FY08/3 Q3 Financial Results and Outlook

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Senior Vice President and CFO

January 28, 2008

NEC Electronics Corporation

I. FY08/3 Q3 Financial Results
   ✓ Attained operating profit following Q2 results, mainly by diligent fixed cost reduction.

II. FY08/3 Full-Year Forecasts
   ✓ Expect to see weaker demand in Q4, however, committed to secure operating profit for 2H and aim for further improvement in financial performance.
   ✓ The full-year forecasts remain unchanged.
I. Q3 FY08/3 Financial Results

II. FY08/3 Full-Year Forecasts
# Financial Snapshot

## FY08/3

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>Q3, 12/31</th>
<th>9M cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>YoY</td>
</tr>
<tr>
<td>Net Sales</td>
<td>170.8</td>
<td>-7.1</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>163.7</td>
<td>-7.4</td>
</tr>
<tr>
<td>Operating Income</td>
<td>3.0</td>
<td>+6.8</td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>1.6</td>
<td>+5.1</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-0.9</td>
<td>+4.8</td>
</tr>
</tbody>
</table>

### Free Cash Flows

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>YoY</td>
<td>QoQ</td>
<td>Actual</td>
<td>YoY</td>
</tr>
<tr>
<td>Free Cash Flows</td>
<td>-1.0</td>
<td>+6.6</td>
<td>-17.2</td>
<td>9.3</td>
<td>+3.4</td>
</tr>
</tbody>
</table>

### Exchange Rates

- **US$1 = 114 yen**
- **1 Euro = 163 yen**
- **US$ 4 yen stronger**
- **Euro 13 yen weaker**
- **US$ 5 yen stronger**
- **Euro 9 yen weaker**
- **US$ 6 yen stronger**
- **Euro 16 yen weaker**

### Note

NEC Electronics’ consolidated information is in accordance with U.S.GAAP. However, the figure for operating income 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)

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>185.6</td>
<td>191.2</td>
<td>179.1</td>
<td>181.2</td>
<td>165.3</td>
<td>165.9</td>
<td>160.7</td>
<td>158.7</td>
<td>146.1</td>
<td>160.0</td>
<td>162.7</td>
<td>170.3</td>
</tr>
<tr>
<td>Semicon Sales</td>
<td>171.1</td>
<td>169.7</td>
<td>165.0</td>
<td>162.0</td>
<td>158.1</td>
<td>160.1</td>
<td>156.8</td>
<td>158.0</td>
<td>140.3</td>
<td>158.7</td>
<td>160.7</td>
<td>160.8</td>
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<tr>
<td>Op. Margin</td>
<td>8.2%</td>
<td>8.1%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>9.8%</td>
<td>6.7%</td>
<td>1.4%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Op. Income (Loss)</td>
<td>15.2</td>
<td>15.5</td>
<td>0.7</td>
<td>0.8</td>
<td>16.5</td>
<td>16.5</td>
<td>16.5</td>
<td>16.5</td>
<td>-9.7</td>
<td>-9.7</td>
<td>-3.5</td>
<td>-3.5</td>
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<td>Expensed Tech. Assets</td>
<td>-5.8</td>
<td>-5.8</td>
<td>-1.2</td>
<td>-0.7</td>
<td>-3.8</td>
<td>-3.8</td>
<td>-2.2</td>
<td>-2.2</td>
<td>17.8</td>
<td>17.8</td>
<td>-10.4</td>
<td>-10.4</td>
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<tr>
<td>Structural Reform Costs</td>
<td>4.1</td>
<td>4.1</td>
<td>1.3%</td>
<td>1.8%</td>
<td>4.1</td>
<td>4.1</td>
<td>3.0</td>
<td>3.0</td>
<td>4.1</td>
<td>4.1</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

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

FY05/3 FY06/3 FY07/3 FY08/3
SoC
+) EMMA™ products for digital AV, LSIs for DVD drives (blue laser)
-) LSIs for digital cameras, and digital baseband LSIs for mobile handsets

MCU
+) Growth in automotive and multi-purpose MCUs
   (Increased sales of All Flash™ MCUs)

Discrete and IC
+) Power transistors, optical semiconductors
-) Small LCD driver ICs

+- Factors
-4%
-10%
+6%
-5%

Semiconductor Sales by Platform (YoY)
FY07/3 Q3
FY08/3 Q3
SoC
70.4
63.7
-10%
-4%
MCU
42.5
44.9
+6%
Discrete and IC
58.2
55.2
-5%
FY07/3 Q3
FY08/3 Q3
Display Drivers
Approx. 22.0
Approx. 19.0
(B Yen)
SoC
+) EMMA™ products for digital AV, LSIs for game consoles
-) LSIs for digital cameras, digital baseband LSIs for mobile handsets

MCU
+) Growth in automotive MCUs
-) Inventory adjustments in some multi-purpose MCUs

Discrete and IC
+) Moderate growth in small LCD driver ICs
-) Large LCD driver ICs
Semiconductor Sales by Application

FY07/3 Q3 | FY08/3 Q3 | FY08/3 Q2 | FY08/3 Q3
---|---|---|---
Communications | 171.1 | 163.7 | 169.1 | 163.7
Decline in small LCD driver ICs: -34%
Decline in LSIs for mobile phones: -8%
Decline in LSIs for digital cameras: -3%
Increase in Automotive: +4%
Increase in multi-purpose MCUs: -12%
Increase in power ICs: +3%
Decline in compound semiconductors for high-frequency devices: -2%
Computing & Peripherals | 23.6 | 30.1 | 32.6 | 15.6
Decline in LSIs for printers: -5%
Decline in large LCD driver ICs: -7%
Increase in EMMA™ products: +2%
Increase in Automotive: +4%
Increase in multi-purpose MCUs: -12%
Increase in power ICs: +3%
Decline in compound semiconductors for high-frequency devices: -2%
Consumer Electronics | 31.8 | 35.3 | 34.5 | 35.3
Increase in multi-purpose MCUs: -12%
Increase in EMMA™ products: +2%
Auto & Industrial | 26.5 | 29.0 | 27.7 | 29.0
Increase in Automotive: +4%
Increase in multi-purpose MCUs: -12%
Multi-market ICs | 36.5 | 21.9 | 24.9 | 31.9
Increase in multi-purpose MCUs: -12%
Increase in power ICs: +3%
Discrete, Opt., & Microwave | 30.9 | 31.9 | 32.4 | 31.9
Increase in power ICs: +3%
Discrete, Opt., & Microwave: -2%
Discrete, Opt., & Microwave: -2%

YoY | QoQ
---|---

Factors in Operating Profits/Losses

(B Yen)

**YoY**

Semiconductor Sales
171.1
-7.4

- Decreased sales
+ Reduced fixed costs incl. depreciation
(Exchange impact US$1 = 118 yen to 114 yen)
lower utilization rates (92% to 89%)

Operating Loss
-3.8

+ Increased GP +3.9
+ Decreased R&D +3.7

Operating Profit
3.0

+ Cut technical outsourcing costs
+ Collected R&D expenses

**QoQ**

Semiconductor Sales
169.1
-5.4

+ Decreased manufacturing related fixed costs
+ Better yields for some products
- Decreased sales
(Exchange impact US$1 = 120 yen to 114 yen)
lower utilization rates (92% to 89%)

Operating Loss
4.1

- Lower GP -0.2

Operating Profit
3.0

- Increased R&D, SG&A -0.9
Factors in Operating Profits/Losses
(9 Months Cumulative Base)

(B Yen)

Semiconductor Sales
498.9
-1.1
497.8

Operating Loss
-10.8
Increased GP
+6.7
+
+ Reduced depreciation from efficient investments
+ Cut manufacturing related fixed costs
+ Reduced other fixed costs incl. personnel costs
- Decreased sales, lower utilization rates (92% to 89%)

Approx. 14.0 B yen in fixed costs reduction (9 months cumulative)

FY07/3 9M Cumulative
FY08/3 9M Cumulative

Operating Profit
4.9

YoY
## Balance Sheet

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>212.6</td>
<td>191.4</td>
<td>188.9</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>105.1</td>
<td>100.3</td>
<td>92.6</td>
</tr>
<tr>
<td>Inventories</td>
<td>85.5</td>
<td>80.2</td>
<td>81.1</td>
</tr>
<tr>
<td>PP&amp;E</td>
<td>309.2</td>
<td>282.5</td>
<td>273.8</td>
</tr>
<tr>
<td>Other Assets</td>
<td>39.3</td>
<td>33.6</td>
<td>31.3</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>751.7</strong></td>
<td><strong>687.9</strong></td>
<td><strong>667.6</strong></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>150.7</td>
<td>130.0</td>
<td>117.4</td>
</tr>
<tr>
<td>Debt Payable</td>
<td>144.7</td>
<td>132.9</td>
<td>132.0</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>157.0</td>
<td>158.7</td>
<td>154.3</td>
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<tr>
<td><strong>Liabilities</strong></td>
<td><strong>452.4</strong></td>
<td><strong>421.6</strong></td>
<td><strong>403.7</strong></td>
</tr>
<tr>
<td>Minority Shareholders’ Equity</td>
<td>4.6</td>
<td>5.3</td>
<td>5.1</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>294.8</td>
<td>261.1</td>
<td>258.8</td>
</tr>
<tr>
<td><strong>Liabilities and Shareholders’ Equity</strong></td>
<td><strong>751.7</strong></td>
<td><strong>687.9</strong></td>
<td><strong>667.6</strong></td>
</tr>
<tr>
<td>D/E Ratio (Gross)</td>
<td>0.49</td>
<td>0.51</td>
<td>0.51</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>39%</td>
<td>38%</td>
<td>39%</td>
</tr>
</tbody>
</table>

**References**

- Deferred Tax Assets
  - 12.5
  - 11.2
  - 10.8
- Deferred Tax Liabilities
  - 12.3
  - 13.7
  - 14.1
## Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>FY07/3</th>
<th>FY08/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>9M Cumulative</td>
</tr>
<tr>
<td>Cash Flows from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Activities</td>
<td>19.5</td>
<td>54.1</td>
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<tr>
<td>Cash Flows from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investing Activities</td>
<td>-27.1</td>
<td>-48.2</td>
</tr>
<tr>
<td>Free Cash Flows</td>
<td>-7.6</td>
<td>5.8</td>
</tr>
</tbody>
</table>
I. Q3 FY08/3 Financial Results

II. FY08/3 Full-Year Forecasts
The full-year forecasts remain unchanged, however, we are committed to securing operating profits in 2H as well, and aim for further improvements in financial performance.

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY07/3</th>
<th>FY08/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-Year</td>
<td>9M cumulative</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>Net Sales</td>
<td>692.3</td>
<td>521.8</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>659.7</td>
<td>497.8</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-28.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Income (Loss) Before Income Taxes</td>
<td>-35.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-41.5</td>
<td>-4.0</td>
</tr>
</tbody>
</table>

### Exchange Rates

- US$1 = 117 yen (2H: 115 yen, Q4: 115 yen)
- Euro1 = 149 yen (2H: 155 yen, Q4: 155 yen)

Note 1: Operating Income (Loss) = Net Sales – COGS – R&D – SG&A.
December orders partially saw a negative impact from the previous month, but in general, orders for products in some consumer electronics area and PC market were weak. Overall, **Q3 order levels on average were flat** quarter on quarter.
SoC
QoQ: Flat
Higher demand for LSIs for mobile handsets, while some LSIs for consumer electronics and PC and peripherals products may see seasonal adjustments

MCU
QoQ: Increase by lower single digit %
Healthy demand for Auto MCUs and steady recovery for multi-purpose MCUs

Discrete and IC
QoQ: Decrease by lower single digit %
Sales increase for small LCD driver ICs due to new products, while sales decline for large LCD drivers and adjustments in some discrete products are expected.
Progress in Cost Reduction Measures

- Carrying out measures to reduce fixed costs diligently
- Strive to cut fixed costs further to reduce more than 20B yen

**R&D Expenses**

-14.0B yen YoY

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.9</td>
<td>31.9</td>
<td>33.7</td>
<td>35.2</td>
</tr>
</tbody>
</table>

**CAPEX**

-46.0B yen YoY

(Delivery base, Fixed Assets only)

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>40.2</td>
<td>36.6</td>
<td>17.7</td>
<td>11.5</td>
</tr>
</tbody>
</table>

**SG&A Expenses**

-2.5B yen YoY

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.1</td>
<td>20.5</td>
<td>22.3</td>
<td>22.2</td>
</tr>
</tbody>
</table>

**Depreciation & Lease**

-6.0B yen YoY

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.9</td>
<td>8.3</td>
<td>8.4</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Depreciation and Lease are included in COGS, R&D and SG&A

Depreciation based on Cash Flows

Graphs:
Right Bars : FY08/3
Left Bars : FY07/3
## Non-Operating Income/Loss

**Book Structural Reform Costs mainly in Q4.**
**No changes in the full-year forecasts.**

<table>
<thead>
<tr>
<th></th>
<th>FY07/3 (B Yen)</th>
<th>FY08/3 (B Yen)</th>
<th>Full-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-Year</td>
<td>9M Cumulative</td>
<td>Q4</td>
</tr>
<tr>
<td>Actual</td>
<td>Actual</td>
<td>Forecasts</td>
<td>Previous Forecasts</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(as of Nov. 13, 2007)</td>
</tr>
<tr>
<td>Non-OP. Income (Loss)</td>
<td>-6.8</td>
<td>-1.4</td>
<td>-8.6</td>
</tr>
</tbody>
</table>
| 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 |
| Loss     | 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 Consolidation of manufacturing lines |
|          | Recording costs related to litigations |
|          | Other Costs related Structural Reforms |

**Note 1:** Operating Income (Loss) = Net Sales – COGS – R&D – SG&A.  
**Note 2:** Forecasts as of January 28, 2008.
Conclusions

- Attained operating profit for Q3, following the previous quarter results.

- The full-year forecasts remain unchanged due to expected downturn in Q4 market conditions, however committed to securing operating profits in 2H, and strive to improve financial performance.
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.