

FY08/3 Financial Results

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President and CEO

May 14, 2008

NEC Electronics Corporation

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

I. FY08/3 Financial Results

- ✓ Maintained operating profit in Q4 following on Q3
- ✓ Attained full-year operating profit of 5.1B yen with enhanced management efficiency
- ✓ Recorded a valuation allowance for deferred tax assets for a U.S. subsidiary

II. FY09/3 Forecasts

- ✓ Aim to attain net profit despite adverse currency conditions from strong yen (1\$=100 yen)

III. Mid-term Outlook

- ✓ Aim to attain operating profit margin of 5% by FY10/3 from improved cost structure and sales expansion

I. FY08/3 Financial Results

Summary Q4 Full Year

II. FY09/3 Forecasts

III. Mid-term Outlook

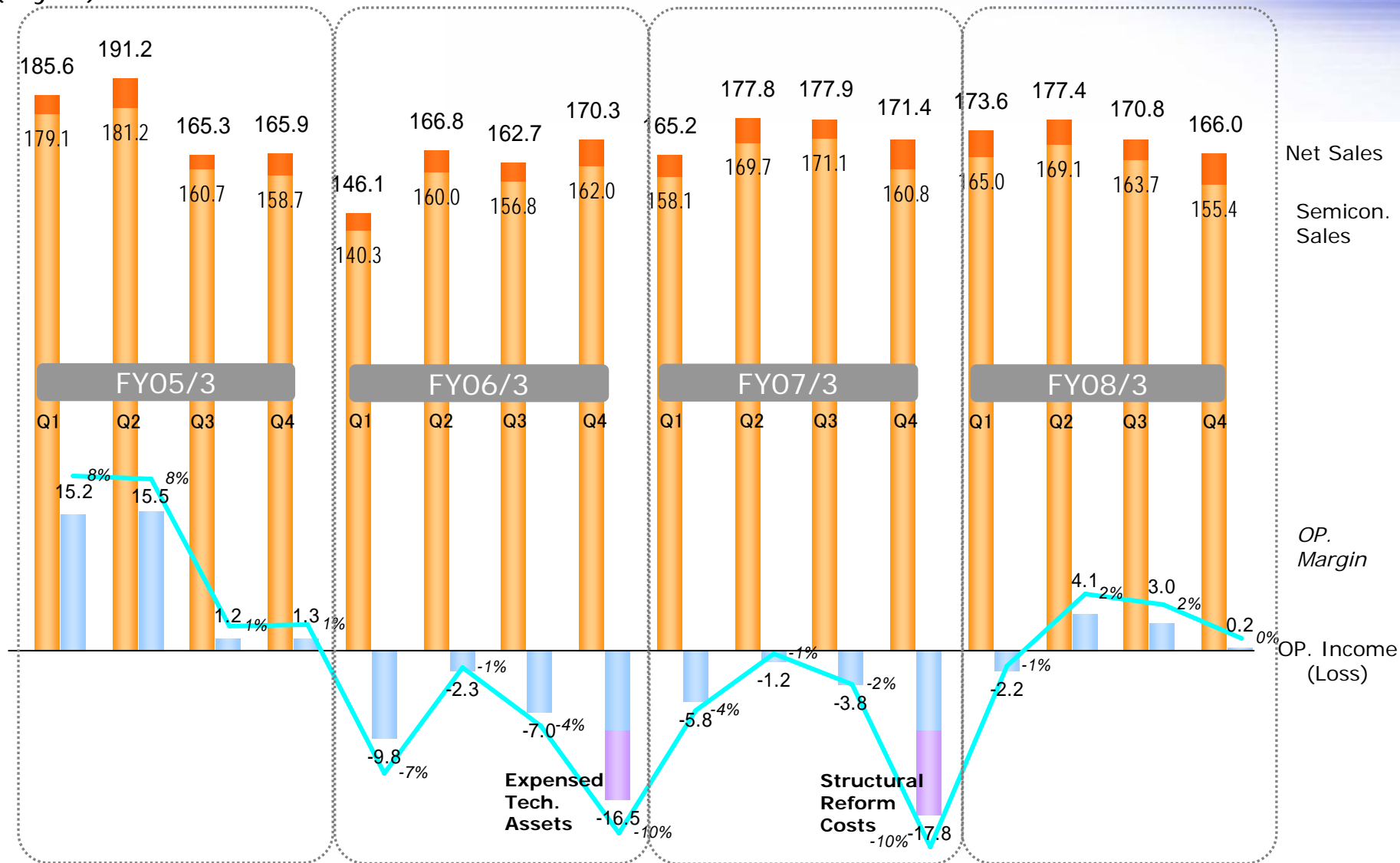
Financial Snapshot

| (B yen) | FY08/3 | | | | | |
|--|---------------------------------|---------------------------------------|--|---------------------------------|-------------------------------------|--|
| | Q4 March 31 | | | Full-Year March 31 | | |
| | Actual | YoY | QoQ | Actual | YoY | Difference between Original Forecasts <small>(Announced May 14, 2007)</small> |
| Net Sales | 166.0 | -5.4 | -4.8 | 687.7 | -4.5 | -2.3 |
| Semiconductor Sales | 155.4 | -5.3 | -8.3 | 653.3 | -6.5 | -16.7 |
| Operating Income (Loss) | 0.2 | +18.0 | -2.8 | 5.1 | +33.7 | +5.1 |
| Income (Loss) Before Income Taxes | -6.7 | +19.6 | -8.4 | -3.3 | +32.1 | +6.7 |
| Net Income (Loss) | -12.0 | +16.3 | -11.1 | -16.0 | +25.5 | -1.0 |
| Free Cash Flows | -3.8 | +13.8 | -2.8 | 5.5 | +17.3 | - |
| D/E Ratio | 0.51 | - | - | 0.51 | - | - |
| Shareholders' Equity Ratio | 36.9% | -1.2% points | -1.9% points | 36.9% | -1.2% points | - |
| Exchange Rates | US\$1=109 yen Euro 1=160 yen | US\$ 10 yen strong Euro 4 yen weak | US\$ 5 yen strong Euro 3 yen strong | US\$1=116 yen Euro 1=161 yen | US\$ 1 yen weak Euro 12 yen weak | US\$ 1 yen weak 1H: Euro 1 yen weak 2H: Euro 6 yen weak |

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

(B yen)



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

I. FY08/3 Financial Results

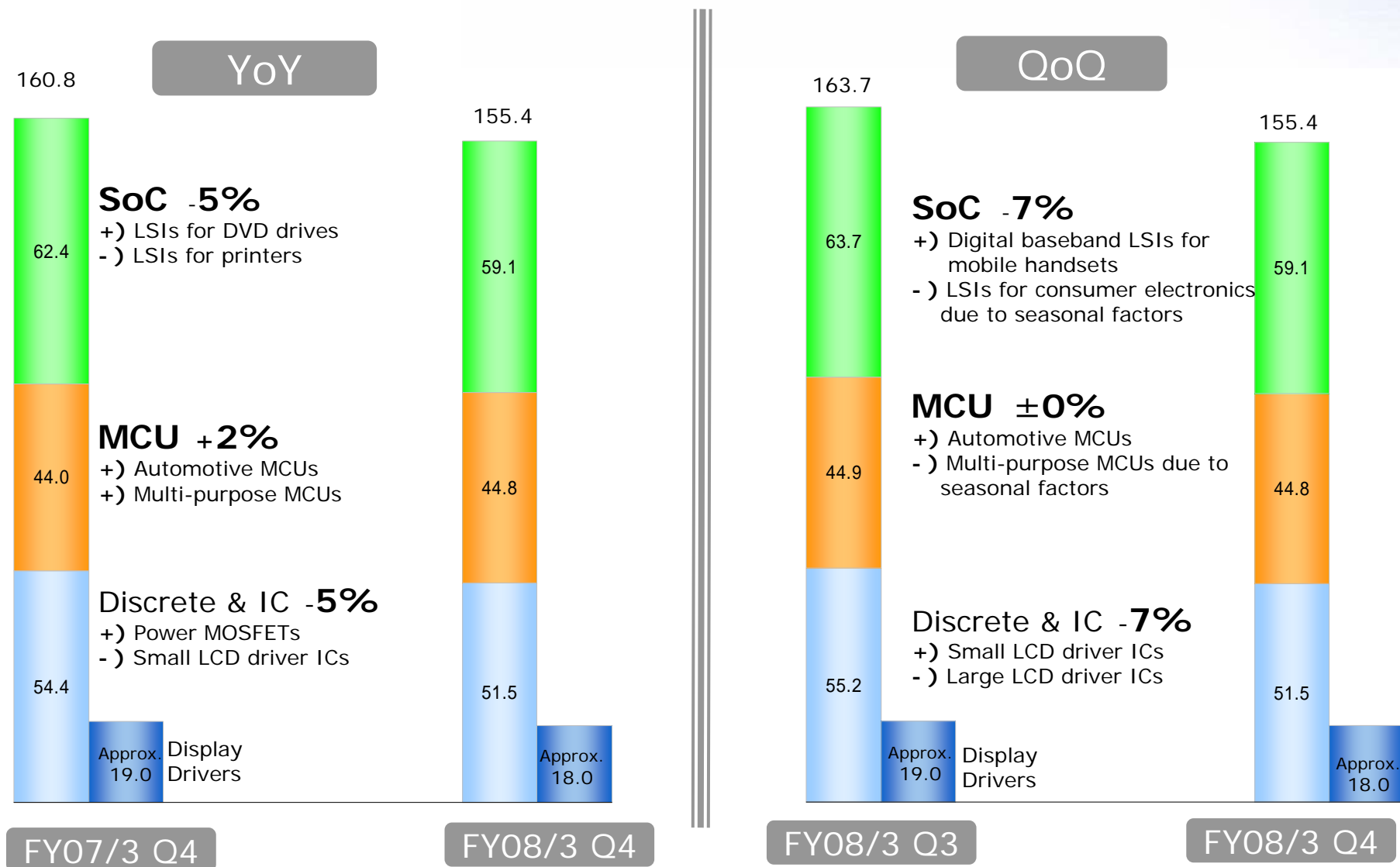
Summary **Q4** Full Year

II. FY09/3 Forecasts

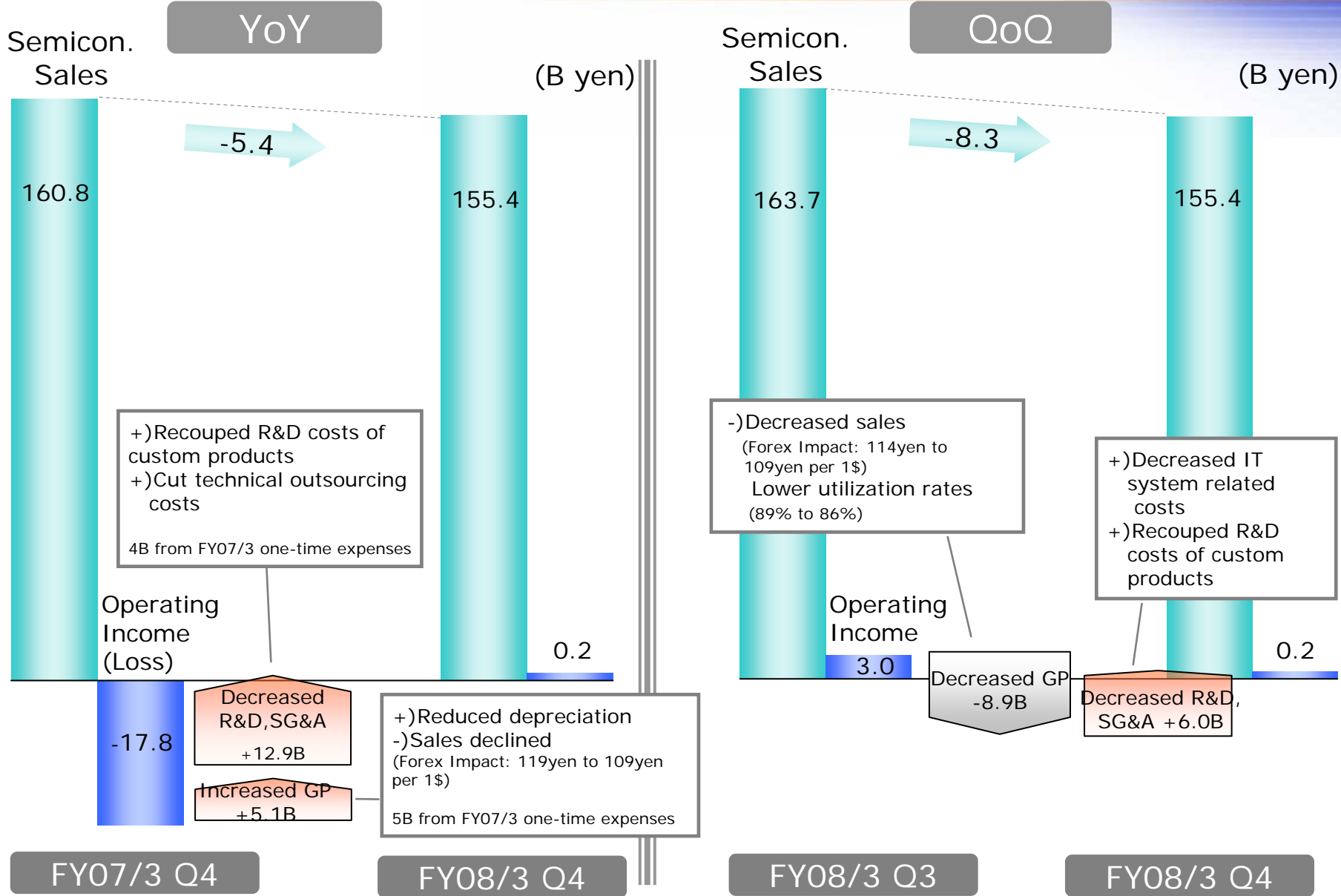
III. Mid-term Outlook

Q4 Semiconductor Sales by Platform

(B yen)



Factors in Operating Income (Loss)



Non-Operating Income/Expense, Provision for Income Taxes **NEC**

| (B yen) | FY07/3 | FY08/3 | | | |
|----------------------------|------------|--|--|-----------|--------------------|
| | Full- Year | 9M Cumulative | Q4 | Full-Year | |
| | Actual | Actual | Actual | Actual | Original Forecasts |
| Non-OP. Income (Loss) | -6.8 | -1.4 | -7.0 | -8.3 | -10.0 |
| Income | | Transfer of the photomask business and assets •NEC Fabserve, a wholly-owned subsidiary, transferred its photomask business to Dai Nippon Printing Co., Ltd. in June, 2007 | | | |
| Expense | | Closure of Indonesia Plant •Test and Assembly utilizing through-hole packaging •Enter liquidation in Nov. 2007 Costs related to Consolidation of manufacturing lines •Loss from disposal or sale of fixed assets | Costs related to early retirement >685 personnel in Japan Closure of Indonesia Plant Costs related to consolidation of manufacturing lines | | |
| Provision for Income Taxes | -5.1 | -6.9 | -5.4 | -12.3 | - |
| | | | Valuation allowance for deferred tax assets for a U.S. subsidiary (approx. 7.0B) | | |

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

I. FY08/3 Financial Results

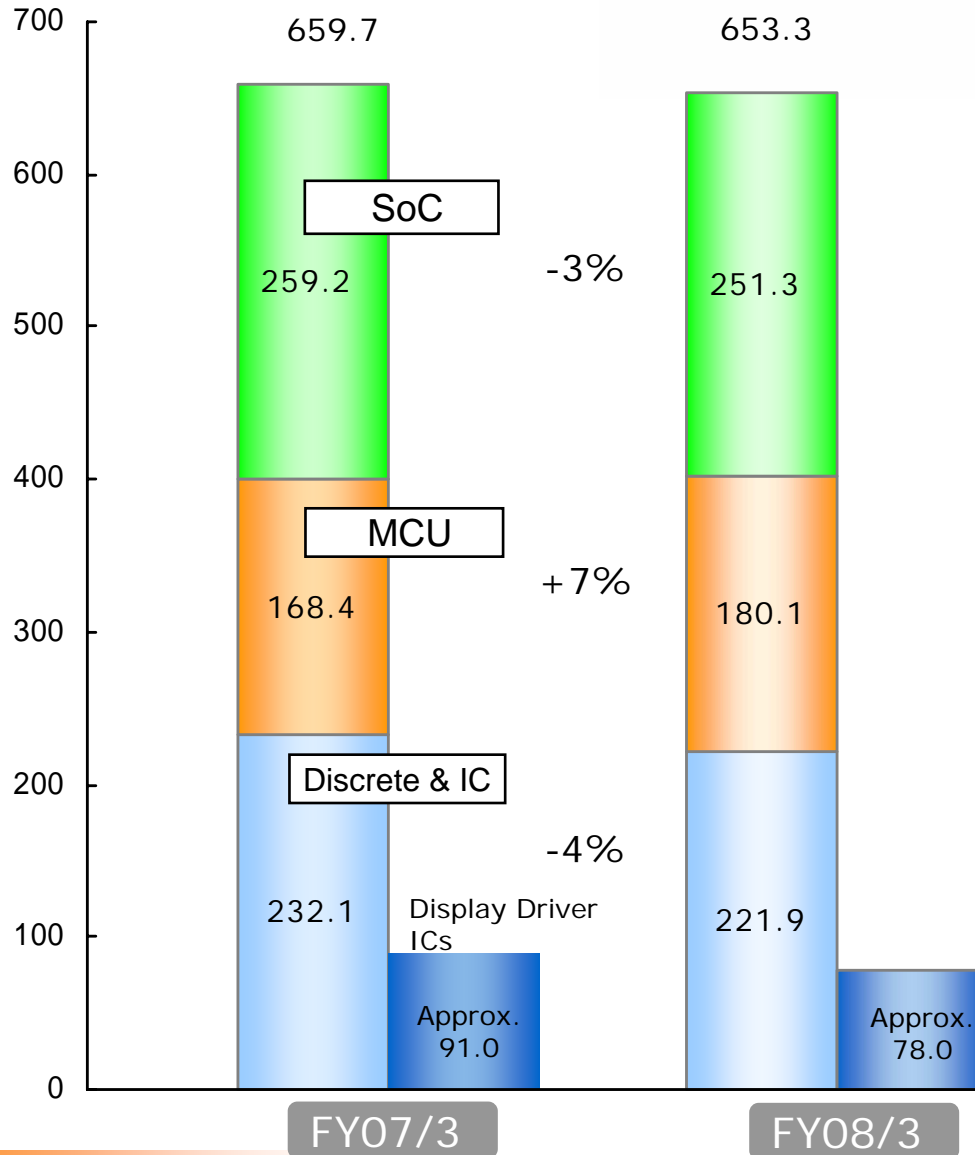
Summary Q4 **Full Year**

II. FY09/3 Forecasts

III. Mid-term Outlook

FY08/3 Semiconductor Sales by Platform **NEC**

(B yen)



+/- Factors

SoC

- +) Increase in sales of EMMA products for digital AV and LSIs for game consoles
-) Decrease in sales of LSIs for digital cameras and printers

MCU

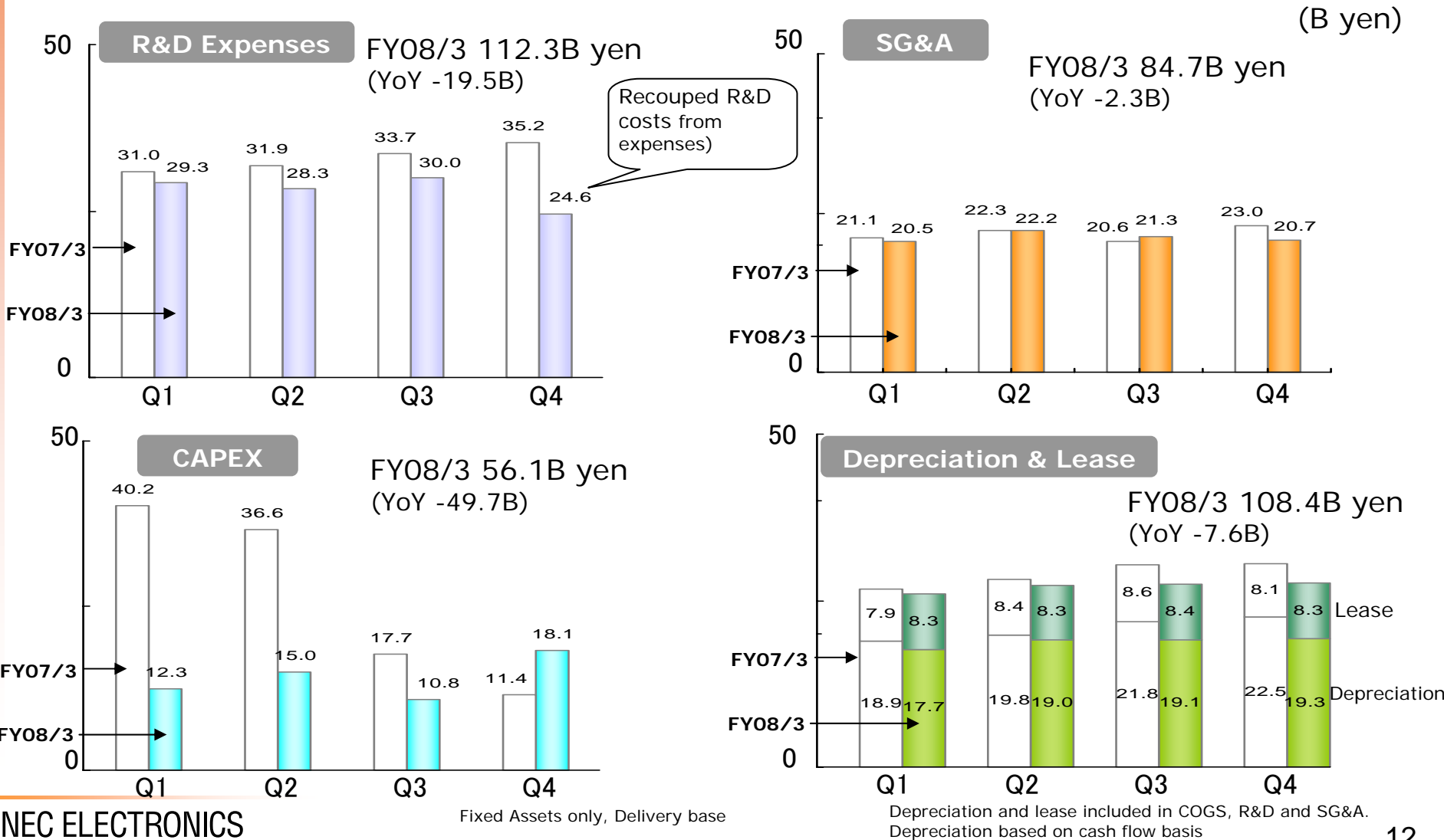
- +) Growth in sales of automotive MCUs in Japan and Europe and All Flash MCUs

Discrete and IC

- +) Increase in sales of large LCD driver ICs and power MOSFETs, and expanded share in high-frequency transistors
-) Sharp decline in sales of small LCD driver ICs

Operating Expenses and CAPEX

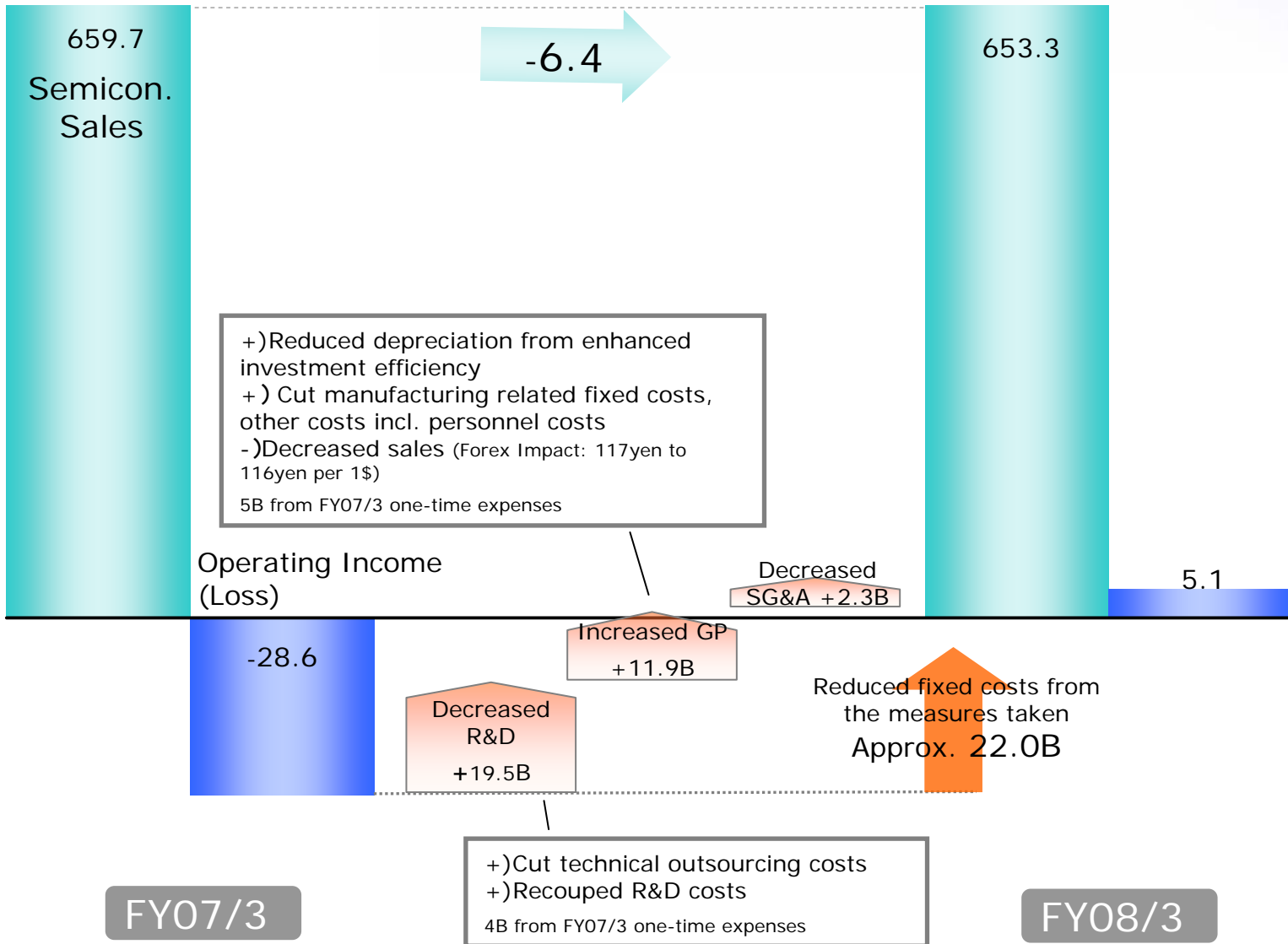
Reduced fixed costs by 22B yen year on year, exceeding the original target by 20B yen.



Factors in Operating Income (Loss)

(B yen)

YoY



FY07/3

FY08/3

I. FY08/3 Financial Results

II. FY09/3 Forecasts

III. Mid-term Outlook

Aim to achieve net profits for the full year

| (B yen) | FY08/3 | | | FY09/3 | | | |
|-----------------------------------|--------|--------|-----------|----------|----------|-----------|-------|
| | 1H | 2H | Full-Year | 1H | 2H | Full-Year | |
| | Actual | Actual | Actual | Forecast | Forecast | Forecast | YoY |
| Net Sales | 351.0 | 336.8 | 687.7 | 335.0 | 350.0 | 685.0 | -2.7 |
| Semiconductor Sales | 334.1 | 319.2 | 653.3 | 320.0 | 330.0 | 650.0 | -3.3 |
| Operating Income (Loss) | 1.9 | 3.2 | 5.1 | 3.0 | 7.0 | 10.0 | +4.9 |
| Income (Loss) Before Income Taxes | 1.8 | -5.1 | -3.3 | 0 | 4.0 | 4.0 | +7.3 |
| Net Income (Loss) | -3.0 | -13.0 | -16.0 | -2.0 | 2.0 | 0 | +16.0 |

Exchange Rates

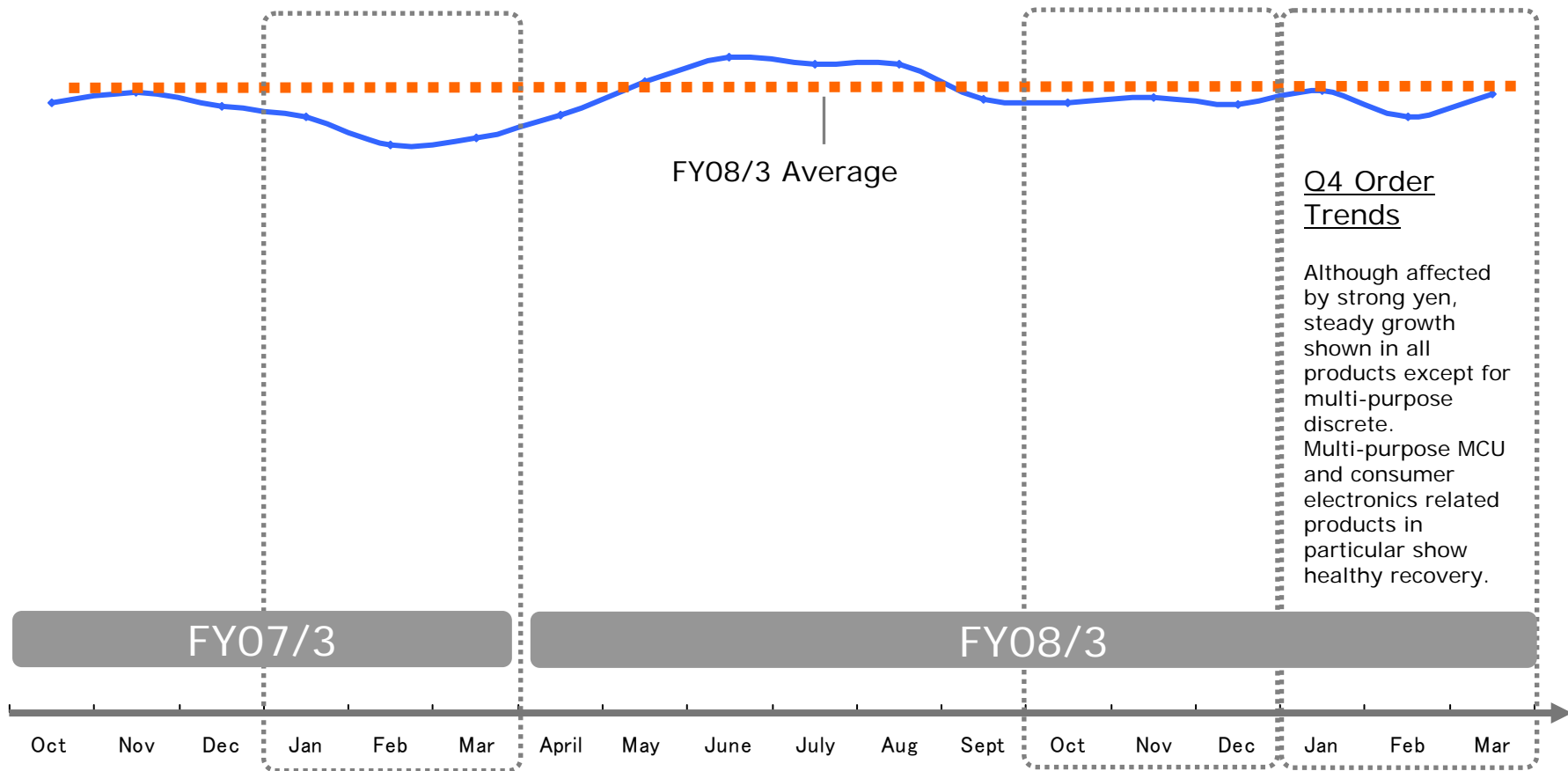
| | | | | | | | |
|--------|---------|---------|---------|---------|---------|---------|---------------|
| 1US\$= | 120 yen | 112 yen | 116 yen | 100 yen | 100 yen | 100 yen | 16 yen strong |
| 1Euro= | 162 yen | 161 yen | 161 yen | 160 yen | 160 yen | 160 yen | 1 yen strong |

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

Note 2: Forecasts as of May 14, 2008.

Trends in Amount of Orders

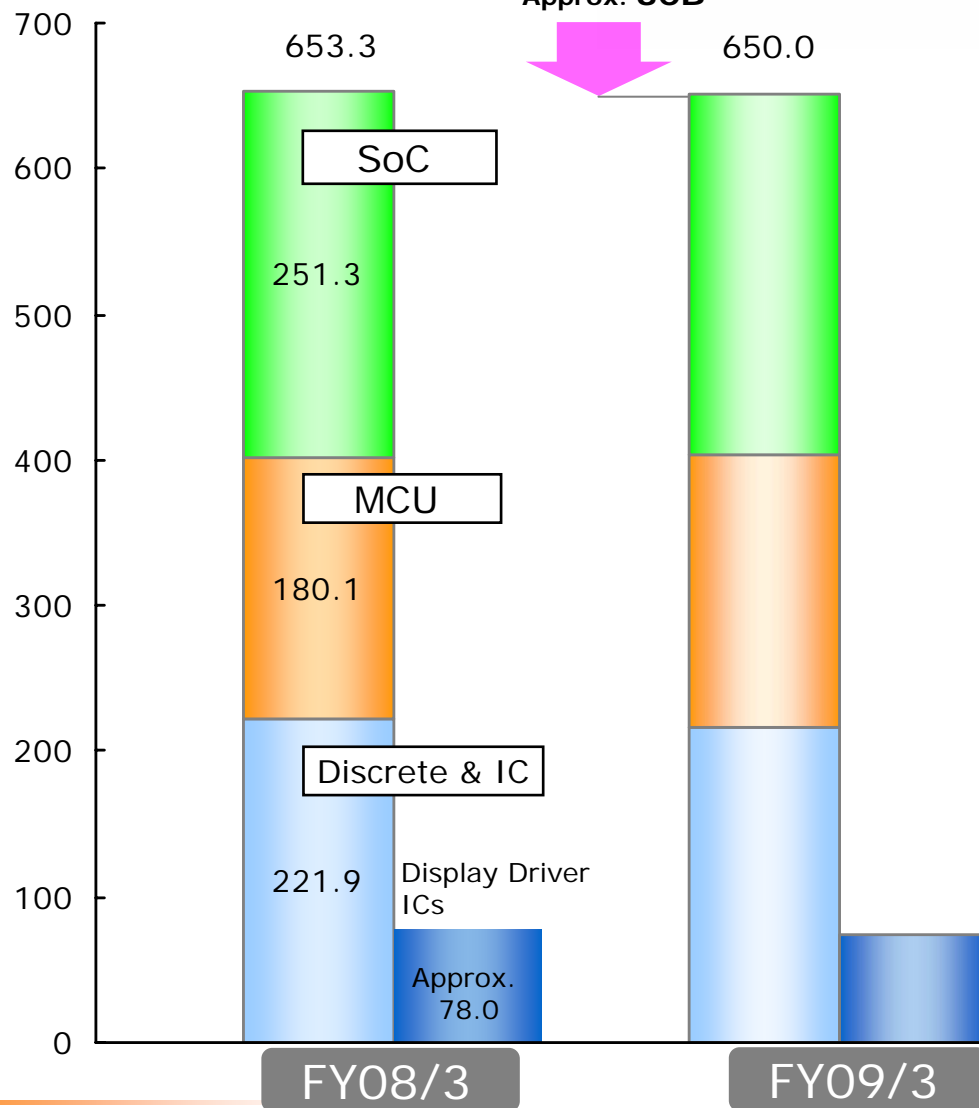
Amount of Orders (3-months moving average)



FY09/3 Semiconductor Sales Forecast

(B yen)

Forex impact from strong yen
-Approx. 30B



SoC

YoY: Decrease by lower single digit %

- +)EMMA products for digital AV, LSIs for DVD drives
-) LSIs for digital cameras

MCU

YoY: Increase by mid single digit %

- +)Automotive and general-purpose MCUs (Increase in sales of All Flash MCUs)

Discrete and IC

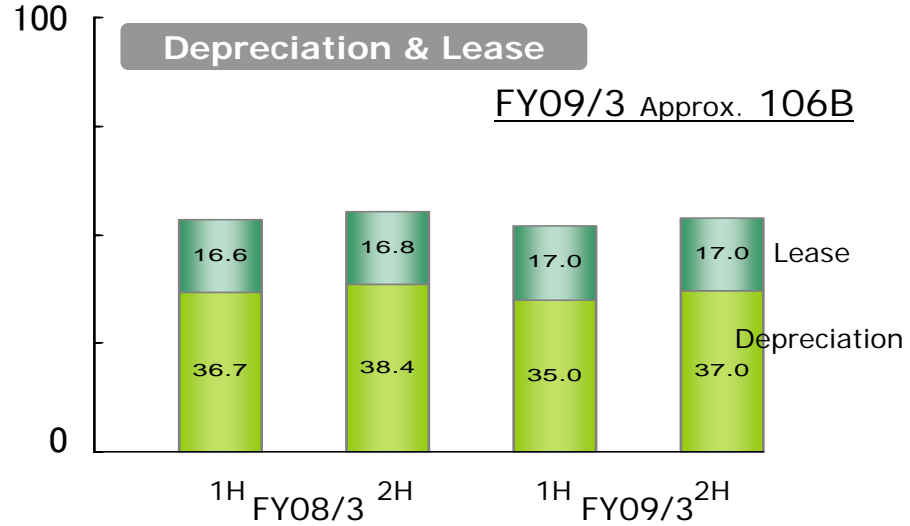
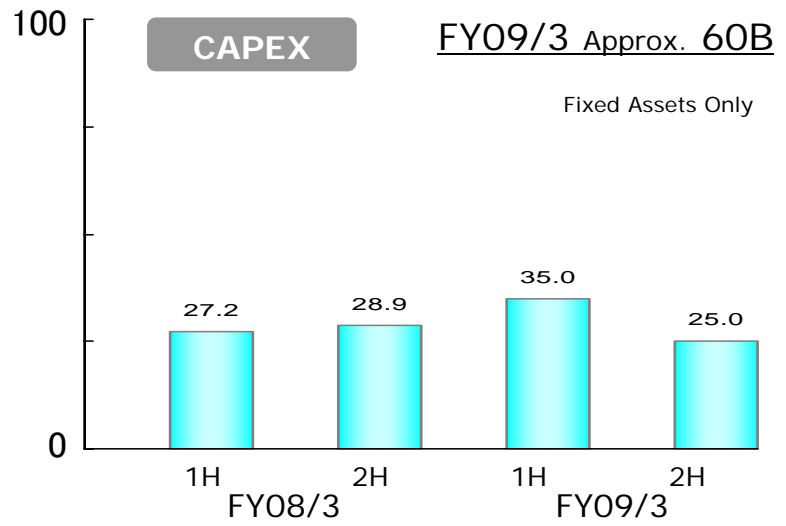
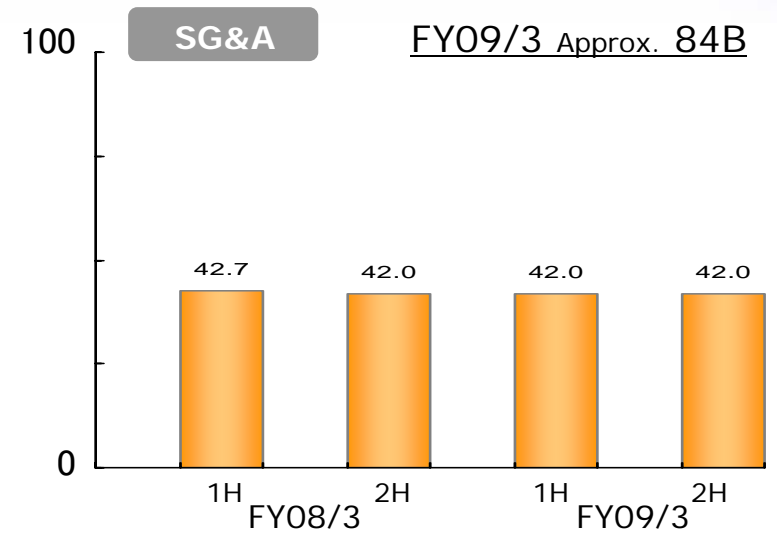
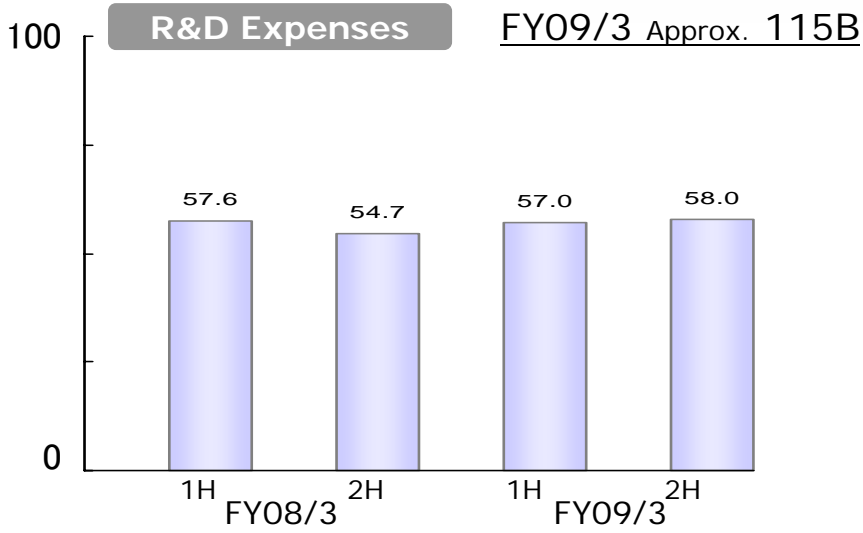
YoY: Decrease by lower single digit %

- +) Power semiconductors, Semicompounds
-)Large LCD driver ICs

Operating Expenses and CAPEX Outlook

Invest for future growth while maintaining cost efficiency

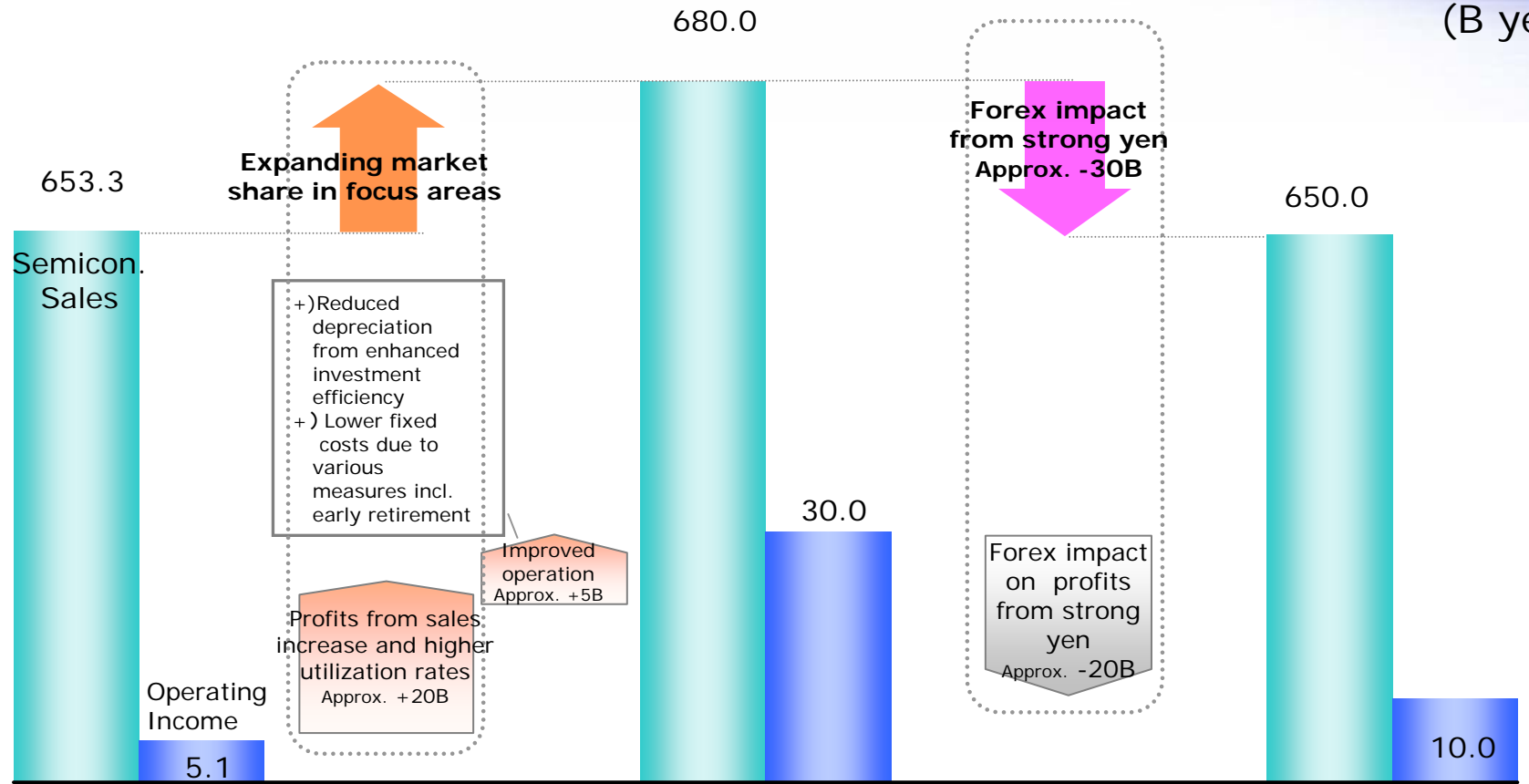
(B yen)



Depreciation and Lease are included in COGS, R&D and SG&A
 Depreciation based on Cash Flows

FY09/3 Forecast for Operating Income (Loss)

(B yen)



1\$ = 116 yen (FY08/3 currency exchange rate)

1\$ = 100 yen

FY08/3

FY09/3

I. FY08/3 Financial Results

II. FY09/3 Forecasts

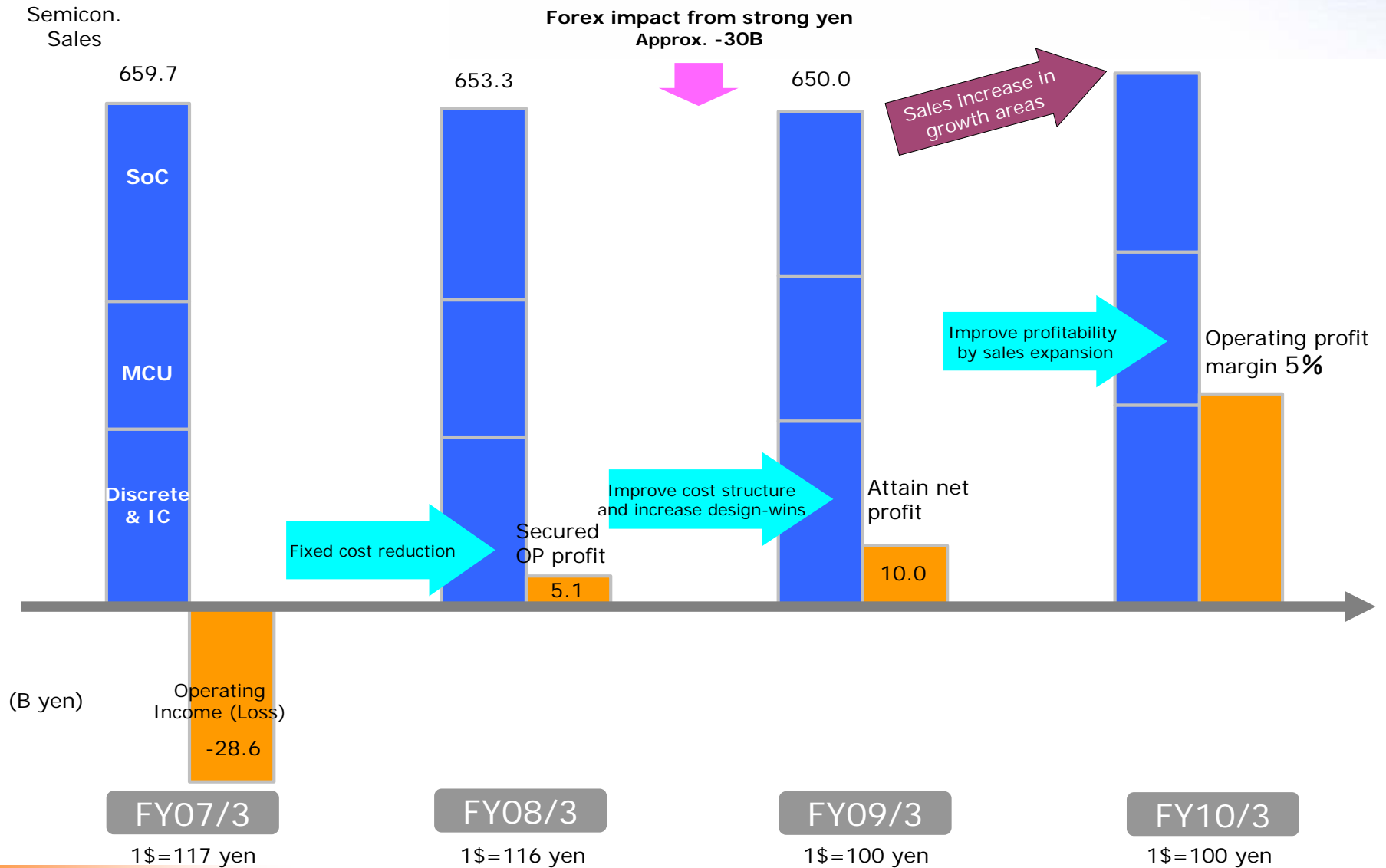
III. Mid-term Outlook

Progress of Management Policies

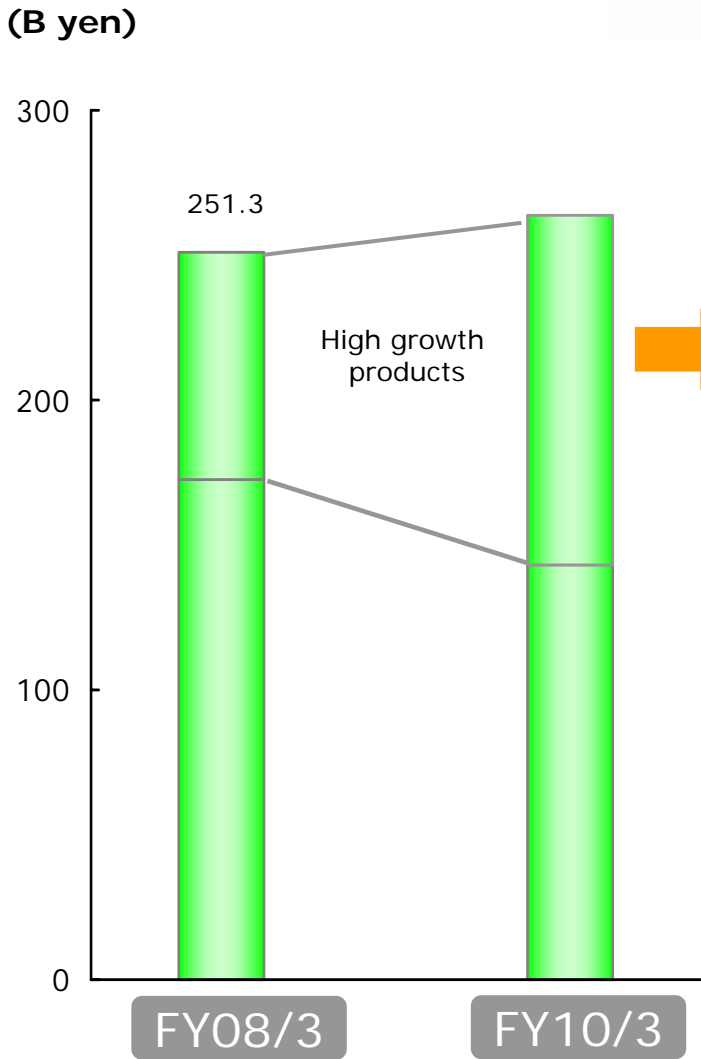
(Announced in Feb. 22, 2007)

| Items and Primary Measures | | Status <small>(as of May 14, 2008)</small> |
|---|---|--|
| Reallocate development resources | Reduce technology outsourcing costs roughly equivalent to 600 people | Completed |
| | Shift development resources roughly equivalent to 400 employees. | Completed |
| Manufacturing | Reorganization and Consolidation | Shifting equipment and production at some lines 8-inch line Yamagata: To be closed in Dec. 2008 6-inch line Kyushu: To be closed in Sept. 2010 6-inch line Kansai: Under evaluation |
| Front-end | <ul style="list-style-type: none"> ➢ Expand capacity at 8-inch lines in Kyushu and Kansai ➢ Consolidate and shift to larger wafer production lines 8-inch line in Yamagata, 6-inch lines in Kyushu and Kansai | |
| Back-end | Shifting production of some general purpose products overseas | |
| Corporate Reorganization | Established 3 business units (SoC, Microcomputer, and Discrete and IC), and enhance profit management by business units | Operations under 3 business units |
| Fixed cost reduction | Reduce technology outsourcing, fixed production costs by limiting CAPEX etc, and other fixed costs including personnel costs | Completed FY08/3: Reduced 22B yen YoY |
| Additional measures (announced in Nov. 2007) | Reduced personnel by implementing early retirement plan | Reduced 685 personnel |
| | Closure of Sagamihara 300mm pilot line Transfer advanced technology dev't functions to Yamagata | To be closed by the end of FY09/3 |
| | Consolidated 6 manufacturing companies in Japan to 3 by business units. Established an efficient flow from development to manufacturing by products | Operations under 3 manufacturing companies since April 1, 2008 |

Mid-term Outlook



Large projects in progress, which will contribute to sales expansion



Digital consumer LSI

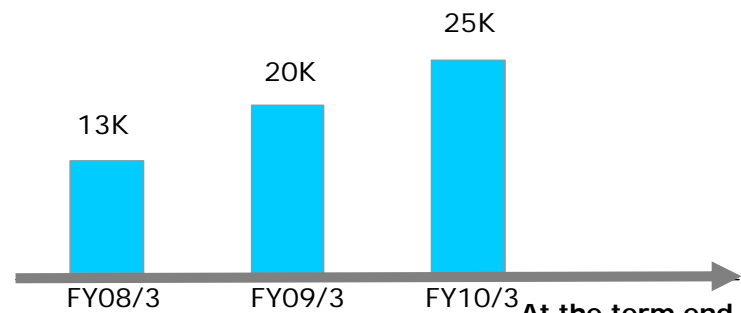
- Focusing on specific application LSIs (ie. Camera engine) for mobile handsets
Design-wins for several global mobile handset models (with camera functions)
- EMMA for digital AV platform
More design-wins to obtain the world-leading share in Blue-Ray DVD market.
Increasing customers for digital TV in and outside of Japan

Market expansion of embedded DRAM LSI

- Achieved lower costs and accommodated large-capacity memory (the industry leading 384Mb) by 55 and 40nm process technologies, in entering new business areas in graphic processing such as digital TVs and mobile handsets.
- The industry-leading record of embedded DRAM LSI production, winning 10 customers in and outside of Japan

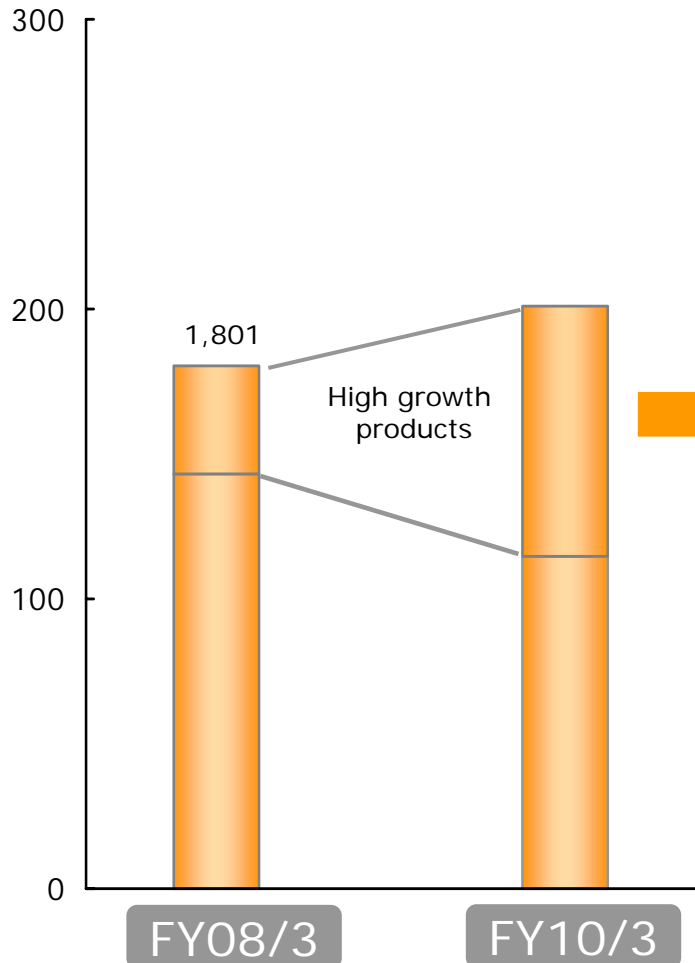
Outlook for Manufacturing Capacity of Yamagata 300mm line

- With FY09/3 CAPEX of 60B yen, expanding up to 20K wafers per month (transferring equipment from the Sagami-hara pilot line)
- Becoming a world leading-scale 12-inch logic line on a single floor



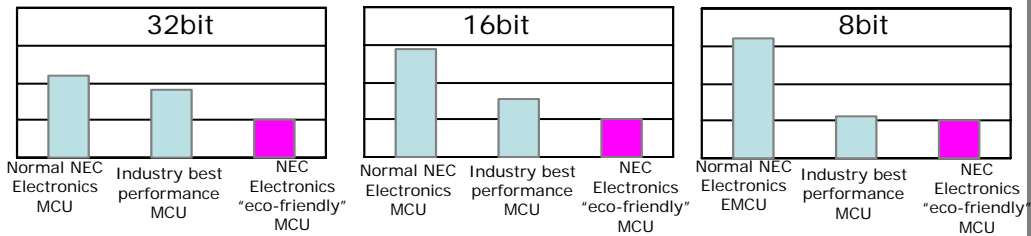
Automotive and multi-purpose MCUs contributing to steady growth

(B yen)



Super low-power "eco-friendly" MCU

➤ Introduced All Flash MCU using unique low-power technologies



(Indexed against NEC Electronics "ecology" MCU)

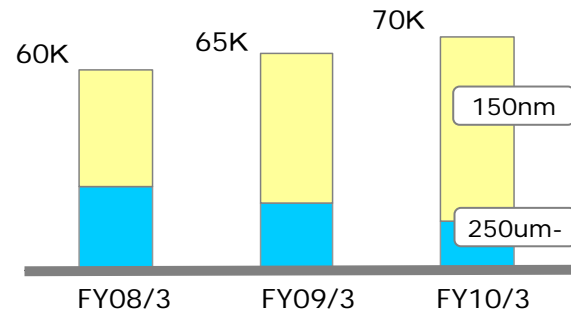
Newly entered car navigation business

- Introduced 55nm product with multi-core process technology
- Several large scale design-wins

Reinforce cost competitiveness through finer process geometries

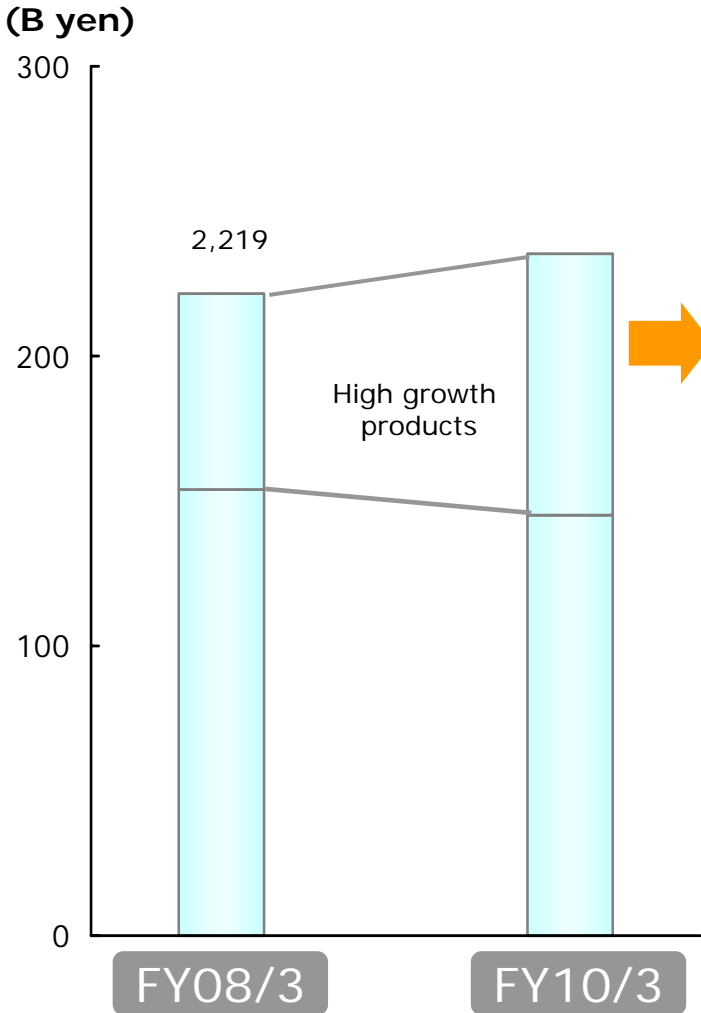
- Enrich 150nm product lineup (500 products) and expand manufacturing capacity
- Introducing 90nm flash MCU for automobiles

Outlook for Manufacturing Capacity of Kyushu 8-inch line



➤ Expanding overall capacity and raising 150nm process technology ratio

Focusing on strong products, enhancing cost competitiveness by shifting to larger wafers and utilizing outside manufacturing capacity



Power Management Devices

(power MOSFET, power management IC)

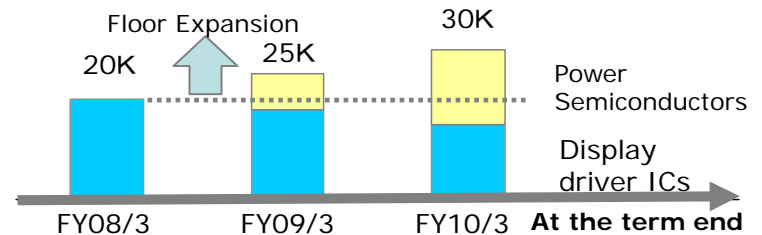
- Focusing on auto, PC, battery areas
- Teamed with Intel to develop a power management IC solution optimized for mobile internet devices
- Expanding floor for Kansai 8-inch line (+10K wafers per month) designating Kansai as a main manufacturing site

Compound semiconductors

- Expanding share of industry-leading products
 - GaAs switch IC: Worldwide share 25% (2007, source: NEC Electronics)
- Rapid expansion of mobile handset and wireless LAN market
Co-development with major wireless LAN chip set manufacturers to set the industry de facto standard
- Multi-purpose photocouplers: Worldwide share 20% (2007, source: NEC Electronics)

Outlook for Manufacturing Capacity of Kansai 8-inch line

- Shifting production of power semiconductors to 8-inch wafers
- Expanding outside production and shifting to finer process geometries for display driver ICs in FY10/3



Recovered operating profits in FY08/3 with improvements in management efficiency.

Aim to attain net profit in FY09/3

Aim to attain operating profit margin of 5% by FY10/3 by reinforcing business operations. Developing new business to drive sales expansion.

NEC

NEC Electronics Corporation

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.

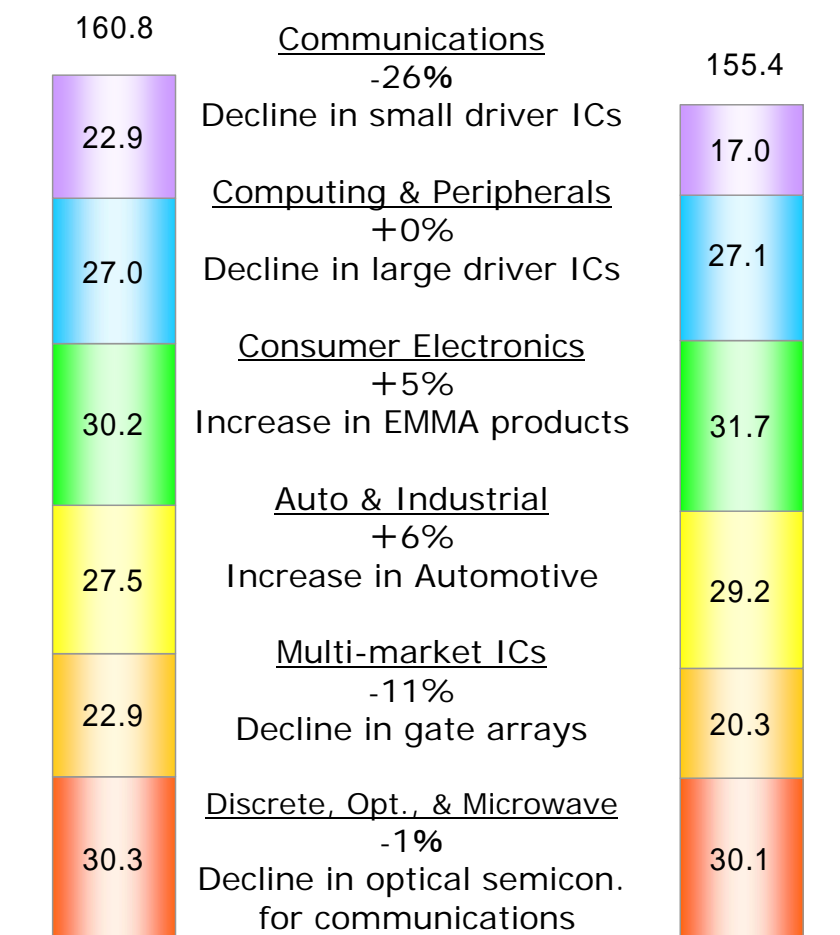
Appendix

Q4 Semiconductor Sales by Application

(B yen)

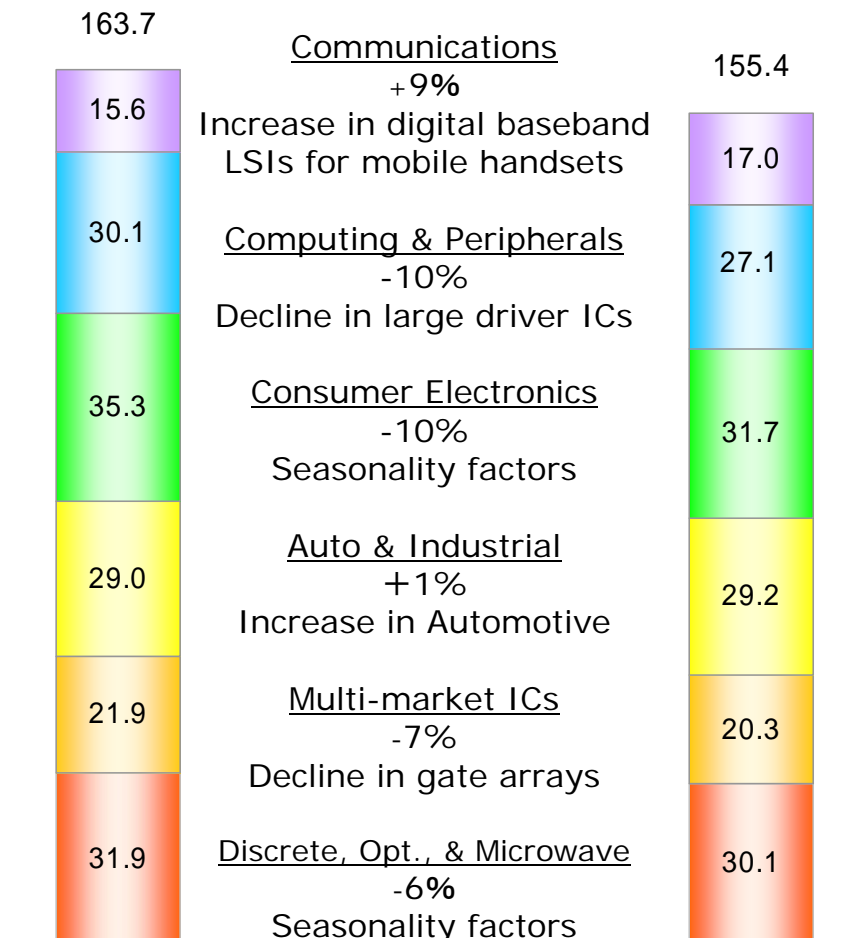
YoY

QoQ



FY07/3 Q4

FY08/3 Q4



FY08/3 Q3

FY08/3 Q4

Balance Sheet

| (B yen) | | 07/3 | 07/12 | 08/3 |
|--------------------------------------|---------------------------|-------|-------|--------|
| | Cash and Cash Equivalents | 185.4 | 188.9 | 165.5 |
| | Accounts Receivable | 99.5 | 92.6 | 96.4 |
| | Inventories | 79.2 | 81.1 | 75.8 |
| | PP&E | 296.2 | 273.8 | 259.1 |
| | Other Assets | 35.6 | 31.3 | 19.5 |
| Total Assets | | 695.9 | 667.6 | 616.3 |
| | Accounts Payable | 132.5 | 117.4 | 107.3 |
| | Debt Payable | 136.0 | 132.0 | 116.6 |
| | Other Liabilities | 157.5 | 154.3 | 160.1 |
| Liabilities | | 426.0 | 403.7 | 384.0 |
| Minority Shareholders' Equity | | 4.8 | 5.1 | 5.2 |
| Shareholders' Equity | | 265.1 | 258.8 | 227.1* |
| Liabilities and Shareholders' Equity | | 695.9 | 667.6 | 616.3 |

*Decrease in accumulated other comprehensive income (loss)

| | | | |
|-------------------|------|------|------|
| D/E Ratio (Gross) | 0.51 | 0.51 | 0.51 |
| Equity Ratio | 38% | 39% | 37% |

References

| | | | |
|--------------------------|------|------|------|
| Deferred Tax Assets | 10.7 | 10.8 | 3.0 |
| Deferred Tax Liabilities | 10.9 | 14.1 | 11.1 |

Recorded positive free cash flows for the first time in two years

| (B yen) | FY07/3 | | FY08/3 | | |
|--------------------------------------|--------|-----------|--------|------|-----------|
| | Q4 | Full-year | Q3 | Q4 | Full-year |
| Cash Flows from Operating Activities | 12.7 | 66.7 | 13.6 | 0.5 | 43.3 |
| Cash Flows from Investing Activities | -30.3 | -78.5 | -14.7 | -4.3 | -37.8 |
| Free Cash Flows | -17.6 | -11.8 | -1.0 | -3.8 | 5.5 |