FY10/3 Q2 Financial Results

Junshi Yamaguchi
President and CEO

October 28, 2009
NEC Electronics Corporation
Executive Summary

I. FY10/3 Q2 Financial Results

- Regained positive free cash
- Semiconductor sales were higher than estimated
- Operating loss improved but were still worse than the company’s expectation due to the decrease in the production at the 300mm wafer line

II. FY10/3 Forecasts

- Lowered second-half and full-year forecasts
- Additional measures to realign manufacturing lines (Assembly and test facility at Fukuoka, 5-inch wafer line at NEC Semiconductors Kansai’s Shiga facility)
I. FY10/3 Q2 Financial Results

II. FY10/3 Forecasts
## Financial Snapshot

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY10/3</th>
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<tbody>
<tr>
<td></td>
<td>Q1, 6/30</td>
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<tr>
<td>Net Sales</td>
<td>Actual</td>
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<tr>
<td></td>
<td>102.0</td>
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<tr>
<td>Semiconductor Sales</td>
<td>98.0</td>
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<tr>
<td>Operating Income (Loss)</td>
<td>-20.9</td>
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<tr>
<td>Income (Loss) Before Income Taxes</td>
<td>-20.8</td>
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<tr>
<td>Net Income (Loss)</td>
<td>-20.7</td>
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### Notes:

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

**FY09/3**
- 1Q: 166.3 (B yen), 159.2
- 2Q: 167.3 (B yen), 159.2
- 3Q: 127.3 (B yen), 122.7
- 4Q: 85.5 (B yen), 80.7

**FY10/3**
- 1Q: 118.5 (B yen), 102.0
- 2Q: 113.8 (B yen), 98.0

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

## Achieved Positive Free Cash Flows in Q2

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>FY09/3</th>
<th>FY10/3</th>
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<tbody>
<tr>
<td></td>
<td>1H</td>
<td>Q1</td>
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<tr>
<td>Cash Flows from Operating Activities</td>
<td>18.8</td>
<td>-24.7</td>
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<tr>
<td>Cash Flows from Investing Activities</td>
<td>-23.4</td>
<td>-17.4</td>
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<tr>
<td>Free Cash Flows</td>
<td>-4.5</td>
<td>-42.1</td>
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<tr>
<td>Cash Flows from Financial Activities</td>
<td>-2.3</td>
<td>+19.4</td>
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## Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>As of Sep. 30, 2008</th>
<th>As of Jun. 30, 2009</th>
<th>As of Sep. 30, 2009</th>
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</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td>158.0</td>
<td>79.5</td>
<td><strong>89.5</strong></td>
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<tr>
<td><strong>Accounts Receivable</strong></td>
<td>95.3</td>
<td>66.0</td>
<td>67.1</td>
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<tr>
<td><strong>Inventories</strong></td>
<td>82.0</td>
<td>58.4</td>
<td>54.5</td>
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<td><strong>PP&amp;E</strong></td>
<td>257.0</td>
<td>241.7</td>
<td>230.4</td>
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<tr>
<td><strong>Other Assets</strong></td>
<td>29.7</td>
<td>26.2</td>
<td>24.1</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>622.0</strong></td>
<td><strong>471.8</strong></td>
<td><strong>465.5</strong></td>
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<td><strong>Accounts Payable</strong></td>
<td>111.9</td>
<td>72.0</td>
<td>78.6</td>
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<td><strong>Debt Payable</strong></td>
<td>117.1</td>
<td>136.0</td>
<td>143.7</td>
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<td><strong>Other Liabilities</strong></td>
<td>162.9</td>
<td>151.4</td>
<td>150.9</td>
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<tr>
<td><strong>Liabilities</strong></td>
<td><strong>392.0</strong></td>
<td><strong>359.4</strong></td>
<td><strong>373.2</strong></td>
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<td><strong>Shareholders’ Equity</strong></td>
<td>224.8</td>
<td>108.3</td>
<td>88.5</td>
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<tr>
<td><strong>Minority Shareholders’ Equity</strong></td>
<td>5.2</td>
<td>4.0</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Liabilities and Shareholders’ Equity</strong></td>
<td><strong>622.0</strong></td>
<td><strong>471.8</strong></td>
<td><strong>465.5</strong></td>
</tr>
</tbody>
</table>

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<tr>
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<th>As of Jun. 30, 2009</th>
<th>As of Sep. 30, 2009</th>
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</thead>
<tbody>
<tr>
<td><strong>D/E Ratio (Gross)</strong></td>
<td>0.52</td>
<td>1.26</td>
<td>1.62</td>
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<tr>
<td><strong>Equity Ratio</strong></td>
<td>36%</td>
<td>23%</td>
<td>19%</td>
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</tbody>
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As of Jun. 30, 2009

**NEC ELECTRONICS**
Q2 Semiconductor Sales by Platform

(B Yen)

SoC +2%

- Decrease in the 300mm products

MCU +28%

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

Discrete & IC +23%

- Rapid increase in overall sales

QoQ +16%

Currency impact Approx. -1.2

FY10/3 Q1 FY10/3 Q2

40.8 41.8

Lower than expected

FY10/3 Q1 FY10/3 Q2

28.0 35.9

Higher than expected

FY10/3 Q1 FY10/3 Q2

29.2 36.0

Higher than expected

(1 U.S.$=98 yen, 1 Euro=130 yen) (1 U.S.$=95 yen, 1 Euro=135 yen)
FY10/3 Q2 Factors in Operating Income (Loss)

(US$1=98 yen, Euro 1=130 yen)

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10/3 Q1</td>
<td>98.0</td>
</tr>
<tr>
<td>FY10/3 Q2</td>
<td>113.8</td>
</tr>
</tbody>
</table>

- **Increased GP +10.2**
- **Increased R&D -4.5**
- **Worsened than expected**
  - Lower GP due to decrease in the production
  - Lower GP due to drop in the utilization rate at 300mm wafer line

Note 1: GP = gross profit, R&D = research and development, SG&A = selling general & administrative expenses.
Note 2: Receipt and inspection of outsourced R&D goods tend to occur at the end of half-year end.
Progress on GP Ratio and Fab Utilization Rates

By reducing fixed-cost, GP ratio recovered more than the factory utilization rates, but did not reach the initial target due to decreased inventories and lower production at the 300mm line.

Note: manufacturing utilization rates are front-end line only input base.
Trends in Quarter-End Inventories

Reduced inventories by 8.7B Yen in the first-half led to increased cash flow while causing GP to decline due to decreased production.

Significant drop from initial forecast.
I. FY10/3 Q2 Financial Results

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

**Lowered second-half and full-year FY10/3 forecast**

### 1US$ = 101 yen | 1 Euro = 146 yen

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY09/3</th>
<th>FY10/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>Net Sales</td>
<td>546.5</td>
<td>220.5</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>521.7</td>
<td>211.8</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-68.4</td>
<td>-36.4</td>
</tr>
<tr>
<td>Income (Loss) Before Income Taxes</td>
<td>-89.3</td>
<td>-37.5</td>
</tr>
<tr>
<td>Net Income (Loss) Attributable to NEC Electronics Corp.</td>
<td>-82.6</td>
<td>-38.1</td>
</tr>
</tbody>
</table>

### Exchange Rates

- 1US$ = 101 yen
- 1 Euro = 146 yen

**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 October 28, 2009.
Trends in Amount of Orders

Amount of Orders (3-month moving average)

FY09/3 1H Average

FY10/3 Q2 Order Trends

Increase in amount of orders on general purpose products and automotive products. Weaker demand for the SoC products.

Note: Amount of orders is computed based on the exchange rate of the ordered month.
FY10/3 2H Semiconductor Sales Forecast

(B Yen)

HoH +10%

Currency Impact Approx. -6.0

FY10/3 1H FY10/3 2H e

SoC Approx. -5%

• Decrease in sales of consumer electronic products

FY10/3 1H FY10/3 2H e

MCU Approx. +20%

• Increase in sales of automotive products and multi-purpose MCUs

FY10/3 1H FY10/3 2H e

Discrete & IC Approx. +10%

• Overall increase in sales

(FY10/3 1H FY10/3 2H e

NEC ELECTRONICS

(US$1=97 yen, Euro 1=132 yen)

(US$1=90 yen, Euro 1=130 yen)
Progress on 90 B Yen Fixed Cost Reduction

Reduced Fixed Costs by Approx. 50 B Yen in FY10/3 1H, YoY

Aim to further reduce 8.0 B Yen in 2H, HoH

40.0 B Yen decrease YoY

Reduce Approx. 8.0 B Yen HoH

Breakdown of 50 B Yen fixed-cost reduction:
- Manufacturing-related cost: Approx. -33.5B Yen (Including reduction of depreciation and lease -9.0 B Yen)
- R&D related cost: Approx. -8.5B Yen
- SG&A related cost: Approx. -8.0B Yen

Note: R&D = research & development expenses, SG&A = selling general & administrative expenses
Factors Affecting 2H Operating Income (Loss)

Semicon. Sales

Operating Income (Loss)

-36.4
(US$1=97 yen, Euro 1=132 yen)

211.8

-10.0

232.0
(B yen)

HoH

Increase in GP
+ Approx. 19.5

(+) Higher GP due to sales increase
(+) Higher GP due to increase in production exceeding sales increase
(+) Cost reduction of manufacturing-related fixed costs

(-) Lower R&D and SG&A
Approx. +7.0

Note: GP = gross profit, R&D = research and development, SG&A = selling general & administrative expenses
2H Business Highlights

- **Continue to attain improvement of free cash flows in 2H**
  - Aim to attain profitability through sales increase and downhold of cash flows from investing activities despite the expected increase of inventories,

- **Aim to further expand sales**
  - Achieve sales increase beyond the forecasts through sales expansion of weakened SoC products
  - Expand sales with MCUs in great demand

- **Attain growth of GP ratio through production increase**
  - Increase production at 300mm line by early mass production of 40nm products (300mm line is expected to turn around by the end of 2009)
  - Massive production increase of strong MCU and discrete semiconductors and increase of inventories responsive to market expansion

- **Pursue fixed-cost reduction**
  - Continue to achieve fixed-cost reduction of 90B yen from FY10/3

- **Further accelerate structural reforms**
  - Complete on-going realignment plan of manufacturing lines
    - Closure of 6-inch wafer lines at NEC Semiconductors at Kyushu Yamaguchi and Roseville plant, by March 2010.
    - Announced New realignment plan of manufacturing lines
      - Closure of Fukuoka plant (back-end line) by Sep 2011 and consolidate prospective production volume mainly to Oita plant
      - Closure of NEC Semiconductors Kansai’s 5-inch line by March 2012
Business Topics ~To Expand Sales with leading products

Expand Sales with Advanced Processes
- 40nm product group LSIs for digital cameras, DTVs, printers
- eDRAM-ASIC LSIs for image-processing

Expand Sales in Eco-Business Market
- Smart Grid MCUs for electrical meters RF semiconductors
- Low-power home electronics MCUs for inverter control LED driver
- Hybrid cars MCUs for motor control
- MCU for power supply control Optical devices

Expand Sales in Emerging Market
- Low-cost cars MCUs for low-end body and dashboards
- Digital tuners EMMA products for digital broadcasting
  (applied for low-cost TVs as well)
- Multi-purpose MCUs, Discrete semiconductors

Energy Conscious = Ultimate Low Power™
Improving Business Performance

(B Yen)

Semicon. Sales

Operating Income (Loss)

FY09/3 2H

FY10/3 1H

FY10/3 2H

203.4

211.8

232.0

-69.6

-36.4

-10.0

Further increase sales of new growth areas

Increase sales due to recovery in demand

Improve GP ratio through increased sales

Improved GP ratio due to increased sales and fixed-cost reduction
Summary

- Demand for MCU and general-purpose products continue to show strong growth. Fixed-cost reduction measures are on track.

- However, financial forecasts for 2H and full year were lowered, due to stagnant SoC sales from R&D cyclical factors and low utilization rates at fabrication lines for SoC products.

Conduct proactive marketing of Ultimate Low Power™ 40nm products and pursue sales expansion of green-market and emerging market in 2H, to improve future business 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.
Reference: Schedule of Business Integration with Renesas

- **Sep 16**: Signing of Definitive Agreement
- **Sep 30**: Establishment of project team
- **Mid-Jan**: Signing of Merger Agreement
- **Early Feb**: Calling of Extraordinary Shareholders’ meeting
- **End of Feb**: Extraordinary Shareholders’ meeting for approval of merger agreement
  - (Subject to Approval from the Concerned Authorities of Antitrust Law)
- **Apr 1**: Effective Date of Merger
  - Launch of the New Company
Appendix: Semiconductor Sales by Application

(B Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY09/3</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY10/3</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>159.2</td>
<td>16.4</td>
<td>16.3</td>
<td>30.0</td>
<td>30.6</td>
<td>159.2</td>
<td>16.3</td>
<td>16.4</td>
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<tr>
<td>Computing &amp; Peripherals</td>
<td>159.2</td>
<td>32.1</td>
<td>31.9</td>
<td>31.9</td>
<td>31.9</td>
<td>159.2</td>
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<tr>
<td>Consumer Electronics</td>
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<td>29.8</td>
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<td>122.7</td>
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<tr>
<td>Auto &amp; Industrial</td>
<td>22.7</td>
<td>21.0</td>
<td>23.1</td>
<td>20.3</td>
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<td>Multi-Market ICs</td>
<td>80.7</td>
<td>29.8</td>
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<td>12.3</td>
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<tr>
<td>Discrete, Opt., &amp; Microwave</td>
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<td>15.4</td>
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<td>113.8</td>
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<td>13.4</td>
<td>113.8</td>
<td>13.5</td>
<td>14.6</td>
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NEC ELECTRONICS
Major Operating Expenses and CAPEX

R&D Expenses

FY10/3 Approx. 90.0 B yen
(-20.0 B yen YoY)

SG&A Expenses

FY10/3 Approx. 67.0 B yen
(-12.0 B yen YoY)

CAPEX

FY10/3 Approx. 32.0 B yen
(-25.0 B yen YoY)

Depreciation and Lease

FY10/3 Approx. 83.0 B yen
(-18.0 B yen YoY)

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