions to stakeholders, NEC provides timely, appropriate and fair disclosure aimed at deepening the investment community's understanding of NEC and its corporate value.**

## Objective and Policies of Investor Relations (IR) Activities

The objective of IR activities at NEC is to obtain a proper evaluation of its corporate value from the capital markets by establishing relationships of trust with shareholders and other investors. Through these activities, NEC aims to achieve several goals, including (1) limited volatility and consistent appreciation in its share price; (2) efficient fund procurement (i.e. lower funding costs); and (3) a balanced composition of shareholders. Aiming to further increase corporate value, the market's perception of NEC, which is gauged through IR activities, is fed back to management in order to facilitate two-way communication with the markets.

NEC has a dedicated IR Office that is responsible for IR activities under the leadership of a director in charge of IR. Guided by the principle of proactively and consistently providing fair, timely and accurate disclosure, the IR Office's activities are aimed at building relationships of trust with shareholders and other investors. In order to maintain an appropriate disclosure system, NEC works to ensure that all internal divisions and affiliated companies strictly adhere to fair disclosure requirements of stock exchanges and other rules. To this end, NEC has also established communication channels and collaborative frameworks with all internal divisions and affiliated companies.

## NEC's IR Activities

NEC recognizes the importance of obtaining a proper evaluation of its corporate value from the capital markets through timely, proper, and fair disclosure. NEC prepares consolidated financial statements based on accounting principles generally accepted in the United States of America (U.S. GAAP) to help shareholders and other investors compare its operating results with peer companies around the world. From the fiscal year ended March 31, 2002, NEC also began disclosing quarterly results, and the president and other members of senior

management have been holding presentations on earnings and management policies on a regular basis. IR activities are structured to enhance communication with shareholders. The Ordinary General Meeting of Shareholders is scheduled so as to avoid peak days when shareholder meetings of other companies are scheduled. Furthermore, notice of the Ordinary General Meeting of Shareholders is distributed three weeks in advance, and shareholders can also vote over the Internet or via mobile phones. In response to growing interest on the part of shareholders and other investors, NEC has upgraded disclosure in new areas in recent years. These areas include the Company's approach to corporate governance and intellectual assets strategy.

## IR Website and Publications

NEC has a dedicated IR Website in Japanese and English where a variety of information, including the Company's latest operating results and presentation materials, is provided to shareholders and other investors. From July 2004, the latest information from NEC's IR Website has been distributed via email to registered users in order to make new information available in a timely manner.

NEC's IR Website was selected as one of 195 companies with outstanding Internet IR programs by Daiwa Investor Relations Co., Ltd. for the fifth consecutive year.

With respect to IR-related publications, NEC publishes Annual Reports covering the company's operating results and business strategies, as well as R&D and intellectual assets strategy and more. Another publication is NEC TODAY (in Japanese), a business report that clearly presents the company's operating results alongside business trends, including cutting-edge technologies.



Annual Report 2005

**URL** NEC IR Website  
<http://www.nec.co.jp/ir/en/>

# Collaboration with Business Partners

**Many of the products and services the NEC group offers to customers are based on materials and services supplied by business partners. Guided by the NEC Group Procurement Policy, NEC believes it is essential to deepen collaboration with business partners, while promoting CSR-driven activities together.**

## NEC Group Procurement Policy

The NEC Group Procurement Policy is a set of guidelines that ensures that NEC buys necessary materials with competitive quality, price, and delivery conditions from the global market under fair business terms, while observing all relevant laws and regulations. NEC revised the NEC Group Procurement Policy in April 2004.

The policy also provides the basis for internal rules governing all purchasing processes. All NEC purchasing personnel receive regular training to raise awareness of ethical compliance and related issues.

**URL** NEC Group Procurement Policy  
[http://www.procurement.nec.co.jp/nec\\_p1e.html](http://www.procurement.nec.co.jp/nec_p1e.html)

## Aiming for 100% Green Procurement in Fiscal 2006

Since 1997, NEC has been making group-wide efforts to implement the NEC Green Procurement Policy, which gives priority to purchasing items with low environmental impact. Besides materials for hardware products, this policy also applies to purchasing of software and services. Based on the Green Procurement Guidelines, NEC awards green certifications, with the goal of ensuring that all purchasing meets green procurement criteria by the end of fiscal 2006.

NEC has conducted evaluations of its business partners continuously since fiscal 2003. The green procurement rate was 97% on a value basis at the end of March 2005.

In fiscal 2006, NEC aims to make further progress with these evaluations, focusing in particular on chemicals contained in procured items to ensure full compliance with the EU RoHS\* directive, which is due to come into force in July 2006.

\* RoHS: Restriction of the use of certain Hazardous Substances in electrical and electronic equipment

**URL** Procurement policies  
<http://www.procurement.nec.co.jp/tope.html>

## Promotion of CSR Activities in Collaboration with Business Partners

### Procurement Guidelines

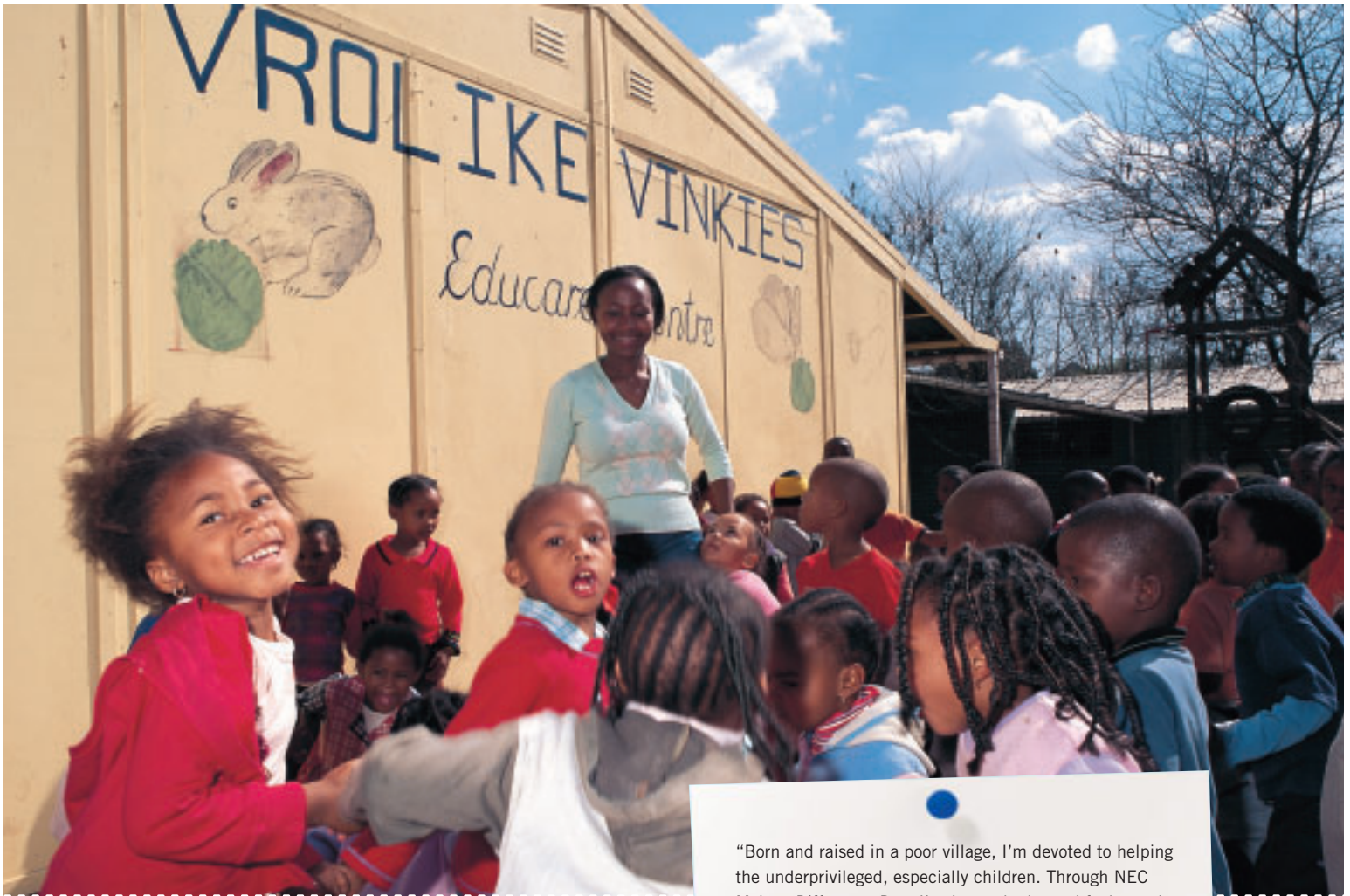
In fiscal 2005, NEC began extending CSR initiatives to its supply chain. In purchasing, this involved the formulation of materials purchasing guidelines for NEC business partners, covering a comprehensive range of issues such as compliance, information security, labor standards, occupational health and safety, and the environment. NEC also started conducting a CSR survey of all its major suppliers based on these guidelines. In fiscal 2006, NEC plans to undertake surveys to evaluate CSR-related activities of business partners, while also deepening mutual understanding as part of the ongoing efforts to upgrade such activities.

### Two-way Communication with Business Partners

NEC believes in the importance of listening carefully to feedback from its business partners to promote fair and competitive materials procurement.

Since fiscal 2004 the NEC Help Line for employees (see p.15) has been expanded to include NEC business partners in Japan to provide consultation on compliance issues and to allow business partners to report complaints.

In fiscal 2005, NEC conducted surveys where approximately 400 suppliers provided quantitative evaluations of the current status of NEC's procurement activities. The results of these surveys indicated that one of the strengths of materials procurement within the NEC group was the honest, sincere attitude and polite conduct of NEC's procurement personnel. The surveys also revealed that information provision was a weakness in existing procurement practices. NEC is working to address this issue by increasing opportunities for the exchange of views and information with business partners. In fiscal 2006, NEC plans to conduct similar surveys to evaluate performance and to seek feedback from business partners by deepening two-way communication and developing stronger mutual trust, in order to make further improvements.



"Born and raised in a poor village, I'm devoted to helping the underprivileged, especially children. Through NEC Make a Difference Day, I've learned a lot and feel proud to have contributed to a brighter future for children."

**Goodness Maja**

Assistant to Representative  
NEC Corporation Johannesburg Liaison Office

Above: Schoolchildren gathering in front of a classroom building renovated by employees of NEC Corporation Johannesburg Liaison Office as part of NEC Make a Difference Day in November 2004.

<http://www.nec.co.jp/community/necmd/e>

# For Communities

## NEC: Living Alongside the Community at Large

The NEC group comprises 225 companies worldwide (as of March 31, 2005) and maintains close relationships with the community at large around the world. NEC views the process of building mutually beneficial relationships with the community at large as a good corporate citizen and contributing to local community development as a vital element of its business activities and mission.

### Mission and Goals of NEC Social Contribution Programs

**Mission** NEC is committed to promoting social contribution activities that provide value to our stakeholders, including customers, shareholders, employees, and the community at large, by assuming part of its social responsibilities as a good corporate citizen, and contribute to NEC's reputation and increase corporate value.

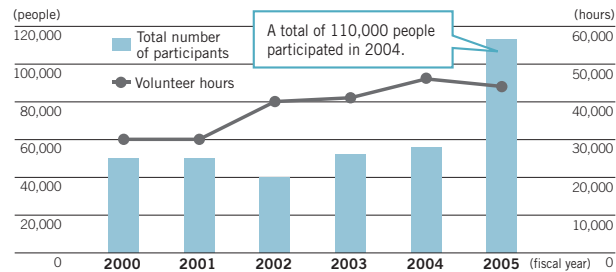
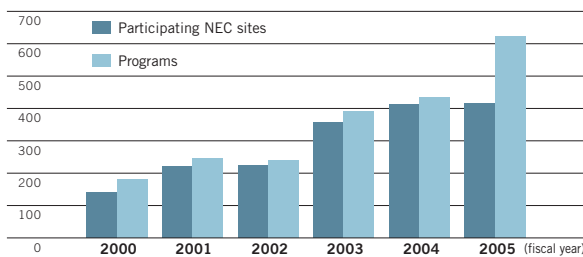
- Goals**
- Be actively involved in developing solutions to social issues and contribute to achieving a society of affluence and diversity.
  - Enhance our corporate culture and values that integrate stakeholder engagement with our business strategy.
  - Build positive relationships with the community at large and gain recognition as a good corporate citizen.

# Community Activities Around the World

## NEC Make a Difference Day 2004

“NEC Make a Difference Day (MDD),” which is now in its sixth year, began in 1999 as a celebration of NEC’s centenary. The concept behind MDD is to have NEC group officers and employees all over the world engage in addressing community-oriented issues in cooperation with local NPOs and volunteer organizations. Various activities take place throughout the year at NEC sites worldwide, and MDD has become an established part of the NEC group’s culture.

### Record of MDD Activities



In 2004, more than 110,000 people from 416 NEC sites took part in 622 MDD programs. In response to the Niigata Chuetsu Earthquake (October 2004) and Sumatra Offshore Earthquake and Indian Ocean Tsunami (December 2004), numerous NEC group employees worked together to conduct fundraising drives and support programs, achieving significant results.



NEC donated roughly ¥37 million in cash, relief supplies and other items collected from NEC group companies and employees in Japan for victims of the Niigata Chuetsu Earthquake. Special maintenance services were offered to repair NEC PCs used by customers affected by the earthquake. In the photo, PaPeRo, a personal robot developed by NEC, visits and consoles children affected by the Niigata Chuetsu Earthquake.

Following the Sumatra Offshore Earthquake and Indian Ocean Tsunami, NEC donated cash, equipment, food, medicine, and clothing valued at more than ¥40 million collected from NEC group companies and employees worldwide to humanitarian relief organizations and other bodies providing support in the affected regions. The photo shows one donation made to the Thai Red Cross Society.



Germany: donations of PCs and monitors to care facilities for the mentally disabled; PC instruction was provided to facility staff members.



Japan: free classes on using the Internet safely given to elementary schoolchildren in various regions across the country (see p.26).



The Philippines: donations of secondhand PCs repaired using recycled parts to an elementary school.



Chile: PBX exchange donated to technical school; technical guidance provided by NEC employees.



California, USA: held a display on Japan at cross-cultural event.



New Zealand: built a mountain bike course and conducted tree-planting activities.

**URL** NEC Make a Difference Day  
<http://www.nec.co.jp/community/necmd/e>

# Digital Inclusion

NEC views the use of IT resources to contribute to the solution of social issues as a key aspect of its corporate social responsibilities, in light of the fact that the IT field represents a key business domain for NEC. In step with changes in society, the digital divide issue has recently become increasingly apparent in various ways. Working in partnership with NPOs on issues of common concern, NEC continues to undertake IT-based social contribution activities so that people may lead more fulfilling lives as members of society.

## Next-generation Educational Support: NEC IT Training for Mothers Raising Small Children

In fiscal 2005, in cooperation with child-raising support groups and local governments, NEC organized IT workshops in six regions across Japan for a total of 120 women raising small children. This program serves a dual purpose by targeting mothers raising small children who want to improve their IT skills, and women trying to reenter the workforce after completing the most demanding phase of raising children. Since August 2003, when the first workshop was held in Niiza City, Saitama Prefecture, ten workshops have been held throughout Japan by request of each region. The classes were taught by volunteer ex-NEC employees.



### Niiza Kosodate Network (NPO) President: Junko Sakamoto

“Many young mothers raising small children are so-called IT refugees. This NEC program addresses a pressing need for IT workshops on the part of young mothers. These workshops are helping emerging child-raising support groups across Japan to realize a ‘dream business.’ It is a progressive example of NPO cooperation with a company that is committed to supporting the education of the next generation.”

## Making Use of the IT Skills of Senior Citizens in Society: NEC Senior IT Supporter Training Workshops

The concept behind this program is to expand opportunities for senior citizens by training them in how to use IT to help other seniors lead more fulfilling lives and to support those with physical disabilities. In fiscal 2005, six workshops for ordinary citizens were held across Japan, and two more for NPOs. Three NPOs became promoters of SITS (Senior IT Supporters) initiatives. These NPOs voluntarily organized three separate workshops to train a total of 50 new SITS volunteers.



### Shinayaka Net (NPO) President: Keiji Imai

“There is strong demand for support services that help seniors use PCs and for providers of these services. This program from NEC to train senior IT supporters is a significant step. SITS trainees can immediately start teaching seniors who have never used a PC before. I hope to see many more such workshops in the future meet growing demand from seniors.”

## Protecting Children from Online Crime: NEC Kids Internet Safety Program

NEC has partnered with the Japan Guardian Angels since 1999 to provide classes that teach children how to use the Internet properly without falling prey to the dangers of online crime. In fiscal 2005, a total of 1,387 people attended programs at 35 locations across Japan, including NEC facilities, elementary schools, and educational committees. With mobile phone crime rising rapidly, two classes on safe mobile phone use were also organized. NEC plans to extend these classes in future to children of middle school age.



### Japan Guardian Angels (NPO) Regional Director of Japan: Keiji Oda

“Nobody imagined online crime would become so common back in 1999 when we started this program. I hope we can continue to hold many more classes in partnership with NEC in a grassroots manner so that children and other weaker members of society do not become victims.”

**URL** NEC's Corporate Citizenship Activities  
<http://www.nec.co.jp/community/en>

# Educational Support for Future Generations

The education of youth, who will one day be the leaders of our society, is a key pillar of NEC's social contribution activities. Positioning the nurturing of youth as an investment in the future, NEC collaborates with NPOs on a variety of programs to foster the creativity and skills of youth.

## Making Science Fun for Children: NEC Galileo Club

Since 1996, NEC Galileo Club has offered children the opportunity to carry out handmade scientific experiments that let them experience the surprise and thrill of discovery first-hand, helping them to develop a greater appreciation for the physical sciences. Working in partnership with NPO Galileo Workshop, NEC organizes classes in nine locations across Japan. In fiscal 2005, the focus was on venturing out on a grassroots level to elementary schools to hold classes on the theme of "Electricity and Magnetism: Paving the Way for a New World of Telecommunications." A total of 321 elementary school students participated in the classes, supported by 26 volunteer NEC employees who served as assistant instructors. Looking ahead, NEC plans to make such classes available to children living in areas outside major Japanese cities. Following the success of the first such overseas event in fiscal 2004, a class on the same theme was also held in Malaysia in March 2005 for 150 elementary school children with the help of school teachers, employees of NEC Semiconductors (Malaysia) Sdn. Bhd. and Galileo Workshop.



### Galileo Workshop (NPO)

Chairman of the Board: Yoji Takigawa

"The children who came to our first workshops are now university students, and some are even helping us teach Galileo Club classes. Students who were once absorbed in an experiment on sound have developed an interest in science and are now ready to advance into the field themselves. Nothing could be more rewarding than this."

## Helping Young People Aspiring to Solve Social Issues: NEC Training Program for Social Venture Incubation

Since 2002, in partnership with Entrepreneurial Training for Innovative Communities (ETIC.), NEC has supported projects to promote social ventures and foster entrepreneurial talent by teaching students how to start and manage business-oriented NPOs. Three groups participated in the fiscal 2005 program. After seven months of training, one group had completed procedures to form an NPO and begin operations, and another group had started a company. The program has so far helped 13 groups, seven of which have formed their own enterprises to solve social issues. Future program goals include the development of new IT-based businesses and enterprises that can leverage NEC's resources. NEC also plans to upgrade the program by securing the help of stakeholders and external specialists to hold regular training seminars.



### Kamonohashi Project (NPO)

Executive Director: Sayaka Murata

"I took part in the second year of the program (fiscal 2004). My mission is to prevent children in Southeast Asia from falling victim to prostitution. The NEC program helped me grow personally by teaching me how to see things from the perspective of a business manager. Many people have commented on how much I have matured over the past year."

For information on the activities of NEC-related foundations:

URL

NEC's Corporate Citizenship Activities  
<http://www.nec.co.jp/community/en>

URL

Foundation for C&C Promotion <http://www.candc.or.jp/eng/>  
NEC Foundation of America <http://www.necfoundation.org/>



“In March 2005, I was certified as a Senior Professional. While it is an honor to be accepted as a professional systems architect, I’m deeply aware of the responsibility that comes with this certification. I feel that NEC’s fair working conditions and my family’s understanding of my career goals have enabled me to demonstrate my strengths. I hope to continue working in my specialty, information security, to help people use IT in a safe manner.”

**Ayako Komatsu**  
Senior Manager / Chief Systems Architect, Security  
Ubiquitous Software Division  
NEC Corporation

Above: A meeting at an NEC office in Tokyo.

## For Employees

### Innovation Linking Employees with the Company

The NEC group had a total of 147,753 employees as of March 31, 2005 in Japan and overseas. Each and every employee has an important role to play in driving innovation in business and society. NEC believes that employees are crucial members of its stakeholder base. We believe that every single employee has the potential to contribute to an enriched society through business activities, driven by efforts on the part of employees to expand their horizons through self-development and shine as individuals. The creation of ideal workplaces for employees, programs to nurture human resources and other initiatives are under way in support of innovation for employees.

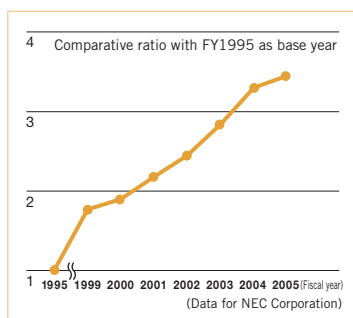
# Building Quality Workplaces

Respect for human rights at NEC translates into a variety of measures in the workplace. NEC aims to create a fair, diverse and non-discriminatory working environment that allows all employees to demonstrate their full abilities.

## Women's Success at NEC

NEC is widely acknowledged as one of Japan's most progressive firms in terms of supporting the success of women in the workplace. The ratio of women in managerial roles has been increasing

### Increase in Female Managers at NEC



every year. Fiscal 2005 saw the first woman in NEC become certified as a Chief Systems Architect (see p.28), the most senior level in the NEC Certified Professional (NCP) system (see p.31). This position ranks alongside officers in terms of remuneration.

## Family-friendly Employment Policies to Support the Next Generation

Aiming to create attractive workplaces for employees, especially women, NEC has been ahead of peer companies in introducing policies such as childcare leave and reduced working hours for employees raising children. As part of its response to Japan's Law for Measures to Support the Development of the Next Generation, which entered force in April 2005, NEC listened widely to the views of female employees with children and held discussions with in-house labor unions. Based on these discussions, NEC has formulated the following action plans, which represent commitments to employees.

### (1) Childcare support system

Payment of relocation expenses of up to ¥500,000 when employees move close to parents to share childcare responsibilities (or vice versa) or move to fulfill the residency requirements for day care facilities that accept children for longer periods.

### (2) Fee subsidies payable to employees making use of voluntary local childcare support services, plus mobilization of retired NEC employees for voluntary childcare programs

### (3) Development of a support Website for employees seeking to return to workplaces

### (4) Managerial training programs

## NEC Group Human Rights Awareness Programs: Promoting a Fair Working Environment

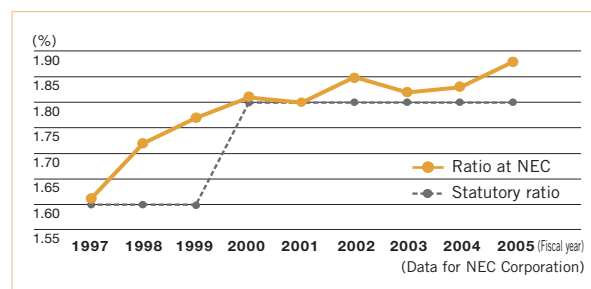
The Human Rights Awareness Committee, a group-wide organization, prepares activity plans every year. In fiscal 2005, numerous training seminars targeting specific positions and objectives were held for new employees, managers, Human Rights Awareness Committee members, recruitment interviewers, and other personnel. Total attendance for the NEC group in Japan was 4,780. Furthermore, initiatives to promote greater awareness of human rights issues among all employees included more human rights-related features on the NEC intranet, calls for proposals for human rights-related catchphrases and distribution of leaflets on this subject.

Seminars and internal communication campaigns target the prevention of sexual harassment. In addition to prevention and response measures, each NEC business unit also provides a consulting center for equal rights and other issues. Female managers are available for such consultations.

## Promoting Employment of People with Disabilities

NEC actively seeks to increase employment opportunities for people with disabilities. In March 2003, NEC established a subsidiary (NEC Friendly Staff, Ltd.) that is specially equipped to employ people with mental disabilities. The proportion of NEC employees with disabilities exceeds the Japanese statutory minimum of 1.8% (1.6% up to 1998), and NEC aims to increase this ratio to 1.9% in fiscal 2006. All NEC group companies are working to achieve an employment ratio above the statutory minimum.

### Ratio of Employees with Disabilities



# Occupational Health and Safety (OH&S)

Based on the fundamental principle that each and every employee must be able to work under safe conditions in good health, NEC offers various employee preventive health programs led by OH&S groups at each NEC worksite and a Health Care Center.

## Occupational Health and Safety (OH&S) System

The OH&S system at NEC encompasses OH&S groups at each worksite that collaborate with work management sections and health management sections to propose and implement preventive measures, as expressed in the goal of “zero accidents.” Detailed daily safety management protocols have resulted in a steady decline in the incidence of workplace accidents\*.

Over the past four years, NEC’s frequency rate\*\* for workplace accidents has been 0.6 or less, while the severity rate\*\*\* has been 0.01 or less (applies to NEC Corporation only).

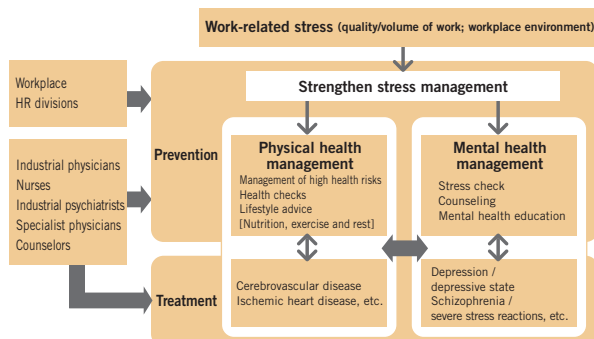
- \* Almost all work-related injuries consist of accidents during business trips or when employees are outside the company (e.g. tripping and falling down stairs at train stations, etc.) and do not involve any fatal accidents.
- \*\* Frequency rate: No. of casualties due to work-related injuries divided by total working hours x 1,000,000
- \*\*\* Severity rate: No. of lost working days divided by total working hours x 1,000

## Health Maintenance Policies

The general shift from labor-intensive industry to knowledge-intensive services has markedly reduced the incidence of accidents related to machinery and equipment operation or the handling of chemicals. Today, as more workers are middle-aged white-collar employees, the main focus of OH&S programs is on the prevention of a growing incidence of physical and mental health problems caused by work-related stress.

In accordance with the policies shown in the chart below, NEC is implementing the following two broad sets of measures in Japan.

### Basic Approach to Health Maintenance Policies



## Physical Health Maintenance Measures (Implemented Since January 2004)

Aging and work-related stress have a complex cause-and-effect relationship with various lifestyle diseases. NEC aims to provide employees at higher risk of cerebrovascular or heart disease and other conditions with information to help identify the risks and make positive lifestyle changes. NEC uses workplace measures and other preventive forms of management where necessary to reduce health risks. Employees receive regular health checks that look for six key risk factors\*1 and for lifestyle-related diseases. Based on the results, the work management and health management sections work closely together to provide priority medical advice to any employee diagnosed with at least four of these risk factors (individual subject to multiple risk factors).

As of the end of the first year since this policy got under way, the number of individuals subject to multiple risk factors was reduced by approximately 20%. Furthermore, meticulous labor management is carried out to ensure that these individuals do not work long shifts.

\*1 The six risk factors are obesity, high blood pressure, hyperlipidemia, diabetes, smoking and aging.

## Mental Health Maintenance Measures (Implemented Since February 2005)

The objective of NEC’s mental health maintenance measures is to provide support focused on prevention to maintain the health of employees and provide a workplace where they may employ their abilities to the full. One concrete measure was the start of a Mental Health Support Program. Its aim is to detect and respond to mental health issues early so that these issues do not persist or worsen.

Two methods of support are available: (1) initial support in response to disturbances in working and health conditions and (2) ongoing support, where assistance is provided in conjunction with worksites, the Health Care Center and primary physicians. As part of ongoing support, NEC has a support program for employees seeking to return to workplaces (workplace reinstatement program) after an extended period of leave. Through these and other actions, NEC has put in place a mental health support system centered on its Health Care Center.

# Training and Career Development

NEC respects and nurtures the individuality of each and every employee, while seeking to maximize employees' potential. Efforts are thus made to improve various systems, initiatives and training programs, such as the NEC Certified Professional system, which clarifies career paths, a lifetime career support system (career design support) and training for key personnel in support of global operations.

## NEC Certified Professional (NCP) System Expanded to Include Hardware (HW) Product Divisions

In fiscal 2005, the NCP system for SEs and consultants and other professionals, which previously mainly targeted organizations involved in the IT Solutions business, was extended to include HW product divisions ahead of the rest of the IT industry (NCP conforms with IT Skill Standards set by the Ministry of Economy, Trade and Industry). Aiming to create strong products that realize growth strategies, NEC is nurturing and making the most of the abilities of people, its most significant resource in product development, and has established a remuneration system that reflects this approach. As a result, the cumulative number of certified career professionals at the NEC group within Japan across all categories had increased to 9,970 by the end of March 2005.

## Career Parcel™: Career Development Support

NEC has introduced the Career Design Support System to assist employees in career design, skills development and ongoing self-evaluation.

In April 2005, based on feedback from an employee that family discussions can stimulate greater awareness of the importance of career development, NEC began distributing career development packages ("Career Parcel™") in Japan. Employees receive these packages on reaching certain milestone ages (35/45/55). The

parcels contain useful career information, recommended reading lists, invitations to training opportunities and other stage-specific information to aid people in career development. Sets are delivered to employees' homes with a birthday card.



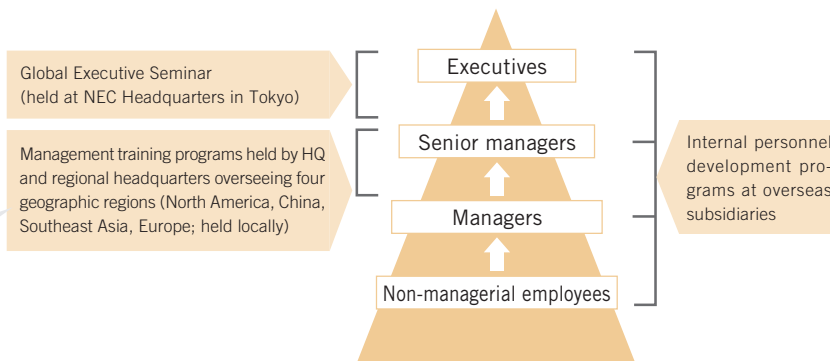
Career Parcel™ contents

## Global Executive Development Training Program Aims to Boost Autonomy of Overseas Subsidiaries

NEC held the Global Executive Seminar in Tokyo in July 2004 as a new training initiative for international executives. The course targeted talented employees at overseas subsidiaries with potential to become executives. Participants from NEC group subsidiaries in China, ASEAN countries and the U.S. conducted lively discussions on management issues at each overseas subsidiary with Japanese executives and NEC corporate staff involved in overseas operations.



At this training session for senior NEC managers held in London, 25 managers from nine European countries listen to a presentation from an executive from NEC Headquarters.





“The start-up of the ‘Refreshed PC’ business was very much an experimental undertaking, since we had no precedent for this type of business at NEC. Today, however, this business is helping to reduce environmental impact and is operating at a profit. The “Refreshed PC” business offers many other benefits, including contributing to enhancing the value of the NEC brand.”

**Noboru Ozawa**  
Group Manager  
Maintenance and Support Division  
NEC Personal Products, Ltd.

Above: Operations area for the “Refreshed PC” business at NEC Personal Products’ Gunma Plant, where PC maintenance and repairs are carried out.

# For the Environment

## NEC’s Innovations for Safeguarding the Global Environment

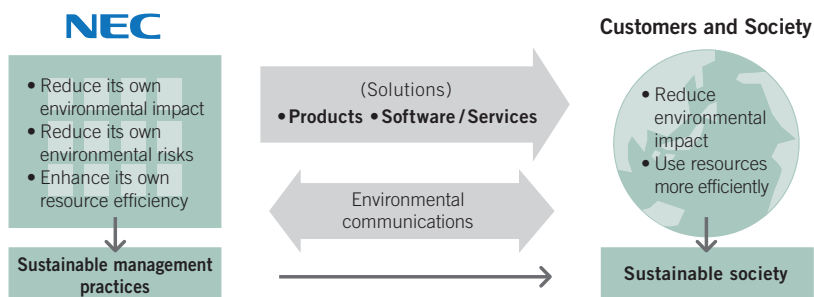
NEC is enhancing resource efficiency to safeguard the global environment and to minimize the environmental impact and risks associated with NEC’s own business operations, NEC customers who use the Company’s products and services, and of society as a whole.

NEC’s “Refreshed PC” concept was unveiled in July 2003. “Refreshed PCs” are used NEC PCs that are bought back by NEC for thorough cleaning, repair and regeneration. All data is deleted in accordance with standards set by the National Security Agency (NSA) of the U.S. Department of Defense. “Refreshed PCs” sold by NEC carry an NEC warranty. Over approximately 18 months through to the end of fiscal 2005, NEC bought and sold a total of 20,000 “Refreshed PCs” on a cumulative basis. The “Refreshed PC” business has been operating at a profit since its first year.

“Refreshed PCs” comply with NEC’s reuse policy aimed at saving resources and reducing CO<sub>2</sub> emissions. NEC is implementing a project to plant one tree in Australia for every PC bought back.

# Environmental Management at NEC

To make a truly meaningful contribution to the environment, NEC must first reduce environmental risks and impact, utilize resources more efficiently, and establish sustainable management practices in all business activities. It is also crucial that we provide products and services that lower customers' and society's overall environmental impact and promote the efficient use of resources. NEC hopes to play a part in building a sustainable society by maximizing the benefits of environmental initiatives taken on both of these fronts. This is our vision for environmental management.



## NEC Environmental Charter

Deeply aware of its corporate social responsibilities, NEC has established the NEC Group Charter of Corporate Behavior as a guideline for corporate activities. The charter is based on our Corporate Philosophy. We have also established an Environmental Charter describing our environmental principles and action plans, which are followed rigorously within the NEC group.

## NEC Environmental Management Vision 2010

To contribute to a sustainable society, NEC has formulated NEC Environmental Management Vision 2010, which outlines the nature of environmental management in the NEC group. The objective is to reduce the environmental impact of NEC's business activities, while providing products and services that also lower society's overall environmental impact.

### Environmental Principles

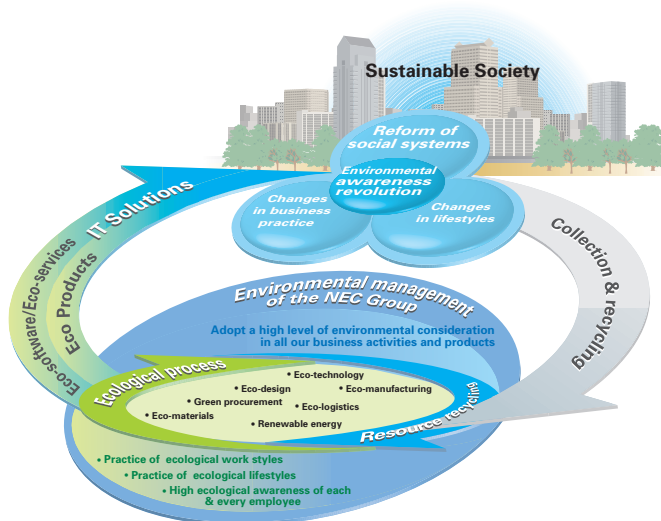
NEC will contribute to a sound environment and a livable society through technology that harmonizes with nature and through production that is environmentally friendly. Our vision is a world where our natural environment is preserved, enabling all people to pursue their full potential.

### Action Plans

(Preamble) NEC will make harmony with the environment one of its primary goals so that each individual within the company will act with this in mind. Respect for and preservation of the environment is our priority.

1. Produce energy and resource saving products, while giving careful thought to environmental safety issues in development and planning.
2. Encourage the development of environmental technology on all levels: production, sales, distribution, use and disposal of our products. To introduce materials, engineering and recycling methods that will minimize adverse effects on the environment.
3. Respect and adhere to national and regional environmental regulations. To strive to strengthen and enforce even stricter NEC environmental standards.
4. Contribute positively to society through an environmental management program with a global perspective, while educating and raising the environmental consciousness of all company members.
5. Provide a structured administrative organization for environmental management, with executives in charge of different areas, to delegate responsibilities and to be in the forefront of environmental matters at all times.
6. Maintain and strengthen an independent environmental management system, and implement improvement measures based on internal environmental company audits.
7. Contribute to environmental protection, by continuously making public announcements on the latest NEC developments in environmental technologies and management methods.

November 1991



The NEC group aims to be a truly excellent organization, one that promotes the development of superior social systems, business practices, and lifestyles and that contributes to achieving a sustainable society by providing IT solutions.

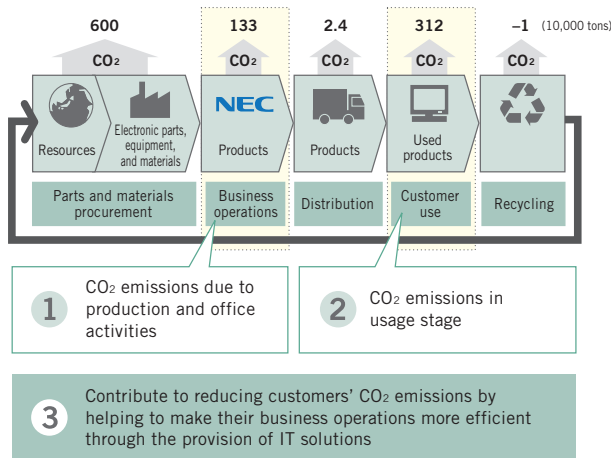
# Response to the Issuance of the Kyoto Protocol

## NEC Group Global Warming Countermeasures

### All Business Operations of NEC Relate to the Global Warming Issue

Following the entry into force of the Kyoto Protocol on February 16, 2005, national and local governments, industry, NGOs, NPOs and the general public are being required to take actions to reduce CO<sub>2</sub> and other greenhouse gases. Global warming countermeasures have also become an even more important and urgent issue for NEC.

NEC consumes energy and consequently emits CO<sub>2</sub> in all phases of its business operations, from the extraction of resources for raw materials, to manufacturing, sales and final disposal. In order to systematically reduce CO<sub>2</sub>, NEC has measured its CO<sub>2</sub> emissions in all life cycles. In fiscal 2005, NEC emitted about 10 million tons of CO<sub>2</sub> directly and indirectly. Of these emissions, CO<sub>2</sub> emitted as a result of production and office activities and CO<sub>2</sub> emitted through the consumption of power when customers use NEC products can be controlled relatively easily. That is, improvement activities can be expected to produce significant benefits.



Meanwhile, IT solutions provided by NEC help to make the activities of customers and society more efficient, thereby contributing to the reduction of CO<sub>2</sub> emissions. In other words, although CO<sub>2</sub> emissions are increased through production and office activities and through increases in IT equipment used by the customers, the higher efficiency achieved by customers and society as a whole contributes to reducing overall CO<sub>2</sub> emissions.

In light of the fact that all NEC business operations are involved to some extent in the global warming issue in this manner, NEC has formulated an environmental management vision, and is taking action accordingly.

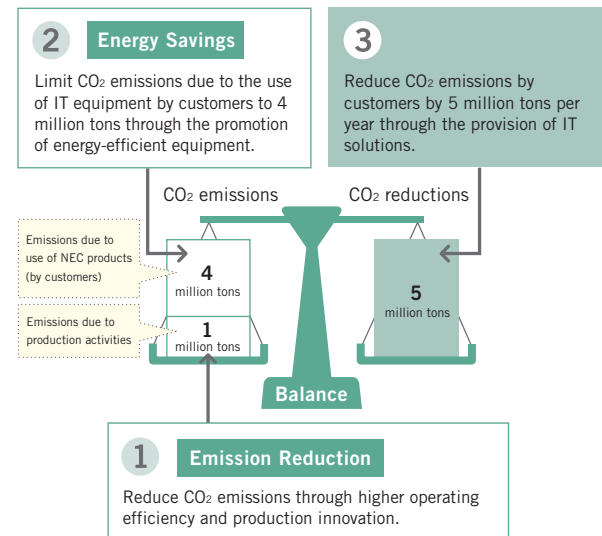
### Contributing to Global Warming Prevention Through Business Operations

–NEC Environmental Management Vision 2010 (Targets)–

Based on environmental management principles, NEC formulated a long-term vision statement titled “NEC Environmental Management Vision 2010” in fiscal 2003. In this vision, NEC announced its aim of effectively achieving zero emissions of CO<sub>2</sub> by 2010. Specifically, NEC will take the following three actions:

- 1) Reduce CO<sub>2</sub> emissions in production and office activities to fiscal 1991 levels (1 million tons) by promoting higher operating efficiency and production innovation.
- 2) Promote energy-efficient equipment to reduce CO<sub>2</sub> emissions due to the use of IT equipment by customers to 4 million tons even though more equipment is used.
- 3) Increase the efficiency of customers’ business operations through the provision of IT solutions to reduce customers’ CO<sub>2</sub> emissions by 5 million tons per year.

### NEC Environmental Management Vision 2010 (Targets)



IT is capable of clearly expressing intangible environmental changes, thereby contributing to changes in our awareness and behavior towards the environment.

NEC will fulfill its responsibility as a global corporate citizen by continuing to actively participate in various activities to prevent global warming.

# Fiscal 2005 Highlights of Environmental Activities

Highlights of NEC's environmental activities in fiscal 2005 are presented below. For further details, please see the NEC Annual Environmental Report 2005.

## Plastics Grown in the Garden: Utilized bioplastics as raw materials for PC parts

The goal is to reduce the environmental impact of plastics used in the frames and other parts of PCs. NEC has been making behind-the-scenes efforts to resolve these kinds of inconspicuous yet important issues. One such initiative delivered excellent results in 2004.

Masatoshi Iji, Dr.Eng., Senior Manager, Eco Material Fundamental and Environmental Research Laboratories, NEC Corporation



## Extending the Life of PCs through Reconditioning: Used NEC PCs are bought back and reconditioned for resale

NEC was the first to purchase back and recondition used PCs for resale. Although these PCs are used, NEC guarantees the quality of each reconditioned PC. Using products longer saves resources and reduces environmental impact.

Noboru Ozawa, Group Manager, Refreshed PC Sales Group Maintenance and Support Division, PC Operations Unit, NEC Personal Products, Ltd.

## Monitoring of Aichi Expo 2005:

### Wireless sensor network system used to build eco-friendly cities and enhance environmental awareness

NEC is developing and aims to fully commercialize a wireless sensor network system for measuring environmental data. The system is currently monitoring the Aichi Expo 2005 grounds. The sensors in the system look like ordinary ones, but have the potential to change the future.

Takaaki Okayama, Assistant Manager, 1st Sales Department, Public Services Network Solutions Division, NEC Corporation



## Modems Reborn: Frames of collected modems reused as raw materials for new modems

NEC AccessTechnica, Ltd. (headquartered in Kakegawa City, Shizuoka Prefecture), which designs, manufactures and provides maintenances services for liquid crystal displays in fax machines, PCs and mobile phones, has successfully launched a modem recycling business. The frames of collected modems are reused in new modems.

Yukitoshi Tomita, Senior Manager, Environmental Management Center, NEC AccessTechnica, Ltd.

## Creating 100% Eco-aware Employees: A unique participation-oriented environmental training program

NEC is implementing a unique type of environmental training in which employees participate by conducting debates on environmental themes and applying the results in environmental e-learning. The goal is to foster a high level of environmental awareness and encourage employees to undertake environmentally friendly activities.

Konoe Fujimura, Executive Director, Japan Association of Environment and Society for the 21st Century



## Restoring a Paddy Field in a Ravine:

### Nature rejuvenated via rice paddy restoration project to enhance environmental awareness of employees

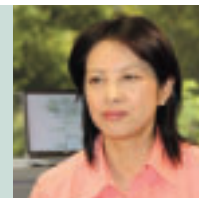
Kitanoiri is located about 2.5km southeast of the center of Ishioka City in Ibaraki Prefecture. A total of some 600 NEC employees and family members restored a devastated paddy field in a ravine. The participants rediscovered the magnificence of nature through hands-on experience, further enhancing environmental awareness.

Hiroshi Iijima, Representative Director General, NPO Asaza Fund

## The Word Tree Which Brings Greenery to Life: A Web-based forestation activity

Virtual trees are planted according to the number of messages posted on an NEC Website. NEC has been conducting this unique program since 2003. Messages received from all over the world are represented by growth in virtual trees and this leads to real forestation. This is NEC's "ecotonoha" program in which everyone can easily participate to increase greenery.

Kasumi Fujii, Manager, Advertising Division, NEC Corporation



# Eco-conscious Business Processes

NEC has been reducing its overall environmental impact across all business processes, from R&D to product design, raw material procurement, production, distribution, product use by customers, product collection and recycling.



## Development of Recyclable Bioplastics That Hold Their Shapes

NEC has developed bioplastics (based on polylactic acid made from corn) that can hold their shapes, returning to their original shape after being deformed through heat or external force. This world-first invention also possesses excellent recycling properties.

The newly developed bioplastics can be easily returned to their original shapes, by heating to around 60°C for about 30 seconds. Since the thermo-reversible bond between the molecules dissociates at temperatures higher than 160°C, used bioplastics can be melted and molded to other shapes for recycling.

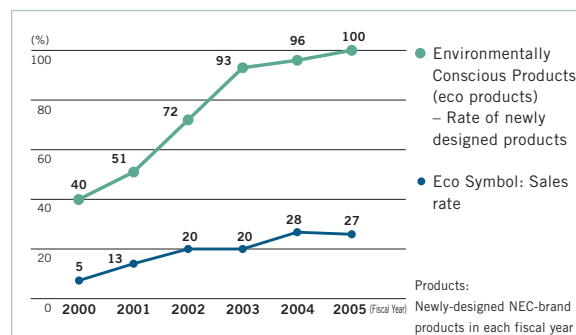


## Development of Environmentally Conscious Products

NEC has been working to reduce the environmental impact of its products by taking into account eco product standards such as resource recycling, the prevention of global warming, and environmental consciousness, in addition to factors such as quality, cost and delivery, throughout a product's lifecycle—from materials procurement to product use by customers and disposal.

NEC creates a wide variety of front-running eco-conscious products (Eco Symbol products) that lead its industry and actively discloses information on the environmental aspects of its products in product catalogs and on the company's Website. The goal of making all products developed in fiscal 2005 eco products has been accomplished. Efforts will be made to repeat this feat in fiscal 2006.

Eco Product/Eco Symbol Targets and Year-on-Year Changes



## Promotion of Green Procurement

NEC has been making group-wide efforts to implement a green procurement policy that gives priority to purchasing materials with low environmental impact. The objective is to expand the market for green products, promote the development of eco products in line with this expansion, and heighten the environmental awareness of product designers and developers, in order to achieve a recycling-oriented society (see p.23). As of March 31, 2005, the green procurement rate was 97%, compared with our target of 95%.

## NEC's Response to the Restrictions on Hazardous Substances (RoHS) Directive

NEC has been taking the actions listed below in response to the enforcement of the European Union's Restrictions on Hazardous Substances (RoHS) in July 2006. The directive prohibits, in principle, the inclusion of six substances, including lead, mercury, and cadmium, in electrical and electronic products.

- [1] Limit procurement of materials containing RoHS restricted substances
- [2] Check for and replace materials containing RoHS restricted substances
- [3] Assemble an in-house analysis framework and introduce analysis equipment (see photo to the right)



Fluorescent X-ray analysis system

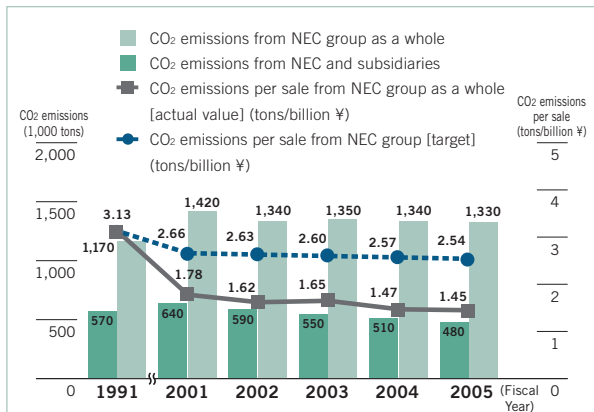
**URL** Eco-conscious Business Processes  
<http://www.nec.co.jp/eco/en/annual2005/04/4-0.html>



### Promotion of Energy Saving through Production Innovation Activities

Expertise is shared within the NEC group to enable efficient and effective implementation of activities that promote energy saving through production innovation.

#### Changes in CO<sub>2</sub> Emissions and CO<sub>2</sub> Emissions per Sale



**Note:** The CO<sub>2</sub> emission conversion factor used to calculate the electricity consumption in fiscal 2005 was determined using the final value for fiscal 2004 announced by the Federation of Electric Companies of Japan.

**Scope:** NEC Japan (NEC Headquarters, 6 plants, and 2 laboratories), 14 manufacturing subsidiaries, 41 service and software subsidiaries, NEC Electronics and its 6 manufacturing subsidiaries, and 13 independent affiliates.

### Using Kenaf-reinforced Bioplastics in Dummy Cards of Laptop PC LaVie T for Personal Use

Bioplastics, which have attracted attention as a means to counter fossil fuel depletion and global warming, previously lacked strength and heat resistance. These issues were resolved through the addition of kenaf fiber, an excellent material for preventing global warming, to bioplastics.

Kenaf-reinforced bioplastics are used in dummy cards for NEC's laptop PC LaVie T for personal use, which was launched in September 2004, and now in dummy cards for the LaVie TW and VersaPro series.

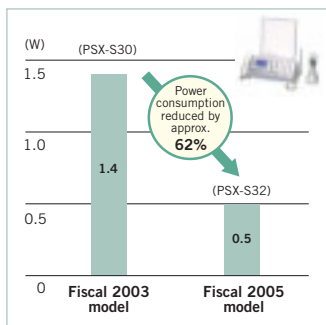


### Reduction in CO<sub>2</sub> through Restructuring of Delivery Networks and Different Modes of Transport

NEC has structured a nationwide distribution network and is increasing efficiency by promoting scheduled and shared transportation and modal shifts in transportation methods. As a result, the numbers of deliveries and transport distances have been minimized, contributing to reductions in CO<sub>2</sub> emissions.

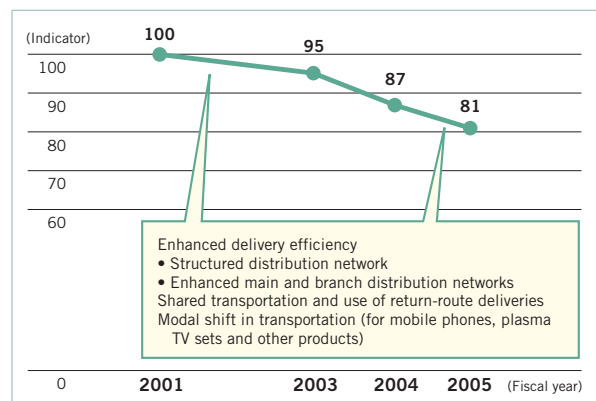
### Energy Saving and Miniaturization of Personal Facsimiles

A life cycle assessment (LCA) of personal facsimiles has shown that the environmental impact is highest in the stage of customer use. Noticing this trend, NEC has made the facsimile standby mode of personal facsimiles much more energy-efficient.



Compared with the fiscal 2003 models, NEC's fiscal 2005 facsimile models reduce standby power consumption by about 62%, lowering the environmental impact during ownership by the customer.

### Reductions in CO<sub>2</sub> Emissions Through Efficient Transportation





### Eco Promotion Proposals

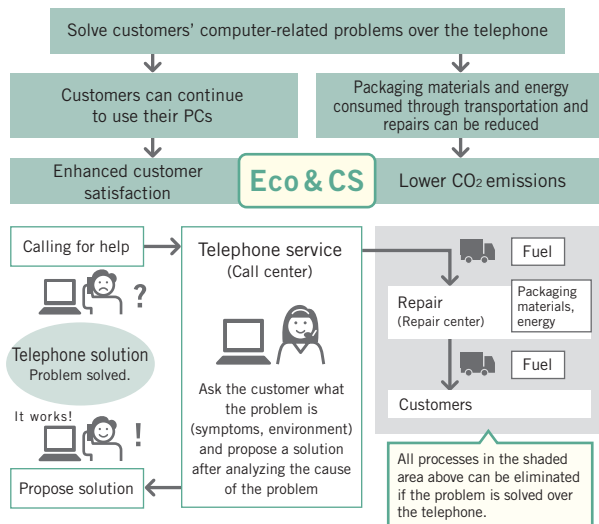
When proposing an IT solution to its customers, NEC makes a point of explaining the ability of a proposed solution to reduce the customer's, and society's, impact on the environment. In this manner, NEC describes the economical and environmental benefits that can be gained through the proposed solution.

In fiscal 2005, these eco promotion proposals were made at a rate of 1.24 proposals per salesperson, surpassing the target of 1 proposal per salesperson. In fiscal 2006, eco-promotion proposals will be made targeting 2 proposals per salesperson, in an effort to reduce the customer's environmental impact.

### Reduced CO<sub>2</sub> Emissions 710 Tons by Improving Telephone Solution Rates

At call centers, former PC development engineers perform direct troubleshooting over the telephone. This has resulted in a reduction in repairs due to a sharp increase in the early detection of false breakdowns. Customers are happier because the

#### Reduction in CO<sub>2</sub> Emissions Through Telephone Solution Service



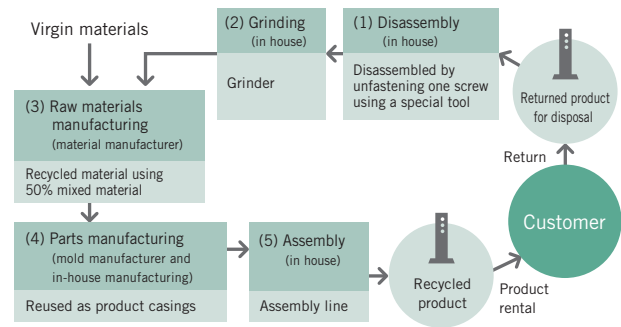
use of their PCs is not interrupted, and the environmental impact of transportation and repairs has been reduced.

### Closed Recycling of Aterm (ADSL modem) Casing

In the Aterm (ADSL modem) rental business, plastic modem casings returned by customers upon completion of the rental period that cannot be reused due to scratches or other reasons are recycled in a closed recycling system.

- Easy-to-disassemble design: Unfasten one screw for disassembly, black PS material
- Segregation on disassembly line: On-the-spot checking equipment and recycling box employed
- Installation of grinder: Transport and processing costs reduced
- 50% mixed material used: Material costs reduced

#### Overview of Closed Recycling Process



### Collection and Recycling of Used Products

In fiscal 2005, the amount of used information equipment (computers, PCs, printers and other products) collected was down 10% at about 98,000 tons compared with the previous year due to a reduction of about 15% in the amount of data communications equipment collected from corporate customers. The resource recycling rate in fiscal 2005 was 98%, the same as in the previous year. The resource reuse rate defined by the Law for the Promotion of Effective Utilization of Resources was 89%, the same as in fiscal 2004. Moving forward, the resource recycling rate will be increased by promoting the recycling of plastics resources.

# Mid-term Environmental Plan

## NEC Eco Action Plan 2005 (Results of Fiscal 2005 Activities and Fiscal 2006 Mid-term Targets)

Based on our Environmental Management Vision 2010, we have established a mid-term plan that aims for the attainment of specific targets. The plan calls for the targets to be achieved by fiscal 2008 for products (10 items), plants and offices (10 items), solutions (4 items), and environmental communications (2 items).

The level of achievement of fiscal 2005 targets will be assessed and the results incorporated in the activities scheduled for fiscal 2006 and after.

### Product-related items

(Assessment ○: Achieved △: Achieved at a rate of 80% or higher  
×: Achieved at a rate of under 80% —: Not applicable)

(● Newly added item or modified target item)

Indicator	Item (Total of 10 items)	Mid-term Targets		FY2006 Target	FY2005 Target	FY2005 Result	Assessment
		Target Value	To Be Achieved (FY)				
Environmentally conscious products p.36	(1) All newly developed products qualifying as environmentally conscious products *1	100%	After FY2005	100%	100%	100%	○
	(2) ● Percentage share*3 of Eco Symbol products*2 (Percentage share of hardware product sales)	100%	FY2008 results	85%	40%	83%	○
Prevention of global warming p.37	(3) Reduction in power consumption of equipment *4	30% (reference fiscal year: FY2004)	2008	—	—	40% (reference fiscal year: FY2001)	—
Collecting and recycling resources p.38	(4) ● Usage rate for recycled plastics in equipment casings and frames *5	55%	2008	50%*6	—	62%	○
	(5) Collection of used products	13,500t	2006	13,500t	11,500t	9,800t	△
	(6) ● Promotion of recycling of plastics resources Material recycling rate *7	70%	2008	50%	—	Activities under way	—
Environmental consciousness p.23, 36	(7) Green procurement rate *8	100%	2006	100%	95%	97%	○
	(8) Complete phase-out of substances specified in RoHS Directive *8 (Lead, cadmium, hexavalent chromium, mercury, etc.)	Complete phase-out	2006	Complete phase-out	—	Activities under way	—
	(9) Complete phase-out of lead solder *8	Complete phase-out	2006	Complete phase-out	—	Activities under way	—
	(10) ● Percentage share of equipment casings and frames *9 free of bromine flame retardants	90%	2008	83%*6	—	87%	—

\*1 Environmentally conscious products: Products that meet NEC's eco product standards for product assessment.

\*2 Eco symbol: Products that meet all NEC environmental consciousness standards and demonstrate innovation and transparency.

\*3 Percentage share of Eco Symbol products: Number of products that have obtained Eco Symbol/number of newly developed products in a given fiscal year.

\*4 Power consumption: The rated power and/or target value in standby mode determined taking product characteristics and regulatory trends into consideration.

\*5 (Weight of plastics for frames containing more than 10% of recycled plastics)/(Total weight of plastics for frames)

\*6 Individual targets are set for products using plastics in frames.

\*7 Includes material recycling via use of recycled plastics in other products.

\*8 Excludes some products, including those built to customer specifications.

\*9 1 - {(Weight of plastics free of bromine flame retardants for frames)/(Total weight of plastics for frames)}

### Fiscal 2005 Achievements and Improvements

The percentage share of Eco Symbol products has increased to 83%, with annual sales surpassing ¥1 trillion for three years in a row. The mid-term target of a 40% reduction in the power consumption of equipment in fiscal 2005 compared with fiscal 2001 was also achieved. NEC also reached its green procurement target, reflecting stronger efforts to assemble a system for promoting green procurement. The collection of used products decreased 10% in terms of overall weight compared with the previous fiscal year. This was mainly due to a 15% decrease in the collection of data communication equipment from corporate customers, which was partially offset by a three-fold increase in the collection of used home-use PCs in terms of weight.

### Fiscal 2006 Targets

NEC will continue activities to increase the percentage share of Eco Symbol hardware products to 100% by fiscal 2008. As for the power consumption of equipment, NEC is working to design power-efficient new products using fiscal 2004 products as the new basis of comparison. Efforts will be stepped up to fully discontinue the use of substances banned by the RoHS Directive and lead solder by March 2006. With respect to NEC's 3R (recycle, reuse and reduce) product policy, the key priorities are to implement measures to boost the collection of used products and promote the recycling of plastics materials.

#### URL

Mid-term Environmental Plan  
<http://www.nec.co.jp/eco/en/annual2005/03/3-6-01.html>

## Plant and Office-related Items

(Assessment ○: Achieved △: Achieved at a rate of 80% or higher  
×: Achieved at a rate of under 80% —: Not applicable)

(● Newly added item or modified target item)

Indicator	Item (Total of 10 items)	Mid-term Targets			FY2006 Target	FY2005 Target	FY2005 Result	Assessment
		Target Value	To Be Achieved (FY)	Reference fiscal year				
Prevention of global warming p.37	(1) Absolute CO <sub>2</sub> emissions reduced to 1990 level *1,2	To 1.17 million ton level	2011	1991	—	—	1.33 million tons	—
	(2) Reduction in energy-derived CO <sub>2</sub> emissions per unit of nominal sales *1,3	-25%	2011	1991	-20%	-19%	-13%	×
	(3) ● Reduction in energy-derived CO <sub>2</sub> emissions per unit of adjusted actual sales *1	-25%	2011	1991	-20%	-19%	-54%	○
	(4) Absolute value of greenhouse gas emissions *4 (converted to GWP equivalent)	-10%	2011	1996	+76%*5	—	+76%	—
	(5) ● Reduction in distribution-derived CO <sub>2</sub> emissions	-30%	2011	2001	-25%	—	-19%	—
	(6) ● Reduction in total GHG emissions (absolute value)	To reference fiscal year's level	2011	Corresponding reference fiscal years*9	—	—	—	—
Effective utilization of resources p.42	(7) Purchased amounts of chemical substances (substances regulated by law)	-30%	2006	2001	-30%	-15%	-11%	×
Resources recycling p.42	(8) Waste emissions (non-hazardous waste materials + hazardous waste materials)	-35%	2006	2001	-35%	-20%	-31%	○
	(9) Material recycling rate *7	+10%	2006	2001	+10%	+5%	+39%	○
Environmental management p.44	(10) Acquisition of ISO 14001 certification (Applicable to overseas manufacturing subsidiaries, consolidated service and software subsidiaries in Japan that have not yet acquired ISO 14001 certification)	—	2006	—	All companies to acquire certification by fiscal 2006	All companies to acquire certification by fiscal 2005	98% (106/108 companies*8)	△

\*1 The CO<sub>2</sub> emission conversion factor used to calculate the electricity consumption in fiscal 2005 was 0.436 CO<sub>2</sub> tons/MWh, the final value for fiscal 2004 announced by the Federation of Electric Power Companies of Japan.

\*2 From fiscal 2006, NEC has changed its target to (6) Reduction in total GHG emissions (absolute value).

\*3 From fiscal 2006, NEC has changed its target to (3) Reduction in energy-derived CO<sub>2</sub> emissions per unit of adjusted actual sales.

\*4 Greenhouse gases include HFC (hydrofluorocarbon), PFC (perfluorocarbon), SF<sub>6</sub> (sulfur hexafluoride), NF<sub>3</sub> (nitrogen trifluoride) and N<sub>2</sub>O (dinitrogen monoxide).

\*5 Plan to reduce greenhouse gases to 10% above the fiscal 1996 level in fiscal 2008 by using alternatives to greenhouse gases, removal systems and other means.

\*6 Total GHG emissions include 1) energy-derived CO<sub>2</sub>, 2) greenhouse gases, and 3) distribution-derived CO<sub>2</sub>.

\*7 Ratio of shift from thermal recycling to resource recycling, reuse and sale.

\*8 Excludes companies that were newly consolidated in fiscal 2005.

### Fiscal 2005 Achievements and Improvements

NEC reduced energy-derived CO<sub>2</sub> emissions by an absolute value of 14,000 tons from the previous year, but fell short of the target for emissions per unit of nominal sales. The target was achieved in emissions per unit of adjusted actual sales\*, which was adopted from fiscal 2005 as a unified target as part of a voluntary action program of the Japan Business Federation (for electrical and electronic products), to compensate for price declines.

Consumption of greenhouse gases other than CO<sub>2</sub> increased due to new lines installed in NEC's semiconductor business. However, when converted into the GWP equivalent, emissions were held to the previous year's level by using alternatives to greenhouse gases. Purchased amounts of chemical substances increased by 2,000 tons compared with the previous fiscal year due to the installation of new lines and other reasons. Sale of waste emissions as resources increased in fiscal 2005, but overall waste emissions remained largely unchanged from the previous fiscal year due to the installation of new lines.

In fiscal 2005, NEC fell slightly short of its target for ISO 14001 certification, although 22 companies newly acquired ISO 14001 certification due to the use of the Internet EMS system and encouragement from NEC Electronics.

\* Adjusted actual sales are calculated by dividing nominal net sales by the Domestic Corporate Goods Price Index (for electrical machinery & equipment) released by the Bank of Japan.

### Fiscal 2006 Targets

NEC will give significant priority in fiscal 2006 to measures to control global warming, promoting consistent energy saving activities and efforts to use alternatives to greenhouse gases. Effective utilization of resources will be emphasized to reduce the consumption of chemical substances and total waste emissions to targeted levels for fiscal 2006. Our Internet EMS system will be promoted more intensely in order to achieve our target of ISO 14001 certification for all of the main consolidated companies in the NEC group.

## Solution-related Items\*1

(Assessment ○: Achieved △: Achieved at a rate of 80% or higher  
×: Achieved at a rate of under 80% —: Not applicable)

(• Newly added item or modified target item)

Indicator	Item (Total of 4 items)		Mid-term Target		FY2006 Target	FY2005 Target	FY2005 Result	Assessment
			Target Value	To Be Achieved (FY)				
Eco solutions *2 p.38	(1)	Number *4 of eco promotion proposals *3	3 proposals/person	2008	2 proposals/person	1 proposal/person	1.24 proposals/person	○
	(2)	Product environmental assessment implementation rate *5,6	100%	2007	50%	System introduced in all business units	Completed	○
	(3)	• Eco software and eco service *7 creation rate *8,9	100%	2008	50%	—	—	—
	(4)	• Eco Symbol *10 creation count and creation rate *11, *12 in software and services	10%	2008	1 proposal/business unit	—	—	—

\*1 Solution: A means to solve problems faced by customers by building a system or by providing a business model and by operating it using NEC's IT and network technologies.

\*2 Eco Solutions: A means to satisfy environmental standards set by NEC.

\*3 Eco promotion proposals: A proposal that highlights NEC's environmental management approach and the principles of environmental consciousness upheld by the company (in terms of energy saving, resource saving, reduced harmful substances, and other environmental criteria).

\*4 Targets are binding for business units with sales departments.

\*5 Product environmental assessment implementation rate: The ratio of the number of product environment assessment implementations to the total number of implementations.

\*6 Targets are binding for business units with development departments for software and services.

\*7 Eco software and eco services: Environmentally conscious software and services that are environmentally assessed in the development stage and conform to all applicable environmental assessment standards for software and services.

\*8 Ratio of eco software and eco services to environmental product assessments.

\*9 Targets are binding for business units with development departments for software and services.

\*10 Eco Symbol products for software and services: Eco software and eco services that meet the conditions for use of a voluntarily disclosed environmental label set by NEC, qualifying as excellent environmentally conscious software and services.

\*11 Rate of software and services that meet Eco Symbol conditions versus software and services developed.

\*12 Targets are binding for business units with development departments for software and services.

## Fiscal 2005 Achievements and Improvements

Two new solutions-related standards were established in fiscal 2005 to make solution activities more environmentally conscious and fully inform customers about the environmental aspects of solutions. Targets for both of these standards were achieved.

More specifically, NEC was able to achieve a high accomplishment rate of 124% in the number of eco promotion proposals.

## Fiscal 2006 Targets

With respect to the two new standards, the fiscal 2008 target for the number of eco promotion proposals was revised.

In addition, two new standards have been established targeting creation rates of environmentally conscious software and services. This will further accelerate the development of eco conscious software and services and contribute to reducing the environmental impact of customers.

## Environmental Communications Items

(Assessment ○: Achieved △: Achieved at a rate of 80% or higher  
×: Achieved at a rate of under 80% —: Not applicable)

Indicator	Item (Total of 2 items)		Mid-term Target		FY2006 Target	FY2005 Target	FY2005 Result	Assessment
			Target Value	To Be Achieved (FY)				
Environmental awareness p.45	(1)	Expansion* of segment with a high level of environmental awareness	60%	2007	50%	40%	42.2%	○
Environmental communications p.45	(2)	Strategic utilization of "Ecology through IT"	Utilization in events and advertisements	During mid-term environmental plan	—	—	—	—

\* "Eco-Excellence" segment: Individuals who demonstrated a high level of knowledge about environmental issues and willingness to take action to protect the environment in the annual NEC group environmental awareness survey.

## Fiscal 2005 Achievements and Improvements

In the area of awareness-building, the Eco-Excellence segment is important because it comprises individuals with a high level of knowledge about the environment who are willing to take action to protect it. This segment stood at 42.2% in fiscal 2005 in the annual NEC group environmental awareness survey conducted in June. This was up sharply by 18 points from the previous year, surpassing our target of 40%. This increase was mainly the result of the environmental education and training provided to all employees in fiscal 2005.

## Fiscal 2006 Targets

In environmental awareness, NEC aims to increase the "Eco-Excellence" segment to 50%, by continuing to more actively engage NEC employees at all plants, sites, departments and divisions in environmental consciousness-building activities. Results will be continuously assessed in the annual NEC group environmental awareness survey.

# Mass Balance of Business Operations

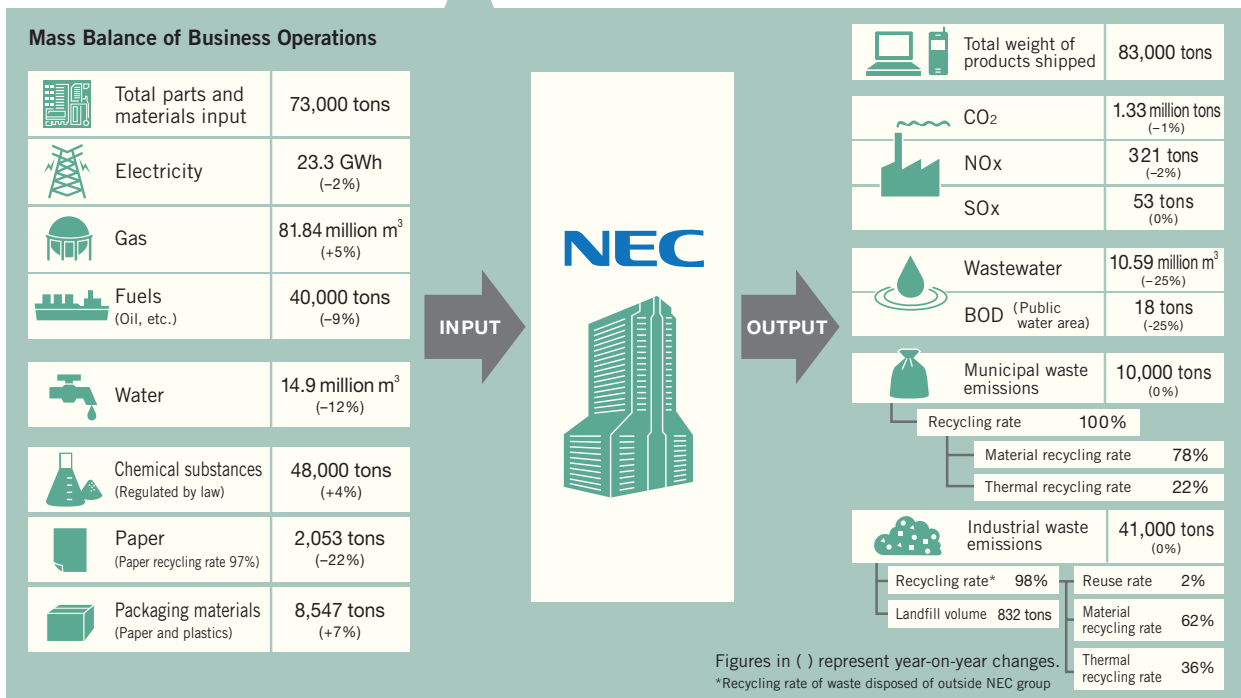
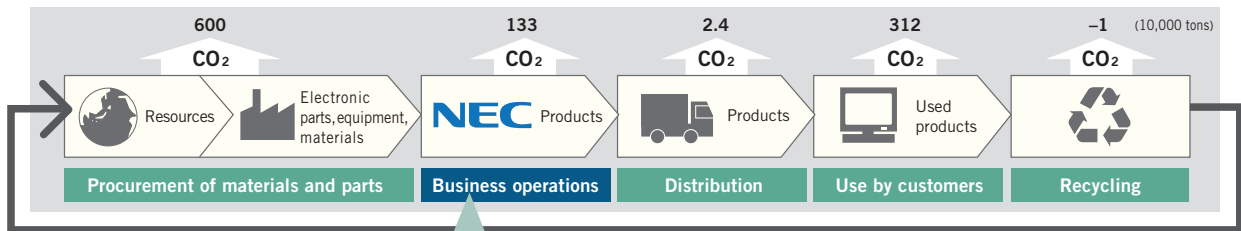
**NEC clearly understands and discloses the mass balance of its business operations to clarify the relationship between environmental impact and the company's direct business operations.**

In fiscal 2005, NEC reduced the absolute amounts of many environmental impact items.

In terms of input, energy inputs such as electricity and fuel were reduced by 2% and 9%, respectively. However, gas consumption increased by 5%. The use of chemical substances increased by 4% mainly due to installation of new lines in one of NEC's semiconductor plants. Packaging materials also increased by 7%, while water and paper consumption fell by 12% and 22%, respectively.

In terms of output, despite a greater weighting of sales of industrial waste materials as resources and other initiatives, industrial waste emissions remained the same as in the previous year due to an increase in semiconductor processes. CO<sub>2</sub> emissions were reduced by 14,000 tons (1%) through higher production efficiency and installation of energy-saving equipment.

In March 2002, the NEC Headquarters, plants, research laboratories, and all manufacturing subsidiaries achieved zero emissions (i.e., all waste materials were recycled into resources).



Scope: NEC Japan (NEC Headquarters, 6 plants, and 2 laboratories), 14 manufacturing subsidiaries, 41 service and software subsidiaries, NEC Electronics and its 6 manufacturing subsidiaries, and 13 independent affiliates.

# Environmental Accounting

Environmental accounting acts as a key reference for promoting effective environmental management by quantitatively evaluating the costs and effectiveness of environmental activities in the NEC group. Figures are categorized and aggregated in accordance with the fiscal 2003 Environmental Accounting Guidelines issued by the Ministry of the Environment in Japan.

## Results of Fiscal 2005 Aggregation

NEC disbursed ¥9.3 billion for environmental conservation in fiscal 2005 (about ¥1.2 billion in investments and about ¥8.1 billion in costs). In terms of volume reduction benefits,

environmental conservation activities resulted in emission reductions on a scale of about 14,000 tons when converted to CO<sub>2</sub>. This is a major contribution to the prevention of global warming. These activities also had economic benefits, achieving savings worth a total of about ¥1.8 billion.

## Environmental Accounting

Major Classification	Item		Environmental Investment (Million Yen)	Environmental Cost (Million Yen)	Economic Benefit (Million Yen)	Volume Reduction Benefit
	Intermediate Classification	Detailed				
Business area costs	Prevention of global warming (prevention of global warming, ozone layer depletion and other benefits)		521	74	1,023	Equivalent to 14,000 tons of CO <sub>2</sub>
	Effective utilization of resources (Reduction in chemical substances, paper, water, and packaging materials)		48	26	229	20,000 tons: Chemical substances 565 tons: Paper 2.04 million tons: Water (560 tons: Packaging materials increased)
	Resource recycling activities	Resource recycling activities (appropriate reductions in volume and weight of waste) Costs of waste disposal (appropriate disposal of waste materials)	37	1,834	349	0 tons: Waste
	Risk management	Pollution prevention, legal compliance, management of chemical substances	307	2,167	18	5 tons: NOx 0 ton : SOx 6 tons: BOD
	Subtotal		914	4,101	1,619	—
Upstream and downstream costs	Design of environmentally conscious products, green procurement and green products		198	19	0	Equivalent to 30,000 tons of CO <sub>2</sub>
	Recovery, recycling and reuse of used products		—	968	200	—
	Subtotal		198	987	200	—
Costs of management activities	Management activities	Personnel costs related to environmental activities, maintenance of ISO certification and environmental audits, environmental audits, human resource development and environmental training of employees	125	2,051	—	—
R&D costs	Research and development (R&D costs for reducing the environmental impact of corporate activities, including products and manufacturing)		—	595	—	—
Social activities costs	Social activities	Environmental improvement measures, contributions to society, information disclosure	1	358	—	—
Costs of environmental damage (etc.)			2	4	—	—
Total			1,240	8,097	1,819	—

Scope of environmental accounting:

NEC Japan (NEC Headquarters, 6 plants, and 2 laboratories), 14 manufacturing subsidiaries, NEC Electronics and its 6 manufacturing subsidiaries, and 13 independent affiliates  
Accounting period: April 2004 to March 2005 (January 2004 to December 2004 for some overseas manufacturing subsidiaries)

### URL

Environmental Accounting  
<http://www.nec.co.jp/eco/en/annual2005/03/3-10.html>

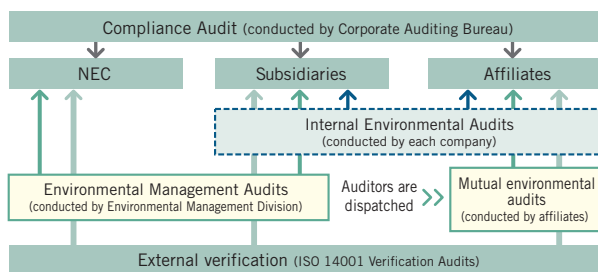
# Environmental Audits and Risk Management

NEC promotes the development of environmentally conscious products and monitors reductions in environmental impact, compliance with applicable laws and regulations, and risk management strategies at all of its plants and manufacturing subsidiaries.

## Environmental Audit System

Each company within the NEC group independently conducts detailed audits of its own internal divisions (operating divisions) through Internal Environmental Audits. Furthermore, as part of Environmental Management Audits held by the Environmental Management Division, Environment Specialist Auditors, including approved environmental management system auditors, comprehensively audit factors such as environment-conscious product development, environmental impact reduction, risk management, and ISO 14001 conformance. The auditors emphasize the relationship between the environment and the operations of each division, including the effectiveness of the Internal Environmental Audits. The results of these audits are confirmed through ISO 14001 verification audits undertaken by an external auditing authority. Environmental activities at NEC affiliates are effectively audited through a mutual environmental audit system, where affiliates audit each other's activities.

### NEC Environmental Audits and Verification Process



## Environmental Risk Management

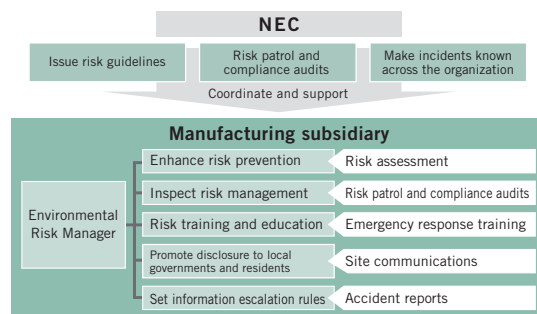
Beginning in fiscal 2006, Environmental Risk Managers will be assigned to manufacturing subsidiaries in Japan and overseas to enhance environmental risk management. Experts in chemical materials will be selected from each company. These experts will be provided with IT training such as e-learning and will receive intensive training on environmental laws and regulations, risk management, and risk-related communication with local communities. As key risk management personnel, these experts will work to reinforce autonomous risk management at these subsidiaries.

In addition, NEC fully implements environmental risk management measures, including accident prevention and legal compliance initiatives.

**URL** Environmental Audits  
<http://www.nec.co.jp/eco/en/annual2005/03/3-12-01.html>

## Tasks of Environmental Risk Managers

Targets: No legal violations, reduce environmental accidents to zero



## Handling of Accidents and Complaints

Since fiscal 1999, we have announced whether any fines or penalties concerning environmental matters have been levied on NEC. No such fines or penalties were levied in fiscal 2005. This is not to say the year was entirely accident free. We had two accidents that affected areas beyond our site perimeter and four accidents that were contained within our site perimeter. We initiated clean-up operations immediately after the accidents and devised measures to prevent future occurrences. These measures were implemented at all sites. We also received one complaint concerning noise from nearby residents. In response, night work operations were suspended and noise checking systems were reinforced.

### Accidents in Fiscal 2005

Accidents with impact outside the Company	
Accident details	Actions taken
<ol style="list-style-type: none"> <li>The abnormal combustion of a boiler caused the emission of black smoke for about five minutes. The fire department and the police were mobilized and a site inspection was conducted, causing some commotion.</li> <li>During the dismantling of an old tank, waste oil leaked into a river by mistake. Emergency measures to stop the release of waste oil were taken and a report was filed with local authorities.</li> </ol>	<ol style="list-style-type: none"> <li>We attached a modified arm to the boiler and revised the handling manual.</li> <li>We reviewed the procedure for instructing workers on items to check during preliminary surveys, and improved workers' hazard awareness through environmental training.</li> </ol>
Accidents with no impact outside the Company	
Accident details	Actions taken
<ol style="list-style-type: none"> <li>A chemical leakage occurred once.</li> <li>A wastewater leakage occurred once during repair works.</li> <li>A minor resin fire in a curing furnace occurred once.</li> <li>A combustible gas leakage occurred once.</li> </ol>	<ol style="list-style-type: none"> <li>We reviewed storage container operation rules.</li> <li>We provided guidance and training on emergencies to construction contractors.</li> <li>We reviewed work procedures.</li> <li>We provided guidance and training to workers.</li> </ol>

**URL** Risk Management  
<http://www.nec.co.jp/en/annual2005/03/3-13-01.html>

# Environmental Communications

NEC implements environmental training, awareness programs, and information sharing so that each and every director and employee can raise their environmental awareness and be environmentally conscious in their daily lives. We also disclose the results and details of our environmental activities to the public via media including newspaper and TV, environmental reports, and the Web to enhance the NEC brand from an environmental viewpoint.

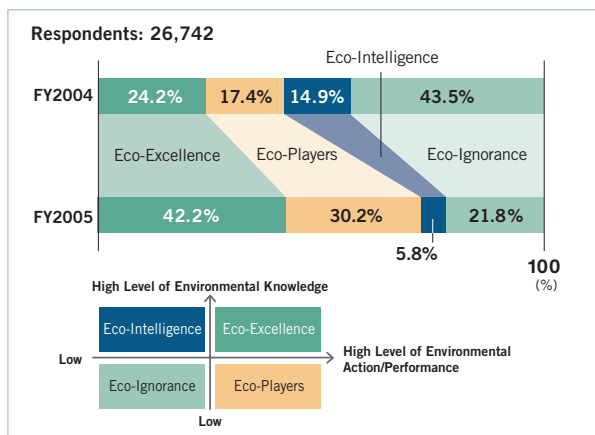
## NEC Group Environmental Management Awareness Program

Since fiscal 2002, NEC has been undertaking an environmental management awareness program to gauge the penetration of environmental management. The fourth environmental management awareness program was conducted in 2004. A total of 26,742 people participated in the survey program conducted in November 2004, in conjunction with Environment Month. This number is more than twice the number for 2003 (11,292 people), meaning that about 24% of NEC group employees, which total 110,000 people in Japan, participated.

The high environmental awareness “Eco-Excellence” segment, which includes individuals whose environmental knowledge is accompanied by the willingness to take action, more than doubled to 42% from the previous year. This shows that environmental management awareness is gradually rising.

NEC will undertake environmental training and environmental awareness-building activities with the aim of achieving its mid-term environmental target of shifting all employees to the Eco-Excellence segment by 2010.

### Results of Fourth NEC Group Environmental Management Awareness Program



## Environmental Information in Product Catalogs (In Japanese only)

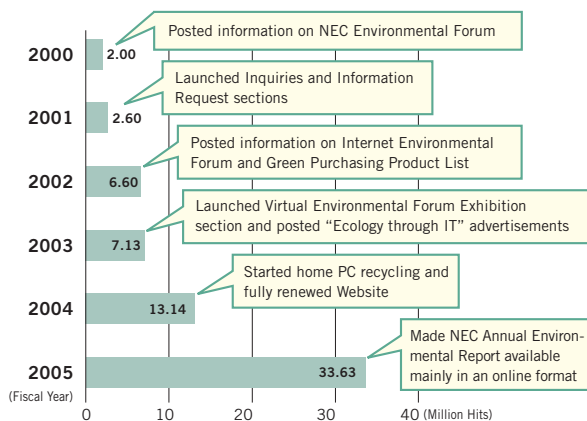
NEC provides environmental information in product catalogs that customers refer to when purchasing NEC products. Looking ahead, NEC will provide environmental information on more products in these catalogs, while enhancing the quality of this information.



## NEC's Environmental Website for the Public

The NEC “Ecology & Technology” Website offers up-to-date information on the NEC group's environmental activities. Accesses totaled about 34 million in fiscal 2005, partly because the annual environmental report was made available primarily in an online format. NEC will continue to upgrade the content on its environmental Website so as to offer timely and clear information on its environmental activities.

### Access to NEC's Environmental Website



Please see the NEC Annual Environmental Report 2005 for further details on the environmental activities of the NEC group in fiscal 2005.

**URL** [NEC Annual Environmental Report 2005  
http://www.nec.co.jp/eeco/en/annual2005](http://www.nec.co.jp/eeco/en/annual2005)

# Independent Review of NEC Annual CSR Report 2005

This independent review is based on an examination of NEC's Annual CSR Report 2005 and interviews with relevant NEC personnel in charge.

In our view, NEC is implementing CSR activities on a group-wide scale, ranging from measures to lower the Company's own environmental impact to initiatives to promote efficient energy use on the part of users, and the structuring of systems aimed at enhancing information security.

## Areas of Excellence

- NEC has formulated Basic CSR Promotion Policies based on its Medium-term CSR Strategies, along with the recently formulated NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct. Based on this platform, NEC is conducting strategic CSR activities on a group-wide level. These activities include initiatives to reduce CSR-related risks through such means as CSR self-checklists implemented across the group, including at affiliated companies in Japan and overseas, and the promotion of CSR-related disclosure and communication through measures such as the upgrading of the Company's CSR-related Website. NEC is properly operating CSR-related PDCA management cycles. This was demonstrated by NEC's identification of issues, setting of priority objectives for fiscal 2006 and other actions, based on self-checklists and external assessments. >>p.8-13
- In fiscal 2005, all new NEC products were certified as Eco Products, as NEC reflected ecological considerations, such as resource recycling and global warming prevention, in the development of new products. >>p.36
- NEC has continued to achieve reductions (improvements) in CO<sub>2</sub> emissions in terms of total volume and on a per unit basis. >>p.37
- In response to requests received by the NEC Customer Contact Center, NEC has been working to make it easier for customers to reach customer representatives by telephone (telephone response rate) and has structured a one-stop framework to answer inquiries about several different products and services with a single telephone call. >>p.20
- NEC continues to implement a program for enhancing business ethics anchored in daily operations at workplaces. Concrete actions have included annual employee surveys, consisting of 18 categories concerning business ethics, conducted over the past five years, and an e-mail newsletter distributed twice a month to all employees that presents case studies of business ethics issues encouraging employees to consider their own responses. >>p.16
- NEC holds NEC Make a Difference Day in collaboration with group companies around the world, an initiative that saw the NEC group offer support for the victims of the Indian Ocean Tsunami and conduct numerous social contribution programs tailored to regional needs on a global scale. >>p.25
- NEC has achieved a reduction of 20% in the number of employees subject to multiple health risk factors, including those at higher risk of cerebrovascular or heart diseases, through the provision of guidance on lifestyle improvement. For these employees, long shifts have been eliminated. Moreover, NEC has reinforced preventive physical and mental health measures for employees, through such means as the establishment of a Mental Health Support Program to offer support on an initial and ongoing basis. IT is also being effectively applied to health management. As one example, self-check questionnaires on health management are automatically distributed to employees working long shifts through a system linked to building access control systems. >>p.30

## Areas Requiring Further Effort

- NEC is recommended to expand CSR activities presently centered on NEC Headquarters to include the entire NEC group. As for human rights and safety management in the supply chain, instead of merely excluding problematic business partners by ending business relationships with them, NEC should proactively embrace partnerships to resolve issues over the medium term. >>p.23
- NEC is recommended to request each BU and operating base to implement C&CS (Customer and Community Satisfaction) activities to reflect the views of local community residents, NPOs and NGOs close to NEC operating bases in management. This would enable the Company to fulfill a broader range of corporate social responsibilities, in addition to enhancing customer satisfaction
- With respect to the collection of used products, NEC is recommended to inform users of how products will be reused or recycled after collection. In this manner, NEC should let users know they are part of the product lifecycle and gain their cooperation in this respect. >>p.38
- With respect to physical and mental health management, NEC is recommended to proactively take creative steps to reinforce care for individual employees (or small groups) seconded to client companies to provide software development, maintenance or other services. >>p.30
- Regarding the content of the CSR report, explanations of systems and frameworks, and measures implemented are found throughout the report. However, in addition to this, NEC is encouraged to clearly present accomplishments that highlight improvements from the previous fiscal year, and issues that lie ahead, specifically, actions to be taken in the subsequent fiscal year, in light of these accomplishments.

The essence of CSR-conscious management is to proactively uncover societal needs that have yet to come to light, and establish systems and a corporate culture that positions these needs as management priorities. This transcends merely responding to societal needs that have already surfaced. We strongly encourage NEC to not only increase its responsiveness to various issues, but also to enhance its ability to proactively pay closer attention to the needs of the public.

Chief Executive Officer, International Institute for Human, Organization, and the Earth (IIHOE)



Hideto Kawakita

## Profile of IIHOE

The International Institute for Human, Organization and the Earth (IIHOE) is a nonprofit organization (NPO) that has been supporting NPO management and CSR capacity building since 1994.

URL: <http://www.iihoe.com> (in Japanese only)

# Glossary

## Corporate Governance

The framework for shareholders, management, the Board of Directors and other main participants to decide on the future direction of a company and its activities, so as to ensure consistent growth and efficient management.

## Digital Inclusion

This concept refers to measures to eliminate the digital divide, a social issue that concerns differences in the amount of information obtainable by individuals that have access to PCs, the Internet and other forms of IT, and those that do not.

## Ecology through IT

This environmental management slogan expresses NEC's drive to achieve harmony between our activities in the IT sector, which is NEC's business domain, and the environment, as well as to lessen the environmental impact of our products on consumers and society as a whole.

## Eco Product

This is a product designed so as to reduce the impact on the environment. Eco products are designed as those that meet all of NEC's 24 independently set eco product standards.

## ecotonoha

This is a corporate advertising campaign linked to environmental activities held on NEC's Website. ecotonoha is a virtual tree planted on the Internet. The virtual tree grows when participants accessing the Website post messages, which change into a branch or leaf. The number of trees planted as part of NEC's forestation activities is increased for every 100 messages posted on the ecotonoha Website. <http://www.ecotonoha.com/>

## Family Friendly

The Family Friendly movement refers to giving consideration to the responsibilities of employees toward their families. This movement became mainstream in the U.S. and Europe during the 1980s, with regard to equal opportunity for working women and other issues. In Japan, companies are starting to obtain recognition for "family friendly" initiatives, which include the provision of a diverse array of programs that allow employees to balance both their careers and child rearing or nursing care requirements and a choice of employment formats for employees.

## GRI Sustainability Reporting Guidelines

Globally applicable guidelines used by organizations to report on the economic, environmental and social dimensions of their activities, and how they contribute to the sustainable development of society.

## Human Rights Awareness

In November 2000, the Law on the Promotion of Human Rights Education and Human Rights Awareness-Raising was enacted in Japan. This law defines human rights awareness-raising as "public relations and other awareness-raising activities aimed at popularizing the idea of respecting human rights among citizens and deepening their understanding of it."

## ISO 14001

An international environmental standard set by the ISO that defines the environmental management policies, organizational structure, operations, internal auditing, and other items required to achieve ongoing improvement in environmental management based on PDCA cycles. The standard shows that a company carries out environmentally conscious business operations.

## Key Performance Indicator (KPI)

Benchmarks used to quantitatively evaluate accomplishment rates concerning an organization's objectives and strategies.

## Kyoto Protocol

In December 1997, the Kyoto Protocol was adopted at the Third Conference of Parties to the United Nations Framework Convention on Climate Change held in Kyoto. The Kyoto Protocol establishes legally binding numerical targets for the reduction of greenhouse gas emissions by industrialized countries.

## Multi-stakeholder Communication

This concept encompasses relationships with a diverse array of stakeholders. Through these relationships, the objective is for companies and all their stakeholders to reap sustainable benefits and achieve growth.

## NPO (Non-Profit Organization)

Non-profit organizations are groups that raise funds from sources such as membership fees to carry out socially beneficial programs in fields such as healthcare, public welfare, the environment, culture, and international cooperation. Unlike joint stock corporations, whose objective is to generate and distribute profits, NPOs allocate earnings only to meeting funding requirements or to cover expenses related to their activities.

## RoHS Directive

Effective July 1, 2006, this EU directive will restrict the use of certain hazardous substances in electrical and electronic equipment sold in the EU. In principle, the following six substances will be prohibited: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl (PBB), and polybrominated diphenyl ether (PBDE).

## SRI (Socially Responsible Investment)

Investing that takes into account the fulfillment of social responsibilities from social, ethical and environmental perspectives alongside traditional investment criteria based on financial analysis.

## Stakeholders

Stakeholders refer to individuals or groups whose support is critical to the continued existence of a company and mainly signify customers, shareholders and other investors, business partners, local communities and employees.

## Supply Chain

Processes ranging from materials and parts procurement to delivery of products and services to the end-user viewed as a single chain of supply.

## Sustainability

This concept gained worldwide credence after the Brundtland Committee (UN World Commission on Environment and Development) first coined the term "sustainable development" in 1987. Sustainable development was defined as development "which meets the needs of the present without compromising the ability of future generations to meet their own needs." Sustainable growth means conducting business activities not only from an economic perspective but also taking into account environmental and social priorities.

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