FY10/3 Q3 Financial Results

Junshi Yamaguchi
President and CEO

January 27, 2010
NEC Electronics Corporation
Executive Summary

I. FY10/3 Q3 Financial Results

- Sustained positive free cash flows
- Decrease in sales of SoC was covered by increased MCU sales
- Operating loss improved dramatically from Q2

II. FY10/3 Forecasts

- Expect to see improvement in Q4 sales and profit from increase in production
- The full-year forecasts (announced on December 24, 2009, based on Japanese GAAP) remain unchanged

Note: NEC Electronics changed its accounting principles for its consolidated financial statements from U.S. GAAP to Japanese GAAP. Please note that this document is prepared under Japanese GAAP.
I. FY10/3 Q3 Financial Results

II. FY10/3 Forecasts

Note: This document is prepared under Japanese GAAP.
# Financial Snapshot

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY10/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3, 12/31</td>
</tr>
<tr>
<td></td>
<td>9 months cumulative</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
</tr>
<tr>
<td>Net Sales</td>
<td>117.9</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>113.1</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-9.3</td>
</tr>
<tr>
<td>Ordinary Profit (Loss)</td>
<td>-11.3</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-14.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exchange Rate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1US$=</td>
<td>90 yen</td>
</tr>
<tr>
<td></td>
<td>11 yen strong</td>
</tr>
<tr>
<td></td>
<td>5 yen strong</td>
</tr>
<tr>
<td></td>
<td>95 yen</td>
</tr>
<tr>
<td></td>
<td>9 yen strong</td>
</tr>
<tr>
<td>1Euro=</td>
<td>133 yen</td>
</tr>
<tr>
<td></td>
<td>4 yen strong</td>
</tr>
<tr>
<td></td>
<td>2 yen strong</td>
</tr>
<tr>
<td></td>
<td>133 yen</td>
</tr>
<tr>
<td></td>
<td>21 yen strong</td>
</tr>
</tbody>
</table>

Note: This document is prepared under Japanese GAAP.
Trends in Quarterly Results - Based on Japanese GAAP

FY09/3

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Sales</th>
<th>Semicon. Sales</th>
<th>OP. Income (Loss)</th>
<th>OP. Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>167.5 Yen</td>
<td>160.4 Yen</td>
<td>128.5 Yen</td>
<td>-62%</td>
</tr>
<tr>
<td>Q2</td>
<td>168.7 Yen</td>
<td>160.6 Yen</td>
<td>123.8 Yen</td>
<td>-16.0%</td>
</tr>
<tr>
<td>Q3</td>
<td>116.1 Yen</td>
<td>85.9 Yen</td>
<td>-117.9 Yen</td>
<td>-53.0%</td>
</tr>
<tr>
<td>Q4</td>
<td>119.1 Yen</td>
<td>98.4 Yen</td>
<td>-119.1 Yen</td>
<td>-21.5%</td>
</tr>
</tbody>
</table>

FY10/3

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Sales</th>
<th>Semicon. Sales</th>
<th>OP. Income (Loss)</th>
<th>OP. Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>117.9 Yen</td>
<td>113.1 Yen</td>
<td>102.3 Yen</td>
<td>-13%</td>
</tr>
<tr>
<td>Q2</td>
<td>119.1 Yen</td>
<td>114.3 Yen</td>
<td>98.4 Yen</td>
<td>-15.4%</td>
</tr>
<tr>
<td>Q3</td>
<td>119.1 Yen</td>
<td>114.3 Yen</td>
<td>102.3 Yen</td>
<td>-21%</td>
</tr>
</tbody>
</table>

Note: This document is prepared under Japanese GAAP.
Q3 Semiconductor Sales by Platform

(B Yen)

QoQ -1%

114.3

113.1

Currency impact Approx. -2.5

SoC -16%

Sales of LSIs for consumer electronics and communications decreased

42.1

35.3

FY10/3 Q2

FY10/3 Q3

MCU +14%

Sales of automotive products and general-purpose ICs increased

36.0

41.2

FY10/3 Q2

FY10/3 Q3

Discrete & IC +1%

36.2

36.7

FY10/3 Q2

FY10/3 Q3

Note: This document is prepared under Japanese GAAP.
FY10/3 Q3 Factors in Operating Income (Loss)

Semicon. Sales

Operating Income (Loss)

FY10/3 Q2

FY10/3 Q3

114.3

113.1

-1.2

(B Yen)

(US$1=95 yen, Euro 1=135 yen)

(US$1=90 yen, Euro 1=133 yen)

QoQ Decreased R&D Approx. +6.0

Increased GP Approx. +2.0

-) Decline in sales incl. forex impact (strong yen)

+) Increase from cost improvement

+) Decrease from shifting the number of products in development

+) Decrease from seasonal factor

-) Decline in sales incl. forex impact (strong yen)

Note 1: GP = gross profit, R&D = research and development
Note 2: This document is prepared under Japanese GAAP
# Balance Sheets

Note: This document is prepared under Japanese GAAP.

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>As of Mar. 31, 2009</th>
<th>As of Sep. 30, 2009</th>
<th>As of Dec. 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td>101.3</td>
<td>89.5</td>
<td>95.6</td>
</tr>
<tr>
<td><strong>Accounts Receivable</strong></td>
<td>46.4</td>
<td>60.4</td>
<td>61.2</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>63.2</td>
<td>54.5</td>
<td>57.1</td>
</tr>
<tr>
<td><strong>PP&amp;E</strong></td>
<td>216.1</td>
<td>209.4</td>
<td>205.0</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>61.2</td>
<td>56.6</td>
<td>51.0</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>488.2</td>
<td>470.4</td>
<td>469.9</td>
</tr>
<tr>
<td><strong>Accounts Payable</strong></td>
<td>61.2</td>
<td>68.3</td>
<td>78.1</td>
</tr>
<tr>
<td><strong>Interest-Bearing Debt</strong></td>
<td>111.3</td>
<td>139.8</td>
<td>141.8</td>
</tr>
<tr>
<td><strong>Other Liabilities</strong></td>
<td>121.0</td>
<td>110.8</td>
<td>112.0</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>293.5</td>
<td>318.9</td>
<td>331.9</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td>202.4</td>
<td>162.5</td>
<td>148.3</td>
</tr>
<tr>
<td><strong>Valuation and Translation Adjustments</strong></td>
<td>-12.2</td>
<td>-15.3</td>
<td>-14.2</td>
</tr>
<tr>
<td><strong>Share Subscription Rights, Minority Interest</strong></td>
<td>4.5</td>
<td>4.2</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>194.7</td>
<td>151.5</td>
<td>138.0</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>488.2</td>
<td>470.4</td>
<td>469.9</td>
</tr>
</tbody>
</table>

| **D/E Ratio (Gross)** | 0.59 | 0.95 | 1.06 |
| **Equity Ratio** | 39% | 31% | 29% |

**Note 1)** Cash and Cash Equivalents: Cash and deposits, Short-term investment securities

**Note 2)** Inventories: Merchandise and finished goods, Work in process, Raw materials and supplies

**Note 3)** Interest-bearing debt: Short-term borrowings, Current portion of long-term borrowings, Current portion of lease obligations, Bonds with share subscription rights, Long-term borrowings

**Note 4)** Equity: Shareholders’ equity, Valuation and Translation Adjustments

**Note 5)** D/E ratio (gross): Interest-bearing debt / Equity
# Cash Flows

Continuousley achieved positive free cash flows in Q3

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY09/3</th>
<th>FY10/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>9 Months</td>
</tr>
<tr>
<td></td>
<td>Cumulative</td>
<td>Cumulative</td>
</tr>
<tr>
<td>Cash Flows from Operating Activities</td>
<td>10.2</td>
<td>28.5</td>
</tr>
<tr>
<td>Cash Flows from Investing Activities</td>
<td>-7.2</td>
<td>-30.6</td>
</tr>
<tr>
<td>Free Cash Flows</td>
<td>3.0</td>
<td>-2.0</td>
</tr>
</tbody>
</table>

Cash Flows from Financial Activities

<table>
<thead>
<tr>
<th>FY09/3</th>
<th>FY10/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1.0</td>
<td>-2.9</td>
</tr>
<tr>
<td>7.4</td>
<td>1.1</td>
</tr>
<tr>
<td>28.1</td>
<td></td>
</tr>
</tbody>
</table>

Note: This document is prepared under Japanese GAAP.
I. FY10/3 Q3 Financial Results

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

The full-year forecasts remain unchanged. (Based on Japanese GAAP)

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY09/3</th>
<th>FY10/3</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Year</td>
<td>1H</td>
<td>2H</td>
<td>Full Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>Difference from US GAAP</td>
<td>Forecasts as of January 27, 2010</td>
<td>Difference from US GAAP</td>
<td>Forecasts as of December 24, 2009</td>
<td>Difference from US GAAP</td>
</tr>
<tr>
<td>Net Sales</td>
<td>550.7</td>
<td>221.3</td>
<td>+0.8</td>
<td>Approx. 241.0</td>
<td>Approx. +1.0</td>
<td>462.0</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>525.9</td>
<td>212.7</td>
<td>+0.9</td>
<td>Approx. 233.0</td>
<td>Approx. +1.0</td>
<td>447.0</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-66.4</td>
<td>-36.9</td>
<td>-0.5</td>
<td>Approx. -10.5</td>
<td>Approx. -0.5</td>
<td>-47.5</td>
</tr>
<tr>
<td>Ordinary Income (Loss)</td>
<td>-76.2</td>
<td>-37.8</td>
<td>-</td>
<td>Approx. -13.5</td>
<td>-</td>
<td>-51.5</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-85.1</td>
<td>-39.8</td>
<td>-1.7</td>
<td>Approx. -19.0</td>
<td>Approx. -2.0</td>
<td>-59.0</td>
</tr>
</tbody>
</table>

**Exchange Rate**

| 1 US$ =               | 101 yen   | 97 yen     | -         | 90 yen     | -         | 90 yen     | -         |
| 1 Euro =              | 146 yen   | 132 yen    | -         | 130 yen    | -         | 130 yen    | -         |

**Note 1)** Forecasts as of December 24, 2009

**Note 2)** This document is prepared under Japanese GAAP.
Trends in Amount of Orders

Amount of Orders (3-month moving average)

FY09/3 1H Average

FY10/3 Q3 Order Trends

Steady orders on general purpose products and automotive products.

(The company’s internal sales exchange rates are used to calculate amount of orders for corresponding month)

Note: This document is prepared under Japanese GAAP.
FY10/3 Q4 Semiconductor Sales Forecast

(B Yen)

QoQ Approx. +5%

SoC Approx. +5%
- Increase in sales of consumer electronic products

FY10/3 Q3 FY10/3 Q4 e
35.3

FY10/3 Q3 FY10/3 Q4 e
41.2

MCU Approx. +5%
- Steady sales of automotive products and multi-purpose MCUs

FY10/3 Q3 FY10/3 Q4 e
36.7

Discrete & IC Approx. +5%
- Overall increase in sales

FY10/3 Q3 FY10/3 Q4 e

Note: This document is prepared under Japanese GAAP.
Factors Affecting FY10/3 Q4 Operating Income (Loss)

(B Yen)

113.1

Increased GP

Approx. 120.0

+) Higher GP due to sales increase
+ ) Higher GP due to increase in production exceeding sales increase
Increased production at 300mm line (Q3 55% to Q4 75%)

Increased operating income (loss)

Semicon. Sales

Operating Income (Loss)

-9.3

FY10/3 Q3

FY10/3 Q4 e

(US$1=90 yen, Euro 1=133 yen)

(US$1=90 yen, Euro 1=130 yen)

Note 1) GP = gross profit, R&D = research and development
Note 2) This document is prepared under Japanese GAAP
Q4 Measures

- **Expand Sales and Achieve Profit Improvement Through Increased Production**
  - Expand sales with MCUs in great demand
  - Profit improvement through increased production at 300mm line by mass production of 40/55nm products

- **Continue to Attain Positive Free Cash Flow in 2H**
  - Aim massive production increase of strong MCU and increase of production capacity at back-end lines outside Japan. Yet still attain profitability by suppressing investment by improving OEE (Overall Equipment Efficiency) and reallocation of equipment

- **Pursue Fixed-Cost Reduction**
  - Continue to achieve fixed-cost reduction of 90B yen from FY09/3

- **Accelerate Structural Reforms**
  - Complete realignment plans of manufacturing lines

Note: This document is prepared under Japanese GAAP.
Enhance Production for Sales Expansion and Profit Improvement

Expand Sales Through Increased Production Capacity

Trends in MCU production capacity at Kyushu’s 8-inch line

Miniaturization at Kyushu’s 8-inch line

- Achieve miniaturization with minimum investment (productivity improvements, reuse equipment of former Yamagata’s 8-inch line)
- Increase production at 150nm line with MCUs

Enhance production capacity of back-end lines

Increase production capacity at back-end lines

- Enhance production capacity focusing on overseas sites

FY09/3 Q4 FY10/3 Q4 e

Note: This document is prepared under Japanese GAAP.
Enhance Production for Sales Expansion and Profit Improvement

Improve Fab Utilization Rate at 300mm line and Promote Miniaturization

Trends in fab utilization rates at Yamagata’s 300mm line

- **40nm Products**
- Utilization Rate (Input)
- Utilization Rate (Output)

<table>
<thead>
<tr>
<th>Q1 FY09/3</th>
<th>Q2 FY09/3</th>
<th>Q3 FY09/3</th>
<th>Q4 FY09/3</th>
<th>Q1 FY10/3</th>
<th>Q2 FY10/3</th>
<th>Q3 FY10/3</th>
<th>Q4 FY10/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Utilized</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Trends in production capacity at Yamagata’s 300mm line

- **20K**

Note: This document is prepared under Japanese GAAP.
Progress on 90 B Yen Fixed Cost Reduction

Reduced Fixed Costs by Approx. 25 B Yen in FY10/3 Q3, YoY

Breakdown of 25 B Yen fixed-cost reduction

• Manufacturing-related cost
  Approx. -16.0B Yen
  (Including reduction of depreciation and lease -4.0 B Yen)

• R&D related cost
  Approx. -6.0B Yen

• SG&A related cost
  Approx. -3.0B Yen

Note 1) R&D = research & development expenses, SG&A = selling general & administrative expenses excluding R&D expenses.
Note 2) This document is prepared under Japanese GAAP
Summary

- Promote sales expansion through production enhancement and earnings recovery by fixed-cost reduction to meet full-year financial objectives.

Note: This document is prepared under Japanese GAAP.
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)

Note: This document is prepared under Japanese GAAP.
Major Operating Expenses and CAPEX

R&D Expenses

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

SG&A Expenses (excluding R&D Expenses)

FY10/3 Approx.
74.0 B yen
(-16.0 B yen YoY)

CAPEX

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

Depreciation and Lease

FY10/3 Approx.
82.0 B yen
(-16.0 B yen YoY)

Note: This document is prepared under Japanese GAAP.