

FY09/3 Third Quarter (October to December) Q&A

1. What are the factors which caused the third quarter results to be lower than the previous estimates on October 21, 2008?

- A. Semiconductor sales for the third quarter were 122.7 billion yen, a 23% decrease from the previous quarter due to the significant decrease in semiconductor demand. By application, sales of display driver ICs and semiconductors for automotives declined. In addition, LSIs for blu-ray devices which had been strong in the previous quarter began to slow down.

We recorded operating loss of 16.2 billion yen for the third quarter. Despite slashing R&D and SGA expenses, a large decline in semiconductor sales affected profitability.

2. What is the outlook for the fourth quarter (January to March 2009)? Which application worsens from the third quarter?

- A. We expect the fourth quarter sales decrease by 27% quarter on quarter, amounting 89.0 billion yen, estimating that the economic environment be even more severe in the fourth quarter. Assumed foreign exchange rates for the fourth quarter are, 90 yen per U.S. dollar and 125 yen per Euro.

We expect sales decrease across all application from the third quarter. However, we expect the largest declines in sales of semiconductors for automotives and display driver ICs.

As a result of a significant decline in semiconductor sales, we expect to record operating loss of approximately 40.0 billion yen.

3. How does the company cut fixed costs by 80 billion yen in two years? Is the 80 billion yen cost reduction enough for the company to recover from financial downturn?

The company plans to slash fixed costs by 80 billion yen in the next two fiscal years, and to improve break-even point for the fiscal year ending March 2011 to 500 billion yen.

First, we will reduce fixed costs by 60 billion yen next fiscal year by cutting manufacturing-related costs, R&D and other expenses. In the fiscal year ending March 2011, we will slash fixed costs by 20 billion yen at the least, mainly by accelerating realignment of manufacturing framework.

The company will not stop at the measures announced on January 29, 2009. We will work on other measures to push cost reduction even further, and execute structural

reforms to improve the company's financial performance.

4. The recent news speculated that a consolidation among semiconductor companies may occur. What is the company's view on alliances with other semiconductor peers?

The company believes that it is our first priority to set forth a solid plan to recover financial performance, and proceed with structural reforms. However, the company will consider every option for the revival of NEC Electronics, including merger or alliances with our peers.