



Environmental Performance

Themes of activities in fiscal 2008

We made our efforts to prevent global warming and reduce environmental burden as far as possible by steps such as conservation of resources and energy, decrease in industrial waste, and increase in recycling rates, for positive contribution to the prevention and solution of various environmental problems.

Results of activities in fiscal 2008

1. Reduced GHG emissions by 15% more than our target.
2. Eliminated all use of CFC-alternative gas (HFC-152a).
3. Made active proposals of environmentally-friendly services ("eco-appeal proposals").

Future challenges

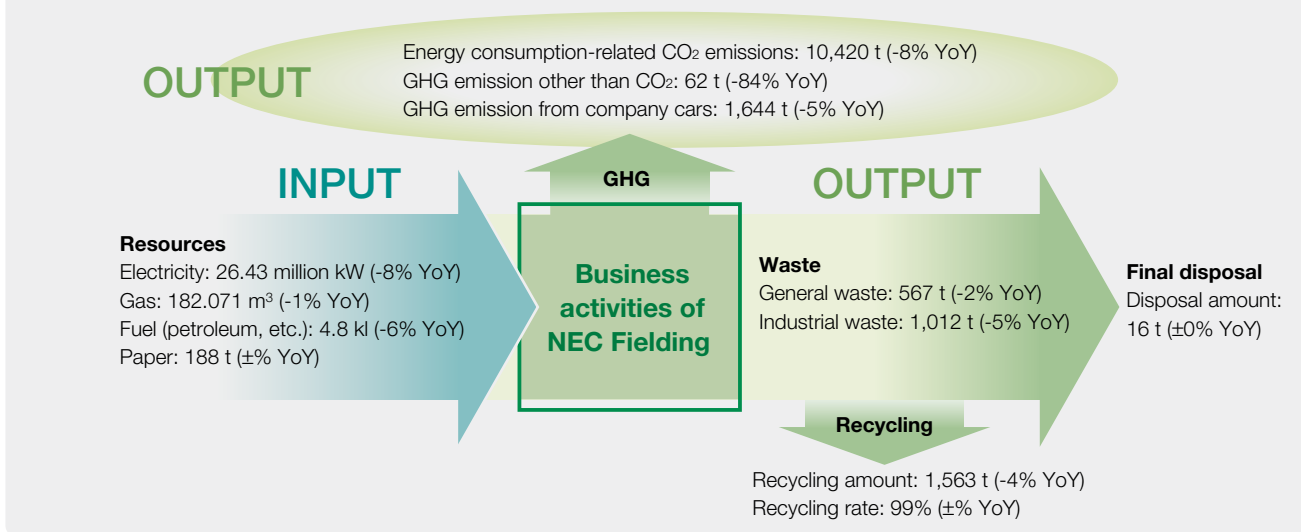
We will set our next ultra long-term targets for the reduction of CO₂ emissions, and work to combat global warming.

Mass balance model

We use a mass balance (material balance) modeling approach that clearly displays the environmental burden resulting from business activities, in order to measure and improve our environmental performance.

In fiscal 2008, we managed to lower the absolute values relative to the previous year for many items of environmental burden.

Mass balance related to business activities in 2008



Environmental accounting

Environmental accounting for FY2008

Classification	Items	Expenditures (millions of yen)		
		FY2006	FY2007	FY2008
Cost within the business area	Resource recycling cost, waste/recycling treatment outsourcing cost	137	134	109
Upstream/downstream costs	Recovery of maintenance parts 3Rs (parts maintenance cost*)	6,623	5,844	5,672
Management activity cost	Personnel expenses for environmental activities (wages and attendant costs)	46	49	57
	ISO maintenance and environmental auditing (costs of transportation, inspection, and registration)	1	1	1
	Human resource development (training of auditors and inspectors)	1	2	1
	Environmental information system development and operation	33	39	38
	Other operating costs (for outsourcing of re-commercialization, environment-related annual dues, etc.)	1	1	1
R&D costs	Conservation of resources and energy through IT	312	914	786
Social activity cost	Donations (excluding political donations)	4	4	1
Total		7,158	6,988	6,666

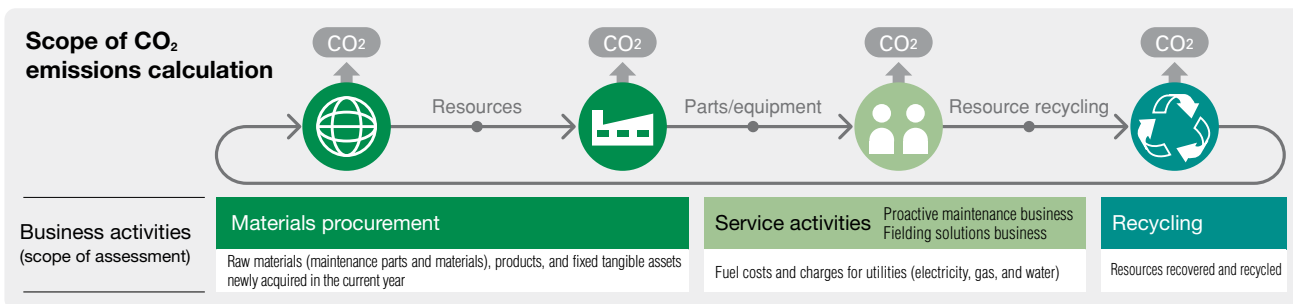
* Repair cost of maintenance parts that can be repeatedly used upon repair. The amounts saved by repairing, instead of purchasing new parts, were ¥7,030 million in FY2007 and ¥6,508 million in FY2008.

Approach to the prevention of global warming

CO₂ emissions from business activities

Since fiscal 2001, we have been calculating the total amount of CO₂ emissions from our business activities based on accounting data, with the cooperation of NEC Fundamental and Environmental Research Laboratories. In doing business, we take account of

indirect environmental burden off the company premises in all phases, from “resource procurement” where we procure maintenance parts and materials from outside suppliers, and “service activities” through “recycling activities.”

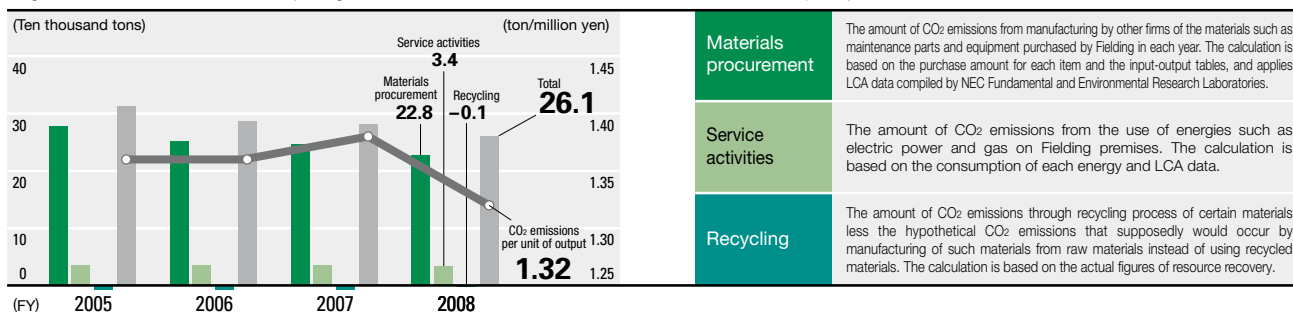


Overall CO₂ emissions in fiscal 2008 were reduced around 7% (21,000 tons) compared to fiscal 2007, to around 261,000 tons. This is as a result of reduction in CO₂ emissions at the stage of materials procurement

and service activities, and partly a decrease in sales. In terms of CO₂ emissions per unit of output, we have achieved a more than 4% decrease compared to fiscal 2007.

CO₂ emissions

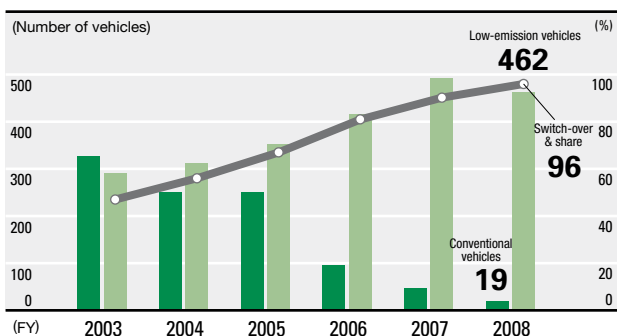
* Figures are calculated and evaluated by using the “Business Environmental Burden Evaluation Method” developed by NEC Fundamental and Environmental Research Laboratories.



Switch to eco vehicles

In fiscal 2003, we began to make the switch to eco vehicles, mainly for leased vehicles which make up most of our company cars. In fiscal 2008, we have increased the share of our fleet occupied by low-emission vehicles to 96%. We intend to continue promoting the switch with the goal of increasing the share to 100% by the end of fiscal 2010.

Trends in numbers of eco cars introduced and rate of switch-over to eco cars



Elimination of all use of a CFC substitute (HFC-152a)

NEC Fielding has been using dust blowers applying HFC-152a, a CFC substitute with a high global warming coefficient* of 140, as a cleaning tool in maintenance work. We have consequently been working to reduce its use and the emissions.

To this end, we recently developed an eco-blower that uses liquefied carbon dioxide gas, which has a global warming coefficient of 1. We began an across-the-board switch to this equipment in October 2008, and so greatly reduced GHG emissions in our maintenance work.

* Global warming coefficient : A figure indicating the level of the global warming effect of a substance when that of CO₂ is assigned the value 1.

Trend in GHG emissions from maintenance operations

	Emission (unit: CO ₂ -t)			
	FY2006	FY2007	FY2008	FY2009 (estimate)
CO ₂	0	1	1	2
CFC substitute (HFC-152a)	610	377	61	0



Eco-blower



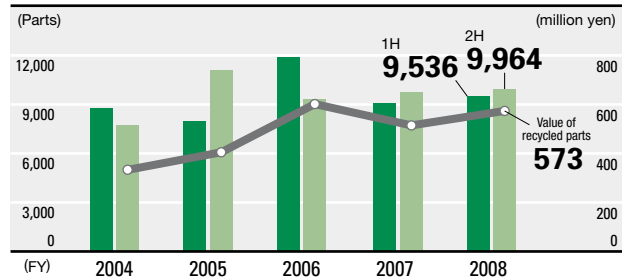
Recycling

Our recycling performance under the Wider-area Treatment Certification System

NEC is designated as a certified industrial waste-treating enterprise for its wider-area operation. Having been commissioned by NEC, we have built a system for recycling parts and components of IT equipment. Through the system, we collect used IT devices that our customers no longer need, and remove, inspect, and repair their parts.

In fiscal 2008, we have achieved a certain level of success in our environmental activities: the results showed an increase in our recycling performance both in terms of volume and value.

Our recycling performance per year



* Value of recycled parts is calculated based on the unit price of new replacement parts.

Decrease in environmental burden through production innovation

In October 2006, NEC Fielding launched a campaign of production innovation. The Repair Division, which is our only unit engaged in production activities, and the Logistics Division mounted approaches and greatly reduced levels of environmental burden.

When customer IT equipment is out of order, the Repair Division receives the problem parts or products from the Logistics Division, repairs them to enable their reuse, and sends them back in good condition as its main business. The major stages in the repair process are intake, diagnosis, repair, inspection, and shipping.

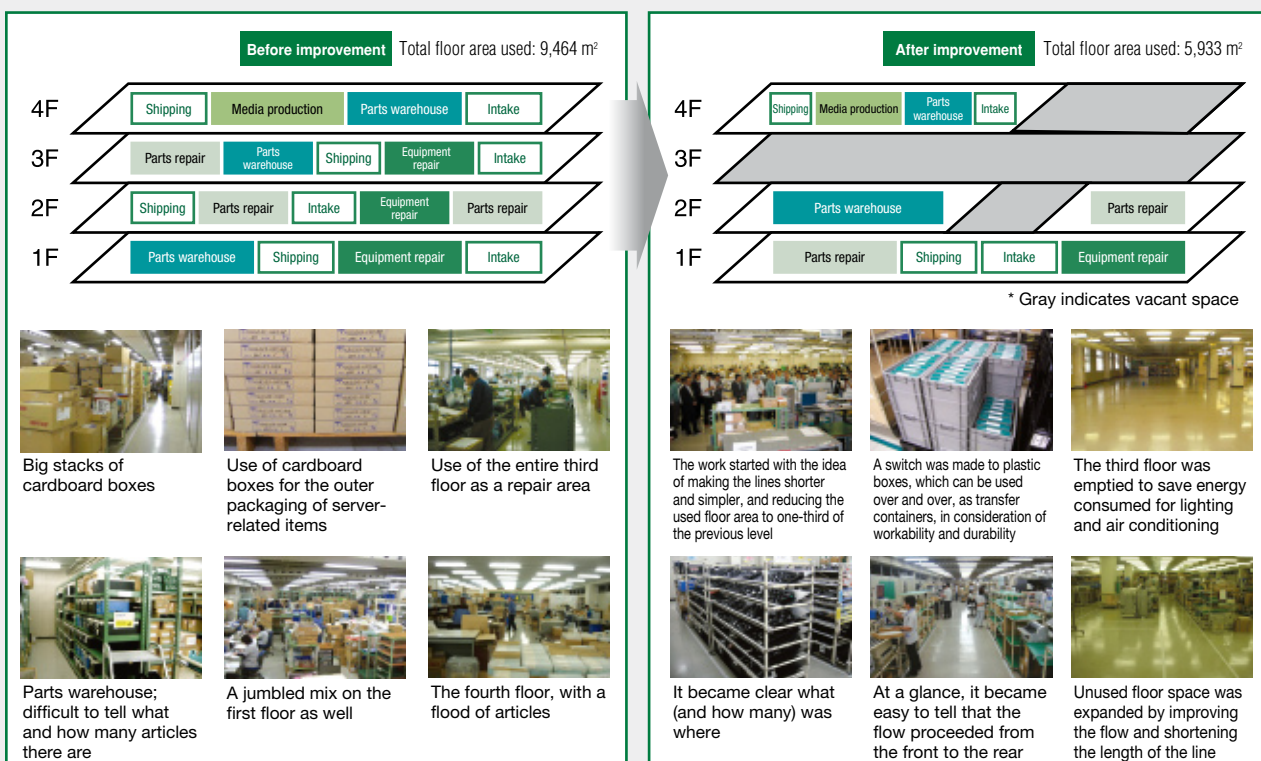
As a first step, the Division carried out a rigorous campaign for neat arrangement and fixing of placement locations, items, and quantities in each workplace. The

second step consisted of a fundamental review and improvement of each stage in the repair process.

The campaign decreased the use of electricity thanks to the reduction in total floor area used, and reduced the amount of cardboard waste through alteration of packaging methods. These and other effects brought a big decrease in the environmental burden.

We are going to promote further improvement. In fiscal 2009, and are planning for relocation of the Repair Division to Kawasaki for consolidation there as part of a program encompassing improvement of the Logistics Division. As this indicates, we intend to lower environmental burden inclusive of the logistics end.

Comparison of status before and after the production innovation campaign (Yamato Techno-center, Repair Division)



Implementing a modal shift strategy and reducing transportation costs for maintenance parts

We use a wide range of parts to maintain IT systems. It will be best if we have all spare parts ready when and where they are needed; however, there is a limitation on types and quantities of parts we can keep at hand.

When a system problem is discovered, it is important to deliver as soon as possible the needed parts to the needed location for a prompt recovery. On the other hand, if we give top priority to speed up the delivery time, we will need more costs and energy consumption. We thus determined to adopt the following methods in combination to reduce our costs and CO₂ emissions.

Combined transportation using regular mixed-load trucks and ships to supply and collect parts

We stock required spare parts at our parts centers nationwide. When any parts are consumed, they will be restocked by the next morning from the spare-parts supply center located in Kawasaki.

To supply spare parts and collect used parts, we use the NEC Group's mixed-load truck network which connects its production plants and distribution centers. We try to increase the efficiency of the transportation network by sharing with other group companies.

We have also adopted a full-scale modal shift to bring back collected used parts to the spare-parts supply center, in order to reduce both shipping costs and CO₂ emissions. For example, we connect ship transport with the mixed-load truck network to bring back collected parts from Okinawa, achieving a preferable balance of environmental protection, transport speed, and transportation costs.

This program is the flagship of our production innovation campaign, and we are advancing it throughout the Company. Moving forward, we will increase our load efficiency and reduce transportation costs.

Bicycle delivery in urban areas

Our Shinjuku parts center uses bicycles to make urgent parts deliveries to locations that are relatively close, within a distance of 3 km. Bicycles are a faster, safer, and cheaper



means of transportation as well as a traffic jam-free alternative. This "mini modal shift" generates no emissions, and through this practice we reduced our CO₂ emissions again in fiscal 2008.

High speed transport using Rail Go Service

When our Sendai, Morioka, or Niigata parts centers require urgent spare parts due to their shortage, we use the Rail Go Service, whenever possible, via the Tohoku and Joetsu Shinkansen (bullet train) lines, for the rapid delivery of urgent parts from Tokyo.

The service now accepts orders and cargo handovers during a long period of time between 7:00 am to 11:30 pm, so we make active use of such convenient option.

Express bus transport

We use long-distance express buses for urgent parts deliveries. These buses are originally meant for passenger transport, and run regular routes traveling on expressways. Although we cannot use this form of transport for larger volumes, valuables, or items requiring confidential handling, it is the perfect method for shipping small parcels of parts to relatively remote locations.

We believe that this means of transport is safer, cheaper, more reliable and environmentally-friendly with a better cost performance than using motorcycle delivery each time.

Consolidation of parts centers

Formerly, supplies at our 210 parts centers nationwide were replenished by shipping spare parts to them from the spare-parts supply center in Kawasaki. Our campaign for production innovation motivated action for achievement of the kind of parts center capabilities demanded by the changing times. We began consolidating the 210 parts centers in the second half of fiscal 2007, and plan to reduce the number to 63 by the end of the first half of fiscal 2009. In the hauling of spare parts, this consolidation will slim down the mixed-load truck network between the Kawasaki center and each of parts centers. In addition, the supply of parts to maintenance offices will make more effective use of the existing routed truck transport between the parts centers and the maintenance offices. These steps will enable an increase in loading efficiency and reduction of transport costs.

Parts centers after the consolidation

