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**NEC Electronics Reports Financial Results for the
 Six Months Ended September 30, 2006**

KAWASAKI, Japan, October 25, 2006 — NEC Electronics Corporation (TSE: 6723) today announced consolidated financial results for the six months ended September 30, 2006.

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I. Summary of Consolidated Financial Results

	Six Months Ended September 30, 2006			Six Months Ended September 30, 2005		Increase (Decrease)		Year Ended March 31, 2006	
	Billion Yen	Million USD	% of Net Sales	Billion Yen	% of Net Sales	Billion Yen	% Change	Billion Yen	% of Net Sales
Net sales	343.0	2,907	100.0	312.9	100.0	30.1	9.6	646.0	100.0
Sales from semiconductors	327.8	2,778		300.4		27.5	9.1	619.1	
Operating loss	(6.9)	(59)	(2.0)	(12.1)	(3.9)	5.2	---	(35.7)	(5.5)
Loss before income taxes	(5.6)	(47)	(1.6)	(13.7)	(4.4)	8.1	---	(42.4)	(6.6)
Net loss	(7.4)	(63)	(2.2)	(7.9)	(2.5)	0.5	---	(98.2)	(15.2)
Net loss per share of common stock:	Yen	USD		Yen		Yen	% Change	Yen	
Basic	(59.81)	(0.51)		(63.84)		4.03	---	(795.13)	
Diluted	(59.81)	(0.51)		(63.84)		4.03	---	(795.13)	

	Billion Yen	Million USD	Billion Yen	Billion Yen	% Change	Billion Yen
Capital expenditures	76.7	650	46.6	30.2	64.8	83.0
Depreciation and amortization	38.7	328	42.2	(3.5)	(8.2)	89.3
R&D expenses	62.9	533	54.8	8.1	14.7	120.9
Exchange rate (USD)	Yen 115		Yen 109			Yen 112
Exchange rate (Euro)	145		136			138

	September 30, 2006		March 31, 2006	Increase (Decrease)		September 30, 2005
	Billion Yen	Million USD	Billion Yen	Billion Yen	% Change	Billion Yen
Total assets	777.0	6,585	745.3	31.8	4.3	799.7
Shareholders' equity	298.0	2,526	308.3	(10.2)	(3.3)	388.1

	Persons	Persons	Persons	% Change	Persons	
Number of employees	24,077		23,857	220	0.9	24,134

Notes

1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118=U.S.\$1.
2. All figures are rounded to the nearest 100 million yen.
3. The consolidated financial statements of NEC Electronics are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
4. The figures for operating loss shown above represent net sales minus the cost of sales, research and development, and selling, general and administrative expenses.
5. Net income (loss) per share of common stock is calculated based on Statement of Financial Accounting Standards ("SFAS") No.128, "Earnings per share".
6. The figures for shareholders' equity are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
7. The semiannual consolidated financial information is unaudited. The above semiannual consolidated financial information may change as a result of subsequent events and/or semiannual audit by the independent auditors. In the event of such changes, NEC Electronics will revise the information in a timely manner via a press release.

Note 5: Net income (loss) per share of common stock is prepared in accordance with the Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share".

Note 6: NEC Electronics' consolidated information is in accordance with U.S. GAAP. However, the figure for operating income (loss) shown above represents net sales minus the cost of sales, research and development, and selling, general, and administrative expenses.

(2) Consolidated financial position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
September 30, 2006	777,037	298,027	38.4	2,413.20
September 30, 2005	799,745	388,138	48.5	3,142.84
March 31, 2006	745,281	308,251	41.4	2,495.98

Note 1: Number of shares issued and outstanding at the end of the period:

September 30, 2006:	123,498,848 shares
September 30, 2005:	123,499,053 shares
March 31, 2006:	123,498,980 shares

Note 2: The figures for shareholders' equity are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

(3) Consolidated cash flows

	Cash Flows From Operating Activities	Cash Flows From Investing Activities	Cash Flows From Financing Activities	Cash and Cash Equivalents at the End of the Period
	Million Yen	Million Yen	Million Yen	Million Yen
Six months ended September 30, 2006	34,557	(21,112)	(2,980)	221,975
Six months ended September 30, 2005	14,652	(34,173)	(5,513)	201,651
Year ended March 31, 2006	49,890	(54,673)	(12,530)	211,060

(4) Scope of consolidation and equity method

Number of consolidated subsidiaries: 26 companies
 Number of affiliated companies accounted for by the equity method: 1 company

(5) Change in scope of consolidation and equity method

Consolidated subsidiaries:
 Increase: 1 Decrease: 1
 Affiliated companies accounted for by the equity method:
 Increase: 1

2. Forecasts for the fiscal year ending March 31, 2007

	Net Sales	Loss Before Income Taxes	Net Loss
	Million Yen	Million Yen	Million Yen
Year ending March 31, 2007	695,000	(19,000)	(25,000)

Note: Net income (loss) per share of common stock (forecast) for fiscal year ending March 31, 2007: (202.43) yen

The statements with respect to the financial outlook of NEC Electronics and its consolidated subsidiaries are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may differ materially from such forward-looking statements due to changes in several important factors.

II. Management Policies

1. Management policies and Mid-term Corporate Strategy

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

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

- Ensure all business activities focus on the needs of the customer, and deliver solutions tailored to meet customer needs and excellent product quality, increasing sales and earnings through improved customer satisfaction.
- Re-use core technologies and manufacturing resources throughout the three main product groups of SoC (system on chip), microcontrollers, and discrete semiconductors, and develop appropriate business processes for each product group to address the varying needs of customers with high-quality and low-cost solutions, thus achieving steady growth and profits.
- Cultivate customers around the world by leveraging the company's position as an international player to secure global business opportunities and expand sales.

To achieve the above-mentioned policies, the company is adopting the following measures as mid-term corporate strategies.

1) Platform Architectures for Improved Ability to Propose and Execute Solutions

The successful development and deployment of SoC and microprocessor solutions involves a set of mutually related systems, ranging from semiconductor process technology and circuit design technology to development environments (tools and manuals) to support designers and software, including operating systems and drivers. NEC Electronics refers to this entire set of systems as a "platform". By developing a wide range of platforms with common architectures and interfaces, there is greater efficiency of development efforts, as well as the ability to provide customers with complete and easy to use solutions.

Specific examples of the company's platform architectures include the acclaimed All Flash™ microcontrollers and the EMMA™ series of digital video solutions. These strong platforms welcome the contribution of software and development tools from outside developers, which enhances the completeness of the platforms and our ability to propose competitive solutions.

2) Superior Quality

The quality of NEC Electronics' solutions is a key component of improving customer satisfaction. To improve the overall quality of the company's solutions, NEC Electronics is standardizing and clarifying quality standards across Group companies to improve both the semiconductors and software that comprise these solutions, and diligently abide by these standards.

NEC Electronics also believes in the importance of "quality integration," or the pursuit of superior quality at every step from design to manufacturing, implementing processes at each stage to catch defects quickly, and prevent faulty products from proceeding to the next manufacturing step, establishing a "zero defects" policy to ensure superior product quality. To improve software quality, the company will standardize design methods and execute project management for software design.

3) Leveraging Strategic Partnerships

Strategic partnerships with semiconductor distributors and other companies in the industry will allow us to achieve higher revenues and profits by concentrating our limited managerial resources.

SoC Platform development requires a tremendous investment of human resources and financial capital. Last year, NEC Electronics began joint development with Toshiba and Sony on 45-nanometer process technology. The company believes this collaboration is ideal for reducing the significant burden of development costs, and shortening development times for process technology, which represents just one element of the SoC platform.

NEC Electronics has also concluded exclusive distribution contracts with leading semiconductor distributors around the world, working closely with them to construct a strong global marketing and support network. Particularly with regard to products like microcontrollers and discrete semiconductors, where product lines are extensive and customer requirements are manifold, partnership with semiconductor distributors is essential to achieving higher sales. The company will continue to strengthen its partnerships with these distributors.

2. Dividends

NEC Electronics distributes part of its earnings to shareholders in the form of dividends, while appropriating retained earnings for the research and development of new products and capital expenditures, and maintaining a durable financial structure capable of generating high earnings to maximize enterprise value. For each dividend period, payment determinations are made with consideration of consolidated and non-consolidated income surplus, consolidated income, forecast for income for the next period, and cash flow status.

Although the company anticipates an improvement in year-on-year financial performance for the fiscal year ending March 31, 2007, it expects to record net losses on a consolidated basis.

As such, the company has decided to forgo mid-year dividend payments, and plans to forgo year-end dividend payments for this fiscal year, but is working aggressively toward improving results so that dividend payments can be reinstated at the earliest possible date.

3. Financial Targets

To improve return on assets (ROA) and return on equity (ROE), NEC Electronics places primary emphasis on increasing the ratio of earnings to net sales, and aims to improve the ratio of operating income to consolidated net sales. The company aims to first restore profitability as quickly as possible, and then to improve the ratio of operating income to consolidated net sales to double digits in the near term.

4. Issues to Address

To implement the management policy and mid-term corporate strategy, NEC Electronics is taking the following steps.

1) Development of No. 1 products

The profitability of semiconductors is closely related to their global market share. Therefore the NEC Electronics Group has made it a goal to develop numerous products capable of achieving No. 1 global market share. In 2005, NEC Electronics overtook the No.1 position in the global market for 32-bit microcontrollers.* The Group intends to increase the number of such products, for example by expanding its lineup of 8-bit and 16-bit All Flash™ microcontrollers and strengthening its EMMA™ series for digital video applications.

* Source: Gartner Dataquest, April 2006 (GJ06423)

2) Reduction of manufacturing costs

Along with expanded sales, the reduction of manufacturing costs is a key component of the Group's profit ratio initiative. Specific initiatives include the TOP (Transformation Overall Productivity) project, which aims to realize dramatic increases in the productivity of manufacturing lines, as well as efforts to achieve higher yields and to reduce material costs by introducing new materials and re-evaluating specifications. A special focus is cooperation between design and production divisions with the goal of reducing manufacturing costs from the early design stages. These efforts are starting to bear fruit. Further cost reductions have become possible thanks to the efficiencies of scale enabled by the new 300-millimeter wafer line at NEC Yamagata, which reached a production level of 13,000 wafers per month in September 2006. The Group is fully committed to working toward further improvements in its profit ratio by aggressive efforts on both fronts: expanded sales and cost reductions.

3) Future growth through efficient R&D investment

Every year, the NEC Electronics Group makes significant investments in research and development requisite for future growth. These investments have increased in recent years, as the development of total solutions now goes beyond LSI development to encompass software development as well. The Group carefully scrutinizes the potential and profitability of projects to ensure the optimal use of resources and to help limit the increase in R&D costs. The Group also strives to ensure that resources are allocated efficiently, and in a way that will maximize sales and revenues in the mid-term.

4) Streamlining of administrative operations

Although increased sales and lower manufacturing costs are the two pillars of the NEC Electronics profit ratio initiative, the company is also striving to reduce its sales and general administrative expenses. For example, in November 2006 the company plans to absorb NEC Deviceport, a wholly-owned semiconductor marketing subsidiary. This move will result in improved customer support and more efficient marketing expenditures. Due to the recent mandate for more rigorous internal control, administrative expenses have shown a tendency to increase throughout the Group. To counter this tendency, the company is working to streamline administrative operations throughout the Group and thus hold back increases in non-manufacturing costs.

5. Corporate Social Responsibility

In June 2004, NEC Electronics created a company-wide framework for promoting corporate social responsibility (CSR) by establishing the NEC Electronics Guiding Principles, which serve as a framework for the company's management policy, and establishing the Corporate Social Responsibility and Risk Management Division, which oversees the Corporate Social Responsibility Promotion Committee.

To comply with the Personal Information Protection Law, which took effect in April, 2005, the company reviewed its internal regulations and took steps to ensure that all personnel are familiar with the importance of protecting personal information. The company publishes a Corporate Social Responsibility (CSR) Report, Environmental Management Report, and Annual Report in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, which are recognized as the global standard for sustainability reporting by organizations.

The company has long participated in social contribution projects such as watershed reforestation and urban beautification. From October 2006 it has also introduced workshops for local schoolchildren, in which they can cultivate their interest in electronics and semiconductors through projects that use semiconductors. These and other activities reflect the company's commitment to active community involvement.

As a responsible corporate citizen, NEC Electronics recognizes that meeting social responsibility is directly linked to sustainable growth in both enterprise and shareholder value.

NEC Electronics Guiding Principles

At NEC Electronics, we are dedicated to cultivating trust with every individual and organization, including customers, shareholders, investors, trading partners and employees.

We pledge to conduct our business with integrity, beyond legal compliance, by acting responsibly as concerned corporate citizens, while providing superior semiconductor solutions based on advanced technologies.

NEC Electronics is committed to the following Guiding Principles.

Customer Focus

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

Ethical Business Practices

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

Community Involvement

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

Environmental Protection

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

Corporate Culture

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

III. Business Results and Financial Condition

1. Six Months Ended September 30, 2006 and Fiscal Year Ending March 31, 2007

Overview of the Six Months Ended September 30, 2006

During the first six months of the fiscal year, the global economy continued to show steady growth, but began to show signs of slowdown due to a decline in the American housing market, inventory adjustments in the Asian IT and digital consumer markets. As a result, although consumer spending and capital investment remain strong in the U.S., and demand is still increasing in Europe, the rate of growth is expected to decline in the future. Likewise, the Japanese economy remains supported by healthy growth in domestic consumer demand, but is expected to see a gradual slowdown in line with a decline in the global economy.

The global semiconductor market had grown as a result of favorable global economic conditions, but is starting to show signs of slowdown in line with the global economy. Shipments of personal computers and mobile handsets continue to grow, but the increasing proportion of low-end units for developing countries has led to stiff price reductions, leading to similar pressure to lower chip prices. The market for some consumer electronics such as DVD recorders has peaked, and it is difficult to predict how the market will be affected by future economic slowdowns.

Summary of Consolidated Financial Results

	Six Months Ended September 30, 2006		Six Months Ended September 30, 2005	Increase (Decrease)	
	Billion Yen	Million USD	Billion Yen	Billion Yen	% Change
Net sales	343.0	2,907	312.9	30.1	9.6
Operating loss	(6.9)	(59)	(12.1)	5.2	---
Loss before income taxes	(5.6)	(47)	(13.7)	8.1	---
Net loss	(7.4)	(63)	(7.9)	0.5	---
	Yen		Yen		
Exchange rate (USD)	115		109	---	---
Exchange rate (Euro)	145		136	---	---

Note: The figures for operating loss shown above represent net sales minus the cost of sales, research and development, and selling, general and administrative expenses.

NEC Electronics posted consolidated net sales of 343.0 billion yen, an increase of 30.1 billion yen (9.6 percent) year on year. Sales increased in every category, but growth was especially strong in LCD driver ICs for mobile handsets, LCD televisions, and PC monitors, chips for game consoles, and general purpose microcontrollers in the multi-market ICs category.

Although sales increased significantly from the corresponding period of the previous year, costs such as R&D expenses to improve the product sales mix and strengthen our core areas of focus led to 6.9 billion yen in consolidated operating losses, only 5.2 billion improved over the corresponding period of the previous fiscal year.

Consolidated loss before income taxes totaled 5.6 billion yen, an 8.1 billion yen increase in profit year on year. In spite of recording 6.9 billion yen in losses due to the closing a plant in Ireland and a prototype line in Japan, which had been decided in the first half of the fiscal year, sales of equity shares allocated for these costs yielded income in the amount of 7.6 billion yen, resulting in 1.3 billion yen in non-operating income. Consolidated net loss totaled 7.4 billion yen, 0.5 billion yen improved over the corresponding period of the previous fiscal year.

Consolidated Forecasts for the Fiscal Year Ending March 31, 2007

While the semiconductor market was solid in the first half of the fiscal year, the company anticipated a slowdown in the growth rate in the second half due to inventory adjustments in the Asian IT and digital consumer markets.

Given these circumstances, NEC Electronics expects that net sales for the current fiscal year will total 695.0 billion yen – an 8 percent increase year on year, but 10.0 billion yen less than the company's original forecast. The company anticipates consolidated operating loss in the amount of 7.0 billion yen, 12.0 billion less than previously forecast. Consolidated loss before income taxes is expected to be 19.0 billion yen, which is 19.0 billion yen less than the previous forecast. Consolidated net loss is expected to be 20.0 billion yen less than previously forecast, at 25.0 billion yen.

Although the company anticipates a 4 percent increase in sales in the second half of the fiscal year, it nonetheless has decided to reduce its sales forecast by 10.0 billion yen, primarily due to declining demand for mobile handsets and digital consumer electronics.

The company must also reduce its original forecast for operating income and loss by 10.0 billion yen, because sales are not expected to reach initial outlook, R&D expenses needed to ensure future growth will be greater than expected, and a change in the sales mix will take a bit longer than hoped to improve profitability. An additional 5.0 billion yen will be recorded under loss before income taxes and net loss, for reforms in the second half.

NEC Electronics' initial forecast and goal for the fiscal year was to achieve positive operating income. Although sales in the first half were solid, the company now believes that a result of the aforementioned factors, it will be difficult to achieve operating profit for the year, and has decided to revise its financial forecasts accordingly.

Looking ahead, the company will strive to improve its financial performance as quickly as possible, by developing product lines of high-profit devices such as microcontrollers and discrete components, increasing sales of application-specific standard products (ASSPs) such

as its EMMA™ series for digital AV applications, and reducing manufacturing costs by decreasing the amount of production outsourced and improving yield rates.

The consolidated financial forecasts for the fiscal year are calculated at the rate of 115 yen per USD, and 145 yen per Euro. The statements in this press release are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may vary materially from such forward-looking statements due to several important factors.

Consolidated Forecasts for the Fiscal Year Ending March 31, 2007

	Net Sales	Operating Loss	Loss Before Income Taxes	Net Loss
	Million Yen	Million Yen	Million Yen	Million Yen
Year ending March 31, 2007	695,000	(7,000)	(19,000)	(25,000)

2. Breakdown of Net Sales by Market Application

	Six Months Ended September 30, 2006		Six Months Ended September 30, 2005	Increase (Decrease)	
	Billion Yen	Million USD	Billion Yen	Billion Yen	% Change
Communications	53.1	450	50.0	3.1	6.2
Computing and peripherals	64.9	550	59.8	5.1	8.6
Consumer electronics	54.1	458	50.4	3.6	7.2
Automotive and industrial	52.1	442	51.6	0.5	1.0
Multi-market ICs	44.2	375	34.4	9.8	28.5
Discrete, optical, and microwave devices	59.4	503	54.1	5.3	9.8
Semiconductor total	327.8	2,778	300.4	27.5	9.1
Other	15.2	129	12.6	2.6	20.6
Total	343.0	2,907	312.9	30.1	9.6

Communications

Products Semiconductors for broadband networking equipment including routers and mobile-phone base stations; semiconductors for mobile handsets.

Net sales 53.1 billion yen (Up 3.1 billion yen, 6.2% year on year)

Sales of semiconductors for mobile phones increased year on year, as the adoption of thin film transistor (TFT) LCDs in mobile handsets for American and European markets increased, leading to an overall increase in sales of LCD driver ICs.

Computing and Peripherals

Products Semiconductors for servers, workstations, personal computers, and PC peripherals.

Net sales 64.9 billion yen (Up 5.1 billion yen, 8.6% year on year)

Sales of semiconductors for PC peripherals increased year on year on account of greater demand by LCD panel manufacturers, and a resultant increase in sales of LCD driver ICs for LCD televisions and PC monitors.

Consumer Electronics

Products Semiconductors for digital AV equipment and game consoles.

Net sales 54.1 billion yen (Up 3.6 billion yen, 7.2% year on year)

For the six months ended September 30, 2006, year-on-year sales of system LSIs for game consoles increased sharply with the start of shipment for new game consoles. Digital consumer electronics such as digital cameras, and digital televisions also increased year on year.

Automotive and Industrial

Products Semiconductors for automobiles and industrial systems, including factory automation equipment.

Net sales 52.1 billion yen (Up 0.5 billion yen, 1.0% year on year)

Sales of automotive semiconductors increased with the increased adoption of semiconductors in automobiles, pushing sales higher year on year.

Multi-market ICs

Products General purpose microcontrollers, gate arrays and multi-purpose SRAM.

Net sales 44.2 billion yen (Up 9.8 billion yen, 28.5% year on year)

Sales of general purpose microcontrollers increased with the pickup in the microcontroller market, and increased sales of NEC Electronics' new All Flash series.

Discrete, Optical and Microwave Devices

Products 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.

Net sales 59.4 billion yen (Up 5.3 billion yen, 9.8% year on year)

Sales of discrete products increased as a result of market recovery, leading to higher sales year on year.

Other

Products Non-semiconductor products such as color LCDs, sold on a resale basis by NEC Electronics' sales subsidiaries.

Net sales 15.2 billion yen (Up 2.6 billion yen, 20.6% year on year)

The resale of non-semiconductor products is not a part of NEC Electronics' core business, and has little impact on the company's overall profit and loss.

3. Geographical Segment Analysis

	Six Months Ended September 30, 2006		Six Months Ended September 30, 2005	Increase (Decrease)	
	Billion Yen	Million USD	Billion Yen	Billion Yen	% Change
Japan	182.0	1,542	172.7	9.3	5.4
United States of America	37.0	313	37.2	(0.2)	(0.5)
Europe	42.7	362	35.6	7.1	19.9
Asia	81.4	690	67.5	13.9	20.5
Total	343.0	2,907	312.9	30.1	9.6

Japan

Net sales 182.0 billion yen (Up 9.3 billion yen, 5.4% year on year)

In Japan, sales of LCD driver ICs for mobile handsets increased.

United States of America

Net sales 37.0 billion yen (Down 0.2 billion yen, 0.5% year on year)

Although sales of system LSIs for game consoles increased, sales of system memory for mobile handsets decreased.

Europe

Net sales 42.7 billion yen (Up 7.1 billion yen, 19.9% year on year)

Sales of image processing LSI chips for set top boxes (STBs) and general purpose microcontrollers increased in Europe.

Asia

Net sales 81.4 billion yen (Up 13.9 billion yen, 20.5% year on year)

Sales of LCD driver ICs for LCD televisions and PC monitors, as well as general purpose microcontrollers increased in Asia.

4. Financial Condition

Total Assets and Shareholders' Equity

	September 30, 2006		March 31, 2006	Increase (Decrease)
	Billion Yen	Million USD	Billion Yen	Billion Yen
Total assets	777.0	6,585	745.3	31.8
Shareholders' equity	298.0	2,526	308.3	(10.2)
Equity ratio	38.4%		41.4%	(3.0%)
Shareholders' equity per share	2,413 yen	20.45 USD	2,496 yen	(83) yen
Interest-bearing debt	146.0	1,238	148.3	(2.3)

Total assets at September 30, 2006 totaled 777.0 billion yen, a 31.8 billion yen increase from March 31, 2006. This was mainly due to an increase in cash and cash equivalents, and inventory.

Shareholders' equity was 10.2 billion yen lower at 298.0 billion yen, mainly due to losses in the amount of 7.4 billion yen. Shareholders' equity ratio decreased by 3.0 points from March 31, 2006 due to a decline in shareholder's equity.

Interest-bearing debt totaled 146.0 billion yen, decreasing 2.3 billion yen from March 31, 2006 mainly due to the repayment of debt.

Cash Flows

	Six Months Ended September 30, 2006		Six Months Ended September 30, 2005	Increase (Decrease)
	Billion Yen	Million USD	Billion Yen	Billion Yen
Net cash provided by operating activities	34.6	293	14.7	19.9
Net cash used in investing activities	(21.1)	(179)	(34.2)	13.1
Free cash flows	13.4	114	(19.5)	33.0
Net cash used in financing activities	(3.0)	(25)	(5.5)	2.5
Effect of exchange rate changes on cash and cash equivalents	0.7	6	1.0	(0.3)
Net decrease in cash and cash equivalents	11.2	95	(24.0)	35.2
Cash and cash equivalents at beginning of period	211.1	1,788	225.7	(14.6)
Cash and cash equivalents at end of period	222.0	1,881	201.7	20.3

Despite recording 7.4 billion yen in net losses and an increase in notes and accounts payable, these were offset by depreciation and amortization in the amount of 38.7 billion yen.

Although there were capital investments, primarily for the 300mm wafer line, the sale and lease back of some new equipment brought the total net cash used in investing activities to 21.1 billion yen, 13.1 billion less year on year.

The foregoing resulted in free cash flows of 13.4 billion yen, 33.0 billion yen improved year on year.

Cash flows from financing activities used net cash in the amount of 3.0 billion yen for the repayment of debt. This figure was 2.5 billion yen lower compared to the corresponding period of the previous fiscal year, in which dividends payments were made.

As a result of the above, combined with the effects of currency fluctuations, net increase in cash and cash equivalents was 11.2 billion yen, 35.2 billion yen improved year on year, where net decrease in cash and cash equivalents was 24.0 billion yen.

IV. Risk Factors

NEC Electronics recognizes the following as some of the most significant risk factors faced in its business operations.

1. Impact of Market Fluctuations (Silicon Cycle)

The semiconductor industry is known to be subject to cyclical market fluctuations, a phenomenon known as the “silicon cycle”. Although the NEC Electronics Group operates on the basis of careful monitoring of changes in market conditions, it is difficult to completely avoid the impact of market fluctuations due to economic cycles in countries around the world and changes in the demand for end products. Market downturns, therefore, could lead to sales declines and lower fab utilization rates, which may in turn result in diminished cost ratios and a significant deterioration in profits.

2. Foreign Currency Fluctuations

The operating results and financial position of the NEC Electronics Group are affected by fluctuations in foreign currency exchange markets. The Group takes various measures to avert or reduce risks relating to fluctuations in the foreign currency exchange markets, such as forward exchange contracts. However, these fluctuations may impact the yen value of assets and liabilities arising from business transactions in foreign currencies, as well as the costs and sales of various products denominated in foreign currencies. In addition, conversion of the financial statements of NEC Electronics’ overseas subsidiaries into Japanese yen, which is the reporting currency of the NEC Electronics Group, may also affect Groups assets and liabilities, as well as earnings and expenses.

3. Natural Disasters

Natural disasters such as earthquakes, typhoons, and floods, as well as accidents, acts of terror and other factors beyond the control of the NEC Electronics Group, could severely damage semiconductor manufacturing facilities and other Group-owned facilities. The NEC Electronics Group owns facilities in areas where earthquakes occur at a frequency higher than the global average. Consequently, the effects of earthquakes and other events could force a halt to manufacturing and other operations. The NEC Electronics Group is insured against losses and damages relating to earthquakes, however, the insurance may be unable to cover all the losses and damages if the earthquake is extraordinarily severe.

4. Competition

The semiconductor industry is extremely competitive, and the NEC Electronics Group is exposed to fierce competition from rival companies around the world in areas such as product

performance, structure, pricing and quality. To maintain competitiveness, the NEC Electronics Group takes various measures including development of leading edge technologies, standardizing design, and cost reduction, but in the event that the Group is not competitive, the Group's market share may decline, which may negatively impact the Group's financial results. Price competition for the purpose of maintaining market share may also lead to sharp declines in the market price of Group company products. When this cannot be offset by cost reductions, the Group's gross profit margin ratio may decline.

5. Poor Decision-Making Concerning Investments in Capital and R&D

As an integrated device manufacturer (IDM), many of the semiconductor products sold by the NEC Electronics Group are developed and produced within the Group. As such, substantial capital expenditures are made annually to stay ahead of technological innovation and to boost production. While the Group constantly strives to invest the appropriate amount at the appropriate time, poor decisions concerning either timing or amount could cause the Group to lose substantial business opportunities or suffer operational losses.

The NEC Electronics Group also invests heavily in R&D for leading-edge technologies. However, errors in selecting R&D subjects, delays in development and other factors could prevent such investments from helping sales and earnings, essentially nullifying the investments.

6. Product Defects, Anomalies and Malfunctions

Although the NEC Electronics Group makes an effort to improve the quality of semiconductor products and related software, they may contain defects, anomalies or malfunctions that are undetectable at the time of shipment due to increased sophistication of technologies and diversity of ways in which the Group's products are used by customers. These defects, anomalies or malfunctions could be discovered after NEC Electronics Group products are embedded in customers' end products, resulting in the return or exchange of NEC Electronics' products, claims for compensatory damages, or discontinuation of the use of NEC Electronics' products, which could negatively impact the profits and operating results of the Group. To prepare for such events, the NEC Electronics Group has product liability insurance and recall insurance, but it is not guaranteed that the full costs of reimbursements would be covered by these.

7. Impairment of Long-Lived Assets

The NEC Electronics Group has recorded tangible fixed assets and many other long-lived assets in its consolidated balance sheet, and periodically reviews whether it will be able to recover the recorded residual value of these assets in the form of future cash flows. If these

assets do not generate sufficient cash flows, the Group may be forced to recognize an impairment in their value.

8. Legal Issues

The NEC Electronics Group's products utilize a wide range of technologies, and it is possible that a third party may claim that certain Group technologies infringe upon its intellectual property rights. In the event of such claims, the Group may incur substantial costs related to legal actions and other expenses in defense of the NEC Electronics Group and/or its customers. Depending on the outcome of these claims, the Group could be ordered to pay substantial amounts in damages or be forced to cease use of such technology due to the demand for excessive license fees which are not economically feasible.

The NEC Electronics Group's operations are subject to various laws and regulations in Japan and other countries around the world, pertaining to the environment, safety, fair business practices and other matters. The Group strives to comply fully with these laws and regulations. However, in the event of a lawsuit or legal proceeding based on violations of such laws and regulations, a ruling against the NEC Electronics Group could negatively impact Group earnings and operating results.

NEC Electronics America, Inc. has been named as one of the defendants in numerous civil class action antitrust lawsuits seeking damages for alleged antitrust violations in the DRAM industry, as well as a number of antitrust lawsuits filed by Attorneys General of numerous states in the U.S. NEC Electronics America, Inc., along with NEC Corporation, is currently in settlement negotiations with certain customers to which it sold DRAM in the past.

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 investigations in connection with potential antitrust violations in the SRAM industry being conducted by the U.S. Department of Justice and the European Commission, as well as investigations in connection with potential antitrust violations in the semiconductor industry by the Korea Fair Trade Commission, all of which were initiated in October, 2006.

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 for a part of the costs for DRAM civil lawsuits and settlements with customers in the period ending March, 2006.

V. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Operations

	Six Months Ended September 30, 2006			Six Months Ended September 30, 2005		Increase (Decrease)	Year Ended March 31, 2006	
	Million Yen	Million USD	% of Net Sales	Million Yen	% of Net Sales		Million Yen	% of Net Sales
Net sales	343,011	2,907	100.0	312,944	100.0	30,067	645,963	100.0
Cost of sales	243,635	2,065	71.0	229,334	73.3	14,301	477,476	73.9
Research and development	62,858	533	18.3	54,807	17.5	8,051	120,874	18.7
Selling, general, and administrative expenses	43,442	368	12.7	40,952	13.1	2,490	83,302	12.9
Operating loss	(6,924)	(59)	(2.0)	(12,149)	(3.9)	5,225	(35,689)	(5.5)
Non-operating income	8,595	73	2.5	894	0.3	7,701	4,360	0.6
Interest and dividends income	1,001	9		423		578	1,078	
Other	7,594	64		471		7,123	3,282	
Non-operating expense	7,274	61	2.1	2,405	0.8	4,869	11,057	1.7
Interest expense	422	3		361		61	874	
Other	6,852	58		2,044		4,808	10,183	
Loss before income taxes	(5,603)	(47)	(1.6)	(13,660)	(4.4)	8,057	(42,386)	(6.6)
Provision for income taxes	1,558	14	0.5	(5,532)	(1.8)	7,090	56,166	8.7
Minority interest in income (loss) of consolidated subsidiaries	200	2	0.1	(244)	(0.1)	444	(354)	(0.1)
Equity in earnings (losses) of affiliated companies	(26)	---	---	---	---	(26)	---	---
Net loss	(7,387)	(63)	(2.2)	(7,884)	(2.5)	497	(98,198)	(15.2)

Notes

1. The consolidated financial statements of NEC Electronics are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
2. The figures for operating loss shown above represent net sales minus the cost of sales, research and development, and selling, general and administrative expenses.

Condensed Consolidated Balance Sheets

	September 30, 2006		March 31, 2006	Increase (Decrease)	September 30, 2005
	Million Yen	Million USD	Million Yen	Million Yen	Million Yen
Current assets	451,147	3,823	413,370	37,777	424,220
Cash and cash equivalents	221,975	1,881	211,060	10,915	201,651
Notes and accounts receivable, trade	116,685	989	113,850	2,835	113,269
Inventories	83,053	704	72,525	10,528	72,171
Other current assets	29,434	249	15,935	13,499	37,129
Long-term assets	325,890	2,762	331,911	(6,021)	375,525
Investments	6,841	58	15,597	(8,756)	12,348
Property, plant and equipment	305,938	2,593	302,125	3,813	324,684
Other assets	13,111	111	14,189	(1,078)	38,493
Total assets	777,037	6,585	745,281	31,756	799,745
Current liabilities	257,878	2,185	210,894	46,984	196,190
Short-term borrowings and current portion of long-term debt	13,682	116	15,074	(1,392)	15,044
Notes and accounts payable, trade	169,222	1,434	122,939	46,283	117,548
Other current liabilities	74,974	635	72,881	2,093	63,598
Long-term liabilities	216,904	1,838	222,014	(5,110)	211,529
Long-term debt	132,349	1,122	133,235	(886)	136,880
Accrued pension and severance costs	69,922	593	75,761	(5,839)	74,424
Other	14,633	124	13,018	1,615	225
Minority shareholders' equity in consolidated subsidiaries	4,228	36	4,122	106	3,888
Shareholders' equity	298,027	2,526	308,251	(10,224)	388,138
Common stock	85,955	728	85,955	---	85,955
Additional paid-in capital	281,022	2,382	281,014	8	274,922
Retained earnings (Accumulated deficit)	(64,788)	(549)	(57,369)	(7,419)	32,945
Accumulated other comprehensive income (loss)	(4,155)	(35)	(1,342)	(2,813)	(5,678)
Treasury stock	(7)	---	(7)	---	(6)
Total liabilities and shareholders' equity	777,037	6,585	745,281	31,756	799,745
Interest-bearing debt	146,031	1,238	148,309	(2,278)	151,924
Equity ratio	38.4%		41.4%	(3.0%)	48.5%
Debt / equity ratio	0.49 times		0.48 times	0.01 times	0.39 times
Accumulated other comprehensive income (loss):					
Foreign currency translation adjustments	8,605	73	7,713	892	4,708
Minimum pension liability adjustment	(14,419)	(122)	(14,797)	378	(14,655)
Unrealized gains (losses) on marketable securities	1,652	14	5,754	(4,102)	4,258
Unrealized gains (losses) on derivative financial instruments	7	---	(12)	19	11

Condensed Consolidated Statements of Change in Shareholders' Equity

Six Months Ended September 30, 2006	Common stock		Additional paid-in capital		Retained earnings (Accumulated deficit)		Accumulated other comprehensive income (loss)		Treasury stock		Total	
	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD
Balance at beginning of year	85,955	728	281,014	2,382	(57,369)	(486)	(1,342)	(11)	(7)	---	308,251	2,613
Compensation expense for stock options			8	---							8	---
Comprehensive income (loss)												
Net income (loss)					(7,387)	(63)					(7,387)	(63)
Other comprehensive income (loss), net of tax												
Foreign currency translation adjustments							892	8			892	8
Minimum pension liability adjustment							378	3			378	3
Unrealized gains (losses) on marketable securities							(4,102)	(35)			(4,102)	(35)
Unrealized gains (losses) on derivative financial instruments							19	---			19	---
Comprehensive income (loss)											(10,200)	(87)
Effect of change in fiscal year-end of a subsidiary					(32)	---					(32)	---
Balance at end of the period	85,955	728	281,022	2,382	(64,788)	(549)	(4,155)	(35)	(7)	---	298,027	2,526

Six Months Ended September 30, 2005	Common stock		Additional paid-in capital		Retained earnings (Accumulated deficit)		Accumulated other comprehensive income (loss)		Treasury stock		Total	
	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD
Balance at beginning of year	85,955		276,693		40,829		(9,608)		(6)		393,863	
Transaction under common control			(1,974)								(1,974)	
Compensation expense for stock options			203								203	
Comprehensive income (loss)												
Net income (loss)					(7,884)						(7,884)	
Other comprehensive income (loss), net of tax												
Foreign currency translation adjustments							1,752				1,752	
Minimum pension liability adjustment							1,385				1,385	
Unrealized gains (losses) on marketable securities							808				808	
Unrealized gains (losses) on derivative financial instruments							(15)				(15)	
Comprehensive income (loss)											(3,954)	
Balance at end of the period	85,955		274,922		32,945		(5,678)		(6)		388,138	

Year Ended March 31, 2006	Common stock		Additional paid-in capital		Retained earnings (Accumulated deficit)		Accumulated other comprehensive income (loss)		Treasury stock		Total	
	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD	Million Yen	Million USD
Balance at beginning of year	85,955		276,693		40,829		(9,608)		(6)		393,863	
Contribution to capital			6,092								6,092	
Transaction under common control			(1,974)								(1,974)	
Compensation expense for stock options			203								203	
Comprehensive income (loss)												
Net income (loss)					(98,198)						(98,198)	
Other comprehensive income (loss), net of tax												
Foreign currency translation adjustments							4,757				4,757	
Minimum pension liability adjustment							1,243				1,243	
Unrealized gains (losses) on marketable securities							2,304				2,304	
Unrealized gains (losses) on derivative financial instruments							(38)				(38)	
Comprehensive income (loss)											(89,932)	
Purchase of treasury stock, at cost									(1)		(1)	
Balance at end of year	85,955		281,014		(57,369)		(1,342)		(7)		308,251	

Condensed Consolidated Statements of Cash Flows

	Six Months Ended September 30, 2006		Six Months Ended September 30, 2005	Increase (Decrease)	Year Ended March 31, 2006
	Million Yen	Million USD	Million Yen	Million Yen	Million Yen
I. Cash flows from operating activities					
Net loss	(7,387)	(63)	(7,884)	497	(98,198)
Adjustments to reconcile net loss to net cash provided by operating activities					
Depreciation and amortization	38,731	328	42,200	(3,469)	89,342
Increase in notes and accounts receivable	(1,688)	(14)	(10,260)	8,572	(7,928)
Increase in inventories	(10,200)	(86)	(3,672)	(6,528)	(3,062)
Increase in notes and accounts payable	19,551	166	2,892	16,659	5,675
Other, net	(4,450)	(38)	(8,624)	4,174	64,061
Net cash provided by operating activities	34,557	293	14,652	19,905	49,890
II. Cash flows from investing activities					
Proceeds from sales of property, plant and equipment	37,831	321	29,215	8,616	56,474
Additions to property, plant and equipment	(54,029)	(458)	(60,772)	6,743	(106,642)
Proceeds from sales of marketable securities	3,660	31	345	3,315	395
Increase in loans receivable	(7,881)	(67)	---	(7,881)	(223)
Other, net	(693)	(6)	(2,961)	2,268	(4,677)
Net cash used in investing activities	(21,112)	(179)	(34,173)	13,061	(54,673)
Free cash flows (I + II)	13,445	114	(19,521)	32,966	(4,783)
III. Cash flows from financing activities					
Net repayments of borrowings	(1,881)	(16)	(2,305)	424	(9,320)
Dividends paid	---	---	(1,234)	1,234	(1,235)
Other, net	(1,099)	(9)	(1,974)	875	(1,975)
Net cash used in financing activities	(2,980)	(25)	(5,513)	2,533	(12,530)
Effect of exchange rate changes on cash and cash equivalents	694	6	994	(300)	2,682
Net decrease in cash and cash equivalents	11,159	95	(24,040)	35,199	(14,631)
Effect of change in fiscal year-end of certain subsidiary	(244)	(2)	---	(244)	---
Cash and cash equivalents at beginning of period	211,060	1,788	225,691	(14,631)	225,691
Cash and cash equivalents at end of period	221,975	1,881	201,651	20,324	211,060

Condensed Consolidated Statements of Operations (Three Months)

	Three Months Ended September 30, 2006			Three Months Ended September 30, 2005		Increase (Decrease)
	Million Yen	Million USD	% of Net Sales	Million Yen	% of Net Sales	Million Yen
Net sales	177,773	1,507	100.0	166,848	100.0	10,925
Cost of sales	124,704	1,057	70.2	121,348	72.7	3,356
Research and development	31,880	270	17.9	26,853	16.1	5,027
Selling, general, and administrative expenses	22,349	190	12.6	20,991	12.6	1,358
Operating loss	(1,160)	(10)	(0.7)	(2,344)	(1.4)	1,184
Non-operating income	3,848	32	2.3	299	0.2	3,549
Interest and dividends	507	4		173		334
Other	3,341	28		126		3,215
Non-operating expenses	3,469	29	2.0	823	0.5	2,646
Interest	210	2		212		(2)
Other	3,259	27		611		2,648
Loss before income taxes	(781)	(7)	(0.4)	(2,868)	(1.7)	2,087
Provision for income taxes	320	3	0.2	(1,161)	(0.7)	1,481
Minority interest in income (loss) of consolidated subsidiaries	167	1	0.1	(153)	(0.1)	320
Equity in earnings (losses) of affiliated companies	(26)	---	---	---	---	(26)
Net loss	(1,294)	(11)	(0.7)	(1,554)	(0.9)	260

Notes

1. The consolidated financial statements of NEC Electronics are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
2. The figures for operating income (loss) shown above represent net sales minus the cost of sales, research and development, and selling, general and administrative expenses.

Segment Information

Breakdown of Net Sales by Region

	Six Months Ended September 30, 2006			Six Months Ended September 30, 2005		Increase (Decrease)	Year Ended March 31, 2006	
	Million Yen	Million USD	% of Total	Million Yen	% of Total		Million Yen	% of Total
Japan	181,951	1,542	53.1	172,653	55.1	5.4	352,875	54.6
United States of America	36,974	313	10.8	37,161	11.9	(0.5)	76,860	11.9
Europe	42,680	362	12.4	35,592	11.4	19.9	72,961	11.3
Asia	81,406	690	23.7	67,538	21.6	20.5	143,267	22.2
Total	343,011	2,907	100.0	312,944	100.0	9.6	645,963	100.0

Breakdown of Profit / Loss by Region

	Six Months Ended September 30, 2006			Six Months Ended September 30, 2005		Increase (Decrease)	Year Ended March 31, 2006	
	Million Yen	Million USD	% of Total	Million Yen	% of Total		Million Yen	% of Total
Japan	(14,274)	(121)	---	(20,489)	---	6,215	(51,074)	---
United States of America	1,718	14	---	4,105	---	(2,387)	7,999	---
Europe	118	1	---	6	---	112	20	---
Asia	5,514	47	---	4,229	---	1,285	7,366	---
Total	(6,924)	(59)	---	(12,149)	---	5,225	(35,689)	---

Breakdown of Net Sales by Market Application

	Six Months Ended September 30, 2006			Six Months Ended September 30, 2005		Increase (Decrease)		Year Ended March 31, 2006	
	Million Yen	Million USD	% Total	Million Yen	% Total	Million Yen	% Change	Million Yen	% Total
Communications	53,085	450	15.5	49,985	16.0	3,100	6.2	107,995	16.7
Computing and peripherals	64,934	550	18.9	59,785	19.1	5,149	8.6	126,581	19.6
Consumer electronics	54,086	458	15.8	50,448	16.1	3,638	7.2	102,639	15.9
Automotive and industrial	52,107	442	15.2	51,615	16.5	492	1.0	103,780	16.1
Multi-market ICs	44,191	375	12.9	34,382	11.0	9,809	28.5	69,449	10.8
Discrete, optical, and microwave devices	59,416	503	17.3	54,135	17.3	5,281	9.8	108,701	16.8
Semiconductor total	327,819	2,778	95.6	300,350	96.0	27,469	9.1	619,145	95.9
Other	15,192	129	4.4	12,594	4.0	2,598	20.6	26,818	4.1
Total	343,011	2,907	100.0	312,944	100.0	30,067	9.6	645,963	100.0

(Reference) Breakdown of Net Sales by Platform

Starting this fiscal year, NEC Electronics will report sales according to platform, in addition to sales by market application.

	Six Months Ended September 30, 2006			Six Months Ended September 30, 2005		Increase (Decrease)		Year Ended March 31, 2006	
	Million Yen	Million USD	% Total	Million Yen	% Total	Million Yen	% Change	Million Yen	% Total
SoC platform	126,475	1,072	36.9	118,987	38.0	7,488	6.3	245,602	38.0
MCU platform	81,957	694	23.9	77,838	24.9	4,119	5.3	156,490	24.3
Components	119,387	1,012	34.8	103,525	33.1	15,862	15.3	217,053	33.6
Semiconductor total	327,819	2,778	95.6	300,350	96.0	27,469	9.1	619,145	95.9
Other	15,192	129	4.4	12,594	4.0	2,598	20.6	26,818	4.1
Total	343,011	2,907	100.0	312,944	100.0	30,067	9.6	645,963	100.0

Note: System-on-Chip (SoC) Platform: application specific integrated circuits (ASIC), application specific standard products (ASSP), memory

Microcontroller (MCU) Platform: microcontrollers, car audio controllers

Components: display drivers, analog ICs, discrete, optical and microwave devices

Financial Instruments

Derivatives

Carrying amounts and estimated fair values for all derivatives and related transactions are as follows:

	September 30, 2006				March 31, 2006		September 30, 2005	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Derivatives transactions	Million Yen		Million USD		Million Yen		Million Yen	
Forward exchange contracts	(930)	(930)	(8)	(8)	(428)	(428)	(673)	(673)
Interest rate and currency swap agreements	(10)	(10)	---	---	(16)	(16)	16	16

Marketable Securities

The acquisition cost, fair value and net unrealized holding gains on marketable securities, by category, are as follows:

	September 30, 2006		March 31, 2006	September 30, 2005
	Million Yen	Million USD	Million Yen	Million Yen
Available-for-sale equity securities				
Cost	1,933	16	4,231	3,491
Fair value	4,706	40	13,901	10,648
Net unrealized holding gains	2,773	24	9,670	7,157

Leasing Arrangements

NEC Electronics leases certain facilities and equipment for its own use. Future minimum rental payments under non-cancelable operating leases are as follows:

	September 30, 2006		March 31, 2006	September 30, 2005
	Million Yen	Million USD	Million Yen	Million Yen
Due within one year	23,201	197	19,469	15,458
Due after one year	58,131	493	41,684	28,494

Stock Options

Information pertaining to stock options will be announced at a later date.

Net Income (Loss) Per Share of Common Stock

Computation of basic and diluted net income (loss) per share of common stock are as follows:

	Six Months Ended September 30, 2006		Six Months Ended September 30, 2005	Year Ended March 31, 2006
Net income (loss)	Million Yen (7,387)	Million USD (63)	Million Yen (7,884)	Million Yen (98,198)
Number of shares		Shares	Shares	Shares
Weighted average number of common shares outstanding		123,498,915	123,499,096	123,499,052
Effect of dilutive securities		---	---	---
Diluted weighted average number of common shares outstanding		123,498,915	123,499,096	123,499,052
Net income (loss) per share of common stock	Yen	USD	Yen	Yen
Basic	(59.81)	(0.51)	(63.84)	(795.13)
Diluted	(59.81)	(0.51)	(63.84)	(795.13)

	Six Months Ended September 30, 2006		Six Months Ended September 30, 2005	Year Ended March 31, 2005
Number of shares		Shares	Shares	Shares
Convertible bonds		11,156,100	11,156,100	11,156,100
Stock options		366,500	291,500	291,500

Certain stock options and convertible bonds are not included in the computation of diluted net income (loss) per share for the periods presented since the inclusion would be antidilutive. The number of shares with the potential to have a dilutive effect on net income (loss) per share in the future is as follows:

Capital Expenditures and R&D Expenses

	Six Months Ended September 30, 2006		Six Months Ended September 30, 2005	Year Ended March 31, 2006
Capital expenditures	Million Yen 76,744	Million USD 650	Million Yen 46,573	Million Yen 83,030
Depreciation and amortization	38,731	328	42,200	89,342
R&D expense	62,858	533	54,807	120,874

Note: Capital expenditures refer to the cost of additions to property, plant and equipment (excluding software).

NEC Electronics Group Companies

Computation of basic and diluted net income (loss) per share of common stock are as follows:

The NEC Electronics Group comprises 26 consolidated subsidiaries, listed below according to primary business activity.

Manufacturing Companies

NEC Yamagata, Ltd.
NEC Fukui, Ltd.
NEC Kansai, Ltd.
NEC Yamaguchi, Ltd.
NEC Kyushu, Ltd.
NEC Semicon Package Solutions, Ltd.
NEC Fabserve, Ltd.
NEC Electronics America, Inc.¹
NEC Semiconductors Ireland Limited
NEC Semiconductors Singapore Pte. Ltd.
NEC Semiconductors (Malaysia) Sdn. Bhd.
P.T. NEC Semiconductors Indonesia
Shougang NEC Electronics Co., Ltd.

Sales Companies

NEC Deviceport, Ltd.²
NEC Electronics (Europe) GmbH
NEC Electronics Taiwan, Ltd.
NEC Electronics Singapore Pte. Ltd.
NEC Electronics (China) Co., Ltd.³
NEC Electronics Hong Kong Limited
NEC Electronics Shanghai, Ltd.
NEC Electronics (UK) Limited
NEC Electronics Korea Limited⁴
NEC Compound Semiconductor Devices Hong Kong Limited

Design Companies

NEC Micro Systems, Ltd.

Other

Nippon Electroluminescent Light Co., Ltd.
Kinki Bunseki Center, Ltd.

Note 1: NEC Electronics America, Inc. handles both manufacturing and sales.

Note 2: NEC Deviceport, Ltd. will be merged with NEC Electronics Corporation on November 1, 2006.

Note 3: NEC Electronics (China) Co., Ltd. conducts sales and design activities.

Note 4: NEC Electronics Korea Limited was established on September 1, 2006 as a wholly-owned subsidiary of NEC Electronics Corporation, and will commence operations on November 1, 2006.

Note 5: NEC Compound Semiconductor Devices, Ltd. Was merged with NEC Electronics Corporation on April 1, 2006.

Non-consolidated Financial Results for the Six Months Ended September 30, 2006



Prepared in accordance with accounting principles generally accepted in Japan

English translation from the original Japanese-language document

October 25, 2006

Company name : **NEC Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
 Code number : 6723
 Location of the head office : Kanagawa Prefecture
 URL : <http://www.necel.com>
 Representative : Toshio Nakajima, President
 Contact person : Taizo Endo, General Manager
 Corporate Communications Division
 Tel. +81 (0)44-435-1664

Date of the meeting of the Board of Directors for annual financial results : October 25, 2006
 Provision for interim cash dividends : Provision exists
 Date of scheduled payment of interim cash dividends : ---
 Number of shares in unit share system : 100 shares

1. Results for the six months ended September 30, 2006

(1) Non-consolidated financial results

(Amounts are rounded to the nearest million yen)

	Net Sales		Operating Loss		Ordinary Income (Loss)	
	Million Yen	%	Million Yen	%	Million Yen	%
Six Months Ended September 30, 2006	297,723	21.2	(18,332)	---	(19,716)	---
Six Months Ended September 30, 2005	245,588	(18.2)	(28,000)	---	(29,649)	---
Year ended March 31, 2006	506,747		(64,317)		(66,942)	

	Net Income (Loss)		Net Income (Loss) Per Share
	Million Yen	%	Yen
Six Months Ended September 30, 2006	(15,110)	---	(122.35)
Six Months Ended September 30, 2005	(16,197)	---	(131.15)
Year ended March 31, 2006	(95,964)		(777.04)

Note 1: Average number of shares in each period:

Six months ended September 30, 2006: 123,498,915 shares

Six months ended September 30, 2005: 123,499,096 shares

Year ended March 31, 2006: 123,499,052 shares

Note 2: Changes in accounting policies: None

Note 3: Percentage figures for net sales, operating income (loss), income (loss) before income taxes and net income (loss) represent year-on-year changes.

(2) Non-consolidated financial position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
September 30, 2006	645,237	328,586	50.9	2,660.57
September 30, 2005	687,311	427,681	62.2	3,463.03
March 31, 2006	632,648	349,423	55.2	2,829.36

Note 1: Number of shares issued and outstanding at the end of the period:

September 30, 2006: 123,498,848 shares

September 30, 2005: 123,499,053 shares

March 31, 2006: 123,498,980 shares

Note 2: Treasury stock at the end of the period:

September 30, 2006: 1,152 shares

September 30, 2005: 947 shares

March 31, 2006: 1,020 shares

Note 3: Percentage figures for net sales, operating income (loss), income (loss) before income taxes and net income (loss) represent year-on-year changes.

2. Non-consolidated forecasts for the fiscal year ending March 31, 2007

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Year ending March 31, 2007			

Note: Net income (loss) per share of common stock (forecast) for fiscal year ending March 31, 2007: --- yen

3. Non-consolidated cash dividends

	Interim Cash Dividends Per Share	Year-end Cash Dividends Per Share	Annual Cash Dividends Per Share
	Yen	Yen	Yen
Year ended March 31, 2006	---	---	---
Year ending March 31, 2007 (Actual)	---	---	---
Year ending March 31, 2007 (Forecast)	---	---	---

NEC Electronics does not disclose non-consolidated forecasts for the fiscal year ending March 31, 2007.

Forward-Looking Statements

The statements in this press release with respect to the plans, strategies and financial outlook of NEC Electronics and its consolidated subsidiaries (collectively "NEC Electronics") are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may differ materially from such forward-looking statements due to several important factors including, but not limited to, general economic conditions in our markets, which are primarily Japan, North America, Asia, and Europe; demand for, and competitive pricing pressure on, products and services in the marketplace; ability to continue to win acceptance of products and services in these highly competitive markets; and fluctuations in currency exchange rates, particularly between the yen and the U.S. dollar. Among other factors, downturn of the world economy; deteriorating financial conditions in world markets, or deterioration in domestic and overseas stock markets, may cause actual results to differ from the projected results forecast.

About NEC Electronics

NEC Electronics Corporation (TSE: 6723) specializes in semiconductor products encompassing advanced technology solutions for the high-end computing and broadband networking markets, system solutions for the mobile handsets, PC peripherals, automotive and digital consumer markets, and multi-market solutions for a wide range of customer applications. NEC Electronics Corporation has 26 subsidiaries worldwide including NEC Electronics America, Inc. (www.am.necel.com) and NEC Electronics (Europe) GmbH (www.eu.necel.com). For additional information about NEC Electronics worldwide, visit www.necel.com.

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