

## **FY07/3 Second Quarter (July ~ Sept.) Q&A**

- 1. What are the reasons for a 10 billion decrease in sales for the full-year forecasts?**
  - A. The decrease in sales for the fiscal year financial forecasts is mainly due to declines in sales of LSIs for mobile handsets, digital AVs, and computing and peripherals.
  
- 2. Why do sales increase from 1H (April ~June) to 2H (July ~March) when the financial forecasts for the full-year were revised downward?**
  - A. Sales of LSIs for game consoles and auto-related area are expected to grow for 2H of the fiscal year. Sales of LSIs for mobile handsets are expected to show recovery in Q4 (Jan. ~ March)
  
- 3. Why are R&D expenses increasing? Operating profits were achievable if not for the increase in R&D?**
  - A. We have been careful to select areas and products in which we spend R&D expenses. We invest intensively in Application Specific Standard Products (ASSP) and MCUs where we expect future growth. We plan to spend 128 billion yen for R&D, an increase in the amount of 8billion yen from the previous guidance.
  
- 4. Investors and stakeholders were expecting the company to announce its midterm strategy. What happened?**
  - A. We had originally hoped to unveil the company's new midterm strategy; however, considering the immediate and urgent changes we face, we felt it was more important to focus on near-term measures to improve business performance during the announcement of 1H financial results. NEC Electronics is working diligently to improve its business performance for the second half of the fiscal year.