FY10/3 Q1 Financial Results

Junshi Yamaguchi
President and CEO

July 29, 2009
NEC Electronics Corporation
http://www.necel.com(ir/en/
Executive Summary

I. FY10/3 Q1 Financial Results

- Semiconductor sales were better than the company’s expectation on May 11, 2009
- Operating loss was in line with the company’s forecast

II. FY10/3 Forecasts

- FY10/3 forecasts will remain unchanged
- Aim to attain operating profit for full-year by ensuring steady implementation of the fixed cost reduction

III. Business Highlights

- Progress on focused businesses
- Advancement of green solution business
I. FY10/3 Q1 Financial Results

II. FY10/3 Forecasts

III. Business Highlights
## Financial Snapshot

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY09/3 (Q1, 6/30)</th>
<th>FY09/3 (Q4, 3/31)</th>
<th>FY10/3 (Q1, 6/30)</th>
<th>Actual</th>
<th>Actual</th>
<th>Actual</th>
<th>YoY</th>
<th>QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>166.3</td>
<td>85.5</td>
<td>102.0</td>
<td>-64.3</td>
<td>+16.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>159.2</td>
<td>80.7</td>
<td>98.0</td>
<td>-61.1</td>
<td>+17.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>1.7</td>
<td>-53.3</td>
<td>-20.9</td>
<td>-22.6</td>
<td>+32.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income (Loss) Before Income Taxes</td>
<td>0.3</td>
<td>-69.2</td>
<td>-20.8</td>
<td>-21.1</td>
<td>+48.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss) Attributable to NEC Electronics Corp.</td>
<td>-1.3</td>
<td>-60.8</td>
<td>-20.7</td>
<td>-19.4</td>
<td>+40.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Exchange Rates

<table>
<thead>
<tr>
<th>1US$=</th>
<th>103 yen</th>
<th>91 yen</th>
<th>98 yen</th>
<th>5 yen stronger</th>
<th>7 yen weaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Euro=</td>
<td>160 yen</td>
<td>120 yen</td>
<td>130 yen</td>
<td>30 yen stronger</td>
<td>10 yen weaker</td>
</tr>
</tbody>
</table>

**Note 1:** 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 2:** Net loss attributable to NEC Electronics Corp. is computed in the same method as for net income for the year ended March 31, 2009.
Trends in Quarterly Results

FY06/3

FY07/3

FY08/3

FY09/3

Note: Operating Income (Loss) = Net Sales – COGS – R&D – SG&A
Q1 Semiconductor Sales by Platform

(B Yen)

QoQ +21%

SoC +5%

- LSI for camera phones and EMMA products in good demand

MCU +34%

- Robust growth in sales of automotive products and multi-purpose ICs

Discrete & IC +40%

- Rapid increase in overall sales

<table>
<thead>
<tr>
<th></th>
<th>FY09/3 Q4</th>
<th>FY10/3 Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>SoC</td>
<td>39.0</td>
<td>40.8</td>
</tr>
<tr>
<td>MCU</td>
<td>20.8</td>
<td>28.0</td>
</tr>
<tr>
<td>Discrete &amp; IC</td>
<td>20.8</td>
<td>29.2</td>
</tr>
</tbody>
</table>

FY09/3 Q4 FY10/3 Q1

- LSI for camera phones and EMMA products in good demand
- Robust growth in sales of automotive products and multi-purpose ICs
- Rapid increase in overall sales

Currency impact Approx. +3.8

1 U.S.$=91 yen, 1 Euro=120 yen
1 U.S.$=98 yen, 1 Euro=130 yen

SoC

MCU

Discrete & IC

80.7

98.0

NEC ELECTRONICS
FY10/3 Q1 Factors in Operating Income (Loss)

(B Yen)

Increased sales (including forex impact),
Higher GP due to increased sales
(Utilization rates from 43% to 51%)

+Cost reduction effect including fixed production expense, personnel cost, and other fixed costs

+Cost related to accelerated structural reform

Semicon. Sales

Operating Income (Loss)

Cost from Accelerated Structural Reform

Increased GP +26.7

FY09/3 Q4

FY10/3 Q1

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

(US$1=91 yen, Euro 1=120 yen)

(US$1=98 yen, Euro 1=130 yen)
## Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>08/6</th>
<th>09/3</th>
<th>09/6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td>159.0</td>
<td>101.3</td>
<td>79.5</td>
</tr>
<tr>
<td><strong>Accounts Receivable</strong></td>
<td>99.5</td>
<td>52.5</td>
<td>66.0</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>79.5</td>
<td>63.2</td>
<td>58.4</td>
</tr>
<tr>
<td><strong>PP&amp;E</strong></td>
<td>253.9</td>
<td>242.1</td>
<td>241.7</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>29.3</td>
<td>23.5</td>
<td>26.2</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>621.2</td>
<td>482.5</td>
<td>471.8</td>
</tr>
<tr>
<td><strong>Accounts Payable</strong></td>
<td>106.0</td>
<td>78.8</td>
<td>72.0</td>
</tr>
<tr>
<td><strong>Debt Payable</strong></td>
<td>117.3</td>
<td>116.9</td>
<td>136.0</td>
</tr>
<tr>
<td><strong>Other Liabilities</strong></td>
<td>162.9</td>
<td>154.7</td>
<td>151.4</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>386.3</td>
<td>350.3</td>
<td>359.4</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td>230.1</td>
<td>128.1</td>
<td>108.3</td>
</tr>
<tr>
<td><strong>Noncontrolling interests</strong></td>
<td>4.8</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholders’ Equity</strong></td>
<td>621.2</td>
<td>482.5</td>
<td>471.8</td>
</tr>
<tr>
<td><strong>D/E Ratio (Gross)</strong></td>
<td>0.51</td>
<td>0.91</td>
<td>1.26</td>
</tr>
<tr>
<td><strong>Equity Ratio</strong></td>
<td>37%</td>
<td>27%</td>
<td>23%</td>
</tr>
</tbody>
</table>
# Cash Flows

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY09/3</th>
<th>FY10/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q4</td>
</tr>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td>4.2</td>
<td>-36.3</td>
</tr>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td>-10.9</td>
<td>-18.7</td>
</tr>
<tr>
<td><strong>Free Cash Flows</strong></td>
<td>-6.7</td>
<td>-55.0</td>
</tr>
<tr>
<td><strong>Cash Flows from Financial Activities</strong></td>
<td>-1.5</td>
<td>-0.6</td>
</tr>
</tbody>
</table>
I. FY10/3 Q1 Financial Results

II. FY10/3 Forecasts

III. Business Highlights
### FY10/3 Financial Forecasts

**FY10/3 forecast remain unchanged.**

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

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY10/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
</tr>
<tr>
<td></td>
<td>Forecast</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>215.0</td>
</tr>
<tr>
<td><strong>Semiconductor Sales</strong></td>
<td>205.0</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>-25.0</td>
</tr>
<tr>
<td><strong>Income (Loss) Before Income Taxes</strong></td>
<td>-26.5</td>
</tr>
<tr>
<td><strong>Net Income (Loss) Attributable to NEC</strong></td>
<td>-27.0</td>
</tr>
</tbody>
</table>

| **Exchange Rates**                            | 1 US$=                | 1 Euro=              |
|                                               | 95 yen | 10 yen stronger | 95 yen | 1 yen stronger | 95 yen | 6 yen stronger |
|                                               | 125 yen | 38 yen stronger | 125 yen | 4 yen stronger | 125 yen | 21 yen stronger |

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

Note 2: Net loss attributable to NEC Electronics Corp. is computed in the same method as for net income for the year ended March 31, 2009.

Increase in overall amount of orders, especially general purpose products and automotive products showed robust recovery.

Note: Amount of orders is computed based on the exchange rate of the ordered month.
FY10/3 Q2 Semiconductor Sales Forecast

(B Yen)

QoQ More than +9%
(Based on 1H sales forecast of 205B Yen)

**SoC Approx. +5%**
- Sales of digital AV devices including EMMA products in particular are expected to increase

<table>
<thead>
<tr>
<th></th>
<th>FY10/3 Q1</th>
<th>FY10/3 Q2 e</th>
</tr>
</thead>
<tbody>
<tr>
<td>SoC</td>
<td>40.8</td>
<td>107.0</td>
</tr>
</tbody>
</table>

**MCU Approx. +20%**
- Continuous growth in sales of automotive products and multi-purpose MCUs

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<tr>
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<tr>
<td>MCU</td>
<td>28.0</td>
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**Discrete & IC Approx. +15%**
- Overall increase in sales

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<td>Discrete</td>
<td>29.2</td>
<td>29.2</td>
</tr>
</tbody>
</table>
Expected to increase sales (including forex impact), GP also expected to be higher due to increase in production (Utilization rates from 51% to approx. 65%)

FY10/3 Q2 Operating Income (Loss) Forecast

(B Yen)

-20.9

Increased GP +17.0

More than 107.0

Note: GP=Gross profit
Progress on 90 Billion Yen Fixed Cost Reduction

Reduced Fixed Costs by Approx. 25 Billion Yen in FY10/3 Q1 YoY

FY09/3 Total fixed cost

FY10/3 Full-Year Total fixed cost

Note: R&D = research & development expenses, SG&A = selling general & administrative expenses
I. FY10/3 Q1 Financial Results

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III. Business Highlights
Progress on Focused Businesses

Increased Business Negotiation on Advanced Process Technology

- Business expansion with 40/55 nm generation products
  - Mass production of 40nm node products will begin in FY10/3 1H
  - Increased new orders with 40/55 nm node products

Expansion of EMMA Business

- Expansion of EMMA (Enhanced Multi-Media Architecture) businesses
  - Achieved cumulative shipments of over 100 million to 15 countries and 80 companies
  - Increased market share with Blu-ray DVD players and other related devices in CY08

- Expansion of EMMA Application
  - Launched EMMA product specifically for set-top boxes with digital broadcast receivers
  - Employed in PMP (Portable Media Player)/PND (Portable Navigation Device), currently mass-produced
Expansion of Core Businesses

Efforts Toward Green Business

- Development of platform technology for low power LSI
  - Development of process technology and device technology on cutting-edge process node to realize low-power LSI

- Provide robust solutions for EV (Electric Vehicle) / HEV (Hybrid Electric Vehicle)
  - Automotive market is on a recovery trend with expansion of hybrid cars
  - Offer strategic solutions with enriched MCU and PMD product lineup, for the growing EV/HEV market

NEC Electronics' Business Area for EV/HEV

Motor
- Microcontrollers
- Power devices
- Analog ICs
- Photocouplers

Battery
- Microcontrollers
- Power devices
- Analog ICs

Navigation system, Multi-Media (Displays)
- Microcontrollers
- ASIC, ASSP

Brake (Energy Regeneration)
- Microcontrollers
- Power devices

Engine Control
- Microcontrollers
- Power devices
Promotion of Green-Solution Products

New Concept “Green-Solution”

Green LSI
Creation of low-power, miniaturized eco-friendly LSI
<Platform> Development technology, Process, High-voltage, eDRAM

Toward Green System
Offer solution that realize innovative power efficiency to sets and systems
<Applied Technology> Inverters, Stand-by, Network

Toward Green Society
Provide semiconductor solution that contribute to advanced development of next-generation systems for the society
<Applied Area> Eco-cars, New energy etc.
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)

Communications
Computing & Peripherals
Consumer Electronics
Auto & Industrial
Multi-Market ICs
Discrete, Opt., & Microwave