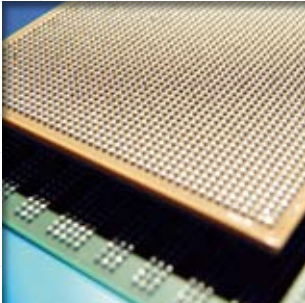


ANNUAL REPORT 2008

ANNUAL REPORT 2008 (Abridged Version)
Year ended March 31, 2008



NEC ELECTRONICS

08

PROFILE

In November 2002, NEC Electronics Corporation separated from parent company NEC Corporation and established itself as an independent, dedicated semiconductor company. At NEC Electronics, we provide semiconductors used in a range of sectors, especially automotive and industrial, and consumer electronics, to customers worldwide.

Building on strengths created through collaborative development and manufacturing, NEC Electronics aspires to be a leading semiconductor company committed to the trust of its customers and society.

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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.

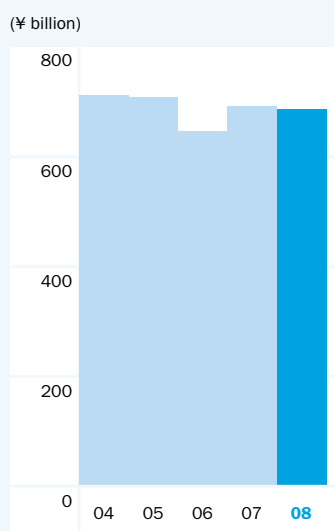
FINANCIAL HIGHLIGHTS

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

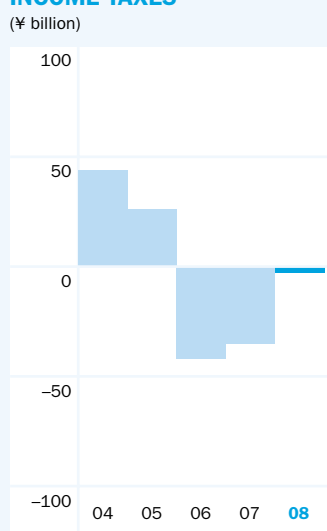
	Millions of yen					Thousands of U.S. dollars
	2004	2005	2006	2007	2008	2008
Net sales	¥711,986	¥708,014	¥645,963	¥692,280	¥687,745	\$6,877,450
Communications	152,299	138,010	107,995	99,641	70,350	703,500
Computing and peripherals	138,227	140,941	126,581	123,714	119,352	1,193,520
Consumer electronics	88,294	101,278	102,639	120,757	134,546	1,345,460
Automotive and industrial	90,707	102,784	103,780	106,097	113,320	1,133,200
Multi-market ICs	79,988	78,575	69,449	88,961	89,643	896,430
Discrete, optical and microwave devices	122,095	118,172	108,701	120,563	126,064	1,260,640
Semiconductor sales	671,610	679,760	619,145	659,733	653,275	6,532,750
Other	40,376	28,254	26,818	32,547	34,470	344,700
Cost of sales	476,069	485,871	477,476	502,086	485,683	4,856,830
R&D expenses	99,450	107,942	120,874	131,751	112,300	1,123,000
Selling, general and administrative expenses	81,870	81,025	83,302	87,000	84,668	846,680
Income (loss) before income taxes	44,389	26,409	(42,386)	(35,375)	(3,252)	(32,520)
Net income (loss)	28,066	16,031	(98,198)	(41,500)	(15,995)	(159,950)
Capital expenditures	103,034	163,173	83,030	105,865	56,128	561,280
Depreciation and amortization	82,392	95,999	89,342	82,960	75,067	750,670
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)	¥(129.52)	\$(1.30)
Diluted net income (loss) per share:	240.61	120.30	(795.13)	(336.04)	(129.52)	(1.30)
At year-end:						
Total assets	¥741,515	¥814,222	¥745,281	¥695,886	¥616,304	\$6,163,040
Shareholders' equity	371,739	393,863	308,251	265,068	227,138	2,271,380
Ratio of net income (loss) to shareholders' equity	9.2%	4.2%	(28.0)%	(14.5)%	(6.5)%	
Ratio of income (loss) before income taxes to total assets	6.4%	3.4%	(5.4)%	(4.9)%	(0.5)%	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥100=U.S.\$1.

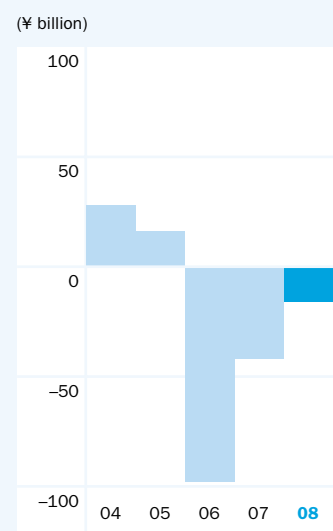
NET SALES



INCOME (LOSS) BEFORE INCOME TAXES



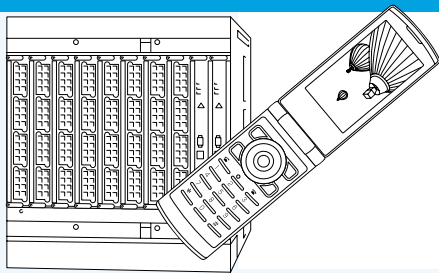
NET INCOME (LOSS)



(Years ended March 31)

NEC ELECTRONICS AT A GLANCE

Communications



Applications

Mobile handsets
Broadband networking equipment
Routers
Mobile phone base stations

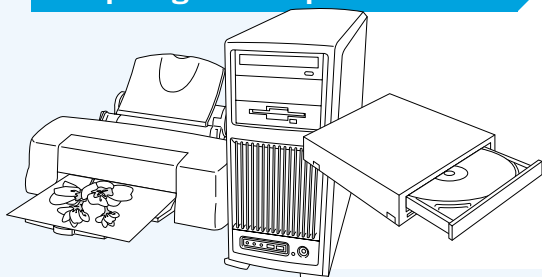
Major Products

System LSIs
Driver ICs for small TFT-LCDs
System memories

Customers*

Nokia Siemens Networks,
Samsung Electronics,
Sharp, Sony Ericsson
Mobile Communications
Japan, NEC

Computing and Peripherals

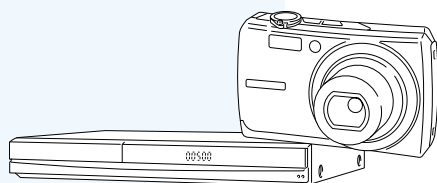


Computers
Servers
Workstations
Computing peripherals
Rewritable DVD drives
Printers
LCDs for PCs

System LSIs
Microcontrollers
Driver ICs for large TFT-LCDs

AUO, Canon, Hitachi,
LG Display, Pioneer,
Samsung Electronics,
Seiko Epson, NEC

Consumer Electronics

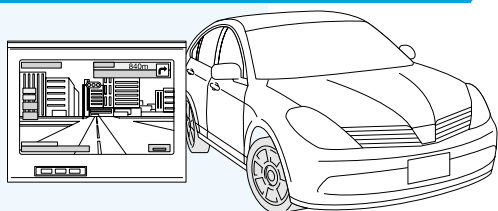


Digital consumer electronics
Digital cameras
DVD recorders
Digital televisions
Home appliances
Game consoles

System LSIs
Microcontrollers

Casio Computer,
Fuji Film, LG Electronics,
Matsushita Electric
Industrial, Microsoft,
Nikon, Nintendo,
Samsung Electronics,
Sharp, Sony,
Victor Company of Japan

Automotive and Industrial

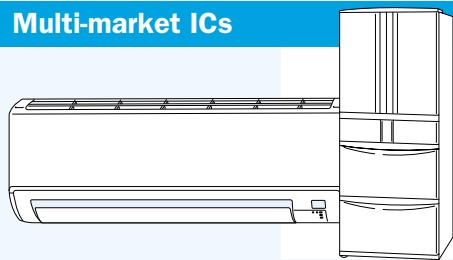


Automobiles
Engine
Body control
Airbags
Car audios
Industrial
Factory automation

Microcontrollers
System LSIs

Continental, Delphi,
DENSO, Robert Bosch,
Siemens, Toyota,
Mitsubishi Electric

Multi-market ICs

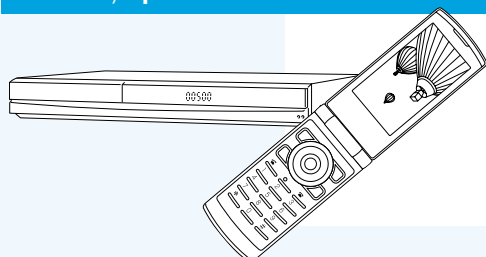


Wide range of electronics equipment

General-purpose microcontrollers
Gate arrays
General-purpose system memories

HP, LG Electronics,
Matsushita Electric
Industrial, NEC

Discrete, Optical and Microwave Devices



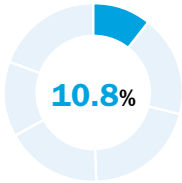
Wide range of electronics equipment

Diodes
Transistors
Optical semiconductors
Microwave semiconductors

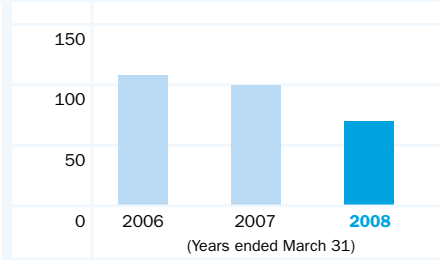
DENSO, GIGABYTE,
SANYO Electric, NEC

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

Percentage of Fiscal 2008 Semiconductor Sales

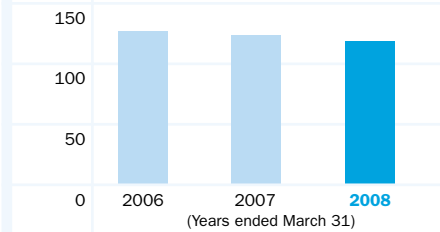
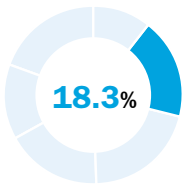


Net Sales (¥ Billion)

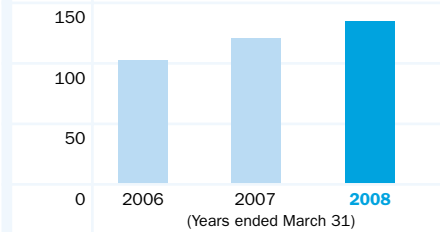
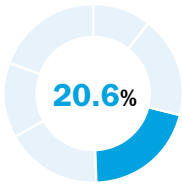


Trends in the Fiscal Year Ended March 31, 2008

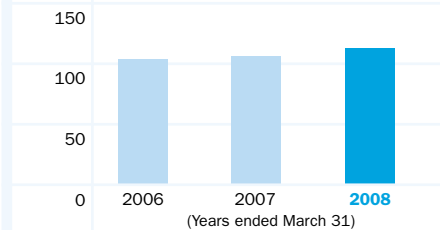
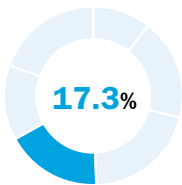
Sales of semiconductors for mobile phones decreased year on year as a result of a sharp drop in sales of LCD driver ICs and memory, which was brought about by lower unit sales as well as price declines.



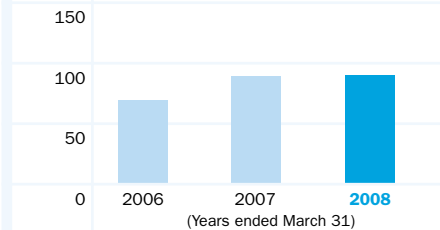
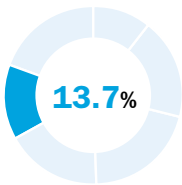
Sales of semiconductors for PC peripherals fell year on year. While sales of LCD driver ICs for LCD televisions and PC monitors were boosted by an increase in market demand, this was outweighed by a large drop in sales of semiconductors for printers, resulting in a net decrease.



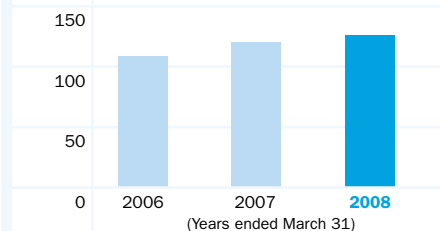
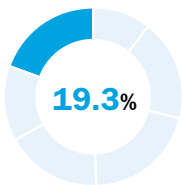
Although sales of semiconductors for digital cameras declined year on year, sales of semiconductors for game consoles and digital televisions increased, and the ramp up of semiconductors for blue laser DVD helped drive strong year-on-year growth.



Although sales of semiconductors for industrial equipment declined, sales of automotive semiconductors increased significantly year on year as a greater number of semiconductors are used in vehicles, and the company's share of the automotive microcontroller market in Japan and Europe increased.



Sales of general-purpose microcontrollers increased year on year as a result of an expanded lineup of the company's All Flash microcontrollers and subsequent increase in market share.



Sales of discrete semiconductors for PCs and automotive applications increased year on year. Additionally, sales of compound semiconductors, primarily for broadcasting equipment, increased year on year.

LETTER FROM THE PRESIDENT

Financial Results for the Fiscal Year Ended March 31, 2008 and Measures to Improve Performance

After the semiconductor market started the year with slow, yet solid growth, the shipment growth rate declined overall due to poor holiday sales and falling prices for memory that accompanied the decelerating worldwide economy. Although it was expected that demand would grow in the year as is typical before the Olympics, there was no significant increase in demand, leading to a poor business climate.

In this environment, consolidated net sales for the fiscal year ended March 31, 2008 were ¥687.7 billion (\$6,877 million), a decline of ¥4.5 billion (\$45 million) from the previous fiscal year. We recorded significant year-on-year growth in sales of semiconductors for game consoles, as well as firm sales of semiconductors for automotive applications and growth in sales of All Flash microcontrollers. This growth, however, was outweighed largely by a downturn in sales of semiconductors for mobile phones, printers and digital cameras.

On a more positive note, progress made in cutting back R&D expenses and other fixed costs lifted consolidated “EIGYO profit”* ¥33.7 billion (\$337 million) year on year to ¥5.1 billion (\$51 million). With this result, we ended the year with “EIGYO profit” for the first time in three business terms. This outcome notwithstanding, we recorded a net loss of ¥16.0 billion (\$160 million) for the year, primarily due to the enactment of an early retirement program and the posting of a valuation allowance for deferred tax assets at a U.S. subsidiary.

We positioned the year as the second step in implementing the management policy we announced in the previous fiscal year. Accordingly, we took steps to reshape our manufacturing framework that included the transfer of the research and development line at Sagamihara to Yamagata, and consolidated six manufacturing subsidiaries in Japan with three companies at the business unit level in April 2008. At the same time, we sought to reinforce business areas in focus with the decision to add the new building space needed to boost production capacity for power management devices and for semiconductors for automotive applications. With respect to sales, we extended our sales network particularly in Asia, with the goal of stimulating sales growth, by opening a branch in the city of Chengdu in China’s Sichuan Province, and a liaison office in Bangalore, India. As for the development of cutting-edge technology, we embarked with Toshiba Corporation on the joint development of 32-nanometer generation process technology, which is poised to become the foundation for process technology of the future.

We remain committed to accelerating the push for more efficient operations in order to build a resilient business structure able to generate profits even in an adverse semiconductor market. From this perspective, we are managing our businesses with the goal of restoring net income in the fiscal year ending March 31, 2009.

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

Becoming the Leading Semiconductor Company

It is my goal to shape NEC Electronics into a global leading semiconductor company with high profitability, generating an “EIGYO profit” margin of more than 10%. I believe that to become a company that can look forward to sustainable profit growth, we must answer to our stakeholders’ confidence. By leveraging our strengths in high reliability and low power consumption technology built on collaborative development and manufacturing, NEC Electronics is committed to providing a stable supply of products of high quality and high performance to our customers. Furthermore, through the provision of reliable products we will contribute to the safety and security of the society we live in.

Every one of us at NEC Electronics stands firmly committed to take the bold steps necessary to answer to the trust that our stakeholders have placed in us. I ask for your continued understanding, guidance and support of our efforts going forward.

June 2008

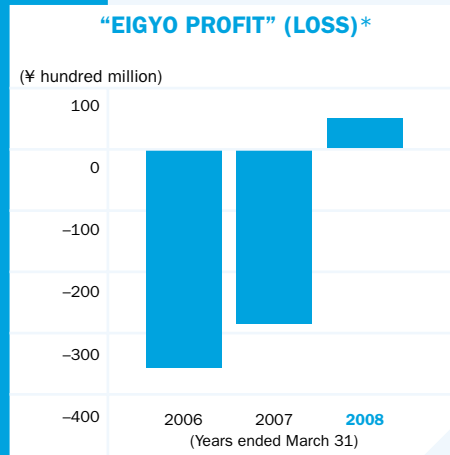


Toshio Nakajima
President and CEO, NEC Electronics Corporation

A handwritten signature in black ink that reads "Toshio Nakajima". The signature is written in a cursive, flowing style.

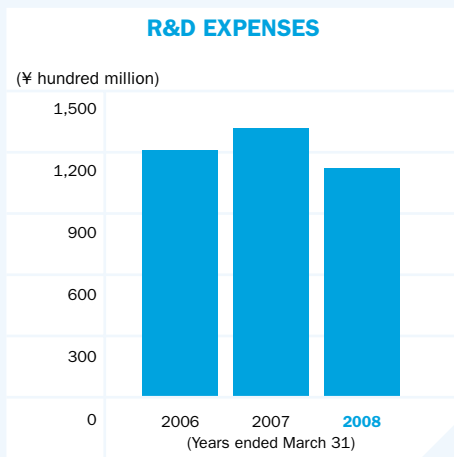
MEASURES TO IMPROVE PERFORMANCE

NEC Electronics continued to strive for reductions in fixed costs and enacted other measures to fulfill management's commitment to attain "EIGYO profit"* for the fiscal year ended March 31, 2008. These efforts met with success. The following is an introduction to key measures that enabled this outcome.



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

Reducing R&D Expenses Through Focused Business Areas

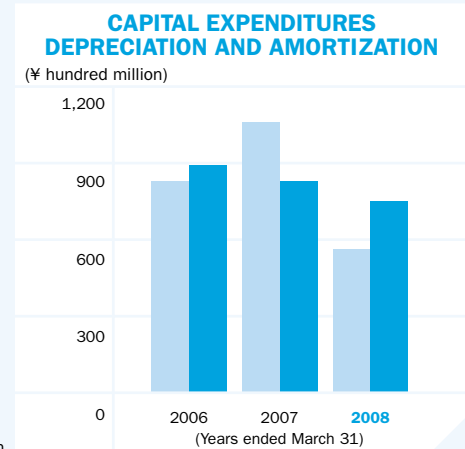


The Company is pursuing the reinforcement of focused business areas and the realignment of its product portfolio. During the fiscal year ended March 31, 2008, development resources equivalent to some 400 people were reassigned to automobiles and other focused business areas. This decision coincided with a review of outsourcing of development to third parties, resulting in a reduction of ¥19.5 billion (\$195 million) in R&D expenses compared to the previous fiscal year.

Cost Reductions Through More Efficient Capital Expenditures

The fiscal year ended March 31, 2008 also saw NEC Electronics ramp up investment in state-of-the-art 40-nanometer process technology as well as automotive semiconductors. In addition, the 300-mm wafer line at the Yamagata

fab, where cutting-edge products are manufactured, achieved an economically viable production scale. Together with more efficient testing and a host of other productivity enhancements, capital expenditures for the year were ¥56.1 billion (\$561 million), a decrease of ¥49.7 billion (\$497 million) compared to the previous fiscal year. Consequently, depreciation and amortization for the year declined by ¥7.9 billion (\$79 million).



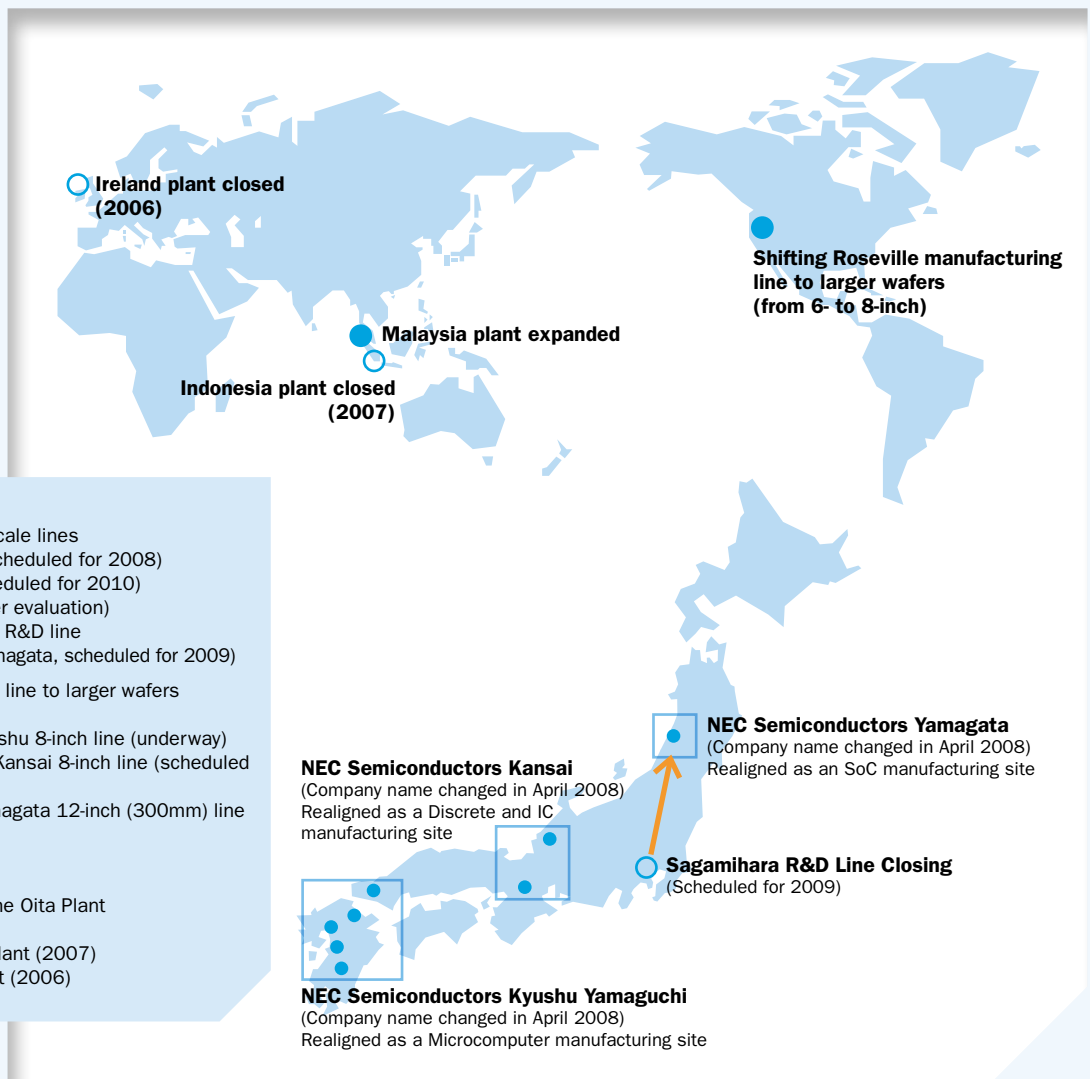
■ Capital Expenditures
■ Depreciation and Amortization

Reductions in Other Fixed Costs

NEC Electronics conducted a review of personnel expenses and all other fixed costs during the year. Accordingly, wages and salaries for executives and employees were cut during the first half of the year. This was followed by the introduction in March 2008 of an early retirement program targeting employees above a certain age at 9 consolidated subsidiaries in Japan, where roughly 5% of those eligible opted to utilize this program.

Realignment of Manufacturing Lines

NEC Electronics is realigning its manufacturing lines in Japan and overseas in a drive to improve its cost competitiveness. In April 2008, manufacturing subsidiaries in Japan were merged into three companies according to their respective business units. In addition to further strengthening ties between development and manufacturing, this step enabled the creation of a framework for managing business profitability in a more integrated manner.

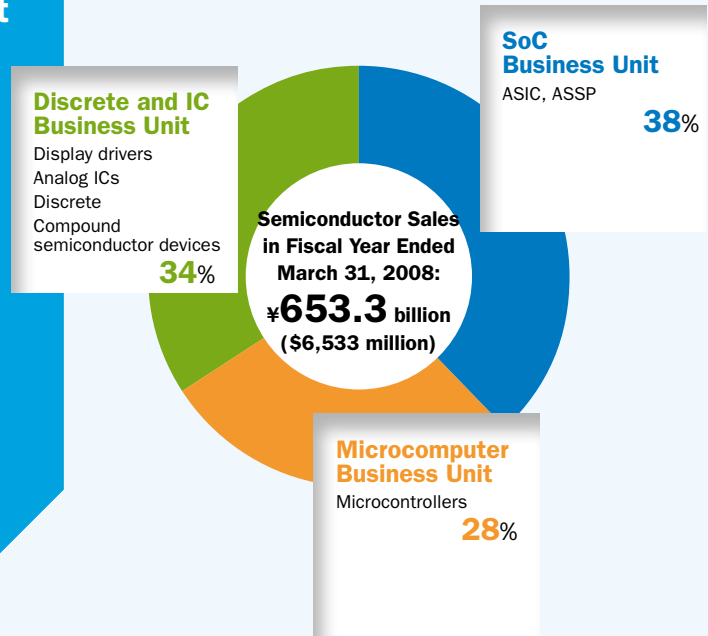


BUSINESS HIGHLIGHTS

In April 2007, NEC Electronics 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.

Each business unit is responsible for overseeing everything from development to manufacturing and support in its respective domain.

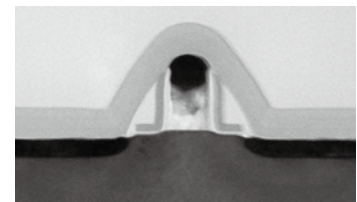
BREAKDOWN OF SEMICONDUCTOR SALES BY BUSINESS UNIT



SoC (System on Chip) Business Unit

Establishment of 40-nanometer embedded DRAM technology

NEC Electronics, a leader in embedded DRAM LSIs used in graphic devices, has developed technology that will also make embedded DRAM possible in the 40-nanometer next-generation process technology.



40nm transistor

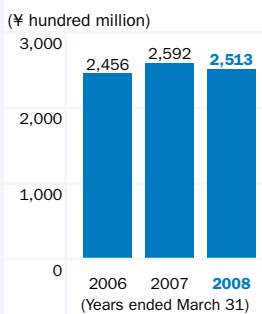
Joint development of 32-nanometer process with Toshiba

Since 2006, NEC Electronics has jointly developed 45-nanometer process technology with Toshiba Corporation. As a follow-up, the companies are jointly developing the 32-nanometer generation with the aim of lowering development costs and raising development speed.

EMMA platform for digital AV equipment

NEC Electronics' EMMA platform has been adopted by customers around the world for use in digital televisions, DVD recorders and other digital AV equipment.

SoC SALES



Microcomputer Business Unit

Automotive microcontrollers

NEC Electronics views automobiles as a business sector in focus. Sales growth in automotive microcontrollers enabled NEC Electronics to gain the world's leading share* in the 32-bit microcontroller market.

**Source: Gartner, March 2008, GJ08234*

All Flash microcontrollers

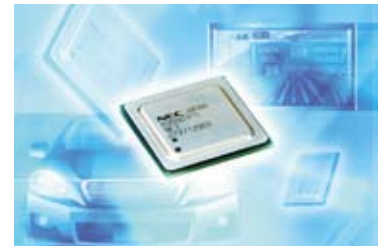
NEC Electronics leads the industry in All Flash microcontrollers, in which embedded ROM is completely replaced with flash memory.

Additional floor space at the Oita Plant

To boost production of automotive microcontrollers, a key business area, NEC Electronics decided to expand the building and clean room facilities at its Oita Plant, which serves as an assembly site for NEC Semiconductors Kyushu Yamaguchi.

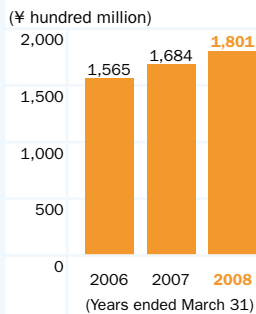
NaviEngine

NEC Electronics newly developed the NaviEngine, a semiconductor for car navigation systems. The use of Symmetrical Multicore Processor (SMP) technology enables NaviEngine to achieve processing performance of 1,920 MIPS, one of the highest levels in the industry.



MIPS: 1 MIPS represents a processing capacity of 1 million commands per second.

MICROCOMPUTER SALES



Discrete and IC Business Unit

Power MOSFET

NEC Electronics is reinforcing its power MOSFET business. Based on a proprietary process, these devices are used in automobiles and battery devices. To boost production of power MOSFET, NEC Electronics decided to expand floor space at NEC Semiconductor Kansai's 8-inch line.



Shiga Plant



Switch ICs for wireless communications

NEC Electronics boasts the world's top market share* for switch ICs (compound semiconductors), used in mobile phones and other wireless communication applications.

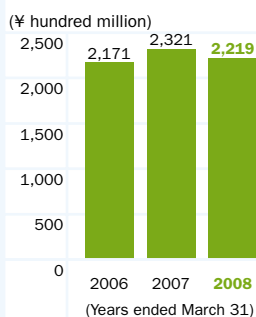
**Based on research by NEC Electronics*

Gallium Arsenide switch IC

Display drivers

Development of high-performance display drivers is critical to increasing the size and resolution of flat-panel TVs and LCD monitors. NEC Electronics is taking effective measures to enhance cost competitiveness in this area.

DISCRETE AND IC SALES



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

In March 2008, NEC Electronics became a participant in the United Nations Global Compact. Our participation marks our commitment to support the areas of human rights, labor standards, environmental protection and anti-corruption.

NEC Electronics also 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.



Commitment to customer satisfaction

At NEC Electronics, we believe it is our mission as a company to provide our customers with optimal solutions, thereby earning their trust. This is the foundation of 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, the NEC Electronics Group has acquired ISO 9001 quality management system certification, as well as ISO/TS16949 certification specific to quality management in the automotive sector, 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 publicly issue a set of CSR Guidelines on our website 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 of the deep connection between the semiconductor business and the need to protect the environment, 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, nature watching and other volunteer activities. NEC Electronics also promoted unique activities as part of its contribution to local communities. These included holding an electronic industrial arts class for local elementary school students on the applications of microcontrollers, as well as volunteer work at a local child-care home.

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 2008 and Environmental Management Report 2008, both of which are due out in August 2008, for more details.
<http://www.necel.com/csr/en/>
<http://www.necel.com/eco/en/>

CORPORATE GOVERNANCE

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 an 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 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 company-wide 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 subsidiaries are approved at each subsidiary's General Meeting of Shareholders or the Board meetings. NEC Electronics makes the decision based on its own assessment of the seriousness of the issue being decided, then exercises its shareholder's rights directly or indirectly.
- 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 applicable laws in or outside of Japan.
- 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 who 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.

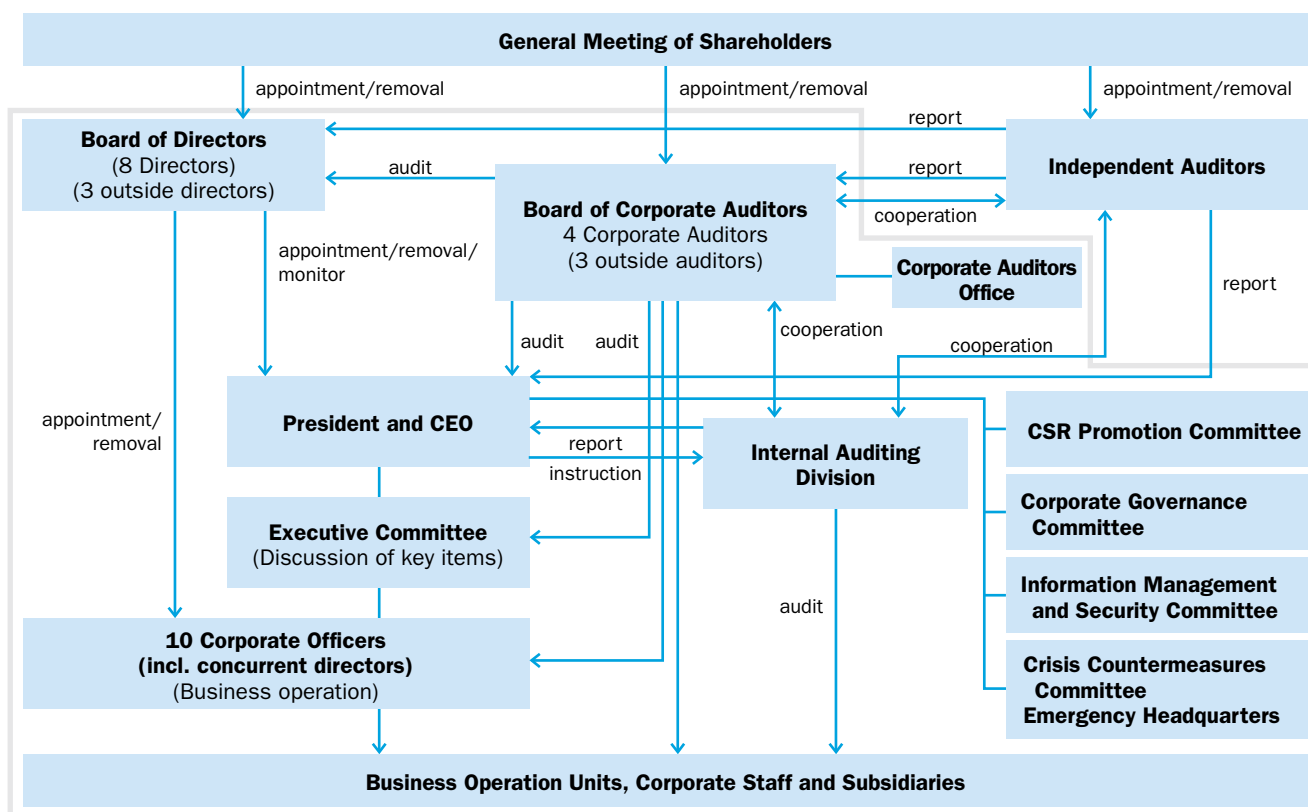
Internal Audits and Audit of Financial Statements

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, Koki Ito 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, 2008)

FINANCIAL SECTION

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CONSOLIDATED BALANCE SHEETS

NEC Electronics Corporation and Consolidated Subsidiaries
As of March 31, 2007 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Current assets:			
Cash and cash equivalents	¥ 185,372	¥ 165,472	\$ 1,654,720
Notes and accounts receivable, trade:			
Related parties	11,793	11,991	119,910
Other	88,313	84,513	845,130
Allowance for doubtful notes and accounts	(563)	(152)	(1,520)
Inventories	79,165	75,839	758,390
Deferred tax assets	6,795	899	8,990
Prepaid expenses and other current assets	7,331	5,553	55,530
Total current assets	378,206	344,115	3,441,150
Investments:			
Marketable securities	5,997	3,345	33,450
Other:			
Affiliated companies	746	539	5,390
Other	411	681	6,810
	7,154	4,565	45,650
Property, plant and equipment:			
Land	16,849	15,708	157,080
Buildings	244,852	239,406	2,394,060
Machinery and equipment	965,005	931,709	9,317,090
Construction in progress	18,829	21,717	217,170
	1,245,535	1,208,540	12,085,400
Accumulated depreciation	(949,304)	(949,389)	(9,493,890)
	296,231	259,151	2,591,510
Other assets:			
Deferred tax assets	3,892	2,062	20,620
License fees and other intangibles	9,357	5,471	54,710
Other	1,046	940	9,400
	14,295	8,473	84,730
	¥ 695,886	¥ 616,304	\$ 6,163,040

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Current liabilities:			
Short-term borrowings	¥ 3,609	¥ 954	\$ 9,540
Current portion of long-term debt	15,914	619	6,190
Current portion of obligation under capital leases to related parties	1,080	821	8,210
Notes and accounts payable, trade:			
Related parties	31,198	26,188	261,880
Other	101,269	81,123	811,230
Accounts payable, other and accrued expenses:			
Related parties	4,649	4,593	45,930
Other	53,651	53,463	534,630
Accrued income taxes	2,792	2,049	20,490
Other current liabilities	8,798	9,905	99,050
Total current liabilities	222,960	179,715	1,797,150
Long-term liabilities:			
Long-term debt	110,634	110,000	1,100,000
Obligation under capital leases to related parties	4,793	4,207	42,070
Accrued pension and severance costs	71,535	74,460	744,600
Deferred tax liabilities	10,847	11,068	110,680
Other	5,214	4,540	45,400
	203,023	204,275	2,042,750
Minority shareholders' equity in consolidated subsidiaries	4,835	5,176	51,760
Commitments and contingent liabilities			
Shareholders' equity:			
Common stock	85,955	85,955	859,550
Authorized — 400,000,000 shares			
Issued and outstanding — 123,500,000 shares			
Additional paid-in capital	281,039	281,073	2,810,730
Accumulated deficit	(98,901)	(114,896)	(1,148,960)
Accumulated other comprehensive income (loss)	(3,017)	(24,984)	(249,840)
Treasury stock, at cost:			
2007 — 1,445 shares	(8)		
2008 — 2,039 shares		(10)	(100)
	265,068	227,138	2,271,380
	¥695,886	¥ 616,304	\$ 6,163,040

CONSOLIDATED STATEMENTS OF OPERATIONS

NEC Electronics Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S. dollars
	2006	2007	2008	2008
Sales and other income:				
Net sales	¥645,963	¥692,280	¥687,745	\$6,877,450
Gain on sales of property, plant and equipment and other	1,917	2,548	1,861	18,610
Net gain on business transfer	—	—	2,040	20,400
Interest and dividend income	1,078	1,929	2,152	21,520
Gain on disposition of investments in securities	1,365	6,436	—	—
	650,323	703,193	693,798	6,937,980
Costs and expenses:				
Cost of sales	477,476	502,086	485,683	4,856,830
Research and development	120,874	131,751	112,300	1,123,000
Selling, general and administrative	83,302	87,000	84,668	846,680
Restructuring charges	1,683	4,192	7,931	79,310
Litigation and settlement expense	3,413	1,435	—	—
Loss on sales or disposal of property, plant and equipment and other	4,132	9,229	4,634	46,340
Interest expense	874	698	741	7,410
Net foreign exchange loss	519	1,197	1,091	10,910
Loss on investments in securities	436	980	2	20
	692,709	738,568	697,050	6,970,500
Loss before income taxes	(42,386)	(35,375)	(3,252)	(32,520)
Provision for income taxes	56,166	5,105	12,285	122,850
Loss before minority interest, equity in loss of affiliated companies	(98,552)	(40,480)	(15,537)	(155,370)
Minority interest in income (loss) of consolidated subsidiaries	(354)	552	251	2,510
Loss before equity in loss of affiliated companies	(98,198)	(41,032)	(15,788)	(157,880)
Equity in loss of affiliated companies	—	(468)	(207)	(2,070)
Net loss	¥ (98,198)	¥ (41,500)	¥ (15,995)	\$ (159,950)
			Yen	U.S. dollars
	2006	2007	2008	2008
Basic net loss per share	¥ (795.13)	¥ (336.04)	¥ (129.52)	\$ (1.30)
Diluted net loss per share	(795.13)	(336.04)	(129.52)	(1.30)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

NEC Electronics Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006, 2007 and 2008

	Millions of yen					Total
	Common stock	Additional paid-in capital	Retained earnings (Accumulated deficit)	Accumulated other comprehensive income (loss)	Treasury stock, at cost	
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 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 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
Compensation expense for stock options		34				34
Comprehensive income (loss):						
Net loss			(15,995)			(15,995)
Other comprehensive income (loss):						
Foreign currency translation adjustments.....				(8,589)		(8,589)
Pension liability adjustment, net of tax.....				(11,800)		(11,800)
Unrealized gains (losses) on marketable securities, net of tax				(1,578)		(1,578)
Comprehensive income (loss)						(37,962)
Purchase of treasury stock, at cost.....					(2)	(2)
Balance at March 31, 2008	¥85,955	¥281,073	¥(114,896)	¥(24,984)	¥(10)	¥227,138

	Thousands of U.S. dollars					Total
	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock, at cost	
Balance at March 31, 2007	\$859,550	\$2,810,390	\$ (989,010)	\$ (30,170)	\$ (80)	\$2,650,680
Compensation expense for stock options		340				340
Comprehensive income (loss):						
Net loss			(159,950)			(159,950)
Other comprehensive income (loss):						
Foreign currency translation adjustments.....				(85,890)		(85,890)
Pension liability adjustment, net of tax.....				(118,000)		(118,000)
Unrealized gains (losses) on marketable securities, net of tax				(15,780)		(15,780)
Comprehensive income (loss)						(379,620)
Purchase of treasury stock, at cost.....					(20)	(20)
Balance at March 31, 2008	\$859,550	\$2,810,730	\$(1,148,960)	\$(249,840)	\$(100)	\$2,271,380

CONSOLIDATED STATEMENTS OF CASH FLOWS

NEC Electronics Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S. dollars
	2006	2007	2008	2008
Cash flows from operating activities:				
Net loss	¥ (98,198)	¥ (41,500)	¥ (15,995)	\$ (159,950)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	89,342	82,960	75,067	750,670
Deferred income taxes	46,637	2,998	8,352	83,520
Loss on property, plant and equipment, net	2,817	5,983	3,559	35,590
Realized (gain) loss on marketable securities	178	(6,383)	—	—
Provision for pension and severance costs, less payments	1,072	(1,115)	(7,962)	(79,620)
Equity in loss of affiliated companies	—	468	207	2,070
Minority interest in income (loss) of consolidated subsidiaries	(354)	552	251	2,510
Net gain on business transfer	—	—	(2,040)	(20,400)
(Increase) decrease in notes and accounts receivable	(7,928)	15,985	(3,710)	(37,100)
(Increase) decrease in inventories	(3,062)	(9,333)	856	8,560
Increase (decrease) in notes and accounts payable	5,675	16,171	(17,309)	(173,090)
Increase (decrease) in other current liabilities	6,605	(4,239)	2,884	28,840
Other, net	7,106	4,184	(898)	(8,980)
Net cash provided by operating activities	49,890	66,731	43,262	432,620
Cash flows from investing activities:				
Proceeds from sales of property, plant and equipment	56,474	39,803	20,653	206,530
Additions to property, plant and equipment	(106,642)	(121,126)	(62,188)	(621,880)
Proceeds from sales of marketable securities	395	3,660	—	—
Purchase of marketable securities	(816)	—	—	—
Investments in affiliated companies	—	(1,400)	—	—
(Increase) decrease in loans receivable	(223)	242	(2)	(20)
Proceeds from business transfer, net of cash transferred	—	—	5,340	53,400
Increase in other investment securities	(1,021)	—	(328)	(3,280)
Other, net	(2,840)	324	(1,244)	(12,440)
Net cash used in investing activities	(54,673)	(78,497)	(37,769)	(377,690)
Cash flows from financing activities:				
Proceeds from long-term debt	2,335	—	—	—
Repayments of long-term debt	(10,581)	(7,191)	(15,980)	(159,800)
Increase (decrease) in short-term borrowings, net	124	(4,018)	(2,711)	(27,110)
Repayments of lease obligation to related parties	(1,198)	(1,865)	(1,765)	(17,650)
Dividends paid	(1,235)	—	—	—
Transaction under common control	(1,974)	—	—	—
Payments on intangible assets purchase contracts	—	(2,196)	(2,527)	(25,270)
Other, net	(1)	(3)	(2)	(20)
Net cash used in financing activities	(12,530)	(15,273)	(22,985)	(229,850)
Effect of exchange rate changes on cash and cash equivalents	2,682	1,595	(2,408)	(24,080)
Net decrease in cash and cash equivalents	(14,631)	(25,444)	(19,900)	(199,000)
Effect of change in fiscal year-end of certain subsidiary	—	(244)	—	—
Cash and cash equivalents at beginning of year	225,691	211,060	185,372	1,853,720
Cash and cash equivalents at end of year	¥ 211,060	¥ 185,372	¥ 165,472	\$ 1,654,720
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 927	¥ 706	¥ 765	\$ 7,650
Income taxes	8,217	33	4,572	45,720
Non-cash investing and financing transaction:				
Contribution to capital	6,092	—	—	—
Machinery and equipment obtained by capital leases	3,337	220	928	9,280
Intangible assets purchase contracts	5,243	721	—	—

DIRECTORS, CORPORATE AUDITORS AND CORPORATE OFFICERS

(As of June 26, 2008)



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



HAJIME MATSUKURA
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
HAJIME MATSUKURA

Corporate Auditors

KEIJI SUZUKI
HIROKI KAWAMURA
YASUYUKI SHIBATA
KAORU IKENAGA

Corporate Officers

TOSHIO NAKAJIMA
JUNSHI YAMAGUCHI
YOSHIKAZU INADA
ZENSUKE MATSUDA
YOICHI YANO
HIROSHI SATO
MASAO FUKUMA
MASAKI KATO
TATSUO YOSHINO
YOSHIHIKO MIURA

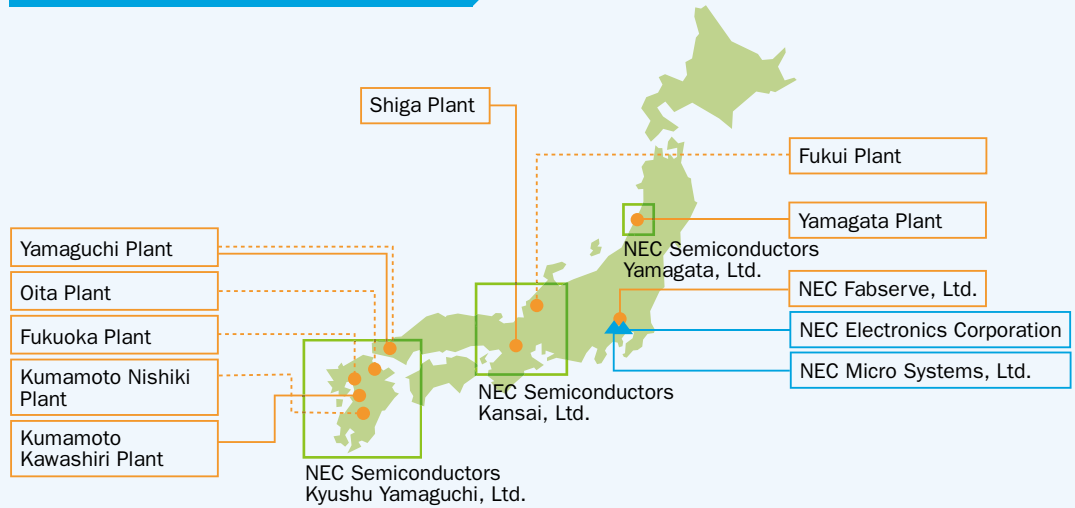
Notes

1. Mr. T.W. Kang, Mr. Toshihiko Takahashi and Mr. Hajime Matsukura are outside Directors stipulated in Item 15, Article 2 of the Company Law.
2. Mr. Hiroki Kawamura, Mr. Yasuyuki Shibata and Mr. Kaoru Ikenaga are outside Corporate Auditors stipulated in Item 16, Article 2 of the Company Law.

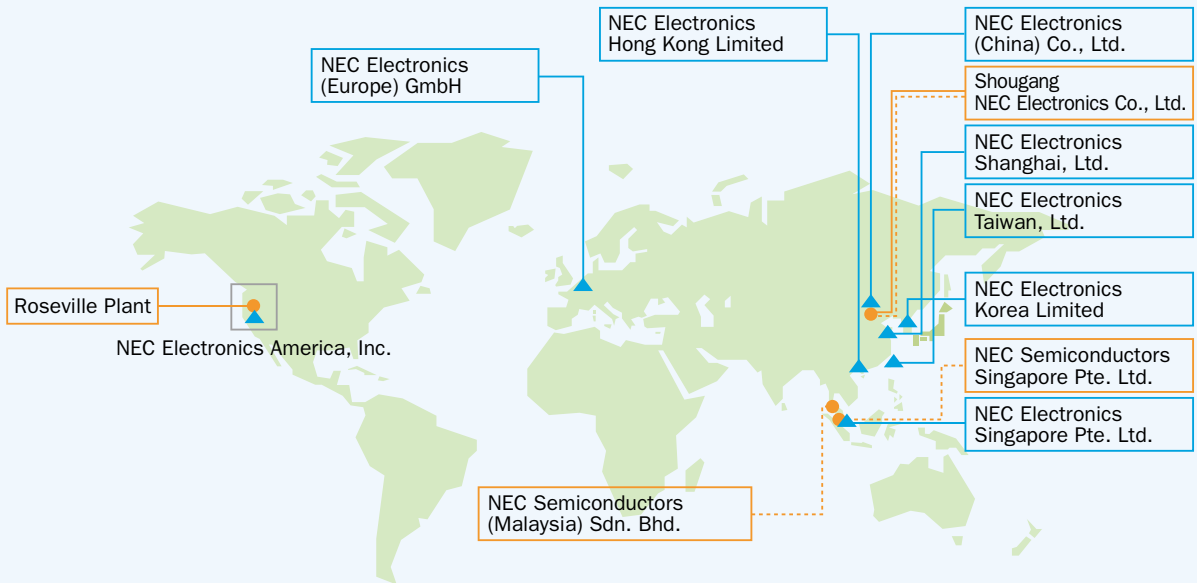
MAJOR SUBSIDIARIES AND AFFILIATES

(As of April 1, 2008)

Japan



Overseas



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

CORPORATE DATA

(As of March 31, 2008)

Company Name

NEC Electronics Corporation

Major Operations

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

Established

November 1, 2002

Employees

23,110 (Consolidated)

Capital Stock

¥86.0 billion

Headquarters

1753 Shimonumabe, Nakahara-ku,
Kawasaki, Kanagawa 211-8668, Japan
Tel: +81 44-435-5111

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



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

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Corporate Communications Department
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