

# FY10/3 Q1 Financial Results

**Junshi Yamaguchi**

President and CEO

July 29, 2009

**NEC Electronics Corporation**

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

Thank you for joining NEC Electronics' webcast.  
Before we begin, please be sure to review the cautionary  
statement on page 20.

## 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

Slide 2 provides an overview of the points we will discuss today.

First, sales for the first quarter ended June 30, 2009 slightly improved from the previous estimates and the operating loss was in line as expected.

Second, although the first quarter results were better than expected, we maintained the forecasts for the fiscal year ending March 2010 unchanged due to uncertain market condition. However, we will take on measures to steadily reduce fixed costs to achieve operating profit.

Lastly, we will discuss progress on the focused business areas.

## I. FY10/3 Q1 Financial Results

## II. FY10/3 Forecasts

## III. Business Highlights

Now let us move on to the main presentation.

# Financial Snapshot

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

## Exchange Rates

1US\$=	103 yen	91 yen	98 yen	5 yen stronger	7 yen weaker
1Euro=	160 yen	120 yen	130 yen	30 yen stronger	10 yen weaker

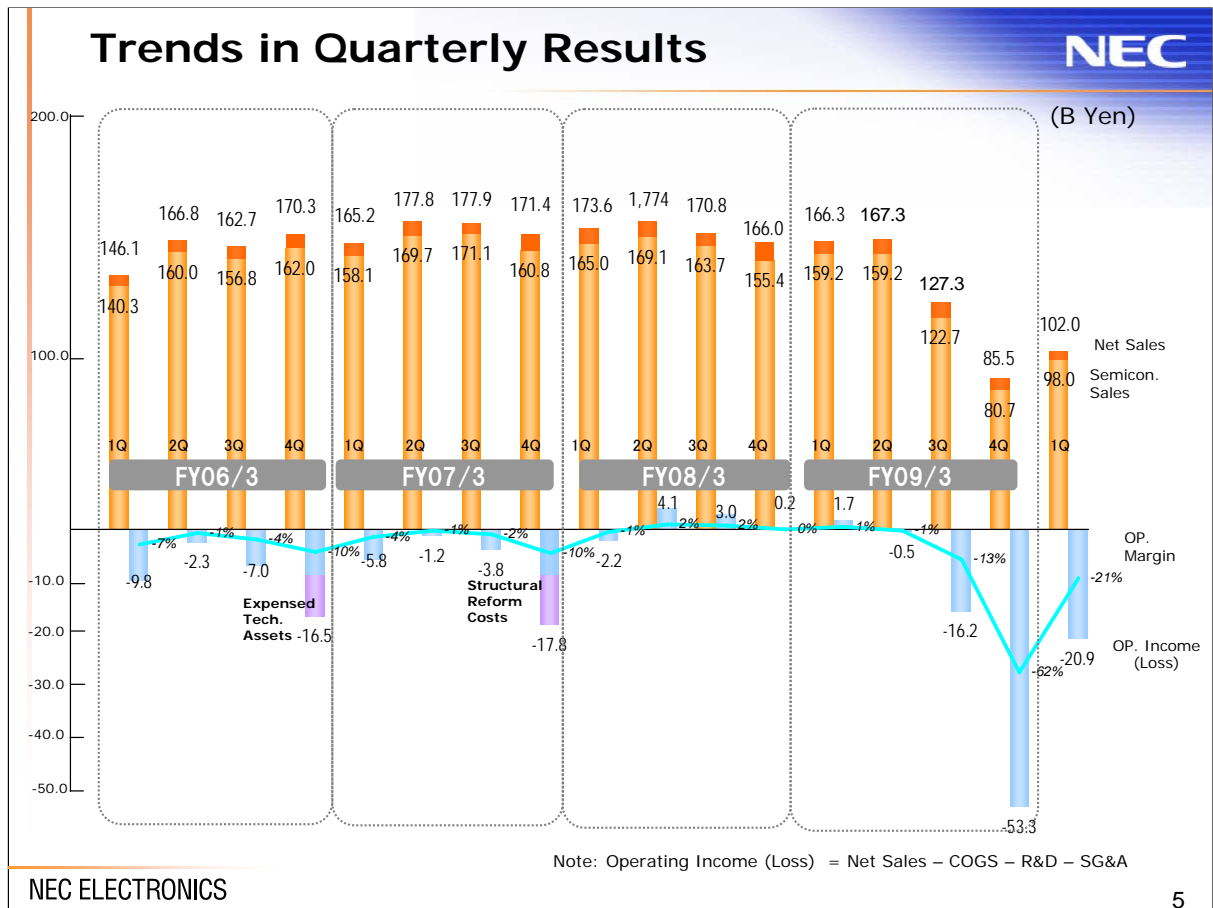
Note 1: NEC Electronics' consolidated information is in accordance with U.S.GAAP. However, the figure for operating income (loss) shown above represents net sales minus the cost of sales, research and development expenses, and selling, general, and administrative expenses.  
 Note 2: Net loss attributable to NEC Electronics Corp. is computed in the same method as for net income for the year ended March 31, 2009.

Slide 4 shows the first quarter results.

Semiconductor sales were 98.0 billion yen, a 17.3 billion yen increase quarter on quarter.

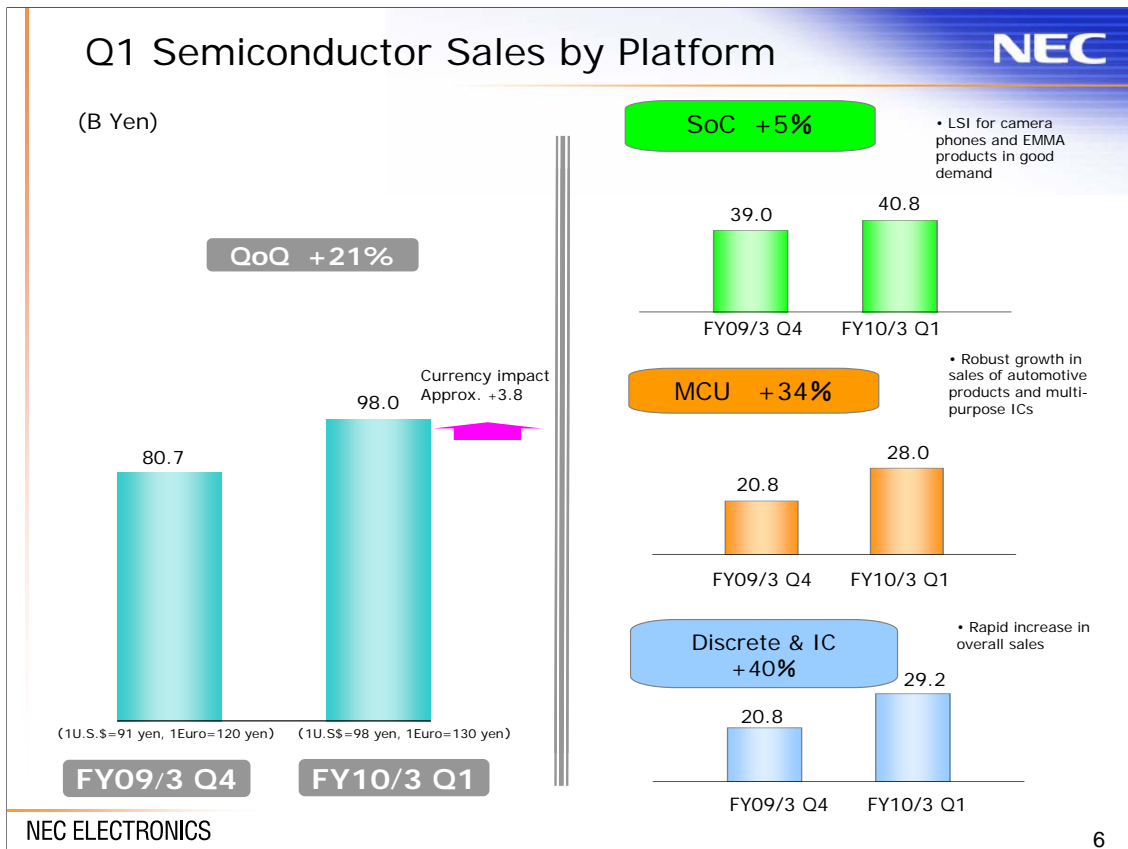
Operating loss improved by 32.4 billion yen quarter on quarter, however we still recorded 20.9 billion in loss.

Loss before income taxes was 20.8 billion yen and net loss was 20.7 billion yen.



Slide 5 shows trends in quarterly results.

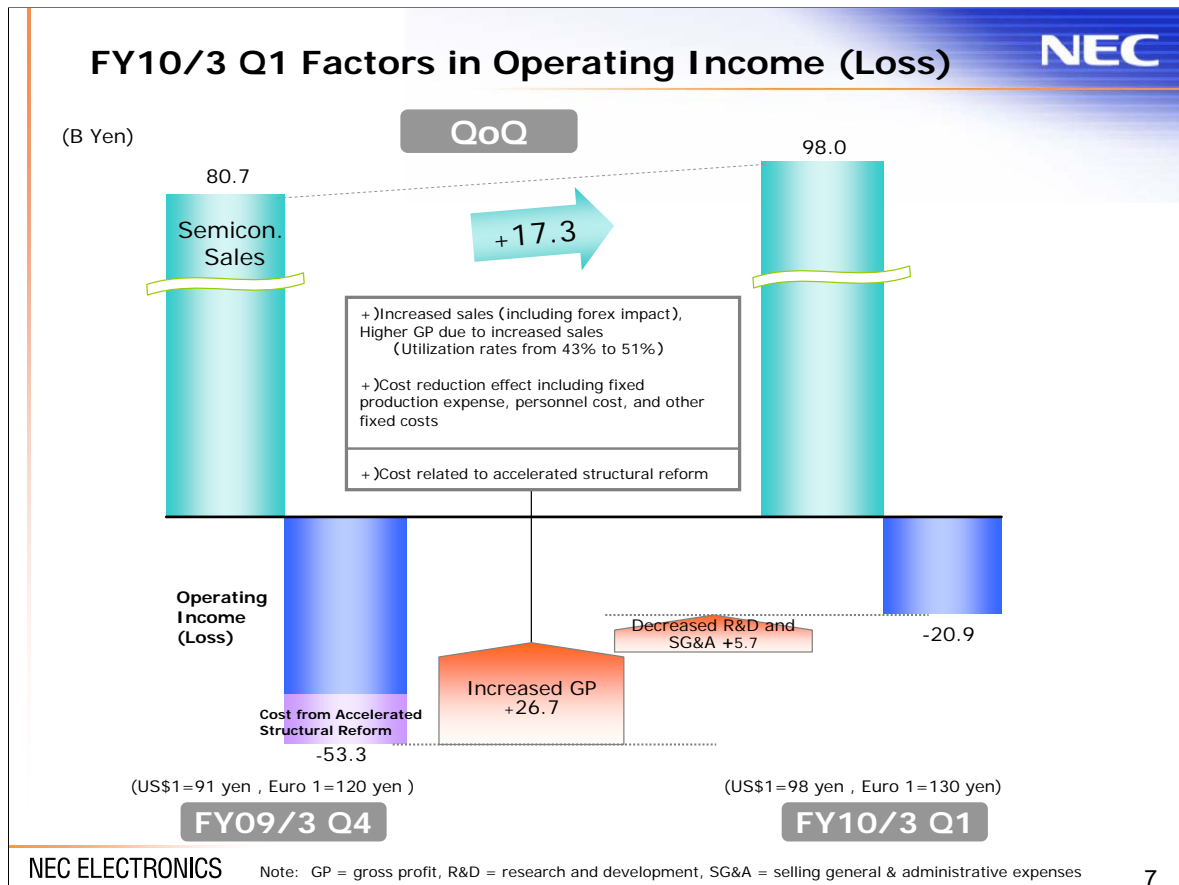
The first quarter sales and operating loss showed dramatic improvements quarter on quarter, yet still remained at low levels compared with the past.



Slide 6 shows the breakdown of the first quarter sales by platform.

All products increased in sales quarter on quarter.

Expanding sales of multi-purpose products including discrete devices and LCD driver ICs, as well as better-than-expected sales of automotive semiconductors, led to a 21% increase in overall semiconductor sales.



The next slide shows the factors affecting operating income and loss in the first quarter.

Resulting from increased profit due to increased sales as well as aggressive reduction in fixed costs, operating loss decreased by 32.4 billion yen.

In addition, there was a one-time expense from accelerated structural reforms in the last quarter.

Yet, manufacturing utilization rates in the first quarter stayed at 51% on an output base resulting from the manufacturing adjustments such as limiting of wafer input in the last quarter.

# Balance Sheets

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

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Slide 8 shows the company's balance sheets.

Cash and cash equivalents at the end of June dropped 21.8 billion yen from the end of March. However, we consider this the bottom and expect to recover in the next quarter.

Inventories decreased from the end of March to 58.4 billion yen. This is due to temporary lag demand in production in the first quarter resulting from the major manufacturing adjustments taken during the previous quarter.

Debt to Equity ratio was 1.26, and shareholders' equity ratio was 23%, resulting from an increase in debts and posting of net loss.



# Cash Flows

(B Yen)	FY09/3			FY10/3
	Q1	Q4	Full-Year	Q1
Cash Flows from Operating Activities	4.2	-36.3	-6.9	-24.7
Cash Flows from Investing Activities	-10.9	-18.7	-49.3	-17.4
Free Cash Flows	-6.7	-55.0	-56.2	-42.1
Cash Flows from Financial Activities	-1.5	-0.6	-4.3	+19.4

Slide 9 shows cash flows.

Despite the robust recovery in first quarter sales, effects of this recovery on an cash operation basis will be carried over to the second quarter. Accordingly, improvements of cash flows from operating activities for the first quarter were limited.

Free cash flows for the first quarter were negative 42.1 billion yen. However, as shown on the balance sheets on slide 8, cash and cash equivalents were 79.5 billion yen resulting from the financing activities including borrowings.

We expect the cash flows to recover from the second quarter with improvements in profitability and collection of account receivables.

I. FY10/3 Q1 Financial Results

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III. Business Highlights

In the next section, we will discuss the full-year financial forecasts for the year ending March 2010.

# FY10/3 Financial Forecasts

FY10/3 forecast remain unchanged.  
Aim to achieve operating profit for the full year

(B Yen)	FY10/3					
	1H		2H		Full-Year	
	Forecast	YoY	Forecast	YoY	Forecast	YoY
Net Sales	215.0	-118.6	265.0	+52.1	480.0	-66.5 -12.2%
Semiconductor Sales	205.0	-113.4	255.0	+51.6	460.0	-61.7 -11.8%
Operating Income (Loss)	-25.0	-26.2	25.0	+94.6	0	+68.4
Income (Loss) Before Income Taxes	-26.5	-26.5	19.0	+108.3	-7.5	+81.8
Net Income (Loss) Attributable to NEC Electronics Corp.	-27.0	-25.1	18.0	+98.7	-9.0	+73.6

## Exchange Rates

1 US\$ =	95 yen	10 yen stronger	95 yen	1 yen stronger	95 yen	6 yen stronger
1 Euro =	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.

Note 3: Forecasts as of July 29, 2009.

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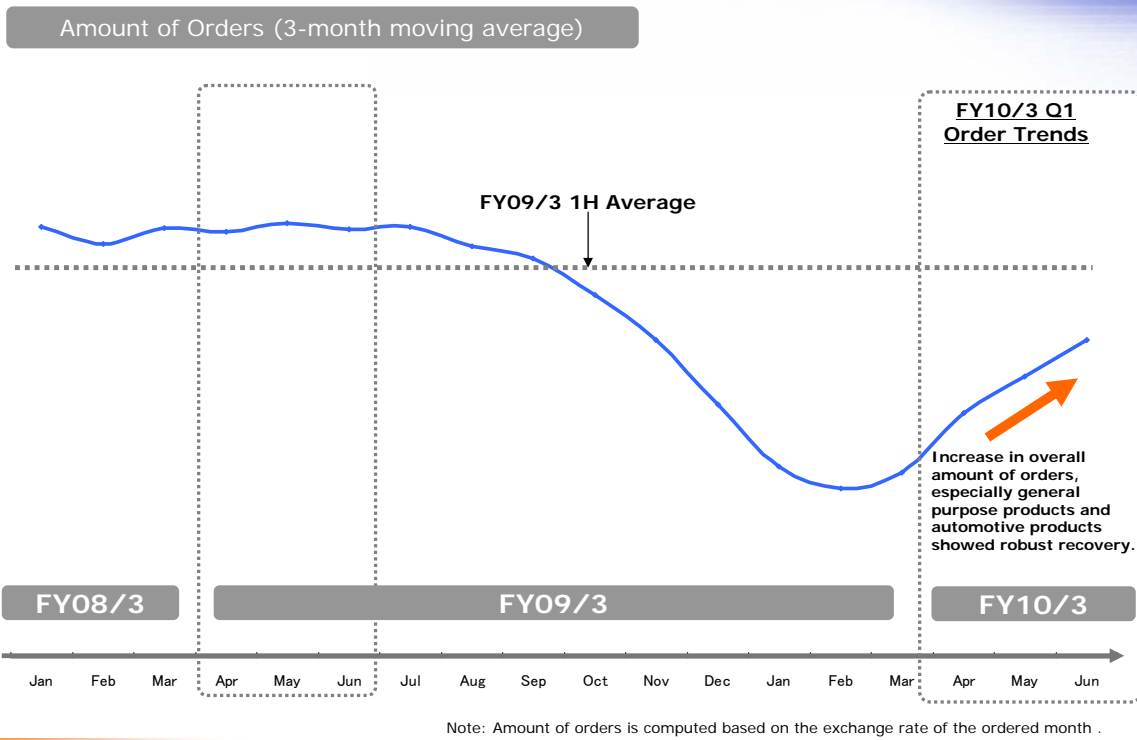
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As we have discussed earlier in the presentation, our financial results for the first quarter were better than expected so far. However, considering the uncertainty of the semiconductor market for the latter half of the fiscal year, we have not changed the financial forecasts for the fiscal year, both mid-term and full-year.

We aim to achieve operating profit for the full year by steady implementation of cost reduction measures.

# Trends in Amount of Orders

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Slide 12 shows a three-month moving average of semiconductor orders.

Semiconductor orders in the first quarter are making strides toward recovery.

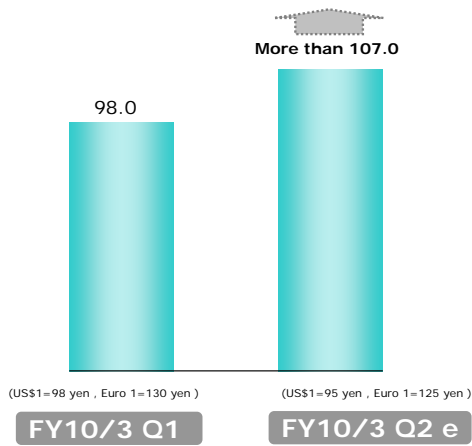
In particular, multi-purpose products such as discrete devices and automotive semiconductors underwent strong orders.

Orders are continuously solid in July especially for microcontrollers and discrete devices. However, looking at order levels on a monthly basis, after the rapid improvement in April, they remain flat.

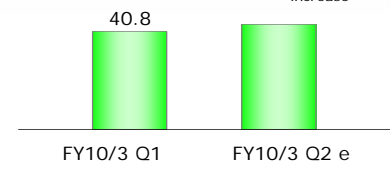
# FY10/3 Q2 Semiconductor Sales Forecast

(B Yen)

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

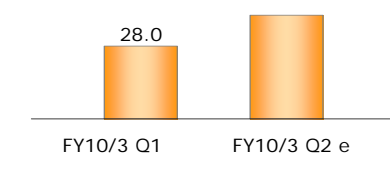


**SoC Approx. +5%**



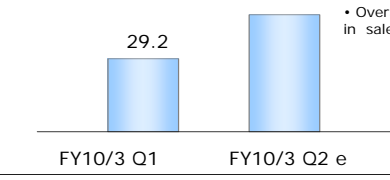
• Sales of digital AV devices including EMMA products in particular are expected to increase

**MCU Approx. +20%**



• Continuous growth in sales of automotive products and multi-purpose MCUs

**Discrete & IC Approx. +15%**



• Overall increase in sales

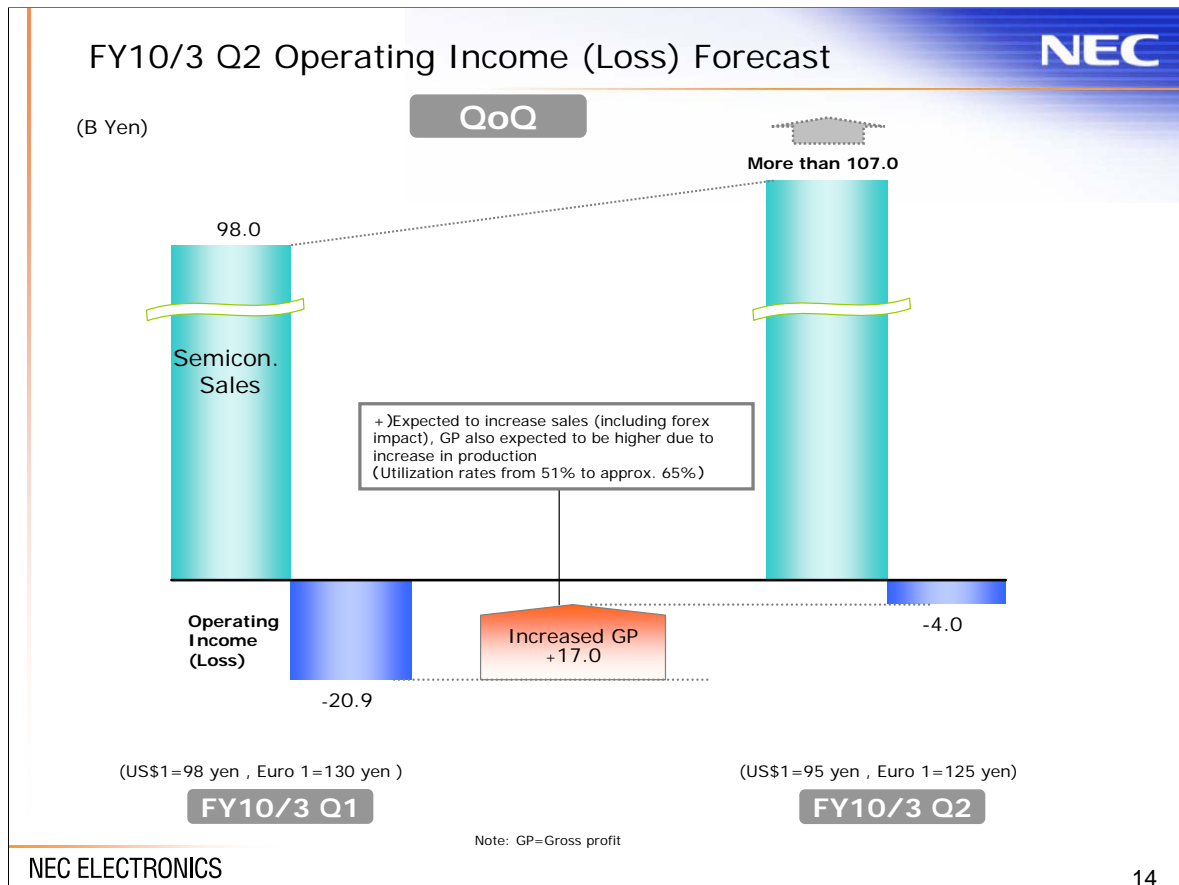
Slide 13 shows the semiconductor sales outlook for the second quarter.

In the SoC platform, the EMMA products for digital AV and other SoCs are expected to increase approximately by 5%.

We also estimate that the MCU platform will increase in sales by approximate of 20%, pushed by strong growth in the Auto and multi-purpose microcontrollers.

In the Discrete and ICs, we expect to increase sales by approximately 15% led by solid demand in overall market.

Since we have not changed the financial forecasts for the fiscal year, the second quarter semiconductor sales are expected to increase by 9% quarter on quarter, however, we will strive to call for a further increase in sales with healthy flow of orders.

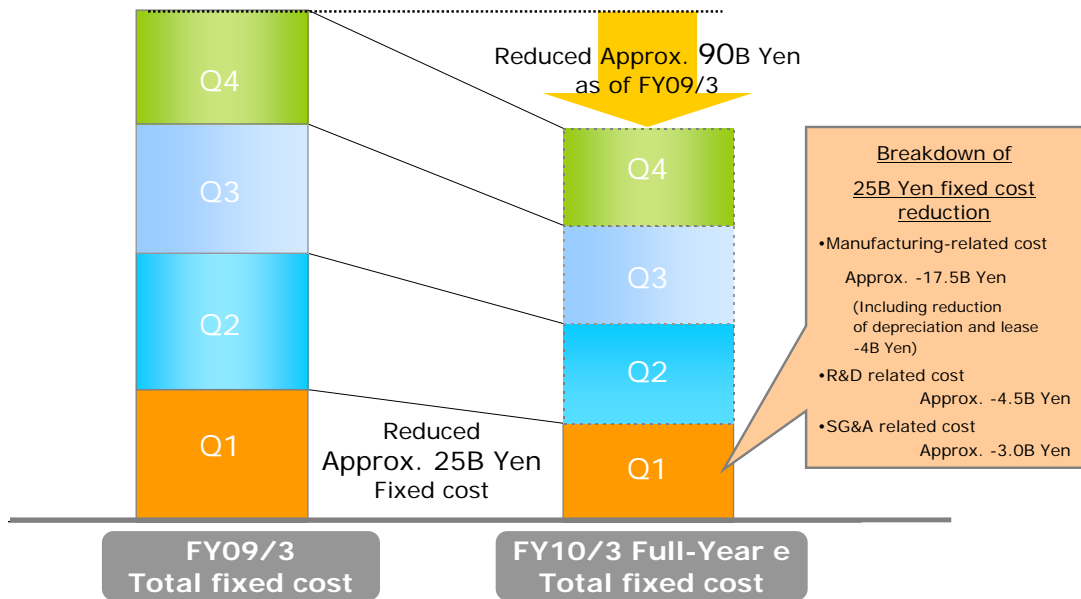


Slide 14 shows the company's forecast for operating profit.

We expect gross profit in the second quarter to increase due to production increase led by rapid recovery of manufacturing utilization. On the other hand, we keep the fixed cost levels flat from the first quarter level.

As a result, the company aims to improve operating profit significantly, achieving its target for the first half of the fiscal year ending March 2010.

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



Slide 15 shows our progress in fixed cost reduction measures which is a key factor in improving our business performance.

As shown on the graph, we succeeded in reducing fixed costs of approximately 25 billion yen year on year.

We will continue to target the same level of reduction in the second quarter, and reduce approximately 50 billion yen in the first half of this fiscal year in total.

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In the last section, we will discuss the company's business highlights.

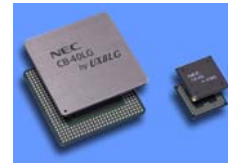


## Progress on Focused Businesses

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### 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



40nmCBIC

### 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



**EMMA**

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The next slide shows our progress on focused businesses.

First, on our advanced process technology front, we are successfully expanding orders with 40/55 nanometer generation products by leading over other companies.

We will begin mass-production of 40 nanometer node products in the first half of this fiscal year.

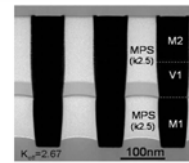
Second we successfully made EMMA into a global product, achieving cumulative shipments of over 100 million to 15 countries and 80 customers.

We are expanding its application to various devices such as digital televisions, blu-ray related devices, set top boxes with digital broadcast receivers, as well as PMPs and PNDs.

## 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

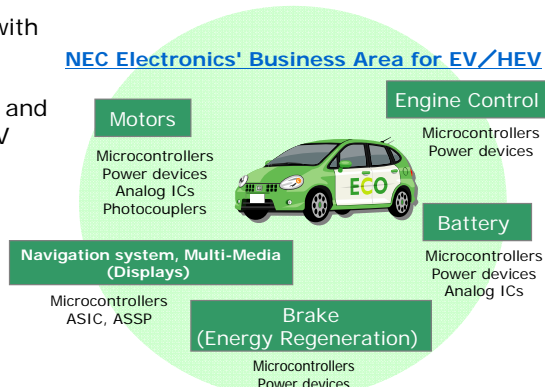


Cu-interconnect module with full porous low-k film

- 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



The next slide shows our efforts in expanding “green business”.

First, by leveraging the company’s strength in low-power consumption technology, we are working on developing technologies to realize low power on the cutting-edge process node LSIs.

Next, in the automotive area, which is one of our business areas in focus, we are going to put in resources in offering green solution for the up-and-coming electric vehicles and hybrid electric vehicles. NEC Electronics’ microcontrollers and discrete semiconductors are already used in the HEVs or the hybrid electric vehicles on the road. We will reinforce product line-up for the green car market, and build a strong position in the market.

We established a new concept, the “Green Solution” as a company-wide approach toward the green market.

## 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.



Eco-Cars

Smart Grid

LED

Slide 19 introduces the company's new concept, the "Green solution".

First, by leveraging our strengths in low-power consumption technologies and process technologies, we will provide a low-power, miniaturized "Green LSI" at low cost to the global market.

Second, we offer solutions for green systems, providing LSIs that will contribute to power efficiencies for customers' products.

Lastly, by providing semiconductor solutions for eco-cars and new energy systems like smart grid, we will contribute to the greener society.

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### 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.

This concludes our presentation today.

Thank you very much for your continued support of NEC Electronics.

# Appendix: Semiconductor Sales by Application

(B Yen)

