

2010 Industry Outreach Seminar on Export Controls in Malaysia

# Export Controls of NEC Corporation

November 10, 2010  
Export Control Division  
NEC Corporation

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# 1. Profile of NEC Group

## Profile

**Company Name:** NEC Corporation

**Address:** 7-1, Shiba 5-chome, Minato-ku, Tokyo, Japan

**Established:** July 17, 1899

**Chairman of the Board:** Kaoru Yano

**President:** Nobuhiro Endo

**Capital:** ¥ 397.2 billion - As of Mar. 31, 2010 -

**Consolidated Net Sales:** ¥ 3,581.3 billion

- Fiscal year ended Mar. 31, 2010 -

**Operations of NEC Group:** IT Services, Platform, Carrier Network,  
Social Infrastructure, Personal Solutions,  
Others

**Employees:** NEC Corporation

24,871 - As of Mar. 31, 2010 -

NEC Corporation and Consolidated Subsidiaries

142,358 - As of Mar. 31, 2010 -

**Consolidated Subsidiaries:** 310 (Japan:118, Oversea:192) - As of Mar. 31, 2010 -



Kaoru Yano



Nobuhiro Endo

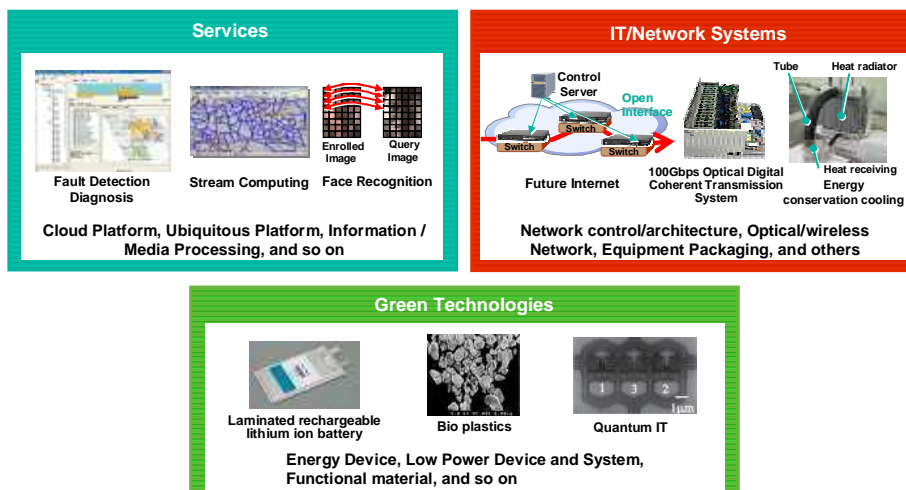
Financial results are based on accounting principles generally accepted in Japan.

## Business Domains and Their Chief Products and Services



## Research and Developments Aimed at an Information Society friendly to Humans and the earth

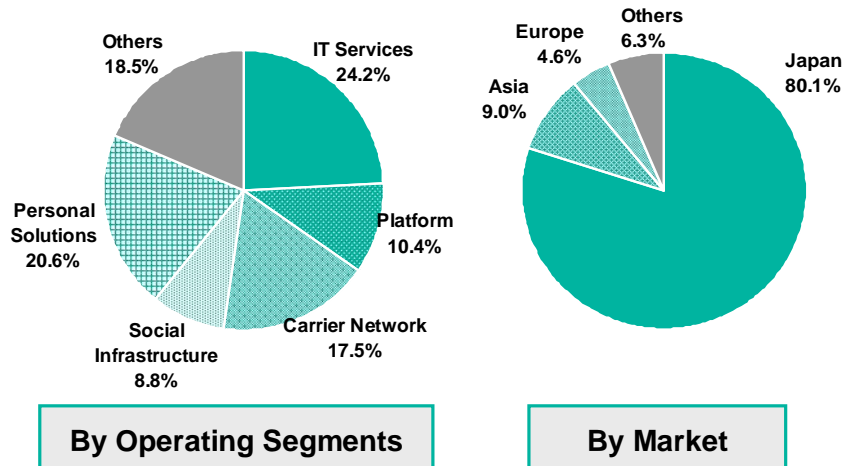
Creation of New Business, Basic Research to Create Future Business, Reinforcement of Intellectual Assets



### Intellectual Assets

## Proportion of Sales

[ Fiscal year ended March 31, 2010; ¥3,583.1 billion ]



## NEC in Asia

### 1 NEC in Philippines

- NEC Philippines, Inc.
- NEC Telecom Software Philippines, Inc.
- ▲ Manila

### 2 NEC in Singapore

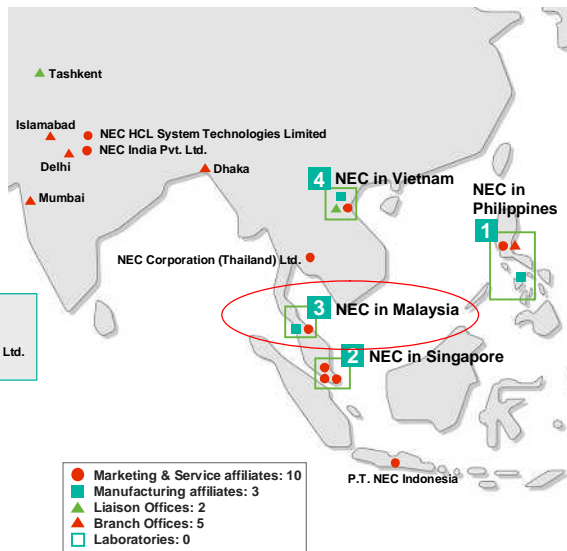
- NEC Asia Pacific Pte. Ltd.
- Decillion Solutions Pte. Ltd.
- ObTech Asia Pacific Pte. Ltd.

### 3 NEC in Malaysia

- NEC Corporation of Malaysia Sdn. Bhd.
- PERNEC Corporation Berhad

### 4 NEC in Vietnam

- NEC Solutions Vietnam Co., Ltd.
- VNPT-NEC Telecommunication Systems Company Ltd.
- ▲ Hanoi

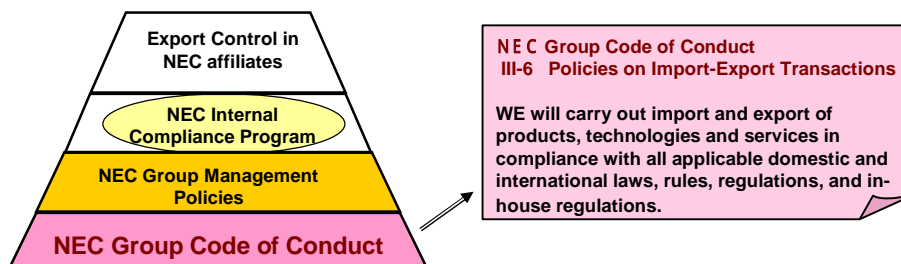


(As of Apr. 1, 2010)

## 2. Export Controls of NEC Corporation

## NEC Group's Export Controls

- ◆ NEC Group Code of Conduct stipulates compliance with all applicable domestic and international laws, rules, regulations, and in-house regulations.
- ◆ NEC Group Management Policies requests establishment of Internal Control System for Export Control.
- ◆ NEC Internal Compliance Program stipulates implementation and improvement of Internal Control System. It includes guidance for NEC Affiliates.



## NEC's ICP

- NEC's ICP is based on CISTEC's Model ICP. Original ICP was registered at METI in 1987 and has been revised and updated accordingly.
- For establishing internal control system, NEC's Model ICP is provided for Affiliates that are handling export activities.
- Corporate Auditing Bureau conducts Internal Audit to Divisions to check if internal procedures are in compliance with ICP.

### Contents of ICP:

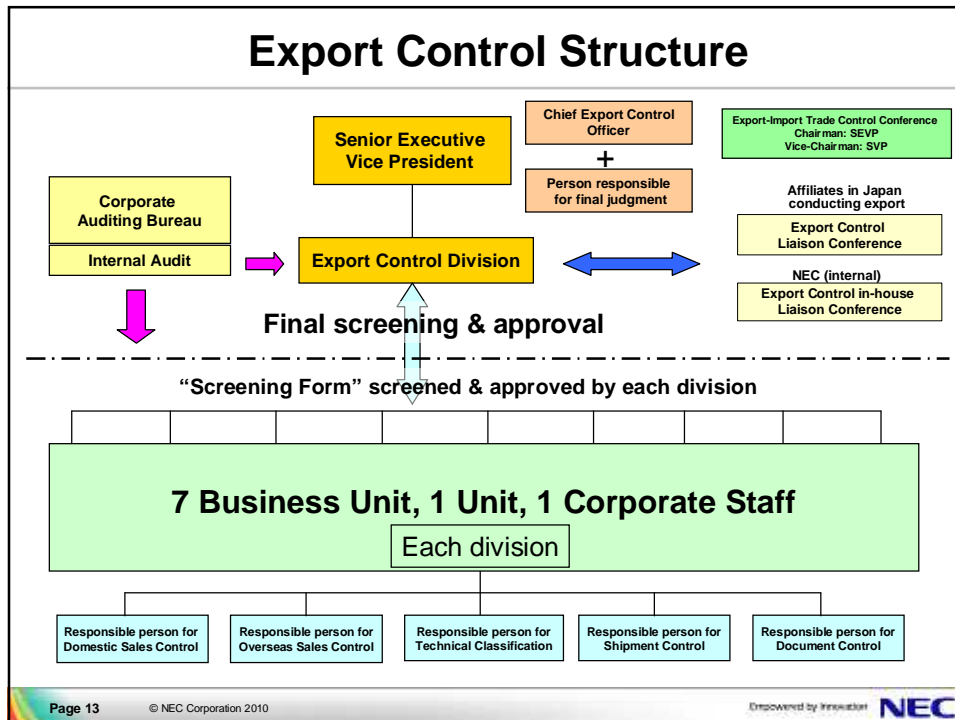
Part 1. General Terms	Part 7. Internal Education
Part 2. Basic Policy	Part 8. Document Control
Part 3. Organization	Part 9. Guidance to Affiliates
Part 4. Screening Procedures	Part 10. Reports
Part 5. Shipment Control	Part 11. Penalties
Part 6. Internal Audit	

## Policy for Export Control

1. NEC shall prevent violating Japanese Law\* for exporting controlled items and for conducting brokering trade.
2. NEC shall implement and improve internal control system, by appointing the responsible persons, in order to observe Japanese Law\* and to conduct proper internal control.
3. NEC shall make efforts to prevent violating the relevant laws and regulations of foreign governments.
4. NEC shall provide thorough support and guidance to NEC affiliated companies both in Japan and overseas for the establishment of internal export and trade control system in compliance with relevant laws and regulations.

\*Foreign Exchange and Foreign Trade Law

# Export Control Structure



# Person responsible for Export Control

General Manager in each division is responsible for internal control procedures. For assistance, GM must appoint responsible persons as below.

Division	Responsible person for	Main role
Overseas Sales Div.	Overseas Sales Control	Control on <u>End-User, -Use and Final Destination</u>
	Document Control	Control on related documentation
Domestic Sales Div.	Domestic Sales Control	Control on <u>End-User, -Use and Final Destination for indirect export.</u>
	Document Control	Control on related documentation
Product Division	Technical Classification	Control on <u>Technical Classification</u>
	Shipment Control	Establishing rules for <u>Shipment control</u>
	Document Control	Control on related documentation

# ICP for Procedures

## Internal Compliance Program (ICP) as Corporate Rule

(Policy, organization, role of responsible persons, screening procedures, etc.)

## Export Control Manual as details of the rule

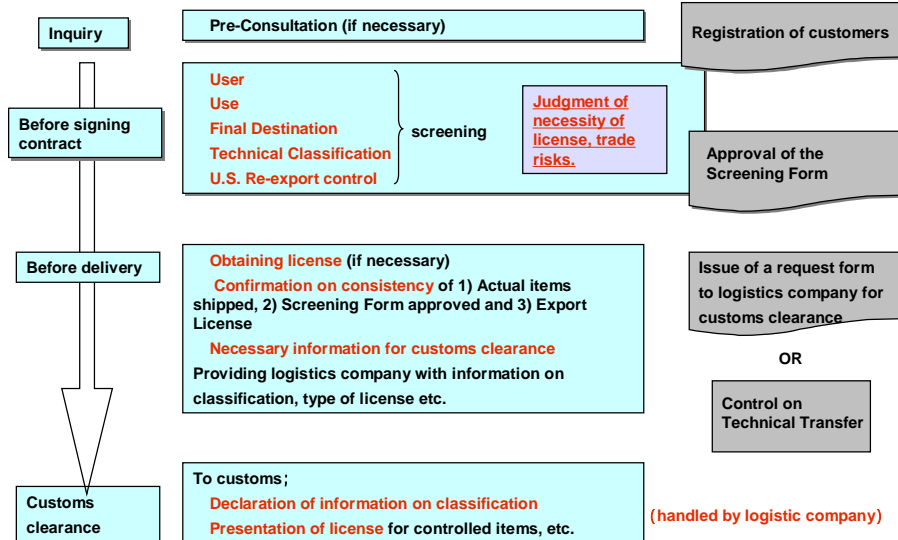
(Detailed explanation on clauses referred in the Internal Compliance Program)

## Specific Manuals for each procedure in details

(Detailed each procedure and job flow for specific control categories)

- Manual for filling out the Screening Form
- Manual for Export Control on Domestic Transaction
- Manual for Technical Classification for Items procured from vendors, etc.

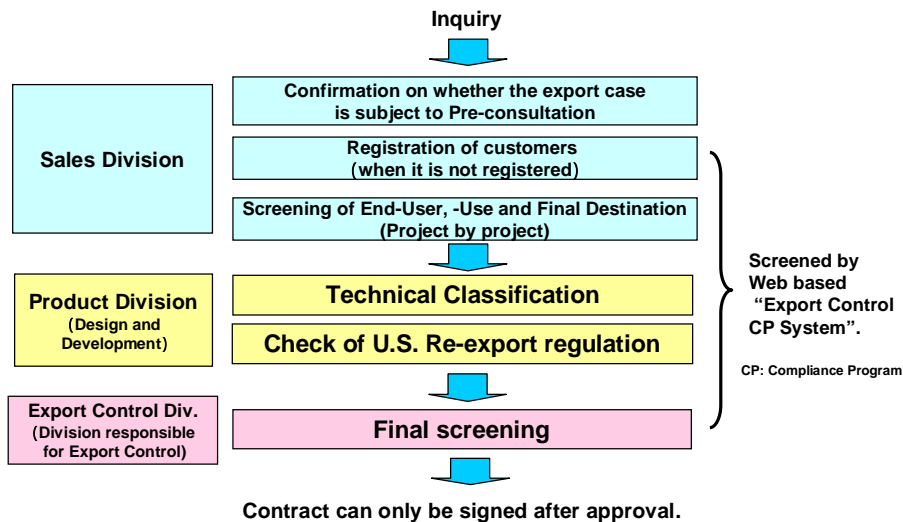
# Flow of Export Control Procedures





## Flow of Screening

All export cases must be screened by the Screening Form, in principle.



## Technical Classification

Determination on whether items are listed as the controlled items.  
When it is controlled, the responsible person must clarify whether license exception is applied or license needs to be obtained.  
Type of license required shall also be checked.

- After a staff conducted classification, the responsible person must double check the result.
- Technical classification for items being procured from vendors must also be conducted using a special check list.
- Result of technical classification is registered in centralized DB.

## Items Controlled under Japanese Law

### Examples of Goods and Technologies of NEC Corporation Subject to Control by the Control List of Japan

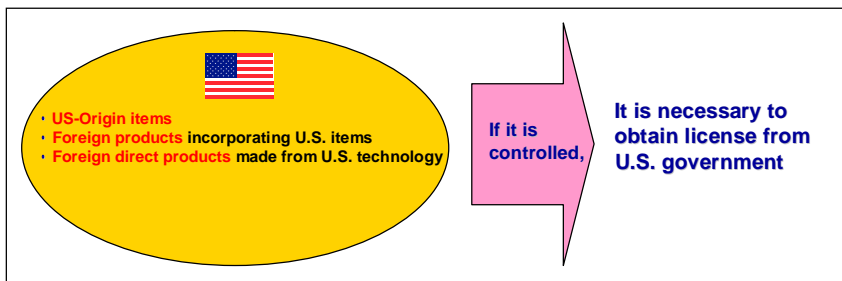
	Examples	Reason of Control
Goods	Fault-Tolerant (FT) Server	Fault-Tolerant function
	High-Performance Computers (*) (HPCs)	Operation Performance
	Encryption Router (*)	Encryption Function
	Bluetooth, Wireless LAN	
	WiMAX, Long Term Evolution (*)	
High Sensitive Camera, Infrared Sensor (*)	Sensitivity, Materials, etc	
Technologies	Utility Program for FT Server	Fault-Tolerant function
	Operating System (OS) for HPCs (*)	Operation Performance
	Encryption Program (*)	Encryption Function

(\*) Controlled subject to its performance or function.

## U.S. Re-export Control

**U.S. Re-export is also checked by Web based screening system.**

- Information on ECCN (Export Control Classification Number), Name of license, License Exception etc. must be specified.



U.S. Re-export control is the control that U.S regulation is applied to the export when U.S. goods and technologies are exported from countries other than USA.

Although the regulation is applied in foreign countries, if there is a violation, there is a possibility fines are imposed and export-import of U.S. goods and technologies are banned.

## Shipment Control

### Final check by Product Division

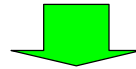
Confirmation on consistency of 1) Actual items shipped, 2) Screening Form approved and 3) Export License, etc.

Hardware items (including items technical information is combined.)



Customs clearance and shipping  
(using a NEC Group company  
handling logistics)

Technical information only



Record keeping of the transfer  
using spreadsheet.

## Internal Training and Education

Training programs for Export Control are provided by ECD periodically (once a year).

1. Training on export control for all NEC employees
  - e-learning (20 minutes program)
2. Training for Overseas Sales Divisions
  - e-learning (40 minutes program)
  - It is "must" for all responsible persons for overseas sales control.
3. Training for Product Divisions
  - e-learning (40 minutes program)
  - It is "must" for all responsible persons for technical classification.
4. Training for Technical Classification
  - Class room (3.5 Hours)
  - Learning how to classify using case studies

## Example of the Training Contents

### >> Summary of cases subject to export control

Are there any cases subject to export control in your job or around you?

- Technical transfer to development site overseas Case 1  
Sending to a software house
- Technical transfer at development site in Japan Case 2  
Provision at technical meeting, training
- Technical transfer to NEC employee Case 3  
Transfer for the purpose of providing to a local staff
- Technical transfer from Data center in Japan Case 4  
Use of application service
- Business trip to overseas Case 5  
Hand carrying manual, sample items etc.
- Sending by courier Case 6  
Sending spare parts, software
- Sales in Japan Case 7  
Export of NEC items by customers

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## Document Control

- Related documentations shall be kept at least seven years. (Electronic media is alternative.)
- Documentations are such as,
  - Contracts (for commercial)
  - Evidences of the trade (for non-commercial)
  - Approved Screening Forms
  - Shipping invoices (for H/W)
  - Spreadsheets (for technical transfer)
  - Export license, etc.

## Internal Audit

- **Internal Audit for Export Control is conducted periodically (once a year) for the divisions handling export cases, as well as Affiliates in Japan and Overseas.**
- **Internal Audit in Japan is conducted according the check list for self-control submitted to METI and additional list.**
- **As a result of the audit, Follow-Up Audit is conducted to monitor whether action plans for improvement have been implemented.**

## Example of Check List for Internal Audit

<p><b>Organization structure:</b> Identification of people for all export and trade control related functions, duties, responsibilities, etc. and role of related divisions for export and trade control</p>	(1/2)
<p><b>Availability of an internal control program and related tools, etc.</b></p>	
<p><b>Procedures for export and trade control:</b> Procedures corresponding to each order process, control checks and reviews</p>	
<p><b>Technical classification:</b> A system for assuring compliance with export</p>	<p><b>Guidance to Affiliates:</b> An internal system to check affiliates' operation (development, manufacturing, O/M etc.) in accordance with the internal export control procedure</p>
<p><b>Transaction control :</b> An internal screening to confirm a transaction does not have any concern</p>	<p><b>Domestic Transaction Control:</b> An internal system to check whether an export will follow a domestic transaction</p>
<p><b>Shipment Control:</b> An internal system to confirm that items to be</p>	<p><b>Training and Education:</b> An ongoing program of education and training for all employees concerned</p>
<p><b>Control of Technologies:</b> An internal system to control export of technology</p>	<p><b>Document Control:</b> A program for record-keeping required by the laws or by the internal control program</p>
<p><b>U.S. re-export control:</b> An internal system to ensure compliance with the</p>	<p><b>Documentation check:</b> Examination of export-related documents to verify the actual operation in accordance with the internal control program</p>

## 3. Conclusion

## Conclusion

**To prevent violation of the relevant laws;**

- **It is essential to establish ICP system.**
- **It is important to conduct Training and Education & Guidance and Supervision by Administration Div. for Export Control to implement the effective controls.**
- **It is also important to conduct Audit to confirm the actual controls and to improve the controls.**

**Thank you very much  
for your attention.**

Empowered by Innovation

**NEC**