

FY09/3 Q2 Financial Results

Toshio Nakajima

President and CEO

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NEC Electronics Corporation

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

Thank you for joining NEC Electronics' webcast.

Before we begin, please be sure to review the cautionary statement on page 19.

- Despite the effects of considerable yen depreciation, in the first fiscal half ended September 30, 2008, net sales did not quite reach the level originally forecast.

Operating profits were secured, though the profit margin was slimmer than had been estimated in the most recent financial announcement (July 30, 2008).

- Forecasts for the second half and full year were lowered, but the company still expects to achieve operating profits on both second half and full-year bases.
- Cost reductions measures, such as the accelerated closure of certain manufacturing lines, are being implemented.

We had based our initial forecasts for the first half on a rate of 100 yen per dollar. Although the yen was weaker than expected, sales did not grow substantially and did not quite meet the level initially forecast.

Though there was an operating profit in the first half, the margin was slimmer than estimated on July 30.

Due to the sudden downturn in the economy, we had little choice but to concede our goal of achieving a net profit this fiscal year, and revised forecasts for the second half and full year on October 21. However, we still plan to secure operating profits for both the second half and full year.

To achieve this, we will step up cost cutting measures, such as accelerating the closing of manufacturing lines including the prototype line at Sagamihara. Through such measures, we estimate cost reductions in the second half by approximately 8.0 billion yen compared to the first half.

Agenda

I. FY09/3 Q2 Financial Results

II. FY09/3 Forecasts

Now let us move to the main presentation. The agenda is shown on slide 3. We will first discuss the financial results for the second quarter, followed by the forecasts for the fiscal year.

I. FY09/3 Q2 Financial Results

II. FY09/3 Forecasts

First, let us look at the financial results for the second quarter ended September 30, 2008.

Financial Snapshot

(B Yen)	FY09/3				
	Q1, 6/30	Q2, 9/30	H1, 9/30		
	Actual	Actual	Actual	YoY	HoH
Net Sales	166.3	167.3	333.6	-17.4	-3.2
Semiconductor Sales	159.2	159.2	318.4	-15.7	-0.8
Operating Income (Loss)	1.7	-0.5	1.2	-0.6	-2.0
Income (Loss) Before Income Taxes	0.3	-0.3	-0.0	-1.8	+5.1
Net Income (Loss)	-1.3	-0.6	-1.9	+1.1	+11.1
Free Cash Flows	-6.7	2.1	-4.5	-14.8	+0.3
D/E Ratio	0.51	-	0.52	-	-
Shareholders' Equity Ratio	37%	-	36%	-	-
Exchange Rates	1US\$=103 yen 1Euro=160 yen	1US\$=108 yen 1Euro=166 yen	1US\$=105 yen 1Euro=163 yen	US\$ 15 yen weak Euro 1 yen strong	US\$ 7 yen weak Euro 2 yen strong

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.

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5

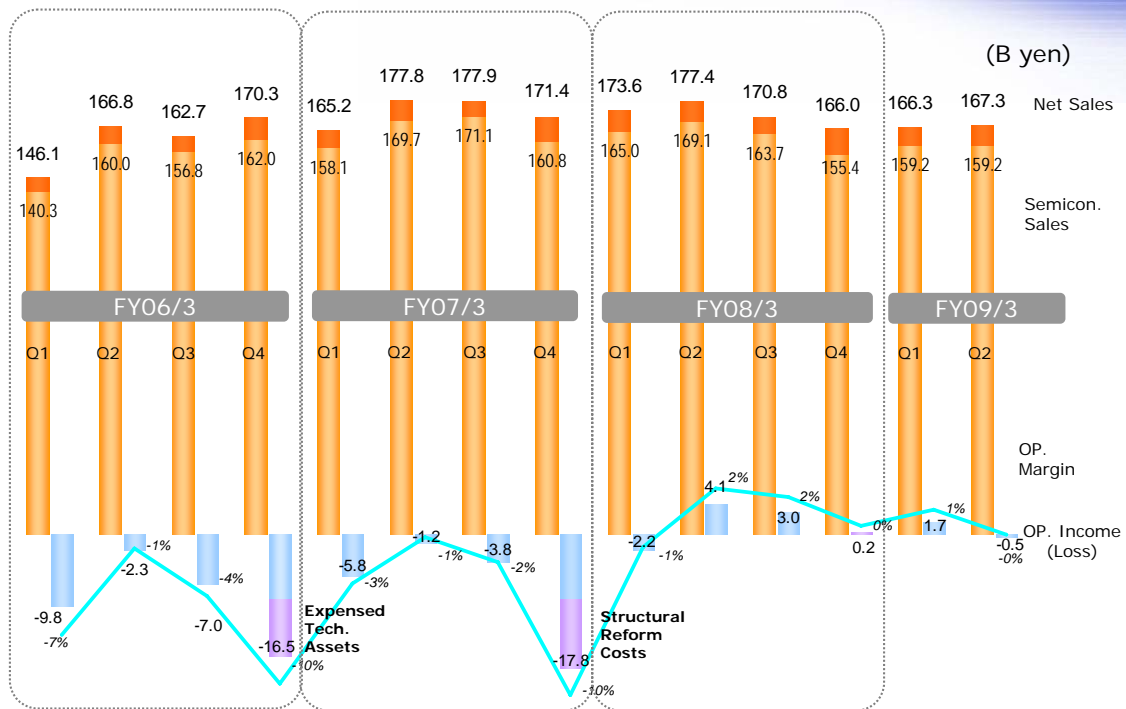
Slide 5 shows the financial results for the first half of the fiscal year.

Net sales were 333.6 billion yen, 17.4 billion yen less year on year.

Semiconductor sales were 318.4 billion yen, a 5 percent and 15.7 billion yen decrease year on year.

Operating income was 1.2 billion yen, a 0.6 billion yen decrease year on year.

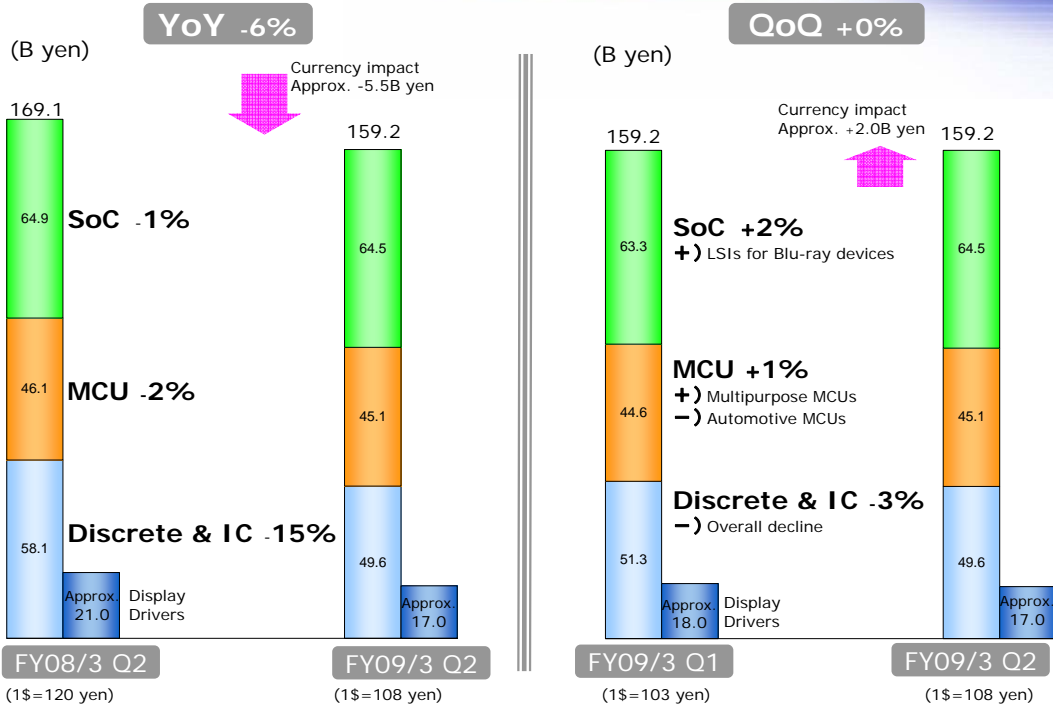
Trends in Quarterly Results



Slide 6 shows trends in quarterly results.

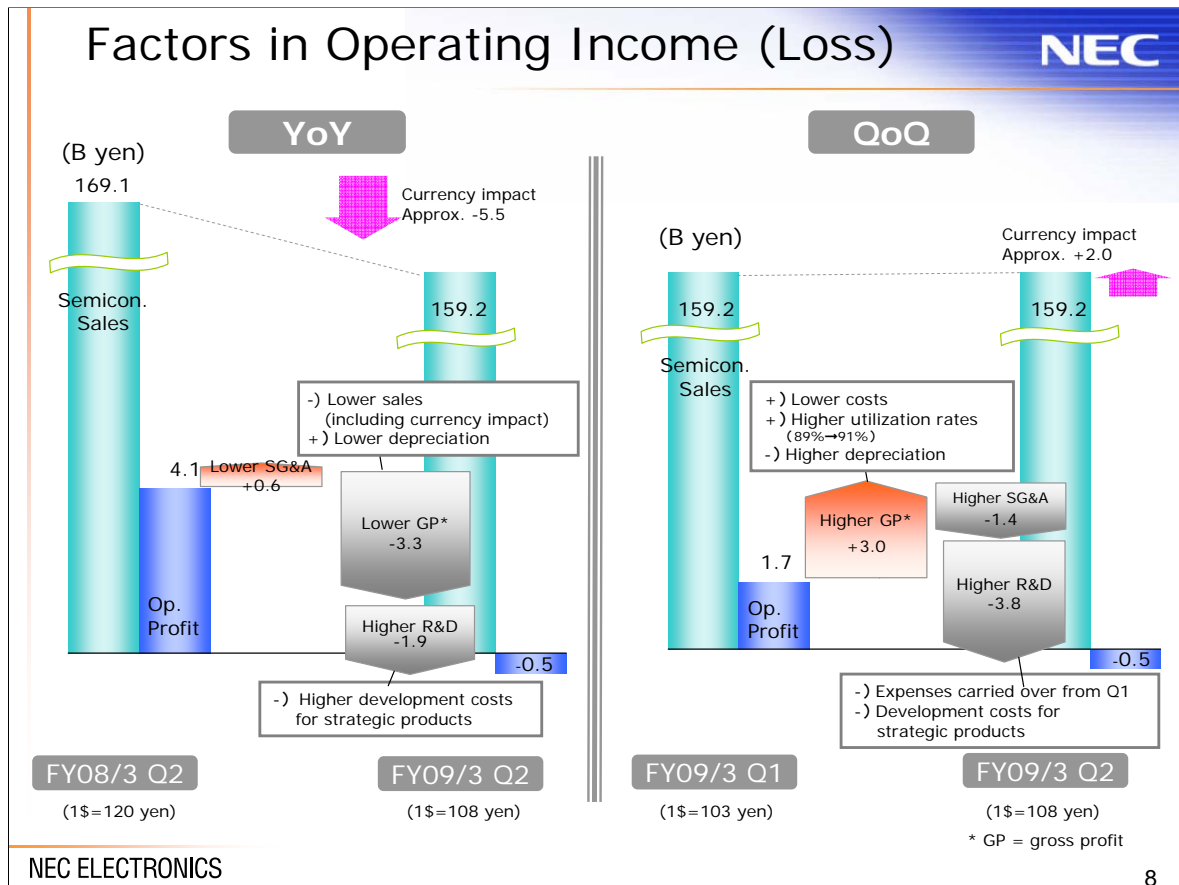
Although sales traditionally pick up in the second quarter, and despite the favorable impact of a weaker yen, this year's second quarter sales remained flat and there was an operating loss of 0.5 billion yen.

Q2 Semiconductor Sales by Platform



The next slide shows the breakdown of second quarter sales by platform.

As shown in the graph on the right, compared to the first quarter, SoC sales increased 2 percent due to sales of LSI chips for Blu-ray applications, but a general decline in Discrete & ICs caused sales overall to remain flat quarter on quarter.



Slide 8 shows the factors affecting operating income and loss in the second quarter.

The graph on the right outlines the factors contributing to the operating loss in the second quarter. Although the currency fluctuations had a positive impact, sales remained stagnant. R&D expenses also increased more than expected as a result of expenses carried over from the previous quarter, as well as an increase in development costs for strategic products.

Balance Sheets

(B yen)		As of Sep. 30, 2007	As of Mar. 31, 2008	As of Sep. 30, 2008
	Cash and Cash Equivalents	191.4	165.5	158.0
	Accounts Receivable	100.3	96.4	95.3
	Inventories	80.2	75.8	82.0
	PP&E	282.5	259.2	257.0
	Other Assets	33.6	19.5	29.7
	Total Assets	687.9	616.3	622.0
	Accounts Payable	130.8	108.1	111.9
	Debt Payable	132.9	116.6	117.1
	Other Liabilities	157.9	159.3	162.9
	Liabilities	421.6	384.0	392.0
	Minority Shareholders' Equity	5.3	5.2	5.2
	Shareholders' Equity	261.1	227.1	224.8
	Liabilities and Shareholders' Equity	687.9	616.3	622.0
	D/E Ratio (Gross)	0.51	0.51	0.52
	Equity Ratio	38%	37%	36%

Slide 9 shows the company's balance sheets.

Inventories increased as sales began to slow from mid-August, but the company intends to reduce these amounts going forward.

Cash Flows

(B yen)	FY08/3	FY09/3		
	H1	Q1	Q2	H1
Cash Flows from Operating Activities	29.1	4.2	14.6	18.8
Cash Flows from Investing Activities	-18.8	-10.9	-12.5	-23.4
Free Cash Flows	10.3	-6.7	2.1	-4.5

Slide 10 shows cash flows.

Free cash flows for the first half were negative 4.5 billion yen.

We are aiming for positive free cash flows on a full-year basis, like we achieved last fiscal year.

I. FY09/3 Q2 Financial Results

II. FY09/3 Forecasts

In the next section, we will discuss the second half and full-year financial forecasts.

Targeting Second Half and Full-year Operating Profit

(B yen)	FY08/3	FY09/3								
	Full-Year	H1			H2			Full-Year		
	Actual	Initial forecasts (May 14, 2008)	Actual	Difference	Initial forecasts (May 14, 2008)	Forecasts as of October 21, 2008 (Note 2)	Difference	Initial forecasts (May 14, 2008)	Forecasts as of October 21, 2008 (Note 2)	Difference
Net Sales	687.7	335.0	333.6	-1.4	350.0	Approx. 330.0	Approx. -20.0	685.0	660.0	-25.0
Semiconductor Sales	653.3	320.0	318.4	-1.6	330.0	Approx. 310.0	Approx. -20.0	650.0	630.0	-20.0
Operating Income (Loss)	5.1	3.0	1.2	-1.8	7.0	0.0	Approx. -7.0	10.0	1.0	-9.0
Income (Loss) Before Income Taxes	-3.3	0.0	-0.0	-0.0	4.0	Approx. -4.0	Approx. -8.0	4.0	-4.0	-8.0
Net Income (Loss)	-16.0	-2.0	-1.9	+0.1	2.0	Approx. -6.0	Approx. -8.0	0.0	-8.0	-8.0

Exchange Rates

1US\$=	116 yen	100 yen	105 yen	+5 yen	100 yen	105 yen	+5 yen	100 yen	105 yen	+5 yen
1Euro=	161 yen	160 yen	163 yen	+3 yen	160 yen	145 yen	-15 yen	160 yen	145 yen	-15 yen

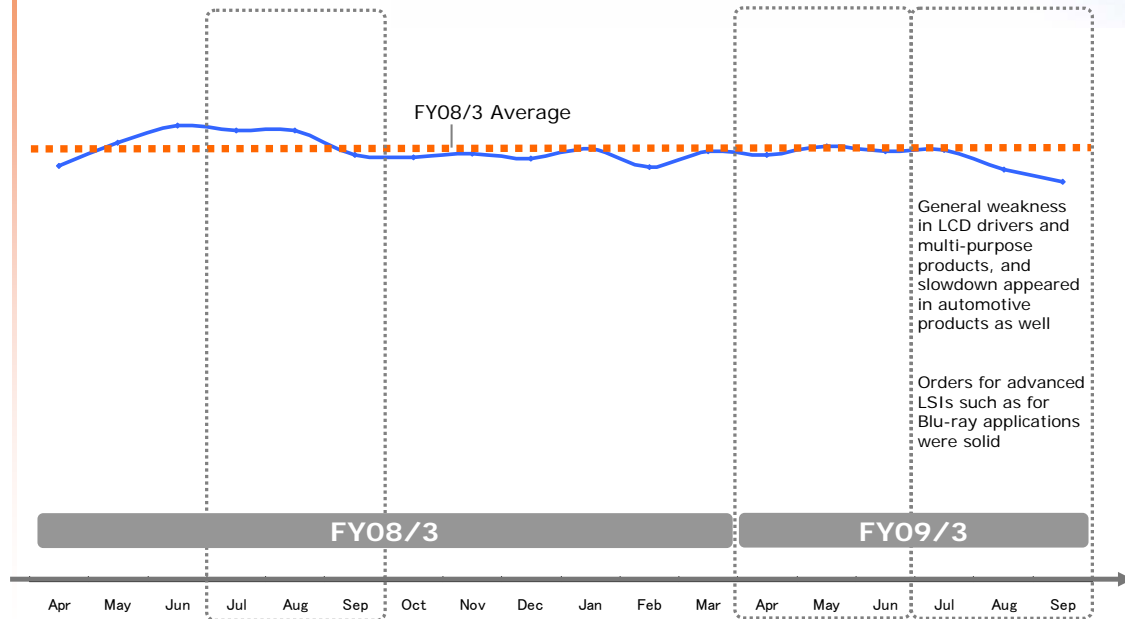
Note 1: Operating Income (Loss) = Net Sales – COGS – R&D – SG&A.
 Note 2: Forecasts as of October 21, 2008.

Slide 12 shows NEC Electronics' revised forecasts, which the company announced on October 21, 2008.

After re-evaluating the semiconductor demand and market risks, we reduced the forecast for semiconductor sales by 20.0 billion yen, and operating profit by 9.0 billion yen. The forecasts for income before income taxes and net income were reduced by 8.0 billion yen, respectively.

Trends in Amount of Orders

Amount of Orders (3-months moving average)

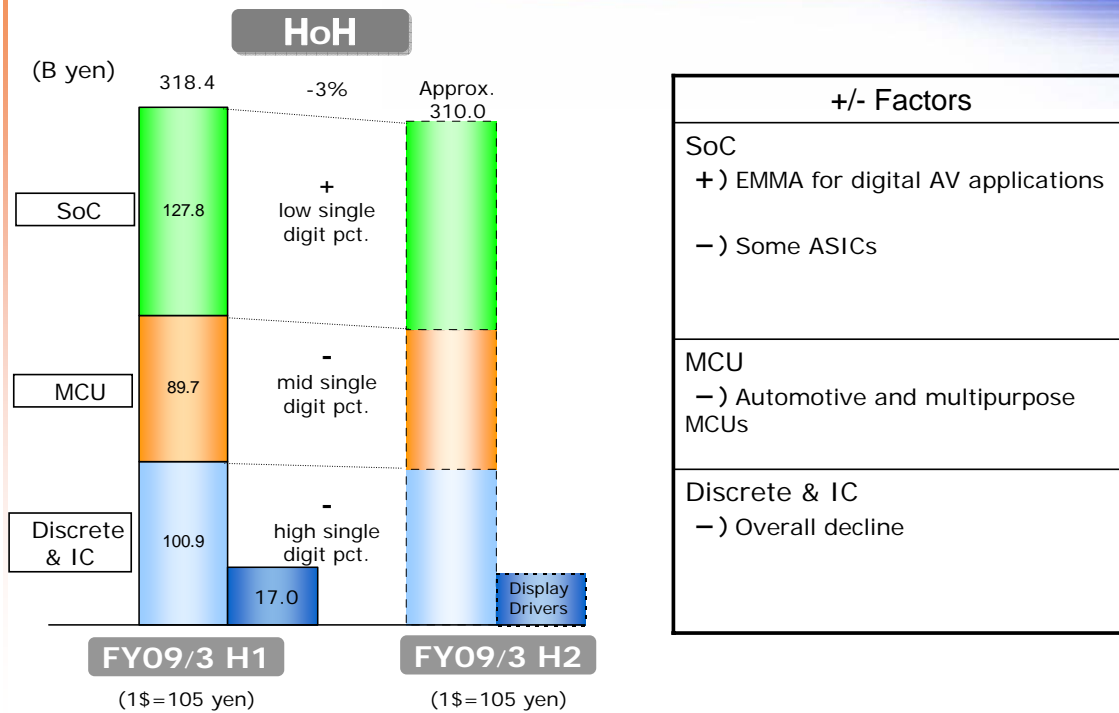


Slide 13 shows a three month moving average of semiconductor orders.

Orders for SoCs such as the LSI chips for Blu-ray applications were solid in the second quarter, but LCD drivers and multi-purpose products such as discrete devices showed a general decline, and orders for automotive products dropped sharply.

In the second half, orders of automotive and multi-purpose products are expected to remain sluggish, and the market outlook remains grim.

Semiconductor Sales by Platform (HoH Comparison) **NEC**



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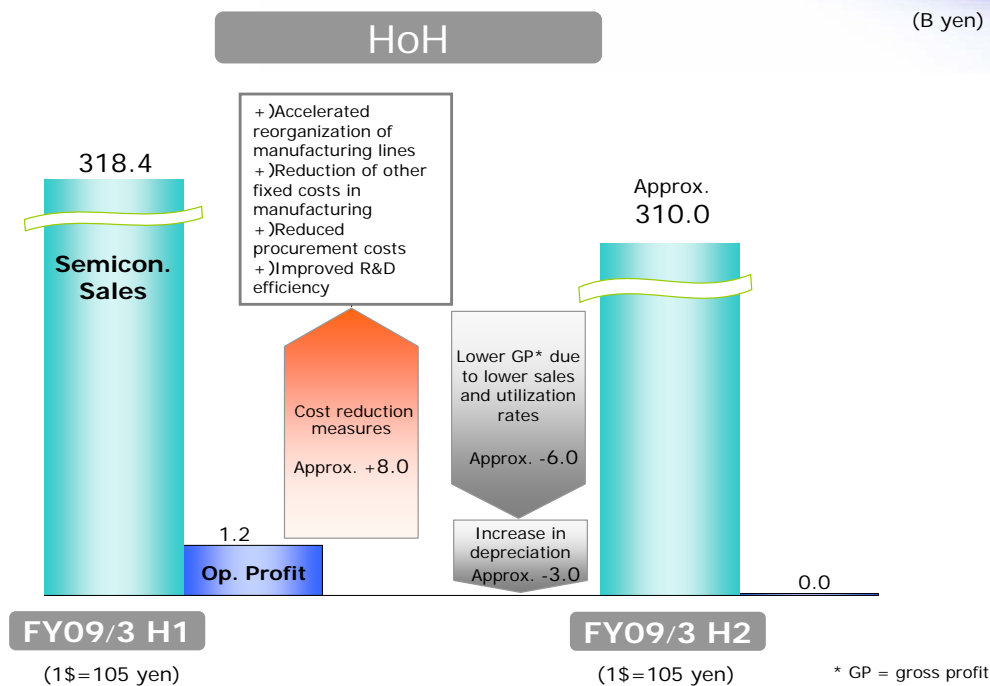
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The following slide shows the forecast for sales in the second half.

The EMMA products for digital AV and other SoCs are expected to increase, but sales of multi-purpose products in MCU and Discrete & IC are expected to shrink, leading to an overall decline of 3 percent compared to the first half of the fiscal year.

Factors Affecting H2 Op. Profit

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15

The next slide shows the forecast for operating profit in the second half.

Gross profit is expected to decline owing to lower semiconductor sales, and depreciation is expected to increase in the second half of the fiscal year. However, the company aims to secure an operating profit through cost reduction measures, such as the accelerated closure of certain manufacturing lines, which are expected to generate approximately 8.0 billion yen in cost reductions compared to the first half.

Cost reductions starting with accelerated closure of certain manufacturing lines

■ Accelerate Closure of Certain Manufacturing Lines

- NEC Semiconductors Yamagata 8-inch line
(Originally scheduled for December 2008, now moved up to November 2008)
- 300mm line at Sagamihara
(Originally scheduled for March 2009, now moved up to December 2008)

■ Improve Management Efficiency

- Reduce fixed costs associated with manufacturing
- Further reduction in procurement costs
- More efficient use of R&D expenses

**Reducing costs by approx. 8.0B yen
compared to the first half**

Slide 16 shows the measures to be undertaken in the second half.

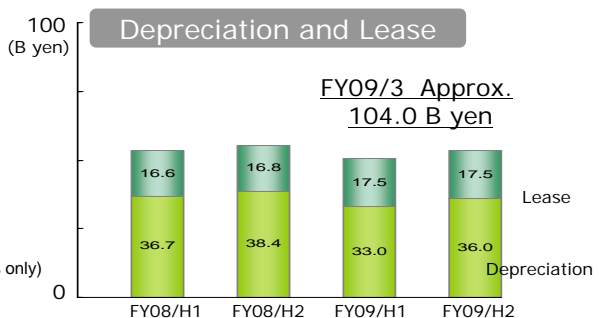
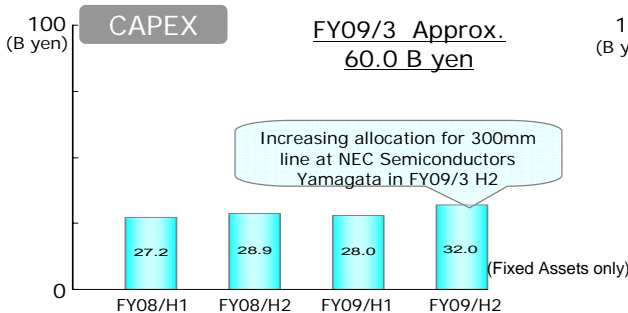
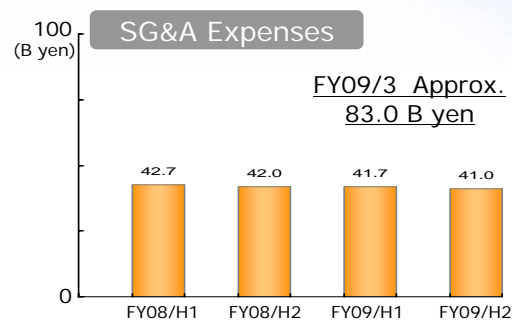
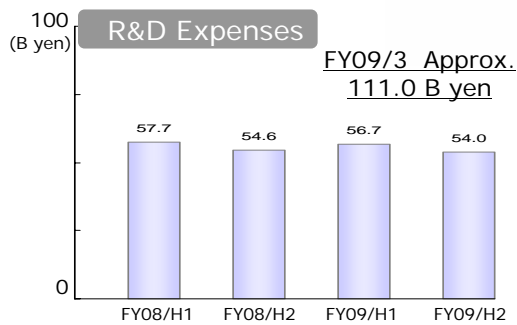
We will accelerate the timeline for closing certain manufacturing lines, moving up the dates for closing the 8-inch line at NEC Semiconductors Yamagata by one month to November 2008, and closure of the 300mm prototype line at Sagamihara by 3 months to December 2008.

We initially expected 10.0 billion yen in cost reductions next fiscal year due to such reorganization of our manufacturing lines. With the accelerated timeline, the cost reductions are expected to take effect this fiscal year.

To further improve management efficiency, the company will reduce other fixed costs including manufacturing costs, as well as procurement costs, and improve efficiency of R&D expenses.

As a result of these measures, we anticipate an 8.0 billion yen reduction in costs compared to the first half.

Major Operating Expenses and CAPEX



Note : The figures for operating expenses and CAPEX for the second half have been revised as of October 29, 2008

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

Slide 17 shows operating expenses and CAPEX in the fiscal years 2008 and 2009.

For this fiscal year, R&D expenses are expected to total 111.0 billion yen, and SG&A is expected to be 83.0 billion yen.

CAPEX is expected to be 60.0 billion yen this year as planned. Manufacturing utilization rates at NEC Semiconductors Yamagata's 300mm line remain very high, and in the second half we will step up investment to increase production capacity in the next fiscal year and beyond. The additional cost of investing in the 300mm line will be offset by further efficiency in CAPEX spending and OEE (Overall Equipment Efficiency) activities.

Revised second half and full-year forecasts due to deteriorating economic situation

Despite lower forecasts, plan to attain operating profits in second half and full year with additional cost-cutting measures

- Considering additional cost-cutting measures in anticipation of further market declines

To summarize, due to the sudden economic downturn, NEC Electronics revised its financial forecasts for the second half and full year. However, despite the lower financial targets, we plan to secure operating profits for both the second half and full year by realigning manufacturing lines and improving management efficiency.

In anticipation of further market deterioration, the company is considering additional measures to reduce costs.

Achieving an operating profit in the second half and full year is an important step toward the future growth of the company, and we will do our utmost to achieve these goals.

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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.

Thank you very much for your continued support of NEC Electronics. This concludes our presentation today.

1. Business Highlights

- Collaboration in leading edge process technology
- Progress in strategic products

2. Semiconductor Sales by Application

Collaboration in Leading Edge Process Technology

Collaborating with IBM on developing 32-nanometer process technology (announced September 17, 2008)

- Sharing of process and IP cores with global partners

Progress on Key Business Areas

Embedded-DRAM LSIs

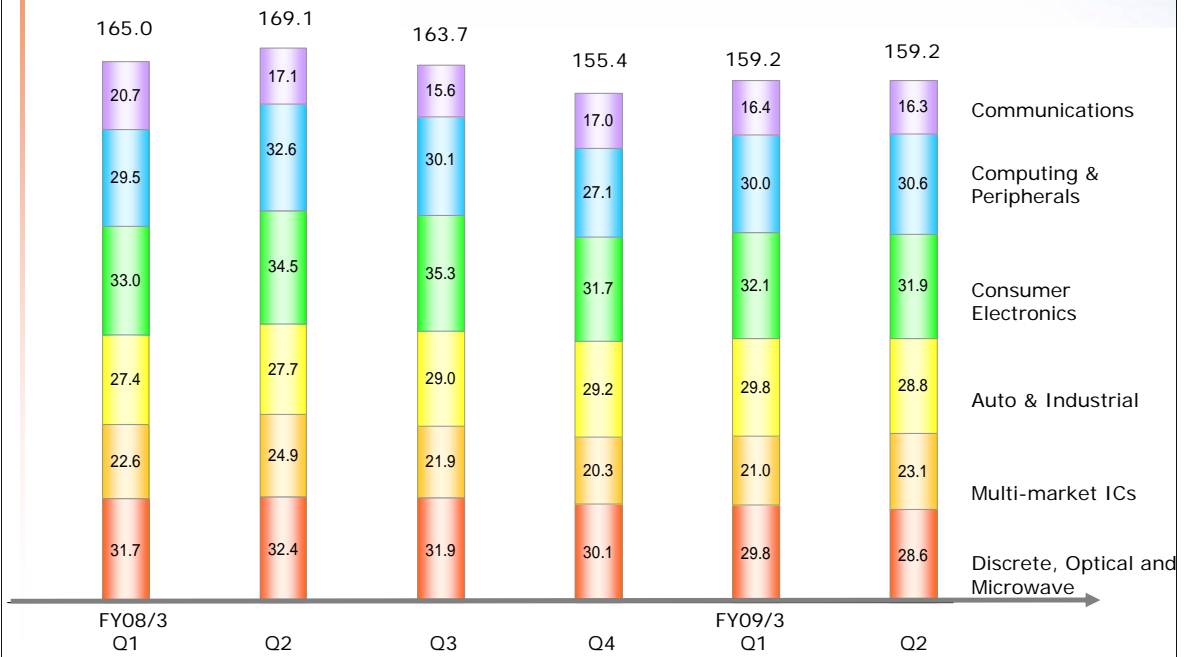
- Expanded range of applications (digital AV, mobile handsets, communications equipment, and automotive)
- Steadily increased number of design-ins and customers

EMMA (Enhanced Multi-Media Architecture)

- Increasing new design-ins for Blu-Ray devices
- Growing orders of EMMA for digital televisions

Appendix: Semiconductor Sales by Application **NEC**

(B yen)



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