

FY07/3 First Quarter (April-June) Q&A

- 1. What are the reasons for a decrease in sales for the first quarter (April-June) from the previous quarter?**
 - A. There were sales decline for digital baseband LSIs due to production adjustments for mobile handsets in the Japanese market, and a decrease in sales of LSIs for DVD drive, which were affected by a slowdown in the PC market resulting in temporary adjustments in related procurement. Our sales were also lower for the first quarter in the amount of 4.0 billion yen compared with our estimates.
- 2. Are there improvements in operating profits?**
 - A. Operating losses were 5.8 billion yen, which was an increase in profit in the amount of 10.7 billion yen from the previous quarter. There were, however, one-time factors involving expensing technology assets in the amount of 9.0 billion yen in the previous quarter. Hence, actual improvements in profits were 1.7 billion yen. Operating losses were slightly larger than our estimates.
- 3. What do we expect to see in the second quarter (July-September)? Are there any risk factors in achieving the forecasts?**
 - A. Our forecasts remain unchanged from those previously announced in April, in which we expect an increase in sales and an improvement in profits for the second quarter. The increase in sales is mainly attributable to shipments of LSIs for a new game console, which should not be affected by the semiconductor market trends. Additionally, microcontrollers and discretets also show a solid recovery. On the other hand, there are risk factors such as continued adjustments for LCD driver ICs for large panels, production adjustments in consumer electronics area and price hikes in materials due to increasing demand from vendors.
- 4. What are Capex, depreciation & lease and R&D expenses for the first quarter, and what do we expect for the second quarter?**
 - A. We spent 40.2 billion yen for Capex, 26.8 billion yen for depreciation and lease, and 31.0 billion yen for R&D expenses for the first quarter. For the fiscal year ending March 2007, we expect to spend 100 billion yen for Capex, 122 billion yen for depreciation and lease, and 120 billion yen for R&D expenses. Our forecasts for the full year spending remain unchanged from the previous announcements in April.
- 5. Other non-operating income and loss seem larger than usual. Were there special factors?**
 - A. We posted 3.6 billion yen for other non-operating losses, which include about 2.0 billion yen of restructuring costs involving closing down of Ireland plant and 200mm pilot line in

Sagamihara. We also posted 4.3 billion yen for other non-operating income, which were largely contributed by gain on contribution of securities to a newly established retirement benefit trust. We set our shares of stock for 5 major distributors to set up a retirement benefit trust in order to secure the financial resources to fund the pension program and restructuring costs.