

**Media Contacts**

Hisashi Saito / Sophie Yamamoto  
NEC Electronics Corporation  
+81 44-435-1676  
press@necel.com

**Investor Contacts**

Hiro Nakanishi / Yoshito Yahazu / Nanako Hayashi  
NEC Electronics Corporation  
+81 44-435-1664  
ir@necel.com

**NEC Electronics Reports Financial Results for the  
Period Ended December 31, 2005**

**KAWASAKI, Japan, January 25, 2006** — NEC Electronics Corporation (TSE: 6723) today announced its consolidated financial results for the period ended December 31, 2005.

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# I. Summary of Consolidated Financial Results

## Three Months Ended December 31, 2005

|   | Three Months Ended<br>December 31, 2005 |             |                   | Three Months Ended<br>December 31, 2004 |                   | Increase (Decrease) |          |
|---|---|-------------|-------------------|---|-------------------|---------------------|----------|
|   | Billion Yen                             | Million USD | % of<br>Net Sales | Billion Yen                             | % of<br>Net Sales | Billion Yen         | % Change |
| Net sales                                       | 162.7                                   | 1,379       | 100.0             | 165.3                                   | 100.0             | (2.6)               | (1.6)    |
| Sales from semiconductors                       | 156.8                                   | 1,328       |                   | 160.7                                   |                   | (3.9)               | (2.5)    |
| Operating income (loss)                         | (7.0)                                   | (60)        | (4.3)             | 1.2                                     | 0.7               | (8.2)               | ---      |
| Income (loss) before income taxes               | (4.4)                                   | (37)        | (2.7)             | 0.2                                     | 0.1               | (4.6)               | ---      |
| Net income (loss)                               | (2.6)                                   | (22)        | (1.6)             | 0.5                                     | 0.3               | (3.0)               | ---      |
| Net income (loss) per share of<br>common stock: | Yen                                     | USD         |                   | Yen                                     |                   | Yen                 | % Change |
| Basic   | (20.69)                                 | (0.18)      |                   | 3.89                                    |                   | (24.58)             | ---      |
| Diluted   | (20.69)                                 | (0.18)      |                   | 3.57                                    |                   | (24.26)             | ---      |

|                               | Billion Yen | Million USD | Billion Yen | Billion Yen | % Change |
|-------------------------------|-------------|-------------|-------------|-------------|----------|
| Capital expenditures          | 14.8        | 125         | 29.3        | (14.5)      | (49.6)   |
| Depreciation and amortization | 22.5        | 191         | 24.6        | (2.1)       | (8.4)    |
| R&D expenses                  | 30.0        | 255         | 28.2        | 1.8         | 6.5      |
| Exchange rate (USD)           | Yen<br>115  |             | Yen<br>108  |             |          |
| Exchange rate (Euro)          | 138         |             | 136         |             |          |

## Nine Months Ended December 31, 2005

|   | Nine Months Ended<br>December 31, 2005 |             |                   | Nine Months Ended<br>December 31, 2004 |                   | Increase (Decrease) |          |
|---|--|-------------|-------------------|--|-------------------|---------------------|----------|
|   | Billion Yen                            | Million USD | % of<br>Net Sales | Billion Yen                            | % of<br>Net Sales | Billion Yen         | % Change |
| Net sales                                       | 475.6                                  | 4,031       | 100.0             | 542.1                                  | 100.0             | (66.5)              | (12.3)   |
| Sales from semiconductors                       | 457.1                                  | 3,874       |                   | 521.1                                  |                   | (63.9)              | (12.3)   |
| Operating income (loss)                         | (19.2)                                 | (163)       | (4.0)             | 31.8                                   | 5.9               | (51.0)              | ---      |
| Income (loss) before income taxes               | (18.1)                                 | (153)       | (3.8)             | 29.3                                   | 5.4               | (47.4)              | ---      |
| Net income (loss)                               | (10.4)                                 | (88)        | (2.2)             | 18.4                                   | 3.4               | (28.8)              | ---      |
| Net income (loss) per share of<br>common stock: | Yen                                    | USD         |                   | Yen                                    |                   | Yen                 | % Change |
| Basic   | (84.53)                                | (0.72)      |                   | 148.83                                 |                   | (233.36)            | ---      |
| Diluted   | (84.53)                                | (0.72)      |                   | 138.41                                 |                   | (222.94)            | ---      |

|                               | Billion Yen | Million USD | Billion Yen | Billion Yen | % Change |
|-------------------------------|-------------|-------------|-------------|-------------|----------|
| Capital expenditures          | 61.3        | 520         | 141.8       | (80.5)      | (56.8)   |
| Depreciation and amortization | 64.7        | 548         | 69.7        | (5.0)       | (7.2)    |
| R&D expenses                  | 84.8        | 719         | 81.0        | 3.9         | 4.8      |
| Exchange rate (USD)           | Yen<br>111  |             | Yen<br>109  |             |          |
| Exchange rate (Euro)          | 137         |             | 134         |             |          |

|                      | December 31, 2005 |             | September 30, 2005 | Increase (Decrease) |          | March 31, 2005 |
|----------------------|-------------------|-------------|--------------------|---------------------|----------|----------------|
|                      | Billion Yen       | Million USD | Billion Yen        | Billion Yen         | % Change | Billion Yen    |
| Total assets         | 810.4             | 6,868       | 799.7              | 10.7                | 1.3      | 814.2          |
| Shareholders' equity | 388.6             | 3,293       | 388.1              | 0.4                 | 0.1      | 393.9          |

|                     | Persons | Persons | Persons | % Change | Persons |        |
|---------------------|---------|---------|---------|----------|---------|--------|
| Number of employees | 24,078  |         | 24,134  | (56)     | (0.2)   | 23,963 |

### Notes

1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118=U.S.\$1.
2. All figures are rounded to the nearest 100 million yen.
3. The consolidated financial statements of NEC Electronics are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
4. The figures for operating income (loss) shown above represent net sales minus the cost of sales, research and development, and selling, general and administrative expenses.
5. Net income (loss) per share of common stock is calculated based on Statement of Financial Accounting Standards ("SFAS") No.128, "Earnings per share".



(2) Consolidated financial position

|                   | Total Assets | Shareholders' Equity | Shareholders' Equity Ratio | Shareholders' Equity Per Share |
|-------------------|--------------|----------------------|----------------------------|--------------------------------|
|                   | Million Yen  | Million Yen          | %                          | Yen                            |
| December 31, 2005 | 810,442      | 388,552              | 47.9                       | 3,146.20                       |
| December 31, 2004 | 856,919      | 390,968              | 45.6                       | 3,165.75                       |
| March 31, 2005    | 814,222      | 393,863              | 48.4                       | 3,189.20                       |

Consolidated cash flows

|                                     | Cash Flows From Operating Activities | Cash Flows From Investing Activities | Cash Flows From Financing Activities | Cash and Cash Equivalents at the End of the Period |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                                     | Million Yen                          | Million Yen                          | Million Yen                          | Million Yen  |
| Nine months ended December 31, 2005 | 50,437                               | (35,478)                             | (6,184)                              | 236,939  |
| Nine months ended December 31, 2004 | 115,940                              | (118,610)                            | 63,392                               | 225,797  |
| Year ended March 31, 2005           | 129,153                              | (126,096)                            | 56,878                               | 225,691  |

2. Forecasts for the fiscal year ending March 31, 2006

|                            | Net Sales   | Loss Before Income Taxes | Net Loss    |
|----------------------------|-------------|--------------------------|-------------|
|                            | Million Yen | Million Yen              | Million Yen |
| Year ending March 31, 2006 | 635,000     | (35,000)                 | (20,000)    |

Note: Net loss per share of common stock (forecast) for fiscal year ending March 31, 2006: (161.94) yen.

The consolidated financial forecast announced on October 26, 2005 remains unchanged at this time.

The statements with respect to the financial outlook of NEC Electronics and its consolidated subsidiaries are forward-looking statements involving risks and uncertainties. We caution you in advance that actually results may differ materially from such forward-looking statements due to changes in several important factors.

## II. Business Results and Financial Condition

### 1. Three Months Ended December 31, 2005

#### Overview of the Three Months Ended December 31, 2005

The global economy was generally healthy for the three months ended December 31, 2005. In the United States, although the situation with growing interest rates hikes and crude oil prices remained the same, the economy was buoyed by continued strong consumer spending. The European economy also appeared steady with the acceleration of exports, and the Asian economy appeared headed toward stability with the increase of exports and investments. The Japanese economy also continued to head away from deflation and toward recovery, as consumer spending and capital investment improved, and exports increased.

As the overall economy improved, sales in the semiconductor industry also increased, and it can be said that the industry as a whole has escaped from the adjustment phase seen in the first half of 2005. However, despite the substantial growth seen in Asian and North American markets, the European and Japanese markets remain tepid, leading to a greater gap among the regions. The situation differed by application as well. Sales of computer-related applications were strong, but there was fierce price competition in the area of digital consumer products, where Japanese manufacturers are traditionally strong, despite strong shipments. In the areas of microcontrollers and standard devices such as discrete devices, demand was weak.

#### Summary of Consolidated Financial Results

|                                   | Three Months Ended<br>December 31, 2005 |             | Three Months Ended<br>December 31, 2004 | Increase (Decrease) |          |
|-----------------------------------|---|-------------|---|---------------------|----------|
|                                   | Billion Yen                             | Million USD | Billion Yen                             | Billion Yen         | % Change |
| Net sales                         | 162.7                                   | 1,379       | 165.3                                   | (2.6)               | (1.6)    |
| Operating income (loss)           | (7.0)                                   | (60)        | 1.2                                     | (8.2)               | ---      |
| Income (loss) before income taxes | (4.4)                                   | (37)        | 0.2                                     | (4.6)               | ---      |
| Net income (loss)                 | (2.6)                                   | (22)        | 0.5                                     | (3.0)               | ---      |
|                                   | Yen                                     |             | Yen                                     |                     |          |
| Exchange rate (USD)               | 115                                     |             | 108                                     | ---                 | ---      |
| Exchange rate (Euro)              | 138                                     |             | 136                                     | ---                 | ---      |

NEC Electronics posted consolidated net sales of 162.7 billion yen, a decline of 2.6 billion yen from the corresponding period of the previous fiscal year. This was mainly due to declines in sales of semiconductors for mobile phones, servers, workstations, as well as discrete, optical and

microwave devices, despite an increase in sales of semiconductors for LCD driver ICs and digital AV equipment.

Consolidated operating loss totaled 7.0 billion yen, an 8.2 billion yen decrease in income year on year. Despite improvements in productivity such as improvement of real output, and other initiatives to boost cost efficiency, these measures were not enough to offset the decline in income resulting from the decline in net sales and price erosion, as well as an increase in R&D expense to secure future revenue growth. Consolidated loss before income taxes was 4.4 billion yen, a decrease in income of 4.6 billion yen from the corresponding period of the previous fiscal year. Consolidated net loss was 2.6 billion yen, a 3.0 billion yen decrease in income year on year.

## 2. Breakdown of Net Sales by Market Application

|  | Three Months Ended<br>December 31, 2005 |             | Three Months Ended<br>December 31, 2004 | Increase (Decrease) |          |
|--|---|-------------|---|---------------------|----------|
|  | Billion Yen                             | Million USD | Billion Yen                             | Billion Yen         | % Change |
| Communications                           | 27.4                                    | 233         | 31.4                                    | (4.0)               | (12.6)   |
| Computing and peripherals                | 33.4                                    | 283         | 32.7                                    | 0.7                 | 2.1      |
| Consumer electronics                     | 26.7                                    | 226         | 25.3                                    | 1.4                 | 5.4      |
| Automotive and industrial                | 24.7                                    | 209         | 24.6                                    | 0.1                 | 0.4      |
| Multi-market ICs                         | 17.7                                    | 150         | 18.2                                    | (0.5)               | (2.8)    |
| Discrete, optical, and microwave devices | 26.8                                    | 227         | 28.4                                    | (1.6)               | (5.7)    |
| Subtotal                                 | 156.8                                   | 1,328       | 160.7                                   | (3.9)               | (2.5)    |
| Other                                    | 5.9                                     | 51          | 4.6                                     | 1.3                 | 28.3     |
| Total                                    | 162.7                                   | 1,379       | 165.3                                   | (2.6)               | (1.6)    |

### Communications

**Products** Semiconductors for broadband networking equipment including routers and mobile-phone base stations; semiconductors for mobile handsets.

**Net sales** 27.4 billion yen (Down 4.0 billion yen, 12.6% year on year)

Year on year sales of semiconductors for mobile handsets fell as the market for second generation handsets shrank in Japan, resulting in declines in sales of baseband LSIs and system memory. Year on year sales of LCD driver ICs, however, grew significantly due to increasing adoption of thin film transistor (TFT) LCDs for mobile handsets in the European market.

### Computing and Peripherals

Products Semiconductors for servers, workstations, personal computers, and PC peripherals.

Net sales 33.4 billion yen (Up 0.7 billion yen, 2.1% year on year)

Sales of semiconductors for PC peripherals increased as LCD panel manufacturers ramped up production, resulting in an increase in demand for LCD driver ICs for PC monitors. Despite declines in year-on-year sales of semiconductors for servers and workstations due to a decrease in sales to a non-Japanese customer, overall sales of computing and peripherals increased.

### Consumer Electronics

Products Semiconductors for digital AV equipment and game consoles.

Net sales 26.7 billion yen (Up 1.4 billion yen, 5.4% year on year)

Sales of semiconductors for conventional consumer electronics declined from the corresponding period of the previous fiscal year. However, sales of system LSIs for digital cameras and digital consumer devices, including graphics processing LSIs for DVD recorders and set top boxes (STBs) increased, pushing overall sales higher year on year.

### Automotive and Industrial

Products Semiconductors used in automobiles and industrial systems, including factory automation equipment.

Net sales 24.7 billion yen (Up 0.1 billion yen, 0.4% year on year)

Sales of automotive products declined due to a temporary decrease in sales of automotive MCUs to a non-Japanese customer. However, sales of industrial semiconductors increased year on year, resulting in little change in overall sales.

### Multi-market ICs

Products General purpose microcontrollers, gate arrays and multi-purpose SRAM.

Net sales 17.7 billion yen (Down 0.5 billion yen, 2.8% year on year)

Sales of gate arrays decreased from the corresponding period of the previous fiscal year.

### Discrete, Optical and Microwave Devices

**Products** Discrete devices such as diodes and transistors; optical semiconductors for optical communications equipment and DVD devices; and microwave semiconductors for mobile handsets and other applications.

**Net sales** 26.8 billion yen (Down 1.6 billion yen, 5.7% year on year)

Sales of optical and microwave products declined year on year mainly due to a decline in sales of an optical pickup unit for DVD recorders, which had been strong in the corresponding period of previous fiscal year. In addition, sales of discrete devices also declined year on year.

### Other

**Products** Non-semiconductor products such as color LCDs, sold on a resale basis by NEC Electronics' sales subsidiaries.

**Net sales** 5.9 billion yen (Up 1.3 billion yen, 28.3% year on year)

Resale of non-semiconductor products are not part of NEC Electronics' core business, and have a minimal effect on the company's overall profit and loss.

## **3. Geographical Segment Analysis**

|                          | Three Months Ended<br>December 31, 2005 |              | Three Months Ended<br>December 31, 2004 | Increase<br>(Decrease) |              |
|--------------------------|---|--------------|---|------------------------|--------------|
|                          | Billion Yen                             | Million USD  | Billion Yen                             | Billion Yen            | % Change     |
| Japan                    | 88.3                                    | 749          | 97.3                                    | (9.0)                  | (9.2)        |
| United States of America | 19.8                                    | 168          | 18.6                                    | 1.2                    | 6.3          |
| Europe                   | 17.1                                    | 145          | 18.6                                    | (1.5)                  | (8.1)        |
| Asia                     | 37.5                                    | 317          | 30.8                                    | 6.7                    | 21.7         |
| <b>Total</b>             | <b>162.7</b>                            | <b>1,379</b> | <b>165.3</b>                            | <b>(2.6)</b>           | <b>(1.6)</b> |

### Japan

**Net sales** 88.3 billion yen (Down 9.0 billion yen, 9.2% year on year)

A decline in sales of semiconductors for mobile phones and game consoles led to a decrease in overall sales in Japan.

### United States of America

**Net sales** 19.8 billion yen (Up 1.2 billion yen, 6.3% year on year)

An increase in net sales for the United States was mainly from a positive impact of the exchange rate.

#### Europe

Net sales 17.1 billion yen (Down 1.5 billion yen, 8.1% year on year)

The main cause of the decrease in net sales for Europe was caused by a decline in sales of automotive microcontrollers.

#### Asia

Net sales 37.5 billion yen (Up 6.7 billion yen, 21.7% year on year)

Net sales in Asia increased mainly due to an upsurge in sales of LCD driver ICs.

### 4. Financial Condition

#### Total Assets and Shareholders' Equity

|                                | December 31, 2005 |             | September 30, 2005 | Increase (Decrease) |
|--------------------------------|-------------------|-------------|--------------------|---------------------|
|                                | Billion Yen       | Million USD | Billion Yen        | Billion Yen         |
| Total assets                   | 810.4             | 6,868       | 799.7              | 10.7                |
| Shareholders' equity           | 388.6             | 3,293       | 388.1              | 0.4                 |
| Equity ratio                   | 47.9%             |             | 48.5%              | (0.6%)              |
| Shareholders' equity per share | 3,146 yen         | 26.66 USD   | 3,143 yen          | 3 yen               |
| Interest-bearing debt          | 153.9             | 1,305       | 151.9              | 2.0                 |

Total assets at December 31, 2005 totaled 810.4 billion yen, a 10.7 billion yen increase from September 30, 2005. This is due in part to an increase in cash and cash equivalents by 35.3 billion yen from collecting accounts receivables, while there was a 18.7 billion yen decrease in tangible assets as a result of sales of some equipment for leasing.

Shareholders' equity was 388.6 billion yen, a 0.4 billion yen increase from the September 30, 2005, however, the shareholders' equity ratio decreased by 0.6 points to 47.9% from September 30, 2005 due to an increase in total assets.

Interest-bearing debt totaled 153.9 billion yen, increasing 2.0 billion yen from September 30, 2005. This was mainly due to an increase in lease obligation.

#### Cash Flows

|  | Three Months Ended<br>December 31, 2005 |             | Three Months<br>Ended<br>December 31,<br>2004 | Increase<br>(Decrease) |
|--|---|-------------|---|------------------------|
|  | Billion Yen                             | Million USD | Billion Yen                                   | Billion Yen            |
| Net cash provided by operating activities                    | 35.8                                    | 303         | 37.7  | (1.9)                  |
| Net cash used in investing activities                        | (1.3)                                   | (11)        | (47.3)  | 46.0                   |
| Free cash flows  | 34.5                                    | 292         | (9.6)   | 44.1                   |
| Net cash used in financing activities                        | (0.7)                                   | (6)         | (1.6)   | 1.0                    |
| Effect of exchange rate changes on cash and cash equivalents | 1.5                                     | 13          | (1.1)   | 2.6                    |
| Net increase (decrease) in cash and cash equivalents         | 35.3                                    | 299         | (12.3)  | 47.6                   |
| Cash and cash equivalents at beginning of period             | 201.7                                   | 1,709       | 238.1   | (36.4)                 |
| Cash and cash equivalents at end of period                   | 236.9                                   | 2,008       | 225.8   | 11.1                   |

Operating activities provided net cash of 35.8 billion yen for the three months ended December 31, 2005, a 1.9 billion yen decrease year on year. This was a result of depreciation and amortization in the amount of 22.5 billion yen, as well as a decrease in accounts receivable and an increase in accounts payable.

Investing activities used net cash of 1.3 billion yen, a 46.0 billion yen decrease year on year. This was the result of 24.9 billion yen paid for property, plant and equipment, combined with 22.1 billion yen received from the sale of equipment for operating leases.

The foregoing resulted in positive free cash flows of 34.5 billion yen, 44.1 billion yen more year on year.

Financing activities used net cash of 0.7 billion yen as a result of repayment of debt. This was 1.0 billion yen less than the corresponding period of the previous fiscal year, mainly due to the cancellation of dividend payments.

As a result of the above, cash and cash equivalents increased 35.3 billion yen in the three months ended December 31, 2005. Compared to the three months ended December 31, 2004, where cash and cash equivalents decreased 12.3 billion yen, this represents a 47.6 billion yen year on year difference.

### III. Condensed Consolidated Financial Statements

#### Condensed Consolidated Statements of Operations (Three Months)

|   | Three Months Ended<br>December 31, 2005 |             |                   | Three Months<br>Ended<br>December 31, 2004 |                   | Increase<br>(Decrease)<br>Million Yen |
|---|---|-------------|-------------------|--|-------------------|---------------------------------------|
|   | Million Yen                             | Million USD | % of Net<br>Sales | Million Yen                                | % of Net<br>Sales |                                       |
| Net sales   | 162,688                                 | 1,379       | 100.0             | 165,320                                    | 100.0             | (2,632)                               |
| Cost of sales   | 119,392                                 | 1,012       | 73.4              | 116,193                                    | 70.3              | 3,199                                 |
| Research and development                                    | 30,041                                  | 255         | 18.5              | 28,218                                     | 17.1              | 1,823                                 |
| Selling, general, and<br>administrative expenses            | 20,283                                  | 172         | 12.4              | 19,739                                     | 11.9              | 544                                   |
| Operating income (loss)                                     | (7,028)                                 | (60)        | (4.3)             | 1,170                                      | 0.7               | (8,198)                               |
| Non-operating income  | 3,645                                   | 31          | 2.2               | 718  | 0.4               | 2,927                                 |
| Interest and dividends income                               | 346                                     | 3           |                   | 134  |                   | 212                                   |
| Other   | 3,299                                   | 28          |                   | 584  |                   | 2,715                                 |
| Non-operating expenses                                      | 1,007                                   | 8           | 0.6               | 1,675                                      | 1.0               | (668)                                 |
| Interest  | 253                                     | 2           |                   | 203  |                   | 50                                    |
| Other   | 754                                     | 6           |                   | 1,472                                      |                   | (718)                                 |
| Income (loss) before income taxes                           | (4,390)                                 | (37)        | (2.7)             | 213  | 0.1               | (4,603)                               |
| Provision (benefit) for income taxes                        | (1,778)                                 | (15)        | (1.1)             | 83   | ---               | (1,861)                               |
| Minority interest in losses<br>of consolidated subsidiaries | (57)                                    | ---         | ---               | (351)                                      | (0.2)             | 294                                   |
| Net income (loss)   | (2,555)                                 | (22)        | (1.6)             | 481  | 0.3               | (3,036)                               |

#### Notes

1. The consolidated financial statements of NEC Electronics are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
2. The figures for operating income (loss) shown above represent net sales minus the cost of sales, research and development, and selling, general and administrative expenses.

## Condensed Consolidated Statements of Operations (Nine Months)

|   | Nine Months Ended<br>December 31, 2005 |             |                   | Nine Months Ended<br>December 31, 2004 |                   | Increase<br>(Decrease) | Year Ended<br>March 31, 2005 |                   |
|---|--|-------------|-------------------|--|-------------------|------------------------|------------------------------|-------------------|
|   | Million Yen                            | Million USD | % of Net<br>Sales | Million Yen                            | % of Net<br>Sales |                        | Million Yen                  | % of Net<br>Sales |
| Net sales   | 475,632                                | 4,031       | 100.0             | 542,147                                | 100.0             | (66,515)               | 708,014                      | 100.0             |
| Cost of sales   | 348,726                                | 2,956       | 73.3              | 368,114                                | 67.9              | (19,388)               | 485,871                      | 68.6              |
| Research and development                                    | 84,848                                 | 719         | 17.8              | 80,981                                 | 14.9              | 3,867                  | 107,942                      | 15.2              |
| Selling, general, and<br>administrative expenses            | 61,235                                 | 519         | 12.9              | 61,218                                 | 11.3              | 17                     | 81,025                       | 11.5              |
| Operating income (loss)                                     | (19,177)                               | (163)       | (4.0)             | 31,834                                 | 5.9               | (51,011)               | 33,176                       | 4.7               |
| Non-operating income  | 4,539                                  | 39          | 1.0               | 2,731                                  | 0.5               | 1,808                  | 3,044                        | 0.4               |
| Interest and dividends income                               | 769                                    | 7           |                   | 343                                    |                   | 426                    | 489                          |                   |
| Other   | 3,770                                  | 32          |                   | 2,388                                  |                   | 1,382                  | 2,555                        |                   |
| Non-operating expenses                                      | 3,412                                  | 29          | 0.8               | 5,262                                  | 1.0               | (1,850)                | 9,811                        | 1.4               |
| Interest  | 614                                    | 5           |                   | 597                                    |                   | 17                     | 749                          |                   |
| Other   | 2,798                                  | 24          |                   | 4,665                                  |                   | (1,867)                | 9,062                        |                   |
| Income (loss) before income taxes                           | (18,050)                               | (153)       | (3.8)             | 29,303                                 | 5.4               | (47,353)               | 26,409                       | 3.7               |
| Provision (benefit) for income taxes                        | (7,310)                                | (62)        | (1.5)             | 11,428                                 | 2.1               | (18,738)               | 10,714                       | 1.5               |
| Minority interest in losses<br>of consolidated subsidiaries | (301)                                  | (3)         | (0.1)             | (505)                                  | (0.1)             | 204                    | (336)                        | (0.1)             |
| Net income (loss)   | (10,439)                               | (88)        | (2.2)             | 18,380                                 | 3.4               | (28,819)               | 16,031                       | 2.3               |

### Notes

3. The consolidated financial statements of NEC Electronics are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.
4. The figures for operating income (loss) shown above represent net sales minus the cost of sales, research and development, and selling, general and administrative expenses.

## Condensed Consolidated Balance Sheets

|   | December 31, 2005 |              | September 30,<br>2005 | Increase<br>(Decrease) | March 31,<br>2005 |
|---|-------------------|--------------|-----------------------|------------------------|-------------------|
|   | Million Yen       | Million USD  | Million Yen           | Million Yen            | Million Yen       |
| Current assets  | 453,689           | 3,845        | 424,220               | 29,469                 | 418,641           |
| Cash and cash equivalents                                     | 236,939           | 2,008        | 201,651               | 35,288                 | 225,691           |
| Notes and accounts receivable, trade                          | 99,576            | 844          | 113,269               | (13,693)               | 100,287           |
| Inventories   | 77,568            | 657          | 72,171                | 5,397                  | 67,718            |
| Other current assets  | 39,606            | 336          | 37,129                | 2,477                  | 24,945            |
| Long-term assets  | 356,753           | 3,023        | 375,525               | (18,772)               | 395,581           |
| Investments   | 13,996            | 119          | 12,348                | 1,648                  | 10,673            |
| Property, plant and equipment                                 | 305,968           | 2,593        | 324,684               | (18,716)               | 343,491           |
| Other assets  | 36,789            | 311          | 38,493                | (1,704)                | 41,417            |
| <b>Total assets</b>   | <b>810,442</b>    | <b>6,868</b> | <b>799,745</b>        | <b>10,697</b>          | <b>814,222</b>    |
| Current liabilities   | 204,083           | 1,729        | 196,190               | 7,893                  | 202,726           |
| Short-term borrowings and current portion of long-term debt   | 15,227            | 129          | 15,044                | 183                    | 15,534            |
| Notes and accounts payable, trade                             | 128,269           | 1,087        | 117,548               | 10,721                 | 123,096           |
| Other current liabilities                                     | 60,587            | 513          | 63,598                | (3,011)                | 64,096            |
| Long-term liabilities   | 213,810           | 1,812        | 211,529               | 2,281                  | 213,689           |
| Long-term debt  | 138,720           | 1,176        | 136,880               | 1,840                  | 137,435           |
| Accrued pension and severance costs                           | 74,855            | 634          | 74,424                | 431                    | 76,254            |
| Other   | 235               | 2            | 225                   | 10                     | ---               |
| Minority shareholders' equity in consolidated subsidiaries    | 3,997             | 34           | 3,888                 | 109                    | 3,944             |
| Shareholders' equity  | 388,552           | 3,293        | 388,138               | 414                    | 393,863           |
| Common stock  | 85,955            | 728          | 85,955                | ---                    | 85,955            |
| Additional paid-in capital                                    | 274,916           | 2,330        | 274,916               | ---                    | 276,687           |
| Retained earnings   | 30,390            | 258          | 32,945                | (2,555)                | 40,829            |
| Accumulated other comprehensive income (loss)                 | (2,709)           | (23)         | (5,678)               | 2,969                  | (9,608)           |
| <b>Total liabilities and shareholders' equity</b>             | <b>810,442</b>    | <b>6,868</b> | <b>799,745</b>        | <b>10,697</b>          | <b>814,222</b>    |
| Interest-bearing debt   | 153,947           | 1,305        | 151,924               | 2,023                  | 152,969           |
| Equity ratio  | 47.9%             |              | 48.5%                 |                        | (0.6%)            |
| Debt / equity ratio   | 0.40 times        |              | 0.39 times            |                        | 0.01 times        |
| Accumulated other comprehensive income (loss):                |                   |              |                       |                        |                   |
| Foreign currency translation adjustments                      | 6,310             | 53           | 4,708                 | 1,602                  | 2,956             |
| Minimum pension liability adjustment                          | (14,321)          | (121)        | (14,655)              | 334                    | (16,040)          |
| Unrealized gains (losses) on marketable securities            | 5,298             | 45           | 4,258                 | 1,040                  | 3,450             |
| Unrealized gains (losses) on derivative financial instruments | 4                 | ---          | 11                    | (7)                    | 26                |

## Condensed Consolidated Statements of Cash Flows (Three Months)

|   | Three Months Ended<br>December 31, 2005 |             | Three Months<br>Ended<br>December 31,<br>2004 | Increase<br>(Decrease) |
|---|---|-------------|---|------------------------|
|   | Million Yen                             | Million USD | Million Yen                                   | Million Yen            |
| <b>I. Cash flows from operating activities</b>  |   |             |   |                        |
| Net income (loss)   | (2,555)                                 | (22)        | 481   | (3,036)                |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities |   |             |   |                        |
| Depreciation and amortization   | 22,521                                  | 191         | 24,589  | (2,068)                |
| Decrease in notes and accounts receivable   | 15,499                                  | 131         | 13,103  | 2,396                  |
| (Increase) decrease in inventories  | (4,436)                                 | (38)        | 1,215   | (5,651)                |
| Increase in notes and accounts payable  | 11,706                                  | 99          | 5,717   | 5,989                  |
| Other, net  | (6,950)                                 | (58)        | (7,396)                                       | 446                    |
| Net cash provided by operating activities   | 35,785                                  | 303         | 37,709  | (1,924)                |
| <b>II. Cash flows from investing activities</b>   |   |             |   |                        |
| Proceeds from sales of property, plant and equipment                                    | 22,065                                  | 187         | 606   | 21,459                 |
| Additions to property, plant and equipment  | (24,893)                                | (211)       | (46,150)                                      | 21,257                 |
| Proceeds from sales of marketable securities  | 50                                      | ---         | 107   | (57)                   |
| Increase in loans receivable  | ---                                     | ---         | (1,085)                                       | 1,085                  |
| Other, net  | 1,473                                   | 13          | (757)   | 2,230                  |
| Net cash used in investing activities   | (1,305)                                 | (11)        | (47,279)                                      | 45,974                 |
| Free cash flows ( I + II )  | 34,480                                  | 292         | (9,570)                                       | 44,050                 |
| <b>III. Cash flows from financing activities</b>  |   |             |   |                        |
| Repayments of borrowings  | (670)                                   | (6)         | (482)   | (188)                  |
| Dividends paid  | (1)                                     | ---         | (1,139)                                       | 1,138                  |
| Net cash used in financing activities   | (671)                                   | (6)         | (1,621)                                       | 950                    |
| Effect of exchange rate changes on cash and cash equivalents                            | 1,479                                   | 13          | (1,109)                                       | 2,588                  |
| Net increase (decrease) in cash and cash equivalents                                    | 35,288                                  | 299         | (12,300)                                      | 47,588                 |
| Cash and cash equivalents at beginning of period  | 201,651                                 | 1,709       | 238,097                                       | (36,446)               |
| Cash and cash equivalents at end of period  | 236,939                                 | 2,008       | 225,797                                       | 11,142                 |

## Condensed Consolidated Statements of Cash Flows (Nine Months)

|   | Nine Months Ended<br>December 31, 2005 |             | Nine Months<br>Ended<br>December 31,<br>2004 | Increase<br>(Decrease) | Year Ended<br>March 31,<br>2005 |
|---|--|-------------|--|------------------------|---------------------------------|
|   | Million Yen                            | Million USD | Million Yen                                  | Million Yen            | Million Yen                     |
| <b>I. Cash flows from operating activities</b>  |  |             |  |                        |                                 |
| Net income (loss)   | (10,439)                               | (88)        | 18,380                                       | (28,819)               | 16,031                          |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities |  |             |  |                        |                                 |
| Depreciation and amortization   | 64,721                                 | 548         | 69,738                                       | (5,017)                | 95,999                          |
| Decrease in notes and accounts receivable   | 5,239                                  | 44          | 15,716                                       | (10,477)               | 9,975                           |
| (Increase) decrease in inventories  | (8,108)                                | (69)        | 2,888  | (10,996)               | 5,024                           |
| Increase (decrease) in notes and accounts payable                                       | 14,598                                 | 124         | 6,415  | 8,183                  | (9,417)                         |
| Other, net  | (15,574)                               | (132)       | 2,803  | (18,377)               | 11,541                          |
| Net cash provided by operating activities   | 50,437                                 | 427         | 115,940                                      | (65,503)               | 129,153                         |
| <b>II. Cash flows from investing activities</b>   |  |             |  |                        |                                 |
| Proceeds from sales of property, plant and equipment                                    | 51,280                                 | 435         | 2,880  | 48,400                 | 45,544                          |
| Additions to property, plant and equipment  | (85,665)                               | (726)       | (122,858)                                    | 37,193                 | (176,391)                       |
| Proceeds from sales of marketable securities  | 395                                    | 3           | 107  | 288                    | 150                             |
| Decrease in loans receivable  | ---                                    | ---         | 3,358  | (3,358)                | 6,669                           |
| Other, net  | (1,488)                                | (13)        | (2,097)                                      | 609                    | (2,068)                         |
| Net cash used in investing activities   | (35,478)                               | (301)       | (118,610)                                    | 83,132                 | (126,096)                       |
| Free cash flows ( I + II )  | 14,959                                 | 126         | (2,670)                                      | 17,629                 | 3,057                           |
| <b>III. Cash flows from financing activities</b>  |  |             |  |                        |                                 |
| Net proceeds from (repayments of) borrowings  | (2,975)                                | (25)        | 67,001                                       | (69,976)               | 60,583                          |
| Dividends paid  | (1,235)                                | (10)        | (3,608)                                      | 2,373                  | (3,703)                         |
| Other, net  | (1,974)                                | (17)        | (1)  | (1,973)                | (2)                             |
| Net cash provided by (used in) financing activities                                     | (6,184)                                | (52)        | 63,392                                       | (69,576)               | 56,878                          |
| Effect of exchange rate changes on cash and cash equivalents                            | 2,473                                  | 21          | (385)  | 2,858                  | 296                             |
| Net increase in cash and cash equivalents   | 11,248                                 | 95          | 60,337                                       | (49,089)               | 60,231                          |
| Cash and cash equivalents at beginning of period  | 225,691                                | 1,913       | 165,460                                      | 60,231                 | 165,460                         |
| Cash and cash equivalents at end of period  | 236,939                                | 2,008       | 225,797                                      | 11,142                 | 225,691                         |

## Segment Information (Three Months)

### Breakdown of Net Sales by Region

|                          | Three Months Ended<br>December 31, 2005 |             |            | Three Months<br>Ended<br>December 31, 2004 |            | Increase<br>(Decrease) |
|--------------------------|---|-------------|------------|--|------------|------------------------|
|                          | Million Yen                             | Million USD | % of Total | Million Yen                                | % of Total | % Change               |
| Japan                    | 88,321                                  | 749         | 54.3       | 97,279                                     | 58.8       | (9.2)                  |
| United States of America | 19,787                                  | 168         | 12.2       | 18,620                                     | 11.3       | 6.3                    |
| Europe                   | 17,118                                  | 145         | 10.5       | 18,632                                     | 11.3       | (8.1)                  |
| Asia                     | 37,462                                  | 317         | 23.0       | 30,789                                     | 18.6       | 21.7                   |
| Total                    | 162,688                                 | 1,379       | 100.0      | 165,320                                    | 100.0      | (1.6)                  |

### Breakdown of Profit / Loss by Region

|                          | Three Months Ended<br>December 31, 2005 |             |            | Three Months<br>Ended<br>December 31, 2004 |            | Increase<br>(Decrease) |
|--------------------------|---|-------------|------------|--|------------|------------------------|
|                          | Million Yen                             | Million USD | % of Total | Million Yen                                | % of Total | Million Yen            |
| Japan                    | (10,976)                                | (93)        | ---        | (3,294)                                    | (281.5)    | (7,682)                |
| United States of America | 2,449                                   | 21          | ---        | 2,213                                      | 189.1      | 236                    |
| Europe                   | (122)                                   | (1)         | ---        | 514  | 43.9       | (636)                  |
| Asia                     | 1,621                                   | 13          | ---        | 1,737                                      | 148.5      | (116)                  |
| Total                    | (7,028)                                 | (60)        | ---        | 1,170                                      | 100.0      | (8,198)                |

### Breakdown of Net Sales by Market Application

|  | Three Months Ended<br>December 31, 2005 |             |         | Three Months Ended<br>December 31, 2004 |         | Increase (Decrease) |             |
|--|---|-------------|---------|---|---------|---------------------|-------------|
|  | Million Yen                             | Million USD | % Total | Million Yen                             | % Total | Million Yen         | %<br>Change |
| Communications                           | 27,446                                  | 233         | 16.9    | 31,409                                  | 19.0    | (3,963)             | (12.6)      |
| Computing and peripherals                | 33,426                                  | 283         | 20.5    | 32,736                                  | 19.8    | 690                 | 2.1         |
| Consumer electronics                     | 26,674                                  | 226         | 16.4    | 25,308                                  | 15.3    | 1,366               | 5.4         |
| Automotive and industrial                | 24,681                                  | 209         | 15.2    | 24,587                                  | 14.9    | 94                  | 0.4         |
| Multi-market ICs                         | 17,712                                  | 150         | 10.9    | 18,225                                  | 11.0    | (513)               | (2.8)       |
| Discrete, optical, and microwave devices | 26,813                                  | 227         | 16.5    | 28,428                                  | 17.2    | (1,615)             | (5.7)       |
| Subtotal                                 | 156,752                                 | 1,328       | 96.4    | 160,693                                 | 97.2    | (3,941)             | (2.5)       |
| Other                                    | 5,936                                   | 51          | 3.6     | 4,627                                   | 2.8     | 1,309               | 28.3        |
| Total                                    | 162,688                                 | 1,379       | 100.0   | 165,320                                 | 100.0   | (2,632)             | (1.6)       |

## Segment Information (Nine Months)

### Breakdown of Net Sales by Region

|                          | Nine Months Ended<br>December 31, 2005 |             |            | Nine Months Ended<br>December 31, 2004 |            | Increase<br>(Decrease) | Year Ended<br>March 31, 2005 |            |
|--------------------------|--|-------------|------------|--|------------|------------------------|------------------------------|------------|
|                          | Million Yen                            | Million USD | % of Total | Million Yen                            | % of Total | % Change               | Million Yen                  | % of Total |
| Japan                    | 260,974                                | 2,212       | 54.8       | 313,561                                | 57.8       | (16.8)                 | 407,646                      | 57.6       |
| United States of America | 56,948                                 | 482         | 12.0       | 63,513                                 | 11.7       | (10.3)                 | 79,453                       | 11.2       |
| Europe                   | 52,710                                 | 447         | 11.1       | 58,056                                 | 10.7       | (9.2)                  | 79,946                       | 11.3       |
| Asia                     | 105,000                                | 890         | 22.1       | 107,017                                | 19.8       | (1.9)                  | 140,969                      | 19.9       |
| Total                    | 475,632                                | 4,031       | 100.0      | 542,147                                | 100.0      | (12.3)                 | 708,014                      | 100.0      |

### Breakdown of Profit / Loss by Region

|                          | Nine Months Ended<br>December 31, 2005 |             |            | Nine Months Ended<br>December 31, 2004 |            | Increase<br>(Decrease) | Year Ended<br>March 31, 2005 |            |
|--------------------------|--|-------------|------------|--|------------|------------------------|------------------------------|------------|
|                          | Million Yen                            | Million USD | % of Total | Million Yen                            | % of Total | Million Yen            | Million Yen                  | % of Total |
| Japan                    | (31,465)                               | (267)       | ---        | 17,321                                 | 54.4       | (48,786)               | 12,597                       | 38.0       |
| United States of America | 6,554                                  | 55          | ---        | 6,850                                  | 21.5       | (296)                  | 9,650                        | 29.1       |
| Europe                   | (116)                                  | (1)         | ---        | 1,320                                  | 4.2        | (1,436)                | 1,851                        | 5.6        |
| Asia                     | 5,850                                  | 50          | ---        | 6,343                                  | 19.9       | (493)                  | 9,078                        | 27.3       |
| Total                    | (19,177)                               | (163)       | ---        | 31,834                                 | 100.0      | (51,011)               | 33,176                       | 100.0      |

### Breakdown of Net Sales by Market Application

|  | Nine Months Ended<br>December 31, 2005 |             |         | Nine Months Ended<br>December 31, 2004 |         | Increase (Decrease) |          | Year Ended<br>March 31, 2005 |         |
|--|--|-------------|---------|--|---------|---------------------|----------|------------------------------|---------|
|  | Million Yen                            | Million USD | % Total | Million Yen                            | % Total | Million Yen         | % Change | Million Yen                  | % Total |
| Communications                           | 77,431                                 | 656         | 16.3    | 108,160                                | 20.0    | (30,729)            | (28.4)   | 138,010                      | 19.5    |
| Computing and peripherals                | 93,211                                 | 790         | 19.6    | 109,502                                | 20.2    | (16,291)            | (14.9)   | 140,941                      | 19.9    |
| Consumer electronics                     | 77,122                                 | 654         | 16.2    | 78,057                                 | 14.4    | (935)               | (1.2)    | 101,278                      | 14.3    |
| Automotive and industrial                | 76,296                                 | 647         | 16.0    | 75,350                                 | 13.9    | 946                 | 1.3      | 102,784                      | 14.5    |
| Multi-market ICs                         | 52,094                                 | 441         | 11.0    | 58,088                                 | 10.7    | (5,994)             | (10.3)   | 78,575                       | 11.1    |
| Discrete, optical, and microwave devices | 80,948                                 | 686         | 17.0    | 91,893                                 | 16.9    | (10,945)            | (11.9)   | 118,172                      | 16.7    |
| Subtotal                                 | 457,102                                | 3,874       | 96.1    | 521,050                                | 96.1    | (63,948)            | (12.3)   | 679,760                      | 96.0    |
| Other                                    | 18,530                                 | 157         | 3.9     | 21,097                                 | 3.9     | (2,567)             | (12.2)   | 28,254                       | 4.0     |
| Total                                    | 475,632                                | 4,031       | 100.0   | 542,147                                | 100.0   | (66,515)            | (12.3)   | 708,014                      | 100.0   |

## Capital Expenditures and R&D Expenses

### Three Months

|                               | Three Months Ended<br>December 31, 2005 |             | Three Months<br>Ended<br>December 31,<br>2004 | Increase<br>(Decrease) |
|-------------------------------|---|-------------|---|------------------------|
|                               | Million Yen                             | Million USD | Million Yen                                   | Million Yen            |
| Capital expenditures          | 14,771                                  | 125         | 29,301  | (14,530)               |
| Depreciation and amortization | 22,521                                  | 191         | 24,589  | (2,068)                |
| R&D expenses                  | 30,041                                  | 255         | 28,218  | 1,823                  |

### Nine Months

|                               | Nine Months Ended<br>December 31, 2005 |             | Nine Months<br>Ended<br>December 31,<br>2004 | Increase<br>(Decrease) | Year Ended<br>March 31, 2005 |
|-------------------------------|--|-------------|--|------------------------|------------------------------|
|                               | Million Yen                            | Million USD | Million Yen                                  | Million Yen            | Million Yen                  |
| Capital expenditures          | 61,344                                 | 520         | 141,841                                      | (80,497)               | 163,173                      |
| Depreciation and amortization | 64,721                                 | 548         | 69,738                                       | (5,017)                | 95,999                       |
| R&D expenses                  | 84,848                                 | 719         | 80,981                                       | 3,867                  | 107,942                      |

Note: Capital expenditures refer to payments for tangible assets, excluding software.

## **Forward-Looking Statements**

The statements in this press release with respect to the plans, strategies and financial outlook of NEC Electronics and its consolidated subsidiaries (collectively "NEC Electronics") are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may differ materially from such forward-looking statements due to several important factors including, but 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, products and services in the marketplace; ability to continue to win acceptance of products and services in these highly competitive markets; and fluctuations in currency exchange rates, particularly between the yen and the U.S. dollar. Among other factors, downturn of the world economy; deteriorating financial conditions in world markets, or deterioration in domestic and overseas stock markets, may cause actual results to differ from the projected results forecast.

## **About NEC Electronics**

NEC Electronics Corporation (TSE: 6723) specializes in semiconductor products encompassing advanced technology solutions for the high-end computing and broadband networking markets, system solutions for the mobile handsets, PC peripherals, automotive and digital consumer markets, and multi-market solutions for a wide range of customer applications. NEC Electronics Corporation has 26 subsidiaries worldwide including NEC Electronics America, Inc. ([www.am.necel.com](http://www.am.necel.com)) and NEC Electronics (Europe) GmbH ([www.eu.necel.com](http://www.eu.necel.com)). For additional information about NEC Electronics worldwide, visit [www.necel.com](http://www.necel.com).

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