

Financial Results for FY3/04 and Capital Investment Strategies

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NEC Electronics Corporation

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



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 in advance you 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.

A Financial Snapshot

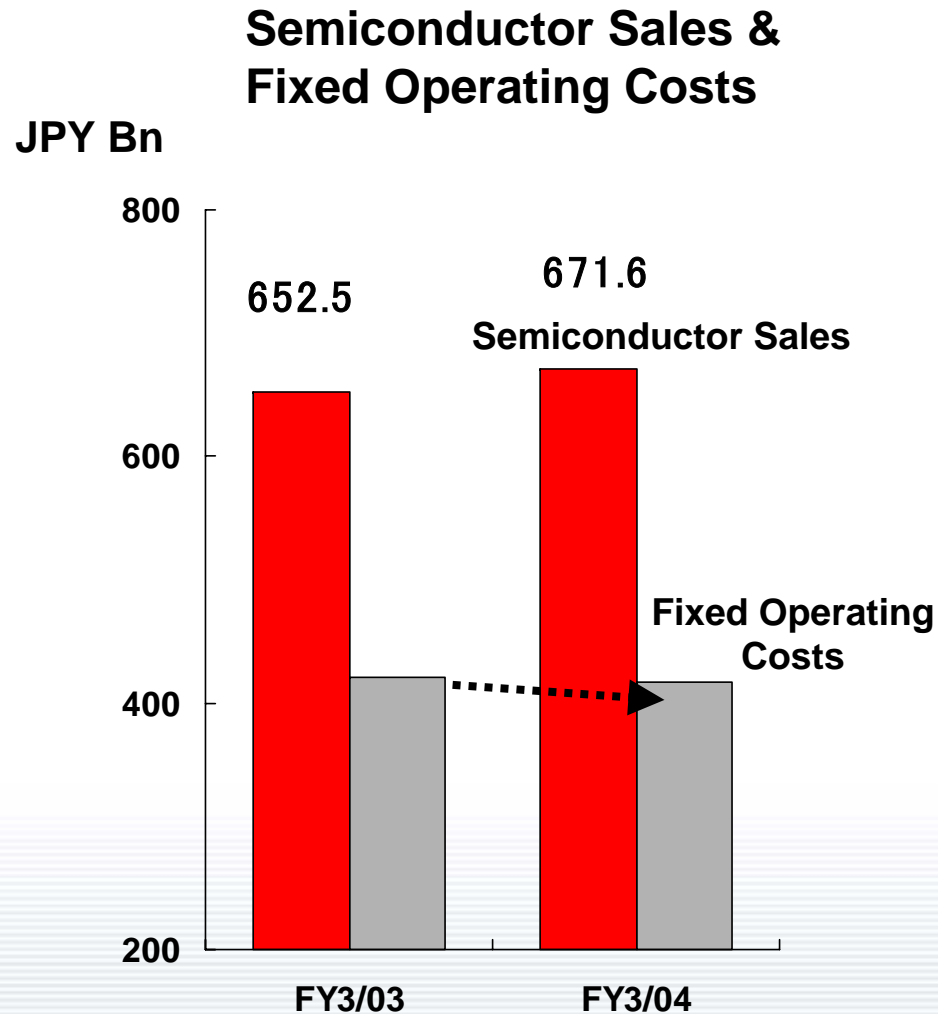
JPY Bn	FY 3/03	FY 3/04		FY 3/04		
		4Q	YoY	Full Year	YoY	Previous Forecasts
Net Sales	725.0	188.6	+8.7%	711.9	-1.8%	705.0
Semiconductor Sales	652.5	178.9	+14%	671.6	+2.9%	
Operating Income	30.2	*13.7	+215%	*54.5	+81%	53.0
Operating Margin	4.2%	7.3%		7.7%		7.5%
EBT	15.0	10.9	+761%	44.3	+194%	44.0
Net Income	9.6	7.5	-	28.0	+192%	26.0
Net Income Margin	1.3%	4.0%		3.9%		3.7%
Free Cash Flow	68.2			28.3	-58%	
Shareholders' Equity	238.9			371.7	+56%	
EPS	96.2 yen			240.6 yen	+150%	
Equity Ratio	36%			50%		

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

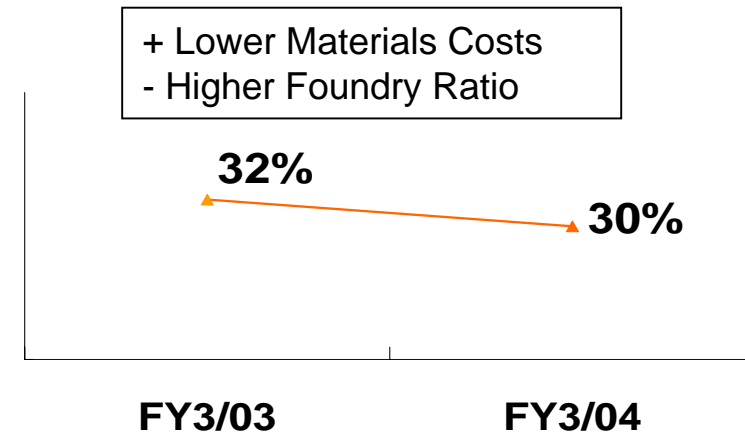
* Excluding gain due to transfer of the governmental welfare component

Fixed and Variable Costs

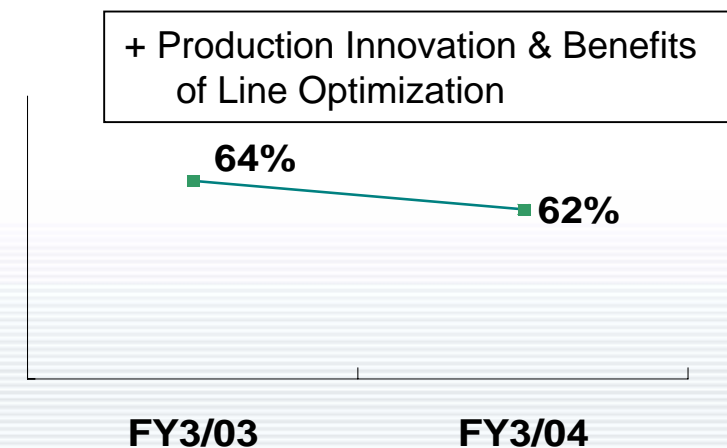
(Full Year/YOY Comparison)



Variable Cost Ratio



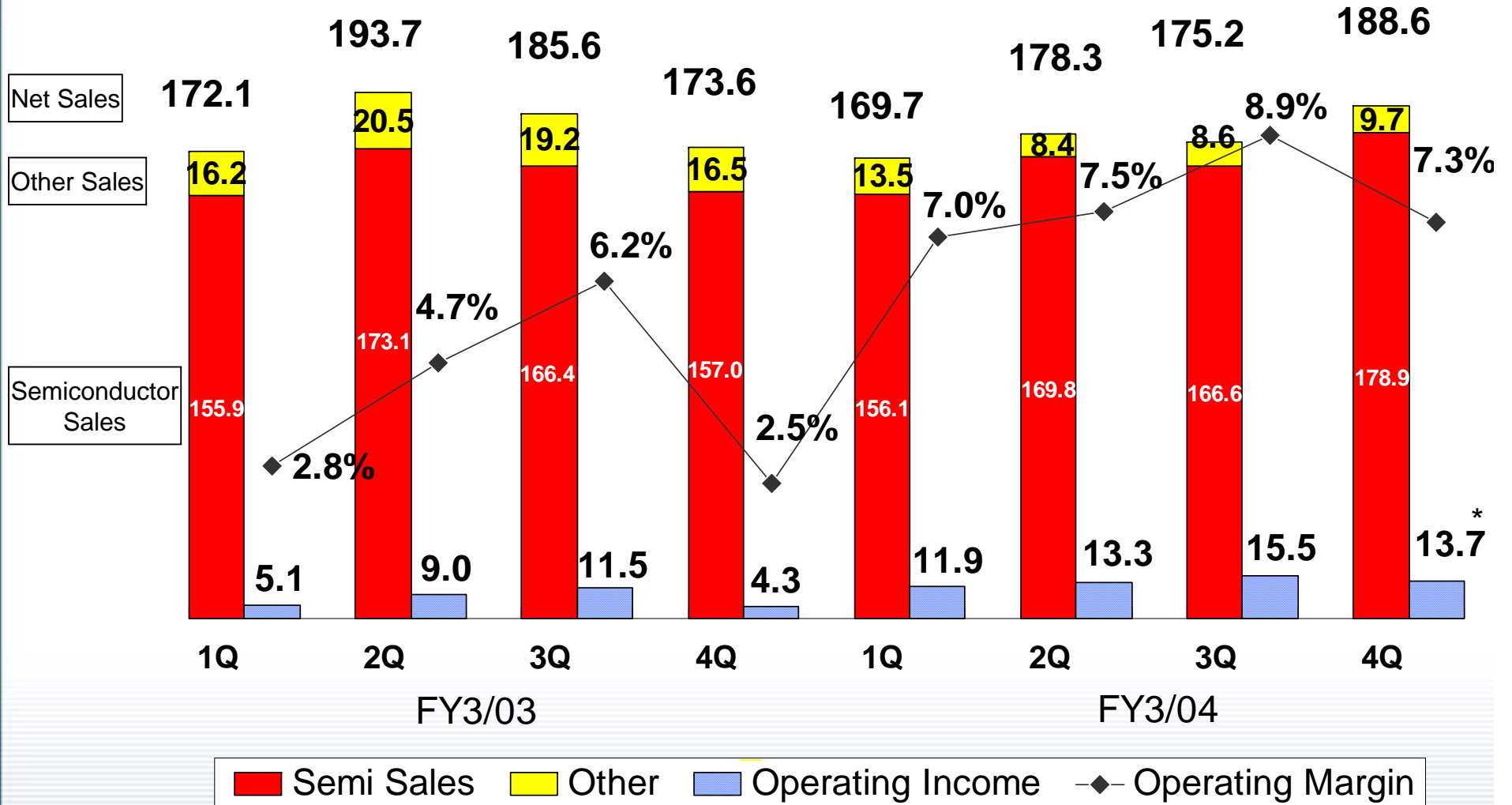
Fixed Operating Cost Ratio



Trends in Quarterly Results

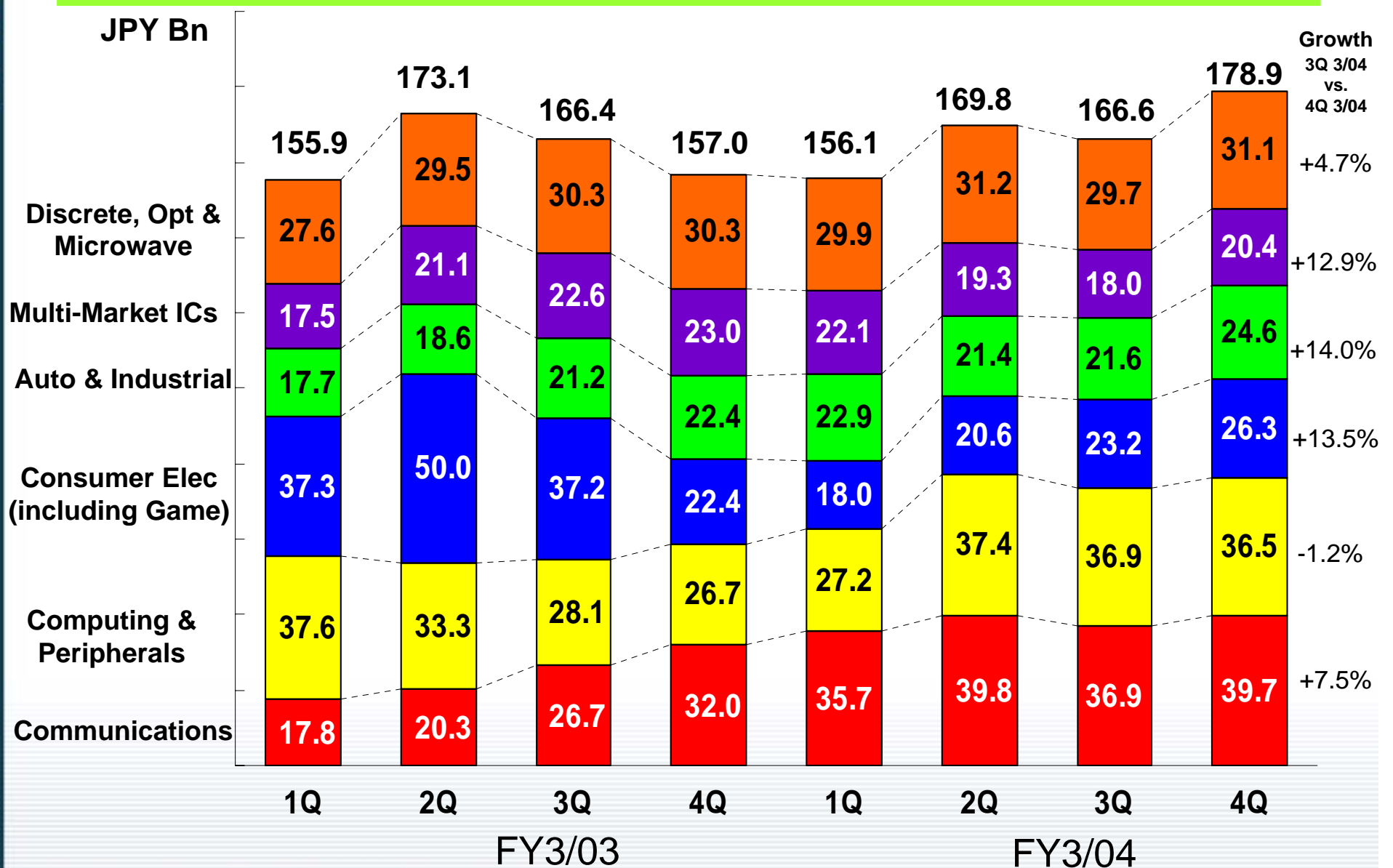
JPY Bn

* Excluding gain due to transfer of the governmental welfare component



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

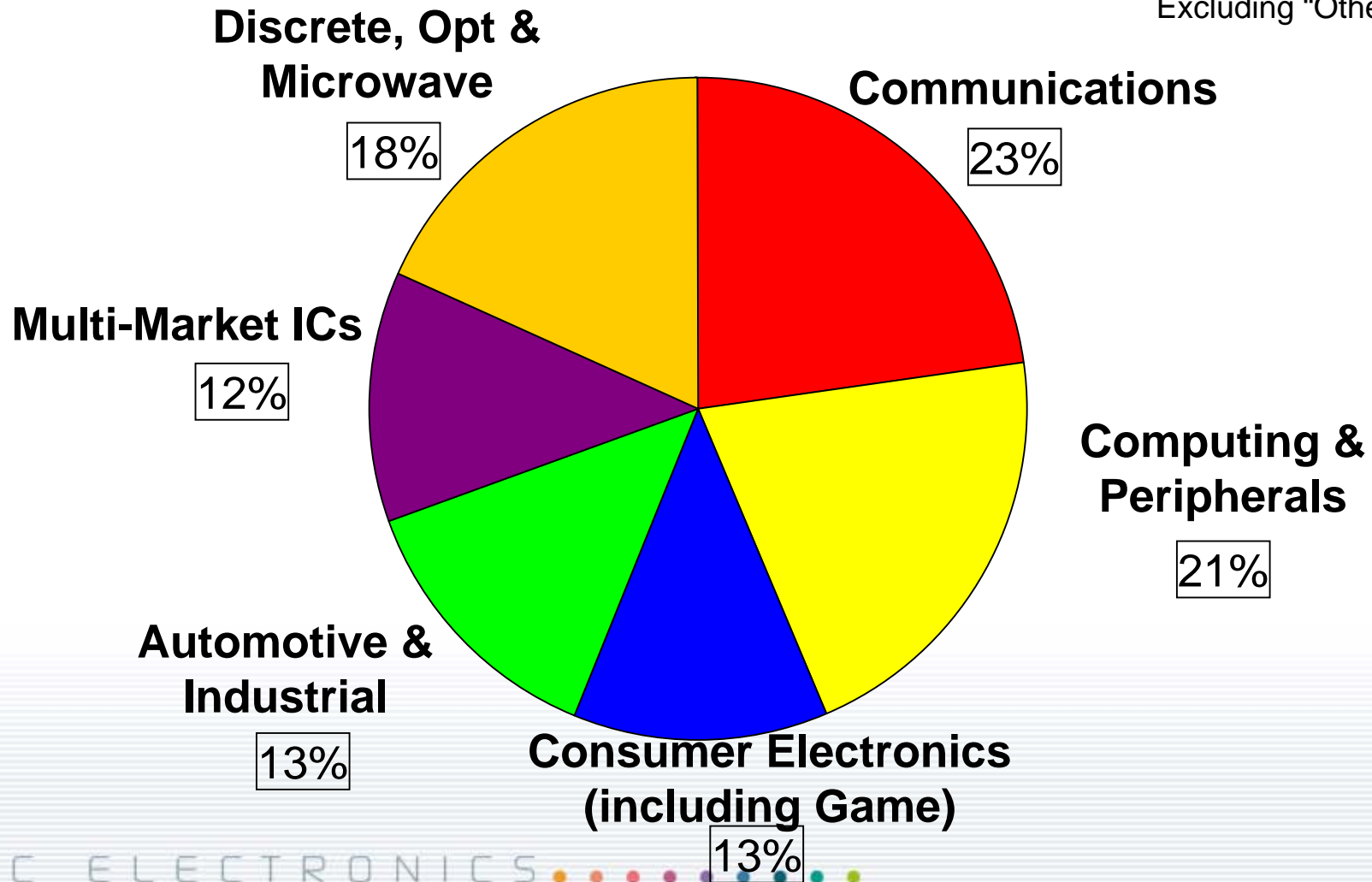
Quarterly Sales Breakdown by Application



Semiconductor Sales Breakdown by Applications

Semiconductor Sales* in FY3/04 671.6 Billion Yen

* Excluding "Other" Sales



Balance Sheet

JPY Bn		3/03	12/03	3/04
	Cash and Cash Equivalents	78.2	192.1	165.4
	Accounts Receivable	123.8	94.9	108.2
	Inventories	77.0	76.9	72.7
	PP&E	289.0	291.3	310.6
	Other Assets	87.3	90.8	84.4
Total Assets		655.4	746.3	741.5
	Accounts Payable	127.4	128.5	129.8
	Short-term Debt	27.4	12.0	15.1
	Long-term Debt	94.3	93.0	76.8
	Other Liabilities	162.0	151.1	143.9
Liabilities		411.2	384.8	365.6
Minority Shareholders' Equity		5.3	4.9	4.0
Shareholders' Equity		238.9	356.6	371.7
Liabilities and Shareholders' Equity		655.4	746.3	741.5
D/E Ratio (Gross)		0.51	0.29	0.25
Equity Ratio		36%	48%	50%

Cash Flows

JPY Bn	FY3/03	FY3/04	
		Full Year	YoY
Cash Flows from Operating Activities	124.8	120.3	-4.5
Cash Flows from Investing Activities	-56.5	-91.9	-35.4
Free Cash Flow	68.2	28.3	-39.9

Capital Investment Strategies

Capital Investment Policy

Allocate approx. 15% of net sales to capital investment over the medium term



Step by Step

Incremental investment that tracks customer demand

Providing Advanced Technology Solutions

Examples of 300mm Wafer Applications, Products, and Customers Regions

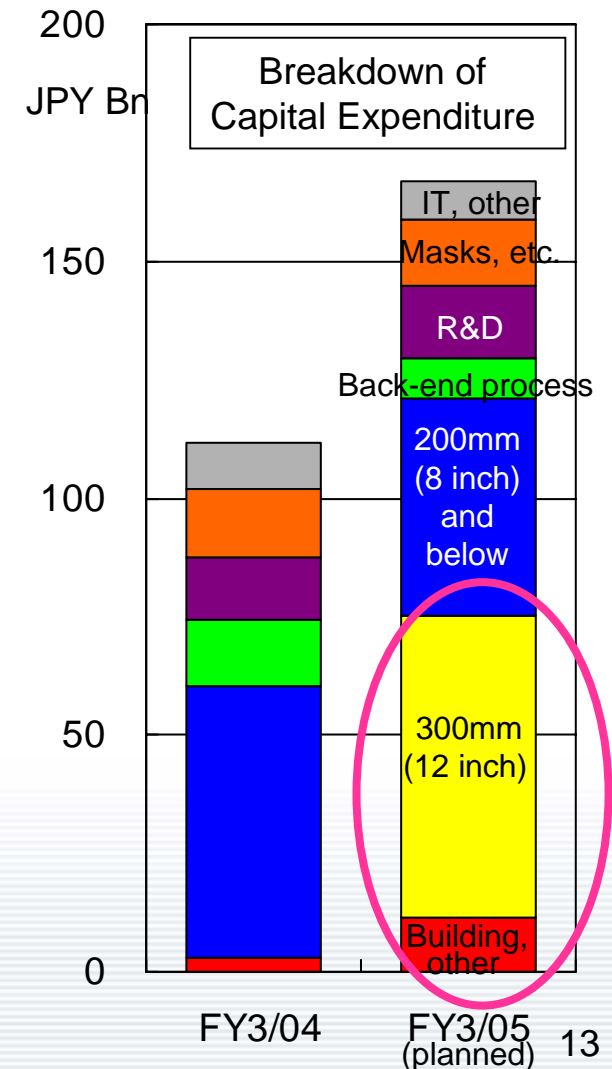
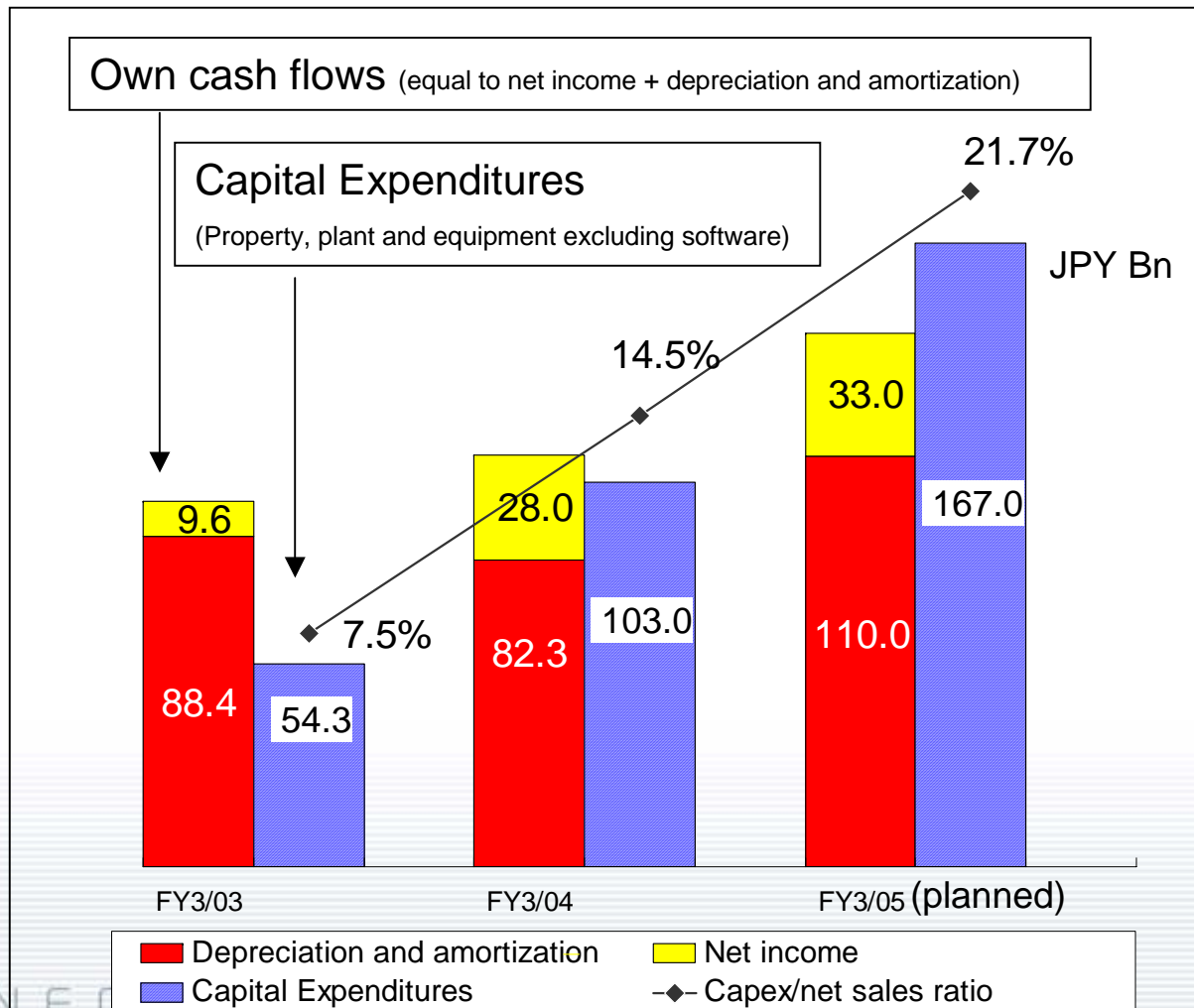
Demand expected from a wide range of customers for 130nm and 90nm products, especially mobile handsets and digital AV equipment

Applications	End Products	Products	Customer Region
Communications 	Mobile handsets	3G baseband LSI	Japan
	Routers & switches	Communication control LSI	North America
Consumer electronics 	Digital cameras	Signal processing LSI for cameras	Japan
	Digital TVs	Image processing LSI for digital HDTV	Japan
	Plasma display TVs	Signal processing LSI for PDP modules	

Capital Investment Plan

In the medium term:

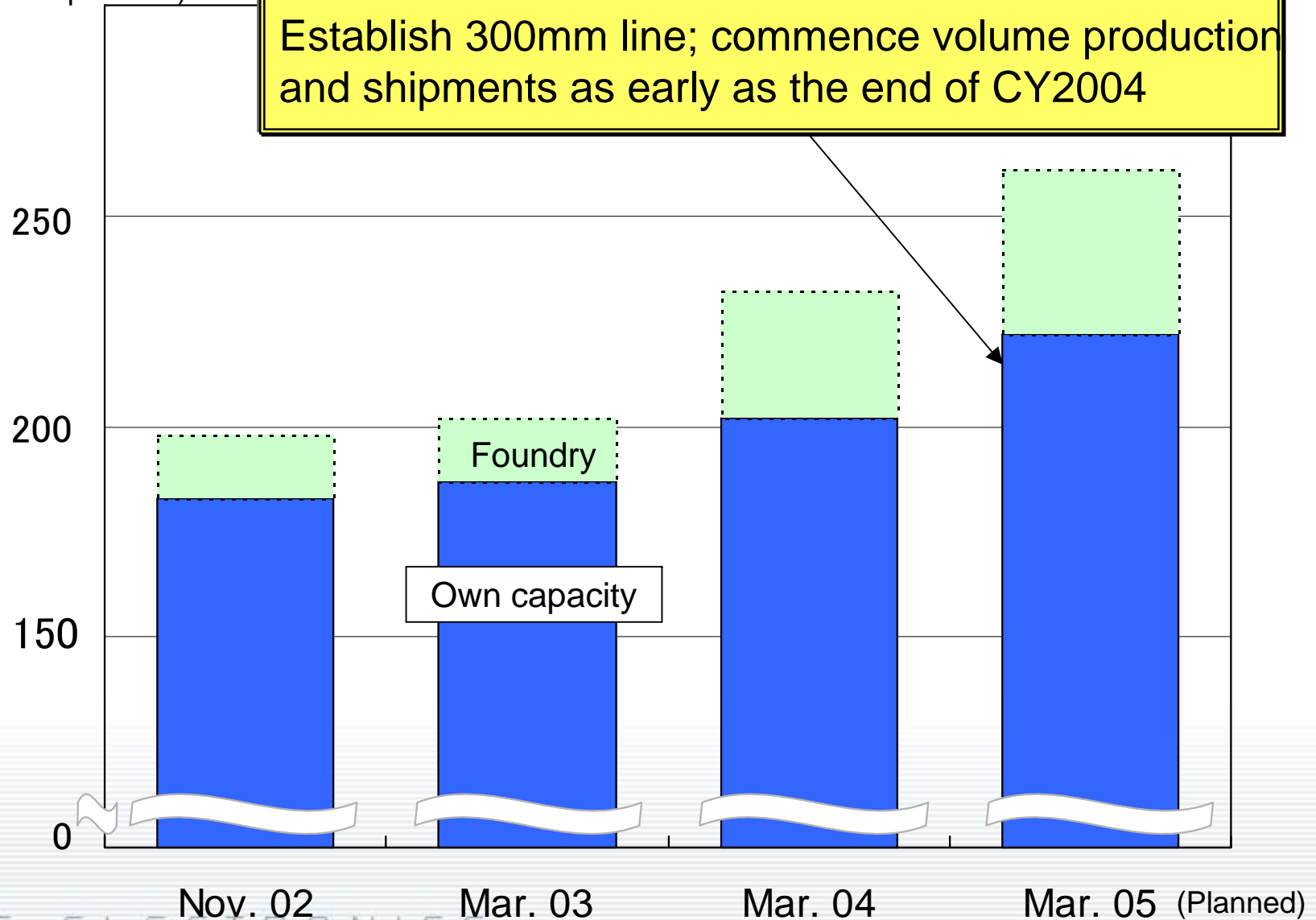
- 1) Maintain investment at approx. 15% of net sales
- 2) Conduct investment within the scope of our own cash flows (equal to net income + depreciation and amortization)



Plan for Enhancing Front-end Production Capacity

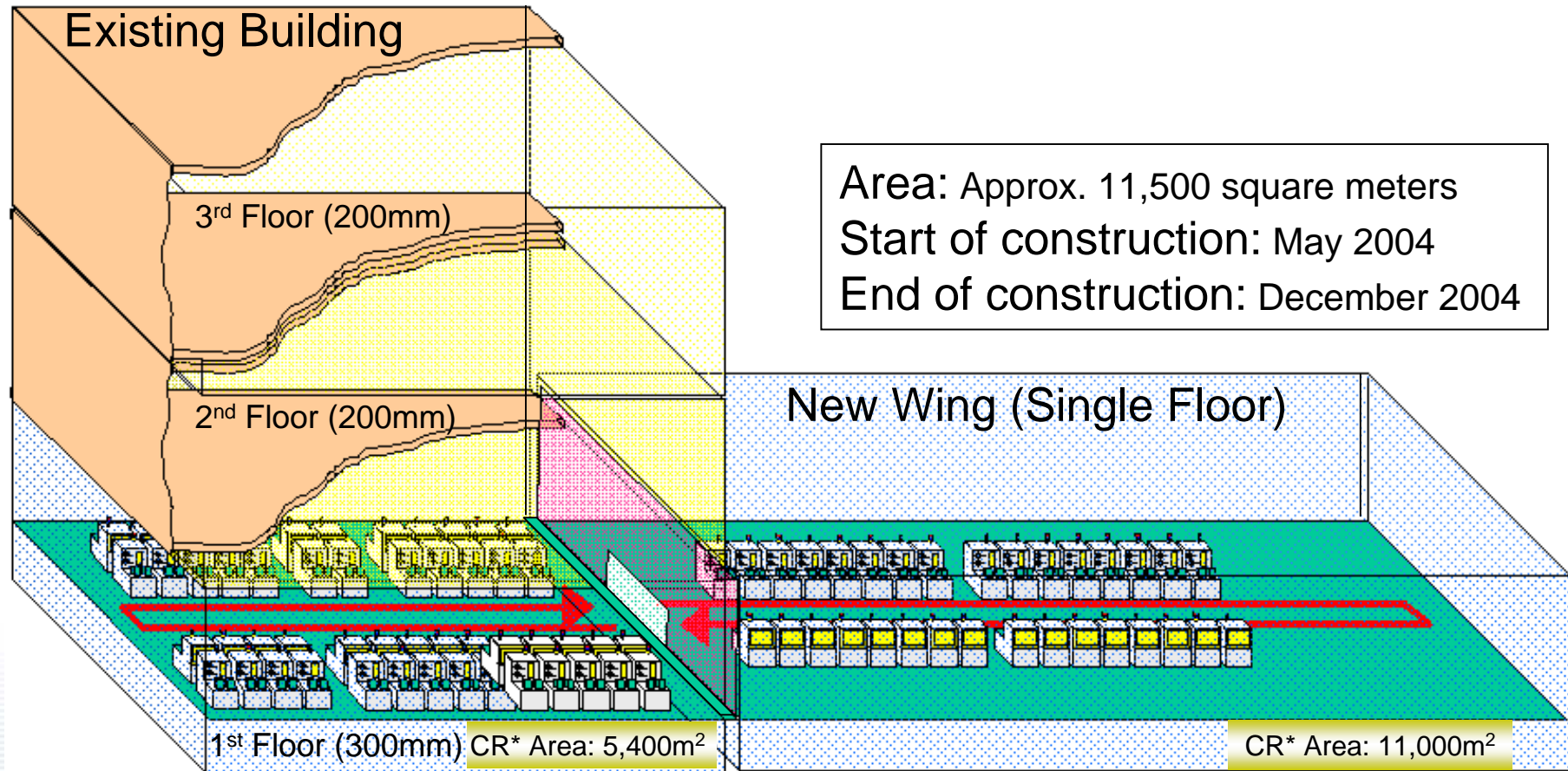
(1,000 wafers/month)
(200mm equivalent)

Establish 300mm line; commence volume production and shipments as early as the end of CY2004



Expanding 300mm Wafer Line at Yamagata

- Feature 1) Connected to existing building: heightens scalability and cost reduction benefits
- Feature 2) Single-floor layout: shortens production lead times



Will result in a line with a total processing capacity of 14,000 300mm-wafers per month (When equipment is fully installed) *CR: Clean Room

FY 3/05 Outlook

* Excluding gain due to transfer of the governmental welfare component

JPY Bn	FY3/04		FY3/05	
		YoY	Forecasts	YoY
Net Sales	711.9	-1.8%	770.0	+8.1%
Semiconductor Sales	671.6	+2.9%	755.0	+12%
Operating Income	*54.5	+81%	65.0	+19%
Operating Margin	7.7%		8.4%	
EBT	44.3	+194%	55.0	+24%
Net Income	28.0	+192%	33.0	+18%
Net Income Margin	3.9%		4.3%	
EPS	240.6 Yen		267.2 Yen	

Notes:

1. Operating Income = Net Sales – COGS – SG&A (incl. R&D)
2. FY3/05 forecasts are as of April 27, 2004
3. FY3/05 forecasts are calculated at the rate of US\$1=105 yen, 1 Euro=130 yen