

Q3 FY07/3

Financial Results and Outlook

Toshio Nakajima
President and CEO

January 25, 2007

NEC Electronics Corporation

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



NEC ELECTRONICS¹

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.

I. Q3 FY07/3 Financial Results

✓ Semiconductor sales were in line with initial expectations but operating losses were greater than expected due to changes in the product mix.

II. FY07/3 Financial Forecasts and Measures to Improve Profitability

✓ Q4 results are expected to worsen from Q3 levels, as sales and profits will fall short of targets due to adjustments for LCD panels and PC peripherals.

✓ NEC Electronics is currently considering plans for structural reform and strategies for growth, which it intends to announce on February 22nd. Consequently, costs associated with these reforms are also being determined, and forecasts for the fiscal year remain unchanged for the time being.

Agenda

I. Q3 FY07/3 Financial Results

II. FY07/3 Financial Forecasts and Measures to Improve Profitability

A Financial Snapshot

JPY Bn	FY06/3		FY07/3			
	Q3 Dec. 31st	9 months Cumulative	Q3, Dec. 31st		9 months Cumulative	
				YoY		YoY
Net Sales	162.7	475.6	177.9	+15.2	520.9	+45.3
Semiconductor Sales	156.8	457.1	171.1	+14.4	498.9	+41.8
Operating Loss	-7.0	-19.2	-3.8	+3.2	-10.8	+8.4
EBT	-4.4	-18.1	-3.5	+0.9	-9.1	+9.0
Net Loss	-2.6	-10.4	-5.8	-3.2	-13.1	-2.7

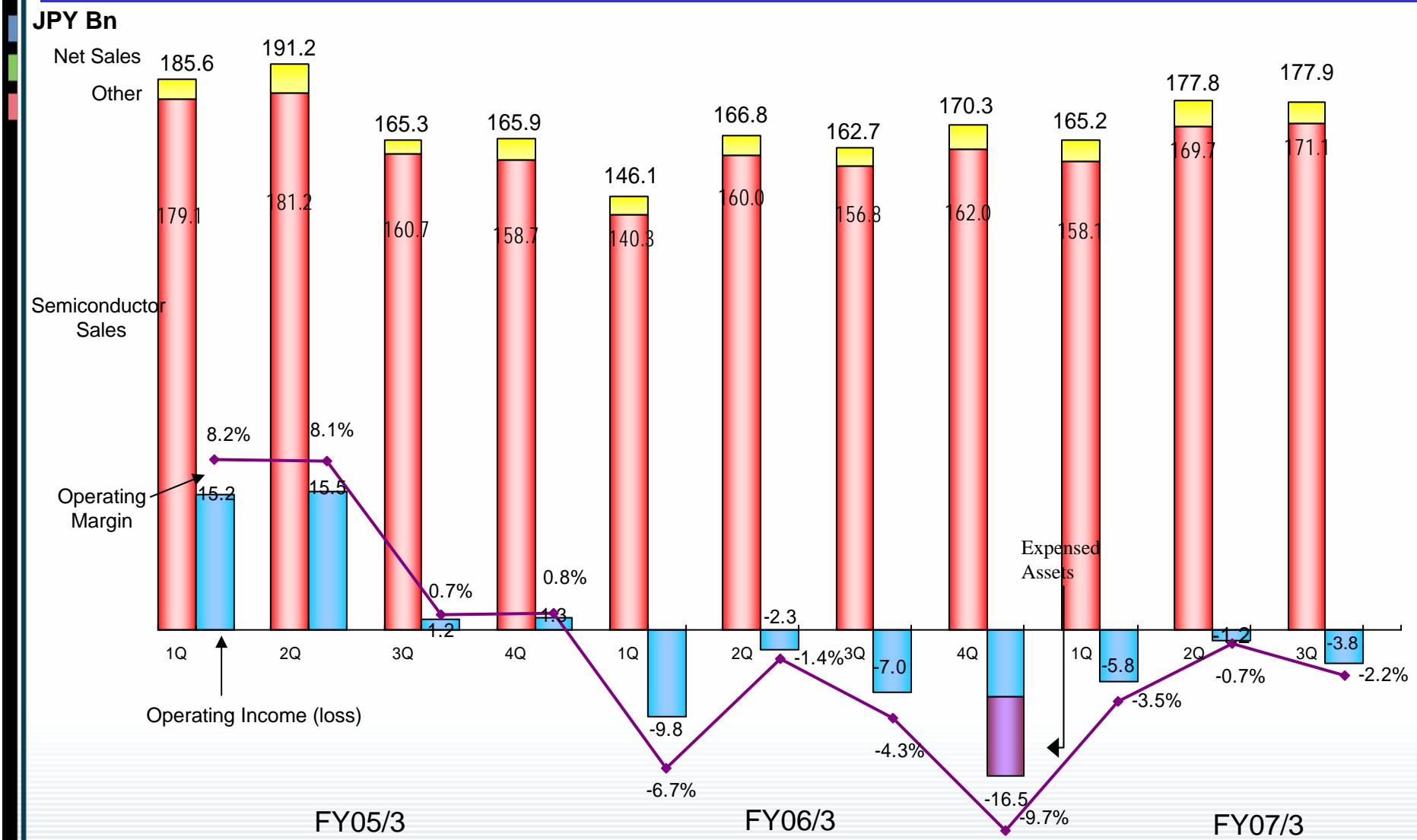
Free Cash Flows	34.5	15.0	-7.6	-42.1	5.8	-9.1
-----------------	------	------	------	-------	-----	------

D/E Ratio	0.40	-	0.49	-	-	-
Equity Ratio	48%	-	39%	-	-	-

Exchange Rates	1US\$=¥115 1Euro=¥138	1US\$=¥111 1Euro=¥137	1US\$=¥118 1Euro=¥150	-	1US\$=¥116 1Euro=¥146	-
----------------	--------------------------	--------------------------	--------------------------	---	--------------------------	---

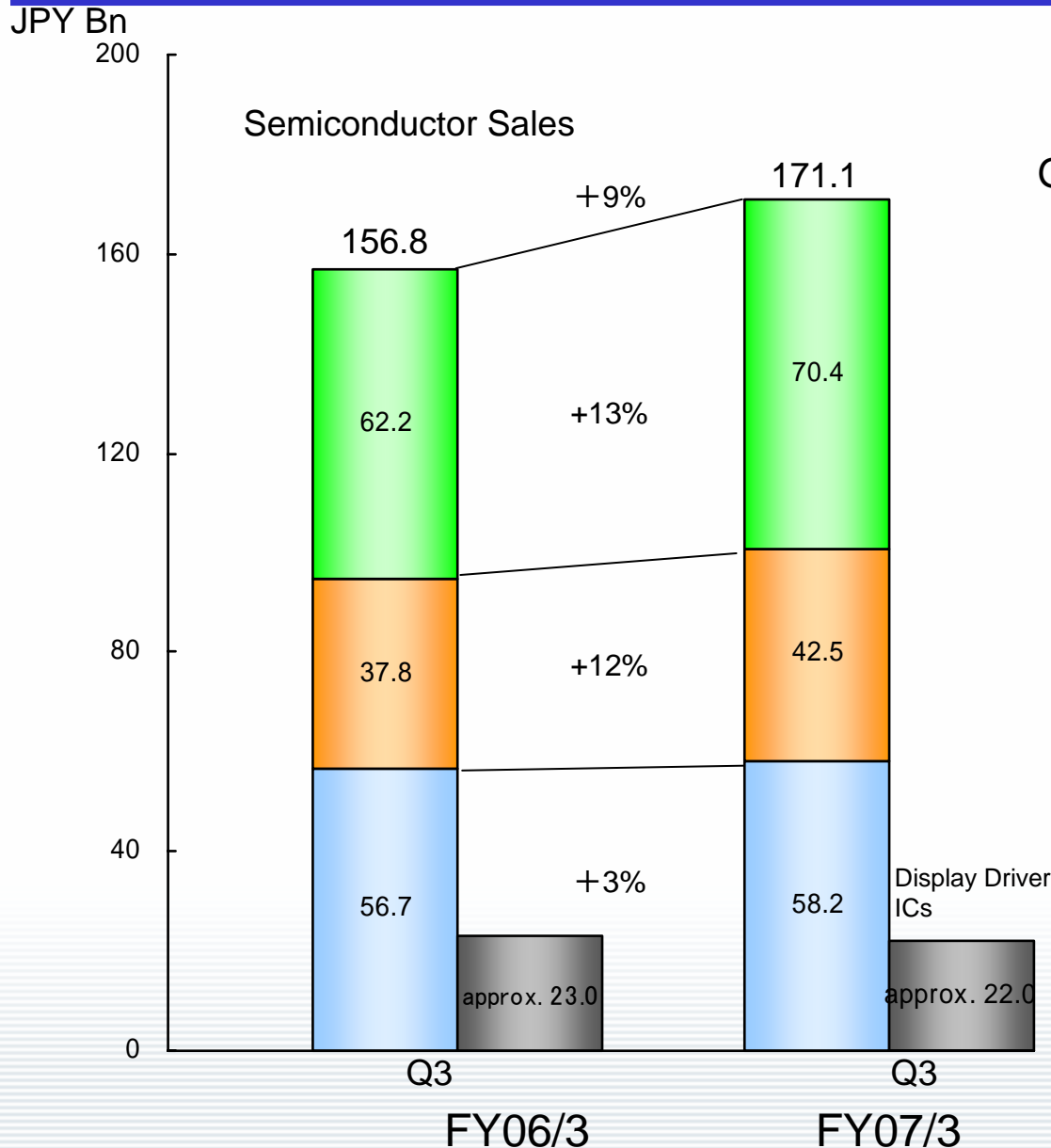
Note: Operating Income (loss) = Net Sales – COGS – R&D – SG&A

Trends in Quarterly Results



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

YoY Revenue Growth by Platform



Growth Factors in YoY Revenues

SoC Platform

- An increase in sales due to launching shipments of LSIs for a new game console
- A decrease in sales of LSIs for printers
- A decrease in sales of system memory for mobile handsets

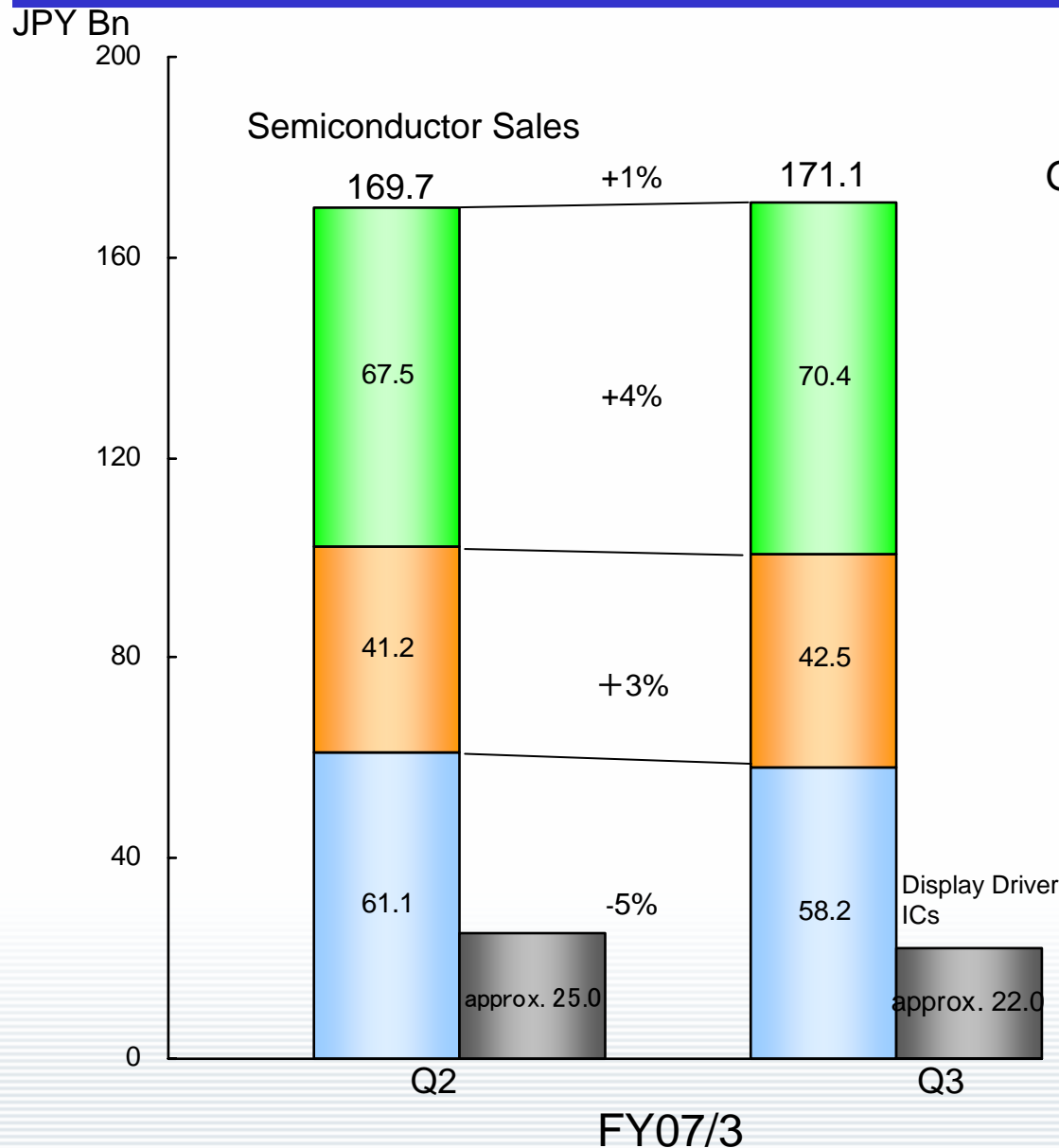
MCU Platform

- Sales for Auto increased
- Sales of All Flash™ increased

Components

- An increase in sales of discrete and optical semiconductors
- An increase in sales of LCD drivers for large panels
- A decrease in sales of display drivers for small panels and PDP

Q2-Q3 Revenue Growth by Platform



Growth Factors in Q2-Q3 Revenues

SoC Platform

- An increase in sales due to volume shipments of LSIs for a new game console
- An increase in sales of LSIs for digital baseband LSIs for mobile handsets in the Japanese market
- A decrease in sales of LSIs for printers

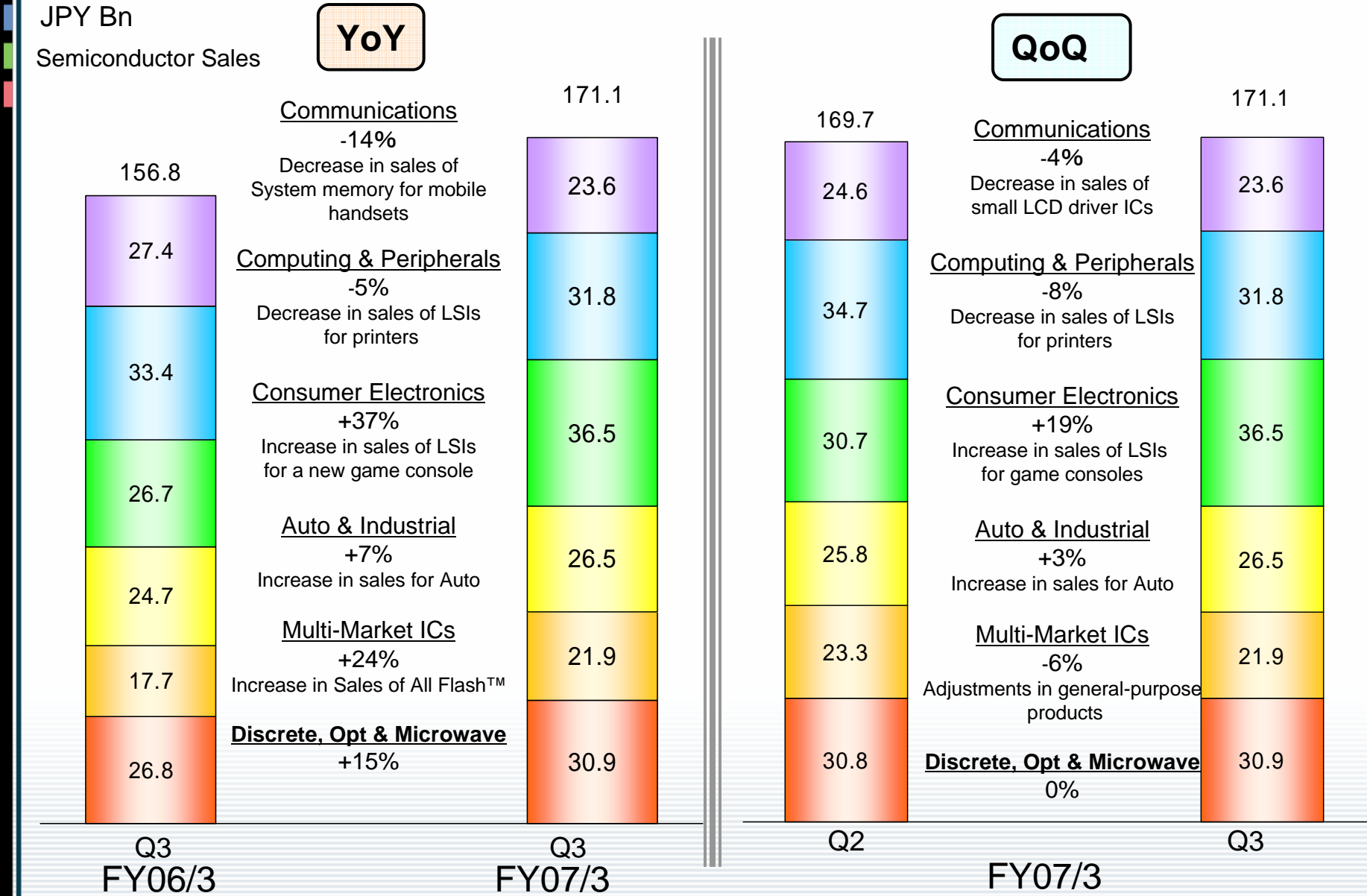
MCU Platform

- An increase in sales for Auto
- A decrease in sales for general purpose areas due to adjustments in the market

Components

- Sales of discrete and optical semiconductors remained flat
- An increase in sales of LCD drivers for large panels
- A decrease in sales of LCD drivers for small panels due to inventory adjustments

Revenue Growth by Application



Changes in Q3 Profits

JPY Bn

YoY

Net Sales

162.7

Approx. +15.0

177.9

Gross Profits (GP)

- Increase in profits from sales expansion : Approx. +4.0
- Increased profits from improved GP margin: Approx. +3.0 (26.6% to 28.4% +1.8%)
(*Impact from Exchange rates : approx. +2.0)
(\$=¥115→\$=¥118, €=¥138→¥150)

R&D, SG&A

- Increase in R&D: approx. -4.0

Operating loss

-7.0

Approx. +7.0

Increased GP

Approx. -4.0

Increased R&D

-3.8

Q3

FY06/3

Q3

FY07/3

QoQ

177.8

Flat

177.9

Gross Profits (GP)

- Decreased profits from lower GP margin: Approx. -2.5 (29.9% to 28.4% -1.5%)
(*Impact from Exchange rates : approx. +1.0)
(\$=¥115→\$=¥118, €=¥147→¥150)

R&D, SG&A

- Increase in R&D: approx. -2.0
- Decrease in SG&A: approx. +2.0

-1.2

Decreased GP

Approx. -2.5

Approx. -2.0

Increased R&D

Cutting SG&A

Approx. +2.0

-3.8

Q2

FY07/3

Q3

Balance Sheet

JPY Bn	05/12	06/9	06/12
Cash and Cash Equivalents	236.9	222.0	212.6
Accounts Receivable	99.6	116.7	105.1
Inventories	77.6	83.1	89.0
PP&E	306.0	305.9	305.7
Other Assets	90.4	49.4	39.3
Total Assets	810.4	777.0	751.7
Accounts Payable	128.3	169.2	150.7
Debt Payable	153.9	146.0	144.7
Other Liabilities	135.7	159.5	157.0
Liabilities	417.9	474.8	452.4
Minority Shareholders' Equity	4.0	4.2	4.6
Shareholders' Equity	388.6	298.0	294.8
Total Liabilities and Shareholders' Equity	810.4	777.0	751.7
D/E Ratio (gross)	0.40	0.49	0.49
Equity Ratio	48%	38%	39%
Deferred Tax Assets (NET)*	54.9	1.0	0.2

*Note: Deferred Tax Assets (NET) = Deferred Tax Assets + Deferred Tax Liabilities

Cash Flows

JPY Bn	FY06/3		FY07/3		
	Q3	9 months Cumulative	Q2	Q3	9 months Cumulative
Cash Flows from Operating Activities	35.8	50.4	26.8	19.5	54.1
Cash Flows from Investing Activities	-1.3	-35.5	-8.7	-27.1	-48.2
Free Cash Flows	34.5	15.0	18.1	-7.6	5.8

Agenda

I. 1H FY07/3 Financial Results

**II. FY07/3 Financial Forecasts and
Measures to Improve Profitability**

FY07/3 Forecasts

- Q4 results are expected to fall below Q3 levels, and the company is considering structural reforms aimed at recovery over the medium term.
- Consequently, costs associated with the reforms are still being determined, and NEC Electronics will disclose full-year forecasts when these figures are established.

Previous Forecasts (announced on Oct. 25 th)	FY06/3 Full Year	FY07/3		
		1H	2H	Full Year
JPY Bn			Forecasts	Forecasts
Net Sales	646.0	343.0	Approx. 350.0	695.0
Operating Income (loss)	-35.7	-6.9	0 *	-7.0 *
EBT	-42.4	-5.6	Approx. -13.4 *	-19.0 *
Net Income (loss)	-98.2	-7.4	Approx. - 17.6 *	-25.0 *

Exchange Rates

1US\$=	¥112	¥115	¥115 (Q3: ¥118)
1Euro=	¥138	¥145	¥145 (Q3: ¥150)

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

Note 2: FY07/3 forecasts are as of October 25, 2006

Decline in Q4 Profitability (on operating basis)

- Decrease in semiconductor sales

Q4 semiconductor sales are expected to be less than Q3 levels

- SoC Platform: Decrease in sales due to adjustments of PC peripherals
- Display Driver ICs: Decrease in sales due to production adjustments by customers and price declines

- Manufacturing adjustments (lower utilization rates)

Adjust manufacturing levels in response to slowing demand and higher-than-optimal inventory levels for December

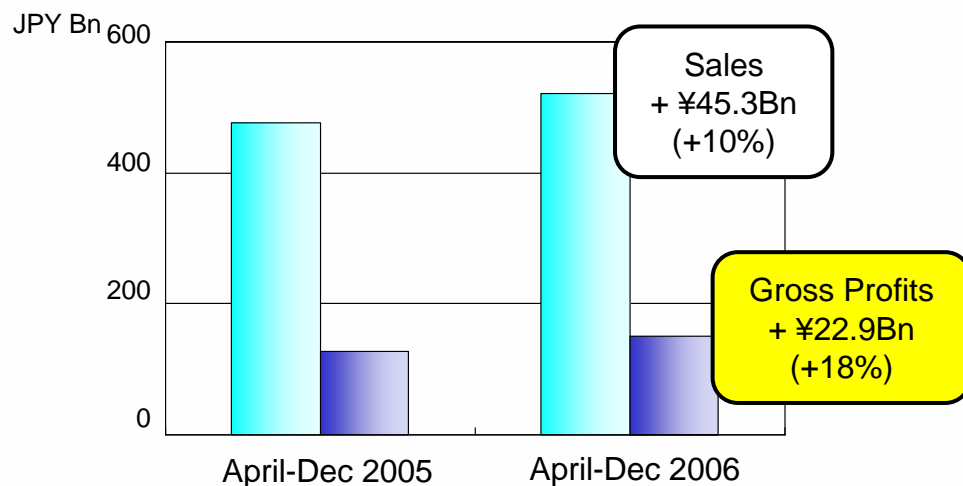
	Q3	Q4
Utilization Rates	> 90%	approx. 80%

- Additional costs for structural reforms

Currently under consideration. To be announced February 22nd.

Previous Sales expansion and Investment Strategies NEC

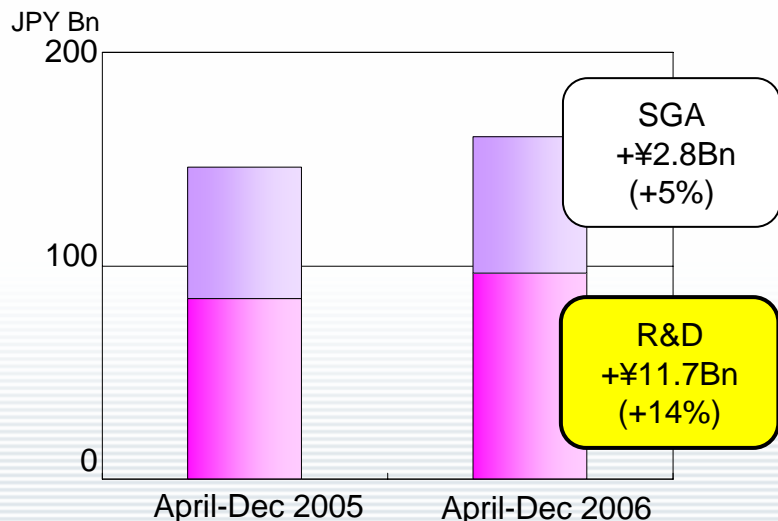
■ Increased Sales and Gross Profits



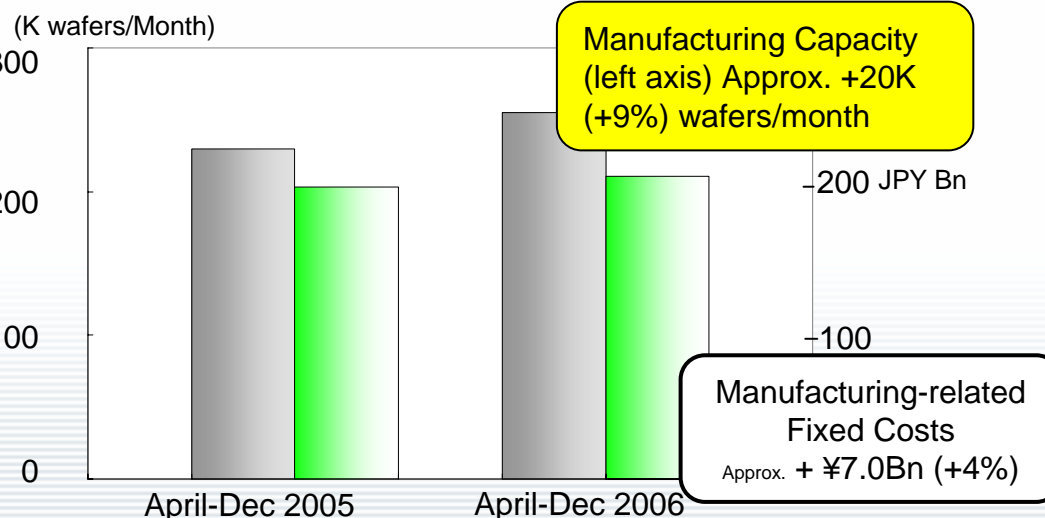
Comparing April-Dec periods of 2005 and 2006

- ✓ Sales and Gross Profits increased
- ✓ R&D investments and SG&A Expenses increased
- ✓ Manufacturing-related fixed costs grew as manufacturing capacity increased

■ Increased R&D and SG&A Expenses



■ Increased Manufacturing Capacity



Plans will be
announced on February 22

1. Expand Sales

Re-evaluate the company's product portfolio and redefine "core" products to focus on, for improved product development

2. Improve Cost Competitiveness, Streamline Expenses

Re-evaluate manufacturing, for example by accelerating the shift of production for mature products overseas

Improve efficiency of capital expenditures and R&D expenses

Corporate Strategy Meeting

- ✓ **Date** : **February 22nd**
- ✓ **Place** : **TBA**
- ✓ **Spokesperson** : **Toshio Nakajima
President and CEO**

NEC
NEC Electronics Corporation