

FY08/3 Third Quarter (October to December) Q&A

1. How were Q3 results compared to the Company's expectations?

A1. Semiconductor sales for Q3 were 163.7 billion yen, a 3% decrease quarter on quarter. Although sales for automotive microcontrollers and LSIs for game consoles showed solid growth, sales declines in LSIs for mobile handsets and inventory adjustments for general-purpose microcontrollers led to slightly lower-than-expected Q3 semiconductor sales. Operating income was 3 billion yen, due to diligent cost reduction, recording profits for two consecutive quarters.

2. What is the impact from currency fluctuations?

A2. On an operating income (loss) basis, the impact from 1 yen fluctuation is approximately 100 million yen per month for U.S. dollars. The Company's structure is such that profits decline as the yen grows stronger. The impact from Euro is very small. The actual exchange rate for Q3 was 114 yen per 1 U.S. dollar, a 1 yen stronger than the estimated rate of 115 yen per 1 U.S. dollar. The impact on Q3 operating income from currency fluctuations was negligible.

3. What is the outlook for Q4 (Jan. to March)?

A3. NEC Electronics sets the minimum semiconductor sales target for Q4 to be flat quarter on quarter, and aims for further increase in sales. The company expects an increase in depreciation and currency fluctuations, which will pull profits down on an operating income (loss) basis. However, NEC Electronics is committed to securing operating profits for the second half of the fiscal year ending March, 2008, and working to improve profitability further.

4. How did NEC Electronics progress on its plan to reduce 20 billion yen in fixed costs year on year?

A4. On nine months cumulative basis, the Company cut approximately 14 billion yen in fixed costs thus far. NEC Electronics reduced more than planned amount in the first half of the fiscal year, and it works to enhance efficiency into Q4 to push cost reduction even further than the planned 20 billion for this fiscal year.

5. What is the outlook for the next fiscal year ending March, 2009?

A5. NEC Electronics aims to attain profits at the net income level in the next fiscal year. The Company continues to work in reducing fixed costs further, at the same time, to expand sales. Currently, NEC Electronics is carefully observing uncertain market conditions and currency fluctuations in drawing up the outlook for the next fiscal year, and it will announce the details at the full-year financial announcement.