

FY09/3 Q3 Financial Results

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NEC Electronics Corporation

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

Lowered full-year forecasts for FY09/3 due to rapidly deteriorating economic environment and yen appreciation.

(B yen)

	Forecasts as of January 29, 2009	Previous Forecasts (October 21, 2008)	Difference
Net Sales	555.0	660.0	-105.0
Semiconductor Sales	530.0	630.0	-100.0
Operating Income (Loss)	-55.0	1.0	-56.0
Net Income (Loss)	-65.0	-8.0	-57.0

Notes: Assumed foreign currency exchange rates for FY09/3 Q4 forecasts are as follows:
1U.S.\$=90 yen, 1 Euro=125 yen

I FY09/3 Q3 Financial Results

- Due to the deteriorating economic environment and yen appreciation, semiconductor sales and operating loss were much worse than had been estimated in the most recent announcement (Oct. 21, 2008)

II FY09/3 Forecasts

- Lowered full-year forecasts on expectation that FY09/3 Q4 will be even more severe than Q3
- Realigning manufacturing framework to adapt to anticipated decrease in fab utilization rates
(estimating utilization rates of approximately 50% for FY09/3 Q4)

III Measures to Improve Future Financial Performance

- Reduce fixed costs by 80.0 billion yen over two years
(60.0 billion yen reduction in FY10/3)

I . FY09/3 Q3 Financial Results

II. FY09/3 Forecasts

III. Measures to Improve Future Financial Performance

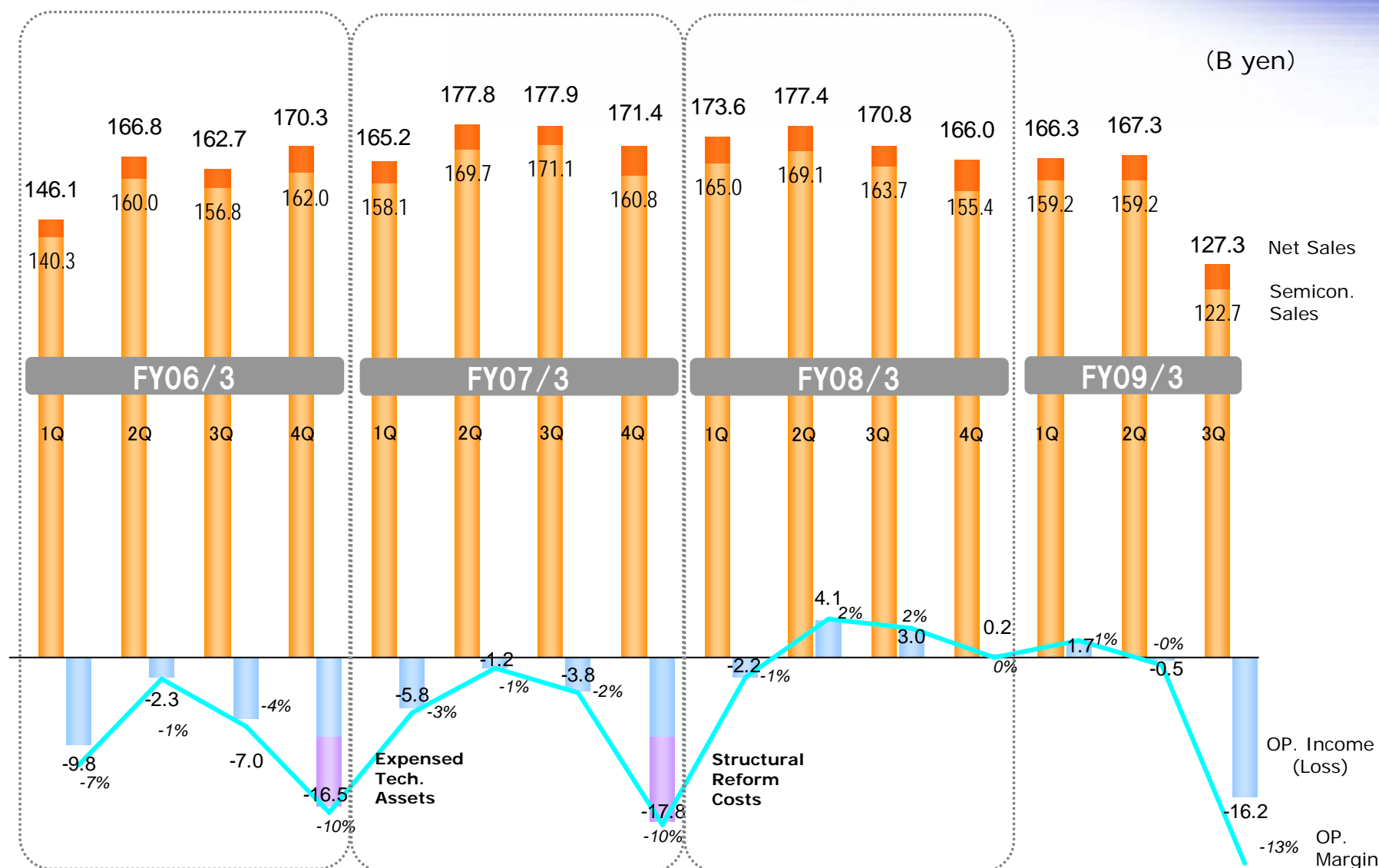
Financial Snapshot

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(B Yen)	FY09/3				
	Q3, 12/31			9 Months Cumulative	
	Actual	YoY	QoQ	Actual	YoY
Net Sales	127.3	-43.4	-40.0	460.9	-60.8
Semiconductor Sales	122.7	-41.1	-36.5	441.0	-56.8
Operating Income (Loss)	-16.2	-19.2	-15.7	-15.0	-19.9
Income (Loss) Before Income Taxes	-20.1	-21.8	-19.8	-20.1	-23.6
Net Income (Loss)	-19.9	-19.0	-19.3	-21.8	-17.8
Free Cash Flow	3.3	+4.4	+1.2	-1.2	-10.5
D/E Ratio	0.59	-	-	-	-
Shareholders' Equity Ratio	34.0%	-	-	-	-
Exchange Rates	1US\$ = 101 yen 1Euro=137 yen	US\$ 13 yen stronger Euro 26 yen stronger	US\$ 7 yen stronger Euro 29 yen stronger	1US\$ = 104 yen 1Euro=154 yen	US\$ 14 yen stronger Euro 8 yen stronger

Note: 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 expenses, and selling, general, and administrative expenses.

Trends in Quarterly Results



Note: Operating Income (Loss) = Net Sales – COGS – R&D – SG&A

Q3 Semiconductor Sales by Platform

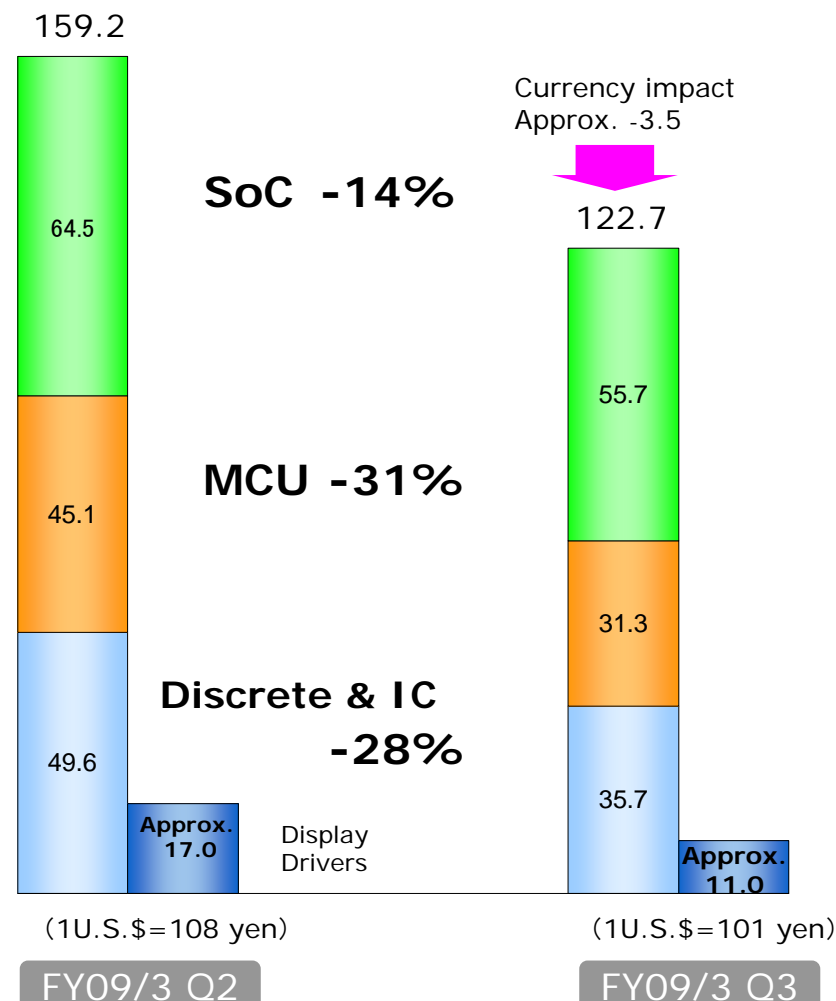
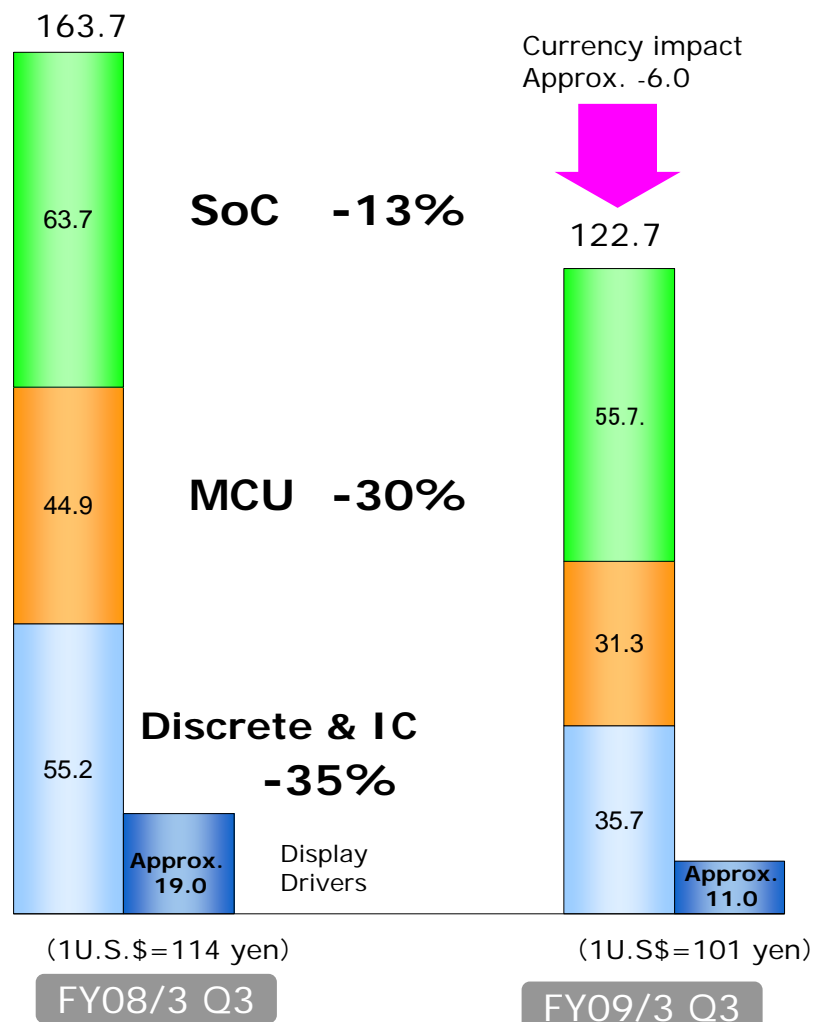
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YoY -25%

(B yen)

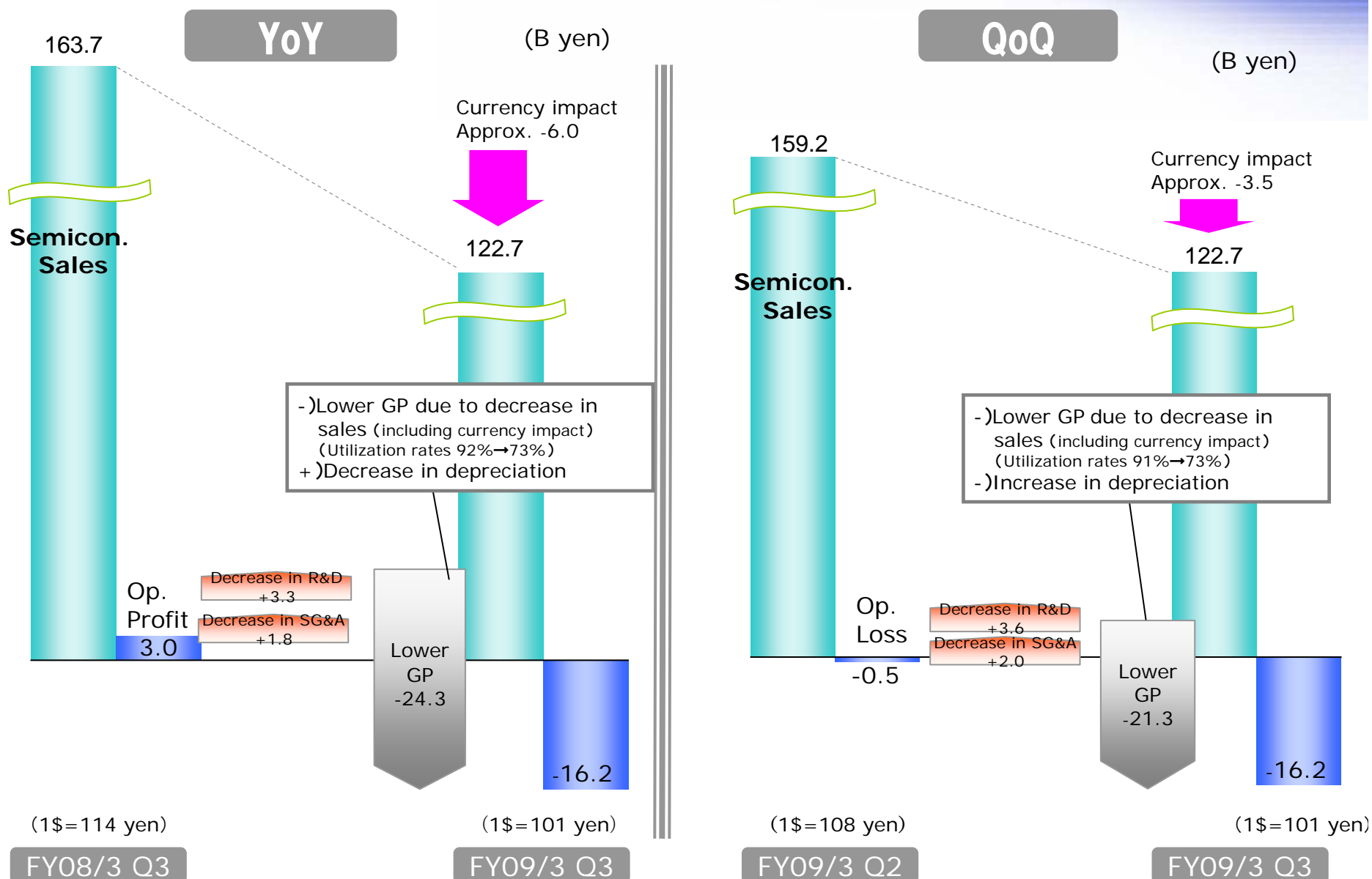
QoQ -23%

(B yen)



Factors in Operating Income (Loss)

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Balance Sheets

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(B yen)		As of Dec. 31, 2007	As of Sep. 30, 2008	As of Dec. 31, 2008
	Cash and Cash Equivalents	188.9	158.0	156.5
	Accounts Receivable	92.6	95.3	68.1
	Inventories	81.1	82.0	82.1
	PP&E	273.8	257.0	244.7
	Other Assets	31.3	29.7	28.0
Total Assets		667.6	622.0	579.4
	Accounts Payable	118.3	111.9	110.9
	Debt Payable	132.0	117.1	117.0
	Other Liabilities	153.5	162.9	149.4
Liabilities		403.7	392.0	377.3
Minority Shareholders' Equity		5.1	5.2	5.2
Shareholders' Equity		258.8	224.8	196.9
Liabilities and Shareholders' Equity		667.6	622.0	579.4
D/E Ratio (Gross)		0.51	0.52	0.59
Equity Ratio		39%	36%	34%

Cash Flows

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(B yen)	FY08/3		FY09/3		
	Q3	9 Months Cumulative	Q2	Q3	9 Months Cumulative
Cash Flows from Operating Activities	13.6	42.8	14.6	10.5	29.4
Cash Flows from Investing Activities	-14.7	-33.5	-12.5	-7.2	-30.6
Free Cash Flows	-1.0	9.3	2.1	3.3	-1.2

I . FY09/3 Q3 Financial Results

II . FY09/3 Forecasts

III . Measures to Improve Future Financial Performance

FY09/3 Financial Forecasts

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Revised full-year forecasts on assumption of further downturn in business environment

(B yen)	FY08/3	FY09/3				
	Full-Year	9 Months	Full Year			
	Actual	Actual	Previous Forecasts (October 21, 2008)	Forecasts as of January 29, 2009	Difference from Previous Forecasts	Difference from FY08/3 Results
Net Sales	687.7	460.9	660.0	555.0	-105.0	-132.7
Semiconductor Sales	653.3	441.0	630.0	530.0	-100.0	-123.3
Operating Income (Loss)	5.1	-15.0	1.0	-55.0	-56.0	-60.1
Income (Loss) Before Income Taxes	-3.3	-20.1	-4.0	-62.0	-58.0	-58.7
Net Income (Loss)	-16.0	-21.8	-8.0	-65.0	-57.0	-49.0

Exchange Rates

1US\$=	116 yen	104 yen	105 yen	Q4 90 yen		
1Euro=	161 yen	154 yen	145 yen	Q4 125 yen		

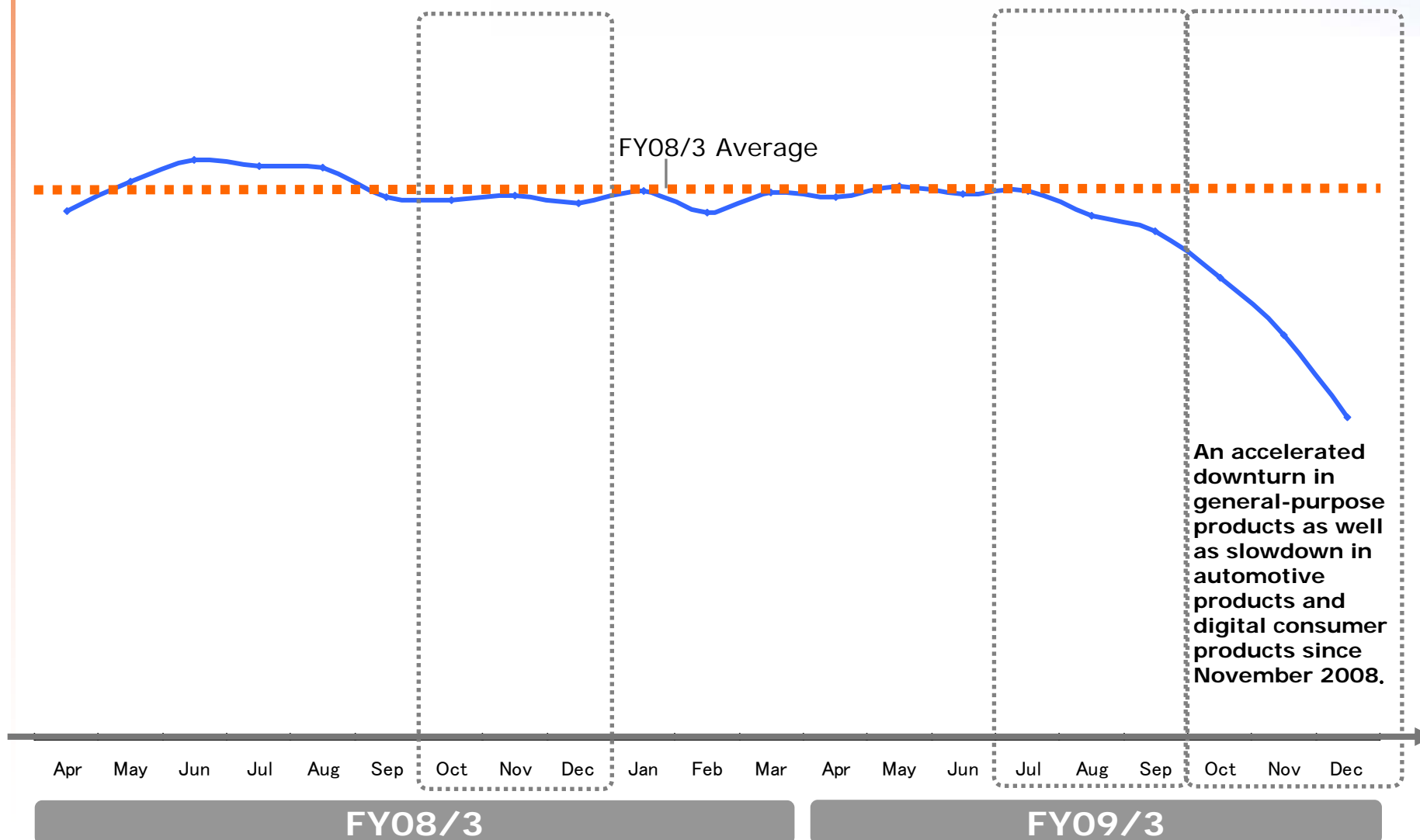
Note 1: Operating Income (Loss) = Net Sales – COGS – R&D – SG&A.

Note 2: Forecasts as of January 29, 2009.

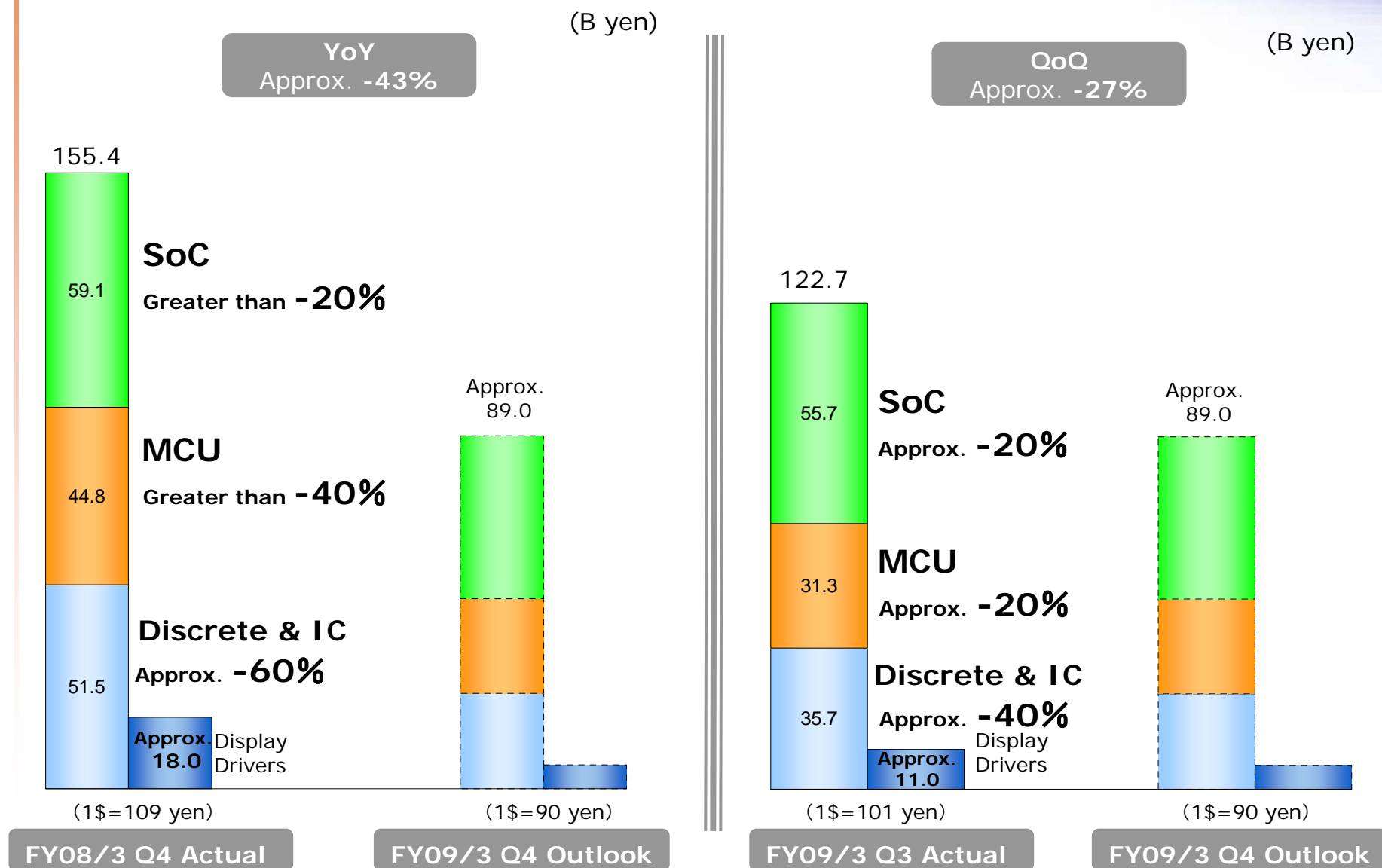
Trends in Amount of Orders

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Amount of Orders (3-months moving average)

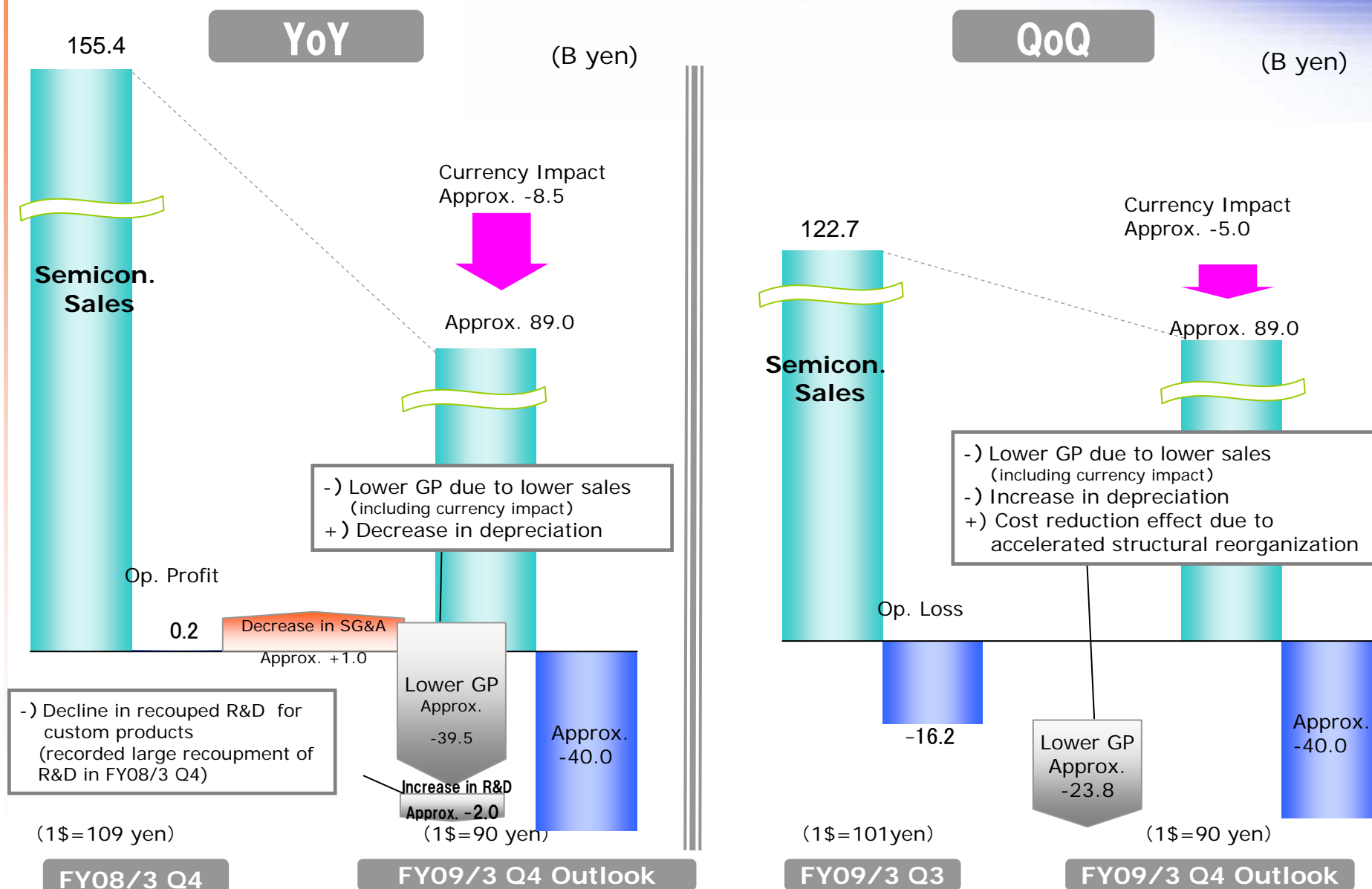


FY09/3 Q4 Semiconductor Sales Outlook by Platform **NEC**



FY09/3 Q4 Factors Affecting Op. Profit/Loss

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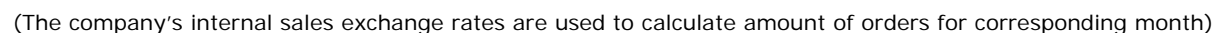


I . FY09/3 Q3 Financial Results

II. FY09/3 Forecasts

**III. Measures to Improve Future
Financial Performance**

(The company's amount of sales in June is used to calculate amount of orders for corresponding month)



New Management Strategies

- Reduce fixed costs by 80 billion yen over two years

- FY10/3 Reduce fixed costs by approx. 60 billion yen
- FY11/3 Reduce fixed costs by approx. 20 billion yen

* Additional cost reduction under consideration.

**Improve the break-even point for FY11/3
to approx. 500 billion yen**

- Accelerate the Structural Reorganization

- Accelerate the realignment of some fabrication lines

- Concentrate Management Resources on Growing Markets

- Channel resources to growing market for environmentally-friendly and low power consumption "eco-products"

Reduce Fixed Costs by 60B Yen in FY10/3

■ Reduce manufacturing-related fixed costs by approx. 30.0 billion yen

- Cost reduction effect from closure of certain fabrication lines
(Approx. 8.0 billion yen)
Closure of 8-inch line in Yamagata and 300mm prototype line in Sagamihara, Japan
- Cost reduction effect from personnel expenses as a result of production adjustment
(Approx. 10.0 billion yen)
Alteration of work shift schedule
Contract of approx. 1,200 temporary employees expiring
- Cost reduction effect from reduced Capex
(Approx. 12.0 billion yen)
Decrease in depreciation and lease payment
Minimize the Capex to below 40.0 billion yen in FY10/3

■ Reduce R&D expenses by approx. 20.0 billion yen

- Decrease the number of products in development with more stringent ROI standards
- Improve development efficiency, utilize development resources overseas
(India, China, etc.)

■ Reduce other corporate expenses by approx. 10.0 billion yen

- Reduction of personnel costs (for corporate officers and managers)
- Enforce strict limits on expenses

Aiming to accelerate some of the cost cut effects to FY09/3

Accelerate Realignment of Fabrication Lines

Shougang NEC Electronics Co., Ltd.
(jointly established with Shougang Group)
Front end: Considering sale in FY10/3 1H

NEC Electronics America, Inc.
(Roseville)
Closure of 6-inch line
scheduled for March 2010*

New

NEC Semiconductors (Malaysia) Sdn. Bhd.
NEC Semiconductors Singapore Pte. Ltd.

● Front-end (wafer processing)
▲ Back-end (Assembly & Testing)

Japan

NEC Semiconductors Yamagata, Ltd.
8-inch line closed (Nov 2008)

NEC Semiconductors Kansai, Ltd.

**Sagamihara
prototype line**
closed
(Dec 2008)

**NEC Semiconductors Kyushu
Yamaguchi, Ltd.**
Closure of 6-inch line at Kyushu
Kawashiri Plant scheduled for
March 2010

Accelerated

Initially scheduled for Sep 2010

*Cost reduction effect to be reflected on FY11/3

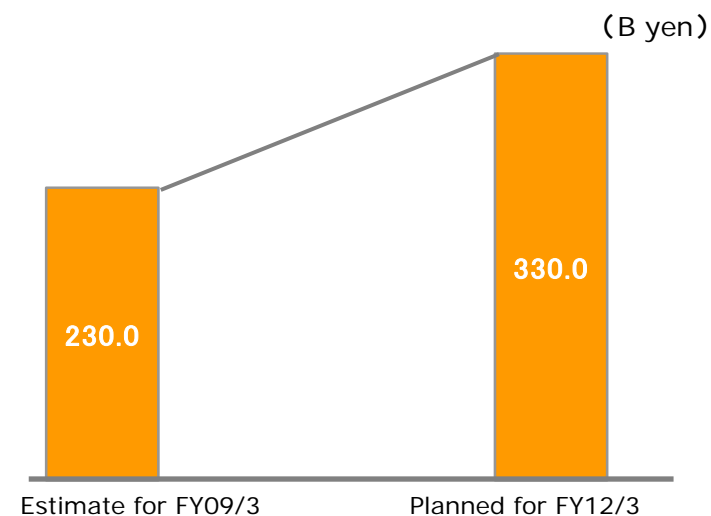
Eco-products to Drive Sales Growth

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Channel management resources toward 'eco-products'
that contribute to reduced CO₂ emissions



Eco-products in core areas such as automotive, digital consumer, and multi-purpose MCUs



Major Product Groups

Low power consumption devices

Eco MCUs

Embedded DRAM ASICs

Devices contribute to energy-saving eco-products

MCUs for air conditioner,

MCUs for automobiles with high fuel efficiency, system switches, motor drivers

Persevere in executing crucial structural reforms

- Improve the break-even point for FY11/3 to 500.0 billion yen
(Reduce fixed costs by 80.0 billion yen over the next two years)
- Cultivate markets for eco-products to drive new sales growth

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Cautionary Statements

The statements in this presentation with respect to the plans, strategies and forecasts of NEC Electronics and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results could differ materially from such forward-looking statements due to several factors. The important factors that could cause actual results to differ materially from such statements include, but are 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, our products and services in the marketplace; our ability to continue to win acceptance of its products and services in these highly competitive markets; and movements in currency exchange rates, particularly the rate between the yen and the U.S. dollar. Among other factors, a worsening of the world economy; a worsening of financial conditions in the world markets, and a deterioration in the domestic and overseas stock markets, would cause actual results to differ from the projected results forecast.

Appendix: Semiconductor Sales by Application

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(B yen)

