

FY06/3 Full-year Results Q&A

- 1. NEC Electronics recorded operating loss of 35.7 billion yen and net loss of 98.2 billion yen for the fiscal year ended March 2006. What is the forecast for financial results for the fiscal year ending March 2007 and will NEC Electronics return profits this year?**

A. For this fiscal year, we expect to see a 10% semiconductor sales growth, backed by a favorable business environment. As for profits, we set our goal for this fiscal year to be back in black, and to attain operating income of 5 billion yen.
- 2. NEC Electronics announced that it anticipates a 10% semiconductor sales growth from the previous fiscal year. In which application or products do we expect to see growth?**

A. We estimate an overall sales growth in every application. We expect to see more than 10% sales growth in application areas such as consumer electronics, communications and multi-market ICs. We are particularly anticipating growth in products such as graphic LSIs for digital TVs and DVD recorders, which we call EMMA series, LSIs for Nintendo's next-generation game consoles, mobile handset LSIs and microcontrollers. We also expect a steady growth in auto & industrial application, supported by an increase in automotive electronics.
- 3. What is the outlook for Capex, depreciation & lease, and R&D expenses for this fiscal year ending March 2007?**

A. We expect to spend 100 billion yen for Capex for this fiscal year. We expect an increase in equipment delivery in the first half of fiscal year due to capacity expansion at NEC Yamagata's 300mm line. We estimate about 122 billion yen for depreciation & lease expenses, which is a 3 billion yen increase from the previous fiscal year ended March 2006. We expect to spend about 120 billion yen for R&D expenses, which remains at the same level as the previous fiscal year.
- 4. What is the outlook for currency impact for this fiscal year ending March 2007?**

A. For the first half of fiscal year ending September 2006, we estimate US\$1= 115 yen. For the second half of fiscal year ending March 2007, we estimate US\$1 = 110 yen. A currency impact on operating income per 1 yen is estimated to be about 1.2 billion yen for this fiscal year.

5. What are the risk factors in achieving the forecast for this fiscal year?

- A. The risk factors include more-than-expected price erosion for LCD driver ICs, delayed recovery in microcontroller market and movements in currency exchange rates. Even with the adverse conditions, we strive to achieve our goal to be back in black this fiscal year by implementing measures to reduce costs and increase efficiency in development.