Welcome to NEC Electronics’ webcast.
Slide 2 provides an overview of the points we will discuss today.

First, we will present financial results for the fiscal year ended March 31, 2007. Sales and operating profit/loss were in line with the forecasts we announced on February 22.

Second, we will present the forecast for the current fiscal year. We will reduce fixed costs by 20.0 billion yen as promised on February 22, and achieve operating profits.

Third, we will explain progress being made on the new management policies.
I. FY07/3 Financial Results

Summary
- Q4 Results
- Full-Year Results

II. FY08/3 Forecasts

III. Measures to Improve Performance

Let me begin with the summary of financial results, shown on slide 4.
### Financial Snapshot

#### NEC Electronics’ Consolidated Financial Results

<table>
<thead>
<tr>
<th></th>
<th>FY06/3 Actual</th>
<th>FY06/3 YoY</th>
<th>FY07/3 Actual</th>
<th>FY07/3 YoY</th>
<th>Compared to Feb. 22 Forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td></td>
<td>171.4</td>
<td>+1.1</td>
<td>692.3</td>
<td>+46.3</td>
</tr>
<tr>
<td><strong>Semiconductor Sales</strong></td>
<td>619.1</td>
<td>160.8</td>
<td>-1.3</td>
<td>659.7</td>
<td>+40.6</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>-35.7</td>
<td>-17.8</td>
<td>-1.3</td>
<td>-28.6</td>
<td>+7.1</td>
</tr>
<tr>
<td><strong>Income (Loss) Before Income Taxes</strong></td>
<td>-42.4</td>
<td>-26.3</td>
<td>-1.9</td>
<td>-35.4</td>
<td>+7.0</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>-98.2</td>
<td>-28.4</td>
<td>+59.4</td>
<td>-41.5</td>
<td>+56.7</td>
</tr>
<tr>
<td><strong>Free Cash Flows</strong></td>
<td></td>
<td>-17.6</td>
<td>2.1</td>
<td>-11.8</td>
<td>-7.0</td>
</tr>
<tr>
<td><strong>D/E Ratio</strong></td>
<td>0.48</td>
<td></td>
<td></td>
<td>0.51</td>
<td>+0.03 points</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity Ratio</strong></td>
<td>41%</td>
<td></td>
<td></td>
<td>38%</td>
<td>-3% points</td>
</tr>
</tbody>
</table>

#### Exchange Rates

<table>
<thead>
<tr>
<th></th>
<th>USD1 = 112 yen</th>
<th>USD1 = 119 yen</th>
<th>2 yen weak / USD</th>
<th>USD1 = 117 yen</th>
<th>5 yen weak / USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Euro = 138 yen</td>
<td>1 Euro = 156 yen</td>
<td>1 Euro = 149 yen</td>
<td>1 Euro = 149 yen</td>
<td>5 yen weak / USD</td>
<td></td>
</tr>
</tbody>
</table>

**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, and selling, general, and administrative expenses.

---

Semiconductor sales were 659.7 billion yen, a 40.6 billion yen increase from the previous fiscal year.

Operating loss was 28.6 billion yen, a 7.1 billion yen improvement from the previous year. Net loss was 41.5 billion yen.
I. FY07/3 Financial Results

Summary

Q4 Results

Full-Year Results

II. FY08/3 Forecasts

III. Measures to Improve Performance

Next we will explain fourth quarter results.
Slide 6 shows trends in quarterly sales.

In the fourth quarter, a decline in semiconductor sales, and costs associated with structural reforms led to larger operating loss.
The next slide shows a year-on-year comparison of fourth quarter sales, according to platform. Although sales of MCUs grew, adjustments for LCD driver ICs led to a 1 percent overall decline year on year.
Slide 8 shows a quarter-on-quarter comparison of fourth quarter sales.

Aside from relatively strong sales of MCUs, most other products experienced either seasonal adjustments or inventory adjustments, leading to a 6 percent decline quarter on quarter.
The next slide shows fourth quarter sales by application.

Fourth quarter sales for Computing and Peripherals showed large declines both year on year and quarter on quarter.
Slide 10 shows operating loss for the fourth quarter, which declined both year on year and quarter on quarter, even excluding the impact of costs associated with structural reforms. We will explain these costs in greater detail in later slides.

Year on year, lower fab utilization rates led to lower gross margin, and quarter on quarter, a decline in sales led to larger operating losses.
Next, we will explain the full-year financial results.
As you can see on slide 12, semiconductor sales grew 7 percent year on year.

For the SoC platform, there was the launch of a new business. In MCUs, sales of both general purpose and automotive microcontrollers increased. Sales of nearly all of the products in the Components category increased as well.
The next page shows annual semiconductor sales by application.

While sales of system memory for mobile phones declined, double-digit growth in the Consumer Electronics, Multi-Market IC, and Discrete, Optical and Microwave categories drove overall sales higher.

One note of clarification concerning microcontroller sales, is that some automotive and industrial microcontrollers, amongst others, that had previously used mask ROM products have in recent times shifted to All Flash, which may appear to inflate the sales figures for the Multi-Purpose IC category.
The next slide shows operating loss.

Comparing operating loss year on year, excluding one-time costs associated with structural reforms, there was approximately 30.0 billion yen improvement due to increased sales and higher utilization rates. However, an increase in fixed costs related to the increase in manufacturing operations, and higher R&D expenses resulted in operating loss in the amount of 19.6 billion yen.
The structural reform costs are explained on slide 15.

On an operating basis, we reduced inventories and consolidated development projects as planned, recording 9.0 billion yen in associated costs for the fourth quarter. On a non-operating basis, we incurred costs for the closure of the Ireland plant and 8-inch prototype line in Sagamihara, Japan.

These costs were in line with our initial estimates, which we announced on February 22.
The balance sheet is on shown on slide 16. Inventories at the end of December were at a high level of 89.0 billion yen, but shrank to 82.6 billion yen by the end of March due to adjustments in production.
Slide 17 shows cash flows. Free cash flows were negative 11.8 billion yen due to factors such as net loss in the amount of 41.5 billion yen, as well as payments for capital investment.
I. FY07/3 Financial Results
   Summary
   Q4 Results
   Full-Year Results

II. FY08/3 Forecasts

III. Measures to Improve Performance

Next, we will discuss the financial forecasts for the fiscal year ending March 2008, on slide 19.
### Forecast for FY08/3 Semiconductor Market

**Market for NEC Electronics’ Products Expected to Grow 2 to 8% YoY**

(NEC Electronics’ forecast, excluding DRAM, FLASH, and MPU)

<table>
<thead>
<tr>
<th>Period</th>
<th>YoY</th>
<th>Market Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H (Apr-Sep)</td>
<td>0 to +2%</td>
<td>In Q1, inventory adjustments will ease and orders will pick up, but sales will not recover until early summer, limiting overall sales growth.</td>
</tr>
<tr>
<td>2H (Oct-Mar)</td>
<td>+5% to +9%</td>
<td>Sales of digital TV and PC-related devices will grow quickly from mid-year heading into the Olympics, spurring the semiconductor market. In the Jan-Mar period, demand will not fall as sharply as in the previous year due to the Olympics.</td>
</tr>
<tr>
<td>Full Year</td>
<td>+2% to +8%</td>
<td>Anticipate mid-range growth of roughly 5%</td>
</tr>
</tbody>
</table>

---

Before explaining the financial forecasts, we would first like to explain our view of the semiconductor market for the coming year.

Looking at NEC Electronics’ core semiconductor business, which excludes DRAM and MPUs, in the first half we expect to see signs of recovery, but actual sales growth will remain limited.

By the second half, demand for digital televisions leading up to the Olympics, and an upsurge in the PC market due to demand for Microsoft’s Windows Vista should boost semiconductor market growth.

Overall, we expect to see somewhere between 2 to 8 percent growth, probably near the mid-range mark of 5 percent for the full year.
Slide 20 shows monthly trends in order backlog and orders. As you can see, both order backlog and orders are showing signs of recovery from March.

In particular, discrete and other general purpose products, as well as LCD driver ICs for large panels, are showing strong signs of recovery.
Now let us look at the financial forecasts on slide 21.

As we just explained, we believe that the semiconductor market will grow between 2 to 8 percent. Our forecasts were prepared based on the most conservative scenario of just 2 percent growth.

We believe semiconductor sales will increase by 10.0 billion yen, to 670.0 billion yen.

For operating profits, we are determined to at least break even, but loss before income taxes and net loss will still remain in the red.
The next slide explains our analysis in greater detail.

As I explained on February 22, we are working to reduce fixed costs by 20.0 billion yen this year.

We also anticipate an improvement in marginal profit from a 10.0 billion yen increase in semiconductor sales. Although there may be fluctuation in exchange rates and other various risks, our forecast is still to attain operating profits.
Slide 23 shows the breakdown of our semiconductor sales forecast.

For SoCs, growth in embedded DRAM for consumer electronics will be offset by the decline in digital baseband and system memory for mobile phones, leading to overall flat growth.

For MCUs, both automotive and general purpose will increase, but we have set the forecast for growth conservatively in the mid-single digits.

For Components, growth will be in the low single digits when factoring into account the possible extension of adjustments of LCD driver ICs for small panels, and price risk.
The next slide explains capital expenditures, and depreciation and lease.

As explained on February 22, CAPEX will be set at 70.0 billion yen, focusing on value-added products such as automotive microcontrollers and 55nm process technology. However, we will continue to increase manufacturing capacity from the Overall Equipment Efficiency (OEE) activities as previously planned, so even if there is larger-than-anticipated market growth, we will be able to meet demand.

Depreciation and lease is estimated to decrease by 4.0 billion yen.
Finally, we will discuss progress on implementing our new management policies on slide 26.
We are steadily executing the new management policies introduced on February 22 and management is involved in establishing projects to ensure their thorough implementation. Let me explain the status of our progress thus far.

1. To help improve competitiveness, we have begun consolidating development resources by directing approximately 200 employees thus far to other key projects, and reducing technology outsourcing costs roughly equivalent to 600 people. We are continually considering other means of consolidating development resources.

2. We are working to reduce costs by reorganizing manufacturing operations. We have established a timeline for implementation, and while we cannot disclose details at this time, we are considering additional measures.

3. We have introduced a new Business Unit structure for the core areas of SoC, MCU, and Components. These units are also directly linked to specific manufacturing sites, which promotes greater responsibility for profit management and cost reduction within each business. We have also streamlined the number of divisions by about one-third, consolidating or eliminating 18 divisions to enhance greater sharing of human resources.

4. To reduce fixed costs, we have begun cutting employee salaries, as well as reducing technology outsourcing costs and CAPEX.

In addition to making sure that these measures are thoroughly implemented, we are reviewing additional measures to help improve operating efficiency.
Summary

- Management will achieve, at a minimum, operating profits for the fiscal year. This is our commitment.

- We will push operating profits even higher by improving the efficiency of our operations.

In closing, I would like to say that for the current fiscal year, it is our commitment as management to achieve operating profits, at a minimum, and we will work to push operating profits even higher by improving the efficiency of our operations.
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.

Finally, before we conclude, please be sure to review the cautionary statements. Thank you very much for joining us today.
Appendix:
Business Highlights
MP201 application chip for mobile phones
applied to digital consumer devices

- Application processor with low power consumption optimized for QVGA video and audio playback
- Compatible with platformOViA software platform
- Easy to develop new applications with flexible IP
Highlight: Microcomputers

Aggressive efforts to expand sales of All Flash microcontrollers

Demo Systems, Evaluation Boards  Website  Seminars  Literature

Shipments of All Flash microcontrollers

Rapid growth from mid-2006
Highlight: Components

**Developed LCD backlight control technology for mobile applications**
Extremely low power consumption features lead to new value-added business

- Evolution of mobile content such as one-segment broadcasting, video, and 3D graphics further increase power consumption.
- However, attempts to reduce power consumption result in lower image quality.

**NEC Electronics’ unique value-added technology**

- Enables up to 50% reduction in backlight power consumption (up to 20% of overall power consumption) by optimizing display brightness, while maintaining image quality with gamma-curve processing, in real-time.
- Design wins with Japanese and international mobile phone manufacturers

Conventional LCD backlights consume approximately 40 percent of a mobile phone’s overall power

Ratio of mobile phone power consumption by function
Source: NEC Electronics

- Using NEC Electronics’ backlight control technology (power consumption in mA)
- Standard display (power consumption in mA)
Highlight: Next-Generation Technology

IMAPCAR parallel processor for image recognition

- Joint development with Toyota, Denso, and NEC
- 128 processing elements and performance of 100 billion operations per second enables image recognition of lane markers, vehicles, and pedestrians in real-time
- Adopted in the Lexus LS460's pre-crash safety system

Lane markers, vehicles ahead  Be Careful!  Vehicles in rear

Processes 30 frames/second

Won Nikkan Kogyo Newspaper’s 4th Annual Monozukuri Taisho Award