

FY07/3 Full-Year Results Q&A

1. NEC Electronics recorded losses for two consecutive years. What is the forecast for the financial results ending March 2008 and will NEC Electronics return profits this year?

A. For this fiscal year, we expect to post 670.0 billion yen for semiconductor sales, approximately 1.5% increase year on year. We estimate that business conditions remain slow for the first half of the fiscal year, however, we believe sales will pick up in the latter half leading up to the Beijing Olympics in 2008. From the standpoint of profits, we expect improvements in profits driven by several measures that we are implementing to enhance business efficiency, such as reduction in fixed costs. In addition we expect increase in profits from sales increase. All in all, we expect to attain zero billion yen for operating profits for the fiscal year.

2. In which application or products do we expect to see sales growth?

A. We expect to see growth in Consumer Electronics, Auto and industrial, and Multi-market ICs categories for the fiscal year. As for products, we have good expectations for the EMMA™ Series graphics-processing LSIs used in digital TVs and DVD recorders, system LSIs for game consoles, and general purpose microcontrollers including All Flash™ microcontrollers. We also expect to see a solid growth in sales for Auto and industrial category, driven by the greater application of electronics in the car.

3. What is the outlook for CAPEX, depreciation & lease, and R&D expenses for the fiscal year ending March 2008?

A. The outlook for CAPEX for this fiscal year is 70.0 billion yen, which is approximately 30.0 billion yen less than last year's spending. This is mainly because the 300 mm production capacity has now reached at a target level. Depreciation and lease are expected to total 112.0 billion yen, reducing approximately 4.0 billion yen year on year. We plan to spend 122.0 billion yen for R&D, reducing approximately 10.0 billion yen from the last fiscal year.

4. What are risks that may prevent NEC Electronics to achieve its goal in returning profits?

A. Our forecasts for the fiscal year ending March 2008 were prepared based on the most conservative scenario of the estimated semiconductor market growth. By thoroughly executing measures, such as reducing 20.0 billion yen in fixed costs, we will achieve operating profits. This is our commitment as management.