

Empowered by Innovation



NEC CORPORATION

ANNUAL CSR REPORT 2004

Year ended March 31, 2004

**ENRICHING SOCIETY
THROUGH INNOVATION**

NEC'S VISION FOR THE SUSTAINABLE DEVELOPMENT OF SOCIETY AND BUSINESSES

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

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

In this report, NEC's CSR activities are divided into four categories to provide a systematic presentation. The four categories are: (1) Innovation in Businesses From the Standpoint of Customers, (2) Innovation in the Abilities of Every NEC Employee, (3) Solving Local Community Issues Through Innovation, and (4) Innovation for the Global Environment Through IT.

Aiming to fulfill its social responsibilities to its stakeholders as a good corporate citizen, on April 1, 2004, NEC formulated the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct and established a CSR Promotion Unit and CSR Promotion Committee, putting in place the structures and systems needed to promote CSR activities throughout the group. Well aware of its social responsibilities, NEC will continue to take the initiative in improving its business activities.



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

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HIGHLIGHTS OF CSR ACTIVITIES

(SINCE APRIL 2003)

Innovation in Businesses From the Standpoint of Customers

November 2003

Made NEC Help Line (compliance consulting and reporting center) available to business partners.

April 2004

Shifted to a more customer-oriented business unit structure, modeled on the IT/Network Solutions business.

April 2004

Selected as one of 190 companies with outstanding Internet IR programs by Daiwa Investor Relations Co., Ltd. for the fourth consecutive year.

Innovation in the Abilities of Every NEC Employee

September 2003

Introduced a hearing assistance system to make it easier for employees with hearing disabilities to participate in meetings.

October 2003

Ranked No. 1 overall in the Nikkei Business Daily's survey of the best Japanese firms from the perspective of workers.

December 2003

Decided on introducing the Family Friendly Fund system, which offers a maximum one-time payment of ¥600,000 to employees upon the birth of a child.

January 2004

Began implementing health-risk management measures aimed at alleviating work-related stress.

April 2004

Added clear human rights policies to the NEC Group Charter of Corporate Behavior, such as a non-discrimination policy and prohibition of child or forced labor.

Solving Local Community Issues Through Innovation

April 2003 to February 2004

56,000 officers and employees from 413 NEC entities in 27 countries took part in "NEC Make a Difference Day," performing community service activities.

August 2003

Implemented the NEC Galileo Club program in Malaysia. This program offers enjoyable science classes that give students first-hand experience in performing experiments.

August 2003

Started IT Training for Mothers Raising Small Children, a program aimed at bridging the digital divide, targeting mothers seeking to reenter the workforce.

September 2003 to May 2004

Implemented NEC Extreme Science, a science education program for junior high school students across the U.S.

January to February 2004

Following a devastating earthquake in southeastern Iran, NEC Group officers and employees raised ¥7.9 million in donations.

Innovation for the Global Environment Through IT

May 2003

Commenced sales of the world's first desktop PC fitted with a water-cooling module.

July 2003

Started "ecotonoha" on the NEC Website, an environmental program with an innovative virtual tree-planting feature.

"ecotonoha" has received several awards, including:

- FY2004 Japan Media Arts Festival—Jury Award.
- 2nd Tokyo Interactive Advertisement Awards—Beyond Advertising Section, Silver Prize.

October 2003

Started recycling home-use PCs.

October 2003

Began second tree-planting program in Australia.

November 2003

Held an Environmental Forum themed on "Ecology through IT."

November 2003

Started environmental monitoring in conjunction with NPO Asaza Fund.

January 2004

Held second NEC Environmental Stakeholders Meeting.

March 2004

Established a framework for making newly designed products lead-free at overseas subsidiaries.



Socially Responsible Investment

NEC has a record of being highly rated by external organizations for its efforts to promote CSR activities and has been included in the following Socially Responsible Investment (SRI) indexes in previous years.

The Dow Jones Sustainability Indexes (U.S.) (September 2003)

Of the 2,500 companies around the world included in the Dow Jones Global Indexes, following on from the previous year, NEC was once again selected in 2003 as one of the approximately 300 companies in the top 10% in the index from the standpoint of economic, environmental and social criteria.

FTSE4Good (U.K.) (October 2003)

Following on from the previous year, NEC was once again selected in 2003 as a component of the FTSE4Good Global Index. Excluding tobacco producers, weapons manufacturers and so on, this index includes companies around the world screened on the basis of environmental sustainability and social and human rights criteria.

Morningstar Socially Responsible Investment Index (MS-SRI) (Japan) (July 2003)

NEC was one of 150 companies selected from about 3,600 companies for inclusion in the MS-SRI in 2003 on the basis of performance in parameters such as governance/accountability, markets, employment, social contribution, and the environment.

TO OUR STAKEHOLDERS

NEC's First Annual CSR Report

NEC aims to contribute to an enriched society by delivering innovation through sound business activities. This process is also essential to fulfilling our responsibilities to stakeholders, including customers, shareholders, business partners, local communities and employees. We have decided to publish our first annual CSR report to convey our determination to fulfill these responsibilities and present our concrete CSR activities as clearly as we can to all stakeholders.

WHAT CSR MEANS TO NEC

In recent years, the term "CSR" has been attracting growing public interest. CSR essentially means that companies must realize that while they are part of the private sector, their existence is inseparable from society at large. Companies are therefore responsible for running their businesses under ethical management systems, taking into consideration the interests of a variety of stakeholder groups.

The objective of our CSR activities is for us to carry out

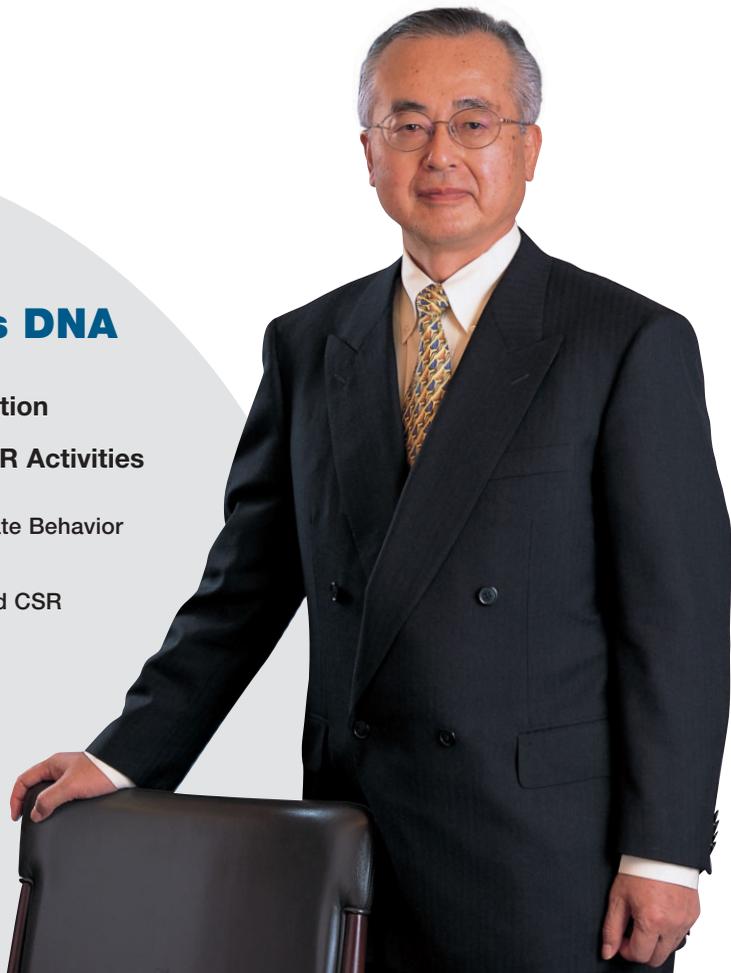
business activities while fulfilling our responsibilities, so as to contribute to the sustainable development of society. We also believe that CSR activities will help to raise our corporate value and will ultimately support our own sustainable growth.

CSR is by no means a new concept for us. In 1972, over three decades ago, NEC started a program called "Operation Quality" to make improvements in seven key categories: (1) management, (2) products and services, (3) worksite environment, (4) community relations (5) personal behavior, (6) business performance, and (7) corporate image. Under this program, we have worked to develop good relationships with various stakeholder groups, such as customers, local communities and employees, and initiated global environmental protection activities. Having evolved in many different ways while taking firm root in NEC's corporate culture, this program forms the basis for our CSR activities today.

Embedding CSR in NEC's DNA

- **Contribute to Society Through Innovation**
- **Improve Corporate Value Through CSR Activities**
 - Formulated NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct
Newly established CSR Promotion Unit and CSR Promotion Committee
(April 2004)

Akinobu Kanasugi
President



AIMING TO IMPROVE MANAGEMENT QUALITY THROUGH CSR

CSR activities and the drive to improve management quality are one and the same. Because NEC is a for-profit organization, fulfilling our economic responsibilities to run sound business activities, while ensuring compliance with laws and regulations, is a fundamental tenet of management. However, we cannot fulfill our social responsibilities through economic success alone. It is crucial that NEC remain engaged in and contribute to the solution of various issues faced by society, such as global environmental problems, as well as human rights and consumer protection issues, as part of its business activities and management policies. I believe that society expects much from NEC in terms of the innovation created by its business activities, especially because it is involved in leading-edge technological fields. On the environmental front, for example, the previous fiscal year saw us initiate the collection and recycling of home-use PCs, as well as the sale of reconditioned PCs repurchased from users. In a further step, we are working to develop and commercialize non-burnable bioplastics with a low environmental impact for use in the casings of PCs and other electronic equipment. Another important role is to bring NEC technologies and personnel to bear on challenges faced by local communities in the environment, education and other fields. We are also concentrating on fostering a deeper understanding of NEC's CSR activities and accomplishments among stakeholders by providing ample disclosure.

The collective result of these activities will be to upgrade management practices, which will ultimately lead to improvements in the quality of management at NEC.

EMBEDDING CSR IN NEC'S DNA

I am determined to embed CSR into the NEC Group's DNA. Key to this will be to instill a common basic awareness of

CSR in all officers and employees, and for all of us to make a concerted effort to carry out business activities with a strong emphasis on CSR. To make this happen, since my appointment as president in 2003, I have taken every opportunity to urge all officers and employees to develop and act on a deeper understanding of CSR. Going beyond the NEC Group, our business partners have also been requested to cooperate with our CSR activities.

In April 2004, the NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct were formulated to serve as the foundation for more systematic and strategic CSR activities. In parallel, we appointed a CSR officer and established the CSR Promotion Unit to specialize in promoting CSR activities across the group. I am directly in charge of the newly established CSR Promotion Committee, which provides a forum for directors and officers responsible for business units to deliberate on important issues. We have clearly identified risk management categories vital to the sound management of our businesses (compliance, quality, information security, environment, etc.) and designated various activities essential to raising NEC's corporate value and contributing to the sustainable development of society as concrete management guidelines. These items will be managed based on PDCA (Plan-Do-Check-Act) cycles.

OUR FIRST ANNUAL CSR REPORT

Through this report, we present the accomplishments and issues faced by NEC's CSR activities to stakeholders, with the view to considering ideas for resolving the issues we face together with stakeholders. I hope this report will be read by as many stakeholders as possible. We would certainly appreciate your candid views on this report and our CSR activities.

In closing, I invite you to expect great things from NEC's CSR activities, which I believe hold much promise in the years to come.

September 2004



Akinobu Kanasugi
President

Feature:

STEPS TO A BRIGHTER FUTURE

Contributing to an Enriched Society Through Innovative Approaches to Science and Technology

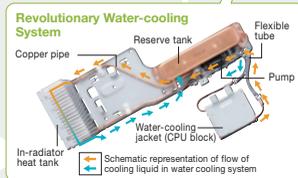
Today, the societies in which we live face a variety of issues in fields including the environment and education. Itself a member of society, NEC believes it is important to proactively contribute to the solution of these social issues through its business activities.

OPENING NEW OPPORTUNITIES WITH IT, FOR A BETTER FUTURE

Under the slogan, "Ecology through IT," NEC is committed to contributing to a sustainable society by reducing its impact on the global environment through IT solutions, our primary business domain. It is imperative that we actively utilize IT, which will play a significant role in making this vision a reality.

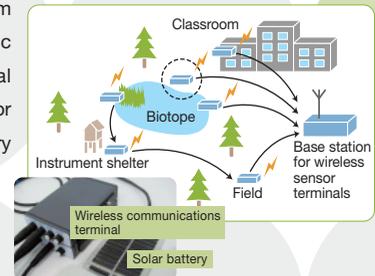
WORLD'S FIRST WATER-COOLED DESKTOP PC

As the performance of PCs increases, CPUs release more heat, which results in larger operating noise from cooling fans. In May 2003, NEC released the VALUESTAR TX and FZ desktop PCs, which feature the world's first CPU water-cooling system. By circulating water through pipes in the PC to cool the CPU, NEC has successfully held the operating noise of these PCs down to 30dB (equivalent to human whispering). The VALUESTAR TX and FZ desktop PCs also use environmentally conscious materials including 100% recycled plastic for the casing and hexavalent chromeless steel for the internal chassis.



NEC JOINTLY DEVELOPED AN ENVIRONMENTAL MONITORING SYSTEM FOR THE KASUMIGaura REGION WITH NPO ASAZA FUND

In November 2003, NEC launched a model project in conjunction with the NPO Asaza Fund* to monitor the natural environment over a wide area using an ad hoc wireless sensor network. This wide-area environmental monitoring system is composed of a network of wireless sensor terminals with built in solar batteries that monitor ambient air temperature, humidity, and other variables. The environmental data collected by the sensors are relayed between adjacent terminals through wireless communication for long-distance transmission to base stations. Using sensors at artificial ponds representing biotopes set up by three elementary schools in the vicinity of Kasumigaura, environmental data are already being collected on a regular basis. By jointly developing the system with an NPO, NEC is contributing to the education of children by providing a science program that teaches the scientific observation of an ecological system as part of the Period for Integrated Study at elementary schools. This monitoring system can also be applied to a variety of other fields.



* The Asaza Fund is an NPO based in Kasumigaura, Ibaraki Prefecture. It organizes public works projects for revitalizing nature using local networks. The NPO is involved in practical environmental education programs that have included setting up artificial ponds representing biotopes at about 110 elementary schools in the Kasumigaura region to enable students to closely observe environmental preservation and revitalization activities.

<http://www.kasumigaura.net/asaza/en/>

NEC GALILEO CLUB HELD IN MALAYSIA

Since 1996, NEC has held a fun-filled experiment-based science program called the NEC Galileo Club for children in Japan (see p.27). In August 2003, this program was extended overseas for the first time. At an elementary school in Kuala Langat in Selangor State, Malaysia, NEC organized experiment-based science classes mainly taught by 30 employees from NEC Semiconductors (Malaysia) Sdn. Bhd. and 16 volunteer teachers, assisted by Japanese NPO Galileo Workshop. The theme of the classes was “The Science of Motion Through Animation.” The project saw 120 students from eight local elementary schools come together to learn about the principles behind animation, optical illusions and other topics in a fun-filled environment. NEC hopes that these types of activities may contribute to the development of Malaysia’s next generation of scientists and engineers.



SUPPORTING SCIENCE EDUCATION FOR MIDDLE SCHOOL STUDENTS ACROSS THE U.S.

From September 2003 to May 2004, NEC Foundation of America collaborated with NPO Science Service to stage a program called “NEC Extreme Science” in support of middle-school science education across the U.S. The program included two components. The first was *NEC Give a Day, Make a Difference*, a program that recruited 103 of America’s most accomplished scientists and engineers, including recipients of the Nobel Prize and other awards, to volunteer their time to make special presentations on their inventions and discoveries for roughly 6,150 students. Such presentations help to deepen students’ interest in and understanding of science. The second program, *NEC Perfect Classroom Competition*, was a national competition that awarded middle-school science teachers \$9,000 for classroom improvements. The three winners—from New York, Washington, and Delaware—were selected from a group of some 100 candidates.



Dr. Bruce Thompson shares his excitement about science with students at Southeast Polk Junior High School. Dr. Thompson is a member of the National Academy of Engineering and a professor at Iowa State University.

EDUCATIONAL PROGRAMS FOR THE NEXT GENERATION

NEC believes that supporting the education of youth is a key investment in our future. This is because ensuring the proper development of younger generations, which will be responsible for the future, is an extremely important issue that will have a significant bearing on the course of society. NEC thus actively takes part in unique educational programs that help to develop the skills and creativity of younger generations.

DEVELOPMENT OF NON-BURNABLE BIOPLASTICS: NEXT-GENERATION MATERIALS WITH A LOW ENVIRONMENTAL IMPACT

The casings of many kinds of electronic equipment are made of petroplastics, which are derived from oil resources. Amid growing interest in environmental issues, bioplastics that use plant resources promise to serve as a viable alternative. However, the bioplastics used until now lacked strength and heat resistance and had insufficient flame retardancy characteristics. NEC has achieved a 1.7-fold increase in strength and heat resistance by adding kenaf fiber, which is very effective against global warming, to polylactic acid. As a result, NEC has been able to develop a bioplastic with superior flame resistance by using safe inorganic endothermic materials, thus eliminating the use of hazardous flame retardants. This has helped us to achieve our long-standing goal of significantly improving bioplastic flame resistance. This new bioplastic provides flame resistance equivalent to that of conventional petroplastics treated with advanced flame retardants.

NEC is further promoting its research and development in this area to encourage wider use of this new material in electronic devices.



Bezel for laptops created from bioplastics

NEC AT A GLANCE

The NEC Group is a leading solutions provider with three core businesses—IT Solutions, Network Solutions and Semiconductor Solutions. These businesses are helping to make the ubiquitous networking society* a reality. NEC has a total workforce of over 140,000 employees and net sales of ¥4.9 trillion, with business activities encompassing Japan and 103 companies overseas. Contributing to the sustainable development of society and businesses through constant innovation is a key requirement for NEC to become a company of global excellence.

IT/NETWORK SOLUTIONS BUSINESS

This business is divided into two areas: IT Solutions, which include systems integration services and software, as well as hardware such as servers and PCs; and Network Solutions, which cover the broadband and mobile communications field and social infrastructure. These solutions are mainly provided to enterprises, government agencies, telecommunications service providers, and individual customers.



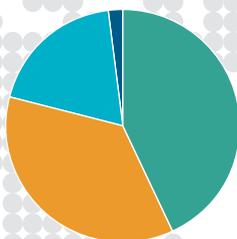
SEMICONDUCTOR SOLUTIONS BUSINESS (NEC Electronics Corporation)

On November 1, 2002, NEC Electronics separated from parent company NEC Corporation and established itself as an independent, dedicated semiconductor company. Its mission is to be the partner of choice for customers by responding to their needs with differentiated solutions based on its advanced technologies.

URL URL: NEC Electronics Corporation
<http://www.necel.com/>

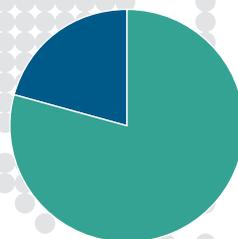


Composition of Sales by Business (FY2004)



- IT Solutions business: 43%
- Network Solutions business: 36%
- Electron Devices business: 19%
- Other: 2%

Composition of Sales by Region (FY2004)



- Japan: 79%
- Overseas: 21%

Corporate Overview

COMPANY NAME: NEC Corporation
ADDRESS: 7-1, Shiba 5-chome, Minato-ku, Tokyo, Japan
ESTABLISHED: July 17, 1899
CHAIRMAN OF THE BOARD: Hajime Sasaki
PRESIDENT: Akinobu Kanasugi
CAPITAL: ¥337.8 billion (As of March 31, 2004)
CONSOLIDATED NET SALES: ¥4,906.8 billion (Year ended March 31, 2004)
CONSOLIDATED NUMBER OF EMPLOYEES: 143,393 (As of March 31, 2004)
NO. OF NEC GROUP COMPANIES: 195 companies including 92 domestic companies and 103 overseas companies (As of March 31, 2004)

* Ubiquitous networking society: a society where information can be exchanged anywhere, anytime over the Internet and other networks.

A HISTORY OF INNOVATION

Empowered by Innovation

NEC's history, which dates back more than a century, is a story of continuous innovation that has spawned numerous R&D breakthroughs, management innovations, personnel system reforms and environmental activities. NEC's global corporate slogan "Empowered by Innovation," embodies our strong resolve to empower customers with innovation and contribute to building a vibrant society.

NEC'S TRUE DNA: INNOVATION FOR CUSTOMERS

- NEC was established as a joint venture company with the Western Electric Company of the U.S. in 1899 by founder Kunihiko Iwadare. Giving customer satisfaction (CS) priority since its founding, NEC began the manufacture of telephones in 1900 under the slogan of "Better Products, Better Service."



Early Magneto Telephone Set



Letter of appointment received by Hidehiko Nishio

- After solving quality problems associated with communications equipment delivered to the post-war General Headquarters of the Allied Forces, Hidehiko Nishio was appointed manager of Japan's first quality assurance department in 1946. In 1952, NEC became the first in the telecommunications industry to receive the Deming Prize for excellence in quality control.

- Kazuya Watanabe and associate Tomio Gotoh of the Microcomputer Sales Division, which started out as an in-house venture, saw their innovative ideas and hard work culminate in the launch of the TK-80 microcomputer in 1976 in Akihabara, Tokyo. The TK-80 became the forerunner of the modern-day personal computer.



PC-8001 series launched in 1979

SUPPORTING INNOVATION FOR EACH AND EVERY EMPLOYEE

- NEC has endeavored to create workplaces that allow employees to work with enthusiasm, while respecting the individuality of each

employee. One key policy at NEC is to make positions available to talented women and younger employees. To ensure that this corporate culture firmly took root, NEC recruited several hundred female software engineers in the 1980s.

INNOVATION FOR THE GLOBAL ENVIRONMENT THROUGH IT IN CORE BUSINESSES

- In 1970, NEC established the Pollution Prevention & Environmental Management Department, which became the starting point for its environmental management activities. In the ensuing thirty years, NEC has taken a range of successive environmental measures.
- In 1980, NEC prepared the first edition of Environmental News, a publication aimed at encouraging greater environmental awareness, and started zero emission efforts in 1985. In 1991, the NEC Environmental Charter was formulated, and the first Annual Environmental Report was prepared in 1997. All business offices and domestic plants obtained ISO 14001 certification in 1998. In 1999, NEC eliminated the use of all ozone-layer depleting substances in its products and launched the world's first PC manufactured with lead-free solder. In 2002, NEC implemented environmental management through its core IT solutions business under the slogan of "Ecology through IT."



"Ecology through IT"

AIMING FOR AN ENRICHED SOCIETY

- Since establishing a sales company handling communications equipment in the U.S. in 1963, NEC has expanded its overseas network to include 103 locations in 45 countries worldwide. Aiming to become a company of global excellence, in 2001 NEC embraced a new global corporate slogan, "Empowered by Innovation," to convey its identity to the world through a clear message.

CSR VISION

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

OUR APPROACH TO CSR

NEC's Corporate Philosophy sets forth its basic approach to conducting business activities as a member of society. Under this corporate philosophy, the objective of NEC's corporate activities is to carry out sound business activities that raise profitability, while promoting dynamic development and returning benefits to the public so as to contribute to the sustainable development of society.

As part of this process, fulfilling our obligation to comply with laws and regulations is of course important. However, NEC must also proactively help to resolve various social issues through community and business activities. We will provide ample disclosure about these

activities to various stakeholders to form strong bonds of trust. The accomplishments of these activities will ultimately ensure the sustainable development of NEC. (See diagram below.)

REVISION OF CSR FRAMEWORK

In April 2004, NEC made revisions to its Charter of Corporate Behavior (adopted in 1997) and Code of Conduct (adopted in 1999) from a CSR perspective. Expanding their applicability to NEC Group companies*, NEC renamed them the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct. The NEC Group Charter of Corporate Behavior is composed of ten principles that provide a guide to the corporate activities required of members of the NEC Group from the perspective of fulfilling NEC's social responsibilities. The NEC Group Code of Conduct specifies the behavior expected of each and every director and employee on a daily basis from the twin perspectives of compliance and corporate ethics.

NEC aims to gain the abiding trust of all its stakeholders by ensuring that all who work in the NEC Group strictly adhere to these codes of corporate and individual behavior.

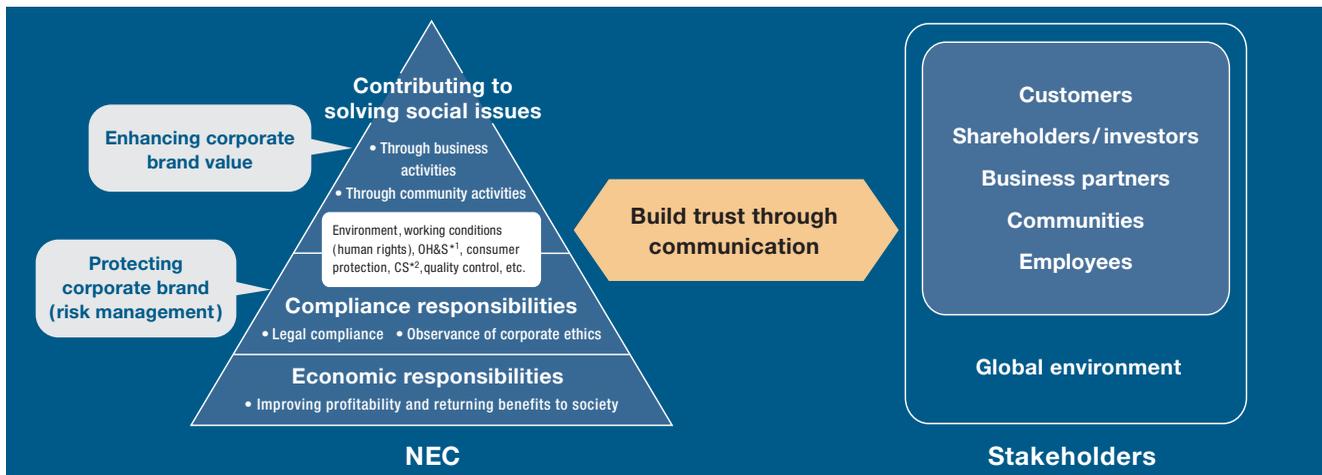
* Covering 60 specified NEC Group companies in Japan and 42 overseas as of April 2004.

Corporate Philosophy

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

* C&C stands for computers and communications.

What is CSR?



*1 Occupational health & safety
*2 Customer satisfaction

NEC Group Charter of Corporate Behavior

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

Attaining Customer Satisfaction

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

Developing New Technologies

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

Conducting Fair Corporate Activities

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

Disclosing Information

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

Preserving the Global Environment

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

Maintaining Good Relations with the Community

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

Conducting Thoughtful Corporate Citizenship Activities

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

Protecting Human Rights

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

Valuing Employees

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

Protecting Intellectual Property and Personal Information

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

STRENGTHENING CSR PROMOTION SYSTEMS ACROSS THE GROUP

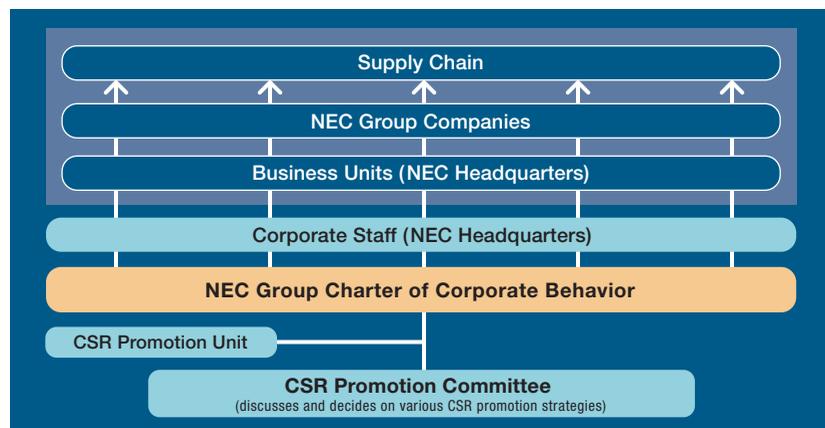
To ensure that the management of NEC's business activities is based on an even stronger awareness of CSR, NEC established the CSR Promotion Unit and the CSR Promotion Committee on April 1, 2004. These moves were aimed at strengthening CSR promotion systems across the NEC Group.

CSR Promotion Unit: NEC established the CSR Promotion Unit to advance CSR activities in a unified manner across the Group. Working from a risk management perspective, the unit aims to protect the reputation of NEC and to build the value of the NEC brand by focusing on three types of activities:

- (1) Management of priority risks for each major theme, including compliance, quality, information security, and environmental issues.
- (2) Activities directly focused on gaining the trust and empathy of stakeholders, including promotion of customer satisfaction, environmental preservation activities, and social contribution programs aimed at raising NEC's value to the public.
- (3) Promotion of communication activities, including disclosure of CSR information.

Based on these three priorities, NEC aims to protect the NEC brand from the standpoint of risk management and to improve brand value from the standpoint of its reputation. The management of priority risks involves not only NEC Corporation and NEC Group companies, but also encompasses a range of measures at business partners.

CSR Promotion Framework



CSR Promotion Committee: Established as a corporate committee that is centered on the president and responsible for considering and advancing group-wide CSR issues, the CSR Promotion Committee discusses various important policies and solves specific issues related to CSR promotion.

These practices are designed to ensure the fulfillment of corporate responsibilities toward the global environment, CS and quality improvements for customers, and responsibilities to all other stakeholders, including shareholders and other investors, business partners, local communities, and employees. In doing so, we aim to contribute to the sustainable development of society and ensure our own ongoing development.

CORPORATE GOVERNANCE

NEC believes that maximizing corporate value, which embodies the company's value for all its stakeholders, is essential to fulfilling our social responsibilities. To this end, NEC is working to strengthen corporate governance.

STRENGTHENING CORPORATE GOVERNANCE

NEC has established the following four fundamental policies to strengthen corporate governance, with the view to maximizing corporate value:

- (1) Ensure transparent and sound management.
- (2) Expedite decision-making and business execution.
- (3) Clarify accountability.
- (4) Offer timely, appropriate and fair disclosure.

CORPORATE GOVERNANCE STRUCTURE

NEC's corporate governance structure is centered on the Board of Directors and the corporate auditors. NEC currently believes this structure is best suited to the company. In April 2000, NEC introduced the Corporate Officer system, transferring substantial authority from the Board of Directors to corporate officers. This move clarified responsibility, facilitating rapid decision-making and business execution.

NEC has also been taking actions to improve the transparency and soundness of management. Key actions have included appointing outside directors, establishing the Management Advisory Committee and Compensation Committee, and engendering closer cooperation

among NEC's corporate internal auditing section, the corporate auditors and independent auditors in the auditing process.

Board of Directors: As of June 22, 2004, the Board of Directors consisted of 15 members, including three outside members. The Board of Directors meets every month and holds extraordinary meetings when urgent decisions are required. At meetings, directors deliberate and decide on important matters concerning NEC's overall business. Issues of particular importance are discussed prior to Board meetings by the Executive Committee.

Corporate Auditors and Board of Corporate Auditors: NEC had two full-time auditors and three auditors from outside the NEC Group as of June 22, 2004, who act independently of directors with responsibilities to monitor conformity of all actions of the directors with applicable laws and regulations. The Board of Corporate Auditors meets once a month and holds extraordinary meetings as necessary.

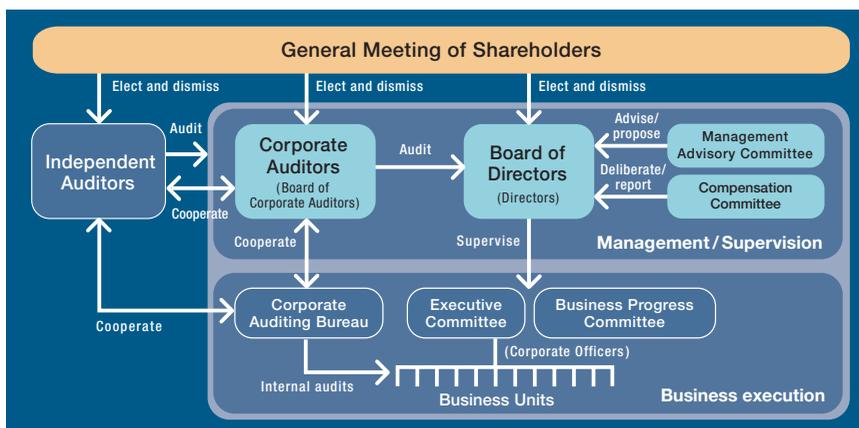
Management Advisory Committee: This committee, which includes outside members, discusses a wide range of management issues from an objective perspective, including the NEC Group's medium- and long-term management strategy.

Compensation Committee: This committee reviews the executive remuneration system and deliberates on the appropriate level of compensation for directors and corporate officers from an objective standpoint.

Corporate Auditing Bureau: Working closely with corporate auditors and the independent auditors, the Corporate Auditing Bureau, NEC's corporate internal auditing section, monitors whether business activities are executed in an appropriate and reasonable manner in conformity with laws, while proposing improvements as necessary.

NEC will conduct regular reviews aimed at strengthening corporate governance, taking into account future changes in laws, social conditions, and other developments.

Corporate Governance Structure



CORPORATE ETHICS

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

NEC GROUP CODE OF CONDUCT

To earn the trust of customers, shareholders and other investors, suppliers, local communities, employees and other stakeholders from a legal and ethical perspective, the NEC Group Code of Conduct sets forth specific rules for all officers and employees in the NEC Group to follow in their day-to-day activities.

ETHICAL COMPLIANCE STRUCTURE

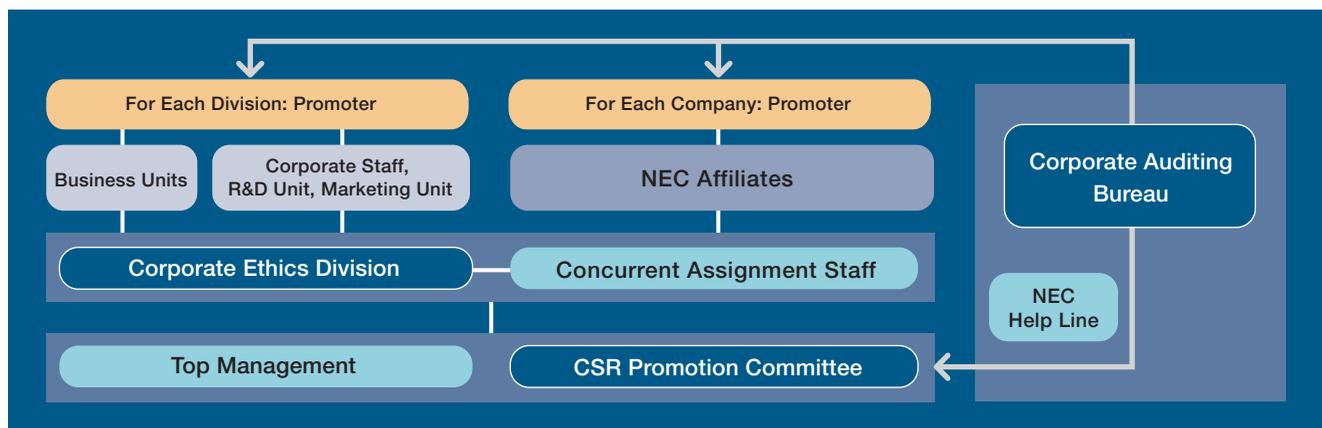
The CSR Promotion Committee, Corporate Ethics Division, Corporate Ethics Promoters and the Corporate Auditing Bureau work closely together to ensure thorough, effective and efficient enforcement of the ethical standards of behavior detailed in the NEC Group Code of Conduct.

- The CSR Promotion Committee deliberates and decides important policies related to the enforcement of proper corporate behavior, based on established business ethics and a spirit of legal compliance.

NEC Group Code of Conduct

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

Corporate Ethics Organization



URL NEC Group Code of Conduct
<http://www.nec.co.jp/csr/en/management/code.html>

- The Corporate Ethics Division focuses exclusively on enforcement of business ethics throughout the NEC Group. Personnel within each corporate staff division are appointed to concurrently serve as coordinators along with the Corporate Ethics Division to take various actions to promote awareness of and compliance with the NEC Group Code of Conduct.
- Corporate Ethics Promoters collectively form a network throughout the company to ensure employees act in compliance with NEC standards of business ethics. Corporate Ethics Promoters assigned to each business division and affiliated company work closely with the Corporate Ethics Division to raise internal awareness of corporate ethics and compliance issues.
- The Corporate Auditing Bureau performs internal audits to check that company operations are in compliance with applicable laws and regulations.

ESTABLISHMENT OF THE NEC HELP LINE

The Corporate Auditing Bureau operates the NEC Help Line in conjunction with an independent third-party organization. This service allows any individual in NEC to consult and report on issues without fear of consequences in situations where a violation of the NEC Group Code of Conduct has been reported or is suspected. Besides NEC Corporation officers and employees, the service is also available to NEC Group companies and those employed by NEC Group materials suppliers in Japan. NEC views the service as an important safeguard for raising compliance standards within the group. Individuals are encouraged to make use of it if the need arises.

PROMOTING BUSINESS ETHICS WITHIN THE ORGANIZATION

“Awareness” and “information sharing” are the keywords of business ethics at NEC. In practice, this means fostering a sharp sense of awareness among all employees so that inappropriate behavior is recognized at once. Furthermore, such recognition needs to lead to the improvement of existing systems and procedures without allowing the matter to become lost. NEC uses training and educational awareness-raising programs, feedback surveys and internal communications to ensure high levels of awareness of the NEC Group Code of Conduct.

Training Programs

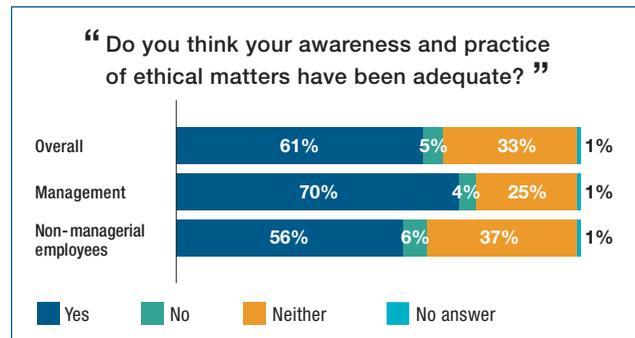
Annual Web-based training programs targeted at all officers and employees aim to promote business ethics within NEC by emphasizing the importance of the standards of behavior detailed in the NEC Group Code of Conduct. Other seminars and Web-based training modules are incorporated into training programs for new recruits and different management levels. NEC also works to instill a shared sense of awareness in employees through an annual “Business Ethics Forum” at which top managers emphasize the importance of ethical matters.

NEC is also striving to improve internal communications. A section of the NEC intranet is dedicated to business ethics issues. An e-mail newsletter distributed twice a month provides the latest information on related topics. To foster greater awareness of ethics, NEC also releases case studies of possible incidents titled “What Would You Do?” (only in Japanese) to familiarize employees with ethical issues related to the NEC Group Code of Conduct that could arise in their everyday work. Feedback from employees is directed up the management chain so that it can be incorporated into business practices.

Employee Surveys

As part of the annual Web-based training programs, NEC conducts online surveys to gauge ethical awareness among employees and evaluate the status of information sharing on this important subject. This feedback supports discussion and implementation of proposed new measures and policies.

Excerpt from Business Ethics Survey (Implemented in May 2003)



INFORMATION SECURITY

The advent of the ubiquitous networking society, which allows people to access information at any time and any place, makes it all the more vital to protect privacy and keep information assets secure. NEC policies require all efforts to be made to ensure appropriate levels of privacy and data protection when handling personal information, valuable information entrusted to NEC by business partners or the company's own confidential data. NEC has instituted policies for the protection of privacy (July 2000) and corporate information security (September 2000).

• NEC Privacy Policy

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

• NEC Information Security Statement

This policy outlines principles for the appropriate handling of valuable information entrusted to NEC by business partners or confidential NEC data to protect such assets.

In particular, the protection of information belonging to customers is fundamental to NEC's businesses. NEC thus pays close attention to this issue. Divisions that are closely related to individual customers, such as the BIGLOBE Operations Unit and Systems Services Operations Unit, satisfy strict standards of privacy protection, and have been awarded a privacy mark by the Japan Information Processing Development Corporation.

In April 2003, the Customer Information Security Office was established within the Corporate Ethics Division, to reinforce information security, especially data from corporate clients, by creating information security frameworks and raising awareness throughout the NEC Group and at its business partners.

RECENT HIGHLIGHTS

Updates to the Charter of Corporate Behavior and Code of Conduct

- Revised NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct released (April 1, 2004)
- The launch campaign included the distribution of posters of the NEC Group Charter of Corporate Behavior to each workplace and NEC Group Code of Conduct booklets to all employees in Japan (April 1, 2004).
- Web-based training programs were conducted on the NEC Group Code of Conduct in Japan (May–June 2004).

NEC Help Line

- The NEC Help Line service was expanded in November 2003 to allow counseling access to independent third-party organizations as well as internal personnel. In addition, service availability was extended to include NEC Group personnel and employees of NEC Group suppliers in Japan.

Training and awareness-raising programs

- The NEC Business Ethics 2003 forum was held at NEC Headquarters on December 19, 2003.
- Approximately 2,400 people participated in Web-based training programs on corporate ethics targeting various levels of management (January–March 2004).

External awards

- NEC received the top award in the enterprise section of the 2nd Key Firm of Integrity Awards. Sponsored by the Sankei Shimbun newspaper and KFi K.K., these awards recognize excellence in business ethics and compliance (March 24, 2004).



Award certificate and plaque received at the 2nd Key Firm of Integrity Awards



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



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



INNOVATION IN BUSINESSES FROM THE STANDPOINT OF CUSTOMERS

NEC's core competencies are the IT/Network Solutions and Semiconductor Solutions businesses. Through these businesses, NEC recorded net sales of ¥4,906.8 billion and net income of ¥41.1 billion in fiscal 2004, ended March 31, 2004. This result was achieved with the support of NEC's customers and through close collaboration with business partners in Japan and overseas.

The objective of our business activities is to raise profitability and return benefits to society, and contribute to society's dynamic development. Naturally, this objective cannot be achieved without the trust of customers. NEC has thus structured a company-wide CS (Customer Satisfaction) promotion framework to ensure that customer feedback is reflected in its business activities and continuous improvements. Quality and safety management systems are also being put in place so that customers can feel even more confident about NEC products.

Collaboration with business partners is also indispensable to providing trustworthy products and services to customers. By promoting CSR in the procurement of materials and services, NEC aims to raise business partner satisfaction and further improve its business activities. Repeated innovation in businesses from the standpoint of customers will lead to improved corporate value, and ultimately revitalize and drive further innovation for society at large.

NEC believes that it has an obligation to return profits generated by its businesses to shareholders and other investors, because it is a joint stock corporation whose business operations are premised upon earning the trust of this important stakeholder group.

1. The 121 Contact Center handles technical inquiries regarding PCs and peripherals from customers 24 hours a day, 365 days a year.
2. The FingerThrough fingerprint-based access control system provides reliable and tight data security and is easy to operate.
3. Supercomputers are at the forefront of academic research in various fields worldwide, including weather forecasting and environmental simulations.
4. In the development of information systems for the financial sector, NEC has a global systems development network that spans partners in the U.S., China, India and South Korea.

SATISFYING THE CUSTOMER

NEC is committed to putting the customer first at all times. NEC believes that constantly implementing customer-oriented policies and actions are the key to building Customer Satisfaction (CS). Besides aiming to provide products and services that exceed the expectations of its customers, CS activities at NEC also embrace product quality and safety management programs. These aim to ensure that no defective items enter the supply chain so that customers can always use NEC products and services with complete confidence.

CS ACTIVITIES

CS activities have been the cornerstone of NEC's business ever since its establishment. "Better Products, Better Service" was the first NEC corporate slogan, showing how management focused on building the business by putting customers first. Based on this thinking, NEC has formulated a set of principles known as the NEC CS Credo to provide products and services that meet its customers' expectations.

NEC CS Credo

All employees of NEC...

- Keep in mind the common objective of satisfying the customer.
- Give top priority to convenience and ease-of-operation, and provide products and services that customers can use with confidence and satisfaction.
- Heighten their sensitivity to the needs and desires of the customer and provide the customer with new value and a feeling of anticipation for the future.
- Respond to customer expectations effectively, actively and flexibly while striving to understand precisely the motivation and feelings of the customer.

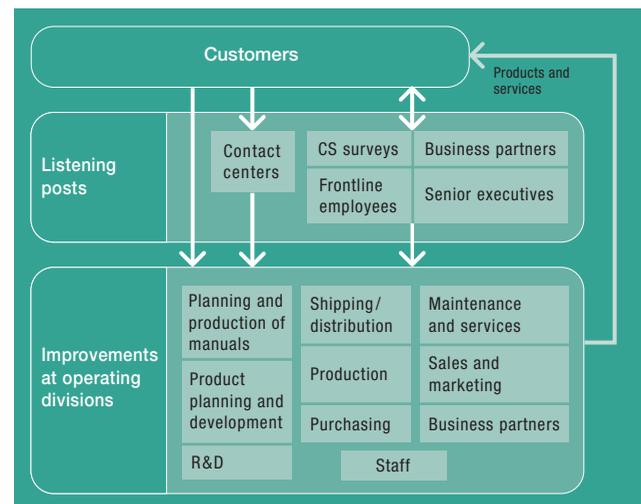
Company-wide CS Promotion Framework

NEC has established a company-wide CS promotion framework to ensure customer feedback is reflected in frontline business activities and quality improvement programs. Some 800 Quality Promoters at every level of the organization respond to customer feedback and work to solve CS-related issues at the department level. In addition, the CSR Promotion Committee examines and discusses overall company-wide CS-related issues.

Incorporating Customer Feedback

Customer feedback, both positive and negative, on NEC products and services is received through contact centers (which act as collection points for customer complaints and requests) and CS surveys. The results are circulated to staff in all operating divisions. The system is designed so that this information is continually incorporated into product development programs and marketing plans.

Incorporating Customer Feedback



NEC Customer Contact Center

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

In fiscal 2004, the NEC Customer Contact Center received approximately 6,500 inquiries during the year. Of this total, about 73% represented inquiries concerning the customer support system itself, such as difficulties in reaching customer representatives over the telephone, 17% concerned inadequate responses to customer actions or requests, 5% were product-related, and the remaining 5% involved inquiries about product repairs. To rapidly and properly respond to customer inquiries, we have established a collaborative framework among call centers that can now answer inquiries about several different products at once.

PC and Computer Peripheral Inquiries (121 Contact Center)

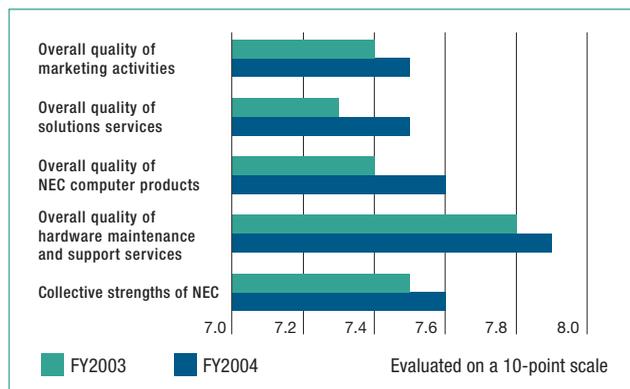
NEC has put in place the 121 Contact Center in Japan to receive PC-related inquiries from customers. As part of efforts to boost CS, in October 2003, the center introduced a new telephone support booking system to make it easier for customers to reach the center. The system allows customers to receive free calls from NEC customer service representatives at a time specified in an Internet booking about a topic indicated by the customer. NEC has also made improvements to extend center operations to 24-hour year-round coverage (previous hours were 9 a.m. to 10 p.m.), while reducing the time between Internet booking and callback to permit customers to request that representatives call them back on the same day that their reservations are placed.

These actions have already been producing results. An NEC survey targeting PC customers has returned many favorable replies, indicating a high level of satisfaction with the telephone support booking system because it enables inquiries to be made more easily.

MEASURING CUSTOMER SATISFACTION

NEC attempts to measure CS quantitatively through regular customer surveys. In the year ended March 2004, NEC surveyed approximately 1,300 public sector and corporate customers about its solutions business in Japan, asking respondents to grade NEC on a 10-point scale. The results of the survey will be used to achieve further CS-oriented improvements.

Comparison of Annual CS Survey Results



QUALITY MANAGEMENT

Reports of product quality and safety problems and corporate violations of laws and regulations have been on the rise in Japan in recent years. These incidents represent the ultimate sanction of customers and society toward companies, and now pose a large risk to the sustainable development of corporations. NEC has always viewed quality risk management as one of its top priorities. Since October 2000, NEC has been implementing a major review of its quality risk management system.

Quality Risk Management System

The quality risk management system at NEC is built on three core elements, which are outlined below.

(1) Formulation and Implementation of Standards for Solving Critical Product Quality Issues

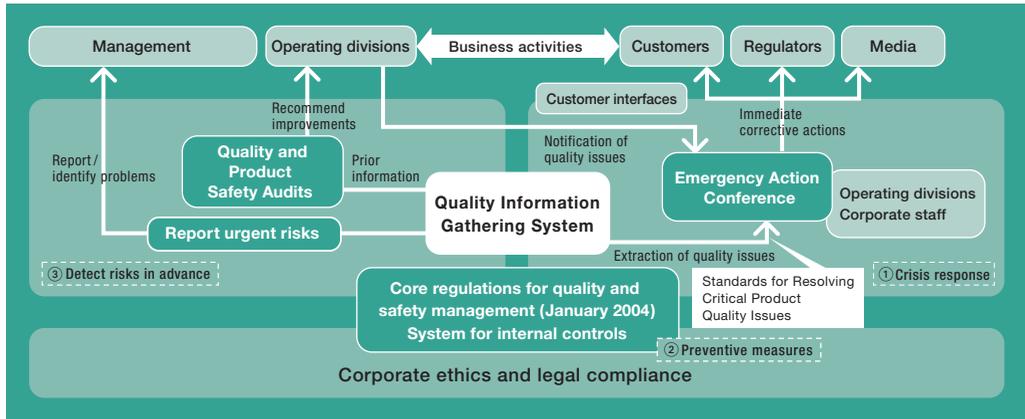
Formulation and implementation of these standards constitute the crisis response function of NEC's quality risk management system. When a serious quality problem arises, personnel at the relevant operating division collaborate with NEC Headquarters staff to set up an Emergency Action Conference to handle all issues related to the solution of the problem, including communication with customers, regulators and the media. This conference also reports directly to the president and relevant executive officers to ensure an integrated response. NEC's standards for solving critical product quality issues specify the emergency response procedures required in the event (or the possibility) of a serious product quality problem that could damage customer trust. The standards also facilitate a rapid company-wide response to solve the problem.

(2) Compliance With Core Regulations and Applicable Laws

The goal of core regulations (product quality and safety management regulations) is to raise the quality and safety of NEC products and services by preventing defects. This is achieved by means of compliance with clear rules and the allocation of responsibilities for product quality and safety. In principle, the standards apply to all parts of the company responsible for developing and supplying NEC products and services. In addition, each operating division strictly complies with various regulations and laws (such as those governing the safety of electrical products) by setting internal regulations and gathering the latest information and raising awareness thereof. Compliance status at operating



Quality Risk Management System



divisions is assessed through a system of product quality and safety audits (see below).

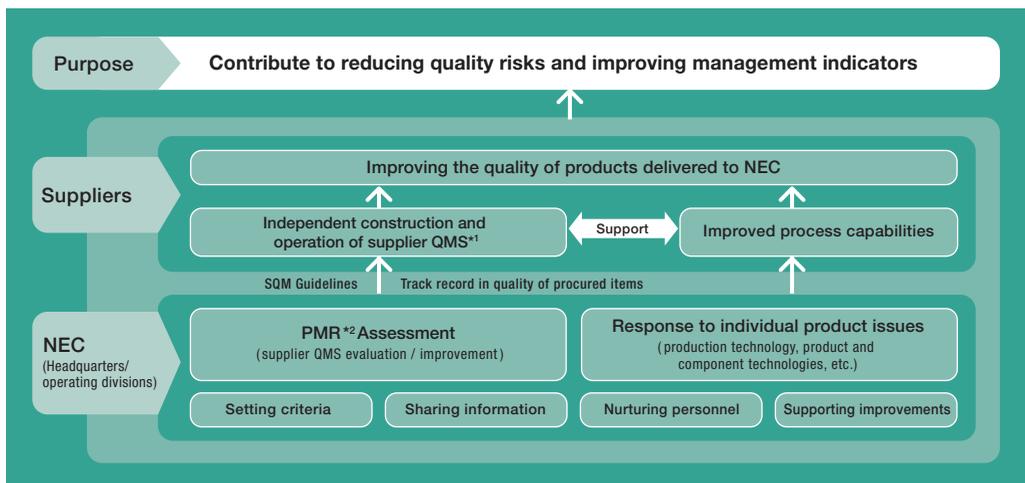
(3) Quality and Product Safety Audits

The purpose of Quality and Product Safety Audits is to prevent quality risks from materializing. To improve related countermeasures, these audits confirm “awareness of quality risks and management status,” and the “operational status of legal compliance systems and structures” at operating divisions. The role of this audit system is to detect risk factors in advance. Audits have been carried out mainly by the Corporate Auditing Bureau since the second half of fiscal 2001.

Actions to Improve the Quality of Procured Items (Supplier Quality Management—SQM)

NEC’s operating divisions have always taken an active role in raising the quality of procured items. Following increased use in recent years of suppliers based in markets such as Southeast Asia and China, the need for a consistent company-wide approach to quality management now encompasses issues such as increased product quality risks and manufacturing innovation premised on zero-defect procurement. Such an approach is required to address issues such as the lack of influence with low-volume suppliers or quality assurance measures for procured components used by NEC electronic equipment manufacturing subcontractors (EMS companies). NEC has developed and implemented an SQM system to address these issues, thereby encouraging operating divisions to carry out effective supplier management activities in an autonomous and cooperative manner.

SQM System



*1 QMS: Quality Management System

*2 PMR: Process Management Review (checklist for Supplier QMS)

COLLABORATION WITH BUSINESS PARTNERS

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

NEC GROUP PROCUREMENT POLICY

NEC is committed to buying necessary goods and services with competitive quality, price, and delivery conditions from the global supply market under fair business terms while observing all laws and regulations. Through its procurement activities, NEC is also committed to providing satisfaction to both customers and suppliers and to contributing to the core value of NEC.

Providing fair competition

NEC will make information on procurement available in a timely and appropriate manner so as to provide fair business competition to all domestic and overseas suppliers who wish to take part in business deals.

Evaluating and selecting suppliers in a fair manner

NEC will evaluate and select suppliers in a fair manner after a comprehensive review of management reliability, price, quality, and delivery, and also consider technological leadership, corporate social responsibility, and company sustainability.

Cultivating mutual growth

NEC will regard communication with suppliers as important and endeavor to have a business relationship based on trust so as to cultivate lasting mutual growth.

Protecting confidential information

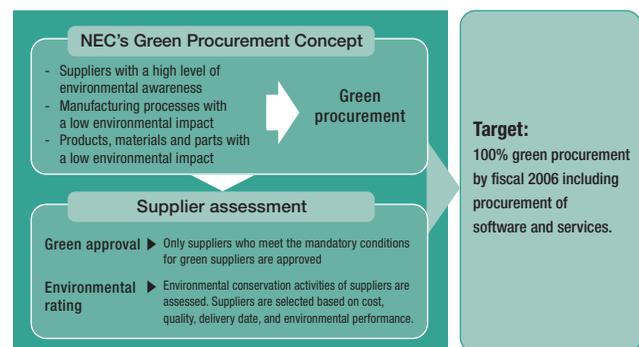
NEC is fully aware of the value of the information obtained from suppliers through its business deals and will carefully protect it.

CSR ACTIVITIES

Green procurement

Since 1997, NEC has been making company-wide efforts to implement a green procurement policy that gives priority to purchasing materials with low environmental impact. Based on Green Procurement Guidelines, NEC awards green certifications and environmental ratings to suppliers, with the goal of ensuring that all purchasing meets green procurement criteria by the end of fiscal 2006. Despite extending supplier evaluations to include both domestic and overseas suppliers in fiscal 2004, the green procurement rate was held to only 59% for the fiscal year, compared with our target of 75%. In fiscal 2005, NEC will take proactive steps to retool its framework for promoting green procurement to award green certifications at a faster pace, while

NEC's Green Procurement Policy



accelerating compliance with the EU Restrictions on Hazardous Substances (RoHS) Directive.

Strengthening compliance

NEC provides training to procurement staff in order to ensure that its procurement practices are fair and impartial, and do not violate the Anti-trust Law or laws designed to prevent delayed payments to subcontractors. Internal auditing procedures within purchasing departments also promote compliance.

In addition, the NEC Help Line was established in fiscal 2004 for employees to report compliance violations or to seek independent advice on related matters. This system was extended to NEC suppliers to enable the reporting of complaints regarding business dealings and to consult on various matters.

In fiscal 2005, NEC plans to develop a system to allow suppliers to evaluate NEC's procurement activities regularly as a way of building stronger mutual trust.

Clarifying CSR procurement guidelines

NEC plans to extend CSR cooperation with suppliers beyond green procurement and compliance matters to include health and safety, labor and human rights issues. To this end, NEC is working to clarify issues prior to the development of CSR procurement guidelines, while using questionnaires to survey leading suppliers on the status of related activities.

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

EARNING THE TRUST OF SHAREHOLDERS AND OTHER INVESTORS

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

OBJECTIVE OF INVESTOR RELATIONS (IR) ACTIVITIES

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

CURRENT STATUS OF IR ACTIVITIES

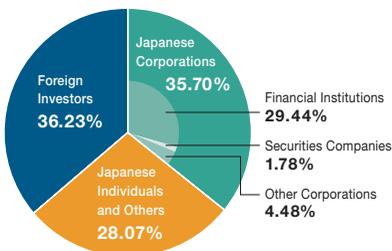
At NEC, the president and other senior management are proactively involved in IR activities. NEC has a dedicated IR Office that is responsible for IR activities under the leadership of a director in charge of IR. Guided by the principle of proactively and consistently providing fair, timely and accurate disclosure, the IR Office's activities are aimed at building relationships of trust with shareholders and investors.

Since 1963, NEC has prepared consolidated financial statements based on accounting principles generally accepted in the United States of America (U.S. GAAP) to help shareholders and other investors compare its operating results with peer companies around the world. From the fiscal year ended March 31, 2002, NEC also began disclosing quarterly results ahead of the introduction of quarterly disclosure requirements by the Tokyo Stock Exchange. As part of its IR program, NEC prepares an annual report and has a dedicated IR Website in English and Japanese. NEC promptly discloses important matters that could have a significant bearing on investment decisions through such releases as quarterly reports and others on this IR Website. These activities have been highly rated, as seen in the April 2004 selection of NEC as one of 190 companies with outstanding Internet IR programs by Daiwa Investor Relations Co., Ltd. for the fourth consecutive year.

IR activities are structured to emphasize communication with shareholders. For example, the Ordinary General Meeting of Shareholders is scheduled so as to avoid peak days when shareholder meetings of other companies are concentrated. Furthermore, notice of the Ordinary General Meeting of Shareholders is distributed three weeks in advance to ensure that shareholders have ample time to consider proposals. Shareholders can also vote over the Internet.

Composition of NEC Shareholders

(As of March 31, 2004)



NEC's IR Website (top page; English)



Annual Report 2004

 NEC's IR Website
<http://www.nec.co.jp/ir/en>



INNOVATION IN THE ABILITIES OF EVERY NEC EMPLOYEE

The NEC Group's global corporate slogan, "Empowered by Innovation" expresses the relentless desire of NEC to innovate not only the lives and businesses of customers, but also society as a whole. With customer satisfaction (CS) as the fundamental objective, NEC strives to contribute to a better society through a continuous process of innovation aimed at achieving ever-higher levels of customer satisfaction. This thinking lies at the heart of NEC's business activities.

The people who realize this customer-oriented innovation are none other than the 143,393 employees working for the NEC Group in Japan and around the world (as of March 31, 2004). NEC collectively views its employees as a key stakeholder in the business. NEC believes that realization of the potential of every single employee and encouragement of individuality are valuable methods of contributing to the development of an enriched society.

The NEC Group Charter of Corporate Behavior formulated in April 2004 explicitly mentions two basic policies in support of this thinking. First is protection of human rights, which includes adherence to the principle of non-discrimination and prohibition of child or forced labor. Second is valuing employees, which means respecting the individuality of each employee and creating work environments that allow employees to fulfill their potential and do their jobs with enthusiasm.

This section presents activities in and statistics applicable to Japan.

1. A group discussion session held at the Institute of Management Education at NEC University.
2. NEC Research Fellow Kazue Sako excels in R&D in the field of electronic voting systems utilizing sophisticated cryptography and authentication technologies. In January 2004, she became the youngest employee to be appointed research fellow at NEC's R&D Unit.
3. Employees from various NEC subsidiaries in Europe take part in an internal training program on cross-cultural communication.

A FAIR WORKING ENVIRONMENT

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

HUMAN RIGHTS AWARENESS

NEC takes a proactive stance on human rights issues. Training seminars targeting specific positions and specific objectives are held annually, and the Human Rights Awareness Committee promotes human rights awareness across NEC. Regular features on the NEC internal Website and various week-long events also highlight such issues and help to raise awareness. Seminars and internal communication campaigns target the prevention of sexual harassment. Each NEC workplace also provides a consulting center for equal rights and other issues that includes women on staff to deal with issues involving discrimination, with the goal of fostering an atmosphere conducive to the prevention and solution of related matters.

Human Rights Awareness Seminars (Fiscal 2004)

	Name of training seminar	Attendance
By organizational tier	New employee orientation seminars	710
	New assistant manager seminars (including those held at affiliated companies)	1,582
	Training for new managers (including those held at affiliates)	1,062
	Training for new executives	73
By objective	Training for Human Rights Awareness Committee members	82
	Training for Human Rights Awareness Committee Administration Office members	5
	Training for NEC Group human rights awareness promoters	70
	Orientation for new managing directors at affiliates	57
	Training for women at the consulting center for equal rights and other issues	25
	Orientation for recruitment interviewers	540
Others	Training for general managers of branch offices/operating bases (sales divisions)	326
	Training for customer service sections	211
	Training specific to divisions	166
	Total	4,909

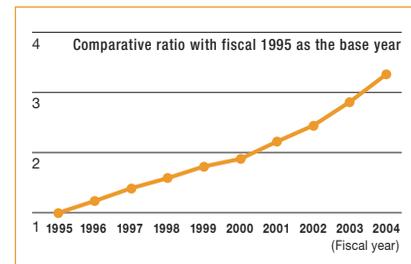
EMPLOYMENT OF PEOPLE WITH DISABILITIES

In March 2003, NEC established a special subsidiary (NEC Friendly Staff, Ltd.) that is equipped to employ people with mental disabilities. Besides actively seeking to increase employment opportunities for people with disabilities, NEC tries to ensure that workplace facilities and environments are designed with the needs of the disabled in mind. In fiscal 2004, NEC introduced a magnetic-loop hearing assistance system in meeting rooms to make it easier for people with hearing disabilities to participate in meetings.

WOMEN'S SUCCESS IN THE WORKPLACE

NEC is widely acknowledged in Japan as one of the most progressive companies in terms of supporting the success of women in the workplace.

Changes in No. of Women Employed at NEC in Managerial Positions



NEC actively seeks to increase the ratio of female employees and to raise the number of women in managerial roles.

FAMILY FRIENDLY EMPLOYMENT POLICIES

NEC was the top-ranked firm in an October 2003 Nikkei Business Daily survey to find the best Japanese firm from the perspective of workers. One of the reasons for this is our progressive support system for childcare and nursing care, which makes NEC an attractive employer for many people, especially women. In fiscal 2004, NEC decided to introduce the "Family Friendly Fund," which began providing support payments of ¥600,000 to parents on the birth of a child from July 2004. NEC is the first company in Japan to adopt this kind of policy.

Development of Childcare and Nursing Care Support System

Fiscal year	Implementation	
	Childcare related	Nursing care related
1991	Childcare leave	Nursing care leave*1
1993	Reduced working hours (childcare)	Reduced working hours (nursing care)
	Medical care leave	
1998	—	Nursing care coupon system*2 (Benefit Association)
1999	Childcare coupon system*3	—
2001	Work-at-home system	
2003	Family friendly leave (added as an extension of medical care leave)	
2004	Introduced family friendly fund	

*1 Nursing care leave: Implemented before becoming required by law

*2 Nursing care coupon system: Serves as a discount on commissions charged for recruiting and introducing home-helpers

*3 Childcare coupon system: Serves as a discount when using babysitter services

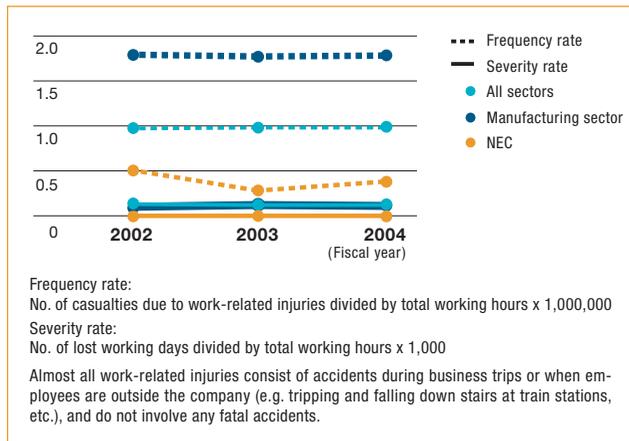
OCCUPATIONAL HEALTH AND SAFETY (OH&S)

Recognizing that health is an irreplaceable asset for everyone, NEC places high priority on ensuring the health and safety of all employees. Each NEC site has its own OH&S set-up. NEC has also established a separate Health Care Center as part of various employee preventive health programs.

OH&S SYSTEM

The OH&S system at NEC encompasses organizational infrastructure at each worksite linked to work management sections and health management sections. As illustrated by our goal of attaining “zero accidents,” the core emphasis is on prevention. Detailed daily safety management protocols have resulted in a steady decline in the incidence of workplace accidents.

Incidence of Workplace Accidents at NEC



HEALTH MAINTENANCE POLICIES

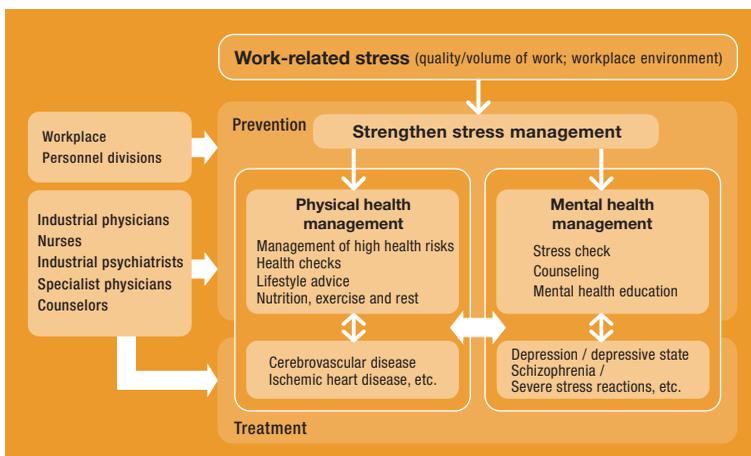
The general shift from labor-intensive industry to knowledge-intensive services has markedly reduced the incidence of accidents related to machinery operation or the handling of chemicals. Today, as more workers are middle-aged white-collar employees, the main focus of OH&S programs is on prevention of physical and mental health problems caused by work-related stress. NEC introduced new health risk management policies in January 2004 to target physical health maintenance. In fiscal 2005, NEC plans to upgrade its program of measures aimed at maintaining the sound mental health of employees.

PHYSICAL HEALTH MAINTENANCE MEASURES

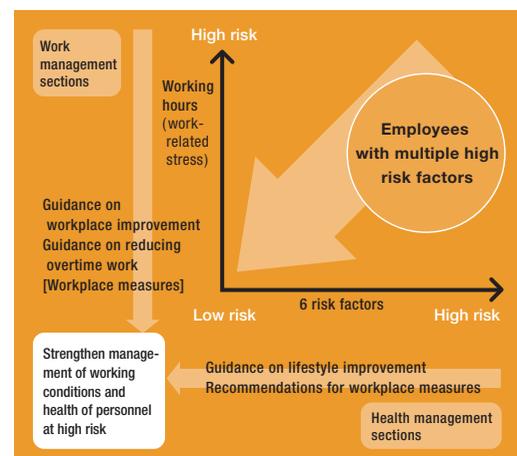
Aging and work-related stress have a complex cause-and-effect relationship with various lifestyle diseases. NEC aims to provide employees at higher risk of cerebrovascular or heart disease and other conditions with information to help identify the risks and make positive lifestyle changes. NEC uses workplace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

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

Basic Approach to Health Maintenance Policies



Physical Health Management Measures



TRAINING AND CAREER DEVELOPMENT

NEC aims to provide employees with a stimulating work environment that encourages individuality and affords opportunities to grow. Besides training programs, employees also have access to various career and personal development support programs designed to increase employability. These include self-development programs, professional qualification programs for those on clearly defined career paths requiring specialist skills, and a lifetime career support system.

TRAINING PROGRAMS

NEC provides off-the-job self-development training programs in five categories. These are offered through NEC's internal educational institution, NEC University, Ltd., and by the e-Learning Division of NEC Corporation dedicated to online education. Three of the five categories, collectively referred to as common training, focus on career path selection, management and practical skills. The training category for improving specialist professional skills and the NEC Career Professional (NCP) System are positioned as career-specific training.

Specialized Education at NEC University

NEC University is an internal training institute offering a wide range of courses in management, technology, self-development, etc. Staffed by a team of education specialists, the university comprises five departments: the Institute of Management Education, Institute of International Education, Institute of Technology Education, Institute of Practical Technology Education and e-Learning Promotion Center. In fiscal 2004, a total of 61,770 employees received lessons through this facility.

(employees)

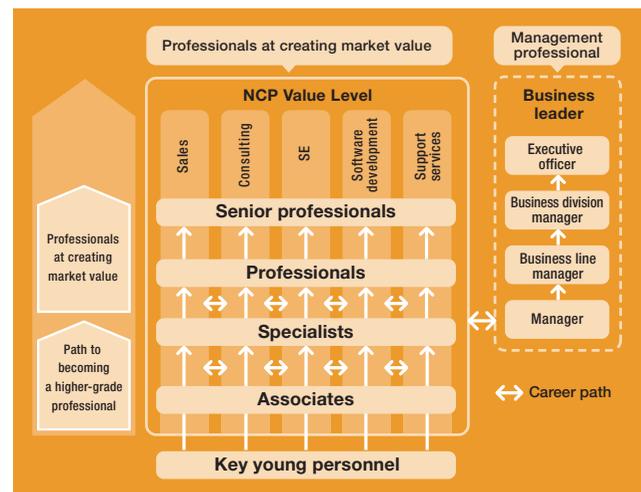
Institute of Management Education:	15,521
Institute of International Education:	24,720
Institute of Technology Education:	6,893
Institute of Practical Technology Education:	10,068
e-Learning Promotion Center:	4,568

NEC CAREER PROFESSIONAL (NCP) SYSTEM

The NCP system aims to support the personal development of potential business leaders and other professionals working at NEC, by providing the training opportunities and motivation needed to upgrade skills and acquire various professional qualifications.

In fiscal 2004, the NCP system for SEs, consultants, and other professionals, which previously mainly targeted organizations involved in the IT Solutions business, was extended to include organizations involved in the Network Solutions business. As a result, the cumulative number of certified career professionals at the NEC Group has increased to 7,837.

Development of NCP System



CAREER DESIGN SUPPORT SYSTEM

NEC is moving away from the traditional lifetime employment system, which was based on a mutually dependent relationship with employees, to a new paradigm that aims to develop relationships between NEC and independent, talented individuals. In April 2002, to make its employment systems more internationally competitive, NEC introduced the Career Design Support System. This aims to offer lifetime career support by providing individuals with continuous growth opportunities. In doing so, NEC hopes to retain talented personnel while ensuring people work in the positions that suit them best.

Overview of Lifetime Career Support Measures

Career advice	Employees can seek advice on career advancement as required.
Training for employees reaching milestone ages	We provide special training and/or days off for employees who have reached the milestone ages of 30, 40, or 50 in the fiscal year following their birthday.
Sabbatical	
Career design support payments	Paid to those who have reached the age of 50 in the fiscal year following their birthday.
Internal recruitment system	Offers vacant positions existing within the NEC Group for which employees can apply.



SOLVING LOCAL COMMUNITY ISSUES THROUGH INNOVATION

The NEC Group has 195 group companies worldwide (as of March 31, 2004). This geographical breadth means NEC is closely connected to many local communities around the world. The importance of contributing to society as a good corporate citizen is thus a key element of NEC's corporate culture.

Issues such as nature conservation and education are important ones for all local communities where we live and work. As part of society, companies must therefore play a role in addressing these issues. Leveraging its advanced expertise in IT, NEC is involved in a number of innovative social programs in partnership with various nonprofit organizations (NPOs).

One illustration of NEC's social contribution programs is "NEC Make a Difference Day (MDD)*." This is a global campaign held by the NEC Group to allow officers and employees to engage in community-oriented volunteer work. Participation in such activities brings true meaning to the slogan: "Nature, Education, Community: the Heart of NEC."

At the core of MDD is the belief that by doing something different for one day, NEC officers and employees around the world can enrich both their local communities and themselves by making a difference. The enhanced social awareness that such activities foster is helping to raise corporate value. NEC is working to make this initiative an integral part of its corporate culture.

The enrichment of society remains one of NEC's key goals as it strives to be a company of global excellence.

* "Make a Difference" means to create value by doing something different and thereby take part in a process of self discovery.

1. In July 2003, NEC (UK) employees introduced Japanese culture to children receiving long-term care at a hospital in London.
2. In December 2003, the president of NEC Taiwan and 81 employees cleaned up local parks and streets.
3. In August 2003, NEC System Technologies (Japan) employees took part in a rehabilitation camp for children with physical disabilities.
4. In December 2003, employees from three NEC Canada offices donated Christmas gifts to underprivileged families.

Nature, Education, Community: The Heart of NEC

Because NEC recognizes its communities as important stakeholders, we would like to lend a hand to address social issues related to the environment, education, the aging population, and so on in our communities. Thus, we are striving as a good corporate citizen to develop fuller, richer communities under our slogan of “Nature, Education, Community: the Heart of NEC.”

MISSION AND GOALS OF NEC SOCIAL CONTRIBUTION PROGRAMS

Mission NEC is committed to promoting social contribution activities that provide value to our stakeholders, including customers, shareholders, employees, and local communities, by assuming social responsibilities as a good corporate citizen.

- Goals**
- Be actively involved in developing solutions to social issues and contribute to achieving a society of affluence and diversity.
 - Enhance our corporate culture and values that integrate stakeholder engagement with our business strategy.
 - Build positive relationships with local communities and be recognized as a good corporate citizen.

GUIDELINES FOR SOCIAL CONTRIBUTION PROGRAMS

Prioritized Areas Focus programs on 1. Environmental Conservation, 2. Education, 3. Social Welfare or 4. Arts, Culture and Sports in our communities. In particular, NEC places priority on programs related to nature conservation, education and the community.

- Criteria**
1. **Public interest:** Programs of high interest that will benefit a large number of people
 2. **Innovation and uniqueness:** Programs that will address social issues in a timely and unique manner and with an innovative approach
 3. **Potentiality:** Programs that may not be socially valued immediately but are potentially critical to future society and exert ripple effects on other areas
 4. **Strategy:** Programs that address social issues strategically and with firm objectives
 5. **Partnerships:** Programs that are planned and implemented under partnerships between nonprofit organizations and NEC

- Principles for Partnership**
1. Win-win partnerships in which both sides work passionately while respecting each other and growing together
 2. Partnerships in which both sides can mutually confirm goals and analyze results
 3. Partnerships in which NEC employees can take part

Based on the above guidelines, NEC manages activities based on PDCA (Plan-Do-Check-Act) cycles where projects are planned, evaluated and carried out on our own initiative.

Two NEC-related foundations also make important contributions to society separate from the activities of the company and NEC Group employees.

NEC Foundation of America

NEC Foundation of America was established in 1991 and endowed with \$10 million by NEC Corporation and its United States subsidiaries. The foundation provides grants to nonprofit organizations in the United States in support of programs with national reach and impact in the arena of assistive technology for people with disabilities. Guided by its philosophy of advancing society through technology and enabling individuals to realize their full potential, NEC Foundation of America is actively engaged in a broad range of activities.

Foundation for C&C Promotion

The Foundation for C&C Promotion was established in 1985. The purpose of the foundation is to foster growth in the electronics industry by encouraging and supporting research and development activities in the field of C&C (Computers and Communications), and ultimately to contribute to the world economy and the enrichment of human life. Activities of the foundation include conferring awards and grants, and performing surveys and research. The foundation presents its C&C Prize to distinguished persons in the field of C&C.

The foundation also gives grants to researchers attending international conferences overseas, to non-Japanese researchers working in Japan, and to recent recipients of doctorates.



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

NEC MAKE A DIFFERENCE DAY



Drawing inspiration for themes from the three letters of the company name, the “NEC Make a Difference Day (MDD)” began in 1999 as a celebration of NEC’s centenary. The concept behind MDD is to have NEC employees all over the world engage in community-oriented volunteer work on their own initiative. Common activities across the NEC Group include collecting items such as used postage stamps, used prepaid cards, and foreign coins, to raise funds.

RECORD OF MDD ACTIVITIES

Year	FY2000	FY2001	FY2002	FY2003	FY2004
Participants	50,000	50,000	40,000	52,000	56,000
Participating NEC sites/countries	141/25	221/27	223/29	356/25	413/27
Programs	181	247	239	392	434
Volunteer hours	30,000	30,000	40,000	41,000	46,000
Common themes for shared programs	Nature conservation	IT support	Support for children in developing countries	Educational support for children in developing countries	Educational support for children in developing countries
Donations for disaster victims from NEC officers and employees	Earthquake victims in Turkey and Taiwan (¥12m for each country/region)	Earthquake victims in India (¥11m)	Over \$1m for 9/11 victims and their families from officers and employees, NEC Group companies and NEC Foundation of America	-	SARS: Support offered by NEC subsidiaries in Asia Earthquake in Iran: Support for earthquake victims (¥7.9m)

FISCAL 2004 HIGHLIGHTS

MDD in fiscal 2004 surpassed previous years in terms of the numbers of participating sites and employees. Activities included using IT to bridge the digital divide in various communities by supplying PCs and providing PC instruction to people with disabilities, senior citizens, care facilities, provincial schools, and others.



NEC CustomSupport staff (Gunma Prefecture, Japan) supported IT equipment installation at an institution for people with disabilities.



Staff from Xi'an NEC Radio Communications Equipment in China donated PCs for use by children whose parents are in prison.



Donations from NEC subsidiaries in China.

In early 2003, responding to the global threat posed by the SARS outbreak, eight NEC subsidiaries in China donated money and goods (including PBX equipment and mobile handsets) worth approximately RMB1.84 million to hospitals and relief facilities. In Singapore, six NEC firms raised S\$12,000 for the SARS Courage Fund. NEC Technologies Hong Kong donated HK\$25,000 to medical institutions to buy protective clothing.



NEC Corporation (Thailand) donated PCs to provincial schools.



Employees of NEC Lima Project Office in Peru created PC operating manuals to help educate housemaids.



Staff at NEC Tehran Liaison Office contributed to earthquake relief.

After a devastating earthquake struck southeastern Iran on December 26, 2003, NEC Group officers and employees in Japan raised ¥7.9 million in donations, which were forwarded to Japan Platform, a humanitarian assistance organization. The money was used to create a life-saving wireless network and supply radios. Officers and employees at NEC Tehran Liaison Office quickly raised money to purchase blankets to send to the afflicted region.

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

COMMUNITY ACTIVITIES FOCUSED ON IT AND EDUCATION

NEC also develops its own social contribution programs to respond to specific social needs and issues. In fiscal 2004, the main focus was IT and education. Through partnership programs with NPOs, programs were linked to NEC business domains. Four typical programs in Japan are outlined below.

NEC KIDS INTERNET SAFETY PROGRAM

The rapid spread of the Internet has put more children at risk from online crime. NEC has been working with NPO Japan Guardian Angels since 1999 to provide classes that teach children how to enjoy the Internet without falling prey to threats in cyberspace. In fiscal 2004, NEC extended the reach of these classes by conducting them in elementary schools and public facilities as well as at company offices. In partnership with NTT DoCoMo Kansai, Inc., NEC also broadened the scope of the classes to include the use of mobile phones. The classes were attended by 1,029 people at 22 locations across Japan held by a team of volunteer tutors (70 registered) made up of NEC employees who organized themselves as "NEC Cyber Stars."



IT TRAINING FOR MOTHERS RAISING SMALL CHILDREN

Recently, declining birthrates have become a major social issue in Japan. Looking ahead to the enforcement of the Next-Generation Educational Support Countermeasures Promotion Law in 2005, NEC has begun providing IT training classes in conjunction with educational circles and local governments. Many women who are currently raising children left the workforce just as offices were adopting the use of computers and other forms of IT, so there is concern that a lack of IT skills will hinder them finding employment again. In fiscal 2004, 54 women wanting to reenter the workforce participated in this program in three locations in Japan: Niiza City and Soka City in Saitama Prefecture, and Kita-Kyushu City in Fukuoka Prefecture. The classes were taught by volunteer ex-NEC employees at venues with childcare facilities, which allowed participants to concentrate on PC instruction.



NEC TRAINING PROGRAM FOR SOCIAL VENTURE INCUBATION

The role of NPOs is growing in tackling social issues. Since 2002, in partnership with Entrepreneurial Training for Innovative Communities (ETIC.), NEC has supported projects to foster entrepreneurial talent by teaching students how to start and manage NPOs. In fiscal 2004, the project involved four teams producing business plans for NPOs that use IT to tackle social issues. With the help of training camps and advice from specialists and NEC employees, the teams made plans for an IT training business in Cambodia, an IT-based regional scheme to support child raising, a Web portal to promote sales of locally produced rice, and a project to foster child creativity.



NEC GALILEO CLUB

There is growing concern that children in Japan have been losing interest in science and technology in recent years. The NEC Galileo Club (set up in 1996) offers the opportunity for children to carry out handmade scientific experiments that let them experience the surprise and thrill of discovery first-hand, and thereby develop an appreciation for the wonders of science. Previously, science classes were held at NEC facilities. However, in fiscal 2004, the program proposed holding classes at public elementary schools nationwide, and these classes were accepted as part of the Saturday curriculum and other programs at certain schools. Working in partnership with NPO Galileo Workshop, NEC organized classes given by 13 volunteer NEC employees in four schools around Japan. The theme of the classes was "Electricity and Magnetism: Paving the Way for a New World of Telecommunications." Over 200 students learned about the links between electricity and magnetism and how Morse code works.





INNOVATION FOR THE GLOBAL ENVIRONMENT THROUGH IT

NEC'S APPROACH TO ENVIRONMENTAL MANAGEMENT:

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

Since 1997, NEC has published annual environmental reports to provide consistent disclosure of our environmental activities. To reach an even broader audience, we have posted detailed environmental information on our Website and have begun issuing an abridged version of our annual environmental report as a pamphlet from this fiscal year.

1. Our "Ecology through IT" slogan expresses NEC's commitment to contributing to a reduction in society's overall environmental impact.
2. Eco-products exhibition
3. NEC Annual Environmental Report 2004 (pamphlet version)
4. A class on environmental monitoring

Environmental Charter (Adopted November 1991)

Environmental Principles

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

Action Plans (Preamble)

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



NEC Annual Environmental Report 2004
<http://www.nec.co.jp/eco/en/annual2004/index.html>

NEC ENVIRONMENTAL MANAGEMENT VISION 2010

Achieve Zero Emissions of CO₂ by 2010

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

Contribute to Reducing Society's CO₂ Emissions Through Environmentally Conscious Products and IT Solutions*¹

Target: 5 million tons*²

*¹ A means of solving customer issues through IT.

*² The annual equivalent of direct emissions from NEC's business activities and indirect emissions from the use of products delivered to the marketplace.

Based on this environmental management vision, NEC aims to effectively achieve zero emissions of CO₂ by 2010 (fiscal 2011). More specifically, emission reductions achieved by providing IT solutions to customers, which are equivalent to 5 million tons per year, will be used to offset direct emissions from the company's business activities and emissions due to the use of its products by customers.

To achieve this goal by fiscal 2011, NEC is focusing on implementing the following five key initiatives:

Goals

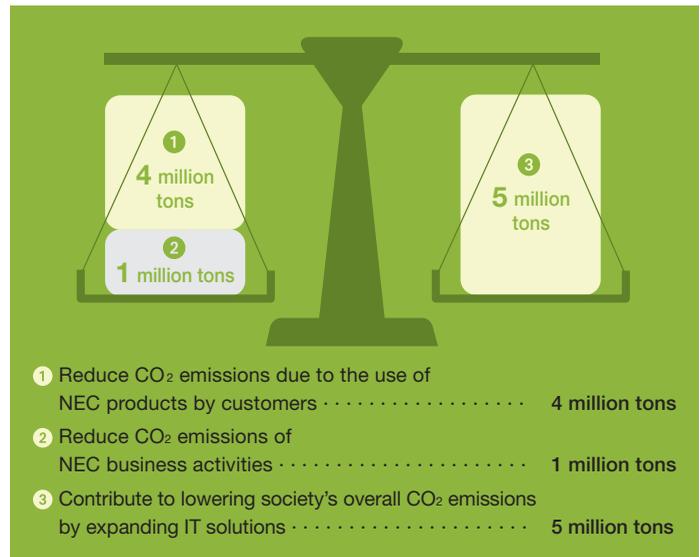
Shift to a business structure with a low environmental impact: double the weighting of the software and service business.

Double resource productivity (net sales/volume of resources allocated) compared with fiscal 2001 levels.

Lower CO₂ emissions in business activities to fiscal 1991 levels (1 million tons).

Increase the use of renewable resources and energy by 10% or more.

Raise awareness of "Eco-Excellence" among all employees.



MID-TERM ENVIRONMENTAL PLAN

NEC Eco Action Plan 2004

(Results of Fiscal 2004 Activities and Fiscal 2005 Mid-term Targets)

Based on our Environmental Management Vision 2010, we have established a mid-term plan that aims for the attainment of specific targets. The plan calls for the targets to be achieved by fiscal 2007 for products (9 items), solutions (2 items), plants and offices (7 items), and environmental communications (2 items). The level of achievement of fiscal 2004 targets will be assessed and the results incorporated in activities scheduled for fiscal 2005 and after.

(1) PRODUCT-RELATED ITEMS •: Modified item

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

Indicator	Item (Total of 9 Items)	Mid-term Target		FY2005 Target	FY2004 Target	FY2004 Result	Assessment	
		Target Value	To Be Achieved (FY)					
Environmentally conscious products	① All newly developed products qualifying as environmentally conscious products* ¹ p36	100%* ²	After FY2005	100%	95%	96%	○	
	② • Percentage share of Eco Symbol products* ³ (percentage sales share of hardware products) p36	50%	FY2007 Results	40%	30%* ⁴	28%* ⁴	△	
Prevention of global warming	③ Reduction in power consumption* ⁵ of equipment	40% (compared with FY2001)	2006	—	30%	44%	○	
Collecting and recycling resources	④ Rate of resource recycling* ⁶ of collected used products p37	92%	2006	91%	90% or higher	89%	△	
	⑤ • Collection* ⁷ of used products p37	13,500 tons or more	2006	11,500 tons or more	—	—	—	
Environmental consciousness	⑥ Green procurement rate (including software and service companies) p18	100%	2006	95%	75%	59%	×	
	⑦ Complete phase-out* ⁸ of substances specified in RoHS Directive (lead, cadmium, hexavalent chromium, mercury, PBDE, and PBB) p18	Complete phase-out	2006	—	—	Activities under way	—	
	⑧ Percentage share of hexavalent chromeless steel plates used in equipment casings and frames p4	Integrated into the target for the complete phase-out of substances specified in the RoHS Directive				80% or more (by volume)	77%	△
	⑨ Complete phasing out of lead solder p36	Complete phase-out	2006	—	—	Establishment of a system for newly designed products made by overseas subsidiaries	Completed	○
	⑩ Percentage share of non-halogen flame-retardant plastics and recycled plastics used in equipment casings and frames* ⁹ p5	95% or more (by weight)	2006	—	—	Percentage share of non-halogen flame-retardant plastics used: 80% Percentage share of recycled plastics used: 20%	Percentage share of non-halogen flame-retardant plastics used: 81% Percentage share of recycled plastics used: 33%	○

*1 Environmentally conscious products: Products that meet NEC's eco product standards for product assessment (total of 24 standards).

*2 Rate=Number of products meeting NEC's 24 eco product standards / Number of product assessments carried out

*3 Eco Symbol products: Products that meet NEC's eco product standards and the environmental consciousness standards of each product group.

*4 Percentage share in consolidated NEC sales

*5 Power consumption: The rated power and/or target value in standby mode are determined, taking product characteristics into consideration.

*6 Rate of resource recycling: Calculated in accordance with the definition prescribed by the Revised Law for Promotion of Utilization of Recycled Materials.

*7 Targets are reset based on absolute recovery volume.

*8 Excluding some products that cannot be replaced, such as fluorescent lights.

*9 Usage rate for recycled plastics=(Volume of plastics containing more than 10% recycled plastics) / (Total volume of plastics) x 100%



Mid-term Environmental Plan
<http://www.nec.co.jp/eco/en/annual2004/03/3-3.html>



FISCAL 2004 ACHIEVEMENTS AND IMPROVEMENTS

Four of the eight targets set for fiscal 2004 were achieved. In the area of equipment power consumption, in particular, 1.5 times the target set for last year was reached. We were also successful in achieving a major reduction in power consumption for a wide range of products, including PCs, supercomputers, facsimile machines, optical communications systems, and storage products. NEC also achieved Eco Symbol product sales of ¥1.2 trillion, a 1.2-fold increase compared with the previous year's result.

The resource recycling rate fell slightly short of the 90% target. Improvements will be made by promoting resource recycling of plastics in and after fiscal 2005. The level of green procurement in fiscal 2004 was 59%, which was short of the target. Greater emphasis will be placed on green procurement from fiscal 2005, including the establishment of a promotion system.

FISCAL 2005 TARGETS

New targets for Eco Symbol products through fiscal 2007 were set in fiscal 2005. We will continue to focus our research and development on top-level environmentally conscious products. One of our fiscal 2004 targets, the product collection rate, has been redefined as the volume of collected used products. By adopting an absolute quantity as a target and managing progress accordingly, we will further promote collection and 3R efforts for our products, including PCs and communications equipment.

(2) SOLUTION-RELATED ITEMS*1 ◆: New item

Indicator	Item (Total of 2 Items)	Mid-term Target		FY2005 Target
		Target Value	To Be Achieved (FY)	
Eco Solutions*2	① ◆Environmental assessment of software and services*3	All software and services	2007	System introduced at all business units
	② ◆Number of eco promotion proposals*4 *5	All proposals	2007	1 proposal/person

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

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

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

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

*5 A proposal that highlights NEC's environmental management approach and the principles of environmental consciousness upheld by the company (in terms of energy and resource conservation, reducing harmful substances, and other environmental criteria).

FISCAL 2005 TARGETS

NEC has established two new solution-related standards to make solution activities more environmentally conscious and fully inform customers about the environmental aspects of solutions.

(3) PLANT AND OFFICE-RELATED ITEMS

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

◆: New item ●: Modified item

Indicator	Item (Total of 7 Items)	Mid-term Target			FY2005 Target	FY2004 Target	FY2004 Result	Assessment
		Target Value	To Be Achieved (FY)	Reference Fiscal Year				
Global warming prevention	① Absolute CO ₂ emissions reduced to 1990 level p38	To 1.17-million-ton level*1	2011	1991	—	—	1.31 million tons	—
	Unit consumption of energy for CO ₂ emissions	-25%	2011	1991	-19%	-18%	-15%	△
	② Absolute value of greenhouse gas emissions*2 (converted to GWP equivalent)	-10%	2011	1996	—	+45%, down 12% from previous fiscal year	+73%	×
Effective utilization of resources	③ Consumption of chemical substances (substances regulated by law) p35	-15%	2004	2000	—	-15%	-23%	○
		-30%	2006	2001	-15%	-10%	-19%	○
Resource recycling	④ Waste emissions (non-hazardous waste materials + hazardous waste materials) p39	-10%	2004	2000	—	-10%	-25%	○
		-30%	2006	2001	-20%	-15%	-31%	○
	⑤ ● Rate of increase in recycling	+10%	2004	2000	—	+10%	+9%	△
	⑥ ◆ Rate of improvement in waste material quality*3	+10%	2006	2001	+5%	—	—	—
Environmental management	⑦ ◆ Acquisition of ISO 14001 certification*4 (applicable to all consolidated group member companies in Japan and consolidated overseas subsidiaries that have not yet acquired ISO 14001 certification)	Certification acquired in FY2005	2005	—	Certification acquired in FY2005	Certification acquired in FY2004	82% (84/102)	△

*1 1.17 million tons: Target has been revised to reflect changes in the number of consolidated subsidiaries in the NEC Group.

*2 Greenhouse gases include CH₄, C₂F₆, C₃F₈, CHF₃, SF₆, and NF₃.

*3 Effective fiscal 2005, a new definition will apply in which comparisons will be based on resource recycling instead of thermal recycling and on the sales value of waste material instead of its reuse.

*4 Acquisition of ISO 14001 certification: Target has been revised to reflect changes in the number of consolidated subsidiaries.

Scope: NEC Japan (NEC Headquarters, 6 plants and 3 laboratories), 23 manufacturing subsidiaries, 41 service and software subsidiaries, and 14 independent affiliates. (Includes data for independent affiliates, beginning with this year's report; prior-year figures have been retroactively adjusted to include independent affiliate data.)

FISCAL 2004 ACHIEVEMENTS AND IMPROVEMENTS

NEC reduced CO₂ emissions per unit of energy by an absolute value of 40,000 tons from the previous year, but fell short of the target for emissions per unit of sales. One reason is that the CO₂ emission conversion factor used from fiscal 2000 to fiscal 2002 (announced by the Federation of Electric Power Companies of Japan) was increased in fiscal 2003 (from 0.38 to 0.41 tons of CO₂/MWh). If the factor had remained the same, the CO₂ emissions per unit of sales in fiscal 2004 would have been reduced by 20% compared with fiscal 1991, representing a reduction in CO₂ emissions of approximately 70,000 tons.

Targets for greenhouse gas emissions other than CO₂ were not achieved either. However, the target level set for the use of chemicals subject to legal regulations was reached as a result of recycling for reuse as raw materials. While it was possible to achieve targets for waste emissions due to increased sales of waste as resources, the resource recycling rate was slightly below target. In fiscal 2004, 10 NEC Group companies (6 in Japan and 4 outside of Japan) acquired ISO 14001 environmental

management certification. Nevertheless, the target was not reached because certain companies that had already acquired ISO certification were sold off as part of the Group's structural reform program and certain other companies without ISO certification joined the NEC Group.

FISCAL 2005 TARGETS

NEC gave significant priority in fiscal 2005 to measures to control global warming, promoting consistent energy saving activities and efforts to use alternatives to greenhouse gases. Further progress was made in the second half of fiscal 2004 in reducing the consumption levels of chemicals and the emission levels of waste materials. Because the targets defined for fiscal 2005 have already been met, new targets that are more ambitious will be set to bolster our efforts.

In fiscal 2005, our IT-based net-EMS (environmental management system) will be promoted more intensely in order to achieve our target of ISO 14001 certification for all of the main consolidated companies in the NEC Group.



(4) ENVIRONMENTAL COMMUNICATIONS ITEMS

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

•: Modified item

Indicator	Item (Total of 2 Items)	Mid-term Target		FY2005 Target	FY2004 Target	FY2004 Result	Assessment
		Target Value	To Be Achieved (FY)				
Environmental awareness	① • Expansion* ² of segment* ¹ with a high level of environmental awareness p41	60%	2007	40%	30%	24.2%	△
Environmental communications	② Strategic utilization of "Ecology through IT" p41	Utilization in events and advertisements	In mid-term environmental plan	—	—	—	—

*1 "Eco-Excellence" segment: Individuals with a high level of knowledge of about environmental issues who are willing to take action to protect the environment.

*2 Based on the results of an environmental management awareness survey, the target year was deferred by one year and the fiscal 2005 target value was set.

FISCAL 2004 ACHIEVEMENTS AND IMPROVEMENTS

In the area of awareness-building, the "Eco-Excellence" segment is important because it comprises individuals with a high level of knowledge about the environment who are willing to take action to protect the environment. This segment stood at 24.2% in fiscal 2004 in the annual NEC Group environmental awareness survey conducted in June. This was up five points from the previous fiscal year. The environmental consciousness of NEC's employees is increasing but fell short of achieving the target of 30%.

In the examination for renewal of ISO 14001 certification carried out in September 2003, an auditor commented that awareness-building was not at a satisfactorily high level company-wide.

To improve on these findings, NEC will place greater emphasis on its awareness-building activities aimed at ensuring all employees demonstrate a high level of environmental consciousness in all business areas. At the same time, the timing for the survey will be changed from June to November to achieve a more accurate assessment.

In the area of environmental communications, environmental brand advertising under the slogan "Ecology through IT" continued in fiscal 2004

in cooperation with the Corporate Advertising Division. NEC also planned and organized NEC Environmental Forum 2003 and displayed a wide range of products at public exhibitions such as Eco Products 2003.

FISCAL 2005 TARGETS

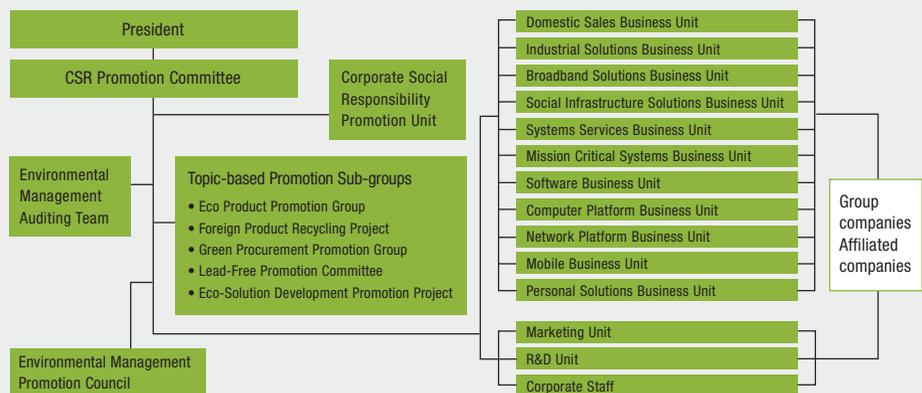
New goals have been determined for building environmental awareness in an effort to more actively engage NEC employees at all plants, sites, departments, and divisions in environmental consciousness-building activities. In particular, individuals in the "Eco-Excellence" segment are continually assessed in the annual survey so as to better evaluate independent environmental education programs and awareness-building events.

Environmental communications constitutes a new item defined in fiscal 2004 and is aimed at using all available opportunities to promote the key concept of "Ecology through IT." The NEC Group launched these environmental communications activities as a way of achieving total penetration of NEC's eco-awareness in the company and raising public recognition of the NEC Group's environmental brand. "Ecology through IT" is the theme under which various events and product promotion activities will take place, and will be fully utilized throughout NEC.

A CSR PROMOTION FRAMEWORK COVERING THE ENVIRONMENT

NEC has established its own environmental management system to implement activities in accordance with the mid-term environmental plan described above and monitor progress toward targets. The CSR Promotion Committee, the highest decision-making body, reviews full-year results annually and incorporates the findings of these reviews into targets for subsequent years.

Environmental Management Framework (From fiscal 2004)



ENVIRONMENTAL ACCOUNTING

Environmental accounting acts as a key reference for promoting effective environmental management by quantitatively evaluating the costs and effectiveness of environmental activities in the NEC Group. Figures are categorized and aggregated in accordance with the FY2003 Environmental Accounting Guidelines issued by the Ministry of the Environment in Japan.

RESULTS OF FISCAL 2004 AGGREGATION

NEC disbursed ¥19.2 billion for environmental conservation in fiscal 2004 (about ¥800 million in investments and about ¥18.4 billion in costs), down by about ¥3.2 billion from fiscal 2003. In terms of volume reduction benefits,

environmental conservation activities resulted in emission reductions on a scale of about 40,000 tons when converted to CO₂. This is a major contribution to the prevention of global warming. These activities also had economic benefits, achieving savings worth a total of about ¥3.3 billion.

ENVIRONMENTAL ACCOUNTING

Major Classification	Item		Environmental Investment (Million Yen)	Environmental Cost (Million Yen)	Economic Benefit (Million Yen)	Volume Reduction Benefit (Million Yen)	
	Intermediate Classification	Details					
Business area costs	Prevention of global warming (prevention of global warming, prevention of ozone layer depletion, and other benefits)		185	671	362	Equivalent to 40,000 tons of CO ₂	
	Effective utilization of resources (reduction in chemical substances, paper, water, and packaging materials)		29	247	1,117	3,000 tons: Chemicals 31 tons: Paper (1.15 million tons: Water increased) 217 tons: Packaging materials	
	Resource recycling activities	Resource recycling activities (appropriate reductions in volume and weight of waste)	11	850	1,672	6,000 tons: Waste	
		Costs of waste disposal (appropriate disposal of waste materials)	—	1,237			
	Risk management	Pollution prevention		475	4,495	—	(33 tons: NO _x increased) 9 tons: SO _x (2 tons: BOD increased)
		Legal compliance		—	128		
		Management of chemical substances		—	4		
Subtotal			700	7,632	3,151	—	
Upstream and downstream costs	Design of environmentally conscious products, green procurement, and green products		90	6,017	—	Equivalent to 33,000 tons of CO ₂	
	Recovery, recycling, and reuse of used products		—	1,500	115	—	
	Subtotal			90	7,517	115	—
Cost of management activities	Management activities	Personnel costs related to environmental activities	—	1,746	—	—	
		Maintenance of ISO certification and environmental audits	—	30	—	—	
		Human resource development and environmental training of employees	—	117	—	—	
	Subtotal			0	1,893	—	—
R&D costs	Research and development (R&D costs for reducing the environmental impact of corporate activities, including products and manufacturing)		—	607	—	—	
Social activity costs	Social activities	Environmental improvement measures, contributions to society	—	416	—	—	
		Information disclosure	—	327	—	—	
	Subtotal			—	743	—	—
Costs of environmental damage (etc.)	Other		—	1	—	—	
Total (comparison with previous fiscal year)			790 (+25.8%)	18,393 (-15.3%)	3,266 (-41.9%)	—	

Scope of environmental accounting: Entire NEC organization (NEC Headquarters, 6 plants and 3 laboratories) and 17 manufacturing subsidiaries in Japan and 4 main overseas manufacturing subsidiaries
Accounting period: April 2003 to March 2004 (January 2003 to December 2003 for some overseas manufacturing subsidiaries)

 Environmental Accounting
<http://www.nec.co.jp/eco/en/annual2004/03/3-4.html>

MASS BALANCE OF BUSINESS OPERATIONS

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

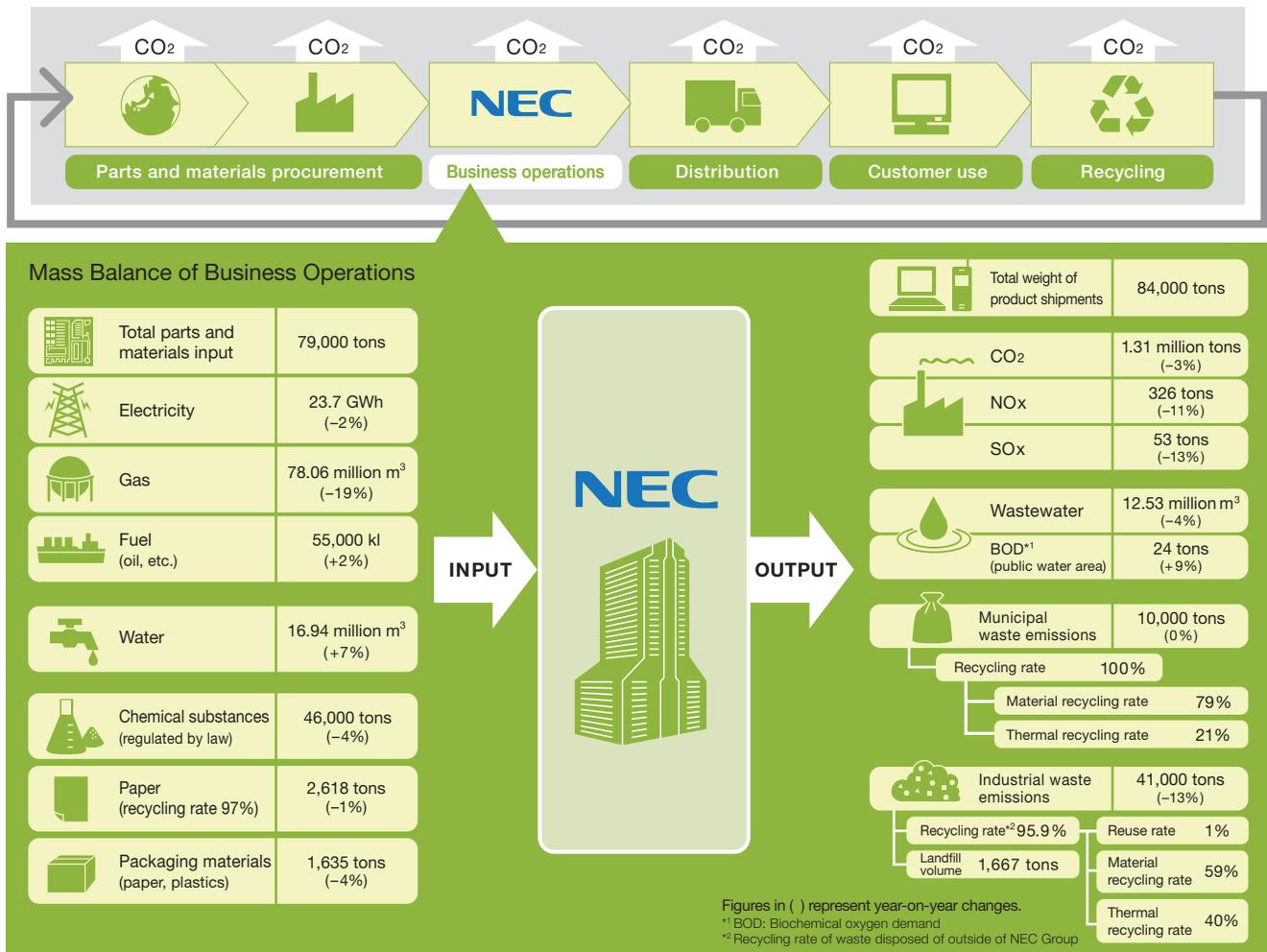
In fiscal 2004, NEC reduced the absolute amounts of almost all environmental impact items.

In terms of input, electricity and gas (energy) were reduced by 2% and 19%, respectively. However, fuel consumption increased by 2%. Packaging materials were reduced by 4% through more extensive use of returnable trays and other means. Water consumption increased by 7%.

In terms of output, industrial waste was reduced by 6,000 tons (13%) through greater sales of industrial waste materials as resources.

CO₂ emissions were reduced by 40,000 tons (3%) through higher production efficiency and installation of energy-saving equipment.

In March 2002, the NEC Headquarters, plants, research laboratories and all manufacturing subsidiaries achieved zero emissions (i.e., all waste materials were recycled into resources). This achievement continues to be maintained. Companies newly added to this report are scheduled to achieve the zero emission goal by March 2005.



Scope: NEC Japan (NEC Headquarters, 6 plants and 3 laboratories), 23 manufacturing subsidiaries, 41 service and software subsidiaries, and 14 independent affiliates. (Includes data for independent affiliates, beginning with this year's report; prior-year figures have been retroactively adjusted to include independent affiliate data.)

ECO-CONSCIOUS PRODUCT DEVELOPMENT ACTIVITIES

NEC is working to lower the environmental impact of products throughout their entire lifecycles, from materials purchasing to product use by customers and disposal. Aiming to classify all products as environmentally conscious products (eco products), while creating front-running eco-conscious products (Eco Symbol), NEC will advance product development so as to help reduce society's overall environmental impact.

ECO PRODUCT RECORD FOR NEWLY DEVELOPED PRODUCTS

NEC checks whether new products satisfy its 24 eco product standards through product assessments carried out by each business line when developing new products. In fiscal 2004, 96% of our newly developed products were classified as eco products, exceeding the 95% target set for the year.

NEC also classifies front-running eco-conscious products as Eco Symbol products. In fiscal 2004, 601 products in 16 product groups became Eco Symbol products. This represented 28% of the NEC Group's net sales, falling slightly below our 30% target for fiscal 2004. Nevertheless, sales of Eco Symbol products totaled ¥1,100 billion, increasing 12% year on year.

Since the Eco Symbol system began in 1998, we have classified a total of 1,872 products in 53 product groups as Eco Symbol products. Preparations are also being made to include eco product standards

in our product assessment for those divisions and departments whose products failed to qualify as eco products in the previous fiscal year. This will allow product assessment in a new format beginning in fiscal 2005.

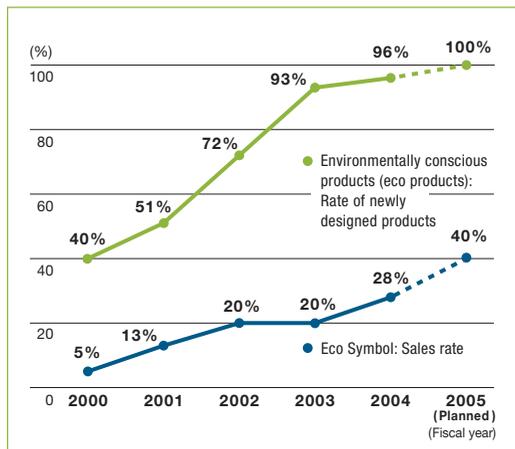
100% LEAD-FREE SOLDERING OF NEWLY DESIGNED PRODUCTS

NEC started reducing the lead content of solder as far back as 1998 and is committed to using lead-free solder in newly designed products.

In fiscal 2003, newly designed products marketed in Japan recorded a lead-free level of 100%. In fiscal 2004, all newly designed products such as DVD-R/RWs and facsimile machines for overseas markets used lead-free soldering. This means that all of NEC's new products shipped in and after fiscal 2005 will achieve the lead-free solder target.

NEC will accelerate technological development to achieve its fiscal 2006 target of totally discontinuing the use of lead solder in all its products.

Eco Product Targets and Year-on-Year Changes



Products: Newly designed NEC-brand products in each fiscal year

Shipments of Products Manufactured Using Lead-free Solder



URL Eco Symbol Standards
<http://www.nec.co.jp/eco/en/symbol/>

URL Eco Products
<http://www.nec.co.jp/eco/en/annual2004/05/5-2-0.html>

As part of efforts to form a recycling-oriented society, NEC has implemented 3R activities (Reduce waste materials from the design stage; Reuse components and products; and Recycle materials) since 1969 targeting used information equipment marketed to companies. The range of products covered by 3R activities has been expanded to include used ink cartridges, EP cartridges and rechargeable batteries. In October 2003, the collection and recycling of home-use PCs was also initiated.

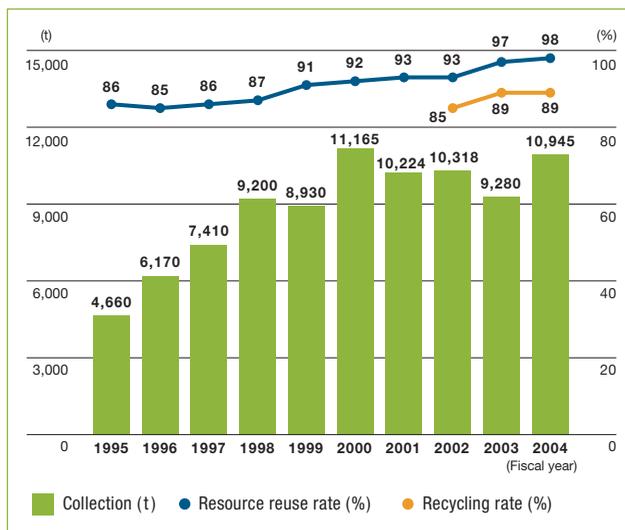
COLLECTION AND RECYCLING OF USED PRODUCTS

In fiscal 2004, a total of 11,000 tons of used information equipment, including high-performance computers, PCs, and printers, was collected, up 18% from the previous fiscal year. The recycling rate*1 was 98%, up one point from the previous year. The resource reuse rate*2 as defined by the Law for Promotion of Effective Utilization of Resources was 89% as in fiscal 2003, falling slightly short of the 90% target set for fiscal 2004. Recycling of plastics will be further encouraged to increase the recycling rate.

*1 The ratio of the weight of reused, material-recycled, and thermal-recycled items to the total weight of the collected IT devices.

*2 The ratio of the weight of materials that can be used as recycled products or resources to the total weight of the collected IT devices (defined by the Law for Promotion of Effective Utilization of Resources).

Used Product Collection and Recycling Rate



HOME-USE PC RECYCLING STARTS IN JAPAN

In line with the April 2003 amendment to the Law for the Promotion of Effective Utilization of Resources, from October 1, 2003, NEC began collecting and recycling discarded home-use PCs. Products targeted for recycling are desktop PCs, laptop PCs, CRT displays, and LCD displays sold by NEC. Products are collected via Japan Post's Eco-pack post service. In fiscal 2004, a total of 17,920 desktop PCs, laptop PCs, CRT displays, and LCD displays (combined weight of 243 tons) were collected.

Results of Collecting and Recycling Home-use PCs in Fiscal 2004

	Collected Weight (tons)	Collected Items (pcs)	Amount of Recycled Resources (tons)	Amount of Reused Resources (tons)	Resource Reuse Rate (%)
Desktop PC main units	94.5	7,710	94.5	76.3	80.9
Laptop PCs	6.7	1,560	6.7	2.9	43.5
CRT displays	139.3	8,150	139.3	106.8	76.7
LCDs	3.1	500	3.1	1.8	58.7

USED PC PURCHASES AND SALES

In July 2003, NEC and NEC Personal Products launched a new service to purchase used PCs from individual customers. As part of this service, personnel from a company designated by NEC visit the customer at his/her home in Japan at an appointed date and time to package and pick up the PC.

This service is available for VALUESTAR, LaVie, Mate, and VersaPro PCs manufactured by NEC. The PCs purchased back are reconditioned and sold as NEC reconditioned PCs at certain stores. (About 4,000 reconditioned PCs were sold in fiscal 2004.)

This service benefits the user from the purchase to the disposal of PC products. It also helps to extend the service life of PCs. NEC has every intention to expand this service.

URL Collection and Recycling of Used Products
<http://www.nec.co.jp/eco/en/annual2004/05/5-3-2.html>

URL Start of Home-use PC Recycling
<http://www.nec.co.jp/eco/en/annual2004/01/1-2.html>

URL Used PC Purchases and Sales
<http://www.nec.co.jp/eco/en/annual2004/05/5-3-5.html>

URL 121ware (Online Applications for PC Collection/Recycling)
[http://121ware.com/support/recyclese/ \(Japanese only\)](http://121ware.com/support/recyclese/ (Japanese only))

EFFORTS TO REDUCE THE ENVIRONMENTAL IMPACT OF PLANTS AND OFFICES

We are working to reduce the energy, chemical substances, and waste materials output from our manufacturing facilities and offices to lessen environmental impact.

ACTIONS TO PREVENT GLOBAL WARMING

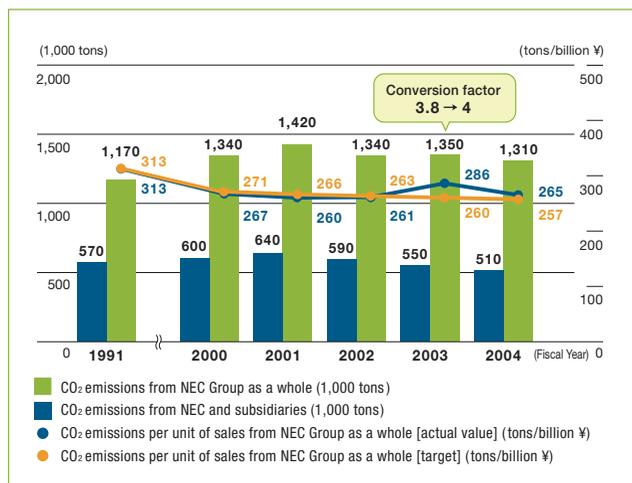
CO₂ Emissions: 3% Reduction (Year on Year)

CO₂ emissions* from energy consumption in fiscal 2004 stood at 1.31 million tons, 3% better than in the previous fiscal year. We also reduced CO₂ emissions per unit of sales by 7% from the previous fiscal year. This figure is based on an index set by the Japan Business Federation (*Nippon Keidanren*) in a voluntary action plan. However, we did not achieve the target of an 18% reduction compared with fiscal 1991 (the fiscal 2004 value was 15%).

One key reason is that the CO₂ emission conversion factor used from fiscal 2000 to fiscal 2002 (announced by the Federation of Electric Power Companies of Japan) was increased in fiscal 2003 from 0.38 to 0.41 tons of CO₂/MWh. If the factor had remained the same, the CO₂ emissions per unit of sales in fiscal 2004 would have been reduced by 20% compared with fiscal 1991, a reduction in CO₂ emissions of approximately 70,000 tons.

* The CO₂ emission conversion factor used to calculate the electricity consumption in fiscal 2004 was determined using the final value for fiscal 2003 announced by the Federation of Electric Power Companies of Japan.

Change in CO₂ Emissions and CO₂ Emissions Per Unit of Sales



Scope: NEC Japan (NEC Headquarters, 6 plants and 3 laboratories), 23 manufacturing subsidiaries, 41 service and software subsidiaries, and 14 independent affiliates. (Includes data for independent affiliates, beginning with this year's report; prior-year figures have been retroactively adjusted to include independent affiliate data.)

URL Efforts at Our Plants and Offices
<http://www.nec.co.jp/eco/en/annual2004/08/8-0.html>

FORESTATION IN AUSTRALIA

NEC started forestation operations on South Australia's Kangaroo Island in August 2002. NEC continued its participation in 2003, planting a total of 440,000 eucalyptus trees covering a 400-ha area. The saplings planted in 2002 have steadily grown to a height of four to five meters during a period of approximately a year and a half. NEC plans to plant trees for a total of 10 years and carry out maintenance activities for a further 10 years. NEC predicts that as the planted trees grow they will absorb some 1 million tons of CO₂ over these 20 years.

In September 2003, NEC took a group on a forest-planting tour to Australia as one of the company's environmental training activities. The group consisted of about 30 people from all over Japan ranging in age from one to 77. The participants gained hands-on experience in planting eucalyptus and acacia trees.



30cm-saplings



Grown to a height of 4 to 5 meters

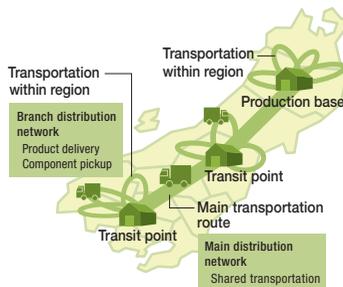


Hands-on tree-planting tour

CO₂ REDUCTION THROUGH RESTRUCTURING OF DELIVERY NETWORKS AND DIFFERENT MODE OF TRANSPORT

NEC Logistics, the NEC Group distribution company, is promoting reduction in CO₂ emissions in operations ranging from production material procurement to product transportation. In fiscal 2004, NEC Logistics' main network was streamlined. It now consists of routinely used fixed routes from production bases to transit points. The branch network consists of routes from the transit points that are used to deliver products and to transport procured components. The changes reduced the number of trucks,

Overview of Transportation Network



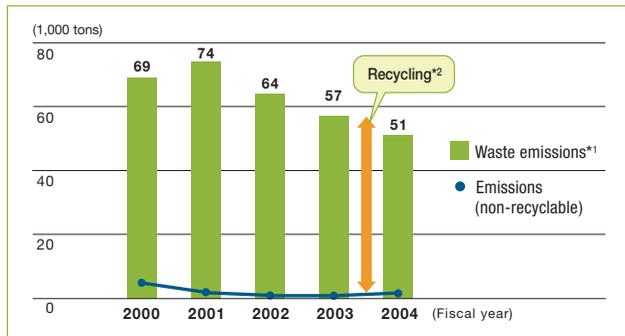
which numbered approximately 1,200 in fiscal 2001, to about 700 in fiscal 2004. The company also implemented a modal shift from trucks to trains for the transportation of mobile phones, fax machines, and ADSL routers. These reforms have reduced transport-related CO₂ emissions by approximately 13% compared with fiscal 2001.

WASTE MATERIAL REDUCTION EFFORTS

Waste Emissions: 11% Reduction

Our waste emissions stood at 51,000 tons, a reduction of 11% from the previous year. This result is due to the sale of waste materials to other manufacturers for use as new resources and our adoption of returnable packaging containers, which enables us to reuse cardboard materials formerly used for packaging. NEC Headquarters, plants, laboratories, and all manufacturing subsidiaries have achieved zero emissions, i.e., recycled all waste materials, since March 2002. The companies newly covered in this report are also scheduled to achieve zero emissions by fiscal 2005.

Waste Material Generation and Recycling



*1 Waste emissions = emissions of non-hazardous waste materials + emissions of hazardous waste materials

*2 Recycling = waste emissions – emissions (non-recyclable)

Scope: NEC Japan (NEC Headquarters, 6 plants and 3 laboratories), 23 manufacturing subsidiaries, 41 service and software subsidiaries, and 14 independent affiliates. (Includes data for independent affiliates, beginning with this year's report; prior-year figures have been retroactively adjusted to include independent affiliate data.)

Recycling Discarded Wafers into Solar Panels (NEC Kyushu)

NEC Kyushu conventionally recycles discarded test wafers into aluminum reinforcing (these wafers are silicon substrates onto which semiconductor devices are mounted and are generated in the semiconductor production process). In addition, NEC Kyushu has now decided to recycle (sell) pattern-free wafers as a solar panel material.

These solar panels can generate 470,000 kWh of power per year (annual electricity consumption of about 130 families), contributing to a 178-ton reduction in CO₂ emissions annually.



Left: discarded wafer Right: solar cell



Billboard using solar panel (an application example)

CHEMICAL SUBSTANCE MANAGEMENT AND REDUCTION EFFORTS

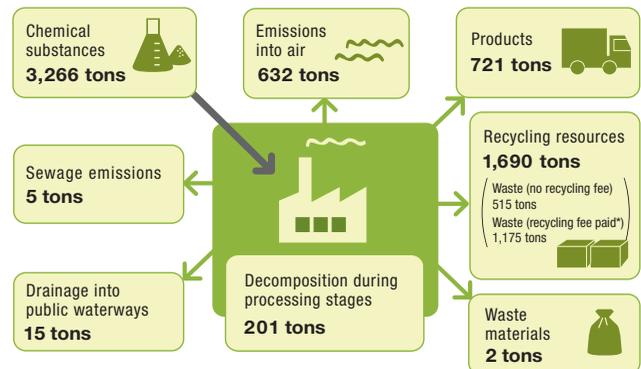
Managing the Balance of Chemical Substance Input/Output

In fiscal 2004, we used 24 substances regulated by the PRTR Law (Class one designated substances: 354 types). The input/output balance of these substances is indicated in the diagram below. The amount of substances handled was 18% more than in the previous year because the data aggregation scope was extended* in fiscal 2004. However, our emissions into the air and public waterways passed our own voluntary standards, which are even more stringent than those required by law.

* Scope: NEC Japan (NEC Headquarters, 6 plants and 3 laboratories), 23 manufacturing subsidiaries, 41 service and software subsidiaries, and 14 independent affiliates. (Includes data for independent affiliates, beginning with this year's report; prior-year figures have been retroactively adjusted to include independent affiliate data.)

Managing the Balance of Chemical Substance Input/Output

—Chemicals regulated by the PRTR Law—



* Fee paid to operators to collect and process recyclable substances.

Reduction in Chemical Substances and Improved Safety Through Switch to New Parts Cleaning Solvent (NEC Kansai)

NEC Kansai changed the cleaning solvent for photoresists (a photosensitive material) used in the semiconductor exposure process from methyl ethyl ketone to ethylene carbonate. The ethylene carbonate has a high flash point* and is recyclable with a small amount of ozone bubbling.

As a result, NEC Kansai did not have to purchase and dispose of methyl ethyl ketone, which amounted to approximately 100 tons per year. This also enabled improved safety.



Cleaning equipment using ethylene carbonate

* Flash point of methyl ethyl ketone: -4°C
Flash point of ethylene carbonate: 152°C

ENVIRONMENTAL MANAGEMENT AUDITS AND RISK MANAGEMENT

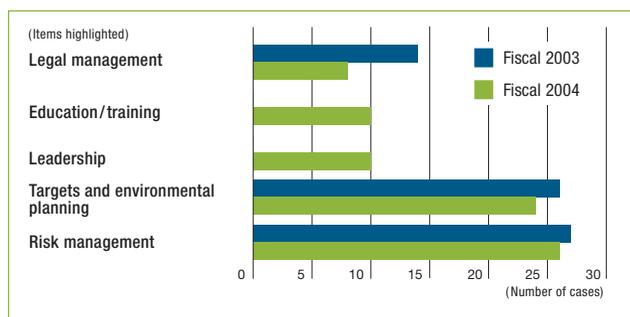
Compliance audits have been carried out since 1999 to ensure that NEC complies with all environmental, health, and safety laws and regulations. Previously, environmental audits of each business location were carried out. In 2003, NEC began performing Environmental Management Audits of each business line from an environmental management perspective. This has enabled NEC to conduct detailed audits that meet the requirements of each business.

ENVIRONMENTAL MANAGEMENT AUDIT RESULTS

In fiscal 2004, NEC conducted Environmental Management Audits of nine business lines, three laboratories, seven plants, and NEC Headquarters' administrative departments. We also conducted ISO alternative audits of 16 manufacturing subsidiaries, six NEC Electronics subsidiaries, and 18 independent affiliates.

The audit results indicated that there is room for improvement in the fields of leadership and education/training in fiscal 2004 compared with the previous fiscal year. Because close attention was paid this time to audits in each department, the results show that detailed, company-wide environmental management involving all employees is not yet sufficient. In the area of risk management, there were recommendations to improve storage and management of equipment and chemicals, emergency response training, and labeling. However, the report contained no recommendations concerning matters that could cause environmental pollution in the short term.

Results of Environmental Management Audits for Fiscal 2004 (16 Manufacturing Subsidiaries)



ACCIDENTS AND COMPLAINTS

Since fiscal 1999, we have announced whether any fines or penalties concerning environmental matters have been levied on NEC. No such fines or penalties were levied in fiscal 2004. This is not to say the year was entirely accident free. We had one accident that affected the area beyond our site perimeter and four accidents that were contained within our site perimeter. We initiated clean-up operations immediately after the accidents and devised measures to prevent future occurrences. These measures were implemented at all sites. We also received two complaints from nearby residents concerning noise and one complaint concerning lack of sunshine (due to the growth of tall trees.)

Accidents

Accidents with Impact Outside the Company	
Accident details	Organic solvent leaked from a work site that handles organic solvents. The power supply near the leakage sparked, causing a fire.
Action taken	Volunteer and professional firefighters promptly tackled the fire to minimize the impact outside the company. After the incident, we reviewed and enhanced our fire prevention system.
Accidents with No Impact Outside the Company	
Accident details	Incidents of wastewater leakage occurred twice. A chemical spillage occurred once. A small fire from waste material occurred once.
Action taken	We reviewed the items subject to daily inspections. We reviewed work procedures. We reviewed the rules covering treatment of the waste material in question.

COMPLIANCE WITH SOIL CONTAMINATION COUNTERMEASURES LAW

The Soil Contamination Countermeasures Law, which bans or restricts the use of a large number of chemical substances, was enacted in February 2003. Long before the law came into effect, however, NEC had abolished use of a number of the chemical substances prescribed therein, including the volatile organic compounds trichloroethylene and tetrachloroethylene (abolished in 1988) and 1,1,1-trichloroethane (abolished in 1993). We have also been performing voluntary soil surveys at all companies within the NEC Group wherever possible.

In fiscal 2004, we performed soil surveys at three plants as part of preparations for fundamental operational changes. In these surveys, we found trace amounts of hazardous substances under a building at the Tamagawa Plant (Plant 100). Following this discovery, we immediately set about decontaminating the site under the direction of local government authorities and have since restored the site to its original condition. This contamination did not involve underground water.

Results of Soil Surveys and Decontamination Operations in Fiscal 2004

Place	Hazardous Substance	Maximum Value Detected	After Decontamination
NEC Gotemba (former site)	Nothing detected	Nothing detected	Nothing detected
Tamagawa Plant (Plant 100)	Fluorine Selenium Lead	1.1 mg/l 0.028 mg/l 390 mg/l	Nothing detected Nothing detected Nothing detected
NEC Yamagata, Yamagata Plant (former site)	Nothing detected	Nothing detected	Nothing detected

Regulated values: Fluorine: 0.8mg/l (eluted); selenium: 0.01mg/l (eluted); lead: 150mg/kg (contained)

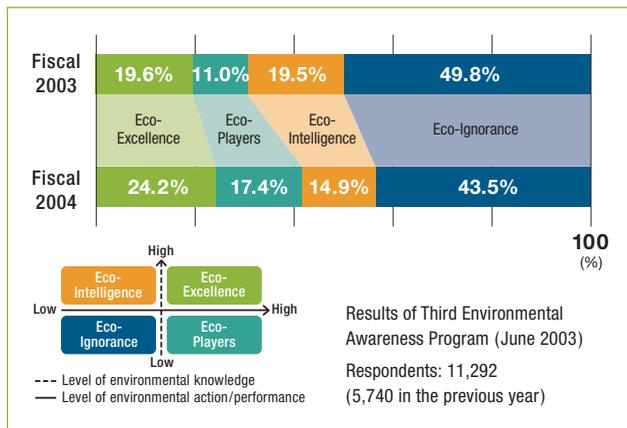
ENVIRONMENTAL COMMUNICATIONS

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

ENVIRONMENTAL TRAINING AND AWARENESS Results of Fiscal 2004 NEC Group Environmental Awareness Program

The number of questionnaire respondents was 11,292. This was nearly double the previous year's 5,740. And 10% of the NEC Group's 115,000 employees in Japan responded. The "Eco-Excellence" segment was 24.2%, approximately five points higher than last year's level. Although this number fell short of the fiscal 2004 "Eco-Excellence" segment target of 30%, the "Eco-Players" segment increased by approximately six points while the "Eco-Ignorance" segment decreased by approximately six points. Therefore, the overall results indicate that environmental awareness has risen.

Actual Environmental Awareness of NEC Employees



PUBLIC DISCLOSURE OF ENVIRONMENTAL INFORMATION

Advertising Campaigns

NEC has coined an environmental slogan—"Ecology through IT"—and has conducted advertising campaigns in newspapers, TV, and other media to promote understanding of this concept.

In fiscal 2004, we promoted NEC's environmental management vision and "Ecology through IT" activities through a series of advertisements that focused on CO₂, which serves as a key benchmark of environmental impact. We used a balloon dubbed the "CO₂ Bag" to

create an immediate visual image of the invisible environmental impact of CO₂ emissions.

This series won a host of advertising awards, such as the main prize at the 52nd Nikkei Advertising Awards, in recognition of the company's clear stance on environmental protection and the advertisements' visual impact.



ecotonoha — CONTRIBUTING TO NEC'S FORESTATION PROGRAM

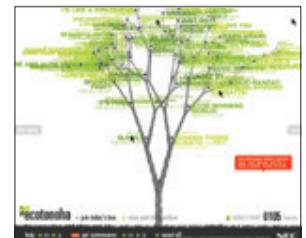
— The word tree which brings greenery to life —

To raise global environmental awareness, we established a Website called "ecotonoha," where everyone can take part in environmental conservation activities (NEC's forestation program) by posting messages on the Internet.

ecotonoha is a virtual tree planted on the Internet. When you post a message, the message changes into a branch or leaf, and the tree grows.

NEC carries out forestation activities to reduce CO₂ emissions on Kangaroo Island in Australia. One tree is planted for every 100 messages posted on the ecotonoha site.

Since the site was established on July 14, 2003, messages have been posted by people from around the world. By the end of a special campaign on December 25, 2003, 60,997 messages had been posted. This translated into 609 extra trees being planted on Kangaroo Island.



ecotonoha site

GLOSSARY

Bioplastics

An environmentally conscious plastic that effectively uses renewable resources. Bioplastics reinforced with kenaf fiber are 1.8 times more flame resistant and 1.7 times stronger than traditional bioplastics made of polylactic acid, achieving a sharp improvement in physical characteristics.

Cogeneration System

This is a system by which hot water created using the residual heat from electric power generation is used in the heating systems of homes and factories. Cogeneration systems can raise heating efficiency from 35% to 75%.

Corporate Governance

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

Digital Divide

The digital divide is a social issue that concerns differences in the amount of information obtainable by individuals that have access to PCs, the Internet, and other forms of IT, and those that do not. Such differences are believed to arise due to differing income levels, age and racial profiles, and educational backgrounds.

Ecology through IT

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

Eco Product

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

Environmental Management

Environmental management means reducing the environmental impact of business operations and contributing to lowering the environmental impact of society as a whole by providing environmentally conscious products and services. This will enable businesses to realize the aim of creating a sustainable society.

Family Friendly

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

GRI Sustainability Reporting Guidelines

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

Human Rights Awareness

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

ISO 14001

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

Kenaf

An herbaceous annual related to cotton, kenaf is a member of the mallow family. The stalk contains an abundance of fiber, making it ideal as a raw material for paper production. Kenaf is known to absorb three to eight times more CO₂ than common timbers.

Lead-free Solder

Solder that does not contain lead. Lead-free solder and lead-free solder mounting technology were developed from an environmental viewpoint due to the impact of conventional lead solder on the environment.

NPO (Non-profit Organization)

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

RoHS Directive

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

SRI (Socially Responsible Investment)

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

Stakeholders

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

Supply Chain

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

Sustainability

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

Zero Emissions

This means cutting the waste materials output by production plants and business sites to zero by using such waste materials as raw materials in other fields.

EDITING POLICY

NEC views this report as an important communication tool essential to earning the trust of all stakeholders supporting NEC's business activities, including customers, shareholders and other investors, business partners, local communities and employees. The page layout is designed to facilitate understanding. The report provides references to the NEC Website, indicated by a URL mark  as necessary, where more details or relevant information are available. You can also view the report online at the URL shown below.

The period covered by the report is fiscal 2004 (the fiscal year from April 1, 2003 to March 31, 2004). However, certain sections also outline activities in fiscal 2005. Certain content relates solely to NEC Corporation, while the scope of other content in some instances also includes NEC Group companies. For information covering a specific set of NEC and group companies, such as environmental accounting and environmental impact statistics, the scope of such information has been explicitly defined in each relevant section. This report was prepared with reference to the Ministry of Environment's *Environmental Reporting Guidelines 2003*, the Japan Association of Corporate Executives' *15th Corporate White Paper*, and GRI's (Global Reporting Initiative) *Sustainability Reporting Guidelines 2002* and other publications.

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

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

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At least 30% of the fibre used in the manufacturing process of this product comes from well-managed forest independently certified according to the rules of the Forest Stewardship Council.

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