

Media Contacts

Kyoko Okamoto
 NEC Electronics Corporation
 +81 44-435-1676
 press@necel.com

Investor Contacts

Nanako Hayashi
 NEC Electronics Corporation
 +81 44-435-1664
 ir@necel.com

NEC Electronics Reports Financial Results for the Year Ended March 31, 2009

KAWASAKI, Japan, May 11, 2009 — NEC Electronics Corporation (TSE: 6723) today announced consolidated financial results for the year ended March 31, 2009.

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Consolidated Financial Results for the Year Ended March 31, 2009

Prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP
English translation from the original Japanese-language document

May 11, 2009

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

Date of the ordinary general shareholders' meeting : June 25, 2009
 Filing date of Yukashoken Hokokusho : June 25, 2009

:(Amounts are rounded to the nearest million yen)

1. Consolidated results for the year ended March 31, 2009

1.1 Consolidated financial results

(% of change from previous year)

	Net Sales		Operating Income (Loss)		Loss Before Income Taxes		Net Loss	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year ended March 31, 2009	546,470	(20.5)	(68,355)	---	(89,335)	---	(82,625)	---
Year ended March 31, 2008	687,745	(0.7)	5,094	---	(3,252)	---	(15,995)	---

	Net Loss Per Share: Basic	Net Loss Per Share: Diluted	Ratio of Net Loss to Shareholders' Equity (ROE)	Ratio of Loss Before Income Taxes to Total Assets (ROA)	Ratio of Operating Income (Loss) to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2009	(669.04)	(669.04)	(46.5)	(16.3)	(12.5)
Year ended March 31, 2008	(129.52)	(129.52)	(6.5)	(0.5)	0.7

Reference: Equity in earning (loss) of affiliated companies:
 Year ended March 31, 2009: 307 million yen
 Year ended March 31, 2008: (207) million yen

Note 1: Net loss per share of common stock is prepared in accordance with the Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share".

Note 2: 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.

1.2 Consolidated financial position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
March 31, 2009	482,545	128,130	26.6	1,037.51
March 31, 2008	616,304	227,138	36.9	1,839.20

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

1.3 Consolidated cash flows

	Cash Flows From Operating Activities	Cash Flows From Investing Activities	Cash Flows From Financing Activities	Cash and Cash Equivalents at End of Year
	Million Yen	Million Yen	Million Yen	Million Yen
Year ended March 31, 2009	(6,933)	(49,256)	(4,295)	101,279
Year ended March 31, 2008	43,262	(37,769)	(22,985)	165,472

2. Cash dividends

	Cash Dividends Per Share at the end of first quarter	Cash Dividends Per Share at the end of second quarter	Cash Dividends Per Share at the end of third quarter	Cash Dividends Per Share at the end of year	Annual Cash Dividends Per Share	Annual Cash Dividends	Payment Ratio	Ratio of Dividends to Shareholders' Equity
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
March 31, 2008	---	0.00	---	0.00	0.00	---	---	---
March 31, 2009	---	0.00	---	0.00	0.00	---	---	---
March 31, 2010 (forecast)	---	0.00	---	0.00	0.00	---	---	---

3. Forecast of consolidated results for the year ending March 31, 2010

(% of change from previous year)

	Net Sales		Operating Income (Loss)		Income (Loss) Before Income Taxes	
	Million Yen	%	Million Yen	%	Million Yen	%
Six months ending September 30, 2009	215,000	(35.5)	(25,000)	---	(26,500)	---
Year ending March 31, 2010	480,000	(12.2)	0	---	(7,500)	---

Note 1: Net loss attributable to shareholders: Six months ending Sep 30, 2009: (27,000) million yen
Year ending March 31, 2010: (9,000) million yen

Net loss per share attributable to shareholders: Six months ending Sep 30, 2009: (218.62) yen
: Year ending March 31, 2010: (72.87) yen

Net loss attributable to shareholders is computed in the same method as for net income for the year ended March 31, 2009.

Note: Please refer to "Consolidated Forecasts for the Fiscal Year Ending March 31, 2010" on page 9

4. Other

4.1 Changes in significant subsidiaries for the year ended March 31, 2009 : Yes

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

New

Excluded

2 companies (NEC Fukui, Ltd. and NEC Semicon Package Solutions, Ltd.)

Note 2: Please refer to "NEC Electronics Group Companies" on page 19

4.2 Changes in accounting principles, procedures, and presentations, etc.

(Changes indicated to "Basis of Presenting the Consolidated Financial Statements")

1. Changes resulting from revisions

in accounting principles, etc. : Yes

2. Other changes

: No

Note: Please refer to "Basis of Presenting the Consolidated Financial Statements" on page 29 for further information.

4.3 Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding at the end of each fiscal year
FY2009: 123,500,000 shares FY2008: 123,500,000 shares
2. Number of treasury stock at the end of each fiscal year
FY2009: 2,306 shares FY2008: 2,039 shares
3. Average number of shares issued and outstanding in each fiscal year
FY2009: 123,497,808 shares FY2008: 123,498,165 shares

(Reference) Non-consolidated results for the year ended March 31, 2009

Non-consolidated financial results

(% of change from previous year)

	Net Sales		Operating Loss		Ordinary Loss		Net Loss	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year ended March 31, 2009	476,516	(19.1)	(55,413)	---	(52,102)	---	(77,941)	---
Year ended March 31, 2008	588,999	(1.2)	(26,801)	---	(29,505)	---	(28,417)	---

	Net Loss Per Share: Basic	Net Loss Per Share: Diluted
	Yen	Yen
Year ended March 31, 2009	(631.12)	---
Year ended March 31, 2008	(230.10)	---

Non-consolidated financial position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
March 31, 2009	391,604	159,843	40.8	1,293.75
March 31, 2008	508,282	237,765	46.8	1,924.78

Reference: Shareholders' equity at the end of the year ended March 31, 2009: 159,775 million yen
Shareholders' equity at the end of the year ended March 31, 2008: 237,706 million yen

Cautionary Statement

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.

1. Business Results

1.1 Analysis of Business Results

1.1.1 Overview of the Fiscal Year Ended March 31, 2009

For the fiscal year ended March 31, 2009, the soaring fuel prices in the first half of the year and the financial crisis in the second half of the year spurred a downward momentum in the economy, triggering a severe global economic downturn. Especially, chaos in the financial markets caused by the subprime mortgage crisis in the United States lead the large financial institutions to go under from the last autumn, and this negative impact to the economy spread to Europe that had already tortured from the housing bubble, and to China and other developing countries, hastening a worldwide economic recession. As worldwide economic recession grew steadily worse, production and employment rapidly fell and the volume of exports significantly decreased due to a sharp hike in the yen, leading to an extremely severe deterioration in the Japanese economy as well.

Amidst this economic turmoil, the electronics industry and automotive industry experienced a sharp downturn in demand and led to inventory adjustments and order restraints. These contributed to the semiconductor market in which NEC Electronics operates to experience a harsh economic condition that is worse than when the IT bubble collapsed in 2001, driving major foreign semiconductor companies to go under.

1.1.2 Summary of Consolidated Financial Results

	Year Ended March 31, 2008	Year Ended March 31, 2009		Increase (Decrease)	
	Billion Yen	Billion Yen	Million USD	Billion Yen	% Change
Net sales	687.7	546.5	5,520	(141.3)	(20.5)
Sales from semiconductors	653.3	521.7	5,270	(131.5)	(20.1)
Operating income (loss)	5.1	(68.4)	(690)	(73.4)	
Loss before income taxes	(3.3)	(89.3)	(902)	(86.1)	
Net loss	(16.0)	(82.6)	(835)	(66.6)	
Exchange rate (USD)	Yen 116	Yen 101			
Exchange rate (Euro)	161	146			

Note 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥99=U.S.\$1.

Consolidated net sales for the fiscal year ended March 31, 2009 were 546.5 billion yen, a decrease of 141.3 billion yen, or 20.5%, from the previous fiscal year.

Sales in all product areas decreased. Especially computing and peripherals, discrete, optical, and microwave devices decreased by approximate of more than 25 percent year on year.

Consolidated operating loss was 68.4 billion yen, 73.4 billion yen worse year on year. This drop was due to the decline in consolidated net sales year on year.

Consolidated loss before income taxes was 89.3 billion yen, 86.1 billion yen worse year on year. This drop was due to an increase in consolidated operating loss; and in non-operating expenses as a result of recording the loss provision related to pending legal issues; and the closing of the prototype and manufacturing lines in Japan.

Consolidated net loss was 82.6 billion yen, 66.6 billion yen worse year on year. Due to the change in tax law, part of deferred tax liabilities for the undistributed earnings of overseas subsidiaries was reversed, reducing the corporate tax as a result.

1.1.3 Breakdown of Net Sales by Market Application

	Year Ended March 31, 2008	Year Ended March 31, 2009		Increase (Decrease)	
	Billion Yen	Billion Yen	Million USD	Billion Yen	% Change
Communications	70.4	60.2	608	(10.2)	(14.4)
Computing and peripherals	119.4	87.2	881	(32.1)	(26.9)
Consumer electronics	134.5	119.3	1,205	(15.2)	(11.3)
Automotive and industrial	113.3	91.5	924	(21.8)	(19.3)
Multi-market ICs	89.6	70.5	712	(19.2)	(21.4)
Discrete, optical, and microwave devices	126.1	93.0	940	(33.1)	(26.2)
Semiconductor total	653.3	521.7	5,270	(131.5)	(20.1)
Other	34.5	24.7	250	(9.7)	(28.2)
Total	687.7	546.5	5,520	(141.3)	(20.5)

Communications

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

Net sales 60.2 billion yen (Down 10.2 billion yen, 14.4% year on year)

Although sales of ICs for camera-equipped mobile phones increased year on year, sales of semiconductors for mobile phones decreased year on year as a result of a drop in sales of digital baseband ICs and LCD driver ICs declined year on year.

Computing and Peripherals

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

Net sales 87.2 billion yen (Down 32.1 billion yen, 26.9% year on year)

Sales of LCD driver ICs for LCD televisions and computer monitors, and semiconductors for printers all declined year on year.

Consumer Electronics

Products Semiconductors for digital AV equipment and game consoles.

Net sales 119.3 billion yen (Down 15.2 billion yen, 11.3% year on year)

Although sales of EMMA series, image processing ICs for digital televisions and blu-ray disc increased, sales of semiconductors for digital cameras and white goods declined year on year.

Automotive and Industrial

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

Net sales 91.5 billion yen (Down 21.8 billion yen, 19.3% year on year)

Sales of automotive microcontrollers and semiconductors for industrial equipments declined year on year.

Multi-market ICs

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

Net sales 70.5 billion yen (Down 19.2 billion yen, 21.4% year on year)

Sales of general purpose microcontrollers and gate arrays declined year on year.

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 93.0 billion yen (Down 33.1 billion yen, 26.2% year on year)

Sales of discrete semiconductors, optical semiconductors, and compound semiconductors all declined year on year.

Other

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

Net sales 24.7 billion yen (Down 9.7 billion yen, 28.2% year on year)

1.1.4 Geographical Segment Analysis

	Year Ended March 31, 2008	Year Ended March 31, 2009		Increase (Decrease)	
	Billion Yen	Billion Yen	Million USD	Billion Yen	% Change
Japan	370.2	301.6	3,047	(68.6)	(18.5)
United States of America	58.3	38.6	390	(19.6)	(33.7)
Europe	95.9	74.5	752	(21.5)	(22.4)
Asia	163.3	131.7	1,331	(31.6)	(19.3)
Total	687.7	546.5	5,520	(141.3)	(20.5)

Note: Geographic areas are based on the country of location of the company other than Japan and the United States of America:

Europe: Germany, the United Kingdom, and Ireland

Asia: China, Indonesia, Malaysia, Singapore, South Korea, and Taiwan

Japan

Net sales 301.6 billion yen (Down 68.6 billion yen, 18.5% year on year)

Sales of LSI chips for DVD drives and discrete products decreased.

United States of America

Net sales 38.6 billion yen (Down 19.6 billion yen, 33.7% year on year)

Sales of general-purpose microcontrollers and system memory for mobile handsets decreased.

Europe

Net sales 74.5 billion yen (Down 21.5 billion yen, 22.4% year on year)

Sales of general-purpose microcontrollers and automotive semiconductors decreased. The majority of sales in Europe for the fiscal years ended in March 31, 2008 and 2009 were sales of NEC Electronics' subsidiary in Germany.

Asia

Net sales 131.7 billion yen (Down 31.6 billion yen, 19.3% year on year)

Overall sales of LCD driver ICs for LCD televisions and PC monitors, as well as discrete products decreased. Sales from NEC Electronics' subsidiaries in China for the fiscal years ended in March 31, 2008 and 2009 were 93.1 billion and 72.4 billion yen, respectively.

1.1.5 Consolidated Forecasts for the Fiscal Year Ending March 31, 2010

As the significant slowdown in the global economy becomes increasingly severe from the latter half of 2008, the electronics industry and automotive industry is likely to undergo continuous declines in sales and production. Although some products including those for Chinese market sees recovery in demand and the economy seems to be bottoming out, it will require some time for the market to climb out of this grinding recession.

In light of this severe economic condition, consolidated net sales for the fiscal year are expected to be 480.0 billion yen, reduced by approximately 12 percent worse year on year. Of them, sales from semiconductor account for 460.0 billion yen, 12 percent worse year by year, despite the expected sales growth from products using the company's cutting-edge technologies, such as low power consumption technology, image processing, and embedded DRAM.

Consolidated operating income is expected to be 0.0 billion yen despite the dilutive effect on decrease in net sales, due to cost-savings measures such as reduction in fixed costs. The cost-savings measures include, acceleration in realignment of the manufacturing structures, cut-back in research and development (R&D) cost, and expenditure cut including personnel costs.

Consolidated loss before income taxes is expected to be 7.5 billion yen, resulting from the restructuring expense in closing the manufacturing lines, and consolidated net loss is expected to be 9.0 billion yen.

On April 27, 2009, NEC Electronics agreed with Renesas Technology Corp. to enter into negotiations to integrate their business operations. In case of change in forecast of consolidated results resulting from this matter, proper information will be disclosed and provided immediately.

	Billion Yen	Million USD	Year on Year
Net sales	480.0	4,848	(12.2)%
Sales from semiconductors	460.0	4,646	(11.8)%
Operating income (loss)	0.0	0	---
Loss before income taxes	(7.5)	(76)	---
Net loss	(9.0)	(91)	---

Note 1: Net loss attributable to shareholders is computed in the same method as for net income for the year ended March 31, 2009.

Note 2: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥99=U.S.\$1

The consolidated financial forecasts for the fiscal year are calculated at the rate of 95 yen per USD, and 125 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.

1.2 Financial Condition

1.2.1 Total Assets and Shareholders' Equity

	March 31, 2008		March 31, 2009		Increase (Decrease)
	Billion Yen		Billion Yen	Million USD	
Total assets	616.3		482.5	4,874	(133.8)
Shareholders' equity	227.1		128.1	1,294	(99.0)
Equity ratio	36.9%		26.6%		(10.3)%
Shareholders' equity per share	1,839 yen		1,038 yen	10.48 USD	(802) yen
Interest-bearing debt	116.6		116.9	1,181	0.3

Total assets at March 31, 2009 totaled 482.5 billion yen, a 133.8 billion yen decrease from March 31, 2008. This was mainly due to a 43.9 billion yen decrease in notes and accounts receivable, trade due to lower net sales, as well as a 17.1 billion yen decrease in fixed assets due to lower capital expenditures, and depreciation and others, and a significant decline in shareholder's equity from consolidated net losses.

Compared to March 31, 2008, shareholders' equity was 99.0 billion yen lower at 128.1 billion yen, due to consolidated net loss in the amount of 82.6 billion yen and losses in other comprehensive income (loss) in the amount of 16.4 billion yen. Shareholders' equity ratio decreased by 10.3 points from March 31, 2008 as a result of the decrease in shareholders' equity.

Interest-bearing debt totaled 116.9 billion yen, increasing 0.3 billion yen from March 31, 2008 mainly due to increase in capital lease obligations.

1.2.2 Cash Flows

	Year Ended March 31, 2008	Year Ended March 31, 2009		Increase (Decrease)
	Billion Yen	Billion Yen	Million USD	Billion Yen
Net cash provided by (used in) operating activities	43.3	(6.9)	(70)	(50.2)
Net cash used in investing activities	(37.8)	(49.3)	(498)	(11.5)
Free cash flows	5.5	(56.2)	(568)	(61.7)
Net cash used in financing activities	(23.0)	(4.3)	(43)	18.7
Effect of exchange rate changes on cash and cash equivalents	(2.4)	(3.7)	(37)	(1.3)
Net decrease in cash and cash equivalents	(19.9)	(64.2)	(648)	(44.3)
Cash and cash equivalents at beginning of year	185.4	165.5	1,671	(19.9)
Cash and cash equivalents at end of year	165.5	101.3	1,023	(64.2)

Despite posting depreciation and amortization in the amount of 67.3 billion yen, net cash used in operating activities was 6.9 billion yen, due to consolidated net losses in the amount of 82.6 billion yen.

Payments for property, plant, and equipment in the amount of 53.0 billion yen brought the total net cash used in investing activities to 49.3 billion yen.

The foregoing resulted in negative free cash flows of 56.2 billion yen.

Financing activities used net cash in the amount of 4.3 billion yen for the repayment of debt.

As a result of the above, combined with the impact of 3.7 billion yen from currency fluctuations, cash and cash equivalents totaled 101.3 billion yen, a net decrease of 64.2 billion yen.

1.3 Policy on Profit Distribution and Dividend Payments

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.

NEC Electronics' policy is to distribute surpluses twice a year in the form of interim and year-end dividends. The amount of year-end dividends is decided by the general meeting of shareholders; the amount of interim dividends is decided by the board of directors. In addition, the company's article of incorporation states that, "Based on the decision by the board of directors, September 30 of each year has been set as the date of record and interim dividends may be provided."

For the year ended March 31, 2009, the company posted net losses on both consolidated and non-consolidated bases. Accordingly, it suspended payment of dividends for this period.

For the year ending March 31, 2010, the company is expected to post net losses. Therefore the company intends to forgo interim and year-end dividend payments but will work toward improved results that will allow dividends to be reinstated at the earliest possible date.

1.4 Risk Factors

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

1.4.1 Impact of Market Fluctuations

Although the NEC Electronics Group carefully monitors 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 for the Group, as well as lower fab utilization rates, which may in turn result in diminished cost ratios, ultimately leading to a significant deterioration in profits.

1.4.2 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 reduce risks relating to fluctuations in the foreign currency exchange markets, such as forward exchange contracts. However, significant fluctuations in the exchange rate may impact the yen values of foreign currency-denominated product sales, materials costs, and production costs in factories overseas. In addition, conversion of NEC Electronics' foreign currency-denominated assets and liabilities, and the foreign currency-denominated financial statements of NEC Electronics' overseas subsidiaries into Japanese yen for disclosure may also affect the Group's assets and liabilities, as well as earnings and expenses.

1.4.3 Impact of Countries' Legal Systems and Related Compliance

The NEC Electronics Group conducts development, production and sales activities all over the world. Consequently, the Group may encounter risks associated with the countries and regions where it operates. Such risks include political and social instability, changes in legal regulations and social policies pertaining to areas such as trade, employment and the environment that impact business development, as well as deterioration in underlying economic conditions.

1.4.4 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.

1.4.5 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.

1.4.6 Risks Associated with Products from Orders to Final Shipment

The NEC Electronics Group receives orders from specific customers for the development of semiconductor products. There are cases where, after the Group has started product design work based on their unique specifications, customers decide to postpone or cancel the launch of the end products in which the ordered product is scheduled to be embedded. There is also the possibility that customer dissatisfaction with product function and/or performance, could result in cancelled purchases. Further, the lackluster sale of end products in which products developed by the Group are embedded may prompt customers to reduce the volume of products ordered, or to postpone delivery dates. Such changes in product plans, order reductions, postponements and other actions on the part of the customer for products developed for specific customers may cause declines in the Group sales and profitability.

1.4.7. Risks Associated with Product Production

a. Production process risk

Semiconductor products require extremely complex production processes. In an effort to increase yields from the materials used, the NEC Electronics Group takes steps to properly control production processes and seeks ongoing improvements. However, the emergence of problems in these production processes could lead to worsening yields. This problem, in turn, could trigger shipment delays, reductions in shipment volume, or, at worst, the halting of shipments altogether.

b. Procurement of Raw Materials, Components, and Production Facilities

The timely procurement of necessary raw materials, components and production facilities is critical to semiconductor production. To avoid supply problems related to these essential raw materials, components and production facilities, the NEC Electronics Group works diligently to develop close relationships with multiple suppliers. Some necessary materials, however, are available only from specific suppliers. Consequently, insufficient supply capacity amid tight demand for these materials could preclude their timely procurement, or may result in sharply higher prices for these essential materials upon procurement.

c. 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 the 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.

d. Risks Associated with Outsourced Production

The NEC Electronics Group outsources the manufacture of certain semiconductor products to external foundries and other entities. In doing so, the Group selects its trusted outsourcers, rigorously screened in advance based on their technological capabilities, supply capacity, and other relevant traits. This screening notwithstanding, the possibility of delivery delays, product defects and other production-side risks stemming from outsourcers

cannot be ruled out completely. In particular, inadequate production capacity among outsourcers could result in the Group being unable to supply enough products amid periods of high product demand.

1.4.8 Risks Associated with Product Sales

a. Reliance on Key Customers

The NEC Electronics Group relies on certain key customers for the bulk of its product sales to end customers. During the fiscal year under review, sales to the Group's top 10 end customers accounted for over 50 percent of consolidated net sales.

The decision by these key customers to cease adoption of the Group's products, or to dramatically reduce order volume, could negatively impact the Group's operating results.

b. Reliance on Authorized Sales Agents

In Japan and Asia, the NEC Electronics Group sells the majority of its products via independent authorized sales agents, and relies on certain major authorized sales agents for the bulk of these sales. The inability of the Group to provide these authorized sales agents with competitive sales incentives or margins, or to secure sales volumes that the authorized sales agents consider appropriate, could result in a decision by such agents to replace the Group products handled with those of a competitor, which could cause a downturn in the Group sales.

1.4.9 Retaining Human Resources

There is fierce competition in the semiconductor industry for talented human resources such as managers, technicians, researchers, and developers. For this reason, there is a risk that the Group may be unable to indefinitely retain talented human resources with adequate backgrounds in science, technology or engineering, particularly in the fields of LSI design and semiconductor manufacturing process technology.

1.4.10 Inadequate Pension Funds

As of March 31, 2009, the NEC Electronics Group had a total projected benefit obligation of 139.3 billion yen, based on U.S. GAAP. The fair value of the Group's pension assets was 58.2 billion yen as of March 31, 2009, resulting in a shortfall in pension funds of 81.2 billion yen as of the same date. The management of pension assets encompasses stocks, bonds and other assets that are accompanied by market risk. Consequently, a fall in the market prices of these assets could exacerbate the Group's pension shortfall.

Based on analyses of current market interest rates, on March 31, 2009, the Group applied a discount rate of 2.8% in the calculation of its pension benefit obligation. A decision to lower this discount rate would effectively increase the Group's pension benefit obligation. The Group also applied an expected long-term rate of return of 2.5% to the calculation of its net pension costs for the fiscal year. A decision to lower this expected long-term rate of return would effectively increase the Group's net pension costs.

1.4.11 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, NEC Electronics and the NEC Electronics Group may be forced to recognize impairment in their value.

1.4.12 Information Management

The NEC Electronics Group has in its possession a great deal of confidential information relating to its business activities. While such confidential information is managed according to internal regulations specifically designed for that purpose, there is always the risk that information may leak due to unforeseen circumstances. Should such an event occur, there is a likelihood that customer confidence and social trust would deteriorate, resulting in a negative effect on the Group's performance.

1.4.13 Environmental Factors

The NEC Electronics Group strives to decrease its environmental impact in accordance with the "NEC Electronics Environmental Policy," with respect to diversified and complex environmental issues such as global warming, air pollution, industrial waste, tightening of hazardous substance regulation, and soil pollution. There is the possibility that, regardless of whether there is negligence in its pursuit of business activities, NEC Electronics Group could bear legal or social responsibility for environmental problems. Should such an event occur, the burden of expenses for resolution could potentially be high, and the Group could suffer erosion in social trust.

1.4.14 Legal Issues

The NEC Electronics Group conducts business operations on a global scale. As a consequence, there is a risk that the Group may become the subject of lawsuits, be requested to pay compensation for damages, or be named in other legal disputes. While a number of unresolved cases of this kind are typically pending at any particular time, with the

exception of those discussed below, such cases are considered to have no major impact on the Group's financial condition and operating results as of March 31, 2009.

NEC Electronics America, Inc. has resolved by settlement the class action civil antitrust lawsuits from direct purchasers (customers who had directly purchased DRAM from the NEC Electronics Group in the past), but it is still in litigation, or in settlement negotiations, 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 is fully cooperating with and providing information to the European Commission in its investigation of potential violations of European competition laws in the DRAM industry. If the Group is found to be in violation of the competition laws, fines may be imposed by the European Commission.

The Group is also subject to 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. In Canada, NEC Electronics America is a defendant in numerous class action civil antitrust lawsuits seeking damages for alleged antitrust violations in the TFT-LCD industry.

While investigations in connection with potential antitrust violations in the SRAM industry conducted by the U.S. Department of Justice, the European Commission, and the Korea Fair Trade Commission have been closed, NEC Electronics America and NEC Electronics Group remain defendants in numerous class action civil antitrust lawsuits in the United States and Canada seeking damages for alleged antitrust violations in the SRAM industry.

Although the outcome of the aforementioned investigations, antitrust lawsuits and settlement negotiations is not known at this time, the NEC Electronics Group has at this time recorded approximately 11.9 billion yen in probable and reasonably estimable payments and expenses related to the DRAM civil lawsuits and settlements in the U.S. and investigations by the European Commission. It is possible that such estimated amount may increase or decrease with the progress of such cases in the futures. No other expenses pertaining to other civil lawsuits and official investigations have been recorded, since the Group's liability for compensation pertaining to such lawsuits and its alleged behavior under such investigations remain undetermined. Consequently, any reasonable estimate of related expenses and losses is not feasible at this time.

<Relationship with Parent Company and Other Companies>

1. Relationship with NEC Corporation

NEC Electronics is a subsidiary of NEC Corporation and as of March 31, 2009, NEC Corporation beneficially owns approximately 70 percent of the issued shares including its funding of the pension trust. As a result, NEC Corporation owns 2/3 of NEC Electronics' voting interests and will effectively control the all outcome of actions that require shareholder approval.

2. Business Operation at NEC Electronics Group and its Intellectual Property Rights

In connection with the corporate separation, NEC Corporation transferred most of its semiconductor-related intellectual property to NEC Electronics, including part of its cross-licensing arrangements. NEC Electronics is the indirect beneficiary of these cross-licensing arrangements with other leading semiconductor or technology companies, and will no longer be a beneficiary under these agreements if NEC Corporation's direct or indirect ownership of our voting shares becomes equal to or less than 50 percent. NEC Electronics entered into an agreement with NEC Corporation governing the use of intellectual property rights and providing for cross-licensing arrangements directly for NEC Electronics, however, the risks remain until these agreements are re-signed.

3. "NEC" Brand Name License Agreement with NEC Corporation

NEC Electronics owns the right to use the letters "NEC" as part of its trade name and to use the "NEC" mark as our trademark and corporate mark pursuant to a brand name license agreement with NEC Corporation. This right is subject to the ability of NEC Corporation to immediately terminate the agreement if NEC Corporation determines that NEC Electronics' performance is inadequate or that its use of the "NEC" mark is detrimental to NEC Corporation, or if NEC Corporation's ownership of NEC Electronics falls to 50 percent or less. In this case, NEC Electronics will focus its corporate resources to launch and generate its own new brand.

2. NEC Electronics Group Companies

The NEC Electronics Group comprises 21 consolidated subsidiaries, listed below according to primary business activity.

Manufacturing Companies

NEC Semiconductors Yamagata, Ltd. ¹
NEC Semiconductors Kansai, Ltd. ²
NEC Semiconductors Kyushu Yamaguchi, Ltd.³
NEC Fabserve, Ltd. ⁴
NEC Electronics America, Inc. ⁵
NEC Semiconductors Ireland Limited ⁶
NEC Semiconductors Singapore Pte. Ltd.
NEC Semiconductors (Malaysia) Sdn. Bhd.
P.T. NEC Semiconductors Indonesia ⁷
Shougang NEC Electronics Co., Ltd.

Sales Companies

NEC Electronics (Europe) GmbH
NEC Electronics (UK) Limited ⁸
NEC Electronics Taiwan, Ltd.
NEC Electronics Singapore Pte. Ltd.
NEC Electronics (China) Co., Ltd. ⁹
NEC Electronics Hong Kong Limited
NEC Electronics Shanghai, Ltd.
NEC Electronics Korea Limited

Design Companies

NEC Micro Systems, Ltd.

Others

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

Note 1: NEC Yamagata, Ltd. changed its company name to NEC Semiconductors Yamagata, Ltd. on April 1, 2008.

Note 2: NEC Kansai, Ltd. merged with NEC Fukui, Ltd. on April 1, 2008. The name of the new company is NEC Semiconductors Kansai, Ltd.

Note 3: NEC Kyushu, Ltd. merged with NEC Yamaguchi, Ltd. and NEC Semicon Package Solutions, Ltd. on April 1, 2008. The name of the new company is NEC Semiconductors Kyushu Yamaguchi, Ltd.

Note 4: NEC Fabserve, Ltd. ceased business operation in December, 2008.

Note 5: NEC Electronics America, Inc. handles both manufacturing and sales.

Note 6: NEC Semiconductors Ireland Limited ceased manufacturing and shipping activities in September, 2006.

Note 7: P.T. NEC Semiconductors Indonesia ceased manufacturing and shipping activities in October, 2007.

Note 8: NEC Electronics (UK) Limited is an inactive company.

Note 9: NEC Electronics (China) Co., Ltd. conducts sales and design activities.

3. Management Policies

3.1 Management policies

Aiming to be a leading global semiconductor company, NEC Electronics Group is working to increase its business value and share value based on the following principles:

- The focus of business on the three product areas of SoC (system on chip), microcomputers, and discrete & IC in the sectors of automobiles, industrial devices and consumer devices.
- Utilization of the close relationship between development and production to create new capacity and value.
- An integrated policy of responsibility from development through production and support to earn customer trust.
- Development and expansion of the product groups and areas to create new value and earn social trust.

3.2 Management Targets

NEC Electronics believes that in order to improve return on assets (ROA) and return on equity (ROE), it is of the utmost importance to increase the ratio of profitability to sales, and therefore strives to improve consolidated operating profit levels to double digits as quickly as possible. However, the operating loss in the year of the fiscal year ended March 31, 2009 grew rapidly worse, and the primary concern for the company is to achieve profits. The company will concentrate on forcing through decisive action for structural reforms, including reduction of fixed costs. NEC Electronics will also make concerted efforts to immediately respond to the deteriorating economic environment and steadily advance reform to improve financial performance.

3.3 Mid-term Corporate Strategies

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

3.3.1 Consistent business administration of development and production for each product group

There are three main areas of products at the NEC Electronics Group: SoC, microcomputers and discrete & IC. In the past, NEC Electronics used an organizational structure based on function. Beginning in the year under review, however, business units were created for each of

these three product groups to strengthen the control over profits. Production subsidiaries have similarly been reorganized along these lines as well. This product-based organization system allows increased competitiveness in cost, quality and delivery because the process is made uniform from development through production and support. The close relationship between development and production has brought steady results such as the achievement of extremely short turnaround time for production of cutting edge LSIs as well as increased yields. The company will continue working to strengthen these areas

3.3.2 Stronger product competitiveness through a focus on core fields

The NEC Electronics Group is positioned in its core areas of automobiles, industry and consumer products. In the automotive and industry areas, providing high reliability (zero defects) and long-term stable supply are critical for semiconductors. In the area of consumer products, technologies such as image processing and low power consumption are required of semiconductors. The NEC Electronics Group's background is such that it is well equipped to handle these issues.

The NEC Electronics Group has a favorable business relationship with customers who lead powerful industries around the world, and is working to further strengthen its competitiveness by focusing development resources on the areas of automobiles, industry and consumer products.

3.3.3 A trustworthy company to customers and society

For the NEC Electronics Group, continuity in areas such as development support capacity, upholding development delivery scheduling, maintaining/improving volume product quality, immediate response to defects, and stable product supply are recognized by customers over the long term, and this has a value also in maintaining a difference from our competitors. Enhancing competitiveness by maintaining that difference to provide value that customers want is how NEC Electronics earns trust from customers. As people increasingly demand global environment protection as well as safe living and social circumstances, semiconductors with lower power consumption and high quality—a strong point of NEC Electronics Group—will contribute to our development, and our continued pursuit of further development will lead to social trust.

The NEC Electronics Group aims to be a leading semiconductor global company, and will continue operations into the future as a company that responds to customer trust and social trust.

3.4 Issues to Address

In the semiconductor market in which NEC Electronics operates, the economic condition underwent an acute deterioration from the second half of the fiscal year that is far worse than the hard hit by the bursting of the IT bubble in 2001. To fundamentally strengthen its corporate structure and to promptly regain profitability even given the difficult business conditions, the NEC Electronics Group will address the following issues such as acceleration of structural reforms including realignment of fabrication lines and development of competitive products.

3.4.1 Acceleration of cost restructuring under the rapid worsening of economic condition

By focusing on improvement of its cost structures based on the corporate strategy announced on February 2007, the NEC Electronics Group achieved a consolidated operating profit in the last fiscal year ended March 31, 2008. However, the economic situation after summer of 2009 grew steadily worse, and the sharp appreciation of the yen against foreign currencies developed, resulting in a consolidated operating loss due to a rapid fall in semiconductor sales. In consideration of this state of the economy, the Group will accelerate the reconstruction of the company's overall cost structures in accordance with the reduced level of sales.

The NEC Electronics Group has been progressing consolidation of production lines and expansion of the scale of individual production lines to improve its production efficiency at the wafer processing facilities. By accelerating this, the Group will close its 6-inch wafer production lines at the domestic and foreign sites (NEC Semiconductors Kyushu Yamaguchi's Kawashiri facility, NEC Electronics America's facility in Roseville, California) by the end of March 2010, and will continuously promote the transition of semiconductor test and assembly bases overseas. The Group will also streamline capital expenditures and personnel distribution to reduce fixed expenditures such as labor, depreciation and power usage. Through examination of the economic profitability of the products and effective utilization of the development resource in foreign countries such as India, the Group will restrain increases in R & D cost ratio. In addition to these steps, the Group will also implement urgent cost-saving measures such as reduction of employees' salaries and corporate officers' remuneration. The NEC Electronics Group believes the faithful implementation of these new measures will enable it to achieve consolidated operating profit in the next fiscal year ending March, 2010.

3.4.2 Strong production in anticipation of the market recovery and expansion of overseas sales ratio

In order to correspond to the rapid deterioration of the operating environment, the NEC Electronics Group has been greatly reducing fixed expenses. Included in these fixed expenses, however, are R&D expenses for capital expenditures and product development targeted for

future growth, and the issue of how to balance investments for the future and base expense reductions is an important management issue.

Amidst the severe operating climate, the Group is increasing its share of microcontrollers, especially 32-bit microcontrollers, and ASIC (application specific integrated circuit), such as embedded DRAM, in the global semiconductor market, valued by customers with the Group's image processing and low power consumption technologies. The Group will focus on the eco-business market as a growing business area and plan to channel management resources toward its eco-products, such as microcontrollers and embedded DRAM. The Group will also utilize the competitiveness of its strong products, such as microcontrollers, and expand its business in the market of analog devices and discrete products for interfaces and power supplies. Based on this, the company will make further progress with selection and concentration of development resource investment, and focus on the development of products with promise in competitiveness and growth.

Among semiconductor markets around the globe, Japan is a top consumer. However, in recent years, the Asian market outside of Japan and particularly the Chinese market have expanded rapidly, and it is not an overstating the case that the way in which the market share of sales in the Chinese and Asian markets is increased is what will determine growth for semiconductor businesses. By moving forward with sales base infrastructure and geared for the Chinese and Asian markets, further increasing sales and sales engineering staff, and strengthening development of products in line with local demand, the Group will increase its sales market share in the Chinese and Asian markets with their continued rapid growth, and quickly achieve overseas sales ratio of at least 50 percent for the group.

3.5 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 Promotion Committee. NEC Electronics joined the United Nations Global Compact in March 2008, as the first Japanese semiconductor company.

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 also publishes its CSR report, annual report, and environmental management report in accordance with Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

In addition to local community service activities such as the "Kanagawa Watershed Forestation Project" and beautification projects, from October 2006 the company initiated arts and crafts programs using electronics components for elementary and middle school students to help stimulate their interest in electronics.

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 exceeds 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.

4. Consolidated Financial Statements

4.1 Consolidated Balance Sheets

	March 31, 2008	March 31, 2009		Increase (Decrease)
	Million Yen	Million Yen	Million USD	Million Yen
Current assets	344,115	222,177	2,244	(121,938)
Cash and cash equivalents	165,472	101,279	1,023	(64,193)
Notes and accounts receivable, trade	96,352	52,488	530	(43,864)
Inventories	75,839	63,220	639	(12,619)
Other current assets	6,452	5,190	52	(1,262)
Long-term assets	272,189	260,368	2,630	(11,821)
Investments	4,565	3,474	35	(1,091)
Property, plant and equipment	259,151	242,079	2,445	(17,072)
Other assets	8,473	14,815	150	6,342
Total assets	616,304	482,545	4,874	(133,759)
Current liabilities	179,715	141,907	1,433	(37,808)
Short-term borrowings and current portion of long-term debt	2,394	1,905	19	(489)
Notes and accounts payable, trade	108,136	78,763	796	(29,373)
Other current liabilities	69,185	61,239	618	(7,946)
Long-term liabilities	204,275	208,387	2,105	4,112
Long-term debt	114,207	114,966	1,161	759
Accrued pension and severance costs	74,460	81,167	820	6,707
Other	15,608	12,254	124	(3,354)
Minority shareholders' equity in consolidated subsidiaries	5,176	4,121	42	(1,055)
Shareholders' equity	227,138	128,130	1,294	(99,008)
Common stock	85,955	85,955	868	--
Additional paid-in capital	281,073	281,081	2,839	8
Accumulated deficit	(114,896)	(197,521)	(1,995)	(82,625)
Accumulated other comprehensive income (loss)	(24,984)	(41,374)	(418)	(16,390)
Treasury stock, at cost	(10)	(11)	(0)	(1)
Total liabilities and shareholders' equity	616,304	482,545	4,874	(133,759)

Interest-bearing debt	116,601	116,871	1,181	270
Equity ratio	36.9%	26.6%		(10.3)%
Debt / equity ratio	0.51 times	0.91 times		0.40 times

Accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	1,913	(6,563)	(66)	(8,476)
Pension liability adjustment	(27,737)	(34,948)	(353)	(7,211)
Unrealized gains (losses) on marketable securities	840	137	1	(703)

Note

1. Certain amounts in the consolidated financial statements for the period ended March 31, 2008 have been reclassified to conform to the presentation in the consolidated financial statements for the period ended March 31, 2009.

4.2 Consolidated Statements of Operations

	Year Ended March 31, 2008		Year Ended March 31, 2009			Increase (Decrease) Million Yen
	Million Yen	% of Net Sales	Million Yen	Million USD	% of Net Sales	
Net sales	687,745	100.0	546,470	5,520	100.0	(141,275)
Cost of sales	485,683	70.6	425,918	4,302	77.9	(59,765)
Research and development	112,300	16.3	110,380	1,115	20.2	(1,920)
Selling, general, and administrative expenses	84,668	12.4	78,527	793	14.4	(6,141)
Operating income (loss)	5,094	0.7	(68,355)	(690)	(12.5)	(73,449)
Non-operating income	6,053	0.9	3,761	38	0.7	(2,292)
Interest and dividends income	2,152		1,570	16		(582)
Other	3,901		2,191	22		(1,710)
Non-operating expense	14,399	2.1	24,741	250	4.5	10,342
Interest expense	741		319	3		(422)
Other	13,658		24,422	247		10,764
Loss before income taxes	(3,252)	(0.5)	(89,335)	(902)	(16.3)	(86,083)
Provision (benefit) for income taxes	12,285	1.8	(6,115)	(62)	(1.0)	(18,400)
Minority interest in income (loss) of consolidated subsidiaries	251	0.0	(288)	(2)	(0.1)	(539)
Equity in earnings (loss) of affiliated companies	(207)	(0.0)	307	3	0.1	514
Net Loss	(15,995)	(2.3)	(82,625)	(835)	(15.1)	(66,630)

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.

4.3 Consolidated Statements of Change in Shareholders' Equity

Year Ended March 31, 2008	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock	Total
	Million Yen	Million Yen	Million Yen	Million Yen	Million Yen	Million Yen
Balance at beginning of year	85,955	281,039	(98,901)	(3,017)	(8)	265,068
Compensation expense for stock options		34				34
Comprehensive income (loss)						
Net loss			(15,995)			(15,995)
Other comprehensive income (loss), net of tax						
Foreign currency translation adjustments				(8,589)		(8,589)
Pension liability adjustment				(11,800)		(11,800)
Unrealized gains (losses) on marketable securities				(1,578)		(1,578)
Comprehensive income (loss)						(37,962)
Purchase of treasury stock, at cost					(2)	(2)
Balance at end of year	85,955	281,073	(114,896)	(24,984)	(10)	227,138

Year Ended March 31, 2009	Common stock		Additional paid-in capital		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	868	281,073	2,839	(114,896)	(1,160)	(24,984)	(252)	(10)	(0)	227,138	2,295
Compensation expense for stock options			8	0							8	0
Comprehensive income (loss)												
Net loss					(82,625)	(835)					(82,625)	(835)
Other comprehensive income (loss), net of tax												
Foreign currency translation adjustments							(8,476)	(86)			(8,476)	(86)
Pension liability adjustment							(7,211)	(73)			(7,211)	(73)
Unrealized gains (losses) on marketable securities							(703)	(7)			(703)	(7)
Comprehensive income (loss)											(99,015)	(1,001)
Purchase of treasury stock, at cost									(1)	(0)	(1)	(0)
Balance at end of year	85,955	868	281,081	2,839	(197,521)	(1,995)	(41,374)	(418)	(11)	(0)	128,130	1,294

4.4 Consolidated Statements of Cash Flows

	Year Ended	Year Ended		Increase
	March 31, 2008	March 31, 2009		(Decrease)
	Million Yen	Million Yen	Million USD	Million Yen
I. Cash flows from operating activities				
Net loss	(15,995)	(82,625)	(835)	(66,630)
Adjustments to reconcile net loss to net cash provided by operating activities				
Depreciation and amortization	75,067	67,346	680	(7,721)
(Increase) decrease in notes and accounts receivable	(3,710)	39,117	395	42,827
Decrease in inventories	856	10,911	111	10,055
Decrease in notes and accounts payable	(17,309)	(31,166)	(315)	(13,857)
Other, net	4,353	(10,516)	(106)	(14,869)
Net cash provided by (used in) operating activities	43,262	(6,933)	(70)	(50,195)
II. Cash flows from investing activities				
Proceeds from sales of property, plant and equipment	20,653	6,271	63	(14,382)
Additions to property, plant and equipment	(62,188)	(53,035)	(536)	9,153
Other, net	3,766	(2,492)	(25)	(6,258)
Net cash used in investing activities	(37,769)	(49,256)	(498)	(11,487)
Free cash flows (I + II)	5,493	(56,189)	(568)	(61,682)
III. Cash flows from financing activities				
Net repayments of borrowings	(20,456)	(1,587)	(16)	18,869
Other, net	(2,529)	(2,708)	(27)	(179)
Net cash used in financing activities	(22,985)	(4,295)	(43)	18,690
Effect of exchange rate changes on cash and cash equivalents	(2,408)	(3,709)	(37)	(1,301)
Net decrease in cash and cash equivalents	(19,900)	(64,193)	(648)	(44,293)
Cash and cash equivalents at beginning of year	185,372	165,472	1,671	(19,900)
Cash and cash equivalents at end of year	165,472	101,279	1,023	(64,193)

4.5 Notes on Assumption for Going Concern

None

4.6 Basis of Presenting the Consolidated Financial Statements

4.6.1. Scope of consolidation and equity method

Number of consolidated subsidiaries	21 companies
Number of affiliate companies accounted for by the equity method	1 company

4.6.2. Significant accounting policies

1. Basis of preparation of the consolidated financial statements

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. Method and basis of valuation of inventories

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

3. Methods and basis of valuation of marketable equity securities

The Company applies the Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Marketable equity securities classified as available for sale are reported at fair value based on market price at the end of each period. 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 accounts

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

Accrued pension and severance costs

The company applies SFAS No. 87, “*Employers’ Accounting for Pensions*,” and SFAS No. 158, “*Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans*.”

6. Accounting change

Effective April 1, 2008, the Company adopted SFAS No. 157, “*Fair Value Measurements*” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair values, and expands disclosures about fair value measurements. The adoption of SFAS No. 157 did not have a significant effect on its financial position and results of operations. The details of effect of adopting SFAS No. 157 are omitted because it is immaterial in financial results disclosure.

Effective January 1, 2009, the Company adopted SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*” (“SFAS No. 161”). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. The adoption of SFAS No. 161 did not have a significant effect on its financial position and results of operations. The details of effect of adopting SFAS No. 161 are omitted because it is immaterial in financial results disclosure.

4.7 Segment Information and Others

Segment Information

Breakdown of Net Sales by Market Application

	Year Ended March 31, 2008		Year Ended March 31, 2009			Increase (Decrease)	
	Million Yen	% of Total	Million Yen	Million USD	% of Total	Million Yen	% Change
Communications	70,350	10.2	60,199	608	11.0	(10,151)	(14.4)
Computing and peripherals	119,352	17.4	87,237	881	16.0	(32,115)	(26.9)
Consumer electronics	134,546	19.6	119,330	1,205	21.8	(15,216)	(11.3)
Automotive and industrial	113,320	16.5	91,492	924	16.8	(21,828)	(19.3)
Multi-market ICs	89,643	13.0	70,478	712	12.9	(19,165)	(21.4)
Discrete, optical, and microwave devices	126,064	18.3	92,999	940	17.0	(33,065)	(26.2)
Semiconductor total	653,275	95.0	521,735	5,270	95.5	(131,540)	(20.1)
Other	34,470	5.0	24,735	250	4.5	(9,735)	(28.2)
Total	687,745	100.0	546,470	5,520	100.0	(141,275)	(20.5)

(Reference) Breakdown of Net Sales by Platform

In addition to reporting sales by market application, NEC Electronics also reports sales by platform.

	Year Ended March 31, 2008		Year Ended March 31, 2009			Increase (Decrease)	
	Million Yen	% of Total	Million Yen	Million USD	% of Total	Million Yen	% Change
SoC platform	251,295	36.5	222,536	2,248	40.7	(28,759)	(11.4)
MCU platform	180,113	26.2	141,837	1,433	26.0	(38,276)	(21.3)
Discrete and IC	221,867	32.3	157,362	1,589	28.8	(64,505)	(29.1)
Semiconductor total	653,275	95.0	521,735	5,270	95.5	(131,540)	(20.1)
Other	34,470	5.0	24,735	250	4.5	(9,735)	(28.2)
Total	687,745	100.0	546,470	5,520	100.0	(141,275)	(20.5)

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

Microcomputer (MCU) Platform: microcontrollers, car audio controllers

Discrete & IC: display drivers, analog ICs, discrete, optical and microwave devices

Breakdown of Net Sales by Region

	Year Ended March 31, 2008		Year Ended March 31, 2009			Increase (Decrease)
	Million Yen	% of Total	Million Yen	Million USD	% of Total	% Change
Japan	370,238	53.8	301,617	3,047	55.2	(18.5)
United States of America	58,256	8.5	38,638	390	7.1	(33.7)
Europe	95,936	14.0	74,468	752	13.6	(22.4)
Asia	163,315	23.7	131,747	1,331	24.1	(19.3)
Total	687,745	100.0	546,470	5,520	100.0	(20.5)

Breakdown of Profit / Loss by Region

	Year Ended March 31, 2008		Year Ended March 31, 2009			Increase (Decrease)
	Million Yen	% of Total	Million Yen	Million USD	% of Total	Million Yen
Japan	(9,386)	---	(66,287)	(669)	---	(56,901)
United States of America	755	---	(5,326)	(54)	---	(6,081)
Europe	2,023	---	(238)	(2)	---	(2,261)
Asia	11,702	---	3,496	35	---	(8,206)
Total	5,094	---	(68,355)	(690)	---	(73,449)

Financial Instruments

Derivatives

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

	March 31, 2008		March 31, 2009			
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Derivatives transactions	Million Yen		Million Yen		Million USD	
Forward exchange contracts	1,520	1,520	(1,167)	(1,167)	(12)	(12)

Marketable Securities

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

	March 31, 2008		March 31, 2009	
	Million Yen	Million Yen	Million Yen	Million USD
Available-for-sale equity securities				
Cost	1,933	1,927		19
Fair value	3,345	2,158		22
Net unrealized holding gains	1,412	231		2

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:

	March 31, 2008		March 31, 2009	
	Million Yen	Million Yen	Million Yen	Million USD
Due within one year	25,499	22,216		224
Due after one year	40,555	23,488		237

Stock Options

Information pertaining to stock options is not included in this report.

Net Income (Loss) Per Share of Common Stock

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

	Year Ended March 31, 2008		Year Ended March 31, 2009		Increase (Decrease)
	Million Yen		Million Yen	Million USD	
Net loss	(15,995)		(82,625)	(835)	(66,630)
Number of shares	Shares		Shares		Shares
Weighted average number of common shares outstanding	123,498,165		123,497,808		(357)
Effect of dilutive securities	---		---		---
Diluted weighted average number of common shares outstanding	123,498,165		123,497,808		(357)
Net loss per share of common stock	Yen		Yen USD		Yen
Basic	(129.52)		(669.04)	(6.76)	(539.52)
Diluted	(129.52)		(669.04)	(6.76)	(539.52)

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:

	Year Ended March 31, 2008		Year Ended March 31, 2009		Increase (Decrease)
	Shares		Shares		
Number of shares	Shares		Shares		Shares
Convertible bonds	11,156,100		11,156,100		---
Stock options	72,000		72,000		---

Capital Expenditures and R&D Expenses

	Year Ended March 31, 2008		Year Ended March 31, 2009		Increase (Decrease)
	Million Yen		Million Yen	Million USD	
Capital expenditures	56,128		56,573	571	445
Depreciation and amortization	75,067		67,346	680	(7,721)
R&D expenses	112,300		110,380	1,115	(1,920)

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

5 Post Balance Sheet Date Events

Having been approved by the board of directors on April 27, 2009, NEC Electronics, on the same day, signed a memorandum of understanding with Renesas Technology Corp., to enter into negotiations to integrate their business operations.

In the semiconductor market, as global competition on the performance, architecture, price, and quality grows increasingly severe, manufacturers are faced to keep abreast of these changes. In light of this fierce condition, NEC Electronics and Renesas have agreed to initiate joint deliberations to integrate their business operations in around April, 2010, to further strengthen their business foundations and technological assets while increasing corporate value through enhanced customer satisfaction. Both companies also agreed on maintaining public listing for the new company.

Terms and conditions of this business integration will be discussed through future negotiations and both companies plan to sign a definitive agreement at the end of July, 2009. Implementation of the planned business integration is conditional upon the approval at the extraordinary general meetings of shareholders and the authorization by the relevant government agencies.

Corporate profile of Renesas Technology Corp., as of March 31, 2009 is as follows:

Name of Company: Renesas Technology Corp.

Major Operations: Development, design, manufacture, sale, and servicing of SoC products, discrete semiconductor products; and memory products

Headquarters: 2-6-2, Ootemachi, Chiyoda-ku, Tokyo, Japan

Established: April 1, 2003

Capital: 77 billion yen

Stockholders and Ownership Ratios: Hitachi, Ltd.: 55% Mitsubishi Electric Corporation: 45%

Reference: Consolidated Financial Statements (Three Months)

Consolidated Statements of Operations Three months ended March 31, 2009

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2009			Increase (Decrease)
	Million Yen	% of Net Sales	Million Yen	Million USD	% of Net Sales	Million Yen
Net sales	165,994	100.0	85,546	864	100.0	(80,448)
Cost of sales	120,497	72.6	94,588	956	110.6	(25,909)
Research and development	24,594	14.8	26,948	272	31.5	2,354
Selling, general, and administrative expenses	20,663	12.5	17,328	175	20.2	(3,335)
Operating income (loss)	240	0.1	(53,318)	(539)	(62.3)	(53,558)
Non-operating income	874	0.5	536	5	0.6	(338)
Interest and dividends income	531		218	2		(313)
Other	343		318	3		(25)
Non-operating expense	7,841	4.7	16,435	165	19.2	8,594
Interest expense	117		48	0		(69)
Other	7,724		16,387	165		8,663
Loss before income taxes	(6,727)	(4.1)	(69,217)	(699)	(80.9)	(62,490)
Provision (benefit) for income taxes	5,426	3.2	(7,785)	(79)	(9.1)	(13,211)
Minority interest in income (loss) of consolidated subsidiaries	5	0.0	(451)	(4)	(0.5)	(456)
Equity in earnings of affiliated companies	131	0.1	162	2	0.2	31
Net Loss	(12,027)	(7.2)	(60,819)	(614)	(71.1)	(48,792)

Notes

1. All figures are rounded to the nearest 100 million yen.
2. The consolidated financial statements of NEC Electronics are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
3. 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.

Consolidated Statements of Change in Shareholders' Equity
Three Months Ended March 31, 2009

Three Months Ended March 31, 2008	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock	Total
	Million Yen	Million Yen	Million Yen	Million Yen	Million Yen	Million Yen
Balance at beginning of period	85,955	281,065	(102,869)	(5,296)	(10)	258,845
Compensation expense for stock options		8				8
Comprehensive income (loss)						
Net loss			(12,027)			(12,027)
Other comprehensive income (loss), net of tax						
Foreign currency translation adjustments				(7,029)		(7,029)
Pension liability adjustment				(11,867)		(11,867)
Unrealized gains (losses) on marketable securities				(792)		(792)
Comprehensive income (loss)						(31,715)
Balance at end of period	85,955	281,073	(114,896)	(24,984)	(10)	227,138

Three Months Ended March 31, 2009	Common stock		Additional paid-in capital		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 period	85,955	868	281,081	2,839	(136,702)	(1,381)	(33,405)	(337)	(11)	(0)	196,918	1,989
Comprehensive income (loss)												
Net loss					(60,819)	(614)					(60,819)	(614)
Other comprehensive income (loss), net of tax												
Foreign currency translation adjustments							481	5			481	5
Pension liability adjustment							(8,080)	(82)			(8,080)	(82)
Unrealized gains (losses) on marketable securities							(370)	(4)			(370)	(4)
Comprehensive income (loss)											(68,788)	(695)
Balance at end of period	85,955	868	281,081	2,839	(197,521)	(1,995)	(41,374)	(418)	(11)	(0)	128,130	1,294

Consolidated Statements of Cash Flows
Three Months Ended March 31, 2009

	Three Months Ended	Three Months Ended		Increase
	March 31, 2008	March 31, 2009		(Decrease)
	Million Yen	Million Yen	Million USD	Million Yen
I. Cash flows from operating activities				
Net loss	(12,027)	(60,819)	(614)	(48,792)
Adjustments to reconcile net loss to net cash provided by operating activities				
Depreciation and amortization	19,305	16,992	171	(2,313)
(Increase) decrease in notes and accounts receivable	(10,141)	16,858	170	26,999
Decrease in inventories	3,904	20,953	212	17,049
Decrease in notes and accounts payable	(6,683)	(32,792)	(331)	(26,109)
Other, net	6,131	2,509	25	(3,622)
Net cash provided by (used in) operating activities	489	(36,299)	(367)	(36,788)
II. Cash flows from investing activities				
Proceeds from sales of property, plant and equipment	13,959	1,581	16	(12,378)
Additions to property, plant and equipment	(17,698)	(19,774)	(199)	(2,076)
Other, net	(531)	(494)	(5)	37
Net cash used in investing activities	(4,270)	(18,687)	(188)	(14,417)
Free cash flows (I + II)	(3,781)	(54,986)	(555)	(51,205)
III. Cash flows from financing activities				
Net repayments of borrowings	(16,135)	(73)	(1)	16,062
Other, net	(577)	(559)	(6)	18
Net cash used in financing activities	(16,712)	(632)	(7)	16,080
Effect of exchange rate changes on cash and cash equivalents	(2,966)	401	4	3,367
Net decrease in cash and cash equivalents	(23,459)	(55,217)	(558)	(31,758)
Cash and cash equivalents at beginning of period	188,931	156,496	1,581	(32,435)
Cash and cash equivalents at end of period	165,472	101,279	1,023	(64,193)

Segment Information

Three Months Ended March 31, 2009

Net Sales by Market Application

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2009			Increase (Decrease)	
	Million Yen	% of Total	Million Yen	Million USD	% of Total	Million Yen	% Change
Communications	16,986	10.2	12,101	122	14.1	(4,885)	(28.8)
Computing and peripherals	27,122	16.4	9,673	98	11.3	(17,449)	(64.3)
Consumer electronics	31,719	19.1	23,431	236	27.4	(8,288)	(26.1)
Automotive and industrial	29,222	17.6	12,672	128	14.8	(16,550)	(56.6)
Multi-market ICs	20,309	12.2	10,485	106	12.3	(9,824)	(48.4)
Discrete, optical, and microwave devices	30,085	18.1	12,348	125	14.4	(17,737)	(59.0)
Semiconductor total	155,443	93.6	80,710	815	94.3	(74,733)	(48.1)
Other	10,551	6.4	4,836	49	5.7	(5,715)	(54.2)
Total	165,994	100.0	85,546	864	100.0	(80,448)	(48.5)

Reference: Net Sales by Platform

In addition to reporting sales by market application, NEC Electronics also reports sales by platform.

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2009			Increase (Decrease)	
	Million Yen	% of Total	Million Yen	Million USD	% of Total	Million Yen	% Change
SoC platform	59,123	35.6	39,041	394	45.6	(20,082)	(34.0)
MCU platform	44,778	27.0	20,846	211	24.4	(23,932)	(53.4)
Discrete and IC	51,542	31.0	20,823	210	24.3	(30,719)	(59.6)
Semiconductor total	155,443	93.6	80,710	815	94.3	(74,733)	(48.1)
Other	10,551	6.4	4,836	49	5.7	(5,715)	(54.2)
Total	165,994	100.0	85,546	864	100.0	(80,448)	(48.5)

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

Microcomputer (MCU) Platform: microcontrollers, car audio controllers

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

Net Sales by Region

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2009			Increase (Decrease)
	Million Yen	% of Total	Million Yen	Million USD	% of Total	% Change
Japan	91,740	55.3	47,639	481	55.7	(48.1)
United States of America	13,509	8.1	6,481	66	7.6	(52.0)
Europe	24,996	15.1	14,162	143	16.5	(43.3)
Asia	35,749	21.5	17,264	174	20.2	(51.7)
Total	165,994	100.0	85,546	864	100.0	(48.5)

Profit / Loss by Region

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2009			Increase (Decrease)
	Million Yen	% of Total	Million Yen	Million USD	% of Total	Million Yen
Japan	(4,401)	---	(47,613)	(481)	---	(43,212)
United States of America	726	---	(2,866)	(29)	---	(3,592)
Europe	1,478	---	(983)	(10)	---	(2,461)
Asia	2,437	---	(1,856)	(19)	---	(4,293)
Total	240	---	(53,318)	(539)	---	(53,558)

Reference: Summary of Consolidated Financial Results

Year ended March 31, 2009

	Year Ended March 31, 2008		Year Ended March 31, 2009			Increase (Decrease)	
	Billion Yen	% of Net Sales	Billion Yen	Million USD	% of Net Sales	Billion Yen	% Change
Net sales	687.7	100.0	546.5	5,520	100.0	(141.3)	(20.5)
Sales from semiconductors	653.3		521.7	5,270		(131.5)	(20.1)
Operating income (loss)	5.1	0.7	(68.4)	(690)	(12.5)	(73.4)	---
Loss before income taxes	(3.3)	(0.5)	(89.3)	(902)	(16.3)	(86.1)	---
Net loss	(16.0)	(2.3)	(82.6)	(835)	(15.1)	(66.6)	---
Net loss per share of common stock:	Yen		Yen	USD		Yen	% Change
Basic	(129.52)		(669.04)	(6.76)		(539.52)	---
Diluted	(129.52)		(669.04)	(6.76)		(539.52)	---
Capital expenditures	Billion Yen 56.1		Billion Yen 56.6	Million USD 571		Billion Yen 0.4	% Change 0.8
Depreciation and amortization	75.1		67.3	680		(7.7)	(10.3)
R&D expenses	112.3		110.4	1,115		(1.9)	(1.7)
Exchange rate (USD)	Yen 116		Yen 101				
Exchange rate (Euro)	161		146				

Three months ended March 31, 2009

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2009			Increase (Decrease)	
	Billion Yen	% of Net Sales	Billion Yen	Million USD	% of Net Sales	Billion Yen	% Change
Net sales	166.0	100.0	85.5	864	100.0	(80.4)	(48.5)
Sales from semiconductors	155.4		80.7	815		(74.7)	(48.1)
Operating income (loss)	0.2	0.1	(53.3)	(539)	(62.3)	(53.6)	---
Loss before income taxes	(6.7)	(4.1)	(69.2)	(699)	(80.9)	(62.5)	---
Net loss	(12.0)	(7.2)	(60.8)	(614)	(71.1)	(48.8)	---
Net loss per share of common stock:	Yen		Yen	USD		Yen	% Change
Basic	(97.39)		(492.47)	(4.97)		(395.08)	---
Diluted	(97.39)		(492.47)	(4.97)		(395.08)	---

	Billion Yen	Billion Yen	Million USD	Billion Yen	% Change
Capital expenditures	18.1	17.1	173	(1.0)	(5.6)
Depreciation and amortization	19.3	17.0	172	(2.3)	(12.0)
R&D expenses	24.6	26.9	272	2.4	9.6
Exchange rate (USD)	Yen 109	Yen 91			
Exchange rate (Euro)	160	120			

	March 31, 2008	March 31, 2009		Increase (Decrease)	
	Billion Yen	Billion Yen	Million USD	Billion Yen	% Change
Total assets	616.3	482.5	4,874	(133.8)	(21.7)
Shareholders' equity	227.1	128.1	1,294	(99.0)	(43.6)

	Persons	Persons	Persons	% Change
Number of employees	23,110	22,476		(634) (2.7)

Notes

- All figures are rounded to the nearest 100 million yen.
- The consolidated financial statements of NEC Electronics are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
- The figures for operating income (loss) shown above represent net sales minus the cost of sales, research and development expenses, and selling, general and administrative expenses.
- Net loss per share of common stock is calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No.128, "Earnings per share".
- The figures for shareholders' equity are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
- Capital expenditures refer to the cost of additions to property, plant and equipment (excluding software).

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 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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