

# FY10/3 Q3 Financial Results

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President and CEO

January 27, 2010

**NEC Electronics Corporation**

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

## I . FY10/3 Q3 Financial Results

- Sustained positive free cash flows
- Decrease in sales of SoC was covered by increased MCU sales
- Operating loss improved dramatically from Q2

## II . FY10/3 Forecasts

- Expect to see improvement in Q4 sales and profit from increase in production
- The full-year forecasts (announced on December 24, 2009, based on Japanese GAAP) remain unchanged

Note: NEC Electronics changed its accounting principles for its consolidated financial statements from U.S. GAAP to Japanese GAAP. Please note that this document is prepared under Japanese GAAP.

# I. FY10/3 Q3 Financial Results

## II. FY10/3 Forecasts

# Financial Snapshot

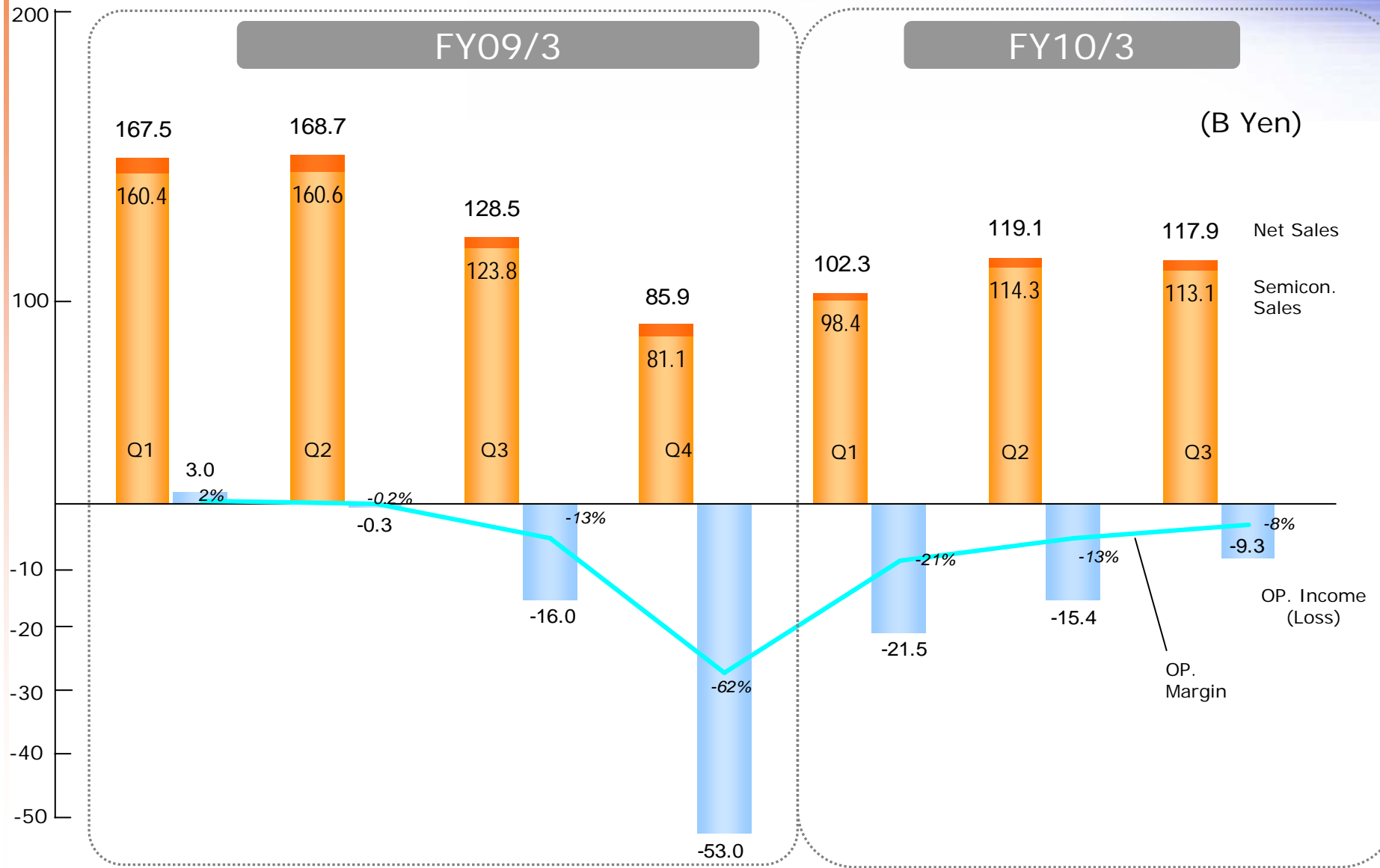
(B Yen)	FY10/3				
	Q3, 12/31			9 months cumulative	
	Actual	YoY	QoQ	Actual	YoY
<b>Net Sales</b>	117.9	-10.6	-1.2	339.2	-125.5
<b>Semiconductor Sales</b>	113.1	-10.7	-1.2	325.8	-119.0
<b>Operating Income (Loss)</b>	-9.3	+6.7	+6.1	-46.2	-32.9
<b>Ordinary Profit (Loss)</b>	-11.3	+7.5	+5.1	-49.1	-30.7
<b>Net Income (Loss)</b>	-14.3	+5.9	+3.8	-54.1	-33.0

## Exchange Rate

1US\$=	90 yen	11 yen strong	5 yen strong	95 yen	9 yen strong
1Euro=	133 yen	4 yen strong	2 yen strong	133 yen	21 yen strong

Note: This document is prepared under Japanese GAAP.

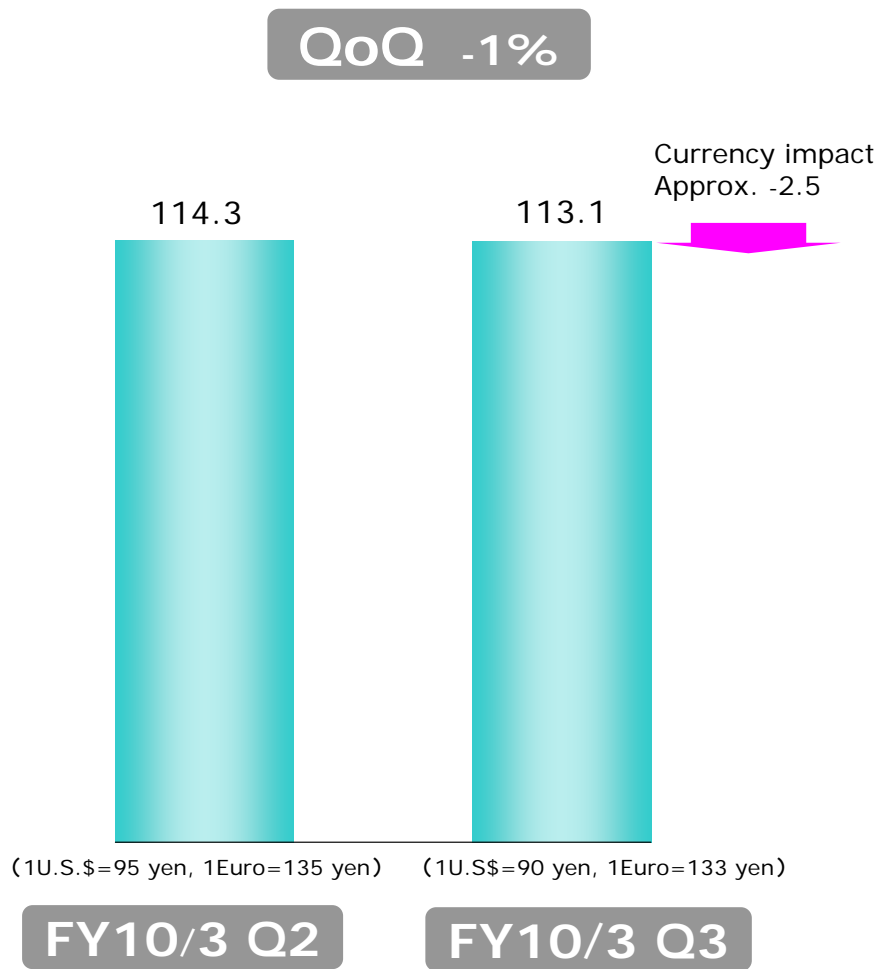
# Trends in Quarterly Results- Based on Japanese GAAP



Note: This document is prepared under Japanese GAAP.

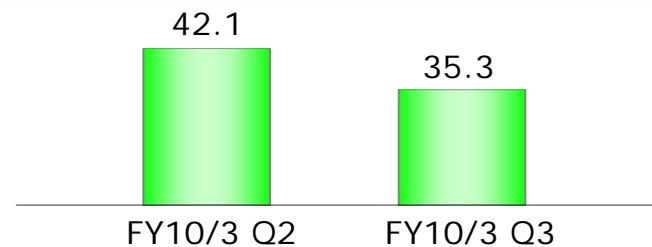
# Q3 Semiconductor Sales by Platform

(B Yen)



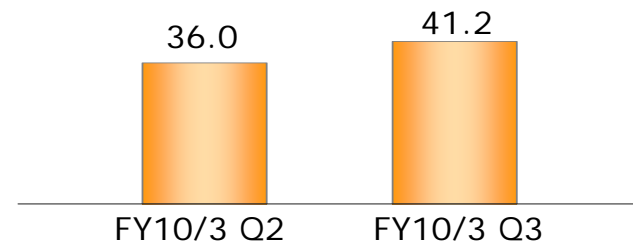
**SoC -16%**

Sales of LSIs for consumer electronics and communications decreased

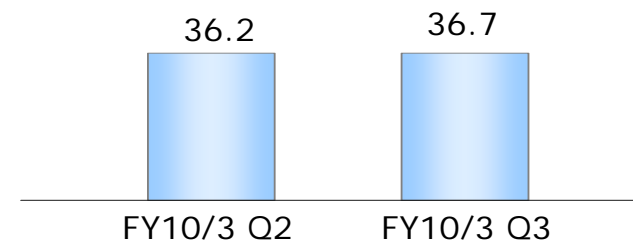


**MCU +14%**

Sales of automotive products and general-purpose ICs increased



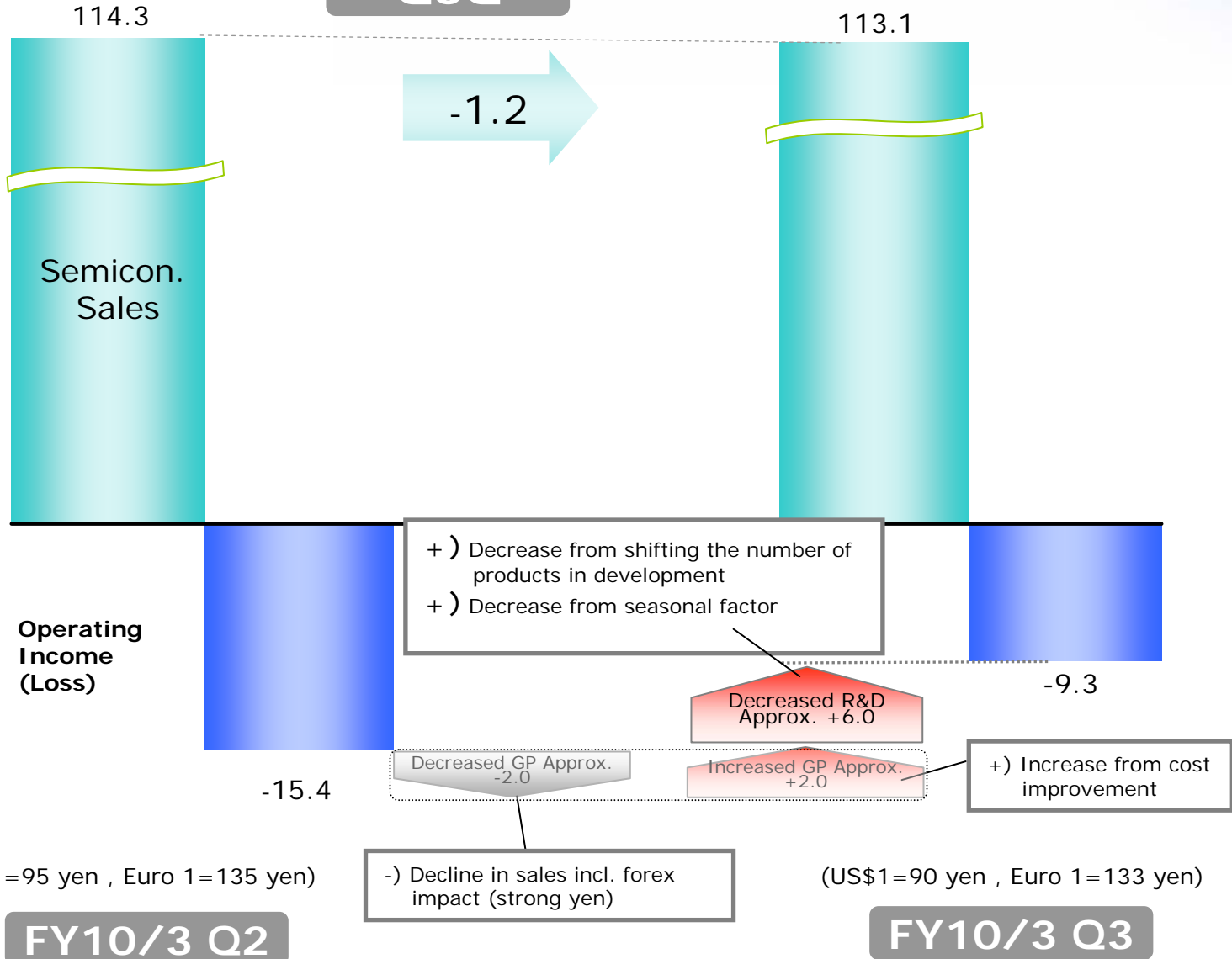
**Discrete & IC +1%**



# FY10/3 Q3 Factors in Operating Income (Loss)

(B Yen)

QoQ



(US\$1=95 yen , Euro 1=135 yen)

FY10/3 Q2

-) Decline in sales incl. forex impact (strong yen)

(US\$1=90 yen , Euro 1=133 yen)

FY10/3 Q3

# Balance Sheets

Note: This document is prepared under Japanese GAAP.

(B Yen)	As of Mar. 31, 2009	As of Sep. 30, 2009	As of Dec. 31, 2009
Cash and Cash Equivalents	101.3	89.5	95.6
Accounts Receivable	46.4	60.4	61.2
Inventories	63.2	54.5	57.1
PP&E	216.1	209.4	205.0
Other Assets	61.2	56.6	51.0
<b>Total Assets</b>	<b>488.2</b>	<b>470.4</b>	<b>469.9</b>
Accounts Payable	61.2	68.3	78.1
Interest-Bearing Debt	111.3	139.8	141.8
Other Liabilities	121.0	110.8	112.0
<b>Liabilities</b>	<b>293.5</b>	<b>318.9</b>	<b>331.9</b>
Shareholders' Equity	202.4	162.5	148.3
Valuation and Translation Adjustments	-12.2	-15.3	-14.2
Share Subscription Rights, Minority Interest	4.5	4.2	3.9
<b>Net Assets</b>	<b>194.7</b>	<b>151.5</b>	<b>138.0</b>
<b>Total Liabilities and Net Assets</b>	<b>488.2</b>	<b>470.4</b>	<b>469.9</b>

D/E Ratio (Gross)	0.59	0.95	1.06
Equity Ratio	39%	31%	29%

Note 1) Cash and Cash Equivalents: Cash and deposits, Short-term investment securities

Note 2) Inventories: Merchandise and finished goods, Work in process, Raw materials and supplies

Note 3) Interest-bearing debt: Short-term borrowings, Current portion of long-term borrowings, Current portion of lease obligations, Bonds with share subscription rights, Long-term borrowings

Note 4) Equity: Shareholders' equity, Valuation and Translation Adjustments Note 5) D/E ratio (gross): Interest-bearing debt / Equity



Continuously achieved positive free cash flows in Q3

(B Yen)	FY09/3		FY10/3		
	Q3	9 Months Cumulative	Q2	Q3	9 Months Cumulative
Cash Flows from Operating Activities	10.2	28.5	11.0	13.1	-0.8
Cash Flows from Investing Activities	-7.2	-30.6	-7.3	-8.2	-32.9
Free Cash Flows	3.0	-2.0	3.7	4.9	-33.6
Cash Flows from Financial Activities	-1.0	-2.9	7.4	1.1	28.1

Note: This document is prepared under Japanese GAAP.

# I . FY10/3 Q3 Financial Results

## II . FY10/3 Forecasts

# FY10/3 Financial Forecasts

The full-year forecasts remain unchanged.  
(Based on Japanese GAAP)

(B Yen)	FY09/3	FY10/3					
	Full Year	1H		2H		Full Year	
	Actual	Actual	Difference from US GAAP	Forecasts as of January 27, 2010	Difference from US GAAP	Forecasts as of December 24, 2009	Difference from US GAAP
Net Sales	550.7	221.3	+0.8	Approx. 241.0	Approx. +1.0	462.0	+2.0
Semiconductor Sales	525.9	212.7	+0.9	Approx. 233.0	Approx. +1.0	447.0	Approx. +1.0
Operating Income (Loss)	-66.4	-36.9	-0.5	Approx. -10.5	Approx. -0.5	-47.5	-1.0
Ordinary Income (Loss)	-76.2	-37.8	-	Approx. -13.5	-	-51.5	-
Net Income (Loss)	-85.1	-39.8	-1.7	Approx. -19.0	Approx. -2.0	-59.0	-4.0

## Exchange Rate

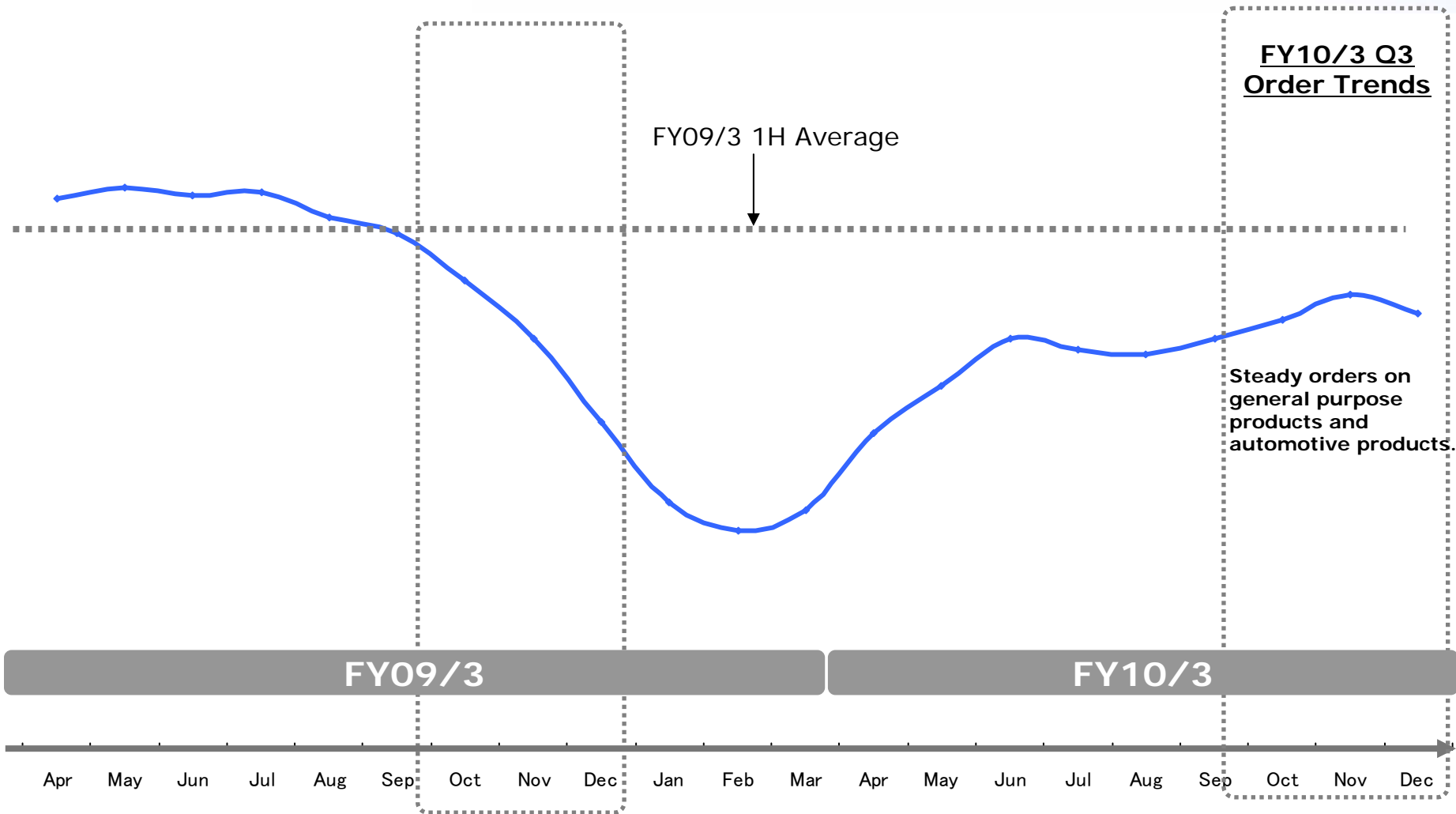
1US\$=	101 yen	97 yen	-	90 yen	-	90 yen	-
1Euro=	146 yen	132 yen	-	130 yen	-	130 yen	-

Note 1) Forecasts as of December 24, 2009

Note 2) This document is prepared under Japanese GAAP.

# Trends in Amount of Orders

Amount of Orders (3-month moving average)

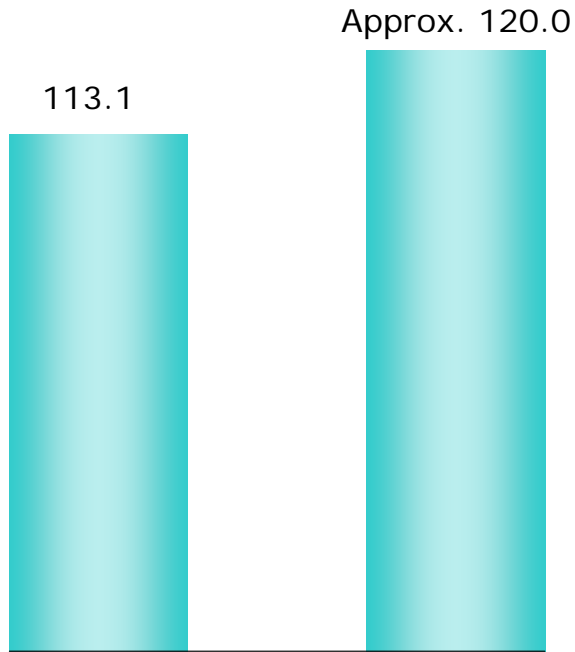


(The company's internal sales exchange rates are used to calculate amount of orders for corresponding month)

# FY10/3 Q4 Semiconductor Sales Forecast

(B Yen)

**QoQ  
Approx. +5%**



(US\$1=90 yen , Euro 1=133 yen )

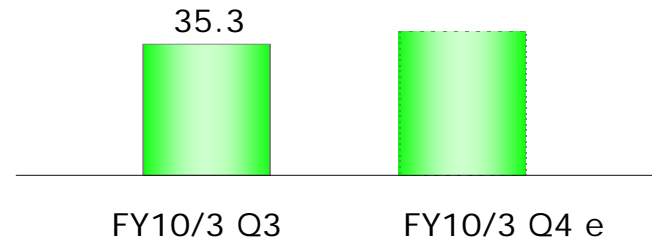
(US\$1=90 yen , Euro 1=130 yen )

**FY10/3 Q3**

**FY10/3 Q4 e**

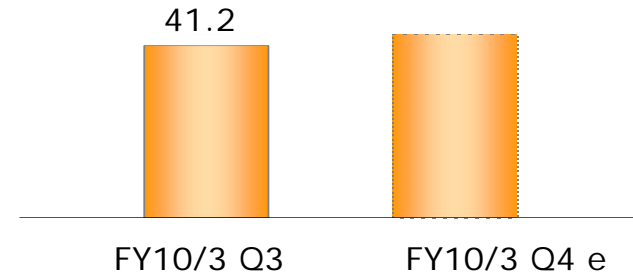
**SoC Approx. +5%**

- Increase in sales of consumer electronic products



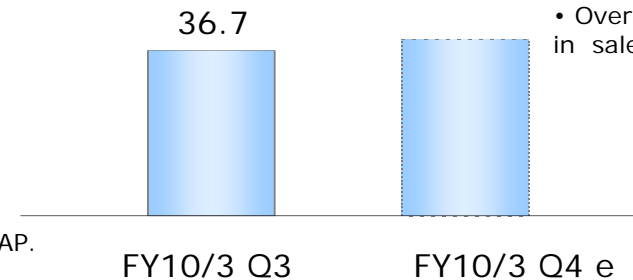
**MCU Approx. +5%**

- Steady sales of automotive products and multi-purpose MCUs



**Discrete & IC Approx. +5%**

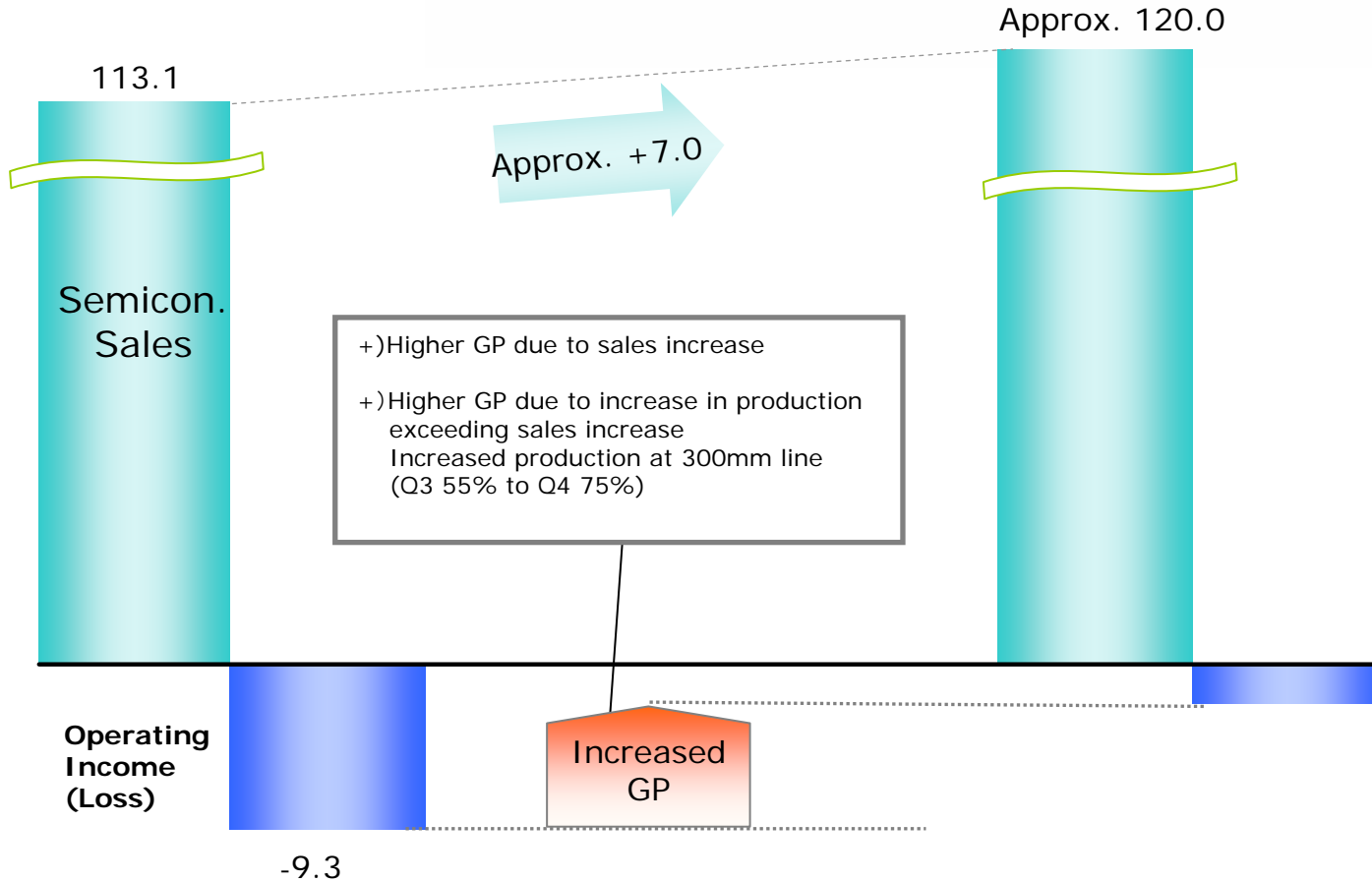
- Overall increase in sales



# Factors Affecting FY10/3 Q4 Operating Income (Loss)

(B Yen)

QoQ



(US\$1=90 yen , Euro 1=133 yen )

FY10/3 Q3

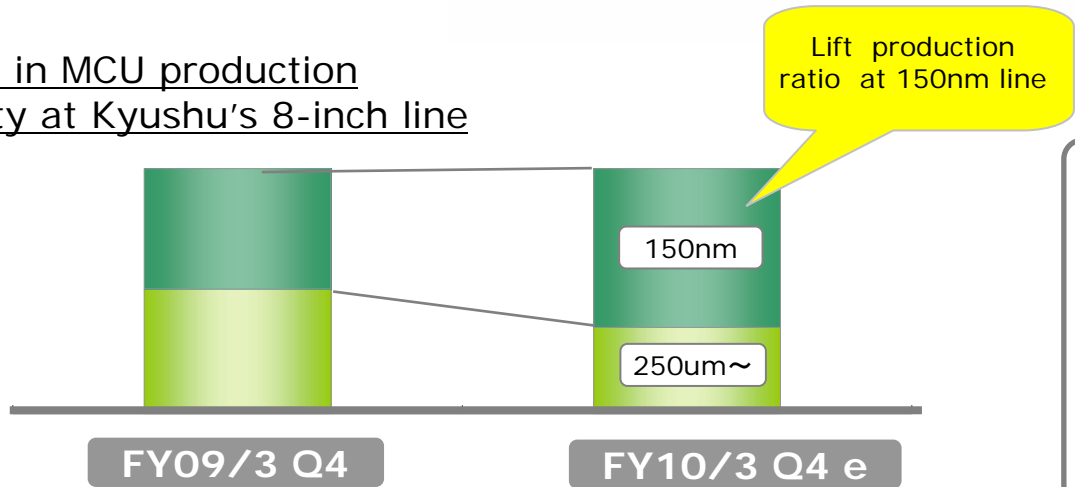
(US\$1=90 yen , Euro 1=130 yen )

FY10/3 Q4 e

- Expand Sales and Achieve Profit Improvement Through Increased Production
  - Expand sales with MCUs in great demand
  - Profit improvement through increased production at 300mm line by mass production of 40/55nm products
  
- Continue to Attain Positive Free Cash Flow in 2H
  - Aim massive production increase of strong MCU and increase of production capacity at back-end lines outside Japan. Yet still attain profitability by suppressing investment by improving OEE (Overall Equipment Efficiency) and reallocation of equipment
  
- Pursue Fixed-Cost Reduction
  - Continue to achieve fixed-cost reduction of 90B yen from FY09/3
  
- Accelerate Structural Reforms
  - Complete realignment plans of manufacturing lines

## Expand Sales Through Increased Production Capacity

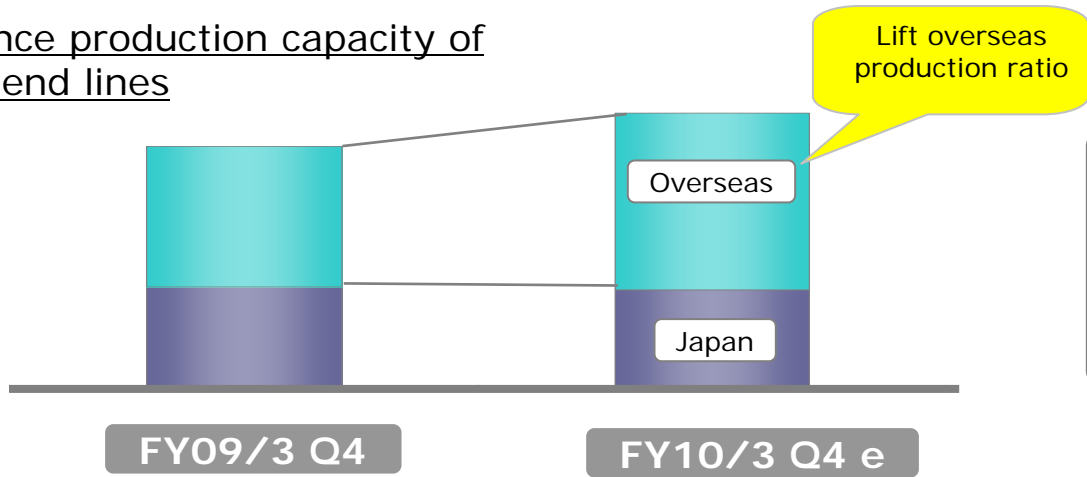
Trends in MCU production capacity at Kyushu's 8-inch line



Miniaturization at Kyushu's 8 -inch line

- Achieve miniaturization with minimum investment (productivity improvements, reuse equipment of former Yamagata's 8-inch line)
- Increase production at 150nm line with MCUs

Enhance production capacity of back-end lines



Increase production capacity at back-end lines

- Enhance production capacity focusing on overseas sites

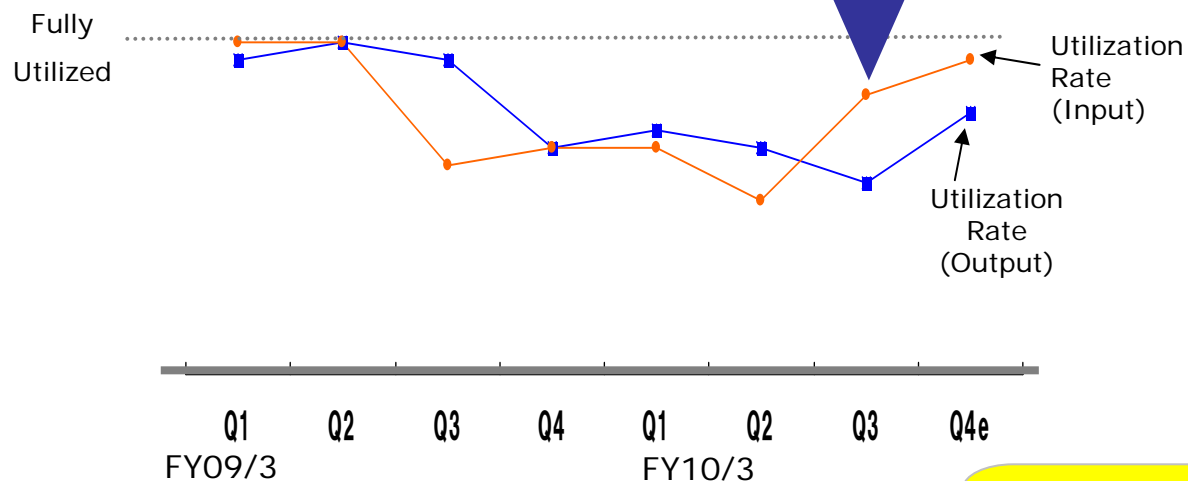


# Enhance Production for Sales Expansion and Profit Improvement

## Improve Fab Utilization Rate at 300mm line and Promote Miniaturization

Trends in fab utilization rates at Yamagata's 300mm line

40nm Products

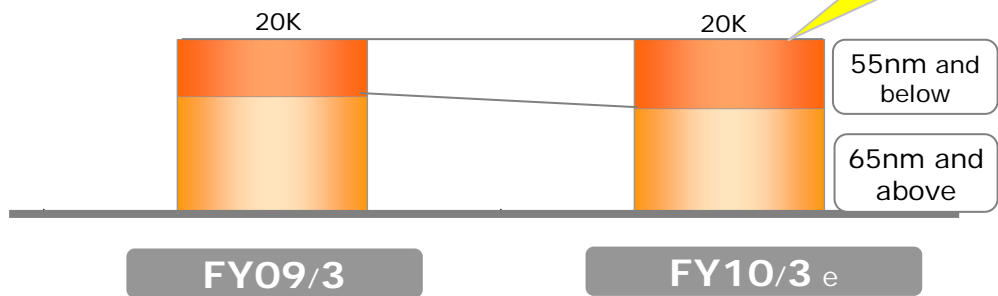


Improve fab utilization at Yamagata's 300mm line

- Recovery trend shown in utilization rate due to 40nm and 55nm products
- Expect full-capacity operation at a wafer input base
- Raise utilization rate at 55nm and below

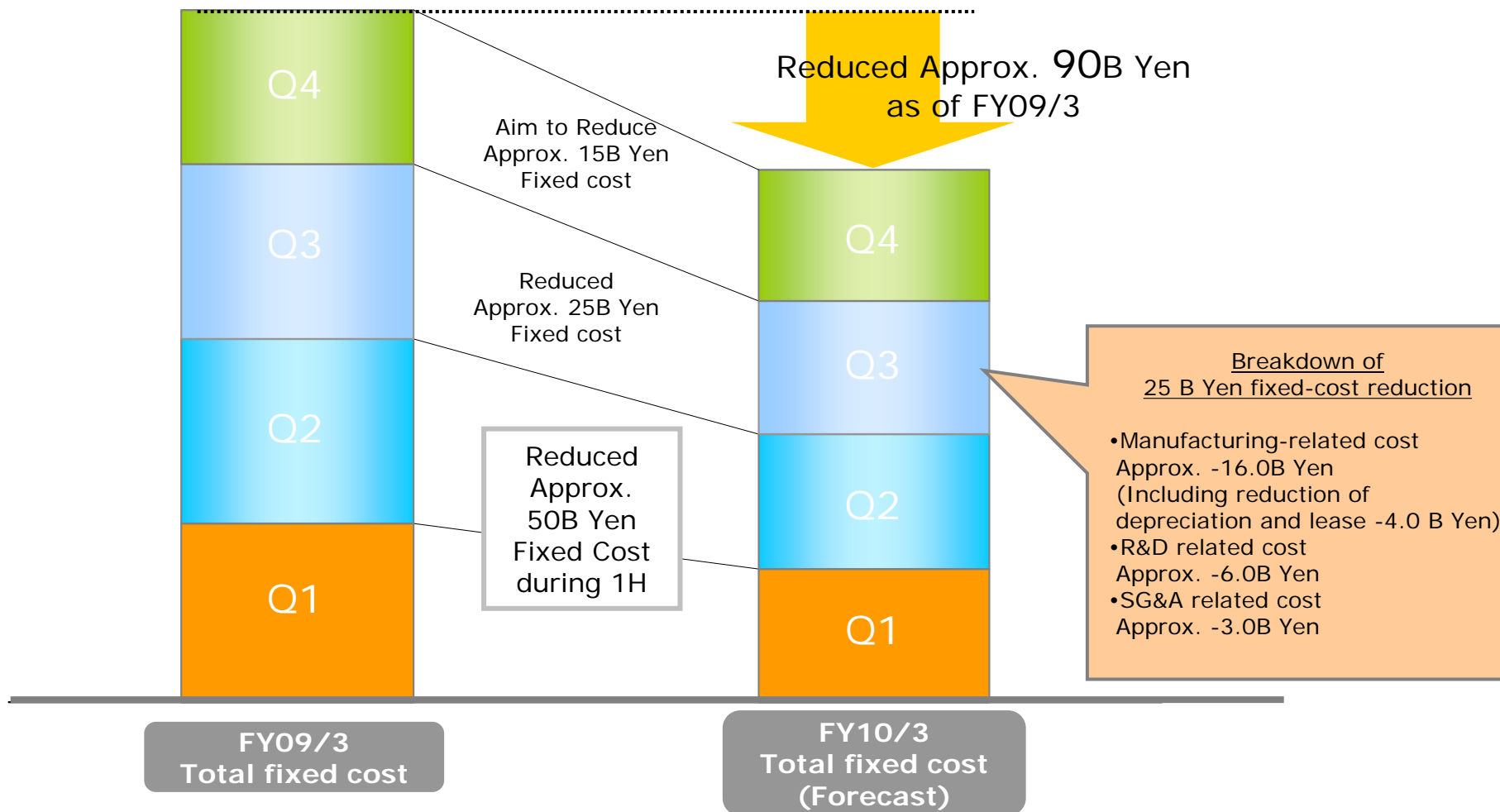
Trends in production capacity at Yamagata's 300mm line

Raise production of 40 and 55nm



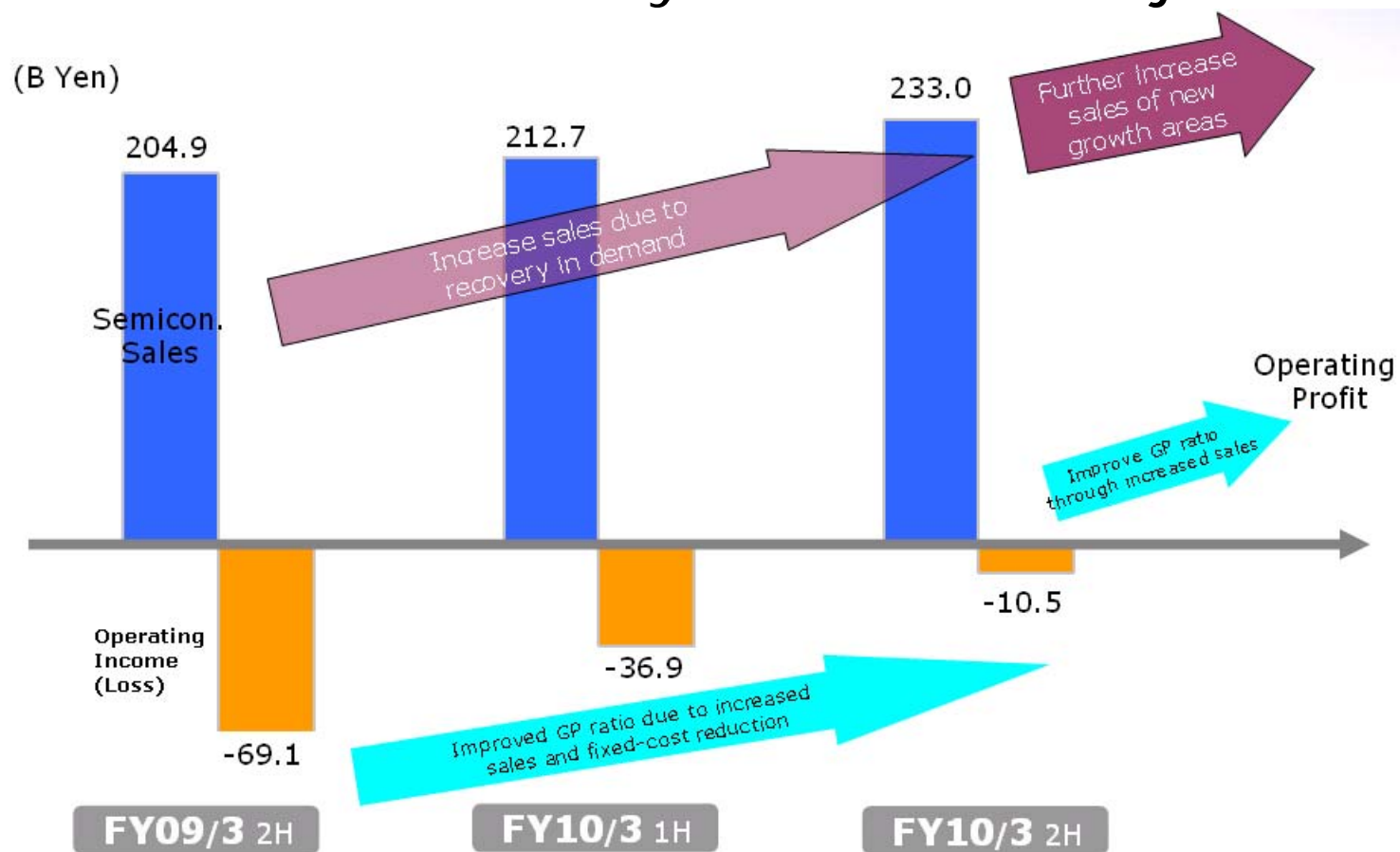
# Progress on 90 B Yen Fixed Cost Reduction

Reduced Fixed Costs by Approx. 25 B Yen in FY10/3 Q3, YoY



# Summary

- Promote sales expansion through production enhancement and earnings recovery by fixed-cost reduction to meet full-year financial objectives



# NEC

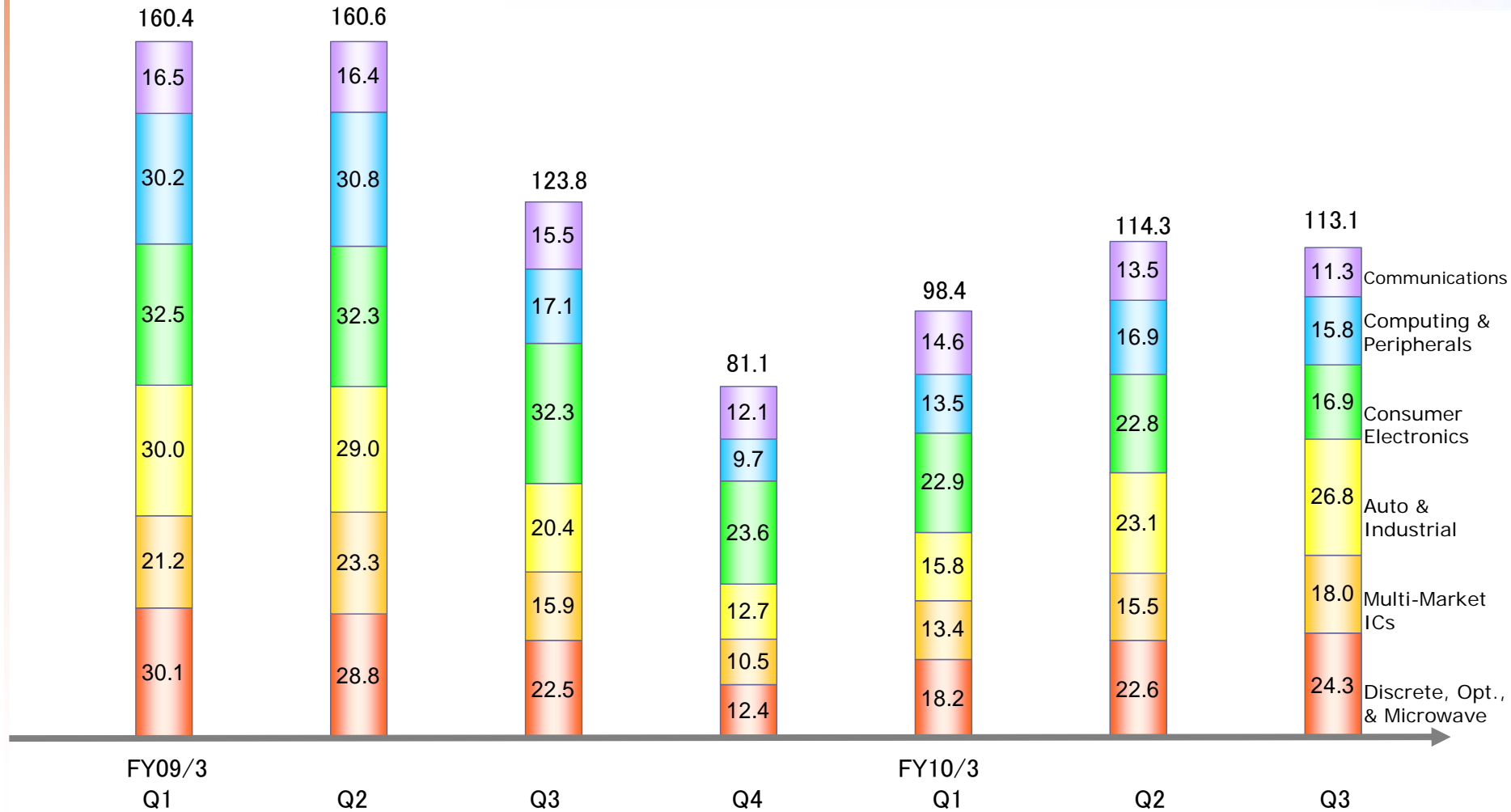
## NEC Electronics Corporation

### 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: Semiconductor Sales by Application

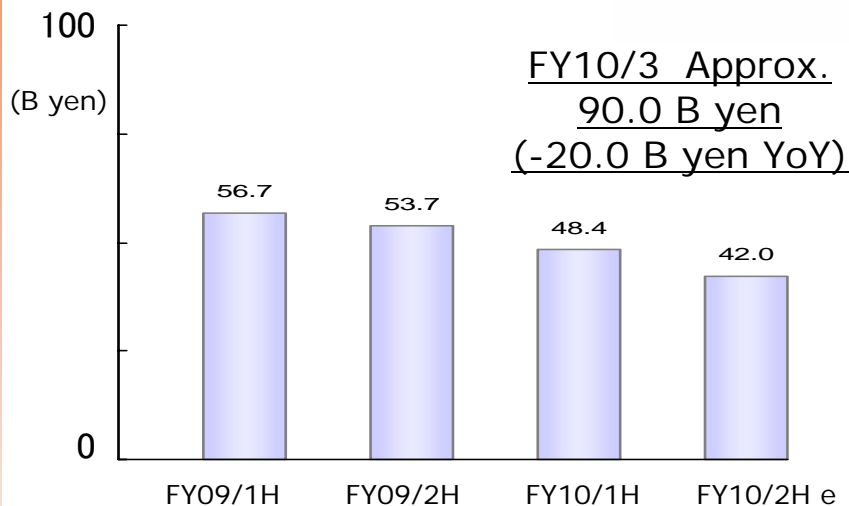
(B Yen)



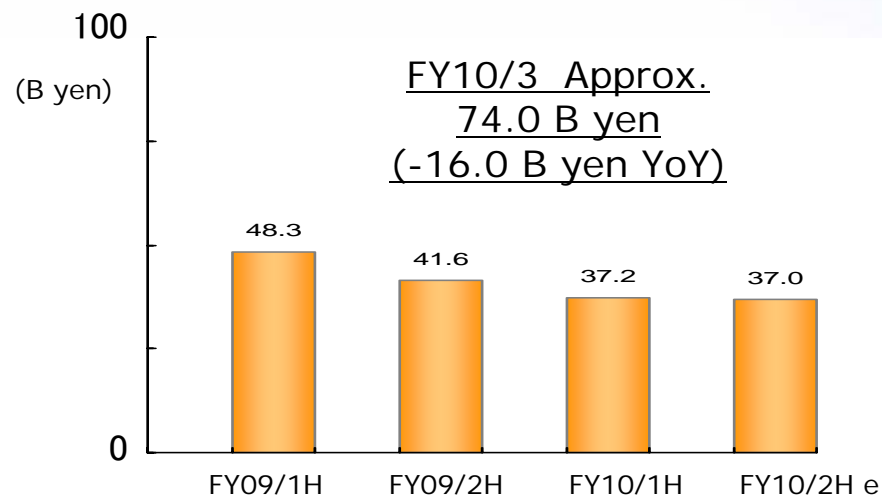
Note: This document is prepared under Japanese GAAP.

# Major Operating Expenses and CAPEX

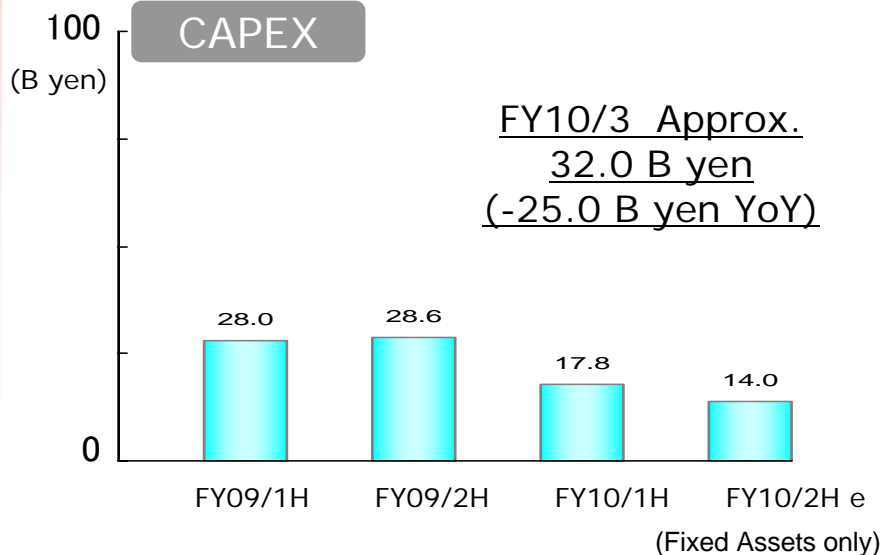
## R&D Expenses



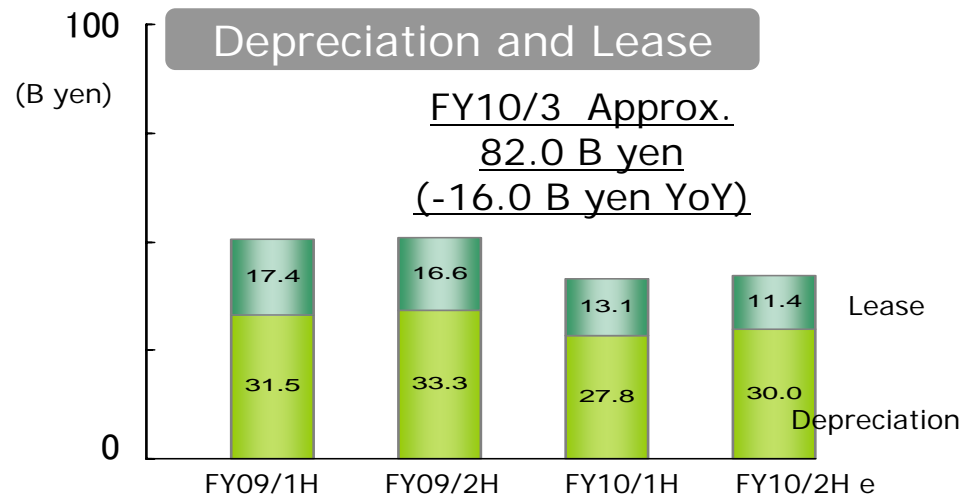
## SG&A Expenses (excluding R&D Expenses)



## CAPEX



## Depreciation and Lease



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