

NEC Electronics Management Policies

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President and CEO

November 21, 2005

Thank you very much for attending our meeting today.

Today's presentation is designed to give you a brief overview of the company's new management policies since I became CEO on November 1st. It still needs to be refined, but I wanted to share my thoughts with you now at this stage.



First and foremost, I would like to say that we are dedicated to improving the management efficiency of the company, making every effort to return to profitability by next fiscal year and achieve double-digit profits in the very near term.

To be profitable next year, we must take immediate steps to

- Keep resources, such as those we use for outsourcing to foundries, within the company as much as possible**
- Re-evaluate and reduce fixed costs, and**
- Ensure more sales, by carefully following up on business opportunities**

Specifically, we will reduce outsourcing costs, lowering the variable cost ratio by 2 percent, or approximately 10 billion yen. We will also reduce fixed costs by approximately 10 billion yen. However, lowering costs alone is not enough to achieve profitability; the most important factor in improving profits is the increase of customer orders and sales.

From the second half of this fiscal year, we will work even more closely with our distributors to increase orders and sales, and aim to boost sales to above industry averages next year. However, until we announce our financial outlook in April 2006, we will evaluate just how much we are able to improve profits as a result of these efforts.

Our target is to achieve double-digit operating profit margin within 2 or 3 years.

Next, I would like to explain how we plan to achieve these short-term and mid-term goals in more detail.

- I. Issues currently faced,
and steps to resolve them

- II. New management policies

Let me now explain how we view our current management goals, and how we plan to take action to achieve the goals outlined in the previous slide.

I. Issues currently faced,
and steps to resolve them

First, our understanding of the issues we currently face.

Declining sales and deteriorating profit margins

1. Stagnant growth in Japanese market, and too few customers in global markets
2. Lack of strong, competitive product lines
3. Lagged in development of leading edge process technologies; lacked focus on analog technologies
4. Low fab utilization rates, resulting in high production costs

NEC Electronics' financial performance has worsened due to declining sales and deteriorating profit margins. The surface reason for the decline in sales was the downturn of markets, but the underlying reason was that our products were not competitive enough.

From a sales standpoint, the Japanese semiconductor market fared poorly, but even within that market, we were unable to increase market share. In overseas markets, especially Asian markets, we did not win enough new customers or business.

From an R&D standpoint, we did not invest enough in leading edge process technology and analog technologies needed to develop strong new products, and there remain challenges with product development, which contributes to sales and profits.

From a manufacturing standpoint, fab utilization rates are declining, and we face serious challenges in maintaining cost competitiveness.

1. Further sales in Japan and increase overseas sales

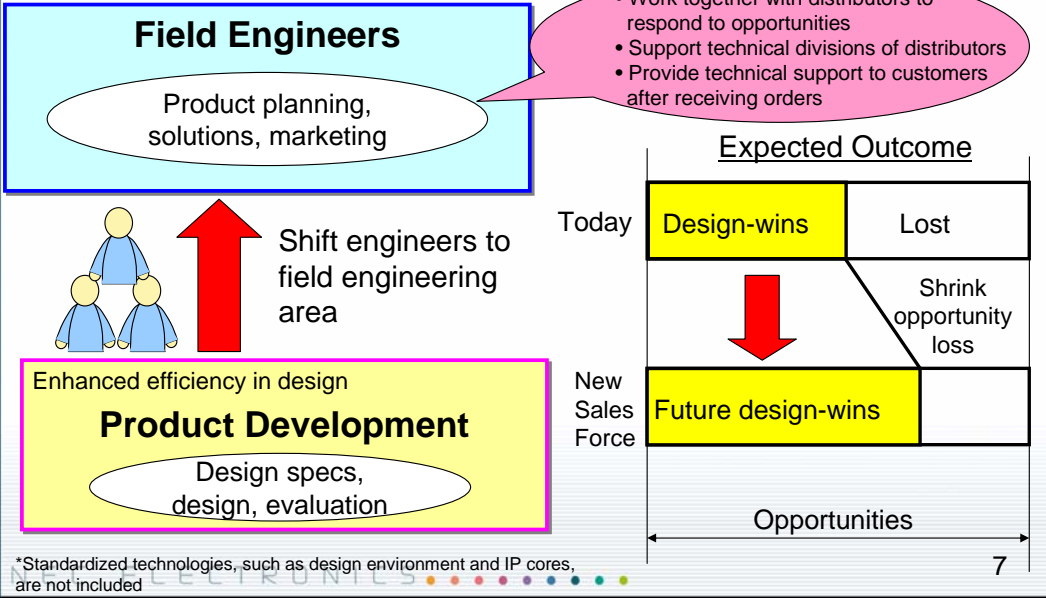
Now let me explain each of these challenges, and our actions to tackle them, in greater detail.

First, our challenge to improve stagnant sales in the Japanese market, and to address the current sales ratio, which relies heavily on domestic sales.

Increase Orders with More Field Engineers



With enhanced efficiency of design platform, bolster front-line technical resources



To increase sales and market share in our existing domestic market, we are in the process of shifting our excess resources in technology to the sales front. This measure to increase our corps of field application engineers who can provide direct support to customers, together with our distributors, should lead directly to an increase in design wins.

One main reason for the slow sales was the large number of lost opportunities, which despite having been identified by our distributors, we lacked the technical resources at the front lines to handle.

However, we plan to improve this situation by shifting some of our technical resources to the front lines. We have worked for the last two years to standardize product development in order to improve efficiency. Now that the results of this standardization are beginning to show, we will shift some technical resources to support the sales force.

We transferred several hundred employees this month, and will continue to allocate our human resources to expand sales as our top priority.



Shift Resources to Smaller-Size Accounts

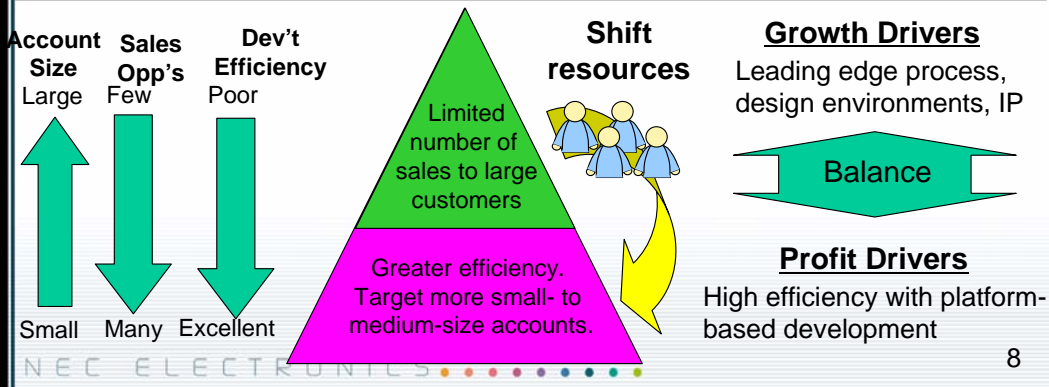
Before: Excessive allocation of resources to large customers



Good	Prospective sales: large
	Drive advanced technologies
	Large investment, long development times
Bad	Risk from lost or cancelled orders



Now Shift resources to small- and mid-size accounts, with more efficient development and plenty of business opportunities

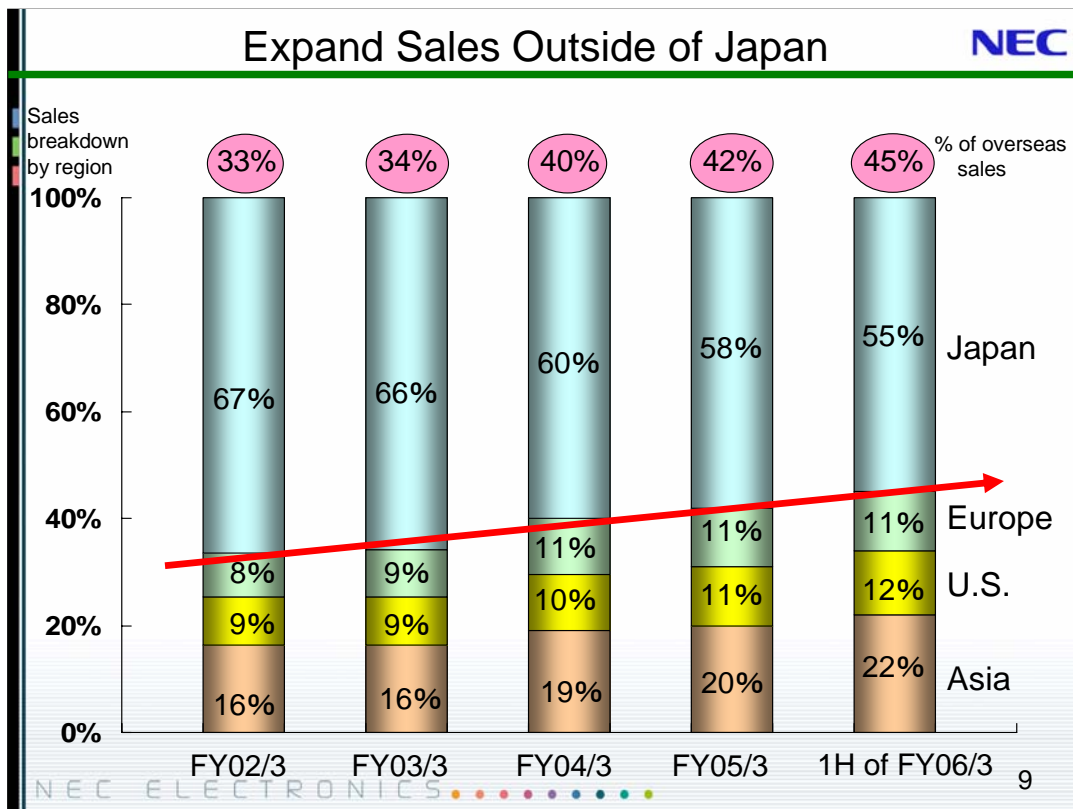


We are particularly focusing on shifting resources to small and mid-size accounts, from larger customers.

Large design opportunities have the potential for large sales, but use considerable resources from the time the order is received to manufacturing, and can be unprofitable at times.

On the other hand, small- to mid-size opportunities can more easily utilize the advantages of platform-based design, and therefore everything from order-in to shipment can be handled by a smaller number of personnel.

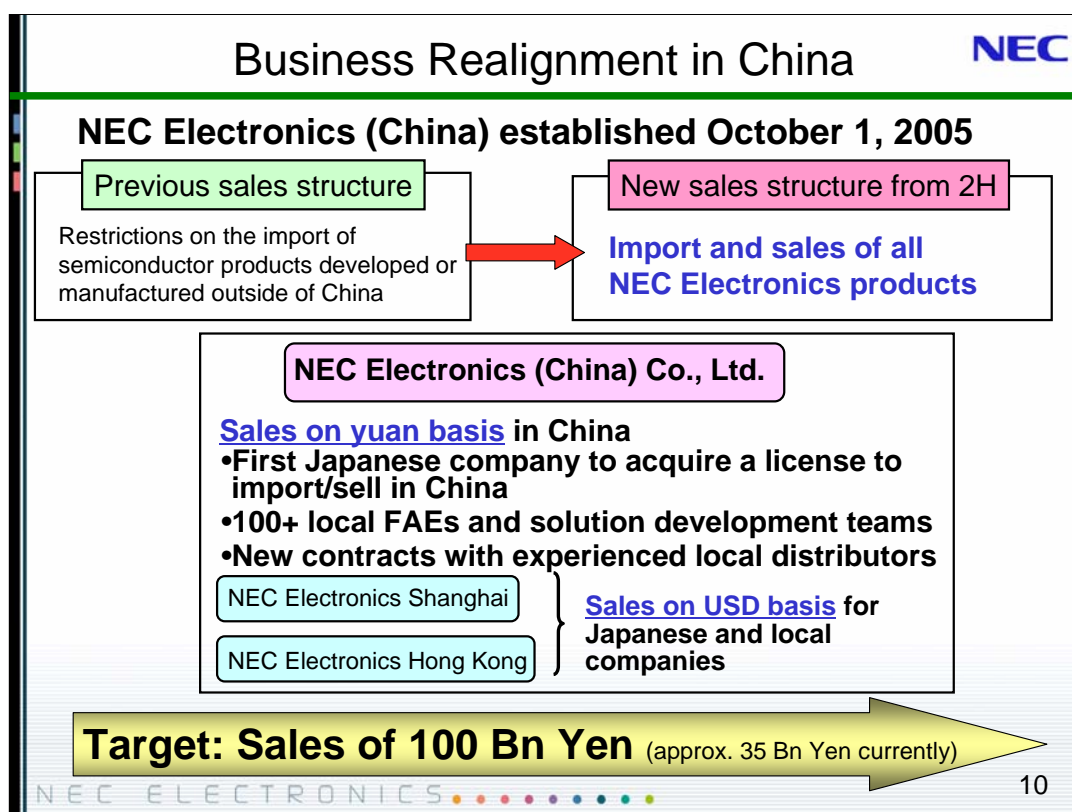
Therefore, we will shift our human resources to concentrate on these small- and mid-size opportunities, and optimize the use of our personnel to improve sales and profits.



Another issue we need to address is the current sales ratio, shown on slide 9, which relies heavily on domestic sales.

As shown on the graph, the overseas sales ratio has been increasing steadily over the past years, but we are still far from achieving our IPO target of 50% or more sales outside of Japan, and we expect another 2 to 3 years to achieve the goal. We are aware that we must expand overseas sales beyond the targeted 50% in order to attain sustainable revenue growth.

Having experienced a harsh blow from the stagnant Japanese market, we will join the global race more aggressively to gain revenue outside of Japan, particularly focusing on the rapidly-growing Asian markets.



The key to increasing overseas revenue is to expand business in China, as we will discuss on the next slide.

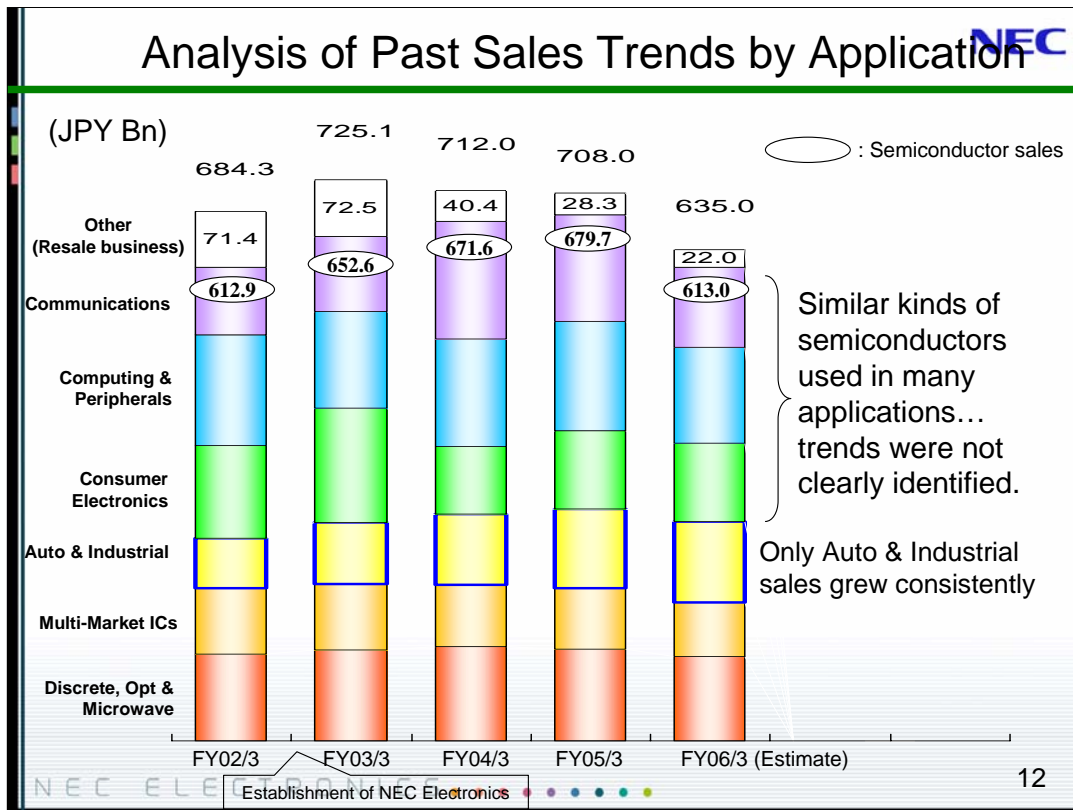
Currently, sales for the Chinese market represents about 5% of total revenue, which is significantly smaller than our competitors.

This is mainly due to a lack of analog products and discrete components for consumer electronics. However, we will establish a presence in the Chinese market by selling products such as MCUs and by developing products targeting the Chinese market, aiming to attain 100 billion yen in sales in China alone, in 5 years time.

To this end, we established a wholly-owned company in China and began sales on October 1st. NEC Electronics (China) is the first Japanese company to acquire a license to import and sell semiconductor products designed or manufactured outside of China. We believe the newly established company plays a very important role in expanding business in China.

2. Develop stronger products

Next, I will discuss our measures to develop stronger products.

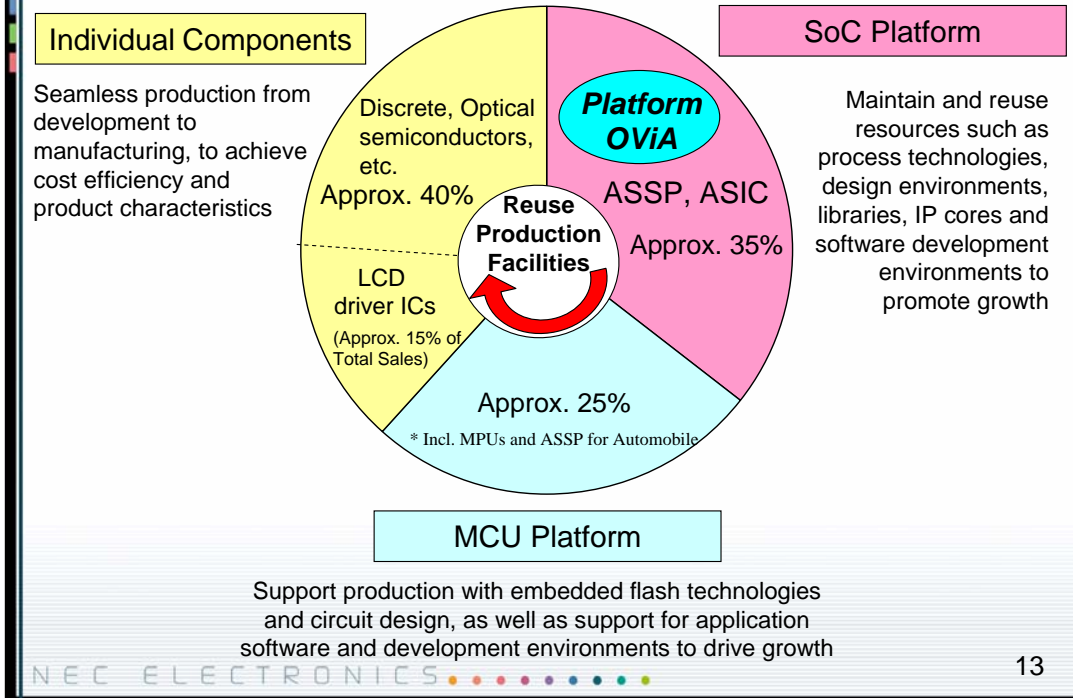


The graph on page 12 shows the company's past sales trends by application. Although the area of Automotive and Industrial showed consistent growth, everywhere else, sales patterns were inconsistent, and it was difficult to assess trends.

The reason for this was that similar types of products were sold across many different application areas. The trends that were apparent when viewed by product type, became difficult to see when spread out across several application types.

Take, for example, display drivers. There are large LCD driver ICs for personal computers, in the Computing and Peripherals segment, small LCD driver ICs for mobile phones in the Communications segment, and PDP drivers for televisions in the Consumer Electronics segment. However, it is much more clear and efficient to develop a strategy for "display drivers" as a whole.

Reinforce Competitiveness by Platform

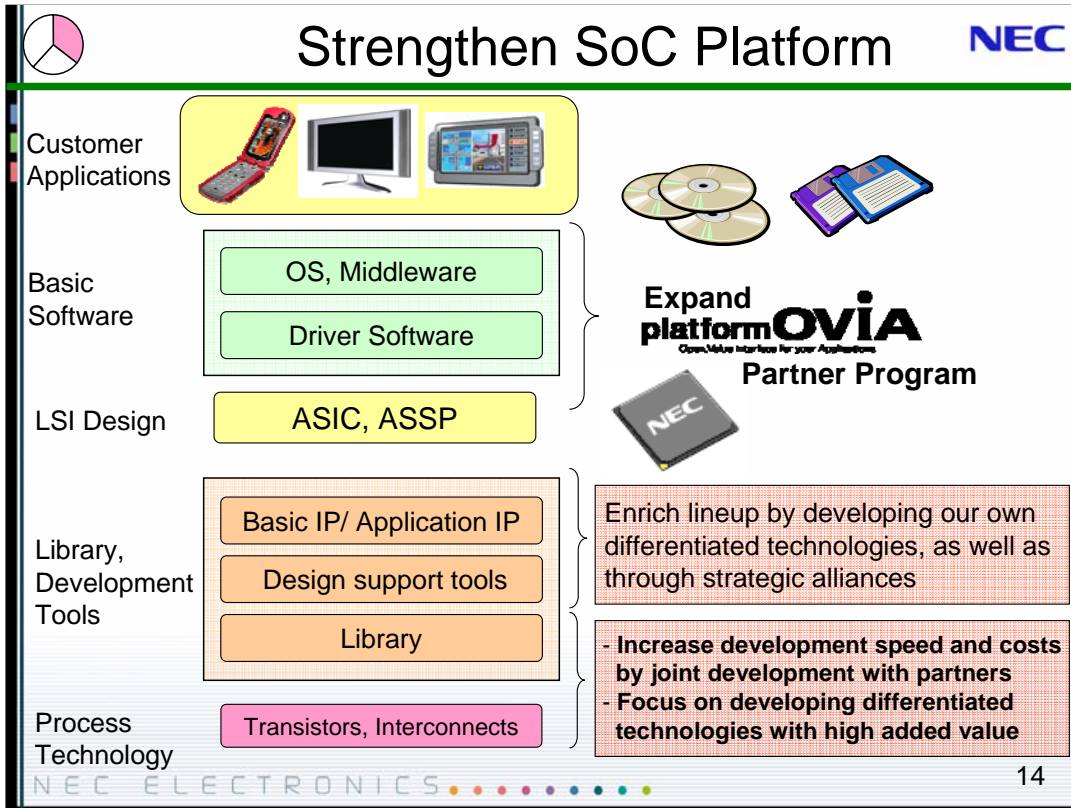


The illustration on the next page shows a re-categorization of our products, according to product type.

We have divided our products into three segments:

- The SoC platform, which includes ASSP standard products such as LSI chips for digital AV and mobile handsets, and ASICs as the basis for product design
- The MCU platform, which includes microcontrollers, and
- Individual Components, which includes LCD driver ICs and discrete components.

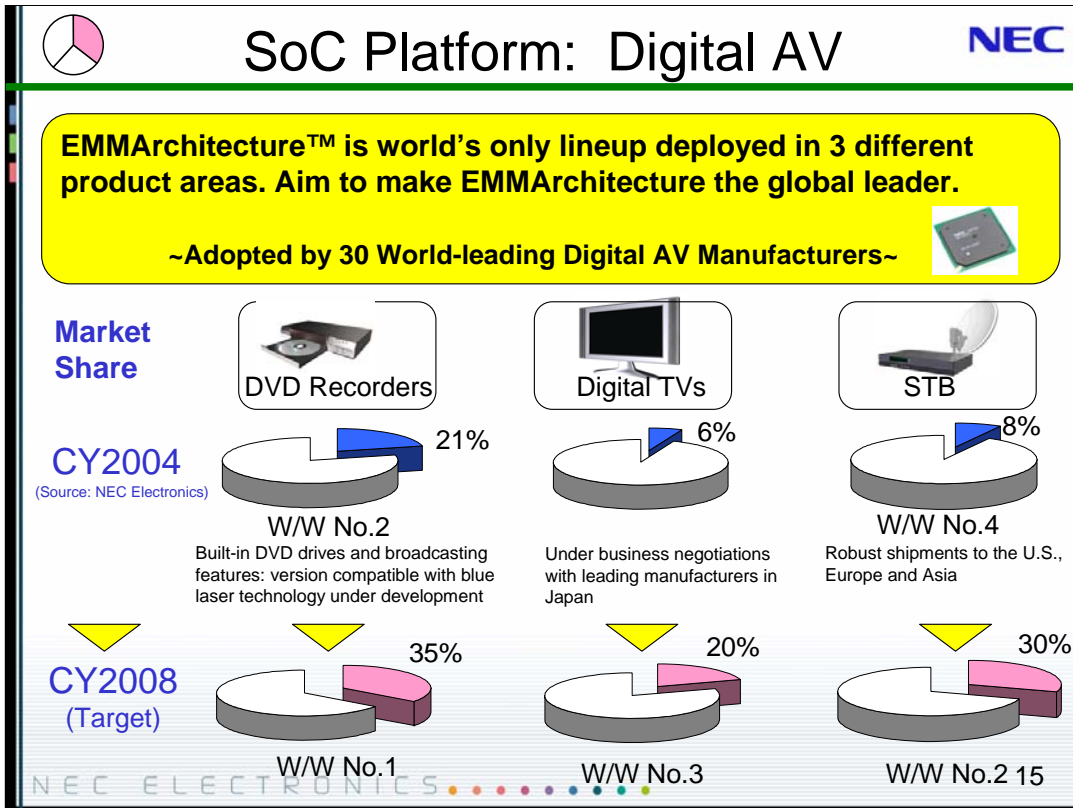
When considering development costs, or sales strategies, the products in each of these three platforms share common features. In the future we will develop strategies according to these platform types, and improve the competitiveness of our products.



The SoC platform on slide 14 is an LSI platform that includes everything from manufacturing process technology, libraries and CAD software, design support tools, IP cores, and basic software such as drivers and middleware.

Since ASICs and ASSPs, or standard products, utilize the same design platform, increasing sales and thereby increasing the rate of re-use for this platform is key to improving profits.

In addition to increasing sales, we will reduce the burden of development costs with joint process technology development, offer more design and technologies by leveraging the IP and technologies of partner companies, and expand the platformOVIA partner program with software vendors and system integration partners.



The EMMArchitecture series of digital image processors are one of the major product lines of the SoC Platform.

The EMMArchitecture series deploys C-language design environments where IP cores for digital image processing are integrated with extended flexibility. Thus, engineers are able to develop wide variations of products with different features in a short period of time, and secure high standard of quality at the same time.

The EMMArchitecture technology is used in various applications, such as DVD recorders, digital televisions and set top boxes. Additionally, it is easy to develop products compatible with various broadcast systems in different regions. The EMMArchitecture series offer the leading lineup of products in the industry.

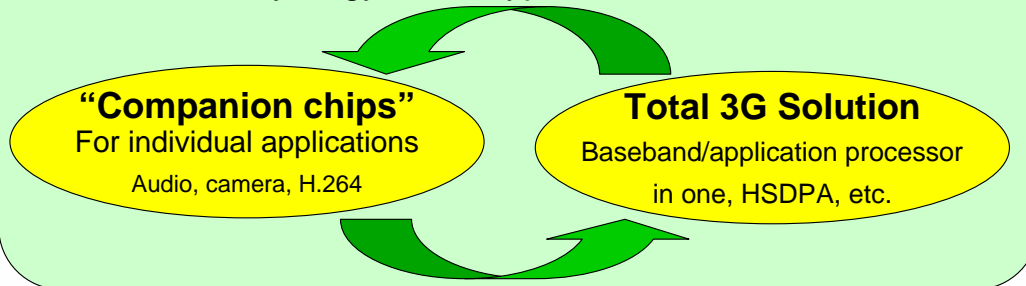
In terms of software, we can offer a variety of middleware and reliable OS environments, by implementing platformOViA. We set out to gain top shares in the DVD recorder, digital television and set box markets, by integrating our strengths in hardware and software development.



Complete lineup of mobile phone solutions
Aim to double worldwide sales by 2008



Increase design-in opportunities with
synergy of two types of solutions



platformOVIA
Open, Value Interfaces for your Applications

Solution integrating system, software, and LSI

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Mobile handsets, on slide 16, are a good example of how this SoC platform can be used.

Inside mobile phones, there are signal processing chips, as well as separate application chips for audio, camera and terrestrial digital television.

These individual application chips develop rapidly with the evolution of new mobile phone functions, and as these functions become standard, the trend is to integrate these functions into the signal processing chip.

To address this trend, we have developed separate application chips we call "companion chips", as well as a total 3G solution with integrated baseband and application processor, to appeal to mobile phone manufacturers worldwide and get more design wins.

We have just completed this integrated solution, and with the expansion of this platform, aim to double sales of mobile phone LSIs by 2008 (excluding LCD drivers and memory).



MCU Platform

NEC

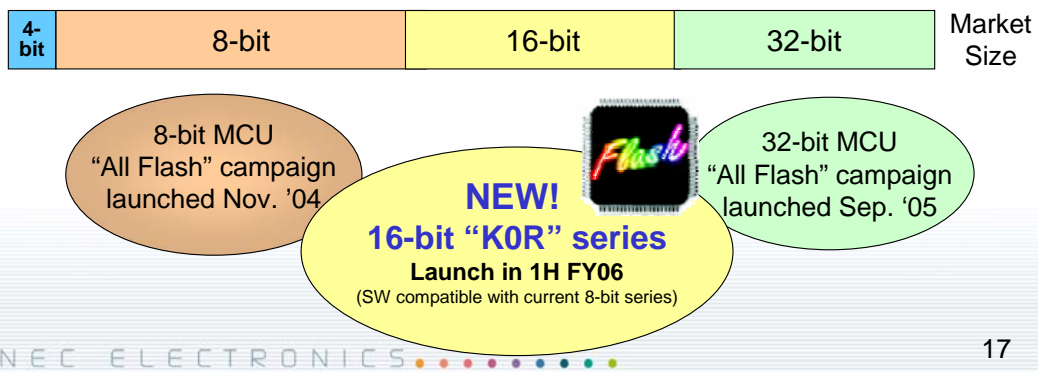
#1 supplier of 32-bit MCUs by 2006, with 20% market share

#2 as of 2004, with 18.1% market share*

#1 supplier of automotive MCUs by 2010, with 20% market share

#3 as of 2004, with 12.4% market share* *Source: Gartner Dataquest, April 2005, GJ05473

Increase share of multipurpose MCUs with expanded All Flash lineup



Next is our MCU platform.

In the area of MCU architectures, we will focus our business targets on market share, since there is a tendency for those with higher market shares to gradually win over those with lower market shares.

In the area of 32-bit MCUs, we intend to become the world's leading supplier, overtaking Freescale next year to earn the #1 spot.

In the area of automotive MCUs, we aim to become the #1 supplier by 2010 by increasing our share of products for powertrain and multimedia, as well as the high-growth area of body applications.

We also plan to capitalize on our large share of the 8-bit MCU market by introducing a new lineup of 16-bit products, which we had previously not addressed, which is compatible with our existing 8-bit software, and promote it actively to customers who find that the functions and performance of 8-bit solutions are not enough to meet their needs. We have high hopes for this new line, which we will introduce in the first half of fiscal year 2006.

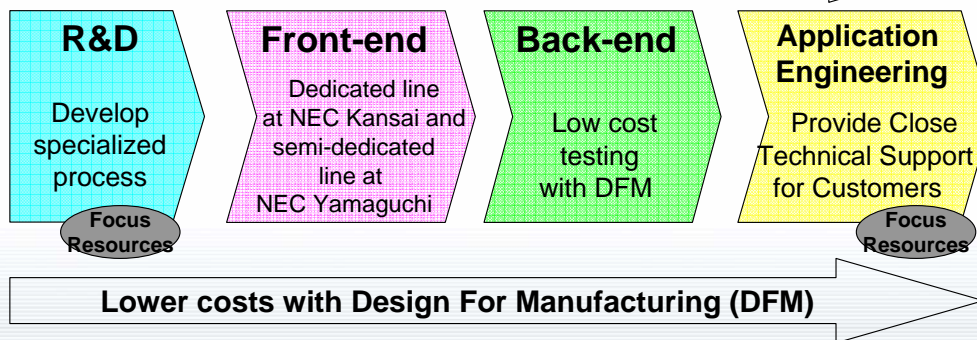


Individual Components: LCD Driver ICs

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Establish world's largest full value-chain for LCD driver ICs
Attain 20% global market share and enhance profitability
(approx. 15% global market share currently)

Thorough Supply Chain Management (SCM)



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In the area of Individual Components, LCD drivers will generate growth.

Although pricing competition is fierce for LCD driver ICs, these products can be manufactured using relatively old equipment, and with the need for high quality control, these are optimal products for the IDM business model.

Our rivals in this area are fabless companies in Taiwan with growing sales, but if we realign our LCD driver IC business, I believe we are in the position and have the capability to compete with Samsung in becoming the world leader in this area.

In the current fiscal year, we have seen a surge in demand for LCD driver ICs, and there were challenges such as increased reliance on foundries, and the high costs of back end production materials.

By restructuring our business, we will be able to activate our human resources in a more timely manner, and by maximizing use of our own manufacturing lines, LCD driver ICs will be key to helping improve sales and profits.

3. Strategic joint development with alliance partners

Thirdly, our strategies to accelerate development of advanced process technologies, where we have fallen behind our competitors.

Example 1: Alliance with Toshiba



(Announced November 9, 2005)

Topics	<ul style="list-style-type: none">• Joint development of 45nm process technology• Begin discussions on broader alliance
Goals	<ul style="list-style-type: none">• Share burden of development for leading edge system LSI technology
	<ul style="list-style-type: none">• Effectively use resources for process development<ul style="list-style-type: none">– Joint development of fundamental CMOS process is standard practice around the world– Consider collaboration on other technology generations in addition to 45nm node
	<ul style="list-style-type: none">• Improve management efficiency with comprehensive alliance<ul style="list-style-type: none">– Consider possibility for shared design platform– Also consider collaboration in manufacturing

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One important step is our alliance with Toshiba, which we announced a few weeks ago.

Toshiba and NEC Electronics have agreed to collaborate on the development of process technology for the 45-nanometer (nm) generation. We have also begun to discuss a comprehensive agreement.

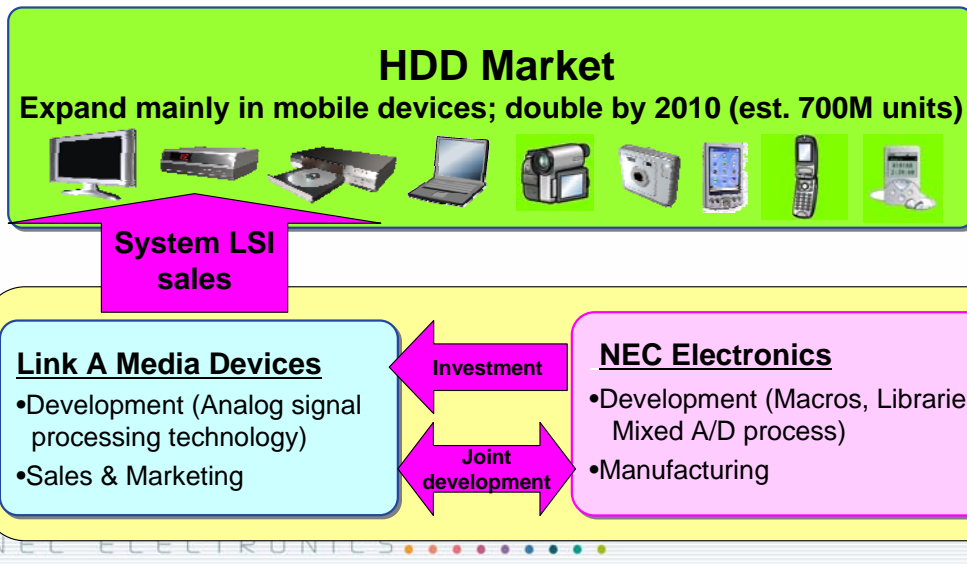
It is common in the semiconductor industry worldwide to collaborate on process technology development, but it was a bold decision for NEC Electronics, where we have historically valued in-house development.

We have only begun discussing the comprehensive agreement, but we believe it will bring great merits to both Toshiba and NEC Electronics.

Example 2: Alliance with Link A Media Devices NEC

(Announced November 8, 2005)

Target growing HDD market, aim for 20% share in 2010



We also recently announced an important alliance with Link A Media Devices, an American fabless company, which is important in terms of our growth strategy.

Link A Media Devices and their engineering team have strong analog technologies, such as advanced read channel, a technology for hard disk drives.

By combining Link A Media's strength in analog technologies with our circuit technologies and 90 nanometer process technologies, we will target a 20% share in the rapidly growing market for hard disk drives.

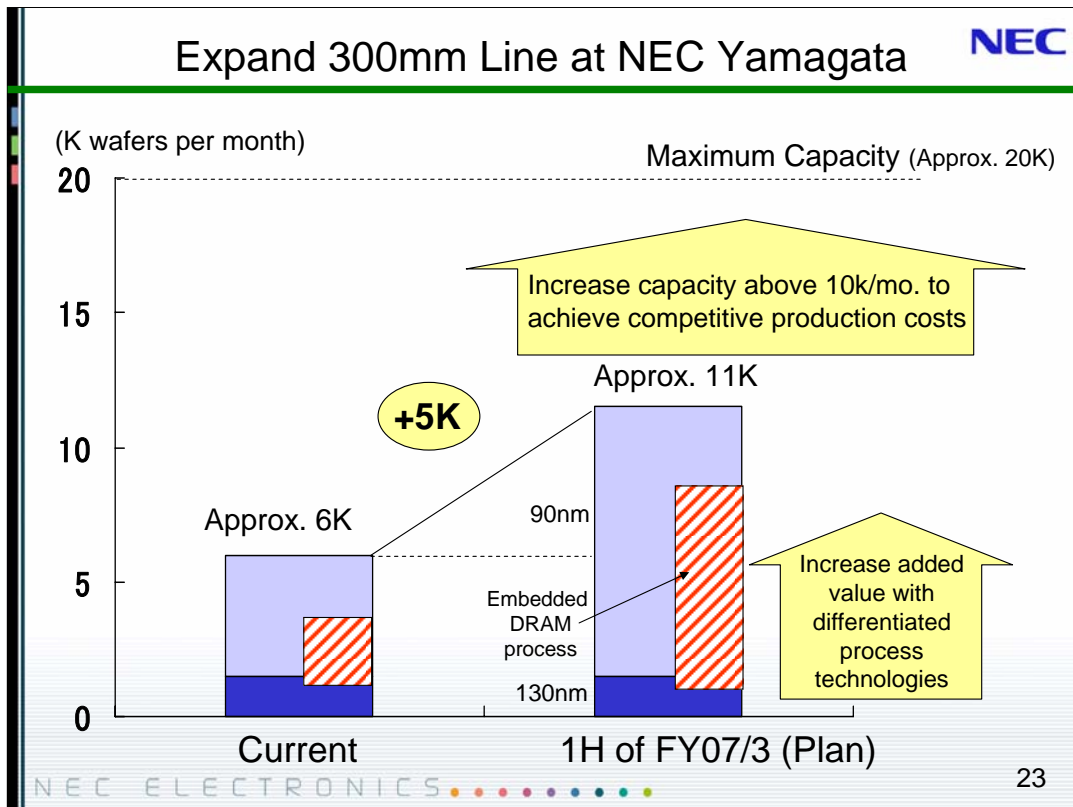
The use of strategic alliances is one of the pillars for our growth strategy. To this end, we will continue to seek alliances with companies that have strong technologies and IP cores, particularly venture companies in the United States and Europe that have strong analog technologies

4. Measures to curb high costs by reducing cost of goods sold

The last issue I would like to address today is the high cost of manufacturing.

To lower costs, we have in mind three measures:

- 1) Improve cost performance for advanced process lines for front-end production**
- 2) Lower costs for the existing 200mm lines**
- 3) Improve variable cost ratio by cutting materials costs.**



The graph on slide 23 shows production capacity for the 300mm line at Yamagata.

We received advice that our production capacity was low despite large investments, and in actuality, increased depreciation and leasing expense from launching the 300mm line decreased profits this fiscal year.

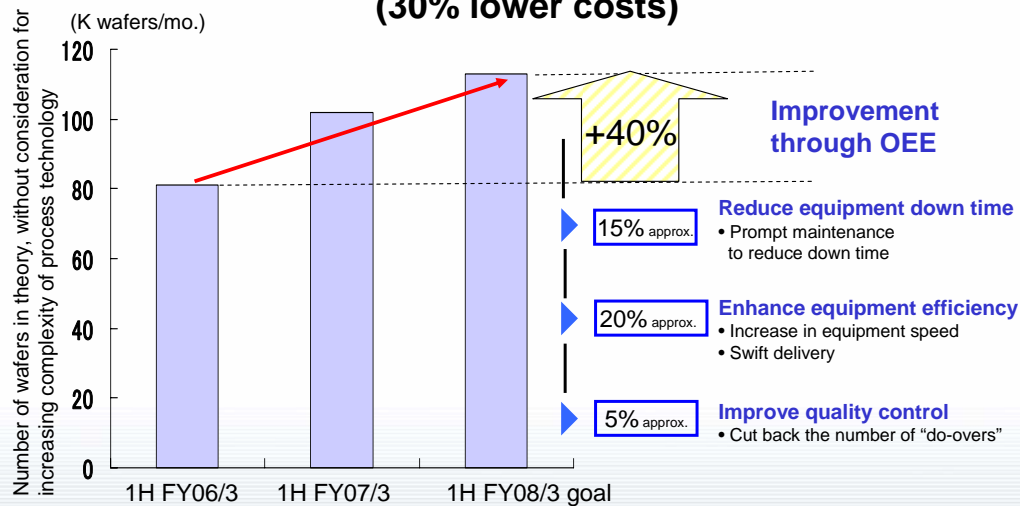
However, last month we purchased equipment to boost capacity by 5,000 wafers per month, and by the first half of next fiscal year, we expect 300mm production at Yamagata to exceed 10,000 wafers per month, with a substantial portion in 90 nanometer embedded DRAM.

The performance of NEC Electronics' embedded DRAM is unmatched by Taiwanese foundries, leading to large orders from fabless companies. As production capacity ramps up to more than 10,000 wafers per month, our cost competitiveness is increasing, and the 300mm line should begin contributing to profits.

Increase Capacity at Existing 200mm Lines

Expand production capacity through improvements without additional investment

**40% increase in production capacity in 2 years
(30% lower costs)**

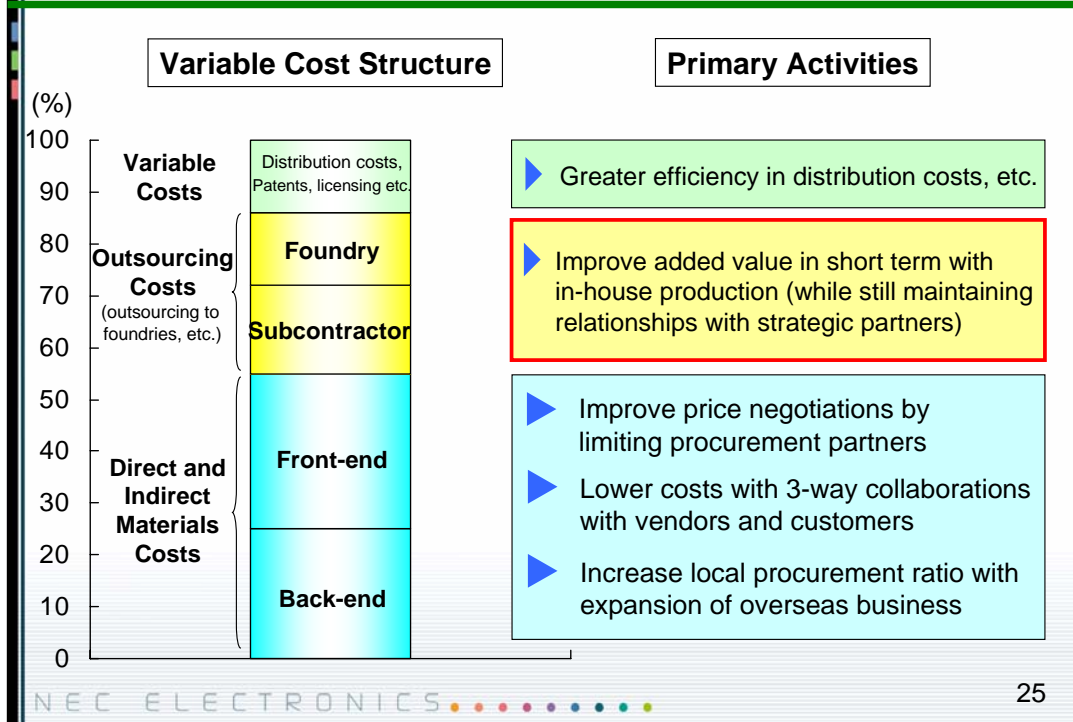


For the existing 200mm lines, as shown here on slide 24, we will boost capacity not with capital investment, but by improving productivity.

We had already seen positive results from innovations in production, especially at existing 6-inch lines. However, for 8-inch lines, particularly the 8-inch line at NEC Kyushu, it became clear that implementing OEE methods would bring significant improvements in manufacturing efficiency by increasing the actual time that equipment is being used, and we therefore expect to boost capacity by 40% in the next 2 years.

By calculation, a 40% increase in production capacity would lower costs for front-end production by 30%, so the improvement of our existing 8-inch lines will have a significant impact on profits.

Reduce Variable Costs



One of the major issues we face, as explained during the presentation of financial results for the first half, is variable costs. The chart on slide 25 shows a breakdown of our variable costs, and how we will improve each of them.

Increasing in-house production is the most effective way to improve variable costs in the short term, but in the long run, we must carefully consider how to reduce materials costs, since foundries are important partners in manufacturing.

To bring down materials costs does not simply mean negotiating with materials vendors for pricing. It involves working with customers and materials vendors to find the best solution to lower costs. We will implement 3-way collaborations with customers and vendors, to lower materials costs in the longer term.

II. New Management Policies

Finally, let me summarize the issues, and the steps we are taking to resolve them.

Summary of New Management Policies **NEC**

NEC Electronics will make every possible effort to be back in the black by next fiscal year (March 2007), aiming for double-digit profits in the very near term

1. Improve profits by increasing customer orders and sales

⇒ Increase global sales with stronger marketing and sales

2. Develop product development and marketing strategies by platform

⇒ Improve product performance with platforms, increasing sales and shares

3. Proactively utilize strategic alliances

⇒ Utilize strategic alliances flexibly to help save resources for growth

4. Implement measures to reduce costs, improving fixed and variable costs

⇒ Cut fixed costs and ramp up production capacity, improving variable costs

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Slide 27 shows a summary of our new management policies.

NEC Electronics will make every effort to return to the black by next fiscal year, and achieve double-digit profits as quickly as possible.

To achieve these goals, we must increase orders and sales volumes. We will strengthen relationships with distributors, fortify our sales force with more field engineers, and enhance our presence in the global market.

We will develop strong products within our SoC, MCU and Individual Components platforms that can achieve No.1 global market share, driving revenue growth and profitability.

We will pursue strategic alliances, and restructure our business model in the mid-term. Instead of attempting to do everything by ourselves, which would use significant resources and severely limit growth, we will consider alliances that will be beneficial for growth.

Lastly, to maximize profits from new customer orders and sales, we will reduce fixed costs, while simultaneously boosting production capacity, and lower variable costs by taking steps to decrease materials costs.

Thank you very much.

I would like to conclude today's presentation by offering my sincere gratitude to all of our various stakeholders. Your opinions are very valuable to us.

I especially look forward to hearing recommendations from investors and analysts, so we can reflect these in our business operations, and transform NEC Electronics into a more dynamic company.

Thank you very much for joining us today, and for your continued support of NEC Electronics.

CAUTIONARY STATEMENTS:

The statements in this presentation with respect to the plans, strategies and forecasts of NEC Electronics and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results could differ materially from such forward-looking statements due to several factors. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, general economic conditions in our markets, which are primarily Japan, North America, Asia and Europe; demand for, and competitive pricing pressure on, our products and services in the marketplace; our ability to continue to win acceptance of its products and services in these highly competitive markets; and movements in currency exchange rates, particularly the rate between the yen and the U.S. dollar. Among other factors, a worsening of the world economy; a worsening of financial conditions in the world markets, and a deterioration in the domestic and overseas stock markets, would cause actual results to differ from the projected results forecast.

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NEC Electronics Corporation