

FY10/3 First Quarter (April-June) Q&A

Q1. How does the company analyze the first quarter financial results compared with the estimates at the beginning of the quarter? Improvements in profitability seem weak compared with sales growth?

A1: Semiconductor sales for the first quarter were 98 billion yen, a 21 % increase quarter on quarter, and better than the company's original estimates of 15% growth. This was due to sales expansion of multi-purpose products, such as discrete semiconductors, and LCD driver ICs, as well as better-than-expected revenue for automotive semiconductors.

Operating loss was 20.9 billion yen, a significantly improvement from the previous quarter, and in line with the company estimates. This was due to a temporary demand lag in production as a result of manufacturing adjustments in the previous quarter.

Q2:What is the outlook for the second quarter (July-September) results?

A2:Semiconductor sales for the second quarter are expected to grow by more than 9% quarter on quarter. We expect multi-purpose products and LCD driver ICs to keep strong sales, and automotive semiconductors will continue to show solid growth. In addition, semiconductors for digital AV devices, such as blu-ray players/recorders will show healthy growth.

Operating loss for the second quarter is expected to amount approximately 4.0 billion yen. We expect profitability will improve from higher manufacturing utilization rates of more than 65%, a 14% points greater than the first quarter utilization rates at 51%.

Q3:Overall market conditions seem to be on recovery. What is the company outlook for the second half and full year results?

A3:The outlook for the second half of the fiscal year remain unclear, however, the semiconductor market is steadily recovering, and we believe the business environment will not deteriorate further. However, the company will watch order trends carefully in order to operate production responsive to order fluctuations. Furthermore, we aim to attain operating profit for the full year, by implementing cost reduction measures diligently.

Q4: What are the reasons behind the one-month delay of merger agreement with Renesas Technology?

A4: NEC Electronics and Renesas Technology have been in negotiations to integrate business operations, with plans to conclude a definitive agreement by the end of July. However, due to delay in completing due-diligence on the companies' assets including the manufacturing and sales sites worldwide, the companies have decided to postpone the

contract day.

The companies will continue to engage in proactive negotiations aiming to reach a definitive agreement by the end of August.