

NEC ELECTRONICS

2005

Corporate Social Responsibility Report
SOLUTIONS FOR INNOVATING TOMORROW

NEC ELECTRONICS CSR REPORT 2005

CSR REPORT 2005
Year ended March 31, 2005

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Inclusion in SRI (Socially Responsible Investment) indexes (current as of September 2005)



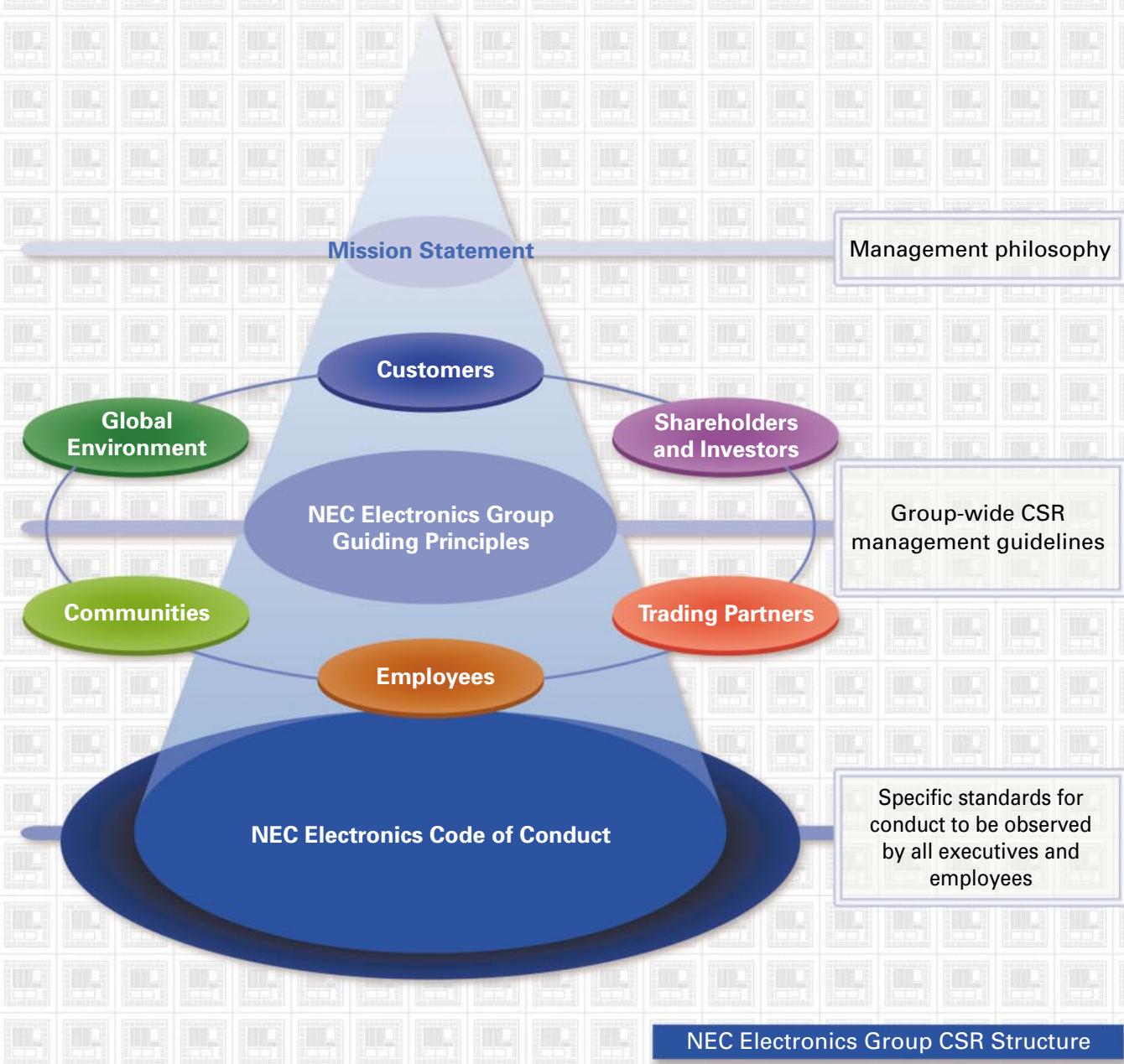
We are among 300 companies selected for inclusion in Dow Jones Sustainability Indexes (DJSI), a prominent SRI stock price index by the Dow Jones & Company (U.S.) and SAM Indexes (Switzerland).



We are among 150 companies selected for inclusion in the Morningstar Japan K.K. SRI stock price index, Morningstar Socially Responsible Investment Index (MS-SRI).



CSR in the NEC Electronics Group



We will fulfill our corporate social responsibilities by engaging in sound business activities to be worthy of your trust and confidence in us.

Top Commitment

What CSR Means to the NEC Electronics Group

All employees act on the NEC Electronics Guiding Principles and join together in a concerted effort to become your partner of choice.

What are basic concepts of management at NEC Electronics?

At the time the company was launched, I declared that NEC Electronics aims to be the partner of choice by providing differentiated semiconductor solutions based on advanced technologies that give our customers a competitive advantage. NEC Electronics believes that raising customer satisfaction levels leads to increased sales and improved profitability, enhancing both corporate and shareholder value. To this end, it operates and develops business in line with the following policies.

First, we want to ensure all business activities focus on the needs of the customer, increasing sales and earnings through improved customer satisfaction.

Second, we want to re-use core technologies and manufacturing resources throughout the three Solutions models (Advanced Technology Solutions, System Solutions, and Multi-Market Solutions) to address the varying needs of customers at low cost, while delivering steady growth and profits.

Last, we want to cultivate customers around the world by leveraging the company's position as an international player to secure global business opportunities and expand sales.





How do you promote CSR at NEC Electronics?

NEC Electronics recognizes that it is essential to build a solid relationship of trust and cooperation with all of our stakeholders. When we listed on the stock market in July 2003, we made a commitment to a transparent and trustworthy management and have been working hard to fulfill that commitment ever since. In order to thoroughly implement this philosophy, we newly established the NEC Electronics Guiding Principles in June 2004 to promote management guidelines for CSR promotion in the NEC Electronics Group, making our position on CSR known within and outside the company.

The Guiding Principles are an aggregate of our policies for CSR promotion. NEC Electronics works to ensure that all of its employees and subsidiaries are conscious of the Guiding Principles as a set of common objectives in executing daily business.

For example, as a semiconductor manufacturer engaged in operations which significantly impact the environment, we realize that our active efforts to protect the global environment in return lead to the sustained growth of our business. We are making every effort to reduce our environmental impact and create eco-friendly products.

NEC Electronics Guiding Principles

At NEC Electronics, we are dedicated to cultivating trust with every individual and organization, including customers, shareholders, investors, trading partners and employees.

We pledge to conduct our business with integrity, beyond legal compliance, by acting responsibly as concerned corporate citizens, while providing superior semiconductor solutions based on advanced technologies.

NEC Electronics is committed to the following Guiding Principles.

◎Customer Focus

To provide optimized solutions and comprehensive support that exceed the highest expectations of our customers and earn their unwavering loyalty.

◎Ethical Business Practices

To promote free and fair market competition through transparent and ethical business practices, which are conveyed to the public through our actions and communications.

◎Community Involvement

To implement activities which contribute to both local and international communities, while respecting the history, culture, and human rights of each region.

◎Environmental Protection

To promote sustainable development by minimizing the environmental impact of our products throughout their entire life cycles.

◎Corporate Culture

To foster a corporate culture that respects individuality and encourages innovation, where all employees are proud to be part of the NEC Electronics team.

We newly established the NEC Electronics Guiding Principles in June 2004, making our position on CSR known within and outside the company.

Top Commitment

What are important concerns for promotion of CSR?

To earn the trust of the public, NEC Electronics must provide its various stakeholders with a firm sense of security. Our worth as a company can be measured by how much we contribute to society.

We want our corporate operational activities to benefit all of our stakeholders. Of course, we want our customers to think of us as a reliable and indispensable partner, but we also need to be investor-friendly and demonstrate a high degree of transparency to the shareholders who fund our business operations, and build fair business relationships with the trading partners we cooperate with. And we want to be a company that helps our employees achieve self-actualization. Also, for the communities where we are located, we want our business activities to be both environmentally friendly and ethically sound.

To earn the trust of all of our stakeholders, we must conduct our business with integrity; if our daily actions, measured against the dictates of good conscience, are honest and sincere, then the people around us will naturally come to put their trust in us. In other words, I think before our executives and employees can become good corporate citizens, it is important that they first be good citizens of the communities and societies they live in.

Specifically, how do you promote CSR on a Group-wide basis?

In June 2004, we established a Corporate Social Responsibility Promotion Committee to develop major policies concerning CSR promotion and policies for company-wide and Group-wide implementation of tasks. Under the leadership of the Corporate Social Responsibility Promotion Committee, CSR will be promoted on a Group-wide basis.

We conduct our business activities in the manner defined in the Guiding Principles. Specifically, we have broken down the Guiding Principles into 19 tasks for CSR promotion and set an evaluation scale for each task. All NEC Electronics divisions and subsidiaries set performance goals for each task and carry out CSR promotion activities to achieve their goals. The results of these activities are evaluated and analyzed by the Corporate Social Responsibility Promotion Committee, as well as our divisions and subsidiaries as a reference to draw up policies and plans for CSR promotion for the next fiscal year.

We introduced a CSR management system at NEC Electronics and in all domestic subsidiaries in 2004. Moving forward, we will develop CSR management to implement all tasks for CSR promotion throughout the NEC Electronics Group.

**Our executives and employees should serve as good citizens to the communities and societies they live in.
Only then will they become good corporate citizens.**



**All of our employees have been trained in CSR matters.
We will henceforth undertake the same training in our subsidiaries
and thoroughly implement CSR management in an effort
to achieve full participation in CSR promotion activities.**

What kinds of CSR activities will you emphasize in fiscal 2005?

We began operating our CSR management system in 2004. As of this writing, however, we have yet to compel every executive and employee in the NEC Electronics Group to act in accordance with the CSR principles in every work environment. In fiscal 2005, we therefore want to raise awareness of the NEC Electronics Guiding Principles and to reinforce the understanding of CSR policies among all of our employees, and to apply them more meticulously to the specific duties of individuals working within the company.

We have already carried out training programs for all of our employees in CSR matters. Now we will undertake the same programs in our subsidiaries and thoroughly implement CSR management in the effort to achieve full participation in CSR promotion activities.

September 2005

KAORU TOSAKA
President and CEO
NEC Electronics Corporation



CSR Management System

NEC Electronics has established a Corporate Social Responsibility Promotion Committee and a system to promote CSR; in addition, we created and are implementing a management system that puts the NEC Electronics Group Guiding Principles into practice.

CSR Promotion System

We promote CSR through strong teamwork between NEC Electronics divisions and subsidiaries.

Corporate Social Responsibility Promotion Committee

In June 2004, we established a Corporate Social Responsibility Promotion Committee. Formerly, each of our management divisions was responsible for carrying out customer satisfaction promotion, compliance, environmental protection, community involvement, and other CSR-related activities. From now on, we will promote CSR on a Group-wide basis under the leadership of the Corporate Social Responsibility Promotion Committee, which is chaired by the president of NEC Electronics.

The Corporate Social Responsibility Promotion Committee is mandated to discuss and promote major policies concerning CSR matters including customer satisfaction, business ethics, compliance with laws and regulations, environmental protection, and community involvement that seek to define what the NEC Electronics Group stands for.

The secretariat of the Corporate Social Responsibility Promotion Committee is overseen by the Corporate Social Responsibility & Risk Management Division, which was reorganized at the time the promotion committee was set up.

■ Group-wide CSR promotion network

In order to promote CSR on a Group-wide basis, we are at work establishing our CSR promotion system in all of the NEC Electronics Group. In addition, one manager is appointed in each NEC Electronics division and subsidiary to administer the implementation of CSR activities in the aim to strengthen our teamwork in regard to CSR promotion.

● CSR promotion system



CSR Management System

We build and start implementing a management system for CSR promotion.

To accomplish the Guiding Principles, the Corporate Social Responsibility Promotion Committee has prescribed a set of basic policies and six categories and 19 tasks for CSR promotion. We have devised a five-level evaluation scale to assess task performance that defines requirements for each level of achievement.

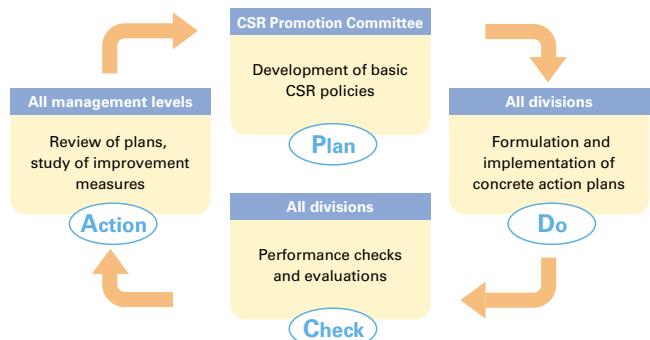
All NEC Electronics divisions and subsidiaries set targets for performance of each CSR task, then devise and implement plans to achieve targets. At the end of each fiscal year, performance is evaluated and plans are revised and improved.

We promote CSR activities by utilizing a PDCA (plan, do, check, action) management cycle for each CSR task.

● CSR tasks

Category	CSR tasks
Mutual tasks	Compliance (business ethics/compliance with laws and regulations), risk management, information security
Customer focus	Customer satisfaction improvement, quality improvement, product accident response
Ethical business practices	Fair trade (compliance with Antimonopoly Law, etc.), relations with purchasing partners, security export control (compliance with laws and regulations governing exports), donations to political and other organizations, information disclosure and communication
Community involvement	Communication with local communities, community involvement activities
Environmental protection	Environmental management
Corporate culture	Occupational health and safety, employment for physically challenged people equal employment opportunity, human rights/discrimination prevention, education and training programs

●PDCA management





Corporate Governance

NEC Electronics views strong corporate governance as a vital step towards maximizing the corporate value of the entire NEC Electronics Group. To this end, the company strives to realize transparency and integrity of management, as well as the timely and fair disclosure of information.

Corporate Governance System

We have established framework for business execution/management oversight and internal control system.

■ Board of Directors

The board of directors is composed of five directors for faster and more effective management. The board of directors holds ordinary meetings once a month and extraordinary meetings as needed. The board deliberates and decides on a number of key concerns, from management planning issues to financial planning, investment and loans, and business restructuring.

Prior to the board's deliberations and decisions, the executive committee is convened to fully discuss matters of importance to the company's interests.

■ Corporate Auditors and Board of Corporate Auditors

The board of corporate auditors of NEC Electronics is comprised of four corporate auditors including two outside corporate auditors. Of the two outside corporate auditors, one has judicial experience. The board holds ordinary meetings once a month and extraordinary meetings as needed. In addition to deciding auditing guidelines, the board receives status reports on the audits conducted by corporate auditors.

Corporate auditors attend meetings of the board of directors and other important company meetings. They also hear business reports presented by directors, review important resolutions and other documents, check the status of the company's operations and assets, and conduct checks of subsidiaries as part of efforts to monitor directors in the execution of their duties.

Corporate auditors, moreover, receive reports as necessary regarding audits by the Internal Auditing Division and the independent auditor, and hold regular meetings with these bodies to exchange key information. A dedicated three-person staff is also on hand to aid corporate auditors in their duties.

NEC Electronics believes that this auditor system for its corporate governance is sufficiently functional, through full-time auditors, who can effectively obtain high-quality information from relevant divisions using their knowledge and understanding of the business, while the

meetings of the board of corporate auditors, which includes part-time auditors, conduct objective analysis of the information.

■ Internal Auditing Division

The Internal Auditing Division, as part of management's monitoring functions under supervision of the president of NEC Electronics, is the organization responsible for internal audits and improving management. Specifically, the department serves as an autonomous third party for investigating and evaluating other parts of the management organization, including divisions responsible for business execution, staffing, consolidated subsidiaries and other areas. This is carried out from a compliance, risk management, and internal control perspective. The department also proposes concrete measures for rectifying or improving problems that arise.

■ Corporate Officer System

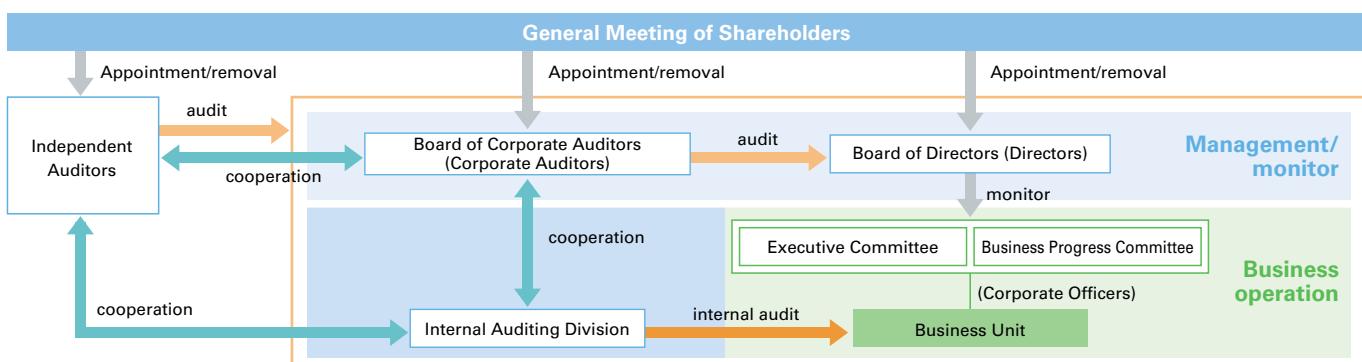
The corporate officer system was adopted to clarify responsibility for conducting business operations and for fast decision-making in the execution of business activities.

Development and systematization of company rules

We are strengthening the internal control system by developing and systematizing company rules.

To respond to changing conditions both inside and outside the company, NEC Electronics re-evaluated its internal control system pertaining to rules and regulations, daily operations and management. Based on this review, NEC Electronics is now working to clarify and define its internal operating procedures for improved decision-making and corporate governance.

● Corporate governance system



Compliance Program

NEC Electronics enforces compliance activities based on the concepts of adherence to all relevant laws, regulations, company rules, and business ethics.

NEC Electronics Code of Conduct

The Code of Conduct sets out rules for the behavior of all executives and employees.

The NEC Electronics Code of Conduct sets forth standards of conduct which all executives and employees of the company should observe in their daily business activities. All of our subsidiaries are developing their own codes of conduct modeled on the NEC Electronics Code of Conduct, which is partially modified as necessary to meet the requirements of relevant laws, regulations, and social codes of the country where each is located.

Compliance is a standard set by all NEC Electronics Group codes of conduct.

Compliance Promotion System

We have established a Corporate Social Responsibility & Risk Management Division to promote Group-wide compliance.

Corporate Social Responsibility & Risk Management Division

The Corporate Social Responsibility & Risk Management Division functions to promote compliance by designing compliance strategies, offering a variety of educational opportunities (training programs for executives, educational programs for employees), providing consultation services, and supporting compliance activities undertaken in each of our business divisions.

Compliance Promotion Network

The CSR promotion managers appointed in each division of NEC Electronics are responsible for basic implementation of compliance tasks. Under this system, employees can bring concerns and questions about compliance matters to their supervisor, any of the CSR promotion managers, or other persons they work with.

NEC Electronics Code of Conduct

Compliance Policies

CHAPTER 1 General Provisions

1. Aim of the code of conduct
2. Scope
3. Obligations related to complying with code of conduct

CHAPTER 2 Relationship with Society

I. BASIC CONCEPT

II. COMPLIANCE ITEMS

1. Contribution to local and international communities
2. Protection of the environment
3. Observance of laws related to security trade and export
4. Prohibition of engagement in antisocial behavior
5. Observance of regulations related to donations and political contributions

CHAPTER 3 Relationship with Customers, Business Partners and Competitors

I. BASIC CONCEPT

II. COMPLIANCE ITEMS

1. Pursuit of safety and quality in products and services
2. Observance of the antimonopoly law, etc. – prohibition of cartels, etc.
3. Observance of the antimonopoly law, etc. – dealings with distributors, etc.
4. Observance of the antimonopoly law, etc. – dealings with suppliers and business associates
5. Observance of the antimonopoly law, etc. – advertising and public relations
6. Respect of intellectual property rights and confidentiality of third parties
7. Prohibition of illegal entertaining and gift exchanging
8. Prohibition of unfair use of official status

CHAPTER 4 Relationship with Shareholders and Investors

I. BASIC CONCEPT

II. COMPLIANCE ITEMS

1. Appropriate disclosure of operational information
2. Prohibition of insider trading

CHAPTER 5 Relationship with Executives and Employees

I. BASIC CONCEPT

II. COMPLIANCE ITEMS

1. Respect of human rights and prohibition of discrimination and sexual harassment
2. Protection of privacy
3. Maintenance of occupational safety and health

CHAPTER 6 Relationship with Company and Company Assets

I. BASIC CONCEPT

II. COMPLIANCE ITEMS

1. Dedication to work
2. Prohibition of conflicts of interest
3. Appropriate account management, accurate records and reports
4. Management of corporate secrets
5. Protection of intellectual property rights
6. Appropriate use of company property
7. Prohibition of unfair use of official status
8. Appropriate use of information-related systems

CHAPTER 7 Employee Whistle-Blowing and Operating Framework

1. Employee whistle-blowing
2. Operating framework
3. Inquiries



Compliance Program

Our compliance program requires strict adherence by all company personnel to the NEC Electronics Code of Conduct.

■ Company-wide compliance education

NEC Electronics conducts compliance education programs for new employees, assistant managers, and managers, and also provides compliance education for all executives and employees once a year.

We collectively instruct new employees in basic compliance concepts and the mental attitude they should bring to the performance of work duties. In addition, we utilize e-learning to foster in new employees an understanding of the intent and contents of the NEC Electronics Code of Conduct.

Education for continuing employees helps to promote compliance by providing instruction in desirable management practices and the type of conduct that is expected of company personnel at every level.

E-learning is utilized to inform all employees of revisions to laws and regulations, new matters that arise with changes in the business environment, and new in-house systems that occur after completion of the previous year's compliance education.

■ Divisional compliance education

Every division at NEC Electronics formulates and strictly implements its own compliance education plans in each half of the fiscal year. When a division's plans introduce tasks designated for improvement, the division works with the Corporate Social Responsibility & Risk Management Division and other related divisions to devise the necessary improvement measures.

■ Compliance audits

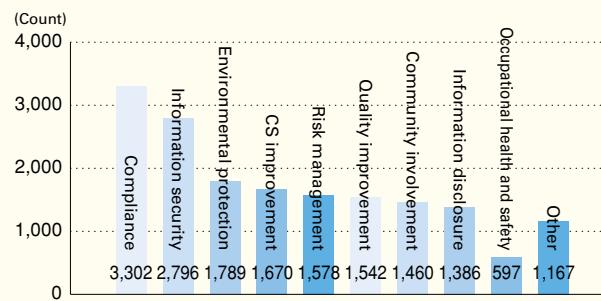
The Internal Auditing Division conducts regular internal audits of adherence to the NEC Electronics Code of Conduct and, based on results, advises divisions on matters they need to correct or improve.

■ Compliance awareness checks

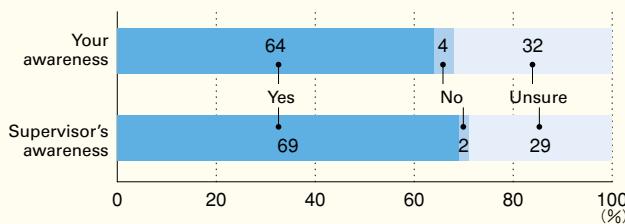
A survey is done every year to determine levels of employee compliance awareness and the results are used in planning compliance education and compliance strategies.

● Survey of employee compliance awareness

What task do you think is a particularly important priority for CSR promotion? (Multiple answers allowed)



Do you sufficiently understand and apply the concepts of business ethics to daily work? Do you think your supervisor sufficiently understands and applies the concepts of business ethics to daily work?



Compliance Helpline

Establishment of a compliance helpline for more effective compliance management.

Conduct and actions in violation or potential violation of the NEC Electronics Code of Conduct from the standpoint of compliance are reported to the supervisor concerned and appropriate disciplinary action is taken.

However, we recognize that problems may go unreported for any number of reasons. To encourage early detection and speedy resolution of problems, a helpline has been set up for employees to report their concerns.

The internal web site makes information available on helpline reporting procedures and how the system is set up to respond to employees and the information they provide. The helpline system has been designed to enable employees to report their concerns confidently without fear of retribution or negative consequences.

Risk Management System

NEC Electronics is working to appropriately manage the risks associated with our business activities to ensure a high level of sustainable business growth and to reduce risks for our stakeholders.

Risk Management

We have established a Crisis Countermeasures Committee to address the various risks associated with our business activities.

NEC Electronics recognizes that in a business environment characterized by rapid change, proper management of a variety of risks is crucial to sustaining and boosting enterprise value. Accordingly, as part of its comprehensive approach to risk management, NEC Electronics established the Corporate Social Responsibility & Risk Management Division.

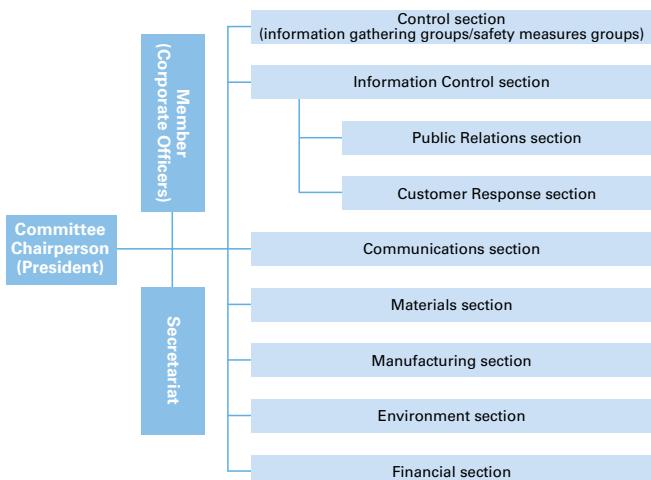
NEC Electronics established a Crisis Countermeasures Committee to handle company-wide crisis countermeasures. At the same time, the company reinforced its crisis management system, which clarifies behavioral guidelines for all employees during emergencies.

In view of the frequent occurrence recently of natural disasters such as the Chuetsu and Sumatra earthquakes, we have begun developing a system by which the entire NEC Electronics Group cooperates to gather and share accurate information. We also conduct drills to prepare for various earthquake scenarios in order to ensure the safety of our employees and minimize negative impact on our customers.



A drill for a major earthquake scenario.

●Crisis Countermeasures Committee system



Information Security

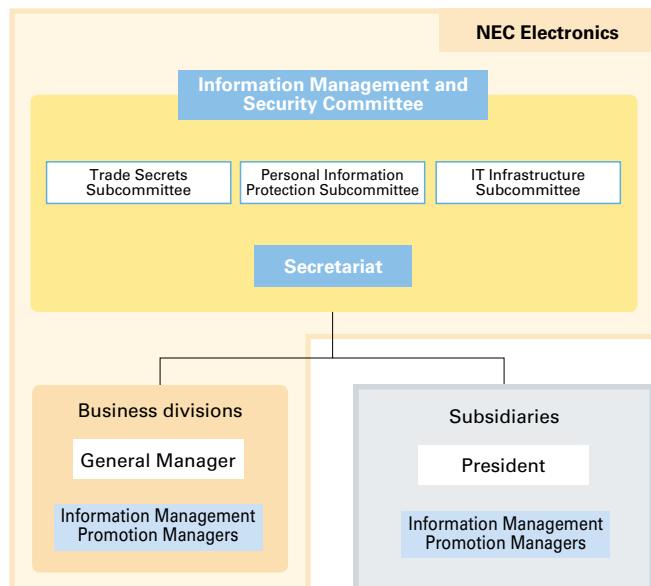
We have established an Information Management and Security Committee to devise comprehensive measures to ensure information security.

We are in the process of restructuring information control and management systems to meet the level necessary to ensure protection of personal information and proper management of trade secrets. Toward this end, we have established an Information Management and Security Committee to discuss, develop, and promote major policies and measures concerning information management and security for the NEC Electronics Group.

Three subcommittees attached to the committee—the Trade Secrets Subcommittee, the Personal Information Protection Subcommittee, and the IT Infrastructure Subcommittee—are working together to develop a system for information control.

The NEC Electronics Group makes a concerted effort to implement strict information management and security by appointing the information management promotion manager in each NEC Electronics division and subsidiary who is responsible for communicating policies set by the Information Management and Security Committee and implementing measures formulated by the subcommittees.

●Information Management and Security Committee system



Commitment to Customer Satisfaction

P13～



**Strengthening Relationships of Trust
with our Shareholders and Investors**

P18～



**Strengthening Relationships with our
Trading Partners**

P21～



Creating a Corporate Culture we take pride in

P24～



Community Involvement

P28～



Conserving the Global Environment

P31～



Commitment to Customer Satisfaction

NEC Electronics' customer satisfaction efforts begin with the voice of the customer. By continually improving our sales, development, manufacturing, and support functions, we are able to provide products and services that further satisfy our customers.

13

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Customer Satisfaction Improvement	P15
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Quality Improvement	P17

■ Our approach to customer satisfaction

As an integrated device manufacturer (IDM), we focus all of our efforts and expertise on offering optimized solutions that make us your partner of choice.

As an IDM, we focus all of our efforts and expertise on producing optimized product solutions by constantly seeking to discover:

- (1) what kind of products customers want,
- (2) what elements will raise product value, and
- (3) how to incorporate those elements in products.

At NEC Electronics, we have confidence that our tireless efforts help to create value for our customers.



Customer Satisfaction Promotion Policies

At NEC Electronics, we believe it is our mission as a company to provide optimal solutions that satisfy our customers. "Your success is our goal" is the core objective for our efforts to improve customer satisfaction.

Basic Policies for Customer Satisfaction Promotion

We are working to improve our customers' satisfaction in our products and confidence in our company, as well as doing our part to better the quality of life.

At NEC Electronics, each employee in our sales, development, manufacturing, and staffing divisions keeps the customer uppermost in mind and adheres to the basic policies below in the performance of work duties.

- (1) Speedy provision of high-performance, high-quality semiconductor products.
- (2) Provision of solutions that create added value for the customer.

Policies for customer satisfaction activities are developed each year in accordance with these fundamental policies and communicated to all divisions by the top management.

● Concepts for customer satisfaction management



Customer Satisfaction System

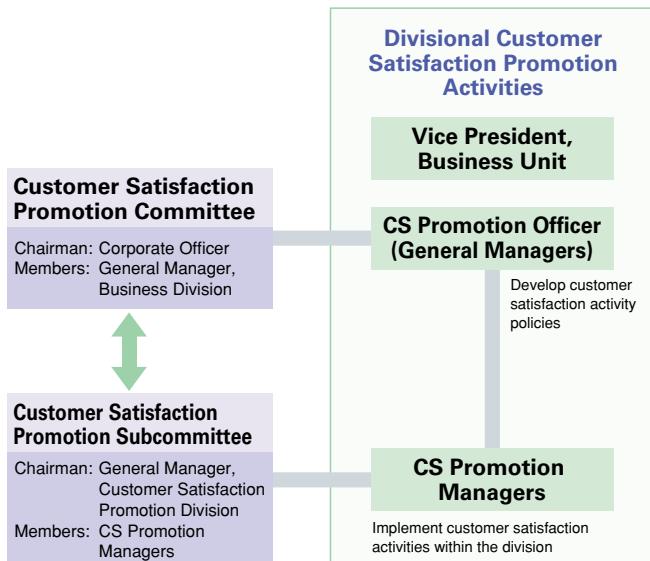
We have established a Customer Satisfaction Promotion Committee to discuss key issues concerning customer satisfaction promotion.

NEC Electronics has established a Customer Satisfaction Promotion Committee chaired by the corporate officer that discusses major matters in regard to customer satisfaction promotion and develops policies each year that steer the promotion of customer satisfaction activities.

Each division at NEC Electronics sets its own specific customer satisfaction activity policies and devises plans in line with the company's basic policies and yearly activity policies. In addition, each division has a customer satisfaction promotion system in place to implement the policies and plans it formulates.

The general manager in each division is responsible for implementing customer satisfaction promotion. In addition, a CS promotion manager is appointed to carry out specific customer satisfaction activities. We are working to instill in employees a strong awareness of customer satisfaction promotion policies for application in the course of their daily work duties.

● Customer satisfaction promotion system



My Approach to CSR



Toshio Hiroe
Customer Satisfaction
Promotion Division

I promote CSR by energizing customer satisfaction activities.

I believe customer satisfaction policies developed by top management should be adequately developed in all divisions—sales, development, and manufacturing. In the Customer Satisfaction Promotion Division we're working on energizing in-house communication and support customer satisfaction activities in all divisions to make sure that they respond adequately to the voice of the customer.

Customer Satisfaction Improvement

NEC Electronics is engaged in a variety of efforts to improve customer satisfaction that include direct communication with customers in the aim to reflect the voice of the customer in our products and services and in our business activities.

Customer Communication

We are pursuing customer satisfaction through surveys that measure satisfaction levels.

At NEC Electronics, we receive information on customer needs and related matters on a daily basis from our customers and sales partners. In addition, we regularly conduct surveys to measure the satisfaction levels of each of our customers and sales partners.

The results of surveys are grouped into five categories by satisfaction constituent—Technology, Quality, Responsiveness, Delivery, and Cost—analyzed, and findings are utilized to improve products, services, and business activities.

● Everything starts from the voice of the customer

"The voice of the customer" is the starting line for all of our business activities, and "The voice of the customer" helps us to confirm and to improve our business activities.



CS Day

Working to raise employees' customer satisfaction awareness through customer satisfaction related events and education programs.

■ CS Day

The NEC Electronics Group hosts CS Day, an annual event that focuses on customer satisfaction. CS Day activities include an address by the president and our customers, and essay presentations by employees in domestic and overseas of the NEC Electronics Group on firsthand experiences related to customer satisfaction improvement activities.

■ Customer satisfaction education

We offer customer satisfaction education programs and utilize e-learning to instruct all employees in matters related to CS improvement in the aim to raise each employee's awareness of customer satisfaction.

Semiconductor Hotline

We have set up the "Semiconductor Hotline" to respond to product- and service-related inquiries.

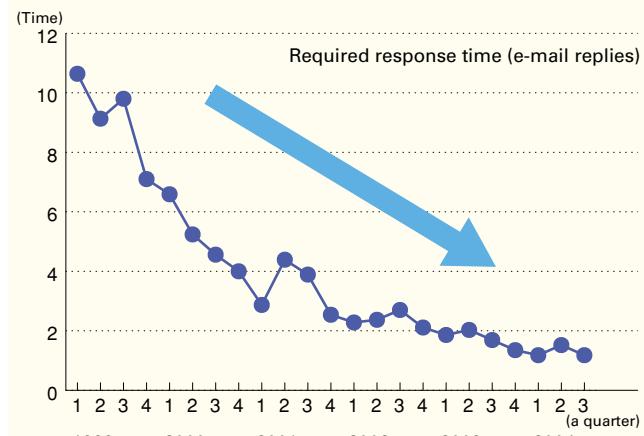
NEC Electronics has set up the "Semiconductor Hotline" that provides a variety of technical information on products in order to help customers use our products and services safely, correctly, and effectively.

In fiscal 2004, we received approximately 10,000 inquiries by phone and e-mail from customers in and outside Japan.

The "Semiconductor Hotline" endeavors to respond to inquiries as quickly and accurately as possible. We reply to 90% of e-mail inquiries within four business hours after receiving them.

Feedback from customer inquiries is relayed to all NEC Electronics divisions so that they can reflect the customer's voice in improvements made to products and services. In addition, the Q&A on our Web site answers commonly asked questions and questions about key matters to facilitate information disclosure to customers.

● "Semiconductor Hotline" reduction of required response time



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



Quality Policies

As an IDM manufacturer, NEC Electronics leverages advanced technologies to develop and provide high-quality, reliable products that satisfy customers as well as contribute to the development of society.

Quality Policy

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

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

Every NEC Electronics division sets goals for quality improvement in each half of the fiscal year in conformity with our quality policy, and develops and implements plans to achieve goals. In addition, general managers make progress reports to management in each half of the fiscal year.

We have defined scenario-specific procedures and minimize negative impacts on all concerned parties on the assumption that quality problems occur.

Quality Policy

We aim to be the partner of choice by providing differentiated semiconductor solutions that give our customers a competitive advantage, and continue to provide high-quality products and services that satisfy customers.

ISO 9001 Acquisition

We acquired ISO 9001 certification to strengthen quality management.

As part of the effort to strengthen quality control, the NEC Electronics Group has acquired ISO 9001 certification (an international standard for quality management systems).

We are building a quality management system that is implemented in all of our sales, development, and manufacturing so that we can provide customers with high-quality, reliable products that give our customers a competitive advantage.

In view of the fact that we supply products to many companies associated with automotive production, we also acquired ISO/TS 16949 certification, which is the standard for quality management systems in the automotive industry. In ways such as this, the entire NEC Electronics Group is building sales, development, and manufacturing mechanisms that meet customer requirements.

● ISO 9001 Certificate of Registration



Quality Improvement

NEC Electronics implements quality improvement by establishing quality control procedures in every phase of business including design, procurement, and manufacturing.

Quality Assurance in the Design and Manufacturing Processes

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

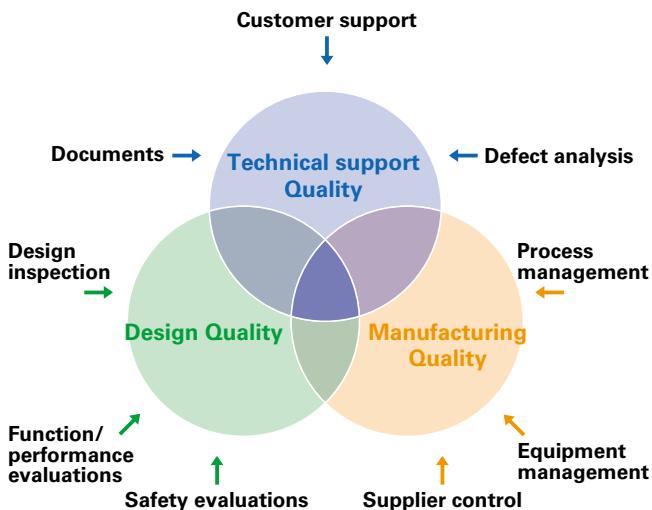
■Design process

NEC Electronics ensures high quality and reliability right from the design stage by developing advanced design environments and evaluative and analytic techniques appropriate for the latest technologies. In addition, we standardize design methods and executing project management for software design to improve software quality thoroughly.

■Manufacturing process

To ensure reliable manufacture of products, NEC Electronics has developed a strict quality control and quality assurance system that consists of implementation and ongoing improvement of sophisticated manufacturing processes, statistical control, quality monitoring, and horizontal corrective and preventive measures.

●Comprehensive quality improvement



We will work to achieve comprehensive improvement of product quality by building quality into products at the design and manufacturing stages, conducting product screening, and meeting market and customer needs with quality products that fulfill customers' requirements and support to ensure their proper use in customers' applications.

Product Safety

We are pursuing safety required for semiconductor products in customers' end-product environments.

Any consideration of the safety of semiconductor products must take into account the safety requirements posed by their inclusion in customers' end-products. Semiconductor products must be highly resistant to heat and combustion and have minimum impact when they are mounted into customers' end-product environments.

NEC Electronics uses plastic materials that meet UL combustion standards for plastic-encapsulated semiconductor products to raise heat and combustion resistance. Our product assessments include evaluations from the standpoints of safety and environmental impact. Also, we are helping to reduce the environmental impact of end-products at disposal by evaluating safety and environmental safety of semiconductor products as part of our product assessment audits.

To ensure the safe use of our products in customers' end-products, we provide manufacturers of electric and home appliances and automotive products with timely information on our semiconductor products describing cautions for use and restrictions in relation to design and manufacturing.



Strengthening Relationships of Trust with our Shareholders and Investors

NEC Electronics recognizes the importance of maximizing corporate value. We constantly work to strengthen our competitive edge, improve profitability, and maintain sound operations. Moreover, we pursue sincere and transparent management, and implement good internal controls to become a company worthy of the confidence of all our stakeholders over the long term.

Business Results in Fiscal 2004 (year ended March 31, 2005)	P19
On-going Approach to Transparent Management	P20

■ Our approach to strengthening relationships with shareholders and investors

Building a conscientious and transparent management.

NEC Electronics seeks to be a company worthy of the confidence of shareholders and investors by working to ensure stable profitability and business development through timely and fair disclosure of appropriate corporate information and effective communication.

The NEC Electronics Group makes a concerted effort to practice the NEC Electronics Guiding Principles in our commitment to maximize the corporate value of the entire group.

Business Results in Fiscal 2004 (year ended March 31, 2005)

To fulfill its corporate social responsibility, NEC Electronics continues to enhance the soundness and efficiency of its management system and to build integrity and transparency into management.

Business Results in Fiscal 2004

Providing new semiconductor solutions in the face of declining demand for semiconductors.

■ Semiconductor market conditions and NEC Electronics' business efforts

In the semiconductor market, semiconductor demand was extremely robust in the run up to the summer Olympic Games in Athens. However, demand in end-products where the Olympics were expected to support growth, such as digital home appliances, failed to live up to initial forecasts. Demand reversed its course from the summer onward, prompting semiconductor customers, namely device manufacturers, to initiate production cutbacks and to curb component procurement. Even after the first wave of drastic cutbacks—prompted by the sharp drop in demand for semiconductors due to these events amid a global economic slowdown—had leveled off, demand continued to wax and wane with no signs of a recovery apparent by the end of the fiscal year.

The NEC Electronics Group provided new semiconductor solutions, such as baseband LSIs for 3G mobile handsets, for which the user base is expanding rapidly; image-processing system LSIs for ever-popular DVD recorders; and microcontrollers for automotive applications, where systems have become more electrically controlled in recent years.

■ NEC Electronics business results

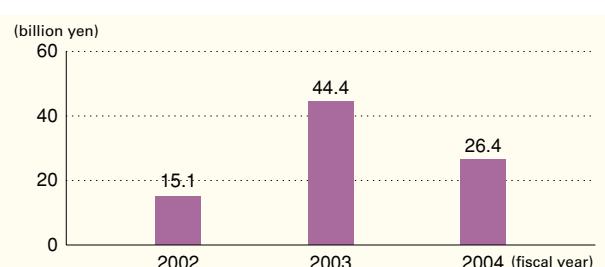
NEC Electronics posted net sales of 708.0 billion yen, a decline of 4.0 billion yen from the previous year. This result was due to downsizing of the company's non-core resale business, and came despite an 8.2 billion yen (1.2 percent) year-on-year increase in core semiconductor business sales, to 679.8 billion yen. In the first half of the fiscal year, sales held steady in semiconductors for computing and peripherals, consumer electronics applications, and automotive and industrial applications. Nonetheless, the impact of production adjustments by customers and other factors from the start of the second half weakened demand, causing sales declines in every application area with the exception of automotive and industrial applications.

Income before income taxes was 26.4 billion yen, a decrease of 18.0 billion yen from the previous year. This was due to the fact that amid a modest decline in sales, improvements in productivity and other initiatives enacted to boost cost efficiency were unable to cover higher equipment-related expenses stemming from an increase in capital expenditures for the 300mm wafer line and other projects, as well as an increase in R&D expenses.

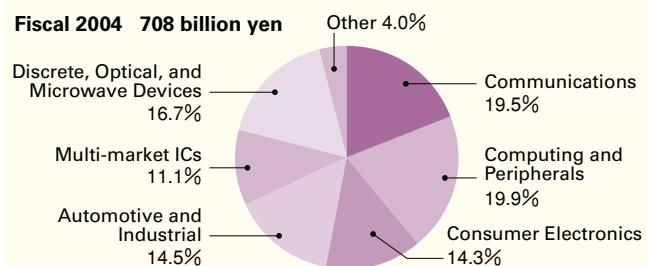
● Trend in consolidated net sales



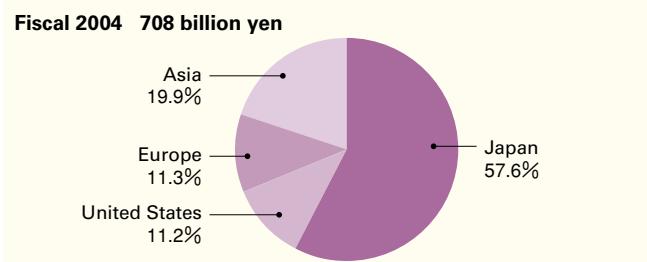
● Trend in consolidated income before income taxes



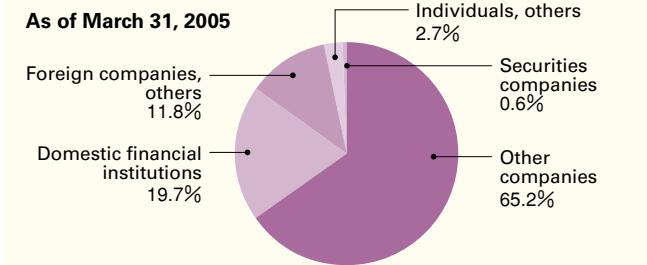
● Sales by product



● Sales by geographical segment



● Distribution of ownership among shareholders





On-going Approach to Transparent Management

NEC Electronics is an open company that proactively practices transparent management through timely and fair disclosure of appropriate corporate information and other activities that promote sincere and honest communication.

Investor Relations

We are strengthening relationships of trust with shareholders and investors, stepping towards creating a favorable financing environment for the future.

■ Investor relations objectives

NEC Electronics makes a sincere effort to practice timely, fair, and appropriate disclosure of information concerning important matters, which may affect investment decisions such as corporate management strategies and earnings. By doing so, we hope to build strong relationships of trust with our shareholders and investors and continually improve management transparency.

In addition to creating a favorable financing environment and raising corporate value, we believe that another important objective of investor relations activities involves improving the quality of management. We regularly report first-hand opinions and assessments of capital markets to the management team for further improvement.

■ Summary of investor relations activities

We are expanding our IR Web site to facilitate fair disclosure of information to all of our individual and institutional shareholders and investors in and outside Japan. Materials of financial results and corporate strategy meetings by president for institutional investors and financial analysts, including audio files are promptly placed on our IR Web site in both English and Japanese languages.

Our IR Web site also contains quarterly financial results, IR-related reports such as annual reports, stock prices, a calendar of IR events, and other information.

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

Information for NEC Electronics investors.

Open Shareholder's Meetings

Our general meetings of shareholders are open for direct dialogue with shareholders.

We believe shareholder's meetings should be an important occasion for direct communication with shareholders and make every effort to organize our meetings to fulfill that function. Furthermore, we carry out IR activities targeted to hold direct communications with individual investors, for example, by actively exhibiting at IR events specifically for individual investors.



The NEC Electronics exhibit at an IR fair for individual investors.

The NEC Electronics IR Web site.

My Approach to CSR



Yoshito Yahazu
Corporate
Communications
Division

CSR activities give back to those who help support a company's existence.

I believe that the sustained growth of a company is only possible with the support of customers, business partners, employees, communities, and the earth. By achieving steady growth and returns, we can share our profits with the shareholders who help fund the company. Shareholders and investors are also beginning to appreciate the importance of CSR, which is all the more reason for us to continue to relay information about our CSR activities to investors.

Strengthening Relationships with our Trading Partners

NEC Electronics believes cooperation with trading partners is vital to the performance of business and CSR activities. That's why NEC Electronics strives to maintain and improve mutual understanding and strong relationships of trust with our trading partners.

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- Working Together with Purchasing Partners** P22
- Working Together with Sales Partners** P23

■ Our approach to cooperation with trading partners

We aim to be a partner that can raise corporate value for both ourselves and our trading partners.

NEC Electronics seeks to give trading partners a good understanding of our business and CSR activities and, through multilateral cooperation, raise corporate value for both ourselves and our partners.

Therefore, we will proactively provide partners with information on policies and activities of our business and CSR. Moreover, we will strengthen communication and mutual understanding. In addition, we will deal fairly, impartially, and honestly with all of our trading partners.



Working Together with Purchasing Partners

We procure good quality materials and services at reasonable prices within appropriate delivery times from the global markets, and work to raise corporate value of our customers, our purchasing partners and the NEC Electronics Group.

Procurement Policies

We provide opportunities for fair competition, and engage in fair, impartial, and open business dealings.

Since its establishment, the NEC Electronics Group has been giving priority to green procurement (see p.38) which purchases materials and equipment with minimum impact on the environment from purchasing partners who care for environment. In fiscal 2004, we began implementing CSR Procurement by adding compliance, risk management, and human rights protection and so on to our environmental perspective in order to make more comprehensive evaluations of purchasing partners.

In June 2004, we invited our principle purchasing partners for NEC Electronics Partner's Day, at which we declared our commitment to promote CSR Procurement. We took a further step in October by adding information on the program to our Web site and requesting that all purchasing partners aid us in this effort.

Procurement Policies

1. Provision of equal, competitive opportunities

Information on procurement is provided in an appropriate and timely fashion so as to provide equal, competitive opportunities to all companies, both domestic and overseas, who express an interest in working with us.

2. Evaluation and selection of partners in a fair manner

We employ a comprehensive partner evaluation and selection process that places CSR foremost, not to mention the reliability of the potential partner's management, as well as the prices, qualities, delivery dates, and advanced technologies of the products to be procured.

3. Development of mutual trust

We value communications with our partners and always strive to form a relationship of mutual trust on which all sides can build and use as a basis for expansion in the years to come.

4. Management and protection of information

We recognize the value of the information that we learn through our materials-related transactions and manage it accordingly.

URL <http://www.necel.com/en/cprofile/procurement/>
Information for purchasing partners.

My Approach to CSR



Noriaki Nakamura
Purchasing Division

I contribute to our CSR efforts in cooperation with purchasing partners.

We transact business with purchasing partners on a daily basis in the Purchasing Division. The first step toward gaining their cooperation in our CSR efforts is for us to have a good understanding of CSR issues ourselves. Our department works especially hard to promote Green procurement, because we see it as the most important contribution we can make to the production of semiconductor products our customers can use at ease.

CSR Procurement

Performing procurement activities with considerations to CSR.

■ CSR Guidelines

From the standpoint of CSR, we believe that in order to provide customers and consumers with the kind of products they want, it is vital for us to forge and strengthen cooperative relationships with purchasing partners who supply us with the materials we use to manufacture those products.

Toward this end, we have formulated a set of CSR Guidelines that specify tasks we would like our purchasing partners to undertake from the standpoint of CSR. We will carry out questionnaire surveys to evaluate the progress of our purchasing partners' CSR efforts.

Guideline requests (excerpt)

Improvement of product quality and safety, compliance with laws and regulations, information security, reduction of environmental impact, creation of eco-products, occupational health and safety, and respect for human rights.

■ CSR audits

Thus far, the NEC Electronics divisions responsible have conducted audits to survey how each of our purchasing partners meets environmental, quality, and occupational health and safety requirements. In fiscal 2004, we began conducting CSR audits of our purchasing partners that survey about compliance with laws and regulations and information security in addition.

■ Helpline for purchasing partners

We have set up a helpline to facilitate information provision and to give purchasing partners a means to voice their opinions and complaints. This will help us to improve our procurement activities.

■ Compliance

To promote the conduct of transparent and fair transactions, we require buyers to attend educational seminars on the Subcontracting Law and other relevant laws and regulations, and make completion of these seminars a condition of appointment to a full-fledged buyer position in the Purchasing Division.

Working Together with Sales Partners

NEC Electronics will make on-going, proactive efforts to strengthen partnerships with sales partners, whose close cooperation is indispensable to provision of products and services to the market and to strengthening relationships of trust with customers.

Strengthening Partnerships with Distributors in Japan

We are gaining a competitive advantage through teamwork with sales partners.

■Executive meetings

NEC Electronics holds regular quarterly meetings with the executives in our distributors to strengthen partnerships at the management level. We exchange information on trends in the electronics equipments and semiconductor markets, and to determine mutual tasks.

■Support for sales training

NEC Electronics offers a variety of training courses to help sales persons and sales engineers in our distributors acquire the knowledge and skills they need to sell our products.

Each year we offer about 160 training courses designed to raise technical skills and sales skills, which distributors use in their human resource development programs. In fiscal 2004, a total of approximately 1,000 people attended these training courses.

■Design-Win Grand Prix

The Design-Win Grand Prix was conceived to honor sales persons and sales engineers in our distributors whose outstanding achievements in sales and technical support contribute to improved customer satisfaction. Design-Win Grand Prix awards are made to top achievers based on evaluations of essays and presentations by candidates that introduce sales success stories. In fiscal 2004, approximately 40 candidates participated in the Design-Win Grand Prix.



The Design-Win Grand Prix

Strengthening Partnerships with Distributors outside Japan

We are working with sales partners to promote community-based sales activities.

■Partnerships in Europe and the United States

Each of our sales subsidiaries in Europe and the United States carries out sales activities in partnership with distributors penetrated in each region. Last year, NEC Electronics held a European Distributor Meeting for executives from our principle distributors in Europe to exchange opinions and discuss various ways in which we can strengthen our business partnerships.

■Partnerships in Asia

Our sales subsidiaries in Asia carry out sales activities in close cooperation with local firms and local subsidiaries, whose Japanese-affiliated distributors are moving into every part of Asia. To provide adequate support for local and multinational customers in Asia, NEC Electronics is putting effort to enrich sales tools and sales infrastructures for our distributors to correspond to variety of local needs by close cooperation with our distributors.

My Approach to CSR



Sakae Otake
Corporate Sales
Planning Division

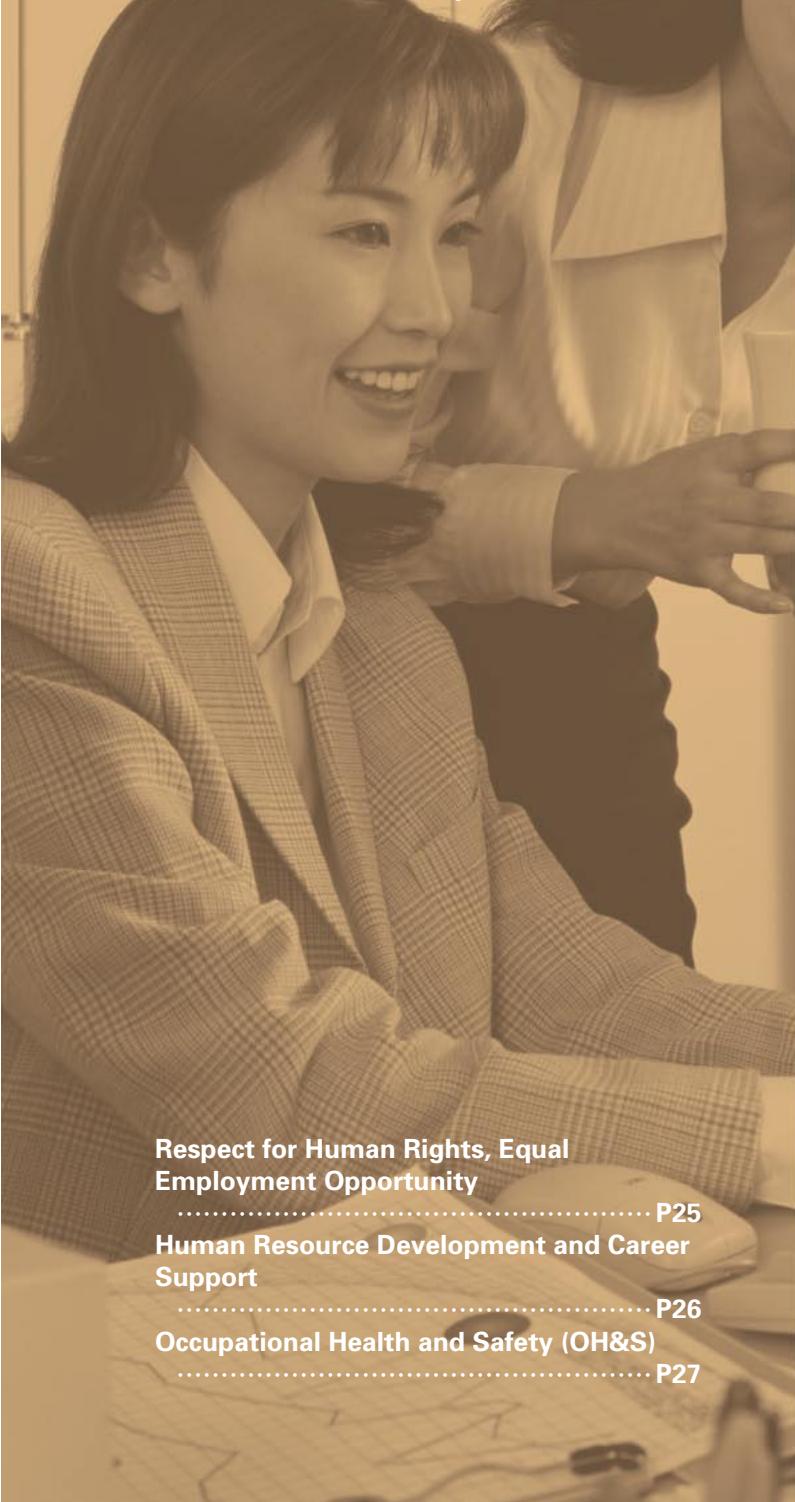
I'm constantly reminded of the importance of working in partnership with our distributors.

I head up the Design-Win Grand Prix office. Whenever I read Grand Prix essays, I am always impressed to discover how our distributors are building bridges between our company and our customers. Their daily efforts are a source of encouragement to me as well as a reminder of how important it is for us to work in partnership with distributors. We are striving to build solid partnerships with distributors that will lead to greater customer satisfaction.



Creating a Corporate Culture we take pride in

The NEC Electronics Group and its employees are making a concerted effort to build and foster a corporate culture that enables all employees to fully develop their individuality and demonstrate their capabilities.



- Respect for Human Rights, Equal Employment Opportunity P25
- Human Resource Development and Career Support P26
- Occupational Health and Safety (OH&S) P27

■ Our Corporate Culture

We will create a corporate culture that enables all employees to fully demonstrate their capabilities.

It is only in safe, healthy workplace environment free of discrimination and harassment is essential in bringing out each employee's individuality and capabilities to that full extent. Good workplaces such as these also generate increased efficiency and productivity.

All employees at NEC Electronics play a role in building a corporate culture we take pride in.

Respect for Human Rights, Equal Employment Opportunity

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

Awareness of Human Rights Issues

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

■ Awareness of Human Rights Issues

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

<Human rights activities>

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

■ Prevention of Sexual Harassment and Promotion of Equal Employment

(1) Thorough education and development activities

The NEC Electronics Code of Conduct clearly prohibits sexual harassment. We work to prevent sexual harassment in the workplace by conducting educational and development activities, providing relevant information, and responding appropriately to incidences of sexual harassment.

(2) A helpline staff that includes women staff members

NEC Electronics has established an internal consulting center for equal rights and other issues whose staff includes women, in the effort to create an environment conducive to consultation on sensitive issues.

Employment for Physically Challenged People

We are developing barrier-free workplaces for the physically challenged.

NEC Electronics is making every effort to develop workplace environments considerate of the physically challenged. For example, we have recently begun transmitting signing translations



The president's 2005 New Year's address and simultaneous signing translation.

of the audio portion of meetings over the internal web site for persons with hearing disabilities. Hearing-disabled employees were able to watch a simultaneous signing translation of the president's 2005 New Year's address on the computers at their desks.

Balancing Work and Family Life

We are implementing a progressive, family friendly workplace program that seeks to enhance work and family life.

In addition to supporting employees' efforts to fully demonstrate their capabilities, NEC Electronics implements many family friendly measures (described below) that help employees balance work and family responsibilities so that they can experience satisfaction both at work and at home.

(1) Family friendly leave

Leave for multiple purposes including preventive medical care for the employee or a family member, childcare or eldercare, attendance at a child's school events, and volunteer work.

(2) Family friendly fund

- a) Lump-sum allowance when a child is born.
- b) Cash incentive for employees with company-sponsored child education insurance.
- c) Monthly allowance for designated dependents.

(3) Coupons

Provision of nursing care coupons (discounts on fees charged for recruiting and introducing home helpers/Benefit Association) and childcare coupons (discounts on babysitter fees).

● Development of family friendly support system

Year	Implementation	
	Childcare System	Nursing care System
1990	Childcare leave	Nursing care leave
1992	Reduced working hours (childcare)	Reduced working hours (nursing care)
Medical care leave		
1997		
1998	Childcare coupon system	
2000	Extension of reduced working hours (childcare) (3 years old, end of March → entrance into elementary school)	Extension of reduced working hours (nursing care) (3 years → until nursing care is no longer necessary)
Work-at-home system		
2002	Family friendly leave (revision of medical care leave)	
2004	Extension of reduced working hours (to first grade, end of March in special circumstances)	
Enabled to set the working hours on a half hour basis instead of one hour basis		



Human Resources Development and Career Support

NEC Electronics implements a mandatory education program designed to give all employees a sense of commitment and the job skills they need, and are working to create workplace environments that enable self-actualization.

Human Resources Development Program

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

NEC Electronics is building a curriculum for the education program that emphasizes three areas: fundamentals for strengthening customer-focus, which underpins the program, strengthening management, and professional development.

Our education program is designed to raise employee performance levels and to help employees acquire the knowledge and know-how they need to carry out their job duties and responsibilities. We support employees' voluntary efforts toward self-development and self-actualization.

●Three-part educational program for human resources development

Triple-emphasis curriculum



●Curriculum for all employees



Lifetime Career Support

We support the efforts of pro-active individuals to achieve self-realization, and implement measures to raise employees' morales.

NEC Electronics is departing from the seniority personnel systems premised on mutual dependence of the company and its employees, to build a revolutionary relationship based on organization that secures the capable human resources, places the right persons in the right jobs, and supports the individual's ongoing professional growth over the long term.

NEC Electronics encourages employees to be innovative and to further develop their capabilities. We want to inspire employees to set lofty goals and be self-motivated toward their achievement.

Career Support

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

Occupational Health and Safety (OH&S)

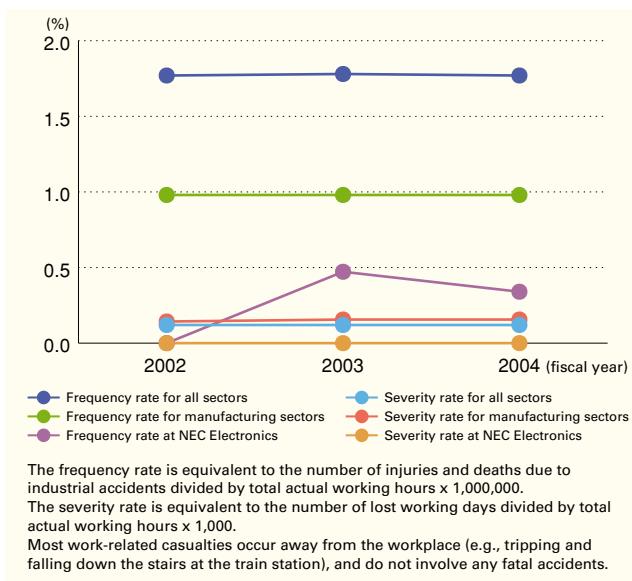
NEC Electronics recognizes that health is an irreplaceable asset and places high priority on ensuring the safety and health of employees. This core principle underpins the preventive focus of safety and health measures implemented by the NEC Electronics Group.

Occupational Health and Safety (OH&S)

We promote OH&S with the watchword “zero accidents” by implementing an infrastructure for OH&S management in each workplace.

“Zero accidents” is the watchword we have coined to express the goal of OH&S management infrastructures in each workplace, whose close cooperation with work and health management divisions to devise and implement preventive measures and carry out detailed daily safety management activities has resulted in a steady decline in workplace accidents.

●Trend in work-related accidents



The frequency rate is equivalent to the number of injuries and deaths due to industrial accidents divided by total actual working hours x 1,000,000.
The severity rate is equivalent to the number of lost working days divided by total actual working hours x 1,000.
Most work-related casualties occur away from the workplace (e.g., tripping and falling down the stairs at the train station), and do not involve any fatal accidents.

Mental Health Management

We are developing a program to promote mental health.

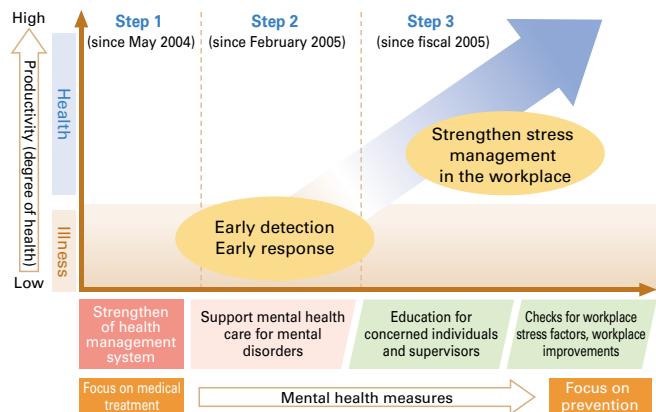
Change in industrial structures accompanied by a shift in work styles from labor-intensive to knowledge-intensive has given rise to the important task of preventing stress-related physical and mental health problems in the workplace.

Since February 2004, NEC Electronics has been working to respond more closely to mental health concerns by implementing a mental health support program in cooperation with NEC Corporation's Health Care Center. The comprehensive program is set up to address mental health concerns by promoting cooperation between the Health Care Center, the individual, the individual's supervisor, and the attending physician at all three stages of the health care process:

- 1) the initial stage when the mental disorder manifests,
- 2) the medical treatment stage (observation, outpatient treatment, hospitalization), and
- 3) the stage when the individual returns to work after an extended absence.

Through early detection and response to the mental health concerns of employees, the mental health support program seeks to maintain employee health and help create healthy workplace environments that enable employees to fully demonstrate their capabilities.

●Objectives of mental health measures



My Approach to CSR



Xiyu Jin
HR & General Affairs
Division

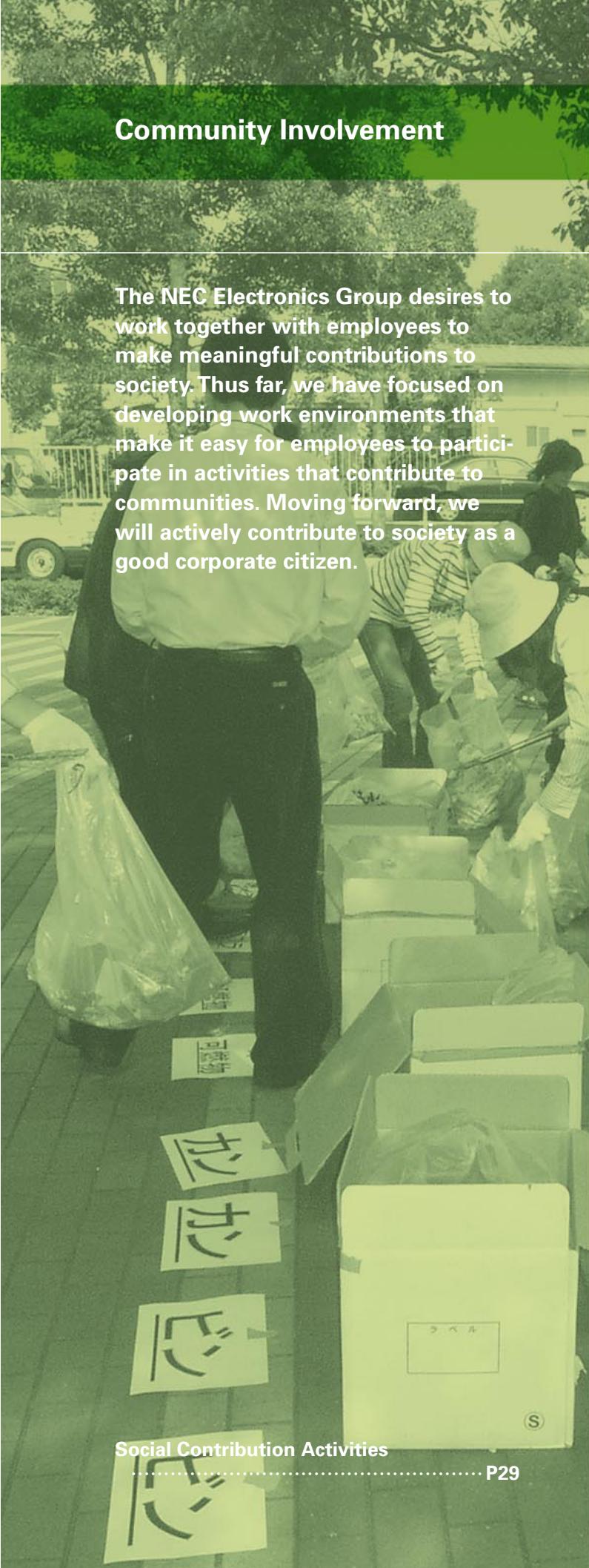
We care about the things, but care about the people more.

Within the context of CSR, the role HR (human resources) has a heavy responsibility toward each of their employees, who are also the valuable members of society. In the HR & General Affairs Division where I work, it's our job to provide equal employment opportunities, and create workplace environments where employees feel free to express their opinions and make suggestions and stages where employees can demonstrate their capabilities and develop their careers. These efforts to increase employees' trust and confidence in the company are my starting line for CSR.



Community Involvement

The NEC Electronics Group desires to work together with employees to make meaningful contributions to society. Thus far, we have focused on developing work environments that make it easy for employees to participate in activities that contribute to communities. Moving forward, we will actively contribute to society as a good corporate citizen.



Social Contribution Activities

P29



Basic Policies for Social Contribution Activities

We will promote social contribution activities by encouraging employees to be aware of community issues and by supporting their efforts to be of service to communities.

1. As a semiconductor manufacturer, NEC Electronics is deeply involved in issues of global environmental conservation. We will contribute to society as a good corporate citizen by doing our part to aid in environmental efforts and other issues of importance to local communities where we do business.
2. The NEC Electronics Group will engage in activities that contribute to improving and projecting a corporate image that is appropriate for a global enterprise.
3. We will participate in activities promoted by the NEC Group to contribute to NEC's brand value.

Social Contribution Activities

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

Volunteer Support System

We develop systems and workplace environment to make it easy for employees to participate in volunteer work.

■ Family friendly leave

Employees can use family friendly leaves to do volunteer work. Some of our employees reported that they used the system to give volunteer support for a concert.

■ Information on opportunities for volunteer work

The internal web site provides information on a wide variety of opportunities for volunteer work.

■ Volunteers association

Employees who work at NEC Electronics' headquarters (Kawasaki) and the company facility in Sagamihara have formed a Volunteers Association that meets twice a year to exchange information and observations. We support the association to continue with its proactive and wide-ranging volunteer efforts.

■ Public relations

At the National Volunteers Festival, NEC Electronics introduced the volunteer work it undertook. We will continue to actively publicize our volunteer efforts.



The National Volunteers Festival



Press release



Article in the Dempa Shimbun introducing our community involvement activities.

Community-based Activities

We are working with the local community to aid community-based activities.

■ Cleanups

Employees work together with the local community on city beautification projects such as a recent effort to clean up streets employees to commute to work.

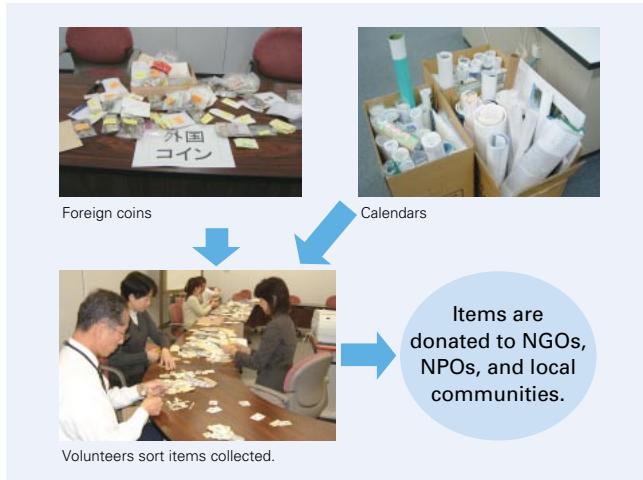


Employees clean up a street they use to commute to work.

■ Collection campaigns

Foreign coins, used stamps, postcards with errors, calendars, towels, and other items are collected for donation to United Nations, NGOs, NPOs, and communities in Kawasaki and Sagamihara.

● How collection campaigns work



My Approach to CSR



Shino Inokuma
Corporate
Communications
Division

I want to provide as many people as possible with information on opportunities for volunteer work.

Lots of people are interested in doing volunteer work but have never been presented with the opportunity. I hope the information I provide on volunteer projects gives them the push they need to get involved. I believe volunteer work is one of company's important social responsibilities.



Social Contribution Activities in Partnership with NEC Corporation

In line with NEC Electronics' Basic Policies for Social Contribution Activities, we cooperate with volunteer efforts undertaken by NEC Corporation.

Rice paddy building project

Employees participated in a project to revitalize lowland rice fields that was launched by NEC in conjunction with the NPO Asaza Fund project to revitalize nature in the vicinity of Kasumigaura.



Rice-field project

Fund-raising

Employees raised money for relief funds to aid victims of the Chuetsu earthquake in Niigata (November) and the Sumatra earthquake and tsunami (January 2005).

NEC Make a Difference Day

We cooperate with this employee-participation-based social contribution program with the slogan "Start small by doing what you can." The program enables employees to create value that enriches communities and themselves. Also, ongoing participation in volunteer work helps to raise employees' awareness of their responsibility as corporate citizens to contribute to the needs of society.

Social Contribution Activities by Subsidiaries

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

NEC Kansai

Three hundred employees and their families participated in a cleanup of Lake Biwa in the vicinity of Karasuma peninsula. They collected enough garbage to fill a 2-ton truck.

NEC Yamagata

Employees washed windows, cleaned, and folded laundry at a special nursing home.

NEC Yamaguchi

NEC Yamaguchi held the 19th annual Bon Festival joint with the local community. About 2,200 people came and participated in Bon dances to the accompaniment of music traditional to the community.



Dancing at the Bon Festival.

NEC Kyushu

NEC Kyushu entered into an agreement with Ozu-city, Kumamoto Prefecture to plant 12,000 broadleaf trees in its nature protection zone to aid its groundwater replenishment project. After the trees are planted, employees plan to keep the ground under the trees clear of weeds.



Marking the commencement of Ozu-city's afforestation project.

NEC Semicon Package Solutions

About 80 employees and their families participated in a cleanup of the Ariake Sea shoreline. They collected enough garbage to fill two small trucks.

NEC Semiconductors (Malaysia)

NEC Semiconductors (Malaysia) conducted an extracurricular class for about 150 local elementary school students titled "Electricity and Magnets Open the World of Telecommunication."



An after-school class for local elementary school students.

NEC Electronics America

Employees at headquarters made 300 backpacks for the Back-to-school Backpack Drive.



Employees present backpacks to school children.

NEC Semiconductors Singapore

Employees volunteered to paint the walls and corridors of The Singapore Cheshire Home, a day-care center for persons with physical disabilities.



Employees paint a wall at the day-care center.

My Approach to CSR



Denise Iwata
NEC Electronics
America

Volunteer work is a rewarding way of giving back to the communities for me.

Commitment to volunteerism in the U.S. continues to grow. It is a fun and rewarding way of giving back to our local communities.

Conserving the Global Environment

NEC Electronics is committed to the development and manufacture of leading-edge semiconductor products from the perspective of global sustainability, and to fulfil our responsibilities as a "green partner" by responding to environmental needs.

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Eco-factories Activities	P39
Eco-communication Activities	P41

■ **NEC Electronics Environmental Policy**

We will contribute to conservation of the global environment in the course of our activities within the semiconductor industry.

1. We will incorporate environmental considerations into all stages of our product life cycle, including development, procurement, manufacturing, sales, use and disposal.
2. We will strive to prevent pollution as well as minimize impacts on the environment caused by chemical substances.
3. Our environmental management efforts will involve compliance with all environmental laws and regulations and other demands to which we have given our consent as well as establishment of our own voluntary environmental standards.
4. We will educate all employees in environmental management and foster awareness of environment, safety and health.
5. We will regularly review environmental management system and continually improve environmental activities.

URL

<http://www.necel.com/en/cprofile/eco/>

Detailed information on our global environmental protection efforts.



Environmental Management Systems

NEC Electronics is creating and implementing an environmental management system in conformity with ISO 14001 standards, and are working in accordance with mid- and long-term plans to reduce our impact on the environment in the course of our activities in the semiconductor industry.

Eco-products Activities, Eco-factories Activities, Eco-communication Activities

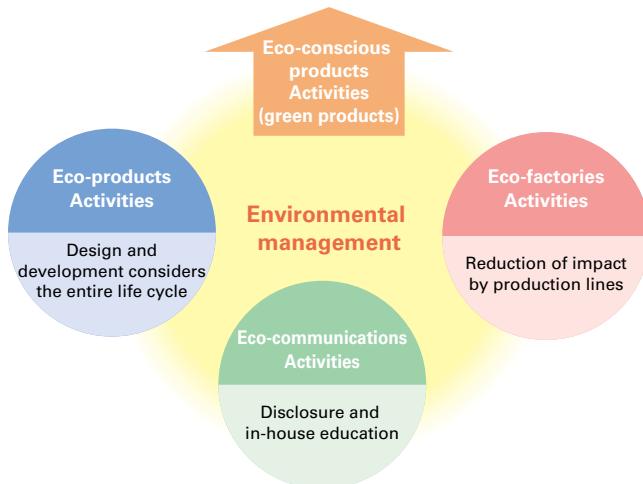
We have developed three basic activities to promote environmental management in all business areas with the full participation of all our employees.

The NEC Electronics Group recognizes that global environmental issues are directly linked to sustainable development of its business. It is our intention to contribute to conservation of the global environment in all of our semiconductor business activities.

- (1) We produce eco-products by incorporating environmental considerations into the entire product life cycle from the design and development stage.
- (2) In our eco-factories we are working to reduce the impact of production processes on the environment by reducing greenhouse gas emissions that leads to global warming and by phasing out hazardous chemical substances.
- (3) We promote eco-communication by offering environmental education programs to raise employees' awareness of environmental issues, and by making information on our eco activities widely available to the public.

● Environmental management system

**Contributing to conservation of the global environment
Contributing to sustainable business development**



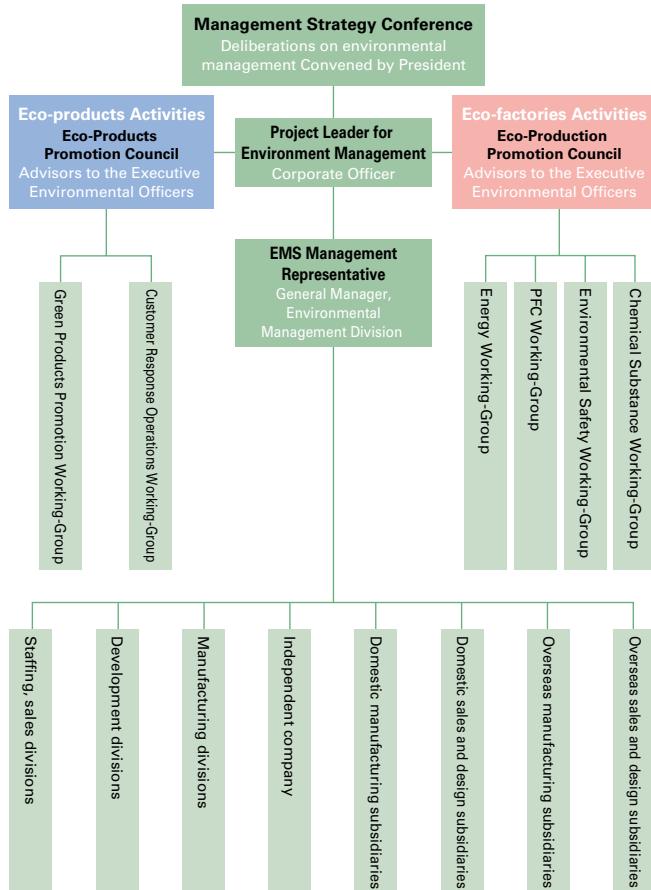
Environmental Management System

All employees of the NEC Electronics Group are working together to develop our environmental effort.

NEC Electronics appoints a corporate officer to serve as the project leader of environment management, who directs the establishment of an environmental management system in conformity with ISO 14001 standards. In addition, two advisory bodies have been established to support the project leader: the Eco-Products Promotion Council advises on eco-product efforts, and the Eco-Production Promotion Council advises on eco-factory efforts.

The advisory councils, composed of participants from both NEC Electronics and subsidiaries, are responsible for policymaking for the NEC Electronics Group. When dealing with matters of high specialization or prime importance, the councils set up working-groups of specialists to assist in deliberating and drafting strategies that are implemented throughout the NEC Electronics Group.

● Environmental Management System (Fiscal 2004)



Environmental Management Systems

NEC Electronics Group business and environmental impact

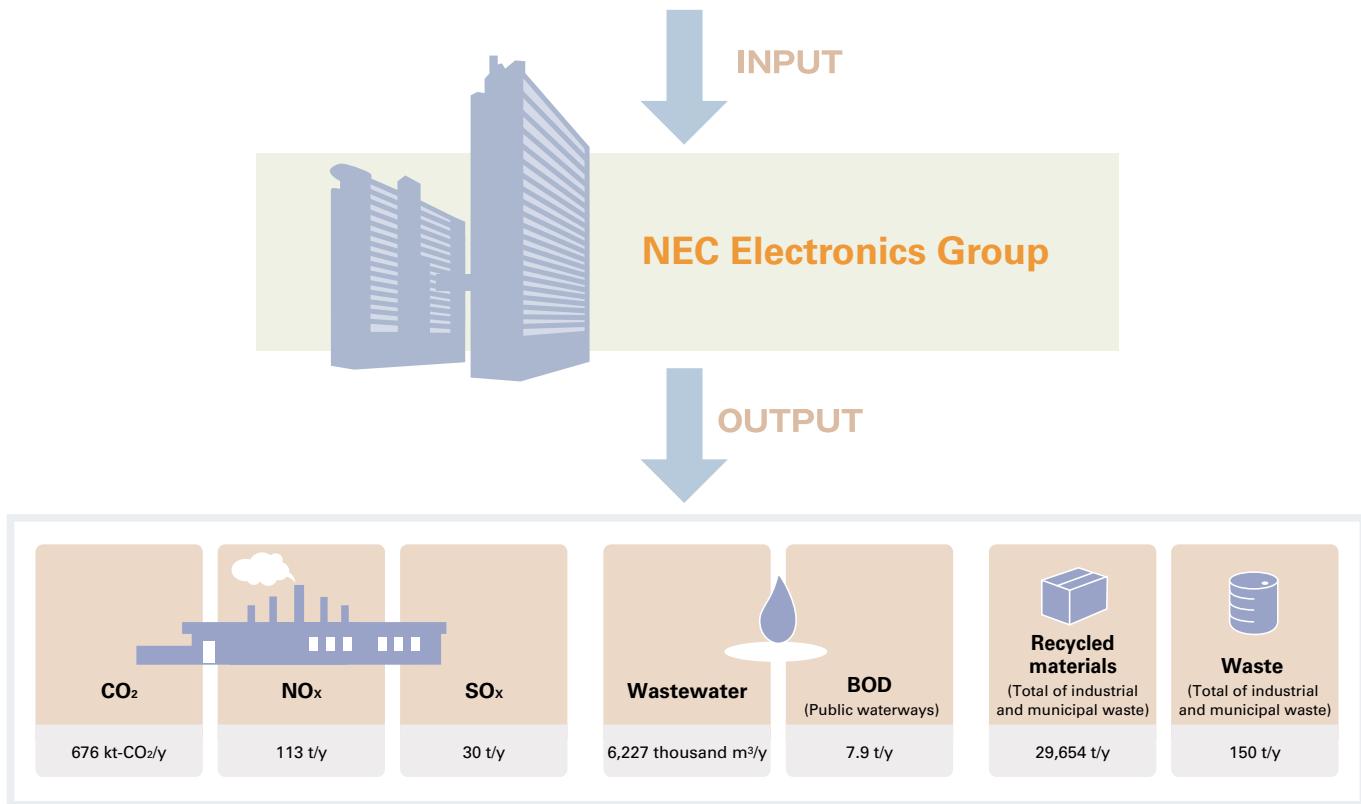
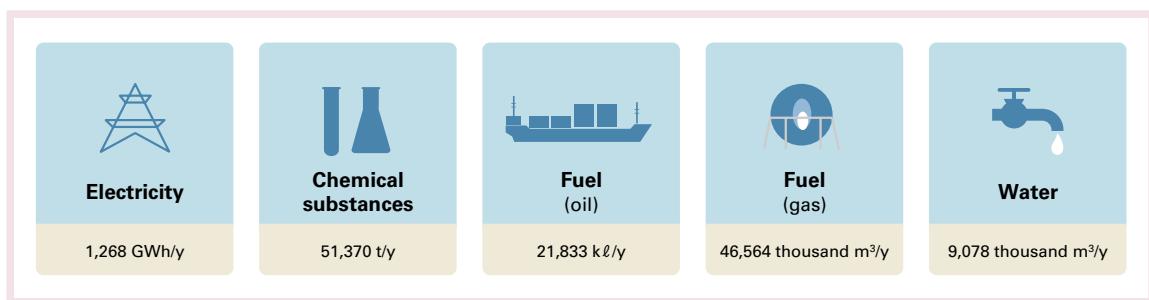
We make quantitative assessments of input and output toward planned reduction of environmental impact.

At the NEC Electronics Group, our production activities are supported by the input of electricity, chemical substances, fuel, water, and other resources, which in turn comes out in the output of exhaust gas, wastewater, and solid waste.

●The environmental implications of NEC Electronics Group business activities

By quantitatively measuring the overall picture of input and output flows, it is possible to determine the most appropriate measures for reducing the impact of production activities on the environment and finding efficient ways to establish a system for carrying out those measures. Furthermore, should the reduction of impact itself prove difficult, we explore alternative solutions. By responding as precisely as possible to these challenges, we are able to achieve planned reduction of impacts on the environment.

NEC Electronics aims to reduce the environmental impact of our production activities by making more efficient use of limited resources while working to streamline the distribution of our products.





Fiscal 2004 Performance Results and Mid-term Plan

We set yearly priorities and targets for planned promotion of environmental activities.

■Fiscal 2004 performance results

In fiscal 2004, we achieved results in our priority areas of green product creation, global warming prevention, and environmental impact reduction given below.

1. Eco-products Activities

We reached our targets for promotion of green procurement of indirect materials but did not meet the target for the elimination of lead. We will continue to work on creating eco-conscious products, placing "environmental considerations over the entire life span of products" as the top priority.

●Fiscal 2004 performance results

Category	Sub-category	Item	Reference fiscal year	Fiscal 2004 target	Fiscal 2004 result
Eco-products	Reduction of hazardous substances	Elimination of lead (per sales)	—	70%	54%
	Expansion of green procurement	Green product purchasing rate (indirect materials)	—	70%	75.6%
Eco-factories	Prevention of global warming	CO ₂ emissions (per sales)	fiscal 1990(100%)	115%	129%
		CO ₂ emissions (1,000 CO ₂ tons)	fiscal 1990	699	676
		PFC emissions (converted to GWP)	1995(100%)	150%	203%
	Effective use of resources	Reduction of PRTR Class 1 substances (total emissions)	fiscal 2002(100%)	80%	97%
	Prevention of ozone-layer destruction	Reduction of specified chlorofluorocarbon (refrigerant)	—	70%	74%
	Resource recycling	Rate of industrial waste recycling	—	99%	99%
Environmental Management System	ISO 14001 certification acquisition	Acquisition of certification by domestic sales and design companies	—	All companies	All companies

●Mid-term plan

Item	Mid-term targets		Fiscal 2005 target
Reduction of hazardous substances	Elimination of lead	: 100% release rate by March 2006	100%
Expansion of green procurement	Green product purchasing rate	: 100% by March 2006	100%
Prevention of global warming	CO ₂ emissions (compared with 1990)	: 25% reduction of real emissions per sales by fiscal 2010	70%
	PFC emissions (compared with 1995)	: 10% reduction of absolute amount by 2010	195%
Effective use of resources	PRTR Class 1 substances (compared with 2002)	: 30% reduction by fiscal 2005	70%
Prevention of ozone-layer destruction	Specified chlorofluorocarbon (refrigerant)	: Phased out by fiscal 2010	85%
Resource recycling	Rate of industrial waste recycling	: 99% or more	99%
ISO 14001 certification acquisition	All consolidated subsidiaries (excluding small-scale subsidiaries)	: Complete acquisition by the first half of fiscal 2005	Complete by first half of fiscal 2005

Environmental Management Systems

ISO 14001 Acquisition

All of our domestic subsidiaries have acquired the certification. We assess the environmental impact of our business processes against the ISO 14001 standard.

NEC Electronics acquired its own environmental ISO certification in September 2003. In September 2004, we took in NEC Deviceport, Ltd. and NEC Fabserve, Ltd. to the scope of registration.

All of our domestic manufacturing subsidiaries completed acquisition of the certification by March 2004. As of March 2005, all sales, design and independent companies completed acquisition of the certification, with the exception of one overseas subsidiary, which is expected to acquire the certification in September 2005.

● Acquisition of ISO 14001 certification

	Date certified
NEC Electronics *1	September 19, 2003
Domestic manufacturing subsidiaries	
NEC Electronics *2	November 1, 2003
Domestic design subsidiary	
NEC Micro Systems	September 3, 2004
Independent company	
NEC Compound Semiconductor Devices	September 17, 2004
Overseas manufacturing subsidiaries	
Shougang NEC Electronics	February 12, 2004
NEC Electronics America	March 3, 2004
NEC Semiconductors Ireland	February 5, 1996
NEC Semiconductors (Malaysia)	April 3, 1998
NEC Semiconductors Indonesia	September 14, 1999
NEC Semiconductors Singapore	May 26, 2000
Overseas sales and design subsidiaries	
NEC Electronics America	April 18, 2005
NEC Electronics Hong Kong	January 31, 2005
NEC Electronics Taiwan	October 14, 2004
NEC Electronics Singapore	December 2, 2004
NEC IC Design Beijing	February 18, 2005
Other subsidiaries	
Nippon Electroluminescent Light	February 11, 2005
Kinki Bunseki Center	July 10, 1998

*1 Separated from NEC Corporation (JQA-E-90066). Scope of registration: Headquarters (Kawasaki), Sagamihara office, Nagoya sales office, Osaka sales office, NEC Deviceport, and NEC Fabserve.

*2 Integrated certification for the following domestic manufacturing subsidiaries: NEC Yamagata; NEC Kansai; NEC Yamaguchi; NEC Kyushu; NEC Fukui; and NEC Semicon Package Solutions, Ltd.

Environmental Management Audits

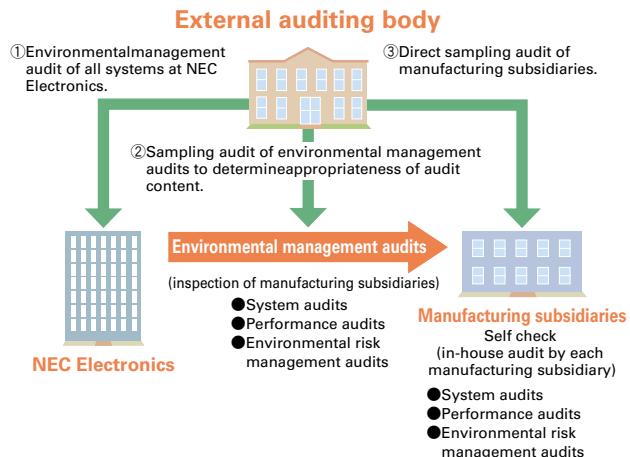
We employ environmental management audits to as an ongoing efforts to upgrade environmental risk management and environmental activities.

The NEC Electronics Group conducts environmental management audits as an alternative to ISO certification audits by external auditing bodies.

In fiscal 2004, we conducted a series of environmental management audits from August through October to evaluate environmental impact reduction, environmental risk management, community contributions, and collective environmental management activities for ISO conformity in six domestic manufacturing subsidiaries. We determined that all of the subsidiaries meet environmental performance standards, practice good environmental risk management, and are operating management systems appropriately.

Audits are performed in conformity with in-house regulations by environmental management auditors with specialist abilities equivalent to those of CEAR-qualified environmental auditors. At present, we have about 40 qualified auditors; of those, four are qualified as CEAR lead auditors and 15 as CEAR auditors. (As of March 31, 2005)

● Alternative auditing system



An environmental management audit at NEC Semicon Package Solutions.



Environmental Accounting

We introduced quantitative evaluation of our environmental conservation activities to get a clear picture of costs and benefits that we reflect in business operations.

The NEC Electronics Group has formulated its own internal environmental accounting guidelines in conformity with the Ministry of the Environment's "Environmental Accounting Guidelines 2002," and practices consolidated accounting that includes overseas manufac-

turing subsidiaries.

Due to the nature of the semiconductor business and its potential for substantial impact on the environment, it is essential to clarify the validity of environmental conservation costs and evaluate the investments and resulting benefits in order to balance ecological and business interests.

To evaluate environmental conservation activities more precisely in terms of ecological impact and economic efficiency, we are endeavoring to increase appropriate indicators and expand the scope of their application.

● Environmental accounting results for fiscal 2004

Type	Item	Content	Capital investment	Cost	Benefit	
					Economic benefit	Environmental impact reduction
Business area	Global warming prevention	Global warming prevention measures	328.9	60.3	1,002.5	8,178t-CO ₂
	Effective use of resources	Measures for reduced consumption of chemical substances, materials, water, etc.	12.2	23.9	171.8	292t
	Resources recycling	Measures for recycling and waste generation control, etc.	30.0	663.8	244.7	1,130t
	Environmental risk management	Measures to prevent pollution, compliance with laws/regulations, development of chemical substance and waste management systems, etc.	184.8	1,740.9	2.5	—
Upstream and downstream	Eco-conscious products	Product and production process assessments, etc.	197.3	18.0	—	—
Environmental management	Environmental activities	Personnel costs, employee training expenses	0.0	930.5	—	—
R&D		Development of technologies for reduction of environmental impact	0.0	0.0	—	—
Social activities		Social contributions, information disclosure, tree-planting campaigns	0.6	63.0	—	—
Environmental damage (others)		Levies for environmental pollution	0.0	0.8	—	—
Total			753.9	3,501.1	1,421.6	—

Environmental Risk Management

We perform soil contamination surveys and implement responses to environmental risk accident scenarios.

The NEC Electronics Group conducts surveys at the sites of factories that have been closed down due to contamination. In addition, we regularly perform disaster prevention drills.

■ Soil and groundwater contamination countermeasures

After the NEC Kansai plant in Hikone was closed down, we conducted a soil survey in fiscal 2004 that detected no contamination.

■ Disaster prevention drills

Since 1997, we have organized drills to respond to high-pressure gas and chemical leakage. They are performed under a variety of scenarios such as weekends, and nights when operators are absent. We also hold drills with the participation of our purchasing partners.



■ Exploring the content and causes of past violations and devising countermeasures

In fiscal 2004, no fines or penalties were imposed on us for environmental violations.

Eco-products Activities

NEC Electronics is committed to providing green products that are safe, harmless, and friendly to the environment, while also actively releasing environmental data related to our products. We provide green products that contribute to our customers' environmental solutions.

Energy-saving Devices

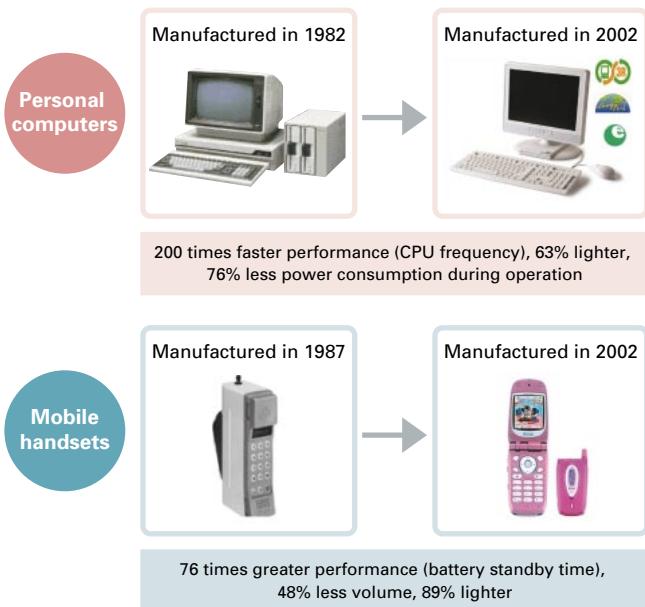
We provide semiconductor devices with increasingly advanced functions and high-performance that help our customers build greener products.

■ LSIs contribute to improved IT products

In recent years, as IT product functions become increasingly advanced, they consume much less power and are lighter and more compact. Personal computers, for instance, perform more than 200 times faster, are 63% lighter, and consume 76% less power consumption during operation than their predecessors of 20 years ago.

The NEC Electronics Group contributes to the achievement of these diametrically opposed requirements by making semiconductor devices that are smaller, contain more advanced functions, and consume less power per functional unit to provide solutions that help customers produce energy-saving products.

● Examples of LSI contributions



■ New energy-saving technologies

Leading-edge semiconductor devices now under development faced the challenge of physical limitations resulting in greater standby leakage current. By modifying materials and circuit technology, we have developed a new technology that achieves 1/30-1/100 reduction in leakage current. The new technology will enable our customers to offer products with reduced standby power consumption and CO₂ emissions. We will continue to contribute to the creation of energy-saving semiconductor devices by introducing new technologies into our next-generation semiconductor devices.

Strategies for Chemical Substance Use in Development and Design

We are responding quickly to the global trend toward lead-free, halogen-free products.

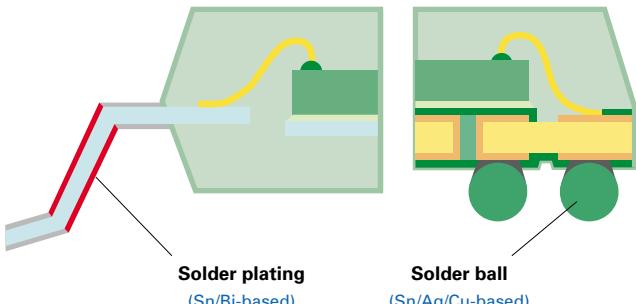
Recently in Europe, regulations concerning the use of hazardous chemical substances in final products have become increasingly strict as represented by the Waste Electrical and Electronic Equipment (WEEE) Directive, the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive, and the End-of-Life Vehicles (ELV) Directive. Japan has also seen the enactment of regulations such as the Law for Recycling of Specified Types of Home Appliances and the Law concerning the Examination and Regulation of Manufacture of Chemical Substances, as global environmental efforts move forward. Tightening of regulations has been accompanied by an accelerated movement toward the elimination of hazardous chemical substances in electrical and electronic equipment, and vehicles.

The NEC Electronics Group is determined to act quickly in response to these trends by designing green products that are lead-free. To the degree possible, we also aim to achieve the elimination of halogen from mold resin in the same time frame as the elimination of lead-containing products.

URL http://www.necel.com/pkg/en/pb_free/
Detailed information on our efforts to achieve lead-free products.

■ Lead-free areas

We are working to eliminate lead in pins by substituting other materials in the solder plating on the surface of leads in QFP packages and solder balls in BGA packages.





Product Assessment

We introduced product assessments at the design and development stage to promote the creation of green products.

One of the key characteristics of our environmental management activities is a "source management" system.

The environmental impact of products and manufacturing processes is established at the design and development stage; improvement measures introduced at the manufacturing stage are too late. Accordingly, we check each step in the development flow to ensure that environmental considerations are built into products and processes.

Life Cycle Assessment

We have acquired Type III environmental product declaration by implementing LCA to analyze each of our products.

NEC Electronics employs LCA to evaluate environmental impact throughout the product lifecycle. We were the first company in the semiconductor industry to acquire Type-III Environmental Product Declaration for one microcomputer and four one-dimensional CCD sensors (two ceramic and two plastic sensors). Products are assessed at every stage from materials procurement to manufacture and shipping and the results are published on the Web site of the certification organization.

We will continue to proactively implement LCA analysis in the product design and development processes in order to provide customers with low eco-impact products.

URL <http://www.environdec.com/>
Swedish Environmental Management Council



Environmental Product Declaration (EPD)

Green Procurement

We are working along with our purchasing partners to promote green product development through green procurement.

The NEC Electronics Group proactively engages in green procurement efforts as part of our CSR procurement activities (see p.22) with the cooperation of purchasing partners whose high level of environmental awareness enables supply of low eco-impact materials and components manufactured by low eco-impact processes.

We examine direct materials and packaging materials to confirm that:

- (1) Purchasing partners have set up an environmental management systems and are making a corporate-wide environmental conservation effort.
- (2) Materials/components do not contain chemical substances banned at NEC Electronics.

We worked with purchasing partners whose performance in the above matters was insufficient, until all of our domestic and overseas purchasing partners met our standards, enabling us to achieve our 100% green procurement goal in March 2004.

In fiscal 2004, we began conducting green procurement certification examinations on purchasing partners of indirect materials (chemicals, gases, and other auxiliary materials used in manufacturing processes), manufacturing facilities, fixtures, and tools toward the goal of 100% green procurement by March 2006. This examination verifies whether purchasing partners have an environmental management system in place and a company-wide commitment to environmental management.

We relay feedback on examination results to both direct materials purchasing partners and indirect materials purchasing partners. We request that purchasing partners who do not satisfy our standards cooperate to meet those standards. We also hold presentation meetings for purchasing partners in an effort to help them improve environmental management as it relates to the supply chain.

URL <http://www.necel.com/en/cprofile/procurement/green.html>
Detailed information on green procurement at NEC Electronics.

●Basic green procurement requirements

Required of all purchasing partners

An environmental management system is in place

Required of all supplied products

Substances that are banned in the manufacturing process are not used

Banned substances are not contained in the product

Purchasing partner has a system in place for phasing out substances designated for elimination

Purchasing partner cooperates with chemical substance content examinations

Environmental Product Declaration (EPD)

Eco-factories Activities

NEC Electronics promotes of eco-factories that implement measures to prevent global warming, reduce chemical substances, and recycle resources to contribute to conservation of the global environmental and occupational health and safety.

Measures to Prevent Global Warming

We are implementing measures to reduce greenhouse gas emissions in mass-production factories.

■ Efficient use of energy

The NEC Electronics Group is currently working to reduce the amount of energy consumed, with the goal of reducing CO₂ emissions per real sales to 75% or less of the 1990 level by 2010. Thus far, we have actively participated in efforts by the semiconductor industry to use energy efficiently by working to cut wasteful use of energy, and completely reviewing our manufacturing processes. We also work closely with production facility and incidental facility industries to promote energy conservation measures. Recently, we have begun implementing energy-saving measures from the standpoint of improved productivity.

■ High-efficiency systems and equipment

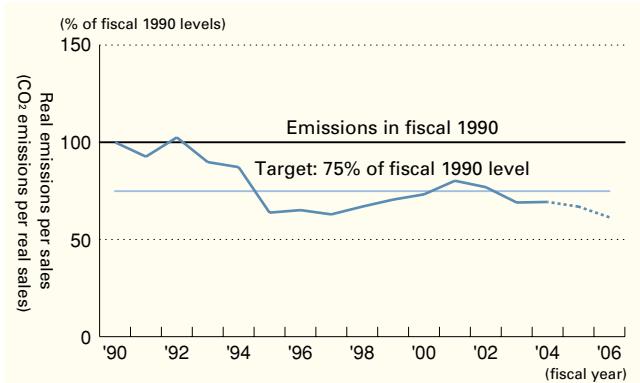
The NEC Electronics Group plans to upgrade all of its chillers currently containing specified CFCs. Besides using these ozone-depleting substances as refrigerants, conventional chillers are outdated and thus are unsatisfactory in terms of energy efficiency. Upgrading is anticipated to result in 20% or more improvement in energy efficiency per unit. This in turn will help prevent depletion of the ozone layer while also contributing to energy conservation. Therefore, we will move the fiscal 2010 target year for completion up to fiscal 2007.

Recently, a mini-environment system was employed for a newly installed semiconductor manufacturing line. The system maintains a high level of cleanliness within a limited area of the clean room where products are handled, while lowering the cleanliness levels of other factory areas to increase energy efficiency. This system, combined with effective utilization of waste heat and outside air, helped cut energy consumption by 20% or more compared to a conventional system. The technology is also employed for the 300 mm wafer fabrication line installed at NEC Yamagata.

Efficient use of energy at factories

- Adoption of co-generation systems
- Adoption of energy-saving chillers
- Use of FFU (filter fan unit) air conditioning systems
- Use of localized clean chambers
- Energy supply control during idling

● Fluctuations in CO₂ emissions



■ Reduction of greenhouse gas emissions

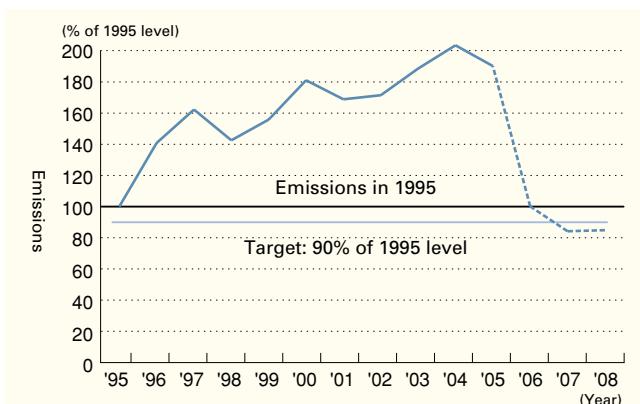
PFC gases are used for cleaning of reaction chambers used in the semiconductor manufacturing process. Reducing PFC emissions is an urgent issue because of its long atmospheric life and high global warming potential some 10,000 times that of CO₂. In light of this urgency, we have sought to develop technologies that will enable us to reduce, by 2010, PFC gases emissions to no more than 90% of the 1995 level. Through implementation of various emission reduction measures such as the optimization of gas usage conditions, the use of substitute gases, and installation of PFC abatement system, we are now confident that we can achieve this goal.

For the future, we will adopt various technologies for mass-production factories on a step-by-step basis to reduce greenhouse gas emissions, the main factor that causes global warming.

Greenhouse gas emission reduction strategies

- Switch to gases, cleaning fluids, and coolants with lower global warming coefficients
- Reduce greenhouse gas consumption (optimize processing conditions)
- Decompose or chemically convert greenhouse gases to lower-impact gases

● Fluctuation in PFC emissions, reduction target



Chemical Substances Used in the Manufacturing Process

We promote substitution and reduction of chemical substances based on usage conditions and PRTR input/output data.

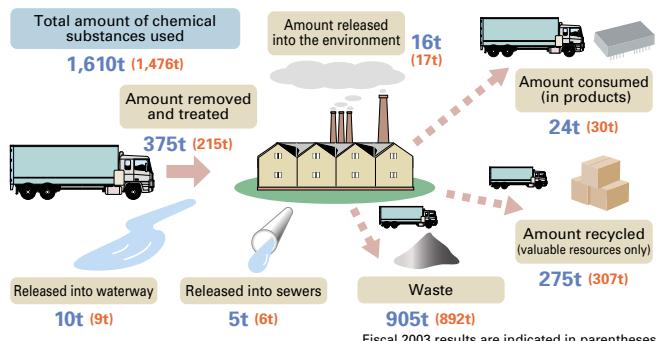
The chemical substance database built by the NEC Electronics Group contains various information concerning green procurement as well as laws and regulations. We refer to this database when conducting various assessments. By doing so, we identify the total amount of chemical substances in use and manage chemical substances from the viewpoint of toxicity, which serves as the foundation for R&D activities intended to create green products and eco-factories. In 1998, NEC Electronics joined a pilot PRTR scheme, under which we provide information required by law (such as reporting the use of chemical substances in amounts of 5 tons or more per year until March 2002, and 1 ton or more per year as of April 2003). We also perform more precise chemical input/output control for risk management.

Besides reporting, we also analyze the data and relay feedback to enhance efforts to minimize the use of hazardous chemical substances. Related activities at NEC Electronics, guidelines, and our database are available on our internal web site (in English and Japanese) to facilitate information sharing by our domestic and overseas subsidiaries.

■PRTR results in fiscal 2004

This year, effective use of equipment for treatment of organic gas emissions enabled us to reduce the amount of chemical substances released into the environment.

●PRTR data for fiscal 2004



Industrial Waste Reduction Activities

We maintain a recycling rate of 99% or more of industrial waste and are now at work developing this environmental technology globally.

The NEC Electronics Group began working to reduce waste and promote recycling of resources in 1985, with the entire group (i.e., NEC Electron Devices, an in-house company before its separation from NEC Corporation and its domestic manufacturing subsidiaries) having achieved a recycling rate of 99% or more of industrial waste in September 2000, and have maintained a rate of 99% or more since then.

Our waste reduction and recycling efforts include measures to minimize the generation of waste during the development stage at the upstream stage of the production process, such as green manufacturing processes and assessments. Also included are factory designs intended to minimize waste generated during construction. Waste that remains even after taking these measures is viewed as a "recyclable resource" rather than mere garbage. We examine and verify the possibility of recycling, environmental impact, and safety of recycling operations supported by proven technology, through collaborative efforts with companies from other industries.

These recycling activities are highly recognized by external organizations, such as the Clean Japan Center, and have earned us a number of awards. These include the Chairman's Prize in the Recycling Promotion Conference Awards and the Chairman's Prize in the Resource Recycling Technology Systems Awards. We will develop improvements accomplished in Japan to our overseas subsidiaries as well.

■Water resources

The NEC Electronics Group is also addressing the issue of water resources. As a manufacturer of semiconductors, we consume a considerable amount of water for semiconductor production. Not only do we work to conserve water, but are also committed to recovering and reusing water discharged from our factories and offices.

●Reuse of water in fiscal 2004

Water used	Water supplied	Water recycled
19,213 thousand m ³ /year	9,078 thousand m ³ /year	52.8%

My Approach to CSR



**Nobuyuki
Yamanishi**
Environmental
Management Division

To me, CSR means "doing what I can for the Earth."

A lot of chemical substances are used to make semiconductor products. At NEC Electronics, of course we are very careful in our use of chemical substances. We are also working to contribute to conservation of the global environment by proactively devising measures to reduce greenhouse gases and the amount of chemicals we release into the environment. At home, too, we do what we can for the Earth; for instance, my family makes a habit of turning off the main switch on the TV and other electrical appliances when we're not using them to cut down on CO₂ given off by standby power.

Eco-communication Activities

The NEC Electronics Group promotes eco-communication in order to build good relationships with all of our stakeholders.

Eco-communication

We make environmental information available to the public and offer internal education programs.

We publish a CSR report, disclose environmental data at our Web site, and participate in symposiums and exhibitions to facilitate disclosure of information on our environmental efforts. We also provide employees with education programs and offer information through the internal web site, because we believe it is important to raise our employees' environmental awareness in order to create products and factories with diminishing impacts on the environment.

■Web site information disclosure

We began providing environmental information services on our Web site in May 2003, as one of the important tools we use for eco-communication. Our environmental policies, the content of our environmental efforts, and environmental reports are available to the public at the site. In view of the many inquiries we receive from customers concerning our lead-free activities, we have added searchable pages with information and data on recommended soldering conditions, solder joint reliability, and other related topics.

■Rapid provision of environmental information on products

As we near July 1, 2006, when the European Union's RoHS Directive becomes effective, we are responding quickly and efficiently to increasing demands by customers for surveys regarding chemical substances contained in our products by building and operating a product environmental database. The system supports data registration in the International Material Data System (IMDS) to keep up with the ELV Directive, and automatic input to the JGPSSI (Japan Green Procurement Survey Standardization Initiative) format.

■Environmental management meeting

The president's address and a presentation by Ricoh Company encouraged employees to increase their awareness of environmental issues. The meeting was simultaneously broadcast on our TV conference system to 16 of our business locations.



■Self-check for ecologically conscious action

We have offered e-learning opportunities, which give employees a chance to self-check their environmental activity level against standards for "desirable environmental activity" and promotes voluntary learning according to individual levels. Overall results showed that although NEC Electronics Group employees have a high level of environmental awareness, it tends not to be put into practice in business activities. We will put these results to use in future environmental education programs and awareness-raising activities. (Related article was printed in an October 2004 edition of the Rodo Shimbun.)

■Presentation at ISESH

At the International Semiconductor Environment, Safety, and Health Conference held in July at Makuhari International Convention Complex in Chiba Prefecture, we emceed the opening session, reported on the activities of JEITA (Japan Electronics and Information Technology Industries Association), and chaired the LCA session.



■Complaints from neighboring residents

In 2004, we received one complaint in Japan and two complaints overseas concerning distracting noise. In response, we installed soundproof walls in all of the facilities concerned.

Company Profile

Company Name	NEC Electronics Corporation
Headquarters	1753 Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa 211-8668, Japan
Established	November 1, 2002
President	Kaoru Tosaka
Capital Stock	86 billion yen (as of March 31, 2005)
Consolidated sales	708 billion yen (for the year ended March 2005)
Major operations	Research, development, manufacture, sale and servicing of semiconductors, primarily system LSIs 23,963 (as of March 31, 2005)
Employees (consolidated basis)	Companies in Japan: 13 (including NEC Electronics) NEC Yamagata, Ltd., NEC Fukui, Ltd., NEC Kansai, Ltd., NEC Yamaguchi, Ltd., NEC Kyushu, Ltd., NEC Semicon Package Solutions, Ltd., NEC Fabserve, Ltd., NEC Micro Systems, Ltd., NEC Deviceport, Ltd., NEC Compound Semiconductor Devices, Ltd. etc.
Companies of the NEC Electronics Group	Companies overseas: 14 NEC Electronics America, Inc., NEC Semiconductors Ireland Limited, NEC Semiconductors Singapore Pte. Ltd., NEC Semiconductors (Malaysia) Sdn. Bhd., P.T. NEC Semiconductors Indonesia, Shougang NEC Electronics Co., Ltd., NEC Electronics (Europe) GmbH, NEC Electronics Taiwan, Ltd., NEC Electronics Singapore Pte. Ltd., NEC Electronics Hong Kong Limited, NEC Compound Semiconductor Devices Hong Kong Limited, NEC Electronics Shanghai, Ltd., NEC Electronics (China) Co., Ltd. (former NEC IC Design Beijing Co., Ltd.) etc.

History

1899	Nippon Electric Company, Ltd. (now NEC Corporation) is established.
1960	Begins integrated circuit R&D.
1985	Captures largest share of the global semiconductor market.
2002	NEC Electronics separated from parent company, NEC Corporation, established itself as an independent semiconductor company.
2003	Makes initial public offering on the Tokyo Stock Exchange (First Section).

Editing Policy

- The CSR Report is being issued for the first time this year. It contains the content of the Environmental Management Report, which until last year was a separate publication, and adds to it other information related to NEC Electronics' CSR efforts.
- CSR Report is intended for all of NEC Electronics' many stakeholders—customers, shareholders, investors, trading partners, employees, and citizens of local communities where our businesses are located—with the objectives of promoting a good understanding of our CSR-related efforts and two-way communication with stakeholders.
- NEC Electronics aspires to be a global enterprise; accordingly, the CSR Report will be published in both Japanese and English to make our CSR efforts known not only to our stakeholders in Japan but also to the great number of our stakeholders overseas.
- This report was prepared with reference to the Ministry of the Environment's Environmental Reporting Guidelines 2003, GRI's (Global Reporting Initiative) Sustainability Reporting Guidelines 2002, and other publications.

Scope of Content

The content of this report relates to the 13 companies in Japan and 14 companies overseas that comprise the NEC Electronics Group.

Reporting Period

Fiscal 2004 (the fiscal year from April 1, 2004 to March 31, 2005).

Publication Date

October 2005 (The fiscal 2005 issue is scheduled for publication in July 2006.)

Detailed Information

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

URL <http://www.necel.com/en/cprofile/csr/>

Environmental efforts

URL <http://www.necel.com/en/cprfile/eco/>

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