

(Translation)

The following is an English translation of the Notice of the 5th Ordinary General Meeting of Shareholders of NEC Electronics Corporation to be held on June 27, 2007, except for the INSTRUCTION ON VOTING RIGHTS in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

NEC Electronics Corporation

1753, Shimonumabe, Nakahara-ku,
Kawasaki, Kanagawa

Toshio Nakajima
President

June 5, 2007

To Our Shareholders:

NOTICE OF THE 5TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The Fifth Ordinary General Meeting of Shareholders (the "General Meeting") of NEC Electronics Corporation (the "Company") will be held as follows:

1. DATE: June 27, 2007 (Wednesday) at 10:00 A.M. Japanese Standard Time
2. PLACE: Tamagawa Renaissance City Hall located within the NEC Tamagawa Plant at 1753, Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa, Japan

3. AGENDA OF THE GENERAL MEETING

MATTERS TO BE REPORTED UPON:

- (1) Report on the Business Report, Consolidated Financial Statements, and report on the results of the audit conducted on the Consolidated Financial Statements by the Independent Auditors and the Board of Corporate Auditors, with respect to the 5th Business Period from April 1, 2006 to March 31, 2007.
- (2) Report on the Financial Statements with respect to the 5th Business Period from April 1, 2006 to March 31, 2007.

MATTERS TO BE VOTED UPON:

- (1) Election of Eight Directors
- (2) Election of One Corporate Auditor

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REFERENCE DOCUMENTS FOR THE GENERAL MEETING

Proposal No. 1: Election of Eight Directors

Upon the close of the General Meeting, the term of office as Director held by all the Directors will expire. It is proposed that the number of Directors be increased by three to eight for strengthening the management base of the Company, and therefore, eight Directors (including 3 outside Directors) be elected. The candidates are as follows:

	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.		Number of the Company's Shares Held
1	Toshio Nakajima (October 5, 1947)	April 1970	Joined NEC Corporation	6,700
		April 1999	General Manager, 1st System LSI Division, System LSI Operations Unit, NEC Corporation	
		August 2001	President, NEC Electronics Inc. (currently NEC Electronics America, Inc.)	
		April 2002	Associate Senior Vice President, NEC Electron Devices, NEC Corporation	
		November 2002	Senior Vice President, the Company President and Chief Executive Officer, NEC Electronics America, Inc.	
		April 2003	Resigned as Senior Vice President, the Company	
		June 2004	Elected to the Board of Directors, the Company	
		April 2005	Senior Vice President and Member of the Board, the Company Resigned as President and Chief Executive Officer, NEC Electronics America, Inc.	
		June 2005	Executive Vice President and Member of the Board, the Company	
		November 2005	President, the Company (to the present)	

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	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.		Number of the Company's Shares Held
			<p>(Responsibilities) Management of execution of the business.</p> <p>(Representative Status in Other Companies, etc.) Chairman (part-time), Semiconductor Technology Academic Research Center</p>	
2	T. W. Kang (September 25, 1957)	<p>July 1979</p> <p>September 1985</p> <p>October 1987</p> <p>December 1990</p> <p>February 1999</p> <p>February 2001</p> <p>March 2006</p>	<p>Joined Intel Corporation</p> <p>Director, Office of Development, Intel K.K.</p> <p>General Manager, System Group, Intel K.K.</p> <p>Left Intel Corporation</p> <p>Established Global Synergy Associates Inc.</p> <p>Managing Director, Global Synergy Associates Inc. (to the present)</p> <p>Elected to the Board of Directors, Synaptics Incorporated</p> <p>Resigned as Director, Synaptics Incorporated</p> <p>Elected to the Board of Directors, SiPort, Inc. (to the present)</p> <p>(Representative Status in Other Companies, etc.) Managing Director, Global Synergy Associates Inc.</p>	0

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	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.		Number of the Company's Shares Held
3	Toshihiko Takahashi (October 22, 1943)	April 1967 July 1998 June 1999 April 2000 October 2001 June 2002 April 2005 April 2006 June 2006 April 2007	Joined NEC Corporation Executive General Manager, Computers Software Operations Unit, NEC Corporation Vice President and Member of the Board and Executive General Manager, Computers Software Operations Unit, NEC Corporation Senior Vice President, NEC Corporation President, NEC System Technologies, Ltd. Left NEC Corporation Joined NEC Corporation Executive Vice President, NEC Corporation Executive Vice President and General Manager, Software Business Planning Office, NEC Corporation Resigned as President, NEC System Technologies, Ltd. Advisor, NEC Corporation (to the present)	0
4	Tetsuya Nakamura (December 25, 1958)	April 1983 April 2000 July 2002 April 2004	Joined NEC Corporation Manager, Internet Business Development Office and Planning Department, NEC Corporation Senior Manager, Corporate Planning Division and Internet Business Development Office, NEC Corporation General Manager, Corporate Planning Division, NEC Corporation (to the present)	0

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	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.		Number of the Company's Shares Held
5	Junshi Yamaguchi (November 27, 1950)	December 1976	Joined NEC Corporation	2,200
		April 2002	Vice President, Corporate Operations, NEC Electronics Inc. (currently NEC Electronics America, Inc.)	
		August 2002	Chief Manager, NEC Electron Devices, NEC Corporation	
		September 2002	General Manager, Strategic Planning Division, NEC Electron Devices, NEC Corporation	
		November 2002	Vice President, Corporate Strategic Planning Unit, the Company	
		June 2003	Vice President, Corporate Strategic Planning Unit and General Manager, Corporate Communications Division, the Company	
		October 2003	Senior Vice President and Vice President, Corporate Strategic Planning Unit, the Company	
		August 2004	Senior Vice President, Vice President, Corporate Strategic Planning Unit and General Manager, Corporate Communications Division, the Company	
		June 2005	Executive Vice President and Member of the Board, the Company (to the present) (Responsibilities) Matters relating to sales and Information Systems Division, and management of export and import transactions	

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	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.		Number of the Company's Shares Held
6	Yoshikazu Inada (September 28, 1946)	April 1969	Joined NEC Corporation	1,000
		June 1998	General Manager, Semiconductor Division, IC & Discrete Operations Unit, NEC Corporation	
		October 2001	Vice President, NEC Electron Devices, NEC Corporation	
		June 2002	Executive General Manager, General-Purpose Development Operations Unit, NEC Corporation	
		September 2002	Vice President and Executive General Manager, General-Purpose Development Operations Unit, NEC Electron Devices, NEC Corporation	
		November 2002	Senior Vice President and Vice President, Sales Operations Unit, the Company	
		April 2004	Senior Vice President, the Company	
		April 2006	Senior Vice President and Vice President, 5th Systems Operations Unit, the Company	
		June 2006	Executive Vice President and Member of the Board, the Company (to the present) (Responsibilities) Management of production and matters relating to Discrete and IC Business Unit	

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	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.		Number of the Company's Shares Held
7	Zensuke Matsuda (February 11, 1949)	April 1973 July 1998 October 2001 April 2002 November 2002 April 2004 April 2006 September 2006 May 2007	Joined NEC Corporation General Manager, 2nd LSI Memory Division, LSI Memory Operations Unit, NEC Corporation General Manager, System Memory Division, System LSI Operations Unit, NEC Corporation General Manager, System Memory Development Division, System LSI Operations Unit, NEC Corporation Vice President, 3rd Business Development Operations Unit, the Company Vice President, 5th System Operations Unit, the Company Vice President, 1st System Operations Unit, the Company Senior Vice President, the Company Executive Vice President, the Company (to the present) (Responsibilities) Matters relating to SoC Business Unit	100

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	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.		Number of the Company's Shares Held
8	Yoichi Yano (November 20, 1954)	April 1980 July 2001 November 2002 April 2004 November 2004 September 2006 May 2007	Joined NEC Corporation Chief Manager, Microcomputer Business Division, System LSI Operations Unit, NEC Corporation General Manager, 4th System LSI Division, 2nd Business Development Operations Unit, the Company Associate Vice President, 4th Systems Operations Unit, the Company Vice President, 4th Systems Operations Unit, the Company Senior Vice President and Vice President, 4th Systems Operations Unit, the Company Executive Vice President and Vice President, Microcomputer Business Unit, the Company (to the present) (Responsibilities) Important matters relating to automotive business, matters relating to Microcomputer Business Unit, Vice President of Microcomputer Operations Unit, and matters relating to Corporate Quality Assurance Division	100

- (Note) 1. Mr. T. W. Kang serves concurrently as Director of Sanka Corporation, which has a consulting service agreement with the Company.
2. Except for the above Note 1, none of the candidates have a special conflict of interest with the Company.
3. Messrs. Toshio Nakajima and Junshi Yamaguchi have been involved in execution of operations (as defined in Item 6, Paragraph 3, Article 2 of the Enforcement Regulations of the Company Law; hereinafter the same interpretation being applicable) of the Company's parent company, NEC Corporation, and its subsidiaries, NEC Electronics

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Inc. and NEC Electronics America, Inc., in the past 5 years. Matters regarding their positions and responsibilities therein are given in the 'Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.' section above.

4. Mr. Toshihiko Takahashi has been involved in execution of operations of NEC Corporation and its subsidiary, NEC System Technologies, Ltd. in the past 5 years. Mr. Tetsuya Nakamura has been involved in execution of operations of NEC Corporation both now and in the past 5 years. Matters regarding their positions and responsibilities therein are given in the 'Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.' section above. NEC Corporation and NEC System Technologies, Ltd. are "Special Related Parties" as defined in the Item 18, Paragraph 3, Article 2 of the Enforcement Regulations of the Company Law.
5. Messrs. Yoshikazu Inada, Zensuke Matsuda and Yoichi Yano have been involved in execution of operations of NEC Corporation in the past 5 years. Matters regarding their positions and responsibilities therein are given in the 'Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.' section above.
6. Messrs. T. W. Kang, Toshihiko Takahashi and Tetsuya Nakamura are the candidates for the outside Directors. The reasons for the selection of candidates of the outside Directors are as follows:
 - i) The Company made Mr. T. W. Kang a candidate for outside Director because it expects him to oversee and check the Company's overall management with his wide experience at Intel Corporation and its subsidiary, Intel K.K., and his knowledge, experience and insight gained from management consultant activities as Managing Director of Global Synergy Associates Inc.
 - ii) The Company made Mr. Toshihiko Takahashi a candidate for outside Director because it expects him to oversee and check the Company's overall management with his knowledge and insight gained from his long years of experience of business operation and management as an executive or a board member of NEC Corporation and its subsidiary, NEC System Technologies, Ltd.
 - iii) The Company made Mr. Tetsuya Nakamura a candidate for outside Director because it expects him to oversee and check the Company's overall management with his knowledge and insight gained from his experience of business planning of NEC Corporation and business management of the NEC Group, including its subsidiaries, at the corporate planning department of NEC Corporation.
7. Mr. Tetsuya Nakamura is a spouse of a person who has been involved in execution of

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operations of the Company's Special Related Party.

8. If the new appointment of Messrs. T. W. Kang, Toshihiko Takahashi and Tetsuya Nakamura is approved at the General Meeting, the Company will, in accordance with Paragraph 1, Article 427 of the Company Law, enter into a liability limitation agreement with each outside Director limiting his liability for damage as defined in Paragraph 1, Article 423 of the Company Law.

Proposal No. 2: Election of One Corporate Auditor

Upon the close of the General Meeting, the term of office as Auditor held by Mr. Shigeo Matsumoto will expire. It is proposed that one Corporate Auditor be elected.

The Board of Corporate Auditors has agreed to the submission of this Proposal to the General Meeting.

The candidate of the Corporate Auditor is as follows:

	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.		Number of the Company's Shares Held
1	Kaoru Ikenaga (July 22, 1949)	April 1973 December 2000 July 2002 April 2003 April 2004 April 2007	Joined NEC Corporation Chief Manager, Corporate Controller Division, NEC Corporation General Manager, Controller Division, NEC Solutions, NEC Corporation Chief Manager, SI Business Planning Division, NEC Corporation General Manager, Corporate Controller Division, NEC Corporation Vice President and General Manager, Internal Control over Financial Reporting Division and General Manager, Corporate Controller Division, NEC Corporation (to the present)	0

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- (Note)
1. The candidate has no special conflict of interest with the Company.
 2. Mr. Kaoru Ikenaga has been involved in execution of operations (as defined in Item 6, Paragraph 3, Article 2 of the Enforcement Regulations of the Company Law; hereinafter the same interpretation being applicable) of the Company's parent company, NEC Corporation both now and in the past 5 years. Matters regarding his position and responsibilities therein are given in the 'Brief Employment History, Position, Responsibility and Representative Status in Other Companies, etc.' section above.
 3. Mr. Kaoru Ikenaga is the candidate for the outside Corporate Auditor. The reasons for the selection of candidate of the outside Corporate Auditor are as follows:
The Company made Mr. Kaoru Ikenaga a candidate for outside Corporate Auditor because it expects him to audit the Company's overall management with his knowledge and insight gained from his long years of experience of accounting operation at NEC Corporation.
 4. Mr. Kaoru Ikenaga is a relative in the third degree or closer of a person who has been involved in execution of operations of the Company's Special Related Party.
 5. If the new appointment of Mr. Kaoru Ikenaga is approved at the General Meeting, the Company will, in accordance with Paragraph 1, Article 427 of the Company Law, enter into a liability limitation agreement with him limiting his liability for damage as defined in Paragraph 1, Article 423 of the Company Law.

Business Report

(For the Period from April 1, 2006 to March 31, 2007 (the “Period”))

1. Review of Operations of the NEC Electronics Group

(1) Progress and Results of Operations

(i) Overview

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.

Growth in the semiconductor market began to taper off from the summer of 2006. In particular, monthly semiconductor shipments, excluding DRAM, slowed year-on-year from the latter half of the fiscal year. ‘Silicon Cycle’ is the 4-year business cycle in the semiconductor industry which shows peak demand in the year of Summer Olympics and the lowest demand in the following year. In such cycle, growth in the fiscal year had been expected towards the next Summer Olympics 2008. However, due to the serious slump in the market growth in the second half, the whole semiconductor industry recorded positive growth in the first half and the negative growth in the second half.

In such a business environment, the NEC Electronics Group has endeavored to move into black in the fiscal year by increasing sales and raising its factory utilization ratio, while strengthened the research and development activities and expanded the production base for further growth in the next fiscal year.

With respect to the product development, the Company’s technology and products have been adopted in customers’ flagship products; i.e. i) 90-nanometer embedded DRAM process technology was adopted in the image processing system LSI of Nintendo Co., Ltd.’s new game console Wii® in May, 2006; ii) IMAPCAR®, image processing LSI for automotive safety system, has been used in LS460, the new-model car of Toyota Motor Corporation’s luxury car brand Lexus, since August 2006; and iii) image processing system LSI EMMA™₃ was adopted in Toshiba Corporation’s next generation hi-vision HD DVD players in December 2006. Further, the Company has released various new products of All Flash™ microcontroller series and strengthened its product lineup in the fiscal year, resulting in being more widely adopted by customers.

Regarding the development of advanced technology, the Company put i) advanced miniaturization technology of 55-nanometer generation, and ii) its unique advanced process technology. The

Company has introduced ASIC (Application Specific Integrated Circuit) products with these technologies in January 2007, which greatly save power consumption. In addition, the Company has already developed embedded DRAM technology used in combination with this 55-nanometer process technology, and prepared for the mass production.

With respect to sales, the Company substantially increased the number of staff in the sales subsidiary in China by personnel transfer from Japan and local recruitment, and established the foundation for the future sales expansion. The sales activities in Korea had been made through NEC Electronics Hong Kong Limited. However, to strengthen the customer services and expand its presence in Korea, the Company established NEC Electronics Korea Limited in September 2006, and transferred sales function to it. In Japan, the Company merged its wholly-owned sales subsidiary NEC Deviceport, Ltd., in November 2006, leading to simplification of the organizational structure and personnel relocation of domestic sales divisions.

In the area of production, the Company focused on improving the capability of back-end process (i.e. assembly and test) in the first half of the fiscal year, and developed the production system to respond to the demand increase of high quality products such as All FlashTM microcontrollers and discrete semiconductors for automobiles. Also, the Company ended its production at the back-end process plant in Ireland in September 2006, and transferred production to Singapore and other areas, to improve production efficiency and increase production volumes at each active production site.

Further, NEC Electronics successfully increased the production capacity of 300-millimeter wafer line at its subsidiary NEC Yamagata Ltd. from 6,000 to 13,000 per month. This enabled the Company to fully exercise its cost competitiveness in the NEC Electronics Group's 300-millimeter wafer line.

Finally, as to the alliances with other companies to supplement the NEC Electronics Group's management resource in the advanced technology development, the Company established the mass production technology of 45-nanometer generation system LSIs by the joint development project with Toshiba Corporation and Sony Corporation, and demonstrated the practical technology for the mass production. The development results were jointly announced at the international academic conference of semiconductors. In addition, as an alliance in production, the Company ended the production of photomasks in the NEC Electronics Group, and agreed to transfer its photomask's manufacturing and sales business engaged by its subsidiary NEC Fabserve, Ltd. to Dai Nippon Printing Co., Ltd in February 2007. The Company will also continue to collaborate with Dai Nippon Printing Group in photomask's development and production.

As described above, despite the NEC Electronics Group's various measures for sales expansion and production increase, these did not directly improve the corporate profits in the depressed market

from the latter half of the fiscal year, adversely resulting in putting pressure on corporate profits due to the increase of the fixed costs. Accordingly, consolidated net sales of the NEC Electronics Group was improved 7 % year on year due to the sales expansion in the first half, however, the consolidated loss before income taxes and the consolidated net loss for the Period showed large deficits.

The Company acknowledges the reasons behinds these results include: inaccurate expectation of the semiconductor market; insufficient distribution of development resources; and a lack of synergy among sales, development and production functions. The NEC Electronics Group established and announced a new management policy on February 22, 2007 to deal with the following three issues.

- i) Concentration of development resources to improve efficiency and expand sales
- ii) Facilitating lower manufacturing costs by consolidating production lines
- iii) Optimizing sales, development, and production for each product group

The NEC Electronics Group will build a strong management body which steadily generates profits, uninfluenced by boom-and-bust of the 'Silicon cycle', through implementing these management policies.

(ii) Summary of Consolidated Financial Results

Consolidated net sales for the fiscal year ended March 31, 2007 were 692.3 billion yen, up 46.3 billion yen, or 7.2%, from the previous fiscal year. Although the Communications and the Computing & Peripherals segments 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 segment due to shipments for a new game console and higher sales of semiconductors for digital televisions, as well as expanded sales of All FlashTM microcontrollers in the Multi-market IC segment.

NEC Electronics posted a consolidated operating loss of 28.6 billion yen, an improvement of only 7.1 billion yen from the previous fiscal year. 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.

Improvement of consolidated loss before income taxes was similarly limited, as it decreased 7.0 billion yen, improved to 35.4 billion yen.

Consolidated net loss improved 56.7 billion yen year on year, to 41.5 billion yen. This was mainly due to a decrease in provision for income taxes as a result of recording an allowance to reduce

deferred tax assets in the previous year.

(iii) Review of Operations by End-Market Applications

Consolidated net sales by end-market application broken down into categories according to principal applications and characteristics of semiconductors for the Period are as follows:

Communications

Net sales of semiconductors for communications applications decreased 8.4 billion yen (7.7 percent) from the previous year, to 99.6 billion yen. Products such as semiconductors for broadband networking equipment including routers and mobile-phone base stations, and semiconductors for mobile handsets are included in this category.

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.

Computing and Peripherals

Net sales of semiconductors for computing and peripherals applications decreased 2.9 billion yen (2.3 percent) from the previous year, to 123.7 billion yen. Semiconductors for servers, workstations, personal computers and PC peripherals are products included in this category.

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.

Consumer Electronics

Net sales of semiconductors for the consumer electronics applications increased 18.1 billion yen (17.7 percent) from the previous year, to 120.8 billion yen. Semiconductors for digital AV equipment and game consoles are products included in this category.

Sales of semiconductors for game consoles recorded a significant year-on-year increase, the result of commencing shipments 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.

Automotive and Industrial

Net sales of semiconductors for automotive and industrial applications increased 2.3 billion yen

(2.2 percent) from the previous year, to 106.1 billion yen. Semiconductors used in automobiles and industrial systems, such as factory automation equipment, are products included in this category.

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.

Multi-market ICs

Net sales of multi-market ICs increased 19.6 billion yen (28.1 percent) from the previous year, to 89.0 billion yen. Products such as general purpose microcontrollers, gate arrays and multi-purpose SRAMs are those included in this category.

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

Discrete, Optical and Microwave Devices

Net sales of discrete, optical and microwave devices increased 11.9 billion yen (10.9 percent) from the previous year, to 120.6 billion yen. Discrete devices such as diodes and transistors, optical semiconductors for optical communications equipment and DVD devices, and microwave semiconductors for mobile handsets and other applications are products included in this category.

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

Other

Other net sales increased 5.7 billion yen (21.4 percent) from the previous year, to 32.5 billion yen. This includes the sales of non-semiconductors products such as color LCDs, sold on a resale basis by the NEC Electronics Group's sales subsidiaries.

Resale of non-semiconductor products is not part of NEC Electronics Group's core business, and has a minimal effect on the NEC Electronics Group's overall profit and loss.

(2) Research and Development by the NEC Electronics Group

The NEC Electronics Group is actively engaged in the research and development of advanced products and technology in the field of semiconductors, mainly of leading system LSIs, to provide the best semiconductor solution to meet its customer's various needs. Major achievements of research and development activities in the Period are as follows:

(i) IMAPCAR® Image Processor

The IMAPCAR® image processor for automotive safety applications was developed by the

Company and NEC Corporation with support from Toyota Motor Corporation and Denso Corporation.

With its advanced parallel processing architecture, it delivers a world-leading 100 billion operations per second (100 GOPS). This allows it to process large volumes of data from in-vehicle cameras and sensors, analyzing the data to detect lane markers, pedestrians, and nearby vehicles in real time. It has been combined with automatic braking assistance and warnings to the driver in advanced pre-crash safety systems that are working now to reduce collisions and make the roads safer for everyone.

The IMAPCAR® chip was honored with the prestigious Grand Prize for components in the “4th Monozukuri Component Grand Prize” sponsored by the Nikkan Kogyo Shimbun (Business & Technology Daily News). This is the second year in a row that the Company has garnered a top award in the competition, coming in the wake of honors in the electronic components category for the EMMA™ series of LSIs for DVD recorders. The honor reflects growing awareness of the importance of automotive safety, and recognizes the advanced technology pioneered by the Company to help take safety to a new level.

(ii) LSI for Next-Generation DVD Systems

Digital consumer electronics is an area of strategic focus for the NEC Electronics Group, and the NEC Electronics Group offers a wide selection of semiconductor devices for applications ranging from digital TVs to next-generation DVD players and recorders.

Recent products include a LSI for DVD drives that for the first time supports recording and playback in both of the next-generation DVD formats (HD DVD and Blu-ray), as well as the EMMA™3 series of image processors for HD DVD players and recorders, which offers superior sound quality and support for new high-definition video formats. Spurred by the increasing popularity of broadband communications and digital broadcasting services, demand is growing for chips that can deliver superior video and audio at the throughput rates required by high-definition content. The NEC Electronics Group intends to meet that demand with a range of next-generation devices that will solidify its position as a leader in the global market.

(iii) Graphics Processing LSI with Embedded DRAM Technology for Nintendo Wii®

To manufacture and commercialize embedded DRAM system LSIs requires highly sophisticated technology that combines logic process with DRAM process technology. System LSIs with large-scale memory and logic circuits are expected to raise the performance of end products, and contribute to the development of high-performance equipment in areas such as digital consumer and communications. The NEC Electronics Group has successfully developed embedded DRAM technology compatible with four generations of core CMOS technology ranging from 180 to 90 nanometer processes, and is mass producing leading-edge 90-nanometer LSIs.

Our embedded DRAM technology is highly regarded, and has been adopted by Nintendo to actualize high-performance graphics processing for their Wii game console.

Furthermore, the NEC Electronics Group has developed embedded DRAM technology with 55-nanometer process for the first time in the industry. LSIs using the new technology will undergo mass production in the latter half of the fiscal year ending March 2008.

* nanometer: unit of length equal to one billionth of a meter.

(Note) Wii is a registered trademark of Nintendo Co., Ltd.

(3) Capital Expenditures of the NEC Electronics Group

During this Period, the NEC Electronics Group invested a total of 105.9 billion yen in capital expenditures with the aim of expanding facilities for using 300mm (12 inch) wafers and other production facilities in back-end process.

(4) Financing Activities of the NEC Electronics Group

During this Period there were no financing activities important enough to require special mention.

(5) Issues to be Addressed by the NEC Electronics Group

The NEC Electronics Group announced new management policies against the current issues on February 22, 2007. By diligently executing these policies, the NEC Electronics Group intends to improve the group's financial performance. Details of the plan are as follows:

(i) Concentration of Development Resources to Improve Efficiency and Expand Sales

In the past, the NEC Electronics Group had steadily increased the amount spent on research and development (R&D) expenses, with the aim of improving sales and profits. However, a very broad range of semiconductor solutions, and resources such as development expenses and personnel were diluted among all of the various products, which put the company at a competitive disadvantage compared to other companies that focused their development resources on specific products, and triggered a downturn in profits.

Acknowledging this, the company is adjusting its resource allocation and reducing total development costs by halting the development of non-competitive products, while still increasing the amount of development expenses for strategic products to ensure sales growth.

This change in policy will improve the R&D to sales ratio, and help to develop more competitive products that in turn, will lead to improved sales and gross profit over the mid-term.

(ii) Facilitating Lower Manufacturing Costs by Consolidating Production Lines

The dispersal of development resources led to a decline in the competitiveness of the company's products, resulting in pricing pressure from the market, and the group's cost to sales ratio continues to decline over the mid-term. In order to overcome this, the company will strengthen its product lines by concentrating development resources and reviewing the production process with an emphasis on

improved competitiveness at minimal cost, and work to reduce manufacturing costs by means of structural reforms such as consolidating production lines.

Specifically, production at the company's smaller and older front-end wafer production lines will be shifted to lines with larger wafer size and production volumes. The smaller lines will be closed as quickly as possible, while giving consideration to fulfilling existing customer commitments. In addition, back-end test and assembly functions, particularly for products with high personnel costs or large production volumes, will be moved from Japan to other locations in Asia where personnel costs are less expensive. By shifting back-end production to locations such as Malaysia and China, the Group's overall cost competitiveness will improve. Although there are some challenges in executing these shifts, such as transferring production technology, maintaining quality prior to and following the transfer, and acquiring the consent of customers, these measures are vital to lowering production costs in the mid-term, and the company is putting its full efforts behind rapid implementation.

(iii) Optimizing Sales, Development and Production for Each Product Group

The NEC Electronics Group's product offerings can be largely broken down into the three categories of system-on-chip (SoC), microcomputers, and discrete semiconductors. The company's previous organizational structure was divided by function such as sales, development, and production. This structure of dividing labor by function is suitable for increasing efficiency and optimization for each function. However, it makes it difficult to optimize the flow from sales through to production for each of the three product groups. Additionally, there were points which could not necessarily be called optimal in terms of implementing individual measures to expand sales and promoting manufacturing cost reductions suited to the special characteristics of the three businesses.

Therefore, on the date of May 7, 2007 the company conducted a structural transformation. Following an examination of the special characteristics of the three businesses of SoC, micro-computers, and discrete semiconductors, by making the most of the group's strengths here the company changed to an organizational structure which is optimal for expanding each business. The essentials of this structural transformation are detailed below.

- (a) The business of the NEC Electronics Group will be reorganized around the three core products of SoC, microcontrollers, and discrete semiconductors, and the structure for handling each of these will be termed business units.
- (b) Some of the functions for handling production will be transferred to each business unit, and their responsibility and authority for conducting business will be strengthened.
- (c) For the sales department, while continuing to maintain a sales structure by customer the company will increase the personnel for the sales promotion departments corresponding to each business unit and strengthen their product marketing capacity.
- (d) The company will increase the liquidity of human resources and increase the efficiency of business management by means of consolidating the small-scale departments which had been

subdivided throughout the entire company.

Through these structural transformations the company will make it so that the flow from sales through to development and production for the NEC Electronics Group as a whole is integrated for each product group. By creating a structure which is capable of adapting to market changes the company will realize an expansion in sales and manufacturing cost reductions for each product group and aim to increase profits.

(6) Changes in the Results of Financial Position and Profit and Loss (Consolidated)

(In billions of yen except per share figures)

Business Period Indices	1st Business Period 4/1/02-3/31/03	2nd Business Period 4/1/03-3/31/04	3rd Business Period 4/1/04-3/31/05	4th Business Period 4/1/05-3/31/06	5th Business Period 4/1/06-3/31/07
Net sales	725.1	712.0	708.0	646.0	692.3
Net income (loss) before income taxes	15.1	44.4	26.4	(42.4)	(35.4)
Net income (loss)	9.6	28.1	16.0	(98.2)	(41.5)
Net income (loss) per share (yen)	-	240.61	129.81	(795.13)	(336.04)
Total assets	655.5	741.5	814.2	745.3	695.9
Net assets	238.9	371.7	393.9	308.3	265.1

- (Note) 1. The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.
2. "Net income (loss) per share" is calculated based on the average number of shares outstanding during each business period.
3. The consolidated financial statements of the Company for the 1st Business Period is prepared on a basis that reflects the historical consolidated financial statements of the Company assuming that the Company had existed as a stand-alone company along with the Company's current group structure prior to the Company's corporate separation on November 1, 2002.

(7) Principal Parent Company and Subsidiaries

(i) Relationship with Parent Company

NEC Corporation is the parent company of the Company and holds 65.02% of the total voting rights of the Company (80,300,000 shares) and reserves the right to instruct the exercise of 5.02% of the total voting rights of the Company which are contributed to severance indemnities trust.

The NEC Electronics Group sells system LSIs and other products to NEC Corporation and its affiliates. The NEC Electronics Group believes that the use of the high-profile NEC trademark for indicating the NEC Electronics Group's affiliation with NEC Corporation will contribute to the enhancement of the NEC Electronics Group's own brand value, and thus uses the NEC trademark pursuant to the trademark license agreement executed between the Company and NEC Corporation. Additionally, the Company leases its corporate headquarters and part of its offices from NEC Corporation, and outsources part of its research and development and other affairs to NEC Corporation.

(ii) Principal Subsidiaries

Name of Subsidiaries	Capital (Millions of yen)	Percentages of Voting Rights Held by the Company (%)	Main Business
NEC Yamagata, Ltd.	1,000	100	Development, manufacture (front-end process) and sale of integrated circuits and discrete semiconductors
NEC Kansai, Ltd.	1,000	100	Development, manufacture (front-end process) and sale of integrated circuits and discrete semiconductors
NEC Kyushu, Ltd.	1,000	100	Manufacture (front-end process) and sale of integrated circuits
NEC Fukui, Ltd.	400	100	Development, manufacture (back-end process) and sale of integrated circuits and discrete semiconductors
NEC Semicon Package Solutions, Ltd.	400	100	Manufacture (back-end process) and sale of integrated circuits
NEC Micro Systems, Ltd.	400	100	Design of integrated circuits and development of software
NEC Yamaguchi, Ltd.	320	100	Manufacture (front-end process) and sale of integrated circuits
NEC Fabserve, Ltd.	310	100	Prototyping, production and facility services of integrated circuits
NEC Electronics America, Inc.	(1,000USD) 380,800	100	Development, manufacture (front-end process) and sale of integrated circuits
NEC Electronics (Europe) GmbH	(1,000Euro) 14,000	100	Sale of electronic components
NEC Semiconductors (Malaysia) Sdn. Bhd.	(1,000RM) 118,237	100	Manufacture (back-end process) and sale of integrated circuits and discrete semiconductors
NEC Semiconductors Singapore Pte. Ltd.	(1,000SGD) 111,000	100	Manufacture (back-end process) and sale of integrated circuits

Name of Subsidiaries	Capital (Millions of yen)	Percentages of Voting Rights Held by the Company (%)	Main Business
NEC Electronics Singapore Pte. Ltd.	(1,000SGD) 3,000	100	Sale of electronic components
P.T. NEC Semiconductors Indonesia	(1,000USD) 44,400	100 (0.01)	Manufacture (back-end process) and sale of integrated circuits and discrete semiconductors
Shougang NEC Electronics Co., Ltd.	20,750	50.3	Manufacture (front-end and back-end process) and sale of integrated circuits
NEC Electronics (China) Co., Ltd.	(1,000USD) 38,540	100	Design, development and sale of integrated circuits and software
NEC Electronics Hong Kong Limited	(1,000HKD) 2,000	100	Sale of electronic components
NEC Electronics Taiwan Ltd.	(1,000NTD) 100,000	100	Sale of electronic components
NEC Electronics Korea Limited	(1,000KRW) 2,000,000	100	Sale of electronic components

(Note) Parenthetical figures in the column of percentage of voting rights indicate the percentage of voting rights held indirectly by the Company.

(iii) Progress of Business Affiliation

- (a) The Company merged NEC Compound Semiconductor Devices, Ltd on April 1, 2006. (This merger was implemented in line with "simple merger" procedures.)
- (b) The Company took a stake in Adcore-Tech Co., Ltd. on September 28, 2006, and thus Adcore-Tech Co., Ltd. became an equity method affiliate of the Company.
- (c) NEC Semiconductors Ireland Limited ceased manufacturing and shipping activities in September, 2006.
- (d) NEC Electronics Korea Limited was established on September 1, 2006 as a wholly-owned subsidiary of the Company, and commenced operations on November 1, 2006.
- (e) The Company merged NEC Deviceport, Ltd. on November 1, 2006. (This merger was implemented in line with "simple merger" procedures.)
- (f) NEC Compound Semiconductor Devices Hong Kong Limited transferred its business to NEC Electronics Hong Kong on November 1, 2006 and ceased operation.

(iv) Results of Business Affiliation

There are a total of 25 consolidated subsidiaries as of March 31, 2007, consisting of 10 domestic

companies and 15 overseas companies, including the major subsidiaries set forth in the “(ii) Principal Subsidiaries” section above, and 1 equity method affiliate. The results of operations on a consolidated basis for the Period are set forth in “1. Review of Operations of the NEC Electronics Group (1) Progress and Results of Operations” section above.

(v) Important Technical Alliances

Name of Company	Contents of Alliance
NEC Corporation	Cross licensing of intellectual property rights regarding semiconductor business succeeded on the occasion of the Company’s corporate separation
Freescale Semiconductor, Inc.	Patent cross licensing regarding semiconductors
Texas Instruments Incorporated	Patent cross licensing regarding semiconductors
NEC Corporation Matsushita Electric Industrial Co., Ltd. Panasonic Mobile Communications Co., Ltd. Texas Instruments Incorporated	Joint venture business with respect to joint development of communications platform for mobile handsets for the 3rd generation (3G/3.5G) and beyond and technology licensing for such platform
* Toshiba Corporation Sony Corporation	Joint development of process technology and production technology for 45-nanometer generation system LSIs (ideal for high performance and low power consumption)

(Note) *The joint development with Toshiba Corporation and Sony Corporation above ended in April, 2007. The Company has currently implemented another joint development of process technology and production technology for 45-nanometer generation system LSIs (ideal for low power consumption) with Toshiba Corporation.

(8) Major Operations of the NEC Electronics Group (as of March 31, 2007)

The NEC Electronics Group's main business is the research, development, manufacture, sale and servicing of semiconductors, primarily system LSIs.

(9) Principal Offices and Plants of the NEC Electronics Group (as of March 31, 2007)

The Company		Head Office (Kawasaki, Kanagawa), Tamagawa Plant (Kawasaki, Kanagawa), Sagamihara Plant (Sagamihara, Kanagawa)
Subsidiaries	Domestic	NEC Yamagata, Ltd. (Tsuruoka, Yamagata)
		NEC Kansai, Ltd. (Otsu, Shiga)
		NEC Kyushu, Ltd. (Kumamoto, Kumamoto)
		NEC Fukui, Ltd. (Sakai, Fukui)
		NEC Semicon Package Solutions, Ltd. (Yanagawa, Fukuoka)
		NEC Micro Systems, Ltd (Kawasaki, Kanagawa)
		NEC Yamaguchi, Ltd. (Ube, Yamaguchi)
		NEC Fabserve, Ltd. (Sagamihara, Kanagawa)
	Overseas	NEC Electronics America, Inc. (United States of America)
		NEC Electronics (Europe) GmbH (Germany)
		NEC Semiconductors (Malaysia) Sdn. Bhd. (Malaysia)
		NEC Semiconductors Singapore Pte. Ltd. (Singapore)
		NEC Electronics Singapore Pte. Ltd. (Singapore)
		P.T. NEC Semiconductors Indonesia (Indonesia)
		Shougang NEC Electronics Co., Ltd. (Beijing, China)
		NEC Electronics (China) Co., Ltd. (Beijing, China)
		NEC Electronics Hong Kong Limited (Hong Kong, China)
		NEC Electronics Taiwan Ltd. (Taiwan)
		NEC Electronics Korea Limited (Korea)

(Note) NEC Compound Semiconductor Devices, Ltd. was merged into the Company on April 1, 2006, and NEC Deviceport, Ltd. was merged into the Company on November 1, 2006 as described in the “(7) Principal Parent Company and Subsidiaries (iii) Progress of Business Affiliation” section. In addition, NEC Electronics Korea Limited was established on September 1, 2006 as a wholly-owned subsidiary of the Company, and commenced operations on November 1, 2006.

(10) Employees of the NEC Electronics Group (as of March 31, 2007)

Number of Employees	Increase (Decrease) from March 31, 2006
23,982	125

(11) Major Borrowings of the NEC Electronics Group (as of March 31, 2007)

Lenders	Balance of Borrowings (Millions of yen)
Development Bank of Japan	5,041
Sumitomo Mitsui Banking Corporation	3,633
Mizuho Corporate Bank, Ltd.	2,000

(12) Others

(i) Transfer of Business or Corporate Separation

The Company's wholly-owned subsidiary, NEC Fabserve, Ltd. decided that its photomask manufacturing and sales business will be spun out through corporate separation and it will transfer all shares of such new corporation to Dai Nippon Printing Co., Ltd. On February 27, 2007, NEC Fabserve, Ltd. executed the share transfer agreement with Dai Nippon Printing Co., Ltd., setting forth that the transfer date will be June 1, 2007.

(ii) Share of Stock or Disposition/Acquisition of Stock Acquisition Rights of Other Companies

The Company established a new joint venture company, Adcore-Tech Co., Ltd., based on the joint venture agreement as of July 27, 2006 executed among the Company, NEC Corporation ("NEC"), Matsushita Electric Industrial Co., Ltd. ("MEI"), Panasonic Mobile Communications Co., Ltd. ("PMC"), and Texas Instruments Incorporated ("TI"), and commenced its business on August 17, 2006. The joint venture company will conduct development, design and technology licensing for a hardware and software communications platform to manage the core communications functions for mobile handsets. The investment ratio of the Company, MEI and TI is approximately 11.7% (1.4 billion yen), and that of NEC and PMC is 32.5% (3.9 billion yen), respectively.

2. Outline of the Company

(1) Shares of the Company (as of March 31, 2007)

- (i) **Total Number of Authorized Shares** 400,000,000 shares
- (ii) **Total Number of Shares Issued** 123,498,555 shares
(excluding 1,445 of Company's own shares)
- (iii) **Number of Shareholders** 14,602 persons
- (iv) **Major Shareholders Owning more than One Tenth of the Total Number of Shares Issued**
(In thousands of shares)

Name of Shareholders	Number of Shares Held
NEC Corporation	80,300

(Note) Shares less than a thousand are omitted.

(2) Stock Acquisition Rights, etc. of the Company

(i) Stock Acquisition Rights Issued to the Board Members of the Company as a Compensation for their Duties (as of March 31, 2007)

- (a) Stock Acquisition Rights Pursuant to the Provisions of Articles 280-20 and 280-21 of the Former Commercial Code, and Articles 236, 238 and 239 of the Company Law.

	Number of Stock Acquisition Rights Issued	Class and Number of Shares to be Issued and Transferred	Issue Price of Stock Acquisition Right	Amount to be paid upon Exercise of Stock Acquisition Rights	Exercisable Period
1st Stock Acquisition Rights (Resolved at the Company's General Meeting of Shareholders held on 6/13/03 and the Meeting of the Board of Directors held on 9/30/03)	200	20,000 shares of common stock (100 shares per 1 stock acquisition right)	No charge	¥8,990	10/17/05-10/16/07

	Number of Stock Acquisition Rights Issued	Class and Number of Shares to be Issued and Transferred	Issue Price of Stock Acquisition Right	Amount to be paid upon Exercise of Stock Acquisition Rights	Exercisable Period
4th Stock Acquisition Rights (Resolved at the Company's General Meeting of Shareholders and the Meeting of the Board of Directors held on 6/27/06)	250	25,000 shares of common stock (100 shares per 1 stock acquisition right)	No charge	¥3,927	7/13/08-7/12/12

(b) Stock Acquisition Rights Held by the Board Members of the Company

Title	Stock Acquisition Rights	Number of Stock Acquisition Rights Issued	Number of Shareholders
Directors	1st Stock Acquisition Rights	200	4
	4th Stock Acquisition Rights	250	4

(ii) Stock Acquisition Rights Issued to the Corporate Officers and Employees of the Company and the Directors, Corporate Officers and Employees of its Subsidiaries as a Compensation for their Duties during the 5th Business Period

(a) Stock Acquisition Rights Pursuant to the Provisions of Articles 236, 238 and 239 of the Company Law.

	Number of Stock Acquisition Rights Issued	Class and Number of Shares to be Issued and Transferred	Issue Price of Stock Acquisition Right	Amount to be paid upon Exercise of Stock Acquisition Rights	Exercisable Period
4th Stock Acquisition Rights (Resolved at the Company's General Meeting of Shareholders and the Meeting of the Board of Directors held on 6/27/06)	500	50,000 shares of common stock (100 shares per 1 stock acquisition right)	No charge	¥3,927	7/13/08-7/12/12

(b) Stock Acquisition Rights Issued to the Corporate Officers and Employees of the Company, and the Directors, Corporate Officers and Employees of its Subsidiaries

	Number of Stock Acquisition Rights Issued	Number of Persons Issued Stock Acquisition Rights
Corporate Officers and Employees of the Company	320	16
Directors of its Subsidiaries	180	10
Corporate Officers and Employees of its Subsidiaries	0	0

(iii) Other Important Facts Concerning the Stock Acquisition Rights (as of March 31, 2007)

Stock acquisition Rights Attached to the Bonds with Stock Acquisition Rights Issued
Pursuant to the Provision of Article 341-2 of the Former Commercial Code of Japan

	Number of stock acquisition rights issued	Class and number of shares for which stock acquisition rights were issued	Issue price of stock acquisition right
Zero Coupon Convertible Bonds due 2011 (Resolved at the Meeting of the Board of Directors held on 5/10/04)	11,000	11,156,100 shares of common stock	No charge

(3) Directors and Corporate Auditors of the Company

(i) Name etc. of Directors and Corporate Auditors of the Company (as of March 31, 2007)

Name	Position at the Company	Responsibility and Representative Status in Other Companies, etc.
Toshio Nakajima	*President	Management of execution of the business. Chairman (Part time), Semiconductor Technology Academic Research Center
Hideto Goto	*Executive Vice President and Member of the Board	Important matters relating to Technology Foundation Development Operations Unit, matters relating to Information Systems Division, Intellectual Asset Division, Corporate Quality Assurance Division and Environmental Management Division
Junshi Yamaguchi	*Executive Vice President and Member of the Board	Management of sales, matters relating to Corporate Communications Division, HR & General Affairs Division, and management of export and import transactions
Yoshikazu Inada	*Executive Vice President and Member of the Board	Management of production and matters relating to 5th Systems Operations Unit and Compound Semiconductor Devices Division

Name	Position at the Company	Responsibility and Representative Status in Other Companies, etc.
Shunichi Suzuki	Member of the Board	Executive Vice President and Member of the Board, NEC Corporation President, NEC BIGLOBE, Ltd.
Norio Tanoue	Corporate Auditor (Full time)	
Keiji Suzuki	Corporate Auditor (Full time)	
Yasuyuki Shibata	Corporate Auditor	Attorney-at-law
Shigeo Matsumoto	Corporate Auditor	Corporate Auditor (Full time), NEC Corporation

- (Note)
1. Messrs. Norio Tanoue and Yasuyuki Shibata are outside Corporate Auditors, as stipulated in Item 16, Article 2 of the Company Law.
 2. Mr. Norio Tanoue was a corporate officer in charge of accounting at an affiliated company of NEC Corporation, and thus has a fair knowledge of finance and accounting.
 3. Mr. Shigeo Matsumoto was an accounting director at NEC Corporation, and thus has a fair knowledge of finance and accounting.
 4. The Members of the Board were changed during the Period as follows:
 - i) Retirement as of June 27, 2006 (Reason)
Member of the Board
Kaoru Tosaka (Expiration)
 - ii) Assumption as of June 27, 2006
Executive Vice President and Member of the Board
Yoshikazu Inada
 5. On May 7, 2007, the positions and responsibilities of Directors within the Company or principal occupation were partially changed as follows:

Name	Position at the Company	Responsibility or Principal Occupation after Change
Hideto Goto	Member of the Board	
Junshi Yamaguchi	*Executive Vice President and Member of the Board	Matters relating to sales and Information Systems Division, and management of export and import transactions
Yoshikazu Inada	*Executive Vice President and Member of the Board	Management of production and matters relating to Discrete and IC Business Unit

6. Asterisks denote the Directors who have been acting as Corporate Officers. The names of other Corporate Officers (who are not also Directors) as of April 1, 2007 are as follows: Messrs. Hiroshi Sato, Kunio Morioka, Masao Fukuma, Zensuke Matsuda, Yoichi Yano and Masaki Kato.

(ii) Remuneration, etc. for Directors and Corporate Auditors

	Number / Total Amount Paid	
Directors	5 persons / 125 million yen	
Corporate Auditors	4 persons / 54 million yen (including 2 outside Corporate Auditors / 27 million yen)	
Total	9 persons	179 million yen

- (Note) 1. The amount of Directors' remuneration does not include the amount paid as salary for employees to those Directors who are also employees. In addition, the amount includes 8 million yen of Stock Acquisition Rights allotted as stock options. No bonuses were paid to the Corporate Auditors.
2. In addition to the above, the Company paid 9 million yen of retirement allowance to a retiring director pursuant to the resolution at the 4th Company's General Meeting of Shareholders held on June 27, 2006.
3. As of March 31, 2007, there were five (5) Directors and four (4) Corporate Auditors.
4. The maximum monthly remuneration for Directors as approved by the General Meeting of Shareholders is 20 million yen. (Approved at the 2nd Ordinary General Meeting of Shareholders held on June 25, 2004.)
In addition to the above, the Company allotted up to three hundred (300) Stock Acquisition Rights as stock options from shares of common stock of the Company (not exceeding ninety thousand (90,000) shares). The amount of such Stock Acquisition Rights shall be calculated, based on the "Black-Scholes Option Pricing Model", on the allotment date by the total number of the Stock Acquisition Rights to be allotted to Directors in office as of the allotment date. (Approved at the 4th Company's General Meeting of Shareholders held on June 27, 2006)
5. The maximum monthly remuneration for Corporate Auditors as approved by the General Meeting of Shareholders is 10 million yen. (Approved at the 2nd Ordinary General Meeting of Shareholders held on June 25, 2004.)

(4) Outside Board Members of the Company

(i) Auditor: Mr. Norio Tanoue

(a) Concurrent Position (as of March 31, 2007)

NOK CORPORATION: Outside Corporate Auditor
NEC Kansai, Ltd.: Outside Corporate Auditor

(b) Principal Activities

① Attendance to the Meeting of Board of Directors and Remarks therein

Mr. Tanoue attended all 17 Meetings of Board of Directors during the Period, and made necessary remarks so that decisions at the Meeting of Board of Directors were fairly and properly made.

② Attendance to the Meeting of Corporate Auditors and Remarks therein

Mr. Tanoue attended all 18 Meetings of Corporate Auditors during the Period, and chaired such Meetings of Corporate Auditors. Further, as a full-time Corporate Auditor, Mr. Tanoue explained the contents of the discussion at the Executive Committee, etc. regarding the matters to be placed on the Meeting of Board of Directors, and when needed, answered to the questions from part-time Corporate Auditors.

(ii) Auditor: Yasuyuki Shibata

(a) Concurrent Position (as of March 31, 2007)

Anritsu Corporation: Outside Corporate Auditor

(b) Principal Activities

① Attendance to the Meeting of Board of Directors and Remarks therein

Mr. Yasuyuki Shibata attended 14 of 17 Meetings of Board of Directors during the Period, and made necessary remarks, mainly from the legal viewpoint as an attorney at law, so that decision at the Meeting of Board of Directors is fairly and properly made.

② Attendance to the Meeting of Corporate Auditors and Remarks therein

Mr. Yasuyuki Shibata attended 16 of 18 Meetings of Corporate Auditors during the Period, and made necessary remarks, mainly from the legal viewpoint as an attorney at law, for building and maintenance of the Company's compliance system.

(c) Outline of Liability Limitation Agreements

The Company has entered into liability limitation agreement with Mr. Yasuyuki Shibata under Paragraph 1, Article 423 of the Company Law. The limit of liability for damages under such agreement has been set at the minimum liability provided under Paragraph 1, Article 427 of the Company Law.

(5) Independent Auditors of the Company

(i) Name: Ernst & Young Shin Nihon

(ii) Remuneration and Other Amounts to be Paid to the Independent Auditors for the Period:

Classification	Amount (in millions of yen)
(i) The total amount of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Auditors	297
(ii) Remuneration and other amounts to be paid by the Company to the Independent Auditors for the services stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law.	253

(Note) 1. As there is no explicit distinction in the audit contract (entered into by the Company and the Independent Auditors) between the fees for audits based on the Company Law and the fees for audits based on the Securities Exchange Law in Japan, and as it is difficult to distinguish between these two types of fees, the fees set forth in (ii) above include both of such fees.

2. Among the Company's principal subsidiaries, NEC Electronics America, Inc., NEC Electronics (Europe) GmbH, NEC Semiconductors (Malaysia) Sdn. Bhd., NEC Semiconductors Singapore Pte. Ltd., NEC Electronics Singapore Pte. Ltd., P.T, NEC Semiconductors Indonesia, Shougang NEC Electronics Co., Ltd., NEC Electronics (China) Co., Ltd., NEC Electronics Hong Kong Limited, NEC Electronics Taiwan Ltd. and NEC Electronics Korea Limited are audited by other Independent Auditors.

(iii) Policy Regarding Decision to Either Dismiss or Not Reappoint the Independent Auditor

The Board of Corporate Auditors, by unanimous agreement, will dismiss the Independent Auditor when confirmed that the Independent Auditor falls under any item of Paragraph 1, Article 340 of the Company Law.

In addition, should anything occur to negatively impact the qualifications or independence of the Independent Auditor, making it unlikely that the Independent Auditor will be able to properly perform an audit, the Director will propose, with the agreement of the Board of Corporate Auditors, or as

requested by the Board of Corporate Auditors, not to reappoint the Independent Auditor at a General Meeting of Shareholders.

Note: The Board of Directors made the above resolution at the Meeting of the Board of Directors held on April 26, 2006.

(6) Framework for Ensuring Appropriate Execution of Directors' Duties in Conformity with Laws and Regulations and the Articles of Incorporation; and Other Systems to Ensure Appropriate Business Operation

The Meeting of the Board of Directors held on May 30, 2006 made the following resolution with respect to the basic policies of the Company's management system pursuant to Item 6, Paragraph 4, Article 362 of the Company Law and Paragraph 1 and 3, Article 100 of the Enforcement Regulations of the Company Law.

(i) Framework for ensuring execution of duties by Directors and employees in conformity with laws and regulations and the Articles of Incorporation

- (a) The "NEC Electronics Guiding Principles" and the 'NEC Electronics Group Code of Conduct' had been adopted to establish corporate ethics and to ensure compliance of laws and regulations, the Articles of Incorporation of the Company and other internal rules of the Company by its Directors and employees. The NEC Electronics Group has kept informed about and followed these principles.
- (b) Directors and Corporate Officers acknowledge that to keep informed about the 'NEC Electronics Guiding Principles' and the 'NEC Electronics Group Code of Conduct' is one of their principal duties, and take the lead in putting these principles into practice; while i) the Legal Division carries out practical activities, and ii) the Internal Auditing Division audits the actual state of compliance implementation in each division, points out the problems and offers suggestions for improvements thereof.
- (c) When the important facts regarding the compliance of laws and regulations, the Articles of Incorporation or the internal rules of the Company (including but not limited to the serious violation thereof) ("Compliance") are found, Directors shall immediately inform Corporate Auditors of such facts and report them at the Meeting of the Board of Directors without delay.
- (d) Major issues relating to the Compliance 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 regulations regarding compliance, the "NEC Electronics Group Compliance Program". In addition, NEC Electronics designates compliance promoters in each division and its subsidiaries, and carries out the Compliance throughout the NEC Electronics Group.
- (e) NEC Electronics has set up 'NEC Electronics Group Helplines', as an internal window for a report on the compliance violation issues, for the NEC Electronics Group and its business partners. Further, the Company, upon request from the informant, assures the

anonymousness of such informant, and keeps informed that such informant will never be placed at a disadvantage.

(ii) Framework for ensuring the preservation and management of information related to the execution of duties by Directors

- (a) The minutes of the Meetings of Shareholders and Board of Directors are properly prepared, saved and managed in accordance with the relevant laws and regulations. Other documents pertaining to the duties of Directors and employees, and other books and records are also properly prepared, saved and managed based on the Company's own fundamental regulation rules regarding document management.
- (b) Documents related to the execution of duties by Directors are managed in a way accessible by Directors and Corporate Auditors at any time.
- (c) Trade secrets are properly and strictly managed in accordance with the Company's own fundamental regulations regarding the management and protection of confidential information.
- (d) Personal information is properly and strictly managed in accordance with the Company's own fundamental regulations regarding the management and protection of personal information.
- (e) As to the information security, the Company has established its own fundamental regulations regarding the information security to clarify where the responsibility for information security lies, and built information management and security system to continuously carry out measures for maintaining and improving information security.
- (f) The fundamental issues pertaining to the management and security of confidential and personal information are deliberated by the "Information Management and Security Committee". The "Information Management and Security Committee" also designates information management promoters in each division and subsidiaries, and carries out the compliance with each regulation regarding information management.

(iii) Rules and other systems regarding the management of risk of loss

- (a) NEC Electronics has established a risk management framework in line with the Company's own fundamental regulations regarding risk management. Important matters which are not defined in such regulations and the revisions of such regulations are discussed and resolved at the Executive Committee.
- (b) The above regulations classify company wide management risks, and designate the Corporate Officers and the division responsible for each classified risk category. 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.

- (c) Understanding and classification of possible risks, and management of the division responsible for each risk, is controlled by the Corporate Planning Division. This system is regularly reviewed at the Executive Committee.
- (d) 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.
- (e) When serious risks materialize, NEC Electronics sets up a 'Crisis Countermeasures Committee' or 'Emergency Headquarters', which will be chaired by the President, to respond to the situation in accordance with the particular category of risk involved.

(iv) Framework for ensuring efficient execution of duties by Directors

- (a) The Board of Directors holds an ordinary meeting once a month and extraordinary meeting as needed for the quick decision-making.
- (b) The Company has adopted Corporate Officer System and has Directors not exceeding ten in number. The Board of Directors makes decisions on the important management of the affairs of the Company at the Meeting of the Board of Directors and supervises the execution of duties by the Corporate Officers. However, the important issues of the Company's management are discussed at the Executive Committee prior to the Meeting of the Board of Directors in order to enhance the Board's deliberation.
- (c) The Board of Directors decides the mid-term management plan and annual/semiannual budgets, and supervised executions thereof.
- (d) Execution of duties is flexibly and efficiently performed by Corporate Officers (including Corporate Officers who also act as Directors) in accordance with the office routine regulations decided by the Board of Directors. Corporate Officers efficiently perform their duties in accordance with the mid-term management plan and annual/semiannual budget decided at the Meeting of the Board of Directors, and report the progress of the budget use at the meeting of the budget implementation.
- (e) Directors make quick decision regarding the business operation by transferring the authority to Corporate Officers, General Managers and other employees. Authorities of Corporate Officers, General Managers and other employees are executed in accordance with the office routine regulations, decision-making and authorization procedures regulations and other pertinent fundamental regulations.
- (f) Corporate Officers build, operate and improve the information system for each business operation, to ensure efficient execution of their duties.

(v) Framework for ensuring appropriate operations of the NEC Electronics Group

- (a) The Company's responsible divisions oversee the routine management of subsidiaries based on 'NEC Electronics Guiding Principle' and the 'NEC Electronics Group Code of Conduct', while Corporate Auditors instruct and support the subsidiaries regarding the compliance

system and other systems to ensure their appropriate operations through hearings of their business reports and investigations of their operation and finance

- (b) 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 (including the resolution at the Meeting of Board of Directors) based on its own assessment of the seriousness of the issue being decided, then exercises its shareholder's rights.
- (c) 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.
- (d) Internal Auditing Division audits the appropriate operations of subsidiaries.
- (e) The internal auditing staff members of subsidiaries cooperate with the Internal Auditing Division and corporate auditors of subsidiaries.
- (f) Examinations of subsidiaries, including visiting audits, are performed by Corporate Auditors in cooperation with the subsidiaries' own corporate auditors to ensure appropriate operations of the NEC Electronics Group.

(vi) Independence of the employees assigned to assist the Corporate Auditors

NEC Electronics has established the Corporate Auditors Office composed of specialized staff members that assist the Corporate Auditors' audit activities. Any merit evaluation, personnel transfer or reprimand, etc. of such specialized staff requires prior consultation of full-time Corporate Auditors.

(vii) Framework for Directors' and employees' reporting to Corporate Auditors; and system relating to other reporting to Corporate Auditors

- (a) Directors and employees of the Company, in response to the Corporate Auditors' request, report their execution of duties, etc. to Corporate Auditors.
- (b) General Managers of divisions such as the Internal Auditing Division, Legal Division and Accounting Division, depending on the specific duty, regularly report the status of their business execution once a month, quarter or other term.
- (c) The manager of the internal window for a report on compliance violation issues regularly reports the status of its operation to Corporate Auditors. Further, the said manager, as needed, promptly reports the violation of the Compliance by Directors and other important matters to Corporate Auditors.
- (d) Important authorization documents (such as the minutes, decision records and other documents of important meetings) are reviewed by Corporate Auditors.

(viii) Framework for ensuring effective auditing by Corporate Auditors

- (a) Corporate Auditors may attend all important Company meetings as they deem necessary. Also the right of Corporate Auditors to access to all critical corporate information is guaranteed.
- (b) Independent rooms are provided to the full-time Corporate Auditors.
- (c) Corporate Auditors may obtain, at Company's cost, expert advice from outside specialists as they deem necessary for the audit.
- (d) Corporate Auditors hold the Meeting of the Corporate Auditors at least once a month, and exchange information and deliberate on each Corporate Auditor's audit status, and also receive regular reports from independent auditors on their audit activities and exchanges viewpoints on them.
- (e) Regular meetings are held to provide the Corporate Auditors and Directors with the opportunity to exchange their viewpoints.

Note: The Corporate Planning Division changed its name to the 'Planning Division' as of May 7, 2007.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2007)

(Millions of Yen)

Assets	
Current assets:	
Cash and cash equivalents	¥185,372
Notes and accounts receivable, trade	100,106
Allowance for doubtful notes and accounts	(563)
Inventories	82,573
Deferred tax assets	6,795
Prepaid expenses and other current assets	7,331
Total current assets	381,614
Investments:	
Marketable securities	5,997
Investments, other:	
Affiliated companies	746
Other	411
	7,154
Property, plant and equipment:	
Land	16,849
Buildings	244,852
Machinery and equipment	965,005
Construction in progress	15,421
	1,242,127
Accumulated depreciation	(949,304)
	292,823
Other assets:	
Deferred tax assets	3,892
License fees and other intangibles	9,357
Other	1,046
	14,295
	¥695,886

(Millions of Yen)

Liabilities and shareholders' equity	
Current liabilities:	
Short-term borrowings	¥ 3,609
Current portion of long-term debt	15,914
Current portion of obligation under capital leases to related party	1,080
Notes and accounts payable, trade	132,467
Accounts payable, other and accrued expenses	58,300
Accrued income taxes	2,792
Other current liabilities	8,798
Total current liabilities	222,960
Long-term liabilities:	
Long-term debt	110,634
Obligation under capital leases to related party	4,793
Accrued pension and severance costs	71,535
Deferred tax liabilities	10,847
Other	5,214
	203,023
Minority shareholders' equity in consolidated subsidiaries	4,835
Commitments and contingent liabilities	
Common stock:	85,955
Authorized	
400,000,000 shares	
Issued and outstanding	
123,500,000 shares	
Additional paid-in capital	281,039
Retained earnings (Accumulated deficit)	(98,901)
Accumulated other comprehensive income (loss)	(3,017)
Treasury stock, at cost	(8)
1,445 shares	
	265,068
	¥695,886

CONSOLIDATED STATEMENT OF OPERATIONS

(For the Period from April 1, 2006 to March 31, 2007)

(Millions of Yen)

Sales and other income:	
Net sales	¥692,280
Gain on sales of property, plant and equipment and other	2,548
Interest and dividend income	1,929
Gain on sales of investments in securities	6,436
	703,193
Costs and expenses:	
Cost of sales	502,086
Research and development	131,751
Selling, general and administrative	87,000
Restructuring charges	4,192
Litigation and settlements expense	1,435
Loss on sales or disposal of property, plant and equipment and other	9,229
Interest	698
Net foreign exchange loss	1,197
Loss on investments in securities	980
	738,568
Loss before income taxes	35,375
Provision for income taxes	5,105
Loss before minority interest, equity in losses of affiliated companies	40,480
Minority interest in income of consolidated subsidiaries	552
Loss before equity in losses of affiliated companies	41,032
Equity in income (losses) of affiliated companies	(468)
Net loss	¥ 41,500

CONSOLIDATED STATEMENT
OF CHANGES IN SHAREHOLDER'S EQUITY
(For the Period from April 1, 2006 to March 31, 2007)

(Millions of Yen)

	Common stock	Additional paid-in capital	Retained earnings (Accumulated deficit)	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
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)						<u>(42,913)</u>
Adjustment to initially apply SFAS 158, net of tax				(262)		(262)
Effect of change in fiscal year-end of a 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

Basis of Presenting the Consolidated Financial Statements

(Significant Accounting Policies)

1. Basis of preparation of the consolidated financial statements

Pursuant to Paragraph 1 of Article 148 of the Japanese Company Accounting Regulations, the accompanying consolidated financial statements have been prepared by using the terms, forms and methods consistent with accounting principles generally accepted in the United States of America. Certain information and footnotes required by accounting principles generally accepted in the United States of America are omitted pursuant to the aforesaid Article.

2. Method and basis of valuation of inventories

Inventories are mainly stated at the lower of cost or market method on a first-in, first-out basis.

3. Method and basis of valuation of marketable equity securities

The Company applies Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*.

Marketable equity securities are reported at fair value based on market price at March 31, 2007. Unrealized gains and losses are included in accumulated other comprehensive income (loss), net of tax. Costs of marketable equity securities sold are calculated on the basis of the average cost of a particular security held at the time of sale.

4. Depreciation and amortization

Property, plant and equipment are depreciated mainly using the declining-balance method.

Intangible assets are mainly amortized on a straight-line basis.

5. Basis of provision for allowance

Allowance for doubtful notes and accounts:

An allowance for doubtful notes and accounts is provided based on credit loss history and an evaluation of any specific doubtful notes and accounts.

Accrued pension and severance costs:

In accordance with SFAS No. 87, *Employers' Accounting for Pensions*, and SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, accrued pension and severance costs are provided for resignation of employees, based on projected benefit obligations and fair value of plan assets at March 31, 2007. Unrecognized prior service costs or credits and actuarial gains or losses are amortized on the straight-line method over the average remaining service period of employees expected to receive benefits under the plan.

(Change in the accounting policy)

The Company adopted SFAS No. 158 effective March 31, 2007. The Company recognizes the difference between projected benefit obligations and fair value of plan assets in the consolidated balance sheet. The Company also recognizes as a component of other comprehensive income, net of tax, prior service costs and actuarial losses that arise during the period but are not recognized as components of net periodic benefit cost. As a result of this change, accrued pension and severance costs increased by 374 million yen, and other comprehensive income, net of tax, decreased by 262 million yen. There has been no effect on profit and loss.

(Notes to Consolidated Balance Sheet)

1. Property, plant and equipment with a net book value of 5,932 million yen was pledged at March 31, 2007.
2. Under operating lease agreements, the Company is obligated to guarantee the residual value of machinery and equipment when the Company returns such machinery and equipment at the end of lease term. At March 31, 2007, the amount of the recognized residual value guarantee was 24,700 million yen.
3. Legal issues

The NEC Electronics Group is engaged in business all over the world. In such a business environment, there is a high possibility the Company would get involved in litigations, claims seeking damages and other disputes from time to time. Although there are various unresolved legal issues, the Company has acknowledged that, except for the following cases, there are no legal issues which may have a material impact on the Company's financial position and operating results as of March 31, 2007.

NEC Electronics America, Inc. has been named as one of the defendants in numerous class action civil antitrust lawsuits from direct purchasers (customers who had directly purchased DRAM from the NEC Electronics Group in the past) seeking damages for alleged antitrust violations in the DRAM industry. Although these class action lawsuits are expected to be resolved by settlement, NEC Electronics America is still in litigation, or in settlement negotiations along with NEC Corporation, with several customers who have opted out of such class action lawsuits. NEC Electronics America has also been named as one of the defendants in numerous class action civil lawsuits from indirect purchasers (customers who had purchased products containing DRAM), as well as a number of antitrust lawsuits filed by the Attorneys General of numerous states in the U.S.

Additionally, the NEC Electronics Group, together with NEC Corporation, is fully cooperating with the European Commission in its investigation of potential violations of European competition laws in the DRAM industry.

Furthermore, the NEC Electronics Group is also subject to (i) investigations in connection with potential antitrust violations in the SRAM industry being conducted by the U.S. Department of Justice and the European Commission, (ii) investigations in connection with potential antitrust violations in the semiconductor industry by the Korea Fair Trade Commission, as well as (iii) investigations by the U.S. Department of Justice, the European Commission, the Korea Fair Trade Commission, and the Competition Bureau of Canada in connection with potential antitrust violations in the thin-film transistor liquid crystal display (TFT-LCD) industry. Following the initiation of investigations by the U.S. Department of Justice into the SRAM and TFT-LCD industries, numerous class action civil antitrust lawsuits seeking damages for alleged antitrust violations have been brought against NEC Electronics America in the United States and elsewhere.

Although the outcome of the aforementioned investigations, antitrust lawsuits and settlement negotiations is not known at this time, the NEC Electronics Group has recorded the probable and reasonably estimable losses in the amount of about 3,200 million yen as “Accounts payable, other and accrued expenses” for the U.S. DRAM civil lawsuits and settlements with customers in the U.S.

4. Accumulated other comprehensive income (loss) includes foreign currency translation adjustments, pension liability adjustment, unrealized gains (losses) on marketable securities, and unrealized gains (losses) on derivative financial instruments.

(Notes to Consolidated Statement of Operations)

Net loss per share:

Basic	336.04 yen
Diluted	336.04 yen

BALANCE SHEET
(on a non-consolidated basis)
(As of March 31, 2007)

(Millions of yen)

Assets	
Current assets	¥418,240
Cash	86,673
Cash equivalents	82,748
Notes receivable, trade	170
Accounts receivable, trade	74,993
Short-term loans receivable	132,209
Accounts receivable, other	16,354
Finished goods	11,589
Work in process	3,729
Raw materials	9,110
Prepaid expenses	1,286
Other current assets	239
Allowance for doubtful notes and accounts	(860)
Fixed assets	135,663
Property, plant and equipment	32,670
Buildings and structures	6,628
Machinery and equipment	18,558
Transportation equipment, tools, furniture and fixtures	6,730
Construction in progress	754
Intangible fixed assets	23,551
Software	19,352
Software in progress	4,135
Other intangible fixed assets	65
Investments and other assets	79,442
Investments in securities	239
Investments in subsidiaries	65,051
Long-term loans receivable	255
Long-term prepaid expenses	6,993
Prepaid pension expenses	6,585
Other investments	319
Total assets	¥553,904

(Millions of Yen)

Liabilities	
Current liabilities	¥170,637
Notes payable	7
Accounts payable, trade	82,745
Current portion of long-term debt	15,000
Accounts payable, other	12,055
Accrued expenses	20,812
Accrued income taxes	272
Provision for product warranties	636
Other current liabilities	39,111
Long-term liabilities	117,106
Convertible bonds	110,000
Deferred tax liabilities	2,646
Provision for loss on subsidiaries	1,306
Other long-term liabilities	3,154
Total liabilities	¥287,742
Net assets	
Shareholders' equity	266,154
Common stock	85,955
Capital surplus	257,728
Capital legal reserve	21,489
Other capital surplus	236,239
Earned Surplus	(77,521)
Other earned surplus	(77,521)
Earned surplus brought forward	(77,521)
Treasury stock	(8)
Difference of appreciation and conversion	(17)
Unrealized losses on investments in securities	(10)
Deferred losses on hedges	(8)
New share acquisition rights	25
Total net assets	266,162
Total liabilities and net assets	¥553,904

STATEMENT OF OPERATIONS
(on a non-consolidated basis)
(For the Period from April 1, 2006 to March 31, 2007)

(Millions of yen)

Net sales	596,141
Cost of sales	437,205
Gross of profit	158,936
Selling, general and administrative expenses	208,170
Operating loss	49,234
Non-operating income	3,232
Interest income	2,662
Dividends income	134
Other non-operating income	436
Non-operating expenses	9,190
Interest expense	1,398
Loss on disposal of fixed assets	3,638
Foreign exchange loss	1,967
Accrued pension and severance cost	940
Other non-operating expenses	1,247
Ordinary loss	55,192
Extraordinary Income	10,723
Gain on contribution of securities to retirement benefit trust	6,534
Gain on sales of investments in securities	2,813
Other extraordinary income	1,376
Extraordinary losses	33,976
Valuation loss of subsidiaries' stocks, etc.	30,398
Other extraordinary losses	3,578
Loss before income taxes	78,445
Current income taxes	(3,255)
Deferred income taxes	2,331
Net loss	77,521

STATEMENT OF CHANGES IN NET ASSETS
(on a non-consolidated basis)
(For the Period from April 1, 2006 to March 31, 2007)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus		Earned surplus		Treasury stock	Total shareholders' equity
		Capital legal reserve	Other capital surplus	Other earned surplus			
				Reserve for special depreciation	Earned surplus brought forward		
Balance at March 31, 2006	85,955	342,346	-	59	(84,677)	(7)	343,676
Changes during the annual period							
Reversal of Capital legal reserve (*)		(320,857)	236,239		84,618		-
Contribution to reserve for special depreciation (*)				6,463	(6,463)		-
Reversal of reserve for special depreciation (*)				(11)	11		-
Reversal of reserve for special depreciation				(6,512)	6,512		-
Net loss					(77,521)		(77,521)
Purchase of treasury stock						(2)	(2)
Net changes other than shareholders' equity							
Total changes during the annual period	-	(320,857)	236,239	(59)	7,157	(2)	(77,522)
Balance at March 31, 2007	85,955	21,489	236,239	-	(77,521)	(8)	266,154

	Difference of appreciation and conversion			New share acquisition rights	Total net assets
	Unrealized losses on investments in securities	Deferred losses on hedges	Total difference of appreciation and conversion		
Balance at March 31, 2006	5,747	-	5,747	-	349,423
Changes during the annual period					
Reversal of Capital legal reserve (*)					-
Contribution to reserve for special depreciation (*)					-
Reversal of reserve for special depreciation (*)					-
Reversal of reserve for special depreciation					-
Net loss					(77,521)
Purchase of treasury stock					(2)
Net changes other than shareholders' equity	(5,757)	(8)	(5,765)	25	(5,739)
Total changes during the annual period	(5,757)	(8)	(5,765)	25	(83,262)
Balance at March 31, 2007	(10)	(8)	(17)	25	266,162

(*) Items approved at the General Meeting of Shareholders held in June, 2006

(Notes to Significant Accounting Policies)

1. Basis and method of valuation of assets

(1) Securities:

Investments in subsidiaries and affiliates		Moving average cost method
Investments in other securities	Marketable securities	Fair value method. Unrealized gains and losses on investments in marketable securities are included in "Unrealized losses on investments in securities." Cost of sales for marketable securities is based on the moving average cost.
	Non-marketable securities	Moving average cost method

(2) Derivatives: Fair value method

(3) Inventories: Lower of cost or market method based on the cost calculated by the following method:

Finished goods	Custom-made products	Specific cost method
	Mass-produced standard products	First-in, first-out method
Work in process	Custom-made products	Specific cost method
Semifinished components and raw materials		First-in, first-out method

2. Depreciation method for fixed assets:

- Property, plant and equipment: Declining-balance method
- Intangible fixed assets: Straight-line method
Software for internal use is amortized on a straight-line basis over the useful years (5 years).
- Long-term prepaid expenses: Straight-line method

3. Basis of provision for allowance:

(1) Allowance for doubtful notes and accounts

- In order to provide for bad debt, allowance for ordinary receivable is provided based on past actual bad debt ratio, and allowance for receivable considered to be uncollectible is provided based on the individual estimated collectibility.

(2) Accrued pension and severance cost

- The Company has defined benefit funded plans applying cash balance pension plans and severance indemnity plans for its employees.
In order to provide for pension and severance payments, accrued pension and severance cost is calculated based on the estimated amounts of benefit obligation and pension plan assets as of March 31, 2007.
Regarding the difference arising upon changes in the accounting standards, the amount succeeded to from NEC Corporation is allocated proportionally and expensed.
The prior service costs and actuarial losses are amortized on the straight-line method over the average remaining service period of employees.

(3) Provision for product warranties

- In order to provide for after-sales repair cost at no charge, provision for product warranties is provided on the estimated amounts of specific businesses and estimated amounts based on historical performance to sales.

(4) Provision for loss on affiliates

- If the estimated amounts the Company obligated out of negative net worth of affiliates exceed the Company's investments in the affiliates, such excess is provided for the loss resulting from affiliates' business considering the individual affiliates' financial conditions.

4. Lease transactions

Finance lease transactions except for the case where the ownership of leased assets is transferred to the lessee are recorded in accordance with the policy of ordinary lease transactions.

5. Accounting for hedging

- (1) Hedge accounting: For derivative transactions for the purpose of hedging interest rate, the Company adopted deferred accounting for hedging.
- (2) Hedging Instrument: interest rate swap
- (3) Hedging subject: debt
- (4) Hedge Policy: The Company contracted interest rate swap to manage interest volatility risk in the market for long term fixed liability based on the Company's hedging regulations.
- (5) Assessment of hedge effectiveness: Interest rate swap meets certain conditions, and thus is effective.

6. Accounting policies on consumption taxes

Consumption taxes are accounted for as deposits received or deposits paid.

7. Consolidated taxation system

The Company adopted the consolidated taxation system.

(Notes to Changes in Accounting Policies)

1. Adoption for accounting standard for presentations of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Company adopted "Accounting Standard for Presentations of Net Assets in the Balance Sheet" (Accounting Standard Board of Japan "ASBJ" Statement No.5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentations of Net Assets in the Balance Sheet" ("ASBJ" Guidance No.8 issued on December 9, 2005). The equivalent amount of the total Shareholders' equity formerly regulated is 266,144 million yen.

2. Adoption for accounting standard for business combination

Effective from the year ended March 31, 2007, the Company adopted "Accounting Standard for Business Combination" (issued on October 31, 2003) and "Guidance on Accounting Standard for Business Combination and Business Separations, etc." ("ASBJ" Guidance No.10 issued on December 27, 2005).

3. Adoption for accounting standard for Directors' bonus

Effective from the year ended March 31, 2007, the Company adopted "Accounting Standard for Director's Bonus" ("ASBJ" Standard No.4 issued on November 29, 2005). The adoption of this Standard did not have any impact on the Company's operating results.

4. Adoption for accounting standard for share-based payment, etc.

Effective from the year ended March 31, 2007, the Company adopted "Accounting Standard for Share-based Payment, etc." ("ASBJ" Standard No.8 issued on December 27, 2005) and "Guidance on Accounting Standard for Share-based Payment, etc." ("ASBJ" Guidance No.11 issued on May 31, 2006). As a result, operating loss, ordinary loss and net loss before income taxes has increased by 25 million yen respectively.

5. Change in accounting policy for provision for product warranties

The Company provided on estimated amounts of specific businesses so far for provision for product warranties. In addition to them, effective from the year ended March 31, 2007, the Company also provided on estimated amounts based on historical performance to sales. Because from the year ended March 31, 2007 the Company can reasonably analyze historical performance of after-sales repair at no charge for a certain period in the past, the Company changed accounting policy in order to rise in financial strength and to make periodical accounting of profit and loss more appropriate. As a result, operating loss, ordinary loss and net loss before income taxes has increased by 444 million yen.

(Notes to Balance Sheet)

1. Reported amounts are rounded to the nearest one million yen.
2. Accumulated depreciation of property, plant and equipment: ¥91,410 million
3. Guarantees for loan: ¥17,923 million
Residual value guarantees for operating lease agreements: ¥22,969 million
4. Monetary receivable from and payable to affiliates:

Short-term receivable	¥175,518 million
Long-term receivable	¥245 million
Short-term payable	¥85,388 million

(Notes to Statement of Operations)

1. Reported amounts are rounded to the nearest one million yen.
2. Transactions with affiliated companies:

Net sales	¥243,441 million
Purchases	¥568,127 million
Transactions other than operation	¥13,263 million

(Notes to Statements of Change in Net Assets)

As of March 31, 2007

1. Kind and number of outstanding shares including treasury stock
Common stock 123,500,000 shares
2. Kind and number of treasury stock
Common stock 1,445 shares
3. Kind and number of shares for new share acquisition rights excluding unexercisable rights
Common stock 232,000 shares

(Notes to Deferred Income Tax)

Significant components of deferred tax assets are loss on revaluation of investments in affiliates, deficit, R&D expenses and devaluation loss on inventories. Significant component of deferred tax liabilities is gain on contribution of securities to retirement benefit trust.

(Notes to Fixed Assets Used for Lease)

Fixed assets and parts of office equipment and production equipment in the balance sheet are used for finance lease except for the case where the ownership of leased assets is transferred to the lessee.

(Notes to Transaction with Subsidiaries)

(Millions of yen)

Attribution	Company name	Ratio of Share-holding	Relation with subsidiaries	Contents of transaction	Transaction amount (*3)(*4)	Account	Balance at March 31, 2007(*3)
subsidiary	NEC Yamagata, Ltd.	100.0 %	Purchasing parts of our products	Sale of fixed assets(*1), Loan(*2)	7,010 54,000	Accounts receivable, other Short-term loans	3,361 41,002
subsidiary	NEC Kansai, Ltd.	100.0 %	Purchasing parts of our products	Purchasing products(*1), Loan(*2)	85,038 26,000	Accounts payable Short-term loans Long-term loans	7,312 16,346 245
subsidiary	NEC Kyushu, Ltd.	100.0 %	Purchasing parts of our products	Loan(*2)	42,700	Short-term loans	33,278
subsidiary	NEC Fukui, Ltd.	100.0 %	Purchasing parts of our products	Purchasing products(*1), Loan	96,838 7,000	Accounts payable Short-term loans	3,023 3,384
subsidiary	NEC Semicon Package Solutions, Ltd.	100.0 %	Purchasing parts of our products	Purchasing products(*1), Loan(*2)	155,190 24,000	Accounts payable Short-term loans	5,768 13,047
subsidiary	NEC Yamaguchi, Ltd.	100.0 %	Purchasing parts of our products	Loan(*2)	15,500	Short-term loans	10,993
subsidiary	NEC Electronics America, Inc.	100.0 %	Selling and purchasing parts of our products	Loan(*2)	77,900 thousands of US dollars	Short-term loans	8,219
subsidiary	Shougang NEC Electronics Co., Ltd.	50.3%	Purchasing parts of our products	Loan(*2)	52,100 thousands of US dollars	Short-term loans	4,347

(*1) Price and other transaction conditions were determined under price negotiation

(*2) Rate for loan to subsidiaries were determined by considering the market rate.

(*3) Consumption tax and other taxes are not included in balances of transaction amount, short-term loan and long-term loan.

(*4) "Transaction amount" of loan is shown here as loan ceiling.

(Notes to the per share information)

1. Net assets per share

2,154.97 yen

2. Net loss per share

627.71 yen

Report of Independent Auditors

May 18, 2007

TO: The Board of Directors
NEC Electronics Corporation (the "Company")

Ernst & Young Shin Nihon
Engagement partner and CPA Kazuya Oki (Seal)
Engagement partner and CPA Kiyomi Nakayama (Seal)
Engagement partner and CPA Kazuhiro Ishiguro (Seal)

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of operations, consolidated statement of change in shareholders' equity and notes to the consolidated financial statements for the 5th business period, from April 1, 2006 to March 31, 2007, of the Company pursuant to Paragraph 4, Article 444 of the Company Law. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements as an independent third party based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements as described above present fairly the financial position and the results of operations of the NEC Electronics Group, which consists of the Company and its consolidated subsidiaries, for the 5th business period, for which the consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles, under Paragraph 1, Article 148 of the Japanese Company Accounting Regulations (refer to Note 1 of "Significant Accounting Policies" of "Basis of Presenting the Consolidated Financial Statements" in the notes to the consolidated financial statements).

Neither our firm nor we have an interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law in Japan.

Report of Independent Auditors

May 18, 2007

TO: The Board of Directors
NEC Electronics Corporation (the "Company")

Ernst & Young Shin Nihon
Engagement partner and CPA Kazuya Oki (Seal)
Engagement partner and CPA Kiyomi Nakayama (Seal)
Engagement partner and CPA Kazuhiro Ishiguro (Seal)

We have audited the financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of operations, the non-consolidated statement of changes in net assets, notes to the non-consolidated financial statements, and supplementary schedules for the 5th business period, from April 1, 2006 to March 31, 2007, of the Company pursuant to Item 1, Paragraph 2, Article 436 of the Company Law. The financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and supplementary schedules as an independent third party based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the financial statements and supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation in the financial statements and supplementary schedules. We believe that our audit provides a reasonable basis for our opinion.

The financial statements and supplementary schedules as described above fairly present the financial position and the results of operations of the Company for the 5th business period covered by the aforesaid financial statements and supplementary schedules in conformity with auditing standards generally accepted in Japan.

Neither our firm nor we have an interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Audit Report of Board of Corporate Auditors

Based on audit reports from each Corporate Auditor, and following due discussion at meetings, the Board of Corporate Auditors have prepared this report regarding the execution of the duties of the Board of Directors for the 5th business period, from April 1, 2006 to March 31, 2007. The Board reports as follows:

1. Auditing Method Employed by the Corporate Auditors and Board of Corporate Auditors and the Details

The Board of Corporate Auditors established auditing policies and plans and received reports from each Corporate Auditor on the status of the implementation of audits and the results thereof, as well as reports from Directors and the Independent Auditors regarding the status of execution of their duties, and requested explanations as necessary.

On the basis of the Board of Corporate Auditors Rules established by the Board of Corporate Auditors, and in accordance with the auditing policies and plans, the Corporate Auditors sought mutual understanding with Directors and employees in their efforts to collect information and achieve an environment conducive to audits, attended meetings of the Board of Directors and other important meetings, and received reports from Directors and employees regarding performance of their duties, requested explanations as necessary, and perused important documents regarding decisions and approvals made, and investigated the status of operations and the financial position at the Company's head office and principal offices of business. The Board of Corporate Auditors also carried out an audit and verification of the particulars of Board of Director resolutions relating to the establishment of structures as set forth in Paragraphs 1 and 3, Article 100 of the Enforcement Regulations of the Company Law, as structures necessary to ensure that the Board of Directors' performance of its duties is in conformity with applicable laws and regulations and the Company's Articles of Incorporation and to otherwise ensure the appropriateness of the business of a Kabushiki Kaisha, as well as structures established pursuant to such resolutions (Internal Control System). Regarding the subsidiaries, the Board of Corporate Auditors sought to achieve a mutual understanding and exchange of information with directors and corporate auditors of the subsidiaries, and, where necessary, visited the subsidiaries, received business reports from the subsidiaries, and examined their operations and assets. Based on the above methods, the Board of Corporate Auditors evaluated the Business Report and supplementary schedules thereto for the 5th business period.

In addition, the Board of Corporate Auditors audited and verified whether the Independent Auditors maintained their independence and carried out their audits appropriately, received reports from the Independent Auditors regarding the execution of their duties and, where necessary, requested explanations. Also, the Board of Corporate Auditors received notification from the Independent Auditors to the effect that the "structure to ensure that duties are executed appropriately" (the matters listed in Article 159 of the Japanese Company Accounting Regulations) has been established in accordance with "Quality Control Standards for Auditing" (adopted by the Business Accounting Council on October 28, 2005), etc., and requested explanations as necessary. Based on the above methods, the Board of Corporate Auditors audited the non-consolidated financial statements related to the 5th business period (the non-consolidated balance sheet, the non-consolidated statement of operations, the non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements) and supplementary schedules as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in shareholders' equity and notes to the consolidated financial statements).

2. Results of Audit

(1) Results of the Audit on the Business Report, etc.

1. We found that the Business Report and supplementary schedules accurately reflect the conditions of the Company in accordance with applicable laws and regulations and the Articles of Incorporation.
2. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of applicable laws and regulations or the Articles of Incorporation were found.
3. We found that the particulars of Board of Directors' resolutions concerning the Internal Control System are appropriate. Further, no matter requiring note on our part were found with respect to Director' execution of duties in regards to the Internal Control System.

(2) Results of the Audit on the Non-Consolidated Financial Statements and Supplementary Schedules

We found that the methods and the results of the audit by the Independent Auditors, Ernst & Young Shin Nihon, are appropriate.

(3) Results of the Audit on the Consolidated Financial Statements and Supplementary Schedules

We found that the methods and the results of the audits conducted by the Independent Auditors, Ernst & Young Shin Nihon, are appropriate.

May 18, 2007

Board of Corporate Auditors of NEC Electronics Corporation

Corporate Auditor (Full-time) Norio Tanoue (Seal)

Corporate Auditor (Full-time) Keiji Suzuki (Seal)

Corporate Auditor Yasuyuki Shibata (Seal)

Corporate Auditor Shigeo Matsumoto (Seal)

Note: Messrs. Norio Tanoue and Keiji Shibata are outside Corporate Auditors stipulated in item 16, Article 2, and paragraph 3, Article 335, of the Company Law.