

FY08/3 Full-Year Results Q&A

1. What are the forecasts for the fiscal year ending March 2009?

A1: Semiconductor sales are estimated be 650 billion yen, which is approximately 1% decrease year on year. The Company expects an increase in semiconductor shipment levels, but the impact of a strong yen will have an adverse effect on sales growth.

2. What is the company's estimate of the foreign exchange impact?

A2: The forecasts for the current fiscal year are calculated at 100 yen per U.S. dollar, and 160 yen per Euro. Compared to the foreign exchange rates for the last fiscal year, which were at 116 yen per dollar and 161 yen per Euro, the strong yen should depress sales by approximately 30 billion yen and operating profits by 20 billion yen.

3. Which application areas are expected to grow and which areas are expected to decline in the current fiscal year?

A3: The Company expects sales growth in Automotive and Industrial, Multi-market ICs, and Discrete, Optical and Microwave Devices. In particular, microcontrollers for automobiles and multi-purpose devices, power management devices and compound semiconductors are expected to grow in sales. In addition, NEC Electronics expects to see growth in sales of LSIs for EMMA products, as well as LSIs for DVD drives. On the other hand, sales of driver ICs for large panels and LSIs for digital cameras are expected to decline.

4. What is the outlook for capital expenditures, depreciation and lease, and R&D expenses?

A4: The current fiscal year's forecasts for capital expenditures are set at 60 billion yen. The Company plans to invest in expanding 300mm production line at NEC Semiconductors Yamagata as well as reinforcing back-end production capacity. Depreciation and lease will be approximately 10.6 billion yen, a decrease by 3 billion yen from the previous fiscal year. R&D expenses will be approximately 115 billion yen, which is roughly at same levels as last fiscal year.

5. What is the outlook for Q1 (April to June)?

A5: Semiconductor sales for Q1 are estimated to increase slightly quarter on quarter. Although the Company expects some impact from the strong yen to certain degrees, lower depreciation and lease, as well as higher utilization rates will push sales to cost

ratio improvements, leading to profits on an operating basis. The Company continues to work hard in securing profits.