

NEC ELECTRONICS

ANNUAL REPORT 2007

ANNUAL REPORT 2007 (Abridged Version)
Year ended March 31, 2007

NEC ELECTRONICS

07



PROFILE

In November 2002, NEC Electronics Corporation separated from parent company NEC Corporation and established itself as an independent, dedicated semiconductor company.

Today, we supply semiconductors used in a wide range of industry sectors, from automobiles and digital AV equipment, to consumer electronics and mobile phones.

As of March 31, 2007, there were 9 manufacturing sites in Japan and 5 overseas, supporting customers across the globe from design through to production.

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In this annual report, unless the context otherwise requires, references to "NEC Electronics," "we," "our," and "us" are to NEC Electronics Corporation and its consolidated subsidiaries. The statements in this annual report with respect to NEC Electronics' current plans, strategies, and beliefs, as well as other statements that are not historical facts are forward-looking statements. Such forward-looking statements are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. We do not intend to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable laws. The risks and uncertainties that could cause actual results to differ materially from such statements include, but are not limited to, general economic conditions in NEC Electronics' markets, which are primarily Japan, Asia, North America and Europe; demand for, and competitive pricing pressure on, NEC Electronics' products and services in the marketplace; NEC Electronics' ability to continue to win acceptance for its products and services in these highly competitive markets; and fluctuations of currency exchange rates, particularly the rate between the yen and the U.S. dollar in which NEC Electronics makes significant sales.

All the consolidated financial data in this annual report have been prepared in accordance with accounting principles generally accepted in the United States of America on a basis that reflects the historical consolidated financial statements of NEC Electronics Corporation assuming that it had existed as a stand-alone company for all periods prior to the corporate separation on November 1, 2002.

FINANCIAL HIGHLIGHTS

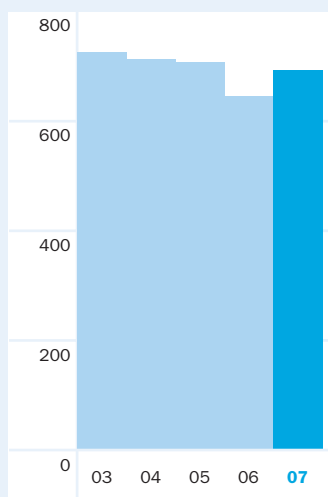
NEC Electronics Corporation and Consolidated Subsidiaries
For the years ended March 31

					Millions of yen	Thousands of U.S. dollars
	2003	2004	2005	2006	2007	2007
Net sales	¥725,093	¥711,986	¥708,014	¥645,963	¥692,280	\$5,866,780
Communications	97,002	152,299	138,010	107,995	99,641	844,415
Computing and peripherals	125,901	138,227	140,941	126,581	123,714	1,048,424
Consumer electronics	147,127	88,294	101,278	102,639	120,757	1,023,364
Automotive and industrial	80,109	90,707	102,784	103,780	106,097	899,127
Multi-market ICs	84,465	79,988	78,575	69,449	88,961	753,907
Discrete, optical and microwave devices	117,971	122,095	118,172	108,701	120,563	1,021,720
Semiconductor sales	652,575	671,610	679,760	619,145	659,733	5,590,957
Other	72,518	40,376	28,254	26,818	32,547	275,823
Cost of sales	518,122	476,069	485,871	477,476	502,086	4,254,966
R&D expenses	96,666	99,450	107,942	120,874	131,751	1,116,534
Selling, general and administrative expenses	80,102	81,870	81,025	83,302	87,000	737,288
Income (loss) before income taxes	15,090	44,389	26,409	(42,386)	(35,375)	(299,788)
Net income (loss)	9,622	28,066	16,031	(98,198)	(41,500)	(351,695)
Capital expenditures	54,383	103,034	163,173	83,030	105,865	897,161
Depreciation and amortization	88,414	82,392	95,999	89,342	82,960	703,051
Per share of common stock (in yen and U.S. dollars):						
Basic net income (loss) per share:		¥240.61	¥129.81	¥(795.13)	¥(336.04)	\$(2.85)
Diluted net income (loss) per share:		240.61	120.30	(795.13)	(336.04)	(2.85)
At year-end:						
Total assets	¥655,489	¥741,515	¥814,222	¥745,281	¥695,886	\$5,897,339
Shareholders' equity	238,927	371,739	393,863	308,251	265,068	2,246,339
Ratio of net income (loss) to shareholders' equity	4.1%	9.2%	4.2%	(28.0)%	(14.5)%	
Ratio of income (loss) before income taxes to total assets	2.3%	6.4%	3.4%	(5.4)%	(4.9)%	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118=U.S.\$1.

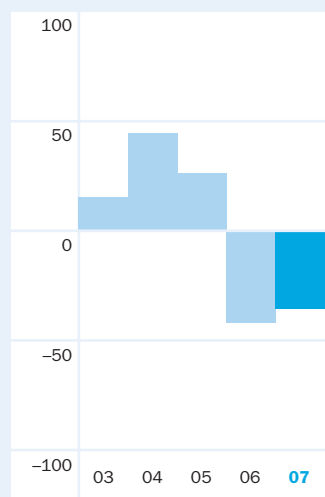
NET SALES

(¥ billion)



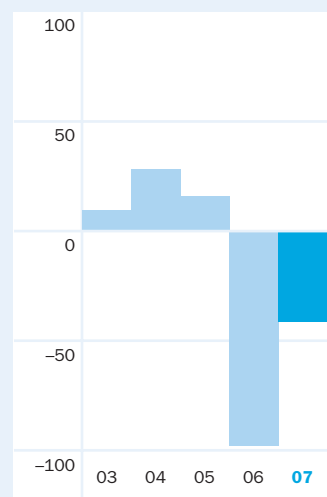
INCOME (LOSS) BEFORE INCOME TAXES

(¥ billion)



NET INCOME (LOSS)

(¥ billion)

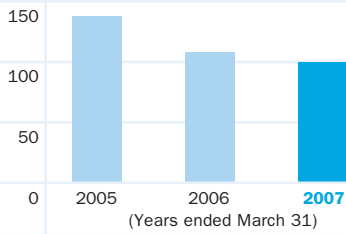


(Years ended March 31)

NEC ELECTRONICS AT A GLANCE

	Applications	Major Products	Percentage of Fiscal 2007 Semiconductor Sales
Communications 	Mobile handsets Broadband networking equipment Routers Mobile phone base stations	System LSIs Driver ICs for small TFT-LCDs System memories	 15.1%
Computing and Peripherals 	Computers Servers Workstations Computing peripherals Rewritable DVD drives Printers LCDs for PCs	System LSIs Microcontrollers Driver ICs for large TFT-LCDs	 18.8%
Consumer Electronics 	Digital consumer electronics Digital cameras DVD recorders Digital televisions Home appliances Game consoles	System LSIs Microcontrollers	 18.3%
Automotive and Industrial 	Automobiles Engine Body control Airbags Car audios Industrial Factory automation	Microcontrollers System LSIs	 16.1%
Multi-market ICs 	Wide range of electronics equipment	General-purpose microcontrollers Gate arrays General-purpose system memories	 13.4%
Discrete, Optical and Microwave Devices 	Wide range of electronics equipment	Diodes Transistors Optical semiconductors Microwave semiconductors	 18.3%

Net Sales (¥ Billion)

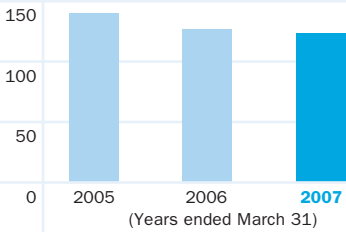


Trends in the Fiscal Year Ended March 31, 2007

Sales of semiconductors for mobile phones decreased year on year. Sales of LCD driver ICs increased due to the proliferation of handsets featuring high-definition TFT-LCD displays, on which the company is focusing its efforts, but this was offset by a large year-on-year fall in sales of system memory for mobile phones.

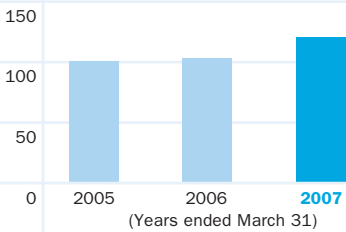
Customers*

Nokia, Panasonic Mobile Communications, Samsung Electronics, Sharp, NEC



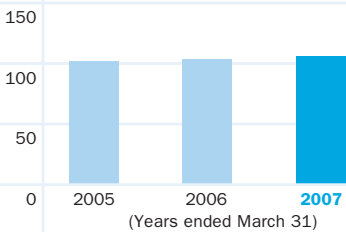
Sales of semiconductors for PC peripherals fell year on year. Sales of LCD driver ICs for LCD televisions and computer monitors were boosted by an increase in market share, but this was outweighed by a drop in sales of semiconductors for printers and recordable DVD drives, resulting in a net decrease.

AUO, Canon, Hitachi, HP, LG.PHILIPS LCD, Pioneer, Samsung Electronics, Seiko Epson, NEC



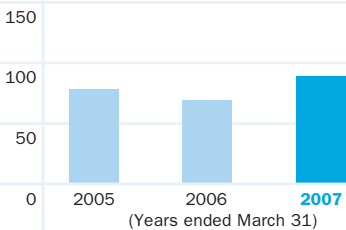
Sales of semiconductors for game consoles recorded a significant year-on-year increase, the result of commencing sales of chips for a new game console. This was coupled with increased sales of semiconductors for products such as digital cameras and digital televisions driven by the expansion of the digital consumer electronics market.

Canon, Casio Computer, Fuji Film, LG Electronics, Matsushita Electric Industrial, Nintendo, Pioneer, Samsung Electronics, Sanyo Electric, Sharp, Sony



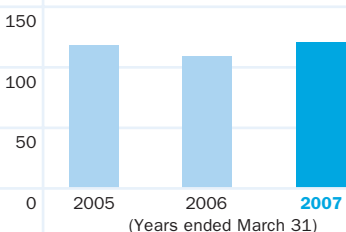
Sales of automotive semiconductors increased during the fiscal year as more semiconductors are used in vehicles due to the greater application of electronics in cars.

Advantest, Delphi, DENSO, Fanuc, Pioneer, Robert Bosch, Siemens, Toyota, Yaskawa Electric



Sales of general-purpose microcontrollers increased sharply due to an upturn in the market coupled with higher sales of All Flash microcontrollers.

LG Electronics, Matsushita Electric Industrial, Sony, NEC



Sales of discrete semiconductors increased mainly due to a market recovery.

Sony, NEC

* The list of customers is neither comprehensive nor necessarily representative.

LETTER FROM THE PRESIDENT



During the fiscal year ended March 31, 2007, growth in the semiconductor market began to taper off from the summer of 2006. In particular, monthly semiconductor sales, excluding DRAM, slowed year on year from the latter half of the fiscal year. Semiconductor sales in Japan were sluggish, especially around the start of the new year, due to saturation of the mobile phone market and falling prices for digital consumer electronics.

In this business climate, we posted consolidated net sales of ¥692.3 billion (\$5,867 million), up ¥46.3 billion (\$393 million) over the previous year. In addition to the start of semiconductor shipments for new game consoles, this growth largely reflected solid sales growth for automotive semiconductors and increased sales of All Flash microcontrollers.

Despite an increase in sales, we posted a loss before income taxes of ¥35.4 billion (\$300 million) and a net loss of ¥41.5 billion (\$352 million). These losses were largely the result of price declines for our main products as competitive pressures intensified, combined with increased R&D expenses aimed at driving future sales growth. Another contributory factor was one-time expenses for structural reforms.

On a positive note, we took steps during the year to create strong products with world-class competitiveness. Among our achievements was the start of mass production and shipments of system LSIs for game consoles featuring our cutting-edge embedded DRAM technology, and graphics-processing LSIs, which were incorporated into large LCD televisions. On the development front, we commercialized cutting-edge miniaturization technology designed for the 55-nanometer generation, together with a highly advanced and unique process technology. We began taking orders for ASIC (application specific integrated circuit) products based on this technology. On the sales front, we moved to bolster sales in China by boosting our sales force and pursuing other measures to establish a stronger foothold in the country. In addition, we established NEC Electronics Korea Ltd., helping in the push to strengthen our sales framework to expand sales in the rapidly growing Asian markets. As for manufacturing, we worked to augment manufacturing capacity at the NEC Yamagata's 300-mm wafer line, ultimately raising monthly output from 6,000 to 13,000 wafers. With this, the 300-mm line dedicated to logic circuit production is now in a position to leverage the cost competitiveness afforded by this higher output.

During the year under review, we announced a new management policy with measures for achieving a recovery in business performance. These include improving R&D efficiency and increasing sales by

MISSION STATEMENT

NEC Electronics aims to be the partner of choice by providing differentiated semiconductor solutions based on advanced technologies that give our customers a competitive advantage.

NEC Electronics believes that raising customer satisfaction levels leads to increased sales and improved profitability, enhancing both enterprise and shareholder value. To this end, it operates and develops business in line with the following policies.

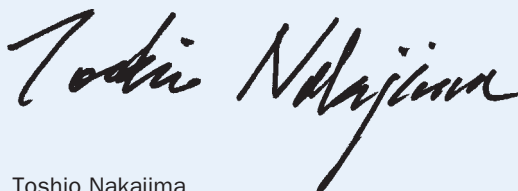
- **Ensure all business activities focus on the needs of the customer, and deliver solutions tailored to meet customer needs and excellent product quality, increasing sales and earnings through improved customer satisfaction.**
- **Focus on the company's three core areas of SoC (system on chip), microcomputers, and discrete semiconductors. Develop business processes for each business unit, while promoting re-use of core technologies and resources, to address various customer needs with high-quality and low-cost solutions, thus achieving steady growth and profits.**
- **Leverage the company's position as an international player to connect with customers, aggressively pursue global business opportunities, and expand sales.**

concentrating product development resources in focus areas; lowering manufacturing costs by reorganizing manufacturing operations; and restructuring the organization by product types and realigning sales, development and manufacturing, accordingly. Through these initiatives, we will build a resilient business structure able to generate profits even in an adverse semiconductor market. We are committed to attaining "EIGYO profit"* in the fiscal year ending March 31, 2008, through more efficient operations, most notably through a reduction in fixed costs.

Every one of us at NEC Electronics stands firmly committed to the bold steps necessary to regain the confidence of our stakeholders. I respectfully ask for your understanding, guidance and continued support as we move forward in this endeavor.

* "EIGYO profit" is presented as net sales less cost of sales, research and development expenses, and selling, general and administrative expenses, which is equivalent to operating profit in financial reporting practices generally accepted in Japan.

June 2007



Toshio Nakajima

President and CEO, NEC Electronics Corporation

QUESTION 1

What is the key point of the new management policy announced in February 2007?

ANSWER

The point of the new policy is to set out measures in building a strong business structure, one capable of sales and profit growth even in adverse market conditions. We anticipate that in the fiscal year ending March 31, 2010, marked as the final year for the structural reforms we announced, the semiconductor market is likely to hit another downswing in the silicon cycle. Ordinarily, we would expect this to be a tough time to grow sales and profits. However, the goal of the structural reforms is to establish a business structure that can look forward to sales and profit growth that outpaces the market for that year. Three initiatives will help make this possible.

First, we have heavily invested R&D resources in SoC (System on Chip) business, so in this area we have clarified what our key businesses are. We will concentrate scattered development resources in fields that can showcase our strengths, namely automotive and digital consumer products.

Second, we will conduct an extensive review of our manufacturing operations, with an eye to supporting business expansion particularly in the key fields mentioned earlier. Our first task is to boost production capacity by integrating and consolidating fabrication lines in Japan, while at the same time cutting manufacturing costs. Where assembly and testing are concerned, we are accelerating the shift to overseas production as we work to build a manufacturing framework with a greater emphasis on cost competitiveness.

Third, we realigned our organizational structure. Instead of divisions based on functions such as sales, development, and manufacturing as in the past, our organization is aligned by product types, such as SoC, microcomputers, and discrete and IC. These changes will result in a system that clarifies operational accountability and duties, which will enable us to quicken the pace of structural reforms.

These initiatives are the first step towards spurring a recovery in business performance. We know that conditions in the semiconductor market will continue to change rapidly. That is why our goals are to fully implement the initiatives to achieve a swift turnaround in performance, and to strive for sustainable profit growth. Meeting these aims will enable us to stay abreast of market changes and to build a business base capable of sales and profit growth.





QUESTION

2

In your view, what are NEC Electronics' strengths, and how will they lead to growth?

ANSWER

NEC Electronics' strengths lie in semiconductors for automotive applications, a field that demands high quality and reliability, and in semiconductors for digital consumer products. In the latter, we have a wide range of customers, and our semiconductors can be found in a diverse array of products.

In semiconductors for automotive applications, our greatest asset is quality, which has earned us a high share in automotive microcontroller applications. Looking ahead, we hope to further expand not only automotive microcontroller sales but also sales in non-microcontroller product areas. For example, we are working to boost sales in car navigation and other information and safety fields, and in power devices which connect microcontrollers and machinery.

As for semiconductors for digital consumer products, one goal is to garner a larger market share by capitalizing on NEC Electronics' advanced graphics processing technology. We want to bolster our system for business expansion particularly in digital television, targeting the Chinese market where future growth is anticipated.

QUESTION

3

What initiatives will you enact to attain “EIGYO profit”* in fiscal 2008?

ANSWER

Let me first say that I and every other member of our management team stand fully committed to ending the current fiscal year in the black on an “EIGYO profit”* basis. To this end, I have changed our approach from a conventional focus on improving profitability on higher sales, to reinforcing our cost structure. As a first step, we set out to cut fixed costs by ¥20 billion (\$169 million) compared with the year ended March 31, 2007, by focusing particularly on reducing capital expenditures and R&D expenses. We are also beginning to streamline our product lines and executing a more product-centered manufacturing operation. These steps should trim manufacturing costs.

QUESTION

4

Lastly, what kind of company do you envisage NEC Electronics will be?

ANSWER

First and foremost, I strongly believe that retaining long-term business opportunities through a reliable and continuous supply to our customers with differentiated solutions, together with improvements in our management structure, will enable us to maximize corporate value.

As a first step, we will achieve “EIGYO profit”* for the fiscal year ending March 2008, and will build a resilient management structure that remains profitable even during the downswing of the silicon cycle.

My vision is to shape NEC Electronics into a company that meets and exceeds the expectations of all of our stakeholders, from shareholders and investors, customers, business partners, the local community, to our employees.

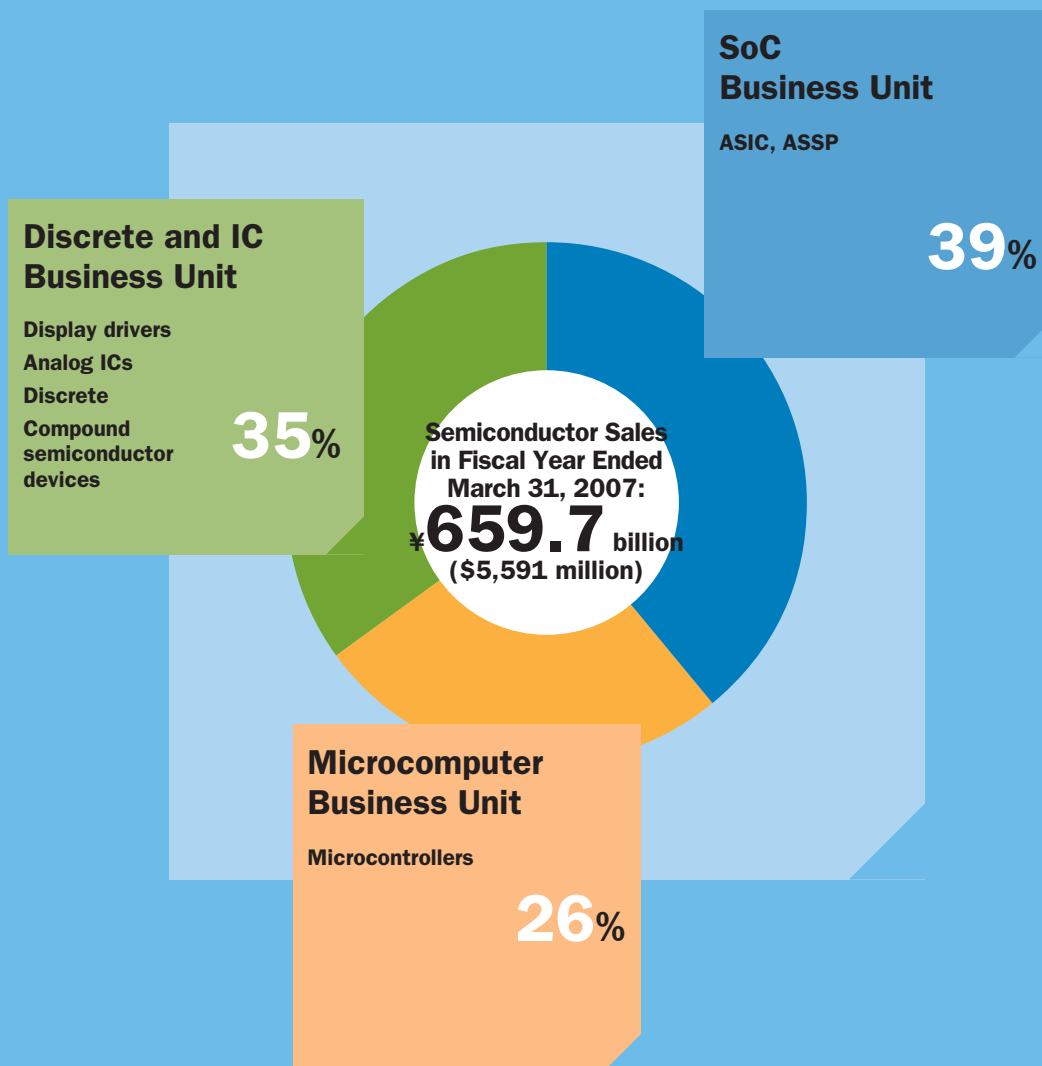


* “EIGYO profit” is presented as net sales less cost of sales, research and development expenses, and selling, general and administrative expenses, which is equivalent to operating profit in financial reporting practices generally accepted in Japan.

THREE BUSINESS UNITS BOLSTERING NEC ELECTRONICS

NEC Electronics has shifted from an organizational structure by functions such as sales, development and manufacturing, to one supported by three product-driven business units: SoC (System on Chip), Microcomputer, and Discrete and IC.

For greater business efficiency, each business unit is responsible for its product planning and designing to create unique features for key products, and operates businesses overseeing everything from sales and development to manufacturing.



SoC (System on Chip) Business Unit



Sales from the SoC Business Unit comprised approximately 39% of semiconductor sales in the fiscal year ended March 31, 2007. Both the ASSP (application specific standard product) and ASIC (application specific integrated circuit) businesses are part of this business unit.

The unit is largely focused on the digital consumer area. In particular, the unit strives to speed the development and achieve the timely launch of appealing products that combine NEC Electronics' strengths in graphics-processing technology and low power consumption.

Some of the core products are the EMMA series of graphics-processing system LSIs for digital consumer electronics, system LSIs for printers and digital cameras, and chips for game consoles. During the past fiscal year, mass production and shipments commenced for system LSI chips featuring NEC Electronics' embedded DRAM (eDRAM) process technology, adopted by Nintendo Co., Ltd. for use in its innovative Wii game console. The fiscal year also saw the steady launch of other products grounded in our distinctive technologies, such as EMMA



Wii®

SoC (system on chip) refers to system LSIs that deliver the distinctive features and performance of our customers' products. At the SoC Business Unit, we provide a host of technologies. In addition to voice- and graphics-processing technologies, there is our embedded DRAM technology, capable of maximizing graphics performance for games and other applications, and our proven, world-class low-power consumption device and circuit technologies in the N703ip mobile phone handset in Japan. With these and other technologies, my goal is to create a "No.1 or Only One" product, the kind of world-leading LSIs that will be indispensable to our customers' products, as well as to society and the marketplace.

Looking ahead, we will reduce time to market through integrated software and hardware development, and launch highly competitive products on a timely basis. Furthermore, we will accelerate business growth with proposals founded on a global perspective.

Zensuke Matsuda
*Executive Vice President
and Head of the SoC Business Unit*

series LSIs for graphics-processing systems in large-screen digital televisions.

Most of these products are manufactured at NEC Yamagata, the Group's most advanced manufacturing site. NEC Electronics has made commercially viable the miniaturization technology for the 55-nanometer generation together with highly advanced and unique process technology. In January 2007, we began accepting orders for ASICs based on this technology, which consume 40% less power than previous 90-nanometer generation products. With the development of embedded DRAM technology incorporating this 55-nanometer process already complete, NEC Yamagata is now preparing for mass production.

Going forward, the SoC Business Unit will continue to create highly competitive products in today's global market as it works to expand business, especially in the digital consumer market in Asia, with particular focus on the rapidly growing Chinese market.



Note: Wii is a registered trademark of Nintendo in Japan

Microcomputer Business Unit

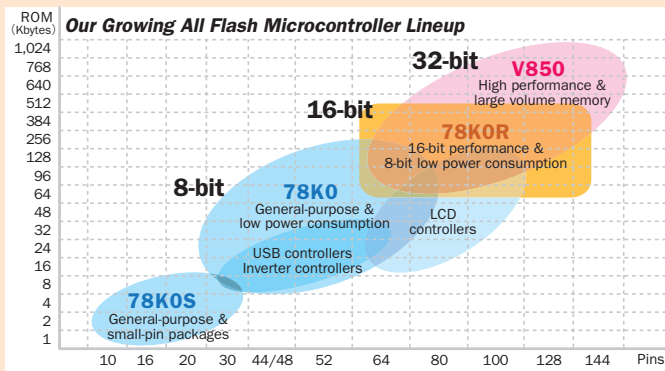


Sales from the Microcomputer Business Unit comprised approximately 26% of semiconductor sales in the fiscal year ended March 31, 2007. Main businesses include general-purpose microcontrollers and microcontrollers for automotive applications.

In general-purpose microcontrollers, the unit focuses on flash microcontrollers which customers can readily reprogram as needed. Already, these products are found in a wide range of applications, including home electronics, AV equipment, and industrial machinery. The fiscal year under review in particular saw the unit executing development of all new products based on flash microcontrollers for general-purpose microcontroller products, resulting in expansion of the All Flash product lineup. By April 2007, some 300 products had already been released for the unit's broad lineup of 8-bit to 32-bit products.

As for automotive microcontrollers, the unit boasts a high market share of products for body control and car audio applications. Many customers have also given high marks to the unit's microcontrollers for dashboard and safety applications. Furthermore, the unit began mass production and shipments of IMAPCAR, an LSI for onboard

Lineup of All Flash microcontrollers



Microcomputers are the “brains” embedded in a wide variety of electronic devices. Particularly in automobiles, where each vehicle can have dozens of microcomputers in use, these devices are helping to improve fuel efficiency and safety. I believe that by raising the performance and the quality of microcomputers even higher and ensuring a reliable supply, we can contribute to making our society a more comfortable and prosperous one.

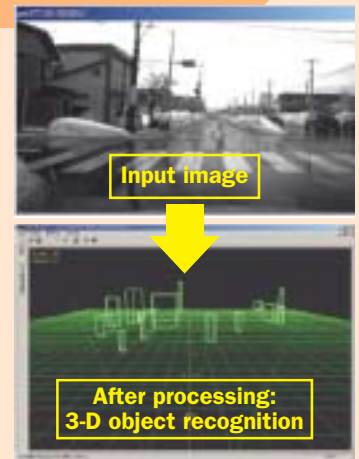
NEC Electronics' microcomputer business is truly global. We ship roughly 60% of our products outside of Japan, and boast a global share of more than 10% in this area. We will continue to leverage All Flash microcomputers in a bid to further expand business in automobile and general-purpose applications, and lead NEC Electronics in mounting a turnaround in business performance.

Yoichi Yano
Executive Vice President
and Head of Microcomputer Business Unit

image recognition developed in collaboration with NEC Corporation, Toyota Motor Corporation, and Denso Corporation. Utilizing highly advanced parallel processing technology, IMAPCAR allows for real-time image processing, enabling automobile manufacturers and automotive electrical component manufacturers to easily implement safety mechanisms and collision prevention systems.

On the manufacturing front, the unit moved to further enhance supply stability by shifting to a “multi-fab” mass production system, with NEC Electronics America's Roseville fab now joining NEC Kyushu in the production of automotive microcontrollers.

NEC Electronics is also actively pursuing multi-core microcontrollers. These products, featuring both high performance and low power consumption, are expected to become a key technology in years to come. Leveraging a wide product lineup and stable supply, the unit will deliver microcontrollers that support customer competitiveness, while promoting the development of tomorrow's leading products.



IMAPCAR image rendering for 3-D object detection

Discrete and IC Business Unit



Sales from the Discrete and IC Business Unit accounted for approximately 35% of semiconductor sales in the fiscal year ended March 31, 2007. The unit is largely comprised of businesses such as display drivers, analog ICs, discrete and compound semiconductor devices.

In display drivers, the unit responded to evolutionary advances in mobile device performance with the development of driver ICs for small LCDs equipped with Mobile AGCPS*¹, a technology that achieves low power consumption while enabling terrestrial digital and other broadcasts to be viewed in high video quality. In step with the widespread uptake of LCD televisions and greater picture quality, the unit commercialized products featuring PpML*² in driver ICs for large LCD displays. This newly developed high-speed interface is perfect for full high-definition screens and achieves higher refresh rates. Cutting-edge technologies of this kind are enabling NEC Electronics to maintain its high market share.

In discrete semiconductors, the unit commercialized a large volume output Power MOSFET (metal oxide semiconductor field-effect transistor) for automotive electrical systems, one of NEC Electronics' focus areas. Created in response to the increasing use and sophistication of electronic automotive systems in recent years, which has



Full HD-compatible Display Driver IC

Semiconductors that comprise the Discrete and IC Business Unit are widely used as components supporting functions in many electronic devices. While they are mostly general purpose in nature, I focus on development aimed at producing the world's leading products by taking advantage of NEC Electronics' unique strengths in each and every one of our products.

Going forward, as we strive to raise the market competitiveness by creating products at the forefront of meeting customer needs, we will quicken the pace of rigorous cost-cutting measures to play our role as a core profit base for NEC Electronics.

Yoshikazu Inada

Executive Vice President

and Head of the Discrete and IC Business Unit

spurred the need for high electric current systems, this world-class Power MOSFET features low on-state resistance coupled with a high level of reliability.

In compound semiconductor products, the market has acknowledged the unit's advanced technological capabilities proven from the commercialization of RF and microwave devices, such as data switches, power amplifiers and low-noise amplifiers widely used for wireless LANs, and adopted as reference designs for prominent wireless LAN chipset vendors.

In response to sharp falls in LCD driver IC prices in recent years, the unit is constructing manufacturing process lines dedicated to LCD drivers. The unit continues to accelerate cost-cutting measures such as those mentioned earlier, launch cost-competitive products and further reinforce the LCD driver business. The Discrete and IC Business Unit will also push forward with steady improvements in manufacturing efficiency for discrete semiconductors, analog IC, and compound semiconductor device businesses to contribute to NEC Electronics' earnings base.



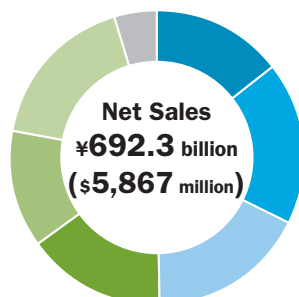
Automotive MOSFET

*¹ Auto Gamma Control and Power Saving

*² Point to Point mini-LVDS (Low Voltage Differential Signaling)

OVERVIEW OF THE YEAR ENDED MARCH 31, 2007

Sales Breakdown by Application



■ Communications	14.4%
■ Computing and Peripherals	17.9%
■ Consumer Electronics	17.4%
■ Automotive and Industrial	15.3%
■ Multi-market ICs	12.9%
■ Discrete, Optical and Microwave Devices	17.4%
■ Other	4.7%

The global economy fared well in the first half of the fiscal year ended March 31, 2007, but signs of a downturn emerged during the second half. In the United States, policy interest rate caps led to a slowdown in housing investment, while in Asia there were inventory adjustments for IT equipment and LCD panels. Despite a steady rise in domestic demand in Europe and Japan, foreign demand began to decline in the second half, leading to a slowdown in these economies.

As with the global economy, growth in the semiconductor market began to taper off from the summer of 2006. In particular, monthly semiconductor sales, excluding DRAM, slowed year on year from the latter half of the fiscal year. Particularly in Asia, semiconductor sales volumes continued to increase, driven by the uptake of mobile phones in emerging economies, but on a monetary basis growth was flat as unit prices fell. Semiconductor sales in Japan were sluggish, especially around the start of the new year, due to saturation of the mobile phone market and falling prices for digital consumer electronics.

Consolidated net sales for the fiscal year ended March 31, 2007 were ¥692.3 billion (\$5,867 million), up ¥46.3 billion (7.2%) from the previous fiscal year. Although the Communications and the Computing and Peripherals categories lagged from lower sales of system memory for mobile phones and semiconductors for PC peripherals, this was offset by large gains in the Consumer Electronics category due to revenue for a new game console and higher sales of semiconductors for digital televisions, as well as expanded sales of All Flash microcontrollers in the Multi-market IC category.

Improvement of consolidated loss before income taxes was limited, as it decreased ¥7.0 billion (\$59 million) to ¥35.4 billion (\$300 million). Despite higher sales year on year, R&D expenses and investments to boost production capacity increased, while Group-wide cost reduction measures were unable to keep pace with price erosion. Another contributory factor was the one-time expense for structural reforms, including costs related to the consolidation of development projects.

Consolidated net loss improved ¥56.7 billion (\$480 million) year on year, to ¥41.5 billion (\$352 million). This was mainly due to the recording of a large sum of a valuation allowance against deferred tax assets for NEC Electronics Corporation and domestic subsidiaries in the previous fiscal year ended March 2006.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

NEC Electronics recognizes that it is essential to build a solid relationship of trust and cooperation with all of our stakeholders. When we listed on the stock market in July 2003, we committed to a transparent and trustworthy style of management and have been working hard to ensure it ever since. In order to thoroughly implement this philosophy, we established the NEC Electronics Guiding Principles in June 2004 to promote management guidelines for CSR promotion at NEC Electronics and its subsidiaries, making our position on CSR known within and outside the company. Each and every executive and employee pledges to share the spirit of the Guiding Principles and join together in a concerted effort to promote CSR.

NEC Electronics Guiding Principles

At NEC Electronics, we are dedicated to cultivating trust with every individual and organization, including customers, shareholders, investors, trading partners and employees. We pledge to conduct our business with integrity, beyond legal compliance, by acting responsibly as concerned corporate citizens, while providing superior semiconductor solutions based on advanced technologies.

NEC Electronics is committed to the following Guiding Principles.

■ Customer Focus

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

■ Ethical Business Practices

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

■ Community Involvement

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

■ Environmental Protection

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

■ Corporate Culture

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

CSR management system

In June 2004, NEC Electronics established a Corporate Social Responsibility Promotion Committee chaired by the President of NEC Electronics, which deliberates important issues concerning CSR promotion within the company. We have also set up 19 articles for CSR promotion and divisions responsible for each article to drive the company's CSR activities forward.

Creating a corporate culture we take pride in

NEC Electronics believes that a safe, healthy work environment free of discrimination and harassment is essential in bringing out each employee's individuality and capabilities to the fullest extent. All employees at NEC Electronics play a role in building a corporate culture we take pride in. We undertake measures such as promoting awareness of human rights issues, as well as family-friendly workplace initiatives to enhance work and family life, and measures to promote mental health management. We enacted additional revisions to our family-friendly efforts this year.

Commitment to customer satisfaction

At NEC Electronics, we believe it is our mission as a company to provide optimal solutions that satisfy our customers. “It’s all for the customer’s success” is the core objective for our efforts to improve customer satisfaction. For example, we conduct surveys to determine CS levels in order to reflect feedback from customers in the products and services we provide. Additionally, every organization of the NEC Electronics Group has acquired ISO 9001 and ISO/TS16949 certification for quality management systems, and carries out continual improvements to quality management at each stage of product design, manufacture, and support.

Strengthening relationships with our trading partners

NEC Electronics strives to maintain and improve mutual understanding and strong relationships of trust with purchasing and sales business partners. To this end, we issue a set of CSR Guidelines that specify tasks we would like our purchasing partners to undertake from the standpoint of CSR. Additionally, we regularly hold top executive meetings with sales partner companies, and support their sales representative training activities in order to further build stronger relationships with our partners.

Community involvement

NEC Electronics is involved in environmental conservation activities globally as well as in local communities. For that purpose, we have developed systems and a culture in the company that makes it easier for employees to participate in volunteer activities. For instance, because the semiconductor manufacturing process requires immense volumes of water, since 2005, NEC Electronics has taken part in a local water-source forest protection project in Japan: “Kanagawa Water-Source Forest Creation Project”. Here, NEC Electronics employees are participating in nature preservation events such as brush clearing and other volunteer activities. As a contribution to local communities, NEC Electronics also held an electronic industrial arts class for local elementary school students on the applications of microcontrollers.

Conserving the global environment

NEC Electronics bases environmental management policies on contributing to the conservation of the global environment in the course of our business activities in the semiconductor industry. There are three pillars that support our environmental activities: 1) We produce eco-products by incorporating environmental considerations into the entire product life cycle from the design and development stages; 2) We aim to reduce greenhouse gas emissions which cause global warming and to cut back hazardous chemical substances as a part of our eco-factory effort; and 3) We offer environmental education programs that raise employees’ awareness of environmental issues, and disclose information on our eco-activities to the public.



* Please refer to the NEC Electronics CSR Report 2007 and Environment Management Report 2007, both of which are due out in August 2007, for more details.
<http://www.necel.com/csr/en>
<http://www.necel.com/eco/en>

Fundamental Corporate Governance Policy

- In recognition of the fact that, in addition to efficient execution of management, assurance of sound and transparent management is essential to continuously increasing its corporate value, NEC Electronics is committed to improve its management structure and to implement measures toward further strengthening its corporate governance.
- NEC Electronics has adopted the corporate auditor system for its corporate governance, and has a corporate governance structure with the Board of Corporate Auditors that monitors the actions of NEC Electronics' directors in the business execution of their duties. NEC Electronics believes that its audit structure for corporate governance is sufficiently functional, through full-time auditors, who can effectively obtain high quality information from relevant divisions using their knowledge and understanding of the business, while the meetings of the Board of Corporate Auditors, which includes part-time auditors, conduct analysis of the information.
- The Corporate Governance Committee meets at least once a month to discuss and offer proposals and recommendations involving corporate governance issues and other important corporate governance policies.

Corporate Governance Measures

NEC Electronics' Governance Structures

1. The Board of Directors is composed of eight directors (including three outside directors) for faster and more efficient management. Of the three outside directors, one is a management consultant, and two are executives in NEC Corporation, the parent company of NEC Electronics.
2. The Board of Corporate Auditors is composed of four corporate auditors, including three outside corporate auditors. Of the three outside corporate auditors, one has judicial experience and two come from NEC Corporation, the parent company of NEC Electronics, one of these being executive from accounting. The Board of Corporate Auditors establishes audit policies and holds auditors' meetings. At the meetings, corporate auditors exchange information and deliberate on each corporate auditor's audit status. The Board also receives regular reports from independent auditors on their audit services and exchanges viewpoints on them.
3. NEC Electronics has introduced the Corporate Officer System to clarify responsibilities for conducting business operations and for quick decision-making in the execution of business activities.

Basic Policy Regarding the Internal Control System

NEC Electronics has decided basic policies for the establishment of the Internal Control System such as those described below, and implements them.

1. Compliance framework

- NEC Electronics has adopted the NEC Electronics Guiding Principles and the NEC Electronics Group Code of Conduct to establish corporate ethics and ensure compliance policies throughout the NEC Electronics Group. Directors and corporate officers take the lead in putting these principles into practice. Simultaneously, the Legal Division carries out practical activities to keep officers and employees informed about these principles, while the Internal Auditing Division audits the actual state of compliance implementation.
- Major compliance-related issues are deliberated and decided by the CSR Promotion Committee. The compliance promotion system, awareness-raising programs and other fundamental issues, meanwhile, are ensured under its fundamental company regulation regarding compliance, the NEC Electronics Group Compliance Program. In addition to these compliance measures, NEC Electronics has set up help lines for the NEC Electronics Group and its business partners to report compliance violation issues.

2. Information management framework

- NEC Electronics properly prepares, saves and manages various documents pertaining to business operations based on legal regulations and the company's own fundamental regulation rules regarding document management. Trade secrets and personal information are both properly and strictly managed in accordance with the company's own fundamental regulations regarding the management and protection of these types of information.
- The fundamental issues pertaining to the management and security of information are deliberated by the Information Management and Security Committee. The Information Management and Security Committee also continuously carries out measures for maintaining and improving information security based on the company's own pertinent fundamental regulations.

3. Risk management framework

- NEC Electronics is establishing a risk management framework in line with the company's own fundamental regulations devised regarding risk management. These rules classify companywide management risks, designate the corporate officers and the division responsible for each classified risk category, and other fundamental issues. Each responsible corporate officer and division is charged with devising and carrying out measures to prevent their specific category of risk from materializing, as well as preparing countermeasures in case of the actual materialization of risks. Matters of particular importance to the company's risk management are placed on the Board of Directors' agenda following prior discussion by the Executive Committee.
- When serious risks materialize, NEC Electronics sets up a Crisis Countermeasures Committee or Emergency Headquarters to respond to the situation in accordance with the particular category of risk involved.

4. Framework for ensuring effective execution of business activities

- The Executive Committee discusses issues of importance to the company's management prior to a meeting of the Board of Directors in order to enhance the Board's deliberations. Furthermore, authority is properly transferred from directors to corporate officers and other employees by office routine regulations, decision-making and authorization procedure regulations and other pertinent fundamental regulations.

5. The NEC Electronics Group's internal control system

- Important matters concerning business operations of NEC Electronics Group's Japan-based subsidiaries are approved at each subsidiary's General Meeting of Shareholders. NEC Electronics makes the decision based on its own assessment of the seriousness of the issue being decided, then exercises its shareholder's rights.
- The company's responsible divisions oversee the routine management of subsidiaries based on NEC Electronics Guiding Principles and the NEC Electronics Group Code of Conduct. Evaluation, maintenance and improvement of NEC Electronics Group's internal control systems over financial reporting are performed in accordance with the U.S. Sarbanes-Oxley Act of 2002.
- Examinations of subsidiaries are performed by the corporate auditors and the Internal Auditing Division in cooperation with the subsidiaries' own corporate auditors and internal auditing staff members.

6. Corporate auditors' auditing framework

- NEC Electronics has established a Corporate Auditors Office composed of specialized staff members that assist the corporate auditors' audit activities. The company also bears the cost of obtaining expert advice from outside specialists when the Board of Corporate Auditors requires such for its audits.

- Corporate auditors receive reports as needed from directors and other officers regarding the status of business execution, as well as regular reports, depending on the specific duty, from general managers of divisions such as the Internal Auditing Division, Legal Division and Accounting Division.
- Corporate auditors may attend all important company meetings as they deem necessary, and are guaranteed a right to access to all critical corporate information, including the inspection of important authorization documents such as the minutes, decision records and other documents of important meetings.
- Regular meetings are held to provide the corporate auditors and directors with the opportunity to exchange viewpoints.

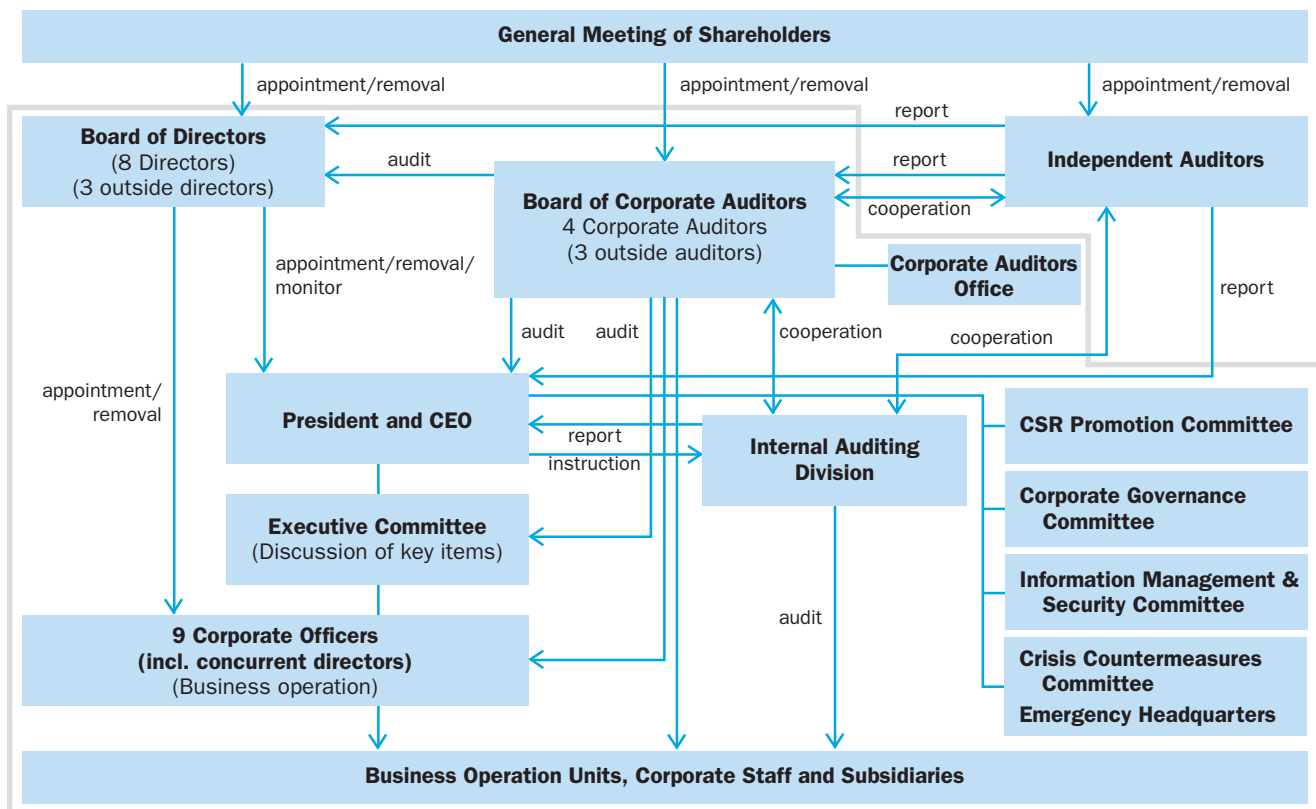
Internal Audits and Audit of Financial Statements

1. Internal audits

Internal audits are performed by the Internal Auditing Division, which is supervised by the President of NEC Electronics. Specifically, the division serves as an autonomous third party for investigating and evaluating other parts of the management organization, including divisions responsible for business operation units, corporate staff, consolidated subsidiaries and other areas. This is carried out from a compliance, risk management and internal control perspective. The division also proposes concrete measures for rectifying or improving problems that arise.

2. Audit of financial statements

Independent Auditors who performed NEC Electronics' audit were Kazuya Oki, Kiyomi Nakayama, and Kazuhiro Ishiguro, partners of Ernst & Young ShinNihon. The audit team included certified public accountants and junior accountants, as well as other specialists.



(As of July 1, 2007)

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CONSOLIDATED BALANCE SHEETS

NEC Electronics Corporation and Consolidated Subsidiaries
As of March 31, 2006 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Current assets:			
Cash and cash equivalents	¥ 211,060	¥ 185,372	\$ 1,570,949
Notes and accounts receivable, trade:			
Related party	13,604	11,793	99,941
Other	100,975	88,313	748,415
Allowance for doubtful notes and accounts	(729)	(563)	(4,771)
Loans receivable from related party	228	1	8
Inventories	72,525	82,573	699,771
Deferred tax assets	6,178	6,795	57,585
Prepaid expenses and other current assets	9,529	7,330	62,119
Total current assets	413,370	381,614	3,234,017
Investments:			
Marketable securities	13,901	5,997	50,822
Investments, other:			
Affiliated companies	—	746	6,322
Other	1,696	411	3,483
	15,597	7,154	60,627
Property, plant and equipment:			
Land	17,365	16,849	142,788
Buildings	243,976	244,852	2,075,017
Machinery and equipment	954,969	965,005	8,178,009
Construction in progress	19,189	15,421	130,686
	1,235,499	1,242,127	10,526,500
Accumulated depreciation	(933,374)	(949,304)	(8,044,949)
	302,125	292,823	2,481,551
Other assets:			
Deferred tax assets	1,739	3,892	32,983
License fees and other intangibles	11,596	9,357	79,297
Other	854	1,046	8,864
	14,189	14,295	121,144
	¥ 745,281	¥ 695,886	\$ 5,897,339

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Current liabilities:			
Short-term borrowings	¥ 7,201	¥ 3,609	\$ 30,585
Current portion of long-term debt	6,471	15,914	134,864
Current portion of obligation under capital leases to related party	1,402	1,080	9,153
Notes and accounts payable, trade:			
Related party	27,705	31,198	264,390
Other	95,234	101,269	858,212
Accounts payable, other and accrued expenses:			
Related party	4,201	4,649	39,398
Other	53,839	53,651	454,669
Accrued income taxes	3,770	2,792	23,661
Other current liabilities	11,071	8,798	74,560
Total current liabilities	210,894	222,960	1,889,492
Long-term liabilities:			
Long-term debt	127,185	110,634	937,576
Obligation under capital leases to related party	6,050	4,793	40,619
Accrued pension and severance costs	75,761	71,535	606,229
Deferred tax liabilities	9,559	10,847	91,924
Other	3,459	5,214	44,186
	222,014	203,023	1,720,534
Minority shareholders' equity in consolidated subsidiaries	4,122	4,835	40,974
Commitments and contingent liabilities			
Shareholders' equity:			
Common stock:			
Authorized — 400,000,000 shares			
Issued and outstanding — 123,500,000 shares	85,955	85,955	728,432
Additional paid-in capital	281,014	281,039	2,381,687
Accumulated deficit	(57,369)	(98,901)	(838,144)
Accumulated other comprehensive income (loss)	(1,342)	(3,017)	(25,568)
Treasury stock, at cost:			
2006 — 1,020 shares	(7)		
2007 — 1,445 shares		(8)	(68)
	308,251	265,068	2,246,339
	¥745,281	¥695,886	\$5,897,339

CONSOLIDATED STATEMENTS OF OPERATIONS

NEC Electronics Corporation and Consolidated Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

	Millions of yen			Thousands of U.S. dollars
	2005	2006	2007	2007
Sales and other income:				
Net sales	¥708,014	¥645,963	¥692,280	\$5,866,780
Gain on sales of property, plant and equipment and other	2,443	1,917	2,548	21,593
Interest and dividend income	489	1,078	1,929	16,348
Gain on disposition of investments in securities	112	1,365	6,436	54,542
	711,058	650,323	703,193	5,959,263
Costs and expenses:				
Cost of sales	485,871	477,476	502,086	4,254,966
Research and development	107,942	120,874	131,751	1,116,534
Selling, general and administrative	81,025	83,302	87,000	737,288
Restructuring charges	—	1,683	4,192	35,525
Litigation and settlement expense	—	3,413	1,435	12,161
Loss on sales or disposal of property, plant and equipment and other	7,483	4,132	9,229	78,212
Interest	749	874	698	5,916
Net foreign exchange loss	913	519	1,197	10,144
Loss on investments in securities	666	436	980	8,305
	684,649	692,709	738,568	6,259,051
Income (loss) before income taxes	26,409	(42,386)	(35,375)	(299,788)
Provision for income taxes	10,714	56,166	5,105	43,263
Income (loss) before minority interest, equity in loss of affiliated companies	15,695	(98,552)	(40,480)	(343,051)
Minority interest in income (loss) of consolidated subsidiaries	(336)	(354)	552	4,678
Income (loss) before equity in loss of affiliated companies	16,031	(98,198)	(41,032)	(347,729)
Equity in loss of affiliated companies	—	—	(468)	(3,966)
Net income (loss)	¥ 16,031	¥ (98,198)	¥ (41,500)	\$ (351,695)
			Yen	U.S. dollars
	2005	2006	2007	2007
Basic net income (loss) per share	¥ 129.81	¥ (795.13)	¥ (336.04)	\$ (2.85)
Diluted net income (loss) per share	120.30	(795.13)	(336.04)	(2.85)
Cash dividends per share	20.00	—	—	—

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

NEC Electronics Corporation and Consolidated Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

	Millions of Yen					
	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
Balance at March 31, 2004	¥85,955	¥275,667	¥ 27,268	¥(17,147)	¥(4)	¥371,739
Contribution to capital		558				558
Compensation expense for stock options		468				468
Comprehensive income (loss):						
Net income (loss)			16,031			16,031
Other comprehensive income (loss):						
Foreign currency translation adjustments				1,260		1,260
Minimum pension liability adjustment, net of tax				5,791		5,791
Unrealized gains (losses) on marketable securities, net of tax				493		493
Unrealized gains (losses) on derivative financial instruments, net of tax				(5)		(5)
Comprehensive income (loss)						23,570
Dividends			(2,470)			(2,470)
Purchase of treasury stock, at cost					(2)	(2)
Balance at March 31, 2005	¥85,955	¥276,693	¥ 40,829	¥ (9,608)	¥(6)	¥393,863
Contribution to capital		6,092				6,092
Transaction under common control		(1,974)				(1,974)
Compensation expense for stock options		203				203
Comprehensive income (loss):						
Net income (loss)			(98,198)			(98,198)
Other comprehensive income (loss):						
Foreign currency translation adjustments				4,757		4,757
Minimum pension liability adjustment, net of tax				1,243		1,243
Unrealized gains (losses) on marketable securities, net of tax				2,304		2,304
Unrealized gains (losses) on derivative financial instruments, net of tax				(38)		(38)
Comprehensive income (loss)						(89,932)
Purchase of treasury stock, at cost					(1)	(1)
Balance at March 31, 2006	¥85,955	¥281,014	¥(57,369)	¥ (1,342)	¥(7)	¥308,251
Compensation expense for stock options		25				25
Comprehensive income (loss):						
Net income (loss)			(41,500)			(41,500)
Other comprehensive income (loss):						
Foreign currency translation adjustments				2,789		2,789
Minimum pension liability adjustment, net of tax				(878)		(878)
Unrealized gains (losses) on marketable securities, net of tax				(3,336)		(3,336)
Unrealized gains (losses) on derivative financial instruments, net of tax				12		12
Comprehensive income (loss)						(42,913)
Adjustment to initially apply SFAS No. 158, net of tax				(262)		(262)
Effect of change in fiscal year-end of certain subsidiary			(32)			(32)
Purchase of treasury stock, at cost					(1)	(1)
Balance at March 31, 2007	¥85,955	¥281,039	¥(98,901)	¥ (3,017)	¥(8)	¥265,068

	Thousands of U.S. dollars					
	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
Balance at March 31, 2006	\$728,432	\$2,381,475	\$(486,178)	\$(11,374)	\$(60)	\$2,612,295
Compensation expense for stock options		212				212
Comprehensive income (loss):						
Net income (loss)			(351,695)			(351,695)
Other comprehensive income (loss):						
Foreign currency translation adjustments				23,636		23,636
Minimum pension liability adjustment, net of tax				(7,441)		(7,441)
Unrealized gains (losses) on marketable securities, net of tax				(28,271)		(28,271)
Unrealized gains (losses) on derivative financial instruments, net of tax				102		102
Comprehensive income (loss)						(363,669)
Adjustment to initially apply SFAS No. 158, net of tax				(2,220)		(2,220)
Effect of change in fiscal year-end of certain subsidiary			(271)			(271)
Purchase of treasury stock, at cost					(8)	(8)
Balance at March 31, 2007	\$728,432	\$2,381,687	\$(838,144)	\$(25,568)	\$(68)	\$2,246,339

CONSOLIDATED STATEMENTS OF CASH FLOWS

NEC Electronics Corporation and Consolidated Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

	Millions of yen			Thousands of U.S. dollars
	2005	2006	2007	2007
Cash flows from operating activities:				
Net income (loss)	¥ 16,031	¥ (98,198)	¥ (41,500)	\$ (351,695)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	95,999	89,342	82,960	703,051
Deferred income taxes	384	46,637	2,998	25,407
Loss on property, plant and equipment, net	2,544	2,817	5,983	50,703
Realized (gain) loss on marketable securities	376	178	(6,383)	(54,093)
Provision for pension and severance costs, less payments	2,708	1,072	(1,115)	(9,449)
Equity in loss of affiliated companies	—	—	468	3,966
Minority interest in income (loss) of consolidated subsidiaries	(336)	(354)	552	4,678
(Increase) decrease in notes and accounts receivable	9,975	(7,928)	15,985	135,466
(Increase) decrease in inventories	5,024	(3,062)	(9,333)	(79,093)
Increase (decrease) in notes and accounts payable	(9,417)	5,675	16,171	137,042
Increase (decrease) in other current liabilities	5,134	6,605	(4,239)	(35,924)
Other, net	731	7,106	4,184	35,458
Net cash provided by operating activities	129,153	49,890	66,731	565,517
Cash flows from investing activities:				
Proceeds from sales of property, plant and equipment	45,544	56,474	39,803	337,313
Additions to property, plant and equipment	(176,391)	(106,642)	(121,126)	(1,026,492)
Proceeds from sales of marketable securities	150	395	3,660	31,017
Purchase of marketable securities	—	(816)	—	—
Acquisition of minority interest	(67)	—	—	—
Investments in affiliated companies	—	—	(1,400)	(11,864)
(Increase) decrease in loans receivable from related party	6,669	(223)	242	2,051
Increase in other investment securities	(221)	(1,021)	—	—
Other, net	(1,780)	(2,840)	324	2,746
Net cash used in investing activities	(126,096)	(54,673)	(78,497)	(665,229)
Cash flows from financing activities:				
Proceeds from long-term debt	111,894	2,335	—	—
Repayments of long-term debt	(49,927)	(10,581)	(7,191)	(60,941)
Increase (decrease) in short-term borrowings, net	(380)	124	(4,018)	(34,051)
Repayments of lease obligation to related party	(1,004)	(1,198)	(1,865)	(15,805)
Dividends paid	(3,703)	(1,235)	—	—
Transaction under common control	—	(1,974)	—	—
Payments on intangible assets purchase contracts	—	—	(2,196)	(18,610)
Other, net	(2)	(1)	(3)	(25)
Net cash provided by (used in) financing activities	56,878	(12,530)	(15,273)	(129,432)
Effect of exchange rate changes on cash and cash equivalents	296	2,682	1,595	13,517
Net increase (decrease) in cash and cash equivalents	60,231	(14,631)	(25,444)	(215,627)
Effect of change in fiscal year-end of certain subsidiary	—	—	(244)	(2,068)
Cash and cash equivalents at beginning of year	165,460	225,691	211,060	1,788,644
Cash and cash equivalents at end of year	¥ 225,691	¥ 211,060	¥ 185,372	\$ 1,570,949
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 710	¥ 927	¥ 706	\$ 5,983
Income taxes	11,460	8,217	33	280
Non-cash investing and financing transaction:				
Contribution to capital	558	6,092	—	—
Machinery and equipment obtained by capital leases	392	3,337	220	1,864
Intangible assets purchase contracts	—	5,243	721	6,110

DIRECTORS, CORPORATE AUDITORS AND CORPORATE OFFICERS

(As of June 27, 2007)



TOSHIO NAKAJIMA
President and CEO



JUNSHI YAMAGUCHI
*Executive Vice President
and Member of the Board*



YOSHIKAZU INADA
*Executive Vice President
and Member of the Board*



ZENSUKE MATSUDA
*Executive Vice President
and Member of the Board*



YOICHI YANO
*Executive Vice President
and Member of the Board*



T.W. KANG
Member of the Board



TOSHIHIKO TAKAHASHI
Member of the Board



TETSUYA NAKAMURA
Member of the Board

Directors

President and CEO

TOSHIO NAKAJIMA

Executive Vice President and Member of the Board

JUNSHI YAMAGUCHI

YOSHIKAZU INADA

ZENSUKE MATSUDA

YOICHI YANO

Member of the Board

T.W. KANG

TOSHIHIKO TAKAHASHI

TETSUYA NAKAMURA

Corporate Auditors

NORIO TANOUE

KEIJI SUZUKI

YASUYUKI SHIBATA

KAORU IKENAGA

Corporate Officers

TOSHIO NAKAJIMA

JUNSHI YAMAGUCHI

YOSHIKAZU INADA

ZENSUKE MATSUDA

YOICHI YANO

HIROSHI SATO

KUNIO MORIOKA

MASAO FUKUMA

MASAKI KATO

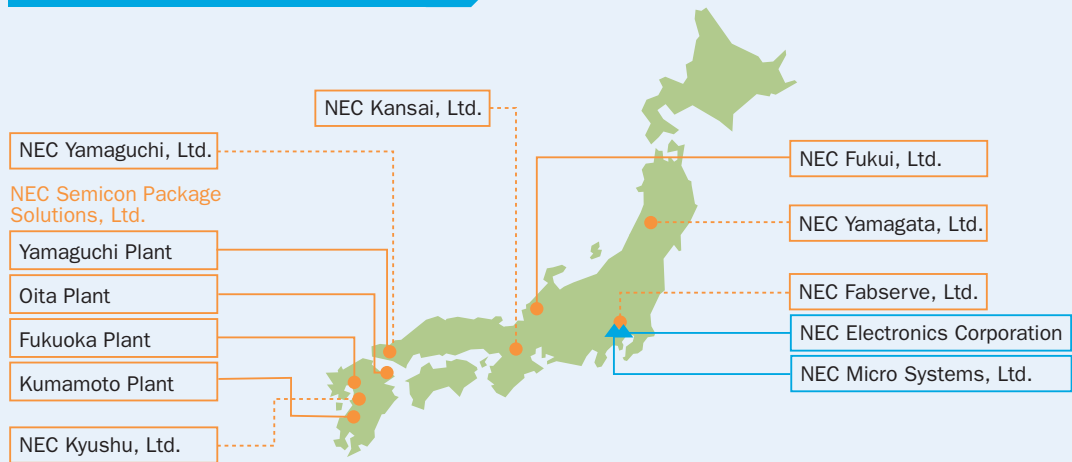
NOTES

1. Mr. T.W. Kang, Mr. Toshihiko Takahashi, and Mr. Tetsuya Nakamura are outside Directors stipulated in Item 15, Article 2 of the Company Law.
2. Mr. Norio Tanoue, Mr. Yasuyuki Shibata and Mr. Kaoru Ikenaga are outside Corporate Auditors stipulated in Item 16, Article 2 of the Company Law.

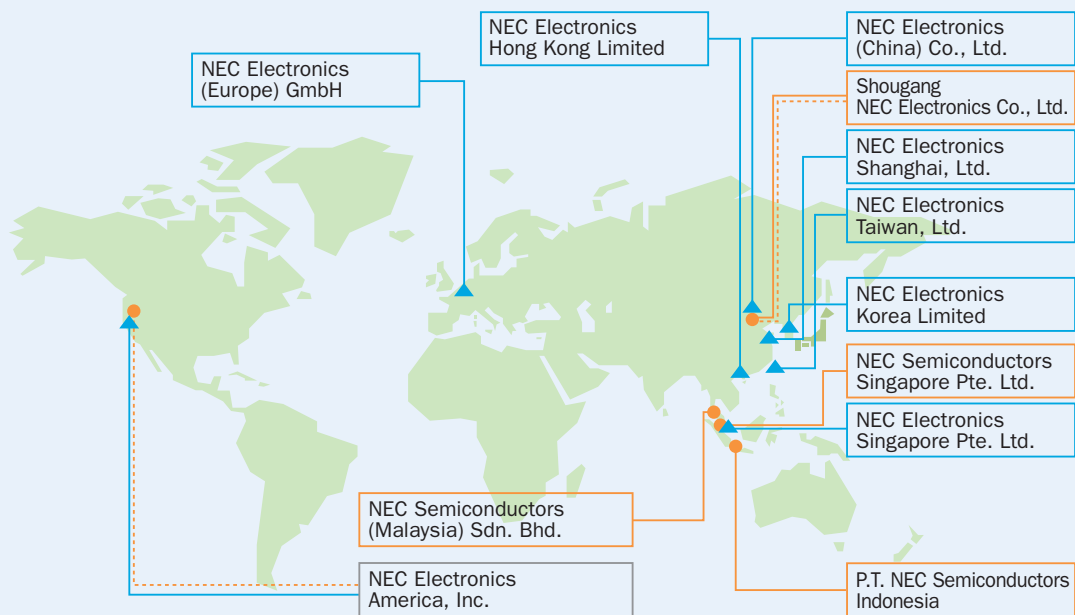
MAJOR SUBSIDIARIES AND AFFILIATES

(As of March 31, 2007)

Japan



Overseas



● Manufacturing Companies (- - - - Front-end — Back-end ▲ Sales & Design Companies

CORPORATE DATA

(As of March 31, 2007)

Company Name

NEC Electronics Corporation

Major Operations

Research, development, manufacture and sale and servicing of semiconductors, primarily system LSIs.

Established

November 1, 2002

Employees

23,982 (Consolidated)

Capital Stock

¥86.0 billion

Headquarters

1753 Shimonumabe, Nakahara-ku,
Kawasaki, Kanagawa 211-8668, Japan

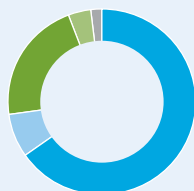
Transfer Agent

The Sumitomo Trust and Banking Company, Limited
Stock Transfer Agency Department:
4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan
Postal Address:
1-10 Nikkou-cho, Fuchu-shi, Tokyo 183-8701, Japan
Request forms for change of address, etc.
Toll free (in Japan): 0120-175-417
Other inquiries
Toll free (in Japan): 0120-176-417

Stock Exchange Listing

Tokyo Stock Exchange First Section (code: 6723)

Distribution of Ownership among Shareholders



Other companies	65.2%
Domestic financial institutions	7.6%
Foreign companies, others	21.4%
Individuals, others	3.9%
Securities companies	1.9%

Investor Relations

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

Guided by the NEC Electronics Guiding Principles, we promote highly transparent business practices that are fair, honest and conducted in good faith. We also proactively disclose the content of our activities to the public.

Visitors to NEC Electronics' IR website will find not only earnings reports, securities reports, and other publications but also voice streaming of earnings and management policy presentations.

Contact Information

Investor Relations
Corporate Communications Department
NEC Electronics Corporation
Tel: +81 44-435-1664
Fax: +81 44-435-1669
e-mail: ir@necel.com



NEC Electronics Corporation

1753 Shimonumabe, Nakahara-ku,
Kawasaki, Kanagawa 211-8668, Japan

Tel: +81 44-435-5111

<http://www.necel.com/>

