

**NEC Electronics announces establishment of new subsidiary company and integration of two assembly and testing subsidiaries**

**KAWASAKI, Japan, April 1, 2004** — NEC Electronics Corporation today announced separation and transfer of operations of two company divisions to incorporate a new subsidiary company and integration of assembly and testing operations of two manufacturing subsidiaries. Two divisions of NEC Electronics, ULSI Manufacturing Engineering Division and Advanced SoC Line Operation Division, both engaged in advanced product manufacturing and related services, are scheduled to be separated on July 1st this year to become one of the wholly-owned subsidiaries of NEC Electronics. At the same time, the assembly and testing operations of NEC Yamaguchi, Ltd. will be separated and transferred to NEC Semiconductors Kyushu, Ltd. on October 1st this year, becoming one of the two assembly and testing companies NEC Electronics owns in Japan. These reorganization plans are part of the NEC Electronics' management reform initiative aimed to improve overall production efficiency through organizational restructuring.

**New founded company**

The ULSI Manufacturing Engineering Division and Advanced SoC Line Operation Division are both located in the Sagamihara compound of NEC Electronics, about 30 kilometers west of Tokyo. The new company, to be named in the future, will assume operations of the two divisions and will provide three main services: prototyping services including advanced process fabrication; mass production-related services such as establishment of new process line and contract production; and equipment related services such as development, sales, and maintenance of equipment and components. All the shares of the new company will be allocated to NEC Electronics. With approximately 1,300 employees, the new company is projected to have annual sales of about 22 billion yen in fiscal year 2004 ending March 2005. By separating operations related mainly to advanced manufacturing skills and services that differ greatly in nature from other NEC Electronics' business operations, the company intends to strengthen focus on providing semiconductor solutions with improved management efficiency. Under the new structure, all manufacturing operations at NEC Electronics will be undertaken by the company's subsidiaries and affiliates.

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### **Integration of assembly and testing subsidiaries**

Upon the integration of NEC Yamaguchi's back-end production (assembly and testing) operations into NEC Semiconductors Kyushu, NEC Semiconductors Kyushu will be reborn as a new company with 1,540 employees and estimated annual sales of 65 billion yen in fiscal year 2004 ending March 2005, and NEC Semiconductors Kyushu will allocate all its new shares to NEC Electronics, the parent company of NEC Yamaguchi. The new company, yet to be named, will specialize in assembly and testing of leading-edge packages such as system-in-package (SiP) and high-pin-count packages including flip-chip ball grid array (FCBGA). NEC Yamaguchi currently has both front-end (fabrication) and back-end operations, and will intensify its focus on front-end operation after this reorganization. As a result of the establishment of the new company, back-end production in Japan at NEC Electronics will be undertaken by only two subsidiaries, the new company and NEC Fukui, Ltd., which will further accelerate operational efficiency improvement at the company.

"Since the foundation of the company in November 2002, NEC Electronics has been evolving as an independent entity apart from NEC Corporation, with one of the main steps being the IPO in July 2003," said Kyoji Yamamoto, Executive Vice President and Member of the Board, NEC Electronics Corporation. "We also have been striving to increase our competitive edge in the fiercely competitive global market by promoting management reform as well as structural reorganization. A recent example of timely and effective reform includes the sale of the Takahata plant, handling assembly and testing operations of NEC Yamagata, enabling NEC Yamagata to focus on front-end production. Our goal with this reorganization is to further pursue efficiency in management and operations to serve our customers better."

An overview of the new companies can be found in the attachment to this press release.

### **About NEC Electronics Corporation**

NEC Electronics Corporation (TSE: 6723) specializes in semiconductor products encompassing advanced technology solutions for the high-end computing and broadband networking markets, system solutions for the mobile handsets, PC peripherals, automotive and digital consumer markets, and platform solutions for a wide range of customer applications. NEC Electronics Corporation has 24 subsidiaries worldwide as of April 1, 2004 including NEC Electronics America, Inc. ([www.necelam.com](http://www.necelam.com)) and NEC Electronics (Europe) GmbH ([www.ee.nec.de](http://www.ee.nec.de)). For additional information about NEC Electronics worldwide, visit [www.necel.com](http://www.necel.com).

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**<Attachment>**

**Overview of the New Company to Be Established in Sagamihara**

1. Name: To be decided
2. Location of headquarters: To be decided
3. Representative: To be decided
4. Establishment: July 1, 2004 (Planned)
5. Stock capital: To be decided
6. Employees: Approx. 1,300
7. Sales: Approx. 22 billion yen (Fiscal year 2004 ending March 2005, forecast)
8. Major operations:
  - 1) Prototyping services including advanced process fabrication
  - 2) Mass production related services such as establishment of new process line and contract production
  - 3) Equipment related services such as development, sales, and maintenance of equipment and components

**Overview of the New Company to Be Established through Integration of NEC Yamaguchi's Back-End Operations and NEC Semiconductors Kyushu**

1. Name: To be decided
2. Location of headquarters: Yanagawa City, Fukuoka Prefecture, Japan
3. Representative: To be decided
4. Establishment: October 1, 2004 (Plan)
5. Stock capital: To be decided
6. Employees: Approx. 1,540
7. Sales: Approx. 65 billion yen (Fiscal year 2004, ending March 2005, forecast)
8. Major operations:

Assembly and testing of leading-edge packages including SiP and FCBGA

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