FY09/3 Financial Results

Toshio Nakajima
President and CEO

May 11, 2009

NEC Electronics Corporation
Executive Summary

I. FY09/3 Financial Results

• Semiconductor sales and operating loss in FY09/3 Q4 were worse than had been estimated on Jan. 29, 2009

• Accelerated structural reforms

II. FY10/3 Forecasts

• Lowered full-year forecasts by 12% year on year

• Advance structural reforms, centering on 90 billion yen fixed cost reduction (additional 30 billion yen as of Jan 29), to attain operating profit
I. FY09/3 Financial Results

Summary

Q4  Full Year

II. FY10/3 Forecasts
# Financial Snapshot

<table>
<thead>
<tr>
<th></th>
<th>FY09/3</th>
<th></th>
<th></th>
<th>Full-Year</th>
<th></th>
<th></th>
<th>Difference between Original Forecasts</th>
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<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>YoY</td>
<td>QoQ</td>
<td>Actual</td>
<td>YoY</td>
<td>QoQ</td>
<td>(Announced Jan 29, 2009)</td>
</tr>
<tr>
<td>Net Sales</td>
<td>85.5</td>
<td>-80.4</td>
<td>-41.8</td>
<td>546.5</td>
<td>-141.3</td>
<td>-8.5</td>
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<tr>
<td>Semiconductor Sales</td>
<td>80.7</td>
<td>-74.7</td>
<td>-42.0</td>
<td>521.7</td>
<td>-131.5</td>
<td>-8.3</td>
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<tr>
<td>Operating Income (Loss)</td>
<td>-53.3</td>
<td>-53.6</td>
<td>-37.1</td>
<td>-68.4</td>
<td>-73.4</td>
<td>-13.4</td>
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<tr>
<td>Income (Loss) Before Income Taxes</td>
<td>-69.2</td>
<td>-62.5</td>
<td>-49.1</td>
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<td>-86.1</td>
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<td>Net Income (Loss)</td>
<td>-60.8</td>
<td>-48.8</td>
<td>-40.9</td>
<td>-82.6</td>
<td>-66.6</td>
<td>-17.6</td>
<td></td>
</tr>
</tbody>
</table>

### Exchange Rates

- US$1 = 91 yen
- EUR 1 = 120 yen
- US$18 yen strong
- EUR 40 yen strong
- US$ 10 yen strong
- EUR 17 yen strong
- US$1 = 101 yen
- EUR 1 = 146 yen
- US$ 15 yen strong
- EUR 15 yen strong

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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.
Note: Operating Income (Loss) = Net Sales – COGS – R&D – SG&A
I. FY09/3 Financial Results

Summary <Q4> Full Year

II. FY10/3 Forecasts
Q4 Semiconductor Sales by Platform (B yen)

(QoQ -34%)

- SoC: -30%
  - FY09/3 Q3: 55.7
  - FY09/3 Q4: 39.0

- MCU: -33%
  - FY09/3 Q3: 31.3
  - FY09/3 Q4: 20.8

- Discrete & IC: -42%
  - FY09/3 Q3: 35.7
  - FY09/3 Q4: 20.8

Forex impact from strong yen Approx. -5.5B

(U$1=101 yen, Euro 1=137 yen)
(U$1=91 yen, Euro 1=120 yen)

FY09/3 Q3 FY09/3 Q4
Factors in Operating Income (Loss)

(B yen)

**Semicon. Sales**

122.7

Operating Income (Loss)

-16.2

-42.0

Decreased SG&A + 2.1B

Decreased GP - 39.0B

-53.3

-53.3

Cost from Accelerated Structural Reform

Note: GP = gross profit, SG&A = selling general & administrative expenses
## Non-Operating Income/Expense, Provision for Income Taxes

(B yen)

<table>
<thead>
<tr>
<th></th>
<th>FY08/3</th>
<th>FY09/3</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-Year</td>
<td>9M Cumulative</td>
<td>Q4</td>
<td>Full-Year</td>
</tr>
<tr>
<td>Non-OP. Income (Loss)</td>
<td>-8.3</td>
<td>-5.1</td>
<td>-15.9 (Worsened)</td>
<td>-21.0</td>
</tr>
<tr>
<td>Income</td>
<td></td>
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<td></td>
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<tr>
<td>Expense</td>
<td></td>
<td></td>
<td>Recording of the loss provision related to pending legal issues</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td>Costs related to consolidation of manufacturing lines</td>
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<tr>
<td>Income Taxes</td>
<td>12.3</td>
<td>1.7</td>
<td>-7.8 (Improved)</td>
<td>-6.1</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Reserved part of deferred tax liabilities due to change in tax law</td>
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</table>
I. FY09/3 Financial Results

Summary    Q4    <Full Year>

II. FY10/3 Forecasts
YoY -20%

Factors
- Overall decrease in sales
- Increase in market share of ASIC
- Increase in sales of EMMA products for digital AV

Factors
- Overall decrease in sales due to shrinkage of market

Factors
- Overall decrease in sales
FY09/3 Factors in Operating Income (Loss)

Semicon. Sales

653.3

-131.5

521.7

Operating Income (Loss)

5.1

Decreased

R&D

+1.9B

Decreased

SG&A

+6.1B

Decreased GP

-81.5B

Cost from Accelerated Structural Reform

-68.4

(US$1=116 yen, Euro 1=161 yen)

FY08/3

(US$1=101 yen, Euro 1=146 yen)

Note: GP = gross profit, R&D = research & development expenses, SG&A = selling general & administrative expenses
## Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>08/3</th>
<th>08/12</th>
<th>09/3</th>
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<tbody>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td>165.5</td>
<td>156.5</td>
<td>101.3</td>
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<tr>
<td><strong>Accounts Receivable</strong></td>
<td>96.4</td>
<td>68.1</td>
<td>52.5</td>
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<tr>
<td><strong>Inventories</strong></td>
<td>75.8</td>
<td>82.1</td>
<td>63.2</td>
</tr>
<tr>
<td><strong>PP&amp;E</strong></td>
<td>259.1</td>
<td>244.7</td>
<td>242.1</td>
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<tr>
<td><strong>Other Assets</strong></td>
<td>19.5</td>
<td>28.0</td>
<td>23.5</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>616.3</td>
<td>579.4</td>
<td>482.5</td>
</tr>
<tr>
<td><strong>Accounts Payable</strong></td>
<td>107.3</td>
<td>110.9</td>
<td>78.8</td>
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<tr>
<td><strong>Debt Payable</strong></td>
<td>116.6</td>
<td>117.0</td>
<td>116.9</td>
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<td><strong>Other Liabilities</strong></td>
<td>160.1</td>
<td>149.4</td>
<td>154.7</td>
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<tr>
<td><strong>Liabilities</strong></td>
<td>384.0</td>
<td>377.3</td>
<td>350.3</td>
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<td><strong>Minority Shareholders’ Equity</strong></td>
<td>5.2</td>
<td>5.2</td>
<td>4.1</td>
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<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td>227.1</td>
<td>196.9</td>
<td>128.1</td>
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<tr>
<td><strong>Liabilities and Shareholders’ Equity</strong></td>
<td>616.3</td>
<td>579.4</td>
<td>482.5</td>
</tr>
<tr>
<td><strong>D/E Ratio (Gross)</strong></td>
<td>0.51</td>
<td>0.59</td>
<td>0.91</td>
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<tr>
<td><strong>Equity Ratio</strong></td>
<td>37%</td>
<td>34%</td>
<td>27%</td>
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## Cash Flows

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<th>(B yen)</th>
<th>FY08/3</th>
<th>FY09/3</th>
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<tbody>
<tr>
<td></td>
<td>Q4</td>
<td>Full-year</td>
</tr>
<tr>
<td>Cash Flows from Operating Activities</td>
<td>0.5</td>
<td>-43.3</td>
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<tr>
<td>Cash Flows from Investing Activities</td>
<td>-4.3</td>
<td>-37.8</td>
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<tr>
<td>Free Cash Flows</td>
<td>-3.8</td>
<td>5.5</td>
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*Cost of equipment delivered before Q3*
I. FY09/3 Financial Results

II. FY10/3 Forecasts
## FY10/3 Financial Forecasts

**Aim to achieve operating profits for the full year**

### FY10/3

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>1H</th>
<th>2H</th>
<th>Full-Year</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Forecast</td>
<td>YoY</td>
<td>Forecast</td>
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<tr>
<td><strong>Net Sales</strong></td>
<td>215.0</td>
<td>-118.6</td>
<td>265.0</td>
</tr>
<tr>
<td><strong>Semiconductor Sales</strong></td>
<td>205.0</td>
<td>-113.4</td>
<td>255.0</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>-25.0</td>
<td>-26.2</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Income (Loss) Before Income Taxes</strong></td>
<td>-26.5</td>
<td>-26.5</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Net Income (Loss) Attributable to Shareholders</strong></td>
<td>-27.0</td>
<td>-25.1</td>
<td>18.0</td>
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</table>

**Exchange Rates**

<table>
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<tr>
<th>1US$=</th>
<th>95 yen</th>
<th>10 yen strong</th>
<th>95 yen</th>
<th>1 yen strong</th>
<th>95 yen</th>
<th>6 yen strong</th>
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<tbody>
<tr>
<td>1Eur=</td>
<td>125 yen</td>
<td>38 yen strong</td>
<td>125 yen</td>
<td>4 yen strong</td>
<td>125 yen</td>
<td>21 yen strong</td>
</tr>
</tbody>
</table>

**Note 1:** Operating Income (Loss) = Net Sales – COGS – R&D – SG&A.

**Note 2:** Forecasts as of May 11, 2009.

**Note 3:** Net loss attributable to shareholders is computed in the same method as for net income for the year ended March 31, 2009.
Trends in Amount of Orders

Amount of Orders (3-months moving average)

Bottomed in February, general purpose products in Asia and some digital AV related products showed recovery.
**FY10/3 Semiconductor Sales Forecast**

(B yen)

**YoY -12%**

**Factors**
- Sales of EMMA products for digital AV are expected to increase
- Increase in sales of multi-purpose MCUs particularly in Asia
- Automotive market expected to recover, helped by federal programs worldwide
- Overall decrease in sales

<table>
<thead>
<tr>
<th></th>
<th>FY09/3</th>
<th>FY10/3 e</th>
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</thead>
<tbody>
<tr>
<td>SoC</td>
<td>521.7</td>
<td>460.0</td>
</tr>
<tr>
<td>Forex impact</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-- Approx. 15.0B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCU</td>
<td>222.5</td>
<td>141.8</td>
</tr>
<tr>
<td>Discrete &amp; IC</td>
<td>157.4</td>
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</table>

(US$1=101 yen, Euro 1=146 yen)

(US$1=95 yen, Euro 1=125 yen)
FY10/3 Fixed Cost Reduction Measures

Reduce Fixed Costs by Approx. 90B Yen in FY10/3
(An additional 30B yen additional reduction as of Jan 2009)

Achieved 100B yen fixed cost reduction from the doubled figure of fixed cost in the first half of FY09/3

Cost Reduction of Approx. 90B yen (YoY)
Measures to reduce fixed Costs by 90B Yen

- **Streamline Cost Efficiency through Structural Reform Measures**
  Approx. 80B yen

  - **Streamline equipment-related expenses (Approx. 22B yen)**
    including reduction of depreciation cost, lease, maintenance cost, and power usage

  - **Reduce manufacturing-related costs (Approx. 30B yen)**
    including impact from decline in personnel worldwide, cutback on overtime work, reduction of temporary workforce, and outsourcing cost

  - **Decrease R&D cost (Approx. 20B yen)**
    including reduction of outsourcing cost by minimizing the number of products in development

  - **Decrease other expenses (Approx. 8B yen)**

- **Emergency Measures for Cost Reduction**
  Approx. 10B yen

  - Decrease personnel costs (including remunerations)
  - Internal emergency cost reduction measures

- **Closure of manufacturing lines** (at the end of CY2008) 8-inch line in Yamagata and prototype line in Sagamihara

- **Streamline expenses in accordance with sales decline**
**FY10/3 Forecast for Operating Income (Loss)**

- **Semicon. Sales**: 521.7 B yen (YoY -61.7)
- **Operating Profit**: 460.0

**Note**: GP = gross profit, R&D = research & development expenses, SG&A = selling general & administrative expenses

**Increased GP**
- **Approx. +67B yen**
  - Improved GP due to fixed cost reduction
  - Reduced variable costs

**Decreased GP due to decline in sales**
- **Approx. -37B yen**

**Decreased SG&A**
- **Approx. +8B yen**

**Decreased R&D**
- **Approx. +20B yen**

**Forex impact from strong yen**
- **Approx. -15B**

**Note**: (US$1=101 yen, Euro 1=146 yen) (US$1=95 yen, Euro 1=125 yen)
Conclusion

Accelerate the Structural Reorganization to Improve Financial Structure

- Force through fixed cost reduction of approx. 90B yen
- Achieve operating profit

Work toward Business Integration with Renesas Technology, and Aim to Grow and Increase Profitability
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
FY09/3 Operating Expenses and CAPEX

**R&D Expenses**
FY09/3 110.4B yen (YoY 1.9B yen)
Recouped R&D costs of custom products

**SG&A**
FY09/3 78.6B yen (YoY -6.0B yen)

**CAPEX**
FY09/3 56.6B yen (YoY nearly flat)
(Delivery base)

**Depreciation & Lease**
FY09/3 101.4B yen (YoY -7.2B yen)
Depreciation and lease included in COGS, R&D, and SG&A.
Depreciation based on cash flow basis

**Fixed Assets only**

FY08/3
1Q 2Q 3Q 4Q
12.3 15.0 18.7 18.1 17.1
FY09/3
1Q 2Q 3Q 4Q
29.3 26.4 28.3 30.0 26.7 24.6 26.9

FY08/3
1Q 2Q 3Q 4Q
20.5 20.2 22.2 21.5 21.3 19.5 20.7
FY09/3
1Q 2Q 3Q 4Q
8.3 8.8 8.3 8.7 8.4 8.6 8.3 8.0

SOC ELECTRONICS
Q4 Semiconductor Sales by Application

**YoY-48%**

(B yen)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY08/3 Q4</th>
<th>FY09/3 Q3</th>
<th>FY09/3 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>17.0</td>
<td>15.4</td>
<td>12.7</td>
</tr>
<tr>
<td>-29%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computing &amp; Peripherals</td>
<td>27.1</td>
<td>31.9</td>
<td>20.3</td>
</tr>
<tr>
<td>-64%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>31.7</td>
<td>23.4</td>
<td>12.7</td>
</tr>
<tr>
<td>-26%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto &amp; Industrial</td>
<td>29.2</td>
<td>20.3</td>
<td>10.5</td>
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<tr>
<td>-57%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-Market ICs</td>
<td>30.1</td>
<td>22.3</td>
<td>12.3</td>
</tr>
<tr>
<td>-59%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discrete, Opt., &amp; Microwave</td>
<td>30.1</td>
<td>22.3</td>
<td>12.3</td>
</tr>
<tr>
<td>-59%</td>
<td></td>
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</table>

**QoQ-34%**

<table>
<thead>
<tr>
<th>Category</th>
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<th>FY09/3 Q4</th>
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<tbody>
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<td>Communications</td>
<td>17.0</td>
<td>12.7</td>
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<td>-43%</td>
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<tr>
<td>Computing &amp; Peripherals</td>
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<td>12.3</td>
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<tr>
<td>-45%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>31.7</td>
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<td>10.5</td>
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<td>-33%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto &amp; Industrial</td>
<td>29.2</td>
<td>23.4</td>
<td>12.3</td>
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<tr>
<td>-38%</td>
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<tr>
<td>Multi-Market ICs</td>
<td>30.1</td>
<td>12.7</td>
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<tr>
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<td>12.3</td>
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<tr>
<td>-45%</td>
<td></td>
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</tbody>
</table>
FY10/3 Operating Expenses and CAPEX Outlook

**R&D Expenses**

- **FY10/3 Approx. 90B yen**
  - (YoY -20B yen)

- **FY10/3 Approx. 70B yen**
  - (YoY -5B yen)

**SG&A**

- **FY10/3 Approx. 70B yen**
  - (YoY -5B yen)

**CAPEX**

- **FY10/3 Approx. 36B yen**
  - (YoY -20B yen)

**Depreciation & Lease**

- **FY10/3 Approx. 87B yen**
  - (YoY -14B yen)

Depreciation and lease included in COGS, R&D and SG&A.
Depreciation based on cash flow basis.
The company was able to minimize the sales decline to less than the average market performance and expanded its market share.

Semiconductor Market Growth
NECEL Sales Growth

*Indexed CY2006 as 1

<table>
<thead>
<tr>
<th>CY06</th>
<th>CY07</th>
<th>CY08</th>
</tr>
</thead>
<tbody>
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"2009 Semiconductor Forecast Worldwide: Forecast Database" 23 March 2009
Calculations performed by NEC Electronics on a yen basis.

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Eco-products to Drive Sales Growth

Channel management resources toward ‘eco-products’ that contribute to reduced CO$_2$ emissions

Major Product Groups

- Low power consumption devices
  - Eco MCUs
  - Embedded DRAM ASICs

**Devices contribute to energy-saving eco-products**

- MCUs for air conditioner,
- MCUs for automobiles with high fuel efficiency, system switches, motor drivers

Eco-products in core areas such as automotive, digital consumer, and multi-purpose MCUs